

Analysis of Financial Performance of Tadawul Company

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ABSTRACT

This study examines the financial performance of Tadawul Company from 2020 upto 2023, focusing on profitability, leverage, and growth ratios. Utilizing data from the company's financial statements, the research employs financial ratio analysis to assess key , including gross profit margin, net profit margin, return on assets, debt-to-equity ratio, debt-to-assets ratio, and revenue and asset growth rates. Findings reveal significant volatility in profitability, with the net profit margin rising to 50.42% by 2023, despite earlier fluctuations. Leverage ratios surged in 2022, reflecting increased debt reliance, while growth ratios indicate robust revenue and asset expansion in 2021–2022, followed by a slowdown in 2023. These trends highlight Tadawul's dynamic financial health, exposing both strengths and vulnerabilities. The study underscores the need for strategic management to sustain profitability and ensure financial stability, offering valuable insights for stakeholders in Saudi Arabia's evolving economic landscape.

Keywords: Financial Ratio Analysis, Profitability Metrics, Leverage Ratios, Growth Ratios, Net Profit Margin, Return on Equity (ROE), Return on Assets (ROA)

INTRODUCTION

Profitability is a fundamental objective for all businesses, with financial ratio analysis, particularly profitability ratios, serving as a key tool for assessing financial performance. These metrics are crucial for both internal management and external stakeholders, especially investors in small businesses, as they provide insights into a company's ability to generate net income and demonstrate financial viability. Studies consistently utilize these ratios to evaluate and understand corporate financial health. Indeed, the application of financial ratio analysis has become an indispensable academic tool for assessing and understanding corporate financial health.

However, while the importance of profitability is universally acknowledged, the specific factors that drive and sustain it within diverse business environments remain a subject of ongoing inquiry. This research delves deeper into the nuanced relationship between profitability and its determinants, particularly focusing on [Specify the industry or business type, e.g., the technology startup sector, family-owned retail businesses, or manufacturing SMEs]. Understanding these dynamics is crucial not only for enhancing operational efficiency and strategic decision-making within businesses but also for providing a more robust framework for academic research in financial management.

Existing literature, while extensive, often presents generalized findings that may not adequately capture the unique challenges and opportunities faced by specific business segments. For instance, the impact of [mention a specific factor, e.g., working capital management, leverage, or innovation] on profitability can vary significantly across different industries and organizational structures. The research aims to address this gap by determining the financial performance of Tadawul by using a set of mathematical equations to determine the efficiency of working capital affecting the profitability of small, medium, and large enterprises in the manufacturing sector in a specific location, or by analyzing the relationship between innovation and profitability in technology startups

Furthermore, the evolving economic landscape, characterized by [mention current economic trends, e.g., increasing globalization, technological disruption, or market volatility], necessitates a continuous reassessment of the factors influencing profitability. Traditional financial ratio analysis (Vaishnavi et al. 2025), while valuable, must be complemented by a deeper understanding of the contextual variables that shape business performance. This study will therefore incorporate [mention research methods or data analysis techniques, e.g., a longitudinal analysis, a

comparative case study approach, or advanced statistical modeling] to provide a more comprehensive and nuanced perspective on the dynamics of profitability.

By focusing on [reiterate the specific focus of the research], this paper pursues to contribute to both the theoretical and practical understanding of profitability. The findings will provide valuable insights for [mention the target audience, e.g., business managers, investors, policymakers, and academics], enabling them to make more informed decisions and develop strategies that enhance financial performance and long-term sustainability.

OBJECTIVES

The objectives of the study are to:

- 1) To determine the financial performance of a Tadawl company.
- 2) To study the company's efficiency and effectiveness, profitability, and growth rates of Tadawul company.

LITERATURE REVIEW

Profitability is a fundamental objective for all businesses, with financial ratio analysis (Horrigan 1968), particularly profitability ratios, serving as a key tool for assessing financial performance. These metrics are crucial for both internal management and external stakeholders, especially investors in small businesses (F. et al 2025), as they provide insights into a company's ability to generate net income and demonstrate financial viability. Research always employs these ratios to assess and comprehend business financial stability. Numerous studies have implemented financial ratio analysis to evaluate the performance of financial institutions and other sectors (Salsabila et al. 2025) (Oko-Odion and Angela 2025). in (To 2022) analyzed HDFC Bank's financial performance over five years, using various analytical techniques including common-size, comparative, trend, and ratio analysis. In addition, a study of the Kumbakonam Central Cooperative Bank (Innocent, et al. 2013) revealed fluctuating financial ratios, highlighting the need for enhanced cash management and profitability. These studies demonstrate the utility of ratio analysis in identifying specific areas for financial improvement within banking sectors.

