# Yanbu National Petrochemicals Co

**Petrochemicals –Industrial**
YANSAB AB: Saudi Arabia
24 October 2011

الراجحي المالية
Al Rajhi Capital

| US$6.60bn | 37.7% | US$17.37mn |
|---|---|---|
| Market cap | Free float | Avg. daily volume |

| | | |
|---|---|---|
| Target price | 54.40 | 23.6% over current |
| Consensus price | 57.60 | 30.9% over current |
| Current price | 44.00 | as at 22/10/2011 |

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Underweight | Neutral | **Overweight**

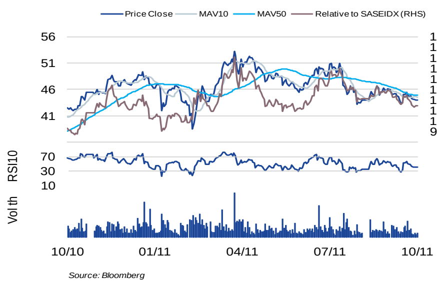
## Key themes

We expect Saudi petrochemicals suppliers to outperform global rivals with margins driven by cheap feedstock costs and strong demand coming from Asia. We believe a shift towards expensive feedstock in plants will not constrain profits growth as improving prices and higher volumes should offset the higher costs.

## Implications

Yansab's commercial start-up in 2010 is a significant catalyst for the stock. Strong operating performance in the last few quarters has improved the financial condition of the company. As per our definition, Yansab is now Sharia compliant, and we rate the company as Overweight.

## Performance



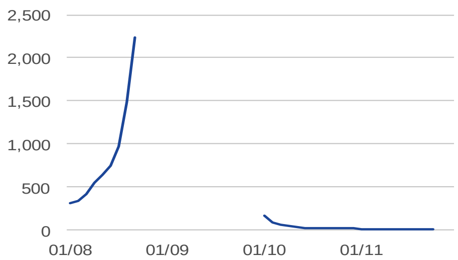

## Earnings

| Period End (SAR) | 12/10A | 12/11E | 12/12E | 12/13E |
|---|---|---|---|---|
| Revenue (mn) | 5,822 | 9,638 | 10,841 | 13,173 |
| Revenue Growth | | 65.6% | 12.5% | 21.5% |
| EBITDA (mn) | 2,881 | 4,792 | 5,110 | 6,063 |
| EBITDA Growth | | 66.3% | 6.6% | 18.7% |
| EPS | 2.97 | 5.85 | 6.48 | 8.19 |
| EPS Growth | | 96.6% | 10.9% | 26.3% |

**Source:** Company data, Al Rajhi Capital

## Valuation

**P/E (x)**




**Source:** Company data, Al Rajhi Capital

# Yansab

# Q3 results in-line

*Yansab reported a strong 132% y-o-y growth in net profit benefiting from higher operating rates and an improvement in product prices, which was in line with our estimates. However, net profit was lower than the street expectations, which resulted in a negative stock reaction post results announcement. Sequentially, earnings declined by 14% mainly due to lower product prices in Q3. We expect average product prices to decline further by another 4% in Q4, before starting to recover from second half of 2012. We believe that Yansab is well placed to grow further over the next two years considering the potential for improving utilization rates. We assign Overweight rating on the stock with a target price of SAR54.4 per share, implying 24% upside.*

**Q3 performance largely in-line with our expectations:** Yansab posted revenues of SAR2.5bn for Q3 2011 (56% y-o-y), slightly above our estimate of SAR2.4bn, on the back of an improvement in the utilization rate, which also translated into better profitability. The company reaped the benefits of an increase in average product prices for ethylene (+32% y-o-y), polypropylene (+30%), and MEG (+53%). Yansab reported a net profit of SAR828mn in Q3, an increase of 132% y-o-y, in-line with our forecast (SAR818mn).

