

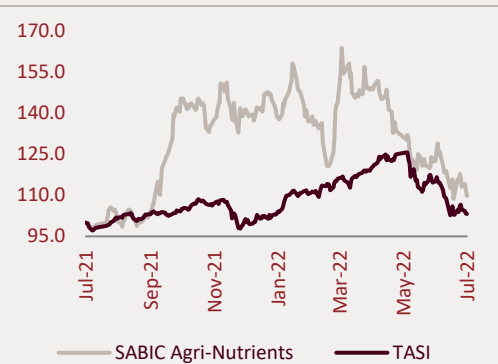
1Q22 Results Update

July 6, 2022

Recommendation	Overweight
Previous Recommendation	Neutral
Current Price (SAR)	133.0
Target Price (SAR)	164.0
Upside/Downside (%)	22.8%
<i>As of July 5, 2022</i>	
Key Data (Source: Bloomberg)	

Market Cap (SAR bn)	63.6
52-wk High (SAR)	202.4
52-wk Low (SAR)	118.0
Total Outstanding shares (in mn)	476.0
Free Float (%)	49.9%

SABIC AGRI-NUTRIENTS vs. TASI (Rebased)

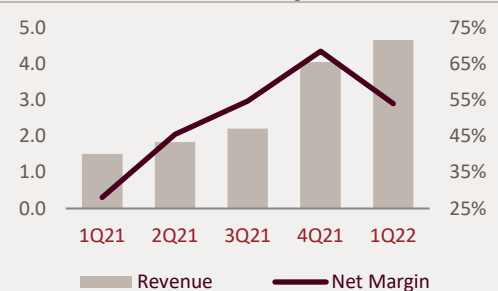


Price Performance (%)	Absolute	Relative
1m	(10.5%)	(0.1%)
6m	(20.7%)	(19.7%)
12m	9.7%	6.6%

Major Shareholders (%)

Saudi Basic Industries Corp.	50.10%
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Revenue (SAR bn) and Net Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of July 5, 2022

Higher average prices and volumetric sales boost top line in 1Q22

SABIC Agri-Nutrients Co. (SABIC Agri-Nutrients)'s revenue surged 209.2% YoY to SAR 4.7bn in 1Q22, driven by a rise in volumetric sales and higher average selling prices of its products during the quarter. Cost of sales grew at a slower pace than the top line, which led to a 369.2% YoY rise in gross profit to SAR 3.0bn in 1Q22. Consequently, gross margin expanded 2,216 bps YoY to 65.0%. Despite the increase in selling, general, and administrative (SG&A) expense, operating profit grew 421.0% YoY to SAR 2.6bn; meanwhile, operating margin broadened 2,282 bps YoY to 56.1%. The rise in share of profit from associates and finance income resulted in SABIC Agri-Nutrients' net profit surging 494.6% YoY to SAR 2.5bn and net margin expanding 2,590 bps YoY to 54.0% in 1Q22.

SABIC Agri-Nutrients reported strong performance in 1Q22, supported by steep growth in the top line and bottom line. Top-line growth was attributed to the increase in sales volume of products and higher selling prices due to strong momentum in ammonia and urea prices. Ammonia prices climbed 186% YoY and 26% QoQ, while urea prices rose 124% YoY but declined 11% QoQ during the quarter. SABIC Agri-Nutrients benefits from lower fixed cost feedstock prices as its gross margin widened to 65.0% in 1Q22. Selling and distribution expense surged as SABIC Agri-Nutrients took responsibility for marketing products directly during the quarter. However, the higher top line and rise in share of profits from associates led to 494.6% YoY growth in the company's net profit to SAR 2.5bn in 1Q22. The company benefited from the synergies created by the acquisition of SABIC Agri-Nutrients Investment Company (SANIC). Furthermore, its recent purchase of 49% stake in ETG Inputs Holdco Limited will add more value to the company as it aims to become a leading player in the global agri-nutrient industry. Market conditions are now stable while demand from India continues to remain strong. Additionally, the company remained well positioned to leverage its fixed feedstock prices in case they rise further. Considering these factors, we revise our rating to "Overweight" on the stock.

- SABIC Agri-Nutrients' revenue soared 209.2% YoY to SAR 4.7bn in 1Q22; on quarterly basis, revenue rose 15.3% from SAR 4.0bn in 4Q21.
- Despite an 89.4% YoY rise in cost of sales, gross profit went up 369.2% YoY to SAR 3.0bn in 1Q22. Consequently, gross margin expanded to 65.0% in 1Q22 from 42.8% in 1Q21.
- SG&A expense increased 187.5% YoY to SAR 411.2mn. However, operating profit surged 421.0% YoY to SAR 2.6bn in 1Q22. Subsequently, EBIT margin advanced to 56.1% in 1Q22 from 33.3% in 1Q21.
- The company's net profit grew 494.6% YoY to SAR 2.5bn, supported by a greater share of profit from associates and rise in finance income; net margin improved to 54.0% in 1Q22 from 28.1% in 1Q21.
- SABIC Agri-Nutrients' EPS stood at SAR 5.28 in 1Q22 as against SAR 0.89 in 1Q21, driven by higher net profit.
- SABIC Agri-Nutrients' chairman announced the company plans to continue seeking investment opportunities both inside and outside the KSA.

Valuation: We maintain our target price of a fair value of SAR 164.0 per share but change our rating to "Overweight" on the stock.

	1Q22	1Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR bn)	4,657	1,506	209.2%	16,214	9,592	69.0%
Gross Profit (SAR bn)	3,025	645	369.2%	10,188	6,507	56.6%
EBITDA (SAR bn)	2,817	701	301.7%	9,889	6,674	48.2%
Net Profit (SAR bn)	2,513	423	494.6%	8,221	5,228	57.3%
EPS Basic (SAR)*	5.28	0.89	494.6%	17.3	11.0	57.3%
Gross Margin (%)	65.0%	42.8%	22.2%	62.8%	67.8%	(5.0%)
EBITDA Margin (%)	60.5%	46.6%	13.9%	61.0%	69.6%	(8.6%)
Net Profit Margin (%)	54.0%	28.1%	25.9%	50.7%	54.5%	(3.8%)

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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