

Nahdi Medical Co.

September 09, 2025

We initiate coverage on Nahdi Medical Co. (NAHDI) with a 'Neutral' rating and a target price of SAR 125.7 per share, implying an upside of 9.8% from current levels. We forecast revenue to grow at a 2024-29f CAGR of 4.8%, driven by the addition of ~20 net new pharmacies annually, expansion of the clinic network from 12 in 1H25 to 29 by 2029f, and the continued rollout of higher-margin private label products. We expect both gross and operating margins to remain stable over the forecast period, averaging 35.9% and 9.0%, respectively. Margin stability will be underpinned by increased contributions from private label and digital channels, while increased competition is likely to cap any gross margin expansion. We believe the stock's current price reflects the long-term earnings outlook and offers limited upside from existing levels.

Multi-pronged growth strategy to support long-term growth: Nahdi is aggressively expanding into the healthcare segment while also focusing on increasing its regional footprint. Nahdi's polyclinic count increased from 3 in 2022 to 12 in 1H25, with 4 clinics now mature and generating net margins of 15%. The management aims to scale the healthcare segment, targeting SAR 1.0 bn in revenue within the next 5 years and has communicated that it will be rapidly expanding the network to 15-20 clinics in the near term. The company opened 10 new pharmacies in the UAE during 2024, followed by an additional 9 openings in 1H25, as part of its ongoing regional expansion strategy. Online sales contribution has reached 22% as of 2024, supported by same-day delivery capabilities and portfolio diversification. These initiatives are expected to support a topline CAGR of 4.8% through 2029f.

Planned store openings to sustain revenue growth: Nahdi's management aims to add 20 net new stores annually over the medium term, with a focus on larger-format locations while gradually phasing out underperforming sites. While no stores are currently loss-making, this portfolio optimization is expected to enhance operational efficiency and support sustained topline growth. With 61 net new stores opened in 2024, a brand equity score of 6.9 (2x the nearest competitor), and 70% of revenue linked to Nuhdeek loyalty members, we believe the planned expansion will enable the company to maintain mid-single digit revenue growth over the medium term.

Efficiency measures to support operating margin stability: Nahdi's gross margins have come under pressure due to intensifying market competition. Gross margins declined to 37.4% in 2024 from a peak of 41.1% in 2022. The company launched its "Road to Efficiency" program in 2023, aimed at reducing the OPEX-to-sales ratio. This initiative led to a decline of 120 bps in the ratio by 2024. The management continues to prioritize margin-supportive levers, including an increasing focus on private label products and online sales. We forecast the OPEX-to-sales ratio to average 27.2% over the next five years, with gross and operating margins remaining largely stable at 35.9% and 9.0%, respectively.

Valuation: We believe that the stock's current price level adequately reflects the long-term earnings trajectory and offers limited upside from here. Our TP of SAR 125.7/share is based on a DCF valuation, resulting in an upside of 9.8%. Notably, the stock has witnessed only a slight decline of 2.6%, compared to TASI's 12.8% on a YTD basis.

Risk: Key risks include slower store expansion, rising competition affecting margins and market share, and weak scalability of the healthcare segment.

RATING SUMMARY

Target Price (SAR)	125.7
Upside/Downside	9.8%
Div. Yield (%)	4.5%
Total Exp. Return	14.4%

Source: Company Financials, anbc Research

Neutral

ISSUER INFORMATION

Bloomberg Code	NAHDI AB
Last Price (SAR)	114.5
No of Shares (mn)	130
Market Cap bn (SAR/USD)	14.9/4.0
52-week High / Low (SAR)	134.2/106.0
12-month ADTV (mn) (SAR/USD)	23.0/6.1
Free Float (%)	30
Foreign Holdings (%)	9.3

Last price as of September 8th, 2025

VALUATIONS

	2024a	2025e	2026f	2027f
EPS (SAR)	6.3	6.5	6.8	7.0
PER (x)	18.1	17.6	16.8	16.4
PBV (x)	5.8	6.2	5.8	5.4
DPS (SAR)	5.5	5.2	5.5	5.6
D. Yld. (%)	4.8	4.5	4.8	4.9
RoAE (%)	32.5	34.1	35.7	34.1
RoAA (%)	14.2	13.7	13.7	13.1

