

**Target Price: SAR69/share**  
Current Price: SAR61.3/share  
Upside: 12.5% (+ Div. Yield: 3.8%)  
**Rating: Overweight**

## Riyadh Cables (RC)

### Raise TP to SAR69/sh. on better-than-expected margins

- Better than expected gross profit/ton and utilization rate imply better than guided profit growth for 2023e.
- Capacity is expected to increase by 20% by 2024e.
- The stock has rallied ~17% since our initiation and reached our TP of SAR60/sh. Post updating 1Q23 numbers we raise our TP to SAR69/share especially considering that near term earnings momentum looks positive.

**Growth to be supported by healthy demand:** Sales volume was better than expected because of higher utilization (97% actual vs 90% our estimates). Our focus is on gross profit/ton, which reached SAR3,711/ton likely due to better hedges and a favorable product mix as high voltage products have higher margins. 50-55% of the total backlog is now high voltage, extra high voltage, and OHL. We expect gross profit per ton to increase by 8% (2.5% earlier estimate) in 2023e (which is still lower than the 19% y/y growth recorded in 1Q23). Thereafter, we keep our gross profit per ton growth of 2% y/y from 2024e onwards unchanged. The backlog remains strong at SAR3.3bn but has slightly declined, possibly due to seasonal factors as there could be Ramadan and increased deliveries. The company had already planned 10% additional capacity across various products to come online in September 2023 and another 10% additional capacity from 1Q24. Capex is expected to be ~SAR200mn in FY23.

**1Q23 details:** In 1Q23, revenue increased 24.1% y/y, supported by 31.1% y/y growth in volume. Gross profit per ton grew 18.7% y/y, driven by better pricing, higher demand for high and extra high voltage products, and increased demand for aluminum-based products. Currently, the product mix is 49%:51% (Copper: Aluminum), which is expected to remain the same in 2Q23 as there is a strong backlog of aluminum products. The company has kept its previous guidance unchanged, with expected net profit growth of 15-25% in 2023, and we expect it to grow at ~25% (from 19% prev.).

**Risks:** Key downside risks include a significant fall in crude oil prices, a slowdown in the execution of mega projects, inability to hedge because of unfavorable regulations, one time cost increase because of capacity addition.

Figure 1: Key financial metrics

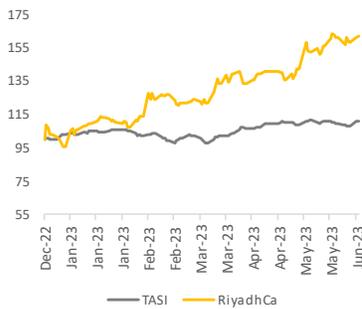
SARmn	2022a	2023e	2024e	2025e
Revenue	6,852	7,832	8,918	9,395
Revenue growth	40%	14%	14%	5%
Operating Profit	458	578	676	712
Operating margin	7%	7%	8%	8%
Net profit attributable to equity holders	352	440	556	585
Net profit margin	5%	6%	6%	6%
EPS (SAR)	2.3	2.9	3.7	3.9
DPS (SAR)	1.6	2.3	3.0	3.1
P/E	26.1x	20.9x	16.5x	15.7x

Source: Company data, GIB Capital

#### Stock data

TASI ticker	4142
Mcap (SARmn)	9,195
Avg. Trd. Val (3m) SARmn	15.8
Free float	31.0%
QFI holding	8.2%
TASI FF weight	0.14%

Source: Bloomberg  
Prices indexed to 100



Source: Bloomberg

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