GIB CAPITAL جي آي بي كابيتال

Target Price: SAR141/share
Current Price: SAR118/share
Upside: +19% [+Div. Yield: ~5%]
Rating: Overweight

Retal Urban Development Company (Retal)

Play on the massive real estate ambitions of KSA

- Retal is an Urban residential-focused real estate developer with a healthy execution record, lean balance sheet, trusted anchor investors/management, and robust financial metrics.
- There is strong visibility for revenue & profits in the next 3 years with a backlog of 6,473 units. The catalysts for further growth are new Govt. projects (based on Vision 2030, whose progression remains on track for the real estate sector) & regulatory changes for homeownership.
- We initiate on Retal with a target price of SAR141/share and an Overweight rating.

Business model: In 2022, Retal derived more than 50% of revenues from Govt/related projects (NHC/PIF). We believe Retal continues to remain in a favorable position to win development work in the massive projects announced (and ongoing) by the Govt. Unlike most listed real estate companies in KSA, whose value is derived from land banks, Retal has a lean balance sheet, with an off-plan sales model requiring less capital. Most of the development is done on Govt. land with Retal acting as a pass-through for land value. Implied land prices for NHC projects are at a discount, incentivizing buyers. The possibility of increasing homeownership targets after having achieved multiple milestones, opening the market to foreigners (to be implemented soon), and more project announcements are sectorial drivers, well supported by the Ministry of Housing.

Visibility: Retal has established a strong reputation for quality and execution with it delivering 1,326 units in 2022 and the backlog stood at 6,473 units giving strong visibility for at least SAR6.6bn revenues with ~20% margins for 2023/24/25 from backlog & pipeline projects. Land sales and project win from SPVs/Funds are upside risk factors. The company is expanding geographically with new offices in Jeddah and Riyadh. The recent decline in prices gives comfort at 16x P/23E and ~5% Div. yield. A key variable for our valuations is growth from 2026/beyond.

Risks: Economic slowdown, persistently high-interest rates, delays in receiving land, failure to win projects or receive incentives from the Government, higher than expected increase in construction costs, and delays in construction that may affect brand reputation, etc.

Figure 1: Key financial metrics

SARmn	2022a	2023e	2024e	2025e
Revenue	1,107	2,244	2,499	2,785
Revenue growth	*2%*	*103%*	*11%*	*11%*
Gross Profit	297	440	490	546
Gross Profit margin	*27%*	*20%*	*20%*	*20%*
EBITDA	232	349	385	428
Op. income	218	332	370	415
Net profit	246	299	346	394
Net profit margin	*22%*	*13%*	*14%*	*14%*
EPS (SAR)	6.1	7.5	8.6	9.8
DPS (SAR)	5.0	6.0	6.9	8.4
P/E	19.2x	15.8x	13.6x	12.0x

Source: Company data, GIB Capital

Stock data	
TASI Ticker	4322
Mkt cap (SARmn)	4,712
Trd. Val 3m (SARmn)	5.3
Free float	30.9%
QFI holding	1.5%
TASI FF weight	0.08%

Source: Bloomberg

Prices indexed to 100

Source: Bloomberg

Pritish Devassy, CFA, CPA
+966-11-834 8467
Pritish.devassy@gibcapital.com

Khaled Bin Ateeq
+966-11-834 8498
khaled.binateeq@gibcapital.com

Investment case

Retal is one of the new-generation companies in KSA that is specialized in urban development and is a pioneer in launching quality residential projects through large-scale off-plan sales.

1. Not a land bank but a pure developer:

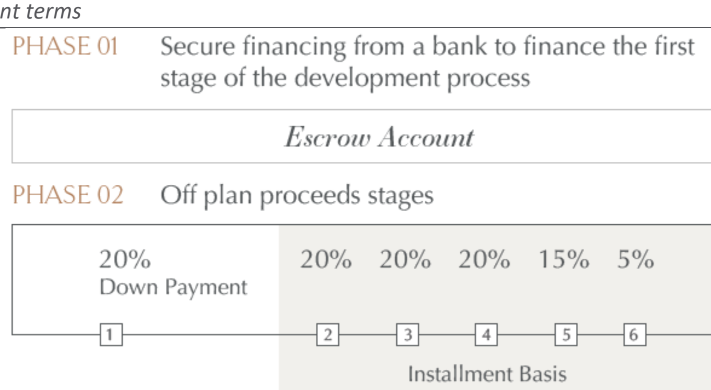
Most of the listed real estate players in KSA rely on sales of land banks they have acquired over time. However, Retal is a developer that generates most of its revenues by developing residential units for the affordable housing program of KSA. Retal does not benefit from land sales because the Government provides the land on which Retal constructs housing units (apartments/villas -middle and high-end units) and the company just channels the payment pertaining to the land (from the total payment for the unit) from the buyer to the Government. As a result, it only makes a certain margin on the development/construction costs. In the case of Roshn projects, land payments are made on an installment basis with varying percentages during the life of the project.

2. Off-plan business model:

The off-plan sales model facilitates the company to undertake high-return projects with limited capital. Under an off-plan sales model, the customer pays a down payment of 20% of the purchase price at the time of signing the sales contract and agrees to pay the balance in installments on a pre-agreed payment schedule as per the construction progress. Thus the customer or bank (if a mortgage is taken) gives the cash, depending on the stage of development, and thus Retal has limited funding needs as compared to an already developed unit. Most customers fund the 20% initial payment from their resources and arrange bank loans to fund the remaining installment payments. The payment terms for each installment are 21 working days from the invoice date. In cases where customers avail of a bank loan, invoices are directly sent to the customer's bank, and payment is mostly made within 21 to 25 days of the invoice date. Customers are expected to make the final installment payment of 5% upon transfer of the title deeds of the unit.

Post the sale of the unit, the risk transfers to the bank as the bank collects payments from the customers in installments while Retal gets cash upfront from banks after the sale and throughout development. 80% of Retal's customers use bank mortgages to finance their purchases while 20% pay cash upfront sometimes which is more beneficial for Retal.

Figure 2: Payment terms

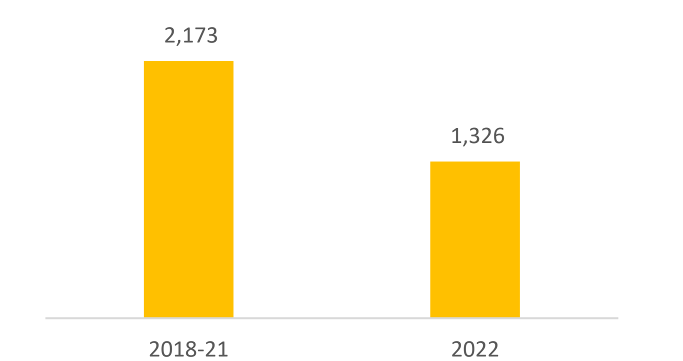


Source: Company

3. Strong visibility into revenues:

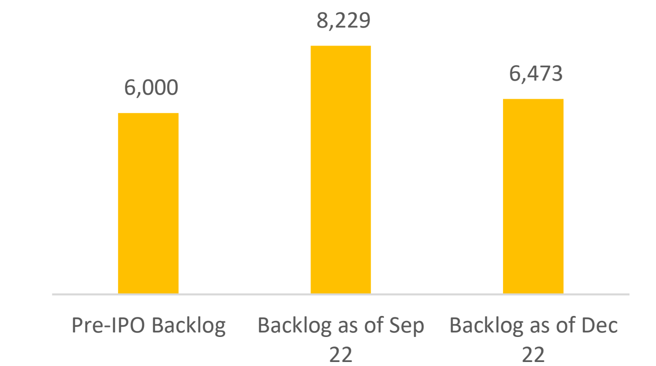
At the end of 2022, the company has a backlog of 6473 units which corresponds to revenue of SAR7.5bn. However, SAR880mn of these have already been recognized and thus there is SAR6.6bn to be recognized over the next 2-3 years, provided all the units get sold and projects are constructed. This backlog includes 18 projects. Out of which, work is ongoing for 7 projects and 11 upcoming projects are yet to be sold or started developing. Out of these backlog units, 1784 units are sold already. Thus for the remaining, the company will focus on sales and thereafter construction. Based on our analysis SAR2.2bn, SAR2.5bn, SAR2.8bn as revenues are mostly guaranteed for the next 3 years.

