

Target Price: SAR18.0/share
IPO Price: SAR11.5/share
Upside: 57% (+Div. Yield: 3.8%)
Rating: Overweight

Miahona

Untapping growth in Saudi Arabia's water sector

- A prominent player in KSA's water value chain, poised for growth, driven by a strong business moat, healthy market share, and impressive tender win rate.
- A robust backlog of SAR11.3bn including SAR1.9bn upselling opportunity should translate into a strong EBITDA growth of 16% over 2023-28e.
- We use a blended valuation using DCF (secured contracts) and NPV (unsecured future projects) to arrive at a TP of SAR18/sh., implying an upside of 57% from the IPO price.

A defensive play with a derisked business model: Miahona is a prominent player in the water and wastewater infrastructure sector in KSA, with investments over SAR1bn and catering to a vast clientele (+8mn individuals and 2,011 industrial clients). Positioned strongly in a growing and resilient sector, Miahona boasts a healthy market share and has established a competitive edge through a derisked business model supported by a diverse portfolio of long-term contracts (6 concessions with 25-30 years tenure and 6 O&M and MOM contracts with ~3-year tenure).

Expansion in existing concessions and new contracts wins to drive future growth: Miahona has a sizable backlog of ~SAR11.3bn, including SAR5.4bn worth of new projects (A Haer and Ras Tanura) and SAR1.9bn upselling opportunity, implying strong revenue visibility going forward. Accordingly, we expect its consolidated revenue to rise at a CAGR of ~4% over 2023-28e, primarily driven by capacity expansion of existing contracts (DIC and KKIA) and the commissioning of new plants such as Al Haer (200,000 m3/day; likely in Oct 2026) and Ras Tanura (20,000 m3/day; likely in June 2026). Meanwhile, EBITDA is expected to grow at a 16% CAGR, mainly aided by i) growth in existing concessions, driven by both price adjustments due to tariff indexation, and higher volumes, ii) COD of new concessions, iii) higher finance income due to concession accounting for new project wins and iv) improvement in operating efficiency. Overall, we expect EBITDA margins to stabilize at ~54-55% in the medium to long term. Further, supported by healthy margins and a flexible financing model (70-80% debt financing and 20-30% equity bridge loans - EBLs), we expect Miahona to generate healthy cash flows, sufficient to meet debt repayment and dividend commitments.

Figure 1: Key financial metrics

SARmn	2022a	2023a	2024e	2025e	2026e	2027e
Revenue**	276	324	1,221	964	502	385
Revenue growth	8%	18%	276%	-21%	-48%	-23%
Gross profit	87	109	260	175	155	160
Gross margin	31.5%	33.7%	21.3%	18.1%	30.8%	41.5%
EBITDA*	118	142	315	258	277	287
EBITDA margin*	42.9%	43.6%	25.8%	26.8%	55.2%	74.5%
Net profit	50	57	197	120	103	104
Net profit margin	18.2%	17.5%	16.1%	12.4%	20.5%	27.0%
EPS (SAR)	0.3	0.4	1.2	0.7	0.6	0.6
DPS (SAR)	0.1	0.0	0.4	0.4	0.5	0.5
P/E	36.9x	32.6x	9.4x	15.4x	18.0x	17.8x

Source: Company data, GIB Capital, * incl. finance income. **Incl construction revenue for the new projects.

Stock data

TASI ticker	2,084
Listing MCap (SARmn)	1,851
Issue Size (mn*)	48.28
Offering	30%
Inst. Offering (mn*)	38.62
Retail Offering (mn*)	9.66
IPO size (SARmn)	555

Source: Company data, Tadawul, Argaam

Valuation (SAR/share)

DCF (Secured projects)	15.5
NPV (50% of unsecured future projects)	2.5
Target Price (rounded)	18.0

Source: GIB Capital

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Long-term growth prospects: With its impressive 80% tender-winning rate historically and robust business model, the company is well-equipped to capitalize on the substantial opportunities in the sector, driven by government-backed projects worth ~SAR300bn. Miahona has so far identified 20 BOOT projects (~SAR29bn; to be tendered over 2024-27e; expected COD: 2026-30e), 3 ROT projects (~SAR1.3bn; expected COD: 2025-28e), and 6 MOM contracts (~SAR18bn), which are likely to be offered under long-term concessions, implying an additional market growth potential of ~SAR49bn. Given that this growth potential is multi-years away and there are risks of delay, cancelation, and cost escalations, we, on a conservative basis, ascribe only 50% of the total value of these unsecured projects in base case valuation.

Risks: Downside risks include the company's dependence on government spending, risks related to the tendering process, non-renewal/early termination of contracts, heightened competition, risks related to the prices of inputs, and delays in receivables collections.

Investment Case

Miahona: A leading player in KSA water utilities with a derisked business model ...

Miahona is a leader in the water and wastewater infrastructure sector in Saudi Arabia, operating across 8 major cities. It was the first company in this sector to develop/operate a project under the public-private partnership (PPP) model. Miahona's integrated approach allows it to optimize operations, reduce waste (<10% water leakage vs Vision 2030 target of <25% and the current KSA average of 40%), and ensure reliable supply. The company has invested over SAR1bn in the Kingdom's water assets, currently serving +8mn individuals (~30% of the KSA population) including 2,011 industrial clients. Their potable water infrastructure processes a volume of 102,800 m³/day through a 248-kilometer network. Their wastewater infrastructure handles 806,500 m³/day across a 221-kilometer network. With the commissioning of new concessions, Al Haer (200,000 m³/day) and Ras Tanura (20,000 m³/day) in 2026e, the wastewater capacity is likely to reach 1,026,500 m³/day (+27% rise). Overall, the company is well-positioned within a rapidly expanding and inherently defensive water utility sector (for more details refer Market Dynamics section) and has a derisked business model supported by a diverse portfolio of long-term contracts (6 concessions with 25-30 years tenure and 6 O&M and MOM contracts with ~3-year tenure).

Figure 2: List of Miahona's projects as of the end of 9M23

Projects	Contract type	Contract model	~Contract value (SARmn)	Contract start date	Term (years)	Capacity	
						Water (m ³ /day)	Wastewater (m ³ /day)
JIC	Concession	ROT	918	Mar 2005	20	Recycled (R): 9,000	25,000
Dammam I, II & Al Ahsa	Concession	ROT	4,822	Jan 2008	30	Portable (P): 47,800 Recycled (R): 15,000	41,500
KKIA	Concession	BOOT	2,170	Jun 2019	28	P: 25,000	-
LTOM Makkah	Concession	ROT	313	May 2023	10	-	500,000
Ras Tanura	Concession	BOOT	1,701	Jun 2026*	25	-	20,000
Al Haer	Concession	BOOT	3,667	Oct 2026*	25	-	200,000
Spark	O&M	O&M	25	Jun 2023	3	-	-
Manfouha-4 ¹	O&M	O&M	23	Sep 2021	2.5	-	200,000
Jazan Economic City (Marafiq)	O&M	O&M	60	Nov 2021	3 [#]	-	40,000
Northwest Cluster	MOM	MOM	198	Apr 2021	7	-	-
Eastern Cluster	MOM	MOM	221	Apr 2022	7	-	-
Dammam III Industrial City	O&M	O&M	21	Feb 2019	2 [^]	P: 6,000	-
Total			14,138			P: 78,800; R: 24,000	1,026,500

Source: Company data, GiB Capital *expected commercial operation beginning, [#]extended for 2 years, [^]extended for 2 years like Dammam I&II, ¹Terminated in March '24

... and a strong market share in each sub-market

Miahona holds a prominent position in KSA's water and wastewater market, serving both municipal and industrial segments. In the non-desalination market segment, the company holds a solid ~10% share of the market. Notably, Miahona secured two out of six recent contracts from the NWC, with potential transitions to concessions within the next 3-5 years. In the industrial wastewater treatment sub-market, Miahona takes a leading position with a commanding ~26% market share as of 2022. The company further emphasizes its commitment to sustainable practices through a strong presence (~6% market share) in the growing industrial wastewater recycling market. Collectively, the company's target markets are forecasted to increase at an average annual rate of 5.4%, reaching SAR8.7bn by 2027e from SAR6.7bn in 2022. Accordingly, we expect its market share to grow further in the coming years driven by i) new project wins, ii) its presence across the water cycle, and iii) strong technical and operational know-how and a proven track record in the tendering process (80% winning rate historically).

Figure 3: Miahona's market share in relevant sub-markets

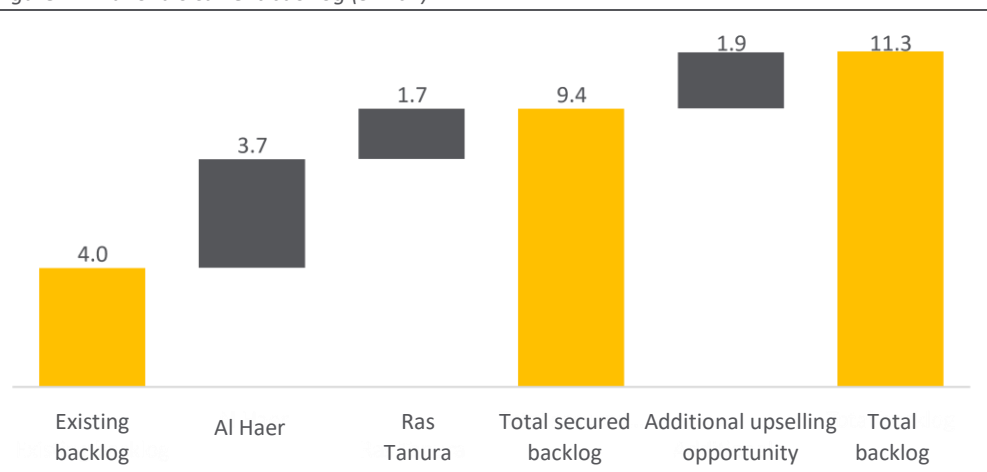
Sub-market	Segment	Total value of sub-market (SARmn)			Miahona's revenue/ contract value (SARmn)			Miahona's market share		
		2020	2021	2022	2020	2021	2022	2020	2021	2022
Water Sourcing & Treatment (ground and surface purification plants and direct wells)	Municipal & Industrial	831	863	894	84	89	93	~10%	~10%	~10%
Water Distribution and Wastewater (Sewage) Collection & Treatment	Municipal	6,961	5,262	4,830	25	28	35	<1%	~1%	~1%
Industrial Wastewater Treatment	Industrial	388	419	453	94	114	118	~25%	~27%	~26%
Recycling	Municipal & Industrial	386	490	522	24	25	29	~6%	~5%	~6%
NWC MOM Contracts	-	-	-	270	-	-	604	-	-	~22%

Source: Company IPO prospectus

A robust backlog ensures healthy earnings visibility

Miahona boasts an existing backlog of SAR4.0bn and has an additional upselling medium-term opportunity worth SAR1.9bn, such as capacity expansion at KKIA and DIC. Moreover, it has already secured two additional BOOT contracts worth SAR5.4bn, including those for projects like Al Haer (SAR3.7bn; 25 years tenure; 80% ownership) and Ras Tanura (SAR1.7bn; 25 years tenure; 70% ownership). This brings the total backlog to ~SAR11.3bn, which will be recognized over the remaining contract life, implying strong revenue visibility going forward.

Figure 4: Miahona's current backlog (SARbn)

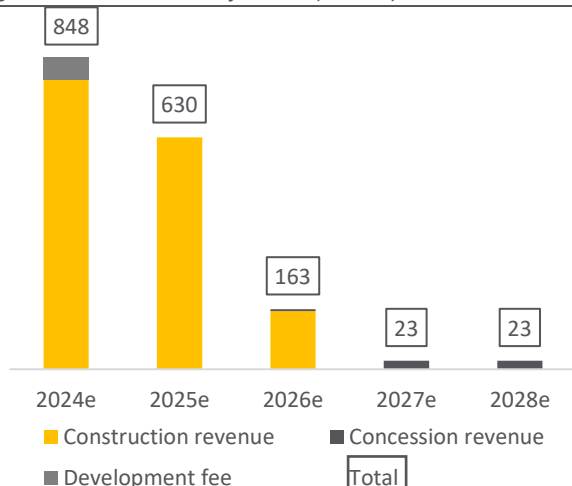


Source: Company data, GIB Capital

Al Haer

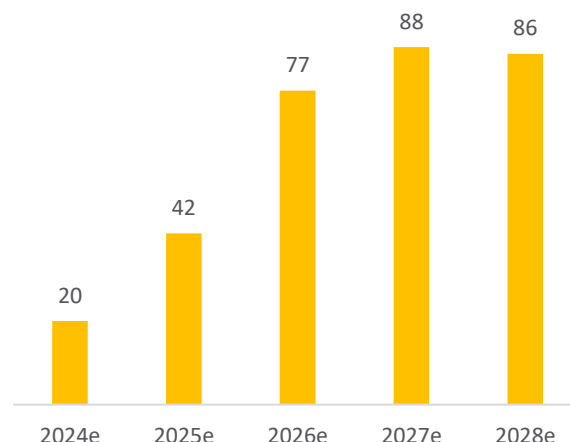
The company recently won a BOOT contract with an off-take tariff structure (levelized cost: SAR1.94/m³, which was ~13% lower than the closest competitor) in Al Haer through SWPC. In this project, Miahona owns 80% state, while the remaining is owned by BESIX. The consortium will develop a new independent wastewater treatment plant with a capacity of 200,000 m³/day. The total project cost is estimated to be ~SAR1.5bn (excl. finance cost), of which around SAR1.28bn will be funded through project finance debt. The project construction phase is expected to be over 2024-26e and the commercial operation of this project is scheduled to begin in October 2026e. The total contract value is expected at SAR3.7bn with a 25-year tenure from the date of commencement of operations. Accordingly, Miahona will recognize significant construction revenues during the construction period (refer to the Assumption section for more detail) and will generate a notable concession as well as finance income (accounting as a financial asset; refer to the Assumption section for more detail) post-commercialization.

Figure 5: Al Haer revenue forecast (SARmn)



Source: Company data, GIB Capital

Figure 6: Al Haer finance income forecast (SARmn)

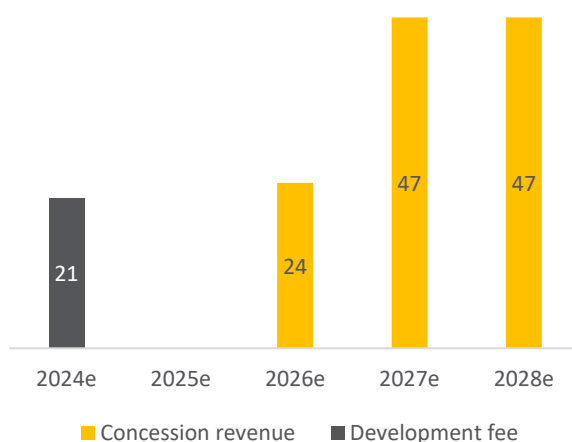


Source: Company data, GIB Capital

Ras Tanura

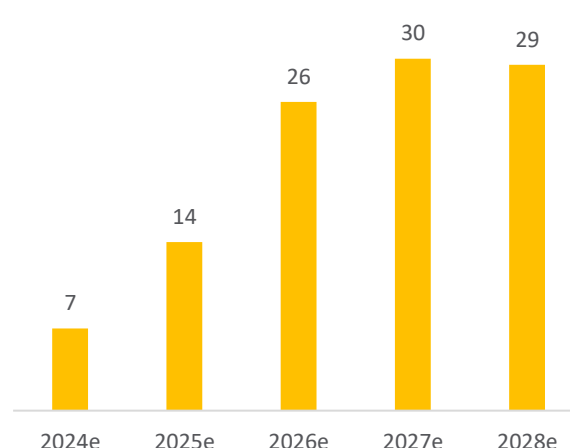
The company has also signed a contract with Saudi Aramco to design, build, own, and operate an Industrial Wastewater Treatment Plant (IWWTP) for the Ras Tanura refinery under a BOOT arrangement. Miahona holds a 70% stake in the project, with the remaining 30% owned by Thabat Construction. However, Miahona has sole ownership of the O&M services within the contract. The plant will have a capacity of 20,000m³/day. Similar to the Al Haer project, the tariff structure is based on an off-taker agreement. The total project cost is estimated at approximately SAR536mn (excluding finance cost), of which the company has already secured project finance debt worth ~SAR526mn and a temporary equity bridge loan of ~SAR116mn from Saudi and regional banks. The total contract value is estimated at SAR1.7bn with the tenure spanning 25 years (with an option for a five-year extension) from the start of commercial operations, which is scheduled to begin in June 2026.

Figure 7: Ras Tanura concession revenue forecast (SARmn)



Source: Company data, GIB Capital

Figure 8: Ras Tanura finance income forecast (SARmn)



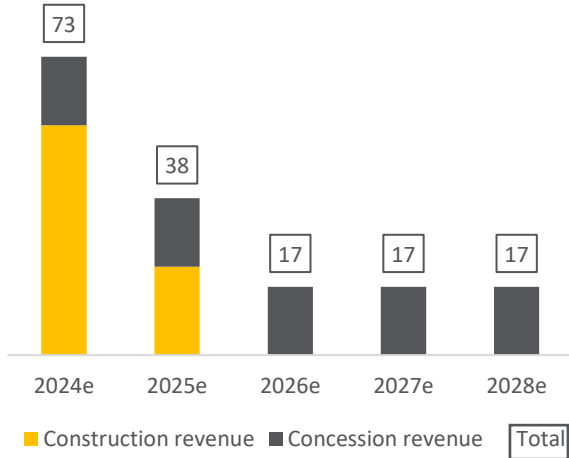
Source: Company data, GIB Capital

LTOM Makkah

LTOM Makkah project originally began as a third-party O&M contract. In May 2023, it was converted into a long-term 10-year concession agreement (ROT). Under this concession, Miahona operates two wastewater treatment plants: Arana and Hadda, with a combined

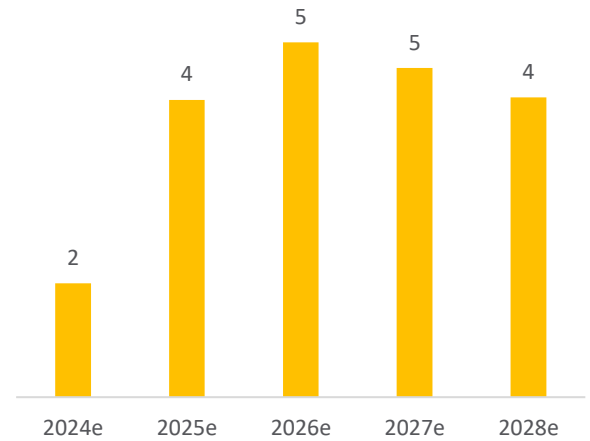
treatment capacity of 500,000 m³/day. Miahona holds a 70% ownership stake in the concession, with the remaining 30% belonging to Thabat Construction Company. The concession agreement operates under an offtake model, featuring a tariff structure consisting of a fixed capacity tariff for the contract duration and an output tariff subject to periodic indexation. Similar to Al Haer, the LTOM Makkah project is accounted as a financial asset. Accordingly, the company is expected to generate both construction revenues (2023-25e) and concession/finance income.

Figure 9: LTOM Makkah revenue forecast (SARmn)



Source: Company data, GIB Capital

Figure 10: LTOM Makkah finance income forecast (SARmn)

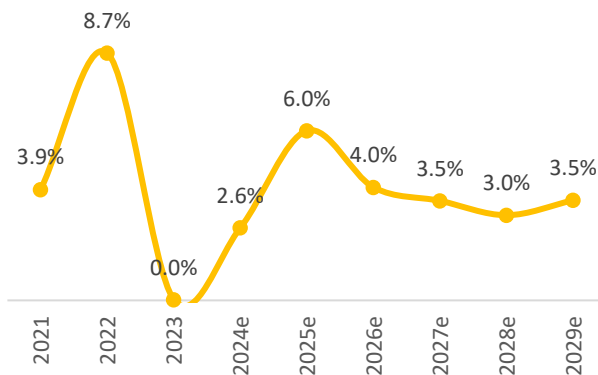


Source: Company data, GIB Capital

Strong project pipeline to meet the growing demand and improve efficiency over the medium-term

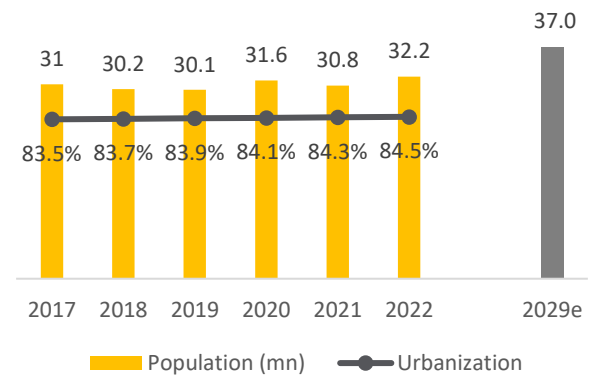
The latest 7-year plan by SWPC forecasts a ~3% CAGR increase in municipal water consumption between 2022-27e, reaching 4bn m³ by 2027e (Figure 92), while industrial water consumption is also projected to rise at a ~3% CAGR during the period, reaching 1.9bn m³ by 2027e (Figure 95). This growth is primarily driven by i) economic growth (Figure 11; focusing on non-oil sectors), ii) population expansion (37mn by 2029e from around 32mn in 2023), iii) rapid urbanization (Figure 12), and iv) government’s ambitious targets for the sector/other socio-economic factors (Figure 13). Further, SWPC also aims to improve the water infrastructure which will reduce leaks and network losses, resulting in lower per capita water consumption (Figure 91).

