

## YANBU CEMENT

OVERWEIGHT

CURRENT PRICE SAR21.8

UPSIDE +69.7%

TARGET PRICE SAR37.0

EVENT FLASH

## Higher prices on local sales support earnings

Yanbu Cement reported higher than expected set of Q3 18 results. Net income declined -5.4% yoy to SAR17mn. This is higher than the NCBC estimates of SAR5mn. We believe the variance in earnings came from higher than expected selling prices on local sales quantities, leading to a significant expansion in gross margins. Export sales of clinker remain a key support for revenues of the company, which is a key positive.

- **NCBC View on Results:** Yanbu Cement reported higher than expected set of Q3 18 results. Net income declined -5.4% yoy to SAR17mn. This is higher than the NCBC and consensus estimates of SAR5.4mn and SAR4.0mn, respectively. We believe the variance came mainly from higher than expected prices on local cement sales which supported margins. Moreover, we believe clinker export sales supported the top-line significantly.
- Total local and export sales of cement and clinker of Yanbu Cement stood at 1.22mn tons in Q3 18 (-3.8% yoy), coming below our estimates of 1.40mn tons. Local cement sales stood at 0.78mn tons, declining 39.0% yoy in Q3 18 vs the industry which declined 12.0% yoy and our estimates of 0.85mn tons. The overall growth in sales quantities came from cement exports of 30,000 tons in Q3 18 vs no cement exports in Q3 17 and clinker exports of 416,000 tons in Q3 18 vs no clinker exports in Q3 17. Clinker exports came below our estimates of 520,000 tons.
- Sales declined -11.4% yoy to SAR153mn, coming lower than our estimates of SAR164mn. We believe the lower than expected local cement and exported clinker sales quantities was the main reason behind the deviation in the top-line, despite prices on local cement being higher than expected.
- Gross margins expanded 189 bps yoy to 17.6% in Q3 18 and were significantly higher than the NCBC estimates of 10.3%. We believe the deviation in gross margins came primarily as a result of higher than expected selling prices on local cement sales. Overall selling prices decreased -7.9% yoy to SAR125.6/ton vs the NCBC estimates of SAR117/ton. We believe selling prices on local cement stood at SAR155/ton vs our estimates of SAR145/ton and SAR136/ton in Q3 17.
- We are Overweight on Yanbu Cement with a PT of SAR37.0. We believe the mega projects announced near the Western region of Saudi, in addition to the 1.5mn ton export deal signed are key catalysts for the company in the long-run.

## Q3 18 Results Summary

SAR mn	Q3 18	Q3 17	% yoy	Q3 18f	% var^	% qoq
Revenues	153	173	(11.4)%	164	(6.8)%	(22.5)%
Gross income	27	27	(0.8)%	17	60.3%	32.1%
Gross margin (%)	17.6%	15.8%	189bp	10.3%	739bp	729bp
EBIT	16	19	(17.7)%	9	69.3%	112.9%
EBIT Margin (%)	10.5%	11.3%	(80)bp	5.8%	470bp	665bp
Net income	17	18	(5.4)%	5	216.1%	321.3%
Net margin (%)	11.1%	10.4%	70bp	3.3%	783bp	907bp
EPS (SAR)	0.11	0.11	(5.4)%	0.03	216.1%	321.3%

Source: Company, NCBC Research, ^ % var indicates variance from NCBC forecasts

Please refer to the last page for important disclaimer

الأهلي كابيتال  
NCB Capital

## STOCK DETAILS

52-week range H/L (SAR)	36/19
Market cap (\$mn)	917
Shares outstanding (mn)	158
Listed on exchanges	TADAWUL

Price perform (%)	1m	3m	12m
Absolute	(27.1)	(23.3)	(19)
Rel. to market	(24.1)	(34.4)	(19.9)

Avg daily turnover (mn)	SAR	US\$
3m	3.9	1.0
12m	7.9	2.1

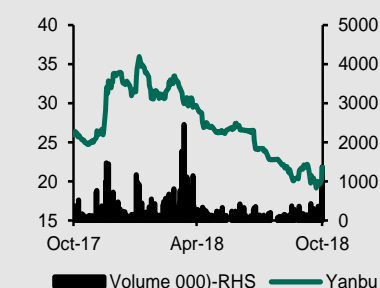
Reuters code	3060.SE
Bloomberg code	YNCOO AB
www.yanbucement.com	

## VALUATION MULTIPLES

	17a	18f	19f
PE (x)	10.7	10.1	9.6
PB (x)	1.0	1.0	1.0
EV/EBITDA (x)	6.6	5.6	5.2
Div Yield (%)	9.2	9.2	9.2

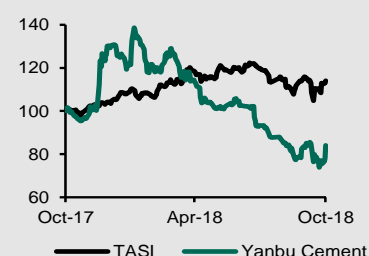
Source: NCBC Research forecasts

## SHARE PRICE PERFORMANCE



Source: Tadawul

## RELATIVE PERFORMANCE



Source: Tadawul

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