

## Qassim Cement (QACCO) - 4Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

Previous Reco. & Date: TP: SAR 64.30 per share; Hold on 21-May-2023

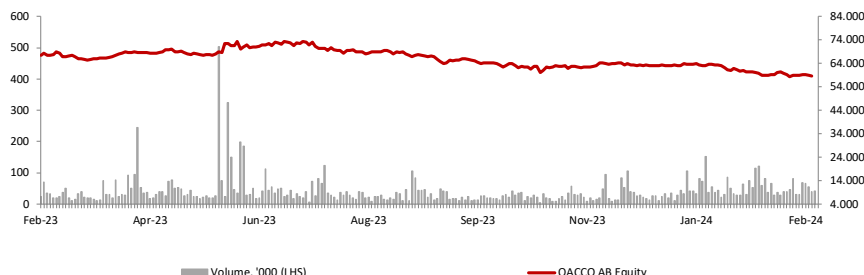
Target Price (SAR):

UR

Upside / (Downside):

Date: 2/22/2024

Bloomberg Ticker	QACCO AB
Current Market Price (SAR)	58.70
52wk High / Low (SAR)	75/57.7
12m Average Vol. (000)	41.4
Mkt. Cap. (USD/SAR mn)	1,409/5,283
Shares Outstanding (mn)	90.0
Free Float (%)	99%
3m Avg Daily Turnover (000)	2,827.3
6m Avg Daily Turnover (000)	2,299.2
P/E'24e (x)	29.8
EV/EBITDA'24e (x)	20.0
Dividend Yield '24e (%)	6.0%
Price Perf. (1m/3m) (%)	-3.6/-7.7



### Revenue decreased by 30% YoY, missing Bloomberg consensus and ahead of U capital expectations

For 4Q23, Qassim Cement revenue declined by 30% YoY to SAR 151.5mn, which missed Bloomberg consensus (SAR 163mn) while came ahead of U capital expectations of SAR 123.5mn. The company's revenue grew 25% QoQ basis even though the sales volume was lesser in 4Q23 (1,007 thousand tons) than 3Q23 (1,024 thousand tons) indicating the fact that the company's average selling price has improved significantly from the previous quarter. For FY23, revenue decreased by 14% YoY basis to SAR 583.6mn due to the decrease in sales volume and the decrease in the average selling price.

### Net profit dropped on YoY basis in line with Bloomberg consensus while came ahead of our expectations

For 4Q23, the company reported a net profit of SAR 40.9mn which was in line with Bloomberg consensus and ahead of our expectations. Net profit dropped 23% YoY basis while it was significantly up sequentially as it has recorded SAR 8.0mn in 3Q23. For FY23, despite the decrease in sales, net income grew 8.8% to SAR 142.0mn due to the rise in financial investment returns, the fall in SG&A expenses, and the decrease in Zakat expenses.

### Placing the stock 'Under Review'

For the larger part of CY23, cement companies faced challenges in cement realization. The average realization took a hit due to diminished demand, heightened inventory, and intensified market competition. Likewise, for Qassim Cement there has been sequential decline in revenue and profitability for the first three quarters of FY23. However, the trend has reversed in 4Q23 with revenue and profitability coming in line with 3Q22 numbers. We expect the recovery in the KSA construction sector would benefit the cement companies including Qassim Cement. We note the strong set of results reported for 4Q23, ahead of our estimates and believe there should be further upside from current trading level. Consequently, we are placing the stock Under Review (UR).

### Valuation

Qassim Cement is trading at 2024e P/E of 29.8x, representing a 19% premium compared to the historical average P/E of 25.0x. Additionally, EV/EBITDA multiple of 20.0x, based on our FY24 estimate, represents a 13% premium compared to the historical average EV/EBITDA of 17.6x.

Income Statement													
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Sales/Revenue	166.8	217.1	174.1	137.2	120.8	151.5	123.3	-30%	25%	23%	678.5	583.6	-14.0%
Gross Profit (Loss)	38.1	77.3	56.6	37.6	13.1	43.8	13.3	-43%	NM	NM	188.5	151.1	-19.8%
Operating Profit (Loss)	34.0	60.8	49.1	28.3	10.1	32.7	7.2	-46%	NM	NM	161.2	120.2	-25.4%
Net Profit (Loss) after tax	23.4	53.0	54.9	38.1	8.0	40.9	8.1	-23%	NM	NM	130.5	142.0	8.8%
Balance Sheet													
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,669.0	1,664.8	1,665.7	1,645.3	1,594.9	1,635.7	1,544.5	-2%	3%	6%			
Key Ratios													
	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Gross Profit Margin	22.8%	35.6%	32.5%	27.4%	10.8%	28.9%	10.8%						
Operating Profit Margin	20.4%	28.0%	28.2%	20.6%	8.3%	21.6%	5.8%						
Net Profit Margin	14.0%	24.4%	31.6%	27.8%	6.7%	27.0%	6.6%						
Return on Equity (RoE)	5.6%	12.7%	13.2%	9.3%	2.0%	10.0%	2.1%						
Annualized EPS (SAR)	1.04	2.36	2.44	1.69	0.36	1.82	0.36						
BVPS (SAR)	18.54	18.50	18.51	18.28	17.72	18.17	17.16						
TTM P/E (x)						37.2							
Current P/BV (x)						3.2							

