



August 2022



## Aviation Sector Report: Ready to take off after being grounded for two years



Analyst

Mashaal Al-Huthaily



+966 11 2256250



M.Alhuthayli@Aljaziracapital.com.sa

Saudi Arabia's incentives for aviation and tourism support the positive outlook for the sectors over the medium to long term. Vision 2030's focus on increasing the contribution of the tourism sector to the GDP to more than 10% and a target of 100mn visitors by FY30 are expected to drive growth for tourism, aviation, and related businesses. Moreover, General Authority of Civil Aviation's (GACA) efforts under the country's aviation strategy to boost aviation infrastructure to handle higher number of passengers, flights and cargos would bolster the growth in the aviation sector. This year, the Kingdom is preparing to triple the number of foreign tourists (from 4mn in FY21 to 12mn in FY22) after the easing of Covid-19-related restrictions and the resumption of Hajj pilgrims and Umrah performers from abroad. Thus, the process of recovery will continue through FY22, and operating conditions are expected to reach pre-COVID level by H1-23. However, slower recovery in international travel amid global uncertainties and the impact inflation on consumer spending towards tourism are key headwinds for the aviation industry. In the aviation sector, we are "Overweight" on Saudi Airlines Catering Co. with a TP of SAR 91.0 per share and "Neutral" on Saudi Ground Services with a TP of SAR 28.6 per share.

### National Aviation Strategy paves way for the future growth and opportunities

In May 2022, the Ministry of Transport and Logistics launched the National Aviation Strategy, which aims to connect 250 direct destinations (currently around 100) to and from the Kingdom's airports, and triple air traffic to 330mn passengers (less than 100mn in FY19), bringing the Kingdom to first place in the Middle East by 2030. Under the aviation strategy, the government seeks to boost investments of more than USD 100bn and transport 500mn passengers by the end of the current decade. We expect the National Aviation Strategy to be a key growth driver for the sector and open multiple opportunities to expand business.

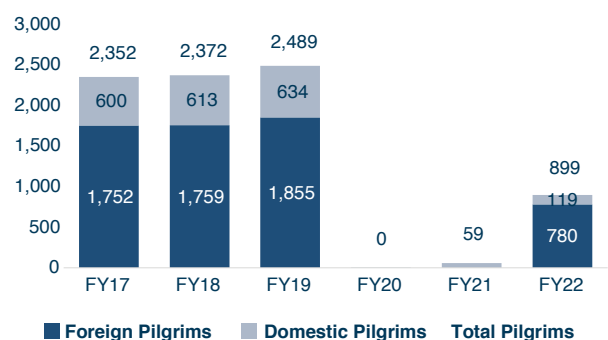
### Increase in number of flights and seats by Saudi Airlines indicates rising demand

Saudi Airlines (Saudia) has planned to provide 6.5mn seats and 30 thousand flights in July and August, to meet the growing demand for air travel in summer season. The airline allocated 30% more seats at 765,600 per week as of June 30, 2022, compared to summer season of FY21. It also launched its operational plan for this year's Hajj season with 268 international and 32 domestic flights. Additionally, Saudia also announced an operational plan for the World Cup in Qatar, operating more than 40 flights per day between KSA and Qatar. Hence, higher number of flights and passengers are expected this year, which will reflect positively on companies operating in the Saudi aviation sector.

### After a two-year hiatus due to the COVID-19 pandemic, pilgrims from outside KSA had a larger share during the 2022 Hajj season

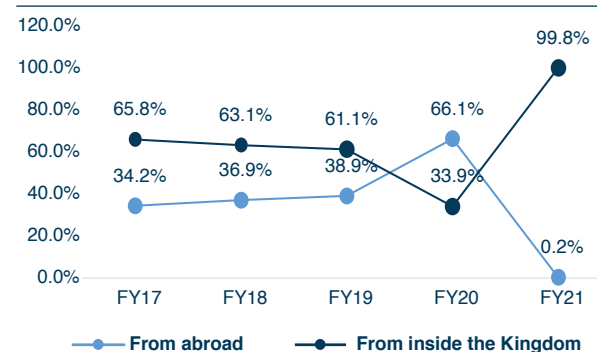
The Kingdom has announced its readiness to receive Hajj pilgrims from abroad after a two-season hiatus due to the pandemic, with the total number of pilgrims this year reaching 899,300 (~87% from abroad), the most since the start of the pandemic. In the 2019 Hajj season, a total of 2.49mn pilgrims (75% of them from abroad) increased by 33.6% during the hajj seasons from 2016 to 2019 (in 2016, the total number of pilgrims was 1.86mn). The pandemic also affected the number of Umrah performers. In FY21, with 12,600 (100% by airports) from abroad, compared to 3.8mn in FY20 (93% by airports). The number of foreign visitors is expected to be higher this year for Umrah as well. Thus, a marked improvement in the number of pilgrims from abroad is expected this year and provide some support to international air traffic.

