الرياض المالية
Riyad Capital

March 07, 2023

Riyadh Cables Group Co.

Initiating Coverage Report

Rating	Neutral
12- Month Target Price	SAR 46.00

Price as on March-06, 2023	46.30 SAR
Upside to Target Price	(0.6%)
Expected Dividend Yield	4.8%
Expected Total Return	4.2%

Market Data

52 Week H/L	SAR 49.55/35.60
Market Capitalization	SAR 6,945 mln
Shares Outstanding	150 mln
Free Float	31.1%
12-Month ADTV	1,139,174
Bloomberg Code	RIYADHCA AB

Leader in a Fast-Growing Sector

Solid fundamentals driving valuations

Improving macroeconomic landscape and strong commodity prices presage continuation of strong growth in Riyadh Cables Group Company's profitability driven by: 1) rebounding volumetric sales; 2) improving margins; and 3) ability to pass-on raw material cost hikes utilizing its position as a market leader in the region. We initiate coverage with a Neutral rating and a target price of SAR 46.00, based on DCF valuation technique. Our fair value for RCGC stands at SAR 6.9 billion or SAR 46.3 per share.

Upcoming decade of transformation in the Middle East

The "Vision 2030" is the overarching framework driving much of the activity in KSA. The vision envisages a number of economic cities, public infrastructures, and Giga projects as part of a broader push to diversify the Kingdom away from oil revenues. Besides KSA's 2030 Vision, other GCC nations have also outlined their ambitious goals to ensure sustainable development and economic diversification over the next 10 to 15 years. All of these plans envision massive infrastructure investments, and megaprojects to spur growth of new sectors.

The demand for cables is flourishing

Apart from upbeat government sponsored activity, persistently high oil prices have turned Middle East into a hotspot for global capital that is rushing to find attractive investment opportunities. RCGC stands to benefit greatly from improved dynamics of the region as the market for cables in Saudi Arabia is expected to grow at a CAGR of 6.0% to 8.3% between 2022 to 2027 in Saudi Arabia and other GCC countries. The power cables market, pertinent to RCGC, is anticipated to grow rapidly amidst demand conditions in the telecom cables, specialty cables, and engineering services, etc.

DPS expected at SAR 4.0 in 2027

Between 2019-21, the average payout was 93% as the Company paid a dividend of SAR 230 million, SAR 179 million and SAR 196 million for 2019, 2020 and 2021 respectively. We expect a dividend payout of 85% for the forecasted period leading to a DPS of SAR 1.88 in 2022 rising to SAR 4.03 in 2027.

Total revenue to surge at a CAGR of +11.0%

RCGC topline is anticipated to grow at a +11.0% CAGR for 2022E-2027E as we are expecting revenues of just over SAR 10.7 billion in 2027 primarily on the back of the significant giga projects that have been announced for the foreseeable future.

Table 1: Key Financials (2021-2027E)

SAR mln	2021	2022E	2023E	2024E	2025E	2026E	2027E
Income Statement							
Revenues	4,883	6,364	7,439	8,717	9,586	10,135	10,719
Gross Profit	463	669	799	985	1,097	1,179	1,281
EBIT	303	446	533	687	768	827	912
Net Income	240	333	393	534	597	642	711
Key Ratios (%)							
Gross Margin	9.5%	10.5%	10.7%	11.3%	11.4%	11.6%	12.0%
EBIT Margin	6.2%	7.0%	7.2%	7.9%	8.0%	8.2%	8.5%
Net Margin	4.9%	5.2%	5.3%	6.1%	6.2%	6.3%	6.6%

Source: RC

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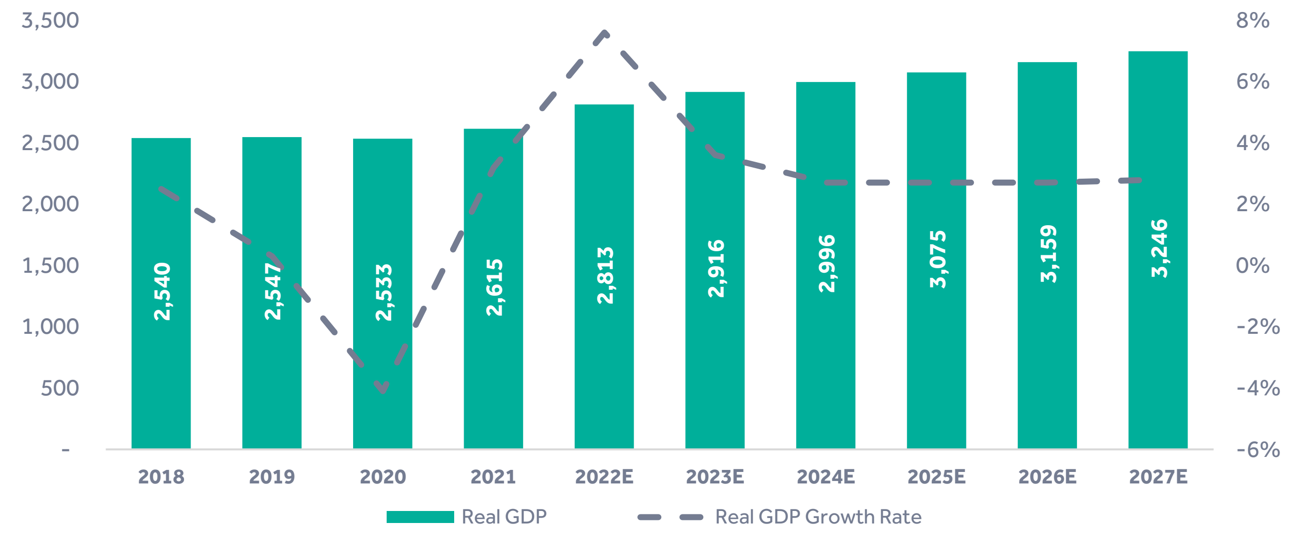
Macro and Sector Overview

Saudi Arabia Economy

Saudi Arabia is among the world's largest economies and the largest economy in the Middle East, with a nominal GDP estimated at SAR 2,813 billion in 2022. Over the past 20 to 30 years, revenues from the oil and energy sector have helped the nation's economy flourish and enabled a major rise in the overall standard of living. With around 40.6% of the nation's GDP coming from the oil sector in 2021, the KSA has continued to be one of the top oil exporters and producers. Alongside all other factors, GDP growth is driving a boom in the construction sector, which increases the demand for power cables.

Exhibit 1: Saudi Arabia Real GDP (SAR bln)



Source: RC, IMF
**Base year 2010*

Upcoming decade of transformation in the Middle East

Saudi Arabia presented "Vision 2030" in 2016, a plan to diversify the economy and lessen dependence on oil in order to achieve sustainable growth in the Kingdom. "Vibrant Society," "Thriving Economy," and "Ambitious Nation" are the three main goals on which the vision is built. Each Vision 2030 program's success depends on the development of new infrastructure, construction projects, industries, and Giga-projects that will allow the country's economy to be further diversified, the change to a more sustainable growth model, the improvement of Saudi quality of life through access to high-quality services, and the establishment of Saudi Arabia as a global powerhouse.

Since the Vision's inception, numerous large-scale projects have been launched; many of these are now entering an accelerated construction phase such as:

- **Public infrastructure:** Makkah public transport, King Salman International Airport Airport, Saudi Land Bridge Rail, Kingdom National Schools Program, King Hamad and King Fahd causeways, etc.
- **Smart cities and Economic cities:** NEOM city, Jeddah Economic city, Knowledge Economic city in Medina, etc.
- **Giga projects:** Red Sea Project, Al Qiddiya, Al Ula tourism region, King Salman Park, Darriyah gate, Roshn real estate development, etc.

Renewable Energy Projects

The energy infrastructure in Saudi Arabia has seen a significant transition as a result of the country's involvement in one of the most ambitious green energy programs in the world. The Kingdom aims to create 58.7 GW of renewable energy capacity by 2030 to implement this ambition, enabling it to produce 50% of its electricity with no carbon emissions. However, the new capacity will mainly come from photovoltaic solar parks and onshore wind farms (respectively 68% and 27% of the new capacity), but also from innovative concentrated solar power plants (5% of the new capacity).

The Kingdom will need to undertake grid modernization measures to facilitate this energy transformation. Thus, Saudi Electricity Company (SEC) and the Saudi National Grid plan to construct 86 transformer substations and 5,400 circuit kilometers of additional transmission lines by 2030. Further, the Kingdom is continuing its grid interconnection efforts to ensure a resilient grid and to potentially become an exporter of green electricity as some of the cornerstone projects already engaged include:

- **35 renewable energy parks** are planned across the Kingdom, aiming to build 9 GW per year between 2025-2030.
- **Four photovoltaic projects** are planned to start by 2023, totaling approximately capacity of 3GW from: Sudair (1.5 GW), Shuaibah (0.6 GW), Jeddah (0.3 GW) and Rabigh (0.25 GW).

Giga Projects to support the growth in Cable Market

Saudi Arabia's planned projects highlight the Kingdom's efforts toward economic, social and cultural diversification. The Kingdom has set ambitious plans under Vision 2030, each of these projects will drive the company to accomplish a successful milestone to grow especially that the projects will be developed in around 9 cities within the Kingdom with an estimated total coverage area of 150 km^2. Therefore, we believe this step will lead to high growth in the cables market for the future.

Exhibit 2: Main Giga Projects with approximate area

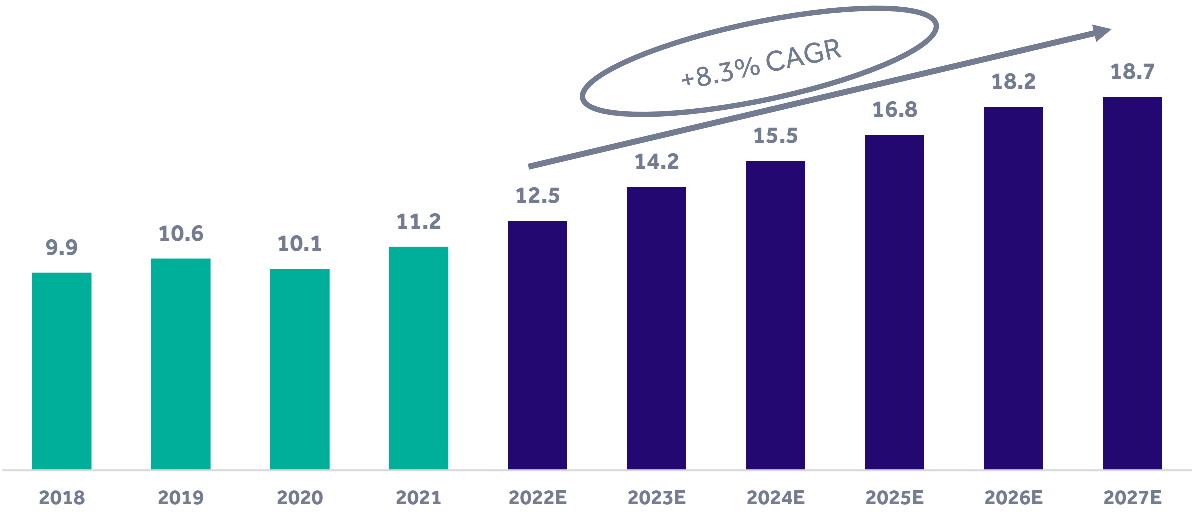
Source: RC

Furthermore, Saudi Arabia's giga-projects are set to bring significant volumes of steady work to the construction sector over the long term, starting with the need for roads and other critical infrastructure. In this regard, each of these projects will open new areas of economic activity, create jobs and drive economic development in line with Vision 2030.

Power Cables Market in the Kingdom

With an expected CAGR of 8.3% between 2022 and 2027 (according to analysis from Arthur D. Little), the power cables market (pertinent to RCGC) is anticipated to grow rapidly in light of these favorable demand conditions. By 2027, the market is anticipated to reach a size of SAR 16.8-18.7 billion. Additionally, given these circumstances, RCGC's other products, such as telecom cables, specialty cables, engineering services, etc., are likely to see growth in the KSA market.

