

# Arabian Cement (HOLD, TP: SAR 25, 3010.SE) 1Q26 Results Review

*Earnings recovery driven by pricing and exports, but structural oversupply, competitive intensity, and elevated inventories continue to limit upside potential. Maintain Hold.*

Arabian Cement (ARCCO) reported 154% Y/Y growth in net profit, with 1Q26 EPS at SAR 0.60. Revenue increased 5% Y/Y, driven by higher realized prices and stronger export sales volumes from the subsidiary company despite weaker dispatch volumes. Gross profit rose 62% Y/Y on improved pricing and lower COGS, while net earnings were further supported by lower depreciation expense following revisions to the estimated useful lives of plant equipment and higher other income.

- Revenue increased 5.1% Y/Y, supported by a 29.7% rise in average realized prices alongside stronger export sales volumes from the subsidiary company, despite a 23.8% decline in parent company dispatches. Sequentially, revenue declined 16.1%, driven by 14.1% drop in dispatches and 5.8% fall in blended average selling prices.
- Gross margin expanded to 31.0% (+1088bps Y/Y, +321bps Q/Q), with gross profit rising 61.9% Y/Y, supported by improved pricing and a SAR 12mn reduction in depreciation expense following revisions to the estimated useful lives of plant equipment, although gross profit declined 6.4% sequentially due to lower sales volumes.
- Operating margin expanded 1105bps Y/Y despite a 2.5% increase in operating expenses to SAR 16.5mn, while sequentially margins improved 297bps supported by a 12.9% decline in operating expenses.
- Net margin improved to 24.0% (+1407bps Y/Y, +517bps Q/Q), supported by lower operating expenses, higher other income, and lower zakat and income tax expense, partially offset by higher energy mix costs for the parent company.
- Inventory-to-LTM sales ratio stood at 126%, above the regional peer average of 106% and sector average of 78%, highlighting continued supply-demand imbalance and slower demand absorption despite ongoing construction activity across the KSA. Inventory levels increased to 4.4mn tons versus 4.3mn tons in 4Q25 and 3.6mn tons in 1Q25, indicating limited improvement in sector utilization dynamics.
- The company trades at EV/ton of SAR 450 at a 10% discount to the sector (EV/ton of SAR 501) but at a 9% premium to its regional peers. It trades at a 18% discount to its three-year average EV/ton multiple of SAR 550, while compared with the overall sector, it is trading at a 30% discount to its three-year average EV/ton multiple of SAR 642.
- ARCCO's 1Q26 net profit more than doubled Y/Y, supported by higher average selling prices, lower depreciation expense following revisions to the estimated useful lives of plant equipment, stronger export sales volumes from the subsidiary company, and the absence of prior-year tax-related charges. Despite the sharp earnings recovery, we believe the improvement should be viewed within the context of a KSA cement sector that continues to face structural oversupply, with industry clinker and cement capacity still materially exceeding realized demand. The broader demand backdrop continues to improve gradually, driven by Vision 2030-linked infrastructure, tourism, residential, and giga-project activity. However, execution across these projects remains uneven, with delays between project announcements, construction activity, and actual cement consumption continuing to prevent a meaningful tightening in sector supply-demand dynamics. This was also reflected in ARCCO's operating performance, with the company recording the largest market share decline among peers during the quarter, highlighting continued competitive intensity despite improving pricing trends. We therefore believe expectations of a broad-based cement upcycle remain premature until utilization improves materially and stabilizes at higher levels across the sector.

Within this backdrop, ARCCO remains relatively better positioned than several domestic peers due to its strategic exposure to the western region of the KSA, where demand visibility remains relatively stronger, supported by ongoing development activity across Makkah, Jeddah, and Red Sea-related projects. The company also benefits from favorable logistics economics, integrated clinker capacity, and export flexibility, supporting operational flexibility and partially mitigating domestic oversupply through exports when required. This was reflected in a 32% Y/Y increase in subsidiary revenues outside the KSA, partially offsetting a decline in domestic revenues. We believe the ARCCO investment case remains centered on gradual utilization normalization and earnings resilience rather than aggressive growth, as sustained pricing recovery across the sector remains unlikely without materially stronger demand absorption. Operationally, ARCCO continues to demonstrate disciplined cost management and relatively stable execution versus peers, although part of the recent earnings improvement was supported by lower depreciation expense rather than entirely reflective of structural operating leverage. ARCCO currently trades at an EV/ton of SAR 450 versus SAR 501 for the sector, while continuing to command a premium to regional peers, reflecting its relatively defensive operating profile and western region exposure but also highlighting limited upside without a broader improvement in sector utilization and pricing dynamics. Maintain Hold.

## Rating and Risks

We maintain our HOLD rating on Arabian Cement, with a 12-month target price of SAR 25. Upside triggers include faster execution of these projects translating into stronger cement offtake, higher retention price and normalization of inventory. Downside risks include a slump in cement demand, rising inventory levels, regulatory action against higher selling prices, contraction in public spending due to rising geopolitical concerns, continued market share erosion, and weak pricing power amid sector oversupply.

