Qassim Cement (HOLD, TP: SAR 51, 3040.SE) 1Q26 Results Review

Pricing recovery supports margins, but weak dispatches, market share erosion, and gradual sector demand normalization continue to limit QACCO's near-term earnings rerating potential. Maintain Hold.

Qassim Cement Company (QACCO) reported a 22% Y/Y decline in 1Q26 earnings, with EPS at SAR 0.63, primarily driven by an 18% decline in operating profit and a 3% decrease in revenue despite higher average selling prices. Profitability remained under pressure due to elevated operating expenses and higher fuel costs following revised fuel pricing implemented at the beginning of FY26. The Board of Directors recommended a cash dividend of SAR 0.80/share for 1Q26.

- Revenue declined 3.3% Y/Y, driven by an 8.8% decline in dispatch volumes, partially offset by a 6.1% increase in retention prices. Sequentially, revenue increased 0.9% Q/Q, supported by a 16.0% rise in realized prices during Ramadan and Eid Al-Fitr, partially offset by a 13.0% decline in dispatches.
- Gross margin contracted 363bps Y/Y due to a 14.8% increase in cost per ton. On a Q/Q basis, gross margin expanded 419bps despite a 13.5% increase in production cost per ton, supported by stronger pricing dynamics.
- Operating margin declined 450bps Y/Y as operating profit fell 18.1%, primarily driven by elevated operating expenses. Sequentially, operating margin improved 122bps as operating profit increased 6.1% Q/Q. Net margin declined 581bps Y/Y and 25bps Q/Q to 23.5%, reflecting continued pressure from higher operating expenses.
- QACCO's inventory-to-LTM sales ratio stood at 44%, below both the regional peer average of 45% and the sector average of 78%, indicating relatively healthier inventory management versus domestic peers. Inventory declined to 4.8mn tons compared with 5.2mn tons in 4Q25 and 5.0mn tons in 1Q25.
- QACCO trades at EV/ton of SAR 859, at 72% premium to the sector (EV/ton of SAR 501) and 70% premium to its regional peers (EV/ton of SAR 507). It trades at 2% discount to its 3-year average EV/ton multiple of SAR 880.
- *Qassim Cement Company (QACCO) reported a weaker operating performance in 1Q26, with revenue declining 3.3% Y/Y as improving pricing trends across the KSA cement market were insufficient to offset continued weakness in dispatch volumes. The weaker dispatch performance also resulted in market share erosion, with QACCO losing 82bps of market share during the quarter, contributing to a 55bps contraction across its operating market, partially offset by HAIL's 27bps gain. The decline highlights that recent improvement in sector pricing has yet to translate into stronger volume for QACCO, reflecting continued competitive intensity within the central region despite gradual normalization in cement pricing. The quarter broadly reflects the current phase of the KSA cement cycle, where long-term demand visibility remains supported by Vision 2030-linked infrastructure development, housing activity, and giga-project execution, while near-term` demand conversion continues to lag expectations. Although project pipelines across the KSA remain substantial, the pace of execution and actual cement offtake remains uneven across regions, limiting dispatch recovery and keeping utilization rates below levels required for a meaningful sector earnings re-rating. As a result, sector earnings stabilization is currently being driven more by pricing discipline than volume recovery, particularly amid elevated clinker inventories and persistent competitive pressure. Operationally, QACCO continues to maintain a relatively resilient operating profile supported by its efficient production base, disciplined cost structure, and established market position within the central region. The comparatively healthier inventory position reduces the immediate need for aggressive price-led inventory liquidation and supports margin resilience relative to several domestic peers. Nevertheless, QACCO's earnings trajectory remains closely tied to the broader pace of domestic cement demand normalization rather than company-specific growth catalysts. Unlike certain regional peers pursuing more aggressive expansion-led growth strategies, QACCO's medium-term growth outlook remains dependent on improving utilization rates and sustained pricing recovery across the sector.*
- *Looking ahead, we expect sector fundamentals to strengthen progressively as infrastructure execution broadens across the KSA, supporting a steady recovery in domestic cement demand over the medium term. Further improvement in pricing discipline and utilization rates should support margin stability and incremental operating leverage for producers; however, we expect the pace of earnings recovery to remain measured given still-elevated clinker inventories across the industry and the risk of renewed competitive pricing if demand recovery fails to accelerate materially. QACCO's medium-term profitability outlook also remains linked to the successful execution of its efficiency-led expansion strategy, including clinker line replacement and fuel transition initiatives aimed at improving operational efficiency and partially mitigating higher energy costs. However, the debt-funded nature of these investments continues to elevate execution and balance sheet risk at a time when sector profitability remains under pressure and sector pricing recovery remains gradual. QACCO trades at an EV/ton of SAR 859, representing a 72% premium to the sector average, while remaining broadly in line with its own 3-year average multiple. In our view, current valuations already reflect the company's operational resilience, healthier inventory profile, and defensive balance sheet characteristics, limiting the scope for a meaningful re-rating given the gradual pace of sector demand normalization, continued competitive intensity within the central region, and QACCO's moderate earnings growth outlook. Maintain Hold.*

