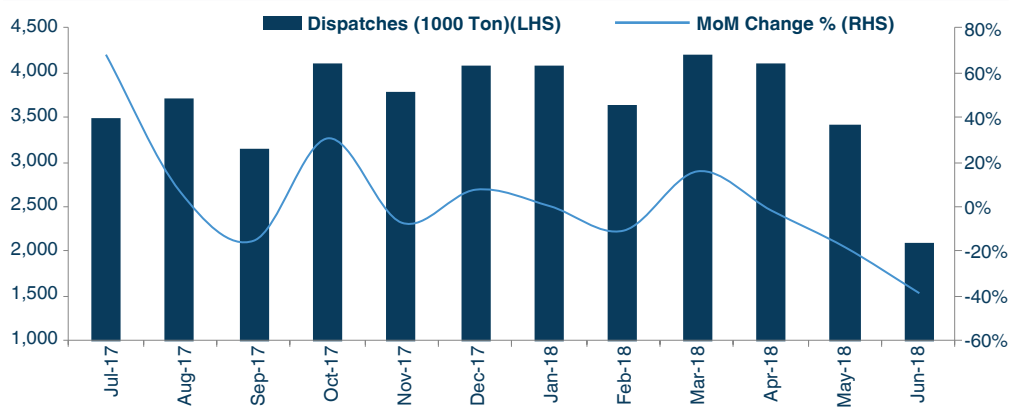


Cement dispatches: Cement dispatches for the month of June-2018 stood at 2.09mn tons (Umm AlQura dispatches was not provided for June 2018), compared to 2.1mn tons in June-2017, depicting an increase of 0.29%YoY (3.01%, adjusted for Umm AlQura). Clinker inventory showed an increase of 18.1%YoY (19.6%, adjusted) and 1.80%MoM to stand at 36.82mn tons during June 2018. For 6M-2018, cement dispatches stood at 21.06mn tons compared to 24.88 tons in 6M-2017, depicting a decline of 13.08%. Sales / clinker production ratio stood at 93.6% (excluding Umm AlQura) on YTD basis, where Najran cement registered the highest ratio at 158.8%.

Change in Cement Dispatches

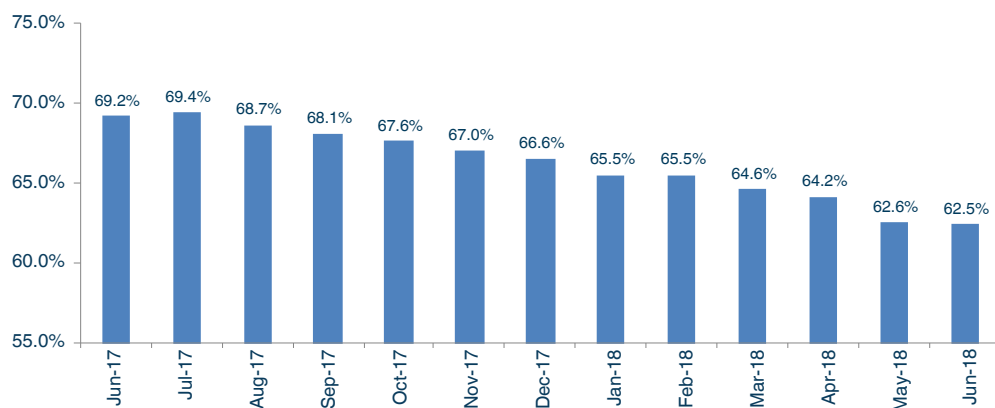
Source: Yamama Cement, AlJazira Capital



Cement dispatches showed a decline of 39% on monthly basis (38%, adjusted), the decline is attributed to Ramadan Season and Eid holidays.

Utilization Rate (TTM)

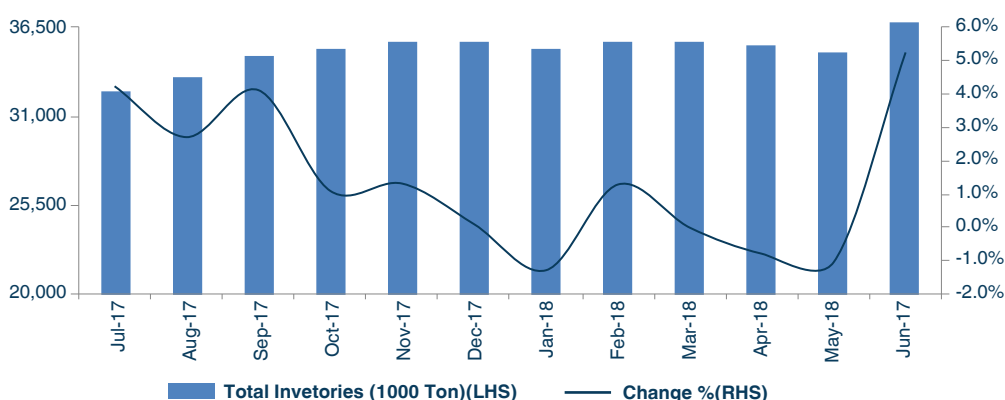
Source: Yamama Cement, AlJazira Capital



The total utilization rate of Saudi cement sector declined to 62.5% in June 2018 compared to 69.2% in June 2017.

