

## YAMAMA CEMENT

الأهلي كابيتال  
NCB Capital

## EVENT FLASH

## In-line results supported by higher other income

Yamama Cement reported an in-line set of 3Q17 results. Net income declined -47.9% YoY to SR29.1mn. This is in-line with the NCBC estimates of SR28.5mn, but higher than the consensus estimates of SR23.1mn. This is the lowest 3Q net income on record. We believe the YoY weakness came from 1) a decline in sales volumes by 16.7% YoY, 2) lower selling prices (-16.6% YoY) and 3) weak gross margins of 25.6% vs 42.0% in 3Q16. Yamama Cement trades at a TTM P/E of 20.1x vs covered peers at 12.6x.

- **NCBC View on Results:** Yamama Cement reported an in-line set of 3Q17 results, with net income declining -47.9% YoY (+140% QoQ) to SR29.1mn. This is in-line with the NCBC estimates, but higher than the consensus estimates of SR23.1mn. We believe the YoY decline was due to record low selling prices and a weakness in sales volume and gross margins. However, this was partially mitigated by a higher than expected other income (SR10.0mn vs our estimates of no other income in 3Q17).
- Total sales quantity of Yamama Cement stood at 0.93mn tons in 3Q17, coming in-line with our estimates of 1.0mn tons. Sales quantities decreased by -16.7% YoY (-22.7% QoQ). This is lower than the cement industry performance of -5.3% YoY (-7.7% QoQ) in 3Q17.
- Sales stood at SR164mn, coming -9.2% lower than our estimates of SR181mn. Average selling prices stood at SR176/ton, in-line with the NCBC estimates of SR177/ton (-16.6% YoY, -0.6% QoQ). We believe lower prices came as a result of the slowdown in the construction sector and increased competition, specifically from smaller players in the central region. We believe the remaining of the cement companies in Saudi offered further discounts, similar to Yamama Cement in 3Q17.
- Gross margins contracted significantly from 42.0% in 3Q16 to 25.6% in 3Q17. This compares to our estimates of 28.2%. We believe the main reason behind lower margins and -57.6% YoY (+27.3% QoQ) decline in gross profits is the steep discounts offered by Yamama Cement. We expect an average gross margin of 32.8% till 2021E.
- We are Neutral on Yamama Cement with a PT of SR20.3. Financial obligations due to the plant relocation and lower selling prices are the key risks. The stock trades at TTM P/E of 20.1x vs. the peers average of 12.6x.

## 3Q17 Results Summary

SR mn	3Q17A	3Q16A	% YoY	3Q17E	%Var^	% QoQ
Revenues	164	236	(30.4)%	181	(9.2)%	(15.8)%
Gross income	42	99	(57.6)%	51	(17.8)%	27.3%
Gross margin (%)	25.6%	42.0%	(1,644)bps	28.2%	(267)bps	866bps
EBIT	25	86	(70.4)%	35	(27.3)%	66.9%
EBIT Margin (%)	15.5%	36.5%	(2,098)bps	19.4%	(386)bps	769bps
Net income	29	56	(47.9)%	28	4.1%	139.5%
Net Margin (%)	17.8%	23.8%	(599)bps	15.5%	227bps	1,153bps
EPS (SR)	0.14	0.28	(47.9)%	0.14	4.1%	139.5%

Source: Company, NCBC Research, ^ % Var indicates variance from NCBC forecasts

## NEUTRAL

Target price	20.3
Current price (SR)	16.1
Upside/Downside (%)	26.2

## STOCK DETAILS

52-week range H/L (SR)	23/16
Market cap (\$ mn)	869
Shares outstanding (mn)	203
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(2.4)	(8.1)	(8.3)
Rel. to market	3.0	(3.0)	(32.2)

Avg daily turnover (mn)	SR	US\$
3M	2.0	0.5
12M	4.6	1.2

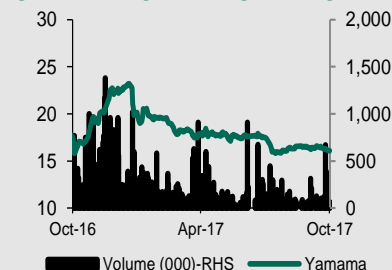
Reuters code	3020.SE
Bloomberg code	YACCO AB
www.yamamahcement.com	

## VALUATION MULTIPLES

	16A	17E	18E
P/E (x)	8.9	10.1	13.2
P/B (x)	0.9	0.8	0.8
EV/EBITDA (x)	4.3	5.7	5.9
Div Yield (%)	6.2	6.2	6.2

Source: NCBC Research estimates

## SHARE PRICE PERFORMANCE



Source: Tadawul

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OVERWEIGHT:	Target price represents an increase in the share price in excess of 15% in the next 12 months
NEUTRAL:	Target price represents a change in the share price between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

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CS: Coverage Suspended. NCBC has suspended coverage of this company

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