

Report Date: 27-May-25
IRBID DISTRICT ELECTRICITY
ASE: IREL

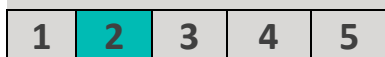


Price as of 26-May-25
JD 5.73/Share

Quarter Earnings: 31/3/2025

Annual Earnings: 31/12/2024

RATING:



Initiated Coverage 12/02/2024

We project that IREL will perform better than the market over the next 6-12 months. This projection is based on our analysis of four key factors that influence common stock performance: (1) relative valuation, (2) earnings strength, (3) financial stability, and (4) price movement.

Target Price

JD 6.00

Previous Rating					52- Week Price Range	Market Capitalization	Dividend Yield	Last Dividend
1	2	3	4	5	08/04/2025 JD 4.67- JD 5.75	JD 120.3 M	6.03%	JD 0.35/share

Founded: 1957 **Shares Outstanding:** 26.8 M **Employees:** 1,387 **Sector:** Electricity **Industry:** Utilities & Energy

Irbid District Electricity Company (hereinafter referred to as “IREL” or the “Company”) is a public shareholding company established in Jordan to operate and maintain the electricity distribution system within its work area and supplying it at retail to consumers residing within Irbid, Jerash, Ajloun, and Al Mafrq Governorates as well as some areas in Al Balqa’ Governorate. The Company’s headquarters are located at Al A’wdah, Irbid. **As of the date of this report, IREL increased its capital to JD 27.0 million through a stock dividend, in the ratio of 1.9:1. Additionally, the Board approved the distribution of 34.5238% of its paid-up capital in cash dividends.**

Recommendation Summary

UFICO maintains a **BUY** recommendation on IREL, driven by positive price trends and strong operational efficiency relative to peers, as reflected in its attractive EV/EBITDA and EV/Sales multiples. However, mixed valuation signals, namely a high P/BV and low P/E, alongside seasonal earnings weakness, high leverage, and tight liquidity, warrant close monitoring of fundamentals.

Relative Valuation



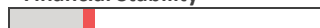
IREL trades at a premium to the sector, with a notably **higher** P/BV and an **undervalued** P/E, indicating a potential valuation disconnect given its comparable scale and business model. In contrast, its more attractive EV/EBITDA and EV/Sales ratios point to stronger operational efficiency. However, its dividend yield remains within the average of dividend-paying peers.

Earnings Strength



IREL’s Q1 earnings declined sharply, in line with its typical seasonal pattern during the winter months. While ROE remains high, it is largely driven by elevated leverage. Net profit margins have also narrowed but are in line with historical trends.

Financial Stability



IREL’s high reliance on debt is typical for its industry, but its tight current ratio signals limited short-term liquidity and a potential dependence on external financing to meet near-term obligations.

Price Movement



IREL exhibits moderate price volatility. Technically, it is rated a **Hold** based on its 14-Day RSI but shows a **Buy** signal relative to its 200-day moving average.

Major Risks & Rewards

- **Interest Rate Risk:** IREL has a relatively high debt/equity ratio of 203.01%, and is therefore subject to interest rate fluctuation that could ultimately affect its earnings.
- **Green Energy Transition:** The increasing adoption of green energy alternatives presents a risk to IREL due to changes in demand, which could impact financial performance and long-term viability.
- **Sector Outlook:** The utility sector, particularly energy distribution, is a critical component of infrastructure with consistent demand. The growing focus on renewable energy and sustainable environmental practices enhances the long-term growth prospects for energy companies like IREL.
- **Dividend:** IREL consistently pays dividends, providing a reliable income stream that enhances value for shareholders.
- **Potential Regional Expansion Opportunity:** The potential lifting of sanctions in Syria could create regional infrastructure and energy development opportunities. As an electricity provider, IREL may benefit from future projects or increased demand linked to regional recovery and investment.

Peers Group Comparison

Ticker	Peer Name	Price	Mkt Cap*	P/E	P/BV	EV/EBITDA	EV/Sales	Debt/Equity
		26/5/2025	26/5/2025	(Forward)	(MRQ)	(Forward)	(Forward)	(MRQ)
IREL	Irbid District Electricity	JD 5.73	120,330	10.83x	2.81x	9.07x	0.57x	203.01%
JOEP	Jordan Electric Power	JD 2.46	225,733	10.70x	1.60x	6.53x	0.56x	275.78%
Sector Averages (www.investing.com)				12.00x	1.30x	11.70x	5.24x	220.00%

* In JD thousands

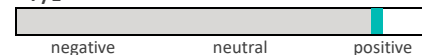
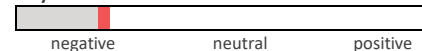
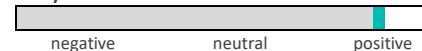
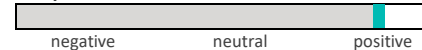
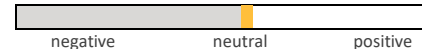
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Past Performance

