

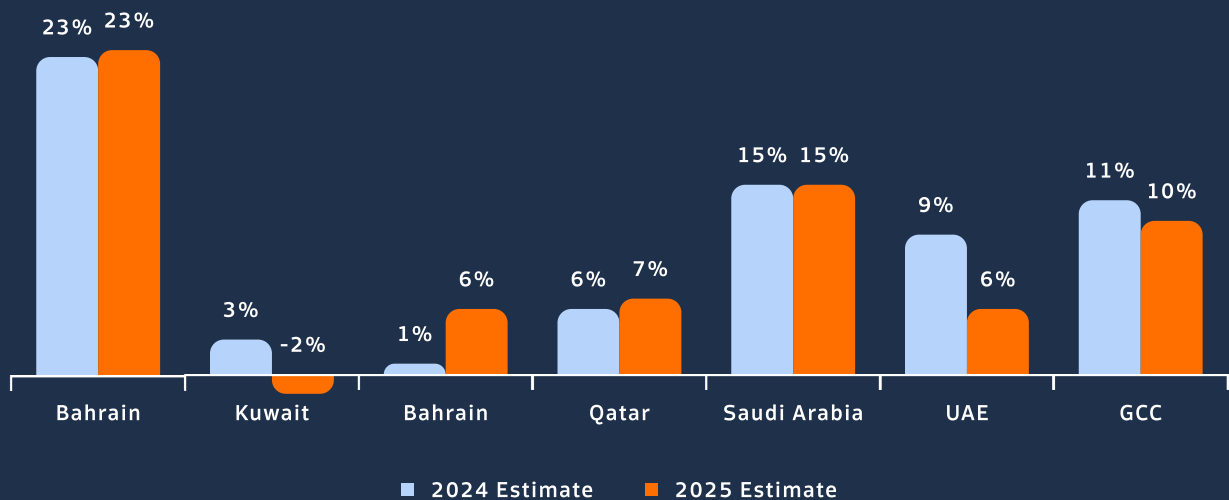
Insights

GCC Markets Outlook



Coming at the heels of an 11% growth last year, we expect GCC listed companies to post an earnings growth of ca.10% in 2025 supporting equity market returns. Saudi corporates lead the pack with a growth rate of 15% which we see as more broad-based. While recovery in the petrochemicals sector stands out, we are forecasting healthy growth in all sectors. First time application and increase in corporate tax is affecting growth in the Kuwait and UAE respectively, while Qatar too will be impacted once the law is finalized. GCC markets' price to earnings (PE) multiples based on 2025 earnings is lower than their historical average, which we believe is supportive of our positive stance on the GCC markets. Saudi Arabia's PE (2025) of 16.7 is notably lower than its 10-year average of 19.5. We find the UAE market especially attractive given its fundamentals and PE (2025) multiple of 11.3.

