

Saudi Ground Services Co.

19 October 2025

We initiate coverage on Saudi Ground Services (SGS) with a target price of SAR 53.6/share and an 'Overweight' rating. As the dominant ground handling provider in Saudi Arabia, with a ~90% market share and operations across all 29 airports, SGS is well positioned to benefit from the Kingdom's rapidly expanding aviation sector. Revenues are projected to post a 12.4% CAGR over 2024–2029f, supported by the fleet expansion of existing carriers and the entry of new airlines. These factors, combined with the stock's 10.2% YoY decline, provide favorable entry point at current levels. The stock currently trades at a 2026f P/E of 18.9x, below its 10-year historical average (excluding COVID-19 impacted years) of 20.6x.

Short-term softness, Long-term growth. Saudi Arabia aims to handle 330 mn passengers, expand air connectivity to 250 destinations, and increase cargo-handling capacity to 4.5 mn tons by 2030f. As the country's largest ground handling player, SGS is well-placed to capture this growth. Nevertheless, short-term sector softness is evident, as reflected in 1H25 when air cargo volumes fell 5% YoY, and passenger and flight numbers rose only 7% and 4% YoY, respectively. While this moderation points to temporary sector weakness, intensifying competition poses a more longer-term challenge that could weigh on SGS's performance. We project the number of flights handled by SGS to grow at a 12.7% CAGR over 2024–2029f.

Evolving fleet size to drive revenue growth. Saudi airlines collectively hold a confirmed order book of ~461 aircraft, which will translate into higher ground handling demand. SGS maintains long-term contracts with the top four airlines in KSA, accounting for ~70% of its business, and has recently secured a SAR 2 bn contract with Riyadh Air to provide ground services, strengthening revenue visibility. We expect this fleet growth to underpin the company's projected 12.4% revenue CAGR over 2024–2029f.

Rising competition. The key headwind for SGS remains the entry and expansion of rival players such as Swissport, which has benefited from GACA's efforts to promote fair competition within the ground handling market. Swissport currently serves over 50% of foreign carriers and has expanded from 6 airports in early 2024 to 13 by mid-2025, signaling increasing market pressure. In response, SGS is diversifying beyond core ground handling into ancillary services, including general aviation and out-of-airport passenger handling, serving over 100,000 Hajj and Umrah travelers in 2025.

Resumption of dividend. SGS resumed dividends after a four-year hiatus, declaring SAR 2.0/share for 2024 (a 115% payout) and SAR 1.0/share in 1H25 (95% payout). With strong cash flows, a debt-free balance sheet, and limited capex requirements, we expect the company to maintain a normalized 75–80% payout ratio going forward, supported by improving receivable collections and stable margins.

Valuation: Our FCFF based valuation assumes a terminal growth rate of 2.5% and a WACC of 10.1%, implying 15.3% upside from current levels.

Risks: The primary downside risk is a lower-than-expected number of flights to the Kingdom, which could impact overall growth. Furthermore, contract renewals terms with existing clients may become more challenging as competitors expand operations. Potential delays in planned aircraft deliveries to Saudi based airlines is also worth highlighting.

RATING SUMMARY

Target Price (SAR)	53.6
Upside/Downside	15.3%
Div. Yield (%)	4.2%
Total Exp. Return	19.3%

Source: Company financials, anb research

OVERWEIGHT

ISSUER INFORMATION

Bloomberg Code	SGS AB
Last Price (SAR)	46.8
No of Shares (mn)	188
Market Cap bn (SAR/USD)	8.7/2.3
52-week High / Low (SAR)	57.1/41.0
12-month ADTV (mn) (SAR/USD)	21.1/5.6
Free Float (%)	47.5%
Foreign Holdings (%)	6.2%

Last price as of October 16th, 2025

VALUATIONS

	2024	2025e	2026f	2027f
EPS (SAR)	1.7	2.2	2.5	2.9
PER (x)	26.7	21.6	18.9	16.3
PBV (x)	3.5	3.3	3.0	2.7
DPS (SAR)	2.0	1.6	2.0	2.3
Div. Yield (%)	4.3	3.5	4.2	4.9
RoE (%)	13.5	15.7	16.6	17.5
RoA (%)	7.7	9.3	10.1	11.0

Source: Company financials, anb research

FINANCIALS (SAR mn)

