

## City Cement - 4Q23 Result Review

Analyst: Neetika Gupta

**Previous Recommendation:** Buy

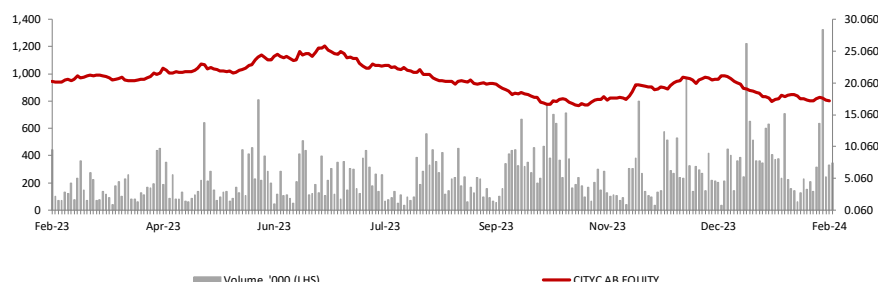
Previous Reco. & Date: TP: SAR 26.5 per share; Buy on 21-May-2023

**Target Price (SAR):** 26.50

Upside / (Downside): 52.3%

Date: 2/15/2024

Bloomberg Ticker	CITYC AB
Current Market Price (SAR)	17.400
52wk High / Low (SAR)	26.15/16.2
12m Average Vol. (000)	257.7
Mkt. Cap. (USD/SAR mn)	650/2,436
Shares Outstanding (mn)	140.0
Free Float (%)	74%
3m Avg Daily Turnover (000)	6,748.3
6m Avg Daily Turnover (000)	5,915.1
P/E'24e (x)	19.2
EV/EBITDA'24e (x)	14.0
Dividend Yield '24e (%)	5.2%
Price Perf. (1m/3m) (%)	-2.7/-3.3



### Revenue decreased by 26% YoY; came ahead of our expectations, in line with Bloomberg consensus

City Cement reported revenue of SAR 99.7mn for 4Q23 in line with Bloomberg consensus, however, beats our expectations of SAR 72.1mn. The revenue decreased by 26% YoY while grew 41% QoQ indicating the sequential rise in the value of sales. For 3Q23, the average monthly cement sales volume sold was 160 thousand tons which increased to 216 thousand tons in 4Q23. For FY23, revenue decreased 17% YoY to SAR 356.5mn mainly due to the decrease in the quantity of sales.

### Net profit decreased 46% YoY; came ahead of U Capital estimates and Bloomberg consensus

For 4Q23, net profit dropped 46% YoY to SAR 25.7mn which came ahead of our expectations as well as the Bloomberg consensus. However, there has been significant sequential improvement in net profit from SAR 4.4mn in 3Q23 to SAR 25.7mn in 4Q23 with the rise in value of sales. For FY23, the net profit decreased by 29% YoY to SAR 82mn due to decrease in the quantity of sales.

### Maintain Buy rating

For the larger part of CY23, cement companies faced challenges in cement realization. The average realization took a hit due to diminished demand, heightened inventory, and intensified market competition. Likewise, for City Cement there has been consistent decline in revenue and profitability during the first two quarters of FY23 and it got worse in 3Q23 with a sharp decline in profitability. However, the trend has reversed in 4Q23 with revenue and profitability coming in line with 1Q23 numbers. We expect the recovery in the KSA construction sector would benefit the cement companies including City Cement. The company maintains a strong balance sheet with no debt in its books supported by decent cash flows and low capex requirements. We note the strong set of results reported for 4Q23, ahead of consensus estimates and believe there should be further upside from current trading level. Thus maintain Buy rating on the stock.

### Valuation

City Cement is trading at 2024e P/E of 19.2x, representing a 19% premium compared to the historical average P/E of 16.1x. Additionally, EV/EBITDA multiple of 14.0x, based on our FY24 estimate, represents a 21% premium compared to the historical average EV/EBITDA of 11.6x.

