INITIATION OF COVERAGE

September 09, 2025

Aldawaa Medical Services Co.

We initiate coverage on Aldawaa Medical Services Co. (ALDAWAA) with a 'Neutral' rating and a target price of SAR 72.8, implying an upside potential of 13.1%. Backed by a dominant 56% share in the government's Wasfaty e-prescription program, we believe ALDAWAA possesses a strong competitive advantage and plays a critical role as a private-sector partner in the Kingdom's evolving healthcare ecosystem. The company's solid government alignment, ambitious pharmacy rollout plan (50 net new stores in 2025e), and growing focus on private-label products and new business verticals, including logistics and medical devices, are expected to drive sustained growth and revenue diversification. We forecast a revenue CAGR of 6.1% over the 2024a–2029f period. While these drivers support long-term fundamentals, we see limited upside at current levels given uncertainty around the ultimate scale of Wasfaty and ALDAWAA's sustainable share within the program.

Wasfaty leadership drives competitive advantage: Aldawaa plays a critical role in the government's 'Wasfaty' e-prescription program, commanding a 56% market share, which accounts for approximately 26% of its total revenue. This positions ALDAWAA as a strategic infrastructure partner in the Kingdom's healthcare transformation. Additionally, the platform serves as an efficient customer acquisition engine and enables cross-selling opportunities. We believe the company's established role within the public health ecosystem provides a competitive edge, with its strong position in the Wasfaty program offering a distinct advantage in navigating the Kingdom's increasingly competitive retail pharmacy landscape. However, we see uncertainty around the ultimate scale of the Wasfaty program and Aldawaa's long term market share within it.

Pharmacy expansion fuels revenue outlook: The management aims to add 50 net new pharmacies in 2025e, marking the second-largest annual expansion since 2019. We view this aggressive rollout as a key driver for topline growth. Over the past four years, the company has added 96 net new stores, while prescriptions dispensed have grown at a CAGR of 19.9% (2020–2024); and revenue per pharmacy has increased by an average of 3.0% annually. We forecast the pharmacy count to rise from 947 (including dark stores) in 2024 to 1,127 by 2029f, with the average revenue per pharmacy reaching SAR 7.2 mn from SAR 6.4 mn in 2024. We expect this expansion to drive a 6.1% revenue CAGR over the 2024a–2029f period.

Expansion beyond core retail operations: Aldawaa is diversifying its service portfolio beyond core retail in line with Vision 2030, launching three key verticals: OulaCare (integrated healthcare and clinics), PREMI (local medical device manufacturing), and PROCEED (healthcare logistics). These initiatives present a key upside risk to our revenue estimates. While our forecasts include contributions from non-retail segments, we have assumed a conservative growth trajectory, with a 9.6% CAGR over 2024a–2029f. As such, the scaling of these verticals, could lead to stronger-than-expected topline performance. The company is also scaling its private-label portfolio (house brands), with 75+ house brand projects in development. In 2024, house brands grew over 20% YoY in sales, driven by segments like beauty and pharma OTC.

Valuation: We believe that the stock's current price offers some upside, however, the potential remains limited. Notably, the stock trades at 13.8x 2025E PER, relative to its post-IPO average of 15.9x. Our TP of SAR 72.8/share is based on a DCF valuation, resulting in an upside of 13.1%.

Risks: Key risks include a slower-than-expected pace of store expansion, increasing competition putting pressure on margins, and potential market share erosion including in the Wasfaty program.

RATING SUMMARY	Neutral
Target Price (SAR)	72.8
Upside/Downside	13.1%
Div. Yield (%)	4.2%
Total Exp. Return	17.3%

Source: Company Financials, anbc Research

ISSUER INFORMATION	
Bloomberg Code	ALDAWAA AB
Last Price (SAR)	64.4
No of Shares (mn)	85
Market Cap bn (SAR/USD)	5.5/1.5
52-week High / Low (SAR)	98.2/64.0
12-month ADTV (mn) (SAR/USD)	9.1/2.4
Free Float (%)	30
Foreign Holdings (%)	5.3

Last price as of September 8th, 2025

VALUATIONS

	2024a	2025e	2026f	2027f
EPS (SAR)	4.4	4.7	5.1	5.7
PER (x)	14.8	13.8	12.6	11.2
PBV (x)	3.8	3.4	3.0	2.7
DPS (SAR)	2.5	2.7	3.0	3.3
D. Yld. (%)	3.9	4.2	4.6	5.1
RoAE (%)	26.7	25.8	25.5	25.6
RoAA (%)	7.6	7.3	7.3	7.8

