

KSA Cement Sector Report

Sector Update | June 2026



Structural Demand and Fuel Transition Continue to Support the L-T Outlook; However, Feedstock Cost Pressures and Slower Mortgage Growth May Pose Near-Term Headwinds

اسمنت
الرياض
YAMAMA CEMENT

أسمنت الرياض
RIYADH CEMENT

المدنية
Al Madinat

اسمنت الشرقية
Eastern Cement

اسمنت ينبع
Yanbu Cement

أسمنت القصيم
Qassim Cement

الاسمنت السعودية
SAUDI CEMENT

اسمنت العربية
Arabian Cement



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The KSA cement sector is the primary beneficiary of Vision 2030, with the construction and real estate sectors contributing 23.5% of non-oil GDP. As of Q4-25, the construction sector alone reached a 14.4% share of the non-oil economy, up from 11.4% in 2021, signaling a decisive shift from project planning to material-intensive execution. The sector recorded one of its strongest years over a decade during FY25, in terms of dispatches with domestic dispatches rising 11.6% Y/Y to 54.9MT, supported by accelerating construction activity, Vision 2030-related projects, and aggressive pricing competition during H2-25. Exports also grew 20% Y/Y to 7.7MT, mainly driven by Yanbu Cement, although broader sector export activity remained relatively soft. Despite the exceptional FY25 performance, we expect domestic dispatches to normalize to 53.2MT (down 3% Y/Y) in FY26E amid geopolitical disruptions, slower mortgage issuance, and moderating project demand, while exports are forecast to decline 25% Y/Y in FY26 to 5.8MT due to weaker regional trade activity. Inventory levels remained elevated in May FY26, reaching 44.7MT, equivalent to nearly 10 months of FY25 annual domestic demand coverage; however, we expect inventories to gradually ease by FY28E as construction demand improves and feedstock cost pressures limit aggressive production growth. ASPs remained highly volatile across regions during FY25, though pricing conditions started recovering in Q1-26 following feedstock price hikes, which indicates reduced tolerance for aggressive discounting. Over the medium term, we expect a firmer pricing environment supported by higher capital intensity and elevated fuel costs. While we maintain a “Neutral” rating on the KSA cement sector, due to elevated inventories, pricing competition, and feedstock-related margin pressures, nevertheless we continue to identify selective opportunities in companies with superior operational efficiency, resilient profitability, strong pricing power, and favorable exposure to infrastructure and oil & gas-related demand. We upgrade **Riyadh Cement** and **Saudi Cement** to “Overweight” with revised target prices of SAR 31.0/share and SAR 41.5/share, respectively, supported by premium ASPs, strong operational efficiency, and positive EVA spreads. We also maintain our “Overweight” recommendation on **Yamama Cement** and **Eastern Cement** with revised target prices of SAR 31.0/share and SAR 30.9/share, respectively. Yamama Cement benefits from its structural natural gas cost advantage and leading market share, while Eastern Cement continues to benefit from resilient infrastructure and oil & gas-related demand in the eastern region.

Core Demand Drivers - Housing and Giga-Projects are Expected to Drive the KSA Cement Sector Demand Despite the S-T Headwinds:

Cement demand in KSA is structurally locked in by the **National Housing Company (NHC)** and **ROSHN**, which are tasked with delivering over 1mn units by 2030 to achieve a 70% homeownership target. Simultaneously, Giga projects have progressed into advanced execution stages, with 56% of the total announced project pipeline, valued at USD 2.2tn, currently in either the construction or pre-construction phase. This high concentration of unspent project value implies that peak cement drawdown is still ahead. In FY25 the **KSA cement sector** recorded one of its strongest years in over a decade, with domestic dispatches rising 11.6% Y/Y to 54.9MT, supported by robust construction activity, infrastructure spending, and aggressive pricing competition; exports increased 20% Y/Y to 7.7MT. Yamama Cement and Saudi Cement were the largest contributors to domestic volumetric growth increasing by 2.42MT (+40% Y/Y) and 1.15MT (+24% Y/Y), respectively, benefiting from strong regional demand and market share gains. Looking ahead, we expect domestic dispatches to normalize to 53.2MT down 3.0% Y/Y in FY26E reflecting the slower mortgage issuance, and moderating construction demand. While we expect exports to decline 25% Y/Y to 5.8MT amid geopolitical disruptions, weaker regional trade activity. over the medium term we estimate domestic dispatches to grow at a 1% CAGR over FY25-28E to reach 56.8 MT, while exports are expected to decline at a 5% CAGR during the same period.

Elevated inventory levels in FY26E expected to ease gradually onward: The KSA cement sector closed May-FY26 with elevated inventory levels of 44.7MT, equivalent to nearly 10 months of FY25 annual domestic demand coverage, we expect the sector to close FY26E with an inventory level of 44.1MT (up 0.8% Y/Y). However, as construction activity accelerates and higher feedstock costs limit aggressive production growth, we expect inventories to gradually decline to 41.7MT at CAGR -2% FY25-28E. Within our coverage, **City Cement** has consistently maintained the lowest inventory levels (352KT), as reflected in its TTM Sales-to-Production ratio of 126%, significantly above the peer average of 87%. The company’s current inventory balance covers **only 1 month of FY25** sales, and we expect this trend to persist throughout our forecast period highlighting efficient inventory management practices although it also increases the company’s sensitivity to HFO price fluctuations volatility due to lower inventory coverage. In contrast, **SPCC** continues to carry one of the highest inventory balances in the sector (6.2MT), with current inventory levels equivalent to approx. **18 months of FY25 demand**. While we expect inventory levels to gradually normalize, SPCC is likely to remain among the sector’s highest inventory holders over our forecast period, weaker demand conditions in the southern region.

Feedstock cost pressures weigh on margins, while natural gas shift supports L-T cost outlook by FY27-28E: Following the sharp increase in feedstock prices, the KSA cement sector witnessed a noticeable rise in cost per tonne (CPT), with sector average CPT increasing by nearly 10% in FY25. The impact varied significantly across producers depending on fuel mix exposure, as companies with higher reliance on HFO recorded the largest cost increases, including **Arabian Cement**, **Riyadh Cement**, and **City Cement**, with CPT rising by approximately 9%, 8%, and 4%, respectively. Saudi Aramco announced additional hikes in HFO prices by approx. 43% in Jan,2026. Accordingly, we estimate a further increase of approximately 3% in CPT during FY26E for producers reliant on HFO (adjusted for Gov. subsidies, and lower CPT inventory), while companies with Arabian Light and natural gas access such as Yamama, EPCC, and Saudi Cement, are expected to experience relatively stable fuel costs in FY26E. Nevertheless, we expect CPT to gradually decline by FY28E, approaching pre-hike levels, as the planned transition of several producers toward natural gas as these projects are implemented.

Selling prices expected to recover in FY26 amid higher feedstock costs, while competitive pressures persist across regions:

Average selling prices (ASPs) remained highly volatile during FY25, with the **Western region** recovering strongly while the **Central** and **Eastern regions** faced notable pricing pressure amid intensified competition. However, ASPs started recovering during 1Q-26 to average SAR 192/tonne, particularly in the **Central region**, supported by higher feedstock costs that reduced companies' willingness to maintain aggressive discounting. Over the medium term, we expect a firmer pricing environment to grow at CAGR 4% FY25-28E to SAR 197/tonne as rising fuel costs and higher capital intensity improve pricing discipline across the sector. **Saudi Cement** and **Eastern Cement** is expected to maintain the highest ASPs premiums, supported by oil & gas exposure, while **Riyadh Cement** and **City Cement** benefited from stronger pricing discipline and diversified product offerings.

Improving financial outlook driven by margin recovery and stronger dividend-generating capacity.: Sector net profit is expected to recover by nearly 15% to approximately SAR 2.14bn in FY26E, supported by stable ASPs, which are projected to increase by around 7% Y/Y, along with improving pricing discipline despite the continuation of a competitive market environment. We forecast sector revenue to grow at a modest 2% CAGR over FY25-28E, to SAR 10.43bn in FY28E reflecting resilient underlying demand and continued infrastructure activity. Along with a 13% CAGR FY25-28E growth in net income to reach SAR 2.73bn by FY28E. In return we expect dividend yield to expand to 6.18% in FY26E, with **Riyadh Cement** topping the list with 7.9% followed by **Yanbu Cement** with 7.6% dividend yield in FY26E.

AJBC's View and Valuation: We maintain our "**Neutral**" rating on the Saudi cement sector, as we believe that the increasingly competitive near-term environment and margin pressures arising from higher feedstock costs are largely reflected in the current valuations of most cement companies. Nevertheless, the sector's long-term structural growth outlook remains intact, underpinned by a robust pipeline of mega/giga projects that is expected to support cement demand growth over the coming years. That said, we maintain a positive outlook on selected companies within the sector. We upgrade **Riyadh Cement** and **Saudi Cement** to "**Overweight**" with revised target prices of **SAR 31.0/share** and **SAR 41.5/share**, respectively, supported by premium ASPs, strong operational efficiency, and positive EVA spreads. We also maintain our "**Overweight**" recommendation on **Yamama Cement** and **Eastern Cement** with revised target prices of **SAR 31.0/share** and **SAR 30.9/share**, respectively. Yamama Cement benefits from its structural natural gas cost advantage and leading market share, while Eastern Cement continues to benefit from resilient infrastructure and oil & gas-related demand in the eastern region. We reiterate our "**Neutral**" recommendation on **Arabian Cement** TP **SAR 26.7/Share**, **City Cement** TP **SAR 14.3/Share**, **Qassim Cement** TP **SAR 49.9/Share**, **Yanbu Cement** TP **SAR 17.6/Share**, and **SPCC** TP **SAR 17.6/Share**.

Fig 1. Our Recommendation Summary

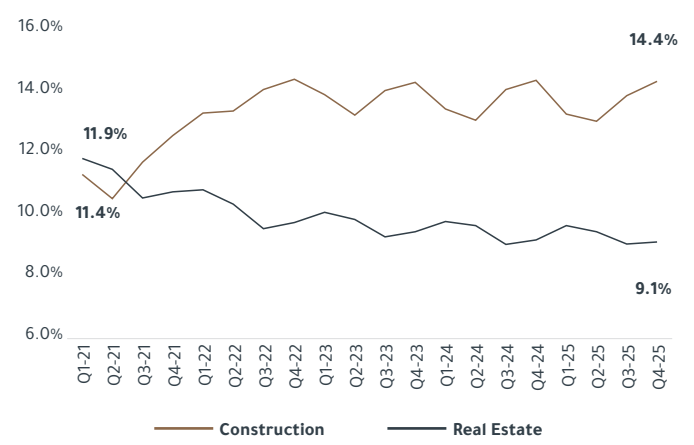
Company	Recommendation	TP (SAR)	Expected return (%)	DPS FY26E	DY FY26E	NI (SAR Mn) FY26E	P/E ratio FY26E	ROE FY26E
Riyadh	Overweight	31.0	40.1%	1.75	7.9%	237	11.2	13.6%
Saudi	Overweight	41.5	31.3%	2.25	7.1%	422	11.5	18.4%
Yamama	Overweight	31.0	25.4%	1.00	4.0%	441	11.4	8.5%
EPCC	Overweight	30.9	24.0%	1.60	6.4%	233	9.2	9.6%
City	Neutral	14.3	18.3%	0.90	7.4%	141	12.2	7.6%
Arabian	Neutral	26.7	17.4%	1.50	6.6%	206	11.0	7.5%
Qassim	Neutral	49.9	10.0%	2.75	6.1%	312	16.1	11.7%
Yanbu	Neutral	17.6	7.6%	1.25	7.6%	134	19.2	5.5%
SPCC	Neutral	17.6	-12.1%	0.50	2.5%	16	179.6	0.5%

Source: Aljazira Capital Research, closing prices as of 3rd of June 2026

Macro Foundations: Vision 2030's Construction and Real Estate Transformation Creating a Structural Demand Story for the Saudi Cement Sector

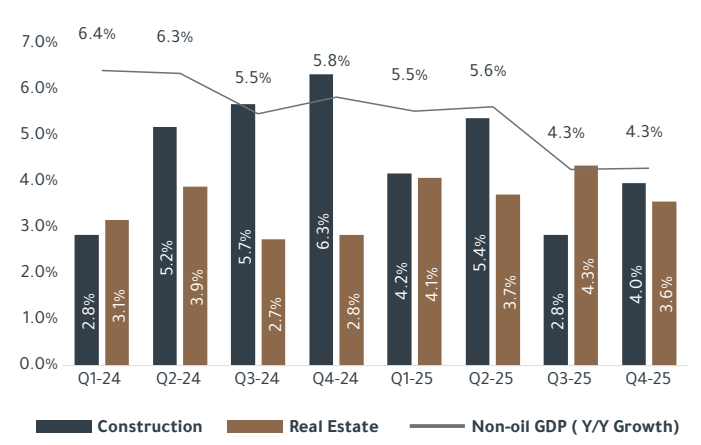
The construction and real estate sectors have matured into primary drivers of Saudi Arabia's non-oil economic diversification, collectively accounting for a substantial 23.5% of non-oil GDP as of Q4-25. The construction sector's contribution has witnessed a steady upward trajectory in, which rose from 11.4% in Q1-21 to 14.4% by Q4-25. This expansion reflects a robust post-COVID recovery and the transition of various Mega and Giga projects from the planning phase into full-scale execution. Conversely, the real estate sector's contribution moderated from 11.9% in Q1-21 to 9.1% in Q4-25, though it remains a critical pillar of the economy. Moreover, consistent growth in construction and real estate underscores the resilience with which both sectors consistently supporting the broader non-oil GDP growth. In Q4-25, construction sector grew 4.0% Y/Y and real estate rose 3.6% Y/Y, supporting non-oil GDP growth of 4.3% Y/Y.

Fig 2. Construction and real estate form almost a quarter of non-oil GDP



Source: GASTAT, Aljazeera Capital Research

Fig 3. Construction and real estate sectors continue to show steady growth in their contribution to non-oil GDP



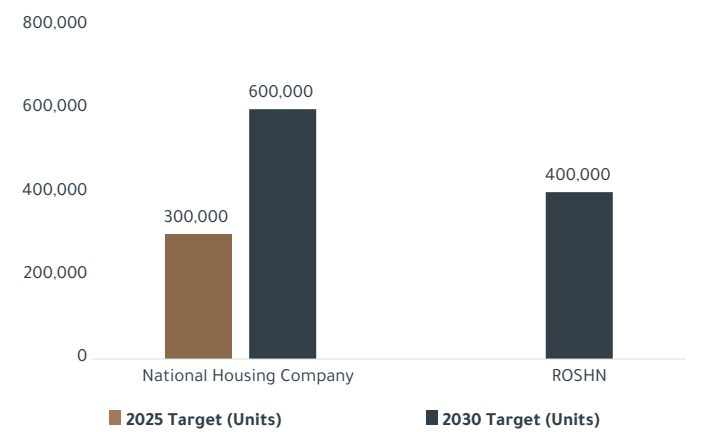
Source: GASTAT, Aljazeera Capital Research

Housing program and government initiatives - multi-year demand catalyst for the cement sector; recent mortgage slowdown reflects temporary cautious sentiments

The Kingdom's housing sector has undergone a profound structural transformation under the Vision 2030 Housing Program, which serves as a primary engine for domestic cement consumption. At the core of this initiative is the ambitious objective to increase the homeownership rate among Saudi citizens to 70% by 2030. The program has demonstrated significant momentum, with the homeownership rate already reaching 65.4% by end of 2024, surpassing 2025 target of 65%. Over 850,000 housing product contracts have been signed cumulatively through 2024. This rapid advancement is underpinned by a massive construction pipeline led by state-backed entities that prioritize integrated, sustainable urban communities over isolated housing projects.

