

Report Date: 8-Apr-25

IRBID DISTRICT ELECTRICITY

ASE: IREL

Annual Earnings: 31/12/2024

RATING:



Initiated Coverage 08/04/2025

We project that IREL will in line with 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 6.50

| Previous Rating | 52- Week Price Range | Market Capitalization | Dividend Yield | Dividend |
|-------------------------------------|----------------------|-----------------------|----------------|---------------|
| 1 2 3 4 5 <small>02/03/2025</small> | JD 6.01- JD 7.47 | JD 140.5 M | 5.16% | JD 0.35/share |

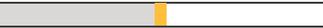
Founded: 1957 **Shares Outstanding:** 21.0 M **Employees:** 1,387 **Sector:** Electricity **Industry:** Utilities & Energy

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’awdah, Irbid. During the first quarter of 2024, IREL increased its capital from JD 14 million to **JD 21 million** through the capitalization of retained earnings, which included a stock split at a ratio of 1.5:1. **On March 27, 2025, the Board of Directors of IREL announced the increase of the Company’s capital to JD 27.0 million through a stock dividend. Additionally, the Board approved the distribution of 34.5238% of its paid-up capital in cash dividends.**

Recommendation Summary

UFICO’s **HOLD** recommendation of IREL is the result of our systematic analysis of four basic characteristics mentioned above, as the stock appears fairly valued relative to its fundamentals — trading at a premium on P/BV and P/E, yet showing stronger operational efficiency through lower EV multiples. While earnings growth and ROE remain solid, elevated leverage, tight liquidity, and modest dividend yield temper the upside, with technical indicators supporting a neutral near-term outlook.

Relative Valuation



negative neutral positive

IREL trades at a premium to the sector, with significantly higher P/BV and a modestly higher P/E, suggesting a valuation disconnect given its similar scale and business model. However, IREL’s EV/EBITDA and EV/Sales are more attractive than the sector, implying better operational efficiency. Dividend yield was **below** the average of dividend payers in the market.

Earnings Strength



negative neutral positive

In 2024, IREL delivered solid earnings growth, with net income rising by 9.7% and a stable net profit margin of 3.31%, supported by a 7.68% increase in revenues. Despite a decline in EPS and DPS, the Company maintained a strong ROE, reflecting efficient equity utilization aided by high financial leverage.

Financial Stability



negative neutral positive

While IREL has moderately improved its Debt-to-Equity ratio, it still operates with elevated leverage, typical for utilities but indicative of higher financial risk. Additionally, its current ratio points to tight liquidity, suggesting limited short-term coverage and potential reliance on external financing to meet obligations.

Price Movement



negative neutral positive

IREL’s stock volatility suggests a moderate level of fluctuation in price over time. The stock is rated a **Neutral** at its current 14-Day RSI, and a **Buy** at its MA200.

Major Risks & Rewards

- **Interest Rate Risk:** IREL has a relatively high debt/equity ratio of 184.90%, 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.

Peers Group Comparison

| Ticker | Peer Name | Price | Mkt Cap* | P/E | P/BV | EV/EBITDA | EV/Sales | Debt/Equity |
|--------------------------|----------------------------|---------------------|---------------------|---------------------|-----------------|-----------------|-----------------|-------------------|
| IREL | Irbid District Electricity | 7/4/2025 JD 6.69 | 7/4/2025 140,490 | (Current) 13.91x | (2024) 3.24x | (2024) 5.79x | (2024) 0.61x | (2024) 184.90% |
| JOEP | Jordan Electric Power | JD 2.35 | 215,639 | 11.24x | 1.42x | 6.71x | 0.62x | 294.79% |
| Sector Averages** | | | | 11.50x | 1.30x | 11.70x | 5.24x | 220.00% |

* In JD thousands, ** Source: www.investing.com

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Past Performance

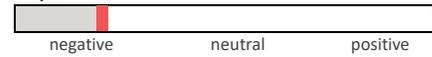
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------|--------|--------|--------|--------|--------|---------|---------|
| Net Profit Margin | 2.23% | 1.36% | 3.07% | 2.59% | 7.32% | 3.25% | 3.31% |
| Earning/ Share (JD) | 0.71 | 0.44 | 0.97 | 0.69 | 2.07 | 0.66 | 0.48 |
| Debt to Equity | 348.6% | 383.8% | 298.6% | 313.2% | 113.9% | 211.15% | 184.90% |
| Gross Profit Margin | 16.6% | 15.8% | 18.8% | 18.5% | 23.7% | 19.10% | 18.21% |
| Dividend/Share (JD) | 0.75 | 0.45 | 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 |
|------------|------------|-----------|--------|-----------|----------|---------|----------|
| 7/4/2025 | 7/4/2025 | (Current) | (2024) | (2024) | (2024) | (2024) | 7/4/2025 |
| JD 6.69 | JD 140.5 M | JD 13.91 | 3.24x | 5.79x | 0.61x | JD 0.35 | 5.16% |

- **P/E vs. Industry:** higher than the sector average, indicating potential overvaluation.
- **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 71.77%, indicating payments are well covered by earnings.