Figure 11: KSA Real GDP growth forecast y/y by IMF











Source: IMF, GIB Capital

Figure 12: KSA population growth forecast IMF



Source: GASTAT, IMF, GIB Capital

Figure 13: Key water demand drivers in KSA

 Pilgrim Experience Program	<ul style="list-style-type: none"> Under the Pilgrim Experience Program, the government aims to increase Hajj and Umrah pilgrim traffic to 4.5mn (2019: 2.4mn) and 41.5mn (2019: 19.1mn), respectively, by 2030. As a result, the water demand in Makkah and Madinah during Hajj is expected to rise to 1.5mn m³/day by 2030 from 1.21 mn m³/day in 2022.
 Housing Program	<ul style="list-style-type: none"> The program aims to increase the homeownership rate in KSA to 70% by 2030 by developing around 75,000 units. This would require building water and sewage infrastructure for new housing units with a daily capacity of around 0.1 million m³/day.
 National Industrial Development and Logistics Program (NIDLP)	<ul style="list-style-type: none"> The program pushes to establish Saudi Arabia as a global leader in energy, mining, logistics, and industry. This aims to diversify the economy and create long-term growth, focusing on local development. This would necessitate the development of effective and efficient water resource management infrastructure.
 National Transformation Program (NTP)	<ul style="list-style-type: none"> The NTP prioritizes strategic objectives related to water, focusing on sustainable water utilization, and improving urban water services. Some of the targets for 2025 include: increase a share of renewable water in the agricultural consumption to 22.34%, increase a reuse rate of treated wastewater to 25%, and increase sanitation services coverage for the population to 67%.
 Quality of Life Program (QOLP)	<ul style="list-style-type: none"> The QOLP, a Vision 2030 initiative, aims to transform Saudi Arabia into a global hub for sports, entertainment, and tourism. Some QOLP objectives, such as improving urban landscapes, will increase water demand, necessitating improved water supply and wastewater management to ensure sustainability and quality of life for residents.
 Vision 2030 Mega Projects	<ul style="list-style-type: none"> KSA is strategically advancing its tourism and urban development initiatives by establishing iconic tourist destinations like Al Ula, Qiddiya, NEOM. These mega-projects prioritize effective water management as a fundamental principle. Therefore, water management emerges as a vital foundation supporting the realization of these ambitious endeavors.
 National Water Strategy	<ul style="list-style-type: none"> The National Water Strategy aims to: increase treated wastewater reuse rate from 23% to 70% by 2030, expand water service coverage from 87% to 100%, increase sanitation service coverage from 60% to 95%, reduce daily water consumption per capita to 258 liter from 308 liter.
 Privatization	<ul style="list-style-type: none"> The rise in privatization and Public-Private Partnership (PPP) initiatives in Saudi Arabia's water sector is reshaping the involvement of private entities in developing and operating water infrastructure. This trend influences the competitive landscape and growth opportunities for private players in the water supply market.

Source: Company IPO Prospectus, GIB Capital

Accordingly, the government has announced massive investments worth SAR300bn for the development/upgradation of water and wastewater infrastructure in KSA. These investments are currently in various stages of development (construction, bidding, planning) and are likely to be tendered to private companies. Additionally, the government has announced additional investments worth SAR90-100bn to achieve the Saudi Irrigation Organization Plan, providing a significant opportunity for private water and wastewater infrastructure companies such as Miahona. The company has so far identified 20 BOOT projects (Figure 16; to be tendered over 2024-27e; expected COD: 2026-30e), 3 ROT projects (Figure 15; expected COD: 2025-28e), and 6 MOM contracts, which are likely to be offered under long-term concessions (Figure 14), implying an additional market growth potential of ~SAR50bn for Miahona. With a strong historical tender winning rate (80% over the past three years) along with a strong moat in its business model, we believe that Miahona is well-positioned to further increase its backlog by winning additional contracts in the coming years.

Figure 14: Projects expected to be offered under long-term concessions

Project	Expected financial close	Expected COD	Tenor	Expected EPC cost (SARmn)
North-West	2027	2029	25 years	2,000
Riyadh	2027	2029	25 years	4,000
South	2029	2031	25 years	2,000
Eastern	2028	2030	25 years	3,000
Mecca	2028	2030	25 years	4,000
North	2030	2032	25 years	3,000
Total				18,000

Source: Company IPO prospectus

Figure 15: ROT projects for which the group has presented bids for

Projects	Plant type	Status	Contract type	Tenor (Years)	Expected COD	Capacity (m ³ /day)	Expected EPC cost (SARmn)
Long-Term O&M Contracts 4	ISTP	Under procurement	ROT	15	2025	147,000	400
Long-Term O&M Contracts 9	ISTP	Under procurement	ROT	15	2028	323,300	500
Long-Term O&M Contracts 7	ISTP	Under procurement	ROT	15	2026	457,500	400
Total							1,300

Source: Company IPO prospectus

Figure 16: Miahona's participation in client projects

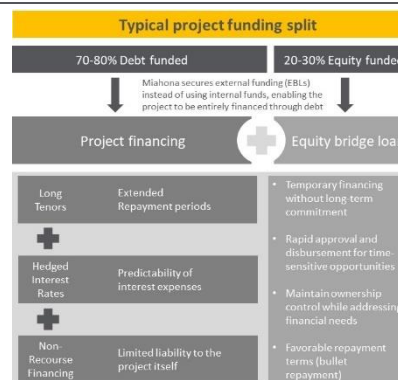
Projects	Plant type	Status	Contract type	Tenor (Years)	Expected financial close	Expected COD	Capacity (m ³ /day)	Expected EPC cost (SARmn)
Riyadh East	ISTP	Under offer	BOOT	25	2024	2026	500,000	2,285
Arana	ISTP	Under offer	BOOT	25	2024	2026	250,000	1,565
Hada	ISTP	Under offer	BOOT	25	2024	2026	250,000	1,565
North Riyadh	ISTP	Under offer	BOOT	25	2024	2026	120,000	1,190
Jazan Cluster	SSTP	Under offer	BOOT	25	2024	2026	74,700	2,000
Abu Arish	ISTP	Expected	BOOT	25	2024	2026	50,000	850
Northwestern Cluster	SSTP	Expected	BOOT	25	2025	2028	49,000	2,050
Eastern Cluster	SSTP	Expected	BOOT	25	2025	2028	81,000	1,450
Northern Cluster	SSTP	Expected	BOOT	25	2025	2028	81,000	3,000
South Najran	ISTP	Expected	BOOT	25	2025	2029	50,000	850
Western Cluster	ISTP	Expected	BOOT	25	2025	2028	91,000	2,000
North Jeddah 1	ISTP	Expected	BOOT	25	2025	2027	50,000	850
SA Qurrayah	IWWTP	Expected	BOOT	25	2025	2028	50,000	500
Sakaka	ISTP	Expected	BOOT	25	2026	2030	86,000	1,080
Hafar Al Batin	ISTP	Expected	BOOT	25	2026	2028	50,000	850
Al Kharj 3	ISTP	Expected	BOOT	25	2026	2028	25,000	725
Arar	ISTP	Expected	BOOT	25	2026	2028	41,000	800
Rabigh	ISTP	Expected	BOOT	25	2026	2028	100,000	1,145
Central Cluster	SSTP	Expected	BOOT	25	2027	2029	91,000	3,450
South Cluster	SSTP	Expected	BOOT	25	2027	2030	50,000	1,800
Total								29,280

Source: Company IPO prospectus

Flexible funding model to support future growth

Miahona's organizational structure allows for a flexible approach to project financing. While the company might appear highly leveraged at the group level, it can still secure funding for new initiatives. This flexibility stems from their project-specific financing model: i) Debt-driven funding: new projects are primarily financed through debt, typically at a ratio of 70-80%. The remaining 20-30% funding gap is filled with equity, often facilitated through equity bridge loans' ii) favorable debt structure: Miahona benefits from long-term debt with hedged interest rates. This reduces risk and provides predictable financing costs and iii) non-recourse loans. Furthermore, the debt is non-recourse, meaning it's secured by the project itself, limiting potential liability for Miahona. This financing approach allows Miahona to maintain a strong balance sheet at the group level while pursuing growth opportunities through project-specific funding structures. The combination of debt-driven financing, favorable debt terms, and non-recourse loans provides the company with the flexibility to expand its portfolio without significantly increasing its overall leverage.

Figure 17: Favorable financing model

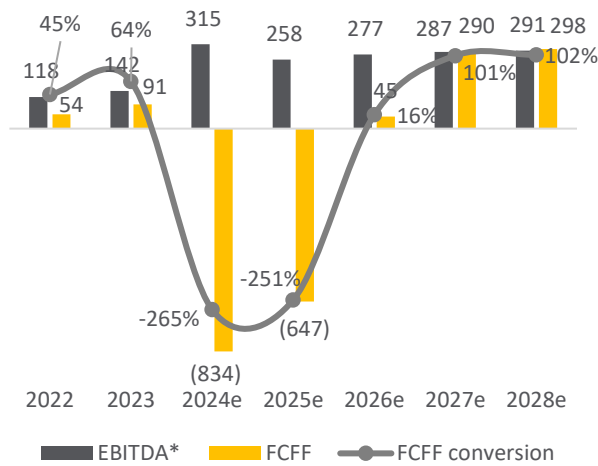


Source: Company data, GiB Capital

Strong FCF conversion and flexible funding model to ensure healthy dividend

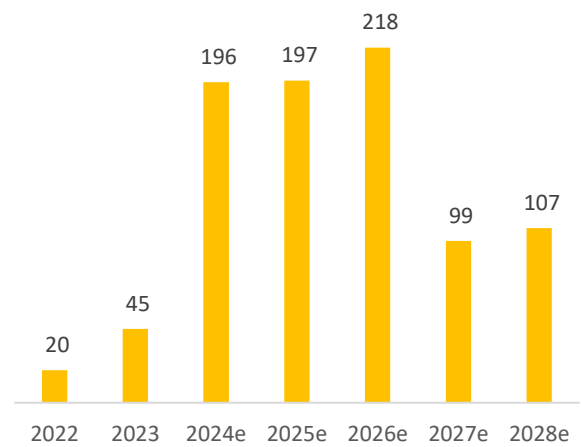
The commencement of the new concession contracts and the growth of existing contracts through capacity expansion, tariff indexation, and higher demand should result in a 16% CAGR in EBITDA (including finance income) over 2023-28e. However, with significant planned capex related to new projects, we expect a negative FCF over 2024-25e which may turn into a positive territory in 2026e once the new projects start commercial operation. Overall, we expect FCFF to grow at a CAGR of 27% over 2023-28e, with a normalized FCF yield of ~16% (post-growth capex period) and normalized FCFF conversion over 100% (post-growth capex period). From the FCFE angle, we expect it to remain in a positive territory during the forecasted period, mainly due to its flexible funding model (EBLs, and non-recourse project financing), enabling it to distribute healthy and progressive dividends (SAR70mn in 2024e) in the coming years.

Figure 18: EBITDA*, FCFF (SARmn) FCFF conversion



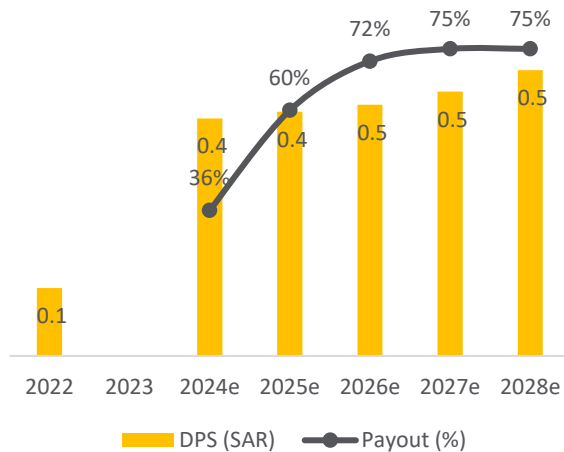
Source: Company data, GiB Capital * EBITDA (incl. finance income)

Figure 19: FCFE (SARmn)



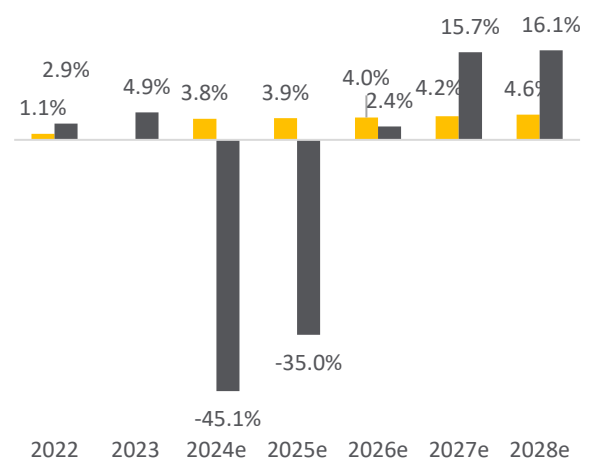
Source: Company data, GiB Capital

Figure 20: Dividend per share and payout ratio



Source: Company data, GiB Capital

Figure 21: Dividend yield and FCFF yield



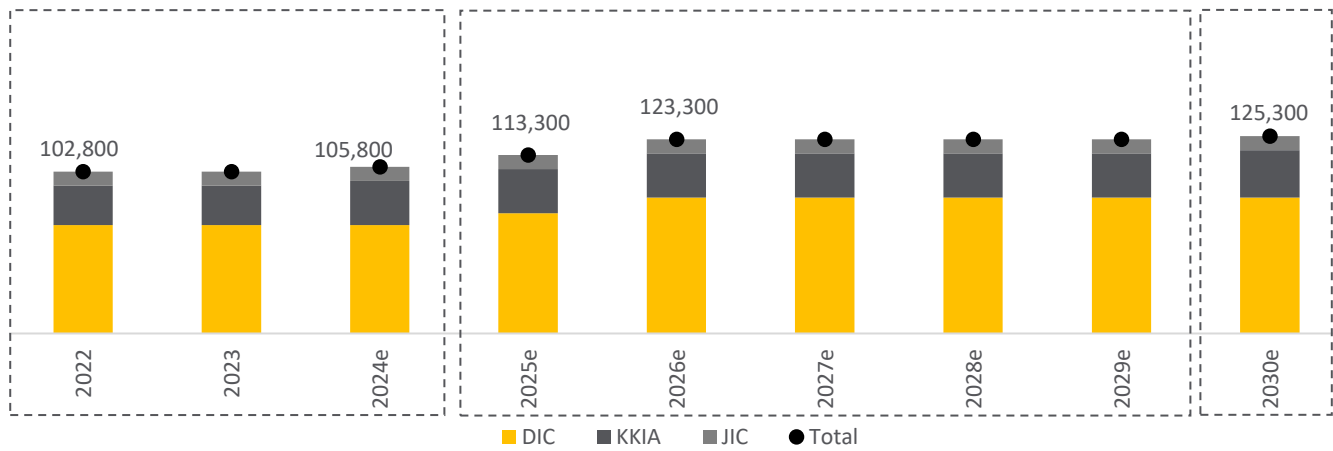
Source: Company data, GiB Capital

Key assumptions

1. Capacity

Water: Miahona's total water capacity under existing concession contracts (JIC, DIC, and KKIA) stood at 102,800 m³/day as of 2023, comprising 78,800 m³/day for water services and 24,000 m³/day for water recycling. Considering the rising demand for portable and recycled water, Miahona plans to expand its capacity in DIC by 7.5k m³/day in 2025e and another 10k m³/day in 2026e. Further, the company plans to add 5,000 m³/day portable water capacity (3,000 m³/day likely in 2024e and the remaining by 2030e) in KKIA. Accordingly, Miahona's total water capacity (portable and recycled) is expected to reach 123,300 m³/day by 2026e and further to 125,300 m³/day by 2030e (Figure 22).

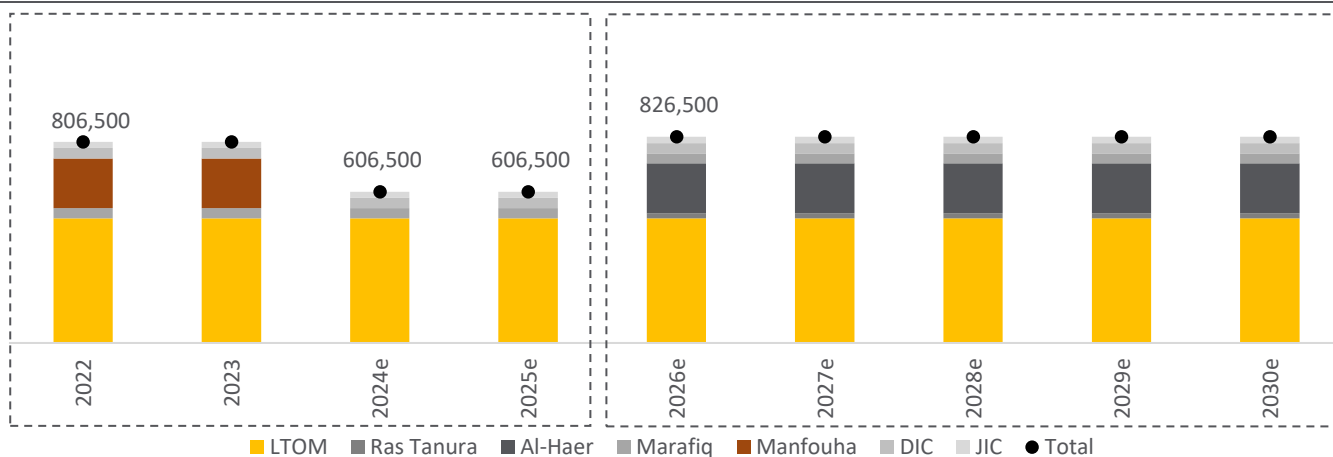
Figure 22: Miahona's water capacity expansion (m³/day)



Source: Company data, GIB Capital

Wastewater: As of Dec 2023, Miahona has a total wastewater capacity of 806,500 m³/day, comprising concession contracts (66,500 m³/day) along LTOM Makkah (500,000 m³/day) and O&M contracts with Manfaouha (200,000 m³/day) and Marafiq (40,000 m³/day). However, the wastewater capacity is expected to decrease to 606,500 m³/day in 2024e following the termination of the Manfaouha contract in March 2024. Nonetheless, the wastewater capacity is projected to rebound by 2026e after the commissioning of Al Haer (200,000 m³/day; likely in Oct 2026e) and Ras Tanura (20,000 m³/day; likely in June 2026e) plants, ultimately increasing Miahona's total wastewater capacity to 826,500 m³/day by 2026e (Figure 23).

Figure 23: Miahona's wastewater capacity projections (m³/day)



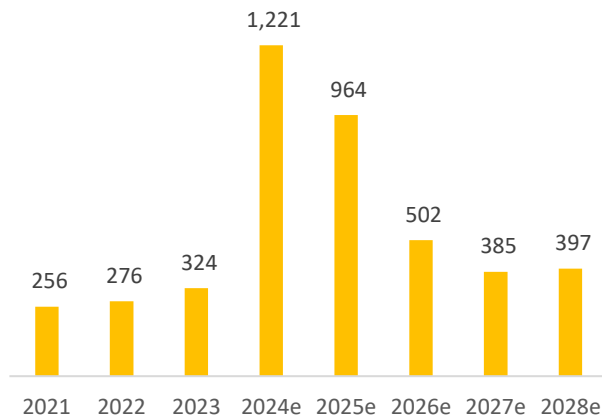
Source: Company data, GIB Capital

2. Revenue

Miahona's total revenue increased at a CAGR of 12% CAGR over 2020-23, primarily driven by the water & wastewater segment (73% of the total in 2023), which grew at a CAGR of 9%, aided by rising water demand across its concession contracts and conversion of LTOM Makkah contract from O&M to concession in May 2023. Further, construction revenue (~19%) also surged at an impressive 43% CAGR during the same timeframe, mainly supported by increased construction revenue associated with the LTOM Makkah contract. Meanwhile, revenue from O&M services remained broadly stable (1% CAGR) during the same period.

