

Market Data	
52-week high/low	SAR 88.00/58.00
Market Cap	SAR 34,583 mln
Shares Outstanding	416.6 mln
Free-float	48.16%
12-month ADTV	312,206
Bloomberg Code	SAFCO AB



Higher Margins Lead Earnings

October 21, 2020

Upside to Target Price	(6.0%)	Rating	Neutral
Expected Dividend Yield	3.0%	Last Price	SAR 83.00
Expected Total Return	(3.0%)	12-mth target	SAR 78.00

SAFCO	3Q2020	3Q2019	Y/Y	2Q2019	Q/Q	RC Estimate
Sales	902	910	(1%)	929	(3%)	910
Gross Profit	485	465	4%	454	7%	455
Operating Profit	388	364	7%	360	8%	361
Net Profit	398	414	(4%)	360	10%	367

(All figures are in SAR mln)

- Safo reported better than expected results for 3Q2020 with a net income of SAR 398 million (-4% Y/Y, +10% Q/Q) on the back of margin expansion. Urea prices have been -4% lower Y/Y but improved +14% Q/Q while ammonia prices have followed a similar trend.
- Gross margin expanded to 54% for the quarter and was sequentially highest for 2020, higher than 51% in 3Q2019 and every other quarter of 2019. Similarly, operating margin came in at 43% versus 40% last year and in 2Q2020.
- On a yearly basis, management has reported a decrease in the Company's share of Ibn Al-Baytar's net income while there has been an increase in sales volume in 3Q as well as an increase in other income due to dividends accruing from financial assets.
- We raise our target price from SAR 73.00 to SAR 78.00 on better prospects.

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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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