Target Price: SAR134.0/sh
Current Price: SAR102.0/sh
Upside: 31.3% (Div yield: +4.4%)
Rating: Overweight

Riyadh Cables (RCG)

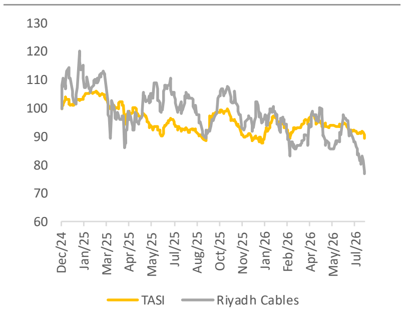
Structural demand and growth story intact despite near-term drag

- Regional conflict not a material overhang; revenue is expected to grow at a 7.3% CAGR over 2025–28e, supported by renewable energy, grid inter-connections and giga projects.
- Earnings to rise at a CAGR of ~9% (~11% earlier) over 2025-28e, aided by healthy topline growth, steady margin, and lower finance costs, even as near-term ECL remains elevated.
- Post factoring a slight earnings slowdown and valuation rollover, we revise our 1Y forward TP to SAR134/share (SAR140/share earlier), based on an equal weightage of DCF and P/E (16x on average EPS of 2026–27e), but maintain our Overweight rating.

Stock data	
TASI ticker	4142
Mcap (SARmn)	15,300
Avg. Trd. Val (3m) SARmn	25.8
Free float	77.4%
QFI holding	11.9%
TASI FF weight	0.64%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

In line 2Q26 topline; earnings beat on likely lower than anticipated ECL: RCG reported a solid 2Q26 performance, with revenue rising 7.9% y/y to SAR2,930mn, broadly in line with our (SAR2,853mn) and consensus (SAR2,972mn) estimates. The topline growth was driven by higher volume on improved demand across both the domestic market and neighboring countries and further aided by continued execution of its healthy order backlog. However, gross profit declined slightly by 1% y/y to SAR439mn (in line) as margin normalized to 15.0% (vs. 16.3% in 2Q25 and 15.3% expected), mainly due to product mix. Nevertheless, operating profit rose ~6% y/y to SAR342mn (~11% beat), benefiting from lower-than-expected operating expenses (reported: SAR97mn vs. GIBCe: SAR128mn). We believe this was primarily driven by lower ECL provisions on likely better-than-expected collections from legacy Iraq receivables. Consequently, net profit increased by ~10% y/y to SAR307mn, surpassing our estimate by ~16% and consensus by ~7%.

Momentum broadly remains intact with contained regional softness… RCG's business operations and earnings outlook remain broadly resilient despite the regional conflict. While 2Q26 top-line growth has slightly slowed down (7.9% y/y in 2Q vs. 11.2% y/y in 1Q), likely due to ongoing conflicts, it has not been significant enough to alter the overall future growth. Momentum is backed by i) healthy order with no major cancellation or shipment delays, ii) secured raw material inventory (aluminum mostly via Maaden, copper via Jeddah port), iii) rising demand across transmission and renewable energy projects, iv) limited export exposure (7–8% of KSA volume) and vi) pass-through of higher freight and insurance costs via pricing.

Figure 1: Key financial metrics

SARmn	2024a	2025a	2026e	2027e	2028e
Revenue	**9,007**	**10,674**	**11,775**	**12,492**	**13,196**
Revenue growth	*15%*	*18%*	*10%*	*6%*	*6%*
Gross profit	**1,287**	**1,733**	**1,813**	**1,937**	**2,052**
Gross profit margin	*14.3%*	*16.2%*	*15.4%*	*15.5%*	*15.6%*
Operating Profit	**968**	**1,267**	**1,355**	**1,479**	**1,563**
Net profit	**817**	**1,080**	**1,186**	**1,304**	**1,391**
Net profit growth	*57.4%*	*32.3%*	*9.8%*	*10.0%*	*6.7%*
Net profit margin	*9.1%*	*10.1%*	*10.1%*	*10.4%*	*10.5%*
EPS (SAR)	5.5	7.2	7.9	8.7	9.3
DPS (SAR)	3.5	4.2	4.5	5.2	5.6
EV/EBITDA	15.3x	11.7x	10.9x	10.0x	9.5x
P/E	18.7x	14.1x	12.9x	11.7x	11.0x

