PRIME

Market Price	Fair Value	12M PT
EGP19.94	EGP22.6	EGP26.0 (+30%)
as of 4 July 2021	as of 5 July 2021	as of 5 July 2021

Investment Rating: Overweight ★ ★ ★
Risk Rating: Medium ! ! !

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Talking U

Higher Prices, Higher Margins

Key Insights

Egypt's most diversified fertilizer manufacturer: Abu Qir Fertilizers [**ABUK**] is one of the most diversified fertilizer manufacturers in Egypt with a saleable capacity of 2.3mtpa. ABUK has overcome many of its operational challenges, including price hikes and low supplies of natural gas, which led historically to lower utilization rates. Despite local restraining factors, such as local sales quota, ABUK's profitability is still unquestionably well-anchored.

Selling capabilities impacted by COVID-19: Subdued trade mobility on the global front affected ABUK. Management indicated that a considerable chunk of export volumes was directed towards African destinations, which relatively pressured selling prices in H2 2019/20. Another global economic shutdown could be worrisome if trade mobility witnessed another halt. However, we argue that the nitrogen fertilizer market will continue to be the most resilient across global commodity markets due to its importance to global food security.

Further growth to come from expansion: ABUK's future top line growth is tied with potential capacity upgrades (i.e. Abu Qir III expansion). This is because the current operating rates are nearly 100%, and prices are expected to normalize in the near future.

Valuation, Investment Thesis, & Risks

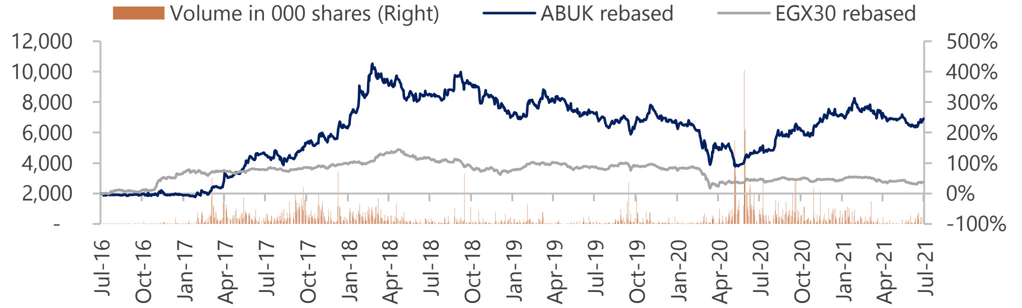
Overweight / Medium Risk, 12M PT EGP26.0/share (+30%): We valued ABUK using a DCF approach, reaching a fair value of EGP22.6/share. This implies a 12-month PT of EGP26.0/share (+30%), hence our Overweight rating. Our DCF assumes a terminal WACC of 13.2% and a long-term growth rate of 3%. Our projections include Abu Qir III expansion but exclude any impact related to ABUK's upcoming methanol venture. However, we are keeping an eye out for any updates on the technical and financial feasibility of the methanol plant. Initially, we think the methanol facility will be value accretive if natural gas were to be supplied at USD3.5/mmbtu or less.

Still offering reasonable return on recent price correction: ABUK's stock price rallied notably since October 2020, coming very close to our 12M PT last January when higher urea prices fueled investors' appetite. However, ABUK price corrected later with the whole market. Today, ABUK is trading at 2021/22 EV/FCF of only 10.6x.

Investment thesis: Favorable nitrogen fertilizer market, possibility of a natural gas price cut, liberalization of local prices, and qualifying for free zone status.

Risks: Soft global urea prices, appreciating local currency, and continued threats to trade mobility posed by COVID-19.

Stock Relative Performance Chart (5 years)



Key Stock Statistics

Shares outstanding (mn)	**1,262**
Free float	**30%**
Market cap (EGPmn)	**25,162**
Enterprise value (EGPmn)	**19,333**
52w range (EGP/share)	**24.2-14.0**
EGP100 invested 5y ago	**345**
TTM EPS (EGP)	**2.38**
TTM P/E	**8.4x**
2021e EPS (EGP)	**2.58**
2021e P/E	**7.7x**
Last fiscal year's DPS (EGP)	**1.10**
Dividend yield	**6.0%**
5Yr beta	**0.80**
5Y Proj. EPS CAGR	**4%**

Source: Prime Research, Bloomberg.

