



# Saudi Tadawul Group: Pre-IPO report



## Company Overview

Saudi Tadawul Group Holding Company is a holding company established in 2007. The company primarily manages its subsidiaries and invests funds in shares and other securities. Through its subsidiaries, the company provides, configures, and manages the mechanisms of securities and carries out the settlement of securities clearing and registration of ownership and dissemination of information about them. It has four wholly-owned subsidiaries: 1) Saudi Exchange Company (provides a listing and trading platform for securities, provides market information), 2) Edaa (provides depository, settlement, and ownership registration of listed securities and registry services), 3) Muqassa (provides clearing services), 4) WAMID (provides financial technology solutions, R&D in engineering and technology, market research, and opinion polls). Saudi Tadawul Group also owns a 33.1% stake in TREC, which develops commercial towers. As of June 2021, the group employed 383 employees (349 Saudi nationals).

Source: IPO Prospectus

## Relative Valuation

We assigned 50.0% weightage to DCF and FY23E P/E multiple each. Relative value based on FY23E multiples is discounted at FY23E ROE to arrive at one-year TP. Based on the combined valuation, we arrived at a TP of **SAR 113/share**. As per our derived TP, the implied PE multiple based on FY23E earnings is 18.3x vis-à-vis PE of 16.9x based on the IPO offer price of SAR 105.0 per share.

## IPO Offering Summary

Saudi Tadawul Group is floating 36.0mn shares, representing 30% of the company's share capital, with a fully paid nominal value of SAR 10 per share. The IPO is divided into two tranches: one for institutional investors and the other for retail investors. The institutional tranche, which was open from November 21 to November 26, was oversubscribed 121x times. As a result, the price of the offered shares was set at SAR 95–105 per share. A total of 36.0mn shares were offered to institutional investors. The retail offering was open from November 30 to December 02 and accounted for 30% (10.8mn shares) of the offered size. The company has set the final offer price at **SAR 105**.

Source: IPO Prospectus, Argaam

## Business Segments, Products, and Services

Saudi Tadawul Group operates through segments such as Markets (42% of FY20 revenue), Edaa (47%), Market Information (10%), Muqassa, Derivatives, and Corporate.

- **Markets:** The segment's objective is to grow its business by improving products/services, attracting domestic listings (in the long term) and foreign listings, and developing new asset classes. The responsibilities include maintaining the integrity, stability, and fairness of stock market operations. In addition, the segment aims to achieve outstanding results through operational excellence, collaboration with CMA, cost-effectiveness, total customer experience management, and the development of a capable workforce.
- **Edaa:** Edaa's activities include registering investment portfolios in the filing and settlement system, registering and filing its ownership, transfer, settlement and clearing its ownership, registering any restriction of ownership on file securities, and associating with members of the market and settlement agents to the filing and settlement system. Edaa also links and manages records of securities issuers; organizes general assemblies for issuers, including offering remote voting service for such assemblies; provides reports, notifications, and information and other services related to its activities, according to its financial market regulations.
- **Market Information:** The segment plans to grow the business of market information by offering high-quality real-time trading data, reference data, market indices, and financial information to the financial community.
- **Corporate:** The segment manages future corporate development and controls all treasury-related functions. All investments are incubated within this business unit, which comprises managing strategy for business development, legal, finance, operations, human resources, and customer relationship management.

**Products and Services:** The company's products and services across these segments include listing, cash market trading, market information, settlement and depository, clearing, and innovation in IT and other market solutions.

Source: IPO Prospectus

## Industry Overview

Organized markets designed to provide centralized facilities for the listing and trading of securities, including securities issued by companies, sovereigns, public entities, and other issuers, to access capital are called exchanges. The primary source of revenue for the exchange is collecting fees from four direct channels (depending on their business model and extent of integration): issuers that list their securities; financial intermediaries that deal in securities traded on the exchange; exchange members for post-trade trading, clearing, settlement, and depository services; and finally for selling market data and other technological solutions. Historically, depository, clearing, and settlement services were provided by independent clearinghouse organizations rather than exchanges. However, many exchanges have opted for a vertical structure, integrating all these activities into the same group.

