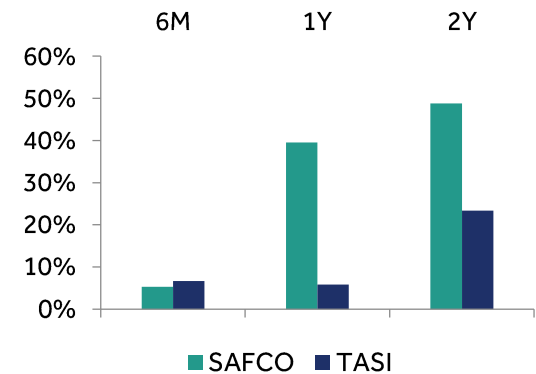


Market Data	
52-week high/low	SAR 92.40/62.70
Market Cap	SAR 36,958 mln
Shares Outstanding	416.6 mln
Free-float	44.3%
12-month ADTV	370,964
Bloomberg Code	SAFCO AB



■ Margins Stable as Topline Disappoints

July 22, 2019

Rating
Last Price
12-mth target

Neutral
SAR 88.70
SAR 85.00

Upside to Target Price (4.2%)
Expected Dividend Yield 3.4%
Expected Total Return (0.8%)

SAFCO (SAR mln)	2Q2019	2Q2018	Y/Y	1Q2019	Q/Q	RC Estimate
Sales	814	950	(14%)	719	13%	934
Gross Profit	420	499	(16%)	378	11%	467
Operating Profit	325	395	(18%)	296	10%	388
Net Profit	380	410	(7%)	335	13%	429

- Safco registered sales of SAR 814 mln in 2Q2019 (-14% Y/Y, +13% Q/Q), missing our estimate of SAR 934 mln as higher product prices were offset by lower sales volume resulting from SAFCO 3 plant shutdown throughout April.
- Gross margin contracted by 100 bps from last quarter and last year to reach 52%. Operating margin contracted by 100 bps from last quarter and 200 bps from last year to 40%.
- Net profit came in at SAR 380 million (-7% Y/Y, +13% Q/Q), missing our forecast and market expectations of SAR 429 mln and SAR 413 mln respectively, as net margin remained stable from last quarter but expanded by 400 bps as compared to last year to reach 47%.
- Urea prices are expected to be range bound in 2H2019 amid ample supply and muted demand. Indian tenders are likely to be the main influencer of Urea prices in the short term . We maintain our Neutral rating and target price of SAR 85.00.

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Disclaimer

■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

For any feedback on our reports, please contact research@riyadcapital.com

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