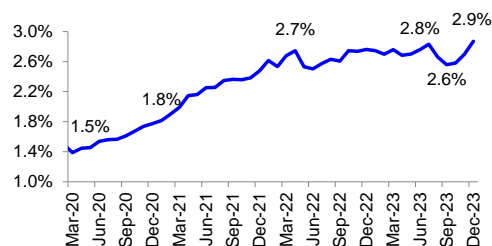
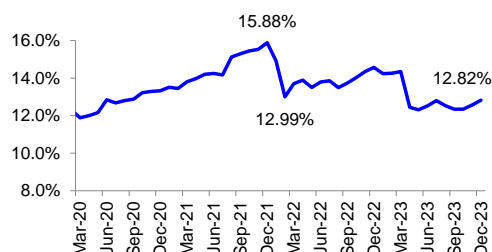


QFI +Swap ownership trend



Source: Tadawul, Al Rajhi Capital

QFI + Swap ownership (as a % of FF*Mcap) trend



Source: Tadawul, Al Rajhi Capital. * Free Float Market Capitalization

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MSCI Quarterly Review- Feb 2024

ADES strong contender for inclusion, Tasnee potential exclusion candidate

In the last Semi-annual review done in November 2023, the MSCI made no rejig to the Standard Index. MSCI would be announcing the outcome of its quarterly review for February 2024 on 12th of Feb 2024 and the changes will be effective from 1st of March. Based on the cut-off date of 18th January (the cut-off being any of the last 10 trading days of January), we have analysed the possible changes in the MSCI Saudi Arabia Standard Index. Considering the closing prices as on 18th January 2024, we present our analysis for the possible inclusion and exclusion candidates. As per our calculations, ADES is a potential inclusion candidate and Tasnee a probable exclusion candidate for the upcoming quarterly review. In continuation to our last note, ADES now adequately satisfies the minimum length of trading requirement post its debut on the main market in Oct'23 with its market capitalisation sustaining above the likely threshold. On the other hand, Arabian Drilling's market capitalisation also exceeds the reference point, but its free float-based market cap fails to satisfy the threshold. Besides, A. Othaim and Aldrees satisfy all the inclusion criteria, but their market capitalisation remains below the upper threshold of the reference point. Hence, as per our analysis, we rule out the possibility of them being upgraded to the Standard index.

Details of inclusion/exclusion candidates: Considering the market size segment cut off to be around USD 3.2 bn (SAR12.1bn as of 18th Jan 2024), ADES's market capitalisation at SAR27.8bn is significantly above the reference point (SAR12.1bn) and it also exceeds the upper threshold level of SAR18.2bn reasonably. In contrary, Tasnee's market capitalisation at SAR7.9bn breaches the lower threshold of SAR8.1bn and hence it is a potential exclusion candidate for the upcoming review. Additionally, subject to MSCI's decision on the segment number of companies, Advanced may also qualify as a potential exclusion candidate as its market capitalisation of SAR9.8bn stands below the reference point, albeit above the lower threshold (SAR8.1bn). However, it is worth noting that the free-float weighted market capitalisation of both Advanced (SAR8.7bn) and Tasnee (SAR6.5bn) is well above the reference point (SAR6.1n).

Current weights of MSCI Saudi Arabia Index: The MSCI Saudi Index currently comprises 42 stocks (would remain unchanged given the potential inclusion and exclusion) with Al Rajhi (15.6%) and SNB (11.7%) being the largest constituents among all the Saudi companies in MSCI Saudi Index as of 18th Jan 2024. The KSA's current weight in the EM index is estimated to be at around 4.44% (as of 18th Jan 2024).

Flows/Liquidity: Assuming the proforma weight of Saudi Arabia to be 4.44% in the MSCI EM, we estimate ADES to witness inflows of US\$195mn and Natl Industrialization (Tasnee) to witness outflows of US\$55mn. Based on the average trading value over the last three months and 20 days, it implies ~6-9 days to cover the anticipated inflow for ADES whereas ~7-9 days to cover the anticipated outflows for Tasnee.

Figure 1 MSCI Quarterly Review Update

Companies	Mcap (US\$bn)*	20D ADV (US\$mn)	3M ADV (US\$mn)	MSCI Quarterly review likely outcome	Net inflows(outflows) - US\$mn	DTC - Based on 20D Avg. turnover	DTC - Based on 3M Avg. turnover
ADES	7	24	32	Addition	195	9	6
Natl Industrialization	2	8	7	Deletion	-55	7	9

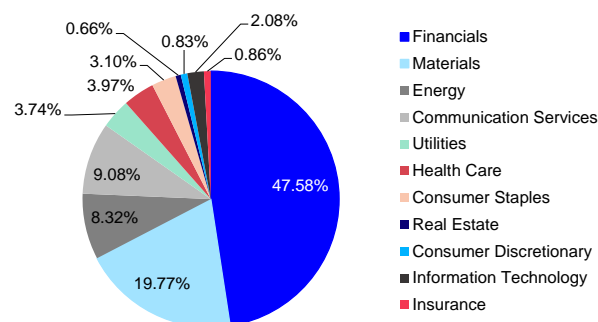
Source: MSCI, Bloomberg Al Rajhi Capital. *Data as of 18th January 2024. The flows are estimated based on MSCI EM passive AUM size of US\$347bn (as of Q3 2023; source MSCI).

