

Yanbu National Petrochemical Co. (Yansab)

Q3 2017

Recommendation

Overweight

Fair Value (SAR)

63.00

Price as of October 29 , 2017

53.38

Expected Return

18%

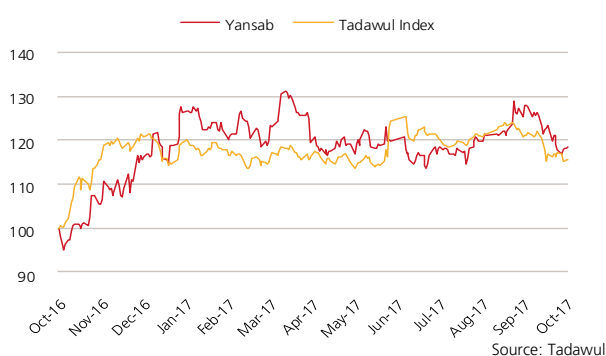
Company Data

Tadawul Symbol	2290.SE
52 Week High (SAR)	61.75
52 Week Low (SAR)	39.90
YTD Change	-2.1%
3-Month Average Volume (Thousand Shares)	250
Market Cap. (SAR Million)	30,026
Market Cap. (USD Million)	8,007
Outstanding Shares (Million Shares)	562.5

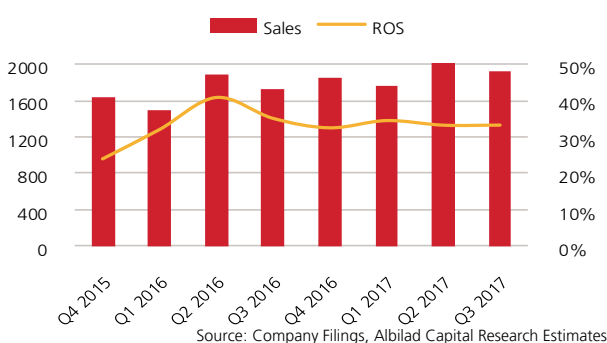
Major Shareholders (> 5%)

Saudi Basic Industries Corp. (SABIC)	51.00%
General Organization for Social Insurance	11.92%

52-week Stock Price Movement



Quarterly Sales (SAR mn) and ROS



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Yanbu National Petrochemical Company (Yansab) disclosed net income of SAR 645 million for Q3 2017 skyrocketing by 13.4% YoY from SAR 658.3 million in Q3 2016, and 87% QoQ from SAR 345.5 million in Q2 2017. Therefore, net profit for 9M 2017 hit SAR 1,599 million compared to SAR 1,737.4 million in 9M 2016 sliding 18.4%.

According to the earnings release, the increase in net profit in Q3 2017 was attributed to higher average sales price for most of the products and sales volume, as well as the completion of the planned maintenance in Q2 2017 that boosted the production levels.

Yansab's sales came in at SAR 1,933.4 million jumping 28% in Q3 2017 compared with SAR 1,517 million in Q3 2016 and edged up 42% QoQ from SAR 1,362 million. Moreover, the nine-months sales hit SAR 5,054.1 million compared to SAR 4,586.1 million for the same period last year, showing an increase of 28%.

The table below depicts the price changes in the company's basket of products.

Average Commodity Prices (US\$/Ton)	Current price	Q3 2017	Q3 2016	YoY	Q2 2017	QoQ
Polypropylene (SE Asia)	1,190	1,125	1,034	9%	1,077	4%
Polyethylene - High Density (SE Asia)	1,230	1,145	1,150	(0.4%)	1,128	2%
Polyethylene - Low Density (SE Asia)	1,270	1,208	1,189	2%	1,235	(2%)
Benzene (Far East - Japan)	795	763	642	19%	768	(0.7%)
Mono Ethylene Glycol (SE Asia)	920	874	627	39%	743	18%

Operating profit (EBIT) came in at SAR 654 million in Q3 2017 shifting up 10.4% from SAR 592 million in Q3 2016. Therefore, 9M 2017 operating profit hit SAR 1,635 million decreasing 11% YoY. Thus, EBIT Margin for the nine-months in 2017 shrank to 32.5% versus 40% for the same period last year.

Gross profit culminated at SAR 654 million in Q3 2017 increasing %45.4 versus SAR 689 million in Q3 2016 and 36% from SAR 465.2 million in Q2 2017.

In general, the net profit came higher than our estimate of SAR 472 million and the analysts' consensus of SAR 579 million. The outlook for Yanbu National Petrochemical Company is still positive, as the company restored production rates to a normal levels after the maintenance carried out in the second quarter which contributed to higher production. In addition, petrochemical products prices spiked during Q3 2017 due to the seasonality as we approach winter season, we believe the prices will maintains its upward trend in Q4 2017. Factoring in Q3 2017 results, we upgrade our fair value from SAR 60 to SAR 63 per share.