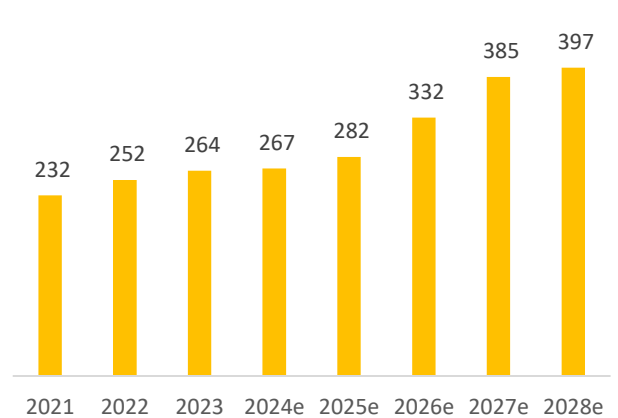
Going forward, we expect Miahona's total revenue to witness a significant jump in 2024e, reaching SAR1,221mn, driven by i) higher construction revenue associated with three concession contracts (Al Haer, Ras Tanura, and LTOM Makkah), ii) one-time development fee, and iii) growth across the existing contracts. Overall, the consolidated revenue is expected to increase at a CAGR of ~4% over 2023-28e (Figure 24), mainly due to a projected ~10% CAGR increase in the water and wastewater services (concession) business segment (Figure 26). Excluding the construction and development revenues, total revenues are expected to grow at a CAGR of ~8% during the same period (+8% CAGR over 2020-23).

Figure 24: Miahona's revenue forecast (SARmn)



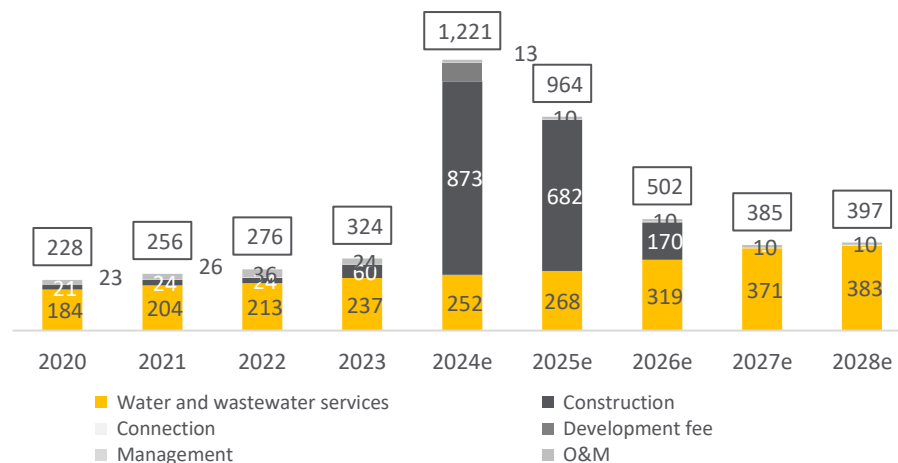
Source: Company data, GIB Capital

Figure 25: Revenue forecast (excl. construction revenue and development fee) (SARmn)



Source: Company data, GIB Capital

Figure 26: Miahona's revenue mix by segment/service type (SARmn)



Source: Company data, GIB Capital

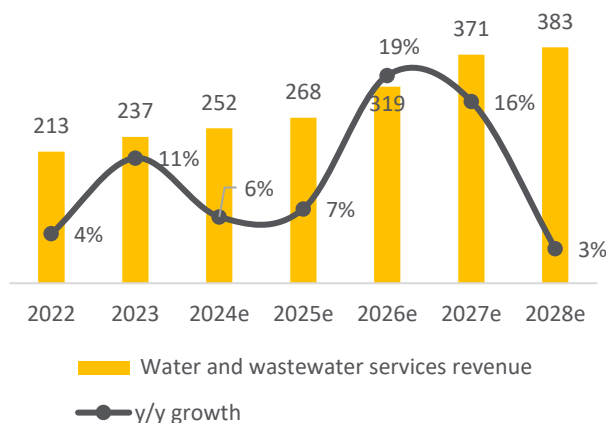
Water and Wastewater services (concession contracts)

The water & wastewater services (concession services) revenue increased to SAR237mn in 2023 from SAR184mn in 2020, depicting a rise of a 9% CAGR during the same period. Going forward, we expect the segment revenue to increase at a ~10% CAGR between 2023-28e, reaching SAR383mn by 2028e (Figure 27). This growth will be propelled by both existing and new contracts.

Existing contracts: We project a ~6% CAGR increase (Figure 29) in existing concession revenue, with JIC and DIC (which are volume-based contracts with demand risk) and KKIA (which is a capacity-based offtake agreement) all contributing to the growth. This growth is expected to be driven by capacity expansions at DIC and KKIA and enhanced utilization, leading to a ~4% CAGR increase in water and wastewater volumes between 2023-28e. Additionally, a ~2% CAGR rise in blended tariff rates will contribute to revenue growth (Figure 28).

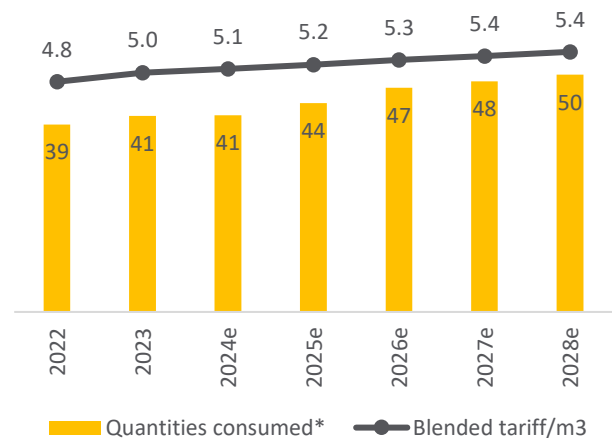
It is worth noting that all of Miahona's existing concession contracts tariffs are subject to annual inflation adjustments, except for the DIC project, where tariffs are revised every 5 years. We also note that for existing contracts, we assume that all the concession contracts will be renewed after their expiry (for example, the JIC contract needs to be renewed in 2025e) and continue to account the 100% revenue in revenue as per IFRIC 12 (intangible assets).

Figure 27: Water and wastewater services revenue (SARmn)



Source: Company data, GIB Capital

Figure 28: Key KPIs (excl. new projects LTOM, Al Haer, Ras Tanura)#

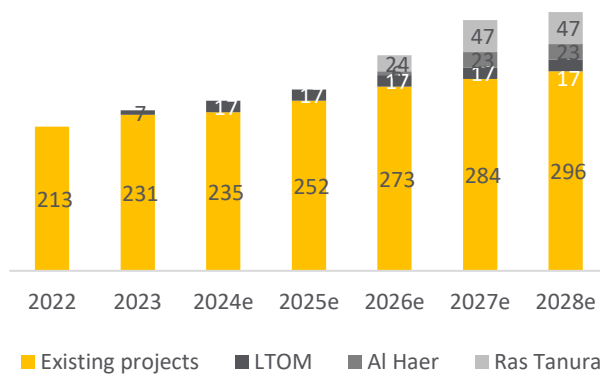


Source: Company data, GIB Capital *('000 m³) # new contracts are excluded from calculations due to separate accounting methods

New contracts: Revenue from new contracts (LTOM Makkah, which transitioned to a long-term ROT concession in May 2023, Al Haer, and Ras Tanura - all capacity-based offtake agreements) is expected to surge at a CAGR of ~67% over 2023-28e (Figure 29). While the LTOM Makkah contract has started contributing from 2023, new projects, Al Haer and Ras Tanura, are anticipated to grow gradually, with the commissioning of both plants scheduled during 2026e, and full-capacity operation expected from 2027e onwards.

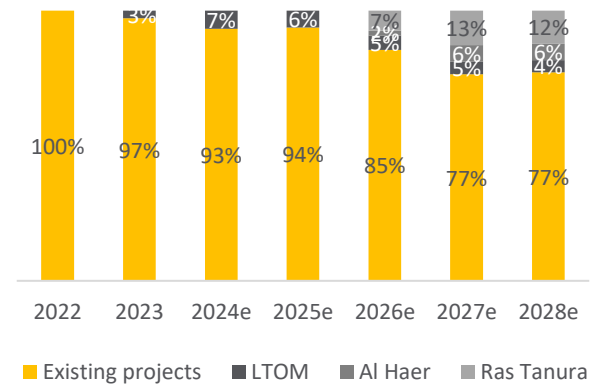
We also note that the company will follow different accounting standards (IFRIC 12 intangible assets for LTOM Makkah and Al Haer, similar to KKIA, and IFRIC 15 financial assets for Ras Tanura) for new contracts, where a portion of the total bill generated is recognized as revenue, while the remainder is recognized as finance income in the income statement and/or amortization of assets.

Figure 29: Water and wastewater project revenue mix (SARmn)



Source: Company data, GIB Capital

Figure 30: Water and wastewater project revenue mix (%)

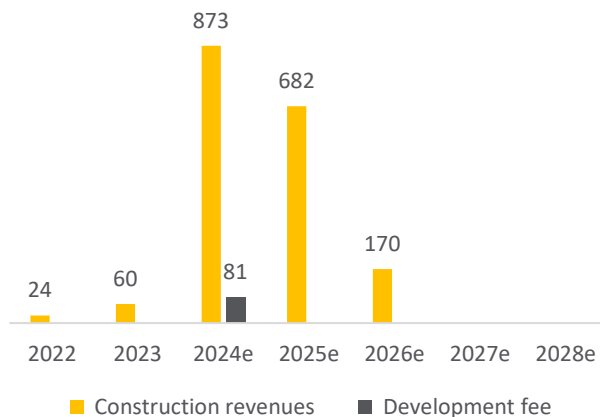


Source: Company data, GIB Capital

Construction and Development revenue

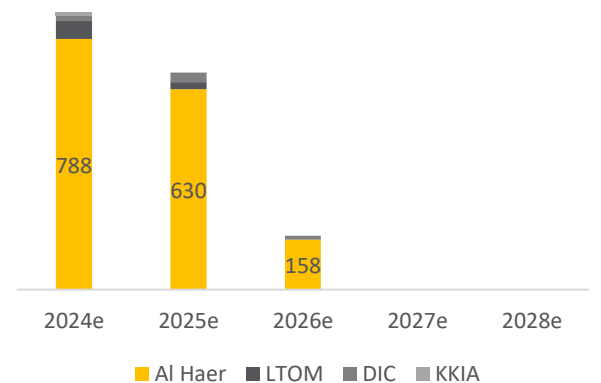
Miahona's construction revenue is poised for a substantial increase over 2024-26e, primarily driven by i) the construction of Al Haer contracts (2024-26e; project cost: SAR1.5bn with a possibility of cost escalation), LTOM contracts (2023-25e; project cost: SAR107mn), and iii) the expansion of existing contracts (DIC & KKIA; 2024-26e). We note that the total construction revenue is determined by adding a 5% markup to the estimated total project cost and then spread proportionally across the expected construction period, assuming revenue recognition is tied to project completion. Further, we assume no construction revenue for the Ras Tanura project (project cost: SAR536mn), given that it will be treated as a finance lease arrangement in the books. Additionally, the company expects to receive a development fee (one-time) equivalent to 2-5% (assumed 4% in our forecasts) of the total projects for the Al Haer and Ras Tanura projects, likely in 2024e.

Figure 31: Construction revenue and development fee (SARmn)



Source: Company data, GIB Capital

Figure 32: Construction project revenue mix (SARmn)



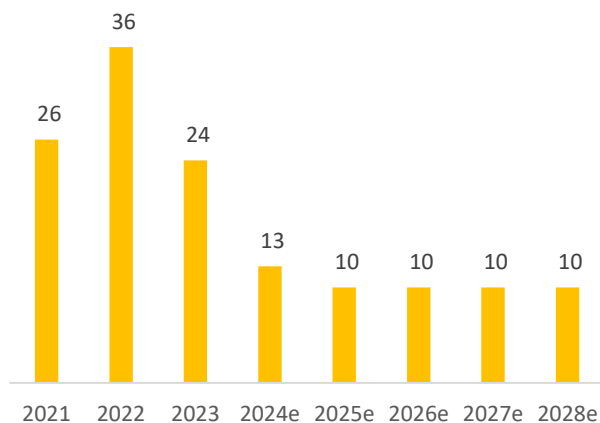
Source: Company data, GIB Capital

Operation and maintenance (O&M) revenue

Miahona's O&M segment revenue has shown relatively stable performance from 2020 to 2023, increasing modestly by just around 1% CAGR during this period. Going forward, post-conversion of the LTOM Makkah contract into a long-term ROT concession (remained a major contributor until 2022), and the expiry of the Manfaouha contract in March 2024, we expect a decline in O&M revenue from 2024e. Currently, the company operates two main O&M contracts, namely

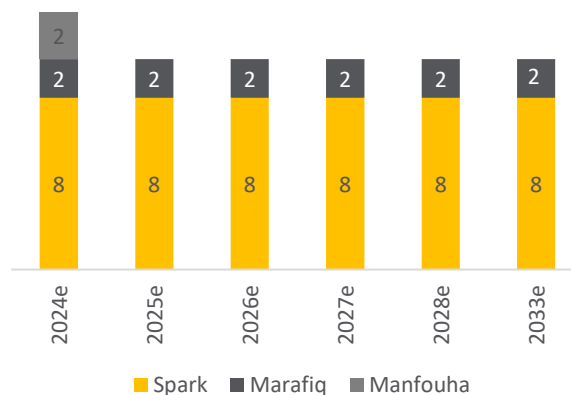
Marafiq and Spark, which we assume to be renewed after their expiry in 2026-28e. Accordingly, we forecast the O&M segment revenue to reach approximately SAR 13mn in 2024e (including a small share of the revenue from Manfaouha until March 2024) and then remain broadly stable at SAR 10mn thereafter.

Figure 33: O&M revenue forecast (SARmn)



Source: Company data, GIB Capital

Figure 34: O&M project revenue mix (SARmn)

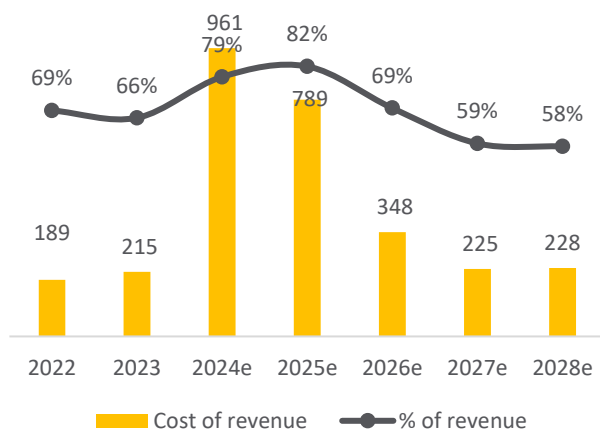


Source: Company data, GIB Capital

3. Costs

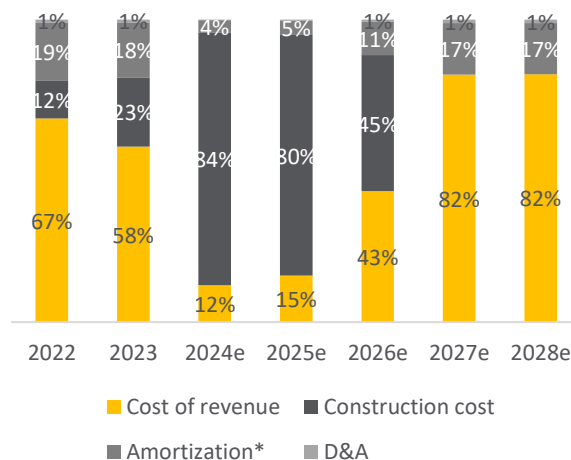
In 2023, cost of revenue accounted for 58% of the total cost of revenues (COR), the majority of which is related to salaries & employee-related costs and royalty fees paid to MODON (Miahona is liable to pay 20% of revenue generated from DIC I, II and first industrial city in Ahsa as royalty fee to MODON). This is followed by construction cost accounting for 23% of total COR, which is primarily related to the LTOM Makkah ROT contract, followed by 18% related to the amortization of intangible assets arising from service concession. The total COR as a % of revenue stood at 69% and 66% in 2022 and 2023, respectively. Going forward, we expect the COR as a % of revenue to increase to 79% and 82% in 2024e as the company recognizes construct costs related to the new concessions and expansion at existing contracts.

Figure 35: Cost of revenue trend (incl. construction cost) (SARmn)



Source: Company data, GIB Capital

Figure 36: Break-up of cost of revenue

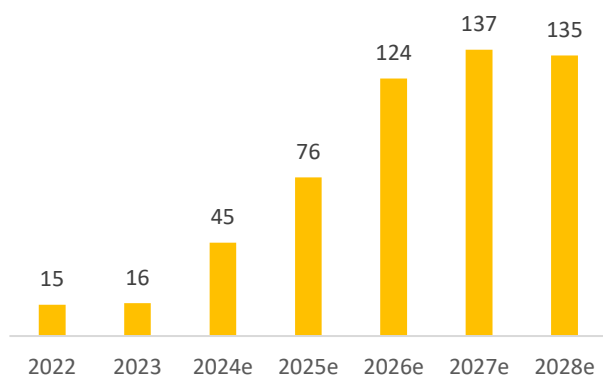


Source: Company data, GIB Capital *Amortization of intangible assets arising from service concession

4. Finance income (concession accounting)

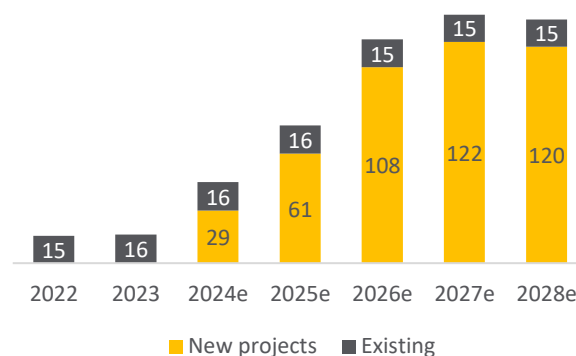
As previously explained, the accounting treatment for capacity-based contracts (KKIA, LTOM Makkah, Al Haer, and Ras Tanura) differs from volume-based contracts (JIC and DIC). As of now, the company generates finance income, mainly from KKIA, and LTOM (post-conversion only). Post the commissioning of Al Haer and Ras Tanura, the finance income is set to increase notably, reaching SAR135mn by 2028e from SAR16mn in 2023.

Figure 37: Miahona's finance income forecast (SARmn)



Source: Company data, GIB Capital

Figure 38: Finance income by project mix (SARmn)

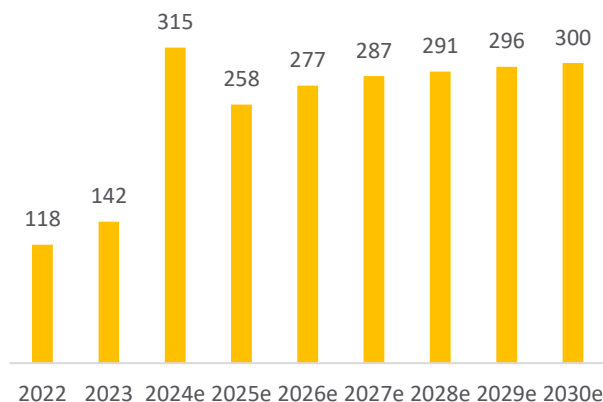


Source: Company data, GIB Capital

5. EBITDA and margins

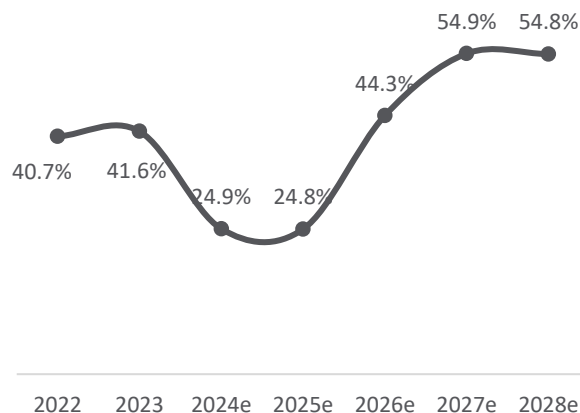
EBITDA (incl. finance income) surged at a CAGR of 17%, reaching SAR142mn in 2023 from SAR88mn in 2020 with the corresponding margin expanding considerably by 5.3ppts to 41.6%. Looking ahead, we expect EBITDA to rise to SAR315mn in 2024e, primarily driven by the recognition of a one-time development fee related to Al Haer and Ras Tanura concessions, before declining to SAR258mn in 2025e. Overall, we expect EBITDA to grow at a CAGR of 16% over 2023-28e, mainly aided by i) expansion of the existing concession contracts driven by both price adjustments triggered by tariff indexation and higher volumes due to enhanced utilization and rising demand, ii) new concessions of Al Haer and Ras Tanura, and iii) improving operating efficiency. However, EBITDA margins are expected to dip to ~25% in 2024-25e (Figure 40), mainly due to the recognition of construction revenue, which typically carries a lower gross margin (single digit). EBITDA margins are expected to recover from 2026e as the new concession contracts become operational and eventually stabilize at around 54-55% over 2027-30e.

