Cement Sector

Monthly Tracker (March)

April 2023

Tharaa
Financial
Center

Summary

Total Sales

Total cement sales (Local+exports) have increased by 1.4% MoM but dropped by 12.6% YoY in Mar-23 to reach 5mn tons. On a YTD basis, total sales have decreased by -5%. Adjusted for the number of days in March, total sales dropped by -8.4% MoM.

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

The latest efforts to bring stability in Yemen can potentially open up an opportunity for Saudi Cement players to increase exports to Yemen. South-based cement players (Southern, Najran) enjoy a big location advantage in this regard.

Local deliveries

Monthly local dispatches by a -1% MoM and a 16.1% YoY in Mar-23. On a YTD basis, local deliveries dropped by -5.1%. **Adjusted for the number of days in March, local sales have declined by 10.6% MoM, reflecting the Ramadan effect on local demand.**

With 13% market share, Yamamh Cement Company topped the sector in local dispatches during March 2023.

While Yamama Cement managed to maintain its overall leadership position, its market share in local sales dropped from 15% in March 22 to 13% in March 23 due to a 22.9% YoY drop in local sales.

Exports

Exports remain a bright spot for the industry, as monthly export dispatches increased by 17% MoM and 11% YoY. On a YTD basis, exports have recorded an increase of 25%.

The industry's exports stood at 795K tons in March 23, compared to 714K tons in March 22.

Saudi Cement Company recorded the highest share of exports in March with 40% of the total exports.

Production

In Mar-23, cement production showed an increase of 4.4% MoM but a decrease of 6.8% YoY.

Cement inventory showed an increase of +22.9% on a MoM basis in March-23.

The Clinker inventory increased 0.05% in Mar-23 compared to the previous month, while it has increased by 4.3% on a YoY basis.

The capacity utilization for clinker is estimated at 79.7% in Mar-23 vs. 71.5% in Mar-22.

Prices

In Feb-23, Cement prices showed an increase of 0.5% YoY but stay steady in MoM basis.

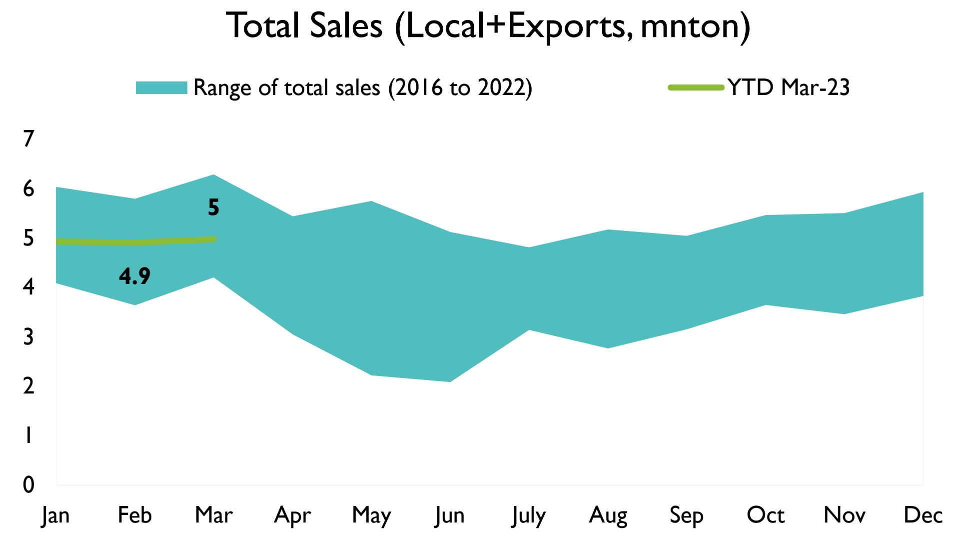
Cement prices may remain relatively strong in CY23 with expected demand growth and a drawdown in clinker inventory.

