

# GCC Equities Strategy – 2024

## Navigating through Flickering Lights

28 November 2023



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We move into 2024 at a time when Fed rates have peaked and now debate remains on how many rate cuts will happen in FY24 and the timing of it. We factor interbank rates within GCC in the region to average 50bps lower than current levels. While NIMs and asset quality in general will likely deteriorate, albeit mildly in 2024, the thesis will revolve around loan growth potential, specifically for KSA and how will that be funded. Loan growth for other GCC countries is likely to be on par with their long term average loan growth, while Qatari banks may still see tepid demand from public sector, if not further repayments.

Saudi Arabia domestic spending targets, highlighted by large event base (FIFA, Expo 2030, Winter Olympics) triggers is a key theme for GCC. Of course, this largely depends on funding from PIF, Government, Saudi Banks and Corporate (Shareek initiative). While long term this remains intact, near term trigger on building materials and linked sectors is difficult to predict. Cements demand is down 7% YTD in FY23 in addition to price war at producers level.

Outside of Banks, the heavy weight Petrochem sector faces external pressure from new supply and risk of demand slowdown at current high rates. The sector asset based valuations look beaten down but does not have earnings based trigger. Fertilizers look relatively safer placed driven by stable prices and cash yields.





# GCC Equities – FY24 outlook

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Oil price is actively supported at USD 80/bbl by OPEC+ cuts, in particular, voluntarily cuts from Saudi Arabia (1.5mn bbl.day). This highlights the demand weakness and will likely imply more than SAR 100bn deficit for KSA in 2024, if the cuts continue and oil prices remain at current levels. Accordingly, KSA government will be borrowing actively in 2024, however with debt to GDP c.25% levels, this is not a concern.

UAE Corporates will brace for 9% corporate taxes impact in FY24, which although expected, will optically make earnings look weaker. This is at a time when Real Estate momentum, especially, off plan sales, is showing signs of peaking. Accordingly, after a stellar performance in FY23TD, Dubai markets could see some weakness.

Activity in the primary market could also relatively subside in FY24, with KSA continue to remain the most active market in the primary space. After 28 IPOs (main market) in FY22 and 16-18 IPOs likely this year, relative trend on number of IPOs is already declining. We highlight the trend of many IPOs in UAE and recently in Oman tend to be priced around promised / expected dividend yields while KSA IPOs have their growth narrative as key thesis. This may remain the case in FY24 as well.



- **Banks-** Expect a tepid FY24 for GCC banks, with NIM expected to taper down, mild deterioration in asset quality and lower borrowing demand. Tactically, makes sense to stick to banks with a larger consumer loan book, as we believe this segment would positively boost the NIMs and may also see a pick-up in demand once interest rates start to taper down. Notable themes for FY24 would be - KSA banks benefitting from strong loan growth, UAE tax impact, one-off gain from NMC recoveries, public sector loan repayments especially in Qatar.
- **Petrochemicals** – The petrochemical sector is staring at oversupply for years with the current slowdown in demand likely to push sustained recovery further into the future. The near-medium term outlook is particularly dire for PP & MEG. That said margins are at two-decade lows and a supply-response is likely, but as new supply eventually finds its way to the market, we see margins capped even in the event of a recovery in demand. Asset valuations suggest that the market is - to a large extent - discounting such weakness.



- **Fertilizers** – Fertilizers remain better placed vs petrochemicals, with much of supply additions now behind us. We see lesser volatility in 2024 given that 2023 had issues of spillovers of the excesses of 2022, capacity additions in India and restarts in Europe as the gas crisis abated. Prices remain hinged on the direction of energy prices, but from an affordability standpoint, conditions now are a lot more benign compared to end-2022/start-2023.
- **Metals** – We see downside risks to the aluminium price from demand weakness and a deflating cost curve (alumina, carbon, coal). However, alumina market is expected to see significant new capacity ramp up which will keep prices subdued. Hence, provided coal prices stay upward sticky at >USD 100/t, aluminium – alumina spreads are likely to remain elevated. These conditions are more favourable for converters such as ALBH/QAMC vs an integrated smelter such as MAADEN.
- **Building Materials** – Demand is down 7% YTD but the volatility in producer realizations has been the highlight. Pricing slumped in 3Q, approaching the five-year lows, but retail prices are holding on, signalling mean-reversion potential. We see Riyadh winning its Expo-2030 bid comfortably later this month, a catalyst, in our view, that could turbocharge project activity in the years ahead. Central region companies likely to outperform peers.



- **Consumers** – We expect benefits to flow into both consumer staples and discretionary names, highlighting the positive impact from the combined effect of lower commodity prices and price increases on staples like AlMarai, complemented by strong macros and promising growth plans of select stocks in the discretionary sector – Jarir & Leejam.
- **Telecoms** – Growth to be driven by fintech, enterprise business, IT services and M&A driven approach. In addition, tower co deals could benefit bottom-line of some telcos (Zain, Ooredoo, STC). Telco's with high dividend yield likely to do better. We prefer Zain (Kuwait) and Du (UAE) on yield while STC (KSA) as a play on Saudi growth story and unlocking value from its subsidiaries.
- **Real estate** - Post three strong years, we expect UAE residential off-plan sales to moderate slightly off a high base on account of slowing Russian inflows, elevated unit launches over the past two years raising risks of an oversupply in FY25-26e, high interest rates and muted global growth. Dubai's commercial real estate, however, is likely to remain firm given a healthy UAE macro economy, improving occupancy levels and limited new supply scheduled for the next two years. TECOM Group is our top pick in UAE real estate given i) strong visibility on earnings growth, ii) industry tailwinds from a tight demand-supply, which is expected to sustain in the near term, iii) reasonable valuations.





- **Logistics** – Global container trade is expected to exhibit some recovery with a 3-4% YoY growth in FY24e. Freight rates, however, are likely to remain subdued given an expected c.8% growth in ocean fleet in FY24e, on the back of a c.8% growth in FY23e.
- **Airlines** – Yield compression has started normalising margins for airlines. Jazeera Airways has seen a bigger impact than Air Arabia on its Airlines business. We expect earnings growth YoY to be a challenge for both airlines, however terminal business will act as a cushion to Jazeera. At current valuations, Jazeera Airways is a better pick than Air Arabia, purely on valuations.



# How did our ‘Top Picks’ do last year?

# How did our 'Top Picks' do last year?

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## Strategy Portfolio Performance

| S. No.                    | Company                | Country                         | Total 1yr Return |
|---------------------------|------------------------|---------------------------------|------------------|
| 1                         | Air Arabia             | UAE                             | 27.7             |
| 2                         | Emirates NBD           | UAE                             | 38.8             |
| 3                         | Qatar National Bank    | Qatar                           | -6.3             |
| 4                         | Saudi National Bank    | KSA                             | -3.5             |
| 5                         | Alba                   | Bahrain                         | -5.2             |
| 6                         | Industries Qatar       | Qatar                           | 3.8              |
| 7                         | City Cement            | KSA                             | -1.9             |
| 8                         | Al Marai Company       | KSA                             | 6.9              |
| 9                         | Humansoft Holding      | Kuwait                          | 5.6              |
| 10                        | Americana Restaurants* | UAE                             | -6.5             |
|                           | Emaar Development      | UAE                             |                  |
| 11                        | PJSC                   |                                 | 61.0             |
| 12                        | Aldar PJSC             | UAE                             | 30.1             |
| 13                        | Etihad Etisalat        | KSA                             | 38.9             |
| 14                        | Zain                   | Kuwait                          | -5.6             |
|                           | Dr. Sulaiman Al Habib  | KSA                             |                  |
| 15                        | Medical Services       |                                 | 14.3             |
| <b>Simple Avg</b>         |                        |                                 | <b>13.2</b>      |
| <b>Portfolio perf (%)</b> |                        | <b>S&amp;P GCC Total return</b> | <b>2.4</b>       |
|                           |                        | <b>Outperformance</b>           | <b>10.9</b>      |

Period: 06 Feb'23 – 25 Nov'23

## Strategy Top Picks

Our 2023 'Top Picks' had positive returns since 06 Feb'23 (last published date), outperforming the benchmark by 10.9%.

## SICO Top 20

In addition, our 'Top 20' dynamic portfolio, which gets adjusted on a monthly basis also outperformed the benchmark index in 2023.

|                  | 2023  | Cumulative* |
|------------------|-------|-------------|
| SICO Top 20      | 13.9% | 173.5%      |
| S&P Total Return | -1.2% | 67.8%       |
| Outperformance   | 15.1% | 105.7%      |

\* Since November 1st 2017 when the product was introduced

\* Note that the performance is based on the static holding of these names.

Source: Bloomberg, SICO Research

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# Top recommendations

# Top recommendations for 2024

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| S. No. | Company                       | Sector            | Country | M. cap (USD) | CMP (LCY) | LT Rating | TP (LCY) | Price return | Total upside (incl yield) | PE (2024) | PBV (2024) | Div yield (2024) |
|--------|-------------------------------|-------------------|---------|--------------|-----------|-----------|----------|--------------|---------------------------|-----------|------------|------------------|
| 1      | Abu Dhabi Islamic Bank        | Banks             | UAE     | 10,324       | 10.4      | Buy       | 12       | 15%          | 21%                       | 8.3       | 1.7        | 6.2              |
| 2      | Emirates NBD                  | Banks             | UAE     | 31,044       | 18.0      | Buy       | 21       | 16%          | 22%                       | 5.7       | 1.0        | 5.3              |
| 3      | Saudi National Bank           | Banks             | KSA     | 54,551       | 34.3      | Buy       | 45       | 31%          | 36%                       | 9.3       | 1.2        | 5.4              |
| 4      | Qatar Islamic Bank            | Banks             | Qatar   | 12,077       | 18.9      | Buy       | 22.5     | 19%          | 23%                       | 10.0      | 1.6        | 4.5              |
| 5      | Saudi Telecom Company         | Telecom           | KSA     | 50,859       | 38.2      | Buy       | 48       | 26%          | 31%                       | 13.6      | 2.3        | 5.2              |
| 6      | Zain                          | Telecom           | Kuwait  | 6,938        | 0.5       | Buy       | 0.6      | 20%          | 27%                       | 9.9       | 1.6        | 7.0              |
| 7      | Solutions by STC              | IT Services       | KSA     | 10,520       | 322.4     | Buy       | 365      | 13%          | 15%                       | 28.0      | 10.2       | 2.1              |
| 8      | Yamama Cement                 | Cement & Building | KSA     | 1,703        | 31.0      | BUY       | 39       | 26%          | 29%                       | 13.4      | 1.3        | 2.9              |
| 9      | Alba                          | Metals and Mining | Bahrain | 4,124        | 1.1       | Buy       | 1.5      | 37%          | 41%                       | 10.6      | 0.8        | 4.2              |
| 10     | Industries Qatar              | Petrochemical     | Qatar   | 21,677       | 13.3      | Buy       | 15       | 13%          | 20%                       | 14.9      | 1.9        | 6.7              |
| 11     | Tecom Group                   | Real Estate       | UAE     | 3,608        | 2.7       | Buy       | 3.2      | 21%          | 27%                       | 14.4      | 2.1        | 6.2              |
| 12     | Leejam Sports Company         | Consumer Goods    | KSA     | 2,380        | 169.4     | Buy       | 200      | 18%          | 21%                       | 24.0      | 7.3        | 2.5              |
| 13     | Al Marai Company              | Consumer Goods    | KSA     | 14,798       | 55.7      | Buy       | 66       | 18%          | 20%                       | 22.9      | 2.9        | 1.8              |
| 14     | Jarir Marketing Company       | Consumer Goods    | KSA     | 4,684        | 14.7      | Buy       | 18       | 22%          | 28%                       | 16.1      | 9.7        | 6.2              |
| 15     | Dr. Sulaiman Al Habib Medical | Healthcare        | KSA     | 24,356       | 262.4     | Buy       | 300      | 14%          | 16%                       | 35.9      | 12.6       | 2.0              |

Source: Bloomberg, SICO Research; As of 25 Nov'23

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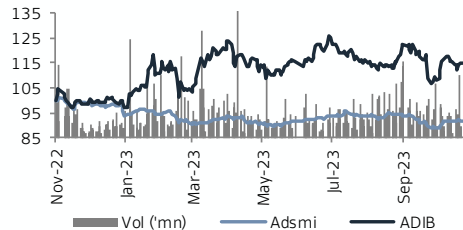
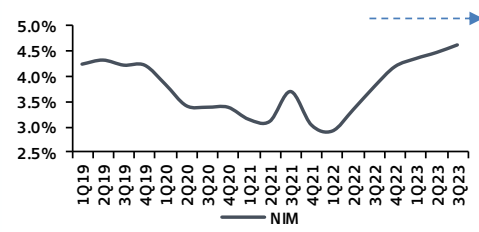
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## ADIB

## Banks

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| Company Profile                                                                                                                                                                                                                                                                                                                                                                       | Market data & Valuation Ratios                                                      |                               |                 |         |                     | AEDmn                         | 2022               | 2023E   | 2024E   | 2025E   |     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------|-----------------|---------|---------------------|-------------------------------|--------------------|---------|---------|---------|-----|
| <b>Investment Thesis</b>                                                                                                                                                                                                                                                                                                                                                              |                                                                                     |                               |                 |         |                     | <b>Income Statement</b>       |                    |         |         |         |     |
| <b>Valuations:</b> ADIB is our favoured pick among Abu Dhabi banks, trading attractively at 1.9x/8.5-BVPS/EPS 2023 for a ROE expectation of 23.9%, along with a healthy dividend yield of 6.2%. We remain positive on the stock and have maintained our TP of SAR <b>12/sh</b> , but upgraded our recommendation to a <b>'Buy'</b> .                                                  | M.Cap(\$mn)                                                                         | 10,323                        | CMP-AED         | 10.4    | Net Interest Income | 4,151                         | 6,099              | 6,604   | 6,550   |         |     |
|                                                                                                                                                                                                                                                                                                                                                                                       | 6M ADTV (\$mn)                                                                      | 5.35                          | Target Price    | 12      | Total Revenue       | 5,883                         | 8,919              | 9,459   | 9,544   |         |     |
|                                                                                                                                                                                                                                                                                                                                                                                       | Recommendation                                                                      | <b>Buy</b> Up/(down) side     |                 |         | 15%                 | Pre-prov. Profit              | 3,496              | 5,990   | 6,413   | 6,422   |     |
|                                                                                                                                                                                                                                                                                                                                                                                       | Short term rating                                                                   | <b>Neutral</b> Free float (%) |                 |         | 58.8                | Loan-loss charges             | (662)              | (676)   | (675)   | (729)   |     |
|                                                                                                                                                                                                                                                                                                                                                                                       | 52wk High/Low                                                                       | 11.9-8.8                      | Div yield - TTM | 4.7%    | Net Income          | 3,587                         | 4,775              | 4,846   | 4,814   |         |     |
| <b>NIM:</b> ADIB has one of the highest NIM and is expected to remain elevated, as it is yet to completely pass on higher interest to its asset yields, which usually takes >2 years to be completely passed on owing to the higher concentration of retail loans. In addition, the high concentration of CASA deposits (67%) and multiple campaigns have kept its funding costs low. |   |                               |                 |         |                     | <b>Balance Sheet</b>          |                    |         |         |         |     |
|                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                     |                               |                 |         |                     | Net Loans                     | 107,717            | 115,563 | 122,984 | 130,223 |     |
|                                                                                                                                                                                                                                                                                                                                                                                       | Investments                                                                         | 19,432                        | 20,404          | 21,424  | 22,495              |                               |                    |         |         |         |     |
|                                                                                                                                                                                                                                                                                                                                                                                       | Total Assets                                                                        | 168,517                       | 182,913         | 193,720 | 204,431             |                               |                    |         |         |         |     |
|                                                                                                                                                                                                                                                                                                                                                                                       | Total Deposits                                                                      | 138,137                       | 151,950         | 162,587 | 173,968             |                               |                    |         |         |         |     |
|                                                                                                                                                                                                                                                                                                                                                                                       | Wholesale Funds                                                                     | 4,754                         | 4,754           | 4,754   | 4,754               |                               |                    |         |         |         |     |
|                                                                                                                                                                                                                                                                                                                                                                                       | Total Equity                                                                        | 17,726                        | 20,057          | 22,278  | 24,467              |                               |                    |         |         |         |     |
| <b>Loans:</b> Strong lending growth momentum to continue as ADIB gathers more market share and we expect it to report 7.5% loan growth in FY23e and outpacing the systemic credit rise by 1-1.5% in the medium-term, with a low loan to deposit ratio of c.74%.                                                                                                                       | <b>Improving opex &amp; provisioning</b>                                            |                               |                 |         |                     | <b>Key Ratios (%)</b>         |                    |         |         |         |     |
|                                                                                                                                                                                                                                                                                                                                                                                       | 2019                                                                                | 2020                          | 2021            | 2022    | 2023e               | Cost-to-income                | 41                 | 33      | 32      | 33      |     |
|                                                                                                                                                                                                                                                                                                                                                                                       | Cost-to-Inc                                                                         | 45%                           | 46%             | 43%     | 41%                 | 33%                           | NPL Coverage       | 65      | 77      | 81      | 86  |
|                                                                                                                                                                                                                                                                                                                                                                                       | NPL Ratio                                                                           | 6.5%                          | 8.8%            | 8.9%    | 7.7%                | 6.9%                          | NPL ratio          | 7.7     | 6.9     | 6.6     | 6.4 |
|                                                                                                                                                                                                                                                                                                                                                                                       | Cost of Risk                                                                        | 0.6%                          | 1.4%            | 1.1%    | 0.7%                | 0.6%                          | Loan-loss Pro/ PPP | 19      | 11      | 11      | 11  |
| <b>NPLs:</b> Exposure in NMC AED 1.3bn(1.3% loan) against which it has taken 90% provisioning and the recovery is expected to be 26-27%, which maybe lead to a one-off gain. Asset quality continues to improve.                                                                                                                                                                      |                                                                                     |                               |                 |         |                     | NIM                           | 3.3                | 4.2     | 4.2     | 3.9     |     |
|                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                     |                               |                 |         |                     | Loans-to-deposits             | 78.0               | 76.1    | 75.6    | 74.9    |     |
|                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                     |                               |                 |         |                     | Loans-to-assets               | 63.9               | 63.2    | 63.5    | 63.7    |     |
| <b>Risks</b>                                                                                                                                                                                                                                                                                                                                                                          | <b>NIM uptrend to sustain</b>                                                       |                               |                 |         |                     | <b>Fundamental Ratios (%)</b> |                    |         |         |         |     |
| 1. ADIB has a high consumer loan concentration, a segment which tends to underperform in an enviroment of high interest rates                                                                                                                                                                                                                                                         |  |                               |                 |         |                     | Leverage                      | 951                | 912     | 870     | 836     |     |
| 2. Egyptian operation now comprise c.9% of its total profit. Weakness in the economy may negatively impact the asset quality and earnings.                                                                                                                                                                                                                                            |                                                                                     |                               |                 |         |                     | Liquid assets/ Total Asst.    | 18.8               | 20.0    | 19.9    | 19.8    |     |
| 3. Bank's coverage is low but management is comfortable owing to high value of collateral. Drop in collateral value may trigger higher provisioning need.                                                                                                                                                                                                                             |                                                                                     |                               |                 |         |                     | CAR                           | 17.2               | 17.3    | 17.9    | 18.4    |     |
|                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                     |                               |                 |         |                     | <b>Valuation Ratios</b>       |                    |         |         |         |     |
|                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                     |                               |                 |         |                     | EPS-AED                       | 0.9                | 1.2     | 1.3     | 1.3     |     |
|                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                     |                               |                 |         |                     | DPS-AED                       | 0.5                | 0.6     | 0.7     | 0.7     |     |
|                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                     |                               |                 |         |                     | PE (x)                        | 11.5               | 8.5     | 8.4     | 8.4     |     |
|                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                     |                               |                 |         |                     | PBV (x)                       | 2.2                | 1.9     | 1.7     | 1.6     |     |
|                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                     |                               |                 |         |                     | Div yield (%)                 | 4.6                | 5.7     | 6.2     | 6.2     |     |
|                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                     |                               |                 |         |                     | ROA (%)                       | 2.3                | 2.7     | 2.6     | 2.4     |     |
|                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                     |                               |                 |         |                     | ROE (%)                       | 18.8               | 20.0    | 19.9    | 19.8    |     |

Source:- Company Data, Bloomberg, SICO Research

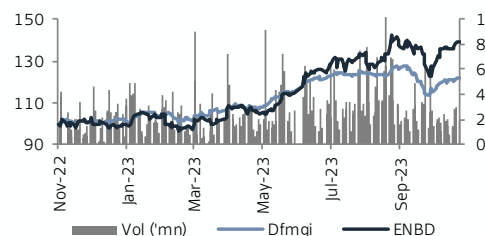
Note:- Estimates have been revised since last published



## ENBD

## Banks

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| Company Profile                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Market data & Valuation Ratios                                                     |                           |                 | AEDmn                         | 2022                | 2023E            | 2024E   | 2025E   |         |        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|---------------------------|-----------------|-------------------------------|---------------------|------------------|---------|---------|---------|--------|
| <b>Investment Thesis</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |                 | <b>Income Statement</b>       |                     |                  |         |         |         |        |
| <b>Valuation:</b> Among the most attractively priced stock in the GCC trading at a mere 1.0x/5.7x-BVPS/EPST24 for an adj. ROE expectation of 18.7% and a dividend yield of 5.3%. We raise our TP to <b>AED 21/sh</b> from AED 16.5/sh. FY24, while maintain 'Buy' rating, despite factoring in the strong NIM expansion and balance sheet growth. Earnings growth over FY23e level may be tough, considering peak NIM, introduction of corporate taxes from FY24 and one-off components in FX income, on the other hand hyperinflation losses would normalise. | M.Cap(\$mn)                                                                        | 31,041                    | CMP-AED         | 18.1                          | Net Interest Income | 23,222           | 30,128  | 31,818  | 28,748  |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 6M ADTV (\$mn)                                                                     | 16.54                     | Target Price    | 21                            | Total Revenue       | 32,507           | 43,493  | 44,520  | 40,795  |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Recommendation                                                                     | <b>Buy</b> Up/(down) side |                 |                               | 16%                 | Pre-prov. Profit | 23,252  | 32,346  | 32,664  | 29,931 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Short term rating                                                                  | <b>Positive</b>           | Free float (%)  | 38.9                          | Loan-loss charges   | (4,940)          | (1,783) | (4,243) | (4,473) |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 52wk High/Low                                                                      | 9.0-12.5                  | Div yield - TTM | 3.3%                          | Net Income          | 13,003           | 22,264  | 20,476  | 18,630  |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | <b>Balance Sheet</b>          |                     |                  |         |         |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |                           |                 | Net Loans                     | 416,604             | 457,733          | 485,158 | 508,924 |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | Investments                   | 125,807             | 140,904          | 147,949 | 155,346 |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | Total Assets                  | 741,962             | 815,909          | 858,347 | 897,371 |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | Total Deposits                | 502,953             | 555,763          | 577,994 | 601,114 |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | Wholesale Funds               | 66,288              | 71,135           | 71,135  | 71,135  |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | Total Equity                  | 84,070              | 99,822           | 113,787 | 126,537 |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | <b>Key Ratios (%)</b>         |                     |                  |         |         |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | Cost-to-income                | 28                  | 26               | 27      | 27      |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | NPL Coverage                  | 145                 | 151              | 154     | 148     |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | NPL ratio                     | 6.5                 | 6.1              | 6.0     | 6.3     |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | Loan-loss Pro/ PPP            | 21                  | 6                | 13      | 15      |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | NIM                           | 3.5                 | 4.1              | 4.1     | 3.5     |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | Loans-to-deposits             | 82.8                | 82.4             | 83.9    | 84.7    |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | Loans-to-assets               | 56.1                | 56.1             | 56.5    | 56.7    |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | <b>Fundamental Ratios (%)</b> |                     |                  |         |         |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | Leverage                      | 883                 | 817              | 754     | 709     |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | Liquid assets/ Total Asst.    | 20.0                | 20.1             | 19.8    | 19.6    |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | CAR                           | 18.3                | 20.3             | 21.7    | 22.9    |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | <b>Valuation Ratios</b>       |                     |                  |         |         |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | EPS-AED                       | 2.0                 | 3.4              | 3.2     | 2.9     |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | DPS-AED                       | 0.6                 | 1.0              | 1.0     | 0.9     |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | PE (x)                        | 9.1                 | 5.2              | 5.7     | 6.3     |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | PBV (x)                       | 1.3                 | 1.1              | 1.0     | 0.9     |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | Div yield (%)                 | 3.3                 | 5.3              | 5.3     | 4.7     |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | ROA (%)                       | 1.8                 | 2.9              | 2.5     | 2.1     |         |        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                    |                           |                 | ROE (%)                       | 20.0                | 20.1             | 19.8    | 19.6    |         |        |

**Asset Quality:** Asset quality improvement over the past few years, continued into FY23e, supported by high recoveries from improving valuation of collateralised property. This in turn boosted NPL coverage and lower loan-loss provisioning charges need. We are conservatively estimating cost of risk to rise to 90bps in FY24e from 41bps in FY23e.

**Steady NIM:** Despite high competition, domestic NIM to remain steady helped by well managed CASA deposits and better matched ALM. Deregulation of lending caps in Turkey and CPI linked bonds to continue to support overall NIM for the group. Despite that conservatively assuming 65bps NIM contraction (23-25)

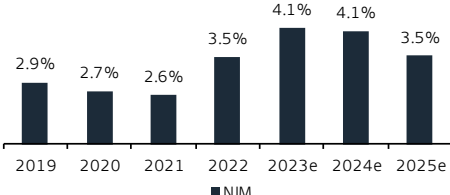
**Risks**

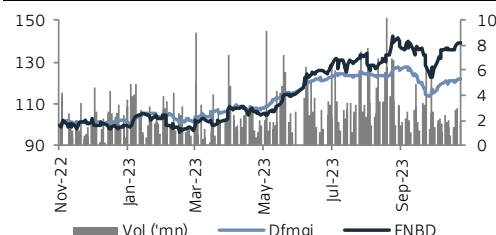
- Despite improved opex performance and CI ratio declining to 28%, management gave a longer term guidance of <33%. Higher than expected opex would continue to remain a overhang on its profitability.
- Denizbank performed well in FY23, however further TRY devaluation and hyperinflation accounting would continue to provide headwinds to the stock.
- Higher than expected price war domestically and real estate prices drop would negatively impact earnings

**Provisioning charges to wane as NPL coverage rises**

|              | 2021   | 2022   | 2023E  | 2024E  |
|--------------|--------|--------|--------|--------|
| Cost of Risk | -1.35% | -1.18% | -0.41% | -0.90% |
| NPL Cov.     | 128%   | 145%   | 151%   | 154%   |

**NIM continues to revert back**

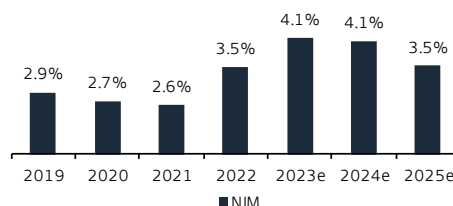




## Provisioning charges to wane as NPL coverage rises

|              | 2021   | 2022   | 2023E  | 2024E  |
|--------------|--------|--------|--------|--------|
| Cost of Risk | -1.35% | -1.18% | -0.41% | -0.90% |
| NPL Cov.     | 128%   | 145%   | 151%   | 154%   |

## NIM continues to revert back



## Risks

1. Despite improved opex performance and CI ratio declining to 28%, management gave a longer term guidance of <33%. Higher than expected opex would continue to remain an overhang on its profitability.
2. Denizbank performed well in FY23, however further TRY devaluation and hyperinflation accounting would continue to provide headwinds to the stock.
3. Higher than expected price war domestically and real estate prices drop would negatively impact earnings

Source:- Company Data, Bloomberg, SICO Research

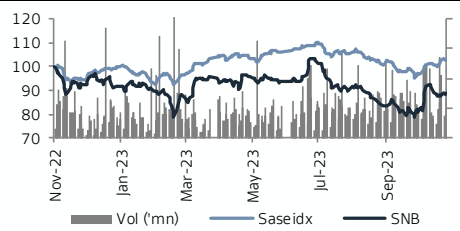
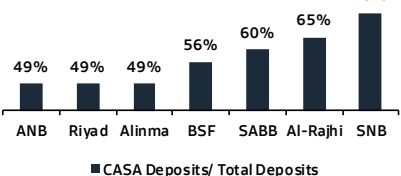
Note:- Estimates have been revised since last published

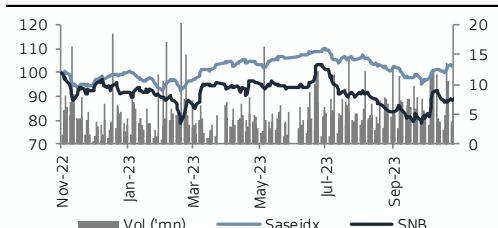


## SNB

## Banks

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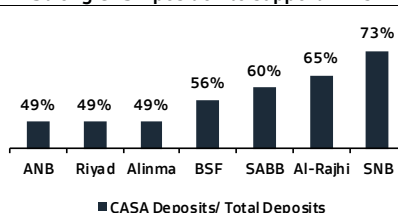
| Company Profile                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Market data & Valuation Ratios |                                |                 |            | SARmn                           | 2022        | 2023E        | 2024E        | 2025E     |          |     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|-----------------|------------|---------------------------------|-------------|--------------|--------------|-----------|----------|-----|
| <b>Investment Thesis</b><br><b>Valuations:</b> SNB is trading attractively at 1.3x/10.5-BVPS/EPS 2023 for a ROE expectation of 12.8% and an EPS growth of 10% CAGR 2023–25e, along with a healthy dividend yield of 4.9%. Mildly lowered our TP to <b>SAR 45/sh</b> . It underperformed the broader index by 13% in the last 1 year but we expect the gap to narrow.<br><b>Strong balance sheet growth:</b> SNB would report c.10% loan growth over the next couple of years, supported by a large equity book, strong Govt. relationship, low loans-to-deposits ratio (95%) among KSA banks. The prime borrowing demand within the Kingdom would originate from giga projects and shareek program, helping SNB.<br><b>Stable NIM:</b> The high share of CASA deposits of 73% (compared to 55% peers) presents a competitive advantage to the bank in an environment of elevated interest rates on the other hand, high share of fixed rated mortgage loans would provide NIM protection as interest rate tapers down, expected from 2H24.<br><b>Asset quality:</b> has remained fairly stable, with NPL ratio further declining to <1.4% helped by strong recoveries & write-offs. The CoR was low in FY23 on recoveries (<30bps) but we are expecting it to normalise at 40bps over the medium-term.<br><b>Risks</b><br>1. 'Higher for longer' interest rate scenario is unfavorable for the stock, impacting its retail book growth and would slow NIM recovery<br>2. Higher than expected inflation rates in Turkey may continue to pressurise opex management<br>3. Slower than expected giga projects roll-out would impact our expectations. We are factoring SNB to be the prime beneficiary. | M.Cap(\$mn)                    | 55,704                         | CMP-SAR         | 34.10      | Net Interest Income             | 26,286      | 27,364       | 30,254       | 31,769    |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 6M ADTV (\$mn)                 | 54.09                          | Target Price    | 45         | Total Revenue                   | 33,003      | 35,396       | 38,849       | 40,914    |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Recommendation                 | <b>Buy</b> Up/(down) side      |                 | <b>32%</b> | Pre-prov. Profit                | 23,220      | 25,514       | 28,671       | 30,431    |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Short term rating              | <b>Positive</b> Free float (%) |                 | 62.7       | Loan-loss charges               | (1,799)     | (1,527)      | (2,308)      | (2,637)   |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 52wk High/Low                  | 40.9-29.7                      | Div yield - TTM | 3.8%       | Net Income                      | 18,581      | 20,577       | 23,336       | 24,763    |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                |                                |                 |            | <b>Balance Sheet</b>            |             |              |              |           |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Net Loans                       | 542,354     | 602,297      | 656,002      | 707,195   |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Investments                     | 258,292     | 266,041      | 274,022      | 282,243   |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Total Assets                    | 942,539     | 1,029,585    | 1,096,501    | 1,160,888 |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Total Deposits                  | 568,283     | 619,429      | 668,983      | 715,812   |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Wholesale Funds                 | 28,475      | 28,475       | 28,475       | 28,475    |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Total Equity                    | 150,486     | 160,153      | 171,378      | 182,832   |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | <b>Key Ratios (%)</b>           |             |              |              |           |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Cost-to-income                  | 30          | 28           | 26           | 26        |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | NPL Coverage                    | 125         | 142          | 152          | 165       |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | NPL ratio                       | 1.6         | 1.4          | 1.4          | 1.4       |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Loan-loss Pro/ PPP              | 8           | 6            | 8            | 9         |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | NIM                             | 2.8         | 2.6          | 2.8          | 2.8       |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Loans-to-deposits               | 95.4        | 97.2         | 98.1         | 98.8      |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Loans-to-assets                 | 57.5        | 58.5         | 59.8         | 60.9      |          |     |
| <b>Provisioning charges to wane as NPL coverage rises</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                |                                |                 |            |                                 |             |              |              |           |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | <b>2021</b>                     | <b>2022</b> | <b>2023E</b> | <b>2024E</b> |           |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Cost of Risk                    | -0.77%      | -0.35%       | -0.27%       | -0.37%    |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | NPL Ratio                       | 1.67%       | 1.65%        | 1.40%        | 1.36%     |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Coverage                        | 130%        | 125%         | 142%         | 152%      |          |     |
| <b>Strong CASA position to support NIMs</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                |                                |                 |            |                                 |             |              |              |           |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                |                                |                 |            |                                 |             |              |              |           |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | ANB                             | Riyad       | Alinma       | BSF          | SABB      | Al-Rajhi | SNB |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | 49%                             | 49%         | 49%          | 56%          | 60%       | 65%      | 73% |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | ■ CASA Deposits/ Total Deposits |             |              |              |           |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | <b>Fundamental Ratios (%)</b>   |             |              |              |           |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Leverage                        | 626         | 643          | 640          | 635       |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Liquid assets/ Total Asst.      | 6.2         | 7.4          | 7.2          | 7.0       |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | CAR                             | 19.0        | 18.6         | 18.8         | 19.0      |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | <b>Valuation Ratios</b>         |             |              |              |           |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | EPS-SAR                         | 3.0         | 3.3          | 3.8          | 4.0       |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | DPS-SAR                         | 1.3         | 1.7          | 1.9          | 2.1       |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | PE (x)                          | 11.7        | 10.5         | 9.3          | 8.7       |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | PBV (x)                         | 1.4         | 1.3          | 1.2          | 1.1       |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | Div yield (%)                   | 3.6         | 4.9          | 5.4          | 6.0       |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | ROA (%)                         | -0.3        | -0.3         | -0.3         | -0.3      |          |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                |                                |                 |            | ROE (%)                         | 6.2         | 7.4          | 7.2          | 7.0       |          |     |