Figure 3: Total number of delivered units



Source: GIB Capital, Company

Figure 4: Backlog



Source: GIB Capital, Company

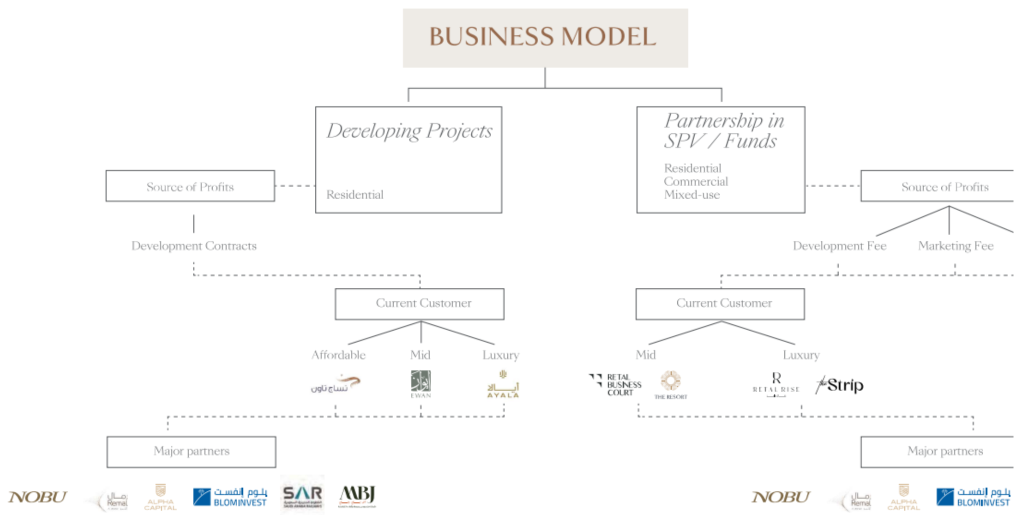
Figure 5: More details on the revenue visibility

Source: Company

4. Upside from development/marketing/sales for SPVs:

Not just NHC projects (43%), ROSHN projects (8%), Retal also makes profits by doing development work for SPVs. SPV are funds owned by unit holders for which Retal may act as a developer. The numbers explained in the above section (that is for 6473 units) are only based on the revenues from the NHC projects, Roshn and Retal's own projects. Thus, thereby there might be an upside to these revenue numbers if the company acts as a developer for these funds. We believe that given that the company collects a separate fee for marketing as well as sales as well as development for units on SPVs/Funds, there could be a higher margin in this segment as compared to NHC, Roshn, and own projects.

Figure 6: Business model



Source: Company

5. Land and sales of units in own land:

Retal also benefits from the sale of lands as explained above. In association with certain SPVs/funds, Retal may buy lands and then develop a concept and thereafter sell them to SPVs funds and also later in turn receive revenues from the development of properties. Lastly, the company also makes revenues from ready-to-sale villas sold on its (own) lands. Based on our understanding, 33% of the total revenues in 2022 came from the sale of own units (on own land) and lands to SPV. Going forward the possibility of such sales is low as most of its (own) inventory is finished. Also, the company has a land bank of only SAR100mn. The gross margin for these is higher. Since we assume almost no contribution from this segment in the coming 3 years, we forecast the gross margin to drop from 27% in 2022 to c20% in 2023-25.

6. Execution:

Retal has established a reputation for quality through reliable execution and on-time delivery with new modular designs in line with market demand patterns. The company has delivered 2,173 units between 2018-21 and 1,326 units in 2022 and is targeting to deliver 8,000 (6473 backlog + c1500 in the pipeline) between 2023-25 and 4,000 units each year from 2028 onwards. The company has successfully developed some of the Kingdom's most prestigious integrated lifestyle master plan communities, including Nesaj Town Riyadh 2, Nesaj Town AlKhobar, Retal Residence, and Retal Square.

Usually, it takes about 24-36 months for the company to execute a project. However, so far in some cases, execution got delayed when there was a delay in receiving the land. Recently, the company was expecting to receive two land parcels in August 2022, and it got delayed to November 2022, which caused a slight delay. We believe there have generally been no development-related delays.

The centralization of execution related activities like construction, project, and property management/design etc., within the group enables the quick integration, execution and takes care of delays by sub-contractors.

7. Government incentives:

Recent changes in Govt. incentives may be of significance to the mortgage market in general. It may not be as much for Retal as we explain later even as around ~60% of Retal's customers benefit from Government incentives.

Previously:

The benefit for customers in the affordable housing programs included interest-free loans up to SAR500,000 (equivalent) after taking into account the number of family members, income levels, beneficiary age, etc. The calculations are not straightforward because the amount of the subsidy decreases as beneficiary income increases above SAR14k/month and increases with an increase in the number of family members etc. But in general, for buying a SAR500k unit (6.5% interest rate over 20 years), a person with a salary of SAR14000/month roughly received a subsidy of SAR1645/month.

Now:

In the new incentive scheme, the main criterion is the salary. There are subsidy slabs for incomes provided as shown in the below table.

Figure 7: New Subsidy slabs

Income (SAR)	Monthly support (SAR)	Support value over 20 years (SAR)
3,000	1,350	324,000
4,000	1,206	289,440
5,000	1,073	257,520
6,000	955	229,200
7,000	850	204,000
8,000	757	181,680
9,000	673	161,520
10,000	599	143,760
> 10,000	416	100,000

Source: Argaam, MoH, GIB Capital

We also see that the payment required by the buyer increases based on salary as follows:

Figure 8: Difference in subsidies received in the old vs new program

Salary	5000	10000	14000
OLD			
Monthly installment	$3,728	$3,728	$3,728
Subsidy	$1,645	$1,645	$1,645
subsidy % of installment	*44%*	*44%*	*44%*
Net payment by buyer	**$2,083**	**$2,083**	**$2,083**
NEW			
Monthly installment	$3,728	$3,728	$3,728
Subsidy	$1,073	599	416
subsidy % of installment	*29%*	*16%*	*11%*
Net payment by buyer	**$2,655**	**$3,129**	**$3,312**

Source: GIB Capital, Argaam, MoH

Not only this, there may be additional options for a home buyer in the new scheme. An immediate, non-refundable fixed value of 150k will be provided for those with a monthly wage below 10k, with a deduction of part of the value of the land or housing unit. Those with wages above 10k will receive a 100k subsidy.

Figure 9: Additional options for home buyers

	Self-build	Land	Ready to move in	Sale off plan
3-10k	First option: Financial support according to the matrix. Second option: Housing support packages for a fixed amount of 150k	In kind	First option: financial support according to the matrix. Second option: Housing support packages for a fixed amount of 150k	First option: financial support according to the matrix. Second option: Financial and in-kind support. Third option: In-kind support and housing support packages for a fixed amount of 150K.
	Other additional support			
	Guarantees (according to the guarantee program policy).	Guarantees (according to the guarantee program policy).	Guarantees (according to the guarantee program policy). VAT exemption Soft mortgage (in case the beneficiary benefited from the down payment support package, it is not possible to benefit from the easy mortgage) ie reducing down payment rate in general	Guarantees (according to the guarantee program policy). VAT exemption Soft mortgage (in case the beneficiary benefited from the down payment support package, it is not possible to benefit from the easy mortgage) ie reducing down payment rate in general
>10k	First option: Financial support according to the matrix. Second option: Housing support packages for a fixed amount of 100k	In kind	First option: financial support according to the matrix. Second option: Housing support packages for a fixed amount of 100k	First option: financial support according to the matrix or in kind. Second option: In-kind support and housing support of 100k.
			Other additional support	
			VAT exemption. Soft mortgage (in case the beneficiary benefited from the down payment support package, it is not possible to benefit from the easy mortgage) ie reducing down payment rate in general.	VAT exemption Soft mortgage (in case the beneficiary benefited from the down payment support package, it is not possible to benefit from the easy mortgage)ie reducing down payment rate in general.

Source: GIB Capital, Argaam, MoH

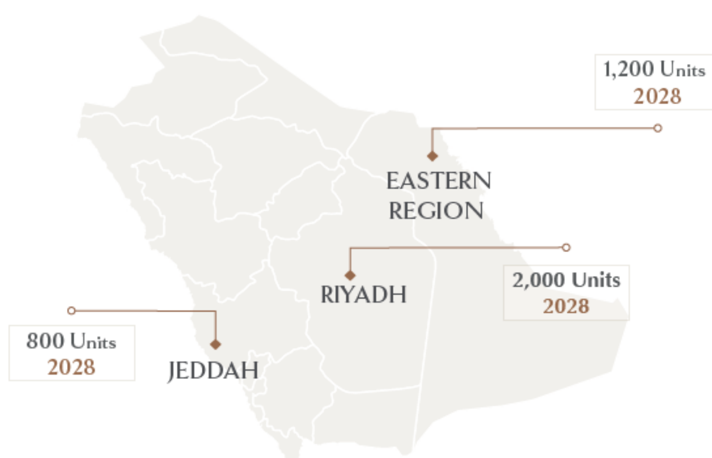
The key **takeaway of the changes** is that subsidies broadly remain intact for buying lower-value housing (purchased by a lower-salaried individual) which will help pick up demand for affordable housing in the truest sense. For example, as per news articles, the new residential suburb of AlFursan will have units starting from SAR350k, which in our view, aligns with Govt.'s ambitions of lowering the price of real estate. As the actual costs of new mortgages increase and subsidies decrease, the growth on the big loan tickets may decrease.

