

Yamama Cement Co.

Q1 2018

Recommendation Neutral

Fair Value (SAR) 16.00

Price as of April 25, 2018 16.80
Expected Return -4.8%

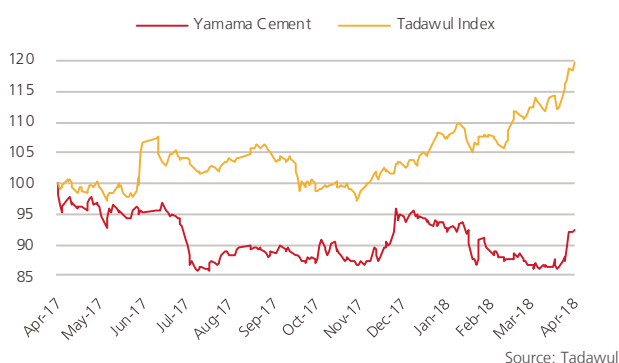
Company Data

Tadawul Symbol	3020.SE
52 Week High (SAR)	18.20
52 Week Low (SAR)	15.80
YTD Change	-4.0%
3-Month Average Volume (Thousand Shares)	284
Market Cap. (SAR Million)	3,402
Market Cap. (USD Million)	907
Outstanding Shares (Million Shares)	202.5

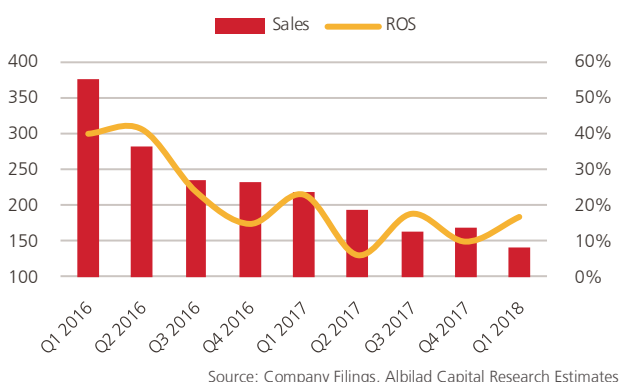
Major Shareholders (> 5%)

Prince Sultan Mohammed Saud Al Kabeer	9.12%
Public Pension Agency	5.53%

52-week Stock Price Movement



Quarterly Sales (SAR million) and ROS



Mohammed H. Atiyah
Financial Analyst
MH.Atiyah@albilad-capital.com

For more information, please contact:
Turki Fadaak
Research & Advisory Manager
TFadaak@albilad-capital.com

Yamama Cement Co. reported net profit of SAR 23.8 million in Q1 2018 sliding 53% from SAR 50.8 million in Q1 2017, while leaping 41% from SAR 16.9 million during Q4 2017. This resulted in a net profit margin of 16.9% in Q1 2018 compared to 23.1% in Q1 2017 and 10% for the previous quarter, with Q4 margin buffeted by an impairment charge of SAR 21 million pertaining to the company's investment in Yemen.

Total revenues hit a ten-year low in Q1 2018 slumping 36% YoY to reach SAR 141 million compared to SAR 220 million in Q4 2017, and dropping 17% QoQ from SAR 169 million in the previous quarter. Furthermore, the company sold 0.75 million tons of cement in Q1 2018 compared with 1.24 million tons in Q1 2017 slumping 40% YoY, and also 14% QoQ from 0.87 million tons in Q4 2017.

The YoY remarkable slump in bottom line during Q1 2018 was driven by several reasons, including:

- The drop in volume sales on weak demand in the local market.
- The decrease in other income.

In comparison with the previous quarter, the growth in net profit was triggered by an impairment charge of SAR 21 million in Q4 2017.

Gross profit concluded Q1 2018 at SAR 38.8 million compared with SAR 62.9 million in Q1 2017 sliding 38% YoY and 28% QoQ from SAR 53.8 million. Moreover, operating profit dwindled 48% YoY achieving SAR 25 million compared with SAR 48.1 million in Q1 2017, and tumbled 40% QoQ from SAR 41.4 million. Therefore, the operating profit margin shrank to 17.7% compared with 21.8% for Q1 2017 and 24.5% for the previous quarter.