Figure 39: Miahona's EBITDA forecast (incl. finance income) (SARmn)



Source: Company data, GIB Capital

Figure 40: Trend in EBITDA margin (%) (incl. finance income)

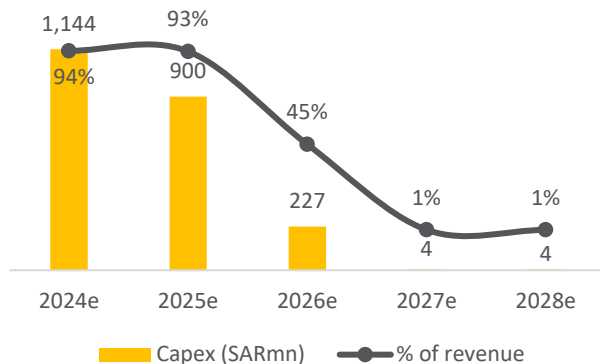


Source: Company data, GIB Capital

6. Capex

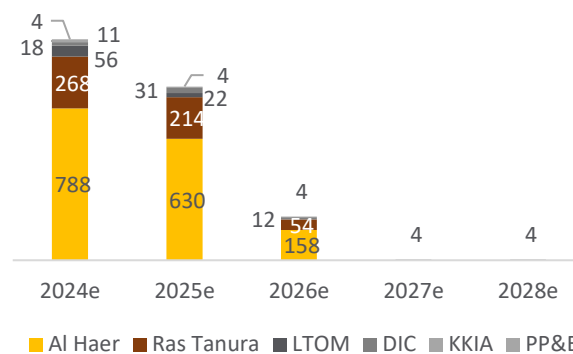
We estimate capital expenditure to reach SAR1,144mn in 2024e, SAR900mn in 2025e, and SAR227mn in 2026e, totaling SAR2.3bn over 2024-26e. These investments will be primarily related to the Al Haer concession (69% of the total in 2024e; concession accounting), and the Ras Tanura contract (23%; finance lease). Further, on a conservative basis, we expect the company to spend ~SAR72mn for the planned DIC and KKIA expansion over 2024-26e in addition to the recurring head office annual capex of ~SAR4mn.

Figure 41: Trend in capex



Source: Company data, GIB Capital

Figure 42: Project wise capex (SARmn)

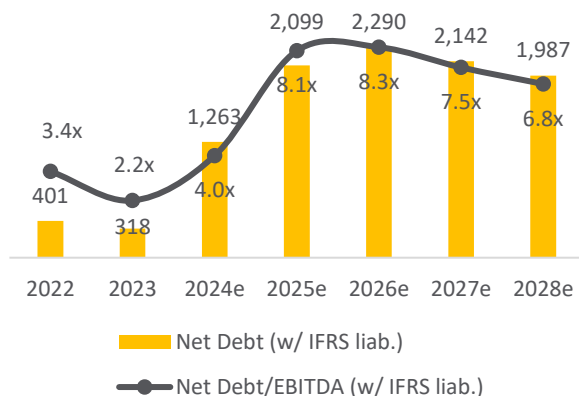


Source: Company data, GIB Capital

7. Debt

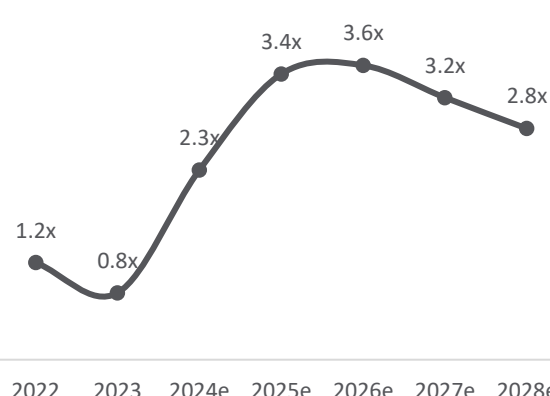
We expect the net debt (including IFRS liabilities) to increase as the company will raise financing for the new Al Haer (financial close pending) and Ras Tanura (financial close done) projects. The total project cost for Al Haer is estimated at SAR1.5bn with a possibility of further cost escalation (excluding finance costs). Of this amount, ~SAR1.28bn will be funded through project finance debt and the remaining through equity bridge loans (EBLs). Further, Ras Tanura's total project cost is estimated at ~SAR536mn (excluding finance costs), of which ~SAR116mn comes from a temporary bridge loan. Accordingly, we expect the company's net debt to peak at ~SAR2.3bn by the end of 2026e. As the company starts repaying the project finance debt and EBLs (generally repayment period is after 5 years), net debt is expected to decline, reaching ~SAR1.7bn by 2030e. Consequently, the net debt/EBITDA is forecasted to reach 8.3x by 2026e and then decline to 5.6x by 2030e.

Figure 43: Miahona's leverage trend (SARmn)



Source: Company data, GIB Capital *EBITDA includes finance income

Figure 44: Trend in Net debt/Equity (w/ IFRS liab.)

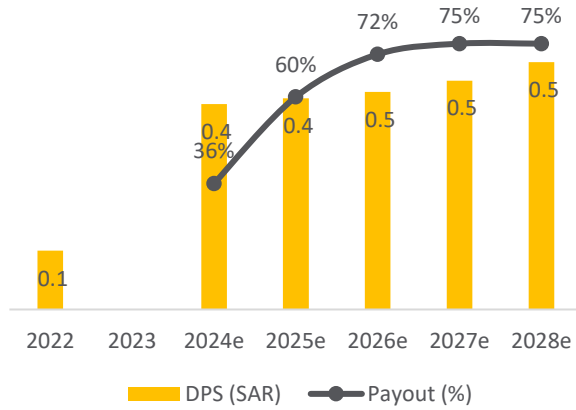


Source: Company data, GIB Capital

8. Dividend

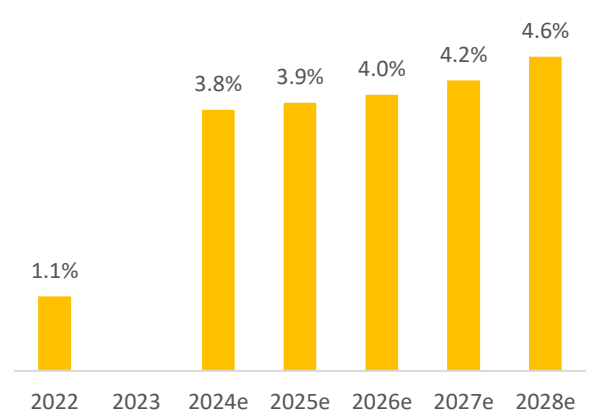
After holding back dividends in 2023, likely due to ongoing capex, the company plans to resume paying dividends from 2024e, aiming for SAR70mn distribution for 2024e (implied payout of 36%), aided by higher cash flows (driven by increased construction revenues and one-time development fee). We expect the payout ratio to gradually improve to 60% by 2025e and 75% by 2027e, implying a DPS of SAR0.4 (3.9% yield) and SAR0.5 (4.0% yield), respectively.

Figure 45: Dividend and payout (%)



Source: Company data, GIB Capital

Figure 46: Dividend yield (%)



Source: Company data, GIB Capital

Valuation and risks

Miahona's valuation requires careful consideration due to the varied accounting treatments and tariff structures within its existing and new concession contracts. Accordingly, we have separately analyzed KPIs for existing and newly acquired contracts (LTOM Makkah, Al Haer, and Ras Tanura) to reflect the distinct revenue recognition procedures. In addition, we have also assigned value (although with a discount) to upcoming project pipelines (announced by the government, yet to be secured) to arrive at a 1Y forward target price for the stock.

Existing projects and newly acquired concessions

We consider a discounted cash flow (DCF) methodology to value Miahona's existing and recently acquired concession contracts (LTOM, Al Haer, and Ras Tanura). Our DCF incorporates cash flow projections up to 2033e and factors in terminal value calculations beyond that, considering the extended duration of Miahona's contracts. Based on a WACC of 7.3% and a terminal growth rate of 2%, we derive a 1Y forward target price of SAR15.5/sh.

Figure 47: DCF valuation

DCF model (SARmn)	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
EBIT	266	210	229	239	244	249	252	254	255	253
Zakat	12	11	12	12	13	14	13	14	14	14
EBIT minus taxes	278	222	241	251	257	262	265	267	270	267
(+) Depreciation & amortization	44	44	45	45	45	46	46	47	47	50
(+/-) Change in working capital	(12)	(13)	(14)	(2)	(1)	(1)	(1)	(0)	(0)	1
(-) Capex	(1,144)	(900)	(227)	(4)	(4)	(4)	(11)	(4)	(4)	(54)
Free Cash Flow to Firm	(834)	(647)	45	290	298	303	300	310	313	264
Terminal value										5,100
PV of FCF (explicit period)	(20)									
PV terminal	2,603									
EV	2,584									
(-) Debt, incl. lease liabilities	(454)									
(+) Cash	136									
(-) Minority	(0)									
(-) Pension/other liabilities	(22)									
(+) Investments	29									
Equity value	2,273									
Number of Shares	161									
Equity value per share	14.1									
Target price (one year forward) *	15.5									
Cost of Equity	10.0%									
Cost of debt	5.5%									
Target D/A	60.0%									
WACC	7.3%									

Source: GIB Capital * Target price is rounded, and time value adjusted 1 year forward ** using 2% Terminal growth rate

Upcoming projects in KSA

Additionally, we conduct a separate NPV-based valuation to account for the significant project pipeline announced by the government, thereby assigning value to Miahona's long-term growth potential. As per the prospectus, Miahona has identified various BOOT, ROT, and MOM project pipelines with expected financial close dates over 2024-28e. These include:

- 20 BOOT contracts valued at ~SAR29.3bn. Based on a conservative win rate of 50% (80% average over the past three years), an ownership stake of 55%, ROE of 20%, and 80% debt, we derive the potential equity value of SAR548mn (Figure 48),
- 3 ROT contracts with an estimated value of SAR1.3bn. We assume a win rate of 50%, ownership shares of 75%, an ROE of 20%, and 80% debt, resulting in a potential equity value of SAR34mn (Figure 48),
- Similarly, for 6 MOM contracts, the total identifiable contract value is SAR18bn. Assuming a 50% winning rate, 55% ownership, 20% ROE, and 80% debt, we derive the total implied equity value of SAR235mn (Figure 48).

Collectively, the implied equity value of the above-unsecured projects stands at SAR817mn (Figure 48). Given that this growth potential is multi-years away and there are risks of delay, cancelation, and cost escalations, we, on a conservative basis, ascribe only 50% of the total value of these unsecured projects in base case valuation, resulting in an additional equity value of SAR409mn or SAR2.5/sh.

Valuation of unsecured projects

Figure 48: Valuation of unsecured projects

Project Type	Market size (SARmn)	Financial closure	Win rate	Ownership	Debt	Equity	ROAE	Ke	Implied equity value (SARmn)
BOOT	29,280	2024-27e	50.0%	55.0%	80.0%	20.0%	20.0%	11.0%	548
ROT	1,300	2025-28e	50.0%	75.0%	80.0%	20.0%	20.0%	11.0%	34
MOM	18,000	2027e-30e	50.0%	55.0%	80.0%	20.0%	20.0%	11.0%	235
Total	48,580								817
Discount (uncertainty, delay, timing)									50%
Total									409
Fair value/share									2.5

Source: Company IPO prospectus, GIB Capital

Blended Valuation

We arrive at a target price of SAR18/sh (rounded off), implying an upside of 57% from the IPO price. We initiate on Miahona with an Overweight rating.

Figure 49: Relative valuation and blended valuation

Blended Valuation	Method	Per share equity value (SAR)
Existing & secured projects	DCF	15.5
Unsecured projects	NPV	2.5
Target price (SAR/share)		18.0

Source: GIB Capital

Risks:

Key downside risks include the following:

- **Growth tied to government spending and clients**

Miahona relies heavily on revenue from government agencies like MEWA, NWC, GACA, and MODON, which collectively contribute ~95% of its total revenue. This highlights the company's significant dependence on government expenditure for water and wastewater projects in KSA. Any downturn in the Kingdom's macroeconomic conditions may lead to reduced government spending in this sector, posing a risk to Miahona's growth trajectory.
- **Risks related to the tendering process**

Bidding on government tenders for water and wastewater projects exposes the company to several risks: i) inaccurate Pricing: The company may present bids relying on inaccurate cost assumptions, potentially resulting in actual costs surpassing the initial projections, thus rendering the project unfeasible, ii) lost opportunities: The Group risks losing out on lucrative contracts by either abstaining from bidding on specific tenders or by being unsuccessful in securing those they actively pursued, iii) qualification Challenges: The Group's ability to participate in government tenders may be hindered by fluctuations in its performance ratings assigned by government clients or by modifications to qualification criteria established by government entities for specific tenders.
- **Non-renewal/early termination of contracts**

The Group faces the risk of failing to secure new contracts or renew existing ones with government entities. This would have a significant detrimental effect on the Group's business activities, financial health, operational performance, and future prospects. Several of Miahona's contracts are up for expiry in the near to medium term. For instance, the company's concession agreement with JIC is due for expiry in March 2025, which contributed ~22% of the group's total revenue in 9M23.
- **Rise in competition**

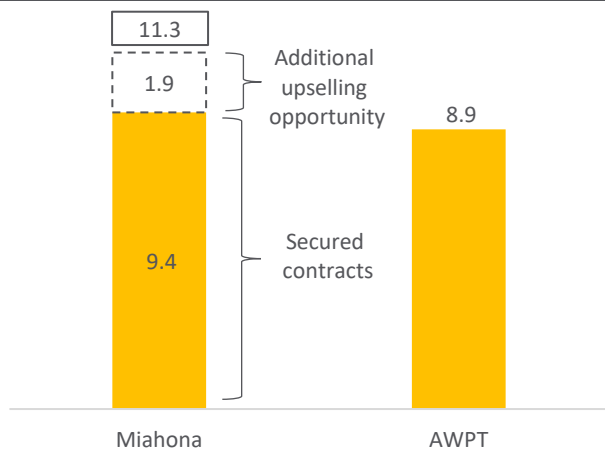
The water and wastewater sectors in KSA are highly competitive, with numerous companies operating at local, regional, and global levels. These competitors possess significant financial resources, specialized knowledge, and advanced technical abilities. The primary factors influencing competition include pricing, range of services, and quality standards. They can undercut prices and deliver superior services, threatening Miahona's market share and client base, which could impact its financial performance.
- **Risk related to prices of energy, water, and related materials and services**

The Group relies on construction materials, some local and some imported. Material shortages will drive up costs (materials, labor, unexpected fees) making projects unprofitable. They might not be able to raise prices enough to cover these extra expenses.
- **Delays in receivables collection**

The Group faces risks related to collecting outstanding debts from its clients, with a substantial portion being overdue. As of 9M23, debts owed to the company that were 90 days past due stood at approximately 12%, down from around 80% at the end of 2022. This decline was due to debt clearance by GACA during this period. As of the end of the 9M23, SAR7.8mn in debts were owed to the company, with NWC accounting for 73% of this amount. Any significant delays in receiving these payments would adversely impact the company's business, finances, and overall prospects.

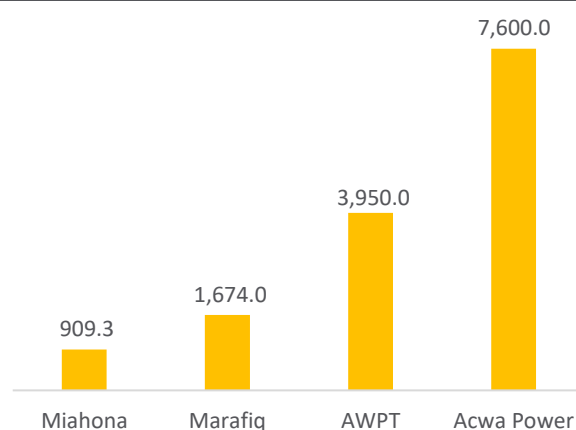
Peer Comparison

Figure 50: Backlog (SARbn)



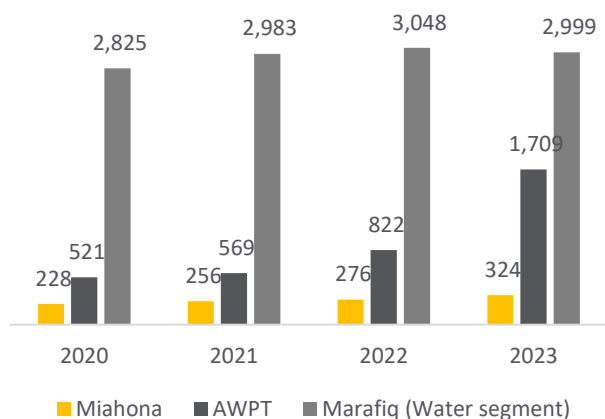
Source: Company data, GIB Capital

Figure 51: Capacity ('000 m³/day)



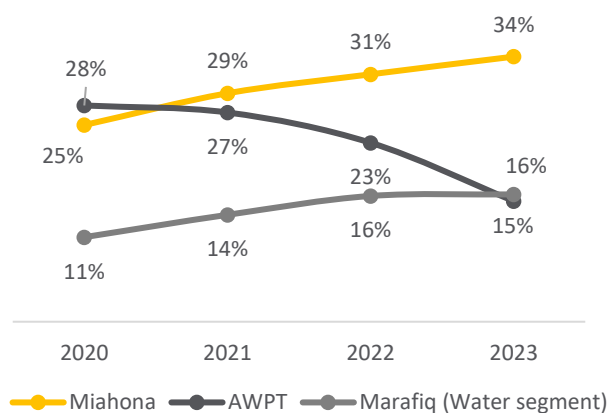
Source: Company data, GIB Capital

Figure 52: Revenue (SARmn)



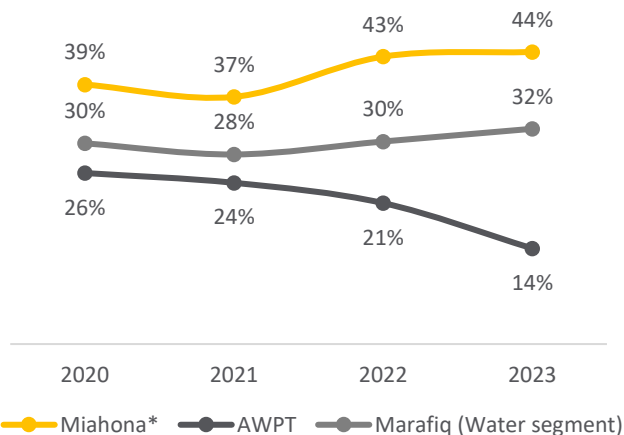
Source: Company data, GIB Capital

Figure 53: Gross margins



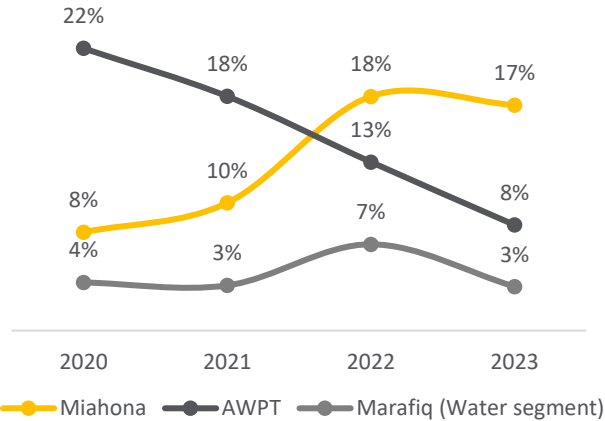
Source: Company data, GIB Capital

Figure 54: EBITDA margins



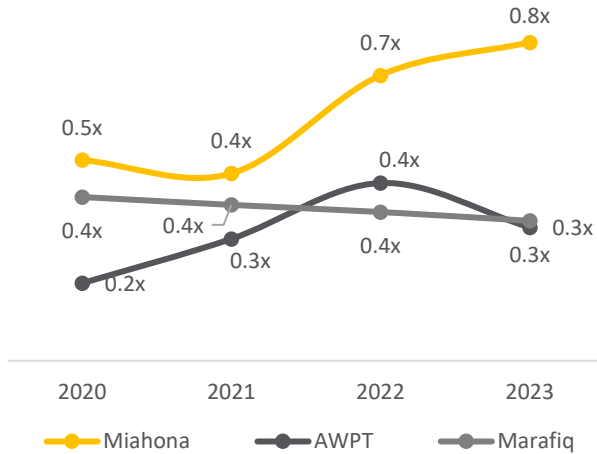
Source: Company data, GIB Capital* includes finance income proxy for separate accounting treatment

Figure 55: Net income margins*



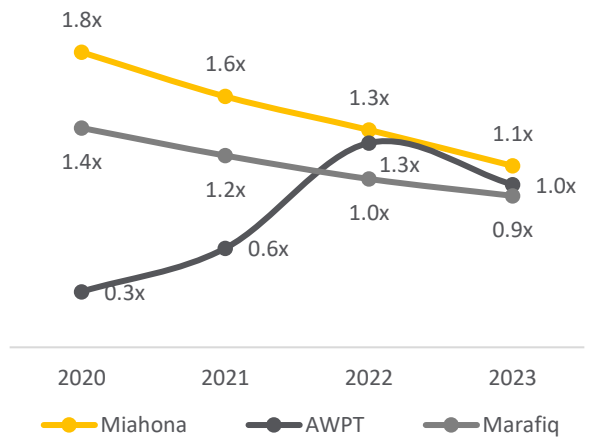
Source: Company data, GIB Capital* attributable to equity holders