Revenues / Earnings Data

	Q1	Q2	Q3	Q4	Year
Revenues (EGPmn)					
2021	1,749	2,287	2,269	**e2,256**	**e8,561**
2020	1,987	2,010	1,811	2,074	7,882
2019	2,153	1,983	2,359	2,091	8,585
2018	1,483	2,196	2,012	1,863	7,553
2017	877	1,406	1,912	1,827	6,022
2016	948	861	1,035	1,092	3,936
Earnings (EGPmn)					
2021	687	805	953	**e811**	**e3,256**
2020	752	688	695	560	2,695
2019	753	900	944	561	3,157
2018	476	772	698	474	2,420
2017	240	851	680	467	2,238
2016	296	211	269	244	1,020

Business Summary

Determinants of Nitrogen Fertilizer Market

The role of a marginal producer: From a supply point of view, the urea market is highly competitive. While its domestic consumption is strong, China holds one of the largest urea capacity globally. For that matter, Chinese exports are a crucial supply factor. The competitive nature of the nitrogen fertilizer market is created by the fact that China's large capacity (34% of global capacity) comes at a much higher production cost. This puts China in the "marginal producer" bracket. A marginal producer is one that makes a product at a high breakeven price yet is in control of a large capacity. The role of a marginal producer over a commodity price is vital. Having large capacities, marginal producers help set prices high enough to surpass their relatively high breakeven price. When prices are below the marginal producer's production costs for too long, the market starts to price in potential exits by high-cost players, as well as the relevant implications over future price movements.

China's impact on urea market: What made China's production costs higher than the rest of the world is its dependency on a relatively pricier raw material. Urea could be produced through two main types of feedstock: natural gas or anthracite/bituminous coal. Coal-based urea production, a model adopted by most Chinese producers, results in a higher cash cost per ton, whereas using natural gas brings producers a substantial cost advantage versus China. The divergence between the two primary types of feedstock and the different natural gas price quotes, is what really forms the urea cost curve the way it is.

Environmental regulatory measures shape the future: Structural changes are looming for the supply of nitrogen fertilizers, the catalyst for which arises from the Chinese government's intended actions towards coal-based urea producers. Strict environmental regulations necessitate permanent capacity closures, idling capacity during the winter heating season and significant capital investments to switch from fixed bed gasification technologies to more energy-conserving technologies. This all is hitting coal-based urea manufactures where it hurts, bending the urea cost curve gradually but surely.

Nitrogen fertilizer demand dynamics: The demand side is anchored by a different set of factors. Urea demand is positively correlated with global crop size, which is where climate change comes into play. Also, North American farmers' purchasing power as well as crops' prices are among common indicators when assessing demand strength. On the other side of the hemisphere, India is a key country in the equation of global nitrogen fertilizer demand. India's purchasing behavior is different from other countries. It issues tenders to buy large quantities for only a limited number of times a year. When India is buying, urea demand and prices flourish.

The Process

The two main methods of production: As mentioned before, either natural gas or coal could be used to produce urea. Natural gas is used to produce urea, usually through two primary steps: ammonia production and ammonia conversion into urea.

Flow of urea production: In the first step, the goal is to end up with ammonia synthesis; that is a synthesis gas produced from natural gas in addition to air oxygen in what is called a steam reformer. Further, in secondary reformer, we end up with a synthesis gas, whose carbon dioxide is required for converting the simultaneously-resulting ammonia into urea.

Urea's cost structure: Ammonia accounts for almost 85% of urea cash cost. The ammonia cost structure varies from one producer to another, depending on their natural gas costs. For ABUK, we calculate that c.70% of ammonia's USD-denominated cash cost stems from natural gas.

The role of natural gas: It takes normally 36 mmbtu of natural gas to produce one metric ton of ammonia. Meanwhile, it takes 0.57 metric ton of ammonia in addition to 5.2 mmbtu of natural gas to produce one ton of urea. ABUK buys from the government natural gas at a fixed rate of USD4.5/mmbtu.

ABUK's Portfolio

ABUK is one of the largest fertilizer manufacturers in Egypt, producing more than 8,000 metric ton/day (mt/d) of nitrogen products, ranging from prilled urea and granulated urea to ammonium nitrate. These products are manufactured through ABUK's three main factories:

Abu Qir I
- Ammonia capacity: 1,150mt/d.
- Prilled urea capacity: 1,750mt/d.

Abu Qir II
- Ammonia capacity: 1,000mt/d.
- Nitric acid capacity: 1,800mt/d.
- Ammonium nitrate capacity: 2,400mt/d.

Abu Qir III:
- Ammonia capacity: 1,230mt/d.
- Granular urea capacity: 1,925mt/d.

How ABUK handles its ammonia capacity: ABUK's portfolio is complemented with a urea ammonium nitrate (UAN) solution unit, with a daily capacity of 2,400mt/d. In 2019, ABUK's plastic factory was commissioned to produce plastic bags for fertilizers with a capacity of 40mn bags/year. ABUK is committed to channel 55% of its production into the local market at subsidized prices, whereas the remaining 45% is exportable. ABUK only sells 5-10% of its ammonia production directly, while the rest is utilized for the production of its prilled and granulated urea and ammonium nitrate.

