

## Advanced Petroleum Company (APPC) - 1Q22 Result Review

Date: 10-Apr-21

Previous Recommendation: **Hold**

**Hold**

Fair Value (SAR): **65.200**

Previous Reco. & Date:

TP: SAR 65.2 per share; Hold on 23-Jan-2021

Upside / (Downside): -11%

Analyst: Ayisha Zia



### Topline beats estimates by 18.5%

Advanced revenue stood at SAR 866.0 million in 1Q22, increasing 37.1% YoY (+4.3% QoQ). This is higher than our estimate of SAR 730.8 million mainly led by increase in sales volume by 35% YoY

### Operating profit for 1Q22 missed our estimate by 5.7% despite increase in sales volume

Operating profit for Advanced stood at SAR 182.0 million in 1Q22, increasing 11.3% YoY (-2.2% QoQ). This is below our estimates of SAR 193.0 million led by increase in propane and outsourced propylene prices by 40% YoY & 27% YoY respectively along with increase in logistic costs by 188% YoY.

### Net profit in 1Q22 below our estimate by 6.2%

Net profit for Advanced in 1Q22 declined by 4.3% YoY (+3.8% QoQ) to SAR 164 million triggered by increase in raw material and operating costs. This was further pulled down by SAR 15 million during the quarter due to loss on investment in SK Advanced compared to a profit of SAR 16 million during the same period last year. On quarterly basis, increase in net profit was buoyed by decrease in raw material cost (propane) by 9% QoQ, increase in sales volume by 7% QoQ along with reduction in losses on SK Advanced investment to the tune of SAR 11 million

Income Statement	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	YoY (%)	QoQ (%)	Var (%)	FY20	FY21	YoY (%)
(SAR mn)												
Sales	631.7	768.8	805.3	905.1	866.0	730.8	37.1%	-4.3%	18.5%	2,231.4	3,111.3	39.4%
COGs	(424.3)	(438.7)	(535.3)	(660.1)	(655.0)	(500.6)	54.4%	-0.8%	30.9%	(1,502.1)	(2,052.4)	36.6%
Gross profit	207.5	330.1	270.0	245.0	211.0	230.3	1.7%	-13.9%	-8.4%	729.2	1,058.9	45.2%
Operating profit	163.5	283.9	231.3	186.0	182.0	193.0	11.3%	-2.2%	-5.7%	592.5	864.7	45.9%
PAT	171.4	264.6	217.8	158.0	164.0	174.9	-4.3%	3.8%	-6.2%	595.6	815.4	36.9%
Balance Sheet												
(SAR mn)												
Shareholders' Equity	3,343	3,701	4,216	3,734	3,872	3,819	15.8%	3.7%	1.4%	3,419	3,734	9.2%
Key Ratios												
Gross profit margin	32.8%	42.9%	33.5%	27.1%	24.4%	31.5%				32.7%	34.0%	
Operating profit margin	25.9%	36.9%	28.7%	20.5%	21.0%	26.4%				26.6%	27.8%	
Net profit margin	27.1%	34.4%	27.0%	17.5%	18.9%	23.9%				26.7%	26.2%	
RoE	21.9%	33.6%	23.9%	16.9%	18.4%	20.1%				17.6%	22.8%	

Source: Financials, Bloomberg, U Capital Research

## Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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