

May 10, 2023

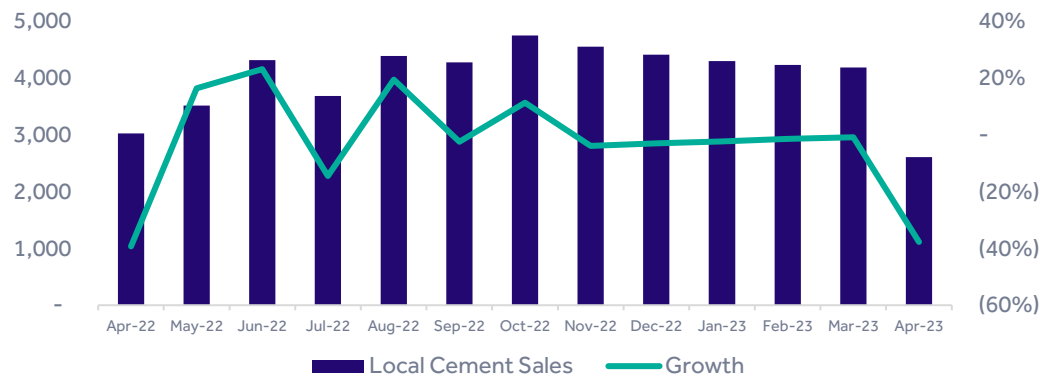
SAUDI CEMENT SECTOR
Monthly Report – April 2023

Local Cement Sales Fall -38% M/M

Total sales for the Saudi cement sector fell by -11% Y/Y and by -36% M/M to 2.7 million tons in April 2023, the sixth month in a row, according to Yamama Cement's monthly bulletin. Just 4 out of 17 companies in the sector showed an increase Y/Y in their local sales volume, led by Northern Cement Co. (up +87% to 84K tons) while on M/M basis all the companies showed a decline in their local sales led by Alsafwa Cement Co. which fell by -53% followed by City Cement Co. that showed a -46% decline. We believe the significant decline on both yearly and monthly basis is driven by lower construction activity as the month of April fell in the holy month of Ramadan and included Eid Al-Fitr holidays. We expect an improvement in sales volume in the upcoming months on the back of demand from Giga projects as well as the Y/Y and M/M decline in Iron prices. Exports sales for the month are up by +109% Y/Y but were stable M/M to 144k tons compared to 69K tons in April 2022.

Exhibit 1: Local Sales (000's tons)

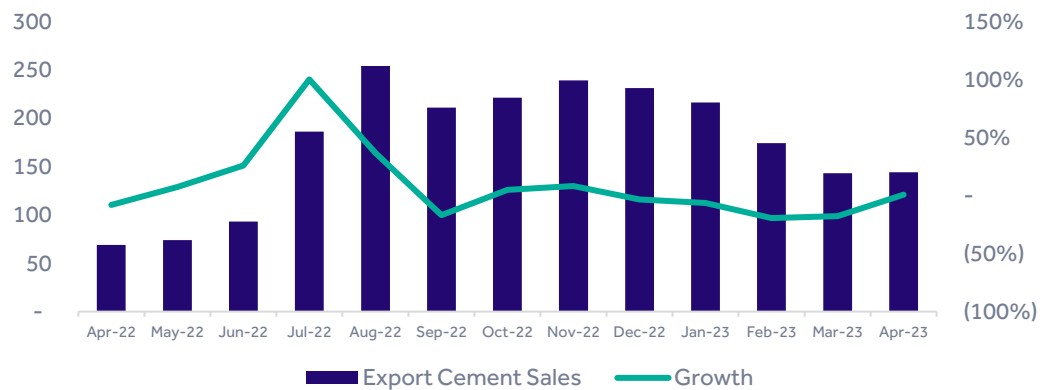
Local sales fell on both yearly and monthly basis by -14% and -38%, respectively.



Source: Riyad Capital, Yamama Cement

Exhibit 2: Exports of Saudi Cement Sector (000's tons)

Export sales up by +109% Y/Y.



Source: Riyad Capital, Yamama Cement

Table 1: Total Cement Sales (000's tons)

| | Apr - 22 | Mar - 23 | Apr - 23 | Growth Y/Y | Growth M/M |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Local Sales | 3,015 | 4,172 | 2,597 | (14%) | (38%) |
| Export Sales | 69 | 143 | 144 | 109% | 1% |
| Total Cement Sales | 3,084 | 4,315 | 2,741 | (11%) | (36%) |

Clinker Production

The industry's clinker production fell by -2% Y/Y but is up by +1% M/M to 4.9 million tons in April 2023. 7 out of 17 companies in the sector showed an increase Y/Y in their clinker production as Umm Al Qura's clinker production reached 157K tons compared to no production in Apr-22 while Northern Cement with a production of 102K tons recorded the biggest decline Y/Y by -40%. On M/M basis, only 7 companies showed a decline in their clinker production as Northern Cement recorded the biggest decline M/M by -29% while Hail Cement with a production of 171K tons recorded the highest growth M/M by +58%.

Clinker inventories are up on both yearly and monthly basis by +6% and +5%, respectively, to 36.8 million tons this month (highest level since December 2020).

