

Qassim Cement (QACCO) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

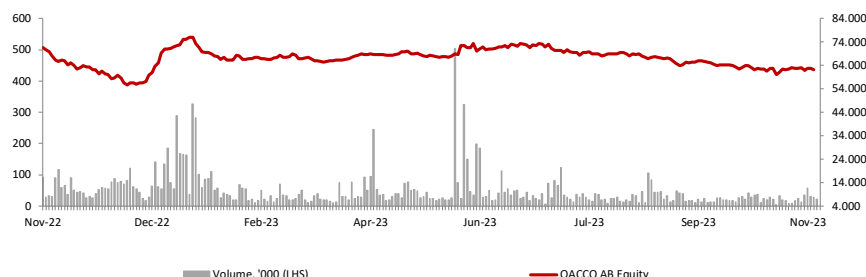
Previous Reco. & Date: TP: SAR 64.30 per share; Hold on 21-May-2023

Target Price (SAR): **64.30**

Upside / (Downside): 3.4%

Date: 11/8/2023

Bloomberg Ticker	QACCO AB
Current Market Price (SAR)	62.20
52wk High / Low (SAR)	76.5/55.6
12m Average Vol. (000)	49.5
Mkt. Cap. (USD/SAR mn)	1,492/5,598
Shares Outstanding (mn)	90.0
Free Float (%)	99%
3m Avg Daily Turnover (000)	1,699.8
6m Avg Daily Turnover (000)	2,741.6
P/E'23e (x)	26.5
EV/EBITDA'23e (x)	17.2
Dividend Yield '23e (%)	4.8%
Price Perf. (1m/3m) (%)	-1.1/-9.9



Revenue decreased by 28% YoY, missing consensus and U capital expectations

Qassim Cement reported revenue of SAR 120.8mn for 3Q23, which missed consensus as well U capital expectations. The revenue contracted by 28% YoY and 12% QoQ due to the decrease in sales value and volume. For 9MY23, revenue decreased by 6.4% YoY due to the decrease in sales and other income.

Net profit dropped significantly on YoY and QoQ basis

The company reported a net profit of SAR 8.0mn which came below our estimate of SAR 47.9mn, Bloomberg consensus of SAR 53.3mn, and Argaam compiled consensus of SAR 48.2mn. Net profit dropped 66% YoY due to the decrease in sales volume and value. On QoQ basis, net profit was down by 79% due to the lower sales value and decrease in financial investment returns. As per monthly data, the company reported a decline of nearly 8.8% YoY in cement sales to 1.02mn tons while on QoQ basis the sales volume increased by 29.6% to 790.6mn tons in 3Q23. The decline in QoQ revenue even after the increase in volume underlines the fact that the realisation value was poor during the quarter. For 9M23, net income grew 30.5% driven by the increase in financial investment returns which offset the decrease in sales and other income.

Maintaining our rating on the stock

We expect higher cement sales prices on improving demand conditions to support the company revenue growth in the coming years and Profitability to rise driven by higher revenues and likely better margins. Accordingly, we maintain a Hold rating for the stock.

Valuation

Qassim Cement is trading at 2023e P/E of 26.5x, representing a 18% discount compared to the historical average P/E of 32.2x. Additionally, EV/EBITDA multiple of 17.2x, based on our FY23 estimate, represents a 25% discount compared to the historical average EV/EBITDA of 22.8x.

Income Statement													
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Sales/Revenue	152.1	166.8	217.1	174.1	137.2	120.8	195.7	-28%	-12%	-38%	461.4	432.1	-6.4%
Gross Profit (Loss)	45.7	38.1	77.3	56.6	37.6	13.1	63.7	-66%	-65%	-79%	111.1	107.3	-3.5%
Operating Profit (Loss)	38.6	34.0	60.8	49.1	28.3	10.1	54.8	-70%	-64%	-82%	100.3	87.4	-12.8%
Net Profit (Loss) after tax	29.0	23.4	53.0	54.9	38.1	8.0	47.9	-66%	-79%	-83%	77.5	101.1	30.5%
Balance Sheet													
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,690.6	1,669.0	1,664.8	1,665.7	1,645.2	1,653.2	1,637.9	-1%	0%	1%			
Key Ratios													
	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Gross Profit Margin	30.0%	22.8%	35.6%	32.5%	27.4%	10.8%	32.5%						
Operating Profit Margin	25.4%	20.4%	28.0%	28.2%	20.6%	8.3%	28.0%						
Net Profit Margin	19.0%	14.0%	24.4%	31.6%	27.8%	6.7%	24.5%						
Return on Equity (RoE)	6.9%	5.6%	12.7%	13.2%	9.3%	1.9%	11.7%						
Annualized EPS (SAR)	1.28	1.04	2.36	2.44	2.69	0.36	2.68						
BVPS (SAR)	18.78	18.54	18.50	18.51	18.28	18.37	18.20						
TTM P/E (x)							31.7						
Current P/BV (x)							3.4						