Change in Clinker Inventories

Source: Yamama Cement, AlJazira Capital



During June 2018, clinker inventories stood at 36.82mn tons (excluding Umm alQura) recording an increase of 1.8%MoM (5.23%, adjusted).

Analyst

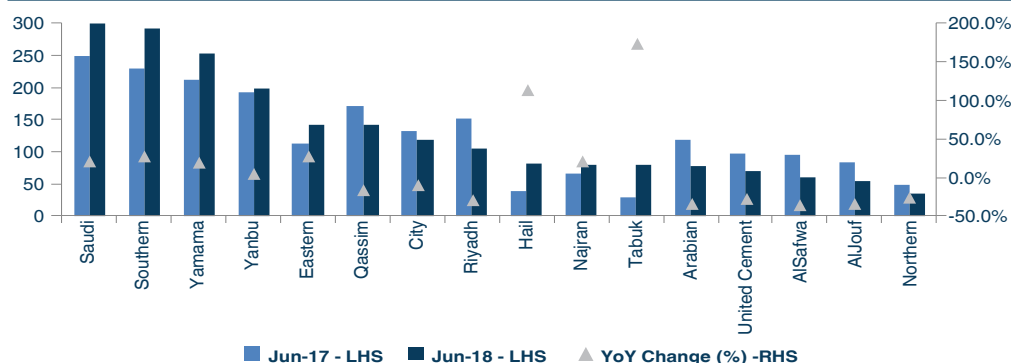
Waleed Al-jubayr

+966 11 2256146

W.aljubayr@aljaziracapital.com.sa

Cement Dispatches for June 2018

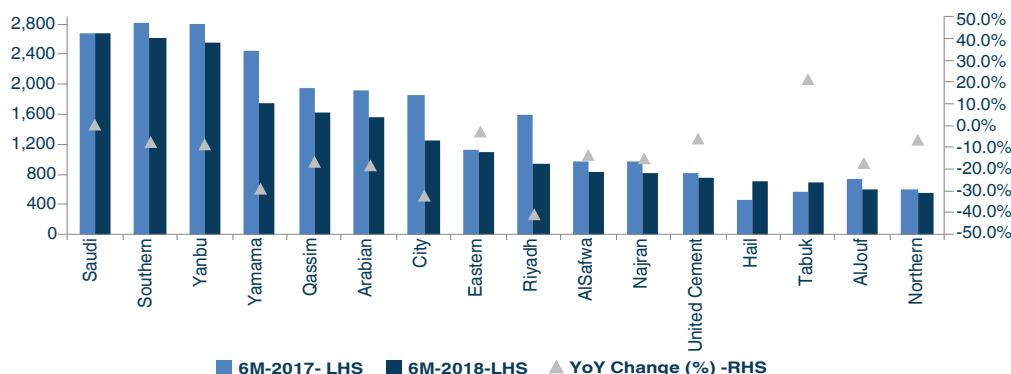
Source: Yamama Cement, AlJazira Capital



Tabuk and Hail cement recorded the highest growth in dispatches of 172.4%YoY and 113.2%YoY, respectively. On the other hand, AlSafwa cement showed the highest decline of 35.8%YoY, followed by Arabian cement with decline of 35.3%YoY.

Cement Dispatches for 6M-2018

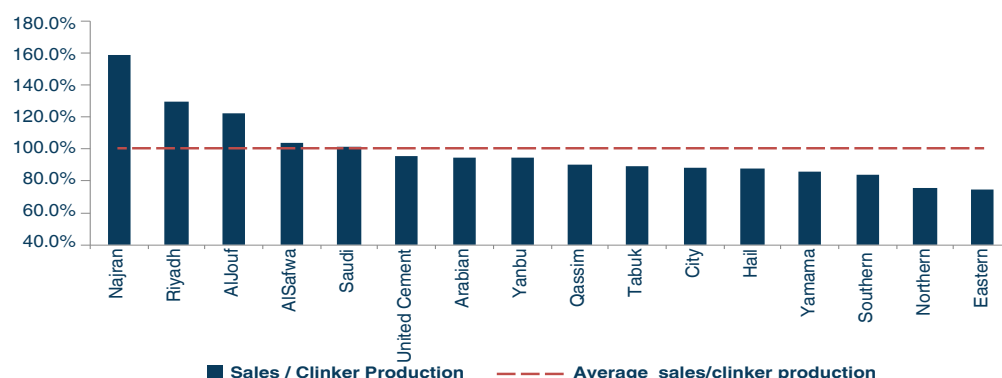
Source: Yamama Cement, AlJazira Capital



For 6M-2018, Hail cement showed the highest increase of 52.2%, followed by Tabuk cement with increase of 21.2%. While Riyadh cement and City cement showed a decline of 40.9%YoY and 32.1%YoY respectively.