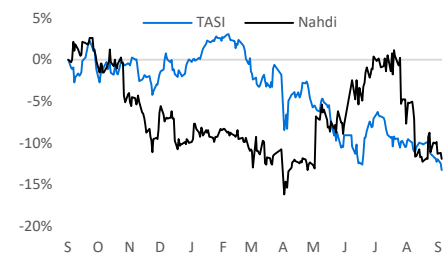
Source: Company Financials, anbc Research

FINANCIALS (SAR MN)

	2024a	2025e	2026f	2027f
Revenue	9,446	10,134	10,632	11,091
Gross Pro.	3,533	3,721	3,883	4,009
EBITDA	1,577	1,720	1,879	2,000
Net Inc.	821	848	885	907
EPS	6.3	6.5	6.8	7.0
DPS	5.5	5.2	5.5	5.6

Source: Company Financials, anbc Research

RELATIVE PRICE PERFORMANCE



Source: Bloomberg, anbc Research

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Investment Thesis

Multi-pronged growth strategy to support long-term growth

Nahdi continues to diversify its revenue streams with investments in healthcare services, private label expansion, and increasing regional footprint.

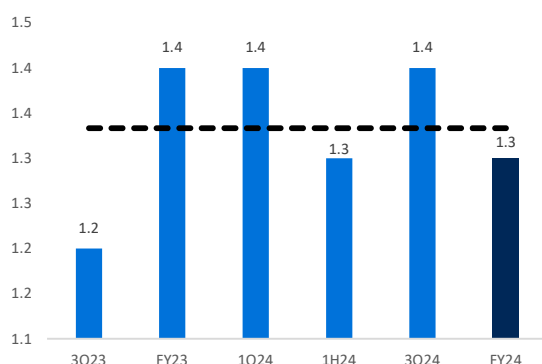
Long-term healthcare revenue ambitions

Nahdi is undergoing a transition from a pharmacy provider to an integrated healthcare provider. The company expanded its healthcare footprint from 3 polyclinics in 2022 to 12 by 1H25, with plans to scale to 15-20 clinics in the near term. The management targets SAR 1.0 bn in healthcare revenue within five years (vs. SAR 200 mn in 2024), while four clinics have reached maturity, delivering 15% net margins. Additionally, for every SAR 1.0 generated by the clinics, the management estimates an incremental SAR 1.3 in pharmacy revenue, translating into SAR 257 mn attributed to the pharmacy retail segment in 2024 through this synergistic "build-and-borrow" model.

The broader healthcare portfolio includes polyclinics, virtual consultations, home healthcare, and delivery. Patient volumes continue to scale, with total polyclinic visits increasing to 1.4 mn in 2024 (vs. 0.9 mn in 2023). As of 2024, the company has handled over 797,000 virtual consultations and 21,000 home healthcare visits.

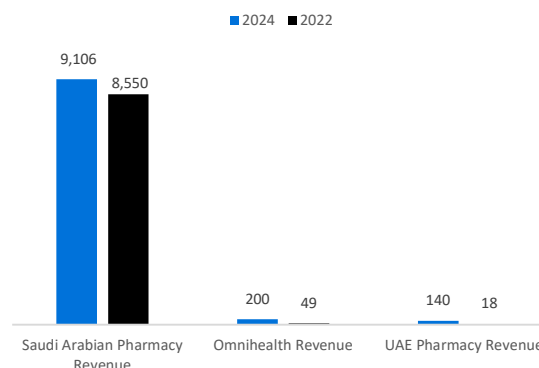
Going forward, we see strong structural tailwinds supporting this segment's growth. Saudi Arabia has already exceeded its Vision 2030 tourism target of 100 mn visitors, achieved seven years early, and has now raised the target to 150 mn. Rising expat inflows are expected to lift Riyadh's population from 8.6 mn to 9.6 mn by 2030f. In addition, demographic shifts toward an aging population (65+ years to more than double from the current 2.7% by 2035f) and elevated prevalence of non-communicable diseases, such as diabetes and obesity, would provide further stimulus. Given these macro tailwinds, we believe the resulting increase in demand for healthcare services positions the healthcare segment as a key long-term growth driver for Nahdi.

