

## Arabian Contracting Services Co. (ALARABIA)

**Target Price: SAR 219.1/share**  
**Upside: 35.2%**

<b>Recommendation</b>	<b>Buy</b>
Current Market Price (SAR)	162.0
52wk High / Low (SAR)	298.4/148.0
Mkt. Cap. (USD/SAR Mn)	2,159/8,100
Shares Outstanding (mn)	50.0
Free Float (%)	50.0%
3m Average Vol. (000)	139.9
3m Avg Daily Turnover (SAR'000)	24,671.0
Dividend Yield '24e (%)	1.7%
P/E'24e (x)	36.6
EV/EBITDA'24e (x)	19.8

Source: Bloomberg

### Profit declines due to rising costs

- ALARABIA's net income for 3Q2024 declined 29.6% YoY to SAR 44mn, impacted by higher operating expenses during its transitional phase, including the launch of advertising at King Khalid International Airport, and a rise in financing costs. QoQ, net income dropped 6.4% due to seasonal factors and ongoing project preparations. The net profit margin decreased 16.3ppts YoY (-0.1ppts QoQ) to 12.6%.
- Revenue for 3Q2024 rose 16.1% YoY to SAR 353mn, driven by a 1% increase in outdoor advertising and a 439% rise in indoor advertising, attributed to the launch of advertising at King Khalid International Airport, the full acquisition of Faden Media, and ongoing digital transformation in outdoor advertising. QoQ, revenue decreased 5.7% due to seasonal factors and ongoing project preparations.
- Gross profit in 3Q2024 fell 19.3% YoY to SAR 99mn, due to a 40.2% rise in cost of revenue. QoQ, gross profit dropped 30.1% due to lower revenue and a 9.3% increase in the cost of revenue. Gross margin decreased by 12.3ppts YoY (-9.8ppts QoQ) to 28.2%.
- Operating income decreased 26.2% YoY to SAR 69mn, due to lower gross profit and higher general & administrative expenses. QoQ, operating income fell 30.1% due to reduced gross profit. The operating margin declined by 11.1ppts YoY and 6.8ppts QoQ to 19.4%.
- For 9M2024, net income decreased 19.4% YoY to SAR 192mn, mainly due to increased operating expenses and a 146% rise in financing costs. The net income margin dropped 9.7ppts YoY to 16.5%.
- Revenue for 9M2024 grew 28.0% YoY to SAR 1,166mn, driven by a 21% increase in outdoor advertising and a 175% rise in indoor advertising, supported by key campaigns and continued digital transformation in outdoor advertising.

**Outlook & Valuation:** Saudi Arabia's advertising industry is set for growth, fueled by increasing online spending and the expansion of cinema, outdoor, and radio segments. ALARABIA's robust presence in traditional and digital media positions it well to capitalize on this trend. The company recently secured a contract to advertise on intercity roads in Saudi Arabia, further enhancing its market reach. Its solid financial foundation enables infrastructure investments and strategic initiatives, such as the acquisition of Faden Media, strengthening its market leadership. We maintain a positive outlook on ALARABIA's prospects. Based on the DCF valuation, we determine a fair value of SAR 219.1 per share, indicating an upside of 35.2% from the present value. Consequently, we suggest a Buy rating for the stock.

### Financial Summary

SAR (mn)	3Q2024	3Q2023	YoY	2Q2024	QoQ
Revenue	353	304	16%	374	-6%
Gross profit	99	123	-19%	142	-30%
Gross margin (%)	28%	41%		38%	
EBIT	69	93	-26%	98	-30%
EBIT margin (%)	19%	31%		26%	
Net Income	44	63	-30%	47	-6%
Net margin (%)	13%	21%		13%	
EPS (SAR)	0.89	1.26	-30%	0.95	-6%

Source: Company Reports, Yaqeen Capital

### Relative Price Performance



### Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	1,126	1,280	1,702	2,179
Gross profit	487	598	647	828
Gross margin (%)	43%	47%	38%	38%
EBIT	391	463	458	593
EBIT margin (%)	35%	36%	27%	27%
EBITDA	423	500	505	657
EBITDA margin (%)	38%	39%	30%	30%
Net Income	275	318	221	340
Net margin (%)	24%	25%	13%	16%
EPS (SAR)	5.49	6.36	4.42	6.80
RoE (%)	35%	33%	19%	26%