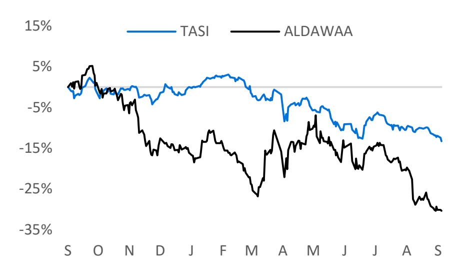
Source: Company Financials, anbc Research

FINANCIALS (SAR MN)

	2024a	2025e	2026f	2027f
Revenue	6,451	6,918	7,401	7,850
Gross Pro.	2,293	2,442	2,626	2,767
EBITDA	897	945	1,019	1,088
Net Inc.	370	396	436	487
EPS	4.4	4.7	5.1	5.7
DPS	2.5	2.7	3.0	3.3

Source: Company Financials, anbc Research

RELATIVE PRICE PERFORMANCE



Source: Bloomberg, anbc Research

Ali H. Alshaia
Analyst - Sell-Side Research
Ali.Alshaia@anbcapital.com.sa
+966 11 4062500 Ext. 7065

Investment Thesis

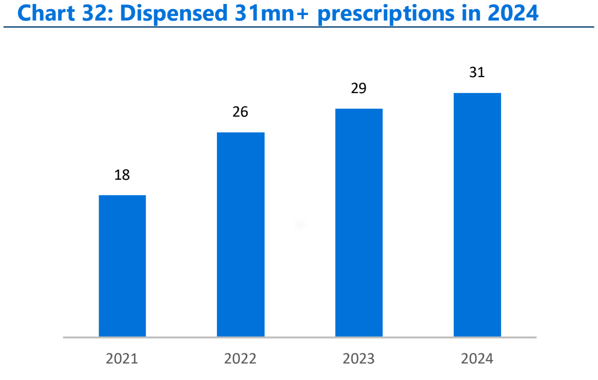
Wasfaty leadership drives competitive advantage, though competition intensifies

Aldawaa is the market leader in Saudi Arabia's Wasfaty e-prescription program, with an estimated 56% share of total Wasfaty prescriptions. Launched in 2018 in collaboration with the Ministry of Health (MOH) and managed by NUPCO, Wasfaty is a nationwide digital platform designed to streamline prescription issuance and fulfillment, reduce errors, and enhance access, particularly for chronic disease patients. Wasfaty streamlines the process of issuing and dispensing prescriptions by electronically connecting healthcare providers with retail pharmacies. The implementation of e-prescribing aligns with the Kingdom's Vision 2030 objectives, promoting digital health initiatives and modernizing healthcare delivery. The initiative directly supports the Kingdom's Vision 2030 digital health agenda by modernizing healthcare delivery and improving medication safety. Since its launch, the program has delivered over 155.6 mn online prescriptions, with over 15.9 mn beneficiaries serving the Kingdom's 172 cities.

As of 1Q25, Wasfaty has 5,766 partner pharmacies, with Aldawaa's over 900 pharmacies being part of the program. However, Aldawaa holds the leading share of approximately 56% in terms of the value of transactions. The platform also functions as a cost-efficient customer acquisition engine, driving recurring pharmacy traffic and enabling cross-selling. In 2024, Aldawaa dispensed over 31 mn prescriptions, while cross-sales contribute approximately 15% to revenue. As of 1H25, Wasfaty-linked transactions account for 26% of the topline, underlining its importance. The program also enhances customer loyalty through home delivery, automated refills, and real-time updates, reinforcing Aldawaa's competitive positioning in an increasingly competitive retail pharmacy landscape.

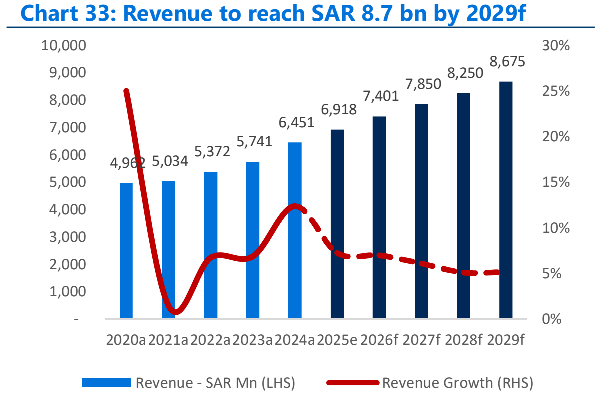
Going forward, we believe Wasfaty will continue to serve as both a growth driver and a competitive advantage for Aldawaa. As e-health adoption scales and the government restructures healthcare delivery under the HSTP, focusing on cost efficiency, infrastructure improvement, and access enhancement, Aldawaa is well-positioned to remain a core private-sector partner in helping the Kingdom achieve national healthcare objectives. That said, Aldawaa's Wasfaty market share declined from 70% in 2024 to 56% in 1H25 due to increasing competition and Wasfaty's expansion into regions with limited Aldawaa presence. We expect further downside before the market share stabilizes. Given the uncertainty around the ultimate scale of the program and Aldawaa's long-term market share, our assumptions remain measured rather than overly optimistic.

Chart 32: Dispensed 31mn+ prescriptions in 2024



Source: Company Financials, anbc Research

Chart 33: Revenue to reach SAR 8.7 bn by 2029f



Source: Company Financials, anbc Research

Pharmacy expansion fuels revenue outlook

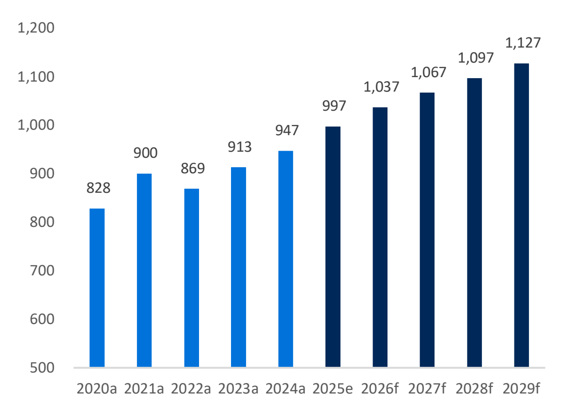
Aldawaa ranks as the second-largest pharmacy retailer by stores in Saudi Arabia after Nahdi, holding an estimated 21% market share as of 2024. As of June 2025, the company operates 954 retail pharmacies and 23 dark stores, collectively serving over 70 mn customer visits annually.

The company has adopted an aggressive expansion strategy in recent years. It plans to add 50 net new retail stores in 2025, its second-largest annual expansion since 2019. This follows the addition of 55 net new pharmacies during 2023–24, a sharp rebound from 2022 when Aldawaa closed 31 net stores as part of a transitional phase to enhance operational efficiency. As of 2024, the company's pharmacy network is primarily concentrated in the Eastern (40%) and Central (28%) regions of Saudi Arabia. In addition, it has initiated its regional expansion with the opening of its first pharmacy in Bahrain during 2024. Additionally, to enhance its omnichannel presence, the company established 23 dark stores during this period, with the omnichannel contribution rising to over 15% of revenue in 2024, up from 2.4% in 2010. These initiatives have translated to a strong topline growth, with revenue growing at a CAGR of 6.8% from 2020 to 2024. This was supported by a 19.9% CAGR in prescriptions dispensed and a rise in average revenue per pharmacy from SAR 5.7 mn (2020-22) to SAR 6.2 mn (2023-24).

We expect the expansion to remain a key topline driver. We forecast revenue to grow at a 6.1% CAGR over 2024a-2029f, underpinned by both store count growth and improved revenue per pharmacy. We expect total pharmacies (including dark stores) to reach 1,127 by 2029f, with revenue per pharmacy averaging 6.8 mn during this period, taking overall revenue to SAR 8.7 bn in 2029f from SAR 6.5 bn in 2024.

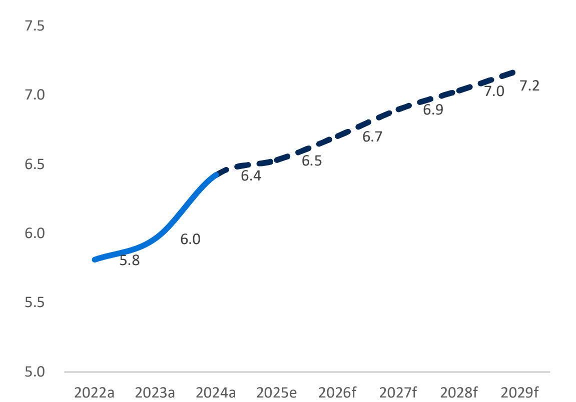
We believe Aldawaa's strong brand equity and high customer retention further supports its growth outlook. Its Arbahi loyalty program remains a key pillar, with registered users rising from 6.5 mn in 2020 to 12 mn in 2024, including 6.8 mn active users and 0.7 mn newly active users in 2024. The program contributes to 87% of total sales and significantly enhances customer stickiness. This growing and engaged customer base provides us conviction in the company's sales trajectory over the medium term.

