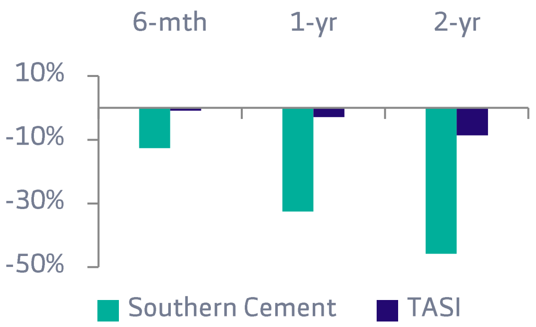
Positive Gross Margin as Transition Pressures Ease

May 12, 2026

Upside to Target Price	(0.1%)	Rating	Neutral
Expected Dividend Yield	2.4%	Last Price	SAR 21.02
Expected Total Return	2.3%	12-mth target	SAR 21.00

Market Data	
52-week high/low	SAR 31.30/20.66
Market Cap	SAR 2,943 mln
Shares Outstanding	140 mln
Free-float	62.56%
12-month ADTV	78,055
Bloomberg Code	SOCCO AB



Southern Cement	1Q2026	1Q2025	Y/Y	4Q2025	Q/Q	RC Estimate
Sales	203	220	(8%)	234	(13%)	194
Gross Profit	23	40	(43%)	(90)	-	14
Gross Margins	11%	18%		(38%)		7%
Operating Profit	3	24	(88%)	(110)	-	(2)
Net Profit	(4)	16	-	(93)	(96%)	(11)

(All figures are in SAR mln)

- SPCC reported 1Q2026 revenues of SAR 203 mln (-8% Y/Y, -13% Q/Q), slightly above our SAR 194 mln estimate. Y/Y slowdown was driven by lower prices and volumes. The Q/Q decline resulted from weaker local volumes impacted by seasonality. Blended average selling prices improved sequentially to SAR 192/ton (-5.5% Y/Y, +6.2% Q/Q), above our SAR 183/ton estimate. Total sales volumes decreased to 1,057k tons (-2.1% Y/Y, -18.2% Q/Q) driven by weaker local cement sales of 867k tons (-12.3% Y/Y, -23.5% Q/Q) on the back of Ramadan seasonality, but clinker exports jumped to 190k tons (+109% Y/Y, +20% Q/Q), in line with estimates.
- Cost per ton recovered from the previous quarter's elevated level of SAR 250/ton, which was impacted by Jazan plant transition-related inefficiencies and prior-quarter adjustments, to SAR 170/ton, in line with our SAR 170/ton estimate, though still above last year's SAR 160/ton level. As a result of lower costs and improved pricing, gross margin recovered to 11% from a negative margin in 4Q2025, although still below last year's 18%, while remaining above our 7% estimate. Gross profit recovered to SAR 23 mln from gross losses in the previous quarter, though still down -43% Y/Y, and came slightly ahead of our expectations. The sharp Q/Q improvement was mainly driven by lower cost of sales following the prior quarter's inventory adjustments related to work-in-process and raw material inventories, in addition to the depreciation adjustment related to the old production lines at the Jazan plant, which are being replaced by the new line. OPEX of SAR 20 mln (+25% Y/Y, flat Q/Q) came in line with estimates, while net other expenses remained broadly stable at SAR 7 mln and in line with our estimates.
- SPCC reported net losses of SAR (4) mln, in line with market consensus of SAR (2) mln losses and slightly better than our SAR (11) mln loss estimate. Y/Y comparison, the company was impacted in this quarter by lower topline, elevated production costs, and lower utilization rates during the ramp-up phase of the new production line. We tweak our target price to SAR 21.00 from SAR 22.00 per share and maintain a Neutral stance.

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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

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