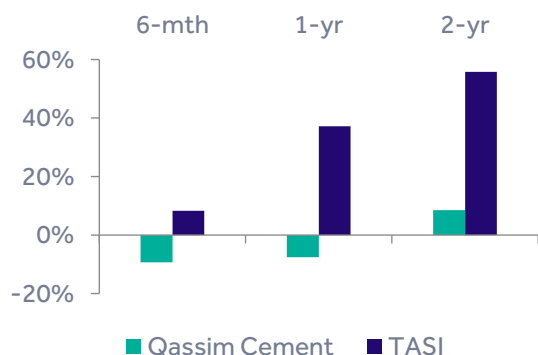


Market Data	
52-week high/low	SAR 90.00/71.80
Market Cap	SAR 7,074 mln
Shares Outstanding	90 mln
Free-float	100%
12-month ADTV	93,618
Bloomberg Code	QACCO AB



## Decline in Average Selling Price Hits 4Q Earnings

February 14, 2022

Upside to Target Price	(7.1%)	Rating	Neutral
Expected Dividend Yield	2.7%	Last Price	SAR 78.60
Expected Total Return	(4.4%)	12-mth target	SAR 73.00

Qassim Cement	4Q2021	4Q2020	Y/Y	3Q2021	Q/Q	RC Estimate
Sales	131	238	(45%)	170	(23%)	176
Gross Profit	7	109	(93%)	70	(90%)	56
Gross Margins	5%	46%		41%		32%
Operating Profit	4	99	(96%)	60	(93%)	48
Net Profit	34	113	(70%)	60	(44%)	49

(All figures are in SAR mln)

- FY2021 sales reached SAR 723 million (-20% Y/Y) due to lower average selling price despite higher sales volume Y/Y. Net income of SAR 295 million fell by -29% Y/Y due to lower margins.
- For 4Q2021, Qassim Cement reported top-line of SAR 131 million (-45% Y/Y, -23% Q/Q), below our estimates. The decline was attributed to lower local sales volume by -15% Y/Y but an increase by +5% Q/Q to reach 1.2 mln tons this quarter. The average selling price fell sharply by -35% Y/Y and -28% Q/Q to SAR 114/ton. We believe the decline in prices was a result of higher competition in the Central region which we expect to continue in the short term.
- Gross Profit for the quarter dropped by -93% Y/Y and by -90% Q/Q to SAR 7 mln, while the gross margin fell by 40% Y/Y and by 35% Q/Q to 5% this quarter due to lower prices.
- We expect an improvement in volumes in upcoming months while we expect the average selling price to remain under pressure, which is likely to negatively impact 1H2022 results.
- Qassim Cement reported a bottom line of SAR 34 million (-70% Y/Y, -44% Q/Q) below our and market expectations due to lower margins and higher costs. We reduce our target price to SAR 73.00 due to the market conditions but maintain our Neutral rating.

Abdullah D Alharbi  
 abdullah.ulihan.alharbi@riyadcapital.com  
 +966-11-486-5680

## ■ 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)

Riyad Capital is a Saudi Closed Joint Stock Company with Paid up capital of SR 500 million, licensed by the Saudi Arabian Capital Market Authority NO.07070-37. Commercial Registration No: 1010239234. Head Office: Granada Business Park 2414 Al-Shohda Dist. – Unit No 69, Riyadh 13241 - 7279 Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.