Exhibit 3: Saudi Arabia Power Cable Market (SAR bln)



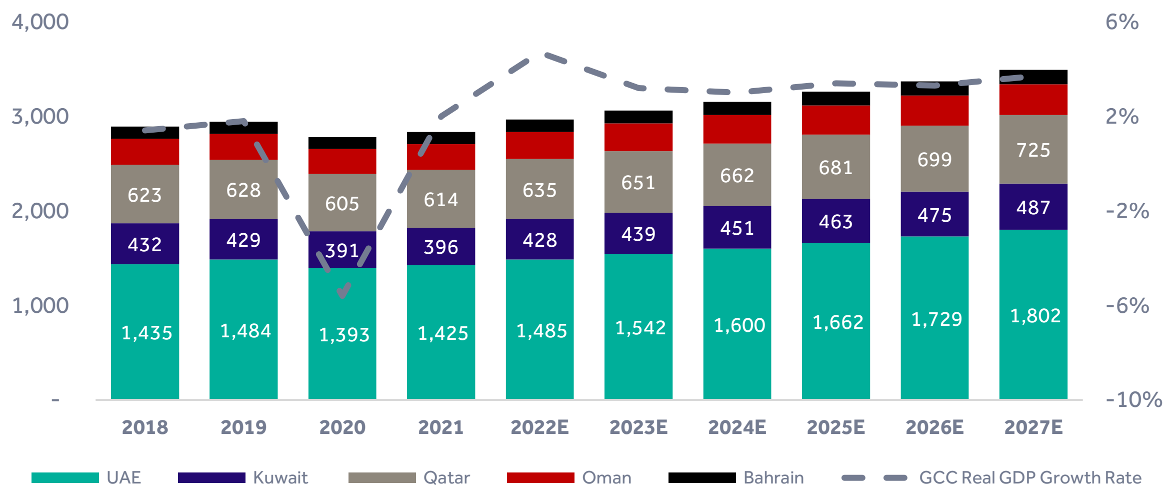
Source: RC, RCGC, Arthur D. Little

GCC Macro and Sector Overview

GCC Economy

Real GDP in the GCC countries fell by 5.6% in 2020 but it began to climb in 2021 and is expected to grow by more than 3% over the following four to five years. With the help of World Expo 2020, the UAE is already experiencing an increase in domestic spending and a rebound in tourism. Due to higher oil exports, public spending, and credit growth, Kuwait's real GDP is anticipated to grow during the medium term. Although hydrocarbon dependence varies per nation but is still a significant economic force in the area. The rise in oil prices has helped the GCC countries' economies recover economically.

Exhibit 4: GCC Real GDP (SAR bln)



Source: RC, IMF

Visions of GCC in the Upcoming Years

The GCC nations have all outlined their goals for the ensuing 10 to 15 years, and they all center on sustainable development and economic diversification. Each country's vision depends on the growth of new sectors, infrastructure, and megaprojects to succeed:

- **UAE National Strategy:** UAE has numerous national and emirate-specific plans, the majority of which will encourage construction (Energy Strategy 2050, Abu Dhabi Vision 2030, Fujairah 2040 Plan, Dubai Industrial Strategy 2030, etc.).
- **Kuwait Vision 2035:** Aims to promote private sector investment and build an environment that is conducive to growth. South Saad Al Abdullah city, which would eventually accommodate 400k people, is a smart city that is also being created from scratch.
- **Qatar Vision 2030:** Aspires to achieve an acceptable and sustained pace of economic growth with expanding industries and services having a competitive advantage.
- **Oman Vision 2040:** Strives to create a diversified, sustainable economy that embraces the industrial revolution and secures competitiveness. The goal of the vision is to enable the private sector to lead a healthy national economy.
- **Bahrain Vision 2030:** Intends to transform an economy dependent on oil wealth into one that is productive and competitive on a global scale, led by the expansion of the private sector.

Renewable Energy Projects

GCC countries have set their targets to increase the adoption of renewable energy in their power generation capacity. Therefore, projects will all need diverse types of power cables during their execution. Some of the keystone projects planned or already engaged:

Exhibit 5: GCC Power Cable Projects Overview

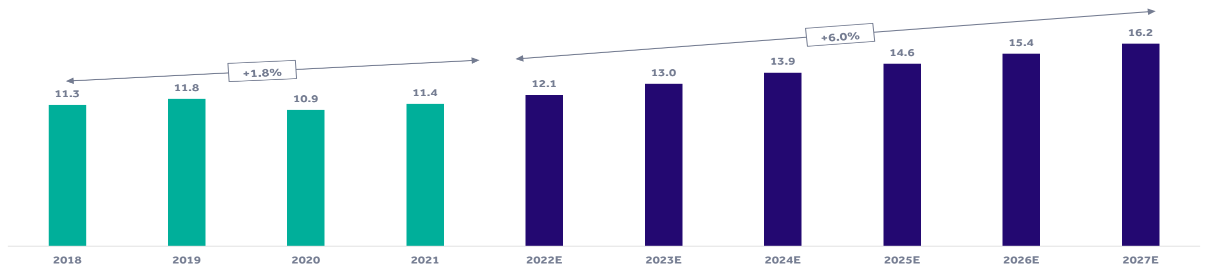
United Arab Estate	Kuwait	Qatar	Oman	Bahrain
7.3GW of Upcoming Projects	**2.9GW of Projects**	**800MW Capacity Solar Projects**	**4.5GW Projects in Different Sources**	**125MW Under Askar Project**
▪ Fujairah 3: Waste-to-energy project of 2.4GW. ▪ Al Dhafra: Solar energy project of 2GW in Abu Dhabi. ▪ SP IV and V: Solar energy projects of 2GW and 0.9GW in Dubai.	▪ Under separate phases of the Shagaya project ▪ The project is a mix of CSP and photovoltaic solar energy.	▪ Two 800MW capacity solar projects ▪ Siraj Energy ▪ Messaieed	▪ Manah 1 & 2: Solar projects of 2.9GW, together account for 1GW. ▪ Waste-to-energy projects of 911MW scale, of which the OESHC project accounts for 750MW. ▪ Wind energy projects of 650MW scale combined Dhofar 1 & 3 of 450MW and DUQM of 200MW.	▪ Askar project: mix of 100MW solar energy and 25MW waste-to-energy project.

Source: RC, RCGC

GCC's Mega Projects

GCC countries are also involved in large-scale upcoming projects with an estimated project budget of SAR 180 billion. The requirement for power cables in the region is anticipated to increase over the next few years. From 2022 to 2027, the power cables market is expected to rise at a compound yearly growth rate of 6.0%, from SAR 10.9-12.1 billion in 2022 to SAR 14.6-16.2 billion in 2027. The UAE is predicted to be the main driver of growth, followed by Oman and Kuwait, while Bahrain and Qatar are anticipated to grow modestly. Given the multi-sectoral demand profile, growth is predicted for all power cable types.

Exhibit 6: GCC Power Cable Market, Mega Projects (SAR bln)



United Arab Estate	Kuwait	Qatar	Oman	Bahrain
8 Mega Scale Projects	**4 Mega Projects**	**Limited Large-scale Projects**	**Various Mega Industrial Projects**	**Number of Planned Projects**
▪ Kizad project phase 2 (Seaport) ▪ Lower Zakum development (Oil field) ▪ DIFC development (Commercial hub) ▪ Mina Rashid Development (Waterfront residential community).	▪ North Kuwait Airport ▪ Al Zour (Petrochemical plant) ▪ Al Khiran City (Residential city development in Al Ahmadi governorate).	▪ Currently planned beyond the Airport city in Doha. ▪ Ras Laffan petrochemical plants.	▪ Sur refinery ▪ Green Hydrogen ▪ Green Ammonia facility in Dhofar Habhab Oil field service.	▪ Railway project to integrate the public transport network.

Source: RC, RCGC

Iraq Macro and Sector Overview

Iraq Economy

Iraq's economy is linked to oil, which is the country's primary source of revenue. Over 99% of exports and 85% of government revenue is accounted by oil. On the back of rising oil prices, it is anticipated that Iraq's economy would gradually rebound and in the medium term, the debt-to-GDP ratio is expected to continue to decline. Iraq's security, political, and institutional circumstances have steadily improved, allowing for stability and supporting growth. Due to systemic deficiencies in law enforcement and public investment, the economy remains vulnerable since it relies on a single revenue source.

However, Iraq showed indications of recovery with 5.9% real GDP growth in 2021 after a sharp decline of 15.7% during the pandemic. By 2027, it is anticipated to increase at a steady rate and reach SAR 941 billion.

Exhibit 7: Iraq Real GDP (SAR bln)

Source: RC, IMF

Iraq Vision

The Iraqi government is making significant investments in economic reforms that would help the nation diversify its economy and build a sustainable one. This strategy entails improvement of basic infrastructure, particularly in the areas of electricity and telecommunications. Iraq has announced in its official reform program that it intends to invest in a number of important sectors, such as:

- **Electricity**
- **Industrial infrastructure**
- **Digital infrastructure**

In addition, major Gulf and global economies are providing investment to Iraq, which is expected to aid in its reconstruction. KSA and UAE governments have also committed SAR 22.5 billion in investments in Iraq. Also, Iraq has Bilateral Investment Treaties (BITs) with eight countries (France, Germany, etc.).

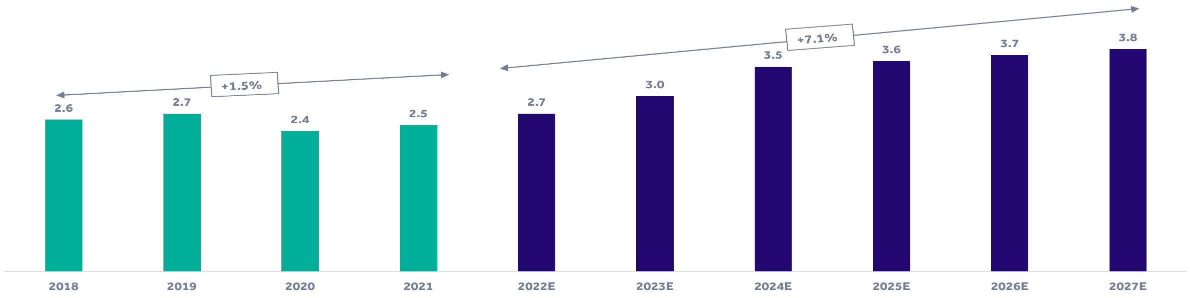
Iraq Projects

As a result of the macroeconomic trends, there will be more construction projects, which will require a variety of power cables to execute. Iraq has about SAR 1.4 trillion in big projects which are planned or underway. Various types of power cables will be required for the implementation of each of these projects.

Iraq Power Cable Market

Iraq's power cable market value is anticipated to increase by 7.1% between 2022 and 2027, from SAR 2.5-2.7 billion in 2022 to SAR 3.5-3.8 billion in 2027, driven by these post-war development and reconstruction projects. Given the fundamental challenges, Iraq suffers in managing its public funds and maintaining political stability.

Exhibit 8: Iraq Projects (SAR bln)



Power Projects

- Build the basic power infrastructure rather than transitioning to renewables, unlike GCC countries.
- Started a large-scale gas-fired power plant program of 11GW. Further, to support it, Al Khairat thermal power plant of 3.2GW, Rumaila combined cycle power plant of 3GW, and a few solar power plants.
- Planned the grid interconnection with Jordan, and various another grid modernization projects.

Infrastructure and Industrial

- Planned projects such as a crude oil export pipeline of 2,951 kilometers through Jordan and Al Faw refinery that includes a petrochemical plant for its industrial expansion.
- Expanding its public infrastructure through projects like the eastern high-speed railway.

Residential and Commercial

- Plans for Rafael city, a new city next to the capital, Baghdad, to provide housing for the residents of Baghdad.
- Plans of residential projects in Nahrawan, Nasr, Erbil etc.

Source: RC, RCGC

Riyadh Cables Group Company

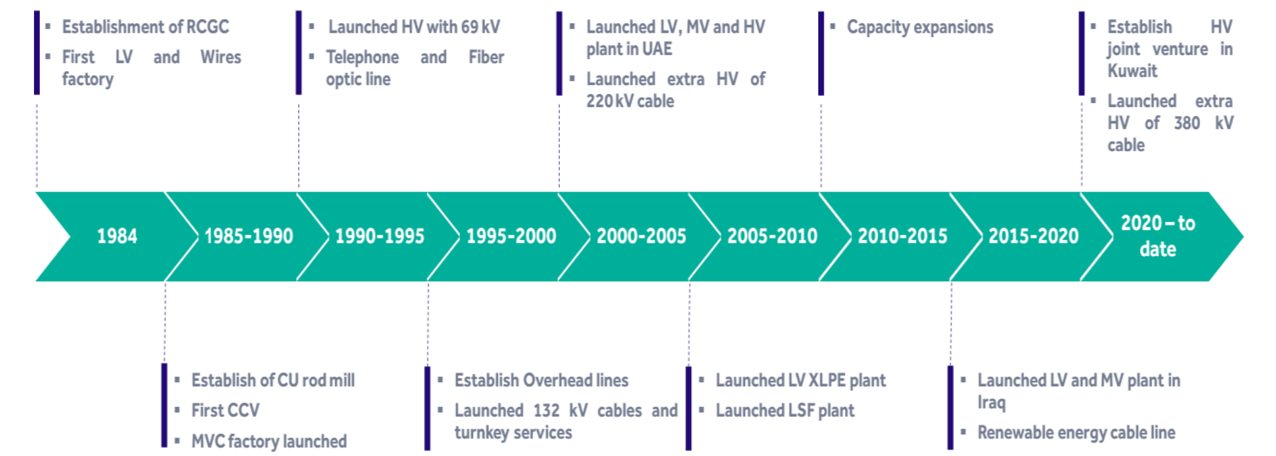
Riyadh Cables, founded in 1984 with a capital of SAR 7.5 million, is recognized as a pioneer in the Middle East's wire and cable industry. The company has 15 facilities and is spread out over an area of 1,500,000 sqm with a production capacity of 264,000 tons. It manufactures and supplies all types of wire and cables from the most cutting-edge facilities in Saudi Arabia, United Arab Emirates and Iraq.

