

## YANSAB

NEUTRAL

CURRENT PRICE SAR59.5

UPSIDE +24.4%

TARGET PRICE SAR74.0

EVENT FLASH

## Weak results on lower margins and higher opex

Yansab reported weaker than expected set of results in Q2 19 with a net income of SAR316mn, declining 61.5% yoy (-19.1% qoq). This compares with NCBC Research and consensus estimates of SAR402mn and SAR401mn, respectively. Although revenues were in-line with our estimates, we believe the weakness is mainly attributed to lower than expected margins and higher opex. Gross margins came-in at 26.3% in Q2 19 vs our estimate of 30.3%.

- Revenues stood at SAR1.6bn, coming in-line with our estimates. This is a decline of -22.4% yoy (+7.6% qoq). Based on initial numbers, effective operating rates stood at 93% vs our estimates and Q2 18 levels of 92.4%.
- Gross profit came-in at SAR432mn, 12.7% lower than our estimates of SAR494mn. Gross margin stood at 26.3% vs our estimates of 30.3%, and 44.4% in Q2 18. We believe the variance in the margins is due lower than expected PP-propane spread (-7.7% qoq and -20.7% yoy to US\$596)
- EBIT came-in at SAR330mn, lower than our estimates of SAR399mn. We believe SG&A stood at SAR102mn vs our estimates of SAR95mn. Lower than expected other income increased the variance to 21.3% at the net income level. Based on our estimates, non-operating loss stood at SAR13.4mn vs our estimates of a profit of SAR2.3mn. This compares to Q1 19 profit of SAR11.6mn and Q2 18 profit of SAR4.7mn.
- In Q2 19, HDPE prices decreased 23.1% yoy (-1.6% qoq) to US\$1,041, while PP prices decreased 10.5% yoy (+2.0% qoq) to US\$1,106. MEG prices declined 42.2% yoy (-11.4% qoq) to US\$566. PP-propane spread declined 20.7% yoy (-7.7% qoq) to US\$596.
- Yansab BoD announced a cash dividend of SAR1.75/ share for H1 19. This is similar to the H1 18 levels, but came lower than our estimates of SAR2.0/share. This reflects a TTM dividend yield of 6.3%.
- In our last update in May 2019, we downgraded Yansab to Neutral with a PT of SAR74.0. We remain cautious on the stock as weakness in product prices is expected to more than offset the impact of improved efficiency. The stock is trading at 2019f PE of 13.5x, in-line with the peer group average (excluding SAFCO) of 13.6x.

## Q2 19 Results Summary

SARmn	Q2 19	Q2 18	% yoy	Q2 19f	%var^	% qoq
Revenues	1,638	2,111	(22.4)%	1,632	0.4%	7.6%
Gross income	432	938	(54.0)%	494	(12.7)%	(8.7)%
Gross margin (%)	26.3%	44.4%	(1,805)bps	30.3%	(394)bps	(469)bps
EBIT	330	816	(59.6)%	399	(17.5)%	(13.1)%
EBIT margin (%)	20.1%	38.7%	(1,854)bps	24.5%	(436)bps	(478)bps
Net income	316	821	(61.5)%	402	(21.3)%	(19.1)%
Net margin (%)	19.3%	38.9%	(1,958)bps	24.6%	(532)bps	(637)bps
EPS (SAR)	0.56	1.46	(61.5)%	0.71	(21.3)%	(19.1)%

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

الأهلي كابيتال  
NCB Capital

## STOCK DETAILS

M52-week range H/L (SAR)	77/58
Market cap (\$mn)	8,925
Shares outstanding (mn)	563
Listed on exchanges	TADAWUL

Price perform (%)	1m	3m	12m
Absolute	(7.0)	(17.2)	(22.2)
Rel. to market	(7.4)	(15.5)	(29.1)

Avg daily turnover (mn)	SAR	US\$
3m	66.0	17.6
12m	38.8	10.4

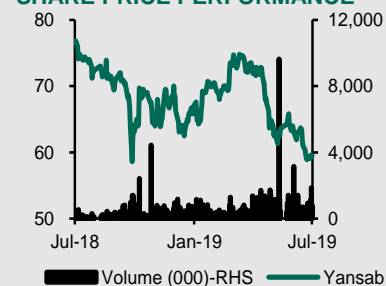
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## VALUATION MULTIPLES

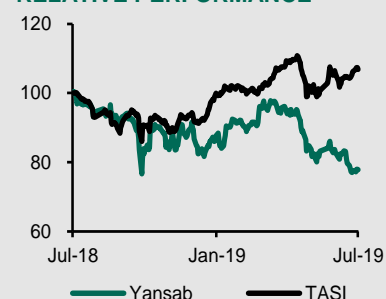
	18	19f	20f
PE (x)	13.9	13.5	18.6
PB (x)	1.9	1.9	2.0
EV/EBITDA (x)	8.8	8.5	10.7
Div Yield (%)	5.5	6.7	6.7

Source: NCBC Research estimates

## SHARE PRICE PERFORMANCE



## RELATIVE PERFORMANCE



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