Performance & Valuation

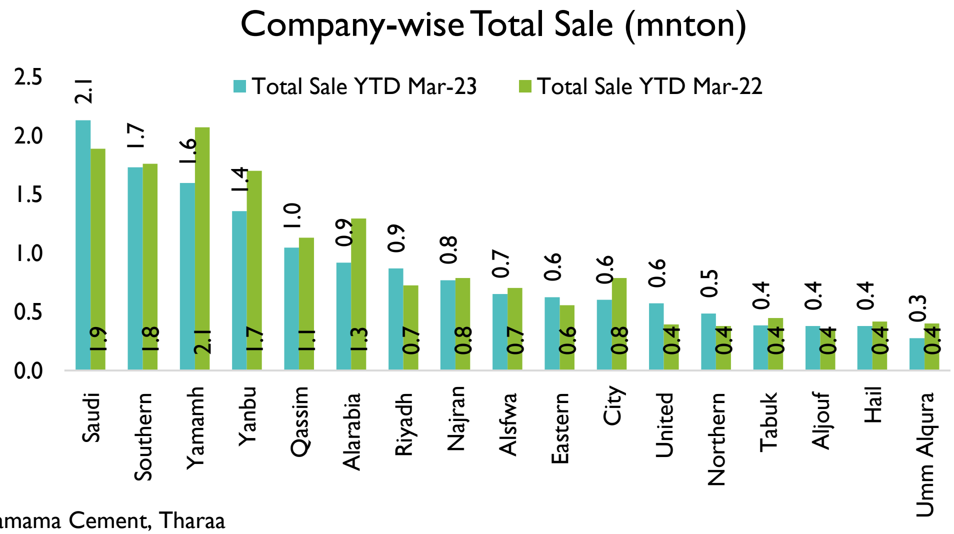
On an EV/Ton basis, Najran Cement company trades at the lowest valuation of SAR393/ton, while Qassim cement carries the highest valuation of SAR1,392/ton, compared to the industry average of SAR775/ton.

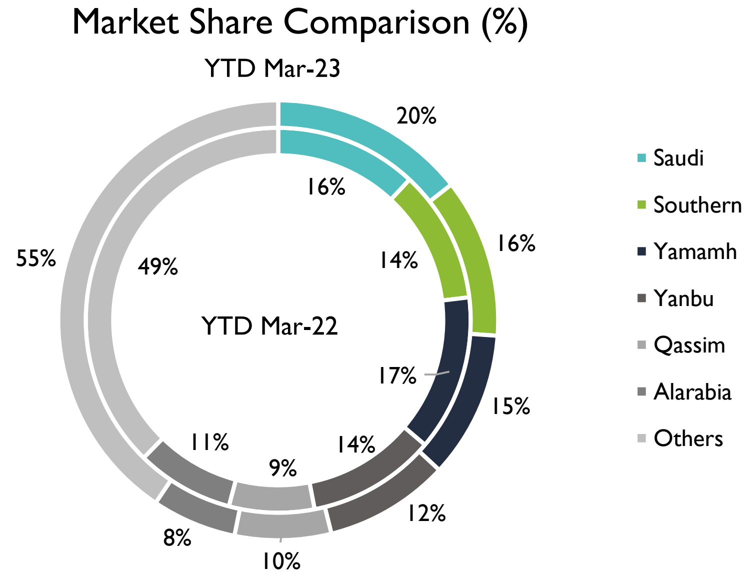
Yamama Cement and Al-Jouf Cement have the best performances among KSA-listed cement companies YTD, with 14% gains for both, while Umm Al-Qura Cement has the worst performance, with a -4% drop.

Total Sales (Local deliveries & Exports)



- Total cement sales (Local+exports) have increased by 1.4% MoM but dropped by 12.6% YoY in Mar-23 to reach 5mn tons. On a YTD basis, total sales have decreased by -5%.
- Adjusted for the number of days in March, total sales dropped by -8.4% MoM.
- Saudi Cement Company topped the sector in total sales during March with a marginal lead over Southern Cement and Yamama Cement.





