

SAUDI CEMENT



EVENT FLASH

Strong 2Q12 results, but below our estimates

Saudi Cement announced its preliminary 2Q12 results on 14 July 2012 post market hours. All profit lines grew 30-36% YoY driven by higher sales volume. However, profits declined 10-11% QoQ due to lower sales volume and came in 6-8% below our estimates. We await full details before updating our model.

- **Gross profit:** 2Q12 came in at SR316mn, increasing 29.9% YoY but 8.3% below the NCBC estimate of SR345mn. 2Q12 was a decrease of 10.3% QoQ.
- **Operating profit:** 2Q12 came in at SR294mn, increasing 32.1% YoY but 7.4% below the NCBC estimate of SR318mn. 2Q12 was a decrease of 10.7% QoQ.
- **Net Income:** 2Q12 came in at SR290mn, increasing 35.8% YoY but 6.4% below the NCBC estimate of SR310mn. 2Q12 was a decrease of 10.9% QoQ.
- In summary, Saudi Cement reported a strong set of results with a net income of SR290mn for 2Q12, equivalent to a YoY growth of 35.8%. However, this was lower than our estimate of SR310mn. We believe the difference in profits is mainly attributed to lower than expected sales volume with our estimate for 2Q12 sales volume of 2.46mn tons.
- SCC's press release attributed the growth YoY to the increase in sales volume driven by strong local demand. However, SCC attributed the decline QoQ to lower sales volume. From our Cement Monthly publication, Saudi Cement sales increased 13.0% YoY in 2Q12 against 6% for the sector, but declined 5.2% QoQ.
- The company announced that it has signed an agreement to sell 400,000 tons of clinker to Arabian Cement and Qassim Cement - YTD, it has sold 343k tons. Moreover, the company postponed re-operating its old lines from 2Q12 to 3Q12. The old lines have a capacity of 5,325 ton/day (additional 24% to its current capacity).
- Saudi Cement is one of our top picks in the sector due to its spare capacity and high stock level of 600k tons which is the second highest in the sector (87% of monthly sales). However we are currently Neutral on the stock with a PT of SR83.7 as we believe many of the positives are currently priced in.

2Q12 Results Summary

SR mn	2Q12A	2Q11A	% YoY	2Q12E	% Var [^]
Gross income	316	243	29.9	345	(8.3)
Operating income	294	223	32.1	318	(7.4)
Net income	290	214	35.8	310	(6.4)
EPS (SR)	1.9	1.4	35.8	2.03	(6.4)

Source: Company, NCBC Research ^ % Var indicates variance from NCBC forecasts

Please refer to the last page for important disclaimer

NEUTRAL

Target price (SR) 83.7

Current price (SR) 89.25

STOCK DETAILS

M52-week range H/L (SR)	98/52
Market cap (\$mn)	3,646
Shares outstanding (mn)	153
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(1.4)	1.1	46.3
Rel. to market	(0.7)	12.1	43.4

Avg daily turnover (mn)	SR	US\$
3M	15.5	4.1
12M	10.4	2.8

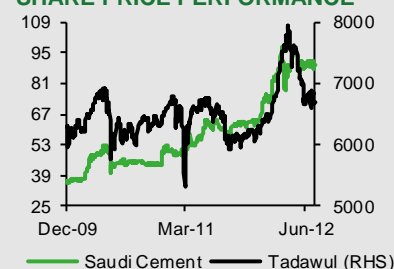
Reuters code	3030.SE
Bloomberg code	SACCO AB
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VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	16.4	12.4	12.4
P/B (x)	4.2	3.9	3.7
EV/EBITDA (x)	13.7	11.0	11.0
Div Yield (%)	6.7	6.7	6.7

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Reuters

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- NEUTRAL:** Target price represents expected returns between -10% and +15% in the next 12 months
- UNDERWEIGHT:** Target price represents a fall in share price exceeding 10% in the next 12 months
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