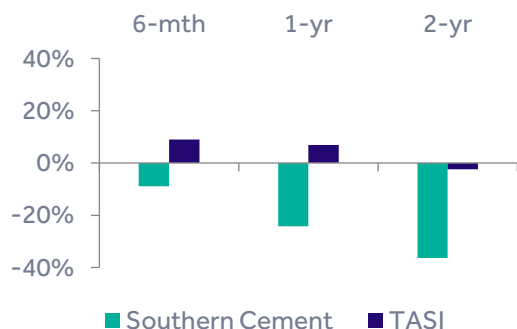


Market Data	
52-week high/low	SAR 54.40/38.30
Market Cap	SAR 5,502 mln
Shares Outstanding	140 mln
Free-float	62.56%
12-month ADTV	76,968
Bloomberg Code	SOCCO AB



## Extremely High Prices & Low Volumes

May 21, 2024

Upside to Target Price	4.3%	Rating	Neutral
Expected Dividend Yield	2.5%	Last Price	SAR 39.30
Expected Total Return	6.9%	12-mth target	SAR 42.00

Southern Cement	1Q2024	1Q2023	Y/Y	4Q2023	Q/Q	RC Estimate
Sales	251	300	(16%)	258	(3%)	288
Gross Profit	93	71	31%	88	5%	75
Gross Margins	37%	24%		34%		26%
Operating Profit	70	54	30%	67	4%	57
Net Profit	62	49	27%	74	(16%)	54

(All figures are in SAR mln)

- SPCC in this quarter recorded SAR 251 mln in revenue (-16% Y/Y, -3% Q/Q), lower than our estimates on the back of achieving lower-than-expected 1,221k tons in total sales volume vs our 1,508k tons forecast. The annual decline resulted from -29% lower total sales volume to 1,221k tons (local cement sales down -17% to a low of 1,181k tons and clinker exports plummeted -87% to 38k tons), despite +19% higher average selling prices (ASP) Y/Y to 206 SAR/ton, the highest price since 1Q2018. Sequentially, the same happened, total sales volume declined by -15% Q/Q and ASP was up by +15%.
- The higher-than-expected ASP notably expanded gross margins to 37%, on both Y/Y and Q/Q basis. COGS per ton was also lower than expected at SAR 129/ton vs our SAR 135/ton estimate.
- 4Q OPEX was up +37% Y/Y and +8% Q/Q to SAR 23 mln, yet operating margin improved Y/Y and Q/Q.
- Bottomline came in at SAR 62 mln (+27% Y/Y, -16% Q/Q), higher than both market consensus and our estimates of SAR 50 mln and SAR 54 mln, respectively. We reiterate, our concern of low cement demand in the southern region and the high clinker inventory level in the industry, yet ASP helped. We tweak the target price to SAR 42.00 per share but keep a Neutral rating.

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## ■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors  
For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

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