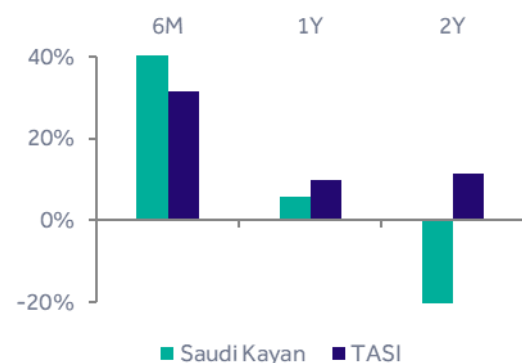


Market Data	
52-week high/low	SAR 12.18/6.77
Market Cap	SAR 16,440 mln
Shares Outstanding	1,500 mln
Free-float	65.00%
12-month ADTV	6,392,131
Bloomberg Code	KAYAN AB



Sales Volume Grows, Margins Expand

October 22, 2020

Upside to Target Price (13.3%)
 Expected Dividend Yield 0.0%
 Expected Total Return (13.3%)

Rating Neutral
 Last Price SAR 10.96
 12-mth target SAR 9.50

SAUDI KAYAN	3Q2020	3Q2019	Y/Y	2Q2020	Q/Q	RC Estimate
Sales	2,106	2,303	(9%)	1,537	37%	1,844
Gross Profit	237	380	(38%)	(71)	-	148
Operating Profit	80	201	(60%)	(215)	-	22
Net Profit	(28)	1	-	(398)	(93%)	(111)

(All figures are in SAR mln)

- Saudi Kayan revenues were upbeat for 3Q2020 at SAR 2.1 billion (+37% Q/Q) on the back of higher volumetric sales while net loss came in better than market expectations. Management has stated that average products prices have been lower Y/Y. MEG prices were down -12% Y/Y but up +6% Q/Q while polyethylene prices were down -4% Y/Y but up +24% Q/Q.
- Gross margin of 11% reversed the trend of negative gross margins for the first two quarters of 2020 but was lower than 16% in 3Q2019. Operating margin at 4% this quarter was also better than 1H2020 but lower than 9% in 3Q2019. Both financial charges and operating expenses have declined this quarter due to lower SAIBOR and better efficiencies respectively.
- Net loss of SAR (28) mln was better than our forecast of SAR (111) million and market expectations of SAR (172) mln and net margins were again slightly negative at (1%).
- On an improved outlook, we increase the target price from SAR 9.00 to SAR 9.50.

Muhammad Faisal Potrik
 muhammed.faisal@riyadcapital.com
 +966-11-203-6807

Shaykhah A. Al Dosari
 shaykhah.a.alDOSARI@riyadcapital.com
 +966-11-203-6812

الرياض المالية
 riyad capital

■ 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

Riyad Capital is a Saudi Closed Joint Stock Company with Paid up capital of SR 200 million, licensed by the Saudi Arabian Capital Market Authority NO.07070-37. Commercial Registration No: 1010239234. Head Office: Granada Business Park 2414 Al-Shohda Dist. – Unit No 69, Riyadh 13241 - 7279 Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.