



RESULT ANALYSIS

Highest earnings since Q3 18

Saudi Kayan reported a strong Q4 20 results, with a net profit of SAR158mn vs a loss of SAR28mn in Q3 20 and a loss of SAR167mn in Q4 19. This is significantly higher than the NCBC and consensus estimates of SAR66mn and SAR27mn, respectively. We believe the variance is due to higher operating rates and selling prices. Based on our last update published in June 2020, we are Neutral on Kayan with a PT of SAR9.1. Since then, the stock recorded a strong rally of 74%. We await the full financials to update our PT and estimates.

- Revenues increased by +9.6% yoy (+17.6% qoq) to SAR2.5bn in Q4 20 and were higher than our estimates of SAR2.2bn. We believe the stronger than expected topline is attributed to better operating rates and/or higher selling prices. Based on our estimates, we believe operating rates stood at 112%, higher than our estimates of 101% and compares to Q3 20 of 110%. We believe the company might have also benefitted from the strong increase in PC prices in December 2020.
- Kayan reported a gross profit of SAR473mn vs SAR230mn in Q4 19 and SAR237mn in Q3 20. This is significantly higher than our estimate of SAR324mn. Gross margin stood at 19.1% and compared to our estimates 14.5%. We believe the expansion in margins is attributed to the strong topline performance and lower feedstock prices.
- Operating profit stood at SAR294mn, higher than our estimates of SAR155mn. Based on our calculations, SG&A stood at SAR179mn (7.2% of sales) vs our estimates of SAR168mn (7.5% of sales) and compared to Q3 20 of SAR157mn (7.4% of sales).
- In Q4 20, HDPE and PP increased by +14.0% yoy (+5.8% qoq) and +7.0 yoy (+12.4% qoq) to US\$972 and US\$1045, respectively. MEG prices declined -12.6% yoy (+8.8% qoq) to US\$492. PC prices reached a peak of US\$3,000 in Dec 2020 and averaged US\$2,506 during Q4 20, (+31.1% yoy and 40.7% qoq). PP-butane spread increased +16% yoy (+10.4% qoq) to US\$653.
- Kayan received additional allocations of ethane (maximum of 30 mmcf) by the Ministry of Energy, which will increase its total allocation to 80 mmcf. The additional allocation are subject to several conditions, which include 1) ethane availability and 2) expansion in conversion projects (downstream). We believe the additional allocation will provide a major cost saving of SAR300mn-SAR600mn as it might reduce butane usage.

Q4 20 Results Summary

SARm	Q4 20	Q4 19	yoy	Q4 20f	Var%	qoq(%)
(Revenues	2,477	2,260	9.6%	2,237	10.7%	17.6%
Gross income	473	230	105.6%	324	46.1%	99.9%
Gross margin (%)	19.1%	10.2%	891bps	14.5%	462bps	785bps
EBIT	294	40	640.7%	155	89.5%	268.8%
EBIT Margin (%)	11.9%	1.8%	1011bps	6.9%	494bps	808bps
Net income	158	(167)	NM	66	138.4%	NM
EPS (SAR)	0.11	(0.11)	NM	0.04	138.4%	NM

Source: Company, NCBC Research, ^ % Var indicates variance from NCBC forecasts

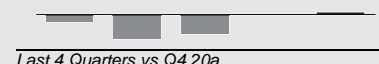
NEUTRAL

Price target (SR) 9.1

Current price (SR) 14.46

*PT last updated in June 2020

NET INCOME



Last 4 Quarters vs Q4 20a

STOCK DETAILS

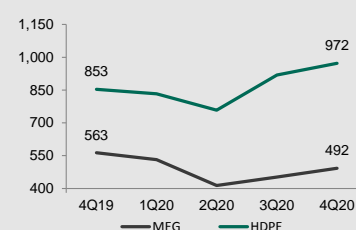
M52-week range H/L (SAR)	15/6.8
Market cap (\$mn)	5,784
Shares outstanding (mn)	1,500
Listed on exchanges	TADAWUL

VALUATION MULTIPLES

	19a	20f	21f
P/E (x)	NM	NM	NM
P/B (x)	1.5	1.6	1.6
EV/EBITDA (x)	14.3	27.1	15.4
Div Yield (%)	0.0	0.0	0.0

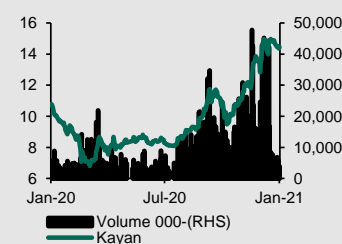
Source: NCBC Research estimates

KEY PRODUCTS PRICES



Source: Bloomberg

SHARE PRICE PERFORMANCE



Source: Tadawul

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NEUTRAL:	Target price represents a change in the share price between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

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