Yanbu Cement Co. (BUY, TP: SAR 18, 3060.SE) 1Q26 Results Review

Higher retention prices drove strong Y/Y and Q/Q earnings growth in 1Q26. Maintain BUY.

Yanbu Cement (YNCCO) reported a 26% Y/Y and 53% Q/Q increase in 1Q26 earnings, with EPS reaching SAR 0.24. Revenue declined year-on-year due to lower dispatch volumes but increased sequentially, supported by higher retention prices. Gross profit rose both Y/Y and Q/Q, driven by margin expansion. Operating expenses declined significantly compared to the prior year but increased compared to the previous quarter. As a result, operating income improved both Y/Y and Q/Q, while the company reported a net profit margin of 15% during the quarter.

- Revenue declined 5% Y/Y to SAR 254mn driven by decline in dispatches (-22% Y/Y) partly offset by higher retention price (+22% Y/Y). Local dispatches were down 2% Y/Y, while local retention price jumped 11% Y/Y, whereas clinker exports fell 46%, but selling price jumped 36% Y/Y. Sequentially, revenue improved 3% driven by realized price, +11% (local +10%, clinker exports +21%), partly offset by lower dispatches (local -2%, clinker exports +3%).

- Despite a decline in revenue Y/Y, gross profit increased by 1%, driven by a 22% Y/Y rise in realized prices, which outpaced the 19% Y/Y increase in production cost per ton. Consequently, gross margin expanded by 161bps Y/Y. On a sequential basis, gross profit rose 24%, supported by an 11% increase in retention price per ton compared with a 4% rise in production cost per ton, resulting in a 485bps expansion in gross margin.

- Operating expenses stood at SAR 33mn, declining 16% Y/Y due to lower selling and distribution expenses, although they increased 24% Q/Q. The combination of higher gross profit and lower operating expenses (Y/Y) drove operating income up 19% Y/Y and 23% Q/Q to SAR 43mn. Consequently, net income increased to SAR 38mn in 1Q26, compared with SAR 30mn in 1Q25 and SAR 25mn in 4Q25, representing growth of 26% Y/Y and 53% Q/Q.

- The company's inventory-to-LTM sales ratio of 126% is higher vs. regional peers (average of 113%) and the sector (average of 78%). Inventory stood at 5.1mn tons (6.3mn tons in 1Q25 and 5.2mn tons in 4Q25).

- The company trades at EV/ton of SAR 242, a 48% discount to the sector (EV/ton of SAR 466) and a 21% discount to its region. It trades at a 45% discount to its 3-year average EV/ton multiple of SAR 438 compared with the overall sector, which is trading at 29% discount (SAR 655).

- *The company's profitability witnessed a strong rebound in 1Q26, supported by higher retention prices and from lower operating expenses. Market share improved, with national market share increasing 0.2% Y/Y and 0.7% Q/Q, while regional market share expanded by 0.2% Y/Y and 1.6% Q/Q. Looking ahead, construction activity in the Western region is expected to remain resilient, supported by ongoing urban development in Jeddah and continued investments in religious tourism infrastructure across Makkah and Madinah. Retention prices in the region increased 8% Y/Y in 1Q26, and with demand expected to remain supportive, pricing is likely to improve further. The company remains well-positioned to benefit from growth in residential development, infrastructure spending, and Vision 2030-related projects. With potential volume recovery, we expect the company's utilization levels to improve, and with a favorable long-term construction outlook, we maintain a positive view on the stock. We have updated our model, lowering sector and Yanbu Cement sales estimates by an average of 4% and 5%, respectively, over the forecast period. This resulted in an 8% reduction in our earnings estimates over the forecast horizon, while our target price declined by only 1%. Maintain Buy.*

Rating and Risks

We are Buy rated on YNCCO and our 12-month target price is SAR 18. Upside risks include stronger-than-expected cement demand and higher retention price. Downside risks include a slump in cement demand, rising inventory levels, regulatory action 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	254	246	266	*3%*	*-5%*
Cost of Sales	-178	-184	-191	*-3%*	*-7%*
Gross Profit	76	61	75	*24%*	*1%*
Operating Expenses	-33	-27	-39	*24%*	*-16%*
Operating Profit	43	35	36	*23%*	*19%*
Net Income	**38**	**25**	**30**	***53%***	***26%***
EPS	0.24	0.16	0.19	*53%*	*26%*
Dispatches (Cement & Clinker '000 tons)	1,442	1,544	1,845	*-7%*	*-22%*
Realized Price (SAR/ton)	176	159	144	*11%*	*22%*
Cost per ton (SAR/ton)	-124	-119	-104	*4%*	*19%*
Margins (%)					
Gross Margin	30	25	28	*485 bps*	*161 bps*
Operating Margin	17	14	13	*273 bps*	*336 bps*
Net Margin	15	10	11	*477 bps*	*355 bps*

Rating Summary and Forecasts

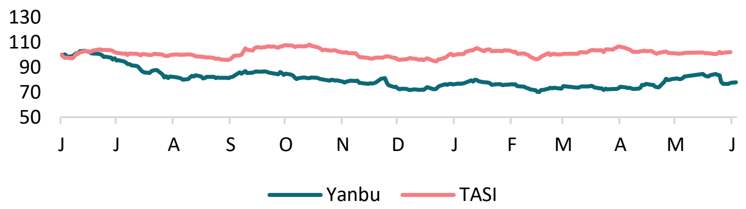
Rating Summary

Rating	Buy
Market Price	15.4
12-month Target Price	18
Upside / Downside	16%
Mkt Cap (SAR mn)	2,430.2
52 week High/Low	20.50/13.87

Forecasts	12/25 A	12/26 A	12/27 E	12/28 E
Net Income (SAR mn)	104	137	156	165
PER (x)	23.2	17.8	15.6	14.7
PBV (x)	1.0	1.0	1.0	1.0
EPS (SAR)	0.7	0.9	1.0	1.0
DPS (SAR)	1.3	0.9	1.0	1.0
RoE (%)	4.2	5.4	6.2	6.6
Dividend Yield (%)	8.1	5.8	6.5	6.5

Price Chart

TASI YCC



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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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