Source: Company data, GIB Capital

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The only notable slowdown is in Iraq (~4–7% of revenue), where RCG has intentionally refrained from participating in government tenders due to extended payment terms, though its retail business (~30% of Iraq business) remains largely intact. Overall, the slowdown is contained, and we see limited read-through risks as structural demand drivers remain firm, led by KSA's multi-year infrastructure and energy investment cycle, including giga projects, renewable and grid interconnections (Figures 5, 6, 7, 8).

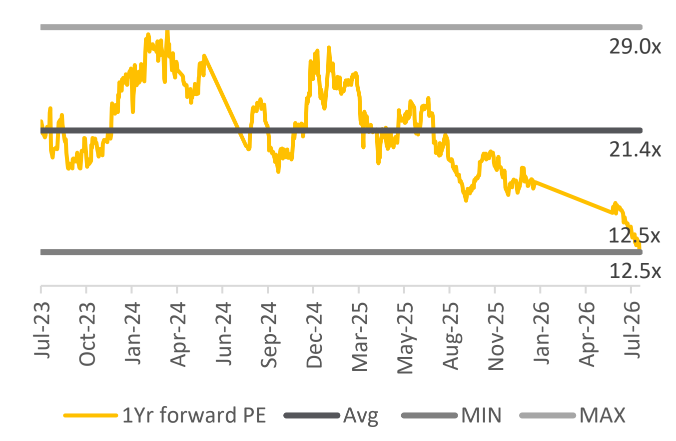
…driving robust backlog and strong revenue visibility: RCG's backlog rose ~7% y/y, reaching SAR5.5bn in 1Q26, driven by underlying demand and resilient market share, mirrored in 1H26 revenue growth of ~10% y/y on ~4% y/y volume growth. With structural demand intact and capacity expansion of 6-8% annually through 2027e via organic growth and debottlenecking, we expect backlog to remain solid, driving revenue visibility. Consequently, we forecast sales volume CAGR of 6.1%, translating into a healthy revenue CAGR of 7.3% (largely maintained) over 2025-28e, reinforcing our constructive stance despite near-term regional noise.

Gross profit per ton to remain stable backed by favorable mix and efficiency gains… RCG's gross profit per ton has reached record levels in recent years, rising ~14% y/y to SAR6,323/ton in 2025 and remained largely stable in 1H26, driven by i) a favorable product mix with strong transmission cables demand, ii) operational efficiencies from high utilization (96% in 2025, 94% in 1Q26), and iii) ongoing cost optimization efforts. With the product mix likely to remain broadly stable over the near to medium term, aided by sustained demand for EHV and HV cables from infrastructure projects and the energy transition, we conservatively expect gross profit per ton to stay broadly stable (vs. mgt guidance of low single-digit growth annually), primarily driven by further efficiency gains. Consequently, we expect gross margin to settle in the 15.4–15.6% range through 2028e (16.2% in 2025 and 15.3% in 1H26).

…leading to high single-digit earnings growth over 2025-28e despite elevated ECL: Credit loss provisioning rose sharply from SAR23mn in 2024 to SAR151mn in 2025 (1.4% of revenue), primarily due to slower collections from the Iraqi government (typically carries higher provisioning requirements) and a weaker macro backdrop. Despite relatively lower ECL in 1H26, we expect it to rise over the remaining quarters of 2026e (concentrated mostly toward year-end), reflecting both the Iraq receivable overhang and a broader economic slowdown, as well as a rise in Iraq's country risk premium amid ongoing geopolitical concerns. Accordingly, we forecast ECL to remain elevated at SAR134mn in 2026e (1.1% of revenue, vs. a 0.8% average in 2024–25), before gradually normalizing in 2027e as collections improve and the book de-risks. However, we expect the earnings drag from elevated provisioning to be partly offset by operating leverage and lower finance costs, driving an ~9% earnings CAGR (vs. 11% earlier) over 2025–28e.

