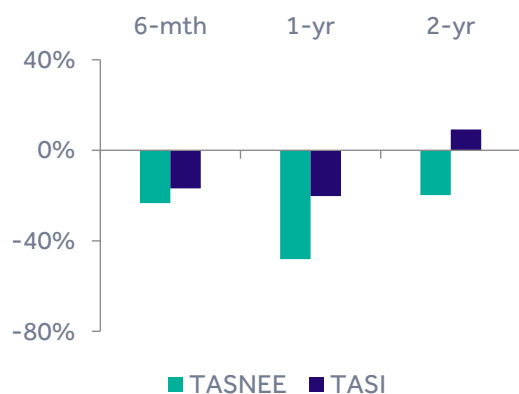


Market Data	
52-week high/low	SAR 26.05/10.84
Market Cap	SAR 8,027 mln
Shares Outstanding	669 mln
Free-float	82.93%
12-month ADTV	4,029,828
Bloomberg Code	NIC AB



Reversal of Impairment Helps Bottomline Q/Q

March 02, 2023

Upside to Target Price	8.3%	Rating	Neutral
Expected Dividend Yield	-	Last Price	SAR 12.00
Expected Total Return	8.3%	12-mth target	SAR 13.00

TASNEE	4Q2022	4Q2021	Y/Y	3Q2022	Q/Q	RC Estimate
Sales	939	1,163	(19%)	887	6%	732
Gross Profit	187	331	(44%)	130	44%	102
Gross Margins	20%	28%		15%		14%
Operating Profit	35	170	(79%)	179	(80%)	134
Net Profit	43	339	(87%)	17	152%	38

(All figures are in SAR mln)

- For 2022, Tasnee posted a revenue of SAR 3,883 mln, an increase of +6% compared to 2021. For 4Q2022, Tasnee revenues fell by -19% Y/Y but inclined by +6% Q/Q. As per management, the decline on yearly basis was attributed to lower product prices which fell in the range of -40% to -50%. On a quarterly basis, the rise came on the back of improved average selling prices and sales volumes for certain products.
- Gross profit for the quarter went down by -44%Y/Y but up by +44% Q/Q to SAR 187 mln. Gross margins contracted Y/Y by -855 bps but improved Q/Q by +526 bps to 20% this quarter. Net margins followed the same wave as it improved by +266 bps Q/Q to 5% as compared to 2% in the preceding quarter.
- In 4Q2022, operating profit significantly declined (down -79% Y/Y and -80% Q/Q) to SAR 35 mln. The decline was primarily due to lower share of profit from investments in JVs tied with lower product prices in addition to higher financial charges and logistics cost, which increased by +70% Y/Y, despite the decline in G&A expenses and Zakat provisions.
- As per management, Titanium Ilmenite Smelter Plant Project to improve operational processes and production is underway and would reach 70% of the design capacity in the second half of 2023.
- For FY2022, Net profit was recorded at SAR 666 mln, down -51% compared to 2021. In 4Q, Tasnee reported a net profit of SAR 43 mln, a decline of -87% Y/Y but up +152% Q/Q. We believe the rise Q/Q was attributed to the partial reversal of impairment provisions for financial assets which impacted positively. Bottomline came in-line with our forecast of SAR 38 mln. We reduce our target price to SAR 13.00 but maintain Neutral rating.

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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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