

## Saudi Cement Co. (SAUDI CEMENT)

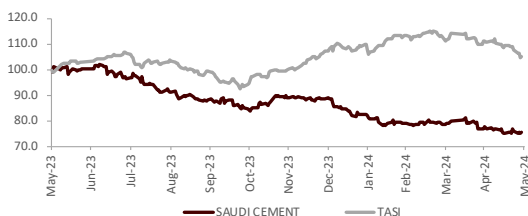
## Recommendation

Buy

Current Market Price (SAR)	44.8
52wk High / Low (SAR)	60.6/44.4
Mkt. Cap. (USD/SAR Mn)	1,825/6,847
Shares Outstanding (mn)	153.0
Free Float (%)	92.4%
3m Average Vol. (000)	143.7
3m Avg Daily Turnover (SAR'000)	6,664
Dividend Yield '24e (%)	5.3%
P/E'24e (x)	17.1
EV/EBITDA'24e (x)	11.7

Source: Bloomberg

## Relative Price Performance



## Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	1,420	1,461	1,554	1,624
Gross profit	569	572	613	640
Gross margin (%)	40%	39%	39%	39%
EBIT	404	362	392	406
EBIT margin (%)	28%	25%	25%	25%
EBITDA	635	582	606	623
EBITDA margin (%)	45%	40%	39%	38%
Net Income	399	381	400	412
Net margin (%)	28%	26%	26%	25%
EPS (SAR)	2.61	2.49	2.62	2.69
RoE (%)	17%	18%	18%	18%

Source: Company Reports, Yaqeen Capital

## Major Shareholders (%)

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

## Earnings drop due to high cost of sales and SG&amp;A expenses

- SAUDI CEMENT experienced an 8.1% YoY decrease in net income, falling to SAR 114mn in 1Q2024, primarily due to increased cost of sales and SG&A expenses, despite a rise in revenue. On a quarterly basis, however, net profit increased by 10.1%, mainly due to a higher increase in revenue compared to the cost of revenue. The net income margin contracted by 3.5ppts YoY (- 0.5ppts QoQ) to 26.7%.
- In Q1 2024, revenue rose by 4.1%YoY (+12.1% QoQ), reaching SAR 427mn. This increase was driven by higher total quantities sold and increased average selling prices.
- Gross profit declined by 0.6% YoY to SAR 175mn in 1Q2024, primarily due to a greater increase in the cost of sales compared to sales. However, gross profit rose by 27.4% on a quarterly basis due to higher revenue growth compared to the cost of revenue. The corresponding gross margin decreased by 1.9ppts YoY (+4.9ppts QoQ) to 41.0%.
- Operating profit fell by 3.6% YoY to SAR 119mn in 1Q2024, primarily due to higher SG&A expenses. On a quarterly basis, operating profit improved by 42.5%, driven by higher gross profit and lower G&A expenses. The corresponding margin declined by 2.2ppts YoY (+6.0ppts QoQ) to 28.0%.

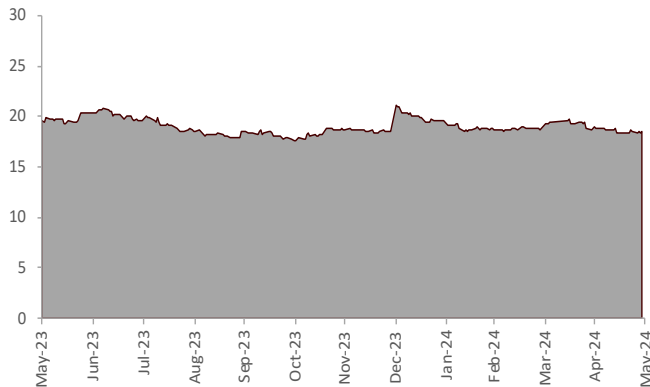
**Outlook & Valuation:** With ongoing mega-projects like NEOM and Vision 2030, the demand for cement in the kingdom is expected to rise significantly in the medium to long term. However, the industry currently faces various short-term challenges, including a mortgage slowdown due to higher finance charges, increased market competition, and rising fuel prices. Saudi Cement, a major player in the Saudi cement industry alongside other dominant companies, is expected to experience muted financial performance in the short to medium term due to weak realizations and increasing fuel costs. Nonetheless, the long-term outlook remains positive, driven by potential growth in infrastructure projects. Based on DCF valuation, we arrive at a fair value of SAR 60.5/share, expected upside of 35.2% from the current level. Hence, we recommend a Buy rating on the stock.

## Financial Summary

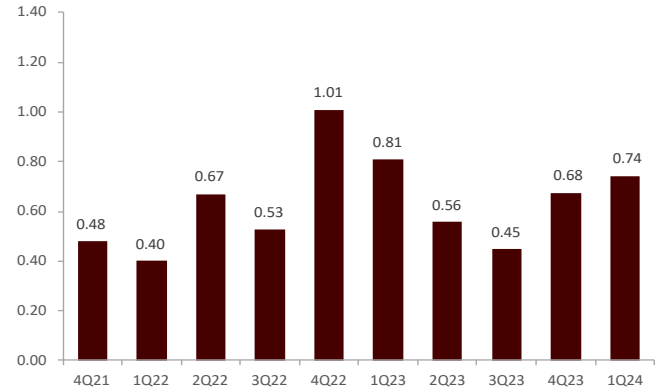
SAR (mn)	1Q2024	1Q2023	YoY	4Q2023	QoQ
Revenue	427	410	4%	380	12%
Gross profit	175	176	-1%	137	27%
Gross margin (%)	41%	43%		36%	
EBIT	119	124	-4%	84	43%
EBIT margin (%)	28%	30%		22%	
EBITDA	172	179	-4%	139	24%
EBITDA margin (%)	40%	44%		37%	
Net Income	114	124	-8%	103	10%
Net margin (%)	27%	30%		27%	
EPS (SAR)	0.74	0.81	-8%	0.68	10%

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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