The Company's business model is divided into four main categories:

- **Manufacturing:** Manufactures copper and aluminum low, medium, high and extra-high voltage electrical wires and cables as well as copper and aluminum communication cables, instrumentation cables, copper and optical fibers, specialized cables and overhead conductors.
- **Selling and Distribution:** In addition to selling through the 18 sales and distribution centers of the Specialized Wire Company, located in various cities throughout the Kingdom, the company also sells its goods directly to customers who it has contracts with.
- **Electrical Contracting Projects:** The design and construction of electricity distribution networks as well as the drilling, installation, and connecting work associated with electrical cables and wires, are all included in electrical contracting projects. Therefore, the Company is involved in contracting for electrical projects involving high voltage cables both inside and outside the Kingdom.
- **Maintenance:** Construction and architectural contracting as well as the maintenance of industrial buildings and production lines.

Since its inception in 1984 with the goal of becoming a pioneer in the field of cables, RCGC has not only experienced a history full of significant achievements, but is also continuing to expand and develop as it recently announced a joint venture in Kuwait. RCGC has progressed towards achieving its vision to become one of the leading and most efficient company's in providing products and services for transmission and distribution of electric power and infrastructure.

Exhibit 9: RCGC Timeline



Source: RC, RCGC

Geographical Presence

The Company continues to maintain its track record of expanding its geographic scope and strengthening its presence in the markets by utilizing its local expertise as well as expanding and establishing factories across the world. The Company has 18 branches engaged in selling and distributing its products, all of which are subsidiaries of the Specialized Wire Company. Outside the Kingdom, the Company has 5 branches engaged in the activity of selling and distributing the company's products, four of these branches belong to the Metals Company, one branch in Kuwait and three branches in the United Arab Emirates, while one branch belongs to Riyadh Cables Company in United Arab Emirates.

Exhibit 10: Geographical Presence

Source: RC, RCGC

- **UAE:** The Company has been able to enter the UAE market strongly and gain a greater market share as it is also one of the leading companies in exports to international markets due to its subsidiary, National Cable Industry Company.

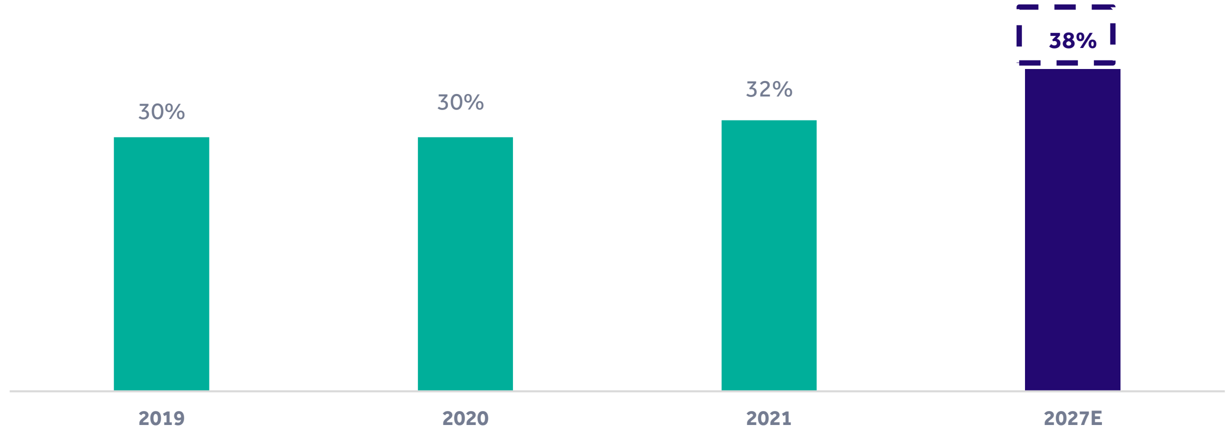
- **Iraq:** Since it has been the dominant supplier in the Iraq cable market, the company is looking to leverage its marketing and integrated production to grow in the Iraq market. It has the most advanced cable facility in Iraq, it has doubled its production capacity. Thus, revenues in Iraq increased between year 2019 and 2021 with a compound annual growth rate of +19.26%.

- **Kuwait:** RCGC is currently launching its first industrial facility in Kuwait to manufacture high and extra-high voltage cables, noting that it will be the only producer of high and extra-high voltage cables in Kuwait. This will allow it to further solidify its position as a key supplier in the Kuwaiti market. The industrial facility is a joint venture with Gulf Cable and Electrical Industries Company, a company established in Kuwait under the name (Gulf and Riyadh Wire Manufacturing Company). Manufacturing operations are estimated to start in 2023.

RCGC'S Future Strategy

RCGC's main strategy is to protect and increase its market share by focusing on increasing the sale of its main products in the markets in which it is located as well as go into more niche high value products that it has the ability to produce in due to its focus on higher quality. The Saudi market and other target markets are attractive elements that will increase the demand for cables and services provided in the coming years. RCGC's share in Saudi market is likely to increase to 38% in 2027.

Exhibit 11: RCGC Market Share in Kingdom (%)

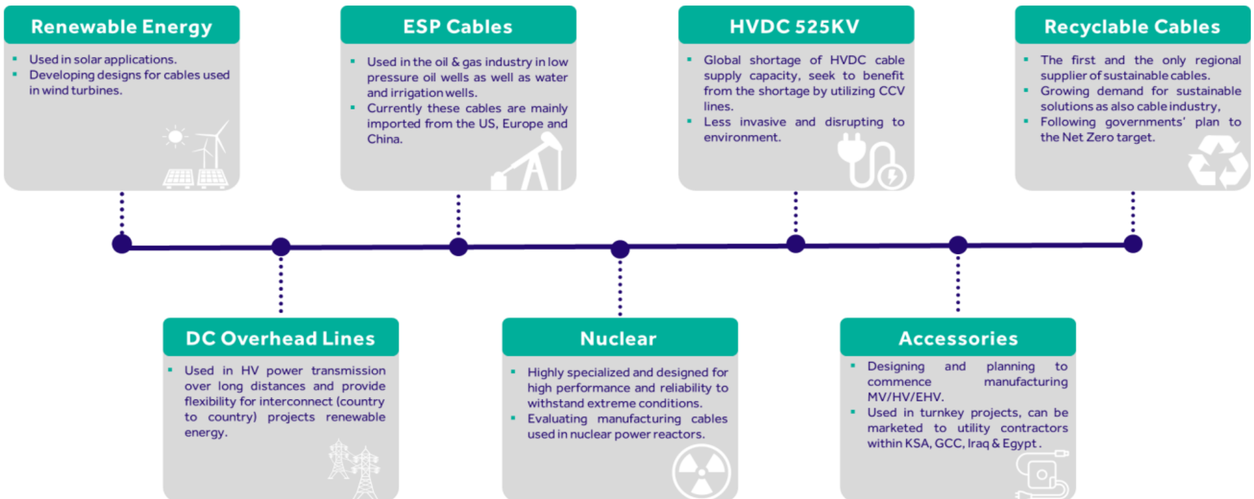


Source: RC, RCGC

RCGC's strategy can be illustrated below:

- Continuous follow-up on market trends and requirements, to be proactive in providing customers with integrated solutions of products and services and to continue to be a regional provider of power solutions.
- Relying on the company's extensive sales and distribution network, which includes 18 branches throughout the Kingdom. Seeks to increase its share in urban projects and small and medium infrastructure projects.
- Obtaining the largest share in the upcoming giga projects due to the group's possession of a wide portfolio of products of power cables compared to any other Saudi manufacturers (from 0.3 kV to 500 kV), such as engaging in NEOM.

Exhibit 12: RCGC's New Products Under Development



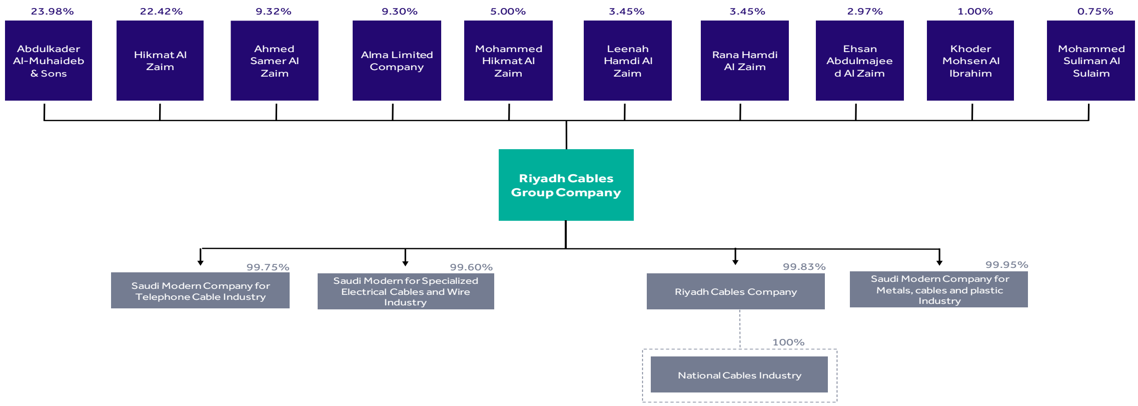
Source: RC, RCGC

RCGC Major Subsidiaries

The Company is engaged in producing most cables in the Kingdom besides being among the top 15 cable makers globally in terms of production and sales worldwide. However, RCGC and its subsidiaries conduct their business operations in an integrated manner as a single entity. However, it has thirteen subsidiaries owned directly or indirectly, of which five are considered essential and eight are considered non-essential.

- **Metal, Cables and Plastic Industry:** Closed joint stock company with a capital of SAR 215.1 million. The company produces polyethylene, copper-based, insulated wires and cables.
- **Specialized Electrical Cables and Wire Industry:** Closed joint stock company with a capital of SAR 25.1 million. The company's operational activities include the production of basic non-ferrous metals such as wires, pipes, and other items, as well as the production of insulated copper and aluminum wires and cables.
- **Telephone Cable Industry:** Closed joint stock with a capital of SAR 40.1 million. The company's activity is represented in the manufacture of wooden pallets, the manufacture of optical fibers and the manufacture of insulated wires and cables made of copper.
- **Riyadh Cables Company:** Riyadh Cable Company has a capital of SAR 120.1 million. The company's operations include producing pipes of all kinds for telecommunications, electricity, and other uses, installing heating panels and other domestic appliances as well as installing, maintaining, and repairing air conditioning and refrigeration systems.
- **National Cables Industry (NCI):** Established in 2001 in the Emirate of Sharjah (UAE) on a spacious area of 150,000 square meter. In this region, the manufacturing facility is the most modern using latest state of art machinery technology and management system to deliver good quality products. The foresight in understanding the future needs of the market as well as the technical expertise is an essential strategy at NCI in its continuous journey of production improvement.
- **First Cable Factory in Iraq:** Alrowad Co. established in 2013 is the first private cable factory in Iraq, located in an area of more than 75,000 square meters in South Baghdad. The Company mainly specializes in manufacturing of low and medium voltage cables. RCGC's subsidiary (NCI) owns 100% of Alrowad Co. which in return led RCGC is to gain market share in the Iraq market.

Exhibit 13: Ownership Structure



Source: RC, RCGC

Major Customers

RCGC has a strong presence as it has longstanding relationships with its customers and supplies products manufactured in the Kingdom and the United Arab Emirates. As a result, RCGC facilities and products been qualified by regional service and utilities such as SEC, DEWA, FEWA and many others. In addition, major projects such as the King Salman Energy City and Roshn projects also use RCGC products.

