

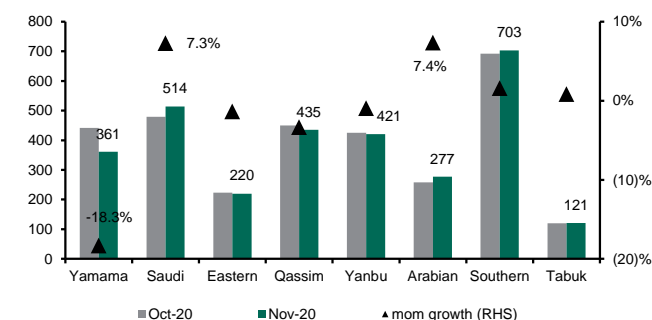


MOH PROGRAMS SUPPORT STRONG DEMAND

Local cement sales stood at 4.75mn tons in November 2020 increasing +16.5% yoy (+0.7% mom). We believe the Ministry of Housing's programs are the main drivers behind the ongoing strong demand. Clinker exports increased +85.0% yoy (+3.0% mom) to 490,000 tons. Clinker inventory declined for the seventh consecutive month, standing at 38.4mn tons (-2.3% mom).

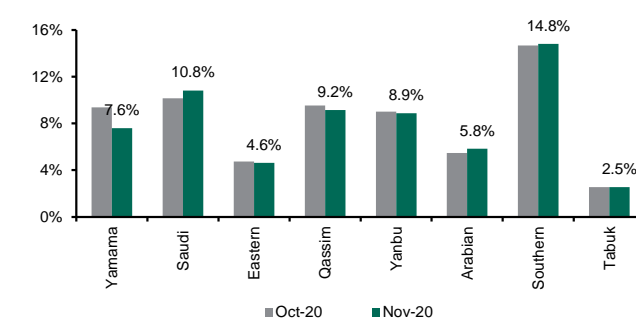
- **Local sales:** Local cement sales increased +0.7% mom (+16.5% yoy) to 4.75mn tons in November 2020, recording the second highest monthly sales since January 2017.
- **Export sales:** Cement exports stood at 179,000 tons in November 2020 vs 225,000 tons in October 2020 (192,000 tons in November 2019). Clinker exports stood at 490,000 tons in November 2020 vs 476,000 tons in October 2020 (265,000 tons in October 2019).
- **Production:** Clinker production declined -0.8% mom to 4.3mn tons while cement production increased +1.1% mom to 5.0mn tons.
- **Inventory:** Clinker inventory decreased -2.3% mom (-10.2% yoy) to 38.4mn tons in November 2020 vs 39.3mn in October 2020. This is the lowest level since June 2018.
- **Domestic market share:** Western region companies gained +86bps mom to 25.4%, while the Central region lost -160bps to 27.8%. Saudi Cement market share increased +66bps to 10.8%, while Yamama Cement market share declined the most (-177bps) to 7.6%.

Exhibit 1: Domestic cement sales – mom



Source: Yamama Cement, NCBC Research

Exhibit 2: Domestic market share – cement sales (mom)



Source: Yamama Cement, NCBC Research

Exhibit 3: Saudi Cement companies – Valuation matrix

	Rating	MCAp \$mn	Stock perf (%)		PE (x)	EV/ (x) EBITDA	PB (x)	EV/ton (\$)	DY (%)	ROE (%)
			Nov-20	ytd	'20	'20	'20	'20	'20	'20
Southern Cement	N	2,953	11.9	22.7	19.5	14.5	3.3	275	4.4	17.0
Yamama Cement	N	1,538	13.6	9.8	16.9	17.8	1.5	309	1.8	9.0
Saudi Cement	N	2,365	7.2	(17.4)	20.9	14.3	3.2	303	4.8	15.6
Qassim Cement	N	1,870	10.3	17.7	20.1	15.7	3.8	447	4.4	19.3
Yanbu Cement	OW	1,493	6.4	(6.9)	18.2	11.2	1.7	236	5.6	9.4
Eastern Cement	N	900	13.4	8.9	16.8	11.0	1.4	243	5.1	8.3
Arabian Cement	N	913	4.6	(7.1)	19.6	10.0	1.2	135	5.1	6.0

Source: Bloomberg, NCBC Research, Valuation are based on prices as of 08 December 2020; N: Neutral; OW: Overweight