## Key Trends in Exchange Industry

Trend	Developments
<b>Revenue diversification and shifting profit pools</b>	1) Expansion of revenue streams by exchanges through the listing of new types of securities such as derivatives, investment fund units, trusts, fixed income securities, and SPACs; 2) addition of services such as clearing, settlement, and custody; 3) sale of market data and licensing of software
<b>Consolidation and vertical integration</b>	1) Increase in domestic and international M&As; 2) vertical integration across pre- and post-trade services.
<b>Greater investor focus on ESG considerations</b>	1) Approximately 40% rise in the number of ESG indices in FY20; 2) issuance of new securities such as sustainable bonds
<b>Electronification and automation of trading</b>	1) Modernization and upgrade of IT infrastructures and exchange platforms; 2) adoption of digital technology such as automation, cloud computing, AI, and machine learning across the industry
<b>Rise of passive investing</b>	1) Contribution of passively managed assets up 17% of global AUM in FY16 (USD 14.2tn) to 26% in FY19 (USD 29.1tn) and expected to reach 29% in FY25 (USD 40.4tn) according to PwC; 2) major structural shift in demand for market data and construction of bespoke indices, along with possible brand and licensing fees for redistribution and asset-based fees due to increasing mix of passively managed assets
<b>Prevalence of institutionalized trading</b>	1) Higher level of institutionalized trading, with strategies dependent on low latency due to sophistication of financial market participants and emergence of hedge funds as major players
<b>Higher retail participation</b>	1) Retail investor participation on the rise owing to lower cost of trading, improving financial literacy, and increased accessibility to financial markets, supported by fintech platforms and growing trend of financial wellness
<b>Shift to central clearing</b>	1) Significant growth in values to central clearing counterparties; 2) higher demand for post-trade services of exchanges and on-exchange derivatives trading
<b>Demand for data and analytics tools</b>	1) Investors' need for advanced analytical tools to support decision-making increases with higher data volume; 2) growing demand for real-time primary data feeds due to ongoing transition from single-asset class human-based trading to multi-asset class electronic trading

Source: IPO Prospectus



## Regulatory Developments in KSA Capital Markets

In the past few years, Saudi capital markets have undergone several reforms. This led to the Saudi Exchange Market's inclusion in Emerging Markets Indices, including the MSCI Emerging Market Index, S&P Dow Jones Emerging Market Index, and inclusion in the FTSE Russell Index for Emerging Markets. In addition, some major regulatory initiatives aimed at the development and improvement of capital markets in KSA are:

- Launch of the derivatives market in the Kingdom
- Commencement of operations of a qualified Central Counterparty Clearing House (Muqassa), which will help provide a safe and transparent capital market infrastructure
- Approval of a regulatory framework on issuing depository receipts out of the Kingdom by the CMA board, targeting issuance of depository receipts outside of Saudi Arabia for shares issued in KSA and listed in the Saudi Stock Exchange
- Collaboration with IHS Markit to develop two indices: 1) iBoxx Tadawul SAR Government Index (SAR-denominated index for tracking the performance of government Sukuk; 2) iBoxx Tadawul SAR Government Sukuk and Bond Index (broad market benchmark)
- Collaboration with more than 10 local governmental entities to encourage private sector companies to list on Saudi Exchange; initiative includes providing incentives to listed companies (e.g., Saudi Industrial Development Fund will raise loan limits granted to listed companies)

## Vision 2030 and Impact on Financial Sector

Saudi Arabia's Vision 2030 aims to reduce dependence on oil and further diversify its economy by privatizing state-owned assets. The Kingdom has laid out 11 Vision Realization Programs (VRPs) to ensure and drive Vision 2030. The Financial Sector Development Program is one such VRP targeted at the development of capital markets. Mentioned below are major achievements of the program that are leading the overall development of the financial sector:



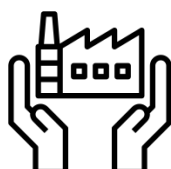
**Fintech Enablement:** SAMA, supporting innovation in the payments and financial technology sectors, has licensed 11 payment companies as “payments institutions.” Additionally, an instant payment system was launched in February 2021 to enable real-time transfer between various banks in the Kingdom and provide greater flexibility for businesses to facilitate financial data and ensure efficient execution of transactions.



**Financial Market Development:** Major developments include launching a securities clearing center company, Muqassa, and a derivatives market. The Saudi Exchange became the first GCC exchange for allowing direct listing in its Nomu Parallel Market. In addition, CMA's new “authorization system” would simplify the submission of securities business licenses. These efforts helped gain global recognition, such as inclusion into global indices and improved rankings on several parameters in the Global Competitiveness Index 2020.



**Debt Capital Market:** Several initiatives such as strengthening the local debt market and lowering overall trading fees by the National Debt Management Center led to substantial 600% Y/Y growth in trading values in the secondary debt market in FY20. Infrastructure enhancements include restructuring registration, listing, and trading fees to improve issuances and facilitate competitive trading. Furthermore, there have been continuous efforts to give investors access to debt securities. CMA also allowed foreigners to invest in debt.



**Small and Medium Enterprises:** The Financial Sector Development Program includes initiatives to provide support to SMEs. The Indirect Initiative Lending (IDL) program allotted SAR 1.9bn to 1,710 SMEs, with the overall eligibility criteria lowered during COVID-19. The SME Loan Guarantee (Kafalah) Program saw a 99% jump in beneficiary enterprises to 4,945 in FY20.

Source: IPO Prospectus

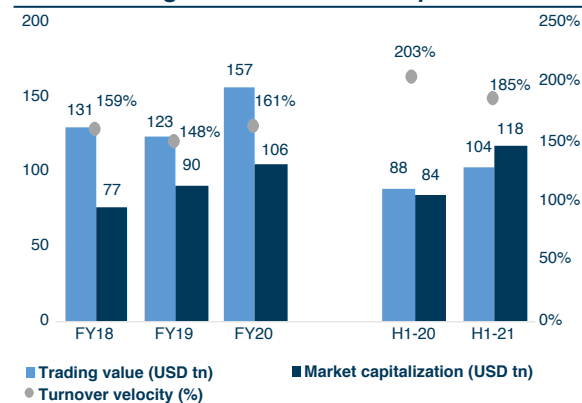
© All rights reserved

## Saudi Exchange vis-à-vis Global Exchange Industry

### The strong growth trend in global trading value and market capitalization

Global trading value increased by 27.5% in FY20 to USD 157tn and 17.6% Y/Y to USD 104tn in H1-21. Moreover, global market capitalization rose 18.2% in FY20 and 39.8% Y/Y in H1-21. The increase in trading activity and expansion of market capitalization was driven by a low-interest-rate environment and positive economic outlook amid recovery from COVID-19, which increased investor appetite for equities. In addition, since January 2021, global net capital investments in equities have surged, marking the shift of investments from bonds to equities. As a result, turnover velocity calculated as trading value for the period divided by average market capitalization rose to 161% in FY20 from 148% in FY19. In H1-21, it stood at 185% compared to 203% in H1-20.

