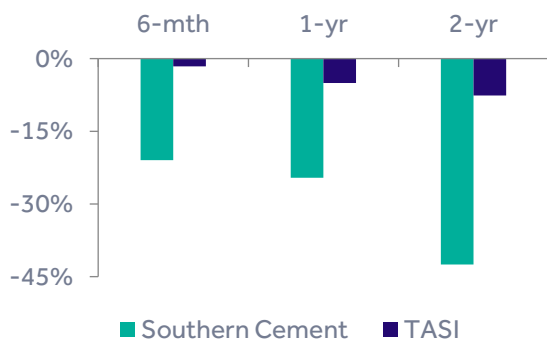


Market Data	
52-week high/low	SAR 55.50/40.00
Market Cap	SAR 5,754 mln
Shares Outstanding	140 mln
Free-float	62.55%
12-month ADTV	76,968
Bloomberg Code	SOCCO AB



■ Margins Rise Again Q/Q

November 06, 2023

Upside to Target Price 29.0%
 Expected Dividend Yield 4.3%
 Expected Total Return 33.3%

Rating Buy
 Last Price SAR 41.10
 12-mth target SAR 53.00

Southern Cement	3Q2023	3Q2022	Y/Y	2Q2023	Q/Q	RC Estimate
Sales	286	323	(11%)	226	27%	295
Gross Profit	81	106	(24%)	37	119%	54
Gross Margins	28%	33%		16%		18%
Operating Profit	58	93	(38%)	23	152%	37
Net Profit	53	89	(40%)	19	179%	35

(All figures are in SAR mln)

- On a Y/Y basis, SPCC's top-line declined -12% to SAR 286 mln. This decline is attributed to a -11% decline in total sales volume, led by a -13% decline in local sales volumes, on the back of lower demand. On a Q/Q basis, sales went up +27% driven by +14% growth in local sales volumes and +96% in Clinker exports. Average selling prices at SAR 171/ton were stable Y/Y and Q/Q.
- Gross margins remained under pressure Y/Y, contracting to 28% compared to 33% in 3Q2022, on the back of higher COGS per tons while GP margins improved Q/Q from 16% driven by lower COGS per tons. Gross profit fell by -24% Y/Y but is up +119% Q/Q to SAR 81 mln. Net margins contracted to 19% Y/Y but were higher Q/Q.
- Local sales volume remain weak this year due to subdued demand, especially from the retail segment, coupled with pressure on margins. Thus, in 9M2023 local sales volume declined -11 % Y/Y to 3.8 mln tons.
- SPCC's bottom-line fell by -40% Y/Y but jumped +179% Q/Q to SAR 53 mln, beating both our estimates of SAR 35 mln and market consensus of SAR 40 mln on higher than expected margins. We maintain our target price of SAR 53.00 but upgrade our rating to a Buy with a positive outlook in demand in light of the recent announcement from PIF of launching "Ardara," which will develop AlWadi in Aseer Region in the southwest of Saudi Arabia.

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■ 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
For any feedback on our reports, please contact research@riyadcapital.com

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