

Yanbu National Petrochemical Co. (YANSAB) - 2Q23 Result Review

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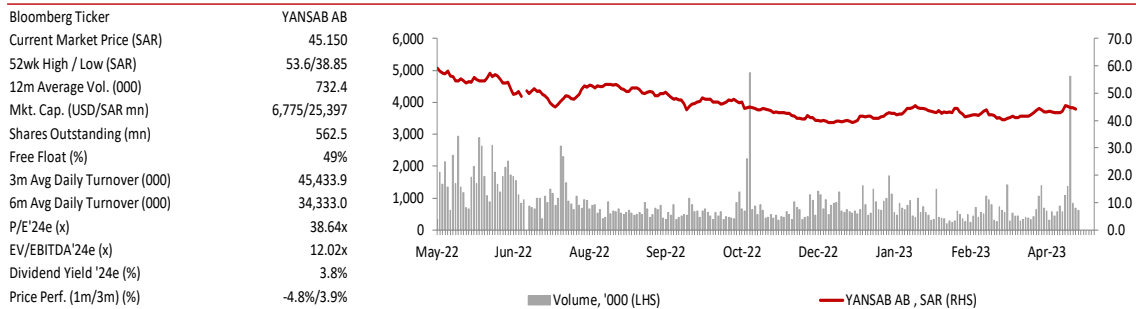
Previous Recommendation: **Hold**

Previous Reco. & Date: Hold on 23-July-2023

Target Price (SAR): **45.92**

Upside / (Downside): 2%

Date: 23-07-2023



Revenue declined 36% Y-o-Y due to lower product prices, misses estimate

The company reported Q2 2023 revenue of SAR 1,322.9mn (-36% y-o-y), below our estimate of SAR 1,562.9mn. The deviation can be attributed likely to lower than expected sales prices as well as volumes.

Gross profit and Operating profit missed estimates

The company's gross profit and operating profit stood at SAR 92.2mn and SAR 13mn respectively, below our estimates of SAR 230m and SAR 101mn, respectively. The miss is due to lower than expected revenues. On margins side, gross margin came at 7% (vs 15% estimate) while operating margin stood at 1% (vs 6% estimate) for Q2 2023.

Records lower-than-expected Net profit of SAR27.4mn in Q2 2023

The company posted a net profit of SAR27.4mn (vs. SAR 369.7mn net loss in Q1 2023), lower-than-our estimated profit of SAR 61.8mn due to lower than expected revenues and margins

Maintain target price

We anticipate that the product prices will continue to face pressure throughout 2023, given the ongoing strain on the global economy resulting from concerns about a recession, higher interest rates, and slow recovery in China. However, prices are expected to normalize post-2023e along with likely better demand for end products like plastics in MENA and Asia region. Thus, we maintain our target price at SAR 45.92/share and maintain our Hold

Income Statement												
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Sales/Revenue	2,062	1,595	1,385	667	1,323	1,563	-36%	98%	-15%	7,024	5,645	-20%
Gross Profit (Loss)	400	74	56	(240)	92	230	-77%	-138%	-60%	970	714	-26%
Operating Profit (Loss)	277	(46)	(95)	(367)	13	101	-95%	-104%	-87%	515	195	-62%
Net Profit (Loss)	288	(61)	(96)	(370)	27	62	-91%	-107%	-56%	414	94	-77%
Balance Sheet												
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	14,151	14,207	14,051	12,958	12,444	13,020	-12%	-4%	-4%			
Key Ratios												
	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e						
Gross Profit Margin	19%	5%	4%	-36%	7%	15%						
Operating Profit Margin	13%	-3%	-7%	-55%	1%	6%						
Net Profit Margin	14%	-4%	-7%	-55%	2%	4%						
Return on Equity (RoE)	8%	-2%	-3%	-11%	1%	2%						

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research

For our earlier report, please [click here](#).