Source: Financials, Bloomberg, U Capital Research


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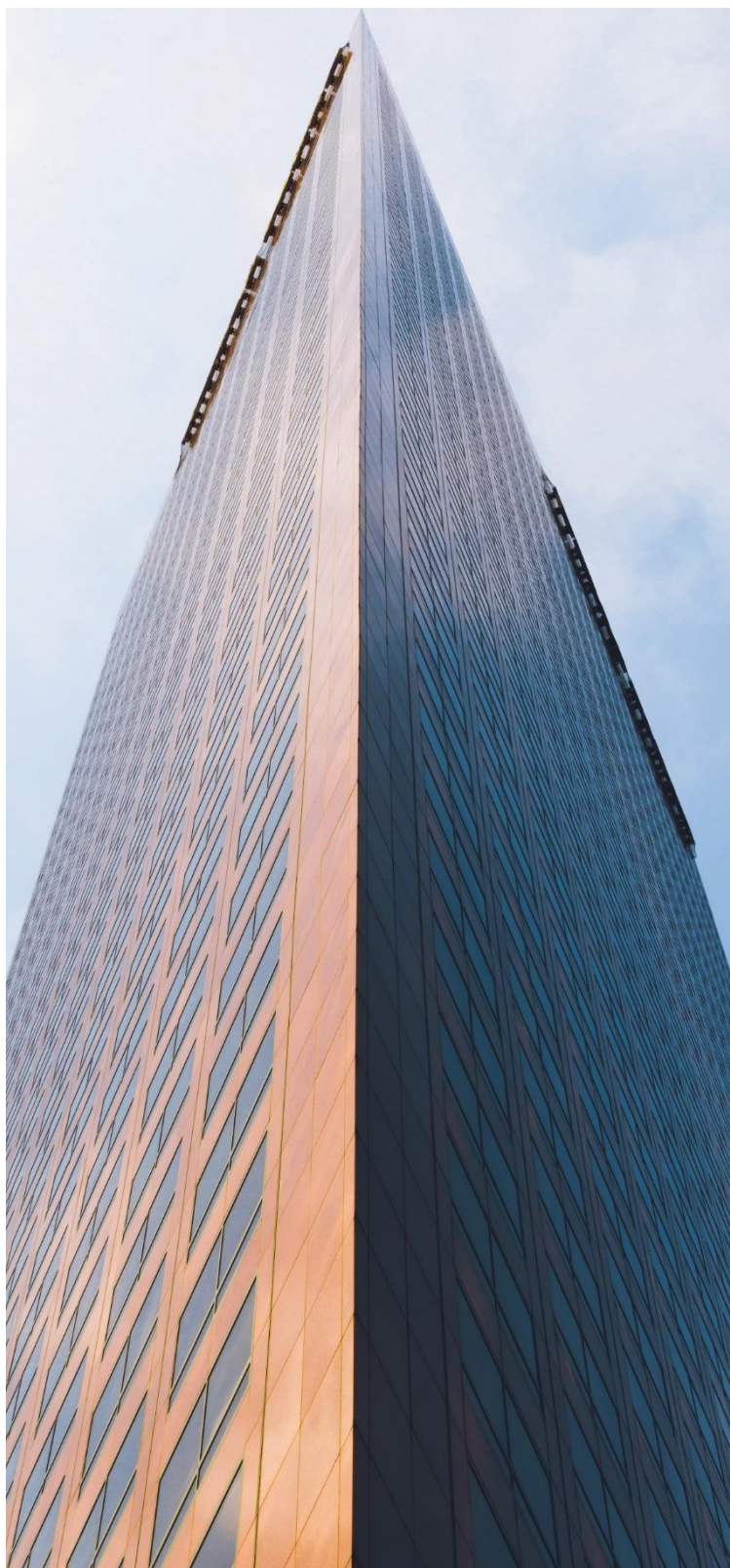
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# Disclaimer

## Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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