**Product prices to remain under pressure till mid-2012:** Moderating Chinese GDP growth (9.1% in Q3 2011 and expectations of 8-8.5% in the next 2-3 quarters) coupled with a decline in purchasing managers index (PMI) since June 2011 indicates that the industrial demand in China is slowing. This, coupled with weak US and European economy, can hamper petrochemical exports from Saudi as well as product prices in the next 2-3 quarters. In the first two weeks of October, average prices for most of the petrochemical products declined (see figure 1) versus average prices in Q3. We assume average petrochemical prices to decline by 4% q-o-q in Q4 2011, despite stabilizing crude prices. We might have to revise our estimates in the event of major macroeconomic developments in the US or Europe, affecting oil prices severely.

**Margins to be squeezed in Q4:** The company reported a sequential decline in gross margins from 42.8% in Q2 2011 to 38.3% in Q3, mainly due to lower product prices and stable cost of sales. We expect gross margins to decline further by 80bps q-o-q to 38.3% in Q4 on the back of declining product prices (mainly ethylene and propylene). However, we believe that stable prices of MEG and benzene, carrying higher margin, can help Yansab partially offset the overall decline in gross margin. Lower gross margin will translate into net margin of 32.4% in Q4 (a decline of 70bps q-o-q).

**Conclusion:** Yansab's positive Q3 results support our long term view on the Saudi petrochemical sector. Despite short-term headwinds, we like the company's growth story and believe that increasing operating rates, sustained demand from Asia, and a strong backing from SABIC can result in a substantial earnings growth in the medium-term. Yansab's financial position has improved considerably with net debt/EBITDA of 2.2x in Q3 2011 versus 4.7x a year ago. We assign Overweight rating to the stock with a target price of SAR54.4 per share, implying 24% upside from current levels. The stock currently trades at 2012 P/E and EV/EBITDA multiples of 6.8x and 6.0x respectively, a discount of more than 20% to peer average, which presents an attractive entry point.

**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$) | 24.75bn / 6.60bn |
| 52-week range | 38.50 - 53.25 |
| Daily avg volume (US$) | 17.37mn |
| Shares outstanding | 562.5mn |
| Free float (est) | 37.7% |

| Performance: | 1M | 3M | 12M |
|---|---|---|---|
| Absolute | -4.4% | -11.3% | 6% |
| Relative to index | -3.8% | -5.4% | 8% |

| Major Shareholder: | |
|---|---|
| SABIC | 51% |
| GOSI | 11% |

**Source:** Bloomberg, Al Rajhi Capital

**Valuation**

| Period End | 12/10A | 12/11E | 12/12E | 12/13E |
|---|---|---|---|---|
| Revenue (SARmn) | 5,822 | 9,638 | 10,841 | 13,173 |
| EBITDA (SARmn) | 2,881 | 4,792 | 5,110 | 6,063 |
| Net Profit (SARmn) | 1,673 | 3,288 | 3,645 | 4,605 |
| EPS (SAR) | 2.97 | 5.85 | 6.48 | 8.19 |
| DPS (SAR) | - | - | - | 3.27 |
| EPS Growth | na | 96.6% | 10.9% | 26.3% |
| EV/EBITDA (x) | 13.1 | 7.2 | 6.0 | 4.7 |
| P/E (x) | 14.8 | 7.5 | 6.8 | 5.4 |
| P/B (x) | 3.4 | 2.3 | 1.7 | 1.5 |
| Dividend Yield | 0.0% | 0.0% | 0.0% | 7.4% |

**Source:** Company data, Al Rajhi Capital

# Yanbu National Petrochemicals

# Growing despite near term headwinds

## Product prices are expected to decline in Q4

Petrochemical prices to face near term headwinds from weaker demand from China and uncertain global macro environment

During Q3 2011, average product price for the key products of Yansab rose by about 29% on a y-o-y basis on improving demand and lower base effect (the prices were sharply lower in Q3 2010). However, on a q-o-q basis, average price declined by about 9% amid global economic concerns. We expect the average product price to decline further by 4% in Q4 2011 due to potentially weaker demand from China, sufficient supply, and uncertain global economic outlook. We estimate the product prices for basic petrochemicals such as ethylene and propylene to decline sharply by 10% and 19% y-o-y respectively in 2012. However, the advanced products such as MEG can see a slight uptick in the prices, arresting the overall drop in the petrochemical prices for Yansab.