Chart 43: Healthcare segment historically helps generate up to 1.4x revenue to pharmacies



Source: Company Financials, anbc Research

Chart 44: Nahdi revenue break up

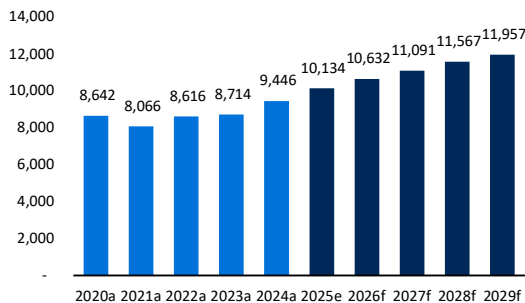


Source: Company Financials, anbc Research

Regional Expansion in the UAE

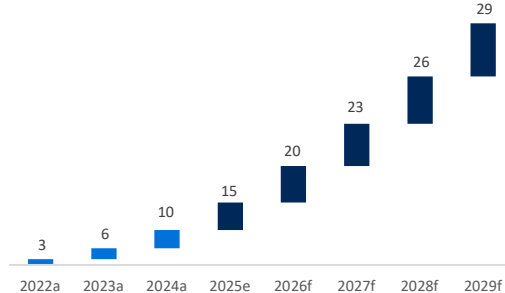
Having entered the UAE in 2019, Nahdi has expanded its regional footprint, steadily growing its operations since. Revenue from the UAE increased from SAR 18 mn in 2022 to SAR 140 mn in 2024, driven by expansion to 25 pharmacies, including 10 new openings during 2024. As of 1H25, the company has further expanded its footprint to 34 pharmacies. In 2Q24, Nahdi launched its online platform in the UAE, offering the same convenience and access available in the Kingdom. In 2025e, the company plans to introduce a curated range of its product portfolio in the UAE, further enhancing brand visibility and regional positioning. With a UAE pharmaceutical market estimated at SAR 17.6 bn, the company sees significant potential for growth in the market.

Chart 45: Revenues (SAR mn) to grow at 4.8% CAGR



Source: Company Financials, anbc Research

Chart 46: Number of Clinics to grow to 29 by 2029f



Source: Company Financials, anbc Research

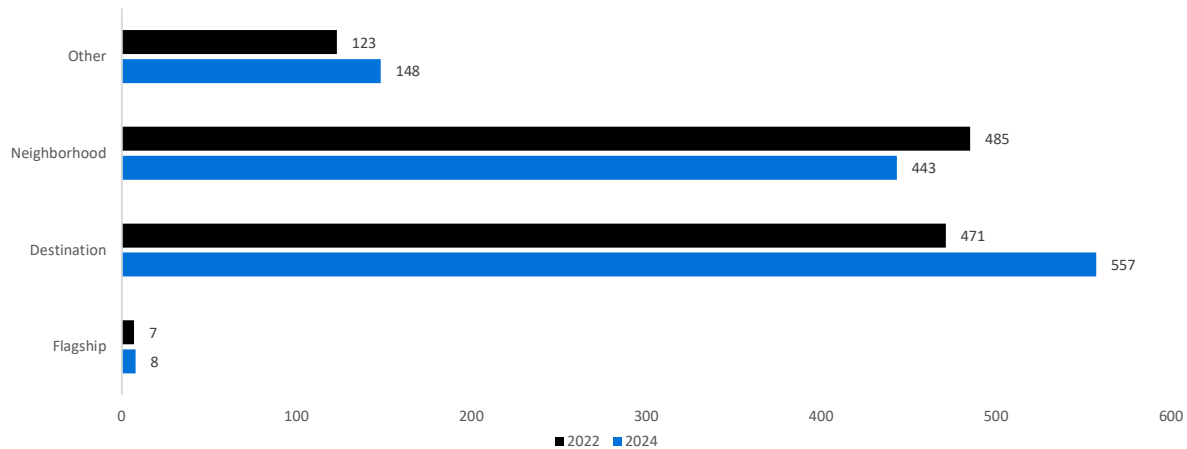
Value-driven portfolio to support differentiation

Nahdi is expanding its private label portfolio, which now contributes 13.0% of total revenue as of 2024 compared to 5.0% in 2018. These products typically offer 1.5x the margin of the rest of the portfolio, enhancing profitability. The private label strategy supports value creation through differentiation, stronger local content, and cost-efficient alternatives for consumers.

Digitalization remains a core pillar of Nahdi's growth strategy. Since the COVID-19 pandemic, the company has seen strong traction in its online segment. In 2024, Nahdi launched a revamped website and mobile app with an AI-enhanced user interface, further integrating its omnichannel capabilities. Online transactions rose by 48% YoY, with digital sales reaching SAR 2 bn in 2024 (up 40% YoY), now contributing 22% of total revenue. The company recorded 200 mn digital sessions in 2024, with over 16 mn sessions per month, outpacing Amazon's 13 mn monthly sessions for comparable products, highlighting the company's growing digital engagement.

