

1Q21 Results Update

May 3, 2021

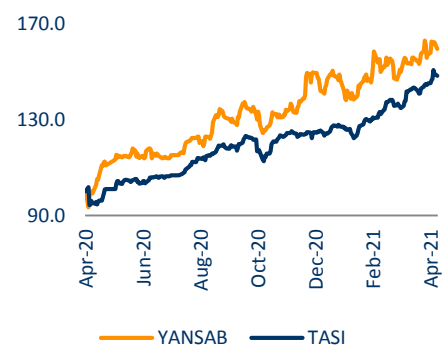
Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	71.8
Target Price (SAR)	69.0
Upside/Downside (%)	(3.9%)

As of May 2, 2021

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	40.4
52-Wk High (SAR)	74.5
52-Wk Low (SAR)	41.7
Total Outstanding Shares (in mn)	562.5
Free Float (%)	41.4%

YANSAB vs. TASI (Rebased)

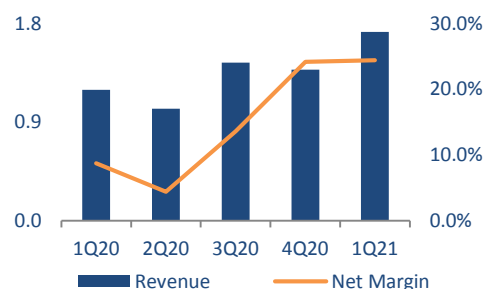


Price Performance (%)	Absolute	Relative
1m	3.9%	(0.8%)
6m	27.1%	(4.7%)
12m	59.6%	11.2%

Major Shareholders (%)

Saudi Basic Industries Corp	51.00%
General Organization for Social Insurance	7.64%

Revenue (SAR bn) and Net Margin (%)



Source: Bloomberg, Company Financials, FALCOM Research; Data as of May 2, 2021

Higher average selling price of products aids 1Q21 top line

Yanbu National Petrochemical Co. (Yansab)'s revenue increased 44.2% YoY to SAR 1.7bn in 1Q21 due to the higher average selling price of its products during the quarter. This offset the rise in cost of sales and resulted in 166.7% YoY surge in gross profit to SAR 531.5mn. Subsequently, gross margin widened 1,417 bps to 30.8% in 1Q21. Operating profit was up 303.9% YoY to SAR 413.5mn, while operating margin expanded 1,543 bps to 24.0% in 1Q21. Higher other income boosted net income for the period by 302.3% YoY to SAR 420.3mn. Consequently, net margin widened 1,565 bps to 24.4% in 1Q21.

Yansab reported a surge in performance in 1Q21 as the increase in demand for petrochemicals resulted in higher average selling prices of the company's products. Production and sales volumes dropped during the quarter on account of scheduled maintenance works at several of Yansab's plants. However, this was offset by higher petrochemical prices, which led to the expansion of profit margins during 1Q21. The company remains fundamentally strong, with negligible financial leverage, steady free cash flow, and healthy historical dividend payout rates. Furthermore, the EIA forecasts demand for petrochemicals to remain high as economic activity picks up and vaccine rollout gathers pace worldwide. These positives could boost Yansab's top line and profitability in the upcoming quarters. However, easing of production curbs by the OPEC+ alliance and tight oil supply from non-OPEC members could keep oil prices range bound in the medium term. Moreover, higher average feedstock cost and temporary shutdown of plants for maintenance works could create headwinds for the company. Considering these factors, we continue to maintain our "Neutral" rating on the stock.

- Yansab's revenue rose 44.2% YoY to SAR 1.7bn in 1Q21 as higher average selling price of its products offset the drop in production and sales volumes during the quarter. Revenue increased 25.0% QoQ from SAR 1.4bn in 4Q20.
- Gross profit soared 166.7% YoY to SAR 531.5mn in 1Q21 as higher top line offset the 19.7% YoY rise in cost of sales to SAR 1.2bn. Subsequently, gross margin improved to 30.8% in 1Q21 as against 16.7% in 1Q20.
- Higher gross profit offset the increase in total SG&A expenses and led to a 303.9% YoY rise in operating profit to SAR 413.5mn in 1Q21. Consequently, operating margin widened to 24.0% in 1Q21 from 8.6% in 1Q20.
- Higher other income offset the increase in zakat expense as well as an impairment cost of SAR 64.0mn against capital work in progress. This resulted in a 302.3% YoY surge in net income to SAR 420.3mn and led to the expansion of net margin to 24.4% in 1Q21 from 8.7% in 1Q20.
- On February 15, Yansab announced the resumption of operations at its olefins plants after shutting it down for 10 days for scheduled maintenance work.
- On February 25, Yansab announced the completion of scheduled maintenance work at its ethylene glycol plant and restart of operations after 21 days of temporary shutdown.
- On March 31, Yansab's shareholders approved the Board's recommendation of a cash dividend of SAR 1.25 per share for 2H20, equivalent to SAR 703.1mn (12.5% of Yansab's share capital).

Valuation: We revise our target price upward to a fair value of SAR 69.0 per share and maintain "Neutral" rating on the stock.

	1Q21	1Q20	% YoY	FY21E	FY20	% YoY
Revenues (SAR mn)	1,723.0	1,195.0	44.2%	6,883.4	5,034.9	36.7%
Gross Profit (SAR mn)	531.5	199.3	166.7%	1,961.8	1,088.7	80.2%
EBIT (SAR mn)	413.5	102.4	303.9%	1,479.9	727.6	103.4%
Net Profit (SAR mn)	420.3	104.5	302.3%	1,478.0	677.6	118.1%
EPS basic (SAR)	0.75	0.19	302.3%	2.63	1.20	118.1%
Gross Margin (%)	30.8%	16.7%	14.2%	28.5%	21.6%	6.9%
EBIT Margin (%)	24.0%	8.6%	15.4%	21.5%	14.5%	7.0%
Net Profit Margin (%)	24.4%	8.7%	15.7%	21.5%	13.5%	8.0%

Source: Company Financials, FALCOM Research

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FALCOM Rating Methodology

FALCOM Financial Services 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 FALCOM Financial Services.

FALCOM Financial Services

Contact us on the below phone numbers:

Customer Services: **8004298888**

Brokerage Services: **920004711**

Fax or Email us at the below number:

Fax: **+966 11 2032546**

Email: **addingvalue@falcom.com.sa**

Mail us at the following address:

P.O. Box 884

Riyadh 11421

Kingdom of Saudi Arabia

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