INITIATION OF COVERAGE

Saudi Capital Goods Sector

14 April 2026

Grid expansion and power sector upgrades to fuel demand

Saudi Arabia's power infrastructure sector, a key component of the broader capital goods sector, is entering a robust investment cycle, driven by large-scale transmission upgrades, renewable integration, and expanding grid interconnectivity. Between 2025 and 2030f, SEC and its subsidiaries (NG, SPPC) plan to invest SAR 400-480 bn across generation, transmission, and distribution networks. These efforts are complemented by PIF-backed renewable initiatives and giga-projects, which are set to expand grid capacity and drive sustained demand for power-related capital goods. As this investment cycle accelerates, domestic manufacturers are well-positioned to benefit from rising electricity demand, projected to reach 480 TWh by 2030f from 340 TWh in 2024, and from ongoing industrialization initiatives that emphasize local content and supply-chain localization. Within this context, we initiate sector coverage with an 'Overweight' stance on Riyadh Cables Group Co. and Al-Babtain Power & Telecommunication Co., while a 'Neutral' stance on Electrical Industries Co.

Power sector is the backbone of Saudi Arabia's economic transformation. The power sector forms the backbone of Saudi Arabia's economic transformation, serving as a critical enabler of Vision 2030's diversification agenda. As the Kingdom accelerates growth across manufacturing, tourism, mining, construction, and data centers, the demand for reliable, affordable, and sustainable electricity continues to rise. The KSA planned expansion targets over 0.16 mn c.km of transmission and nearly 1.1 mn c.km of distribution networks by 2030f depicting long term growth in power demand and cable consumption.

Structural tailwinds from housing and clean energy to anchor capex growth. Saudi Arabia is targeting homeownership rate of 70% by 2030f which reached 65% in 2024, as per latest available data (+1800bps from 2016). An estimated 115K homes will be required annually to reach this target. Under Vision 2030, Saudi Arabia targets 50% of electricity generation from renewable sources, expanding total power capacity to ~130 GW by 2030f (vs. 93.8 GW as of 9M25). These initiatives are expected to support significant capex for the capital goods sector.

Capital goods sector to be the biggest beneficiary. Under the National Investment Strategy, GFCF is expected to rise to SAR 2.0 tn by 2030f (~30% of GDP), emphasizing long-term demand for capital goods. Capital-goods-intensive sectors, including manufacturing, construction, and utilities, have increased their combined GDP share from ~22% in 2021 to ~25% in 2025. Meanwhile, import substitution is gradually evolving into an export-led strategy, supported by Vision 2030 and the National Industry Strategy. Domestic localization is a key structural drive, which is supported by targets to increase non-oil exports in non-oil GDP from 16.0% in 2016 to 50% by 2030f and to expand factories to ~36,000 by 2035f from ~12,000 in 2025. Saudi Aramco's iktva program further accelerates localization, targeting 75% local procurement by 2030f, with ~70% achieved by 2025.

Valuations still offer upside despite strong 2025 performance. Although two of the three companies in our capital goods coverage universe (EIC & Al-Babtain) outperformed TASI in 2025 and delivered returns of 65.0% and 54.7%, respectively, we believe further upside remains. Structural demand tailwinds, coupled with improving execution visibility, are expected to translate into earnings CAGR of 12.9% across our capital goods coverage universe during 2025-2030f. Against this backdrop, we initiate sector coverage with an 'Overweight' rating on (1) Riyadh Cables (TP: SAR 152.3/share; upside: 22.9%) and (2) Al-Babtain (TP: SAR 88.2/share; upside: 32.9%). We assign a Neutral rating to (3) EIC (TP: SAR 17.5/share; upside: 1.0%).

Key risks KSA's capital goods sector faces challenges from regional events uncertainty, supply chain constraints, regulatory shifts and delays in Vision 2030 projects.

SECTOR COVERAGE

	Bloomberg Code	Last Price (SAR)	Rating	TP (SAR)
Riyadh Cables	RIYADHCA AB	123.9	Overweight	152.3
Al-Babtain	ALBABTAI AB	66.4	Overweight	88.2
Electrical Ind.	EIC AB	17.4	Neutral	17.5

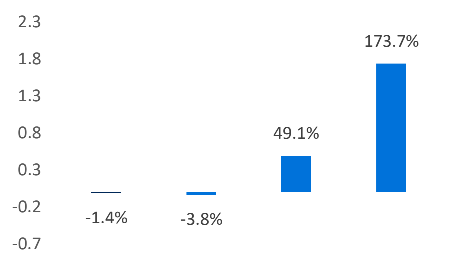
Last price as of April 13th, 2026

VALUATIONS (2026e)

	PBV (x)	PER (x)	RoE (%)	Div. Yield (%)
Riyadh Cables	4.7	13.3	38.7	4.4
Al-Babtain	2.5	8.6	33.0	3.2
Electrical Ind.	12.9	27.2	51.1	2.6

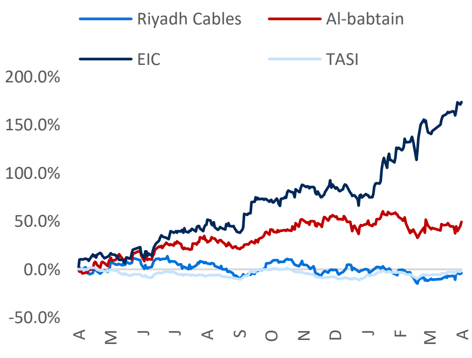
Source: Company financials, anbc research

RELATIVE PERFORMANCE (1Y)



Source: Bloomberg, anbc research
** Last price as of April 13th, 2026*

RELATIVE PRICE PERFORMANCE (1Y)



Source: Bloomberg, anbc research

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Executive Summary

- **Gross Fixed Capital Formation translating in strong sector growth.** Saudi Arabia's capital goods sector is a key beneficiary of Vision 2030's investment-led growth, supported by sustained expansion in infrastructure, manufacturing, utilities, and energy. Gross Fixed Capital Formation reached ~SAR 1.4 tn in 2025 (28.1% of GDP) and is targeted to rise to ~SAR 2.0 tn by 2030f under the National Investment Strategy, maintaining ~30% of GDP and underpinning long-term demand for capital goods. In parallel, capital-goods-intensive sectors, manufacturing, construction, and utilities, have increased their combined GDP share from ~22% in 2021 to ~25% in 2025, reinforcing a structurally stronger non-oil investment cycle and solid medium-term demand visibility for the sector.
- **Power sector investment and demand outlook.** Saudi Arabia's power sector is undergoing a strategic transformation, with the Saudi Electricity Company prioritizing transmission and distribution investments to enhance grid reliability, integrate renewables, and accommodate structurally rising electricity demand. Over 2024-2030f, capex is heavily weighted toward network expansion, with SAR 270-300 bn earmarked for transmission and SAR 100-120 bn for distribution, while generation expected to see comparatively modest investment of SAR 5-10 bn. Electricity delivered to the grid is projected to rise from 426 TWh to 568 TWh, and consumption is expected to climb from 340 TWh in 2024 to 480 TWh by 2030f, reflecting robust demand growth and significant opportunities for capacity expansion across the sector.
- **Renewable energy transition.** To mitigate rising fuel costs as the 40% gas subsidy phases out by 2030f (as per IMF staff report 2025), the Kingdom is accelerating its renewable energy transition. Vision 2030 targets 50% electricity generation from renewables, expanding total power capacity to ~130 GW by 2030f (from 93.8 GW as of 9M25). The roadmap includes 58.7 GW of solar, 40 GW of wind across 50+ major projects, alongside energy storage and hydrogen infrastructure development. The remaining 50% of capacity will come from natural gas to maintain system reliability and balance intermittent renewable output.
- **Electricity costs are one of the lowest in the world.** Electricity in Saudi Arabia remains among the cheapest globally, providing a strong incentive for industrial growth. Tariffs stand at just 0.05 USD/kWh, well below the EU (0.21 USD/kWh) and US (0.08 USD/kWh), and second only to Qatar in the GCC (0.04 USD/kWh). With power as a key driver of sector demand, rising electricity consumption will require continued investment and capacity expansion to meet structural growth in the coming years.
- **Home ownership under Vision 2030.** Saudi Arabia's homeownership agenda under Vision 2030 is gaining strong momentum, with the ownership rate rising to ~65% in 2024 from ~47% in 2016, putting the Kingdom on track toward its 70% target by 2030f. Achieving this goal will require the construction of approximately 115,000 housing units annually, supported by rapid urbanization, with over 85% of the population already residing in urban areas, a share expected to rise further as economic opportunities concentrate in major cities. Riyadh, the focal point of mega and giga infrastructure projects, remains a key demand driver, with its population projected to grow at a 4.2% CAGR to 9.6 mn by 2024-2030f.
- **Accelerating foreign flows into Saudi Arabia.** Foreign investment in Saudi Arabia has increased under Vision 2030 reforms, reaching SAR 133.2 bn in 2025 (up from SAR 119.2 bn in 2024), with a significant share directed to capital goods via infrastructure projects that benefit manufacturers, suppliers, and service providers. In 2024, USD 406 mn of foreign capital supported manufacturing (28%), real estate (9%), construction (2%), and related sectors, driving broader economic activity. Looking ahead, inflows are expected to scale further into smart cities, renewable energy, and industrial zones, supporting Vision 2030's

target of USD 100 bn annual FDI by 2030f and providing strong growth opportunities for companies exposed to infrastructure, transport, and heavy machinery.

- **Smart cities and giga projects driving capital goods demand.** Mega and giga projects across Saudi Arabia, including, Red Sea, Qiddiya, and Amaala, are accelerating smart city and industrial hub development, creating strong demand for capital goods. The Red Sea Global project (USD 17.3 bn) and Qiddiya (USD 32.2 bn) have substantial pipelines, with USD 11.1 bn and USD 22.6 bn yet to be commissioned, respectively, providing sustained project-based revenue opportunities for the capital goods sector.
- **Localization and in-Kingdom manufacturing.** Localization under Vision 2030 and the National Industrial Strategy remains a key structural driver for the capital goods sector, with the targets to increase the share of non-oil exports in non-oil GDP from 16% in 2016 to 50% by 2030f and expand factories to ~36,000 by 2035f from ~12,000 factories in 2025. Procurement policies increasingly prioritize locally manufactured products, strengthening order visibility for domestic cable manufacturers and EPC contractors while reducing import dependence. Saudi Aramco's iktva* program further accelerates localization, targeting 75% local procurement until 2030f (70% achieved by 2025), enabling over 350 manufacturing facilities, and supporting supply-chain expansion.
- **Risks & why they are manageable.** While near-term volatility from regional uncertainty is possible, geopolitical shocks have historically not disrupted Saudi Arabia's power investment cycle — post-2003 capacity expanded from ~25 GW to ~35 GW as annual electricity capex surged to USD 10–12bn. With the Kingdom targeting SAR 400–480bn in cumulative capex through 2030 and SEC deploying SAR 82.2bn in 2025 alone, the structural buildout remains firmly on track.
- **Riyadh Cables Group Co (Overweight, TP: SAR 152.3, 22.9% upside).** The company's broad cable portfolio range positions it to capitalize on both conventional power infrastructure and renewable energy projects. We forecast a revenue CAGR of 5.5% (2025-2030f), supported by strong domestic electrification demand and expanding international opportunities. A robust backlog of SAR 5.1 bn (163 kt) (48% of 2025 revenues) strengthens our confidence in medium-term growth story, while a high utilization rate of 97% indicates near-peak operational efficiency. With a debt-free balance sheet and strong earnings visibility, RCGC is well positioned to sustain growth.
- **Al-Babtain Power & Telecommunication Co. (Overweight, TP: SAR 88.2, 32.9% upside).** The company is benefitting from sustained demand in its core tower segment (54.2% of 2025 revenue) and poles & lighting segment (19.4% of 2025 revenue). Gross margin recovered from 12.2% in 2022 to 24.3% in 2025 and is forecasted to remain in the range of 22-25% during 2026e-2030f. We expect revenue to grow at a 9.2% CAGR over 2025-2030f, driven by grid modernization, regional interconnection, and renewable energy investments under Vision 2030.
- **Electrical Industries Co. (Neutral, TP: SAR 17.5, 1.0% upside).** EIC is well-positioned to capitalize on Kingdom's rising construction and real estate activity driven by giga projects and increasing population (up 4.7% YoY in 2024). EIC's product portfolio positions it to gain directly from Saudi Electricity's ~SAR 472 bn CAPEX program. We project a 9.0% CAGR (2025-2030f) for company's topline, aided by strong volumetric growth. EIC has gained from commodity cycle, which we believe will continue to benefit, with gross margins expected to cross 43% by 2030f. We initiate coverage with a 'Neutral' stance, noting its demanding valuation, given the stock has returned 173.7% over the past 12 months.

*iktva: Saudi Aramco's In-Kingdom Total Value Add (iktva) program is a central mechanism supporting localization

Valuation Table

	Rating	Last Price* (SR)	Target Price (SR)	PBV (x)			PER (x)			Dividend Yield (%)			RoAE (%)			Growth % (2025-30f)		
				2025	2026E	2027F	2025	2026E	2027F	2025	2026E	2027F	2025	2026E	2027F	Revenue	Earnings	Equity
Riyadh Cables	Overweight	123.9	152.3	5.9	4.7	4.3	18.1	13.3	12.5	3.3	4.4	4.8	36.6	38.7	36.1	5.5	10.8	16.0
Al-Babtain	Overweight	66.4	88.2	3.1	2.5	2.0	9.0	8.6	7.3	3.1	3.2	3.8	38.1	33.0	30.6	9.2	14.1	23.7
Electrical Ind.	Neutral	17.4	17.5	9.7	12.9	10.8	20.0	27.2	19.8	4.5	2.6	3.5	56.1	51.1	59.4	9.0	15.5	16.9

Source: Company financials, anbc research

** Last price as of April 13th, 2026*

Capital Goods Sector Overview

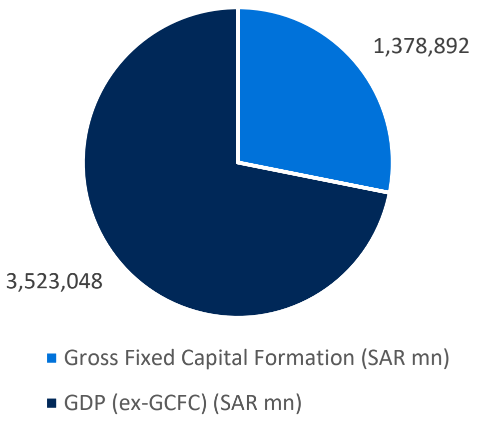
Cornerstone of economic diversification strategy

Saudi Arabia's capital goods sector is a strategic pillar of the Kingdom's Vision 2030 economic diversification drive, directly enabling growth in manufacturing, infrastructure, energy, and industrial services. Capital goods, such as heavy machinery, industrial equipment, engineered components, and production facilities, are durable assets that underpin national productive capacity and support multi-year project pipelines, unlike consumer goods that cycle rapidly.

From a macro perspective, Gross Fixed Capital Formation (GFCF) remains the most relevant indicator for assessing capital goods demand in Saudi Arabia, reflecting the scale and direction of investment activity across infrastructure, manufacturing, utilities, and energy projects. GFCF reached ~SAR 1.4 tn in 2025, accounting for 28.1% of GDP, highlighting the investment-led nature of growth under Vision 2030. Looking ahead, the National Investment Strategy, one of Vision 2030's core execution pillars, targets annual GFCF of SAR 2.0 tn by 2030f, maintaining its contribution at ~30.0% of GDP. This sustained expansion in fixed asset investment, well above initial Vision 2030 benchmarks for the 2021-24 period, continues to provide a strong structural demand backdrop for capital goods companies, particularly those exposed to non-oil infrastructure, industrial capacity expansion, and power sector capex.

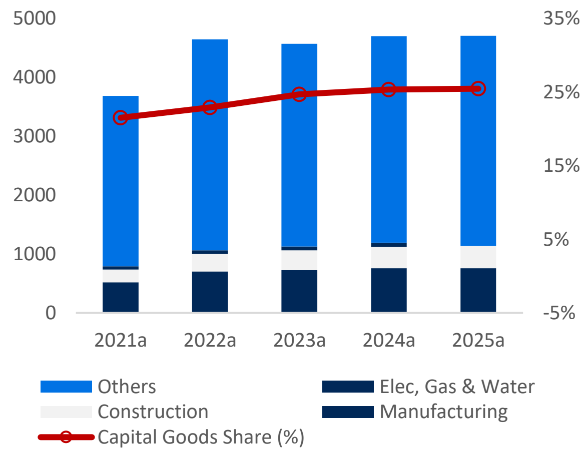
From a production-side perspective, capital-goods-intensive sectors, namely manufacturing, construction, electricity, and gas & water, have steadily increased their contribution to Saudi Arabia's GDP over the past five years. The combined share of these sectors rose from approximately 22% of GDP in 2021 to 25% in 2025, reflecting a sustained recovery from the pandemic period and a structurally stronger investment cycle under Vision 2030. While the aggregate contribution stabilized around 25-26% during 2023-25, the underlying composition continued to improve, driven by expanding construction activity, a rebound in manufacturing output, and rising utilities demand. This trend underscores the growing role of non-oil, investment-led sectors as the primary deployment channels for capital goods, reinforcing demand visibility for the sector over the medium term.

Chart 01: Gross fixed capital formation in GDP (2025)



Source: GASTAT, anbc research

Chart 02: Capital goods share in GDP (SAR bn)



Source: GASTAT, anbc research

Note 01: Well positioned sector to ride out regional developments

Heightened regional uncertainty may lead to increased short-term volatility due to supply-chain disruptions, higher logistics costs, and slower project execution, however, geopolitical shocks have historically not interrupted Saudi Arabia's power infrastructure investment cycle. Following the 2003 regional conflict (Second Gulf war), installed electricity capacity in Saudi Arabia expanded from ~25–26 GW in 2000 to ~34–37 GW by 2007, driven by a structural step-up in investment activity. During the same period, electricity capex increased from an estimated USD 1–3bn annually in the early 2000s to a post-2003 structural run-rate of USD 10–12bn, with peak years likely higher, reflecting accelerated grid expansion and capacity build-out supported by stronger fiscal conditions and sustained demand growth.

Electricity infrastructure remains a strategic priority, with grid expansion, system resilience, and renewable integration central to the Kingdom’s long-term energy plans. The Kingdom's cumulative capex target through 2030 stands at SAR 400–480 bn, with transmission commanding the largest share at SAR 270–300bn, followed by distribution at SAR 100–120 bn, and generation at SAR 5–10bn. SEC's capital expenditure reached SAR 82.2 bn in 2025 alone, underscoring the pace and scale of ongoing network and generation investment. Companies under our coverage are well-positioned to capture a meaningful share of this buildout as the national grid continues to expand.

Power sector on the horizon

Saudi Arabia’s power sector is entering a multi-year investment upcycle, supported by large-scale grid modernization, renewable energy integration, and enhanced regional interconnectivity. Between 2024-2030f, Saudi Electricity Company (SEC) and its subsidiaries, National Grid (NG) and Saudi Power Procurement Company (SPPC), are expected to deploy SAR 400-480 bn across power generation, transmission, and distribution assets. This capex cycle is further reinforced by PIF-backed renewable projects and the infrastructure build-out of giga-projects such as Red Sea, and Qiddiya, collectively expanding grid capacity and sustaining demand for power-related capital goods.

Transmission & Distribution Infrastructure: Backbone of Capacity Expansion

SEC is prioritizing transmission and distribution (T&D) infrastructure to enhance grid reliability, enable renewable energy integration, and accommodate structurally rising electricity demand. Over 2024-2030f, capex is heavily skewed toward network assets, reflecting a clear shift toward grid-led capacity expansion.

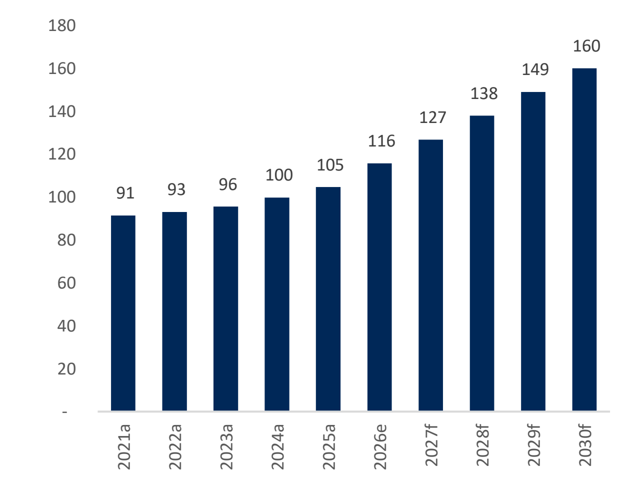
Table 01: Saudi Electricity Co. investment plan

Segment	Expected Investment (2024-2030f)	Sectoral Implications
Transmission	SAR 270-300 bn	Supports cable, towers, and steel structures providers
Distribution	SAR 100-120 bn	Drives demand for cables, switchgear, and transformers
Generation	SAR 5-10 bn	Incremental additions to complement renewable rollout

Source: SEC, anbc research

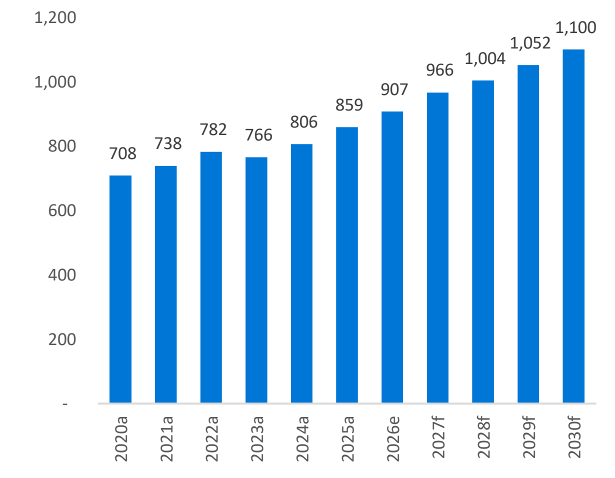
This prioritization underscores the dominance of grid infrastructure within the power capex cycle. The planned expansion targets over 0.16 mn c.km of transmission and 1.1 mn c.km of distribution networks by 2030f, underpinning long-term growth in power demand and cable consumption and positioning T&D as the primary driver of sector-wide capital goods demand through the decade.

