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KSA Cement Sector Report
Headwinds in short term, but foundation solid for long term growth

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KSA cement sector: Headwinds to be temporary, long-term drivers intact; recovery expected to start by the end of H1-22

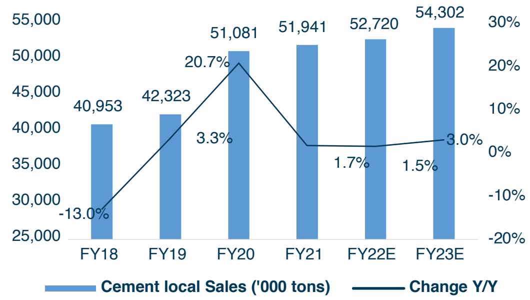
Saudi Arabia's cement sector has been under pressure for the past few months, with sales volume declining Y/Y for the eight consecutive months, despite the economy recovering from the pandemic. The decline in sales could be attributed to a drop in construction activities caused by implementing the new regulation under the Saudi Building Code and labor shortages due to COVID-19-related restrictions. Moreover, the slower pace of mortgage growth due to increased real estate prices, especially in the residential segment, also weighed on the sector's volume growth. Additionally, pricing pressure, particularly in the central region, impacted the sector adversely. However, we believe all these factors are temporary and expect markets to streamline by the end of H1-22. Furthermore, long-term growth drivers for the cement sector in the Kingdom include ongoing and planned megaprojects, government spending supported by higher oil prices and anticipated fiscal surplus, and PIF's plans to invest heavily in infrastructure projects in the next few years still unchanged. Thus, underlining the potential in the country's cement sector over the long run.Our outlook on the overall sector is "Neutral". Nevertheless, we are positive on certain companies in the sector such as Yanbu, Arabian Cement and Riyadh Cement with "Overweight" recommendation, as they to stand out compared to their peers at current valuations in our view.

Sales growth slowed in FY21, dragged by the decline in Southern region; low single-digit growth estimated in medium turn: Local cement sales grew 1.7% in FY21 versus 20.7% growth in FY20. Lower growth was attributable to a 12.7% decline in Southern region due to a 16.0% (-1,262k tons) fall in Southern Cement, further impacted by a 4.6% decrease in Northern region sales. However, Western and Central regions recorded sales growth of 10.6% and 5.9%, respectively. Riyadh Cement recorded the highest growth in sales (+40.2%; +1,010k tons). Given the sector's short-term headwinds, we expect sales to grow by a modest 1.5% in FY22. Sales growth is forecast to improve to 3.0% in FY23.

Pricing pressure in central region dragged selling prices; prices likely to recover in future: Amid weaker demand, cement companies in KSA lowered their selling prices to maintain market share. In April 2021, Yamama Cement announced plans to transfer the seventh line from the old plant in the south of Riyadh to the new plant in Northern Halal in Al-Kharj governorate of the Riyadh region. The company offered significant discounts to clear inventories at the old plant. This led to a sharp decrease in average selling prices (ASPs) in the central region. Yamama's ASP stood at SAR 95.0 per ton in Q4-21, down 50% Y/Y. ASPs for Qassim Cement, was also down 35% Y/Y to SAR 114.0 per ton during Q4-21. Nevertheless, the pricing pressure is expected to ease once Yamama completely shifts its production to the new plant in the next 3–4 months. Additionally, expected recovery in demand would also support recovery in prices.

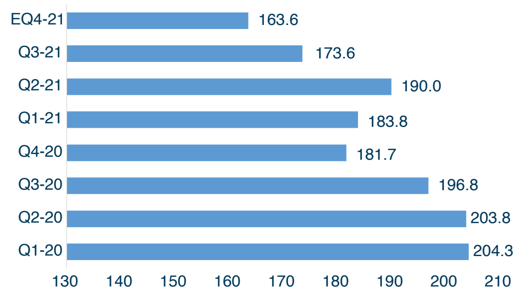
Dividend yields to improve; payout ratio to remain strong due to high FCF generation: Despite the demand slowdown faced by the cement sector, dividend yields for the companies in the sector are expected to remain high in FY21 compared to most other sectors. We expect average cement companies under our coverage (excluding Yamama Cement) due to a high payout ratio of above 110%, owing to strong FCF generation. Financial performance is anticipated to improve, driven by the recovery in demand as well as prices; as a result, dividend payments are expected to improve, implying average dividend yield of 5.5% in FY22 and 5.8% in FY23.

Cement Sales in KSA



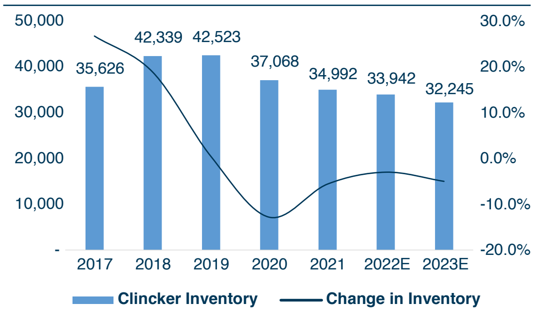
Source: Yamama Cement, Aljazira Capital Research