BUSINESS SUMMARY (CONT.'D)

Where Are Urea Prices Heading?

Urea prices were soft during 2019: Urea prices performed poorly in 2019, trading below the USD240/t mark at year-end as natural gas prices softened. The pandemic effect on the urea market and trade mobility in general sent prices falling notably in H1 2020. In May 2020, urea prices bottomed out, after hovering around USD220/t, on the back of tighter global supply and a number of Indian tenders, which solidified demand for the rest of the year.

Robust rebound in H2 2020 on the back of supply issues: By the end of 2020, prices had crossed the USD270/t mark already, as demand bounced back amid tight global production. A number of global producers had idled ammonia and urea capacities in the midst of 2020 in reaction to a price fall. Nutrien, for example, had closed its ammonia production facility in Trinidad & Tobago.

Correction in urea prices expected: Tighter global supply extended the nitrogen fertilizer rally up to now, with prices above the USD350/t mark so far in 2021, given higher natural gas prices and higher soybean, corn, and wheat prices. This continues to take place amid supply disruptions. We believe global supply levels will eventually put a lid on the price run, with normalization of supply levels cooling off prices through H1 2022. We project urea prices to average USD340/t during 2021. Yet, over our forecast horizon, we see prices normalizing steadily near USD285/t.

Upcoming Portfolio Candidates

Abu Qir III Expansion

Utilizing excess ammonia: ABUK has been planning to upgrade its capacity and use excess ammonia production since 2015. ABUK had planned to set up a calcium ammonium nitrate (CAN) plant, utilizing excess ammonia production, with a capacity of 3,000 mtpd, with expectations back then for operations to commence by 2020. What followed was a series of delays.

Handful of options: However, in an OGM held on 26 September 2020, ABUK's CEO revealed an extensive study presented by **Nexant Consulting** which concluded that Abu Qir III expansion is the way to go. The study, amongst other recommendations, called for scaling up the ammonium nitrate capacity or setting up a nitric acid unit, another UAN unit, or a calcium ammonium nitrate facility.

Objectives: Arguments in favor of Abu Qir III expansion spout from the fact that it would help ABUK be more environment friendly. The expansion will see Abu Qir III granulated urea capacity rising from 1,925mt/d to 2,370mt/d through utilizing c.254mt/d of excess ammonia. ABUK management's argument indicates the project's IRR is around 19% at conservative urea prices. Granulated urea capacity will be raised by lowering carbon dioxide emissions. The initial investment cost of the expansion amounts to USD100mn which will be fully funded through debt, according to management. ABUK has already secured a USD25mn loan from **Egyptian Environmental Affairs Agency** and will pursue banks for the remaining USD75mn. ABUK expects the expansion project to be fully operational within a 2-year period. The inauguration is also not expected to disrupt Abu Qir III's current capacity. The company hired **Dutch Stamicarbon** to undertake a technical feasibility study. We expect the expansion to be fully operational starting 2022/23.

Methanol Plant

New venture, new opportunity: In the OGM held on 26 September 2020, ABUK's management had disclosed plans to take part in a project involving a methanol plant. The management stated that ABUK, **Helwan Fertilizers**, and **Al-Ahly Capital** are interested in investing in a methanol factory with an investment cost of USD2.6bn. Phase 1 of the project would cost USD1.6bn, with a target capacity of 1mtpa of methanol and 0.4mtpa of ammonia – all exportable. Phase 2, on the other hand, would target capacity upgrades and potential involvement in methanol downstream activities. The capital structure of the project suggests 70% of the investment cost would be financed through debt. The plant will be built over an area of 1.6mn sqm in the **Economic Zone of El-Sokhna Port**. ABUK management said the amount of natural gas required for operation has been approved by the **Ministry of Petroleum**, yet the pricing is still under negotiation. The management is yet to specify ABUK's share in the project which is still under study. Thus, to evaluate this investment, further technical and financial details are needed.

What we think about a methanol facility: In principle, we like the idea behind the methanol project. However, our preliminary rough calculations point to potential infeasibility if natural gas is supplied at USD4.5/mmbtu. Yet, management revealed ongoing negotiations with the Ministry of Petroleum to obtain natural gas at a better quote. The new project receiving cheaper natural gas is not farfetched in our opinion, especially when knowing that Methanex Egypt, another local methanol producer, pays for natural gas based on a pricing formula linked to global methanol prices. By way of background, Canada's **Methanex Corporation**, back in 2008, decided to set up a methanol factory located in Damietta, Egypt with a production capacity of 1.3mtpa, primarily for supplying domestic and European markets using an approximate of 1.5mn cubic meter of natural gas annually. We will keep an eye out for any updates on the technical and financial feasibility of the methanol plant. However, as per our initial thoughts, the potential value would be created if natural gas was supplied at USD3.5/mmbtu or less.

