

# KSA Cement Sector Handbook

2018 Outlook: On a Modest Recovery Path

Santhosh Balakrishnan  
Senior Research Analyst  
+966 11 203 6809  
santhosh.balakrishnan@riyadcapital.com

Alanoud Al-Moammar  
Asst. Research Analyst  
+966 11 203 6833  
alanoud.k.almoammar@riyadcapital.com

**For Feedback:**  
Muhammad Faisal Potrik  
Head of Research  
+966 11 203 6807  
muhammed.faisal@riyadcapital.com

# Cement Sector in 2018: Brace for a new Normal...

## Sector View Neutral

### Preferred Picks

Qassim Cement  
Yanbu Cement

### Fundamentals

Revenue: SAR 7.9 bln (-34%)

EBITDA: SAR 3.7 bln (-45%)

Earnings: SAR 1.9 bln (-57%)

### Valuations

Market Cap: SAR 42.9 bln

Enterprise Value: SAR 43.4 bln

EV/EBITDA: 12.8x

Div Yield: 4.7%

P/E Ratio: 23.2x

## Some Bright Spots, More Weak Spots, be Selective...

A new normal is seen in 2018 following a lull phase in 2014-2017 as a result of a slowdown in construction cycle which led to a sharp contraction of -57% in earnings and dividends yields fell to 4.7% (3-year average of 6.1%) in 2017. However, some excitement is seen after sector rallied in 4Q2017 outperforming TASI by 8% for the first time in three years, despite investors losing -58% vs a -11% drop in TASI during 2014-17. We believe, the rally shows investors have fewer concerns but we opine there are some more challenges left. However, we shelve some extreme concerns impacting the sector and brace for a new normal in 2018. Going forward, some stability is seen but we have to wait and watch the impact of fuel price revision due in 2019. Though Budget 2018 and additional spending from PIF gives some hopes but earnings could still be under pressure although it might be less challenging than 2017. With this impending scenario, a strategy with valuation discipline and appetite for yields is deemed the best approach. In short, only look for sustainable yield stocks; our top picks are Qassim Cement and Yanbu Cement.

### What is the new normal for 2018?

- ✓ Expect flat or modest improvement in margins; operating margins to be at 23%
- ✓ Dividend yield range of 5-6% with payouts peaking to 85%
- ✓ Earnings could be flat or in low-single digits; expect a 4% consolidated growth for RC coverage
- ✓ Scope for expansion could be limited due to constrained gas allocations
- ✓ Exports being permitted but practically offers limited potential amid stiff price competition
- ✓ Valuations have re-rated to 15-16x for large peers, but be selective on premium to TASI

Anecdotal evidence also suggests other markets have experienced these overcapacity cycles in the past and revival to bull times is a bare possibility while fixing output gap could take few years, unless exports do very well. Considering crowding out in MENA markets, we are not too bullish on the export story. A recovery is seen starting 2018, not a sharp rise such as what we saw during 2005-14, but still a better scenario than 2015-17. In this report, we highlight our outlook and view on the sector for 2018, focus on structural issues and challenges within the sector and predominantly, how global investors view the cement sector in Saudi Arabia.

# Table of Contents

❑ KSA Cement Sector: RC Views & Analysis .....	03
❑ Investment Thesis.....	10
❑ Yamama Cement.....	11
❑ Yanbu Cement.....	14
❑ Southern Cement.....	17
❑ Saudi Cement.....	20
❑ Qassim Cement.....	23
❑ Valuation and Sector Performance.....	26
❑ Key Industry Drivers and Indicators.....	35
❑ Operating Metrics At a Glance.....	43
❑ Sector on a Global View.....	59
❑ Non RC Coverage: Company Profiles.....	68
❑ Appendix.....	81
❑ Disclaimer.....	85

# Views on our cement coverage for 2018: Its dividend play

## Key Takeaways

We believe growth in the sector to be limited from now, but will continue to reward investors with payouts (dividend yields at 5.8% for our coverage). Though valuations on an intrinsic basis have come down largely to EV/ton of SAR 619 for the sector; but low single digit-growth rates shuns all excitement away. Earnings focused investors have little room and have to accept the new reality. We suggest to look for dividend plays and stick with valuation discipline, stocks with discount from benchmark would be a right strategy. We like Qassim Cement on its cheaper valuation of 14.1x (2018E P/E) and yields of 6.4%; re-rate to Buy and similar with Yanbu Cement with 2018E P/E of 15.3x and yields of 6.6%. However our view on Southern Cement changes to Neutral from Buy. Though Neutral, we like Saudi Cement on its 2018E dividend yields of 5.8% barring its inventory risk and are cautiously optimistic on Yamama on its lower intrinsic valuation of SAR 540/ton and P/B of 1.0x, but margin erosion is a concern. At last, Yanbu Cement and Qassim Cement are our top picks for 2018.

## Watch out for:

- ✓ Infrastructure spending flows
- ✓ Inventory depletion
- ✓ Exports resumption
- ✓ Housing markets growth
- ✓ Pricing power
- ✓ Gasoline price hikes

## Factors considered positive if executed well are:

- ✓ Emphasis on spending in the Budget 2018
- ✓ Thrust by PIF and NDF on infrastructure spending
- ✓ Waiver of export fee is a positive over long term

## Coverage universe

Company	Rating	TASI Code	CMP (SAR)	Target Price (SAR)	Upside	MCap SAR (mln)	EV SAR (mln)	2018E P/E	2018E P/B	2018E P/S	2018E EV/ EBITDA	2018E EV/ Sales	2018E Yield	52 Wk High	52- Wk Low	2017 RTN
Yamamah Cemen	Neutral	3020	16.32	16.00	-2%	3,305	3,830	19.8x	1.0x	4.1x	9.9x	4.8x	3.1%	19.70	15.80	-23%
Saudi Cement	Neutral	3030	51.30	52.00	1%	7,849	8,435	16.2x	2.8x	6.3x	12.6x	6.8x	5.8%	62.50	37.20	-33%
Qassim Cement	Buy	3040	45.10	52.00	15%	4,059	3,316	14.1x	2.3x	5.2x	8.9x	4.5x	6.4%	59.50	38.00	-33%
Southern Cement	Neutral	3050	49.95	54.00	8%	6,993	7,506	18.1x	2.3x	5.4x	13.0x	6.8x	5.0%	71.00	39.60	-41%
Yanbu Cement	Buy	3060	30.53	34.00	11%	4,808	5,105	15.3x	1.5x	4.9x	9.9x	5.5x	6.6%	37.30	23.50	-16%
<b>Median/Total</b>						<b>27,014</b>	<b>28,192</b>	<b>16.2x</b>	<b>2.3x</b>	<b>5.2x</b>	<b>9.9x</b>	<b>5.5x</b>	<b>5.8%</b>			<b>-28%</b>

# What do investors fear?

## Macro risks

- ✓ Fresh downturn in crude prices to below USD 50/bbl, pressuring budgeted revenues
- ✓ Economic transformation plans implemented slower than forecast
- ✓ Capex spending softer than target
- ✓ Subsidy cuts impact higher than expected

## Sector risks

- ✓ Signs of further downward pressure on pricing
- ✓ Impact of VAT, if not passed-on
- ✓ Expat levy increase in the coming years could affect the sector, as a majority of the jobs is expat driven labour
- ✓ Increase in HFO and natural gas pricing post 2019
- ✓ Increase in utility and gasoline hikes could affect transportation costs
- ✓ Rise in interest rates could affect companies with high leverage

# Some key topics: Our views on this

## Exports

Cement exports in a crowded MENA market would be challenging considering the lower prices and excess inventory in MENA...



A tough task

## Fuel Hikes

Fuel cost revisions post 2019 could be an additional risk and likely to happen, could erode 400-500 bps from current margins....



Key concern

## M&A

Consolidation is a right move for operational synergies, but large benefits could be limited...



Await Actions

## VAT & Levy

Producers are unable to pass-on VAT in a scenario of falling prices...

Rising expat levy could be a dampener in a blue-collar dependent industry...



Dual Impact

# Trailing Multiples ignore the upcoming risks in the system...

Company Name	Country	Price (LCL)	Mcap US\$ Mln	EV US\$ Mln	P/E	P/B	P/S	EV/ Sales	EV/ EBITDA	Div. Yld (%)	YTD	52 Wk- Hi (LCL)	52 Wk- Lo (LCL)	Shares O/S (Mln)	Beta
Yamama Cement Co	Saudi Arabia	16.32	881	1,021	30.6x	1.0x	4.4x	5.5x	13.3x	6.1	(7%)	19.4	15.8	202.5	0.9
Arabian Cement Co/Saudi Arabia	Saudi Arabia	34.43	917	1,008	13.0x	1.2x	3.8x	4.2x	8.8x	5.8	0%	36.9	29.8	100.0	1.0
Qassim Cement Co/The	Saudi Arabia	45.10	1,094	896	16.3x	2.4x	6.6x	5.3x	10.5x	7.0	1%	58.5	38.0	90.0	0.9
Yanbu Cement Co	Saudi Arabia	30.53	1,323	1,402	15.4x	1.5x	5.0x	4.8x	8.8x	4.8	(7%)	37.3	23.5	157.5	0.9
Saudi Cement Co	Saudi Arabia	51.30	2,068	2,225	17.1x	2.8x	6.5x	5.5x	9.1x	6.9	7%	62.5	37.2	153.0	0.9
Southern Province Cement Co	Saudi Arabia	49.95	1,820	1,957	16.5x	2.2x	6.1x	6.7x	12.3x	4.1	1%	70.0	39.6	140.0	1.1
Hail Cement Co	Saudi Arabia	9.37	244	285	63.5x	0.9x	5.0x	6.0x	9.0x	8.6	(6%)	11.8	8.0	97.9	0.9
Tabuk Cement Co	Saudi Arabia	14.56	353	482	210.3x	1.1x	7.5x	8.2x	13.8x	NA	5%	15.5	10.0	90.0	0.9
Al Jouf Cement Co	Saudi Arabia	10.19	388	574	34.1x	0.9x	5.4x	6.4x	15.9x	NA	1%	11.1	7.0	143.0	1.0
Najran Cement Co	Saudi Arabia	9.39	426	588	NA	0.8x	3.7x	5.5x	14.8x	NA	(10%)	12.0	7.2	170.0	1.2
Northern Region Cement Co	Saudi Arabia	10.39	503	761	34.5x	0.9x	4.0x	5.7x	15.1x	NA	(2%)	11.6	9.0	180.0	1.0
City Cement Co	Saudi Arabia	10.53	548	476	21.9x	1.0x	3.8x	3.2x	6.9x	4.6	(8%)	13.3	9.4	189.2	1.0
Eastern Province Cement Co	Saudi Arabia	25.40	587	577	14.4x	1.0x	3.1x	2.8x	7.9x	5.9	(3%)	30.8	21.7	86.0	1.0
Kuw ait Cement Co KSC	Kuw ait	455.00	1,099	1,301	19.4x	1.7x	3.3x	4.1x	16.6x	4.4	(4%)	530.0	400.0	733.3	NA
Raysut Cement Co SAOG	Oman	0.80	414	427	27.8x	1.1x	2.2x	2.2x	11.5x	3.7	2%	1.5	0.7	200.0	1.0
Oman Cement Co SAOG	Oman	0.39	340	345	8.0x	0.8x	2.3x	2.4x	7.5x	7.6	(3%)	0.5	0.4	330.9	0.6
Qatar National Cement Co QSC	Qatar	63.90	1,070	921	11.9x	1.2x	3.8x	3.4x	NA	7.5	(5%)	85.9	51.2	65.4	0.7
Fujairah Cement Industries Co	Uae	71.00	84	226	8.4x	0.3x	0.6x	1.6x	8.7x	6.9	(5%)	93.0	65.0	355.9	0.9
Ras Al Khaimah Cement Co PSC	Uae	0.69	119	131	18.2x	0.8x	2.0x	2.2x	16.1x	NA	24%	0.9	0.6	559.0	0.8
Sharjah Cement	Uae	1.13	170	221	9.7x	0.4x	1.0x	1.3x	8.9x	7.1	7%	1.4	0.9	553.0	0.3
RAK Cement	Uae	1.02	139	180	15.8x	0.7x	2.0x	2.5x	NA	7.4	(7%)	1.3	0.9	500.2	0.5
Union Cement Co	Uae	1.37	248	191	9.4x	0.8x	1.5x	1.2x	NA	8.1	1%	1.8	1.2	669.4	0.3
Gulf Cement Co PSC	Uae	1.00	232	209	21.2x	0.7x	1.5x	1.3x	8.1x	7.7	5%	1.2	0.9	821.1	0.8
<b>Saudi Arabia</b>			<b>11,152</b>	<b>12,251</b>	<b>19.5x</b>	<b>1.0x</b>	<b>5.0x</b>	<b>5.5x</b>	<b>10.5x</b>	<b>5.9</b>	<b>9%</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>0.9</b>
GCC-Ex-Saudi Arabia			4,194	4,518	15.8x	0.8x	2.0x	2.2x	10.2x	7.4	6%	NM	NM	NM	0.9
MENA EX-GCC			23,796	26,539	14.2x	1.7x	1.3x	1.6x	7.6x	4.5	(5%)	NM	NM	NM	0.7
Asia			171,224	231,890	20.5x	1.4x	1.4x	1.9x	9.1x	1.4	(14%)	NM	NM	NM	0.9
Europe			63,166	88,780	14.6x	1.7x	1.7x	1.9x	9.6x	2.7	31%	NM	NM	NM	0.7
Americas			64,467	84,397	23.1x	1.6x	1.5x	2.4x	11.6x	1.2	24%	NM	NM	NM	0.8
<b>Global</b>			<b>337,999</b>	<b>448,375</b>	<b>18.2x</b>	<b>1.5x</b>	<b>1.5x</b>	<b>2.0x</b>	<b>9.9x</b>	<b>2.3</b>	<b>56%</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>0.8</b>

Source: RC Research, Bloomberg Consensus is based on TTM P/E  
Cement companies in Bahrain is not listed, hence no representation from Bahrain in GCC group

## Summary: Expected to see modest recovery from 2018

- ✓ Capex outlay of SAR 338 billion raises some sanguinity, expect decent execution
- ✓ Government aims to improve housing ownership through Sakani programs
- ✓ Reforms with a SAR 120 billion mortgage market by 2030 is a positive signal
- ✓ Exports to neighboring markets is a positive due to reconstruction opportunities
- ✓ A price revival in MENA and waiver of export fee is a medium term catalyst
- ✓ Valuations are down 28% in 2017 and have priced-in few negatives
- ✓ Some producers trades below replacement cost; sector EV/Ton at SAR 619
- ✓ Spreads remain negative with ROE of 5% and CoE of 10% unlike +ve in the past
- ✓ In a nutshell; though the worst is behind us, be prepared for a new normal



# RC Coverage Investment Summary

## Investment Update

▪ Yamama Cement.....	11
▪ Yanbu Cement.....	14
▪ Southern Cement.....	17
▪ Saudi Cement.....	20
▪ Qassim Cement.....	23

# Investment thesis: At a glance

- We revise down our estimates by 10-15% for revenue and earnings by 15-20%
- A contraction in topline for few as pricing and demand are on a downtrend
- We see slight pressure on earnings as costs tend to escalate
- Demand could see a decline of 5-8% for the sector and more heavily for Tier-2
- We see focus shifting to survival mode as overcapacity remains a concern
- On a valuation perspective, most cement producers trade above fair value
- We expect cement producers to trade at a discount to TASI; in the range of 13-14x
- Few or most trade above 2018E P/E of 15x barring few exceptions
- We see a large valuation discomfort at current levels, a long term call is difficult
- Our 2018 outlook on the sector remains Neutral

# Yamama Cement Company

Rating	Neutral
12 Month Target Price (SAR)	16.00

## Expected Total Return

Current Market Price (SAR)	16.32
Upside to Target Price	(2.0%)
Expected Dividend Yield	3.1%
Expected Total Return	1.1%

## Market Data

52 Week H/L (SAR)	19.7/15.8
Market Capitalization (SAR Mln)	3,305
Enterprise Value (SAR Mln)	3,830
Shares Outstanding (Mn)	203
Free Float	85.4%
12-Month ADTV ('000)	177.6
Bloomberg Code	YACCO AB

## 1-Year Price Performance



## Normalcy Unexpected Over Near Term

**Investment Conclusion:** Our 2018 outlook on Yamama Cement Company (Yamama) remains Neutral though extended period of earnings contraction has almost come to an end; with 2018 proved to be a year of recovery. The same is reflected in valuation with replacement cost currently at SAR 544/ton (EV/Ton) denotes cheaper than green-field project cost. However, valuation looks expensive when underlying earnings are expected to grow at 3% CAGR for 2018-19; as pricing and demand to see modest growth and recover while Yamama to recapture some of its lost market share. We revise estimates as outlook seems slightly improved and revenue is expected to reach SAR 847 million by 2019. The impact of value unlocking to be seen from 2022 on sale of land but not in vicinity, while dividends may sag as relocation capex is partially funded internally. We continue to maintain Neutral and retain target price at SAR 16.00.

### Key Points:

- ✓ Realization set to fall by -7% to SAR 184/ton while a +2% improvement in sales volumes is seen and grow to 4.3 MT in 2018
- ✓ Production is expected to see a +2% improvement in 2018 despite high inventories which stands risky, touching at 112% of 2017 dispatches
- ✓ EBITDA margins set to improve 100 bps to 48% on dual impact of improved pricing and cost control

**Valuation:** 2018E P/E of 19.8x is unconvincing when large peers trade below 16.0x and expensive to TASI P/E of 13.8x, unlike 20-25% discount earlier. 2018 dividend outlook (2018 DPS at SAR 0.60, yields 3.1%) remains muted. Yamama plans to raise debt to fund relocation in a rising rate environment burdening its free cash flows and keeping yield investors in check.

**Key Risks:** i) higher relocation costs ii) falling selling prices iii) further production cuts and iv) revised fuel prices from Aramco are some of the major risks to our estimates.

### Key Financial Figures (SAR Mln)

FY Dec31	2015A	2016A	2017A	2018E
Revenue	1,311	1,125	748	802
EBITDA*	875	727	343	385
Net Profit	615	358	109	167
EPS (SAR)	3.04	1.77	0.54	0.82
DPS (SAR)	3.00	1.00	0.50	0.60
BVPS (SAR)	18.18	18.40	16.92	16.78

Source: RC Estimates, Bloomberg

### Key Valuation and Ratio's

FY Dec31	2015A	2016A	2017A	2018E
ROAA	17%	10%	3%	5%
ROAE	17%	10%	3%	4%
P/E	5.4x	9.2x	30.3x	19.8x
P/B	0.9x	0.9x	1.0x	1.0x
EV/EBITDA	4.4x	5.3x	11.2x	9.9x
EV/Sales	2.9x	3.4x	5.1x	4.8x

# Yamama Cement Company

## Company Profile

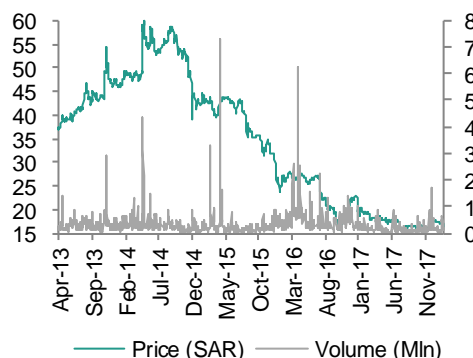
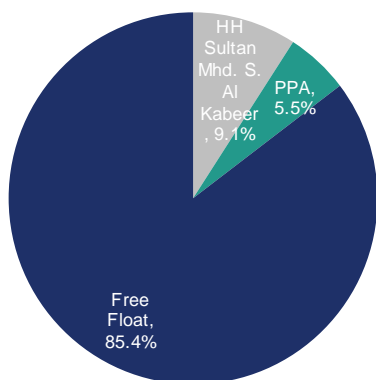
### Description

Yamama Cement Company (Yamama) founded in 1966 with one production line and an initial capacity of 300 tons/day of clinker, currently stands at 19,000+ tons/day. Located in the central province Riyadh, Yamama is fourth largest in Saudi Arabia by most parameters. Yamama's current total capacity amounts to 6.3 MT and has a market share of 9% in sales volumes.

### 4Q17 Earnings-Key Highlights

Yamama reported 4Q2017 numbers with earnings below estimates due to one-off provisions taken on its associate, but has performed operationally well. Key highlights are the i) changes in Yamama's pricing strategy with its realization increasing by +11% Q/Q to SAR 195/ton; though price recovery came-in at a cost of losing its market share; at a multi-year low of 7.2% ii) it recorded lower sales volume of 865K tons (-7% Q/Q, -28% Y/Y) taking it's adjusted inventories high to 5,314k ton (represents 126% of TTM sales) and iii) margins improved Q/Q across the board except net margins; gross margins expanded by 600 bps to 32% and operating margins improved by 900 bps to 24%.

### Shareholding and Stock Price Trends



## Key Financials & Ratio's

	2013	2014	2015	2016	2017	2018E	2019E
--	------	------	------	------	------	-------	-------

### Income Statement (SAR mln)

Revenue	1,542	1,329	1,311	1,125	748	802	897
Gross Profit	881	712	736	470	192	244	277
EBIT	829	658	673	409	130	172	224
EBITDA	1,019	848	875	727	343	385	437
Net Income	870	671	615	358	109	167	204

### Balance Sheet (SAR mln)

Total Assets	4,263	4,079	3,981	3,974	4,183	4,014	3,972
Total Equity	3,893	3,732	3,681	3,726	3,426	3,398	3,357
Total Liabilities	369	348	300	248	757	616	615

### Cash Flows (SAR mln)

CFO	865	759	705	471	351	357	593
CFI	(258)	66	21	(143)	(172)	(181)	(88)
CFF	(619)	(778)	(616)	(295)	(387)	(362)	(601)

### Summary Valuation

P/E	3.8x	4.9x	5.4x	9.2x	30.3x	19.8x	16.2x
P/B	0.8x	0.9x	0.9x	0.9x	1.0x	1.0x	1.0x
EV/EBITDA	3.8x	4.5x	4.4x	5.3x	11.2x	9.9x	8.8x

### Margins

Gross Margins	18%	54%	56%	42%	26%	30%	31%
EBITDA Margins	22%	64%	67%	65%	46%	48%	49%
Net Margins	24%	50%	47%	32%	15%	21%	23%

### Key Ratio's

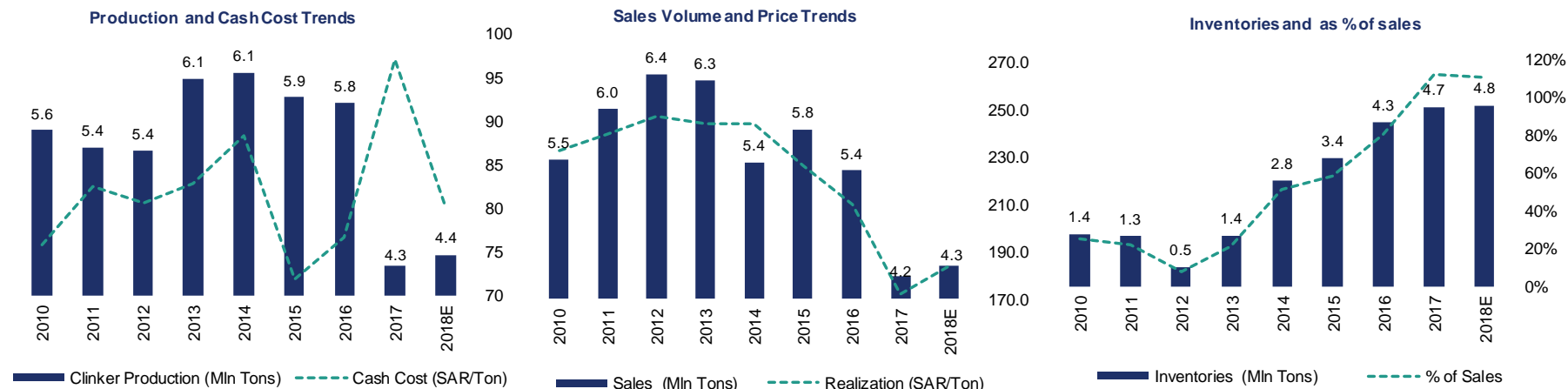
Debt to Equity	5%	1%	1%	0%	36%	35%	33%
ROE	22%	18%	17%	10%	3%	5%	8%
ROA	19%	16%	17%	10%	3%	4%	5%
Payout Ratio	70%	91%	99%	57%	93%	73%	86%

### Per Share (SAR)

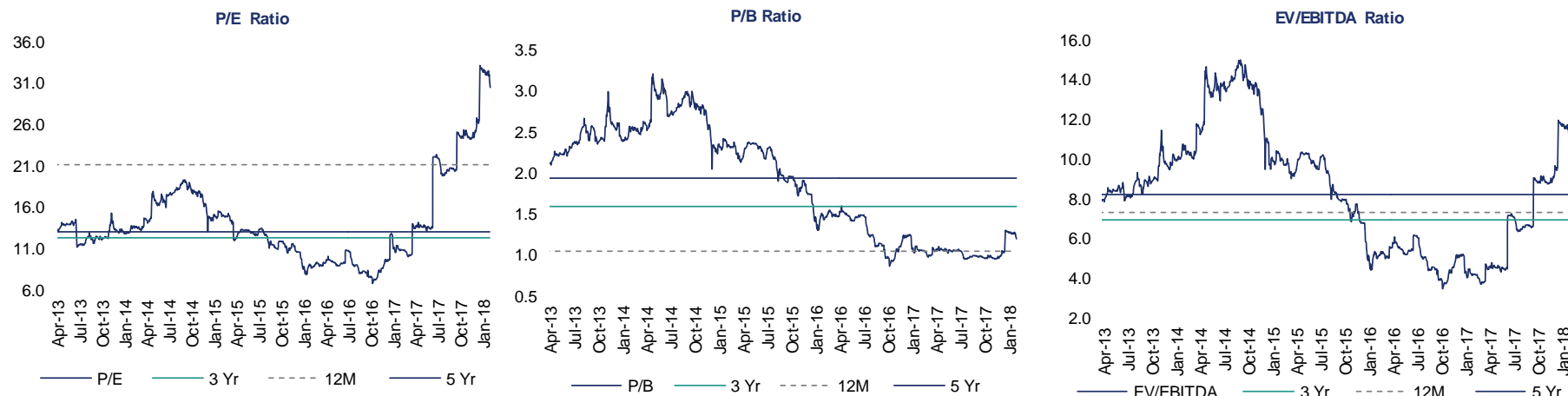
EPS	4.30	3.31	3.04	1.77	0.54	0.82	1.01
BVPS	19.23	18.43	18.18	18.40	16.92	16.78	16.58
DPS	3.00	3.00	3.00	1.00	0.50	0.60	0.75

# Yamama Cement Company

## Operational Performance Forecasts



## 5 Year Price Multiples Trading History



Source: RC Estimates, Bloomberg, Yamama Cement  
Valuation multiples are daily data with average of 1, 3 and 5 years

# Yanbu Cement Company

Rating	Buy
12 Month Target Price (SAR)	34.00

## Expected Total Return

Current Market Price (SAR)	30.53
Upside to Target Price	11.4%
Expected Dividend Yield	6.6%
Expected Total Return	17.9%

## Market Data

52 Week H/L (SAR)	37.3/23.5
Market Capitalization (SAR Mln)	4,808
Enterprise Value (SAR Mln)	5,105
Shares Outstanding (Mln)	158
Free Float	76.5%
12-Month ADTV ('000)	199.7
Bloomberg Code	YNCCO AB

## 1-Year Price Performance



## Hopes of Modest Recovery

**Investment Conclusion:** We update our models on Yanbu Cement Company (YCC) and revise our estimates for 2018-19, while rolling forward our DCF assumptions. We re-rate to Buy due to cheaper valuations and dividend yields, despite sector outlook remains muted, we believe YCC could be less affected. Going forward, YCC could look at displacing its inventories at presumably lower prices (realization dropped -15% Y/Y to SAR 171/ton in 2017E) leading to a contracting top-line, while adjusted cement inventories of 4.5 million tons is beyond normalcy and at 89% of LTM sales. Revenue is expected to grow at modest 3% by CAGR for 2018-19E as price and volumes continues to be weak; leading to limited growth in topline. We believe YCC could focus on depleting inventories at cheaper prices to retain market share and this strategy is timely to offset its redundant working capital. Operating margins are expected to be flat at 32% in 2018-19 from highs of 43% seen during 2016, as utilization and prices plays a dampener role. We forecast earnings CAGR of +4% for 2018-19E. We raise our target price to SAR 34.00 from SAR 29.00.

### Key Points:

- ✓ Sharp drop in realization in 2017 implies a deep discount trend, we forecast +1% growth for 2018
- ✓ A feeble increase in production for 2018 is better strategy to maintain cash costs despite idle capacity
- ✓ High inventories of 89% to LTM sales poses a concern, pricing strategy could change in 2018

**Valuation:** 2018E P/E of 15.3x though expensive than TASI P/E of 13.8x but lower than large peers. We cut 2018 DPS to SAR 2.00, but still yields 6.6% and in the median range despite a gloomy environment, recommend Buy

**Key Risks:** i) continued lower selling prices, a trend seen in 4Q2016 ii) fall in production levels and iii) revision in fuel costs are some of the major risks to our estimates.

### Key Financial Figures (SAR Mln)

FY Dec31	2015A	2016A	2017E	2018E
Revenue	1,613	1,286	874	926
EBITDA*	1,038	774	497	517
Net Profit	806	536	280	314
EPS (SAR)	5.12	3.40	1.78	1.99
DPS (SAR)	5.00	3.00	1.50	2.00
BVPS (SAR)	23.72	22.60	21.73	20.64

Source: RC Estimates, Bloomberg

### Key Valuation and Ratio's

FY Dec31	2015A	2016E	2017E	2018E
ROAA	22%	15%	8%	10%
ROAE	20%	14%	7%	7%
P/E	6.0x	9.0x	17.2x	15.3x
P/B	1.3x	1.4x	1.4x	1.5x
EV/EBITDA	4.9x	6.6x	10.3x	9.9x
EV/Sales	3.2x	4.0x	5.8x	5.5x

# Yanbu Cement Company

## Company Profile

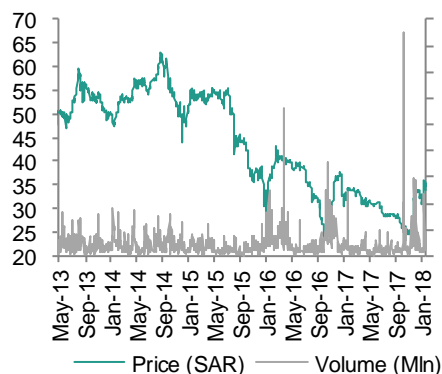
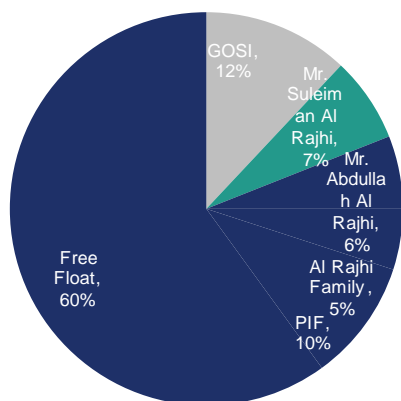
### Description

Yanbu Cement Company (YCC) located in Western province was founded in 1977 with an initial clinker capacity of 3,000 tons per day clinker and has currently more than 20,000 tons per day of capacity currently. YCC gradually expanded its capacity in 1997 and in 2005 to become the third largest producer in KSA with a market share of 11.7%. YCC is strategically located to cater to the demands in the western region adjoining Makkah and Madinah with proximity to the Yanbu seaport (nearly 70 kms) thereby providing a catalyst in case of export licenses.

### Key Updates

- ✓ YCC's waste heat recovery project is expected to be on-line, the company expects some cost savings
- ✓ YCC will report its financial statement in accordance to IFRS standards
- ✓ It managed to reduce 628K tons of clinkers in 4Q2016, highest in the sector

### Shareholding and Stock Price Trends



## Key Financials & Ratio's

	2013	2014	2015	2016	2017E	2018E	2019E
--	------	------	------	------	-------	-------	-------

### Income Statement (SAR Mln)

Revenue	1,620	1,559	1,613	1,286	874	926	979
Gross Profit	885	853	871	614	310	328	351
EBIT	847	813	826	549	272	285	317
EBITDA	1,056	1,025	1,038	774	497	517	552
Net Income	821	802	806	536	280	314	338

### Balance Sheet (SAR mln)

Total Assets	4,325	4,365	4,167	4,028	3,913	3,832	3,792
Total Equity	3,315	3,563	3,735	3,559	3,423	3,251	3,110
Total Liabilities	1,010	802	432	469	490	581	682

### Cash Flows (SAR mln)

CFO	806	928	1,007	762	577	532	593
CFI	(90)	(116)	(128)	(281)	(157)	(172)	(88)
CFF	(1,191)	(834)	(881)	(656)	(584)	(604)	(601)

### Summary Valuation

P/E	5.9x	6.0x	6.0x	9.0x	17.2x	15.3x	14.2x
P/B	1.5x	1.3x	1.3x	1.4x	1.4x	1.5x	1.5x
EV/EBITDA	4.8x	5.0x	4.9x	6.6x	10.3x	9.9x	9.2x

### Margins

Gross Margins	55%	55%	54%	48%	35%	35%	36%
EBITDA Margins	65%	66%	64%	60%	57%	56%	56%
Net Margins	51%	51%	50%	42%	32%	34%	35%

### Key Ratio's

Debt to Equity	21%	11%	4%	6%	5%	5%	0%
ROE	25%	23%	22%	15%	8%	10%	11%
ROA	20%	19%	20%	14%	7%	7%	8%
Payout Ratio	77%	79%	98%	88%	84%	100%	93%

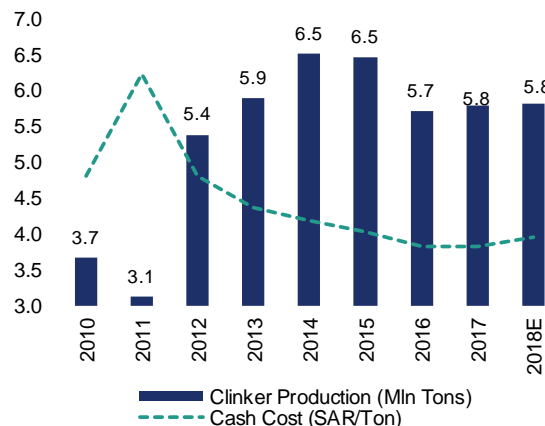
### Per Share (SAR)

EPS	5.21	5.09	5.12	3.40	1.78	1.99	2.15
BVPS	21.05	22.62	23.72	22.60	21.73	20.64	19.75
DPS	4.00	4.00	5.00	3.00	1.50	2.00	2.00

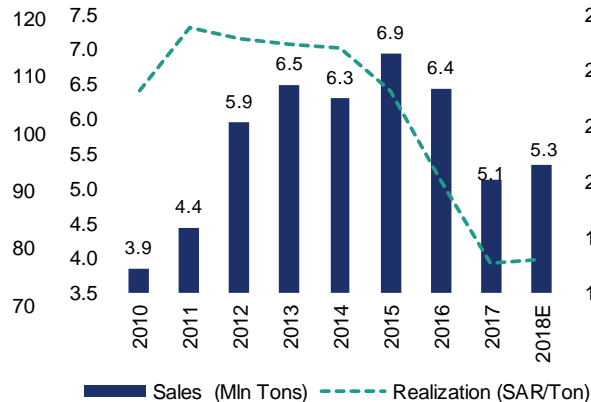
# Yanbu Cement Company

## Operational Performance Forecasts

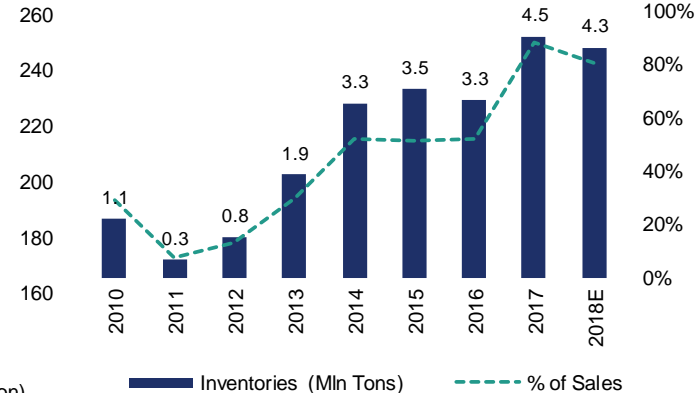
Production and Cash Cost Trends



Sales Volume and Price Trends



Inventories and as % of sales

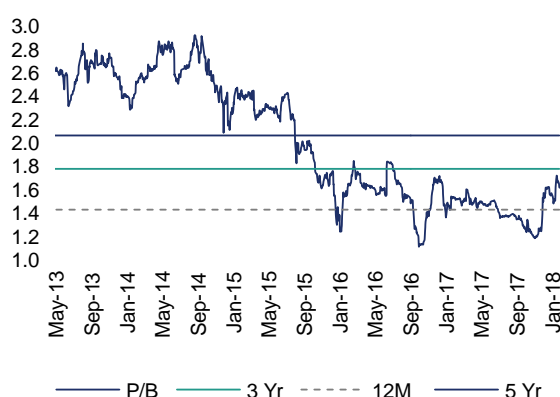


## 5 Year Price Multiples Trading History

P/E Ratio



P/B Ratio



EV/EBITDA Ratio



Source: RC Estimates, Bloomberg, Yamama Cement  
Valuation multiples are daily data with average of 1, 3 and 5 years



# Southern Province Cement Company

<b>Rating</b>	<b>Neutral</b>
<b>12 Month Target Price (SAR)</b>	<b>54.00</b>
<b>Expected Total Return</b>	
Current Market Price (SAR)	49.95
Upside to Target Price	8.1%
Expected Dividend Yield	5.0%
Expected Total Return	13.1%
<b>Market Data</b>	
52 Week H/L (SAR)	71/39.6
Market Capitalization (SAR Mln)	6,993
Enterprise Value (SAR Mln)	7,506
Shares Outstanding (Mln)	140
Free Float	45.6%
12-Month ADTV ('000)	49.4
Bloomberg Code	SOCCO AB

## 1-Year Price Performance



Source: Bloomberg

All datasets are updated as of :

25-Feb-18

## Weak Trends Seen

**Investment Conclusion:** A continued gloomy demand outlook adjoining Southern province has affected Southern Province Cement Company (SPCC) since 2016, though SPCC is one of the efficient operators due to its sheer size amid higher economies of scale. A further moderation in selling prices has led to a downward estimate revision, we see scope for a +3% revenue CAGR for 2017-19E. A deliberate attempt to maintain its superior prices of SAR 227/ton in 2016 did not sustain and fell to SAR 179/ton in 2017, as SPCC lost its market share, declined 200 bps in 2017 to 11.5% losing to peers. We expect cost control to expand margins by a feeble 200 bps and further on improvement in prices to SAR 188/ton in 2018E. Earnings are expected to grow modestly by +3% CAGR for 2017-19E and take net income to SAR 407 million by 2019. We adjust our target price to SAR 54.00 from earlier SAR 57.00 as valuations remains expensive and also revise to Neutral from Buy.