Average Selling Prices (SAR/ton



Source: Yamama Cement, Aljazira Capital Research

Clinker Inventory Trend and Forecast



Source: Yamama Cement, Aljazira Capital Research

Table 1. Price target and recommendation

Company Name	Recommendation	TP	EPS FY21E	EPS FY22E	DPS FY21E	DPS FY22E	P/E FY22E
Saudi Cement	Neutral	53.0	2.09	1.92	3.50	3.25	30.30
Yamama Cement	Neutral	27.9	0.79	0.73	0.00	0.00	32.78
City Cement	Neutral	23.7	1.26	1.35	1.25	1.25	18.99
Arabian Cement	Overweight	45.3	1.86	2.34	2.25	2.50	21.85
Yanbu Cement	Overweight	42.4	1.32	1.74	2.25	2.25	27.36
Eastern Cement	Neutral	46.5	2.40	2.52	2.50	2.50	19.06
Southern Cement	Neutral	67.2	3.33	3.17	3.00	3.25	21.06
Qassim Cement	Neutral	75.9	3.28	3.42	3.50	3.75	23.38
Riyadh Cement	Overweight	36.8	1.94	2.05	1.75	1.75	16.31

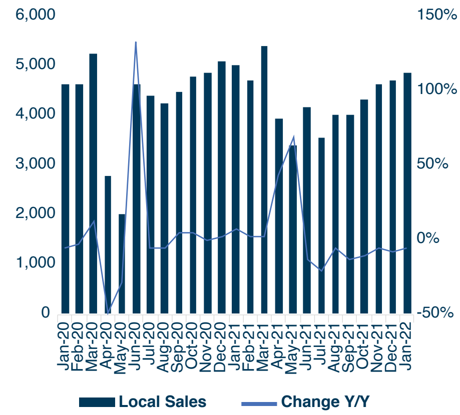
Source: Tadawul, Aljazira Capital Research

Muted demand drags cement sales, puts pricing under pressure; inventory level likely to ease.

Sales volumes on the decline in H2-21

Sales volumes in the cement sector grew through H1-21 due to a lower base in the previous year, during the peak of the pandemic and local lockdown. But sales volumes have declined consistently on a Y/Y basis in the past few months. Starting June-21, the volumes fell for eight months consecutively. In H2-21, cement sales fell 11.2% Y/Y due to the implementation of the new building code in July 2021, which resulted in delay in approvals for new constructions, as it took longer to issue licenses, along with labor shortage supply owing to COVID-19-related restrictions. The slowdown in mortgage loan growth due to the increase in prices of residential real estate properties also impacted the cement sales. Southern region was hurt the most with a 12.7% decline in sales led by a fall of 16.0% (-1,262k tons) in Southern Cement and a 4.6% decrease in Northern region sales. However, Western and Central regions recorded sales growth of 10.6% and 5.9%, respectively. Riyadh Cement recorded the highest growth in sales (+40.2%; +1,010k tons).

Figure 1. Monthly Local Sales Volumes Trend

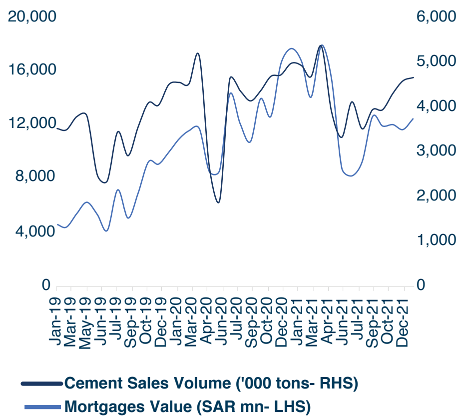


Source: Yamama Cement, Aljazira Capital Research

Slowdown in mortgage loans reflected in lower cement sales

Mortgage loans in the Kingdom had robust growth over past few years. However, growth slowed down sharply in FY21 to 1.2% from 91.0% in FY20. Moreover, total number of contracts declined by 10.5% during the year as against a growth of 65.8% in the previous year. The slowdown in mortgages was due to increase in residential real estate prices amid higher inflation and cost of construction materials in addition to higher base in the previous year. Lower demand for mortgages reflected adversely on cement sales. Monthly mortgage loans reached a peak of SAR 16.9bn in March 2021 and declined thereafter. Subsequently, cement sales also remained low. Going forward, we expect mortgage loans to continue to grow but at moderate growth rate due to high base. Nevertheless, Vision 2030 target of house ownership rate of 70% and Real Estate Development Funds support on interest costs on mortgages would remain key drivers, and thus would continue to draw cement demand.

Figure 2. Mortgage Loans vs. Cement Sales



Source: SAMA, Yamama Cement, Aljazira Capital Research

Table 2. Mortgage Loans: No. of Contracts and Value

Year	No. of Contracts	% Change	Mortgage Value in SAR mn	% Change
FY17	28,469	41.4%	18,923	26.7%
FY18	46,820	64.5%	27,741	46.6%
FY19	135,779	190.0%	78,963	184.6%
FY20	225,073	65.8%	150,785	91.0%
FY21	201,481	-10.5%	152,541	1.2%

