



<b>US\$2.163bn</b> Market cap	<b>51%</b> Free float	<b>US\$1.498mn</b> Avg. daily volume
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<b>Target price</b>	<b>96.2</b>	6.5% over current
<b>Consensus price</b>	<b>98.6</b>	9.3% over current
<b>Current price</b>	<b>90.2</b>	as at 9/4/2015

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## Qassim Cement

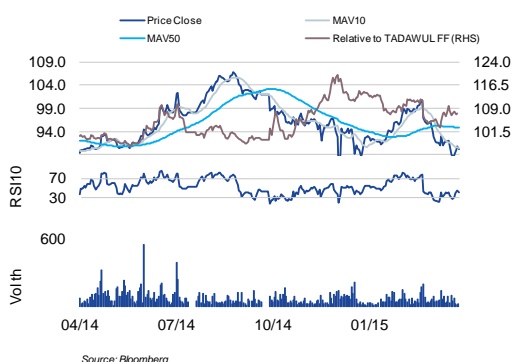
### Q1: Net profit ahead of estimate

Qassim Cement reported a decent set of results for Q1 2015 with its gross profit meeting our forecast, but net profit coming in ahead of our as well as consensus estimates. Although the company has not published its revenue figures yet, looking at the gross profit numbers, we believe the top-line will be in line with our estimate of SAR285.5mn (+4.6% y-o-y). Qassim is already operating near 100% capacity utilization, as a result we do not expect any sharp increase in the company's sales volumes. We will revise our estimates on Qassim after the release of the detailed financial results. For now, we reiterate our Neutral rating on the company with a target price of SAR96.2.

### Flash view

Flash View is an analyst's preliminary interpretation of a results announcement or the impact of a major event. Our investment rating and earnings estimates are not being changed in this report. Any formal changes to our investment rating or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed here.

### Performance

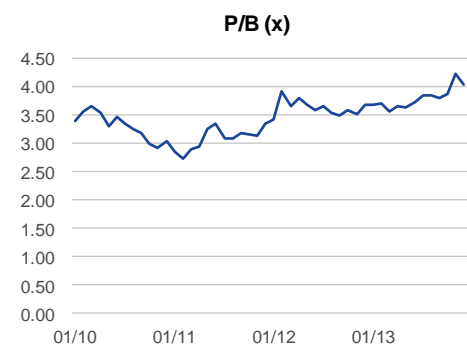


### Earnings

Period End (SAR)	12/12A	12/13A	12/14A	12/15E
Revenue (mn)	1,048	1,051	986	1,021
Revenue Growth	1.3%	0.3%	-6.2%	3.6%
EBITDA (mn)	669	806	576	601
EBITDA Growth	0.8%	20.6%	-28.6%	4.5%
BVPS	21.96	22.19	21.93	22.18
BVPS Growth	1%	1%	-1%	1%

Source: Company data, Al Rajhi Capital

### Valuation



Source: Company data, Al Rajhi Capital

Earnings vs. our forecast	Above	In Line	Below
<b>Likely impact:</b>			
Earnings estimates	Up	No Change	Down
Dividend estimates	Up	No Change	Down
Recommendation	Upgrade	No Change	Downgrade
Long term view	Stronger	Confirmed	Weaker

- **Revenues:** Qassim is yet to publish its Q1 2015 revenue figures. We had estimated a top-line of SAR285.5mn (+4.6% y-o-y) based on the sales volumes of ~1.14mn tons as compared to the consensus estimate of SAR277.6mn. With the company's gross profit coming in line with our estimate, we believe its Q1 revenues would also be in line with our forecast.
- **Gross profit meets estimate, while net profit beats:** Qassim's gross profit stood at SAR176.5mn (+4% y-o-y), in line with our estimate of SAR178.2mn. Operating profit rose 3.2% y-o-y to SAR167mn, higher than our estimate of SAR157.9mn. The company's net profit came in at SAR162.7mn, ahead of our (SAR152.9mn) and consensus (SAR153mn) estimates.
- **Conclusion:** Qassim reported a decent set of results for Q1 2015. The company posted a marginal 5.6% y-o-y increase in its sales volumes in the first two months of the quarter, indicating that the construction activity is reviving gradually. Qassim is operating close to 100% utilization levels; thus, we do not expect any sharp rise in sales volumes in the near future. We will revise our estimates on Qassim after the release of the detailed financial results and a discussion with the management. For now, we reiterate our Neutral rating on the company with a target price of SAR96.2.

Figure 1 Qassim Cement: Summary of Q1 2015 results

(SAR mn)	Q1 2014	Q4 2014	Q1 2015	% chg y-o-y	% chg q-o-q	ARC est
Revenue	272.9	252.8	NA	-	-	285.5
Gross profit	169.8	157.7	176.5	4.0%	11.9%	178.2
Gross profit margin	62.2%	62.4%	NA			62.4%
Operating profit	161.7	141.1	167.0	3.2%	18.3%	157.9
Net profit	159.0	134.2	162.7	2.3%	21.2%	152.9

Source: Company data, Al Rajhi Capital



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#### 1. Explanation of Al Rajhi Capital's rating system

Al Rajhi Capital uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage except financial stocks and those few other companies not compliant with Islamic Shariah law:

"Overweight": Our target price is more than 10% above the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

"Neutral": We expect the share price to settle at a level between 10% below the current share price and 10% above the current share price on a 6-9 month time horizon.

"Underweight": Our target price is more than 10% below the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

#### 2. Definitions

"Time horizon": Our analysts make recommendations on a 6-9 month time horizon. In other words, they expect a given stock to reach their target price within that time.

"Fair value": We estimate fair value per share for every stock we cover. This is normally based on widely accepted methods appropriate to the stock or sector under consideration, e.g. DCF (discounted cash flow) or SoTP (sum of the parts) analysis.

"Target price": This may be identical to estimated fair value per share, but is not necessarily the same. There may be very good reasons why a share price is unlikely to reach fair value within our time horizon. In such a case we set a target price which differs from estimated fair value per share, and explain our reasons for doing so.

Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.

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