In the case of **Retal's customers,** while 60% of the users come under the affordable housing program, the ticket size of each unit is large – as high as SAR800k to SAR1mn which implies the benefit of subsidies was not much anyway (as a % of the total monthly payment) and thus would not matter much in either subsidy program. For example, a SAR1mn home buyer would have paid SAR7455 per month of installment and received a subsidy of SAR1644 per month in the old scheme. In the new scheme, the buyer gets only SAR416 per month as a subsidy. While this is negative, the difference in SAR1200/month may not be materially negative on the affordability of the buyer who is looking to purchase a SAR1mn apartment.

8. The in-kind subsidy: The key attraction for NHC projects is that the land comes at a subsidized rate – for example, the pricing of land in NHC projects is lower than neighboring prices. This lowers the cost of buying a residential unit and makes it attractive for future sales. Retal benefits indirectly when Govt. gives a discount because it makes the residential units all the more affordable to the buyer.

9. Diversification: Before its IPO, the company had been earlier focusing on projects in the Eastern province. However, currently, the Central region's projects have increased and to focus more, the company has opened its offices in Riyadh and Jeddah. In the future, the company plans to increase the number of deliveries to 4000 units with 1200 units in the Eastern region and 2000 in the central region, and remaining in Jeddah.

Figure 10: 2028 plans across the Kingdom



Source: Company

10. Future growth from mega projects:

The Sakani program has been a great success story and as per various sources, we are well ahead of the initial targets set in the Vision 2030 real estate goals. The housing ministry has been instrumental in supporting the growth. Going forward the incentives are targeted at the lower end of the income groups as detailed above. However, real estate continues to be a key focus for the Govt. Based on Vision 2030, the Kingdom aims to become a top-five global destination by 2030. The Government has started a number of projects that are well underway around the country to attract tourists. Favorable oil prices have recently boosted Governments' expenditure on these mega projects. Most importantly, there will be residential complexes within and around these projects, likely to increase real estate activities in the Kingdom.

Following are some of the projects that will have residential complexes:

- Qiddiya: This project is poised to become a prominent cultural landmark and will have 4,000 residential units by 2025 and 11,000 units by 2030.

- King Salman Park: The project will have residential compounds offering 12,000 housing units.

- Al Fursan: Located in Northeast Riyadh, the residential suburb will have 50,000 residential units.

- Khuzam Suburb: Phase 2 of this project will have 30,000 residential units

- New Murabba: This is a Riyadh downtown project which is planned to have 104,000 residential units.

- Diriyah Gate: The project located in Riyadh will include 20,000 residential units by 2027.

- Roshn: PIF is also investing in the development of affordable real estate complexes across KSA through Roshn, a dedicated real estate investment company, which will build 150 million square meters of new residential areas in 9 cities across KSA. It aims to deliver a broad range of homes starting from studios up to premium villas and shares the same Vision 2030 goal as the Housing Program, targeting 70% home ownership by 2030.

As per Real Estate General Authority, a new law allowing foreign ownership is in the final stages. This could be a game changer for real estate developers in Saudi including Retal something similar to what is seen in Dubai.

Apart from this, multiple other projects will have the sale of residential units which can keep the backlog high. The company's market share is expected to grow across all three cities (Riyadh, Jeddah, and DMA) between 2020 and 2028. The below table shows the expected growth trend as per the prospectus.

Figure 11: Retal's targeted deliveries till 2028

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Number of units sold (Riyadh)	588	690	781	975	996	1,278	1,710	1,855	2,000
Market share (Riyadh)	*1.5%*	*1.7%*	*1.7%*	*2.1%*	*2.1%*	*2.6%*	*3.3%*	*3.5%*	*3.6%*
Number of units sold (Jeddah)	0	0	0	195	199	256	342	371	400
Market share (Jeddah)	*0.0%*	*0.0%*	*0.0%*	*1.5%*	*1.5%*	*1.9%*	*2.5%*	*2.7%*	*2.8%*
Number of units sold (DMA)	1,052	1,061	1,095	780	797	1,022	1,368	1,484	1,600
Market share (DMA)	*16.8%*	*16.6%*	*14.5%*	*10.1%*	*10.1%*	*12.7%*	*16.6%*	*17.7%*	*18.6%*

Source: Company Prospectus

Figure 12: Vision 2030's giga projects at a glance

Source: Company

Valuation and risks

We use the DCF valuation method to value the company. As the near-term revenues and profits are almost known with a good degree of certainty, the main assumption is the trend in revenues after 2025. We assume a 3% growth from 2026. This is a very conservative estimate as compared to the company's delivery target of 4000 units by 2028. However, if demand continues to be robust, then the company could be very well called the Emaar of UAE (as Retal aspires to be so). It all depends mainly on how the demand and pipeline evolve in Saudi Arabia for residential units in the next 3 years for the years beyond 2025. We believe this is possible because the Govt. could price the land quite low and push sales. Also if real estate opens fully for foreigners something like in Dubai, there could be a significant interest in the market. Having said that, there could be volatility in backlog depending on the project awards. As long as the 2–3-year average backlog continues to grow our longer estimates are reasonable. We assume a gross margin of c20% for the future. We use a cost of equity of 11% and a cost of debt of 5% and a target D/A of 25%.

Figure 13: DCF valuation model

DCF model (SARmn)	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
EBIT	332	370	415	413	425	438	451	465
tax	-14	-16	-19	-18	-19	-19	-20	-20
Change in WC	87	-18	-20	1	-6	-6	-6	-6
Dep	17	15	13	12	11	10	9	8
Capex	-5	-2	-2	-2	-2	-2	-2	-2
FCF	**417**	**349**	**388**	**406**	**410**	**420**	**432**	**444**
Terminal Value								**6,036**
Enterprise value of explicit period	2,229							
PV of Terminal Value	3,198							
Total Enterprise Value	**5,426**							
(-)Debt, incl. lease liabilities	-619							
(-) Pension/liabilties	-13							
(+) Cash (Ex- MoH payables)	216							
(+) Investment properties	122							
(+) Associate	348							
(-) Minority	0							
Equity value	**5,481**							
Number of shares	40							
Equity value per share	**137**							
Equity Price (1 year from today)	**141**							
Cost of Equity	11.0%							
Cost of debt	5.0%							
Target D/A	25%							
WACC	**9.5%**							

Source: GIB Capital

In terms of relative valuation, the stock trades cheaper at 16x P/E vs peers at 25x and 5.1% dividend yield for 2023e. In terms of EV/EBITDA, the stock trades at 13 EV/EBITDA for 2023 vs peers at 11x. On 19th March, Retal's Board approved increasing the company's capital by granting bonus shares - granting 1 share for every 4 shares owned. The number of shares will increase from 40mn to 50mn. The Board also recommended a stock split from SAR10 to SAR1 which will increase the numbers of shares to 400mn from 40mn (or 500mn from 50mn).

Figure 14: Comp sheet

	Mkt Cap (USDmn)	P/E Ratio (TTM)	Est P/E Current Yr	P/E - FY2	EV/T12M EBITDA	Est. EV/ EBITDA - 1FY	Est. EV/EBITDA - 2FY	Dividend Yield - FY1	P/B
KSA Real estate companies									
Dar Al Arkan Real Estate Devel	4468	38	29	20	19	21	18	3.2	0.9
Arabian Centres Co Ltd	2527	10	12	10	N.A.	13	11	7.9	0.6
Saudi Real Estate Co	1218	30	N.A.	N.A.	21	N.A.	N.A.	N.A.	1.0
Knowledge Economic City Co	1299	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1.6
Emaar Economic City	2323	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1.2
Median	**2323**	**30**	**21**	**15**	**20**	**17**	**14**	**5.5**	**1.0**
UAE Real estate companies									
Emaar Properties PJSC	12972	7	6	6	5	5	5	3.9	0.7
Emaar Development PJSC	5860	6	6	6	3	3	3	8.0	1.2
Deyaar Development PJSC	547	15	11	9	13	12	10	N.A.	0.4
Aldar Properties PJSC	9591	12	12	12	13	10	9	3.8	1.2
Eshraq Investments PJSC	343	1	N.A.	N.A.	2020	N.A.	N.A.	N.A.	0.5
RAK Properties PJSC	311	28	N.A.	N.A.	25	N.A.	N.A.	N.A.	0.3
Q Holding PJSC	4181	15	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1.2
Union Properties PJSC	245	30	N.A.	N.A.	100	N.A.	N.A.	N.A.	0.5
United Development Co QSC	1016	10	N.A.	N.A.	11	N.A.	N.A.	N.A.	0.3
Median	**1016**	**12**	**9**	**8**	**13**	**8**	**7**	**3.9**	**0.5**
Top Saudi companies									
Saudi Arabian Oil Co	1880192	12	13	14	6	6	7	4.8	4.4
Saudi Basic Industries Corp	72204	16	23	17	8	9	8	4.8	1.5
Saudi Telecom Co	53581	17	15	14	8	8	7	4.6	2.7
Saudi Arabian Mining Co	41740	17	28	29	10	14	14	0.0	3.5
ACWA Power Co	26823	76	47	36	47	30	24	1.5	5.4
Saudi Electricity Co	25958	13	15	14	5	5	5	3.0	0.4
Dr Sulaiman Al Habib Medical S	25346	58	52	43	48	41	33	1.5	16.2
SABIC Agri-Nutrients Co	16147	6	10	12	4	7	8	5.9	3.0
Almarai Co JSC	14776	31	28	24	14	14	13	2.0	3.3
Elm Co	9052	36	30	26	28	23	20	2.0	10.8
Median	**26390**	**17**	**25**	**21**	**9**	**11**	**10**	**2.5**	**3.4**
Retal	**1259**	**19**	**16**	**14**	**20**	**13**	**12**	**5.1**	**6.4**

Source: Bloomberg, GIB Capital

Risks:

Key risks to our estimates/ valuation include the following:

Rising inflation: Rising inflation has lowered consumer purchasing power, especially for big-ticket purchases like houses. A continued increase in inflation may put off home purchase plans.