The National Housing Company (NHC) has emerged as the Kingdom's largest real estate developer and a vital investment arm of the Ministry of Municipalities and Housing. The NHC is currently tasked with an immense delivery mandate, targeting the completion of 300,000 residential units by 2025 and expanding that total to 600,000 units by 2030. To support this scale of development, the NHC oversees a development pipeline estimated at approximately USD 154bn, creating a long-term, high-volume demand floor for building materials.

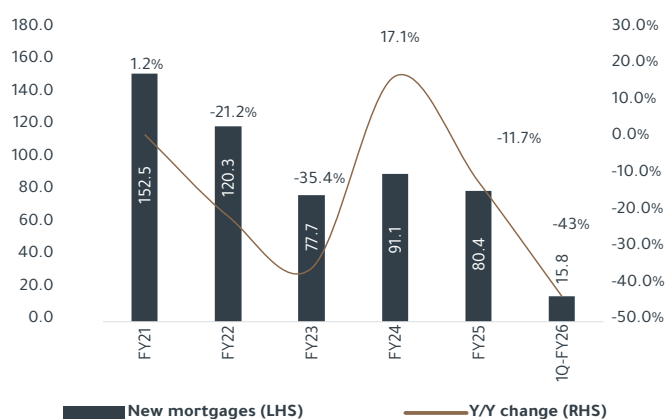
Fig 4. Housing delivery targets (units)



Source: MOMAH, Aljazeera Capital Research

Complementing the NHC's efforts is **ROSHN**, a subsidiary of the Public Investment Fund (PIF) dedicated to building integrated residential communities across major Saudi cities. ROSHN's strategic target is to build more than 400,000 residential units by 2030, with a total developed area exceeding 200mn square meters. On the other hand, The **Sakani Program** facilitates the demand side by providing multiple housing and financial solutions to enable Saudi families to own their first homes. On the financing front, real estate credit has surged to historic levels; by Q4-25, corporate real estate lending reached SAR 393bn, while individual real estate loans totaled SAR 730bn, highlighting the massive capital deployment fueling the Kingdom's construction sector. However, the recent slowdown in residential mortgage growth (down 43% Y/Y during 1Q-26) reflects market anticipation and temporary caution ahead of the implementation of new housing-related policies. Nevertheless, we expect demand momentum to gradually recover in H2-26 as policy visibility improves and underlying housing demand remains structurally supported by Vision 2030 initiatives.

Fig 5. New mortgages (SAR bn) (FY21-1QFY26)



Source: SAMA, Aljazira Capital Research

Fig 6. Real estate loans as % of total personal loans



Source: SAMA, Aljazira Capital Research

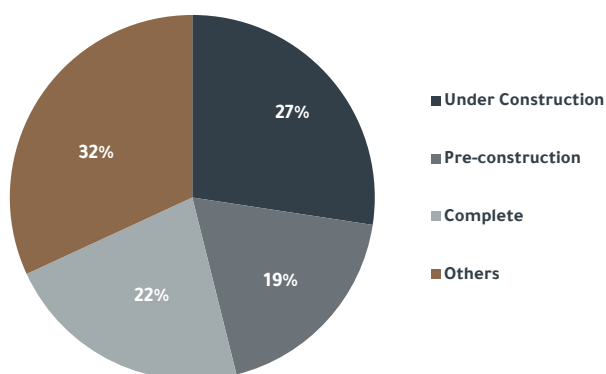
Strategic anchor of Mega and Giga projects remains key driver for bulk demand despite priority shifting and downsizing of certain projects

The Saudi Arabian cement sector is a natural beneficiary of the high-volume infrastructure projects under Vision 2030. As of early 2026, the sector is defined by its role as the primary supplier for a construction pipeline valued at over USD 1tn (net project value of projects under construction). While the broader regional market has faced headwinds, the Kingdom's cement market was valued at USD 3.98bn in 2025 and is projected to surge to USD 6.17bn by 2034, representing a compound annual growth rate (CAGR) of 5.0% through the forecast period. Geographically, the Central Region, led by Riyadh, continues to dominate the market, accounting for ~39% of national share as of February 2026. This dominance is fueled by the Riyadh Urban Project and massive infrastructure upgrades in preparation for Expo 2030, which requires a diverse mix of structural and architectural cement grades. However, the Eastern Province is emerging as the fastest-growing region. This growth is anchored by industrial expansions at King Fahd Industrial Port and maritime developments requiring sulfate-resistant and marine-grade formulations.

Huge cement demand potential despite the reprioritizing and holding up of certain mega projects

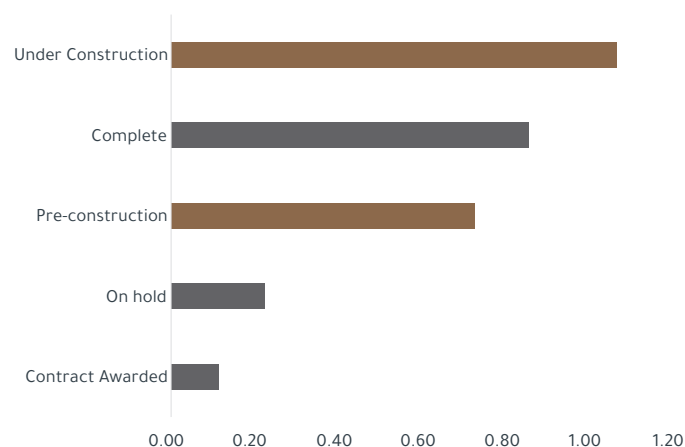
The Saudi Arabian cement industry remains positioned at the threshold of a multi-year demand super-cycle, anchored by a project pipeline that demonstrates remarkable resilience despite the strategic recalibration of certain large-scale developments. The market is currently supported by a staggering USD 2.2tn in active development, representing 56% of total announced projects that are now transitioning through the construction and pre-construction phases. This massive mobilization of capital toward physical infrastructure far outweighs the impact of project holding periods, as only 22% of the total project pipeline has reached completion to date.

Fig 7. Mega projects progress



Source: MEED, AlJazira Capital Research

Fig 8. Majority of projects in construction or pre-construction phase (USD tn), which represent cements sector drivers



Source: MEED, AlJazira Capital Research

For cement producers, this high concentration of unspent project value implies that the peak drawdown for materials is yet to be fully realized. As mega and giga-projects like NEOM, the Red Sea Project, and the extensive urban transformation of Riyadh continue to mature, the sector is set to benefit from a consistent and sustained volume requirement. This underlying structural demand effectively mitigates the risks associated with the slower-than-expected progress on individual projects, ensuring that the Saudi cement industry remains a primary beneficiary of the Kingdom's long-term economic transformation and infrastructure modernization goals.

Fig 9. Major large-scale project "Under Construction" status

Country	Industry	Sector	SubSector	Net Project Value (USD mn)	Project Status
NEOM - NEOM City	Construction	Mixed-Use	Mixed-Use	145,335	Under Construction
NEOM - THE LINE	Construction	Mixed-Use	Mixed-Use	97,752	Under Construction
NMDC - The New Murabba	Construction	Mixed-Use	Mixed-Use	25,487	Under Construction
RMH - Rua Al Madinah Development	Construction	Mixed-Use	Mixed-Use	24,725	Under Construction
RCRC - Green Riyadh	Construction	Leisure	Theme Park	19,629	Under Construction
KSIADC - King Salman International Airport	Transport	Terminal	Airport	18,250	Under Construction
JEC - Jeddah Economic City	Construction	Mixed-Use	Mixed-Use	17,752	Under Construction
MoMRAH, Saudi Arabia - Saudi Housing Program	Construction	Residential	Houses, Villas	14,610	Under Construction

Source: MEED, AlJazira Capital Research

Regulatory catalyst balancing the market equilibrium

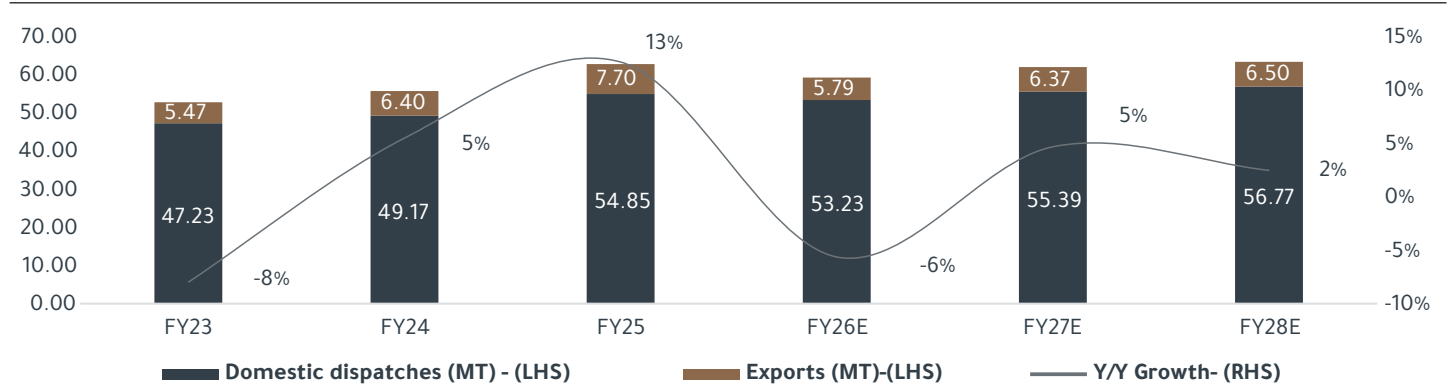
The Ministry of Municipalities and Housing (MOMAH) and the Real Estate General Authority (REGA) have introduced a series of regulatory measures designed to stabilize prices and accelerate supply. 1) The foreign ownership boost: The most significant policy shift in decades took effect in January 2026, when landmark regulatory changes officially opened the property market to international investors. 2) Expanded Eligibility: Foreign individuals and 100% foreign-owned companies can now own residential, commercial, and industrial property in designated zones by the Supervisory Committee. 3) Ownership Framework: The law allows for ownership and investment in designated zones, increasing demand and investment liquidity. 4) Yield Performance: This liberalization is expected to drive capital inflows as Saudi Arabia offers high rental yields, averaging around 7% in prime areas. 5) Idle Land & Vacant Property Fees: To counter land hoarding and accelerate the release of stock, the government has moved to a more aggressive variable fee system. 6) Tiered Tax Rates: The annual fee for undeveloped "White Land" can now reach up to 10% of the land's value, incentivizing landowners to develop or sell. 7) Vacant Property Fee: A new annual fee of up to 5% is being levied on vacant completed buildings to return unused stock to the market.

KSA Cement Sector Operational Drivers Dive deep insights

Demand softness expected in FY26, while urban expansion and Giga/Mega projects support long-term Cement demand outlook

In FY25, the sector recorded domestic sales of 54.9MT, up 11.6% Y/Y, marking the strongest demand since FY15, reflecting robust construction and infrastructure activity across the Kingdom. **Yamama Cement** and **Saudi Cement** were the key contributors to the sector’s volumetric growth, with sales increasing by 2.42MT (+40% Y/Y) and 1.15MT (+24% Y/Y), respectively. Exports of cement and clinker grew by 20% Y/Y in FY25 to 7.70MT, driven primarily by **Yanbu Cement**, which recorded a sharp 216% Y/Y increase in export volumes to 3.17MT. This exceptional performance came despite a noticeable slowdown in export activity across the rest of the sector. The 13% jump in total volumetric sales was driven by strong demand from construction activities; however, it is noteworthy that the sector underwent intensive price discounts, which supported the surge in volumes. Looking ahead, we forecast domestic volumetric sales to moderate to 53.2MT in FY26E (down 3% Y/Y). This view is supported by 4M-26 data, which showed a 2% Y/Y decline in domestic dispatches, with volumes falling from 17.1MT in 4M-25 to 16.8MT in 4M-26. We expect this softer trend to continue through FY26, reflecting: (i) geopolitical disruptions during H1-26, (ii) a 50% Y/Y decline in additional mortgage issuance to individuals by Q1-26, signalling slower real estate activity amid policy and interest rate uncertainty, and (iii) continued, albeit more moderate, demand from major projects in the central and eastern regions. Meanwhile, exports are expected to decline by 25% Y/Y in FY26E to 5.8MT, primarily impacted by the ongoing geopolitical situation and weaker regional trade activity. Given that FY25 benefited from exceptional demand, we view FY24 as a more representative base year. On this basis, FY26E domestic dispatches still imply a normalized growth of 6% versus FY24. Over the medium term, we estimate domestic dispatches to grow at a 1% CAGR over FY25-28E, while exports are expected to decline at a -5% CAGR during the same period.

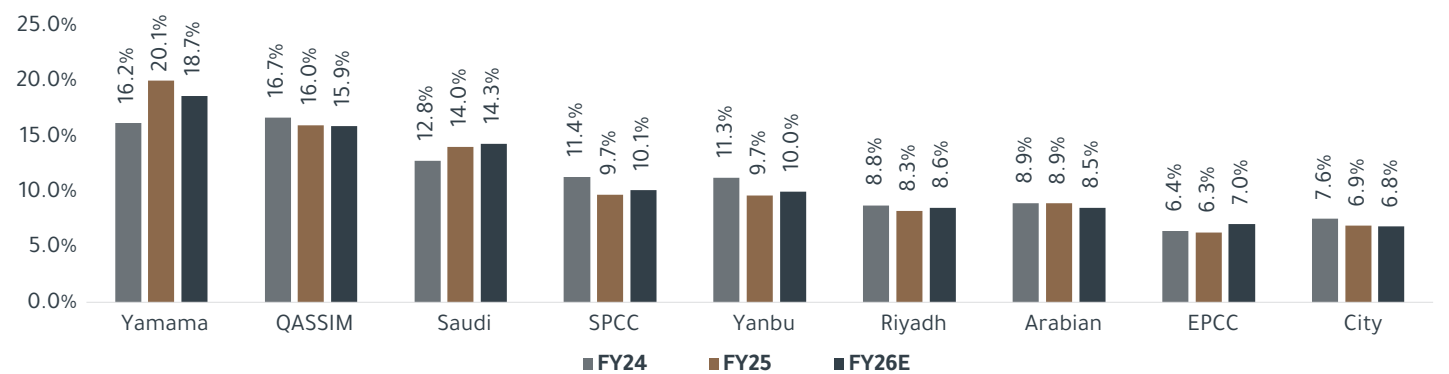
Fig 10. Volumetric sales are expected to decline by 5.6% Y/Y in FY26E following a strong flow in FY25, while medium-term growth remains supported by Vision 2030 infrastructure demand



Source: Aljazeera Capital Research

Within our coverage universe, **Yamama Cement** maintained the largest domestic market share at 19.4% as of April 2026 TTM, followed by **Qassim Cement** at 16.3% and **Saudi Cement** at 14.3%. Over the next year, we expect the main 3 players to maintain their domination of the market with **Yamama Cement** expected to record 18.7% (down 140bps) as volumetric sales go back to the normal base, that will open the chance for other smaller players. Followed by **Qassim cement** 15.9% utilizing the central region construction demand. **Saudi Cement** 14.3% profiting from the diverse demand exposure from central in addition to oil and gas sector in Eastern region.

