

## Fertiglobe PLC

Planned turnarounds in Algeria and strategic deferral of shipments impact topline growth

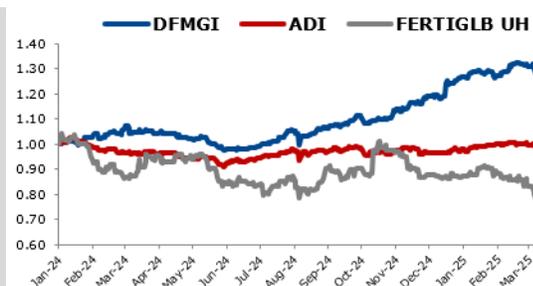
**Current Price**  
AED 2.19

**Target Price**  
AED 3.20

**Upside/Downside (%)**  
+46%

**Rating**  
BUY

- Total sales volume declined 23% YOY to 1.2 Mn MT in 4Q24 due to planned turnarounds in Algeria and the strategic deferral of certain shipments to 1Q25.
- Achieved its cost optimization target of USD 50 Mn in annual recurring savings in 2024 and remains on track to realize an incremental EBITDA of USD 100 Mn from its Manufacturing Improvement Plan (MIP) by the end of 2025.
- ADNOC will transfer its equity stakes to Fertiglobe in three low-carbon ammonia projects at cost when the projects are ready for operations.
- Board of directors recommended a dividend of USD 125 Mn equivalent to 5.5 fils per share for 2H24. This brings the total dividend for 2024 to USD 275 Mn with a dividend yield of 5.5%.



### 4Q24 Net Profit lower than our estimate

Fertiglobe Plc (Fertiglobe/the Company) recorded a 58.0% YOY decline in net profit of USD 40 Mn in 4Q24, lower than our forecast of USD 46 Mn. The decline in net profit is primarily attributable to a decline in sales owing to lower sales volume and a decrease in average selling prices for both urea and ammonia partially offset by lower cost of sales, income tax expense and share of NCI.

### P&L Highlights

Fertiglobe's revenue declined 27.9% YOY to USD 466 Mn in 4Q24 mainly due to a decline in sales volumes and lower selling price of Ammonia. Ammonia's own product sales volume fell 41% YOY to 202 thousand metric tonnes (MT) in 4Q24, while Urea's own product sales volume declined 14% YOY to 965 thousand MT in 4Q24. Moreover, total third-party traded products volume fell from 119 thousand MT in 4Q23 to 52 thousand MT in 4Q24. Thus, total product sales volume declined 23% YOY to 1,218 thousand MT in 4Q24 due to planned turnarounds in Algeria coupled with strategic deferral of certain shipments to 1Q25. Average Middle East benchmark ammonia prices fell 18% YOY but rose 11% QOQ to USD 397 per MT, while the average granular Urea Egypt benchmark price remained unchanged on a YOY basis but increased 6.0% QOQ to USD 377 per MT in 4Q24. Moreover, the Company's cost of sales declined 11.6% YOY to USD 346 Mn in 4Q24. Thus, gross profit declined 52.8% YOY to USD 120 Mn in 4Q24 with a gross profit margin of 25.8% in 4Q24 compared to 39.4% in 4Q23. Fertiglobe's SG&A expenses declined 1.0% YOY to USD 41 Mn, whereas D&A expenses remained unchanged at USD 71 Mn in 4Q24. As a result, operating profit fell 62.8% YOY to USD 80 Mn in 4Q24. Furthermore, EBITDA declined 47.3% YOY to USD 150 Mn in 4Q24, while EBITDA margin decreased from 44.1% in 4Q23 to 32.3% in 4Q24. Furthermore, finance income fell 14.1% YOY to USD

### Stock Information

Market Cap (AED, Mn)	18,760.98
Shares Outstanding(mm)	8,301.32
52 Week High	2.94
52 Week Low	2.10
3M Avg. daily value (AED)	5,773,951

### 4Q24 Result Review (USD, Mn)

Total Assets	4,411
Total Liabilities	3,169
Total Equity	1,242
EBITDA	150
Net Profit	40

### Financial Ratios

Dividend Yield (12m)	7.09
Dividend Pay-out (%)	278.38
Price-Earnings Ratio(x)	30.20
Price-to-Book Ratio (x)	4.10
Book Value (AED)	0.15
Return-on Equity (%)	15.18

### Stock Performance

5 Days	-3.10%
1 Months	-9.13%
3 Months	-9.88%
6 Months	-11.69%
1 Year	-19.19%
Month to Date (MTD%)	-6.41%
Quarter to Date (QTD%)	-10.61%
Year to Date (YTD%)	-10.61%

5.5 Mn in 4Q24, while finance cost declined 7.2% YOY to USD 32 Mn. Moreover, net foreign exchange gain expanded from negative USD 12 Mn in 4Q23 to positive USD 1 Mn in 4Q24. Tax expenses declined 49.6% YOY to USD 18 Mn in 4Q24. In addition, the share of profit attributable to non-controlling interest holders stood at USD 4 Mn in 4Q24 compared to a loss of USD 44 Mn in 4Q23.

