

## FY21 Results Update

March 20, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	35.3
Target Price (SAR)	34.0
Upside/Downside (%)	(3.5%)

As of March 20, 2022

### Key Data (Source: Bloomberg)

Market Cap (SAR bn)	13.9
52-wk High (SAR)	40.3
52-wk Low (SAR)	32.1
Total Outstanding shares (in bn)	394
Free Float (%)	80.0%

### Bahri vs. TASI (Rebased)

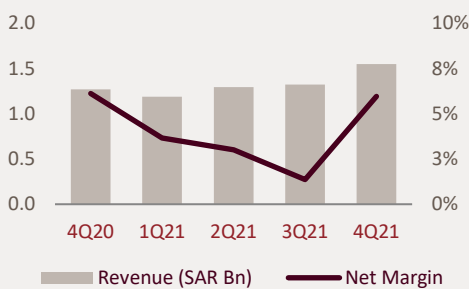


Price Performance (%)	Absolute	Relative
1m	5.2%	1.9%
6m	(6.1%)	(19.8%)
12m	(10.3%)	(44.4%)

### Major Shareholders (%)

Public Investment Fund	22.55%
Saudi Aramco for Development Company	22.00%

### Revenue (SAR bn) and Net Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of March 20, 2022

### Lower topline weighed on earnings during FY21

National Shipping Company (Bahri)'s revenue dipped 36.2% YoY to SAR 5.6bn in FY21, ascribed to lower revenue from the oil transportation, logistics, and dry bulk transportation segments. Despite a fall in operating cost during the year, the company's gross profit\* dipped 73.8% YoY to SAR 556.5mn, partially offset by higher bunker subsidy in FY21. Consequently, gross margin\* narrowed 1,488 bps YoY to 10.4%. Operating profit slipped 77.2% YoY to SAR 424.8mn, resulting in operating margin to narrow 1,430 bps YoY to 7.9% in FY21. Lower topline and margins weighed on net profit (ascribed to equity holders), which plummeted 87.8% YoY to SAR 192.4mn. As a result, net margin tightened 1,512 bps YoY to 3.6% in FY21.

Bahri reported weak earnings in FY21 due to a decline in topline. The reduction in revenue is ascribed to lower revenue from multiple sectors, especially oil, by 49% YoY to SAR3.0bn due to the significant decline in shipping operations and global shipping rates. Moreover, revenue from the logistics segment was down 12.0% YoY to SAR 808.8mn, while transportation of chemicals declined 5.4% YoY to SAR 1.2bn in FY21. The drop in these segments was slightly offset by higher revenue from the transportation of dry bulk, which rose 84.5% YoY to SAR 253.5mn. In 4Q21, Bahri reported improved performance compared with that in 4Q20, as its topline rose 22.0% YoY, mainly driven by transportation of oil and chemical segments. However, the rise in net profit was limited during the quarter due to higher bunker prices. Crude oil prices have increased steadily during the year, mainly due to draws on global oil inventories. Additionally, rising market concerns about the possibility of oil supply disruptions owing to tension regarding Ukraine and receding market fears that the Omicron variant of COVID-19 could have widespread effects on oil consumption. In FY22, the EIA forecasts Brent prices to average \$105.22/b in 2022 and then fall to \$88.98/b in 2023. The EIA expects that from 2Q22, the global oil inventories will increase at an average rate of 0.5mn b/d through the end of 2023, which would potentially put downward pressure on crude oil prices. In view of these factors, we continue to maintain a "Neutral" rating on the stock.

- Revenue dropped 36.2% YoY to SAR 5.4bn in FY21, primarily due to lower revenue contribution from the oil transportation, logistics, and dry bulk transportation segments during the year.
- Bahri's gross profit\* dropped 73.8% YoY to SAR 556.5mn in FY21, despite lower operating expenses. Consequently, gross margin\* narrowed to 10.4% from 25.3% in FY20.
- Operating profit slipped 77.2% YoY to SAR 424.8mn in FY21, while EBIT margin contracted to 7.9% from 22.2% in FY20.
- Despite finance cost declining 29.1% YoY and provision of doubtful debts dropping 96.8% YoY, Bahri's net profit nosedived 87.8% YoY to SAR 192.4mn in FY21. Consequently, net margin tightened to 3.6% as against 18.7% in FY20.
- Bahri reported EPS of SAR 0.49 in FY21 as opposed to SAR 3.99 in FY20.
- In 4Q21, revenue increased 22.0% YoY to SAR 1.5bn on improved performance in multiple sectors, especially the oil sector, which advanced by SAR 149mn following improvement in global shipping rates and increase in shipping operations. Consequently, net profit rose 18.6% YoY in 4Q21, supported by G&A expenses and higher other income.
- On February 6, 2022, Bahri's board of directors recommended to increase capital by 25%, from SAR 3.94bn to SAR 4.92bn. The board also recommended to withhold dividends for 2H21.

**Valuation:** We revise our target price to a fair value of SAR 34.0 but maintain our "Neutral" rating on the stock.

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	1,546.5	1,268.1	22.0%	5,452.7	5,351.1	1.9%
Gross Profit (SAR mn)*	211.9	218.0	(2.8%)	608.8	556.5	9.4%
Operating Profit (SAR mn)	173.3	142.0	22.1%	469.6	424.8	10.5%
Net Profit (SAR mn)	92.0	77.5	18.6%	197.4	192.4	2.6%
EPS Basic (SAR)	0.2	0.2	18.6%	0.5	0.5	2.6%
Gross Margin (%)*	13.7%	17.2%	(3.5%)	11.2%	10.4%	0.8%
Operating Margin (%)	11.2%	11.2%	0.01%	8.6%	7.9%	0.7%
Net Profit Margin (%)	5.9%	6.1%	(0.2%)	3.6%	3.6%	0.02%

Source: Company Financials, Yaqeen Capital; \*including bunker subsidy

## Yaqeen Capital Rating Methodology

Yaqeen Capital 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 Yaqeen Capital.

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