### Global Trading Value and Market Cap

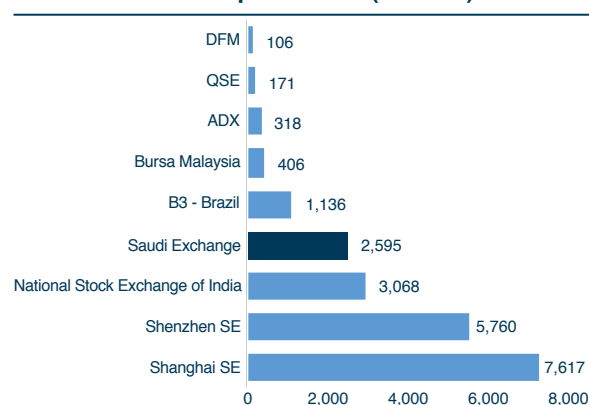


Source: IPO Prospectus

### Saudi Exchange leads regional exchanges by market capitalization

Among emerging market exchanges, the Shanghai Stock Exchange had the highest market capitalization of USD 7,617bn among emerging market exchanges as of June 2021. It was followed by the Shenzhen Stock Exchange (USD 5,760bn), the National Stock Exchange of India (USD 3,068bn), and the Saudi Exchange (USD 2,595bn). Being the largest exchange in the MENA region, the Saudi Exchange market cap is significantly higher than its regional peers. Thus, among emerging market peers, the Saudi Exchange was a leader in terms of market capitalization. Globally, NYSE was the largest exchange by market capitalization at USD 24,896bn, accounting for 21.1% of the global market share, while the Saudi Exchange stood at 11<sup>th</sup> place.

### Domestic Market Capitalization (USD bn)

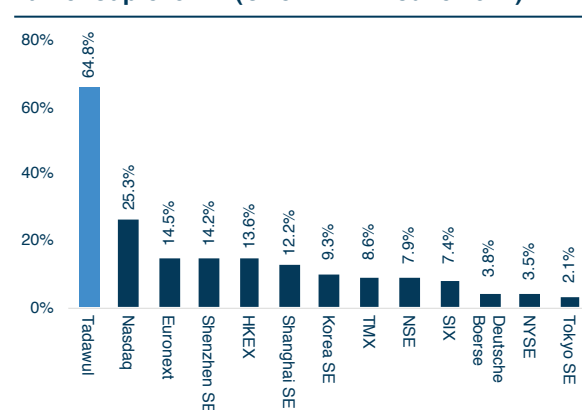


Source: IPO Prospectus

### Saudi Exchange witnesses fastest growth via market capitalization among leading exchanges worldwide

The Saudi Exchange is among the largest stock exchanges globally by market capitalization among listed companies. It is also the fastest-growing stock exchange in MENA by both domestic market capitalization and trading value. Between FY17 and June 2021, the domestic market capitalization of companies listed on the Saudi Exchange rose at a CAGR of 64.8%, primarily driven by the listing of Saudi Aramco (the largest listed company by market cap) in FY19, versus comparable regional CAGRs of 30.7%, 8.2%, and -0.4% of ADX, Qatar Exchange, and DFM, respectively.

### Market Cap Growth (CAGR: FY17- June 2021)



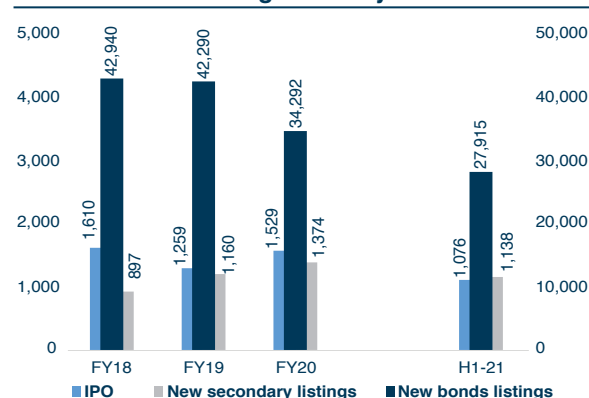
Source: IPO Prospectus



### New listings surge in H1-21

Overall, H1-21 was very strong in terms of the number of new listings globally. The period witnessed 1,076 IPOs (70.4% of full-year FY20), 1,138 new secondary listings (82.8%) and 27,915 new bond listings (81.4%). Capital raised through IPOs surged to USD 380bn in H1-21 from USD 74bn in H1-20. Other new listings inequities raised USD 404bn in H1-21 compared USD 293bn H1-20, while bonds raised USD 3,748bn in H1-21 versus USD 3,655bn in H1-20. The total number of listed stocks globally increased from 52,550 in December 2018 to 56,583 in June 2021 (CAGR: 3.0%). The total number of listed bonds grew from 202,335 in December 2018 to 259,708 in June 2021, with a CAGR of 10.5%.

### Number of New Listings Globally



Source: IPO Prospectus

## Competitive Strengths and Risk Factors

### Competitive Strengths

#### ● Differentiated business model

- The company has a diversified business model integrated across relevant services, offering a complete array of capital market-related products and services. The group has recently reorganized its structure, with the holding company and main subsidiaries focusing on certain capital market offerings. The new structure will allow to pursue growth and compete with other exchanges globally more efficiently.

#### ● Center for regional capital formation

- The group is well positioned wrt the objectives of Vision 2030 and given KSA's increasing relevance on the international stage. This will enable it to grow as the leading exchange in MENA and become the key regional hub for capital formation.

#### ● Strong financial performance

- The company recorded revenue at a CAGR of 36% during FY18–20, driven by increased trading and capital market activity, thus outperforming comparable peers by a wide margin. Top-line solid growth translated into a significant improvement in margins, given the operating leverage in the business. The group has a well-capitalized balance sheet supported by organic capital and free cash flow generation.

#### ● Experienced leadership team with a track record of delivery

- The company's management team comprises experienced and seasoned executives with capital markets expertise.

#### ● Ample growth opportunities ahead

- The Kingdom's economic prospects, supported by Vision 2030 and growing recognition of the economy globally, provide multiple growth opportunities for the company in terms of new issuances across asset classes and strong capital market activity.

### Key Risks

- The company's revenue is largely dependent on the daily trading value. The daily trading value may be adversely affected due to economic and political factors within the country and globally, listed companies' operating and financial performance, and movements in leading global capital markets.
- Failures related to the company's IT infrastructure could severely impact the functionality and reliability of the exchange and its reputation, business, financial condition, and results of operations.
- Any breach in cybersecurity or cyberattacks poses a risk to the confidentiality of information, which may damage its brand and reputation or otherwise harm the business.
- Saudi Arabia's inclusion into global benchmark indices has increased the attractiveness of issuers listed on the Saudi Exchange among overseas investors. Therefore, if the Saudi market is excluded from these indices, it could negatively impact foreign investor activity in KSA.

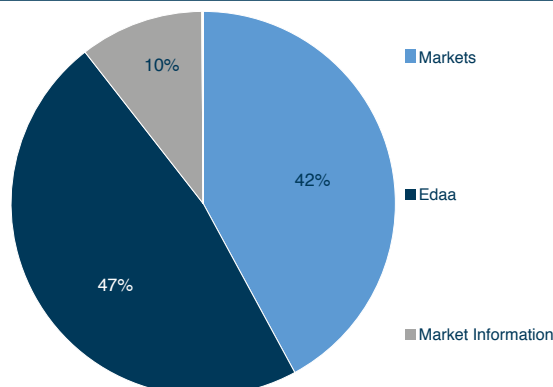


## Financial Highlights

### The majority of revenue comes from Markets and Edaa

- Edaa was the largest contributor to the company's revenue in FY20 (47% of total revenue). It was followed by a contribution from Markets (42%) and Market Information (10%) segments.
- Derivatives and Muqassa segments accounted for less than 1% of revenue.
- In FY20, Markets revenue surged 104.8% Y/Y, while Edaa revenue jumped 81.6%. Revenue from Market Information was up 83.4%.

