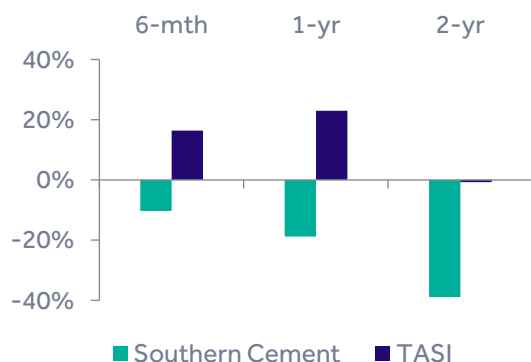


Market Data	
52-week high/low	SAR 54.60/38.30
Market Cap	SAR 5,663 mln
Shares Outstanding	140 mln
Free-float	62.56%
12-month ADTV	76,968
Bloomberg Code	SOCCO AB



Annual Net Profit Declines Again

March 21, 2024

Upside to Target Price	8.8%	Rating	Neutral
Expected Dividend Yield	2.5%	Last Price	SAR 40.45
Expected Total Return	11.2%	12-mth target	SAR 44.00

Southern Cement	4Q2023	4Q2022	Y/Y	3Q2023	Q/Q	RC Estimate
Sales	258	335	(23%)	286	(10%)	282
Gross Profit	89	93	(4%)	81	10%	93
Gross Margins	34%	28%		28%		33%
Operating Profit	68	72	(6%)	58	16%	77
Net Profit	74	63	18%	53	39%	72

(All figures are in SAR mln)

- In 4Q, SPCC recorded revenues at SAR 258 mln (-23% Y/Y, -10% Q/Q). The annual decline resulted from lower total sales volume by -27% to 1,438k ton (local sales down -14%, and exports down -54%), despite +5% higher average selling prices (ASP) Y/Y to 179 SAR/ton. Quarterly, the same happened, the total sales volume declined by -14% Q/Q but ASP was up by +5%. Full year revenues declined by -12% to SAR 1.07 bln from SAR 1.22 bln in last year, driven by lower total sales volume and ASP by -10% and -3%, to 6,161k ton and 174 SAR/ton, respectively.
- All 4Q23 profitability margins expanded Y/Y and Q/Q, mainly driven by -6% Y/Y lower COGS per ton and higher ASP. Gross margin notably increased to 34% from 28% in the previous quarter and last year, in-line with our estimates. Full year gross margin narrowed to 26% vs 29% last year.
- 4Q OPEX was almost flat Y/Y and Q/Q, while full year OPEX grew materially by 19% to SAR 74 mln.
- 4Q bottomline is up +18% Y/Y and +39% Q/Q, in-line with our estimates but +37% higher than market consensus. Full year bottomline declined by -35% to SAR 195 mln due to lower demand, lower APS and higher OPEX. The decline would be less at -29% if the positive Zakat reversal in 2022 was neglected. DPS for 2023 was at SAR 1.00 vs 1.25 in last year. We revise our target price to SAR 44.00 and downgrade our rating to Neutral on lower than expected cement demand in the southern region in Jan & Feb 2024 and for clinker's inventory level reaching its highest.

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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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