Exhibit 14: Major Customers by Category and Length of Relationship

Source: RC, RCGC

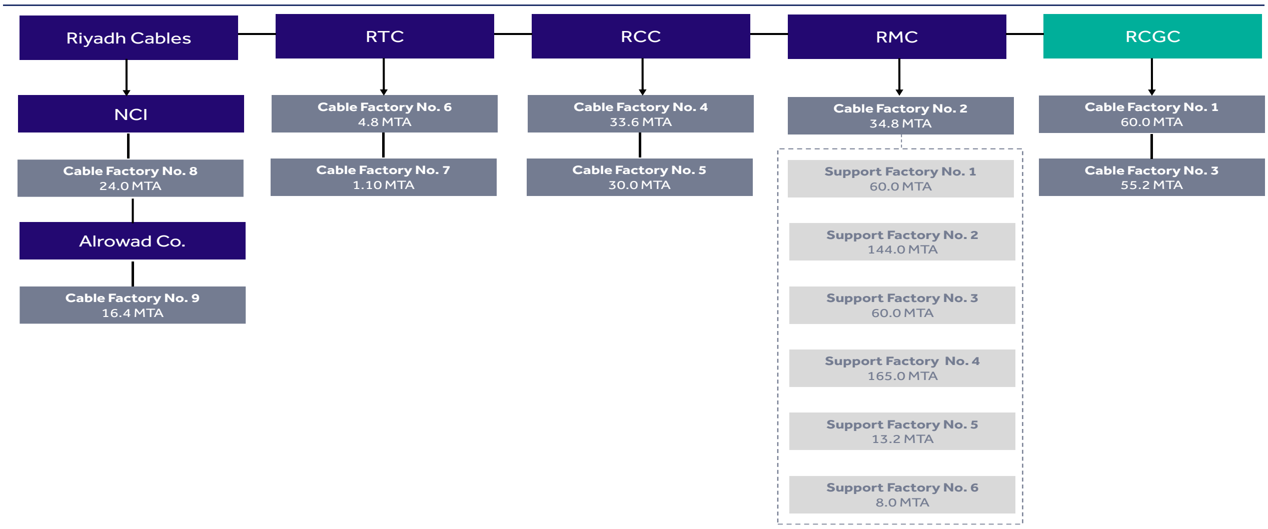
Operations Overview

The Company carries out its manufacturing process through (15) factories, including (13) factories in the Kingdom while one factory is in the Emirate of Sharjah in the United Arab Emirates and one factory in Iraq.

- **Cable Factories:** Nine factories which are dedicated to the manufacture of cables and electrical wires of all kinds and telephone cables of both types made of copper and optical fibers.
- **Support Factories:** Six factories which work on the production of raw materials used for the manufacture of cables.

The company's factories represent an integrated manufacturing system, where the supporting factories produce most of the raw materials used in the manufacture of cables and electrical wires while the cable factories carry out the production process in an integrated manner.

Exhibit 15: Factories Structure

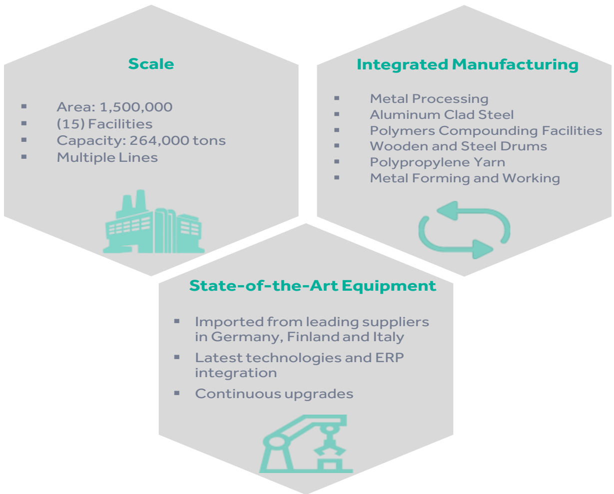


Source: RC, RCGC

RCGC'S Market Positioning

Riyadh Cables product portfolio is wide and diverse which makes it more difficult for players to operate in and compete against RCGC across its several product portfolios. The production capacity is around 264,000 mt making the company a leader in the industry, creating a diversified and fragmented competitive landscape. Nevertheless, a small number of companies rival RCGC in some areas of its product offering.

Exhibit 16: RCGC'S World-Class, Scale, Integrated Manufacturing Facilities



Source: RC, RCGC

RCGC competes with a large set of local and multinational players on specific products. Below are the key competitors for RCGC:

1. **Al Fanar Group Company:** In order to create cables ranging from building wire to HV cables, Al Fanar, a Saudi electrical and electronic manufacturing company, focuses on expanding local production capabilities outside the Kingdom. Additionally, they provide comparable EPC solutions and turnkey projects in a variety of industries, including renewable energy, transmission, and distribution.
2. **El Swedy Company:** Elsewedy was founded in 1938 and is listed on the Egypt Stock Exchange since 2006. The company is recognized in MENA as an electrical product manufacturer with a presence in the Gulf countries that creates sustainable projects in energy and infrastructure, which enable businesses, communities and regions to thrive, owing to its plants in KSA and Qatar. The company mainly produces LVC, MVC and HVC cables up to 132KV. It also offers other products such as electrical and cable accessories.
3. **Ducab Company:** Ducab was founded in 1979 and started as a joint venture between UAE government and BICC under the need to develop local manufacturing capabilities. Ducab has developed capabilities to manufacture a range of power cables (with a unit dedicated to extra high voltage cables) and acquired IP for specialized cables.
4. **Jeddah Cables Company:** Jeddah Cables has the ability to domestically produce both high and extra-high voltage cables with a production capacity of 50,000 mt in addition to lower voltage cables, overhead lines, instrumentation cables and control cables.

5. **Bahra Electric Company:** Bahra Electric was established in 2008 as the company purely produces wires, low, medium and high voltage power cables, overhead lines, control cables and instrumentation cables.

6. **Gulf Cables Company:** Gulf Cable Company was established in 1975 as a sole cable manufacturer in Kuwait and is also listed on the Kuwaiti Stock Exchange. It has a production capacity of 50,000 mt. Due to its advantageous geographical positioning, Gulf Cable naturally controls the low and medium voltage power cable markets in Kuwait. Although it exports to the Gulf nations, it hasn't showed much interest in growing there. The company has prioritized investments in Jordan, where it has industrial assets above other countries in the Middle East.

7. **Oman Cables Company:** Oman Cables was established in 1984 as an electrical manufacturer dominating the local Omani market with a totally integrated variety of electrical products, which include medium voltage power cables, low voltage power and control cables, instrumentation cables, pilot cables, overhead power transmission line conductors and building wires. The company has two local manufacturing plants with four factories and a production capacity of 120,000 mt. Also, Oman Cables holds 51% shareholding in Oman Aluminum Processing Industries LLC, which manufactures aluminum rods and overhead conductors.

Exhibit 17: RCGC Versus Competitor

Competitor	Wires	LV Power Cable	MV Power Cable	HV Power Cable	Extra & HV Power Cable	Overhead Lines	Specialized Cables	Communication Cables	Rods	Fiber Optics
RCGC	√	√	√	√	√	√	√	√	√	√
Al Fanar Group	√	√	√	√						
Bahra Electric	√	√	√	√		√	√			
Ducab	√	√	√	√	√	√	√		√	
ElSewedy Electric	√	√	√	√		√				
Gulf Cables	√	√	√			√	√	√		
Jeddah Cables	√	√	√	√	√	√	√			
Oman Cables	√	√	√			√	√			

Source: RC, RCGC

Competitive Advantages

National Brand with high capacity and regional operations

Over the past four decades, the company has produced enough cables to circle the globe nearly 2,000 times. This level of high production capacity gives the business a significant competitive advantage in terms of quick turnaround times and the capacity to fulfill significant orders without frequently subcontracting with other manufacturers. As a result, RCGC has been able to address a market share of 30% in the Kingdom market and 22% in the UAE market.

Close relationship with major clients

RCGC has served as a regional resource for businesses looking to improve and develop the specifications and designs currently in use because it was one of the pioneers in the region's cable industry. Furthermore, RCGC focuses on ongoing customer service and after-sales services in addition to offering its clients a range of consulting and technical services in accordance with projects.

Diversity of products and services

The company stands out for being able to manufacture over 3,000 different high-quality cables and wires in a variety of sizes and requirements for usage in the energy, contracting, transportation, industry, and communications sectors. This enables the company to have a significant competitive advantage when offering integrated solutions.

Key Risks and Challenges

Macroeconomic concerns

RCGC's growth is linked to the economic growth in the markets that it operates in, particularly Saudi Arabia, where it sells most of its products. These markets are currently experiencing high levels of growth and many large and giga projects are underway. Higher levels of crude oil prices help the GCC countries as many of them derive a substantial portion of their revenues from crude oil. Any extraordinary decline in crude oil prices or any other economic issues which leads to a slowdown in the ongoing construction projects can have a negative impact on the Company.

Exposed to regional markets

RCGC is exposed to both production and sales outside Saudi Arabia, in regional markets. It also has 18 branches with sales and distribution offices. Although most are stable markets with little geopolitical risks; some markets, such as Iraq, have seen periods of heightened risks, which can lead to a negative impact on sales.

External cost pressure

The Company's manufacturing facilities depend on several requirements to run its factories such as electricity, industrial water, gas and diesel. Thus, any increase in costs on any of these fronts can lead to rising costs for the Company. However, these costs are generally a smaller proportion of total costs and the potential impact on margins is likely to be minimal.

Competition

The cable market is quite scattered and there are many competitors who offer similar products in different segments at competitive prices. Therefore, the company may face some challenges on this front at time to increase its market share, especially in the Kingdom of Saudi Arabia.

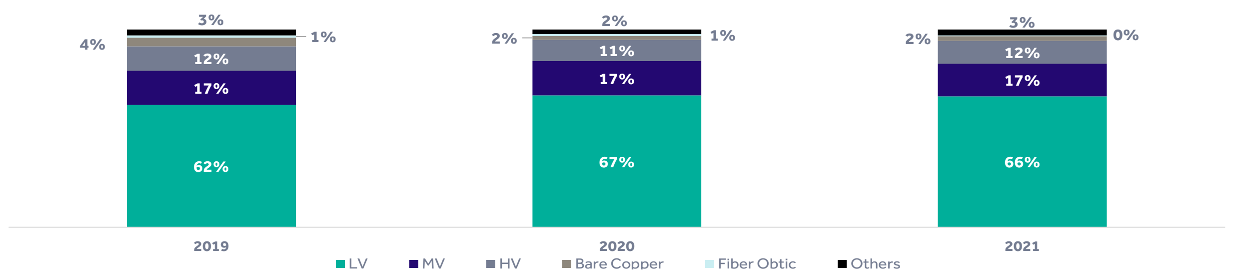
Segmental & Financial Analysis

Product portfolio and services

The company and its subsidiaries are considered among the leading companies that are specialized in the production of cables, electrical wires, communication cables and electrical conductors in the Middle East and abroad. Additionally, the business is renowned for producing and selling all varieties of wire and cables out of its most modern, cutting-edge facilities in Riyadh, Saudi Arabia, the United Arab Emirates, and Iraq.

Exhibit 18: Revenue Break-down with Product Categories

Riyadh Cables Group Company Major Products



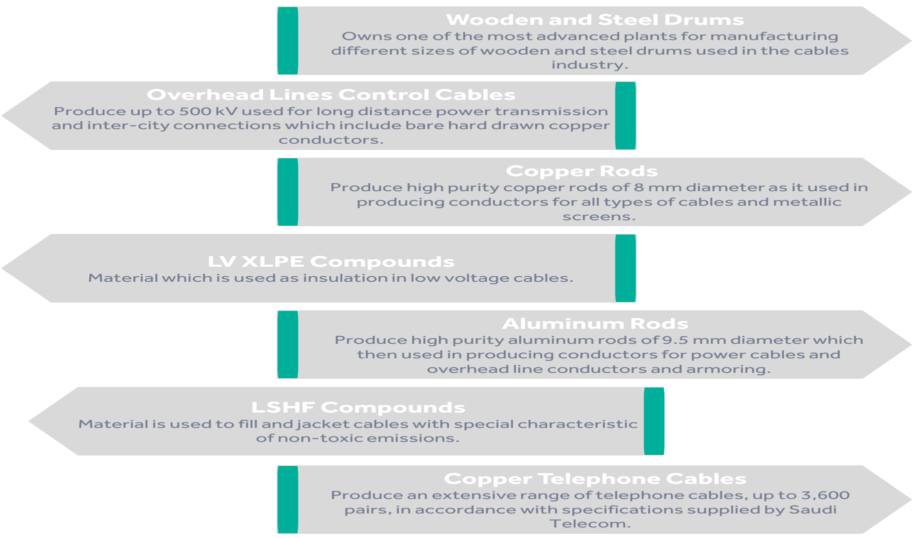
Wires	Low Voltage Cable	Medium Voltage Cable	High Voltage Cable	Bare Copper	Optical Fiber
▪ Manufactures wires, cords and wiring cables to be used in the supply of electric power, lighting and internal wiring for residences and offices, and other similar environments of a non-industrial nature.	▪ Produce Low Voltage Cables in both PVC and XLPE insulations of copper and aluminum, with armored and un-armored designs, and in single or multi-core constructions.	▪ Support a voltage range between 6 kV and 36 kV, making them ideal for use in infrastructure, including the distribution and transmission of power	▪ High voltage power cables are up to 380 kV, ideal for transmission systems.	▪ Used in producing conductors for power cables, overhead line conductors, screens, and armoring.	▪ Produce Loose Tube Type Cables and Tight Buffer Types Cables for use as fiber optic cables for outdoor and indoor use respectively.

