US\$5.4bn
Market Cap.70.76%
Free FloatUS\$8.1mn
Avg. Daily Value tradedResearch Department
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Riyadh Cables Group Co.

TP raised to SAR 149/sh; maintain Overweight

Overweight

Price Target (SAR): 149

Current: 134.6

Upside/Downside: 10.8% above current

Valuation Multiples	24A	25E	26E
P/E (x)	24.7	19.2	17.1
P/B (x)	7.7	6.6	5.9
EV/EBITDA (x)	19.8	16.1	14.4

Major Shareholders % Ownership

Abdulqadir Al-Muhaidib	19.05
Al-Afak Development Co.	13.33
Ahmad Samer Hamdi Saadaldain	9.32
Alma Limited Co.	9.31
Afaq Al-Hikmah Co.	6.67

Price Performance	1M	3M	YTD
Absolute	-2.3%	3.7%	-2.3%
Relative to TASI	3.1%	11.5%	7.4%

- **GP/ton (+14.0% in 1Q25) is expected to normalize during the rest of FY25 as low-margin utilities related volumes pick-up**
- **Volumes are expected to grow at a CAGR of ~6% over the forecasted horizon. Mix to be stable as 2024**
- **Capacity expansion plans of 6-8% per annum through 2028 to underpin volume growth**
- **FY25E net profit to grow at 29%, well above the company guided range of 8-12%**
- **We maintain our rating to "Overweight" on Riyadh Cables with an upgraded TP of SAR 149/sh**

GP/ton outlook: Over the years, RCG's GP/ ton has grown considerably, thanks to higher mix of EHV (extra high-voltage) cables and operational efficiencies. In 1Q25, the company achieved GP/ ton of SAR 6,330 (+14.0% YTD) which management expects to normalize towards high-single digit for the FY25E as utilities related volumes pick-up. In our numbers, we expect GP/ton to grow 10% and 2% y-o-y in FY25E and FY26E, respectively. In the outer years, we anticipate GP to normalize as we expect contribution from low-voltage housing segment (lower margin). As a result, we model low-single-digit decrease during FY27-30E, leading to GP/ton of ~ SAR5.7k.

Capacity expansion to support the sales volume growth: RCG generates 72% revenue from KSA followed by 22% from rest of GCC and 6% from Iraq. These key markets are expected to grow at a CAGR of 4.8%, 3.4% and +9.1%, respectively through 2024-28E. In terms of volumes, RCG exports accounted for 80% of the total volumes in FY24. Going forward, in KSA, we expect demand to be driven by high-profile giga projects, key events (Expo, Asian games and FIFA) and renewable energy projects. The company is expected to continue capacity expansion of 6-8% per annum through 2028. As the company is already operating at healthy utilization levels (95% in 1Q25), the additional capacity should help serve volume growth from here.

Bullish on near-term earnings: RCG has a history of beating its earnings guidance by a wide margin (see figure 1). Even in FY24, the company exceeded its guidance despite upgrading it twice during the year. For FY25E, the management has guided net profit growth to be the upper end of 8-12% range. We expect net profit growth of 29% y-o-y in FY25E backed by strong volume growth of 12% y-o-y, a favourable product mix (better GP/t as 60% of backlog accounts for transmission cables) and operational efficiencies. Overall, we expect net profit CAGR of ~13% during FY25-28E.

Earnings

(SAR mn)	2024A	2025E	2026E	2027E
Revenue	9,007	10,834	11,248	11,388
y-o-y	15.1%	20.3%	3.8%	1.2%
Gross Profit	1,287	1,594	1,737	1,821
GM Margin	14.3%	14.7%	15.4%	16.0%
y-o-y	32.3%	23.9%	9.0%	4.8%
EBITDA	1,037	1,272	1,410	1,491
EBITDA Margin	11.5%	11.7%	12.5%	13.1%
Net Income	817	1,054	1,181	1,263
Net Income Margin	9.1%	9.7%	10.5%	11.1%
y-o-y	57.4%	29.1%	12.0%	6.9%
EPS	5.44	7.03	7.87	8.42
DPS	3.50	4.22	5.51	6.74
P/E	24.7x	19.2x	17.1x	16.0x
EV/EBITDA	19.8x	16.1x	14.4x	13.6x
ROE	31.1%	34.6%	34.7%	34.6%