## Provisioning charges to wane as NPL coverage rises

|              | 2021   | 2022   | 2023E  | 2024E  |
|--------------|--------|--------|--------|--------|
| Cost of Risk | -0.77% | -0.35% | -0.27% | -0.37% |
| NPL Ratio    | 1.67%  | 1.65%  | 1.40%  | 1.36%  |
| Coverage     | 130%   | 125%   | 142%   | 152%   |

## Strong CASA position to support NIMs



Source:- Company Data, Bloomberg, SICO Research

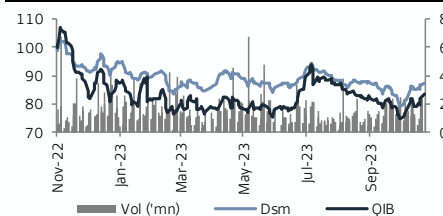
Note:- Estimates have been revised since last published



## QIB

## Banks

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| Company Profile                                                                                                                                                                                                                                                                                                                                                                                                                                       | Market data & Valuation Ratios                     |                |                               | QARmn                   | 2022                | 2023E   | 2024E   | 2025E   |         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|----------------|-------------------------------|-------------------------|---------------------|---------|---------|---------|---------|
| <b>Investment Thesis</b>                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                    |                |                               | <b>Income Statement</b> |                     |         |         |         |         |
| <b>Valuation:</b> In a challenging economic environment, QIB would be our preferred pick within Qatar, owing to a relatively better growth prospect, dominance in sharia-complaint banking, healthy fundamentals, and an attractive valuation of 1.6x/10-BVPS/EPS 2024 for a ROE expectation of 17% and an EPS growth of 10% CAGR 2023–25e, and a healthy dividend yield of 4.5%. Maintain our TP of <b>QAR 22.5/sh</b> and upgrade to <b>'Buy'</b> . | M.Cap(\$mn)                                        | 12,127         | CMP-QAR                       | 18.85                   | Net Interest Income | 3,916   | 4,018   | 4,498   | 4,741   |
| <b>Asset Quality:</b> Conservative provisioning led to one of the highest NPL coverage in the region, at 367%. The bank continues to book high provisioning of c.90bps over the past 3 years of solid operating profit, leaving headroom for adverse years. The bank's normalised cost of risk before COVID was 50–60 bps.                                                                                                                            | 6M ADTV (\$mn)                                     | 6.99           | Target Price                  | 22.5                    | Total Revenue       | 6,309   | 6,388   | 6,884   | 7,180   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Recommendation                                     | <b>Buy</b>     | Up/(down) side                | <b>19%</b>              | Pre-prov. Profit    | 5,196   | 5,245   | 5,645   | 5,880   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Short term rating                                  | <b>Neutral</b> | Free float (%)                | 76.3                    | Loan-loss charges   | (1,235) | (1,143) | (1,053) | (898)   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 52wk High/Low                                      | 24.5-16.8      | Div yield - TTM               | 3.3%                    | Net Income          | 4,005   | 4,147   | 4,637   | 5,029   |
|                                                                                                                                                                                                                                                                                                                                                                     | <b>Conservative provisioning boosting coverage</b> |                |                               | <b>Balance Sheet</b>    |                     |         |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 2015-19 2020-22 2023-26                            |                |                               | Net Loans               | 119,285             | 122,125 | 126,001 | 132,917 |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Cost of Risk                                       | 0.4%           | 1.1%                          | 0.7%                    | Investments         | 45,774  | 47,605  | 49,509  | 51,490  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Avg. NPL Coverage                                  | 124%           | 266%                          | 344.0%                  | Total Assets        | 184,001 | 188,199 | 194,728 | 204,542 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                |                               | Total Deposits          | 122,371             | 126,042 | 136,125 | 147,015 |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                |                               | Wholesale Funds         | 16,453              | 16,453  | 16,453  | 16,453  |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                |                               | Total Equity            | 23,257              | 25,444  | 27,885  | 30,482  |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                |                               | <b>Key Ratios (%)</b>   |                     |         |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                |                               | Cost-to-income          | 18                  | 18      | 18      | 18      |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                |                               | NPL Coverage            | 310                 | 309     | 350     | 374     |         |
| <b>Risks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                    |                |                               | NPL ratio               | 1.5                 | 1.8     | 1.8     | 1.8     |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                |                               | Loan-loss Pro/ PPP      | 24                  | 22      | 19      | 15      |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                |                               | NIM                     | 2.2                 | 2.3     | 2.5     | 2.5     |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                |                               | Loans-to-deposits       | 97.5                | 96.9    | 92.6    | 90.4    |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                |                               | Loans-to-assets         | 64.8                | 64.9    | 64.7    | 65.0    |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                | <b>Fundamental Ratios (%)</b> |                         |                     |         |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                | Leverage                      | 791                     | 740                 | 698     | 671     |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                | Liquid assets/ Total Asst.    | 6.1                     | 5.5                 | 5.5     | 5.4     |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                | CAR                           | 19.9                    | 22.6                | 23.7    | 24.3    |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                | <b>Valuation Ratios</b>       |                         |                     |         |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                | EPS-QAR                       | 1.6                     | 1.7                 | 1.9     | 2.0     |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                | DPS-QAR                       | 0.6                     | 0.8                 | 0.9     | 1.0     |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                | PE (x)                        | 11.7                    | 11.3                | 10.0    | 9.2     |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                | PBV (x)                       | 1.9                     | 1.8                 | 1.6     | 1.5     |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                | Div yield (%)                 | 3.3                     | 4.0                 | 4.5     | 5.0     |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                | ROA (%)                       | 2.1                     | 2.2                 | 2.4     | 2.5     |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                    |                | ROE (%)                       | 6.1                     | 5.5                 | 5.5     | 5.4     |         |         |

Source:- Company Data, Bloomberg, SICO Research

Note:- Estimates have been revised since last published

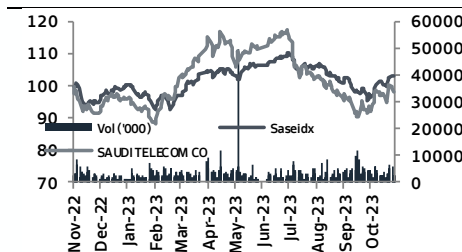


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STC

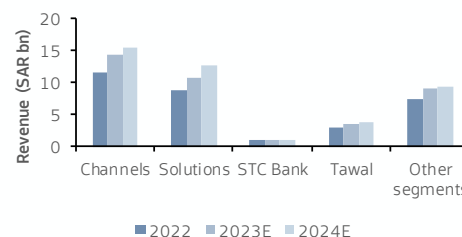
Telecom

| Company Profile                                                                                                                                                                                                                                                                                                                     | Market data & Valuation Ratios |                |                 |            | SAR mn                    | 2022    | 2023E    | 2024E    | 2025E    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------|-----------------|------------|---------------------------|---------|----------|----------|----------|
| <b>Investment Thesis</b>                                                                                                                                                                                                                                                                                                            |                                |                |                 |            | <b>Income Statement</b>   |         |          |          |          |
| <b>Growth from subsidiaries and new age businesses</b> - STC's subsidiaries is witnessing strong growth, especially in Channels, Solutions, Tawal and smaller entities in "other operating segments. Accordingly, despite weakness in KSA enterprise segment, overall growth will remain in mid to high single digits for STC Group | M.Cap(\$mn)                    | 50,859         | CMP-SAR         | 38.15      | Revenues                  | 67,432  | 73,473   | 78,216   | 82,552   |
|                                                                                                                                                                                                                                                                                                                                     | 6M ADTV (\$mn)                 | 44.58          | Target Price    | 48         | Gross Profit              | 37,393  | 38,679   | 41,226   | 43,561   |
|                                                                                                                                                                                                                                                                                                                                     | Recommendation                 | <b>Buy</b>     | Up/(down) side  | <b>26%</b> | EBITDA                    | 25,079  | 25,247   | 26,914   | 28,443   |
|                                                                                                                                                                                                                                                                                                                                     | Short term rating              | <b>Neutral</b> | Free float (%)  | 36.0       | EBIT                      | 15,088  | 14,784   | 15,781   | 16,864   |
|                                                                                                                                                                                                                                                                                                                                     | 52wk High/Low                  | 46.0--34.0     | Div yield - TTM | 4.2%       | Net Income                | 12,171  | 14,286   | 14,071   | 14,916   |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | <b>Balance Sheet</b>      |         |          |          |          |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | Net Fixed Assets          | 46,645  | 47,340   | 48,233   | 49,266   |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | Cash and Equiv.           | 17,794  | 13,470   | 12,068   | 13,806   |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | Total current assets      | 60,933  | 65,383   | 66,189   | 69,804   |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | Total Debt                | 13,787  | 25,541   | 21,853   | 20,862   |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | Total current liabilities | 36,400  | 44,684   | 41,563   | 40,955   |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | Total Equity              | 76,026  | 82,529   | 87,315   | 92,458   |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | Total Assets/Liabilities  | 137,220 | 155,203  | 156,772  | 161,190  |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | <b>Cash Flow</b>          |         |          |          |          |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | CF from Operations        | 26,354  | 20,880   | 23,414   | 24,871   |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | CAPEX                     | (7,702) | (13,367) | (8,481)  | (8,736)  |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | CF from Investing         | (8,579) | (25,169) | (9,282)  | (9,948)  |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | Dividends                 | (8,225) | (8,000)  | (9,500)  | (10,000) |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | CF from Financing         | (8,256) | (593)    | (15,759) | (13,349) |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | Net Cashflow              | 9,520   | (4,882)  | (1,627)  | 1,574    |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | <b>Ratios</b>             |         |          |          |          |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | ROA (%)                   | 9.3     | 9.9      | 9.2      | 9.5      |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | ROE (%)                   | 17.0    | 18.6     | 17.1     | 17.2     |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | Net Debt/Equity (%)       | (5.3)   | 14.6     | 11.2     | 7.6      |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | Interest Cov. (x)         | 21.7    | 13.0     | 11.7     | 14.8     |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | <b>Valuation Ratios</b>   |         |          |          |          |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | EPS-SAR                   | 2.4     | 2.9      | 2.8      | 3.0      |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | DPS-SAR                   | 2.8     | 1.6      | 2.0      | 2.0      |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | PE (x)                    | 15.7    | 13.4     | 13.6     | 12.8     |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | PBV (x)                   | 2.6     | 2.4      | 2.3      | 2.1      |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | EV/EBITDA (x)             | 7.3     | 7.9      | 7.3      | 6.8      |
|                                                                                                                                                                                                                                                                                                                                     |                                |                |                 |            | Div yield (%)             | 7.3     | 4.2      | 5.2      | 5.2      |



| Key metrics %   | 2022 | 2023E | 2024E | 2025E |
|-----------------|------|-------|-------|-------|
| Gross Margin    | 53.0 | 55.5  | 52.6  | 52.7  |
| EBIT Margin     | 22.4 | 20.1  | 20.2  | 20.4  |
| EBITDA Margin   | 37.2 | 34.4  | 34.4  | 34.5  |
| Net Margin      | 18.0 | 19.4  | 18.0  | 18.1  |
| Revenue Growth  | 7.0  | 9.0   | 6.5   | 5.5   |
| Earnings Growth | 11.6 | 17.4  | (1.5) | 6.0   |

STC Segments performance\*



## Risks

**Overhang of further stake offload by PIF** - There is always a possibility of further stake reduction by PIF which is at 64% currently.

**Higher competitive intensity** - Increasing margin compression from higher competitive intensity in both mobile segment (including MVNOs) and enterprise segment

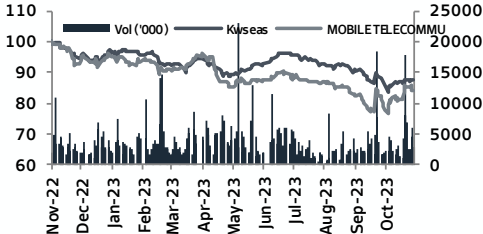
Source:- Company Data, Bloomberg, SICO Research. \*Includes all other Opcos except STC KSA Telco ops and excludes inter company eliminations



## Zain Group

## Telecom

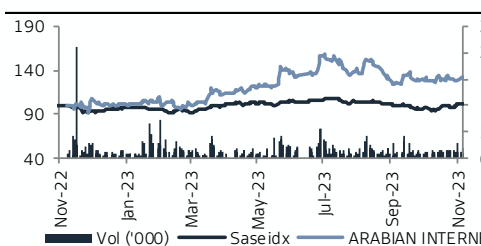
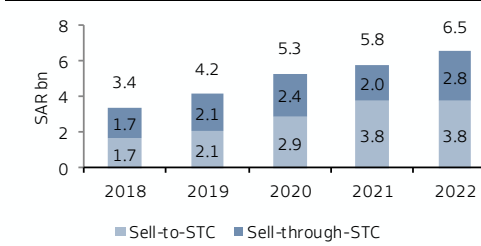
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| Company Profile                                                                                                                                                                                                                                                                                   | Market data & Valuation Ratios                                                     |                |                 |                | Kwd mn                    | 2022   | 2023E | 2024E | 2025E |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------|-----------------|----------------|---------------------------|--------|-------|-------|-------|
| <b>Investment Thesis</b>                                                                                                                                                                                                                                                                          |                                                                                    |                |                 |                | <b>Income Statement</b>   |        |       |       |       |
| <b>Dividend commitment a key positive</b> – Zain's 35 fils/sh 3 years commitment (2023-25) is a key investment thesis for the telco. We believe the telco has the ability to pay this dividend and upstreaming of cash other than Sudan is not an issue from opcos.                               | M.Cap(\$mn)                                                                        | 7,006          | CMP-KWd         | 499            | Revenues                  | 1,728  | 1,907 | 1,984 | 2,064 |
|                                                                                                                                                                                                                                                                                                   | 6M ADTV (\$mn)                                                                     | 489.15         | Target Price    | 600            | Gross Profit              | 1,162  | 1,297 | 1,344 | 1,394 |
|                                                                                                                                                                                                                                                                                                   | Recommendation                                                                     | <b>Buy</b>     |                 | Up/(down) side | <b>20%</b>                | EBITDA | 652   | 708   | 725   |
|                                                                                                                                                                                                                                                                                                   | Short term rating                                                                  | <b>Neutral</b> |                 | Free float (%) | 51.6                      | EBIT   | 316   | 377   | 381   |
|                                                                                                                                                                                                                                                                                                   | 52wk High/Low                                                                      | 5.0--451.0     | Div yield - TTM | 7.0%           | Net Income                | 196    | 224   | 217   | 222   |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | <b>Balance Sheet</b>      |        |       |       |       |
| <b>Iraq and Saudi operations to drive growth</b> - Strong macros, gaining market share from Korek is positive for Iraq. Saudi to benefit from population Growth and Giga projects (Red Sea)                                                                                                       |  |                |                 |                | Net Fixed Assets          | 1,068  | 1,116 | 1,153 | 1,194 |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | Cash and Equiv.           | 240    | 313   | 361   | 373   |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | Total current assets      | 1,437  | 1,478 | 1,555 | 1,627 |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | Total Debt                | 1,452  | 1,411 | 1,397 | 1,382 |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | Total current liabilities | 1,387  | 1,353 | 1,369 | 1,383 |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | Total Equity              | 1,896  | 2,037 | 2,141 | 2,241 |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | Total Assets/Liabilities  | 4,950  | 5,090 | 5,210 | 5,323 |
| <b>Fintech Growth and Ooredoo TASC tower deal positive</b> – Across Group Opco (esp KSA) Zain is successfully rolling out Fintech solutions which will drive profits. Further, Tower Co deal of TASC with Ooredoo should bring is operational savings and better profits in the coming years.     |                                                                                    |                |                 |                | <b>Cash Flow</b>          |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | CF from Operations        | 499    | 547   | 680   | 708   |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | CAPEX                     | (260)  | (305) | (343) | (354) |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | CF from Investing         | (265)  | (83)  | (301) | (351) |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | Dividends                 | (142)  | (151) | (151) | (151) |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | CF from Financing         | (224)  | (388) | (323) | (315) |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | Net Cashflow              | 5      | 72    | 52    | 38    |
| <b>Sudan operations stable despite headwinds</b> - While the strong underlying growth in Sudan is affected due to the conflict, the operations have sequentially stabilised. Zain is able to maintain its network and ops and has created reasonable provisions for any unforeseen eventualities. |                                                                                    |                |                 |                | <b>Ratios</b>             |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | ROA (%)                   | 4.0    | 4.5   | 4.2   | 4.2   |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | ROE (%)                   | 16.2   | 17.7  | 16.3  | 15.8  |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | Net Debt/Equity (%)       | 63.9   | 53.9  | 48.4  | 45.0  |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | Interest Cov. (x)         | 3.6    | 3.0   | 3.2   | 3.5   |
| <b>Risks</b>                                                                                                                                                                                                                                                                                      |                                                                                    |                |                 |                | <b>Valuation Ratios</b>   |        |       |       |       |
| <b>Worsening of Sudan crisis</b> - Significant damage to infrastructure                                                                                                                                                                                                                           |                                                                                    |                |                 |                | EPS-KWd                   | 45.3   | 51.7  | 50.2  | 51.3  |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | DPS-KWd                   | 35.0   | 35.0  | 35.0  | 35.0  |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | PE (x)                    | 11.0   | 9.7   | 9.9   | 9.7   |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | PBV (x)                   | 1.8    | 1.7   | 1.6   | 1.5   |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | EV/EBITDA (x)             | 5.3    | 4.8   | 4.6   | 4.4   |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                | Div yield (%)             | 7.0    | 7.0   | 7.0   | 7.0   |
| <b>Inability to pay committed dividends</b> – Although unlikely, any dividend payout lower than 35 fils could be a downside risk for the stock                                                                                                                                                    |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
|                                                                                                                                                                                                                                                                                                   |                                                                                    |                |                 |                |                           |        |       |       |       |
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## Solutions by STC

## IT services

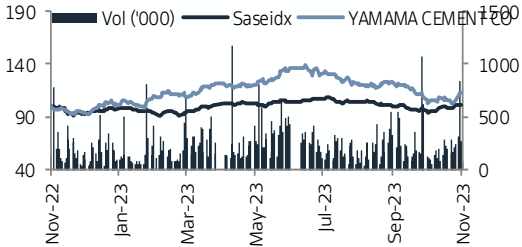
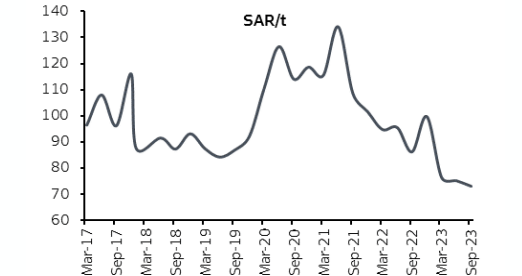
| Company Profile                                                                                                                                                                                                                                                                                                                                                     | Market data & Valuation Ratios                                                      |            |              |                 | SAR mn                                                     | 2022       | 2023E  | 2024E   | 2025E   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------|--------------|-----------------|------------------------------------------------------------|------------|--------|---------|---------|
| Investment Thesis                                                                                                                                                                                                                                                                                                                                                   |                                                                                     |            |              |                 | Income Statement                                           |            |        |         |         |
| <b>Capitalising on STC's relationship:</b> This provides a strong footing for Solutions within the KSA ICT space and enables it to capitalize on STC's bandwidth, customer base, reputation, technology providers and resources.                                                                                                                                    | M.Cap(\$mn)                                                                         | 10,136     | CMP-SAR      | 317             | Revenues                                                   | 8,805      | 10,711 | 12,632  | 14,581  |
| <b>Successfully diversifying into private sector:</b> rising private sector's contribution to the topline (22% in 9M23, vs 13% in FY18), with growth primarily driven by sell-through-STC, Solutions' own capabilities, and recent acquisitions - Giza and CCC.                                                                                                     | 6M ADTV (\$mn)                                                                      | 14.20      | Target Price | 365             | Gross Profit                                               | 2,011      | 2,639  | 3,037   | 3,520   |
| <b>Tapping onto vast potential from Government business:</b> Solutions' government business has witnessed steady growth of 20% CAGR in (FY17-22).                                                                                                                                                                                                                   | Recommendation                                                                      | Buy        |              | Up/(down) side  | 15%                                                        | EBITDA     | 1,392  | 1,601   | 1,886   |
| <b>Market leader</b> with a 20% market share as at FY22. We expect its market share to continue growing owing to i) Solutions' advantage of scalability and ability to bundle/cross sell better than its peers, ii) their one-stop-shop offerings, and iii) the company's ability to leverage on their strong balance sheet and reach to pursue opportunistic M&As. | Short term rating                                                                   | Positive   |              | Free float (%)  | 20.0                                                       | EBIT       | 1,160  | 1,283   | 1,500   |
|                                                                                                                                                                                                                                                                                                                                                                     | 52wk High/Low                                                                       | 2.2--216.8 |              | Div yield - TTM | 2%                                                         | Net Income | 1,055  | 1,163   | 1,356   |
|                                                                                                                                                                                                                                                                                                                                                                     |   |            |              |                 | <b>Balance Sheet</b>                                       |            |        |         |         |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Net Fixed Assets                                           | 473        | 688    | 735     | 816     |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Cash and Equiv.                                            | 3,245      | 3,022  | 3,113   | 3,063   |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Total current assets                                       | 9,383      | 9,930  | 10,813  | 11,764  |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Total Debt                                                 | 3,269      | 3,521  | 3,937   | 4,425   |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Total current liabilities                                  | 6,462      | 6,916  | 7,582   | 8,328   |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Total Equity                                               | 2,852      | 3,491  | 3,716   | 3,964   |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Total Assets/Liabilities                                   | 10,282     | 11,419 | 12,313  | 13,309  |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | <b>Cash Flow</b>                                           |            |        |         |         |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | CF from Operations                                         | 1,871      | 1,166  | 1,617   | 1,768   |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | CAPEX                                                      | (155)      | (533)  | (434)   | (525)   |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | CF from Investing                                          | (429)      | (906)  | (394)   | (486)   |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Dividends                                                  | -          | -      | -       | -       |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | CF from Financing                                          | 195        | (483)  | (1,132) | (1,332) |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Net Cashflow                                               | 1,637      | (223)  | 92      | (50)    |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | <b>Ratios</b>                                              |            |        |         |         |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | ROA (%)                                                    | 12.1       | 10.7   | 11.4    | 12.3    |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | ROE (%)                                                    | 41.4       | 37.0   | 37.9    | 41.4    |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Net Debt/Equity (%)                                        | 0.8        | 14.3   | 22.2    | 34.4    |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Interest Cov. (x)                                          | 30.6       | 26.3   | 35.9    | 45.6    |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | <b>Valuation Ratios</b>                                    |            |        |         |         |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | EPS-SAR                                                    | 8.8        | 9.7    | 11.3    | 13.2    |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | DPS-SAR                                                    | 5.0        | 5.7    | 6.5     | 7.6     |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | PE (x)                                                     | 34.1       | 30.9   | 26.5    | 22.8    |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | PBV (x)                                                    | 12.6       | 10.3   | 9.7     | 9.1     |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | EV/EBITDA (x)                                              | 20.8       | 22.7   | 19.2    | 16.5    |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Div yield (%)                                              | 1.7        | 1.9    | 2.2     | 2.5     |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | <b>Key metrics %</b>                                       | 2022       | 2023E  | 2024E   | 2025E   |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Gross Margin                                               | 22.8       | 24.6   | 24.0    | 24.1    |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | EBIT Margin                                                | 13.2       | 12.0   | 11.9    | 12.0    |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | EBITDA Margin                                              | 15.8       | 15.0   | 14.9    | 15.0    |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Net Margin                                                 | 12.0       | 10.9   | 10.7    | 10.8    |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Revenue Growth                                             | 22.2       | 21.6   | 17.9    | 15.4    |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | Earnings Growth                                            | 26.6       | 10.3   | 16.6    | 16.4    |
|                                                                                                                                                                                                                                                                                                                                                                     |                                                                                     |            |              |                 | <b>Solutions' business with STC (75% of total revenue)</b> |            |        |         |         |
|                                                                                                                                                                                                                                                                                                                                                                     |  |            |              |                 |                                                            |            |        |         |         |

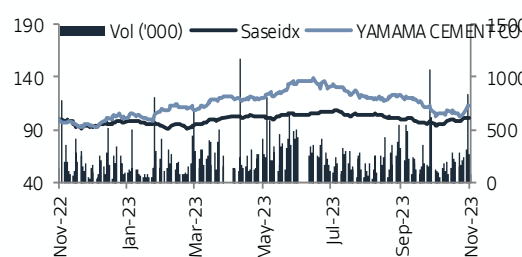
Source:- Company Data, Bloomberg, SICO Research.



## Yamama Cement

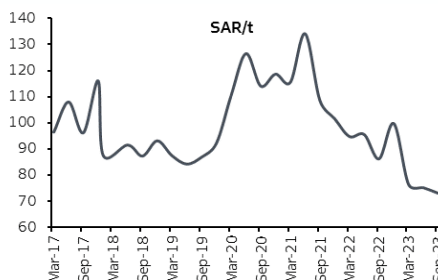
## Building Materials

| Company Profile                                                                                                                                                                                                                                                                                                                                                                                                                             |                   | Market data & Valuation Ratios |              |       | SAR mn             | 2022                      | 2023E | 2024E | 2025E |       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------|--------------|-------|--------------------|---------------------------|-------|-------|-------|-------|
| <b>Investment Thesis</b>                                                                                                                                                                                                                                                                                                                                                                                                                    |                   |                                |              |       |                    | <b>Income Statement</b>   |       |       |       |       |
| <b>Play on Riyadh developments</b> - YACCO operates in the central region with a capacity of c.7mtpa, making it one of the larger cement producers within the kingdom. We believe that Riyadh stands to gain significantly from the Vision 2030 push which will drive both demand for housing and hospitality (currently an underserved market compared to Dubai/Abu Dhabi/Doha) and in-turn propel a construction boom in the years ahead. | M.Cap(\$mn)       | 1,693                          | CMP-SAR      | 31.35 | Revenues           | 1,023                     | 1,153 | 1,286 | 1,276 |       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             | 6M ADTV (\$mn)    | 2.32                           | Target Price | 39    | EBITDA             | 368                       | 614   | 720   | 715   |       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             | Recommendation    | <b>BUY</b> Up/(down) side      |              |       | <b>24%</b> EBIT    | 332                       | 438   | 543   | 538   |       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             | Short term rating | <b>Neutral</b> Free float (%)  |              |       | 88.9 Net Income    | 356                       | 451   | 515   | 510   |       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             | 52wk High/Low     | 38.6--25.3 Div yield - TTM     |              |       | 3.2%               |                           |       |       |       |       |
|                                                                                                                                                                                                                                                                                                                                                           |                   |                                |              |       |                    | <b>Balance Sheet</b>      |       |       |       |       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             |                   |                                |              |       |                    | Net Fixed Assets          | 4,994 | 5,022 | 5,050 | 5,079 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             |                   |                                |              |       |                    | Cash and Equiv.           | 301   | 301   | 301   | 301   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             |                   |                                |              |       |                    | Total current assets      | 754   | 867   | 867   | 867   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             |                   |                                |              |       |                    | Total Debt                | 1,109 | 1,001 | 718   | 439   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             |                   |                                |              |       |                    | Total current liabilities | 739   | 739   | 739   | 739   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             |                   |                                |              |       |                    | Total Equity              | 4,651 | 4,899 | 5,212 | 5,520 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             |                   |                                |              |       |                    | Total Assets/Liabilities  | 6,351 | 6,492 | 6,521 | 6,550 |
| <b>Key metrics %</b>                                                                                                                                                                                                                                                                                                                                                                                                                        |                   |                                |              |       |                    | <b>Cash Flow</b>          |       |       |       |       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             | 2022              | 2023E                          | 2024E        | 2025E | CF from Operations | 518                       | 510   | 686   | 681   |       |
| EBIT Margin                                                                                                                                                                                                                                                                                                                                                                                                                                 | 32.5              | 38.0                           | 42.2         | 42.1  | CAPEX              | (426)                     | (200) | (200) | (200) |       |
| EBITDA Margin                                                                                                                                                                                                                                                                                                                                                                                                                               | 35.9              | 53.3                           | 56.0         | 56.0  | CF from Investing  | (441)                     | (200) | (200) | (200) |       |
| Net Margin                                                                                                                                                                                                                                                                                                                                                                                                                                  | 34.8              | 39.1                           | 40.1         | 40.0  | Dividends          | (0)                       | (203) | (203) | (203) |       |
| Revenue Growth                                                                                                                                                                                                                                                                                                                                                                                                                              | 39.0              | 12.7                           | 11.6         | (0.7) | CF from Financing  | (76)                      | (203) | (203) | (203) |       |
| Earnings Growth                                                                                                                                                                                                                                                                                                                                                                                                                             | 121.5             | 26.6                           | 14.4         | (1.0) | Net Cashflow       | 2                         | 107   | 284   | 279   |       |
| <b>Yamama Cement's cash cost of production</b>                                                                                                                                                                                                                                                                                                                                                                                              |                   |                                |              |       |                    | <b>Ratios</b>             |       |       |       |       |
|                                                                                                                                                                                                                                                                                                                                                          |                   |                                |              |       |                    | ROA (%)                   | 5.8   | 7.0   | 7.9   | 7.8   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             |                   |                                |              |       |                    | ROE (%)                   | 8.0   | 9.4   | 10.2  | 9.5   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             |                   |                                |              |       |                    | Net Debt/Equity (%)       | 17.4  | 14.3  | 8.0   | 2.5   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             |                   |                                |              |       |                    | <b>Valuation Ratios</b>   |       |       |       |       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                             |                   |                                |              |       |                    | EPS-SAR                   | 1.6   | 2.2   | 2.5   | 2.5   |
| DPS-SAR                                                                                                                                                                                                                                                                                                                                                                                                                                     | 1.0               | 1.0                            | 1.0          | 1.0   |                    |                           |       |       |       |       |
| PE (x)                                                                                                                                                                                                                                                                                                                                                                                                                                      | 21.3              | 15.3                           | 13.4         | 13.5  |                    |                           |       |       |       |       |
| PBV (x)                                                                                                                                                                                                                                                                                                                                                                                                                                     | 1.5               | 1.4                            | 1.3          | 1.3   |                    |                           |       |       |       |       |
| EV/EBITDA (x)                                                                                                                                                                                                                                                                                                                                                                                                                               | 20.9              | 12.4                           | 10.1         | 9.8   |                    |                           |       |       |       |       |
| Div yield (%)                                                                                                                                                                                                                                                                                                                                                                                                                               | 2.9               | 2.9                            | 2.9          | 2.9   |                    |                           |       |       |       |       |
| <b>Risks:</b> Lower than expected demand & prices. An upward repricing of gas, which may be difficult to pass on because of chronic oversupply in the sector. Higher interest expenses                                                                                                                                                                                                                                                      |                   |                                |              |       |                    |                           |       |       |       |       |



| Key metrics %   | 2022  | 2023E | 2024E | 2025E |
|-----------------|-------|-------|-------|-------|
| EBIT Margin     | 32.5  | 38.0  | 42.2  | 42.1  |
| EBITDA Margin   | 35.9  | 53.3  | 56.0  | 56.0  |
| Net Margin      | 34.8  | 39.1  | 40.1  | 40.0  |
| Revenue Growth  | 39.0  | 12.7  | 11.6  | (0.7) |
| Earnings Growth | 121.5 | 26.6  | 14.4  | (1.0) |

## Yamama Cement's cash cost of production

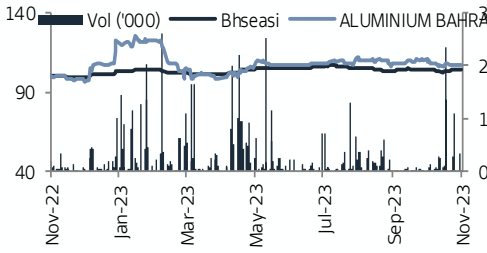


Source:- Company Data, Bloomberg, SICO Research.



