

# QASSIM CEMENT

NEUTRAL

CURRENT PRICE SAR37.5

UPSIDE +22.8%

TARGET PRICE SAR46.0

EVENT FLASH

## Strong earnings due to higher selling prices

Qassim Cement reported a better than expected Q1 19 results. Net income stood at SAR56mn (-2.0% yoy), coming higher than the NCBC estimates of SAR45mn. We believe the better than expected results came as a result of higher than expected selling prices. Selling prices stood at SAR199/ton vs our estimates and Q4 18 levels of SAR159/ton. We expect a similar outperformance for the remaining players, specifically those in the Central region.

- NCBC View on Results:** Qassim Cement reported a better than expected Q1 19 results. Net income stood at SAR56mn, decreasing 2.0% yoy. This compares to the NCBC and consensus estimates of SAR45mn and SAR53mn, respectively. We believe the better than expected results came as a result of higher than expected selling prices. Selling prices stood at SAR199/ton vs our estimates of SAR159/ton.
- Sector read-across:** We believe the qoq increase in prices was sector wide and not just specific to Qassim Cement. Accordingly, we expect a similar outperformance for the remaining players, specifically those in the Central region such as Yamama Cement.
- Sales increased 3.7% yoy to SAR153mn, coming higher than our estimates of SAR126mn. We believe this is attributed to higher selling prices, as quantity sold was in-line with our estimates. Selling prices increased 24% yoy to SAR199/ton vs the NCBC estimates of SAR159/ton and SAR159/ton in Q4 18. We believe higher selling prices offset the 16.4% yoy decline in local cement quantities for Qassim Cement. In comparison, the cement industry's local sales declined -9.4% yoy (+2.8% qoq) during Q1 19.
- Gross margins remained flat yoy at 42.3% in Q1 19. This is higher than our estimates of 39.6%. We believe the variance in gross margins is primarily due higher than expected selling prices.
- We are Neutral on Qassim Cement with a PT of SAR46.0. We believe the increase in selling prices for Qassim Cement, and potentially the remaining players, is positive. However despite the increase in prices, we believe quantities sold will remain low during H1 19 and may put pressure selling prices. We expect further clarity on the timeline of mega projects to be the key catalyst for an improvement in cement demand in Saudi.

### Q1 19 Results Summary

SAR mn	Q1 19a	Q1 18a	% yoy	Q1 19f	%Var <sup>^</sup>	% qoc
Revenues	153	148	3.7%	126	21.7%	32.9%
Gross income	65	63	3.5%	50	29.8%	40.4%
Gross margin (%)	42.3%	42.3%	(9)bps	39.6%	263bps	226bps
EBIT	57	55	4.7%	43	33.6%	48.9%
EBIT Margin (%)	37.2%	36.9%	34bps	33.9%	333bps	399bps
Net income	56	57	(2.0)%	45	23.5%	41.6%
Net margin (%)	36.5%	38.7%	(214)bps	36.0%	55bps	224bps
EPS (SAR)	0.62	0.64	(2.0)%	0.50	23.5%	41.6%

Source: Company, NCBC Research, ^ % Var indicates variance from NCBC forecasts

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الأهلي كابيتال  
NCB Capital



### STOCK DETAILS

M52-week range H/L (SAR)	41/31
Market cap (\$mn)	900
Shares outstanding (mn)	90
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(5.8)	9.8	(8.8)
Rel. to market	(11.4)	0.4	(20.2)

Avg daily turnover (mn)	SAR	US\$
3M	3.5	0.9
12M	2.6	0.7

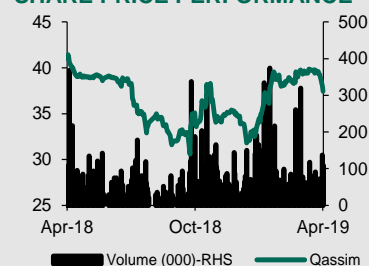
Reuters code	3040.SE
Bloomberg code	QACCO AB
	www.qcc.com.sa

### VALUATION MULTIPLES

	18a	19f	20f
PE (x)	27.9	15.6	15.5
PB (x)	2.1	2.1	2.1
EV/EBITDA (x)	17.9	11.0	11.0
Div Yield (%)	4.7	8.0	8.0

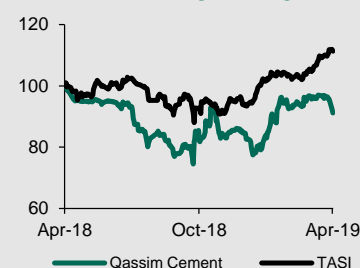
Source: NCBC Research estimates

### SHARE PRICE PERFORMANCE



Source: Tadawul

### RELATIVE PERFORMANCE



Source: Tadawul

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