In this study, the use of ratios by Tadawl Company from 2020 to 2023 showed a considerable move towards heavier debt financing, with the Debt-to-Equity (144.1%) and Debt-to-Assets (58.65%) ratios growing. The company's capital structure has changed significantly, creating worries about financial risk and long-term solvency. Researchers working in the pharmaceutical sector in Nigeria have found that there is an inverse relationship between financial ratios and gross profit margins, while inventory turnover shows a significant positive relationship. Disclosure index and regression analysis were used to verify the degree of disclosure included in the financial statements, which shows the importance of conducting research in the private sectors and the optimal use of assets. (Al Hiyassat, Shahwan, and AL-ajali 2025) of Chinese insurance businesses (Zhao 2022). The findings of investigation highlighted the need to implement strong and unified disclosure policies and standards to ensure transparency in financial statements.

Collectively, these studies highlight the adaptability of financial ratio analysis and its importance in evaluating many elements of a company's financial performance. They demonstrate how these studies can reveal patterns, suggest areas for improvement, and provide valuable insights to management and stakeholders. The consistent use of financial and secondary data and procedures enhances the credibility and effectiveness of financial ratio analysis as an academic tool for analyzing and understanding a company's financial position.

METHODOLOGY

Period of the study

The study extends over four years, beginning in 2020 and ending in 2023.

Sources of data

The Saudi Stock Exchange (Tadawul) website was used to collect data from 2020 to 2023.

Statistical tools used:**profitability ratios**

Profitability ratios are used as a statistical tool and employ quantitative methodologies to evaluate a trading company's ability to generate profits relative to its revenue, assets, equity, or other financial variables. This approach includes several metrics, such as common profitability metrics, including gross profit margin (GPM), operating profit margin (OPM), net profit margin (NPM), return on assets (ROA), and return on equity (ROE). As shown in Table 1.

Table 1 Key Profitability Ratios and Their Equations for Tadawl Company

Items	Equations
profitability ratios	$GPM = \text{Revenue} / \text{Gross Profit} \times 100.$
	$OPM = \text{Revenue} / \text{Operating Income (EBIT)} \times 100.$
	$NPM = \text{Net Income} / \text{Revenue} \times 1000.$
	$ROA = \text{Net Income} / \text{Total Assets} \times 100.$
	$ROE = \text{Net Income} / \text{Shareholder's Equity} \times 10.$

leverage Ratio

The statistical method of leverage ratios used to analyze a Tadawl company's the use of debt in its capital structure to assess financial risk and long-term solvency. This method includes the debt-to-equity ratio, debt-to-assets ratio. As shown in Table 2.

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Table 2 Key Leverage Ratios and Their Equations for the Tadawl Company

Items	Equations
leverage ratio	$\text{Debt-to-Equity Ratio} = \text{Total Debt} / \text{Shareholder's Equity} \times 100.$
	$\text{Debt-to-Assets Ratio} = \text{Total Debt} / \text{Total Assets} \times 100.$

Growth Ratio

The statistical approach of growth ratios assesses a Tadawl company's capacity to enhance its profits, sales, or other critical financial indicators over time, using statistical methods to discern patterns and forecast future performance. as shown in Table 3.

Table 3 Growth Ratio Calculations of Tadawl Company

Items	Equations
Growth Ratio:	$\text{Revenue Growth} = \frac{\text{Current Period Revenue} - \text{Prior Period Revenue}}{\text{Prior Period Revenue}} \times 100.$
	$\text{Net Revenue Growth} = \frac{\text{Current Period Net Revenue} - \text{Prior Period Net Revenue}}{\text{Prior Period Net Revenue}} \times 100.$
	$\text{Assets Growth} = \frac{\text{Current Period Total Assets} - \text{Prior Period Total Assets}}{\text{Prior Period Total Assets}} \times 100.$

Analysis and Interpretation

To know the financial performance of Tadawl company, common size analysis of Tadawl company