Source: Yamama Cement, Tharaa

Local Cement Deliveries

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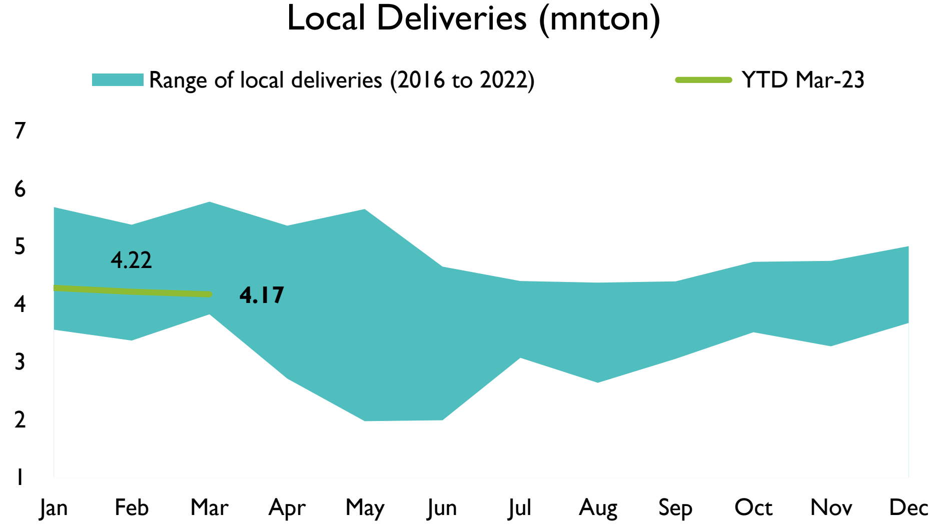
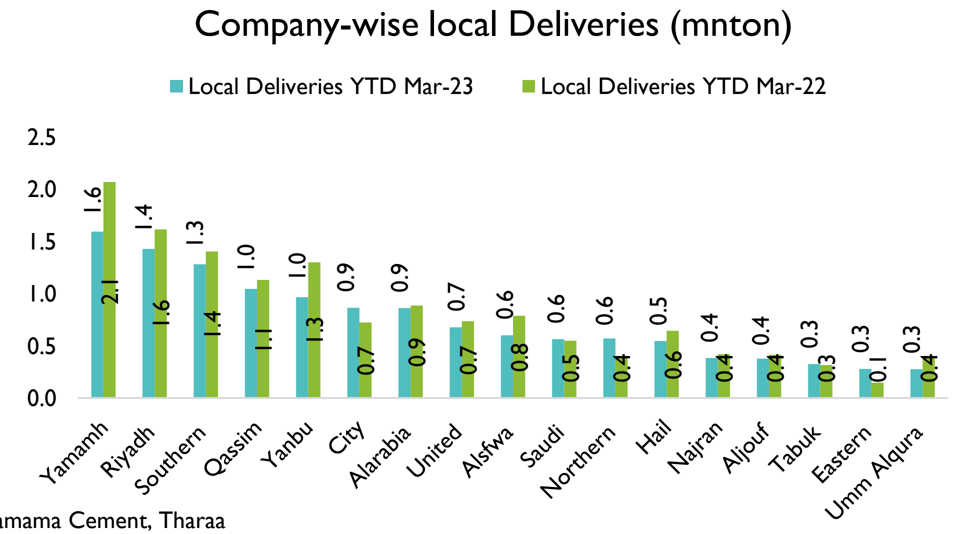
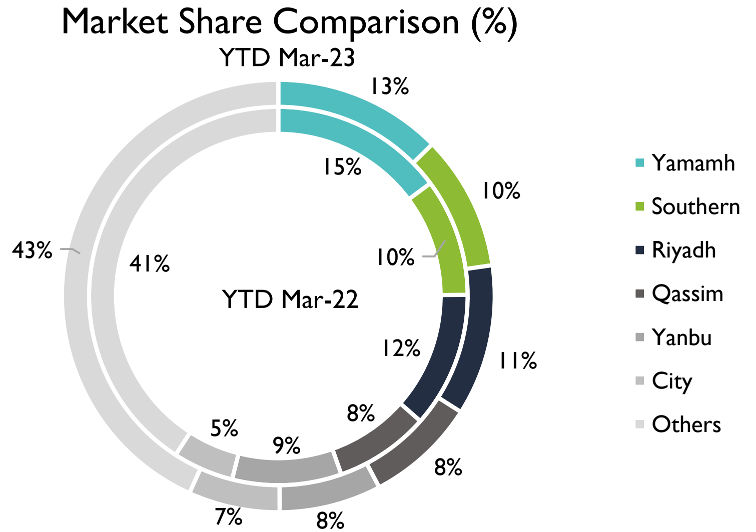


- Monthly local dispatches by a -1% MoM and a 16.1% YoY in Mar-23. On a YTD basis, local deliveries dropped by -5.1%.
- Adjusted for the number of days in March, local sales have declined by 10.6% MoM, reflecting the Ramadan effect on local demand.
- With 13% market share, Yamamh Cement Company topped the sector in local dispatches during March 2023.
- While Yamama Cement managed to maintain its overall leadership position, its market share in local sales dropped from 15% in March 22 to 13% in March 23 due to a 22.9% YoY drop in local sales.





