

Yanbu Cement's posted a net income of SAR 69.3mn in Q3-22, above our expectation and consensus estimates of SAR 54.5mn and SAR 50.0mn, respectively. Revenue came in-line with our estimates, recording a jump of 26.1%Y/Y at SAR 262.1mn and driven by an increase in sales by 25.1% Y/Y and an improved realization per tonne. Based on our calculation, the average local selling prices stood at SAR 191.5/tonne, up 8.2%Y/Y (Vs. AJC expectation of SAR 175.3/tonne). Cost per tonne improved to SAR 99.8/tonne, reflecting a decline of 12.5% Y/Y. We maintain our "Overweight" recommendation on the stock with a TP of SAR 42.4/share.

- Yanbu Cement posted net income of SAR 69.3mn in Q3-22 (EPS: SAR 0.44/share), almost doubled from SAR 36.4mn registered in Q3-21. Net income came in above our estimate of SAR 54.5mn and higher than market estimate of SAR 50.0mn. The Y/Y increase of 90.3% in net income mainly driven by a favourable mix of higher selling prices and lower costs per tonne.
- Revenue stood at SAR 262.1mn (a rise of 26.1%Y/Y and 10.0% Q/Q), against our estimate of SAR 253.1mn. Sales volume stood at 1.73MT compared to 1.38MT in Q3-21 and 1.78MT in Q2-22, the Y/Y growth in sales mostly came from the increase in export sales which has increased by 81.9% Y/Y. Based on our calculation, selling prices showed a healthy growth of 8.2% Y/Y in local sales to stand at SAR 191.5/tonne and a 15.1% Y/Y growth in export sales.
- Gross profit of SAR 89.3mn beat our estimate of SAR 69.9mn due to lower-than-expected costs per tonne. Cost per tonne was recorded at SAR 99.8/tonne, below our expectations of SAR 104.0/tonne and the average of SAR 105.9/tonne during FY21. As a result, the GP margin expanded ~971bps Y/Y to 34.1%.
- Operating profit stood at SAR 75.2mn, above our expectation of SAR 56.2mn. OPEX came at SAR 14.1mn, posting an increase of 7.4%Y/Y.

AJC view: Yanbu cement performed very well in Q3-22 with a net income of SAR 69.3mn, an increase of 90.3% Y/Y and 44.2% Q/Q. The company is positioned in western region where the giga projects are expected to pick-up the demand of cement in the upcoming years. Based on the latest September data, Yanbu cement showed an increase in clinker production of 15.4% Y/Y compromised with a 24.2% Y/Y increase in inventory. The selling prices witnessed a recovery in Q3-22 of 8.2% Y/Y, as the sales volumes increased as well by 4.8% Y/Y. We believe the cement sector is currently going through a recovery phase, backed by the improvement in construction activities with prices of construction materials falling, and demand from housing ministry projects and other government mega projects increasing. The company is currently trading at TTM PE of 39.0x compared to a forward PE of 18.4x based on FY23E earnings. We maintain our "Overweight" recommendation on the stock with a TP of SAR 42.4/share.

Results Summary

SARmn	Q3-FY21	Q2-FY22	Q3-FY22	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	207.8	238.2	262.1	26.1%	10.0%	3.5%
Gross Profit	50.6	63.6	89.2	76.5%	40.2%	27.8%
<i>Gross Margin</i>	<i>24.3%</i>	<i>26.7%</i>	<i>34.1%</i>			-
EBIT	37.5	50.8	75.2	100.6%	47.9%	33.7%
Net Profit	36.4	48.0	69.3	90.3%	44.2%	27.1%
EPS	0.23	0.31	0.44			-

Source: Company reports, Aljazira Capital

Recommendation	Overweight
Target Price (SAR)	42.4
Upside / (Downside)*	1.0%

Source: Tadawul *prices as of 26th of October 2022

Key Financials

SARmn (unless specified)	FY21	FY22E	FY23E
Revenues	934	1025	1101
Growth %	-0.6%	9.7%	7.4%
Net Income	160	246	359
Growth %	-43.2%	54.5%	45.5%
EPS	1.01	1.56	2.28

Source: Company reports, Aljazira Capital

Key Ratios

	FY21	FY22E	FY23E
Gross Margin	23.9%	30.5%	39.9%
Net Margin	17.1%	24.0%	32.6%
P/E (x)	35.7	26.7	18.4
P/B (x)	2.02	2.41	2.40
EV/EBITDA (x)	15.9	15.0	11.5
Dividend Yield	5.5%	5.0%	5.3%

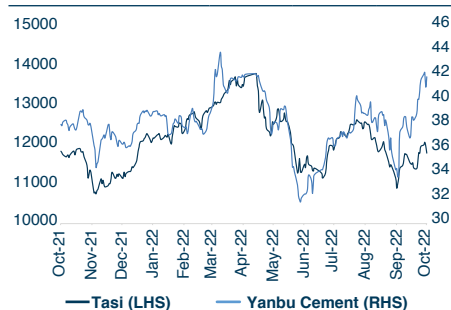
Source: Company reports, Aljazira Capital

Key Market Data

Market Cap (bn)	6.61
YTD %	13.67%
52 week (High)/(Low)	44.20/31.25
Shares Outstanding (mn)	157.5

Source: Company reports, Aljazira Capital

Price Performance



Source: Bloomberg

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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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