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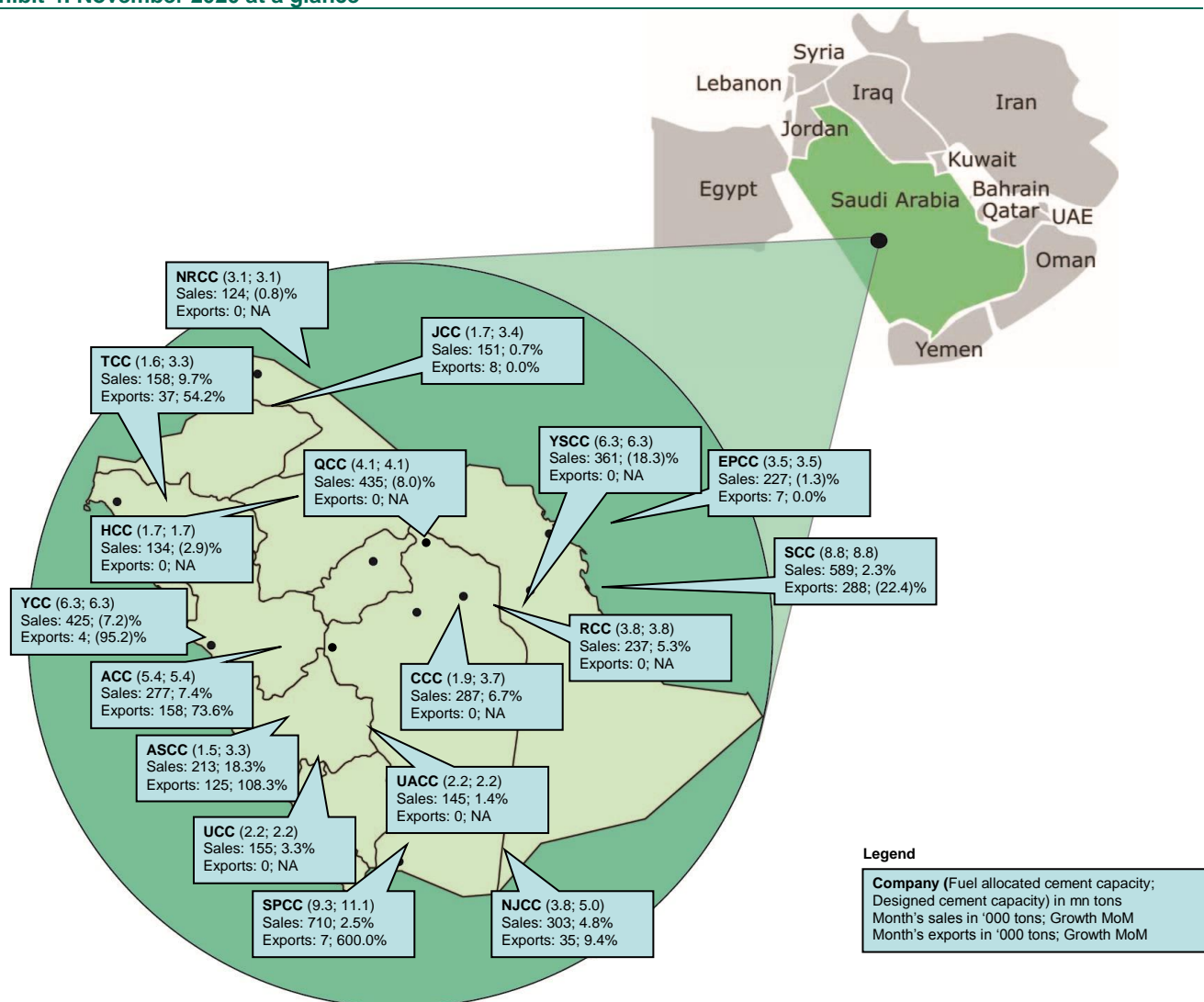
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Industry snapshot

Saudi has 17 cement companies with an annual fuel allocated cement production capacity of 69.9mn tons and a designed capacity of 77.0mn tons.

Saudi cement players began exporting clinker upon the removal of the cement export tariff. We believe Saudi players (mainly in the western region) are in a competitive position to export to key demand areas such as East Africa and South East Asia. However, we expect exporting activities to be limited as prices are generally unfavourable.

Exhibit 4: November 2020 at a glance



Source: Yamama Cement, NCBC Research, Above data refers to domestic cement sales and cement exports only

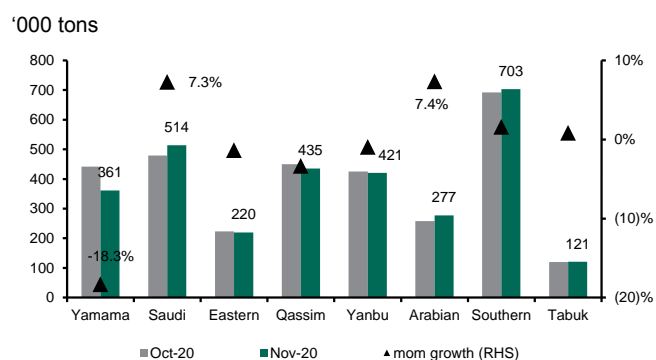
YSCC – Yamama Cement, SCC – Saudi Cement, EPCC – Eastern Cement, QCC – Qassim Cement, YCC – Yanbu Cement, ACC – Arabian Cement, SPCC – Southern Cement, TCC – Tabuk Cement, RCC – White Cement, NJCC – Najran Cement, CCC – City Cement, NRCC – Northern Cement, JCC – Aljof Cement, ASCC – Al Safwa Cement, HCC – Hail Cement, UACC – Umm Al-Qura Cement, UCC – United Cement.

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Domestic sales

In November 2020, domestic sales of cement increased +16.5% yoy (+0.7% mom) to 4.75mn tons. All cement companies, apart from three, reported an increase in domestic sales on yoy basis, Qassim, Safwa, and Arabian cement recorded the largest yoy growth of 46.0%, 39.9% and 39.2%, respectively. Northern, Hail and Yamama Cement recorded a yoy decrease in sales (-12.1%, -4.3% and -4.2%, respectively). On a mom basis, 11 companies reported a growth with Safwa Cement increasing the most (+15.0%), while Yamama Cement decreased the most (-18.3%).

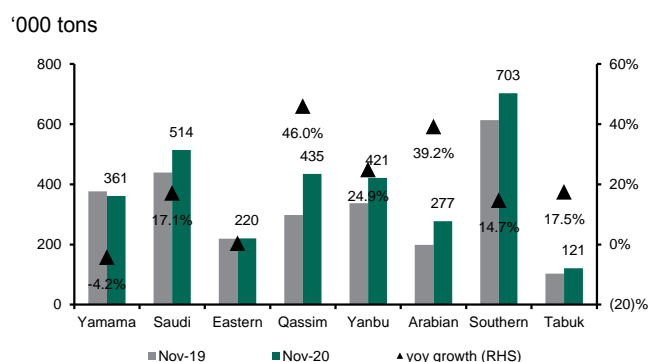
Exhibit 5: Domestic cement sales – mom



Source: Yamama Cement, NCBC Research

(Please refer to the Appendix on Page 9 for company-specific charts.)

Exhibit 6: Domestic cement sales – yoy



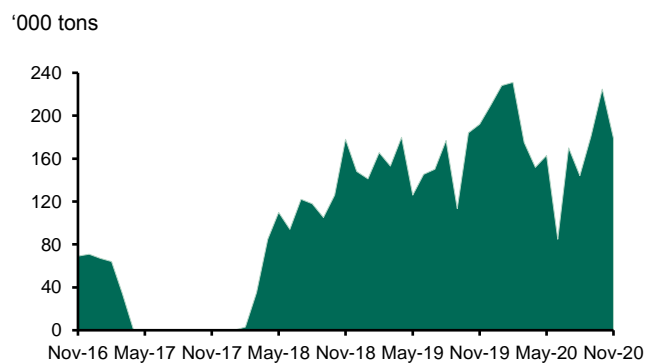
Source: Yamama Cement, NCBC Research

Exports

Cement exports stood at 179,000 tons in November 2020 vs 225,000 tons in October 2020 and 192,000 tons in November 2019. Eight companies exported cement, namely Saudi Cement (75,000 tons), Tabuk Cement (37,000 tons), Najran Cement (35,000 tons), Aljouf Cement (8,000 tons), Eastern Cement (7,000 tons), Southern Cement (7,000 tons), Safwa Cement (6,000 tons) and Yanbu Cement (4,000 tons).

