المجموعة المالية - هيرميس
EFG HERMES

NATIONAL SHIPPING CO. OF SAUDI ARABIA (NSCSA)

1Q2009 Results - Boosted by Other Income

7 MAY 2009

SAUDI ARABIA | SHIPPING

Short-Term Rec.: Reduce	Current Price*: SAR 17.55
Long-Term Rec. : Neutral	LT Fair Value : SAR 14.20

- **Net Profit Boosted by Other Income:** NSCSA has reported 1Q2009 net income of SAR151 million, down 13% Y-o-Y and up 57% Q-o-Q, well ahead of our forecast of SAR78 million due to higher-than-expected associate and other income. At the operating level, profits were SAR119 million, just below our forecasts of SAR127million.

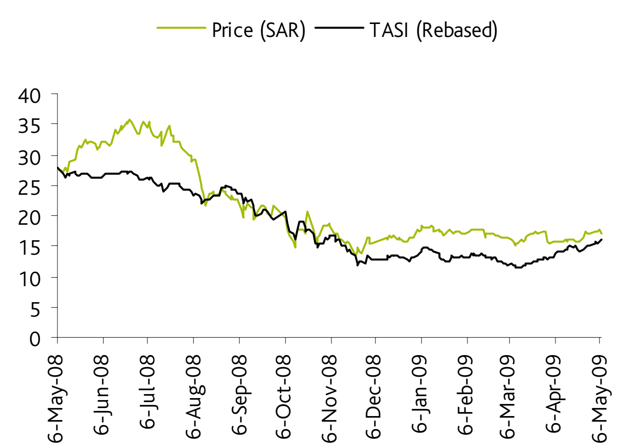
- **Petrochemical Division Plummets:** NSCSA's 1Q2009 revenues came in at SAR469 million, down 20% Y-o-Y and 30% Q-o-Q, which was 13% below of our forecast of SAR529 million. This underperformance came almost entirely from the Petrochem division, which reported sales of SAR99 million, 40% below our estimate of SAR162 million. The VLCC and Liner divisions' top line performance was broadly in line with our expectations. At the operating level, the group has benefited from a significantly reduced cost base, which meant that operating income was only marginally below our estimates.

- **Strong Associate and Other Income:** NSCSA's 1Q2009 income was boosted by SAR48.5 million from associates and SAR35.4 million from Other Income. Associate income is primarily the investment in LPG, which was loss making in 2008. Given this, it is somewhat surprising to see such a positive inflow. Other Income was also loss making in 2008 and the turnaround here is also surprising. We suspect the group may be booking revenues from the three petrochemical vessels it recently chartered out on a bareboat deal in Other Income, as opposed to revenues, and that would explain the large drop in the Petrochemical revenues and the increase in Other Income. SG&A and Finance costs were in line with expectations.

- **Outlook Remains Difficult**: VLCC revenues have come in line with expectations, but have fallen 65% Q-o-Q. We believe the outlook for 2Q2009e and the rest of the year remains bleak as the VLCC daily rates have continued to weaken. For instance, VLCC daily rate in 1Q2009 averaged c.USD45,000 but at the start of May 2009, VLCC daily rates had fallen to USD21,000. Our current forecasts assume an average VLCC rate of USD44,500 for 2009e, which would suggest that there is downside risk to our current forecasts.

- **No Change to Forecasts Yet, Risk to Earnings Weighs on Downside**: Despite weak daily rates, we will not change our forecasts until interim results. Going forward, should Other Income continue to surprise on the upside, we would not expect to materially change our bottom line numbers. However, we believe risk to our 2009e earnings forecasts weighs on the downside given the severe weakness in the VLCC market. With this in mind, we reiterate our bearish stance and maintain our ST Reduce/LT Neutral recommendation.

FLASH NOTE



*Prices as at 06 May 2009

	2009e	2010e	2011e
EPS	1.1	1.5	1.9
PER (x)	15.8	11.8	9.2
DPS	1.50	1.50	1.50
CFPS	2.3	3.2	3.7
P/CF (x)	7.4	5.4	4.6
Div. yield (%)	8.7	8.7	8.7
BVPS	15.7	15.7	16.1

Stock Data	
last Div. and Its Date	SAR1.5 on 31 March 09
Mkt. Cap. / Shares (mn)	SAR5,529 / 315
Av. Mthly Liqd. (mn)	SAR2,659
52-Week High / Low	SAR35.75 / 13.5
Bloomberg / Reuters	NSCSA AB / 4030.SE
Est. free Float	71.90%

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Accumulate	10 to 25%
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CONTACTS AND STATEMENTS

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