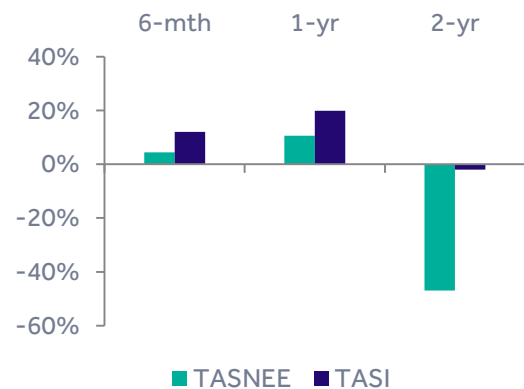


Market Data	
52-week high/low	SAR 15.70 / 10.94
Market Cap	SAR 8,883 mln
Shares Outstanding	669 mln
Free-float	82.96%
12-month ADTV	2,588,278
Bloomberg Code	NIC AB



## Gross Profits Evaporate

March 07, 2024

Upside to Target Price (9.6%)  
 Expected Dividend Yield -  
 Expected Total Return (9.6%)

Rating Neutral  
 Last Price SAR 13.28  
 12-mth target SAR 12.00

TASNEE	4Q2023	4Q2022	Y/Y	3Q2023	Q/Q	RC Estimate
Sales	957	939	2%	832	15%	811
Gross Profit	(50)	187	-	156	-	142
Gross Margins	(5%)	20%		19%		18%
Operating Profit	16	35	(55%)	184	(91%)	167
Net Profit	(17)	43	-	78	-	63

(All figures are in SAR mln)

- Tasnee 4Q23 revenues came in higher Q/Q and Y/Y, by +15% and +2%, respectively; at SAR 957 mln. Topline was higher than our estimates, most likely via the increases in sales volumes, which according to management and as evidenced by gross profits, did not offset the decreases in sales prices or increases in feedstock costs. Annual results deviated FY23 vs. FY22 similarly, with the decline Y/Y primarily attributed to lower average end-product sales prices, which was not offset by higher sales volumes. Driven by a severe increase in feedstock prices, gross margins were completely eroded Q/Q, by over -1,000 bps, from 19% to (5%). This translated into Tasnee producing a gross loss. This subpar profitability is most likely influenced by the Company's large dependence on Propane as a feedstock, as Propane prices increased +30% Q/Q.
- Operating profit, surprisingly was positive, but decreased -91% Q/Q to SAR 16 mln, driven by a decrease in gross profit (loss) and other operating expenses being offset by the share of income from JV's & associates and higher Murabaha income. However, it is important we note that both the income from JV & associates' and G & A were lower Y/Y.
- The net loss of SAR (17) mln was driven by profits from associates, which dropped, pulling net profits into negative territory; not offset by the increasing aforementioned Murabaha income. The Company's ownership in Tronox Holdings plc., appears to be a consistently burdensome theme, as negative results in the wider chemicals market cascade into Tronox's results, which further exacerbate the downward movement of Tasnee's overall earnings. With an unconstructive pricing environment and no gross profits, we trim our target price to SAR 12.00 and lower our rating to Neutral.

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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](mailto:research@riyadcapital.com)

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