Sales / Production for 6M-2018

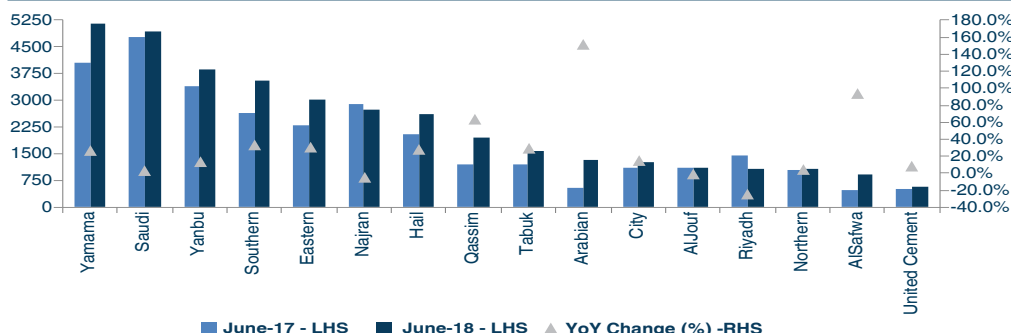
Source: Yamama Cement, AlJazira Capital



Najran and Riyadh cement showed the highest cement sales / clinker production ratio of 158.8% and 129.9% respectively. On the other hand, Eastern and Northern cement showed a cement sales/ clinker production ratio of 74.8% and 75.7% respectively.

Clinker Inventories

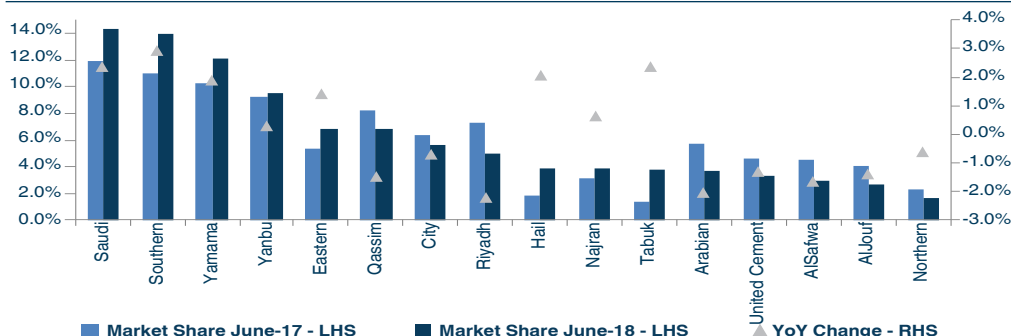
Source: Yamama Cement, AlJazira Capital



Arabian cement showed the highest increase of 151.4%YoY in its inventory level, followed by AlSafwa cement which showed an increase of 93.6%YoY. On the other hand, Riyadh and Najran cement showed a decline in the inventory level by 24.5%YoY and 5.2%YoY respectively.

Market Share – June 2018

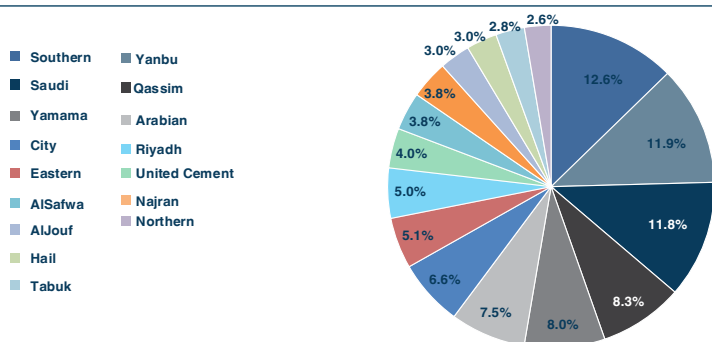
Source: Yamama Cement, ALJazira Capital



Saudi and Southern cement recorded the highest market share, in June 2018, of 14.33% and 13.9%, respectively. While Northern cement, recorded the lowest market share of 1.7%. Southern cement increased its market share from 11.0% to 13.9%YoY, while Riyadh cement market share declined from 7.3% to 5.0%YoY.

Market Share TTM

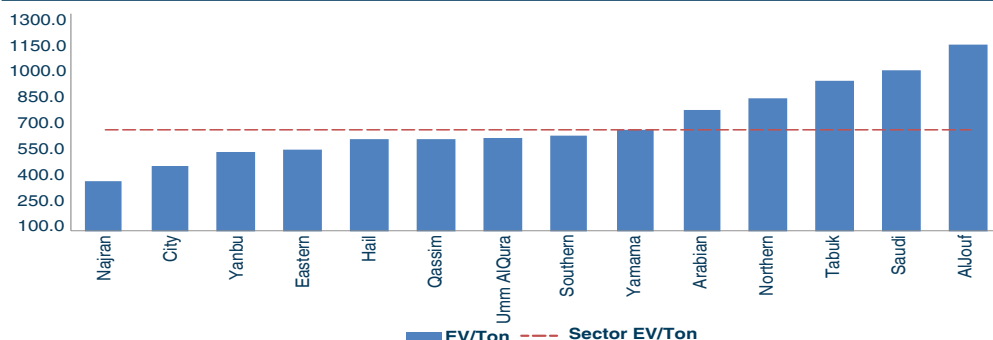
Source: Yamama Cement, ALJazira Capital



On TTM basis, Southern and Yanbu cement recorded the highest market share of 12.6% and 11.9% followed by Saudi cement with market share of 11.8%.

