

## YANBU CEMENT



## EVENT FLASH

## Strong results due to new line

Yanbu Cement announced its preliminary 2Q12 results on 7 July 2012. All profit lines grew by 44-51% YoY driven by the increase in sales volumes. Profitability came in 6-10% ahead of our estimates. We await full details before updating our model.

- **Gross profit:** 2Q12 came in at SR235mn increasing 48.2% YoY and 6.0% above NCBC estimate of 2Q12 at SR222mn. 2Q12 was an increase of 49% QoQ.
- **Operating profit:** 2Q12 came in at SR226mn increasing 50.6% YoY and 7.4% above NCBC estimate of 2Q12 at SR210mn. 2Q12 was an increase of 51.2% QoQ.
- **Net Income:** 2Q12 came in at SR216mn increasing 44.1% YoY and 10.4% above NCBC estimate of 2Q12 at SR196mn. 2Q12 was an increase of 49.2% QoQ.
- In summary, Yanbu Cement reported a strong set of 2Q12 results. The better than expected results is mainly attributed to higher sales volumes and lower costs. Net income was SR216mn compared with our estimate of SR196mn.
- From our Cement Monthly publications, Yanbu Cement sales volumes increased 49% YoY for April and May 2012, significantly higher than the industry average of 8%.
- Yanbu's cement stock levels have declined 40% YoY, indicating the high demand of cement. However, stock levels increased from 155k tons in March to 476k tons in May due to the operation of the new line.
- Given its location in the western region where the demand is strong, higher cement prices improved YCC's top line.
- The company, in its 2Q12 press release, attributed the strong YoY results to the increase in sales and production due to the operation of the new line.
- We are Neutral on the stock with a PT of SR76.7. Although on a relative basis Yanbu Cement is amongst our top picks in the Saudi cement sector, we believe most of the positives of the stock are already priced-in to the current stock price.

## 2Q12 Results Summary

SR mn	2Q12A	2Q11A	% Y o Y	2Q12E	% Var^
Gross income	235	159	48.2	222	6.0
Operating income	226	150	50.6	210	7.4
Net income	216	150	44.1	196	10.4
EPS (SR)	2.06	1.43	44.1	1.86	10.4

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

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## NEUTRAL

**Target price (SR)** 76.7

**Current price (SR)** 81.3

## STOCK DETAILS

M52-week range H/L (SR)	81/55
Market cap (\$ mn)	2,278
Shares outstanding (mn)	105
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	4.5	0.9	47.1
Rel. to market	3.5	14.4	43.9

Avg daily turnover (mn)	SR	US\$
3M	11.8	3.1
12M	7.7	2.1

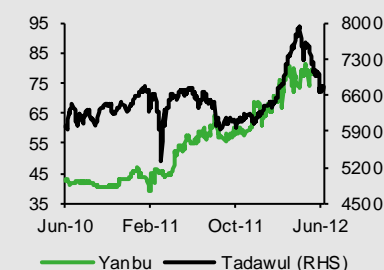
Reuters code	3060.SE
Bloomberg code	YNCCOAB
	<a href="http://www.yanbucement.com">www.yanbucement.com</a>

## VALUATION MULTIPLES

	11A	12E	13E
Reported P/E (x)	15.5	13.5	11.5
P/B (x)	2.9	2.6	2.3
EV/EBITDA (x)	13.9	11.1	9.7
Div Yield (%)	3.2	3.8	3.8

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
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**Other Definitions**

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CS: Coverage Suspended. NCBC has suspended coverage of this company

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