



Topline to remain robust with large contracts lined up; attractive valuation offers a compelling entry point despite downward revision to TP amid higher input costs

Alkhorayef Water & Power Technologies (AWPT) is well-positioned to benefit from strong project inflows in Saudi Arabia's water and wastewater sector, supported by significant government investments. With a solid track record in securing and executing complex projects, a healthy bid win rate (~40%), and multiple tenders in the pipeline, we expect AWPT's backlog to grow by SAR 3.6bn (gross addition) in FY25E, reaching SAR 8.4bn. This underpins our forecast of a 14.4% revenue CAGR over FY24–29E. However, rising raw material and diesel costs have impacted margins, with gross margin revised down to 16.2% in FY25E from 19.7% in FY24. Profitability is expected to recover gradually, with the gross margin reaching 20.4% and the net margin improving to 13.7% by FY29E, driving a 17.9% net income CAGR. The recent stock price correction brings valuations to attractive levels (FY25/26E P/E of 21.8x/14.8x), offering a strong entry point given AWPT's robust fundamentals and long-term growth prospects. Based on our revised estimates we cut our TP to SAR 161.5/share (from SAR 163.8/per share). However, at current valuation of 14.8x FY26E P/E, we see a higher potential hence we upgrade our rating on AWPT to "Overweight".

Robust project pipeline in the sector and AWPT's proven execution capabilities ensure long term growth prospects: AWPT has a strong foothold in Saudi water and wastewater treatment industry due to its proven track record of securing large complex project (LTOM 5, LTOM 6, LTOM 7 and IWPT2) and its presence in both EPC and O&M. This competitive advantage translates into a healthy win rate of the company (showcased a win rate of 40% in bids since September 2024). AWPT is the sole bidder in a big ticket Jazan Small Sewage Treatment Plant, underlining its edge over competitors. Moreover, there are multiple bids lined up in Q2/Q3-25 including Riyadh-Qassim, Hadda, Arana, and LTOM 11 and 12. Thus, given AWPT's excellent track record, it could see a substantial addition to backlog ensuring long term growth visibility. AWPT management expects backlog to reach SAR 10bn by end of FY25; however, with our conservative estimate we expect backlog to reach SAR 8.4bn by end of this year with gross addition of SAR 3.6bn during the year. With anticipated sustained momentum in new contracts over the next five years, we expect revenue to expand to a CAGR of 14.4% during FY24-29E.

The cost of materials is likely to be higher than expected, dragging margins further: In Q1-25, the cost of materials consumed was significantly higher than expected, amounting to 51.8% of revenue compared to 43.0%, resulting in gross margin contraction to 15.9% vs. 16.8% in Q4-24. Around 44% increase in Diesel prices at the start of this year along with elevated other raw material costs seem to have added pressure on gross margin. Thus, with downward revision we estimate gross margin to decline to 16.2% in FY25E from 19.7% in FY24. Going forward we see a gradual improvement in profitability as the topline expands. We expect the gross margin to reach 20.4% by FY29E from 19.7% in FY24, while operating margins will expand to 16.0% in FY29E from 15.3% in FY24. Although we expect an increase in finance expenses in the near term, an anticipated decline in finance expenses post FY26E is expected to support net margin expansion (to 13.7% in FY29E from 11.8% FY24). Consequently, we project a net income CAGR of 17.9% during FY24-29E.

Recommendation	Overweight
Target Price (SAR)	161.5
Upside / (Downside)*	17.9%

Source: Tadawul *prices as of 23rd of June 2025

Key Financials

in SAR mn, (unless specified)	FY23	FY24	FY25E	FY26E
Revenues	1,680	1,952	2,563	3,138
Growth %	104.3%	16.2%	31.3%	22.4%
Gross Profit	264	384	416	565
Net Income	140	230	220	325
Growth %	30.3%	64.3%	-4.5%	47.9%
EPS	4.00	6.57	6.27	9.28
DPS	0.00	1.50	3.00	4.00

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25E	FY26E
Gross Margin	15.7%	19.7%	16.2%	18.0%
EBITDA Margin	14.9%	18.2%	14.1%	15.5%
Operating Margin	12.0%	15.3%	11.8%	13.5%
Net Margin	8.3%	11.8%	8.6%	10.3%
ROE	29.9%	35.0%	26.3%	33.0%
ROA	9.7%	11.3%	8.2%	10.3%
P/E (x)	34.6	22.8	21.8	14.8
P/B (x)	9.0	6.8	5.4	4.5
EV/EBITDA (x)	21.2	15.9	14.9	11.3
Dividend Yield	0.0%	1.0%	2.2%	2.9%

Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap (SAR bn)	4.8
YTD%	-8.7%
52 weeks (High)/(Low)	199.0/125.0
Share Outstanding (mn)	35.0

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

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Valuation pullback presents a good entry point backed by solid fundamentals and future

upside potential: The recent correction in the stock brings valuations to more compelling levels. Despite factoring in lower margin assumptions in our updated projections, we now see higher upside potential at the current valuation of FY25/26E P/E of 21.8x/14.8x. The expected earnings growth is likely to support strong cash flow generation, and with limited capex requirements, there is scope for higher dividend payouts going forward. Coupled with robust long-term growth prospects and potential upside from securing large contracts, we believe the current weakness offers an attractive entry point for long-term investors.

AJC view and valuation: AWPT stands to gain significantly from sustained project inflows in Saudi Arabia's water and wastewater sector, underpinned by large-scale investments from entities such as NWC, SWPC, and WTTCO. Backed by a solid execution history and a strong pipeline of active bids, the company's backlog is projected to grow by SAR 3.6bn in FY25E, up from SAR 2.8bn in FY24. This momentum is expected to support a revenue CAGR of 14.4% over FY24–29E. However, rising input costs, particularly for raw materials and diesel, are weighing on profitability, with the latest quarters showing thinner gross margins. As a result, gross margin is expected to moderate to 16.2% in FY25E (down from 19.7% in FY24), before gradually recovering to 20.4% by FY29E. Despite near-term pressure on net margins due to increased debt level, lower finance costs post FY26E are projected to lift from net margins from 11.8% in FY24 to 13.7% by FY29E, translating into a robust 17.9% CAGR in net income. We value AWPT assigning 50% weight to DCF (2.5% terminal growth and 7.8% WACC), while we assign 50% weight to P/E (21.5x) based on average FY25/26E EPS. We cut our TP on AWPT to **SAR 161.5/share** (from SAR 163.8/per share). However, at current valuation of 14.8x FY26E P/E, we see a higher potential hence we upgrade our rating on AWPT to **"Overweight"**.

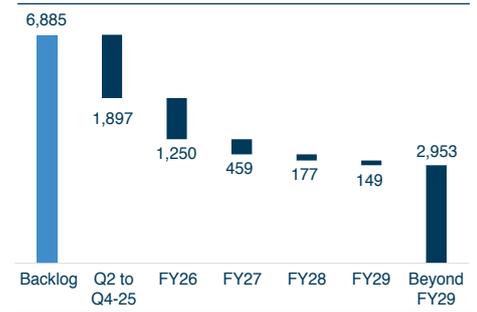
Risks to valuation: Significant addition to backlog due to securing large value long-term contracts, reduction in raw material costs and higher than expected win rate are key **upside risks**. On the other hand, the lower-than-expected win rate, delay in capital investment plans by government entities and entry of global competitors impacting AWPT's market share are major **downside risks**.

Blended Valuation

Valuation Summary	Fair Value	Weight	Weighted Average
DCF	155.8	50%	77.9
P/E (21.5x average FY25/26E EPS)	167.2	50%	83.6
Weighted average 12-month TP			161.5
Current market price (SAR /share)			137.0
Expected Capital Gain			17.9%

Source: Aljazira Capital Research

Fig.1 Backlog recognition timeline (SAR mn)



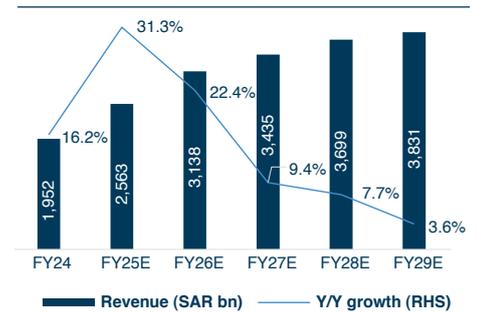
Source: Company reports, Aljazira Capital Research

Fig.2 Backlog projection (SAR bn)