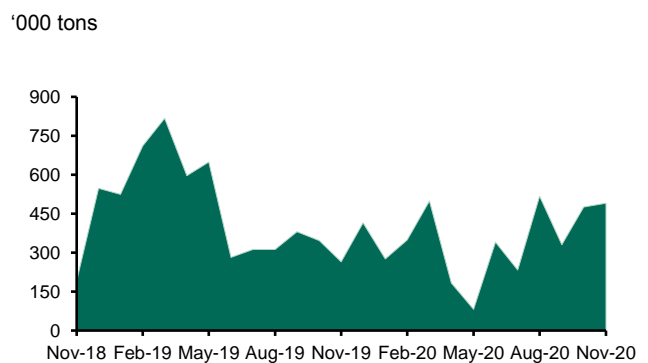
Clinker exports stood at 490,000 tons in November 2020 vs 476,000 tons in October 2020 and 265,000 tons in November 2019. Three companies exported clinker, namely Saudi Cement (213,000 tons), Arabian Cement (158,000 tons), Safwa Cement (119,000 tons).

Exhibit 7: Total cement exports



Source: Yamama Cement, NCBC Research

Exhibit 8: Total clinker exports



Source: Yamama Cement, NCBC Research

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Production

Saudi's cement production increased +1.1% mom (+16.2% yoy) to 5.0mn tons in November 2020.

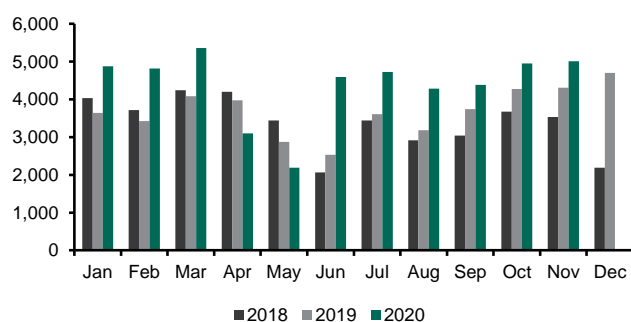
Ten companies reported an increase in cement production on a mom basis with Eastern Cement and Arabian Cement increasing the most (+29.4% and +12.5%, respectively) while Aljouf Cement reported the largest decrease (-16.3%). On a yoy basis, Safwa Cement (+48.6%) increased the most, while Eastern Cement (-15.1%) decreased the most.

Clinker production decreased -0.8% mom (+5.5% yoy) in November 2020 to 4.3mn tons.

Only six companies recorded a mom increase in clinker production while nine reported a decrease and Umm Al Qura Cement recording no clinker production for the second consecutive month which might be attributed to a maintenance shutdown. Arabian Cement increased the most mom (+163%), followed by Eastern Cement (+103%). On the other hand, Tabuk Cement reported the largest mom decline (-43.2%) followed by Saudi Cement (-23.7%). On a yoy basis, Safwa Cement was the largest gainer, increasing +168%.

Exhibit 9: Cement production

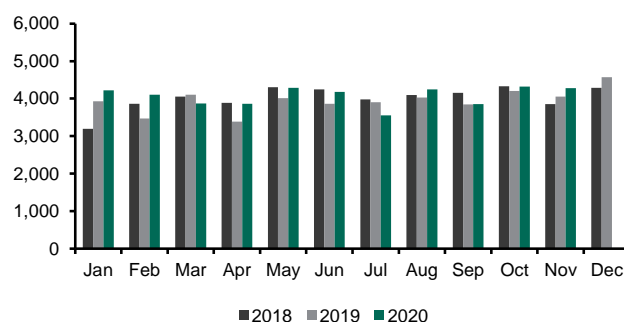
'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 10: Clinker production

'000 tons



Source: Yamama Cement, NCBC Research

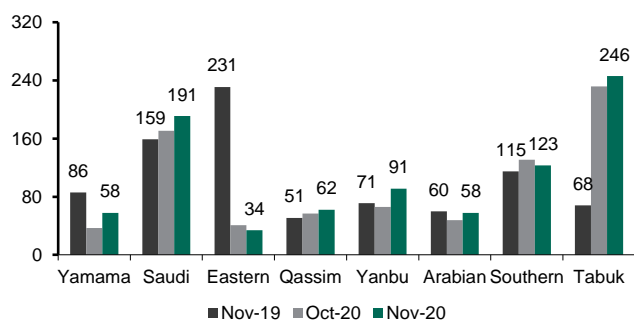
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Inventory level

In November 2020, clinker inventory decreased -2.3% mom (-10.2% yoy) to 38.4mn tons. Cement inventory increased +6.0% mom (+11.9% yoy) to 1.37mn tons.

Exhibit 11: Cement inventory

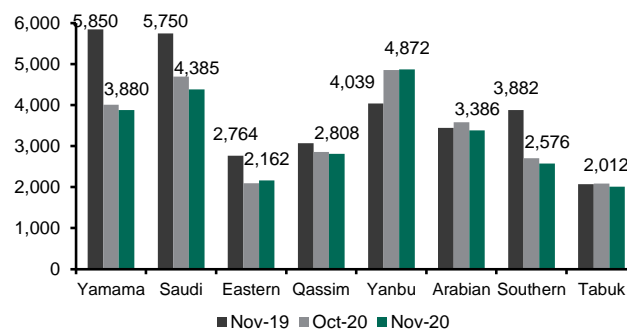
'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 12: Clinker inventory

'000 tons

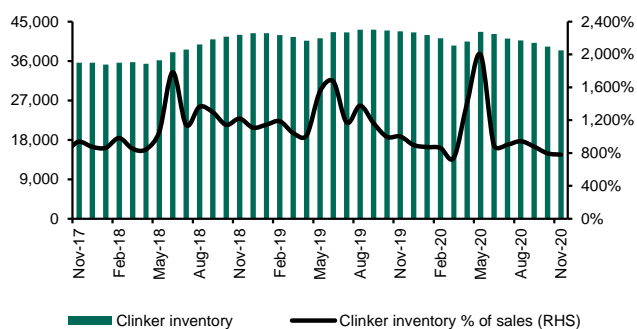


Source: Yamama Cement, NCBC Research

The sector's clinker inventory as a percentage of total monthly cement sales stood at 7.8x in November 2020 compared to 7.9x in October 2020 and 10.0x in November 2019. Hail, Umm Al Qura and Tabuk Cement had the highest inventory percentages at 24.1x, 14.9x and 12.7x of cement sales, respectively. On the other hand, City, Safwa and Southern Cement held the lowest clinker inventory percentages at 2.2x, 3.1x and 3.6x of cement sales, respectively.

