

Saudi Cement (SACCO) - 4Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Accumulate**

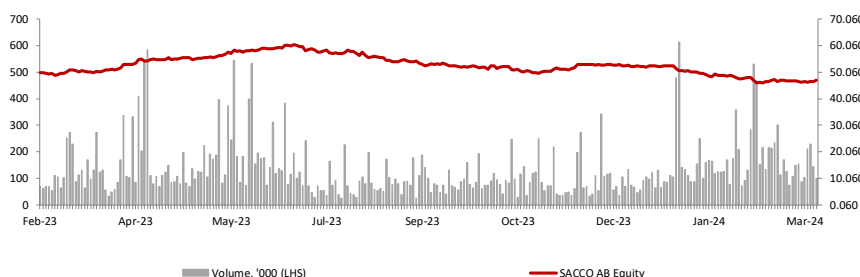
Previous Reco. & Date: TP: SAR 63 per share; Accumulate on 21-May-2023

Target Price (SAR): **63.0**

Upside / (Downside): **34.9%**

Date: 3/11/2024

Bloomberg Ticker	SACCO AB
Current Market Price (SAR)	46.700
52wk High / Low (SAR)	60.6/46.0
12m Average Vol. (000)	135.0
Mkt. Cap. (USD/SAR mn)	1,915/7,184
Shares Outstanding (mn)	153.0
Free Float (%)	92%
3m Avg Daily Turnover (000)	7,900.0
6m Avg Daily Turnover (000)	7,895.0
P/E'24 (x)	18.2
EV/EBITDA'24e (x)	11.9
Dividend Yield '24e (%)	7.5%
Price Perf. (1m/3m) (%)	-0.2/11.0



Revenue decreased by 11% YoY, however, came ahead of Bloomberg consensus and U-capital expectations

Saudi Cement reported a revenue of SAR 380.9mn for 4Q23, which was ahead of Bloomberg consensus of SAR 376mn and U-Capital expectations of SAR 320mn. Revenue decreased by 11% YoY but grew 21% QoQ basis. For FY23, revenue came in at SAR 1,461.8mn, registering a YoY growth of 3% driven by rise in both, sales and volume.

Net profit decreased by 33% YoY, missing Bloomberg consensus while it came ahead of U-Capital expectations

For 4Q23, net profit decreased by 33% YoY while it jumped 52% QoQ to SAR 103.8mn compared to our expectations of SAR 68.5mn. For FY23, net profit declined by 4% YoY to SAR 381.0mn, mainly attributed to the increase in selling and distribution expenses, general and administrative expenses, decrease in the share of profit in an associate and increase in zakat expense which offset the increase in other revenues, and gain on sale of investment related to subsidiary.

Maintain Accumulate rating

For the larger part of CY23, cement companies faced challenges in cement realization. The average realization took a hit due to diminished demand, heightened inventory, and intensified market competition. Likewise, for Saudi Cement, there has been sequential decline in revenue and profitability for the first three quarters of FY23. However, the trend has reversed in 4Q23, and going ahead we expect the recovery in the KSA construction sector to benefit the cement companies in the region. We note the strong set of results reported for 4Q23, ahead of our estimates, and believe that there should be further upside from current trading level. Consequently, we are maintaining the Accumulate rating.

Valuation

Saudi Cement is trading at 2024e P/E of 18.2x, representing a 9% discount compared to the historical average P/E of 20.0x. Additionally, EV/EBITDA multiple of 11.9x, based on our FY24 estimate, represents a 11% discount compared to the historical average EV/EBITDA of 13.3x.

Income Statement													
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Sales/Revenue	328.1	427.7	409.6	356.3	315.0	380.9	319.9	-11%	21%	19%	1,419.8	1,461.8	3%
Gross Profit	124.4	197.8	175.8	145.1	114.4	137.6	131.2	-30%	20%	5%	568.9	572.9	1%
Operating Profit	85.7	155.1	123.7	93.7	60.7	84.2	79.3	-46%	39%	6%	403.9	362.4	-10%
Net Profit (Loss) after tax	80.7	154.5	123.8	85.2	68.3	103.8	68.5	-33%	52%	51%	398.8	381.0	-4%
Balance Sheet													
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	2,141.8	2,293.0	2,416.7	2,004.6	2,072.9	2,176.6	2,103.2	-5%	5%	3%			
Key Ratios													
	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Net Profit Margin	24.6%	36.1%	30.2%	23.9%	21.7%	27.2%	21.4%						
Return on Equity (RoE)	15.1%	27.0%	20.5%	17.0%	13.2%	19.1%	13.0%						
Annualized EPS (SAR)	2.11	4.04	3.23	2.23	1.78	2.71	1.79						
BVPS (SAR)	14.00	14.99	15.80	13.10	13.55	14.23	13.75						

