

Market Data	
52-week high/low	SAR 62.40/47.60
Market Cap	SAR 7,224 mln
Shares Outstanding	140 mln
Free-float	62.41%
12-month ADTV	79,552
Bloomberg Code	SOCCO AB

■ Margins Remain Weak

May 21, 2023

Upside to Target Price	6.9%	Rating	Neutral
Expected Dividend Yield	3.4%	Last Price	SAR 51.60
Expected Total Return	10.3%	12-mth target	SAR 55.00

Southern Cement	1Q2023	1Q2022	Y/Y	4Q2022	Q/Q	RC Estimate
Sales	300	330	(9%)	335	(10%)	330
Gross Profit	71	106	(33%)	89	(20%)	106
Gross Margins	24%	32%		27%		32%
Operating Profit	53	91	(42%)	68	(22%)	88
Net Profit	49	87	(44%)	62	(21%)	84

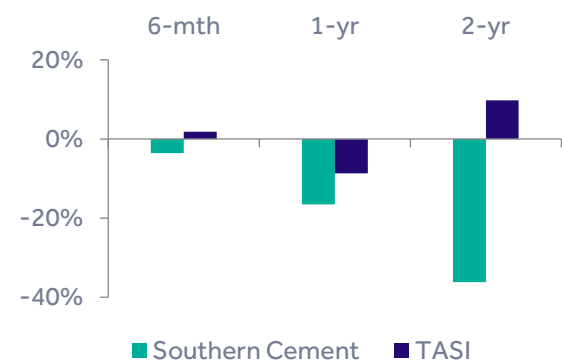
(All figures are in SAR mln)

- SPCC's top-line fell -9% Y/Y and -10% Q/Q to SAR 300 mln. On a Y/Y basis, this can be attributed to a -2% decline in total sales volume as well as a -8% decline in average selling price to SAR 173/ton while Q/Q total sales volume fell -12% led by a -7% decline in local sales volumes on the back of lower demand.
- Gross Margins remained under pressure, contracting by -856 bps Y/Y and -293 bps Q/Q due to an increase in COGS per ton. Thus, 1Q gross profit fell -33% Y/Y and -20% Q/Q to SAR 71 mln this quarter.
- Bottom-line fell -44% Y/Y and -21% Q/Q to SAR 49 mln, missing both our estimates of SAR 84 mln and market consensus of SAR 77 mln.
- We expect a decline in local sales volumes this year due to lower demand, especially from the retail segment, along with pressure on margins. The Company has recently signed a contract to establish a production line and prepare infrastructure for another with total capacity of 10,000 tons/day at a cost of USD 330 mln. This is expected to replace the Jazan line. Hence, we revise our forecast (expect higher financial charges) and reduce our target price from SAR 60.00 to SAR 55.00. We downgrade our rating to Neutral.

Abdullah D Alharbi

abdullah.ulhan.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

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.