# Aluminium Bahrain

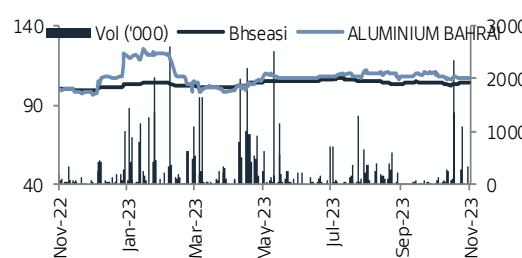
## Metals & Mining

| Company Profile                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       | Market data & Valuation Ratios |       |       | BHD mn | 2022                      | 2023E                         | 2024E   | 2025E        |                   |              |       |       |       |     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|--------------------------------|-------|-------|--------|---------------------------|-------------------------------|---------|--------------|-------------------|--------------|-------|-------|-------|-----|
| <b>Investment Thesis</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                            |       |                                |       |       |        | <b>Income Statement</b>   |                               |         |              |                   |              |       |       |       |     |
| <b>Higher for longer energy prices lending support to aluminium prices</b> - Despite a prolonged manufacturing recession and epic destocking after the excesses of 2021/22, aluminium prices remain well above USD 2000/t and spreads vs alumina >USD 1500/t. Consensus forecasts of coal remain upwards of USD 100/t for the foreseeable future and alumina could see downward pressure from arrival of new supply and spreads are therefore likely to sustain at elevated levels. |       |                                |       |       |        | M.Cap(\$mn)               | 4,106                         | CMP-BHD | 1.09         | Revenues          | 1,841        | 1,520 | 1,508 | 1,624 |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       |                                |       |       |        | 6M ADTV (\$mn)            |                               | 0.05    | Target Price | 1.5               | Gross Profit | 546   | 319   | 275   | 385 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       |                                |       |       |        | Recommendation            | <b>Buy</b> Up/(down) side     |         |              | <b>38%</b> EBITDA | 555          | 303   | 291   | 398   |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       |                                |       |       |        | Short term rating         | <b>Neutral</b> Free float (%) |         |              | 10.0              | EBIT         | 428   | 183   | 178   | 287 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       |                                |       |       |        | 52wk High/Low             | 1.3--1.0 Div yield - TTM      |         |              | 9.1%              | Net Income   | 416   | 154   | 145   | 270 |
|                                                                                                                                                                                                                                                                                                                                                                                                   |       |                                |       |       |        | <b>Balance Sheet</b>      |                               |         |              |                   |              |       |       |       |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       |                                |       |       |        | Net Fixed Assets          | 1,777                         | 1,657   | 1,543        | 1,432             |              |       |       |       |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       |                                |       |       |        | Cash and Equiv.           | 94                            | 98      | 103          | 108               |              |       |       |       |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       |                                |       |       |        | Total current assets      | 715                           | 821     | 831          | 855               |              |       |       |       |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       |                                |       |       |        | Total Debt                | 630                           | 648     | 513          | 279               |              |       |       |       |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       |                                |       |       |        | Total current liabilities | 283                           | 276     | 278          | 279               |              |       |       |       |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       |                                |       |       |        | Total Equity              | 1,822                         | 1,809   | 1,908        | 2,113             |              |       |       |       |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       |                                |       |       |        | Total Assets/Liabilities  | 2,617                         | 2,642   | 2,609        | 2,581             |              |       |       |       |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       |                                |       |       |        | <b>Cash Flow</b>          |                               |         |              |                   |              |       |       |       |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |       |                                |       |       |        | CF from Operations        | 521                           | 244     | 256          | 364               |              |       |       |       |     |
| CAPEX                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | (100) | (90)                           | (70)  | (60)  |        |                           |                               |         |              |                   |              |       |       |       |     |
| CF from Investing                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | (99)  | (90)                           | (70)  | (60)  |        |                           |                               |         |              |                   |              |       |       |       |     |
| Dividends                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (120) | (167)                          | (46)  | (65)  |        |                           |                               |         |              |                   |              |       |       |       |     |
| CF from Financing                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | (430) | (149)                          | (181) | (299) |        |                           |                               |         |              |                   |              |       |       |       |     |
| Net Cashflow                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | (8)   | 5                              | 5     | 5     |        |                           |                               |         |              |                   |              |       |       |       |     |
| <b>Ratios</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |       |                                |       |       |        |                           |                               |         |              |                   |              |       |       |       |     |
| ROA (%)                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 15.9  | 5.8                            | 5.5   | 10.3  |        |                           |                               |         |              |                   |              |       |       |       |     |
| ROE (%)                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 25.0  | 8.5                            | 7.8   | 13.4  |        |                           |                               |         |              |                   |              |       |       |       |     |
| Net Debt/Equity (%)                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 29.4  | 30.4                           | 21.5  | 8.1   |        |                           |                               |         |              |                   |              |       |       |       |     |
| Interest Cov. (x)                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 37.9  | 6.4                            | 5.6   | 18.1  |        |                           |                               |         |              |                   |              |       |       |       |     |
| <b>Valuation Ratios</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                             |       |                                |       |       |        |                           |                               |         |              |                   |              |       |       |       |     |
| EPS-BHD                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 0.3   | 0.1                            | 0.1   | 0.2   |        |                           |                               |         |              |                   |              |       |       |       |     |
| DPS-BHD                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 0.1   | 0.0                            | 0.0   | 0.1   |        |                           |                               |         |              |                   |              |       |       |       |     |
| PE (x)                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 3.7   | 10.0                           | 10.6  | 5.7   |        |                           |                               |         |              |                   |              |       |       |       |     |
| PBV (x)                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 0.8   | 0.9                            | 0.8   | 0.7   |        |                           |                               |         |              |                   |              |       |       |       |     |
| EV/EBITDA (x)                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 3.8   | 6.9                            | 6.7   | 4.3   |        |                           |                               |         |              |                   |              |       |       |       |     |
| Div yield (%)                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 10.8  | 3.0                            | 4.2   | 8.7   |        |                           |                               |         |              |                   |              |       |       |       |     |

|                                                                                                                                                                                                                                                                                                                                                      |  |  |  |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|
| <b>Block-4 power project (680MW) has very good economics</b> and could save fuel costs to the tune of USD 80mn+ per annum driving a <4 year payback period for the project.                                                                                                                                                                          |  |  |  |  |
| The <b>status quo on gas price</b> and extension of supply agreements for five years removes a key overhang and could improve the odds of a dual-listing.                                                                                                                                                                                            |  |  |  |  |
| <b>Buy with TP of BHD 1.5/sh.</b> Valuations are undemanding. While we project lower dividends and implied yields are below par, FCF yields remain in double digits. Our forecast of dividends assumes that the company will prioritize deleveraging over cash returns.                                                                              |  |  |  |  |
| <b>Risks:</b> Weaker than expected aluminium prices and premiums. Aluminium cost curve is heavily influenced by global cost of energy, especially coal. Should coal prices soften materially, one could expect aluminium prices to follow. Higher than expected aluminium costs. Lower than expected production and sales. Higher interest expenses. |  |  |  |  |

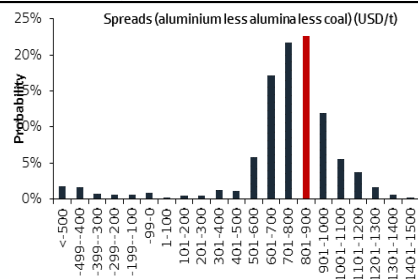
| Key metrics %   | 2022  | 2023E  | 2024E | 2025E |
|-----------------|-------|--------|-------|-------|
| Gross Margin    | 29.6  | 21.0   | 18.3  | 23.7  |
| EBIT Margin     | 23.2  | 12.0   | 11.8  | 17.6  |
| EBITDA Margin   | 30.2  | 19.9   | 19.3  | 24.5  |
| Net Margin      | 22.6  | 10.1   | 9.6   | 16.6  |
| Revenue Growth  | 16.2  | (17.4) | (0.8) | 7.7   |
| Earnings Growth | (7.9) | (63.1) | (5.5) | 86.0  |

|                                                  |                                                    |
|--------------------------------------------------|----------------------------------------------------|
| <b>Record high members; reducing seasonality</b> |                                                    |
| Probability                                      | Spreads (aluminium less alumina less coal) (USD/t) |
| 25%                                              |                                                    |
| 20%                                              |                                                    |
| 15%                                              |                                                    |
| 10%                                              |                                                    |
| 5%                                               |                                                    |
| 0%                                               |                                                    |
|                                                  | <-500                                              |
|                                                  | -499--400                                          |
|                                                  | -399--300                                          |
|                                                  | -299--200                                          |
|                                                  | -199--100                                          |
|                                                  | -99-0                                              |
|                                                  | 1-100                                              |
|                                                  | 101-200                                            |
|                                                  | 201-300                                            |
|                                                  | 301-400                                            |
|                                                  | 401-500                                            |
|                                                  | 501-600                                            |
|                                                  | 601-700                                            |
|                                                  | 701-800                                            |
|                                                  | 801-900                                            |
|                                                  | 901-1000                                           |
|                                                  | 1001-1100                                          |
|                                                  | 1101-1200                                          |
|                                                  | 1201-1300                                          |
|                                                  | 1301-1400                                          |
|                                                  | 1401-1500                                          |



| Key metrics %   | 2022  | 2023E  | 2024E | 2025E |
|-----------------|-------|--------|-------|-------|
| Gross Margin    | 29.6  | 21.0   | 18.3  | 23.7  |
| EBIT Margin     | 23.2  | 12.0   | 11.8  | 17.6  |
| EBITDA Margin   | 30.2  | 19.9   | 19.3  | 24.5  |
| Net Margin      | 22.6  | 10.1   | 9.6   | 16.6  |
| Revenue Growth  | 16.2  | (17.4) | (0.8) | 7.7   |
| Earnings Growth | (7.9) | (63.1) | (5.5) | 86.0  |

### Record high members; reducing seasonality



**Risks:** Weaker than expected aluminium prices and premiums. Aluminium cost curve is heavily influenced by global cost of energy, especially coal. Should coal prices soften materially, one could expect aluminium prices to follow. Higher than expected aluminium costs. Lower than expected production and sales. Higher interest expenses.

Source:- Company Data, Bloomberg, SICO Research.

# Industries Qatar

## Petrochemicals

### Company Profile

### Market data & Valuation Ratios

### QAR mn

### 2022

### 2023E

### 2024E

### 2025E

### Investment Thesis

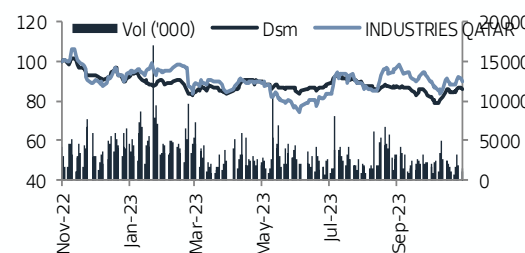
**Safe harbour, diversified company within the petchem sector** - IQCD major businesses constitute nitrogen fertilizers, petrochemicals and small contribution from steel. We see a stable price trend for nitrogen in 2024 given that gas prices remain elevated, the European energy crisis is not fully resolved, and urea to corn ratios are broadly in-line with the two-decade median implying that affordability is not an issue. 3Q costs reflected significantly lower gas prices following the outflow of higher cost fertilizer inventory in 1H. But for any shocks in the price of nitrogen, we expect gas costs to remain stable on the lower side. The company's petrochemicals business consists of PE & methanol, both of which have relatively better supply-demand fundamentals relative to most other petchem products. Overall, we see IQCD as a yield play within the sector and earnings growth will be driven largely by product prices/ margins rather than volume growth per se.

The company sits on **USD 3.5-4bn of cash** which could facilitate long term growth and rich dividend payments.

We **prefer IQCD to SAFCO**, despite broadly comparable valuations and FCF/dividend yields, as the former offers a more **diversified exposure** and lower risk of negative surprise on feedstock pricing arrangements. Buy with TP of QAR 15/sh.

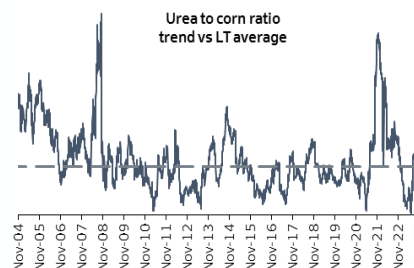
**Risks:** Weaker than expected fertilizer & petchem prices. Higher than expected gas costs. Inefficient use of excess cash or a rising cash pile without any real strategy on its use.

M.Cap(\$mn) 22,231 CMP-QAR  
6M ADTV (\$mn) 9.20 Target Price  
Recommendation **Buy** Up/(down) side  
Short term rating **Positive** Free float (%)  
52wk High/Low 15.6--10.8 Div yield - TTM 8.2%



| Key metrics %   | 2022 | 2023E  | 2024E | 2025E |
|-----------------|------|--------|-------|-------|
| EBIT Margin     | 28.6 | 17.6   | 30.5  | 26.6  |
| EBITDA Margin   | 36.6 | 29.5   | 42.1  | 38.5  |
| Net Margin      | 46.9 | 37.9   | 44.3  | 44.7  |
| Revenue Growth  | 32.6 | (36.9) | 6.0   | (3.4) |
| Earnings Growth | 9.0  | (49.0) | 23.8  | (2.6) |

### Urea affordability in line with historical average trend



### Income Statement

|            |        |        |        |        |
|------------|--------|--------|--------|--------|
| Revenues   | 18,794 | 11,853 | 12,567 | 12,142 |
| EBITDA     | 6,872  | 3,500  | 5,286  | 4,679  |
| EBIT       | 5,374  | 2,087  | 3,835  | 3,228  |
| Net Income | 8,815  | 4,497  | 5,568  | 5,425  |

### Balance Sheet

|                           |        |        |        |        |
|---------------------------|--------|--------|--------|--------|
| Net Fixed Assets          | 11,890 | 13,732 | 15,705 | 16,127 |
| Cash and Equiv.           | 17,316 | 14,738 | 12,766 | 12,344 |
| Total current assets      | 23,899 | 21,320 | 19,348 | 18,926 |
| Total Debt                | 386    | 386    | 386    | 386    |
| Total current liabilities | 2,224  | 2,224  | 2,224  | 2,224  |
| Total Equity              | 42,003 | 41,660 | 41,660 | 41,660 |
| Total Assets/Liabilities  | 45,005 | 44,663 | 44,663 | 44,663 |

### Cash Flow

|                    |         |         |         |         |
|--------------------|---------|---------|---------|---------|
| CF from Operations | 9,715   | 5,602   | 7,066   | 6,923   |
| CAPEX              | (599)   | (3,340) | (3,470) | (1,920) |
| CF from Investing  | 1,469   | (3,340) | (3,470) | (1,920) |
| Dividends          | (6,051) | (4,840) | (5,568) | (5,425) |
| CF from Financing  | (6,073) | (4,840) | (5,568) | (5,425) |
| Net Cashflow       | 5,112   | (2,578) | (1,972) | (422)   |

### Ratios

|                     |        |        |        |        |
|---------------------|--------|--------|--------|--------|
| ROA (%)             | 20.2   | 10.1   | 12.6   | 12.3   |
| ROE (%)             | 21.6   | 10.7   | 13.4   | 13.0   |
| Net Debt/Equity (%) | (40.3) | (34.5) | (29.7) | (28.7) |

### Valuation Ratios

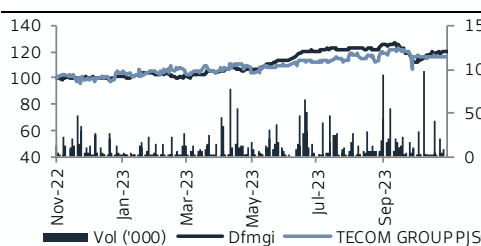
|               |     |      |      |      |
|---------------|-----|------|------|------|
| EPS-QAR       | 1.5 | 0.7  | 0.9  | 0.9  |
| DPS-QAR       | 1.1 | 0.8  | 0.9  | 0.9  |
| PE (x)        | 9.1 | 17.9 | 14.5 | 14.9 |
| PBV (x)       | 1.9 | 1.9  | 1.9  | 1.9  |
| EV/EBITDA (x) | 6.6 | 12.4 | 9.9  | 10.1 |
| Div yield (%) | 8.3 | 6.0  | 6.9  | 6.7  |

Source:- Company Data, Bloomberg, SICO Research.

Indarpreet Singh  
isingh@sicobank.com

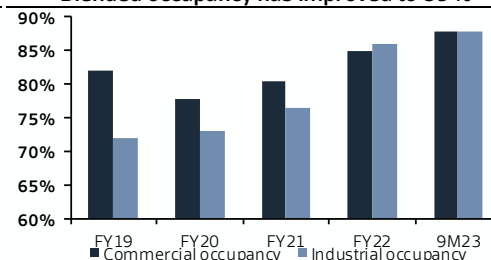
## TECOM Group

## Real Estate

| Company Profile                                                                                                                                                                                                                                                                                                                                                                                 | Market data & Valuation Ratios                                                     |                 |                 |            | AED mn                    | 2022    | 2023E   | 2024E   | 2025E   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-----------------|-----------------|------------|---------------------------|---------|---------|---------|---------|
| <b>Investment Thesis</b>                                                                                                                                                                                                                                                                                                                                                                        |                                                                                    |                 |                 |            | <b>Income Statement</b>   |         |         |         |         |
| <b>Poised to realize rent revisions.</b> While TECOM Group's realized rents have lagged the industry due to its large portfolio, it has c.40% of its leases up for renewal over FY24-25e. The Group has been signing recent leases at 10-15% higher than existing rates and is well placed to reprice existing leases given the favorable industry backdrop.                                    | M.Cap(\$mn)                                                                        | 3,621           | CMP-AED         | 2.66       | Revenues                  | 1,973   | 2,129   | 2,248   | 2,355   |
|                                                                                                                                                                                                                                                                                                                                                                                                 | 6M ADTV (\$mn)                                                                     | 0.91            | Target Price    | 3.2        | Gross Profit              | 1,563   | 1,719   | 1,813   | 1,898   |
|                                                                                                                                                                                                                                                                                                                                                                                                 | Recommendation                                                                     | <b>Buy</b>      | Up/(down) side  | <b>20%</b> | EBITDA                    | 1,347   | 1,510   | 1,587   | 1,663   |
|                                                                                                                                                                                                                                                                                                                                                                                                 | Short term rating                                                                  | <b>Positive</b> | Free float (%)  | 12.5       | EBIT                      | 961     | 1,112   | 1,186   | 1,262   |
|                                                                                                                                                                                                                                                                                                                                                                                                 | 52wk High/Low                                                                      | 3.0--2.2        | Div yield - TTM | 5%         | Net Income                | 726     | 856     | 902     | 991     |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | <b>Balance Sheet</b>      |         |         |         |         |
| <b>New growth initiatives.</b> The Group is investing AED 515mn towards developing Phase II of its Innovation Hub at Dubai Internet City and two warehouses at Dubai Science Park. We expect the projects to increase GLA by 3% and contribute AED 50mn to gross profit by FY25e. With occupancy close to 90%, management is also evaluating M&A opportunities and potential organic expansion. |  |                 |                 |            | Net Fixed Assets          | 11,971  | 12,093  | 12,112  | 11,931  |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | Cash and Equiv.           | 1,261   | 916     | 792     | 950     |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | Total current assets      | 1,507   | 1,191   | 1,074   | 1,238   |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | Total Debt                | 4,342   | 4,342   | 4,142   | 3,942   |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | Total current liabilities | 1,803   | 1,673   | 1,722   | 1,760   |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | Total Equity              | 5,968   | 6,025   | 6,127   | 6,317   |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | Total Assets/Liabilities  | 14,555  | 14,419  | 14,365  | 14,388  |
| <b>Double digit earnings growth.</b> We expect TECOM Group to deliver c.11% earnings CAGR over FY22-25e led by rent revisions and new developments under execution. Management indicated it is studying linking dividends to free cash flows, which could increase payouts from FY25e given strong cash generation.                                                                             |                                                                                    |                 |                 |            | <b>Cash Flow</b>          |         |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | CF from Operations        | 1,504   | 1,232   | 1,538   | 1,602   |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | CAPEX                     | (607)   | (520)   | (420)   | (220)   |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | CF from Investing         | (1,043) | (472)   | (393)   | (195)   |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | Dividends                 | (1,050) | (800)   | (800)   | (800)   |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | CF from Financing         | (953)   | (1,103) | (1,269) | (1,249) |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | Net Cashflow              | (492)   | (344)   | (124)   | 158     |
| <b>Risks</b>                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                    |                 |                 |            | <b>Ratios</b>             |         |         |         |         |
| <b>Macro-economic slowdown.</b> While Dubai's economy has remained resilient, it faces potential risks from multiple sources including geopolitical conflicts, an ongoing global slowdown and high interest rates.                                                                                                                                                                              |                                                                                    |                 |                 |            | ROA (%)                   | 5.0     | 5.9     | 6.3     | 6.9     |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | ROE (%)                   | 12.2    | 14.2    | 14.7    | 15.7    |
| <b>Regional competition.</b> Saudi directives mandating international firms to set up regional headquarters in Riyadh as a pre-requisite for government contracts, could drive relocation of businesses from Dubai to Saudi.                                                                                                                                                                    |                                                                                    |                 |                 |            | Net Debt/Equity (%)       | 51.6    | 56.9    | 54.7    | 47.4    |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | Interest Cov. (x)         | 3.1     | 3.7     | 4.4     | 5.1     |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | <b>Valuation Ratios</b>   |         |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | EPS-AED                   | 0.2     | 0.2     | 0.2     | 0.2     |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | DPS-AED                   | 0.1     | 0.2     | 0.2     | 0.2     |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | PE (x)                    | 13.5    | 15.2    | 14.4    | 13.1    |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | PBV (x)                   | 1.6     | 2.2     | 2.1     | 2.1     |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | EV/EBITDA (x)             | 9.6     | 10.9    | 10.3    | 9.6     |
|                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                    |                 |                 |            | Div yield (%)             | 4.1     | 6.2     | 6.2     | 6.2     |

| Key metrics %   | 2022 | 2023E | 2024E | 2025E |
|-----------------|------|-------|-------|-------|
| Gross Margin    | 79.2 | 80.7  | 80.7  | 80.6  |
| EBIT Margin     | 48.7 | 52.2  | 52.8  | 53.6  |
| EBITDA Margin   | 68.2 | 70.9  | 70.6  | 70.6  |
| Net Margin      | 36.8 | 40.2  | 40.1  | 42.1  |
| Revenue Growth  | 11.8 | 7.9   | 5.6   | 4.8   |
| Earnings Growth | 27.6 | 18.0  | 5.3   | 9.9   |

### Blended occupancy has improved to 89%



Source:- Company Data, Bloomberg, SICO Research.



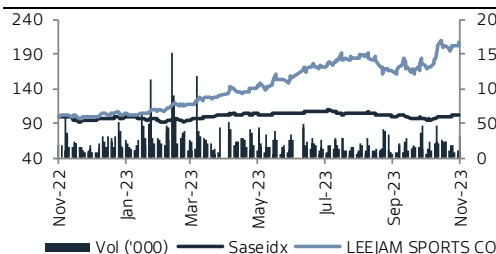
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## Leejam Sports Company

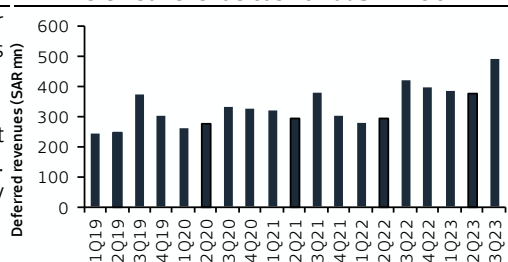
## Consumer Discretionary

| Company Profile                                                                                                                                                                                                                                                                         | Market data & Valuation Ratios |            |                 |            | SAR mn                    | 2022  | 2023E | 2024E | 2025E |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------|-----------------|------------|---------------------------|-------|-------|-------|-------|
| <b>Investment Thesis</b>                                                                                                                                                                                                                                                                |                                |            |                 |            | <b>Income Statement</b>   |       |       |       |       |
| <b>Pan Saudi presence, multiformat expansion and strong brand recall</b> to drive growth: Operating 173 fitness centers, Leejam mainly caters to Saudi consumers, expanding its footprint with 166 centers in KSA.                                                                      | M.Cap(\$mn)                    | 2,399      | CMP-SAR         | 172        | Revenues                  | 1,066 | 1,290 | 1,393 | 1,483 |
| <b>Finding success in budget</b> – Low-cost Fitness Time Xpress category provides further exposure to the high growth and evolving 'Fitness' industry space in KSA - a theme that investors can play through the stock.                                                                 | 6M ADTV (\$mn)                 | 6.75       | Target Price    | 200        | Gross Profit              | 436   | 559   | 607   | 649   |
| <b>Key growth drivers:</b> 1) Fitness Centers' expansion plans, 2) Comfort from high level of deferred income, 3) JV with Burjeel Holdings, 4) The introduction of the studio concept, and 5) The co-establishment of Padel X. New formats to complement Leejam's core operating model. | Recommendation                 | <b>Buy</b> | Up/(down) side  | <b>16%</b> | EBITDA                    | 552   | 660   | 712   | 757   |
| <b>A play on Saudi Arabia's growing fitness space:</b> Providing an opportunity for investors to leverage on the rapid change in KSA's socio-cultural environment.                                                                                                                      | Short term rating              | <b>Buy</b> | Free float (%)  | 48.2       | EBIT                      | 324   | 417   | 456   | 490   |
| <b>Member base to continue growing</b> as the fitness space remains favorably placed to benefit from changes in KSA's macro environment; member count at 448k in 3Q23. Preference for short term (3 month) membership helping yields.                                                   | 52wk High/Low                  | 80.0--78.1 | Div yield - TTM | 2.0%       | Net Income                | 257   | 338   | 375   | 407   |
| <b>Risks</b>                                                                                                                                                                                                                                                                            |                                |            |                 |            | <b>Balance Sheet</b>      |       |       |       |       |
| Heavy discounting in KSA's fitness space: Further pressure to discount could impact margins as Leejam's rates need to remain in line with other market players.                                                                                                                         |                                |            |                 |            | Net Fixed Assets          | 2,289 | 2,305 | 2,250 | 2,187 |
| Drop in memberships as a result of inability to attract new members and retain existing members. Considering subscriptions are discretionary, people may opt for cheaper alternatives.                                                                                                  |                                |            |                 |            | Cash and Equiv.           | 301   | 449   | 725   | 1,000 |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | Total current assets      | 362   | 551   | 834   | 1,115 |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | Total Debt                | 1,171 | 1,198 | 1,225 | 1,253 |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | Total current liabilities | 719   | 747   | 801   | 856   |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | Total Equity              | 939   | 1,089 | 1,239 | 1,376 |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | Total Assets/Liabilities  | 2,698 | 2,900 | 3,128 | 3,346 |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | <b>Cash Flow</b>          |       |       |       |       |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | CF from Operations        | 669   | 634   | 755   | 813   |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | CAPEX                     | (177) | (170) | (110) | (110) |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | CF from Investing         | (180) | (170) | (110) | (110) |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | Dividends                 | (126) | (186) | (225) | (285) |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | CF from Financing         | (369) | (323) | (365) | (427) |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | Net Cashflow              | 121   | 141   | 281   | 276   |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | <b>Ratios</b>             |       |       |       |       |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | ROA (%)                   | 10.4  | 12.3  | 15.4  | 16.3  |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | ROE (%)                   | 27.4  | 31.0  | 30.3  | 29.6  |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | Net Debt/Equity (%)       | 92.7  | 68.7  | 40.4  | 18.4  |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | Interest Cov. (x)         | 5.4   | 6.0   | 6.5   | 6.9   |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | <b>Valuation Ratios</b>   |       |       |       |       |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | EPS-SAR                   | 4.9   | 6.4   | 7.2   | 7.8   |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | DPS-SAR                   | 2.7   | 3.5   | 4.3   | 5.4   |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | PE (x)                    | 35.0  | 26.7  | 24.0  | 22.1  |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | PBV (x)                   | 9.6   | 8.3   | 7.3   | 6.5   |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | EV/EBITDA (x)             | 17.9  | 14.8  | 13.3  | 12.2  |
|                                                                                                                                                                                                                                                                                         |                                |            |                 |            | Div yield (%)             | 1.5   | 2.1   | 2.5   | 3.2   |



| Key metrics %   | 2022 | 2023E | 2024E | 2025E |
|-----------------|------|-------|-------|-------|
| Gross Margin    | 40.9 | 43.3  | 43.6  | 43.8  |
| EBIT Margin     | 30.4 | 32.3  | 32.7  | 33.0  |
| EBITDA Margin   | 51.8 | 51.1  | 51.1  | 51.1  |
| Net Margin      | 24.1 | 26.2  | 26.9  | 27.5  |
| Revenue Growth  | 20.4 | 21.0  | 8.0   | 6.5   |
| Earnings Growth | 24.9 | 31.2  | 11.1  | 8.6   |

### Deferred revenue cushion at SAR 490mn



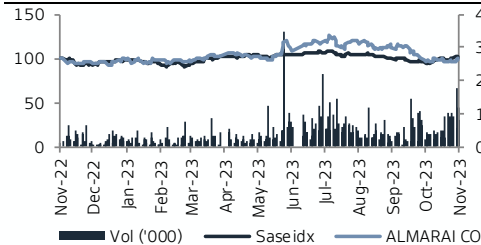
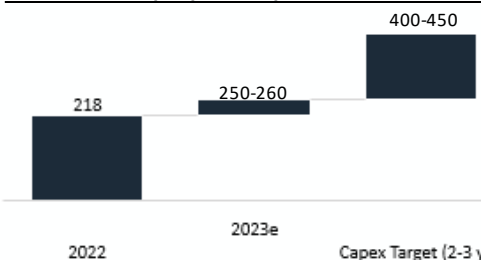
Source:- Company Data, Bloomberg, SICO Research.



# AlMarai Company

## Consumer Staples

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| Company Profile                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Market data & Valuation Ratios |                |                 |            | SAR mn                    | 2022                     | 2023E   | 2024E   | 2025E   |         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------|-----------------|------------|---------------------------|--------------------------|---------|---------|---------|---------|
| <b>Investment Thesis</b><br><b>Strong presence</b> with a leading market share across all segments (except for UHT milk). Well positioned as consumers have a preference for AlMarai products. We expect <b>volume growth across all categories</b> ; The Bakery and Poultry segments have been a key driver for growth in recent years, with the Bakery segment benefitting from a pickup in single serve and backpack items, and the Poultry segment being driven by volume growth which stemmed from capacity expansion and higher subsidies.<br><b>Poultry expansion of SAR 6.6bn</b> to boost capacity from 225mn birds annually to 400mn birds over three phases is on track. The company's poultry expansion targets reaching a capacity of 250mn birds in FY23e vs. 218mn birds sold in FY22. The poultry story is currently all about volumes and AlMarai's current market share in the poultry segment was 36% in Aug'23 (up from 35% in Dec'22).<br><b>Active product innovation pipeline</b> - branded beef, seafood, water, ice cream is being pursued. | M.Cap(\$mn)                    | 14,691         | CMP-SAR         | 55.10      | Revenues                  | 18,722                   | 20,158  | 21,189  | 22,195  |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 6M ADTV (\$mn)                 | 10.04          | Target Price    | 66         | Gross Profit              | 5,624                    | 6,225   | 6,690   | 7,144   |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Recommendation                 | <b>Buy</b>     | Up/(down) side  | <b>20%</b> | EBITDA                    | 3,972                    | 4,592   | 5,113   | 5,635   |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Short term rating              | <b>Neutral</b> | Free float (%)  | 24.6       | EBIT                      | 2,276                    | 2,761   | 3,080   | 3,383   |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 52wk High/Low                  | 71.0--51.5     | Div yield - TTM | 1.8%       | Net Income                | 1,760                    | 2,135   | 2,450   | 2,752   |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                |                |                 |            | <b>Balance Sheet</b>      |                          |         |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | Net Fixed Assets          | 20,115                   | 20,954  | 21,866  | 22,745  |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | Cash and Equiv.           | 547                      | 1,128   | 1,711   | 2,384   |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | Total current assets      | 8,126                    | 9,092   | 9,976   | 11,039  |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | Total Debt                | 9,514                    | 9,714   | 10,015  | 10,215  |         |
| <b>Key metrics %</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 2022                           | 2023E          | 2024E           | 2025E      | Total current liabilities | 5,083                    | 5,241   | 5,447   | 5,592   |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Gross Margin                   | 30.0           | 30.9            | 31.6       | 32.2                      | Total Equity             | 17,294  | 18,429  | 19,880  | 21,632  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | EBIT Margin                    | 12.2           | 13.7            | 14.5       | 15.2                      | Total Assets/Liabilities | 32,074  | 33,650  | 35,690  | 37,892  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | EBITDA Margin                  | 21.2           | 22.8            | 24.1       | 25.4                      | <b>Cash Flow</b>         |         |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Net Margin                     | 9.4            | 10.6            | 11.6       | 12.4                      | CF from Operations       | 3,829   | 4,604   | 5,255   | 5,545   |
| <b>Poultry expansion plans (mn birds)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Revenue Growth                 | 18.1           | 7.7             | 5.1        | 4.7                       | CAPEX                    | (2,223) | (2,990) | (3,209) | (3,329) |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Earnings Growth                | 12.6           | 21.3            | 14.8       | 12.3                      | CF from Investing        | (1,987) | (2,220) | (2,990) | (3,111) |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | Dividends                 | (980)                    | (1,000) | (1,000) | (1,000) |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | CF from Financing         | (1,861)                  | (1,199) | (1,076) | (1,153) |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | Net Cashflow              | (34)                     | 582     | 583     | 674     |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                |                |                 |            | <b>Ratios</b>             |                          |         |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | ROA (%)                   | 5.6                      | 6.6     | 7.1     | 7.5     |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | ROE (%)                   | 10.2                     | 12.0    | 12.8    | 13.3    |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | Net Debt/Equity (%)       | 51.8                     | 46.6    | 41.8    | 36.2    |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | Interest Cov. (x)         | (5.3)                    | (5.5)   | (6.2)   | (7.0)   |         |
| <b>Risks</b><br>Heavy discounting by competitors could pressure AlMarai to discount - negative impact on margins. Inflationary pressures could impact consumer spending leading them to opt for cheaper alternatives (long life vs. fresh milk premium). Inability to capture market share in the UHT segment (long life), which has struggled in the past owing to flavour and consumer preference. Uncertainty related to subsidies could impact margins.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                |                |                 |            | <b>Valuation Ratios</b>   |                          |         |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | EPS-SAR                   | 1.8                      | 2.1     | 2.5     | 2.8     |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | DPS-SAR                   | 1.0                      | 1.0     | 1.0     | 1.0     |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | PE (x)                    | 31.9                     | 26.3    | 22.9    | 20.4    |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | PBV (x)                   | 3.3                      | 3.1     | 2.9     | 2.6     |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | EV/EBITDA (x)             | 17.6                     | 15.1    | 13.5    | 12.2    |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                |                |                 |            | Div yield (%)             | 1.8                      | 1.8     | 1.8     | 1.8     |         |

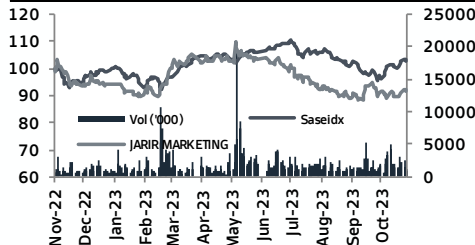
Source:- Company Data, Bloomberg, SICO Research.