Chart 03: Network length - transmission (000 c.km)



Source: SEC, anbc research

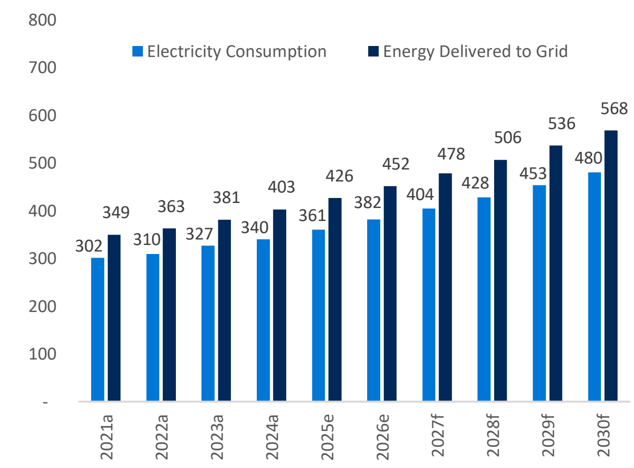
Chart 04: Network length - distribution (000 c.km)



Source: SEC, anbc research

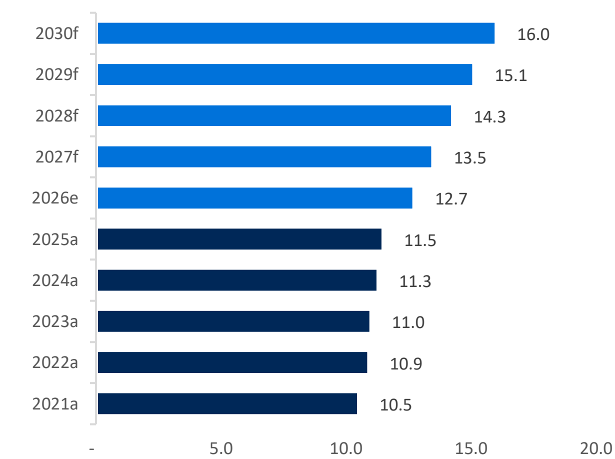
Electricity delivered to the grid reached 403 TWh in 2024 and is projected to reach 568 TWh by 2030f, reflecting a CAGR of 5.9%. Meanwhile, electricity consumption is expected to rise from 340 TWh in 2024 to 480 TWh by 2030f, highlighting increasing demand and potential for capacity expansion.

Chart 05: Electricity delivered and consumed (TWh)



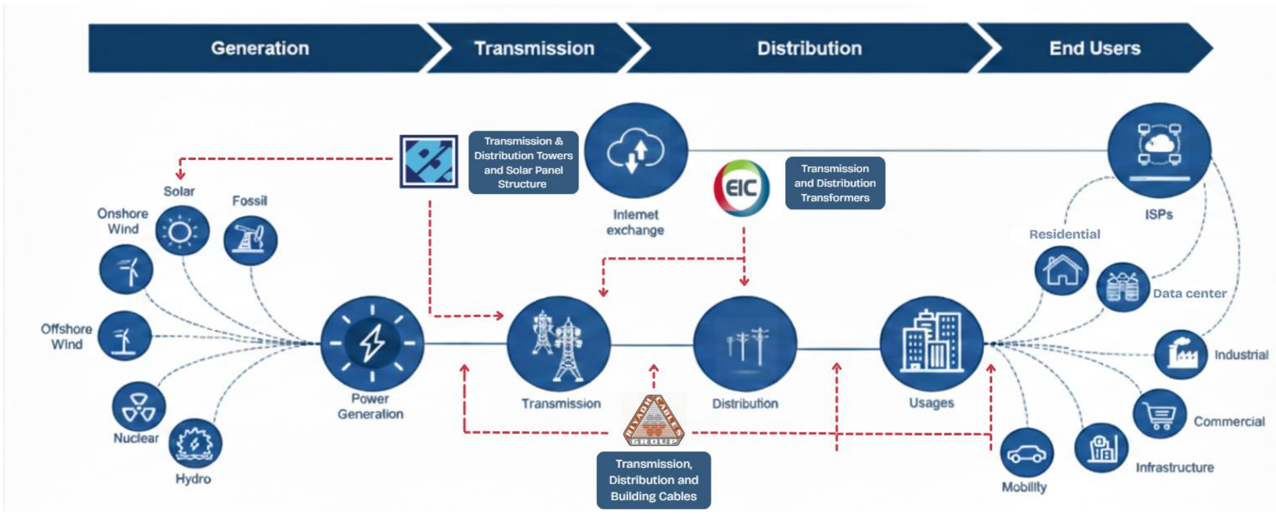
Source: SEC, anbc research

Chart 06: Electricity consumers (mn)



Source: SEC, anbc research

Chart 07: Integrated power generation & distribution: strategic positioning of Riyadh Cables, Al-Babtain, and EIC



Source: RCGC earnings presentation, anbc research

Renewable Energy Transition: Struct

ural Shift in the Energy Mix

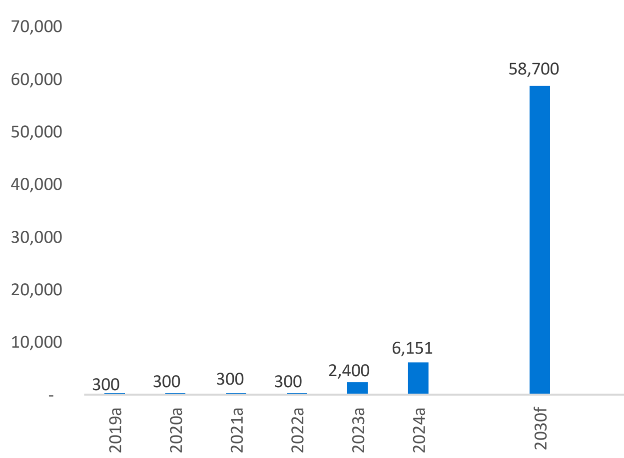
Saudi Arabia's fuel cost structure is predominantly gas-based, with gas prices currently benefiting from an estimated ~40% government discount relative to international benchmarks (World Bank) as of 2025. The government is replacing gas with renewable and will be discounting gas subsidy gradually by 2030f, as per IMF staff report 2025. Once this subsidy ends in 2030, fuel costs are expected to rise.

Under Vision 2030, Saudi Arabia targets 50% of electricity generation from renewable sources, expanding total power capacity to ~130 GW by 2030f (vs. 93.8 GW as of 9M25). The renewable roadmap includes:

- 58.7 GW solar capacity
- 40 GW wind capacity
- Deployment across 50+ major renewable projects
- Parallel development of energy storage and hydrogen infrastructure

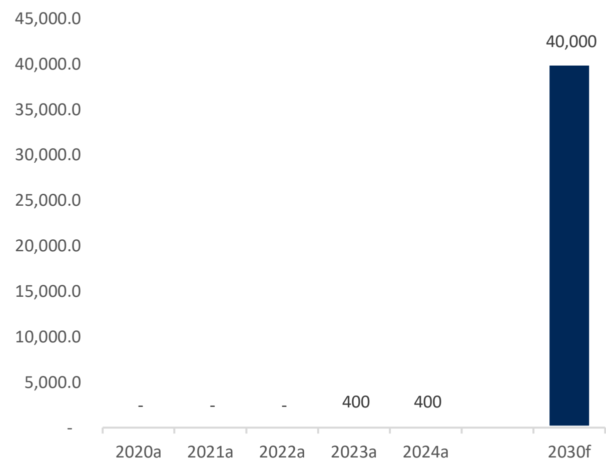
The remaining 50% of generation capacity is planned to come from natural gas, ensuring system reliability and balancing intermittent renewable supply.

Chart 08: KSA Solar Capacity (MW)



Source: GASTATS, anbc research

Chart 09: KSA wind Capacity (MW)



Source: GASTATS, anbc research

Regional Power Infrastructure and the Transition to Low-Carbon Energy Sources

The GCC region is undergoing a significant transformation in its power infrastructure as part of its transition to lower carbon emission energy sources and enhanced regional grid interconnection. Each GCC country has set ambitious targets to increase the share of renewable energy in their power generation mix:

- **UAE**: Aiming to reduce 70% of its power sector carbon footprint by 2050f.
- **Kuwait**: Targeting 15% renewable energy share by 2030f
- **Qatar**: Plans to achieve 20% of its energy from non-gas sources by 2030f, utilizing photovoltaic and offshore renewable energy platforms.
- **Oman**: Targets 30% renewable energy by 2030f, focusing on solar, wind, and waste-to-energy solutions.
- **Bahrain**: Aims for 15% renewable energy by 2035f, with decentralized solar parks and wind farms.

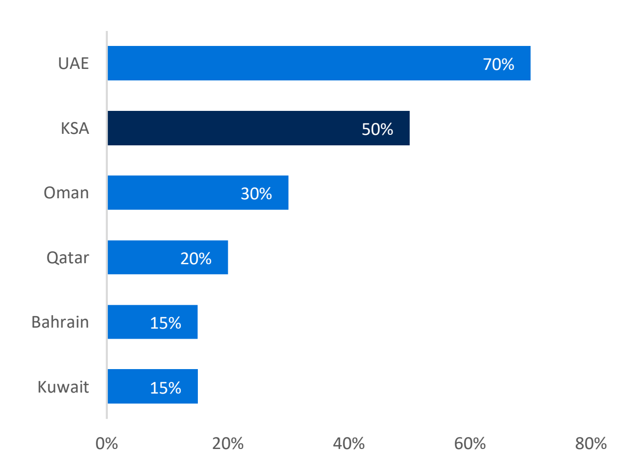
In addition to these national targets, the GCC region is making significant strides in interconnecting its power grids. Kuwait has already signed an interconnection agreement with Iraq, and the GCC Interconnection Authority is working to expand the grid towards Iraq, Egypt, and Jordan. Capital goods companies play a crucial role in this transformation, serving as key suppliers for various phases of the regional-scale grid interconnection program. This integrated approach, combining renewable energy adoption with enhanced grid connectivity, is positioning the GCC region for a more sustainable, resilient, and interconnected energy future.

Electricity per unit cost, one of the lowest in the region

The electricity cost in Saudi is one of the cheapest (USD/KWH), we have compared with the regional countries. With power as a major contributor to the sector's demand, we expect major investment to come into this sector, power demand is going to increase and likewise there needs to be enough capacity in the pipeline to fulfill that demand.

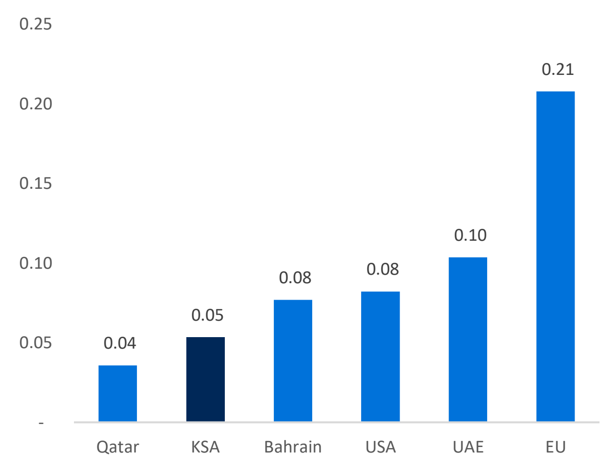
Saudi Arabia offers some of the lowest power tariffs globally at 0.05 USD/kWh, compared with 0.21 USD/kWh in the EU and 0.08 USD/kWh in the US. In the GCC, Qatar leads with 0.04 USD/kWh, followed by Saudi Arabia.

Chart 10: Regional renewable energy targets 2030f



Source: Riyadh cables prospectus, anbc research

Chart 11: KSA has one of the lowest power tariffs



Source: SEC, EIA, Eurostat, DEWA, EWA, KAHRAMAA, anbc research

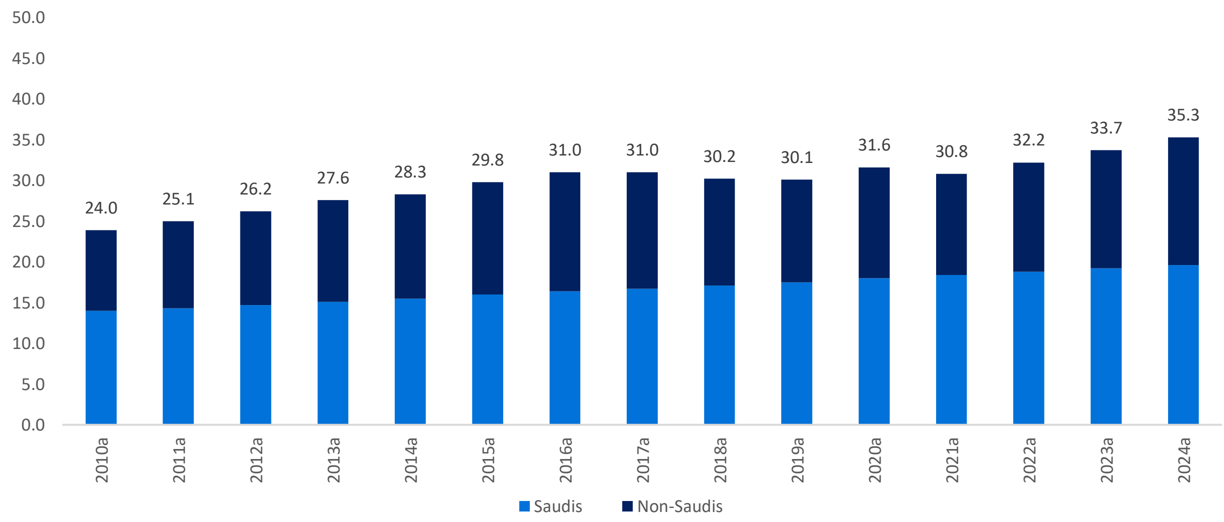
Accelerating home ownership under vision 2030

Saudi Arabia is targeting homeownership rate of 70% by 2030f which reached 65% in 2024, increasing by 18% from 2016. An estimated 115,000 homes will be required annually to reach this target. KSA reported that 85.1% of the total population were spread over urban areas and this rate is expected to increase with increasing opportunities in urban spaces such as Riyadh and Jeddah.

Moreover, a significant share of the Kingdom's major infrastructure projects is concentrated in Riyadh and its surrounding areas. Riyadh is the Kingdom's most populous city, with 7.5 mn residents in 2024. The population is projected to expand at a CAGR of 4.2% over 2024-2030f to reach 9.6 mn, supporting sustained demand for housing, infrastructure, and construction services.

Expat population recorded an increase of 8.4% YoY in 2024 (highest increase ever). This indicates increased opportunities in lieu of rising labor requirements for Mega-Giga projects and shifting regional headquarters of MNCs to the Kingdom.

Chart 12: Saudi Arabia's population reached 35.3 mn in 2024



Source: GASTAT, anbc research

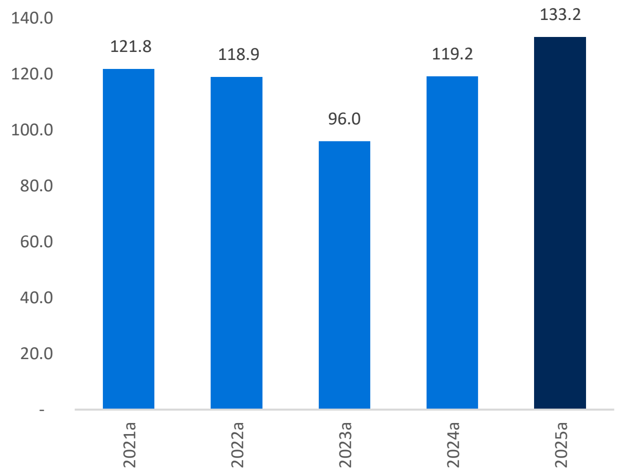
Strong confidence in Saudi reflected through robust growth in investment

Foreign investment flows into Saudi Arabia have increased following the implementation of Vision 2030 reforms, reaching SAR 133.2 bn in 2025, up from SAR 119.2 bn in 2024, reflecting growing confidence in the Kingdom's economic diversification agenda and mega-project pipeline. A significant portion of these inflows is directed toward the capital goods sector, primarily through infrastructure development projects, which create a downstream impact for suppliers, manufacturers, and service providers.

In 2024, approximately USD 406 mn of foreign capital was invested in Saudi Arabia, providing a direct boost to manufacturing (28%), real estate (9%), construction (2%), and related sectors, while also supporting broader economic activity.

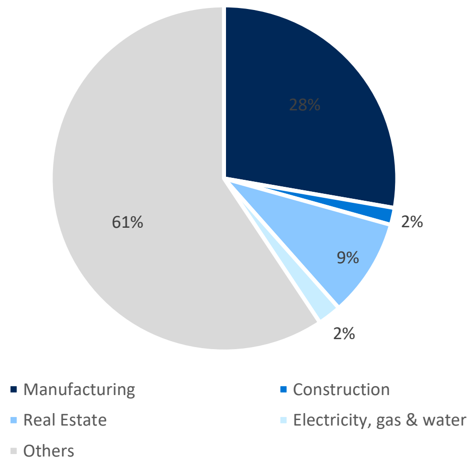
Looking ahead, foreign investment is anticipated to scale further, particularly in smart city developments, renewable energy infrastructure, and industrial zones. Under Vision 2030, the Kingdom aims to attract USD 100 bn in annual FDI by the end of the decade in the of efforts to diversify away from crude-linked revenues. Companies with heavy exposure to infrastructure, transport, and heavy machinery are expected to benefit the most, as increased foreign capital inflows translate into stronger project pipelines, accelerated order execution, margin expansion, and revenue growth.

Chart 13: Foreign direct investment inflow (SAR bn)



Source: GASTAT, anbc research

Chart 14: Breakdown of FDI inflow (2024)



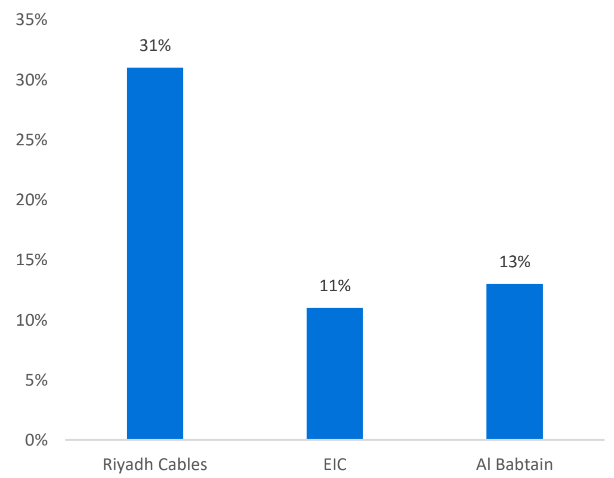
Source: GASTAT, anbc research

Localization and in-Kingdom manufacturing

Localization remains a key structural driver for the capital goods sector under Vision 2030 and the National Industrial Strategy. The strategy targets increasing the share of non-oil exports in non-oil GDP from 16.0% in 2016 to 50% by 2030f, alongside expanding the number of factories to ~36,000 by 2035f from ~12,000 in 2025. These targets support sustained growth in domestic manufacturing activity and rising demand for locally produced industrial and electrical equipment.

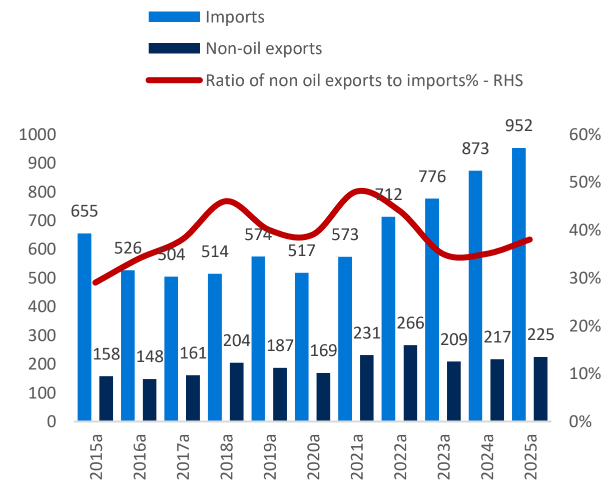
The strategy also emphasizes strengthening local content across both oil and non-oil sectors. Procurement policies increasingly favor locally manufactured products, supporting order flow for domestic cable manufacturers and EPC contractors. This reduces reliance on imports and improves revenue visibility for companies with established in-Kingdom production facilities.

Chart 15: Companies export as a % of revenue (2025)



Source: Company financials, anbc research

Chart 16: KSA non-oil exports & imports



Source: GASTAT, anbc research

Saudi Aramco's In-Kingdom Total Value Add (iktva) program is a central mechanism supporting localization. The program aims to retain 75% of Aramco's procurement spend within the Kingdom and improve supply-chain efficiency across its operations. As of 2025, 70% of Aramco's procurement spending contributes to local content, reflecting steady progress toward this target.

Since launch, iktva has enabled more than 350 manufacturing facilities and supported the local production of 47 products manufactured for the first time in Saudi Arabia. The program has generated an estimated cumulative GDP contribution of USD 240 bn and supported around 200,000 direct and indirect jobs. These outcomes indicate a broadening and deepening of the local industrial base.

In addition, iktva has supported investment in research and development, with R&D spending at participating companies growing at an average annual rate of 33%. Industrial clusters such as Jazan Economic City and the King Salman International Complex for Maritime Industries and Services further support manufacturing scale-up and integration.

Overall, localization policies are expected to continue supporting demand for locally manufactured cables, electrical equipment, and EPC services. Capital Goods companies with existing manufacturing capacity and strong relationships with strategic buyers are better positioned to benefit from tightening local content requirements and sustained procurement activity.

