

Fertiglobe PLC

Substantial growth in direct cost & SG&A expenses impacted profitability

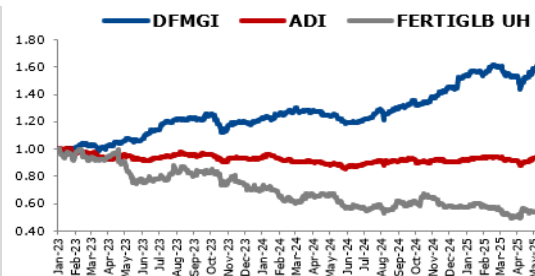
Current Price
AED 2.46

Target Price
AED 3.20

Upside/Downside (%)
+30%

Rating
BUY

- Revenue increased 25.9% YOY to USD 695 Mn in 1Q25 due to higher sales volumes, increased urea prices and shipment deferral.
- Recorded a strong utilization rate of 87% in ammonia and urea in 1Q25 reflecting strong execution under the MIP.
- ADNOC's 86.2% ownership stake in Fertiglobe, enables access to low-cost feedstock, resulting in USD 6.7 Mn in interest savings and enhanced profit margins.
- Grow 2030 Strategy' targets USD 1 Bn+ EBITDA, driven by cost optimization, product expansion, and downstream integration.



1Q25 Net Profit lower than our estimate

Fertiglobe Plc (Fertiglobe/the Company) recorded a 37.6% YOY decline in net profit of USD 73 Mn in 1Q25, lower than our forecast of USD 78 Mn. The decline in net profit is primarily attributable to higher cost of sales, an increase in SG&A expenses, and tax charge, partially offset by a rise in sales and decrease in net finance cost.

P&L Highlights

Fertiglobe's revenue increased 25.9% YOY to USD 695 Mn in 1Q25, primarily driven by growth in sales volumes and an increase in urea prices coupled with enhanced operational efficiency. Fertiglobe's Ammonia own product sales volume rose 34.3% YOY to 388 thousand metric tonnes (MT) in 1Q25, while Urea volumes remained flat on YOY basis at 1,144 thousand MT in 1Q25. Moreover, total third-party traded products volume rose 61.5% YOY to 176 thousand MT in 1Q25. Thus, the Company's total product sales volume rose 11.1% YOY to 1,708 thousand MT in 1Q25, due to improved plant utilization rates driven by the Manufacturing Improvement Plan and strategic shipment deferrals from 4Q24. However, average ammonia benchmark prices rose 2.1% YOY but declined 12.8% QOQ to USD 346 per MT, while the average granular Urea Egypt benchmark price increased 13.9% YOY and 12.7% QOQ to USD 425 per MT in 1Q25. Moreover, the Company's cost of sales increased significantly 26.3% YOY to USD 473 Mn in 1Q25 mainly driven by increase in cost of raw materials. Thus, gross profit rose 25.1% YOY to USD 222 Mn in 1Q25 with a gross profit margin declined to 31.9% in 1Q25 compared to 32.2% in 1Q24. Fertiglobe's SG&A expenses increased 22.8% YOY to USD 38 Mn in 1Q25, whereas D&A expenses grew 10.3% YOY to USD 76 Mn. Moreover, operating profit rose 25.6% YOY to USD 184 Mn in 1Q25. Furthermore, EBITDA increased 20.7% YOY to USD 260 Mn in 1Q25, while EBITDA margin decreased 162 bps YOY to 37.4% in 1Q25.

