

Market Data	
52-week high/low	SAR 92.40 / 58.40
Market Cap	SAR 28,666.6 mln
Shares Outstanding	416.7 mln
12-month ADTV	415,563
Bloomberg Code	SAFCO AB

■ Topline Disappoints

Upside to Target Price	6.1%
Expected Dividend Yield	4.3%
Expected Total Return	10.4%

April 30, 2020

Rating	Neutral
Last Price	SAR 68.80
12-mth target	SAR 73.00

SAFCO	1Q2020	1Q2019	Y/Y	4Q2019	Q/Q	RC Estimate
Sales	728	719	1%	846	(14%)	861
Gross Profit	368	378	(3%)	426	(14%)	431
Operating Profit	278	296	(6%)	341	(18%)	363
Net Profit	304	335	(10%)	338	(10%)	375

(All figures are in SAR mln)

- The company cited lower average selling prices on a Q/Q and Y/Y basis as Urea prices declined -1% Q/Q and -7% Y/Y. Urea sales did not seem to benefit from the strong Indian demand during the quarter and logistical difficulties in Iran and China caused by the COVID-19 outbreak.
- Gross margin contracted from 50% last quarter but expanded from 47% last year to reach 49%. Operating margin expanded from 60% last quarter and 59% last year to reach 62%.
- Net profit missed our forecast of SAR 375 mln and street estimates of SAR 333 mln. Net margin contracted from 60% last quarter but expanded from 53% last year to reach 58%.
- Urea prices are expected to weaken in the following quarters as production returns to normalcy in China and Iran. Furthermore, Safco announced scheduled maintenance in 2H2020 lasting for 15 days in their Safco 3 plant, 32 days in their Safco 5 plant and 93 days in their Ibn Al-Baytar plant.

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■ 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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