Source: Financials, Bloomberg, U Capital Research


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


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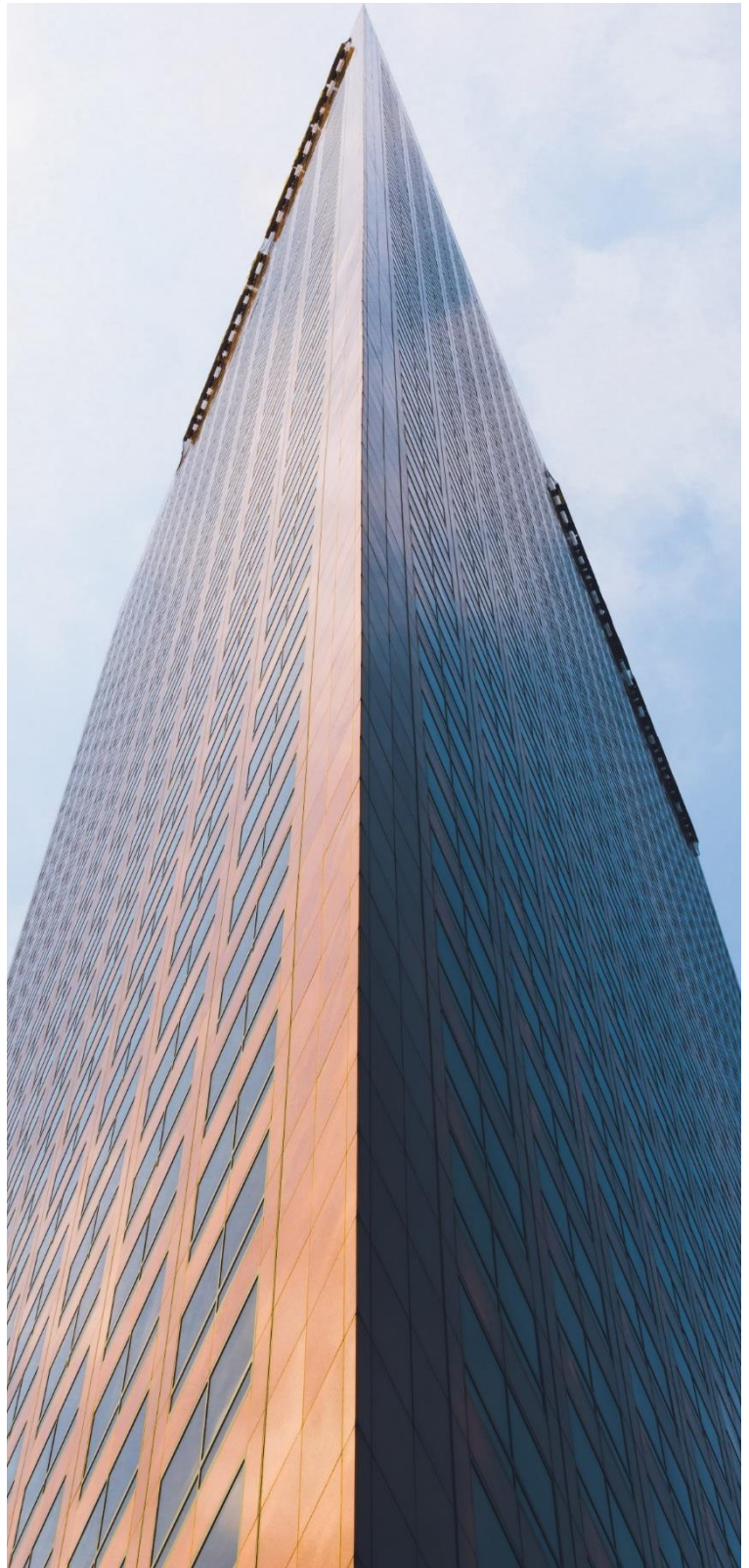
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Recommendation

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

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