

July 21, 2019

Margins Deteriorate Despite Higher Revenue

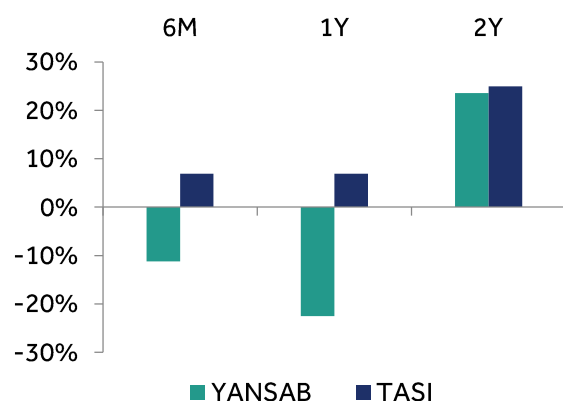
Rating	Neutral	Upside to Target Price	9.2%
Last Price	SAR 59.50	Expected Dividend Yield	5.9%
12-mth target	SAR 65.00	Expected Total Return	15.1%

YANSAB (SAR mln)	2Q2019	2Q2018	Y/Y	1Q2019	Q/Q	RC Estimate
Sales	1,638	2,112	(22%)	1,522	8%	1,415
Gross Profit	432	938	(54%)	473	(9%)	425
Operating Profit	330	816	(60%)	379	(13%)	340
Net Profit	316	821	(61%)	391	(19%)	344

- Yansab registered sales of SAR 1,638 mln in 2Q2019 (-22% Y/Y, +8% Q/Q), beating our estimate of SAR 1,415 mln.
- Gross margin contracted to 26% from 31% last quarter and 44% last year as the company cited higher production costs. Operating margin contracted to 20% from 25% last quarter and 39% last year.
- Net profit came in at SAR 316 million (-61% Y/Y, -19% Q/Q), missing our forecast and market expectations of SAR 344 mln SAR 401 mln, respectively, as net margin contracted to 19% from 26% last quarter and 39% last year.
- Margins deteriorated significantly from their distinctively high levels and this is likely to put pressure on the stock. Nevertheless, Yansab remains a strong FCF generator, allowing for handsome dividends and an elevated price floor for the stock. We lower our target price to SAR 65.00 from SAR 74.00 earlier and maintain our Neutral rating.

Saleh Altwayan
saleh.a.al-twayan@riyadcapital.com
 +966-11-203-6815

Market Data	
52-week high/low	SAR 77.40/57.60
Market Cap	SAR33,469 mln
Shares Outstanding	562.5 mln
Free-float	39.2%
12-month ADTV	583,238
Bloomberg Code	YANSABAB



Disclaimer

Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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