Source: SAMA, Aljazira Capital Research

Subdued ASPs amid lower demand and struggle to maintain market share

In the past few quarters, selling prices in Saudi Arabia's cement sector were under pressure. The pressure on prices started in H2-20, as companies absorbed the impact of the increase in VAT from 5% to 15%. In FY21, the combined effect of discounts offered to maintain market share amid lower demand and Yamama Cement's efforts to clear inventory at the old plant resulted in a significant decline in ASPs in the Central region. ASPs in Q3-21 decreased 11.8% Y/Y to SAR 173.6 per ton. Yamama's ASP stood at SAR 95.0 per ton in Q4-21, down 50% Y/Y. As a result, the Central region witnessed the sharpest decline of 21.8% Y/Y in Q3-21, followed by the Western region (-14.5%), Eastern province (-8.2%), and Northern region (-8.0%). Prices in the Southern Province were relatively steady, falling the least (-2.5%). As of Q3-21, ASPs were highest in Eastern and Southern provinces, while those for Central region were the lowest. During this period, Eastern Cement Company commanded the highest ASP at SAR 244.7 per ton; on the other hand, ASP for Qassim Cement declined to SAR 114.0 per ton during Q4-21. We expect pricing pressure to continue in Q4-21 and average prices for companies under our coverage to reduce further by 5.8%Q/Q during Q4-21. Nevertheless, as Yamama shifts production to the new plant, it is expected to withdraw the heavy discounts offered to clear inventory at the old plant; this would ease the pressure on prices. Moreover, expected recovery in demand by the end of H1-22 is likely to push prices up.

Figure 3. Average Selling Price Trend (SAR/ton)

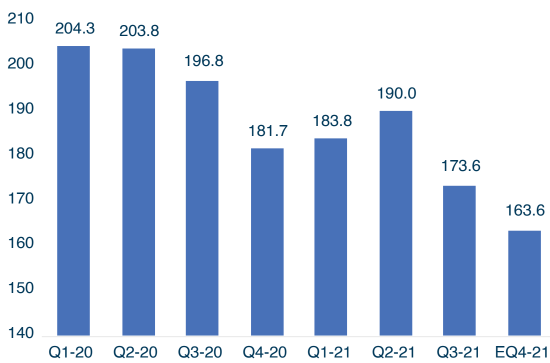
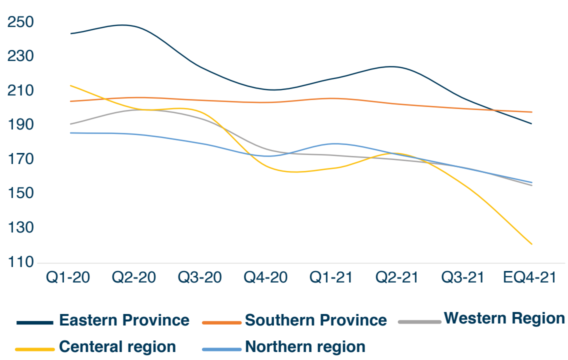


Figure 4. Average Selling Prices by Region (SAR/ton)

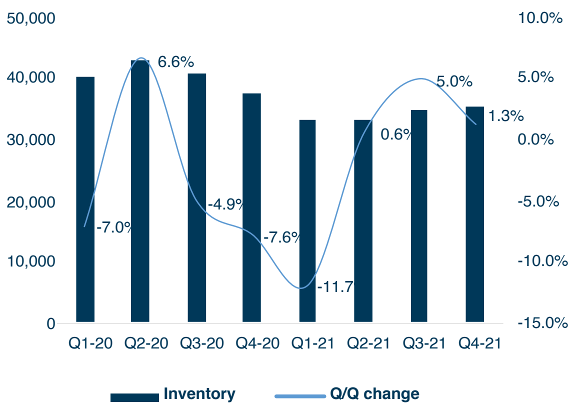


Source: the company's report, Aljazira Capital Research

Inventory to ease with expected recovery in demand

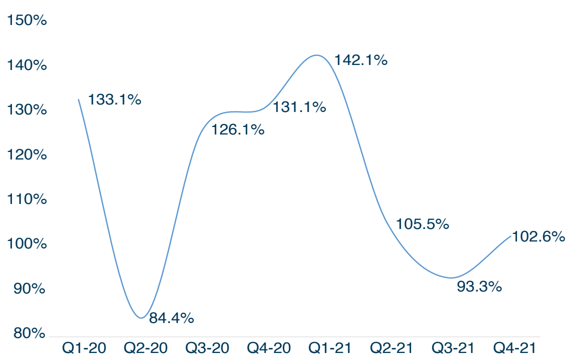
Total inventories in Saudi Arabia jumped 6.6% Q/Q in Q2-20 amid the COVID-19-related lockdowns. However, inventory levels eased over the following three quarters through Q1-21, as the economy gradually recovered from the pandemic. During the last three quarters, inventories piled up due to weaker demand, evident from the continuous decline in the sales volumes. As the weakness in demand is likely to continue for the next two quarters and recover after that, the inventory level is expected to ease. Clinker inventories decreased 12.8% in FY20 and 5.6% in FY21. In FY21, City Cement (-33.1%), Arabian Cement (-31.7%), and Qassim Cement's (-26.3%) inventories declined the most; meanwhile, Southern Cement (+21.3%) witnessed a substantial build-up in inventories. We forecast clinker inventories to reduce 3% in FY22 and 5% in FY23, despite the recent build-up and weak demand. Our forecast is based on expectations of recovery in the sector in H2-22, lower production to sales in the sector, and better prospects over the long-term demand.

