

Yamama Cement Company. (BUY, TP: SAR 38, 3020.SE) 4Q25 Results Review

Earnings jumped sequentially as the company pulled back from aggressive sales, resulting in improved retention price. Maintain BUY.

Yamama Cement (YACCO) reported a 49% Y/Y and 413% Q/Q increase in 4Q25 earnings (EPS SAR 0.91). Revenue jumped Y/Y, attributed to higher dispatches, while on a Q/Q basis it was up due to higher retention price. Gross profit fell Y/Y as the decline in cost per ton of production was less than the decline in retention price. Sequentially, gross profit rose as the increase in retention price per ton outpaced the increase in cost per ton of production. Operating expenses jumped Y/Y and Q/Q. Operating profit retreated Y/Y (+ Q/Q), attributed to lower gross profit and higher expenses. Net margin stood at 46%.

- Revenue stood at SAR 400mn, an increase of 8% Y/Y mainly driven by higher dispatches (+26% Y/Y) despite retention price declining 15%. On a Q/Q basis, revenue jumped 28% on the back of higher retention price (+42%) despite a 10% decline in dispatches. Gross margin contracted 665 bps Y/Y as the decline in cost per ton (-4% Y/Y) was less than the decline in realized price per ton, -15% Y/Y. On a Q/Q basis, cost per ton of production jumped 9% while retention price per ton was up 42% as a result gross margins expanded 1,934 bps.
- Operating expenses during the quarter advanced 104% Y/Y and 95% Q/Q while operating profit declined 26% Y/Y but improved 218% Q/Q. A significant increase in gain on sale of property and equipment helped earnings grow Y/Y.
- Resultantly, the company's profitability improved 49% Y/Y and 413% Q/Q to SAR 184mn (EPS: 0.91). Net margin stood at 46%, up 1,273bps Y/Y and 3,447bps Q/Q.
- The company's inventory-to-LTM sales ratio of 52% is higher vs. regional peers (average of 44%) but lower than the sector (average of 78%). Inventory stood at 4.4mn tons (4.8mn tons in 4Q24 and 4.7mn tons in 3Q25).
- The company trades at an EV/ton of SAR 1,001, a premium of 102% to the sector (EV/ton of SAR 496) and the region (+30%). It trades at a discount of 16% to its 3-year average EV/ton multiple of SAR 1,197 compared with the overall sector, which is trading at 28% discount (SAR 685).
- Yamama delivered a strong performance in 4Q25 (both Y/Y and Q/Q). The company pulled back from its previously aggressive sales approach, which supported an improvement in retention prices. As a result, revenue saw solid growth, translating into a stronger bottom line. In 2026, Yamama has maintained this strategy. During 2M26, monthly dispatches averaged 657k tons, compared to 772k tons in 4Q25 and 855k tons in 3Q25. Higher retention prices, along with a positive demand outlook driven by upcoming time-bound projects and a likely surge in construction activity following regulatory reforms, are expected to support further financial improvement in the coming quarters. However, the recent rationalization and slowdown of certain Saudi Vision-related mega projects could dampen demand, particularly in regions where timelines have been extended. Additionally, ongoing geopolitical uncertainties may further pressure demand if they persist, potentially leading the government to scale back spending and delay projects. On the operational side, Yamama has begun trial operations of its third production line, which has a capacity of 12.5k tons per day. This expansion should position the company to benefit from any pickup in demand. That said, if demand does not materialize as expected, the company may revert to aggressive pricing strategies, which could disrupt market dynamics. Lastly, Yamama plans to redevelop its old plant site into a logistics and industrial hub, potentially integrating it into the King Salman Industrial Zone. The company trades at a 26F PE of 10.6x with a Dividend Yield of 6.1%. Maintain Buy.

Rating and Risks

We are Buy rated on YACCO and our 12-month target price is SAR 38. Upside risks include stronger-than-expected cement demand, higher retention price, and old plant land monetization. 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	400	312	370	28%	8%
Cost of Sales	-250	-256	-207	-2%	21%
Gross Profit	150	56	163	166%	-8%
Operating Expenses	-46	-24	-23	95%	104%
Operating Profit	103	33	140	218%	-26%
Net Income	184	36	123	413%	49%
EPS	0.91	0.18	0.61	413%	49%

	4Q25	3Q25	4Q24	Q/Q %	Y/Y %
Dispatches ('000 tons)	2,315	2,564	1,832	-10%	26%
Realized Price (SAR/ton)	173	122	202	42%	-15%
Cost per ton (SAR/ton)	-108	-100	-113	9%	-4%

Margins (%)	4Q25	3Q25	4Q24	Q/Q %	Y/Y %
Gross Margin	37	18	44	1,934 bps	-665 bps
Operating Margin	26	10	38	1,542 bps	-1,206 bps
Net Margin	46	12	33	3,447 bps	1,273 bps

Rating Summary and Forecasts

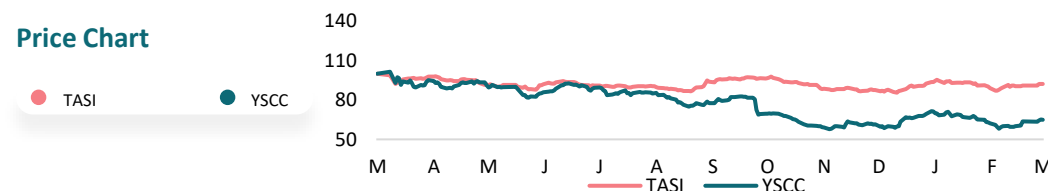
Rating Summary

Rating	Buy
Market Price	25.4
12-month Target Price	38
Upside / Downside	48%
Mkt Cap (SAR mn)	5,143.5
52 week High/Low	40.55/22.59

Forecasts

	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	483	486	544	583
PER (x)	10.7	10.6	9.5	8.8
PBV (x)	1.0	1.0	0.9	0.9
EPS (SAR)	2.4	2.4	2.7	2.9
DPS (SAR)	1.0	1.6	1.7	1.9
RoE (%)	9.7	9.2	9.8	10.1
Dividend Yield (%)	3.9	6.1	6.9	7.4

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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