

Cement Sector

Saudi Cement Company

First Cut – Saudi Cement

Lower cement volume and prices sinks revenue: Saudi Cement 3Q23 revenue at SAR315mn was down by 4.0% YoY and in line with our expectation of SAR317mn. Revenue was impacted by a 21.5% YoY fall in cement volume to 1.3mn tons, and lower cement realization. However, clinker sales grew by a robust 479.3% YoY to 0.5mn tons, limiting the fall in revenue to a certain extent.

Higher other income limits the fall in profits: Gross profit fell by 8.0% YoY to SAR114mn for 3Q23 and was impacted by lower cement realization, as gross margins fell by c.160bps YoY to 36.3% in 3Q23. Operating expenses on the other hand came higher by 38.8% YoY at SAR54mn, as Saudi Cement reported an operating profit of SAR61mn for 3Q23, which was 29.2% lower YoY and was also lower than our estimate of SAR78mn. Net income fell by 15.4% YoY to SAR68mn and was nearer to our estimate of SAR71mn, though the same was at the back of higher-than-expected other income. But for this, the performance of the company would have been weaker.

Target price to be revised: in line with most of its peers, Saudi Cement has also seen a compression in its cement realization, which has impacted the financial performance of the company. We have a BUY rating at a target price of SAR63 per share and the stock is currently quoting at 23x its 2023E EPS. The operating performance of the company in 3Q23 has been weaker than expected, and we will be revising our target price post the detailed results are made available.







in SAR mn	3Q23	2Q23	QoQ	3Q22	YoY	3Q23e	YoY	9M23	9M22	YoY	2022	2021	YoY	2023E	YoY
Revenue	315	356	-11.6%	328	-4.0%	317	-0.5%	1,081	992	9.0%	1,420	1,410	0.7%	1,402	-1.2%
Gross profit	114	145	-21.2%	124	-8.0%	129	-11.4%	435	371	17.3%	569	530	7.3%	553	-2.8%
Gross margins (%)	36.3%	40.7%		37.9%		40.8%		40.3%	37.4%		40.1%	37.6%		39.4%	
Operating profit	61	94	-35.2%	86	-29.2%	78	-22.0%	278	249	11.8%	404	344	17.3%	343	-15.0%
Operating margins	19.3%	26.3%		26.1%		24.6%		25.7%	25.1%		28.4%	24.4%		24.5%	
Net income	68	85	-19.8%	81	-15.4%	71	-3.5%	277	244	13.5%	399	332	20.2%	337	-15.5%
Net margins	21.7%	23.9%		24.6%		22.3%		25.6%	24.6%		28.1%	23.5%		24.0%	

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Rating Criteria and Definitions

Rating	Rating Definitions
 Strong Buy	Strong Buy This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
 Buy	Buy This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
 Hold	Hold This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
 Neutral	Neutral This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
 Sell	Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
 Strong Sell	Strong Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	Not rated This recommendation used for stocks which does not form part of Coverage Universe

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