### Key Points:

- ✓ Realization to grow by +5% in 2018 coupled with a +10% improvement in sales volumes
- ✓ Low inventories of 54% (as % of sales) in 2018 seems better than industry, though increased from 28% in 2016 to 34% last year
- ✓ We expect +2% growth in production levels and could stabilize cash costs at SAR 85/ton

**Valuation:** A dividend yield of 5.0% for 2018 is not largely attractive when peers offer 6% plus yields while 2018E P/E of 18.1x is unjustified versus TASI's 13.8x and large peers at less than 16.0x. We remain unconvinced when valuations and sector confirm a modest growth in the coming years.

**Key Risks:** i) high competition from neighboring producers ii) large fall in market share and iii) revision in fuel costs are some of the major risks to our estimates.

### Key Financial Figures (SAR Mln)

FY Dec31	2015A	2016A	2017E	2018E
Revenue	2,047	1,776	1,006	1,106
EBITDA*	1,222	1,079	527	577
Net Profit	1,039	881	329	387
EPS (SAR)	7.42	6.29	2.35	2.76
DPS (SAR)	5.50	6.00	3.25	2.50
BVPS (SAR)	23.06	23.33	22.19	21.56

Source: RC Estimates, Bloomberg

### Key Valuation and Ratio's

FY Dec31	2015A	2016A	2017E	2018E
ROAA	32%	27%	11%	13%
ROAE	24%	20%	8%	9%
P/E	6.7x	7.9x	21.3x	18.1x
P/B	2.2x	2.1x	2.3x	2.3x
EV/EBITDA	6.1x	7.0x	14.2x	13.0x
EV/Sales	3.7x	4.2x	7.5x	6.8x

# Southern Province Cement Company

## Company Profile

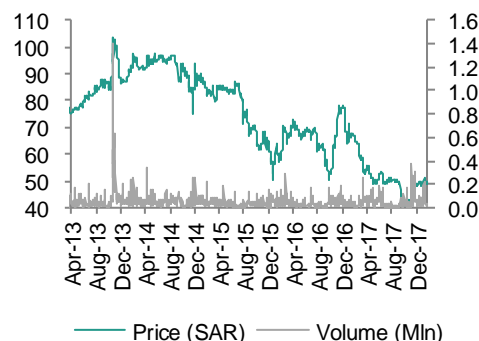
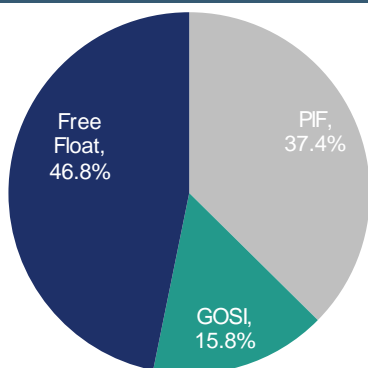
### Description

Southern Province Cement Company (SPCC) situated in Southern province of KSA is the second largest producer. Founded in 1978, with 5,000 tons per day of clinker capacity, it gradually expanded from its first plant in Jazan, adding two plants in due course in Bisha and Tiham. It currently has a total operating capacity of 10.7 MT cement and 9.9 MT of clinker. SPCC is the largest producer in KSA by current rated capacity but marginally below Saudi cement. SPCC has a volume market share of 11.9% as of 2017. It is strategically located in the southern region adjoining Jazan, while having proximity to Najran, with access to main demand centers in western province.

### Key News

- ✓ It starts trial run of second production line in Bisha plant with 5000 tons per day during 3Q2016
- ✓ CEO says, it has lesser inventories to meet mentioned export rules this year, sees less feasibility for exports.
- ✓ Aramco restrained to provide fuel to new plants on its new production lines, hence plans for alternatives

### Shareholding and Stock Price Trends



## Key Financials & Ratio's

	2013	2014	2015	2016	2017E	2018E	2019E
--	------	------	------	------	-------	-------	-------

### Income Statement (SAR mln)

Revenue	1,775	1,878	2,047	1,776	1,006	1,106	1,167
Gross Profit	1,013	995	1,109	932	368	411	454
EBIT	973	948	1,053	874	336	358	377
EBITDA	1,123	1,111	1,222	1,079	527	577	626
Net Income	1,006	1,045	1,039	881	329	387	407

### Balance Sheet (SAR mln)

Total Assets	3,376	3,890	4,399	4,274	4,127	3,954	3,812
Total Equity	2,762	2,961	3,228	3,267	3,107	3,018	2,919
Total Liabilities	614	929	1,171	1,007	1,020	936	893

### Cash Flows (SAR mln)

CFO	873	1,188	1,315	1,018	792	781	797
CFI	(370)	(537)	(598)	(233)	(276)	(272)	(341)
CFF	(844)	(466)	(562)	(1,007)	(923)	(891)	(752)

### Summary Valuation

P/E	7.0x	6.7x	6.7x	7.9x	21.3x	18.1x	17.2x
P/B	2.5x	2.4x	2.2x	2.1x	2.3x	2.3x	2.4x
EV/EBITDA	6.7x	6.8x	6.1x	7.0x	14.2x	13.0x	12.0x

### Margins

Gross Margins	57%	53%	54%	52%	37%	37%	39%
EBITDA Margins	63%	59%	60%	61%	52%	52%	54%
Net Margins	57%	56%	51%	50%	33%	35%	35%

### Key Ratio's

Debt to Equity	5%	17%	22%	16%	16%	15%	14%
ROE	36%	35%	32%	27%	11%	13%	14%
ROA	29%	24%	24%	20%	8%	9%	10%
Payout Ratio	97%	80%	74%	95%	138%	90%	95%

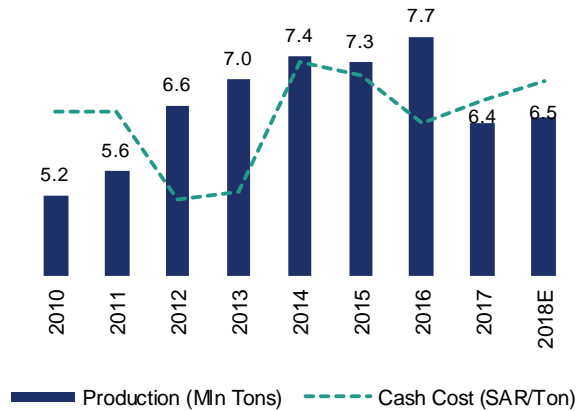
### Per Share (SAR)

EPS	7.19	7.47	7.42	6.29	2.35	2.76	2.91
BVPS	19.73	21.15	23.06	23.33	22.19	21.56	20.85
DPS	7.00	6.00	5.50	6.00	3.25	2.50	2.75

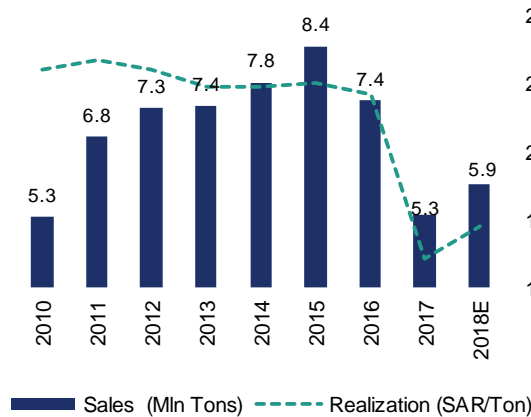
# Southern Province Cement Company

## Operational Performance Forecasts

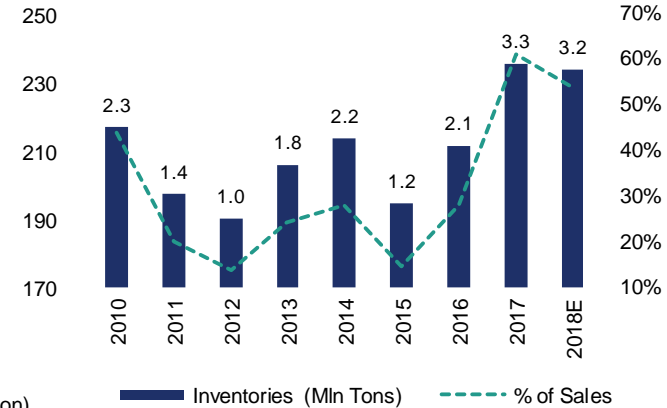
Production and Cash Cost Trends



Sales Volume and Price Trends



Inventories and as % of sales



## 5 Year Price Multiples Trading History

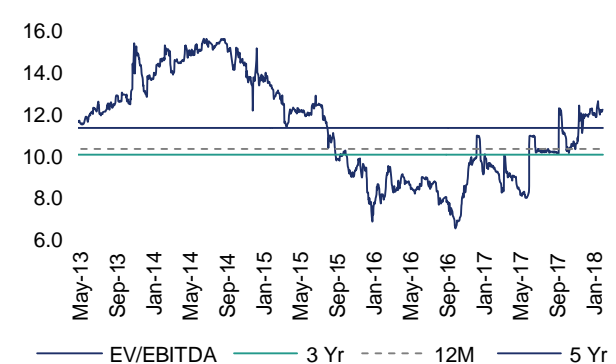
P/E Ratio



P/B Ratio



EV/EBITDA Ratio



Source: RC Estimates, Bloomberg, Yamama Cement  
Valuation multiples are daily data with average of 1, 3 and 5 years

# Saudi Cement Company

Rating	Neutral
12 Month Target Price (SAR)	52.00

## Expected Total Return

Current Market Price (SAR)	51.30
Upside to Target Price	1.4%
Expected Dividend Yield	5.8%
Expected Total Return	7.2%

## Market Data

52 Week H/L (SAR)	62.5/37.2
Market Capitalization (SAR Mln)	7,849
Enterprise Value (SAR Mln)	8,435
Shares Outstanding (Mln)	153
Free Float	81.1%
12-Month ADTV ('000)	111.6
Bloomberg Code	SACCO AB

## 1-Year Price Performance



Source: Bloomberg

All datasets are updated as of :

25-Feb-2018

## Inventory pressure seen

**Investment Conclusion:** We update our 2018 outlook on Saudi Cement Company (SCC) with a Neutral view due to impending pressure on prices amid a slowing demand. We believe 2018 could see betterment for Eastern region producers as demand is mixed in most regions. We see incremental demand from some private projects but provide only limited scope for topline growth, hence expect a+ 4% CAGR in revenue for 2017-19E. We believe margins could be flat with +2% increase in cash costs and 40% EBIT margins. Earnings are expected to grow at +6% CAGR for 2017-19E taking net income to SAR 524 million. We adjust our target price to SAR 52.00 from earlier SAR 47.00 but maintain our Neutral recommendation.

### Key Points:

- ✓ We expect +6% improvement in production levels after sharp drop of -36% in 2017
- ✓ Realization set to improve 2% in 2018 after a fall of -10% in 2017
- ✓ High inventories levels of 111% ( as % of sales volumes) continues to haunt pricing competency

**Valuation:** A dividend yield of 5.8% for 2018 is below par to peers while 2018E P/E of 16.2x versus TASI's 13.8x is expensive, both unconvincing adding to minimal upside from DCF based valuation. We expect only a modest growth in demand from the Eastern region, justifying our neutral view.

**Key Risks:** i) sharp drop in demand from Eastern region ii) more than expected cuts in production levels and iii) revision in fuel costs are some of the major risks to our estimates.

### Key Financial Figures (SAR Mln)

FY Dec31	2015A	2016A	2017P	2018E
Revenue	1,932	1,778	1,185	1,238
EBITDA	1,249	1,149	694	672
Net Profit	940	902	453	485
EPS (SAR)	6.15	5.89	2.96	3.17
DPS (SAR)	6.00	5.50	4.00	3.00
BVPS (SAR)	21.28	21.41	18.75	18.16

Source: RC Estimates, Bloomberg. 2017P is preliminary

### Key Valuation and Ratio's

FY Dec31	2015A	2016E	2017E	2018E
ROAA	29%	28%	16%	17%
ROAE	23%	22%	12%	13%
P/E	8.3x	8.7x	17.3x	16.2x
P/B	2.4x	2.4x	2.7x	2.8x
EV/EBITDA	6.8x	7.3x	12.2x	12.6x
EV/Sales	4.4x	4.7x	7.1x	6.8x

# Saudi Cement Company

## Company Profile

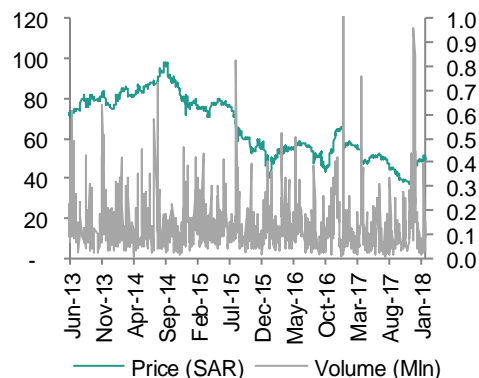
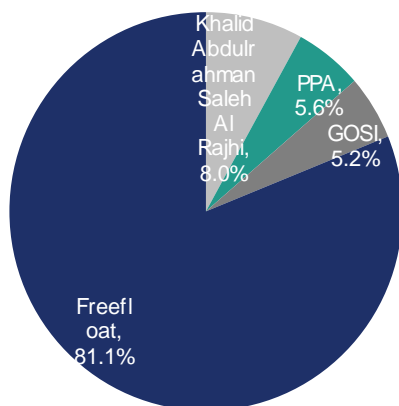
### Description

Saudi Cement Company located in Eastern province is the largest producer in KSA. Established in 1955, it currently has 28,000 tons per day of clinker capacity equivalent to 9.2 MT of annual clinker capacity and operating capacity of 11.5 MT of cement. However, some lines are not operational due to issues with fuel allocation and few are in decommissioning stage. It remains 2nd largest producer in KSA by current rated capacity but the third highest market share of 10.5% as of 2017. It has extensive logistics infrastructure, including road and railway transport while operating its own port terminal.

### 4Q17 Earnings-Key Highlights

- ✓ SCC reported revenue of SAR 377 million in 4Q, with a +27% Q/Q as realization stood at SAR 242/ton, though revenue declined by -20% Y/Y.
- ✓ Operating margins were lower by 230 bps in 4Q to 35.3%, while net margins fell 90 bps to 33.7%
- ✓ Earnings came in-line with expectations and stood at SAR 107 million (+23% Q/Q and -43% Y/Y)

### Shareholding and Stock Price Trends



## Key Financials & Ratio's

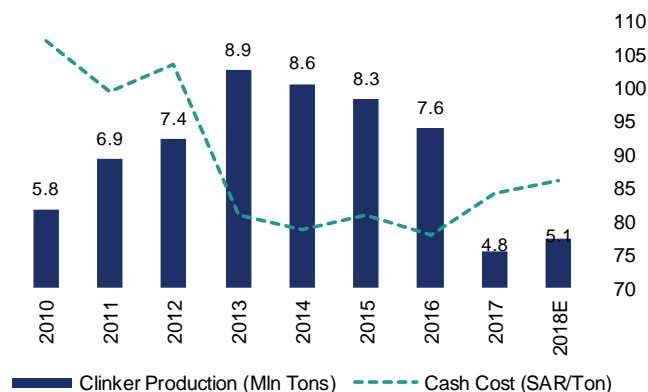
	2013	2014	2015	2016	2017	2018E	2019E
<b>Income Statement (SAR mln)</b>							
Revenue	1,051	986	1,024	852	626	742	781
Gross Profit	644	615	630	448	274	311	327
EBIT	606	576	601	418	245	282	296
EBITDA	696	659	678	491	314	371	398
Net Income	585	564	586	406	252	287	305
<b>Balance Sheet (SAR mln)</b>							
Total Assets	2,193	2,183	2,113	2,044	1,989	1,813	8,885
Total Equity	1,996	1,974	1,884	1,797	1,744	1,757	1,782
Total Liab & Equity	2,193	2,183	2,113	2,044	1,989	1,934	1,896
<b>Cash Flows (SAR mln)</b>							
CFO	680	612	654	444	273	291	307
CFI	64	(186)	45	25	(16)	21	24
CFF	(604)	(573)	(683)	(493)	(276)	(234)	(221)
<b>Summary Valuation</b>							
P/E	6.9x	7.2x	6.9x	10.0x	16.1x	14.1x	13.3x
P/B	2.0x	2.1x	2.2x	2.3x	2.3x	2.3x	2.3x
EV/EBITDA	4.8x	5.0x	4.9x	6.8x	10.6x	8.9x	8.3x
<b>Margins</b>							
Gross Margins	61%	62%	61%	53%	44%	42%	42%
EBITDA Margins	66%	67%	66%	58%	50%	50%	51%
Net Margins	56%	57%	57%	48%	40%	39%	39%
<b>Key Ratio's</b>							
Debt to Equity	0%	0%	0%	0%	0%	0%	0%
ROE	29%	29%	31%	23%	14%	16%	8%
ROA	28%	26%	28%	20%	12%	16%	5%
Payout Ratio	92%	96%	96%	100%	104%	94%	86%
<b>Per Share (SAR)</b>							
EPS	6.50	6.26	6.52	4.51	2.80	3.19	3.39
BVPS	22.18	21.93	20.93	19.96	19.38	19.52	19.80
DPS	6.00	6.00	6.25	4.50	2.90	3.00	3.25

Source: RC Estimates, Bloomberg  
2017 Income statement is preliminary

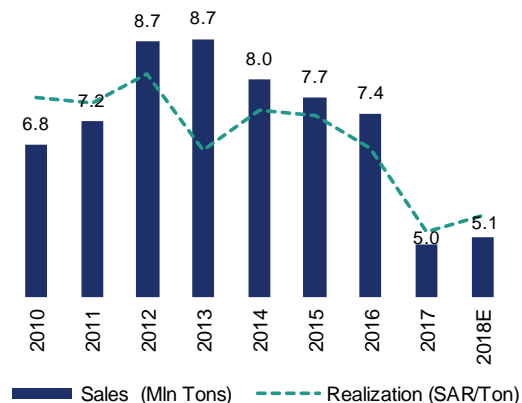
# Saudi Cement Company

## Operational Performance Forecasts

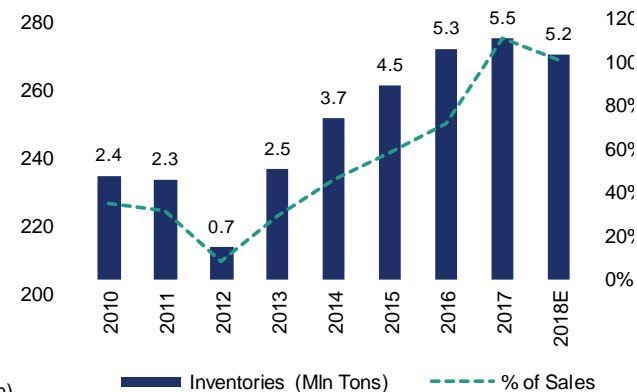
Production and Cash Cost Trends



Sales Volume and Price Trends

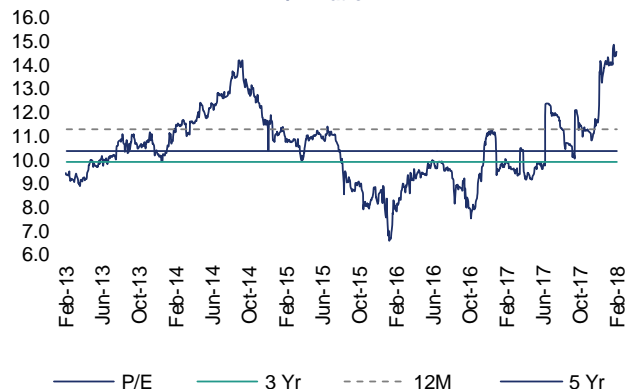


Adjusted Inventories and as % of sales volumes

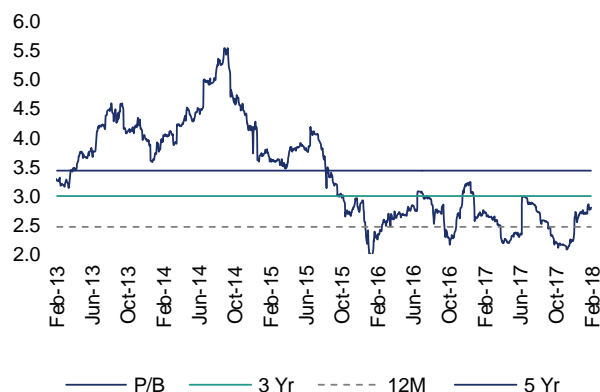


## 5 Year Price Multiples Trading History

P/E Ratio



P/B Ratio



EV/EBITDA Ratio



Source: RC Estimates, Bloomberg, Yamama Cement  
Valuation multiples are daily data with average of 1, 3 and 5 years

# Qassim Cement Company

Rating	Buy
12 Month Target Price (SAR)	52.00

## Expected Total Return

Current Market Price (SAR)	45.10
Upside to Target Price	15.3%
Expected Dividend Yield	6.4%
Expected Total Return	21.7%

## Market Data

52 Week H/L (SAR)	59.5/38
Market Capitalization (SAR Mln)	4,059
Enterprise Value (SAR Mln)	3,316
Shares Outstanding (Mln)	90
Free Float	79.2%
12-Month ADTV ('000)	38.8
Bloomberg Code	QACCO AB

## 1-Year Price Performance



## Valuations Easing; Re-rate to Buy

**Investment Conclusion:** We believe 2018 could be a recovery phase for QACCO after a lull 2015-17 as selling prices faltered significantly over the last 2-3 years following slowdown in demand. In our view, QACCO is a producer with consistent margins and the one; not affected much in its cash flows (above industry). Earnings are expected to grow at low single-digits, but expect sustainable free cash flows due to low leverage model (0% debt). EBITDA margins are expected to improve after contracting by 800 bps from 2017 and expected to be at 50% for 2018-19E despite the turmoil. We tweak our demand forecasts and raise it to 4.0 MT, while expect price and margin drag to be limited. Our DCF based target price is revised to SAR 52.00 from earlier SAR 49.00.

### Key Points:

- ✓ Realization set to improve by +4% to SAR 187/ton and expect a +14% increase in sales volumes to 3.9 MT in 2018E strategy is to off-load inventory pressure
- ✓ Inventories to sales to reduce to 40% in 2018 from 50% in 2017; lower versus industry's 84% as of 2017
- ✓ Operating margins are set to be stable on impact of price recovery amid its proximity to client sites.

**Valuation:** We prefer QACCO due to its strong payouts with dividend yield of 6.4%, while 2018E P/E of 14.1x is at par with TASI 13.8x, we re-rate to Buy from Neutral on a combination of 15% upside and 6.4% dividend yield. .

**Key Risks:** i) further crowding-in central region could affect QACCO due to its high focus in the market ii) high delivery costs and iii) revision in fuel costs are some of the major risks to our estimates.

### Key Financial Figures (SAR Mln)

FY Dec31	2015A	2016A	2017A	2018E
Revenue	1,024	852	626	742
EBITDA*	678	491	314	371
Net Profit	586	406	252	287
EPS (SAR)	6.52	4.51	2.80	3.19
DPS (SAR)	6.25	4.50	2.90	3.00
BVPS (SAR)	20.93	19.96	19.38	19.52

Source: RC Estimates, Bloomberg

### Key Valuation and Ratio's

FY Dec31	2015A	2016A	2017A	2018E
ROAA	31%	23%	14%	16%
ROAE	28%	20%	12%	16%
P/E	6.9x	10.0x	16.1x	14.1x
P/B	2.2x	2.3x	2.3x	2.3x
EV/EBITDA	4.9x	6.8x	10.6x	8.9x
EV/Sales	3.2x	3.9x	5.3x	4.5x



# Qassim Cement Company

## Company Profile

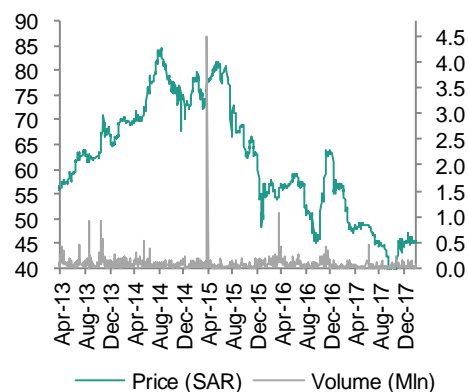
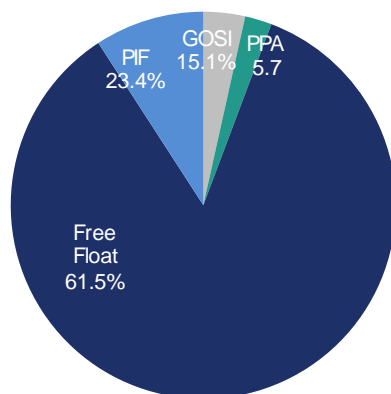
### Description

Qassim Cement Company (QACCO) established in 1979 and located in Buraydah, neighboring Eastern and Central province is the 6th largest producer in KSA. It currently has three production lines with 10,500 tons per day of clinker capacity equivalent to 3.4 MT annually, with a total operating capacity of 4.1 MT of cement. It has the 5<sup>th</sup> highest market share of 8.23% as of 2017. It has customers mainly focused in the central and western region.

### 4Q17 Earnings-Key Highlights

QACCO reported 4Q2017 results with a positive surprise, could be an early signs of earnings recovery. EPS stood at SAR 0.75 versus our estimate of SAR 0.59 and the street's SAR 0.65. Key trends for investors to watch in 4Q are i) its +8% Q/Q increase in realization to SAR 162/ton vs SAR 151/ ton average in last two quarters ii) Qassim recorded higher sales volume versus peers with its 1,045K ton improving by +9% Q/Q and +20% Y/Y iii) it managed to consistently improve its market share throughout 2017 to multi-year highs and stands at 8.7% iv) utilization stood at record levels of 92%, managing fixed costs well.

### Shareholding and Stock Price Trends



Source: RC Estimates, Bloomberg

## Key Financials & Ratio's

	2013	2014	2015	2016	2017	2018E	2019E
--	------	------	------	------	------	-------	-------

### Income Statement (SAR mln)

Revenue	1,051	986	1,024	852	626	742	781
Gross Profit	644	615	630	448	274	311	327
EBIT	606	576	601	418	245	282	296
EBITDA	696	659	678	491	314	371	398
Net Income	585	564	586	406	252	287	305

### Balance Sheet (SAR mln)

Total Assets	2,193	2,183	2,113	2,044	1,989	1,813	8,885
Total Equity	1,996	1,974	1,884	1,797	1,744	1,757	1,782
Total Liab & Equity	2,193	2,183	2,113	2,044	1,989	1,934	1,896

### Cash Flows (SAR mln)

CFO	680	612	654	444	273	291	307
CFI	64	(186)	45	25	(16)	21	24
CFF	(604)	(573)	(683)	(493)	(276)	(234)	(221)

### Summary Valuation

P/E	6.9x	7.2x	6.9x	10.0x	16.1x	14.1x	13.3x
P/B	2.0x	2.1x	2.2x	2.3x	2.3x	2.3x	2.3x
EV/EBITDA	4.8x	5.0x	4.9x	6.8x	10.6x	8.9x	8.3x

### Margins

Gross Margins	61%	62%	61%	53%	44%	42%	42%
EBITDA Margins	66%	67%	66%	58%	50%	50%	51%
Net Margins	56%	57%	57%	48%	40%	39%	39%

### Key Ratio's

Debt to Equity	0%	0%	0%	0%	0%	0%	0%
ROE	29%	29%	31%	23%	14%	16%	8%
ROA	28%	26%	28%	20%	12%	16%	5%
Payout Ratio	92%	96%	96%	100%	104%	94%	86%

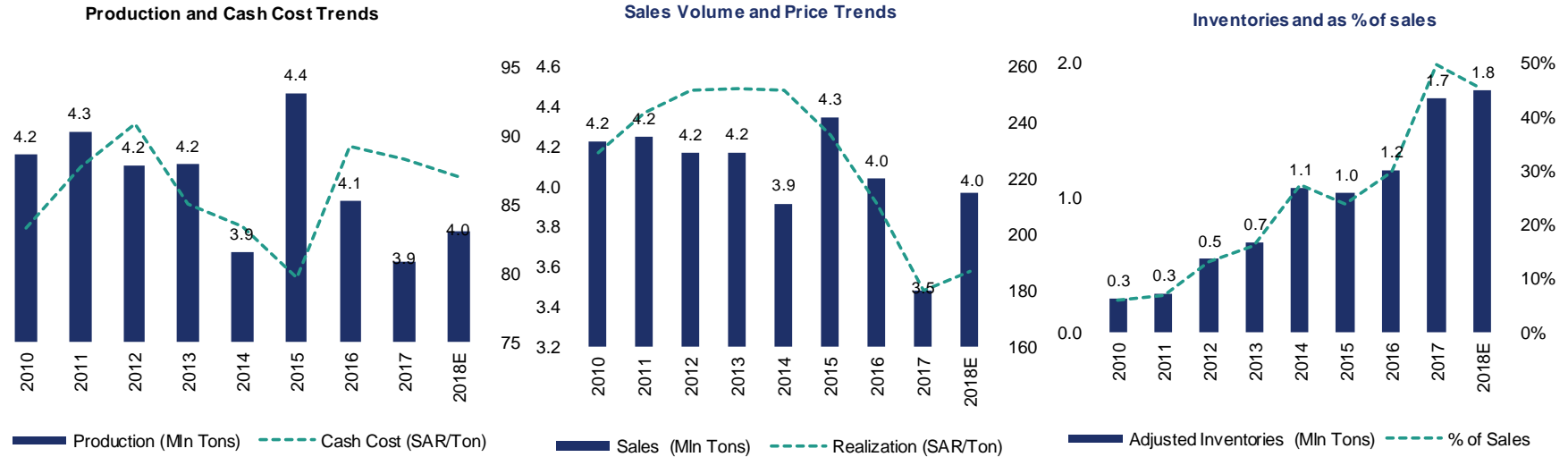
### Per Share (SAR)

EPS	6.50	6.26	6.52	4.51	2.80	3.19	3.39
BVPS	22.18	21.93	20.93	19.96	19.38	19.52	19.80
DPS	6.00	6.00	6.25	4.50	2.90	3.00	3.25

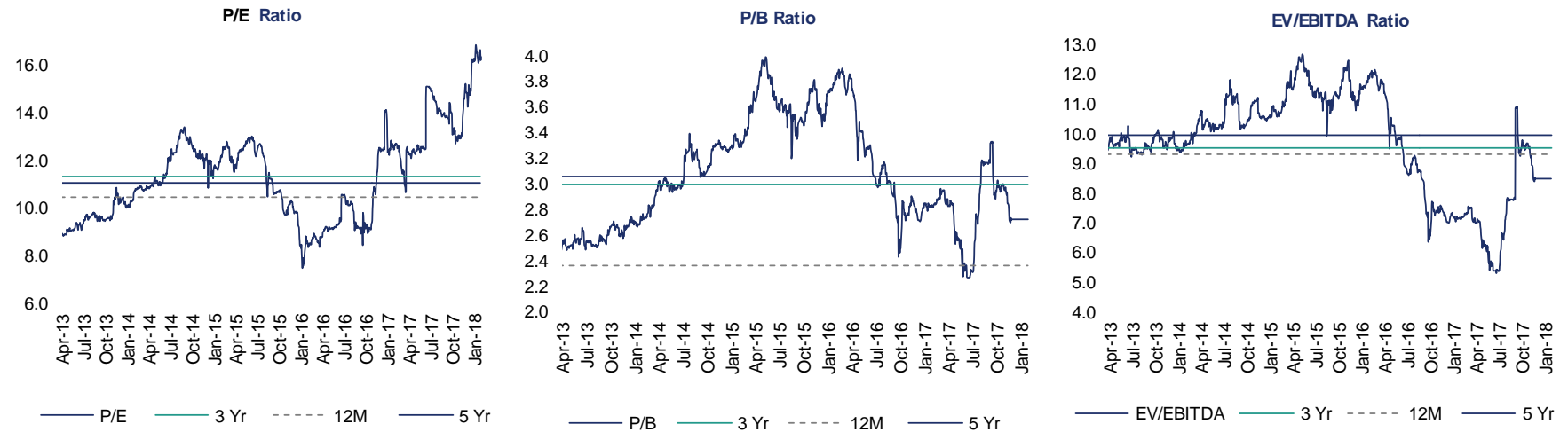


# Qassim Cement Company

## Operational Performance Forecasts



## 5 Year Price Multiples Trading History



Source: RC Estimates, Bloomberg, Yamama Cement  
Valuation multiples are daily data with average of 1, 3 and 5 years

# Sector offers selective valuation opportunities...

## Valuations

- We expect the sector to trade at 2018E P/E of 13-14x, while stocks are trading at 15-20% premium to our expectations as earnings retreated.
- Historically, it traded at 25-30% discount to TASI but with TASI re-rating and sector earnings on a double-digit decline since 2015-17, new valuation range is seen at 15-16x in the sector since 4Q2017
- On a replacement cost basis, Yamama's EV/ton is the lowest at SAR 544/ton trading below global replacement cost of SAR 930/ton, while sector is at an EV/ton of SAR 619/ton

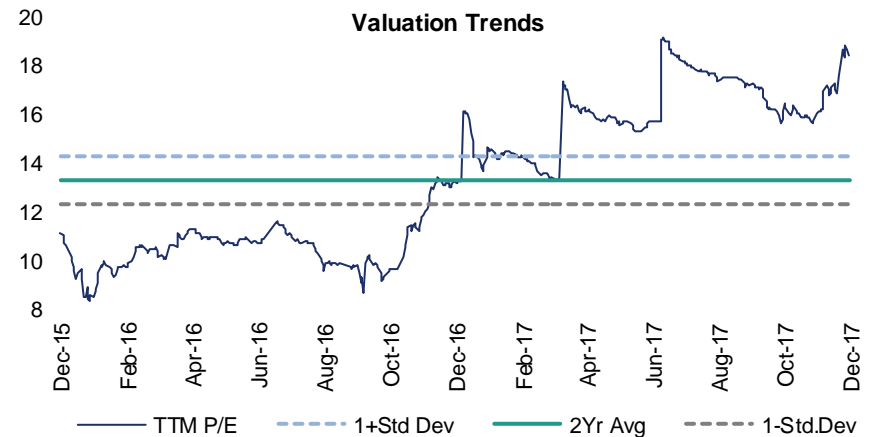
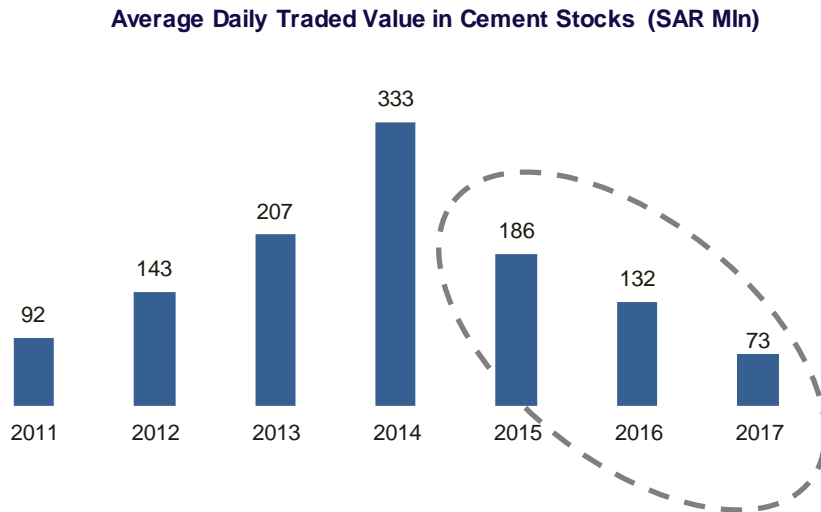
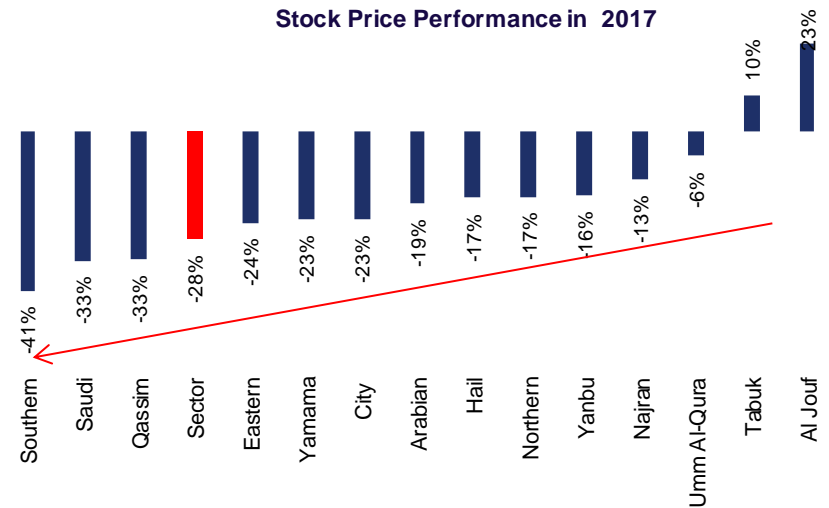
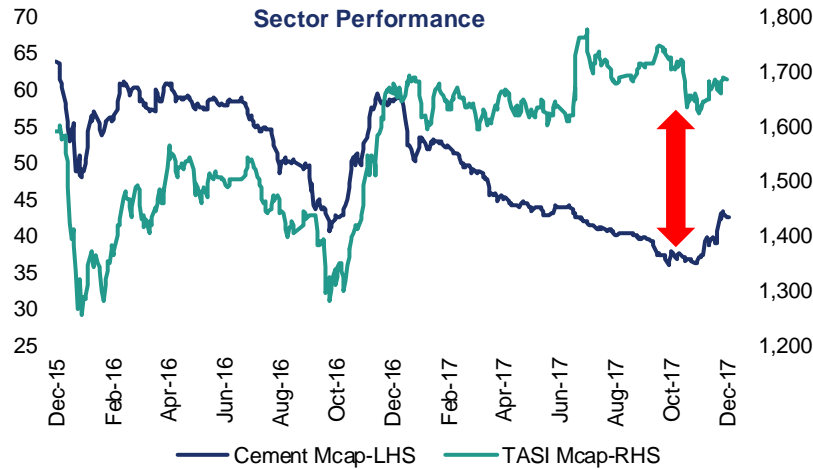
# Sector falls -58% in 2014-17, nearly SAR 50 billion wiped out...