Profitability Ratio

Tadawl Company's 2020–2023 profitability ratios show swings, peaking at 83.11% in 2021. The company's operational and net profit margins vary, peaking at 50.42% in 2023. Return on Assets and Return on Equity show

mild fluctuations, reflecting the company's efficiency in using assets and equity to create profits. The table shows Tadawl Company's financial and operational performance throughout this time. outlined in table 4

Table 4. Profitability Ratios Over Four Years for Tadawl Company

Items	2020	2021	2022	2023
	%	%	%	%
GPM	48.39	83.11	63.81	64.81
OPM	36.08	31.12	44.72	41.77
NPM	34.66	29.89	39.64	50.42
ROA	14.36	16.89	5.52	7.19
ROE	16.71	19	13.36	17.56

Interpretations

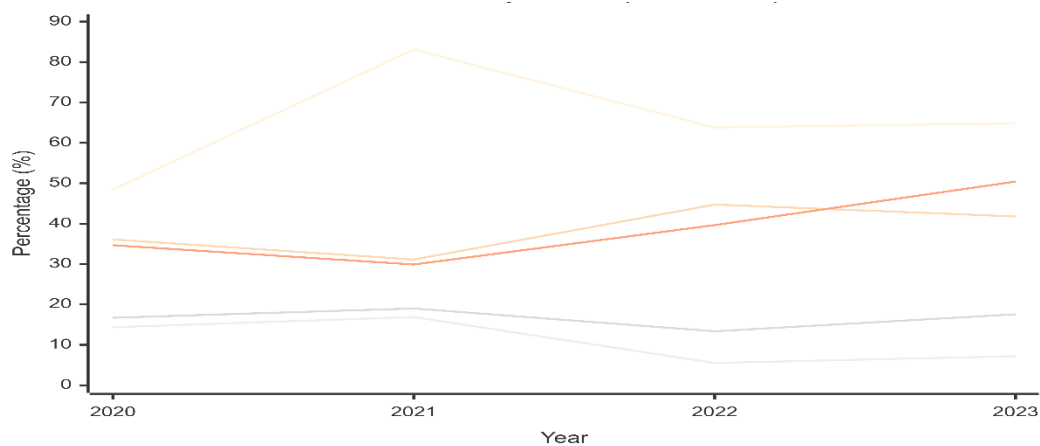


Figure 1: Trend Analysis: Tadawl Profitability Ratios (2020-2023)

Saudi Tadawl Company Profitability Ratio Performance (2020-2023). This line chart displays the trends of major profitability metrics, including profit margins and returns (ROA, ROE), expressed as percentages from 2020 to 2023 shown in Figure 1

Gross Profit Margin

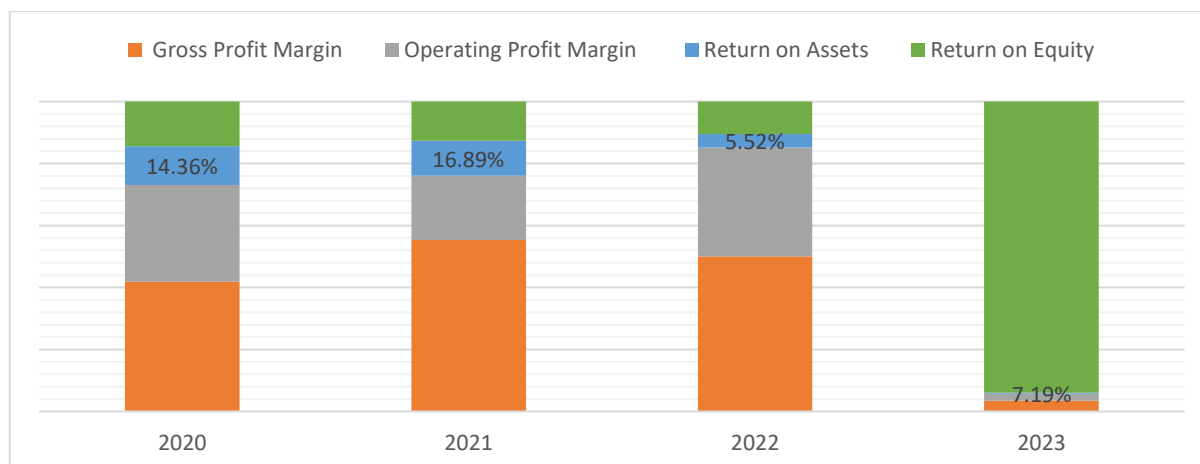


Figure 2: Trend Analysis: Tadawl Profitability Ratios (2020-2023)

