



EVENT FLASH

Weak results impacted by shutdowns

Yansab reported a weak 2Q17 results with a net income of SR346mn, lower than the NCBC estimate of SR474mn. We believe lower than expected operating rates on shutdowns led to the deviation. We believe Yansab facilities operated at 69% in 2Q17, lower than our estimate of 81%.

- Yansab reported weak 2Q17 results, with net income declining -53.7% YoY (-43.2% QoQ) to SR346mn. This is significantly lower than the NCBC and consensus estimate of SR474mn and SR447mn, respectively. We believe lower than expected operating rate due to shutdowns led to the variance.
- Revenues stood at SR1.36bn, significantly lower than our estimate of SR1.6bn. This is a decline of -20.9% YoY and -22.5% QoQ. Based on our calculations, Yansab's facilities operated at 69% in 2Q17, lower than 84.5% in 1Q17 and our estimate of 81.1%. We believe low operating rate is due to a 10-21 days shutdown at the olefins and EG facilities.
- Gross margin stood at 34.2% in 2Q17, lower than our estimate of 36.1%. This is also lower than 49.5% in 2Q16 and 41.4% in 1Q17. We believe the contraction in gross margin is due to the impact of the shutdown and the decline in PP-propane spread (down 6.2% QoQ and 13.9% YoY).
- Operating profit came in at SR358mn in 2Q17, lower than our estimate of SR491mn, mainly due to lower sales and gross margin. Opex stood at SR108mn in 2Q17, broadly in-line with our estimate of SR102mn.
- In 2Q17, PP prices declined 4.5% QoQ (+2.9% YoY) to US\$1,002, while HDPE prices fell 4.0% QoQ to US\$1,110. EG fell 15.6% QoQ to US\$742.
- In 2Q17, Yansab completed a 10-21 days shutdown at its olefins and EG facility, respectively. This was the first shutdown since 2Q15. The financial impact of the shutdown is estimated at SR110mn and will be reflected in the 2Q17-3Q17 results. Given the 2Q17 results was significantly lower than expected, we believe the shutdown impact has been fully reflected on the 2Q17 results.
- We remain overweight on Yansab with a PT of SR64.7. The stock's key positives are 1) improvement in operational efficiency following shutdown in 2Q17, 2) expansion at the EG unit in 2019E, 3) strong balance sheet with a net cash positive position 4) attractive dividend yield of 6.5%. Yansab is trading at a 2018E P/E of 11.7x, lower than the sector average of 13.6x.

2Q17 Results Summary

SR mn	2Q17A	2Q16A	% YoY	2Q17E	%Var [^]	% QoQ
Revenues	1,362	1,722	(20.9)	1,646	(17.3)	(22.5)
Gross income	465	853	(45.4)	594	(21.6)	(36.1)
Gross margin (%)	34.2%	49.5%	(15.36)	36.1%	(1.90)	(7.26)
Operating Profit	358	739	(51.6)	491	(27.2)	(42.6)
Net income	346	747	(53.7)	474	(27.1)	(43.2)
EPS (SR)	0.61	1.33	(53.7)	0.84	(27.1)	(43.2)

Source: Company, NCBC Research, ^ % Var indicates variance from NCBC forecasts

OVERWEIGHT

Target price (SR)	64.7
Current price (SR)	54.2
Upside/(Downside)	19.4%

STOCK DETAILS

M52-week range H/L (SR)	62/40
Market cap (\$mn)	8,132
Shares outstanding (mn)	563
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(2.1)	(8.6)	30.8
Rel. to market	(9.9)	(13.5)	20.4

Avg daily turnover (mn)	SR	US\$
3M	13.4	3.6
12M	19.0	5.1

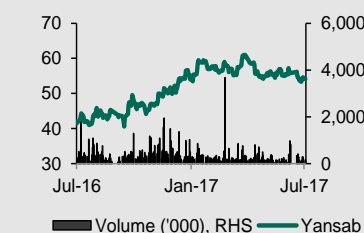
Reuters code	2290.SE
Bloomberg code	YANSAB AB
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VALUATION MULTIPLES

	16A	17E	18E
P/E (x)	13.2	13.4	11.7
P/B (x)	1.9	1.8	1.8
EV/EBITDA (x)	8.2	8.6	7.7
Div. Yield (%)	5.5	6.5	6.5

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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NCBC Investment Ratings

OVERWEIGHT:	Target price represents an increase in the share price in excess of 15% in the next 12 months
NEUTRAL:	Target price represents a change in the share price between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

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CS: Coverage Suspended. NCBC has suspended coverage of this company

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