Source: Bloomberg

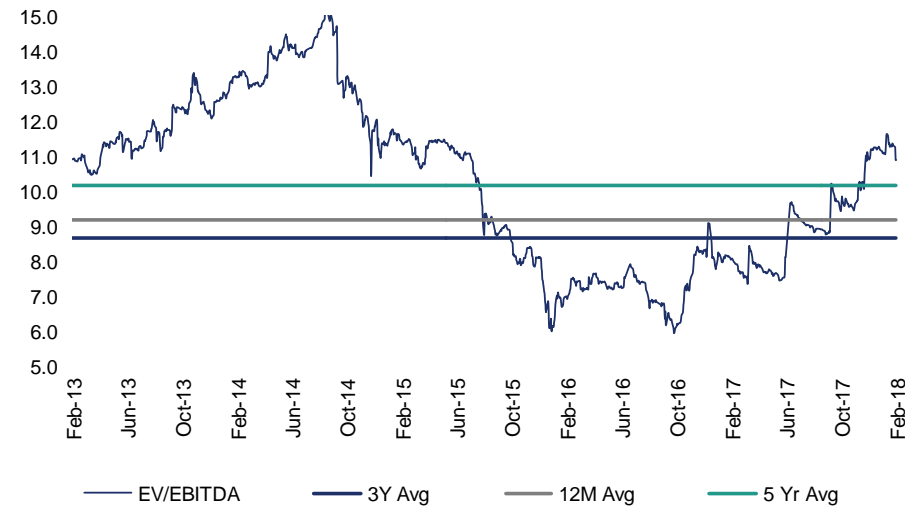
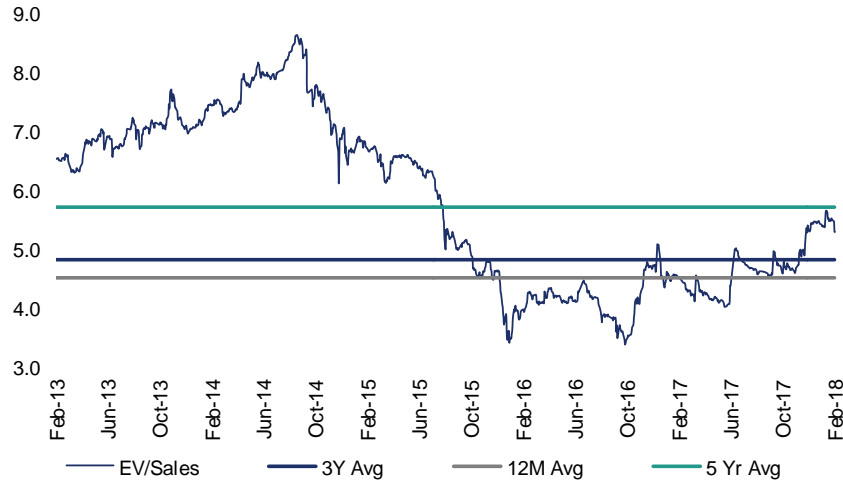
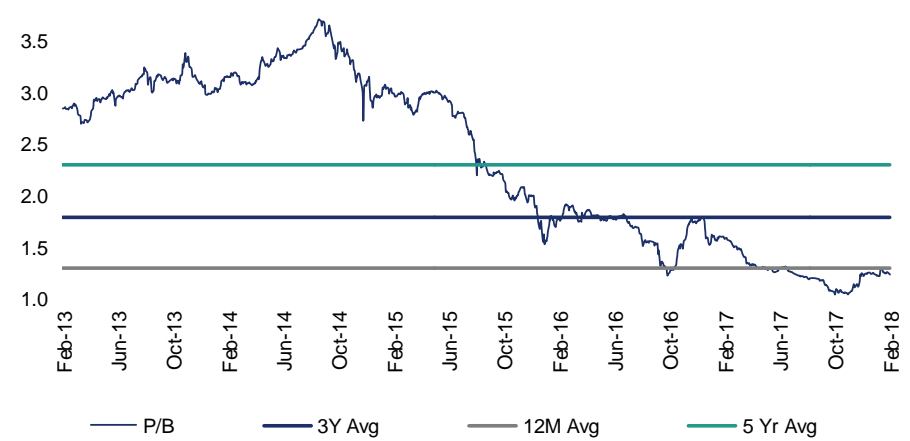
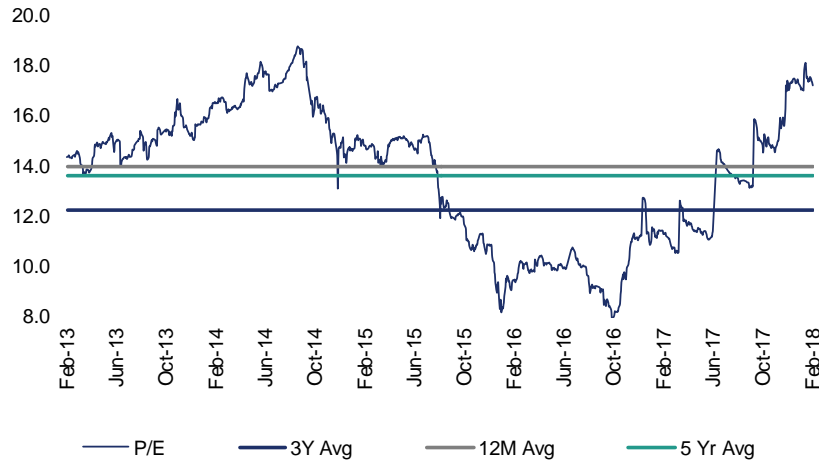
Figures are market cap data for the sector and are in SAR billions  
Q/Q data are available in Slide 84

# Valuations priced-in most negatives; falls -28% in 2017....



Source: Bloomberg  
Market Cap figures are in SAR billions

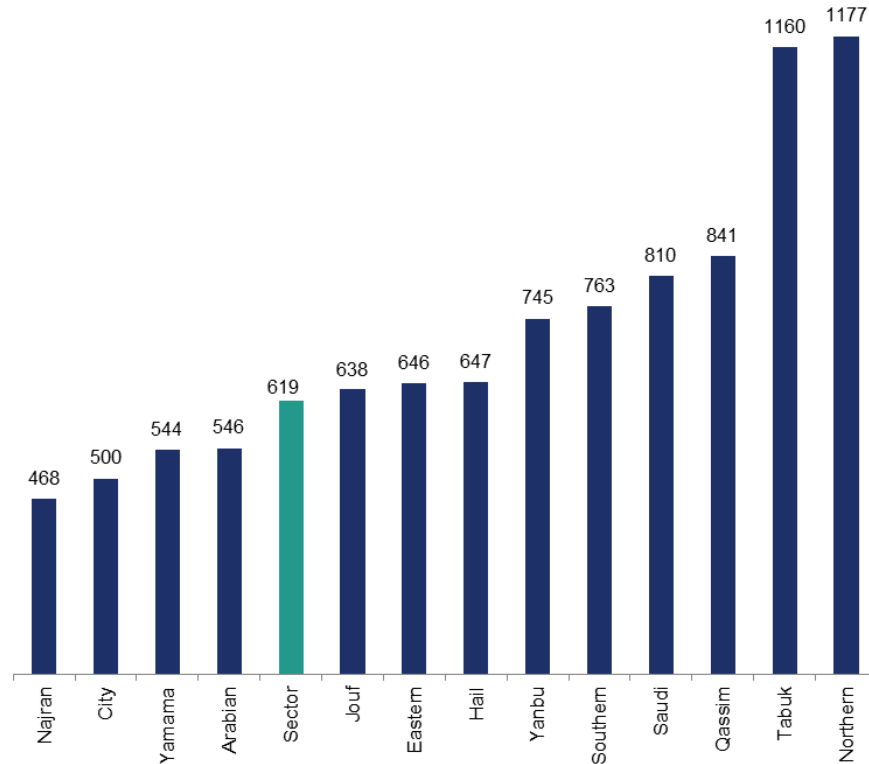
# 1-Yr Forward Cement Sector Valuations: 4Q17 was a relief rally



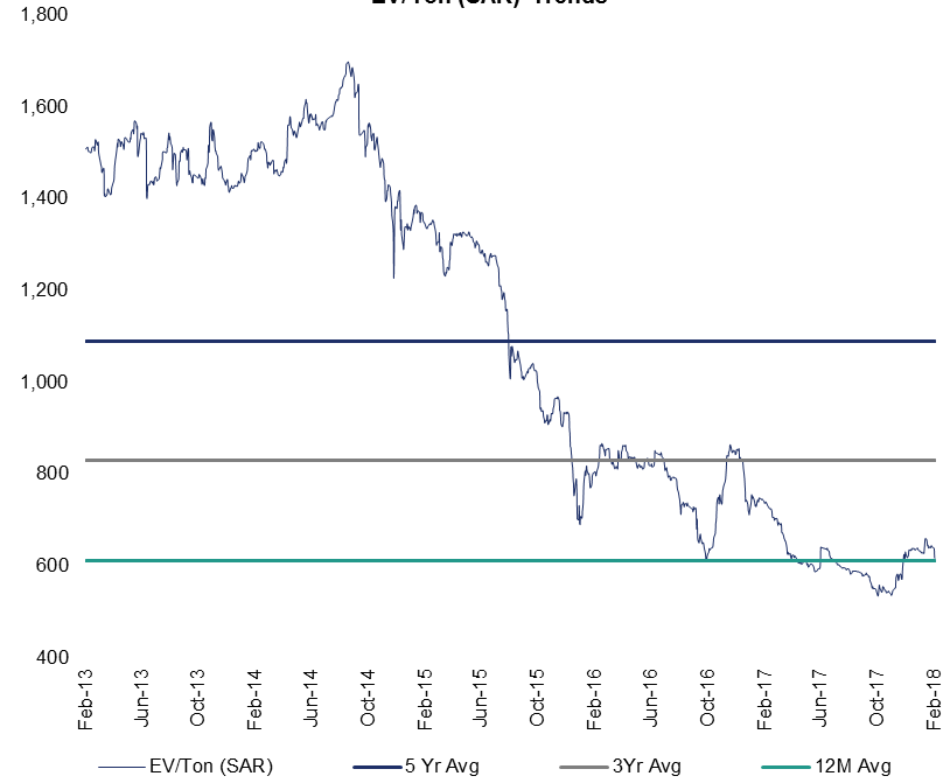
Source: Bloomberg

# Replacement cost trends suggest selective opportunities

Replacement Cost (EV/Ton in SAR)



EV/Ton (SAR) Trends



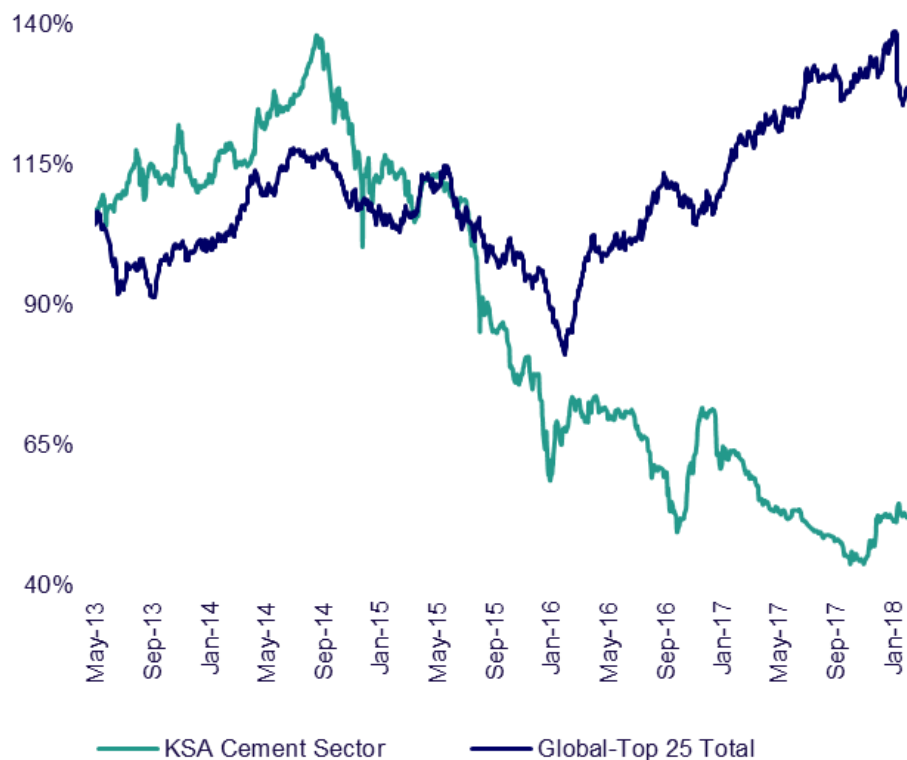
Source: Bloomberg, Yamama Cement

# Valuations constrain as trends diverge between KSA and global

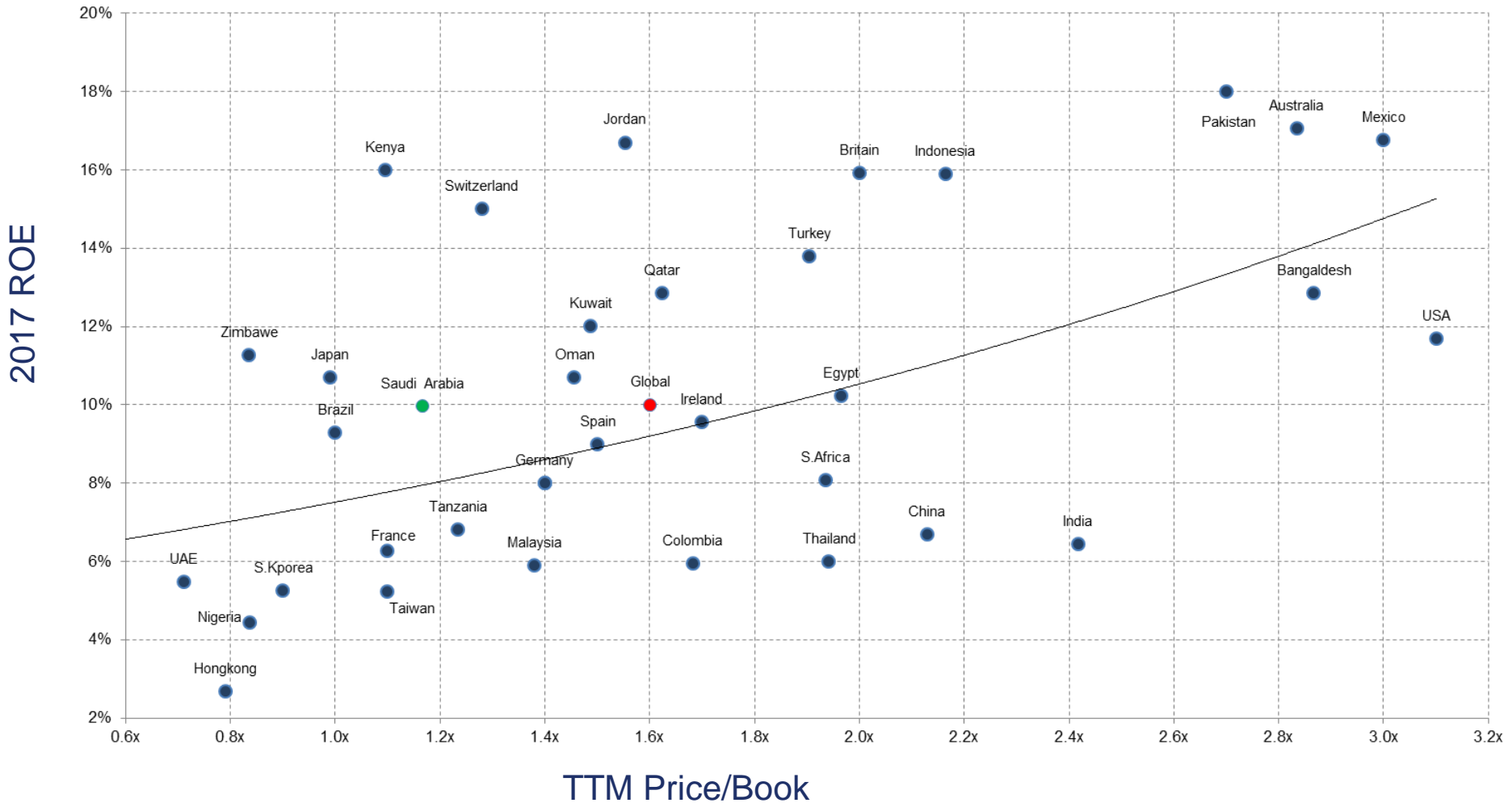
## EV/Ton (US\$)- Global peers vs KSA



## Market Cap Growth Rebased-KSA vs Global Peers



# Saudi Arabia is placed well; relative P/B to ROE

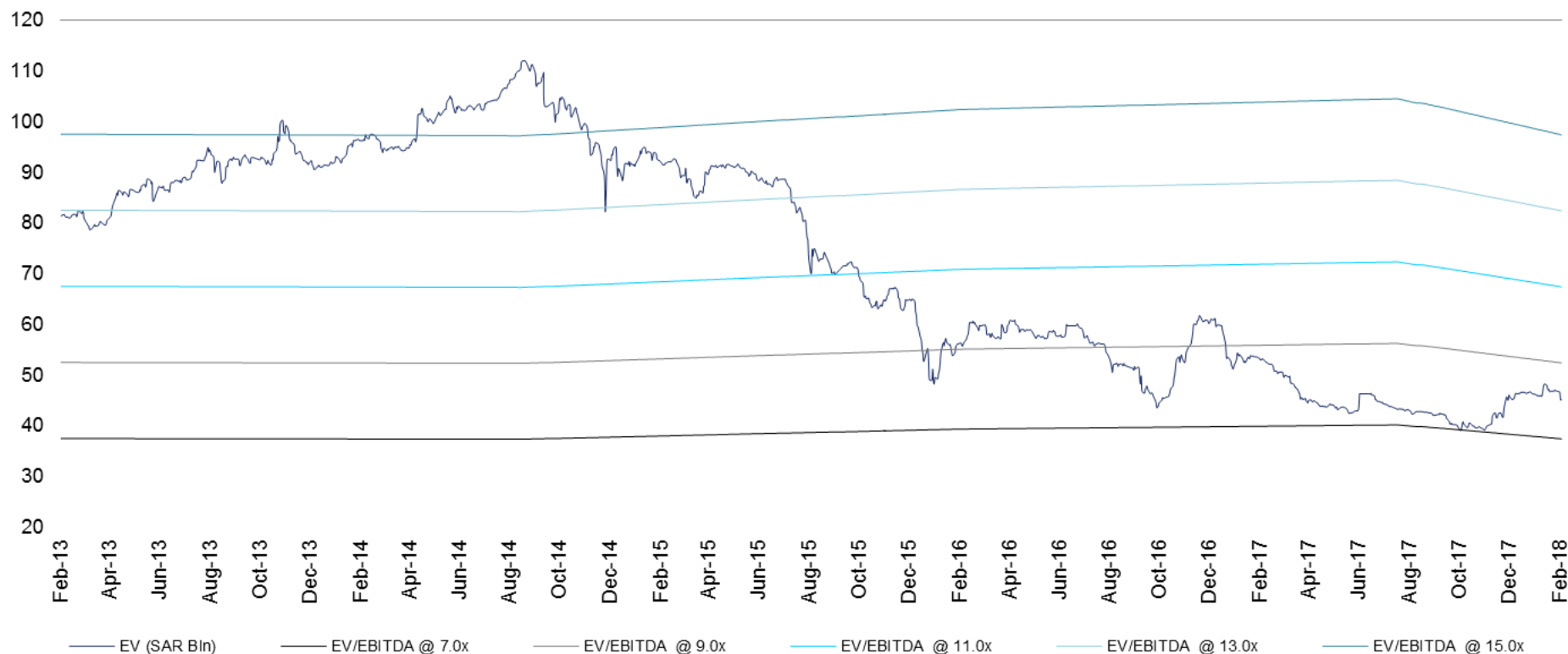


Source: Bloomberg



# Valuations have neared a 5 year bottom; picked up in 4Q17

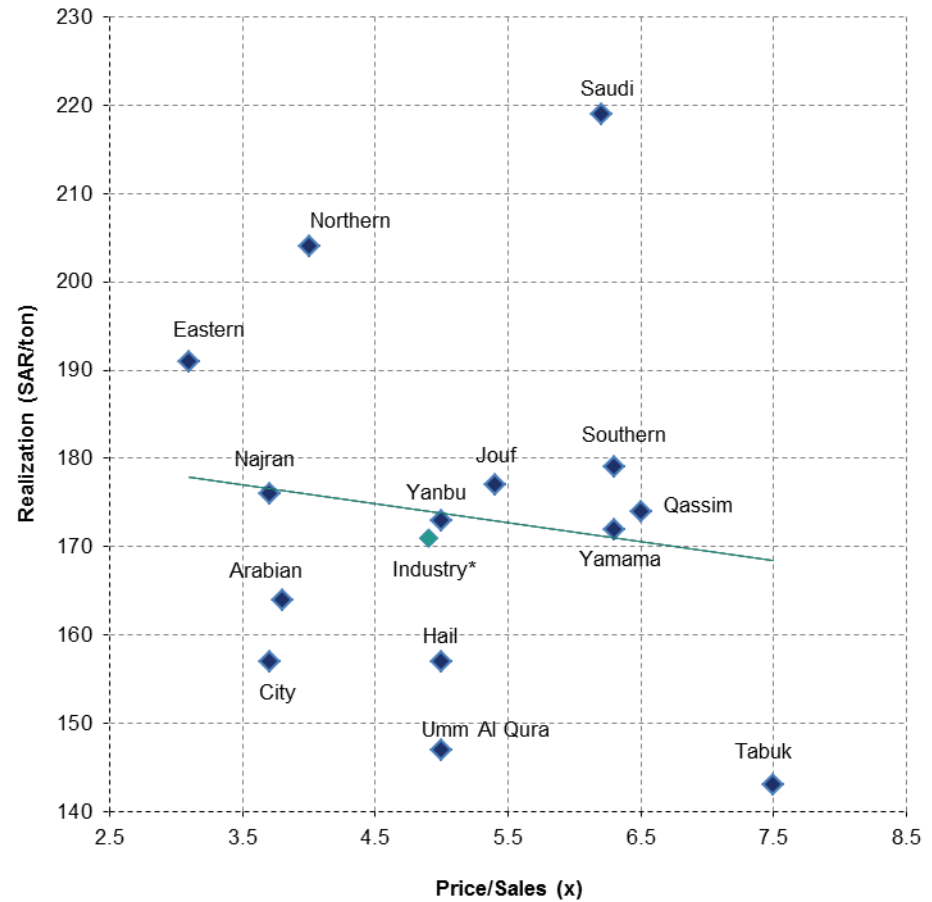
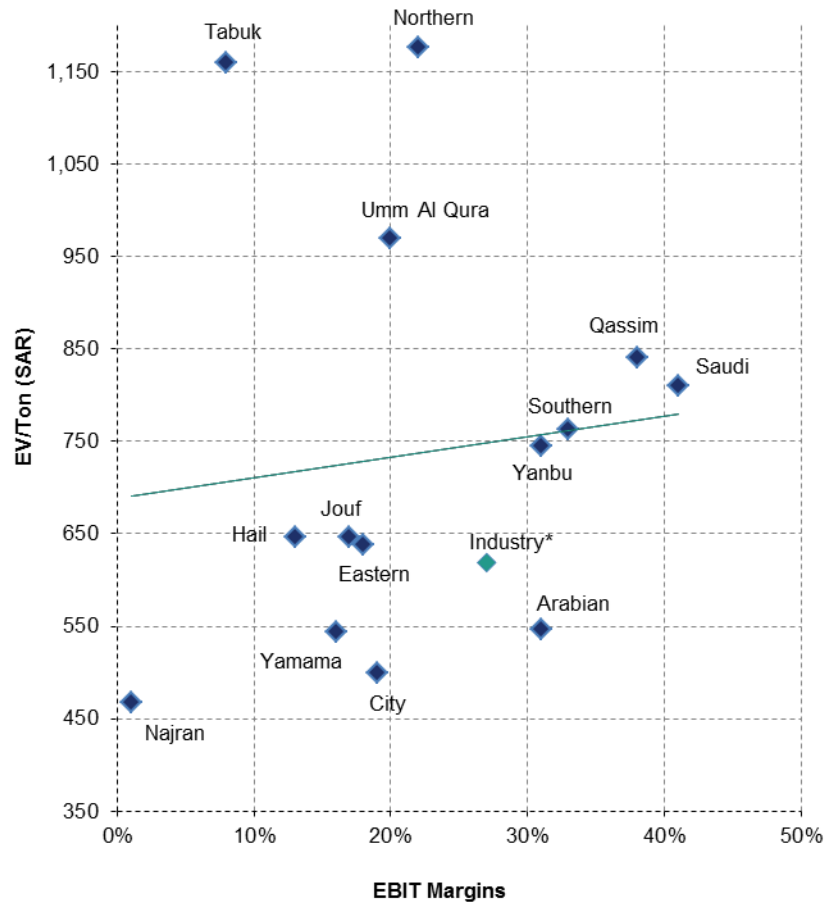
1-year Forward EV/ EBITDA Chart



Source: Bloomberg

# A check on replacement costs versus margins and realization

► Replacement costs are lower than global peers, Yamama lowest....



# What are the influencing factors for the industry?

## Industry Drivers

- Long-Medium-Short term drivers of the industry
- Economic and industry indicators and its influence on the cement sector
- Current and past trends in the industry

# Saudi Cement Industry: An introduction...

70+

Mln tons of  
cement  
capacity....

17

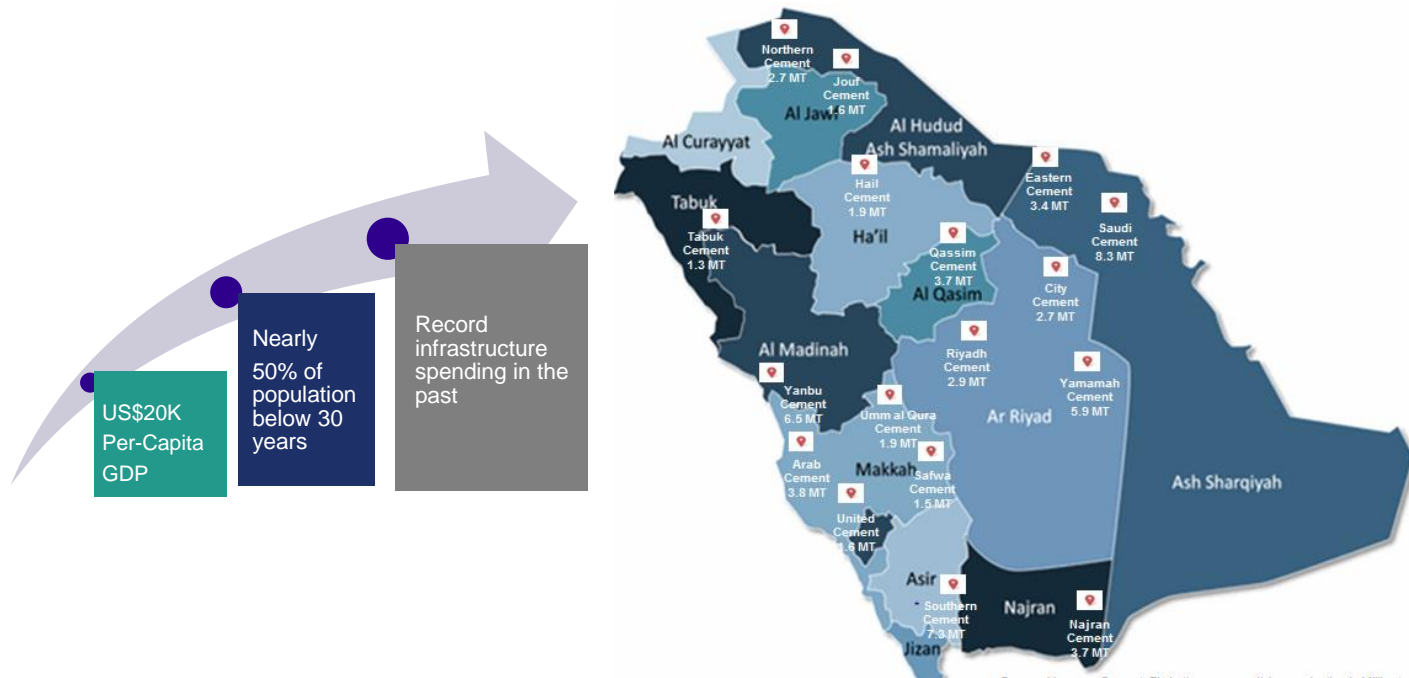
Companies  
operating in the  
country....

61%

Market share in  
the region....

## Cement Sector in KSA: Key Points

- ✓ Saudi Arabia is the largest market in GCC and the 3rd biggest in MENA
- ✓ The second best by per-capita consumption and by profitability globally
- ✓ +US\$ 500 bln of spending between 2008-17; best in relation to market size



# Key Initiatives and Growth Drivers until 2030...



**\$55 bln**

*...2018 budget allocation, 50% of the same is a big boost...*

**1 mln**

*..houses by 2022 through Sakani Program ...*

**\$500 bln**

*...NEOM city bordering Red Sea...*

**\$35 bln**

*...additional spending from PIF and NDF...*

**\$64 bln**

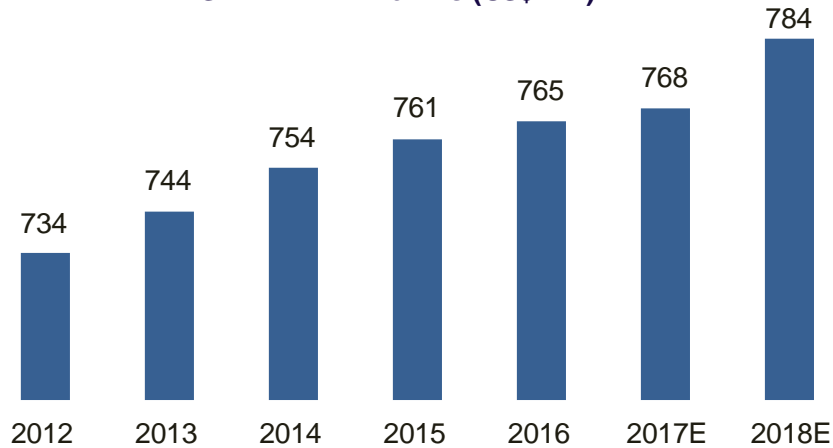
*..entertainment city by 2028 ...*

**\$32 bln**

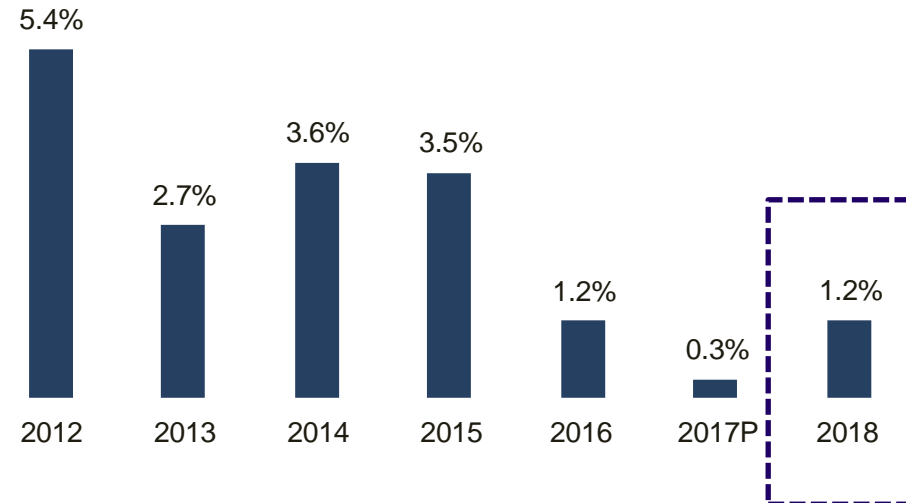
*..mortgage market by 2030...*

# Economy to see signs of revival; 2018 to see sanguine trends...

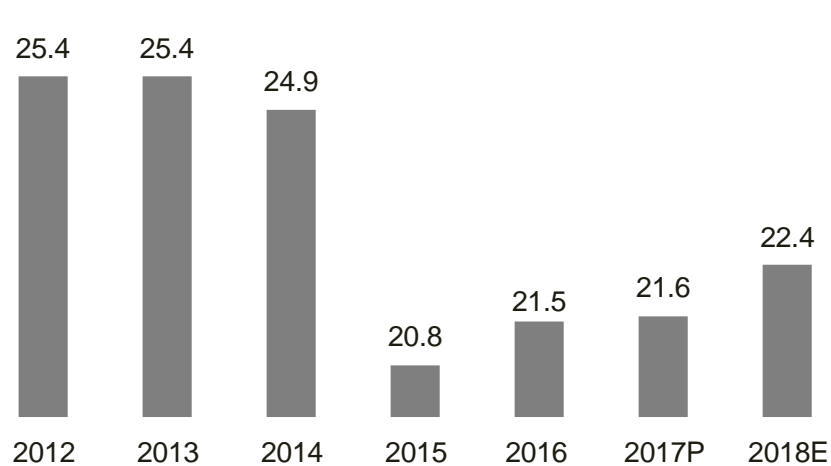
GDP in PPP Terms (US\$ Bln)



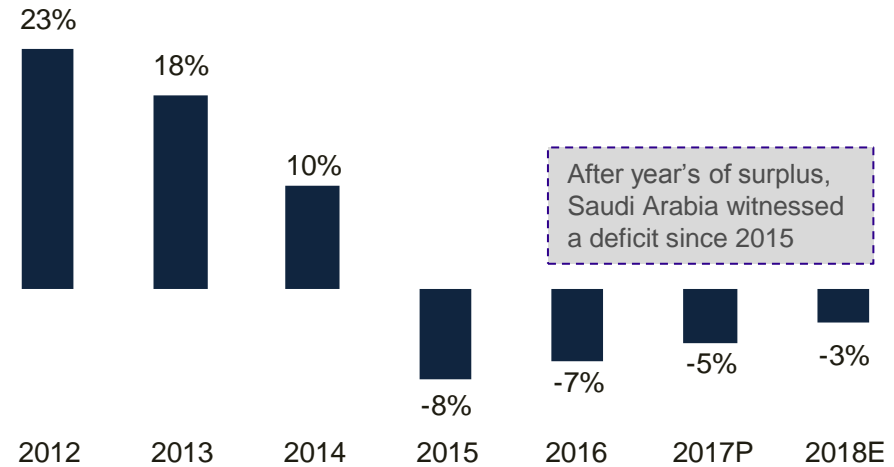
Real GDP Growth



GDP per Capita (US\$'000)