Fig 11. Yamama Cement is forecast to maintain its position as the largest market player, with an average market share of 18.7% in FY26E

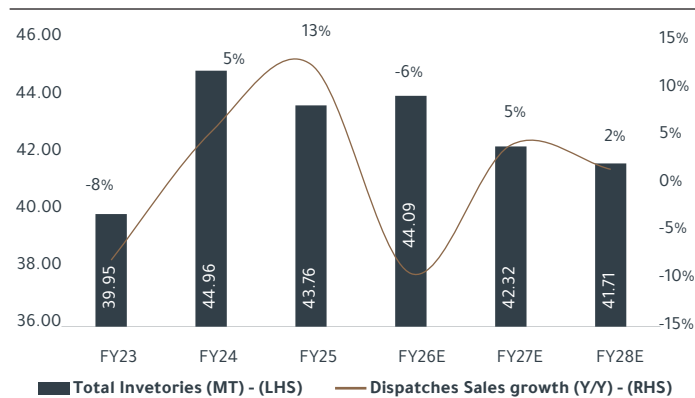


Source: Aljazeera Capital Research

Elevated inventory levels persist, though gradual normalization expected by FY28E amid demand recovery

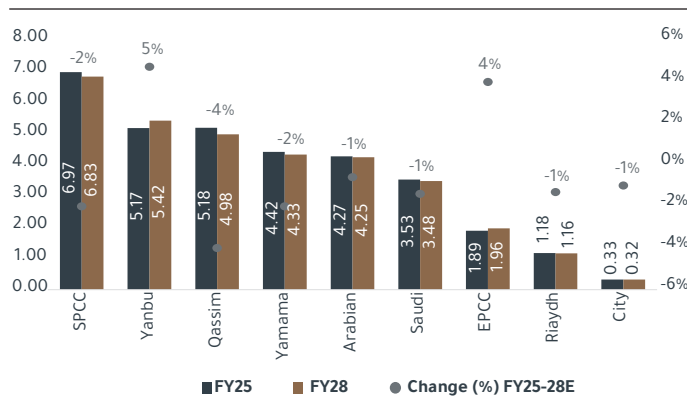
The KSA Cement sector closed May-FY26 with inventory levels of 44.7MT, equivalent to around 10 months of FY25 domestic demand. As construction activity accelerates and feedstock cost pressures persist, we expect the sector to close FY26E with an inventory level of 44.1MT (up 0.8% Y/Y), then gradually declining at a CAGR of 2% FY25-28E to 41.7MT representing nearly nine months of FY25 domestic dispatches. Within our coverage universe, **City Cement** recorded the lowest inventory levels at 0.33MT in FY25, which was reflected in higher CPT sensitivity following changes in HFO prices. On the other hand, **Southern Cement** reported inventory levels of 6.97MT by the end of FY25, representing nearly two months of the sector's total domestic sales in FY25, reflecting weaker demand conditions in the southern region. We expect City Cement to maintain relatively low inventory levels to preserve operational efficiency, while SPCC's inventory is forecasted to ease gradually as regional demand conditions improve.

Fig 12. Inventory levels are projected to gradually decline at a 2% CAGR (FY25-28E)



Source: Aljazira Capital Research

Fig 13. Inventory movement through FY25-28E by company



Source: Aljazira Capital Research

Selling prices expected to recover in FY26 amid higher feedstock costs, while competitive pressures persist across regions

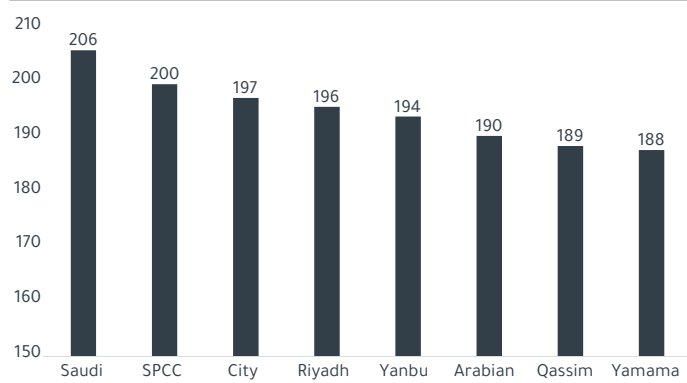
Average selling prices (ASPs) witnessed high volatility during FY25. The **Western** region recorded a recovery during H1-25, with ASPs reaching SAR 172/tonne, representing a 6% recovery from H2-24 levels. Meanwhile, the **Central** and **Eastern** regions experienced significant pricing pressure in Q3-25, with ASPs averaging around SAR 144/tonne. ASPs recovered in Q1-26 to around SAR 192/tonne in the Central region, supported by feedstock price hikes, which reduced companies' tolerance for aggressive pricing strategies. However, potential ASPs rollbacks may continue to persist, pressured by weaker export demand and slower mortgage activity compared to FY25. Over the longer term, we foresee a firmer pricing environment growing at CAGR 4% FY25-28E to SAR 197/tonne, players continue to face higher feedstock costs alongside rising capital intensity. Within our coverage, the Central region is expected to maintain ASPs below the sector average due to the highly competitive market environment, supported by strong regional demand that continues to attract supply from other regions. We highlight that **Saudi Cement** is expected to maintain an average ASP premium of around 5% over the FY26-30E, while **Eastern Cement** is expected to sustain a premium of approx.50% during the same period, supported by their higher exposure to high-margin industries such as oil & gas. On the other hand, **Riyadh Cement** and **City Cement** recorded ASP premiums of around 3% (FY23-25) versus their regional peers, reflecting stronger pricing discipline and broader product diversification.

Fig 14. Regional ASP Outlook (FY25-28E)



Source: Aljazira Capital Research

Fig 15. ASPs Through FY26-28E by Company (Excluding EPCC) - (SAR)



Source: Aljazira Capital Research

Feedstock costs pressure margins, but a shift to natural gas by FY27-28E supports a better long-term cost outlook

Saudi Aramco informed multiple cement companies, along with several other industrial players, of price increases for certain feedstocks and fuel products effective January 1, 2026. This marks the third consecutive increase in feedstock and fuel prices. The adjustment reflects Saudi Arabia’s ongoing energy price reform program; a key component of Vision 2030 aimed at aligning domestic energy prices more closely with global benchmarks while improving resource allocation and reducing inefficiencies. For the cement sector, feedstock costs represent a significant portion of the production cost base, particularly in the clinker manufacturing stage. As a result, higher fuel prices can exert pressure on margins in the near term. Nevertheless, the reform program is also encouraging producers to accelerate conversion plans and adopt more energy-efficient technologies, which could improve operational efficiency and support margins over the longer term.

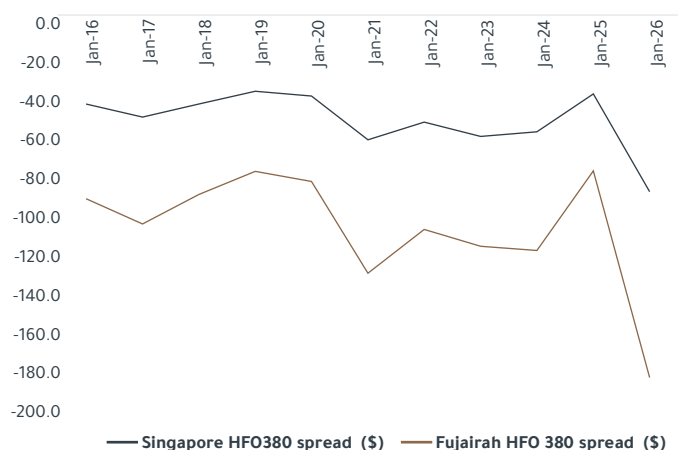
Fig 16. Feedstock usage by Saudi Cement companies under coverage

Company	Methane	HFO 380	Arab light	Consumption of HFO 380
Yamama	√	-	-	0%
City	-	√	-	100%
Saudi	√	-	√	0%
Southern	-	√	√	61%
Riyadh	-	√	√	37%
Arabian	-	√	-	100%
Eastern	√	-	-	0%
Yanbu	-	√	-	100%
*Qassim	-	√	√	38%

Source: AlJazeera Capital Research *Hail Energy mix 100% HFO

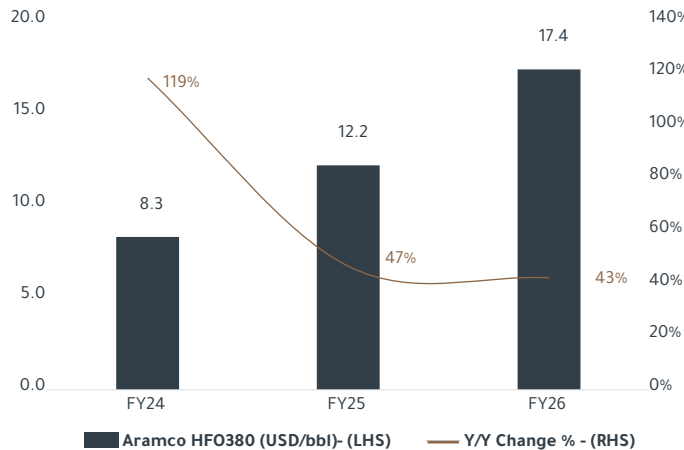
Recent feedstock hikes primarily affect HFO 380 pricing. We expect methane prices to remain stable at around USD 2.15/mmBtu and Arab Light at approximately USD 18.8/bbl following increases of 23% and 26% last year, respectively. In contrast, HFO 380 prices have risen materially, reaching around USD 17.4/bbl compared to USD 12.2/bbl previously, representing a further 43% increase this year. This represents a meaningful cost shift for cement producers that rely heavily on HFO as a primary fuel source. Despite the recent increase of approximately 43% in domestic HFO 380 prices, a substantial gap remains between Aramco’s pricing and international benchmarks such as Singapore and Fujairah Fuel Oil 380cst. Based on current benchmark levels, the spread between domestic and international prices still ranges between roughly USD 40-95/bbl, suggesting continued upward pressure and a high likelihood of further domestic price adjustments as part of the ongoing energy price reform program.

Fig 17. International HFO 380 Benchmarks vs. Saudi Domestic Fuel Oil Pricing (FY16-26)



Source: AlJazeera Capital Research

Fig 18. Historical Changes by Aramco in HFO 380 prices (\$/bbl)

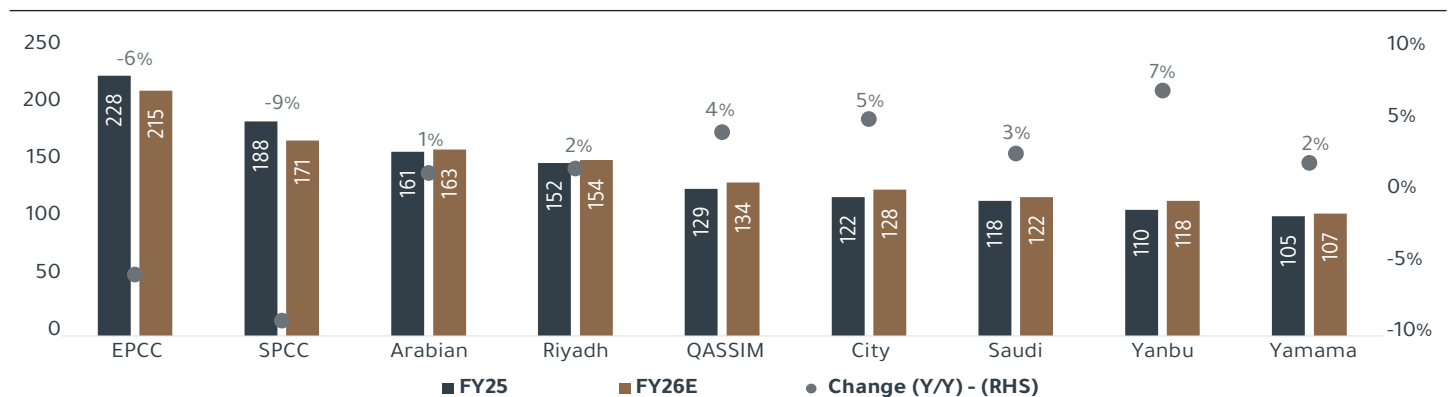


Source: AlJazeera Capital Research

Rising feedstock prices to accelerate CPT for HFO-Based producers in FY26, despite government subsidies

Following the sharp increase in feedstock prices, most cement producers recorded a noticeable rise in cost per tonne (CPT). On average, the CPT sector increased by around 10%, although the impact varied significantly across companies. Producers with higher reliance on heavy fuel oil (HFO) experienced the most pronounced cost pressure, with **Arabian, Riyadh** and **City**, recording CPT increases of approximately 9%, 8%, and 4%, respectively. Despite ongoing government subsidies, we estimated in our Base case that the fuel cost per Tonne will increase by approx. SAR 4 in FY26, leading the average for companies that rely solely on HFO to SAR 149 per Tonne in FY26. The impact of higher feedstock costs was initially muted due to the availability of previously purchased lower-cost inventories; however, as these inventories were gradually consumed, the higher production costs began to materialize more clearly in reported earnings.

Fig 19. Change in Cost Per Tonne (SAR/Tonne) - (FY25-26)



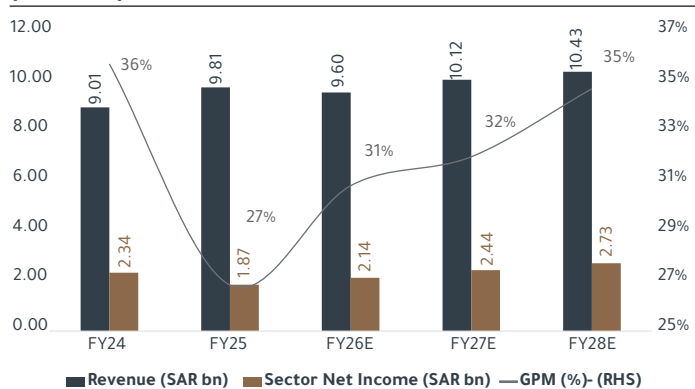
Source: AlJazeera Capital Research

Financial performance and Valuation insights

Sector performance expected to recover in FY26, supported by improved ASPs following last year's price war

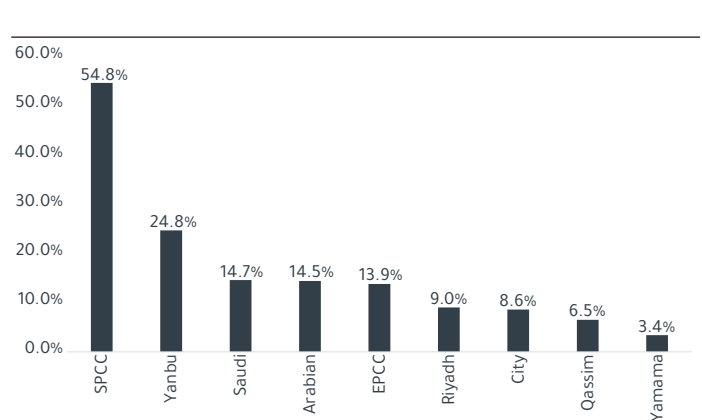
The sector recorded revenue of SAR 9.81bn in FY25, up 9% Y/Y, primarily driven by strong demand levels despite the high volatility in ASPs. Gross profit margin (GPM) contracted by nearly 890bps in FY25, reflecting pricing pressures alongside feedstock cost hikes. Net income declined by 20% Y/Y to SAR 1.87bn, pressured by lower margins, higher depreciation recognition, and inventory write-offs by the end of FY25. Looking ahead, we expect sector revenue to grow at a modest 2% CAGR over FY25-28E, in line with underlying market demand dynamics while considering the highly competitive environment. Sector net profit is forecast to recover by 15% in FY26E to SAR 2.14bn supported by 7% recovery in ASPs and cost efficiency. NPM is expected to reach nearly 25.7% by FY28, supported by the gradual transition toward natural gas usage. This improvement in profitability is expected to drive a 13% CAGR in sector net income over FY25-28E to reach SAR 2.73bn in FY28E. We forecast **Yanbu Cement** to deliver the highest net profit growth among peers at 28% Y/Y in FY26E, supported by margin recovery following FY25's low-margin revenue mix. **Arabian Cement** is expected to follow with 25% Y/Y growth, driven by Qatrana's strong performance amid rising Syrian infrastructure demand. Meanwhile, **Saudi Cement** is forecast to grow by 16% Y/Y in FY26E, supported by its higher exposure to the oil and gas sector in FY26E.