KEY ASSUMPTIONS

	2015/16a	2016/17a	2017/18a	2018/19a	2019/20a	2020/21e	2021/22e	2022/23e	2023/24e	2024/25e
Total Revenues										
Prilled Urea	1,020	1,711	2,427	2,407	2,221	2,464	2,566	2,428	2,443	2,458
Granulated Urea	1,073	1,900	2,572	3,176	2,713	3,185	3,334	3,780	3,806	3,833
Ammonium Nitrate	821	1,713	2,389	2,457	2,502	2,544	2,680	2,498	2,517	2,537
Others	1,022	697	166	545	445	368	388	404	407	410
Total revenues (EGPmn)	**3,936**	**6,022**	**7,553**	**8,585**	**7,882**	**8,561**	**8,968**	**9,110**	**9,174**	**9,238**
Volumes (ktpa)										
Prilled Urea	549	559	537	535	586	561	561	561	561	561
Granulated Urea	559	496	558	670	709	641	641	773	773	773
Ammonium Nitrate	476	752	851	829	816	827	827	827	827	827
Total volumes (ktpa)	**1,584**	**1,808**	**1,945**	**2,034**	**2,111**	**2,029**	**2,029**	**2,161**	**2,161**	**2,161**
Blended Average Prices (USD/t)										
Prilled Urea	185	171	254	256	238	273	283	265	262	259
Granulated Urea	191	214	259	270	241	309	322	299	296	293
Ammonium Nitrate	171	127	158	169	193	191	201	185	183	182
	247	**186**	**218**	**241**	**235**	**262**	**274**	**258**	**255**	**253**
EBITDA by Factory (EGPmn)										
Abu Qir I	194	339	666	691	610	767	835	726	717	711
Abu Qir II	312	620	839	843	867	1,014	1,126	956	951	950
Abu Qir III	294	587	700	1,322	935	1,596	1,721	1,849	1,844	1,845
Others	226	244	123	131	149	132	148	135	134	133
EBITDA	**1,026**	**1,790**	**2,329**	**2,987**	**2,560**	**3,508**	**3,831**	**3,666**	**3,647**	**3,640**
EBITDA margin										
Abu Qir I	19.0%	19.8%	27.5%	28.7%	27.5%	31.1%	32.5%	29.9%	29.4%	28.9%
Abu Qir II	38.0%	36.2%	35.1%	34.3%	34.6%	39.9%	42.0%	38.3%	37.8%	37.5%
Abu Qir III	27.4%	30.9%	27.2%	41.6%	34.4%	50.1%	51.6%	48.9%	48.5%	48.1%
ABUK EBITDA margin	**26.1%**	**29.7%**	**30.8%**	**34.8%**	**32.5%**	**41.0%**	**42.7%**	**40.2%**	**39.8%**	**39.4%**

Source: Company reports, Prime Research.

Comment

- We expect revenues to grow at a 5-year CAGR (2019/20-2024/25) of 3.2%.
- We estimate utilization rates for pilled urea, ammonium nitrate, and granulated urea to average 97%, 104%, and 99% respectively for the next five years.
- We project lower urea prices hitting 2022, thus affecting ABUK's selling prices in 2022/23. We conservatively foresee long-term urea prices at USD285/t. We estimate ammonium nitrate prices to average USD187/t during the next five years.
- Besides being sensitive to urea prices, our revenue estimates are sensitive to FX rates projections. We estimate the FX rate to range between EGP16.1/USD in 2020/21 to end up EGP16.9/USD by 2024/25, averaging EGP16.43/USD in the next five years.
- Given our FX forecasts, and the current gas price per MMBTu, we expect ABUK's margin to hang around the forties domain, moving from 46% in 2020/21 to end up near 44% by 2024/25, reflecting gradual weakening in selling prices. We note that each USD1.0/MMBTu cut in gas price injects ABUK's EBITDA margin on average by almost c.900bps and NPM by c.700bps.
- We expect net earnings to grow at a 5-year CAGR of 3.8% (2019/20-2024/25).

Abu Qir Fertilizers [ABUK]

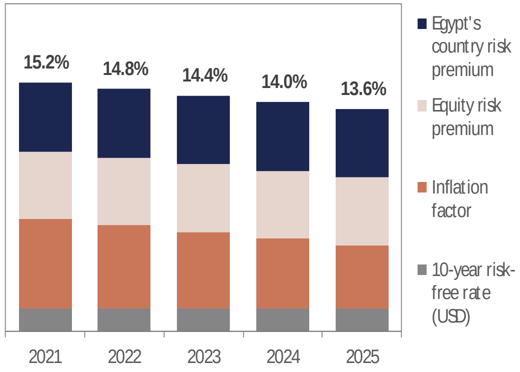
Monday, 5 July 2021 / 2:00 pm CLT
Egypt / Materials / Core Coverage Report

Key Valuation Input

Terminal COE
13.2%.

