

3Q22 Results Update

November 14, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	28.2
Target Price (SAR)	30.6
Upside/Downside (%)	8.7%
<i>As of November 13, 2022</i>	
Key Data (Source: Bloomberg)	

Market Cap (SAR bn)	13.9
52-wk High (SAR)	30.8
52-wk Low (SAR)	18.5
Total Outstanding shares (in bn)	492
Free Float (%)	79.8%

Bahri vs. TASI (Rebased)

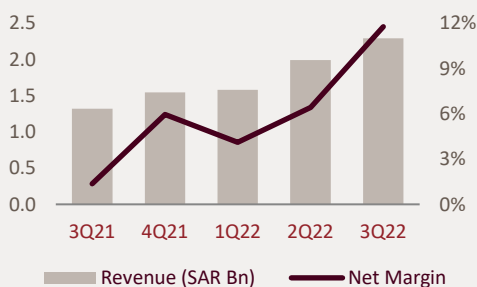


Price Performance (%)	Absolute	Relative
1m	7.9%	9.4%
6m	0.9%	13.3%
12m	(2.0%)	3.5%

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 November 13, 2022

Topline surged on addition of new vessels, increase in global shipping rates and operations

National Shipping Company (Bahri)'s revenue surged 73.6% YoY to SAR 2.3bn in 3Q22, supported by high revenue contribution from most segments. Despite a 56.4% YoY rise in cost of sales and decline in bunker subsidy, gross profit* increased 187.9% YoY to SAR 383.2mn during the quarter, supported by advanced topline. Consequently, gross margin* widened 664bps YoY to 16.7%. Reversal on trade receivable and contract assets and rise in other income led to a 355.2% YoY surge in operating profit to SAR 412.3mn in 3Q22. Consequently, operating margin advanced 1,113bps to 18.0%. Despite rise in finance cost and zakat expenses, the company's net profit (ascribed to equity holders) increased to SAR 269.9mn in 3Q22 from SAR 18.0mn in 3Q21. As a result, net margin expanded 1,041bps YoY to 11.8% in 3Q22.

Bahri reported strong earnings in 3Q22 compared with 3Q21 as increase in shipping operations, improvement in global shipping rates, and addition of new vessels in the company's fleet boosted topline. The increase in topline was also supported by high revenue contribution from most segments. Revenue from the oil transportation segment surged 85.7% YoY to SAR 1.4bn, whereas that from chemical transportation grew 91.8% YoY to SAR 583.5mn, logistics increased 20.8% YoY to SAR 229.8mn, and transportation of dry bulk segment advanced 12.4% YoY to SAR 76.0mn in 3Q22. Crude oil prices remained elevated throughout the year and are expected to average above USD 100/b for FY22. According to the EIA, possible interruptions to the petroleum supply and slower-than-expected growth in crude oil production could raise oil prices. Additionally, OPEC+ announced slash in oil production by 2 million barrels per day from November, which is expected to keep the oil prices elevated for the rest of the year. However, the EIA forecasts average oil prices to fall to USD 94.58/b in FY23 due to slower-than-anticipated economic growth. Nevertheless, shipping rates are expected to recover on increasing demand for oil and petrochemicals during winter, which will benefit the company's topline. In view of these factors, we continue to maintain "Neutral" rating on the stock.

- Bahri's revenue climbed 73.6% YoY to SAR 2.3bn in 3Q22, driven by high revenue contribution from the oil transportation, chemical transportation, logistics, and dry bulk transportation segments.
- Despite the rise in operating cost, the company's gross profit* increased 187.9% YoY to SAR 383.2mn in 3Q22. Consequently, gross margin* expanded to 16.7% from 10.1% in 3Q21.
- Rise in general and administration expenses was offset by rise in other income and reversal on trade receivable and contract assets. Consequently, the company's operating profit surged 355.2% YoY to SAR 412.3mn in 3Q22, and EBIT margin widened to 18.0% from 6.9% in 3Q21.
- Higher topline countervailed the rise in finance cost, and zakat and taxes as the company reported a net profit (ascribed to equity holders) of SAR 269.9mn during 3Q22 from SAR 18.0mn in 3Q21. Meanwhile, net margin improved to 11.8% compared with 1.4% in 3Q21.
- Bahri reported EPS of SAR 0.55 in 3Q22 compared to SAR 0.04 in 3Q21.
- Revenue advanced 15.0% QoQ from SAR 2.0bn in 2Q22 due to improved contribution across multiple sectors. Addition of new vessels, improvement in global shipping rates and increase in shipping operations supported the growth in oil transportation and chemical transportation segments. The company's net profit surged 110.8% QoQ from SAR 128.0mn in 2Q22.

Valuation: We revise our target price to a fair value of SAR 30.6 but maintain our "Neutral" rating on the stock.

	3Q22	3Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	2,292.7	1,320.6	73.6%	7,794.4	5,351.1	45.7%
Gross Profit (SAR mn)*	383.2	133.1	187.9%	1,063.5	556.5	91.1%
Operating Profit (SAR mn)	412.3	90.6	355.2%	968.9	424.8	128.1%
Net Profit (SAR mn)	269.9	18.0	1400.0%	608.3	192.4	216.1%
EPS Basic (SAR)	0.5	0.0	1400.0%	1.2	0.4	216.1%
Gross Margin (%)*	16.7%	10.1%	6.6%	13.6%	10.4%	3.2%
Operating Margin (%)	18.0%	6.9%	11.1%	12.4%	7.9%	4.5%
Net Profit Margin (%)	11.8%	1.4%	10.4%	7.8%	3.6%	4.2%

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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