FY - Ending December	2014A	2015A	2016A	2017E
EV/EBITDA	7.94	11.87	8.31	8.20
EV/Sales	3.45	4.57	4.32	3.97
P/E	12.49	25.62	13.44	13.21
Dividend Yield	5.5%	3.6%	5.5%	5.0%
P/B	1.99	2.02	1.90	1.82
Price/sales	3.25	4.48	4.44	4.32
Revenues growth	1.7%	-27.3%	0.9%	2.7%
EPS	4.40	2.15	4.09	4.16

Source: Company Filings, Albilad Capital Research Estimates

YANSAB AB - 2290.SE

Income Statement (SAR mn)	2013A	2014A	2015A	2016A	2017E
Sales	9,353.6	9,511.0	6,911.4	6,970.8	7,160.8
COGS	5,048.8	5,135.8	4,033.5	3,138.0	3,234.9
COGS/SALES	54.0%	54.0%	58.4%	45.0%	45.2%
SG&A	231.9	244.3	217.5	211.0	458.1
SG&A/SALES	2.5%	2.6%	3.1%	3.0%	6.4%
EBITDA	4,073.0	4,130.9	2,660.4	3,621.8	3,467.8
EBITDA Margin	43.5%	43.4%	38.5%	52.0%	48.4%
Depreciation and amortization	1,080.1	1,288.2	1,120.3	1,135.1	1,078.4
EBIT	2,992.9	2,842.7	1,540.1	2,486.7	2,389.4
Net Interest Income	(260)	(224)	(182)	(139)	(72)
Others (Net)	29.15	11.09	25.89	99.58	149.35
Pre-Tax Income	2,762.2	2,630.1	1,383.6	2,447.2	2,466.6
Tax and Zakat	117.6	152.3	176.3	145.6	124.7
Net Income	2,644.7	2,477.7	1,207.3	2,301.6	2,341.8
ROS	28.3%	26.1%	17.5%	33.0%	32.7%
Balance Sheet (SAR mn)	2013A	2014A	2015A	2016A	2017E
Cash and Marketable securities	2,106.2	2,691.4	679.0	1,685.8	1,414.7
Short Term Investments	915.0	963.8	2,733.7	1,737.3	2,235.5
Inventory	1,119.1	1,315.7	825.5	861.5	910.3
Others	2,641.6	2,525.4	2,089.4	2,127.1	2,359.4
Total ST Assets	6,781.9	7,496.3	6,327.6	6,411.7	6,919.9
Net Fixed Assets	15,623.4	14,637.8	14,356.9	13,557.1	12,577.4
Others	495.5	333.4	283.8	223.9	205.6
Total LT Assets	16,118.8	14,971.2	14,640.7	13,781.0	12,783.0
Total Assets	22,900.8	22,467.4	20,968.3	20,192.8	19,702.8
Short Term Debt and CPLTD	1,298.4	1,462.4	1,464.0	1,464.0	932.1
Accounts Payable	145.1	222.3	40.6	151.9	358.0
Others	730.5	970.5	1,267.8	906.9	910.1
Total ST Liabilities	2,174.0	2,655.3	2,772.4	2,522.8	2,200.2
Total Long Term Debt	5,522.6	4,060.2	2,596.1	1,132.1	200.1
Other Non-Current Liabilities	160.80	199.70	247.70	291.93	331.9
Equity	15,043.3	15,552.3	15,352.0	16,245.9	16,970.6
Total Liabilities and Equity	22,900.8	22,467.4	20,968.3	20,192.8	19,702.8
Cash Flow (SAR mn)	2013A	2014A	2015A	2016A	2017E
Cash flow from Operations	3,620.7	4,036.4	3,431.3	3,161.2	3,460.7
Cash flow from Financing	(1,839.8)	(3,260.5)	(2,866.1)	(2,867.4)	(3,153.3)
Cash flow from Investing	(204.5)	(190.7)	(2,577.6)	713.0	(578.6)
Change in Cash	1,576.4	585.3	(2,012.4)	1,006.8	(271.2)

Source: Company Filings, Albilad Capital Research Estimates

Presentation of financial statements may differ from the company's presentation. However, there is no impact on the final results.

All the historical financial statements were prepared in accordance with SOCPA standards until releasing (IFRS) financial statements.

Albilad Capital Rating Methodology

Al-Bilad Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

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: waiting for more analysis, waiting for detailed financials , waiting for more data to be updated, major change in company's performance, change in market conditions or any other reason from Albilad Capital Research.

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