



## Earnings growth driven by GP margin expansion Q/Q, partly offset by lower revenue amid project handover and higher OPEX

Alkhorayef Water & Power Technologies (AWPT)'s net profit rose 12.4% Q/Q to SAR70mn in Q3-25, broadly in line with our estimate of SAR 66mn. Net profit growth was led by higher GP margin and lower non-operating expenses, though revenue came lower, while OPEX was higher. Revenue declined 6.9% Q/Q to SAR 602mn, below our estimate of SAR 654mn, impacted by handover of several projects during the quarter. On a Y/Y basis revenue grew 33.5%, as the company commenced several new projects over the past one year. GP margin improved to 21.6% from 18.3% in Q2-25, above AJC's estimate of 19.0%. However, the operating margin expanded at a comparatively slower pace to 13.2% in Q3-25 to 10.9% in Q2-25 and was lower than AJC's estimate of 13.6%, OPEX increased despite lower topline. We retain our TP of SAR 161.5/share on AWPT and reiterate "Overweight" recommendation.

- AWPT's net profit increased 12.4% Q/Q in Q3-25 to SAR 70mn, broadly in line with our estimate of SAR 66mn. The lower-than-expected revenue and higher OPEX were offset by higher GP margin and lower non-operating expenses (net). On the Y/Y basis, net profit surged 73.2% backed by revenue growth and GP margin expansion, as AWPT commenced several new projects over the past one year. However, OPEX growth of more than 2x limited the bottom-line expansion.
- Revenue decreased 6.9% Q/Q to SAR 602mn, missing our estimate of SAR 654mn, as handover of several projects in project services segment dragged the topline during Q3-25. There was around 9% Q/Q decline in both Wastewater and Water segments. On Y/Y basis, revenue surged 33.5% led by Wastewater segment (+51.6% Y/Y), followed by Water (+29.2% Y/Y) and Integrated Water Solutions (+7.5% Y/Y). The inflow of revenue from new projects fueled the Y/Y increase in the top line.
- Gross profit increased 9.6% Q/Q to SAR 130mn (in line with AJC's estimate of SAR 124mn). The increase in gross profit despite lower revenue was due to an expansion in the gross margin to 21.6% in Q3-25 from 18.3% in Q2-25, perhaps supported by temporary decrease in costs due to handover of certain projects.
- The operating profit grew 12.4% Q/Q to SAR 79mn (AJC estimate: SAR 89mn) with operating margin improving to 13.2% from 10.9% but below our estimate of 13.6%. However, OPEX growth of more than 2x curtailed the margin expansion. Accordingly, the OPEX-to-sales ratio increased to 8.4% from 7.4% in Q2-25.

**AJC view and valuation:** AWPT's Q3-25 earnings were broadly in line with our expectations. Although handover of several projects led to lower revenue this quarter, we expect the topline to recover in coming quarters. The Q/Q improvement in the gross margin was a positive development, while higher OPEX for the second consecutive quarter continued to limit operating margin expansion. In Q2-25, the jump in OPEX was due to overheads related to biddings of BOT projects and provisions for penalty. It seems these expenses continued in Q3-25. Nevertheless, we remain positive on AWPT, given its backlog of SAR 6.6bn as of Q2-25 and latest selection as the preferred bidder of Jazan project highlights the company's revenue visibility. Moreover, the company stands to gain from the robust momentum in Saudi Arabia's water and wastewater infrastructure development. AWPT is currently trading at P/E and EV/EBITDA of 19.4x and 14.7x and dividend yield of 2.1% based on our FY25E estimates. We maintain our target price of SAR 161.5 per share for AWPT and reiterate our "Overweight" rating.

