

Yamama Cement (YSCC) - 4Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Accumulate**

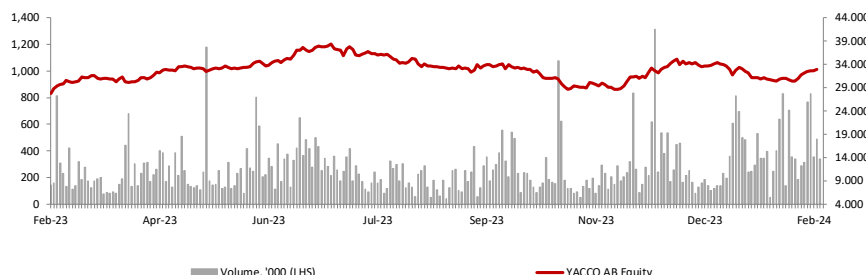
Previous Reco. & Date: TP: SAR 38 per share; Accumulate on 18-May-2023

Target Price (SAR): **38.00**

Upside / (Downside): **15.3%**

Date: 2/13/2024

Bloomberg Ticker	YACCO AB
Current Market Price (SAR)	32.95
52wk High / Low (SAR)	38.55/27.3
12m Average Vol. (000)	273.5
Mkt. Cap. (USD/SAR mn)	1,779/6,672
Shares Outstanding (mn)	202.5
Free Float (%)	89%
3m Avg Daily Turnover (000)	11,347.9
6m Avg Daily Turnover (000)	9,227.4
P/E'24e (x)	18.5
EV/EBITDA'24e (x)	15.2
Dividend Yield '24e (%)	3.0%
Price Perf. (1m/3m) (%)	2.2/15.2



Revenue decreased by 35% YoY, in line with U-Capital estimates and Bloomberg consensus

For 4Q23, Yamama Cement's revenue declined by 35% YoY to reach SAR 221.4mn, which was in line with our estimate of SAR 223mn. The decline in revenue caused by the decrease in sales value. While on QoQ basis, the revenue was up by 5%. For FY23, revenue decreased by 7.2% to SAR 935.2mn due to lower sales in terms of volume as well as the value on the back of lower domestic demand.

Operating profit decreased by 56% YoY, while it grew more than 100% QoQ basis, came ahead of our estimates and Bloomberg consensus

The company's operating profit declined by 56% to SAR 58.3mn in 4Q23. However, it jumped more than 100% sequentially and came ahead of our expectations as well as the Bloomberg consensus. For FY23, operating profit declined by 21% YoY to reach SAR 263.6mn due to lower sales and gross profit.

Net profit declined YoY basis, in line with Bloomberg consensus, however, came ahead of our expectations

For 4Q23, net profit decreased by 61% YoY to SAR 52.8mn, however, grew about 29% on QoQ basis. The net profit was in line with Bloomberg consensus of SAR 51.3mn while came ahead of our expectations of SAR 16.4mn. For FY23, net income declined by 14.5% to SAR 304.3mn. Apart from decrease in sales value due to lower domestic demand, the rise in financing expenses led to a YoY decline in net profit.

Maintain "Accumulate" rating on the stock

We expect that the company is well placed to benefit from likely recovery in the KSA construction sector. Expected additional production capacity and better utilization amid steadily improving realizations to support top-line growth and earnings. Hence we maintain our rating on the stock.

Valuation

Yamama Cement is trading at 2024e P/E of 18.5x, representing a 8% discount compared to the historical average P/E of 20.1x. Additionally, EV/EBITDA multiple of 15.2x, based on our FY24 estimate, represents a 2% discount compared to the historical average EV/EBITDA of 15.5x.

Income Statement													
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Sales/Revenue	253.4	338.4	283.2	218.9	211.7	221.4	222.7	-35%	5%	-1%	1,008.1	935.2	-7.2%
Gross Profit (Loss)	116.7	165.1	137.1	83.6	37.6	77.1	44.5	-53%	105%	73%	408.6	335.4	-17.9%
Operating Profit (Loss)	96.6	132.2	117.1	67.4	20.8	58.3	28.1	-56%	180%	108%	333.1	263.6	-20.9%
Net Profit (Loss) after tax	101.3	134.2	112.4	98.3	40.8	52.8	16.4	-61%	29%	NM	355.8	304.3	-14.5%
Balance Sheet													
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	4,504.9	4,651.3	4,560.6	4,659.3	4,699.7	4,752.5	4,513.7	2%	1%	5%			
Key Ratios													
	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Gross Profit Margin	46.0%	48.8%	48.4%	38.2%	17.8%	34.8%	20.0%						
Operating Profit Margin	38.1%	39.1%	41.4%	30.8%	9.8%	26.3%	12.6%						
Net Profit Margin	40.0%	39.6%	39.7%	44.9%	19.3%	23.8%	7.4%						
Return on Equity (RoE)	9.0%	11.5%	9.9%	8.4%	3.5%	4.4%	1.5%						
Annualized EPS (SAR)	2.08	2.69	2.28	2.00	0.86	1.04	0.38						
BVPS (SAR)	22.25	22.97	22.52	23.01	23.21	23.47	22.29						
TTM P/E (x)						21.3							

Source: Financials, Bloomberg, U Capital Research


For our previous report, please [click here](#)


Investment Research

Ubhar-Research@u-capital.net

Head of Research


Neetika Gupta


 +968 2494 9036

 neetika@u-capital.net


Research Team


Ahlam Al-Harthi

 +968 2494 9024


 ahlam.harthi@u-capital.net

Said Ghawas

 +968 2494 9034

 said.ghawas@u-capital.net


Amira Al Alawi


 +968 2494 9112

 amira.alalawi@u-capital.net

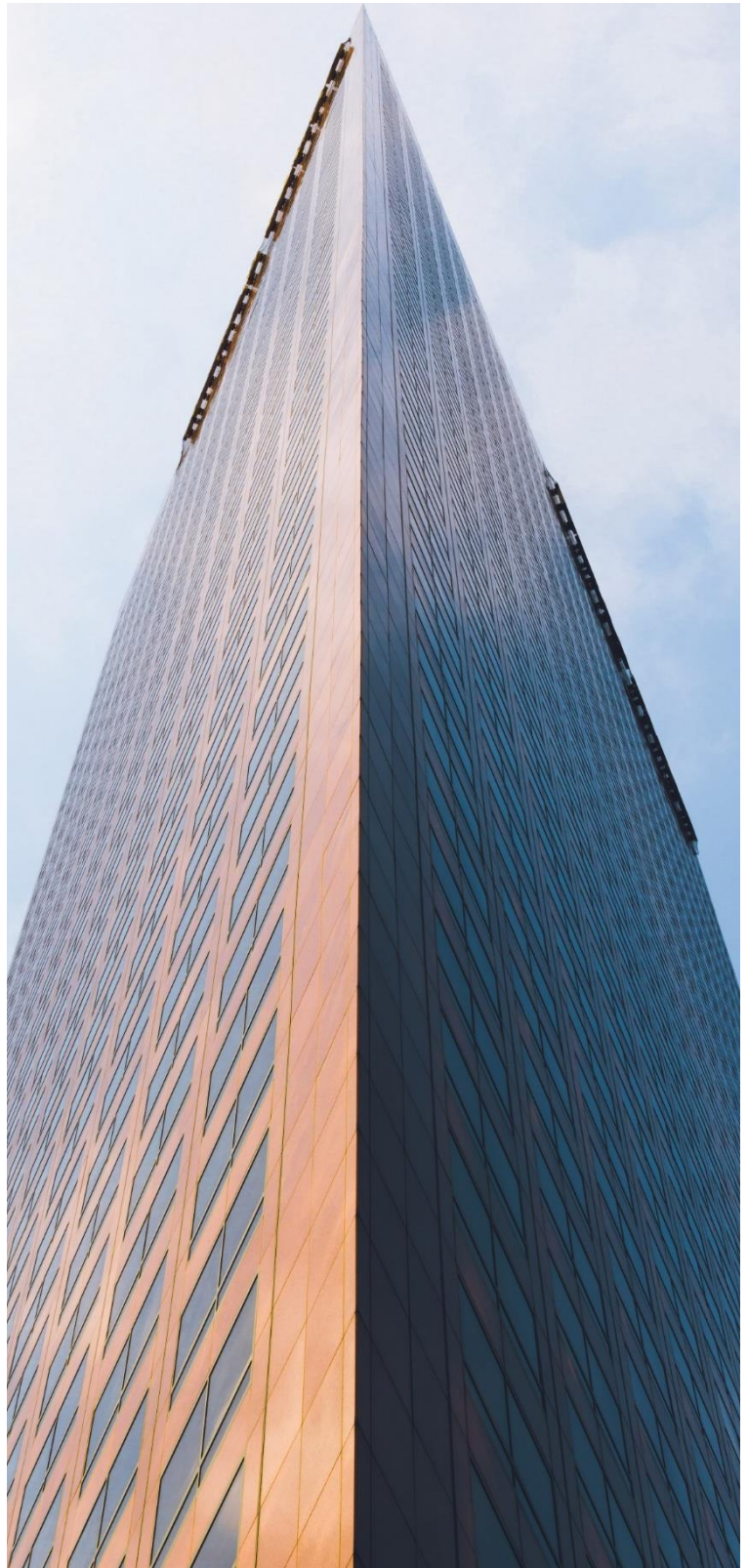
Head of Brokerage

Talal Al Balushi

 +968 2494 9051

 talal@u-capital.net

Visit us at: www.u-capital.net



Disclaimer

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

Ubhar Capital SAOC (U Capital)

Website: www.u-capital.net
PO Box 1137
PC 111, Sultanate of Oman
Tel: +968 2494 9036
Fax: +968 2494 9099
Email: research@u-capital.net

Disclaimer: This report has been prepared by Ubhar Capital (U Capital) Research and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The company accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. All opinions and estimates included in this document constitute U Capital Research team's judgment as at the date of production of this report and are subject to change without notice. This report may not be reproduced, distributed or published by any recipient for any other purpose.