Source: Yamama Cement, Tharaa

Export Dispatches

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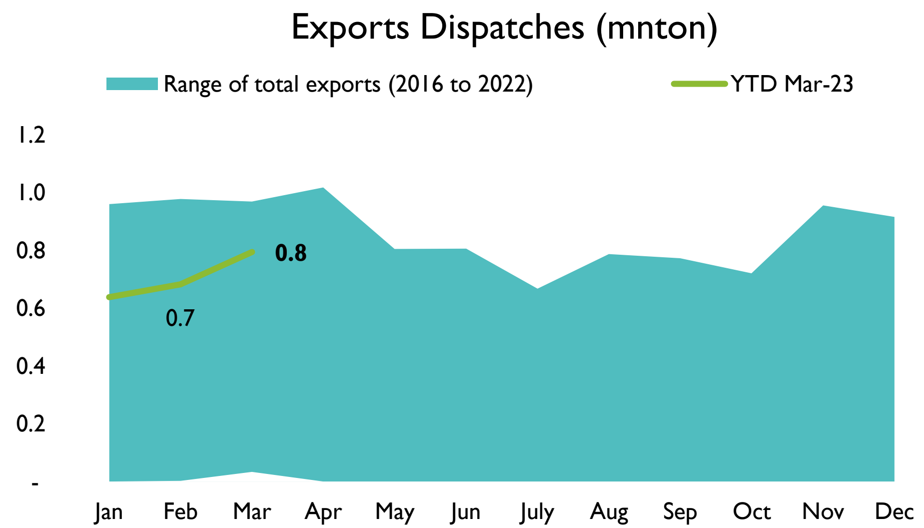

