

## Saudi Cement Co. (SAUDI CEMENT)

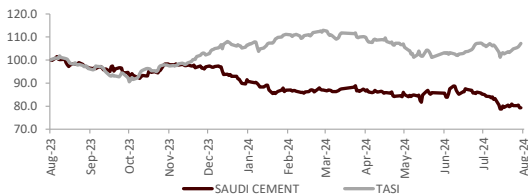
## Recommendation

Buy

Current Market Price (SAR)	40.8
52wk High / Low (SAR)	55.0/40.3
Mkt. Cap. (USD/SAR Mn)	1,662/6,235
Shares Outstanding (mn)	153.0
Free Float (%)	92.5%
3m Average Vol. (000)	129.3
3m Avg Daily Turnover (SAR'000)	5,616
Dividend Yield '24e (%)	5.9%
P/E'24e (x)	15.3
EV/EBITDA'24e (x)	10.6

Source: Bloomberg

## Relative Price Performance



## Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	1,420	1,462	1,582	1,661
Gross profit	569	573	624	655
Gross margin (%)	40%	39%	39%	39%
EBIT	404	362	400	416
EBIT margin (%)	28%	25%	25%	25%
EBITDA	635	582	614	633
EBITDA margin (%)	45%	40%	39%	38%
Net Income	399	381	407	421
Net margin (%)	28%	26%	26%	25%
EPS (SAR)	2.61	2.49	2.66	2.75
RoE (%)	17%	18%	19%	19%

Source: Company Reports, Yaqeen Capital

## Major Shareholders (%)

Khalid Abdulrahman Saleh Al Rajhi	6.82%
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Source: Bloomberg, Yaqeen Capital

## Earnings fall due to higher sales costs and SG&amp;A expenses

- SAUDI CEMENT's net income for 2Q2024 increased by 2.5% YoY to SAR 87mn, driven by higher sales revenue, other revenues, increased share of profits from an associate, and lower finance charges, despite a rise in selling and distribution expenses. However, on a QoQ basis, net income dropped by 23.2% due to lower sales revenue resulting from reduced sales volumes and values, higher selling and distribution costs, and increased finance charges, despite lower general and administrative expenses, higher share of profit from an associate, and increased other revenues. The net profit margin decreased by 0.8ppts YoY and 3.6ppts QoQ to 23.1%.
- In 2Q2024, revenue rose by 6.1% YoY to SAR 378mn, driven by higher sales volumes and increased average selling prices. However, QoQ revenue decreased by 11.3% due to lower sales volumes and values.
- Gross profit for 2Q2024 declined by 0.7% YoY and 17.6% QoQ to SAR 144mn, primarily due to higher cost of sales as a percentage of revenue. The gross margin contracted by 2.6ppts YoY and 2.9ppts QoQ to 38.1%.
- Operating profit fell by 10.3% YoY and 29.6% QoQ to SAR 84mn in 2Q2024, mainly due to reduced gross profit and higher selling and distribution expenses. The operating margin decreased by 4.1ppts YoY and 5.7ppts QoQ to 22.2%.
- For 1H2024, net income dropped by 3.8% YoY to SAR 201mn due to higher cost of revenue, increased selling and distribution expenses, and lower gain from the sale of a subsidiary investment, despite higher sales volumes, other revenues, and share of profit from an associate. The net profit margin declined by 2.3ppts YoY to 25.0%.
- Revenue for 1H2024 grew by 5.1% YoY to SAR 805mn, attributed to higher sales volumes and increased average selling prices.

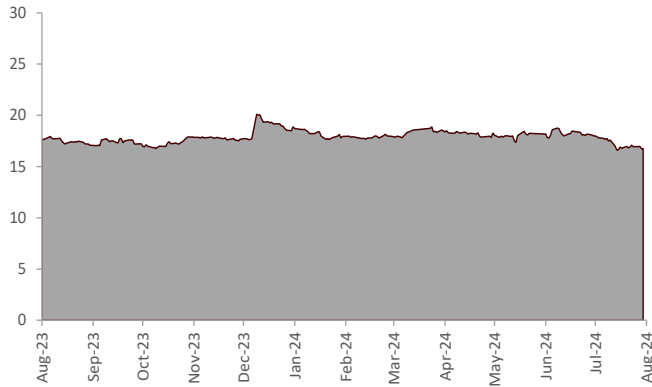
**Outlook & Valuation:** The demand for cement in Saudi Arabia is projected to grow substantially in the medium to long term, driven by ongoing mega-projects like NEOM and Vision 2030. However, the industry is currently dealing with short-term challenges such as a mortgage slowdown due to higher finance costs, intensified market competition, and rising fuel prices. Saudi Cement, a key player in the industry, along with other leading companies, is expected to see subdued financial performance in the short to medium term due to weak price realizations and escalating fuel expenses. Despite these challenges, the long-term outlook remains optimistic, supported by the anticipated growth in infrastructure development. Based on DCF valuation, we arrive at a fair value of SAR 57.9/share, an expected upside of 42.2% from the current level. Hence, we recommend a Buy rating on the stock.

## Financial Summary

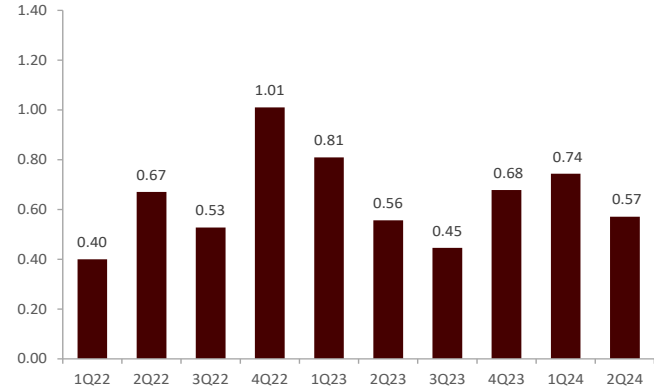
SAR (mn)	2Q2024	2Q2023	YoY	1Q2024	QoQ
Revenue	378	356	6%	427	-11%
Gross profit	144	145	-1%	175	-18%
Gross margin (%)	38%	41%		41%	
EBIT	84	94	-10%	119	-30%
EBIT margin (%)	22%	26%		28%	
EBITDA	140	148	-6%	172	-19%
EBITDA margin (%)	37%	42%		40%	
Net Income	87	85	3%	114	-23%
Net margin (%)	23%	24%		27%	
EPS (SAR)	0.57	0.56	3%	0.74	-23%

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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