Rising interest rate: An interest rate increase has slowed mortgage growth. Further increase in interest rate may negatively impact mortgage demand, which will translate into lower housing demand.

Fall in oil prices: Oil prices have remained at a healthy level. However, any adverse movement in oil prices will curtail PIF's ability to invest in mega projects and other infrastructure projects, which may negatively impact the real estate activities in the Kingdom.

Changes in subsidies/support: Currently, the company derives most of its revenue from NHC and ROSHN projects, which are subsidized/supported by the Government. Partial or complete removal of subsidies/support by the Government can adversely impact the company's business model.

Delay in construction: The company has built a solid reputation by delivering projects well on time. However, any delay in completion or handover can adversely affect the company's reputation and its ability to attract future customers.

Project size: As the size of projects (sqm) reduces – so will revenues because the revenues are based on bids per sqm.

Cost of raw materials: Given that Retal bids for projects with a certain price/sqm basis, if prices of raw materials are not hedged or if raw material prices escalate fast, there could be a possibility of a decline in margins.

Labour shortage: Short of labor or subcontractors for turnkey operations to will also cause delay in delivery and thereby revenues.

Land delay: A delay in land received could delay the recognition of revenues/profits.

Company Profile

Retal was established in 2012 and got listed on Tadawul in June 2022. The company is engaged in developing villas, apartments, and mixed-use projects (residential, commercial, hospitality, and offices) ranging from affordable to high-end. Retal's primary focus is on the cities of Riyadh, Dammam, and Jeddah, which comprise about 65% of the Kingdom's population. In general, Retal's portfolio comprises NHC projects (60%), Roshn projects (20%), Retal projects (10%), and Retal as developers for funds/ SPV (10%).

- **NHC:** Generally, Retal's portfolio comprises 60% NHC projects (2022:43%). NHC was established in 2016 as the investment arm of the Ministry of Municipal and Rural Affairs and Housing (MoMRAH, formerly the Ministry of Housing). Later the company came under state ownership in May 2020. NHC aims to provide affordable housing in the Kingdom. The Ministry provides the developer with land for development on day one. No upfront cash is required from the developer to be maintained in an escrow account. Once the project is underway, and when the amount is collected from the customers, the value proportional to the land will be received in the escrow account. So, after the entire development/construction process, the escrow account will have the land value, which will be returned to the Ministry based on the contractual terms not necessarily at the end of the project. The escrow accounts are monitored by Wafi (Wafi regulates off-plan sales and rental practices).
- **ROSHN:** ROSHN projects account for 20% (in general; 8% 2022) of Retal's portfolio. ROSHN is a PIF-owned company. It also has a similar business model, the only difference being an upfront 50% payment of the land price to be deposited into the escrow account on signing the project. Winning Roshn Projects continuously are a testimony to the company's execution. Generally, ROSHN undertakes 70% of its projects by itself, and the remaining 30% are tendered to others. Retal has successfully won ~70% of ROSHN's outsourced projects.
- **Retal projects:** These include apartments built on Retal's land. This segment is small as the company does not have a huge land bank like other players in the industry. It has a lean model and mainly goes for 'off-plan' sales.
- **Retal as a developer for funds/SPV:** Retal works with funds as a developer and provides services such as marketing and sales and handling overall projects. Margins are higher in these projects as they are not Government-owned. Also, the company does not have to take any debt for the initial investment of 20%, as the SPV arranges its debt/equity.

The company has transitioned from an 'on plan' to an 'off-plan' project development model eventually managing to become a leader in off-plan sales in the KSA. Under the off-plan model, the company applies for the 'off-plan sales license' for the project from WAFI. This facilitates the company to launch sales before the construction of units, enabling the company to lower market risk and improve profitability. The funds from the customers are held in escrow, and withdrawals are made based on a percentage of the project completed.

Retal has established a good track record of delivering quality projects. The company has more than 40 completed and under-construction projects.

Figure 15: List of completed and ongoing projects

Completed Projects:

Num#	Project Name	Location	Region	Project Type	No. Units	Project Value (SAR mn)	Start Date	Completion Date	Type	Project Ownership
1	Nesaj Town 2	Dammam	Eastern Region	Villas	1653	1034	2020	2022	Residential	Retal as Developer (Land owned by NHC)
2	Nesaj Town - Riyadh 1	Riyadh	Central Region	Villas	690	458	2021	2022	Residential	Retal as Developer (Land owned by NHC)
3	Retal Residence	Al-Khobar	Eastern Region	Villas	416	380	2015	2018	Residential	100%
4	Nessa Town 1	Dammam	Eastern Region	Villas	674	370	2018	2020	Residential	Retal as Developer (Land owned by NHC)
5	Ewan Al Qayrawan	Dammam	Eastern Region	Villas	164	290	2014	2016	Residential	100%
8	Ewan Al Maali	Al-Khobar	Eastern Region	Villas	76	175	2016	2018	Residential	100%
9	Al Dawahi	Dammam	Eastern Region	Villas	133	168	2014	2016	Residential	100%
10	Ewan Al Nawras	Dammam	Eastern Region	Villas	78	115	2013	2015	Residential	100%
11	Retal Square	Al Khobar	Eastern Region	Villas	96	94	2013	2015	Residential	100%
12	Ewan Al Nahda	Dammam	Eastern Region	Villas	37	61	2017	2019	Residential	100%
13	Sakanat Al Safa	Dammam	Eastern Region	Villas	56	52	2014	2015	Residential	100%
14	The Grand	Dammam	Eastern Region	Villas	126	51	2015	2017	Residential	100%
15	The Valley	Al Ahsa	Eastern Region	Villas	36 showrooms	40	2016	2017	Commercial	100%
16	Sakanat Al Nada	Dammam	Eastern Region	Villas	28	37	2013	2014	Residential	100%
18	Block 144	Dammam	Eastern Region	Villas	15	23	2015	2016	Residential	100%
19	AOU	Dammam	Eastern Region	Villas	n/a - 7 floors	22	2016	2017	Residential	100%
	Total				4242	3367				

Ongoing projects:

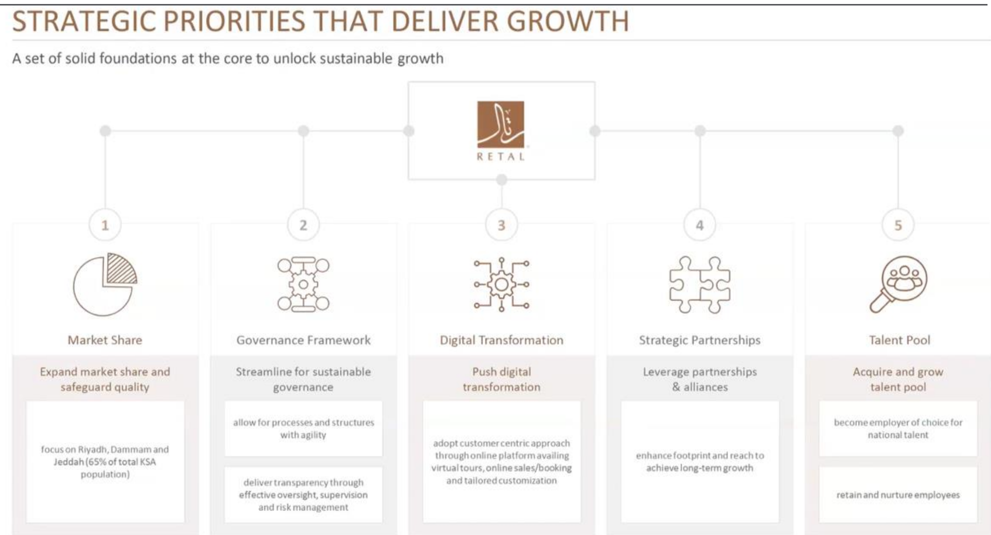
Num#	Project Name	Location	Region	Project Type	Number of units	Project Value	Start Date	Completion Date	POC as of Dec 22	Scope
1	Nesaj Town - Riyadh	Riyadh	Central Region	Villas	690	458	2020	2023	76.5%	Retal as Developer (Land owned by NHC)
2	Nesaj Town - Khobar	Al Khobar	Eastern Region	Villas	118	131	2021	2023	98.0%	Full Owner
3	Ayala Nakheel	Al Khobar	Eastern Region	Villas	58	186	2021	2023	82.5%	Full Owner
4	Ewan Sedra	Riyadh	Central Region	Villas	103	265	2022	2024	30.9%	Retal as Developer (Land owned by Roshn)
5	Nesaj Town - Nargis	Riyadh	Central Region	Villas	455	381	2022	2024	30.0%	Retal as Developer (Land owned by NHC)
6	Nesaj Town - Hassa	Hassa	Eastern Region	Villas	312	397	2022	2024	21.3%	Retal as Developer (Land owned by NHC)
7	Nesaj Town - Fursan Ru	Riyadh	Central Region	Villas	759	701	2023	2025	0.0%	Retal as Developer (Land owned by NHC)
8	Ewan Sedra 2	Riyadh	Central Region	Villas	372	973	2022	2025	5.0%	Retal as Developer (Land owned by Roshn)
9	Nesaj Town - Safwa	Qatief	Eastern Region	Villas	356	300	2023	2025	0.0%	Retal as Developer (Land owned by NHC)
10	Nesaj Town - Jeddah	Jeddah	Western Region	Villas	352	286	2023	2025	0.0%	Retal as Developer (Land owned by NHC)
11	Nesaj Town - Fursan 2	Riyadh	Central Region	Villas	550	517	2023	2025	0.0%	Retal as Developer (Land owned by NHC)
12	Nesaj Town - Hassa Wa	Hassa	Eastern Region	Villas	611	531	2023	2025	0.0%	Retal as Developer (Land owned by NHC)
13	Nesaj Town - Taif	Taif	Western Region	Villas	488	389	2023	2026	0.0%	Retal as Developer (Land owned by NHC)
14	Nesaj Town - Tabuk	Tabuk	Western Region	Villas	627	506	2023	2026	0.0%	Retal as Developer (Land owned by NHC)
15	COYA	Al Khobar	Eastern Region	partment	68	75	2023	2025	0.0%	Full Owner
16	COYA - Sedra	Riyadh	Central Region	partment	312	400	2023	2026	0.0%	Retal as Developer (Land owned by Roshn)
17	Ewan Sedra 3	Riyadh	Central Region	Villas	242	630	2023	2026	0.0%	Retal as Developer (Land owned by Roshn)
18	Ayala Jeddah	Jeddah	Western Region	Villas	65	327	2023	2026	0.0%	Full Owner
	Total				**6,538**	**7,455**				

Source: Company

Strategy (as per IPO Prospectus)

- Expand market share in the Kingdom by providing high-quality products in different sectors
- Achieve a flexible and transparent governance structure to ensure alignment between the company and the subsidiaries to speed up the decision-making process
- Enhance digital transformation to improve business efficiency and productivity to improve the customer experience. Develop the ability to book units without the need for face-to-face dealings by providing unique customization services in terms of location, type, house layouts, and facade design options to provide convenient remote interactions with clients
- Create strong brand awareness through strategic alliances and unconventional marketing methods
- Adhere to strict quality controls during all stages of development to achieve the highest quality standards and to link the brand name to unparalleled levels of quality in the market
- Attract, retain, and nurture distinguished national talents in various fields by providing numerous advantages that enhance a positive and supportive work environment to ensure opportunities for professional growth, which aims to consolidate the company's reputation as one of the preferred work environments for the stability of eminent competencies

Figure 16: Strategic priorities

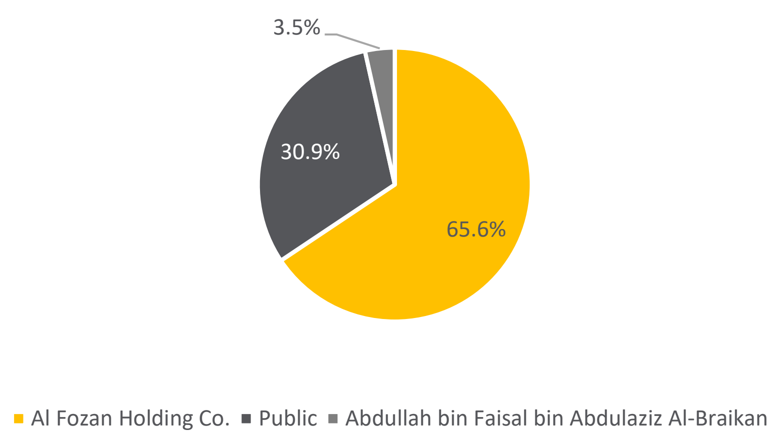


Source: Company

Ownership

Retal Urban Development Company is owned by Al Fozan Holding Company, which manages subsidiaries of holding companies, invests in their funds, owns their necessary real estate and movable assets, and provides loans, guarantees, and financing for holding companies.

Figure 17: Current ownership



Source: Bloomberg

Market Dynamics

- Homeownership among Saudis currently stands at around 61-65% as compared to the target of 70% by 2030. The target may be even further increased to 80% given that KSA is way ahead in terms of execution.
- In its outlook for 2030, Saudi Banks still expect double-digit growth to continue which is a good sign for the real estate market growth.
- So far, Dubai's real estate market has been global investors' primary focus area for real estate investment in the region. We believe there may be plans to further open the Saudi real estate market to non-Saudis, which was previously restricted. This is likely to support the growth of the real estate market in the Kingdom.

The Kingdom is the largest and most populous country in the Gulf region, having a land area of ~2.15mn sq km. The country holds ~1/5th of the world's confirmed oil reserves, and the hydrocarbons sector generates the majority of the country's revenues. The country is seeking to diversify its economy away from oil. The Government's Vision 2030 plans set performance targets to elevate the role of real estate in the domestic economy. The vision 2020 targets were set previously has been mostly achieved in our view:

Figure 18: 2020 targets based on National Transformation Program

Performance indicator	2020 targets	Baseline	Impact
Saudi homeownership rate	60%	47% in 2016	Enhance housing demand
Average residential unit price to average annual income per capita	5x annual income	9.9x in 2015	Enhance affordability of residential units
Total outstanding real estate loans (mortgages)	SAR502bn	SAR290bn in 2017	Enhance retail, residential RE financing
Beneficiary satisfaction rate	70%	43% in 2017	Enhance the quality of homes
Real estate sector strength index	85%	43.8% in 2017	Enhance real estate sector attractiveness
Real estate sector growth	7%	3.6% in 2017	Attract private investments

Source: Company

Under Saudi Arabia's Vision 2030 plan, some of the key targets for the real estate sector include:

1. Increasing the rate of homeownership among Saudi citizens to 70% by 2030.
2. Increasing the contribution of the real estate sector to the country's GDP from 5% to 10% by 2030.
3. Increasing the supply of affordable housing by building 1.5 million new housing units by 2030.
4. Developing sustainable urban communities that offer high-quality services and amenities.
5. Promoting the use of modern building techniques and materials to increase efficiency and reduce costs.

Following are a few of the initiatives:

Sakani Program: Sakani is a housing program launched by the Government of Saudi Arabia in 2017 to provide affordable housing solutions to citizens and residents of the country. The program aims to increase the percentage of homeownership in the country and improve the living standards of Saudi citizens by providing them with suitable and affordable housing options. The Sakani program offers a range of services and benefits, including providing subsidized loans to help citizens and residents purchase or build their own homes, providing land grants, facilitating the construction of new housing projects, and offering rental units at subsidized rates. The program also helps citizens and residents to find suitable properties that meet their housing needs and offers financial support for down payments and other related expenses. *More details on the subsidy program have been detailed in the investment case section.*

Real Estate Development Fund (REDF) and the Saudi Refinance Company (SRC): The Real Estate Development Fund (REDF) is a Government agency in Saudi Arabia that was established in 1974 to provide financial support to citizens who are looking to own their own homes. The REDF offers a range of financial products and services to Saudi citizens, including long-term loans, mortgage financing, and subsidies for down payments and other related expenses. The fund also provides technical assistance and advisory services to help citizens navigate the process of purchasing or building a home.