Planned store openings to sustain revenue growth

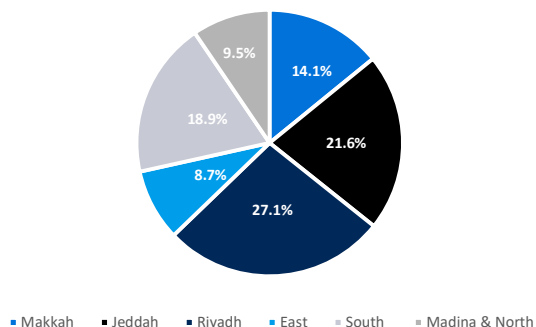
As of 2024, Nahdi operated 1,156 pharmacies across Saudi Arabia (1,173 as of 1H25), achieving 97% population coverage. The majority of these are concentrated in Riyadh (27%), Jeddah (22%), and the Southern region (19%). In the UAE, Nahdi operates 25 pharmacies (34 as of 1H25) under its ongoing regional expansion strategy. Over the past two years, Nahdi has stepped up its expansion efforts, opening 95 net new stores after a phase of portfolio consolidation that saw 75 net closures in the prior four years. This shift was driven by the company's increased focus on larger-format pharmacies. As of 2024, the store network includes: 8 flagship pharmacies (≥ 800 m², premium format), 557 destination pharmacies (≥ 240 m²), 443 neighborhood pharmacies (≥ 150 m²), and 148 additional stores (including mall-based and provider pharmacies).

Chart 47: Store Network 2022-24


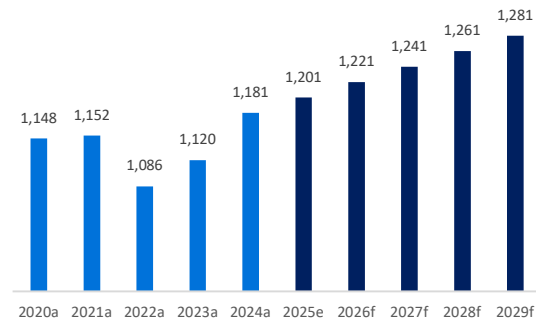
Source: Company Financials, anbc Research

Going forward, the company plans to add 20 net new stores annually, with an emphasis on flagship and destination formats. These are usually larger, street-facing stores and are designed to offer an enhanced customer experience, a broader product range, and increased foot traffic potential. The larger stores also operate as dark stores to support the company's online fulfillment capabilities, strengthening the synergy between offline and digital channels.

Nahdi holds a leading position in the retail pharmaceutical segment, as of 2024, the company has a Nielsen brand equity score of 6.9, more than double that of the nearest competitor, and a market share of 30.0% in Saudi Arabia. Notably, 70% of the company's revenue is generated through its Nuhdeek loyalty program. We believe this strong brand equity and customer loyalty will support consistent revenue performance from newly opened pharmacies. We forecast the total pharmacy area to grow at a 2024a-2029f CAGR of 1.8%, reaching 536,859 m² by 2029f, supporting an estimated 2.4% annual increase in volumes sold during the same period. We expect this expansion to sustain medium-term topline growth in the range of 3.0-5.0%.

Chart 48: Nahdi's nationwide coverage across KSA


Source: Company Financials, anbc Research

Chart 49: Nahdi to add 20 net new stores annually


Source: Company Financials, anbc Research

Efficiency measures to support operating margin stability

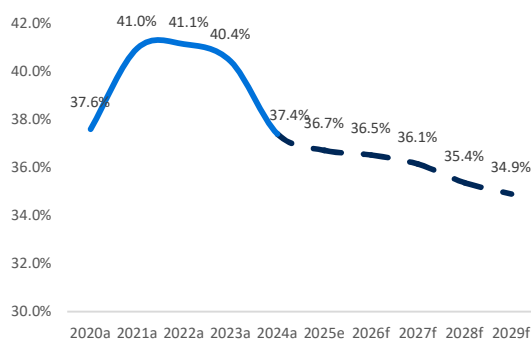
Nahdi's gross margins have moderated from a peak of 41.1% in 2022 to 37.4% in 2024, primarily due to intensifying market competition. The company launched its Road to Efficiency program in 2023, following an internal assessment that indicated an elevated OPEX-to-sales ratio relative to global peers. As a result, the management prioritized cost discipline, successfully reducing OPEX-to-sales from 29.7% in 2023 to 28.5% in 2024. Despite opening 61 net new pharmacies in 2024, we note that the company achieved this improvement with minimal changes in headcount, reflecting the focus on operational efficiency.

