

REIT	CMP	TP	Upside	D. Y. ('25)
Ahli1	7.0	7.8	11.7%	7.2%
AlRajhi	8.4	8.7	4.3%	6.8%
Taleem	10.1	10.7	5.6%	6.5%

Source: Tadawul, GIBC

## Saudi Arabian REITs

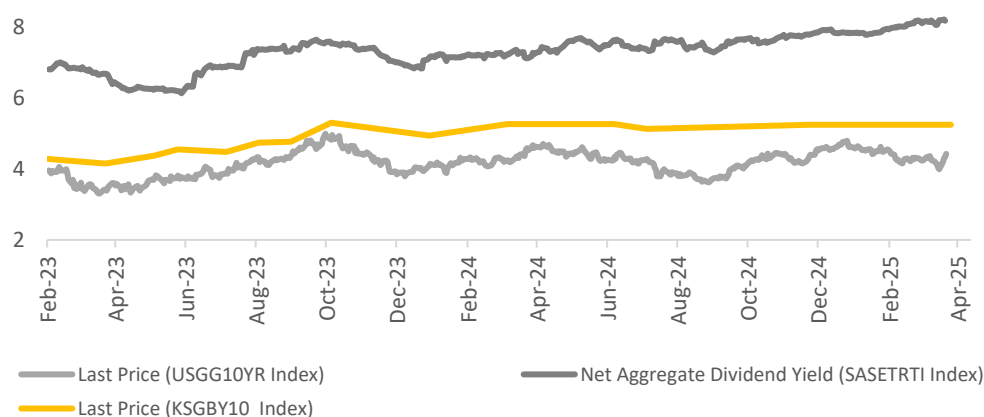
### Easing rates set the stage for REITs recovery

- The Saudi REIT Index is at the lowest level in 5 years (+34% correction since the interest rate hike cycle started in March 2022). However, declining interest rates amid heightened risk aversion could lead to a strong recovery in 2025-26e.
- The current dividend yields at ~8.2% appear attractive compared to 10Y Saudi Govt bond yield (4.3%) or global REITs (~3.2%).
- We update our TPs for AlAhli REIT (TP 7.8/sh, Overweight rating), Al Rajhi REIT (TP 8.7/sh, Neutral) and Taleem REIT (10.7/sh, Neutral), based on DDM and dividend yield methods.

**Easing rates may turn the tide for Saudi REITs:** With REITs typically operating with substantial leverage (30–50% of assets value), Saudi REITs have faced headwinds over the past few years, primarily due to the high-interest rate environment, which has slowed asset growth and weighed on dividends. The latest interest rate cuts totaling 100bps between September and December 2024 are set to support the sector to recover. We expect the positive impact to start materializing in late 2025, given the typical lag in rate impact transmission. Lower financing costs could prompt REITs to raise new debt to expand their portfolios, enhance profitability and improve dividends. Additionally, in a lower interest rate environment, REIT dividend yields become more attractive relative to fixed-income instruments, likely drawing yield-seeking investors and supporting price appreciation.

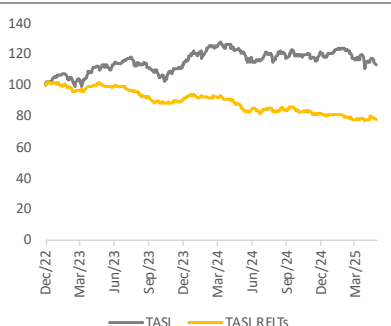
**REIT valuations reach multi-year lows amid sector rotation:** The TASI REIT index has shown a subdued performance over the past couple years, more than 34% correction since the interest rate hike cycle started in March 2022, as investor flows likely have been redirected towards other investment avenues during the rising interest rate cycle. This has led to a notable valuation gap from historical averages, with TASI REITs trading at a ~22% discount to their 3-year average P/B (Figure: 6). Several REITs are now near all-time lows (including Ahli1), which we think presents a potentially attractive price for fixed-income and yield seeking investors, particularly in light of the more favorable outlook post the interest rate cuts.

Figure 1: Yields look attractive relative to Govt Bond yields



Source: Bloomberg, GIB Capital

Prices indexed to 100



Source: Bloomberg

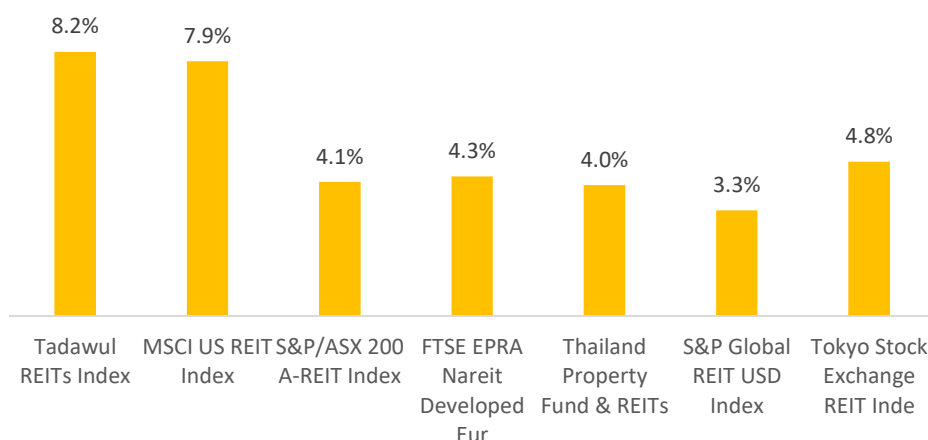
**Bader AlRashidi**  
+966-11-834 8350  
[Bader.AlRashidi@gibcapital.com](mailto:Bader.AlRashidi@gibcapital.com)

**Outlook for our coverage:** Among our REITs coverage, we remain Overweight on Ahli1 (TP: SAR7.8/sh.), mainly driven by i) improvement in occupancy in AlAndalus Mall, driven by improved connectivity and the start of AlAndalus Avenue (started operations with 41% occupancy; expected to reach ~80% by 2027E), and ii) AlAndalus hotel benefiting from a 2–3% RevPAR improvement over 2024-27, supported by refurbishment and the transition to DoubleTree by Hilton, iii) FFO expansion (+8% in 2025), and iv) robust dividend yield (7.2% for 2025).

For Al Rajhi (TP: SAR8.7/sh.), despite solid growth in rental income, we remain Neutral, mainly due to its limited benefit from the decrease in finance costs given the expiry of their fixed-rate borrowing in 2025 (50% of current borrowings at 4.52% fixed rate) and the likelihood of refinancing at a higher rate. Lastly, for Taleem (TP: SAR10.7/sh.), we also remain Neutral given the moderate growth in rental income (all properties operate at 100% occupancy), with the Fund's performance driven mostly through finance cost savings.

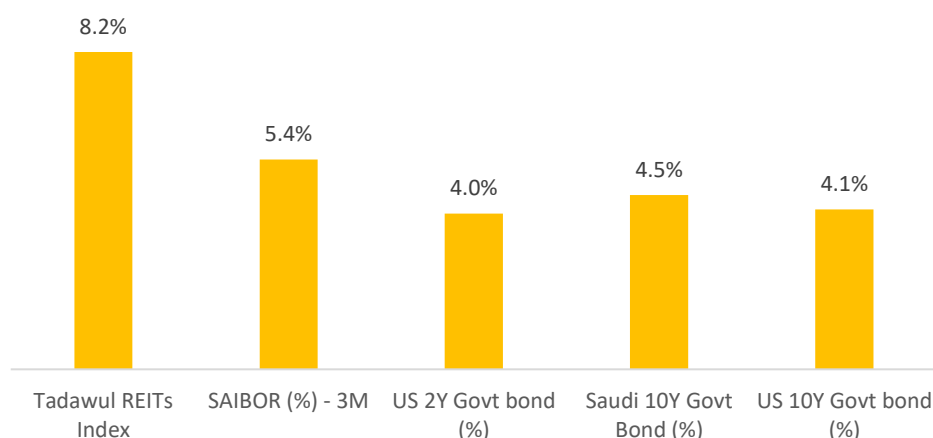
**Risks:** Downside/upside risks include Higher/lower than expected receivables days, fall/increase in occupancy levels, adverse economic conditions, change in interest rates, change in Gov. regulations, nonrenewal of existing leases/renewal at lower rates, and unforeseen events leading to structural damage to properties owned by the Fund.

Figure 2: Saudi REITs have better yields than most REIT peers globally



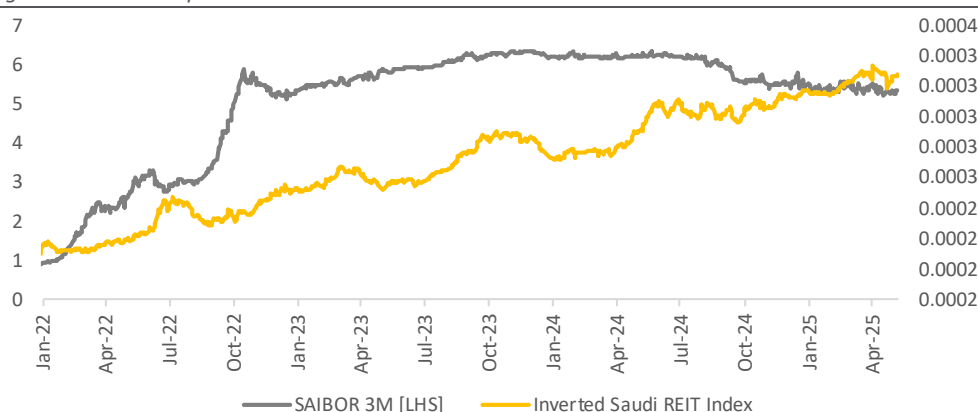
Source: Bloomberg, GIB Capital; Data as of 14th May 2025

Figure 3: Saudi REITs yields look favorable as compared to 10Y Govt bond yields too



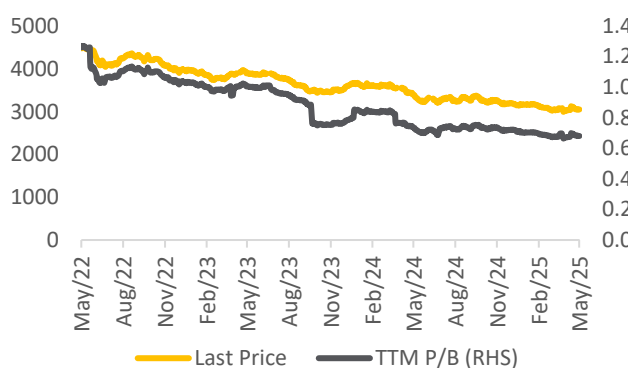
Source: Bloomberg, GIB Capital; Data as of 14th May 2025

Figure 4: Relationship between REITs and 3m SAIBOR



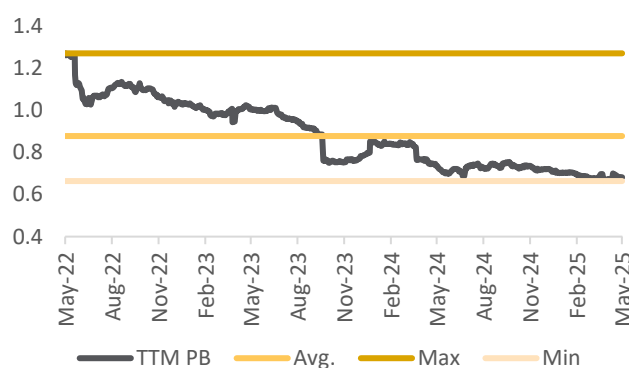
Source: Bloomberg, GIB Capital

Figure 5: TASI REIT index and P/B trend



Source: Bloomberg, GIB Capital

Figure 6: TASI REIT TTM P/B band chart



Source: Bloomberg, GIB Capital

Figure 7: Key fund parameters

Fund	Price/FFO**	FFO/NI**	Receivables Days*	D/A*	Dividend Yield%*
Taleem REIT	13.3x	1.2	434	34.8%	6.3%
Al Rajhi REIT	15.5x	0.8	54	28.1%	6.5%
AlAhli REIT 1	18.3x	2.0	109	36.0%	7.2%
Jadwa REIT Saudi	18.1x	1.9	54	23.5%	7.8%
Riyad REIT	26.8x	-0.2	73	50.3%	5.3%
Bonyan REIT	13.0x	1.3	111	29.8%	7.2%
SEDCO Capital REIT	18.7x	4.6	194	39.0%	7.3%
Derayah REIT	20.8x	1.9	272	39.5%	4.9%
Alkhabeer REIT	13.4x	1.0	33	40.4%	7.1%
Musharaka REIT	NM	-0.5	156	49.8%	5.5%
Alinma Retail REIT	27.3x	2.4	8	22.9%	6.9%
ALINMA HOSPITALITY REIT	12.6x	1.4	1	NM	7.8%
ALISTITHMAR REIT^	-75.1x	0.3	62	50.8%	4.2%
AL Maather REIT	12.8x	1.1	47	27.0%	7.3%
Mulkia Gulf Real Estate REIT	25.0x	1.3	83	45.8%	6.5%
Jadwa REIT Al Haramain	32.3x	0.7	142	29.6%	2.1%
MEFIC REIT	30.5x	1.2	112	48.0%	2.1%
SICO Saudi REIT	NM	0.0	9	36.3%	0.0%
AlJazira REIT	NM	1.6	7	NM	2.7%
<b>MEDIAN</b>	<b>18.2x</b>	<b>1.2</b>	<b>73</b>	<b>36%</b>	<b>7%</b>
<b>AVERAGE</b>	<b>14.0x</b>	<b>1.3</b>	<b>103</b>	<b>37%</b>	<b>6%</b>

Source: Argaam, Bloomberg; \* FY24 Year End, \*\* TTM ^ Annualized numbers

## AlAhli REIT Fund 1

### FFO expansion with robust yield; TP set at SAR7.8/unit

- Improvement in occupancy at Andalus Avenue and operation of Andalus Mall Hotel by Hilton to drive the rental income (~3% CAGR of over 2024-27e) in medium term.
- Consistent dividend payout on improving FFO margin translates into a healthy yield of over 7% annually during 2025-27.
- We revise our TP to SAR7.8/sh. based on an equal mix of DDM and dividend yield (6% target yield on 2025e DPS) valuation approaches.

**The flagship property, Andalus Mall, witnessed a strong rebound:** AlAndalus Mall, located in Jeddah, is the flagship property of AlAhli, contributing ~67% to the company's total revenue in 2024. The mall saw a strong recovery during the year, with occupancy rising to 97% (95% in 2023) and footfall reaching 9.4mn (up from 7mn in 2023). This rebound was supported by the opening of a pedestrian bridge connecting AlHabib Hospital to AlAndalus Mall, significantly improving accessibility and boosting visitor traffic. The mall's new extension, Andalus Avenue (GLA: 13k sqm; 13% of total GLA of 102k sqm), also became operational in 2024, recording an initial occupancy rate of 41%. We expect a gradual ramp up in utilization for Andalus Avenue Mall with average occupancy levels reaching ~80% by 2027. This would translate to an overall mall occupancy rate of ~95% by 2027 (including expansion). As a result, we forecast the total revenues from the Andalus Mall to grow at CAGR of ~3% over 2024-27e, primarily led by improving occupancy and better rental rates at newly opened Andalus Avenue.

**The Andalus Mall Hotel continues to demonstrate strong growth in occupancy levels:** In 2024, the Andalus Mall Hotel continued to see improvement in its occupancy rate, rising to 76%, up from 61% in 2023 (52% in 2022). This was driven by enhanced access to the mall following the opening of the Al Habib Hospital, which is directly connected to the hotel. Going forward, we expect the occupancy rate to continue to improve to ~80% by 2027e. Additionally, a marginal improvement of 2-3% in RevPAR is anticipated during 2025-27, supported by the planned refurbishment (to be completed in 2025) and the transition of hotel management to the DoubleTree by Hilton brand (agreement already signed). As a result, we project total rental income to grow at a CAGR of 3% y/y over 2024-27. This, coupled with better operating efficiencies and lower finance costs, would result in FFO growth of 8%, with the FFO margin improving from 33% in 2024 (39.7% in 2023) to 37% by 2027e. Further, we expect DPS to remain steady at ~SAR0.5/unit for 2025-27, implying an annual yield of over 7% over the same period.

Figure 8: Key financial metrics

SARmn	2023a	2024a	2025e	2026e	2027e
Revenue	183	188	193	198	202
Revenue growth	-1%	3%	3%	2%	2%
Funds from Operations	73	62	67	71	74
FFO Margin	40%	33%	35%	36%	37%
Net income	41	27	37	41	44
Net margin	22%	14%	19%	21%	22%
FFO/Unit	0.53	0.45	0.49	0.52	0.54
EPS (SAR)	0.29	0.19	0.27	0.30	0.32
DPS (SAR)	0.50	0.50	0.50	0.50	0.51
P/FFO	13.2x	15.4x	14.3x	13.5x	12.9x

Source: Ahli Fund, GIB Capital

Target Price (SAR)	7.8/unit
Current Price (SAR)	7.0/unit
Upside (%)	11.7%
Div Yield (2025e)	7.2%
Rating	Overweight

Stock data	
TASI ticker	4338
Mcap (SARmn)	957
Trd. Val (3m) (SARmn)	0.6
Free float	31.3%
QFI holding	2.2%
TASI FF weight	0.01%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

**Valuation/Risks:** We have used a mix of two methods for valuation, 1) The DDM with a long-term focus, which captures dividend recovery with a reduction of interest rates, 2) For the short term, we have used a required yield of 6% (1% premium over 1Y-SAIBOR of ~5%). Based on these methods, our equally weighted TP stands at SAR7.8 per share, implying ~11.7% upside and an Overweight rating for stock. Downside/upside risks include Higher/lower than expected receivables days, fall/increase in occupancy levels, adverse economic conditions, change in interest rates, change in Gov. regulations, nonrenewal of existing leases/renewal at lower rates, and unforeseen events leading to structural damage to properties owned by the Fund.

## Asset details

AlAhli REIT Fund (the "Fund") is a shariah-compliant closed-ended real estate investment traded fund. Its objective is to provide periodic rental income to its unitholders by investing mainly in developed income-generating properties. The Fund has a portfolio of 4 properties across three sectors: retail, commercial offices, and hospitality.

Figure 9: Property portfolio

Property	Location	Sector	Date of Acquisition	Purchase Price (SARmn)	Market value (SARmn)
AlAndauls Mall	Jeddah	Commercial, Retail	25-Dec-17	1,150	1,414*
Andalus Avenue (Expansion of Mall)	Jeddah	Commercial, Retail	9-Nov-20	43.5	
AlAndalus Hotel	Jeddah	Hospitality	25-Dec-17	200	153
Salama Tower	Jeddah	Commercial, Office	4-Aug-19	255	281
Qbic Plaza	Riyadh	Commercial, Office	22-Jun-20	250	276

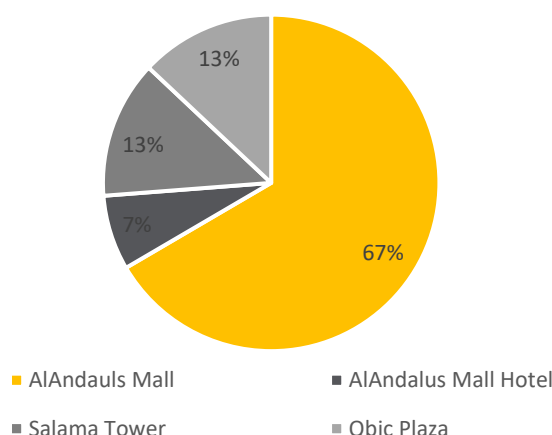
Source: Ahli Fund, GIB Capital. \*Including Andalus Avenue

Figure 10: Occupancy rate

Property	2020a	2021a	2022a	2023a	2024a
AlAndauls Mall	98.0%	97.0%	95.0%	95.0%	97%
Andalus Avenue (Expansion of Mall)	-	-	-	-	41%
AlAndalus Hotel	-	37%	52%	61%	76%
Salama Tower	100%	100%	100%	100%	88%
Qbic Plaza	100%	100%	100%	100%	100%

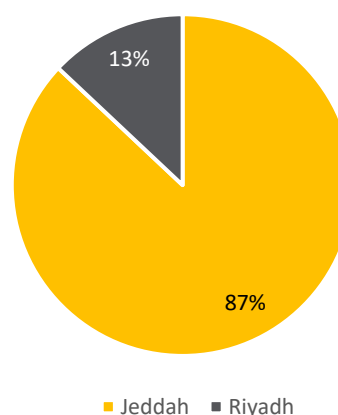
Source: Ahli Fund, GIB Capital

Figure 11: Real estate portfolio – Market value (FY24)



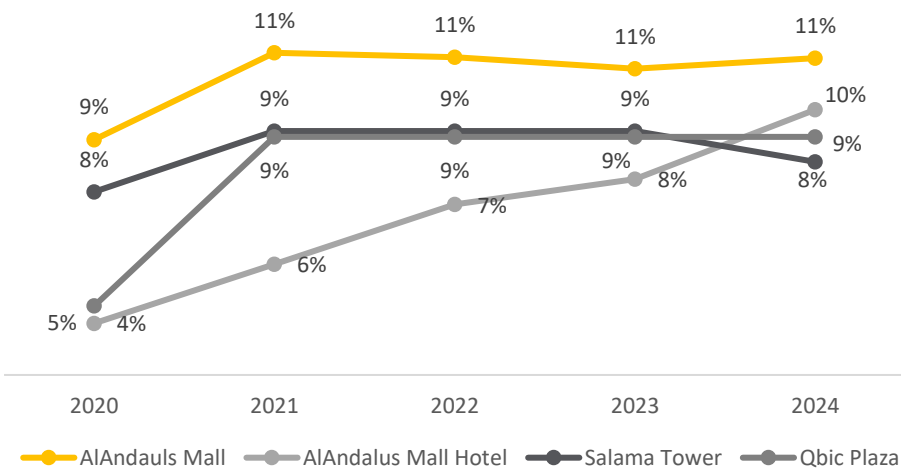
Source: Ahli Fund, GIB Capital

Figure 12: Geographic distribution – Market value (FY24)



Source: Ahli Fund, GIB Capital

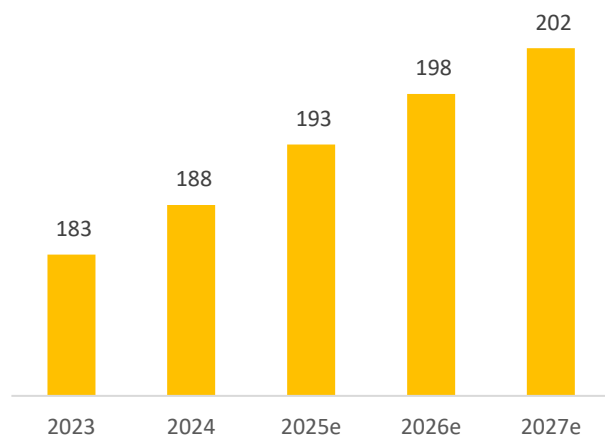
Figure 13: Property portfolio yields



Source: Ahli Fund, GIB Capital

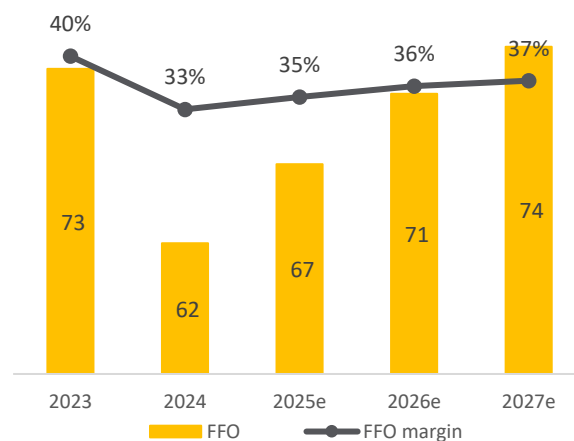
## Financial analysis in chart

Figure 14: Revenue trend (SARmn)



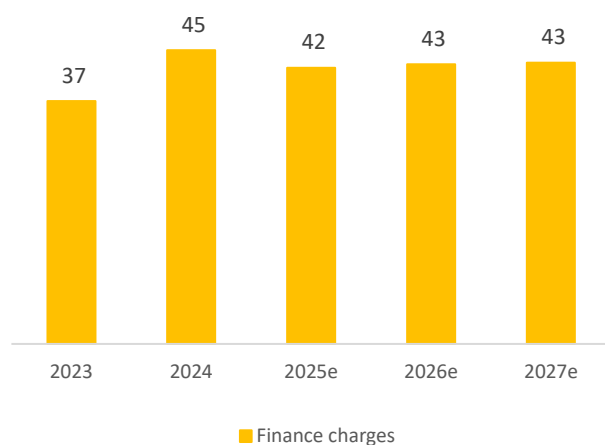
Source: Company data, GIB Capital

Figure 15: FFO and FFO margin trend (SARmn)



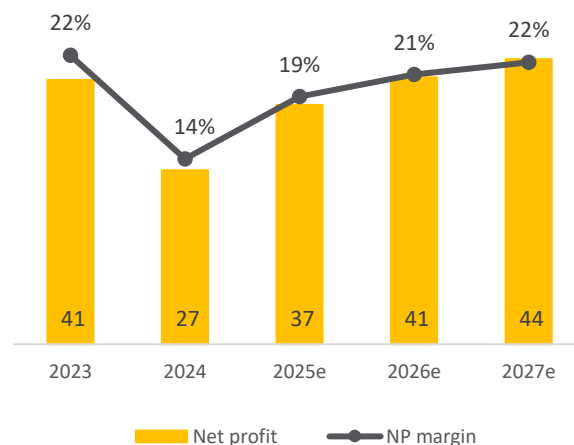
Source: Company data, GIB Capital

Figure 16: Finance charges (SARmn)