Figure 1 shows the gross profit margin, a key measure of a company's production and service delivery efficiency. Company gross profit margins show significant variation over time. From 2020 to 2021, the gross profit margin rose from 48.39% to 83.11%. This considerable increase reflects either a major COGS decrease owing to operational efficiency or economies of scale, or an increase in pricing power due to higher-margin goods or services. In the following period, spanning 2021 to 2022, there was a notable shift in this trend, as the gross profit margin decreased to 63.81%. This contraction indicates a rise in production costs or a deliberate transition towards product lines with lower profit margins. The decline may be attributed to external factors, including inflationary pressures and disruptions in the supply chain. During the period from 2022 to 2023, there was a slight enhancement observed, as the gross profit margin experienced a minor increase to 64.81%. The company's gross profit margin exhibits a volatile pattern, characterized by significant fluctuations over the fiscal years analyzed. The remarkable profitability achieved in 2021 confirms the company's potential; despite the positive stability, the company has not yet returned to the high levels of profitability seen in 2021. To ensure sustained profitability, costs must be managed and strategic adjustments made on an ongoing basis.

Operating Profit Margin

According to the company's profit margin, it decreased from 36.08% in 2020 to 31.12% in 2021, indicating a rise in operating expenses. Although it increased to 44.72% in 2021, this indicates high operational efficiency. The decline between 2022 and 2023 to 41.77% indicates a failure to maintain efficiency through increased operating expenses. In 2022, the company witnessed a significant improvement in cost control and operational efficiency. In 2023, a slight decline occurred due to some issues that require reviewing accounting processes to improve profitability.

Net Profit Margin

The company's net profit margin has varied over the years, decreasing from 34.66% in 2020 to 29.89% in 2021. Nevertheless, it rose by 39.64% in 2021 and 2022 owing to enhanced profitability, reduced interest rates, and advantageous tax circumstances. In 2022, the operating profit margin attained 50.42%, a notable financial accomplishment that reflects the company's capacity to improve its financial performance in both operational and non-operational domains.

Return on Assets (ROA)

Company ROA assesses asset efficacy in producing profit. It first increased from 2020 to 2021, showing enhanced asset usage. From 2021 to 2022, ROA fell drastically to 5.52%, showing a considerable reduction in profitability compared to total assets. This might be due to asset write-downs, acquisitions, or underutilization. From 2022 to 2023, the ROA rose to 7.19%, showing that the company's asset utilization remained low. This trend of early progress, fall, and partial recovery shows the difficulties of sustaining asset usage and profitability. Monitoring and strategic modifications are essential to improve asset performance and maintain profitability.

Leverage Ratio

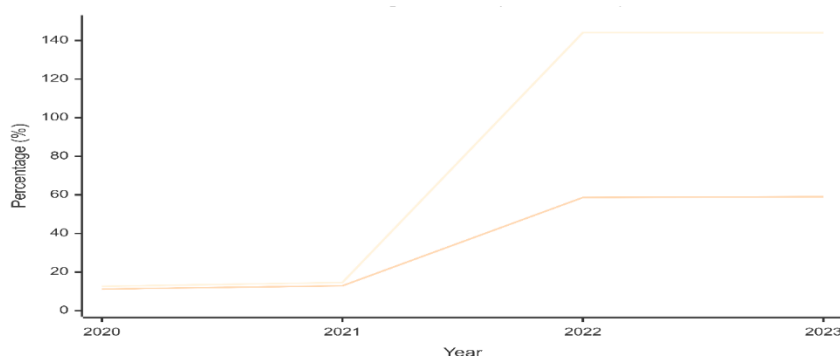


Figure 3: Tadawul Leverage Ratios Trend (2020-2023)

The trend of two distinct tadawul leverage ratios (%) from 2020 to 2023. both ratios remained relatively low and stable through 2020 and 2021 (approx. 10-13%). a significant increase occurred between 2021 and 2022, with one ratio rising to approx. 60% and the other to approx. 140%. both ratios subsequently plateaued at these elevated levels through 2023. shown in Figure 3.

