

Market Data	
52-week high/low	SAR 62.40/47.60
Market Cap	SAR 6,804 mln
Shares Outstanding	140 mln
Free-float	62.55%
12-month ADTV	79,699
Bloomberg Code	SOCCO AB

■ Miniscule Bottom-line

August 15, 2023

Upside to Target Price	9.1%	Rating	Neutral
Expected Dividend Yield	3.6%	Last Price	SAR 48.60
Expected Total Return	12.7%	12-mth target	SAR 53.00

Southern Cement	2Q2023	2Q2022	Y/Y	1Q2023	Q/Q	RC Estimate
Sales	226	234	(3%)	300	(25%)	244
Gross Profit	37	56	(34%)	71	(48%)	55
Gross Margins	16%	24%		24%		22%
Operating Profit	23	43	(47%)	53	(57%)	42
Net Profit	19	61	(69%)	49	(61%)	36

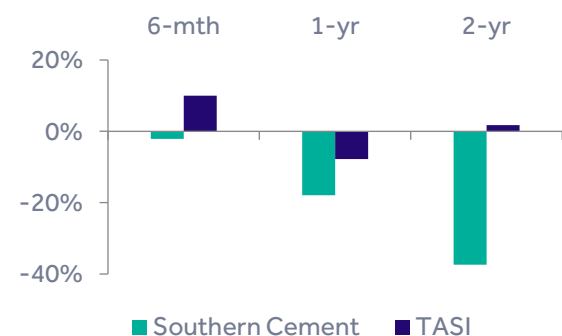
(All figures are in SAR mln)

- SPCC's top-line declined -3% Y/Y and -25% Q/Q to SAR 226 mln. On a Y/Y basis, this can be attributed to a -9% decline in average selling prices to SAR 172/ton despite a +6% Y/Y growth in total sales volume while Q/Q total sales volume fell -24% led by a -23% decline in local sales volumes, on the back of lower demand, coupled with a -1% decline in prices.
- Gross margins remained under pressure, contracting by -761 bps Y/Y and -730 bps Q/Q due to an increase in COGS per ton. Hence, gross profit fell significantly by -34% Y/Y and -48% Q/Q to SAR 37 mln this quarter.
- As we expected, local sales volumes have been lower this year on the back of subdued demand, especially from the retail segment, coupled with pressure on margins. Thus, in 2Q2023 local sales volume declined -7.4% Y/Y and -22.7% Q/Q to 1.1 mln tons. At the same time, 2Q net margin came in at 8.4% versus 25.9% in the same period last year and 16.3% in 1Q2023.
- SPCC's bottom-line fell significantly by -69% Y/Y and -61% Q/Q to SAR 19 mln, missing both our estimates of SAR 36 mln and market consensus of SAR 33 mln on lower than expected margins. We reduce our target price from SAR 55.00 to SAR 53.00 but maintain our 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

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