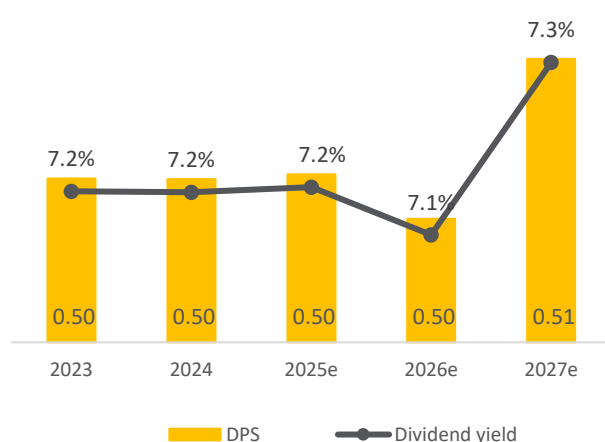
Source: Company data, GIB Capital

Figure 17: Net profit and net margin trend (SARmn)



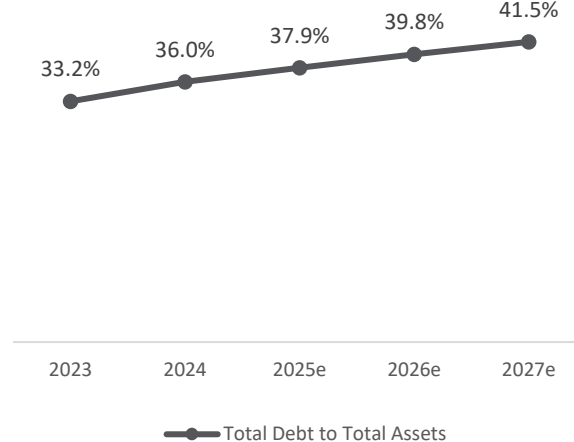
Source: Company data, GIB Capital

Figure 18: DPS and dividend yield (SAR)



Source: Company data, GIB Capital

Figure 19: Total Debt to total assets



Source: Company data, GIB Capital

## Financials

Figure 20: Summarized basic financial statements (All in SARmn unless mentioned)

Income statement	2023a	2024a	2025e	2026e	2027e
<b>Revenue</b>	<b>183</b>	<b>188</b>	<b>193</b>	<b>198</b>	<b>202</b>
Revenue growth	-1%	3%	3%	2%	2%
Management fee	-21	-21	-21	-21	-21
Custodian fee	-1	-1	-1	-1	-1
Ope. & other exp.	-52	-59	-63	-62	-63
Finance cost	-37	-45	-42	-43	-43
<b>Funds from Operations</b>	<b>73</b>	<b>62</b>	<b>67</b>	<b>71</b>	<b>74</b>
FFO Margin	40%	33%	35%	36%	37%
Dep. on investment properties	-24	-26	-26	-26	-26
Impairment/Rev. of on invt. properties	0	-8	0	0	0
Allowance for expected credit losses	-9	-1	-4	-4	-4
Other income	0	0	0	0	0
<b>Profit for the year before Zakat</b>	<b>41</b>	<b>27</b>	<b>37</b>	<b>41</b>	<b>44</b>
Zakat charge for the year	0	0	0	0	0
<b>Net income</b>	<b>41</b>	<b>27</b>	<b>37</b>	<b>41</b>	<b>44</b>
Net margin	22%	14%	19%	21%	22%
y/y	-39%	-34%	38%	11%	7%
<b>FFO/Unit (in SAR)</b>	<b>0.53</b>	<b>0.45</b>	<b>0.49</b>	<b>0.52</b>	<b>0.54</b>
<b>EPS (in SAR)</b>	<b>0.29</b>	<b>0.19</b>	<b>0.27</b>	<b>0.30</b>	<b>0.32</b>
DPS (in SAR)	0.50	0.50	0.50	0.50	0.51
Payout	170%	258%	187%	167%	161%
Dividend/FFO per unit	95%	111%	103%	96%	95%
Dividend Yield	7.2%	7.2%	7.2%	7.1%	7.3%

Balance Sheet	2023a	2024a	2025e	2026e	2027e
Cash and cash equivalents	12	11	9	10	10
Investments carried at FVTPL	0	0	0	0	0
Rent receivable	66	56	56	57	58
<b>Total current assets</b>	<b>82</b>	<b>70</b>	<b>68</b>	<b>71</b>	<b>71</b>
Investment properties, net	1,903	1,917	1,929	1,942	1,957
<b>Total non-current assets</b>	<b>1,903</b>	<b>1,917</b>	<b>1,929</b>	<b>1,942</b>	<b>1,957</b>
<b>Total Assets</b>	<b>1,985</b>	<b>1,986</b>	<b>1,997</b>	<b>2,013</b>	<b>2,028</b>
Total current liabilities	87	76	76	77	77
Total non-current liabilities	660	714	757	800	841
<b>Total liabilities</b>	<b>747</b>	<b>791</b>	<b>833</b>	<b>877</b>	<b>918</b>
<b>Net assets attrib. to Unitholders</b>	<b>1,238</b>	<b>1,196</b>	<b>1,164</b>	<b>1,136</b>	<b>1,111</b>
Units in issue (in mn)	137.5	137.5	137.5	137.5	137.5
<b>BVPS (in SAR)</b>	<b>9.00</b>	<b>8.70</b>	<b>8.46</b>	<b>8.26</b>	<b>8.08</b>
Rent receivable (days)	131	109	105	105	105

Cashflow	2023a	2024a	2025e	2026e	2027e
Cashflow from Operations	117	106	106	109	112
Cashflow from Investing	-68	-41	-39	-40	-40
Cashflow from Financing	-47	-66	-69	-68	-72
<b>Total Cashflows</b>	<b>2</b>	<b>-2</b>	<b>-2</b>	<b>1</b>	<b>0</b>

Source: Ahli Fund, GIB Capital



## Al Rajhi REIT Fund

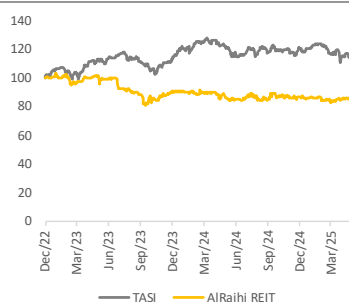
### Stable growth with a strong portfolio; Remain Neutral

<b>Target Price (SAR)</b>	<b>8.7/unit</b>
Current Price (SAR)	8.4/unit
Upside (%)	4.3%
Div Yield (2025e)	6.8%
<b>Rating</b>	<b>Neutral</b>

Stock data	
TASI ticker	4340
Mcap (SARmn)	2,304
Trd. Val (3m) (SARmn)	2.3
Free float	84.4%
QFI holding	8.9%
TASI FF weight	0.11%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

- A well-diversified portfolio and long-term leasing contract ensure stable top-line growth.
- Rental income is expected to grow moderately at 4% in 2025, with FFO margin improving to 66% on declining finance costs.
- We revise our TP to SAR8.7/unit based on equal weights of DDM and dividend yield (6% target yield on 2025e DPS), resulting in an upside of 4.3% and a Neutral rating.

**A well-diversified portfolio with long term leasing contract:** The Fund comprises 20 properties (Anwar Plaza sell-off accounted), spreading across 6 major cities of KSA, with Riyadh representing 53% of the market value, followed by Jeddah (29%), Dammam (8%), and others (10%). The Fund has a similar diversification across sectors, with retail accounting for 41% of the total market value, followed by office (27%), education (21%), and logistics and healthcare each representing 7% and 5%, respectively. Notably, most of the properties have longer lease contracts (avg. remaining lease period ~5Y) with 5-10% price escalation clause every 3-5 years.

**Rental income growth to normalize at 4% in 2025 following a strong jump in 2024...** Rental income witnessed strong growth of 23.8% y/y in 2024, aided by the realization of the full-year benefit from earlier acquired properties (Figure: 23), along with higher rent collection from several existing properties due to rent escalations/negotiation. Rental income was aided by higher contributions from Al-Andalus Center and Rama Plaza, which saw a strong increase in rental rates (up to 39%) following the refurbishment of both properties. Going forward, we expect total rental income growth to moderate in 2025e by 4% due to i) the high base of 2024, ii) the scheduled rent escalations for 11 properties, and iii) a marginal improvement in average rent per sqm (~2.5%) and occupancy for the remaining properties.

