

Saudi Cement's results exceed our estimates. Net income stood at SAR 102.5mn (up 18.7% Y/Y, and 67.7% Q/Q), above AJC and market estimates of SAR 77.3mn and SAR 64.8mn, respectively. The deviation from our estimate was mainly attributable to higher-than-expected selling prices (SAR 199.2/tonne, versus our estimation of SAR 180.1/tonne). Revenue came in at SAR 349.0mn, against our estimate of SAR 306.2mn, as volumetric sales were reported at 1.75MT in-line with our estimate of 1.70MT. Cost per tonne stood at SAR 115.9/tonne, above our estimate of SAR 108.0/tonne. We maintain our "Neutral" recommendation on the stock with a TP of SAR 53.0/share.

- Saudi Cement posted a net income of SAR 102.5mn in Q2-22 (EPS: SAR 0.67/share), compared to SAR 86.4mn in Q2-21. Net income came in above our estimate of SAR 77.3mn and more than the market estimate of SAR 64.8mn. The Y/Y increase of 18.7% in net income is mainly attributed to i) an increase in average selling price by 9.6%, despite 8.5% decline in sales volume; ii) a decline in operating expenses. iii) decline in zakat provisions.
- Revenue stood at SAR 349.0mn (an increase of 0.3%Y/Y, and 10.8%Q/Q), against our estimate of SAR 306.2mn. During Q2-22, the company registered an increase of 9.6%Y/Y and 19.4% Q/Q in its average price realization at SAR 199.2/tonne, above our estimates of SAR 180.1/tonne and SAR 166.8/tonne in Q1-22. Sales volume stood at 1.75MT compared to 1.91MT in Q2-21 and 1.89MT in Q1-22, and in-line with our estimates of 1.70MT.
- Gross profit of SAR 146.0mn came in higher than our estimates of SAR 122.6mn due to higher-than-expected selling prices. GP margin expanded ~200bps Y/Y to stand at 41.8%. Cost per tonne was recorded at SAR 115.9/tonne, above our expectations of SAR 108.0/tonne and the average of SAR 105.7/tonne during FY21.
- Operating profit stood at SAR 104.5mn, above our expectation of SAR 83.3mn. OPEX came at SAR 43.1mn, posting a decrease of 7.8%Y/Y.

AJC view: We believe Saudi Cement's price realization increased 9.6%Y/Y and 19.4%Q/Q, due to the company benefitting from recovery prices in the sector. The company's local sales YTD decreased 5.6% Y/Y, meanwhile, the export sales decreased 28.7% Y/Y. In contrast, the company's market share increased by 0.5% Y/Y, for Q2-22 standing at 11.0%, compared to 10.5% in Q2-21. The company is currently trading at a TTM PE of 28.57x, compared to a forward PE of 26.6x based on FY23 earnings. Saudi Cement is expected to pay a dividend of SAR 3.5/share (6.5% D/Y) in FY22, owing to its strong balance sheet and low debt. We maintain our "Neutral" recommendation on the stock with a TP of SAR 53.0/share.

Results Summary

SARmn	Q2-21	Q1-22	Q2-22	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	348.1	315.1	349.0	0.3%	10.8%	14.0%
Gross Profit	138.7	100.7	146.0	5.3%	44.9%	19.1%
<i>Gross Margin</i>	<i>39.8%</i>	<i>32.0%</i>	<i>41.8%</i>			
EBIT	91.9	60.1	102.9	12.0%	71.3%	23.5%
Net Profit	86.4	61.1	102.5	18.7%	67.7%	32.6%
EPS	0.56	0.40	0.67			-

Source: Company Reports, Aljazira Capital

Neutral

Target Price (SAR) **53.0**

Upside / (Downside)* **-1.49%**

Source: Tadawul *prices as of 14th of August 2022

Key Financials

SARmn (unless specified)	FY21	FY22E	FY23E
Revenue	1409.6	1374.7	1394.2
Growth %	-10.2%	-2.5%	1.4%
Net Income	330.4	343.6	364.2
Growth %	-26.8%	4.0%	6.0%
EPS	2.16	2.25	2.38

Source: Company reports, Aljazira Capital

Key Ratios

	FY21	FY22E	FY23E
Gross Margin	37.6%	38.2%	39.9%
Net Margin	23.4%	25.0%	26.1%
P/E (x)	25.4	24.0	22.6
P/B (x)	3.4	3.7	4.0
EV/EBITDA (x)	8.4	8.2	8.2
Dividend Yield	6.4%	6.5%	6.5%

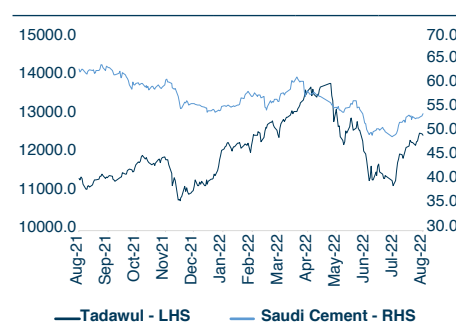
Source: Company reports, Aljazira Capital

Key Market Data

Market Cap (bn)	8.3
YTD %	-1.82%
52 Week (High)/(Low)	64.8/49.4
Shares Outstanding (mn)	153.0

Source: Company reports, Aljazira Capital

Price Performance



Source: Company reports, Aljazira Capital

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RESEARCH DIVISION

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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.

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