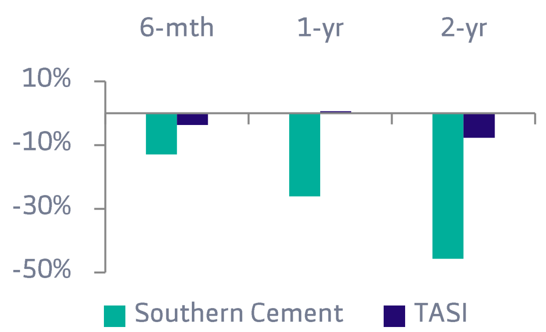
Cost Relief Drives Profits Beat

August 12, 2026

Upside to Target Price	0.1%	Rating	Neutral
Expected Dividend Yield	2.6%	Last Price	SAR 18.99
Expected Total Return	2.7%	12-mth target	SAR 19.00

Market Data	
52-week high/low	SAR 28.00/18.41
Market Cap	SAR 2,659 mln
Shares Outstanding	140 mln
Free-float	62.56%
12-month ADTV	79,742
Bloomberg Code	SOCCO AB



Southern Cement	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Sales	201	195	3%	203	(1%)	199
Gross Profit	52	31	68%	23	126%	22
Gross Margins	26%	16%		11%		11%
Operating Profit	32	12	167%	3	967%	5
Net Profit	24	3	700%	(4)	-	(2)

(All figures are in SAR mln)

- SPCC reported 2Q2026 revenues of SAR 201 mln (+3% Y/Y, -1% Q/Q), in line with our SAR 199 mln estimate. Y/Y growth was driven by higher volumes despite lower prices, while Q/Q decline resulted from marginally lower prices and volumes. Blended ASP declined to SAR 191/ton (-8% Y/Y, -0.4% Q/Q), in line with our SAR 190/ton estimate. Total sales volumes increased to 1,052k tons (+12% Y/Y, -0.5% Q/Q) driven by clinker exports of 173k tons (from nil Y/Y, -9% Q/Q), while local cement sales declined to 879k tons (-6.5% Y/Y, +1.4% Q/Q), in line with estimates. 1H2026 sales edged down -3% to SAR 403 mln, driven by -7% lower ASPs.
- Cost per ton came in better-than-expected at SAR 142/ton (vs. our SAR 168/ton estimate), driving the earnings beat, and significantly below 1Q2026 elevated level of SAR 170/ton. This improvement was likely partly driven by better fixed cost absorption, with clinker production up +65% Q/Q to 1.2 mln tons. As a result of lower costs, gross margin recovered sharply to 26% from 16% last year and 11% previous quarter, above our 11% estimate. Gross profit jumped to SAR 52 mln, from SAR 31 mln last year, exceeding our SAR 22 mln estimate. OPEX of SAR 20 mln remained broadly stable Y/Y and Q/Q and was marginally above our estimate, similarly net other expenses remained relatively flat at SAR 8 mln, and in line with our estimates.
- SPCC reported net income of SAR 24 mln, exceeding market consensus of SAR 0.3 mln and our SAR (2) mln loss estimate. The strong earnings growth was mainly driven by the significantly lower cost per ton. 1H2026 profits grew marginally to SAR 20 mln, due to lower cost of sales, financing and Zakat expenses. We maintain our Neutral stance with a trimmed target price of SAR 19.00 per share.

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Disclaimer

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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