

Saudi Ceramic (SCERCO) - 3Q22 Result Review

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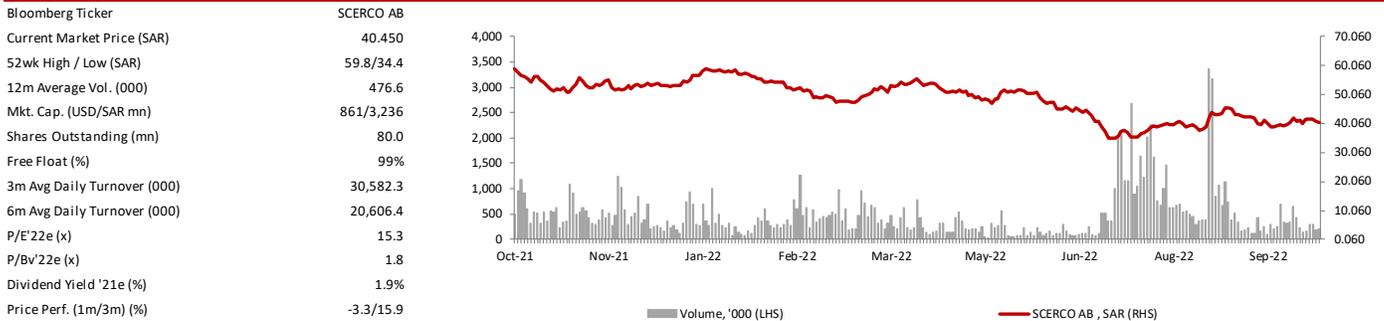
Previous Recommendation: **Hold**

Target Price (SAR): **47.36**

Previous Reco. & Date: TP: SAR 47.36 per share; Hold on 30-August-2022

Upside / (Downside): 17%

Date: 17-10-2022



Revenue increased by 2% YoY, roughly in line with our expectation

Saudi Ceramic has reported a revenue of SAR 366.6mn for 3Q22, which was roughly in line with our estimate. The revenue grew 2% YoY and 8% QoQ. The increase in revenue is likely due to increased sales of ceramic tiles and sanitary ware.

Net profit declined by 17% YoY, below our expectation

Net profit stood at SAR 42.8mn for 3Q22, compared to our expectation of SAR 54.8mn. Net profit declined by 17% YoY and increased by 13% QoQ. The decline in the net profit is with the rise in the costs of some production inputs and the increase in administrative and selling expenses which affected the margins too.

Maintain a "Hold" rating

The demand for sales of ceramic tiles and sanitary ware with the rising construction activities in Saudi Arabia will likely lead to an increase in the top line going ahead. But considering the likely increase in production inputs costs and selling expenses will create pressure on the bottom line growth. Accordingly, we maintain a Hold rating for this stock with our previous target price of SAR

| Income Statement | | | | | | | | | | | | | |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| (SAR mn) | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 3Q22e | YoY (%) | QoQ (%) | Var (%) | 9M21 | 9M22 | YoY (%) |
| Sales/Revenue | 356.1 | 360.1 | 378.2 | 396.2 | 338.8 | 366.6 | 383.9 | 2% | 8% | -5% | 1,156.5 | 1,101.5 | -4.8% |
| Gross Profit (Loss) | 137.0 | 117.8 | 126.1 | 122.0 | 105.5 | 116.4 | 125.2 | -1% | 10% | -7% | 402.2 | 344.0 | -14.5% |
| Operating Profit (Loss) | 68.5 | 58.1 | 51.8 | 53.3 | 35.7 | 48.3 | 62.0 | -17% | -54% | -22% | 202.5 | 137.4 | -32.1% |
| Net Profit (Loss) after tax | 63.3 | 51.5 | 48.2 | 51.3 | 38.0 | 42.8 | 54.8 | -17% | 13% | -22% | 186.7 | 132.0 | -29.3% |
| Balance Sheet | | | | | | | | | | | | | |
| (SAR mn) | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 3Q22e | YoY (%) | QoQ (%) | Var (%) | | | |
| Shareholders' Equity | 1,634.8 | 1,625.7 | 1,671.7 | 1,664.4 | 1,702.4 | 1,745.2 | 1,757.2 | 7% | 3% | -1% | | | |
| Key Ratios | | | | | | | | | | | | | |
| | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 3Q22e | | | | | | |
| Gross Profit Margin | 38.5% | 32.7% | 33.3% | 30.8% | 31.2% | 31.8% | 32.6% | | | | | | |
| Operating Profit Margin | 19.2% | 16.1% | 13.7% | 13.5% | 10.6% | 13.2% | 16.2% | | | | | | |
| Net Profit Margin | 17.8% | 14.3% | 12.7% | 12.9% | 11.2% | 11.7% | 14.3% | | | | | | |
| Return on Equity (RoE) | 15.5% | 12.7% | 11.5% | 12.3% | 8.9% | 9.8% | 12.5% | | | | | | |
| Annualized EPS (SAR) | 3.18 | 2.58 | 2.42 | 2.57 | 1.90 | 2.14 | 2.75 | | | | | | |
| BVPS (SAR) | 20.43 | 20.32 | 20.90 | 20.81 | 21.28 | 21.81 | 21.97 | | | | | | |
| TTM P/E (x) | | | | | | 17.1 | | | | | | | |

Source: Financials, Tadawul, Bloomberg, U Capital Research

For our earlier report, please [click here](#).

Recommendation

| | |
|------------|-----------------------|
| BUY | Greater than 20% |
| ACCUMULATE | Between +10% and +20% |
| HOLD | Between +10% and -10% |
| REDUCE | Between -10% and -20% |
| SELL | Lower than -20% |

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