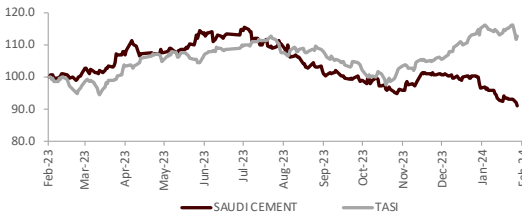


Saudi Cement Co. (SAUDI CEMENT)

Recommendation	Buy
Current Market Price (SAR)	47.7
52wk High / Low (SAR)	60.6/47.4
Mkt. Cap. (USD/SAR Mn)	1,945/7,298
Shares Outstanding (mn)	153.0
Free Float (%)	92.4%
3m Average Vol. (000)	122.9
3m Avg Daily Turnover (SAR'000)	6,260
Dividend Yield '24e (%)	5.3%
P/E'24e (x)	17.1
EV/EBITDA'24e (x)	11.1

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2021	2022	2023e	2024e
Revenue	1,410	1,420	1,458	1,533
Gross profit	530	569	591	626
GPM (%)	38%	40%	41%	41%
EBIT	344	404	412	434
EBIT margin (%)	24%	28%	28%	28%
EBITDA	572	635	632	656
EBITDA margin (%)	41%	45%	43%	43%
Net Income	330	399	400	428
Net margin (%)	23%	28%	27%	28%
EPS (SAR)	2.16	2.61	2.62	2.80
RoE (%)	14%	17%	17%	18%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Khalid Abdulrahman Saleh Al Rajhi	6.88%
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Source: Bloomberg, Yaqeen Capital

Earnings decline amid reduced revenue and elevated SG&A expenses

- Saudi Cement witnessed a drop of 15.4% YoY (-19.9% QoQ) in net income to SAR 68mn in 3Q2023. This downturn was attributed to reduced revenue, increased SG&A expenses, higher financial charges, and a decrease in the share of profit in an associate. Net income margin contracted by 2.9ppts YoY (-2.2ppts QoQ) to 21.7%.
- In 3Q2023, revenue experienced a 4.0% YoY dip (-11.6% QoQ), reaching SAR 315mn. This decline was primarily due to the reduced total value and quantities sold. However, for 9M2023, revenue rose by 9.0% to SAR 1,080mn.
- Gross profit declined to SAR 114mn in 3Q2023, marking an 8.0% YoY decrease and a 21.2% QoQ drop, primarily attributed to a lesser reduction in the cost of sales in comparison to sales. This resulted in the gross margin falling to 36.3%, indicating a decline of 1.6ppts YoY and 4.4ppts QoQ.
- Operating profit fell by 29.2% YoY (-35.3% QoQ) to SAR 61mn in 3Q2023, primarily due to higher SG&A expenses while the corresponding margin declined to 19.3% (-6.9ppts YoY, -7.1ppts QoQ)
- In 9M2023, Saudi Cement's net income increased by 13.5% YoY to SAR 277mn. This growth was attributed to higher sales revenue, driven by increased total value and quantities sold, alongside a rise in other revenue and gains from the sale of investments related to the subsidiary. Despite increased expenses in various categories, the net income margin improved to 25.6%, up from 24.6% in the same period in 2022.
- Gross profit for 9M2023 reached SAR 435mn, reflecting a 17.3% YoY increase. This growth, coupled with a lower rise in the cost of sales compared to sales, led to a margin increase from 37.4% to 40.3%.

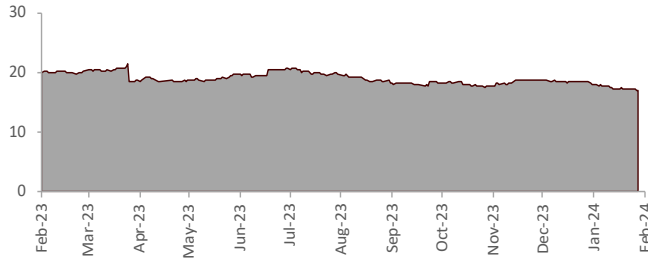
Outlook & Valuation: With ongoing mega-projects such as NEOM and Vision 2030, the demand for cement in the kingdom is expected to soar in the medium to long term. However, the industry is currently going through various short-term challenges, such as a mortgage slowdown because of higher finance charges, increased competition in the market, and increasing fuel prices. Saudi Cement is a prominent player in the Saudi cement industry, with several major companies dominating the market. The company's financial performance in the short to medium term is expected to be muted on the back of weak realizations and rising fuel prices. However, the long-term outlook remains optimistic due to potential growth in infrastructure projects. Based on DCF valuation, we arrive at a fair value of SAR 61.8/share, expected downside of 29.5% from the current level. Hence, we recommend a Buy rating on the stock.

Financial Summary

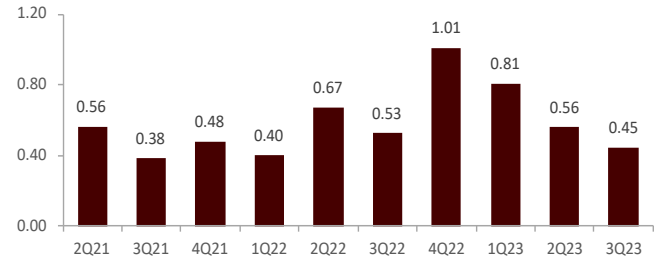
SAR (mn)	3Q2023	3Q2022	YoY	2Q2023	QoQ
Revenue	315	328	-4%	356	-12%
Gross profit	114	124	-8%	145	-21%
GPM (%)	36%	38%		41%	
EBIT	61	86	-29%	94	-35%
EBIT margin (%)	19%	26%		26%	
EBITDA	116	145	-20%	148	-22%
EBITDA margin (%)	37%	44%		42%	
Net Income	68	81	-15%	85	-20%
Net margin (%)	22%	25%		24%	
EPS (SAR)	0.45	0.53	-15%	0.56	-20%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



Rating Methodology

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

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

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

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