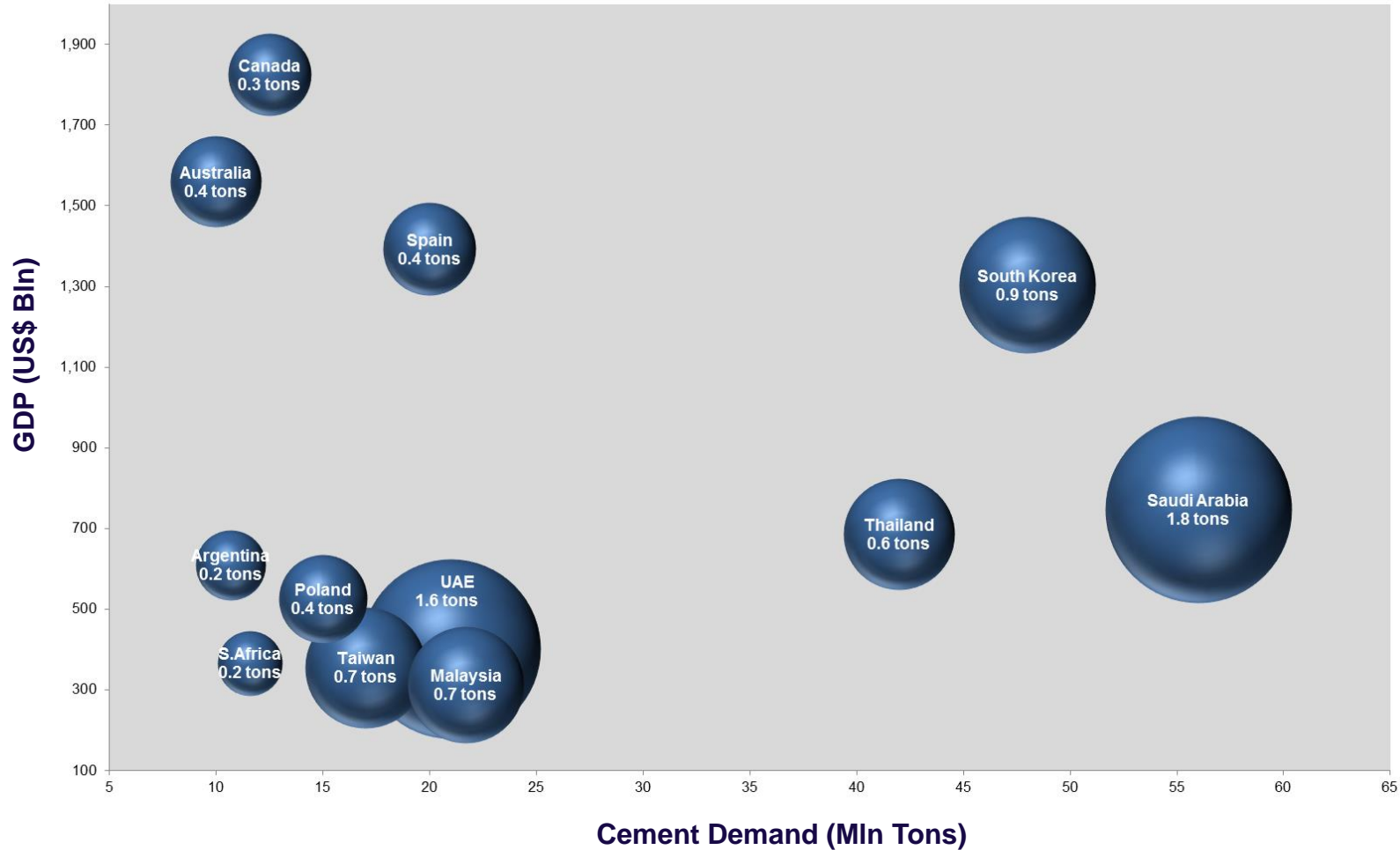
Current Account Surplus / Deficit



Source: MoF, SAMA, Worldbank, IMF  
2017P is preliminary and 2018E are IMF estimates

# Strongly positioned by per-capita cement consumption

► *Construction has been the key growth engine, Saudi Arabia stands out...*



Source: Bloomberg, Yamama Cement

GDP (US\$ bln) and Cement demand in millions tons (average of 2014-17)

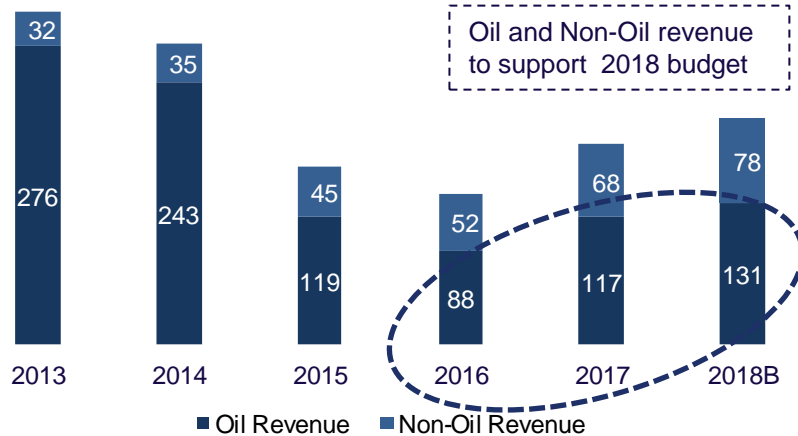
We have removed India and China data for comparison purpose and due to its sheer size

Selected a sample of countries with more than 8 million tons in capacity

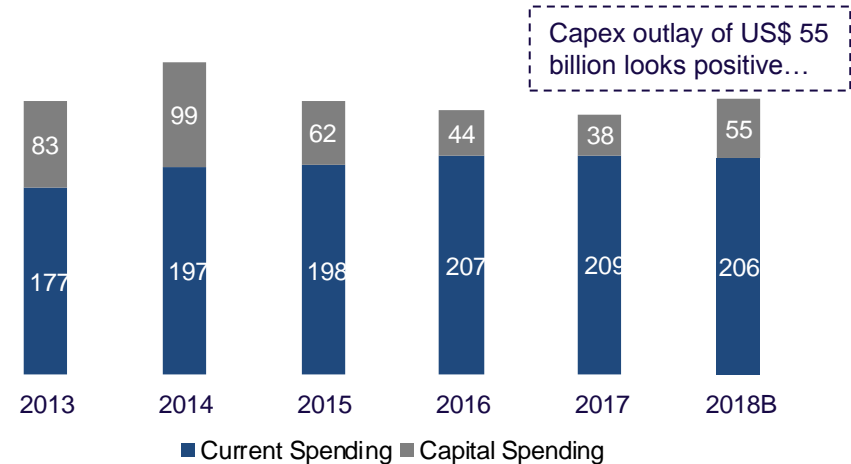
Per capita cement consumption for Saudi Arabia is 1.8 tons of cement/person for an year and 47 million tons is the total demand

# Budget lays some emphasis on revival in spending...

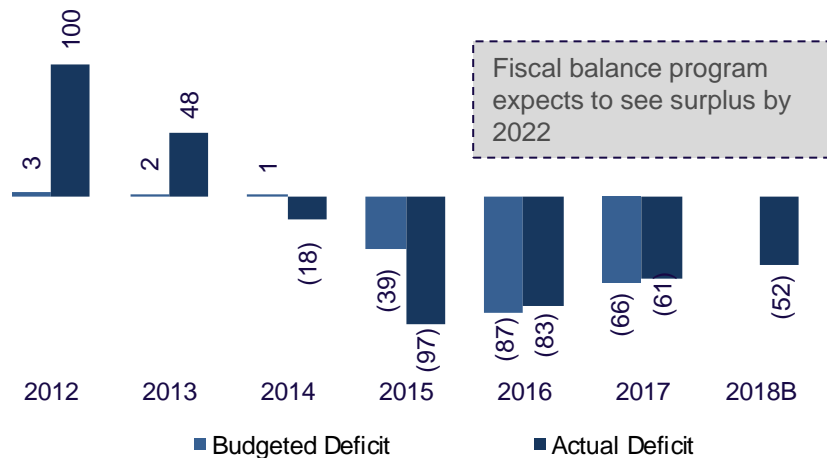
Fiscal Revenue (Oil and Non-Oil)



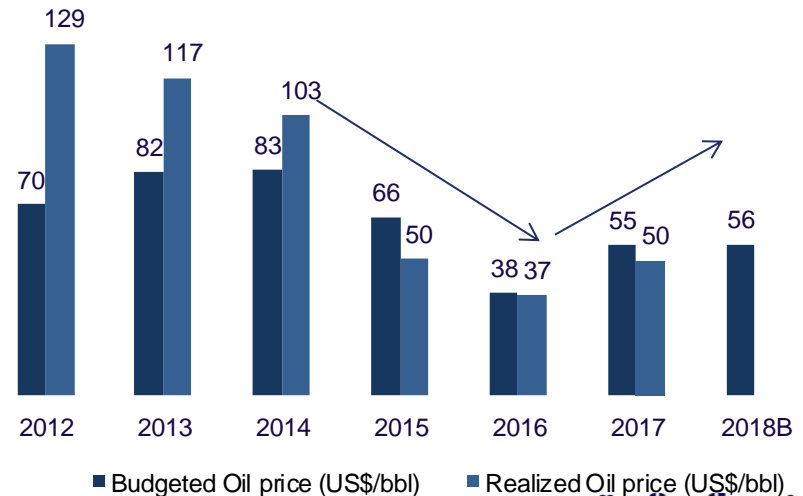
Fiscal Expenditure (Oil and Non-Oil)



Fiscal Deficit-Actual vs Budgeted



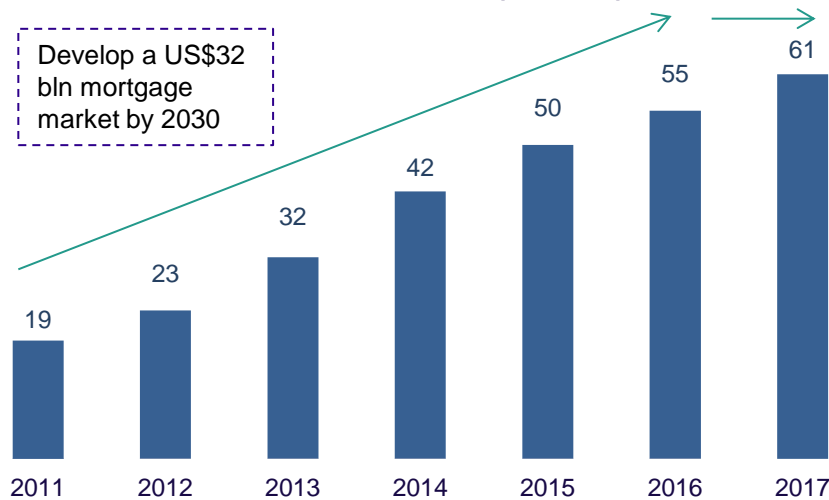
Oil Price Assumptions- Budgeted Vs Realized



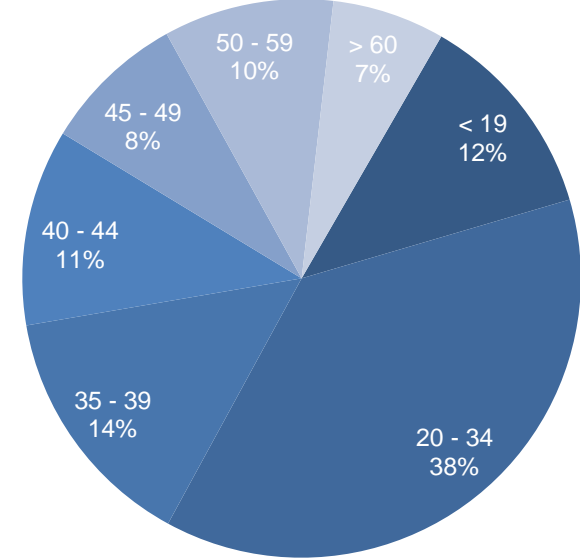


# Reforms in real estate to benefit cement sector eventually...

**Real Estate Loans (US\$ bln)**

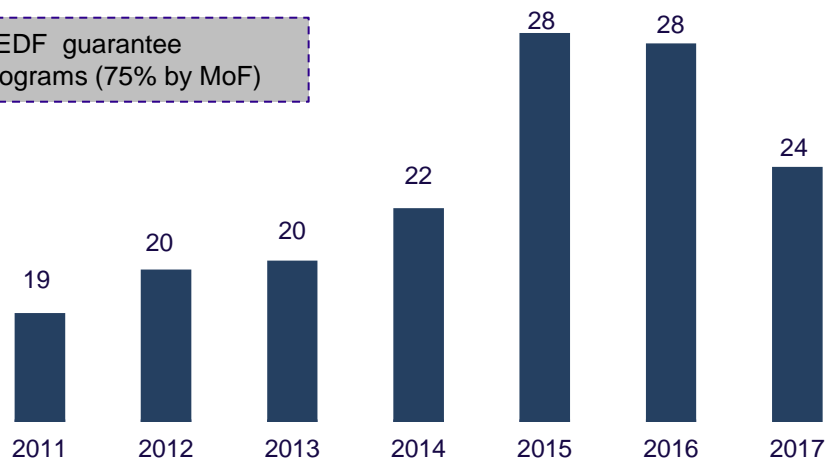


**Demographics**



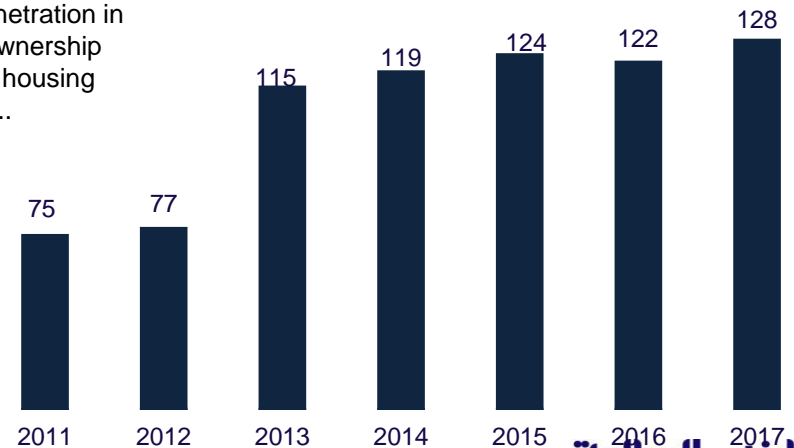
**Bank Credit to Construction Sector (US\$ bln)**

REDF guarantee programs (75% by MoF)

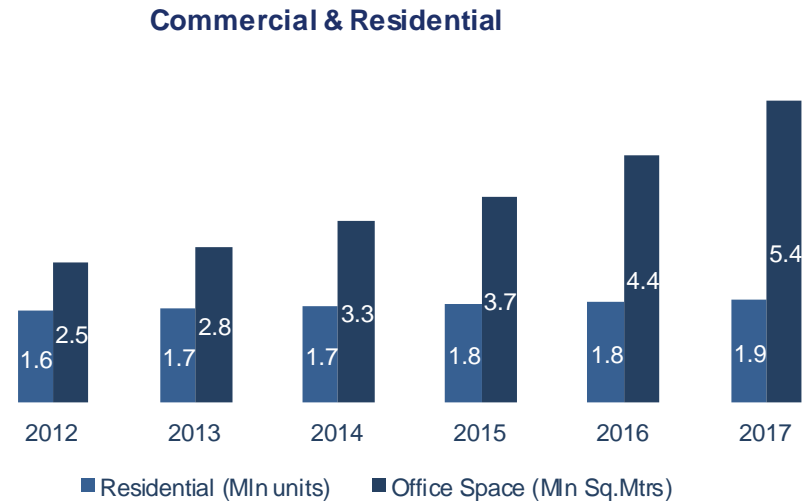
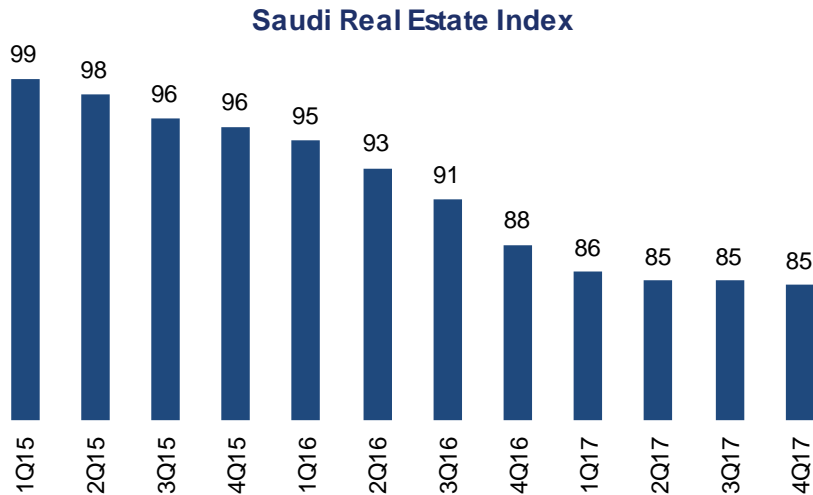
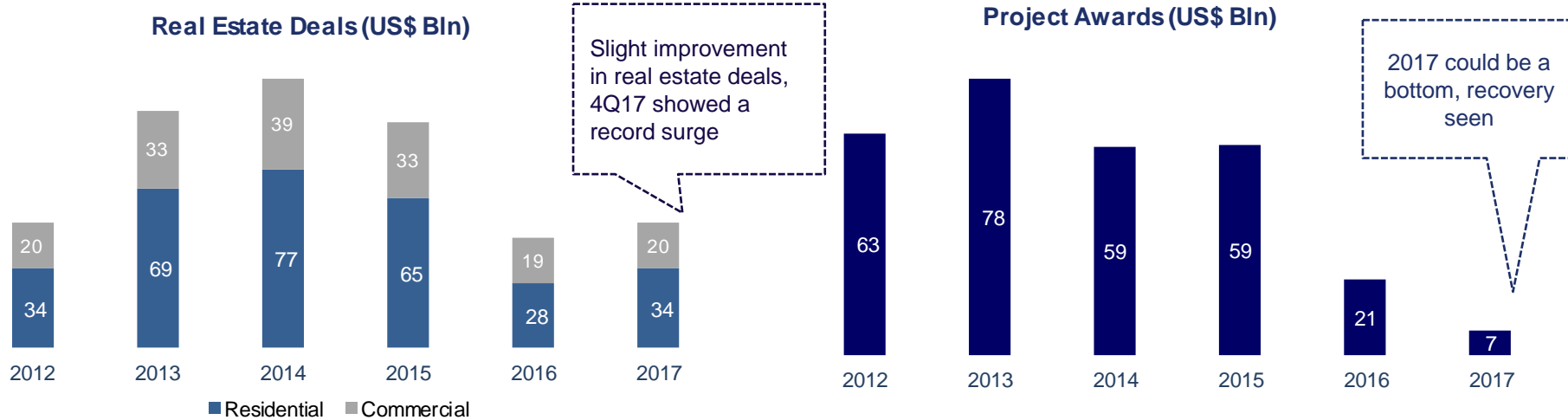


**Home Ownership ('000 Units)**

Low penetration in home ownership to drive housing market...



# Real estate indicators recorded an upswing from 2H2017...

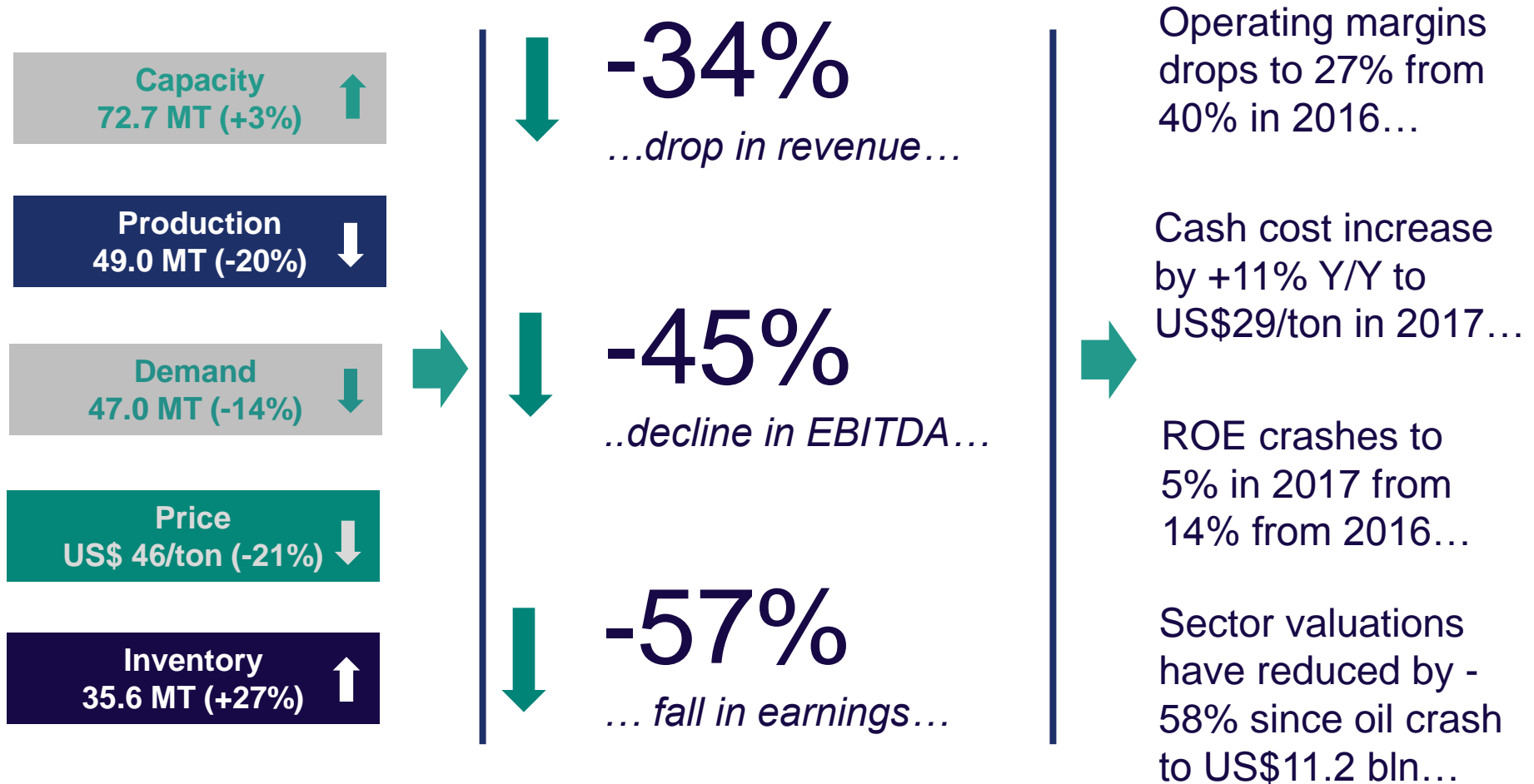


# Cement Industry Statistics in Brief: Looking back from 2011

## Industry in 2017

- We expect a modest 2018 partially as demand could fall another 5-8%.
- An evidence of the same was seen from 2017 numbers and in January 2018, cement demand was down by -14% in 2017
- Industry experts also have similar views of demand decline in 2018; January sales data strengthens such argument.
- A combination of pricing pressure, low utilization rates coupled with energy cost has already taken a toll on sector profitability in 2017.

# 2017: An Year in Review: What Next? Hopes of a revival...



Source: Bloomberg and Yamama Cement.

Note: MT is million tons

2017 growth rates are derived and based on 9M17 actual and 4Q17E bloomberg estimates

## Operational stats reveals more concerns, less likely in 2018..

↓ Demand  
-14%

Demand hit the lowest, consistent negative growth rate after years of growth to 47 MT in 2017 vs 55 MT in 2016 adjusting any seasonality trends ...

↑ Inventory  
+27%

Inventory of 36 MT as of 2017 vs 28 MT in 2016 poses a large supply glut....

↓ Prices  
-21%

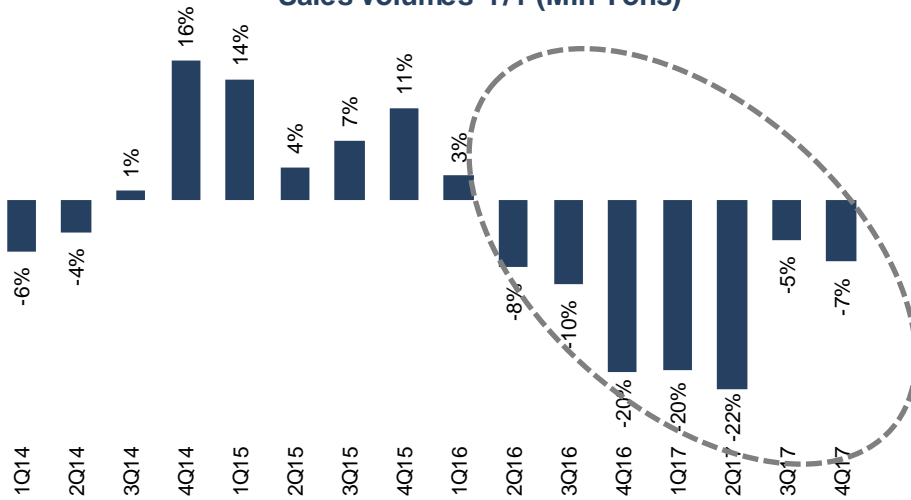
Selling prices tumbling to lows of SAR 173/ton as of 2017 versus SAR 181/ton in 2016 ...

↓ Utilization  
-12%

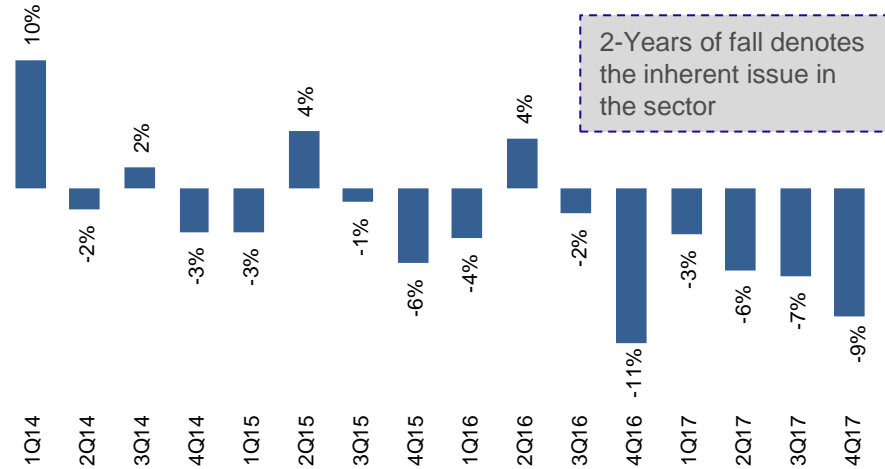
Lower utilization rates of 68% in 2017 versus 80% in 2016...

# A micro view of the weak spots in the Saudi Cement Industry...

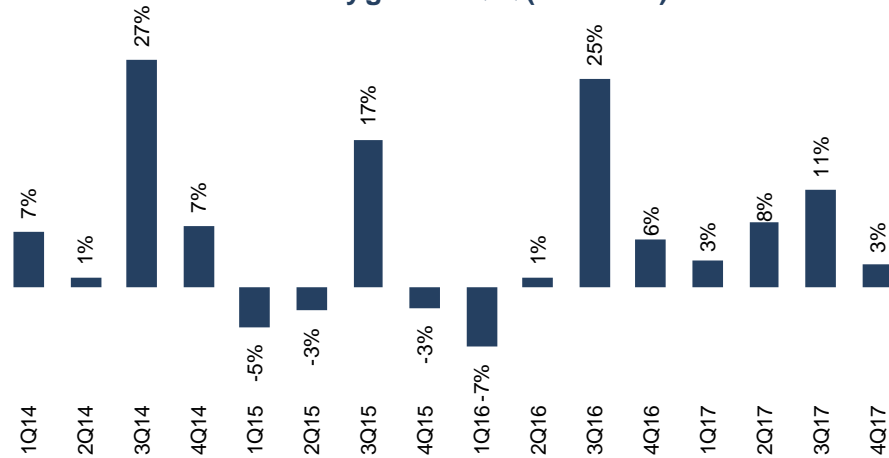
Sales Volumes Y/Y (MIn Tons)



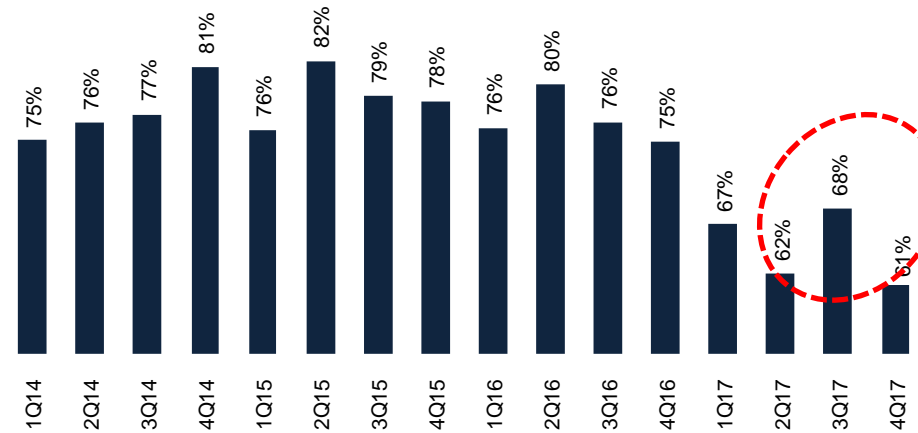
Realization Growth (Q/Q)



Inventory growth Q/Q (MIn Tons)

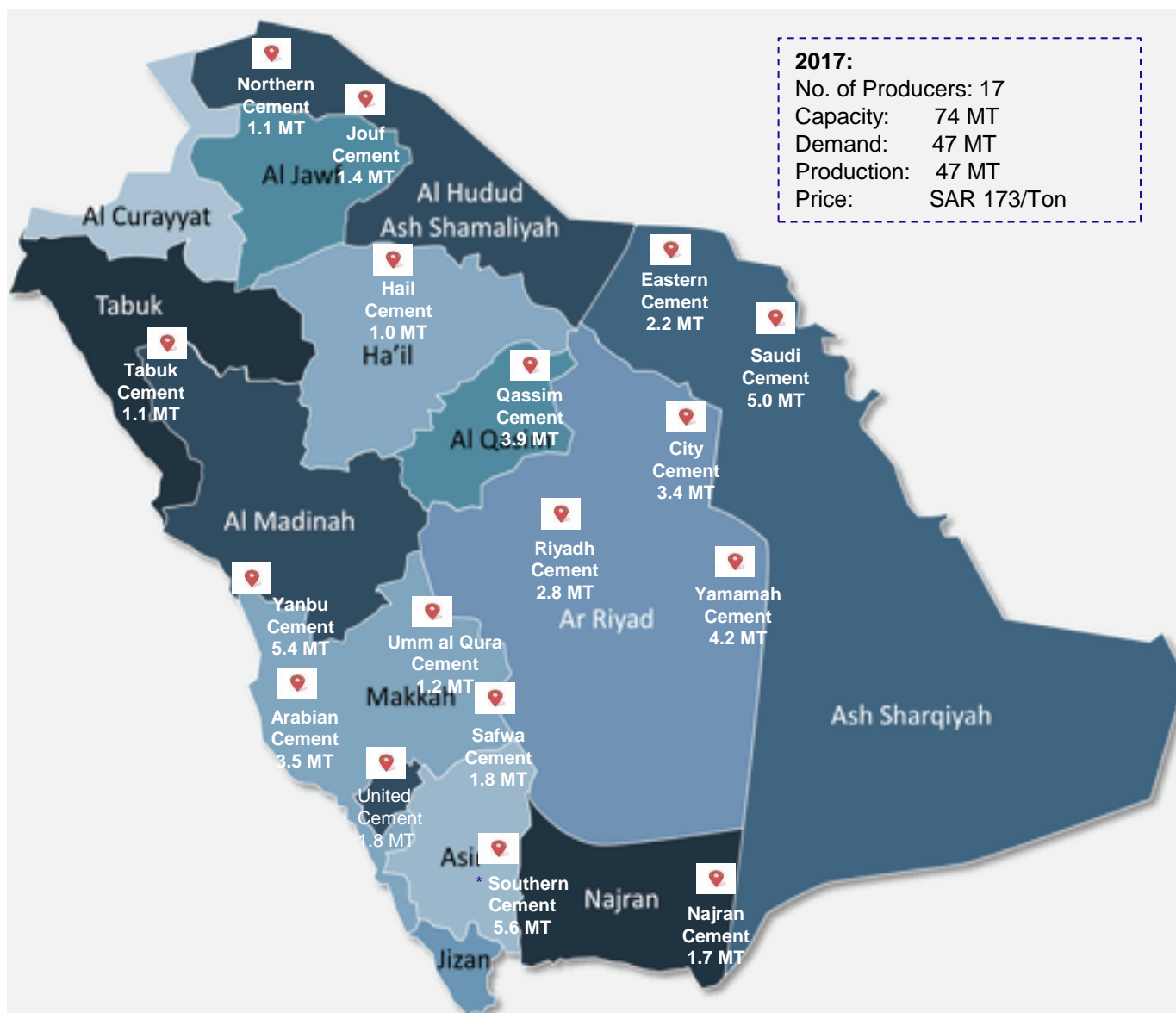


Utilization Rate



Source: Bloomberg, Yamama Cement and Company Reports

# Central and Western regions are the key demand centres

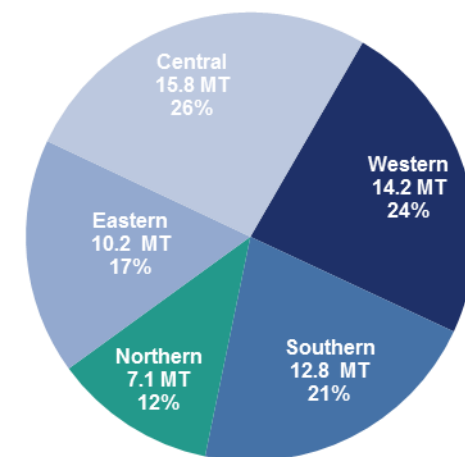


Company	Production (cement)
Yamamah Cement	4.2
Saudi Cement	5.0
Eastern Cement	2.2
Qassim Cement	3.9
Yanbu Cement	5.4
Arab Cement	3.5
Southern Cement	5.6
Tabuk Cement	1.1
Riyadh Cement	2.8
Najran Cement	1.7
City Cement	3.4
Northern Cement	1.1
Jouf Cement	1.4
Alsafwa Cement	1.8
Hail Cement	1.0
Umm Al Qura	1.2
United	1.8

**Total** 47.1

Source: yamama cement

## Regionwise Market Share

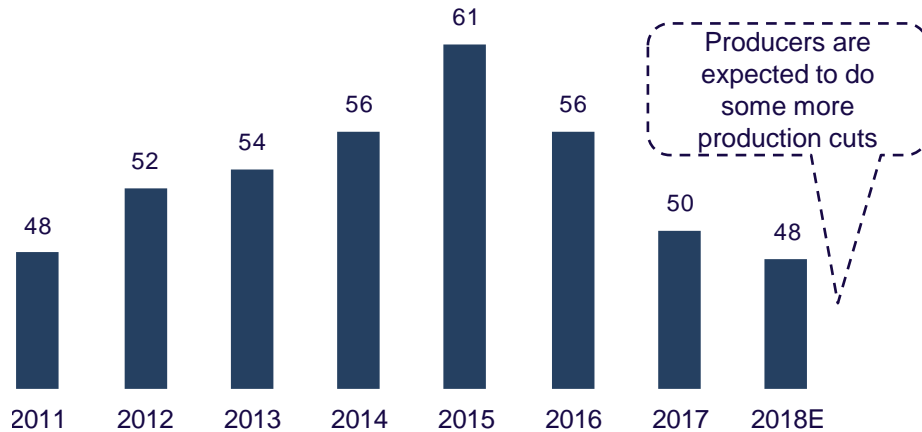


الرياض المالية  
 riyaad capital

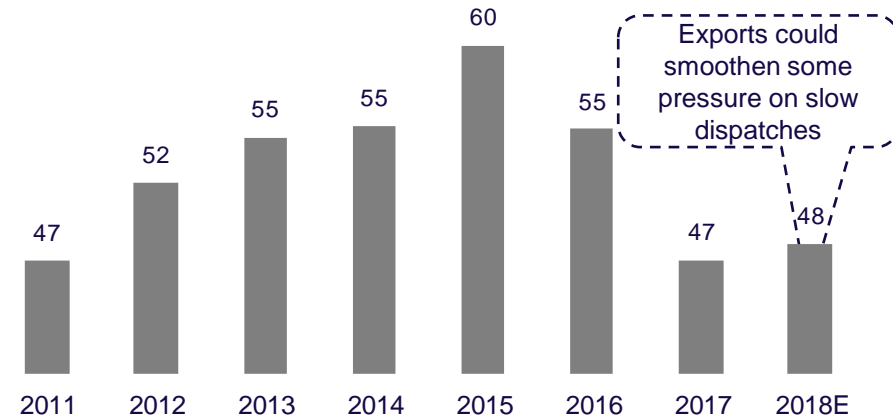
Source: Yamama Cement, Fig in the map are cement production in million tons in 2017  
 Production numbers are not available for Umm Al qura Cement and United Cement, referred its capacity