## Jarir Marketing

## Consumers

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| Company Profile                                                                                                                                                                                                                                                                                       | Market data & Valuation Ratios                                                     |                           |              |                 | SAR mn                    | 2022              | 2023E   | 2024E   | 2025E   |         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|---------------------------|--------------|-----------------|---------------------------|-------------------|---------|---------|---------|---------|
| <b>Investment Thesis</b>                                                                                                                                                                                                                                                                              |                                                                                    |                           |              |                 | <b>Income Statement</b>   |                   |         |         |         |         |
| <b>Margins bottoming out leading to strong earnings growth</b> – 1H23 has significant discounting to offload leagcy inventory of laptops and smartphones. This was a one-off event and margins are recovering due to lower promotions.                                                                | M.Cap(\$mn)                                                                        | 4,716                     | CMP-SAR      | 14.74           | Revenues                  | 9,392             | 10,674  | 11,270  | 11,795  |         |
|                                                                                                                                                                                                                                                                                                       | 6M ADTV (\$mn)                                                                     | 9.57                      | Target Price | 18              | Gross Profit              | 1,287             | 1,328   | 1,454   | 1,540   |         |
|                                                                                                                                                                                                                                                                                                       | Recommendation                                                                     | <b>Buy</b> Up/(down) side |              | <b>22%</b>      | EBITDA                    | 1,186             | 1,249   | 1,363   | 1,443   |         |
|                                                                                                                                                                                                                                                                                                       | Short term rating                                                                  | <b>Neutral</b>            |              | Free float (%)  | 72.6                      | EBIT              | 1,019   | 1,065   | 1,176   | 1,254   |
|                                                                                                                                                                                                                                                                                                       | 52wk High/Low                                                                      | 17.6--14.0                |              | Div yield - TTM | 5.6%                      | Net Income        | 970     | 989     | 1,101   | 1,176   |
| <b>Market share expansion</b> - Jarir is gaining market share against smaller retailers due to factors such as after sales service, Jarir Care, financing options (Buy now pay later) and growing sales from eCommerce platform.                                                                      |  |                           |              |                 | <b>Balance Sheet</b>      |                   |         |         |         |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | Net Fixed Assets          | 1,015             | 1,005   | 995     | 987     |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | Cash and Equiv.           | 526               | 418     | 476     | 539     |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | Total current assets      | 2,334             | 2,328   | 2,464   | 2,590   |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | Total Debt                | 583               | 570     | 558     | 548     |         |
| <b>High dividend yield,possibility of special payout</b> – Ability to pay 100% payout consistently as the retailer is debt free and has a strong cash and retained earnings balance. One of the higher yielding blue chip consumer name, limiting downside. Possibility of special dividends as well. |                                                                                    |                           |              |                 | Total current liabilities | 1,696             | 1,627   | 1,673   | 1,714   |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | Total Equity              | 1,802             | 1,800   | 1,826   | 1,847   |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | Total Assets/Liabilities  | 4,257             | 4,170   | 4,226   | 4,273   |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | <b>Cash Flow</b>          |                   |         |         |         |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | CF from Operations        | 999               | 1,008   | 1,262   | 1,350   |         |
| <b>Reasonable expansion ahead</b> - Expects to add atleast 10 more outlets in Riyadh to capitalise on Riyadh population Growth story (doubling by 2030). Online sales to cities where Jarir is not present provides a good indicator to future store expansion.                                       | <b>Key metrics %</b>                                                               | <b>2022</b>               | <b>2023E</b> | <b>2024E</b>    | <b>2025E</b>              | CAPEX             | (57)    | (56)    | (59)    | (63)    |
|                                                                                                                                                                                                                                                                                                       | Gross Margin                                                                       | 13.7                      | 12.4         | 12.9            | 13.1                      | CF from Investing | 122     | (59)    | (63)    | (67)    |
|                                                                                                                                                                                                                                                                                                       | EBIT Margin                                                                        | 10.8                      | 10.0         | 10.4            | 10.6                      | Dividends         | (924)   | (990)   | (1,075) | (1,155) |
|                                                                                                                                                                                                                                                                                                       | EBITDA Margin                                                                      | 12.6                      | 11.7         | 12.1            | 12.2                      | CF from Financing | (1,027) | (1,061) | (1,144) | (1,223) |
|                                                                                                                                                                                                                                                                                                       | Net Margin                                                                         | 10.3                      | 9.3          | 9.8             | 10.0                      | Net Cashflow      | 94      | (112)   | 55      | 60      |
| <b>Risks</b>                                                                                                                                                                                                                                                                                          | Revenue Growth                                                                     | 3.3                       | 13.6         | 5.6             | 4.7                       | <b>Ratios</b>     |         |         |         |         |
|                                                                                                                                                                                                                                                                                                       | Earnings Growth                                                                    | (2.2)                     | 2.0          | 11.3            | 6.9                       | ROA (%)           | 23.2    | 23.5    | 26.2    | 27.7    |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | ROE (%)                   | 54.3              | 54.9    | 60.7    | 64.1    |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | Net Debt/Equity (%)       | 3.2               | 8.5     | 4.5     | 0.5     |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | Interest Cov. (x)         | 25.0              | 22.7    | 27.8    | 30.8    |         |
| <b>Softening of consumer demand</b> - Would imply more promotions to offload inventory and lower margins.                                                                                                                                                                                             |                                                                                    |                           |              |                 | <b>Valuation Ratios</b>   |                   |         |         |         |         |
| <b>Higher competitive intensity</b> - Could come from launch of apple stores; aggressive financing options by peers such as eXtra to attract customers                                                                                                                                                |                                                                                    |                           |              |                 | EPS-SAR                   | 0.81              | 0.82    | 0.92    | 0.98    |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | DPS-SAR                   | 0.80              | 0.84    | 0.92    | 0.98    |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | PE (x)                    | 18.2              | 17.9    | 16.1    | 15.0    |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | PBV (x)                   | 9.8               | 9.8     | 9.7     | 9.6     |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              |                 | EV/EBITDA (x)             | 14.2              | 13.6    | 12.4    | 11.7    |         |
|                                                                                                                                                                                                                                                                                                       |                                                                                    |                           |              | Div yield (%)   | 5.4                       | 5.7               | 6.2     | 6.7     |         |         |

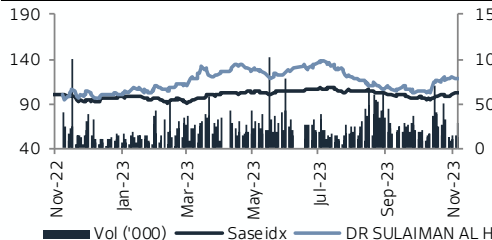
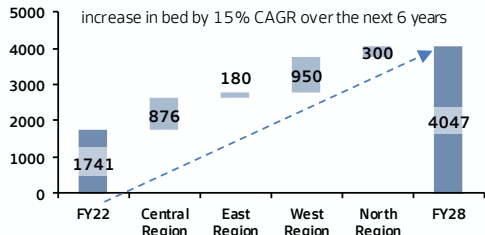
Source:- Company Data, Bloomberg, SICO Research.

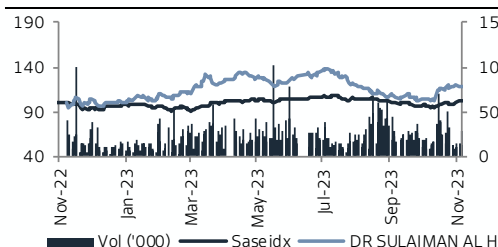


## Sulaiman Al Habib

## Healthcare

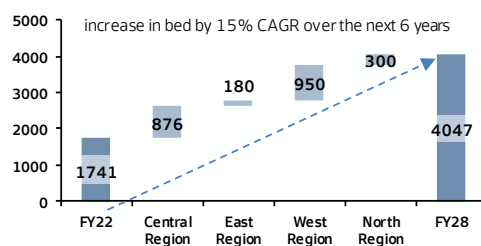
Chirodeep Gosh, CFA  
Sawsan Abdullatif

| Company Profile                                                                                                                                                                                                                                                                                                                                                                                                         | Market data & Valuation Ratios                                                      |            |              |                 | SAR mn                    | 2022       | 2023E   | 2024E   | 2025E   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------|--------------|-----------------|---------------------------|------------|---------|---------|---------|
| <b>Investment Thesis</b>                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                     |            |              |                 | <b>Income Statement</b>   |            |         |         |         |
| Valuation: HMG has a strong expansion plan, and we expect its earnings to rise by 25% CAGR 2022–28e, which justifies its P-EPS-FY25 at 25x and EV/EBITDA at 21.8x. In a challenging economic environment with rising interest rates and high inflation, investors to prefer healthcare sector as it remains insulated from lower disposable income, has strong cash flow generation capabilities, and has low leverage. | M.Cap(\$mn)                                                                         | 24,449     | CMP-SAR      | 262             | Revenues                  | 8,311      | 9,401   | 11,775  | 16,976  |
| Strong Expansion: HMG has a significant expansion plan over the next 5 years, expected to add at least 8 new hospitals, translating to over 1841 new beds (16% over the current level). Majority of the beds to be added would be in the central region, its area of proficiency, and the western region, an area of greatest potential.                                                                                | 6M ADTV (\$mn)                                                                      | 17.76      | Target Price | 300             | Gross Profit              | 2,748      | 3,250   | 4,063   | 5,845   |
| Favorable Macros: KSA is an underpenetrated market from a healthcare perspective with only 2.4 beds/ 1000 residents (as on FY22), lower than the global average of 2.9 and much lower than 5.3 for high income economies. With an expected surge in population (especially in the central region) & KSA Ministry of Health's endeavour to lower its medical expenditure, we expect rising demand for pvt. sector beds.  | Recommendation                                                                      | Buy        |              | Up/(down) side  | 15%                       | EBITDA     | 2,010   | 2,471   | 3,041   |
|                                                                                                                                                                                                                                                                                                                                                                                                                         | Short term rating                                                                   | Positive   |              | Free float (%)  | 24.2                      | EBIT       | 1,846   | 2,287   | 2,837   |
|                                                                                                                                                                                                                                                                                                                                                                                                                         | 52wk High/Low                                                                       | 8.0--205.8 |              | Div yield - TTM | 1.6%                      | Net Income | 1,651   | 2,041   | 2,556   |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | <b>Balance Sheet</b>      |            |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |   |            |              |                 | Net Fixed Assets          | 7,937      | 10,322  | 10,778  | 10,765  |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | Cash and Equiv.           | 2,747      | 2,639   | 2,611   | 3,095   |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | Total current assets      | 3,979      | 3,986   | 4,256   | 5,406   |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | Total Debt                | 3,521      | 4,598   | 4,478   | 3,737   |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | Total current liabilities | 2,957      | 3,122   | 3,459   | 4,107   |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | Total Equity              | 6,106      | 6,896   | 8,166   | 9,780   |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | Total Assets/Liabilities  | 12,584     | 14,704  | 15,457  | 16,622  |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | <b>Cash Flow</b>          |            |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | CF from Operations        | 2,785      | 2,484   | 3,021   | 4,133   |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | CAPEX                     | (1,593)    | (2,739) | (832)   | (373)   |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | CF from Investing         | (1,739)    | (2,760) | (853)   | (395)   |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | Dividends                 | (1,218)    | (1,472) | (1,844) | (2,660) |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | CF from Financing         | (643)      | (132)   | (2,196) | (3,254) |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | Net Cashflow              | 403        | (408)   | (28)    | 484     |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | <b>Ratios</b>             |            |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | ROA (%)                   | 14.3       | 15.1    | 17.0    | 23.0    |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | ROE (%)                   | 29.4       | 33.0    | 37.2    | 47.2    |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | Net Debt/Equity (%)       | 12.7       | 28.4    | 22.9    | 6.6     |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | Interest Cov. (x)         | 37.4       | 25.9    | 33.8    | 65.2    |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | <b>Valuation Ratios</b>   |            |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | EPS-SAR                   | 4.7        | 5.8     | 7.3     | 10.5    |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | DPS-SAR                   | 3.5        | 4.2     | 5.3     | 7.6     |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | PE (x)                    | 55.6       | 44.9    | 35.9    | 24.9    |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | PBV (x)                   | 15.6       | 14.1    | 12.6    | 11.0    |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | EV/EBITDA (x)             | 37.1       | 36.6    | 29.2    | 20.7    |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                     |            |              |                 | Div yield (%)             | 1.3        | 1.6     | 2.0     | 2.9     |
| <b>Risks</b>                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                     |            |              |                 |                           |            |         |         |         |
| 1. Threat from regulatory reforms                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                     |            |              |                 |                           |            |         |         |         |
| 2. In our models we are pencilling medical inflation to rise at 8-10%. Challenging economic environment may pose a threat to passing this kind of medical inflation, especially with an expected influx of new labour with the roll-out of new projects.                                                                                                                                                                |                                                                                     |            |              |                 |                           |            |         |         |         |
| 3. Possible delays in project execution, including delay in approvals, or accidents (like a fire). A delay negatively impacts funding cost, without a revenue contribution                                                                                                                                                                                                                                              |                                                                                     |            |              |                 |                           |            |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>Aggressive Bed addition Plans</b>                                                |            |              |                 |                           |            |         |         |         |
|                                                                                                                                                                                                                                                                                                                                                                                                                         |  |            |              |                 |                           |            |         |         |         |



| Key metrics %   | 2022 | 2023E | 2024E | 2025E |
|-----------------|------|-------|-------|-------|
| Gross Margin    | 33.1 | 34.6  | 34.5  | 34.4  |
| EBIT Margin     | 22.2 | 24.3  | 24.1  | 23.8  |
| EBITDA Margin   | 24.2 | 26.3  | 25.8  | 25.0  |
| Net Margin      | 19.9 | 21.7  | 21.7  | 21.7  |
| Revenue Growth  | 14.6 | 13.1  | 25.3  | 44.2  |
| Earnings Growth | 19.9 | 23.7  | 25.2  | 44.3  |

## Aggressive Bed addition Plans



## Risks

1. Threat from regulatory reforms
2. In our models we are pencilling medical inflation to rise at 8-10%. Challenging economic environment may pose a threat to passing this kind of medical inflation, especially with an expected influx of new labour with the roll-out of new projects.
3. Possible delays in project execution, including delay in approvals, or accidents (like a fire). A delay negatively impacts funding cost, without a revenue contribution

Source:- Company Data, Bloomberg, SICO Research.



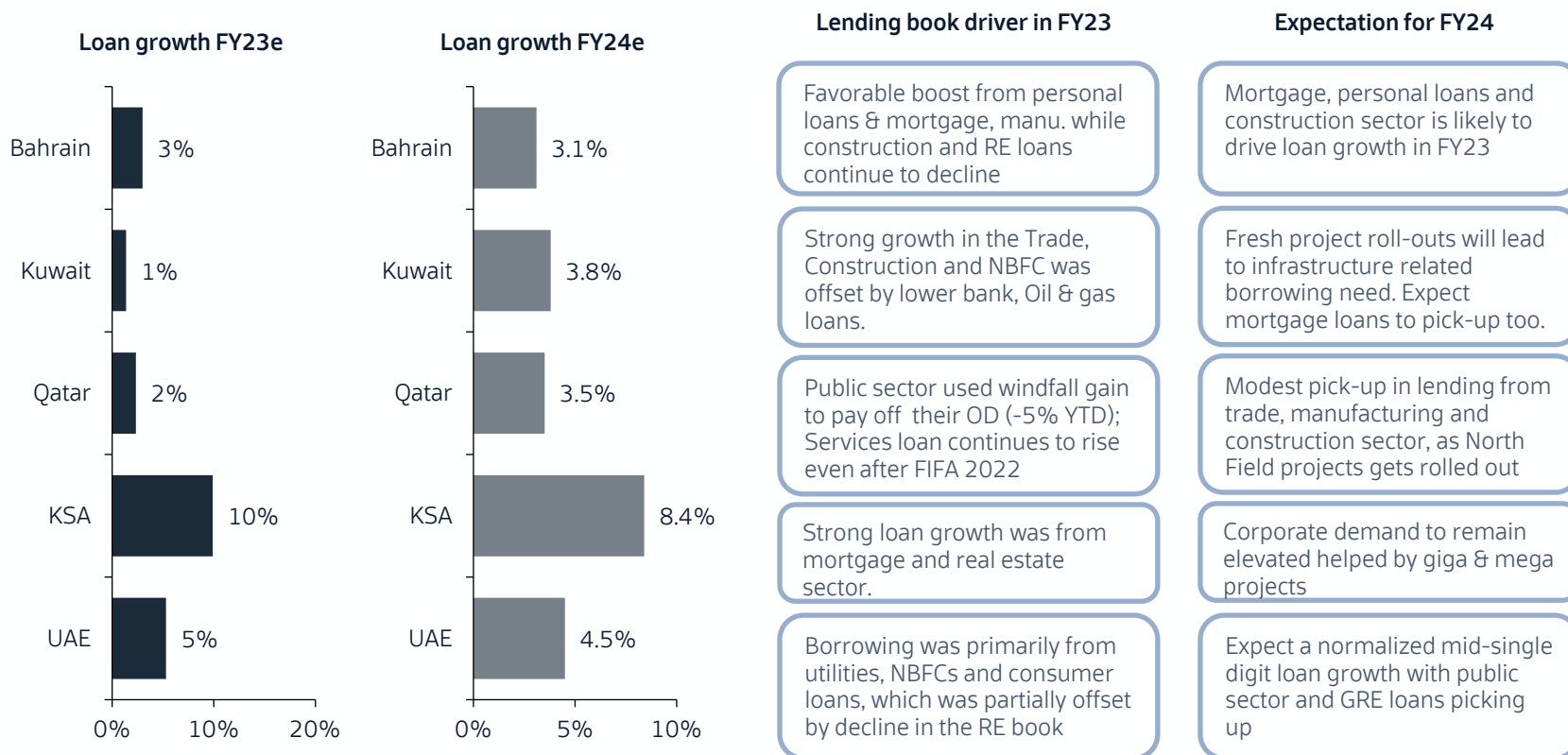
# Banks



# GCC Loan Growth weak owing to public sector repayment

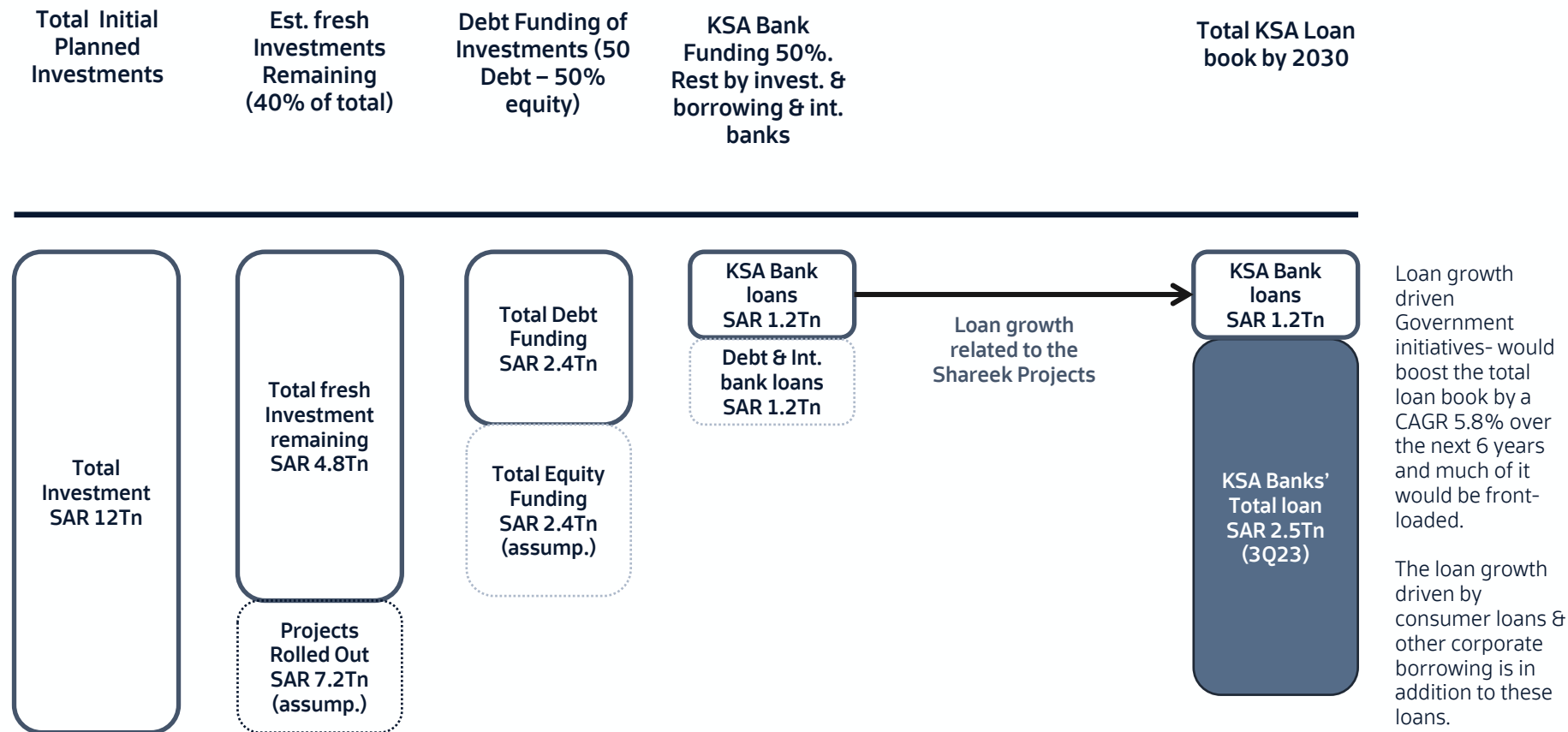
## Loan outlook for FY24 to remain moderate on higher interest rates, except for KSA

Most GCC banks would have a modest FY23, save for KSA which was helped by the borrowing demand from giga & mega projects, while UAE banks pace of growth would be in line with its long-term trend rate, partially impacted by ample liquidity in the system. High interest rate environment had a negative impact on consumer and real estate borrowing of most countries. We expect a normalized level of growth in FY24s, as we expect interest rate to peak towards the mid of the year, while KSA banks to continue to benefit from large projects roll-outs.



# KSA Loan Growth – Contribution from public sector lending

Expect a strong borrowing demand from giga projects



**Assumption:** The total investment planned for KSA is SAR 12tn. We are assuming only 40% of these are yet to start, suggesting SAR 4.8Tn of fresh investment would be required. We then assume c.50% of this would be debt funded suggesting SAR 2.4Tn of external funding. Of these, we are assuming 50% to be through debt issuance and international banks, while the rest would be from KSA banks, suggesting SAR 1.2Tn loan from the KSA domestic banks over the next 6 years. Note this is our best guess assumption and may be different from reality.



# Building Liquidity Pressure to impact KSA bank's NIM

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## KSA banks to witness NIM pressure in FY24 or would go slow with the lending book

### Development:

Tightening Fed policies & greater liquidity demand due to aggressive lending saw KSA interbank rate reaching its all-time high level of 6.35%.

KSA banks have been growing their lending books at double digit pace, each year over the past 4 years at a CAGR of 14%. They funded it by leveraging up their balance sheet, limiting their further leveraging potential, amidst strong borrowing demand.

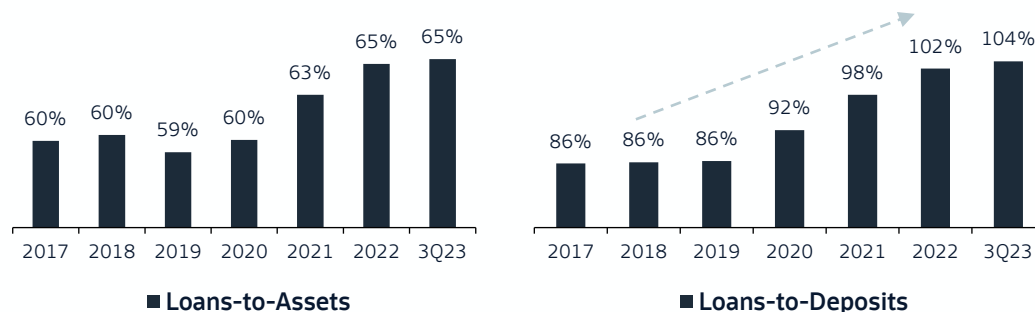
### Consequences:

1. The surge in interest rate over the past year has led to a surge in funding cost outpacing asset yields and we expect to have a negative impact on their NIM from 4Q24
2. The lack of liquidity saw banks fighting for same share of the domestic low-cost CASA deposits, leading to a lower share of low cost deposits
3. Half of the growth contribution was from fixed-rated mortgage books. The rise in interest is therefore negatively impact the NIM.

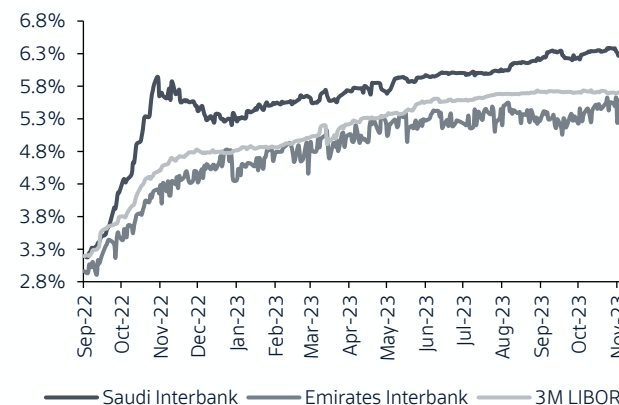
### Outlook:

We remain positive on KSA bank's lending book potential, which would be driven by strong giga & mega project rollouts, but expect NIMs to feel pressurised going into FY24. We expect banks to compete harder to gather deposits or raise wholesale funding, either of which would impact their funding costs.

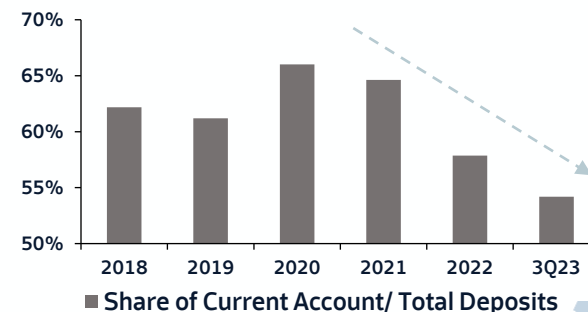
### KSA banks continues to leverage their balance sheet



### The impact of the rapid surge in KSA interbank rate to impact funding costs more than yields



### Share of CASA deposits continues to decline which is impacting funding cost

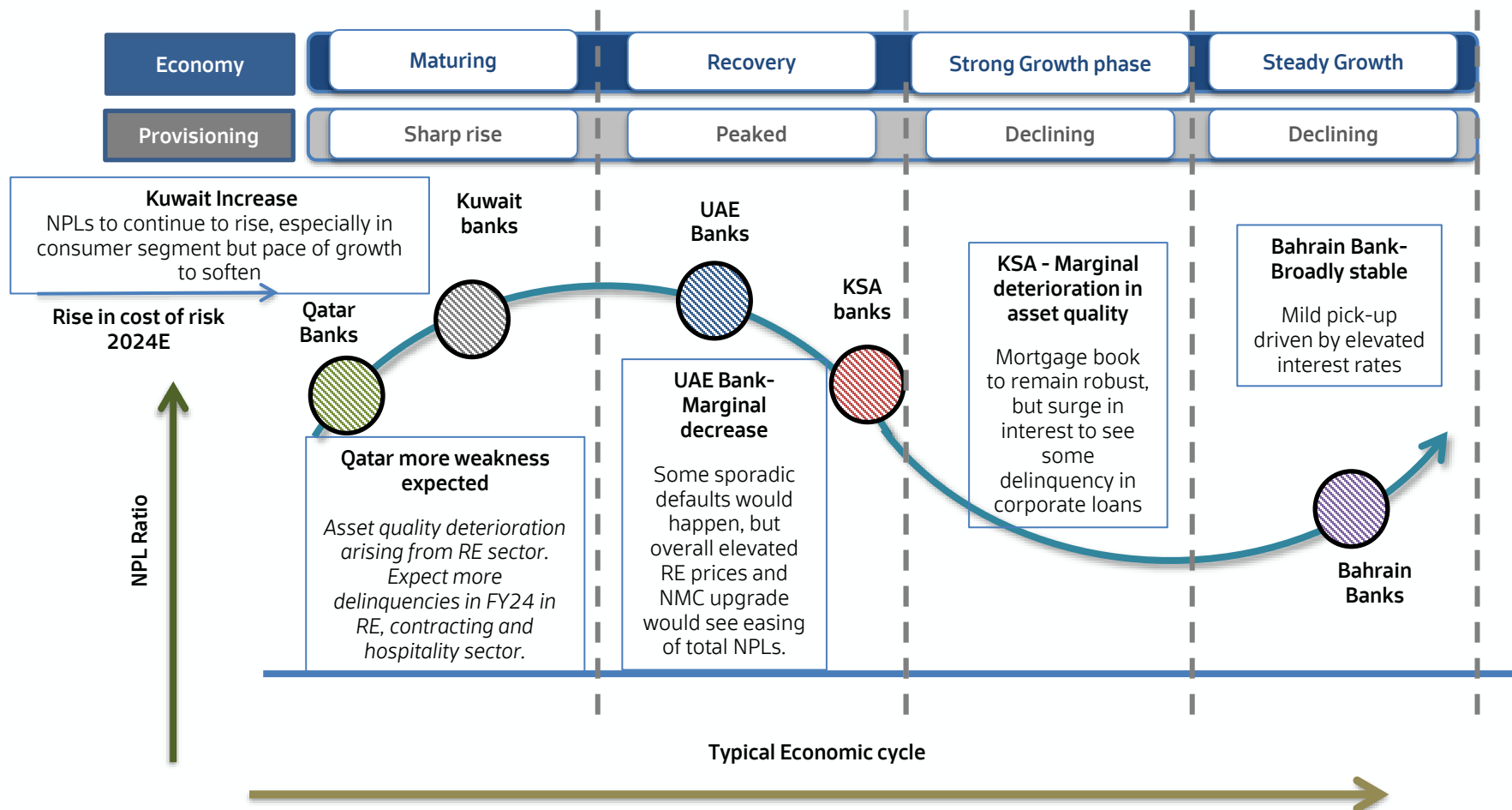


# GCC banks- asset quality outlook

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Expect higher delinquencies going forward but elevated real estate prices to support collateral values



# NIM to mildly taper down in 2024

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**Outlook for FY24:** Street is factoring a rate cut from 2H24, with a high likelihood of 100bps cut over the year. Fed although has maintained that the policy would be data dependent and insisted on sticking to their 2% inflation target. We are factoring an average 50bps drop in interbank rate over FY24, followed by 100bps in FY25. Overall, we are expecting a marginal 5-10bps NIM compression for GCC banks in FY24.

## KSA Banks:

1. Fixed rated mortgage lending would provide NIM expansion as interest rates decline.
2. Corporate focused banks would witness greater NIM contraction

High concentration of mortgage loan book of SNB & Al Rajhi and BSF with large fixed rated interest rate derivatives are better placed.

## UAE Banks:

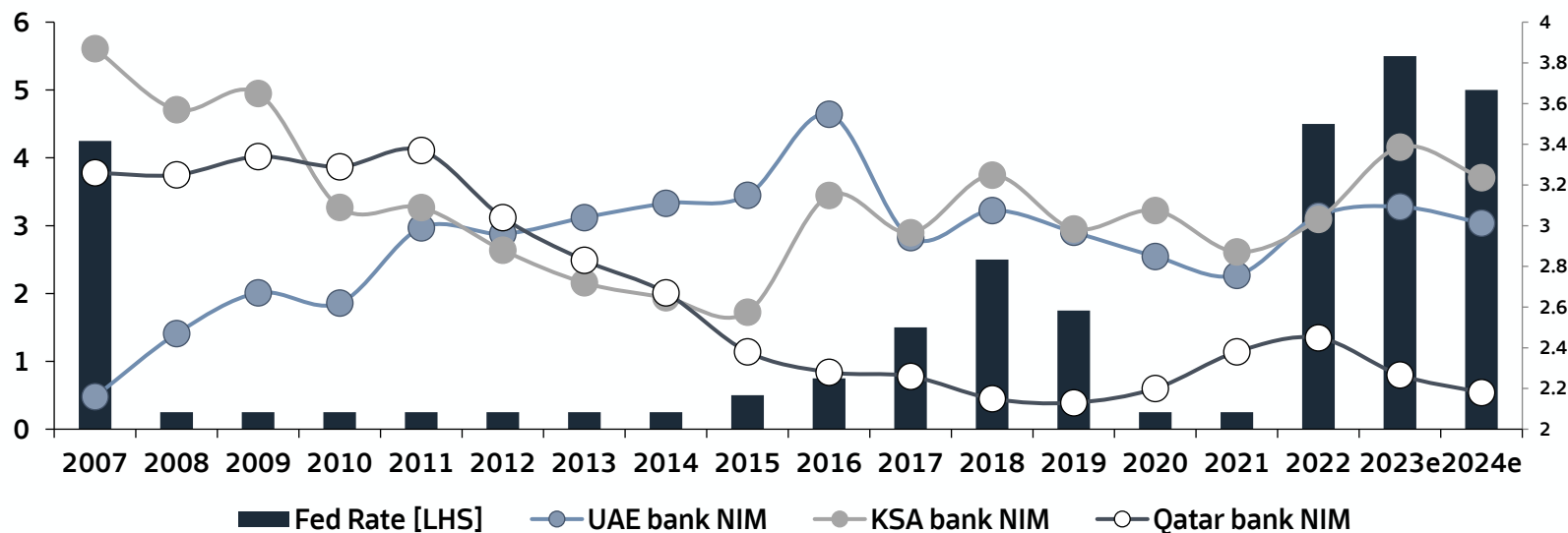
1. Expect a marginal NIM contraction, from stiff competition & ample liquidity in the system
2. Retail focused banks are better placed

ADIB with high share of retail loan look best placed among UAE banks to benefit from a decline in interest rate

## Qatar Banks:

1. High loan-to-deposit ratio, already high base of FY21 and shift towards public sector lending will cap a rapid NIM expansion for

All Qatari banks would witness NIM compression, but much of QIB's loan have an interest rate floor so would be our pick.



# Egyptian Exposure- Currency remain a threat- (1/2)

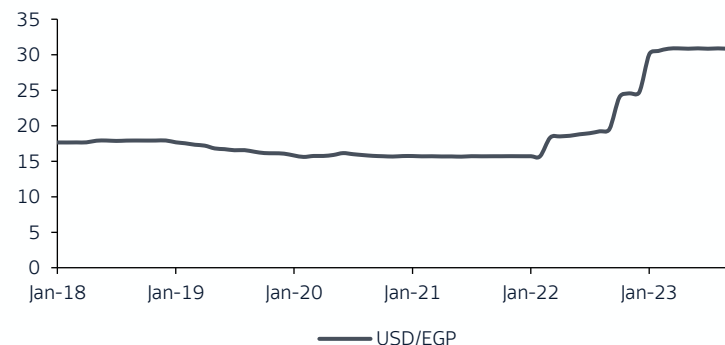
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## Strong currency devaluation but limited impact of GCC banks

- EGP has devalued by 26% over the past year to EGP 30.8/USD, leading to translation loss for GCC banks with presence in Egypt. This is a regulated price and if black market sources are to be believed it is as high as EGP 48-49/USD.
- On the positive side, the Egyptian banking system is well placed, with relatively low leverage and healthy asset quality.
- ADIB has the highest exposure in Egypt among banks under our coverage universe, but ADIB Egypt fundamentally remains strong with 122% increase in profits and 43bps improvement in NPL ratio.

