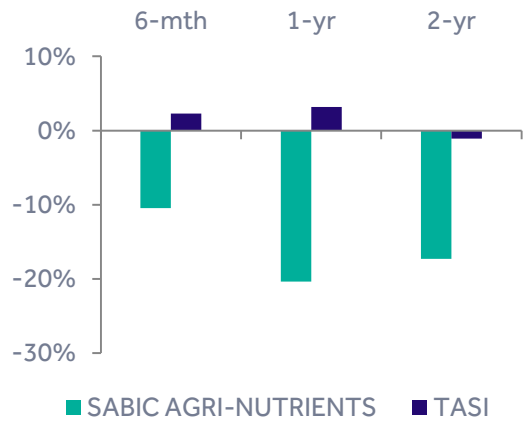


Market Data	
52-week high/low	SAR 144.0 / 106.0
Market Cap	SAR 55,982 mln
Shares Outstanding	476 mln
Free-float	49.89%
12-month ADTV	790,296
Bloomberg Code	SAFCO AB



Fertilizer Prices Continue to Weigh

July 31, 2024

Upside to Target Price	6.3%	Rating	Neutral
Expected Dividend Yield	5.1%	Last Price	SAR 117.60
Expected Total Return	11.4%	12-mth target	SAR 125.00

SABIC Agri-Nutrients	2Q2024	2Q2023	Y/Y	1Q2024	Q/Q	RC Estimate
Sales	2,676	2,629	2%	2,517	6%	2,316
Gross Profit	902	932	(3%)	988	(9%)	909
Gross Margins	34%	35%		39%		39%
Operating Profit	678	678	0%	730	(7%)	692
Net Profit	705	651	8%	841	(16%)	714

(All figures are in SAR mln)

- SABIC AN reported a topline of SAR 2.7 bln vs. SAR 2.6 bln in 2Q23, a +2% Y/Y increase, driven by higher sales volumes and a continued softer price environment for fertilizers. According to management, quarterly average sales prices in 2Q24 were down -4% Y/Y, which were basically offset by the growth in sales volumes, which was +6% Y/Y. Higher sales volumes caused our revenue estimates to deviate.
- In 2Q24, gross margins came in below our expectations, at 34% vs. 39% in the preceding quarter and 35% last year. EBITDA, unlike the preceding quarter, also came under pressure, coming in at SAR 920 mln, representing both a decrease and increase of -4% Q/Q and +2% Y/Y, respectively; driven by another quarter of lower average selling prices. Management’s commentary on 2Q24, was optimistic, as the mention of gas supply outages for fertilizer producers caused some supply issues, which in our view, along with logistical constrictions in some regions, could prove beneficial for prices in the near future. According to Argam, 2Q24 average prices for Urea settled around USD 308/ton, but we also note that Urea has now traded just above USD 345/ton in July, which we expect will provide a future lift to SABIC Agri-Nutrient’s 3Q24 revenues, margins, and EBITDA. We also note that Ammonia has experienced a similar rebound, trading around USD 350/ton in July.
- SABIC Agri-Nutrients produced net profit of SAR 705 mln in 2Q24 (-16% Q/Q, +8% Y/Y), in-line with our SAR 714 mln forecast, which also stayed tightly correlated through gross and operating profits. We also note, that our expectations for the demand environment were also in-line with results. Given some observed trend reversal in Urea prices in early 2H24, we believe that our less optimistic outlook could be too conservative. However, we remain cautious regarding Chinese export restrictions of Urea and Ammonia, as these restrictions are most likely an intense driver of recent price appreciation and could reverse. We maintain our rating and target price.

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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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