Tabuk Cement (HOLD, TP: SAR 9, 3090.SE) 1Q26 Results Review

Dispatches continue to decline Y/Y, with the near-term outlook remaining uncertain. Maintain Hold.

Tabuk Cement (TACCO) reported a 69% Y/Y decline in profitability, although earnings improved sequentially, with EPS reaching SAR 0.05. Revenue decreased both Y/Y and Q/Q due to lower dispatch volumes, despite a stable retention price Y/Y, while it was up Q/Q. Gross profit declined Y/Y as gross margin contracted, primarily driven by higher cost per ton. However, on a Q/Q basis, gross profit increased alongside an improvement in gross margin. Operating expenses declined both Y/Y and Q/Q, while operating profit fell Y/Y but advanced on a sequential basis. Net profit margin stood at 7%.

- Revenue for the quarter came in at SAR 63mn, declining 8% Y/Y and 19% Q/Q. The contraction was primarily driven by lower dispatch volumes, which fell 8% Y/Y and 23% Q/Q. However, the decline in revenue was partially mitigated by an improvement in realized prices, which were broadly flat Y/Y (+0.2%) but increased 6% sequentially. Gross profit stood at SAR 10mn, declining 51% Y/Y but increasing 25% Q/Q. The Y/Y decline was primarily driven by a 21% increase in cost per ton, while revenue per ton remained broadly unchanged, resulting in a 1,437bps contraction in gross margin. On a sequential basis, gross profit improved as revenue per ton increased 6% while cost per ton declined 1%, leading to a 558bps expansion in gross margin. Operating expenses declined 14% Y/Y and 1% Q/Q to SAR 4mn, while operating profit came in at SAR 5mn, down 64% Y/Y but up 58% Q/Q. The company reported a net profit after zakat and tax of SAR 4mn, compared with SAR 13mn in 1Q25 and SAR 2mn in 4Q25. The Y/Y decline was primarily driven by lower revenue and gross profit, which weighed on both operating and net earnings. However, profitability improved sequentially, supported by higher gross profit, lower operating expenses, and a reduced effective zakat charge.

- Tabuk's inventory-to-LTM sales ratio stood at 64%, lower than the regional peer average of 102% and the sector's average of 78%. Inventory stood at 0.96mn tons (1.04mn tons in 1Q25, and 0.95mn tons in 4Q25).

- The company trades at EV/ton of SAR 219, at a 52% discount to the sector (SAR 460) and a 50% discount to its regional peers (SAR 441). It trades at an 41% discount to its 3-year average EV/ton multiple of SAR 371 compared with the overall sector, which trades at a 30% discount to its 3-year average EV/ton multiple of SAR 655.

- *We have further moderated our expectations as cement dispatches continue to trend downward for both the northern region and Tabuk Cement. While the company and the region were initially expected to benefit from NEOM-related construction activity, the government's near-term priorities have shifted toward infrastructure projects tied to time-sensitive events, including Expo 2030 and the FIFA World Cup 2034. As a result, progress on several northern-region mega projects has slowed, with NEOM-related spending appearing to be deprioritized in the near term. This shift is likely to weigh on Tabuk Cement's dispatch volumes, as reflected in 5M26 data, where the company's dispatches declined 7% Y/Y, underperforming the sector's 4% Y/Y decline, while still outperforming the Northern region, where dispatches fell 16% Y/Y. Despite weaker demand conditions, Tabuk Cement continues to operate a single production line at approximately 87% utilization, positioning the company to benefit significantly from any improvement in cement pricing. The ongoing reprioritization of government projects have increased both execution and demand risks to our investment thesis. Following the incorporation of 1Q26 results, we have revised our forecasts by reducing sector and Tabuk Cement sales estimates by an average of 4% over the forecast period. Consequently, our earnings forecasts have declined by an average of 16%, leading to a 20% reduction in our target price. The stock currently trades at FY26 P/B and P/E multiples of 0.6x and 23.0x, respectively, while offering a dividend yield of 4.3%. Maintain Hold.*

Rating and Risks

We are HOLD rated on Tabuk, with a 12-month target price of SAR 9. Upside risks include stronger-than-expected cement demand and higher retention price. Downside risks include 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	**1Q26**	**4Q25**	**1Q25**	**Q/Q %**	**Y/Y %**
Revenues	63	77	68	*-19%*	*-8%*
Cost of Sales	-53	-69	-47	*-24%*	*11%*
Gross Profit	10	8	21	*25%*	*-51%*
Operating Expenses	-4	-5	-5	*-1%*	*-14%*
Operating Profit	5	3	15	*58%*	*-64%*
Net Income	4	**2**	13	***119%***	***-69%***
EPS	0.05	0.02	0.14	*119%*	*-69%*
Dispatches ('000 tons)	331	431	359	*-23%*	*-8%*
Realized Price (SAR/ton)	189	179	189	*6%*	*0%*
Cost per ton (SAR/ton)	-159	-160	-131	*-1%*	*21%*
Margins (%)					
Gross Margin	16	10	30	*558 bps*	*-1,437 bps*
Operating Margin	9	4	23	*427 bps*	*-1,380 bps*
Net Margin	7	2	19	*413 bps*	*-1,271 bps*

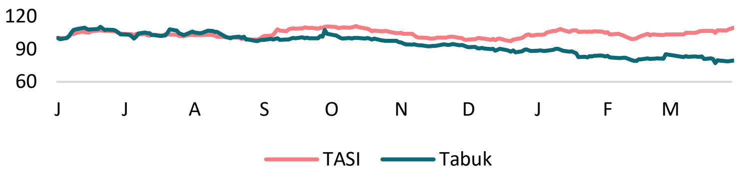
Rating Summary and Forecasts

Rating Summary	
Rating	HOLD
Market Price	7.8
12-month Target Price	9
Upside / Downside	12%
Mkt Cap (SAR mn)	697.5
52 week High/Low	11.24/7.70

Forecasts	**12/25 A**	**12/26 E**	**12/27 E**	**12/28 E**
Net Income (SAR mn)	37	30	41	48
PER (x)	18.7	23.0	16.8	14.7
PBV (x)	0.6	0.6	0.6	0.6
EPS (SAR)	0.4	0.3	0.5	0.5
DPS (SAR)	0.5	0.3	0.5	0.5
RoE (%)	3.2	2.5	3.4	3.9
Dividend Yield (%)	6.5	4.3	5.9	6.8

Price Chart

TASI TCC



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Rating Framework

Buy

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

Hold

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

Sell

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

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