SAR mln	1Q26	4Q25	1Q25	Q/Q %	Y/Y %
Revenues	250	298	238	-16.1%	5.1%
Cost of Sales	173	215	190	-19.8%	-9.2%
Gross Profit	78	83	48	-6.4%	61.9%
Operating Expenses	16	19	16	-12.9%	2.5%
Operating Profit	61	64	32	-4.5%	91.7%
<b>Net Income</b>	<b>60</b>	<b>56</b>	<b>24</b>	<b>7.0%</b>	<b>154.5%</b>
EPS	0.60	0.56	0.24	7.0%	154.5%

Dispatches ('000 tons)	831	967	1091	-14.1%	-23.8%
Realized Price (SAR/ton)	226	240	174	-5.8%	29.7%
Cost per ton (SAR/ton)	161	187	166	-14.1%	-3.1%

## Margins (%)

Gross Margin	31.0	27.8	20.1	321 bps	1,088 bps
Operating Margin	24.4	21.5	13.4	297 bps	1,105 bps
Net Margin	24.0	18.8	9.9	517 bps	1,407 bps

## Rating Summary and Forecasts

### Rating Summary

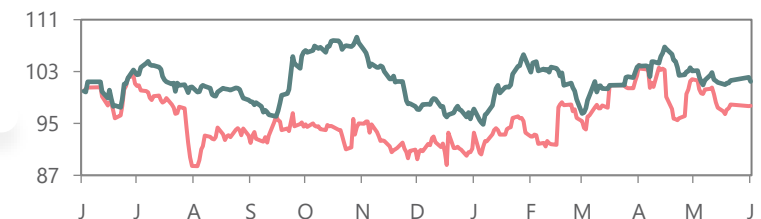
Rating	Hold
Market Price	22.8
12-month Target Price	24.9
Upside / Downside	9%
Mkt Cap (SAR mn)	2,278.0
52 week High/Low	24.39/20.43

### Forecasts

	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	165	232	245	263
PER (x)	13.8	9.9	9.3	8.7
PBV (x)	0.9	0.9	0.9	0.9
EPS (SAR)	1.7	2.3	2.4	2.6
DPS (SAR)	1.5	2.0	2.2	2.4
RoE (%)	6.4%	9.2%	9.6%	10.2%
Dividend Yield (%)	6.5%	8.8%	9.7%	10.4%

## Price Chart

● ARCCO ● TASI



---

## Rating Framework

### Buy

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

### Hold

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

### Sell

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

---

### BSF Capital

(Closed Joint Stock Company Owned by BSF)

Authorized and regulated under Capital Market Authority license 11153-37. The company is operating under commercial registration 1010231217 with a paid up capital of SAR 500,000,000.

#### Head Office

8092 King Fahd Road | Riyadh 12313-3735 | Kingdom of Saudi Arabia

#### Mailing Address

P.O. Box 23454 Riyadh 11426 | Kingdom of Saudi Arabia

Tel: +966 11 282 6828 | 800 125 9999

[www.bsfcapital.sa](http://www.bsfcapital.sa)

## Important Disclaimer

This report is prepared by BSF Capital, a fully-fledged investment firm providing investment banking, asset management, securities brokerage, research, and custody services. BSF Capital, and its affiliate, might conduct business relationships with the company that is subject of this report and/ or own its security.

This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report.

This report is intended for general information purposes only, and may not be reproduced or redistributed to any other person. This report is not intended as an offer or solicitation with respect to the purchase or sale of any security. This report is not intended to take into account any investment suitability needs of the recipient. In particular, this report is not customized to the specific investment objectives, financial situation, risk appetite or other needs of any person who may receive this report. BSF Capital strongly advises every potential investor to seek professional legal, accounting and financial guidance when determining whether an investment in a security is appropriate to his or her needs.

To the maximum extent permitted by applicable law and regulation, BSF Capital shall not be liable for any loss that may arise from the use of this report or its contents or otherwise arising in connection therewith. Any financial projections, fair value estimates and statements regarding future prospects contained in this report may not be realized. All opinions and estimates included in this report constitute BSF Capital's judgment as of the date of production of this report, and are subject to change without notice. Past performance of any investment is not indicative of future results. The value of securities, the income from them, the prices and currencies of securities, can go down as well as up. An investor may get back less than what he or she originally invested. Additionally, fees may apply on investments in securities. Changes in currency rates may have an adverse effect on the value, price or income of a security. No part of this report may be reproduced without the written permission of BSF Capital. Neither this report nor any copy hereof may be distributed in any jurisdiction outside the Kingdom of Saudi Arabia where its distribution may be restricted by law. Persons who receive this report should make themselves aware of, and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.