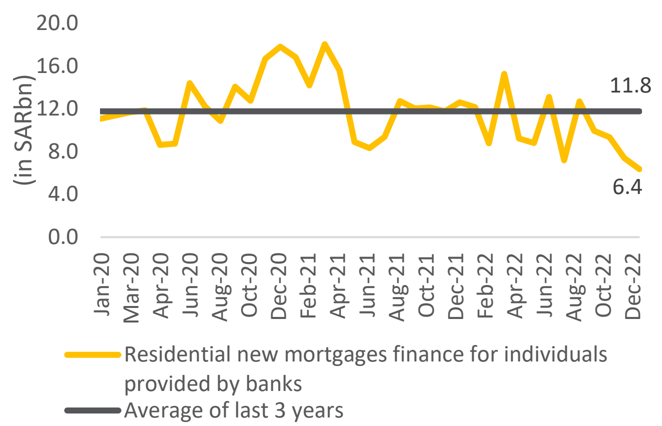
SRC is a Government-owned entity established in 2017 as part of Saudi Arabia's Vision 2030 plan to develop and enhance the country's housing sector. SRC's main objective is to provide liquidity to mortgage lenders, enabling them to offer more affordable home financing options to citizens and residents of Saudi Arabia. SRC refinances existing mortgage loans that have been originated by banks and other financial institutions in the country. By purchasing these loans from lenders, SRC helps to free up capital, which can then be used to offer new home financing options to consumers.

Financial guarantee: SRC offers a financial guarantee program for the real estate sector in Saudi Arabia. The program, called the Credit Guarantee Program, aims to facilitate the provision of more affordable and accessible home financing options for homebuyers in the country.
Under the Credit Guarantee Program, SRC provides financial guarantees to participating mortgage lenders for a portion of the principal amount of the mortgage loan. The guarantee can be up to 20% of the value of the mortgage loan, and it is available for a range of mortgage products, including home purchase loans, home equity loans, and refinancing loans. The guarantees are designed to help mortgage lenders manage their credit risk and to encourage them to offer more affordable and competitive interest rates to homebuyers.

Mortgage data:
According to the Saudi Arabian Central Bank (SAMA), residential new mortgage loans issued by banks for individuals reached SAR120bn in FY22 compared to SAR153bn in FY21.

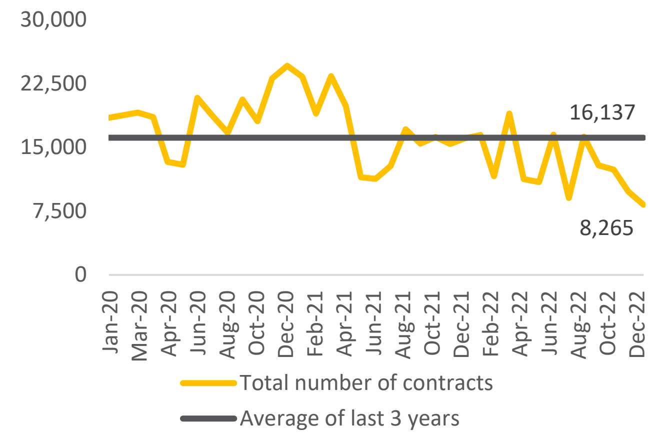
During FY22, the total number of signed mortgage contracts stood at 154,392.

Figure 19: Residential new mortgage (SARbn)



Source: SAMA

Figure 20: Residential new mortgage – Number of contracts



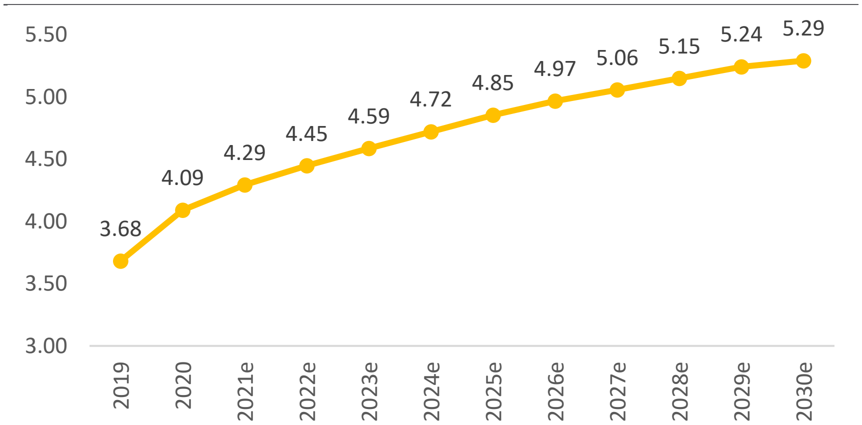
Source: SAMA

Figure 21: Rough estimate of the growth in mortgage and number of homes

Year	Estimated no of total homes	Total number of mortgage contracts	Annual increase in mortgages (SARbn)	Mortgages (SARbn)	Mortgages growth y/y
2019	3.68	0.14	79	297	25%
2020	4.09	0.23	151	428	44%
2021e	4.29	0.20	153	569	33%
2022e	4.45	0.15	120	688	21%
2023e	4.59	0.14	103	791	15%
2024e	4.72	0.14	95	886	12%
2025e	4.85	0.13	89	975	10%
2026e	4.97	0.11	78	1052	8%
2027e	5.06	0.09	63	1116	6%
2028e	5.15	0.09	67	1183	6%
2029e	5.24	0.09	71	1254	6%
2030e	5.29	0.05	38	1291	3%

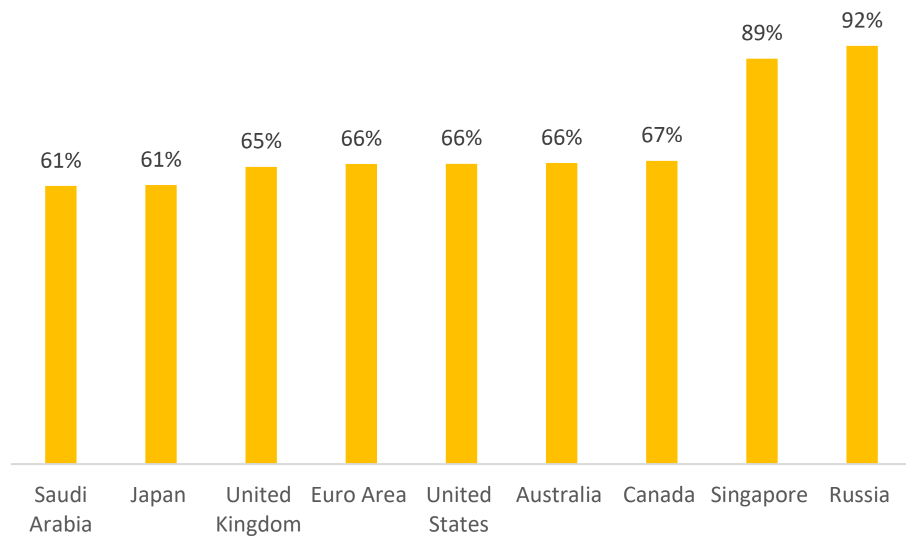
Source: SAMA, GIB Capital, GASTAT

Figure 22: Increase in number of homes based on our GIB Capital's assessment



Source: GIB Capital, GASTAT

*Figure 23: Homeownership rate across various countries for representational purposes**



*Source: Trading Economics, GIB Capital. Note: US-YE22 ; Euro Area, Canada, Singapore, Russia – YE21; Australia – YE20; Japan, UK - YE18 (YE - Year end) * Time periods may not be comparable and the latest data may not be updated*

The off-plan sales market

Off-plan property sales are a growing sector of the Kingdom's real estate market. The demand for off-plan projects in KSA, mainly residential projects, is increasing as customers are looking to take advantage of the affordability and flexibility offered by such projects compared to purchasing existing properties. The data from the Wafi program, which regulates off-plan property activity in the country, revealed that 338,000 real estate units were licensed under over 490 off-plan sales licenses in 2022. Also, the Ministry of Housing and the private sector's share in off-plan sales stood at 62% and 22%, respectively.

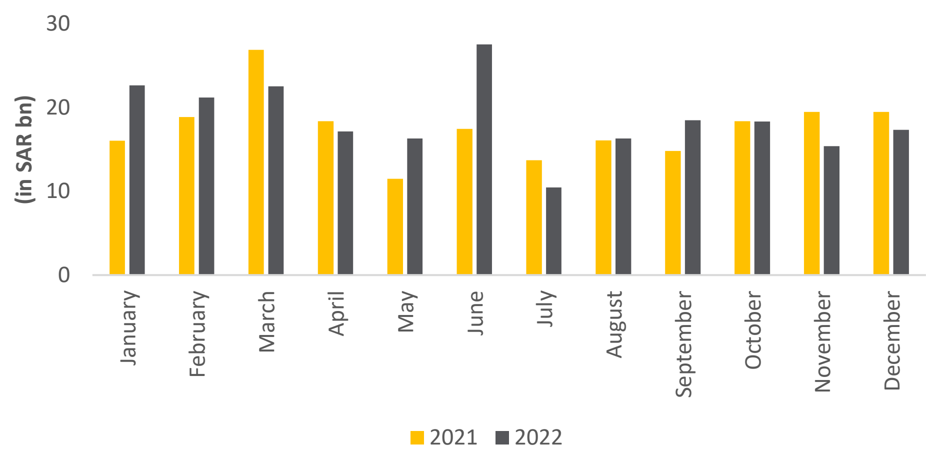
According to Knight Frank, off-plan units account for ~ 9% of total existing housing stock and are expected to account for 60% of total future supply in the Kingdom. This indicates the enormous growth potential of the off-plan sales market in the KSA.

