

3Q22 Results Update

December 1, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	52.0
Target Price (SAR)	56.4
Upside/Downside (%)	8.4%
As of November 30, 2022	

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	8.0
52-wk High (SAR)	62.0
52-wk Low (SAR)	49.4
Total Outstanding shares (in mn)	153.0
Free Float (%)	92.3%

SAUDI CEMENT vs. TASI (Rebased)

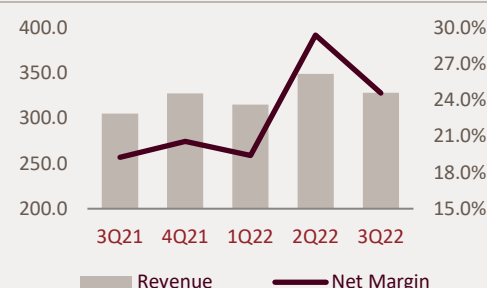


Price Performance (%)	Absolute	Relative
1m	(1.7%)	4.7%
6m	(5.0%)	10.6%
12m	(3.8%)	(5.0%)

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 November 30, 2022

Top line surged on rise in average selling prices

Saudi Cement Co. (SCC)'s top line grew 7.6% YoY to SAR 328.1mn in 3Q22, primarily on a rise in the average selling prices of its products, but slightly offset by a decline in sales volumes. Despite a 4.0% YoY increase in cost of sales, gross profit surged 14.0% YoY to SAR 124.4mn in 3Q22. Consequently, gross profit margin expanded 214bps YoY to 37.9% during the quarter. A decline in selling and distribution expenses offset a rise in general and administrative expenses. Consequently, SCC's operating profit soared 36.6% YoY to SAR 85.7mn, while operating margin improved 556bps YoY to 26.1%. A rise in the share of profit from associates with a decline in zakat expenses resulted in a 37.3% YoY rise in the company's net profit to SAR 80.7mn in 3Q22. As such, net profit margin widened 533bps YoY to 24.6% during the quarter.

SCC continue to report a robust performance in 3Q22, as top line and bottom line advanced 7.6% and 37.3% YoY, respectively. The rise in revenues was supported by the rise in average selling prices, slightly offset by the decline in sales volumes. Aggregate local cement sales volume of the 17 Saudi cement companies surged 10.2% YoY to 13.0mn tons in 3Q22. This increase in sales volumes was attributable to a decline in the prices of construction materials with the consistent offtake of new residential loans. Clinker inventory at the sector level stood at 35.8mn tons at the end of 3Q22 compared with 34.6mn tons at the end of 3Q21. SSC benefitted from price recovery across the sector, as the company's realized prices improved during the quarter. Cost of sales grew at a slower pace than top line in 3Q22, thus enhancing the company's margin. However, some of the sector's short-term benefits are expected to be hampered by rising interest rates and inflation. Nevertheless, the industry's long-term outlook remains positive. Cement volumes are expected to further improve in the upcoming quarters, as the increase in oil prices is expected to boost government spending on infrastructure and megaprojects. Considering these factors, we maintain our "Neutral" rating on the stock.

- SCC's revenue surged 7.6% YoY to SAR 328.1mn in 3Q22, primarily on an increase in the average selling prices of its products.
- Cost of sales grew at a slower pace (up 4.0% YoY to SAR 203.7mn) than top line, resulting in a 14.0% YoY rise in gross profit to SAR 124.4mn during the quarter. Consequently, gross profit margin expanded to 37.9% in 3Q22 from 35.8% in 3Q21.
- EBITDA advanced 20.7% YoY to SAR 144.6mn in 3Q22 on a high top line, while EBITDA margin widened to 44.1% from 39.3% in 3Q21.
- Operating income jumped 36.6% YoY to SAR 85.7mn, as a rise in general and administrative expenses was offset by a fall in selling and distribution expenses. Consequently, EBIT margin advanced to 26.1% from 20.6% in 3Q21.
- SCC's net profit climbed 37.3% YoY to SAR 80.7mn, driven by the improved share of profit from associates and a decline in zakat expenses. Net profit margin for the period stood at 24.6% vis-à-vis 19.3% in 3Q21.
- The company's revenue fell 6.0% QoQ from SAR 349.0mn in 2Q22 owing to a decline in selling prices and volumetric sales during the quarter. The increase in cost of sales and general and administrative expenses led to a 21.3% QoQ fall in net profit from SAR 102.5mn in 2Q22.
- SCC's EPS improved to SAR 0.53 in 3Q22 from SAR 0.38 in 3Q21.

Valuation: We revise our target price to a fair value of SAR 56.4 per share but maintain our "Neutral" rating on the stock.

	3Q22	3Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	328.1	304.9	7.6%	1,340.8	1,409.6	(4.9%)
Gross Profit (SAR mn)	124.4	109.1	14.0%	498.0	530.4	(6.1%)
EBITDA (SAR mn)	144.6	119.8	20.7%	566.9	571.6	(0.8%)
Net Profit (SAR mn)	80.7	58.7	37.3%	332.7	331.9	0.2%
EPS Basic (SAR)	0.53	0.38	37.3%	2.17	2.17	0.2%
Gross Margin (%)	37.9%	35.8%	2.1%	37.1%	37.6%	(0.5%)
EBITDA Margin (%)	44.1%	39.3%	4.8%	42.3%	40.6%	1.7%
Net Profit Margin (%)	24.6%	19.3%	5.3%	24.8%	23.5%	1.3%

Source: Company Financials, Yaqeen Capital

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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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