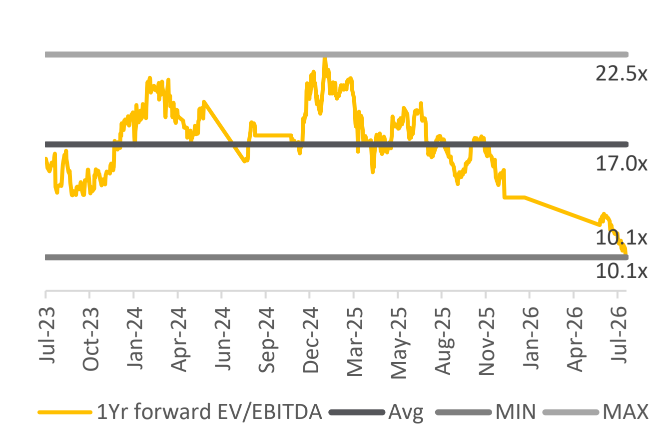
Valuation and risks: After updating our estimates and rolling forward the valuation, we revise our 1Y forward blended TP to SAR134/sh (SAR140/sh earlier), reflecting higher working capital and provisioning, and revised capex assumptions. Our DCF-based TP is SAR134.9/sh, using a 9.0% WACC (vs. 8.3% previously, reflecting higher market volatility and risk premium) and a 2.5% terminal growth rate. Our P/E-based TP is SAR133.0/share using the average of 2026–27e EPS and a 16x P/E (down from 21x) to reflect the broader industry correction and slower earnings momentum. Post ~24% correction in share price over the past year and 21% fall YTD, the stock currently trades at 1Y Fwd PE of 12.5x, a ~40% discount to its 3Y historical average of 21.4x (Figures 2, 3), offering an attractive entry point given its strong long-term growth outlook. Key downside risks include a sharp drop in oil prices resulting in a decline in government spending, persistent increase in inflation, inability to favorable hedging, higher competition, and unfavorable regulations.