Fig 20. Sector Revenue, NI and GP margin performance outlook (FY24-28E)



Source: AlJazeera Capital Research

Fig 21. Net Profit CAGR (FY25-28E)

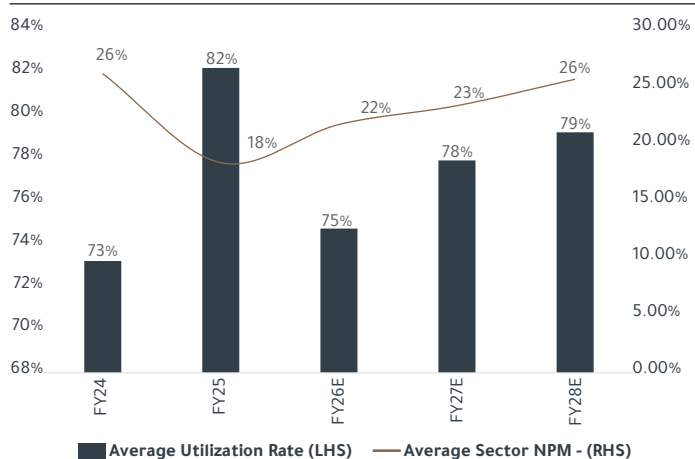


Source: AlJazeera Capital Research

Utilization rates are expected to normalize in FY26, while sector ROE is forecast to marginally recover in FY26

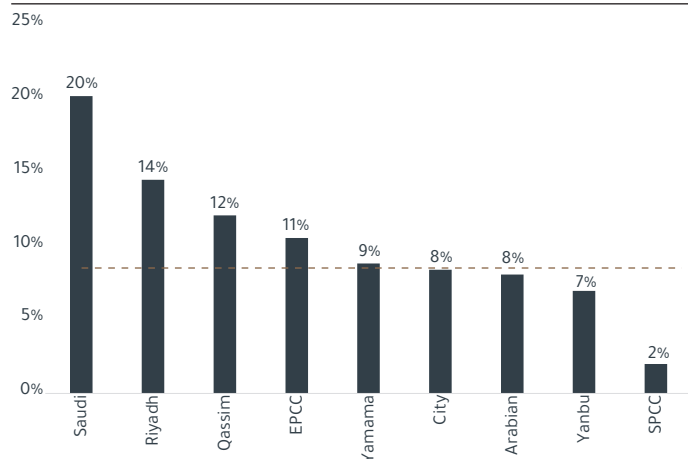
The sector recorded a 900bps expansion in utilization rates during FY25, reaching 82%, reflecting the exceptional growth in sales volumes. However, part of this demand was stimulated by aggressive price discounts, which negatively impacted profitability and efficiency metrics. As a result, net profit margins contracted by 779bps to 18.4% in FY25, alongside a 198bps decline in ROA to 6.5%. Consequently, sector ROE declined by 216bps Y/Y to 8.6%, reflecting the pressure from weaker pricing dynamics despite the higher utilization levels. However, as dispatch volumes gradually normalize, we expect utilization rates to ease to around 75% in FY26E. Despite the expected moderation in utilization, sector profitability is projected to improve, with net profit margins forecast to expand by 334bps Y/Y to 21.7% in FY26E supported by firmer ASPs and improving cost dynamics. Accordingly, sector ROE is expected to recover to 9.6% in FY26E. The sector's average ROE remains below the estimated average cost of equity of 11.1%, highlighting value dilution across several sector players. **Saudi Cement** recorded the highest ROE in FY25 at 16%, supported by resilient margin performance and strong operational efficiency, with utilization rates reaching around 93%. Meanwhile, **Riyadh Cement** also delivered above-sector-average ROE of 12%, driven by solid profitability and healthy utilization levels of approximately 85%. In contrast, most other sector players generated ROEs below the estimated cost of equity in FY25, reflecting pressure on profitability from weaker ASPs alongside elevated CPTs following feedstock cost hikes.

Fig 22. Average Utilization Rate (%) vs Average Sector NPM (%)



Source: Aljazira Capital Research

Fig 23. Average Forecasted ROE (FY26-28)

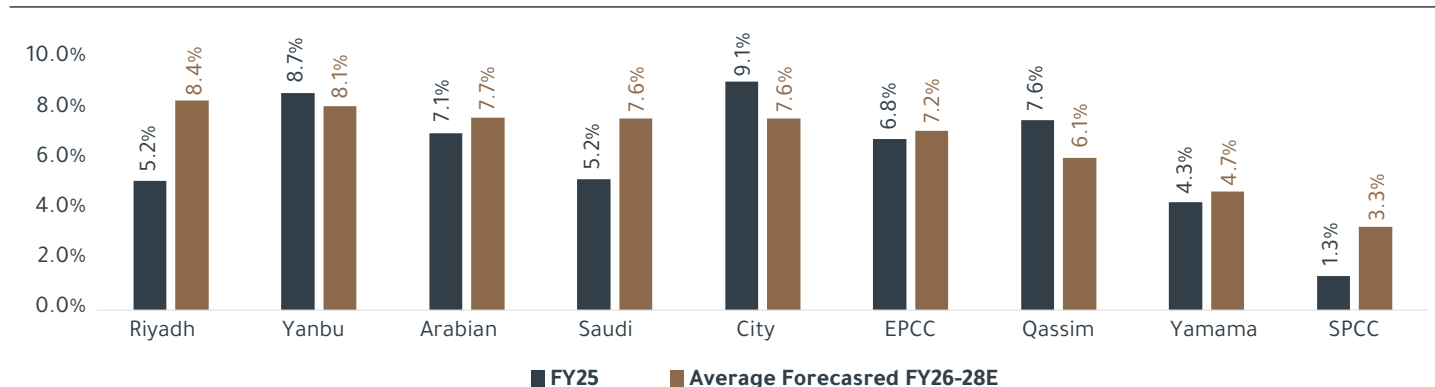


Source: Aljazira Capital Research

Strong FCF supports sustainable dividend payments and higher payout ratio

The sector distributed approximately SAR 1,368mn in dividends during FY25, led by **Qassim Cement** at SAR 351mn and **Saudi Cement** at SAR 275mn. Despite elevated CAPEX intensity of 25% in FY25, shareholder returns remained supported by resilient free cash flow generation. This investment cycle was mainly driven by expansion projects at **EPCC** and **SPCC**, where CAPEX intensity reached 69% and 33% of revenue, respectively. As major projects at **Yamama**, **Riyadh**, **EPCC**, and **SPCC** gradually ramp up operations, we expect sector CAPEX intensity to ease to around 12% in FY26E and decline further toward 10% by FY28E, supported by the completion of expansion projects and the transition toward natural gas infrastructure.

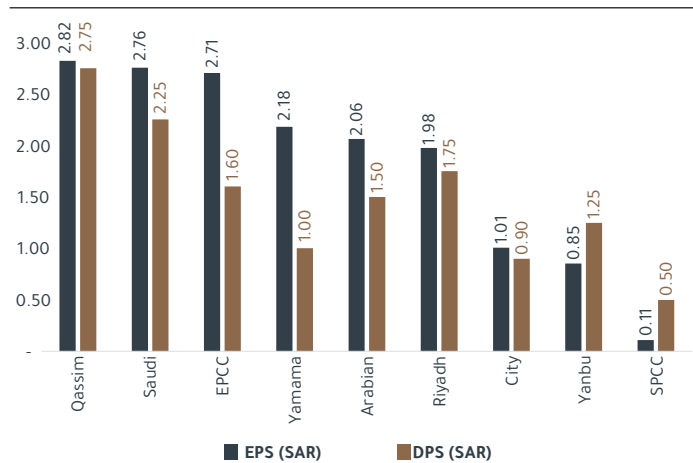
Fig 24. Dividend Yield Expected to maintain a strong level supported by FCF



Source: Aljazira Capital Research, closing prices as of 3rd June 2026

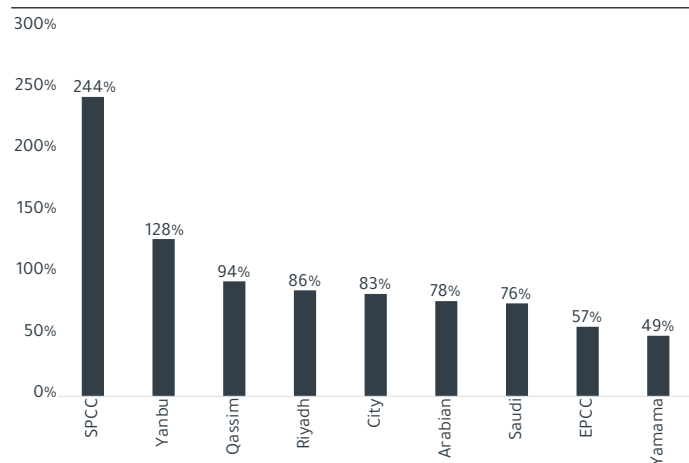
The sector recorded a dividend yield of 6.1% in FY25, up 138bps Y/Y, mainly reflecting the pressure on sector stock prices during the year. **City Cement** recorded the highest dividend yield at 9.1%, supported by an increase in DPS to SAR 1.15 FY25 from SAR 0.50 in FY24. Meanwhile, **Yanbu Cement** also offered an attractive yield of 8.7% following a 41% decline in its share price. We forecast the sector dividend yield to expand to 6.13% in FY26E, with Riyadh Cement topping the list with 7.9% followed by Yanbu Cement with 7.6% dividend yield in FY26E. on the medium run, We expect **Yanbu Cement** to maintain an attractive average dividend yield of 8.1% over FY26-28E, supported by healthy free cash flow generation and a firm dividend policy. **Riyadh Cement** is expected to follow with an average yield of 8.4%, driven by strong profitability and declining CAPEX intensity.

Fig 25. DPS vs EPS FY26E



Source: AlJazira Capital Research

Fig 26. Average Forecasted Payout (FY26-28)

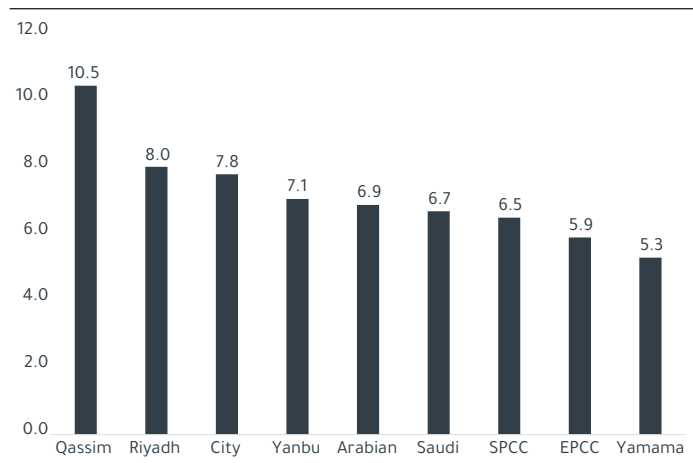


Source: AlJazira Capital Research

Recent valuation compression across the sector presents attractive investment opportunities

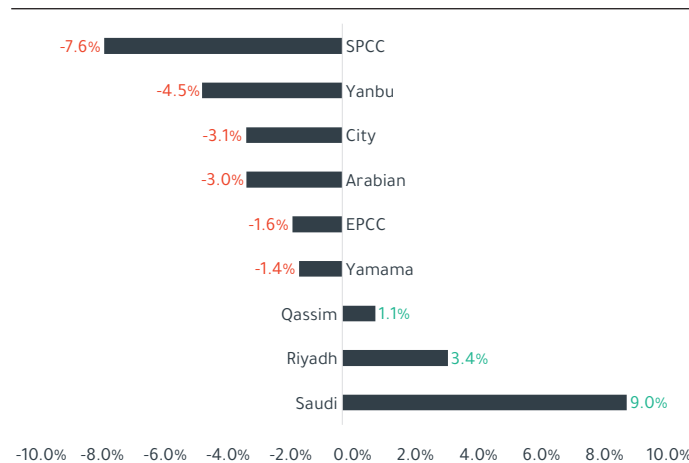
Market volatility and weaker sector fundamentals drove a broad correction in cement equities, with sector share prices declining by approximately 28% Y/Y. **City Cement** and **Southern Cement** recorded the steepest declines of 38% and 32%, respectively as of June 3rd, 2026, reflecting heightened investor sensitivity to regional pricing pressure. The sector's EV/EBITDA multiple compressed to 9.08x in FY25 from 10.05x in FY24. Looking ahead, we forecast the sector's average forward EV/EBITDA to stabilize around 7.46x in FY26E, supported by gradual earnings recovery. In addition, firmer ASPs, easing CAPEX intensity, and the transition toward natural gas infrastructure are expected to support margin expansion and improve cost efficiency across the sector despite the normalization in utilization rates.

Fig 27. Average Forward EV/EBITDA (FY26-28E)



Source: AlJazira Capital Research

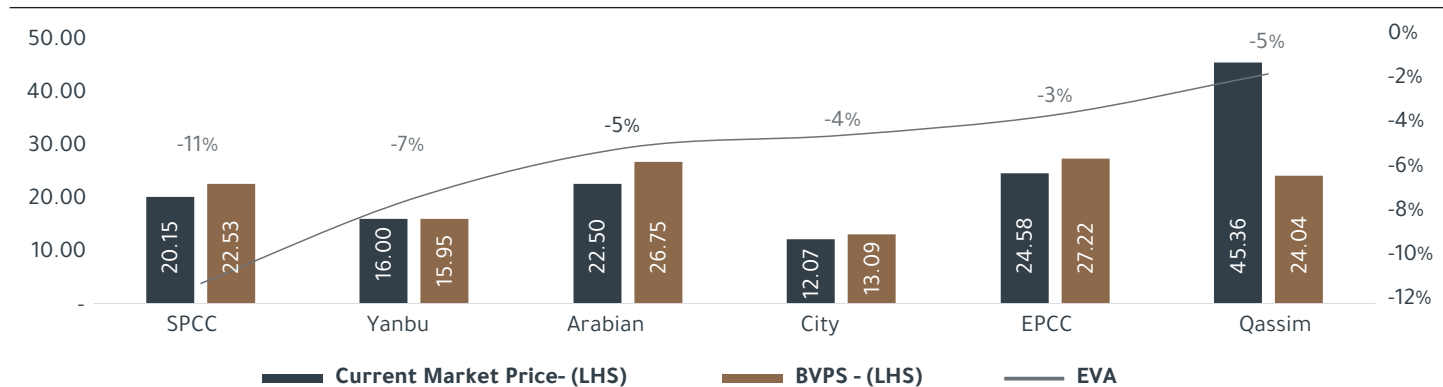
Fig 28. Average Economic Added Value (FY26-28E)



Source: AlJazira Capital Research

The decline in profitability also weighed on return metrics, with most companies generating negative economic value added (EVA). The sector's average ROE spread reached -2.96% in FY25, indicating returns below the cost of equity. **Saudi Cement** and **Riyadh Cement** were the only two companies in FY25 to maintain positive spreads of 6% and 1%, respectively, supported by stronger margins and operational efficiency. We expect the negative spread to gradually narrow as margins recover and demand from mega and giga projects strengthens over the medium term. The pressure from negative EVA has been reflected in sector valuations, where most companies generating returns below their cost of equity are currently trading below book value. Nevertheless, exceptions remain for companies with stronger operational positioning, superior cost structures, and strong dividend policy.

