

1Q22 Results Update

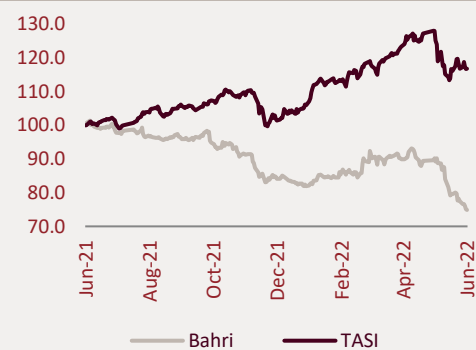
June 13, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	23.5
Target Price (SAR)	25.7
Upside/Downside (%)	9.3%

As of June 9, 2022

Key Data (Source: Bloomberg)	
Market Cap (SAR bn)	11.6
52-wk High (SAR)	31.9
52-wk Low (SAR)	22.2
Total Outstanding shares (in bn)	492
Free Float (%)	79.8%

Bahri vs. TASI (Rebased)

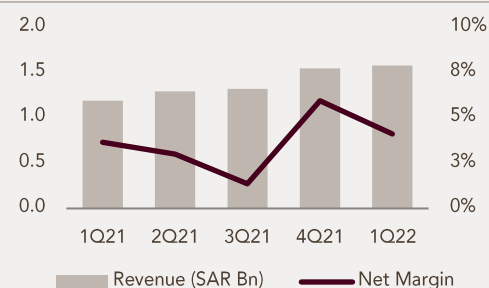


Price Performance (%)	Absolute	Relative
1m	(17.0%)	(8.2%)
6m	(10.9%)	(26.2%)
12m	(25.1%)	(41.9%)

Major Shareholders (%)

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

Revenue (SAR bn) and Net Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital;
Data as of June 9, 2022

Higher topline on increase in shipping operations; margins improve

National Shipping Company (Bahri)'s revenue climbed 32.8% YoY to SAR 1.6bn in 1Q22, largely driven by higher revenue contribution from the oil transportation, logistics, dry bulk transportation and chemical transportation segments. Slower rise in cost of sales and higher bunker subsidy led to an 85.5% YoY rise in gross profit* to SAR 156.2mn during the quarter. Consequently, gross margin* expanded 281 bps YoY to 9.9%. Lower general and administrative expenses and higher other income resulted in a 94.0% YoY rise in operating profit to SAR 119.1mn in 1Q22. Higher topline countervailed the rise in Zakat and taxes as the company's net profit (ascribed to equity holders) increased 49.0% YoY to SAR 64.9mn during the quarter. As a result, net margin improved 45 bps YoY to 4.1% in 1Q22.

Bahri reported stronger earnings in 1Q22 than in 1Q21 as the topline rose on improvement in global shipping rates and increase in shipping operations during the quarter. The rise in topline was supported by improved revenue contribution from across multiple sectors. Revenue from the oil transportation segment rose 31.9% YoY to SAR 906.1mn, that from chemical transportation was up 23.3% YoY to SAR 341.9mn, transportation of dry bulk segment advanced 24.2% YoY to SAR 65.1mn, and logistics was up 55.2% YoY to SAR 263.6bn in 1Q22. The rise in these segments was slightly offset by lower revenue from the other segment, which declined 6.6% YoY to SAR 2.4mn. However, rise in oil prices led to higher operating cost on quarterly basis, resulting in a 29.4% decline in net profit compared with that in 4Q21. Crude oil prices continued to stay above USD 100 in April due to Russia's full-scale invasion of Ukraine. Oil production in Russia continues to fall owing to sanctions imposed and other independent corporate actions on Russia, which could lead to further supply chain disruption. Shipping rates are expected to recover on increasing demand for oil and petrochemicals, which will benefit the company's topline. In view of these factors, we continue to maintain a "Neutral" rating on the stock.

- Bahri's revenue increased 32.8% YoY to SAR 1.6bn in 1Q22, following higher revenue contribution across segments, except others, during the quarter.
- Bahri's gross profit* grew 85.5% YoY to SAR 156.2mn in 1Q22 on slower rise in operating cost and higher bunker subsidy. Consequently, gross margin* advanced to 9.9% from 7.1% in 1Q21.
- Operating profit climbed 94.0% YoY to SAR 119.1mn in 1Q22, while EBIT margin expanded to 7.5% from 5.2% in 1Q21.
- Higher topline and lower finance cost countervailed the rise in zakat expenses and lower share of results in equity-accounted investees. Consequently, Bahri's net profit grew 49.0% YoY to SAR 64.9mn in 1Q22 and net margin improved to 4.1% as against 3.7% in 1Q21.
- Bahri reported EPS of SAR 0.16 in 1Q22 as opposed to SAR 0.11 in 1Q21.
- Revenue rose 2.1% QoQ from SAR 1.5bn in 4Q21 on improved performance in multiple sectors, especially oil and dry bulk, owing to rise in oil prices during the quarter. However, net profit declined 29.4% QoQ on higher operating cost and lower bunker subsidy.
- Bahri announced its intention to issue SAR-denominated sukuk worth SAR 3.9bn to refinance the company's existing sukuk.

Valuation: We revise our target price to a fair value of SAR 25.7 but maintain our "Neutral" rating on the stock.

	1Q22	1Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	1,579.1	1,189.2	32.8%	5,842.0	5,351.1	9.2%
Gross Profit (SAR mn)*	156.2	84.2	85.5%	627.8	556.5	12.8%
Operating Profit (SAR mn)	119.1	61.4	94.0%	474.3	424.8	11.6%
Net Profit (SAR mn)	64.9	43.6	49.0%	224.8	192.4	16.8%
EPS Basic (SAR)	0.1	0.1	49.0%	0.5	0.4	16.8%
Gross Margin (%)*	9.9%	7.1%	2.8%	10.7%	10.4%	0.3%
Operating Margin (%)	7.5%	5.2%	2.4%	8.1%	7.9%	0.2%
Net Profit Margin (%)	4.1%	3.7%	0.4%	3.8%	3.6%	0.3%

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

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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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