Debt-to-assets ratio

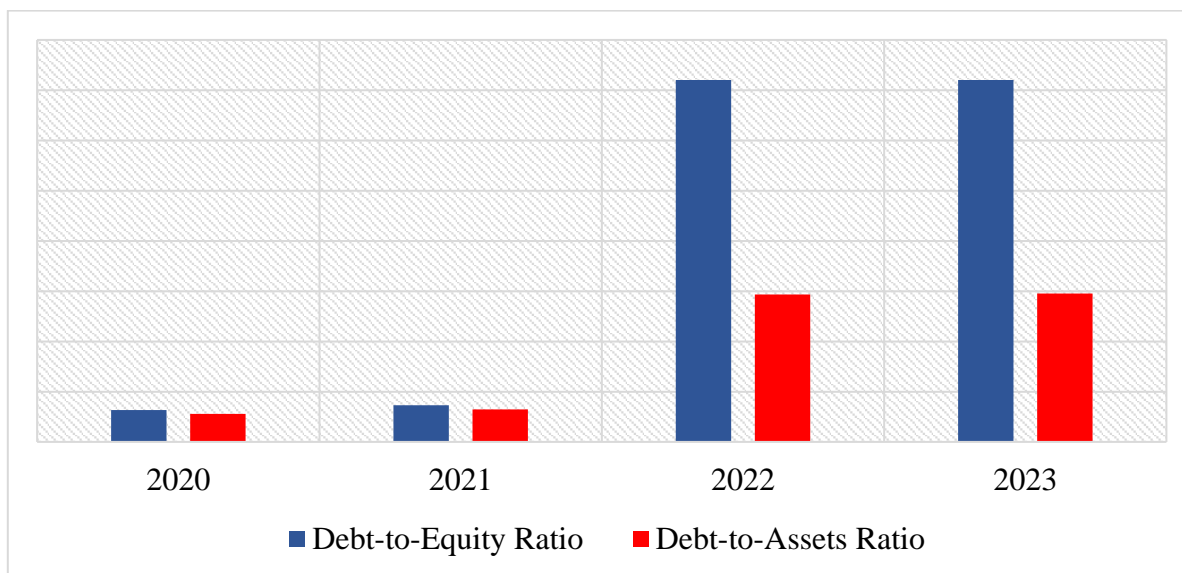


Figure 3: Tadawul Leverage Ratios Trend (2020-2023)

As shown in figure 4. in the company's financial structure, the debt-to-assets ratio has changed significantly. from 2020 to 2021, the ratio grew from 11.20% to 12.88%. however, from 2021 to 2022, it rose to 58.65%, showing a major debt financing shift. large-scale borrowing for asset acquisitions or growth projects or asset write-downs, impairments, or divestitures may cause this. from 2022 to 2023, the ratio rose slightly to 59.03%. nearly 60% of the company's assets were funded by debt in 2022, causing financial stability and solvency issues. high debt levels expose the organization to risks including reduced cash flows or increased interest rates, which might make debt service difficult. to reduce financial risks, thorough monitoring and proactive debt management are needed.

Debt-to-equity ratio

The company's capital structure has changed, as has its debt-to-equity ratio. the ratio grew from 12.62% to 14.58% in 2020–2021, indicating a small rise in debt financing. from 2021 to 2022, it rose to 144.1%, suggesting a large increase in debt or a decrease in shareholders' equity. large-scale borrowing for acquisitions, expansion projects, or capital-intensive ventures or write-downs or losses that lowered equity may cause this. from 2022 to 2023, the ratio dropped slightly to 144.03%, demonstrating the corporation maintained its highly leveraged position. due to market fluctuations and operational issues, this amount of leverage increases financial risk for the organization.as shown in figure 3.