Fig 29. Negative EVA Continues to Pressure Sector Valuations Below Book Value



Source: Aljazira Capital Research, closing prices as of 3rd June 2026

AJBC's View and Valuation: We maintain a **"Neutral"** rating on the KSA Cement sector, where in the near term, the sector continues to face meaningful headwinds from intensifying competition, elevated inventories, and margin pressure following recent feedstock price hikes. The long-term structural demand growth remains supported by the continued execution of Vision 2030 projects and the rising contribution of construction activity to non-oil GDP; we believe a large portion of these positives are already reflected in current valuations. Nevertheless, we continue to identify selective investment opportunities supported by strong profitability outlooks, operational efficiency, and attractive market valuations. We upgrade our recommendation on both **Riyadh Cement** and **Saudi Cement** to **"Overweight"** with revised TP of **SAR 31.0/Share** and **SAR 41.5/Share** respectively. Saudi Cement remains well positioned to benefit from resilient demand from the oil & gas sector, supported by premium ASPs, high utilization rates of around 93%, and the highest ROE in the sector at 16%. The company also remains one of only two players generating a positive EVA spread, reflecting superior profitability and operational efficiency. Meanwhile, Riyadh Cement is strategically positioned to capitalize on accelerating demand from giga and mega projects in the central region. In addition, the company's ongoing transition toward natural gas by FY26-27E is expected to further strengthen profitability and support a more efficient long-term cost structure. Riyadh Cement also maintained ASP premiums over regional peers and remains the only other player alongside Saudi Cement currently generating a positive EVA spread. We also maintain our **"Overweight"** recommendation on **Yamama Cement** and **Eastern Cement**, with revised target prices of **SAR 31.0/share** and **SAR 30.9/share**, respectively. Yamama Cement continues to demonstrate its ability to capture central region demand, maintaining the largest domestic market share at 19.4% as of April FY26 TTM. In addition, its full reliance on natural gas continues to provide a structural cost advantage, supporting our expectation for the highest sector GPM over FY26-28E. As for Eastern Cement, the company is expected to benefit from its differentiated concrete-focused product mix alongside continued support from infrastructure and oil & gas related activity in the Eastern region, supporting resilient margins and profitability going forward. We reiterate our **"Neutral"** recommendation on **Arabian Cement (TP, SAR 26.7/Share)**, **City Cement (TP, SAR 14.3/Share)**, **Qassim Cement (TP, SAR 49.9/Share)**, **Yanbu Cement (TP, SAR 17.6/Share)**, and **SPCC (TP, SAR 17.6/Share)**.

Fig 30. Our Recommendation Summary

Company	Recommendation	TP (SAR)	Expected return (%)	DPS FY26E	DY FY26E	Net profit (SAR Mn) FY26E	P/E ratio FY26E	ROE FY26E
Riyadh	Overweight	31.0	40.1%	1.75	7.9%	237	11.2	13.6%
Saudi	Overweight	41.5	31.3%	2.25	7.1%	422	11.5	18.4%
Yamama	Overweight	31.0	25.4%	1.00	4.0%	441	11.4	8.5%
EPCC	Overweight	30.9	24.0%	1.60	6.4%	233	9.2	9.6%
City	Neutral	14.3	18.3%	0.90	7.4%	141	12.2	7.6%
Arabian	Neutral	26.7	17.4%	1.50	6.6%	206	11.0	7.5%
Qassim	Neutral	49.9	10.0%	2.75	6.1%	312	16.1	11.7%
Yanbu	Neutral	17.6	7.6%	1.25	7.6%	134	19.2	5.5%
SPCC	Neutral	17.6	-12.1%	0.50	2.5%	16	179.6	0.5%

Source: Aljazira Capital research, closing price 3rd June 2026

Yamama Cement: Market leader well-positioned for central region demand; fuel allocation remains key risk

Yamama Cement remains the dominant player in the Saudi cement market, commanding a 19.4% market share (TTM) in April-FY26. Capitalizing on robust demand in the Central Region, FY25 dispatches surged 40% Y/Y to 8.49MT, driving revenue up 21% Y/Y to SAR1,423mn in FY25. However, aggressive sector competition weighed on profitability; GPM contracted 761bps, primarily due to a 13% decline in ASPs in FY25. We project revenue to grow at a 3% CAGR (FY25-28E) to SAR 1,547mn in FY28E, supported by sustained regional demand and stabilizing ASPs. While the company currently benefits from a favorable cost structure, relying solely on natural gas, the upcoming third production line poses a margin risk. Potential tightness in fuel allocation may force the company to utilize more expensive, margin-dilutive energy alternatives. In our base case, we expect FY26E gross margin to expand by 440bps to 41.9%. Nevertheless, Yamama continues to outperform its peer average GPM of 31% in FY26E. Third production line valued at SAR 1.2bn is slated to commence operations in Q3-26. This CAPEX was the primary driver behind the rise in Net Debt/EBITDA from 2.37x in FY23 to 2.94x in FY25. As operations scale and CAPEX intensity subsides, we anticipate deleveraging toward historical levels of 1.9x by FY28E. We value Yamama Cement assigning 50% weight to DCF (1.5% terminal growth and 9.3% WACC), while we assign 50% weight to PE (14x based on FY26E EPS). We maintain our **“Overweight”** rating with a revised target price of **SAR 31.0/share**, implying **25.4%** upside.

Blended valuation summary

	TP (SAR)	Weight	Weighted TP
DCF	33.5	50%	16.7
P/E (14x FY26E)	28.6	50%	14.3
Blended TP			31.0
Up/Downside			25.4%

Source: Aljazeera Capital research, closing price 3rd June 2026

Financial Glance

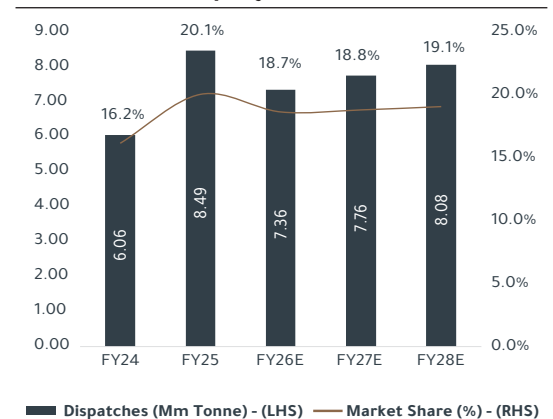
Amount in SARmn, unless otherwise specified	FY24	FY25	FY26E	FY27E	FY28E
Income statement					
Revenue	1,173	1,423	1,355	1,457	1,547
Y/Y	25.4%	21.3%	-4.8%	7.5%	6.2%
Cost of Revenue	(644)	(890)	(788)	(855)	(884)
Gross Profit	529	534	568	602	663
Gross margin	45.1%	37.5%	41.9%	41.3%	42.8%
Selling & marketing	(15.8)	(19.0)	(16.9)	(17.1)	(17.3)
General & administrative	(69.7)	(75.7)	(75.6)	(77.2)	(78.7)
EBITDA	624	607	674	717	807
EBITDA Margin	53.2%	42.6%	49.7%	49.2%	52.2%
Operating Income	444	419	475	507	567
Y/Y	68.3%	-5.6%	13.5%	6.8%	11.8%
Operating Margin	37.8%	29.4%	35.1%	34.8%	36.6%
Financing costs	(54.0)	(67.6)	(58.6)	(67.6)	(58.5)
Other Revenues	43	145	38	39	17
Income before Zakat	433	496	455	479	548
Zakat	(12)	(13)	(13)	(14)	(14)
Net income	421	483	441	465	534
Y/Y	38.3%	14.8%	-8.6%	5.3%	14.9%
Net Margin	35.9%	33.9%	32.6%	31.9%	34.5%
EPS	2.08	2.38	2.18	2.29	2.64
DPS	1.00	1.00	1.00	1.25	1.25
Operational KPIs					
Dispatches (000)	6,062	8,486	7,357	7,761	8,081
Average Selling Price (SAR/Tonne)	193	168	184	188	191
Cost per Tonne (SAR/Tonne)	106	105	107	110	109
Key Financial Ratios					
Return on assets	5.7%	6.5%	5.9%	6.2%	7.1%
Return on equity	8.7%	9.7%	8.5%	8.6%	9.4%
EV/EBITDA (x)	12.3	7.0	7.3	7.3	7.0
P/E ratio (x)	17.1	9.8	11.4	10.8	9.4
Dividend yield	2.8%	4.3%	4.0%	5.1%	5.1%

Source: Aljazeera Capital Research, closing price 3rd June 2026

Recommendation	Overweight
Target Price (SAR)	31.0
Upside / (Downside)*	25.4%

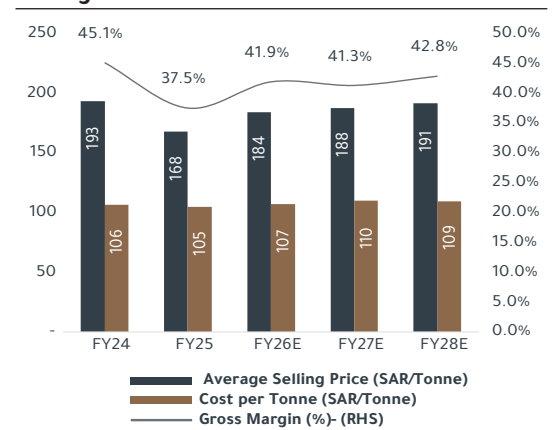
Source: Aljazeera Capital research, closing price 3rd June 2026

Fig 31. Strong central region demand is set to maintain the company market share



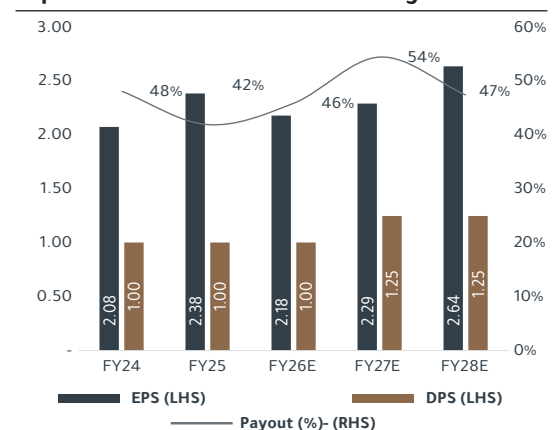
Source: Company reports, Aljazeera Capital Research

Fig 32. Natural Gas Underpins the company Strong GMP



Source: Company reports, Aljazeera Capital Research

Fig 33. As Reinvestment Eases, Payout Ratio Expected to Remain in a Stable Range



Source: Company reports, Aljazeera Capital Research

Riyadh Cement: Feedstock transition to support margin enhancement in the long-term; strong financial position to help see-through near-term headwinds of low inventory levels and HFO hikes

Riyadh Cement reported revenue of SAR 788mn in FY25, a marginal decline of 0.2% Y/Y, primarily driven by a 6% softening in ASPs. Notably, the company maintained a 6% pricing premium relative to Central Region averages. Sales volumes grew 6% Y/Y to 3.49MT. Gross margin contracted by 89bps to 33%, pressured by intense regional pricing competition and hikes in HFO costs. The company's 60% market share in the white cement segment remains a key differentiator, effectively mitigating the pricing volatility seen in the grey cement market. We forecast a revenue CAGR of 4% (FY25-28E) to SAR 895mn, supported by sustained demand from Giga and Mega projects and continued white cement leadership. While CPT increased by 8% in FY25 due to feedstock price pressures, the outlook remains constructive. Despite the recent 43% surge in HFO prices on Jan-FY26, the company's planned transition to natural gas by the end of FY26 is expected to be a significant margin catalyst, potentially driving GPM toward 39% by FY28E. Riyadh Cement is one of only two companies within our coverage universe to deliver positive Economic Value Added (EVA), with a projected average of approximately 3.36% over the next three years, underscoring its superior financial health. We value Riyadh Cement assigning 50% weight to DCF (1.5% terminal growth and 11.1% WACC), while we assign 50% weight to PE (14.0x based on FY26E EPS). We upgrade our recommendation to **"Overweight"** with a target price of **SAR 31.0/share**, implying **40.1%** upside

Blended valuation summary

	TP (SAR)	Weight	Weighted TP
DCF	34.2	50%	17.1
P/E (14x FY26E)	27.7	50%	13.8
Blended TP			31.0
Up/Downside			40.1%

Source: Aljazeera Capital research, closing price 3rd June 2026

Financial Glance

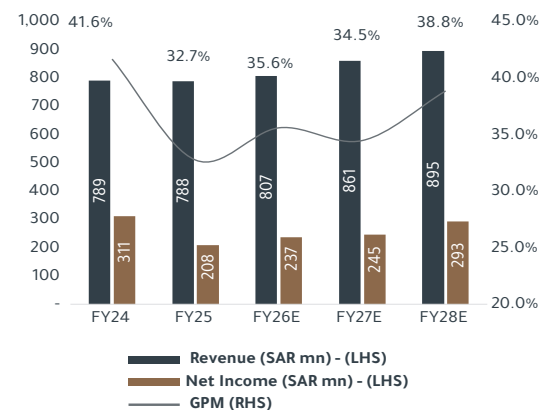
Amount in SARmn, unless otherwise specified	FY24	FY25	FY26E	FY27E	FY28E
Income statement					
Revenue	789	788	807	861	895
Y/Y	22.7%	-0.2%	2.5%	6.6%	4.0%
Cost of Revenue	(461)	(530)	(520)	(564)	(547)
Gross Profit	329	258	287	297	347
Gross margin	41.6%	32.7%	35.6%	34.5%	38.8%
Selling & marketing	(3.6)	(3.8)	(5.1)	(5.2)	(5.3)
General & administrative	(28.3)	(37.7)	(33.0)	(33.5)	(34.0)
EBITDA	403	328	361	369	418
EBITDA Margin	51.0%	41.6%	44.7%	42.9%	46.7%
Operating Income	297	216	249	258	308
Y/Y	47.6%	-27.1%	15.2%	3.5%	19.5%
Operating Margin	37.6%	27.5%	30.9%	30.0%	34.4%
Financing costs	(3.8)	(2.8)	(3.0)	(2.8)	(2.5)
Other Revenues	6	6	3	3	3
Income before Zakat	299	219	250	258	309
Zakat	11	(12)	(12)	(13)	(15)
Net income	311	208	237	245	293
Y/Y	65.0%	-33.3%	14.1%	3.5%	19.5%
Net Margin	39.5%	26.4%	29.4%	28.5%	32.8%
EPS	2.60	1.72	1.98	2.04	2.44
DPS	2.25	1.60	1.75	1.80	2.00
Operational KPIs					
Dispatches (000)	3,287	3,496	3,373	3,575	3,690
Average Selling Price (SAR/Tonne)	191	179	192	196	199
Cost per Tonne (SAR/Tonne)	140	152	154	158	148
Key Financial Ratios					
Return on assets	15.8%	11.0%	12.3%	12.5%	14.5%
Return on equity	17.5%	12.1%	13.6%	13.8%	16.0%
EV/EBITDA (x)	13.5	17.5	11.1	11.1	9.7
P/E ratio (x)	12.4	18.0	11.2	10.8	9.1
Dividend yield	7.0%	5.2%	7.9%	8.1%	9.0%

Source: Aljazeera Capital Research, closing price 3rd June 2026

Recommendation	Overweight
Target Price (SAR)	31.0
Upside / (Downside)*	40.1%

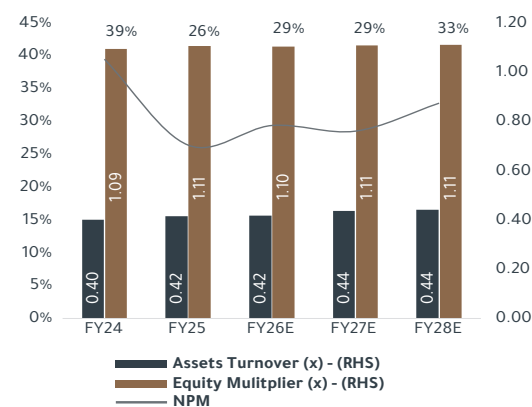
Source: Aljazeera Capital research, closing price 3rd June 2026

Fig 34. Temporary FY26E Margin Pressure, Supported by Energy Mix Shift Recovery afterward



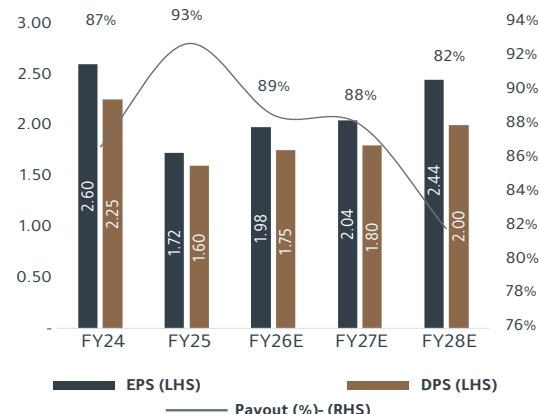
Source: Company reports, Aljazeera Capital Research

Fig 35. ROE Expected to Reach 16% (FY28E) on Strong Asset Efficiency and Leverage



Source: Company reports, Aljazeera Capital Research

Fig 36. Leading Dividend Distributor to Sustain 82-89% Payout (FY26-28E)



Source: Company reports, Aljazeera Capital Research

Qassim Cement: Strong market presence supported by Hail integration but margins sensitive to market dynamics

Qassim Cement reported revenue of SAR 1,133mn in FY25, marking a 17% Y/Y increase, supported by an 8% growth in sales volumes to 6.8MT and an 8% improvement in ASPs, however ASPs remain 3.4% below regional peers. Gross margin contracted by 1,063 bps to 23%. This compression primarily reflects increased exposure to HFO prices following the integration of Hail Cement and its unfavorable energy mix. We forecast revenue to grow at a 4% CAGR through FY25-28E, alongside a projected 872 bps expansion in GPM to reach 32% in FY28E as the company realizes post-merger efficiencies. Qassim's robust Free Cash Flow (FCF) position continues to underpin a sustainable and aggressive dividend policy. Following a 136% payout ratio in FY25, we expect the company to maintain average payout of 94% over the FY26-28E period. We value Qassim Cement assigning 50% weight to DCF (1.5% terminal growth and 10.8% WACC), while we assign 50% weight to DY (applying a yield of 6% on FY26E DPS). We maintain our "Neutral" recommendation with a target price of SAR 49.9/share, implying 10.0% upside.

