Cement Sector
Monthly Tracker (February)

March 2023

Tharaa Financial Center

Summary

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Total Sales

Total Cement sales (Local+exports) have declined by -0.5% MoM and -0.1% YoY in Feb-23 to reach 4.9mn tons. On a YTD basis, total sales have decreased by -3%. Adjusted for number of days in Feb, total sales has risen by +3.9% MoM.

Saudi Cement Company topped the sector in total sales during February with a marginal lead over Southern Cement and Yamama Cement.

Yamama Cement forecasts local sales to grow at a modest pace of 4.1% YoY in 2023, and 3% in future years. Exports are projected to grow by +8% in 2023.

Local deliveries

Monthly Local dispatches slowed down in Feb-23 with -1.6% MoM drop but increased +1.4%% YoY basis. On a YTD basis, local deliveries dropped by -5.5%. **Adjusted for number of days in Feb, local sales has jumped by 8.9% MoM, reflecting strong underlying uptick in local demand.**

With 12.5% market share, Yamamh Cement Company topped the sector in Local dispatches during February 2023.

While Yamama Cement managed to maintain its overall leadership position, its market share in local sales dropped from 15.8% in Feb-22 to 12.5% in Feb-23 due to a 25% YoY drop in local sales.

Exports

Exports remains a bright spot for the industry as monthly export dispatches increased by +7% MoM but decreased -9% YoY. On a YTD basis, exports have recorded an increase of 17.2%.

The industry's exports stood at 682K tons in Febr-23, compared to 746K tons in February-22.

Saudi Cement Company recorded the highest share of exports in Feb-23 with 36.8% of the total exports.

Production

In Feb-23, cement production showed an increased of +0.1% MoM and +3.6% YoY basis.

Cement inventory showed a decrease of -1.8% MoM basis in February-23.

The Clinker inventory increased 0.1% in Feb-23 compared to the previous month, while it has increased by 1.6% on a YoY basis.

The capacity utilization for clinker is estimated at 74.6% in Feb-23 vs 72.3% in Feb-22.

Prices

In Jan-23, Cement prices showed an increase of 1.2% YoY but stay steady in MoM basis.

Cement prices may remain relatively strong in CY23 with expected demand growth and a drawdown in clinker inventory.

Performance & Valuation

On an EV/Ton basis, Najran Cement company trades at the lowest valuation of SAR337/ton, while Qassim cement carries the highest valuation of SAR1,386/ton, compared to the industry average of SAR780/ton.

Al-Jouf Cement and Yamama Cement have the best performances YTD among Saudi-listed cement companies, with 26% and 13% gains, respectively, while Umm Al-Qura Cement was the worst performance, with a -4% drop.

Total Sales (Local deliveries & Exports)