Source: Company data, Al Rajhi Capital estimates

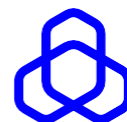


Figure 1 Company Guidance Vs. Actual Performance

Net Profit	2023	2024
Initial Guidance	15% - 25% increase	10% - 15% increase
Revised Guidance1	25% - 35% increase	20% - 30% increase
Revised Guidance2	NA	40% - 50% increase
Actual	47%	57%

Source: Company Data, Al Rajhi Capital

We are updating our estimates for Riyadh Cables: We are updating our RC model with our net income forecast for FY25/26/27E revised by 40.5%/44.5%/36.1% respectively reflecting favourable product mix, operational efficiencies and better realization translating into higher GP.

Valuations: We use a blended valuation for RC, applying DCF and relative valuation (PE) methodologies by assigning weights of 40% and 60% respectively, arriving at a target price of SAR 149/sh, indicating an upside of 10.8% from the last closing price. We assign 23.0x PE multiple to the FY25E EPS (Avg.1-yr fwd PE for the last two years is 21.2x). We assume WACC of 8.9% and 3.0% long-term growth rate.

Figure 2 Valuation Summary

Valuation Methodology	Fair Value	Weightage	Fair Value (Weighted)
DCF	130	40%	52
PE	162	60%	97
Fair Value (SAR /sh)			149
Current Price			135
Upside/Downside			10.8%

Source: Company Data, Al Rajhi Capital estimates.

Key Risks: The key risks for the company are as follows: 1) decline in GP margin per ton, 2) delay in capacity expansion, and 3) slowdown in cable demand.

1Q25 Results: RC reported strong set of results in 1Q25, with 22.5% y-o-y (-0.3% q-o-q) revenue growth. This rise was primarily driven by +8.4% volume growth y-o-y. The company's gross profit saw a significant 50.7% y-o-y jump, with margins expanding to 17.1% from 13.9% in 1Q24, due to a favourable product mix resulting in +35.6% GP/ton y-o-y. Operating profit margins also improved, rising to 11.8% from 10.0% in 1Q24, contributing to a 43.5% y-o-y increase in operating profit. Overall, higher volume growth and better GP/ton resulted in net income growing by 51.6% y-o-y.

Figure 3 Earnings Summary 1Q25

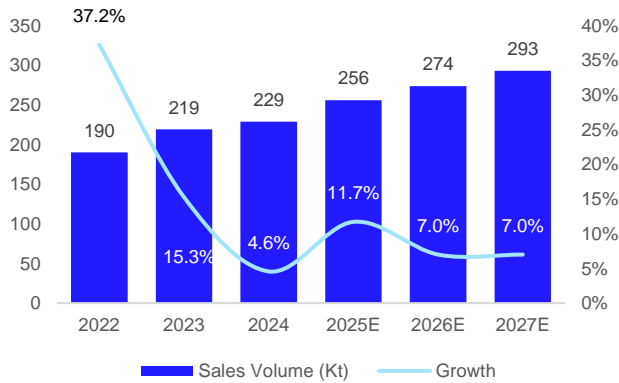
(SAR mn)	Q1 2025	Q4 2024	Q1 2024	q-o-q	y-o-y	FY24	FY23	y-o-y
Revenue	2,489	2,497	2,032	-0.3%	22.5%	9,007	7,825	15.1%
Gross Profit	427	332	283	28.7%	50.7%	1,287	973	32.3%
G. margin	17.1%	13.3%	13.9%			14.3%	12.4%	
Op. profit	293	286	204	2.4%	43.5%	968	648	49.5%
Op. margin	11.8%	11.5%	10.0%			10.8%	8.3%	
Net profit	256	254	169	1.0%	51.6%	817	518	57.5%
Net margin	10.3%	10.2%	8.3%			9.1%	6.6%	