Source: RC, RCGC

Other Products

The Company is also distinguished in its ability to produce more than 3,000 SKUs of cables and wires of different specifications and sizes of high quality, which are used in the sectors of energy, contracting, oil and gas, transportation, industry and communications, which gives it a highly competitive advantage in providing integrated solutions. The exhibits below show some of the other products RCGC offers.

Exhibit 19: RCGC's Other Products



Source: RC, RCGC

Through its participation in numerous significant projects over the past few years and the expansion of its product line with a major focus on high voltage and extra high voltage cables, RCGC has become even stronger in the industry. The Company's revenues mainly relate to the sale of cables, which are copper and aluminum cables for a variety of uses and with different voltages (low, medium, and extra-high voltage cables as well as indoor wires and overhead lines) as well as fiber optic cables, in addition to and other revenue comprising of scrap sales and turnkey projects whereby the Group carries out contracting services and installation work on a project basis for electricity projects.

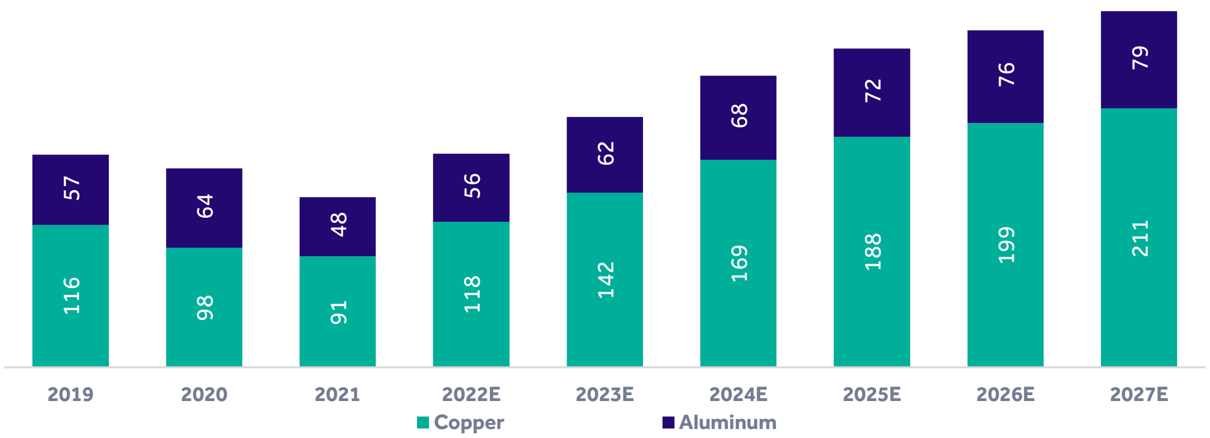
The majority of revenues and volumes comes from Copper

RCGC relies on two main metals to manufacture its products, namely copper and aluminum. However, sales volumes and prices have faced changes over the years, which has been reflected in the company's revenues.

Copper wires volumes sold declined by -15.9% to 98 tpa in 2020 from 116 tpa in 2019 with stable average selling price per ton at about SAR 30.5k. This was mainly due to the impact of COVID-19 on most sales channels. Thereafter, average selling price per ton rose by +37.6% to SAR 42.1k in 2021 mainly due to an increase in global average price of copper per ton and global average price of aluminum, offset by a decline in the quantities sold by -7.2% to 91 tpa in 2021.

Aluminum wires volumes sold improved by +12.7% from 57 tpa in 2019 to 64 tpa in 2020 with an increase in the average selling price per ton from SAR 14.7k to SAR 15.0k. In 2021, volumes declined by -25.5% to 47.9 tpa. This was mainly due to the increase in the average selling price per ton from SAR 15.0k to SAR 19.0k due to the increase in the global average price of aluminum.

Exhibit 20: Volume Breakdown 2019-2027E (000 Tones)

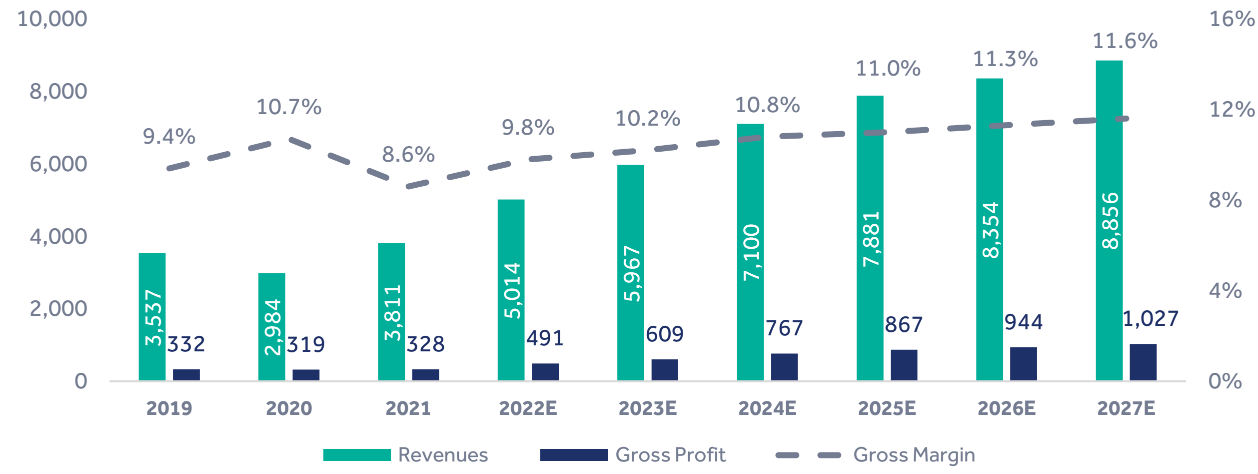


Source: RC, RCGC

As we mentioned earlier, we expect a growth in sales volumes due to the many large and giga projects in the country which are at different stages of completion and their need for cable products as well as the company's entrance into new markets such as Kuwait while also raising its market share. The company also plans to expand its products range which will drive sales growth. We have incorporated a strong growth in volumes at a CAGR of +10.8% during the period 2022E-2027E. We would highlight the big jump in 2022 and 2023 as the construction picks up pace and the Company goes through the order backlog.

A) Copper Wires: Copper products revenues represent about 76.2% of the company's revenues during years 2019, 2020 and 2021. However, Copper wires revenues declined by -15.7% from SAR 3,537 million in 2019 to SAR 2,984 million in 2020, which was mainly a result of the impact of COVID-19 on most sales channels whereas most of the projects and purchases had been suspended or postponed to 2021 due to the economic stagnation. In 2021, Copper wires revenues improved by +27.7% to SAR 3,811 million due to an increase in the average selling price per ton by 37.6%. For 2022E-2027E, we expect a CAGR of +12.0% to reach SAR 8,856 million in 2027.

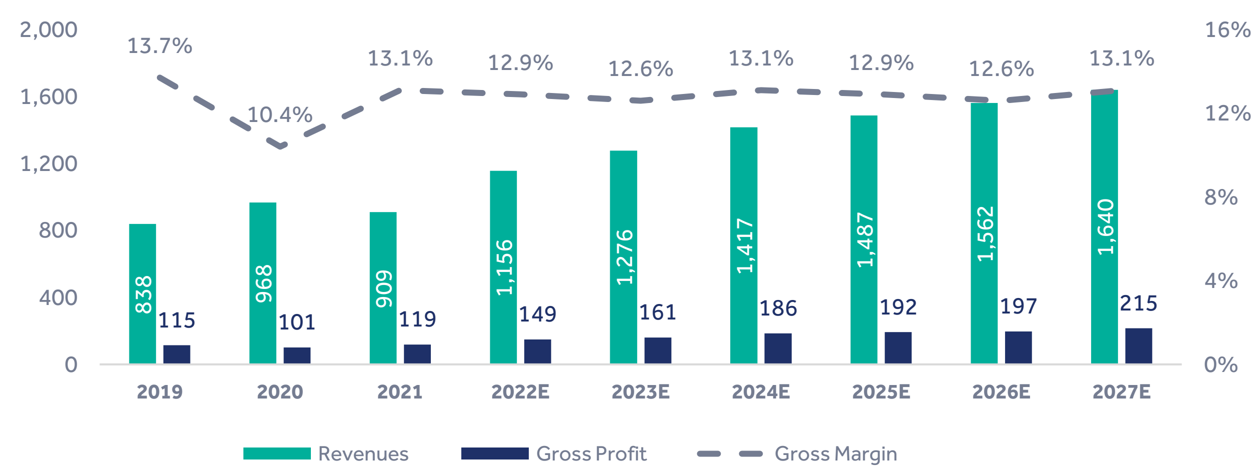
Exhibit 21: Copper Products Revenue and Gross Profits 2019-2027E (SAR mln)



Source: RC, RCGC

B) Aluminum Wires: Aluminum products represent about 20.2% of the company's revenues during the years 2019, 2020 and 2021. Revenues for aluminum grew by +15.4% from SAR 838 million in 2019 to SAR 968 million in 2020. This rise was due to an increase in revenues from direct and indirect sales to SEC and contractors for air conductors' installations (increased about SAR 170.3 million), which mainly relate to aluminum products in line with the increase in the number of installed orders included in the supply agreements by the SEC. For 2021, revenues declined by -6.1% to SAR 909 million, the decline was mainly in the quantities sold through medium voltage products and air conductors (within the high voltage cables) as a result of the return of quantities to the normal level. For 2022E-2027E, we expect a CAGR of +7.2% to reach SAR 1,640 million in 2027.

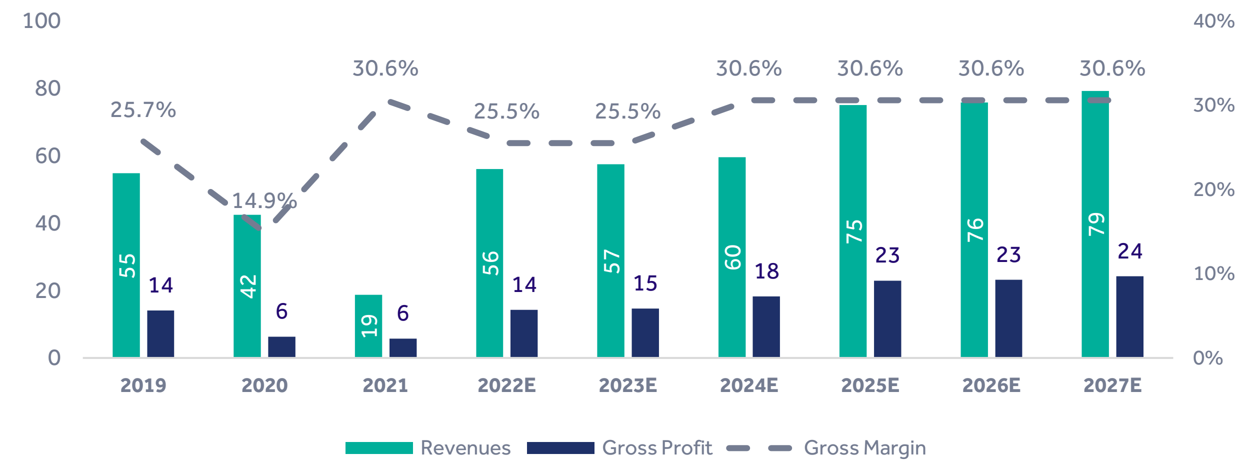
Exhibit 22: Aluminum Products Revenue and Gross Profits 2019-2027E (SAR mln)



Source: RC, RCGC

C) Fiber Optic: Revenues for fiber optic cables represent about 1% of the group's revenues during the years 2019, 2020 and 2021. It mainly relates to a major project with STC and other telecom companies. Revenues for fiber optic cables declined from SAR 55 million in 2019 to SAR 42 million in 2020 and then to SAR 19 million in 2021 due to the gradual slowdown from the main project with STC that started in 2016. For 2022E-2027E, we expect a CAGR of +7.2% to reach SAR 79 million in 2027E.

