

Yanbu National Petrochemical Co. (YANSAB) - 1Q22 Result Review

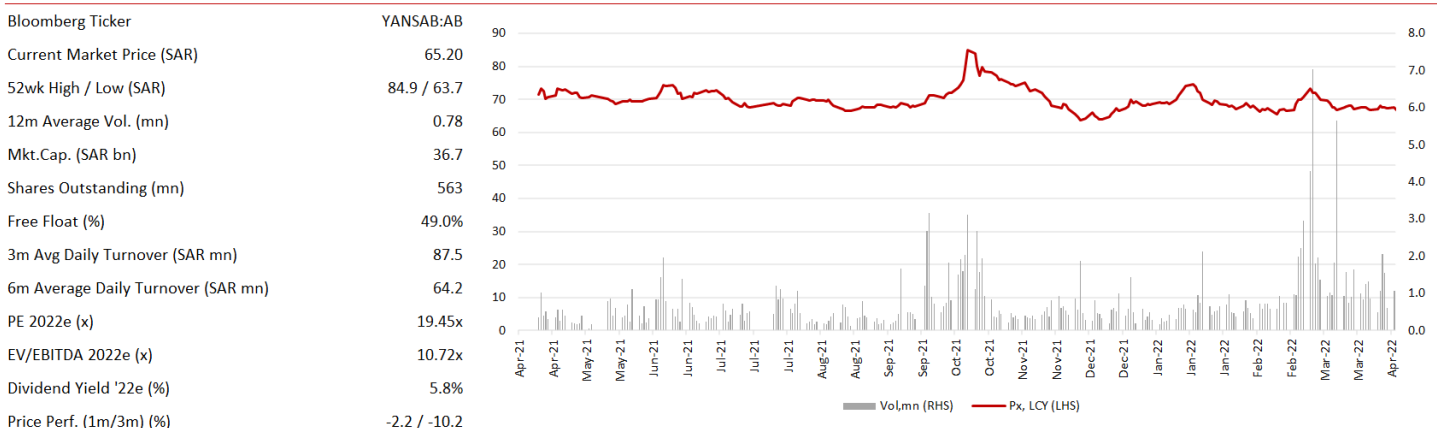
Date: 18-Apr-22

Previous Recommendation: **Hold**

Reco. Date: 23-Jan-22

Fair Value (SAR): 65.500

Upside / (Downside): 0.5%



Revenues increase weaker than expected; below our estimates by 4.4%

Revenue in 1Q22 stood at SAR 1,971.1 mn, up by 14.4% YoY (+2.5% QoQ) underpinned by increase in sales volume by 14%. However, it is lower than our estimate of SAR 2,062.5 mn.

Lower than estimate topline is mainly due to no improvement in average prices. Revenue on quarterly basis improved by increase in average prices by 6% QoQ despite decrease in sales volume by 3% QoQ. EBITDA margin for the quarter stood at 30.6% as against 43.7% in 1Q21.

Net profit below our estimate by 35.5%

Yansab's 1Q22 net income fell by 32.7% YoY to SAR 283.0 mn which is below our estimates of SAR 438.7 mn. The fall is attributed to increase in overall operating cost by 41.0% YoY and 10.4% QoQ. The fall was further steepened by increase in feedstock price especially propane which accounts for ~40% of the total feedstock mix. The stock price closely follows the movement in MEG price. On an average MEG price in 1Q22 increased by 5.3% YoY and stock price increased by 3.6% during the same period.

Income Statement												
(SAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	YoY (%)	QoQ (%)	Var (%)	FY20	FY21	YoY (%)
Sales	1,723.0	1,983.0	1,779.6	1,922.1	1,971.1	2,062.5	14.4%	2.5%	-4.4%	5,034.9	7,407.7	47.1%
COGs	(1,191.5)	(1,210.9)	(1,436.0)	(1,415.0)	(1,542.2)	(1,500.2)	29.4%	9.0%	2.8%	(3,946.2)	(5,253.4)	33.1%
Gross profit	531.5	772.1	343.6	507.1	428.9	562.3	-19.3%	-15.4%	-23.7%	1,088.7	2,154.3	97.9%
Operating profit	413.5	639.8	215.4	382.2	296.2	450.9	-28.4%	-22.5%	-34.3%	727.6	1,650.9	126.9%
Net Profit	420.3	596.4	179.8	334.9	283.0	438.7	-32.7%	-15.5%	-35.5%	677.6	1,531.3	126.0%
Balance Sheet												
(SAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22					FY20	FY21	YoY (%)
Shareholders' Equity	14,792	14,485	14,652	15,042	14,582					14,985	15,042	0.4%
Key Ratios												
	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e				FY20	FY21	
Gross profit margin	30.8%	38.9%	19.3%	26.4%	21.8%	27.3%				21.6%	29.1%	
Operating profit margin	24.0%	32.3%	12.1%	19.9%	15.0%	21.9%				14.5%	22.3%	
Net profit margin	24.4%	30.1%	10.1%	17.4%	14.4%	21.3%				13.5%	20.7%	
RoE (annualized)	11.8%	17.3%	5.0%	9.3%	7.9%					4.4%	10.2%	

Source: Financials, Bloomberg, U Capital Research

Recommendation

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