**Egyptian pound continues to remain under pressure owing to higher inflation, higher debt burden and weaker economic growth**



**The recent surge in Egyptian inflation was due to higher import cost of food and energy along with weakening currency**



**GCC banks have only a moderate exposure to Egypt**

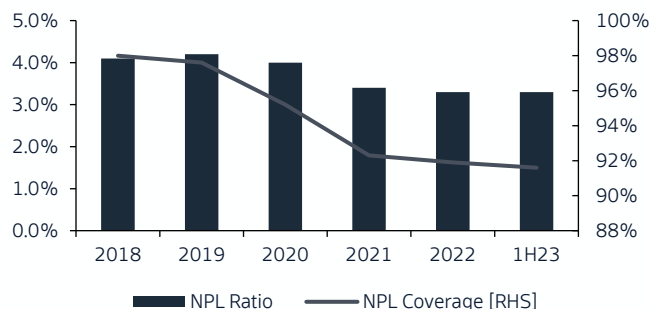
| Bank | % of assets | % of profits |
|------|-------------|--------------|
| ENBD | 2%          | 1%           |
| QNB  | 6%          | 8%           |
| ADIB | 10%         | 11%          |
| ADCB | 2%          | 3%           |
| FAB  | 2%          | 4%           |
| NBK  | 3%          | 3%           |



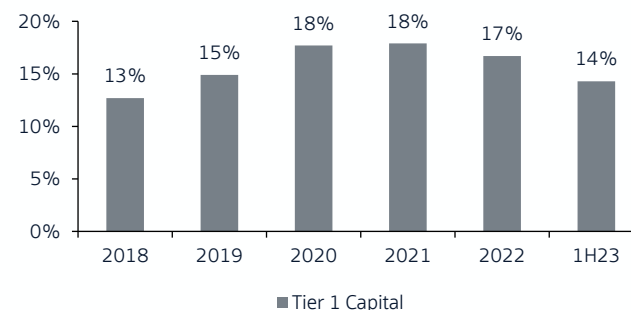
# Egyptian Exposure- Healthy Banking Fundamentals (2/2)

Modeling interest rate cycle to reverse from 4Q22 and impacting bank NIMs from FY23

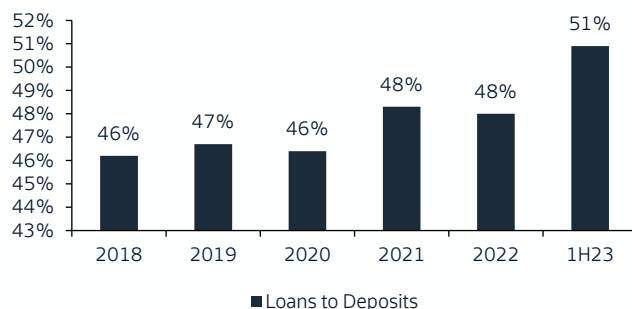
Despite economic concerns asset quality remains fairly resilient. Although, we expect marginal deterioration but nothing concerning



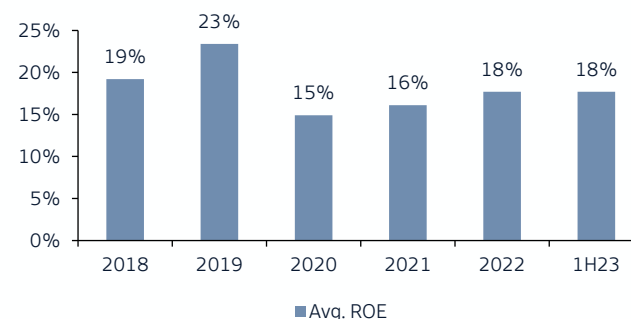
The drop in Tier 1 capital we believe is owing to a surge in balance sheet in an environment of high inflation



Egyptians have historically maintained a low leverage model, which offers more potential to weather economic downturn



Egyptian bank's are leveraging up their balance sheet, which helped them maintain its ROE



# Insurance



## Fundamentally Strong but negative on Demanding Valuation

### Best Case Assumptions

Venturing into Healthcare services

Surge in population of both expatriates & nationals in the workforce

Insurance compliance among nationals & expatriates to reach highest level

Sustained premium rise of 6.5% every year and 12.5% every 4th year

Strong sustained Umrah/Hajj pilgrim of 10% every year

Adding mandatory health insurance for Domestic help in our model

### Demanding Valuation

Saudi Insurance Index  
35.3x (Trailing)

Tawuniya  
26.2x – EPS-23

Bupa  
32.5x – EPS-23

#### Case study: Bupa Group

Although there has been no clarification, we are assuming that there is a 70% probability that within 10 years 22% of revenue would come from hospital operations.

#### Aggressive addition assumption

The number of expatriates in the private sector will rise by 7.2% CAGR 2022-28, while Saudis in the workforce, (without a dependent health insurance), to rise by an equally strong 5.4%.

#### Aggressive compliance assumption

We are also assuming private sector compliance rate to rise to the highest level, with Saudi nationals to rising from 73% in 1Q23 to 84% in FY28 and expatriates from c.80% to 93%.

#### Medical Inflation & TOB

Higher Medical inflation every 4th year is related to a revised Table of Benefit & inclusion of new ailment. On the other hand we are assuming a sustained medical inflation, c.3% above regular inflation.

#### Sharp rise in pilgrims

Despite a lacklustre Umrah/Hajj pilgrim addition in FY23, below even pre-pandemic level, we maintain a strong sustained pace of growth.

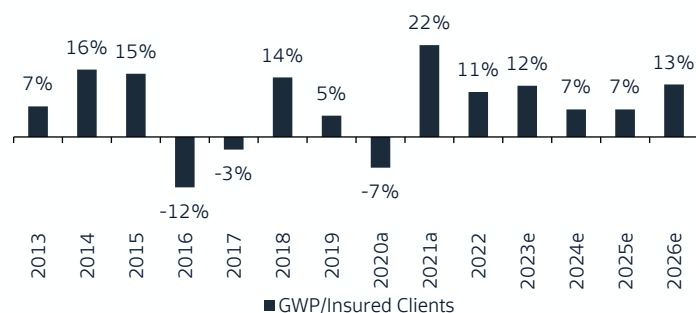
#### Expected Insurance

It is still not mandatory to provide health insurance for Domestic help. However, we are assuming it to be compulsory from next year with premium contri. to rise to SAR 2.6bn by FY28 (4% of total medical premium).

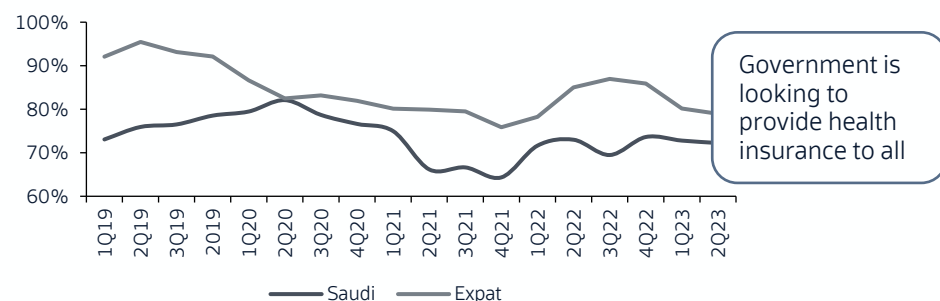


## Fundamentally Strong but negative on Demanding Valuation

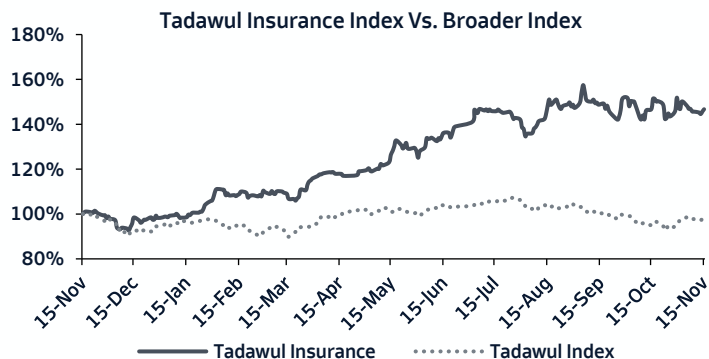
We are seeing medical inflation at 6-8%, including the impact of revised ToB. Despite challenging economic times, we believe the insurers would be able to pass it on.



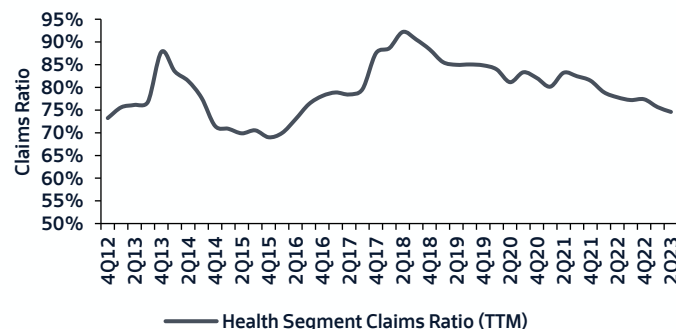
Despite mandatory health insurance initiatives, the private sector insurance penetration remains suboptimal



Tadawul insurance index has rallied by 50% over the past 1 year and has outperformed the broader index which has broadly remained flat



Health sector claims are normalising after the Covid period. We see limited downside from current level and expect claims to pick-up with new table of benefits claims



# Building Materials





# Building materials

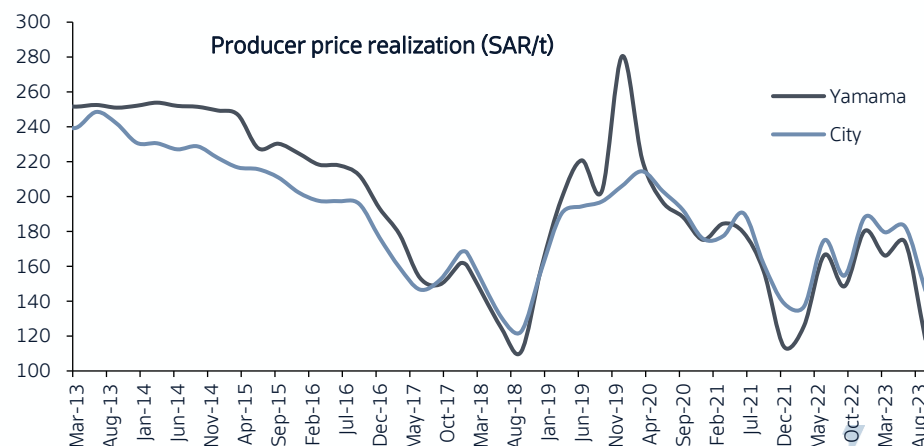
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## Short term sluggishness vs long term boom

- Cement demand down 7% YTD. However, in our view, the demand weakness YTD was partly driven by the sheer magnitude of the interest rate shock. As rates stabilize (even at elevated levels) demand will likely bounce back as long-term drivers are in place.
- Price war resurfaced during 3Q23, with producer realizations diving back to the lows of 2021/22. In an environment of weak demand and amidst chronic oversupply, the KSA cement industry risks going in and out of price wars.
- Yet, retail prices continue to remain firm, implying that 3Q was another instance of such margin transfer from producer to trader. In the past, such episodes were short lived.
- We believe KSA is likely to win the right to host Expo-2030 (voting expected on 28<sup>th</sup> Nov). The win, positive for activity in and around Riyadh, could also turbocharge project activity across the kingdom. We see the central region players as longer-term sector outperformers.

| <i>million tons</i>         | Jan-Sep 22  | Jan-Sep 23  | YoY        |
|-----------------------------|-------------|-------------|------------|
| <b>Total demand</b>         | <b>37.1</b> | <b>34.5</b> | <b>-7%</b> |
| Eastern                     | 5.3         | 4.8         | -8%        |
| Central                     | 9.2         | 9.0         | -3%        |
| North-Central (Hail/Qassim) | 4.4         | 3.9         | -12%       |
| Northern                    | 1.4         | 1.6         | 15%        |
| North-Western/NEOM/Tabuk    | 1.1         | 1.0         | -10%       |
| Western                     | 9.5         | 8.6         | -9%        |
| Southern                    | 6.2         | 5.5         | -10%       |



Private and Confidential

Source: SICO Research, Yamama Cement, SAMA

# Basic Materials



## Petrochemicals – Oversupplied for years

- **Petrochemicals** – Much of the petchem sector is caught in a crossfire of significant demand weakness & record amount of supply hitting the market (especially in PP and MEG) and for the foreseeable future supply is expected to grow at a faster pace than demand. Much of this new supply comes from China. **For PE**, average annual capacity exceeding demand was 10m tonnes in 2000-2022 with the average annual operating rate across LDPE/LLDPE/HDPE at 86%. But average annual capacity exceeding demand is forecast to be 26m tonnes in 2023-2030 with the operating rate at 80%. **For PP**, the operating rate in 2023 is expected at 79% and rates will average 79-80% for the 2023-25 period, according to ICIS. In contrast, operating rates averaged 87% during the 2000-22 period. An extended demand slowdown is likely to make the road to a more favourable market balance even longer.
- OPEC+'s oil price management strategy is underpinning product prices; the real magnitude of weakness can be seen from **olefin spreads which sit at close to twenty-plus year lows**. The weakness in end use demand is depressing operating rates and the **deeply negative Naphtha crack spreads** reflect that. For much of 2024, we see pressures persisting, although considering the extent and duration of this downcycle, a supply response is likely (closures/delays). Should that coincide with a demand recovery (the contraction in the ISM Manufacturing Index is now the second longest over the past 20+ years), we could briefly see strong momentum in product prices, but upside is likely to be capped as new capacity finds its way to the market.
- Earnings based valuation multiples of KSA petrochemical companies will continue to look elevated through the year, but **asset valuations appear beaten down** (exhibits on pg 43).

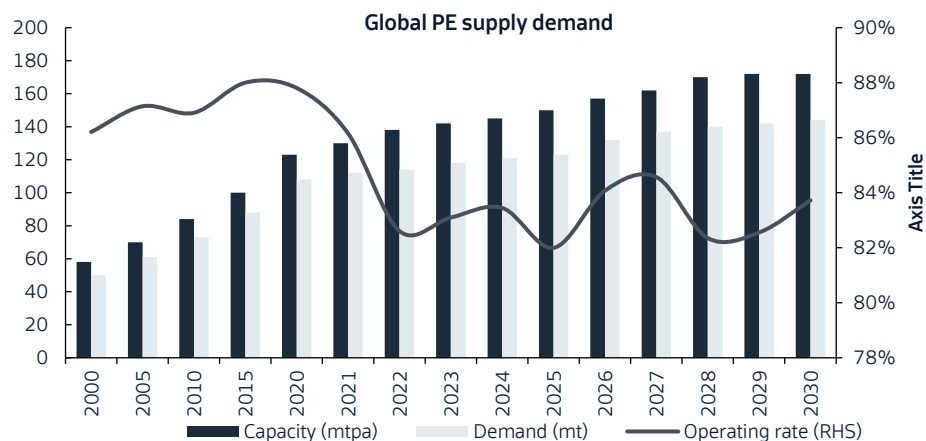
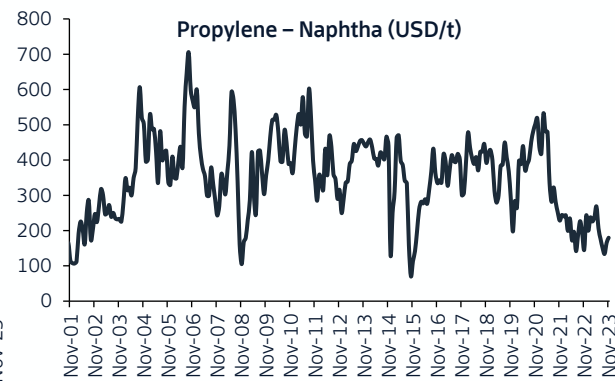
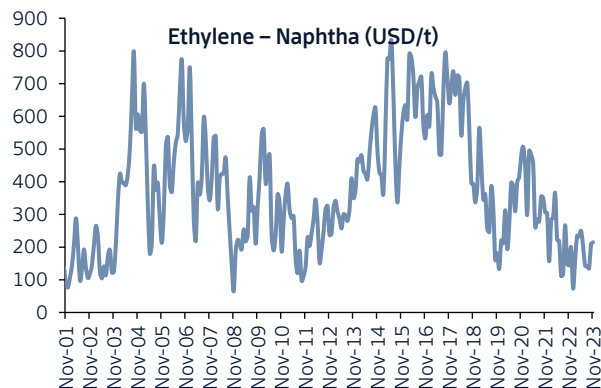
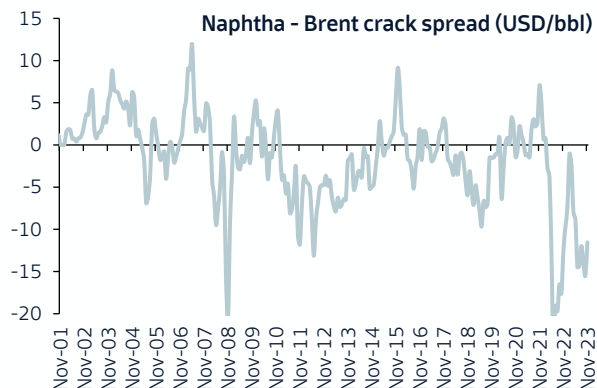


# Basic materials sector

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## Petrochemicals – Margins/spreads at two-decade lows



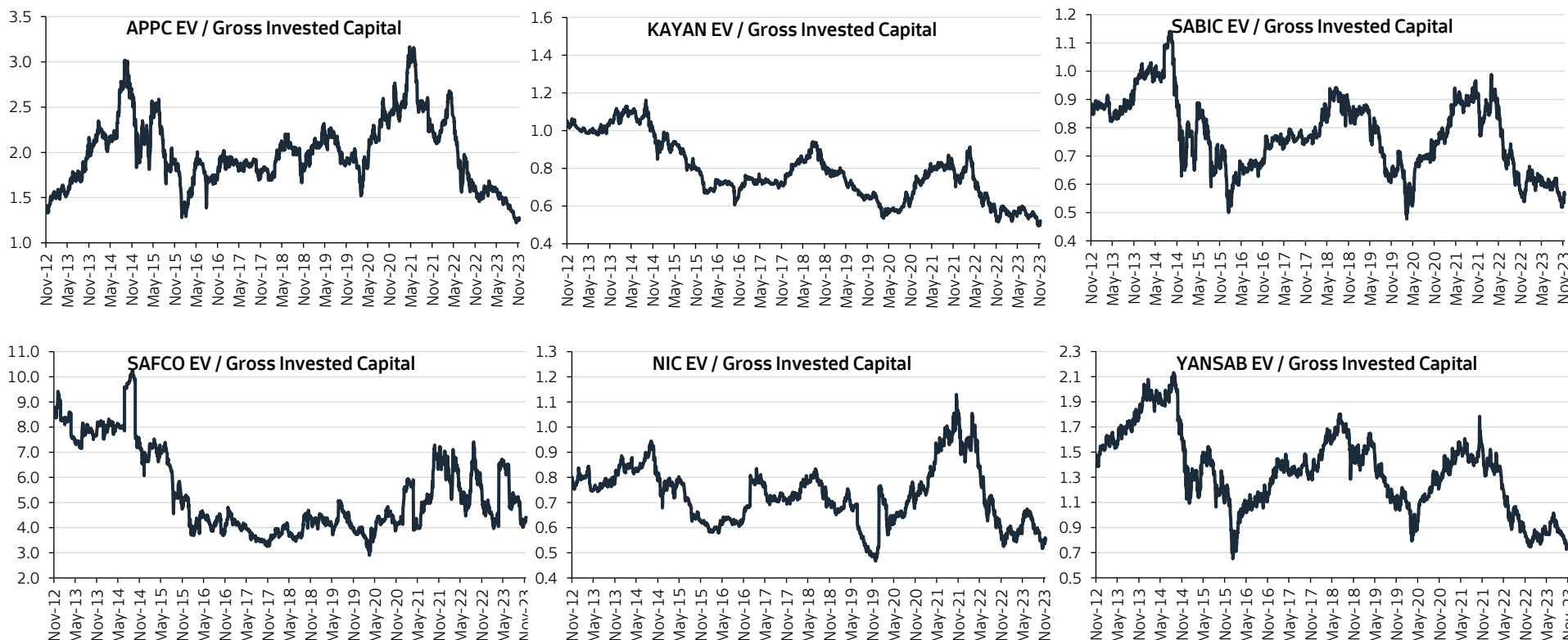
# Basic materials sector

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## Petrochemicals – But asset-based valuations suggest that a lot is in the price

While the demand & price outlook for 2024 remain very hard to forecast and earnings are likely to remain under pressure, asset-based valuations suggest that a lot is in the price, with some names trading at a 50%+ discount to invested capital (replacement costs).

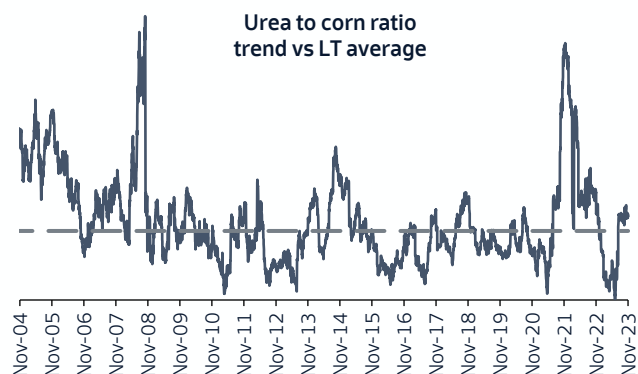
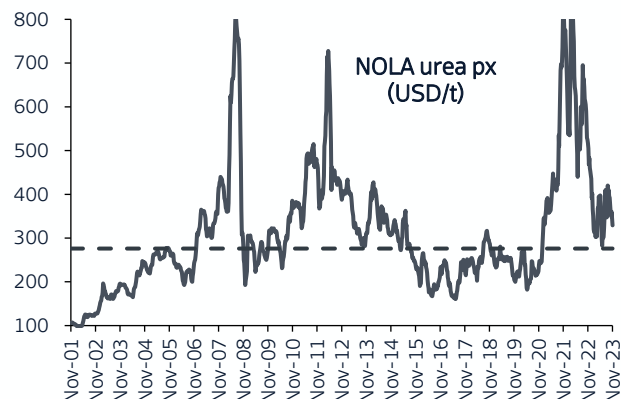


Source: Bloomberg, Company data, SICO Research

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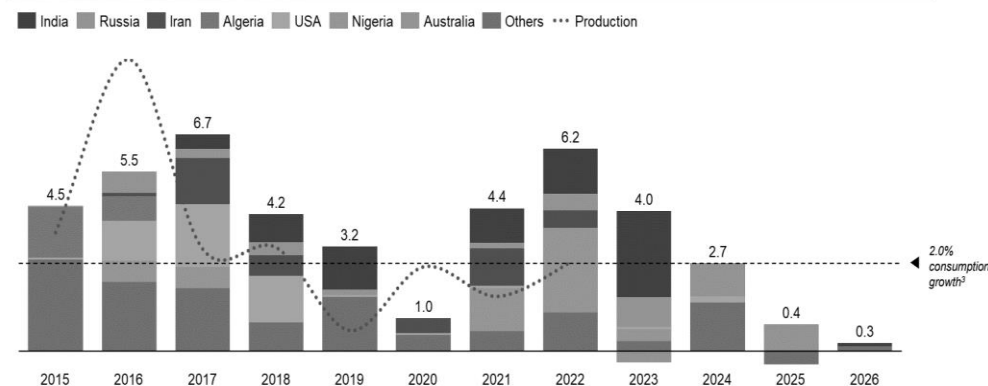
## Fertilizers remain the safe harbour with stable prices in 2024

- Fertilizers:** We build in slightly higher urea prices YoY for 2024. The current year commenced with affordability related spillovers from 2022, followed by capacity restarts in Europe on the back of improved gas availability and capacity additions in India. 2024 is likely to see lower capacity growth YoY. Despite the weakness in corn prices, urea affordability metrics are favourable in comparison with ammonia and DAP. Energy price trend and Chinese policy on exports remain key swing factors for the urea market. As for the former, European storage levels are to the brim and a warmer than usual winter could cause gas prices to plunge. Even as Chinese exports remain restricted, we hear that operating rates are high, and excesses could eventually find their way into the seaborne market.



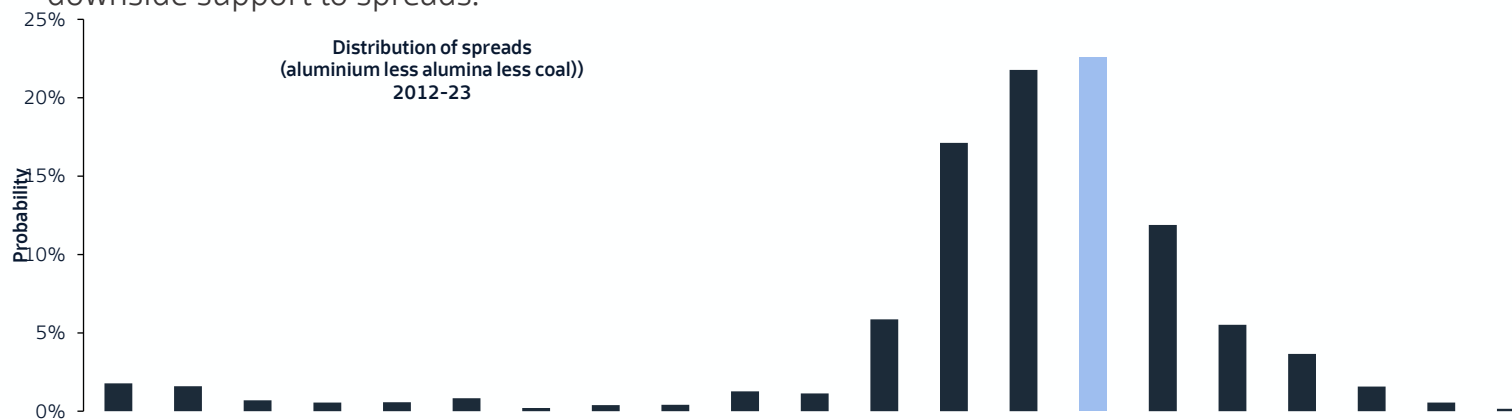
Source: Bloomberg, Yara, SICO Research  
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Global urea capacity additions ex. China <sup>1,2</sup> (mt)



## Aluminium – alumina spreads could stay wide even as aly cost curve deflates

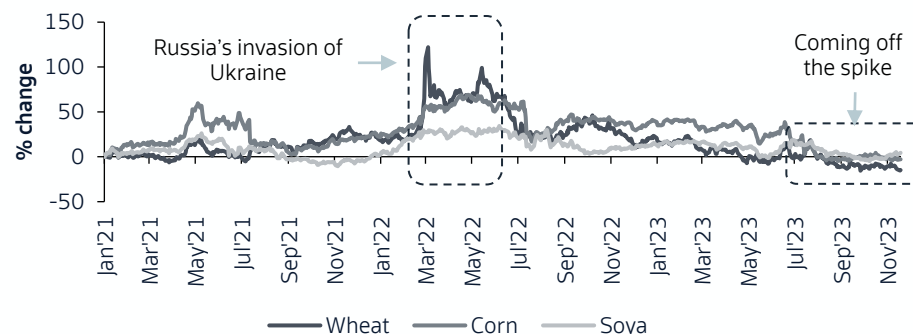
- Aluminium** – The aluminium price & the spread vs alumina would appear unusually high for where we stand in the cycle, but adjusted for energy costs, spreads are in-line with the 10+ year median. We expect prices & premiums to weaken YoY during 2024 on the back of a deflated cost curve (alumina, coal and coke, + lower shipping costs) and lagged impact of higher interest rates on demand. Alumina is set to see ramp up of significant new capacity in China, India & Indonesia in 2023/24 and surpluses are likely to widen. Aluminium, in contrast, could see supply risks from the resumption of production in Europe if gas prices subside materially, a low probability event in our view, given large costs involved with restarting smelters and limited conviction that Europe's energy supply issues are fully resolved. The direction of coal prices is another variable to watch given its significant impact on the global cost curve. Bloomberg consensus coal price forecasts are >USD 100/t for the foreseeable future, which should provide downside support to spreads.



# Consumers

## Strong macros for staples and discretionary names in 2024

- **Staples** - No additional challenges from commodity prices as they have come off their FY22 spike. This bodes well for the likes of AlMarai, Tanmiah and SADAFCO. Full cost benefit of lower prices did not reflect until 9M23 financials.
- We expect benefits from the combined effect of lower commodity prices and price increases to flow through in FY24.
- **Top pick in consumer staples: AlMarai** (A play on Saudi population story, food security and expansion (poultry)).
- In the UAE, **Agthia** has witnessed some margin improvement in 3Q, which implies that Agthia's cost control has improved amid battles with commodity prices, inflationary pressures, and rising debt costs. The company has displayed significant deleveraging of its balance sheet this year, with total bank borrowings declining by 39% to AED 1.46bn.
- **Impact from Egypt currency devaluation** - Companies under SICO coverage with exposure to Egypt: AlMarai and Agthia among consumer staples and Americana as a consumer discretionary name.





# Consumer Sector

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## Consumer discretionary

- **Top picks in consumer discretionary: Jarir and Leejam.**
- **Leejam** - Higher membership volumes and profitability from centers to complement Leejam's stock. Benefits from vast opportunities for expansion owing to new urban cities and whitespace being created in KSA from giga-projects.
- **Jarir** – While PoS is lower YoY Jarir and eXtra are gaining market share at the expense of smaller players – after sales service, ease of financing, higher reach through ecommerce and store expansion. We prefer Jarir on Dividend cushion (5.5-6%)
- We also like **Americana** in the QSR segment, and we see potential from current expansion plans and the growth story overall. However, for not, we are unsure of the impact from the boycott, and we expect to have more clarity post 4Q. Despite the recent stock correction, Americana is not a top pick for the time being.