Real Estate Overview

KSA accounts for over 50% of the total population of the GCC. According to the IMF forecasts, the population of the Kingdom is expected to reach 38mn in 2025, up from 35mn in 2020. The Makkah, Riyadh and the Eastern Province accounted for 26%, 25% and 15% of the total population in 2019. This is a positive for the company as it aims to serve the three tier 1 cities of Jeddah, Riyadh and DMA.

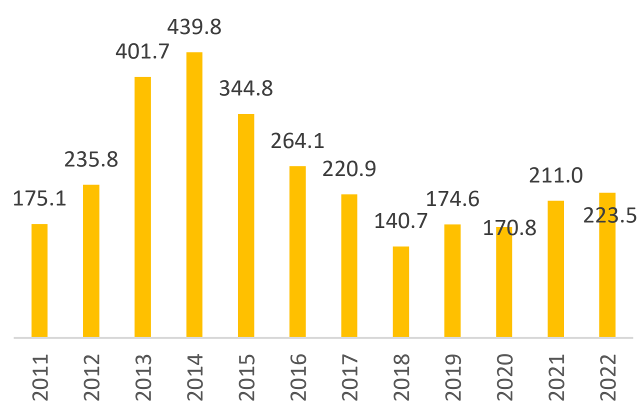
In 2022, the value of real estate transactions has increased by 5.9% y/y to reach SAR223.5bn.

Figure 24: Real estate transactions in KSA in 2022 over 2021



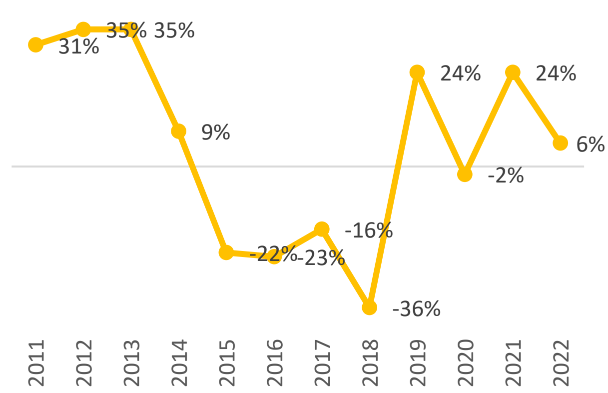
Source: Argaam

Figure 25: Real estate transactions in KSA (SARbn)



Source: Argaam

Figure 26: Real estate transactions in KSA (y/y change)



Source: Argaam

Riyadh

Over the past five decades, Riyadh has seen robust growth in its urban limits, with the majority of developments taking place beyond King Salman Road to the North and Eastern Ring to the North East, as the city continues to expand in these directions due to the availability of land in locations further away from the city centre.

The Royal Commission for Riyadh City (RCRC) is planning to double the population in Riyadh from around 7.5mn in 2020 to 15mn in 2030. An increase in the population, along with incentives introduced by the Government to boost homeownership rates among Saudi nationals, is likely to generate a lot of demand for housing in the city.

As of Q1 2020, Riyadh's housing stock was estimated to total 1.28 million units and is expected to increase to 1.37 million units by the end of 2023. In 2030, supply is estimated to reach 1.8mn units. With demand reaching 2.6mn units in 2030, the market gap in Riyadh is expected to reach 813,424 units. (*source: Prospectus*)

Rising business activity in Riyadh and increased total employment in the capital are boosting demand for residential units. Recent forecasts reveal that employment levels in Riyadh will have increased by around 5% by the end of 2022, with a further rise of 3% forecast for 2023.

Dammam Metropolitan Area (DMA)

Dammam and Khobar have witnessed healthy growth in their urban limits. Major development projects are underway towards the west of Dammam. While in Khobar, the developments are taking place in a southern direction supported by the availability of land in locations further away from the city centre. The large housing schemes launched by the MOMRAH under Sakani are acting as a catalyst in addressing the housing shortage in the market's mid-to-lower end, which developers earlier disregarded due to lower margins.

The residential market in DMA recorded an annual growth in both the value and number of residential transactions. In 9M22, the total number of transactions increased by 12%, and the volume of transactions rose by 59%. This indicates that despite a price increase, supply availability supports deal activity in the residential market.

DMA's housing stock is anticipated to rise to 416,907 units by the end of 2030. With demand reaching 697,271 units in 2030, the market gap in DMA is expected to reach 208,364 units. In the Eastern Province, additional 141,000 households are estimated to be constructed between 2020 and 2030 (source: Prospectus).

Jeddah

The redevelopment of Jeddah and the urban regeneration of some districts in the south drive a shift in the city's population. Residents are moving from southern districts to northern and northeastern districts. The shift is driving a spike in demand, especially in the rental market; as households explore options to address the emerging affordability challenge and the changing demand dynamics, developers have been incorporating more apartments in their residential developments.

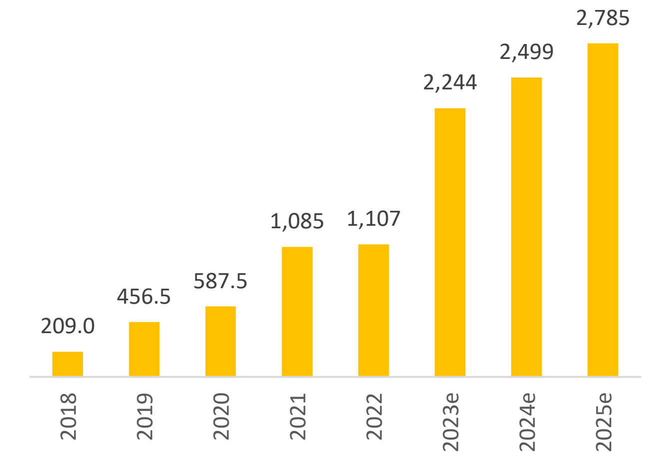
In Jeddah, oncoming supply is mostly geared towards middle-income housing, with the North seeing the majority of development activity. This will prompt further lifestyle-focused developments and urban growth towards the North of the city over the next couple of years as land availability remains restricted.

As of Q1 2021, Jeddah's housing stock is estimated to total 863,889 units and is expected to increase to 987,762 units by the end of 2030 (source: Prospectus). The majority of upcoming supply in Jeddah is focused towards middle-income housing, with North Jeddah increasingly seeing the majority of development activity.

During 3Q22, average villa prices rose at an annual rate of 3%, while average apartment prices increased by 6% during the same period. The number of transactions in 9M22 decreased by 19%, falling to 3,711 deals. Despite this, the value of transactions gained by 30% during the same period.

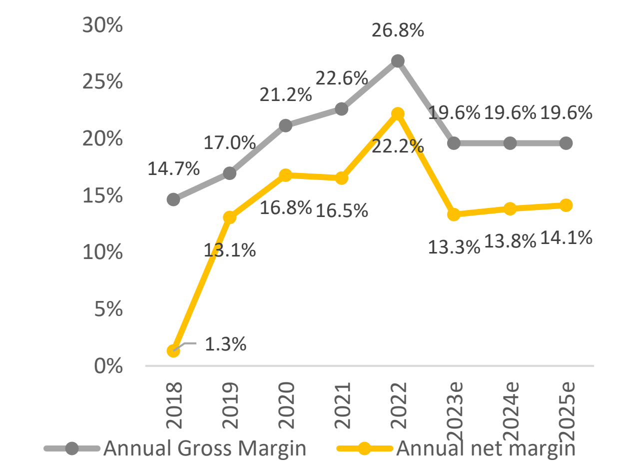
Financial analysis in charts

Figure 27: Annual revenues (SARmn)



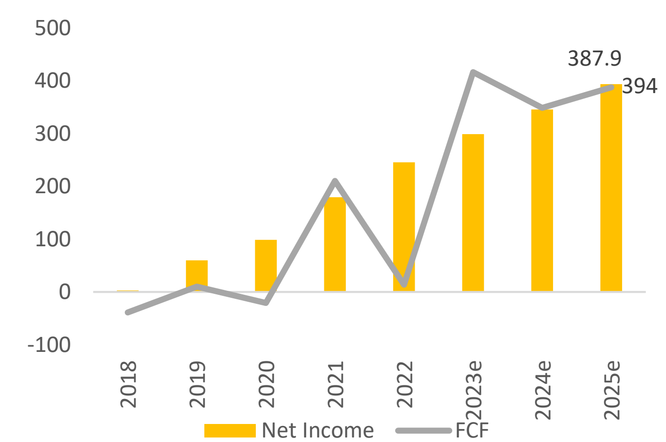
Source: Company data, GIB Capital

Figure 28: Annual gross and net margin



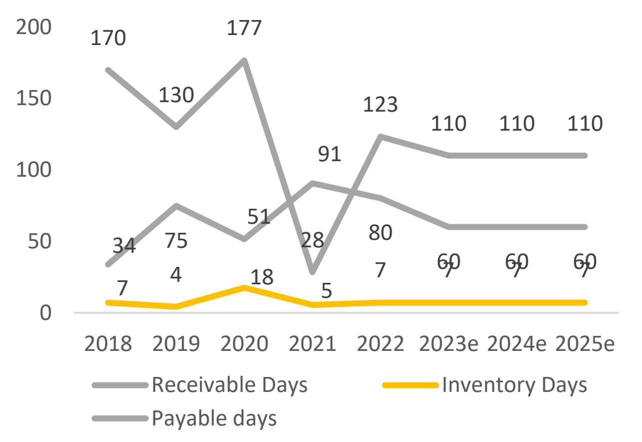
Source: Company data, GIB Capital

Figure 29: FCF and net income (SARmn)



