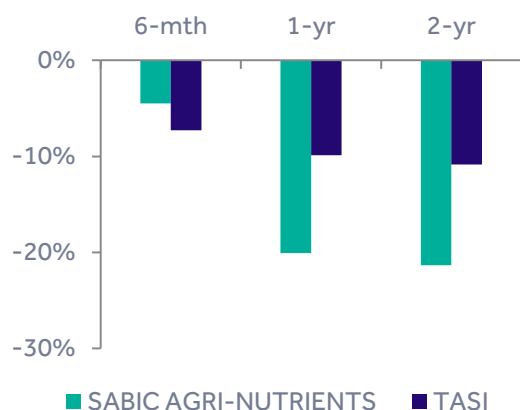


Market Data	
52-week high/low	SAR 162.0 / 123.2
Market Cap	SAR 60,647 mln
Shares Outstanding	476 mln
Free-float	49.90%
12-month ADTV	795,405
Bloomberg Code	SAFCO AB



Shrinking Margins No Longer

October 30, 2023

Upside to Target Price	12.2%
Expected Dividend Yield	2.4%
Expected Total Return	14.6%

Rating	Neutral
Last Price	SAR 127.40
12-mth target	SAR 143.00

SABIC Agri-Nutrients	3Q2023	3Q2022	Y/Y	2Q2023	Q/Q	RC Estimate
Sales	2,672	4,417	(40%)	2,629	2%	2,863
Gross Profit	1,226	2,662	(54%)	932	32%	1,116
Gross Margins	46%	60%		35%		39%
Operating Profit	1,009	2,423	(58%)	678	49%	840
Net Profit	1,049	2,331	(55%)	651	61%	820

(All figures are in SAR mln)

- The continued increase of urea prices in 3Q23 supported improvements in SABIC Agri-Nutrient's reported revenues, which came in at SAR 2.7 bln, up +2% Q/Q but down -40% Y/Y. Performance in 3Q23 vs. 3Q22 is attributed to lower average sales prices overall. According to management, average sales prices in 3Q23 were down -43% Y/Y. These prices hold a significantly higher impact, as lower prices were not offset by a +6% Y/Y increase in sales volumes.
- In 3Q23, gross margins improved beyond our expectations, coming in at 46%, versus 35% in the preceding quarter and 60% last year. While EBITDA also improved, coming in at SAR 1,246 mln, representing an increase of +38% Q/Q and driven by higher average selling prices, this was not as significant as operating profit, which increased +49% Q/Q.
- Management is optimistic regarding demand in 4Q23, with major importers in the Americas, Africa, and Europe expected to support demand ahead of the new-crop planting season. As of this week, Urea prices have settled around USD 385/per ton and we expect this will buoy SABIC Agri-Nutrients fourth quarter revenues and gross margins as well.
- SABIC Agri-Nutrients produced net profit of SAR 1,049 mln in 3Q23 (+61% Q/Q, -55% Y/Y), higher than our conservative SAR 820 mln forecast. The deviation in net profit is primarily driven from better than expected gross margins. Despite improvement Q/Q, Y/Y results provide a sober view, which is overall much softer. For these reasons, we lower our target price to SAR 143.00 and maintain a Neutral rating on the stock.

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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

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