# A tough year passed and some revival expected in 2018...

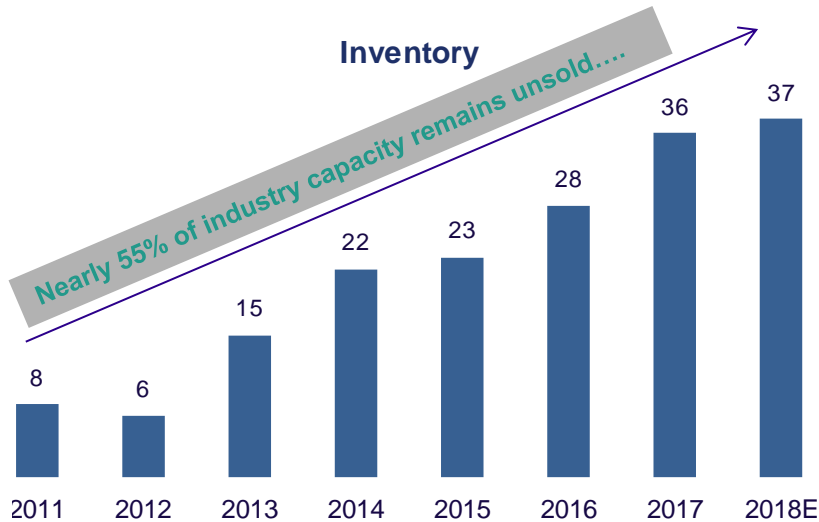
## Cement Production



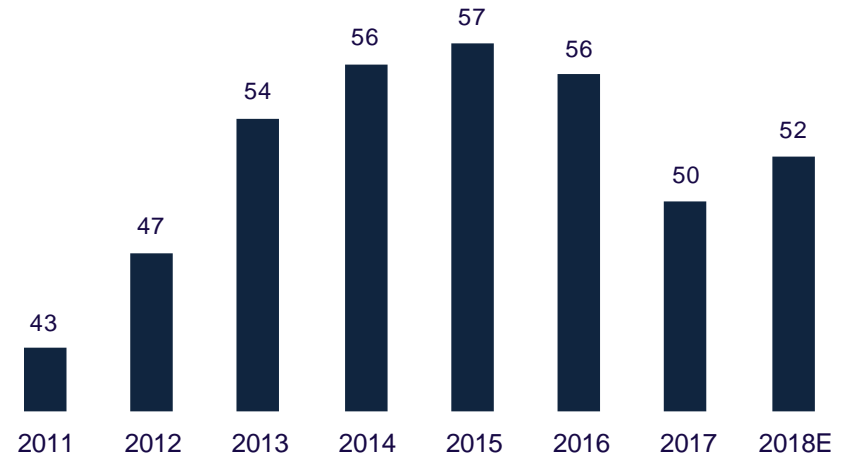
## Dispatches



## Inventory



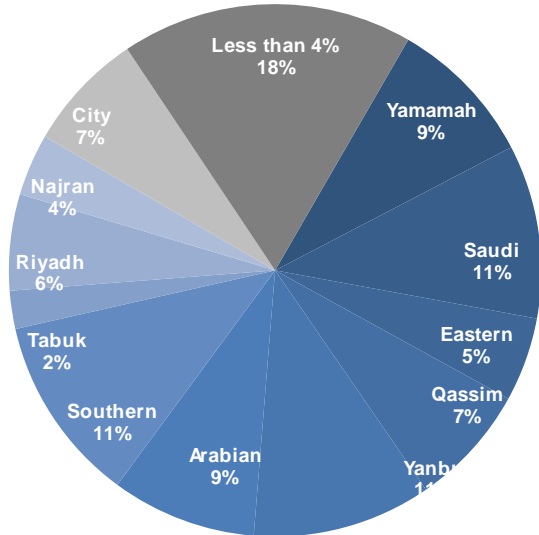
## Clinker Production



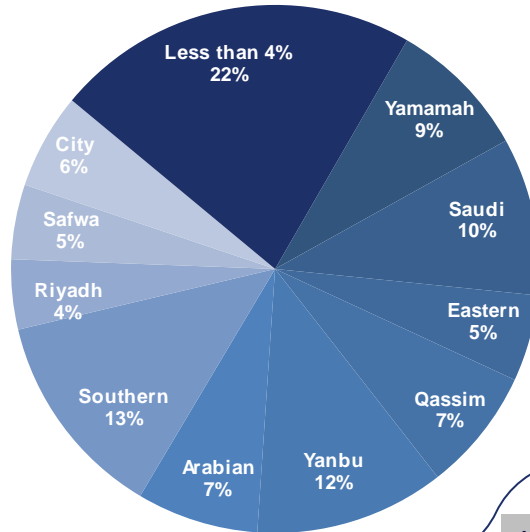


# Market partially concentrated; five producers control 50%...

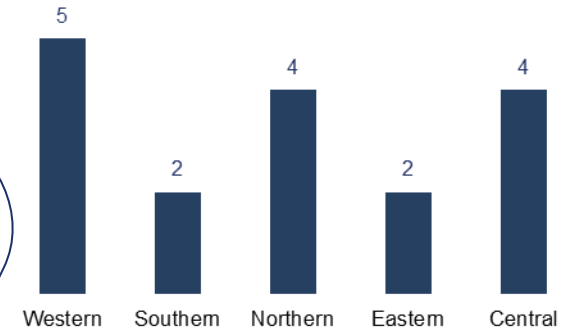
Sales Volumes Market Share



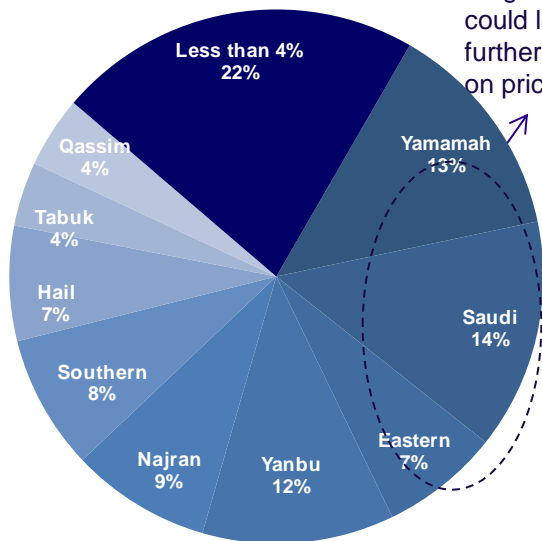
Production Market Share



Producers in Each Region

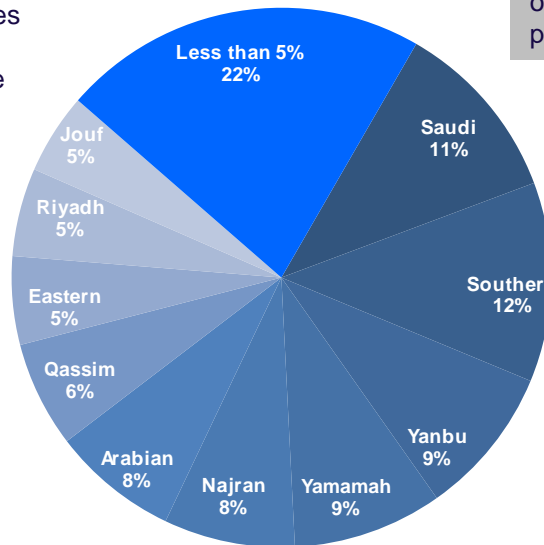


Inventory Market Share



Large inventories could lead to further pressure on pricing

Capacity Market Share



Nearly 62% market share owned by 7 players

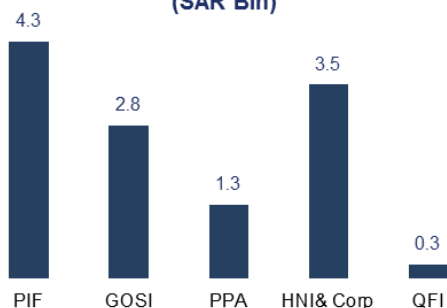
Central region has 4 producers with 17+ MT of capacity...

Western region has 5 producers with 20+ MT of capacity...

# Cement shareholding is mostly liquid unlike other sectors...

Southern and Qassim has the highest Quasi government exposure...

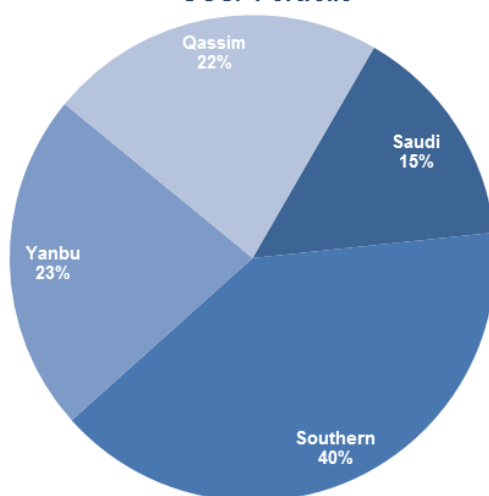
Investments in Cement Sector (SAR Bln)



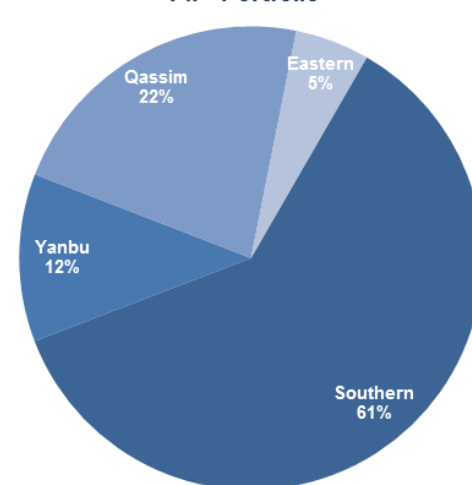
Shareholding as of Feb 25, 2018

	GOSI	PIF	PPA
Saudi	5%	NA	6%
Southern	16%	37%	NA
Yamama	NA	NA	6%
Yanbu	12%	10%	NA
Qassim	15%	23%	6%
Arabian	NA	NA	5%
Eastern	NA	10%	11%

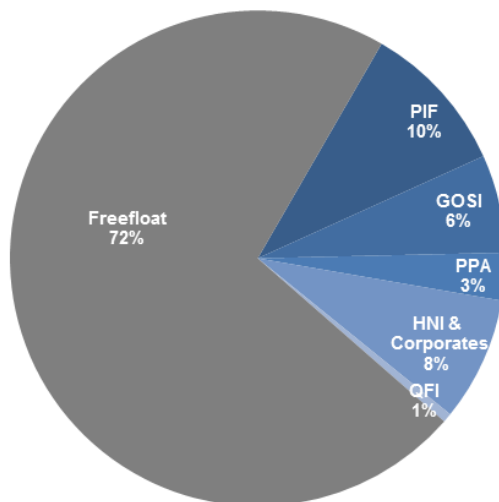
GOSI Portfolio



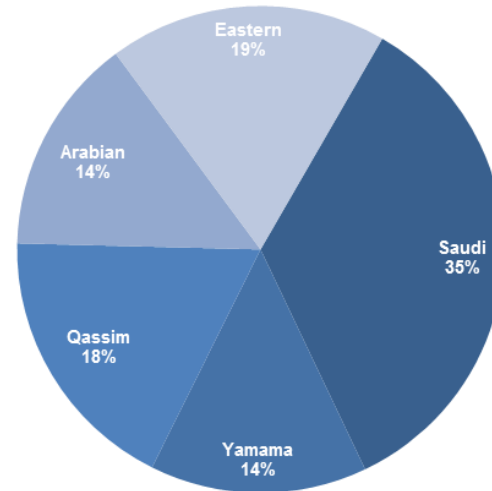
PIF Portfolio



Sector Shareholding



PPA Portfolio



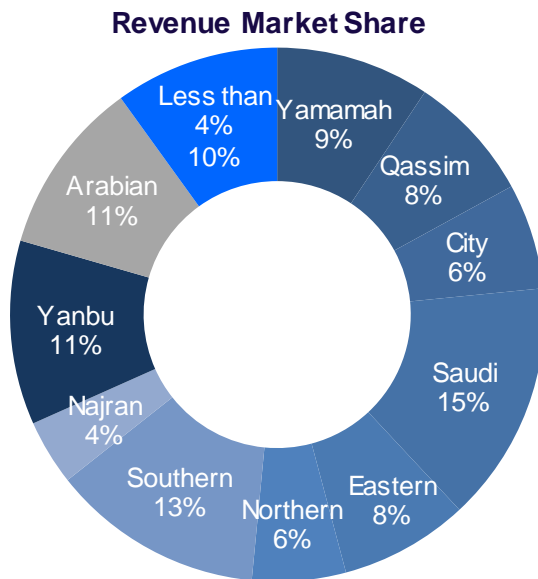
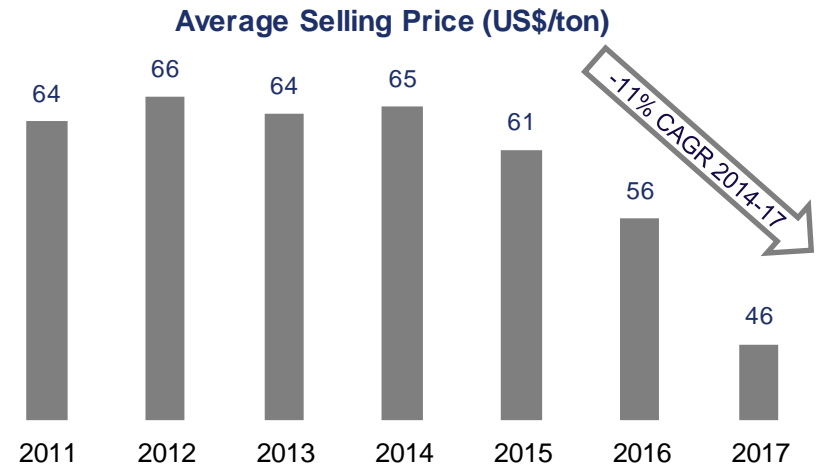
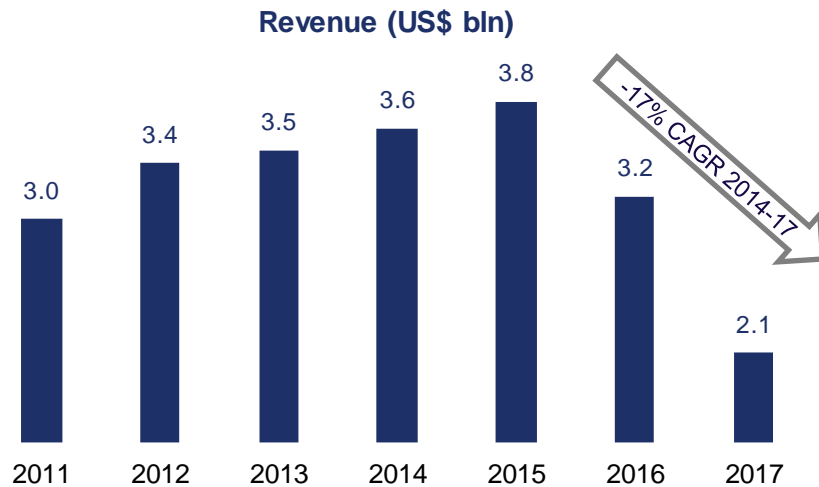
Source: Yamama Cement, Tadawul and Bloomberg

Please note portfolio refers the weight of the cement stock in their respective investment

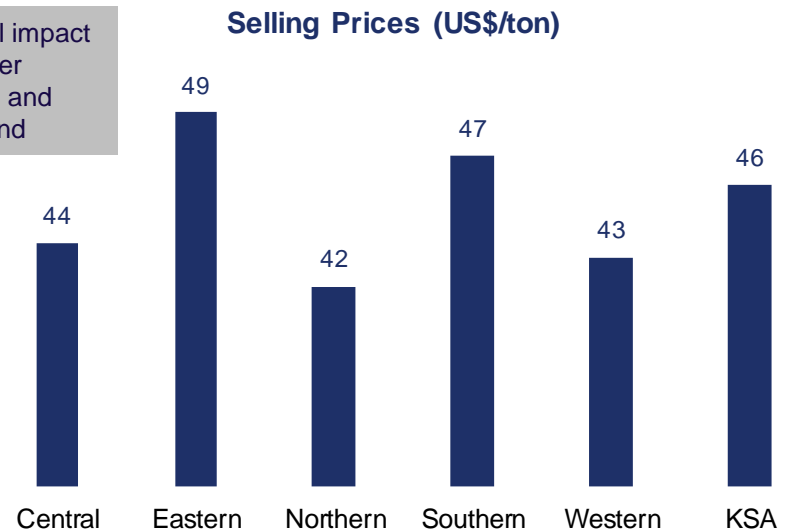
For example: GOSI owns 40% of Southern Cement shares in their SAR 2.8 billion portfolio as of 25th Feb, 2018, though their stake is 16% in the company

This is solely based on Feb 25th, 2018 sector market cap of SAR 43 billion.

# A subdued year for KSA cement; be it price or volumes....



A dual impact of lower prices and demand

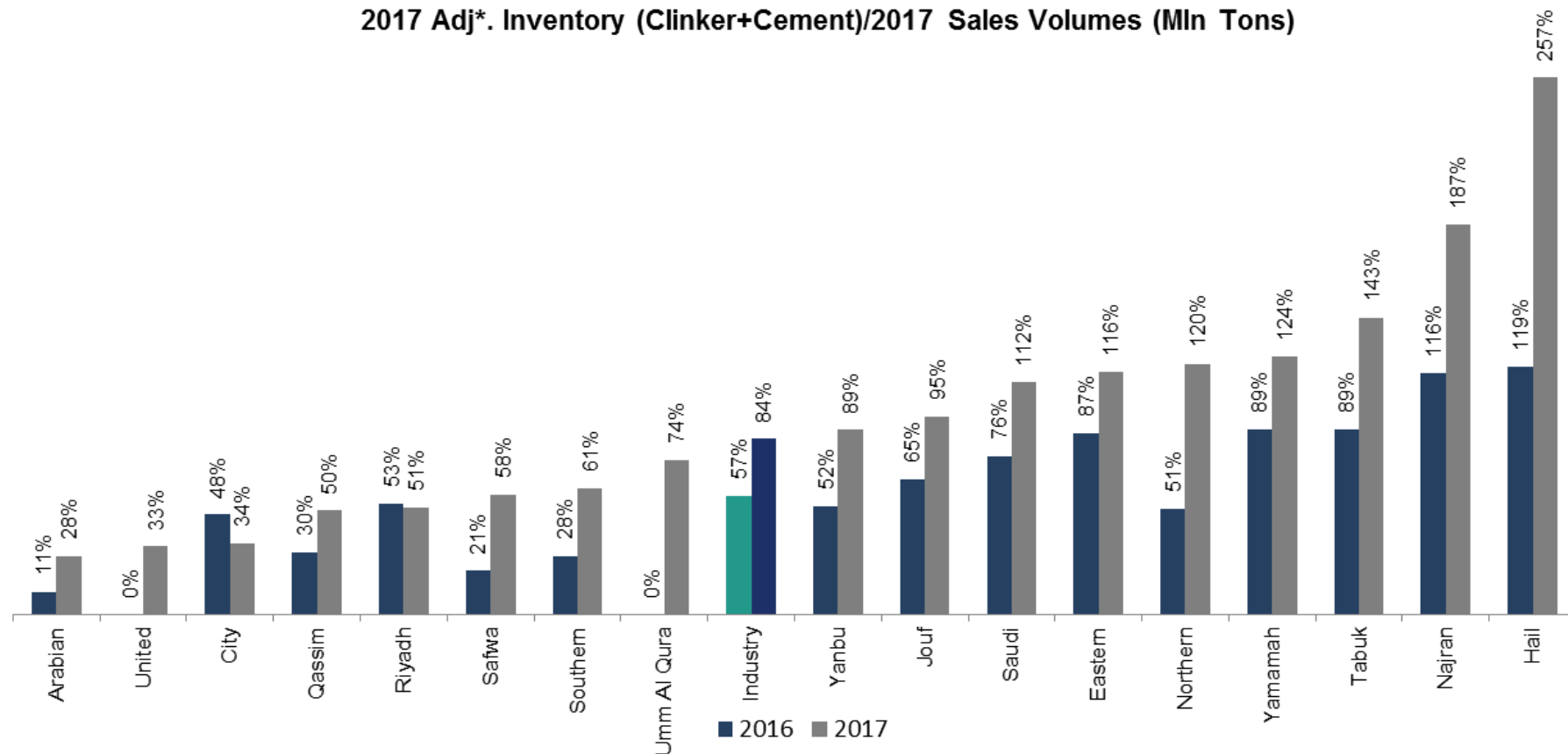


Source: Bloomberg, company reports  
For 2017, numbers are partially actuals (only 7 companies reported) while rest are RC estimates and bloomberg consensus

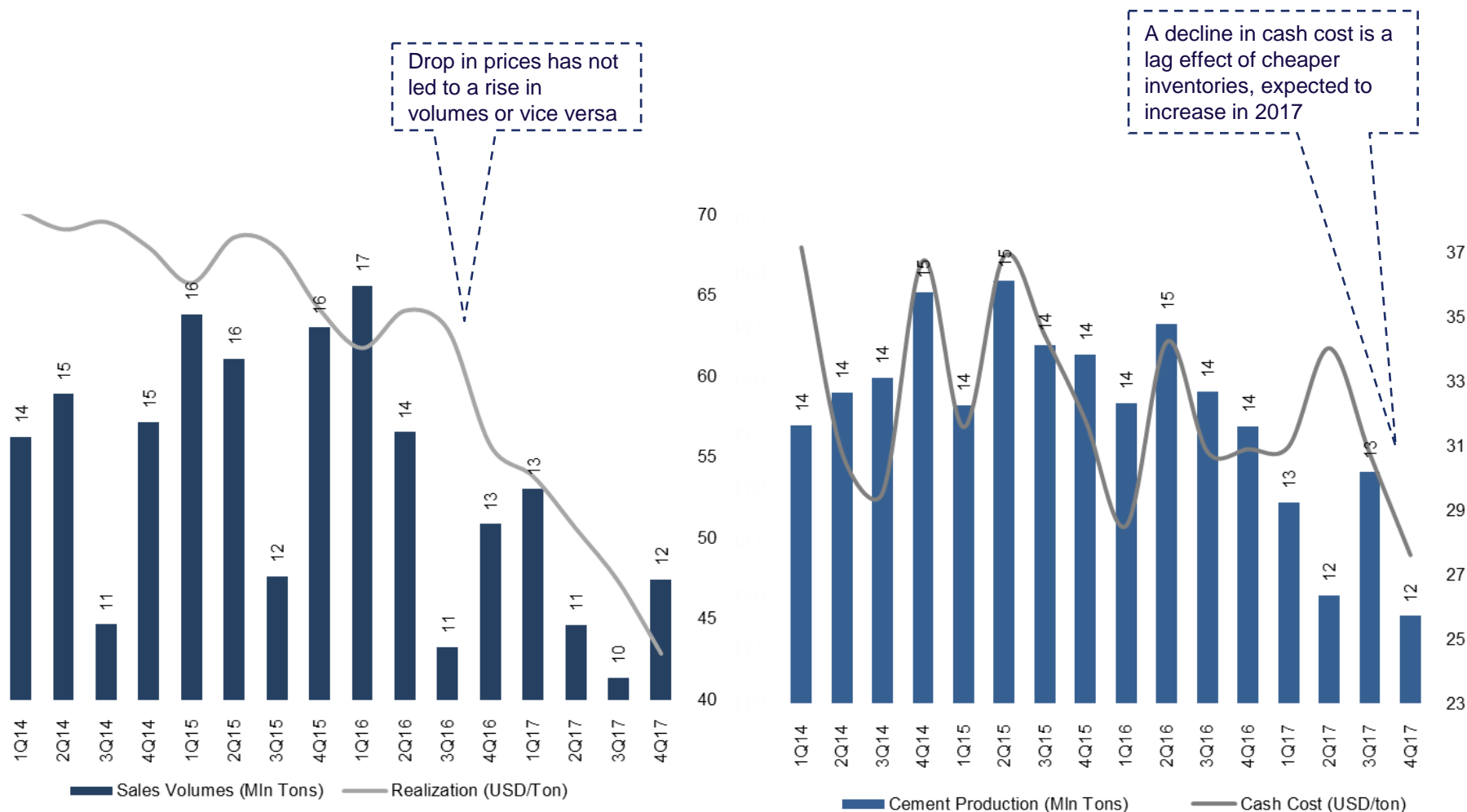
# Inventory risk remains the key and mounting for KSA producers

► Inventory trends suggest 84% of volumes produced in 2017 remains unsold...

2017 Adj\*. Inventory (Clinker+Cement)/2017 Sales Volumes (Mln Tons)



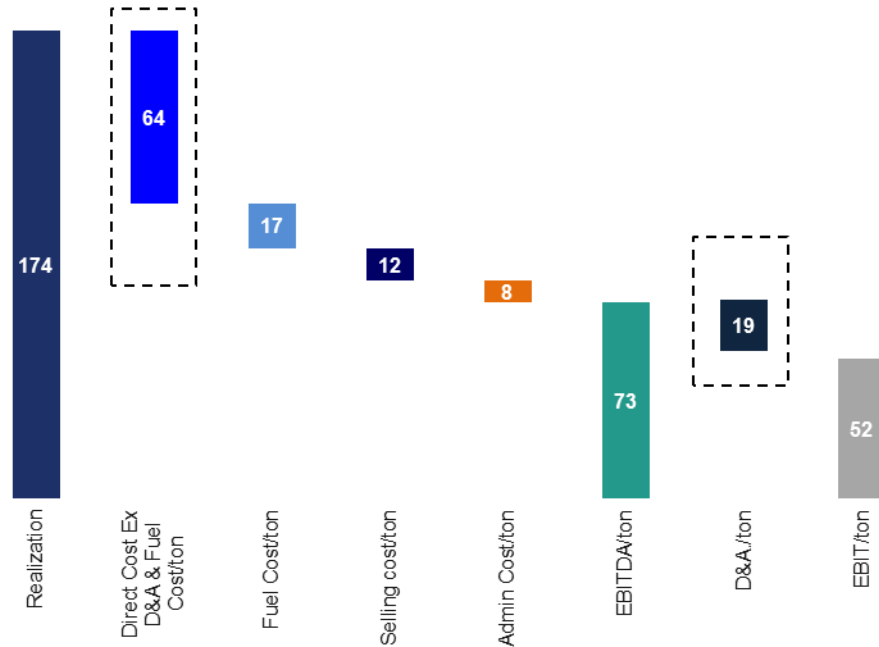
# Since 2Q2016, pricing and demand remain subdued....



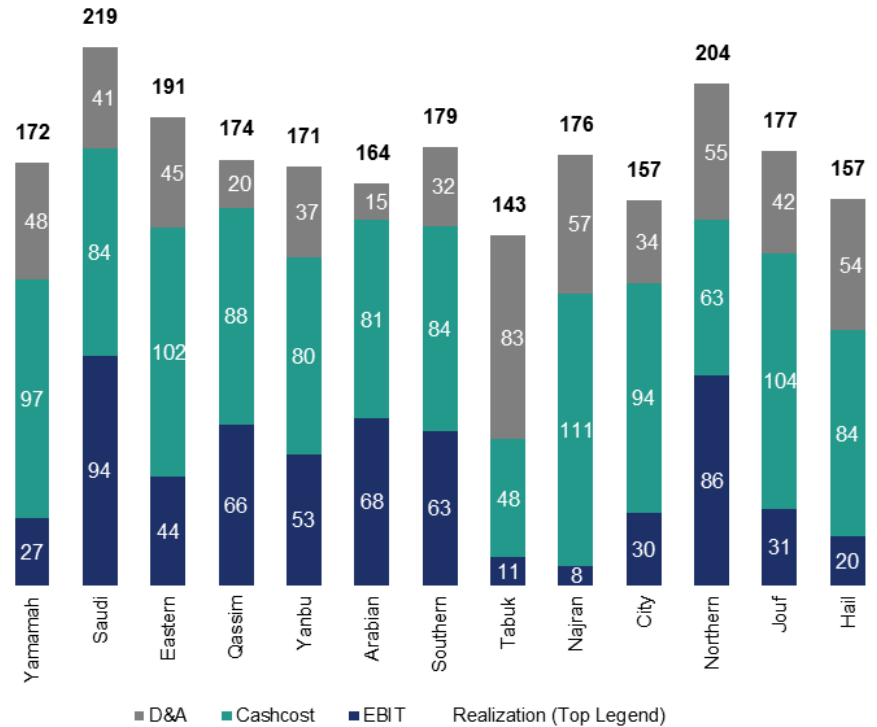
Source: Bloomberg and Yamama Cement  
For 4Q2017, numbers are partially actuals (only 7 companies reported) while rest are RC estimates and bloomberg consensus

# Cost curve shifting as lower utilization paves way..

2017E Cost Structure in SAR/ton for KSA Cement Sector



2017E Realization vs Cost Trends Across Producers



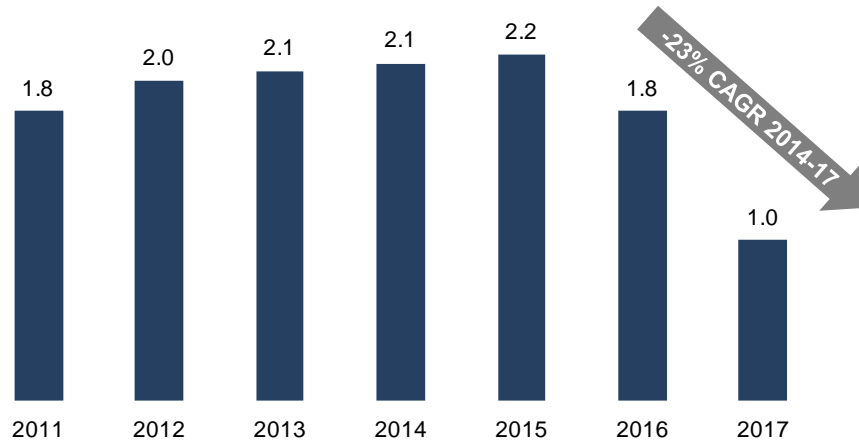
Source: RC estimates and Bloomberg

Please note Northern and Eastern has other business- lines apart from cement business, while Arabian and Northern has overseas cement plants and are consolidated; not fully comparable to local producers

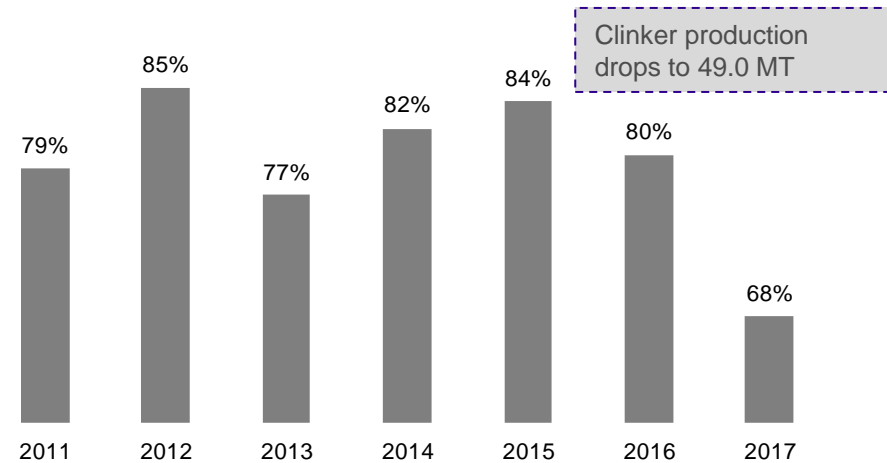
For 2017, numbers are partially actuals (only 7 companies reported) while rest are RC estimates and bloomberg consensus

# EBITDA drop on low utilization, hinges on high fixed costs....

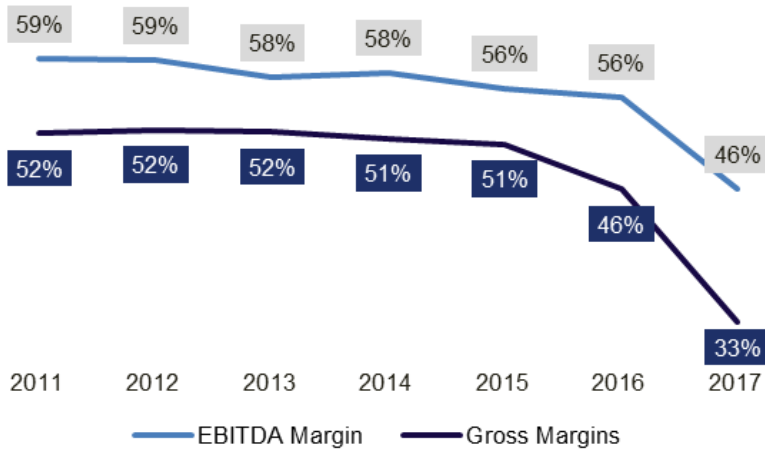
EBITDA (US\$ billion)



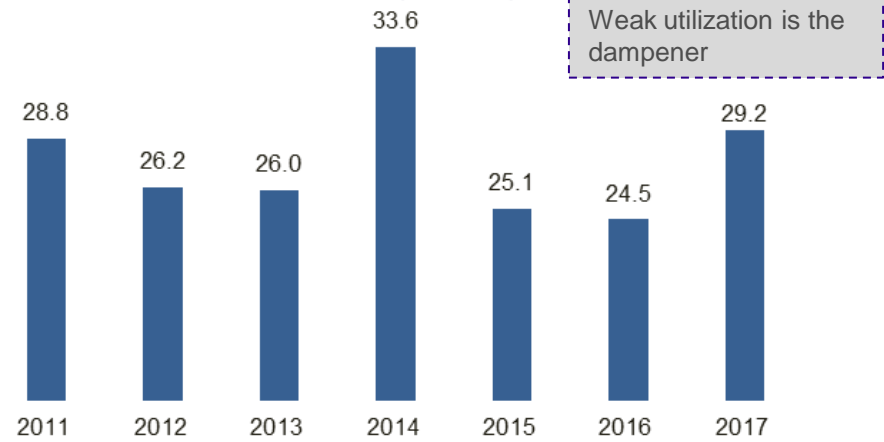
Utilization Rate



Cement Sector Margins



Cash Cost (US\$/ton)

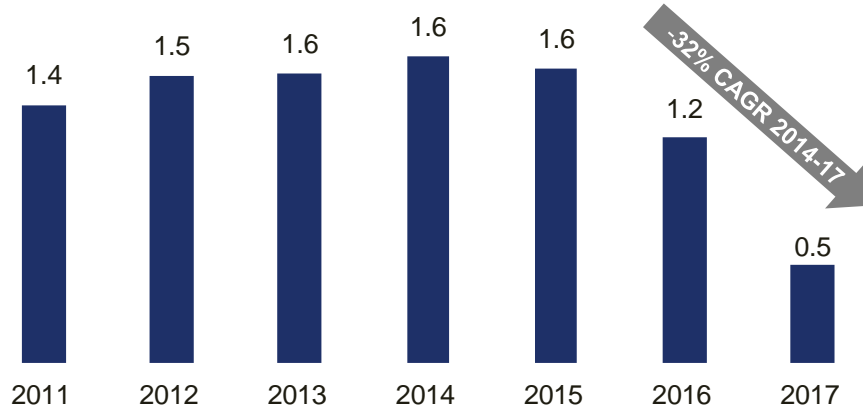


Source: Bloomberg

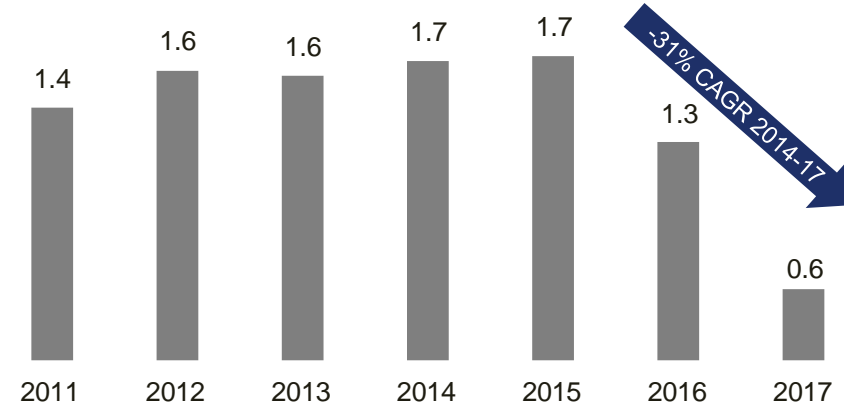
2017 numbers are partially actuals (only 7 companies reported) while rest are RC estimates and bloomberg consensus

# Earnings have more than halved in 2017; a bad year....

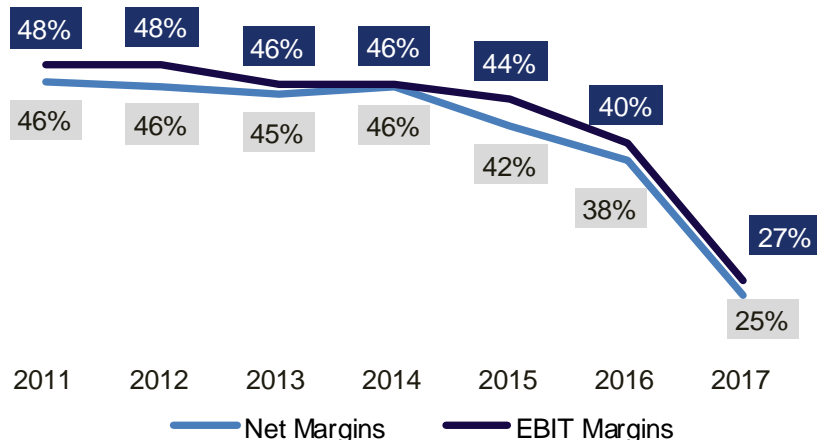
Net Income (US\$ Billion)



