

3Q21 Results Update

December 8, 2021

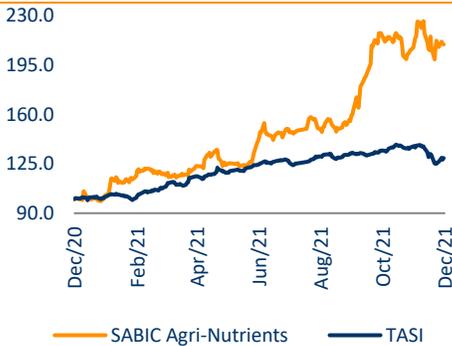
Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	169.0
Target Price (SAR)	155.0
Upside/Downside (%)	(9.0%)

As of December 7, 2021

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	81.1
52-Wk High (SAR)	186.6
52-Wk Low (SAR)	79.7
Total Outstanding Shares (in mn)	476.0
Free Float (%)	39.0%

SABIC AGRI-NUTRIENTS vs. TASI (Rebased)



Price Performance (%)	Absolute	Relative
1m	1.1%	7.3%
6m	48.2%	44.6%
12m	109.6%	80.6%

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 December 7, 2021

Higher volumetric sales and average selling price boost topline in 3Q21

SABIC Agri-Nutrients Co. (SABIC Agri-Nutrients)'s revenue surged 144.6% YoY to SAR 2.2bn in 3Q21, driven by higher average selling prices of products during the quarter. Cost of sales rose at a slower pace as gross profit climbed 219.1% YoY to SAR 1.5bn, with gross margin expanding 1,637 bps YoY to 70.1%. Higher topline countervailed the rise in selling, general and administrative (SG&A) expenses as the company's operating profit swelled 252.9% YoY to SAR 1.4bn; meanwhile, operating margin broadened 1,903 bps YoY to 62.0%. Consequently, SABIC Agri-Nutrients's net profit soared 203.5% YoY to SAR 1.2bn, with net margin expanding 1060 bps YoY to 54.7% in 3Q21.

SABIC Agri-Nutrients recorded strong performance in 3Q21, supported by sharp growth in the topline. Rise in the topline was attributed to strong demand and limited supply of urea caused by the energy crisis, which drove its price to a 13-year high. Additionally, the company reported higher volumetric sales on a QoQ basis which also boosted the topline. SABIC Agri-Nutrients also benefitted from lower fixed cost feedstock prices in addition to higher average selling prices which led to an expansion in gross margin to 70.1% in 3Q21 (the highest since 3Q14). The company's utilization rate improved during the quarter following completion of scheduled maintenance at SAFCO 4 during 1Q21. The company is expected to benefit from the synergies created by the acquisition of SABIC Agri-Nutrients Investment Company (SANIC) in the long term. Furthermore, additional supply of urea to India is expected in the coming quarter as China and Russia, the two biggest urea suppliers in the world, limited their export. With urea prices expected to continue its upward momentum, SABIC Agri-Nutrients's topline and margins are likely to further improve in FY21. However, continued uncertainty around COVID-19, ascribed to the new variant, could disrupt the global economy; this could lead to instability in the markets and possibly create several headwinds for the company. Considering the abovementioned factors, we maintain our "Neutral" rating on the stock.

- SABIC Agri-Nutrients' revenue increased 144.6% YoY to SAR 2.2bn in 3Q21, driven by higher volumetric sales and average selling prices of products during the quarter.
- Gross profit rose 219.1% YoY to SAR 1.5bn owing to slower rise in cost of sales in the quarter. Consequently, gross margin expanded to 70.1% in 3Q21 from 53.8% in 3Q20.
- Higher topline offset the rise in total SG&A expenses as operating profit swelled 252.9% YoY to SAR 1.4bn in 3Q21. EBIT margin stood at 62.0% as against 43.0% in 3Q20.
- Higher share of profit from the associates counterbalanced the rise in other expenses during the quarter as the company reported net profit of SAR 1.2bn (up 203.5% YoY); net margin improved to 54.7% in 3Q21 from 44.1% in 3Q20.
- SABIC Agri-Nutrients's EPS for 3Q21 stood at 2.53 as against 0.95 in 3Q20, driven by higher net profit.

Valuation: We have revised the target price upward to a fair value of SAR 155.0 per share. However, we maintain our "Neutral" rating on the stock.

	3Q21	3Q20	% YoY	FY21E	FY20	% YoY
Revenues (SAR mn)	2,207	902	144.6%	8,275	3,328	148.7%
Gross Profit (SAR mn)	1,548	485	219.1%	5,213	1,665	213.1%
EBITDA (SAR mn)	1,595	531	200.4%	5,301	1,852	186.2%
Net Profit (SAR mn)	1,206	398	203.5%	4,078	1,294	215.0%
EPS (SAR)	2.53	0.95	165.6%	8.6	3.1	175.7%
Gross Margin (%)	70.1%	53.8%	16.4%	63.0%	50.0%	13.0%
EBITDA Margin (%)	72.3%	58.9%	13.4%	64.1%	55.6%	8.4%
Net Profit Margin (%)	54.7%	44.1%	10.6%	49.3%	38.9%	10.4%

Source: Company Financials, FALCOM Research

FALCOM Rating Methodology

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, FALCOM Research.

FALCOM Financial Services

Contact us on the below phone numbers:

Customer Services: **8004298888**

Brokerage Services: **920004711**

Fax or Email us at the below number:

Fax: **+966 11 2032546**

Email: **addingvalue@falcom.com.sa**

Mail us at the following address:

P.O. Box 884

Riyadh 11421

Kingdom of Saudi Arabia

Disclaimer and Risks Warning:

The information in this report was compiled from various public sources believed to be reliable and whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions, future prices and expectations contained herein are fair and reasonable, FALCOM makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, FALCOM does not represent that the information or expected future prices in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information or the expected prices contained in this report. FALCOM accepts no liability whatsoever for any loss arising from any use of this report or its contents, and FALCOM shall not be in any way responsible for the contents hereof. Opinions, forecasts or price projections contained in this report represent FALCOM's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results, prices or events will match any such opinions, forecasts or prices projections which represent only one possible outcome and these price estimates may not occur in the future whatsoever. Further, such opinions, forecasts or price projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. Any value or price, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, the person who obtain a copy of this report should understand that this report is not intended to provide personal investment advice and does not take into account his/her financial situation or any specific investment objectives or particular needs which he/she may have. Before making an investment decision the investors should seek advice from an independent financial, investment and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and price estimates contained; are protected by the intellectual property laws, copyright and publishing rules and regulations applied in the Kingdom of Saudi Arabia.

All rights reserved.

FALCOM acquired the Saudi Capital Market Authority license number (37-06020) on 27/05/2006, and commenced providing its services to the investors in the Saudi Stock Exchange on 19/02/2007 with CR Number 1010226584 Issued on 04/12/1427H.