Figure 56: Total debt to total assets



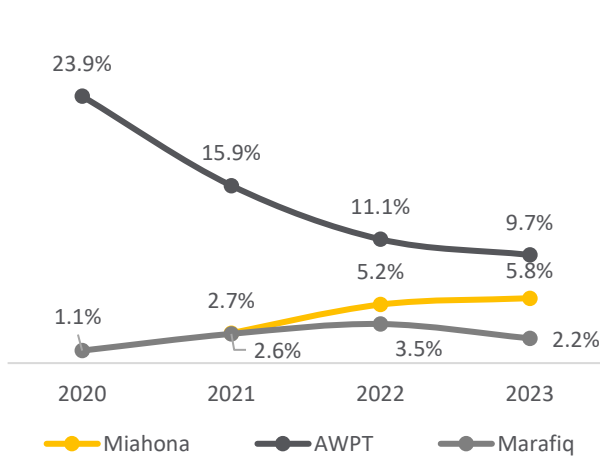
Source: Company data, GIB Capital

Figure 57: Total debt to total equity



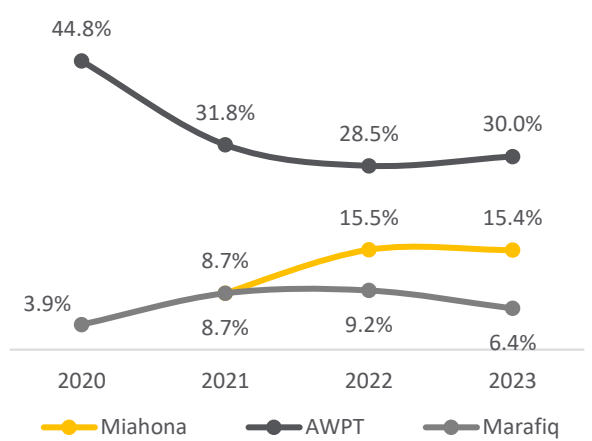
Source: Company data, GIB Capital * attributable to equity holders

Figure 58: Return on average assets



Source: Company data, GIB Capital

Figure 59: Return on average equity



Source: Company data, GIB Capital

IPO Details

Figure 60: IPO details

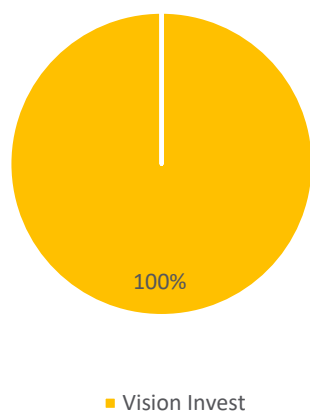
IPO Overview	
Offering	48.28mn shares
Float (%)	30%
Institutional Offering & Book-Building	April 29-May 02, 2024
Retail Offering	May 21-22, 2024
Final Allocation	May 26, 2024
Listing Date	June 06, 2024
Listing market	Tadawul (The main market of Saudi exchange)
Shareholder Lock-up period	Six months
Selling shareholders	Vision Invest
IPO proceeds	Net offering proceeds will be distributed to the selling shareholders

Source: Company data, GIB Capital

Ownership structure

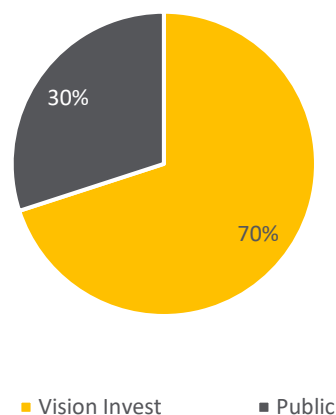
The ownership of the group's major shareholder, Vision Invest, would come down by 30% to 70% post the IPO. As a result, the public shareholding will stand at 30% of the total shares after the offering.

Figure 61: Ownership structure – pre-offering



Source: Company data, GIB Capital

Figure 62: Ownership structure – post-offering



Source: Company data, GIB Capital

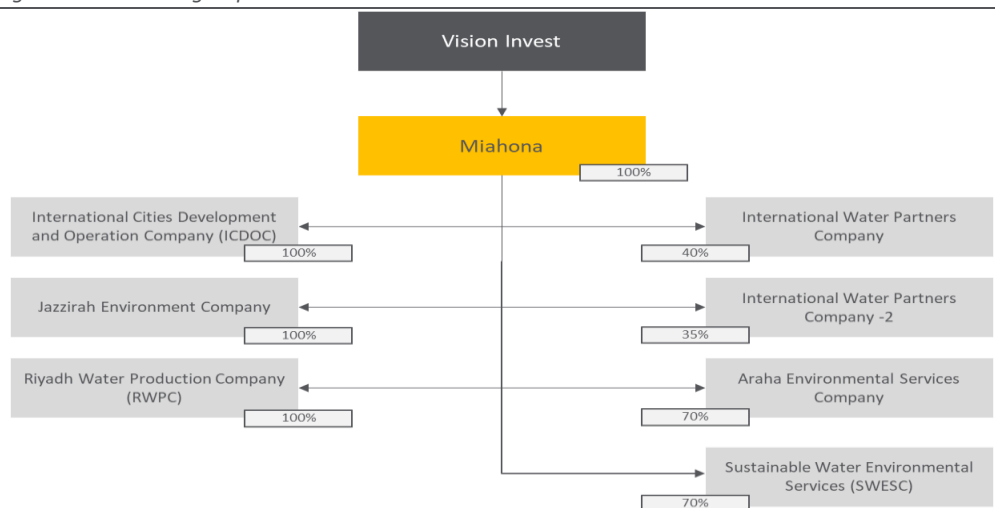
Company Profile

Miahona is a pioneering developer of water and wastewater infrastructure using a public-private partnership (PPP) model in Saudi Arabia. They hold a prominent position in offering concession and operation and maintenance (O&M) services for the entire water and wastewater lifecycle to their clients, which primarily include municipalities and industrial customers. To date, Miahona has invested over SAR1bn in water and wastewater assets in the Kingdom and serves over 8mn individuals, including 2,011 major industrial clients. The group, through its subsidiaries and associates (Figure 63), has a presence across the entire water value chain (Figure 64), with each subsidiary specializing in a specific type of agreement that the company offers.

The group primarily offers its services under two broad categories:

- 1) **Water:** The Group boasts extensive expertise across the entire water treatment spectrum, encompassing the development, management, and operation of water treatment plants and potable water distribution systems.
- 2) **Wastewater:** The Group holds substantial expertise in water treatment processes, spanning from (i) developing, engineering, and designing treatment plants to (ii) decontaminating wastewater, (iii) recycling wastewater and effluents, and (iv) operating, maintaining, and optimizing wastewater treatment plants.

Figure 63: Miahona group structure



Source: Company data, GIB Capital

Figure 64: The group's operations across the water value chain

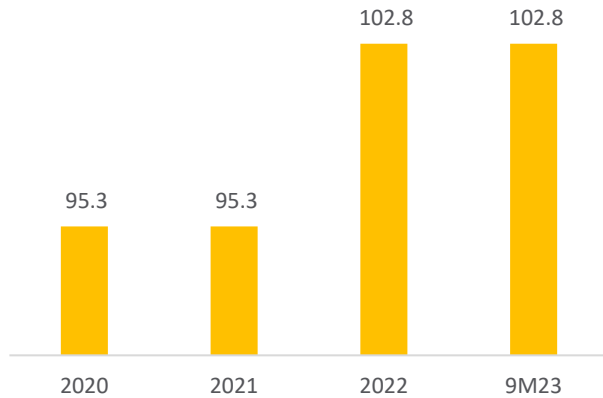
	Sources and Treatment/Production	Storage and Transportation	Water Distribution	Wastewater collection	Wastewater Treatment	Reuse
Services	Water treatment plants groundwater, surface water, and direct well water	Supply pipelines/ storage tanks /reservoirs	Network management Meter-to-cash services	Sewerage network management meter-to-cash services	Independent Sewage Treatment Plants (ISTP) / Sewage Treatment Plants (STP) / long term O&M / O&M	Industrial reverse osmosis polishing plants advanced usage and network management meter-to-cash services
Company presence	✓	✓	✓	✓	✓	✓

Source: Company data, GIB Capital

Operational Capacity

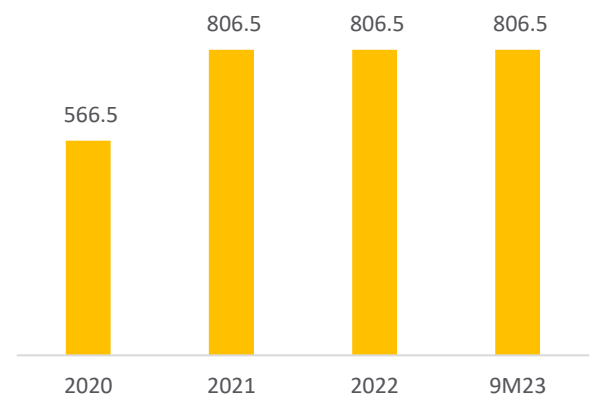
The group presently boasts a water infrastructure capable of processing 102,800 m³/day, supported by a comprehensive network spanning 248 kilometers. Additionally, its wastewater infrastructure has a capacity of 806,500 m³/day, covering approximately 221 kilometers of network.

Figure 65: Water capacity of the group (thousand m³/day) *



Source: Company data, GIB Capital, Excl. new contract wins

Figure 66: Wastewater capacity of the group (thousand m³/day)*



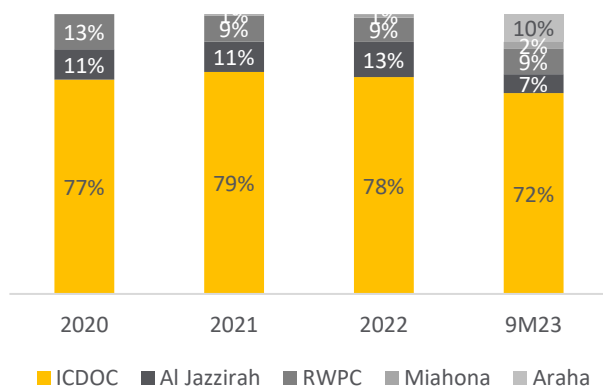
Source: Company data, GIB Capital, Excl. new contract wins

Revenue mix

The water and wastewater segment serves as the cornerstone of the company's operations, constituting a significant portion of its total revenue. In 2023, this segment contributed 73% of the total revenue, a slight decrease from 77% in 2022. This decline can be attributed to the recognition of construction revenue, which accounted for 19% of the total revenue in 2023, primarily associated with the LTOM Makkah project. Following closely behind is the O&M segment, accounting for 7% of the company's revenue. This segment represents the second primary business of Miahona.

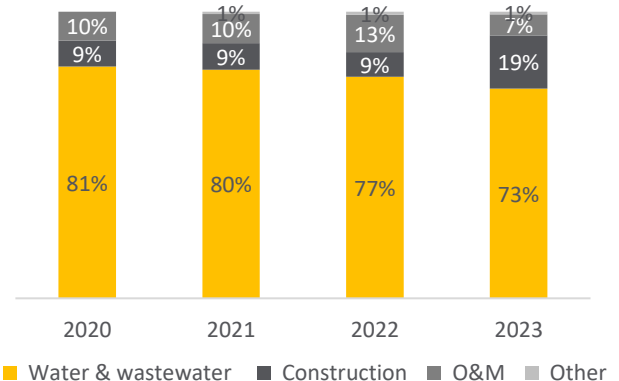
In terms of revenue by subsidiary, ICDOC stands out as Miahona's largest subsidiary, comprising 72% of the revenue mix for the period ending 9M23. Following closely is Araha, a recently established subsidiary, contributing 10% to Miahona's total revenue in 9M23. Followed by RWPC and Al Jazzirah, accounting for 9% and 7% of the revenue, respectively, with Miahona itself contributing 2%.

Figure 67: Revenue mix by subsidiary



Source: Company data, GIB Capital

Figure 68: Revenue mix by segments



Source: Company data, GIB Capital

Contractual agreements

Miahona provides its services through three types of contractual agreements, which also serve as the company's primary operating segments.

A. Concession contracts:

The Group is involved in the entire lifecycle of water and wastewater projects, including design, construction, operation, maintenance, and management. These projects cover various aspects such as potable water, recycled water, and sewage treatment plants. Typically, these projects are carried out through concession agreements with governmental or quasi-governmental entities. The concession agreements accounted for nearly 90% of total revenue for 9M23.

Miahona employs different concession models, including Build-Operate-Transfer (BOT) or Build-Own-Operate-Transfer (BOOT) for new projects and Rehabilitate-Operate-Transfer (ROT) or Rehabilitate-Own-Operate-Transfer (ROOT) for existing ones. Miahona's compensation includes tariffs for its capital investment and reimbursement for operational and management costs incurred.

The accounting treatment for these concession agreements comprises two main phases: i) Construction/rehabilitation phase: Firstly, the company recognizes a one-time development fee received for winning the contract. The company then records construction revenue associated with the project, typically spreading it over the construction or rehabilitation period; ii) Operational phase: Once the plant is operational, revenue is recognized based on water and wastewater sales to clients. However, it is important to note that while construction revenue appears in the financial statements upfront, the actual cash flow is received through a pre-determined tariff structure over the entire contract duration.

This tariff structure has two components for both greenfield (BOT & BOOT) and brownfield (ROT & ROOT) projects:

- Capacity Payment: A fixed monthly fee covering capital costs, including debt servicing, shareholder distributions, taxes, fixed operating expenses, and operator fees.
- Output Payment: The Payment linked to actual output, covering variable operating and maintenance (O&M) expenses, such as chemicals and electricity (up to predetermined consumption levels).

Additionally, the tariff structure is not fixed and is subject to an annual indexation. This means that the tariff is adjusted to account for inflation and other factors, ensuring the continued viability of operating the plant.

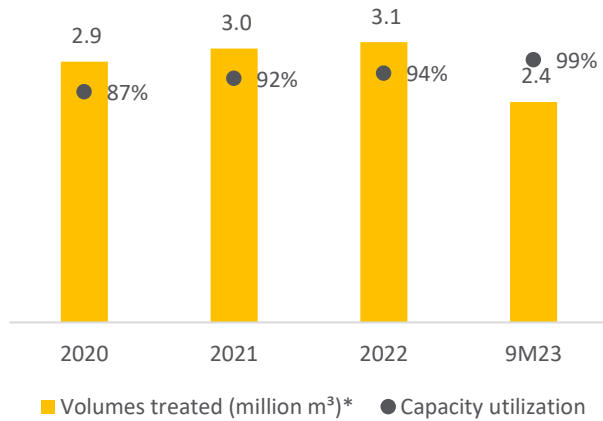
Miahona's risk profile under these concessions depends on the contract type: i) Demand-based contracts: If Miahona's compensation is tied to the volume of services provided, they face demand risk. Lower demand for water treatment could result in financial losses. Conversely, higher demand translates to higher profits; ii) Offtake agreements: Under these agreements, a client commits to purchasing a fixed amount of water treatment services (aligned with project capacity) at a predetermined price for a set period, regardless of actual demand. This approach shields Miahona from demand fluctuations but limits potential gains from high-demand periods.

Miahona's concession contracts include:

i) Jeddah Industrial City Project (JIC) – Demand-based contract

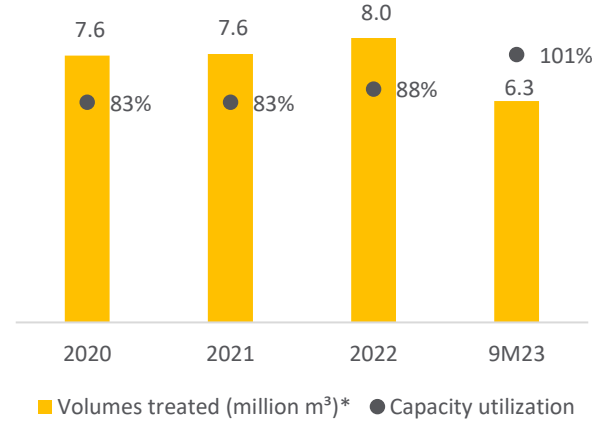
The Jeddah Industrial City (JIC) project is a 20-year (ROT) concession agreement, whereby Miahona's subsidiary, ICDOC, agreed with MODON to treat wastewater from the industrial units and supply recycled water. The contract began in Mar 2005, with the contract ending in March 2025. Miahona fully owns the JIC project through ICDOC. The project has a sewage treatment capacity of 25,000 m³/day (with a design capacity of 30,000 m³/day to accommodate increased demand) and supplies 9,000 m³/day of recycled water. The project's tariff structure is based on the actual volumes consumed by the industrial customers and is subject to annual indexation.

Figure 69: Operational information – recycled water



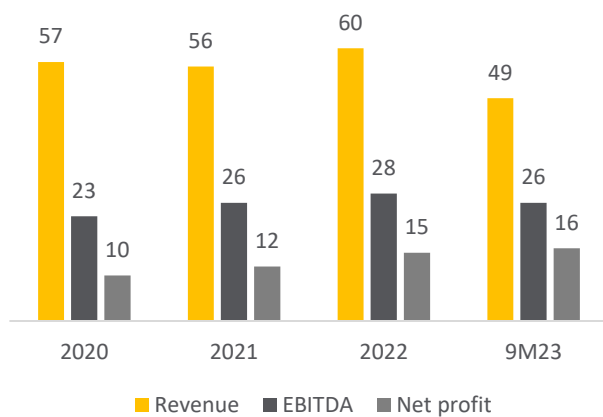
Source: Company data, GIB Capital. *Volumes produced are based on capacity x no. of days x 8 hours/day

Figure 70: Operational information – sewage water



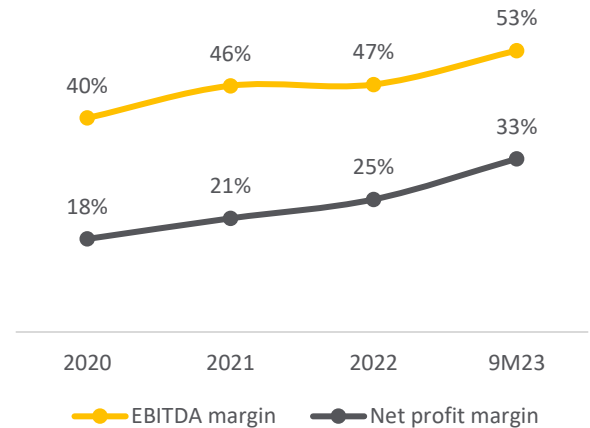
Source: Company data, GIB Capital. *Volumes produced are based on capacity x no. of days x 8 hours/day

Figure 71: JIC key financial metrics (SARmn)



Source: Company data, GIB Capital

Figure 72: JIC trend in EBITDA and net margin



Source: Company data, GIB Capital *EBITDA include

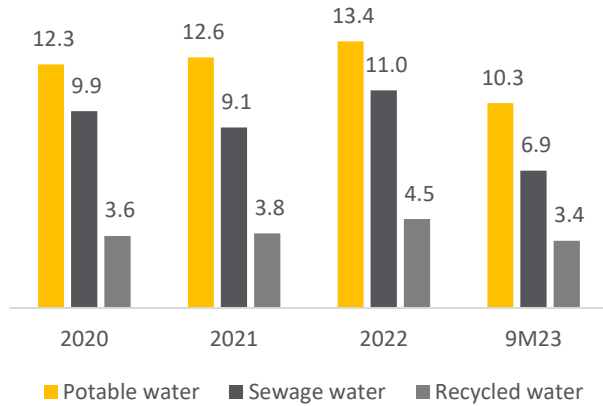
ii) Dammam Industrial Cities Project – Demand-based contract

Miahona, through its subsidiary ICDOC, holds a 30-year concession agreement (ROT) with MODON, which began in January 2008. Under this agreement, ICDOC is responsible for the potable water and wastewater infrastructure in the Dammam I, II, and Al-Ahsa Industrial clusters. In addition to the ROT concession, Miahona entered into a separate O&M contract with JECO for the Dammam III cluster in March 2019. This initial 2-year contract can be renewed

every year. The project's wastewater treatment capacity is 62,800 (m³/day), and the water treatment capacity is 41,500 m³/day (both excluding Dammam III).

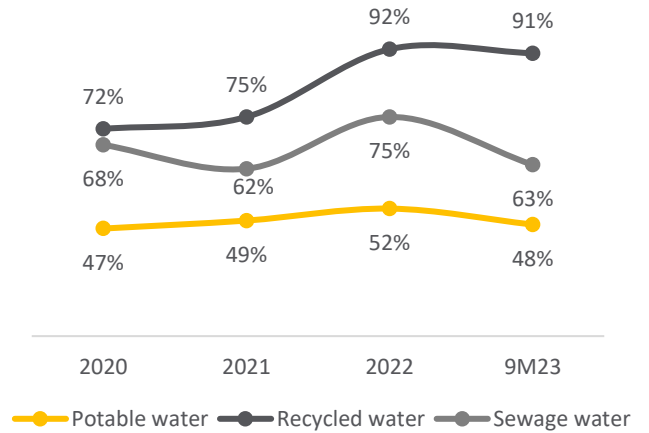
As of the prospectus, nearly 1,900 factories are connected to the network, and the company anticipates further demand growth due to non-oil GDP expansion. Miahona wholly owns the project. The tariff structure is volume-based and subject to indexation every five years. Additionally, the concession contract stipulates a 20% royalty payment on revenue generated to MODON.

