



Yanbu cement results came in-line with our estimates. Net income came at 82.5mn, 1.6% below our expectation of 83.8mn. Cost per ton stood at SAR 116.6/ton, above our estimates of SAR 109.5/ton. Volumetric sales stood at 1.29MT, compared to our estimates of 1.26MT. We maintain our **"Neutral"** recommendation on the stock with a revised TP of **SAR 35.50/share**.

- Yanbu cement recorded a net income of 82.5mn in Q3-20 (EPS; SAR 0.52/share); indicating an increase of 120.9%Q/Q, 34.5%Y/Y. Net income came in-line with our estimates of SAR 83.8mn and above market consensus estimates of SAR 76.5mn. The increase in net income is mainly attributed to a significant domestic sales increase of 30.4%Y/Y, and a decline in OPEX by 34.2%Y/Y.
- The company posted revenue of SAR 240.4mn (up by 53.2%Q/Q, 5.4%Y/Y), in-line with our estimates of SAR 243.0mn. During Q3-20, Yanbu cement registered an increase of 30.4%Y/Y in domestic volumetric sales which stood at 1.08MT, compared to 828KT in Q3-19. Based on our calculation, domestic realization per tonne came at SAR 204.8/ton, while export realization per tonne stood at SAR 90.0/tonne. Average price realization/tonne stood at SAR 186.0/tonne, against SAR 212.1/tonne in Q2-20 and SAR 160.5/tonne in Q3-19.
- Gross profit stood at SAR 89.7mn (an increase of 59.7%Q/Q, 18.8%Y/Y), below our estimates of SAR 105.4mn, due to higher than expected COGS. Cost per tonne came at SAR 116.6/ton compared to our estimates of SAR 109.5/ton and an average of SAR 100.9/ton in FY19.
- Operating profit stood at SAR 83.2mn, where OPEX came at SAR 6.4mn, showing a decline of 34.2%Y/Y, below our estimates of SAR 14.0mn.

**AJC view:** Yanbu Cement domestic dispatches stood at 1.08MT in Q3-20 showing a significant increase from 828KT in Q3-19. Where Export Volumetric sales stood at 212KT in Q3-20 showing a significant decline of 60.2%Y/Y. The company has an inventory of 4.8MT, which could be enough to cover more than 92% of the total sales volume during TTM. We believe, cement sector showed a fast recovery from the losses caused by the pandemic and wasn't effected by the increase of VAT, due to an increase in mortgage loans which registered 85.7%Y/Y during Q2-20. Yanbu Cement is expected to post SAR 298.1mn in net income (1.89 EPS), for FY20, recording an increase of 15.6%Y/Y. The company is currently trading at TTM PE of 19.1x compared to a forward PE of 15.4x based on FY21 earnings. We maintain our **"Neutral"** recommendation on the stock with a revised TP of **SAR 35.50/share**.

## Results Summary

SARmn	Q3-19	Q2-20	Q3-20	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
<b>Revenue</b>	<b>228.0</b>	<b>156.9</b>	<b>240.4</b>	5.4%	53.2%	-1.1%
Gross Profit	75.5	56.1	89.7	18.8%	59.7%	-15.0%
Gross Margin	33.1%	35.8%	35.8%	-	-	-
EBIT	65.7	43.6	83.2	26.6%	91.0%	-9.0%
<b>Net Profit</b>	<b>61.9</b>	<b>37.3</b>	<b>82.5</b>	33.2%	120.9%	-1.6%
EPS	0.39	0.24	0.52	-	-	-

Source: Company Reports, Aljazira Capital

## Neutral

Target Price (SAR) **35.50**

Upside / (Downside)\* **-0.8%**

Source: Tadawul \*prices as of 19<sup>th</sup> of October 2020

## Key Financials

SARmn (unless specified)	FY19	FY20E	FY21E
Revenue	976	910	965
Growth %	27.2%	-6.8%	6.1%
Net Income	258	298	367
Growth %	182.7%	15.6%	23.0%
EPS	1.64	1.89	2.33

Source: Company reports, Aljazira Capital

## Key Ratios

	FY19	FY20E	FY21E
Gross Margin	34.3%	40.4%	46.8%
Net Margin	26.4%	32.8%	38.0%
P/E	23.3x	18.9x	15.4x
P/B	1.82x	1.70x	1.67x
EV/EBITDA	12.6x	11.2x	9.7x
Dividend Yield	3.3%	5.0%	5.6%

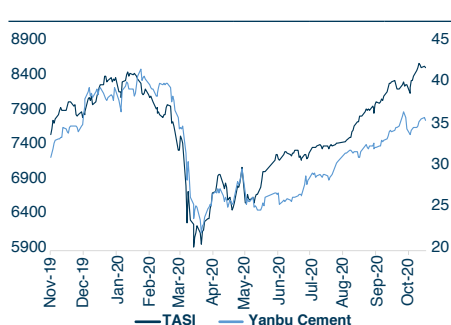
Source: Company reports, Aljazira Capital

## Key Market Data

Market Cap (bn)	5.57
YTD %	-6.16%
52 Week (High)/(Low)	41.95/21.90
Shares Outstanding (mn)	157.50

Source: Company reports, Aljazira Capital

## Price Performance



Source: Tadawul, Aljazira Capital

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1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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