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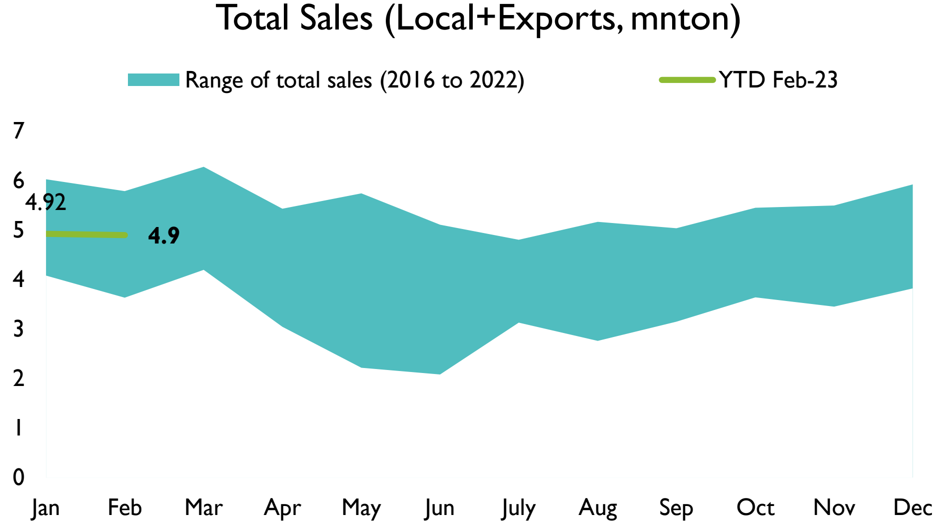
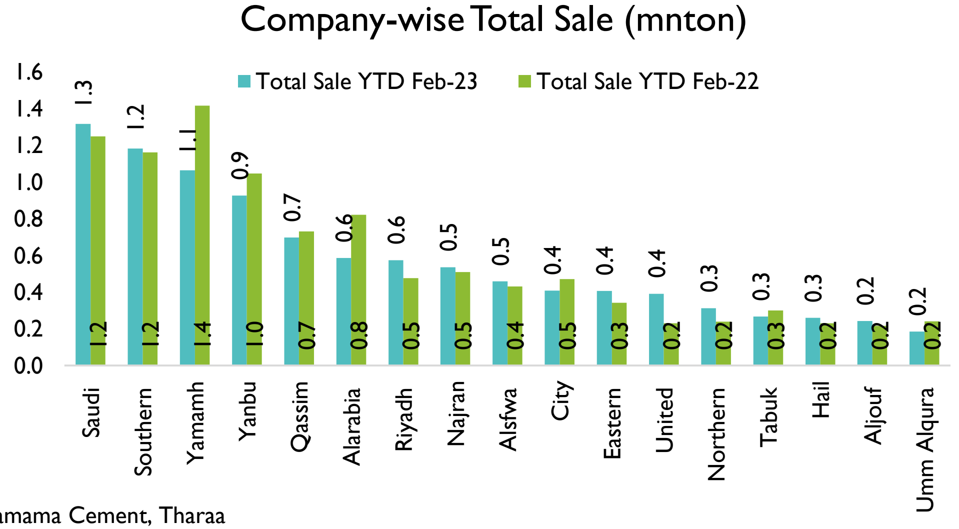
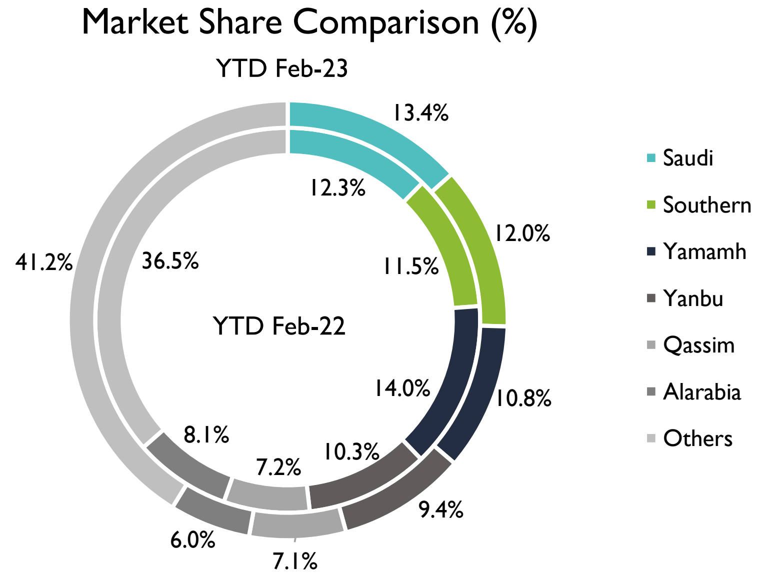


- Total Cement sales (Local+exports) have declined by -0.5% MoM and -0.1% YoY in Feb-23 to reach 4.9mn tons. On a YTD basis, total sales have decreased by -3%.
- Adjusted for number of days in Feb, total cement sales has risen by +3.9% MoM.
- Saudi Cement Company topped the sector in total sales during February with a marginal lead over Southern Cement and Yamama Cement.





