



## Earnings missed the estimates in Q4-23, but improved prices are expected to drive a healthy growth starting from Q1-24.

Yamama Cement posted a net income of SAR 52.8mn during Q4-23 (down 60.7% Y/Y and up 29.4% Q/Q), well below our and consensus estimates of SAR 74.3mn and SAR 60.55mn, respectively. The deviation from our estimate is mainly due to lower than expected top-line, accompanied by higher than expected cost per tonne. Volumetric sales have normalized to around 1.5MT (down 15.8%Y/Y and 26.0%Q/Q), while selling prices averaged around SAR 149.4 per tonne, (up 43% Q/Q), against our estimated SAR 170. Cost per tonne stood at SAR 96.0 per tonne compared to our estimated SAR 91.4. Despite the lower than expected Q/Q recovery of selling prices and recent feedstock hikes, we stay positive on Yamama ability to overcome and offset this impact in the short run. We maintain our TP of SAR 40.1/Share and keep our "Overweight" recommendation.

- Yamama Cement posted a net income of SAR 52.8mn in Q4-23 (EPS: SAR 0.26/share); compared to SAR 134.15mn in Q4-22, and came well below our and market consensus of SAR 74.3mn and SAR 60.55mn; respectively. The deviation from our estimate is mainly due to the lower than expected revenues and higher than expected cost per tonne. Based on the initial earnings disclosure from the company, we expect that the earnings were also uplifted by on-off capital gains of at least SAR 12.5mn. We wait for the detailed financials from the company to discuss further this impact. The Q/Q improvement of 29.4% in net income is mainly attributed to the weaker base. For FY23 performance, earnings declined by 14.5%Y/Y to reach SAR 304.3mn due to weaker top-line and higher cost per tonne.
- Revenue totaled SAR 224.6mn in Q4-23 (down 33%Y/Y, but up 6.1%Q/Q), lower than our estimate of SAR 255.5mn by 12.1%. This Y/Y decline is mainly due to lower average selling prices (ASP) and a 15.8% Y/Y decline in volume sales. According to our calculations, ASP came at SAR 149.4 per tonne, compared to our estimate of SAR 170 and SAR 189.7mn in Q4-22. While we predicted the Q/Q improvement in ASP (Q3-23=SAR104.2), the pace came slower than what we forecasted. Sales volume have normalized during the quarter and stood at 1.50MT (down 15.8%Y/Y and 26.0% Q/Q). For FY23 dispatches declined 5.6% from FY22 levels.
- Gross profit stood at SAR 80.24mn (down 50.2% Y/Y, and up 113.4% Q/Q), down by 32% from our estimated SAR 118.1mn. This Y/Y substantial decline is mainly due to the weaker top-line. Cost per tonne for Q4-23 came at SAR 96.0 per tonne, compared to our estimated SAR 91.4 and SAR 97.2, per tonne, in Q4-22. This led to a GP margin of 35.7%, below our estimate of 46.2% and 48.8% in Q4-22. For FY23, Gross profit declined by 21% Y/Y to SAR 335.4mn, due to the lower top-line- and higher cost per tonne (SAR 91.2 Vs. SAR 86 on FY22). GP margin of FY23 came at 32.5% compared to 35.3% in FY22.
- Operating profit amounted to SAR 58.28mn, lower than our estimated SAR 92.3mn by 37% and by 56% from the SAR 132.2mn in Q4-22. OPEX came around SAR 22.0mn (down 33.2% Y/Y, and up 19.3% Q/Q), compared to our estimated SAR 25.8mn. As a result, the OPEX-to-sales ratio for Q4-23 reached 9.78%, compared to 9.83% in Q4-22 and 7.93% in Q3-23, leading to an operating margin of 23.5%, compared to our estimate of 36.1%, and 39.5% in Q4-22.

**AJC view and valuation:** The ASPs are the key highlight for the company in this quarter and the upcoming periods. While prices improved Q/Q in Q4-23 as we estimated, the pace of the recovery came below our expectations. ASP for the whole year stayed close to FY22 prices. However, our initial market survey indicates that prices are expected to be higher in the coming periods starting from Jan-24 and to succeed SAR 200 per tonne level. This improvement in prices is more than enough to offset the latest hikes of feedstock prices, as Yamama needs an ASP of SAR 183 per tonne to fully offset this impact. Yamama, however, is anticipated to face approximately SAR 60mn of additional annual cost of goods sold (COGS) due to the recent feedstock hikes, but, the impact might be mitigated in the short run by the current level of low-cost inventory. Thus, we stay positive in the company's fundamentals. The company announce recently a SAR 1 per share dividends for FY23 (DY=2.9%). The stock is currently trading at 26.6x compared to a forward P/E of 16.1x based on FY24 earnings. We keep our "Overweight" recommendation on Yamama Cement with a TP of SAR 40.1/Share.

