

## SABIC AGRI-NUTRIENTS



## RESULT ANALYSIS

## Shutdowns impact earnings

SABIC Agri-Nutrients (previously SAFCO) reported a lower than expected set of Q4 20 results, with a net income declining by -32.1% yoy (-41.2% qoq) to of SAR234mn. This compares to the NCBC and consensus estimates of SAR303mn and SAR312mn, respectively. We believe the lower than expected results are mainly attributed to lower operating rates given SAFCO 4 maintenance shutdown, lower income from Ibn Al-Baytar and higher zakat rate. Based on our last published update in June 2020, we are Neutral SAFCO with PT of SAR73.4. Since then, the stock recorded a strong rally of 21.5%. We await the full financials to update our PT and estimates.

- Revenue stood at SAR768mn in Q4 20, lower than our estimates of SAR826mn. We believe this is mainly due to the maintenance shutdown of SAFCO 4, which lasted for 43 days with an impact of SAR110mn. Based on our estimates, we believe operating rates stood at 97%, lower than our estimates of 104% and 106% in Q3 20.
- Gross profit declined by -17.0% yoy and -26.2% qoq to SAR358mn and were lower than our estimates of SAR404mn. Gross margin reduced to 46.6%, lower than our estimates of 48.9%, 51.0% in Q4 19 and 53.8% in Q3 20 respectively. We believe the weaker margin is due to lower sales.
- EBIT stood at SAR282mn (down -18.1% yoy and -27.4% qoq) and were lower than our estimates of SAR300mn. SG&A came in at SAR76mn, lower than our estimates of SAR103mn and Q4 19 levels of SAR87mn. We believe non-operating expense (including Ibn Albaytar income) came in at SAR47.6mn vs our estimates of a profit of SAR2.4mn and Q4 19 of a loss of SAR0.2mn. The losses are due to higher zakat expense and weaker performance of Ibn Albaytar due to maintenance shutdown.
- In Q4 20, urea prices increased 8.9% yoy (+3.4% qoq) to US\$268, while ammonia prices increased +6.0% yoy (+10% qoq) to US\$270.
- Based on our last update in June 2020, we are Neutral on SABIC Agri-Nutrients with a PT of SAR73.4. Urea prices outlook is positive in the short-term due to limited supply from China along with strong demand from the US and Europe.

## Q4 20 Results Summary

SAR mn	Q4 20	Q4 19	yoy	Q4 20f	Var%	qoq(%)
(Revenues)	768	846	(9.1)%	826	(7.0)%	(14.8)%
Gross income	358	431	(17.0)%	404	(11.3)%	(26.2)%
Gross margin (%)	46.6%	51.0%	(439)bps	48.9%	(230)bps	(720)bps
EBIT	282	344	(18.1)%	300	(6.2)%	(27.4)%
EBIT Margin (%)	36.7%	40.7%	(402)bps	36.4%	29bps	(634)bps
Net income	234	344	(32.1)%	303	(22.9)%	(41.2)%
Net margin (%)	30.4%	40.7%	(1026)bps	36.7%	(626)bps	(1367)bps
EPS (SAR)	0.56	0.83	(32.1)%	0.73	(22.9)%	(41.2)%

Source: Company, NCBC Research, ^ % Var indicates variance from NCBC forecasts

## NEUTRAL

Price target (SR) 73.4

Current price (SR) 91.7

\*PT last updated in June 2020

## NET INCOME



Last 4 Quarters vs Q4 20a

## STOCK DETAILS

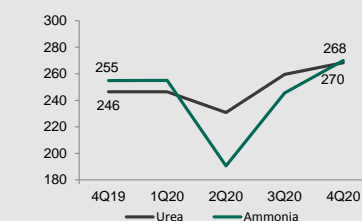
M52-week range H/L (SAR)	94/58.2
Market cap (\$mn)	11,641
Shares outstanding (mn)	476
Listed on exchanges	TADAWUL

## VALUATION MULTIPLES

	19a	20f	21f
P/E (x)	25.9	32.7	28.5
P/B (x)	4.8	4.7	4.5
EV/EBITDA (x)	18.9	21.7	20.3
Div Yield (%)	3.3	2.2	3.3

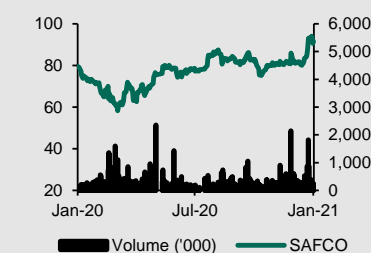
Source: NCBC Research estimates

## KEY PRODUCTS PRICES



Source: Bloomberg

## SHARE PRICE PERFORMANCE



Source: Tadawul

Iyad Ghulam

+966 11 874 7811

i.ghulam@alahlicapital.com

الأهلي كابيتال  
NCB Capital



AlAhli Capital [www.alahlicapital.com](http://www.alahlicapital.com)  
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OVERWEIGHT:	Target price represents an increase in the share price in excess of 15% in the next 12 months
NEUTRAL:	Target price represents a change in the share price between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

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JANUARY 2021

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