

Saudi Cement (SACCO) - 1Q24 Result Review

Analyst: Neetika Gupta

Recommendation:

Accumulate

Target Price (SAR):

63.0

Previous Reco. & Date:

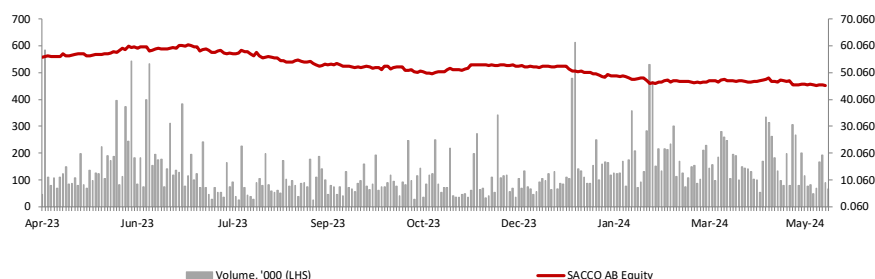
TP: SAR 63 per share; Accumulate on 21-May-2023

Upside / (Downside):

39.2%

Date: 13-May-2024

Bloomberg Ticker	SACCO AB
Current Market Price (SAR)	45.250
52wk High / Low (SAR)	60.6/45.1
12m Average Vol. (000)	13.3
Mkt. Cap. (USD/SAR mn)	1,846/6,923
Shares Outstanding (mn)	153.0
Free Float (%)	92%
3m Avg Daily Turnover (000)	7,422.7
6m Avg Daily Turnover (000)	7,220.5
P/E'24e (x)	16.8
EV/EBITDA'24e (x)	10.8
Dividend Yield '24e (%)	6.6%
Price Perf. (1m/3m) (%)	-4.2/-1.9



Revenue increased by 4% YoY, ahead of U Capital and Bloomberg estimates

Saudi Cement has reported a revenue of SAR 426.5mn for 1Q24, which was ahead of our expectations of SAR 391mn and Bloomberg estimate of SAR 408mn. Revenue grew 4% YoY and 12% QoQ due to the increase in sales volume and the average selling prices.

Net profit decreased 8% YoY, however, it came ahead of U Capital and Bloomberg estimates

Net profit decreased 8% YoY to SAR 113.8mn compared to U Capital and Bloomberg estimate of SAR 104mn. The YoY decline in the net profit was due to the increase in cost of sales, selling and distribution expenses, general and administrative expenses, finance charges and the decrease in gain on sale of investment related to the subsidiary which offsets the increase in other revenues and the share of profit of investment in an associate. While on QoQ basis, there has been a 10% rise in net profit mainly driven by the increase in the top line, share of profit of investment in an associate, decrease in general and administrative expenses, and finance charges.

Maintain "Accumulate" rating on the stock

Given the underutilized capacity, the company is well placed to benefit from the ongoing recovery in the domestic construction sector. Since 4Q23, the average realization prices have been on the rise as well. We expect better average realizations along with expected higher sales volume to drive revenues as well as margins in the long term. We note the strong set of results reported for 1Q24, ahead of our estimates, and believe that there should be further upside from current trading level. Consequently, we are maintaining the Accumulate rating on the stock.

Valuation

Saudi Cement is trading at 2024e P/E of 16.8x, representing a 6% discount compared to the historical average P/E of 17.8x. Additionally, EV/EBITDA multiple of 10.8x, based on our FY24 estimate, represents a 4% discount compared to the historical average EV/EBITDA of 11.3x.

Income Statement

(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)
Sales/Revenue	427.7	409.6	356.3	315.0	380.9	426.5	390.2	4%	12%	9%
Gross Profit	197.8	175.8	145.1	114.4	137.7	174.8	163.9	-1%	27%	7%
Operating Profit	155.1	123.7	93.7	60.7	84.2	119.3	110.7	-4%	42%	8%
Net Profit (Loss) after tax	154.5	123.8	85.2	68.3	103.8	113.8	104.2	-8%	10%	9%

Balance Sheet

(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)
Shareholders' Equity	2,293.0	2,416.7	2,004.6	2,072.9	2,159.3	2,273.1	2,263.5	-6%	5%	0%

Key Ratios

	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e
Net Profit Margin	36.1%	30.2%	23.9%	21.7%	27.2%	26.7%	26.7%
Return on Equity (RoE)	27.0%	20.5%	17.0%	13.2%	19.2%	20.0%	18.4%
Annualized EPS (SAR)	4.04	3.23	2.23	1.78	2.72	2.98	2.72
BVPS (SAR)	14.99	15.80	13.10	13.55	14.11	14.86	14.79

Source: Financials, Bloomberg, U Capital Research


For our previous report, please [click here](#)