	2020	2021	2022	2023	2024	1Q24	1Q25
Net Profit Margin	3.07%	2.59%	7.32%	3.25%	3.31%	-0.38%	-0.77%
Earning/ Share (JD)	0.97	0.69	2.07	0.66	0.48	(0.02)	(0.03)
Debt to Equity	298.6%	313.2%	113.9%	211.15%	184.90%	213.33%	203.01%
Gross Profit Margin	18.8%	18.5%	23.7%	19.10%	18.21%	14.42%	14.29%
Dividend/Share (JD)	0.50	0.60	0.75	0.40	0.35	-	-

Relative Valuation: NEUTRAL

Last Price	Mkt Cap	P/E	P/BV	EV/EBITDA	EV/Sales	DPS	Yield
26/5/2025	26/5/2025	(Forward)	(MRQ)	(Forward)	(Forward)	(2024)	26/5/2025
JD 5.73	JD 120.3 M	JD 10.83	2.81x	9.07x	0.57x	JD 0.35	6.03%

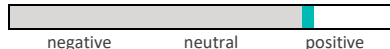
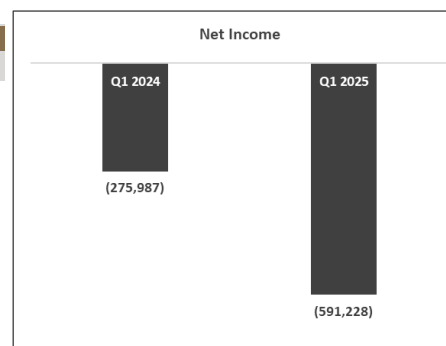
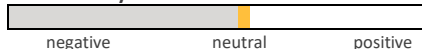
- **P/E vs. Industry:** lower than the sector average, indicating potential undervaluation.
- **P/BV vs. Industry:** higher than the sector average, indicating overvaluation.
- **EV/EBITDA vs. Sector:** lower than the sector average indicating undervaluation.
- **EV/Sales vs. Sector:** lower than the sector average indicating undervaluation.
- **Dividend Yield** is below the average of dividend payers on the Jordanian market.
- **Dividend Payout Ratio** is 65.25%, indicating payments are well covered by earnings.

P/E

P/BV

EV/EBITDA

EV/Sales

Dividends

Earning Strength: NEUTRAL

1Q25 Results	Revenues	Net Income	ROE	NPM
(TTM)	JD 76.9 M (+6.49%)	JD -591,228 (-114.2%)	25.81%	-0.77%

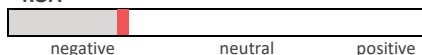
- **Earnings Trend:** IREL's earnings decreased during 1Q25. This sharp decrease is attributable to winter during the first three months of the year, which resulted in the Company incurring expenses, and has been the case historically during Q1 of every year.
- **Return on Equity** is very strong and exceeds the emerging market average of 7.08%. It is worth noting that while the high ROE is a favourable sign, it is due to the heavy reliance on debt, making the Company's equity base smaller.
- **Net Profit Margin** IREL's NPM decreased in Q1 compared to the same period last year. *UFICO measures earnings momentum to get an early indicator of changing earnings trends. IREL's earnings remain consistent with earnings increasing after the winter months, indicating a clear picture of future earnings growth.*

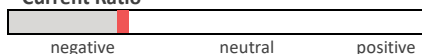
Earnings Trend

ROE

Profitability

Financial Stability: NEGATIVE

1Q25 Results	Assets	Equity	ROA	Debt/ Equity	Current Ratio
(MRQ)	JD 422.3 M	JD 42.8 M	3.77%	203.01%	0.66x

- **ROA:** is considered low when looking at the Company's capital structure. The utilities sector requires substantial investment in infrastructure, resulting in high total assets on the balance sheet, which means that a large portion of the Company's resources is tied up in fixed assets, which tend to generate lower returns compared to other sectors.
- **Debt/ Equity Ratio** indicates high reliance on debt, given the nature of the Company.
- **Current Ratio** indicates tight short-term liquidity, suggesting a potential reliance on borrowing to meet short-term obligations

ROA

Debt/ Equity Ratio

Current Ratio


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Price Movement: **NEUTRAL**

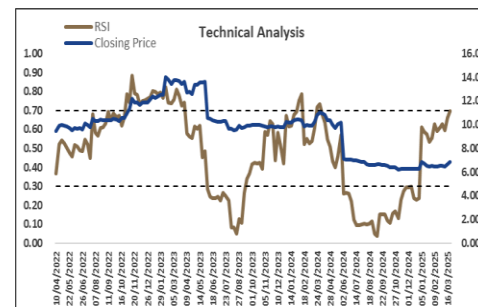
Annual Volatility:	14-Day RSI:	200-Day MA:	Avg. Vol (3M):
+/- 19.77%	70.663	5.10	997 shares

- **Price Volatility** indicates a moderate level of fluctuation in price over time. The higher the volatility, the riskier the stock.
- **14-Day Relative Strength Index (RSI)** indicates stock is approaching **overbought territory**, pointing to a potential for short-term pullback. Traditionally, a stock is considered overbought or overvalued when RSI is above 70 and oversold or undervalued when it is below 30.
- **Moving Averages (MA)**: The stock price currently trades above its 200-day MA, which might indicate a **Buy** signal. The MA for the 50-Day and 100-Day are 5.19 and 5.11, accordingly, indicating a **Buy** signal.
- **Average Volume (3-Months)** is 997 shares, indicating low trade activity. This is due to IREL's low free float of 13%, which limits daily trading opportunities.