Source: Financials, Bloomberg, U Capital Research


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

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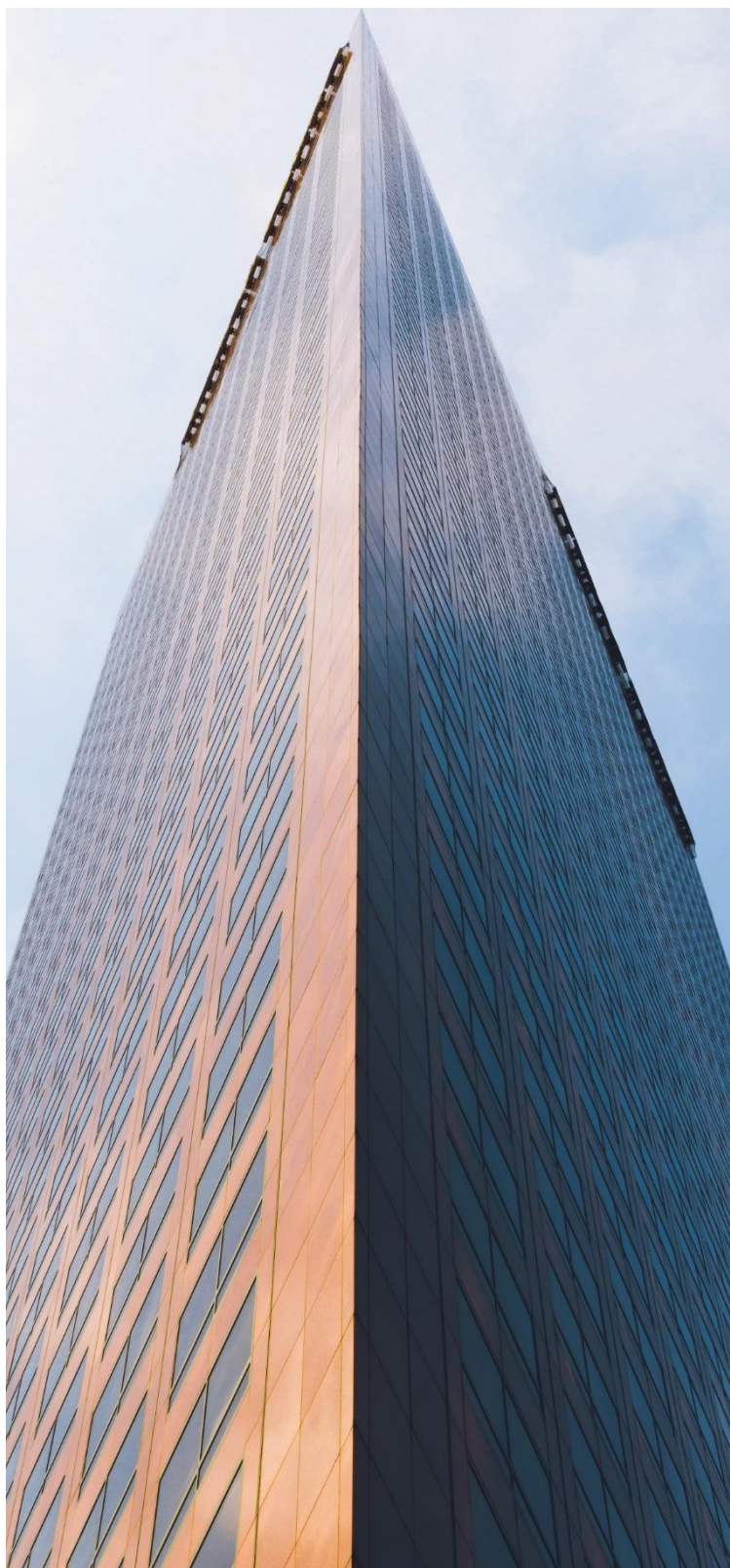
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Disclaimer

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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