### Balance Sheet Highlights

Fertiglobe's cash and cash equivalents stood at USD 634 Mn in 4Q24 compared to USD 669 Mn in 3Q24. The Company's borrowings remained flat at USD 1.7 Bn in 4Q24 compared to the previous quarter. Fertiglobe incurred maintenance of USD 65 Mn in 4Q24 compared to USD 23 Mn in 4Q23 and a growth capex of USD 9 Mn in 4Q24 compared to USD 11 Mn in 4Q23. In addition, the Company's free cash flow turned positive to USD 84 Mn in 4Q24 from negative USD 61 Mn in 3Q24. The Company reported a net debt position of USD 1,048 Mn in 4Q24 with a net debt / LTM adjusted EBITDA ratio of 1.6x compared to a net debt position of USD 957 Mn and a net debt / LTM adjusted EBITDA ratio of 1.2x in 3Q24.

### Target Price and Rating

We maintain our BUY rating on Fertiglobe with a revised target price of AED 3.20. The Company's revenue declined in 4Q24 due to planned turnarounds in Algeria along with the strategic deferral of certain shipments to 1Q25. Moreover, the deferred shipments resulted in a shift of USD 59 Mn in EBITDA and USD 29 Mn in net profit from 4Q24 to 1Q25, benefiting from tightening urea markets and stronger in-season pricing. Total product sales volume declined 23% YOY to 1,218 thousand MT in 4Q24. The company expects the near-term nitrogen market outlook to remain strong, driven by high energy prices and constrained global supply during the spring season. Additionally, over the long term, the market outlook remains positive, supported by strong demand, limited capacity expansions, and favorable farmer economics. The Company achieved its cost optimization target of USD 50 Mn in annual recurring savings and remains on track to realize an incremental EBITDA of USD 100 Mn from its Manufacturing Improvement Plan (MIP) by the end of 2025. Fertiglobe incurred a total capital expenditure of USD 168 Mn in 2024 and further guided a maintenance capex of USD 120 – 140 Mn for 2025. Moreover, the Company portfolio with the Egypt Green Hydrogen project, a 100 MW electrolyzer facility designed to produce renewable hydrogen as feedstock for approximately 74,000 tons of renewable ammonia at Fertiglobe's existing ammonia facilities in Ain Sokhna, Egypt. The project benefits from limited capex and is expected to deliver double-digit returns by leveraging the Company's existing back-end ammonia infrastructure. Fertiglobe focuses on maximizing shareholder value creation and aims to earn double-digit returns on all projects along with balanced dividend distribution. The board of directors recommended a dividend of USD 125 Mn equivalent to 5.5 fils per share for 2H24. This brings the total dividend for 2024 to USD 275 Mn with a dividend yield of 5.5%. Thus, based on the above-mentioned factors, we assign a BUY rating on the stock.

### Fertiglobe - Relative valuation

(at CMP)	2021	2022	2023	2024	2025F
PE	7.11	4.00	14.33	31.26	21.65
PB	2.71	2.43	3.46	4.12	4.36
EV/EBITDA	3.91	2.37	6.40	9.89	8.07
Dividend yield	34.6%	29.0%	9.5%	5.5%	8.6%

FABS Estimates & Co Data

**FERTIGLOBE – P&L**

USD Mn	4Q23	3Q24	4Q24	4Q24F	Var	YOY Ch	QOQ Ch	2023	2024	Change
Sales	646	496	466	591	-21.2%	-27.9%	-6.0%	2,416	2,009	-16.8%
Cost of Sales	-391	-416	-346	-418	-17.4%	-11.6%	-17.0%	-1,564	-1,513	-3.3%
<b>Gross profit</b>	<b>255</b>	<b>79</b>	<b>120</b>	<b>173</b>	<b>-30.4%</b>	<b>-52.8%</b>	<b>51.7%</b>	<b>852</b>	<b>496</b>	<b>-41.7%</b>
SG&A Expenses	-41	-41	-41	-43	-5.2%	-1.0%	-1.7%	-145	-150	3.9%
<b>Operating profit</b>	<b>215</b>	<b>38</b>	<b>80</b>	<b>130</b>	<b>-38.7%</b>	<b>-62.8%</b>	<b>109.4%</b>	<b>710</b>	<b>349</b>	<b>-50.8%</b>
D&A	71	71	71	75	-6.4%	0.0%	-0.3%	279	-280	NM
<b>EBITDA</b>	<b>285</b>	<b>109</b>	<b>150</b>	<b>206</b>	<b>-26.9%</b>	<b>-47.3%</b>	<b>38.1%</b>	<b>989</b>	<b>629</b>	<b>-36.5%</b>
Financial income	6	3	6	5	1.9%	-14.1%	61.8%	16	17	4.9%
Financial expense	-35	-34	-32	-34	-3.6%	-7.2%	-5.8%	-119	-136	13.6%
Foreign exchange loss/gain	-12	1	1	-1	NM	NM	NM	-20	-1	-93.4%
<b>Profit before zakat</b>	<b>174</b>	<b>8</b>	<b>54</b>	<b>101</b>	<b>-47.1%</b>	<b>-69.1%</b>	<b>NM</b>	<b>587</b>	<b>229</b>	<b>-61.0%</b>
Income tax	-35	-27	-18	-34	-48.5%	-49.6%	-34.4%	-82	-16	-80.9%
<b>Profit before NCI</b>	<b>139</b>	<b>-19</b>	<b>36</b>	<b>67</b>	<b>-46.5%</b>	<b>-74.1%</b>	<b>NM</b>	<b>505</b>	<b>214</b>	<b>-57.7%</b>
NCI	-44	9	4	-21	NM	NM	-57.3%	-156	-54	-65.6%
<b>Net Profit</b>	<b>94</b>	<b>-10</b>	<b>40</b>	<b>46</b>	<b>-13.0%</b>	<b>-58.0%</b>	<b>NM</b>	<b>349</b>	<b>160</b>	<b>-54.2%</b>