Rating and Risks

We have a HOLD rating on Qassim, and our 12-month target is SAR 51. Upside risks include stronger-than-expected cement demand, higher retention price, prices, faster infrastructure execution, and sharper improvement in sector pricing discipline. Downside risks include a slump in cement demand, rising inventory levels, regulatory actions against higher selling prices, and contraction in public spending due to the decline in oil prices.

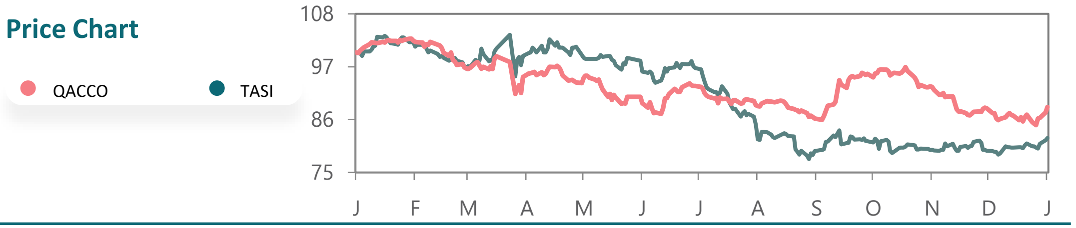
SAR mln	**1Q26**	**4Q25**	**1Q25**	**Q/Q %**	**Y/Y %**
Revenues	293	290	303	*0.9%*	*-3.3%*
Cost of Goods	-216	-226	-212	*-4.6%*	*1.7%*
Gross Profit	77	64	90	*20.0%*	*-15.0%*
Operating Income/(Expenses)	-4	4	-2	*-198.1%*	*137.7%*
Operating Profit	73	68	89	*6.1%*	*-18.1%*
Net Income	**69**	**68**	**89**	***-0.2%***	***-22.5%***
EPS	0.63	0.63	0.81	*-0.2%*	*-22.5%*
Dispatches ('000 tons)	1547	1779	1697	*-13.0%*	*-8.8%*
Realized Price (SAR/ton)	189	163	178	*16.0%*	*6.1%*
Cost per ton (SAR/ton)	122	107	106	*13.5%*	*14.8%*
Margins (%)					
Gross Margin	26.3%	22.1%	29.9%	*419 bps*	*-363 bps*
Operating Margin	24.8%	23.6%	29.3%	*122 bps*	*-450 bps*
Net Margin	23.5%	23.7%	29.3%	*-25 bps*	*-581 bps*

Rating Summary and Forecasts

Rating Summary	
Rating	Hold
Market Price	46.0
12-month Target Price	50.9
Upside / Downside	11%
Mkt Cap (SAR mn)	5,046.8
52 week High/Low	51.70/40.50

Forecasts	**12/25 A**	**12/26 E**	**12/27 E**	**12/28 E**
Net Income (SAR mn)	260	229	203	228
PER (x)	19.4	22.0	24.8	22.1
PBV (x)	1.9	1.9	1.9	1.9
EPS (SAR)	2.4	2.1	1.9	2.1
DPS (SAR)	3.2	2.1	1.8	2.1
RoE (%)	9.8	8.6	7.6	8.6
Dividend Yield (%)	6.9	4.5	4.0	4.5

Price Chart



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Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

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