Total market sales in Q1 2018 tumbled 12.7% YoY reaching 11.91 million tons compared with 13.64 million tons in Q1 2017. The figure shrank slightly by 0.6% from 11.98 million tons in the previous quarter. Meanwhile, clinker inventory reached the highest level recording 35.7 million tons by the end of March 2018.

The first-quarter net profit missed our estimate of SAR 34 million and analysts' consensus of SAR 25 million; as the COGS/sales ratio hit 72.5% compared to 68.2% in the previous quarter. The average selling prices during Q1 2018 hit SAR 189 per ton compared with SAR 196 in Q4 2017. On the other hand, we expect selling prices will continue to fluctuate till the local demand recovers, as a result of the tough competition among companies coupled with high levels of clinker stocks, in addition to the difficulty of benefiting directly from the cancellation of the export tariffs given the slowdown in main neighboring economies as well as the company's remote location from Saudi borders. In light of the mentioned factors, we maintain our valuation of Yamama Cement at SAR 16 per share; after reviewing future estimates for the company's performance in the coming years factoring in the gradual removal of subsidies on energy products, which will significantly impact profitability margins going forward.

FY - Ending December	2015A	2016A	2017A	2018E
EV/EBITDA	2.41	3.33	7.86	8.71
EV/Sales	1.59	2.11	3.49	3.97
P/E	5.53	9.51	31.19	30.80
Dividend Yield	17.9%	6.0%	0.0%	0.0%
P/BV	0.92	1.00	0.99	0.96
P/Revenue	2.59	3.02	4.55	5.23
Revenue Growth	-1.3%	-14.2%	-33.5%	-13.1%
EPS (SAR)	3.04	1.77	0.54	0.55

Source: Company Filings, Albilad Capital Research Estimates

Income Statement (SAR mn)	2014A	2015A	2016A	2017A	2018E
Sales	1,328.9	1,311.1	1,125.0	748.3	650.3
COGS	435.3	384.7	355.1	357.1	295.4
SG&A	51.1	60.8	58.3	59.0	58.5
EBITDA	842.5	865.5	711.6	332.1	296.4
EBITDA Margin	63.4%	66.0%	63.3%	44.4%	45.6%
Depreciation and Amortization	181.4	189.9	299.8	199.4	181.4
Provisions	2.8	2.5	2.4	2.4	2.4
EBIT	658.3	673.2	409.4	130.2	112.5
EBIT Margin	49.5%	51.3%	36.4%	17.4%	17.3%
Net interest income	(2.6)	(1.2)	0.0	0.0	0.0
Investment income (Unrealized)	(6.4)	(39.2)	(13.7)	23.8	21.4
Others	61.5	19.0	(8.8)	(15.2)	6.5
Pre-Tax and Zakat Income	710.8	651.7	386.9	138.8	140.5
Tax and Zakat	40.0	36.5	29.0	29.7	30.0
Net Income	670.8	615.2	357.9	109.1	110.5
ROS	50.5%	46.9%	31.8%	14.6%	17.0%
Balance Sheet (SAR mn)	2014A	2015A	2016A	2017A	2018E
Cash and Marketable securities	1,248.0	681.0	506.4	420.2	445.3
Accounts Receivables	237.9	261.1	247.3	250.7	244.0
Inventory	233.2	385.7	523.6	550.0	573.6
Others	80.8	76.5	122.8	50.0	67.2
Total ST Assets	1,799.8	1,404.3	1,400.2	1,270.9	1,330.1
Net Fixed Assets	1,579.7	1,428.5	921.1	695.7	550.7
Projects Under Implementation	70.9	464.4	816.0	2,319.6	3,831.6
Others	547.6	683.8	524.0	372.7	376.4
Total LT Assets	2,198.3	2,576.7	2,261.1	3,387.9	4,758.7
Total Assets	3,998.1	3,980.9	3,661.2	4,658.8	6,088.9
Short Term Debt and CPLTD	10.4	0.0	0.0	0.0	35.0
Accounts Payable	66.4	103.5	56.7	61.3	57.8
Accrued Expenses	20.5	20.8	17.8	18.1	15.6
Others	102.0	109.6	113.1	108.6	109.2
Total ST Liabilities	199.3	233.9	187.6	188.1	217.6
Total Long Term Debt	0.0	0.0	0.0	950.0	2,220.0
Other Non-Current Liabilities	66.9	66.3	73.6	80.8	89.2
Equity	3,731.9	3,680.8	3,400.0	3,440.0	3,562.0
Total Liabilities and Equity	3,998.1	3,980.9	3,661.2	4,658.8	6,088.9

Source: Company Filings, Albilad Capital Research Estimates

Presentation of financial statements may differ from the company's presentation. However, there is no impact on the final results.

