

FY21 Results Update

April 19, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	23.1
Target Price (SAR)	23.0
Upside/Downside (%)	(2.1%)
As of April 18, 2022	

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	15.7
52-wk High (SAR)	27.4
52-wk Low (SAR)	16.8
Total Outstanding shares (in mn)	668.9
Free Float (%)	87.9%

TASNEE vs. TASI (Rebased)

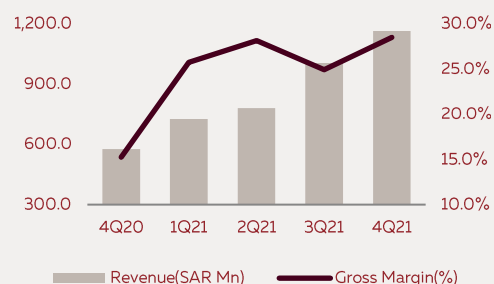


Price Performance (%)	Absolute	Relative
1m	1.1%	(6.4%)
6m	(0.7%)	(17.5%)
12m	37.3%	0.6%

Major Shareholders (%)

Kingdom Holding Co.	6.23%
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Revenue (SAR mn) and Gross Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of April 18, 2022

Tasnee swings to net profit on higher average selling prices

National Industrialization Co. (Tasnee)'s revenue surged 61.7% YoY to SAR 3.7bn in FY21, primarily driven by higher average selling prices of all its products during the year. Gross profit soared 199.2% YoY to SAR 987.0mn as cost of sales grew at a slower pace (up 38.3% YoY to SAR 2.7bn) compared to the topline in FY21. Subsequently, gross margin expanded 1,235 bps YoY to 26.9%. The share of net profit from associates and joint ventures increased 220.2% YoY to SAR 2.8bn and offset the rise in selling and distribution expense. Consequently, Tasnee reported an operating profit of SAR 2.5bn in FY21 as against an operating loss of SAR 9.8mn in FY20. Meanwhile, EBIT margin stood at 68.5% in the year. Lower finance cost, coupled with higher other income, led Tasnee to report a net profit of SAR 1.4bn in FY21 as opposed to a net loss of SAR 446.7mn in FY20. The company's net margin stood at 36.9% in FY21.

Tasnee reported strong performance in FY21. The company swung to net profit in FY21 on higher topline growth after reporting a net loss last year. Improvement in economic activities boosted demand for oil and petrochemical products, which led to rise in average selling prices of all its products and thereby led to a higher topline. Consequently, revenue from the Petrochemicals segment surged 115.0% YoY to SAR 2.3bn while that from the Downstream segment grew 15.1% YoY to SAR 1.4bn. The rise in revenues was also supported by better production efficiencies during the year. Despite the increase in feedstock prices in FY21 due to COVID and supply disruption, Tasnee's gross margins improved significantly by 1,235 bps during the year. Additionally, the increase in the share of net profit from associates and joint ventures helped Tasnee post an operating profit of SAR 2.5bn as against an operating loss of SAR 9.8mn in FY20. Tasnee continues to reduce its total debt: the debt-to-equity ratio improved to 0.59x in FY21 from 0.75x in FY20. The ongoing Russian invasion in Ukraine is expected to keep oil prices elevated in the near future. However, the rise in feedstock prices could impact margins and create headwinds for the company. In view of these factors, we continue to maintain our "Neutral" rating on the stock.

- Tasnee's revenue increased 61.7% YoY to SAR 3.7bn in FY21 on higher average selling prices of all its products.
- Gross profit surged 199.2% YoY to SAR 987.0mn in FY21; meanwhile, gross margin expanded to 26.9% from 14.5% in FY20.
- The increased selling and distribution expense was offset by a higher profit share from associates as well as lower general and administrative expense. This led to a rise in operating profit to SAR 2.5bn in FY21 from an operating loss of SAR 9.8mn in FY20. Subsequently, EBIT margin widened to 68.5% in FY21.
- Higher topline growth, along with lower finance costs, resulted in the company reporting a net profit of SAR 1.4bn vis-à-vis a net loss of SAR 446.7mn in FY20. Consequently, net margin stood at 36.9% in FY21 compared to (19.7%) in FY20.
- Tasnee reported EPS of SAR 2.03 in FY21 as against loss per share of SAR 0.67 in FY20.

Valuation: We revise our target price to a fair value of SAR 23.0 per share and maintain our "Neutral" rating on the stock.

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	1,163.0	607.2	91.5%	3,923.7	3,673.1	6.8%
Gross Profit (SAR mn)	331.1	87.8	277.3%	863.2	987.0	(12.5%)
EBITDA (SAR mn)	1,537.3	259.5	492.4%	2,031.3	3,419.0	(40.6%)
Net Profit (SAR mn)	338.7	(172.4)	NM	977.0	1,356.4	(28.0%)
EPS Basic (SAR)	0.51	(0.26)	NM	1.46	2.03	(28.0%)
Gross Margin (%)	28.5%	14.5%	14.0%	22.0%	26.9%	(4.9%)
EBITDA Margin (%)	132.2%	42.7%	89.4%	51.8%	93.1%	(41.3%)
Net Profit Margin (%)	29.1%	(28.4%)	NM	24.9%	36.9%	(12.0%)

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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