**...resulting in adjusted FFO growth of 7% in 2025, aided by declining finance costs:** In addition to a 4% increase in rental income, Fund is expected to benefit from lower interest rates, with the financial costs likely declining by 7% y/y. As a result, adjusted FFO (ex-one-off gain from sale of Anwar Plaza) is projected to grow by 7%, with FFO margin improvement from 64% in 2024 to 66% in 2025e. However, the FFO margin is likely to come under pressure in 2026e, on expected rise in finance costs following the expiry of the fixed-rate arrangement (SAR448mn fixed debt; 4.52% fixed rate; ~50% total debt). This will potentially translate into a DPS of SAR0.57 and SAR0.56 for 2025 and 2026, respectively, implying a dividend yield of ~6.8% for 2025-26e.

Figure 21: Key financial metrics

SARmn	2023a	2024a	2025e	2026e	2027e
Revenue	192	238	246	252	256
Revenue growth	21%	24%	4%	2%	2%
Funds from Operations	121	153	163	160	166
FFO Margin	63%	64%	66%	63%	65%
Net income	76	170	114	111	118
Net margin	39%	71%	46%	44%	46%
FFO/Unit	0.44	0.56	0.59	0.58	0.60
EPS (in SAR)	0.27	0.62	0.42	0.40	0.43
DPS (in SAR)	0.43	0.55	0.57	0.56	0.59
P/FFO	19.0x	15.1x	14.1x	14.4x	13.9x

Source: Al Rajhi Fund, GiB Capital

**Valuation/Risks:** We have used a mix of two methods for valuation, 1) The DDM with a long-term focus, which captures dividend recovery with a reduction of interest rates, 2) For the short term, we have used a required yield of 6% (1% premium over 1Y-SAIBOR of ~5%). Based on these methods, our equally weighted TP stands at SAR8.7 per share, implying ~4.3% upside and a Neutral rating for stock. Downside/upside risks include Higher/lower than expected receivables days, fall/increase in occupancy levels, adverse economic conditions, change in interest rates, change in Gov. regulations, nonrenewal of existing leases/renewal at lower rates, and unforeseen events leading to structural damage to properties owned by the Fund.

## Asset details

Al Rajhi REIT Fund is a closed-ended Shariah-compliant real estate investment traded Fund. The Fund has a diversified portfolio of 20 properties across various sectors such as retail, education, commercial offices, logistics, and healthcare. The investment objective of the Fund is to provide its investors with regular income by investing in income-generating real estate assets in the KSA. All properties of the Fund are held in the name of Privileged Warehouse Company 2 and Gulf Fund Company for development and real estate investment (the "SPVs").

Figure 22: Property portfolio

Property	Category	City	Acquisition Value (SARmn)	Occupancy rate %*
Jarir Bookstores	Commercial,Offices,Retail	Riyadh	72	~96.0%
Al Louloua warehouses	Warehouse	Riyadh	199	100.0%
Blue Tower	Commercial,Offices	Khobar	227	100.0%
Al Andalus Center – Jeddah	Commercial,Offices	Jeddah	190	~54.6%
Panda - Madain Al-Fahd	Commercial,Retail	Jeddah	49	100.0%
Panda - Al Rawdah	Commercial,Retail	Jeddah	67	100.0%
Panda - Al Marwa, Jeddah	Commercial,Retail	Jeddah	218	100.0%
Panda - Khamis Mushait	Commercial,Retail	Khamis Mushait	48	100.0%
Al Faris International School	Educational	Riyadh	133	100.0%
Rama Plaza	Commercial,Offices,Retail	Riyadh	69	~77.5%
Narjes Plaza	Commercial,Offices,Retail	Riyadh	61	100.0%
Lulu Hypermarket	Commercial,Retail	Riyadh	226	100.0%
Lulu Central Warehouses	Warehouses	Riyadh	52	100.0%
NMC Al-Salam Specialty Hospital	Health care	Riyadh	164	100.0%
Rowad Alkhaleej International School	Educational	Dammam	245	100.0%
Baraem Schools	Educational	Riyadh	20	100.0%
Rowad Al Khaleej International Schools	Educational	Riyadh	210	100.0%
Al-Waha (Oasis) Mall	Commercial,Retail	Al Kharj	93	100.0%
Riyadh Avenue Mall	Commercial,Retail	Riyadh	497	100.0%
Henaki Business Centre	Commercial,Retail	Jeddah	505	100.0%

Source: Al Rajhi Fund, Argam \*FY24

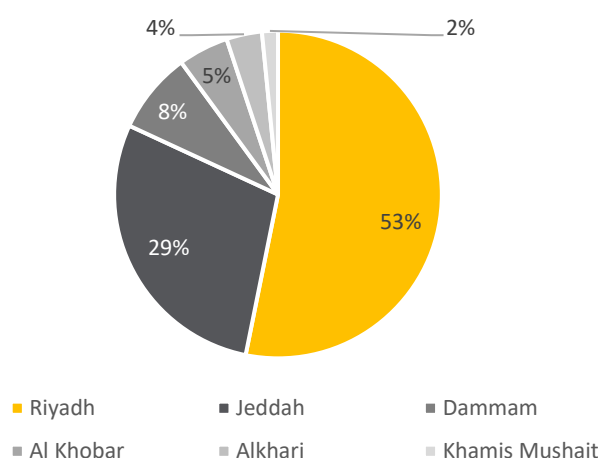
The Fund acquired two developed properties Riyadh Avenue and Al Henaki Business Center, increasing the Fund's total assets by SAR1bn during 2023, while the Fund also concluded the sale of Anwar Plaza in November 2024. Below are details as per the Supplementary Annex.

Figure 23: Details of the recently concluded deals

Property	Riyadh Avenue Mall	Al Hanaki Business Center	Anwar Plaza
City	Riyadh	Jeddah	Riyadh
Property Type	Mall	Administrative/Commercial	Commercial
Development Status	Developed	Developed	Developed
Purchase Value (SARmn)	465*	465*	NA
Total Acquisition Cost (SARmn)	497	505	62
Annual Rent (SARmn)	37	33	NA
Leases	The property is fully leased to Lulu LLC, and the initial lease period of twenty-five binding years, and the remaining period is ~18 binding years. The rent is increased by 5% every four years.	Fully leased to the MoJ for three years, starting from 27-Sep-22. The tenant has the right to extend the lease contract for a period not exceeding 3 additional years. In such case, the rental amount is subject to an increase of no more than 5% if the extension is for an additional one 1 year and by no more than 10% if the extension is for a period of more than one year.	On 25 November 2024, the Fund completed the sale of the Anwar property in Riyadh, spanning 9,982 sqm, in accordance with the Sale and Purchase Agreement (SPA). The property had a carrying value of SAR46.3mn, and the sale generated proceeds of SAR64mn, resulting in a recognized gain of SAR17.7mn.

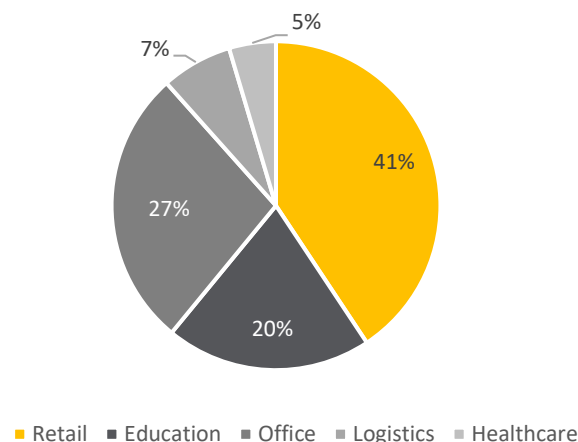
Source: AlRajhi Fund \*excluding the real estate transactions tax and brokerage fee.