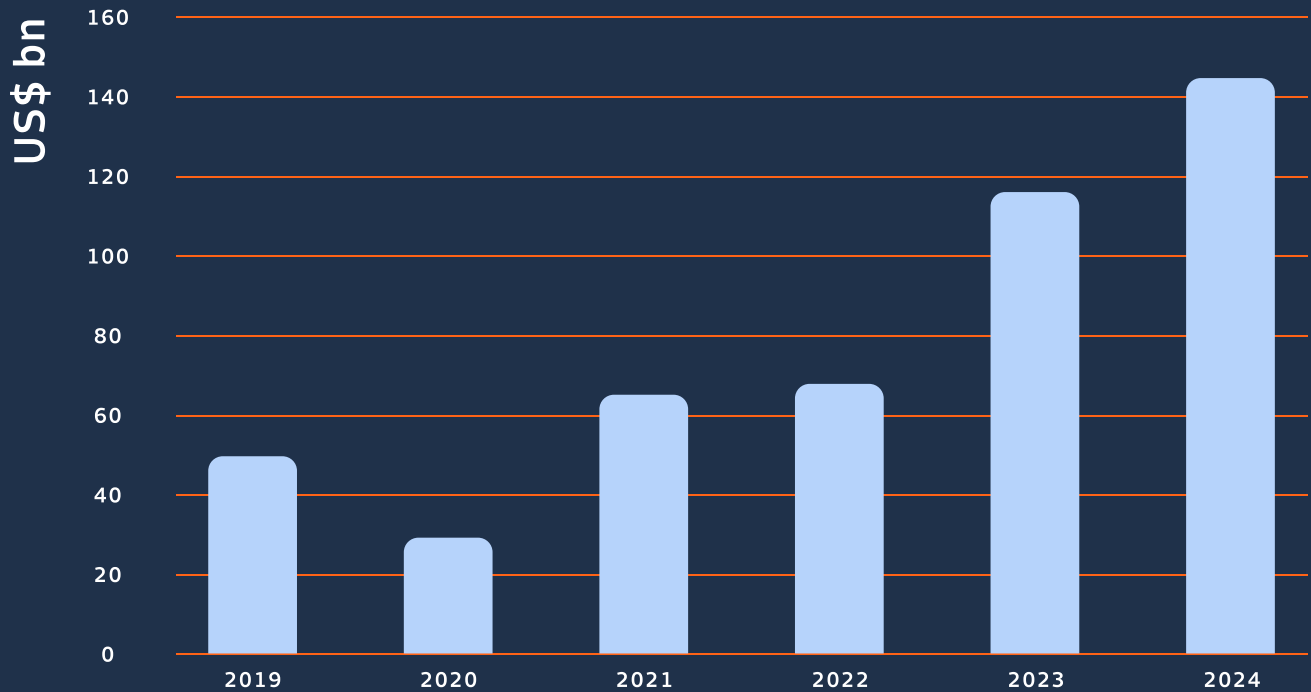
GCC markets' corporate earnings growth by country



Source: Bloomberg, SICO AM

Oil remains to be key to the prospects of the GCC region, despite the appreciable growth in the non-oil segment. We expect oil prices to be in the USD 70-80 range, at which level most countries are either at breakeven or producing surpluses. Saudi Arabia, which is projecting a budget deficit of 2% of GDP, has a Debt/GDP of ca.30% and can comfortably bridge the gap. Saudi industrials that have been a major beneficiary of the infrastructure spending will continue to thrive as USD 250 bn of projects awarded in the past two years are executed, with more awards in the pipeline. We also expect the loan growth momentum of Saudi banks to sustain, which appears to be offering deep value, as illustrated by the price multiple contraction as their earnings growth have run well ahead of the growth in market value. With Fed appearing to be less hawkish going into 2025, the margin pressure on corporate focused banks is also easing, providing a tailwind for growth.

Saudi Arabia project awards



Source: MEED, Saudi Central Bank

We are witnessing significant momentum in the regional tourism industry. Saudi Arabia is making further strides toward its ambitious target of attracting 30 million pilgrims annually by 2030. This progress is expected to boost religious tourism, while increased investments in new hotels and resorts in emerging destinations such as the Red Sea, Amaala, and Al Ula are set to drive tourist spending further.

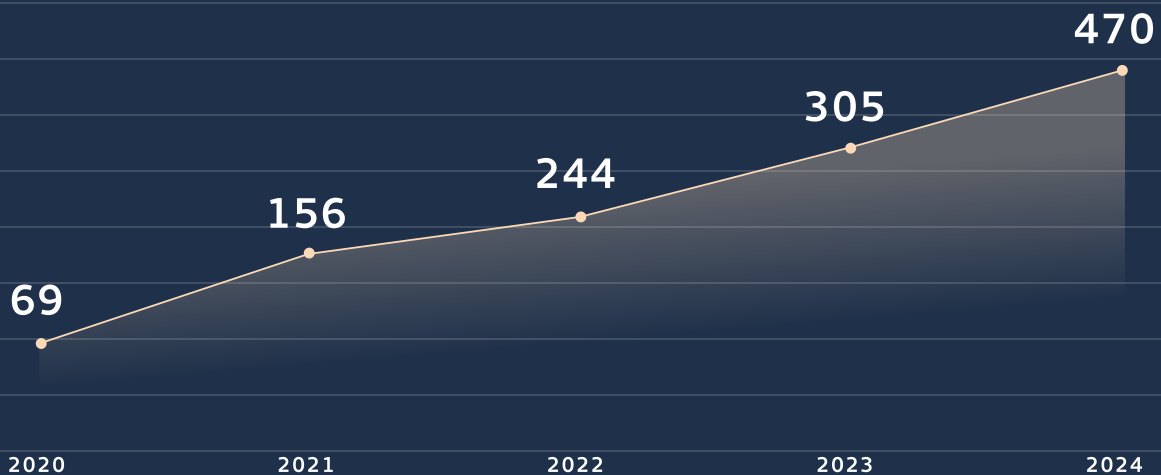
In contrast, the UAE continues to lead as the premier leisure destination in the region. However, the market's primary catalyst remains the robust real estate sector. Dubai, in particular, benefits from strong property sales momentum—fueled by investor-friendly residency schemes, world-class infrastructure, a superior quality of life, and an upcoming supply pipeline that is well-absorbed by the market.

