

SABIC Agri-Nutrients Co

Higher sales volume and sales price supported top-line growth

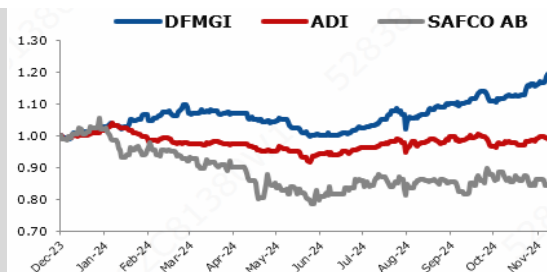
Current Price
SAR 113.80

Target Price
SAR 130.00

Upside/Downside (%)
+14.2%

Rating
ACCUMULATE

- SABIC AGRI-NUTRIENTS revenue increased 6.7% YOY to SAR 2,850 Mn in 3Q24, driven by a 5% growth in sales volume and a 2% growth in average selling price.
- The Company's gross margins grew 393 bps QOQ to 37.6%, while the EBITDA margin grew 115 bps QOQ to 35.5% in 3Q24.
- The Company's capex declined from SAR 743 Mn in 9M23 to SAR 476 Mn in 3Q24.
- Free cash flow declined from SAR 2,919 Mn in 9M23 to SAR 2,368 Mn in 9M24.
- SABIC AGRI-NUTRIENTS launched a new USD 170 Mn ULTEM resin manufacturing facility in Singapore.



3Q24 Net Profit slightly higher than our estimate

Sabic Agri-Nutrients Co ("SABIC AGRI-NUTRIENTS", "The Company") reported a 21.2% YOY decline in net profit to SAR 827 Mn in 3Q24, slightly higher than our estimate of SAR 803 Mn. The decline is mainly due to an increase in the cost of sales, higher S&M and G&A expenses, and an increase in other operating expenses and income tax expense partially offset by higher revenue and finance income.

P&L Highlights

The Company's revenue grew 6.7% YOY to SAR 2,850 Mn in 3Q24, attributable to a 5.0% growth in sales volume and a 2.0% increase in sales price. Revenue from the Agri-Nutrients segment grew 9.6% YOY to SAR 2,752 Mn in 3Q24. However, Petrochemicals segment revenue declined 39.3% YOY to SAR 98 Mn in 3Q24. Cost of sales rose 22.9% YOY to SAR 1,778 Mn in 3Q24. As a result, gross profit declined 12.5% YOY to SAR 1,072 Mn in 3Q24, while the gross profit margin declined 824 bps YOY to 37.6% in 3Q24. Selling and marketing expenses grew 35.3% YOY to SAR 96 Mn in 3Q24. G&A expenses rose 23.4% YOY to SAR 163 Mn in 3Q24. Research and development expenses grew from SAR 20 Mn in 3Q23 to SAR 23 Mn in 3Q24. The Company reported other operating income of SAR 1 Mn in 3Q24 compared to SAR 7 Mn in 3Q24. Furthermore, SABIC AGRI-NUTRIENTS' operating profit declined 21.7% YOY to SAR 790 Mn in 3Q24. However, operating margin declined from 37.7% in 3Q23 to 27.7% in 3Q24. The Company's EBITDA declined 18.7% YOY to SAR 1,013 Mn in 3Q24, while EBITDA margins declined from 46.6% in 3Q23 to 35.5% in 3Q24. Income from the share of results from joint ventures declined 47.8% YOY to SAR 32 Mn in 3Q24. Finance income grew 14.9% YOY to SAR 144 Mn in 3Q24. Finance costs also declined 5.0% YOY to SAR 17 Mn in 3Q24. Zakat and income tax charges grew 23.6% YOY to SAR 99 Mn in 3Q24. The profit share attributable to non-controlling interest (NCI) declined 51.2% YOY to SAR 23 Mn in 3Q24.