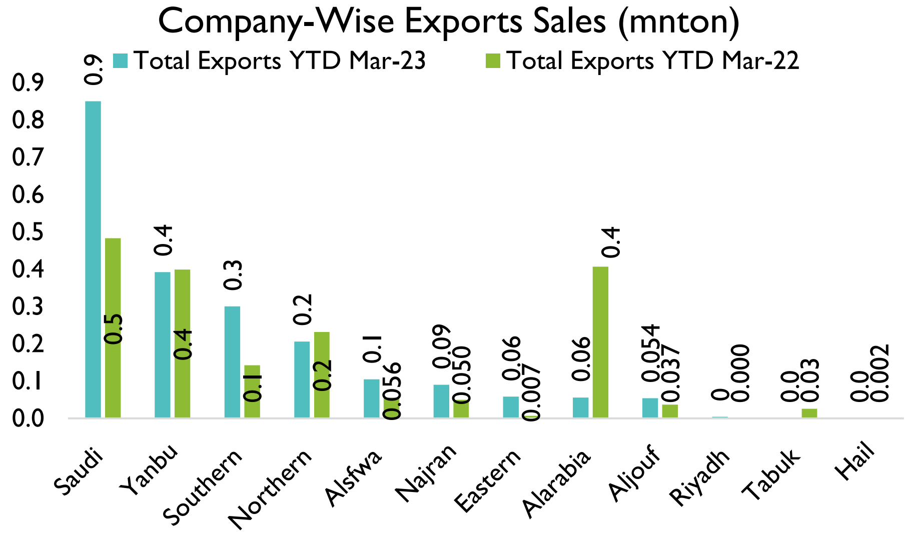

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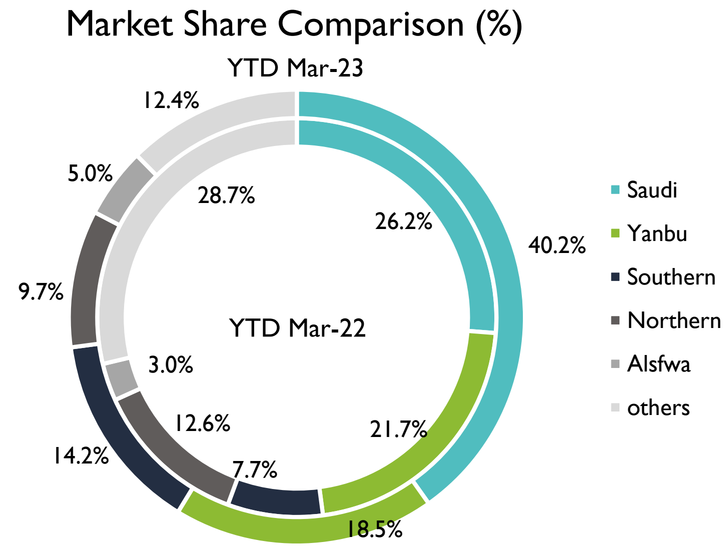
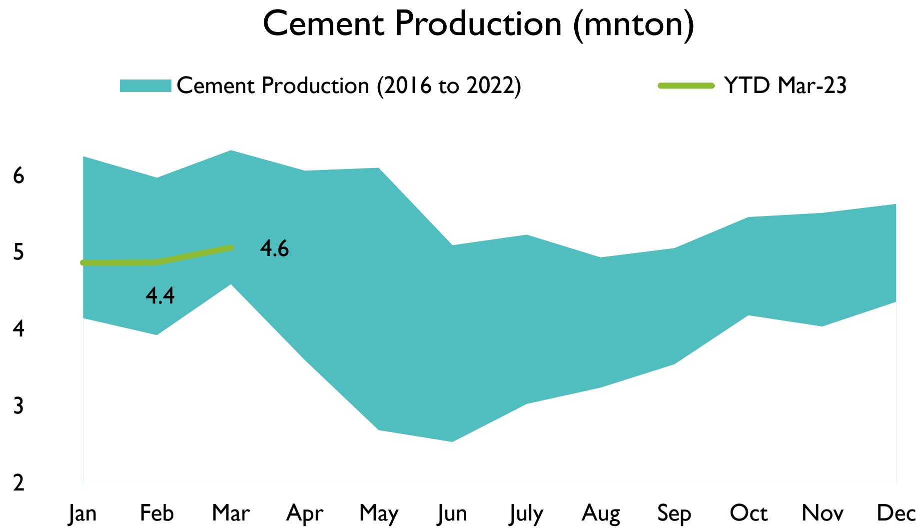


Source: Yamama Cement, Tharaa

Cement Production



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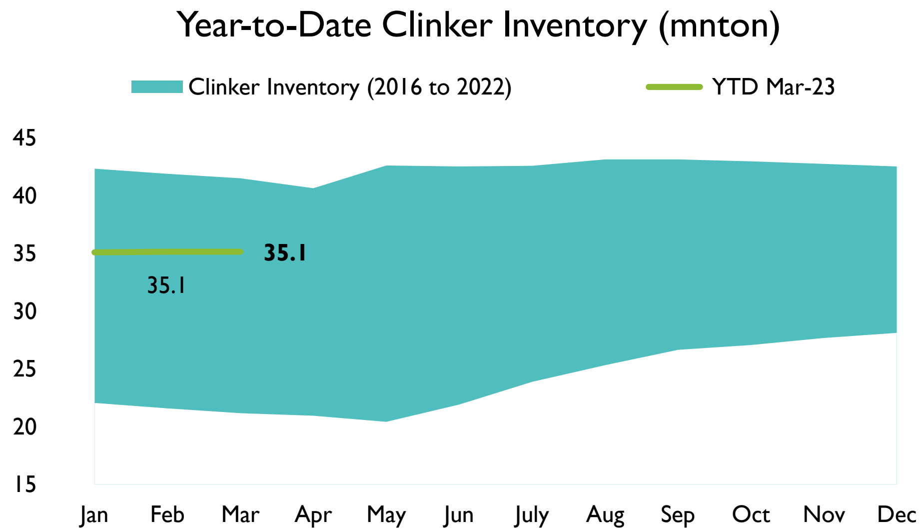
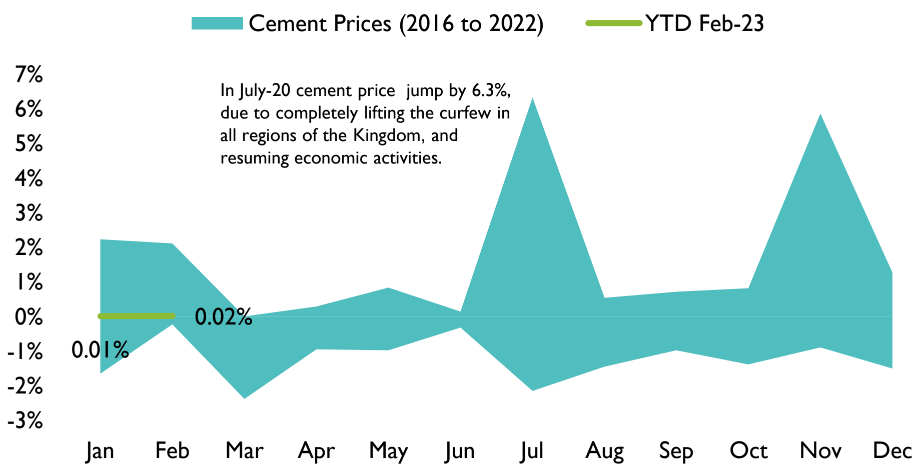