Terminal Growth Rate
3%.

COE structure (next 5 years)



Source: Prime Research.

Valuation Model

EGPmn (ended 30 Jun.)	2021e	2022e	2023e	2024e	2025e	Terminal
EBIT (1 - t)	2,591	2,820	2,673	2,453	2,461	3,271
Non-Cash Items (D&A)	165	192	217	481	464	
Gross Cash Flow	**2,756**	**3,012**	**2,890**	**2,934**	**2,925**	
Change in Operating Working Capital	(195)	(18)	2	6	(2)	
Capital Expenditures	(1,147)	(1,166)	(364)	(367)	(370)	
Gross Investment	**(1,343)**	**(1,184)**	**(363)**	**(361)**	**(371)**	
Free Cash Flow to the Firm (FCFF)	**1,413**	**1,828**	**2,528**	**2,573**	**2,554**	**21,252**
Discount factor	1.00	0.88	0.77	0.68	0.60	
Present Value of FCFF	**1,416**	**1,606**	**1,951**	**1,749**	**1,532**	**12,744**

DCF Enterprise Value	**20,997**		
Net (Debt)/ Cash	5,829		
Other investments	1,667		
DCF Equity Value	**28,492**	**Reinvestment rate**	**15%**
NOS	1,262		
FV (EGP/share)	**22.6**	**ROIC**	**21%**
12M PT (EGP/share)	**26.0**	**TGR**	**3%**

12M PT Sensitivity Analysis

	Terminal WACC				
TGR	11.2%	12.2%	13.2%	14.2%	15.2%
5.0%	31.7	29.3	27.5	26.0	24.9
4.0%	30.1	28.2	26.7	25.5	24.5
3.0%	28.8	27.3	26.0	25.0	24.1
2.0%	27.9	26.5	25.4	24.5	23.8
1.0%	27.1	25.9	25.0	24.2	23.5

	Gas price (USD/MMBTu)				
LT urea price	6.50	5.50	4.50	3.50	2.50
305	17.3	22.6	27.9	33.2	38.6
295	16.3	21.6	27.0	32.3	37.6
285	15.3	20.7	26.0	31.3	36.7
275	14.4	19.7	25.0	30.4	35.7
265	13.4	18.7	24.1	29.4	34.8

Return/Risk Matrix

Risk \ Return	OW	N	UW
L			
M	✓		
H			

Source: Prime Research.

Peers Analysis

Bloomberg Ticker	Company Name	Country	Market Cap (USDmn)	Total Return (ytd)	P/E	EV/EBITDA	EV/Sales	EV/EBIT
SAFCO AB Equity	SABIC Agri-Nutrients Co.	Saudi Arabia	15,358	65%	37.1x	17.0x	13.7x	24.5x
ICL IT Equity	ICL Group Ltd.	Israel	8,859	43%	98.5x	9.1x	2.2x	17.7x
APOT JR Equity	Arab Potash	Jordan	3,377	56%	16.9x	11.0x	4.7x	15.9x
ILCO IT Equity	Israel Corp Limited	Israel	2,362	38%	na	9.4x	1.6x	26.0x
JOPH JR Equity	Jordan Phosphate Mines	Jordan	1,992	567%	18.6x	7.1x	2.3x	12.9x
ABUK EY Equity	**Abu Qir Fertilizers**	**Egypt**	**1,623**	**3%**	**8.4x**	**5.1x**	**2.3x**	**5.3x**
MFPC EY Equity	Misr Fertilizers Production Co.	Egypt	1,125	39%	6.4x	3.8x	2.6x	5.2x

Source: Bloomberg,

Financial Model

Income Statement (EGPmn)						
FY ends on 30 Jun.	2019a	2020a	2021e	2022e	2023e	2024e
Total Revenue (Net)	**8,585**	**7,882**	**8,561**	**8,968**	**9,110**	**9,174**
COGS	(5,144)	(5,016)	(4,788)	(4,878)	(5,205)	(5,549)
GP	**3,440**	**2,866**	**3,774**	**4,090**	**3,905**	**3,624**
Other operating (exp.)/ Inc.	(555)	(407)	(431)	(451)	(456)	(459)
EBITDA	**2,987**	**2,560**	**3,508**	**3,831**	**3,666**	**3,647**
EBIT	**2,886**	**2,459**	**3,343**	**3,639**	**3,449**	**3,166**
Interest expense	0	0	(22)	(35)	(49)	(47)
Interest & investment income	966	938	881	920	964	1,009
NP Before Taxes	**4,065**	**3,409**	**4,202**	**4,524**	**4,364**	**4,128**
NP Before XO & MI	**3,157**	**2,695**	**3,256**	**3,506**	**3,382**	**3,199**
XO & Minority Interest	0	0	0	0	0	0
Net Income	**3,157**	**2,695**	**3,256**	**3,506**	**3,382**	**3,199**