Stock Information

Market Cap (SAR, Mn)	53,887.21
Paid Up Capital (Mn)	4,760.35
52 Week High	142.60
52 Week Low	106.00
3M Avg. daily value (SAR)	53,363,020

3Q24 Result Review (SAR, Mn)

Total Assets	24,785
Total Liabilities	5,064
Total Equity	19,721
EBITDA	1,013
Net Profit	827

Financial Ratios

Dividend Yield (12m)	5.30
Dividend Pay-out (%)	78.04
Price-Earnings Ratio(x)	16.08
Price-to-Book Ratio (x)	2.89
Book Value (SAR)	39.12
Return-on Equity (%)	18.53

Stock Performance

5 Days	-2.75%
1 Months	-2.41%
3 Months	-2.75%
6 Months	2.91%
1 Year	-17.25%
Month to Date (MTD%)	-0.53%
Quarter to Date (QTD%)	-4.71%
Year to Date (YTD%)	-18.09%

Balance Sheet Highlights

SABIC AGRI-NUTRIENTS cash and cash equivalents stood at SAR 3,282 Mn in 3Q24, up from SAR 2,370 Mn in 2Q24. The Company's cash flow from operating activities declined to SAR 2.8 Bn in 9M24 compared to SAR 3.6 Bn in 9M23. The Company's capex declined from SAR 743 Mn in 9M23 to SAR 476 Mn in 3Q24. However, free cash flow declined from SAR 2,919 Mn in 9M23 to SAR 2,368 Mn in 9M24 due to lower cash generation from operating activities.

Target Price and Rating

We maintain an ACCUMULATE rating on SABIC AGRI NUTRIENTS with a target price of SAR 130.00. SABIC AGRI-NUTRIENTS recorded a decline in profitability in 3Q24, mainly due to an increase in direct costs, higher S&M and G&A expenses, and an increase in other operating expenses. However, the Company's revenue grew primarily due to a 5.0% and 2.0% growth in sales volumes and average sale price, respectively, in 3Q24. Despite the regional supply chain challenges and surrounding conditions, the Company also maintained its margins in 3Q24. The Company's gross margins grew 393 bps QOQ to 37.6%, while the EBITDA margin grew 115 bps QOQ to 35.5% in 3Q24. SABIC AGRI-NUTRIENTS benefited mainly as the urea market stabilized in 3Q24, regional supply disruptions eased, while Chinese offshore sales remained restricted. However, the demand from India through two urea tenders supported prices, although the volumes were lower than expected. Furthermore, the demand is projected to grow, driven by strong purchasing activity from India, which is anticipated to support tender processes. The nitrogen demand remains weak owing to potential disruptions from winter energy costs, feedstock adjustments, and unforeseen maintenance. However, demand is mainly centred on India's significant year-end purchases, offering producers a chance to secure future orders. As a result, SABIC AGRI-NUTRIENTS is expected to witness growth in sales volumes and average sales price in 4Q24. Recently, SABIC AGRI-NUTRIENTS launched a new USD 170 Mn ULTEM resin manufacturing facility in Singapore that supports its strategy to boost global ULTEM resin production by over 50%, meeting rising demand from high-tech and manufacturing sectors across the Asia-Pacific, including Japan and China. The Company's growth initiatives are also progressing as scheduled, including the Fujian Petrochemical Complex, the MTBE plant at Petrokemya, and the capacity expansion at SK NEXLENE, which is expected to enhance its product offerings and support the top-line growth. Thus, based on the above-mentioned factors, we maintain an ACCUMULATE rating on the stock.

SABIC Agri-Nutrients - Relative valuation

(at CMP)	2019	2020	2021	2022	2023	2024F
PE	32.2	41.9	10.4	5.4	14.8	16.9
PB	5.9	6.6	3.2	2.6	2.9	2.9
EV/EBITDA	24.4	28.3	7.6	4.2	11.1	13.0
Dividend yield	2.6%	1.6%	3.7%	10.5%	5.3%	5.3%

