



## EVENT FLASH

## Highest revenue since 4Q14

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- Revenues stood at SR1.93bn in 3Q17, 6.4% higher than our estimate of SR1.82bn. This is an increase of 27.5% YoY and 41.9% QoQ. This is the highest revenue recorded since 4Q14. Based on our calculations, Yansab facilities operated at 96% in 3Q17, higher than our estimate of 90% and compared to 70% in 2Q17. We believe the improvement in operating rates is due to operational efficiency following to the 10-21 days shutdowns at the olefins and EG facilities in 2Q17.
- Gross profit stood at SR780mn, broadly in-line with our estimate of SR800mn. Gross margin came-in at 40.4%, lower than our estimates of 44.1% and 45.4% in 3Q16. Lower than expected gross margins offset the improvement in operating rates. We believe the variance in gross margins is due to higher cost of sales which might be impacted by 2Q17 shutdown.
- In 3Q17, PP prices increased 6.6% QoQ (+6.5% YoY) to US\$1,068, while HDPE prices remained flat QoQ and YoY at US\$1,124. EG prices increased 18.8% QoQ and 40.0% YoY to US\$882. PP-propane spread increased 20.1% QoQ (down 2.1% YoY) to US\$685.
- We are 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 and 4) attractive dividend yield of 6.4%. Yansab is trading at a 2018E P/E of 11.9x, lower than the sector average of 13.9x.

## 3Q17 Results Summary

SR mn	3Q17A	3Q16A	% YoY	3Q17E	%Var^	% QoQ
Revenues	1,933	1,517	27.5	1,817	6.4	41.9
Gross income	780	689	13.3	800	(2.5)	67.8
Gross margin (%)	40.4%	45.4%	(5.05)	44.1%	(3.70)	6.21
Operating Income	654	592	10.4	678	(3.6)	82.7
Net income	645	568	13.4	639	0.9	86.5
EPS (SR)	1.15	1.01	13.4	1.14	0.9	86.5

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

## OVERWEIGHT

Target price	64.7
Current price (SR)	54.8
Upside/Downside (%)	18.0

## STOCK DETAILS

52-week range H/L (SR)	62/44
Market cap (\$ mn)	8,879
Shares outstanding (mn)	563
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(7.4)	(0.3)	17.8
Rel. to market	(1.4)	4.8	(2.2)

Avg daily turnover (mn)	SR	US\$
3M	15.1	4.0
12M	18.6	5.0

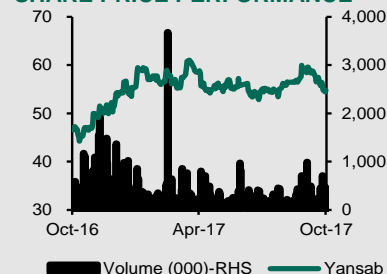
Reuters code	2290.SE
Bloomberg code	YANSAB AB
	<a href="http://www.yansab.com.sa">www.yansab.com.sa</a>

## VALUATION MULTIPLES

	16A	17E	18E
P/E (x)	13.4	13.6	11.9
P/B (x)	1.9	1.9	1.8
EV/EBITDA (x)	8.1	8.7	7.8
Div Yield (%)	5.5	6.4	6.4

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

**Other Definitions**

NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

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

NC: Not covered. NCBC does not cover this company

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