Chart 34: Pharmacy count to reach 1,127 by 2029f



Source: Company Financials, anbc Research

Chart 35: Revenue per pharmacy



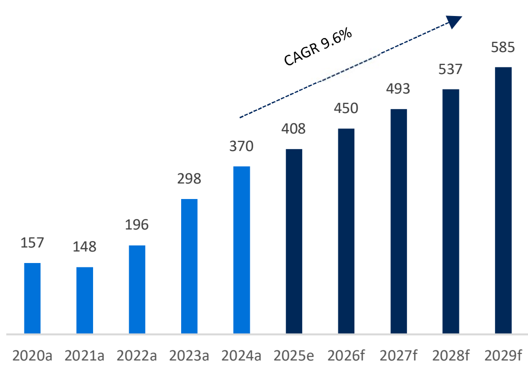
Source: Company Financials, anbc Research

Expansion beyond core retail operations

Aldawaa is actively expanding its services beyond retail pharmacy. The company has launched key initiatives to tap into adjacent healthcare segments and aims to position itself as a one-stop shop for pharmacy, medical, and daily consumer needs.

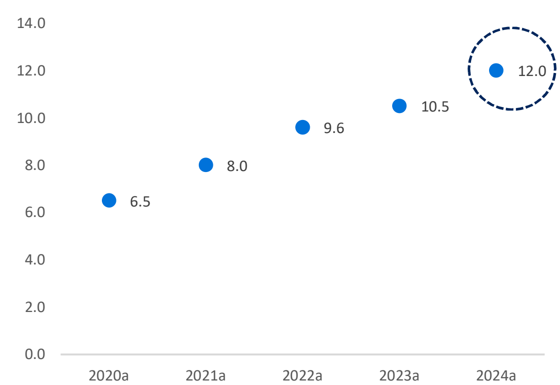
Business Line	Description
PROCEED HEALTHCARE LOGISTICS	An arm of Aldawaa's logistics operates over 900 vehicles and dispatches more than 3,000 shipments daily across the Kingdom. Backed by nine regional warehouses and fully automated sorting centers, PROCEED enables end-to-end healthcare logistics with nationwide coverage and 200,000 km of daily delivery routes.
PREMI	PREMI is well-positioned to strengthen the domestic medical device manufacturing ecosystem in Saudi Arabia. It focuses on locally manufacturing high-demand devices such as ECGs, IVDs, vital signs monitors, and home care products—each with a market size of at least SAR 500 mn. PREMI holds multiple quality certifications and currently has 19 medical devices registered, including 4 on the mandatory procurement list, which requires government and semi-government entities to source these products from approved local manufacturers.
OULACARE HEALTH COMES FIRST	It's a wholly owned subsidiary focused on delivering integrated, patient-centric healthcare solutions through global and local partnerships. It aims to diversify Aldawaa's portfolio via targeted investments across emerging healthcare subsectors. A notable initiative under OulaCare includes the formation of Modawaa, in partnership with Mouwasat Medical Services, aimed at operating medical clinics and expand Aldawaa's footprint in primary care services.

Chart 36: Non-retail revenue to grow by a 9.6% CAGR



Source: Company Financials, anbc Research

Chart 37: Arbahi members reached 12 mn in 2024.



Source: Company Financials, anbc Research

These new verticals present a potential upside risk to our investment thesis. While our base-case assumes a 9.6% revenue CAGR in non-retail segments over 2024a–2029f, we adopt a conservative stance given the early-stage nature of these businesses. That said, we highlight their strong potential to drive incremental growth and enhance Aldawaa's long-term strategic positioning. Under the Modawaa initiative, two primary care clinics are scheduled to open in 2025, while logistics revenue is expected to grow at a 20.0% CAGR in the medium term. PREMI also began generating revenue in 1Q25, though it remains in an early phase of ramp-up. Aldawaa is strengthening its private-label portfolio, with 75+ products in development across FMCG and pharma. In 2024, the private-label portfolio grew 20% YoY in sales and witnessed an improvement in gross profit by 5%. One of the key house brands, Ronzac ranked 30th among private-sector pharma firms (IQVIA 2024). House brands now contribute 13.6% of revenue (as of 1H25) and are expanding across Wasfaty, insurance, and public tenders. We believe this would help enhance customer loyalty and position the company well for sustainable, margin-accretive growth.

Valuation

We value Aldawaa using a Discounted Cash Flow (DCF) approach, arriving at a target price of SAR 72.8/share, implying 13.1% upside. We have assumed a risk-free rate of 5.0%, a Beta of 0.9, and a market risk premium of 5.2%, leading to a WACC of 7.6%. Additionally, we applied a terminal growth rate of 2.5%. We assign a 'Neutral' rating, while the stock trades at 13.8x 2025E PER, relative to its post-IPO average of 15.9x.