FABS Estimates & Co Data

SABIC Agri-Nutrients – P&L

SAR Mn	3Q23	2Q24	3Q24	3Q24F	Var.	YOY Ch	QOQ Ch	2023	2024F	Change
Sales	2,672	2,676	2,850	2,833	0.6%	6.7%	6.5%	11,033	10,984	-0.4%
Cost of Sales	-1,447	-1,774	-1,778	-1,793	-0.8%	22.9%	0.2%	-6,436	-6,886	7.0%
Gross profit	1,226	902	1,072	1,040	3.1%	-12.5%	18.9%	4,598	4,098	-10.9%
S&M expenses	-71	-95	-96	-98	-1.8%	35.3%	0.8%	-257	-367	43.2%
G&A expenses	-132	-128	-163	-158	3.2%	23.4%	27.2%	-492	-588	19.5%
Other operating (exp)/ inc.	-14	0	-23	-21	10.9%	68.7%	NM	-186	-108	-42.0%
Operating profit	1,009	678	790	763	3.5%	-21.7%	16.5%	3,664	3,036	-17.1%
D&A	237	242	223	243	-8.2%	-5.8%	-7.8%	915	975	6.5%
EBITDA	1,246	920	1,013	1,006	0.7%	-18.7%	10.1%	4,579	4,010	-12.4%
Share of results from JV	61	25	32	33	-4.3%	-47.8%	28.9%	168	155	-8.2%
Finance income	125	154	144	152	-5.2%	14.9%	-6.5%	565	636	12.7%
Finance cost	-18	-17	-17	-21	-19.4%	-5.0%	0.6%	-69	-74	8.3%
Profit before zakat & tax	1,177	840	949	927	2.3%	-19.4%	12.9%	4,328	3,752	-13.3%
Zakat and income tax	-80	-97	-99	-98	1.1%	23.6%	2.6%	-464	-418	-9.8%
Profit before NCI	1,097	743	850	829	2.5%	-22.5%	14.3%	3,864	3,334	-13.7%
Non-controlling interests	47	38	23	26	-11.3%	-51.2%	-39.4%	205	133	-34.8%
Profit attributable	1,049	705	827	803	2.9%	-21.2%	17.2%	3,659	3,200	-12.5%

FABS estimate & Co Data

SABIC Agri-Nutrients - Margins

	3Q23	2Q24	3Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Gross Profit	45.9%	33.7%	37.6%	-824	393	41.7%	37.3%	-436
EBITDA	46.6%	34.4%	35.5%	-1,107	115	41.5%	36.5%	-499
Operating Profit	37.7%	25.3%	27.7%	-1,004	237	33.2%	27.6%	-557
Net Profit	39.3%	26.4%	29.0%	-1,027	264	33.2%	29.1%	-403

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	129.91	70.0%	90.94
Relative Valuation (RV)	130.20	30.0%	39.06
Weighted Average Valuation (SAR)			130.00
Current market price (SAR)			113.80
Upside/Downside (%)			+14.2%

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 9.5%. Cost of equity is calculated by using 10-year government bond yield of 4.9%, beta of 1.00 and equity risk premium of 4.6%. 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)	13,051
Terminal value (SAR, Mn)	39,306
FV to Common shareholders (SAR, Mn)	61,842
No. of share (Mn)	476
Current Market Price (SAR)	113.80
Fair Value per share (SAR)	129.91

DCF Method

(All Figures in SAR Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Net profit	3,200	3,493	3,591	3,811	3,920
D&A	948	966	1,002	1,037	1,070
Working Capital	-245	69	76	164	-15
Capex	-890	-795	-820	-726	-748
Free Cash Flow to Equity (FCFE)	3,014	3,733	3,849	4,286	4,227
Discounting Factor	0.99	0.90	0.82	0.75	0.69
Discounted FCFE	391¹	3,367	3,170	3,222	2,902

Source: FAB Securities, ¹FCFE 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 an EV/EBITDA multiple of 13.1x compared to the peer multiple of 6.5x. 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)	
		2024F	2025F	2024F	2025F
ABUK EY Equity	1,400	4.2	3.3	6.4	6.8
YAR Equity	7,100	5.2	4.9	19.3	10.3
MFPC EY Equity	1,840	6.6	4.7	7.0	9.2
CF US Equity	14,830	6.9	7.1	13.4	14.7
NTR CAN Equity	23,160	6.5	6.4	33.3	13.8
OCI NV Equity	2,460	NA	0.1	0.6	70.1
COROMANDEL IN Equity	5,880	17.5	14.2	28.1	23.3
Average		7.8x	5.8x	15.4x	21.2x
Median		6.5x	4.9x	13.4x	13.8x
Max		6.8x	6.8x	23.7x	19.0x
Min		5.5x	4.0x	6.7x	9.7x

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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