Arabian Cement Co.

Results Flash Note Q2-26

aljazira capital الجزيرة كابيتال

Q2-2026 earnings came in below consensus expectations, primarily due to higher feedstock costs and softer sales volume momentum.

Arabian Cement posted a weak set of net income at SAR 30.4mn in Q2-26, up 48.3% Y/Y (down 49.2% Q/Q), respectively. The net profit was 36% and 37% below AJBC estimate of SAR 47.8mn and market consensus estimate of SAR 48.3mn, respectively. The Y/Y improvement in net income is mainly owed to 790bps Y/Y expansion in gross margin to 23.9%; as average selling price recovered by approx.15-17%, along with the revision in asset useful life assumptions. In addition to recording one-off income tax expense for the subsidiary company as a result of prior years' tax differences in the same period last year. Revenue totaled at SAR 229.0mn in Q2-26, down 1.6% Y/Y and -8.5% Q/Q, below our estimate of SAR 233.0mn (deviation -2.0%). Sales decreased primarily driven by a 12% Y/Y and 11.8% Q/Q decline in sales volume to 733KT, while bottom line was dragged on Q/Q basis by gross profit pressure due to higher feedstock costs.

- **Arabian Cement posted a net income** of SAR 30.4mn in Q2-26, up 48.3% Y/Y (down 49.2% Q/Q), respectively. The net profit was 36% and 37% below AJBC estimate of SAR 47.8mn and market consensus estimate of SAR 48.3mn, respectively. The Y/Y improvement in net income is mainly owed to 790bps Y/Y expansion in gross margin to 23.9%; as average selling price recovered by approx.15-17%, along with the revision in asset useful life assumptions. In addition to recording one-off income tax expense for the subsidiary company as a result of prior years' tax differences in the same period last year. On a Q/Q basis, the decline was driven by a 710 bps contraction in GPM, as CPT increased by 8% to SAR 174.6/tonne.
- **The company's revenue** posted SAR 229.0mn in Q2-26, down 1.6% Y/Y and -8.5% Q/Q, below our estimate of SAR 233.0mn (deviation -2.0%). Sales decreased on a Y/Y basis, primarily driven by a 12.1% decline in sales volume to 733 KT, despite a 15-17% increase in average selling prices ASPs . Qutrana recorded higher export sales volumes, which partially mitigated the overall revenue impact of the lower sales volumes at the parent company. On a quarterly basis, revenue declined, reflecting an 11.8% decrease in sales volumes due to the overlap of the Hajj and Eid Al-Adha seasons, coupled with a 3-5% decline in ASPs.
- **Gross profits** increased by 46.9% Y/Y to SAR 54.8mn and down by 29.4% Q/Q; 19.3% below our expectation of SAR 67.9mn; The GP margin stood at 23.9% in Q2-26 as compared to 16.0% in Q2-25 and 31.0% in Q1-26. The Y/Y improvement in gross margins is owed to lower deprecation expenses which lead CPT to improve by 1% to SAR 174.6/Tonne, along with strong recovery in ASPs. However quartraly CPT increased by 8% Q/Q reflecting the increase in feedstock prices along with the inflationary cost assosicate with exports sales from Qutrana.
- **Operating profit** was recorded at SAR 36.3mn (+90.0% Y/Y and -40.6% Q/Q), 26.3% below our estimate of SAR 49.3mn. Operating margins expanded by 767bps Y/Y to 15.9%, the OPEX-to-sales ratio increased to 8.1% in Q2-26, as compared to 7.8% in Q2-25, primarily due to higher selling & marketing expense and increased general & administrative expenses.

AJBC view and valuation: Arabian Cement posted a weak set of result in Q2-2026, reflecting continued pressure on gross margins Q/Q from elevated feedstock costs, and weak volume due to seasonal factors during the quarter, despite Y/Y improvement in CPT. Nevertheless, resilient ASPs reinforce pricing discipline and position the company for stronger earnings once demand recovers. Overall, after the 10.65% YTD increase in stock price the company trades at 2026E PE of 10.4x, we retain our "**Neutral**" recommendation on the stock with a TP of **SAR 26.7/share**.

Results Summary

SAR mn	Q2-25	Q1-26	Q2-26	Change Y/Y	Change Q/Q	Deviation from AJBC Estimates
Revenue	232.8	250.2	229	-2%	-8%	-2%
Gross Profit	37.3	77.6	54.8	47%	-29%	-19%
Gross Margin	16.0%	31.0%	23.9%	-	-	-
EBIT	19.1	61.1	36.3	90%	-41%	-26%
Net Profit	20.5	59.9	30.4	48%	-49%	-36%
EPS	0.21	0.60	0.30	-	-	-

Source: Company Reports, AlJazira Capital Research

Recommendation	Neutral
Target Price (SAR)	26.7
Upside / (Downside)*	13.7%

Source: Tadawul *prices as of 26th July, 2026

Key Financials

SARmn (unless specified)	FY23	FY24	FY25
Revenue	876	858	1,062
Growth %	-9.80%	-2.04%	23.82%
Gross Profit	207	240	256
EBIT	153	174	184
Net Profit	143	160	165
Growth %	-22.9%	14.7%	3.1%
EPS	1.40	1.60	1.65
DPS	1.50	1.50	1.50

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25
GP Margin	23.6%	28.0%	24.1%
EBIT Margin	17.5%	20.3%	17.3%
Net Margin	16.3%	18.7%	15.5%
P/E (x)	25.3	16.2	12.9
P/B (x)	1.3	1.0	0.8
EV/EBITDA (x)	23.5	15.3	12.1
Div Yield (%)	4.2%	5.8%	7.1%

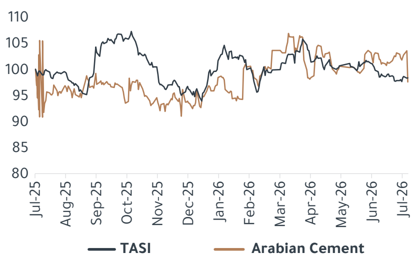
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	2.21
YTD%	10.65%
52 week (High)/(Low)	24.4/20.4
Share Outstanding (bn)	0.1

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadwaul, Aljazira Capital Research

Equity Analyst
Renad Alshehri
+966 11 2256250
r.alshehri@aljaziracapital.com.sa

RESEARCH DIVISION

Director - Head of Sell-Side Research
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

RESEARCH DIVISION

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RATING TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer