

Fertiglobe PLC

Current Price

AED 2.52

Target Price

AED 3.20

Upside/Downside (%)

+27%

Rating

BUY

3Q24 Net Profit lower than our estimate

- Total sales volume declined 4.2% YOY to 1.40 Mn metric tons in 3Q24, driven by a decline in both own-product and third-party sales.
- Own product sales fell 7.4% YOY to 1.36 Mn metric tons in 3Q24 due to planned and unplanned shutdowns, while third-party product sales declined significantly 55.0% YOY to 0.02 Mn metric tons in 3Q24
- Benchmark Middle East ammonia prices rose 15.2% YOY to USD 357 per metric tons while benchmark urea Egypt prices declined at the same rate 15.4% YOY to USD 357 per metric tons in 3Q24
- Fertiglobe's revenue declined 5.6% YOY to USD 496 Mn in 3Q24, primarily due to lower sales volume and urea prices.
- Cost of sales increased 12.1% YOY to USD 416 Mn in 3Q24, owing to higher raw material cost and consulting expenses.
- Gross profit declined 48.4% YOY to USD 79 Mn with a 1,329 bps YOY decline in gross profit margin to 16.0% in 3Q24.
- SG&A expenses rose 18.4% YOY to USD 41 Mn in 3Q24
- EBITDA declined 43.3% YOY to USD 109 Mn in 3Q24, while EBITDA margin also declined to 22.0% in 3Q24 compared to 36.5% in 3Q23.
- Net profit fell significantly from USD 40 Mn in 3Q23 to net loss of USD 10 Mn in 3Q24.

Earnings Call Summary

- The management expects that costs in Algeria are expected to remain competitive globally.
- The Company's manufacturing Improvement Plan is all set to deliver an incremental EBITDA of USD 100 by the end of 2025.
- The Company has achieved 92% of its USD 50 Mn run rate cost optimization target at the end of September 2024, and it expects to realize the full target by the end of 2024.
- Manufacturing Improvement Plan and Cost Optimization Program are expected to contribute USD 150 Mn EBITDA annually by the end of 2025.
- The Company expect the short-term outlook for nitrogen fertilizer to remain favourable owing to low urea Chinese exports and tighter markets.
- The long-term urea market is expected to remain favourable, driven by growth in demand from new and existing applications, with limited supply increase from green filed projects.
- The Company's operation in 3Q24 was impacted mainly due to a range of uncontrollable events, such as a shortage in power supply in Algeria and the tail end of a gas supply issue in Egypt.
- Energy efficiency across the Company's facilities in Egypt improved significantly, resulting in a lower impact of potential gas supply cut. Additionally, it also benefitted from increasing output production with lower gas volume.
- The Company is also planning a new boiler in Algeria, limiting its reliance on the external power grid.
- Fertiglobe maintained its maintenance capex guidance of USD 110 to USD 130 Mn and growth capex of lower than USD 50 Mn in 2024.
- According to the Company, the inclusion of the US assets to fertiglobe's project portfolio, along with its partnership with ExxonMobil, will boost the Company's global reach. Additionally, ADNOC and Fertiglobe will focus on maximizing the cost synergies and improving the existing projects.

Fertiglobe – P&L

USD Mn	3Q23	2Q24	3Q24	3Q24F	Var.	YOY Ch	QOQ Ch
Sales	525	496	496	517	-4.1%	-5.6%	0.0%
Cost of Sales	-371	-377	-416	-379	9.7%	12.1%	10.6%
Gross profit	154	119	79	137	-42.2%	-48.4%	-33.5%
SG&A expenses	-35	-34	-41	-31	32.9%	18.4%	20.1%
Operating Profit	119	85	38	106	-64.1%	-68.1%	-55.1%
Depr. & Amort	73	69	71	69	2.7%	-2.5%	1.9%
EBITDA	192	154	109	175	-37.9%	-43.3%	-29.5%
Financial income	4	5	3	4	-2.9%	-19.0%	-30.6%
Financial charges – net	-32	-34	-34	-33	3.2%	8.2%	1.2%
Net foreign exchange loss	10	5	1	0	NM	NM	-87.0%
Profit before zakat	102	60	8	76	-89.9%	-92.4%	-87.3%
Income tax expense	-33	-27	-27	-11	135.7%	-16.9%	0.0%
Profit before NCI	69	33	-19	65	NM	NM	NM
NCI	-30	-28	9	-19	NM	NM	NM
Profit Attr to shareholders	40	5	-10	45	NM	NM	NM

FABS estimate & Co Data

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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