Growth ratio

Table 5 : Growth Ratio Over Four Years of Tadawl Company

ITEMS	2020-2021	2021-2022	2022-2023
	%	%	%
REVENUE GROWTH	15.92 +	46.43	+1.77
NET REVENUE GROWTH	0.00+	-28.75	+29.41
ASSETS GROWTH	13.43_	+115.91	-0.70

Table 6 show Tadawl Company's growth ratios from 2020–2021, 2021–2022, and 2022–2023. Revenue Growth, Net Revenue Growth, and Assets Growth are percentages. Revenue Growth rose 46.43% in 2021–2022, after a modest 15.92% growth in 2020–2021 and a minor 1.77 percent rise in 2022–2023. Net revenue growth is steady in the first quarter, drops 28.75% in the second, and rises 29.41% in the third, demonstrating profitability instability. Assets growth is 115.91% in 2021–2022, indicating strong expansion or investment, but it drops 0.70% in 2022–2023. The table shows changing growth performance over time, indicating different operational and financial methods.

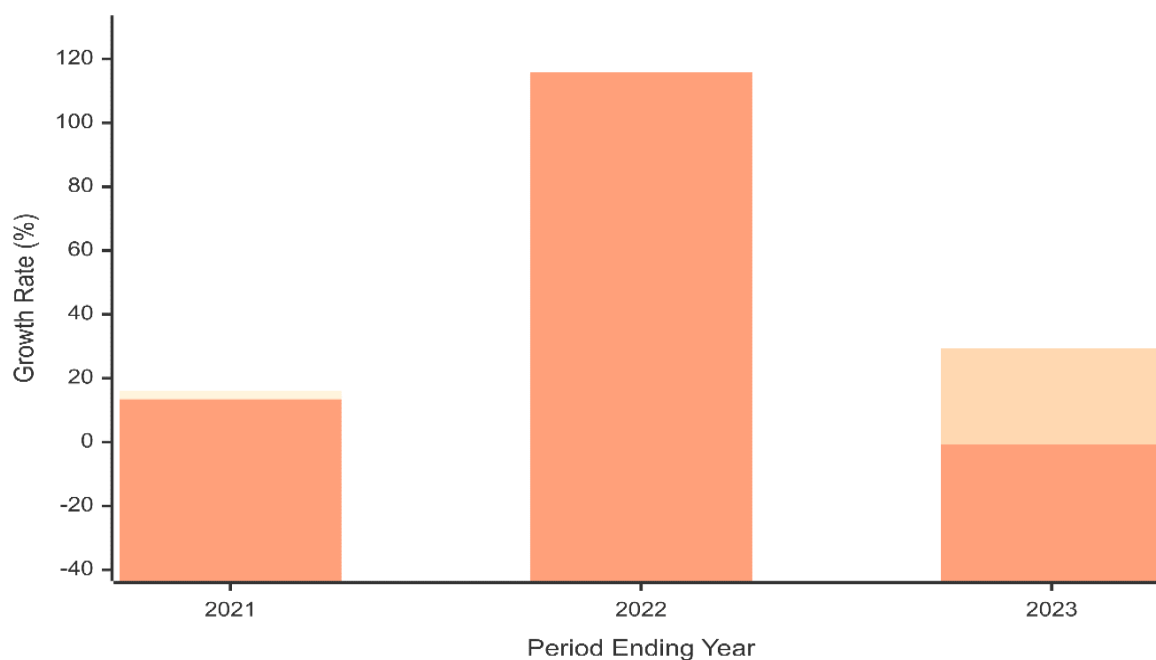


Figure 5: Tadawl Growth: Year-Over-Year Ratios of Tadawl Company

The Figure 5. Shows stacked bar chart shows year-over-year Tadawl growth ratios for two components across 2021-2023. 2022 exhibited substantial growth in both, while 2023 saw a decline in one component offset by growth in the other, resulting in lower overall positive growth compared to 2022. Specific component meanings are needed for detailed analysis. shown in Figure 5.