Figure 24: Real estate portfolio – Market value (FY24)



Source: AlRajhi Fund, \*percentages have been rounded

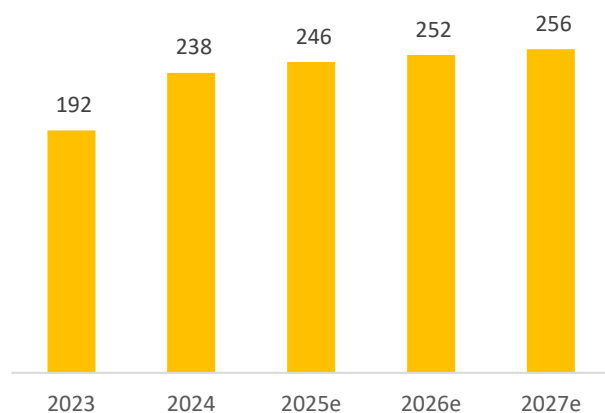
Figure 25: Geographic distribution – Market value (FY24)



Source: AlRajhi Fund, \*percentages have been rounded

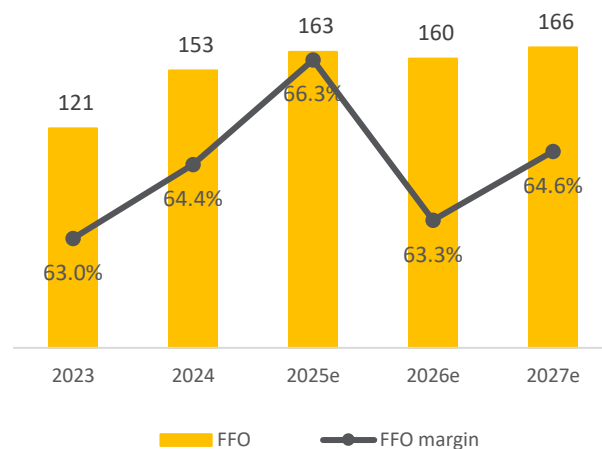
## Financial analysis in chart

Figure 26: Revenue trend (SARmn)



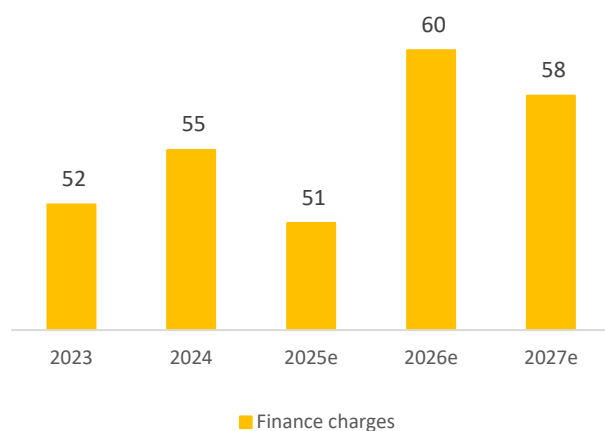
Source: Company data, GIB Capital

Figure 27: FFO and FFO margin trend (SARmn)



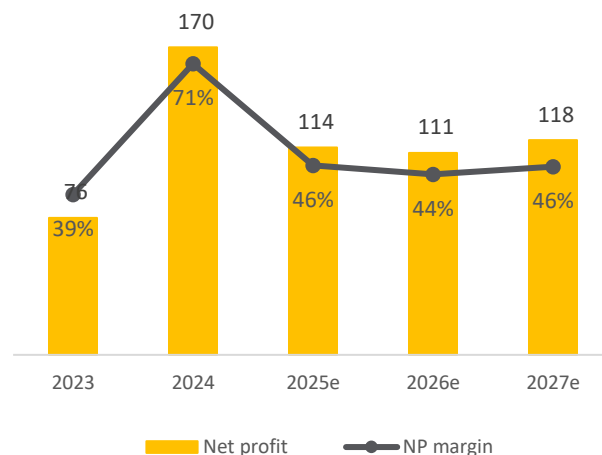
Source: Company data, GIB Capital

Figure 28: Finance charges (SARmn)



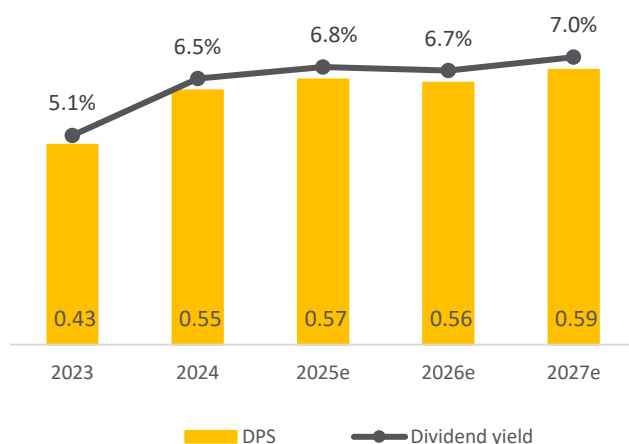
Source: Company data, GIB Capital

Figure 29: Net profit and net margin trend (SARmn)



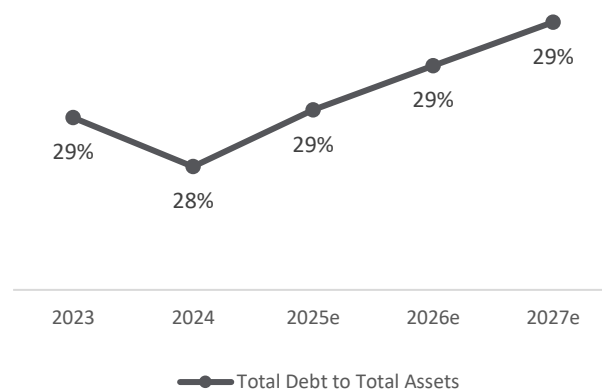
Source: Company data, GIB Capital

Figure 30: DPS and dividend yield (SAR)



Source: Company data, GIB Capital

Figure 31: Total Debt to total assets



Source: Company data, GIB Capital

## Financials

Figure 32: Summarized basic financial statements (All in SARmn unless mentioned)

Income statement	2023a	2024a	2025e	2026e	2027e
<b>Revenue</b>	<b>192</b>	<b>238</b>	<b>246</b>	<b>252</b>	<b>256</b>
revenue y/y	21%	24%	4%	2%	2%
Management fee	-21	-25	-26	-26	-27
Ope. & other exp.	-8	-10	-10	-10	-11
Finance cost	-52	-55	-51	-60	-58
Other income	3	23	4	4	4
<b>Funds from Operations</b>	<b>121</b>	<b>171</b>	<b>163</b>	<b>160</b>	<b>166</b>
FFO Margin	63%	72%	66%	63%	65%
Dep. on investment properties	-38	-48	-48	-48	-47
Impairment/Rev. of on inv. properties	-6	65	0	0	0
Allowance for expected credit losses	-2	0	0	0	0
<b>Net income</b>	<b>76</b>	<b>187</b>	<b>114</b>	<b>111</b>	<b>118</b>
Net margin	39%	79%	46%	44%	46%
y/y	-33%	148%	-39%	-3%	6%
<b>FFO/Unit (in SAR)</b>	<b>0.44</b>	<b>0.62</b>	<b>0.59</b>	<b>0.58</b>	<b>0.60</b>
<b>EPS (in SAR)</b>	<b>0.27</b>	<b>0.68</b>	<b>0.42</b>	<b>0.40</b>	<b>0.43</b>
DPS (in SAR)	0.43	0.55	0.57	0.56	0.59
Payout	156%	80%	137%	139%	137%
Dividend/FFO per unit	98%	88%	96%	97%	98%
Dividend Yield	5.1%	6.5%	6.8%	6.7%	7.0%
Balance Sheet	2023a	2024a	2025e	2026e	2027e
Cash and cash equivalents	0	0	7	10	14
Investments carried at FVTPL	59	130	130	130	130
Rental income receivable, net	44	35	37	37	38
<b>Total current assets</b>	<b>124</b>	<b>200</b>	<b>208</b>	<b>212</b>	<b>217</b>
Investment Properties	3,012	2,986	2,938	2,890	2,843
<b>Total non-current assets</b>	<b>3,012</b>	<b>2,986</b>	<b>2,938</b>	<b>2,890</b>	<b>2,844</b>
<b>Total Assets</b>	<b>3,136</b>	<b>3,186</b>	<b>3,146</b>	<b>3,102</b>	<b>3,060</b>
Total current liabilities	26	39	39	40	40
Total non-current liabilities	896	896	896	896	896
<b>Total liabilities</b>	<b>922</b>	<b>936</b>	<b>936</b>	<b>936</b>	<b>936</b>
<b>Net assets attributable to the Unitholders</b>	<b>2,214</b>	<b>2,251</b>	<b>2,210</b>	<b>2,166</b>	<b>2,124</b>
Units in issue (in mn)	275.6	275.6	275.6	275.6	275.6
BVPS (in SAR)	8.03	8.17	8.02	7.86	7.71
Rent receivable days	83	78	73	68	64
Cashflow	2023a	2024a	2025e	2026e	2027e
Cashflow from Operations	86	153	162	158	165
Cashflow from Investing	-782	423	0	0	0
Cashflow from Financing	886	-148	-155	-155	-160
<b>Total Cashflows</b>	<b>190</b>	<b>428</b>	<b>7</b>	<b>3</b>	<b>4</b>

Source: AlRajhi Fund, GIB Capital

## Taleem REIT Fund

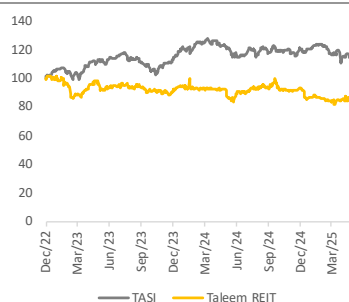
### Lower finance cost to support FFO, TP set at SAR10.7/unit

<b>Target Price (SAR)</b>	<b>10.7/unit</b>
Current Price (SAR)	10.1/unit
Upside (%)	5.6%
Div Yield (2025e)	6.5%
<b>Rating</b>	<b>Neutral</b>

Stock data	
TASI ticker	4333
Mcap (SARmn)	515
Trd. Val (3m) (SARmn)	1.1
Free float	60.8%
QFI holding	1.6%
TASI FF weight	0.02%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

- A portfolio of 7 leased assets with contract periods of more than ~18 years to ensure a stable rental income.
- A healthy payout of ~84% of FFO, implying a dividend yield of ~6.5-6.7% during 2025e-26e.
- We revise our TP to SAR10.7/unit based on equal weights of DDM and dividend yield (6% target yield on 2025e DPS), resulting in an upside of 5.6% and a Neutral rating.

