

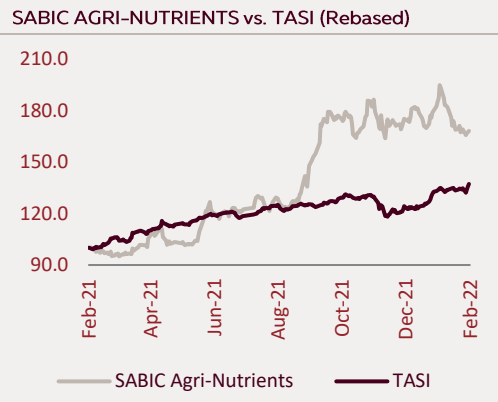
FY21 Results Update

February 17, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	157.0
Target Price (SAR)	164.0
Upside/Downside (%)	(1.2%)

As of February 17, 2022

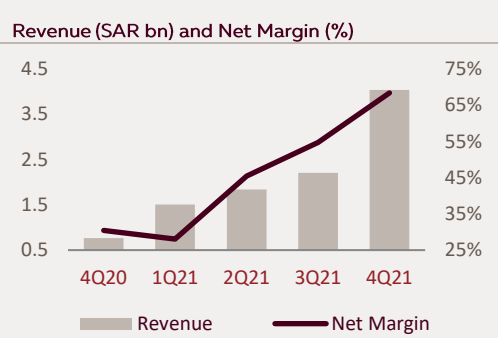
Key Data (Source: Bloomberg)	
Market Cap (SAR bn)	79.0
52-wk High (SAR)	194.0
52-wk Low (SAR)	93.4
Total Outstanding shares (in mn)	476.0
Free Float (%)	49.9%



Price Performance (%)	Absolute	Relative
1m	(7.9%)	(11.1%)
6m	30.9%	20.6%
12m	68.2%	30.9%

Major Shareholders (%)

Saudi Basic Industries Corp.	50.10%
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Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of February 17, 2022

Higher feed costs, lower subsidies impacted margins in FY21

SABIC Agri-Nutrients Co. (SABIC Agri-Nutrients)'s revenue advanced 188.3% YoY to SAR 9.6bn in FY21, driven by higher average selling prices of products during the year. Gross profit climbed 290.7% YoY to SAR 6.5bn as cost of sales rose slower than the topline. Consequently, gross margin expanded 1,779 bps YoY to 67.8%. Operating profit surged 344.6% YoY to SAR 5.8bn despite rise in selling, general, and administrative (SG&A) expenses; meanwhile, operating margin broadened 2,132 bps YoY to 60.6%. Consequently, SABIC Agri-Nutrients' net profit soared 304.0% YoY to SAR 5.2bn, with net margin expanding 1,561 bps YoY to 54.5% in FY21.

SABIC Agri-Nutrients reported strong performance in FY21, supported by sharp growth in the topline. The rise in revenue was mainly ascribed to higher selling prices due to strong momentum in urea prices. In 4Q21, urea prices rose 83% QoQ and 220% YoY to USD 855/ton on average. SABIC Agri-Nutrients' gross margin expanded to 67.8% in FY21 as the company benefitted from lower fixed cost feedstock prices. Despite the increase in provision for obsolete and dormant inventory, higher general and administrative expenses, and zakat provision, the company's net profit was up 304.0% YoY to SAR 5.3 bn in FY21, (the company also recorded the highest quarterly net profit in 4Q21 of SAR 4.0bn). The rise in net profit was ascribed to market recovery from COVID-19 and implementation of several reliability and sustainability programs. The company also benefitted from the synergies created by the acquisition of SABIC Agri-Nutrients Investment Company (SANIC). Furthermore, the company recently signed an agreement to purchase 49% stake in ETG Inputs Holdco Limited, as it aims to expand its operations globally and become a leading player in the global agri-nutrient industry. However, continued uncertainty around COVID-19 could disrupt the global economy and create instability in markets. Additionally, rising feedstock prices could create several headwinds for the company. Considering the factors mentioned above, we maintain our "Neutral" rating on the stock.

- SABIC Agri-Nutrients' revenue increased 188.3% YoY to SAR 9.6bn in FY21, driven by higher average selling prices of products during the year.
- Cost of sales grew slower than the topline, resulting in gross profit to rise 290.7% YoY to SAR 6.5 bn in FY21. Consequently, gross margin expanded to 67.8% in FY21 from 50.0% in FY20.
- Operating profit soared 344.6% YoY to SAR 5.8 bn in FY21, irrespective of the rise in total SG&A expenses. EBIT margin stood at 60.6% as against 39.3% in FY20.
- Higher share of profit from associates offset the rise in other expenses and finance cost during the year, as the company reported net profit of SAR 5.2bn (up 304.0% YoY); net margin improved to 54.5% in FY21 from 38.9% in FY20.
- SABIC Agri-Nutrients' EPS stood at SAR 12.5 in FY21 as against SAR 3.11 in FY20, driven by higher net profit.
- On December 19, 2021, SABIC Agri-Nutrients Co.'s board of directors recommended 30% cash dividend of SAR 3 per share, amounting to SAR 1.43 bn, for 2H FY21.
- The company's board of directors approved the appointment of Abdulrahman Shamsaddin as Chief Executive Officer (CEO) from January 1, 2022.
- On January 14, 2022, the company signed a binding agreement to acquire 49% stake in ETG Inputs Holdco Ltd for SAR 1.2bn.

Valuation: We revise the target price upward to a fair value of SAR 164.0 per share. However, we maintain our "Neutral" rating on the stock.

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
Revenues (SAR bn)	4,040	768	425.8%	9,490	9,592	(1.1%)
Gross Profit (SAR bn)	3,191	358	791.8%	6,627	6,507	1.9%
EBITDA (SAR bn)	2,774	393	606.1%	6,417	6,237	2.9%
Net Profit (SAR bn)	2,764	234	1083.3%	5,254	5,229	0.5%
EPS Basic (SAR)*	5.81	0.56	935.7%	12.6	12.5	0.5%
Gross Margin (%)	79.0%	46.6%	32.4%	69.8%	67.8%	2.0%
EBITDA Margin (%)	68.7%	51.1%	17.5%	67.6%	65.0%	2.6%
Net Profit Margin (%)	68.4%	30.4%	38.0%	55.4%	54.5%	0.8%

Source: Company Financials, Yaqeen Capital

Yaqeen Capital Rating Methodology

Yaqeen Capital 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 Yaqeen Capital.

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