We expect OPEX-to-sales to average 27.2% over the next five years, with operating margins remaining steady around 9.0%. While price competition is expected to persist, we expect gross margins to remain broadly stable in the near term, with slight softening projected over the longer horizon. Nahdi remains well-positioned to defend its operating profitability. Margin resilience is expected to be underpinned by the following key factors:

- (i) Private label expansion, which now contributes 13% of revenue and typically delivers 1.5x the margin of the core portfolio.
- (ii) Digital sales growth, with online revenues rising 40% YoY in 2024 and contributing 22% of total sales. Digital channels typically command higher operating margins due to scale efficiencies and lower fulfillment costs.
- (iii) Healthcare segment, which is emerging as a margin-enhancing vertical. As of 2024, four mature clinics are delivering 15% net margins, compared to the company-wide net margin of 9%, indicating uplift potential as the network scales.

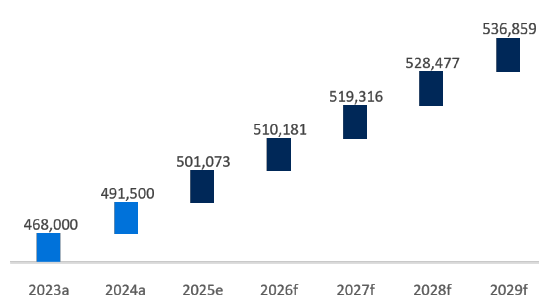
Overall, we expect these initiatives, combined with ongoing cost discipline, to support sustainable operating profitability, despite the evolving competitive landscape.

Chart 50: Gross margins stabilizing after prior decline



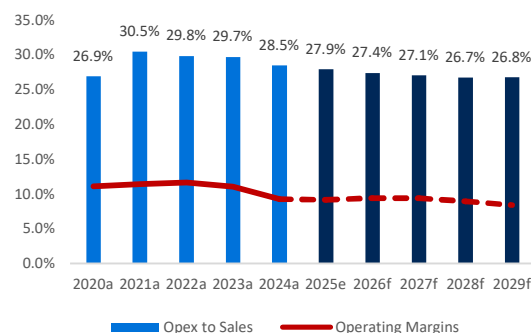
Source: Company Financials, anbc Research

Chart 52: Total area projected to rise by a 1.8% CAGR



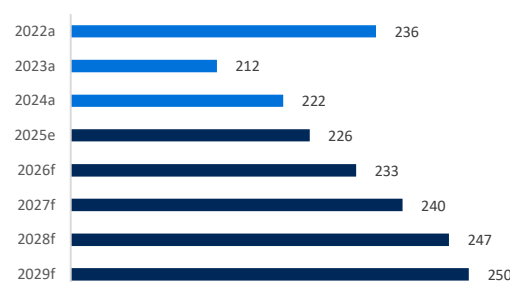
Source: Company Financials, anbc Research

Chart 51: OPEX to Sales to witness a slight decline



Source: Company Financials, anbc Research

Chart 53: Units sold (mn) to expand at 2.4% CAGR



Source: Company Financials, anbc Research

Valuation

We have adopted a Discounted Cash Flow (DCF) valuation approach for Nahdi, which resulted in a target price of SAR 125.7/share, implying a 9.8% upside. We have assumed a risk-free rate of 5.0%, market risk premium of 5.2% and a beta of 0.8, resulting in a WACC of 6.6%. Additionally, we have used a terminal growth rate of 2.5%. We assign a 'Neutral' rating on the stock, as we believe that Nahdi's earnings growth trajectory is already priced in. Notably, the stock has witnessed only a slight decline of 2.6%, compared to TASI's 12.8% on a YTD basis. At a 2025e PER of 17.6x relative to its post-IPO average of 19.5x, we believe the stock is fairly valued, limiting further upside potential.

	anbc Estimate	Consensus*	anbc Estimate	Consensus*	anbc Estimate	Consensus*
SAR mn	2025e	2025e	2026f	2026f	2027f	2027f
Revenue	10,134	10,290	10,632	11,179	11,091	11,872
Gross Margin	36.7%	36.7%	36.5%	36.3%	36.1%	36.0%
EBITDA	1,720	1,748	1,879	1,908	2,000	2,018
Net Income	848	845	885	865	907	955
Net Margin	8.4%	8.2%	8.3%	7.7%	8.2%	8.0%
EPS	6.5	6.5	6.8	6.7	7.0	7.3

Source: anbc Research, Bloomberg

*As of September 8th, 2025

SAR mn	2027f	2028f	2029f	2030f	20231f
FCFF	829	852	868	862	851
Terminal Value					20,579
FCFF + Terminal	829	852	868	862	21,430
Discounted FCFF	772	743	712	666	15,544

Enterprise Value	18,436
Cash	407
Debt	(2,496)
Equity Value	16,347
Target Price	125.7

Source: anbc Research

Sensitivity Analysis on DCF Valuation

WACC	Growth rate					
		1.5%	2.0%	2.5%	3.0%	3.5%
	4.6%	177.9	209.5	256.0	330.8	471.7
	5.6%	131.5	148.1	169.9	200.1	244.4
	6.6%	103.4	113.4	125.7	141.6	162.4
	7.6%	84.6	91.1	98.9	108.5	120.3
	8.6%	71.1	75.7	81.0	87.3	94.8

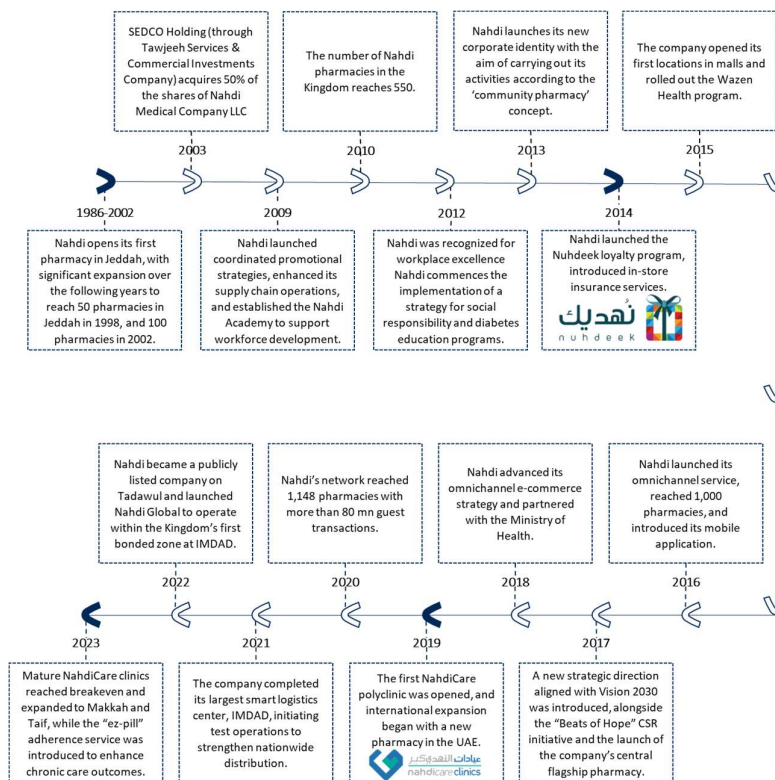
Source: anbc Research

Company overview

Nahdi Medical Company, founded in 1986 and publicly listed on the Saudi Exchange in 2022, is the largest pharmacy chain in Saudi Arabia and a leading omnihealth platform in the GCC. As of 1H25, the company operates 1,173 pharmacies in Saudi Arabia, along with 34 pharmacies in the UAE, achieving a nationwide service coverage of 97%.

Nahdi business model is built around two core pillars: retail pharmacy and omnihealth services. Revenue streams are diversified across (i) front-shop sales (including wellness, mom & baby, and beauty categories), (ii) prescription medicines, private label and direct import products, and (iii) healthcare services such as clinics, telemedicine, and home healthcare.

In addition to its retail footprint, Nahdi manages 12 NahdiCare polyclinics and has built a scalable digital ecosystem encompassing e-commerce platforms, virtual consultations, and integrated healthcare services. This omni-channel strategy is central to improving access, deepening customer engagement, and driving long-term growth across both retail and healthcare verticals.



Source: Company Financials, anbc Research

The company leverages advanced logistics capabilities through its IMDAD distribution center, supporting efficient supply chain operations across its network. Additionally, Nahdi operates on a scalable, cloud-based tech stack, enabling real-time inventory visibility, centralized prescription dispensing, and personalized digital engagement, positioning it well for continued expansion and improving operating efficiency across both physical and digital channels.