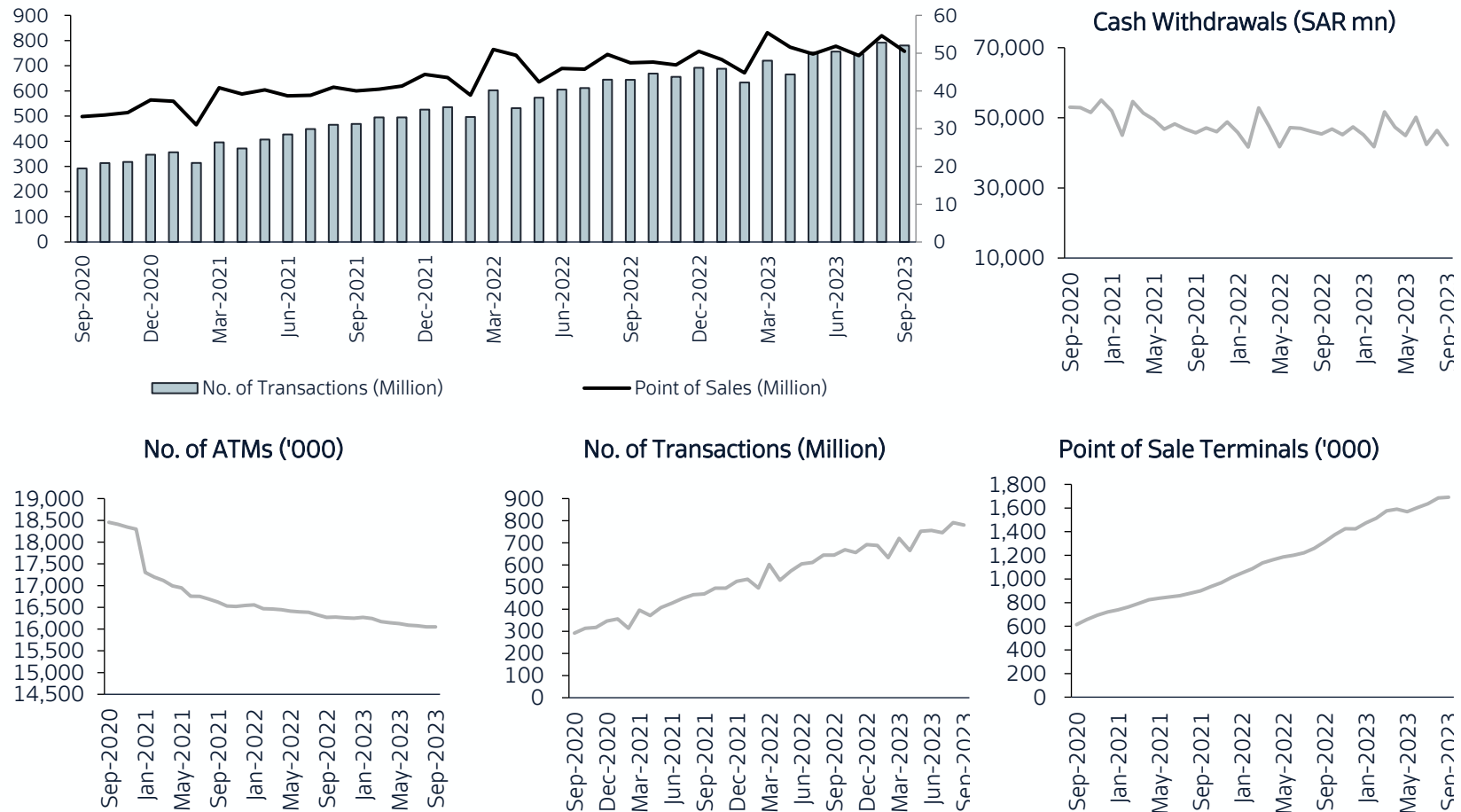


# Consumer Sector – PoS Data Analysis

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## Saudi Arabia

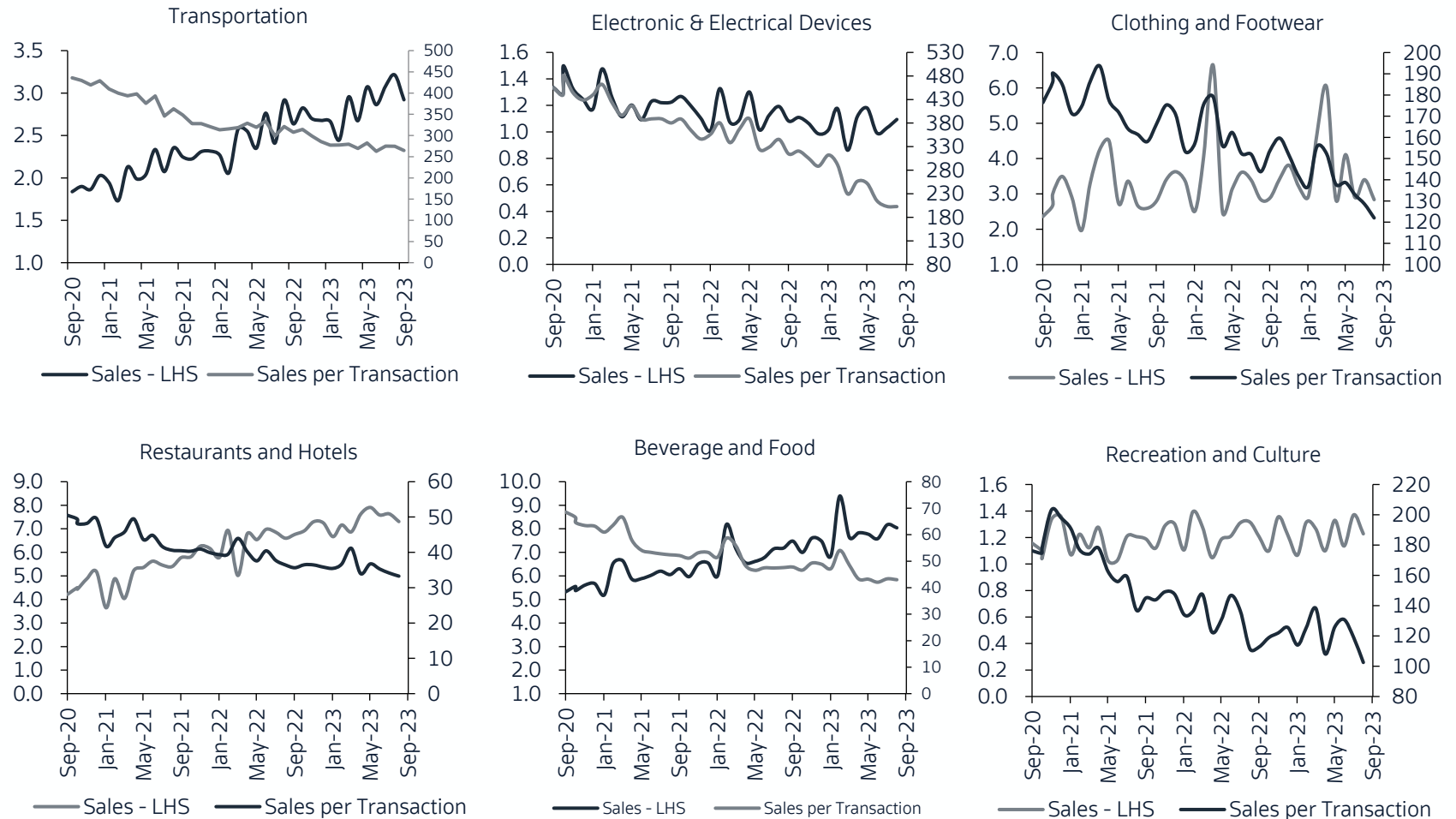


# Consumer Sector – PoS Data Analysis

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## Sectoral Breakdown – Saudi Arabia



Source: SAMA Monthly Data

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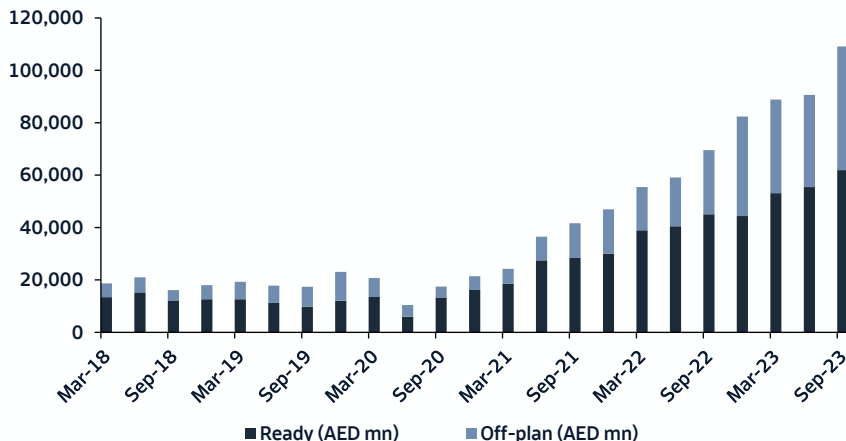


# UAE Real Estate

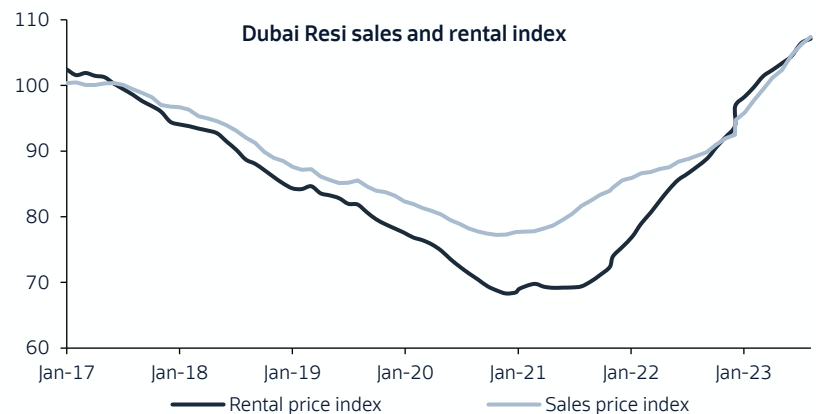
## Residential real estate - Momentum sustains in 2023

- **Sales remain buoyant:** Dubai's real estate activity remained strong with a 55% YoY growth in transactions during 9M23 driven by an 83% growth in off-plan apartments and 33% YoY growth in ready apartments. By value, sales grew 72% YoY with a 102% growth in off-plan and 38% growth in ready segments.
- **Prices firm up further:** Prices strengthened for the 3rd consecutive year with 16%/14% increase YTD Sep-23 in sale and rental values, respectively. On a YoY basis, prices grew by 19.6% YoY with a 20% increase in apartment and 17% increase in villa values. While rental growth decelerated through the year, sales price increases accelerated on the back of strong market activity.
- **Robust recovery in tourism:** Tourism continued to recover with 12.4mn arrivals in 9M23, up 22% YoY and 2.6% ahead of 2019 levels. While Chinese arrivals grew 3x in 9M23, they remain c.35% below pre-Covid levels. We expect recovery in Chinese tourists to be a growth driver going ahead.

### Real estate sales have grown by 72% YoY in 9M23 led by robust demand for off-plan properties



### Sale and rental values strengthened for the 3<sup>rd</sup> consecutive year with double digit growth in 9M23



## Residential real estate – Potential moderation going into 2024

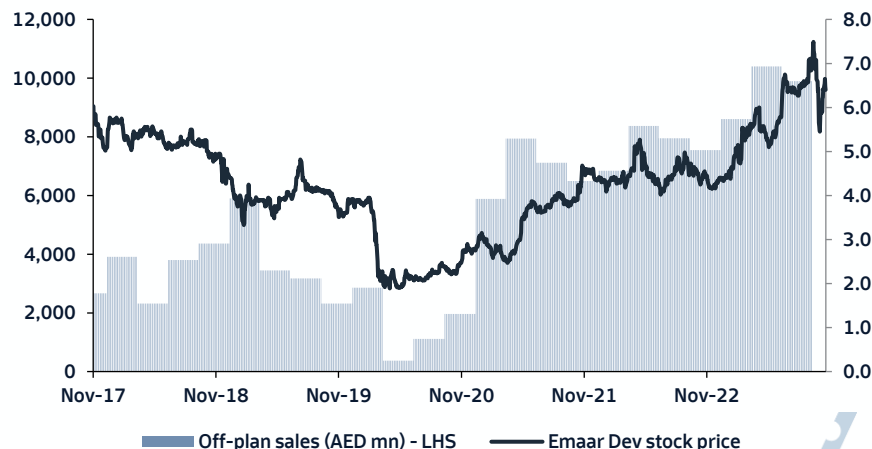
- **Slow down in Russian flows:** While Russian investments have been a key tailwind since early 2022, we believe inflows have slowed down over the past few months due to i) a c. 25% depreciation in the Rouble since the start of FY23, ii) notable price appreciation in Dubai real estate, and iii) saturation in outflow of capital from Russia.
- **Record project launches:** In response to strong demand, the market has seen a sharp uptick in new launches with 57k units in FY22 and 71k new unit launches YTD Oct-23 raising risks of oversupply over FY25-26.
- **Expect a moderation in FY24e:** Post three years of robust growth, we expect slowing Russian flows, high interest rates and muted global growth to lead to a slight moderation in off-plan sales in FY24e. Emaar Development's stock price has historically exhibited strong correlation with its off-plan sales and potential moderation in off-plan sales could be a headwind for the stock in FY24.

### The Russian Rouble has depreciated c.25% against the USD since Jan-23

US Dollar Russian Ruble 88.1155 -0.4300 (-0.49%)



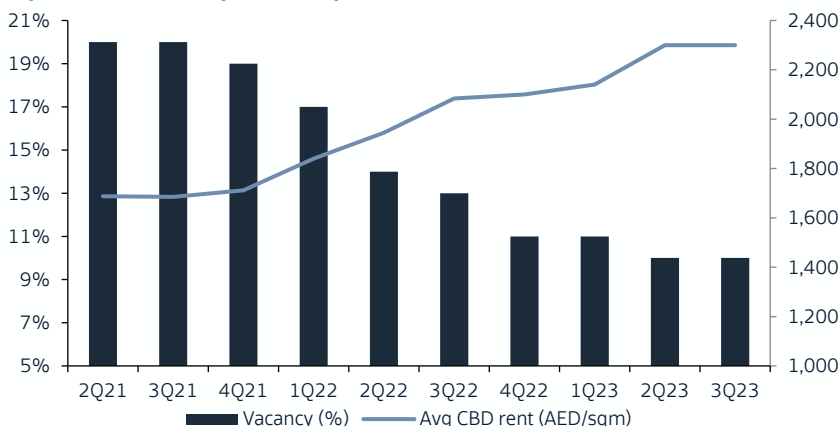
### Emaar Development's stock price has historically exhibited a strong correlation with off-plan sales



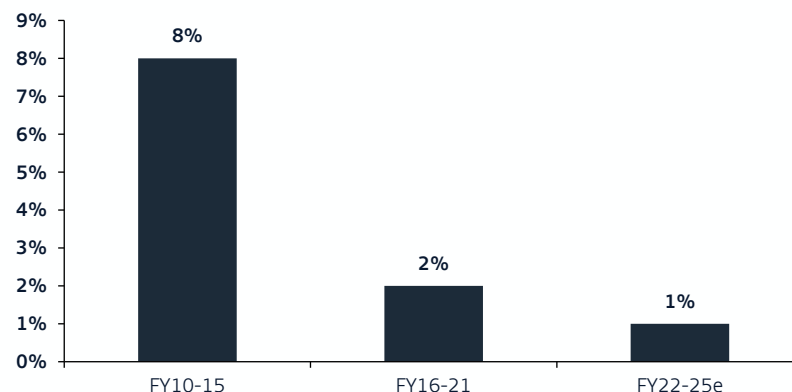
## Commercial real estate – Well placed going into 2024

- **Strong demand for office space:** Dubai recorded 580k sqft of prime office absorption in 1H23, up 23% YoY led by entry of new businesses, supportive government initiatives and UAE's expanding free trade agreements. We expect a healthy macroeconomic backdrop to underpin office space demand in FY24e.
- **Declining vacancies, increasing rents:** Led by improving demand, city-wide occupancy improved 9ppt to 87% in FY22, while prime occupancy stands at a robust 90% as of 3Q23. Consequently, prime office rentals have increased by c.10% in 9M23, on the back of 23% growth recorded in FY22.
- **Limited near-term supply creates a favorable industry backdrop until FY25e:** In the backdrop of strong demand and limited space availability, only c.2.8mn sqft of new supply is scheduled until FY25e (c.3% of existing office stock). Consequently, we expect office dynamics to remain favorable in the near term.

**Occupancy has improved to 90%, while prime rentals increased by 35% over the past two years**



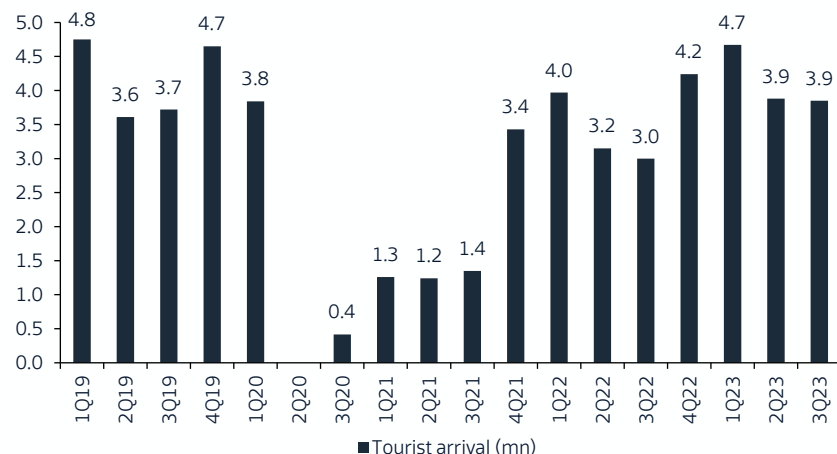
**New supply is expected to slow down materially to a 1% CAGR over FY22-25e**





## Key charts

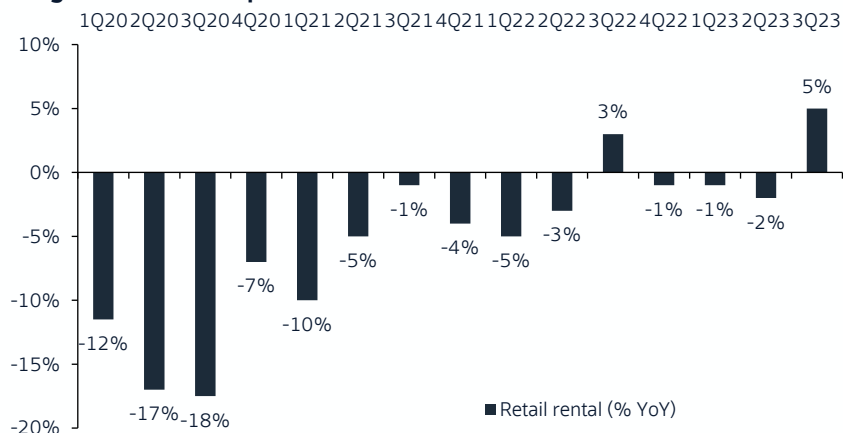
**Dubai international arrivals have recovered to pre-Covid levels**



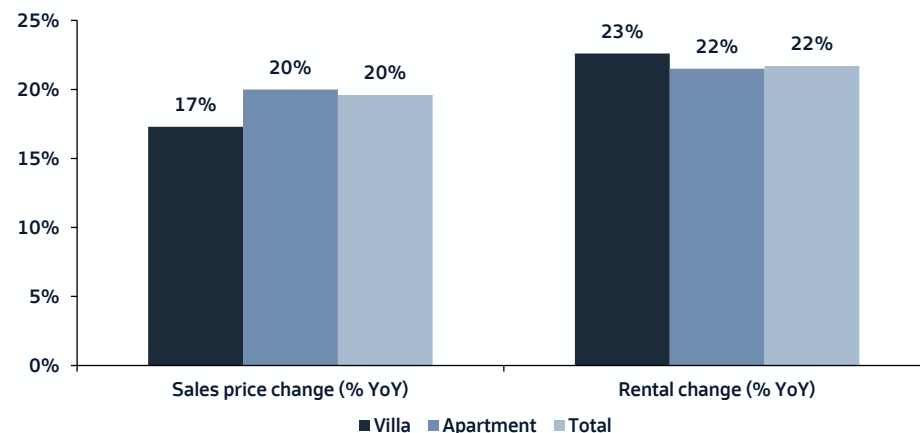
**Hospitality occupancy and ADRs have recovered led by growing tourist arrivals**



**City wide retail rents have been flat while super-regional and regional malls outperform**



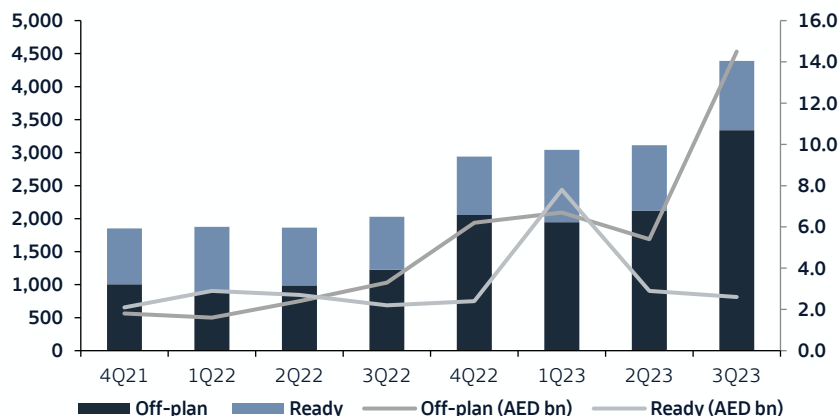
**Apartment and villa price change has been broadly similar**



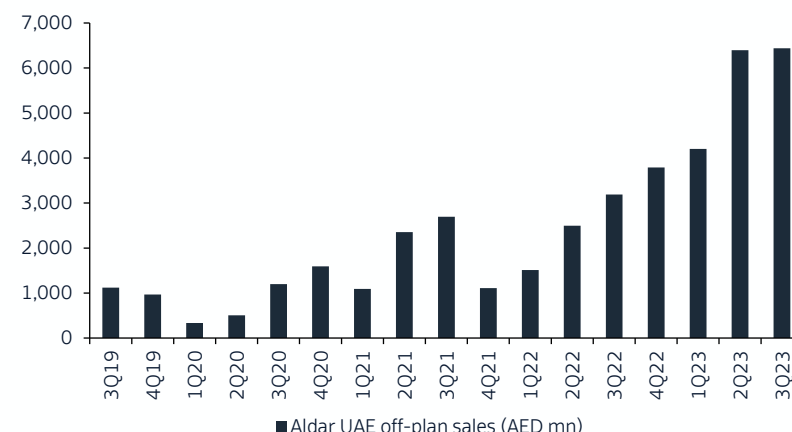
## Record off-plan activity in FY23e, expect moderation off a high base

- **Sharp jump in off-plan sales:** Abu Dhabi's off-plan sales grew c.250% YoY with Aldar's sales growing 140% YoY to AED 17bn in 9M23 (vs. AED 11bn in FY22). This has been driven by rising interest from expats and overseas buyers who accounted for 60% of Aldar's 9M23 sales (vs. 28% in FY22).
- **Moderate price increases:** Residential sale prices grew by 4% YTD Sep-23, while rentals increased by 1% with prime and high-end developments outperforming the broader market.
- **Office rentals grow, retail remains flat:** Prime office rents grew by 12% YTD Sep-23 while vacancy declined slightly to 22% in 9M23; led by expanding GRE operations. Retail rents increased marginally despite addition of the Reem mall.
- **Outlook:** While Abu Dhabi off-plan sales could moderate off a high base, expect new launches in Dubai to support Aldar's off-plan sales in FY24e.

### Abu Dhabi's off-plan sales have recorded a significant jump from 4Q22 onwards



### Aldar 9M23 off-plan sales of AED 17bn are 4x of FY19 levels, led by rising purchases by international buyers



Source: DMT, Company data, SICO Research

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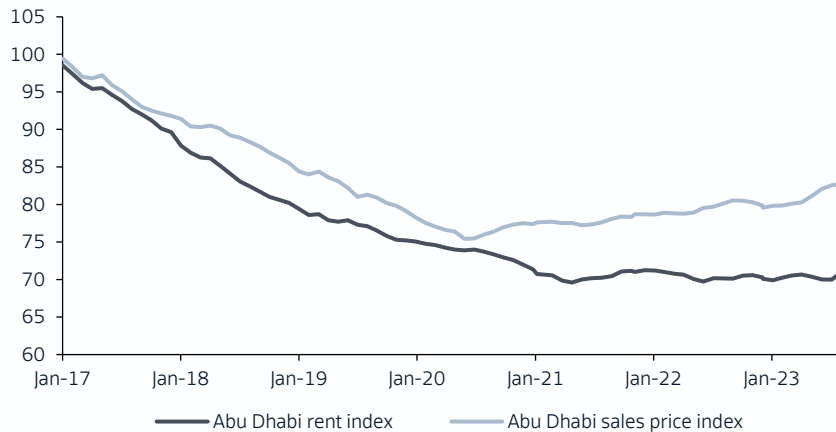
# Abu Dhabi Real Estate

28 November 2023

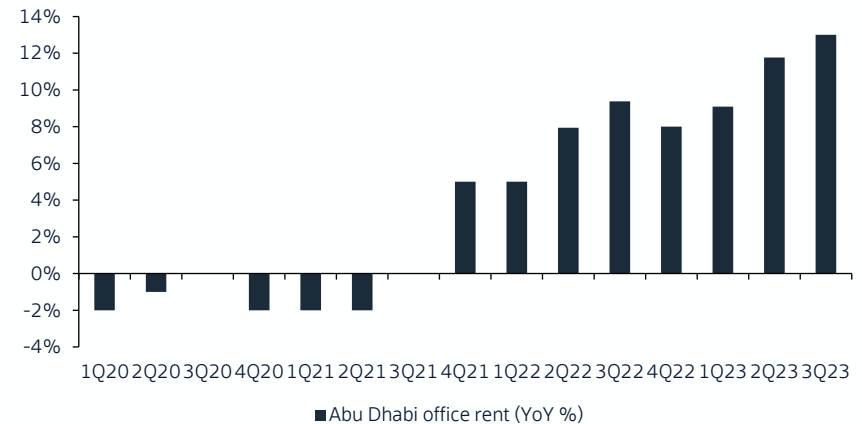
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## Key charts

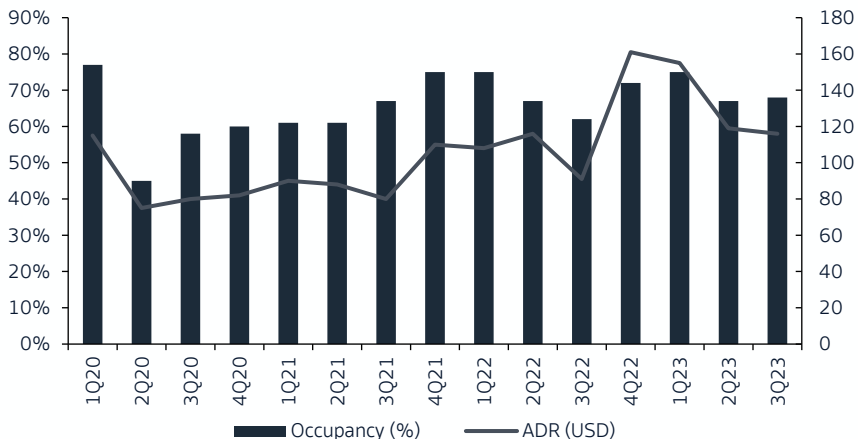
**Residential sale and rental prices increased by 4% and 1% in 9M23 with prime and high-end developments outperforming**



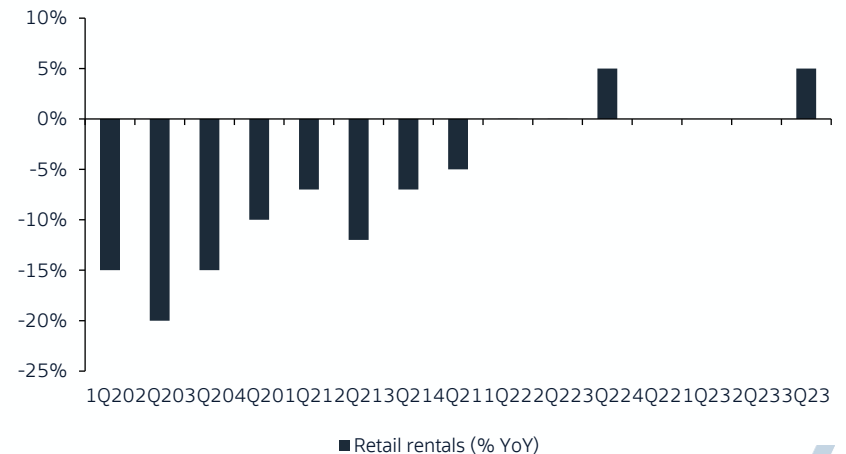
**Prime office rents have increased by 12% in 9M23 led by additional demand from GREs**



**Occupancy and ADRs have improved on the back of increasing tourist arrivals**



**Retail rents have remained stable despite addition of the Reem mall**



Source: JLL, Reiden, SICO Research

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# Transportation

# Transportation

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## Freight rates normalize back to historical levels

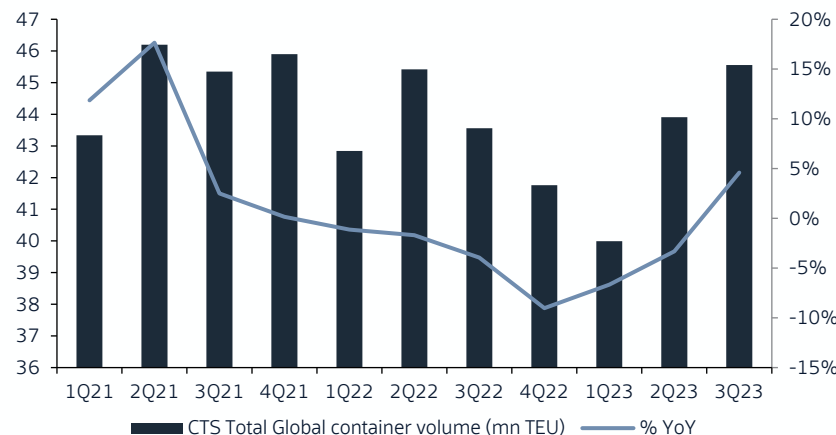
- **Muted global trade:** Global container trade declined by c.2% in 9M23 reflecting subdued consumer spending on goods and excess inventory corrections by manufacturers & distributors. Global Manufacturing PMI has been in the contractionary zone since Sep-22 and stood at 48.8 in Oct-23.
- **Declining freight rates:** Sea and air freight rates continued to normalize back to historical levels with substantial YoY declines in 9M23. Nevertheless, Oct-23 sea and air freight rates stood 25% and 43% ahead of Oct-19 levels.
- **Fleet additions to outpace demand growth in FY24:** While global container trade is expected to grow by 3-4% in FY24e, ocean fleet is expected to grow by c.8% on the back of a c.8% growth in FY23e. Consequently, sea freight rates are likely to remain muted in FY24e.
- **Courier volume growth key for Aramex:** With freight rates likely to remain subdued, we believe pick-up in courier volumes would be key to earnings growth for Aramex.

Source: Bloomberg, SICO Research

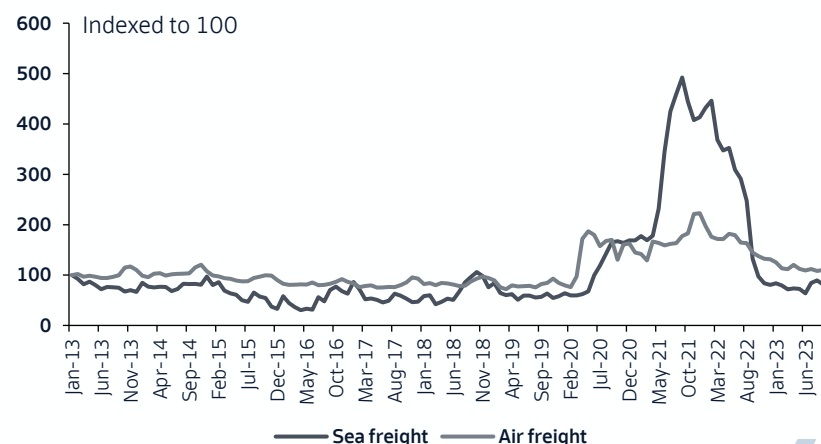
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### Global container volume has declined by c.2% in 9M23



### Sea and air freight rates have normalized back to historical levels



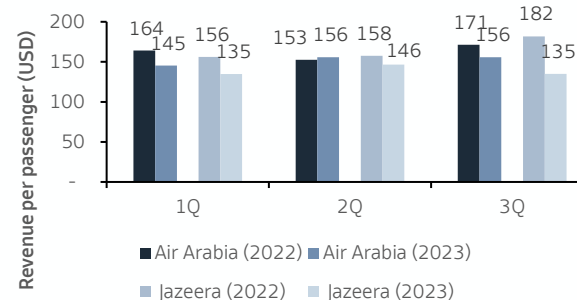
# Transport Sector – 2024 will remain tough for Airlines

28 November 2023

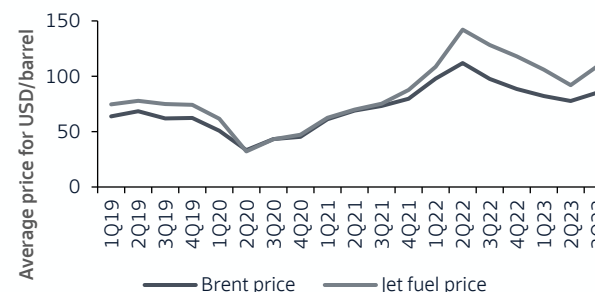
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- We highlighted the risk to the Airlines sector in early 2023 strategy piece from yield pressure on margins and a high 2022 earnings base. In 9M23, Jazeera Airways has seen a bigger impact while Air Arabia has surprised us with its relative resilience.
- 2024 – We expect yield pressure will sustain. Hedging could alleviate some cost pressures. In addition, both airlines will need to pay downpayments for their large order backlog, implying dividend payouts to be subdued.
- Within the sector while we remain more confident on **Air Arabia's** resilience versus Jazeera Airways, Air Arabia's stock is up +27%YTD and is broadly fairly priced. **Jazeera Airways** stock is down 33% and while airline business will witness further pressure in FY24, terminal operations and profitability will improve, terminal 6 expansion is positive.
- Accordingly, **Jazeera Airways stock** looks a better relative bet mainly on valuations, however next few quarters results will be weak.

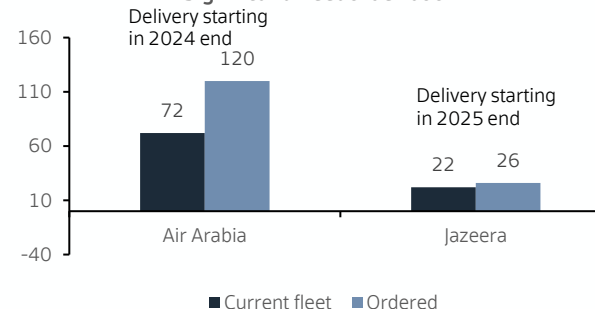
Air Arabia and Jazeera yields



Brent fuel and jet fuel prices



Significant Fleet order book



Source: SICO Research, Bloomberg, Company data

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# Telecom





## Low yielding telcos could be punished if growth disappoints

**Tower Co Deal dominate the narrative in FY24** – Zain Group's TASC and Ooredoo Group Tower portfolio merger will create a 30K tower behemoth bringing in operational efficiencies to both telcos. In addition, Zain KSA is expected to complete the remaining part of 8069 tower transfer to GLI by 1H24. STC's Tawal 51% stake sale to PIF is also ongoing. We also highlight the possibility of IHS in Kuwait reselling the 1508 towers to TASC Ooredoo JV for better operating efficiencies.

**Larger telcos chasing opportunities in Europe** –Telcos such as e& and STC are eyeing opportunities in Europe. While e& acquisition in Vodafone (with expected further stake increase) and controlling stake in PPF telecom highlights the strategy of leveraging balance sheet strength to acquire telco assets in developed countries. Similarly, STC has acquired 9.9% stake in Telefonica and could make further acquisitions in Europe.

**Pushing forward fintech, IT services, Data Center related investments** – The growth is now becoming more material for telcos especially in perspective of incremental growth for the telcos. Considerable investments have been planned by most GCC telcos in this space.

**Currency volatility remains a risk, particularly in Egypt:** Larger diversified telcos will face further headwinds from currency devaluations, geopolitical issues in countries such as Sudan, Egypt, Tunisia, Pakistan. However, the extent of impact YoY will be lower.

**Telcos may be punished for not rewarding shareholders adequately** :- STC, e& have a stated dividend policy, however they have the ability to pay higher payouts post FY performance. Despite, having strong balance sheet and record earnings, telcos have been busy deploying funds in M&A. Accordingly, yields are at 4% for these telcos which at current interest rates is not attractive. This is a risk for STC and e&.

**Sector picks :- STC (KSA), Zain (Kuwait).** We also like **Du (UAE)** as a yield play (6.5-7%) as we believe the telco is expected to increase payout to 100% and new Royalty mechanism will be earnings accretive over the next three years, implying higher dividend payout. We like STC as a play on Saudi macros and growth of its subsidiaries while Zain on high yield play within Kuwait.

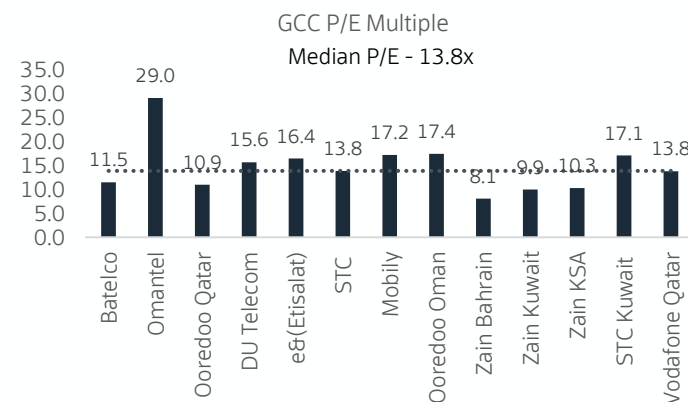
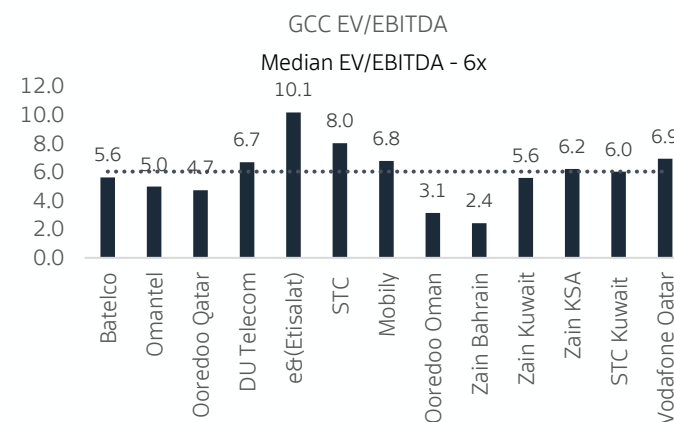
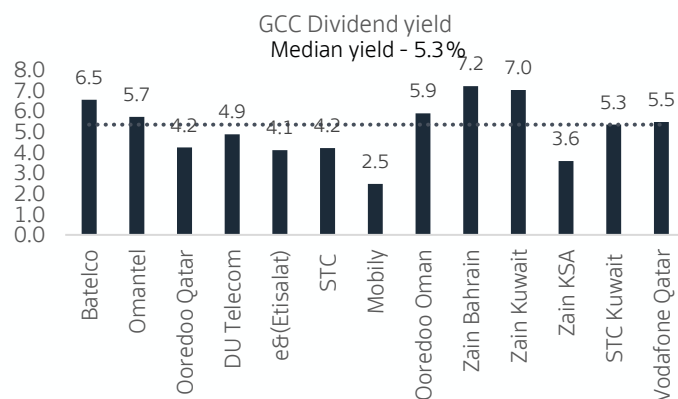


# Telecom relative valuations

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We like Zain and Du from dividend yield perspective. We believe Du's yield will increase from 5% currently to 6.5-7% as the telco increases its payout to 100% and benefits under new Royalty regime.



Source: Bloomberg, SICO Research, As at Nov 23<sup>rd</sup> 2023, Multiples are current  
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# Healthcare



# Healthcare Sector: Strong Growth Opportunity

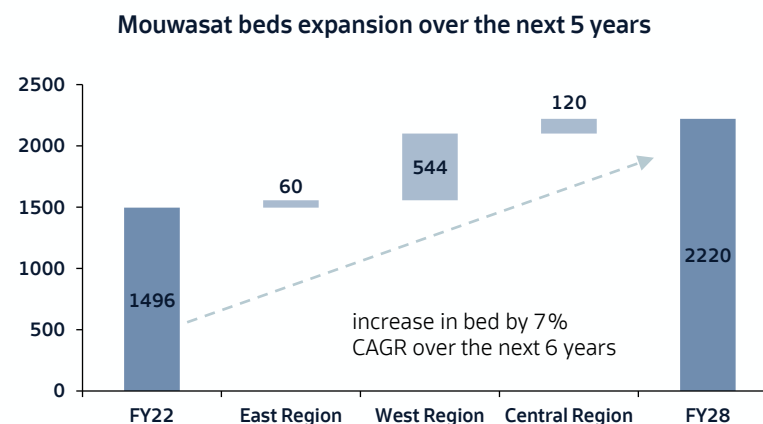
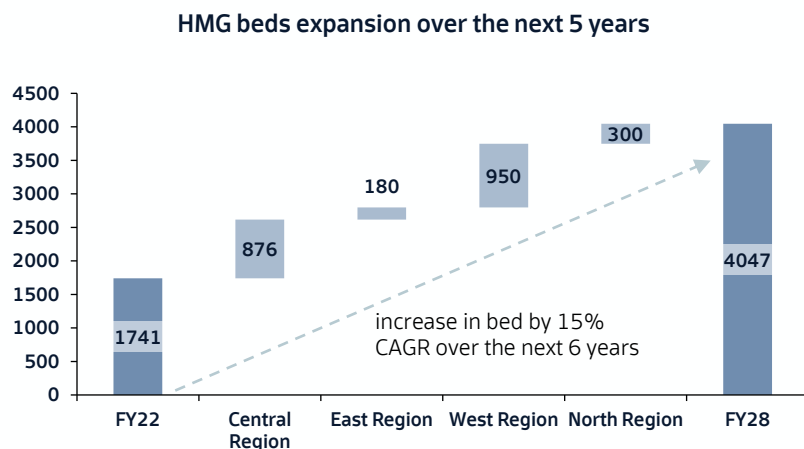
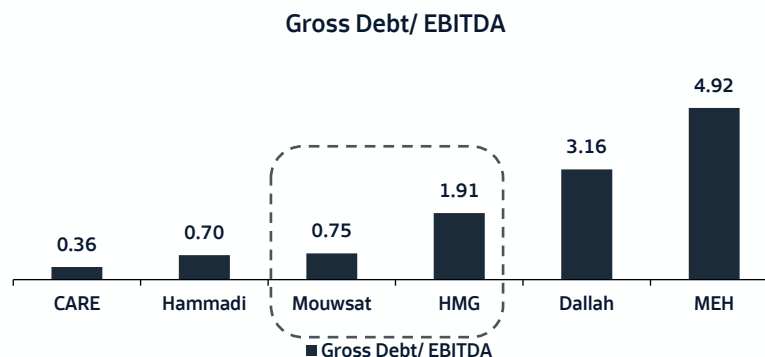
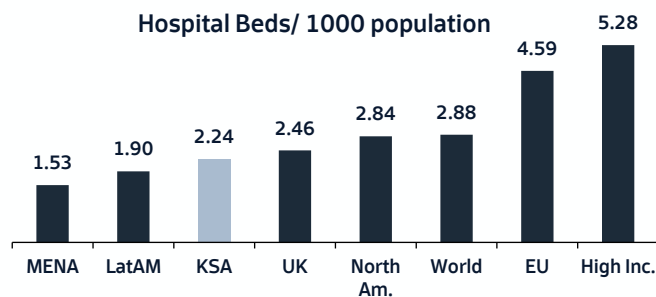
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## Strong robust outlook; Our preferred sector

KSA still has an underpenetrated healthcare market. We expect a strong influx of capacity expansion over the next few years

Overall debt position is reasonably low for KSA healthcare providers, and we expect them to fund the bed expansions through operating cash flows



# GCC Economic Growth and Fiscal Spending

A focus on Saudi Arabia and UAE (Dubai)

# GCC Fiscal Numbers

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Higher oil prices needed to sustain surpluses namely for Saudi Arabia

| In USD bn                      | Saudi Arabia |              |              | Qatar       |             | Dubai       |             |             | Bahrain     |             |             | Oman        |             |             | Kuwait      |              |
|--------------------------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
|                                | 2022         | 2023b        | 2024b        | 2022        | 2023b       | 2022b       | 2023b       | 2024b       | 2022        | 2023b       | 2024b       | 2022        | 2023b       | 2024b       | 2022        | 2023b        |
| <b>Total Revenues</b>          | <b>342.4</b> | <b>305.1</b> | <b>316.4</b> | <b>80.4</b> | <b>61.6</b> | <b>15.5</b> | <b>18.6</b> | <b>24.5</b> | <b>9.4</b>  | <b>8.3</b>  | <b>9.2</b>  | <b>37.6</b> | <b>26.1</b> | <b>29.4</b> | <b>94.2</b> | <b>63.6</b>  |
| Oil Revenues                   | 231.5        | 183.1        | na           | 68.4        | 50.2        | 0.8         | 0.9         | 1.2         | 6.4         | 5.2         | 5.8         | 29.0        | 17.5        | 18.3        | 87.4        | 56.1         |
| Non-Oil Revenues               | 110.9        | 122.0        | na           | 12.0        | 11.3        | 14.8        | 17.7        | 23.2        | 3.0         | 3.2         | 3.5         | 8.6         | 8.7         | 11.1        | 6.8         | 7.5          |
| <b>Total Expenditures</b>      | <b>314.4</b> | <b>300.8</b> | <b>337.8</b> | <b>56.4</b> | <b>53.7</b> | <b>16.2</b> | <b>18.2</b> | <b>21.4</b> | <b>9.9</b>  | <b>9.6</b>  | <b>9.7</b>  | <b>34.7</b> | <b>29.5</b> | <b>29.8</b> | <b>72.9</b> | <b>85.9</b>  |
| Current Expenditure            | 275.6        | 258.4        | na           | 37.3        | 36.5        | 5.5         | 5.4         | 5.6         | 9.3         | 9.0         | 9.1         | 26.2        | 22.4        | 24.1        | na          | 77.8         |
| Capital Expenditure            | 38.7         | 42.4         | na           | 19.0        | 17.3        | 1.4         | 1.4         | 1.7         | 0.6         | 0.6         | 0.6         | 3.4         | 2.3         | 2.3         | na          | 8.1          |
| <b>Budget Surplus/Deficit</b>  | <b>28.0</b>  | <b>4.3</b>   | <b>-21.3</b> | <b>24.0</b> | <b>7.8</b>  | <b>-0.6</b> | <b>0.4</b>  | <b>3.1</b>  | <b>-0.5</b> | <b>-1.4</b> | <b>-0.4</b> | <b>3.0</b>  | <b>-3.4</b> | <b>-0.4</b> | <b>21.3</b> | <b>-22.3</b> |
| <b>Budget price in USD/bbl</b> | na           | na           | na           | 55          | 65          | na          | na          | na          | 45          | 60          | 60          | 50          | 55          | 50          | 80          | 70           |
| <b>Break-even price</b>        | 88           | 86           | 80           | 45          | 46          | na          | na          | na          | 137         | 108         | 97          | 63          | 54          | 55          | 49          | 65           |

Note: 2022 – based on actual final accounts unless otherwise as in Dubai; Kuwait's fiscal year varies than its GCC peers (begins from April 1 – ends on March 31<sup>st</sup>); Oman's 2024 budget is based on the announced projections in its 10<sup>th</sup> development plan which is subject to change in the actual budget 2024 expected to be released in Feb 2024. Abu Dhabi does not disclose its budgets; Federal budget is mainly focused on municipal expenditure.

Source: IMF, Ministries of Finance of respective countries, SICO Research

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## Higher oil prices needed to sustain surpluses namely for Saudi Arabia

- **Saudi Arabia** had released its pre-2024 budgetary statement with high level projections (break-down of fiscal numbers not given). The key nuance in Saudi Arabia's pre-budget statement is the following: Preliminary estimates indicate that total revenue in FY2024 will reach SAR 1.17trn (USD 312.5bn), a slight decrease of 0.6% from what was estimated to be achieved in FY23 SAR 1.18trn (USD 314.6bn). Note: Saudi Arabia is heading towards exceeding the budget expectations for 2023 in revenues which was USD 305bn. Saudi Arabia had also indicated that it aims to grow its overall revenue, achieving SAR 1.26trn (USD 336bn) by FY26.
- **The UAE** has approved a federal budget of AED 192bn (USD 52.27bn) for 2024 to 2026. It also approved the Federal General Budget for 2024, with estimated spending of AED 64.06bn and revenue of AED 65.73bn. The distribution for next year allocates 42% of the budget to the development and social benefits sector, 39% to government affairs and 19% for the development of infrastructure and financial and economic assets of the federal government.
- **Kuwait** announced that it achieved its first surplus in the last 9 years, reaching a total of KWD 6.5bn (USD 21bn). However final accounts have yet to be approved for FY 2022/23 and therefore remain pre-liminary.
- **Oman's** total revenues to date (as at end of September 2023) reached OMR 8.9bn (USD 23.1bn) nearly achieving its projected total revenue which it expected in its 2023 budget (See above table). Total expenditures reached OMR 8.1bn (USD 21bn), and its overall fiscal balance excluding debt financing was OMR 791mn (USD 2.1bn), while including debt financing was a deficit of OMR 1.1bn (USD 2.9bn). Given its YTD fiscal performance, Oman's final 2023 numbers are expected to be in close approximation to those budgeted.

Source: Ministries of Finance of respective countries, SICO Research

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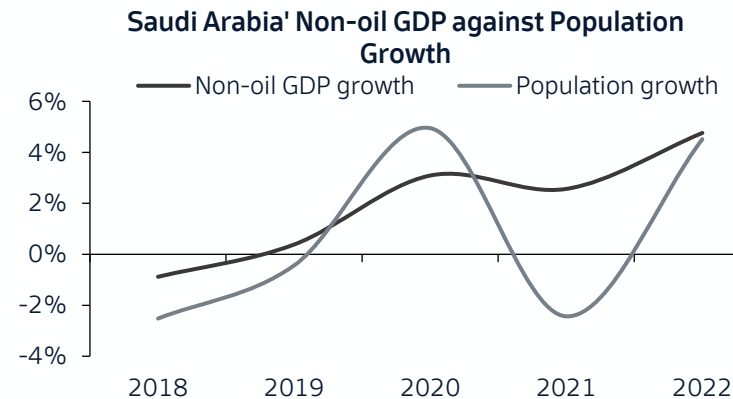
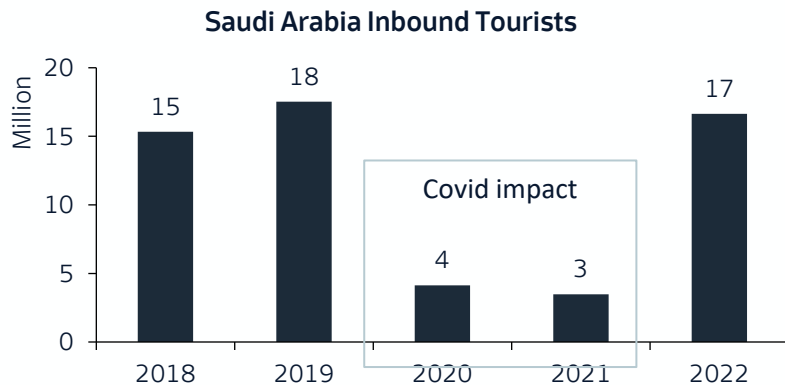
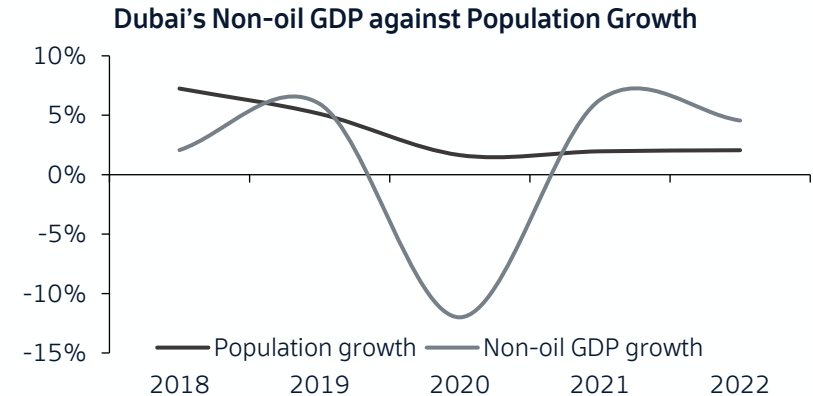
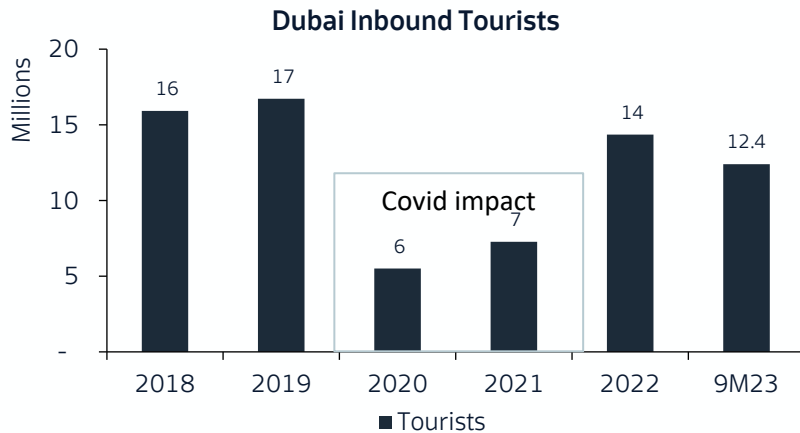


# Economic Outlook:

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Tourism picking up in both Dubai and Saudi Arabia, heading towards pre-covid levels



Source: SICO Research, Dubai Statistics Centre, General Authority for Stats, Ministry of Tourism Saudi Arabia



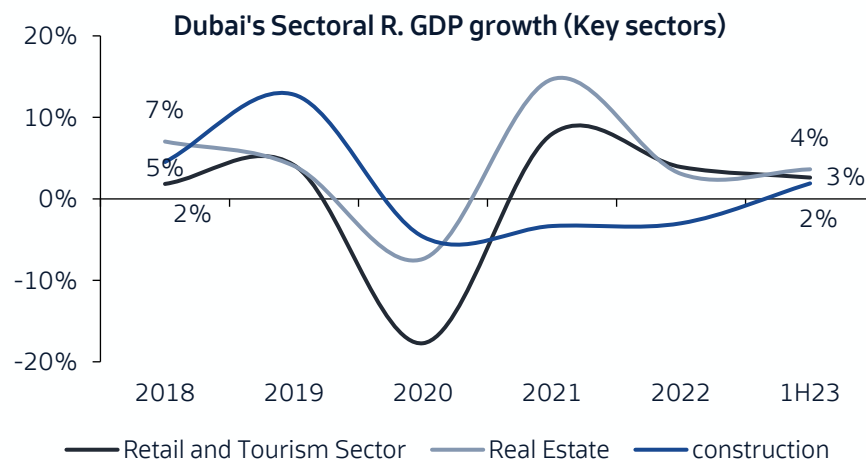
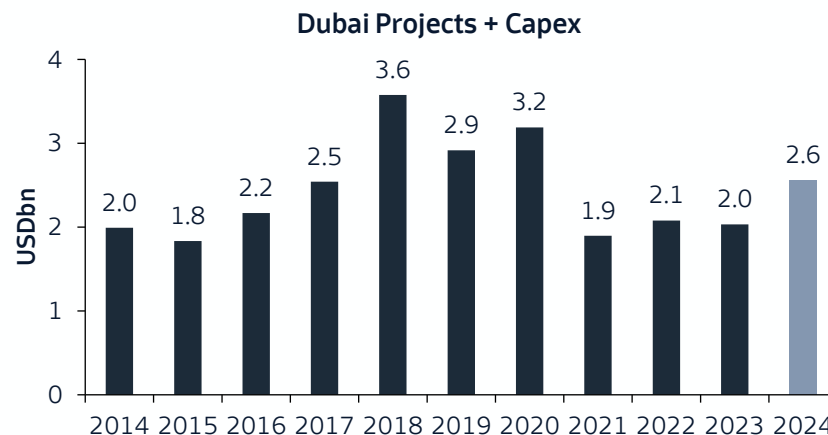
# Economic Outlook:

28 November 2023

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## Dubai's economic growth remains on a healthy trajectory

- Dubai has set out its 2024-2026 budget plan with AED 246.6bn, pursuing an expansionary financial policy of which 2024 has a budget of AED 79.1bn allocated in it towards total expenditure. Capital & projects expenditure of AED 9bn (USD 2.6bn) is expected of which the government has stated 8% will be allocated towards construction projects.
- Dubai's real GDP growth trends reflect the government's focus on the construction sector, and the healthy movement in the key two sectors (tourism and real estate), with the construction sector growth trend moving in a positive trajectory in 1H23 after being subdued in the last two years.
- Dubai expressed ambitious plans to double its GDP over the next decade. Recall, as of 2022, Dubai's total real GDP reached AED 414.5bn (2012: AED 323bn) of which non-oil GDP is AED 406bn (AED 315.5bn).



Source: Dubai Statistic Center , SICO Research

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# Economic & Fiscal Analysis of Saudi Arabia:

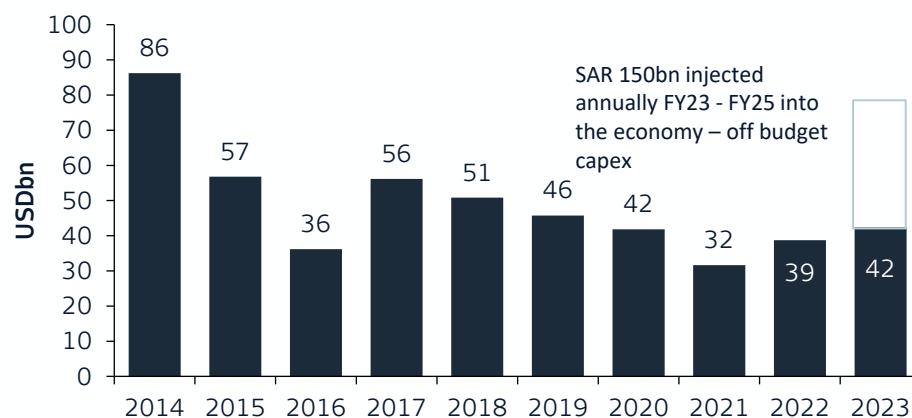
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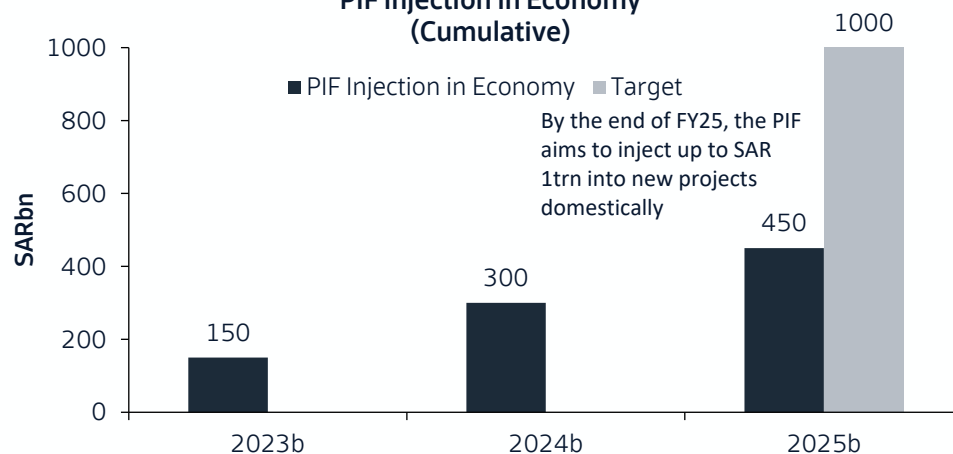
## Government's contribution to economy through budgetary and PIF allocations continue to be elevated

- Saudi Arabia's total capex considerably includes on and off-budget allocations. Hence, it is crucial to look at both. In 2023, Saudi Arabia budgeted SAR 157bn (USD 42bn), which is 9% higher than total capex in 2022, a reversal of the downward trend in capex witnessed. Going forward, we expect higher on-budget capex allocations.
- Additionally, PIF funding has allowed for off-budget allocations. Annually, the PIF stated it will be injecting SAR 150bn into new projects domestically with the target of reaching SAR 1trn by the end of FY25. This we believe, will imply injecting more than SAR 150bn in the next two years.

Capital Expenditure



PIF Injection in Economy (Cumulative)



Source: Ministries of Finance, SICO Research

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# Economic & Fiscal Analysis of Saudi Arabia:

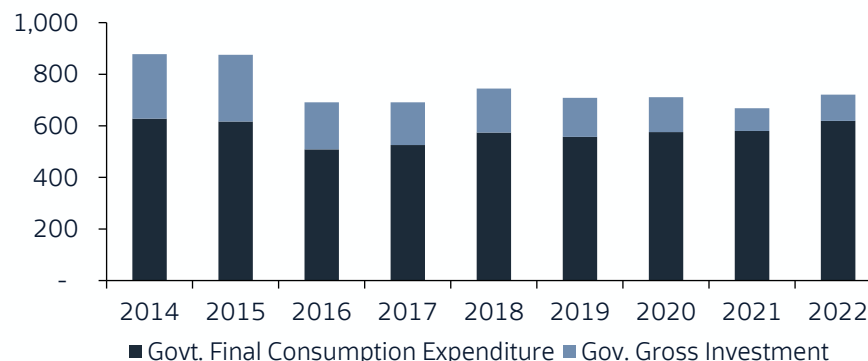
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## Government's contribution to economy is significant and expected to increase

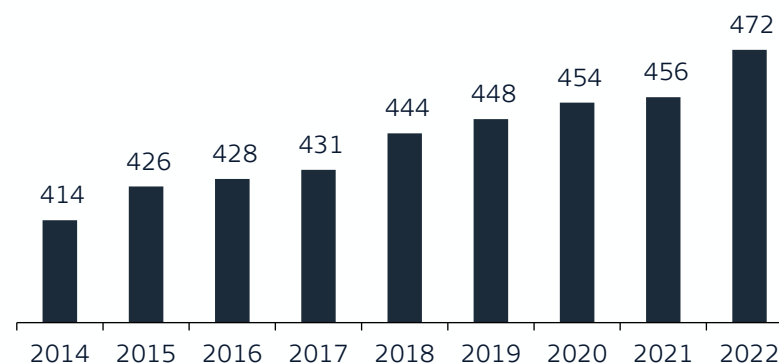
- The PIF also aims to contribute SAR 1.2trn to non-oil GDP cumulatively through its portfolio of entities. Recall in 2022, Saudi Arabia's non-oil GDP reached 1.7trn, and is expected to grow by 5% in 2023 and 4% in 2024 (IMFest). Accordingly, PIF's cumulative contribution to non-oil GDP is expected to account for ~65% of non-oil GDP.
- As of 2022, the total government's contribution to total GDP reached SAR 720.9bn of which SAR 472bn is the overall government contribution to non-oil sectors (non-oil GDP). In 1H23, the total government's contribution to GDP increased by 10% YoY reaching SAR 337.7bn. Total government's GDP contribution accounts for 20% of overall GDP; and the non-oil contribution accounts for 28% of non-oil GDP.

**Government's contribution to GDP averages over SAR 700bn**



Note: Govt consumption expenditures and gross investment measures the portion of (GDP), or final expenditures, that is accounted for by the govt sector. Govt consumption expenditures consists of spending by govt to produce and provide services to the public, such as public-school education. Gross investment consists of spending by govt for fixed assets that directly benefit the public, such as highway construction.

**Non-oil Government GDP contribution in SARbn**



# Saudi Arabia Govt Exp. reflection on GDP

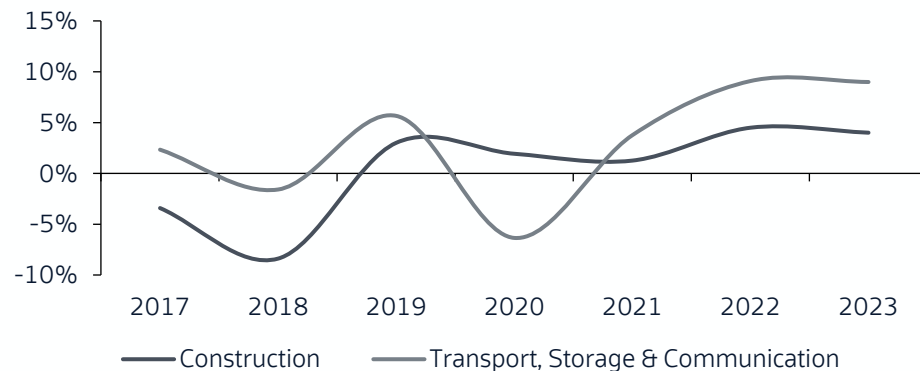
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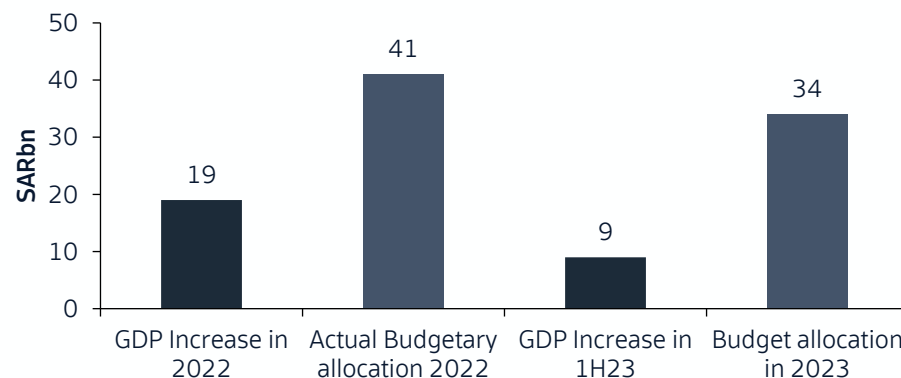
## Net change in sectoral GDP to reflect huge contribution yet expected to pick up going forward

- Moderate growth in 2022 and in 1H23: the construction sector continued to grow at 4% (2022: 4% growth).
- On a net change basis – in 2022, the increase in the infrastructure sectors, including (construction, transport and comms) combined was SAR 19bn, accounting for 25% of the net increase in non-oil GDP in 2022, and this is maintained in 1H23.
- This we believe is largely impacted by spill-over effects from government expenditure on Mega Projects. Note in 2022, the total actual budget allocation towards these sectors was SAR 41bn. In 2023, the government allocated SAR 34bn against it. In 1H23, the net increase in GDP contribution from these sectors is SAR 9bn.

R. GDP growth in two key sectors



Construction & Transport, Comms, & Logistics



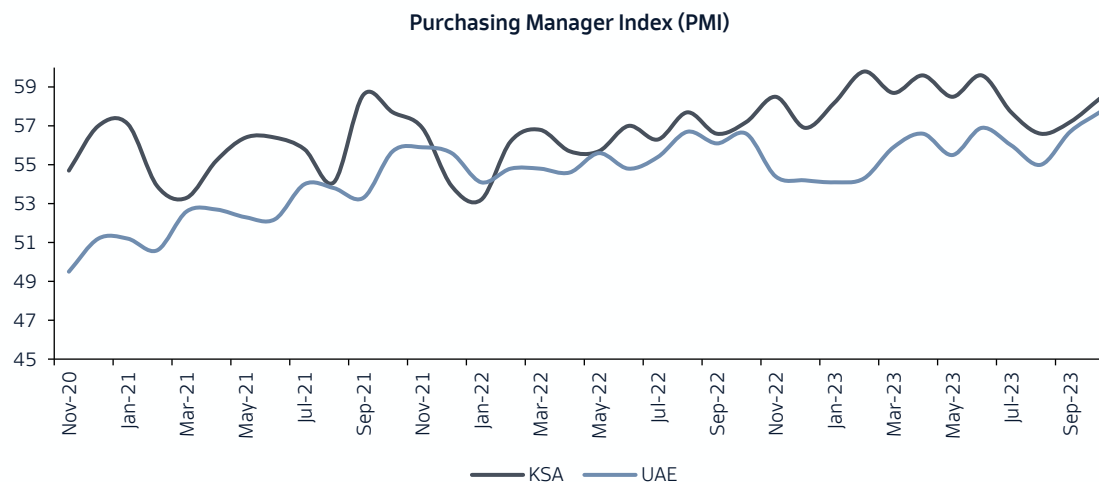
# KSA and UAE PMIs hitting recent record highs

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**Saudi Arabia's PMI** reached new highs during this year, rising to 58.4 in Oct'23; driven by stronger rise in new business, and leading to the greatest improvement in job numbers in exactly nine years. *Feb'23 witnessed the highest growth since 2015, hitting 59.8.*

**United Arab Emirates' PMI** climbed to 57.7 in Oct'23, its highest level in over four years; mainly attributed to a sharp rise in new order intakes.

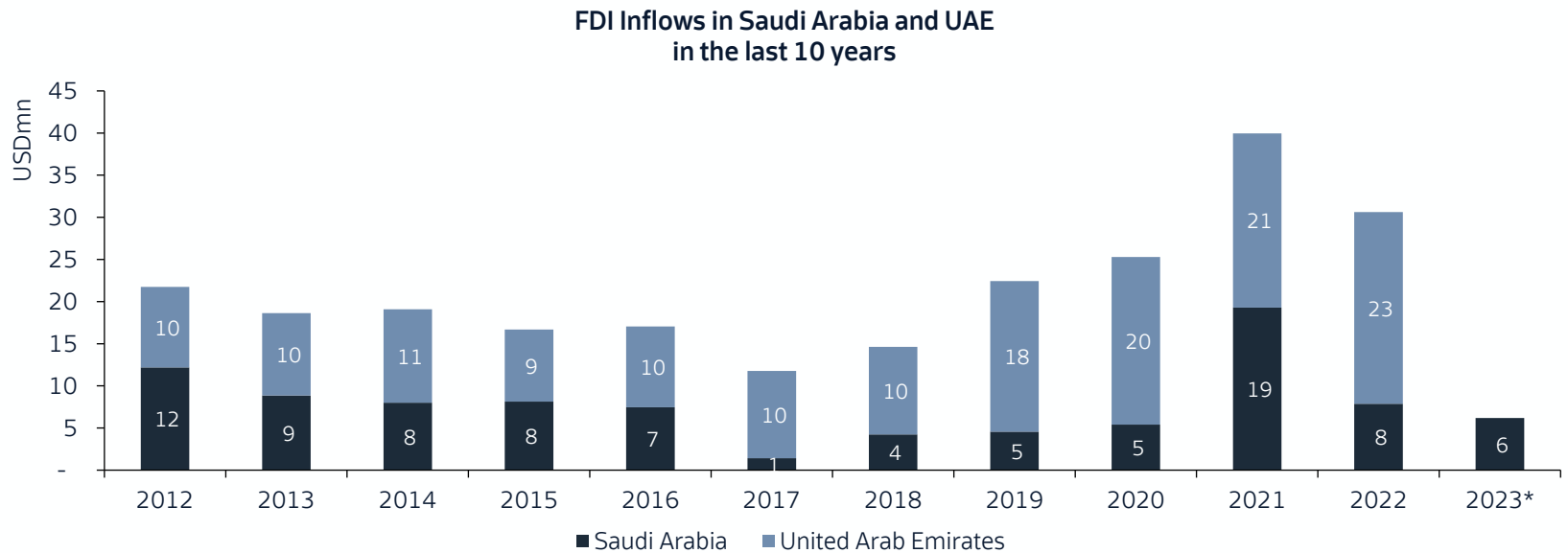


# FDI inflows

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## A focus on Dubai and Saudi Arabia



Note: 2023\* for Saudi Arabia as of 1H23, no data for UAE available.

