

City Cement - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Buy**

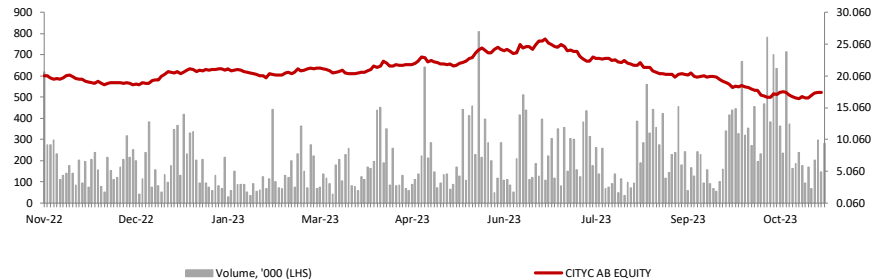
Target Price (SAR): **UR**

Previous Reco. & Date: TP: SAR 26.5 per share; Buy on 21-May-2023

Upside / (Downside): -

Date: 11/5/2023

Bloomberg Ticker	CITYC AB
Current Market Price (SAR)	17.500
52wk High / Low (SAR)	26.15/16.2
12m Average Vol. (000)	210.6
Mkt. Cap. (USD/SAR mn)	653/2,450
Shares Outstanding (mn)	140.0
Free Float (%)	74%
3m Avg Daily Turnover (000)	5,149.6
6m Avg Daily Turnover (000)	5,271.7
P/E'23e (x)	18.9
EV/EBITDA'23e (x)	11.4
Dividend Yield '23e (%)	8.0%
Price Perf. (1m/3m) (%)	-1.5/-21.5



Revenue decreased by 29% YoY, missing our expectation

City Cement reported revenue of SAR 70.7mn for 3Q23, missing our expectation. The revenue decreased by 29% YoY and 9% QoQ due to decrease in the quantity and value of sales. For 9M23, revenue decreased 14% YoY to SAR 256.7mn mainly due to the decrease in the quantity of sales.

Net profit decreased 83% YoY and 82% QoQ

Net profit dropped significantly to SAR 4.4mn well below our estimates of SAR 32.8mn. The decline in the net profit caused by the decrease in quantity and value of sales. For 9M23, the net profit decreased by 16% YoY due to decrease in the quantity of sales.

Placing on "Under Review"

The company's operational profit has declined significantly in 3Q23, we would like to deep dive into the company's financials and understand the reason behind this steep fall. We will come up with the investment update note once the detailed financial reports are available for 3Q23. Till the time we are placing City Cement "Under Review".

Valuation

City Cement is trading at 2023e P/E of 18.9x, representing a 16% premium compared to the historical average P/E of 16.2x. Additionally, EV/EBITDA multiple of 11.4x, based on our FY23 estimate, represents a 4% premium compared to the historical average EV/EBITDA of 11.0x.

Income Statement													
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Sales/Revenue	89.2	100.1	134.0	108.2	77.8	70.7	127.0	-29%	-9%	-34%	297.4	256.7	-14%
Gross profit	32.9	28.4	57.8	33.0	30.8	13.0	42.0	-54%	-58%	-69%	87.6	76.8	-12%
Operational Profit	24.3	20.7	48.3	24.3	21.7	3.0	34.5	-86%	-86%	-91%	62.5	48.9	-22%
Net Profit (Loss) after tax	24.8	25.3	47.8	27.6	24.3	4.4	32.8	-83%	-82%	-87%	67.3	56.3	-16%
Balance Sheet													
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,802.8	1,771.7	1,819.1	1,776.7	1,801.0	1,805.4	1,735.8	2%	0%	4%			
Key Ratios													
	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Net Profit Margin	28%	25%	36%	25%	31%	6%	30%						
Return on Equity (RoE)	6%	6%	11%	6%	5%	1%	8%						
Annualized EPS (SAR)	0.71	0.72	1.36	0.79	0.69	0.13	0.94						
BVPS (SAR)	12.9	12.7	13.0	12.7	12.9	12.9	12.4						
TTM P/E (x)						19.6							