**Figure 1. Average prices of petrochemical products**

| (SAR/MT) | Q1 2011 | Q2 2011 | Q3 2011 | Current price | Q4 2011e | 2011E | 2012E |
|---|---|---|---|---|---|---|---|
| Ethylene | 5,495 | 5,701 | 4,985 | **4,688** | **4,736** | 5,208 | 4,678 |
| QoQ growth | 29.9% | 3.8% | -12.6% | | **-5.0%** | | -10.2% |
| Propylene | 5,865 | 6,442 | 4,903 | **3,960** | **4,412** | 5,367 | 4,358 |
| QoQ growth | 23.8% | 9.8% | -23.9% | | **-10.0%** | | -18.8% |
| Polypropylene | 5,456 | 6,147 | 5,742 | **5,653** | **5,742** | 5,788 | 5,845 |
| QoQ growth | 16.2% | 12.7% | -6.6% | | **0.0%** | | 1.0% |
| MEG | 5,493 | 5,200 | 5,520 | **5,486** | **5,520** | 5,432 | 5,632 |
| QoQ growth | 15.8% | -5.3% | 6.2% | | **0.0%** | | 3.7% |
| Benzene | 4,303 | 4,307 | 4,203 | **3,769** | **3,951** | 4,183 | 3,932 |
| QoQ growth | 19.8% | 0.1% | -2.4% | | **-6.0%** | | -6.0% |

Source: Bloomberg, Al Rajhi Capital

## Q4 2011: Expecting a muted performance

We expect decent Q4 results as compared to Q3

Considering pricing pressure in the short-term, we estimate Yansab to post revenues of SAR2.4bn in Q4, a decline of 4% sequentially on a stable utilization rate. We estimate the company to report EBITDA of SAR1.2bn (48% EBITDA margin, a drop of 20bps q-o-q), while operating income is estimated to be SAR896mn. With the lower operating income, we expect net profit to decline by 6% q-o-q to reach SAR779mn.

**Figure 2. YANSAB: Q3 and Q4 results (actual and our estimates)**

| (SAR mn) | Q3 2010 actual | Q2 2011 actual | Q3 2011 ARC est | Q3 2011 actual | % chg y-o-y | Q4 2010 actual | Q4 2011 ARC est | % chg y-o-y |
|---|---|---|---|---|---|---|---|---|
| Revenues | 1,603 | 2,660 | 2,388 | 2,498 | 55.8% | 1,892 | 2,403 | 27.0% |
| Gross profit | 502 | 1,139 | 1,002 | 976 | 94.4% | 710 | 920 | 29.6% |
| Gross margin | 31.3% | 42.8% | 42.0% | 39.1% | 776 bps | 37.5% | 38.3% | 76 bps |
| | | | | | | | | |
| EBITDA | 721 | 1,346 | 1,208 | 1,205 | 67.2% | 926 | 1,153 | 24.5% |
| EBITDA margin (%) | 45.0% | 50.6% | 50.6% | 48.2% | 328 bps | 48.9% | 48.0% | -97 bps |
| | | | | | | | | |
| Operating Profit | 469 | 1,084 | 945 | 953 | 103.3% | 671 | 896 | 33.5% |
| Net profit | 356 | 964 | 818 | 828 | 132.4% | 555 | 779 | 40.4% |
| | | | | | | | | |
| Capex | (228) | (10) | (48) | (50) | -78.2% | (162) | (48) | -70.3% |
| Capex / Sales | 14.2% | 0.4% | 2.0% | 2.0% | n/m | 8.5% | 2.0% | n/m |
| | | | | | | | | |
| Net debt | 13,409 | 11,898 | 11,338 | 10,566 | -21.2% | 13,597 | 9,540 | -29.8% |
| Net debt / Annualized EBITDA (x) | 4.7 | 2.2 | 2.3 | 2.2 | n/m | 3.7 | 2.1 | n/m |

Source: Company data, Al Rajhi Capital

## Valuation: attractive at current levels

We calculate WACC at 12.4% for Yansab

We have used the long-run discounted economic profit (DEP) to arrive at the fair valuation of Yansab. We have assumed a WACC of 12.4% which stems in part from relatively low interest on debt; by our calculation, Yansab pays an effective interest rate of 3.7% on gross debt. On the other hand, beta i.e. the company's systematic risk is 1.27x based on Bloomberg data. Higher beta indicates the stock is more volatile and therefore riskier, but provides the potential for higher returns. Using capital asset pricing model, we arrive at cost of equity of 14.7%. We estimate a terminal debt/ (debt plus equity) ratio of 20% for Yansab in the medium-term.