- FDI inflows in Saudi Arabia and the UAE are the highest in the GCC, followed by Oman and Bahrain. Total Inflows in 2022 in the GCC reached USD 37bn. In Saudi FDI inflows reached a high in 2023, however, have declined in 2022 and had a slowdown in 1H23
- Saudi Arabia inflows yet to reflect the progression of Saudi Arabia's Mega projects. However, we believe, the year 2024 could see an upward reversal of inflows as international companies are mandated to open in Riyadh by beginning of the year. Additionally, while work on a lot of these projects has commenced, the initial phases remain within the planning phase.

Source: UNCTAD, Official Sources, SICO Research

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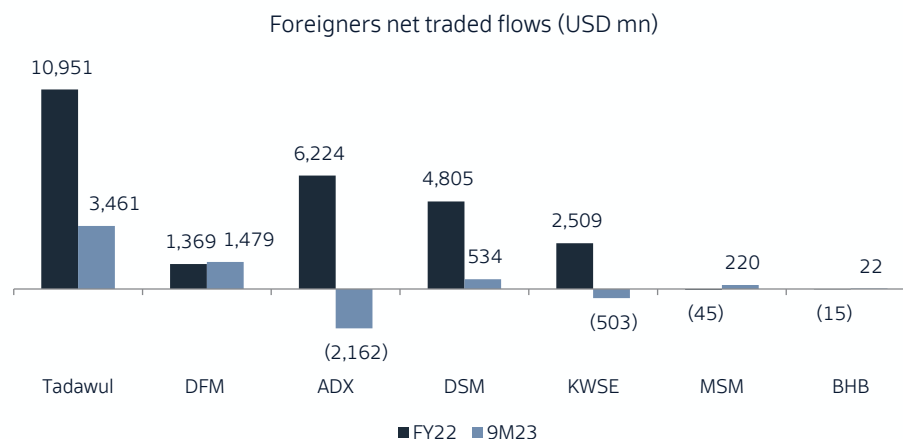
# Foreigners net traded flows below FY22 levels

28 November 2023

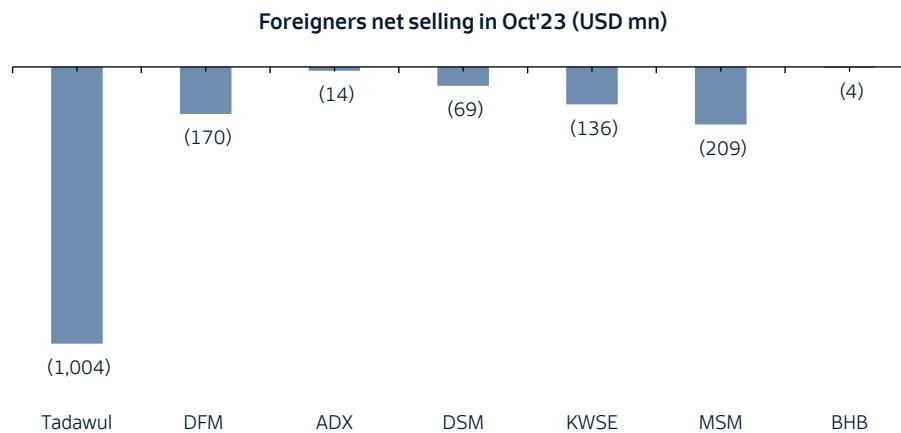
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## ADX and KWSE are the only net outflows in 9M23

- Foreigners fund inflows to GCC markets continued in 9M23, albeit lesser, compared to FY22; with DFM being the only market to exceed last years' turnover. Foreigners in ADX and KWSE turned to net selling this year, while MSM and BHB became net buyers.



- During October 2023, risk off by foreigners was apparent with significant net selling across GCC markets. However, weekly trading data shows a return to net buying in Saudi, at SAR 1.1bn (in the first 2 weeks of Nov'23).



Source: Respective Exchanges, SICO Research

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# GCC Tax Comparatives – Key Changes

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**UAE:** FTA announced on January 2022 the introduction of a corporate income tax (CIT) at a rate of 9% on businesses net profits. Effective for financial years starting on or after June 1, 2023. 9% is applied for taxable income exceeding AED 375k.; Multinationals are subject to 15% CIT.

**Kuwait:** announced that it is looking at introducing the “Business Profits Tax Law” – imposing a 15% tax on profits of businesses. It aims full implementation by 2025.

**Oman:** a 15% corporate income tax to be implemented in 2024 on high-net-worth individuals.

Source: Official sources, SICO Research.

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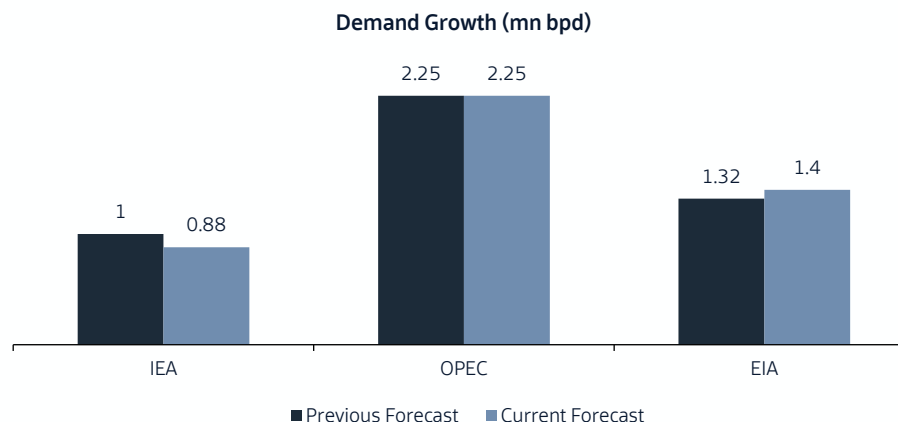
# Oil Fundamentals

# Oil market outlook – varied expectations

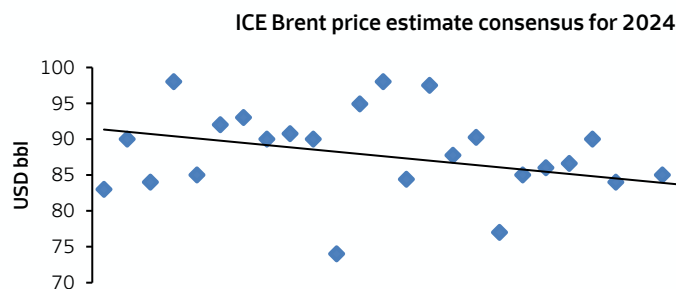
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IEA lowered its forecast for growth in oil demand in 2024 to 880K bpd from 1mn bpd, suggesting harsher global economic conditions and progress on energy efficiency will weigh on consumption. EIA estimates that world consumption will reach 102.4mn bpd in 2024.



Different data providers have released varied demand expectations for 2024, mainly due to continued supply uncertainty on the back of OPEC+ cuts and market volatility. Brent price consensus have also varied, with the median being USD 85/bbl. We assume that Brent will range between USD 80-85/bbl in 2024.



Source: Reuters, IEA, EIA, OPEC, SICO Research

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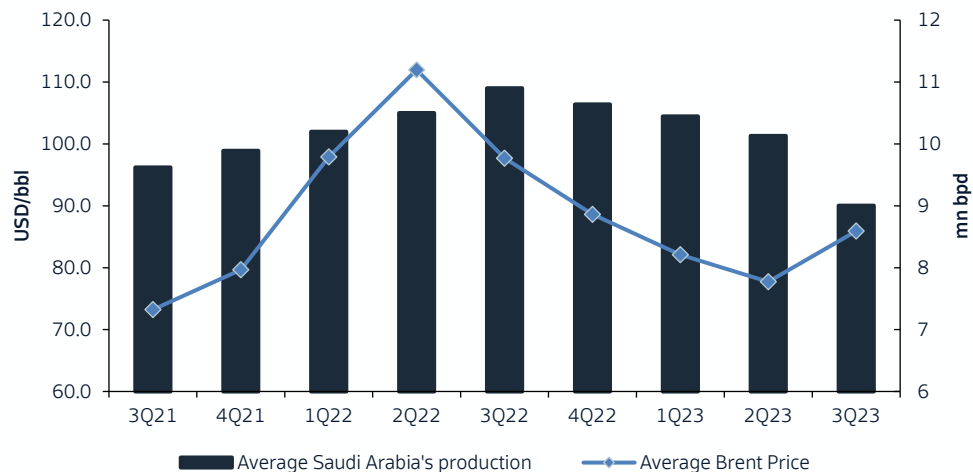


# Output: Saudi Arabia and OPEC overview

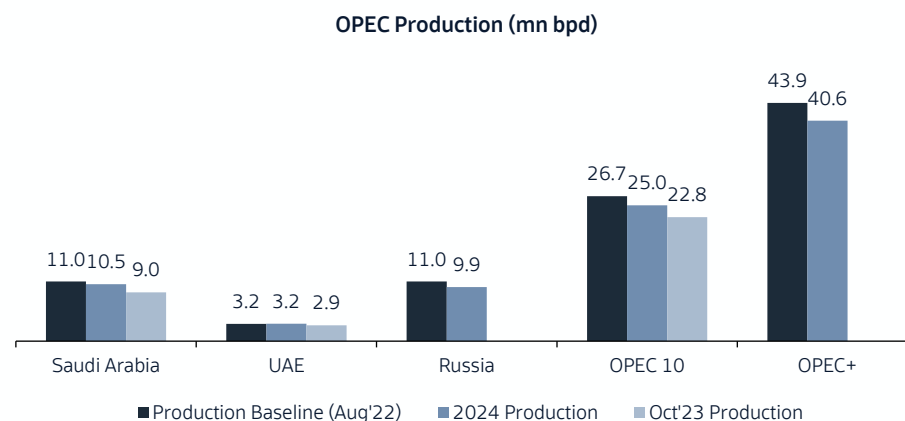
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Saudi's fiscal performance impacted by lower production and prices in 3Q23



Expect lower production from OPEC+ in 2024, as further output cuts to stabilize markets take place



Source: OPEC, Reuters, SICO Research

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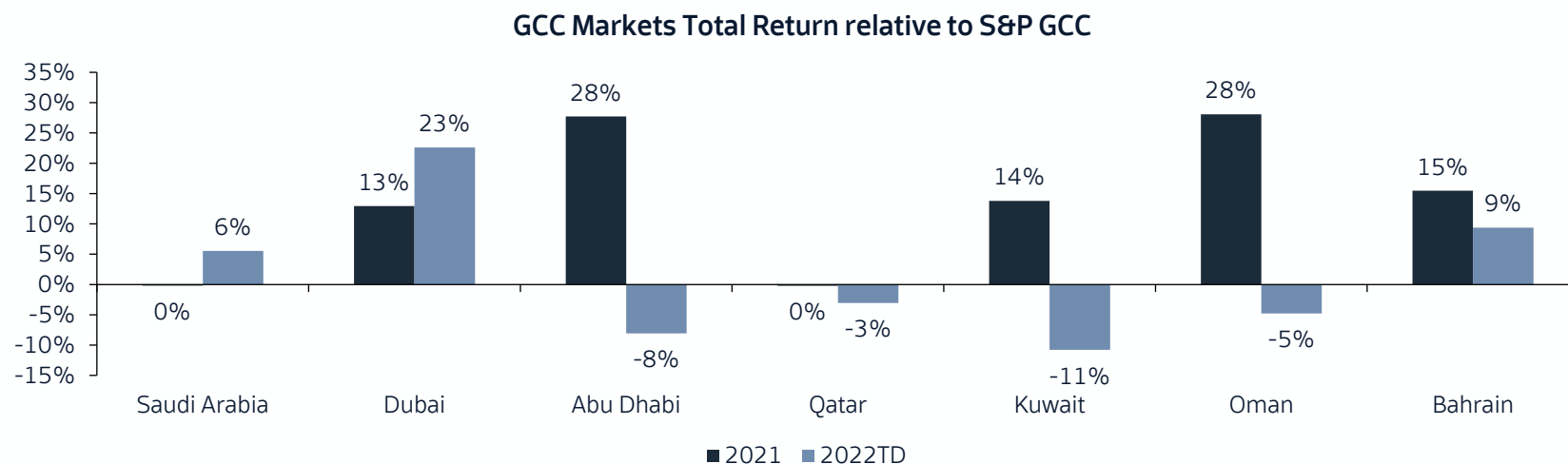
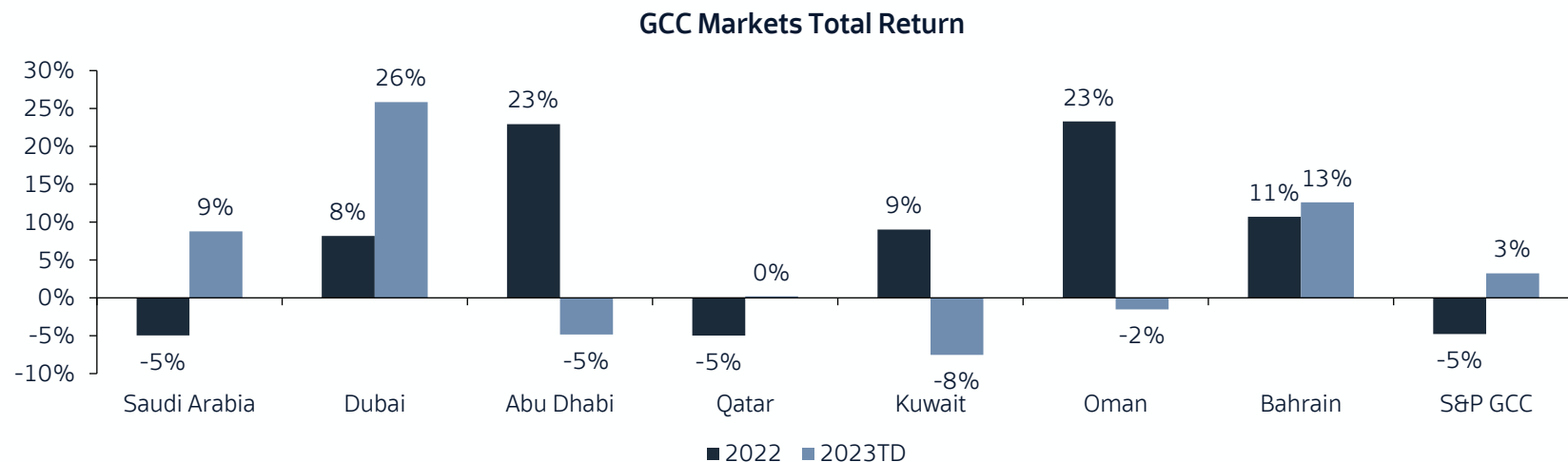


# Annex 1: Market Overview

# GCC market performance in FY23TD

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Source: Bloomberg, SICO Research; As of 22 Nov'23

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# Tadawul's Sectoral Market Performance

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## Saudi Sector Wise - Absolute total return (%)

|                         | 2022   | 2023TD |
|-------------------------|--------|--------|
| Materials               | -11.4% | -2.4%  |
| Banks                   | -4.1%  | -2.4%  |
| REITS                   | -9.7%  | -8.9%  |
| Insurance               | -11.2% | 50.2%  |
| Capital goods           | -29.7% | 55.4%  |
| Real Estate             | -20.7% | 21.8%  |
| Energy                  | 4.0%   | 25.5%  |
| Healthcare              | 25.9%  | 23.5%  |
| Retail                  | -25.6% | 9.0%   |
| Food and staples retail | 7.4%   | 20.1%  |
| Software and services   | 25.2%  | 72.0%  |
| F&B                     | -2.8%  | 17.7%  |
| Telecoms                | -9.0%  | 15.8%  |
| Utilities               | 22.9%  | 21.2%  |
| Transport               | -12.1% | 22.8%  |

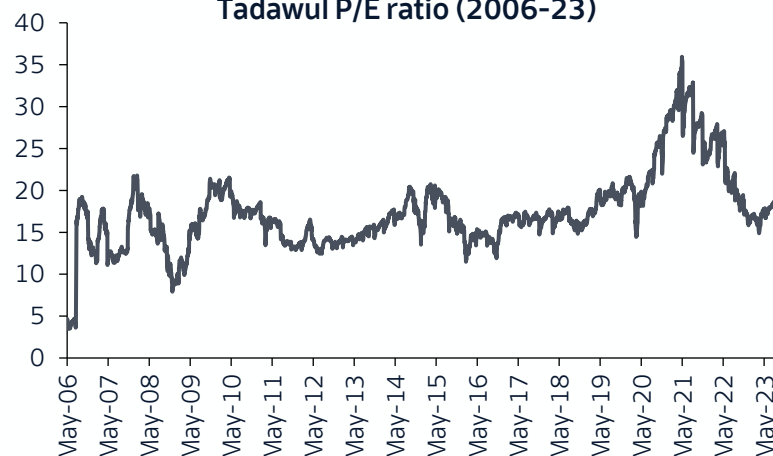
Saudi **banks**, which hold the largest weight, shed 2.4% in 2023TD after declining 4.1% in 2022.

**Materials** also exhibited further weakness, retreating 2.4% in 2023TD, compared to an 11.4% decline in 2022.

In 2023TD, **utilities** gained 21.2%; similar to 2022's total return of 22.9%.

Retail exhibited some improvement, up 9% in 2023TD compared to a 25.6% drop in 2022.

Tadawul P/E ratio (2006-23)



Source: Bloomberg, SICO Research; As of 22 Nov'23  
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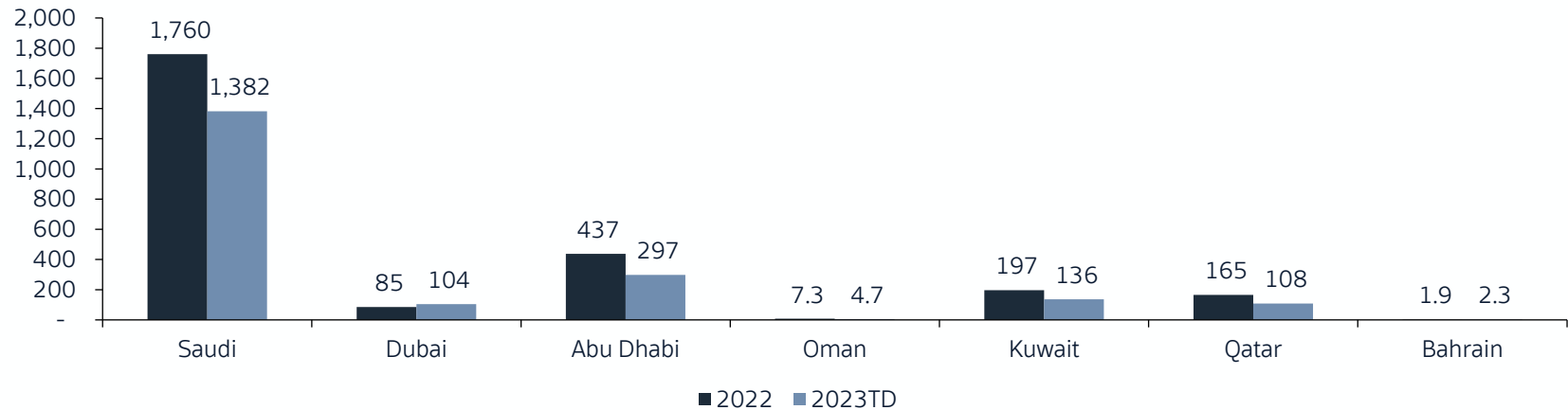
# Turnover decline

28 November 2023

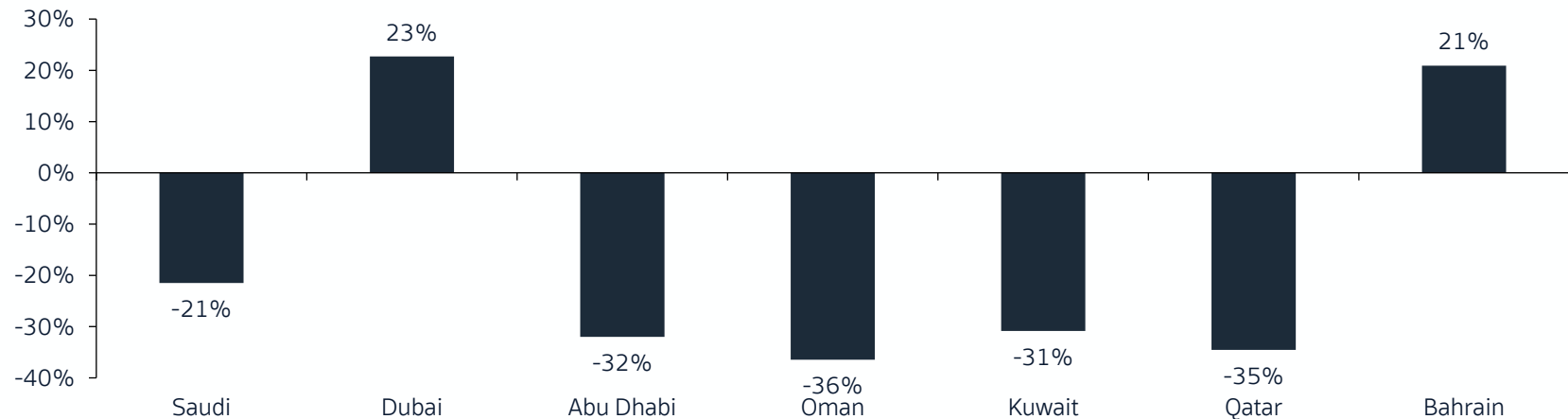
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Declining liquidity in GCC markets, with the exception of Dubai and Bahrain

Turnover Movement - FY22 vs. FY23TD (USD mn)



Turnover Movement - FY22 vs. FY23TD YoY (%)



Source: Bloomberg, SICO Research; As of 22 Nov'23  
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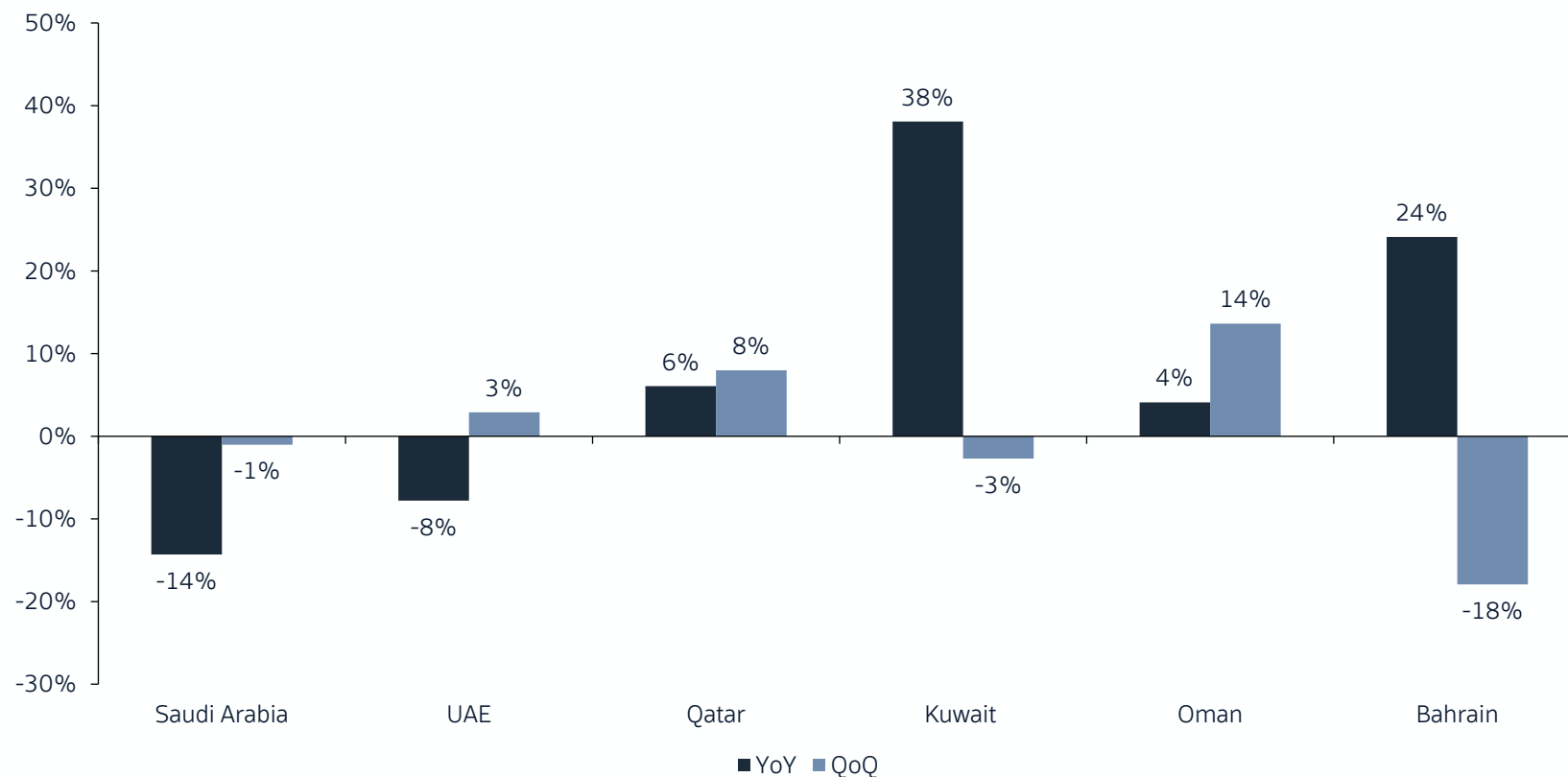


# GCC Earnings Growth – 3Q23

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YoY/QoQ



## Annex 2: The IPO Scene

# The IPO Scene

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Most IPOs across markets have given better returns than the respective benchmark index over the period.

| Company                      | Listing Date | IPO Price | Last Price | Amount raised via IPO (USD mn) | Index         | Total Return Since Listing | Benchmark Return Since Listing | Performance  |
|------------------------------|--------------|-----------|------------|--------------------------------|---------------|----------------------------|--------------------------------|--------------|
| Adnoc Gas Plc                | 03/13/23     | 2.37      | 3.31       | 2477                           | ADSMI Index   | 39.66                      | -1.75                          | Outperform   |
| Abraj Energy Services Saog   | 03/14/23     | 0.249     | 0.297      | 244                            | MSM30 Index   | 27.50                      | -1.99                          | Outperform   |
| Presight Ai Holding Plc      | 03/27/23     | 1.34      | 2.37       | 496                            | ADSMI Index   | 76.87                      | 1.21                           | Outperform   |
| Al Ansari Financial Services | 04/06/23     | 1.03      | 1.09       | 210                            | DFMGI Index   | 9.64                       | 19.60                          | Underperform |
| Adnoc Logistics & Services   | 06/01/23     | 2.01      | 3.83       | 607                            | ADSMI Index   | 92.30                      | 1.70                           | Outperform   |
| Almawarid Manpower Co        | 06/19/23     | 64        | 121        | 77                             | SASEIDX Index | 91.28                      | -2.09                          | Outperform   |
| Jamjoom Pharmaceuticals Fi   | 06/20/23     | 60        | 109.4      | 335                            | SASEIDX Index | 83.95                      | -1.28                          | Outperform   |
| Morabaha Marina Financing    | 06/21/23     | 14.6      | 11         | 83                             | SASEIDX Index | -21.77                     | -1.37                          | Underperform |
| First Milling Co             | 06/22/23     | 60        | 71.4       | 266                            | SASEIDX Index | 20.80                      | -1.68                          | Outperform   |
| Meeza Qstp Llc               | 08/23/23     | 2.17      | 2.829      | 89                             | DSM Index     | 23.00                      | -2.22                          | Outperform   |
| Lumi Rental Co               | 09/25/23     | 66        | 95.3       | 290                            | SASEIDX Index | 44.39                      | 1.69                           | Outperform   |
| Ades Holding Co              | 10/11/23     | 13.5      | 22.24      | 1217                           | SASEIDX Index | 64.74                      | 4.63                           | Outperform   |
| Oq Gas Networks Saoc         | 10/24/23     | 0.14      | 0.15       | 773                            | MSM30 Index   | 7.14                       | -0.34                          | Outperform   |
| Sal Saudi Logistics Services | 11/01/23     | 106       | 141        | 677                            | SASEIDX Index | 34.84                      | 4.13                           | Outperform   |
| Investcorp Capital Plc       | 11/17/23     | 2.3       | 2.3        | 451                            | ADSMI Index   | 0.00                       | -0.77                          | Underperform |

Source: Bloomberg, SICO Research; Prices as of 22 Nov'23



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| Company                      | Listing Date | IPO Price | Last Price | Amount raised via IPO (USD mn) | Total Return Since Listing |
|------------------------------|--------------|-----------|------------|--------------------------------|----------------------------|
| Leen Alkhair Trading Co      | 01/01/23     | 65        | 27         | 16.7                           | 13.68                      |
| Nofoth Food Products Co      | 01/10/23     | 150       | 21.96      | 11.5                           | 48.12                      |
| Waja Co                      | 03/08/23     | 90        | 6.02       | 10.9                           | 33.78                      |
| Knowledge Net Co             | 03/20/23     | 40        | 30.8       | 7.5                            | -25.60                     |
| Bena Steel Industries Co     | 03/22/23     | 52        | 40.45      | 8.3                            | -22.21                     |
| Horizon Food Factory Co Ltd  | 03/26/23     | 37        | 56.9       | 15.8                           | 26.59                      |
| Foods Gate Co                | 04/05/23     | 56        | 62         | 6.3                            | 10.71                      |
| Ghida Alsultan For Fast Food | 04/13/23     | 84        | 63.2       | 14.3                           | -24.76                     |
| Saudi Lime Industries Co     | 04/27/23     | 17        | 13         | 9.0                            | -23.53                     |
| Meyar Co                     | 05/01/23     | 59        | 78.9       | 4.2                            | 33.73                      |
| Almuneef Co For Trade Indust | 06/07/23     | 70        | 55         | 14.2                           | -21.43                     |
| Tam Development Co           | 06/14/23     | 130       | 139.8      | 20.3                           | 8.25                       |
| Al Razi Medical Co           | 06/22/23     | 28        | 60.9       | 2.3                            | 118.69                     |
| Professional Medical Experti | 07/26/23     | 68        | 73.8       | 19.0                           | 8.53                       |
| Marble Design Factory Co     | 08/08/23     | 56        | 81.3       | 8.9                            | 14.38                      |
| Dar Almarkabah For Renting C | 08/29/23     | 40        | 45         | 5.3                            | 12.50                      |
| Munawla Cargo Co Ltd         | 09/11/23     | 110       | 175.2      | 5.9                            | 22.52                      |
| Intelligent Oud Co For Tradi | 10/02/23     | 49        | 55.5       | 4.2                            | -12.87                     |
| Atlas Elevators General Trad | 10/04/23     | 23        | 19.9       | 7.4                            | -6.80                      |
| United Mining Industries Co/ | 10/22/23     | 34        | 25         | 15.9                           | -18.03                     |
| Clean Life Co                | 10/23/23     | 112       | 101.2      | 8.9                            | -19.04                     |
| Riyal Investment & Developme | 10/24/23     | 42        | 25.8       | 8.0                            | -38.57                     |
| Osool & Bakheet Investment C | 11/07/23     | 45        | 32         | 18.0                           | -28.89                     |
| Mulkia Investment Co         | 11/12/23     | 38        | 30.8       | 13.1                           | 0.16                       |
| Almujtama Alraida Medical Co | 11/22/23     | 40        | 31.85      | NA                             | NA                         |

Source: Bloomberg, SICO Research; Prices as of 22 Nov'23

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# Tadawul Main Market vs. Parallel Market

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## Key differences

|                                 | Main Market                                                                                                                                                                                                                                                                                                                             | Parallel Market – Nomu                                                                                                                                                                                                                               |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Minimum market cap              | SAR 300mn                                                                                                                                                                                                                                                                                                                               | SAR 10mn                                                                                                                                                                                                                                             |
| % offered                       | At least 30%                                                                                                                                                                                                                                                                                                                            | The lesser of a) at least 20% of issued shares or b) floating SAR 30mn worth of shares in the market.                                                                                                                                                |
| Public shareholders             | At least 200                                                                                                                                                                                                                                                                                                                            | At least 50                                                                                                                                                                                                                                          |
| Continuous obligations          | Disclosure of quarterly financial statements within 30 calendar days from the end of the period. Year-end financial statements within 3 months from the end of the period.                                                                                                                                                              | Disclosure of semi-annual* financial statements within 45 calendar days from the end of the period. Year-end financial statements within 3 months from the end of the period.                                                                        |
| Daily price fluctuation limits  | Daily price fluctuation limits is $\pm 30\%$ based on the previous day closing price or the listing price in the case of the first day of trading after listing. $\pm 30\%$ is applicable only during the first 3 days of trading listings. On the fourth day of trading, the daily price fluctuation limit will revert to $\pm 10\%$ . | Daily price fluctuation limits is $\pm 30\%$ based on the previous day closing price or the listing price in the case of the first day of trading after listing. $\pm 30\%$ Daily Price Fluctuation Limits applies to all listed securities on Nomu. |
| Static price fluctuation limits | Static price fluctuation limits set at $\pm 10\%$ for the first three days of trading listings. On the fourth day of trading, no static price fluctuation limit is applied.                                                                                                                                                             | Static Price Fluctuation Limits of $\pm 10\%$ apply on an ongoing basis for all listed securities on Nomu.                                                                                                                                           |





# Listing and offering requirements

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Nomu – Parallel Market

The offering and listing process also takes the following into consideration:

- The issuer must be a joint stock company.
- Minimum 1 year of operational and financial performance.
- Appointing a financial advisor is mandatory.
- Legal advisor is optional.
- Annual audited financial statements.
- Semi-annual reviewed financial statements.
- Disclosure of significant/essential information.
- No profitability track record required.
- Lock Up Period: 100% of pre-offering investor shares for one year.



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