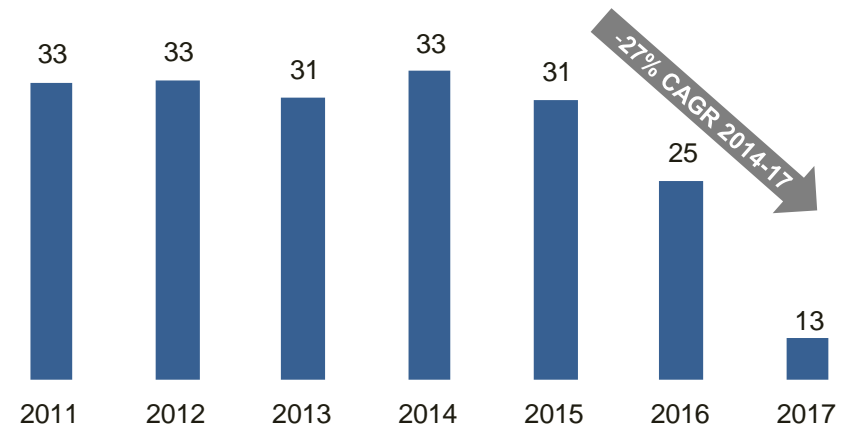
Operating Income (US\$ Billion)



Cement Sector Margins



EBIT/ton (US\$)



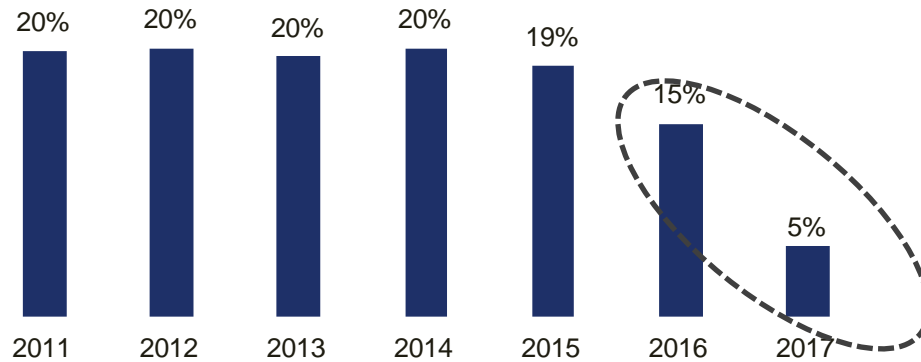
Source: Bloomberg

2017, numbers are partially actuals (only 7 companies reported) while rest are RC estimates and bloomberg consensus

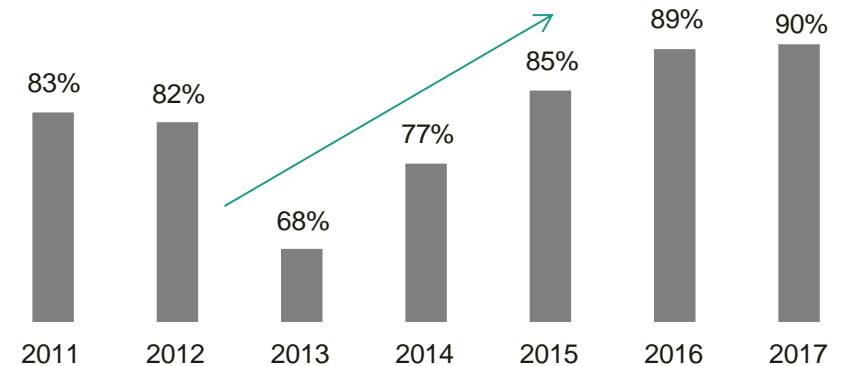


# Fundamentals looks weak, but an improvement expected....

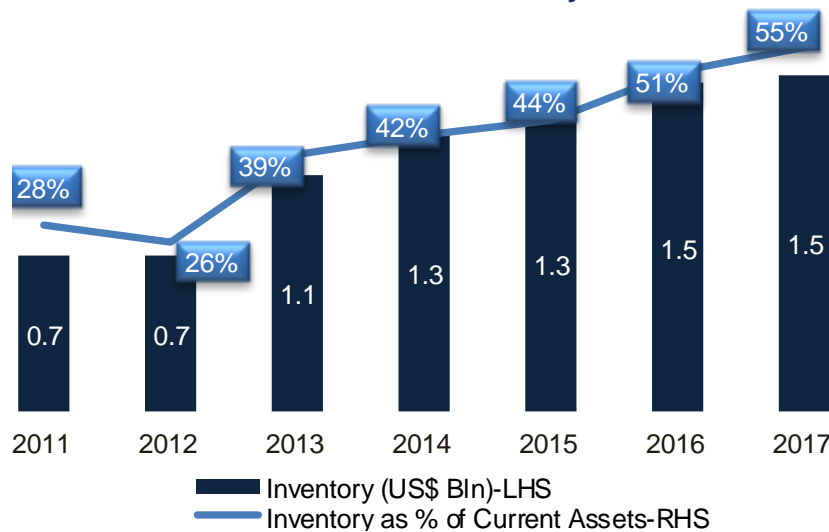
## Return on Equity



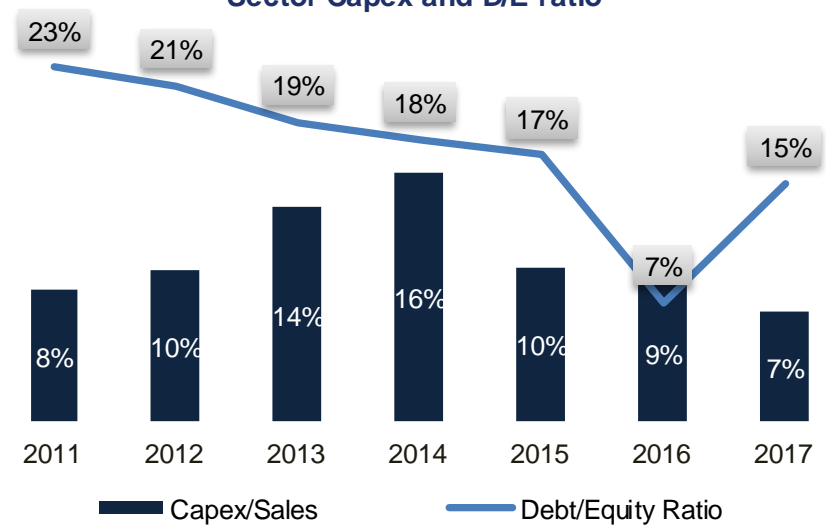
## Dividend Payout Ratio



## Cement Sector Inventory Trends



## Sector Capex and D/E ratio



Source: Bloomberg

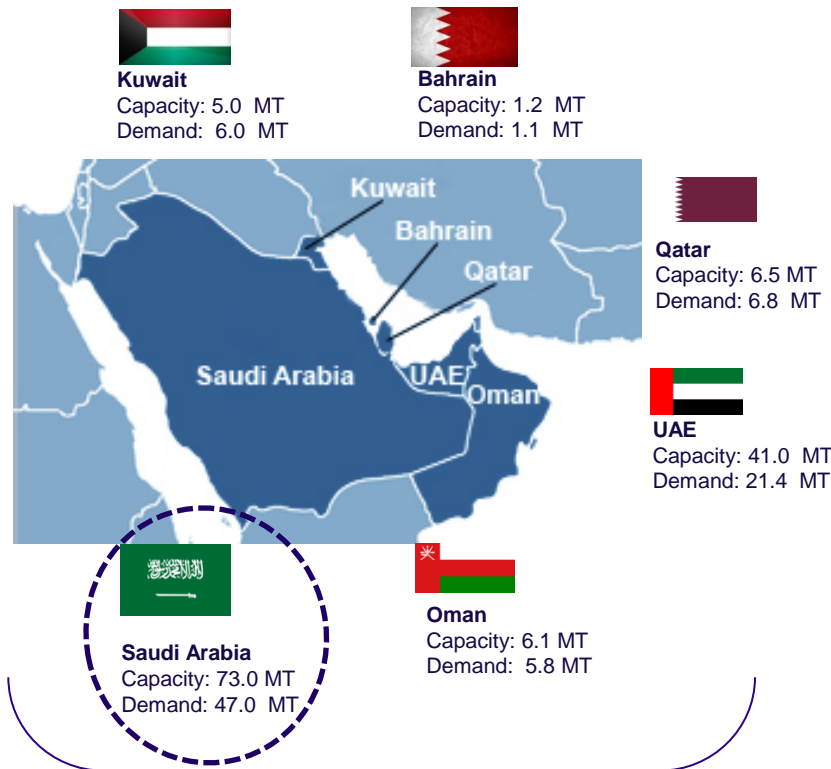
2017, numbers are partially actuals (only 7 companies reported) while rest are RC estimates and bloomberg consensus

# KSA cement sector in the eyes of a global investor

## Sector on a global view

- We expect a less challenging year in 2018 partially as pricing picks up though demand stays lower for few
- Cement demand was down by -9% in 2016 and -21% in 2017, declined to its lowest in history.
- A combination of pricing pressure, low utilization rates coupled with energy cost has affected sector profitability in 2016 and 2017.

# An overview of the bright spots in the eyes of a global investor



## GCC Countries

Capacity: 128 MT  
Demand: 96 MT

Saudi Arabia holds  
around 61% share of  
cement demand in GCC

**1<sup>st</sup>**  
ranked by  
profitability in the  
world

**2<sup>nd</sup>**  
highest per-capita  
cement  
consumption  
globally

**3<sup>rd</sup>**  
biggest in MENA  
region by capacity,  
the largest in GCC

US\$ 20,000+  
per-capita GDP  
market...

Nearly 50% of  
population  
between 20-40  
age group...

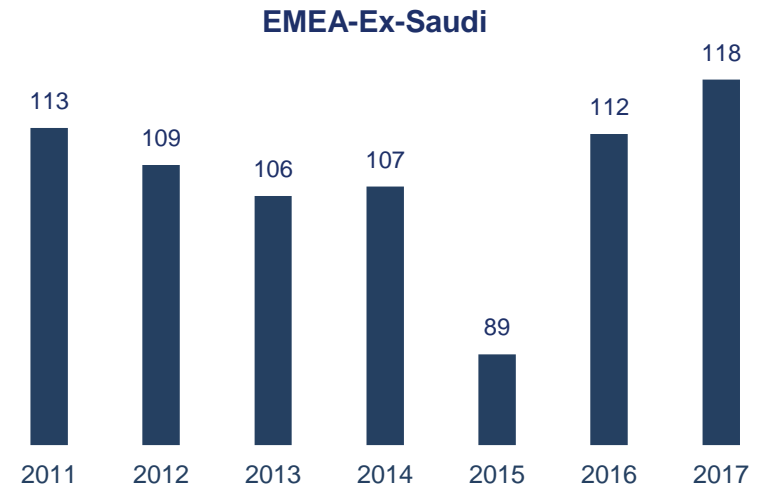
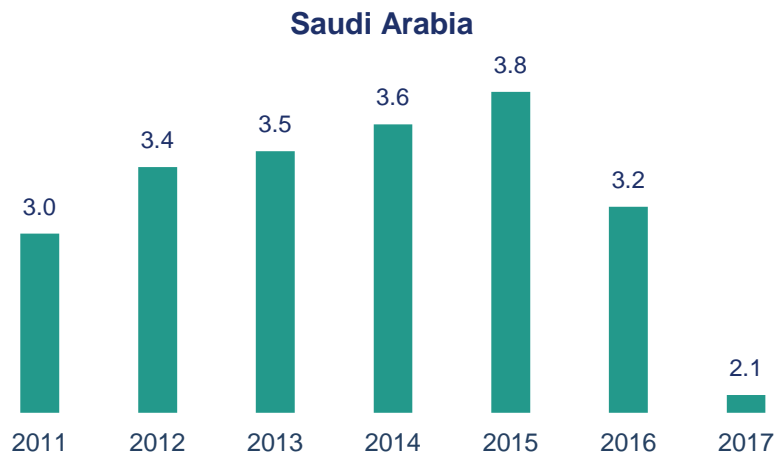
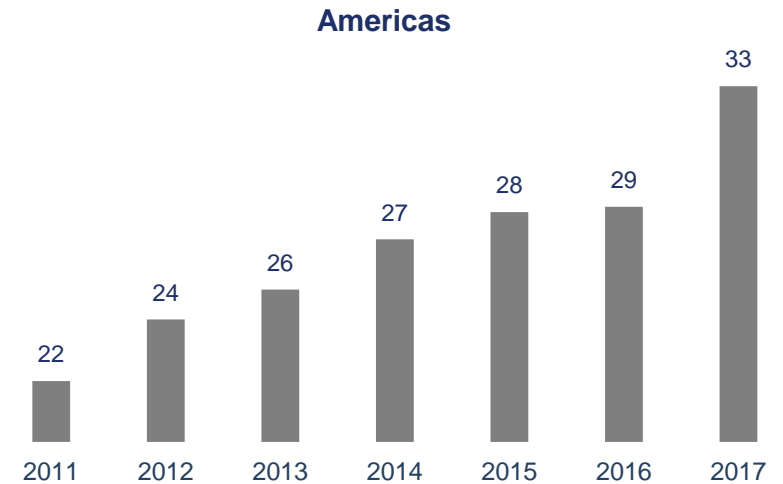
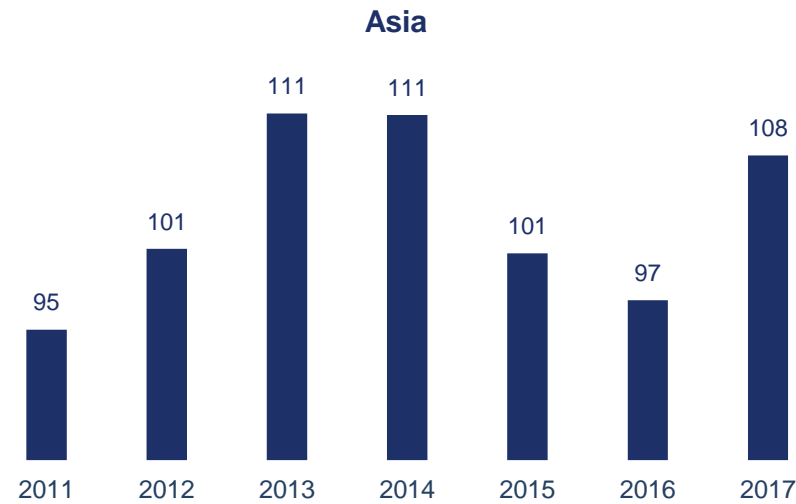
More than US\$  
500 billion project  
awarded in the last  
7-8 years...

Cement capacity  
doubled to 73  
million tons in  
2008-17...

Source: Bloomberg and various sources\* MT is million tons  
Please note capacity data could vary due to lack of data from unlisted companies

الرياض المالية  
riyad capital

# Revenue improved across global peers, KSA is only exception



Source: Bloomberg

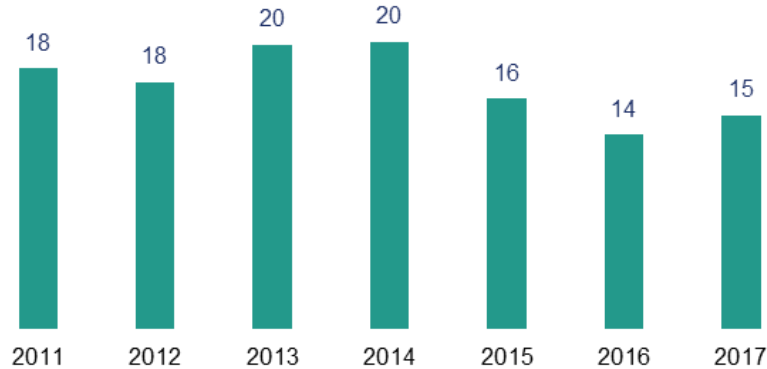
All figures are in US\$ billions

The data is from a sample size of 217 stocks listed across different markets; signifies a close representation of cement markets in the region

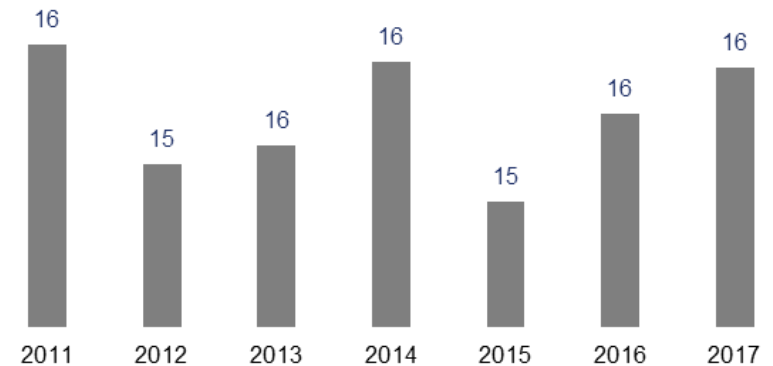
# EBITDA drop on persistent low utilization for producers

► *45% drop in EBITDA is one of the highest versus global peers.....*

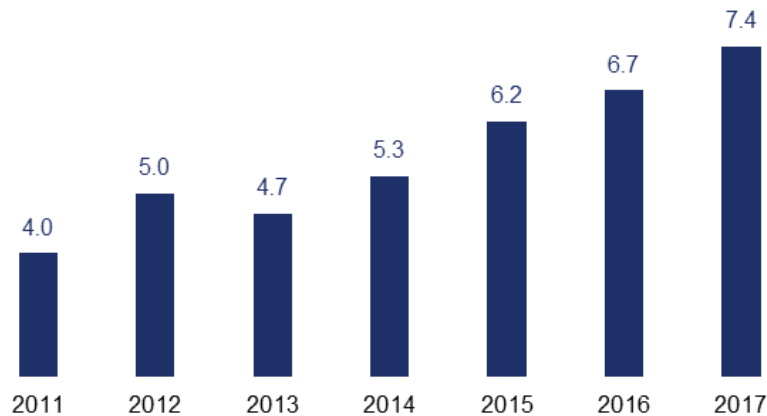
Asia



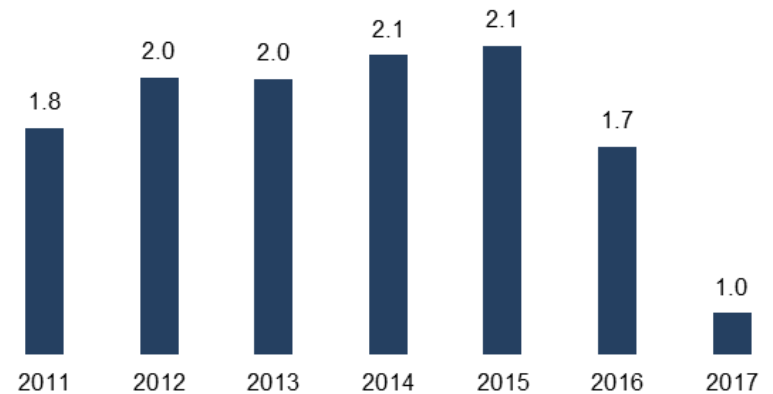
EMEA-Ex-Saudi



Americas



Saudi Arabia



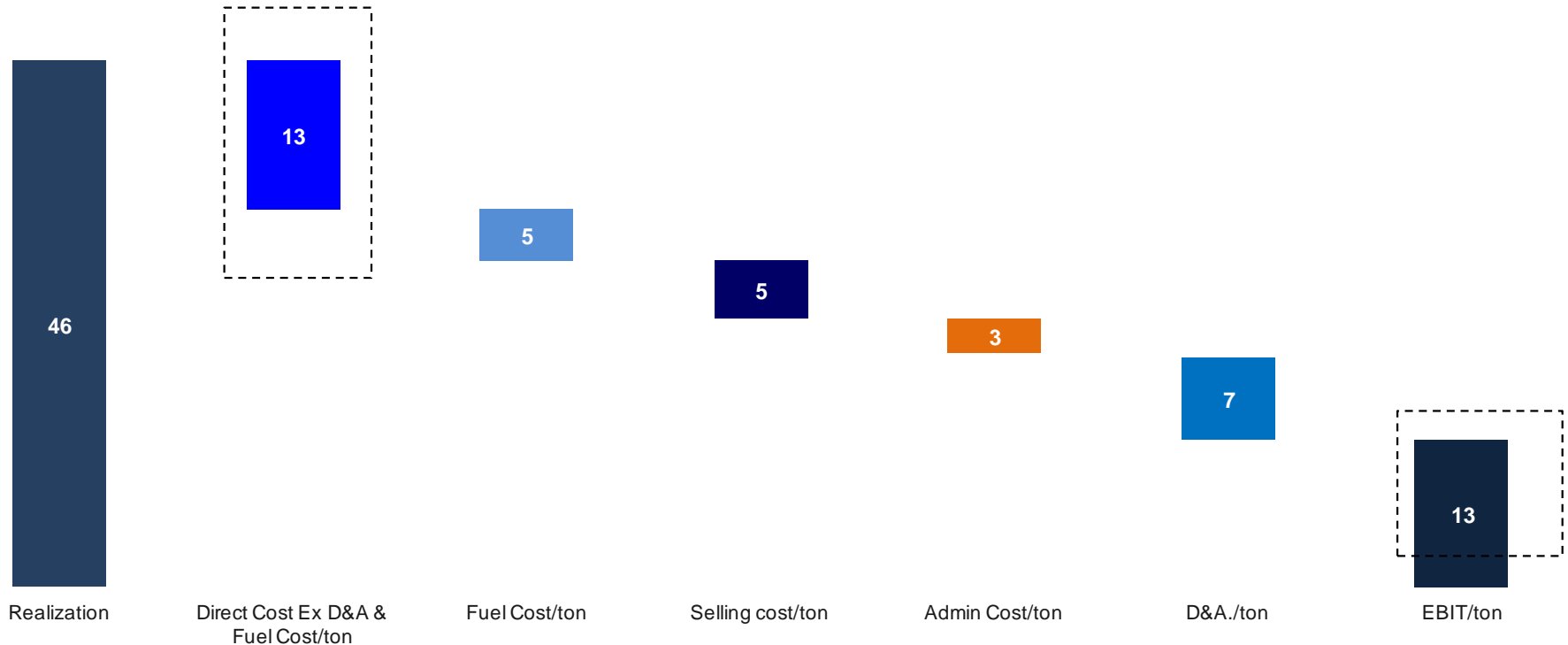
Source: Bloomberg, Tadawul

All figures are in US\$ billions

The data is from a sample size of 217 stocks listed across different markets; signifies a close representation of cement markets in the region

# Cost curve in 2018E and could be the trend for next 2 years...

Cost Structure in US\$/ton for KSA Cement Sector

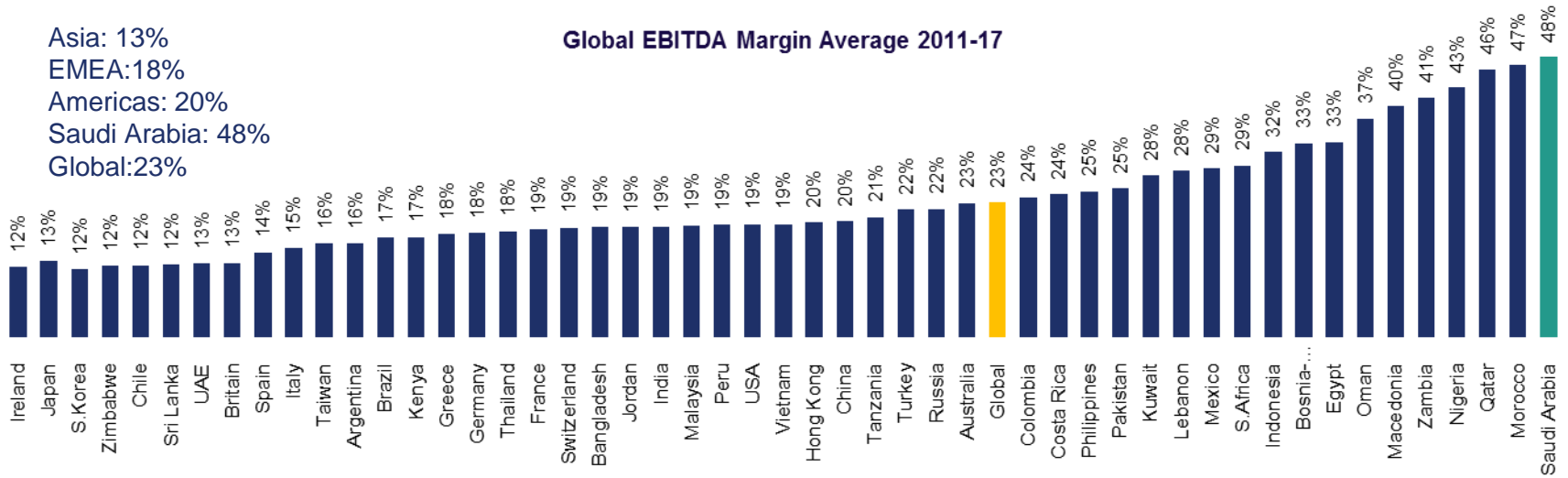


Source:: Riyadh Capital and Bloomberg  
Figures are in US\$/ton and few are our estimates

# KSA superior margins to decline and contract largely from 2019

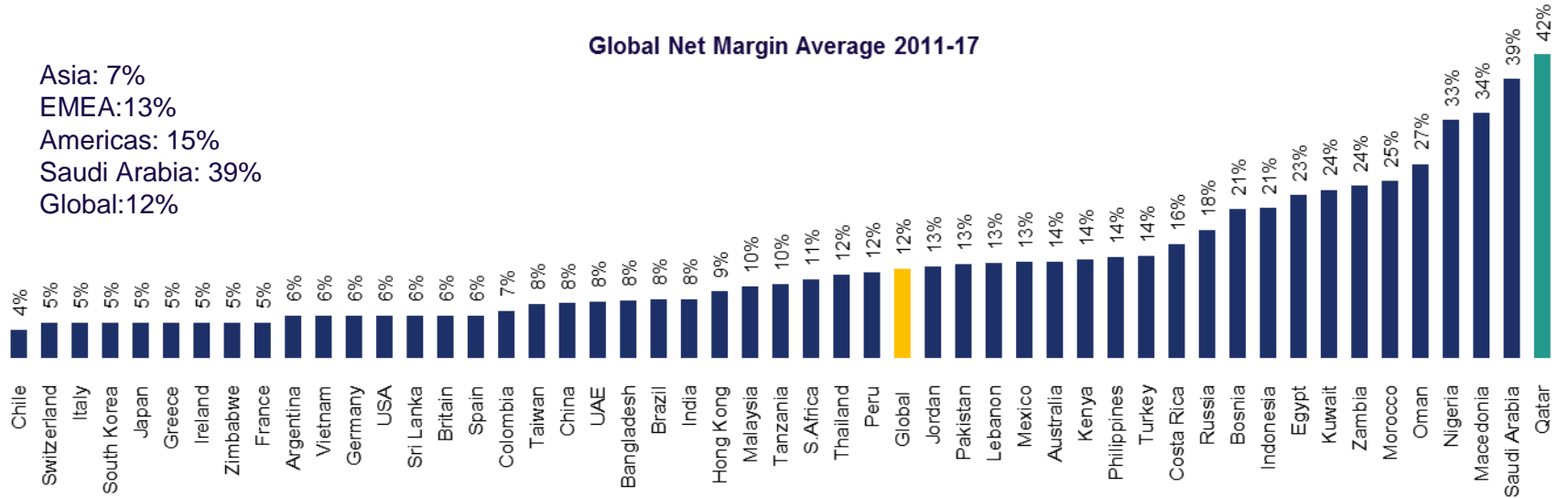
Asia: 13%  
EMEA:18%  
Americas: 20%  
Saudi Arabia: 48%  
Global:23%

Global EBITDA Margin Average 2011-17



Asia: 7%  
EMEA:13%  
Americas: 15%  
Saudi Arabia: 39%  
Global:12%

Global Net Margin Average 2011-17

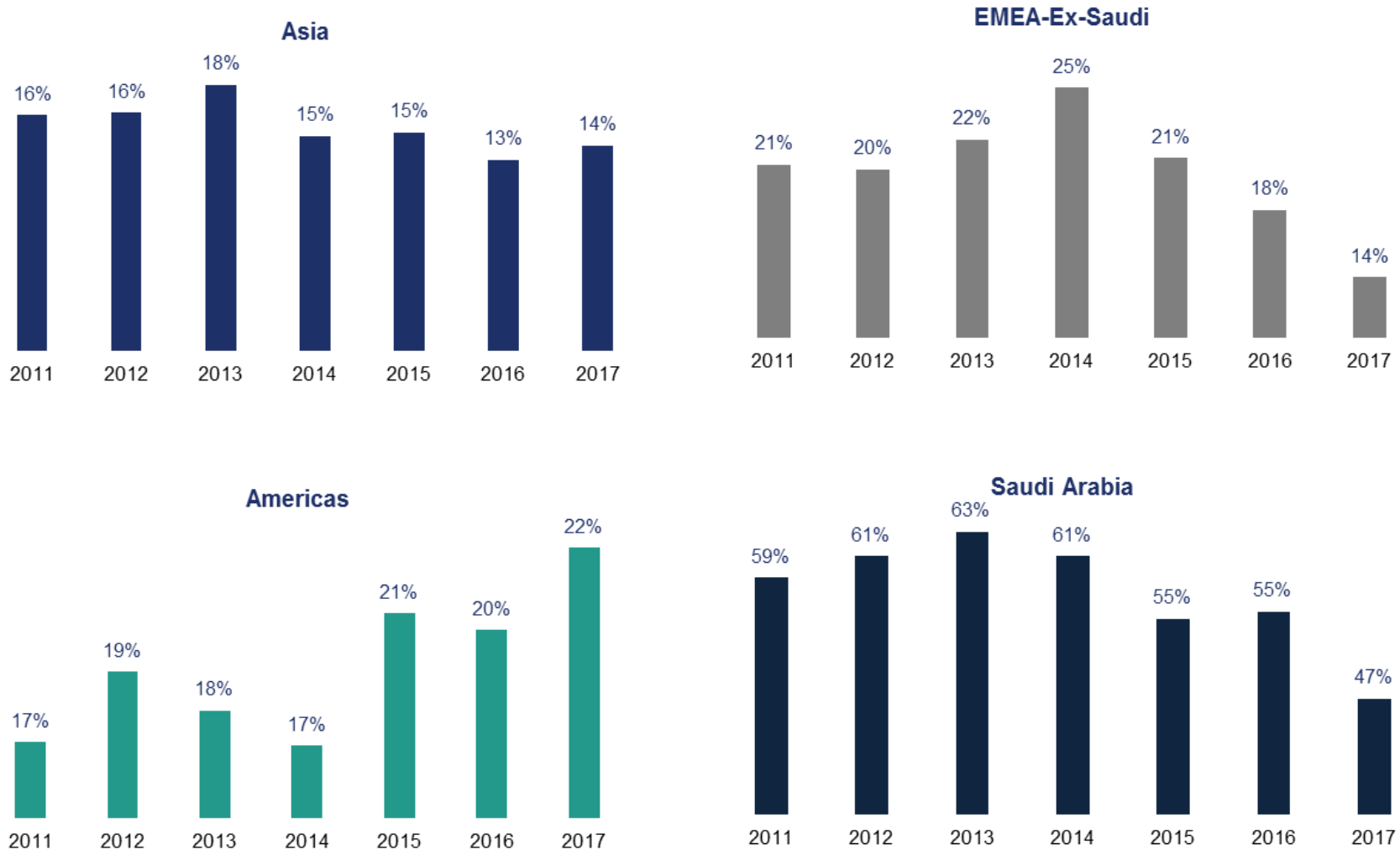


Source: Bloomberg

The data is from a sample size of 217 stocks listed across different markets; signifies a close representation of cement markets profitability in the region

# Dominance to continue until revision in fuel prices in 2019

► *EBITDA Margins to contract, but KSA could manage top three position...*



Source: Bloomberg, Tadawul

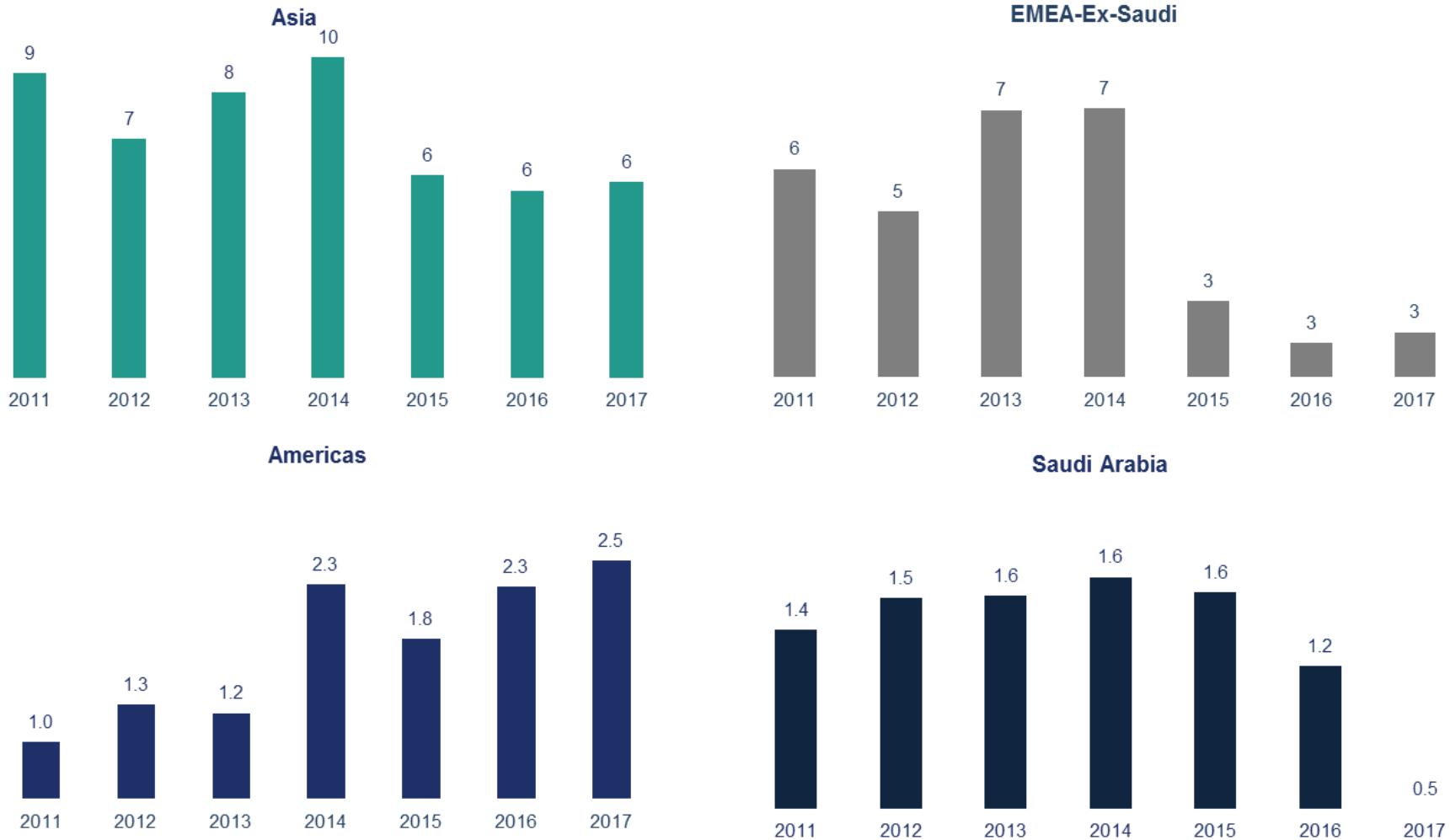
All figures are in US\$ billions

The data is from a sample size of 217 stocks listed across different markets; signifies a close representation of cement markets in the region



# Subdued earnings trends across producers globally

► *KSA face the brunt of fuel hikes and price wars intensifying competition...*



Source: Bloomberg, Tadawul

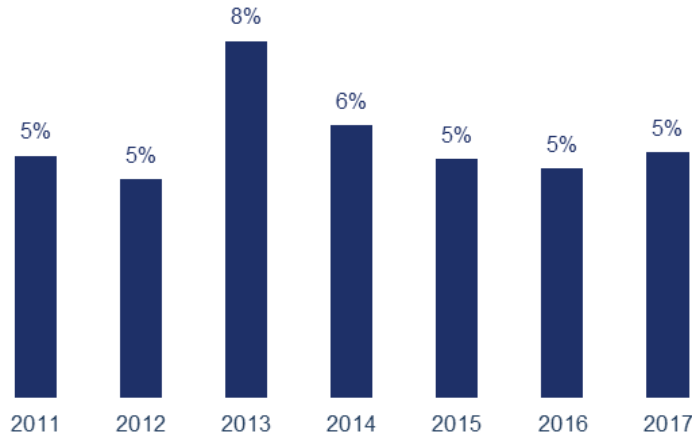
All figures are in US\$ billions

The data is from a sample size of 217 stocks listed across different markets; signifies a close representation of cement markets in the region

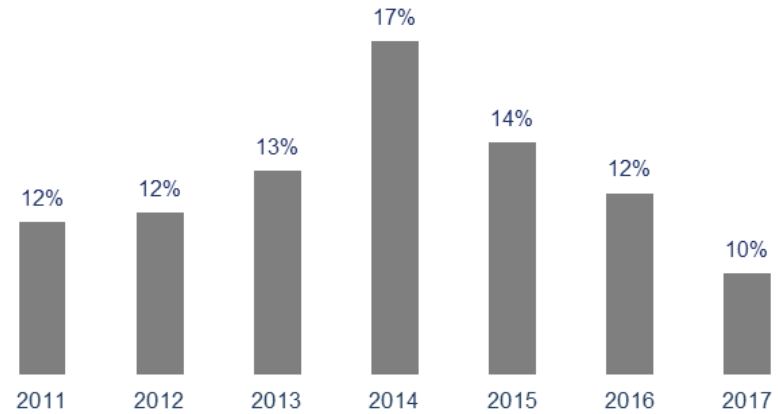
# Net Margins could stand in top-3 globally; expected to contract

➤ *Margin contraction an effect of low price and utilization...*

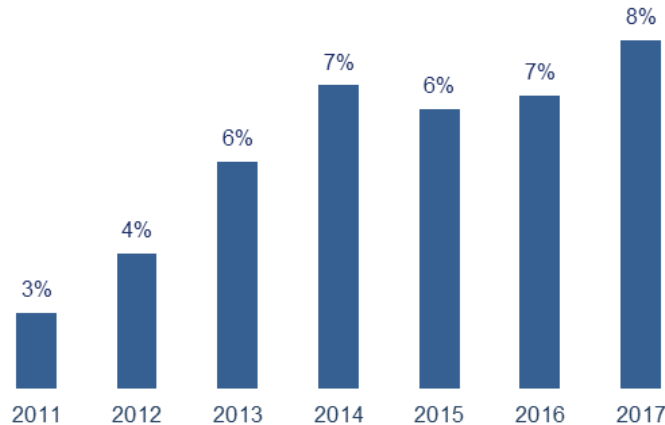
Asia



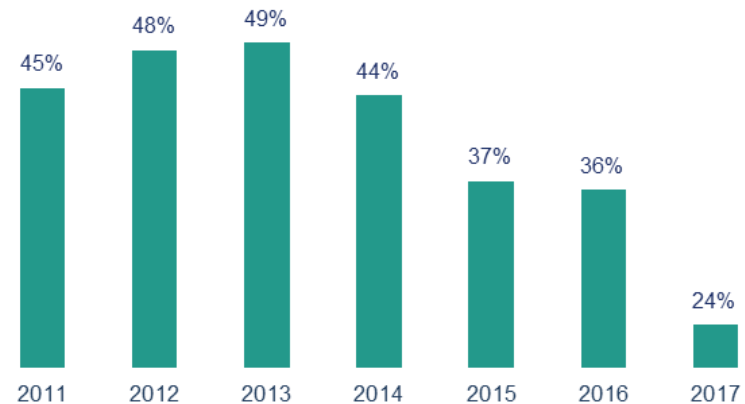
EMEA-Ex-Saudi



Americas



Saudi Arabia



Source: Bloomberg, Tadawul

# Non-RC Coverage: 9M17 Earnings shows no respite soon

## Company Profiles

- A walkthrough on performance of 12-other cement producers in KSA which are not part of our research coverage

# Company Profiles: Non RC Coverage

## Company Section

Eastern Cement.....	69
Arabian Cement.....	70
Tabuk Cement.....	71
Najran Cement.....	72
Jouf Cement.....	73
City Cement.....	74
Hail Cement.....	75
Northern Cement.....	76
Umm Al Qura Cement.....	77
Asafwa Cement.....	78
United Cement.....	79
Riyadh Cement.....	80

- ✓ We noticed all producers in KSA have faced headwinds during 2017 and continue facing pressure over the medium term.
- ✓ Our findings on data of companies operating in the RC non-coverage space, shows that earnings have declined by 62% in 2017E with most companies unable to control their costs.
- ✓ We expect producers could face hurdles due to high inventory pressure barring few exceptions.