Exhibit 13: Sector clinker inventory and % of sales

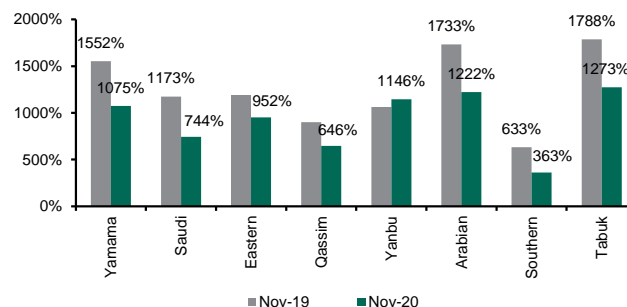
'000 tons, or as stated



Source: Yamama Cement, NCBC Research,

Exhibit 14: Clinker inventory as % of sales by company

as % of sales



Source: Yamama Cement, NCBC Research

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Market share

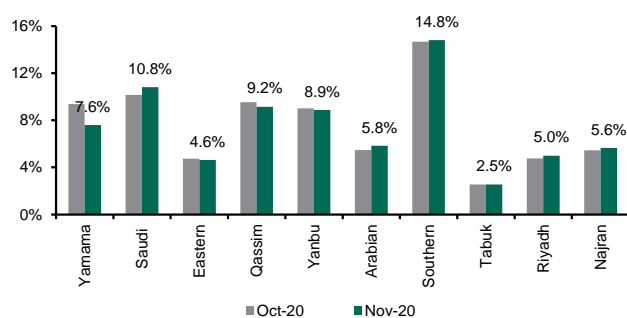
In November 2020, companies in the Western region gained the highest market share, increasing 86bps to 25.4%. Meanwhile, Central region companies lost the most market share, losing 160bps to 27.8%. Nine companies increased their market share in local sales on a mom basis. Top gainers were Saudi, Safwa and Arabian Cement reporting a 0.66%, 0.54%, and 0.36% mom increase in market share, respectively. Yamama, Qassim and Yanbu Cement experienced the largest declines in market share with mom decreases of -1.77%, -0.38% and -0.15%, respectively.

Gainers (mom): Saudi Cement (+0.66%), Safwa Cement (+0.54%), Arabian Cement (+0.36%), City Cement (+0.34%), White Cement (+0.22%), Najran Cement (+0.19%), Southern Cement (+0.13%), United Cement (+0.08%) and Umm Al Qura Cement (+0.02%).

Decliners (mom): Yamama Cement (-1.77%), Qassim Cement (-0.38%), Yanbu Cement (-0.15%), Hail Cement (-0.11%), Eastern Cement (-0.10%) and Northern Cement (-0.04%).

Exhibit 15: Domestic market share – cement sales

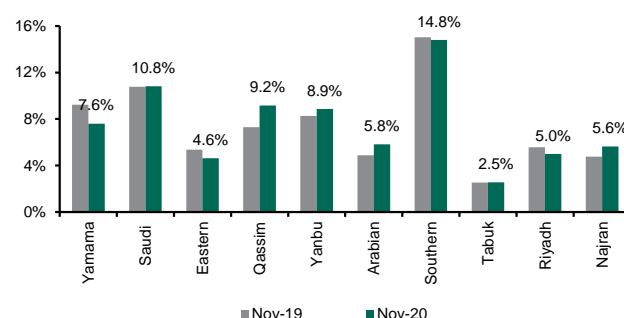
mom



Source: Yamama Cement, NCBC Research

Exhibit 16: Domestic market share – cement sales

yoy



Source: Yamama Cement, NCBC Research

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Valuation

As of 08 December 2020, the Materials sector index was up +6.8% ytd, compared to TASI which was up +2.7% ytd. Exhibit 17 shows the valuation multiples of listed cement companies in Saudi.

