

RESULT ANALYSIS

Q3 2022

Lower COGS and opex support earnings

SABIC Agri-Nutrients reported a Q3 22 net income of SAR2.33bn, up 93.2% yoy (-22.9% qoq). This was slightly above the SNB Capital estimates of SAR2.19bn, but in-line with the consensus estimates of SAR2.31bn. The yoy growth in earnings is driven by higher revenue due to better prices and sales volume. This was partly offset by higher selling and distribution costs. Although revenue came in broadly in-line with our estimates, the variance in earnings was due to 1) better than expected gross margins and 2) lower than expected opex.

- Revenues stood at SAR4.42bn in Q3 22, up 100% yoy (-22.5% qoq) and was in-line with our estimates of SAR4.45bn. The yoy growth in revenue was due to better realized selling price and increase in sales volumes, while the qoq decline was due to a decline in both selling prices and sales volumes. We believe the turnaround at the AlBayroni plant (23 days at the Diethylhexanol plant and 42 days at the ammonia & urea plants scheduled in H2 22) contributed to the lower sales volume in Q3 22 on a sequential basis. Based on our calculations, we believe operating rates stood at 112%, in-line with our estimates of 113% and compared to 125% in Q2 22.
- Gross profit came-in at SAR2.75bn, increasing 77.4% yoy (-20.9% qoq) and was higher than our estimates of SAR2.63bn. We believe the increase gross profit is driven by the revenue growth. Gross margin came in at 62.2% higher than our estimates of 59.0% and 60.9% in Q2 22 respectively.
- SG&A stood at SAR331mn (7.5% of sales), up 85.2% yoy (-6.4% qoq) but lower than our estimates of SAR410mn (9.2% of sales). We believe the yoy increase in SG&A is due to the increased logistic costs as SABIC Agri Nutrients begun marketing its own products in January 2022, while SABIC was the marketer before.
- EBIT stood at SAR2.42bn, up 76.4% yoy (-22.6% qoq) and was higher than our estimates of SAR2.22bn. EBIT margin stood at 54.7% in Q3 22, higher than our estimates of 49.8% and in-line with 54.7% in Q2 22.
- In Q3 22, urea prices increased 27.0% yoy (-20.6% qoq) to US\$624 per ton, Ammonia prices increased 59.4% yoy (-11.4% qoq) to US\$999 per ton.

Outlook

Based on our June 22 update, we are Overweight on SABIC Agri-Nutrients Co. with a PT of SAR176.5. Since our update, the stock has rallied c16%. We believe SABIC AN's debt free balance sheet, fixed feedstock costs and SABIC related synergies are its key strengths. However, we expect the normalization of urea prices to exert pressure on earnings beyond 2022f. The stock trades at 2023f EV/EBITDA of 8.2x vs its peer group average of 8.8x.

Q3 22 Results Summary (SAR mn)

	Q3 22	Q3 21	%yoy	Q3 22f	%Var [^]	Q2 22	% qoq
Revenues	4,417	2,207	100%	4,453	(0.8)%	5,700	(22.5)%
Gross income	2,746	1,548	77.4%	2,626	4.6%	3,473	(20.9)%
Gross margin (%)	62.2%	70.1%	(8.0)%	59.0%	3.2%	60.9%	1.2%
EBIT	2,415	1,369	76.4%	2,217	8.9%	3,120	(22.6)%
EBIT margin (%)	54.7%	62.0%	(7.4)%	49.8%	4.9%	54.7%	(0.1)%
Net income	2,331	1,206	93.2%	2,189	6.5%	3,025	(22.9)%
Net margin (%)	52.8%	54.7%	(1.9)%	49.2%	3.6%	53.1%	(0.3)%
EPS (SAR)	4.90	2.53	93.2%	4.60	6.5%	6.35	(22.9)%

Source: The company, SNB Capital Research, [^] % Var indicates variance from SNB Capital forecasts

REVENUE



OVERWEIGHT

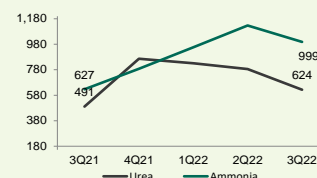
Price target (SAR)	176.5
Current price (SAR)	172.0
<i>PT updated in Jun 2022</i>	

VALUATION MULTIPLES

	21	22f	23f
P/E (x)	15.7	9.5	11.9
P/B (x)	5.3	3.8	3.3
EV/EBITDA (x)	10.0	7.2	8.2
Div Yield (%)	2.5	4.1	4.1

Source: SNB Capital Research estimates

KEY PRODUCTS PRICES



Source: Bloomberg

STOCK DETAILS

M52-week range H/L (SAR)	199/125
Market cap (\$mn)	21,834
Shares outstanding (mn)	476
Listed on exchanges	Saudi Exchange

Price perform (%)	1M	3M	12M
Absolute	11.3	34.6	(1.6)
Rel. to market	4.0	33.7	(2.3)

Avg daily turnover (mn)	SAR	US\$
3M	242	64.6
12M	216	57.7

Reuters code	2020.SE
Bloomberg code	SAFCO AB
www.safco.com.sa/en	

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