

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

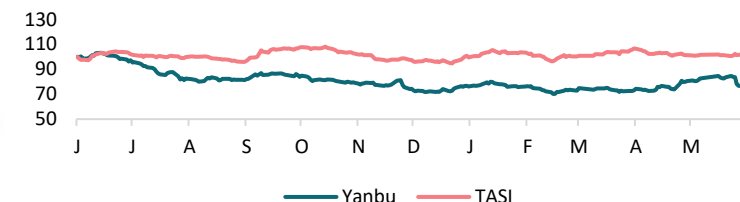
Rating	Buy
Market Price	15.4
12-month Target Price	18
Upside / Downside	16%
Mkt Cap (SAR mn)	2,430.2
52 week High/Low	20.50/13.87

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



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.

Saudi Fransi Capital (Closed Joint Stock Company Owned by BSF)

Authorized and regulated under Capital Market Authority license 11153-37. The company is operating under commercial registration 1010231217 with a paid up capital of SAR 500,000,000.

Head Office
8092 King Fahd Road | Riyadh 12313-3735 | Kingdom of Saudi Arabia

Mailing Address
P.O. Box 23454 Riyadh 11426 | Kingdom of Saudi Arabia

Tel: +966 11 282 6828 | 800 125 9999
www.bsfcapital.sa

Important Disclaimer

This report is prepared by Saudi Fransi Capital (“SFC”), a fully-fledged investment firm providing investment banking, asset management, securities brokerage, research, and custody services. SFC, and its affiliate, might conduct business relationships with the company that is subject of this report and/ or own its security.

This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report.

This report is intended for general information purposes only, and may not be reproduced or redistributed to any other person. This report is not intended as an offer or solicitation with respect to the purchase or sale of any security. This report is not intended to take into account any investment suitability needs of the recipient. In particular, this report is not customized to the specific investment objectives, financial situation, risk appetite or other needs of any person who may receive this report. SFC strongly advises every potential investor to seek professional legal, accounting and financial guidance when determining whether an investment in a security is appropriate to his or her needs.

To the maximum extent permitted by applicable law and regulation, SFC shall not be liable for any loss that may arise from the use of this report or its contents or otherwise arising in connection therewith. Any financial projections, fair value estimates and statements regarding future prospects contained in this report may not be realized. All opinions and estimates included in this report constitute SFC’s judgment as of the date of production of this report, and are subject to change without notice. Past performance of any investment is not indicative of future results. The value of securities, the income from them, the prices and currencies of securities, can go down as well as up. An investor may get back less than what he or she originally invested. Additionally, fees may apply on investments in securities. Changes in currency rates may have an adverse effect on the value, price or income of a security. No part of this report may be reproduced without the written permission of SFC. Neither this report nor any copy hereof may be distributed in any jurisdiction outside the Kingdom of Saudi Arabia where its distribution may be restricted by law. Persons who receive this report should make themselves aware of, and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.