Figure 5. Quarterly Inventory Trend



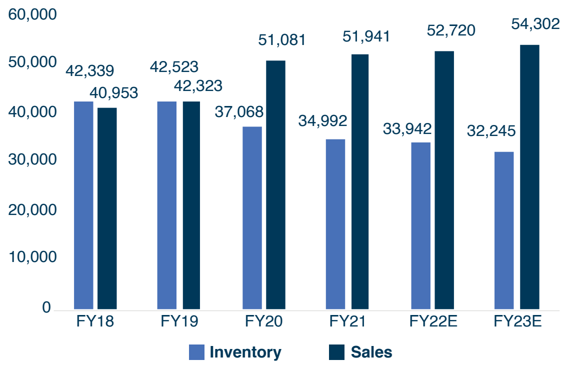
Source: Yamama Cement, Aljazira Capital Research

Figure 6. Total Sales/Clinker Production



Source: Yamama Cement, Aljazira Capital Research

Figure 7. Inventory vs. Sales ('000 tons)

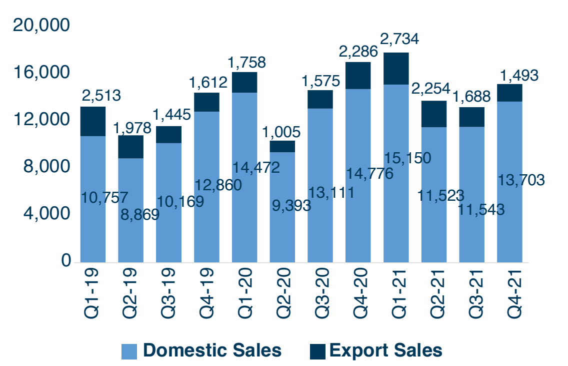


Source: Yamama Cement, Aljazira Capital Research

Lower export sales bode well for margin due to higher revenue realization in the domestic market

Saudi cement companies resorted to export sales to some extent to clear inventories amid lower demand in the domestic market. This was evident from the rise in export sales contribution to 15–16% of the total sales during H1-21. Lower selling prices in the export market compared to the local market adversely impacted the companies' margins. However, exports as a percentage of total sales reduced to ~13% in Q3-21 and to ~10% in Q4-21. Going forward, exports are likely to remain at a lower level. This would help companies with a higher share of exports in the total sales to register improved margins. Arabian Cement and Yanbu Cement saw a jump in exports as a percentage of total sales in FY21, to 31.9% (FY20: 18.4%) and 25.6% (FY20: 17.3%), respectively. Thus, once the domestic market improves, these companies could improve their margins by reducing the contribution from export sales, which recognized very low selling prices.

Figure 8. Domestic vs. Export Sales

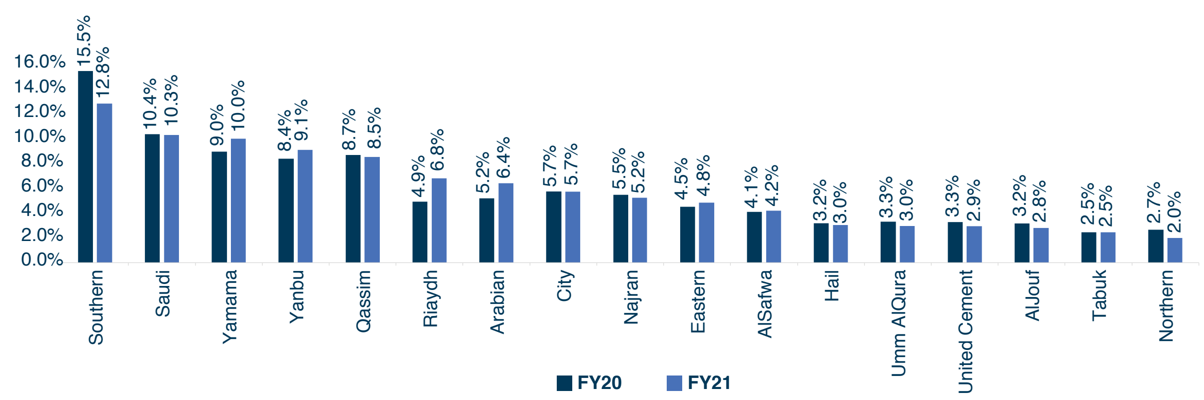


Source: Yamama Cement, Aljazira Capital Research

Southern Cement lost market share most in FY21; Riyadh, Arabian Cement led gainers

In FY21, Southern Cement lost market share by 2.6% to 12.8%, driven by a 16.0% decline in sales. However, the company maintained its leading position, above Saudi Cement, at a 10.3% market share. On the other hand, Riyadh Cement recorded a maximum gain of 1.9% in market share to 6.8%, followed by Arabian Cement with a market share of 6.4% (+1.2%). Yanbu (+0.7%) and Yamama (+1.0%) also gained market share during the year. In January 2022, Yamama accounted for the highest market share among Saudi cement producers at 15.1% versus 9.0% in 2020. The increase in market share was driven by a steep reduction in prices undertaken to clear inventories at the old plant.

