

October 23, 2023

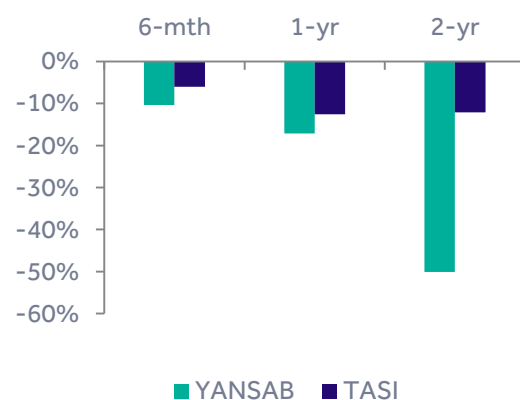
Profit Evaporates After Shutdowns

Upside to Target Price	2.7%	Rating	Neutral
Expected Dividend Yield	5.1%	Last Price	SAR 38.95
Expected Total Return	7.8%	12-mth target	SAR 40.00

Market Data	
52-week high/low	SAR 49.55 / 38.65
Market Cap	SAR 21,909 mln
Shares Outstanding	562.5 mln
Free-float	49.00%
12-month ADTV	700,874
Bloomberg Code	YANSAB AB

Yansab	3Q2023	3Q2022	Y/Y	2Q2023	Q/Q	RC Estimate
Sales	1,098	1,591	(31%)	1,323	(17%)	1,016
Gross Profit	(44)	70	-	92	-	(61)
Gross Margins	(4%)	4%		7%		(6%)
Operating Profit	(153)	(29)	(438%)	13	-	(123)
Net Profit	(161)	(61)	(164%)	27	-	(126)

(All figures are in SAR mln)



- Yansab topline declined by -17% Q/Q and -31% Y/Y to SAR 1.1 bln, slightly above our forecast. The decrease in revenue was driven by the Company's announced shutdown (temporary) of certain plants, in order to perform emergency repairs. These shutdowns and their impact, have also cascaded into other financial metrics of Yansab's performance. Although this shutdown was announced on Tadawul's website on the 21st of August 2023, the bottomline impact has been greater than anticipated by the market.
- Gross margin came in negative, at -4% for the quarter versus positive margins of 7% for its previous quarter. This was mainly attributed to lower end-product sale prices, which have not been offset by lower average feedstock prices, such as Propane, in 3Q23.
- Operating profit declined by -438% Y/Y to a loss of SAR (153) mln compared to a profit of SAR 13 mln in the preceding quarter. We believe this was mainly a factor of negative gross margins and a continued soft pricing environment.
- Net loss of SAR (161) million was recorded for the quarter, a stark comparison to a profit of SAR 27 mln in the preceding quarter. Management stated that lower production was a result of the scheduled turnaround of Yansab's complex. While 3Q23 has been below expectations, we continue to believe 4Q23 will be better on the back of lower feedstock prices. However, given the uncertainty, we maintain our target price of SAR 40.00 and a Neutral rating.

Brennan Eatough
 brennan.eatough@riyadcapital.com
 +966-11-203-6808

■ 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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