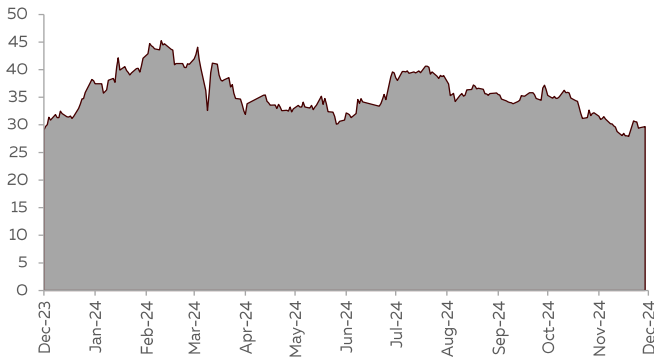
Source: Company Reports, Yaqeen Capital

### Major Shareholders (%)

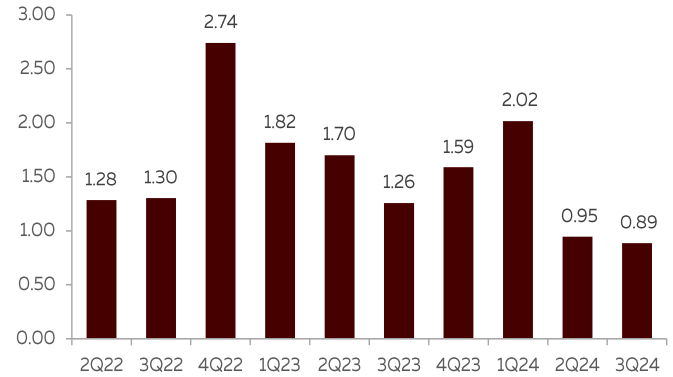
Engineer Holding Group Company	50.09%
MBC Group Ltd	15.10%

Source: Bloomberg, 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  $\geq 10\%$

## Disclaimer

Research report has been prepared by Yaqeen Capital, Riyadh, Saudi Arabia. It has been prepared for the general use of Yaqeen Capital's clients and may not be altered, redistributed, retransmitted, or disclosed, in whole or in part, or in any form or manner, without the express written consent of Yaqeen Capital. Receipt and review of this research document constitute your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this document prior to public disclosure of such information by Yaqeen Capital. The information contained was obtained from various public sources believed to be reliable, and Yaqeen Capital makes no representations or warranties (express or implied) regarding the data and information provided and does not represent that the information content of this document is complete, or free from any error, not misleading, or fit for any particular purpose. This research document provides general information only, but we do not intend to provide personal investment advice and did not constitute an offer or an invitation to make an offer, to buy/ sell/ hold any securities or other investment products, and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report.

Investors should seek financial, legal or tax advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed in this document and should understand that statements regarding future prospects may not be realized. Investors should note that the securities or other investments, if any, may fluctuate and that the price or value of such securities and investments may rise or fall. Fluctuations in exchange rates could have adverse effects on the value of or price of, or income derived from, certain investments. Accordingly, investors may receive back less than originally invested. Yaqeen Capital or its subsidiaries may own securities in one or more of the aforementioned companies, and/or indirectly through funds managed by third parties. The Investment Banking Group of Yaqeen Capital maybe in the process of soliciting or executing fee earning mandates for companies that is either the subject of this document or is mentioned in this document. Yaqeen officers (including research analysts) or Board of directors may have a financial interest in securities of the issuer(s) or related investments, including long or short positions in securities, warrants, futures, or other financial instruments. Yaqeen Capital and employees shall not be liable for any direct, indirect or consequential loss or damages that may arise, directly or indirectly, from any use of the information contained in this report.

Yaqeen Capital is a closed joint stock company licensed by the Saudi Arabian Capital Market Authority, License No (06020-37) to provide services in Dealing, Custody, Managing, Arranging and Advising.