Source: Yamama Cement, Tharaa

Local Cement Deliveries

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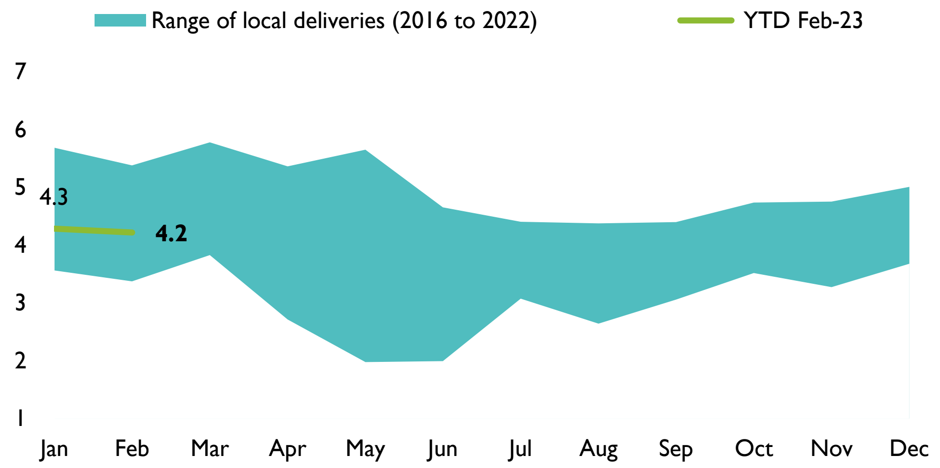
Local Deliveries (mnton)



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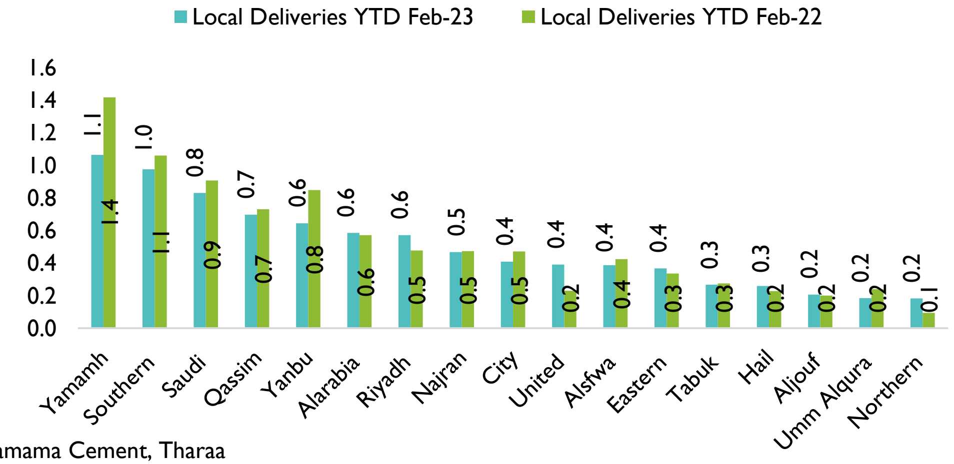
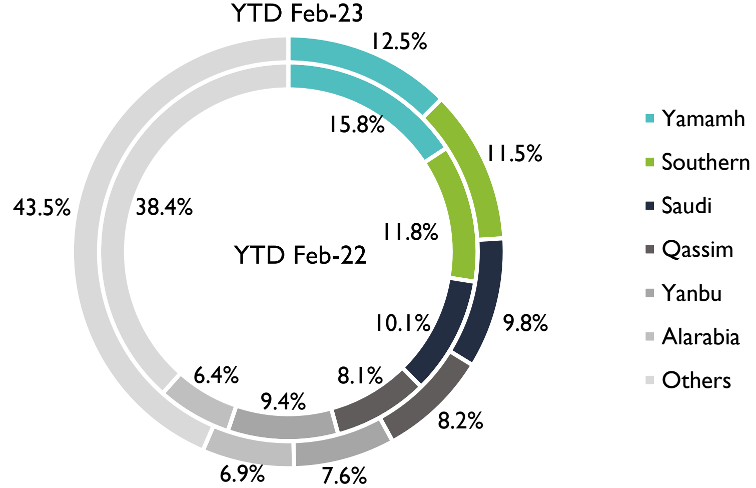
- With 12.5% market share, Yamamh Cement Company topped the sector in Local dispatches during February 2023.
- Adjusted for number of days in Feb, local sales has jumped by 8.9% MoM, reflecting strong underlying uptick in local demand.
- While Yamama Cement managed to maintain its overall leadership position, its market share in local sales dropped from 15.8% in Feb-22 to 12.5% in Feb-23 due to a 25% YoY drop in local sales.

