

SAUDI CEMENT

RESULT ANALYSIS

Q2 2021

In-line results, yoy growth driven by higher sales

Saudi Cement reported an in-line set of Q2 21 earnings, with a net income of SAR86.4mn (+14.1% yoy, -27.6% qoq). Sales increased 17.0% yoy (-18.9% qoq) to SAR348mn, broadly in-line with our estimates as selling quantities stood at 1.92mn tons, compared to our estimates of 2.03mn tons. Average selling prices stood at SAR181/ton (-7.2% yoy), in-line with our estimates. Gross margins of 39.8% (-173bps yoy) were also in-line with our estimates of 39.6% while operating expenses increased 14.8% yoy to SAR46.8mn, slightly lower than our estimates of SAR50mn.

- Total cement and clinker selling quantities stood at 1.92mn tons (+26% yoy, -19.6% qoq) in Q2 21 vs our estimates of 2.03mn tons. Domestic cement sales increased 26.3% yoy to 1.20mn tons, outperforming the local industry's growth of 22.8% yoy.
- Clinker exports stood at 498,000 tons, increasing 41.5% yoy (-12% qoq) and represented the second highest clinker exporter in Q2 21, after Yanbu Cement. Cement exports stood at 215,000 tons, increasing 0.5% yoy (-17.3% qoq), but was by far the highest cement exporter in the quarter.
- Sales increased 17.0% yoy (-18.9% qoq) to SAR348mn, broadly in-line with our estimates of SAR370mn. This reflects average selling prices of SAR181/ton, compared to SAR195/ton in Q2 20, but was in-line with our estimates of SAR182/ton and Q1 21 levels of SAR180/ton.
- Gross margins contracted by 173bps yoy to 39.8%, in-line with our estimates of 39.6%. Average cost/ton stood at SAR109, lower than Q2 20 costs of SAR114/ton, but was in-line with our estimates of SAR110/ton.
- Operating expenses increased 14.8% yoy to SAR46.8mn (-4.4% qoq), slightly lower than our estimates of SAR50mn. Other expenses stood at SAR6mn, in-line with our estimates.

Outlook

Based on our latest update, we are Neutral on Saudi Cement, with a PT of SAR66.9. We believe the company is well-positioned to benefit from the planned projects in the Central region. However, the decline in new mortgages might be a key risk. The stock trades at a 2021f P/E of 19.4x vs the covered peers average of 21.2x. The stock also trades at an attractive dividend yield of 5.4%.

Q2 21 Results Summary (SAR mn)

	Q2 21	Q2 20	%yoy	Q2 21f	%Var [^]	Q1 21	% qoq
Revenues	348	298	17.0%	370	(6.0)%	429	(18.9)%
Gross income	139	124	12.1%	146	(5.3)%	174	(20.1)%
Gross margin (%)	39.8%	41.6%	(1.7)%	39.6%	0.3%	40.5%	(0.6)%
EBIT	91.9	82.9	10.9%	96.4	(4.7)%	125	(26.3)%
EBIT margin (%)	26.4%	27.9%	(1.5)%	26.1%	0.3%	29.1%	(2.7)%
Net income	86.4	75.7*	14.1%	89.9	(3.9)%	119*	(27.6)%
Net margin (%)	24.8%	25.4%	(0.6)%	24.3%	0.5%	27.8%	(3.0)%
EPS (SR)	0.56	0.49	14.1%	0.59	(3.9)%	0.78	(27.6)%

Source: Company, SNB Capital Research, [^]% Var indicates variance from SNB Capital forecasts, *Restated

REVENUE



Last 4 Quarters vs Q2 21. SAR

NEUTRAL

Price target (SAR)	66.9
Current price (SAR)	64.5

PT last updated in March 2021

VALUATION MULTIPLES

	20	21f	22f
P/E (x)	21.9	19.4	18.7
P/B (x)	3.7	3.8	3.8
EV/EBITDA (x)	14.4	12.4	11.9
Div Yield (%)	5.4	5.4	5.4

Source: SNB Capital Research estimates

STOCK DETAILS

M52-week range H/L (SAR)	67/54
Market cap (\$mn)	2,635
Shares outstanding (mn)	153
Listed on exchanges	Saudi Exchange

Price perform (%)	1M	3M	12M
Absolute	1.4	(0.2)	11.4
Rel. to market	(2.0)	(9.6)	(37.3)

Avg daily turnover (mn)	SAR	US\$
3M	16.0	4.3
12M	25.4	6.8

Reuters code	3030.SE
Bloomberg code	SACCO AB
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AUGUST 2021

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AUGUST 2021

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