FAB أبوظبي الأول للأوراق المالية SECURITIES

First Look Note | 2Q26

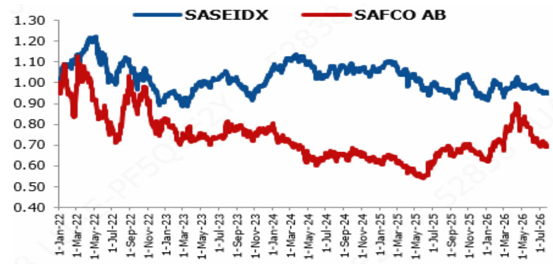
Saudi Equity Research | Sector: Basic Material | Market: Tadawul

SABIC Agri-Nutrients Co

Supply chain disruptions weighed on sales volumes and profit margins

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 122.30	SAR 138.00	+12.8%	ACCUMULATE

- Gross Margin contracted to 29.5% in 2Q26 from 38.5% in 2Q25 driven by elevated feedstock costs.
- Sales volumes were adversely impacted on YOY and QOQ basis with ongoing supply chain disruptions continued to affect the Company's ability to procure critical raw materials.
- Free cash flow increased from SAR 580 Mn in 1Q26 to SAR 621 Mn in 2Q26.
- The Company's capex increased from SAR 108 Mn in 1Q26 to SAR 149 Mn in 2Q26.
- The Company approved an interim cash dividend of SAR 1.67 Bn equivalent to SAR 3.5 per share for 1H26.



Stock Information	
Market Cap (SAR, Mn)	58,219.13
Paid Up Capital (Mn)	4,760.35
52 Week High	159.30
52 Week Low	108.30
3M Avg. daily value (SAR)	63,267,730

2Q26 Result Review (SAR, Mn)	
Revenue	2,411
EBITDA	618
Operating profit	423
Net Profit	379
Shareholder Equity	21,192

Financial Ratios	
Dividend Yield (12m)	5.72
Dividend Pay-out (%)	77.09
Price-Earnings Ratio(x)	14.99
Price-to-Book Ratio (x)	2.79
Book Value (SAR)	43.76
Return-on Equity (%)	22.75

Stock Performance	
5 Days	0.49%
1 Months	-0.24%
3 Months	-16.00%
6 Months	-2.16%
1 Year	3.56%
Month to Date (MTD%)	-1.21%
Quarter to Date (QTD%)	-1.21%
Year to Date (YTD%)	10.48%

2Q26 Net Profit lower than our estimate

Sabic Agri-Nutrients Co ("SABIC AGRI-NUTRIENTS", "The Company") net profit declined from SAR 1,060 Mn in 2Q25 to SAR 379 Mn in 2Q26, lower than our estimate of SAR 1,011 Mn. The significant decrease in net profit is mainly due to lower sales volumes caused by supply chain disruption in the region and lower share of results from an associate and a joint venture, partially offset by an increase in average selling prices.

P&L Highlights

SABIC AGRI-NUTRIENTS revenue fell 26.7% YOY to SAR 2,411 Mn in 2Q26, mainly due to a decline in sales volumes, partially offset by a rise in average selling prices. Sales volumes were adversely impacted as ongoing supply chain disruptions continued to affect the Company's ability to procure critical raw materials and deliver products efficiently, resulting in reduction in the overall quantity of goods sold, partially offset by improvement in average selling prices. The cost of sales decreased 15.9% YOY to SAR 1,699 Mn in 2Q26. As a result, gross profit declined 43.8% YOY to SAR 712 Mn in 2Q26, with the gross profit margin contracting from 38.5% in 2Q25 to 29.5% in 2Q26. Gross margin contraction was driven by elevated feedstock costs, as supply disruptions in natural gas, ammonia, and sulphur increased manufacturing costs for nitrogen and phosphate fertilizers. The Company's operating profit decreased 58.9% YOY to SAR 423 Mn in 2Q26, with the operating profit margin decreasing from 31.3% in 2Q25 to 17.5% in 2Q26. Depreciation & amortization expenses declined 15.0% YOY to SAR 195 Mn in 2Q26. SABIC AGRI-NUTRIENTS EBITDA fell from SAR 1,258 Mn in 2Q25 to SAR 618 Mn in 2Q26. Additionally, the Company's EBITDA margin declined from 38.3% in 2Q25 to 25.6% in 2Q26. As a result, net profit attributed to shareholders decreased from SAR 1,060 Mn in 2Q25 to SAR 379 Mn in 2Q26, reflecting the significant pressure on earnings arising from lower sales volumes, higher feedstock costs.

