

City Cement Co. (BUY, TP: SAR 17, 3003.SE) 4Q25 Results Review

Sharp recovery in retention price, driven by subsiding price competition, led to a significant jump in earnings sequentially. Maintain BUY.

City Cement (CITYC) reported a 21% Y/Y (+269% Q/Q) decline in 4Q25 earnings (EPS SAR 0.23). Revenue declined Y/Y but improved Q/Q. The Y/Y decline is due to lower dispatches and weak realized prices, whereas the Q/Q jump is due to higher dispatches and retention prices. With revenue per ton falling Y/Y more than the cost per ton, gross profit and gross margin contracted on a Y/Y basis while gross profit improved sequentially. Operating expenses recorded a decline in 4Q25, while operating profit declined Y/Y; however, it was up on a Q/Q basis. Net margin stood at 24%.

- Revenue during the quarter fell 16% Y/Y mainly on the back of lower dispatches (-7% Y/Y) and retention price (-10% Y/Y). However, revenue improved significantly on a Q/Q basis as dispatches (+21%) and retention price (16%) improved. Gross profit clocked in at SAR 40mn, down 27% Y/Y but jumped 159%. During the quarter, revenue per ton recorded a decline of 10% Y/Y (+16% Q/Q), while cost per ton declined 4% Y/Y (-3% Q/Q), which resulted in gross margins witnessing a decline of 452bps.
- Operating expenses stood at SAR 10mn in 4Q25, down 23% Y/Y and 12% Q/Q.
- However, despite lower operating expenses, the decline was not enough to offset the impact of lower revenue and gross profit; resultantly, operating profit in 4Q25 declined 28% Y/Y. Sequentially, operating profit advanced 711%.
- Gain on changes in fair value of investment of SAR 4.2mn and other income of SAR 4.6mn supported the bottom line.
- The company's net profit stood at SAR 32mn (EPS: 0.23), a decline of 21% Y/Y (+269% Q/Q).
- The company's inventory-to-LTM sales ratio of 11% is lower vs. regional peers (average of 42%) and the sector (average of 78%). Inventory stood at 326k tons (697k tons in 4Q24 and 418k tons in 3Q25).
- The company trades at an EV/ton of SAR 302, a discount of 39% to the sector (EV/ton of SAR 496) and the region (-61%). It trades at a discount of 48% to its 3-year average EV/ton multiple of SAR 578 compared with the overall sector, which is trading at a 25% discount (SAR 663).
- CITYC AB's profitability saw a strong Q/Q rebound in 4Q25, driven by improvements in both dispatch volumes and retention prices. However, earnings remained below the level recorded in 4Q24. The recovery suggests that intense price competition, particularly in the central region during 3Q25, has begun to ease. The company's regional market share, which had dropped to 12% in 3Q25, recovered to 15% in 4Q25. Despite this improvement, retention prices are still below the 4Q24 level of SAR 193 per ton, indicating that pricing pressure persists. On a Y/Y basis, realized prices declined by 10%, though they increased 16% Q/Q to SAR 174 per ton, broadly in line with Yamama Cement's SAR 173 per ton. Looking ahead, demand in the central region is expected to remain strong, supported by upcoming time-bound projects and a likely surge in construction activity driven by ongoing real estate reforms. This should gradually support an improvement in realized prices. However, the commencement of Yamama's new production line is likely to keep pricing under pressure. The company is currently trading at a 2026F P/BV of 1.0x and offers a dividend yield of 7.1%. Maintain Buy.

Rating and Risks

We are Buy rated on CITYC and our 12-month target price is SAR 17. Upside risks include stronger-than-expected cement demand and higher retention price. Downside risks include a slump in cement demand, rising inventory levels, regulatory action against higher selling prices and contraction in public spending due to the decline in oil prices.

SAR mln	4Q25	3Q25	4Q24	Q/Q %	Y/Y %
Revenues	134	96	160	39%	-16%
Cost of Sales	-94	-81	-105	17%	-10%
Gross Profit	40	15	55	159%	-27%
Operating Expenses	-10	-12	-14	-12%	-23%
Operating Profit	30	4	41	711%	-28%
Net Income	32	9	41	269%	-21%
EPS	0.23	0.06	0.29	269%	-21%
Dispatches ('000 tons)	774	642	828	21%	-7%
Realized Price (SAR/ton)	174	150	193	16%	-10%
Cost per ton (SAR/ton)	-122	-126	-127	-3%	-4%
Margins (%)					
Gross Margin	30	16	34	1,373 bps	-452 bps
Operating Margin	22	4	26	1,824 bps	-375 bps
Net Margin	24	9	26	1,494 bps	-174 bps

Rating Summary and Forecasts

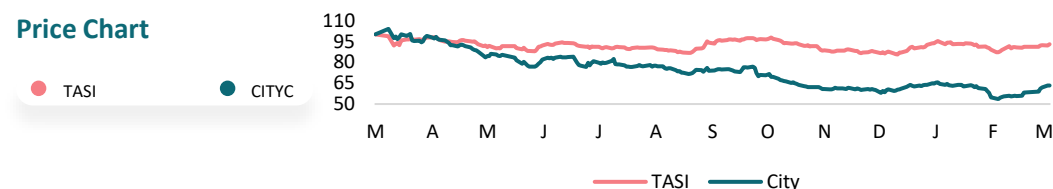
Rating Summary

Rating	Buy
Market Price	12.6
12-month Target Price	17
Upside / Downside	32%
Mkt Cap (SAR mn)	1,764.0
52 week High/Low	21.88/10.90

Forecasts

	12/25 A	12/26 A	12/27 E	12/28 E
Net Income (SAR mn)	129	131	146	162
PER (x)	13.6	13.4	12.1	10.9
PBV (x)	1.0	1.0	1.0	1.0
EPS (SAR)	0.9	0.9	1.0	1.2
DPS (SAR)	1.2	0.9	1.3	1.4
RoE (%)	7.1	7.3	8.0	9.0
Dividend Yield (%)	9.1	7.1	10.3	11.1

Price Chart



Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

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