

Southern Province Cement Co. (SPCC)

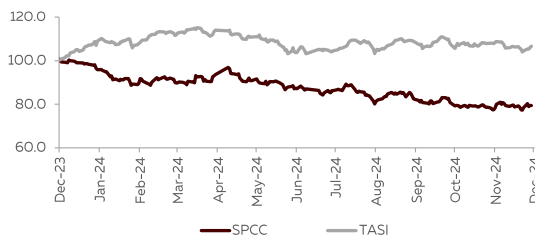
Target Price: SAR 55.0/share

Upside: 64.7%

Recommendation	Buy
Current Market Price (SAR)	33.4
52wk High / Low (SAR)	44.0/32.1
Mkt. Cap. (USD/SAR Mn)	1,246/4,676
Shares Outstanding (mn)	140.0
Free Float (%)	62.6%
3m Average Vol. (000)	98.3
3m Avg Daily Turnover (SAR'000)	3,317
Dividend Yield '24e (%)	2.8%
P/E'24e (x)	22.1
EV/EBITDA'24e (x)	10.3

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	1,222	1,070	1,046	1,162
Gross profit	361	277	302	353
Gross profit (%)	30%	26%	29%	30%
EBIT	299	203	224	267
EBIT margin (%)	24%	19%	21%	23%
EBITDA	512	399	440	487
EBITDA margin (%)	42%	37%	42%	42%
Net Income	301	195	212	255
Net margin (%)	25%	18%	20%	22%
EPS (SAR)	2.15	1.40	1.51	1.82
RoE (%)	9%	6%	6%	7%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Public Investment Fund	37.43%
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Source: Bloomberg, Yaqeen Capital

Earnings grew QoQ driven by improved margins

- SPCC's net profit decreased marginally by 0.2% YoY to SAR 53mn in 3Q2024, driven by lower revenue. However, on a QoQ basis, net profit surged by 76.8%, supported by higher sales volumes and an increase in other revenues. The net profit margin improved by 4.2ppts YoY and 8.2ppts QoQ, reaching 22.8%.
- Revenue for 3Q2024 declined sharply by 18.8% YoY to SAR 233mn due to lower sales volumes. On a QoQ basis, revenue grew by 8.5%, driven by improved sales volumes.
- Gross profit fell by 11.4% YoY in 3Q2024 to SAR 72mn, impacted by lower revenue, though a steeper drop in cost of revenue partially offset the decline. QoQ, gross profit rose by 31.1%, supported by higher revenue and a slower increase in cost of revenue. Consequently, the gross margin improved by 2.6ppts YoY and 5.3ppts QoQ, reaching 30.8%.
- Operating profit decreased by 16.8% YoY to SAR 49mn in 3Q2024, reflecting lower gross profit and higher SG&A expenses. QoQ increased by 46.4%, driven by improved gross profit, though growth was moderated by rising SG&A costs. The operating margin rose by 0.5ppts YoY and 5.4ppts QoQ to 20.9%.
- Net profit for 9M2024 grew by 19.8% YoY to SAR 145mn, supported by higher average selling prices, lower costs of goods sold, reduced selling and distribution expenses, and increased other revenues. The net profit margin improved by 5.9ppts YoY to 20.8%.
- Revenue for 9M2024 fell by 14.1% YoY to SAR 698mn, primarily due to lower sales volumes.

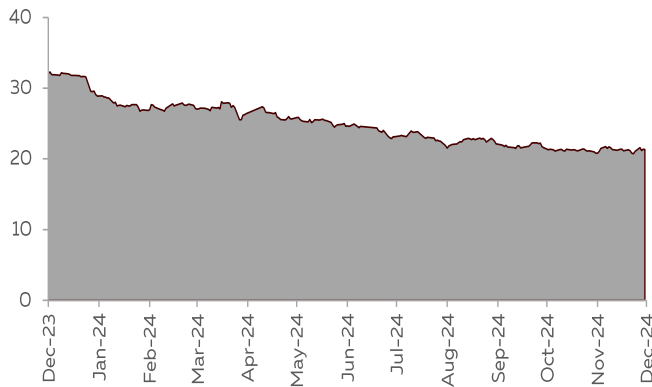
Outlook & Valuation: The medium-to-long-term demand for cement in Saudi Arabia is expected to grow significantly, driven by large-scale projects such as NEOM and Vision 2030 initiatives. However, the Kingdom's cement industry faces several near-term challenges, including a mortgage market slowdown due to rising interest rates, heightened competition, and increasing fuel costs. In the short to medium term, Southern Cement may experience a decline in domestic sales as demand in the retail segment remains subdued. Additionally, higher fuel prices could pressure the company's profit margins. Despite these challenges, Southern Cement's long-term growth outlook remains strong, supported by its well-established market presence. Based on DCF valuation, we arrive at a fair value of SAR 55.0/share, a strong upside of 64.7% from the current level. Hence, we recommend a Buy rating on the stock.

Financial Summary

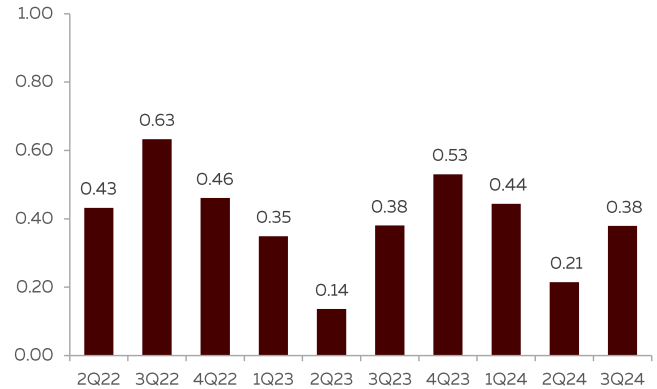
SAR (mn)	3Q2024	3Q2023	YoY	2Q2024	QoQ
Revenue	233	286	-19%	214	8%
Gross profit	72	81	-11%	55	31%
Gross profit (%)	31%	28%		25%	
EBIT	49	58	-17%	33	46%
EBIT margin (%)	21%	20%		15%	
EBITDA	95	107	-11%	84	13%
EBITDA margin (%)	41%	37%		39%	
Net Income	53	53	0%	30	77%
Net margin (%)	23%	19%		14%	
EPS (SAR)	0.38	0.38	-0.4%	0.21	77%

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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