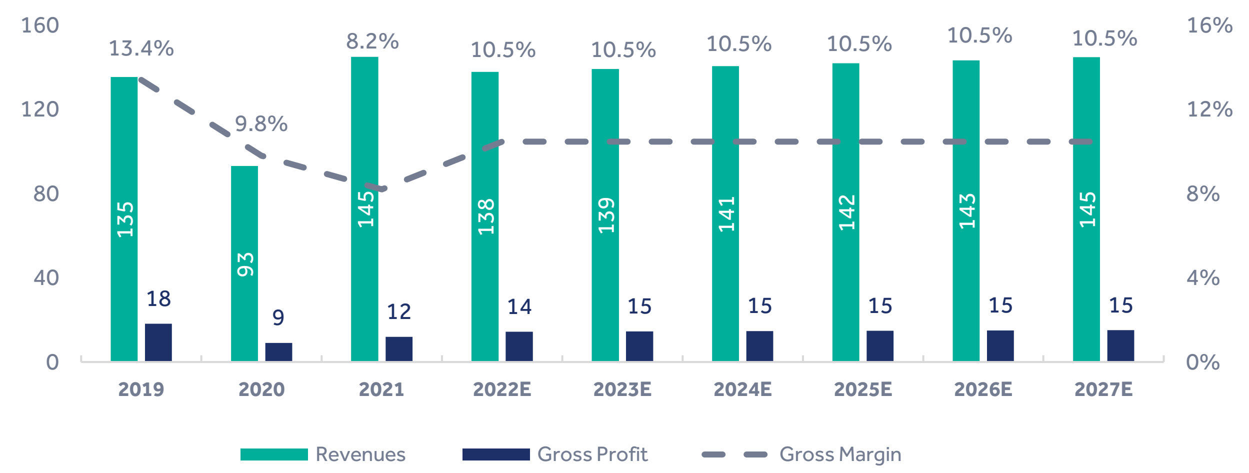
Exhibit 23: Fiber Optic Revenue and Gross Profits 2019-2027E (SAR mln)



Source: RC, RCGC

D) Others: Other revenues represent about 2.7% of the group's revenues during years 2019, 2020 and 2021. Other revenue consists of scrap sales as well as revenue from turnkey projects. Other revenues fell by -31.2% from SAR 135 million in 2019 to SAR 93 million in 2020 due to the delivery of electrical contracting projects (turnkey) in Kuwait and Dubai Electricity and Water Authority (DEWA) projects among other projects. Other revenues increased by +55.6% to SAR 145 million in 2021 as a result of starting new turnkey projects. For 2022E-2027E, we expect a CAGR of +7.2% to reach SAR 145 million in 2027.

Exhibit 24: Other Revenue and Gross Profits 2019-2027E (SAR mln)

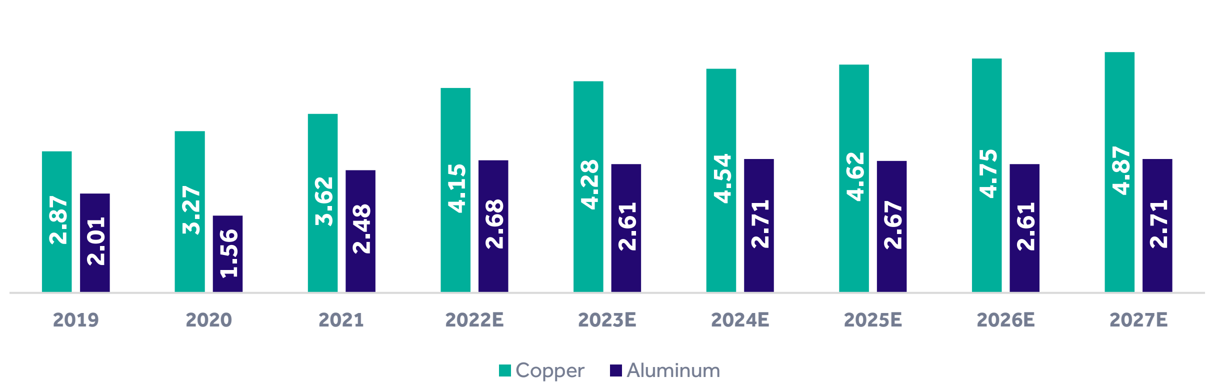


Source: RC, RCGC

Gross profit per ton likely to grow

In general, margins improve due to product mix, efficiencies and innovation. One of the advantages of the company is gross profit per ton is not linked to commodity price as the Company fixes the profit per ton at the time it receives an order from the client and the metal price is hedged. Gross profit per ton grew in 2021 due to the increase in revenues and the change in the sales mix. Moving forward, for FY2022-2027 we expect copper gross profit per ton for the company to rise gradually reaching SAR 4.87k in 2027.

Exhibit 25: Gross Profit per Ton 2019-2027E (SAR per ton)

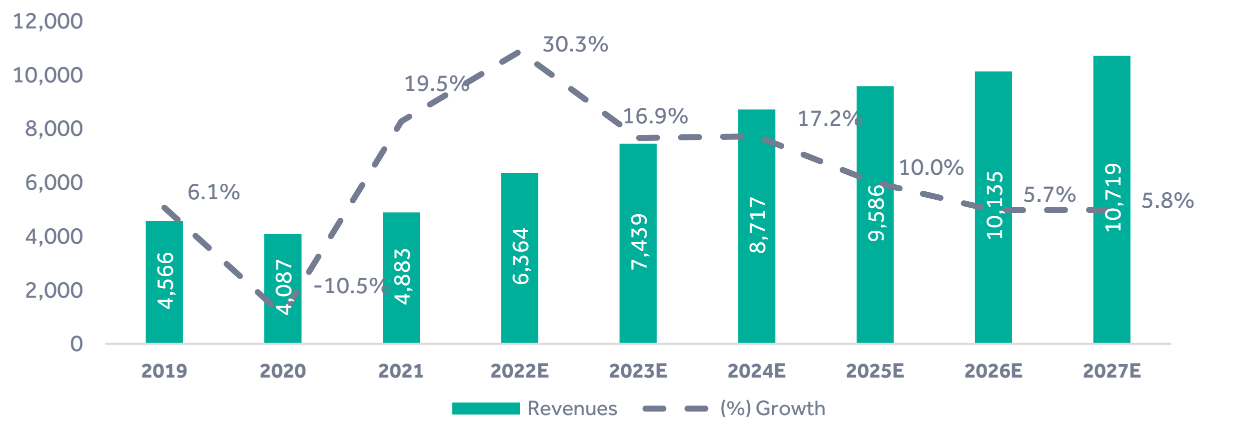


Total revenue to surge at a CAGR of +11.0% through 2027E

Revenues of the Company increased by +6.1% in 2019 to SAR 4.6 billion. Thereafter, topline declined in 2020 by -10.5% but grew in 2021 by +19.5% to SAR 4.8 billion. While the company tried to manage the impact as a result of COVID-19, there was a shift in commodity prices while volumes were impacted negatively. The Company was able to post good growth in 2021 due to the sharp rise in commodity prices and robust volume recovery brought on by supply and demand bottlenecks.

For 2022, we are expecting total revenues of SAR 6.4 billion, a growth of +30.3% Y/Y. However, we anticipate a +11.0% CAGR for 2022E-2027E period as we are expecting growth in revenues to just over SAR 10.7 billion in 2027 primarily on the back of the significant giga projects that have been announced for the foreseeable future. We expect an increase in demand for the company's specialized products, including those that will be produced exclusively by RCGC in the Kingdom. This will result in higher profitability over time.

Exhibit 26: Revenue CAGR of +11.0% for 2019-2027E (SAR mln)



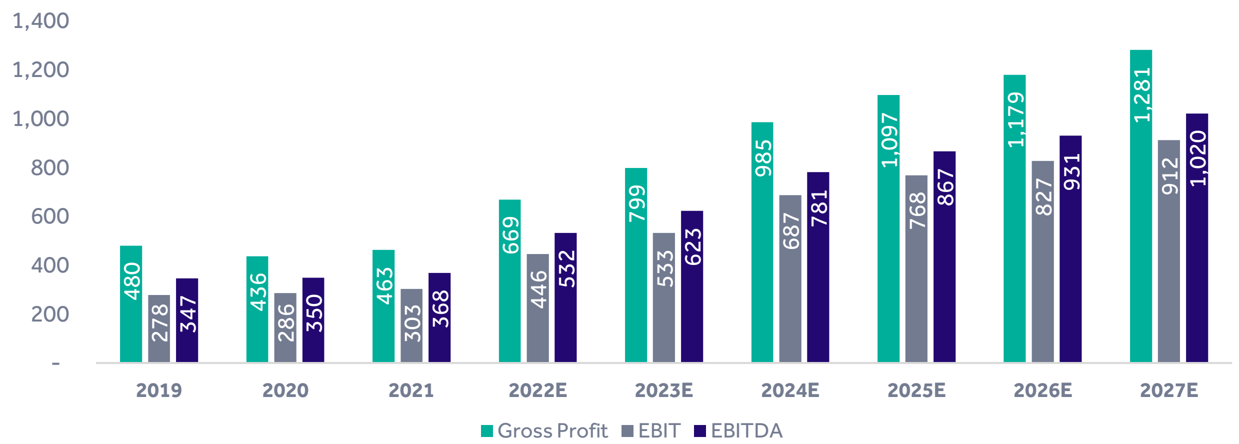
Source: RC, RCGC

Uptrend in profitability

Gross profit declined by -9.1% Y/Y in 2020 to SAR 436 million due to COVID-19 impact, in addition to a fall in gross profit per ton for aluminum as a result of the change in the sales mix to low and medium voltage cables, combined with a lower average selling price per ton than high voltage cables. In 2021, gross profit increased by +6.1% to SAR 463 million on the back of reversing the provisions with a value of SAR 27.8 million. We expect gross profit to significantly grow to SAR 669 million in 2022 and then gradually rise to reach close to SAR 1.3 billion in 2027 due to strong growth in volumes tied with better margins and product mix.

Both EBIT and EBITDA are expected to follow a similar pattern as we do not expect any extraordinary rise in depreciation or other operating expenses. We expect the Company's EBITDA to grow from SAR 368 million in 2021 to SAR 1.0 billion in 2027.

Exhibit 27: Key Profitability Metrics 2019-2027E (SAR mln)



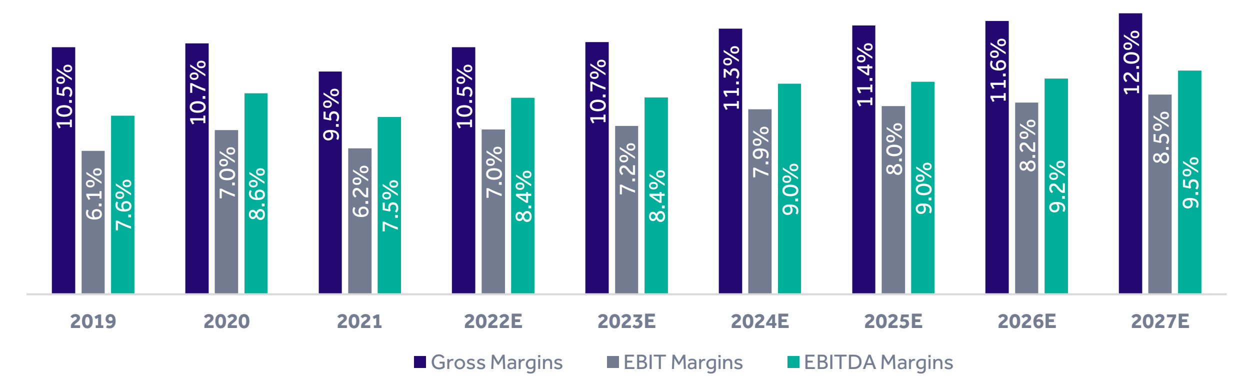
Source: RC, RCGC

Gross margins to expand gradually

RCGC gross margins have faced some volatility in line with economic conditions. Margins were reported at 10.5% in 2019 and peaked at 10.7% in 2020 but came down to 9.5% in 2021 due to the rise in cost of raw materials in line with the increase in the price of minerals globally. Going forward, we expect an improvement in margins due to the high demand from giga projects as well as expanding business outside the Kingdom (such as the Kuwait Project).

