



Rating Rationale

**Alkhorayef for Water and Power Technologies
Company**

(Saudi Listed Joint Stock Company)

December 2025

1.1 TASSNIEF Opinion

<i>Alkhorayef for Water and Power Technologies Company – Entity Rating</i>	
<i>Domicile</i>	<i>Saudi Arabia</i>
<i>Long-Term Entity and Sukuk Rating</i>	<i>A-</i>
<i>Outlook</i>	<i>Stable</i>
<i>Short-Term Rating</i>	<i>T-3</i>
<i>Rating Watch</i>	<i>No</i>
<i>Action Type</i>	<i>Maintained</i>
<i>Initial Rating</i>	<i>September 2023</i>
<i>Rating Type</i>	<i>Solicited</i>
<i>Methodology Deviation</i>	<i>None</i>

Tassnief has maintained the long-term entity rating of ‘A-’ (Single A Minus) and short-term entity rating of ‘T-3’ for Alkhorayef for Water and Power Technologies Company. The outlook on the rating is ‘Stable’.

About the Company: Alkhorayef for Water and Power Technologies Company, referred to as ‘AWPT’ or ‘The Company’, is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia (KSA) under the Commercial Registration Number (CR No.) 1010085982, dated September 1991. It was publicly listed on the Saudi Exchange (Tadawul) in 2021. AWPT offers comprehensive and integrated capabilities across Engineering, Procurement, Construction, Start-up & Commissioning, and full-scale Operation & Maintenance of diverse water and wastewater projects. These include industrial and domestic wastewater treatment plants, water treatment and desalination plants, water and wastewater transmission pipelines and networks, electromechanical works, heavy civil, and other critical infrastructure projects. AWPT maintains a large fleet of specialized construction equipment and a multi-disciplined workforce of over 8,500 employees. Financial statements for the past three years (2022–2024) were audited by KPMG Professional Services, all receiving unqualified opinions.

1.2 Rating Rationale

Ratings reflect AWPT’s established 40+ year track record in large-scale water and wastewater operations. Strong underlying business fundamentals support sustained demand, complemented by leading positions in key water infrastructure segments and robust revenue visibility with a healthy order backlog, reflecting continued growth momentum.

Governance structure remains consistent and aligned with best practices, adhering to CMA regulations. It comprises a six-member Board with at least one-third independent directors, three active committees, well-maintained documentation, and an in-house internal audit function. Key strengths include experienced leadership, formal reporting framework, ISO certifications, and robust IT systems.

Business risk profile is supported by leadership in O&M and EPC services for the water infrastructure network, with operations covering the full value chain across Water, Wastewater, and Integrated Water Solutions segments. Water segment remains the largest contributor, though its share fell as Wastewater grew, while Integrated Water Solutions steadily declined. Contract composition has evolved over time: O&M historically dominated, Project Services led in 2023 reflecting diversification, before O&M rebounded in 2024 and continues this year. Client concentration remains elevated given the nature of the business although steady contract wins, and a balanced project pipeline provides meaningful comfort.

Financial risk profile is marked by a strong trend of double-digit revenue growth, highlighted by a notable surge in 2023 when topline more than doubled. Growth continued into 2024, with momentum expected to persist. Profit margins improved modestly due to success fees from a development project but remain below 2021–2022 levels, reflecting higher raw material costs—particularly asphalt and diesel—and increased project mobilization expenses. Collections are improving, though FFO-to-CFO conversion has remained weak due to significant growth in receivables and contract assets. Assessment also draws comfort from strong debt coverages and DSCR cushion while leverage indicators remain manageable despite sizeable growth in revenues. Room for improvement remains in terms of conversion of growing EBITDA into commensurate increase in cash flow operations.

Strong business fundamentals reflect the government’s focus on expanding water infrastructure in the Kingdom. Depleting groundwater levels will require nearly a twofold expansion of the water network to transport desalinated water. NWC plans to raise service coverage from 78% in water and 59% in wastewater to 100% and 95% by 2030, with 24/7 supply. A full value-chain, one-stop EPC, O&M, and BOT/BOOT model provides a clear advantage over competitors focused solely on EPC or O&M services. Key risks include shifts in government priorities, regulatory changes, and sharp increases in raw material costs.

1.3 Rating Trigger

- Improvement in operational cash flows
- Strengthening leverage metrics alongside improving the trade debt ageing profile
- Successful execution of the stated business strategy
- Achievement of targeted revenues
- Decline in earnings or deterioration in key risk metrics could exert downward pressure on ratings

RELATED CRITERIA AND METHODOLOGY

Rating Methodology for Corporate (v.2. 2024) can be found on the website: www.tassnief.com

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- This credit rating herein was determined using the above-mentioned methodology which is available on our website at www.tassnief.com. This methodology, including any significant adjustments or deviations from standard procedures, was applied to arrive at the rating.
- The rating scale, meaning of each rating category, default or recovery definitions, and relevant risk warnings – including a sensitivity analysis of key assumptions – are also available on our website.
- TASSNIEF confirms that all rating activities related to this credit rating were not outsourced to any third party.

ANALYST:

Muhammad Tabish
Rating Analyst
011 409 6685
mtabish@tassnief.com

ANALYST:

Jazib Ahmed, CFA
Senior Rating Analyst
011-250 2030
jahmed@tassnief.com

TASSNIEF's Long-term & Short-term Rating Scale



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Long-Term Rating Scale	Definitions
AAA	Extremely Robust ; Tassnief considers the rated issuer or issuance hold the highest creditworthiness , thus negligible credit risk
AA+ AA AA-	Very Robust ; Tassnief considers the rated issuer or issuance hold very high creditworthiness , thus minimal credit risk . Risk profile may vary slightly with changes in economic / sector conditions
A+ A A-	Robust ; Tassnief considers the rated issuer or issuance hold high creditworthiness , thus very low credit risk . Risk profile may vary with changes in economic / sector conditions
BBB+ BBB BBB-	Moderate ; Tassnief considers the rated issuer or issuance hold adequate creditworthiness , thus low credit risk . Risk profile may exhibit moderately high variation with changes in economic / sector conditions
BB+ BB BB-	Tassnief considers the rated issuer or issuance hold low to moderate credit risk . Risk profile may exhibit wide variation with changes in economic / sector conditions.
B+ B B-	Tassnief considers the rated issuer or issuance hold very low creditworthiness , thus high credit risk
CCC+ CCC CCC-	Tassnief considers the rated issuer or issuance hold extremely low creditworthiness , thus very high credit risk
CC C	Highly speculative credit profile , and the default is imminent
D	Tassnief considers the rated issuer or issuance have defaulted or may default soon .

****End of Report****