

**Volume-driven topline growth and OPEX moderation boost earnings, despite gross margin contraction**

Riyadh Cables Group's (RCG) net profit increased 10.1% Y/Y to SAR 282mn in Q1-26, in line with AJBC's estimate of SAR 270mn. The Y/Y growth in net income was driven by higher revenue and reduction in OPEX even though gross margin contracted. Revenue jumped 11.2% Y/Y to SAR 2,768mn, in line with our estimate of SAR 2,792mn fueled by increase in sales volume. Gross margin shrunk ~160bps Y/Y to 15.6% (higher than AJBC estimate of 15.1%). However, operating margin remained steady at 11.8% due to 22.9% Y/Y decrease in OPEX, most probably on account of lower impairment losses.

- **RCG's net profit** rose 10.1% Y/Y to SAR 282mn in Q1-26, in line with our estimate of SAR 270mn. Net income growth was primarily attributed to double-digit revenue growth and a sharp decline in OPEX, partially offset by gross margin contraction. On Q/Q basis, net income rose 7.0% on the back of 1.1% revenue growth ~40bps gross margin expansion. We believe lower deferred taxes compared to the previous quarter also likely to have supported sequential bottom line growth
- **Revenue** surged 11.2% Y/Y to SAR 2,768mn, in line with our estimate of SAR 2,792mn. The increase in sales volume aided the topline growth during the quarter. Revenue during the quarter is likely to be supported by higher raw material prices as well. Aluminum prices increased 12% Q/Q and 21% Y/Y, while copper prices rose 16% Q/Q and 38% Y/Y.
- **Gross profit** witnessed a marginal 0.9% Y/Y increase to SAR 431mn, in line with our estimate of SAR 420mn. The revenue growth was offset by gross margin contraction. The gross margin deteriorated by ~160bps Y/Y to 15.6% (AJBC: 15.1%). We believe the moderation in gross margin was due to change in revenue mix with healthy high and extra-high voltage volumes seen in Q1-25, which likely normalized in Q1-26.
- **Operating profit** climbed 11.7% Y/Y to SAR 327mn (AJBC estimate: SAR 313mn), lower gross margin was compensated by steep reduction in OPEX (-22.9%), OPEX-to-sales ratio fell to 3.7% from 5.4% in Q1-25. We believe OPEX reduction was mainly driven by lower impairment losses given the fact that the company recorded elevated impairment losses in Q1-25. As a result, operating margin was steady at 11.8% in Q1-26.

**AJBC view and valuation:** : RCG delivered results broadly in line with our expectations in Q1-26. The company's revenue visibility is bolstered by a record SAR 5.2bn backlog and strategic expansions into Uzbekistan and Syria, which serve as key top-line catalysts. However, this is balanced by regional conflicts that continue to disrupt logistics and pressure near-term project timelines. Additionally, we expect gross margins to normalize around Q1-26 levels. The stock currently trades at P/E of 16.8x and a dividend yield of 3.4% based on our FY26E estimates. We maintain our **"Neutral"** recommendation on the stock and the TP of **SAR 131.0/share**.

**Results Summary**

SAR mn	Q1-25	Q4-25	Q1-26	Change Y/Y	Change Q/Q	Deviation from AJBC Estimates
Revenue	2,489	2,738	2,768	11.2%	1.1%	-0.9%
Gross Profit	427	417	431	0.9%	3.3%	2.4%
Gross Margin	17.1%	15.2%	15.6%	-	-	-
EBIT	293	317	327	11.7%	3.3%	4.6%
Net Profit	256	263	282	10.1%	7.0%	4.6%
EPS	1.71	1.76	1.88	-	-	-

Source: Company Reports, Aljazira Capital Research

<b>Recommendation</b>	<b>Neutral</b>
<b>Target Price (SAR)</b>	<b>131.0</b>
<b>Upside / (Downside)*</b>	<b>-0.7%</b>

Source: Tadawul \*prices as of 4<sup>th</sup> of May 2026

**Key Financials**

SARmn (unless specified)	FY23	FY24	FY25
Revenues	7,825	9,007	10,674
Growth %	14.2%	15.1%	18.5%
Gross Profit	973	1,287	1,733
Operating Profit	648	969	1,267
Net Income	518	817	1,080
Growth %	47.4%	57.5%	32.3%
EPS	3.46	5.45	7.20
DPS	2.50	3.49	4.25

Source: Company reports, Aljazira Capital Research

**Key Ratios**

	FY23	FY24	FY25
Gross Margin	12.4%	14.3%	16.2%
Operating Margin	8.3%	10.8%	11.9%
Net Margin	6.6%	9.1%	10.1%
ROE	23.7%	33.5%	36.4%
ROA	11.0%	15.4%	16.5%
P/E (x)	26.8	25.3	18.1
P/B (x)	6.2	7.9	5.9
EV/EBITDA (x)	20.2	20.3	15.3
Dividend Yield	2.7%	2.5%	3.3%

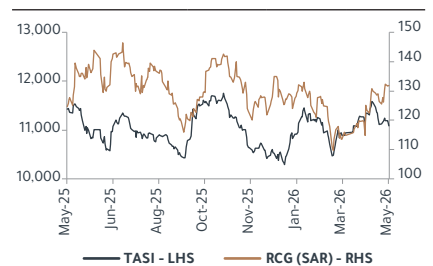
Source: Company reports, Aljazira Capital Research

**Key Market Data**

Market Cap(bn)	19.8
YTD%	1.1%
52 week (High)/(Low)	147.70/106.10
Share Outstanding (mn)	150.0

Source: Company reports, Aljazira Capital Research

**Price Performance**



Source: Tadawul, Aljazira Capital Research

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RESEARCH  
DIVISION

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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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