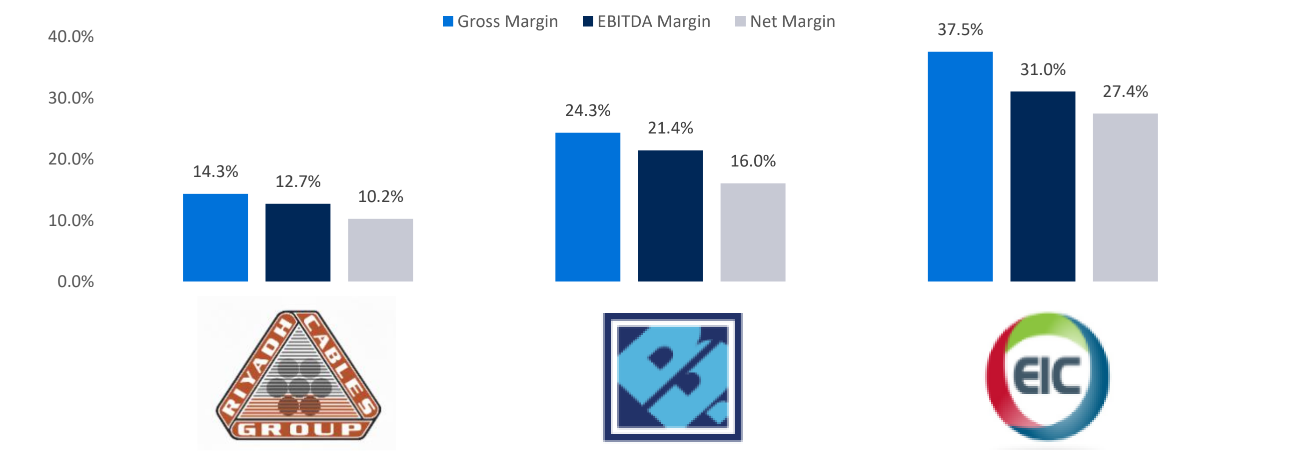
Valuation Table

		Riyadh Cables	Al-Babtain	Electrical Ind.
Last price (SAR)		123.9	66.4	17.4
Rating		**Overweight**	**Overweight**	**Neutral**
Target Price (SAR)		**152.3**	**88.2**	**17.5**
Upside/Downside (%)		22.9	32.9	1.0
Dividend Yield (%)		4.4	3.2	2.6
Total Return (%)		27.4	36.1	3.6
Growth (2025-30f)	Revenue	5.5	9.2	9.0
	Earnings	10.8	14.1	15.5
	Equity	16.0	23.7	16.9
ROAEs (%)	2024a	33.5	27.0	47.5
	2025a	36.6	38.1	56.1
	2026e	38.7	33.0	51.1
	2027f	36.1	30.6	59.4
ROAAs (%)	2024a	15.4	9.4	20.9
	2025a	16.6	15.5	27.7
	2026e	18.8	15.4	26.9
	2027f	19.3	16.0	32.4
P/B	2024a	7.9	2.3	8.6
	2025a	5.9	3.1	9.7
	2026e	4.7	2.5	12.9
	2027f	4.3	2.0	10.8
P/E	2024a	25.3	9.2	20.3
	2025a	18.1	9.0	20.0
	2026e	13.3	8.6	27.2
	2027f	12.5	7.3	19.8
Dividend yield (%)	2024a	2.5	3.8	3.1
	2025a	3.3	3.1	4.5
	2026e	4.4	3.2	2.6
	2027f	4.8	3.8	3.5

Last price as of April 13th, 2026

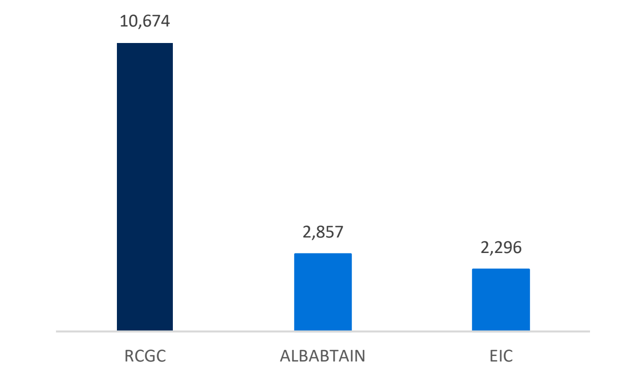
Peer Comparison

Chart 17: EIC has the highest gross margin due to high degree of specialized products / less competition (2025)



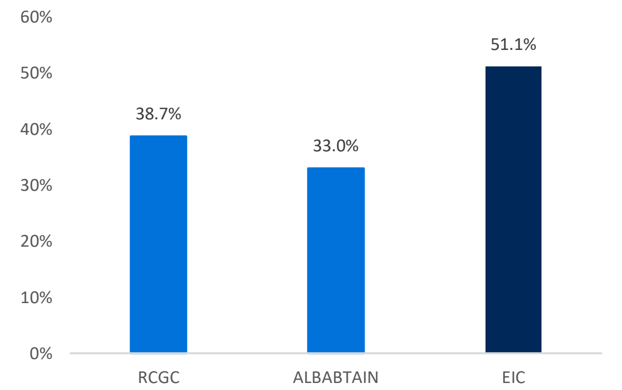
Source: Companies financials, anbc research

Chart 18: Revenue - 2025 (mn)



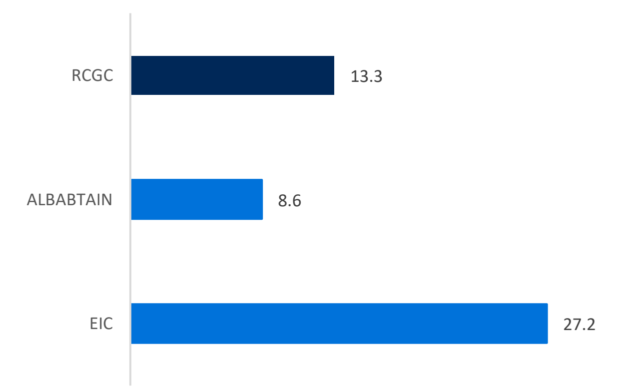
Source: Companies financials, anbc research

Chart 19: ROE - 2025 (%)



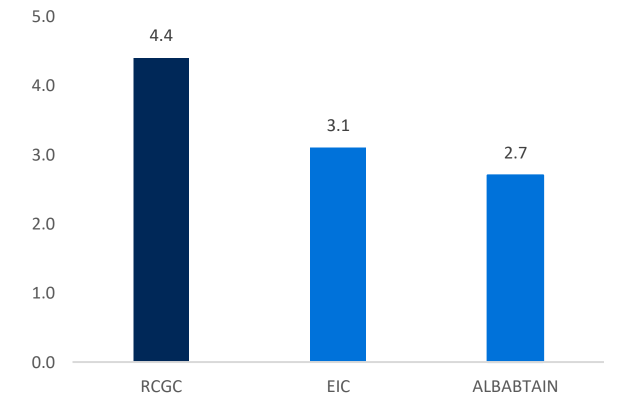
Source: Companies financials, anbc research

Chart 20: 2026e PE



Source: Companies financials, anbc research

Chart 21: Accounts receivables turnover - 2025 (x)



Source: Companies financials, anbc research

INITIATION OF COVERAGE

Riyadh Cables Group Co.

14 April 2026

We initiate coverage on Riyadh Cables Group Co. (RCGC) with an 'Overweight' rating and a target price of SAR 152.3/share. The company's diverse product portfolio positions it to capitalize on both conventional power infrastructure and renewable energy projects. We forecast a revenue CAGR of 5.5% (2025-2030f), supported by strong domestic electrification demand and expanding international opportunities. A robust backlog of SAR 5.1 bn (163 kt) underpins our confidence in medium-term growth, while a high utilization rate of 97% indicates near-peak operational efficiency. With an almost debt-free balance sheet and strong earnings visibility, RCGC is well positioned to sustain growth, with a projected earnings CAGR of 10.8% between 2025-2030f. The stock currently trades at a 2026e P/E of 13.3x, with an attractive dividend yield of 4.4%.

Regional growth and record backlog boost revenue visibiltiy. RCGC's market leadership and expanding regional footprint provide a strong foundation for sustained growth. With a 38% share in Saudi Arabia and growing presence across the GCC and Iraq, the company is well positioned to benefit from accelerating electrification, industrial development, and transmission infrastructure upgrades. The regional cables market is forecasted to reach SAR 37.4 bn by 2028f (6.5% CAGR), creating a broad demand runway. This growth outlook is reinforced by a record backlog of SAR 5.1 bn (48% of 2025 revenues), providing revenue visibility and supporting stable plant utilization. As a result, sales volumes are projected to reach 333 kt by 2030f (4.2% CAGR), with capacity utilization expected to average 97% through 2030f, translating into a revenue CAGR of 5.5%, reaching SAR 13.9 bn by 2030f.

Pricing power and operational efficiency underpin margin resilience. The company has consistently delivered strong performance across both copper and aluminum segments, supported by its cost-plus pricing model, efficient operations, and effective hedging strategies. Despite an increase in copper and aluminum prices to SAR 37k/ton and SAR 10k/ton respectively, in 2025 (from SAR 32k/ton and SAR 9k/ton in 2023), gross margins rose to 16.2% in 2025 from 14.3% in 2024, demonstrating the effectiveness of its pricing framework in mitigating raw material volatility. Looking ahead, gross margins are expected to reach 16.9% in 2026e and are projected to stabilize between 16-17% over 2026f-2030f, supported by scale benefits, strategic pricing, and optimized product mix.

Strong balance sheet enables capex growth and sustainable dividend distribution. RCGC's low debt balance sheet (8.2% debt-to-asset as of 2025) and strong internal cash generation provide significant financial flexibility to fund growth while sustaining dividends. The company initiated an expansion program in 2022 to add 6-7% annual capacity through 2027f, fully funded through internal cash flows, preserving balance-sheet strength and mitigating financing risk. RCGC has maintained dividend payout ratio above 60% over the past three years, supported by consistent free cash flow generation, and we expect dividend payouts to remain stable, translating into an estimated dividend yield of 4.4% in 2026e.

Valuation: Our Dec-26 target price of SAR 152.3/share is derived using an FCFF-based DCF, implying an upside potential of 22.9% from current levels.

Risk: Slower market growth could result in underutilized capacity, while rising local competition may pressure margins. Geopolitical risks in GCC, supply chain disruptions, or delays in Vision 2030 projects could also affect demand.

RATING SUMMARY	OVERWEIGHT
Target Price (SAR)	152.3
Upside/Downside	21.8%
Div. Yield (%)	4.4
Total Exp. Return	27.4%

Source: Company financials, anbc research

ISSUER INFORMATION	
Bloomberg Code	RIYADHCA AB
Last Price (SAR)	123.9
No of Shares (mn)	150.0
Market Cap bn (SAR/USD)	18.0/4.8
52-week High / Low (SAR)	147.7/105.4
12-month ADTV (mn) (SAR/USD)	27.6/7.4
Free Float (%)	77.4
Foreign Holdings (%)	12.9

Last price as of April 13th, 2026

VALUATIONS

	2025a	2026e	2027f	2028f
EPS (SAR)	7.2	9.3	9.9	10.6
PER (x)	18.1	13.4	12.6	11.7
PBV (x)	5.9	4.8	4.3	3.8
DPS (SAR)	4.3	5.5	6.0	6.5
Div. Yield (%)	3.3	4.4	4.8	5.2
RoE (%)	36.6	38.7	36.1	34.4
RoA (%)	16.6	18.8	19.3	19.5

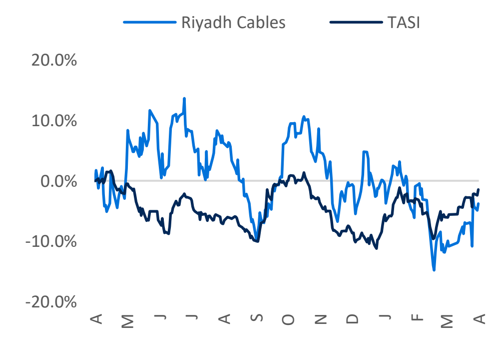
Source: Company financials, anbc research

FINANCIALS (SAR mn)

	2025a	2026e	2027f	2028f
Revenue	10,674	11,126	11,737	12,497
Gross Profit	1,733	1,877	1,991	2,111
EBITDA	1,352	1,674	1,729	1,837
Net Income	1,085	1,399	1,487	1,599

Source: Company financials, anbc research

RELATIVE PRICE PERFORMANCE



Source: Bloomberg, anbc research

Investment Thesis

Regional growth and record backlog boost revenue visibility

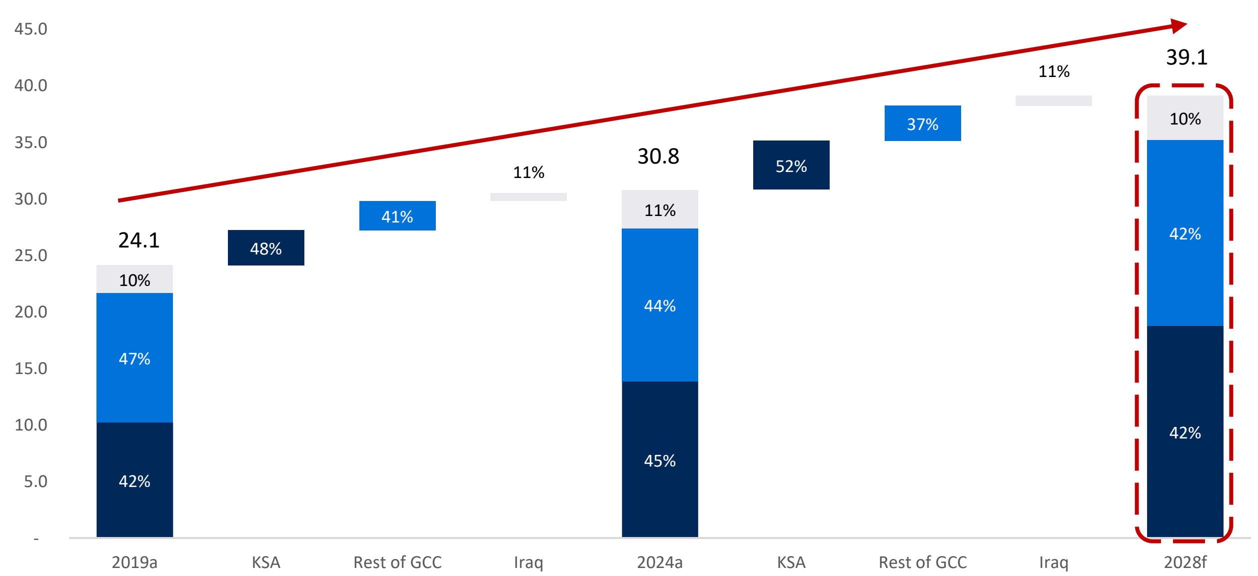
Riyadh Cables Group Co. (RCGC) is well-positioned to sustain strong topline momentum, supported by robust demand across its core geographies: Saudi Arabia, the broader GCC, and Iraq. The company's addressable market expanded to an average of SAR 29.1-32.4 bn, growing at a 4.8% CAGR between 2019 and 2024, with Saudi Arabia accounting for most of the incremental growth at a 6.2% CAGR over the same period. During this time, the Kingdom's share of the GCC power cable market increased from 42% to 45%, reflecting accelerating investments in energy infrastructure, power transmission, and construction.

Looking ahead, the regional cables market is projected to reach SAR 37-41 bn by 2024-2028f, representing a 6.2% CAGR, with the Saudi power cables market expected to grow at a 7.9% CAGR through 2024-2028f, reaching SAR 18.0-19.6 bn. Saudi Arabia's share is anticipated to rise to 48%, strengthening its role as the key growth driver for RCGC. Market visibility is supported by structural long-term demand drivers, including Vision 2030 giga-projects. The KSA's steadily growing population, expected to reach 39.9 mn by 2027f, and its youth-heavy demographic, with 58% below the age of 35, underscore the strong need for housing and urban development for the next generation.

This demographic momentum aligns with sustained investment in public infrastructure (e.g., Riyadh Airport, Saudi Landbridge Rail), smart and economic cities (e.g., Jeddah Economic City), and mega-projects (e.g., Red Sea Project, Qiddiya, Diriyah Gate, Roshn). Alongside infrastructural development, the KSA is also expanding the industrial sector through projects such as the industrial complex in Ras Al Khair, RCJY LED factory, Waad Al Shamal Phosphate City, and oil and gas developments including the Marjan offshore oil field expansion.

In parallel, Saudi Arabia has embarked on one of the world's most ambitious green energy programs, targeting 130 GW of renewable capacity by 2030f, with the goal of producing 50% of electricity from zero-carbon sources. This will drive a major transformation of the Kingdom's power infrastructure, complemented by the large-scale expansion of transmission and distribution networks, targeting over 0.16 mn c.km in transmission lines and 1.1 mn c.km in distribution networks, which will underpin sustained growth in power demand and cable consumption.

Chart 22: Total addressable market of cables (SAR bn)



Source: Earnings presentation, anbc research

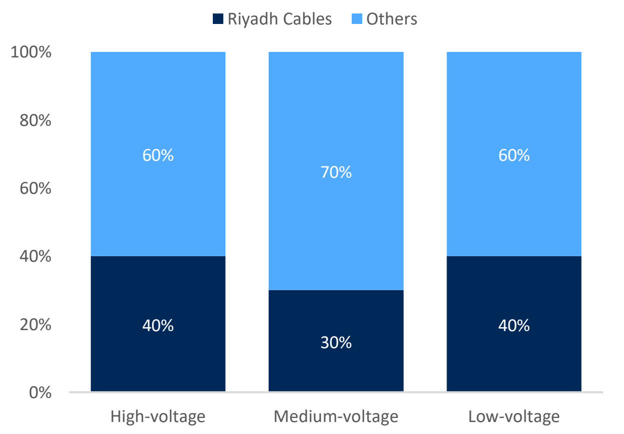
Regional cable industry growth and forecast

Exports to the rest of the GCC provide a steady, diversified revenue base beyond the Kingdom, with the regional cables market forecasted to grow at a 5.0% CAGR through 2024-2028f, reaching SAR 15.7-17.1 bn. Growth is supported by national visions emphasizing economic diversification and sustainable infrastructure, backed by large-scale investments: the UAE's Energy Strategy 2050 targets 50% clean energy with SAR 611 bn planned investments yielding over SAR 716 bn returns; Kuwait Vision 2035 allocates SAR 375 bn for housing and energy and has achieved SAR 12.8 bn in direct investments since 2015, including the 400k-resident South Saad Al Abdullah smart city; and other GCC national visions similarly prioritize industrial diversification, renewable energy, and private sector participation.

The GCC population is projected to reach 25.7 mn by 2027f, growing at a 1.7% CAGR, with 57% below age 35, fueling demand for housing and infrastructure. Renewable energy targets, UAE (70% carbon reduction by 2050f), Kuwait (15% renewables by 2030f), Qatar (20% non-gas energy by 2030f), Oman (30% renewables by 2030f), and Bahrain (15% renewables by 2035f), along with regional grid interconnections to Iraq, Egypt, and Jordan, where RCGC already supplies key cable projects, and collectively reinforce sustained medium-term cable demand across the GCC.

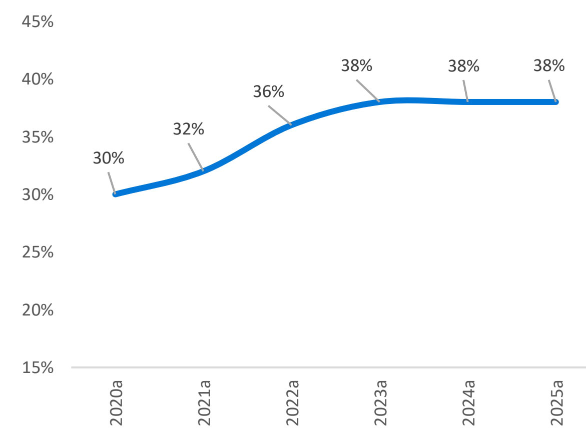
Outside Saudi Arabia and the GCC, Iraq represents a compelling frontier growth story, contributing 6% to total revenue. With a forecasted CAGR of 3.7% through 2024-2028f, reaching SAR 3.7-4.1 bn, Iraq's power cables market is set to expand, supported by reconstruction efforts, infrastructure development, and growing foreign investment. The government's SAR 1.4 tn project pipeline across power, housing, and transportation presents a strong opportunity for RCGC, which is well-positioned to capture this demand through its scale, regional presence, and integrated cable solutions. Additionally, Iraq's National Vision for Sustainable Development 2030, led by the Ministry of Planning with UNDP support, emphasizes human development, good governance, economic diversification, social stability, and environmental sustainability. The plan prioritizes investment in electricity, water, transportation, communication, and housing projects, further reinforcing long-term demand for power cables.

Chart 23: Market share product wise %



Source: Companies financials, anbc research

Chart 24: Overall Market Share in Saudi (%)



Source: Companies financials, anbc research

Competitive positioning

RCGC has the largest production capacity and the most diversified product portfolio in the industry. The company holds a dominant 40% share in the high-voltage segment, supporting gross margin improvement amid sustained demand, with the remaining 60% held by other players. In the medium-voltage segment, Riyadh Cables leads with a 30% share, while other players hold the remaining 70%. In low-voltage cables, Riyadh Cables again lead with a 40% market share, while other players hold the remaining 60%. This underscores RCGC's leading competitive position across all product segments.

At the overall domestic market level, RCGC's share increased from 30% in 2020 to 38% in 2025 reflecting its ability to capture incremental demand and sustain market leadership. Stabilization at this level suggests that the company has consolidated its domestic presence, with future growth expected through targeted capacity expansion, technological advancement, and continued product diversification focused on quality and reliability.

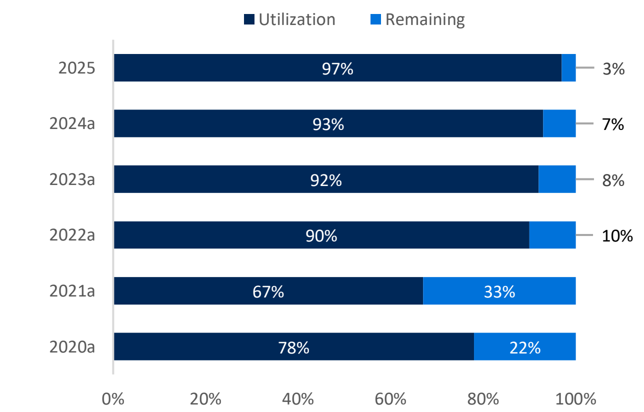
Operational performance

RCGC delivered strong topline momentum in 2025, with revenues rising 18.5% YoY to SAR 10.7 bn, up from SAR 9.0 bn in 2024. Growth was supported by both higher sales volumes and favorable pricing across key segments.

Sales volumes expanded at a 9.6% CAGR to 271 kt in 2025, up from 159 kt in 2020, reflecting RCGC's ability to capture incremental demand. Looking ahead, volumes are projected to grow at a 4.2% CAGR between 2025-2030f, reaching 333 kt by 2030f, driven by healthy export demand from regional markets and Iraq and rising transmission product sales supported by Vision 2030 targets, which aim to expand Saudi Arabia's transmission network to 160k c.km and distribution network to 1,100k c.km by 2030f.

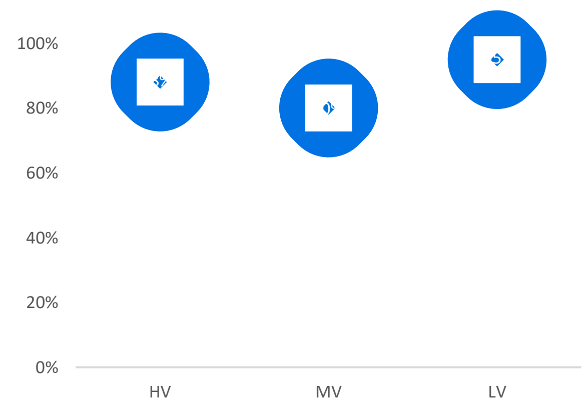
Operationally, RCGC continues to optimize production efficiency, with utilization reaching 97% in 2025. Utilization is expected to average around 97% between 2026e-2030f, while the company retains the flexibility to exceed 100%, up to 105-110%, through operating three shifts, seven days a week, underscoring its agility and operational scalability to meet growing demand.