EV / Ton (in '000 SAR)

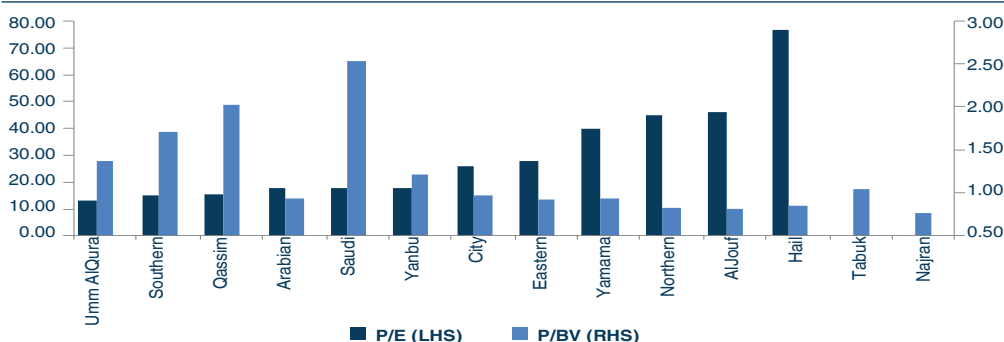
Source: Bloomberg, Yamama Cement, ALJazira Capital



AlJouf cement recorded the highest EV/Ton of SAR 1131.1, followed by Saudi cement with EV/Ton of SAR 986.5; whereas Najran cement recorded the lowest EV/Ton of SAR 379.0.

P/E & P/BV

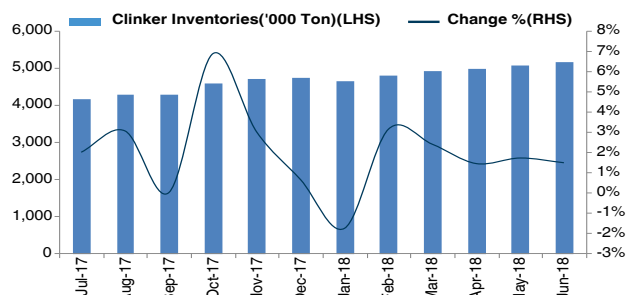
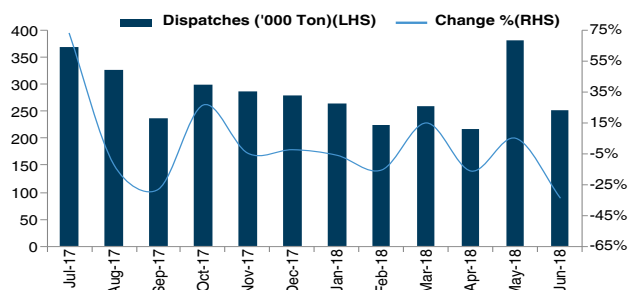
Source: TADAWUL, ALJazira Capital. *Najran and Tabuk cement P/E are negative.



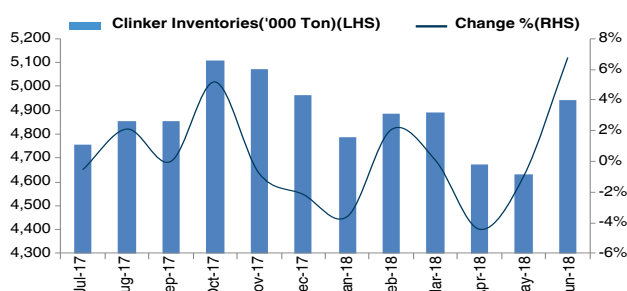
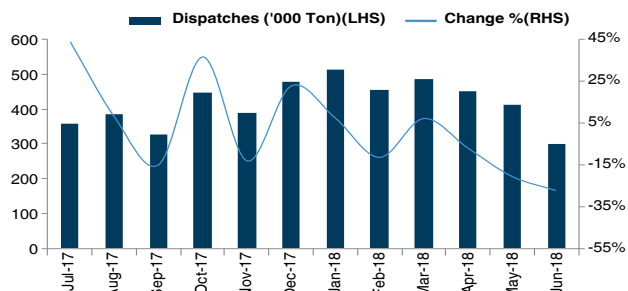
Umm AlQura cement traded at the lowest P/E of 13.29x, followed by Southern cement with P/E of 15.25x. On the other hand, Hail cement traded at the highest P/E of 26.85x. Furthermore, Najran cement traded at the lowest P/BV of 0.77x, while Saudi cement traded at the highest P/BV of 2.53x.