SAR mn	anbc Estimate 2025e	Consensus* 2025e	anbc Estimate 2026f	Consensus* 2026f	anbc Estimate 2027f	Consensus* 2027f
Revenue	6,918	6,952	7,401	7,423	7,850	7,903
Gross Margin	35.3%	35.1%	35.5%	35.0%	35.2%	35.0%
EBITDA	945	942	1,019	998	1,088	1,057
Net Income	396	405	436	443	487	474
Net Margin	5.7%	5.8%	5.9%	6.0%	6.2%	6.1%
EPS	4.7	4.8	5.1	5.2	5.7	5.6

Source: anbc Research, Bloomberg
**As of September 8th, 2025*

SAR mn	2027f	2028f	2029f	2030f	2031f
FCFF	454	441	454	541	579
Terminal Value					11,701
FCFF + Terminal	454	441	454	541	12,279
Discounted FCFF	**365**	**329**	**315**	**349**	**7,368**

Enterprise Value	8,726
Cash	47
Debt	(2,587)
Equity Value	6,187
Target Price	**72.8**

Source: anbc Research

Sensitivity Analysis on DCF Valuation

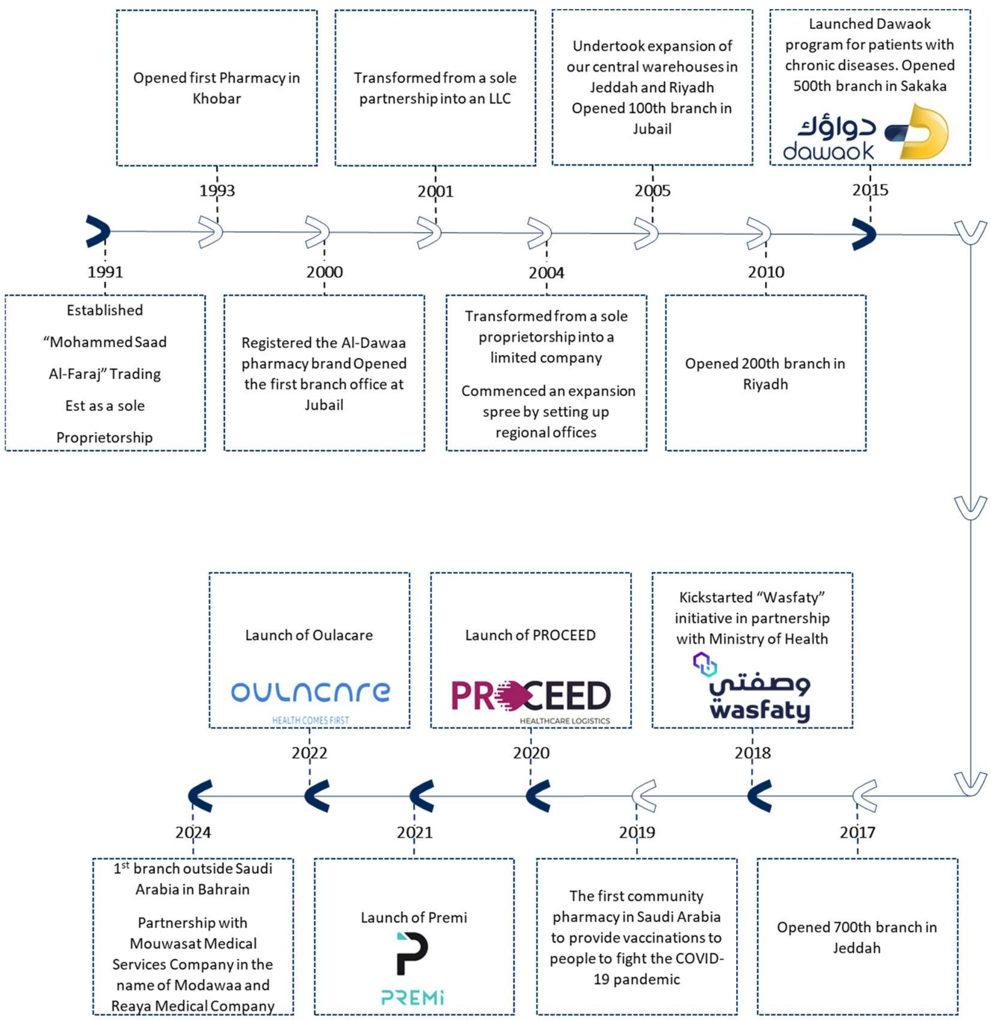
		Growth rate				
		1.5%	2.0%	2.5%	3.0%	3.5%
WACC	5.6%	70.1	77.5	86.4	97.2	110.7
	6.6%	64.1	71.0	79.3	89.5	102.1
	7.6%	58.5	65.0	72.8	82.3	94.1
	8.6%	53.3	59.4	66.7	75.6	86.7
	9.6%	48.5	54.2	61.0	69.4	79.8