Chart 25: RCGC's capacity utilization %



Source: Company financials, anbc research

Chart 26: Product wise utilization % (2025)



Source: Company financials, anbc research

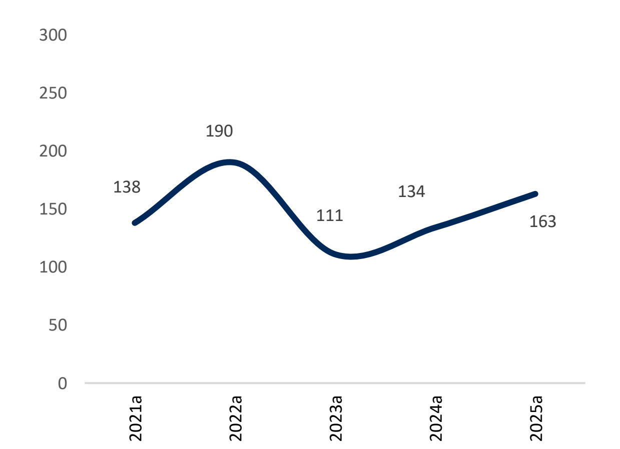
Backlog and growth visibility

RCGC's backlog reached a record level in 2025, providing solid visibility on future revenues. Backlog volume surged 21% YoY to 163 kt from 134 kt in 2024, while backlog value increased 5% YoY to SAR 5.1 bn from SAR 4.9 bn. This represents 47.6% of 2025 revenues (SAR 10.7 bn), ensuring a strong revenue pipeline for the next 16-18 months.

Backlog composition supports sustained growth, with nearly 70% of orders in the transmission segment, benefiting from rising power demand and the ongoing expansion of Saudi Arabia's grid infrastructure. This aligns with Vision 2030 and renewable energy integration initiatives, where grid and transmission upgrades are essential enablers of national energy goals.

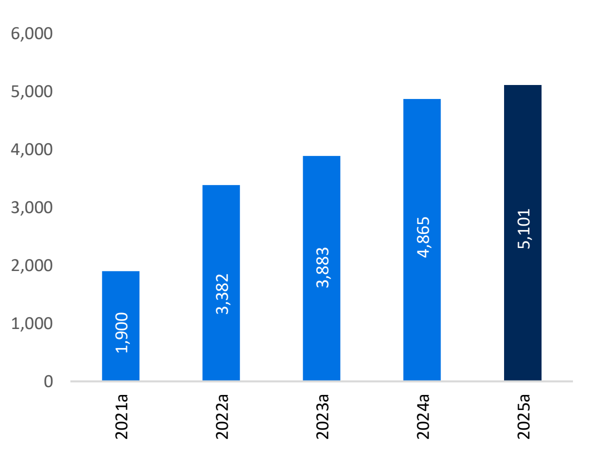
Order-book expansion has been a consistent trend, with backlog volume and value growing at CAGR of 4.3% and 28.0%, respectively, between 2021 and 2025. This demonstrates RCGC's ability to secure long-term contracts and maintain high visibility on forward revenues. The order pipeline remains broad-based, supported by demand from domestic utilities and resilient export markets, with exports showing notable strength in 2025.

Chart 27: Backlog volumes (kt)



Source: Company financials, anbc research

Chart 28: Backlog value (SAR mn)



Source: Companies financials, anbc Research

Financial outlook

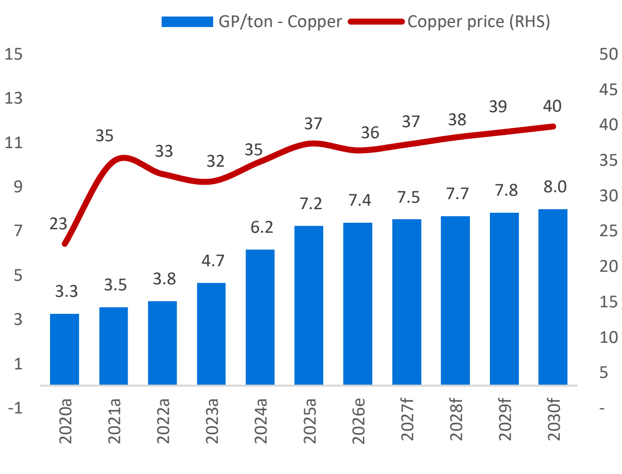
Looking ahead, we forecast RCGC's topline to grow at a 5.5% CAGR between 2025-2030f, reaching SAR 13.9 bn, underpinned by healthy backlog realization, robust transmission product demand, and recurring export orders. The combination of a record-high backlog and repeat demand from Saudi utilities and international clients' positions RCGC to sustain revenue and earnings growth over the medium term.

Furthermore, the diversified order pipeline enhances earnings visibility by minimizing revenue volatility, a key differentiator in a cyclical industry. The geographic and sectoral diversity within the backlog also mitigates concentration risk, balancing domestic growth with expanding export exposure. As these orders are executed, operating leverage is expected to strengthen, with higher volumes spreading fixed costs more efficiently. Importantly, RCGC's backlog expansion is occurring in tandem with sector-wide demand growth, ensuring that future revenue recognition remains secure and supported by structural market drivers.

Pricing power and operational efficiency underpin margin resilience

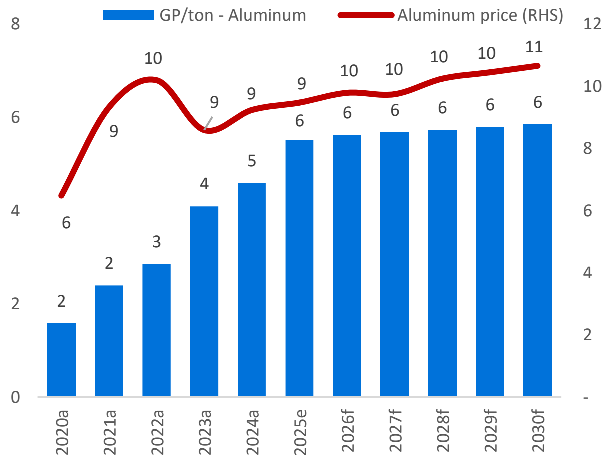
RCGC has demonstrated steady improvement in unit profitability across both copper and aluminum segments despite rising commodity prices. In the copper segment, GP/ton increased from SAR 3,253 in 2020 to SAR 7,227 in 2025, while copper prices rose from SAR 23k/ton to SAR 37k/ton, reflecting the company's ability to preserve spreads through its "Cost+" pricing model. Similarly, in the aluminum segment, GP/ton rose from SAR 1,579 in 2020 to SAR 5,176 in 2025, even as aluminum prices climbed from SAR 6k/ton to SAR 10k/ton. This improvement highlights RCGC's pricing discipline, operational efficiency, and effective hedging strategy to mitigate input cost volatility.

Chart 29: Copper GP/kt vs price (SAR '000)



Source: Company financials, Bloomberg, and anbc research

Chart 30: Aluminum GP/ton vs price (SAR '000)

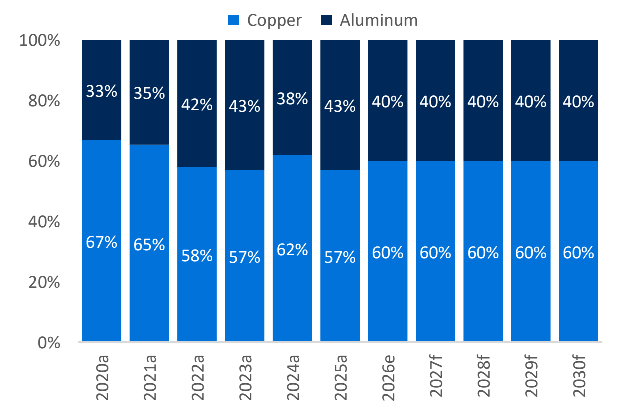


Source: Company financials, Bloomberg, and anbc research

Looking ahead, copper prices are projected to reach SAR 40k/ton by 2030f, with segment gross profit per ton increasing to SAR 7,979 and sustaining an average gross margin of ~17% over 2026e-30f. In the aluminum segment, prices are expected to reach SAR 11k/ton by 2030f, driving gross profit per ton to SAR 5,715 and sustaining an average gross margin of ~29% over 2026e-30f. The company's ability to maintain profitability despite commodity inflation underscores its resilient pricing model and cost efficiency.

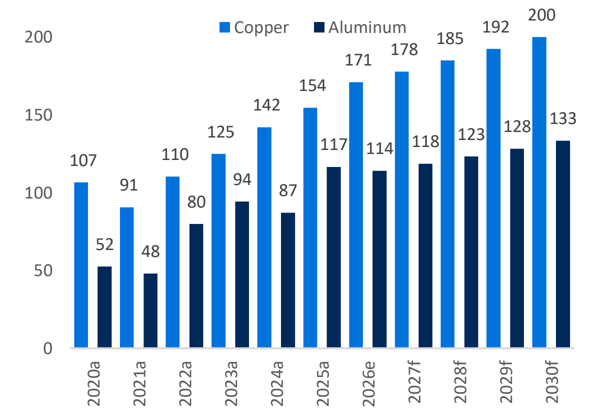
The company manufactures two main types of wire: copper, used primarily in household applications due to higher conductivity, and aluminum, used in transmission and low-current applications. Aluminum's share in volume rose from 33% in 2020 to 43% in 2025 and is projected to stabilize at ~40% over 2026e-30f as transmission demand normalizes, which should be supportive of margins given aluminum's higher-margin and lower-competition profile.

Chart 31: Volume mix



Source: Company financials, anbc research

Chart 32: Volumetric sales (kt)

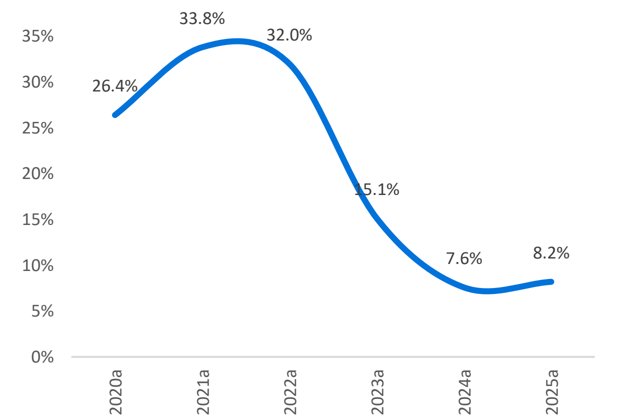


Source: Company financials, anbc research

Strong balance sheet enables capex growth and sustainable dividend distribution.

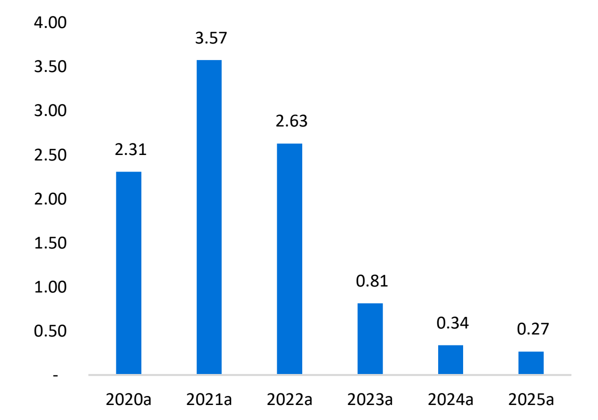
RCGC maintains a conservative balance sheet, with its debt-to-asset ratio declining to 4.3% in 2026e from 33.8% in 2021. This deleveraging trend is further reflected in a sharp improvement in leverage metrics, with net debt to EBITDA declining to ~0.2x in 2025a from a peak of 3.6x in 2021.

Chart 33: Debt-to-asset (%)



Source: Company financials, anbc research

Chart 34: Net debt / EBITDA (x)



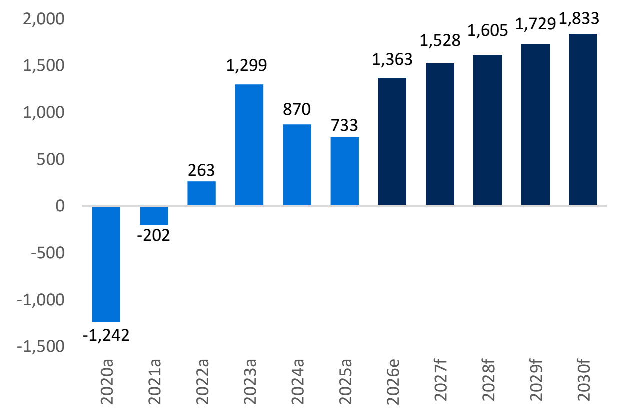
Source: Company financials, anbc research

Strong internal cash generation underpins RCGC's financial flexibility, enabling the company to fund growth initiatives while sustaining attractive shareholder returns. Operating cash flow is forecast to increase to SAR 1,833 mn by 2030f from SAR 733mn in 2025, implying a solid CAGR of 20.1%. Supported by a robust balance sheet and consistent free cash flow generation, RCGC has maintained a dividend payout ratio above 60% over the past three years, a trend we expect to continue. We forecast an average payout ratio of 60% over 2026e-30f, translating into an estimated dividend yield of 4.6% in 2026e and expanding further to 5.8% by 2030f. This outlook underscores the company's ability to deliver stable and growing shareholder returns without compromising financial strength.

RCGC initiated an expansion program in 2022, targeting a 6-7% annual increase in production capacity through 2027. The program is fully funded through internal cash flows, limiting financing risk. We are expecting a capex of SAR 255 mn in 2026e, broadly in line with historical investment levels and focused on capacity expansion and operational efficiency. Current installed capacity stands at 220 kt in Saudi Arabia and 55 kt across Iraq and the rest of the GCC, reflecting the company's regional footprint. Production volumes expanded at 14.3% CAGR to 271 kt in 2025 from 159 kt in 2020. We forecast volumes to grow at a 4.2% CAGR over 2025-30f, reaching 333 kt by 2030f, supporting revenue growth.

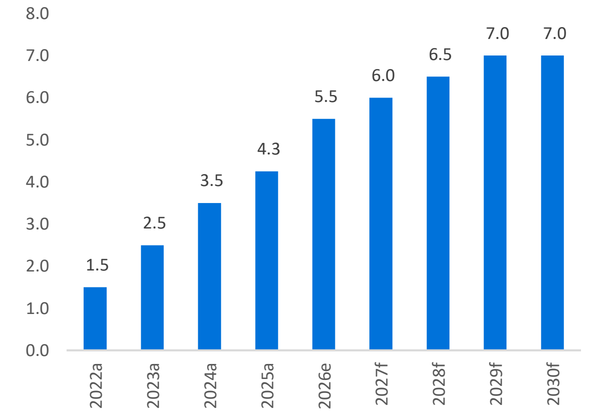
Overall, RCGC's low leverage, strong cash generation, and disciplined capital allocation support a resilient financial profile. The company appears well positioned to fund growth, sustain dividends, and maintain balance sheet strength.

Chart 35: Cashflow from operations



Source: Company financials, anbc research

Chart 36: Dividend/share (SAR)



Source: Company financials, anbc research

Valuation

We have valued Riyadh Cables using a discounted cashflow model to arrive at our target price of SAR 152.3/share, providing a potential upside of 22.9%. We recommend a 'Overweight' rating on the stock as we see Riyadh Cables as a key beneficiary of Saudi Arabia's expanding power demand and housing ownership growth.

We used an FCFF-based model, applying a beta of 0.82, a risk-free rate of 5.2%, and a market risk premium of 5.2%, resulting in a cost of equity of 9.5%. Incorporating a cost of debt of 4.8%, we derived a weighted average cost of capital (WACC) of 9.4%.

Moreover, RCGC is trading at an attractive 2026e P/E of 13.3x, representing a 31% discount to its historical 3-year average forward P/E of 19.4x.

SAR mn	2027F	2028F	2029F	2030F	2031F
FCFF	1,293	1,352	1,474	1,576	1,686
Terminal Value					27,067
FCFF + Terminal	1,293	1,352	1,474	1,576	28,753
Discounted FCFF	**1,182**	**1,130**	**1,125**	**1,100**	**18,337**
Enterprise Value	22,873				
Cash	254				
Debt	325				
Equity Value	22,802				
Target Price	**152.3**				

Sensitivity Analysis

		Growth Rate				
		2.0%	**2.5%**	**3.0%**	**3.5%**	**4.0%**
WACC	**7.4%**	187.5	203.4	222.8	247.3	279.0
	8.4%	157.6	168.3	181.0	196.4	215.2
	9.4%	135.8	143.4	**152.3**	162.7	174.9
	10.4%	119.2	124.9	131.3	138.7	147.3
	11.4%	106.1	110.5	115.3	120.8	127.1

Source: Company financials, anbc research

Company Overview

RCGC is a pioneering leader in the cables and wires industry across Saudi Arabia, the GCC, and international markets. Established over three decades ago, the Group has built a strong reputation for delivering high-quality, high-performance cable solutions trusted by leading engineering, construction, and industrial companies worldwide.

The company operates one of the largest integrated manufacturing footprints in the region, spanning over 1.5 mn square meters across facilities in Saudi Arabia (Riyadh), the UAE (Sharjah), and Iraq (Baghdad). With advanced production technologies, RCGC manufactures a comprehensive range of products, including wires, low-, medium-, high- and extra-high-voltage cables, overhead conductors, fiber optic cables, instrumentation and control cables, and renewable energy cables.

RCGC is home to the Middle East's largest extra-high-voltage testing facilities and has successfully delivered 220/380 (420) kV solutions to several mega projects in Saudi Arabia and the wider region. Alongside manufacturing, the Group provides end-to-end services, including testing, commissioning, and maintenance, ensuring reliability and longevity of its products in critical infrastructure.

Through its subsidiaries, RCGC also undertakes electrical contracting projects and maintains a strong domestic distribution network with multiple sales and service centers across the Kingdom. With a firm commitment to innovation, quality, and customer satisfaction, RCGC continues to play a vital role in supporting the Kingdom's infrastructure development and energy transition.

Table 02: Riyadh Cables' Products

Product	Description
Cables & Wires	
Low Voltage Cables	Power distribution cables for residential and commercial use
Medium Voltage Cables	Cables for industrial facilities and utility networks
Building Wires & Conductors	Internal electrical wiring for buildings and infrastructure
Overhead Conductors	Aerial cables for power transmission and distribution
Telecom Cables	Copper and fiber optic cables for communication networks
High Voltage Cables	
High Voltage Cables	Cables for grid transmission and large-scale utility projects
Extra-High Voltage Cables	Specialized cables for long-distance and high-capacity power networks
Other	
Instrumentation & Control Cables	For oil & gas, industrial, and automation systems
Telephone & Fiber Cables	Cables support telecom and data transmission
Raw Materials	Copper and aluminum rods, PVC/LSHF compounds, wooden drums
Turnkey Services	Engineering, installation, testing, and commissioning of cable systems

Source: Company financials, anbc research

RCGC diversified product portfolio is supported by its wide network of subsidiaries operating across the Middle East and North Africa.

Table 03: Riyadh cables - Subsidiary Ownership Structure

Company	Ownership%	Country
Direct		
Saudi Modern Company for Metals, Cables, and Plastic Industry Ltd.	100%	KSA
Saudi Modern Company for Specialized Wires and Cables Industry	100%	KSA
Saudi Modern Company for Telephone Cables Industry	100%	KSA
Riyadh Cables Company	100%	KSA
Saudi Modern Company for Cables Industry Ltd.	100%	KSA
Indirect		
National Cables Industry (NCI)	100%	UAE
Al Rowad Company to produce Electrical Cables and Wires Ltd.	100%	Iraq
Iraqi National Company for the Manufacture of Cables	100%	UAE
Arabian Gulf Company for Electrical Cables	49%	Kuwait
Qatar Cables Company	50%	Qatar
Gulf Company for Electrical Works	100%	Oman
Egyptian Riyadh Cables Company for Electrical Works	49%	Egypt
ARTIKUL AZIYA KABEL LLC	51%	Uzbekistan
Gulf and Riyadh Company for the Manufacture of Electrical & Electronic Cables & Wires	50%	Kuwait

Source: Company financials, anbc research

Financial Overview

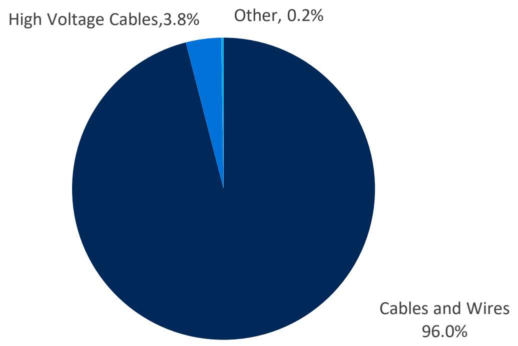
RCGC operates through three main verticals: 1) Cables and Wires, 2) High Voltage Cables, and 3) Other Specialized Products. The Cables and Wires segment is by far the dominant contributor, accounting for 96.0% of total revenue in 2025, while High Voltage Cables contributed 3.8% and Other Products just 0.2%. Geographically, Saudi Arabia remains the core market, representing 69% of revenues in 2025, followed by the UAE at 20%, Iraq at 7%, and other international markets collectively at 4%. This concentration highlights RCGC's strong domestic anchor, complemented by a steadily growing export base across the GCC and Iraq.

Table 04: Revenue Profie – Segment wise

Segment	Description
Cables and Wires	Low Voltage (LV), Medium Voltage (MV), Building Wires, Overhead Conductors, Telecom Cables, Raw Copper & Aluminum Rods
High Voltage Cables	High Voltage (HV) and Extra High Voltage (EHV) power cables used in transmission and utility projects
Other	Accessories (joints, terminations), specialized solutions, and turnkey project services (design, supply, installation, testing)

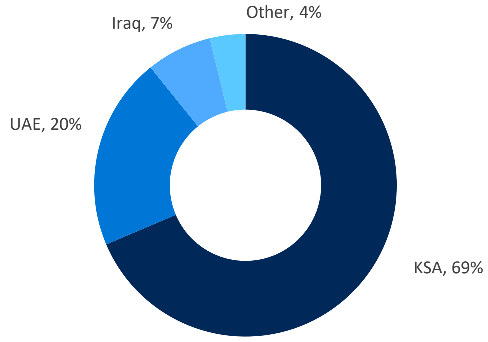
Source: Company financials, anbc research

Chart 37: Revenue by segment (%) - 2025



Source: Company financials, anbc research

Chart 38: Revenue by geography (%) - 2025

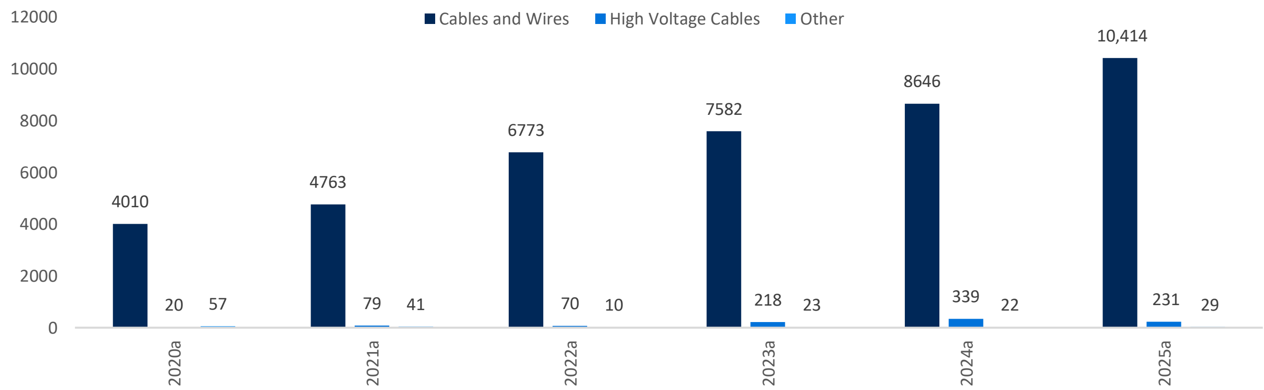


Source: Company financials, anbc research

RCGC revenue grew at a CAGR of 21.2% between 2020 to 2025, increasing from SAR 4.1 bn to SAR 10.7 bn. The growth was primarily driven by the Cables & Wires segment, which expanded at a CAGR of 21.2% during the same period, supported by rising demand in both domestic and export markets. Meanwhile, High Voltage Cables posted the fastest growth, rising from SAR 20 mn in 2020 to SAR 231 mn in 2025, translating into a CAGR of 62.5% between 2020-2025, reflecting strong traction from utilities and transmission projects across KSA and regional markets.