Dispatches & Change

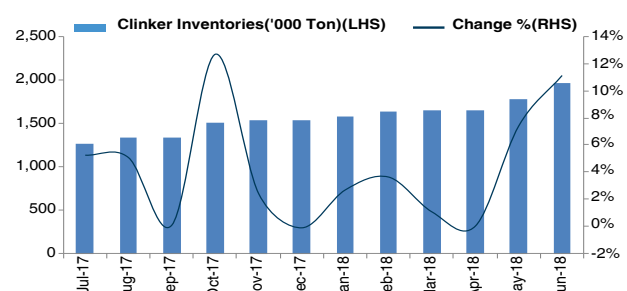
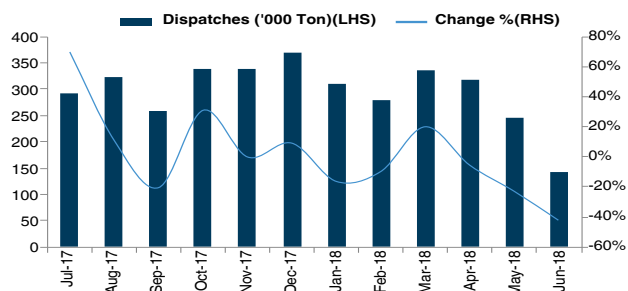
Yamaha Cement



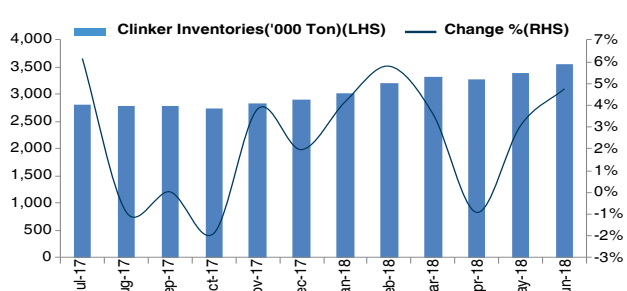
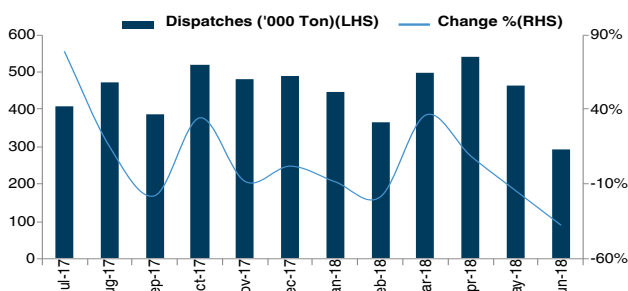
Saudi Cement Co



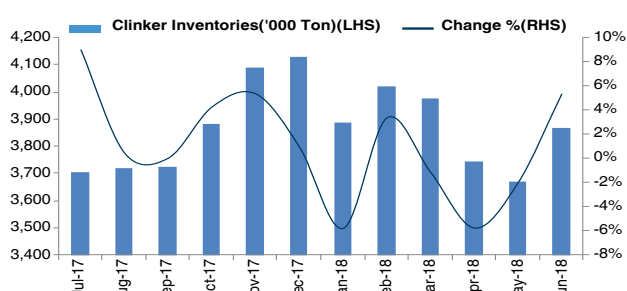
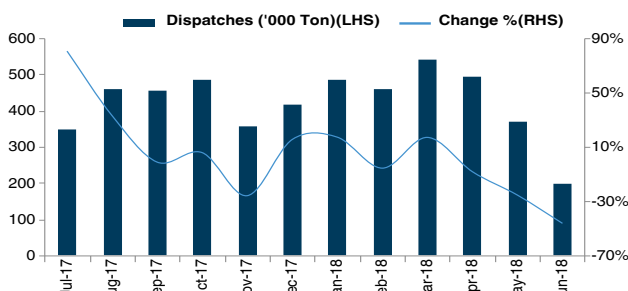
Qassim Cement



Southern Cement

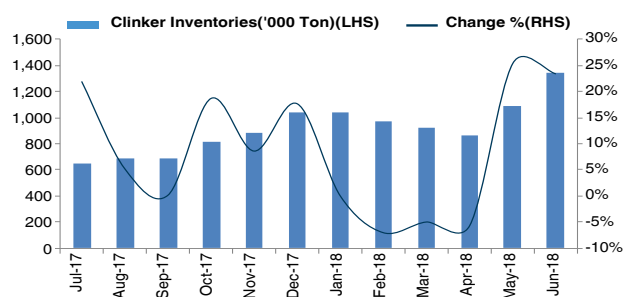
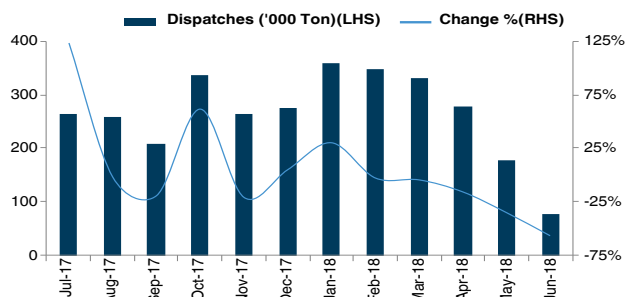