- The Clinker inventory increased 0.05% in Mar-23 compared to the previous month, while it has increased by 4.3% on a YoY basis.
- The capacity utilization for clinker is estimated at 79.7% in Mar-23 vs. 71.5% in Mar-22.

Source: Yamama Cement, Tharaa

Cement Prices change (50kg)

Cement Prices % (SAR/50kg)



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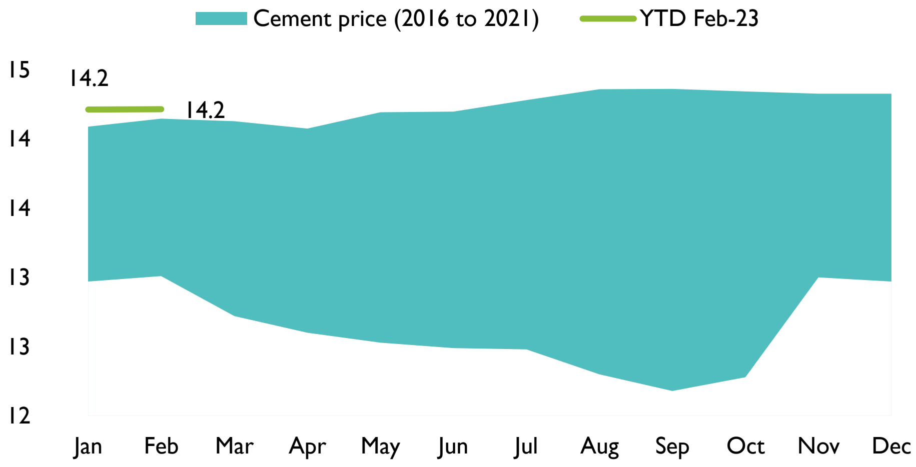
Cement Prices (SAR/50kg)