Blended valuation summary

	TP (SAR)	Weight	Weighted TP
DCF	58.2	50%	29.1
DY (6% FY26E)	41.7	50%	20.8
Blended TP			49.9
Up/Downside			10.0%

Source: Aljazira Capital research, closing price 3rd June 2026

Financial Glance

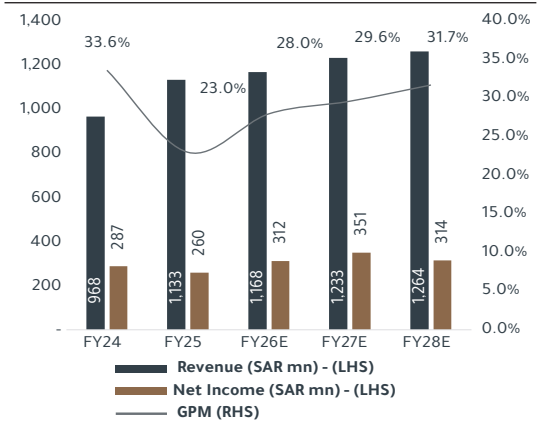
Amount in SARmn, unless otherwise specified	FY24	FY25	FY26E	FY27E	FY28E
Income statement					
Revenue	968	1,133	1,168	1,233	1,264
Y/Y	65.8%	17.1%	3.0%	5.6%	2.5%
Cost of Revenue	(642)	(873)	(841)	(868)	(863)
Gross Profit	325	261	327	365	401
Gross margin	33.6%	23.0%	28.0%	29.6%	31.7%
Selling & marketing	(19)	(26)	(33)	(36)	(37)
General & administrative	(28)	(45)	(46)	(47)	(48)
Other Operating Income	48	77	76	78	9
EBITDA	428	400	454	494	457
EBITDA Margin	44.3%	35.3%	38.9%	40.1%	36.2%
Operating Income	326	267	324	360	324
Y/Y	131.7%	-4.1%	21.3%	11.2%	-10.1%
Operating Margin	33.7%	23.6%	27.7%	29.2%	25.6%
Financing costs	(4.0)	(4.4)	(4.5)	(4.6)	(4.7)
Other Revenues	41	20	22	22	22
Income before Zakat	315	283	341	377	341
Zakat	(28)	(23)	(29)	(26)	(27)
Net income	287	260	312	351	314
Y/Y	102.5%	-9.6%	20.1%	12.5%	-10.5%
Net Margin	29.7%	22.9%	26.7%	28.5%	24.9%
EPS	2.60	2.35	2.82	3.18	2.84
DPS	2.75	3.20	2.75	2.75	2.75
Key Financial Ratios					
Return on assets	9%	8%	10.0%	11.0%	9.8%
Return on equity	10.45%	9.78%	11.71%	12.9%	11.5%
EV/EBITDA (x)	18.8	17.9	15.7	14.2	15.8
P/E ratio (x)	20.3	18.0	16.1	14.3	16.0
Dividend yield	5.2%	7.6%	6.1%	6.1%	6.1%
Dispatches (000)	6,251	6,778	6,264	6,514	6,645
Average Selling Price (SAR/Tonne)	155	167	186	189	190
Cost per Tonne (SAR/Tonne)	103	129	134	133	130

Source: Aljazira Capital Research, closing price 3rd June 2026

Recommendation	Neutral
Target Price (SAR)	49.9
Upside / (Downside)*	10.0%

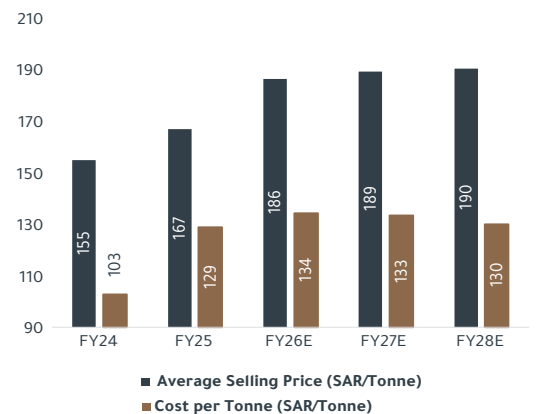
Source: Aljazira Capital research, closing price 3rd June 2026

Fig 37. Margins Expected to Face Slight Pressure in FY26E Before Recovering Thereafter



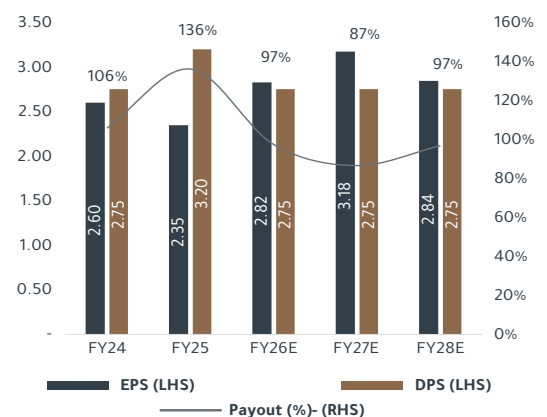
Source: Company reports, Aljazira Capital Research

Fig 38. Hail Integration Has Exposed the Company to HFO Price Hikes



Source: Company reports, Aljazira Capital Research

Fig 39. Stable Dividend Policy Expected to Continue Over the Forecast Period



Source: Company reports, Aljazira Capital Research

City Cement: Growth momentum backed by regional demand; low inventory levels might pressure margins, reflecting the HFO prices.

City Cement reported revenue of SAR 520mn in FY25, a marginal decline of 0.2% Y/Y. The performance was supported by a 3% price premium over regional peers and stable sales volumes of 2.92 MT. GPM contracted by 465bps reflecting the pricing pressure and HFO hikes. We forecast revenue to grow at a CAGR of 4% over the FY25-28E period, underpinned by regional demand and stabilized ASPs. In FY25, CPT increased by 4%, reflecting the immediate impact of HFO price hikes due to the company's low inventory levels at the time of the increase. Net income is forecasted to reach SAR 178mn by FY28E supported by the company high efficiency average 77% utilization rates (FY26-28E). We value City Cement assigning 50% weight to P/E (1.5% terminal growth and 11.44% WACC), while we assign a 50% weight to the P/E, (11.0x on FY26E EPS), at a discount to peers reflecting the company's relatively lower ROE profile. We maintain our "Neutral" recommendation with a target price of SAR 14.3/share, implying 18.3% upside.

Blended valuation summary

	TP (SAR)	Weight	Weighted TP
DCF	17.5	50%	8.7
P/E (11x FY26E)	11.1	50%	5.5
Blended TP			14.3
Up/Downside			18.3%

Source: Aljazeera Capital Research, closing price 3rd June 2026

Financial Glance

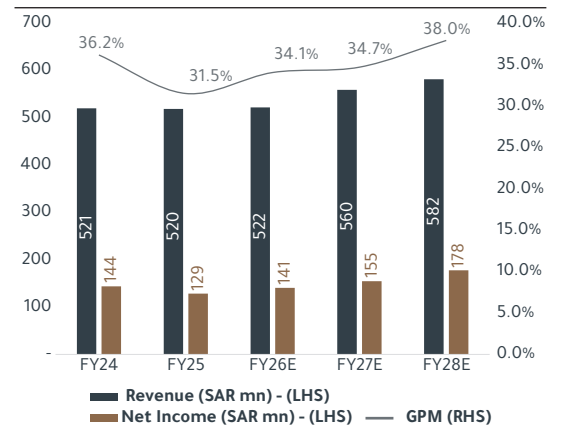
Amount in SARmn, unless otherwise specified	FY24	FY25	FY26E	FY27E	FY28E
Income statement					
Revenue	521	520	522	560	582
Y/Y	46.1%	-0.2%	0.5%	7.1%	4.0%
Cost of Revenue	(332)	(356)	(344)	(365)	(361)
Gross Profit	189	164	178	194	221
Gross margin	36.2%	31.5%	34.1%	34.7%	38.0%
Selling & marketing	(15)	(15)	(15)	(16)	(16)
General & administrative	(37)	(35)	(34)	(35)	(35)
EBITDA	227	204	220	235	260
EBITDA Margin	43.5%	39.2%	42.0%	42.0%	44.7%
Operating Income	136	113	129	144	170
Y/Y	86.5%	-16.7%	13.6%	12.1%	18.0%
Operating Margin	26.1%	21.8%	24.6%	25.8%	29.2%
Financing costs	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Other Revenues	23	34	29	29	29
Income before Zakat	157	146	156	172	197
Zakat	(13)	(17)	(16)	(17)	(20)
Net income	144	129	141	155	178
Y/Y	75.8%	-10.5%	9.2%	9.8%	14.9%
Net Margin	27.7%	24.8%	27.0%	27.6%	30.5%
EPS	1.03	0.92	1.01	1.10	1.27
DPS	0.50	1.15	0.90	0.90	1.00
Operational KPIs					
Dispatches (000)	2,836	2,924	2,691	2,826	2,911
Average Selling Price (SAR/Tonne)	184	178	194	198	200
Cost per Tonne (SAR/Tonne)	117	122	128	129	124
Key Financial Ratios					
Return on assets	8%	7%	7.3%	7.9%	8.9%
Return on equity	8.03%	7.04%	7.62%	8.2%	9.3%
EV/EBITDA (x)	18.9	15.7	13.9	12.8	11.4
P/E ratio (x)	17.6	13.7	12.2	11.1	9.6
Dividend yield	2.8%	9.1%	7.4%	7.4%	8.2%

Source: Aljazeera Capital Research, closing price 3rd June 2026

Recommendation	Neutral
Target Price (SAR)	14.3
Upside / (Downside)*	18.3%

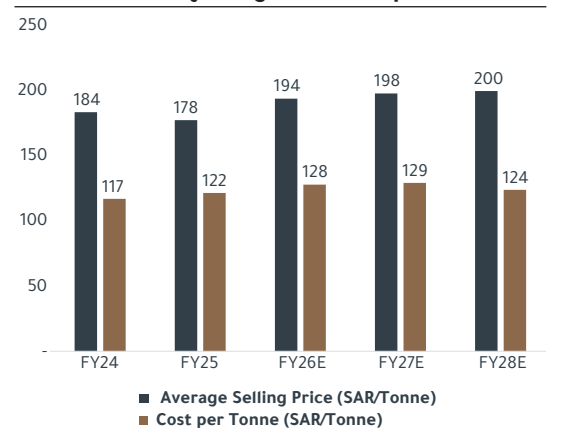
Source: Aljazeera Capital research, closing price 3rd June 2026

Fig 40. HFO Prices Expected to Pressure GPM in the Short Term



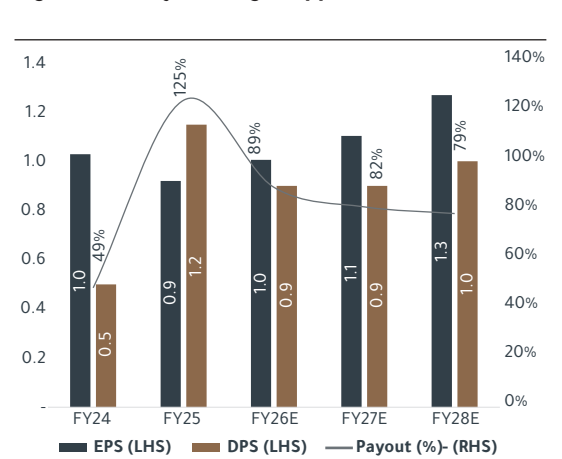
Source: Company reports, Aljazeera Capital Research

Fig 41. 3% Average ASP Premium (FY26-28E) vs Peers to Partially Mitigate HFO Impact on GPM



Source: Company reports, Aljazeera Capital Research

Fig 42. Healthy Earnings Support DPS Momentum



Source: Company reports, Aljazeera Capital Research

Saudi Cement: Lower contribution of exports exert pressure on near-term profitability; solid profitability and financial position grant the highest ROE among peers

Saudi Cement holds an 14.3% TTM market share as of April-FY26, positioning it as the third-largest player in the kingdom. Revenue declined marginally by 0.3% Y/Y to SAR 1,671mn in FY25, as a 5% increase in dispatch volumes was fully offset by a 5% decline in ASPs. Export sales accounted for 34% of total dispatches in FY25, representing a contraction of 1,023bps Y/Y in the export sales mix. Profitability was further impacted by price hikes in Arab Light crude in FY25, which contributed to a 374bps decline in Gross Profit as cost of materials increased 18% Y/Y. Net Income posted a 14% Y/Y decline in FY25 to SAR 364mn, primarily driven by higher CPT and effective tax rate. We forecast revenue to grow at 4% CAGR (FY25-28E) to SAR 1,896mn in FY28E, supported by robust demand from the oil and gas sector and the company's strategic exposure to the Central Region. We expect export contributions to remain under pressure in FY26E (projected down 519bps) due to ongoing regional geopolitical tensions. While gross and net margins are expected to face headwinds in FY26E due to a lower contribution from exports and feedstock cost pressures, we project a recovery to 41.9% and 28.9%, respectively, by FY28. Furthermore, the company is expected to maintain a healthy average payout ratio of approximately 76% through the forecast period, supported by a moderation in CAPEX intensity from 95% in FY25 to 53% by FY28E. The company's strong efficiency has reflected on its ROE which recorded 16% compared to the peers' average of 8% in FY25. We value Saudi Cement assigning 50% weight to DCF (1.5% terminal growth and 11.13% WACC), while we assign 50% weight to P/E (applying the market 14x on FY26E EPS). We Upgrade our recommendation to **"Overweight"** with a target price of **SAR 41.5/share**, implying **31.3%** upside.