We expect gross margins to grow to 10.5 % in 2022 and keep rising to 10.7% in 2023 and to 11.3% in 2024 on the back of an increase in the number of projects at a higher margin as well as better product mix. Furthermore, we expect margins to reach new levels at 12.0% in 2027.

Exhibit 28: Key Profitability Margins 2019-2027E (%)



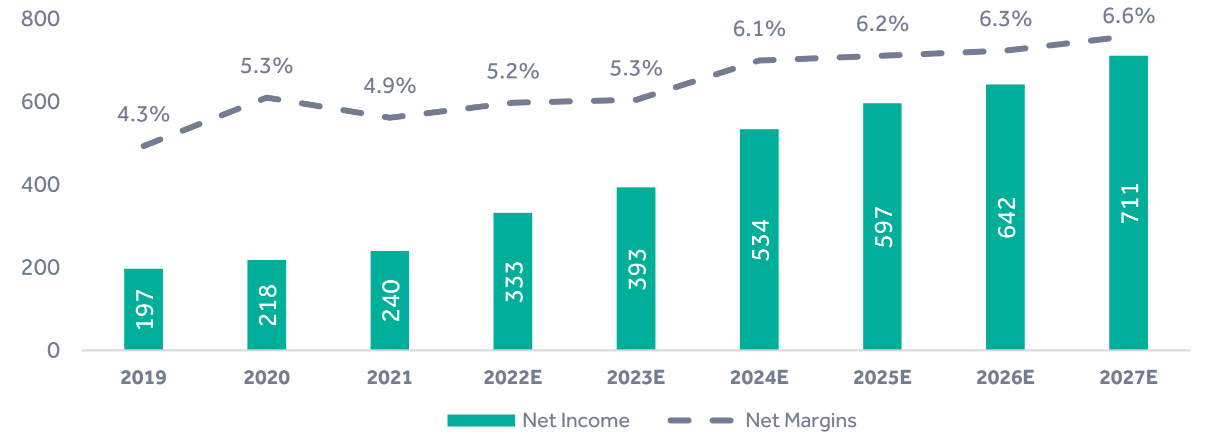
Source: RC, RCGC

Net income to keep pace with revenues

Net income grew by +10.7% from SAR 197 million in 2019 to SAR 218 million in 2020 mainly driven by a reversal of ECL provisions, going from a provision of SAR 33.5 million in 2019 to a provision refund of SAR 12.1 million in 2020. This is in addition to lower costs financing and lower depreciation expense (which declined by SAR 4.6 million). Thereafter, bottomline increased by +10% to reach SAR 240 million in 2021, in line with the increase in revenues and gross profit as a result of the change in the sales mix coupled with an increase in the global average price of copper per ton and aluminum per ton by +51.0% and +45.5%, respectively.

Going forward, we expect net income to rise to SAR 333 million in 2022 and keep on growing to SAR 393 million in 2023 due to the pent-up demand. We expect an extraordinary year in 2024 with a net income of SAR 534 million on the back of higher revenues and improving margins, we then expect a steady rise in net income reaching SAR 711 million through 2027.

Exhibit 29: Net Income and Net Margins 2019-2027E (SAR mln)



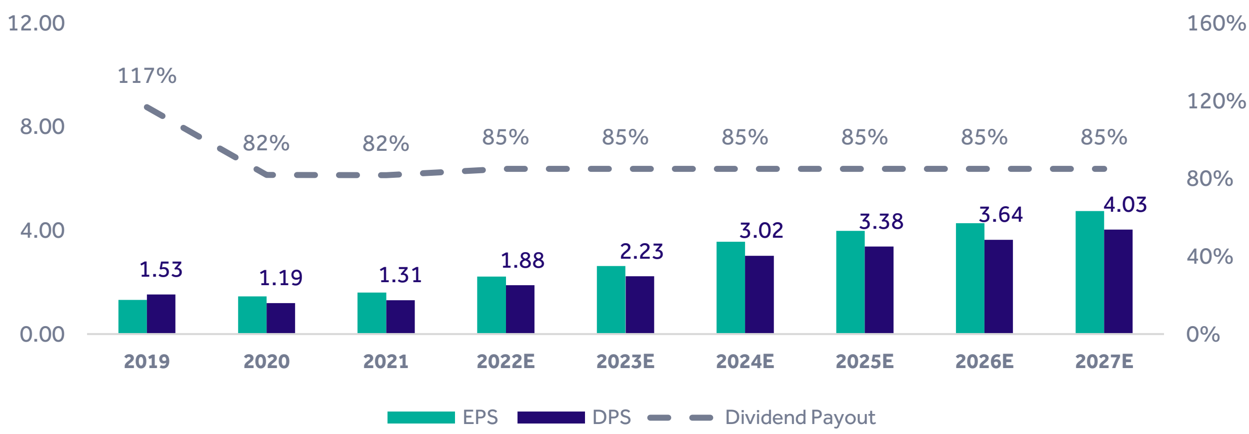
Source: RC, RCGC

Net margins have been on a gradual uptrend since 2019 rising from 4.3% in 2019 to 5.3% in 2020 before it declined to 4.9% in 2021. We expect net margin to improve reaching 5.2% in 2022 and then gradually rise to 5.3% in 2023 before picking up to 6.1% in 2024 and eventually going to 6.6% in 2027.

DPS at SAR 4.0 in 2027

Between 2019-21, the average payout was 93% as the Company paid a dividend of SAR 230 million, SAR 179 million and SAR 196 million for 2019, 2020 and 2021 respectively. We expect a dividend payout of 85% for the forecasted period leading to a DPS of SAR 1.88 in 2022 rising to SAR 4.03 in 2027.

Exhibit 30: DPS and Dividend Payouts 2019-2027E (SAR)

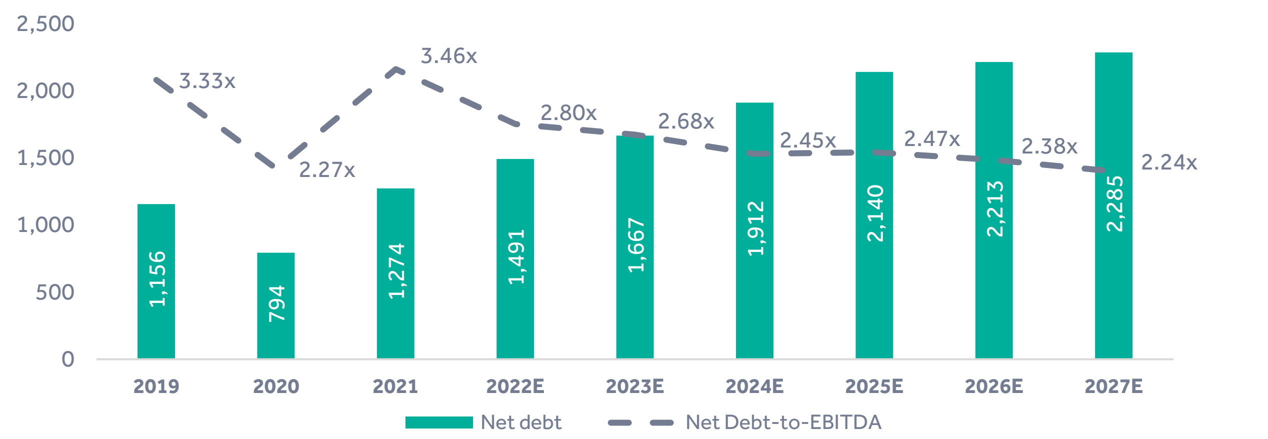


Source: RC, RCGC

Net Debt-to-EBITDA at 2.2x by 2027

Net debt/EBITDA for RCGC slightly increased to 3.5x in 2021 from 3.3x in 2019 due to the higher net debt despite the improving EBITDA. We expect Net debt/EBITDA to continue to decrease to reach 2.2x by 2027 on the back of strong ability for RCGC to generate cash from its operations.

Exhibit 31: Net Debt and Net Debt/EBITDA 2019-2027E (SAR mln)

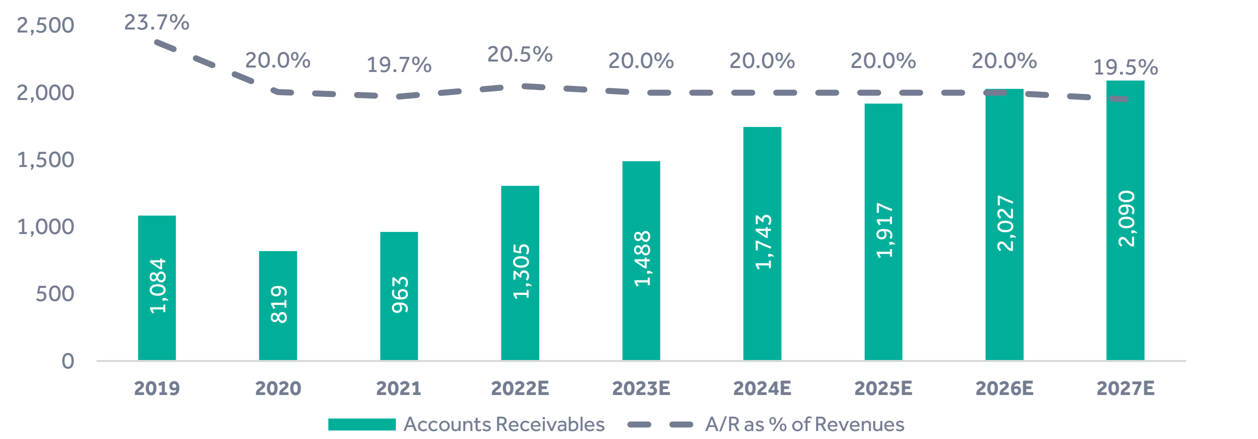


Source: RC, RCGC

Receivables expected to increase

Accounts Receivables fell significantly for the Company to SAR 819 million in 2020 from SAR 1.1 billion in 2019 due to lower volumes sold as a result of COVID-19, which affected revenues. In 2021, AR increased to SAR 963 million in-line with higher revenues due to higher prices for Copper and Aluminum. We expect an increase in receivables to SAR 1.3 billion in 2022 due to higher revenues and to rise gradually, in-line with revenues, to reach SAR 2.1 billion by 2027. In terms of a percentage of revenues, receivables declined from 23.7% in 2019 to 19.7% in 2021. Going forward, we assume receivables would increase to 20.5% of sales in 2022 and then remain stable until 2027.

Exhibit 32: Account Receivables and as % of Revenues (SAR mln)



Source: RC, RCGC

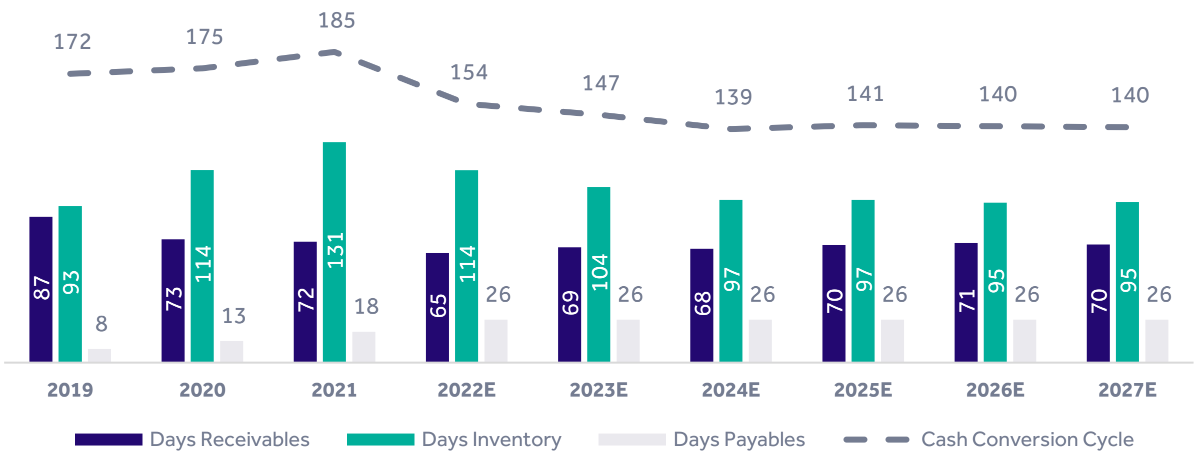
Payables to rise as well

Accounts payable increased from SAR 128 million in 2020 to SAR 221 million in 2021 on the back of higher purchases and payment dates from suppliers along with higher prices for Copper and Aluminum. We expect Accounts Payables to increase gradually to reach SAR 661 million in-line with higher demand.

