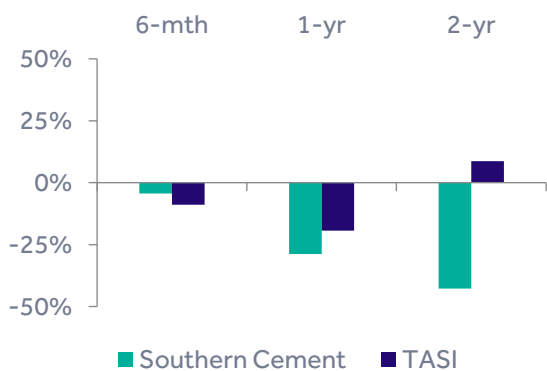


Market Data	
52-week high/low	SAR 74.60/47.60
Market Cap	SAR 6,951 mln
Shares Outstanding	140 mln
Free-float	62.41%
12-month ADTV	78,362
Bloomberg Code	SOCCO AB



## Local Volumes Fall -13% in 2022

March 29, 2023

Upside to Target Price	20.8%	Rating	Buy
Expected Dividend Yield	4.8%	Last Price	SAR 49.65
Expected Total Return	25.6%	12-mth target	SAR 60.00

Southern Cement	4Q2022	4Q2021	Y/Y	3Q2022	Q/Q	RC Estimate
Sales	335	328	2%	323	4%	364
Gross Profit	89	119	(25%)	106	(16%)	122
Gross Margins	27%	36%		33%		34%
Operating Profit	67	105	(35%)	93	(27%)	104
Net Profit	63	98	(36%)	89	(29%)	100

(All figures are in SAR mln)

- For FY2022, SPCC's top-line fell by -9% Y/Y to SAR 1.2 bln. This was attributed to a -13% decline in local sales volume as well as a -9% Y/Y decline in prices to SAR 178/ton. We believe the decline in prices were on the back of higher Clinker Exports (up +414% Y/Y). Margins were under pressure due to an increase in COGS per ton Y/Y, thus, FY2022 net profit fell by -30% Y/Y to SAR 301 mln.
- In 4Q2022, SPCC's top-line is up by +2% Y/Y and +4% Q/Q to SAR 335 mln. This is mainly due to an increase in total volumes sold during the quarter, which are up by +16% Y/Y and +5% Q/Q to 2.0 mln tons. Average selling price showed a decline on both yearly and quarterly basis by -12% and by -1%, respectively, to SAR 170/ton.
- Gross profit came in at SAR 89 mln (-25% Y/Y, -16% Q/Q) as margins have continued to contract. GP margin has fallen by -970 bps Y/Y and by -618 bps Q/Q to 27% this quarter. Net margins of 19% this quarter contracted on both Y/Y and Q/Q basis as well.
- The Company reported a bottom-line of SAR 63 mln (-36% Y/Y, -29% Q/Q), missing both our estimates and market consensus. We maintain our Buy rating but revise our target price to SAR 60.00.

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](mailto:research@riyadcapital.com)

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