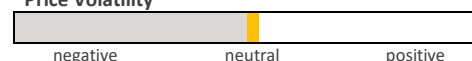
IREL is currently trading above its 200-day MA, indicating strong bullish momentum. A confirmed move over JD 6.70 could lead to further gains, supported by recent price advances. In the immediate term, JD 7.00 appears to be the next significant objective, with JD 7.50 a possible medium-term goal.

While the RSI shows overbought conditions, it does not yet confirm a sell signal, as prices may continue to rise in the short term. At the same time, moving averages indicate a buy, reflecting the continuous bullish momentum. Taken together, these factors suggest a **Hold** recommendation, as the stock could extend its gains or experience a healthy correction before continuing its trend.

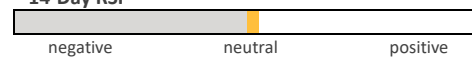
Stock Price is up 8.57% in the past year



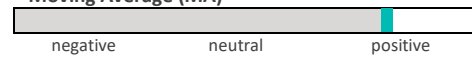
Price Volatility



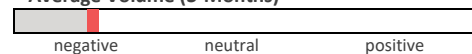
14-Day RSI



Moving Average (MA)



Average Volume (3-Months)



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UFICO Stock Ratings: UFICO's coverage of stocks uses a quantitative model that evaluates a company's relative valuation, earnings strength, financial stability, and its recent price movement. UFICO's five recommendation ratings include strong buy, buy, hold, sell, strong sell. For all stocks in our coverage universe, ratings are generated each week and reflect the fundamental and price data as of the last trading day of the week.

1	2	3	4	5	Strong Buy	Significantly Satisfactory
1	2	3	4	5	Buy	Satisfactory
1	2	3	4	5	Hold	Average
1	2	3	4	5	Sell	Unsatisfactory
1	2	3	4	5	Strong Sell	Significantly Unsatisfactory

Relative Valuation: Relative valuation is a weighted combination of factors that measure a company's current stock price valuation vs industry. These include the company's price-to-earnings vs. industry, and its price-to-book vs. industry. UFICO also measures the rank of a company's dividend yield among dividend payers on the Amman Stock Exchange. A stock may stay undervalued or overvalued for a long period of time. For this reason, it is important to combine dividend yield rank factor with shorter-term predictive factors such as earnings momentum or price momentum to identify more imminent valuation adjustments. In addition, UFICO also measure a company's dividend payments growth over the past 10 years and the degree its dividend payments are covered by earnings.

Earnings Strength: Over 20 years of research have shown that the change in the growth of earnings per share is an important factor that drives stock price performance. UFICO measures earnings momentum to get an early indication of changing earnings patterns. Earnings strength is a weighted combination of factors that measure a company's earnings growth performance. These include the company's 5-year average earnings growth rate, its 1-year earnings growth rate vs its 5-year average earnings growth rate, its 1-year earnings growth rate vs. industry, its relative strength of ROE, and its y-o-y profit margin growth rate.

Financial Stability: Financial stability is a weighted combination of factors that measure a company's ability to pay its debts in the short and long terms. UFICO looks for a company's capital structure where its total liabilities do not exceed 40% of its equity. For a company's solvency strength, we look for an interest coverage of at least 3x, indicating a company's ability to cover its interest payments through its operating income, and a debt coverage of at least 200%, indicating a company's ability to cover its loans and interest payments through its operating income. For liquidity strength, we look for a company's current ratio of at least 1.25x, indicating current liabilities are sufficiently covered by current assets. Companies in the banking sector are analyzed using assets/equity ratio, loans/deposits ratio, loans/assets ratio, and level of bad loans. For assets/equity ratio, we look for a ratio below 10x, indicating adequate reliance on debt to fund the bank's operations. For loans/deposits ratio, we look for a ratio below 125%, indicating high liquidity and low exposure risk to cover unexpected funding requirements. For loans/asset ratio, we look for a ratio below 110%, indicating high liquidity and low exposure risk to defaults. For the level of bad loans, we look for a ratio below 5.00%, indicating lower provisions are required and, hence, increases bank profitability.

Recent Price Movement: Historical price action of a company's stock is an especially helpful measure used to identify intermediate and short-term performance potential. Long term historical performance is a good predictor of future price performance, but much more importantly, large price movements over the intermediate and short term tend to reverse themselves. UFICO's price momentum measure integrates historical long, intermediate and short term price changes, creating ratings that are highest for stocks with strong twelve-month price performance that have had a price consolidation in the past quarter and month. Price movement is an evaluation based on a company's relative share price strength in the past 1-quarter, 14-day and 1-year period. In UFICO's analysis, positive price strength in the past 200-day period is a favorable indication of near-term price gain. Conversely, positive price changes in the past quarter or 14-day period can indicate a short-term overbought condition resulting in negative near-term price change.

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