Source: anbc Research

Company overview

Established in 1993 and listed on the Saudi Exchange in March 2022, Aldawaa has evolved into one of the Kingdom's leading pharmacy operators. As of 1H25, the company operates 954 retail pharmacies in Saudi Arabia, with more than 70 mn customer visits annually. Aldawaa holds a 21% market share, dispensing over 31 mn prescriptions in 2024, positioning it as the leading prescription dispenser in the Kingdom. The company is supported by a workforce of over 6,500 employees and continues to expand its presence regionally, with its first international pharmacy opening in Bahrain in 2024.

Aldawaa operates as a multi-vertical healthcare platform anchored in pharmacy retail, which accounts for the majority of revenues. The company leverages integrated operations across five key segments: (i) Retail Pharmacies: 954 pharmacies serving as the backbone of the business, offering pharmaceuticals, wellness products, and personal care items; (ii) Healthcare Logistics (PROCEED): 3,000+ daily shipments via a 900-vehicle fleet across 9 warehouses. (iii) Medical Device Manufacturing (PREMI): Certified local manufacturer with ISO and "Saudi Made" Gold Tier designation. (iv) Primary Healthcare Clinics: 13+ pharmacist-led clinics offering chronic care, diagnostics, and telemedicine. (v) Private Label & Distribution: Over 75 projects in pipeline; distribution across public and private sector channels.

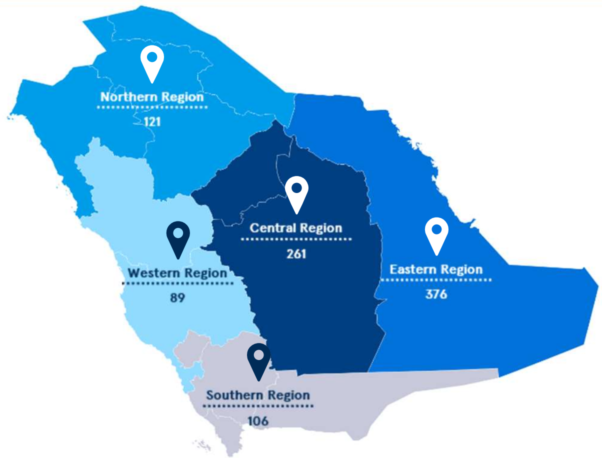


Source: Company Financials, anbc Research

Geographic footprint and scale

Aldawaa's market share of 21% in the Saudi pharmacy retail market places it as the second-largest player after Nahdi. Unlike its peers, Aldawaa leverages in-house logistics to drive scale. Its strength in prescription fulfillment and government contract alignment provides defensibility against front-shop pressures, particularly in beauty and wellness. The company's integrated omnichannel model, as well as over 12 mn active loyalty customers, further underpins retention and lifetime value.

Chart 38: Pharmacy locations



As of 1H25, Aldawaa has a strong geographic concentration in the Eastern region, which accounts for the largest share at 376 stores (39%). This is followed by the Central region with 261 pharmacies (27%), and the Northern and Southern regions with 121 and 106 pharmacies, respectively. The Western region hosts 89 pharmacies, while the company has also taken its first step towards regional expansion with the launch of one pharmacy in Bahrain during 2024.

Source: Company Financials, anbc Research

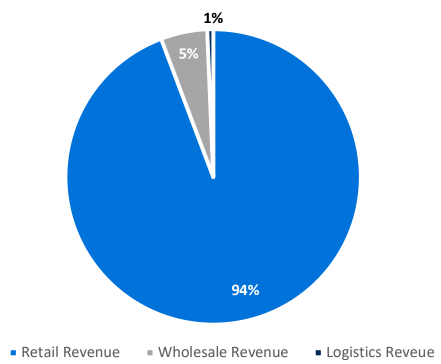
Financial overview

Aldawaa's revenue consists of 94% from retail revenue, while the rest comes from wholesale and logistics. The retail mix remained balanced, with pharma contributing 55% and non-pharma 45%. As of 2024, the company reported SAR 6.5 bn in revenue for 2024, up 12.4% YoY, marking its strongest topline performance in four years. Growth was led by an 11.7% YoY increase in retail sales, 16.7% growth in wholesale revenue, and a 2.4x jump in logistics revenue.