Yansab's enterprise value lies almost equally in invested capital and discounted economic profits

As the company launched its operation in 2010, we believe that the value of the company lies both in invested capital as well as in future economic returns. Discounted economic profit, i.e. the present value of future economic returns or returns above cost of capital, represents almost half portion (about 49%) of our appraised fair enterprise value for Yansab of SAR40.2bn. From appraised fair enterprise value, we subtract net debt to arrive at estimated fair equity value of SAR30.6bn. On this basis, we estimate Yansab's fair value per share at SAR54.4.

**Figure 3. Yansab valuation: Discounted Economic Profit**

| | (SAR mn) |
|---|---|
| Total value created / (destroyed) | 19,861.6 |
| Opening Invested capital | 20,305.2 |
| **Total Enterprise Value** | **40,166.8** |
| Value of Debt (2011E) | (9,540.2) |
| **Equity Value** | **30,626.6** |
| No. of Shares (mn) | 562.5 |
| **Fair Value per share (SAR)** | **54.4** |

The facility at Yansab commenced commercial production in Q1 2010

We estimate Yansab to pay dividend from 2013 onwards

We expect Yansab to achieve ROCE of 16.7% in 2011

| Income Statement (SARmn) | 12/09A | 12/10A | 12/11E | 12/12E | 12/13E |
|---|---|---|---|---|---|
| **Revenue** | **-** | **5,822** | **9,638** | **10,841** | **13,173** |
| Cost of Goods Sold | - | (3,652) | (5,711) | (6,652) | (7,976) |
| **Gross Profit** | **-** | **2,170** | **3,927** | **4,189** | **5,197** |
| Government Charges | | | | | |
| S.G. & A. Costs | (29) | (123) | (156) | (108) | (198) |
| **Operating EBIT** | **(29)** | **2,046** | **3,771** | **4,080** | **4,999** |
| | | | | | |
| Cash Operating Costs | (29) | (2,940) | (4,846) | (5,731) | (7,109) |
| EBITDA | (29) | 2,881 | 4,792 | 5,110 | 6,063 |
| Depreciation and Amortisation | - | (835) | (1,021) | (1,029) | (1,064) |
| **Operating Profit** | **(29)** | **2,046** | **3,771** | **4,080** | **4,999** |
| Net financing income/(costs) | - | (376) | (408) | (322) | (252) |
| Forex and Related Gains | - | - | - | - | - |
| Provisions | - | - | - | - | - |
| Other Income | - | 43 | 25 | - | - |
| Other Expenses | | | | | |
| **Net Profit Before Taxes** | **(29)** | **1,713** | **3,388** | **3,758** | **4,747** |
| Taxes | - | (40) | (100) | (113) | (142) |
| Minority Interests | - | - | - | - | - |
| **Net profit available to shareholders** | **(29)** | **1,673** | **3,288** | **3,645** | **4,605** |
| Dividends | - | - | - | - | (1,842) |
| Transfer to Capital Reserve | - | - | - | - | - |

| | 12/09A | 12/10A | 12/11E | 12/12E | 12/13E |
|---|---|---|---|---|---|
| Adjusted Shares Out (mn) | 562.5 | 562.5 | 562.5 | 562.5 | 562.5 |
| CFPS (SAR) | (0.05) | 4.46 | 7.66 | 8.31 | 10.08 |
| EPS (SAR) | (0.05) | 2.97 | 5.85 | 6.48 | 8.19 |
| DPS (SAR) | 0.000 | 0.000 | 0.000 | 0.000 | 3.274 |