Figure 9. Market Share: FY21 vs FY20

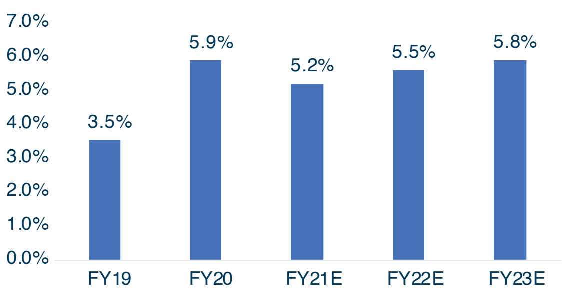


Source: Yamama Cement, Aljazira Capital Research

Dividend yields in the sector still relatively high, likely to improve with recovery in earnings

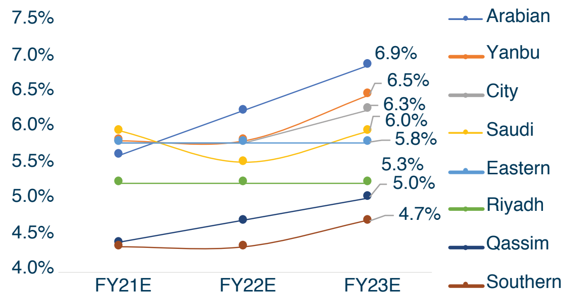
Average dividend yield for cement companies under our coverage (excluding Yamama Cement) is estimated at 5.2% in FY21 compared to current TASI yield of ~2.3%. Dividend yield would be supported by the high payout ratio of above 110%, same as in FY20, driven by strong FCF generation by these companies. In FY22, dividend payment is expected to rise by 0.4%, implying an average yield of 5.5%. Furthermore, with recovery in the operating environment and company earnings, dividends are projected to grow 7.1% in FY23, implying an average dividend yield of 5.8%. Among the stocks under our coverage, we expect Arabian, Yanbu, and City Cement to generate the highest dividend yields for investors over the next two years.

Figure 10. Dividend Yield AJC Coverage*



Source: Aljazira Capital Research*- excluding Yamama Cement

Figure 11. Dividend Yield by Company



Source: Aljazira Capital Research

Government initiatives positive macro outlook bode well for cement sector in the long run

Demand from housing to remain strong: Saudi Arabia's housing program under Vision 2030 aims to increase the ownership rate to 70% by the end of FY30 (from 62% in FY20). Under this program, the government is increasing supply through National Housing Co. Furthermore, support from the Real Estate Development Funds to absorb home buyers' interest costs has accelerated mortgage loans and demand for residential real estate properties. The housing program provides 40,000 developmental housing units and 355,000 subsidized real estate financing contracts during FY21–25. Thus, government support in the form of both housing supply and mortgage loans is expected to continue over the next few years, which would bolster the demand for Cement from the housing segment.

Capital expenditure through PIF and private participation to play a key role in infrastructure and mega project developments: The government's capex decreased 27.7% in FY21 and is expected to fall further by 18.2% in FY22, as per the Budget 2022 report. However, a rise in private sector participation and financing by PIF to several capital projects would offset lower budget spending by the government. Under PIF Strategy 2021–25, at least SAR 150bn would be spent annually on the domestic economy to develop 13 strategic sectors, including real estate. In the real estate sector, PIF focuses on the development of mega projects such as NEOM, the Red Sea project, Qiddiya, and ROSHN. PIF also aims to boost domestic tourism by developing new tourist destinations. These initiatives are likely to boost real estate and construction activities. Additionally, the "Shareek" program launched in FY21 aims to increase investments of private sector companies to SAR 5.0tn by FY30. With a recovery in oil prices and domestic economy, and receding impact of the pandemic, capex from the private sector is expected to increase over the next few years. Nevertheless, expected strong performance from oil and non-oil economies and estimated fiscal surplus in FY22 and onwards are likely to enable the government to increase its spending on development projects. Hence, due to the government's infrastructure development initiatives and expected higher capital spending by the private sector, outlook for demand in the cement sector remains positive in the long term.

AJC view and valuation: We believe that the cement sector in Saudi Arabia will continue to see some pressure in H1-22 in terms of demand and pricing. However, recovery is imminent once the short-term issues are resolved. The speed of the recovery and growth after that would be dependent on multiple macro factors such as the implantation of Vision 2030 initiatives and economic growth in both oil and non-oil sectors. Our outlook on the overall sector is "**Neutral**". Nevertheless, we are positive on certain companies in the sector such as Yanbu and Arabian Cement in Western region and Riyadh Cement in Central region with "**Overweight**" recommendation, as they to stand out compared to their peers at current valuations in our view.

We expect **Yanbu Cement's** gross margin to expand to 34% in FY22 from 27% in FY21. In FY23, gross margin is likely to reach historical high of 45% driven by lower contribution from export sales (lower margin) and improved local sales as well as selling prices. The company is expected to maintain its attractive DPS of SAR 2.25/share (DY: 5.8%) and SAR 2.50/shares (DY: 6.5%) over FY22 and FY23, respectively. We maintain our "**Overweight**" recommendation on the stock with TP of **SAR 42.4/share.**

Arabian Cement is expected to record net income growth of 24.3% to reach SAR 234.3mn in FY22 due to improved gross margin led by decrease in low-margin export sales. The company's healthy FCF is likely to provide a sustainable dividend yield of more than 6% in FY22 and 6.5% in FY23, based on the current stock price. The company is situated in Western region, which has strong demand due to proximity advantage to upcoming megaprojects and ongoing redevelopment in neighborhoods of Western region. Based on our positive outlook on the stock, we recommend an "**Overweight**" rating with a TP of **SAR 45.3/share.**

Riyadh Cement's presence in the high demand Central region will help in keeping its cement sales volume intact. Furthermore, we expect that the current pressure on selling prices is exceptional and would ease after H1-22. The company is expected to record net profit of SAR 245.7mn and SAR 280mn in FY22and FY23, respectively, compared to expected net profit of SAR 219.9mn for FY21. The growth in net profit is likely to be driven by strong recovery in selling prices and sales volume. We are positive on Riyadh Cement in Central region with "**Overweight**" recommendation with a TP **SAR 36.8/share.**