RCGC Cables & Wires segment remained the dominant contributor, growing steadily from SAR 4.0 bn in 2020 to SAR 10.4 bn in 2025, accounting for 96.0% of total revenues in 2025. The High Voltage Cables segment, though small in base, showed exceptional momentum, rising more than sixteen-fold during the period and improving its revenue share from 0.5% in 2020 to 3.8% in 2025. The Other segment remained negligible, fluctuating between SAR 10 mn and SAR 57 mn, with a declining share of revenues (0.2% in 2025).

Chart 39: Segment-wise revenue over the years - SAR mn

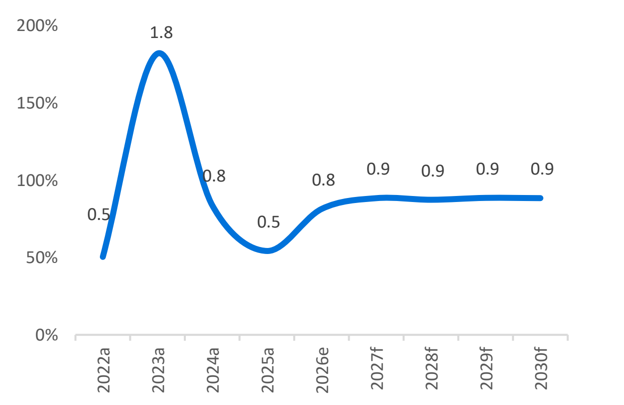


Source: Company financials, anbc research

This growth trajectory underscores RCGC ability to capture increasing demand in both conventional low/medium-voltage wires and specialized high-voltage cables. The company's revenue expansion was also reinforced by its strong domestic footprint in Saudi Arabia (69% of 2025 revenues), complemented by rising exports to the UAE (20%) and Iraq (7%). With its scale, product mix, and diversified geographic presence, RCGC remains strategically positioned to benefit from ongoing grid modernization, urban expansion, and regional reconstruction activities.

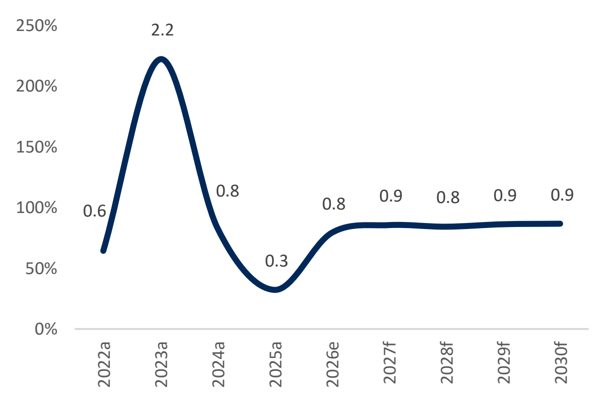
Riyadh Cables chart bank

Chart 40: Operating cashflow to EBITDA



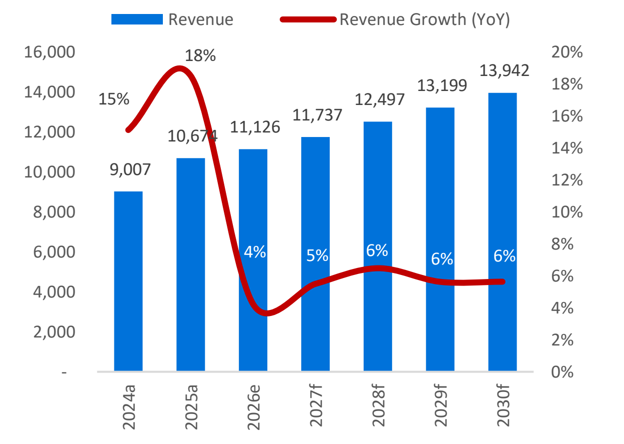
Source: Company financials, anbc research

Chart 41: Free cash flow to net income



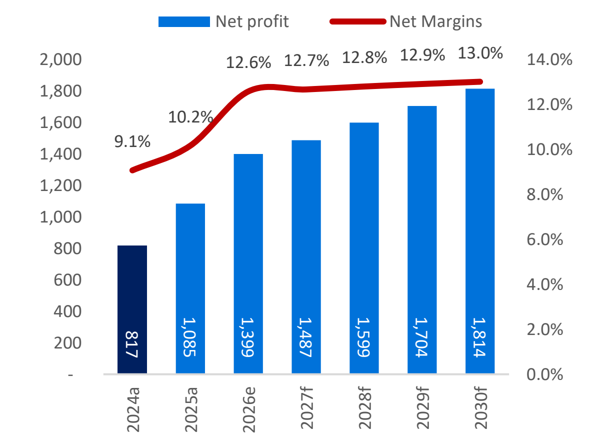
Source: Company financials, anbc research

Chart 42: Revenue to reach SAR 13.9 bn by 2030



Source: Company financials, anbc research

Chart 43: Net margins to reach 13.0% by 2030



Source: Company financials, anbc research

Financial Summary

Income statement (SAR mn)	2024a	2025a	2026e	2027f	2028f	2029f	2030f	CAGR 2025-2030f
Revenue	9,007	10,674	11,126	11,737	12,497	13,199	13,942	5%
Cost of Revenue	(7,721)	(8,940)	(9,249)	(9,746)	(10,386)	(10,961)	(11,569)	5%
Gross Profit	**1,287**	**1,733**	**1,877**	**1,991**	**2,111**	**2,238**	**2,373**	**6%**
Operating Expenses	-318	(467)	(281)	(341)	(354)	(367)	(383)	-4%
EBIT	**968**	**1,267**	**1,596**	**1,650**	**1,757**	**1,871**	**1,991**	9%
Dep & Amort	69	85	78	79	80	82	83	-1%
EBITDA	**1,037**	**1,352**	**1,674**	**1,729**	**1,837**	**1,952**	**2,074**	**9%**
Finance Cost	(90)	(75)	(64)	(21)	(5)	(4)	(3)	-46%
Finance income	2	1	-	-	-	-	-	
Profit Before Tax	**881**	**1,193**	**1,533**	**1,629**	**1,752**	**1,867**	**1,987**	**11%**
Zakat Tax	(72)	(105)	(134)	(143)	(154)	(164)	(174)	11%
PAT	**817**	**1,085**	**1,399**	**1,487**	**1,599**	**1,704**	**1,814**	**11%**
Number of Share	150	150	150	150	150	150	150	
EPS	5	7	9	10	11	11	12	11%

Balance Sheet	2024a	2025a	2026e	2027f	2028f	2029f	2030f	CAGR 2025-2030f
Property & equipment	1336	1492	1601	1712	1825	1940	2057	7%
Right to use asset	7	69	59	50	42	36	31	-15%
Others	77	52	65	65	65	65	65	4%
Intangible asset	57	138	216	291	363	432	498	29%
Non-current assets	**1478**	**1751**	**1940**	**2118**	**2295**	**2473**	**2650**	**9%**
Trade receivables	2,023	2,485	2,559	2,571	2,613	2,640	2,672	1%
Cash and Cash equivalents	91	236	254	138	530	981	1,470	44%
Others	94	398	336	345	356	367	378	-1%
Inventories	2,126	2,411	2,500	2,634	2,807	2,963	3,127	5%
Current Asset	**4,334**	**5,531**	**5,649**	**5,688**	**6,306**	**6,950**	**7,646**	**7%**
Total Assets	**5,812**	**7,282**	**7,589**	**7,806**	**8,601**	**9,423**	**10,297**	7%
Share capital	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
Retain earnings	815	1,293	1,851	2,443	3,080	3,759	4,482	28%
Statutory reserve	288	288	288	288	288	288	288	
Total Equity	**2,624**	**3,309**	**3,915**	**4,327**	**4,971**	**5,657**	**6,387**	**14%**
Loan and borrowings	0	0	0	0	0	0	0	
Lease liabilities	6	9	9	9	9	9	9	-1%
Employees' service benefit	126	135	135	135	135	135	135	
Non-current liabilities	**139**	**169**	**144**	**144**	**144**	**144**	**144**	**-3%**
Trade payables	1,598	1,584	1,646	1,735	1,849	1,951	2,059	5%
Lease liabilities	1	2	2	2	2	2	2	-1%
Others	1,449	2,217	1,882	1,598	1,635	1,669	1,704	-5%
Current Liabilities	**3,049**	**3,804**	**3,530**	**3,334**	**3,486**	**3,622**	**3,766**	**0%**
Total liabilities &equity	**5,812**	**7,282**	**7,589**	**7,806**	**8,601**	**9,423**	**10,297**	**7%**

Source: Company financials, anbc research

Valuation Ratios	2024a	2025a	2026e	2027f	2028f	2029f	2030f
EPS (SAR)	5.5	7.2	9.3	9.9	10.6	11.3	12.1
DPS (SAR)	3.5	4.3	5.5	6.0	6.5	7.0	7.0
BVPS (SAR)	17.5	22.1	26.1	28.9	33.2	37.8	42.7
PER (x)	25.3	18.1	13.3	12.5	11.6	10.9	10.3
DY (%)	2.5	3.3	4.4	4.8	5.2	5.6	5.6
PBV (x)	7.9	5.9	4.7	4.3	3.7	3.3	2.9
EV/Sales (x)	0.5	0.4	0.4	0.4	0.4	0.4	0.3
Price/Sales (x)	2.3	1.8	1.7	1.6	1.5	1.4	1.3
EV/EBITDA (x)	5.8	4.9	9.1	10.2	10.7	11.6	12.2
Margins (%)	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
Gross Margins	14.3	16.2	16.9	17.0	16.9	17.0	17.0
EBITDA Margins	11.5	12.7	15.0	14.7	14.7	14.8	14.9
Operating Margins	10.8	11.9	14.3	14.1	14.1	14.2	14.3
Net Margins	9.1	10.2	12.6	12.7	12.8	12.9	13.0
Returns (%)	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
ROA	15.4	16.6	18.8	19.3	19.5	18.9	18.4
ROE	33.5	36.6	38.7	36.1	34.4	32.1	30.1
Health Ratios	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
Debt to Asset	7.6	8.2	4.3	0.1	0.1	0.1	0.1
Debt to Equity	16.8	18.0	8.3	0.3	0.2	0.2	0.2
Debt to Capital	14.4	15.3	7.7	0.3	0.2	0.2	0.2
Activity Ratio	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
Current Ratio	1.4	1.5	1.6	1.7	1.8	1.9	2.0
Days Sales Outstanding	71.5	83.5	91.3	86.9	83.0	79.3	76.0
Days Sales in Inventory	100.3	96.8	101.4	101.4	101.4	101.4	101.4
Days Payable Outstanding	66.0	65.0	65.0	65.0	65.0	65.0	65.0
Cash Conversion Cycle	105.7	115.3	127.7	123.3	119.4	115.8	112.5
Growth Ratios (%)	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
Revenue Growth	15.1	18.5	4.2	5.5	6.5	5.6	5.6
Gross Profit Growth	32.3	34.7	8.3	6.0	6.0	6.0	6.0
EBITDA Growth	10.8	11.9	14.3	14.1	14.1	14.2	14.3
Operating Profit Growth	49.5	30.8	26.0	3.4	6.5	6.5	6.4
Net Profit Growth	57.5	32.8	29.0	6.2	7.6	6.5	6.4

Source: Company financials, anbc research

INITIATION OF COVERAGE

Electrical Industries Co.

14 April 2026

We initiate coverage on Electrical Industries Co. (EIC) with 'Neutral' rating and a price target of SAR 17.5/share. EIC is well-positioned to capitalize on Kingdom's rising construction and real estate activity driven by giga projects and increasing population (up 4.7% YoY in 2024). EIC's product portfolio positions it to gain directly from Saudi Electricity's ~SAR 472 bn CAPEX program. We project a 9.0% CAGR (2025a-2030f) for company's topline, aided by strong volumetric growth. EIC has gained from commodity cycle, which we believe will continue to benefit, with expected gross margins to expand up to 44% by 2030f. The stock has delivered a strong performance, gaining 173.7% YoY, outperforming TASI, which is down 1.4% YoY.

KSA targets 940k transformers by 2030f and complementary product growth to drive topline. The Transformers and Substations segment made up 78.9% of EIC's topline in 2025 and grew at a CAGR of 33.1% between 2020-2025, while distribution transformers in the Kingdom increased at a 4.9% CAGR over the same period. With transformers projected to reach 940,000 by 2030f (5.8% CAGR from 2025), EIC is positioned to capture volumetric growth and will become Saudi Arabia's only local manufacturer of extra-high voltage transformers (380 kV) from 2027f. EIC's complementary products, including switchgears and cable trays, are critical to power infrastructure. A single transformer typically requires at least two switchgears, while cable trays provide structured pathways for cables. Switchgear revenue is projected to grow at 5.8% CAGR to SAR 371 mn by 2030f, with cable trays growing at 5.1% CAGR, supporting topline growth at an 9.0% CAGR to SAR 3.5 bn by 2030f.

Favorable commodity cycle to keep costs under control. Ferrosilicon and copper together account for 58% of transformer production costs for EIC, while steel influences the pricing of other key materials, such as silicon steel. Between 2021-2025, prices for ferrosilicon and steel declined by 46.2% and 48.5%, respectively, while copper prices remained relatively stable. Over the same period, EIC's gross margin expanded by 1,810bps, rising from 19.4% in 2021 to 37.5% in 2025. We expect commodity prices to remain subdued, driven by weak downstream demand, particularly from the steel sector. Additionally, the ferrosilicon market is facing oversupply pressure, particularly from China. In our view, these dynamics will support further margin expansion, with EIC's gross margin projected to be in the range of 38-44% by 2030f.

Strong cash buildup to drive other income and potential dividends. Strong cash accumulation, projected to reach SAR 2,363 mn by 2030f from SAR 350 mn in 2025, driven by robust operating cash flows and efficient working capital management, is expected to boost EIC's other income through interest and investment returns. We project investment returns of SAR 88 mn in 2030f. This liquidity also provides flexibility for potential dividend distributions, with a projected payout ratio of 70.0% between 2026e-2030f, supporting shareholder returns while maintaining financial stability for future growth projects.

Valuation: Our Dec-26 TP of SAR 17.5/share is based on an FCFF-based discounted cash flow model, resulting in an upside of 1.0%.

Risks: Rising local competition could put pressure on margins. Additionally, raw material shortages, which account for 60-70% of transformer costs, driven by regional disruptions, along with higher shipping rates, may raise production and supply chain costs and cause delivery delays.

RATING SUMMARY	NEUTRAL
Target Price (SAR)	17.5
Upside/Downside	1.0%
Div. Yield (%)	2.6
Total Exp. Return	3.6%

Source: Company financials, anbc research

ISSUER INFORMATION	
Bloomberg Code	EIC AB
Last Price (SAR)	17.4
No of Shares (mn)	1,125
Market Cap bn (SAR/USD)	18.7/5.0
52-week High / Low (SAR)	17.1/4.9
12-month ADTV (mn) (SAR/USD)	49.3/13.1
Free Float (%)	62.9
Foreign Holdings (%)	18.7

Last price as of April 13th, 2026

VALUATIONS

	2025	2026e	2027f	2028f
EPS (SAR)	0.6	0.6	0.9	0.9
PER (x)	20.0	27.2	19.8	18.9
PBV (x)	9.7	12.9	10.8	9.2
DPS (SAR)	0.5	0.5	0.6	0.7
Div. Yield (%)	4.5	2.6	3.5	3.7
RoE (%)	56.1	51.3	59.5	52.7
RoA (%)	27.7	26.9	32.2	28.8

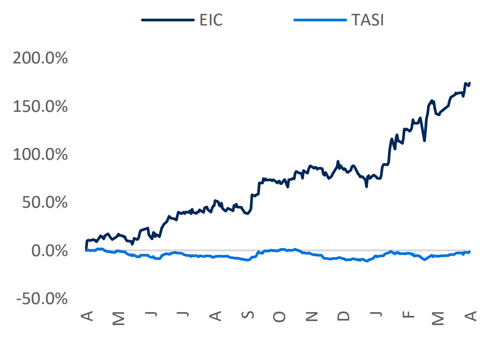
Source: Company financials, anbc research

FINANCIALS (SAR mn)

	2025	2026e	2027f	2028f
Revenue	2,296	2,431	2,999	3,078
Gross Profit	860	926	1,219	1,266
EBITDA	711	801	1,082	1,141
Net Income	630	719	988	1,034

Source: Company financials, anbc research

RELATIVE PRICE PERFORMANCE



Source: Bloomberg, anbc research

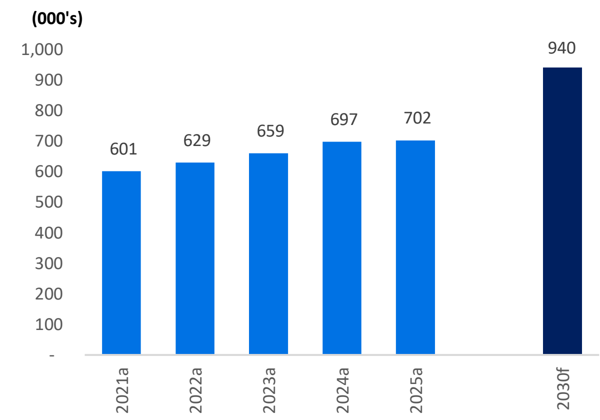
Investment Thesis

KSA targets 940k transformers by 2030f and complementary product growth to drive topline

The number of distribution transformers in Saudi Arabia, as reported by SEC, grew at a CAGR of 4.3% between 2020 and 2025, reaching 709,790 units. Total transformer capacity stood at 378,624 MVA in 2025.

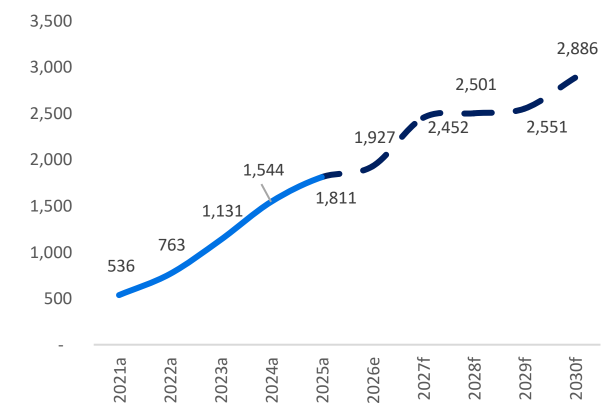
Electricity demand is expected to rise sharply, driven by population growth toward 50-60 mn and the development of mega-projects such as Qiddiya, and the Red Sea Project. Additionally, Saudi Arabia's emergence as a global hub for large-scale events, including Expo 2030 and the FIFA World Cup 2034, is expected to further accelerate demand. To meet this growth, the Kingdom targets 940,000 distribution transformers by 2030f, with total transformer capacity projected to reach 510,577 MVA.

Chart 44: Distribution transformers to reach 940k



Source: Saudi electricity, anbc research

Chart 45: Transformer segment revenue - SAR mn



Source: Company financials, anbc research

EIC's transformer segment: market share and expansion

In line with this demand, we project EIC's transformer unit sales to reach 25,532 units by 2030f, implying a 8.1% CAGR and a market share of 50.0%, supported by increased grid integration and rising electricity demand. EIC's Transformers & Substations segment revenue rose to SAR 1,811 mn in 2025 from SAR 434 mn in 2020, representing a CAGR of 33.1%. We forecast this segment to reach SAR 2.9 bn by 2030f, implying a 9.8% CAGR over 2025-2030f.

EIC ramped up its transformer capacity by 70% in 2H24, strengthening its ability to capture growth in the domestic market. Building on this expansion, its subsidiary, Saudi Power Transformer Company (SPTC), which is among the few local manufacturers of high-voltage (≥100 MVA) transformers, is now increasing its capacity to produce extra-high-voltage (EHV ~380 kV) transformers in 2027f. This move would position EIC as the only domestic manufacturer with EHV capability, further aligning with the Kingdom's focus on localization and supporting the growth of EIC's order pipeline, which reached SAR 3.3 bn by end-2025.

In line with these developments, EIC also secured a SAR 1.4 bn contract in 3Q25 from SEC for EHV & HV transformers and reactors, spanning 84 months, with the financial impact expected between 2027f and 2033f.

Table 05: Contracts value and durations

Customer	Deliverable	Value (mn)	Duration (month)	Financial impact
Saudi Electricity Co	Electrical Equipment	199	19	2025e-2027f
Saudi Electricity Co	Electrical Equipment	786	19	2025e-2027f
Saudi Electricity Co	EHV & HV transformers and reactors	1,411	84	2027f-2033f

Source: Company financials, anbc research

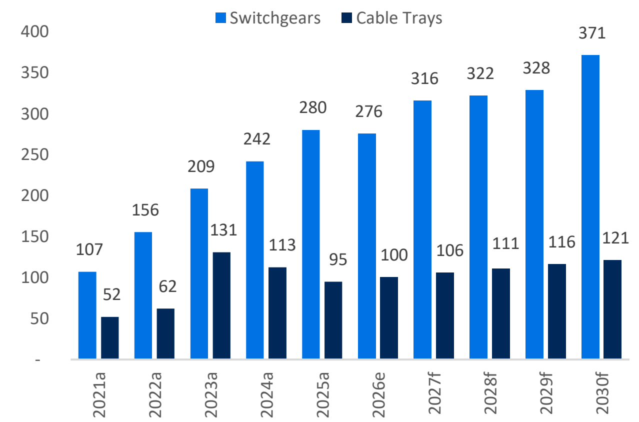
Complementing product portfolio to support sales growth.

EIC's product portfolio is wide-ranging within the power sector. The company's product line spans across low and MV Switchgears, motor control centers, switch racks, and cable trays. These products are essential input in a power infrastructure and go in conjunction with EIC's main product, i.e., Power Transformers.

A typical transformer usually requires at least 2 switchgears, and the complimentary demand goes as high as 10 switchgears/transformer for EHV transformers.