Nahdi holds approximately 30% of the value share in the private retail pharmaceutical sector and operates 11% of the total pharmacies in Saudi Arabia as of 2023. It maintains the highest Nielsen brand equity score in the sector (6.9), more than double the nearest competitor as of 2024. Guest loyalty remains robust, with ~70% of revenue generated through the Nuhdeek loyalty program. Nahdi's scale, brand equity, and operational capabilities provide a significant edge in an otherwise fragmented and consolidating market.

Geographic footprint and scale

Nahdi maintains the largest pharmacy network in the Kingdom with 1,173 stores as of 1H25, complemented by a growing presence in the UAE with 34 pharmacies. The company's 12 operational clinics are strategically located in major urban and pilgrimage centers, including Riyadh, Makkah, Madinah, and Jeddah. The IMDAD smart logistics hub in Jeddah and a second bonded zone in Riyadh support rapid fulfillment across regions. Nahdi's infrastructure ensures wide accessibility and operational efficiency.

Chart 54: Pharmacy locations



As of 2024, Nahdi has a well-diversified national footprint, led by Riyadh with 313 pharmacies, followed by Jeddah (250), the Southern region (219), Makkah (163), and Madinah & North (110). The Eastern region hosts 101 pharmacies. This broad coverage across key regions reinforces Nahdi's position as a leading nationwide pharmacy chain in Saudi Arabia.

Source: Company Financials, anbc Research

Financial overview

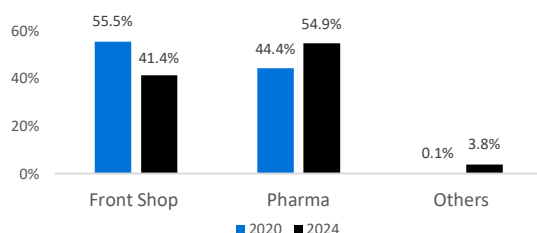
Nahdi's revenue mix remains diversified, with pharma contributing 54.9%, front shop (non-pharma) accounting for 41.4%, and the remainder from other segments including the UAE pharmacies and healthcare. Nahdi reported total revenue of SAR 9.4 bn as of 2024, reflecting an 8.4% YoY increase, marking its strongest topline performance in recent years. Growth was primarily driven by a 17.5% YoY increase in pharma revenue, along with a more than twofold rise in contributions from other segments.

Despite topline growth, profitability has softened. Gross margins declined from a peak of 41.1% in 2022 to 37.4% in 2024, impacted by the increasing price competition. This has led to EBITDA margins contracting from 18.6% in 2022 to 16.7% in 2024, resulting in a 3.9% CAGR decline in net income over 2022-2024.

In 1H25, Nahdi reported strong financial performance, with revenue growing by 9.1% YoY to SAR 5.2 bn and net profit reaching SAR 493.6 mn. Growth was primarily driven by a 9.9% increase in pharma revenue, alongside a 3.7% rise in non-pharma revenue, while the 'others' segment posted a 67.5% YoY increase.

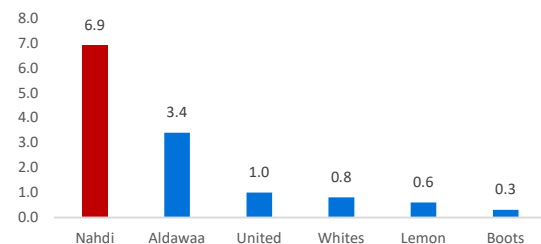
While 1H25 results exceeded the management's 2025 topline guidance of 6-8% YoY growth, the beat was driven by a seasonal boost from Ramadan. We expect revenue growth to normalize in the coming quarters, with full-year performance aligning with guidance.