The Company managed its working capital

In the past three years, CCC has increased from 172 days to 185 days, mainly due to higher inventory which amounted of SAR 1.6 billion in 2021. We expect cash conversion cycle to drop to 140 days by 2027 mainly due to an increase in inventories, accounts receivables and accounts payable on back of higher expected demand.

Exhibit 33: Cash Conversion Cycle 2019-2027E (Days)

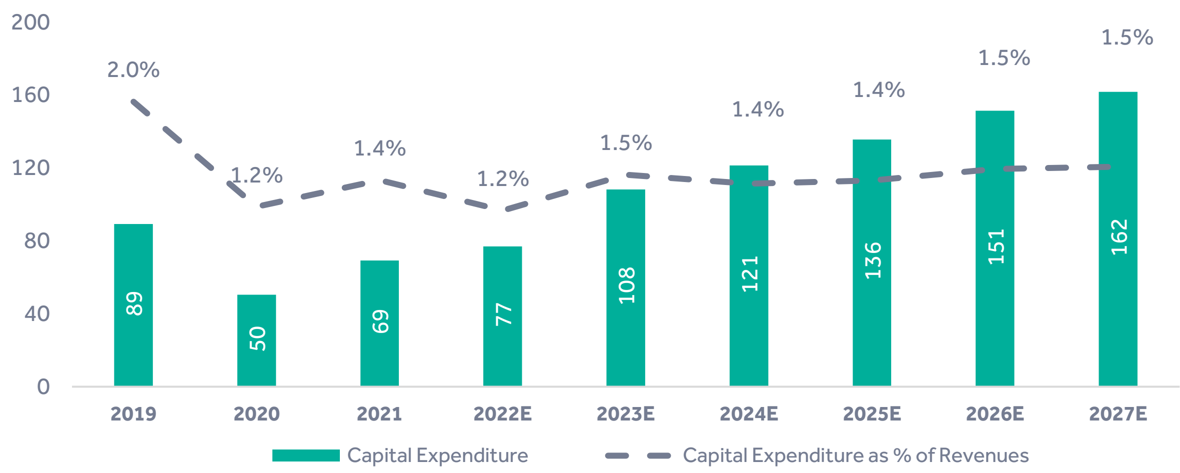


Source: RC, RCGC

Capital Expenditure expected to rise

The Company's capital expenditure in the past 3 years averaged around SAR 70 million. We expect capital expenditure to show a slight increase in 2022 to SAR 77 million, before starting to increase from 2023 to SAR 108 million and reaching a level of SAR 162 million by 2027. This is mostly in line with management's guidance of spending a total CapEx of SAR 100-170 million for the years 2023-2027. The additional capex would be prompted by additional capacity and demand.

Exhibit 34: Capital Expenditure 2019-2027E (SAR mln)



Source: RC, RCGC

Valuation

We have conducted the valuation for RCGC through the Fundamental approach, using the Discounted Cash Flows method. We arrive at a valuation of SAR 6.9 bln or SAR 46.3 per share.

Discounted Cash Flows (DCF) valuation at SAR 6.9 bln (SAR 46.3/share)

Using our DCF valuation technique, we arrive at an equity value for the company of SAR 6.9 billion or SAR 46.3 per share. To calculate the Weighted Average Cost of Capital (WACC), we have used a risk-free rate of 4.4% and an equity risk premium of 5.0%. Our Beta of 1.12 is the average Beta of the following: ELECTRICAL INDUSTRIES and Middle East Specialized Cables and two listed companies in Cement sector namely: Yamama and Yanbu. Our cost of debt assumption is at 6.21%. We are using 39.4% as a weight of debt for RCGC and an equity weight of 60.6%. Applying the respective weights to cost of equity and cost of debt, we arrive at a WACC of 8.4%.

Exhibit 35: Discounted Cash Flows Valuation

RC - Valuation	2023E	2024E	2025E	2026E	2027E
EBIT	533	687	768	827	912
Depreciation & Amortization	90	94	99	104	109
Capital Expenditure	(375)	(469)	(472)	(327)	(348)
Change in Working Capital	(108)	(121)	(136)	(151)	(162)
Cash Flow to the Firm	140	191	260	453	510
Terminal Value					9,708
Total FCFF	140	191	260	453	10,218
Discounting Factor	1.0	0.9	0.9	0.8	0.7
Discounted Cash Flows	140	176	221	355	7,396

Long-term growth rate	3.0%
Enterprise value	8,148
Add: Cash	50
Add: Investments	70
Less: Debt	1,324
Equity Value	6,945
Number of shares	150
Price per share (SAR)	**46.3**

Risk Free Interest Rate (Rf)	4.4%
Equity Risk Premium	5.0%
Beta	1.1
Cost of equity CAPM	10.0%
Cost of debt	6.2%
Zakat	2.5%
Debt Weight	39.4%
Equity Weight	60.6%
WACC	8.4%

Source: RC

Financial Statements

The following are the consolidated Income statement, Balance Sheet and Cash Flow with Ratios and Key Metrics for RCGC:

Exhibit 36: Condensed Income Statement

Income Statement (SAR mln)	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E
Revenues	4,566	4,087	4,883	6,364	7,439	8,717	9,586	10,135	10,719
COGS	(4,086)	(3,650)	(4,420)	(5,694)	(6,641)	(7,732)	(8,489)	(8,956)	(9,438)
Gross Profit	**480**	**436**	**463**	**669**	**799**	**985**	**1,097**	**1,179**	**1,281**
S,G&A Expenses	(183)	(172)	(171)	(232)	(275)	(321)	(346)	(369)	(389)
Provisions for credit losses	(33)	12	9	(2)	(5)	8	4	1	2
Other income	15	9	3	11	14	14	14	17	18
Operating Profit	**278**	**286**	**303**	**446**	**533**	**687**	**768**	**827**	**912**
Loan charges	(50)	(35)	(32)	(74)	(96)	(97)	(109)	(118)	(126)
Zakat	(32)	(32)	(31)	(39)	(44)	(56)	(63)	(67)	(75)
Net Income	**197**	**218**	**240**	**333**	**393**	**534**	**597**	**642**	**711**
EBITDA	347	350	368	532	623	781	867	931	1,020
EPS	**1.31**	**1.45**	**1.60**	**2.22**	**2.62**	**3.56**	**3.98**	**4.28**	**4.74**
DPS	1.53	1.19	1.31	1.88	2.23	3.02	3.38	3.64	4.03

Source: RC, RCGC

Exhibit 37: Condensed Balance Sheet

Balance Sheet (SAR mln)	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E
Assets									
Cash & equivalents	54	64	50	46	120	108	135	264	370
Account receivables	1,084	819	963	1,305	1,488	1,743	1,917	2,027	2,090
Inventories	1,041	1,145	1,586	1,737	1,852	2,006	2,213	2,293	2,430
Others	79	40	71	87	110	144	153	163	173
Total Current Assets	**2,258**	**2,069**	**2,670**	**3,174**	**3,570**	**4,001**	**4,418**	**4,747**	**5,064**
PPE	1,229	1,144	1,155	1,147	1,166	1,194	1,232	1,280	1,334
Others	17	89	128	124	112	101	88	73	55
Total non-Current Assets	1,245	1,233	1,283	1,271	1,278	1,295	1,320	1,354	1,390
Total Assets	**3,503**	**3,302**	**3,953**	**4,446**	**4,848**	**5,297**	**5,738**	**6,101**	**6,453**
Liabilities & Equity									
Islamic loan	1,210	859	1,324	1,537	1,787	2,020	2,275	2,477	2,656
Accounts Payable	90	128	221	399	465	541	594	627	661
Others	176	250	255	302	327	384	425	452	483
Total Current Liabilities	**1,476**	**1,236**	**1,800**	**2,238**	**2,579**	**2,945**	**3,294**	**3,556**	**3,799**
Employee's terminal benefits	96	96	107	113	117	120	124	129	133
Lease liabilities	12	10	9	8	7	6	5	4	4
Total non-Current Liab	109	107	116	121	124	126	129	133	137
Total Liabilities	**1,584**	**1,343**	**1,917**	**2,359**	**2,703**	**3,071**	**3,423**	**3,690**	**3,936**
Share Capital	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Retained Earnings	189	208	261	278	297	324	354	386	422
Statutory Reserve	207	229	253	286	326	379	439	503	574
Others	23	22	22	22	22	22	22	22	22
Total Equity	1,919	1,959	2,036	2,086	2,145	2,225	2,315	2,411	2,518
Total Liab & Equity	**3,503**	**3,302**	**3,953**	**4,446**	**4,848**	**5,297**	**5,738**	**6,101**	**6,453**

Source: RC, RCGC

Exhibit 38: Condensed Cash Flows

Cash Flows (SAR mln)	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E
Net Income before Zakat	229	250	271	372	437	590	659	709	786
Adjustments	(256)	344	(480)	(228)	(169)	(258)	(244)	(85)	(91)
CFO	**(27)**	**594**	**(208)**	**144**	**268**	**331**	**415**	**625**	**695**
Additions	(89)	(50)	(69)	(77)	(108)	(121)	(136)	(151)	(162)
Others	1	(2)	(3)	0	0	0	0	0	0
CFI	**(88)**	**(52)**	**(72)**	**(77)**	**(108)**	**(121)**	**(136)**	**(151)**	**(162)**
Financing paid	(2,568)	(3,097)	(2,815)	(4,050)	(4,735)	(5,607)	(6,120)	(6,538)	(6,950)
Proceeds from finance	2,924	2,746	3,280	4,264	4,984	5,840	6,375	6,740	7,128
Dividend paid	(230)	(179)	(196)	(283)	(334)	(454)	(507)	(546)	(604)
Others	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(1)	(1)
CFF	**124**	**(532)**	**267**	**(71)**	**(87)**	**(221)**	**(253)**	**(344)**	**(427)**
Change in cash	8	10	(13)	-4	74	(11)	26	129	106
Beginning cash	46	54	64	50	46	120	108	135	264
Cash at year end	**54**	**64**	**50**	**46**	**120**	**108**	**135**	**264**	**370**

Source: RC, RCGC

Exhibit 39: Ratios and Key Metrics

	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E
Growth (YoY)									
Revenues	6.1%	(10.5%)	19.5%	30.3%	16.9%	17.2%	10.0%	5.7%	5.8%
Gross Profit	34.7%	(9.1%)	6.1%	44.5%	19.3%	23.4%	11.3%	7.5%	8.7%
Selling & Distribution	17.7%	(11.2%)	5.5%	24.8%	19.5%	16.5%	9.4%	5.2%	5.2%
General & Admin	8.8%	(0.7%)	(5.9%)	46.3%	17.6%	17.3%	6.8%	8.2%	5.7%
EBITDA	29.1%	0.7%	5.4%	44.5%	17.1%	25.3%	11.0%	7.4%	9.6%
Net Income	45.5%	10.7%	10.0%	38.6%	18.3%	35.6%	11.8%	7.6%	10.8%
Profitability									
Gross Margins	10.5%	10.7%	9.5%	10.5%	10.7%	11.3%	11.4%	11.6%	12.0%
EBITDA Margins	7.6%	8.6%	7.5%	8.4%	8.4%	9.0%	9.0%	9.2%	9.5%
EBIT Margins	6.1%	7.0%	6.2%	7.0%	7.2%	7.9%	8.0%	8.2%	8.5%
Net Margins	4.3%	5.3%	4.9%	5.2%	5.3%	6.1%	6.2%	6.3%	6.6%
Return on Equity	10.3%	11.1%	11.8%	15.9%	18.3%	24.0%	25.8%	26.6%	28.2%
Return on Assets	5.6%	6.6%	6.1%	7.5%	8.1%	10.1%	10.4%	10.5%	11.0%
Return on Capital Employed	13.7%	13.8%	14.1%	20.2%	23.5%	29.2%	31.4%	32.5%	34.3%
Leverage/Liquidity (x)									
Current Ratio	1.5	1.7	1.5	1.4	1.4	1.4	1.3	1.3	1.3
Others									
EPS	1.3	1.5	1.6	2.2	2.6	3.6	4.0	4.3	4.7
DPS	1.5	1.2	1.3	1.9	2.2	3.0	3.4	3.6	4.0
Dividend Payout	117%	82%	82%	85%	85%	85%	85%	85%	85%
Book Value per share	12.8	13.1	13.6	13.9	14.3	14.8	15.4	16.1	16.8

Source: RC, RCGC

Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

* The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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