### Revenue Breakup by Segment (FY20)

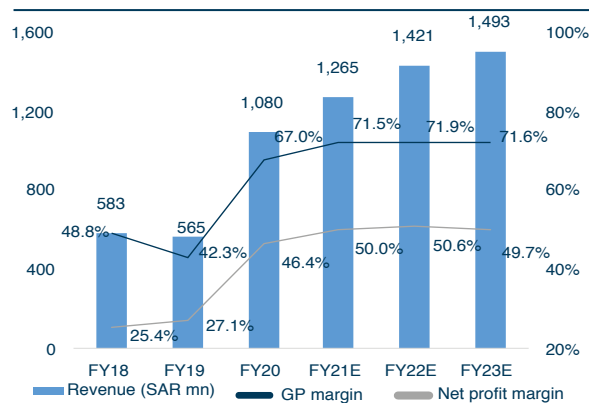


Source: IPO Prospectus, Aljazira Capital Research

### Revenue growth to remain robust; margins to expand

- Revenue increased at a CAGR of 36.1% during FY18–20. It is expected to expand further at a CAGR of 11.4% over FY20–23.
- Gross profit (GP) margin improved ~18.2pps over FY18–20 to reach 67.0% in FY20. It is forecast to increase to 71.6% until FY23.
- Net margin widened to 46.4% in FY20 from 25.4% in FY18. It is estimated to improve further, reaching 49.7% in FY23.

### Revenue and Margins Trends

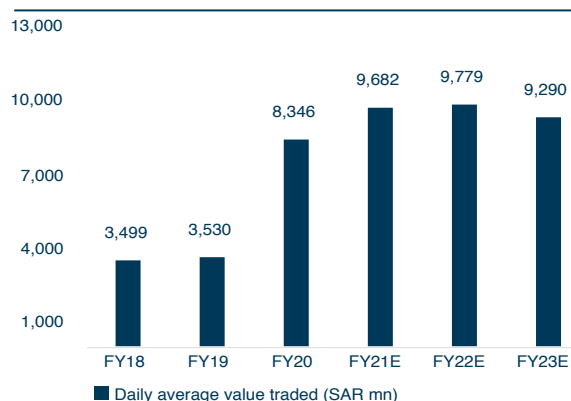


Source: IPO Prospectus, Aljazira Capital Research

### Value traded grew due to the rise in market activity

- The daily average value traded in Tadawul and Nomu parallel market combined more than doubled to SAR 8.3bn in FY20 from SAR 3.5bn in FY18.
- During this period, the daily average number of transactions also surged 3x to 307,100 in FY20 from 100,200 in FY18.
- The daily average traded value is forecast to reach SAR 9.8bn in FY22, driven by an expected rise in the number of securities traded and increased overall trading activity.

### Daily Average Value Traded (Main Market and Nomu; SAR mn)



Source: IPO Prospectus, Aljazira Capital Research

## DCF Valuation

Our valuation of Saudi Tadawul Group based on DCF (average WACC of 8.7%) yielded a value of SAR 12.8bn (TP of SAR 106.5).

## Relative Valuation

We valued Saudi Tadawul Group using the relative valuation methodology based on the FY23E P/E multiple.

Peer Comparison Table (FY23E):

Company Name	P/E
Bursa Kuwait Securities Co.	19.3
BSE Ltd.	22.9
Bursa Malaysia Bhd	20.0
Euronext NV	15.8
London Stock Exchange Group	20.0
Nasdaq Inc	25.2
Honk Kong Exchanges and Clearing	31.3
CME Group Inc.	28.8
<b>Sector Median</b>	<b>22.4</b>

### P/E (FY23E)

All Figures in SAR mn, unless specified

<b>Sector P/E (FY23)</b>	<b>22.4</b>
Implicit Market Cap	16,602
<b>Net Worth</b>	<b>16,602</b>
<b>Discounted at RoE</b>	<b>14,376</b>
Shares (mn)	120
<b>Relative Value (SAR/share)</b>	<b>119.8</b>