	2024	2025e	2026f	2027f
Revenue	2,684	2,808	3,179	3,609
Gross Profit	621	650	759	881
EBITDA	441	550	642	746
Net Income	327	405	462	538

Source: Company financials, anb research

RELATIVE PRICE PERFORMANCE



Source: Bloomberg, anb research

Raed N. Alshalhoub

Analyst - Sell-Side Research

Raed.Alshalhoub@anbcapital.com.sa

+966 11 4062500 Ext. 2677

Investment Thesis

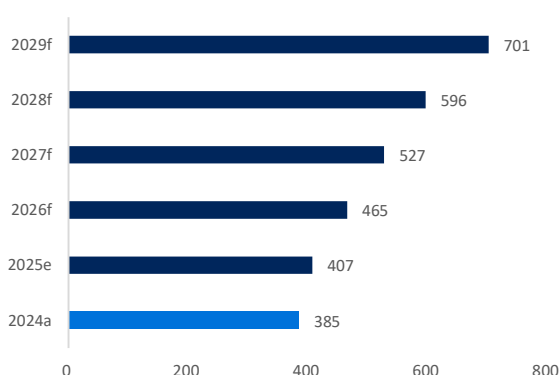
SGS: Well-positioned to benefit from aviation sector growth

Saudi Ground Services Co. (SGS) is well-positioned to benefit from the expansion of Saudi Arabia's aviation sector, which is being driven by the growth in tourism, business travel, and religious pilgrimages. The Kingdom aims to accommodate 330 mn passengers, expand air connectivity to 250 destinations, and enhance air cargo capacity to 4.5 mn tons by 2030f. As the largest ground-handling operator in the country, with an approximate 90% market share and presence across all airports, SGS stands to capture a substantial share of this growth.

In the near term, however, sector softness has emerged. In 1H25, air cargo volumes fell 5% YoY, while passenger and flight numbers grew moderately by 7% and 4% YoY, respectively. This slower-than-expected momentum could weigh on SGS's short-term performance. Nonetheless, the company's strong client base provides a solid revenue foundation, with contracts from the four largest airlines contributing about 70% of total revenue. Additionally, SGS has secured a SAR 2 bn long-term contract with Riyadh Air to provide ground-handling services. Riyadh Air, which holds a confirmed order book of 157 aircrafts, is expected to commence operations by late October 2025, creating a new growth avenue for SGS.

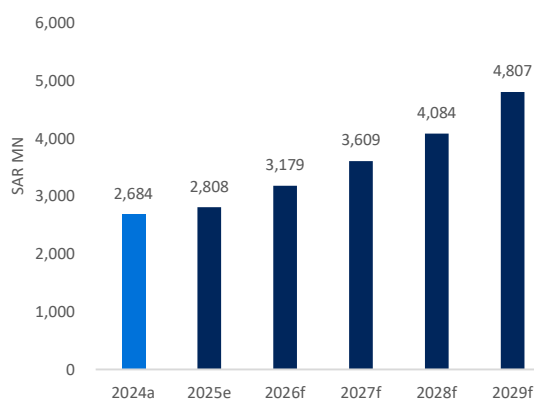
Meanwhile, competition in the sector continues to intensify, led by Swissport's rapid expansion under the GACA initiative to promote fair competition. Swissport has increased its presence from 6 airports in early 2024 to 13 airports by mid-2025, and currently partners with more than 50 international and regional airlines, handling over 50% of foreign carrier operations. Despite this, SGS remains strategically positioned due to its scale, network, and long-term contracts. We project the company's revenue to grow at a 2024–2029f CAGR of 12.4%, driven primarily by higher flight turns volumes, which are expected to rise from 384,952 in 2024 to 701,321 by 2029f.

Chart 24: SGS number of turns (k)



Source: Earnings call, anbc research

Chart 25: 2024–2029f CAGR of 12.4% revenue



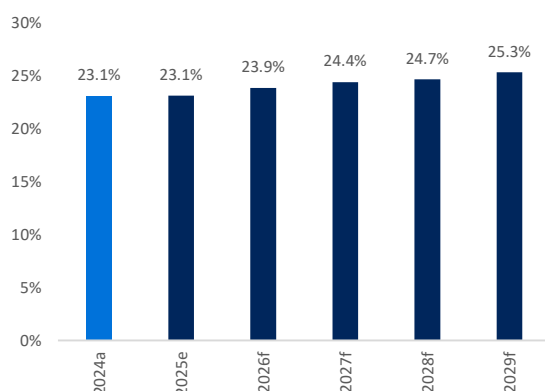
Source: Company financials, anbc research

Gross margins to remain flattish going forward

In 1H25, SGS reported a gross margin of 22%, compared to 20% in 1H24, primarily supported by a 4% YoY increase in flight turn volumes to 199,390. The improvement reflects both higher operational activity and continued focus on cost optimization. Looking ahead, the combination of steady revenue growth, improved productivity, and ongoing cost efficiency initiatives is expected to support a gradual enhancement in profitability, with gross margins projected to reach 25% by 2029f.

