

## National Industrialization Company SJSC (Tasnee) - 1Q22 Result Review

Date: 27-Apr-22

Previous Recommendation: **Hold**

Fair Value (SAR): **22.000**

Reco. Date: 29-Mar-22

Upside / (Downside): 6.2%



### Improvement in YoY product prices drives the topline

Tasnee's revenue stood at SAR 979.2 mn in 1Q22, increasing 35.0% YoY (-15.8% QoQ) which is in line with our estimate of SAR 957.0 mn. The increase was driven by higher sales revenue resulting from rise in average selling prices of most of the products. Decline in quarterly revenue was partly attributable to decline in average price of polypropylene and LDPE.

### Higher feedstock cost and lower contribution from associates and JVs impacted net profit

Tasnee's 1Q22 net income declined by 5.7% YoY to SAR 309.0 mn (-8.8% QoQ) and was in line with our estimate of SAR 306.5 mn. The decline was attributable to lower share of results from investment in associates and joint venture coupled with higher feedstock costs.

#### Income Statement

(SAR 'mn)	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	YoY (%)	QoQ (%)	Var (%)	FY20	FY21	YoY (%)
Sales	725.4	780.4	1,004.3	1,163.0	979.2	957.0	35.0%	-15.8%	2.3%	2,271.8	3,673.1	61.7%
COGs	(538.8)	(561.0)	(754.4)	(831.9)	(691.0)	(707.6)	28.2%	-16.9%	-2.3%	(1,942.0)	(2,686.1)	38.3%
Gross profit	186.6	219.4	249.9	331.1	288.2	249.4	54.5%	-13.0%	15.6%	329.8	987.0	199.2%
Operating profit	561.9	608.7	526.2	818.3	543.2	435.0	-3.3%	-33.6%	24.9%	(9.8)	2,515.1	
<b>Net Profit</b>	<b>327.5</b>	<b>356.7</b>	<b>333.4</b>	<b>338.7</b>	<b>309.0</b>	<b>306.5</b>	<b>-5.7%</b>	<b>-8.8%</b>	<b>0.8%</b>	<b>(446.7)</b>	<b>1,356.4</b>	

#### Balance Sheet

(SAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	YoY (%)	QoQ (%)	Var (%)	FY20	FY21	YoY (%)
Shareholders' Equity	10,042.4	10,587.5	10,939.8	11,562.9	9,423.3		-6%	-19%		9,583	11,563	21%

#### Key Ratios

	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	FY20	FY21
Gross profit margin	25.7%	28.1%	24.9%	28.5%	29.4%	26.1%	14.5%	26.9%
Operating profit margin	77.5%	78.0%	52.4%	70.4%	55.5%	45.5%	-0.4%	68.5%
Net profit margin	45.2%	45.7%	33.2%	29.1%	31.6%	32.0%	-19.7%	36.9%
RoE (annualized)	14.0%	14.6%	13.0%	12.6%	12.3%		NA	12.8%

Source: Financials, 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%

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