

Market Data	
52-week high/low	SAR 25.65/16.20
Market Cap	SAR 11,568 mln
Shares Outstanding	480 mln
12-month ADTV	172,282
Bloomberg Code	PETROCHAB

## PS Plant Write-off Turns Bottomline Negative

August 05, 2020

Upside to Target Price	7.9%	Rating	Neutral
Expected Dividend Yield	2.0%	Last Price	SAR 24.10
Expected Total Return	9.9%	12-mth target	SAR 26.00

Petrochem	2Q2020	2Q2019	Y/Y	1Q2020	Q/Q	RC Estimate
Sales	1,346	1,651	(18%)	1,515	(11%)	1,364
Gross Profit	(121)	452	-	250	-	273
Operating Profit	(243)	321	-	125	-	157
Net Profit	(189)	183	-	50	-	(99)

(All figures are in SAR mln)

- The company cited lower selling prices on a Y/Y and Q/Q basis as PP prices decreased -13% Q/Q and -27% Y/Y while PE decreased -10% Q/Q and -29% Y/Y.
- Gross margin contracted to -9% from 17% last quarter and 27% last year. Likewise, operating margin contracted to -18% from 8% last quarter and 19% last year.
- Net loss missed our forecast of SAR (99) million and market expectations of SAR (158) million as the permanent shutdown of the Polystyrene unit and the total depreciation of its value, impacted net income by SAR 254 million.
- The company's net debt reached a new milestone as their net debt fell just under SAR 1 bln in 2Q2020, with their debt/equity reaching 22%. FCF maintained its strength thanks to the ultra-low CAPEX.

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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](mailto:research@riyadcapital.com)

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