Company-wise local Deliveries (mnton)



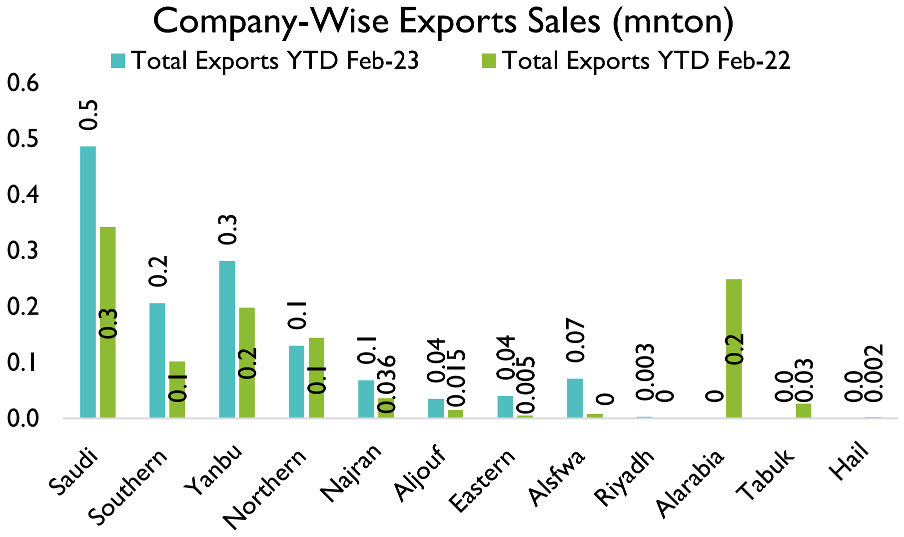
Market Share Comparison (%)