Exhibit 17: Saudi cement companies – Valuation matrix*

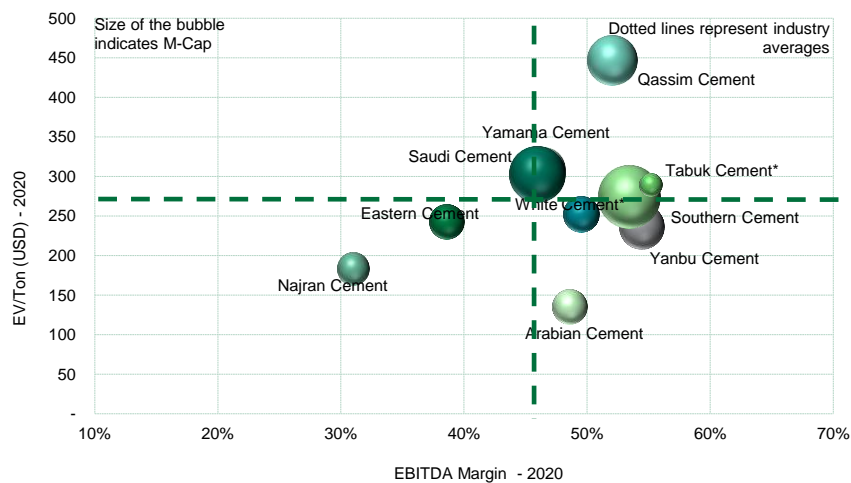
	Rating	M-Cap \$mn	Stock perf (%)		PE (x) '20	EV/ EBITDA '20	PB (x) '20	EV/ton (\$) '20	DY (%) '20	ROE (%) '20	ROA (%) '20
			Nov-20	ytd							
Southern Cement	Neutral	2,953	11.9	22.7	19.5	14.5	3.3	275	4.4	17.0	13.5
Yamama Cement	Neutral	1,538	13.6	9.8	16.9	17.8	1.5	309	1.8	9.0	5.8
Saudi Cement	Neutral	2,365	7.2	(17.4)	20.9	14.3	3.2	303	4.8	15.6	10.9
Qassim Cement	Neutral	1,870	10.3	17.7	20.1	15.7	3.8	447	4.4	19.3	16.8
Yanbu Cement	OW	1,493	6.4	(6.9)	18.2	11.2	1.7	236	5.6	9.4	8.4
Eastern Cement	Neutral	900	13.4	8.9	16.8	11.0	1.4	243	5.1	8.3	7.2
Arabian Cement	Neutral	913	4.6	(7.1)	19.6	10.0	1.2	135	5.1	6.0	4.8
Al Jouf Cement*	NC	392	10.4	18.1	NA	40.5	0.9	333	0.0	(1.2)	(0.8)
Najran Cement*	NC	771	7.0	42.0	NA	59.2	1.5	184	4.4	(3.9)	(2.9)
Tabuk Cement*	NC	405	17.9	6.6	30.3	10.6	1.3	290	0.0	4.1	0.0
City Cement*	NC	1,164	16.6	28.8	24.2	15.2	2.0	289	4.3	8.3	2.5
Hail Cement*	NC	442	10.5	38.7	21.4	18.9	1.7	281	0.0	(2.8)	(2.2)
Umm Al Qura Cement*	NC	480	16.7	47.7	18.5	12.5	2.7	296	1.7	15.4	7.5
Northern Cement*	NC	578	7.6	1.5	23.4	14.7	1.0	255	2.2	4.4	2.9
White Cement*	NC	968	11.3	25.8	19.1	12.3	2.1	253	5.0**	11.1	9.7

Source: Bloomberg, NCBC Research, Valuation estimates are based on our September 2020 sector update
Valuation based on prices as of 08 December 2020, * On a ttm basis ** Annualized
OW: Overweight; N: Neutral, NC: Not Covered, NM: Not Meaningful

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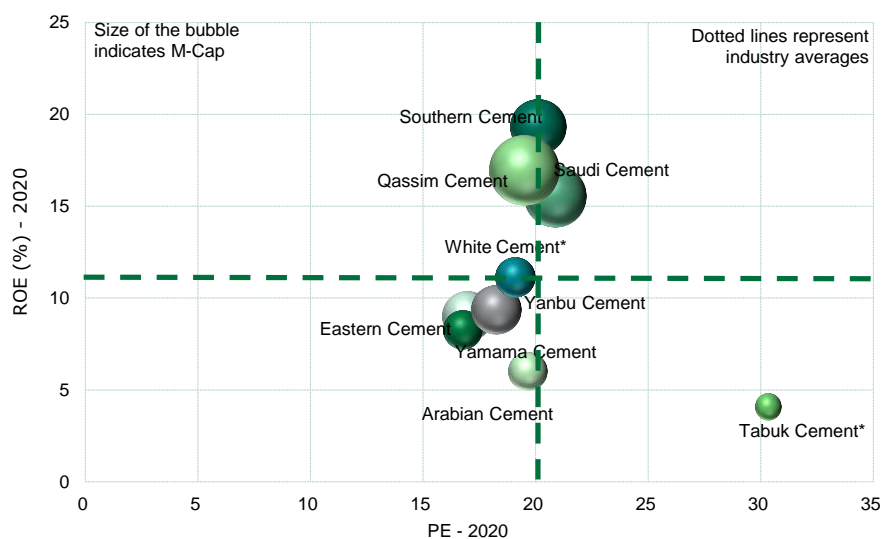
Exhibits 18 and 19 illustrate current valuation of Saudi cement companies.

Exhibit 18: EV per ton vs. EBITDA margin



Source: NCBC Research, * is on ttm basis

Exhibit 19: P/E vs. ROE



Source: NCBC Research, * is on ttm basis

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Appendices

Appendix 1 – Cement Production and Sales

Exhibit 20: Cement production and Saudi sales

'000 tons

Description	Nov-20	Nov-19	% chg yoy	Oct-20	% chg mom	(Jan- Nov) 2020	2019	% chg
Production								
Cement	5,008	4,308	16.2	4,954	1.1	48,293	39,643	21.8
Clinker	4,281	4,056	5.5	4,316	(0.8)	44,764	42,807	4.6
Domestic Sales								
Cement	4,752	4,080	16.5	4,718	0.7	46,074	37,786	21.9
Clinker	109	31	251.6	100	9.0	581	354	64.1
Company-wise Cement Production								
Yamama Cement	382	371	3.0	409	(6.6)	4,168	3,471	20.1
Saudi Cement	609	478	27.4	584	4.3	5,747	5,104	12.6
Eastern Cement	220	259	(15.1)	170	29.4	2,080	2,166	(4.0)
Qassim Cement	440	344	27.9	470	(6.4)	4,195	3,042	37.9
Yanbu Cement	450	380	18.4	451	(0.2)	4,090	3,193	28.1
Arabian Cement	287	208	38.0	255	12.5	2,359	1,960	20.4
Southern Cement	702	607	15.7	723	(2.9)	7,180	5,677	26.5
Tabuk Cement	172	137	25.5	159	8.2	1,570	1,086	44.6
White Cement	241	240	0.4	227	6.2	2,263	2,248	0.6
Najran Cement	314	230	36.5	297	5.7	2,757	1,889	46.0
City Cement	290	243	19.3	281	3.2	2,629	2,428	8.3
Northern Cement	127	141	(9.9)	124	2.4	1,255	1,338	(6.2)
Aljouf Cement	139	113	23.0	166	(16.3)	1,555	1,063	46.3
Safwa Cement	205	138	48.6	191	7.3	1,887	1,350	39.8
Hail Cement	134	134	0.0	142	(5.6)	1,496	1,171	27.8
Company-wise Domestic Sales								
Yamama Cement	361	377	(4.2)	442	(18.3)	4,194	3,462	21.1
Saudi Cement	514	439	17.1	479	7.3	4,775	4,349	9.8
Eastern Cement	220	219	0.5	223	(1.3)	2,085	1,824	14.3
Qassim Cement	435	298	46.0	450	(3.3)	4,078	2,787	46.3
Yanbu Cement	421	337	24.9	425	(0.9)	3,824	3,025	26.4
Arabian Cement	277	199	39.2	258	7.4	2,342	1,912	22.5
Southern Cement	703	613	14.7	692	1.6	7,174	5,698	25.9
Tabuk Cement	121	103	17.5	120	0.8	1,125	1,002	12.3
White Cement	237	227	4.4	225	5.3	2,245	2,209	1.6
Najran Cement	268	194	38.1	257	4.3	2,501	1,745	43.3
City Cement	287	250	14.8	269	6.7	2,617	2,439	7.3
Northern Cement	124	141	(12.1)	125	(0.8)	1,231	1,333	(7.7)
Aljouf Cement	143	112	27.7	142	0.7	1,470	1,070	37.4
Safwa Cement	207	148	39.9	180	15.0	1,885	1,333	41.4
Hail Cement	134	140	(4.3)	138	(2.9)	1,477	1,150	28.4