# Eastern Province Cement Company

Rating: NA

## Company Profile

### Description

Eastern Province Cement Company (ECC) founded in 1982 is located in Dammam in the Eastern region. The Company has a market share of 4.6%, with a designed capacity of 3.5 MT of clinker and 3.7 MT of cement as of 2016. ECC expects additional clinker capacity by 2H2017, but fuel allocation remains a concern. Revenue over the last five years (2012-16) grew by 2% CAGR to SAR 857 million, while earnings declined by -23% CAGR to SAR 233 million due to subdued nature of demand in the industry.

Financials(SAR Mln)	2011	2012	2013	2014	2015	2016	9M17
Revenue	813	830	831	846	940	857	484
Gross Profit	419	423	348	355	394	292	134
EBIT	478	480	406	424	459	351	167
EBITDA	377	379	297	294	330	224	86
Net Income	364	393	309	373	333	233	99
Total Assets	2,340	2,456	2,509	2,531	2,641	2,803	2,530
Total Equity	2,158	2,268	2,286	2,262	2,352	2,380	2,209
P/E	6.0x	5.6x	7.1x	5.9x	6.6x	9.4x	14.3x
P/B	1.0x	1.0x	1.0x	1.0x	0.9x	0.9x	1.0x
EV/Sales	1.9x	1.9x	1.9x	1.9x	1.9x	1.9x	1.9x
EV/EBITDA	5.7x	5.7x	7.2x	7.3x	6.5x	9.6x	14.7x
Gross Margins	52%	51%	42%	42%	42%	34%	28%
EBITDA Margins	46%	46%	36%	35%	35%	26%	18%
Net Margins	45%	47%	37%	44%	35%	27%	21%
ROA	4%	3%	2%	4%	4%	4%	5%
ROE	17%	17%	14%	16%	14%	10%	8%
EPS	4.23	4.57	3.59	4.34	3.87	2.71	0.49
BVPS	25.09	26.37	26.58	26.30	27.35	27.68	27.68
DPS	3.50	4.00	-	-	2.50	1.50	1.50

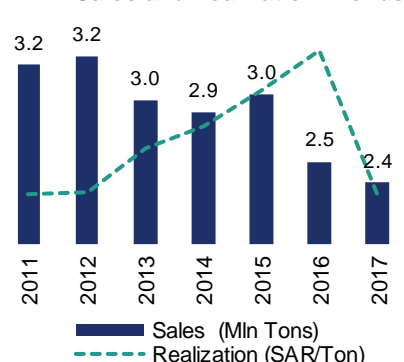
## Key Charts

### Key Stock Info

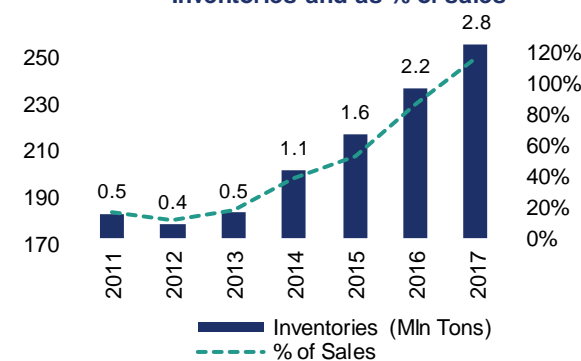
CMP (SAR)	25.4	Shares O/S(Mln)	86	Free Float	89.4%
Market Cap (SAR Mln)	2,184	BBG Code	EACCO AB	52Wk HI (SAR)	30.8
EV (SAR Mln)	2,145	12-Month ADTV ('000)	61	52Wk LO (SAR)	21.7

### Operational Performance

#### Sales and Realization Trends



#### Inventories and as % of sales

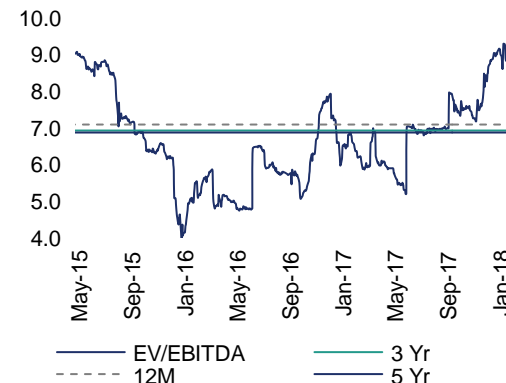


### 3 Year Price Multiples Trading History

#### P/E Ratio



#### EV/EBITDA Ratio



Data Updated 25-Feb-18

Source: Bloomberg, Tadawul

RC do not cover the mentioned stock and does not provide any rating or estimates on this company. The figures and information are historical and meant only for basic understanding of the company and industry.

# Arabian Cement Company

Rating: NA

## Company Profile

### Description

Arabian Cement Company (ACC) established in 1955 and headquartered in Jeddah (KSA) was one of the oldest cement plants in KSA. Listed on Tadawul during early 90's the Company caters to two markets in KSA and Jordan. ARCCO derives 72% of its revenue from KSA and 28% from Jordan as of 2016. It has market share of 8.8% in KSA with a designed capacity of 4.8 MT of cement as of 2017. Revenue over 2014-17 years declined by -27% CAGR to SAR 906 million and earnings by -36% CAGR to SAR 262 million in 2017.

### Key Financials(SAR)

	2011	2012	2013	2014	2015	2016	2017
Revenue	1,079	1,371	1,338	1,720	1,643	1,257	906
Gross Profit	504	537	542	731	724	552	350
EBIT	448	395	498	676	832	485	282
EBITDA	615	578	678	851	1,006	652	430
Net Income	407	387	192	645	600	491	262
Total Assets	2,795	2,951	2,893	3,229	3,240	3,325	3,934
Total Equity	4,447	4,252	4,002	4,095	3,894	3,251	2,948
Total Liab & Equity	2,795	2,951	2,893	3,229	3,240	3,325	3,934

P/E	8.5x	8.9x	17.9x	5.3x	5.7x	7.0x	13.1x
P/B	0.8x	0.8x	0.9x	0.8x	0.9x	1.1x	1.2x
EV/EBITDA	5.7x	6.1x	5.2x	4.1x	3.5x	5.4x	8.2x

Gross Margins	47%	39%	41%	42%	44%	44%	39%
EBITDA Margins	57%	42%	51%	49%	61%	52%	47%
Net Margins	38%	28%	14%	38%	37%	39%	29%

ROE	9%	9%	5%	16%	15%	15%	8%
ROA	16%	13%	17%	21%	26%	15%	5%

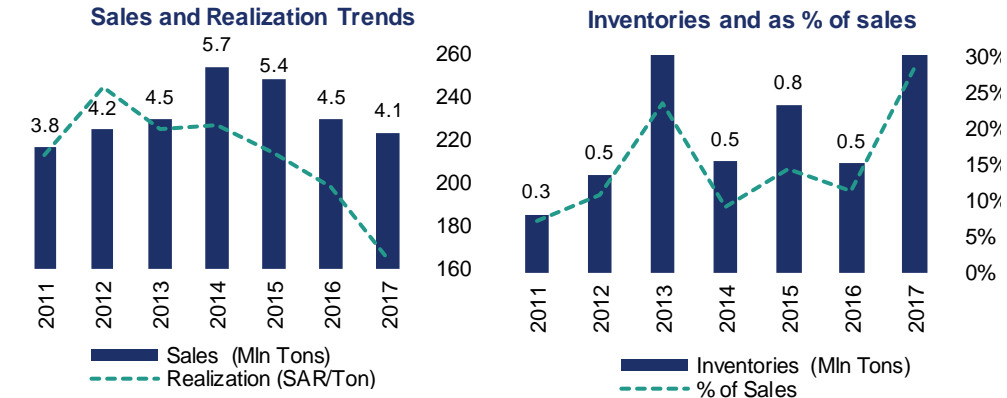
EPS	4.07	3.87	1.92	6.45	6.00	4.91	2.62
BVPS	44.47	42.52	40.02	40.95	38.94	32.51	29.48
DPS	2.40	2.40	NM	5.00	4.50	4.00	3.00

## Key Charts

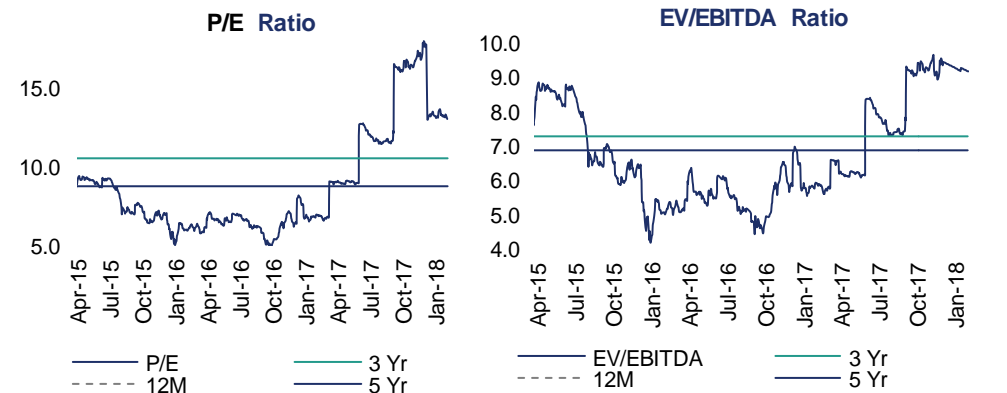
### Key Stock Info

CMP (SAR)	34.4	Shares O/S(Mn)	100	Free Float	88.3%
Market Cap (SAR Mn)	3,443	BBG Code	ARCCO AB	52Wk HI (SAR)	37.0
EV (SAR Mn)	3,527	12-Month ADTV ('000)	172	52Wk LO (SAR)	29.8

### Operational Performance



### 3 Year Price Multiples Trading History



Data Updated: 25-Feb-18

Source: Bloomberg, Tadawul

RC do not cover the mentioned stock and does not provide any rating or estimates on this company. The figures and information are historical and meant only for basic understanding of the company and industry.

# Tabuk Cement Company

Rating: NA

## Company Profile

### Description

Tabuk Cement Company (TCC) located in Tabuk and founded in 1994 is a small producer in KSA with a sales market share of 2.3%. It has a designed capacity of 1.5 MT of clinker and 1.7 MT of cement as of 2016. It has additional clinker capacity of 1.5 MT, delayed due to constraints in fuel allocation. Earnings in 2011-16 declined by -21% CAGR to SAR 58 million due to impending supply glut in the industry. Revenue over the last five years also declined by -9% CAGR to SAR 247 million in 2016

### Financials(SAR Mln) 2011 2012 2013 2014 2015 2016 9M17

Revenue	350	392	356	322	272	247	125
Gross Profit	157	218	193	160	114	82	15
EBIT	141	199	174	141	93	61	1
EBITDA	210	260	227	200	148	137	76
Net Income	137	189	173	138	90	58	(2)
Total Assets	1,280	1,369	1,394	1,819	2,031	1,928	1,911
Total Equity	1,059	1,166	1,186	1,159	1,202	1,178	1,171

P/E	9.6x	6.9x	7.6x	9.5x	14.6x	22.6x	NM
P/B	1.2x	1.1x	1.1x	1.1x	1.1x	1.1x	2.5x
EV/Sales	1.9x	1.9x	1.9x	1.9x	1.9x	2.9x	1.9x
EV/EBITDA	12.7x	9.0x	10.3x	12.7x	19.3x	29.4x	NM

Gross Margins	45%	56%	54%	50%	42%	33%	12%
EBITDA Margins	40%	51%	49%	44%	34%	25%	1%
Net Margins	39%	48%	49%	43%	33%	24%	-2%

ROE	13%	16%	15%	12%	7%	5%	NM
ROA	16%	19%	16%	11%	7%	7%	5%

EPS	1.52	2.10	1.93	1.53	1.00	0.64	(0.01)
BVPS	11.77	12.95	13.18	12.88	13.36	13.09	5.78
DPS	1.40	1.60	1.80	1.50	0.90	1.00	0.95

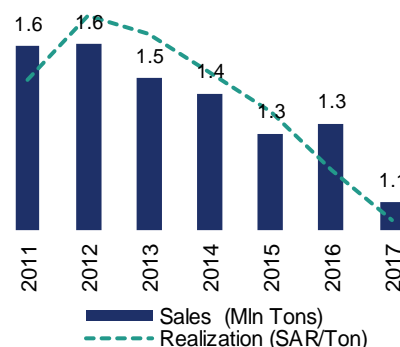
## Key Charts

### Key Stock Info

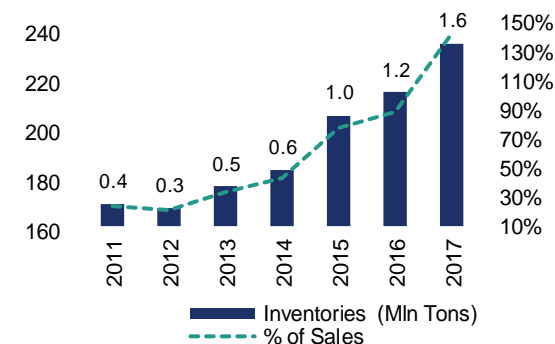
CMP (SAR)	14.6	Shares O/S(Mln)	90	Free Float	82.3%
Market Cap (SAR Mln)	1,310	BBG Code	TACCO AB	52Wk HI (SAR)	15.5
EV (SAR Mln)	1,794	12-Month ADTV ('000)	442	52Wk LO (SAR)	10.0

### Operational Performance

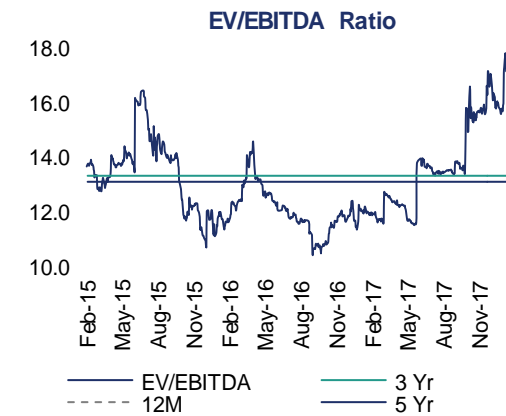
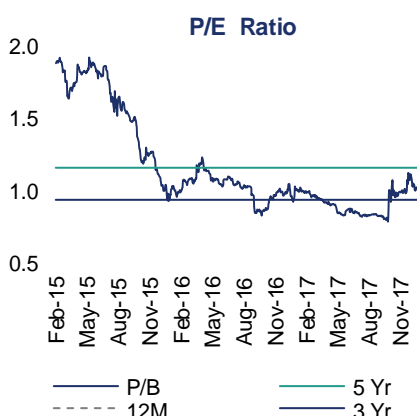
#### Sales and Realization Trends



#### Inventories and as % of sales



### 3 Year Price Multiples Trading History



Data Updated: 25-Feb-18

Source: Bloomberg, Tadawul

RC do not cover the mentioned stock and does not provide any rating or estimates on this company. The figures and information are historical and meant only for basic understanding of the company and industry.

# Najran Cement Company

Rating: NA

## Company Profile

### Description

Najran Cement Company (NCC) founded in 2005 is a mid-sized cement producer in KSA located in the Southern province adjoining Najran and Jazan. It has a market share of 5.3% with a designed capacity of 4.8 MT of clinker and 5.2 MT of cement as of 2016. Revenue over the last five years declined at -7% CAGR to SAR 431 million in 2017. Earnings in 2011-16 declined by -21% CAGR to SAR 125 million but ended up in a loss of SAR (22) million in 2017 due to added cost pressure amid a slow demand in the industry.

### Key Updates

- ✓ CEO resigns in February 2018 and acting CEO is appointed
- ✓ NCC announces the temporary halt of the production line No. 2 with 3,000 tons per day of clinker
- ✓ Chairman of NCC Mohammed ben Manee Aba Alaa, sells his entire stake of 4.80% in NCC

Financials (SAR Mln)	2011	2012	2013	2014	2015	2016	2017
Revenue	697	613	632	828	1,087	710	431
Gross Profit	296	277	259	399	522	206	47
EBIT	263	245	226	280	309	160	8
EBITDA	346	331	317	403	438	278	118
Net Income	235	202	198	243	256	126	(22)
Total Assets	1,999	2,749	2,913	3,081	3,073	2,869	2,869
Total Equity	1,223	1,820	1,821	2,062	2,128	2,064	2,064
P/E	6.8x	7.9x	8.1x	6.6x	6.2x	12.7x	NM
P/B	1.3x	0.9x	0.9x	0.8x	0.8x	0.8x	0.8x
EV/Sales	1.9x	1.9x	1.9x	1.9x	1.9x	1.9x	1.9x
EV/EBITDA	6.4x	6.7x	7.0x	5.5x	5.0x	7.9x	18.7x
EV/EBIT	14.3x	19.0x	25.4x	13.1x	12.8x	12.2x	10.7x
Gross Margins	42%	45%	41%	48%	48%	29%	11%
EBITDA Margins	50%	54%	50%	49%	40%	39%	27%
Net Margins	34%	33%	31%	29%	24%	18%	-5%
ROE	19%	11%	11%	12%	12%	6%	-1%
ROA	13%	9%	8%	9%	10%	6%	0%
EPS	1.38	1.19	1.17	1.43	1.50	0.74	(0.11)
BVPS	7.19	10.71	10.71	12.13	12.52	12.14	12.14
DPS	2.52	1.05	0.55	0.60	1.00	NA	NA

Source: Bloomberg, Tadawul

RC do not cover the mentioned stock and does not provide any rating or estimates on this company. The figures and information are historical and meant only for basic understanding of the company and industry..

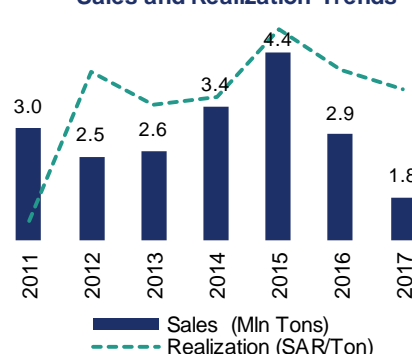
## Key Charts

### Key Stock Info

CMP (SAR)	9.4	Shares O/S (Mln)	170	Free Float	75.7%
Market Cap (SAR Mln)	1,596	BBG Code	NAJARAN AB	52Wk HI (SAR)	12.5
EV (SAR Mln)	2,205	12-Month ADTV ('000)	821	52Wk LO (SAR)	7.2

### Operational Performance

#### Sales and Realization Trends

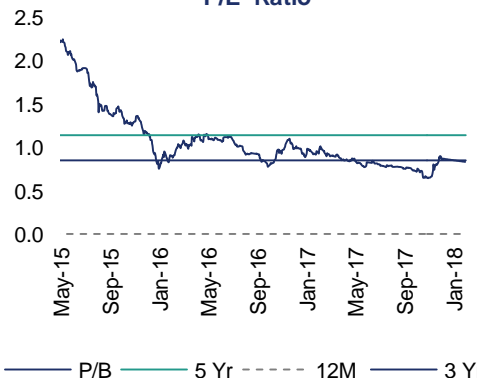


#### Inventories and as % of sales

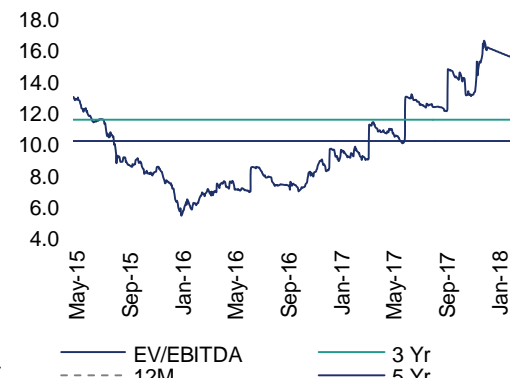


### 5 Year Price Multiples Trading History

#### P/E Ratio



#### EV/EBITDA Ratio



Data Updated: 25-Feb-18



# Jouf Cement Company

Rating: NA

## Company Profile

### Description

Jouf Cement Company (JCC) established in 2006 and situated in northern region of KSA with its main plant and facilities are in Jouf region. It has a capacity of 1.8 MT of cement and added another 1.8 MT of cement capacity, but yet to be operational due to fuel allocation concerns. JCC is a small-sized producer and has market share of 3.4% as of 2016. Over the last five years, revenue stayed flat and reached SAR 320 million in 2016, while earnings declined by -3% CAGR to SAR 72 million as demand from the Jouf region slowed and focus towards the other markets came in at a higher cost

### Key Updates

- ✓ JCC shuts down one of its production line for period of 15 days as part of its maintenance in 4Q
- ✓ It received the cement export license which is valid for one year
- ✓ Board proposes 10% capital hike an additional 13 million shares

Financials(SAR Mln)	2011	2012	2013	2014	2015	2016	9M17
Revenue	316	369	294	269	336	320	196
Gross Profit	119	155	99	103	122	108	57
EBITDA	151	185	120	142	173	139	84
EBIT	94	123	65	72	89	79	39
Net Income	83	107	52	61	76	72	33
Total Assets	1,809	2,064	2,335	2,480	2,526	2,513	2,445
Total Equity	1,348	1,390	1,378	1,443	1,519	1,592	1,623
P/E	17.6x	13.6x	27.9x	24.1x	19.1x	20.2x	27.0x
P/B	1.1x	1.0x	1.1x	1.0x	1.0x	0.9x	0.9x
EV/EBITDA	14.3x	11.7x	17.9x	15.2x	12.5x	15.5x	19.2x
Gross Margins	38%	42%	34%	38%	36%	34%	29%
EBITDA Margins	48%	50%	41%	53%	51%	43%	43%
Net Margins	26%	29%	18%	22%	23%	23%	17%
ROE	6%	8%	4%	4%	5%	5%	2%
ROA	5%	6%	3%	3%	4%	3%	2%
EPS	0.58	0.75	0.37	0.42	0.53	0.50	0.23
BVPS	9.43	9.72	9.63	10.09	10.62	11.13	11.35
DPS	NM	NM	0.50	0.50	NM	NM	NM

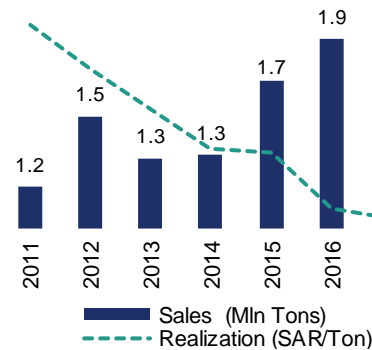
## Key Charts

### Key Stock Info

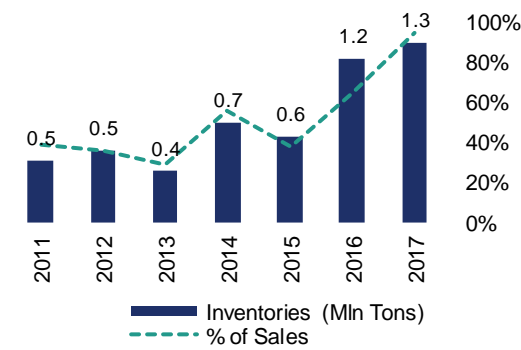
CMP (SAR)	10.19	Shares O/S(Mln)	143	Free Float	100.0%
Market Cap (SAR Mln)	1,457	BBG Code	JOUF AB	52Wk HI (SAR)	11.1
EV (SAR Mln)	2,155	12-Month ADTV ('000)	884	52Wk LO (SAR)	7.0

### Operational Performance

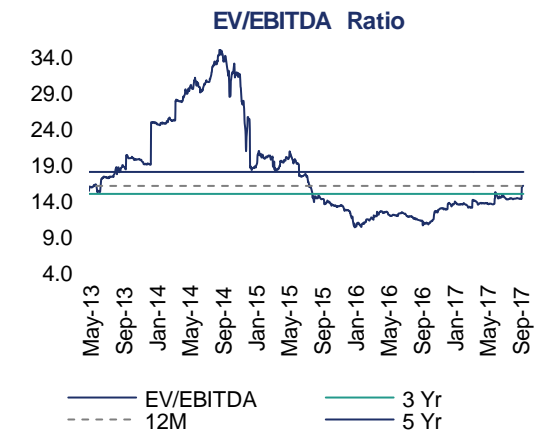
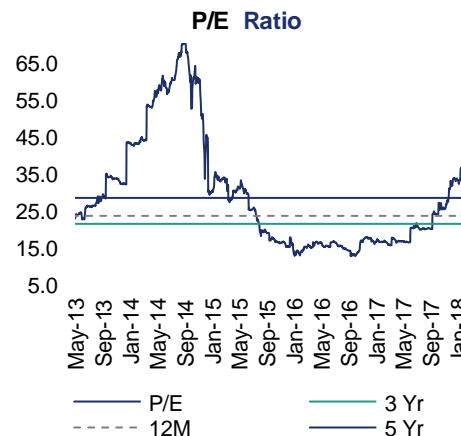
#### Sales and Realization Trends



#### Inventories and as % of sales



### 5 Year Price Multiples Trading History



Data Updated: 25-Feb-18

Source: Bloomberg, Tadawul

RC do not cover the mentioned stock and does not provide any rating or estimates on this company. The figures and information are historical and meant only for basic understanding of the company and industry.

# City Cement Company

Rating: NA

## Company Profile

### Description

City Cement Company (CCC) established in 2005 is situated in the Central province of KSA. Located in Marat town, the plant is 145 kilometers from Riyadh having a combined capacity of nearly 3.8 MT of clinker across its two production lines. Both lines have a total of 10,500 tons per day capacity with 5,000 in Line-1 and 5,500 in Line-2. CCC is a mid-sized producer and has market share of 7.2% as of 2017. Over the last three years, revenue grew by +6% CAGR and reached SAR 535 million in 2017, while earnings declined by -25% CAGR to SAR 93 million, as central region witnessed price competition.

### 4Q17 Results Updates

- ✓ Revenue in 4Q17 improved by +5% Y/Y and +37% Q/Q to SAR 104 million driven by improved realization (+10% Q/Q and -5% Y/Y)
- ✓ Realization stood at SAR 168/ton in 4Q2017
- ✓ Earnings declined by -48% Y/Y, but up by +22% Q/Q to SAR 24 million

Financials(SAR Mln)	2011	2012	2013	2014	2015	2016	2017
Revenue	415	429	433	455	561	602	535
Gross Profit	242	281	254	254	278	255	129
EBIT	280	317	289	290	348	231	101
EBITDA	231	266	343	342	439	348	221
Net Income	223	243	218	222	243	216	93
Total Assets	1,050	2,034	2,115	2,116	2,209	2,243	2,235
Total Equity	999	1,975	2,003	1,987	2,040	2,063	2,082
P/E	8.9x	8.2x	9.1x	9.0x	8.2x	9.2x	21.4x
P/B	2.0x	1.0x	1.0x	1.0x	1.0x	1.0x	1.0x
EV/EBITDA	7.5x	6.5x	5.0x	5.0x	3.9x	4.9x	7.8x
Gross Margins	58%	65%	59%	56%	50%	42%	24%
EBITDA Margins	56%	62%	79%	75%	78%	58%	41%
Net Margins	54%	57%	50%	49%	43%	36%	17%
ROE	22%	12%	11%	11%	12%	10%	8%
ROA	27%	16%	14%	14%	16%	10%	5%
EPS	1.18	1.28	1.15	1.17	1.29	1.14	0.49
DPS	0.70	NM	1.25	1.00	1.00	1.00	0.50

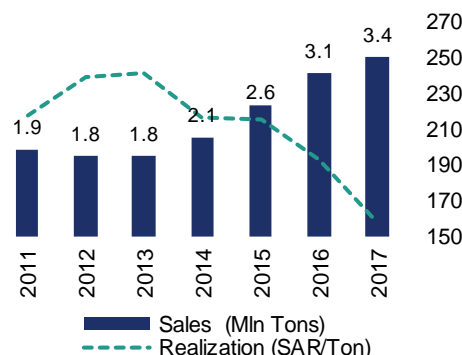
## Key Charts

### Key Stock Info

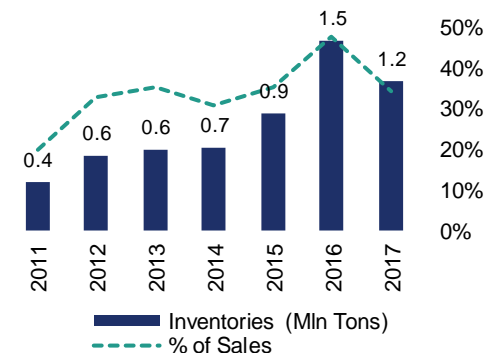
CMP (SAR)	10.5	Shares O/S(Mn)	189	Free Float	74.8%
Market Cap (SAR Mln)	1,992	BBG Code	CITYC AB	52Wk HI (SAR)	13.6
EV (SAR Mln)	1,722	12-Month ADTV ('000)	403	52Wk LO (SAR)	9.4

### Operational Performance

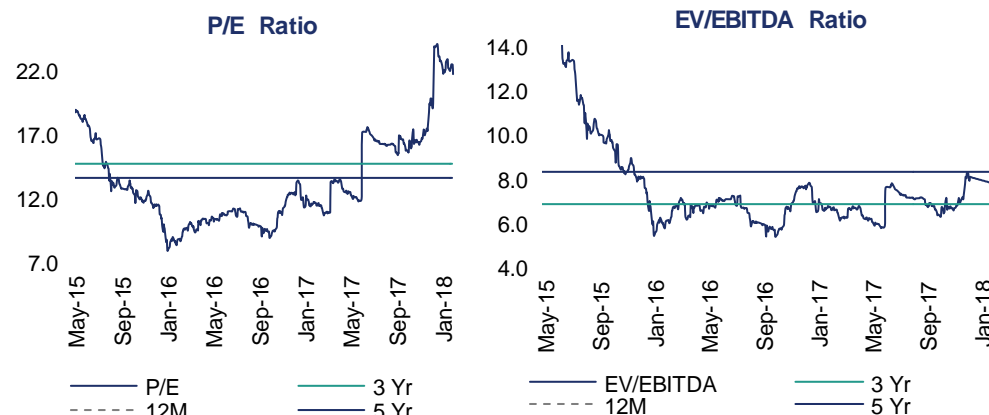
#### Sales and Realization Trends



#### Inventories and as % of sales



### 5 Year Price Multiples Trading History



Data Updated 25-Feb-18

Source: Bloomberg, Tadawul

RC do not cover the mentioned stock and does not provide any rating or estimates on this company. The figures and information are historical and meant only for basic understanding of the company and industry.

# Hail Cement Company

Rating: NA

## Company Profile

### Description

Hail Cement Company (HCC) established in 2010 and started operations in 2013, is situated in Hail region, the cement plant is 20 kilometers north of the city of Turba, which lies about 200 km to the north-eastern city of Hail. HCC is a small -sized producer and has market share of 2.5% as of 2016. Since its full scale operations from 2014, revenue declined by -23% CAGR and reached SAR 165 million in 2017, while earnings declined by -53% CAGR to SAR 16 million, as cost pressure hurts to a large extent.

### 4Q17 Results

- ✓ Revenue in 4Q2017 stood at SAR 51 million (+1% Y/Y and +36% Q/Q)
- ✓ Realization stands at SAR 154/ton, better than SAR 143 in 3Q2017
- ✓ Earnings came in at SAR 3 million -86% Y/Y but improved by 4x from SAR 1 million in 3Q2017

key Financials(SAR Mln)	2012	2013	2014	2015	2016	2017
Revenue	NA	159	356	356	272	165
Gross Profit	NA	81	184	164	135	51
EBITDA	NA	113	217	195	172	88
EBIT	NA	64	154	131	106	24
Net Income	NA	50	147	114	100	16
Total Assets	NA	1,311	1,399	1,381	1,371	1,325
Total Equity	NA	962	1,060	1,056	1,056	1,028
P/E	NA	18.2x	6.2x	8.1x	9.2x	59.2x
P/B	NA	1.0x	0.9x	0.9x	0.9x	0.9x
EV/EBITDA	NA	9.5x	4.9x	5.5x	6.2x	12.2x
Gross Margins	NA	51%	52%	46%	50%	31%
EBITDA Margins	NA	71%	61%	55%	63%	54%
Net Margins	NA	32%	41%	32%	37%	9%
ROE	NA	5%	14%	11%	9%	8%
ROA	NA	5%	11%	9%	8%	5%
EPS	NA	0.52	1.50	1.16	1.02	0.16
BVPS	NA	9.82	10.83	10.79	10.79	10.50
DPS	NA	0.50	1.20	1.00	0.40	0.95

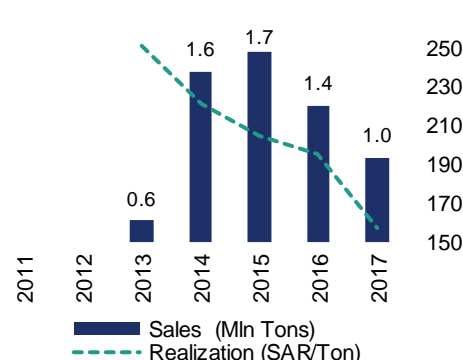
## Key Charts

### Key Stock Info

CMP (SAR)	9.4	Shares O/S(Mln)	98	Free Float	87.8%
Market Cap (SAR Mln)	917	BBG Code	HCC AB	52Wk HI (SAR)	11.9
EV (SAR Mln)	1,072	12-Month ADTV ('000)	439	52Wk LO (SAR)	8.0

### Operational Performance

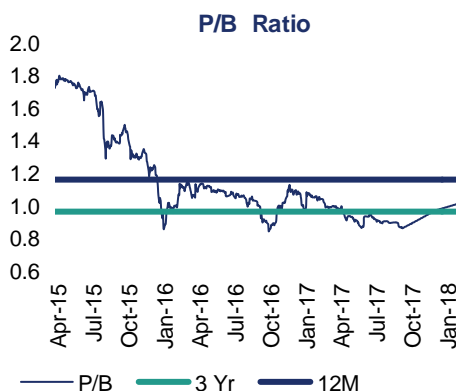
#### Sales and Realization Trends



#### Inventories and as % of sales



### 3 Year Price Multiples Trading History



#### Stock Price



Data Updated 25-Feb-18

Source: Bloomberg, Tadawul

RC do not cover the mentioned stock and does not provide any rating or estimates on this company. The figures and information are historical and meant only for basic understanding of the company and industry. Investors are obliged to understand the risk by their own and we do not accept any responsibility.

الرياض المالية  
riyad capital

# Northern Cement Company

Rating: NA

## Company Profile

### Description

Northern Region Cement Company ( NRCC ) headquartered in Ar'ar, Northern region was established during 2006. The company has a production capacity of 3.1 MT of cement in KSA and has a capacity of 1 MT in Jordan. NRCC derives 60% of sales from KSA and 40% from Jordan. Revenue increased by 5% CAGR and reached SAR 751 million in 2016, while earnings declined by -11% CAGR to SAR 139 million, as slow demand and pricing pressure has affected NRCC.