Blended valuation summary

	TP (SAR)	Weight	Weighted TP
DCF	44.4	50%	22.2
P/E (14x FY26E)	38.6	50%	19.3
Blended TP			41.5
Up/Downside			31.3%

Source: Aljazira Capital Research, closing price 3rd June 2026

Financial Glance

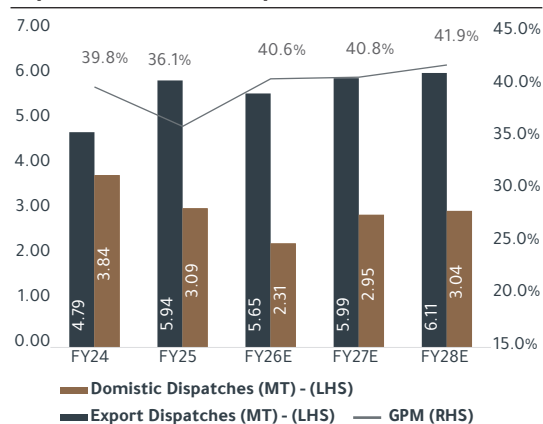
Amount in SARmn, unless otherwise specified	FY24	FY25	FY26E	FY27E	FY28E
Income statement					
Revenue	1,676	1,671	1,629	1,844	1,896
Y/Y	14.6%	-0.3%	-2.5%	13.2%	2.8%
Cost of Revenue	(1,008)	(1,068)	(968)	(1,092)	(1,101)
Gross Profit	667	603	661	751	795
Gross margin	39.8%	36.1%	40.6%	40.8%	41.9%
SG&A	(239)	(223)	(222)	(224)	(227)
Other	39	25	26	25	26
EBITDA	685	612	676	770	812
EBITDA Margin	40.9%	36.6%	41.5%	41.8%	42.9%
Operating Income	467	404	465	552	594
Y/Y	28.2%	-13.5%	15.1%	18.7%	7.6%
Operating Margin	27.9%	24.2%	28.6%	30.0%	31.3%
Financing costs	(27.4)	(19.0)	(20.26)	(20.2)	(20.0)
Other Income / Expenses	-	-	-	-	-
Income before Zakat	440	385	445	532	574
Zakat	(18)	(22)	(23)	(24)	(26)
Net income	422	364	422	508	548
Y/Y	10.7%	-13.8%	16.0%	20.5%	7.9%
Net Margin	25.2%	21.8%	25.9%	27.6%	28.9%
EPS	2.76	2.38	2.76	3.32	3.58
DPS	2.50	1.80	2.25	2.50	2.50
Operational KPIs					
Dispatches (000)	8,626	9,032	7,960	8,937	9,146
Average Selling Price (SAR/Tonne)	194	185	205	206	207
Cost per Tonne (SAR/Tonne)	117	118	122	122	120
Key Financial Ratios					
Return on assets	13%	12%	13.5%	15.7%	16.1%
Return on equity	18.83%	16.38%	18.36%	21.0%	21.2%
EV/EBITDA (x)	13.2	12.6	9.9	8.6	8.5
P/E ratio (x)	15.5	14.5	11.5	9.5	8.8
Dividend yield	5.9%	5.2%	7.1%	7.9%	7.9%

Source: Aljazira Capital Research, closing price 3rd June 2026

Recommendation	Overweight
Target Price (SAR)	41.5
Upside / (Downside)*	31.3%

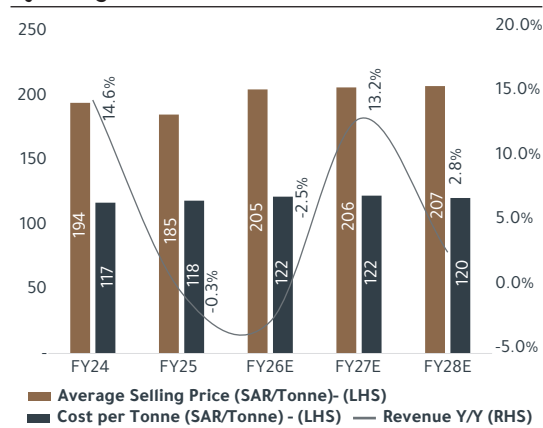
Source: Aljazira Capital Research, closing price 3rd June 2026

Fig 43. Largest Exporter in the Market; However, Export Contribution Expected to Decline



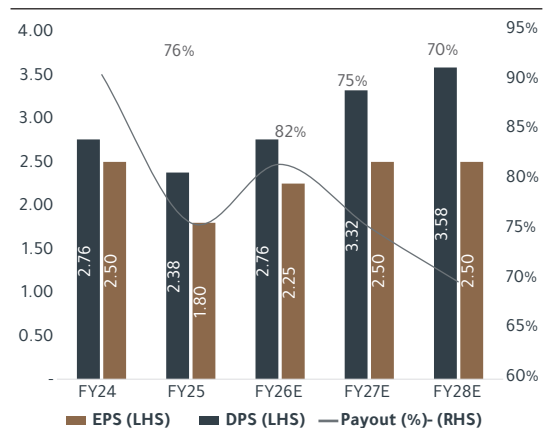
Source: Company reports, Aljazira Capital Research

Fig 44. Premium ASPs Expected to Be Supported by Rising Oil & Gas Sector Demand



Source: Company reports, Aljazira Capital Research

Fig 45. Strong Financial Position Underpins Consistent Distributions



Source: Company reports, Aljazira Capital Research

Eastern Cement: Oil and gas exposure supports margins despite moderating growth outlook

Eastern Cement (EPCC) recorded revenue of SAR 1,262mn in FY25, up 4.2% Y/Y, supported by a 4% increase in dispatch volumes, partially offset by a 3% decline in ASPs. Gross margin contracted by 400bps, driven by a 5% rise in CPT due to higher depreciation and inventory-related expenses. Net income declined 18% Y/Y to SAR 202mn in FY25, reflecting losses from the investment in Arab Yemen Cement Company and higher Expected Credit Loss (ECL) provisions. We expect revenue to stabilize at SAR 1,304mn by FY28E, supported by exposure to oil and gas projects and steady concrete demand. While the company continues to benefit from strong oil and gas-related demand in the near term, we expect this support to gradually ease starting FY27E, leading to softer revenue growth and ASP normalization. The new production line is projected to reduce unit costs, facilitating gross margin expansion to 29.7% by FY28E. Furthermore, we forecast Net Income to grow at a 14% CAGR (FY25-28E), supported by lower finance costs and an anticipated recovery in the performance of the Yemen cement investment. We value EPCC assigning a 50% weight to DCF (1.5% terminal growth and 11.6% WACC), while assigning a 50% weight to P/E (applying the market 10x on FY26E EPS) at a discount to peers reflecting the company's relatively lower ROE profile. We maintain our "Overweight" recommendation with a target price of SAR 30.9/share, implying 24.0% upside.

Blended valuation summary

	TP (SAR)	Weight	Weighted TP
DCF	32.1	50%	16.1
P/E (10x FY26E)	27.1	50%	14.9
Blended TP			30.9
Up/Downside			24.0%

Source: Aljazira Capital Research, closing price 3rd June 2026

Financial Glance

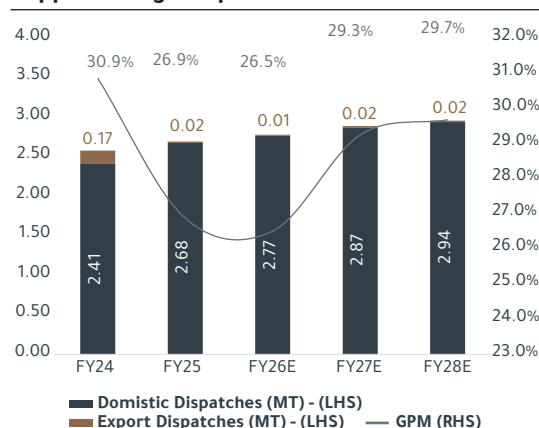
Amount in SARmn, unless otherwise specified	FY24	FY25	FY26E	FY27E	FY28E
Income statement					
Revenue	1,211	1,262	1,276	1,271	1,304
Y/Y	21.6%	4.2%	1.1%	-0.4%	2.6%
Cost of Revenue	(837)	(923)	(938)	(899)	(917)
Gross Profit	374	339	338	372	387
Gross margin	30.9%	26.9%	26.5%	29.3%	29.7%
Selling & marketing	(12)	(14)	(14)	(14)	(14)
General & administrative	(64)	(64)	(65)	(66)	(67)
EBITDA	403	367	368	413	429
EBITDA Margin	33.3%	29.1%	28.9%	32.5%	32.9%
Operating Income	297	262	260	292	307
Y/Y	32.4%	-12.0%	-0.6%	12.5%	4.9%
Operating Margin	24.6%	20.7%	20.4%	23.0%	23.5%
Financing costs	(5.3)	(5.8)	(5.70)	(5.1)	(4.2)
Other Income / Expenses	(16)	(27)	2	17	22
Income before Zakat	276	229	256	305	325
Zakat	(28)	(27)	(23)	(24)	(26)
Net income	248	202	233	280	299
Y/Y	26.2%	-18.3%	15.0%	20.5%	6.6%
Net Margin	20.5%	16.0%	18.2%	22.1%	22.9%
EPS	2.88	2.35	2.71	3.26	3.48
DPS	1.60	1.60	1.60	1.75	2.00
Operational KPIs	-3%	4%			
Dispatches (000)	2,580	2,695	2,782	2,890	2,962
Average Selling Price (SAR/Tonne)	335	327	306	308	311
Cost per Tonne (SAR/Tonne)	217	228	215	205	206
Key Financial Ratios					
Return on assets	9%	6%	6.8%	8.1%	8.3%
Return on equity	11%	8.65%	9.56%	10.9%	11.1%
EV/EBITDA (x)	10.5	7.1	8.3	8.2	8.4
P/E ratio (x)	11.9	9.9	9.2	7.6	7.2
Dividend yield	4.7%	6.8%	6.4%	7.0%	8.0%

Source: Aljazira Capital Research, closing price 3rd June 2026

Recommendation	Overweight
Target Price (SAR)	30.9
Upside / (Downside)*	24.0%

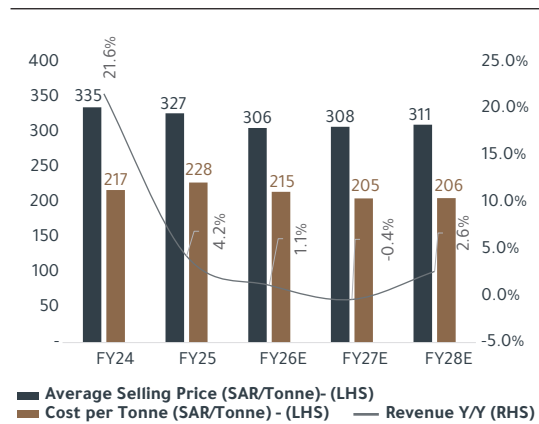
Source: Aljazira Capital Research, closing price 3rd June 2026

Fig 46. Domestic Dispatch Recovery Expected to Support Margin Expansion



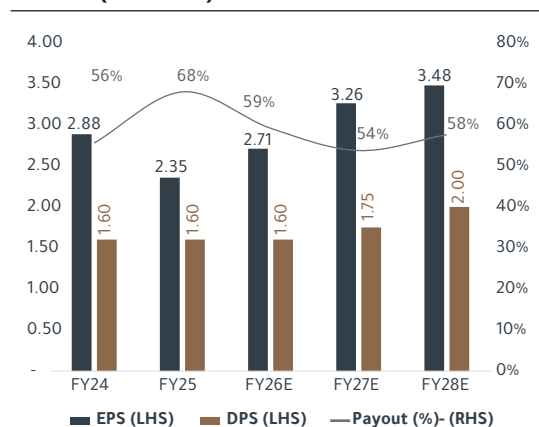
Source: Company reports, Aljazira Capital Research

Fig 47. Pricing and Lower CPT Pressure Support Revenue Outlook



Source: Company reports, Aljazira Capital Research

Fig 48. Payout Expected to Stay at average of 57% for (FY26-28E)



Source: Company reports, Aljazira Capital Research

Arabian Cement: Subdued demand in western region is expected to be partially offset by Qutrana

Arabian Cement reported FY25 revenue of SAR 1,062mn, a 24% Y/Y increase. While ASPs remained volatile averaging SAR 166/ton in H1-25 before recovering to SAR 178/ton in H2-25. The topline was primarily bolstered by a 13% Y/Y surge in volumes supported by its Qutrana subsidiary. Gross margin contracted by 395bps, largely due to a 9% rise in CPT. This increase in CPT was driven by a 17% spike in raw material expenses, which was only partially offset by a 7% decline in depreciation following a revision in asset useful life assumptions. Net income reached SAR 165mn in FY25 (+3.1% Y/Y), supported by a 16% increase in non-operating income. We forecast revenue to grow at a 1% CAGR through FY25-28E. This growth is expected to be underpinned by Qutrana's strong performance as it capitalizes on Syrian infrastructure demand, alongside Jeddah-based projects that should mitigate the impact of otherwise subdued demand in the Western Region. We anticipate gross margin will recover to 31% by FY28E, driven by the planned transition to natural gas. Consequently, net income is projected to grow at a 15% CAGR over FY25-28E, reaching SAR 248mn by FY28E. We value Arabian Cement assigning 50% weight to DCF (1.5% terminal growth and 11.1% WACC), while we assign 50% weight to P/E (11x on FY26E EPS). We maintain our "Neutral" recommendation with a target price of SAR 26.7/share, implying 17.4% upside.

Blended valuation summary

	TP (SAR)	Weight	Weighted TP
DCF	30.8	50%	15.4
P/E (11x FY26E)	22.7	50%	11.3
Blended TP			26.7
Up/Downside			17.4%

Source: Aljazeera Capital Research, closing price 3rd June 2026

Financial Glance

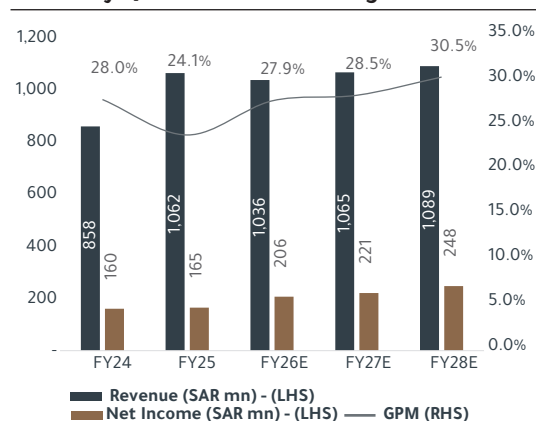
Amount in SARmn, unless otherwise specified	FY24	FY25	FY26E	FY27E	FY28E
Income statement					
Revenue	858	1,062	1,036	1,065	1,089
Y/Y	-2.0%	23.8%	-2.5%	2.9%	2.2%
Cost of Revenue	(617)	(806)	(747)	(761)	(756)
Gross Profit	240	256	289	304	333
Gross margin	28.0%	24.1%	27.9%	28.5%	30.5%
Selling & marketing	(10)	(15)	(15)	(15)	(15)
General & administrative	(56)	(58)	(58)	(59)	(60)
EBITDA	333	331	356	373	400
EBITDA Margin	38.8%	31.2%	34.4%	35.0%	36.7%
Operating Income	174	184	215	230	258
Y/Y	13.8%	5.6%	17.3%	6.6%	12.3%
Operating Margin	20.3%	17.3%	20.8%	21.6%	23.7%
Financing costs	(8.6)	(4.4)	(3.7)	(3.3)	(3.4)
Other Revenues	24	24	27	27	28
Income before Zakat	190	203	239	254	282
Zakat	(30)	(38)	(32)	(33)	(35)
Net income	160	165	206	221	248
Y/Y	14.7%	3.1%	25.0%	7.0%	12.1%
Net Margin	18.7%	15.5%	19.9%	20.7%	22.7%
EPS	1.60	1.65	2.06	2.21	2.48
DPS	1.50	1.50	1.50	1.75	2.00
Operational KPIs					
Dispatches (000)	3,348	3,775	3,364	3,448	3,500
Average Selling Price (ASP)	172	172	188	190	193
Cost per Tonne (CPT)	147	161	163	163	160
Key Financial Ratios					
Return on assets	5%	5%	6.7%	7.0%	7.8%
Return on equity	6%	6.17%	7.55%	7.9%	8.7%
EV/EBITDA (x)	15.3	12.1	11.4	11.1	10.2
P/E ratio (x)	16.2	12.9	11.0	10.3	9.2
Dividend yield	5.8%	7.1%	6.6%	7.7%	8.8%