Figure 73: Trend in volume treated – (mn m³)*



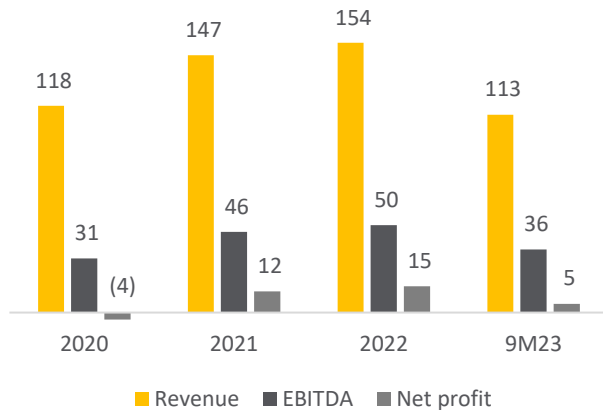
Source: Company data, GIB Capital *Volumes produced are based on capacity x no. of days x 8 hours/day

Figure 74: Trend in capacity utilization



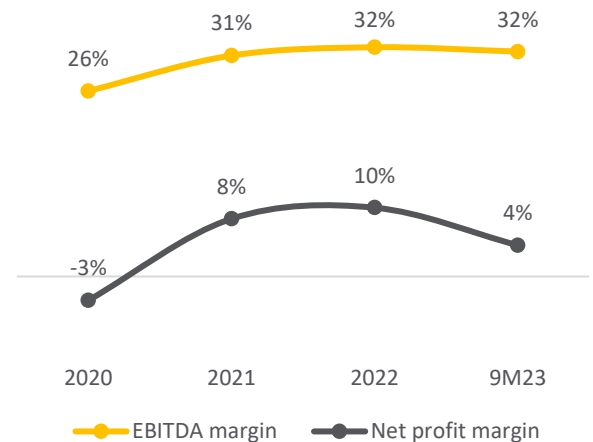
Source: Company data, GIB Capital

Figure 75: Key financial metrics (SARmn)



Source: Company data, GIB Capital

Figure 76: Trend in EBITDA and net margin



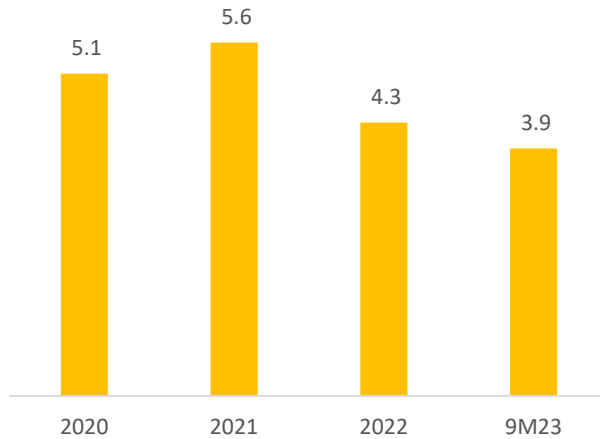
Source: Company data, GIB Capital * EBITDA INCLUDE...

iii) The King Khalid International Airport Project (KKIA) – Capacity-based contract

Miahona, through its subsidiary RWPC, delivers potable water to the King Khalid International Airport (KKIA) under a 30-year BOOT concession agreement. The contract term started upon commercial operation date (COD), which was achieved in June 2019, for a total of 28 years. RWPC sources water from a ground well and purify it using a BWRO plant with a capacity of 25,000 m³/day, expandable by an additional 5,000 m³/day to accommodate future demand. The contract operates under an offtake agreement, meaning RWPC is guaranteed a revenue

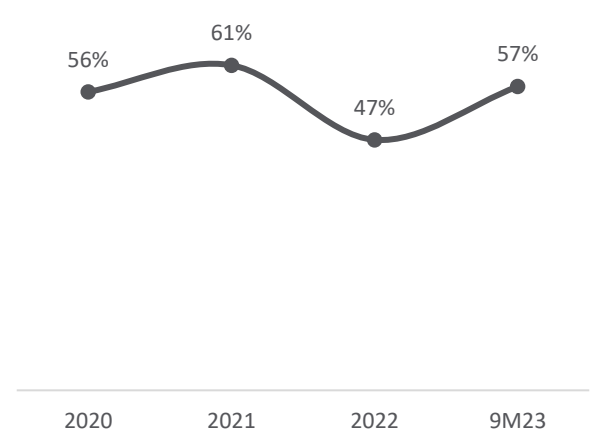
stream by selling a fixed amount of water to KKIA, and has the flexibility to sell surplus production to other parties. Miahona has 100% ownership of the project. The tariff structure is subject to annual adjustments to account for inflation.

Figure 77: Trend in volume treated of potable water – (mn m³) *



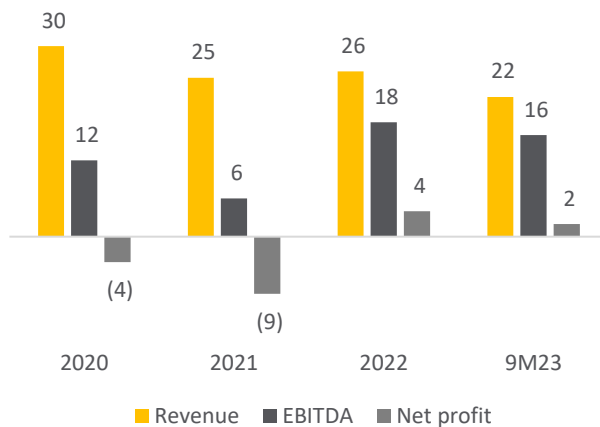
Source: Company data, GIB Capital *Volumes produced are based on capacity x no. of days x 8 hours/day

Figure 78: Trend in capacity utilization



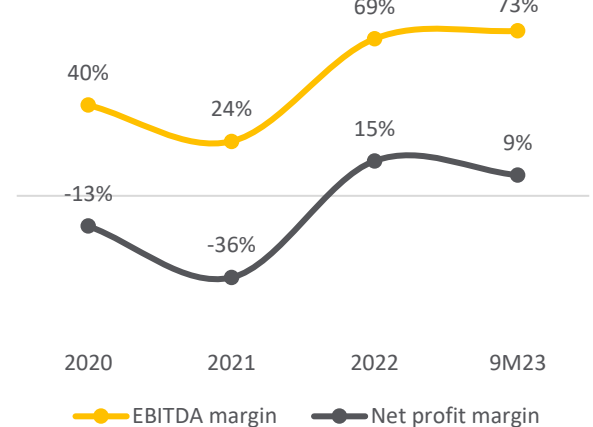
Source: Company data, GIB Capital

Figure 79: Key financial metrics (SARmn)



Source: Company data, GIB Capital

Figure 80: Trend in EBITDA and net margin



Source: Company data, GIB Capital

iv) Makkah Project (Hada and Arana) – Capacity-based contract

Miahona's LTOM Makkah project originally began as a third-party operation and maintenance (O&M) contract. In May 2023, it was converted into a long-term 10-year concession agreement (ROT). Under this concession, Miahona operates two wastewater treatment plants: Arana and Hadda. These plants have a combined treatment capacity of 500,000 m³/day. Miahona holds a 70% ownership stake in the concession, with the remaining 30% belonging to Thabat Construction Company. The concession agreement operates under an offtake model, featuring a tariff structure consisting of a fixed capacity tariff for the contract duration and an output tariff subject to periodic indexation.

Al Haer

The consortium formed by Miahona and BESIX emerged as the successful bidder for the Al Haer ISTP project, with a levelized cost of SAR1.94/m³, which was approximately 13% lower than the

closest competitor. Miahona holds an 80% stake in the project, with BESIX owning the remaining 20%. Awarded by SWPC, the contract follows a BOOT model with an off-take tariff structure. The contract tenure is for 25 years from the date of commencement of operations. The company's responsibilities include constructing a new independent wastewater treatment plant with a capacity of 200,000 m³/day. The project will treat wastewater delivered from various parts of the Manfouha and Al Heet catchment and is expected to serve mostly existing and future residential areas. The total project cost is estimated to be around SAR1.5bn (excl. finance cost), of which approximately SAR1.28bn will be funded through project finance debt. Meanwhile, the total contract value is estimated to be around SAR3.7bn. The project construction is expected to begin in 2024 and the commercial operations are scheduled to begin in Oct 2026. Accordingly, Miahona will recognize development revenues during the plant construction period (explained in detail in the Assumption section of the report).

Ras Tanura

The Group was awarded a contract by Saudi Aramco to design, build, own, and operate an Industrial Wastewater Treatment Plant (IWWTP) for the Ras Tanura refinery under a BOOT arrangement. The agreement spans 25 years from the start of commercial operations, which is scheduled for June 2026. There is also an option for a five-year extension. Miahona holds a 70% stake in the project, with the remaining 30% owned by Thabat Construction. However, Miahona has sole ownership of the O&M services within the contract. The plant will have a capacity of 20,000m³/day. Similar to the Al Haer project, the tariff structure is based on an off-taker agreement. The total project cost is estimated at approximately SAR536mn (excluding finance cost), which would be funded through project finance debt worth ~SAR526mn and a temporary equity bridge loan of ~SAR116mn. The total contract value is estimated at SAR1.7bn.

Figure 81: Miahona's BOOT and ROT projects as the end of 9M23

Projects	Owner	Customer	Category	Contract	~Contract value (SAR mn)	Term (years)	Contract start date	Capacity	
								Water (m ³ /day)	Wastewater (m ³ /day)
JIC	ICDOC	MODON	Water and wastewater treatment	ROT	918	20	March 2005	9,000 (Recycled)	25,000
Dammam I, II & Industrial cities	ICDOC	MODON	Water and wastewater treatment	ROT	4,822	30	Jan 2008	Dammam I: 3,400 (potable) Dammam II: 42,000 (potable), 15,000 (recycled water)	40,000
Al Ahsa Industrial City	ICDOC	MODON	Water and wastewater treatment	ROT	-	30	Jan 2008	2,400 (potable)	1,500
KKIA	RWPC	KKIA	Water treatment	BOOT	2,170	28	June 2019	25,000 (potable)	N/A
LTOM Makkah	Araha	NWC	Wastewater treatment	ROT	313	10	May 2023		500,000
Ras Tanura	SWESC	Aramco	Wastewater	BOOT	1,701	25	June 2026*		20,000
Al Haer	N/A	SWPC	Wastewater	BOOT	3,667	25	Oct 2026*		200,000
Total					13,591			96,800	786,500

Source: Company data, GIB Capital *expected commercial operation beginning

B. O&M contracts

In addition to its concession services, Miahona also offers O&M services to both its concession contracts and external clients. The third-party O&M services segment represents the second largest operating segment for Miahona, contributing approximately 7% of total revenue in 2023. Under these O&M agreements, Miahona does not make direct capital investments in the facilities. Instead, it receives compensation through a predefined tariff structure (fixed and variable), covering the expenses associated with facility management, including staffing, supplies, spare parts, utilities, and insurance. Apart from the O&M services for its own concessions, the third-party O&M contracts have a short tenure of nearly 1-4 years. A few of the key third-party O&M contracts are listed below.

C. MOM contracts

The MOM (Management, Operation, and Maintenance) services offered by Miahona go beyond typical O&M contracts, involving highly skilled management and technical personnel. These contracts encompass a broader range of activities, including administrative tasks, financial planning, and customer relations. Signed with the National Water Company (NWC), MOM contracts typically have longer durations compared to standard O&M agreements and offer the potential for conversion into long-term concessions. Currently, Miahona holds two MOM contracts, covering the Northwest cluster (Madinah and Tabuk) and the Eastern cluster (Dammam, Al Ahsa, and Hafar-Al-Batin), signed with NWC in April 2021 and 2022, respectively, for a duration of 7 years. Collaborations with international partners like France-based Saur Group and Philippines-based Manila Water enhance Miahona's capabilities in this segment. Similar to standard O&M contracts, the tariff structure for MOM agreements comprises fixed and variable fees, with additional performance-linked fees based on specific KPIs.

Figure 82: Miahona's O&M and MOM projects as the end of 9M23

Projects	Customer	Type	Contract	~Contract value (SARmn)	Term (years)	Contract start date	Capacity	
							Water (m ³ /day)	Wastewater (m ³ /day)
SPARK	Energy City Operating Company	Waste water	O&M	25.10	3 years, extended for 2 additional years	June 2023	-	-
Manfouha-4	Thabat Construction Company	Waste water	O&M	22.66	2.5	September 2021	-	200,000
Jazan Economic City	Marafiq	Waste water	O&M	59.66	3 years, renewable for 2 additional years upon expiry of the initial term	November 2021	-	40,000
Northwest Cluster	NWC	Water & Wastewater	MOM	198	7	April 2021	-	-
Eastern Cluster	NWC	Waste Water	MOM	221	7	April 2022	-	-
Dammam III Industrial City	MODON	Water & wastewater	O&M	20.96	Two years (Renewable annually)	February 2019	6,000 (potable water)	-
Total				547.38			6,000	240,000

Source: Company data, GIB Capital

Market Dynamics

Saudi Arabia faces severe water stress (Figures 83 & 84) due to its extreme climate, characterized by minimal rainfall and the absence of permanent rivers or lakes. To address this challenge, the country heavily depends on underground aquifers accessed through deep tube wells for both agricultural and urban water needs. Desalination of brackish seawater is also a crucial method for producing potable water, leveraging the sea as a vital water source. Moreover, the construction of dams plays a significant role in capturing surface water runoff from flash floods, with prominent examples including Wadi Bisha, Wadi Jizan, Wadi Fatima, and Najran.

The agriculture sector in KSA is a major water consumer, and its significant usage has posed challenges to the sustainability of non-renewable water sources. To address this issue, the government has focused on water conservation measures, including reducing the cultivation of water-intensive crops and improving irrigation efficiency. The remaining water consumption is attributed to the urban and industrial sectors. Urban usage includes residential, commercial, governmental, municipal landscaping, and certain industrial activities linked to urbanization.

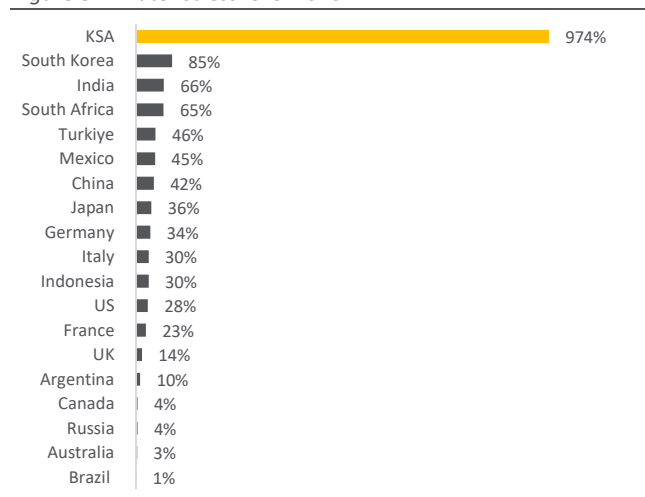
The water availability in KSA and increasing consumption pressure from the growing population, urbanization, industrialization, and other economic activities, have pushed the need for rationalizing usage across the country. The government in 2016 drafted the National Water Strategy 2030 for this purpose and the Ministry of Environment, Water and Agriculture (MEWA) is actively engaging with various entities and stakeholders to implement it. Under the strategy, the ministry has identified the gaps that led to inefficiencies and has developed a framework to address them. The strategy aims to increase distribution system coverage to 100% by 2030 and reduce transmission losses significantly. Moreover, it plans to rehabilitate and increase the coverage of the sewerage network to at least 75% and promote safe disposal or reuse of wastewater. The ministry is targeting a tariff regime for water in the country with the objective of introducing consumption efficiency and seeking active private sector engagement to help improve the water and wastewater services.

Figure 83: Water demand and supply dynamics in selected countries

Countries	Freshwater supply (m ³ / capita)	Freshwater demand (m ³ / capita)	Demand/Supply ratio
Egypt	10	660	66x
Bahrain	3	103	34x
UAE	16	273	17x
KSA	73	644	9x
Qatar	21	95	5x
Jordan	70	93	1x
Germany	1,303	298	0.2x
USA	8,685	1,369	0.2x
France	3,078	407	0.1x
G7 Countries	14,217	586	0.014x
World average	5,670	540	0.1x

Source: AWPT IPO prospectus

Figure 84: Water stress level 2020

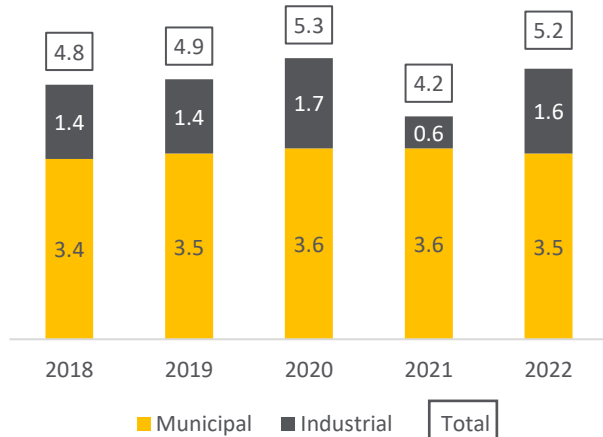


Source: Company IPO prospectus, Food and Agricultural Organization Aquastat 2020

Water demand in KSA

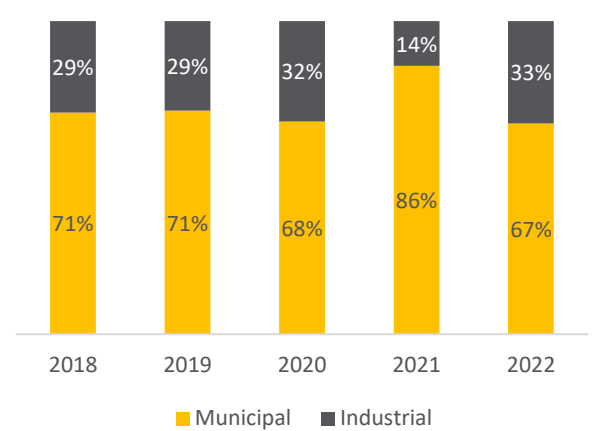
Saudi Arabia's water demand (excl. agricultural water demand) reached 5.2bn m³ in 2022. This reflects a moderate growth of ~2% CAGR between 2018-22 (Figure 85). The primary driver of this increase was a ~3% CAGR rise in industrial water use, which reached 1.6bn m³ in 2022. Municipal water demand also grew, but at a slower pace of around 1% CAGR, reaching 3.5bn m³ in 2022. As a result, the municipal segment accounted for 67% of total water demand in 2023, while the industrial segment consumed the remaining 33% (Figure 86).

Figure 85: KSA water demand (bn m³)



Source: Company IPO prospectus

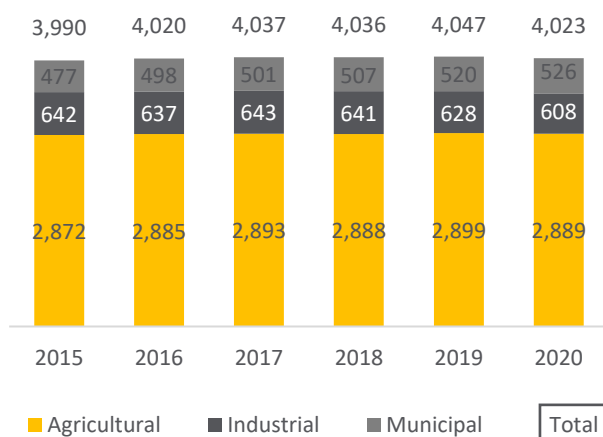
Figure 86: Trend in water usage segment mix in KSA



Source: Company IPO prospectus

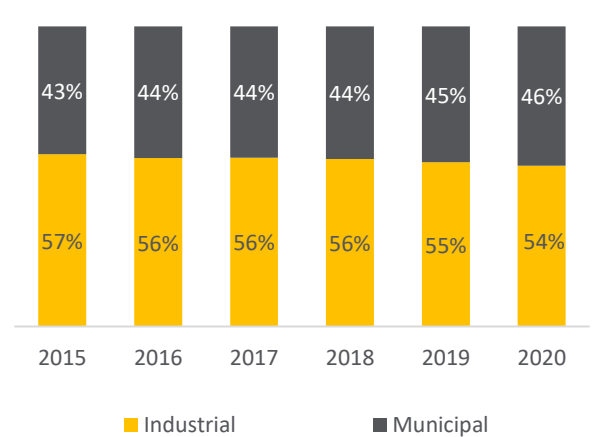
This trend differs from the global pattern (Figures 87 & 88), where industry typically represents the largest water consumption share. This highlights the need for measures to promote more efficient municipal water use in Saudi Arabia. Optimizing water consumption practices across municipalities could significantly contribute to addressing water scarcity concerns and promoting sustainable water management. On the other hand, the relatively low industrial water demand suggests potential for growth in this sector, particularly given the anticipated expansion of KSA's non-oil GDP.