Figure 2: RCG's 1 Yr forward P/E band chart



Source: Bloomberg, GIB Capital

Figure 3: RCG's 1 Yr forward EV/EBITDA band chart



Source: Bloomberg, GIB Capital

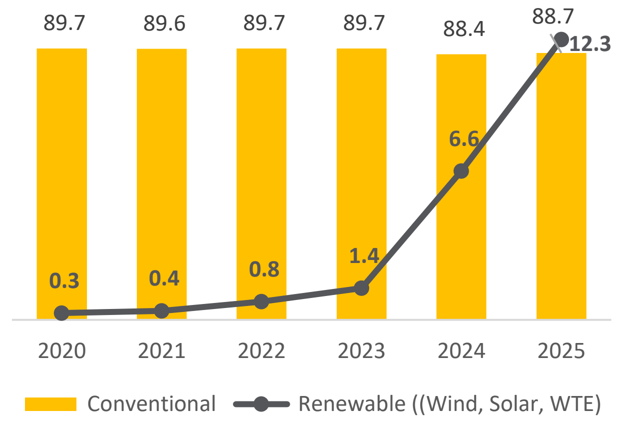
Figure 4: 2Q26 results

SARmn	2Q26	2Q25	y/y %	1Q26	q/q %	GIBC estimate	Variance %	Consensus	Variance %
Revenues	**2,930**	**2,715**	**7.9%**	**2,768**	**5.9%**	**2,853**	**2.7%**	**2,972**	**-1.4%**
Cost of sales	2,491	2,271	9.7%	2,337	6.6%	2,416	3.1%	NA	
Gross profit	**439**	**443**	**-1.0%**	**431**	**2.0%**	**437**	**0.5%**	NA	
OPEX	97	120	-19.2%	103	-6.2%	128	-24.6%	NA	
Operating profit	**342**	**324**	**5.8%**	**327**	**4.6%**	**309**	**10.9%**	NA	
Net income	**307**	**279**	**9.9%**	**282**	**8.8%**	**265**	**15.9%**	**286**	**7.1%**
Margins									
Gross margin	15.0%	16.3%		15.6%		15.3%			
Operating margin	11.7%	11.9%		11.8%		10.8%			
Net margin	10.5%	10.3%		10.2%		9.3%			

Source: Tadawul, GIB Capital

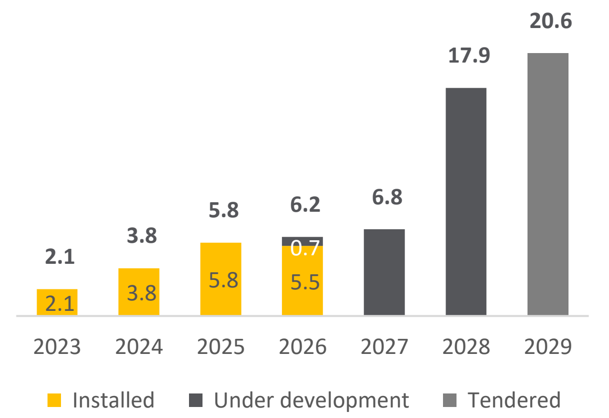
Demand drivers for Cable and Wires

Figure 5: Cumulative installed capacity in KSA by unit type (GW)



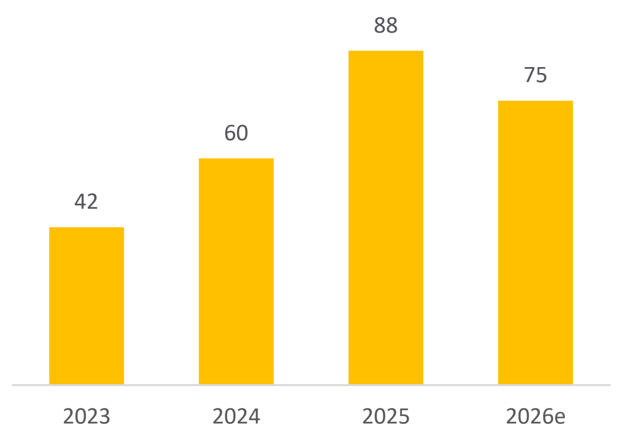
Source: Company data, GIB Capital, Meed, KAPSARC

Figure 6: Annual renewable energy capacity in KSA (GW)



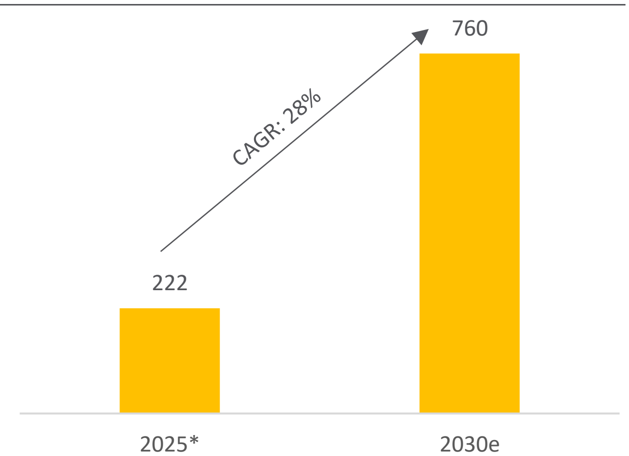
Source: Company data, GIB Capital, Meed, KAPSARC

