

SABIC Agri-Nutrients Co

Lower prices and higher cost weighed on profit

Current Price
SAR 109.8

Target Price
SAR 130.00

Upside/Downside (%)
+18.4%

Rating
BUY

- SABIC AGRY-NUTRIENTS revenue increased 1.5% YOY to SAR 3,017 Mn in 4Q24, driven by growth in sales of agri-nutrients segment partially offset by a decline in sales of the petchem segment.
- The Company's EBITDA margin grew 51 bps QOQ to 36.1%, while the net margin expanded 264 bps QOQ to 31.6% in 4Q24
- The Company's capex declined from SAR 891 Mn in FY2023 to SAR 775 Mn in FY2024.
- Free cash flow declined from SAR 4,790 Mn in FY2023 to SAR 3,336 Mn in FY2024.
- The company declared a final cash dividend of SAR 3.0 per share for 2H24, which is scheduled for distribution in February 2025.



4Q24 Net Profit higher than our estimate

Sabic Agri-Nutrients Co ("SABIC AGRY-NUTRIENTS", "The Company") reported a 2.4% YOY decline in net profit to SAR 954 Mn in 4Q24, higher than our estimate of SAR 688 Mn. The decline is mainly due to an increase in the cost of sales, higher S&D and G&A expenses, and an increase in finance expenses, partially offset by a marginal growth in revenue, lower operating expenses, higher finance income, and lower zakat expenses.

P&L Highlights

The Company's revenue grew marginally 1.5% YOY to SAR 3,017 Mn in 4Q24. Revenue from the Agri-Nutrients segment grew 3.6% YOY to SAR 2,901 Mn in 4Q24. However, Petrochemicals segment revenue declined 32.1% YOY to SAR 117 Mn in 4Q24. Cost of sales rose 14.1% YOY to SAR 1,904 Mn in 4Q24. As a result, gross profit declined 14.5% YOY to SAR 1,113 Mn in 4Q24, while the gross profit margin declined 694 bps YOY to 36.9% in 4Q24. Selling and Distribution expenses grew 39.2% YOY to SAR 61 Mn in 4Q24. G&A expenses rose significantly 93.8% YOY to SAR 191 Mn in 4Q24. Research and development expenses grew from SAR 14 Mn in 4Q23 to SAR 19 Mn in 4Q24. The Company reported other operating income of SAR 7 Mn in 4Q24 compared to other operating expenses of SAR 126 Mn in 4Q24. Furthermore, SABIC AGRY-NUTRIENTS' operating profit declined 16.6% YOY to SAR 850 Mn in 4Q24. Additionally, operating margin declined from 34.3% in 4Q23 to 28.2% in 4Q24. The Company's EBITDA declined 14.1% YOY to SAR 1,088 Mn in 4Q24, while EBITDA margins declined from 42.6% in 4Q23 to 36.1% in 4Q24. Income from the share of results from joint ventures expanded 20.4% YOY to SAR 44 Mn in 4Q24. Finance income grew 9.6% YOY to SAR 151 Mn in 4Q24. Finance costs rose to SAR 18 Mn in 4Q24 from SAR 7 Mn in 4Q23. Zakat and income tax charges declined 68.3% YOY to SAR 51 Mn in 4Q24.

Stock Information

Market Cap (SAR, Mn)	52,268.69
Paid Up Capital (Mn)	4,760.35
52 Week High	128.40
52 Week Low	106.00
3M Avg. daily value (SAR)	54,943,120

4Q24 Result Review (SAR, Mn)

Total Assets	25,519
Total Liabilities	6,011
Total Equity	19,508
EBITDA	1,088
Net Profit	954

Financial Ratios

Dividend Yield (12m)	5.46
Dividend Pay-out (%)	85.84
Price-Earnings Ratio(x)	15.71
Price-to-Book Ratio (x)	2.83
Book Value (SAR)	38.81
Return-on Equity (%)	18.37

Stock Performance

5 Days	1.10%
1 Months	-1.79%
3 Months	-3.35%
6 Months	-3.17%
1 Year	-12.30%
Month to Date (MTD%)	1.29%
Quarter to Date (QTD%)	-1.08%
Year to Date (YTD%)	-1.08%

The profit share attributable to non-controlling interest (NCI) declined 53.6% YOY to SAR 23 Mn in 4Q24.