## Blended Valuation

Valuation Summary	Fair Value	Weight	Weighted Avg
DCF	106.4	50%	53.2
P/E	119.8	50%	59.9
<b>Weighted Avg 12-month TP</b>			<b>113.0</b>
IPO Offering Price (SAR /share)			105.0
Expected Capital Gain			7.6%

Source: Bloomberg, Tadawul, Company Prospectus, Aljazeera Capital Research

We assigned 50.0% weightage each to DCF and FY23E P/E multiple. The relative value based on FY23E multiples is discounted at average FY23E ROE to arrive at one-year TP. Based on the combined valuation, we arrived at a TP of **SAR 113/share**. As per our derived TP, the implied PE multiple based on FY23E earnings is 18.3x vis-à-vis a PE of 17.0x based on the IPO price of SAR 105.0.

Economic and capital market prospects, supported by structural changes in the financial sector, bode well for Saudi Tadawul Group's future growth. Moreover, the company is the only exchange operator in the country expected to benefit from economic growth in financial markets directly. Furthermore, operating leverage in the business is likely to reflect in the company's margin expansion as trading activity increases. Considering these factors, at a PE multiple of 17.0x, based on our FY23 estimates and IPO offer price, the company's valuation seems attractive compared to global peers.

## Key Financial Data

Amount in SAR mn, unless otherwise specified	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Income statement</b>						
Revenues	583	565	1,080	1,265	1,421	1,493
Y/Y		-3.2%	91.2%	17.2%	12.3%	5.0%
Cost	(299)	(326)	(356)	(360)	(400)	(424)
<b>Gross profit</b>	<b>285</b>	<b>239</b>	<b>723</b>	<b>905</b>	<b>1,022</b>	<b>1,069</b>
General and administrative expenses	(211)	(197)	(180)	(202)	(220)	(243)
<b>Operating profit</b>	<b>74</b>	<b>42</b>	<b>543</b>	<b>703</b>	<b>801</b>	<b>825</b>
Y/Y		-43.9%	NM	29.5%	13.9%	3.0%
Investment Income	79	94	39	34	37	39
<b>Income before zakat</b>	<b>148</b>	<b>153</b>	<b>584</b>	<b>740</b>	<b>841</b>	<b>867</b>
Zakat	-	-	(84)	(107)	(122)	(126)
<b>Net income</b>	<b>148</b>	<b>153</b>	<b>501</b>	<b>632</b>	<b>719</b>	<b>741</b>
Y/Y		3.4%	226.5%	26.4%	13.7%	3.1%
<b>Balance sheet</b>						
<b>Assets</b>						
Cash & equivalent	363	268	97	361	543	798
Other current assets	2,687	2,804	3,295	3,517	3,801	3,981
Total current assets	3,050	3,073	3,392	3,877	4,344	4,779
Property plant & equipment	18	14	21	29	38	47
Other non-current assets	464	460	680	701	738	772
<b>Total assets</b>	<b>3,532</b>	<b>3,547</b>	<b>4,093</b>	<b>4,608</b>	<b>5,120</b>	<b>5,599</b>
<b>Liabilities &amp; owners' equity</b>						
Total current liabilities	208	210	363	413	434	460
Total non-current liabilities	89	77	96	107	119	132
Paid -up capital	1,200	1,200	1,200	1,200	1,200	1,200
Statutory reserves	312	327	377	440	512	586
General reserves	1,114	1,114	1,114	1,114	1,114	1,114
Retained earnings	609	618	943	1,333	1,740	2,107
Total owners' equity	3,235	3,259	3,635	4,087	4,566	5,007
<b>Total equity &amp; liabilities</b>	<b>3,532</b>	<b>3,547</b>	<b>4,093</b>	<b>4,608</b>	<b>5,120</b>	<b>5,599</b>
<b>Cashflow statement</b>						
Operating activities	245	54	634	696	772	821
Investing activities	(375)	(7)	(673)	(238)	(336)	(251)
Financing activities	(120)	(142)	(133)	(194)	(254)	(315)
Change in cash	(250)	(95)	(172)	264	182	255
<b>Ending cash balance</b>	<b>363</b>	<b>268</b>	<b>97</b>	<b>361</b>	<b>543</b>	<b>798</b>
<b>Key fundamental ratios</b>						
<b>Liquidity ratios</b>						
Current ratio (x)	14.7	14.6	9.4	9.4	10.0	10.4
Quick ratio (x)	14.5	14.4	9.2	9.2	9.8	10.2
<b>Profitability ratios</b>						
Gross profit margin	48.8%	42.3%	67.0%	71.5%	71.9%	71.6%
Operating margin	12.7%	7.4%	50.3%	55.6%	56.4%	55.3%
EBITDA margin	12.7%	7.4%	50.3%	59.3%	60.0%	59.0%
Net profit margin	25.4%	27.1%	46.4%	50.0%	50.6%	49.7%
Return on assets	4.2%	4.3%	13.1%	14.5%	14.8%	13.8%
Return on equity	4.6%	4.7%	14.5%	16.4%	16.6%	15.5%
<b>Leverage ratio</b>						
Debt / equity (x)	-	0.0	0.0	0.0	0.0	0.0
<b>Market/valuation ratios</b>						
EV/sales (x)	NM	NM	NM	9.8	8.6	8.0
EV/EBITDA (x)	NM	NM	NM	16.5	14.3	13.6
EPS (SAR)	1.23	1.28	4.17	5.27	5.99	6.18
BVPS (SAR)	27.0	27.2	30.3	34.1	38.1	41.7
Market price (SAR)*	NM	NM	NM	105	105	105
Market-Cap (SAR mn)	NM	NM	NM	12,600	12,600	12,600
P/E ratio (x)	NM	NM	NM	19.9	17.5	17.0
P/BV ratio (x)	NM	NM	NM	3.1	2.8	2.5

