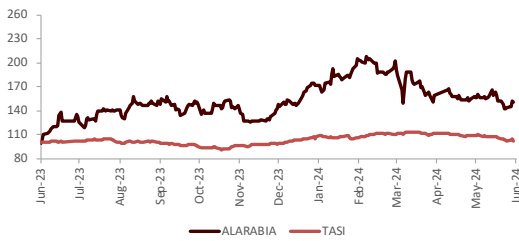


Arabian Contracting Services Co. (ALARABIA)

Recommendation**Buy**

Current Market Price (SAR)	211.0
52wk High / Low (SAR)	298.4/137.4
Mkt. Cap. (USD/SAR Mn)	2,812/10,550
Shares Outstanding (mn)	50.0
Free Float (%)	50.0%
3m Average Vol. (000)	219.7
3m Avg Daily Turnover (SAR'000)	50,948
Dividend Yield '24e (%)	2.8%
P/E'24e (x)	12.5
EV/EBITDA'24e (x)	26.0

Source: Bloomberg

Relative Price Performance**Key Indicators**

SAR (mn)	2022	2023	2024e	2025e
Revenue	1,126	1,280	1,568	1,839
Gross profit	487	598	706	827
Gross margin (%)	43%	47%	45%	45%
EBIT	391	463	544	643
EBIT margin (%)	35%	36%	35%	35%
EBITDA	423	500	590	707
EBITDA margin (%)	38%	39%	38%	38%
Net Income	276	330	405	494
Net margin (%)	25%	26%	26%	27%
EPS (SAR)	5.52	6.61	8.10	9.89
RoE (%)	36%	34%	32%	32%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Engineer Holding Group Company	50.00%
MBC Group Ltd	20.00%

Source: Bloomberg, Yaqeen Capital

Earnings improved largely on account of higher revenue

- ALARABIA's net income went up by 11% YoY (+26.9% QoQ) to SAR 101mn in 1Q2024 primarily attributed to higher revenue from sales and operating profit. However, the net profit margin net profit margin decreased by 6.1ppts YoY (+7.6% QoQ) to 23.0%.
- Revenue rose 40.6% YoY to SAR 439mn in 1Q2024, driven by a 39% increase in outdoor and a 92% increase in indoor ad revenues. Key factors include starting operations at King Khalid International Airport, fully acquiring Faden Media, and campaigns for events like Ramadan and Saudi Foundation Day. QoQ, revenue grew 18.9% due to a 22% rise in outdoor and a 5% rise in indoor ad revenues, supported by the same key factors.
- In 1Q2024, gross profit reached SAR 204mn, marking a 41.8% YoY and 7.6% QoQ growth. Despite a YoY improvement of 0.4ppts, the gross margin declined by 5.3ppts QoQ, settling at 46.4% for 1Q2024.
- Operating income saw a rise of 38.6% YoY and 20.2% QoQ, reaching SAR 159mn in 1Q2024. This quarterly surge was primarily driven by a notable 22% reduction in operational expenses compared to the preceding quarter. However, the operating profit margin experienced a slight YoY decline of 0.5ppts but a QoQ increase of 0.9ppts, reaching 36.2%.
- Finance costs increased by 199.5% YoY (+22.6% QoQ) to SAR 60.4mn in 1Q2024

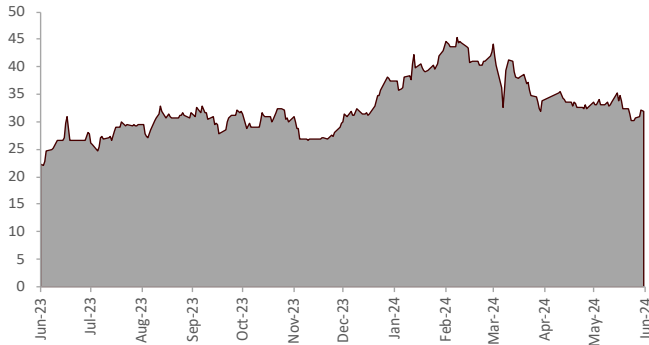
Outlook & Valuation: The advertising industry in Saudi Arabia is strategically poised for growth, driven by a rapid increase in online spending and the expanding presence of cinema, outdoor, and radio advertising. Outdoor advertising has become more popular with the ongoing infrastructure development and urbanization across the kingdom. With a comprehensive network and a strong presence in both traditional and digital media platforms, ALARABIA is well-positioned to capitalize on the burgeoning advertising market in Saudi Arabia. The company's robust financial standing enables it to invest in advanced infrastructure and technology. Additionally, ALARABIA's continuous focus on expansion through organic growth and strategic acquisitions, such as the acquisition of Faden Media, is expected to support further growth and help the company maintain its leading position in the dynamic advertising industry in the kingdom. Overall, we remain optimistic about the company's prospects. Based on the DCF valuation, we determine a fair value of SAR 246.3 per share, indicating an upside of 16.7% from the present value. Consequently, we suggest a Buy rating for the stock.

Financial Summary

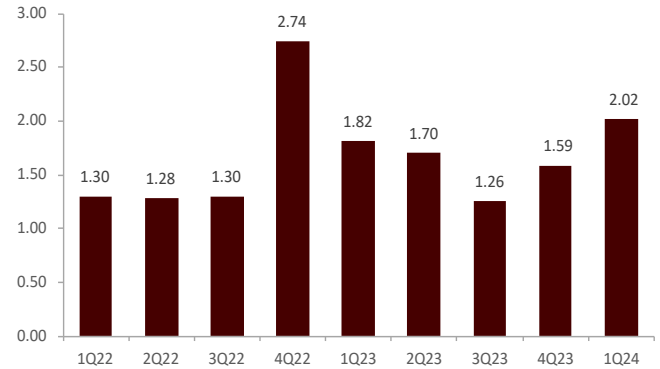
SAR (mn)	1Q2024	1Q2023	YoY	4Q2023	QoQ
Revenue	439	312	41%	369	19%
Gross profit	204	144	42%	189	8%
Gross margin (%)	46%	46%		51%	
EBIT	159	115	39%	132	20%
EBIT margin (%)	36%	37%		36%	
Net Income	101	91	11%	79	27%
Net margin (%)	23%	29%		22%	
EPS (SAR)	2.02	1.82	11%	1.59	27%

Source: Company Reports, Yaqeen Capital

Price to Book Ratio Trend



EPS (SAR) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by $\geq 10\%$

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by $\geq 10\%$

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