Yanbu Cement

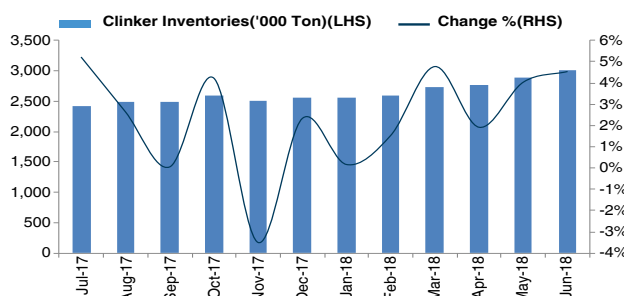
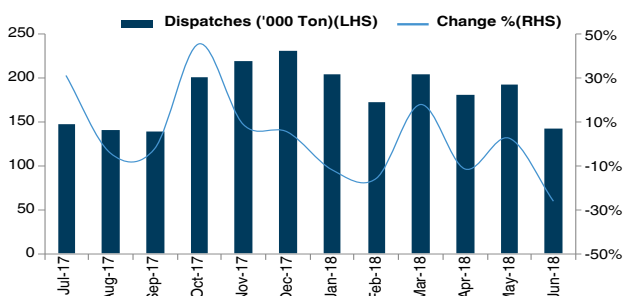


Dispatches & Change

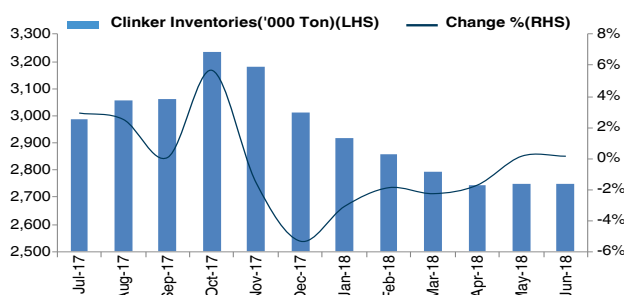
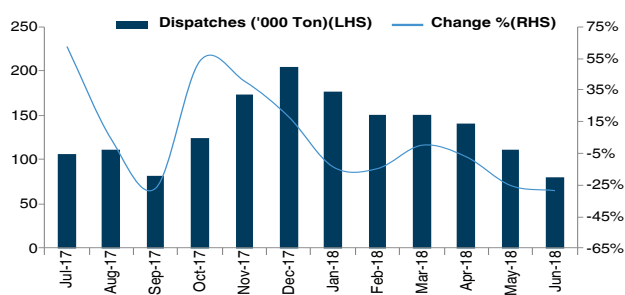
Arabian Cement



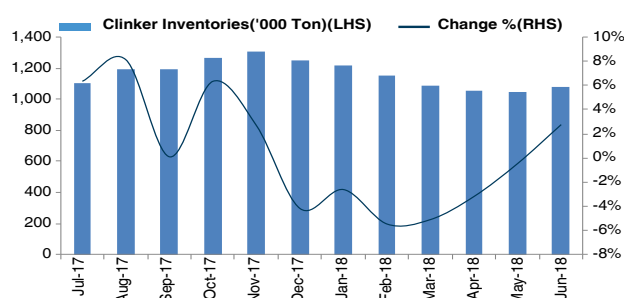
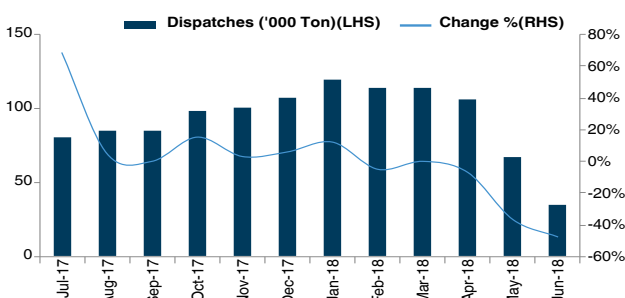
Eastern Cement Co



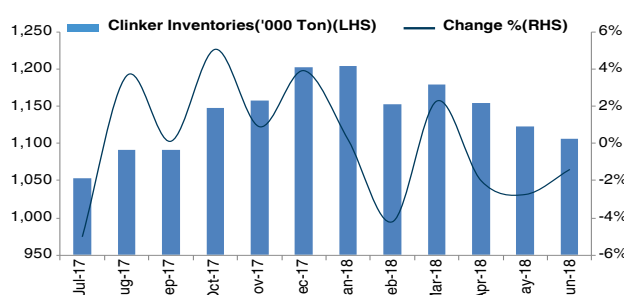
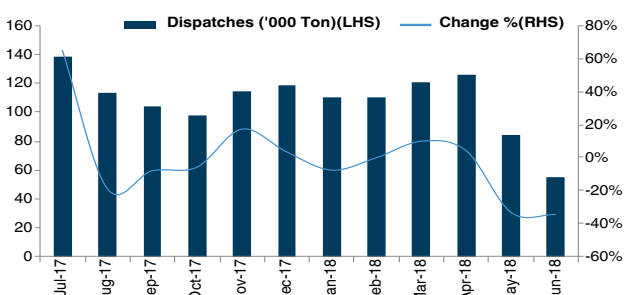
Najran Cement