Income Statement													
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Sales/Revenue	100.1	134.0	108.2	77.8	70.7	99.7	72.1	-26%	41%	38%	431.4	356.5	-17%
Gross profit	28.4	57.8	33.0	30.8	13.0	33.6	13.2	-42%	159%	NM	145.4	110.4	-24%
Operational Profit	20.7	48.3	24.3	21.7	3.0	24.0	3.3	-50%	NM	NM	110.8	72.9	-34%
<b>Net Profit (Loss) after tax</b>	<b>25.3</b>	<b>47.8</b>	<b>27.6</b>	<b>24.3</b>	<b>4.4</b>	<b>25.7</b>	<b>5.3</b>	<b>-46%</b>	<b>NM</b>	<b>NM</b>	<b>115.0</b>	<b>82.0</b>	<b>-29%</b>
Balance Sheet													
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,771.7	1,819.1	1,776.7	1,801.0	1,749.7	1,775.4	1,754.9	-2%	1%	1%			
Key Ratios													
	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Net Profit Margin	25%	36%	25%	31%	6%	26%	7%						
Return on Equity (RoE)	6%	11%	6%	5%	1%	6%	1%						
Annualized EPS (SAR)	0.72	1.36	0.79	0.69	0.13	0.73	0.15						
BVPS (SAR)	12.7	13.0	12.7	12.9	12.5	12.7	12.5						
TTM P/E (x)						23.4							

Source: Financials, Bloomberg, U Capital Research


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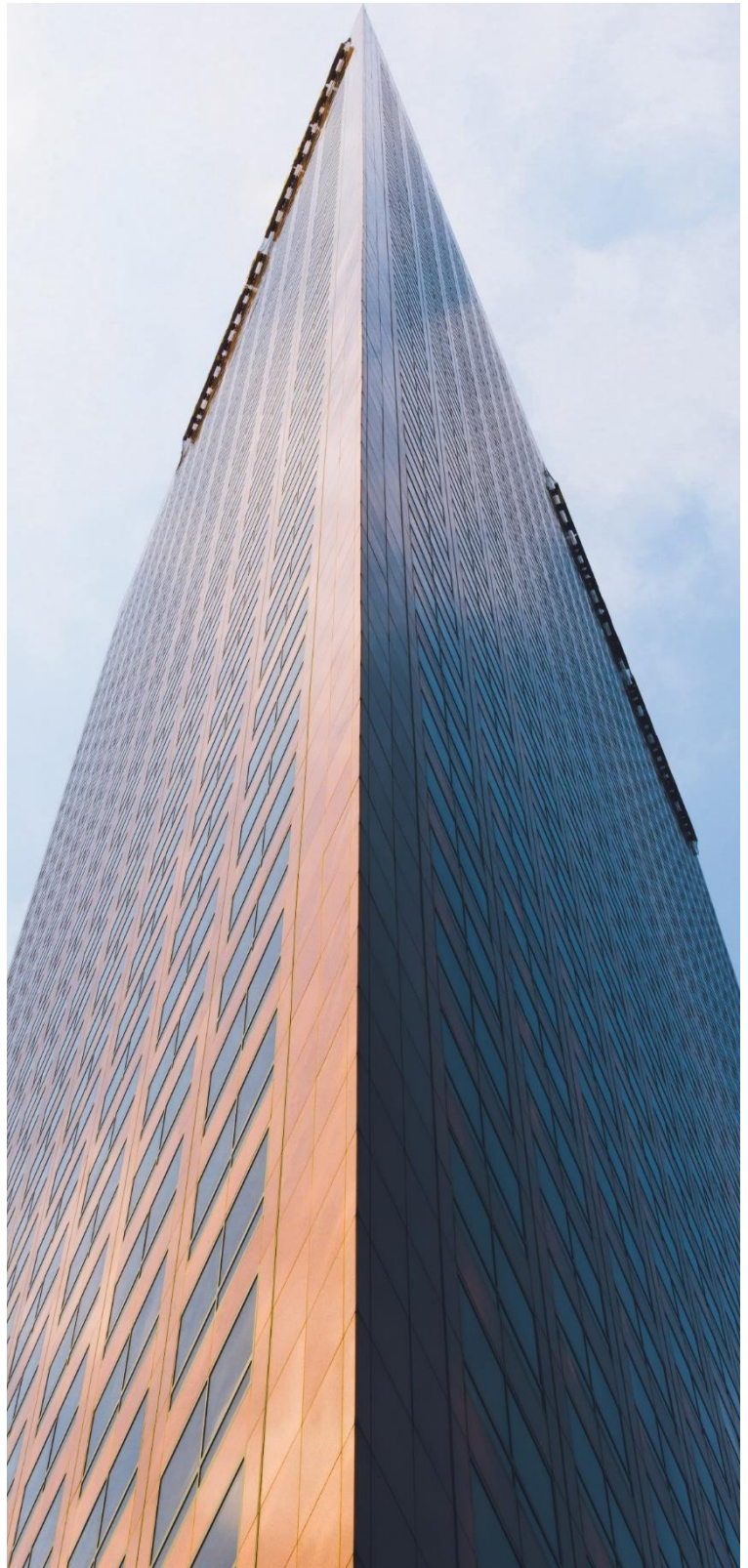
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## Disclaimer

### Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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