

Market Data	
52-week high/low	SAR 13.44 / 6.77
Market Cap	SAR 12,210 mln
Shares Outstanding	1,500 mln
12-month ADTV	5,669,253
Bloomberg Code	KAYAN AB

■ Plant Shutdowns, Market Conditions Exacerbate Losses

April 28, 2020

Upside to Target Price	10.6%	Rating	Neutral
Expected Dividend Yield	0.0%	Last Price	SAR 8.14
Expected Total Return	10.6%	12-mth target	SAR 9.00

SAUDI KAYAN	1Q2020	1Q2019	Y/Y	4Q2019	Q/Q	RC Estimate
Sales	1,888	2,544	(26%)	2,260	(16%)	1,943
Gross Profit	(221)	266	-	229	-	(89)
Operating Profit	(351)	98	-	40	-	(243)
Net Profit	(517)	(197)	162%	(167)	209%	(444)

(All figures are in SAR mln)

- Sales continued to weaken in 1Q2020 owing to lower average selling prices and decrease in quantities sold as a result of the scheduled periodic maintenance during Feb 2020. MEG prices declined -6% Q/Q and -17% Y/Y, PE prices fell -3% Q/Q and -22% Y/Y.
- Gross and operating margins turned negative during the quarter as the company cited higher average feedstock costs. Net loss was below our SAR (444) mln forecast and market expectations of SAR (353) mln. Accumulated losses currently stand at 8.1% of paid in capital.
- While topline came in below expectations, it remains resilient considering the plant shutdowns during the quarter and the tough market conditions. The big drop in interest rates is expected to significantly reduce financing costs in the following quarters which will help support Kayan's bottom-line as well as accelerate its debt repayment. The stock is trading below its book value of SAR 9.6 per share.

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■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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