Key downside risks to KSA cement sector valuation

- Delay in implementation of megaprojects may result in lower-than-expected demand and thus lower earnings
- The impact of global inflationary pressure on the domestic economy and consumer spending may ultimately affect housing demand
- Effect of global supply chain issues on construction costs may have negative repercussions on construction activity
- The emergence of new variants of COVID-19 and its negative impact on the economy might delay the process of recovery
- The decline in oil prices and its negative impact on capital spending by government and private entities would result in lower-than-expected demand from infra projects

Key upside risks to KSA cement sector valuation

- Stronger-than-expected recovery sales volume would help boost the sector top line as well as earnings
- Faster recovery in selling prices driven by a very strong demand would result in better margins due to higher realization rates
- Better-than-expected execution rate for megaprojects may accelerate the demand for Cement from these projects
- Stronger-than-expected economic growth high oil prices may enable government and private entities to increase their capital expenditure, which may benefit cement sector

Yanbu Cement

(Mn, SAR)	2019	2020	2021E	2022E
Revenue	975.7	939.9	963.9	945.7
Growth %	27.2%	-3.7%	2.5%	-1.9%
Gross Profit	334.8	341.7	255.7	324.9
Gross Margin %	34.3%	36.4%	26.5%	34.4%
EBITDA	473.9	492.5	396.9	462.0
EBITDA Margin	48.6%	52.4%	41.2%	48.9%
Net Profit	257.8	281.0	208.3	273.6
Net Margin	26.4%	29.9%	21.6%	28.9%
EPS	1.64	1.78	1.32	1.74
DPS	2.00	2.25	2.25	2.25
Payout Ratio	122%	126%	170%	130%
ROE	7.8%	9.3%	7.1%	9.5%
PE (x)	23.31	22.73	27.36	22.33
PB (x)	1.82	2.11	1.95	2.13
EV/EBITDA	12.58	12.90	14.06	12.81

Source: the company's report, Aljazira Capital Research

SPCC Cement

(Mn, SAR)	2019	2020	2021E	2022E
Revenue	1,300.2	1,653.1	1,344.9	1,286.5
Growth %	46.5%	27.1%	-18.6%	-4.3%
Gross Profit	537.5	678.8	543.7	520.5
Gross Margin %	41.3%	41.1%	40.4%	40.5%
EBITDA	483.2	628.4	482.1	458.6
EBITDA Margin	37.2%	38.0%	35.8%	35.6%
Net Profit	462.7	609.4	466.0	443.5
Net Margin	35.6%	36.9%	34.7%	34.5%
EPS	3.31	4.35	3.33	3.17
DPS	3.50	4.75	3.00	3.00
Payout Ratio	106%	109%	90%	95%
ROE	14.0%	18.6%	13.6%	13.4%
PE (x)	19.49	19.37	21.06	21.94
PB (x)	2.73	3.60	2.87	2.95
EV/EBITDA	18.96	18.96	18.96	18.96

Source: the company's report, Aljazira Capital Research

Qassim Cement

(Mn, SAR)	2019	2020	2021	2022E
Revenue	791.8	898.4	722.8	753.4
Growth %	86.0%	13.5%	-19.5%	4.2%
Gross Profit	426.4	473.2	289.3	324.9
Gross Margin %	53.9%	52.7%	40.0%	43.1%
EBITDA	452.4	496.5	332.9	365.7
EBITDA Margin	57.1%	55.3%	46.1%	48.5%
Net Profit	360.7	419.8	295.2	307.5
Net Margin	45.6%	46.7%	40.8%	40.8%
EPS	4.01	4.66	3.28	3.42
DPS	3.45	4.45	3.50	3.75
Payout Ratio	86%	95%	107%	110%
ROE	20.2%	23.2%	16.3%	17.0%
PE (x)	16.49	17.36	24.36	23.38
PB (x)	3.33	4.03	3.97	3.97
EV/EBITDA	12.12	12.75	17.86	16.44

Source: the company's report, Aljazira Capital Research

Saudi Cement

(Mn, SAR)	2019	2020	2021	2022E
Revenue	1,441.6	1,569.6	1409.6	1,267.4
Growth %	28.8%	8.9%	-10.2%	-10.3%
Gross Profit	650.0	666.4	530.4	475.5
Gross Margin %	45.1%	42.5%	37.3%	37.5%
EBITDA	854.2	951.9	811.0	755.4
EBITDA Margin	59.3%	60.6%	57.5%	59.6%
Net Profit	451.4	455.8	323.4	293.4
Net Margin	31.3%	29.0%	22.9%	23.1%
EPS	2.95	2.95	2.11	1.92
DPS	3.25	3.50	3.50	3.25
Payout Ratio	110%	119%	166%	169%
ROE	16.5%	16.9%	12.1%	11.0%
PE (x)	23.76	20.84	25.93	30.30
PB (x)	3.93	3.55	3.16	3.36
EV/EBITDA	10.73	9.41	8.39	8.89