Northern Cement

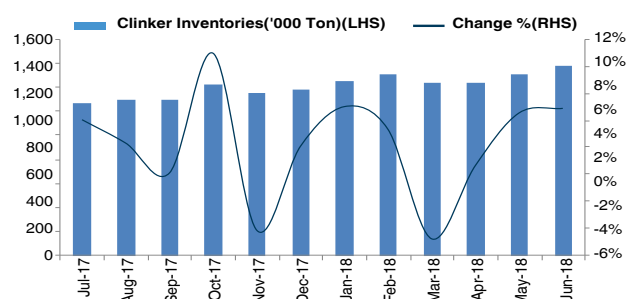
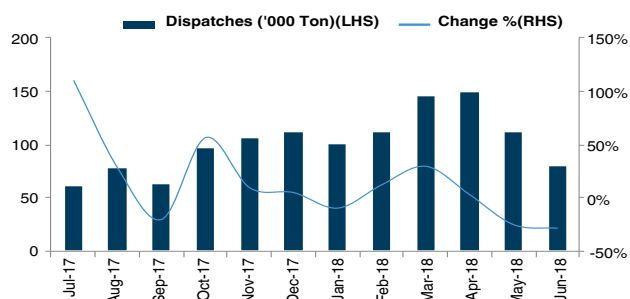


AlJouf Cement

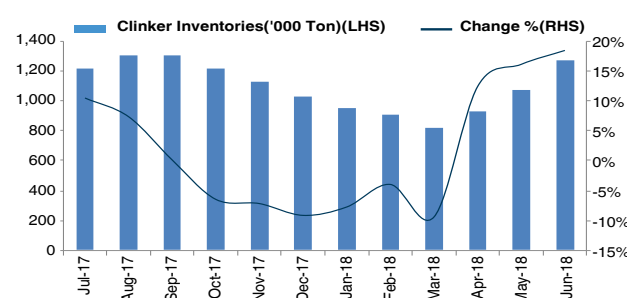
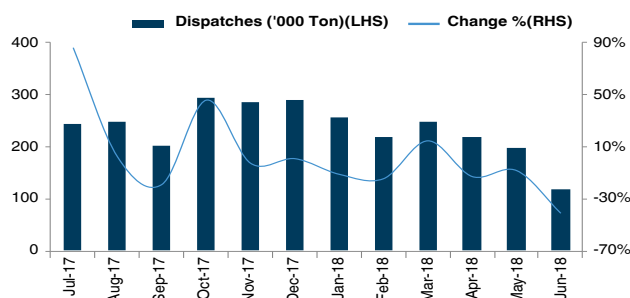


Dispatches & Change

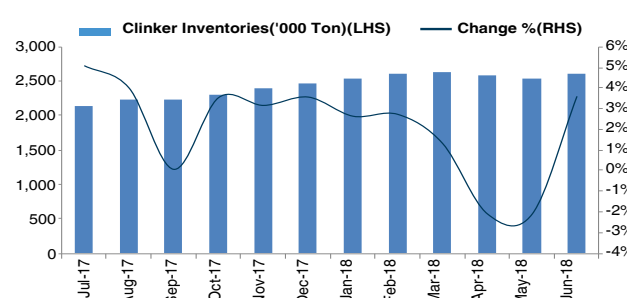
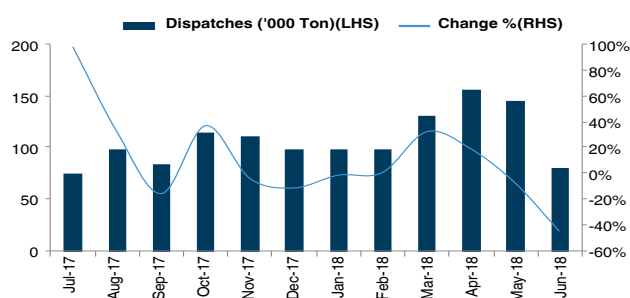
Tabuk Cement