Sources: Argaam, Company Prospectus, Aljazira Capital Research



RESEARCH DIVISION

Head of Sell-Side Research - AGM  
Jassim Al-Jubran  
+966 11 2256248  
j.aljabran@aljaziracapital.com.sa

RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

## Disclaimer

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of stocks, bonds, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Al-Jazira Capital from sources believed to be reliable, but Al-Jazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Al-Jazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. The investor might get an amount less than the amount invested in some cases. Some stocks or securities maybe, by nature, of low volume/trades or may become like that unexpectedly in special circumstances and this might increase the risk on the investor. Some fees might be levied on some investments in securities. This report has been written by professional employees in Al-Jazira Capital, and they undertake that neither them, nor their wives or children hold positions directly in any listed shares or securities contained in this report during the time of publication of this report, however, The authors and/or their wives/children of this document may own securities in funds open to the public that invest in the securities mentioned in this document as part of a diversified portfolio over which they have no discretion. This report has been produced independently and separately by the Research Division at Al-Jazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Al-Jazira Capital. Funds managed by Al-Jazira Capital and its subsidiaries for third parties may own the securities that are the subject of this document. Al-Jazira Capital or its subsidiaries may own securities in one or more of the aforementioned companies, and/or indirectly through funds managed by third parties. The Investment Banking division of Al-Jazira Capital maybe in the process of soliciting or executing fee earning mandates for companies that is either the subject of this document or is mentioned in this document. One or more of Al-Jazira Capital board members or executive managers could be also a board member or member of the executive management at the company or companies mentioned in this report, or their associated companies. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of Al-Jazira Capital. Persons who receive this report should make themselves aware, of and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.

Asset Management | Brokerage | Corporate Finance | Custody | Advisory

Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia. Tel: 011 2256000 - Fax: 011 2256068