



US\$7.25bn Market cap	39.7% Free float	US\$23.68mn Avg. daily volume
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Target price	n/a	n/a
Consensus price	50.00	3.5% over current
Current price	48.30	as at 12/1/2011

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Existing rating		
	Not Rated	

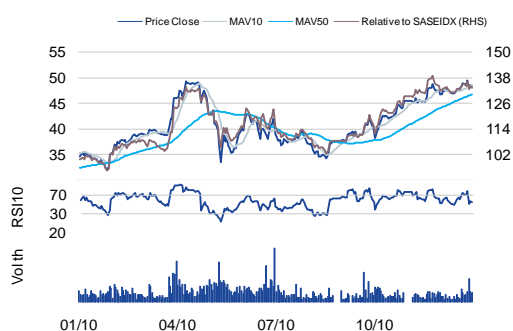
Yansab Robust Q4 2010 results

In contrast to the weak Q3, Yansab has reported robust preliminary Q4 results featuring 55% quarter-on-quarter growth in net profit. Yansab appears to be benefiting from full commercial production and positive trends in prices. We expect that we will have to raise our forecasts for the company. We do not have a target price or investment rating for Yansab.

Flash View

Flash View is an analyst's preliminary interpretation of a results announcement or the impact of a major event. Our investment rating and earnings estimates are not being changed in this report. Any formal changes to our investment rating or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed here.

Performance



Earnings

Period End (SAR)	12/09A	12/10E	12/11E	12/12E
Revenue (mn)	-	5,786	8,256	9,081
Revenue Growth			42.7%	10.0%
EBITDA (mn)	(29)	2,809	3,922	4,359
EBITDA Growth	14.2%		39.6%	11.1%
EPS	-	0.05	2.83	4.27
EPS Growth	14.2%		50.7%	19.5%

Source: Company data, Al Rajhi Capital

Valuation

Note. We have not provided an historical valuation chart here, because until this year Yansab had neither revenues nor profits.

Earnings vs our forecast	Above	In Line	Below
Likely impact:			
Earnings estimates	Up	No Change	Down
Dividend estimates	Up	No Change	Down
Recommendation	Upgrade	No Change	Downgrade
Long term view	Stronger	Confirmed	Weaker

- **Revenues strong:** Yansab's preliminary Q4 results showed revenues of SAR1,892mn, compared to zero in Q4 2009 (when it had not yet launched commercial production) and up by 18% from SAR1,603mn in Q3 2010. This is a robust outcome; we had forecast sales of SAR1,856mn. Yansab benefited from what appears to have been uninterrupted commercial production over Q4 (whereas a technical failure severely affected output in Q3) and from the upward trend in prices in Q4 that we highlighted in our recent petrochemicals sector note "Positive trends continue" (12th January).
- **EBITDA and operating profit rise:** From the preliminary results we calculate that EBITDA reached SAR926mn in Q4, compared to an EBITDA loss of SAR7mn in Q4 2009 and representing a 28% increase from SAR721mn in Q3. Operating profit reached SAR671mn for Q4, compared to an operating loss of SAR7mn in Q4 2009 and representing a 43% increase from SAR469mn in Q3. We had forecast operating profit of SAR593mn.
- **Net profit jumps:** Net profit in Q4 was SAR555mn, compared to a net loss of SAR7mn in Q3 2009 and representing a 55% increase from SAR356mn in Q2. We had forecast net profit of SAR474mn. Net profit in Q4 represented 33% of total net profit for the year of SAR1,673mn, illustrating the strength of the improvement in business conditions at the end of the year.
- **Other:** We estimate that Yansab ended 2010 with net debt of SAR13,177mn; we cannot confirm this figure from the preliminary balance sheet and cash flow data. However, the preliminary data suggest that Yansab saw a sizable increase in accounts receivable in Q4, and that this was one of the reasons why cash fell from SAR1,445mn at the end of Q3 to SAR790mn. This may not signify anything other than the fact that receivables (including amounts owed by customers) are rising naturally as the company's business expands.
- **Conclusion:** Yansab's preliminary Q4 results are above our forecasts and support our continuing positive stance on Saudi petrochemicals. We expect to raise our earnings forecasts. We do not have a target price or investment rating on Yansab as it is not Sharia-compliant by our definition.



Corporate summary

Yansab is handling one of the two major capex projects currently being undertaken by the SABIC group at Yanbu on the west coast. SABIC holds 51% of its Yansab subsidiary and the rest is owned by public shareholders. Yansab is listed on the TASI following an IPO in 2005 and focus on production of basic chemicals such as ethylene and propylene, helping SABIC meet demand coming from Asia and other growth markets. The facility at Yansab commenced commercial production in Q1 2010.

Share information

Market cap (SAR/US\$) 27.17bn / 7.25bn
52-week range 32.10 - 49.40
Daily avg volume (US\$) 23.68mn
Shares outstanding 562.5mn
Free float (est) 39.7%

Performance: 1M 3M 12M
Absolute 1.9% 19% 36.4%
Relative to index -2.1% 13.1% 29.2%

Major Shareholder:

SABIC 51%
GOSI 9%

Source: Bloomberg, Al Rajhi Capital

Valuation

Period End	12/09A	12/10E	12/11E	12/12E
Revenue (SARmn)	-	5,786	8,256	9,081
EBITDA (SARmn)	(29)	2,809	3,922	4,359
Net Profit (SARmn)	(29)	1,592	2,400	2,868
EPS (SAR)	- 0.05	2.83	4.27	5.10
DPS (SAR)	-	-	-	-
EPS Growth	14.2%	na	50.7%	19.5%
EV/EBITDA (x)	na	14.4	9.8	8.3
P/E (x)	na	17.1	11.3	9.5
P/B (x)	4.8	3.7	2.8	2.2
Dividend Yield	0.0%	0.0%	0.0%	0.0%

Source: Company data, Al Rajhi Capital

Figure 1. Yansab: Q4 2010 results

(SAR mn)	Q4 2009	Q3 2010	Q4 2010	% chg. y-o-y	% chg. q-o-q	Q4 2010 ARC est.
Revenues	0	1,603	1,892	n/a	18.0%	1,856
EBITDA	-7	721	926	n/a	28.4%	854
EBITDA margin	n/a	45.0%	48.9%	n/a	3.9pp	46.0%
Operating profit	-7	469	671	n/a	43.1%	593
Net profit	-7	356	555	n/a	55.9%	474

Source: Company data, Al Rajhi Capital



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Additional disclosures

1. Explanation of Al Rajhi Capital's rating system

Al Rajhi Capital uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage except financial stocks and those few other companies not compliant with Islamic Shariah law:

"**Overweight**": Our target price is more than 15% above the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

"**Neutral**": We expect the share price to settle at a level between 5% below the current share price and 15% above the current share price on a 6-9 month time horizon.

"**Underweight**": Our target price is more than 5% below the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

2. Definitions

"**Time horizon**": Our analysts make recommendations on a 6-9 month time horizon. In other words, they expect a given stock to reach their target price within that time.

"**Fair value**": We estimate fair value per share for every stock we cover. This is normally based on widely accepted methods appropriate to the stock or sector under consideration, e.g. DCF (discounted cash flow) or SoTP (sum of the parts) analysis.

"**Target price**": This may be identical to estimated fair value per share, but is not necessarily the same. There may be very good reasons why a share price is unlikely to reach fair value within our time horizon. In such a case we set a target price which differs from estimated fair value per share, and explain our reasons for doing so.

Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.

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