Net Revenue Growth

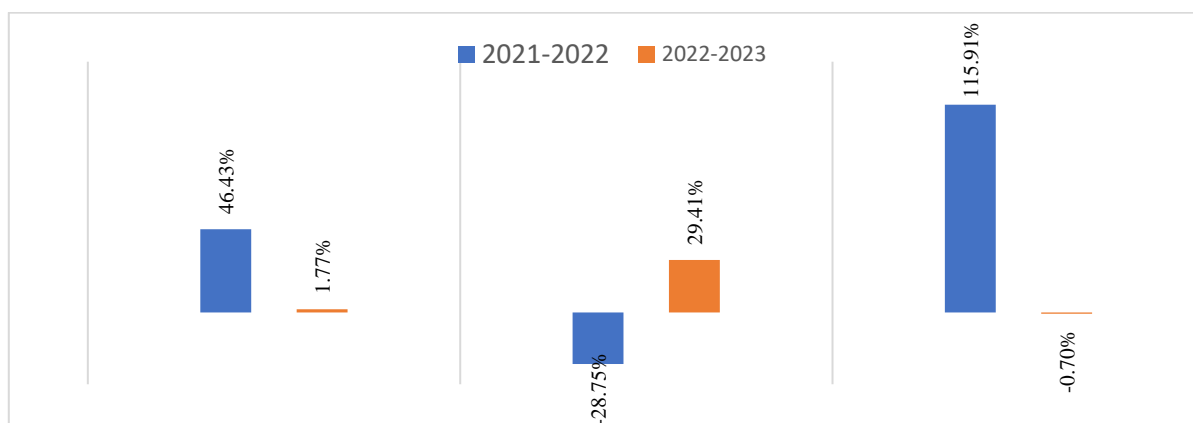


Figure 6: Tadawl Growth: Year-Over-Year Ratios of Tadawl Company

Figure 6 shows the company's revenue growth trend shifting throughout fiscal years. Revenue increased somewhat from 2020 to 2021, growing 15.92%. Sales volume, increased pricing, and market penetration campaigns contributed to this expansion. This favorable trend shows sustained, measured growth in the company's operational success.

Revenue rose 46.43% in 2021–2022. Strategic efforts, excellent market circumstances, and customer demand drove this expansion. The organization took advantage of market possibilities and implemented excellent expansion plans. Revenue growth slowed by 1.77% from 2022 to 2023, suggesting business cycle maturity. Market saturation, increased competition, economic difficulties, and operational issues may explain it. This move shows how market circumstances change and how adaptation is key to long-term revenue development.

Interpretation

Sales grew rapidly in 2021–2022, then declined in 2022–2023. The early surge may indicate effective methods or favorable external conditions, but the following decrease signals long-term growth issues. Customer retention and the search for new sources of revenue help mitigate stagnation.

Net Revenue Growth

From 2022 to 2023, the firm had a 29.41% rise in net revenue, attributed to enhanced operational efficiency and cost management. This results from a decrease in both the cost of products sold and operational expenditures. Additional techniques may augment this gain, like the identification of higher-margin sales strategies or more efficient pricing strategies, since these approaches show the company's fortitude in a hard market environment.

Interpretation

The disparity between the company's total revenue growth and net revenue growth indicates that net revenue decreased from 2021 to 2022, followed by a distinct rebound in the ensuing period from 2022 to 2023. This illustrates the company's comprehensive resilience and flexibility.

Assets Growth

From 2020 to 2021, the company's growth rate was 13.43%, signifying ongoing investment in its productive assets, chiefly infrastructure and equipment. The subsequent growth rate is 115.91% for the period from 2021 to 2022. This signifies tactical buys and enduring investments. This may signify robust market penetration by the corporation, or other sources such as technology advancements or intellectual property purchases. Between 2022 and 2023, asset value decreased by 0.70% owing to many factors, including resource reallocation.

Interpretation

Between 2021 and 2022, the corporation executed many strategies to enhance revenue development, particularly through substantial investments. Nevertheless, a little decrease transpired in 2022-2023, prompting inquiries regarding its efficacy. Certain behaviors could threaten the company's capital, including unused assets or inadequate profits.

CONCLUSION

This research examined Tadawul, evaluating the company's financial performance from 2020 to 2023. The analysis included profitability, leverage, and growth rates. The analysis indicated a consistent rise in the company's profitability during the study period, along with an increase in the net profit margin to 50.42% in 2023. The elevated leverage ratios in 2022, coupled with a debt-to-equity ratio of 144.1%, have elicited apprehensions over the company's capacity to fulfill its long-term financial commitments in an unstable economic landscape. The 1.77% ratio in 2023 signifies a deceleration in growth, maybe attributable to market saturation or operational challenges. The report suggests many practical and strategic approaches that might enhance sustainability, primarily focusing on cost reduction, operational efficiency, and revenue source diversification. By confronting these issues, Tadawul may fortify its position, adjust to evolving economic conditions, and augment the company's resilience and long-term growth.

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