Balance Sheet (EGPmn)						
FY ends on 30 Jun.	2019a	2020a	2021e	2022e	2023e	2024e
Current Assets						
Cash & Cash Equivalent	403	588	1,250	2,007	2,178	2,492
Marketable securities	5,530	5,482	5,849	6,189	6,550	6,932
Trade & other receivables	439	296	426	446	453	456
Inventory	1,217	1,276	1,218	1,241	1,324	1,412
Other Current Assets	-	2	2	2	2	2
Total Current Assets	**7,589**	**7,644**	**8,745**	**9,885**	**10,507**	**11,294**
Fixed Assets (net)	654	1,103	1,280	1,447	3,207	3,092
Other Non-Current Assets	813	565	1,370	2,178	565	565
Total Assets	**9,056**	**9,312**	**11,395**	**13,509**	**14,278**	**14,952**
Liabilities & Equity						
Short-Term Debt	-	-	-	-	-	-
Current Portion of LT Debt	45	26	-	323	327	333
Accounts Payable	1,403	1,487	1,364	1,389	1,481	1,578
Other Current Liabilities	934	577	577	577	577	577
Total Current Liabilities	**2,382**	**2,090**	**1,941**	**2,289**	**2,385**	**2,488**
Long-Term Debt	27	0	805	1,292	981	666
Other Non-Current Liabilities	389	422	422	422	422	422
Total Liabilities	**2,798**	**2,512**	**3,168**	**4,003**	**3,788**	**3,576**
Minority Interest	-	-	-	-	-	-
Total Equity	**6,258**	**6,800**	**8,227**	**9,506**	**10,490**	**11,376**
Total Liabilities & Equity	**9,056**	**9,312**	**11,395**	**13,509**	**14,278**	**14,952**

Cash Flow Statement (EGPmn)						
FY ends on 30 Jun.	2019a	2020a	2021e	2022e	2023e	2024e
Cash from Operating	2,794	2,422	3,226	3,681	3,601	3,686
Cash from Investing	(1,559)	(261)	(1,514)	(1,506)	(726)	(749)
Cash from Financing	(1,663)	(1,977)	(1,050)	(1,417)	(2,705)	(2,623)
Net Change in Cash	**(428)**	**185**	**662**	**757**	**170**	**315**

Per-Share Data						
	2019a	2020a	2021e	2022e	2023e	2024e
Price	21.20	13.49	19.94	19.94	19.94	19.94
# Shares (WA,in mn)	1,262	1,262	1,262	1,262	1,262	1,262
EPS	2.50	2.14	2.58	2.78	2.68	2.54
DPS	1.30	1.10	1.35	1.45	1.40	1.30
BVPS	4.96	5.39	6.52	7.53	8.31	9.01

Valuation Indicators						
	2019a	2020a	2021e	2022e	2023e	2024e
PER (x) (Based on end of FY market price)	8.5x	6.3x	7.7x	7.2x	7.4x	7.9x
DY (actual based on BoP price, est. on current)	5%	5%	7%	7%	7%	7%
PBV (x)	4.3x	2.5x	3.1x	2.6x	2.4x	2.2x
EV/Sales (x)	2.4x	1.4x	2.2x	2.1x	1.9x	1.8x
EV/EBIT (x)	7.2x	4.5x	5.6x	5.1x	5.1x	5.3x
EV/EBITDA (x)	7.0x	4.3x	5.4x	4.9x	4.8x	4.6x

Profitability & Growth Ratios						
	2019a	2020a	2021e	2022e	2023e	2024e
Revenue Growth	14%	(8%)	9%	5%	2%	1%
EBITDA Growth	28%	(14%)	37%	9%	(4%)	(1%)
EBIT Growth	30%	(15%)	36%	9%	(5%)	(8%)
EPS Growth	30%	(15%)	21%	8%	(4%)	(5%)
GPM	40%	36%	44%	46%	43%	40%
EBITDA Margin	35%	32%	41%	43%	40%	40%
Net Margin	37%	34%	38%	39%	37%	35%
ROE	50%	40%	40%	37%	32%	28%
ROA	35%	29%	29%	26%	24%	21%