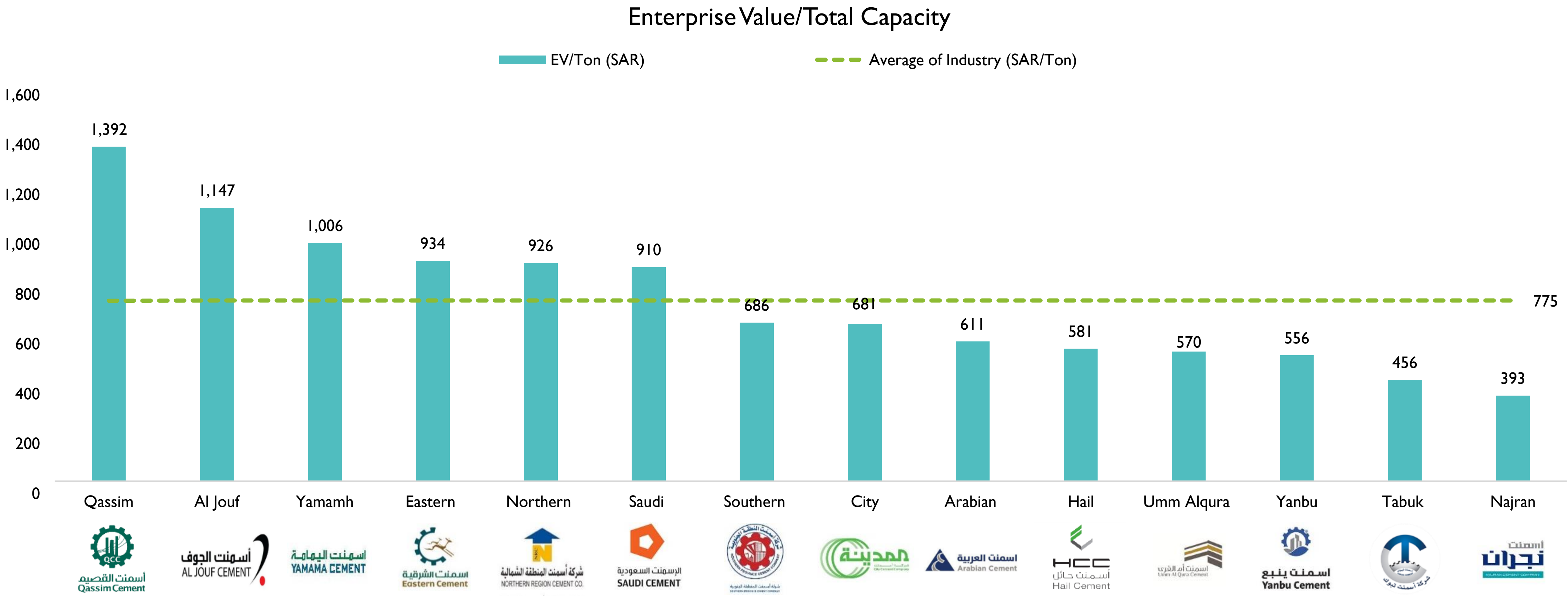


- Cement prices may remain relatively strong in CY23 with expected demand growth and a drawdown in clinker inventory.

Source: Yamama Cement, Tharaa

Enterprise Value/Total Capacity

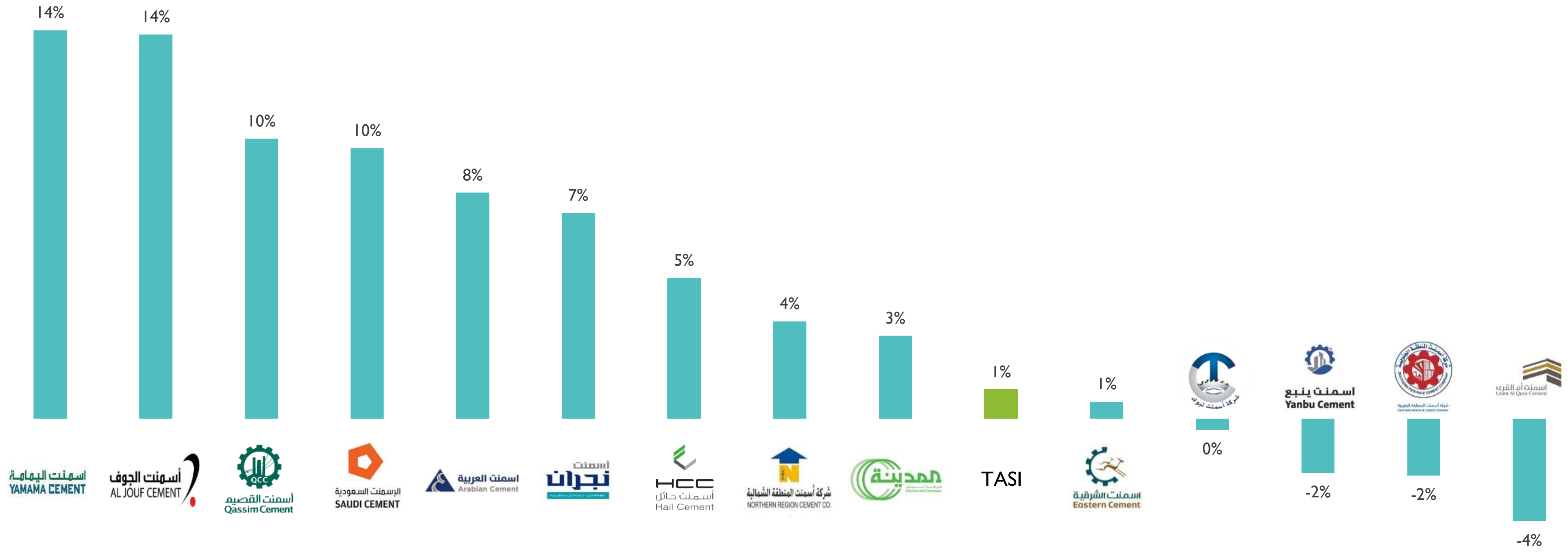
Among TASI-listed cement stocks, Qassim Cement trades at the highest EV/Ton of SAR 1,392, followed by Al Jouf Cement with an EV/Ton of SAR 1,147. Meanwhile, Najran Cement (SAR393) and Tabuk Cement (SAR456) trade at the lowest valuations.



