

FY21 Results Update

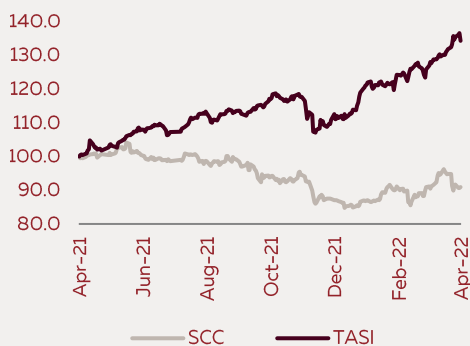
April 19, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	58.5
Target Price (SAR)	58.0
Upside/Downside (%)	(0.9%)
As of April 19, 2022	

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	9.0
52-wk High (SAR)	67.1
52-wk Low (SAR)	54.3
Total Outstanding shares (in mn)	153.0
Free Float (%)	92.3%

SAUDI CEMENT vs. TASI (Rebased)

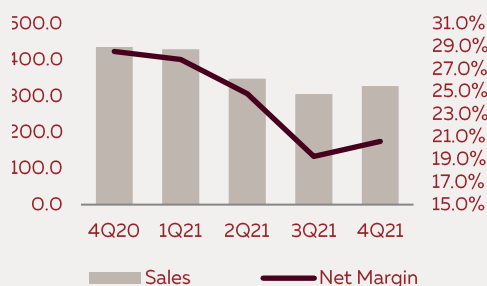


Price Performance (%)	Absolute	Relative
1m	(0.2%)	(5.9%)
6m	(3.1%)	(18.0%)
12m	(9.0%)	(43.4%)

Major Shareholders (%)

Khaled Abdulrahman Saleh Al Rajhi	6.87%
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Quarterly Sales (SAR mn) and Net Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of April 19, 2022

Lower selling price drags topline, margins hit

Saudi Cement Co. (SCC)'s revenue dropped 10.2% YoY to SAR 1.4bn in FY21, mainly due to the decrease in local selling prices. The fall was slightly offset by higher local quantities sold. Gross profit slipped 20.4% YoY to SAR 530.4mn, despite 2.7% YoY fall in cost of sales during the year. Consequently, gross profit margin shrank 483 bps YoY to 37.6% in FY21. Operating profit reduced 28.1% YoY to SAR 344.3mn in FY21 in spite of lower general and administrative expense, while operating margin contracted 610 bps YoY to 24.4%. Net profit reduced 27.2% YoY to SAR 331.9mn in FY21, despite lower financial charges, increase in share in net results of associates, and higher other income. Net profit margin during the year tightened 550 bps to 23.5%.

SCC reported weak sets of results in FY21, as the company's topline declined 10.2% YoY during the year owing to lower average selling prices, which impacted company margins during this period. Aggregate local cement sales volume of the 17 Saudi cement companies inched up 0.3% YoY to 53.3mn tons. However, SCC's local cement sales volume slightly declined 0.5% to 6.3mn tons. Clinker inventory at the sector level stood at 35.0mn tons at the end of 4Q21 compared to 37.1mn tons at the end of 4Q20. Inventory declined to 3.2mn tons in 4Q21 from 3.9mn in 4Q20. Construction activities reduced in FY21 owing to implementation of the new regulation under Saudi Building Code and labor shortage due to Covid-19 restrictions. Additionally, the increase in real estate prices led to limited rise in mortgages, which also impacted the sector during the year. However, we expect cement volumes to improve in 2H22, driven by pickup in infrastructure spending, planned megaprojects, and higher government spending on account of increasing oil prices. In light of these factors, we maintain our 'Neutral' rating on the stock.

- SCC's revenue fell 10.2% YoY to SAR 1.4bn in FY21 owing to a lower selling price, despite increase in total sales volumes.
- In spite of the 2.7% YoY fall in cost of sales in FY21, gross profit decreased 20.4% YoY to SAR 530.4mn during the year. Consequently, gross profit margin contracted to 37.6% in FY21 from 42.5% in FY20.
- EBITDA dropped 18.8% YoY to SAR 571.6mn in FY21, while EBITDA margin shrank to 40.6% from 44.8% in FY20.
- Operating income decreased 28.1% YoY to SAR 344.3mn in FY21, despite lower general and administrative expense. EBIT margin contracted to 24.4% from 30.5% in FY20.
- Net profit dropped 27.2% YoY to SAR 331.9mn in FY21, despite lower financial charges, increase in share in net results of associates, and higher other income. Net profit margin for the period stood at 23.5% vis-à-vis 29.0% in FY20.
- SCC's revenue reduced 24.7% YoY to SAR 327.5mn in 4Q21 on lower average selling price. However, the topline rose 7.4% QoQ from SAR 304.9mn in 3Q21 on higher volumes. Net profit decreased 45.7% YoY in 4Q21.
- SCC's EPS dropped to SAR 2.17 in FY21 from SAR 2.98 in FY20.
- SCC's Board of Directors recommended a 20% cash dividend for H2 2021 at SAR 2 per share amounting to SAR 306mn.

Valuation: We revise our target price to a fair value of SAR 58.0 per share but maintain "Neutral" rating on the stock.

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	327.5	435.0	(24.7%)	1,455.0	1,409.6	3.2%
Gross Profit (SAR mn)	109.0	176.8	(38.3%)	583.4	530.4	10.0%
EBITDA (SAR mn)	122.0	180.3	(32.3%)	614.4	571.6	7.5%
Net Profit (SAR mn)	67.4	124.1	(45.7%)	376.8	331.9	13.5%
EPS Basic (SAR)	0.44	0.81	(45.7%)	2.46	2.17	13.5%
Gross Margin (%)	33.3%	40.6%	(7.3%)	40.1%	37.6%	2.5%
EBITDA Margin (%)	37.3%	41.4%	(4.2%)	42.2%	40.6%	1.7%
Net Profit Margin (%)	20.6%	28.5%	(7.9%)	25.9%	23.5%	2.3%

Source: Company Financials, Yaqeen Capital

Yaqeen Capital Rating Methodology

Yaqeen Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by 10% .

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from Yaqeen Capital.

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