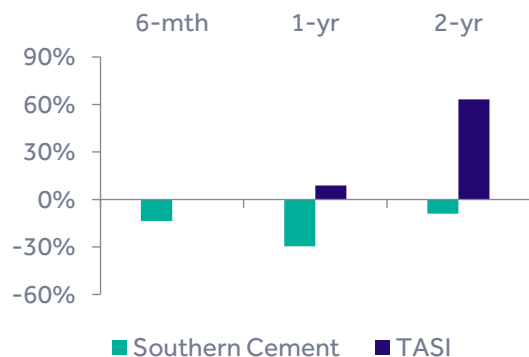


Market Data	
52-week high/low	SAR 84.20/53.00
Market Cap	SAR 8,246 mln
Shares Outstanding	140 mln
Free-float	62.41%
12-month ADTV	103,647
Bloomberg Code	SOCCO AB



Bottom-line Falls -30% Y/Y

August 10, 2022

Upside to Target Price	22.2%	Rating	Buy
Expected Dividend Yield	3.6%	Last Price	SAR 58.90
Expected Total Return	25.8%	12-mth target	SAR 72.00

Southern Cement	2Q2022	2Q2021	Y/Y	1Q2022	Q/Q	RC Estimate
Sales	234	287	(18%)	330	(29%)	217
Gross Profit	56	103	(46%)	106	(47%)	80
Gross Margins	24%	36%		32%		37%
Operating Profit	43	91	(53%)	91	(53%)	69
Net Profit	61	87	(30%)	89	(31%)	65

(All figures are in SAR mln)

- On a yearly basis, sales declined -18% Y/Y to SAR 234 mln, in-line with our forecast. The decline was attributed to a decrease in both total sales volume and prices, which showed a decline by -13% and -6% to 1.2 mln tons and SAR 189/ton respectively. On a quarterly basis, sales fell by -29%, on the back of lower total sales volume by -30% despite a marginal increase in average selling prices.
- Margins have continued to contract. Gross margins have fallen on both yearly and quarterly basis by 12% and 8% respectively to 24% this quarter while net margins also witnessed a decline Y/Y by 4% and by 1% Q/Q to reach a level of 26% this quarter.
- The local sales volume for the 1H2022 fell by -20% compared with the same period last year to 2.8 mln tons. Despite the noticeable decrease in sales volumes, we expect both volumes and prices to come back up again in the upcoming months due to projects in the Southern and Western regions.
- SPCC reported a net income of SAR 61 mln (-30% Y/Y, -31% Q/Q) for 2Q2022, in-line with our forecast. We reduce our target price to SAR 72.00 but maintain our Buy 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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