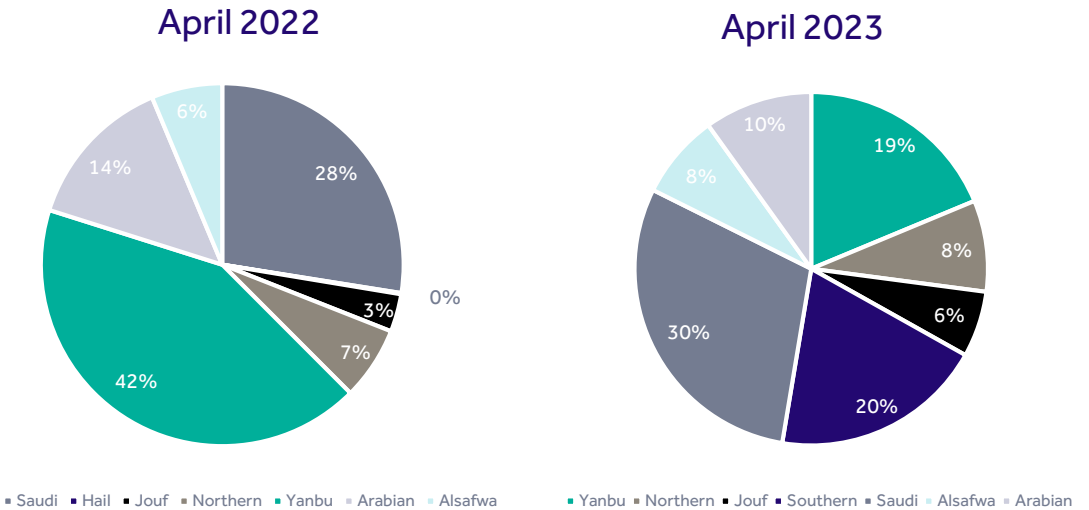
Exhibit 3: Clinker Production of Saudi Cement Sector (000's tons)

Clinker production fell by -2% Y/Y.



Source: Riyad Capital, Yamama Cement

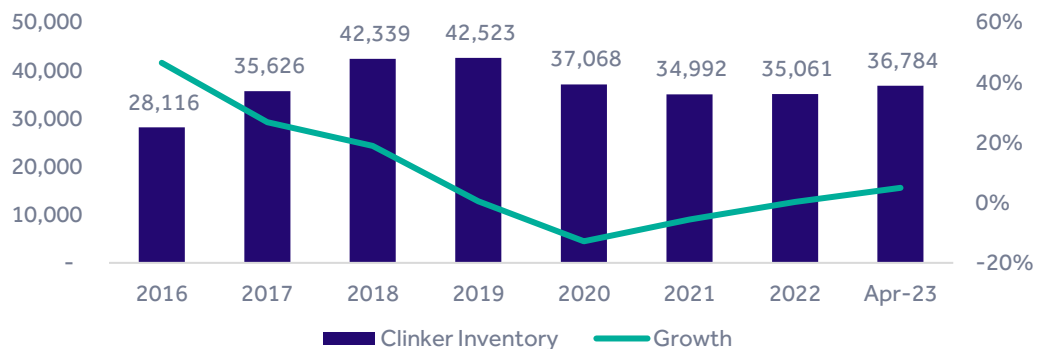
Exhibit 4: Clinker Exports by Companies (%)



Source: Riyad Capital, Yamama Cement

Exhibit 5: Clinker Inventory Levels (000's tons)

Clinker Inventories rose by +6% Y/Y and +5% M/M.



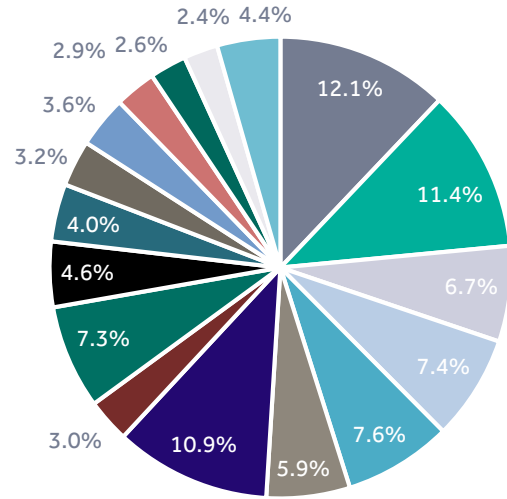
Source: Riyad Capital, Yamama Cement

Yamama Cement leads market share

Yamama Cement Co. continues to lead the market share at 12.1% in April 2023 followed by Saudi Cement Co. with a market share of 11.4%.

Exhibit 6: Market Share for April 2023

- Yamama 12.1%
- Saudi 11.4%
- Eastern 6.7%
- Qassim 7.4%
- Yanbu 7.6%
- Arabian 5.9%
- Southern 10.9%
- Tabuk 3.0%
- Riyadh 7.3%
- Najran 4.6%
- City 4.0%
- Northern 3.2%
- Jof 3.6%
- Alsafwa 2.9%
- Hail 2.6%
- Umm Al Qura 2.4%
- United Cement 4.4%



Source: Riyad Capital, Yamama Cement

■ 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

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