Despite consistent revenue growth, gross margins have declined to 35.5% in 2024 from a peak of 40.1% in 2019, due to the increasing price competition in the retail space in recent years. However, the company has actively focused on enhancing operational efficiencies, particularly by containing the growth of selling and distribution expenses. Despite the steady expansion of its pharmacy network, the OPEX-to-sales ratio improved from 30.0% to 27.6% over the same period, supporting a 9.7% net income CAGR. Net income for 2024 stood at SAR 370 mn.

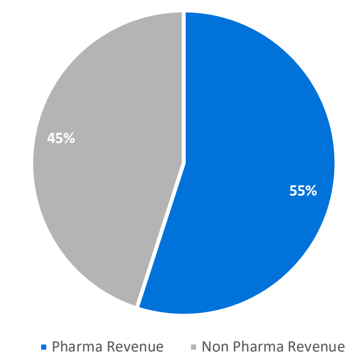
1H25 results were strong, with revenue rising 7.5% YoY to SAR 3.3 bn in line with management guidance and net profit reaching SAR 192 mn. The company also reduced its debt to equity from 96.0% in 2022 to 39.1% in 1H25, lowering finance costs by 3.4% YoY. We believe the declining leverage and a potential easing in interest rates will support the company's profitability in the medium term.

Chart 39: Retail constitutes 94% of the revenue - 2024



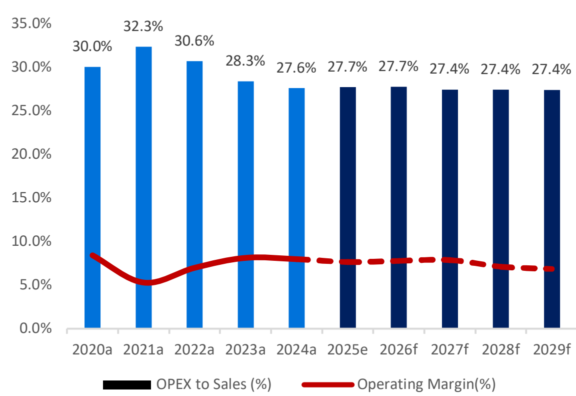
Source: Company Financials, anbc Research

Chart 40: Retail mix remains well balanced -2024



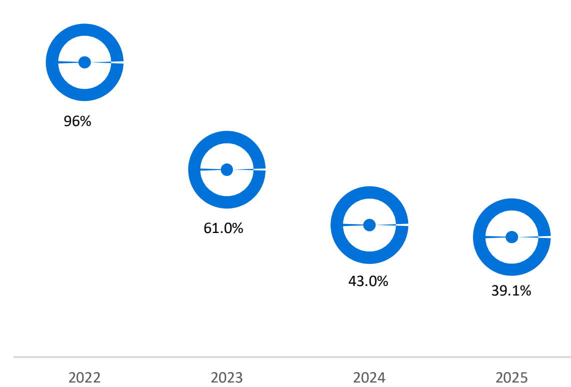
Source: Company Financials, anbc Research