Source: Company Data, Al Rajhi Capital



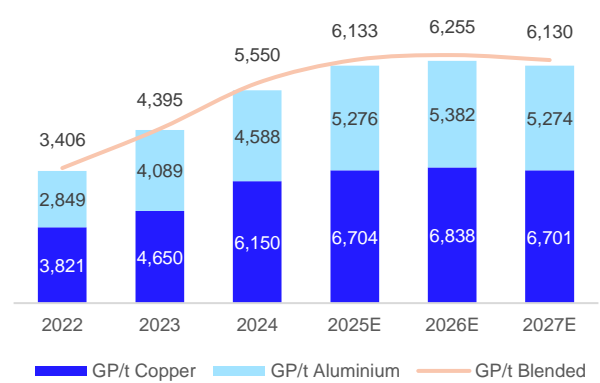
Key Charts

Figure 4 Volume growth continues to remain resilient



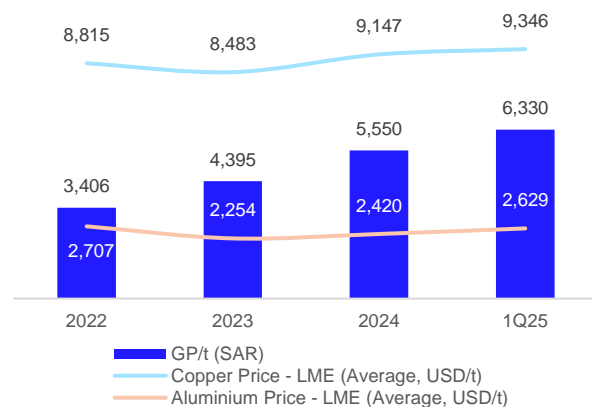
Source: Company Data, Al Rajhi Capital estimates

Figure 5 Volume growth, product mix and operational efficiencies driving higher GP/t



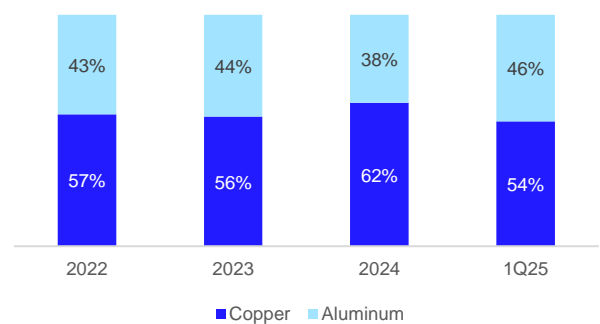
Source: Company Data, Al Rajhi Capital estimates

Figure 6 Profitability insulated from commodity price fluctuations



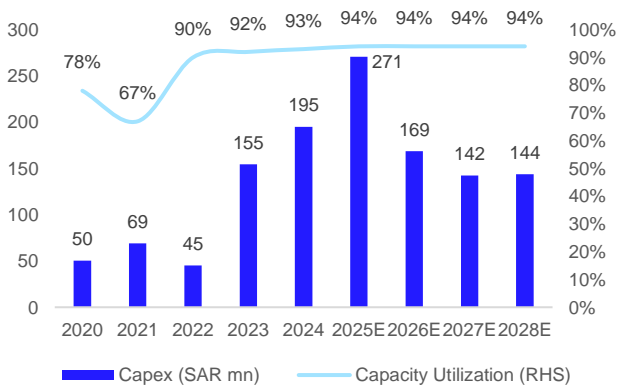
Source: Company Data, BBG, Al Rajhi Capital