Source: Financials, Bloomberg, U Capital Research


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


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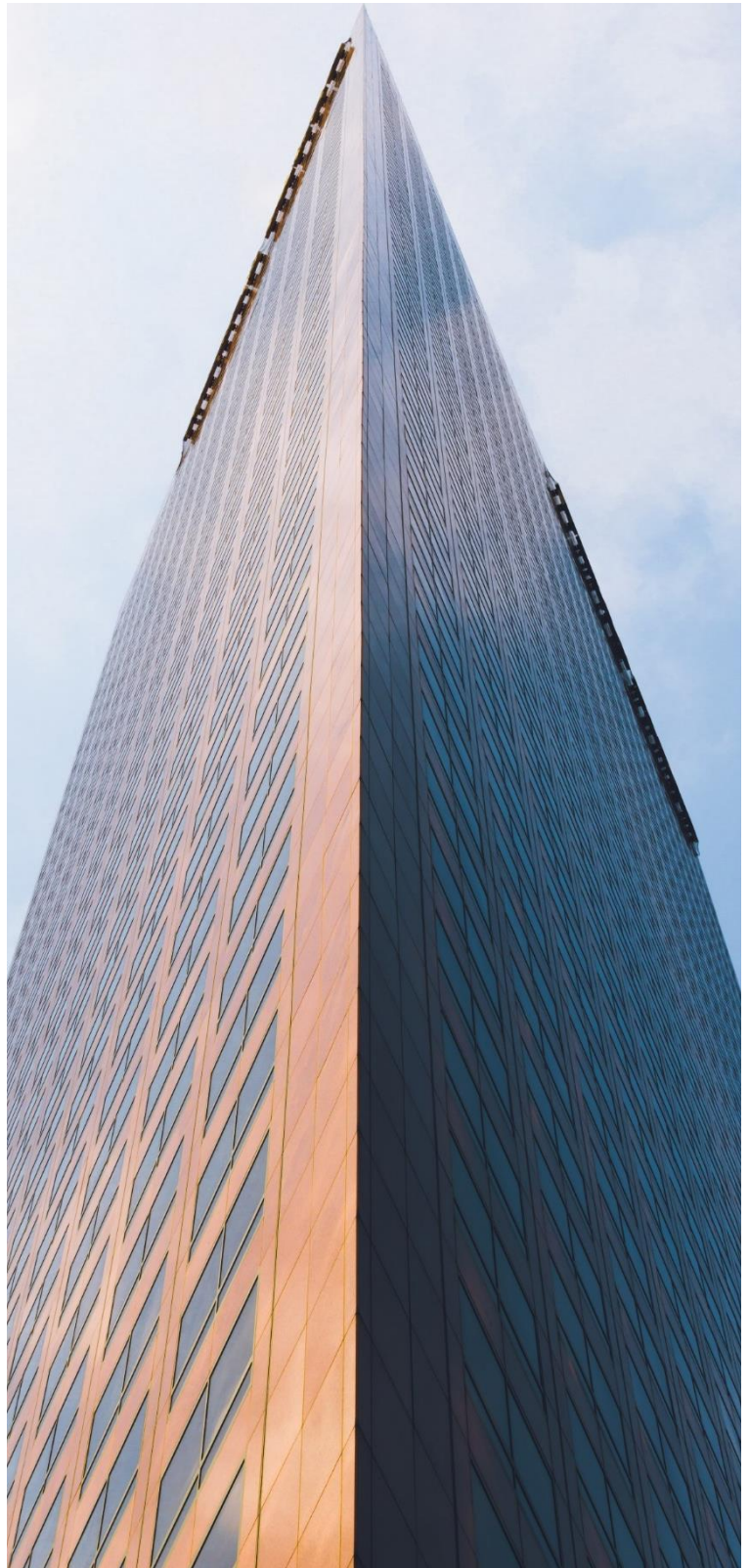
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Disclaimer

Recommendation

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

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