

Alkhorayef Water and Power Technologies Co. (AWPT)

Recommendation**Hold**

Current Market Price (SAR)	231.6
52wk High / Low (SAR)	284.4/124.0
Mkt. Cap. (USD/SAR Mn)	1,543/5,790
Shares Outstanding (mn)	25.0
Free Float (%)	53.0%
3m Average Vol. (000)	86.3
3m Avg Daily Turnover (SAR'000)	21,002
Dividend Yield '24e (%)	0.9%
P/E'24e (x)	17.5
EV/EBITDA'24e (x)	14.5

Source: Bloomberg

Relative Price Performance**Key Indicators**

SAR (mn)	2022	2023	2024e	2025e
Revenue	822	1,709	3,308	3,474
Gross profit	187	262	541	606
Gross margin (%)	23%	15%	16%	17%
EBIT	138	200	410	468
EBIT margin (%)	17%	12%	12%	13%
EBITDA	175	249	478	556
EBITDA margin (%)	21%	15%	14%	16%
Net Income	107	140	332	384
Net margin (%)	13%	8%	10%	11%
EPS (SAR)	4.30	5.60	13.27	15.38
RoE (%)	28%	30%	49%	39%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Alkhorayef Group Company	46.50%
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Source: Bloomberg, Yaqeen Capital

Earnings rose amid higher operating income

- AWPT's net income rose by 31.6% YoY and 45.0% QoQ to SAR 43mn, driven by higher operating profit in 1Q2024. The net profit margin contracted by 0.8ppts YoY but expanded by 3.5ppts QoQ to 9.4%.
- Total revenue surged by 42.5% YoY to SAR 458mn in 1Q2024, primarily due to an 83.5% increase in revenue from the Water segment, thanks to new projects. However, on a QoQ basis, revenue fell by 8.8% due to the completion of existing contracts and awaiting the start of newly awarded contracts beginning in 2Q2024.
- Gross profit increased by 38.9% YoY and 8.7% QoQ to SAR 79mn in 1Q2024, though the gross margin declined by 0.4ppts YoY but improved by 2.8ppts QoQ to 17.2%.
- Operating income reached SAR 61mn, marking a growth of 29.9% YoY and 23.1% QoQ in 1Q2024. This growth was driven by new projects despite higher diesel prices and provisions amounting to SAR 3.7mn for penalties and expected credit losses.
- Finance charges increased by 20.0% YoY and 32.0% QoQ to SAR 11mn in 1Q2024.

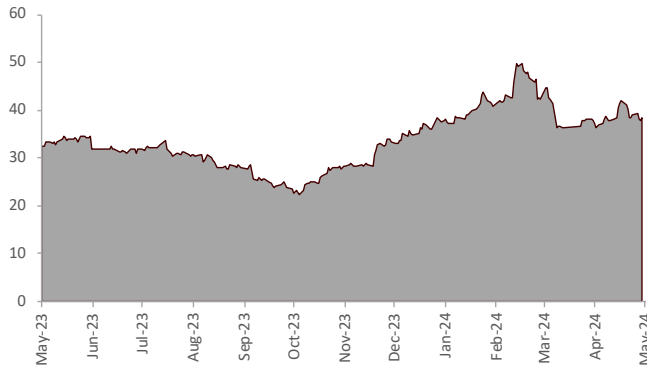
Outlook & Valuation: The utility sector in the Kingdom has undergone remarkable growth and transformation in recent years, spurred by the government's dedication to diversifying the economy and boosting infrastructure investment. As a prominent industry player, AWPT is well-positioned to reap the benefits of these advancements and seize the emerging opportunities. The company's proficiency in delivering advanced water treatment solutions aligns seamlessly with the rising demand for sustainable and efficient water management in the utility sector. Overall, we are positive about the company's growth visibility; nevertheless, we believe the stock price (which has increased by 103% in the last 2 years) has exceeded the underlying fundamentals. Based on DCF valuation, we arrive at a fair value of SAR 209.1/share, offering a downside of 9.7% from the current level. Hence, we recommend a Hold rating on the stock.

Financial Summary

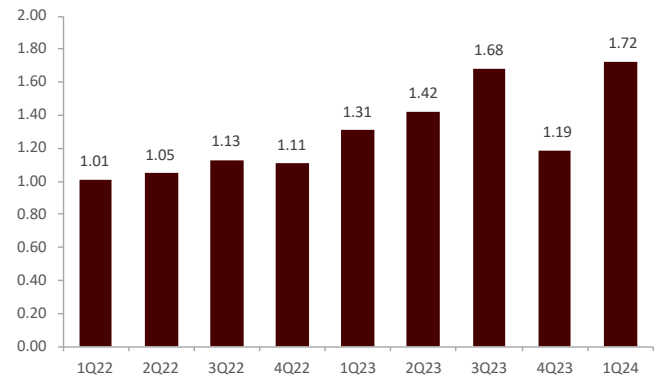
SAR (mn)	1Q2024	1Q2023	YoY	4Q2023	QoQ
Revenue	458	322	42%	502	-9%
Gross profit	79	57	39%	73	9%
Gross margin (%)	17%	18%		14%	
EBIT	61	47	30%	44	37%
EBIT margin (%)	13%	15%		9%	
Net Income	43	33	32%	30	45%
Net margin (%)	9%	10%		6%	
EPS (SAR)	1.72	1.31	31%	1.19	45%

Source: Company Reports, Yaqeen Capital

Price to Earnings 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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