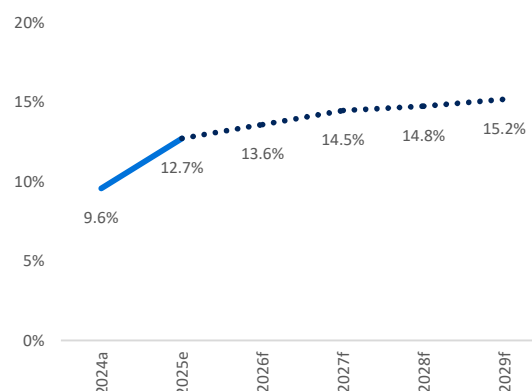
Operating performance also strengthened during 1H25, with operating profit rising 49% YoY to SAR 172 mn. The improvement was driven by the absence of impairment losses on trade receivables and better cost control, leading to an increase in operating margins to 13% in 1H25 from 9% in 1H24. As flight volumes continue to expand, we expect EBIT margins to improve further to around 15% by 2029f.

Chart 26: Gross margins to remain flat till 2029f



Source: Company financials, anbc research

Chart 27: EBIT margins to improve to 15.2% in 2029f

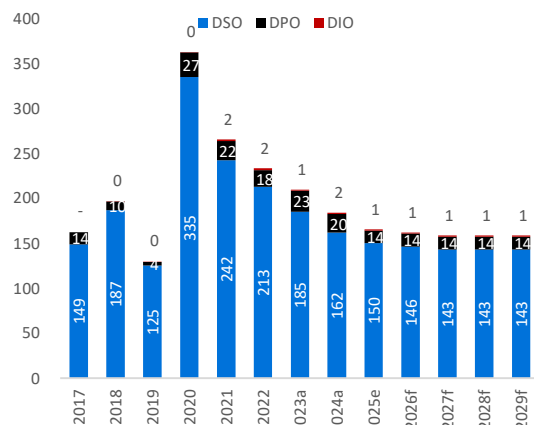


Source: Company financials, anbc research

Revenue and collection

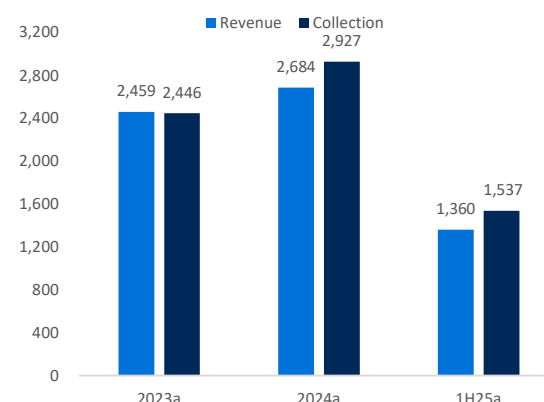
In 1H25, SGS's consolidated collection as a percentage of revenue increased to 113%, compared to 111% in 1H24. Both related-party and other airline collections improved by 1 percentage point, rising from 106% to 107% and from 116% to 117%, respectively. The improvement reflects the company's ongoing focus on strengthening receivable management.

Chart 28: Cash collection cycle (days)



Source: Company financials, anbc research

Chart 29: Collection vs revenue (SAR mn)



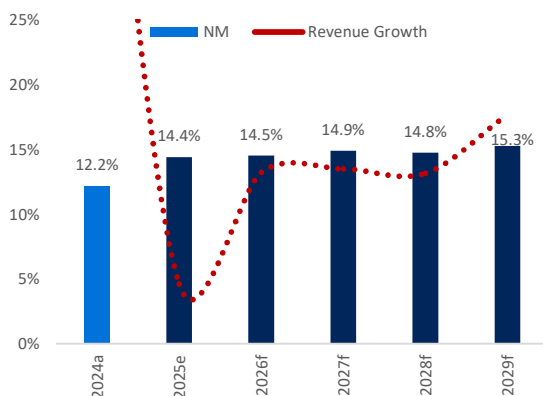
Source: Company financials, earnings call, anbc research

SGS's net margin rose to 14% in 1H25 from 11% in 1H24, supported by the absence of impairment losses and improved collection efficiency. Looking ahead, we expect net margins to remain stable, reaching around 15.3% by 2029f.

