

Yanbu Cement Co. (BUY, TP: SAR 18, 3060.SE) 4Q25 Results Review

Higher cost per ton of production and increased zakat more than offset improved retention, resulting in lower profitability. Maintain BUY.

Yanbu Cement (YNCCO) reported a 12% Y/Y and 13%Q/Q decline in 4Q25 earnings (EPS SAR 0.16). Revenue advanced Y/Y (higher retention price) but declined Q/Q (decline in retention). Gross profit declined Y/Y and Q/Q as gross margins contracted. Operating expenses recorded a significant decline both Y/Y and Q/Q, leading to flat operating profit Y/Y. Net margin stood at 10%.

- Revenue rose to SAR 246mn an increase of 11% Y/Y driven by higher retention price despite a 8% Y/Y decline in dispatches. However, revenue retreated sequentially, due to a 28% decline in retention.
- Gross profit stood at SAR 61mn; down 3% Y/Y and 21% Q/Q as gross margin contracted 348bps and 107bps Q/Q. The Y/Y decline is due to cost per ton increasing more than the increase in revenue per ton, while sequentially, revenue per ton declined more than the decline in cost per ton, resulting in lower gross margins.
- Operating expenses clocked in at SAR 27mn, down 5% Y/Y and 44% Q/Q. The decrease is driven by lower selling expenses, which could be attributed to lower export sales (Q/Q)
- Lower operating expenses offset the impact of lower gross profit, resultantly, operating profit was flat Y/Y, while it jumped 15% Q/Q.
- However, despite growth in operating profit, net income declined 12% Y/Y and 13% Q/Q. This decline is mainly due to higher zakat expenses.
- The company's inventory-to-LTM sales ratio of 126% is higher vs. regional peers (average of 105%) and the sector (average of 78%). Inventory stood at 5.2mn tons (6.5mn tons in 4Q24 and 4.7mn tons in 3Q25).
- The company trades at EV/ton of SAR 241, a 51% discount to the sector (EV/ton of SAR 496) and a 21% discount to its region. It trades at a 48% discount to its 3-year average EV/ton multiple of SAR 466 compared with the overall sector, which is trading at 25% discount (SAR 663).
- Yanbu Cement posted weak results for 4Q25, with profitability declining Y/Y due to lower dispatch volumes and Q/Q due to drop in retention prices, along with a higher effective zakat expense. However, these pressures were partially offset by reduced operating costs. During the quarter, dispatches fell as both regional and national market share declined by 2.8ppts and 1.0ppts Y/Y, respectively. This suggests the company chose not to compete aggressively on pricing to protect market share, which is reflected in a 21% Y/Y increase in retention prices. On a sequential basis, however, Yanbu managed to gain some market share, supported by a 28% decline in retention prices. Looking ahead, the demand outlook remains positive, driven by a robust pipeline of projects in the western and northwestern regions, which is expected to support cement demand. With retention prices in the region remaining healthy, strong demand could lead to further price increases. That said, prolonged geopolitical tensions could prompt both government and private sector entities to scale back planned projects, posing a risk to demand. On the flip side, a quick settlement alongside medium disruptions in supply could result in higher available fiscal resources as KSA ramps oil exports relatively quickly. Maintain Buy.

Rating and Risks

We are Buy rated on YNCCO and our 12-month target price is SAR 18. 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	246	298	221	-17%	11%
Cost of Sales	-184	-220	-159	-16%	16%
Gross Profit	61	77	63	-21%	-3%
Operating Expenses	-27	-47	-28	-44%	-5%
Operating Profit	35	30	35	15%	0%
Net Income	25	28	28	-13%	-12%
EPS	0.16	0.18	0.18	-13%	-12%
Dispatches ('000 tons)					
	1,113	967	1,214	15%	-8%
Realized Price (SAR/ton)					
	221	308	182	-28%	21%
Cost per ton (SAR/ton)					
	-166	-228	-131	-27%	27%
Margins (%)					
Gross Margin	25	26	28	-107 bps	-348 bps
Operating Margin	14	10	16	401 bps	-160 bps
Net Margin	10	10	13	47 bps	-262 bps

Rating Summary and Forecasts

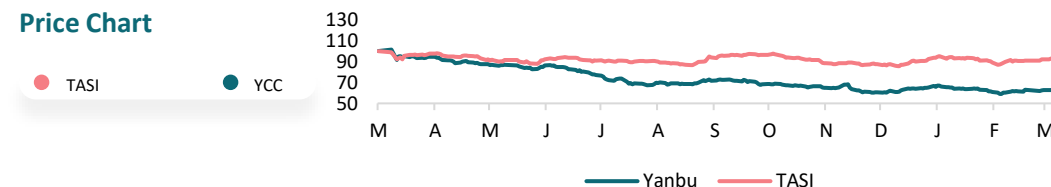
Rating Summary

Rating	Buy
Market Price	14.9
12-month Target Price	18
Upside / Downside	22%
Mkt Cap (SAR mn)	2,346.8
52 week High/Low	23.94/13.87

Forecasts

	12/25 A	12/26 A	12/27 E	12/28 E
Net Income (SAR mn)	104	138	166	184
PER (x)	22.5	17.0	14.1	12.8
PBV (x)	0.9	0.9	0.9	0.9
EPS (SAR)	0.7	0.9	1.1	1.2
DPS (SAR)	1.3	0.9	1.1	1.2
RoE (%)	4.2	5.5	6.6	7.4
Dividend Yield (%)	8.4	6.0	7.4	8.1

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.

Saudi Fransi Capital

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