Figure 7: Saudi Energy (SEC) capex trend (SARbn)



Source: Company data, GIB Capital, Saudi Energy filings

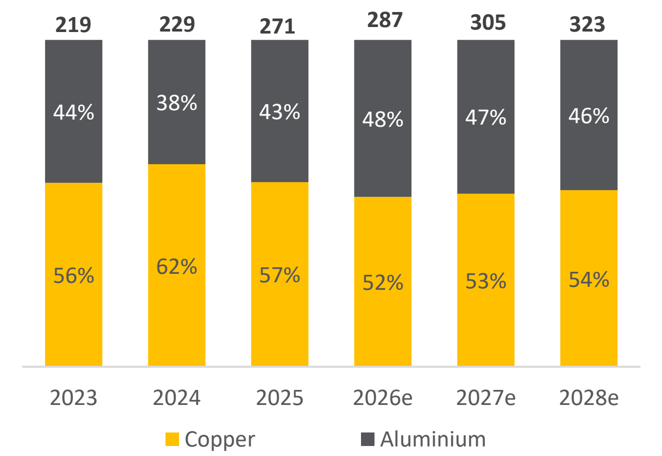
Figure 8: Data Center in KSA (MW)



*Source: Company data, GIB Capital, S&P Intelligence, *as of 1Q25*

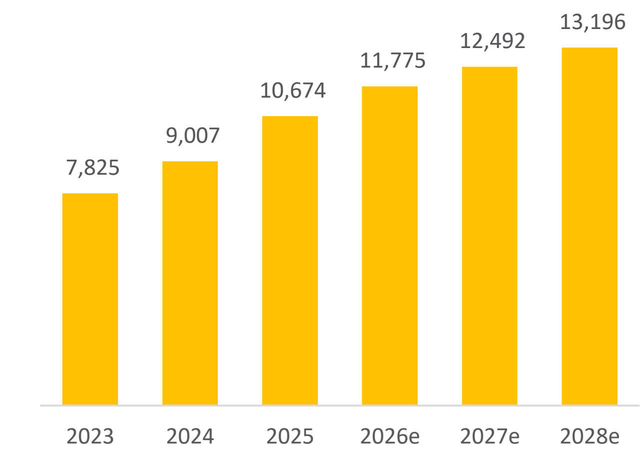
Financial analysis in charts

Figure 9: Sales volume ('000' tons) and mix



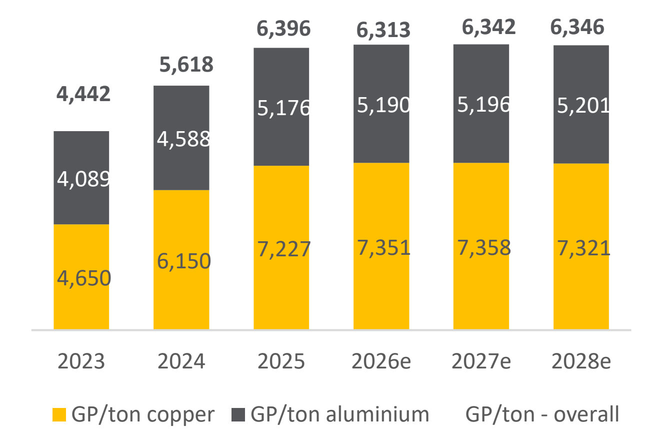
Source: Company data, GIB Capital

Figure 10: Revenue trend (SARmn)