Balance Sheet Highlights

SABIC AGRI-NUTRIENTS' total shareholders equity (after deducting minority interest) increased 5.1% YOY and 1.7% QOQ to SAR 21.2 Bn in 2Q26. The Company’s capex increased from SAR 108 Mn in 1Q26 to SAR 149 Mn in 2Q26. Similarly, the Company’s free cash flow increased from SAR 580 Mn in 1Q26 to SAR 621 Mn in 2Q26.

Target Price and Rating

We revise our rating on SABIC AGRI NUTRIENTS from HOLD to ACCUMULATE with an unchanged target price of SAR 138.00. Net profit declined significantly by 64.2% YOY in 2Q26 as regional supply chain disruptions weighed on sales volumes despite higher average selling prices. The decline in earnings was further impacted by lower contributions from associates and a joint venture, resulting in a sharp contraction in margins during the quarter. Fertilizer prices strengthened at the beginning of 2Q26 amid supply disruptions across the Middle East, however prices moderated towards pre-crisis levels by end of the 2Q26 following the easing of geopolitical tensions and the resumption of exports. Looking ahead, the Company expects global trade flows and fertilizer demand to stabilize in 3Q26 as product availability improves and importers rebuild inventories ahead of the winter planting season, although increased competition among suppliers may limit further price appreciation. Despite the recent operational challenges, the Company continued to advance its long-term growth strategy through capacity expansion and strategic partnerships. Following the feedstock allocation approval for its seventh production complex in Jubail in 1Q26, which supports the Company's long-term production capacity expansion, SABIC AGRI-NUTRIENTS and Saudi Agricultural and Livestock Investment Company (SALIC) extended their Memorandum of Understanding for another three years. The agreement reinforces their strategic partnership to explore opportunities that enhance food security and address environmental challenges. The extension is expected to support sustainable agricultural initiatives and long-term commercial opportunities. Despite the weak 2Q26 performance, we believe the earnings weakness is largely cyclical and driven by temporary supply chain disruptions rather than a deterioration in the Company's underlying fundamentals. If geopolitical tensions eases and regional trade flows normalizes, we expect operating conditions and sales volumes to gradually recover to pre conflict levels. SABIC AGRI-NUTRIENTS is well positioned to benefit from its strong balance sheet, healthy cash generation and disciplined capital allocation. In addition, the planned capacity expansion through the seventh production complex and continued investment in strategic partnerships are expected to support long-term volume growth. Therefore, we maintain a positive long-term outlook on the Company despite the near-term operating headwinds. Furthermore, the Company approved an interim cash dividend of SAR 1.67 Bn (SAR 3.5 per share) for 1H26, reflecting continued commitment to deliver sustainable shareholder returns. Thus, based on above mentioned factors we revise our rating to ACCUMULATE on the stock.