Before the COVID-19 impact on the aviation industry, SGS maintained a strong dividend payout ratio ranging between 62% and 107% during 2015–2018. Following a four-year hiatus, the company resumed dividend distributions in 2024, declaring SAR 2.0/share (a 115% payout ratio). This trend continued in 1H25, with a dividend

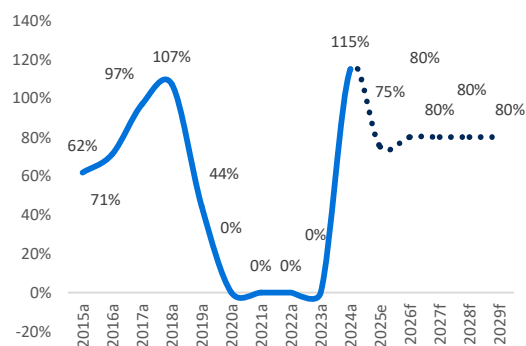
of SAR 1.0/share (95% payout). Given improving collections, higher profitability, a debt-free balance sheet, and limited capex requirements, we expect SGS to sustain a healthy payout ratio in the range of 75%–80% over the forecast period.

Chart 30: Net margins to improve to ~15% by 2029f



Source: Company financials, anbc research

Chart 31: Payout expected to stabilize going forward



Source: Company financials, anbc research

Valuation

We value SGS using the FCFF approach, applying a terminal growth rate of 2.5% and a WACC of 10.1%, which yields a target price of SAR 53.6/share, implying an upside potential of 15.3% from current levels. Based on this, we assign an 'Overweight' rating to the stock. At current levels, the stock trades at a 2026f P/E of 18.9x, representing a discount to its 10-year historical average (excluding 2020–2022) of 20.6x. Similarly, the company's 2026f P/BV of 3.0x remains below its 10-year historical average of 3.4x, backing our stance.

Valuation table:

SAR mn	2027f	2028f	2029f	2030f	2031f
FCFF	467	442	427	561	857
Terminal Value					11,498
FCFF + Terminal	467	442	427	561	12,355
Discounted FCFF	424	364	319	381	7,621
Enterprise Value	9,110				
Cash	1,158				
Debt	(184)				
Equity Value	10,084				
Target Price	53.6				

TP sensitivity:

W A C C	Growth rate					
		1.5%	2.0%	2.5%	3.0%	3.5%
	8.1%	63.7	67.7	72.6	78.3	85.3
	9.1%	55.3	58.3	61.7	65.6	70.2
	10.1%	48.9	51.1	53.6	56.5	59.7
	11.1%	43.9	45.6	47.5	49.6	52.0
	12.1%	39.8	41.2	42.7	44.3	46.1

Source: anbc research

SGS Company Overview

SGS is the leading provider of ground-handling services in Saudi Arabia, serving as a critical pillar of the Kingdom's aviation infrastructure. The company was renamed in 2011 following the merger of Saudia's ground services unit, the National Company for Ground Handling Services (NAS), and Al-Ataar Ground Handling Company (Ataar for Travel). SGS operates across 29 airports in Saudi Arabia.

The company was originally formed in 1945, within the Saudi Arabian Airlines, to carry out ground support services at the kingdom's airports. Later on, the company was established as an independent entity as Saudi Arabian Airlines Ground Services Company.

Services provided

Passenger Handling

SGS delivers end-to-end passenger handling services, including assisting travelers with check-in procedures, baggage drop-off, ticketing, and gate management. In 2024, SGS handled nearly 116 mn passengers vs. 101 mn passengers handled in 2023.

Baggage Handling

For baggage handling services, SGS ensures the secure assembly, sorting, reconciliation, and transportation of baggage, as well as its loading and unloading process. The company also manages the operation and handling of the Baggage Reconciliation System (BRS) to enhance efficiency and security. In 2024, SGS handled a record 102 mn pieces of luggage.