| Growth | 12/09A | 12/10A | 12/11E | 12/12E | 12/13E |
|---|---|---|---|---|---|
| Revenue Growth | | | 65.6% | 12.5% | 21.5% |
| Gross Profit Growth | | | 81.0% | 6.7% | 24.1% |
| EBITDA Growth | 14.2% | | 66.3% | 6.6% | 18.7% |
| Operating Profit Growth | 14.2% | | 84.3% | 8.2% | 22.5% |
| Net Profit Growth | 14.2% | | 96.6% | 10.9% | 26.3% |
| EPS Growth | 14.2% | | 96.6% | 10.9% | 26.3% |

| Margins | 12/09A | 12/10A | 12/11E | 12/12E | 12/13E |
|---|---|---|---|---|---|
| Gross profit margin | | 37.3% | 40.7% | 38.6% | 39.5% |
| EBITDA margin | | 49.5% | 49.7% | 47.1% | 46.0% |
| Operating Margin | | 35.2% | 39.1% | 37.6% | 38.0% |
| Pretax profit margin | | 29.4% | 35.2% | 34.7% | 36.0% |
| Net profit margin | | 28.7% | 34.1% | 33.6% | 35.0% |

| Other Ratios | 12/09A | 12/10A | 12/11E | 12/12E | 12/13E |
|---|---|---|---|---|---|
| ROCE | -0.2% | 9.8% | 16.7% | 15.5% | 17.9% |
| ROIC | -0.2% | 10.2% | 18.0% | 19.6% | 24.0% |
| ROE | -0.5% | 25.7% | 36.6% | 29.3% | 29.4% |
| Effective Tax Rate | 0.0% | 2.4% | 2.9% | 3.0% | 3.0% |
| Capex/Sales | | 11.2% | 1.5% | 6.0% | 9.0% |
| Dividend Payout Ratio | 0.0% | 0.0% | 0.0% | 0.0% | 40.0% |

| Valuation Measures | 12/09A | 12/10A | 12/11E | 12/12E | 12/13E |
|---|---|---|---|---|---|
| P/E (x) | na | 14.8 | 7.5 | 6.8 | 5.4 |
| P/CF (x) | na | 9.9 | 5.7 | 5.3 | 4.4 |
| P/B (x) | 4.4 | 3.4 | 2.3 | 1.7 | 1.5 |
| EV/Sales (x) | na | 6.5 | 3.6 | 2.8 | 2.2 |
| EV/EBITDA (x) | na | 13.1 | 7.2 | 6.0 | 4.7 |
| EV/EBIT (x) | na | 18.4 | 9.1 | 7.5 | 5.7 |
| EV/IC (x) | 2.0 | 1.9 | 1.7 | 1.5 | 1.4 |
| Dividend Yield | 0.0% | 0.0% | 0.0% | 0.0% | 7.4% |

