

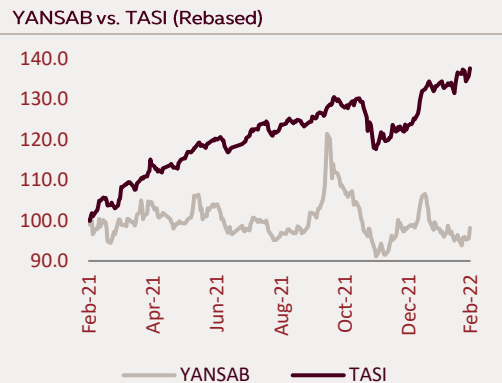
FY21 Results Update

February 10, 2022

| Recommendation | Neutral |
|-------------------------|---------|
| Previous Recommendation | Neutral |
| Current Price (SAR) | 68.0 |
| Target Price (SAR) | 67.0 |
| Upside/Downside (%) | (1.5%) |

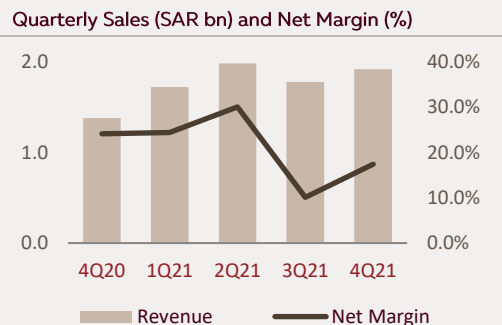
As of February 10, 2022

| Key Data (Source: Bloomberg) | |
|----------------------------------|-------|
| Market Cap (SAR bn) | 38.3 |
| 52-wk High (SAR) | 86.5 |
| 52-wk Low (SAR) | 63.0 |
| Total Outstanding shares (in mn) | 562.5 |
| Free Float (%) | 49.0% |



| Price Performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1m | (4.6%) | (9.8%) |
| 6m | (2.9%) | (11.4%) |
| 12m | 4.3% | (33.5%) |

| Major Shareholders (%) | |
|-----------------------------|--------|
| Saudi Basic Industries Corp | 51.00% |



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of February 10, 2022

Higher average selling prices boost the company's top line in FY21

Yanbu National Petrochemical Co. (Yansab)'s revenue increased by 47.1% YoY to SAR7.4bn in FY21, driven by the higher average selling price of its products during the year. The cost of sales rose at a slower pace as compared to the top line, which resulted in the company's gross profit rising to 97.9% YoY to SAR2.2bn in FY21. Subsequently, gross margin expanded by 746bps YoY to 29.1% in FY21. Operating profit was up 126.9% YoY to SAR1.7bn in FY21, while operating margin expanded 784 bps YoY to 22.3%. Higher topline countervailed the rise in finance expense and zakat expense and resulted in a 126.0% YoY rise in net income to SAR1.5bn. Subsequently, the net margin increased by 721 bps YoY to 20.7% in FY21

Yansab reported an improved performance in FY21 as the company recorded higher revenue during the year, driven by higher average selling price, despite lower production and sales quantity resulting from the shutdown of the company's plants and higher production input's average cost. Despite the rising feedstock prices during the year, Yansab was able to improve its margins owing to higher selling prices. However, 4Q21 gross margins were affected due to high feedstock prices, as gross margins plummeted 808 bps YoY during the quarter. Propane feedstock prices reached near its seven-year highs owing to supply constraints, while crude oil prices remained high and continued to pressure the margins in the quarters. The company remains fundamentally strong, with negligible financial leverage, steady cash flows and healthy historical dividend payout rates. With the economic activity expected to continue picking up amid increasing vaccination rates, the market dynamics are expected to improve, which could result in higher operating efficiency for the company. However, higher LPG prices coupled with tight global supply would continue to keep petrochemical prices high and impact the company's margins. Considering the aforementioned factors, we continue to maintain our "Neutral" rating on the stock.

- Yansab's revenue climbed by 47.1% YoY to SAR7.4bn in FY21, driven by the higher average selling price of its products during the year. Revenue increased by 39.4% YoY to SAR1.9bn in 4Q21.
- Gross profit surged by 97.9% YoY to SAR2.2bn, as higher top-line counterbalanced the 33.1% YoY rise in the cost of sales due to higher production input's average cost during the year. Meanwhile, the gross profit margin expanded by 746 bps to 29.1% in FY21.
- Higher total SG&A expenses were countervailed by higher gross profit and led to a 126.9% YoY rise in operating profit to SAR 1.7bn in FY21. Subsequently, the operating margin expanded to 22.3% YoY in FY21 from 14.5% in FY20.
- Higher topline offset the rise in financial expense and zakat expenses resulted in a 126.0% YoY increase in net income to SAR1.5bn. Subsequently, the net margin expanded by 721bps YoY to 20.7% in FY21 from 13.5% in FY20.

Valuation: We revise our target price to a fair value of SAR67.0 per share and maintain our "Neutral" rating on the stock

| | 4Q21 | 4Q20 | % YoY | FY22E | FY21 | %YoY |
|-----------------------|---------|---------|--------|---------|---------|------|
| Revenues (SAR mn) | 1,922.1 | 1,378.6 | 39.4% | 7,629.9 | 7,407.7 | 3.0% |
| Gross Profit (SAR mn) | 507.1 | 475.1 | 6.7% | 2,250.8 | 2,154.3 | 4.5% |
| EBITDA (SAR mn) | 382.2 | 371.3 | 2.9% | 1,732.3 | 1,650.9 | 4.9% |
| Net Profit (SAR mn) | 334.9 | 332.7 | 0.7% | 1,626.2 | 1,531.3 | 6.2% |
| EPS Basic (SAR) | 0.60 | 0.59 | 0.7% | 2.89 | 2.72 | 6.2% |
| Gross Margin (%) | 26.4% | 34.5% | (8.1%) | 29.5% | 29.1% | 0.4% |
| EBITDA Margin (%) | 19.9% | 26.9% | (7.0%) | 22.7% | 22.3% | 0.4% |
| Net Profit Margin (%) | 17.4% | 24.1% | (6.7%) | 21.3% | 20.7% | 0.6% |

Source: Company Financials, Yaqeen Capital

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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