**Strong presence in the defensive sector and demand center:** The primary exposure of Taleem REIT Fund's portfolio is in the education sector, consisting of 7 fully leased schools with ~18 years of remaining lease term. The properties are mostly in the Kingdom's Capital – Riyadh (96%) and the remaining (4%) are in Dammam. Additionally, nearly all properties include rent escalation clauses of 5–10% every three years, supporting inflation-adjusted rental income over time. Notably, three of the four AlKhaleej portfolio schools are set for a 5% rent increase in 2025e, though the impact on the Fund's overall rental income will be modest in terms of value. Overall, we expect the total income to grow at a CAGR of 2% over 2024-27e.

**Easing interest rates supporting FFO growth:** Although there was a 100bps interest rate cut by the Fed between September and December 2024, the company did not witness a notable reduction in finance costs last year due to lag effect. However, the effect began to materialize in 1Q25, with finance costs declining by around 3% y/y. On a full-year basis, we expect finance costs in 2025e to be ~10% lower than 2024 level, supporting a 6% y/y FFO expansion, with FFO margin rising from 57% in 2024 to 61% by 2025e. This will lead to a higher dividend for 2025e, reaching SAR0.66/unit and further to SAR0.67/unit for 2026e (SAR0.64/unit in 2024), indicating 6.5-6.7% dividend yield.

**Valuation and risks:** We have used a mix of two methods for valuation, 1) The DDM with a long-term focus, which captures dividend recovery with a reduction of interest rates, 2) For the short term, we have used a required yield of 6% (1% premium over 1Y-SAIBOR of ~5%). Based on these methods, our equally weighted TP stands at SAR10.7 per share, implying ~5.6% upside and a Neutral rating for stock. Downside/upside risks include Higher/lower than expected receivables days, fall/increase in occupancy levels, adverse economic conditions, change in interest rates, change in Gov. regulations, nonrenewal of existing leases/renewal at lower rates, and unforeseen events leading to structural damage to properties owned by the Fund.

Figure 33: Key financial metrics

SARmn	2023a	2024a	2025e	2026e	2027e
Revenue	66	68	68	68	71
Revenue growth	6%	2%	0%	0%	5%
Funds from Operations	39	39	41	42	46
FFO Margin	59%	57%	61%	62%	65%
Net income	36	33	34	35	39
Net margin	55%	48%	51%	52%	55%
FFO/Unit	0.76	0.76	0.81	0.82	0.90
EPS (in SAR)	0.71	0.64	0.68	0.69	0.77
DPS (in SAR)	0.64	0.64	0.66	0.67	0.74
P/FFO	13.2x	13.3x	12.5x	12.3x	11.2x

Source: Taleem Fund, GIB Capital

## Asset details

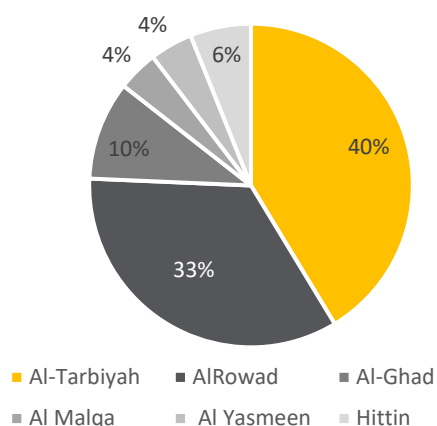
Taleem REIT Fund is a closed-ended Shariah-compliant real estate investment traded fund. The Fund aims to invest in real estate in and out of Saudi Arabia which is related to the education or training sector. The Fund portfolio consisted of seven (7) freehold education and education-related assets, all of which generate periodic rental income.

Figure 34: Property details

Name	Location	MV (\$ARmn)	BV (\$ARmn)	Tenure	Occupancy (%)	Contract End Date
Al-Tarbiyah Al-Islamiyah Schools	Riyadh	381	285	Freehold	100%	31-Aug-43
Arrowad International Schools	Riyadh	317	215	Freehold	100%	31-Dec-41
Al-Ghad National Schools	Riyadh	91	91	Freehold	100%	30-Jun-44
Al Khaleej - Al Malqa	Riyadh	37	36	Freehold	100%	Avg. remaining lease term of ~18 years*
Al Khaleej - Al Eshraq	Dammam	32	29	Freehold	100%	
Al Khaleej - Al Yasmeen	Riyadh	40	36	Freehold	100%	
Al Khaleej - Hittin	Riyadh	56	53	Freehold	100%	

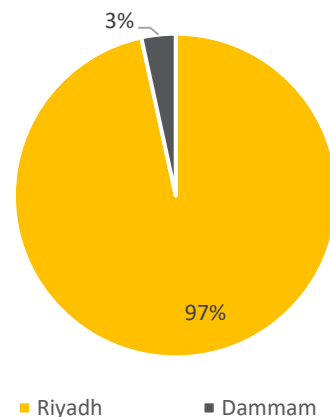
Source: Taleem Fund, GIB Capital \*Based on fund announcement on the 1st of Jul-20

Figure 35: Real estate portfolio – Market value (FY24)



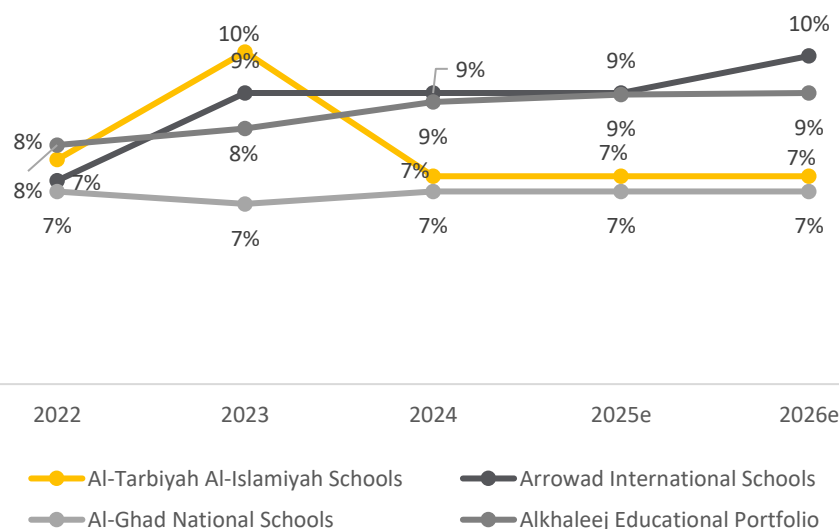
Source: Taleem Fund, Argaam

Figure 36: Geographic distribution – Market value (FY24)



Source: Taleem Fund, Argaam

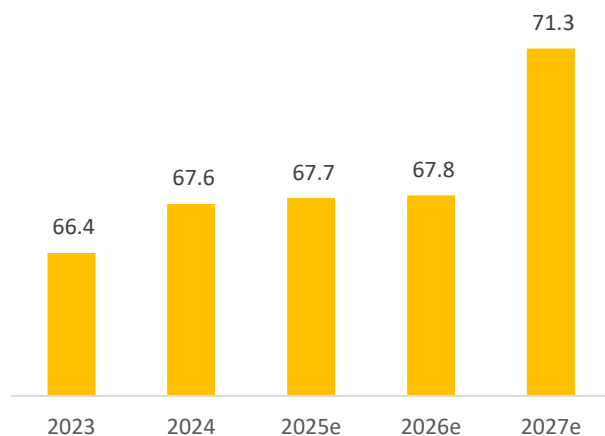
Figure 37: Property portfolio yields



Source: Taleem Fund, GIB Capital

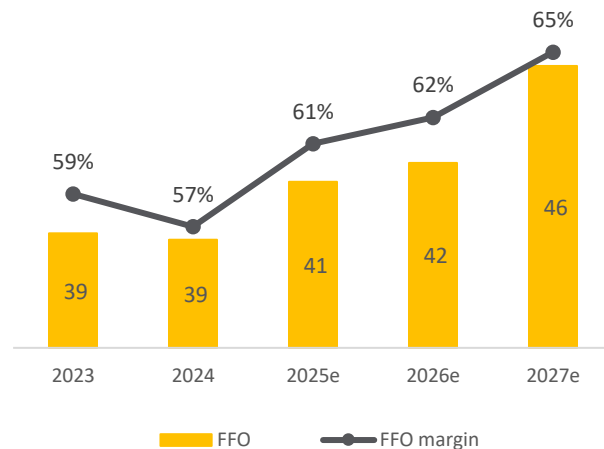
## Financial analysis in chart

Figure 38: Revenue trend (SARmn)