Balance Sheet Highlights

SABIC AGRI-NUTRIENTS cash & cash equivalents and short-term investments stood at SAR 11,517 Mn in 4Q24, up from SAR 10,768 Mn in 3Q24. The Company's cash flow from operating activities declined to SAR 4.1 Bn in FY2024 compared to SAR 5.7 Bn in FY2023. The Company's capex declined from SAR 889 Mn in FY2023 to SAR 774 Mn in FY2024. Additionally, free cash flow fell from SAR 4,790 Mn in FY2023 to SAR 3,336 Mn in FY2024 due to lower cash generation from operating activities.

Target Price and Rating

We revise our rating from ACCUMULATE to BUY on SABIC AGRI NUTRIENTS with an unchanged target price of SAR 130.00. SABIC AGRI-NUTRIENTS recorded a decline in profitability in 4Q24, mainly due to an increase in the cost of sales, higher S&D and G&A expenses, and higher finance costs. The Company's revenue grew marginally to SAR 11.1 Bn in FY2024, mainly driven by an increase in the agri-nutrients segment, which grew at 0.9% YOY to SAR 10.4 Bn, partially offset by a decline in the petrochemicals segment, which fell from SAR 692 Mn in FY2023 to SAR 628 Mn in FY2024. The average sales volume increased 3.0% to 7.2 Mn tonnes, while the average selling price declined 3.0% in FY2024. The demand for fertilizers decreased towards the end of FY2024, resulting in 4Q24 urea transactions to primarily rely on tender sales. This situation resulted in heightened competition and reduced selling prices. Nonetheless, the urea prices stabilized in late 4Q24 owing to a series of production disruptions. The company projects the availability of urea for export to remain constrained in 1Q25, owing to challenges related to winter gas supplies and export limitations imposed by the Chinese government. Meanwhile, nitrogen demand for the spring season is projected to remain robust, supported by rising grain prices following downward revisions in global yield forecasts. SABIC AGRI-NUTRIENTS received a formal notice from Saudi Arabian Oil Company (Saudi Aramco) regarding an increase in feedstock prices, which is expected to result in an annual increase in the cost of sales by c. 3.7% based on FY2023 reported numbers. This impact is anticipated to reflect in the company's financials starting from 1Q25. SABIC AGRI-NUTRIENTS received approval from the Ministry of Energy for feedstock allocation to develop a new low-carbon ammonia plant in Jubail Industrial City in FY2024. The plant is expected to have an annual capacity of 1.2 million metric tons per annum (MMTA) of low-carbon ammonia and 1.1 MMTA of urea and specialized agri-nutrients. The company is currently in the process of finalizing the feasibility and technical studies necessary to make the final investment decision. It continues to generate robust free cash flow with a cash conversion ratio of 83.7% in FY2024. The healthy free cash flow leads the company to declare regular cash dividends. The Company declared a final cash dividend of SAR 3.00 per share for 2H24, which is scheduled for payment in February 2025. Thus, based on the above-mentioned factors, we maintain a BUY rating on the stock.

SABIC Agri-Nutrients - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	40.7	10.1	5.2	14.4	15.8	14.9
PB	6.5	3.4	2.6	3.0	2.9	2.8
EV/EBITDA	22.9	6.5	3.8	9.3	10.8	9.7
Dividend yield	1.7%	3.8%	10.8%	5.4%	5.5%	5.5%