FABS estimate & Co Data

**FERTIGLOBE - Margins**

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Gross margin	39.4%	16.0%	25.8%	-1,362	981	35.3%	24.7%	-1,056
EBITDA margin	44.1%	22.0%	32.3%	-1,189	1,030	40.9%	31.3%	-966
Operating margin	33.2%	7.7%	17.1%	-1,610	944	29.4%	17.4%	-1,201
Net profit margin	14.6%	-2.1%	8.5%	-611	1,062	14.4%	8.0%	-648

FABS estimate & Co Data

## Valuation:

We use Discounted Cash Flow (DCF) and Relative Valuation (RV) methods to value Fertiglobe. We have assigned 70% weight to DCF and 30% weight to the RV method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	3.25	70.0%	2.27
Relative Valuation (RV)	3.07	30.0%	0.92
<b>Weighted Average Valuation (AED)</b>			<b>3.20</b>
Current market price (AED)			2.19
Upside/Downside (%)			+46%

### 1) DCF Method:

Fertiglobe is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.6%. It is arrived after using the cost of equity of 9.3% and after-tax cost of debt of 6.4% with a debt-to-equity ratio of 33%. The cost of equity is calculated by using a 10-year government bond yield of 5.3%, beta of 1.00, and equity risk premium of 4.0%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over 10-year US risk-free rate. The cost of debt is calculated using the cost of 7.5% after adjusting a tax rate of 15%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	2,364
Terminal value (USD, Mn)	6,031
<b>FV to Common shareholders (USD, Mn)</b>	<b>7,346</b>
No. of share (Mn)	8,301
Current Market Price (AED)	2.19
<b>Fair Value per share (AED)</b>	<b>3.25</b>

### DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
EBIT (1-Tax)	411	384	385	386	382
D&A	281	282	283	286	288
Change in working capital	15	17	10	16	1
(-) Capex	-97	-94	-94	-94	-95
<b>Free Cash Flow to Firm (FCFF)</b>	<b>610</b>	<b>589</b>	<b>585</b>	<b>593</b>	<b>576</b>
Discounting Factor	0.94	0.86	0.79	0.73	0.67
<b>Discounted FCFF</b>	<b>571</b>	<b>507</b>	<b>464</b>	<b>434</b>	<b>388</b>

Source: FAB Securities

## 2) Relative Valuation:

We have used local as well as international peers to value Fertiglobe and it is valued using the EV/EBITDA multiple. It is valued at an EV/EBITDA of 10.5x compared to the peer multiple of 7.5x. We value Fertiglobe in line with its regional peer SAFCO due to the feedstock advantage in the region.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
YAR Equity	7,781	5.30	5.20	10.90	10.40
SAFCO AB EQUITY	14,041	9.70	10.00	15.00	15.40
CF US Equity	12,988	7.70	8.00	12.80	14.50
NTR CAN Equity	25,111	6.90	6.70	13.60	12.90
OCI NV Equity	2,522	29.40	18.00	NA	NA
COROMANDEL IN Equity	5,866	18.10	15.20	28.20	23.30
ABUK EY Equity	1,531	6.86	4.59	8.10	7.00
MFPC EY Equity	1,688	7.24	5.43	6.40	8.90
<b>Average</b>		<b>11.4x</b>	<b>9.1x</b>	<b>13.6x</b>	<b>13.2x</b>
<b>Median</b>		<b>7.5x</b>	<b>7.4x</b>	<b>12.8x</b>	<b>12.9x</b>
<b>Max</b>		<b>11.8x</b>	<b>11.3x</b>	<b>14.3x</b>	<b>15.0x</b>
<b>Min</b>		<b>6.9x</b>	<b>5.4x</b>	<b>9.5x</b>	<b>9.7x</b>

Source: FAB Securities

