

SABIC Agri-Nutrients Company (BUY, TP: SAR 143.0, 2020.SE) 1Q26 Results Review

Pricing-led margin expansion lifts 1Q26 earnings; strong 2Q26 pricing supports near term, but China export risk clouds sustainability

SABIC Agri-Nutrients reported net income of SAR 1,227mn in 1Q26 (+25% Y/Y, +24% Q/Q), despite revenue declining 7%Y/Y and 10%Q/Q to SAR 2.87bn. The revenue decline was mainly driven by lower sold quantities, which more than offset the increase in average selling prices for the products. However, profitability improved sharply as stronger product prices expanded gross margin to 47.6% in 1Q26, compared to 37.9% in 1Q25 and 37.7% in 4Q25, partially offset by lower share of results from an associate and a joint venture.

- Revenue declined 7% Y/Y and 10% Q/Q to SAR 2.87bn, with the decline mainly driven by lower sales volumes, despite higher average selling prices. Prices of Urea/Ammonia changed by +29%/+48% Y/Y and +29%/+19% Q/Q, respectively, supported by tight nitrogen markets, lower Chinese export availability and Middle East shipping disruptions. However, lower sales volumes more than offset the pricing benefit, resulting in weaker topline performance during the quarter.
- Gross profit increased 18% Y/Y and 14% Q/Q to SAR 1.37bn, despite lower revenue, as stronger average selling prices more than offset the impact of lower volumes. Resultantly, gross margin expanded to 47.6%, increasing by 970bps Y/Y and 990bps Q/Q, reflecting strong pricing-led margin expansion during the quarter.
- Operating profit increased 36% Y/Y and 28% Q/Q to SAR 1.17bn, with operating margin improving to 40.6% compared to 27.9% in 1Q25 and 28.6% in 4Q25. The improvement was mainly driven by higher gross margins, supported by stronger urea and ammonia prices, while revenue remained pressured by weaker volumes.
- EBITDA of SAR 1.38bn was reported in 1Q26, marking an increase of 28% Y/Y and 21% Q/Q. EBITDA margin stood at 48%, up from 35% in 1Q25 and 36% in 4Q25, reflecting strong fertilizer pricing and better margin realization despite lower sales volumes.
- SAFCO reported FCF of SAR 580mn in 1Q26 (-10% Y/Y, -54% Q/Q), reflecting lower cash generation compared to the previous quarter despite stronger profitability.
- 1Q26 was a pricing-led quarter for SABIC Agri, as urea and ammonia prices increased by ~29% and ~19% Q/Q, respectively, while lower sales volumes kept revenue under pressure. Despite the 10% Q/Q decline in revenue, stronger product prices lifted gross margin to 47.6% from 37.7% in 4Q25 and 37.9% in 1Q25, driving net income growth of 24% Q/Q and 25% Y/Y. In 2Q26-to-date, fertilizer prices remained well above 1Q26 averages, with urea averaging ~USD 777/t during April-May versus USD 493/t in 1Q26, supported by tight Middle East supply, shipment disruptions and India's large urea tender, while ammonia averaged ~USD 712/t versus USD 500/t in 1Q26. Although urea prices corrected towards end-May following news of China's return to exports, the impact on 2Q26 earnings may be partly cushioned by higher prices realized earlier in the quarter, while sustained weakness in June/July could pose a greater risk to 3Q26 realizations. We therefore expect near-term earnings to remain supported by elevated average prices, with upside risk from possible volume improvement versus 1Q26 and slower-than-expected normalization in Chinese exports. Following the recent correction in SAFCO's share price, we believe the risk-reward has turned more attractive, with potential triggers including stronger-than-expected 2Q26 earnings, sustained ammonia strength, delayed Chinese export ramp-up and improved shipment execution if Middle East vessel traffic normalizes. Keeping this in check, we upgrade SAFCO to BUY with a target price of SAR 143/sh.

Rating and Risks

We have assigned a "Buy" rating to SAFCO with a 12-month target price of SAR 143 per share. Potential upside risks include sustained strength in urea and ammonia prices, continued Chinese export restrictions, stronger-than-expected demand from India and other key importing regions, and further delays in normalization of Middle East shipping activity. Downside risks include faster-than-expected Chinese urea exports, normalization in fertilizer prices, lower sales volumes due to shipping disruptions, higher transportation and insurance costs, and potential margin pressure from alternative land transport routes.

SAR mn	1Q26	4Q25	1Q25	Q/Q %	Y/Y %
Revenues	2874	3194	3074	-10%	-7%
Cost of Goods	1505	1990	1909	-24%	-21%
Gross Profit	1369	1204	1165	14%	17%
Operating Expenses	201	291	308	-31%	-35%
Operating Profit	1168	913	857	28%	36%
EBITDA	1378	1136	1080	21%	28%
Net Income	1227	988	985	24%	25%
EPS	2.58	2.08	2.07	24%	25%

Margins (%)

Gross Margin	47.6	37.7	37.9	994 bps	972 bps
Operating Margin	40.6	28.6	27.9	1206 bps	1276 bps
Net Margin	42.7	30.9	32.0	1175 bps	1066 bps

Rating Summary and Forecasts

Rating Summary

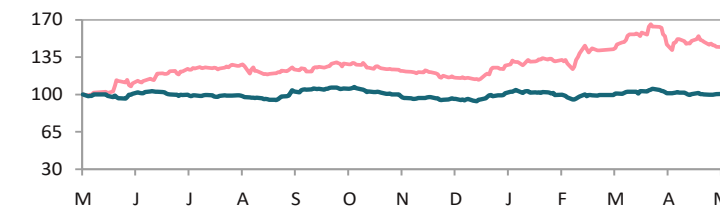
Rating	Buy
Market Price	127.2
12-month Target Price	143
Upside / Downside	12%
Mkt Cap (SAR bn)	60,552
52 week High/Low	159.3/103.0

Forecasts

	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	4322	4863	3717	3668
PER (x)	12.3	12.5	16.3	16.5
PBV (x)	2.4	2.6	2.5	2.4
EPS (SAR)	9.1	10.2	7.8	7.7
DPS (SAR)	7.0	8.0	7.0	7.0
RoE (%)	20.7	21.2	15.5	15.0
Dividend Yield (%)	6.3	6.3	5.5	5.5

Price Chart

● SAFCO ● TASI



Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

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