Traffic Control (TRC)

SGS manages ground-handling operations at 29 Saudi Arabian airports. The company monitors arrival and departure schedules and coordinates requisite turnaround activities efficiently and safely.

Ramp Services

The company's ramp-handling services include aircraft turnaround coordination, ground-to-cockpit headset service, aircraft marshaling during arrival and departure, and loading supervision for cargo, mail, and passenger baggage. Additionally, SGS provides essential ground support equipment such as Ground Power Units (GPU), Push-Back, Unit Load Device (ULD) control, Air Conditioning Units (ACU), Air Starter Units (ASU), aircraft towing, and wing-walker assistance, ensuring a smooth and coordinated turnaround process.

Cargo Handling

SGS handles the supervision, loading, unloading, and transportation of general cargo and special cargo with its own supply of specialized equipment and specially trained staff.

Fleet Solutions

SGS's fleet solution team is dedicated to maintaining clean and comfortable aircraft cabins. Its comprehensive range of services includes cabin grooming and deep cleaning, turnaround cleaning, toilet and water services, and specialized disinfection. These initiatives uphold the highest standards of hygiene and cleanliness, ensuring a smooth and enjoyable travel experience for passengers.

Load Control

SGS ensures the safe departure of aircraft with maximum payload load by providing control services, including load planning, precise aircraft weight and balance calculations, and effective communication through messaging and telecommunications. Additionally, the company issues essential documents such as Loading Instruction Reports, Notifications to Captains, and Load Sheets, facilitating seamless coordination between ground operations and flight crews.

Representation and Supervision

SGS is certified to represent and supervise aircraft services for its customer airlines, ensuring that all operations are handled by highly qualified personnel who uphold the airline's reputation and service standards. In addition, the company provides comprehensive maintenance and technical support for Ground Support Equipment (GSE) and vehicles, ensuring operational efficiency, reliability, and safety across all airport functions.

Joint Ventures:**1. Saudi Amad for Airports Services and Air Transport Support (SAAS)**

SGS formed a joint venture with Al-Amad Company, establishing Saudi Amad for Airports Services and Air Transport Support (SAAS) with an equal 50-50% stake. SAAS primarily focuses on providing passenger and crew transportation services, including airport bus operations.

2. TLD Arabia Equipment Services Company

SGS, holding a 50% stake, partnered with the French TLD Group to establish TLD Arabia Equipment Services Company, a limited liability company dedicated to providing automation and maintenance services for airport solutions and ground-handling equipment. The company serves both SGS and other aviation operators across all airports in the Kingdom.

3. Jusoor Airports services Company (JASC)

SGS, holding a 51% stake, established Jusoor Airports Services Company in partnership with Saudi Services and Operation Limited Company to oversee the operation and maintenance of passenger bridges and gate services across all airports in the Kingdom. The company operates as a limited liability entity.

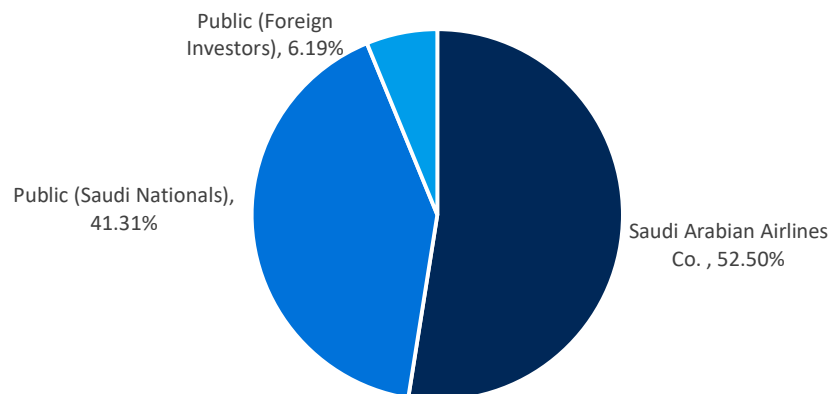
4. Ground Services Company for Travel and Tourism Services

SGS established Ground Services Company for Travel and Tourism Services as a wholly owned subsidiary, with the objective of providing services related to air transport and travel agency activities.