SABIC Agri-Nutrients - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	11.0	5.7	15.7	17.3	13.3	15.7
PB	3.7	2.9	3.2	3.1	2.7	2.8
EV/EBITDA	8.0	4.1	10.4	11.8	9.3	10.6
BVPS	32.667	41.791	37.271	38.807	44.542	43.954
EPS	10.982	21.084	7.687	6.989	9.079	7.711
DPS	4.250	12.000	6.000	6.000	7.000	7.000
Dividend yield	3.5%	9.8%	4.9%	4.9%	5.7%	5.7%

FABS Estimates & Co Data

SABIC Agri-Nutrients – P&L

SAR Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Sales	3,287	2,874	2,411	2,733	-11.8%	-26.7%	-16.1%	13,077	11,015	-15.8%
Cost of Sales	-2,021	-1,505	-1,699	-1,576	7.8%	-15.9%	12.9%	-7,997	-6,725	-15.9%
Gross profit	**1,267**	**1,369**	**712**	**1,157**	**-38.4%**	**-43.8%**	**-48.0%**	**5,080**	**4,289**	**-15.6%**
Operating profit	**1,028**	**1,168**	**423**	**930**	**-54.5%**	**-58.9%**	**-63.8%**	**4,022**	**3,323**	**-17.4%**
D&A	229	210	195	223	-12.5%	-15.0%	-7.1%	887	875	-1.4%
EBITDA	**1,258**	**1,378**	**618**	**1,153**	**-46.4%**	**-50.9%**	**-55.1%**	**4,909**	**4,197**	**-14.5%**
Profit attributable	**1,060**	**1,227**	**379**	**1,011**	**-62.5%**	**-64.2%**	**-69.1%**	**4,322**	**3,671**	**-15.1%**

FABS estimate & Co Data

SABIC Agri-Nutrients - Margins

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	38.5%	47.6%	29.5%	-901	-1,810	38.8%	38.9%	9
EBITDA	38.3%	47.9%	25.6%	-1,263	-2,231	37.5%	38.1%	57
Operating Profit	31.3%	40.6%	17.5%	-1,374	-2,309	30.8%	30.2%	-59
Net Profit	32.2%	42.7%	15.7%	-1,652	-2,697	33.1%	33.3%	27

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	154.23	70.0%	107.96
Relative Valuation (RV)	100.12	30.0%	30.04
Weighted Average Valuation (SAR)			**138.00**
Current market price (SAR)			122.30
Upside/Downside (%)			+12.8%

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 8.9%. Cost of equity is calculated by using 10-year government bond yield of 5.4%, beta of 0.85 and equity risk premium of 4.1%. 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)	18,345
Terminal value (SAR, Mn)	55,075
FV to Common shareholders (SAR, Mn)	**73,420**
No. of share (Mn)	476
Current Market Price (SAR)	122.30
Fair Value per share (SAR)	**154.23**

DCF Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net profit	3,671	5,026	5,046	5,151	5,317
D&A	875	853	851	852	855
Working Capital	165	145	48	41	33
Capex	-661	-801	-807	-816	-829
Free Cash Flow to Equity (FCFE)	**4,049**	**5,222**	**5,139**	**5,227**	**5,376**
Discounting Factor	0.96	0.89	0.81	0.75	0.69
Discounted FCFE	**1,952[1]**	**4,624**	**4,179**	**3,904**	**3,687**

Source: FAB Securities, [1]Adjusted for partial year

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 a 2026 EV/EBITDA multiple of 9.8x compared to the peer multiple of 7.8x. We have applied a premium to the median valuation multiple as the Company enjoys a feedstock advantage over its peers.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
Abu Qir Fert & Chemical Indus Co.	1,742	3.8	3.4	8.5	NA
Yara International ASA	12,126	4.4	5.1	7.6	9.5
Misr Fertilizer Production Co	2,053	4.0	4.8	6.1	7.8
CF Industries Holdings	19,214	5.5	7.7	7.4	11.1
Nutrien Ltd	32,729	6.8	7.3	12.2	13.2
OCI N.V.	978	17.6	15.4	NA	NA
Coromandel International Limited	6,057	17.7	16.7	27.8	26.4
Fertiglobe	5,862	5.5	6.0	NA	NA
Average		**8.2x**	**8.3x**	**11.6x**	**13.6x**
Median		**5.5x**	**6.6x**	**8.0x**	**11.1x**
Max		**9.5x**	**9.6x**	**11.3x**	**13.2x**
Min		**4.3x**	**5.0x**	**7.4x**	**9.5x**

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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