**Source:** Company data, Al Rajhi Capital

Continuous investments are expanding balance sheet

| Balance Sheet (SARmn) | 12/09A | 12/10A | 12/11E | 12/12E | 12/13E |
|---|---|---|---|---|---|
| Cash and Cash Equivalents | 606 | 1,446 | 3,722 | 7,298 | 8,266 |
| Current Receivables | 858 | 2,080 | 2,617 | 3,159 | 3,711 |
| Inventories | 738 | 901 | 1,153 | 1,510 | 1,712 |
| Other current assets | 24 | 75 | 22 | 22 | 22 |
| **Total Current Assets** | **2,208** | **4,427** | **7,493** | **11,967** | **13,689** |
| Fixed Assets | 18,576 | 18,426 | 17,587 | 17,253 | 17,414 |
| Investments | - | - | - | - | - |
| Goodwill | | | | | |
| Other Intangible Assets | 30 | 37 | 32 | 32 | 32 |
| Total Other Assets | 310 | 274 | 234 | 194 | 154 |
| **Total Non-current Assets** | **18,916** | **18,737** | **17,853** | **17,479** | **17,600** |
| **Total Assets** | **21,124** | **23,163** | **25,346** | **29,446** | **31,289** |
| Short Term Debt | 916 | 947 | 1,262 | 1,262 | 1,262 |
| Accounts Payable | 276 | 256 | 384 | 407 | 395 |
| Accrued Expenses | 488 | 1,023 | 961 | 1,394 | 1,581 |
| Zakat Payable | - | 35 | - | - | - |
| Dividends Payable | - | - | - | - | - |
| Other Current Liabilities | - | - | - | - | - |
| **Total Current Liabilities** | **1,679** | **2,261** | **2,608** | **3,063** | **3,238** |
| Long-Term Debt | 13,696 | 13,464 | 12,000 | 12,000 | 10,905 |
| Other LT Payables | - | - | - | - | - |
| Provisions | 81 | 98 | 109 | 109 | 109 |
| **Total Non-current Liabilities** | **13,777** | **13,562** | **12,109** | **12,109** | **11,015** |
| Minority interests | - | - | - | - | - |
| Paid-up share capital | 5,625 | 5,625 | 5,625 | 5,625 | 5,625 |
| Total Reserves | 43 | 1,715 | 5,004 | 8,649 | 11,412 |
| **Total Shareholders' Equity** | **5,668** | **7,340** | **10,629** | **14,274** | **17,037** |
| **Total Equity** | **5,668** | **7,340** | **10,629** | **14,274** | **17,037** |
| **Total Liabilities & Shareholders' Equity** | **21,124** | **23,163** | **25,346** | **29,446** | **31,289** |

We expect a decline in net debt on account of higher cash flow from operations

| Ratios | 12/09A | 12/10A | 12/11E | 12/12E | 12/13E |
|---|---|---|---|---|---|
| Net Debt (SARmn) | 14,006 | 12,965 | 9,540 | 5,964 | 3,902 |
| Net Debt/EBITDA (x) | (479.44) | 4.50 | 1.99 | 1.17 | 0.64 |
| Net Debt to Equity | 247.1% | 176.6% | 89.8% | 41.8% | 22.9% |
| EBITDA Interest Cover (x) | | 7.7 | 11.7 | 15.8 | 24.1 |
| BVPS (SAR) | 10.08 | 13.05 | 18.90 | 25.38 | 30.29 |

| Cashflow Statement (SARmn) | 12/09A | 12/10A | 12/11E | 12/12E | 12/13E |
|---|---|---|---|---|---|
| **Net Income before Tax & Minority Interest** | **(29)** | **1,713** | **3,388** | **3,758** | **4,747** |
| Depreciation & Amortisation | - | 835 | 1,021 | 1,029 | 1,064 |
| Decrease in Working Capital | (1,758) | (868) | (800) | (443) | (579) |
| Other Operating Cashflow | 0 | 673 | 423 | (113) | (142) |
| **Cashflow from Operations** | **(1,787)** | **2,353** | **4,032** | **4,232** | **5,090** |
| Capital Expenditure | (1,471) | (649) | (142) | (656) | (1,186) |
| New Investments | - | - | (470) | - | - |
| Others | 15 | (663) | 5 | - | - |
| **Cashflow from investing activities** | **(1,455)** | **(1,312)** | **(608)** | **(656)** | **(1,186)** |
| **Net Operating Cashflow** | **(3,242)** | **1,041** | **3,424** | **3,576** | **3,904** |
| Dividends paid to ordinary shareholders | - | - | - | - | (1,842) |
| Proceeds from issue of shares | - | - | - | - | - |
| Effects of Exchange Rates on Cash | - | - | - | - | - |
| Other Financing Cashflow | 2,155 | 700 | - | - | - |
| **Cashflow from financing activities** | **2,814** | **(201)** | **(1,148)** | **-** | **(2,937)** |
| Total cash generated | (427) | 840 | 2,276 | 3,576 | 968 |
| Cash at beginning of period | 1,033 | 606 | 1,446 | 3,722 | 7,298 |
| **Implied cash at end of year** | **606** | **1,446** | **3,722** | **7,298** | **8,266** |

| Ratios | 12/09A | 12/10A | 12/11E | 12/12E | 12/13E |
|---|---|---|---|---|---|
| Capex/Sales | | 11.2% | 1.5% | 6.0% | 9.0% |

**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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