

Tabuk Cement (HOLD, TP: SAR 11, 3090.SE) 4Q25 Results Review

Downgrade to Hold amid NEOM scale down and demand uncertainty.

Tabuk Cement's (TACCO) profitability declined 79% Y/Y and 77% Q/Q with EPS at SAR 0.02. Revenue retreated Y/Y as dispatches declined despite higher retention price while sequentially, revenue jumped driven by dispatches despite retention price declining. Gross profit declined Y/Y and Q/Q. Operating expenses jumped Y/Y; however, they were down on a Q/Q basis. Operating profit declined Y/Y and Q/Q. Net margin stood at 2%.

- Revenue during the quarter stood at SAR 77, recording a decline of 5% Y/Y on the back of lower dispatches (-9%) despite higher retention price (+5%). Sequentially, revenue advanced 6% driven by an 9% increase in dispatches despite retention price declining by 3%.
- Gross margin contracted 874bps Y/Y and 1,004bps Q/Q as the cost per ton of production jumped (+16% Y/Y, +10% Q/Q), whereas revenue per ton was up 5% Y/Y and declined 3% Q/Q.
- Operating expenses rose to SAR 5mn an increase of 12% Y/Y, however they declined and 8% Q/Q.
- Operating profit clocked in at SAR 3mn in 4Q25, declining 70% Y/Y and 65% Q/Q.
- The company recorded a net profit after zakat and tax of SAR 2mn compared to a profit of SAR 9mn in 4Q24 and a profit of SAR 8mn in 3Q25.
- Tabuk's inventory-to-LTM sales ratio stood at 62%, lower than the regional peer average of 96% and the sector's average of 78%. Inventory stood at 0.95mn tons (1.01mn tons in 4Q24, and 0.99mn tons in 3Q25).
- The company trades at EV/ton of SAR 225, viz., at a 54% discount to the sector (SAR 485) and a 49% discount to its regional peers (SAR 439). It trades at an 42% discount to its 3-year average EV/ton multiple of SAR 389 compared with the overall sector, which trades at a 27% discount to its 3-year average EV/ton multiple of SAR 663.

We have moderated our expectations amid a broader slowdown in construction activity, reflected in a 7% year-on-year decline in construction permits in January 2026. While the company was expected to benefit from NEOM-related projects, the government's near-term focus has shifted toward infrastructure development for time-sensitive events such as Expo 2030 and the FIFA World Cup 2034. This shift has led to slower progress on mega projects in the northern region. Additionally, rising geopolitical tensions are likely to weigh on the non-oil economy, potentially delaying the mobilization of government-led infrastructure projects. In the near term, NEOM-related spending appears to be deprioritized, as indicated by the lack of new project awards in 2025. TCC continues to operate at approximately 85% capacity on a single production line, positioning it to benefit significantly from any improvement in pricing, which would support stronger financial performance. Given the ongoing project reprioritization and geopolitical uncertainties, we do not expect a meaningful acceleration in NEOM-related project awards in the near future. The significant scaling back of NEOM has increased both execution and demand risks to our investment thesis. Consequently, we downgrade our rating on the stock from Buy to Hold and revise our forecasts to reflect a slowdown in demand in the northern region, along with lower retention prices. This results in a 21% reduction in our target price. The stock trades at a FY26 P/B and P/E multiples of 0.6x and 20.0x, respectively, and offers a dividend yield of 4.0%.

Rating and Risks

We are HOLD rated on Tabuk, with a 12-month target price of SAR 11. 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	4Q25	3Q25	4Q24	Q/Q %	Y/Y %
Revenues	77	73	81	6%	-5%
Cost of Sales	-69	-58	-65	19%	6%
Gross Profit	8	15	15	-46%	-48%
Operating Expenses	-5	-5	-4	-8%	12%
Operating Profit	3	10	11	-65%	-70%
Net Income	2	8	9	-77%	-79%
EPS	0.02	0.09	0.10	-77%	-79%
Dispatches ('000 tons)	431	397	473	9%	-9%
Realized Price (SAR/ton)	179	184	171	-3%	5%
Cost per ton (SAR/ton)	-160	-146	-138	10%	16%
Margins (%)					
Gross Margin	10	20	19	-1,004 bps	-874 bps
Operating Margin	4	14	14	-919 bps	-962 bps
Net Margin	2	11	11	-890 bps	-879 bps

Rating Summary and Forecasts

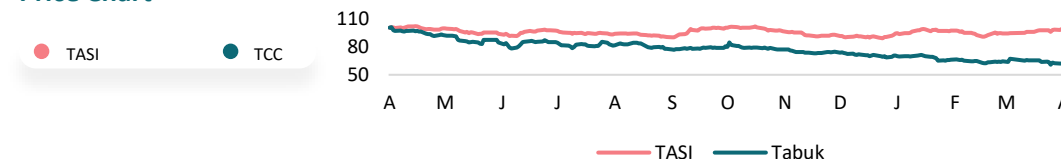
Rating Summary

Rating	HOLD
Market Price	8.0
12-month Target Price	11
Upside / Downside	34%
Mkt Cap (SAR mn)	722.7
52 week High/Low	12.56/7.70

Forecasts

	12/25 A	12/26 A	12/27 E	12/28 E
Net Income (SAR mn)	37	36	46	55
PER (x)	19.4	20.0	15.6	13.2
PBV (x)	0.6	0.6	0.6	0.6
EPS (SAR)	0.4	0.4	0.5	0.6
DPS (SAR)	0.5	0.3	0.5	0.6
RoE (%)	3.2	3.0	3.8	4.5
Dividend Yield (%)	6.2	4.0	5.8	7.6

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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