

Yamama Cement (YSCC) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Accumulate**

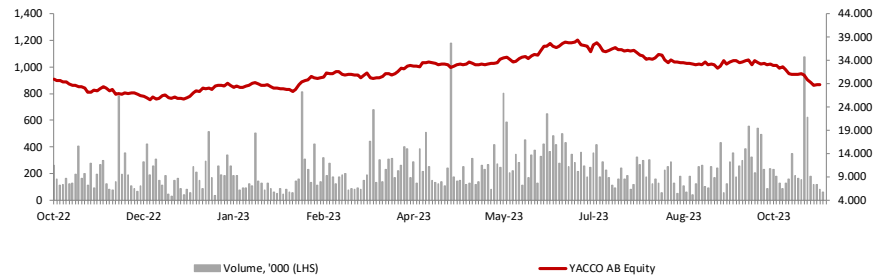
Previous Reco. & Date: TP: SAR 38 per share; Accumulate on 18-May-2023

Target Price (SAR): **38.00**

Upside / (Downside): **31.7%**

Date: 10/25/2023

| Bloomberg Ticker | YACCO AB |
|-----------------------------|-------------|
| Current Market Price (SAR) | 28.85 |
| 52wk High / Low (SAR) | 38.55/25.3 |
| 12m Average Vol. (000) | 227.2 |
| Mkt. Cap. (USD/SAR mn) | 1,557/5,842 |
| Shares Outstanding (mn) | 202.5 |
| Free Float (%) | 89% |
| 3m Avg Daily Turnover (000) | 7,446.4 |
| 6m Avg Daily Turnover (000) | 8,761.7 |
| P/E'23e (x) | 15.0 |
| EV/EBITDA'23e (x) | 12.0 |
| Dividend Yield '23e (%) | 3.5% |
| Price Perf. (1m/3m) (%) | -12.7/-20.6 |



Revenue decreased by 15% YoY, missed our expectations

For 3Q23, Yamama Cement's revenue declined by 15% YoY to reach SAR 211.7mn, which was 33% below our estimate. The decline in revenue caused by the decrease in sales value. While on QoQ basis, the revenue was down by 3%. For 9M23, revenue grew 5.5%, mainly driven by 28% YoY growth in 1Q23.

Operating profit decreased by 78% YoY, missed our expectations

The company reported an operating profit of SAR 20.8mn in 3Q23, which missed our expectations of SAR 104.1mn. The operating profit was down by 78% YoY and 69% QoQ, caused by the decrease in sales value and gross profit. While, for 9M23, operating profit rose by 2.2% YoY.

Net profit declined more than we estimated

Net profit decreased by 60% YoY to SAR 40.8mn, compared to our expectations of SAR 89.8mn against SAR 101.3mn in 3Q22. Apart from decrease in sales value, the rise in financing expenses led to a YoY decline in net profit. QoQ net profit was down 59% due to a decrease in sales value and lower contribution from other revenues. For 9M23, net income grew 13.5% mainly driven by increase in other revenues, refund of zakat provision, and 279% growth in net profit in 1Q23.

Maintaining an "Accumulate" rating on the stock

We expect that the company is well placed to benefit from likely recovery in the KSA construction sector. Expected additional production capacity and better utilization amid steadily improving realizations to support top-line growth and earnings. Hence we maintain our rating of accumulate on the stock.

Valuation

Yamama Cement is trading at 2023e P/E of 15.0x, representing a 34% discount compared to the historical average P/E of 22.8x. Additionally, EV/EBITDA multiple of 12.0x, based on our FY23 estimate, represents a 27% discount compared to the historical average EV/EBITDA of 16.5x.

| Income Statement | | | | | | | | | | | | | |
|------------------------------------|-------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| (SAR mn) | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 3Q23e | YoY (%) | QoQ (%) | Var (%) | 9M22 | 9M23 | YoY (%) |
| Sales/Revenue | 209.3 | 248.6 | 338.4 | 283.2 | 218.9 | 211.7 | 315.3 | -15% | -3% | -33% | 673.7 | 710.6 | 5.5% |
| Gross Profit (Loss) | 100.7 | 111.9 | 165.1 | 137.1 | 83.6 | 37.6 | 126.1 | -66% | -55% | -70% | 247.6 | 255.1 | 3.0% |
| Operating Profit (Loss) | 81.1 | 96.6 | 132.2 | 117.1 | 67.4 | 20.8 | 104.1 | -78% | -69% | -80% | 201.0 | 205.3 | 2.2% |
| Net Profit (Loss) after tax | 90.7 | 101.3 | 134.2 | 112.4 | 98.3 | 40.8 | 89.8 | -60% | -59% | -55% | 221.6 | 251.5 | 13.5% |
| Balance Sheet | | | | | | | | | | | | | |
| (SAR mn) | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 3Q23e | YoY (%) | QoQ (%) | Var (%) | | | |
| Shareholders' Equity | 4,399.2 | 4,504.9 | 4,651.3 | 4,560.6 | 4,659.3 | 4,700.1 | 4,749.1 | 4% | 1% | -1% | | | |
| Key Ratios | | | | | | | | | | | | | |
| | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 3Q23e | | | | | | |
| Gross Profit Margin | 48.1% | 45.0% | 48.8% | 48.4% | 38.2% | 17.8% | 40.0% | | | | | | |
| Operating Profit Margin | 38.7% | 38.8% | 39.1% | 41.4% | 30.8% | 9.8% | 33.0% | | | | | | |
| Net Profit Margin | 43.3% | 40.8% | 39.6% | 39.7% | 44.9% | 19.3% | 28.5% | | | | | | |
| Return on Equity (RoE) | 8.2% | 9.0% | 11.5% | 9.9% | 8.4% | 3.5% | 7.6% | | | | | | |
| Annualized EPS (SAR) | 1.99 | 2.08 | 2.69 | 2.28 | 2.00 | 0.81 | 1.88 | | | | | | |
| BVPS (SAR) | 21.72 | 22.25 | 22.97 | 22.52 | 23.01 | 23.21 | 23.45 | | | | | | |
| TTM P/E (x) | | | | | | | 14.8 | | | | | | |