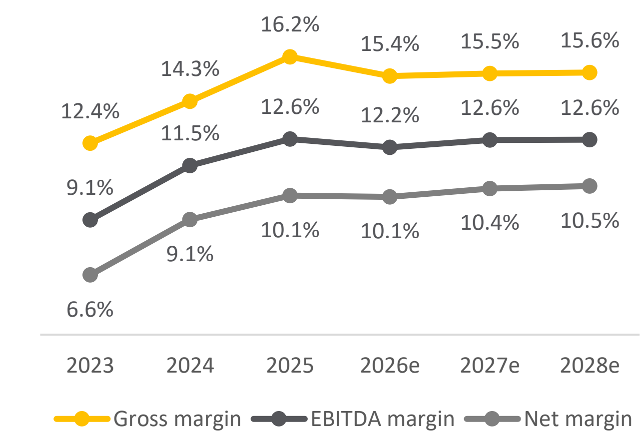
Source: Company data, GIB Capital

Figure 11: Gross profit per ton (SAR)



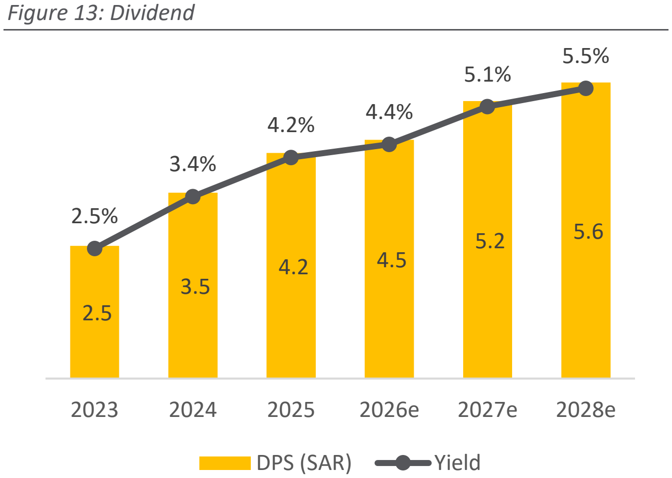
Source: Company data, GIB Capital

Figure 12: Margin trend



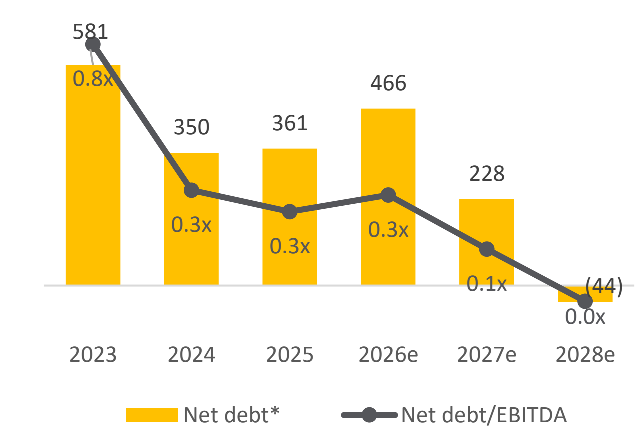
Source: Company data, GIB Capital

Figure 13: Dividend



Source: Company data, GIB Capital

Figure 14: Leverage trend (SARmn)



*Source: Company data, GIB Capital, *net debt includes lease liabilities*

Summarized Financial statements

Figure 15: Summarized basic financial statements (SARmn)