Stock Information

Market Cap (AED, Mn)	20,421.24
Shares Outstanding(mm)	8,301.32
52 Week High	2.94
52 Week Low	1.94
3M Avg. daily value (AED)	18,107,790

1Q25 Result Review (USD, Mn)

Total Assets	4,635
Total Liabilities	2,975
Total Equity	1,660
EBITDA	260
Net Profit	73

Financial Ratios

Dividend Yield (12m)	4.92
Dividend Pay-out (%)	218.05
Price-Earnings Ratio(x)	46.10
Price-to-Book Ratio (x)	4.22
Book Value (AED)	0.16
Return-on Equity (%)	8.09

Stock Performance

5 Days	-1.20%
1 Months	6.96%
3 Months	1.65%
6 Months	0.82%
1 Year	0.00%
Month to Date (MTD%)	8.37%
Quarter to Date (QTD%)	16.04%
Year to Date (YTD%)	0.41%

Furthermore, finance income rose from USD 3 Mn in 1Q24 to USD 4 Mn in 1Q25, while finance cost declined 5.7% YOY to USD 33 Mn. Moreover, net foreign exchange loss contracted from USD 7 Mn in 1Q24 to USD 2 Mn in 1Q25. The Company incurred a tax charge of USD 38 Mn in 1Q25 compared to reversal of USD 47 Mn in 1Q24. In addition, the share of profit attributable to non-controlling interest holders stood at USD 43 Mn in 1Q25, compared to USD 38 Mn in 1Q24.

Balance Sheet Highlights

Fertiglobe's cash and cash equivalents stood at USD 831 Mn in 1Q25 compared to USD 634 Mn in 4Q24. The Company's total capex rose 13% YOY to USD 24 Mn in 1Q25 out of which, maintenance capex stood at USD 17 Mn. Free cash increased from USD 156 Mn in 1Q24 to USD 213 Mn in 1Q25 driven by growth in operating profit and working capital. The Company reported a net debt position of USD 836 Mn in 1Q25 with a net debt / LTM adjusted EBITDA ratio of 1.1x.

Target Price and Rating

We maintain our BUY Rating with an unchanged target price of AED 3.20. Fertiglobe's outlook remain resilient supported by a solid long-term growth prospect. The company reported revenues of USD 695 Mn in 1Q25, driven by higher ammonia sales volumes, stronger urea prices, and strategic shipment deferrals from 4Q24. Operational execution remained strong, supported by the Manufacturing Improvement Plan (MIP), now 80% complete, which led to record asset utilization and energy efficiency across most plants. Specifically, utilization rates reached 87% for both ammonia and urea in 1Q25, demonstrating Fertiglobe's ability to maximize production and meet market demand. Fertiglobe continues to benefit from ADNOC's 86.2% majority ownership, enabling access to low-cost feedstock, interest savings of USD 6.7 Mn from loan refinancing, and synergies across operations and infrastructure. The Company is advancing strategic growth projects, including the 1 mtpa TA'ZIZ low-carbon ammonia plant, the Automotive Grade Urea (AGU) supply agreement with DF Group in Spain, and the acquisition of Wengfu's distribution assets in Australia, which strengthen downstream integration and market access. Fertiglobe's 'Grow 2030 Strategy' targets achieving more than USD 1 Bn in annual EBITDA by 2030, underpinned by four strategic pillars: operational excellence, customer proximity, nitrogen product expansion, and disciplined low carbon ammonia growth. With a young and efficient asset base, strong dividend policy, net debt/LTM adjusted EBITDA of 1.1x in 1Q25, and improving utilization and margin dynamics, we maintain BUY rating on the stock.

Fertiglobe - Relative valuation

(at CMP)	2021	2022	2023	2024	2025F
PE	7.98	4.49	16.08	35.08	26.89
PB	3.04	2.73	3.88	4.11	4.97
EV/EBITDA	4.30	2.62	7.01	11.06	8.98
DPS	0.764	0.641	0.210	0.122	0.174
Dividend yield	30.8%	25.8%	8.5%	4.9%	7.0%