Source: Yamama Cement, NCBC Research

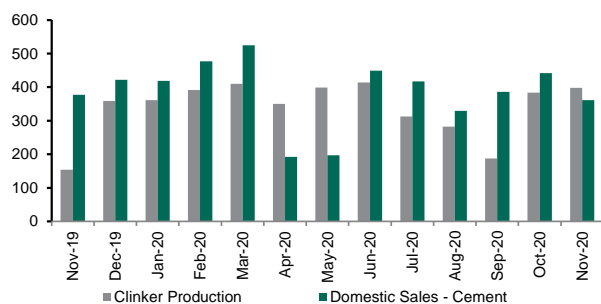
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Appendix 2 – Company charts

Yamama Cement (YSCC)

Exhibit 21: Production and sales

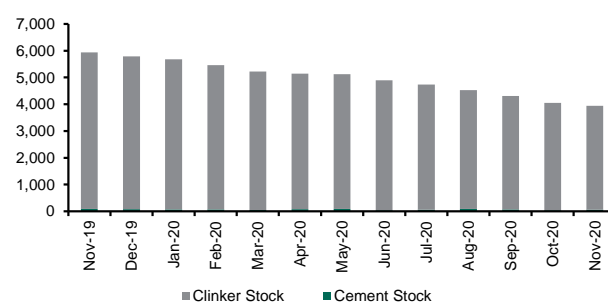
'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 22: Inventory – Cement and clinker

'000 tons

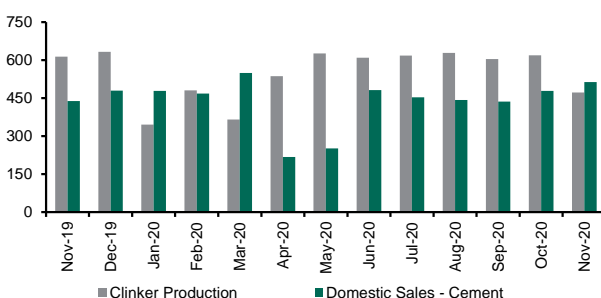


Source: Yamama Cement, NCBC Research

Saudi Cement (SCC)

Exhibit 23: Production and sales

'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 24: Inventory – Cement and clinker

'000 tons

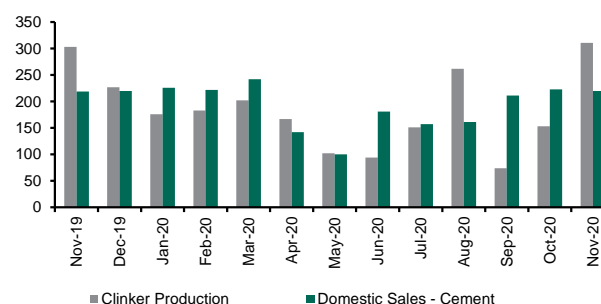


Source: Yamama Cement, NCBC Research

Eastern Province Cement (EPCC)

Exhibit 25: Production and sales

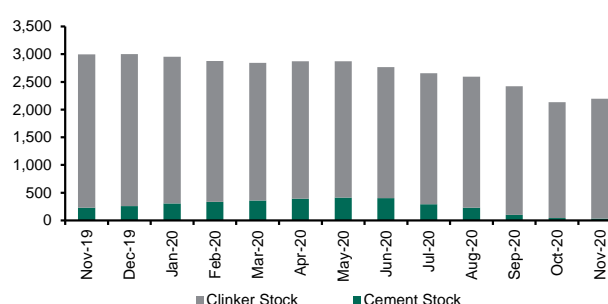
'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 26: Inventory – Cement and clinker

'000 tons



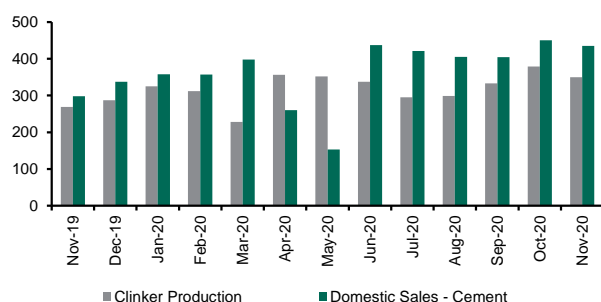
Source: Yamama Cement, NCBC Research

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Qassim Cement (QCC)

Exhibit 27: Production and sales

'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 28: Inventory – Cement and clinker

'000 tons



Source: Yamama Cement, NCBC Research

Yanbu Cement (YCC)

Exhibit 29: Production and sales

'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 30: Inventory – Cement and clinker

'000 tons

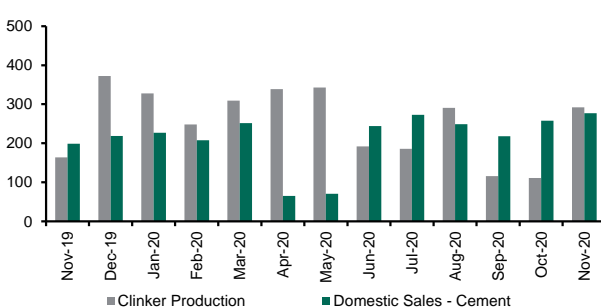


Source: Yamama Cement, NCBC Research

Arabian Cement (ACC)