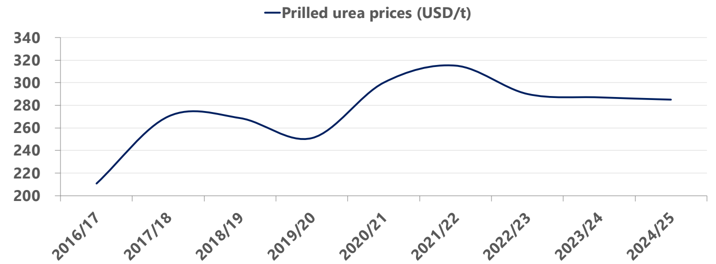
Liquidity & Solvency Multiples						
	2019a	2020a	2021e	2022e	2023e	2024e
Net Debt (Cash)	(5,862)	(6,044)	(6,294)	(6,581)	(7,419)	(8,425)
Net Debt (Cash) /Equity	(94%)	(89%)	(77%)	(69%)	(71%)	(74%)
Net debt (Cash) to EBITDA	-2.0x	-2.4x	-1.8x	-1.7x	-2.0x	-2.3x
Debt to Assets	0.01x	0.00x	0.07x	0.12x	0.09x	0.07x
Current ratio	3.2x	3.7x	4.5x	4.3x	4.4x	4.5x

Consensus Estimates (EGPmn)				
	2021e	2022e	2023e	2024e
Revenues	**8,613**	**9,338**	**9,258**	**na**
Prime Research vs. Consensus	-0.6%	-4.0%	-1.6%	nm
Net Income	**3,232**	**3,767**	**3,578**	**na**
Prime Research vs. Consensus	0.7%	-6.9%	-5.5%	nm
Fwd PER (x), Last Price	7.7x	7.2x	7.4x	7.9x
Fwd PER (x), 12M - Price Target	10.1x	9.4x	9.7x	10.3x
Fwd DY (%), Last price	6.8%	7.3%	7.0%	6.5%

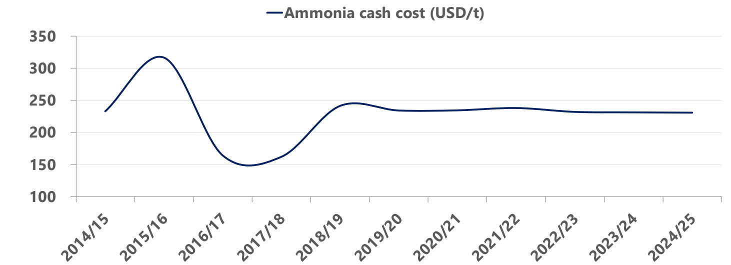
Source: Prime Research.

Story in Charts

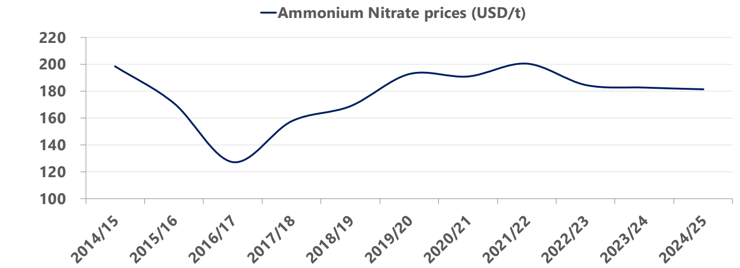
We conservatively foresee long-term urea prices at USD285/t.



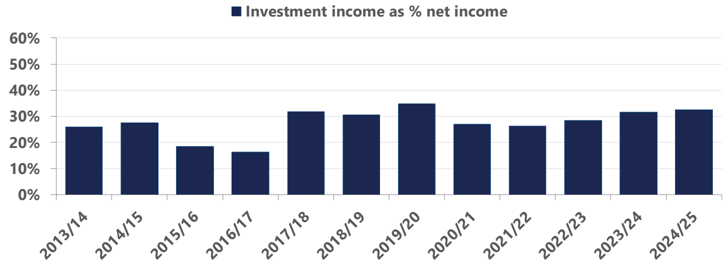
We expect ammonia cash costs to settle near USD230/t over the long term.



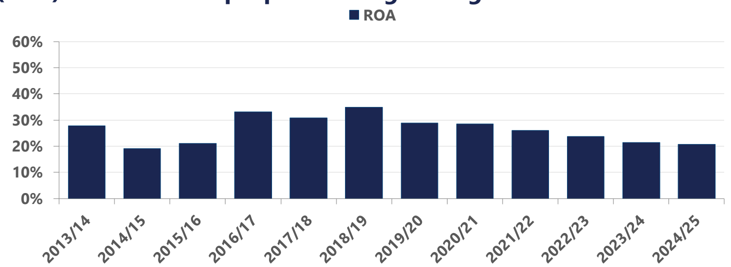
We estimate ammonium nitrate prices to average USD187/t over the next five years.



