

Yanbu National Petrochemical Co. (YANSAB) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

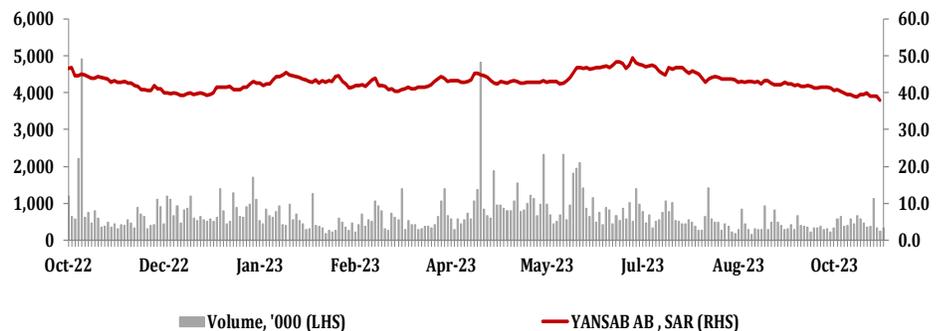
Target Price (SAR): 45.92

Previous Reco. & Date: TP: SAR 45.92 per share; Hold on 23-July-2023

Upside / (Downside): 21%

Date: 23-10-2023

Bloomberg Ticker	YANSAB AB
Current Market Price (SAR)	37.950
52wk High / Low (SAR)	49.55/37.55
12m Average Vol. (000)	697.5
Mkt. Cap. (USD/SAR mn)	21,347/21,347
Shares Outstanding (mn)	562.5
Free Float (%)	49%
3m Avg Daily Turnover (000)	19,688.2
6m Avg Daily Turnover (000)	31,828.5
P/E'24e (x)	57.69x
EV/EBITDA'24e (x)	12.31x
Dividend Yield '24e (%)	4.7%
Price Perf. (1m/3m) (%)	-9.1%/-15.1%



Revenue declined 31% YoY due to lower production, misses estimate.

The company reported Q3'23 revenue of SAR 1,098mn (-31% YoY), below our estimate of SAR 1,397mn. This deviation is attributed to lower volumes amid temporary shutdown for company plants to perform emergency repairs in addition to lower average sales prices for some of the products.

Gross and Operating profit declines significantly amid shutdowns.

The company incurred gross and operating loss SAR -44 mn and SAR -153 mn, respectively. These losses are mainly due to the production cuts due to shutdown and lower sales prices for products.

Records lower-than-expected Net profit of SAR -161 mn in Q3'23.

The company incurred a net loss of SAR -161 mn vs a net profit of SAR 27mn in Q2'23. This loss is due to lower-than-expected revenues and operating margins for Q3'23 amid the shutdown of plants for emergency maintenance and repairs.

Maintain target price.

We anticipate Yansab to be under stress for Q4'23, as we expect the impact of shutdown to impact Q4'23e financials as well. Additionally, the overall petrochemical industry is expected to be under stress till first half of 2024e amid the global economic concerns, including the potential for a recession, higher interest rates for longer period, slow recovery in China, and the ongoing conflict in West Asia. We expect stability in the sector beyond the first half of 2024e and anticipate favourable pricing trends driven by demand for end products such as plastics, textiles, and footwear. As a result, we are maintaining our target price at SAR 45.92 per share and maintaining our 'Hold' rating for the stock.

Valuation.

YANSAB is trading at 2024e P/E of 57.69x based on our FY24 estimate, compared to its historical average 2-year forward P/E of 25.89x. Additionally, the stock is valued at EV/EBITDA multiple of 12.31x, based on our FY24 estimate, compared to the historical average of 9.92x.

