

## National Industrialization Company SJSC (Tasnee) - 1Q23 Results Review

Analyst: Neetika Gupta

Previous Recommendation: **Buy**

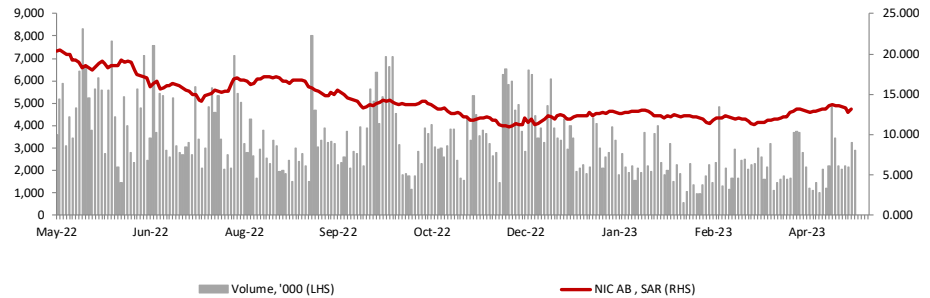
Target Price (SAR): **14.90**

Previous Reco. & Date: TP: SAR 14.90 per share; Buy on 26-Dec-2022

Upside / (Downside): 12.5%

Date: **07-05-2023**

|                              |             |
|------------------------------|-------------|
| Bloomberg Ticker             | NIC AB      |
| Current Market Price (SAR)   | 13.240      |
| 52wk High / Low (SAR)        | 20.86/10.84 |
| 12m Average Vol. ('000)      | 3,303.1     |
| Mkt. Cap. (USD/SAR mn)       | 2,361/8,856 |
| Shares Outstanding (mn)      | 668.9       |
| Free Float (%)               | 83%         |
| 3m Avg Daily Turnover ('000) | 26,493.4    |
| 6m Avg Daily Turnover ('000) | 34,263.9    |
| P/E'23e (x)                  | 6.8         |
| EV/EBITDA'23e (x)            | 8.9         |
| Dividend Yield '23e (%)      | 0.0%        |
| Price Perf. (1m/3m) (%)      | 1.8/8.2     |



### Revenue decline in Q1 2023 due to lower product prices

The company reported Q1 2023 revenue of SAR 888.7mn (-5.0% q-o-q), which was above U-Capital's estimate of SAR 783.3mn. The deviation from our estimate may have been mainly due to our forecast of lower sales volume. Additionally, the decrease in revenue compared to 4Q 2022 was primarily caused by lower average selling prices for most of the products.

### Gross and Operating profits below our estimates due to higher administrative expenses

The company's gross profit for the quarter was SAR 115mn, falling short of our estimated figure of SAR 195.8mn. Furthermore, the operating profit of SAR 161.5mn was lower than our estimated figure of SAR 363mn, and this deviation was primarily due to higher general administrative expenses.

### Net income lower than expected due to reduced other income and higher finance costs

The company's net income for the quarter was SAR 82.1mn, which was below our estimated figure of SAR 176.9mn. The deviation was mainly due to lower other income and higher net finance costs.

### Maintain target price

We believe that the petrochemical sector is oversupplied, and the addition of new capacity in China will continue to exert pricing pressure on the industry. As of now, we are maintaining our target price. However, we will revisit our estimate once detailed results are available and may come up with a revised rating if required.

| Income Statement                               |            |            |           |           |           |            |             |            |             |            |            |            |
|--|------------|------------|-----------|-----------|-----------|------------|-------------|------------|-------------|------------|------------|------------|
| (SAR mn)                                       | 1Q22       | 2Q22       | 3Q22      | 4Q22      | 1Q23      | 1Q23e      | YoY (%)     | QoQ (%)    | Var (%)     | FY22       | FY23       | YoY (%)    |
| Sales/Revenue                                  | 979        | 1,077      | 887       | 940       | 889       | 783        | -9%         | -5%        | 13%         | 3,883      | 3,495      | -10%       |
| Gross Profit (Loss)                            | 288        | 259        | 130       | 187       | 115       | 196        | -60%        | -39%       | -41%        | 864        | 446        | -48%       |
| Operating Profit (Loss)                        | 548        | 569        | 182       | 22        | 162       | 363        | -71%        | 641%       | -56%        | 1,262      | 1,417      | 12%        |
| <b>Net Profit attributable to shareholders</b> | <b>309</b> | <b>297</b> | <b>17</b> | <b>43</b> | <b>82</b> | <b>177</b> | <b>-73%</b> | <b>90%</b> | <b>-54%</b> | <b>666</b> | <b>798</b> | <b>20%</b> |
| Balance Sheet                                  |            |            |           |           |           |            |             |            |             |            |            |            |
| (SAR mn)                                       | 1Q22       | 2Q22       | 3Q22      | 4Q22      | 1Q23      | 1Q23e      | YoY (%)     | QoQ (%)    | Var (%)     |            |            |            |
| Shareholders' Equity                           | 9,423      | 9,531      | 9,527     | 9,615     | 9,704     |            | 3%          | 1%         |             |            |            |            |
| Key Ratios                                     |            |            |           |           |           |            |             |            |             |            |            |            |
|  | 1Q22       | 2Q22       | 3Q22      | 4Q22      | 1Q23      | 1Q23e      |             |            |             |            |            |            |
| EBITDA Margin                                  | 29%        | 24%        | 15%       | 20%       | 13%       | 25%        |             |            |             |            |            |            |
| Operating Profit Margin                        | 56%        | 53%        | 21%       | 2%        | 18%       | 46%        |             |            |             |            |            |            |
| Net Profit Margin                              | 32%        | 28%        | 2%        | 5%        | 9%        | 23%        |             |            |             |            |            |            |
| Return on Equity (RoE)                         | 13%        | 12%        | 1%        | 2%        | 3%        |            |             |            |             |            |            |            |

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research

For our earlier report on the sector, please [click here](#).

## Recommendation

|            |                       |
|------------|-----------------------|
| BUY        | Greater than 20%      |
| ACCUMULATE | Between +10% and +20% |
| HOLD       | Between +10% and -10% |
| REDUCE     | Between -10% and -20% |
| SELL       | Lower than -20%       |

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