Chart 55: Pharma leads the topline share



Source: Company Financials, anbc Research

Chart 56: Nahdi leads in brand equity - 2024



Source: Earnings Presentation, anbc Research

Financial Summary

Income statement (SAR mn)	2023a	2024a	2025e	2026f	2027f	2028f	2029f	CAGR 2024-2029f
Revenue	8,714	9,446	10,134	10,632	11,091	11,567	11,957	4.8%
Cost of Revenue	(5,191)	(5,914)	(6,413)	(6,749)	(7,082)	(7,475)	(7,784)	5.7%
Gross Profit	3,522	3,533	3,721	3,883	4,009	4,091	4,173	3.4%
Operating Expenses	(2,561)	(2,660)	(2,795)	(2,885)	(2,970)	(3,059)	(3,170)	3.6%
EBIT	961	873	926	998	1,039	1,032	1,002	2.8%
Dep & Amort	618	703	794	881	961	1,038	1,112	9.6%
EBIDTA	1,579	1,577	1,720	1,879	2,000	2,070	2,114	6.0%
Finance Cost	(83)	(116)	(130)	(128)	(123)	(106)	(85)	-5.9%
Profit Before Zakat	944	835	861	936	959	960	943	2.5%
Zakat	52	14	13	51	52	52	52	30.1%
Net Income	893	821	848	885	907	908	891	1.7%
Number of Share	130	130	130	130	130	130	130	
EPS	6.9	6.3	6.5	6.8	7.0	7.0	6.9	
Balance Sheet								
Fixed Assets	1,040	1,113	1,231	1,326	1,394	1,434	1,442	5.3%
Other Non-Current Assets	1,572	1,950	2,097	2,210	2,303	2,380	2,445	4.6%
Non-current assets	2,613	3,062	3,328	3,536	3,697	3,814	3,888	4.9%
Trade receivables	173	136	178	177	184	192	199	8.0%
Cash and Cash equivalents	910	957	238	407	567	715	871	-1.9%
Other Current Assets	1,676	2,019	2,470	2,567	2,664	2,777	2,867	7.3%
Current Asset	2,759	3,111	2,886	3,152	3,415	3,685	3,937	4.8%
Total Assets	5,371	6,173	6,214	6,688	7,112	7,499	7,825	4.9%
Total Equity	2,463	2,586	2,389	2,566	2,745	2,924	3,101	3.7%
Lease liabilities	-	-	-	-	-	-	-	n/a
Other Non-Current Liabilities	1,277	1,581	1,824	1,994	2,125	2,218	2,281	7.6%
Non-current liabilities	1,277	1,581	1,824	1,994	2,125	2,218	2,281	7.6%
Trade payables	894	1,249	1,354	1,425	1,495	1,578	1,643	5.7%
Short-term Borrowings	-	-	-	-	-	-	-	n/a
Other current Liabilities	737	757	647	704	747	779	800	1.1%
Current Liabilities	1,631	2,006	2,001	2,129	2,243	2,357	2,443	4.0%
Total liabilities and equity	5,371	6,173	6,215	6,688	7,112	7,499	7,825	4.9%

Source: Company Financials, anbc Research

Valuation Ratios	2023a	2024a	2025e	2026f	2027f	2028f	2029f
EPS	6.9	6.3	6.5	6.8	7.0	7.0	6.9
DPS	5.5	5.5	5.2	5.5	5.6	5.6	5.5
BVPS	18.9	19.9	18.4	19.7	21.1	22.5	23.9
PE	16.7	18.1	17.6	16.8	16.4	16.4	16.7
Div Yield	4.8%	4.8%	4.5%	4.8%	4.9%	4.9%	4.8%
PBV	6.0	5.8	6.2	5.8	5.4	5.1	4.8
EV/Sales	1.8	1.7	1.7	1.6	1.5	1.5	1.4
Price / Sales	1.7	1.6	1.5	1.4	1.3	1.3	1.2
EV/EBITDA	9.9	10.1	9.9	9.1	8.5	8.2	8.0
Margins	2023a	2024a	2025e	2026f	2027f	2028f	2029f
Gross Margin	40.4%	37.4%	36.7%	36.5%	36.1%	35.4%	34.9%
EBITDA Margin	18.1%	16.7%	17.0%	17.7%	18.0%	17.9%	17.7%
Operating Margin	11.0%	9.2%	9.1%	9.4%	9.4%	8.9%	8.4%
Net Margin	10.2%	8.7%	8.4%	8.3%	8.2%	7.8%	7.5%
Returns	2023a	2024a	2025e	2026f	2027f	2028f	2029f
ROA	17.3%	14.2%	13.7%	13.7%	13.1%	12.4%	11.6%
ROE	37.9%	32.5%	34.1%	35.7%	34.1%	32.0%	29.6%
Health	2023a	2024a	2025e	2026f	2027f	2028f	2029f
Debt to Asset	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Debt to Equity	0.5	0.6	0.6	0.7	0.7	0.7	0.6
Debt to Capital	0.3	0.4	0.4	0.4	0.4	0.4	0.4
EBIT/ Interest	12.4	8.2	7.6	8.3	8.8	10.0	12.1

Source: Company Financials, anbc Research

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