

Qassim Cement (QACCO) - 2Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

Hold

Target Price (SAR): **64.30**

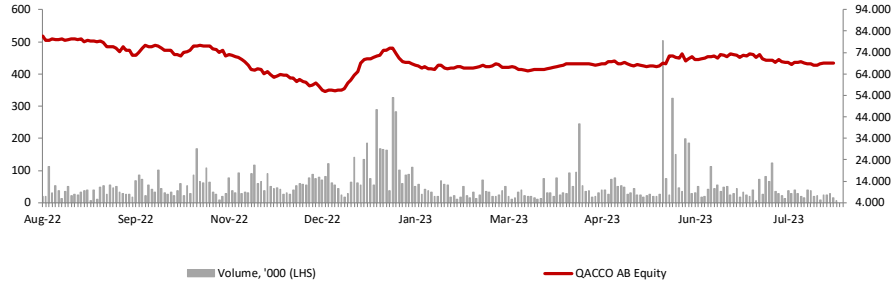
Previous Reco. & Date:

TP: SAR 64.30 per share; Hold on 18-May-2023

Upside / (Downside): **-7.1%**

Date: 13-08-2023

Bloomberg Ticker	QACCO AB
Current Market Price (SAR)	69.20
52wk High / Low (SAR)	82.2/55.6
12m Average Vol. (000)	53.9
Mkt. Cap. (USD/SAR mn)	1,660/6,228
Shares Outstanding (mn)	90.0
Free Float (%)	99%
3m Avg Daily Turnover (000)	3,797.2
6m Avg Daily Turnover (000)	3,242.2
P/E'23e (x)	29.5
P/Bv'23e (x)	3.8
Dividend Yield '23e (%)	4.3%
Price Perf. (1m/3m) (%)	-1.6/1.2



Revenue decreased by 10% YoY, missing our expectation

Qassim Cement reported revenue of SAR 137.2mn for 2Q23, which missed our expectations. The revenue contracted by 10% YoY and 21% QoQ. For 1HFY23, revenue grew 5.6% YoY, driven by 22% growth in 1Q23 due to the increase in sales value.

Net profit grew YoY but was below our expectation

The company reported a net profit of SAR 38.1mn which missed our expectations. Net profit grew 32% YoY driven by higher returns on cash investments and the lower cost of goods sold compared to 2Q22. On QoQ basis net profit was down due to lower sales value offsetting the decrease in the cost of goods sold and S&M expenses and the gain on cash investment. For 1HFY23, net income grew 72% driven by 119% YoY growth in 1Q23 due to increase in the sales value along with the increase in financial investment returns.

Maintaining our rating on the stock

We expect higher cement sales prices on improving demand conditions to support the company revenue growth in the coming years and Profitability to rise driven by higher revenues and likely better margins. Accordingly, we maintain a Hold rating for the stock.

Valuation

Qassim Cement is trading at 2023e P/E of 29.5x, representing a 28% premium compared to the historical average P/E of 23.05x. Additionally, P/Bv multiple of 3.8x, based on our FY23 estimate, represents a 1% premium compared to the historical average P/Bv of 3.74x.

Income Statement													
(SAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)	1HFY22	1HFY23 YoY (%)	
Sales/Revenue	142.5	152.1	166.8	217.1	174.1	137.2	191.8	-10%	-21%	-28%	294.6	311.3	5.6%
Gross Profit (Loss)	27.4	45.7	38.1	77.3	56.6	37.6	72.5	-18%	-34%	-48%	73.0	94.2	29.0%
Operating Profit (Loss)	27.7	38.6	34.0	60.8	49.1	28.3	67.4	-27%	-42%	-58%	66.3	77.3	16.7%
Net Profit (Loss) after tax	25.1	29.0	23.4	53.0	54.9	38.1	60.4	32%	-31%	-37%	54.0	93.0	72.2%
Balance Sheet													
(SAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,706.7	1,690.6	1,669.0	1,664.8	1,665.7	1,703.8	1,645.2	1%	2%	4%			
Key Ratios													
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e						
Gross Profit Margin	19.2%	30.0%	22.8%	35.6%	32.5%	27.4%	37.8%						
Operating Profit Margin	19.4%	25.4%	20.4%	28.0%	28.2%	20.6%	35.2%						
Net Profit Margin	17.6%	19.0%	14.0%	24.4%	31.6%	27.8%	31.5%						
Return on Equity (RoE)	5.9%	6.9%	5.6%	12.7%	13.2%	8.9%	14.7%						
Annualized EPS (SAR)	1.12	1.28	1.04	2.36	2.44	1.69	2.69						
BVPS (SAR)	18.96	18.78	18.54	18.50	18.51	18.93	18.28						
TTM P/E (x)								36.7					
Current P/BV (x)								3.7					

Source: Financials, DSM, Bloomberg, U Capital Research

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

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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