

■ Sales Jump by +49% Y/Y

November 04, 2020

Upside to Target Price	1.4%	Rating	Neutral
Expected Dividend Yield	2.8%	Last Price	SAR 71.00
Expected Total Return	4.2%	12-mth target	SAR 72.00

Market Data	
52-week high/low	SAR 75.20/42.00
Market Cap	SAR 9,940 mln
Shares Outstanding	140 mln
Free-float	50.6%
12-month ADTV	245,513
Bloomberg Code	SOCCO AB

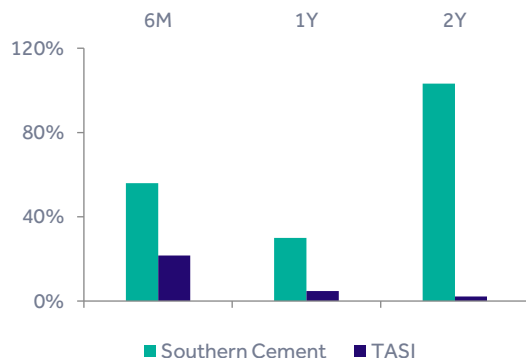
Southern Cement	3Q2020	3Q2019	Y/Y	2Q2020	Q/Q	RC Estimate
Sales	426	286	49%	339	26%	421
Gross Profit	170	108	57%	152	12%	190
Gross Margins	40%	38%		45%		45%
Operating Profit	160	96	67%	137	17%	176
Net Profit	150	90	67%	135	11%	171

(All figures are in SAR mln)

- Southern reported a topline of SAR 426 mln for 3Q2020 in-line with our SAR 421 mln forecasts, with an increase of +49% Y/Y, +26% Q/Q, supported by higher local sales volumes which jumped +38% Y/Y, +25% Q/Q to reach 2 mln tons this quarter.
- Gross margins fell by -500 bps compared with last quarter, but we witnessed an improvement compared with the same quarter last year by +220 bps.
- Southern announced a net profit of SAR 150 mln (+67% Y/Y, +11% Q/Q) for 3Q2020 on the back of higher sales volumes, and a decrease in financial charges (-26% Y/Y, -41% Q/Q) but fell short of our forecast.
- Net margin fell by -450 bps on quarterly basis but up by +360 bps on yearly basis to reach 35% this quarter.
- Southern continued to lead the market share with 15.8% in 9M2020, we expect the company to benefit from the higher demand in the upcoming months. We raise our target price to SAR 72.00 from SAR 63.00 and maintain our recommendation.

Abdullah D Alharbi
 abdullah.ulihan.alharbi@riyadcapital.com
 +966-11-486-5680

الرياض المالية
 riyad capital



■ 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

Riyad Capital is a Saudi Closed Joint Stock Company with Paid up capital of SR 200 million, licensed by the Saudi Arabian Capital Market Authority NO.07070-37. Commercial Registration No: 1010239234. Head Office: Granada Business Park 2414 Al-Shohda Dist. – Unit No 69, Riyadh 13241 - 7279 Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.