

Arabian Cement (HOLD, TP: SAR 27, 3010.SE) FY25 Results Review

FY25 Y/Y earnings growth is driven by higher sales volumes and export expansion, supported by lower depreciation and finance costs, partially offset by rising energy costs and expenses. Maintain Hold.

Arabian Cement (ARCCO) reported 3% Y/Y growth in earnings, with FY25 EPS at SAR 1.65. Revenue increased 24% Y/Y, driven by higher dispatches and increased export sales from the subsidiary. Gross profit rose 6% Y/Y despite a 31% increase in COGS, while operating profit rose 6% Y/Y. Net earnings were further supported by lower depreciation following a revision in the useful life of plant equipment, decreased finance costs, reduced finance costs, and higher other income. The board announced a dividend of SAR 1.0 for 2H25.

- Revenue increased 29.6% Y/Y driven by 41.9% rise in retention prices, despite 8.7% drop in dispatches. Sequentially, revenues advanced 1.7%, supported by 9.5% increase in dispatches, partially offset by 7.2% fall in realized prices per ton. Gross margins stood at 27.8% (+408bps Y/Y, -207bps Q/Q), with gross profit rising 51.8% Y/Y but declining 5.4% Q/Q.
- Operating margin expanded 503bps Y/Y despite a 12.7% increase in operating expenses to SAR 18.9mn. Sequentially, operating margins slipped 196bps, even as operating expenses remained largely flat (-0.1%). Net margin improved 520bps Y/Y to 18.8%, but declined 336bps Q/Q.
- Inventory-to-LTM sales ratio stood at 113%, above the regional peer average of 105% and sector average of 78%, indicating elevated inventory levels. Inventory increased to 4.3mn tons, compared to 4.0mn tons in 3Q25 and 3.6mn tons in 4Q24.
- The company trades at EV/ton of SAR 473 at a 7% discount to the sector (EV/ton of SAR 511) but at a 25% premium to its regional peers. It trades at a 16% discount to its three-year average EV/ton multiple of SAR 563, while compared with the overall sector, it is trading at a 28% discount to its three-year average EV/ton multiple of SAR 656.
- ARCCO's FY25 net profit increased 3% Y/Y (EPS: 1.65), driven by higher sales value, lower depreciation following a revision in the useful life of plant equipment, reduced finance costs, and higher other income, partly offset by higher energy procurement costs, increased selling and distribution expenses, lower contribution from equity-accounted investments, and higher tax expense at the subsidiary level due to prior-year adjustments. The KSA cement sector remains structurally oversupplied, with demand recovery uneven and largely dependent on the execution of key Vision 2030 projects such as NEOM, Red Sea, and housing, keeping pricing sensitive to regional imbalances and limiting margin expansion amid persistent fuel cost volatility. Arabian Cement's western region presence provides proximity to Red Sea and tourism-led developments, although intense regional competition continues to constrain pricing power and utilization, while export optionality partially offsets domestic demand volatility with limited pricing support. The company continues to prioritize operational efficiency and cost discipline over capacity expansion, supporting earnings stability but capping operating leverage. Growth remains contingent on project execution translating into cement offtake, with exports acting as a secondary lever driven by regional demand gaps. Elevated inventory levels further weigh on pricing discipline and delay margin recovery. The recent Saudi Aramco fuel price revision, implying an ~11% increase in production costs, adds to near-term margin pressure, with mitigation dependent on cost pass-through, fuel mix optimization, and efficiency measures. Strategically, the company is streamlining its international portfolio, increasing its stake in Qatrana Cement to 96.14% while divesting its 36.67% stake in RMCC and receiving SAR 17mn in cash, indicating a shift toward tighter control of core assets and improved earnings consolidation. Financially, the company maintains conservative capital allocation with stable cash flow generation supporting dividend visibility, we forecast a 2026 dividend yield of 6.5%. ARCCO trades at an EV/ton of SAR 473 versus SAR 511 for the sector, while commanding a premium to regional peers, reflecting its defensive operating profile but also highlighting limited upside without a meaningful improvement in demand or pricing. Maintain Hold.

Rating and Risks

We maintain our HOLD rating on Arabian Cement, with a 12-month target price of SAR 27. Upside triggers include faster execution of these projects translating into stronger cement offtake, higher retention price and normalization of inventory. Downside risks include a slump in cement demand, rising inventory levels, regulatory action against higher selling prices, contraction in public spending due to decline in oil prices, sustained fuel cost inflation and weak pricing power amid sector oversupply.

SAR mln	4Q25	3Q25	4Q24	Q/Q %	Y/Y %
Revenues	298	293	230	1.7%	29.6%
Cost of Sales	215	206	176	4.7%	22.6%
Gross Profit	83	88	55	-5.4%	51.8%
Operating Expenses	19	19	17	-0.1%	12.7%
Operating Profit	64	69	38	-6.8%	69.2%
Net Income	56	65	31	-13.7%	79.2%
EPS	0.56	0.65	0.31	-13.7%	79.2%
Dispatches ('000 tons)	967	883	1059	9.5%	-8.7%
Realized Price (SAR/ton)	308	332	217	-7.2%	41.9%
Cost per ton (SAR/ton)	223	233	166	-4.4%	34.3%

Margins (%)

Gross Margin	27.8	29.9	23.7	-207 bps	408 bps
Operating Margin	21.5	23.4	16.4	-196 bps	503 bps
Net Margin	18.8	22.1	13.6	-336 bps	520 bps

Rating Summary and Forecasts

Rating Summary

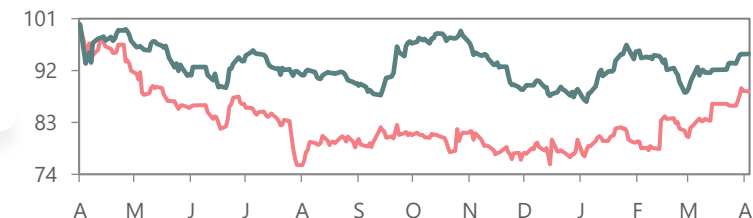
Rating	Hold
Market Price	24.1
12-month Target Price	27
Upside / Downside	11%
Mkt Cap (SAR mn)	2,410.0
52 week High/Low	26.80/20.43

Forecasts

	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	165	175	201	217
PER (x)	14.6	13.8	12.0	11.1
PBV (x)	0.9	0.9	0.9	0.9
EPS (SAR)	1.7	1.7	2.0	2.2
DPS (SAR)	1.5	1.6	1.8	1.9
RoE (%)	6.4%	6.8%	7.8%	8.3%
Dividend Yield (%)	6.2%	6.5%	7.5%	8.1%

Price Chart

● ARCCO ● TASI



Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

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