Income statement	2024a	2025a	2026e	2027e	2028e
Revenue	**9,007**	**10,674**	**11,775**	**12,492**	**13,196**
revenue y/y	*15%*	*18%*	*10%*	*6%*	*6%*
COGS	7,721	8,940	9,962	10,555	11,144
Gross Profit	**1,287**	**1,733**	**1,813**	**1,937**	**2,052**
Gross Profit margin	*14.3%*	*16.2%*	*15.4%*	*15.5%*	*15.6%*
Selling and distribution expenses	128	138	152	161	171
General and administrative expenses	156	169	173	179	187
EC loss/(reversal)	23	151	134	117	132
Other income/(loss)	(10)	(8)	1	0	0
Operating profit	**968**	**1,267**	**1,355**	**1,479**	**1,563**
Operating margin	*11%*	*12%*	*12%*	*12%*	*12%*
Finance costs	88	74	61	54	42
PBT	**881**	**1,192**	**1,294**	**1,425**	**1,521**
Zakat/tax	64	108	108	121	129
Non-controlling interests	0	4	0	0	0
Net income attributable to equity holders	**817**	**1,080**	**1,186**	**1,304**	**1,391**
Net margin	*9.1%*	*10.1%*	*10.1%*	*10.4%*	*10.5%*
y/y	*58%*	*33%*	*9%*	*10%*	*7%*
EPS	**5.5**	**7.2**	**7.9**	**8.7**	**9.3**
DPS	3.5	4.2	4.5	5.2	5.6
Payout	64%	59%	57%	60%	60%
EBITDA	**1,031**	**1,346**	**1,442**	**1,572**	**1,660**
Net debt (w/o lease liabilities)	342	349	454	215	(57)
Net debt (w/ lease liabilities)	350	361	466	228	(44)

Balance Sheet	2024a	2025a	2026e	2027e	2028e
Inventories	2,126	2,411	2,948	3,036	3,145
Trade receivables	2,023	2,485	2,904	2,960	3,055
Cash and cash equivalents	91	236	132	270	442
Other current assets	94	398	418	430	441
Total Current Assets	**4,334**	**5,531**	**6,401**	**6,696**	**7,083**
Property, plant and equipment	1,336	1,492	1,655	1,762	1,797
Intangible assets	57	138	138	138	138
Other non-current assets	85	121	125	130	135
Total Non-Current Assets	**1,478**	**1,751**	**1,918**	**2,030**	**2,069**
Total Assets	**5,812**	**7,282**	**8,319**	**8,727**	**9,152**
Current Liabilities	3,049	3,804	4,353	4,238	4,106
Non-current Liabilities	139	169	145	146	146
Equity	2,624	3,309	3,821	4,343	4,900
Total Equity and Liabilities	**5,812**	**7,282**	**8,319**	**8,727**	**9,152**
BVPS	17.5	22.1	25.5	29.0	32.7

Cashflow	2024a	2025a	2026e	2027e	2028e
Cashflow from Operations	872	969	847	1,225	1,243
Cashflow from Investing	-192	-356	-250	-200	-132
Cashflow from Financing	-739	-468	-702	-887	-939
Total Cashflows	**-59**	**145**	**-104**	**138**	**172**

Source: Company, GIB Capital

Figure 16: Key ratios

Key ratios	2024a	2025a	2026e	2027e	2028e
Profitability ratios					
RoA	14%	15%	14%	15%	15%
RoE	31%	33%	31%	30%	28%
Sales/Assets	155%	147%	142%	143%	144%
Net margin	9.1%	10.1%	10.1%	10.4%	10.5%
Liquidity ratios					
Current Assets/ Current Liabilities	1.4	1.5	1.5	1.6	1.7
Debt to Total Equity (w/ IFRS liab.)	0.2	0.2	0.2	0.1	0.1
Receivable Days	82	85	90	87	85
Inventory Days	101	98	108	105	103
Payable days	76	65	80	75	70
Cash conversion cycle	107	119	118	117	118
Debt ratios					
Net Debt/EBITDA*	0.3	0.3	0.3	0.1	0.0
Debt/Assets	0.1	0.1	0.1	0.1	0.0
Net Debt/Equity	0.1	0.1	0.1	0.0	0.0
Valuation ratios					
P/E	18.7x	14.1x	12.9x	11.7x	11.0x
P/B	5.8x	4.6x	4.0x	3.5x	3.1x
EV/EBITDA	15.3x	11.7x	10.9x	10.0x	9.5x
FCF Yield	2.1%	1.0%	4.3%	7.1%	7.5%
Dividend Yield	3.4%	4.2%	4.4%	5.1%	5.5%

*Source: Company, GIB Capital, *Including lease liabilities*

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