A: Actual. E: Albilad Capital Research Estimates. F: Albilad Capital Research Forecasts.

* Historical financial statements were prepared according to the previous Saudi reporting standards. Some items in the financials statements for 2016-2018 are reclassified according to IFRS.

Cement and Clinker Summary by the End of Q1 2018

Figure in thousand ton	Q1 2018	Q1 2017	YoY	Q4 2017	QoQ
Sector Production					
Cement	11,996	13,693	(12%)	11,933	1%
Clinker	11,109	12,870	(14%)	11,815	(6%)
Sector Dispatches					
Cement	11,910	13,643	(13%)	11,982	(1%)
Clinker	130	2	-	-	-
Sector Inventory					
Cement	1,184	1,239	(4%)	1,092	8%
Clinker	35,739	28,999	23%	35,626	0.3%
Cement Production / Company					
Yamama Cement	747	1,242	(40%)	837	(11%)
Saudi Cement	1,533	1,455	5%	1,267	21%
Eastern Cement	572	618	(7%)	660	(13%)
Qassim Cement	933	1,068	(13%)	1,054	(11%)
Yanbu Cement	1,439	1,645	(13%)	1,288	12%
Arabian Cement	1,035	1,122	(8%)	881	17%
Southern Cement	1,322	1,518	(13%)	1,481	(11%)
Tabuk Cement	352	337	4%	305	15%
Riyadh Cement	510	868	(41%)	573	(11%)
Najran Cement	498	568	(12%)	501	(1%)
City Cement	722	1,031	(30%)	859	(16%)
Northern Cement	351	305	15%	308	14%
Jouf Cement	348	434	(20%)	346	1%
Safwa Cement	465	478	(3%)	448	4%
Hail Cement	335	266	26%	325	3%
Umm Al-Qura Cement	366	302	21%	352	4%
United Cement	468	436	7%	448	4%
Cement Dispatches / Company					
Yamama Cement	746	1,242	(40%)	865	(14%)
Saudi Cement	1,450	1,471	(1%)	1,314	10%
Eastern Cement	579	614	(6%)	651	(11%)
Qassim Cement	923	1,073	(14%)	1,045	(12%)
Yanbu Cement	1,489	1,592	(6%)	1,258	18%
Arabian Cement	1,035	1,113	(7%)	875	18%
Southern Cement	1,312	1,527	(14%)	1,489	(12%)
Tabuk Cement	357	343	4%	314	14%
Riyadh Cement	510	862	(41%)	581	(12%)
Najran Cement	479	566	(15%)	503	(5%)
City Cement	722	1,051	(31%)	865	(17%)
Northern Cement	348	323	8%	306	14%
Aljouf Cement	341	409	(17%)	332	3%
Safwa Cement	467	485	(4%)	445	5%
Hail Cement	328	263	25%	325	1%
Umm Al-Qura Cement	363	303	20%	359	1%
United Cement	461	406	14%	455	1%

Albilad Capital Rating Methodology

Al-Bilad Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight:	The Target share price exceeds the current share price by $\geq 10\%$.
Neutral:	The Target share price is either more or less than the current share price by $< 10\%$
Underweight:	The Target share price is less than the current share price by $\geq 10\%$.
To be Revised:	No target price had been set for one or more of the following reasons: waiting for more analysis, waiting for detailed financials , waiting for more data to be updated, major change in company's performance, change in market conditions or any other reason from Albilad Capital Research.

Albilad Capital

Client Services

E-mail: clientservices@albilad-capital.com
Tel: +966-11-203-9888
Toll-free: 800-116-0001

Research & Advisory

E-mail: research@albilad-capital.com
Tel: +966-11-290-6250
Website: www.albilad-capital.com/en/research

Asset Management

E-mail: abicaset@albilad-capital.com
Tel: +966-11-290-6280

Brokerage

E-mail: abicctu@albilad-capital.com
Tel: +966-11-290-6230

Custody

E-mail: custody@albilad-capital.com
Tel: +966-11-290-6259

Investment Banking

E-mail: investmentbanking@albilad-capital.com
Tel: +966-11-290-6256

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