Source: the company's report, Aljazira Capital Research

Eastern Cement

(Mn, SAR)	2019	2020	2021E	2022E
Revenue	728.7	742.4	770.9	788.7
Growth %	28.8%	1.9%	3.8%	2.3%
Gross Profit	223.0	259.6	264.9	276.4
Gross Margin %	30.6%	35.0%	34.4%	35.1%
EBITDA	260.4	299.4	299.0	303.1
EBITDA Margin	35.7%	40.3%	38.8%	38.4%
Net Profit	180.6	217.2	206.1	216.3
Net Margin	24.8%	29.3%	26.7%	27.4%
EPS	2.10	2.53	2.40	2.52
DPS	1.50	2.50	2.50	2.50
Payout Ratio	71%	99%	104%	99%
ROE	7.5%	8.6%	8.2%	8.4%
PE (x)	17.13	14.87	20.00	19.06
PB (x)	1.28	1.27	1.63	1.60
EV/EBITDA	10.85	9.29	12.11	11.57

Source: the company's report, Aljazira Capital Research

Arabian Cement

(Mn, SAR)	2019	2020	2021E	2022E
Revenue	781.9	871.9	1,018.9	964.4
Growth %	30.2%	11.5%	16.9%	-5.4%
Gross Profit	315.7	302.5	315.3	366.5
Gross Margin %	40.4%	34.7%	30.9%	38.0%
EBITDA	443.8	370.0	351.0	401.7
EBITDA Margin	56.8%	42.4%	34.5%	41.7%
Net Profit	208.7	184.9	186.4	234.2
Net Margin	26.7%	21.2%	18.3%	24.3%
EPS	2.09	1.85	1.86	2.34
DPS	1.75	2.25	2.25	2.50
Payout Ratio	84%	122%	121%	107%
ROE	7.1%	6.2%	6.3%	7.9%
PE (x)	17.63	19.93	21.85	17.40
PB (x)	1.24	1.23	1.37	1.38
EV/EBITDA	8.83	10.33	11.68	10.10

Source: the company's report, Aljazira Capital Research

City Cement

(Mn, SAR)	2019	2020	2021E	2022E
Revenue	531.4	572.7	499.9	505.3
Growth %	54.1%	7.8%	-12.7%	1.1%
Gross Profit	231.1	257.0	211.2	222.3
Gross Margin %	43.5%	44.9%	42.3%	44.0%
EBITDA	273.9	298.9	255.7	266.6
EBITDA Margin	51.5%	52.2%	51.2%	52.7%
Net Profit	190.1	220.5	176.9	189.2
Net Margin	35.8%	38.5%	35.4%	37.4%
EPS	1.00	1.57	1.26	1.35
DPS	0.00	1.50	1.25	1.25
Payout Ratio	0%	95%	99%	92%
ROE	8.4%	12.0%	9.5%	10.0%
PE (x)	17.82	16.25	18.99	17.76
PB (x)	1.50	1.94	1.81	1.78
EV/EBITDA	11.97	11.64	12.70	11.97

Source: the company's report, Aljazira Capital Research

Yamama Cement

(Mn, SAR)	2019	2020	2021	2022E
Revenue	801.8	879.8	735.8	780.0
Growth %	53.8%	9.7%	-16.4%	6.0%
Gross Profit	336.6	397.7	217.0	204.5
Gross Margin %	42.0%	45.2%	29.5%	26.2%
EBITDA	460.0	334.9	340.7	328.7
EBITDA Margin	57.4%	38.1%	46.3%	42.1%
Net Profit	256.3	363.2	160.6	147.8
Net Margin	32.0%	41.3%	21.8%	19.0%
EPS	1.27	1.79	0.79	0.73
DPS	0.50	0.00	0.00	0.00
Payout Ratio	39%	0%	0%	0%
ROE	7.0%	9.4%	4.0%	3.7%
PE (x)	20.46	16.47	32.78	36.63
PB (x)	1.44	1.54	1.30	1.34
EV/EBITDA	14.83	21.55	18.02	18.95

Source: the company's report, Aljazira Capital Research

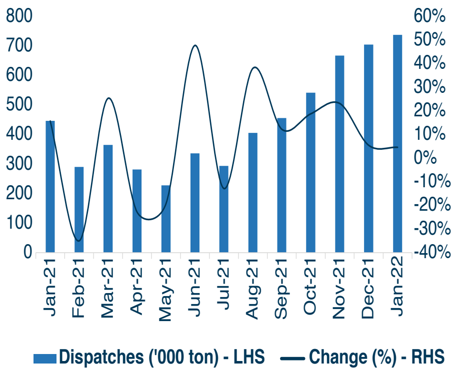
Riyadh Cement

(Mn, SAR)	2019	2020	2021E	2022E
Revenue	594.0	590.2	704.1	700.6
Growth %	50.9%	-0.6%	19.3%	-0.5%
Gross Profit	229.8	254.0	271.5	276.4
Gross Margin %	38.7%	43.0%	38.6%	39.5%
EBITDA	293.5	329.1	346.5	349.9
EBITDA Margin	49.4%	55.8%	49.2%	49.9%
Net Profit	190.0	219.9	232.2	245.6
Net Margin	32.0%	37.3%	33.0%	35.1%
EPS	1.58	1.83	1.94	2.05
DPS	0.00	1.75	1.75	1.75
Payout Ratio	0%	95%	90%	85%
ROE	10.9%	12.8%	13.3%	13.8%
PE (x)	NA	17.02	17.05	16.31
PB (x)	NA	2.17	2.26	2.26
EV/EBITDA	NA	11.33	11.29	11.02