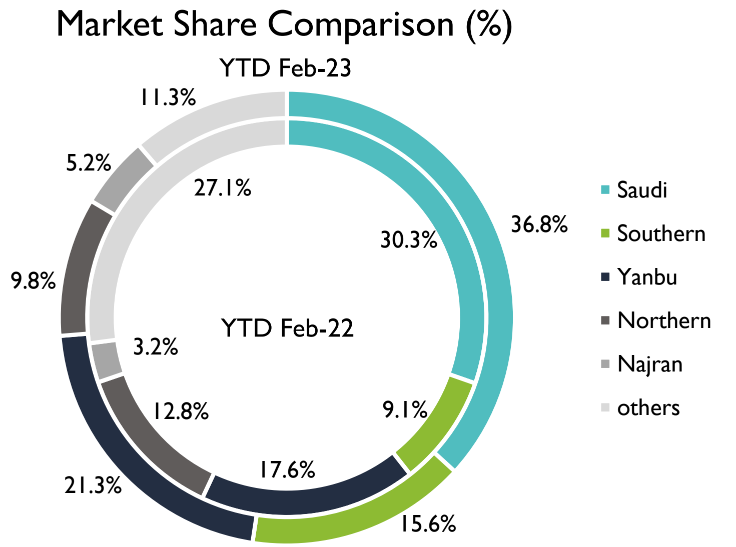


Source: Yamama Cement, Tharaa

Export Dispatches

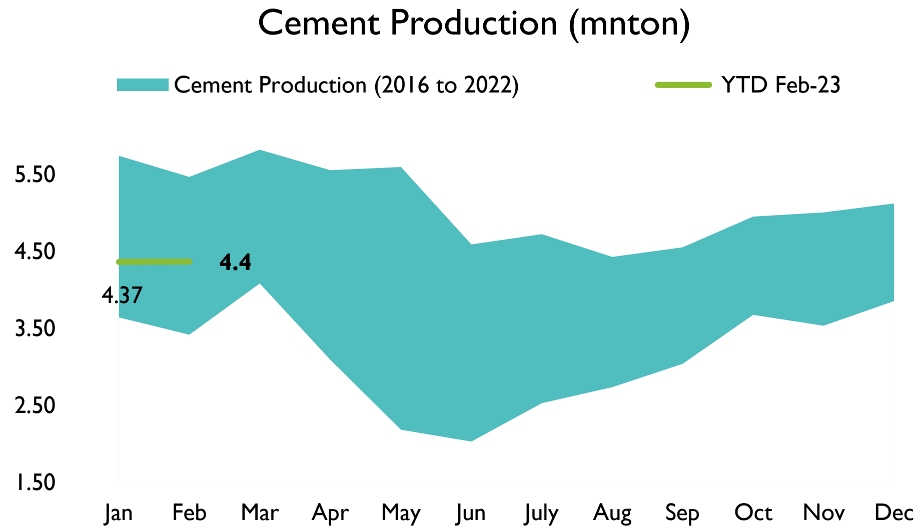
- Monthly export dispatches increased by +7% MoM but recorded a decrease of -9% YoY.
- On a YTD basis, exports have recorded an increase of 17.2%.
- The industry's exports stood at 682K tons in February-23, compared to 746K tons in February-22.
- Saudi Cement Company recorded the highest share of exports in Feb-23 with 36.8% of the total exports.





Source: Yamama Cement, Tharaa

Cement Production



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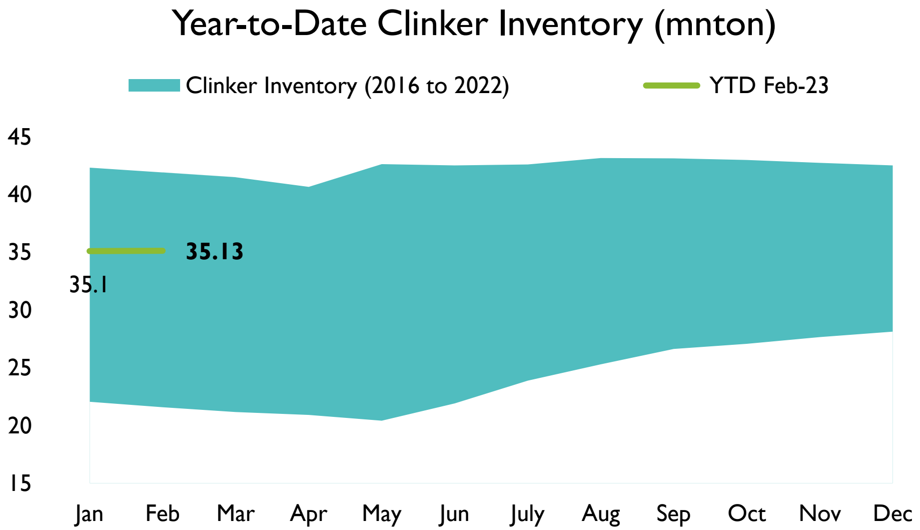
- Cement inventory showed a decrease of -1.8% MoM basis in February-23.



