



US\$6.27bn Market cap	37.7% Free float	US\$12.19mn Avg. daily volume
Target price	52.10 24.7% over current	
Consensus price	59.09 41.4% over current	
Current price	41.80 as at 11/7/2012	

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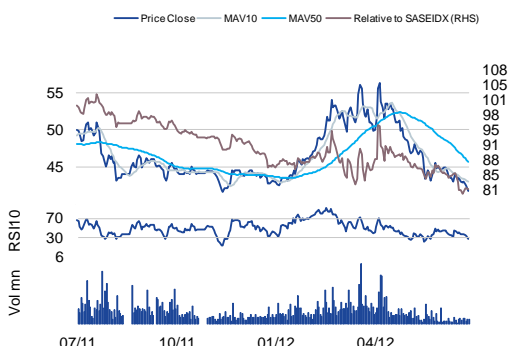
Existing rating

Underweight **Neutral** **Overweight**

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

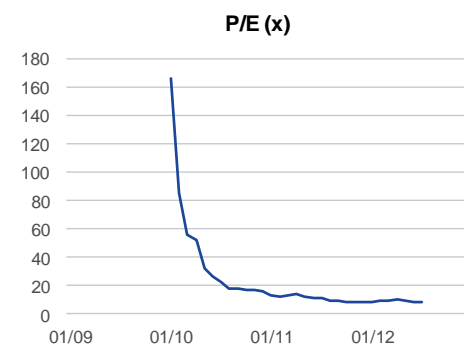


Earnings

Period End (SAR)	12/11A	12/12E	12/13E	12/14E
Revenue (mn)	9,659	9,298	9,649	12,063
Revenue Growth	65.9%	-3.7%	3.8%	25.0%
EBITDA (mn)	4,635	4,144	4,197	5,142
EBITDA Growth	60.9%	-10.6%	1.3%	22.5%
EPS	5.64	4.82	5.04	6.74
EPS Growth	89.8%	-14.7%	4.7%	33.7%

Source: Company data, Al Rajhi Capital

Valuation



Source: Company data, Al Rajhi Capital

Yansab

Weak Q2 results as expected

Yansab reported a net profit of SAR650mn for Q2 2012, slightly below our expectation of SAR677mn. Net profit declined by 32.6% y-o-y mainly due to a steep decline in basic olefin (ethylene, propylene and polypropylene) prices, despite an increase in production and sales volume. As stated in our recent sector report (dated 25 June 2012), we expect product prices to remain subdued due to global macroeconomic uncertainties. We believe Yansab is a well managed company with stable operations (with ~80-85% operating rates) and its weak performance in Q2 was mainly on account of global economic factors. We await the detailed financial results before making changes in our estimates. For the moment, we remain Overweight on the stock with a target price of SAR52.1.

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

- Q2 revenues not yet published:** Yansab has not yet reported its revenue numbers for Q2 2012. We expect revenue to be around SAR2.3bn in Q2 (-7.8% q-o-q and -15.2% y-o-y), considering the steep decline in product prices. The average prices of ethylene and propylene in Q2 declined by 14.5% and 10.2% q-o-q to US\$1,281/ton and US\$1,274/ton, respectively. MEG and Benzene prices also declined by 13% and 6% q-o-q respectively.
- Gross profit low, but in-line with our estimates:** Yansab reported gross profit of SAR825mn for Q2, down 27.6% y-o-y, in-line with our estimates of SAR823mn, while operating profit was slightly below our estimates at SAR765mn versus SAR773mn. In all, the company's profits were about 9-9.5% lower as compared to Q1 2012, which matched our expectations.
- Product price recovery to be muted due to weak demand:** We expect basic petrochemical prices to remain under pressure over the next 2-3 months, considering the weak global demand environment. Hence, we expect Yansab to repeat similar performance in Q3, even with a marginal improvement in operating rates and sales volume.
- Valuation and Conclusion:** Overall, Q2 results were weak and as per our expectation. That said, we believe Yansab is a fundamentally strong company with stable operations and its recent performance has been impacted by a steep decline in product prices, which is an industry phenomenon. For the moment, we remain Overweight on the stock with a target price of SAR52.1.



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\$)	23.51bn / 6.27bn		
52-week range	41.60 - 56.25		
Daily avg volume (US\$)	12.19mn		
Shares outstanding	562.5mn		
Free float (est)	37.7%		
Performance:	1M	3M	12M
Absolute	-8.3%	-18%	-16.8%
Relative to index	-6.4%	-5.9%	-18.2%
Major Shareholder:			
SABIC	51%		
GOSI	11%		

Source: Bloomberg, Al Rajhi Capital

Valuation

Period End	12/11A	12/12E	12/13E	12/14E
Revenue (SARmn)	9,659	9,298	9,649	12,063
EBITDA (SARmn)	4,635	4,144	4,197	5,142
Net Profit (SARmn)	3,174	2,709	2,836	3,792
EPS (SAR)	5.64	4.82	5.04	6.74
DPS (SAR)	-	-	2.02	2.70
EPS Growth	89.8%	-14.7%	4.7%	33.7%
EV/EBITDA (x)	7.2	7.2	6.7	5.1
P/E (x)	7.4	8.7	8.3	6.2
P/B (x)	2.2	1.8	1.6	1.4
Dividend Yield	0.0%	0.0%	4.8%	6.5%

Source: Company data, Al Rajhi Capital

Figure 1 Yansab: summary of Q2 2012 results

(SAR mn)	Q2 2011	Q1 2012	Q2 2012	% chg y-o-y	% chg q-o-q	ARC est
Revenue	2,660	2,446	Not disclosed	n.a.	n.a.	2,255
EBITDA	1,346	1,099	Not disclosed	n.a.	n.a.	1,026
EBITDA margin (%)	50.6%	44.9%	n.a.			45.5%
Operating profit	1,084	845	765	-29.4%	-9.5%	773
Net profit	964	720	650	-32.6%	-9.8%	677

Source: Company data, Al Rajhi Capital



Disclaimer and additional disclosures for Equity Research

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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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