

2Q22 Results Update

August 30, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	29.7
Target Price (SAR)	27.7
Upside/Downside (%)	(6.6%)
<i>As of August 30, 2022</i>	
<b>Key Data (Source: Bloomberg)</b>	

Market Cap (SAR bn)	14.6
52-wk High (SAR)	31.0
52-wk Low (SAR)	18.5
Total Outstanding shares (in bn)	492
Free Float (%)	79.8%

Bahri vs. TASI (Rebased)

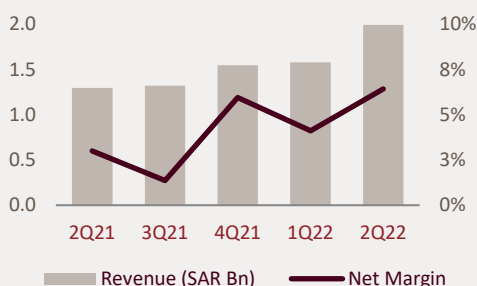


Price Performance (%)	Absolute	Relative
1m	28.6%	26.1%
6m	9.9%	11.0%
12m	(2.0%)	(12.7%)

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 August 30, 2022

Increase in global shipping rates and operations boost topline in 2Q22

National Shipping Company (Bahri)'s revenue increased 53.9% YoY to SAR 2.0bn in 2Q22 due to improved revenue contribution from the oil transportation, logistics, dry bulk transportation and chemical transportation segments. Despite a 47.0% YoY rise in cost of sales and decline in bunker subsidy, Bahri's gross profit\* advanced 94.0% YoY to SAR 247.0mn in 2Q22, supported by higher topline. Consequently, gross margin\* expanded 256 bps YoY to 12.4% during the quarter. Operating profit soared 102.7% YoY to SAR 201.8mn in 2Q22 despite lower other income and rise in general and administrative expenses during the quarter. Higher share in results of equity accounted investees countervailed the rise in finance cost, zakat and taxes as the company's net profit (ascribed to equity holders) increased 229.0% YoY to SAR 128.0mn. As a result, net margin improved 342 bps YoY to 6.4% in 2Q22.

Bahri reported robust earnings in 2Q22 compared to the same quarter last year as topline rose on improved global shipping rates, increase in shipping operations and addition of new vessels in the company's fleet during the quarter. Improved revenue contribution from most segments supported the rise in topline. Revenue from the oil transportation segment rose 51.9% YoY to SAR 1.1bn, while that from chemical transportation was up 75.4% YoY to SAR 455.1mn, logistics was up 40.8% YoY to SAR 319.3mn, and transportation of dry bulk segment advanced 39.3% YoY to SAR 80.6mn in 2Q22. Crude oil prices reached USD 123/b in June from USD 87/b in February of this year due to Russia's invasion of Ukraine. Following the invasion, several countries imposed sanctions on imports of crude oil and petroleum products from Russia. Additionally, several international oil companies ended operations in Russia and limited or stopped trading Russia's crude oil and petroleum products, leading to a rise in oil prices. However, global oil inventories are expected to rise during the second half of the year. Oil prices are expected to fall to about USD 105/b by the end of 2022 and further decline to USD 95/b in 2023. Additionally, shipping rates are expected to further recover on increasing demand for oil and petrochemicals, which will benefit the company's topline. In view of these factors, we continue to maintain "Neutral" rating on the stock.

- Bahri's revenue grew 53.9% YoY to SAR 2.0bn in 2Q22, supported by higher revenue contribution from most segments during the quarter.
- Bahri's gross profit\* surged 94.0% YoY to SAR 247.0mn in 2Q22 despite an increase in operating cost. Consequently, gross margin\* advanced to 12.4% from 9.8% in 2Q21.
- Rise in general and administration expenses and decline in other income was countervailed by higher topline as the company's operating profit climbed 102.7% YoY to SAR 201.8mn in 2Q22, while EBIT margin expanded to 10.1% from 7.7% in 2Q21.
- The rise in finance cost, and zakat and taxes were offset by higher share in results of equity accounted investees as net profit (ascribed to equity holders) rose 229.0% YoY to SAR 128.0mn during the quarter while net margin improved to 6.4% vis-à-vis 3.0% in 2Q21.
- Bahri reported EPS of SAR 0.26 in 2Q22 compared to SAR 0.08 in 2Q21.
- Revenue advanced 26.2% QoQ from SAR 1.6bn in 1Q22 on improved performance in multiple sectors, especially oil transportation and chemical transportation, due to improvement in global shipping rates, increase in shipping operations and addition of new vessels in Bahri's fleet. Consequently, net profit surged 97.3% QoQ from SAR 64.9mn in 1Q22.

**Valuation:** We revise our target price to a fair value of SAR 27.7 but maintain our "Neutral" rating on the stock.

	2Q22	2Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	1,993.3	1,294.8	53.9%	6,992.0	5,351.1	30.7%
Gross Profit (SAR mn)*	247.0	127.3	94.0%	830.2	556.5	49.2%
Operating Profit (SAR mn)	201.8	99.6	102.7%	703.2	424.8	65.5%
Net Profit (SAR mn)	128.0	38.9	229.0%	374.9	192.4	94.8%
EPS Basic (SAR)	0.3	0.1	229.0%	0.8	0.4	94.8%
Gross Margin (%)*	12.4%	9.8%	2.6%	11.9%	10.4%	1.5%
Operating Margin (%)	10.1%	7.7%	2.4%	10.1%	7.9%	2.1%
Net Profit Margin (%)	6.4%	3.0%	3.4%	5.4%	3.6%	1.8%

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.

## Yaqeen Capital

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@yaqeen.sa](mailto:addingvalue@yaqeen.sa)

Mail us at the following address:

P.O. Box 884

Riyadh 11421

Kingdom of Saudi Arabia

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