

## 3Q22 Results Update

November 29, 2022

### Recommendation Overweight

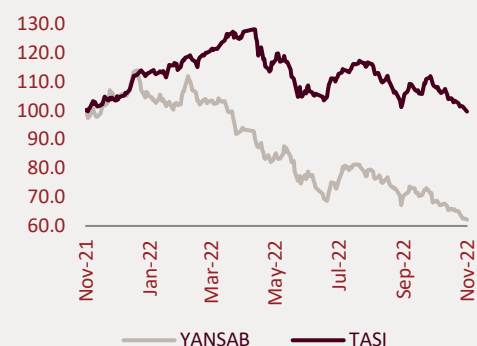
Previous Recommendation	Overweight
Current Price (SAR)	40.5
Target Price (SAR)	50.2
Upside/Downside (%)	23.5%

As of November 29, 2022

### Key Data (Source: Bloomberg)

Market Cap (SAR bn)	22.9
52-wk High (SAR)	75.5
52-wk Low (SAR)	40.2
Total Outstanding shares (in mn)	562.5
Free Float (%)	49.0%

### YANSAB vs. TASI (Rebased)



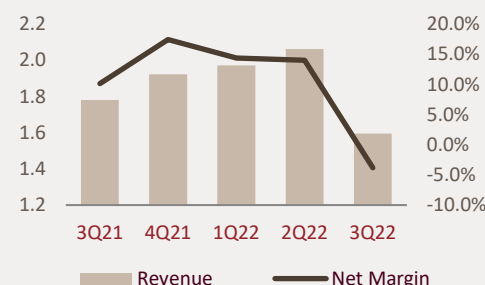
### Price Performance (%) Absolute Relative

Period	Absolute	Relative
1m	(9.0%)	(0.7%)
6m	(24.7%)	(10.5%)
12m	(37.8%)	(37.5%)

### Major Shareholders (%)

Saudi Basic Industries Corp	51.00%
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### Revenue (SAR bn) and Net Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital;  
Data as of November 28, 2022

### Increase in shipment and production input costs drag bottom line in 3Q22

Yanbu National Petrochemical Co. (Yansab)'s revenue declined 10.4% YoY to SAR 1.6bn in 3Q22, mainly due to low average preliminary sales prices of products. The decline was slightly offset by high production and sales quantity. Gross profit plunged 78.3% YoY to SAR 74.5mn in 3Q22 following a 5.9% YoY rise in cost of sales to SAR 1.5bn. Consequently, gross margin narrowed 1,464 bps YoY to 4.7%. Rise in general and administrative expenses offset the fall in selling and distribution expenses as the company reported an operating loss of SAR 46.0mn in 3Q22 against an operating profit of SAR 215.4mn in 3Q21. Consequently, operating margin stood at (2.9%). Low topline and rise in finance charges offset the rise in finance and other incomes and decline in zakat expense as Yansab reported a net loss of SAR 61.0mn in 3Q22 against a net profit of SAR 179.8mn in 3Q21. Consequently, net margin narrowed to (3.8%) during the quarter.

Yansab reported weak performance in 3Q22 as the company's topline slipped 10.4% YoY due to fall in selling prices of products, partially countervailed by a rise in volumetric sales. MEG prices stayed weak during the quarter which led to 22.6% QoQ decline in topline. Average sales prices declined 30% YoY and 23% QoQ, whereas sales volume rose 11% YoY and 22% QoQ. Additionally, rise in shipment cost and increase in production's input average cost increased cost of sales, leading to margin pressures. Consequently, Yansab's gross margin narrowed to 4.7% during the quarter from 19.3% in 3Q21. However, the company remains fundamentally strong, with a steady cash flow, and healthy historical dividend payout rates. Additionally, the company's debt-free balance sheet gives them a competitive edge in the current high interest rate scenario. Production cuts by OPEC+ are expected to keep oil prices elevated as EIA expects oil prices to average above \$100/b in FY22. Considering these factors, we maintain our "Overweight" rating on the stock.

- Yansab's revenue decreased 10.4% YoY to SAR 1.6bn in 3Q22, owing to decline in sales prices, slightly offset by an increase in production and sales volumes. Revenue fell 22.6% QoQ from SAR 2.1bn in 2Q22 due to low average preliminary sales prices for all products.
- Cost of sales soared 5.9% YoY to SAR 1.5bn due to high production input average cost and increase in shipment cost. Consequently, gross profit nosedived 78.3% YoY to SAR 74.5mn in 3Q22, whereas gross profit margin contracted to 4.7% in 3Q22 from 19.3% in 3Q21.
- The company reported an operating loss of SAR 46.0mn against operating profit of SAR 215.4mn in 3Q21, as low selling and distribution expense was offset by rise in general and administrative expenses. Subsequently, operating margin stood at (2.9%) in 3Q22 compared with 12.1% in 3Q21.
- A rise in finance and other incomes as well as a decline in zakat expense was countervailed by low topline and increase in finance charges. Consequently, the company reported a net loss of SAR 61.0mn in 3Q22 against a net profit of SAR 179.8mn in 3Q21; net margin stood at (3.8%) in 3Q22 against 10.1% in 3Q21.
- On QoQ basis, net income fell from SAR 288.5mn in 2Q22.

**Valuation:** We revise our target price to a fair value of SAR 50.2 per share but maintain our "Overweight" rating on the stock.

	3Q22	3Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	1,595.4	1,779.6	(10.4%)	7,493.5	7,407.7	1.2%
Gross Profit (SAR mn)	74.5	343.6	(78.3%)	1,273.9	2,154.3	(40.9%)
EBIT (SAR mn)	(46.0)	215.4	NM	757.1	1,650.9	(54.1%)
Net Profit (SAR mn)	(61.0)	179.8	NM	720.6	1,531.3	(52.9%)
EPS Basic (SAR)	(0.11)	0.32	NM	1.28	2.72	(52.9%)
Gross Margin (%)	4.7%	19.3%	(14.6%)	17.0%	29.1%	(12.1%)
EBIT Margin (%)	(2.9%)	12.1%	(15.0%)	10.1%	22.3%	(12.2%)
Net Profit Margin (%)	(3.8%)	10.1%	(13.9%)	9.6%	20.7%	(11.1%)

Source: Company Financials, Yaqeen Capital

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Yaqeen Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

**Overweight:** The Target share price exceeds the current share price by  $\geq 10\%$ .

**Neutral:** The Target share price is either more or less than the current share price by  $10\%$ .

**Underweight:** The Target share price is less than the current share price by  $\geq 10\%$ .

**To be Revised:** No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from Yaqeen Capital.

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