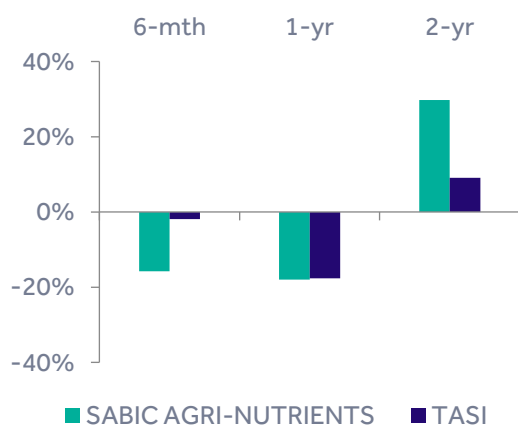


Market Data	
52-week high/low	SAR 185.8/121.2
Market Cap	SAR 63,503 mln
Shares Outstanding	476 mln
Free-float	49.90%
12-month ADTV	1,290,761
Bloomberg Code	SAFCO AB



## Urea Prices Drive Down Profitability

May 01, 2023

Upside to Target Price	10.9%	Rating	Neutral
Expected Dividend Yield	3.0%	Last Price	SAR 133.40
Expected Total Return	13.9%	12-mth target	SAR 148.00

SABIC Agri-Nutrients	1Q2023	1Q2022	Y/Y	4Q2022	Q/Q	RC Estimate
Sales	2,760	4,657	(41%)	4,206	(34%)	2,821
Gross Profit	1,137	2,873	(60%)	1,839	(38%)	1,185
Gross Margins	41%	62%		44%		42%
Operating Profit	957	2,608	(63%)	2,183	(56%)	945
Net Profit	981	2,513	(61%)	2,168	(55%)	1,012

(All figures are in SAR mln)

- For 1Q2023, revenues were recorded at SAR 2,760 mln (down -41% Y/Y and -34% Q/Q), matching our forecast. This decline was expected as urea prices fell markedly by almost -40% Y/Y and -26% Q/Q during the quarter. Moving forward, we expect some improvement in urea prices as there are signs of improvement with Urea inclining to USD 395/per ton in April versus USD 303/per ton in March. Also, Company's sales volume declined by -8% Q/Q on the back of scheduled turnaround.
- It is worth mentioning that the Company announced two more upcoming shutdowns for Plant 3 and IBN ALBAYTAR. The Board of Directors Report for the year 2022 mentioned financial impact is expected to appear in 1H2023. We believe this might negatively affect revenues due to lower sales volumes.
- Gross profit fell by -60% Y/Y and -38% Q/Q to SAR 1,137 mln. The sharp decline in product prices and a fixed-cost based feedstock squeezed gross margins to 41% in 1Q2023 from 44% in the previous quarter and 62% in the same quarter last year. Net margins fell by -160 bps Q/Q to reach 36% for the quarter compared to 52% in the preceding quarter.
- Net income came in at SAR 981 mln, significantly lower than SAR 2,513 mln reported in 1Q2022 and a decline of -55% Q/Q due to lower sale volumes and average product prices. Bottomline was in-line with our SAR 1,012 mln forecast. We maintain our target price of SAR 148.00 but revise to Neutral rating.

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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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