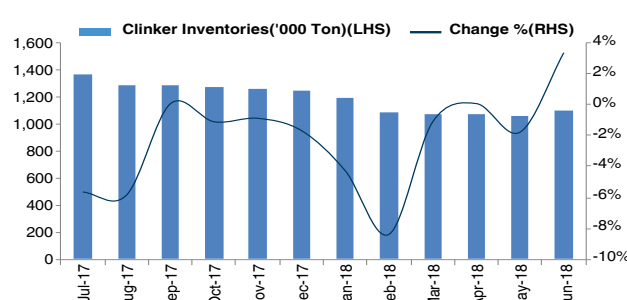
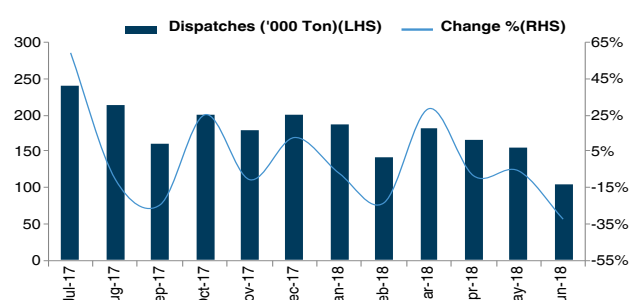
City Cement Co



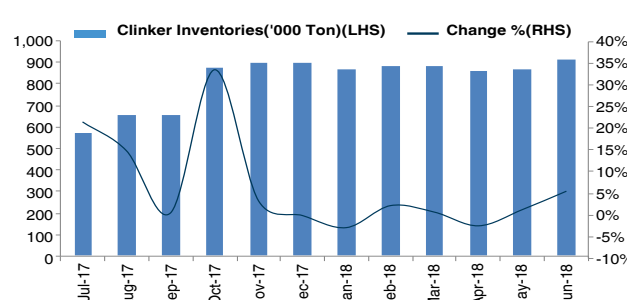
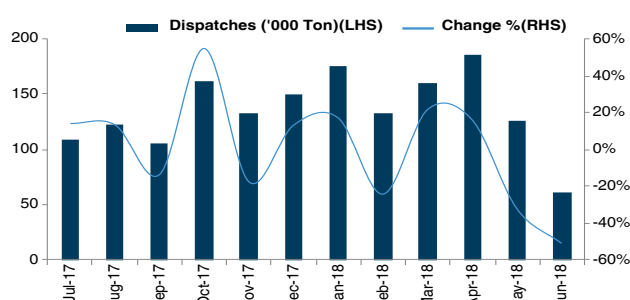
Hail Cement



Riyadh Cement



Safwa Cement



RESEARCH DIVISION

Head of Research
Talha Nazar
+966 11 2256250
t.nazar@aljaziracapital.com.sa

Analyst
Waleed Al-jubayr
+966 11 2256146
W.aljubayr@aljaziracapital.com.sa

Analyst
Sultan Al Kadi, CAIA
+966 11 2256374
s.alkadi@aljaziracapital.com.sa

Analyst
Muhanad Al-Odan
+966 11 2256115
M.alodan@aljaziracapital.com.sa

Analyst
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

BROKERAGE AND INVESTMENT CENTERS DIVISION

General Manager – Brokerage Services & sales
Alaa Al-Yousef
+966 11 2256060
a.yousef@aljaziracapital.com.sa

AGM-Head of Sales And Investment Centers
Central Region
Sultan Ibrahim AL-Mutawa
+966 11 2256364
s.almutawa@aljaziracapital.com.sa

AGM-Head of international and institutional brokerage
Luay Jawad Al-Motawa
+966 11 2256277
lalmutawa@aljaziracapital.com.sa

AGM-Head of Qassim & Eastern Province
Abdullah Al-Rahit
+966 16 3617547
aalrahit@aljaziracapital.com.sa

AGM- Head of Western and Southern Region Investment Centers
Mansour Hamad Al-shuaibi
+966 12 6618443
m.alshuaibi@aljaziracapital.com.sa

RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of stocks, bonds, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by AlJazira Capital from sources believed to be reliable, but AlJazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. 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. AlJazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. The investor might get an amount less than the amount invested in some cases. Some stocks or securities may, by nature, of low volume/trades or may become like that unexpectedly in special circumstances and this might increase the risk on the investor. Some fees might be levied on some investments in securities. This report has been written by professional employees in AlJazira Capital, and they undertake that neither them, nor their wives or children hold positions directly in any listed shares or securities contained in this report during the time of publication of this report, however, The authors and/or their wives/children of this document may own securities in funds open to the public that invest in the securities mentioned in this document as part of a diversified portfolio over which they have no discretion. This report has been produced independently and separately by the Research Division at AlJazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with AlJazira Capital. Funds managed by AlJazira Capital and its subsidiaries for third parties may own the securities that are the subject of this document. AlJazira Capital or its subsidiaries may own securities in one or more of the aforementioned companies, and/or indirectly through funds managed by third parties. The Investment Banking division of AlJazira Capital maybe in the process of soliciting or executing fee earning mandates for companies that is either the subject of this document or is mentioned in this document. One or more of AlJazira Capital board members or executive managers could be also a board member or member of the executive management at the company or companies mentioned in this report, or their associated companies. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of AlJazira Capital. 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.

Asset Management | Brokerage | Corporate Finance | Custody | Advisory

Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia, Tel: 011 2256000 - Fax: 011 2256068