Clients



Shareholding pattern



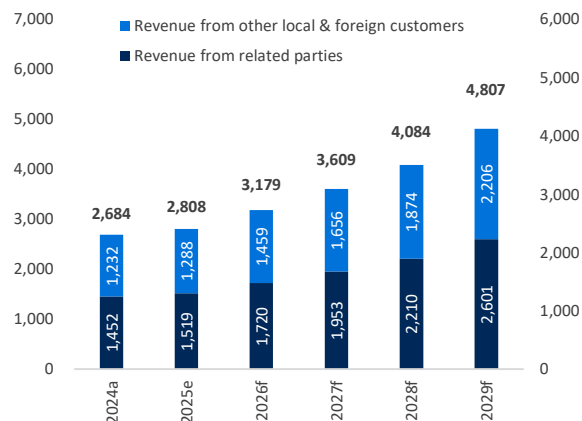
Source: Company financials, anbc research

History of SGS:

1954	•Established within the Saudi Arabian Airline.
2008	•It became independent from Saudi Arabian Airlines to become Saudi Arabian Airlines Ground Services Company.
2010	•Merged with Al-Attar Company for Ground Handling Services & the National Company for Handling Services.
2011	•It was renamed to Saudi Ground Service Company.
2014	•It was converted into a closed joint-stock company with a capital of SAR 1,880,000,000.
2015	•30% of the company was offered on the stock market for trading on June 25, 2015.
2020	•The COVID-19 pandemic and the suspension of flights.
2023	•The company's return to profitability.
2024	•Distribution of dividends to shareholders.
2025	•Distributed dividend of SAR 1/share in 1H25 to the shareholders.

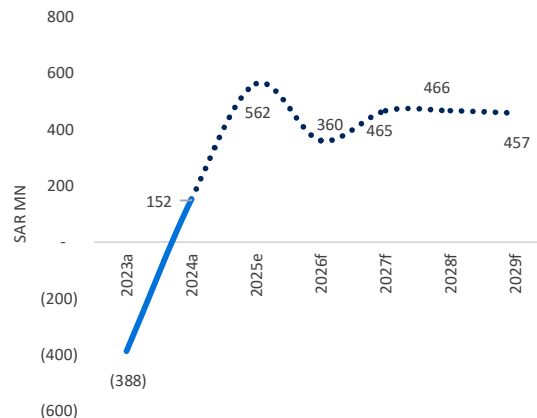
SGS's chart bank:

Chart 32: Revenue forecast (SAR MN)



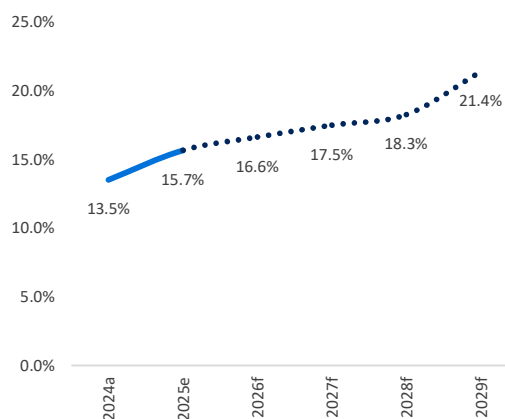
Source: Company financials, anbc research

Chart 33: FCFE to remain positive



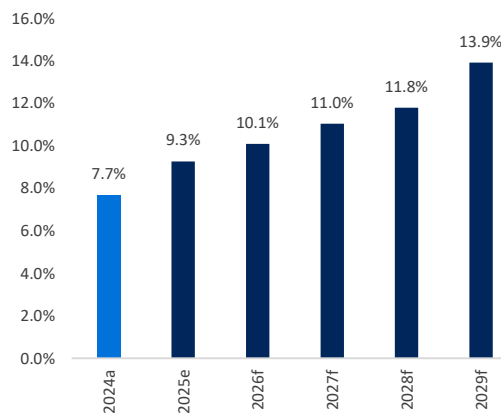
Source: Company financials, anbc research

Chart 34: ROE to improve going forward



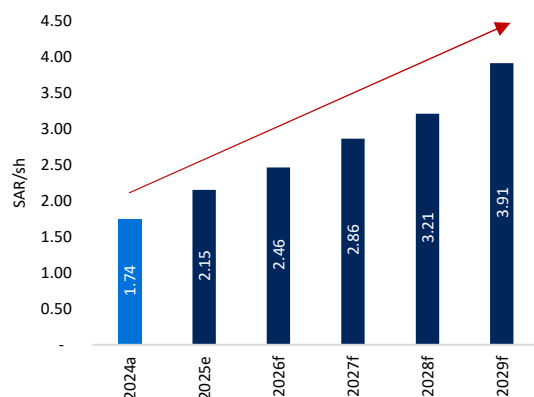
Source: Company financials, anbc research

