

National Industrialization Company SJSC (Tasnee) - 4Q22 Results Review

Analyst: Analyst Team

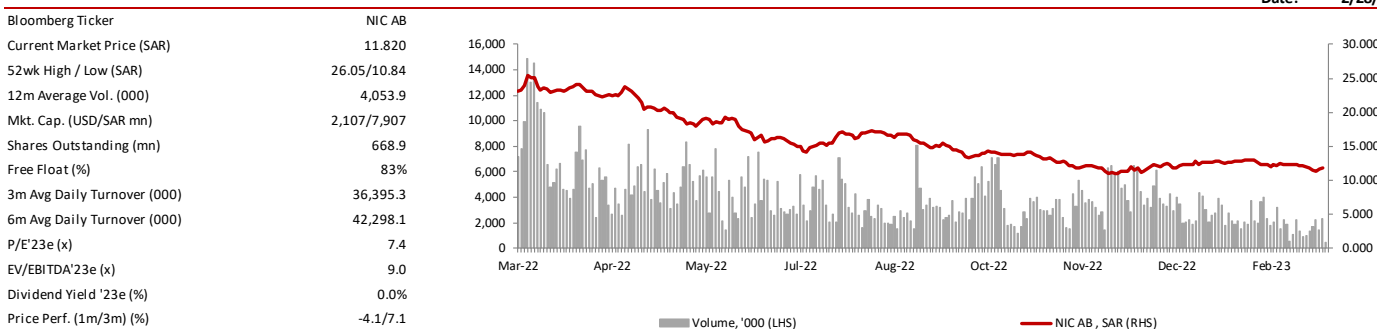
Previous Recommendation: **Buy**

Previous Reco. & Date: TP: SAR 14.90 per share; Buy on 26-Dec-2022

Target Price (SAR): **14.90**

Upside / (Downside): 26%

Date: **2/28/2023**



Subdued earnings impacted margins

The company has posted revenue of SAR 839.9mn for the 4Q22 against our estimate of SAR 938mn and has de-grown by 15% on a QoQ and 28% on a YoY basis. Revenue was impacted by a decline in the share of profit from investment in JVs and associates mainly because of lower average selling prices and sales volume for petrochemical products. It reported a sharp decline in gross profit for the quarter at SAR 66.3mn against our estimate of SAR 243mn, registering a decline of 74% and 80% on a QoQ and YoY basis, respectively. The decline in gross profit was on account of higher feedstock costs. It has also reported an operating loss for the quarter at SAR 254.2mn as a result of an increase in feedstock costs, logistics expenses, and finance charges. The net loss which came at SAR 187.8mn was impacted by lower revenue and higher feedstocks and operating costs, besides impairment provision.

Maintain target price

In view of the recovery in petrochemical prices amidst China's re-opening and brighter business prospects for the GCC region, and the rest part of the World as the interest rate cycle is believed to be peaking up, we tend to retain our rating on the stock while maintaining the target price.

Income Statement												
(SAR mn)	4Q21	1Q22	2Q22	3Q22	4Q22	4Q22e	YoY (%)	QoQ (%)	Var (%)	FY21	FY22	YoY (%)
Sales/Revenue	1,163	979	1,077	987	839.9	938.0	-28%	-15%	-10%	3,673.1	3,882.9	6%
Gross Profit (Loss)	331	288	259	251	66.3	243.0	-80%	-74%	-73%	987.0	864.3	-12%
Operating Profit (Loss)	818.0	548	569	458	(254.2)	209.0	NM	NM	-222%	2,515.1	1,320.8	-47%
Net Profit (Loss) after Zakat and tax	339.0	309.0	297.1	248.0	(187.8)	224.0	NM	NM	-184%	1,356.4	666.3	-51%
Balance Sheet												
(SAR mn)	4Q21	1Q22	2Q22	3Q22	4Q22	4Q22e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	8,702	9,423	9,531	9,527	9,615.0	9,881.0	10%	1%				
Key Ratios												
	4Q21	1Q22	2Q22	3Q22	4Q22	4Q22e						
Gross Profit Margin	28.5%	29.4%	24.0%	25.4%	7.9%	25.9%						
Operating Profit Margin	70.3%	56.0%	52.8%	46.4%	-30.3%	22.3%						
Net Profit Margin	29.1%	31.6%	27.6%	25.1%	-22.4%	23.9%						
Return on Equity (RoE)	15.6%	13.1%	12.5%	10.4%	-7.8%	9.1%						

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research

For our earlier report on the company, please [click here](#)

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%