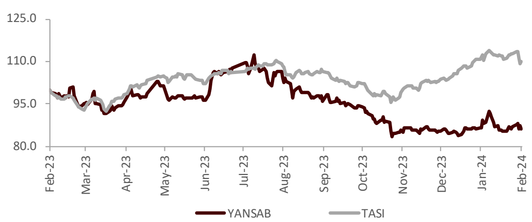
Target Price: SAR 36.0/share
Downside: 5.1%

Yanbu National Petrochemical Co. (YANSAB)

Recommendation	**Hold**
Current Market Price (SAR)	38.0
52wk High / Low (SAR)	49.6/36.6
Mkt. Cap. (USD/SAR Mn)	5,689/21,347
Shares Outstanding (mn)	562.5
Free Float (%)	49.0%
3m Average Vol. (000)	779.6
3m Avg Daily Turnover (SAR'000)	29,847
Dividend Yield '24e (%)	1.2%
P/E'24e (x)	69.4
EV/EBITDA'24e (x)	11.3

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2021	2022	2023e	2024e
Revenue	7,499	7,024	4,609	6,070
Gross profit	2,246	970	(253)	759
GPM (%)	30%	14%		13%
EBIT	1,742	442	(609)	340
EBIT margin (%)	23%	6%		6%
EBITDA	3,014	1,604	770	1,753
EBITDA margin (%)	40%	23%	17%	29%
Net Income	1,531	414	(442)	308
Net margin (%)	20%	6%		5%
EPS (SAR)	2.72	0.74	-0.79	0.55
RoE (%)	10%	3%	-3%	2%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Saudi Basic Industries Corporation (SABIC)	51.00%

Source: Bloomberg, Yaqeen Capital

Declining Revenue Drives Increase in Losses

- Yansab incurred a net loss of SAR 161mn in 3Q2023, compared to a loss of SAR 61mn in the same period last year and a profit of SAR 27mn in 2Q2022. The decline is attributed to reduced production and sales due to temporary plant shutdowns for emergency repairs. Despite lower input costs, challenges arose from decreased average sales prices for specific products.
- In 3Q2023, revenue dropped by 31.0% YoY (-17.0% QoQ) to SAR 1,098mn. Average sales prices fell by 2% compared to the previous quarter, accompanied by a 15% reduction in sales volumes from 2Q2023. Average sales prices dipped by 2% YoY, and sales volumes saw a 30% YoY decrease.
- Operating loss was SAR 153mn in 3Q2023 compared to a loss of SAR 29mn in 3Q2022 and a profit of SAR 13mn in 2Q2023. While SG&A expenses decreased, the primary factor contributing to this outcome was the decline in revenue.
- For 9M2023, Yansab reported a significant net loss of SAR 504mn, in contrast to the net profit of SAR 852mn in the same period in 2022. Revenue for 9M2023 fell by 45.2% to SAR 3,088mn compared to SAR 5,639mn in 9M2022.
- As of 9M2023, Yansab's total shareholders' equity excluding minority interest declined to SAR 12,350mn, a drop of 12.1% YoY.

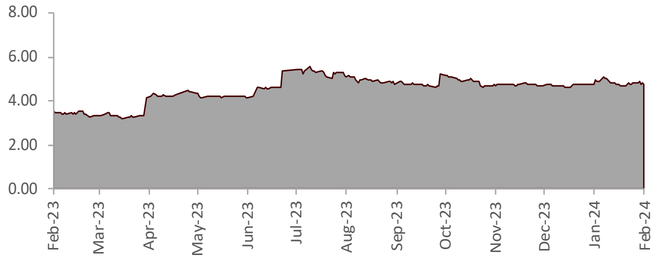
Outlook & Valuation: YANSAB is facing major short-term headwinds from the industry with the stagnant chemical market. Yansab's financial performance is expected to be weak in the short to medium term due to ongoing industry challenges as well as lower production due to the temporary shutdown of certain plants in August. Although the input cost has cooled down, overall operational efficiency is also expected to deteriorate in the short to medium term due to lower economies of scale. However, the company remains optimistic about its long-term prospects due to its strong position in the industry. Based on DCF valuation, we arrive at a fair value of SAR 36.0/share, expected downside of 5.1% from the current level. Hence, we recommend a Hold rating on the stock.

Financial Summary

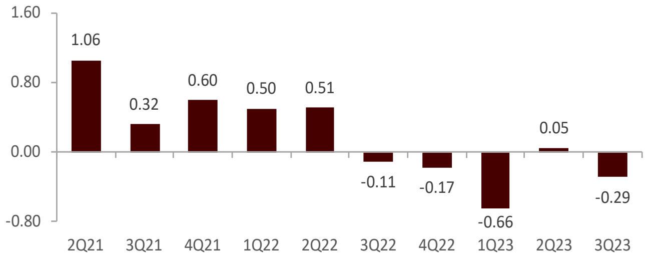
SAR (mn)	3Q2023	3Q2022	YoY	2Q2023	QoQ
Revenue	1,098	1,591	-31%	1,323	-17%
Gross profit	(44)	70		92	
GPM (%)		4%		7%	
EBIT	(153)	(51)	200%	5	
EBIT margin (%)				0%	
Net Income	(161)	(61)	165%	27	
Net margin (%)				2%	
EPS (SAR)	-0.29	-0.11	165%	0.05	

Source: Company Reports, Yaqeen Capital

Price to Sales Ratio Trend



EPS (SAR) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by ≥ 10%

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by ≥ 10%

Disclaimer