### Results Summary

SAR mn	Q3-24	Q2-25	Q3-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	451	646	602	33.5%	-6.9%	-8.0%
Gross Profit	83	118	130	55.6%	9.6%	4.8%
Gross Margin	18.5%	18.3%	21.6%	-	-	-
EBIT	62	70	79	28.4%	12.4%	-11.0%
Net Profit	40	62	70	73.2%	12.9%	5.4%
EPS	1.15	1.76	1.99	-	-	-

Source: Company Reports, Aljazira Capital Research

**Recommendation** **Overweight**

**Target Price (SAR)** **161.5**

**Upside / (Downside)\*** **12.7%**

Source: Tadawul \*prices as of 9<sup>th</sup> of November 2025

### Key Financials

SARmn (unless specified)	FY23	FY24	FY25E	FY26E
Revenues	1,680	1,952	2,564	3,138
Growth %	104.3%	16.2%	31.4%	22.4%
Gross Profit	264	384	481	611
Net Income	140	230	258	307
Growth %	30.3%	64.3%	12.4%	18.6%
EPS	4.00	6.57	7.38	8.76
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%	18.7%	19.5%
EBITDA Margin	12.0%	15.3%	12.5%	12.8%
Operating Margin	14.9%	18.2%	14.8%	14.9%
Net Margin	8.3%	11.8%	10.1%	9.8%
ROE	29.9%	35.0%	30.3%	30.3%
ROA	9.7%	11.3%	9.6%	9.7%
P/E (x)	34.6	22.8	19.4	16.4
P/B (x)	9.0	6.8	5.4	4.6
EV/EBITDA (x)	21.2	15.9	14.7	12.2
Dividend Yield	0.0%	1.0%	2.1%	2.8%

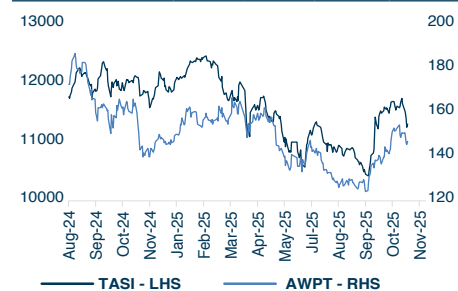
Source: Company reports, Aljazira Capital Research

### Key Market Data

Market Cap(bn)	5.0
YTD%	-4.5%
52 week (High)/(Low)	172.4/122.9
Share Outstanding (mn)	35.0

Source: Company reports, Aljazira Capital Research

### Price Performance



Source: Tadawul, Aljazira Capital

Head of Sell-Side Research

Jassim Al-Jubran

+966 11 2256248

j.aljabran@aljaziracapital.com.sa





RESEARCH DIVISION

Head of Sell-Side Research - Director  
Jassim Al-Jubran  
+966 11 2256248  
j.aljabran@aljaziracapital.com.sa

RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

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.

## Disclaimer

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of stocks, bonds, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Al-Jazira Capital from sources believed to be reliable, but Al-Jazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Al-Jazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. The investor might get an amount less than the amount invested in some cases. Some stocks or securities maybe, by nature, of low volume/trades or may become like that unexpectedly in special circumstances and this might increase the risk on the investor. Some fees might be levied on some investments in securities. This report has been written by professional employees in Al-Jazira Capital, and they undertake that neither them, nor their wives or children hold positions directly in any listed shares or securities contained in this report during the time of publication of this report, however, The authors and/or their wives/children of this document may own securities in funds open to the public that invest in the securities mentioned in this document as part of a diversified portfolio over which they have no discretion. This report has been produced independently and separately by the Research Division at Al-Jazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Al-Jazira Capital. Funds managed by Al-Jazira Capital and its subsidiaries for third parties may own the securities that are the subject of this document. Al-Jazira 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 division of Al-Jazira 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. One or more of Al-Jazira Capital board members or executive managers could be also a board member or member of the executive management at the company or companies mentioned in this report, or their associated companies. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of Al-Jazira Capital. Persons who receive this report should make themselves aware, of and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.

Asset Management | Brokerage | Investment Banking | Custody | Advisory

Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia. Tel: 011 2157000 - Fax: 011 2256068