P/E



P/BV



EV/EBITDA



EV/Sales



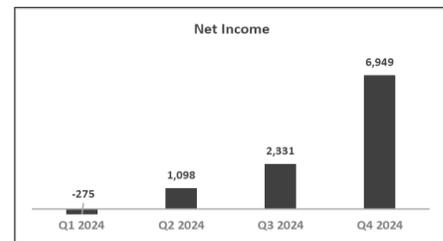
Dividends



Earning Strength: POSITIVE

| FY24 Results | Revenues | Net Income | ROE | NPM |
|--------------|-------------------|-----------------|-------|-------|
| | JD 305 M (+7.68%) | JD 10.1 (+9.7%) | 24.6% | 3.31% |

- **Earnings Trend:** IREL's earnings increased during 2024, with Q4 recording an increase of almost 200% compared to Q3 of the same 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 net income improved by almost 10% during 2024. If 2022, is excluded, IREL recorded the highest NPM in the past 6 years.



Earnings Trend



ROE



Profitability

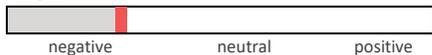


Financial Stability: NEGATIVE

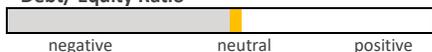
| FY24 Results | Assets | Equity | ROA | Debt/ Equity | Current Ratio |
|--------------|------------|-----------|-------|--------------|---------------|
| | JD 462.5 M | JD 43.3 M | 2.37% | 184.90% | 0.76x |

- **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** improved to in 2024. This shows a positive deleveraging trend, though leverage remains high.
- **Current Ratio** indicates tight short-term liquidity, suggesting a potential reliance on borrowing to meet short-term obligations

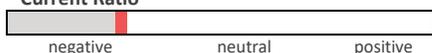
ROA



Debt/ Equity Ratio



Current Ratio

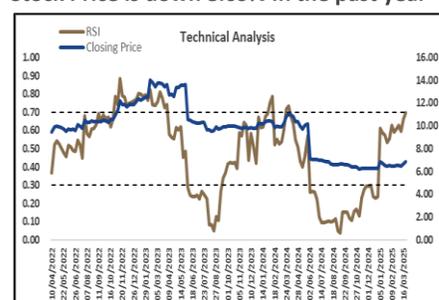


Price Movement: NEUTRAL

| Avg 7-Day Volatility: | 14-Day RSI: | 200-Day MA: | Avg. Vol (3M): |
|-----------------------|-------------|-------------|----------------|
| +/- 18.86% | 54.095 | 6.60 | 803 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)** is 54.095, indicating a **Neutral** signal at this level. 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 moving average, which might indicate a **Buy** signal. The MA for the 50-Day and 100-Day are 6.57 and 6.43, accordingly, indicating a **Buy** signal.

Stock Price is down 8.69% in the past year



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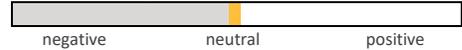
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- **Average Volume (3-Months)** is 803 shares, indicating low trade activity. This is due to IREL's low free float of 13%, which limits daily trading opportunities.

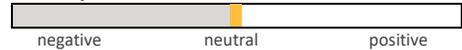
IREL's stock has exhibited weak price strength over the past 200 days, which may suggest potential for near-term price recovery. However, recent 14-day price movements indicate a neutral outlook, implying short-term stability in price changes.

The current positioning of IREL's stock, trading slightly above its 200-Day MA suggests a cautiously optimistic outlook. Investors should consider entering if the stock maintains above JD 6.6 and look to exit near JD 7.00, with a stop-loss may continue to impact the stock price, potentially leading to fall a below JD 6.5, to reach JD 5.90.

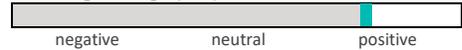
Price Volatility



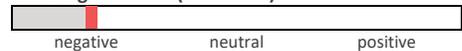
14-Day RSI



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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