



## Topline indicates monetization from new projects in line with expectations; GP margins improved sequentially, higher OPEX offset by lower non-operating costs

Alkhorayef Water & Power Technologies (AWPT)'s net profit rose 6.0% Q/Q to SAR 62mn in Q2-25, above our estimate of SAR 55mn. The deviation from our estimate came from stronger-than-expected GP margin and lower non-operating expenses, which were partially compensated for by higher OPEX. Revenue grew 1.5% Q/Q to SAR 646mn backed by new projects, in line with our estimate of SAR 644mn. GP margin at 18.3% came higher than AJC's estimate of 16.0% and 15.9% in the previous quarter. However, the operating margin contracted to 10.9% in Q2-25 from 12.0% in Q1-25 (AJC estimate: 11.7%). On the Y/Y basis, net profit declined 19.8% despite revenue growth of 49.0% Y/Y, as the previous year's quarter included a non-recurring success fee from the completion of the initial phase of projects. We retain our TP of SAR 161.5/share on AWPT and reiterate "Overweight" recommendation.

- AWPT's net profit increased 6.0% Q/Q in Q2-25 to SAR 62mn, beating our estimate of SAR 55mn. The stronger-than-expected gross margin and lower non-operating expenses (net) supported the higher net profit. We believe the company registered a substantial non-operating gain/income during the quarter. On the flip side, OPEX was higher than expected, perhaps elevated by ECL provisions. On the Y/Y basis, net profit declined 19.8% despite revenue growth of 49.0% Y/Y, as the previous quarter included a non-recurring success fee.
- Revenue grew 1.5% Q/Q to SAR 646mn, in line with our estimate of SAR 644mn, driven by contribution from new projects. The Wastewater segment topline increased 16.1% Q/Q, while Water and Integrated Water Solutions posted a Q/Q decline. On Y/Y basis, revenue surged 49.0% led by Wastewater segment (+208.9% Y/Y), followed by Water (+13.1% Y/Y) and Integrated Water Solutions (+2.7% Y/Y).
- Gross profit increased 17.1% Q/Q to SAR 118mn (AJC estimate: SAR 103mn). The gross margin of 18.3% expanded by ~240 bps Q/Q from 15.9% in Q1-25 and was above our estimate of 16.0%.
- The operating profit declined 8.0% Q/Q to SAR 70mn (AJC estimate: SAR 75mn) with contraction of operating margin to 10.9% from 12.0% in Q1-25 and below our estimate of 11.7%. The OPEX-to-sales ratio was elevated to 7.4% (Q1-25: 3.9%). We believe ECL provision might have impacted OPEX.

**AJC view and valuation:** AWPT's Q2-25 result indicates that execution and backlog recognition from new projects is in line with expectations. The Q/Q improvement in the gross margin was a positive development, while higher OPEX dragged operating margins. Nevertheless, we believe there should be certain one-off that added pressure on the operating margin and operating margin would recover back in coming quarters. We remain positive on AWPT, as it stands to gain from the robust momentum in Saudi Arabia's water and wastewater infrastructure development, underpinned by substantial government funding. The company's consistent performance in winning and delivering complex projects, and a strong pipeline of upcoming tenders, positions it well for continued growth. AWPT is currently trading at P/E and EV/EBITDA of 20.6x and 14.1x based on our FY25E estimates, respectively. FY25E dividend yield stands at 2.3%. We maintain our target price of SAR 161.5 per share for AWPT and reiterate our "Overweight" rating.

SAR mn	Q2-24	Q1-25	Q2-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	434	636	646	49.0%	1.5%	0.4%
Gross Profit	120	101	118	-1.0%	17.1%	15.1%
Gross Margin	27.6%	15.9%	18.3%	-	-	-
EBIT	97	77	70	-27.5%	-8.0%	-6.2%
Net Profit	77	58	62	-19.8%	6.0%	11.4%
EPS	2.20	1.66	1.76	-	-	-

Source: Company Reports, Aljazira Capital

## Recommendation Overweight

Target Price (SAR) 161.5

Upside / (Downside)\* 25.0%

Source: Tadawul \*prices as of 10<sup>th</sup> of August 2025

## Key Financials

SARmn (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, \*Earnings were supported by one time success fees on completion of initial phase of projects.

## 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	20.6	13.9
P/B (x)	9.0	6.8	5.1	4.2
EV/EBITDA (x)	21.2	15.9	14.1	10.7
Dividend Yield	0.0%	1.0%	2.3%	3.1%

Source: Company reports, Aljazira Capital

## Key Market Data

Market Cap(bn)	4.5
YTD%	-13.9%
52 week (High)/(Low)	199.0/125.0
Share Outstanding (mn)	35.0

Source: Company reports, Aljazira Capital

## Price Performance



Source: Tadawul, Aljazira Capital

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RATING  
TERMINOLOGY

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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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