Exhibit 31: Production and sales

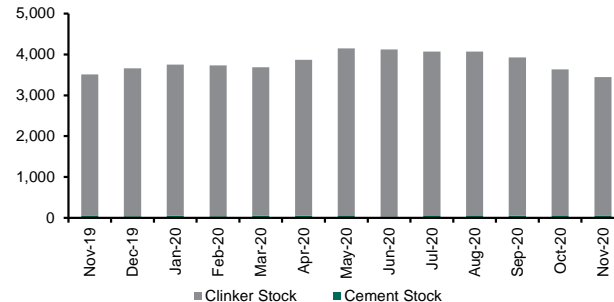
'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 32: Inventory – Cement and clinker

'000 tons



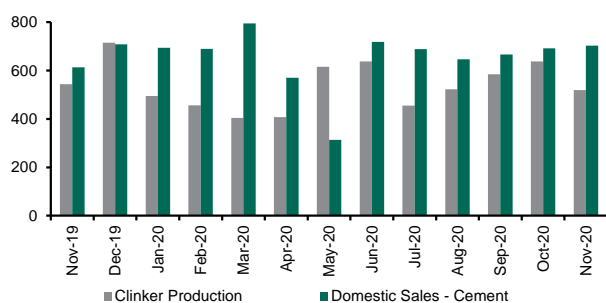
Source: Yamama Cement, NCBC Research

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Southern Province Cement (SPCC)

Exhibit 33: Production and sales

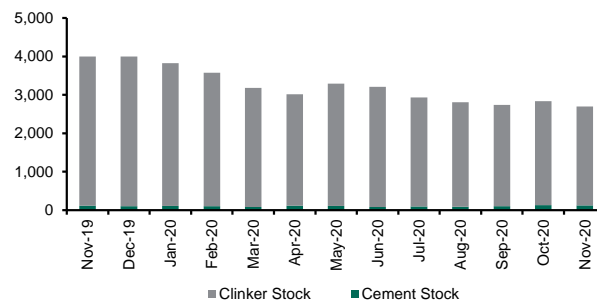
'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 34: Inventory – Cement and clinker

'000 tons

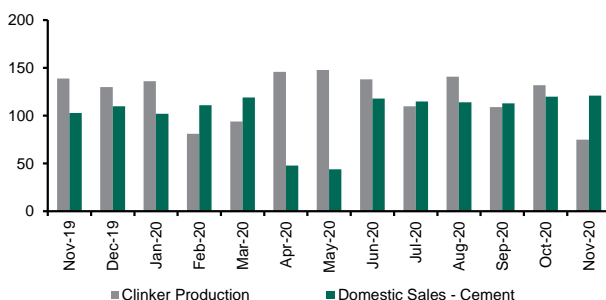


Source: Yamama Cement, NCBC Research

Tabuk Cement (TCC)

Exhibit 35: Production and sales

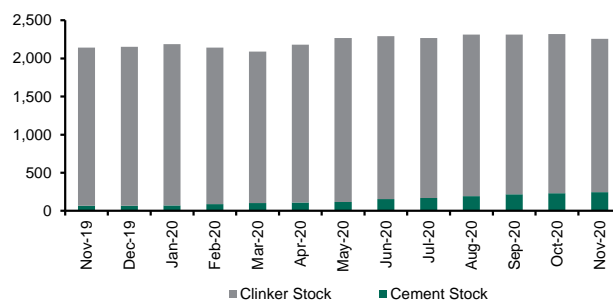
'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 36: Inventory – Cement and clinker

'000 tons

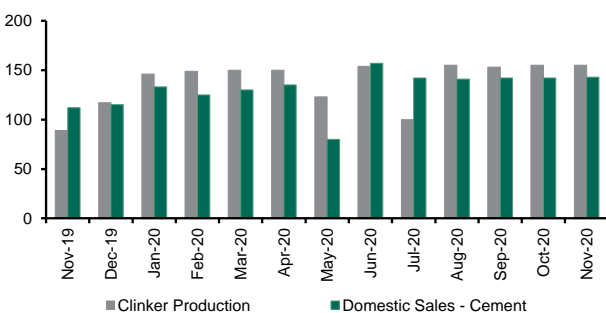


Source: Yamama Cement, NCBC Research

Al Jouf Cement (JCC)

Exhibit 37: Production and sales

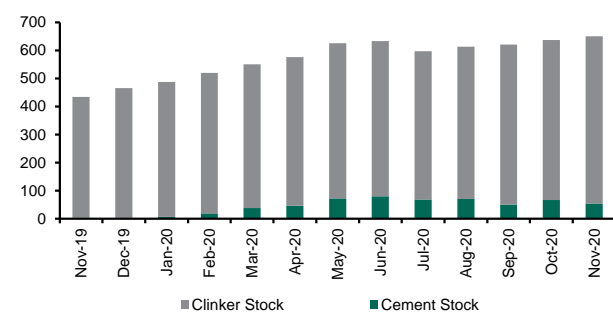
'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 38: Inventory – Cement and clinker

'000 tons



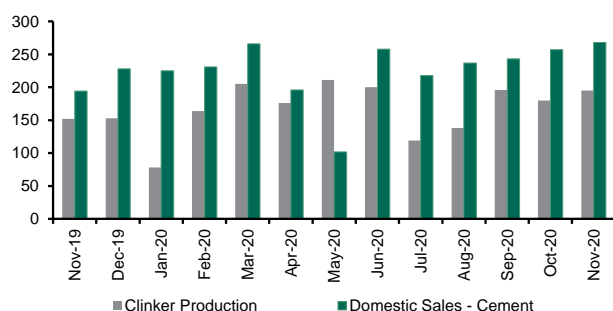
Source: Yamama Cement, NCBC Research

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Najran Cement (NAJC)

Exhibit 39: Production and sales

'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 40: Inventory – Cement and clinker

