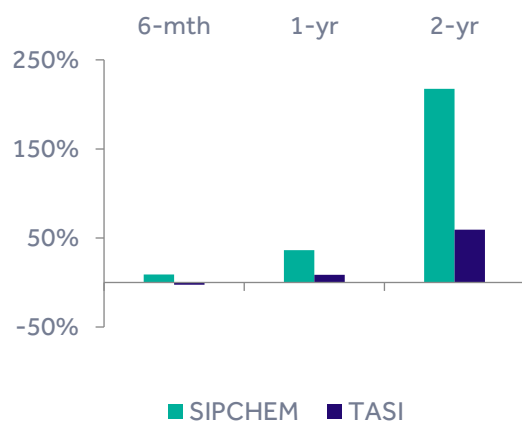


Market Data	
52-week high/low	SAR 60.00 / 31.85
Market Cap	SAR 33,990 mln
Shares Outstanding	733.3 mln
Free Float	88.95%
12-month ADTV	3,572,171
Bloomberg Code	SIPCHEM AB



Quarterly Revenue Crosses SAR 3bln

July 27, 2022

Upside to Target Price 27.3%
 Expected Dividend Yield 5.5%
 Expected Total Return 32.8%

Rating Buy
 Last Price SAR 46.35
 12-mth target SAR 59.00

SIPCHEM	2Q2022	2Q2021	Y/Y	1Q2022	Q/Q	RC Estimate
Sales	3,193	2,363	35%	2,410	33%	2,897
Gross Profit	1,679	1,478	14%	1,383	21%	1,550
Operating Profit	1,370	1,140	20%	1,148	19%	1,278
Net Profit	1,263	830	52%	1,079	17%	1,117

(All figures are in SAR mln)

- Sipchem revenues climbed to record levels, coming in at SAR 3.2 bln (+35% Y/Y, +33% Q/Q), in-line with our estimates. Product prices and sales volume increase positively impacted topline. The main drivers were VAM and EVA prices that went up by +11% and +21% respectively on a quarterly basis.
- Despite higher feedstock prices, the Company managed healthy gross profit although gross margins contracted to 52.6% versus 57.4% in the preceding quarter and significantly lower than 62.5% in 2Q2021. Gross profit increased by +14% Y/Y and +21% Q/Q to SAR 1.7 bln.
- As per management, gearing ratio decreased from 34% in 2021 to 26% at 2Q2022 end. Thus, finance costs decreased due to reduction of loans when compared with the same quarter of last year.
- Net profit came in at SAR 1.3 bln (+52% Y/Y and +17% Q/Q), in-line with our estimate of SAR 1.1 bln. Net margin expands to 39.6% for the quarter versus 35.1% for the same quarter last year.
- For 1H2022, Sipchem distributed dividends of SAR 1.75 per share, +133% higher than 1H2021. We are positive on the company's ability to manage the challenges. Thus, we maintain our target price of SAR 59.00 and Buy rating.

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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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