Figure 7 Product mix variation over time



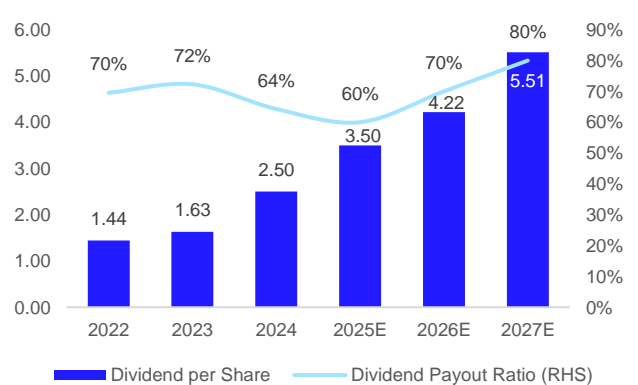
Source: Company Data, Al Rajhi Capital

Figure 8 High-capacity utilization levels reflect strong underlying demand

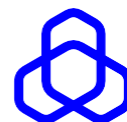


Source: Company Data, Al Rajhi Capital estimates

Figure 9 Strong earnings to support higher dividend payouts



Source: Company Data, Al Rajhi Capital estimates



Key Financials

Figure 10 Income Statement

SAR mn	2024A	2025E	2026E	2027E	2028E
Revenue	9,007	10,834	11,248	11,388	11,489
<i>y-o-y growth</i>	15.1%	20.3%	3.8%	1.2%	0.9%
Cost of Sales	(7,721)	(9,240)	(9,511)	(9,568)	(9,581)
Gross Profit	1,287	1,594	1,737	1,821	1,908
<i>y-o-y growth</i>	32.3%	23.9%	9.0%	4.8%	4.8%
<i>margins</i>	14.3%	14.7%	15.4%	16.0%	16.6%
Operating Expenses	(284)	(342)	(355)	(360)	(363)
ECL allowance	(23)	(43)	(39)	(40)	(40)
Others	(10)	(10)	(10)	(10)	(10)
Operating Profit	968	1,198	1,333	1,411	1,494
<i>y-o-y growth</i>	49.5%	23.7%	11.2%	5.9%	5.9%
<i>margins</i>	10.8%	11.1%	11.8%	12.4%	13.0%
Interest expenses	(88)	(62)	(59)	(49)	(45)
Pre-Tax Income	881	1,136	1,273	1,362	1,449
Zakat	(64)	(82)	(92)	(99)	(105)
Net Income	817	1,054	1,181	1,263	1,344
<i>y-o-y growth</i>	57.4%	29.1%	12.0%	6.9%	6.4%
<i>margins</i>	9.1%	9.7%	10.5%	11.1%	11.7%
EPS	5.44	7.03	7.87	8.42	8.96

Source: Al Rajhi Capital estimates

Figure 12 Cash Flow Statement

SAR mn	2024A	2025E	2026E	2027E	2028E
Cash flow from Operations	872	963	1,143	1,250	1,353
Cash flow from Investing	(192)	(271)	(169)	(142)	(144)
Cash flow from Financing	(739)	(547)	(880)	(1,058)	(1,232)
Change in cash	(59)	145	94	50	(23)

Source: Al Rajhi Capital estimates

Figure 11 Balance sheet

SAR mn	2024A	2025E	2026E	2027E	2028E
Property, plant and equipment, net	1,336	1,540	1,638	1,707	1,774
Intangible assets, net	57	52	46	40	35
Investments at FVTPL	26	26	26	26	26
Investment in joint venture	31	31	31	31	31
Right of use assets	7	6	5	4	3
Deferred Tax assets	10	10	10	10	10
Investment properties	10	10	10	10	10
TOTAL CURRENT ASSETS	1,478	1,675	1,766	1,828	1,889
Inventory	2,126	2,405	2,449	2,464	2,467
Trade receivables	2,023	1,989	2,034	2,059	2,077
Contract assets	15	15	15	15	15
Advances and other current assets	79	98	124	137	138
Cash and cash equivalents	91	236	331	380	357
TOTAL NON-CURRENT ASSETS	4,334	4,742	4,953	5,055	5,055
TOTAL ASSETS	5,812	6,417	6,719	6,884	6,944
Islamic finance facilities	433	520	468	421	400
Accrued expenses and other liabilities	464	379	394	364	333
Trade payables	1,598	1,772	1,798	1,782	1,759
Provisions	423	433	394	399	402
Contract liabilities	61	61	61	61	61
Provision for Zakat and income tax	67	67	67	67	67
Lease liabilities - current portion	1	1	1	1	0
CURRENT LIABILITIES	3,049	3,234	3,182	3,096	3,023
End-of-service benefits obligations	126	126	126	126	126
Deferred Tax liabilities	7	7	7	7	7
Lease liabilities	6	5	4	3	2
NON-CURRENT LIABILITIES	139	138	137	136	135
SHAREHOLDERS EQUITY	2,624	3,045	3,400	3,652	3,787
TOTAL LIABILITIES & EQUITY	5,812	6,417	6,719	6,884	6,944

Source: Al Rajhi Capital estimates

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"Neutral": We expect the share price to settle at a level between 10% below the current share price and 10% above the current share price on a 12 month time horizon.

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Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.

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