Saudi Arabia's real estate prospects also appear bright. The market is notably undersupplied, and recent government initiatives—highlighted by USD 38 billion in projects announced by the National Housing Company—underline a commitment to bridging the gap. Furthermore, the fall in interest rates is expected to stimulate mortgage lending activity, supporting further growth.

Overall, the region's tourism and real estate sectors are poised for robust medium- to long-term growth, driven

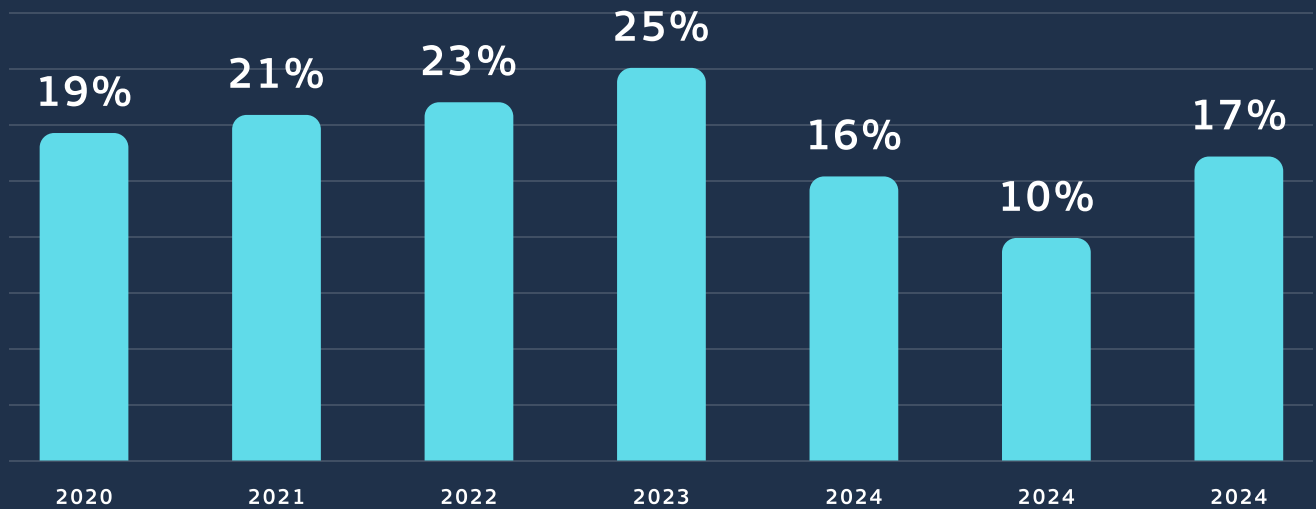
by strategic government initiatives, ongoing infrastructure investments, and a favorable demand environment.

Dubai residential sales (AED bn)



The healthcare sector, which has produced strong returns in the past, has taken a backseat as of late as the companies face pressure on margins, mainly on account of the ramping up of the new facilities, adjustment to contractual arrangements and integration of acquisitions. As a result, the sector's earnings growth has slowed down, but we expect the earnings growth to start accelerating from 2026. We continue to believe that new supply from the private sector will have ample demand from population growth, increase in private sector employees and lower participation by the public sector. A similar trend is seen in the Saudi insurance sector, but the long-term prospects look bright due to large untapped health insurance market, benefits from giga/mega projects to the property and casualty sector, and favourable regulations.

Net income growth of listed Saudi healthcare companies



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