'000 tons

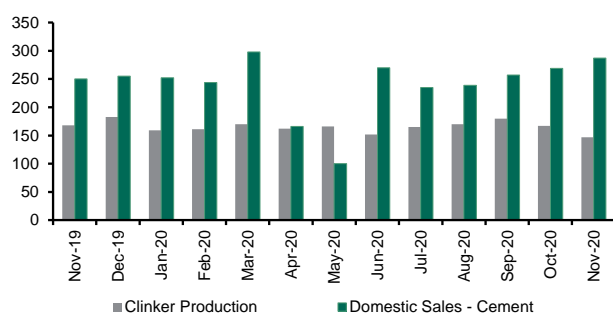


Source: Yamama Cement, NCBC Research

City Cement (CCC)

Exhibit 41: Production and sales

'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 42: Inventory – Cement and clinker

'000 tons

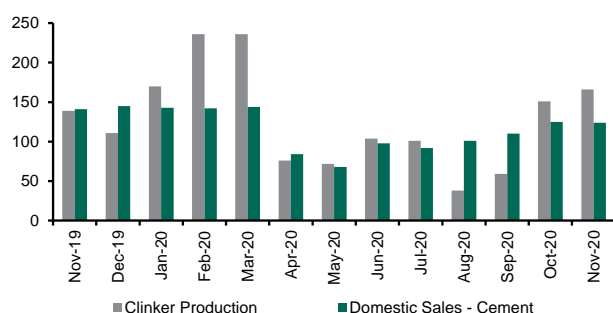


Source: Yamama Cement, NCBC Research

Northern Cement (NRCC)

Exhibit 43: Production and sales

'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 44: Inventory – Cement and clinker

'000 tons



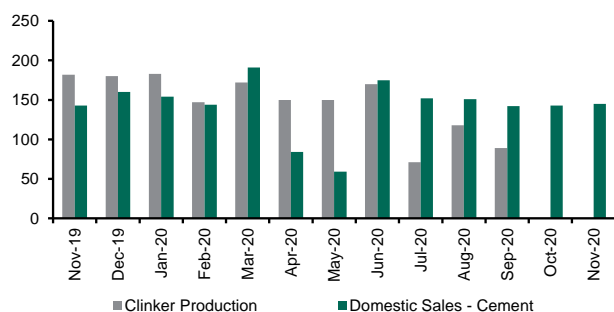
Source: Yamama Cement, NCBC Research

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Umm Al Qura Cement (UACC)

Exhibit 45: Production and sales

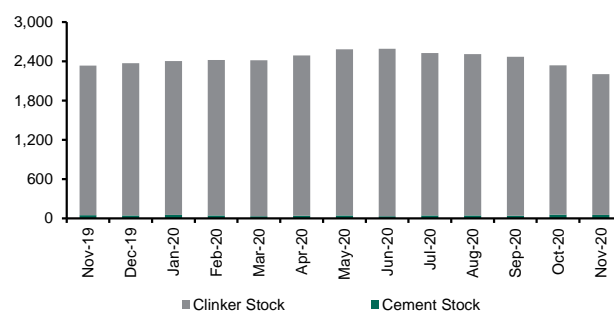
'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 46: Inventory – Cement and clinker

'000 tons

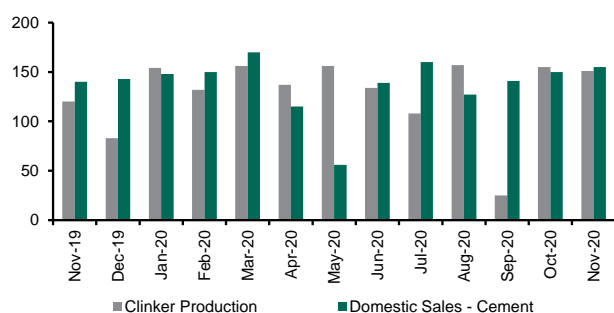


Source: Yamama Cement, NCBC Research

United Cement (UCC)

Exhibit 47: Production and sales

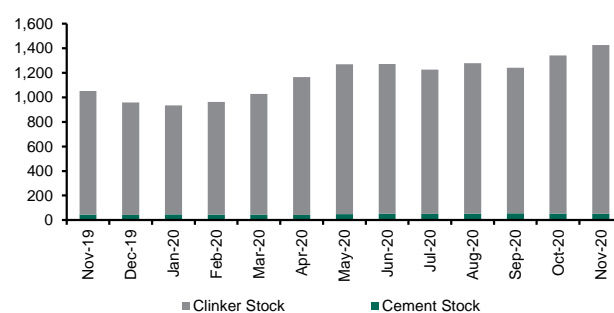
'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 48: Inventory – Cement and clinker

'000 tons

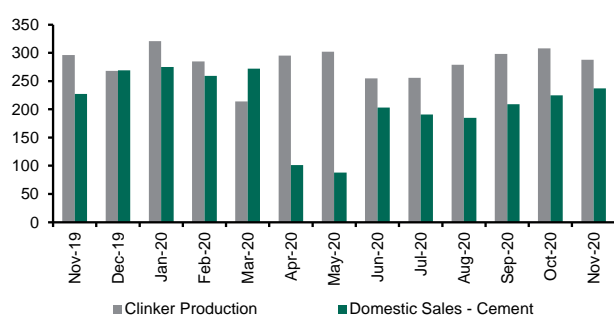


Source: Yamama Cement, NCBC Research

White Cement (WCC)

Exhibit 49: Production and sales

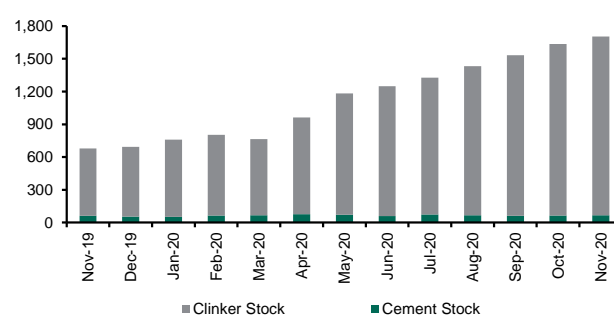
'000 tons



Source: Yamama Cement, NCBC Research

Exhibit 50: Inventory – Cement and clinker

'000 tons



Source: Yamama Cement, NCBC Research

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