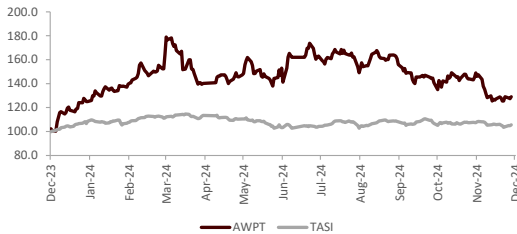


Alkhorayef Water and Power Technologies Co. (AWPT)

Recommendation	Buy
Current Market Price (SAR)	144.0
52wk High / Low (SAR)	203.1/111.1
Mkt. Cap. (USD/SAR Mn)	1,343/5,040
Shares Outstanding (mn)	35.0
Free Float (%)	53.3%
3m Average Vol. (000)	155.6
3m Avg Daily Turnover (SAR'000)	24,863
Dividend Yield '24e (%)	1.4%
P/E'24e (x)	22.8
EV/EBITDA'24e (x)	12.0

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	822	1,709	2,042	3,411
Gross profit	187	262	368	652
Gross margin (%)	23%	15%	18%	19%
EBIT	138	200	286	516
EBIT margin (%)	17%	12%	14%	15%
EBITDA	175	249	345	594
EBITDA margin (%)	21%	15%	17%	17%
Net Income	107	140	221	427
Net margin (%)	13%	8%	11%	13%
EPS (SAR)	4.30	5.60	6.31	12.21
RoE (%)	28%	30%	33%	44%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Alkhorayef Group Company	46.50%
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Source: Bloomberg, Yaqeen Capital

Earnings decline due to provisions

- AWPT's net income fell by 4.4% YoY to SAR 40mn in 3Q2024 due to provisions of SAR 12.8mn related to penalties and expected credit losses. QoQ, net income dropped by 47.7%, driven by the completion of a key development project milestone achieved in the previous quarter. The net profit margin decreased by 8.8ppts YoY and QoQ to 8.9%.
- Revenue declined by 3.8% YoY to SAR 451mn in 3Q2024, primarily due to completed contracts and delays in the commencement of new ones. However, QoQ revenue rose by 4.0%, driven by an 86% increase in the Wastewater segment and a 2.4% rise in the Integrated Water Solutions segment.
- Gross profit grew 17.0% YoY to SAR 83mn in 3Q2024 as the decline in cost of revenue outpaced the drop in revenue. On a QoQ basis, gross profit fell by 30.2% due to a sharper rise in the cost of revenue compared to revenue growth. The gross margin improved by 3.3ppts YoY but fell by 9.1ppts QoQ to 18.5%.
- Operating income rose by 8.5% YoY to SAR 62mn in 3Q2024, supported by higher gross profit. QoQ, operating income declined by 36.6% due to lower gross profit and increased general and administrative expenses. The operating margin improved by 1.6ppts YoY but fell by 8.7ppts QoQ to 13.7%.
- In 9M2024, net income grew 45.1% YoY to SAR 160mn, driven by higher revenue and gross profit, despite provisions for penalties and expected credit losses. The net profit margin improved by 2.8ppts to 11.9%.
- Revenue in 9M2024 increased by 11.2% YoY to SAR 1,342mn, with growth attributed to a 7.6% rise in the Water segment and a 48.4% increase in the Wastewater segment.

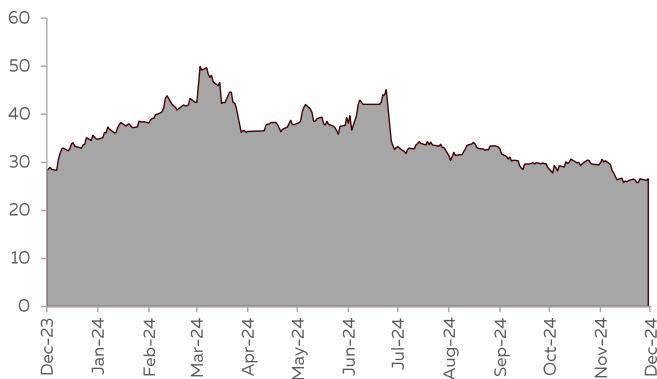
Outlook & Valuation: The utility sector in the Kingdom has seen substantial growth and transformation recently, fueled by the government's focus on economic diversification and enhanced infrastructure investment. As a key player in the industry, AWPT is well-positioned to leverage these developments and seize emerging opportunities. The company's expertise in advanced water treatment solutions aligns seamlessly with the rising demand for sustainable and efficient water management within the utility sector. Recently, AWPT was also awarded the Operation and Maintenance of Water Treatment Plants at Wadi Aldawaser, Alsailil, Alsafa in Najran, and Alwajid by the Saudi Water Authority. Overall, we are positive about the company's growth visibility. Based on DCF valuation, we arrive at a fair value of SAR 163.3/share, offering an upside of 13.4% from the current level. Hence, we recommend a Buy rating on the stock.

Financial Summary

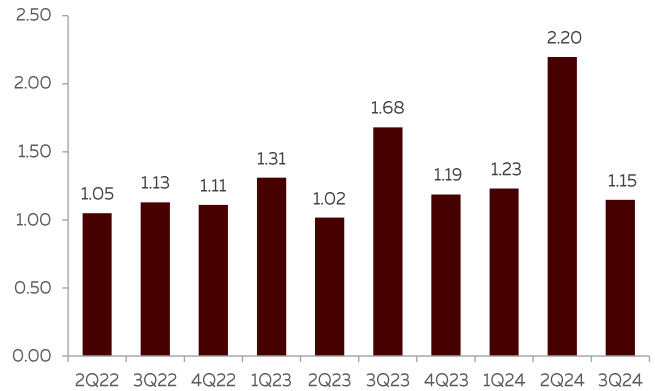
SAR (mn)	3Q2024	3Q2023	YoY	2Q2024	QoQ
Revenue	451	469	-4%	434	4%
Gross profit	83	71	17%	120	-30%
Gross margin (%)	19%	15%		28%	
EBIT	62	57	8%	97	-37%
EBIT margin (%)	14%	12%		22%	
Net Income	40	42	-4%	77	-48%
Net margin (%)	9%	9%		18%	
EPS (SAR)	1.15	1.68	-32%	2.20	-48%

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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