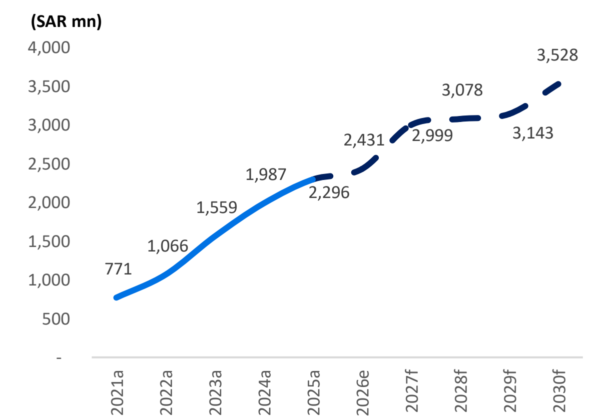
EIC's cable trays segment benefits from diversified demand across commercial buildings, data centers, and residential projects, providing insulation against sector-specific volatility. Switchgear revenue increased to SAR 280 mn in 2025 from SAR 109 mn in 2020, implying a CAGR of 20.8%. We project revenue to reach SAR 371 mn by 2030f, reflecting a CAGR of 5.8%, with units sold rising to 30,639. Cable tray revenue reached SAR 95 mn in 2025 from SAR 51 mn in 2020, registering a CAGR of 13.2%. We forecast revenue to grow to SAR 121 mn by 2030f, representing a CAGR of 5.1%.

Chart 46: Switchgear & cable tray revenue - SAR mn



Source: SEC, anbc research

Chart 47: EIC's topline to cross SAR 3 bn by 2030f



Source: Company financials, anbc research

Topline performance and segment mix

EIC's topline grew by a CAGR of 28.8% between 2020-2025, driven by new product launches such as HV transformers and expansion into foreign markets. We believe the growth will continue, however at a moderate pace now coming from a high base, with revenue growing at a CAGR of 9.0% between 2025 to 2030f, aided by new launches in 2027f and overall expansion in the market size.

Transformers' revenue share stands at 78.9% (2025) and has risen steadily from 66.8% in 2020. We note that this segment will remain EIC's flagship domain and revenue mix will remain consistent. The export contribution to total topline has almost doubled from 8.6% in 2021 to 10.5% in 2025. We believe this mix can further tilt towards exports driven by EIC's manufacturing facility in Belgium and recent framework agreements.

Company's services segment contributes just 4.8% (2025) to the revenue and deals with low and MV switchgear products. However, this segment is a star as far as margins are concerned as it has highest margins (66.5% in 2024) among the sectors. We note that 'services' segment is dependent upon 'switchgear' unit and an increase in business flow in the latter will concurrently result in higher revenue in the former.

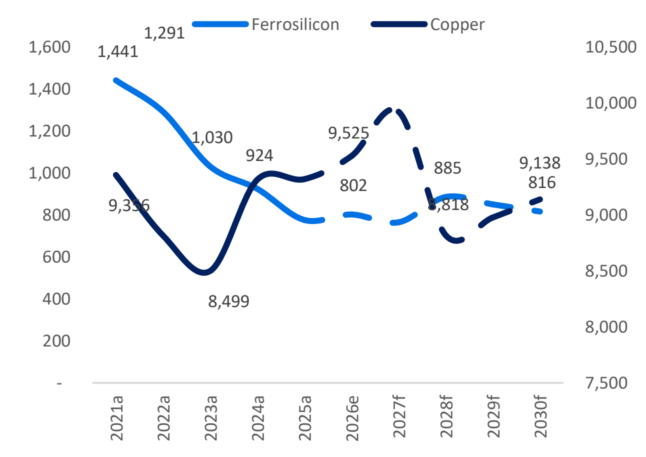
Favorable costs and strategic edge support sustainable growth

Ferrosilicon and copper are key inputs in transformer manufacturing, accounting for approximately 35% and 23% of total costs, respectively. Ferrosilicon enhances transformer efficiency, while copper's low-resistance properties help minimize energy loss. Other significant materials include steel and steel alloys. Notably, EIC has established strong long-term relationships with its suppliers, allowing the company to gain from uninterrupted raw material supply at competitive prices.

During the COVID-19 period, commodity prices experienced a super cycle due to widespread supply chain disruptions. Since 2021, prices have declined: ferrosilicon fell 46.2% to SAR 776/ton in 2025 from SAR 1,441/ton in 2021, and steel dropped 48.5% to SAR 830/ton in 2025 from SAR 1,610/ton in 2021, while copper remained relatively stable, decreasing only 0.5% over the same period. This relative stability has supported EIC's cost base, contributing to gross margin expansion from 19.4% in 2021 to 37.5% in 2025. Ferrosilicon and steel are interrelated, as ferrosilicon is a critical alloying component in steel production.

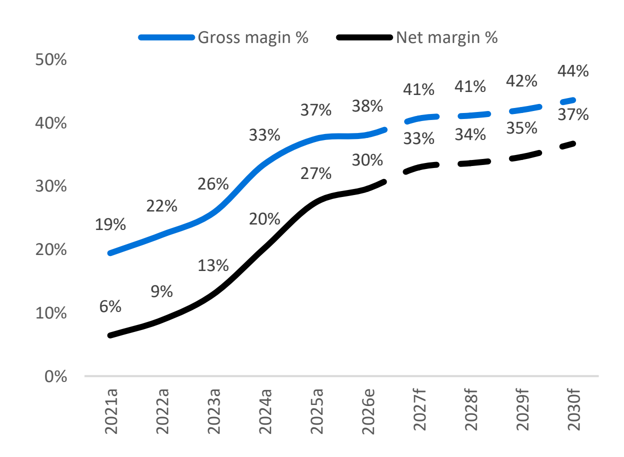
Looking ahead, prices are projected to decline further before stabilizing, with ferrosilicon expected to increase slightly at a CAGR of 1.0% to SAR 816/ton in 2030f and copper to decline at only 0.4% CAGR to SAR 9,138/ton. We project EIC's margins to rise further to 43.6% in 2030f from 37.5% in 2025, supported by stable copper and ferrosilicon prices and declining steel costs, and operational efficiencies.

Chart 48: Ferrosilicon and copper prices - USD/mt



Source: Bloomberg, anbc research

Chart 49: Margins to improve before settling



Source: Company financials, anbc research

International exposure and competitive advantage

Through its Belgian subsidiary, Pauwels Transformers NV, EIC gains access to the European market. Pauwels secured a 4-year (extendable to 7-year) SAR 302 mn supply agreement for distribution transformers, while the acquisition of a 92,846 sq.m industrial plot for SAR 79.7 mn ensures long-term operational stability. Combined with Saudi Arabia's low-cost power, these factors enable EIC to offer competitive international pricing.

At the same time, EIC's local manufacturing capabilities provide a significant competitive edge, including shorter delivery timelines, lower risk of customs penalties, reduced transportation costs, 24-hour after-sales support, and enhanced quality oversight. These advantages are increasingly important as industry trends show a shift in transformer and switchgear manufacturing from Europe and the US to lower-cost regions, including the Middle East.

This strategic relocation is driven by several factors: enhanced competitiveness and market share, cheaper labor, and other cost benefits such as lower electricity, permit, and tax expenses. Manufacturing within the GCC further strengthens EIC's positioning by reducing transportation and tax-related costs compared with other Middle Eastern countries, reinforcing both its local and international competitive advantage.

Strong cash buildup to drive other income and potential dividends.

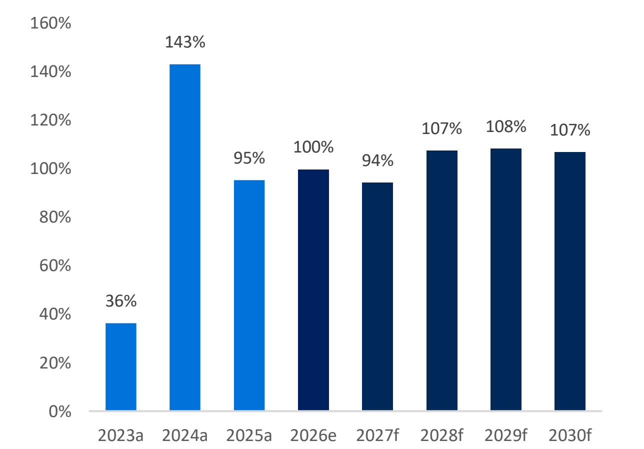
EIC's balance sheet is expected to strengthen materially over the forecast period, underpinned by robust operating cash flows and efficient working capital management. Cash balances are projected to rise sharply to SAR 2,363 mn by 2030f from SAR 350 mn in 2025, reflecting strong internal generation and minimal reliance on external funding. This liquidity expansion is anticipated to drive higher other income, with investment returns rising to SAR 88 mn by 2030f from SAR 5 mn in 2025. As a result, the contribution of other income to EBIT is projected to increase to 6.3% in 2030f, while EBIT margins are expected to expand to 39.2% from 29.4% over the same period. Despite normalized yields, the growth in cash balances will sustain a meaningful contribution to earnings, enhancing earnings quality and reducing dependence on core margins.

Strong cash accumulation also supports shareholder returns. We model a dividend payout ratio of 70% over 2026e-2030f, with DPS rising to SAR 0.80 in 2030f from SAR 0.5 in 2025 and EPS reaching SAR 1.15 from SAR 0.56 over the same period. This reflects EIC's ability to fund growth, including EHV transformer production starting in 2027f, while maintaining attractive distributions.

Limited leverage and rising liquidity further reduce financial risk, enabling the company to absorb commodity price volatility, working capital swings, or project delays. The balance sheet strength also improves supplier negotiations, inventory management, and execution of large contracts without straining cash.

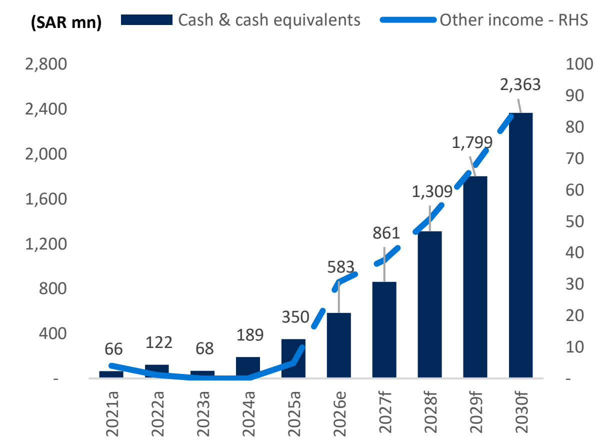
Overall, EIC's accelerating cash generation underpins higher other income, sustainable dividends, and financial stability, while preserving flexibility for strategic growth. As operations scale and the product portfolio expands, the growing cash position remains a key pillar for long-term value creation.

Chart 50: Operating cashflow/EBITDA



Source: Company financials, anbc research

Chart 51: Other income to rise on strong cash



Source: Company financials, anbc research

Valuation

We have valued EIC using a discounted cashflow model to arrive at our target price of SAR 17.5/share, providing a potential upside of 1.0%. We recommend an 'Neutral' rating on the stock.

We used an FCFF-based model, applying a beta of 1.02, a risk-free rate of 5.2%, and a market risk premium of 5.2%, resulting in a cost of equity of 10.5%. Incorporating a cost of debt of 3.1%, we derived a weighted average cost of capital (WACC) of 10.4%.

SAR mn	2027f	2028f	2029f	2030f	2031f
FCFF	967	1,171	1,248	1,469	1,690
Terminal Value					23,574
FCFF + Terminal	967	1,171	1,248	1,469	25,263
Discounted FCFF	876	961	928	989	15,416
Enterprise Value	19,170				
Cash	583				
Debt	32				
Equity Value	19,722				
Target Price	**17.5**				

Source: Company financials, anbc research

Sensitivity Analysis

		Growth Rate				
		2.0%	**2.5%**	**3.0%**	**3.5%**	**4.0%**
WACC	**8.4%**	21.0	22.5	24.2	26.3	28.8
	9.4%	18.1	19.1	20.3	21.7	23.4
	10.4%	15.9	16.7	**17.5**	18.5	19.7
	11.4%	14.2	14.7	15.4	16.1	17.0
	12.4%	12.7	13.2	13.7	14.3	14.9

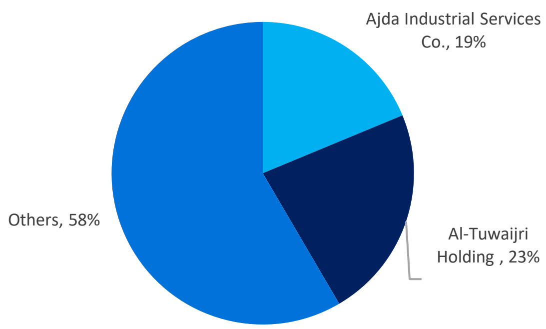
Source: Company financials, anbc research

Company Overview

Electrical Industries Co. (EIC) is one of the leading electrical equipment manufacturers in the Kingdom. The company operates in manufacturing, delivering, and repairing electrical transformers, compact substations, LV control panels, cable trays, MV & LV switchgears, and services related to these activities. EIC was established in 2005 as a result of a merger between Saudi Transformers Company (STC) and Wahah Electric Supply Company of Saudi Arabia Ltd. (WESCOSA).

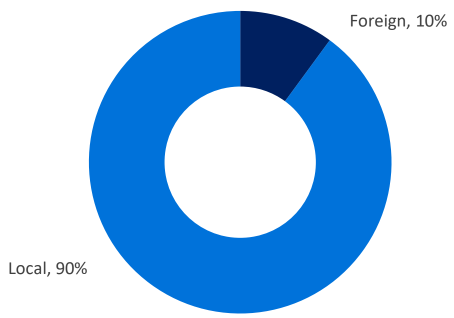
EIC has business in Saudi Arabia, Asia, Europe, and exports its products to other GCC countries. At the time of IPO, the company operated 3 manufacturing facilities in Dammam, Saudi Arabia with the unit capacity of 19,631 Since then, EIC has expanded its manufacturing operations to Europe with a facility in Belgium.

Chart 52: Ownership (%) by investor



Source: Tadawul, anbc research

Chart 53: Ownership (%) by type of investor



Source: Tadawul, anbc research

The company offers wide range of electrical products through its subsidiaries, catering to the growing demand of electrical industry in the Kingdom and in its other target geographies.

EIC also owns a 2.5% stake in Gulf Laboratory Co. for Testing Electrical Equipment (GCC Lab). GCC Lab is headquartered in Dammam and is broadly responsible for testing and inspection of electrical equipment.

Table 07: EIC's network of subsidiaries

Name	Scope of Business	Ownership %	Country
STC	Transformers, Compact Substations and LV Panels.	100%	KSA
WESCOSA	Transformers, Substations, Switchgears, Cable Trays, and services.	100%	KSA
SPTC	Medium Power and Extra high voltage Transformers.	100%	KSA
Gulf Electrical Equipment	Trading in Power Generation, Transmission and Distribution Equipment.	100%	UAE
Pauwels Transformer	Transformers, Engineering and Technical consultancy.	100%	Belgium

Source: Company financials, anbc research

EIC is engaged in the manufacturing, delivery, and repair of electrical equipment, including power and distribution transformers, compact substations, LV control panels, cable trays, and MV & LV switchgear. The company supports reliable power distribution and control across industrial, commercial, and infrastructure projects. In addition to manufacturing, EIC provides installation, maintenance, and technical services related to these electrical systems. This integrated offering enables end-to-end support across the equipment lifecycle, from design and supply to after-sales service.

Table 08: EIC's main products listed under each category

Product	
LV & MV Switchgears	
Motor Control Centers	Centralized motor control and protection
LV Switch racks	Low voltage switch mounting framework
Cable Bus	Rigid enclosed high-current conductors
Relays & Control Panels	System monitoring and protection units
Cable Tray	Cable routing and support system
Bus Duct	Enclosed power distribution busway
Service & Technical Support	Maintenance and operational assistance
Electrical Substations	
Unit Substations (≤1.5 MVA)	Compact power distribution with transformer
Package Substations (≤3.15 MVA)	Integrated substation with higher capacity
LV Distribution Panels	Low-voltage power control and distribution
Electrical Transformers	
Distribution Transformers 3 Phase Oil Filled (≤3.15 MVA)	Standard oil-cooled 3-phase distribution units
Pad Mounted Transformers	Ground-mounted enclosed distribution transformers
Special Transformers	Custom-designed transformers for specific applications
Small Power Transformers (>3.15 MVA & ≤20 MVA)	Compact transformers for medium power needs
Medium Power Transformers (>20 MVA & ≤100 MVA)	High-capacity transformers for industrial distribution

Source: Company financials, anbc research

Financial Overview

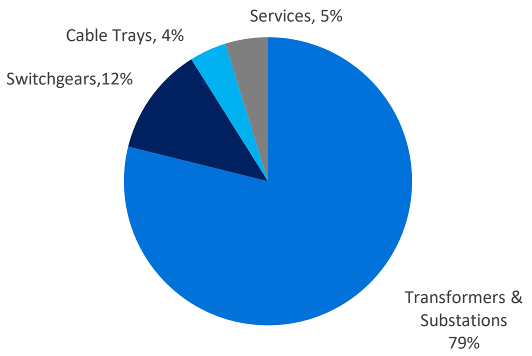
EIC operates through four key vertical namely 1) Transformers & Substations, 2) Switchgears, 3) Cable Trays, and 4) Services. Transformers is the largest segment, contributing 78.9% (2025) to the topline. Saudi Arabia is the major geographical market, with EIC driving 89% (2025) of its revenue from there.

Table 09: EIC's revenue segment

Segment	Description
Transformers & Substations	Power, distribution, special transformers, compact substations, and LV panels
Switchgears	L&MV switchgears, LV panels, MCCs, and switch racks
Cable Trays	Aluminum, Stainless Steel, HDG Steel Cable Trays and Ladders
Services	Support for LV/MV switchgear, including repairs, upgrades, and on-site testing.

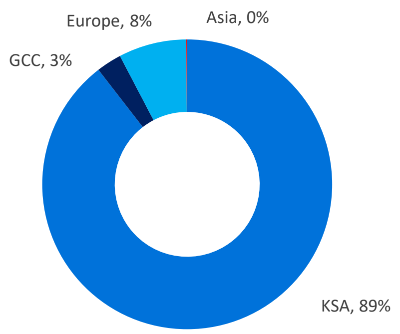
Source: Company financials, anbc research

Chart 54: Revenue by segment (%) - 2025



Source: Company financials, anbc research

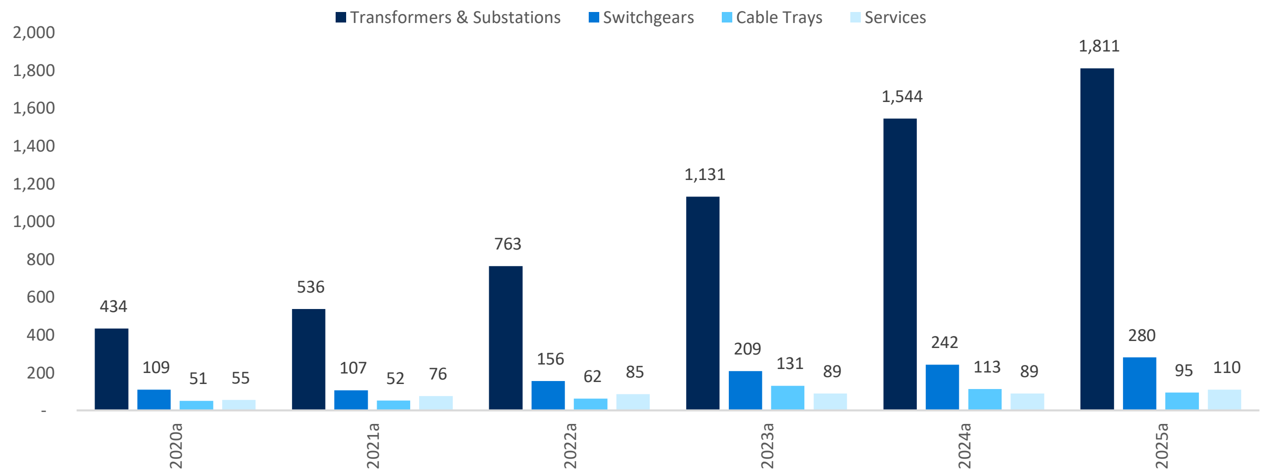
Chart 55: Revenue by geography (%) - 2025



Source: Company financials, anbc research

EIC's revenue grew at a CAGR of 28.8% from 2020 to 2025, driven by a 33.1% expansion in the Transformers & Substations segment, supported by robust infrastructure spending and rising power demand from residential and commercial sectors in the Kingdom. The Services segment is the company's smallest in terms of revenue (4.8% contribution in 2025) yet delivers significantly higher gross margins at 66.5%.