### Results Summary

SAR mn	Q4-22	Q3-23	Q4-23	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	334.4	211.7	224.6	(32.9%)	6.1%	(12.1%)
Gross Profit	161.1	37.59	80.2	(50.2%)	113.4%	(32.0%)
Gross Margin	48.2%	17.8%	35.7%	-	-	-
EBIT	132.2	20.8	58.3	(55.9%)	180.2%	(36.8%)
Net Profit	134.2	40.8	52.8	(60.7%)	29.4%	(29%)
EPS	0.66	0.20	0.26	-	-	-

Source: company report, Aljazira Capital Research

### Recommendation Overweight

Target Price (SAR) 40.1

Upside / (Downside)\* 19.9%

Source: Tadawul \*prices as of 13<sup>th</sup> of February 2024

### Key Financials

SARmn (unless specified)	FY20	FY21	FY22	FY2E
Revenues	956	736	1,008	935
Growth %	19.2%	-23.0%	37.0%	-7.23%
Net Income	406	154	356	304
Growth %	58.2%	-62.1%	131.5%	-14.5%
EPS	2.00	0.76	1.76	1.50

Source: Company reports, Aljazira Capital

### Key Ratios

	FY20	FY21	FY22	FY23
Gross Margin	46.0%	30.0%	40.5%	36%
Net Margin	42.4%	20.9%	35.3%	32.5%
P/E (x)	14.8	34.3	17.8	22.8
P/B (x)	1.52	1.23	1.36	1.46
EV/EBITDA (x)	19.1	39.1	20.1	18.1
Dividend Yield	0.0%	0.0%	3.7%	2.9%

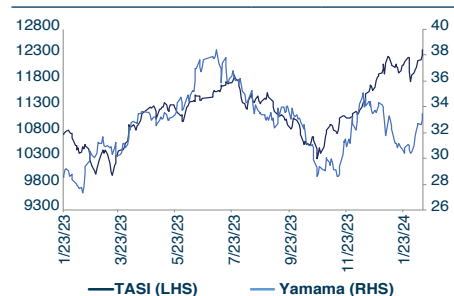
Source: Company reports, Aljazira Capital

### Key Market Data

Market Cap(bn)	6.77
YTD%	(2.05%)
52 week (High)/(Low)	38.55/27.3
Share Outstanding (mn)	202.50

Source: Company reports, Aljazira Capital

### Price Performance



Source: Bloomberg, AJC Research

Equity Analyst

Ahmed AlMutawah

+966 11 2256250

a.almutawah@aljaziracapital.com.sa





RESEARCH DIVISION

Head of Sell-Side Research - AGM  
Jassim Al-Jubran  
+966 11 2256248  
j.aljabran@aljaziracapital.com.sa

RESEARCH  
DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING  
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

## Disclaimer

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of stocks, bonds, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Al-Jazira Capital from sources believed to be reliable, but Al-Jazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Al-Jazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. The investor might get an amount less than the amount invested in some cases. Some stocks or securities maybe, by nature, of low volume/trades or may become like that unexpectedly in special circumstances and this might increase the risk on the investor. Some fees might be levied on some investments in securities. This report has been written by professional employees in Al-Jazira Capital, and they undertake that neither them, nor their wives or children hold positions directly in any listed shares or securities contained in this report during the time of publication of this report, however, The authors and/or their wives/children of this document may own securities in funds open to the public that invest in the securities mentioned in this document as part of a diversified portfolio over which they have no discretion. This report has been produced independently and separately by the Research Division at Al-Jazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Al-Jazira Capital. Funds managed by Al-Jazira Capital and its subsidiaries for third parties may own the securities that are the subject of this document. Al-Jazira Capital or its subsidiaries may own securities in one or more of the aforementioned companies, and/or indirectly through funds managed by third parties. The Investment Banking division of Al-Jazira Capital maybe in the process of soliciting or executing fee earning mandates for companies that is either the subject of this document or is mentioned in this document. One or more of Al-Jazira Capital board members or executive managers could be also a board member or member of the executive management at the company or companies mentioned in this report, or their associated companies. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of Al-Jazira Capital. Persons who receive this report should make themselves aware, of and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.

Asset Management | Brokerage | Investment Banking | Custody | Advisory

Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia, Tel: 011 2256000 - Fax: 011 2256068