FABS Estimates & Co Data

SABIC Agri-Nutrients – P&L

SAR Mn	4Q23	3Q24	4Q24	4Q24F	Var	YOY Ch	QOQ Ch	2023	2024	Change
Sales	2,972	2,850	3,017	2,219	136.0%	1.5%	5.9%	11,033	11,061	0.3%
Cost of Sales	-1,669	-1,778	-1,904	-1,437	132.5%	14.1%	7.1%	-6,436	-6,986	8.5%
Gross profit	1,303	1,072	1,113	782	142.4%	-14.5%	3.8%	4,598	4,076	-11.4%
S&D expenses	-44	-96	-61	-103	58.8%	39.2%	-37.0%	-257	-328	27.8%
G&A expenses	-99	-163	-191	-75	255.0%	93.8%	17.3%	-492	-609	23.9%
Total other op. (exp)/ inc.	-140	-23	-11	-3	369.0%	-92.1%	-52.5%	-186	-90	-51.4%
Operating profit	1,020	790	850	602	141.3%	-16.6%	7.7%	3,664	3,048	-16.8%
D&A	246	223	237	274	86.6%	-3.5%	NM	915	936	2.3%
EBITDA	1,266	1,013	1,088	876	124.2%	-14.1%	7.4%	4,579	3,985	-13.0%
Share of results from JV	37	32	44	64	69.4%	20.4%	40.5%	168	161	-4.3%
Finance income	138	144	151	299	50.6%	9.6%	5.1%	565	604	7.0%
Finance cost	-7	-17	-18	-33	53.5%	157.5%	5.4%	-69	-68	-1.0%
Profit before zakat & tax	1,188	949	1,029	932	110.4%	-13.5%	8.4%	4,328	3,746	-13.5%
Zakat and income tax	-162	-99	-51	-175	29.3%	-68.3%	-48.1%	-464	-303	-34.6%
Profit before NCI	1,026	850	977	757	129.1%	-4.8%	15.0%	3,864	3,442	-10.9%
Non-controlling interests	49	23	23	69	33.0%	-53.6%	-1.2%	205	115	-43.8%
Profit attributable	978	827	954	688	138.7%	-2.4%	15.5%	3,659	3,327	-9.1%

FABS estimate & Co Data

SABIC Agri-Nutrients - Margins

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Gross Profit	43.8%	37.6%	36.9%	-694	-72	41.7%	36.8%	-482
EBITDA	42.6%	35.5%	36.1%	-655	51	41.5%	36.0%	-548
Operating Profit	34.3%	27.7%	28.2%	-614	48	33.2%	27.6%	-565
Net Profit	32.9%	29.0%	31.6%	-127	264	33.2%	30.1%	-309

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF) and Relative Valuation (RV) method to value SABIC Agri-Nutrients. We have assigned 70% weight to DCF, and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	131.08	70.0%	91.75
Relative Valuation (RV)	127.47	30.0%	38.24
Weighted Average Valuation (SAR)			130.00
Current market price (SAR)			109.8
Upside/Downside (%)			+18.4%

1) DCF Method:

SABIC Agri-Nutrients is valued using free cash flow to equity. We have discounted the cash flow using the cost of equity of 8.7%. Cost of equity is calculated by using 10-year government bond yield of 5.3%, beta of 0.84 and equity risk premium of 4.0%. Government bond yield is calculated after adding KSA 10-year CDS spread over 10-year US risk free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (SAR, Mn)	16,138
Terminal value (SAR, Mn)	46,259
FV to Common shareholders (SAR, Mn)	62,397
No. of share (Mn)	476
Current Market Price (SAR)	109.8
Fair Value per share (SAR)	131.08

DCF Method

(All Figures in SAR Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Net profit	3,542	3,774	4,006	4,212	4,463
D&A	921	915	907	897	909
Working Capital	-3	-28	-29	-30	-31
Capex	-802	-835	-747	-777	-809
Free Cash Flow to Equity (FCFE)	3,657	3,826	4,138	4,302	4,532
Discounting Factor	0.93	0.86	0.79	0.73	0.67
Discounted FCFE	3,416	3,288	3,272	3,129	3,033

Source: FAB Securities

2) Relative Valuation: -

We have used local as well as international peers to value SABIC Agri-Nutrients and it is valued using the EV/EBITDA multiple. It is valued at an EV/EBITDA multiple of 12.6x compared to the peer multiple of 7.4x. We have applied a premium to the median valuation multiple as the Company enjoys a feedstock advantage over its peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Abu Qir Fert & Chemical Indus Co.	1,531	6.9	4.6	8.1	7.0
Yara International ASA	7,771	5.3	5.2	10.9	10.4
Misr Fertilizer Production Co	1,675	7.2	5.4	6.4	8.9
CF Industries Holdings	12,763	7.6	7.9	12.6	14.3
Nutrien Ltd	23,668	6.5	6.4	12.9	12.2
OCI N.V.	2,434	28.5	17.4	NA	206.6
Coromandel International Limited	5,747	17.8	15.0	27.7	22.9
Fertiglobe	4,999	7.8	7.6	30.1	20.8
Average		11.0x	8.7x	15.5x	37.9x
Median		7.4x	7.0x	12.6x	13.2x
Max		10.3x	9.7x	20.3x	21.3x
Min		6.8x	5.4x	9.5x	10.1x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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