Figure 87: Annual global water consumption by segment (bn m³)



Source: Company IPO prospectus

Figure 88: Trend in water usage segment mix worldwide



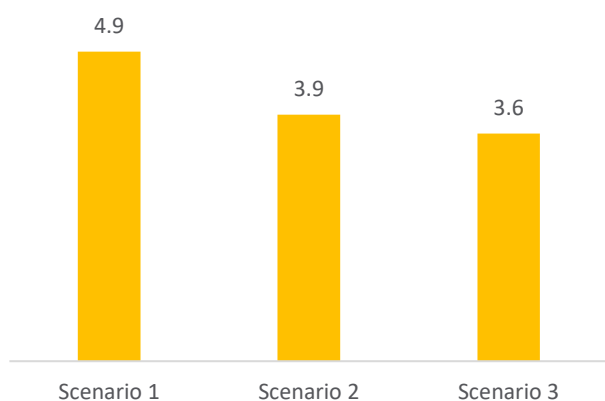
Source: Company IPO prospectus

KSA water demand projections

Municipal segment

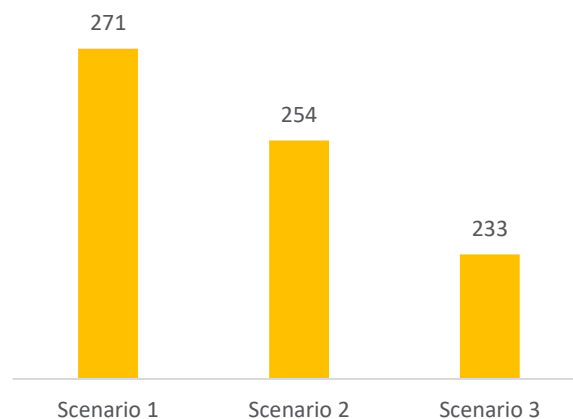
The National Water Strategy 2017 (NWS) outlines three scenarios (Figures 89 & 90) for future municipal water demand in KSA: i) In the first scenario (no demand management), annual water consumption for the municipal sector is projected to reach 4.9bn m³ by 2030e, equivalent to 271 liters/capita/day. ii) In the second scenario (with demand management), consumption is anticipated to reach 3.9bn m³ by 2030e, translating to 254 liters/capita/day. iii) Under the best scenario (with demand management), demand is forecasted to reach 3.6bn m³ by 2030e, amounting to 233 liters/capita/day.

Figure 89: Trend in municipal water demand forecast by NWS (bn m³)



Source: Company IPO prospectus

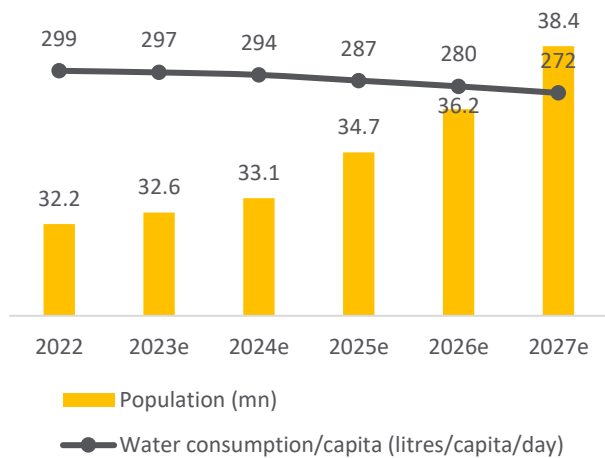
Figure 90: Municipal water demand forecast by NWS (liters/capita/day)



Source: Company IPO prospectus

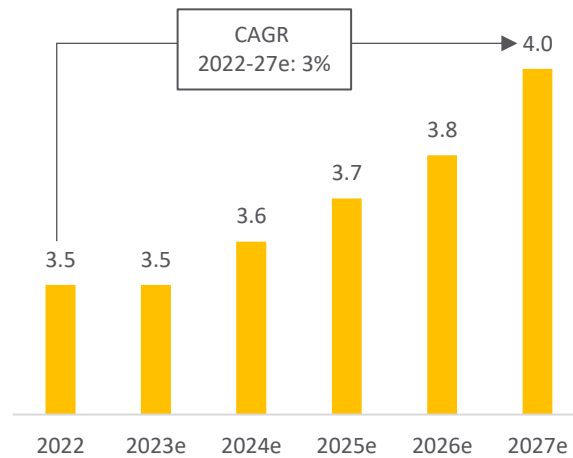
The latest 7-year plan by SWPC forecasts an increase in municipal water consumption, with a projected CAGR of ~3% between 2022-27e, reaching 4bn m³ by 2027e (Figure 92). This growth is primarily driven by population expansion. However, the plan also anticipates a decrease in per capita water consumption to 272 liters/capita/day by 2027e (Figure 91) due to infrastructure improvements that will reduce leaks and network losses.

Figure 91: Key demand drivers for municipal water usage in KSA



Source: Company IPO prospectus, GASTAT, SWPC 7-year plan, MEWA

Figure 92: KSA municipal water demand forecast (bn m³)

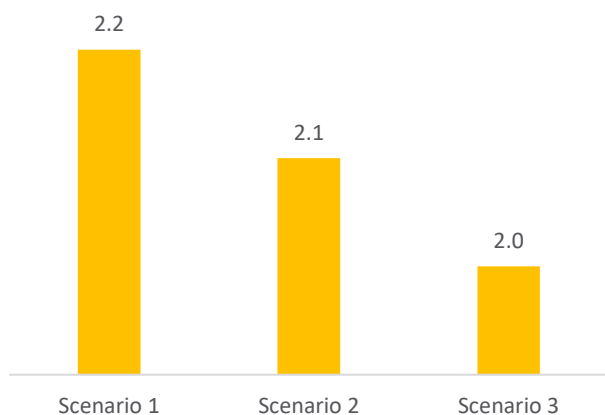


Source: Company IPO prospectus, GASTAT, SWPC 7-year plan, MEWA

Industrial segment

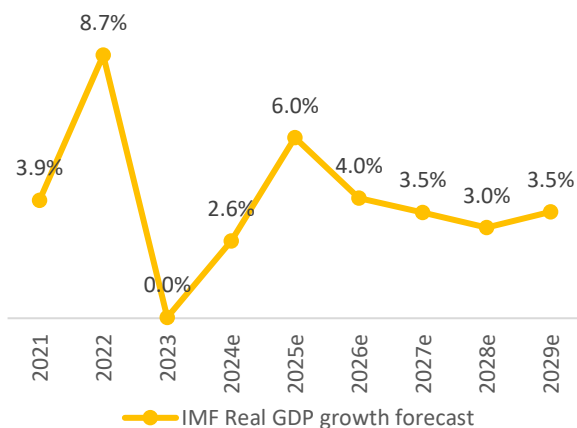
The NWS 2017 also presents three scenarios for future industrial water demand in KSA: i) In the first scenario (no demand management), annual water consumption for the industrial sector is projected to reach 2.2bn m³ by 2030e. ii) In the second scenario (with demand management), consumption is anticipated to reach 2.1bn m³ by 2030e. iii) Under the best scenario (with demand management), demand is forecasted to reach 2.0bn m³ by 2030e.

Figure 93: Trend in industrial water demand forecast by NWS (bn m³)



Source: Company IPO prospectus

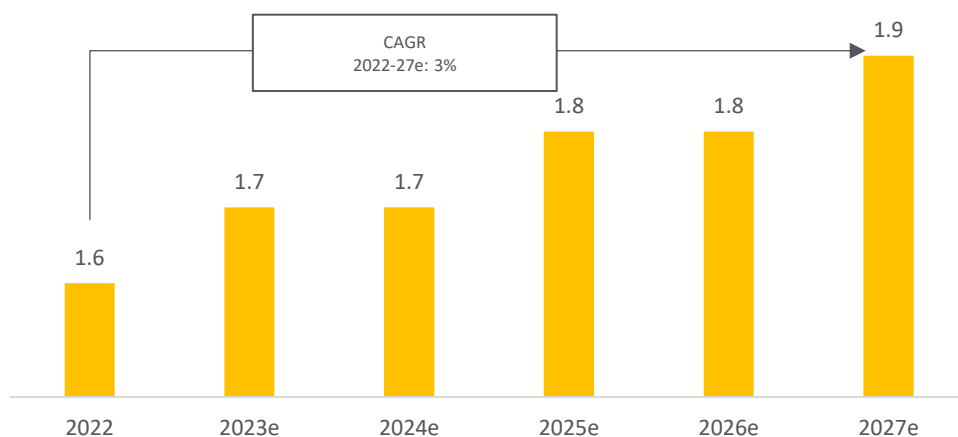
Figure 94: Key demand driver for industrial water usage in KSA



Source: IMF, GiB Capital

Meanwhile, the latest estimates provided in the prospectus reflect the demand to reach 1.9bn m³ by 2027e (Figure 95). The primary catalyst for industrial water demand growth is projected to be the expansion of KSA's real GDP (Figure 94), primarily propelled by the non-oil economic growth envisioned in the Vision 2030 transformation.

Figure 95: KSA industrial water demand forecast (bn m³)

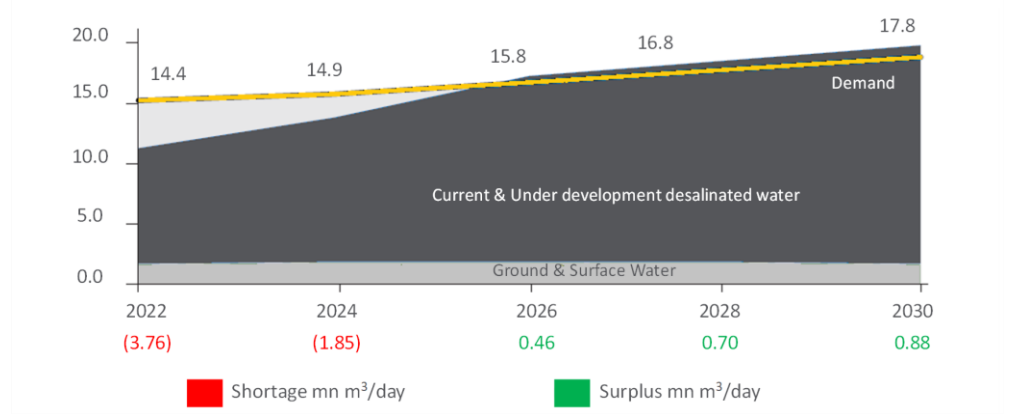


Source: Company IPO prospectus, GASTAT, SWPC 7-year plan, MEWA

Future water and wastewater projects pipeline remains robust

As per the SWPC 7-year plan, KSA's urban water demand is projected to surge to approximately 18mn m³/day by 2030e, up from about 14.4mn m³/day in 2022. The government has identified a current urban water shortage of 1.85mn m³/day in 2024 (Figure 96). In response to this, the government aims to address this deficit through the construction or rehabilitation of desalination plants.

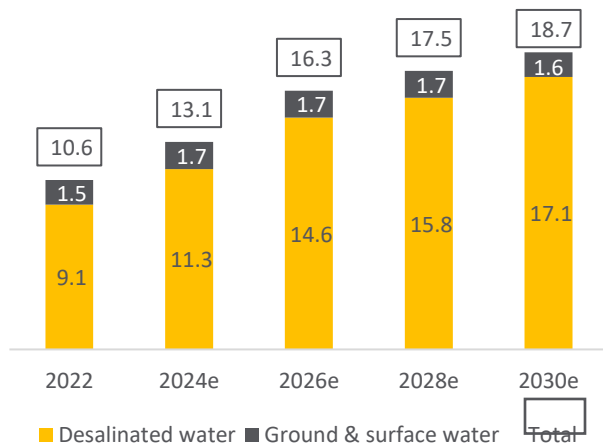
Figure 96: KSA desalination supply, demand, and gap analysis (mn m³/day)



Source: SWPC 7-year plan, MEWA, NWC

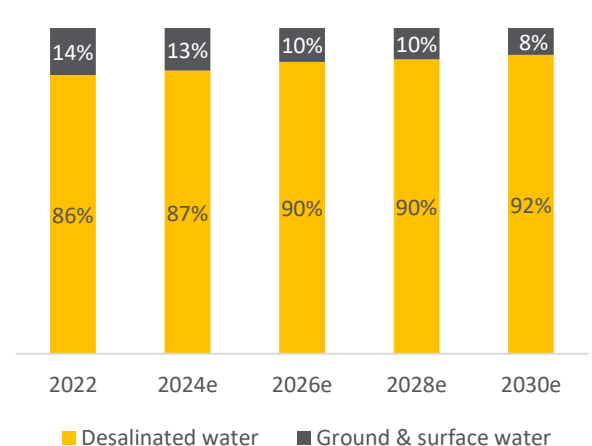
In 2022, approximately 86% of urban water needs are met through desalinated water, with a total capacity of 9.1mn m³/day, while the remaining 14% is supplied by ground and surface water, with a capacity of 1.5mn m³/day. MEWA aims to adjust this supply mix by increasing desalinated water's share in the urban water supply to around 92% by 2030e, reaching 17.1mn m³/day, while reducing the share of ground and surface water to about 8%, or 1.6mn m³/day. To meet the growing demand and achieve this shift towards desalinated water, key water authorities in Saudi Arabia, including NWC and SWPC, have announced a significant project pipeline to enhance and expand the current water infrastructure.

Figure 97: KSA ground & surface water and desalinated water supply projections (mn m³/day)



Source: SWPC 7-year plan, MEWA

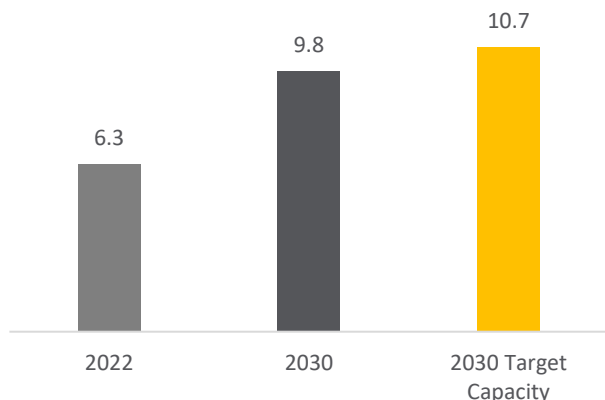
Figure 98: KSA ground & surface water and desalinated water supply mix



Source: SWPC 7-year plan, MEWA

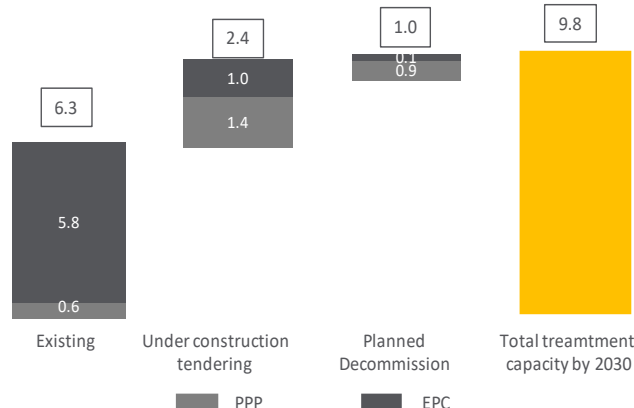
Saudi Arabia has announced robust plans for developing and rehabilitating wastewater and sewage treatment infrastructure. Currently, approximately 62% of the population has access to sanitation facilities, which the government aims to increase to 100% by 2030e. As a result of these improvements, the volume of wastewater collected is expected to rise from 6.3mn m³/day in 2022 to 9.8mn m³/day by 2030e (Figure 99). In response, Saudi Arabia has announced an expansion of sewage treatment capacity, which is forecasted to increase to 10.7mn m³/day by 2030e, including a 5-10% buffer (Figure 99). The current treatment capacity stands at around 6.3mn m³/day, with an additional 2.4mn m³/day under construction and tendering, and 1.0mn m³/day planned for decommissioning. Therefore, a total of 9.8mn m³/day of capacity needs to be operational by 2030e to achieve the set treatment targets (Figure 100).

Figure 99: Total wastewater collected and treatment capacity target by 2030 (mn m³/day)



Source: SWPC 7-year plan, MEWA, NWC

Figure 100: Project mix of wastewater treatment capacity by 2030 (mn m³/day)



Source: SWPC 7-year plan, MEWA, NWC

Figure 101, depicts the region-wise mid to large-scale planned STPs capacity additions and the demand-supply gap. SWPC and NWC have partnered in a variety of these projects to cater to the population in these regions.

Figure 101: Key water demand drivers in KSA

('000 m ³ /day)	2022	2023	2024	2025	2026	2027	2028	2029	2030
Makkah STP Capacity Plan									
Wastewater Collected for Treatment	1,710	1,820	1,910	1,920	2,010	2,100	2,200	2,310	2,410
Current Supply	2,275	2,275	2,275	2,275	2,275	2,275	2,275	2,275	2,275
Planned Additional Capacity	-	-	-	-	500	550	550	550	550
Shortage/Surplus	565	455	365	355	765	725	625	515	415
Jazan STP Capacity Plan									
Wastewater Collected for Treatment	235	258	281	306	330	355	381	410	433
Current Supply	232	232	232	232	232	232	232	232	232
Planned Additional Capacity	-	-	-	-	50	50	50	50	50
Shortage/Surplus	(3)	(26)	(49)	(74)	(48)	(73)	(99)	(128)	(151)
Riyadh STP Capacity Plan									
Wastewater Collected for Treatment	1,660	1,750	1,810	1,900	1,970	2,030	2,130	2,220	2,290
Current Supply	2,177	2,177	2,177	2,177	2,177	2,177	2,177	2,177	2,177
Planned Additional Capacity	420	445	445	445	445	-	-	-	-
Shortage/Surplus	517	427	367	277	627	592	492	402	332
Najran STP Capacity Plan									
Wastewater Collected for Treatment	82	92	100	111	120	130	140	152	161
Current Supply	145	145	145	145	145	145	145	145	145
Planned Additional Capacity	-	-	-	-	-	50	50	50	50
Shortage/Surplus	63	53	45	34	25	65	55	43	34
Eastern STP Capacity Plan									
Wastewater Collected for Treatment	1,035	1,078	1,113	1,158	1,194	1,230	1,279	1,329	1,360
Current Supply	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670
Planned Additional Capacity	-	-	-	-	-	50	50	50	50
Shortage/Surplus	635	592	557	512	476	490	441	391	360

Source: SWPC 7-year plan, MEWA

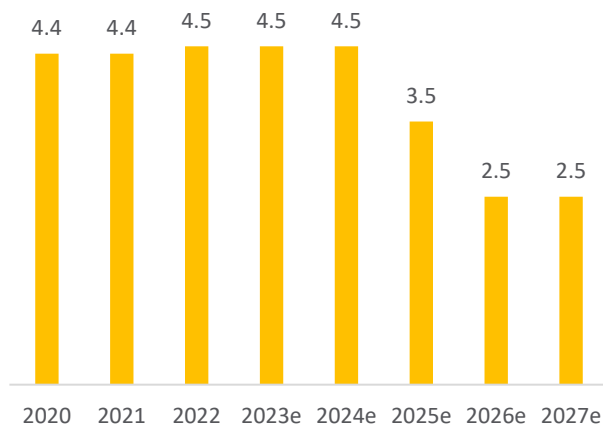
Market sizing

Considering Miahona's existing business model and the evolving trends in water sector privatization, the prospectus focuses on the market analysis of four sub-markets in the entire water value chain:

1. Municipal & industrial water sourcing & treatment (ground and surface purification plants and direct wells)

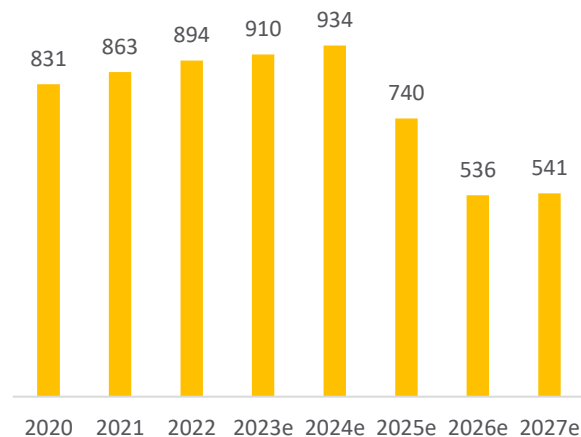
Saudi Arabia's water sector is undergoing a major overhaul. Faced with a growing population and dwindling groundwater supplies, the country is strategically shifting its focus from traditional wells to desalination, seen as the key solution to meet rising water demands. The SWPC's 7-year plan outlines this transformation, with significant desalination capacity additions planned by 2026e. As a result, the supply of ground and surface water is expected to decline, shrinking the market size of the non-desalination water treatment segment. The daily supply of groundwater and surface water is anticipated to decrease to ~2.5mn m³ by 2027e from the current 4.5mn m³ in 2023 (Figure 102). Consequently, the market for non-desalination water treatment segments is forecasted to shrink to SAR541mn by 2027e from SAR910mn in 2023, indicating a decline of nearly 41% (Figure 103).