Source: Financials, DSM, Bloomberg, U Capital Research


For our previous report, please [click here](#).


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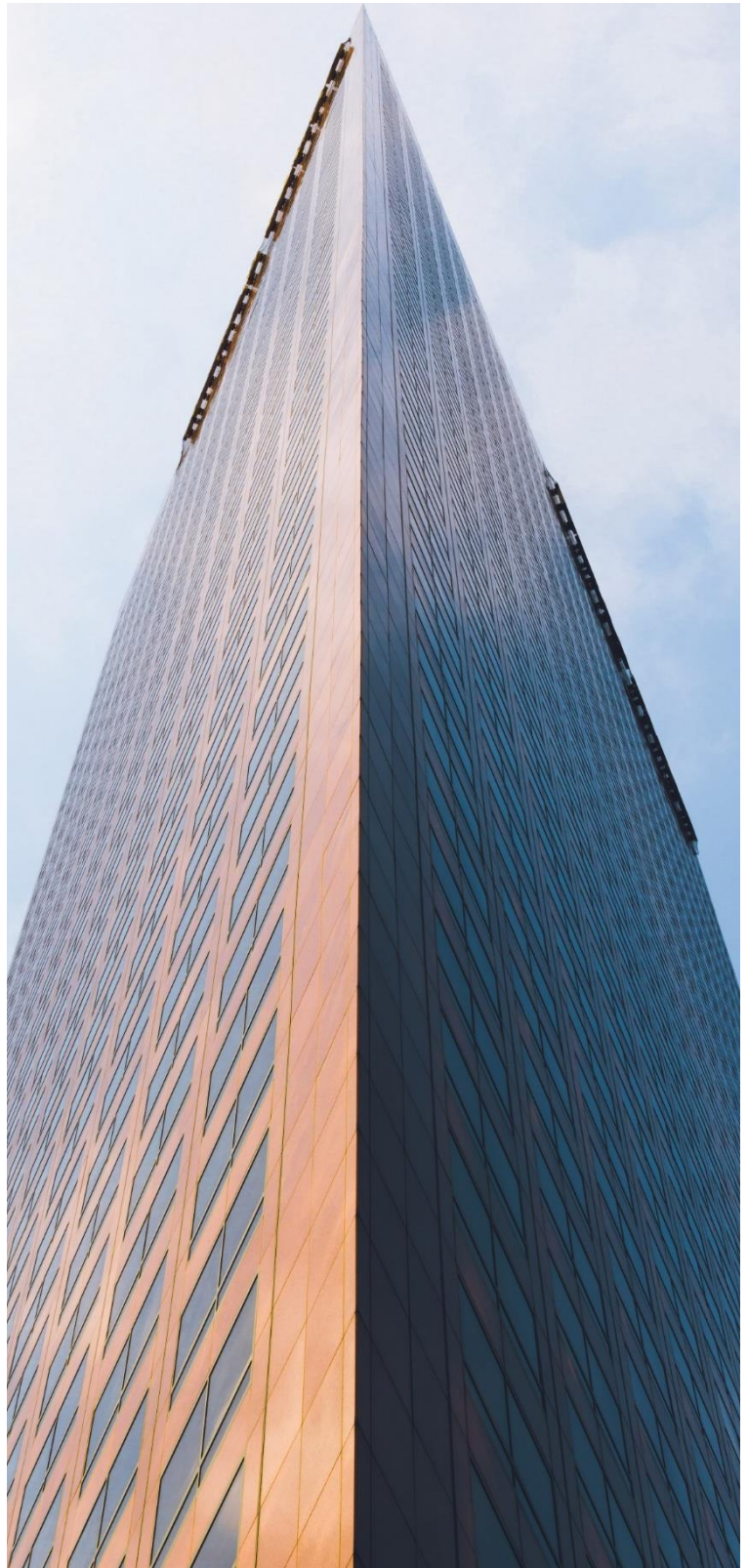
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Recommendation

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

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