Source: the company's report, Aljazira Capital Research

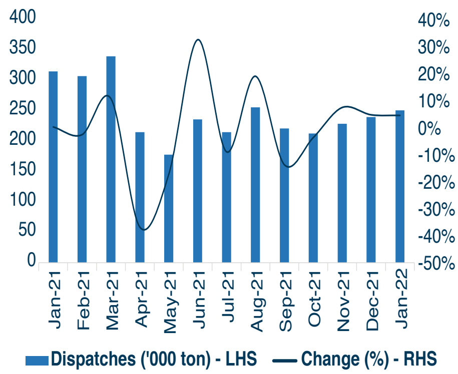
ALJAZIRA CAPITAL الجزيرة كابيتال الجزيرة للأسواق المالية

Yamama Cement



Source: Yamama Cement, Aljazira Capital Research

City Cement



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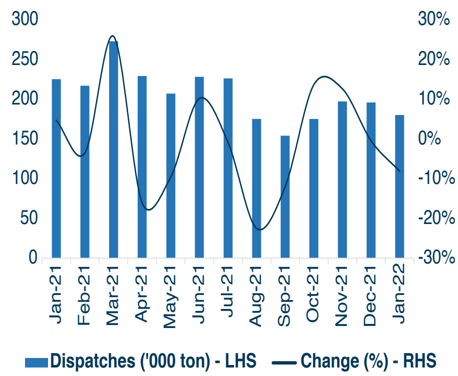
Eastern Cement



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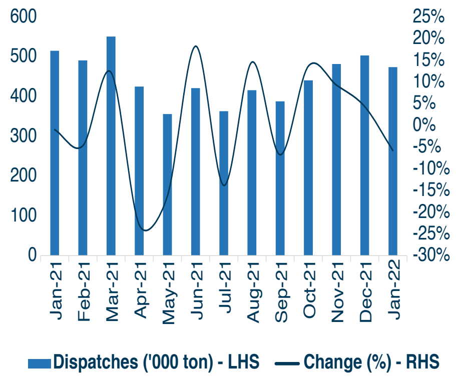
Saudi Cement



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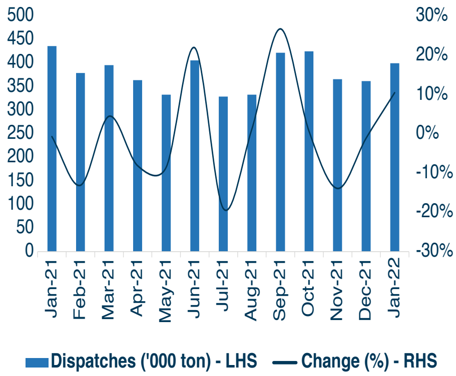
Qassim Cement



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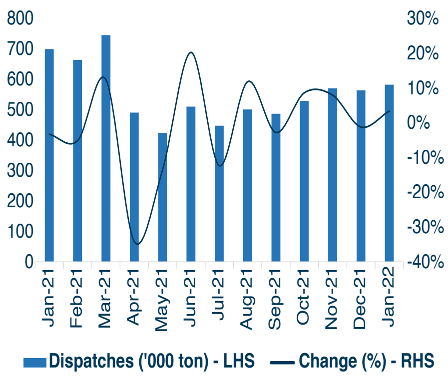
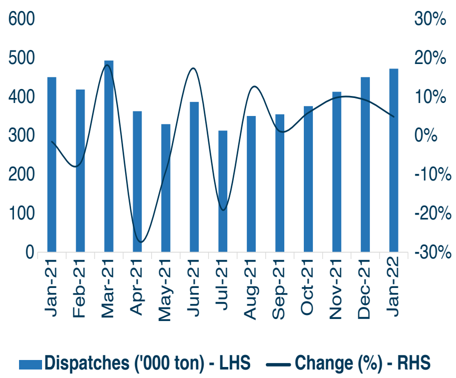
Southern Cement



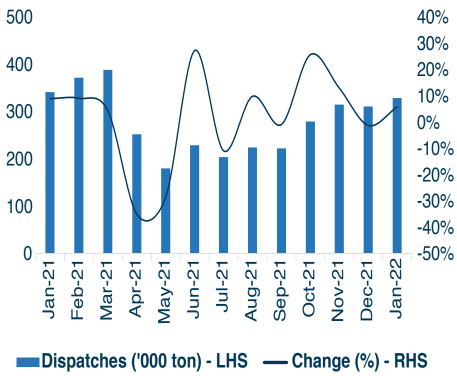
Source: Yamama Cement, Aljazira Capital Research

Yanbu Cement



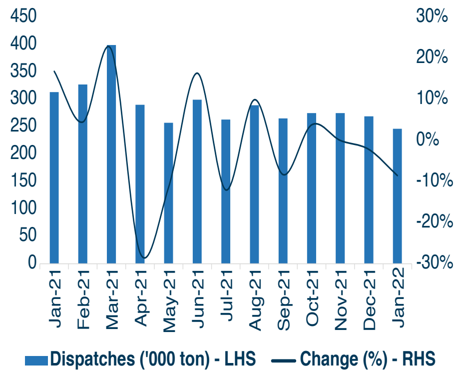
Source: Yamama Cement, Aljazira Capital Research

Arabian Cement



Source: Yamama Cement, Aljazira Capital Research

Ryiadh Cement



Source: Yamama Cement, Aljazira Capital Research

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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