

Healthy topline growth, likely driven by higher sales volume and a favorable product mix, along with effective operating expense control, drove 89.4% Y/Y net income growth.

Riyadh Cable Group Company's (Riyadh Cable) net income grew 89.4% Y/Y to SAR 254mn in Q4-24 exceeding both AJC and market estimates of SAR 224mn and SAR 231mn, respectively. The deviation from our estimate was primarily attributable to lower-than-expected OPEX and non-OPEX. The slightly higher revenue was offset by a lower-than-expected gross margin at 13.3% (+71bps Y/Y; AJC estimate: 13.9%). However, the gross margin remained in line with H1-24 levels, which we consider to be a normalized range. Operating profit also saw a significant increase, owing to lower OPEX despite the healthy topline growth, which could be supported by a reversal of ~SAR 25mn, well above our SAR 6mn estimate. Revenue rose 32.1% Y/Y to SAR 2,497mn, broadly in line with our estimate of SAR 2,387mn, the topline growth was likely driven by a higher-than-expected increase in sales volume and potentially a favorable shift in the product mix. We maintain our target price (TP) of **SAR 139.4/share** and maintain our "Neutral" recommendation on Riyadh Cable.

- Riyadh Cable Group Company's (Riyadh Cable) net income increased 89.4% Y/Y to SAR 254mn in Q4-24 above AJC and market estimates of SAR 224mn and SAR 231mn, respectively. Net income growth was driven by healthy top-line performance, supported by an expansion in gross profit as well as a decline in operating and non-operating expenses. Non-operating expenses totaled SAR 32mn (-12.2% Y/Y), which was lower than our estimate of SAR 46mn.
- Revenue grew 32.1% Y/Y to SAR 2,497mn, setting a new quarterly record in the company's history and above our estimate of SAR 2,387mn. The higher topline was likely driven by a higher-than-expected rise in sales volume, potentially coupled with a favorable shift in product mix.
- GP margin expanded ~71bps Y/Y to 13.3% in Q4-24, below AJC estimate of 13.9% and 16.5% in Q3-24, which benefited from stronger demand for higher-margin transmission products, particularly underground copper cables, and increased renewable energy project contributions. The gross margin came largely in line with 1H-24 levels, which we consider as normalized level. Gross profit rose 39.5% Y/Y to SAR 332mn, in line with our estimate of SAR 333mn.
- Operating profit rose 67.5% Y/Y to SAR 286mn in Q4-24, supported by a 31.4% Y/Y decrease in OPEX, which could include a reversal of around SAR 25mn against our expectation of around SAR 6mn, as per our calculations. Operating margin gained ~242bps Y/Y to 11.5%, slightly above AJC estimate of 11.3%, as lower-than-expected gross margin was offset by lower OPEX.

AJC view and valuation: Riyadh Cable reported a strong set of results in Q4-24, supported by robust top-line performance. The company's gross, operating, and net margins all expanded, supported by a decrease in both operating and non-operating expenses. This could be partly due to a reversal of approximately SAR 25mn, based on our calculations. We await further clarity on OPEX. The company's "Cost+" pricing model, which adds a fixed profit per KM to all costs, continues to support sustained profitability. We expect the company's margins to normalize in FY25 and improve gradually thereafter. Additionally, Riyadh Cable exceeded its FY24 earnings guidance (a 57.5% Y/Y net profit growth vs. 40-50% growth target), underlining the company's strong fundamentals. We expect a solid demand for its products, favorable pricing model, and consistent earnings performance would deliver robust growth for the company. The stock is currently trading at 22.0x P/E and a dividend yield of 3.1%, based in our FY25 estimates. We maintain our "Neutral" recommendation on Riyadh Cable with a TP of **SAR 139.4/share** indicating an upside of 7.4% from last close.

Results Summary

SAR mn	Q4-23	Q3-24	Q4-24	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	1,890	2,433	2,497	32.1%	2.6%	4.6%
Gross Profit	238	401	332	39.5%	-17.2%	-0.1%
Gross Margin	12.6%	16.5%	13.3%	-	-	-
EBIT	171	280	286	67.5%	2.1%	6.0%
Net Profit	134	235	254	89.4%	8.1%	13.4%
EPS	0.89	1.57	1.69	-	-	-

Source: Company Reports, AlJazira Capital

Recommendation Neutral

Target Price (SAR) 139.4

Upside / (Downside)* 7.4%

Source: Tadawul *prices as of 11th of March 2025

Key Financials

SARmn (unless specified)	FY22	FY23	FY24	FY25E
Revenue	6,852	7,825	9,007	9,673
Growth %	40.3%	14.2%	15.1%	7.4%
Gross Profit	647	973	1,287	1,366
Net profit	352	518	817	885
Growth %	46.6%	47.4%	57.5%	8.3%
EPS	2.35	3.46	5.45	5.90
DPS	1.50	2.50	3.50	4.00

Source: Company reports, AlJazira Capital Research

Key Ratios

	FY22	FY23	FY24	FY25E
GP Margin	9.4%	12.4%	14.3%	14.1%
Net Margin	5.1%	6.6%	9.1%	9.1%
ROE	16.9%	23.7%	34.4%	33.7%
ROA	8.2%	11.0%	16.2%	16.2%
P/E (x)	15.5	26.8	25.3	22.0
P/B (x)	2.6	6.2	8.3	7.0
EV/EBITDA	13.0	19.8	28.4	18.1
Dividend Yield	4.1%	2.7%	2.5%	3.1%

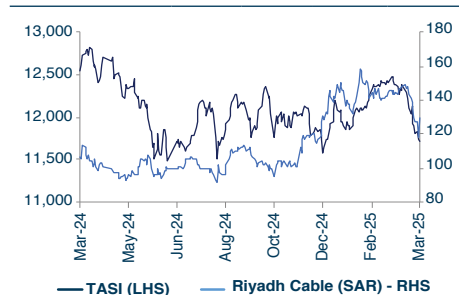
Source: Company reports, AlJazira Capital Research

Key Market Data

Market Cap(bn)	19.47
YTD%	-5.71%
52 week (High)/(Low)	165.0/83.8
Share Outstanding (mn)	150

Source: Company reports, AlJazira Capital Research

Price Performance



Source: Bloomberg, AJC Research

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RESEARCH
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RATING
TERMINOLOGY

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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