

ACWA POWER Co. (ACWA POWER)

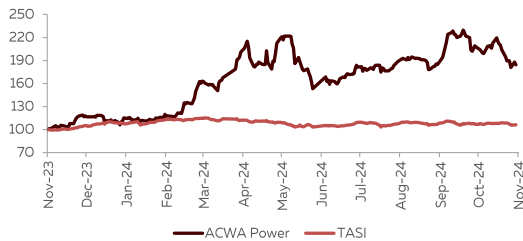
Target Price: SAR 244.5/share

Downside: 38.7%

Recommendation	Sell
Current Market Price (SAR)	399.0
52wk High / Low (SAR)	500.8/214.6
Mkt. Cap. (USD/SAR Mn)	77,896/292,292
Shares Outstanding (mn)	732.6
Free Float (%)	52.2%
3m Average Vol. (000)	273.2
3m Avg Daily Turnover (SAR'000)	121,091
Dividend Yield '24e (%)	0.3%
P/E'24e (x)	153.9
EV/EBITDA'24e (x)	82.2

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	5,276	6,095	6,754	8,119
Gross profit	2,865	3,495	3,749	4,506
Gross margin (%)	54%	57%	56%	56%
EBIT	2,614	2,984	3,275	3,684
EBIT margin (%)	50%	49%	48%	45%
EBITDA	3,079	3,447	3,750	4,182
EBITDA margin (%)	58%	57%	56%	52%
Net Income	1,540	1,662	1,895	2,629
Net margin (%)	29%	27%	28%	32%
EPS (SAR)	2.11	2.27	2.59	3.60
RoE (%)	9%	9%	10%	13%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Public Investment Fund	44.16%
Vision International Investment Co.	22.75%
Mohammed Abdullah Abunayyan	3.51%

Source: Bloomberg, Yaqeen Capital

Bottom line impacted by higher costs

- ACWA POWER reported a net income of SAR 328mn in 3Q2024, declining by 17.6% YoY and 48.0% QoQ. This decrease was primarily due to higher development costs, provisions, write-offs, and general and administrative expenses. The YoY decline was further impacted by lower other income, partially offset by higher gross profit from increased revenue, greater equity-accounted investees' contributions, and reduced Zakat and tax charges. The QoQ decline was exacerbated by lower divestment gains, partially offset by higher other operating income. The net margin dropped by 7.0ppts YoY and 21.6ppts QoQ to 18.8%.
- Revenue rose by 13.3% YoY and 11.8% QoQ to SAR 1,747mn in 3Q2024, driven by higher electricity sales, operation and maintenance activities, and increased income from development and construction management services.
- Gross profit climbed by 13.9% YoY and 19.5% QoQ to SAR 1,000mn, supported by revenue growth, with the gross margin improving by 0.6ppts YoY and 6.8ppts QoQ to 57.2%.
- Operating income grew 19.9% YoY to SAR 976mn, driven by higher gross profit and increased equity-accounted investees' contributions, but fell 1.4% QoQ due to higher costs, provisions, and administrative expenses. The operating margin increased 5.8ppts YoY but decreased 11.8ppts QoQ to 55.9%.
- For 9M2024, net income rose by 16.0% YoY to SAR 1,255mn, supported by higher gross profit, equity-accounted investees' contributions, and divestment gains, despite higher costs and expenses. The net profit margin improved by 2.3ppts YoY to 27.5%.
- Revenue for 9M2024 grew 6.4% YoY to SAR 4,562mn, primarily due to increased electricity sales, operation and maintenance activities, and higher income from development and construction management services.

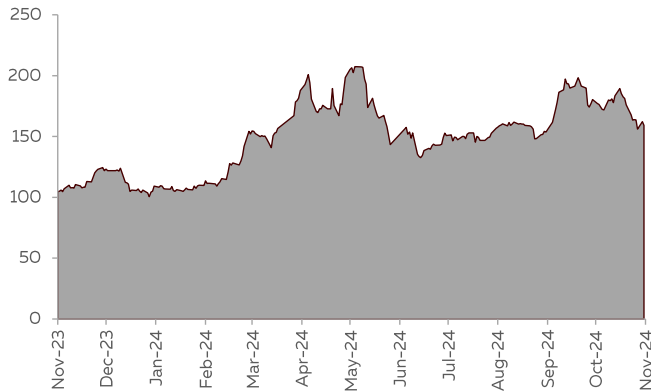
Outlook & Valuation: ACWA POWER is the largest private power producer in the Middle East and the leading private water desalination company worldwide. The company has demonstrated robust capacity expansion across segments, maintaining a strong CAGR, with further growth expected. Its strategic alignment with the Kingdom's renewable energy initiatives positions it well for medium to long-term growth. However, we believe the stock has exceeded its fundamentals, considering its nearly 68% YTD increase, implying a downside from current levels. Based on DCF valuation, we arrive at a fair value of SAR 244.5/share, suggesting a 38.7% downside from current levels. Hence, we recommend a Sell rating for the company.

Financial Summary

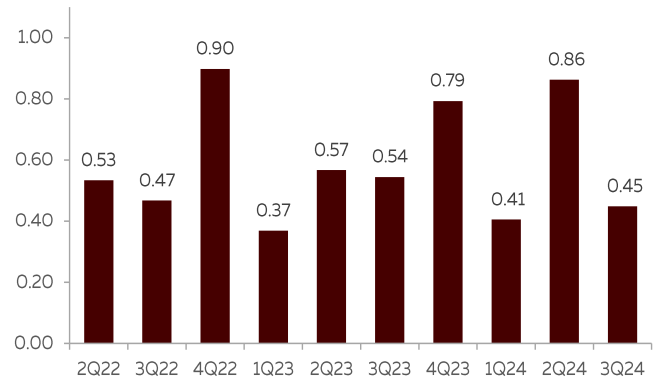
SAR (mn)	3Q2024	3Q2023	YoY	2Q2024	QoQ
Revenue	1,747	1,542	13%	1,563	12%
Gross profit	1,000	877	14%	837	19%
Gross margin (%)	57%	57%		54%	
EBIT	976	814	20%	990	-1%
EBIT margin (%)	56%	53%		63%	
Net Income	328	398	-18%	631	-48%
Net margin (%)	19%	26%		40%	
EPS (SAR)	0.45	0.54	-18%	0.86	-48%

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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