Income Statement												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Sales/Revenue	1,595	1,388	667	1,323	1,098	1,397	-31%	-17%	-21%	5,636	3,088	-45%
Gross Profit (Loss)	74	59	(240)	92	(44)	70	-159%	-148%	-163%	911	(191)	-121%
Operating Profit (Loss)	(46)	(33)	(367)	13	(153)	(10)	-70%	-1278%	-94%	547	(507)	-193%
Net Profit (Loss)	(61)	(96)	(370)	27	(161)	(45)	-62%	-688%	-72%	510	(504)	-199%
Balance Sheet												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Shareholders' Equity	14,207	14,051	12,958	12,443	12,350	12,398	-13%	-1%	0%	14,207	12,350	-13%
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Gross Profit Margin	5%	4%	-36%	7%	-4%	5%						
Operating Profit Margin	-3%	-2%	-55%	1%	-14%	-1%						
Net Profit Margin	-4%	-7%	-55%	2%	-15%	-3%						
Return on Equity (RoE)	-2%	-3%	-11%	1%	-5%	-1%						

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

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

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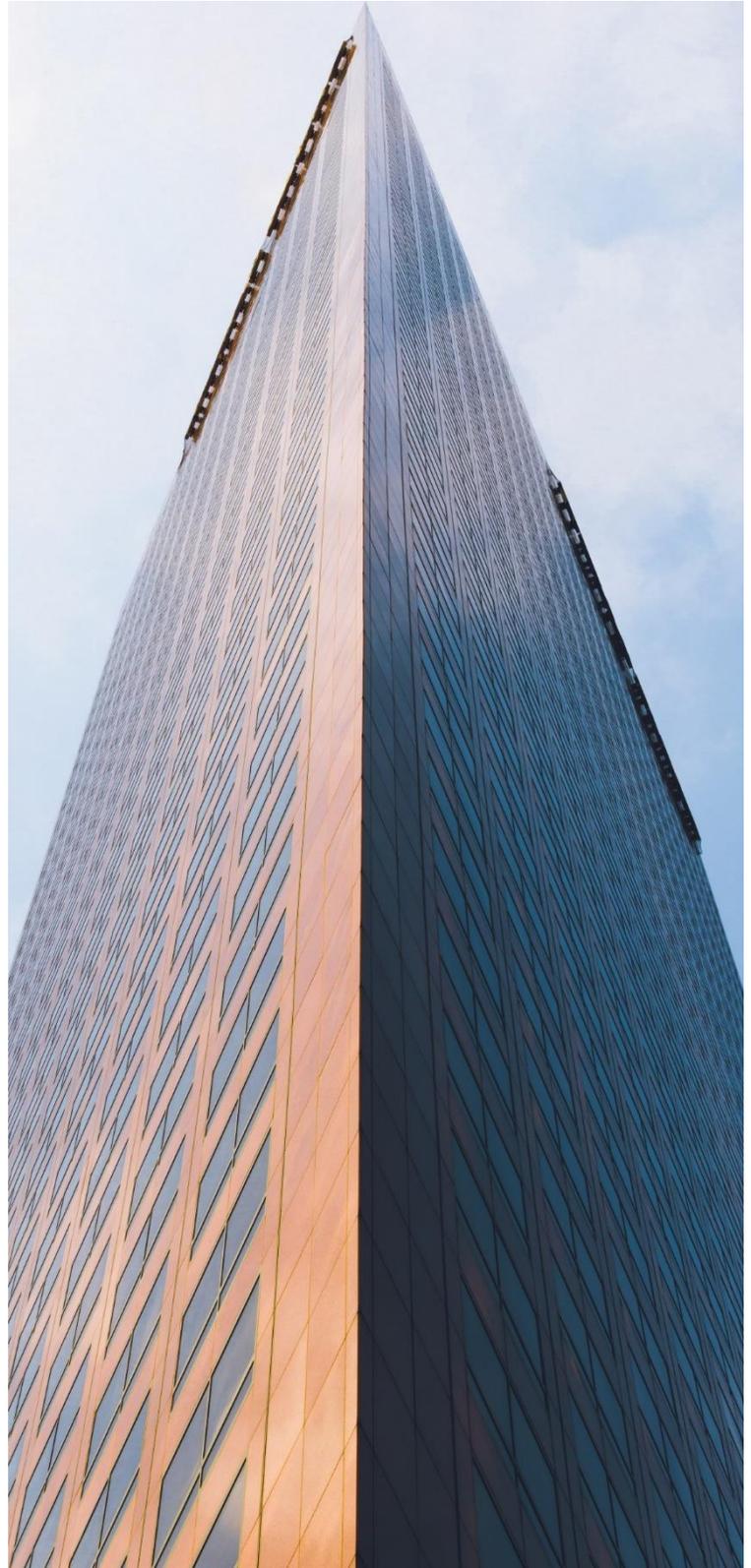
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Recommendation

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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