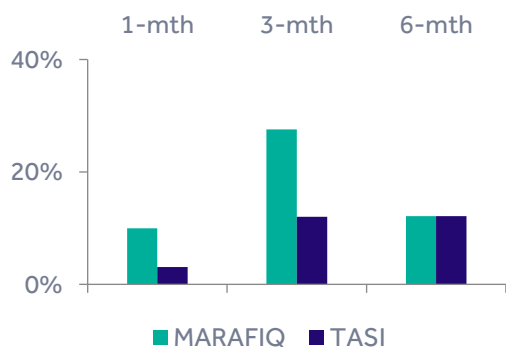


Market Data	
52-week high/low	SAR 91.5/47.9
Market Cap	SAR 18,500 mln
Shares Outstanding	250 mln
Free-float	30.00%
12-month ADTV	2,009,420
Bloomberg Code	MARAFIQ AB



## Higher Financing Costs Weigh on 2023

March 10, 2024

Upside to Target Price	(8.1%)	Rating	Neutral
Expected Dividend Yield	3.0%	Last Price	SAR 74.00
Expected Total Return	(5.1%)	12-mth target	SAR 68.00

MARAFIQ	4Q2023	4Q2022	Y/Y	3Q2023	Q/Q	RC Estimate
Sales	1,623	1,620	0%	1,701	(5%)	1,616
Gross Profit	238	163	46%	326	(27%)	242
Gross Margins	15%	14%		19%		15%
Operating Profit	187	112	67%	301	(38%)	220
Net Profit	72	131	(45%)	188	(62%)	105

(All figures are in SAR mln)

- Quarterly revenues came in at SAR 1.6 bln, flat Y/Y and matching our forecast. Full year 2023 topline was down -2% Y/Y to SAR 6.4 bln due to lower power demand at Yanbu Industrial City although the Company witnessed demand growth in the Water and Gas segments. Gross profit for 4Q was up +46% Y/Y to SAR 238 mln, in-line with our estimates as gross margins expanded by 60bps Y/Y to 14.7%.
- Opex of SAR 51mln was higher than expected, likely due to lower other operating income. Operating profit at SAR 187 mln (+67% Y/Y) missed our SAR 220 mln estimates and is the source of the deviation in net profit versus our forecast. Higher financing costs have continued to be a headache throughout 2023 as interest rates peaked. However, Marafiq announced an early repayment of SAR 500 mln in debt, which should contribute to lowering financing costs going forward, in addition to expected lower interest rates.
- Net profit was down -45% Y/Y to SAR 72 mln primarily due to higher financing costs. DPS of SAR 1.10 for 2H2023 takes the full year DPS to SAR 2.20. We are positive on the Company given development projects being undertaken in Jubail and Yanbu. We raise our target to SAR 68.00 but maintain a Neutral stance.

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## 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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