

Najran Cement (HOLD, TP: SAR 7, 3002.SE) 4Q25 Results Review

Downgrade to Hold as weak regional demand, coupled with pressure on retention price weigh on earnings.

Najran Cement (NAJLAN) reported a 62% Y/Y (+290% Q/Q) decline in earnings (4Q25 EPS SAR 0.07). Revenue during the quarter fell Y/Y, attributed to lower dispatches and retention price, while on a Q/Q basis, revenue jumped on the back of higher dispatches despite a decline in realized price. Gross profit declined Y/Y while it was up sequentially. Operating expenses declined Y/Y and Q/Q. Operating profit fell Y/Y, whereas it improved Q/Q. Net margin stood at 9%.

- The company's revenue declined 10% Y/Y driven by lower dispatches (-2% Y/Y) and retention price (-8% Q/Q). Sequentially, revenue jumped 9% on the back of higher dispatches (+14%) despite a 5% decline in realized price. Gross profit clocked in at SAR 33mn, down 38% Y/Y, while it was up 56% Q/Q. The Y/Y decline in gross profit is due to cost per ton rising while revenue per ton declined. Operating expenses during the quarter declined 21% Y/Y and 7% Q/Q on the back of lower general and admin expenses (-26% Y/Y and -12% Q/Q).
- As a result of lower revenue and gross profit, operating profit declined 45% Y/Y; however, it was up 138% Q/Q.
- The company's net profit after tax clocked in at SAR 12mn (EPS: SAR 0.07) in 4Q25 compared to a profit of SAR 32mn (EPS: SAR 0.19) in 4Q24 and SAR 3mn (EPS: SAR 0.02) in 3Q25.
- The company's inventory to LTM sales ratio stands at 107%, lower compared to its regional peer Southern Cement (inventory to LTM sales ratio of 170%), while it is higher than the sector (inventory to LTM sales ratio of 78%). Inventory stood at 2.8mn tons (3.7mn tons in 4Q24 and 3.0mn tons in 3Q25).
- The company trades at EV/ton of SAR 200, at 59% discount to the sector (EV/ton of SAR 485) and 54% discount to Southern Cement (EV/ton of SAR 437). It trades at 37% discount to its 3-year average EV/ton multiple of SAR 317 compared with the overall sector, which is trading at 27% discount (SAR 663).
- The Southern region underperformed the sector in 2025, and this trend persisted into 1Q26. Dispatches in the region declined by 9%, compared to a 5% drop for the overall sector (1Q26). This weakness is largely attributable to limited mega projects and ongoing instability in Yemen, which continues to dampen export prospects. However, Najran showed relative resilience, with dispatches declining by 4% in 1Q26 versus the sector's 5% contraction. With the government's focus shifting toward time-sensitive events, we do not anticipate the launch of new mega projects in the region. That said, previously announced initiatives—such as urban development, industrial expansion, logistics, and tourism projects, including Jazan City for Primary & Downstream Industries (JCPDI) and infrastructure upgrades across Jazan and Asir—are expected to provide some support to dispatch volumes. Nonetheless, these are unlikely to drive a meaningful recovery in realized prices. Looking ahead, the upcoming Hajj season, followed by onset of summer and ongoing geopolitical challenges, is expected to continue weighing on both local and export sales. Although Najran's earnings have shown sequential improvement and its regional market share increased to 42% in 1Q26 from 39% in 4Q25, pressure on realized prices is likely to persist. Accordingly, we have revised down our target price by 6% and downgraded the rating from Buy to Hold. The company is currently trading at 26F P/BV of 0.5x and P/E of 20.5x.

Rating and Risks

We are HOLD rated on NAJLAN and our 12-month target price is SAR 7. Upside risks include stronger-than-expected cement demand and higher retention price. Downside risks include a slump in cement demand, rising inventory levels, regulatory action against higher selling prices and contraction in public spending due to the decline in oil prices.

SAR mln	4Q25	3Q25	4Q24	Q/Q %	Y/Y %
Revenues	134	123	149	9%	-10%
Cost of Sales	-100	-101	-94	-1%	6%
Gross Profit	33	21	54	56%	-38%
Operating Expenses	-11	-12	-14	-7%	-21%
Operating Profit	22	9	40	138%	-45%
Net Income	12	3	32	290%	-62%
EPS	0.07	0.02	0.19	290%	-62%
Dispatches ('000 tons)	740	649	754	14%	-2%
Realized Price (SAR/ton)	180	189	197	-5%	-8%
Cost per ton (SAR/ton)	-135	-156	-125	-13%	8%
Margins (%)					
Gross Margin	25	17	36	755 bps	-1,149 bps
Operating Margin	17	8	27	901 bps	-1,031 bps
Net Margin	9	3	21	646 bps	-1,231 bps

Rating Summary and Forecasts

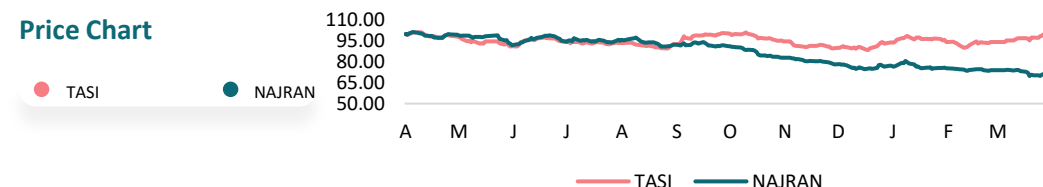
Rating Summary

Rating	Hold
Market Price	6.0
12-month Target Price	7
Upside / Downside	24%
Mkt Cap (SAR mn)	1,018.3
52 week High/Low	8.63/5.88

Forecasts

	12/25 A	12/26 A	12/27 E	12/28 E
Net Income (SAR mn)	37	50	63	78
PER (x)	27.7	20.5	16.1	13.0
PBV (x)	0.5	0.5	0.5	0.5
EPS (SAR)	0.2	0.3	0.4	0.5
DPS (SAR)	0.0	0.0	0.3	0.4
RoE (%)	1.8	2.4	2.9	3.6
Dividend Yield (%)	0.0	0.0	5.0	6.7

Price Chart



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.

Saudi Fransi Capital

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