Chart 35: ROA to improve going forward



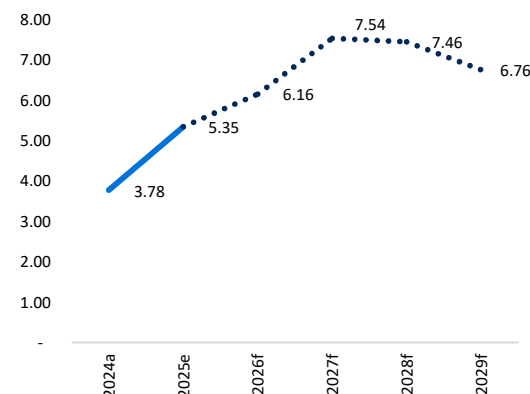
Source: Company financials, anbc research

Chart 36: Earnings to project a 5yr CAGR of 17.6%



Source: Company financials, anbc research

Chart 37: Cash/share expected to grow



Source: Company financials, anbc research

Financial Summary

Income Statement (SAR mn)	2023a	2024a	2025e	2026f	2027f	2028f	2029f	CAGR 2024-2029f
Revenue	2,459	2,684	2,808	3,179	3,609	4,084	4,807	12%
Cost of revenue	(2,050)	(2,063)	(2,158)	(2,420)	(2,728)	(3,076)	(3,592)	12%
Gross Profit	409	621	650	759	881	1,007	1,216	14%
Operating expenses	(233)	(364)	(292)	(327)	(358)	(405)	(485)	6%
Operating profit	176	257	357	432	523	603	730	23%
Other income	52	61	50	52	47	44	47	-5%
EBIT	228	319	407	484	569	647	777	20%
Dep & Amort	183	184	192	210	224	238	258	7%
EBIDTA	359	441	550	642	746	841	988	18%
Finance cost	(31)	(14)	(14)	(15)	(14)	(12)	(14)	-1%
Other exp./income	74	73	69	68	71	65	63	-3%
Profit Before Tax	271	378	463	537	627	700	827	17%
Zakat tax	(59)	(51)	(58)	(75)	(89)	(98)	(92)	13%
PAT	211	327	405	462	538	603	734	18%
Number of share	188	188	188	188	188	188	188	
EPS	1.12	1.74	2.15	2.46	2.86	3.21	3.91	
Balance Sheet	2023a	2024a	2025e	2026f	2027f	2028f	2029f	2024-2029f
Property & equipment	487	559	555	540	525	525	525	-1%
Right to use asset	225	141	189	175	158	158	158	2%
Others	138	237	238	265	289	281	321	6%
Intangible asset	747	723	700	677	653	630	607	-3%
Non-current assets	1,596	1,661	1,682	1,656	1,625	1,594	1,610	-1%
Trade receivables	1,248	1,191	1,153	1,275	1,416	1,602	1,886	10%
Prepayment & others	679	697	616	606	567	575	589	-3%
Cash & cash equivalents	704	710	1,006	1,158	1,418	1,402	1,271	12%
Inventories	5	9	8	9	10	12	14	9%
Current Asset	2,636	2,607	2,783	3,049	3,411	3,590	3,760	8%
Total Assets	4,231	4,268	4,465	4,705	5,036	5,184	5,370	5%
Share capital	1,880	1,880	1,880	1,880	1,880	1,880	1,880	0%
Retain earnings	(69)	634	773	1,028	1,360	1,481	1,628	21%
Statutory reserve	520	-	-	-	-	-	-	-
Total Equity	2,331	2,514	2,653	2,908	3,240	3,361	3,508	7%
Lease liabilities	151	85	108	94	87	94	104	4%
Employees' serv. benefit	559	562	575	575	575	575	575	0%
Non-current liabilities	710	647	683	670	663	669	679	1%
Trade payables	131	116	83	95	107	120	141	4%
Loans and borrowings	100	-	-	-	-	-	-	-
Lease liabilities	86	81	103	90	84	90	100	4%
Accruals & other liabilities	509	512	545	545	545	545	545	1%
Zakat payables	364	398	398	398	398	398	398	0%
Current Liabilities	1,190	1,107	1,130	1,129	1,134	1,154	1,184	1%
Total Liabilities & Equity	4,231	4,268	4,466	4,706	5,037	5,185	5,371	5%