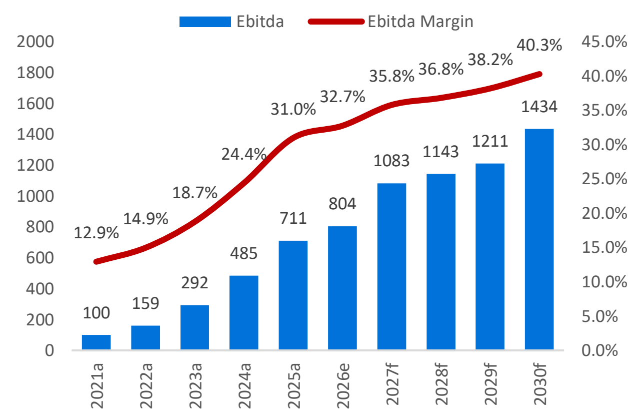
Chart 56: EIC's segment-wise revenue over the years - SAR mn



Source: Company financials, anbc research

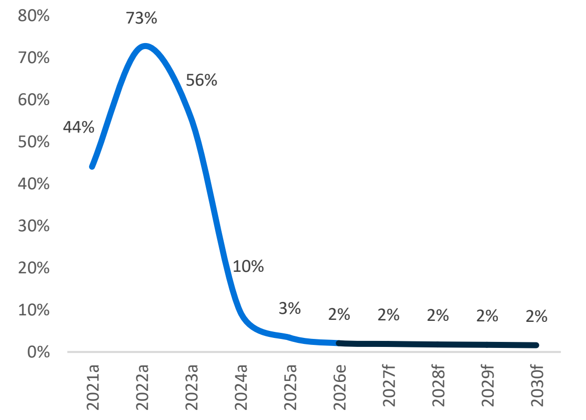
EIC's chart bank

Chart 57: EBITDA margin to reach 40.3% in 2030f



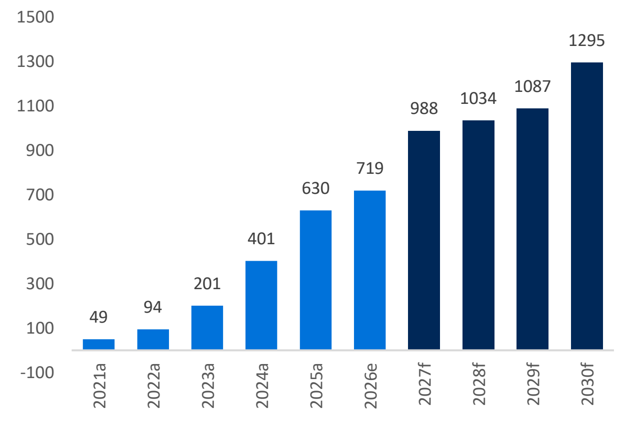
Source: Company financials, anbc research

Chart 58: Debt-to-equity declines post 2022



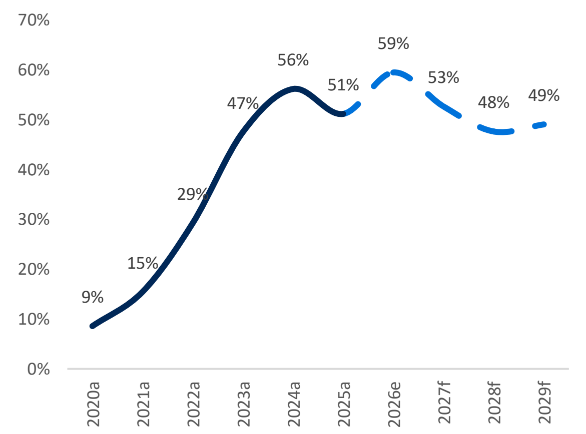
Source: Company financials, anbc research

Chart 59: Earnings to project a 5yr CAGR of 15.5%



Source: Company financials, anbc research

Chart 60: ROE Peaks at 59% Before Normalizing



Source: Company financials, anbc research

Financial Summary

Income statement (SAR mn)	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**	**CAGR 2025-2030f**
Revenue	1,987	2,296	2,431	2,999	3,078	3,142	3,528	9%
Cost of Revenue	(1,322)	(1,436)	(1,505)	(1,779)	(1,812)	(1,822)	(1,991)	7%
Gross Profit	**665**	**860**	**926**	**1219**	**1265**	**1320**	**1537**	**12%**
Operating Expenses	210	186	163	178	168	159	155	-4%
EBIT	**456**	**675**	**763**	**1041**	**1098**	**1161**	**1382**	**15%**
Dep & Amort	29	36	38	41	43	46	49	
EBITDA	**485**	**711**	**801**	**1082**	**1141**	**1207**	**1431**	**15%**
Finance Cost	(34)	(10)	(2)	(1)	(1)	(2)	(2)	-29%
Finance income	-	-	-	-	-	-	-	
Profit Before Tax	**422**	**664**	**761**	**1040**	**1096**	**1160**	**1380**	**16%**
Zakat Tax	(20)	(34)	(42)	(52)	(62)	(73)	(86)	20%
PAT	**401**	**630**	**719**	**988**	**1034**	**1087**	**1295**	**15%**
Number of Share	1125	1125	1125	1125	1125	1125	1125	
EPS	0.4	0.6	0.6	0.9	0.9	1.0	1.2	15%

Balance Sheet	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**	
Property & equipment	273	435	446	459	472	487	501	3%
Right to use asset	22	17	16	16	14	13	11	-8%
Others	22	22	22	22	22	22	22	
Intangible asset	8	6	6	5	4	4	3	-13%
Non-current assets	**325**	**479**	**490**	**501**	**513**	**525**	**537**	**2%**
Trade receivables	619	835	784	967	992	1,013	1,137	6%
Cash and Cash equivalents	189	350	583	861	1,309	1,799	2,363	46%
Others	61	57	62	77	79	81	91	10%
Inventories	757	873	836	937	906	868	905	1%
Current Asset	**1626**	**2116**	**2266**	**2841**	**3286**	**3760**	**4496**	**16%**
Total Assets	**1951**	**2595**	**2756**	**3342**	**3799**	**4285**	**5033**	**14%**
Share capital	563	563	563	563	563	563	563	
Retain earnings	394	738	953	1,250	1,560	1,886	2,274	25%
Statutory reserve	-	-	-	-	-	-	-	
Total Equity	**946**	**1298**	**1514**	**1810**	**2120**	**2446**	**2835**	**17%**
Loan and borrowings	0	12	12	12	12	12	12	
Lease liabilities	23	14	17	20	22	26	29	15%
Employees' service benefit	115	134	134	134	134	134	134	
Non-current liabilities	**138**	**161**	**163**	**166**	**169**	**172**	**175**	**2%**
Trade payables	142	197	177	209	213	214	234	4%
Lease liabilities	2	3	2	3	3	4	4	9%
Current Liabilities	**867**	**1,137**	**1,079**	**1,366**	**1,510**	**1,667**	**2,023**	12%
Total liabilities &equity	**1951**	**2595**	**2756**	**3342**	**3799**	**4285**	**5033**	**14%**

Source: Company financials, anbc research

Valuation Ratios	2024a	2025a	2026e	2027f	2028f	2029f	2030f
EPS (SAR)	0.4	0.6	0.6	0.9	0.9	1.0	1.2
DPS (SAR)	0.2	0.5	0.5	0.6	0.7	0.7	0.8
BVPS (SAR)	0.8	1.2	1.3	1.6	1.9	2.2	2.5
PER (x)	20.3	20.0	27.2	19.8	18.9	18.0	15.1
DY (%)	3.1	4.5	2.6	3.5	3.7	4.0	4.6
PBV (x)	8.6	9.7	12.9	10.8	9.2	8.0	6.9
EV/Sales (x)	4.0	5.4	7.8	6.2	5.9	5.7	4.9
Price/Sales (x)	4.1	5.5	8.0	6.5	6.3	6.2	5.5
EV/EBITDA (x)	16.6	17.3	23.7	17.3	16.0	14.7	12.0
Margins (%)	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
Gross Margins	33.5	37.5	38.1	40.7	41.1	42.0	43.6
EBITDA Margins	22.9	29.4	31.4	34.7	35.7	37.0	39.2
Operating Margins	24.4	31.0	33.0	36.1	37.1	38.4	40.6
Net Margins	20.2	27.4	29.6	32.9	33.6	34.6	36.7
Returns (%)	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
ROA	20.9	27.7	26.9	32.4	29.0	26.9	27.8
ROE	47.5	56.1	51.1	59.4	52.6	47.6	49.0
Health Ratios	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
Debt to Asset	4.7	1.7	1.1	1.0	1.0	1.0	0.9
Debt to Equity	9.6	3.4	2.1	1.9	1.8	1.7	1.6
Debt to Capital	8.8	3.3	2.0	1.9	1.8	1.7	1.6
Activity Ratio	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
Current Ratio	1.9	1.9	2.1	2.1	2.2	2.2	2.2
Days Sales Outstanding	108.1	115.6	120.9	106.6	116.1	116.4	111.2
Days Sales in Inventory	230.4	207.2	205.8	181.8	185.6	177.7	162.5
Days Payable Outstanding	42.4	43.1	45.0	39.6	42.6	42.8	41.1
Cash Conversion Cycle	296.1	279.6	283.5	248.7	259.2	251.3	232.6
Growth Ratios (%)	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
Revenue Growth	27.4	15.6	5.9	23.4	2.6	2.1	12.3
Gross Profit Growth	65.8	29.3	7.6	31.7	3.8	4.3	16.5
EBITDA Growth	65.9	46.7	12.7	35.0	5.5	5.8	18.6
Operating Profit Growth	72.3	48.1	13.1	36.5	5.4	5.8	19.0
Net Profit Growth	99.7	56.9	14.1	37.4	4.7	5.1	19.1

Source: Company financials, anbc research

INITIATION OF COVERAGE

Al-Babtain Power & Telecommunication Co.

14 April 2026

We initiate coverage on Al-Babtain Power and Telecommunication Co. (Al-Babtain) with an 'Overweight' rating and a target price of SAR 88.2/share. The company is benefitting from sustained demand in its core tower segment (54.2% of 2025 revenue) and poles & lighting segment (19.4% of 2025 revenue). Gross margin recovered from 12.2% in 2022 to 24.3% in 2025 and is forecasted to remain in the range of 22-25% during 2026e-2030f. We expect revenue to grow at a 9.2% CAGR over 2025-2030f, driven by grid modernization, regional interconnection, and renewable energy investments under Vision 2030. At a 2026e P/E of 8.6x, Al-Babtain trades at a 47.3% discount to our coverage sector average of 16.0x, offering attractive valuation with improving earnings visibility.

Strong footprint in tower and structures activity segment. Al-Babtain holds a dominant 60%-70% market share in Saudi Arabia's T&D tower segment, supported by long-term relationships with the Saudi Electricity Company and the Ministry of Energy. The segment's backlog surged 75% YoY to SAR 3.5 bn in 2024, underscoring strong order visibility. Recently awarded SAR 1.8 bn in contracts will support topline growth from 4Q25 onwards. With 220,000 tons of integrated tower fabrication capacity which is expanded by 50,000 tons in April 2025, the company is well-positioned to capture rising demand from grid interconnection, network upgrades, and cross-border transmission projects across the GCC and Egypt. Al-Babtain is also well-placed to capitalize on Saudi Electricity Co.'s SAR 472 bn capex program over the next five years aimed at upgrading power generation, transmission, and distribution infrastructure.

Stable steel prices and reducing finance costs to support net margins. Al-Babtain's margins remain linked to Hot Rolled Coil (HRC) prices, its key input. HRC declined from SAR 1,610/ton in 2021 to SAR 854/ton in 2025 and is expected to stay stable at SAR 800-850/ton between 2026e-2030f, supporting margin visibility. Gross margin improved to 24.3% in 2025 (from 12.2% in 2022) and is forecasted to rise toward 25.4% by 2030f, driven by better pricing and cost efficiency. Finance costs, which peaked at SAR 91 mn in 2023, are projected to fall to SAR 47 mn by 2030f as long-term debt declines from SAR 337.4 mn in 2023 to SAR 1.5 mn in 2030f. This deleveraging, alongside stable input costs, would lift net margin from 16.0% in 2025 to 19.9% by 2030f.

Pivot toward renewables to contribute towards Al-Babtain's topline. Saudi Arabia aims for 130 GW of clean energy capacity by 2030f, including 58.7 GW from solar PV, to achieve its Vision 2030 target of 50% renewables. Al-Babtain's solar structure revenue rose from 7.6% of topline in 2020 to 11.1% in 2025, reaching SAR 317 mn with a 25% CAGR. However, due to bleak margins in this segment (5.7% gross margins in 2025), we remain conservative and have forecasted the company's solar segment revenue to grow at a 20.1% CAGR over 2025-2030f, with revenue reaching SAR 791 mn and forecasted to reach 17.8% of topline by 2030f, strengthening its role in Saudi Arabia's renewable energy.

Valuation: Our Dec-26 TP of SAR 88.2/share is based on an FCFF-based discounted cash flow model, resulting in an upside of 32.9%.

Risk: Volatility in HRC steel prices could pressure margins under fixed-price contracts. A widening fiscal deficit (SAR 276.6 bn in 2025) may delay project awards, while intensifying competition from global players that could erode pricing power and market share.

RATING SUMMARY	OVERWEIGHT
Target Price (SAR)	88.2
Upside/Downside	32.9%
Div. Yield (%)	3.2
Total Exp. Return	36.1%

Source: Company financials, anbc research

ISSUER INFORMATION	
Bloomberg Code	ALBABTAI AB
Last Price (SAR)	66.4
No of Shares (mn)	63.9
Market Cap bn (SAR/USD)	4.1/1.1
52-week High / Low (SAR)	72.0/37.6
12-month ADTV (mn) (SAR/USD)	28.7/7.6
Free Float (%)	94.0
Foreign Holdings (%)	34.5%

Last price as of April 13th, 2026

VALUATIONS

	2025a	2026e	2027f	2028f
EPS (SAR)	7.2	7.7	9.0	11.0
PER (x)	9.0	8.6	7.3	6.0
PBV (x)	3.1	2.5	2.0	1.6
DPS (SAR)	2.0	2.2	2.5	3.1
Div. Yield (%)	3.1	3.2	3.8	4.7
RoAE (%)	38.1	33.0	30.6	30.1
RoAA (%)	15.5	15.4	16.0	17.0

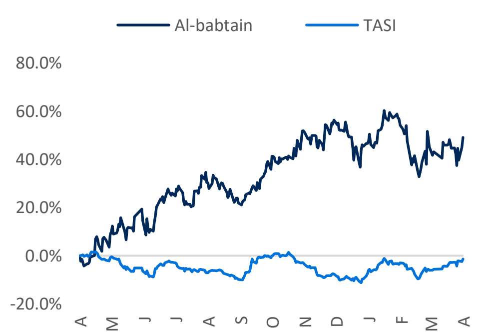
Source: Company financials, anbc research

FINANCIALS (SAR mn)

	2025a	2026e	2027f	2028f
Revenue	2,857	3,188	3,501	3,815
Gross Profit	693	710	806	938
EBITDA	612	635	727	866
Net Income	458	492	578	706

Source: Company financials, anbc research

RELATIVE PRICE PERFORMANCE



Source: Bloomberg, anbc research

Investment Thesis

Strong footprint in tower and structures activity segment

The tower segment contributed SAR 1,547 mn to revenue in 2025, up from SAR 1,132 mn in 2024, representing a 36.7% YoY increase, reflecting improving demand translating to a stronger pricing. Segment revenue has grown from SAR 483 mn in 2020 to SAR 1,547 mn in 2025, implying a 26.2% CAGR, and is forecasted to reach SAR 2,168 mn by 2030f. Growth is expected to be supported by regional grid interconnection projects, transmission network upgrades, and cross-border power line initiatives such as the GCC interconnection and KSA-Egypt link, aimed at enhancing electricity trade and energy security.

The company is also capitalizing on Saudi Electricity Co.'s SAR 472 bn capex program over the next six years to strengthen power generation, transmission, and distribution infrastructure. With tower capacity of 220,000 tons nearing full utilization, Al-Babtain has expanded by an additional 50,000 tons in April 2025, positioning it to capture incremental orders and drive growth in 2H25.

Strong multi-segment backlog provides visibility and supports growth

Al-Babtain operates across four key segments, with towers and tower testing contributing 54.2% of the 2025 topline and delivering a 29% gross margin. The remaining revenue mix comprises solar (11.1%), poles and lighting (19.4%), and design, supply, and installation (15.3%). The tower segment comprises electrical and telecommunications towers. The electrical tower sub-segment, constructed by Al-Babtain using cables sourced from Riyadh Cables Company, primarily serves Saudi Electricity Company (SEC) and the Ministry of Energy. Al-Babtain holds a 60%-70% market share in transmission and distribution (T&D) towers, underscoring its dominant position in the Kingdom.

The tower and tower testing backlog expanded by 75% YoY to SAR 3.5 bn in 2024, with T&D towers representing 65% of the total, supported by ongoing grid expansion and replacement projects. The telecommunications tower sub-segment, which caters to leading telecom operators, accounts for the remaining 35% of the backlog, where Al-Babtain maintains a 35% - 40% market share.

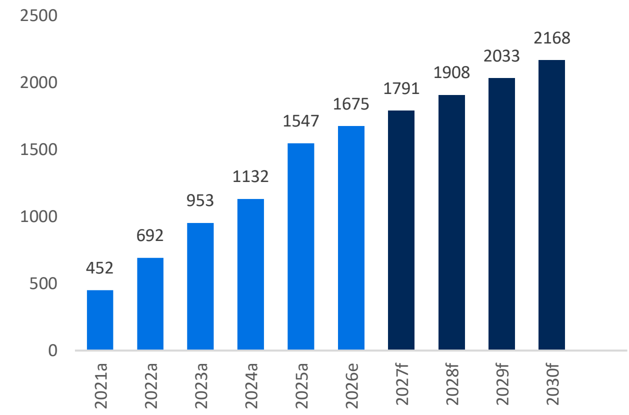
Table 10: Contracts value and duration

Customer	Deliverable	Value (bn)	Duration	Financial impact
Saudi Service for Electromechanical Works company	Transmission Towers	0.6	24	1Q26
Hyundai Engineering & Construction Co., Ltd.	Transmission Towers	0.8	24	1Q26
Larsen & Toubro Saudi Arabia Limited Company	Steel towers	0.4	24	4Q25

Source: Company financials, anbc research

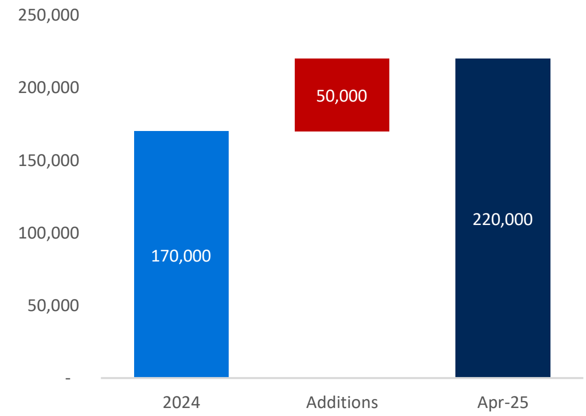
Recently, Al-Babtain secured three contracts totaling SAR 1.8 bn with Saudi Services for Electromechanical Works, Larsen & Toubro Saudi Arabia, and Hyundai Engineering & Construction Co., Ltd. These awards reinforce the company's strong execution pipeline and provide clear revenue visibility from 4Q25 onwards.

Chart 61: Tower segment revenue - SAR mn



Source: Company financials, anbc research

Chart 62: Tower segment capacity - tons

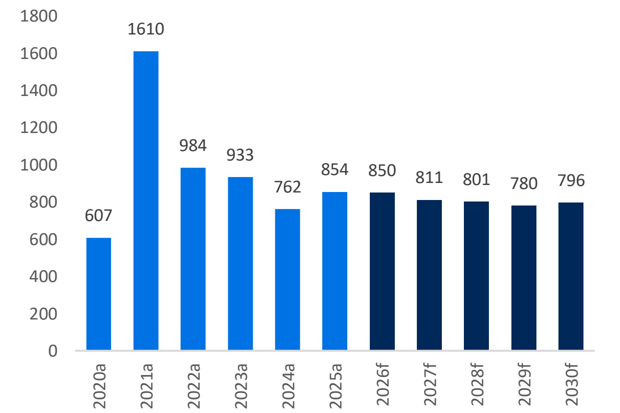


Source: Company financials, anbc research

Stable steel prices and reducing finance costs to support margins.

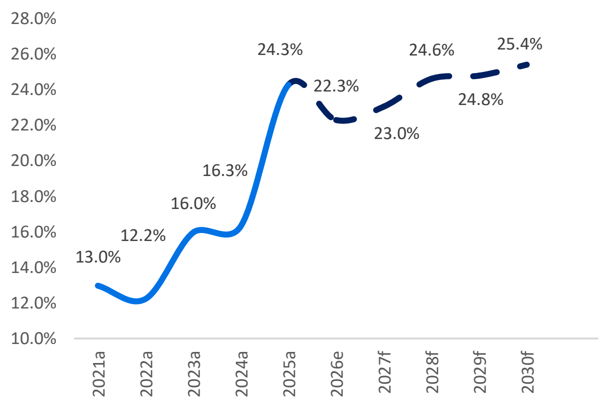
Al-Babtain's profitability remains closely tied to Hot Rolled Coil (HRC) steel prices, its key input material. After peaking at SAR 1,610/ton in 2021, HRC prices normalized to SAR 854/ton in 2025 and are expected to remain rangebound at SAR 800-850/ton between 2026e-2030f. This price stability supports cost visibility and margin resilience. Historically, margin recovery has mirrored easing steel costs, gross margin rebounded from 12.2% in 2022 to 24.3% in 2025. With input prices now steady and order pricing improving, we forecast margins to expand gradually to 25.4% by 2030f, reflecting stronger project mix, operational efficiency, and improved contract discipline.

Chart 63: HRC prices - SAR mn



Source: Bloomberg, anbc research

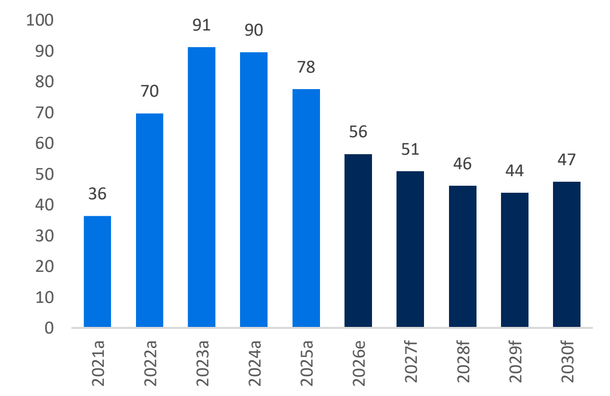
Chart 64: Gross profit margin %



Source: Company financials, anbc research

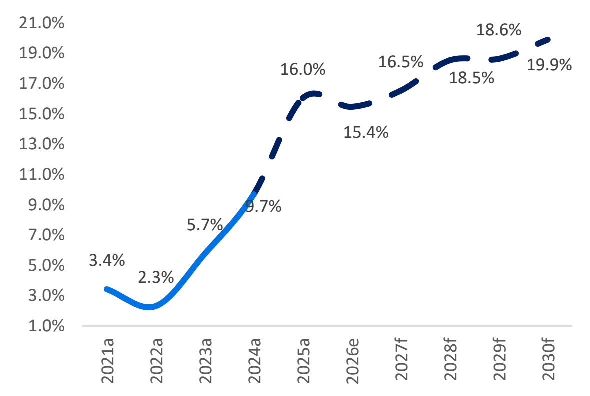
Al-Babtain's net margin is forecasted to improve from 16.0% in 2025 to 19.9% by 2030f, driven by easing finance costs and stronger operating leverage. Finance expenses, which peaked at SAR 91 mn in 2023 due to elevated interest rates and higher working capital utilization, are expected to decline steadily to SAR 47 mn by 2030f.

Chart 65: Finance cost - SAR mn



Source: Company financials, anbc research

Chart 66: Net profit margin %

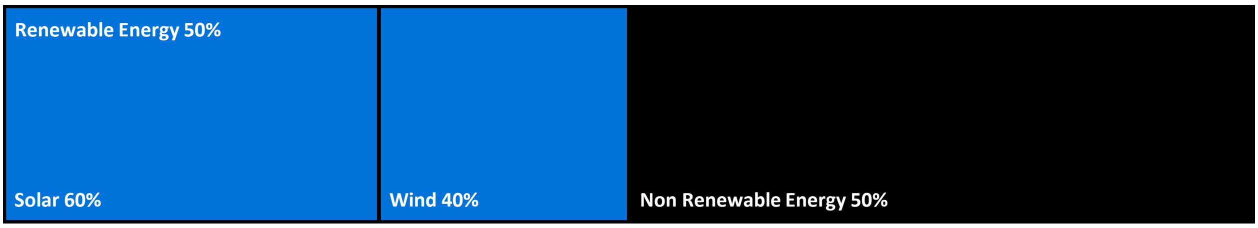


Source: Company financials, anbc research

Kingdom's 2030 solar ambitions to contribute towards company's topline

Saudi Arabia aims to generate 50% of its electricity from renewables by 2030f, translating into 130 GW of clean energy capacity, of which 58.7 GW is expected to come from solar PV. The Kingdom's installed solar capacity expanded from just 0.3 GW in 2020 to 6.2 GW in 2024, implying 112.8% CAGR. With a national target of 78 GW by 2030f, this implies a projected 2024-30f CAGR of 52.7%.

