

Q2Q1 Results Update

September 14, 2021

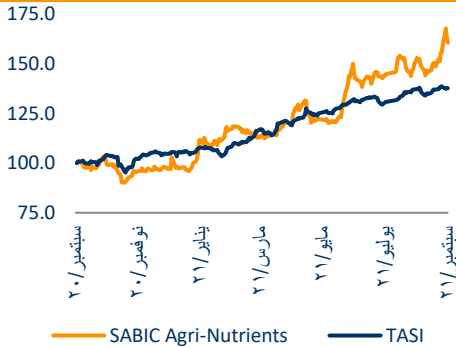
Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	134.0
Target Price (SAR)	122.0
Upside/Downside (%)	(9.0%)

As of September 14, 2021

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	63.8
52-Wk High (SAR)	140.0
52-Wk Low (SAR)	75.0
Total Outstanding Shares (in mn)	476.0
Free Float (%)	39.0%

SABIC AGRI-NUTRIENTS vs. TASI (Rebased)

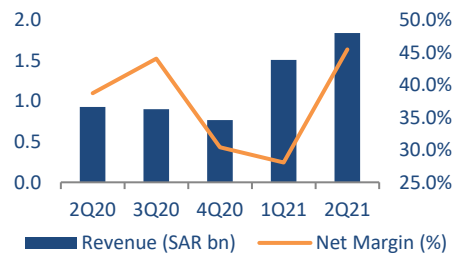


Price Performance (%)	Absolute	Relative
1m	5.0%	4.8%
6m	42.1%	24.4%
12m	60.7%	22.9%

Major Shareholders (%)

Saudi Basic Industries Corp.	50.10%
General Org for Social Insurance	10.91%

Revenue (SAR bn) and Net Margin (%)



Source: Bloomberg, Company Financials, FALCOM Research; Data as of September 14, 2021

Strong performance on the back of higher selling prices of products in 2Q21

Driven by higher average selling prices of products during the quarter, SABIC Agri-Nutrients Co. (SABIC Agri-Nutrients)'s revenue rose 98.0% YoY to SAR 1.8bn in 2Q21. Gross profit rose 147.2% YoY to SAR 1.1bn, with gross margin expanding 1,215 bps YoY to 61.1%. Supported by higher topline, the company's operating profit swelled 164.3% YoY to SAR 951.2mn, whereas operating margin broadened 1,297 bps YoY to 51.7%. Consequently, SABIC Agri-Nutrient's net profit climbed 132.4% YoY to SAR 836.1mn, with net margin expanding 672 bps YoY to 45.5% in 2Q21.

SABIC Agri-Nutrient recorded strong growth in revenues and profits during the quarter. Strong demand for and limited supply of urea and ammonia translated into higher selling during the quarter and led the company's top line higher in 2Q21 compared with 2Q20. Gross margin expanded to 61.1% in 2Q21, highest since 4Q18 supported by higher revenue, low fixed cost feedstock prices and decline in provision for obsolete inventory. Urea prices continue to increase on the back of higher gas and coal prices. Utilization rate is expected to further improve during 3Q21 after completing the scheduled maintenance at SAFCO 4 during 1Q21. The company is expected to benefit from the synergies created with the acquisition of SABIC Agri-Nutrients Investment Company (SANIC) in the long term. Furthermore, improved Urea fundamentals, better utilization rate and improving margins are likely to drive the overall performance in FY21. However, the company's 2H21 performance is expected to be impacted by scheduled plants of SAFCO-4 and SAFCO-5 plants. Moreover, resurgence of COVID-19 cases, ascribed to the delta variant could disrupt the global economy, leading to instability in the markets and possibly create several headwinds for the company. Considering these abovementioned factors, we maintain our "Neutral" stance on the stock.

- SABIC Agri-Nutrients' revenue surged 98.0% YoY to SAR 1.8bn in 2Q21, ascribed to higher volumetric sales and average selling prices of products during the quarter.
- Slower rise in cost of sales led gross profit to swell 147.2% YoY to SAR 1.1bn in 2Q21. Consequently, gross margin expanded to 61.1% in 2Q21 from 48.9% in 2Q20.
- Higher gross profit offset the rise in total SG&A expense with operating profit increasing 164.3% YoY to SAR 951.2mn in 2Q21. EBIT margin stood at 51.7% as against 38.8% in 2Q20.
- Higher topline and subsequent fall in allowance for obsolete and dormant inventory resulted in the company reporting a net profit of SAR 836.1mn in 2Q21, with net margin improving to 45.5% in 2Q21 from 38.7% in 2Q20.
- On 13 June 2021, the Board of Directors approved to distribute an interim cash dividend amounting to SR 1.25 per share (SAR 595mn in total) for the first half of 2021.

**Valuation:** We have revised the target price upward to a fair value of SAR 122.0 per share. However, we maintain our "Neutral" rating on the stock.

	2Q21	2Q20	% YoY	FY21E	FY20	% YoY
Revenues (SAR mn)	1,839	929	98.0%	7,016	3,328	110.9%
Gross Profit (SAR mn)	1,123	454	147.2%	3,771	1,665	126.5%
EBITDA (SAR mn)	1,167	505	131.2%	3,928	1,852	112.1%
Net Profit (SAR mn)	836	360	132.4%	2,662	1,294	105.7%
EPS (SAR)	1.76	0.86	103.4%	5.6	3.1	80.0%
Gross Margin (%)	61.1%	48.9%	12.1%	53.8%	50.0%	3.7%
EBITDA Margin (%)	63.4%	54.3%	9.1%	56.0%	55.6%	0.3%
Net Profit Margin (%)	45.5%	38.7%	6.7%	37.9%	38.9%	(1.0%)

Source: Company Financials, FALCOM Research

2Q21 Results Update

September 14, 2021

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FALCOM Financial Services uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

**Overweight:** The Target share price exceeds the current share price by  $\geq 10\%$ .

**Neutral:** The Target share price is either more or less than the current share price by 10%.

**Underweight:** The Target share price is less than the current share price by  $\geq 10\%$ .

**To be Revised:** No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from FALCOM Financial Services.

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