Figure 2 Largest Index Constituents- MSCI Saudi Arabia Index

Company	Sector	Float Adj Mcap (US\$bn)	Index weights
Al Rajhi Banking & Inv	Financials	44.5	15.62%
Saudi National Bank	Financials	33.2	11.66%
Saudi Aramco	Energy	22.6	7.95%
Saudi Basic Ind Corp	Materials	18.5	6.49%
Saudi Telecom Co	Communication Services	16.5	5.79%
Saudi Arabian Mining Co	Materials	15.4	5.40%
Alinma Bank	Financials	11.1	3.88%
Riyad Bank	Financials	10.3	3.62%
Saudi British Bank	Financials	8.9	3.12%
SABIC Agri-Nutrients	Materials	7.2	2.52%

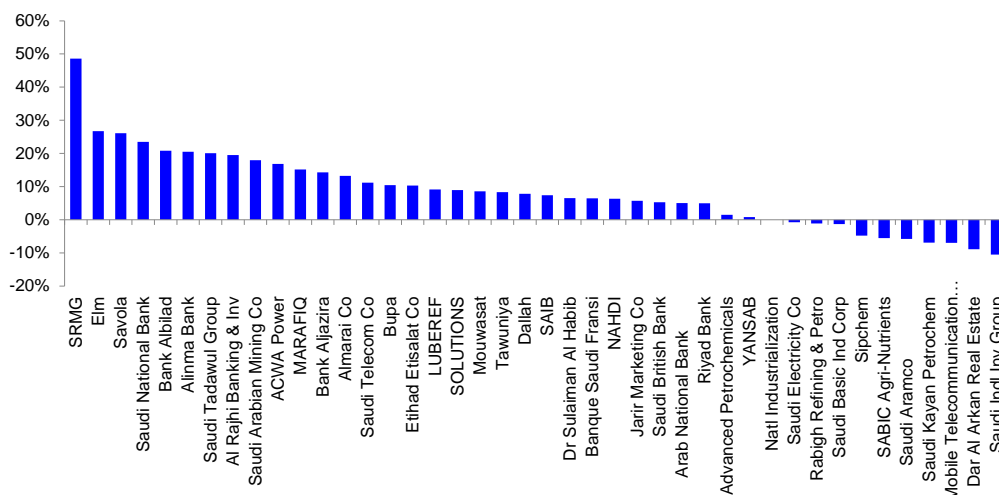
Source: MSCI, Al Rajhi Capital; Data as of 18th January 2024

Figure 3 Sector Weights



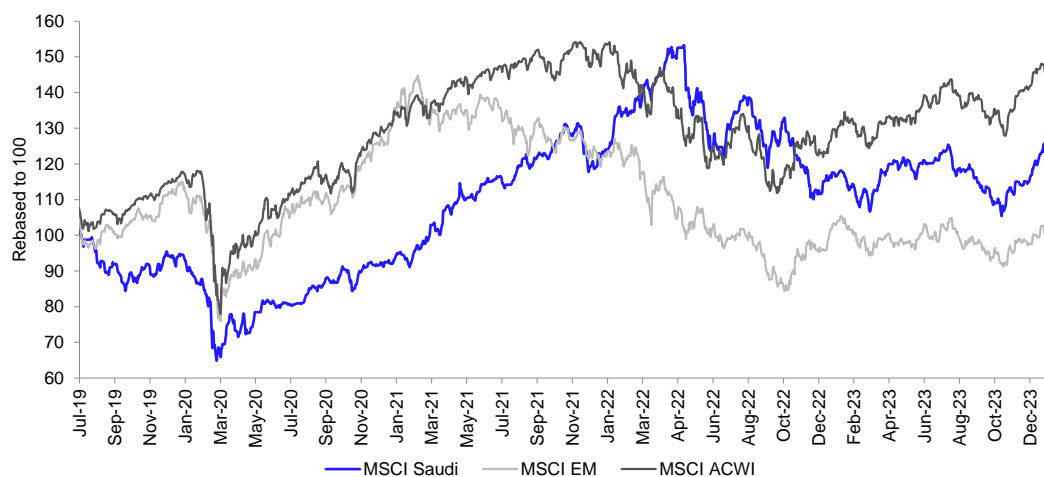
Source: MSCI, Al Rajhi Capital; Data as of 18th January 2024

Figure 4 MSCI Stock Performance since the last MSCI review announcement



Source: Bloomberg, Al Rajhi Capital; Data as of 18th January 2024

Figure 5 MSCI Saudi Arabia Performance vs MSCI EM and MSCI ACWI indexes



Source: Bloomberg, Al Rajhi Capital; Data as of 18th January 2024

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"Neutral": We expect the share price to settle at a level between 10% below the current share price and 10% above the current share price on a 12 month time horizon.

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