Source: Company reports, Aljazira Capital Research

Fig.3 Revenue (SAR mn) and Y/Y change



Source: Company reports, Aljazira Capital Research

Fig.4 AWPT profitability evolution



Source: Company reports, Aljazira Capital Research



Key Financial Data

Amount in SAR mn, unless otherwise specified	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
Income statement							
Revenues	1,680	1,952	2,563	3,138	3,435	3,699	3,831
Y/Y	104.3%	16.2%	31.3%	22.4%	9.4%	7.7%	3.6%
Cost	-1,416	-1,568	-2,148	-2,573	-2,776	-2,955	-3,048
Gross profit	264	384	416	565	659	744	783
Gross margin	15.7%	19.7%	16.2%	18.0%	19.2%	20.1%	20.4%
Selling and distribution expenses	-1	-6	-6	-8	-9	-9	-10
General and administrative expenses	-67	-76	-106	-123	-132	-138	-141
Other income/expenses	8	16	13	12	11	10	9
Operating profit	202	298	302	423	504	579	612
Operating margin	12.0%	15.3%	11.8%	13.5%	14.7%	15.6%	16.0%
Financing Expense (net)	-41	-48	-62	-68	-58	-43	-41
Income before zakat	155	247	239	353	444	534	570
Zakat	-15	-17	-19	-28	-36	-43	-46
Net income	140	230	220	325	409	491	524
Y/Y	30.3%	64.3%	-4.5%	47.9%	25.8%	20.3%	6.7%
Net margin	8.3%	11.8%	8.6%	10.3%	11.9%	13.3%	13.7%
EPS	4.00	6.57	6.27	9.28	11.67	14.04	14.97
DPS	0.00	1.50	3.00	4.00	5.50	7.00	8.00
Balance sheet							
Assets							
Cash and bank balances	69	322	484	465	408	486	519
Inventories	129	123	177	211	228	243	251
Prepayments and other assets	125	179	205	251	275	296	306
Contract assets	611	564	773	946	1,129	1,216	1,364
Trade and other receivables	437	462	574	694	750	797	815
Property and equipment	308	341	369	391	407	418	428
Total assets	1,702	2,380	2,970	3,347	3,585	3,845	4,073
Liabilities & owners' equity							
Total current liabilities	961	1,376	1,801	1,943	1,991	2,029	2,038
Total non-current liabilities	204	228	278	328	303	278	253
Share capital	250	350	350	350	350	350	350
Reserves	282	412	527	712	928	1,174	1,418
Retained earnings	236	366	480	665	881	1,127	1,372
Total owners' equity	538	776	891	1,076	1,292	1,538	1,782
Total equity & liabilities	1,702	2,380	2,970	3,347	3,585	3,845	4,073
Cashflow statement							
Operating activities	4	195	5	107	269	453	443
Investing activities	-56	-98	-88	-86	-83	-80	-80
Financing activities	37	155	245	-40	-243	-295	-330
Change in cash	-15	253	161	-19	-57	78	33
Ending cash balance	69	322	484	465	408	486	519
Key fundamental ratios							
Liquidity ratios							
Current ratio (x)	1.4	1.3	1.3	1.4	1.5	1.6	1.7
Quick ratio (x)	1.3	1.2	1.2	1.3	1.3	1.4	1.5
Profitability ratios							
Gross profit margin	15.7%	19.7%	16.2%	18.0%	19.2%	20.1%	20.4%
Operating margin	12.0%	15.3%	11.8%	13.5%	14.7%	15.6%	16.0%
EBITDA margin	14.9%	18.2%	14.1%	15.5%	16.6%	17.5%	17.8%
Net profit margin	8.3%	11.8%	8.6%	10.3%	11.9%	13.3%	13.7%
Return on assets	9.7%	11.3%	8.2%	10.3%	11.8%	13.2%	13.2%
Return on equity	29.9%	35.0%	26.3%	33.0%	34.5%	34.7%	31.6%
Leverage ratio							
Debt / equity (x)	1.0	0.9	1.2	1.1	0.9	0.7	0.6
Market/valuation ratios							
EV/EBITDA (x)	21.2	15.9	14.9	11.3	9.6	8.3	7.7
EPS (SAR)	4.00	6.57	6.27	9.28	11.67	14.04	14.97
BVPS (SAR)	15.36	22.18	25.45	30.73	36.91	43.94	50.92
DPS (SAR)	0.00	1.50	3.00	4.00	5.50	7.00	8.00
Market price (SAR)*	138.3	150.0	137.0	137.0	137.0	137.0	137.0
Market-Cap (SAR mn)	4,840	5,250	4,795	4,795	4,795	4,795	4,795
P/E ratio (x)	34.6	22.8	21.8	14.8	11.7	9.8	9.1
P/BV ratio (x)	9.0	6.8	5.4	4.5	3.7	3.1	2.7
Dividend yield	0.0%	1.0%	2.2%	2.9%	4.0%	5.1%	5.8%

Source: Company reports, Aljazira Capital Research; * price as of June 23, 2025





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RATING
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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