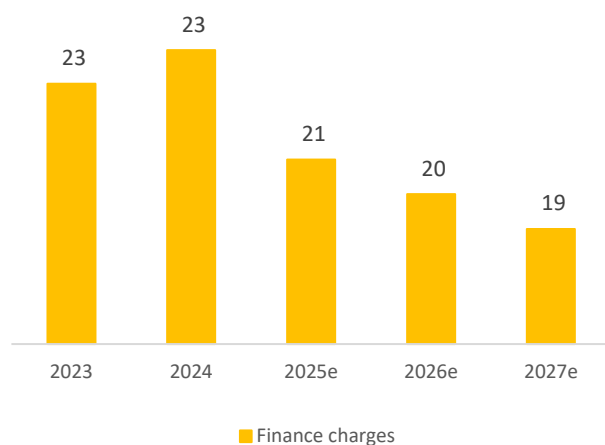
Source: Company data, GIB Capital

Figure 39: FFO and FFO margin trend (SARmn)



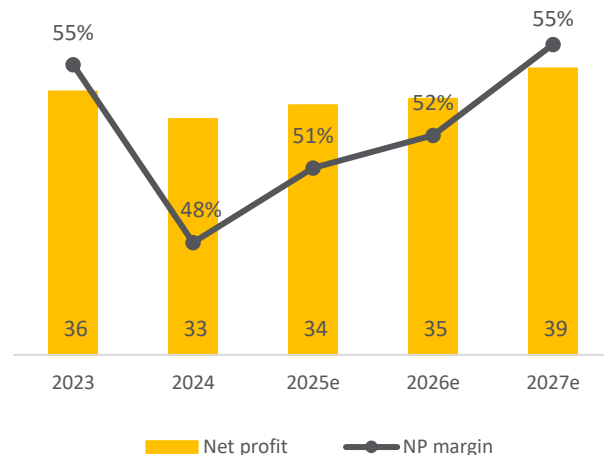
Source: Company data, GIB Capital

Figure 40: Finance charges (SARmn)



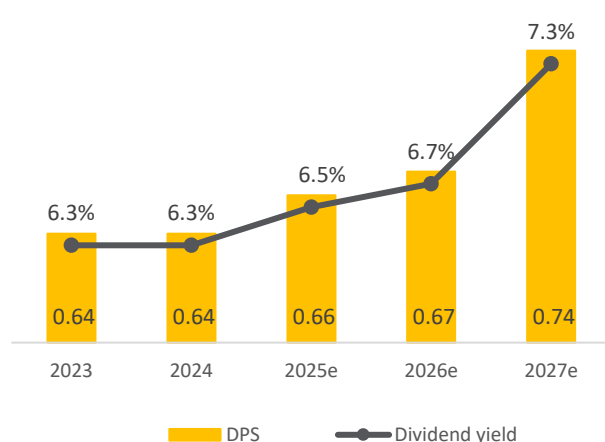
Source: Company data, GIB Capital

Figure 41: Net profit and net margin trend (SARmn)



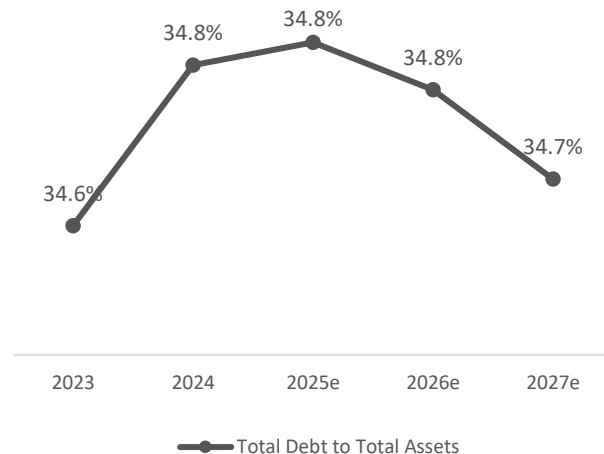
Source: Company data, GIB Capital

Figure 42: DPS and dividend yield (SAR)



Source: Company data, GIB Capital

Figure 43: Total Debt to total assets



Source: Company data, GIB Capital



## Financials

Figure 44: Summarized basic financial statements (All in SARmn unless mentioned)

Income statement	2023a	2024a	2025e	2026e	2027e
<b>Revenue</b>	<b>66</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>71</b>
Revenue y/y	6%	2%	0%	0%	5%
Management fee	-4	-4	-4	-4	-4
Ope. & other exp.	-1	-2	-2	-2	-2
Finance cost	-23	-23	-21	-20	-19
<b>Funds from Operations</b>	<b>39</b>	<b>39</b>	<b>41</b>	<b>42</b>	<b>46</b>
FFO margin	59%	57%	61%	62%	65%
Dep. on investment properties	-6	-6	-6	-6	-6
Impairment /rev. on invt. properties	4	0	-1	-1	-1
Allowance for expected credit losses	0	0	0	0	0
Other income	0	0	0	0	0
<b>Profit for the year before Zakat</b>	<b>36</b>	<b>33</b>	<b>34</b>	<b>35</b>	<b>39</b>
Zakat charge for the year	0	0	0	0	0
<b>Net income</b>	<b>36</b>	<b>33</b>	<b>34</b>	<b>35</b>	<b>39</b>
Net margin	55%	48%	51%	52%	55%
y/y	9%	-10%	6%	2%	12%
<b>FFO/unit (in SAR)</b>	<b>0.76</b>	<b>0.76</b>	<b>0.81</b>	<b>0.82</b>	<b>0.90</b>
<b>EPS (in SAR)</b>	<b>0.71</b>	<b>0.64</b>	<b>0.68</b>	<b>0.69</b>	<b>0.77</b>
DPS (in SAR)	0.64	0.64	0.66	0.67	0.74
Payout	90%	100%	98%	97%	96%
Dividend/FFO per unit	84%	84%	82%	82%	82%
Dividend Yield	6.3%	6.3%	6.5%	6.7%	7.3%
Balance Sheet	2023a	2024a	2025e	2026e	2027e
Cash and cash equivalents	6	1	19	28	35
Rent receivable	44	46	45	43	43
Rent receivable from related party	28	30	28	28	29
<b>Total current assets</b>	<b>79</b>	<b>86</b>	<b>92</b>	<b>99</b>	<b>108</b>
Investment properties, net	707	700	694	687	681
Net investment in finance lease	73	72	72	72	72
<b>Total non-current assets</b>	<b>780</b>	<b>772</b>	<b>766</b>	<b>759</b>	<b>752</b>
<b>Total Assets</b>	<b>858</b>	<b>858</b>	<b>857</b>	<b>858</b>	<b>860</b>
Total current liabilities	12	10	10	10	10
Total non-current liabilities	297	298	298	298	298
<b>Total liabilities</b>	<b>309</b>	<b>308</b>	<b>308</b>	<b>308</b>	<b>308</b>
<b>Net assets attrib. to the Unitholders</b>	<b>549</b>	<b>550</b>	<b>549</b>	<b>550</b>	<b>552</b>
Units in issue (in mn)	51.0	51.0	51.0	51.0	51.0
<b>BVPS (in SAR)</b>	<b>10.77</b>	<b>10.78</b>	<b>10.77</b>	<b>10.79</b>	<b>10.82</b>
Rent receivable (days)	389	402	382	372	362
Cashflow	2023a	2024a	2025e	2026e	2027e
Cashflow from Operations	50	57	66	64	64
Cashflow from Investing	-6	0	0	0	0
Cashflow from Financing	-55	-55	-55	-55	-57
<b>Total Cashflows</b>	<b>-10</b>	<b>2</b>	<b>11</b>	<b>9</b>	<b>7</b>

Source: Taleem Fund, GIB Capital

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### Contact us for queries:

Sell Side Research Department,  
GIB Capital,  
B1, Granada Business & Residential Park,  
Eastern Ring Road, PO Box 89589, Riyadh 11692  
[www.gibcapital.com](http://www.gibcapital.com)