FABS Estimates & Co Data

FERTIGLOBE – P&L

USD Mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Sales	552	466	695	594	16.9%	25.9%	49.1%	2,009	2,279	13.5%
Cost of Sales	-374	-346	-473	-413	14.4%	26.3%	36.8%	-1,513	-1,670	10.4%
Gross profit	178	120	222	181	22.5%	25.1%	84.5%	496	609	22.7%
SG&A Expenses	-31	-44	-38	-36	7.4%	22.8%	-12.0%	-150	-154	2.3%
Operating profit	146	80	184	145	26.3%	25.6%	NM	349	456	30.5%
Depreciation& Amortization	69	71	76	70	8.4%	10.3%	7.8%	280	301	7.7%
EBITDA	215	150	260	216	20.5%	20.7%	72.8%	629	756	20.3%
Financial income	3	6	4	6	-24.6%	30.3%	-21.8%	17	16	-3.6%
Financial expense	-35	-32	-33	-28	16.9%	-5.7%	1.2%	-136	-125	-7.7%
Foreign exchange loss/gain	-7	1	-2	0	NM	-72.2%	NM	-1	0	NM
Profit before zakat	108	54	153	123	24.4%	42.4%	NM	229	347	51.2%
Income tax	47	-9	-38	-18	NM	NM	NM	-16	-52	NM
Profit before NCI	154	45	115	105	10.2%	-25.3%	NM	214	295	38.0%
NCI	-38	4	-43	-26	63.2%	12.1%	NM	-54	-86	60.4%
Net Profit	116	49	73	78	-7.5%	-37.6%	48.5%	160	209	30.5%

FABS estimate & Co Data

FERTIGLOBE - Margins

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross margin	32.2%	25.8%	31.9%	-21	613	24.7%	26.7%	202
EBITDA margin	39.0%	32.3%	37.4%	-162	512	31.3%	33.2%	190
Operating margin	26.5%	17.1%	26.4%	-7	931	17.4%	20.0%	261
Net profit margin	21.1%	10.5%	10.4%	-1,063	-5	8.0%	9.2%	119

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	3.27	70.0%	2.29
Relative Valuation (RV)	3.02	30.0%	0.91
Weighted Average Valuation (AED)			3.20
Current market price (AED)			2.46
Upside/Downside (%)			+30%

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 8.8%. It is arrived after using the cost of equity of 9.2% and after-tax cost of debt of 7.5% with a debt-to-equity ratio of 29.7%. The cost of equity is calculated by using a 10-year government bond yield of 5.1%, beta of 1.00, and equity risk premium of 4.1%. 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 8.1% after adjusting a tax rate of 6.8%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	2,165
Terminal value (USD, Mn)	6,421
FV to Common shareholders (USD, Mn)	7,406
No. of share (Mn)	8,301
Current Market Price (AED)	2.46
Fair Value per share (AED)	3.27

DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
EBIT (1-Tax)	387	370	371	372	394
D&A	301	281	283	285	288
Change in working capital	-27	16	11	51	44
(-) Capex	-98	-95	-95	-95	-95
Free Cash Flow to Firm (FCFF)	564	573	570	614	631
Discounting Factor	0.95	0.87	0.80	0.74	0.68
Discounted FCFF	327	500	457	452	428

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 10.6x compared to the peer multiple of 7.6x. 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	8,795	5.29	5.36	9.92	10.77
SAFCO AB EQUITY	12,489	8.58	8.58	13.49	13.58
CF US Equity	14,221	7.53	8.39	12.29	14.49
NTR CAN Equity	28,204	7.60	7.54	14.56	14.17
OCI NV Equity	1,789	21.11	5.67	NA	NA
COROMANDEL IN Equity	8,576	22.00	18.13	32.41	26.53
ABUK EY Equity	1,435	5.16	4.01	6.56	5.49
MFPC EY Equity	1,733	4.77	5.00	8.42	8.05
Average		10.3x	7.8x	13.9x	13.3x
Median		7.6x	6.6x	12.3x	13.6x
Max		11.7x	8.4x	14.0x	14.3x
Min		5.3x	5.3x	9.2x	9.4x

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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