Source: Company financials, anbc research

Valuation Ratios	2023a	2024a	2025e	2026f	2027f	2028f	2029f
EPS (SAR)	1.1	1.7	2.2	2.5	2.9	3.2	3.9
DPS (SAR)	-	2.0	1.6	2.0	2.3	2.6	3.1
BVPS (SAR)	12.4	13.4	14.1	15.5	17.2	17.9	18.7
PER (x)	41.3	26.7	21.6	18.9	16.3	14.5	11.9
DY (%)	0.0%	4.3%	3.5%	4.2%	4.9%	5.5%	6.7%
PBV (x)	3.7	3.5	3.3	3.0	2.7	2.6	2.5
EV/Sales (x)	3.4	3.1	2.8	2.4	2.1	1.8	1.6
Price/Sales (x)	3.6	3.3	3.1	2.7	2.4	2.1	1.8
EV/EBITDA (x)	23.4	18.6	14.5	12.1	10.0	8.9	7.8
Price/CF (x)	25.2	18.4	11.8	15.3	12.9	12.5	12.3
EV/Gross Profit (x)	20.5	13.2	12.2	10.2	8.5	7.5	6.3
Margins	2023a	2024a	2025e	2026f	2027f	2028f	2029f
Gross Margins	16.6%	23.1%	23.1%	23.9%	24.4%	24.7%	25.3%
EBITDA Margins	14.6%	16.4%	19.6%	20.2%	20.7%	20.6%	20.6%
Operating Margins	7.2%	9.6%	12.7%	13.6%	14.5%	14.8%	15.2%
Pretax Margins	11.0%	14.1%	16.5%	16.9%	17.4%	17.1%	17.2%
Net Margins	8.6%	12.2%	14.4%	14.5%	14.9%	14.8%	15.3%
Returns	2023a	2024a	2025e	2026f	2027f	2028f	2029f
ROA	4.9%	7.7%	9.3%	10.1%	11.0%	11.8%	13.9%
ROTA	9.7%	14.5%	14.5%	16.1%	17.5%	19.4%	22.6%
ROE	9.5%	13.5%	15.7%	16.6%	17.5%	18.3%	21.4%
Health Ratios	2023a	2024a	2025e	2026f	2027f	2028f	2029f
Cash/share	3.7	3.8	5.3	6.2	7.5	7.5	6.8
Cash as a % of Market Cap	8.0%	8.1%	11.5%	13.2%	16.2%	16.0%	14.5%
Debt to Asset	8.0%	3.9%	4.7%	3.9%	3.4%	3.6%	3.8%
Debt to Equity	14.4%	6.6%	8.0%	6.3%	5.3%	5.5%	5.8%
Debt to Capital	12.6%	6.2%	7.4%	6.0%	5.0%	5.2%	5.5%
EBIT/ Interest (x)	5.6	18.0	26.3	28.3	37.3	51.1	53.9
Activity Ratio	2023a	2024a	2025e	2026f	2027f	2028f	2029f
Current Ratio	2.2	2.4	2.5	2.7	3.0	3.1	3.2
Days Sales Outstanding	162.0	162.0	150.0	146.4	143.2	143.2	143.2
Days Sales in Inventory	1.6	1.6	1.4	1.4	1.4	1.4	1.4
Days Payable Outstanding	20.5	20.5	14.1	14.3	14.3	14.3	14.3
Cash Conversion Cycle	143.1	143.1	137.3	133.5	130.3	130.3	130.3
Growth Ratios	2023a	2024a	2025e	2026f	2027f	2028f	2029f
Revenue Growth	24.4%	9.1%	4.6%	13.2%	13.5%	13.2%	17.7%
Gross Profit Growth	157.2%	51.8%	4.6%	16.9%	16.1%	14.3%	20.7%
EBITDA Growth	905.8%	22.9%	24.7%	16.9%	16.2%	12.7%	17.5%
Operating Profit Growth	nm	46.1%	39.0%	21.0%	20.9%	15.3%	21.2%
Pretax Profit Growth	nm	39.4%	22.5%	16.1%	16.7%	11.7%	18.1%
Net Profit Growth	nm	54.6%	23.7%	14.3%	16.3%	12.1%	21.9%

Source: Company financials, anbc research

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