

Market Data	
52-week high/low	SAR 122.00/56.70
Market Cap	SAR 15,750 mln
Shares Outstanding	150 mln
Free-float	70.8 %
12-month ADTV	546,261
Bloomberg Code	RIYADHCA AB

Pleasant Surprise from Margin Expansion

May 16, 2024

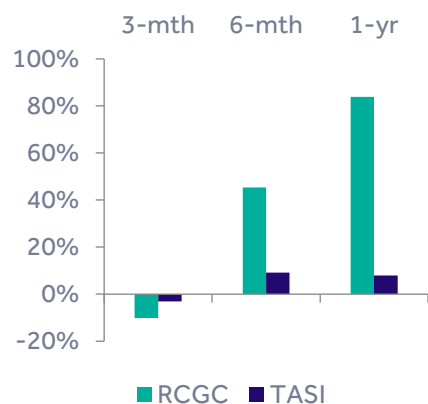
Upside to Target Price	9.5%	Rating	Neutral
Expected Dividend Yield	2.8%	Last Price	SAR 105.00
Expected Total Return	12.3%	12-mth target	SAR 115.00

Riyadh Cables	1Q2024	1Q2023	Y/Y	4Q2023	Q/Q	RC Estimate
Sales	2,032	1,937	5%	1,890	8%	1,971
Gross Profit	283	219	30%	238	19%	248
Gross Margins	14%	11%		13%		13%
Operating Profit	208	156	34%	175	19%	174
Net Profit	169	125	35%	134	26%	139

(All figures are in SAR mln)

- Riyadh Cables posted an impressive +5% Y/Y and +8% Q/Q increase in revenues to SAR 2.03 bln, in-line with our estimates. Sales volume went up +3% Y/Y to 60k tons with a utilization rate of 92% with solid sales in transmission projects as well as renewable and exports while a slowdown in Utility segment continued into 1Q, albeit better than 4Q.
- The most unexpected element in the results for us was the expansion in gross margins to 13.9% versus 12.6% in the preceding quarter and 11.3% last year. This was led by a +26% Y/Y rise in gross profit per ton to SAR 4,667 due to better sales mix as well as pricing and operational efficiencies. There was high demand for transmission products.
- Free cash flows stood at SAR 55 mln at quarter-end, much lower than 4Q, while SAR 15 mln was spent on Capex. Net profit came in at SAR 169 mln (+35% Y/Y, +26% Q/Q), beating our SAR 139 mln forecast and SAR 145 mln market consensus, driven by volumes and margin growth coupled with better efficiencies.
- Backlog remains strong and has further grown to SAR 4.8 bln. SAR 0.9 bln higher than 4Q2023. Despite volatile commodity prices, there is virtually no impact on profitability due to the Company's unique hedging mechanism as well as pricing strategy. Demand in the target markets remains very strong, especially in KSA, and the Company remains the market leader in the region by far. We tweak our price from SAR 110.00 to SAR 115.00 but maintain a Neutral stance on the stock.

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■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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