Chart 41: OPEX-to-sales down from 2021 peak



Source: Company Financials, anbc Research

Chart 42: Debt-to-Equity has substantially decreased



Source: Earnings Presentation, anbc Research

Financial Summary

Income statement (SAR mn)	2023a	2024a	2025e	2026f	2027f	2028f	2029f	CAGR 2024-2029f
Revenue	5,741	6,451	6,918	7,401	7,850	8,250	8,675	6.1%
Cost of Revenue	(3,635)	(4,158)	(4,475)	(4,775)	(5,083)	(5,405)	(5,709)	6.5%
Gross Profit	**2,107**	**2,293**	**2,442**	**2,626**	**2,767**	**2,844**	**2,966**	**5.3%**
Operating Expenses	(1,627)	(1,779)	(1,916)	(2,053)	(2,152)	(2,261)	(2,374)	5.9%
EBIT	**479**	**514**	**527**	**573**	**615**	**583**	**592**	**2.9%**
Dep & Amort	364	383	417	444	471	499	528	6.7%
EBIDTA	**843**	**897**	**943**	**1,017**	**1,086**	**1,082**	**1,120**	**4.5%**
Finance Cost	(124)	(122)	(117)	(118)	(106)	(88)	(77)	-8.8%
Profit Before Zakat	**342**	**392**	**411**	**457**	**511**	**497**	**517**	**5.7%**
Zakat Tax	13	22	15	22	24	24	25	2.1%
Net Income	**329**	**370**	**396**	**436**	**487**	**474**	**492**	**5.9%**
Number of Share	85	85	85	85	85	85	85	
EPS	**3.9**	**4.4**	**4.7**	**5.1**	**5.7**	**5.6**	**5.8**	
Balance Sheet								
Fixed Assets	2,492	2,527	2,682	2,777	2,814	2,841	2,860	2.5%
Other Non-Current Assets	209	65	64	64	64	64	64	-0.2%
Non-current assets	**2,701**	**2,592**	**2,746**	**2,841**	**2,878**	**2,905**	**2,924**	**2.4%**
Trade receivables & Prepayments	640	916	1,268	1,358	1,441	1,514	1,593	11.7%
Cash and Cash equivalents	54	48	83	47	85	130	188	31.7%
Other Current Assets	1,313	1,480	1,718	1,833	1,951	2,075	2,191	8.2%
Current Assets	**2,007**	**2,444**	**3,070**	**3,238**	**3,477**	**3,719**	**3,972**	**10.2%**
Total Assets	**4,707**	**5,036**	**5,816**	**6,079**	**6,354**	**6,624**	**6,896**	**6.5%**
Total Equity	**1,313**	**1,456**	**1,612**	**1,797**	**2,003**	**2,205**	**2,413**	**10.6%**
Long-term loans	140	-	-	-	-	-	-	n/a
Other Non-Current Liabilities	1,458	1,445	1,579	1,629	1,618	1,603	1,590	1.9%
Non-current liabilities	**1,598**	**1,445**	**1,579**	**1,629**	**1,618**	**1,603**	**1,590**	**1.9%**
Trade payables	822	1,205	1,471	1,570	1,671	1,777	1,877	9.3%
Short-term Borrowings	500	480	730	730	710	690	670	6.9%
Other current Liabilities	475	449	423	353	351	349	347	-5.1%
Current Liabilities	**1,796**	**2,134**	**2,625**	**2,653**	**2,732**	**2,816**	**2,894**	**6.3%**
Total liabilities and equity	**4,707**	**5,036**	**5,816**	**6,079**	**6,354**	**6,624**	**6,896**	**6.5%**

Source: Company Financials, anbc Research

Valuation Ratios	2023a	2024a	2025e	2026f	2027f	2028f	2029f
EPS	3.9	4.4	4.7	5.1	5.7	5.6	5.8
DPS	2.5	2.5	2.7	3.0	3.3	3.2	3.4
BVPS	15.4	17.1	19.0	21.1	23.6	25.9	28.4
PE	16.6	14.8	13.8	12.6	11.2	11.5	11.1
Div Yield	3.9	3.9	4.2	4.6	5.1	5.0	5.2
PBV	4.2	3.8	3.4	3.0	2.7	2.5	2.3
EV/Sales	1.4	1.2	1.1	1.1	1.0	1.0	0.9
Price / Sales	1.0	0.8	0.8	0.7	0.7	0.7	0.6
EV/EBITDA	9.5	8.6	8.4	7.9	7.3	7.2	6.9
Margins	**2023a**	**2024a**	**2025e**	**2026f**	**2027f**	**2028f**	**2029f**
Gross Margin	36.7%	35.5%	35.3%	35.5%	35.2%	34.5%	34.2%
EBITDA Margin	14.5%	13.9%	13.7%	13.8%	13.9%	13.1%	12.9%
Operating Margin	8.1%	8.0%	7.6%	7.8%	7.9%	7.1%	6.8%
Net Margin	5.7%	5.7%	5.7%	5.9%	6.2%	5.7%	5.7%
Returns	**2023a**	**2024a**	**2025e**	**2026f**	**2027f**	**2028f**	**2029f**
ROA	7.2	7.6	7.3	7.3	7.8	7.3	7.3
ROE	27.3	26.7	25.8	25.5	25.6	22.5	21.3
Health*	**2023a**	**2024a**	**2025e**	**2026f**	**2027f**	**2028f**	**2029f**
Debt to Asset	0.4	0.3	0.3	0.3	0.3	0.2	0.2
Debt to Equity	1.4	1.1	1.0	0.9	0.8	0.7	0.7
Debt to Capital	0.6	0.5	0.5	0.5	0.5	0.4	0.4
EBIT/ Interest	3.8	4.2	4.5	4.9	5.8	6.6	7.7

**Debt ratios include lease liabilities*

Source: Company Financials, anbc Research

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Contact

ANB Capital Head Office

3581 Al Mouyyad Al Jadid, Al Murabba, Riyadh 11311,

PO Box 22009, Kingdom of Saudi Arabia

Tel: +966 11 406 2500, 800 124 0055

Email: research@anbcapital.com.sa

Web: www.anbcapital.com.sa