Source: Tadawul (Financial Statements End of 31 of December 2022 reports), Tharaa
**Enterprise Value: Equity Value + Debt(LT+ST) – (Cash + Liquid Assets)*
Mkt Stock Price as closed in 30-03-2023.

Cement Sector YTD Performance

Yamama Cement and Al-Jouf Cement have the best performances among KSA-listed cement companies YTD, with 14% gains for both, while Umm Al-Qura Cement has the worst performance, with a -4% drop.



Source: Bloomberg, Tharaa Financial Center
*Mkt Stock Price as closed in 30-03-2023

Medium-Term Demand Growth Expectations

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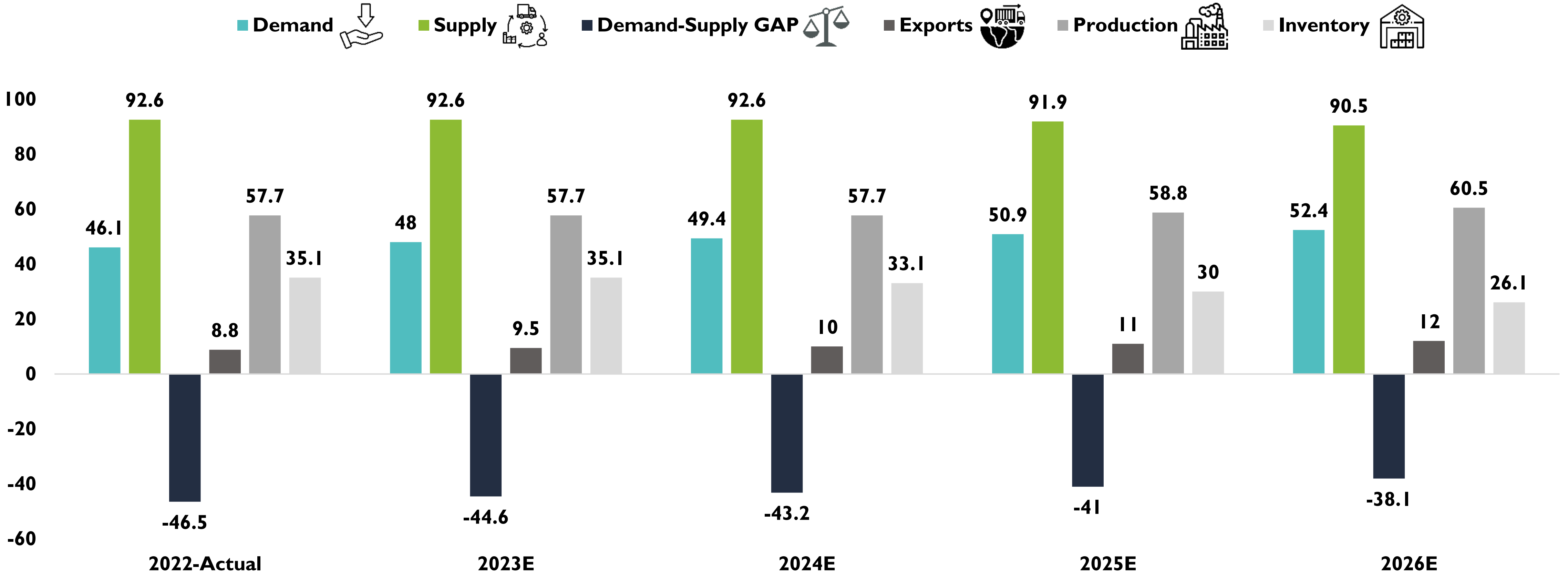
As per latest annual report, Yamama Cement forecasts total local sales to grow at a modest pace of 4.1% YoY in 2023, and 3% in future years. The company forecasts exports to grow by 8% in 2023, translating into total demand growth for the industry of +4.7% in CY23 and +3.9% in medium-term.

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



Source: Yamama Cement, Tharaa

Disclaimer

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