Chart 67: KSA Electricity Mix - 2030f



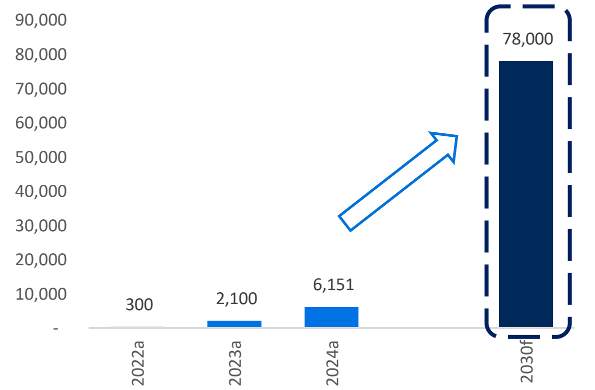
Source: GASTAT, anbc research

Al-Babtain is well-positioned to benefit from Saudi Arabia's renewable energy transition. Its solar structure revenue expanded from SAR 105 mn in 2020a to SAR 317 mn in 2025a, implying a 24.7% CAGR, with the segment contributing 11.1% to total revenue in 2025 (vs. 7.6% in 2020).

With Saudi Arabia's solar capacity projected to grow at a 52.7% CAGR over 2024a-2030f, we expect Al-Babtain's solar revenue to rise from SAR 317 mn in 2025 to SAR 791 mn by 2030f, implying a 20.1% CAGR, due to relatively lower segment margins averaging around 6% between 2025e-2030f.

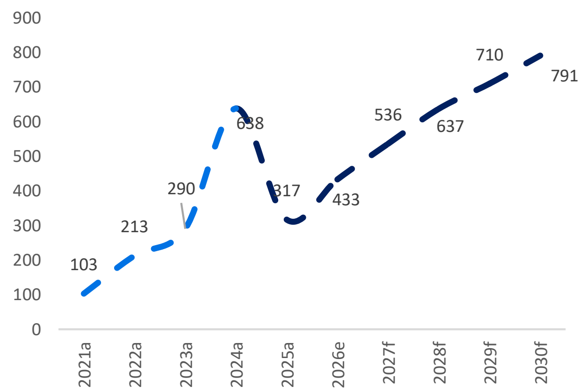
Al-Babtain's installed solar structure capacity accounts for nearly 20% of the Kingdom's current 6.2 GW solar PV capacity, underscoring its strong market position. However, current capacity remains constrained relative to anticipated demand. With its 1.2 GW per annum integrated PV steel facility in Dammam, the company is well-placed to scale production, and further capacity expansions are expected to align with industry growth, supported by Vision 2030-led programs, PIF-backed tenders, REPDO auctions, and localization incentives.

Chart 68: KSA Solar Renewable Capacity by 2030f



Source: GASTAT, anbc research

Chart 69: Solar Energy Segment revenue - SAR mn



Source: Company financials, anbc research

Valuation

We have valued Al-Babtain using a discounted cashflow model to arrive at our target price of SAR 88.2/share, providing a potential upside of 32.9%. We recommend an 'Overweight' rating on the stock as we see Al-Babtain as a key beneficiary of Saudi Arabia's accelerating transmission tower and poles projects.

We used an FCFF-based model, applying a beta of 1.13, a risk-free rate of 5.2%, and a market risk premium of 5.2%, resulting in a cost of equity of 11.1%. Incorporating a cost of debt of 6.2%, we derived a weighted average cost of capital (WACC) of 10.0%.

Al-Babtain is trading at an attractive 2026e P/E of 8.6x, representing a 23% discount to its historical 3-year average forward P/E of 11.2x.

SAR mn	2027F	2028F	2029F	2030F	2031F
FCFF	272	485	116	963	488
Terminal Value					7,168
FCFF + Terminal	272	485	116	963	7,656
Discounted FCFF	247	401	87	658	4,752
Enterprise Value	6,145				
Cash	218				
Debt	724				
Equity Value	5,638				
Target Price	**88.2**				

Source: Company financials, anbc research

Sensitivity Analysis

		Growth Rate				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC	**8.0%**	109.1	117.7	128.1	140.7	156.6
	9.0%	92.1	98.1	105.1	113.4	123.4
	10.0%	79.4	83.8	**88.2**	94.6	101.3
	11.0%	69.5	72.8	76.5	80.7	85.6
	12.0%	61.5	64.1	66.9	70.1	73.7

Source: Company financials, anbc research

Company Overview

Al-Babtain Power & Telecommunication Co. is one of the leading infrastructure equipment manufacturers in the Kingdom of Saudi Arabia and the broader MENA region. Established in 1955, the company specializes in the design, manufacturing, and supply of transmission towers, poles, solar mounting structures, lighting systems, and telecommunications solutions. It also offers related testing and engineering services. Al-Babtain went public in 2006 through an IPO on the Saudi Exchange (Tadawul) and has since expanded its footprint across multiple markets.

The company operates major integrated manufacturing facilities in Saudi Arabia and Egypt, with total annual production capacities of 220,000 tons and 50,000 tons, respectively, serving both domestic and export markets. Its solar structures division has also scaled significantly, with a dedicated PV steel components facility offering approximately 1.2 GW of annual structural capacity.

In addition to its core presence in Saudi Arabia, Al-Babtain exports to more than 85 countries, including key markets in the GCC, North Africa, and Europe. The company has also expanded its lighting segment, producing over 150,000 LED lighting fixtures annually through its specialized plants.

Table 11: Babtain's main products listed under each category

Product	Description
Tower & Structures	
Transmission Towers	Structures for high-voltage power transmission lines
Distribution Poles	Poles for lower voltage local electrical distribution
Telecom Towers	Steel structures for telecommunication antennas
High Masts	Tall lighting structures for highways and large areas
Lattice Steel Structures	Steel frameworks used in power and telecom infrastructure
Substation Steel Structures	Custom structures for mounting electrical substation equipment
Poles & Lighting	
Street Lighting Poles	Standard poles for urban and rural road lighting
Decorative Lighting Poles	Aesthetic poles for parks, boulevards, and plazas
Hinged Poles	Poles with hinge mechanism for easy maintenance
Camera Poles	Poles designed for mounting surveillance and traffic cameras
Signage Structures	Poles for traffic and road signs
Smart Poles	Integrated poles for lighting, cameras, telecom, and sensors
Solar Energy	
PV Mounting Structures	Mounting systems for photovoltaic (solar) panels
Ground Mount Systems	Steel structures for ground-fixed solar panels

Source: Company financials, anbc research

Subsidiaries

Al Babtain's diversified product portfolio is supported by its wide network of subsidiaries operating across the Middle East and North Africa.

Table 12: Al Babtain Group - Subsidiary Ownership Structure

Company	Ownership%	Country
Direct		
Al Babtain Power and Telecommunication Egypt	100%	Egypt
Al Babtain LeBlanc for Engineering Communication	100%	KSA
Al Babtain for Operation & Maintenance	100%	KSA
Al Babtain Qatar for Contracting	100%	Qatar
Integrated Lighting Company - Limited	100%	KSA
Al Babtain International Wind Power	100%	KSA
Ababtain Metalogalva	60%	KSA
Al Babtain LeBlanc UAE for Engineering Communication	100%	UAE
Indirect		
Al Babtain LeBlanc Egypt for Engineering Communication	99.7%	Egypt
Al Babtain Middle East for Installing Telecommunication Systems	70.0%	UAE
Al Babtain for Power and Lighting Solution	100%	Egypt

Source: Company financials, anbc research

Financial Overview

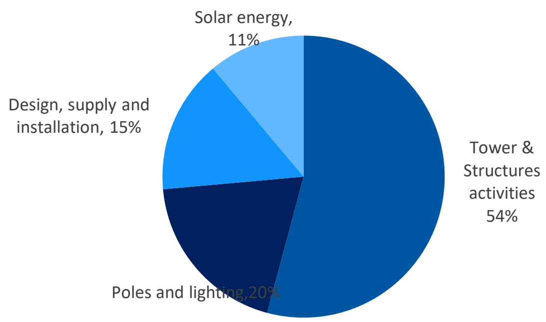
Al-Babtain operates through four key verticals, namely: 1) Tower & Structures, 2) Poles & Lighting, 3) Solar Energy, and 4) Design, Supply & Installation. The Tower & Structures segment is the largest contributor, accounting for 54.2% of total revenue in 2025, up from 26.3% in 2020. Geographically, Saudi Arabia remains Al-Babtain's core market, contributing the 87% of revenues in 2025, although the company also serves clients across the GCC, North Africa, and select MENA markets through both its local and export-focused operations.

Table 13: Babtain's revenue segment

Segment	Description
Tower & Structures	Transmission towers, telecom towers, substations, LV panels
Poles & Lighting	High mast/street poles, LED fixtures, decorative & traffic poles
Solar Energy	PV mounting structures, cable trays, ladders, solar accessory systems
Design, Supply & Installation	Engineering, procurement, on-site installation, testing, and mobile telecom infrastructure solutions

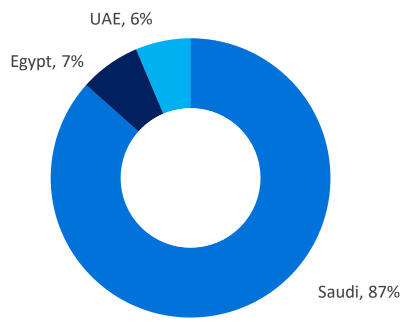
Source: Company financials, anbc research

Chart 70: Revenue by segment (%) - 2025



Source: Company financials, anbc research

Chart 71: Revenue by geography (%) - 2025

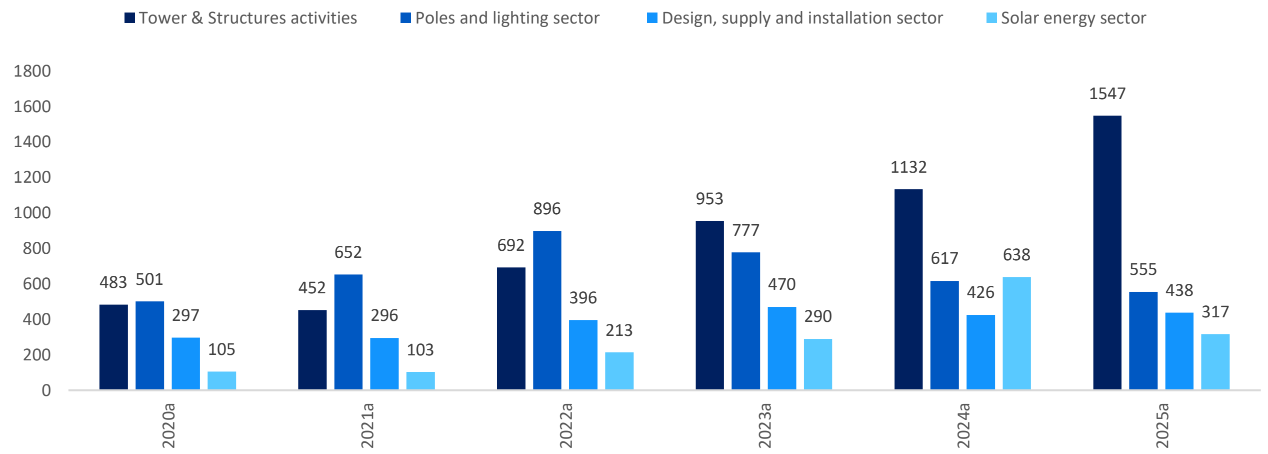


Source: Company financials, anbc research

Al-Babtain's revenue grew at a CAGR of 15.6% from 2020 to 2025, increasing from SAR 1.4 bn to SAR 2.9 bn. The growth was primarily driven by a robust performance in the Tower & Structures segment, which expanded at a CAGR of 26.2% during the same period, supported by rising demand from transmission infrastructure projects across Saudi Arabia and the broader GCC. Meanwhile, the solar segment rose from SAR 103.1 mn in 2020 to SAR 317 mn in 2025, translating into a CAGR of 24.7%, as the Kingdom accelerated its renewable energy deployment. Al-Babtain's focus on higher-margin, fast-growing sectors has supported its topline momentum and improved overall revenue mix.

Al-Babtain's Tower & Structures segment grew steadily from SAR 483 mn in 2020 to SAR 1,547 mn in 2025, reflecting strong demand in regional infrastructure projects. The Poles & Lighting sector peaked in 2022 at SAR 896 mn before moderating to SAR 555 mn in 2025. Design, Supply & Installation revenue remained relatively stable, fluctuating between SAR 296 mn and SAR 470 mn over the period. The Solar Energy segment showed the sharpest expansion, surging more than threefold from SAR 105 mn in 2020 to SAR 317 mn in 2025, driven by accelerated renewable energy adoption in KSA and export markets.

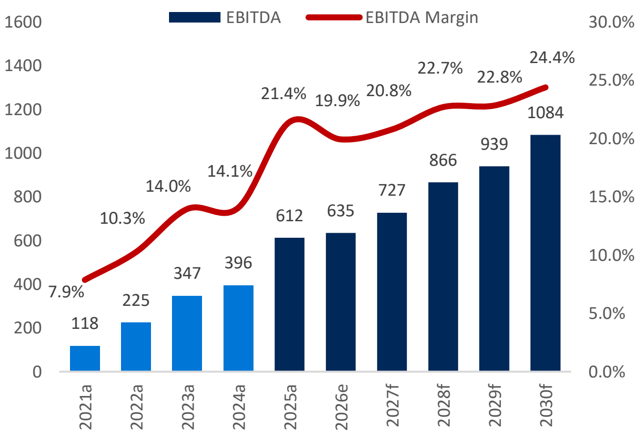
Chart 72: Al-Babtain's segment-wise revenue over the years - SAR mn



Source: Company financials, anbc research

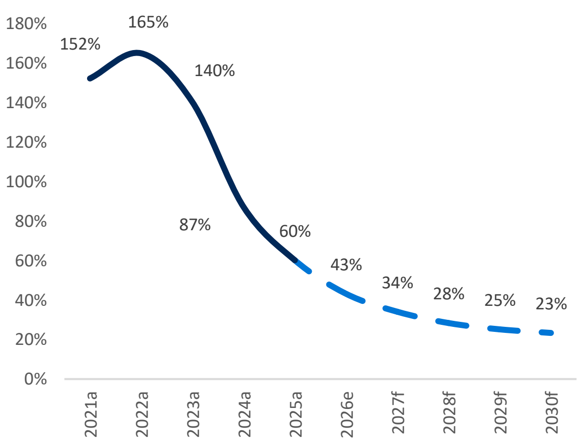
Al-Babtain's chart bank

Chart 73: EBITDA margin shows rising profitability



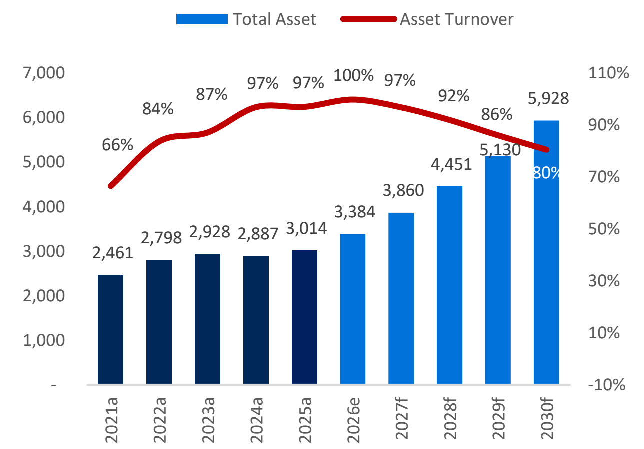
Source: Company financials, anbc research

Chart 74: Debt-to-equity falls significantly



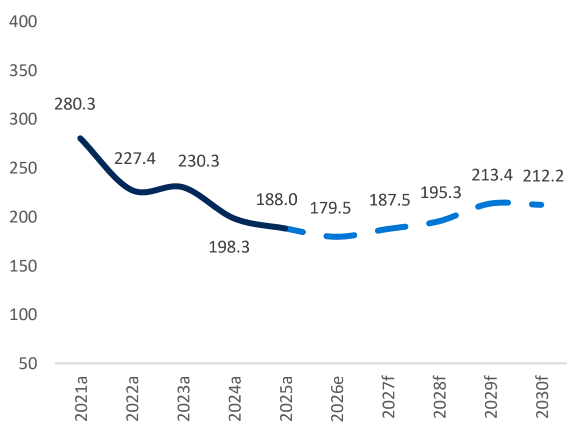
Source: Company financials, anbc research

Chart 75: Asset turnover rising, efficiency improving



Source: Company financials, anbc research

Chart 76: Working cycle projected to stabilized



Source: Company financials, anbc research

Financial Summary

Income statement (SAR mn)	2024a	2025a	2026e	2027f	2028f	2029f	2030f	CAGR 2025-2030f
Revenue	2,812	2,857	3,188	3,501	3,815	4,116	4,444	9%
Cost of Revenue	(2,354)	(2,164)	(2,478)	(2,695)	(2,877)	(3,096)	(3,316)	9%
Gross Profit	**459**	**693**	**710**	**806**	**938**	**1,019**	**1,128**	**10%**
Operating Expenses	93	115	113	123	124	143	123	1%
EBIT	**365**	**578**	**597**	**683**	**814**	**877**	**1,005**	12%
Dep & Amort	30	34	38	44	52	63	79	18%
EBITDA	**396**	**612**	**635**	**727**	**866**	**939**	**1,084**	**12%**
Finance Cost	(90)	(78)	(56)	(51)	(46)	(44)	(47)	-9%
Finance income	-	-	-	-	-	-	-	
Profit Before Tax	**305**	**495**	**533**	**624**	**762**	**826**	**952**	**14%**
Zakat Tax	(33)	(34)	(36)	(43)	(52)	(56)	(65)	14%
PAT	**272**	**458**	**492**	**578**	**706**	**766**	**883**	**14%**
Number of Share	64	64	64	64	64	64	64	
EPS	4.3	7.2	7.7	9.0	11.0	12.0	13.8	14%

Balance Sheet	2024a	2025a	2026e	2027f	2028f	2029f	2030f	
Property & equipment	362	428	460	502	567	649	762	12%
Right to use asset	22	36	53	77	114	168	247	47%
Others	233	207	207	207	207	207	207	
Intangible asset	3	4	5	5	6	6	7	13%
Non-current assets	**619**	**675**	**724**	**792**	**894**	**1,030**	**1,224**	**13%**
Trade receivables	928	1,111	1,143	1,356	1,477	1,992	1,721	9%
Cash and Cash equivalents	121	151	218	267	533	447	1,207	52%
Others	397	400	445	483	520	554	592	8%
Inventories	822	677	854	962	1,027	1,106	1,184	12%
Current Asset	**2,268**	**2,338**	**2,660**	**3,068**	**3,557**	**4,099**	**4,704**	**15%**
Total Assets	**2,887**	**3,014**	**3,384**	**3,860**	**4,451**	**5,130**	**5,928**	**14%**
Share capital	639	639	639	639	639	639	639	
Retain earnings	594	860	1,214	1,631	2,139	2,691	3,327	31%
Statutory reserve	-	-	-	-	-	-	-	
Others	(140)	(189)	(176)	(176)	(176)	(176)	(176)	-1%
Total Equity	**1,093**	**1,310**	**1,678**	**2,094**	**2,603**	**3,154**	**3,791**	24%
Loan and borrowings	162	59	28	14	7	3	2	-52%
Lease liabilities	18	31	47	72	109	163	242	51%
Employees' service benefit	83	100	100	100	100	100	100	
Others	41	42	42	42	42	42	42	
Non-current liabilities	**305**	**232**	**218**	**228**	**258**	**308**	**386**	**11%**
Loan and borrowings	**175**	**103**	**49**	**24**	**11**	**5**	**3**	-52%
Trade payables	433	380	466	506	541	582	623	10%
Lease liabilities	4	6	10	15	22	33	49	54%
Others	285	393	375	404	428	458	487	4%
Current Liabilities	**1,489**	**1,471**	**1,489**	**1,537**	**1,591**	**1,667**	**1,752**	**4%**
Total liabilities &equity	**2,887**	**3,014**	**3,384**	**3,860**	**4,451**	**5,130**	**5,928**	**14%**

Source: Company financials, anbc research

Valuation Ratios	2024a	2025a	2026e	2027f	2028f	2029f	2030f
EPS (SAR)	4.3	7.2	7.7	9.0	11.0	12.0	13.8
DPS (SAR)	1.5	2.0	2.2	2.5	3.1	3.3	3.9
BVPS (SAR)	17.1	20.5	26.2	32.7	40.7	49.3	59.3
PER (x)	9.2	9.0	8.6	7.3	6.0	5.5	4.8
DY (%)	3.8	3.1	3.2	3.8	4.7	5.0	5.8
PBV (x)	2.3	3.1	2.5	2.0	1.6	1.3	1.1
EV/Sales (x)	1.2	1.7	1.5	1.3	1.2	1.1	0.9
Price/Sales (x)	0.9	1.4	1.3	1.2	1.1	1.0	1.0
EV/EBITDA (x)	8.4	7.8	7.5	6.4	5.1	4.9	3.6
Margins (%)	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
Gross Margins	16.3	24.3	22.3	23.0	24.6	24.8	25.4
EBITDA Margins	14.1	21.4	19.9	20.8	22.7	22.8	24.4
Operating Margins	13.0	20.2	18.7	19.5	21.3	21.3	22.6
Net Margins	9.7	16.0	15.4	16.5	18.5	18.6	19.9
Returns (%)	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
ROA	9.4	15.5	15.4	16.0	17.0	16.0	16.0
ROE	27.0	38.1	33.0	30.6	30.1	26.6	25.4
Health Ratios (%)	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
Debt to Asset	33.0	26.1	21.4	18.5	16.6	15.5	14.9
Debt to Equity	87.0	60.1	43.1	34.1	28.4	25.2	23.3
Debt to Capital	46.5	37.5	30.1	25.4	22.1	20.1	18.9
Activity Ratio	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
Current Ratio	1.5	1.6	1.8	2.0	2.2	2.5	2.7
Days Sales Outstanding	121.5	130.2	129.0	130.3	135.5	153.8	152.5
Days Sales in Inventory	129.3	126.5	112.8	123.0	126.2	125.7	126.0
Days Payable Outstanding	52.5	68.6	62.3	65.8	66.4	66.2	66.3
Cash Conversion Cycle	198.3	188.0	179.5	187.5	195.3	213.4	212.2
Growth Ratios (%)	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**	**2029f**	**2030f**
Revenue Growth	12.9	1.6	11.6	9.8	9.0	7.9	8.0
Gross Profit Growth	15.5	51.1	2.5	13.5	16.4	8.7	10.7
EBITDA Growth	13.9	54.7	3.8	14.5	19.0	8.5	15.3
Operating Profit Growth	15.7	58.1	3.3	14.5	19.1	7.7	14.6
Net Profit Growth	90.2	68.2	7.6	17.4	22.2	8.5	15.3

Source: Company financials, anbc research

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