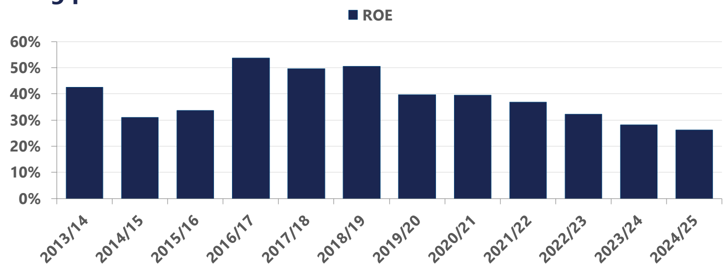
Investment income contributes 29% in average to ABUK's bottom line.



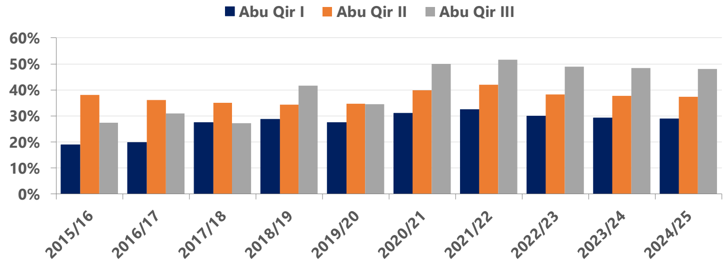
We expect an affluent ROA, yet weak financial leverage multiple (FLM) would hinder proper filtering through ROE.



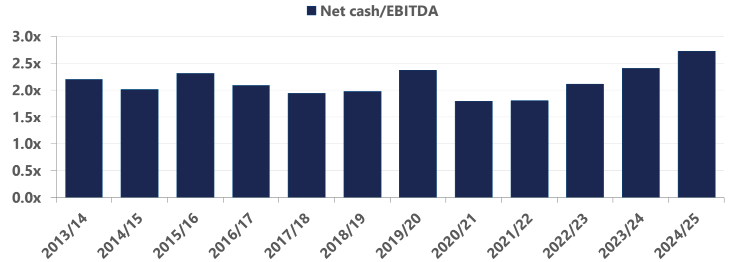
We expect ROE to be sustainable in the higher twenties after peaking post flotation near 53%.



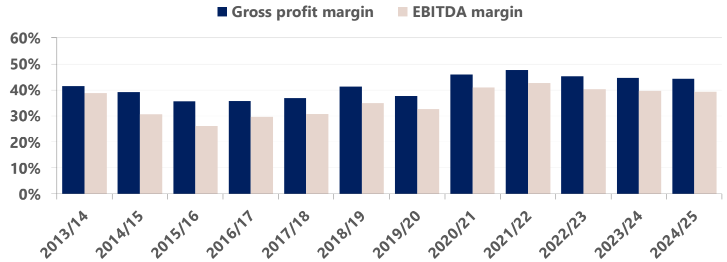
Abu Qir III has the richest EBITDA margin among the group.



We expect net cash-to-EBITDA to remain above 2x over our forecast horizon.



We expect GPM to hang around the forties domain, settling near 44%, reflecting gradual weakening in selling prices.



Source: Company reports, Prime Research.

CORPORATE PROFILE

Established in 1974, **Abu Qir Fertilizers [ABUK]** is one of the largest fertilizer manufacturers in Egypt, producing more than 8,000 metric tons/day (mt/d) of nitrogen products, ranging from prilled urea and granulated urea to ammonium nitrate.

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Chairman & Managing Director
Chemist Saad Ibrahim Abu El-Maati Hassan.

Board Members
1. Chemist Saad Ibrahim Abu El-Maati Hassan, Chairman & MD.
2. Mr. Mahmoud El-Sayed, representative of NIB.
3. Mr. Essam Aly, representative of NIB.
4. Eng. Mahmoud Hamed, representative of NIB.
5. General, Mohamed El-Said Fadel El Zalaat, representative of IDA.
6. Ms. May Hisham Asfour, representative of Al-Ahly Capital.
7. Chemist Saad Hilal, representative of EGPC.
8. Eng. Hany Sayed Mohamed Dahy.

Auditor
Accountability State Authority.
Mazars Mostafa Shawki.

Domicile
Alexandria, Egypt.

Founded
1976.

Number of Employees
4,000.

Number of Stockholders
3,961.

Listings
EGX: ABUK.

SHAREHOLDER STRUCTURE

Shareholder	Stake
National Investment Bank (NIB)	24.9%
Egyptian General Petroleum Corporation (EGPC)	19.1%
Industrial Development Authority (IDA)	12.7%
Al-Ahly Capital Holding	8.1%
Holding Co. for Chemical Industries	6.5%
Nasser Social Bank	5.9%
Others	22.8%

PRIME RESEARCH'S COVERAGE HISTORY

Date	Rating	12M PT
5 July 2021	Overweight Medium Risk	EGP26.0/share

PRIME

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