

1Q21 Results Update

April 28, 2021

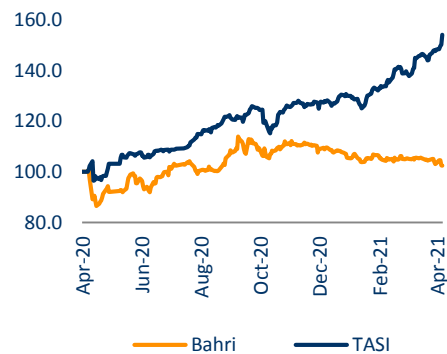
Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	37.9
Target Price (SAR)	37.0
Upside/Downside (%)	(2.4%)

As of April 28, 2021

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	14.9
52-Wk High (SAR)	42.5
52-Wk Low (SAR)	31.7
Total Outstanding Shares (in mn)	394
Free Float (%)	80.0%

Bahri vs. TASI (Rebased)

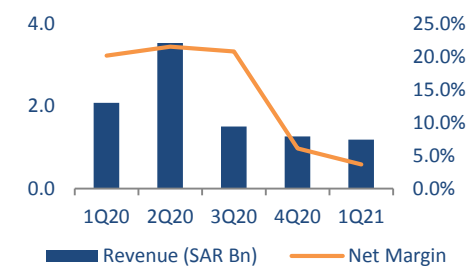


Price Performance (%)	Absolute	Relative
1m	(2.4%)	(13.5%)
6m	(4.8%)	(33.2%)
12m	2.4%	(51.8%)

Major Shareholders (%)

Public Investment Fund	22.55%
Saudi Aramco for Development Company	20.00%

Revenue (SAR bn) and Net Margin (%)



Source: Bloomberg, Company Financials, FALCOM Research; Data as of April 28, 2021

Lower transportation rates and volume transported weighs on top line in 1Q21

National Shipping Company (Bahri)'s revenue fell 42.9% YoY to SAR 1.2bn in 1Q21 on lower revenue from the Oil Transportation and Chemical Transportation segments, amid a decline in transportation rates and volume transported. Gross profit (after bunker subsidy cost) nosedived 85.0% YoY to SAR 84.2mn, while gross margin* shrank 1,988 bps YoY to 7.1%. Operating profit plummeted 87.9% YoY to SAR 61.4mn on higher G&A expense, causing operating margin to contract 1,913 bps YoY to 5.2% in 1Q21. These factors led to an 89.6% YoY plunge in net profit to SAR 43.6mn. As a result, net margin narrowed 1,647 bps YoY to 3.7% in 1Q21 from 20.1% in 1Q20.

Bahri's weak performance in 1Q21 was primarily driven by the sharp drop in revenue from the Oil Tanker segment (-55.7% YoY to SAR 687.2mn) due to the decline in transportation rates and volumes in the quarter. Decline in revenues from Chemical Transportation (-14.6% YoY to SAR 277.2mn) and Logistics (-1.2% YoY to SAR 169.8mn) segments also weighed on the top line during 1Q21. The unwinding of floating storage on ships resulted in the abundance of storage vessels, which led to the sharp decline in transportation rates during the quarter. As per the EIA, demand for oil is anticipated to rise steadily, as economic activity picks up and vaccine rollout gathers pace worldwide. This could result in transportation rates remaining low (VLCC rates are negatively related to oil prices), thus hurting Bahri's bottom line. 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. Considering the countervailing factors mentioned above, we continue to maintain a "Neutral" rating on the stock.

- Revenues declined 42.9% YoY to SAR 1.2bn in 1Q21, primarily due to a dip in revenue from Bahri's Oil Transportation and Chemical Transportation segments.
- Gross profit* slumped 85.0% YoY to SAR 84.2mn owing to the reduction in the top line and bunker subsidy in 1Q21. Consequently, gross margin* narrowed to 7.1% from 27.0% in 1Q20 and 17.2% in 4Q20.
- Higher G&A expense counterbalanced the improvement in impairment charge and led to an 87.9% YoY plunge in operating profit to SAR 61.4mn. As a result, EBIT margin worsened to 5.2% from 24.3% in 1Q20 and 11.2% in 4Q20.
- Lower top line and declining margins offset the drop in financing and zakat expense, alongside the rise in profit share from associate companies, and resulted in an 89.6% YoY plummet in net profit (attributable to equity holders) to SAR 43.6mn. Consequently, net margin tightened to 3.7% as against 20.1% in 1Q20 and 6.1% in 4Q20.
- Bahri reported an EPS of SAR 0.11 in 1Q21 as against SAR 1.06 in 1Q20 and SAR 0.20 in 4Q20.
- On March 15, Bahri Chemicals completed its long-term time charter agreement with United Arab Chemical Carriers Ltd., under which 9 IMO2 medium-range (MR) chemical tankers will be added to Bahri's fleet. The tankers will be added April 2021 onward and bring Bahri's total IMO2 MR fleet size to 31.
- On April 27, Bahri's shareholders approved the Board's new dividend policy of distributing SAR 1.0 per share semi-annually for the period FY20-22. The shareholders also approved suspension of 10.0% allocation of net income to statutory reserve as it has exceeded 30.0% of the company's share capital.

Valuation: We maintain our target price at a fair value of SAR 37.0 and retain "Neutral" rating on the stock.

	1Q21	1Q20	% YoY	FY21E	FY20	% YoY
Revenues (SAR mn)	1,189.2	2,082.2	(42.9%)	6,477.4	8,393.0	(22.8%)
Gross Profit (SAR mn)*	84.2	561.3	(85.0%)	1,247.2	2,121.8	(41.2%)
Operating Profit (SAR mn)	61.4	505.9	(87.9%)	1,069.8	1,865.9	(42.7%)
Net Profit (SAR mn)	43.6	419.2	(89.6%)	802.2	1,571.1	(48.9%)
EPS Basic (SAR)	0.11	1.06	(89.6%)	2.04	3.99	(48.9%)
Gross Margin (%)*	7.1%	27.0%	(19.9%)	19.3%	25.3%	(6.0%)
Operating Margin (%)	5.2%	24.3%	(19.1%)	16.5%	22.2%	(5.7%)
Net Profit Margin (%)	3.7%	20.1%	(16.5%)	12.4%	18.7%	(6.3%)

Source: Company Financials, FALCOM Research; *including bunker subsidy

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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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