

FY20 Results Update
February 22, 2021

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	39.3
Target Price (SAR)	38.0
Upside/Downside (%)	(3.3%)

As of February 22, 2021
Key Data (Source: Bloomberg)

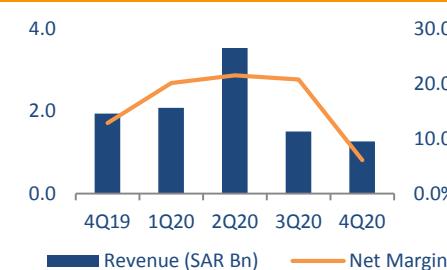
Market Cap (SAR bn)	15.5
52-Wk High (SAR)	42.5
52-Wk Low (SAR)	27.0
Total Outstanding Shares (in mn)	394
Free Float (%)	80.0%

Bahri vs. TASI (Rebased)


Price Performance (%)	Absolute	Relative
1m	0.6%	(1.6%)
6m	5.9%	(9.8%)
12m	15.6%	2.2%

Major Shareholders (%)

Public Investment Fund	22.55%
Saudi Aramco for Development Company	20.00%

Revenue (SAR bn) and Net Margin (%)

Source: Bloomberg, Company Financials, FALCOM Research; Data as of February 22, 2021
Margins expand in FY20 on higher top line, but 4Q20 bottom line shrinks on lower transportation rates

National Shipping Company (Bahri)'s revenue surged 27.8% YoY to SAR 8.4bn in FY20 on higher revenue from the oil transportation (+53.8% YoY to SAR 6.1bn) and chemical transportation (+12.4% YoY to SAR 1.2bn) segments. However, revenue fell 34.6% YoY in 4Q20 to SAR 1.3bn due to lower transportation rates and fewer voyages compared to 4Q19. Lower financial costs and a higher profit share from associate companies led to a 153.1% YoY rise in net profit to SAR 1.6bn. Consequently, net profit margin widened 926.7 bps YoY to 18.7% in FY20.

Bahri's weak performance in 4Q20 was primarily driven by the oil tanker segment, as transportation rates declined due to steady hike in oil prices (VLCC rates being negatively related to oil prices) in the quarter as compared to 4Q19. According to EIA, oil prices are anticipated to witness a stable rise in 1Q21 due to production cuts announced by the OPEC and an increase in crude demand as countries witness an uptick in economic activity on the steady rollout of vaccines. This could result in a decrease in transportation rates and hurt Bahri's bottom line in the near term. However, EIA forecasts upward pressure on oil prices to be limited in 2H21 owing to growing global oil supply. Considering these countervailing factors, we continue to maintain a "Neutral" rating on the stock.

- Revenues increased 27.8% YoY to SAR 8.4bn in FY20, supported by steady revenue growth across Bahri's oil transportation and chemical transportation segments.
- The rise in operating costs and decline in bunker subsidy in FY20 was offset by the higher top line, resulting in a 48.7% YoY surge in gross profit to SAR 2.1bn. Consequently, gross margin for the year expanded to 25.3% from 21.7% in FY19.
- This increase in gross profit offset the higher G&A expense and led to a 52.6% YoY rise in operating profit to SAR 1.9bn. As a result, EBIT margin improved to 22.2% from 18.6% in FY19.
- Lower financial costs and a higher profit share from associate companies offset the rise in zakat expense and led Bahri to report a 153.1% YoY rise in net profit (attributable to equity holders) to SAR 1.6bn. Consequently, net margin expanded to 18.7% in FY20 as against 9.5% in FY19.
- However, net profit fell 68.9% YoY to SAR 77.5mn in 4Q20 owing to lower transportation rates and a decrease in the number of voyages compared to 4Q19.
- On November 2, Bahri inked a SAR 300mn contract with the Presidency of State Security to become the official carrier of the presidency and its sectors. The contract's tenure is five years and is expected to have a positive impact on the company's financials from 4Q20.
- On January 21, Bahri's subsidiary, National Chemical Carriers Co., signed a 12-year Murabaha agreement with Samba Financial Group worth SAR 1.23bn. The facility will finance 80% of the costs of building 10 chemical tankers, having a capacity of 49,999 deadweight tonnage each.
- On January 25, Bahri's CEO, Abdullah Aldubaikhi stated that the company is planning to enter into the logistics sector, and commenced work on a project located in Jeddah Port alongside Saudi Ports Authority. It is also working on expansions in Riyadh airports, and on airport and port in the Eastern Province.
- On January 28, Bahri's Board of Directors recommended a cash dividend of SAR 1 per share for 2H20, equivalent to SAR 393.8mn or 10% of the company's share capital.

Valuation: We revise our target price downward to a fair value of SAR 38.0 and retain our "Neutral" rating on the stock.

	4Q20	4Q19	% YoY	FY21E	FY20	% YoY
Revenues (SAR mn)	1,268.1	1,939.4	(34.6%)	6,895.7	8,393.0	(17.8%)
Gross Profit (SAR mn- incl bunker subsidy)	217.9	464.6	(53.1%)	1,378.8	2,121.8	(35.0%)
Operating Profit (SAR mn)	141.8	382.6	(62.9%)	1,199.4	1,865.9	(35.7%)
Net Profit (SAR mn)	77.5	249.1	(68.9%)	917.0	1,571.1	(41.6%)
EPS Basic (SAR)	0.20	0.63	(68.9%)	2.33	3.99	(41.6%)
Gross Margin (%- Incl. bunker subsidy)	17.2%	24.0%	(6.8%)	20.0%	25.3%	(5.3%)
Operating Margin (%)	11.2%	19.7%	(8.5%)	17.4%	22.2%	(4.8%)
Net Profit Margin (%)	6.1%	12.8%	(6.7%)	13.3%	18.7%	(5.4%)

Source: Company Financials, FALCOM Research

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Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by 10% .

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from FALCOM Financial Services.

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