Figure 102: Ground & surface water daily supply (mn m³)



Source: Company IPO prospectus

Figure 103: Market size (SARmn)

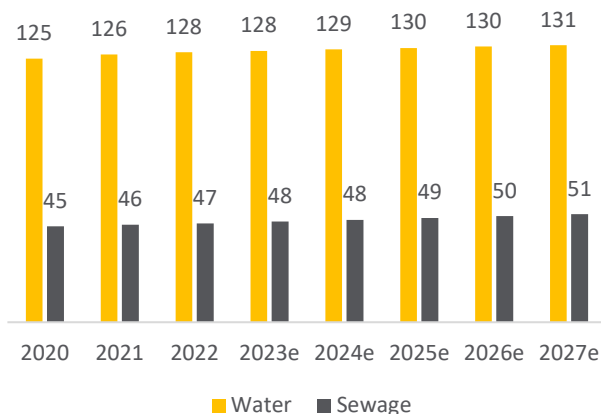


Source: Company IPO prospectus

2. Municipal water distribution and wastewater (sewage) collection & treatment

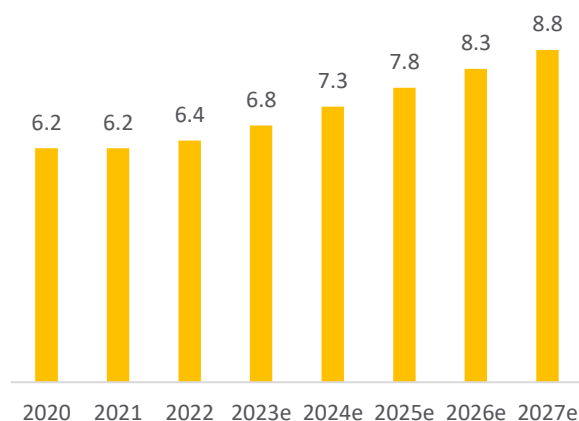
The growth in this market hinges on the expansion of distribution networks and sewage treatment plant capacities. Projections indicate that the water distribution network will extend to ~131k km by the end of 2027e, up from ~128k km in 2022. Similarly, the sewage network is anticipated to rise to ~51k kms from ~47kms over the same period. Additionally, sewage treatment plant capacity is expected to rise to 8.8mn m³ by 2027e from the current 6.4mn m³.

Figure 104: Distribution network ('000 km)



Source: Company IPO prospectus

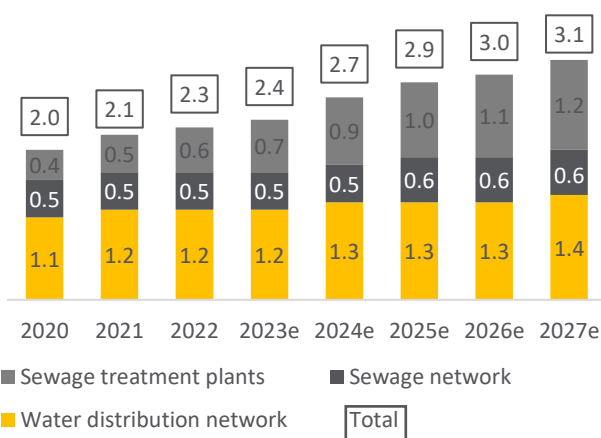
Figure 105: Sewage treatment plants capacity (mn m³)



Source: Company IPO prospectus

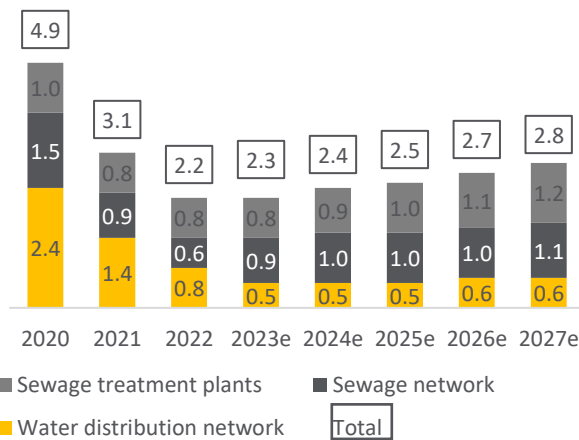
The market's expansion will be driven by two key forces: O&M contracts for existing facilities, and second, the development component of BOOT, and BOT agreements, alongside EPC contracts. The O&M market in this sector is projected to grow at a steady CAGR of ~6% between 2022 and 2027e, reaching SAR3.1bn by 2027e (Figure 106). Meanwhile, the development market in this sector is also anticipated to show strong growth, reaching an estimated SAR2.8bn by 2027e, reflecting a 5% CAGR increase (Figure 107).

Figure 106: Municipal water distribution and sewage treatment O&M market size (SARbn)



Source: Company IPO prospectus

Figure 107: Municipal water distribution and sewage treatment development market size (SARbn)

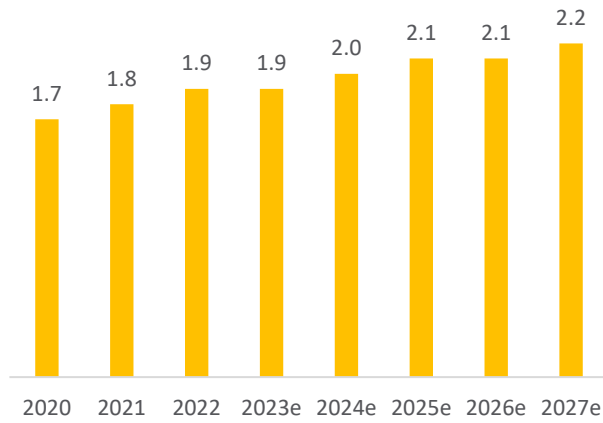


Source: Company IPO prospectus

3. Industrial wastewater treatment

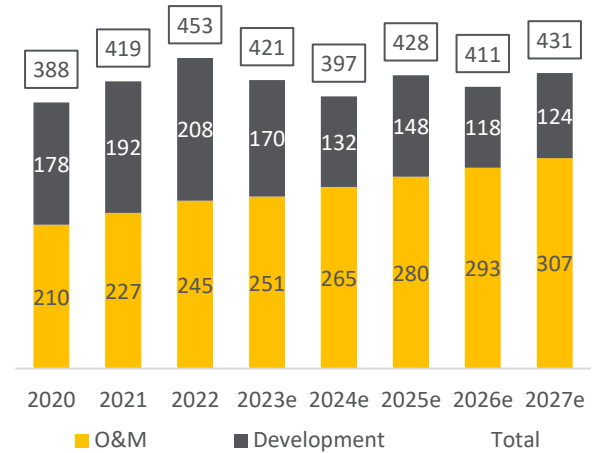
Industrial wastewater treatment is driven by industrial water use, which is projected to grow at a moderate 3% CAGR, reaching 1.9bn m³ by 2027e. To handle this rising wastewater volume, daily treatment capacity is expected to expand to 2.2mn m³ by 2027e from 1.9mn m³ in 2022 (Figure 108). The overall market, encompassing O&M and development, is forecast to reach SAR 431mn by 2027e (Figure 109). However, the growth will be uneven. The O&M segment is expected to rise at a healthy 5% CAGR, reaching SAR307mn, while the development segment is anticipated to contract by 10% CAGR, reaching SAR124mn (Figure 109). This is because new treatment plant development will depend on actual industrial water consumption, and current forecasts suggest a limited need for significant new capacity.

Figure 108: Daily industrial wastewater treatment capacities (mn m³/day)



Source: Company IPO prospectus

Figure 109: Industrial wastewater treatment market size forecast (SARmn)

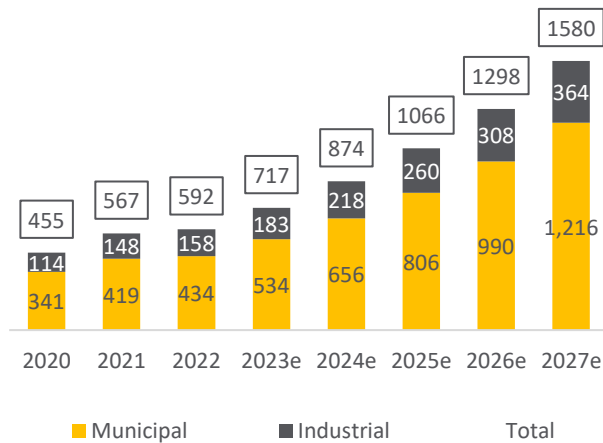


Source: Company IPO prospectus

4. Municipal and Industrial sector recycling

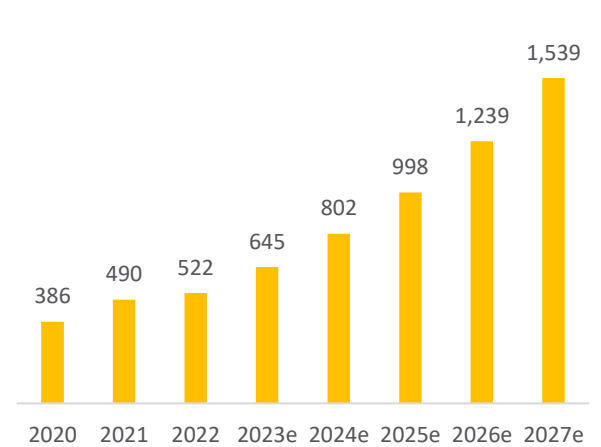
The wastewater recycling market in KSA has witnessed significant growth in recent years due to heightened awareness of water scarcity issues and the need for sustainable solutions. This is evidenced by the increasing trend in wastewater reuse rates, which have risen from 17% in 2017 to 22.5% in 2022. The National Water Strategy has an ambitious goal of reaching a 70% reuse rate by 2030e. To achieve this, the volume of reused wastewater is projected to climb at a 22% CAGR, reaching 1.58bn m³/day by 2027e (from 592mn m³/day in 2022) (Figure 110). As a result, the private wastewater reuse market is expected to boom, reaching SAR1.5bn by 2027e, with a projected CAGR of 24% (Figure 111).

Figure 110: Amount of reused treated sewage by segment (mn m³/day)



Source: Company IPO prospectus

Figure 111: Reused treated wastewater market size forecast (SARmn)



Source: Company IPO prospectus

Competitive landscape

The water sector in the Kingdom is marked by a high degree of competition, with participation from various companies, both domestic and foreign, many of which engage in PPP or concession agreements. Companies leading the market are characterized by deep technical expertise and sufficient financial capabilities, as well as a commitment to sustainability.

Most of them recognize the significance of forging partnerships and are actively taking measures to initiate them. Key market players include foreign companies (e.g. Aqualia, Acciona, Metito, Veolia) and local companies (Alkhorayef, CWC, Tawzea). In line with the trend of the creation of partnerships and consortiums, some companies can act as both a competitor and a partner (e.g. Manila Water and Saur) or even a client (e.g. Marafiq) of Miahona.

Key participants in the KSA water and wastewater market include:

- **National Water Company (NWC):** It is wholly owned by the Public Investment Fund (PIF) and owns and operates the water and wastewater distribution network and wastewater treatment plants.
- **Saudi Water Conversion Corporation (SWCC):** It is a government-owned entity that operates multiple desalination plants that supply potable water across the country.
- **Saudi Irrigation Organization (SIO):** It is a government entity related to MEWA which provides irrigation services and distributes treated sewage effluent to the agriculture sector.
- **Marafiq:** It provides water and wastewater services in Jubail and Yanbu and is owned by Saudi Aramco, SABIC, PIF, and the Royal Commission for Jubail and Yanbu.
- **Saudi Authority for Industrial Cities and Technology Zones (MODON):** It is the regulator and promoter of industrial estates and technology zones in KSA and provides water and wastewater services in industrial cities.

Financials

Figure 112: Summarized basic financial statements (SARmn)

Income statement	2022a	2023a	2024e	2025e	2026e	2027e
Revenue	276	324	1,221	964	502	385
revenue y/y	8%	18%	276%	-21%	-48%	-23%
COGS	(189)	(215)	(961)	(789)	(348)	(225)
Gross Profit	87	109	260	175	155	160
Gross Profit margin	31%	34%	21%	18%	31%	41%
General and administrative expenses	(30)	(39)	(40)	(42)	(50)	(59)
Other operating expenses	(0)	(0)	2	1	1	1
Operating profit	57	70	221	134	105	102
Operating margin	21%	22%	18%	14%	21%	26%
Finance costs	(22)	(34)	(35)	(79)	(115)	(123)
Finance income	15	16	45	76	124	137
Other	5	11	9	8	8	7
PBT	55	63	241	140	122	123
Zakat/tax	(5)	(6)	(12)	(11)	(12)	(12)
Non-controlling interest	0	(0)	(32)	(9)	(7)	(7)
Net income	50	57	197	120	103	104
Net margin	18%	17%	16%	12%	20%	27%
y/y	98%	14%	301%	-44%	-15%	1%
EPS	0.3	0.4	1.2	0.7	0.6	0.6
DPS	0.1	0.0	0.4	0.4	0.5	0.5
Payout	40%	0%	36%	60%	72%	75%
EBITDA*	118	142	315	258	277	287
EBITDA margin*	43%	44%	26%	27%	55%	75%

Balance Sheet	2022a	2023a	2024e	2025e	2026e	2027e
Trade and other receivables	122	63	68	78	100	114
Concession contract receivables	21	35	57	89	98	94
Finance lease - short-term portion	0	0	0	0	23	23
Cash and cash equivalents	68	136	254	336	421	488
Other current assets	101	92	94	98	108	115
Total Current Assets	312	326	473	602	750	834
Property and equipment	8	8	9	10	10	10
Intangible assets arising from service concession arrangements	359	346	336	329	303	264
Finance lease - long-term portion	0	0	275	504	551	542
Concession contract receivables	264	270	1,074	1,698	1,857	1,793
Other non-current assets	20	39	43	46	48	50
Total Non-Current Assets	651	663	1,737	2,586	2,770	2,658
Total Assets	963	989	2,210	3,188	3,520	3,493
Current Liabilities	155	150	246	335	378	389
Non-current Liabilities	466	446	1,412	2,245	2,498	2,426
Equity#	343	393	520	568	597	623
Non-controlling interest	0	0	32	41	48	54
Total Equity and Liabilities	963	989	2,210	3,188	3,520	3,493
BVPS	2.1	2.4	3.2	3.5	3.7	3.9

Cashflow	2022a	2023a	2024e	2025e	2026e	2027e
Cashflow from Operations	60	133	270	139	112	231
Cashflow from Investing	(52)	(42)	(1,143)	(899)	(226)	(2)
Cashflow from Financing	(36)	(23)	990	842	199	(162)
Total Cashflows	(28)	68	118	82	85	67

Source: Company data, GIB Capital, # * incl. finance income

Figure 113: Key ratios

Key ratios	2022a	2023a	2024e	2025e	2026e	2027e
Profitability ratios						
RoA	5%	6%	9%	4%	3%	3%
RoE	15%	14%	38%	21%	17%	17%
Sales/Assets	29%	33%	55%	30%	14%	11%
Net margin	18%	17%	16%	12%	20%	27%
Liquidity ratios						
Current Assets/ Current Liabilities	2.0	2.2	1.9	1.8	2.0	2.1
Inventory days	10	13	13	13	13	13
Receivable days	167	82	80	80	80	80
Payable days	227	209	209	209	209	209
Cash conversion cycle	-50	-114	-116	-116	-116	-116
Debt ratios						
Net Debt/EBITDA (w/o IFRS liab.)*	3.3	2.2	4.0	8.1	8.2	7.4
Net Debt/EBITDA (w/ IFRS liab.)*	3.4	2.2	4.0	8.1	8.3	7.5
Debt/Assets (w/o IFRS liab.)	0.5	0.4	0.7	0.8	0.8	0.8
Net Debt/Equity (w/o IFRS liab.)	1.2	0.8	2.3	3.4	3.5	3.2
Net Debt/Equity (w/ IFRS liab.)	1.2	0.8	2.3	3.4	3.6	3.2
Valuation ratios						
P/E	36.9	32.6	9.4	15.4	18.0	17.8
P/B	5.4	4.7	3.6	3.3	3.1	3.0
EV/EBITDA	18.2	15.3	6.9	8.4	7.8	7.5
FCF Yield	2.9%	4.9%	-45.1%	-35.0%	2.4%	15.7%
Dividend Yield	1.1%	0.0%	3.8%	3.9%	4.0%	4.2%

Source: Company data, GIB Capital * EBITDA includes finance income

Annexures

Figure 114: SWPC planned tenders schedule

Projects		Appoint Advisors	EOI	RfQ	RfP
IWP	Rabigh 4				
	Jubail 6&4				3Q23
	Jazan 1	2Q23	2Q23	2Q23	3Q23
	Ras Mohaisan				
	Shuqaiq 4	2Q23	2Q23	3Q23	4Q23
	Rayis 2	3Q23	3Q23	4Q23	1Q24
	Tabuk 1	3Q23	3Q23	4Q23	1Q24
	Ras Al Khair 2	1Q24	1Q24	2Q24	3Q24
	Ras Al Khair 3	1Q24	1Q24	2Q24	3Q24
ISTP	Rabigh 5	3Q25	3Q25	4Q25	1Q26
	North Riyadh	1Q23	1Q23	2Q23	3Q23
	Hadda	2Q23	2Q23	3Q23	4Q23
	Al Haer 2				
	Aranah	2Q23	2Q23	3Q23	4Q23
	Riyadh East				3Q23
	Abu Arish 3	2Q23	2Q23	3Q23	4Q23
	South Najran	4Q23	4Q23	4Q23	1Q24
	North Jeddah 1	1Q24	1Q24	2Q24	2Q24
	Hafar Al Batin 2	1Q24	1Q24	2Q24	3Q24
	Al Kharj 3	1Q24	1Q24	2Q24	3Q24
	Arar	1Q25	2Q25	3Q25	1Q25
	Jazan Cluster				
	Western Cluster		1Q24	2Q24	3Q24
Eastern Cluster		1Q24	2Q24	3Q24	
Northern Cluster		2Q24	3Q24	4Q24	
Northwestern Cluster		2Q24	3Q24	4Q24	
Central Cluster		2Q26	3Q26	4Q26	
Southern Cluster		3Q26	4Q26	1Q27	
ISWR	Makkah (N & S Jeddah)	2Q23	2Q23	3Q23	4Q23
	Makkah (Jur'annah)				
	Eastern Province (Dammam)				4Q23
	Eastern Province (Ahsa)				4Q23
	Makkah (Moghammas)	1Q24	1Q24	2Q24	3Q24
	Makkah (Taif)				3Q23
	Madinah	1Q24	1Q24	2Q24	3Q24
	Qassim	3Q24	3Q24	4Q24	1Q25
	Riyadh	1Q24	1Q24	2Q24	3Q24
	Tabuk	1Q24	1Q24	2Q24	3Q24
	AlBaha	1Q24	4Q23	1Q24	2Q24
	Najran	4Q23	3Q24	4Q24	1Q25
	Asier	3Q24	3Q24	4Q24	1Q25
	Jazan	1Q24	1Q24	2Q24	3Q24
	Riyadh-Qassim				
Ras Mohaisen-Baha-Makkah					
Jubail-Buraydah					
IWTP	Tabuk-Ula	2Q23	2Q23	3Q23	4Q23
	Rabigh-Jeddah	3Q23	3Q23	4Q23	1Q24
	Jazan	3Q23	3Q23	3Q23	3Q23
	Rayis-Rabigh				
	Ras Alkhair-Khafji-Hafr AlBatin	1Q24	1Q24	2Q24	3Q24

Source: SWPC 7-year plan

Process Completed

Abbreviations

Figure 115: Abbreviations

BOOT	Build-Own-Operate-Transfer
BOT	Build-Operate-Transfer
ROOT	Rehabilitation, Ownership, Operation And Transfer
ROT	Rehabilitation, Operation And Transfer
Concession	A right granted by the state or a government entity to a person from the private sector to develop, manage and operate a public facility in accordance with specific terms, conditions, and periods
NWC	The National Water Company
SWPC	The Saudi Water Partnership Company
SWCC	Saudi Water Conversion Corporation
SIO	Saudi Irrigation Organization
MEWA	Ministry of Environment, Water and Agriculture
O&M	Operation and Maintenance
MOM	Management, Operations and Maintenance
SSTP	Small Sewage Treatment Plant
ISTP	Independent Sewage Treatment Plants
IWWT	Industrial Wastewater Treatment Plant
STP	Sewage Treatment Plants
KKIA	King Khalid International Airport
DIC	Dammam Industrial Cities Project
JIC	Jeddah Industrial City Project
LTOM	Long-Term O&M
EBL	Equity bridge loan
COD	Expected Commercial Operations Date

Source: Company, GIB Capital

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