Yamama Cement Company. (BUY, TP: SAR 35, 3020.SE) 1Q26 Results Review

Core operations strengthen (Q/Q) as pricing gains support outlook. Maintain BUY.

Yamama Cement Company (YACCO) reported earnings of SAR 144mn (EPS: SAR 0.71), up 1% Y/Y but down 22% Q/Q. Revenue declined 3% Y/Y, mainly due to lower retention prices despite an increase in dispatch volumes. On a sequential basis, revenue fell because of lower dispatches, although improved retention prices provided some support. Gross profit decreased Y/Y, with gross margins contracting by 342bps. However, on a Q/Q basis, lower production cost per ton along with improved retention prices supported an increase in gross profit and margins. Operating expenses rose Y/Y but declined sequentially, while operating profit also fell Y/Y and improved Q/Q. Net margin came in at 42%.

- YACCO reported a 3% Y/Y decline in revenue during the quarter, primarily due to a 10% Y/Y drop in retention prices, although this was partially offset by an 8% Y/Y increase in dispatch volumes. On a sequential basis, revenue declined 15%, mainly driven by a 22% fall in dispatches despite an 8% improvement in retention prices. Gross profit decreased 9% Y/Y, with gross margins contracting by 342bps as retention price per ton fell 10% Y/Y, while production cost per ton declined 4% Y/Y. Sequentially, revenue per ton increased 8%, and production cost per ton fell 6%, resulting in a 3% Q/Q increase in gross profit and an 815bps expansion in gross margin. Operating expenses edged up 1% Y/Y but dropped sharply by 51% Q/Q. Consequently, operating profit declined 11% Y/Y but surged 28% sequentially. Finance costs eased 9% Y/Y and 45% Q/Q, while investment income rose significantly by 246% Y/Y and 99% Q/Q. Earnings received notable support from a SAR 21mn gain on the sale of PP&E, compared to a SAR 10mn gain in 1Q25, which helped deliver slight Y/Y earnings growth. However, the gain was substantially lower than the SAR 137mn recorded in 4Q25, leading to a 22% Q/Q decline in earnings. Excluding gains on asset sales, impairment provisions from 4Q25/1Q25 financials and assuming a constant zakat expense, earnings would have declined 8% Y/Y, while sequential earnings would have increased by 1.6x. Overall, reported net profit increased 1% Y/Y but declined 22% Q/Q. Net margin stood at 42%, expanding 163bps Y/Y but contracting 364bps sequentially.

- The company's inventory-to-LTM sales ratio of 58% is higher vs. regional peers (average of 40%) but lower than the sector (average of 78%). Inventory stood at 5.0mn tons (4.8mn tons in 1Q25 and 4.4mn tons in 4Q25). Yamama trades at an EV/ton of SAR 633, a premium of 35% to the sector (EV/ton of SAR 470) and at par with the region. It trades at a discount of 41% to its 3-year average EV/ton multiple of SAR 1,070 compared with the overall sector, which is trading at 28% discount (SAR 655).

- *Yamama Cement Company delivered a strong sequential performance in 1Q26 (core cement operations). The company maintained pricing discipline by limiting aggressive selling, leading to lower dispatches, though part of the decline was likely seasonal due to Ramadan and Eid. This supported sequential gains in retention prices. However, April 2026 sales suggest a return to more aggressive selling, with volumes rising to 718k tons versus a 1Q26 monthly average of 604k tons, though still below 4Q25 (772k tons) and 3Q25 (855k tons). Looking ahead, improving retention prices support a stronger earnings outlook, backed by demand from upcoming time-bound projects and potential construction activity uplift following regulatory reforms. However, geopolitical uncertainty may weigh on demand if it leads to slower government spending and project delays. The commissioning of new capacity could further intensify pricing pressure if demand softens, potentially impacting industry dynamics. Separately, Yamama plans to redevelop its old plant site into a logistics and industrial hub, likely integrated with the King Salman Industrial Zone. We have updated our model, lowering sector and Yamama cement sales forecasts by an average of 4% over the forecast horizon, resulting in a 9% reduction in our target price. The company trades at a 26F PE of 10.5x with a Dividend Yield of 6.2%. Maintain Buy.*

Rating and Risks

We are Buy rated on YACCO and our 12-month target price is SAR 35. Upside risks include stronger-than-expected cement demand, higher retention price, and old plant land monetization. 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	340	400	349	*-15%*	*-3%*
Cost of Sales	-185	-250	-178	*-26%*	*4%*
Gross Profit	155	150	171	*3%*	*-9%*
Operating Expenses	-22	-46	-22	*-51%*	*1%*
Operating Profit	132	103	149	*28%*	*-11%*
Net Income	**144**	**184**	**142**	***-22%***	***1%***
EPS	0.71	0.91	0.70	*-22%*	*1%*
Dispatches ('000 tons)	1,813	2,315	1,675	*-22%*	*8%*
Realized Price (SAR/ton)	187	173	208	*8%*	*-10%*
Cost per ton (SAR/ton)	-102	-108	-106	*-6%*	*-4%*
Margins (%)					
Gross Margin	46	37	49	*815 bps*	*-342 bps*
Operating Margin	39	26	43	*1,306 bps*	*-363 bps*
Net Margin	42	46	41	*-364 bps*	*163 bps*

Rating Summary and Forecasts

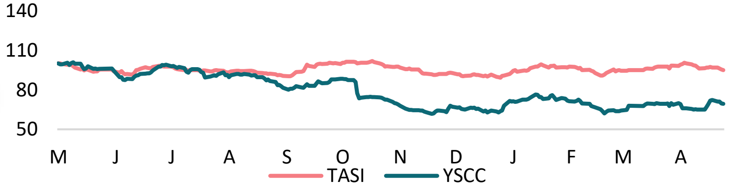
Rating Summary

Rating	Buy
Market Price	25.4
12-month Target Price	35
Upside / Downside	37%
Mkt Cap (SAR mn)	5,115.2
52 week High/Low	37.25/22.59

Forecasts	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	483	487	539	544
PER (x)	10.6	10.5	9.5	9.4
PBV (x)	1.0	1.0	0.9	0.9
EPS (SAR)	2.4	2.4	2.7	2.7
DPS (SAR)	1.0	1.6	1.7	1.7
RoE (%)	9.7	9.2	9.8	9.5
Dividend Yield (%)	4.0	6.2	6.8	6.9

Price Chart

TASI YSCC



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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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