### Key Updates

- ✓ NRCC re-appoints Sulaiman bin Salim Al-Harbi as Chairman
- ✓ The Company plans a SAR 75 million white cement project by converting its current production line
- ✓ NRCC and Arabian cement has signed a three year clinker exchange agreement

Key Financials(SAR M)	2011	2012	2013	2014	2015	2016	9M17
Revenue	587	539	787	1,002	1,130	751	339
Gross Profit	237	137	289	396	431	289	127
EBIT	265	175	338	377	366	259	122
EBITDA	200	102	242	265	255	183	74
Net Income	246	93	235	200	207	139	37
Total Assets	2,259	2,673	2,891	3,082	3,237	3,172	3,155
Total Equity	1,452	1,426	2,217	2,057	1,995	1,922	2,031
P/E	7.6x	20.0x	8.0x	9.4x	9.0x	13.5x	34.6x
P/B	1.3x	1.3x	0.8x	0.9x	0.9x	1.0x	1.0x
EV/EBITDA	14.2x	27.8x	11.7x	10.7x	11.1x	15.5x	16.0x
Gross Margins	40%	25%	37%	40%	38%	38%	37%
EBITDA Margins	34%	19%	31%	26%	23%	24%	22%
Net Margins	42%	17%	30%	20%	18%	18%	11%
ROE	17%	7%	11%	10%	10%	7%	2%
ROA	12%	7%	12%	12%	11%	8%	4%
EPS (SAR)	1.37	0.52	1.30	1.11	1.15	0.77	0.21
BVPS	8.07	7.92	12.32	11.43	11.08	10.68	10.64
DPS(SAR)	NA	1.90	1.10	0.95	NA	NA	NA

Source: Bloomberg, Tadawul

RC do not cover the mentioned stock and does not provide any rating or estimates on this company. The figures and information are historical and meant only for basic understanding of the company and industry.

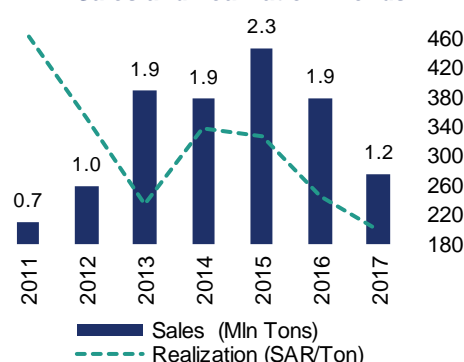
## Key Charts

### Key Stock Info

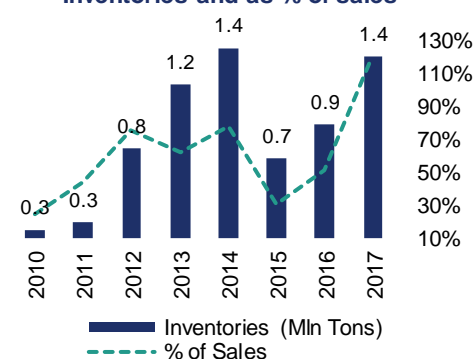
CMP (SAR)	10.4	Shares O/S(Mn)	180	Free Float	88.3%
Market Cap (SAR Mn)	1,870	BBG Code	NORTCEMAB	52Wk HI (SAR)	11.6
EV (SAR Mn)	2,837	12-Month ADTV ('000)	401	52Wk LO (SAR)	9.0

### Operational Performance

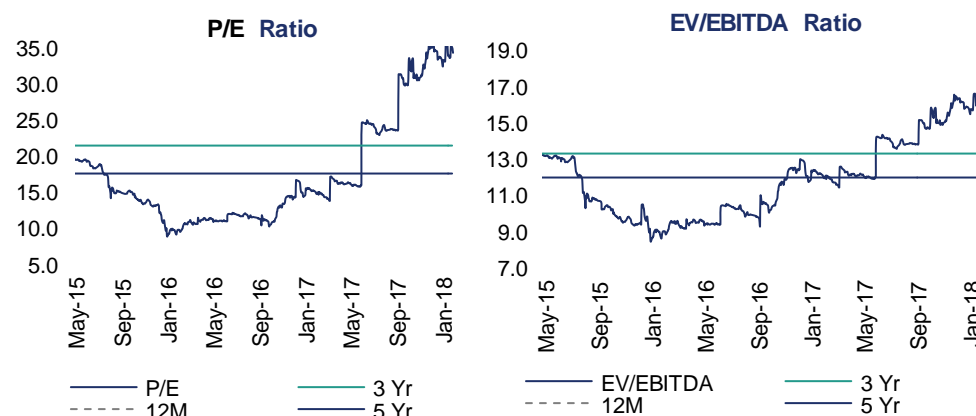
#### Sales and Realization Trends



#### Inventories and as % of sales



### 5 Year Price Multiples Trading History



Data Updated 25-Feb-18

# Umm Al Qura Cement

Rating: NA

## Company Profile

### Description

Umm Al-Qura Cement Company founded in 2013 manufactures and sells Portland and white cement products in the Kingdom of Saudi Arabia. With operations in western province, the company has a production capacity of 2.4MT of cement. It was listed on Tadawul during 2Q2014.

### Key Updates

- ✓ Umm Al-Qura Cement Company signs SAR 50 million loan with Riyad Bank
- ✓ Receives approval for lifting the ban of promoter shareholding
- ✓ Settles contractor dues of SAR 28 million , will be reflected in 4Q17

Financials(SAR Mln)	2011	2012	2013	2014	2015	2016	9M17
Revenue	NA	NA	NA	NA	NA	40	135
Gross Profit	NA	NA	NA	NA	NA	12	55
EBIT	NA	NA	NA	NA	(11)	11	85
EBITDA	NA	NA	NA	NA	(11)	(3)	47
Net Income	NA	NA	NA	(28)	(19)	(10)	31
Total Assets	NA	NA	NA	NA	1,120	1,203	1,268
Total Equity	NA	NA	NA	NA	503	492	523
P/E	NA	NA	NA	NA	NA	NA	27.5x
P/B	NA	NA	NA	NA	1.8x	1.8x	6.2x
EV/Sales	1.9x	1.9x	1.9x	1.9x	1.9x	1.9x	1.8x
EV/EBITDA	NA	NA	NA	NA	NA	NA	16.2x
Gross Margins	NA	NA	NA	NA	NA	NA	41%
EBITDA Margins	NA	NA	NA	NA	NA	NA	35%
Net Margins	NA	NA	NA	NA	NA	NA	23%
ROE	NA	NA	NA	NA	NA	-2%	6%
ROA	NA	NA	NA	NA	NA	1%	7%
EPS (SAR)	NA	NA	NA	(0.51)	(0.35)	(0.19)	0.56
BVPS	NA	NA	NA	NA	9.14	8.95	8.95
DPS(SAR)	NA	NA	NA	NA	NA	NA	NA

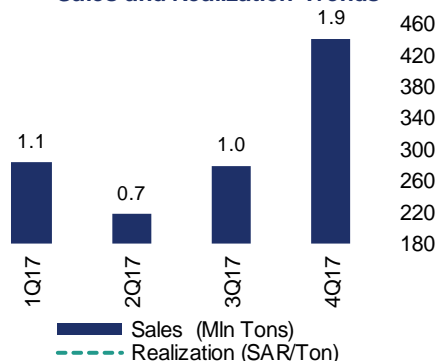
## Key Charts

### Key Stock Info

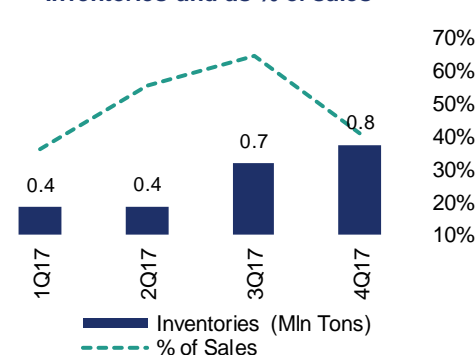
CMP (SAR)	16.0	Shares O/S(Mn)	55	Free Float	90.7%
Market Cap (SAR Mln)	881	BBG Code	UACC AB	52Wk HI (SAR)	21.4
EV (SAR Mln)	1,420	12-Month ADTV ('000)	368	52Wk LO (SAR)	14.6

### Operational Performance

#### Sales and Realization Trends



#### Inventories and as % of sales



### 3 Year Price Multiples Trading History

#### Share Price (SAR)



#### P/B Ratio



Data Updated 25-Feb-18

Source: Bloomberg, Tadawul

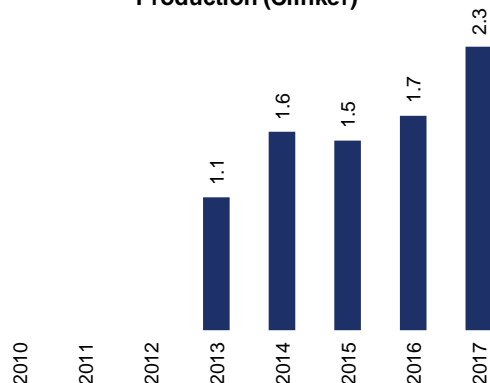
RC do not cover the mentioned stock and does not provide any rating or estimates on this company. The figures and information are historical and meant only for basic understanding of the company and industry.

الرياض المالية  
riyad capital

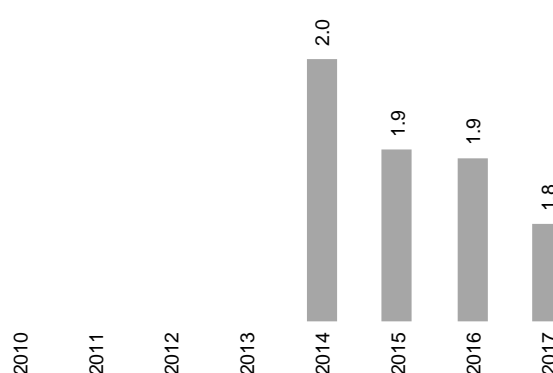
## Company Description

Al Safwa Cement Company (ASCC) was established in 2007 in Jeddah in the western region of Saudi Arabia. The plant is located about 140 km in the north of Jeddah. ASCC commenced commercial production in 2011 and has a production capacity of 4.4 million tons. It has a market share of 4% as of 2017.

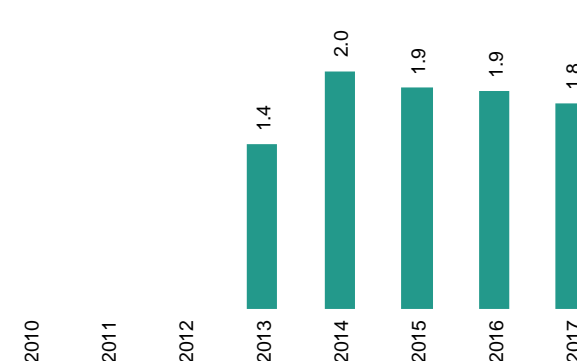
Production (Clinker)



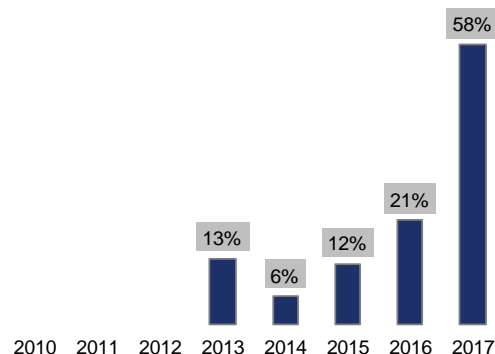
Production (Cement)



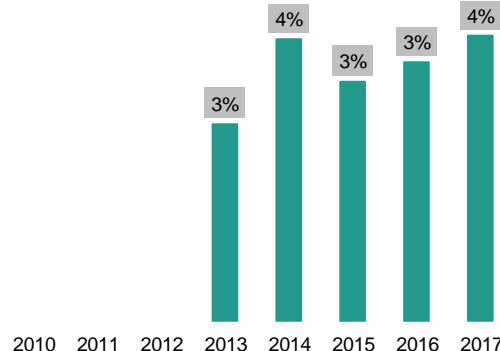
Sales Volumes (Cement)



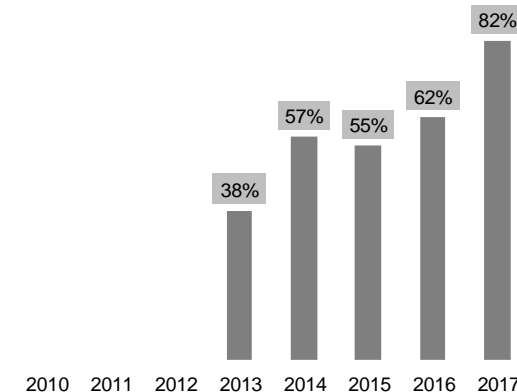
Adj\* Inventories(% of LTM Sales Volumes)



Sales Market Share



Utilization Ratio



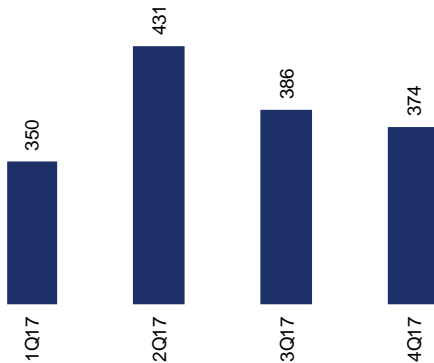
Source: Bloomberg, Tadawul

RC do not cover the mentioned company which is not listed and does not provide any rating or estimates on this company. The operating figures and information are historical and meant only for basic understanding of the company though financial are not reported.

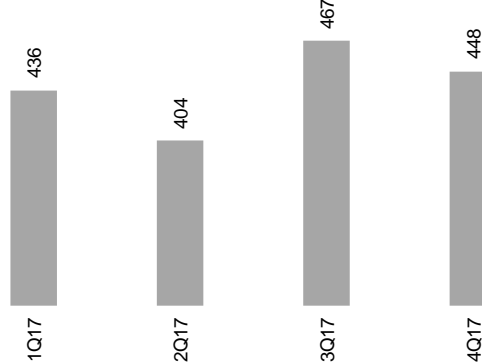
## Company Description

United Cement Industrial Company (UCIC) was established in 2013 in Jeddah. UCIC is a green field project with expected production capacity of 6000 tons per day for Ordinary Portland Cement (OPC), Sulphate Resisting Cement (SRC) & Pozzolan Cement (PC). The Cement production plant is located in Al-Sadiya, Makkah province: 116 KM south of Jeddah and 88 Km from Makkah and 80 Km from Allaith of Saudi Arabia. UCIC started its first cement production during the first quarter of 2016. UCIC has a market share of 4% as of 2017.

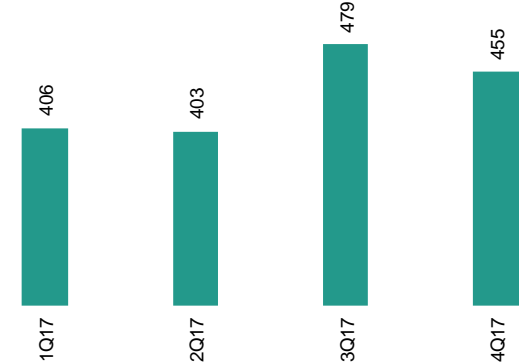
Production (Clinker)



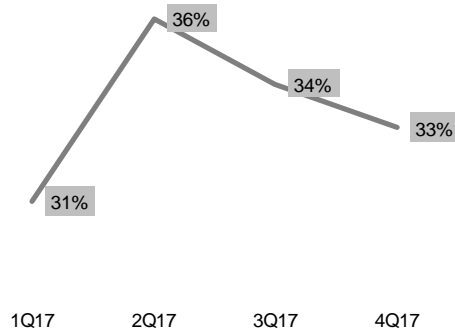
Production (Cement)



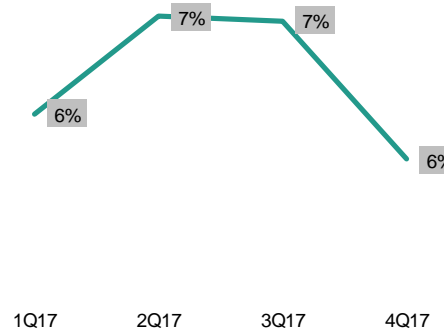
Sales Volumes (Cement)



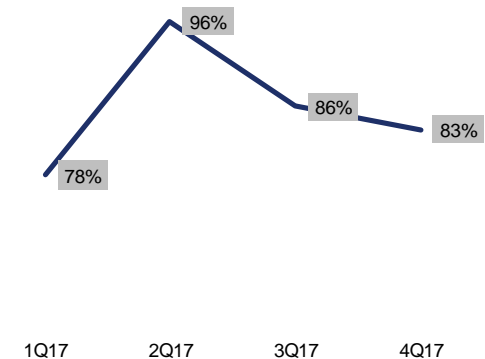
Adj\* Inventories (% of LTM Sales Volumes)



Sales Market Share



Utilization Ratio



Source: Bloomberg, Tadawul

RC do not cover the mentioned company which is not listed and does not provide any rating or estimates on this company. The operating figures and information are historical and meant only for basic understanding of the company though financial are not reported.

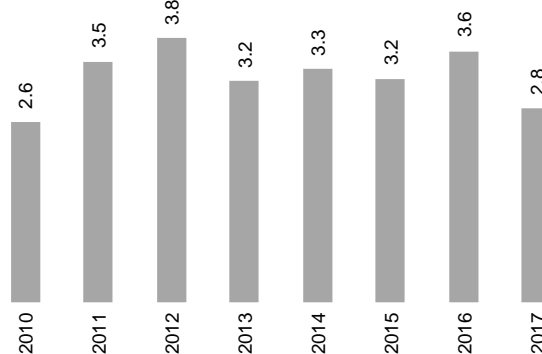
## Company Description

Riyadh Cement was founded in 2005 and headquartered in Riyadh, Saudi Arabia. As of July 31, 2011, RCC operates as a subsidiary of Saudi White Cement Company. The company has two production lines with a total production capacity of 10,000 tons of Cement per day, each producing 5,000 tons daily. RCC has a market share of 6% as of 2017.

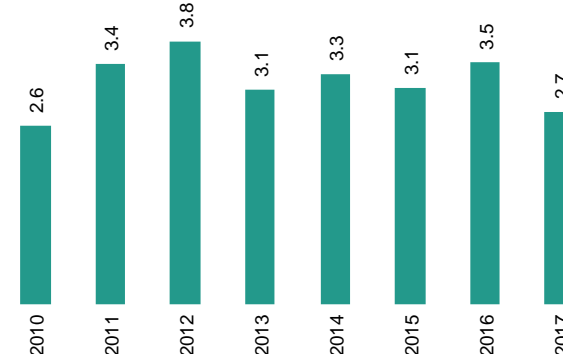
Production (Clinker)



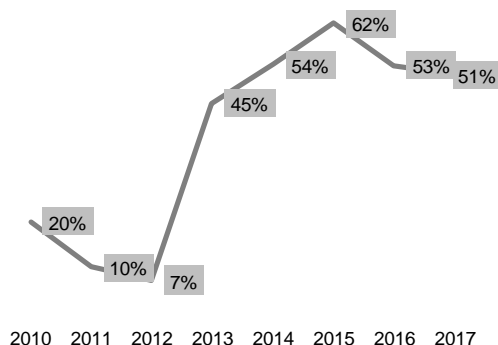
Production (Cement)



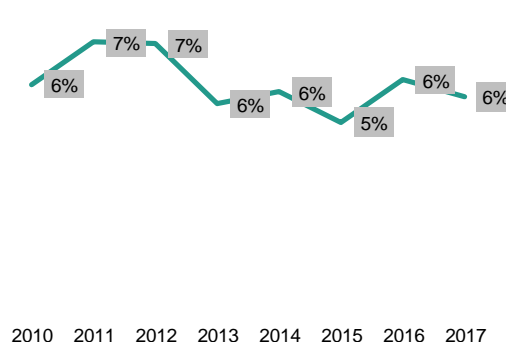
Sales Volumes (Cement)



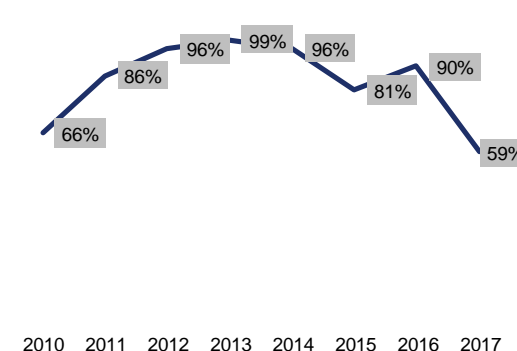
Adj\* Inventories (% of LTM Sales Volumes)



Sales Market Share



Utilization Ratio



Source: Bloomberg, Tadawul

RC do not cover the mentioned company which is not listed and does not provide any rating or estimates on this company. The operating figures and information are historical and meant only for basic understanding of the company though financial are not reported.



# Appendix

## Charts and Tables

- Sector Operating Indicators-Monthly
- Quarterly Data on Performance

# Sector Monthly Indicators on Production

Cement Production	Jan- 16	Feb- 16	Oct- 16	Nov- 16	Dec- 16	Jan- 17	Feb- 17	Mar- 17	Apr- 17	May- 17	Jun- 17	Jul- 17	Aug- 17	Sep- 17	Oct- 17	Nov- 17	Dec- 17
Yamamah	555	497	437	373	374	362	347	533	465	475	258	364	330	257	290	278	269
Saudi	737	650	574	523	538	513	416	526	446	510	239	357	379	323	422	370	475
Eastern	290	267	212	221	249	219	192	207	190	210	107	148	146	136	202	221	237
Qassim	439	408	340	320	292	378	322	368	355	356	150	309	330	240	344	343	367
Yanbu	624	603	549	673	756	667	467	511	487	526	197	343	441	438	495	343	450
Arabian	480	471	299	313	352	376	351	395	338	332	133	258	264	209	324	283	274
Southern	774	716	599	508	442	519	448	551	545	553	203	386	487	390	495	480	506
Tabuk	121	129	99	80	107	109	107	121	111	97	28	58	72	71	68	127	110
Riyadh	345	344	289	251	260	307	216	345	293	258	166	234	234	157	204	173	196
Najran	343	350	193	193	193	196	174	198	186	137	84	80	113	79	131	177	193
City	273	300	219	247	312	337	320	374	348	340	130	232	262	199	289	279	291
Northern	240	230	113	108	102	100	95	110	120	110	50	76	88	88	95	103	110
Jouf	155	165	194	175	176	182	139	113	123	118	86	128	118	89	110	122	114
ALSAFWA	197	201	154	148	187	172	145	161	204	193	90	112	128	103	158	135	155
Hail	172	138	99	97	72	83	86	97	78	84	35	74	106	78	123	106	96
Umm Al Qura						112	56	134	113	97	60	85	114	104	133	102	117
United Cement						144	158	134	133	173	98	127	175	165	150	159	139
<b>Total</b>	<b>5,745</b>	<b>5,469</b>	<b>4,370</b>	<b>4,230</b>	<b>4,412</b>	<b>4776</b>	<b>4039</b>	<b>4878</b>	<b>4535</b>	<b>4569</b>	<b>2114</b>	<b>3371</b>	<b>3787</b>	<b>3126</b>	<b>4033</b>	<b>3801</b>	<b>4099</b>

Clinker Production	Jan- 16	Feb- 16	Oct- 16	Nov- 16	Dec- 16	Jan- 17	Feb- 17	Mar- 17	Apr- 17	May- 17	Jun- 17	Jul- 17	Aug- 17	Sep- 17	Oct- 17	Nov- 17	Dec- 17
Yamamah	425	410	470	520	435	382	312	322	148	398	408	415	429	395	401	392	280
Saudi	664	635	443	674	622	594	523	486	300	308	300	302	449	603	332	298	326
Eastern	282	280	246	291	252	219	215	239	150	244	282	259	202	196	232	170	231
Qassim	332	284	293	293	334	286	259	340	327	272	318	300	337	315	344	342	322
Yanbu	450	521	451	290	537	390	533	330	351	492	577	629	432	569	521	522	448
Arabian	302	303	248	143	223	252	272	338	308	325	298	340	263	269	340	317	395
Southern	492	621	713	680	662	538	588	805	570	430	567	531	438	280	520	564	532
Tabuk	59	84	116	120	129	135	114	59	118	109	131	98	91	128	109	47	121
Riyadh	296	282	280	282	215	258	244	229	233	130	154	132	134	158	157	147	157
Najran	312	220	270	272	282	201	85	173	18	164	194	160	179	195	178	114	-
City	238	300	320	323	324	208	230	309	265	238	275	335	335	203	176	175	171
Northern	186	144	188	138	189	85	78	90	54	240	174	143	173	173	160	140	46
Jouf	123	143	124	75	145	125	78	150	127	134	99	64	150	151	94	122	154
ALSAFWA	165	154	173	112	166	145	151	183	210	200	179	255	221	286	169	142	141
Hail	183	172	172	169	173	183	60	184	175	166	175	173	184	149	116	171	174
Umm Al Qura						164	176	200	15	66	162	177	188	178	180	176	75
United Cement						76	119	155	142	141	148	113	149	124	61	155	158
<b>Total</b>	<b>4509</b>	<b>4553</b>	<b>4507</b>	<b>4382</b>	<b>4688</b>	<b>4241</b>	<b>4037</b>	<b>4592</b>	<b>3511</b>	<b>4057</b>	<b>4441</b>	<b>4426</b>	<b>4354</b>	<b>4372</b>	<b>4090</b>	<b>3994</b>	<b>3731</b>

Source: Bloomberg, Yamama Cement

# Sector Monthly Indicators on Sales Volumes & Inventory

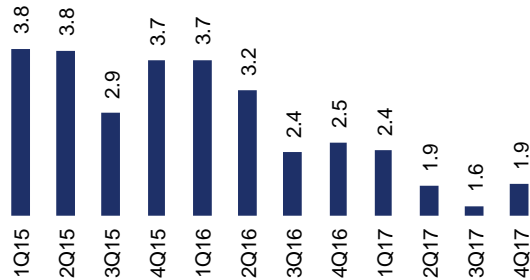
<b>Cement Sales</b>	<b>Jan- 16</b>	<b>Feb- 16</b>	<b>Oct- 16</b>	<b>Nov- 16</b>	<b>Dec- 16</b>	<b>Jan- 17</b>	<b>Feb- 17</b>	<b>Mar- 17</b>	<b>Apr- 17</b>	<b>May- 17</b>	<b>Jun- 17</b>	<b>Jul- 17</b>	<b>Aug- 17</b>	<b>Sep- 17</b>	<b>Oct- 17</b>	<b>Nov- 17</b>	<b>Dec- 17</b>
Yamamah	551	515	442	388	374	369	352	521	479	512	213	369	326	236	299	286	280
Saudi	655	621	540	520	548	512	390	469	483	473	249	358	386	328	448	389	477
Eastern	275	254	196	227	241	215	179	192	202	203	112	147	141	138	201	219	231
Qassim	425	407	355	300	304	391	323	359	360	349	172	292	324	258	338	338	369
Yanbu	630	602	560	690	746	633	474	485	516	504	192	347	462	457	484	359	415
Arabian	492	474	298	317	347	375	358	380	352	340	119	265	259	208	335	264	276
Southern	760	726	608	496	436	537	448	542	552	514	229	409	471	388	521	479	489
Tabuk	130	127	109	99	94	112	108	123	113	89	29	61	78	62	97	106	111
Riyadh	350	323	278	252	268	289	227	309	293	283	151	240	214	161	201	179	201
Najran	354	320	197	199	190	200	178	188	180	155	66	107	111	81	124	174	205
City	290	287	235	234	312	355	313	383	345	321	132	244	249	202	293	285	287
Northern	241	232	110	109	104	106	102	115	114	110	48	81	85	85	98	101	107
Jouf	161	161	136	142	142	165	130	114	125	115	84	139	113	104	98	115	119
ALSAFWA	206	186	154	147	188	178	151	156	197	196	95	108	122	105	162	133	150
Hail	161	141	102	95	73	87	84	92	82	83	38	75	99	84	115	111	99
Umm Al Qura						115	73	115	109	99	55	96	113	98	134	113	112
United Cement						141	132	133	141	165	97	155	171	153	156	148	151
<b>Total</b>	<b>5681</b>	<b>5376</b>	<b>4320</b>	<b>4215</b>	<b>4367</b>	<b>4780</b>	<b>4022</b>	<b>4676</b>	<b>4643</b>	<b>4511</b>	<b>2081</b>	<b>3493</b>	<b>3724</b>	<b>3148</b>	<b>4104</b>	<b>3799</b>	<b>4079</b>

<b>Clinker Inventory</b>	<b>Jan- 16</b>	<b>Feb- 16</b>	<b>Oct- 16</b>	<b>Nov- 16</b>	<b>Dec- 16</b>	<b>Jan- 17</b>	<b>Feb- 17</b>	<b>Mar- 17</b>	<b>Apr- 17</b>	<b>May- 17</b>	<b>Jun- 17</b>	<b>Jul- 17</b>	<b>Aug- 17</b>	<b>Sep- 17</b>	<b>Oct- 17</b>	<b>Nov- 17</b>	<b>Dec- 17</b>
Yamamah	3,316	3,272	4,054	4,236	4,331	4,384	4,380	4,215	3,938	3,901	4,072	4,154	4,281	4,442	4,577	4,715	4,746
Saudi	3,974	4,005	4,414	4,600	4,713	4,835	4,972	4,860	4,700	4,700	4,780	4,755	4,856	5,164	5,109	5,070	4,962
Eastern	1,516	1,543	1,914	1,997	2,007	2,020	2,055	2,100	2,069	2,117	2,298	2,418	2,482	2,549	2,588	2,497	2,555
Qassim	906	883	925	948	1,031	993	970	1,003	1,034	1,009	1,204	1,267	1,331	1,445	1,501	1,537	1,535
Yanbu	3,106	3,108	3,646	3,351	3,036	2,851	2,980	2,851	2,747	2,864	3,397	3,704	3,721	3,847	3,881	4,089	4,128
Arabian	530	415	653	523	422	345	314	310	327	352	533	650	684	753	813	883	1,039
Southern	747	622	1,301	1,541	1,797	1,806	1,922	2,247	2,385	2,282	2,653	2,816	2,791	2,695	2,740	2,845	2,901
Tabuk	854	842	960	1,009	1,045	1,084	1,106	1,064	1,086	1,113	1,220	1,269	1,298	1,366	1,415	1,356	1,384
Riyadh	1,726	1,692	1,624	1,676	1,653	1,631	1,676	1,589	1,554	1,447	1,447	1,365	1,285	1,301	1,272	1,261	1,240
Najran	2,436	2,308	2,840	2,932	3,033	2,996	2,919	2,907	2,752	2,786	2,901	2,985	3,059	3,178	3,233	3,181	3,010
City	796	807	1,204	1,295	1,323	1,212	1,141	1,096	1,031	947	1,099	1,214	1,303	1,317	1,219	1,131	1,027
Northern	589	513	745	780	836	730	727	721	679	911	1,037	1,103	1,193	1,193	1,270	1,304	1,249
Jouf	524	510	1,140	1,052	1,062	1,072	1,018	1,060	1,070	1,092	1,109	1,053	1,091	1,158	1,147	1,157	1,202
ALSAFWA	181	173	342	332	329	308	306	328	359	381	472	572	655	847	874	900	896
Hail	842	887	1,311	1,391	1,498	1,635	1,616	1,710	1,813	1,902	2,044	2,148	2,234	2,311	2,314	2,387	2,472
						176	301	381	296	279	388	492	582	670	736	823	793
						429	407	445	471	462	525	530	527	507	436	452	487
<b>Total</b>	<b>22,043</b>	<b>21,580</b>	<b>27,073</b>	<b>27,663</b>	<b>28,116</b>	<b>28,507</b>	<b>28,810</b>	<b>28,999</b>	<b>28,471</b>	<b>28,545</b>	<b>31,179</b>	<b>32,495</b>	<b>33,373</b>	<b>34,743</b>	<b>35,125</b>	<b>35,588</b>	<b>35,626</b>

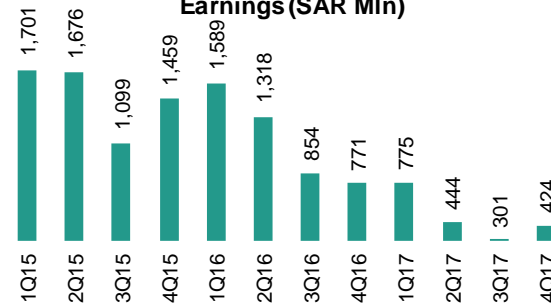
Source: Bloomberg, Yamama Cement

# Cement Statistics on a Quarterly basis

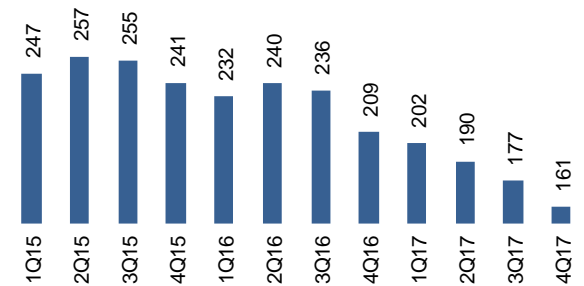
Revenue (SAR Bln)



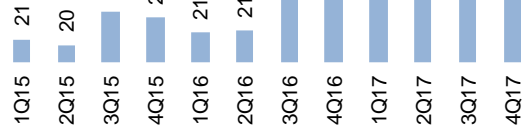
Earnings (SAR Mln)



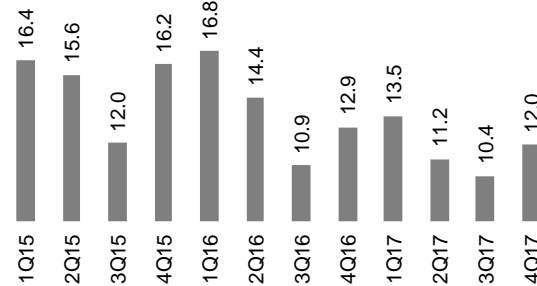
Avg. Selling Price/Ton (SAR)



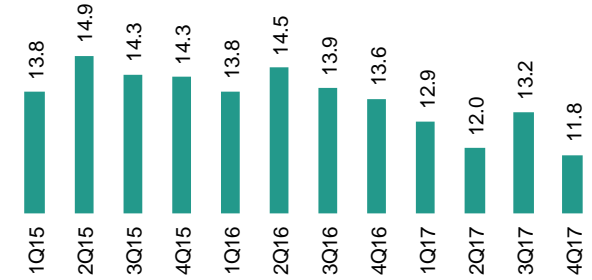
Inventory (Mln Tons)



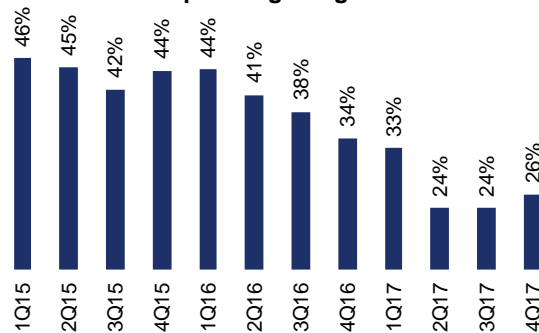
Sales Volumes (Mln Tons)



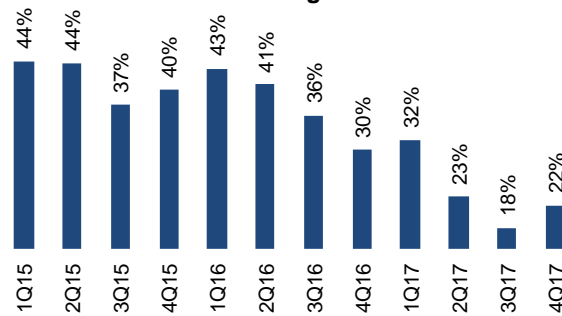
Clinker Production (Mln Tons)



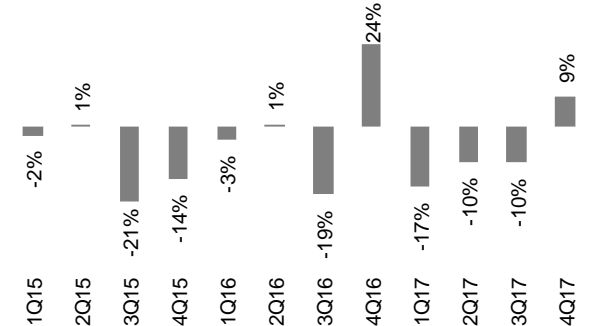
Operating Margins



Net Margins



Sector Returns



Source: Bloomberg, Yamama Cement, Tadawul  
4Q17 are a combination of RC estimates and Bloomberg Consensus for financial figures

# Disclaimer

## Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than 15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review / Restricted

\* The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors  
For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyadh Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyadh Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyadh Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyadh Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyadh Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyadh Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations

الرياض المالية  
riyad capital



إدارة الثروات - إدارة الأصول - الوساطة - المصرفية الاستثمارية

920012299  
[riyadcapital.com](http://riyadcapital.com)

شركة الرياض المالية تعمل بموجب ترخيص من هيئة السوق المالية برقم 07070-37 وسجل تجاري رقم 1010239234  
الإدارة العامة: 6775 شارع التخصصي - العليا، الرياض 12331 - 3712

Riyad Capital is a Saudi Closed Joint Stock Company, with commercial registration number (1010239234), licensed and organized by the Capital Market Authority under License No. (07070-37), and having its registered office at Al Takhassusi Street, Prestige Building, Riyadh, Kingdom of Saudi Arabia ("KSA"). Website: [www.riyadcapital.com](http://www.riyadcapital.com)

الرياض المالية  
riyad capital