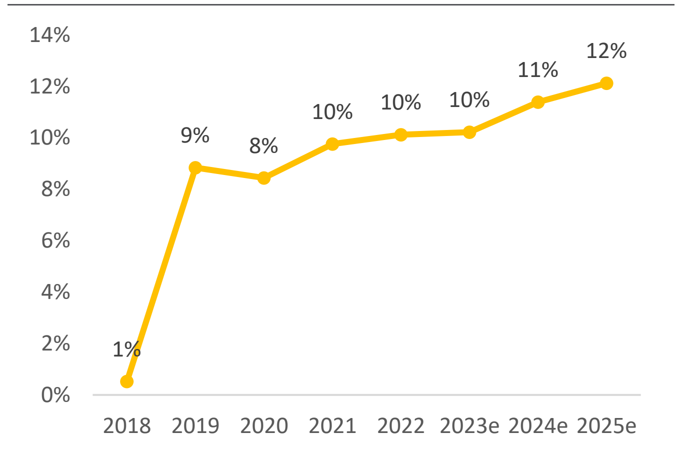
Source: Company data, GIB Capital

Figure 30: Inventory, receivables, and payable days



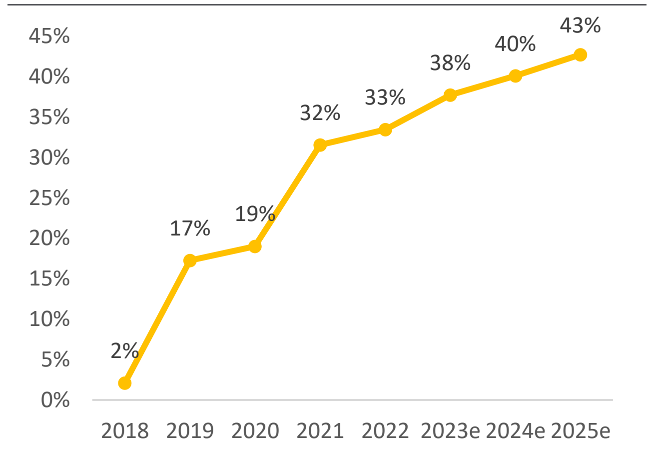
Source: Company data, GIB Capital

Figure 31: Return on assets



Source: Company data, GIB Capital

Figure 32: Return on equity



Source: Company data, GIB Capital

Financials

Figure 33: Summarized basic financial statements (SARmn)

Income statement	2022a	2023e	2024e	2025e
Revenue	**1,107**	**2,244**	**2,499**	**2,785**
revenue y/y	*2%*	*103%*	*11%*	*11%*
COGS	810	1,804	2,009	2,239
Gross Profit	**297**	**440**	**490**	**546**
Gross Profit margin	*27%*	*20%*	*20%*	*20%*
Sales & Marketing	20	29	32	36
G&A	59	79	87	95
Operating profit	**218**	**332**	**370**	**415**
Operating margin	*20%*	*15%*	*15%*	*15%*
Finance costs	15	40	28	23
Net income	**246**	**299**	**346**	**394**
Net margin	*22%*	*13%*	*14%*	*14%*
y/y	*27%*	*22%*	*16%*	*14%*
EPS	**6.1**	**7.5**	**8.6**	**9.8**
DPS	5.0	6.0	6.9	8.4
Payout	81%	80%	80%	85%
EBITDA	**232**	**349**	**385**	**428**
Net debt (w/o lease liabilities)	293	146	91	0
Net debt (w/ lease liabilities)	296	148	94	0

Balance Sheet	2022a	2023e	2024e	2025e
Inventories	16	36	40	44
Accounts and Notes Receivable	243	369	411	458
Prepaid Expenses and Other	71	72	73	74
Cash and Equivalents	523	471	425	466
Total Current Assets	**1,364**	**1,865**	**1,976**	**2,191**
Right of Use Assets	3	3	3	3
Property Plant & Equipment - Net	124	112	99	88
Total Non-Current Assets	**1,065**	**1,063**	**1,060**	**1,059**
Total Assets	**2,429**	**2,928**	**3,036**	**3,249**
Current Liabilities	1,200	1,841	1,979	2,133
Non-current Liabilities	494	294	194	194
Equity	734	794	863	922
Total Equity and Liabilities	**2,429**	**2,928**	**3,036**	**3,249**
BVPS	18.4	19.8	21.6	23.0

Cashflow	2022a	2023e	2024e	2025e
Cashflow from Operations	0	393	333	377
Cashflow from Investing	83	-5	-2	-2
Cashflow from Financing	32	-440	-377	-335
Total Cashflows	**115**	**-52**	**-46**	**41**

Source: Company, GIB Capital

Figure 34: Key ratios

Key ratios	2022a	2023e	2024e	2025e
Profitability ratios				
RoA	10%	10%	11%	12%
RoE	33%	38%	40%	43%
Sales/Assets	46%	77%	82%	86%
Net margin	22.2%	13.3%	13.8%	14.1%
Liquidity ratios				
Current Assets/ Current Liabilities	1.1	1.0	1.0	1.0
Debt to Total Equity	111%	78%	60%	56%
Receivable Days	80	60	60	60
Inventory Days	7	7	7	7
Payable days	123	110	110	110
Debt ratios				
Net Debt/EBITDA	1.3	0.4	0.2	0.1
EBIT/Interest	14.4	8.4	13.0	17.8
Debt/Assets	0.3	0.2	0.2	0.2
Valuation ratios				
P/E	19.2	15.8	13.6	12.0
P/B	6.4	5.9	5.5	5.1
EV/EBITDA	20.1	13.4	12.1	10.9
Div. yield	4.2%	5.1%	5.9%	7.1%
FCF yield	0.3%	8.8%	7.4%	8.2%

Source: Company, GIB Capital

Disclaimer

This research report has been prepared by GIB Capital, Riyadh, Saudi Arabia. It has been prepared for the general use of GIB Capital's clients and may not be altered, redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of GIB Capital. Receipt and review of this research document constitute your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this document prior to public disclosure of such information by GIB Capital. The information contained was obtained from various public sources believed to be reliable, but we do not guarantee its accuracy. GIB Capital makes no representations or warranties (express or implied) regarding the data and information provided and GIB Capital does not represent that the information content of this document is complete, or free from any error, not misleading, or fit for any particular purpose. This research document provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment products related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this document.

Investors should seek financial, legal or tax advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that the price or value of such securities and investments may rise or fall. Fluctuations in exchange rates could have adverse effects on the value of or price of, or income derived from, certain investments. Accordingly, investors may receive back less than originally invested. GIB Capital or its officers (including research analysts) may have a financial interest in securities of the issuer(s) or related investments, including long or short positions in securities, warrants, futures, options, derivatives, or other financial instruments. GIB Capital may from time to time perform investment banking or other services for, solicit investment banking or other business from, any company mentioned in this research document. GIB Capital and employees, shall not be liable for any direct, indirect or consequential loss or damages that may arise, directly or indirectly, from any use of the information contained in this research document. Where the report contains or refers to a recommendation about a specific security or securities service, please note that it may not be suitable for all recipients. Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations. The subjectivity in future expectations is complex and may miss actual or reported numbers.

This research document and any recommendations contained are subject to change without prior notice. GIB Capital assumes no responsibility to update the information in this research document. This research document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law, or which would subject GIB Capital to any registration or licensing requirement within such jurisdiction

The principal activities of GIB Capital are Dealing, Custody, Managing, Arranging and Advising pursuant to the Capital Market Authority ("CMA") License No. 07078-37.

We use a rating system based on potential upside, 1 year from today, based on our valuation models. For "Overweight" ratings, the estimated upside is >10%, for "Underweight", the estimated downside is <10%. For returns in between +/-10%, we have a Neutral rating.

Contact us for queries:

Pritish Devassy, CFA, CPA
Sell Side Research Department,
GIB Capital,
B1, Granada Business & Residential Park,
Eastern Ring Road, PO Box 89589, Riyadh 11692
Pritish.devassy@gibcapital.com | www.gibcapital.com