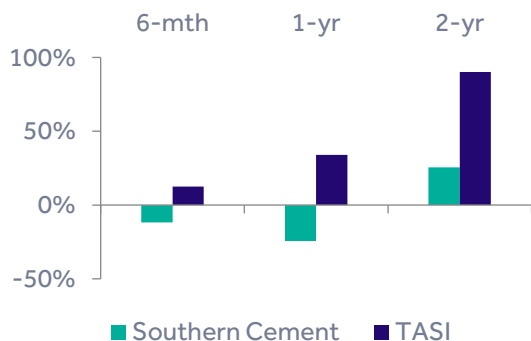


Market Data	
52-week high/low	SAR 89.00/66.00
Market Cap	SAR 9,380 mln
Shares Outstanding	140 mln
Free-float	58.36%
12-month ADTV	99,347
Bloomberg Code	SOCCO AB



## EBIT Rises +20% Q/Q

March 10, 2022

Upside to Target Price	13.4%	Rating	Buy
Expected Dividend Yield	3.0%	Last Price	SAR 67.00
Expected Total Return	16.4%	12-mth target	SAR 76.00

Southern Cement	4Q2021	4Q2020	Y/Y	3Q2021	Q/Q	RC Estimate
Sales	328	431	(24%)	284	15%	334
Gross Profit	117	163	(28%)	108	9%	114
Gross Margins	36%	38%		38%		34%
Operating Profit	103	150	(32%)	86	20%	95
Net Profit	97	141	(32%)	83	16%	92

(All figures are in SAR mln)

- In 2021, sales declined -19% Y/Y to SAR 1.3 bln due to decline in local sales volume as the company sold 7.6 mln tons in 2021 compared to 8.8 mln tons in 2020. SPCC reported a net profit of SAR 450 mln (-26% Y/Y) for the year.
- For 4Q2021, sales fell by -24% Y/Y but are up by +15% Q/Q to SAR 328 mln, in-line with our SAR 334 mln forecast. The decline in sales Y/Y is due to lower sales volume which decreased by -20% Y/Y (but +19% Q/Q) to 1.7 mln tons. The average selling price slightly fell on both Y/Y and Q/Q by -5% and -3% respectively to SAR 193/ton.
- Margins have continued to contract for SPCC. Gross margins have fallen on both yearly and quarterly basis by -219 bps and -221 bps respectively to 36% this quarter while net margins also witnessed a decline Y/Y by -336 bps but is up by +8 bps to reach a level of 29% this quarter.
- The company managed to largely maintain its selling prices during the quarter, which indicates that the company outperformed in the highly competitive environment. We expect an improvement in sales volume in short term while prices come under pressure in 1Q2022.
- SPCC reported a net profit of SAR 97 mln (-32% Y/Y, +16% Q/Q) for 4Q2021, close to our forecast. We maintain our target price of SAR 76.00 but Upgrade to Buy.

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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](mailto:research@riyadcapital.com)

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