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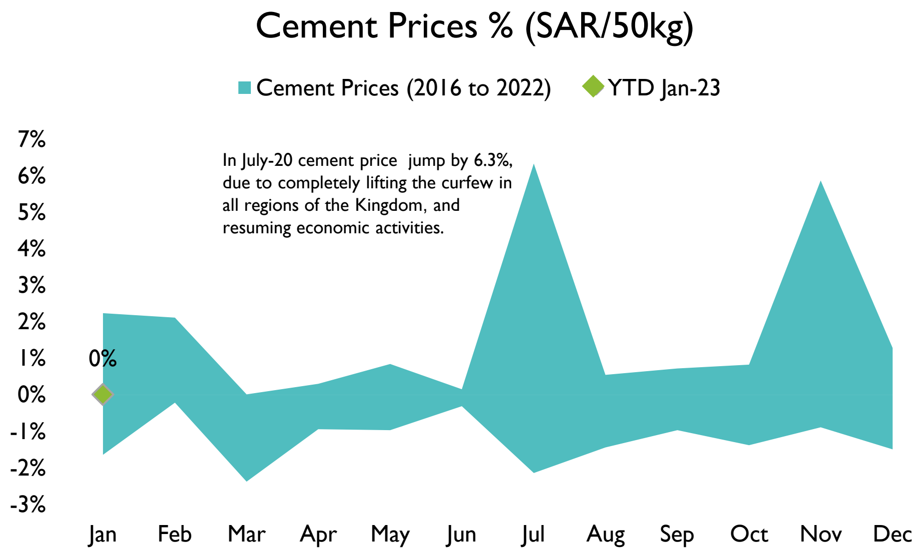
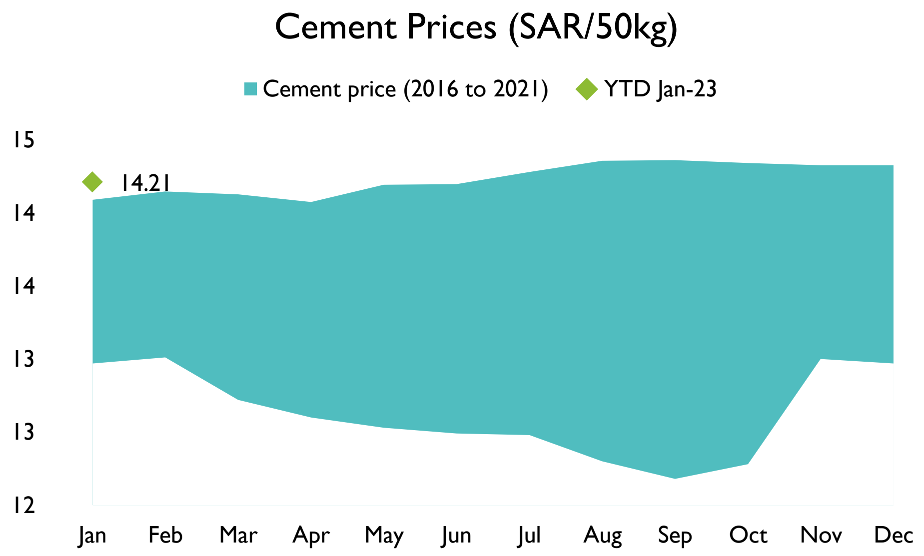
- The capacity utilization for clinker is estimated at 74.6% in Feb-23 vs 72.3% in Feb-22.

Source: Yamama Cement, Tharaa

Cement Prices change (50kg)



- In Jan-23, Cement prices showed an increase of 1.2% YoY but stay steady in MoM basis.

