

Saudi Ceramic (SCERCO) - 1Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

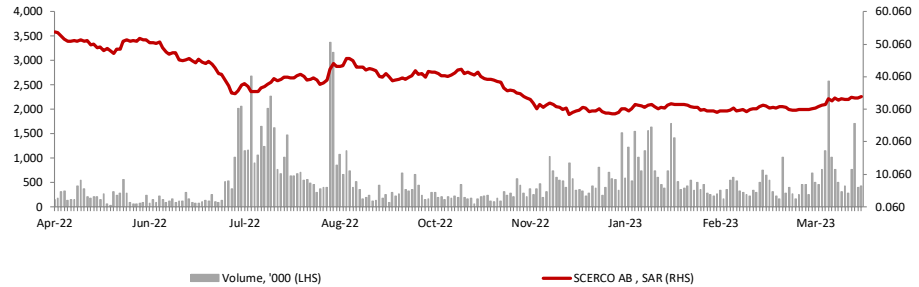
Target Price (SAR): **UR**

Previous Reco. & Date: TP: SAR 47.36 per share; Hold on 30-August-2022

Upside / (Downside):

Date: 17-04-2023

Bloomberg Ticker	SCERCO AB
Current Market Price (SAR)	34.000
52wk High / Low (SAR)	54.5/27.05
12m Average Vol. (000)	505.0
Mkt. Cap. (USD/SAR mn)	725/2,720
Shares Outstanding (mn)	80.0
Free Float (%)	98%
3m Avg Daily Turnover (000)	16,861.8
6m Avg Daily Turnover (000)	15,958.3
P/E'23e (x)	13.0
P/Bv'23e (x)	1.3
Dividend Yield '23e (%)	4.3%
Price Perf. (1m/3m) (%)	14.5/12.4



Revenue decreased by 7% YoY, missing our expectation

Saudi Ceramic reported revenue of SAR 368.9mn for 1Q23, which was below our estimates of SAR 402.1mn. The revenue was down 7% YoY and 4% QoQ. The revenue was impacted likely due to fall in sales of ceramic tiles and sanitary ware.

Net profit declined by 71% YoY, significantly below our expectation

The company reported a net profit of SAR 14.7mn in 1Q23, compared to our expectation of SAR 54.2mn. Net profit was down by 71% YoY and 57% QoQ. The decline in the net profit is mainly due to a decrease in revenue along with the rise in the cost of production inputs, which affected the profit margins as well. Operating profit came in at 5.7% compared to 13.5% in a year ago period.

Placing Saudi Ceramic Under Review

We are putting Saudi Ceramic Under Review due to consistent deviation from our estimates. We will come out with an investment update note soon post the availability of detailed financials.

Income Statement													
(SAR mn)	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e	YoY(%)	QoQ(%)	Var(%)	1Q22	1Q23	YoY (%)
Sales/Revenue	378.2	396.2	338.8	366.6	383.4	368.9	402.1	-7%	-4%	-8%	396.2	368.9	-6.9%
Gross Profit (Loss)	126.1	122.0	105.5	116.4	108.4	90.1	125.8	-26%	-17%	-28%	122.0	90.1	-26.1%
Operating Profit (Loss)	51.8	53.3	35.7	48.3	47.4	20.9	56.9	-61%	-56%	-63%	53.3	20.9	-60.7%
Net Profit (Loss) after tax	48.2	51.3	38.0	42.8	34.6	14.7	54.2	-71%	-57%	-73%	51.3	14.7	-71.3%
Balance Sheet													
(SAR mn)	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,671.7	1,664.4	1,702.4	1,705.3	1,749.7	1,764.4	1,803.9	6%	1%	-2%			
Key Ratios													
	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e						
Gross Profit Margin	33.3%	30.8%	31.2%	31.8%	28.3%	24.4%	31.3%						
Operating Profit Margin	13.7%	13.5%	10.6%	13.2%	12.4%	5.7%	14.2%						
Net Profit Margin	12.7%	12.9%	11.2%	11.7%	9.0%	4.0%	13.5%						
Return on Equity (RoE)	11.5%	12.3%	8.9%	10.0%	7.9%	3.3%	12.0%						
Annualized EPS (SAR)	2.42	2.57	1.90	2.14	2.55	0.74	2.72						
BVPS (SAR)	20.90	20.81	21.28	21.32	20.70	22.06	22.55						
TTM P/E (x)						14.8							

Source: Financials, Tadawul, 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%

Ubhar Capital SAOC (U Capital)

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