Source: Aljazeera Capital Research, closing price 3rd June 2026

Recommendation	Neutral
Target Price (SAR)	26.7
Upside / (Downside)*	17.4%

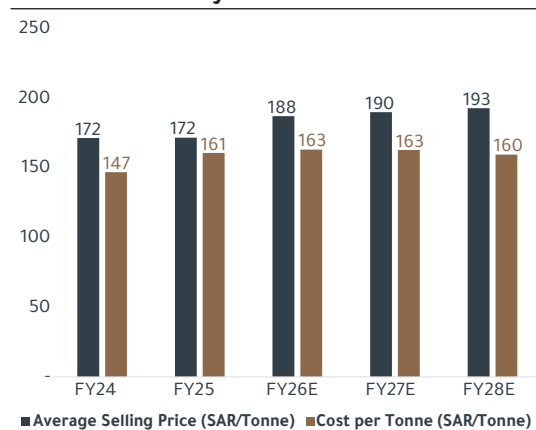
Source: Aljazeera Capital Research, closing price 3rd June 2026

Fig 49. Modest Revenue Growth (0.8% CAGR) Driven by Qutrana & Western Region demand



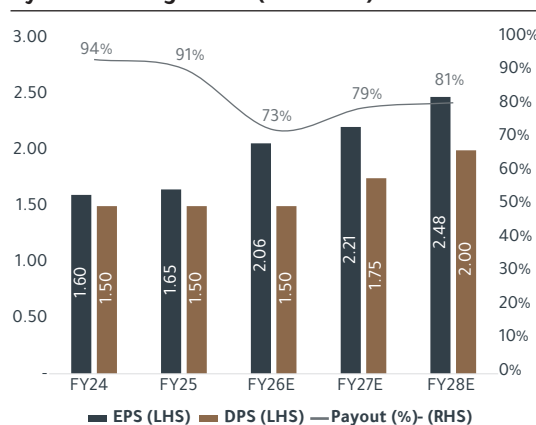
Source: Company reports, Aljazeera Capital Research

Fig 50. ASPs Expected to Gradually Recover; HFO Hikes Remain a Key Driver of CPT



Source: Company reports, Aljazeera Capital Research

Fig 51. Consistent DPS Expected to Be Supported by 15% Earnings CAGR (FY25-28E)



Source: Company reports, Aljazeera Capital Research

Yanbu Cement: Exports related expenses are set to impact margins; HFO prices add more weight on the company profitability

Yanbu Cement reported revenue of SAR 1,084mn in FY25, up 23.6% Y/Y, driven by a 216% surge in export dispatches which offset a 3% Y/Y decline in domestic volumes. This shift in the sales mix resulted in a 724bps contraction in gross margin, as the company's export markets are typically served at an average discount of 44% compared to domestic ASPs. Net income fell 34% Y/Y to SAR 104mn in FY25, heavily pressured by a 146% increase in logistics expenses required by the high volume of exports. We forecast revenue to decline slightly at a CAGR of 5% over the forecast period (FY25-28E) to SAR 934mn, reflecting an anticipated softening in export demand. However, net income is projected to reach SAR 203mn by the end of the period, as the reduction in export volumes leads to a corresponding easing of associated operating and logistics expenses. We value Yanbu Cement assigning 50% weight to DCF (1.5% terminal growth and 11.5% WACC), while we assign 50% weight to EV/EBITDA 8x on FY26E. We maintain our "Neutral" recommendation with a target price of SAR 17.6 share, implying 7.6% upside.

Blended valuation summary

	TP (SAR)	Weight	Weighted TP
DCF	19.8	50%	9.9
EV/EBITDA (8x FY26E)	15.4	50%	7.7
Blended TP			17.6
Up/Downside			7.6%

Source: Aljazeera Capital Research, closing price 3rd June 2026

Financial Glance

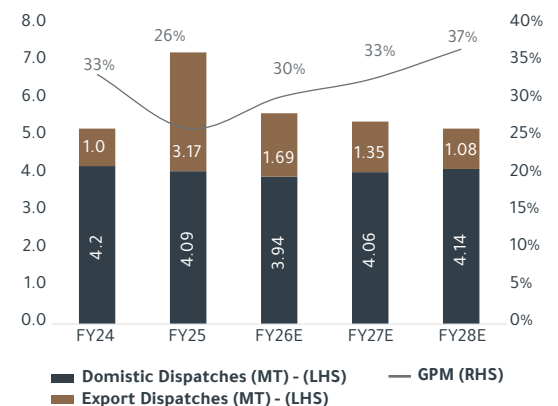
Amount in SARmn, unless otherwise specified	FY24	FY25	FY26E	FY27E	FY28E
Income statement					
Revenue	877	1,084	955	945	934
Y/Y	12.3%	23.6%	-11.9%	-1.0%	-1.2%
Cost of Revenue	(584)	(801)	(665)	(636)	(591)
Gross Profit	293	283	289	309	343
Gross margin	33.4%	26.1%	30.3%	32.7%	36.7%
Selling & marketing	(52)	(99)	(73)	(62)	(54)
General & administrative	(61)	(56)	(57)	(57)	(58)
EBITDA	345	297	325	358	403
EBITDA Margin	39.3%	27.4%	34.0%	37.9%	43.2%
Operating Income	180	128	159	189	232
Y/Y	42.3%	-28.5%	23.7%	19.2%	22.5%
Operating Margin	20.5%	11.8%	16.6%	20.0%	24.8%
Financing costs	(21.1)	(12.1)	(12.37)	(11.1)	(10.0)
Other Revenues	14	4	0	0	0
Income before Zakat	173	121	147	178	222
Zakat	(16)	(16)	(12)	(15)	(19)
Net income	157	104	134	163	203
Y/Y	31.1%	-33.5%	28.4%	21.5%	24.5%
Net Margin	17.9%	9.6%	14.1%	17.2%	21.7%
EPS	1.00	0.66	0.85	1.03	1.29
DPS	1.25	1.25	1.25	1.25	1.50
Operational KPIs					
Dispatches (000)	5,228	7,263	5,632	5,412	5,227
Average Selling Price (ASP)	168	149	169	175	179
Cost per Tonne (CPT)	112	110	118	118	113
Key Financial Ratios					
Return on assets	5%	3%	4.5%	5.5%	7.0%
Return on equity	6%	4.16%	5.49%	6.8%	8.6%
EV/EBITDA (x)	19.8	17.1	16.3	14.2	12.1
P/E ratio (x)	24.3	21.8	19.2	15.8	12.7
Dividend yield	5.1%	8.7%	7.6%	7.6%	9.2%

Source: Aljazeera Capital Research, closing price 3rd June 2026

Recommendation	Neutral
Target Price (SAR)	17.6
Upside / (Downside)*	7.6%

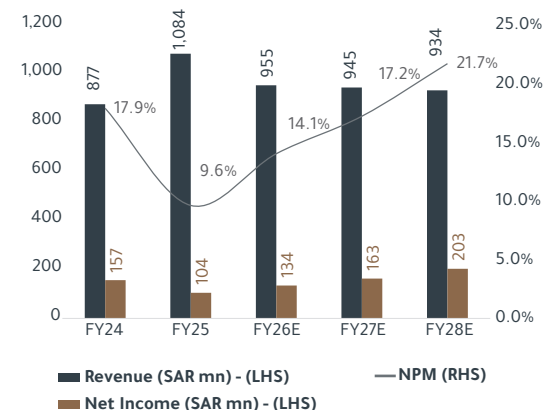
Source: Aljazeera Capital Research, closing price 3rd June 2026

Fig 52. Higher Export Exposure Weighs on GPM



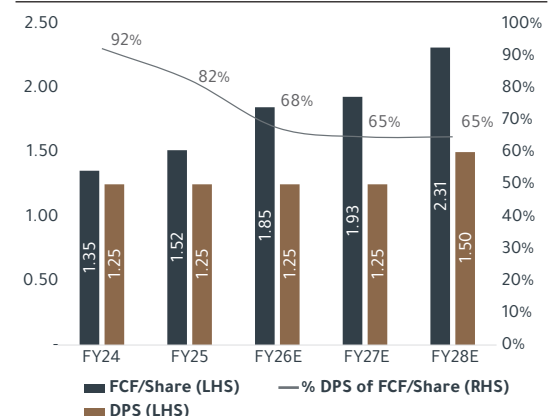
Source: Company reports, Aljazeera Capital Research

Fig 53. As Revenue Mix Shifts and Energy Transformation Progresses, NPM Is Expected to Gradually Recover



Source: Company reports, Aljazeera Capital Research

Fig 54. Resilient Distributions Despite EPS Volatility



Source: Company reports, Aljazeera Capital Research

Southern Cement: Jazan Startup Weighs on Near-Term Margins; Energy Mix Shift to Drive Recovery

Southern Cement reported revenue of SAR 867mn in FY25, down 7.2% Y/Y, driven by a 2% decline in dispatches amid softening demand in the Southern region and export markets. Gross margin contracted sharply by approximately 2935 bps to 3.7%, primarily due to a SAR 99mn inventory write-down which added roughly SAR 23 to CPT. The company recorded a net loss of SAR 49mn, reflecting sustained COGS pressure, higher ECL provisions, and an uptick in OPEX related to salaries and administrative costs. We forecast revenue to grow at a 2% CAGR over the FY25-28E period. However, persistently low utilization rates, averaging 41% during FY26-28E, are expected to continue exerting pressure on profitability, with ROE projected to average around 2% over the same period. GPM is expected to slightly recover to 23% by FY28E, underpinned by the transition of the Tehama and Jazan production lines to natural gas by FY28. Regarding capital projects, the SAR 1.1bn investment in the Jazan line and Bisha renewal is expected to be commissioned in FY26; we estimate the financial impact of this CAPEX will be partially offset by the disposal of two decommissioned lines. Management has restructured its debt agreements with additional covenants that emphasize a clear priority on debt repayment. Consequently, we project Net Debt/EBITDA to improve from 6.74x to 1.8x by FY28E as capital intensity moderates and the new lines begin contributing to EBITDA. We value SPCC assigning 100% weight to DCF (1.5% terminal growth and 9.0% WACC). We maintain our "Neutral" recommendation with a TP of SAR 17.6 share, given the company's current market position and low utilization rate, we believe the upside potential remains limited relative to the downside risk.

Blended valuation summary

	TP (SAR)	Weight	Weighted TP
DCF	17.6	100%	17.6
Blended TP			17.6
Up/Downside			-12.1%

Source: Aljazeera Capital Research, closing price 3rd June 2026

Financial Glance

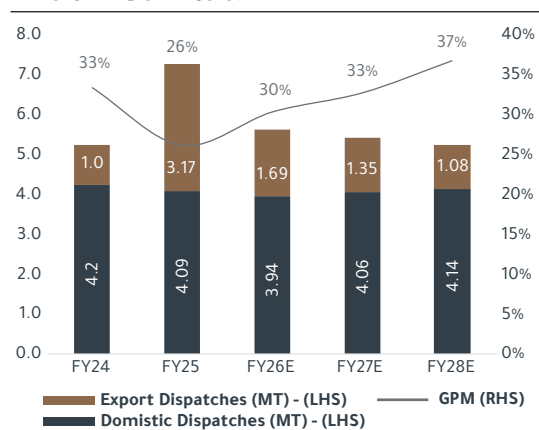
Amount in SARmn, unless otherwise specified	FY24	FY25	FY26E	FY27E	FY28E
Income statement					
Revenue	935	867	856	881	920
Y/Y	-12.6%	-7.2%	-1.3%	2.9%	4.4%
Cost of Revenue	(626)	(835)	(746)	(733)	(712)
Gross Profit	309	32	110	148	207
Gross margin	33.0%	3.7%	12.8%	16.8%	22.5%
Selling & marketing	(10)	(15)	(11)	(11)	(11)
General & administrative	(72)	(58)	(60)	(61)	(63)
EBITDA	424	160	275	316	376
EBITDA Margin	45.4%	18.4%	32.1%	35.9%	40.8%
Operating Income	227	(41)	39	77	134
Y/Y	13.5%	-118.0%	-194.5%	98.3%	74.6%
Operating Margin	24.3%	-4.7%	4.5%	8.7%	14.5%
Financing costs	(20.8)	(8.8)	(20.38)	(19.2)	(18.0)
Other Revenues	13	15	10	9	9
Income before Zakat	219	(35)	28	67	125
Zakat	(26)	(14)	(12)	(11)	(12)
Net income	193	(49)	16	55	113
Y/Y	-1.4%	-125.2%	-132.2%	253.9%	104.0%
Net Margin	20.6%	-5.6%	1.8%	6.3%	12.3%
EPS	1.38	(0.35)	0.11	0.39	0.80
DPS	1.20	0.30	0.50	0.75	0.75
Operational KPIs					
Dispatches (000)	4,561	4,447	4,362	4,402	4,286
Average Selling Price (ASP)	205	195	196	200	203
Cost per Tonne (CPT)	137	188	171	176	166
Key Financial Ratios					
Return on assets	4%	-1%	0.3%	1.2%	2.6%
Return on equity	6%	-1.54%	0.50%	1.8%	3.7%
EV/EBITDA (x)	19.1	(50.2)	46.9	24.5	15.7
P/E ratio (x)	25.1	(64.4)	179.6	50.8	24.9
Dividend yield	3.5%	1.3%	2.5%	3.7%	3.7%

Source: Aljazeera Capital Research, closing price 3rd June 2026

Recommendation	Neutral
Target Price (SAR)	17.6
Upside / (Downside)*	-12.1%

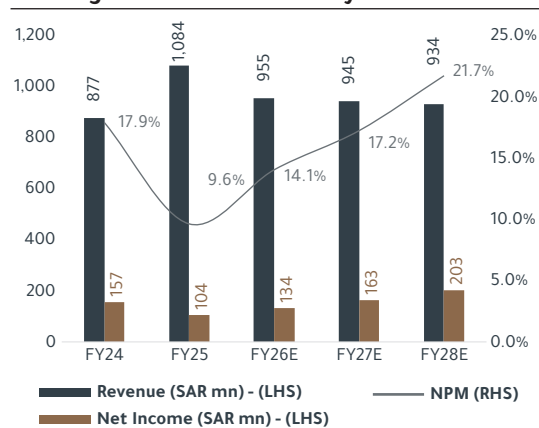
Source: Aljazeera Capital Research, closing price 3rd June 2026

Fig 55. Inventory Write-Down SAR 99m Drove FY25 GPM Down to 3.7%



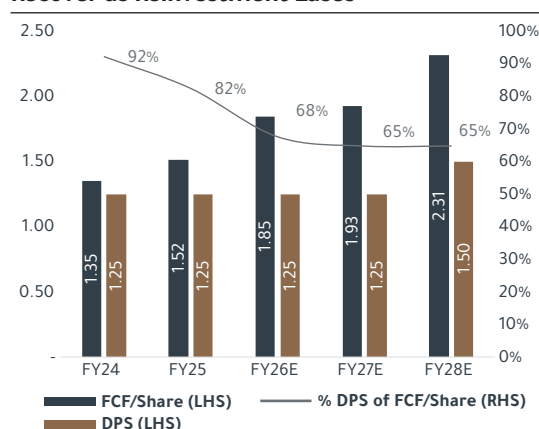
Source: Company reports, Aljazeera Capital Research

Fig 56. Jazan Ramp-Up Expected to Lower Leverage and CAPEX Intensity



Source: Company reports, Aljazeera Capital Research

Fig 57. Negative FCF, but DPS Maintained; FCF to Recover as Reinvestment Eases



Source: Company reports, Aljazeera Capital Research

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1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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