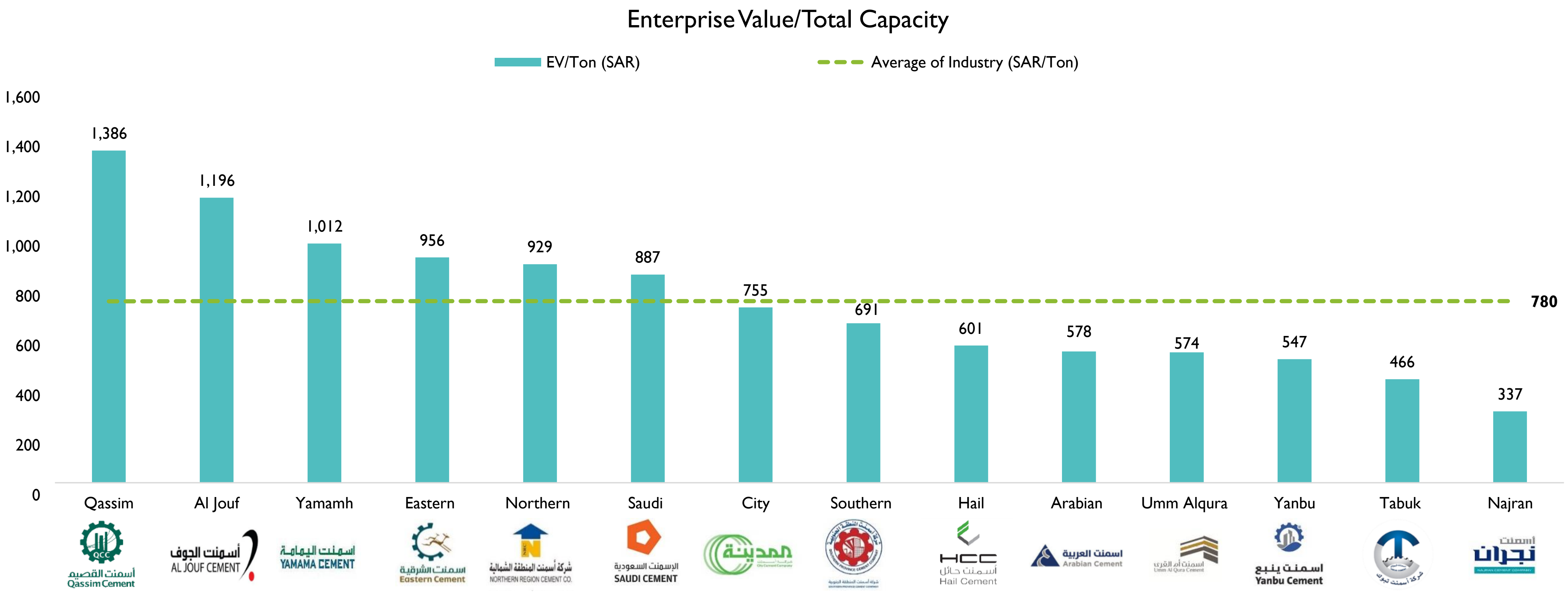


- Cement prices may remain relatively strong in CY23 with expected demand growth and a drawdown in clinker inventory.

Source: Yamama Cement, Tharaa

Enterprise Value/Total Capacity

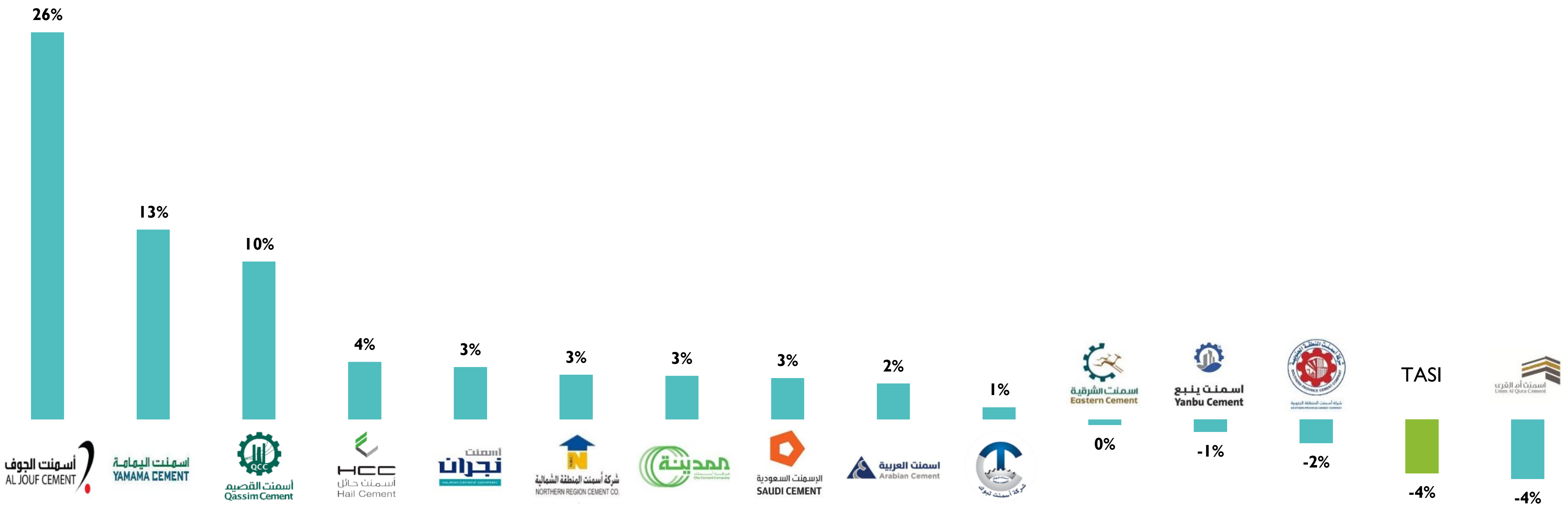
Among TASI-listed cement stocks, Qassim Cement trades at the highest EV/Ton of SAR 1,386, followed by Al Jouf Cement with an EV/Ton of SAR 1,196. Meanwhile, Najran Cement (SAR337) and Tabuk Cement (SAR466) trade at the lowest valuations.



