

## ■ Cost Surge Plummets Bottomline

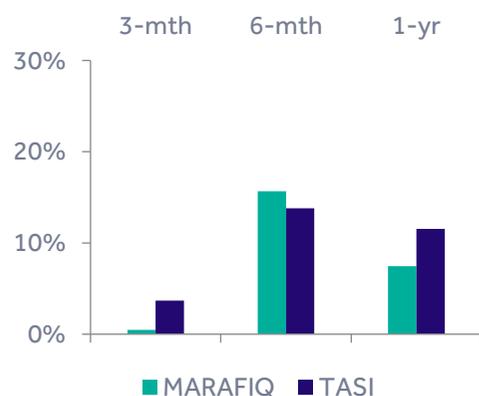
May 05, 2024

Upside to Target Price	7.1%	Rating	Neutral
Expected Dividend Yield	3.5%	Last Price	SAR 63.50
Expected Total Return	10.6%	12-mth target	SAR 68.00

Market Data	
52-week high/low	SAR 91.5/51.1
Market Cap	SAR 15,875 mln
Shares Outstanding	250 mln
Free-float	30.00%
12-month ADTV	2,009,420
Bloomberg Code	MARAFIQ AB

MARAFIQ	1Q2024	1Q2023	Y/Y	4Q2023	Q/Q	RC Estimate
Sales	1,599	1,473	9%	1,623	(2%)	1,485
Gross Profit	199	256	(22%)	238	(16%)	247
Gross Margins	12%	17%		15%		17%
Operating Profit	164	234	(30%)	187	(13%)	220
Net Profit	43	107	(60%)	72	(40%)	110

(All figures are in SAR mln)



- Marafiq reported a lackluster bottomline of just SAR 43 mln versus consensus estimate of SAR 101 mln on surging fuel and other costs. Quarterly revenues witnessed a decent +9% Y/Y increase to SAR 1.6 bln, beating our SAR 1.5 bln forecast, as there was higher demand for utilities from all customers.
- However, cost of revenues swelled to SAR 1.4 bln (+15% Y/Y) on the back of an increase in fuel costs used in production of SAR 131 mln, SAR 34 mln higher cost of water, power and gas purchased for resale and incremental depreciation of SAR 9 mln.
- Gross profit went down -22% Y/Y to SAR 199 mln with gross margins at just 12% as compared to 17% last year.
- Free cash flows are also -37% lower Y/Y to SAR 141 mln on higher Capex and unfavorable working capital changes.
- Net profit of SAR 43 mln (-60% Y/Y), missed our SAR 110 mln forecast on higher than anticipated cost pressures. Management has expressed hope that Marafiq would be included in the electricity Balancing Account, which would cover the gap between required and actual revenues, as is the case with some other Utilities. We maintain our target price of SAR 68.00 and Neutral stance.

**Muhammad Faisal Potrik**  
 muhammed.faisal@riyadcapital.com  
 +966-11-203-6807

## ■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors  
For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

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