

Rating **Buy**
 12- Month Target Price **SAR 48.00**

QASSIM CEMENT COMPANY (QACCO)

1Q2019 First Look

Expected Total Return

Price as on Apr-23, 2019	SAR 38.30
Upside to Target Price	25.3%
Expected Dividend Yield	3.6%
Expected Total Return	28.9%

Market Data

52 Week H/L	SAR 41.5/30.1
Market Capitalization	SAR 3,447 million
Enterprise Value	SAR 2,869 million
Shares Outstanding	90 million
Free Float	54.9%
12-Month ADTV('000's)	71.9
Bloomberg Code	QACCO AB

1-Year Price Performance

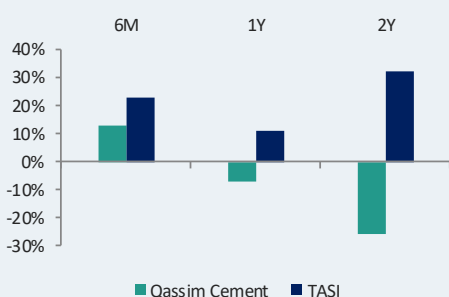


Fig in SAR Mln	RC.Est	Actuals
Revenue	113	153
Gross Profit	46	65
Net Income	41	56
EPS (SAR)	0.46	0.62

Beats Estimates Once More

Qassim Cement Company (QACCO) reported 1Q2019 results with a net profit of SAR 56 million, ahead of market and our expectations of SAR 53 million and SAR 41 million respectively. The highlights of the quarter are as follows (1) Increase in selling prices from SAR 159/ton in 4Q2018 to SAR 199/ton in 1Q2019 (2) Decrease in average per ton cost of cement sold (3) Increase in investment returns and other income. We have slightly revised downwards our revenue and net income forecasts for 2019 as 1Q demand has been muted. We maintain our target price at SAR 48.00 and a Buy recommendation.

Selling price jumps to SAR 199/ton

Qassim Cement reported robust revenues of SAR 153 million (+4% Y/Y, +33% Q/Q) as selling prices increased by +24% Y/Y and +25% Q/Q to SAR 199/ton. Better prices is a continuation of the trend since 4Q, where it had improved to SAR 159/ton. However, now selling prices are close to 4Q2016 levels, implying limited upside from here given market situation. Clinker production was down by -13% on a quarterly basis to 828k tons, amid the ongoing excess supply and muted cement demand, taking utilization rates to 101% in this quarter from 102% in 4Q2018. Inventory levels are similar to 4Q at 2.8 million ton and represents 99% of TTM sales.

Market share rises in 1Q

Qassim Cement succeeded in improving its market share after four consecutive quarters of decline to 7.2% versus 6.8% in the preceding quarter. This is a result of an increase in sales volume to 769K tons in 1Q2019, up +6% Q/Q as compared to 726K tons in 4Q2018. We believe that the Company is in a good position to improve its market share further, helped by its agreement with Al-Arada to export cement to Kuwait as well as the upcoming projects in the Central region.

Improved margins

We are pleased to note an expansion in both gross margins (from 40% to 42%) and operating margin (from 33% to 37%) on a quarterly basis due to better selling prices and lower cost per ton. Qassim Cement reported a gross profit of SAR 65 million, rising by +3% Y/Y and +40% Q/Q.

Maintain Buy

Qassim Cement reported a bottom-line of SAR 56 million (-2% Y/Y, +42% Q/Q), beating expectations. We have made minor changes to our 2019 revenue and net income forecast on the downside. We maintain both our target price at SAR 48.00 and a Buy recommendation. While a 2019E PE of 25.6x is higher than TASI's 16.9x, we believe it is justified on the back of growth prospects for Qassim as well as a potential turnaround in the sector.

Key Financial Figures

FY Dec31 (SAR Mln)	2018	2019E	2020E
Revenue	426	439	460
EBITDA	183	182	206
Net Profit	121	135	163
EPS (SAR)	1.34	1.50	1.82
DPS (SAR)	1.75	1.37	1.58
BVPS (SAR)	18.19	18.32	18.44

Key Financial Ratios

FY Dec31	2018	2019E	2020E
ROAA	6.2%	7.0%	8.4%
ROAE	7.1%	8.2%	9.9%
P/E	28.5x	25.6x	21.1x
P/B	2.1x	2.1x	2.1x
EV/EBITDA	19.3x	19.2x	16.7x
EV/Sales	8.3x	8.0x	7.5x

Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than 15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

* The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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