Source: Tadawul (Financial Statements End of 30 of September 2022 reports), Tharaa
**Yamama, Qassim, and Arabian Cements companies reported as 31/12/2022*
**Enterprise Value: Equity Value + Debt(LT+ST) – (Cash + Liquid Assets)*
Mkt Stock Price as closed in 08-03-2023.

Cement Sector YTD Performance

Al-Jouf Cement and Yamama Cement have the best performances among KSA-listed cement companies YTD, with 26% and 13% gains, respectively, while Umm Al-Qura Cement has the worst performance, with a -4% drop.



Source: Bloomberg, Tharaa Financial Center
*Mkt Stock Price as closed in 28-02-2023

Medium-Term Demand Growth Expectations

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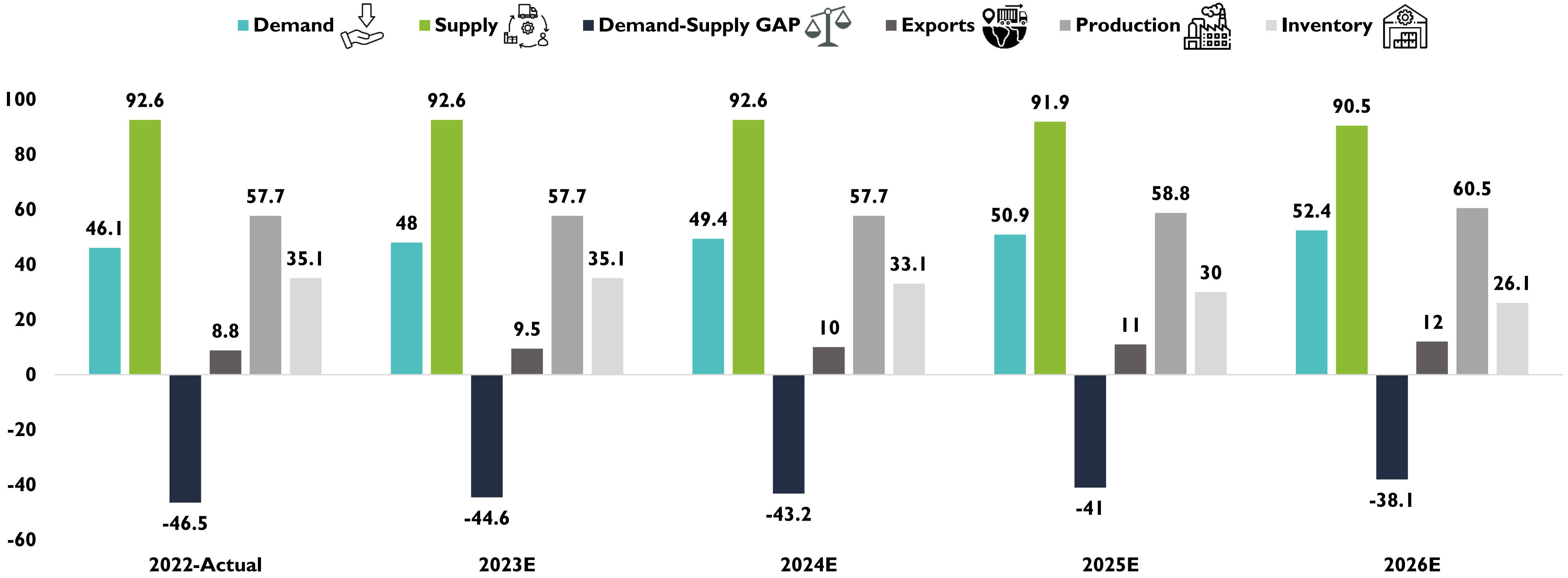
As per latest annual report, Yamama Cement forecasts total local sales to grow at a modest pace of 4.1% YoY in 2023, and 3% in future years. The company forecasts exports to grow by 8% in 2023, translating into total demand growth for the industry of +4.7% in CY23 and +3.9% in medium-term.

Yamama Cement's Expectations for the Cement Sectors (2023-2026)



Source: Yamama Cement, Tharaa

Disclaimer

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