Investment Research

Ubhar-Research@u-capital.net

Head of Research


Neetika Gupta


 +968 2494 9036

 neetika@u-capital.net


Research Team


Ahlam Al-Harhi

 +968 2494 9024

 ahlam.harhi@u-capital.net


Amira Al Alawi


 +968 2494 9112

 amira.alalawi@u-capital.net

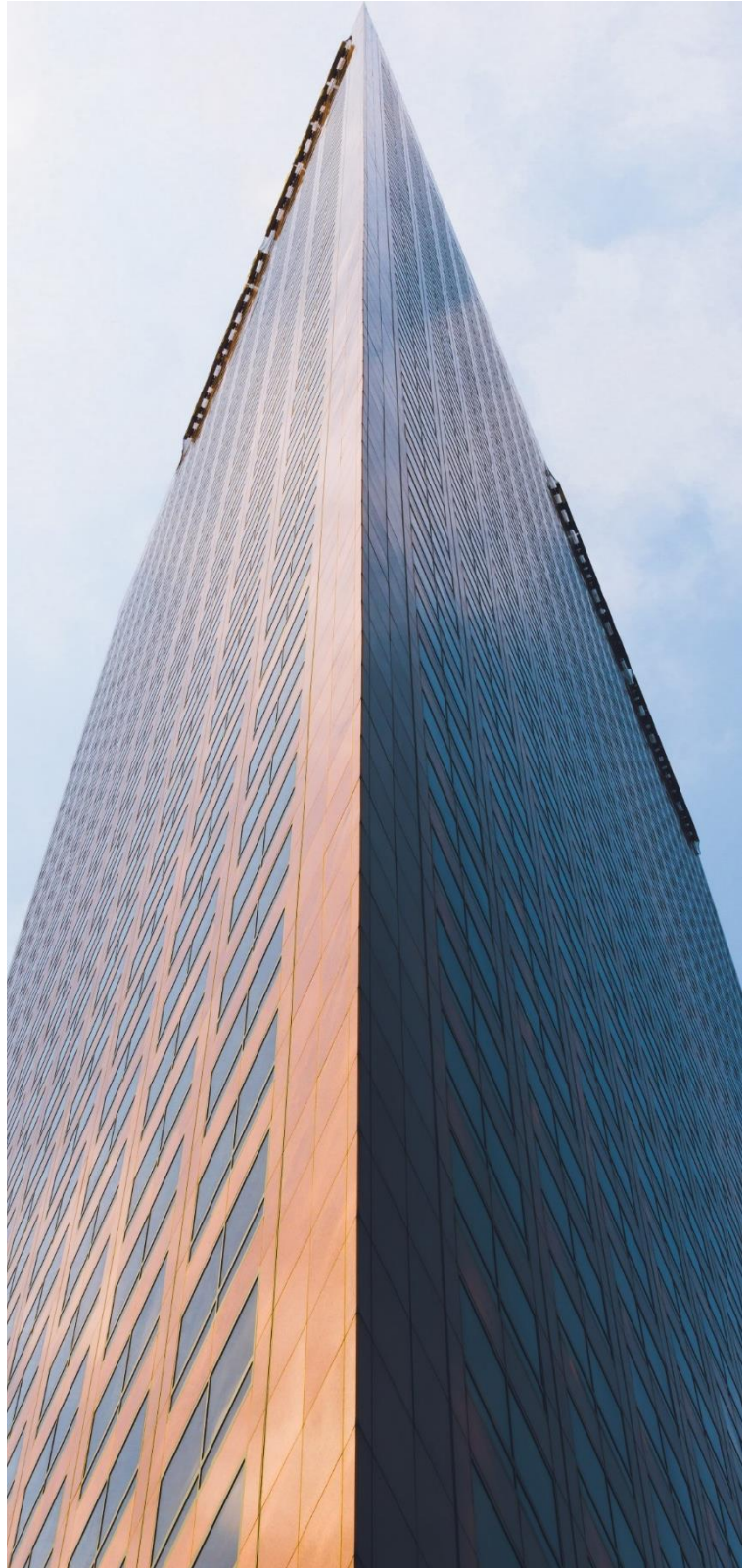
Head of Brokerage

Talal Al Balushi

 +968 2494 9051

 talal@u-capital.net

Visit us at: www.u-capital.net



Disclaimer

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

Ubhar Capital SAOC (U Capital)

Website: www.u-capital.net
PO Box 1137
PC 111, Sultanate of Oman
Tel: +968 2494 9036
Fax: +968 2494 9099
Email: research@u-capital.net

Disclaimer: This report has been prepared by Ubhar Capital (U Capital) Research and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The company accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. All opinions and estimates included in this document constitute U Capital Research team's judgment as at the date of production of this report and are subject to change without notice. This report may not be reproduced, distributed or published by any recipient for any other purpose.