### Hajj Pilgrims ('000)



Source: GASTAT

### Umrah Performers



Source: GASTAT

We recommend "Overweight" rating on Saudi Airlines Catering Co. (Catering) with a TP of SAR 91/share and "Neutral" rating on Saudi Ground Services (SGS) with TP of SAR 28.6/share.

### Price target and recommendation

Company Name	Recommendation	PT (SAR/share)	CMP (SAR/share)	Upside/(Downside)
Catering	Overweight	91.0	78.0	16.7%
SGS	Neutral	28.6	28.1	1.9%

Source: Bloomberg, Aljazira Capital Research; prices as of 02<sup>nd</sup> August 2022

**Saudi Airlines Catering Co. (Catering):** The recovery in travel and tourism, and in non-airlines segment to boost revenue; full recovery expected in FY23

The company's revenue is showing signs of recovery in line with the recovery in the sector. We believe that the gradual return to normality in air traffic volumes, as well as companies' growths in non-airlines revenues, would provide sustainable growth with more diversified revenues in the future. In the long term, growth is likely to be supported by the bright prospects of the Kingdom's tourism and aviation sector with the background Vision 2030 goals. However, slower than expected rate of recovery as well delay in implementation of Vision 2030 targets are key risks for the company. Based on the company's expected growth, we value the company at a target price of SAR 91.0 per share and recommend "Overweight" for the stock.

**FY22 growth to be driven by higher number Hajj and Umrah visitors, increase in number flights:**

The Kingdom has lifted restrictions on travelling and targets to triple the number of foreign visitors to 12.0mn this year. We expect more pilgrimage inflows, the summer season, World Cup trips and the facilitation of e-visa procedures to encourage foreign visitors to the Kingdom to support growth in number of flights in FY22. We estimate the number of flights served to reach above 180mn in FY22 from ~140mn in FY21; however, the recovery has been slower in number of international flights operating and likely to delay complete recovery to mid of FY23. In Q1-22, the company recorded a revenue of SAR 394.6mn, a growth of 54.0% Y/Y, we expect the company to earn revenues of SAR 1,791.5mn (compared to SAR 1,212.5mn in FY21).

**Existing long term contracts and signing of new contracts in non-airline space to ensure sustainable growth:**

Catering has a 10-year contract worth SAR 12.0bn with Saudia signed in FY20. Saudia has been major contributor to the company's revenue at more than 60%. Thus, the long term contract ensures consistent revenue. However, the company is also exploring to diversify its revenue streams by signing contract with a variety of customers across different sectors. Below are few contracts inked by the company in recent past, which will support the growth medium term:

Name of the company	Date of disclosure	Value (SAR mn)	Agreement tenure (Years)
Executive Office Co. (Altanfeethi)	3-Jun-22	85	3
Saudi Railways Co.	21-Apr-22	140	1.8
Saudi Ground Services	24-Nov-21	51	2
Maaden Co.	14-Oct-21	180	3
Saudi Railways Co.	19-Sep-21	75	3
Dakar rally 2021	4-Jan-21	17	0.5

Source: Company reports, Aljazira Capital

**Margins likely to improve with increase in volume of operations; but high inflation may limit expansion:**

We expect Catering's GP margin to improve to 31.1% in FY22 from 27.4% in FY21, due to growth in volume of operations and revenue. The company's 65% of the contract are on cost plus basis, hence, providing partial hedge against rising cost amid high food inflation. However, remaining 35% contracts might exert slight pressure on GP margin.

**AJC's view and valuation:** We believe that the recovery in aviation and tourism sector and healthy long term prospects of these sectors would benefit Catering, helping it register strong growth in next few years. Additionally, the company's low debt balance sheet provides scope for future expansion to cater to higher demand. However, the recent increase in receivables in Q1-22 (81% from government and semi-government) is a concern for the company. We value Catering with 50% weightage to DCF, and 25% each to FY23E EV/EBITDA (12.2x) and P/E (15.5x) multiples to arrive at a TP of SAR 91/share, implying a 16.7% upside. We recommend a "Overweight" rating on the stock.

## Overweight

Target Price (SAR)	91.0
Upside / (Downside)*	16.7%

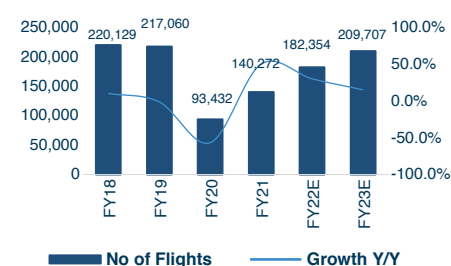
Source: Tadawul \*prices as of 02<sup>nd</sup> of August 2022

### Key Financials

SARmn (unless specified)	FY20	FY21	FY22E	FY23E
Revenue	926.6	1,212.5	1,791.5	2,213.1
Growth %	-57.0%	30.9%	47.8%	23.5%
Gross Profit	42.2	331.8	556.7	743.9
Net Profit	-334.7	14.1	275.7	402.1
Growth %	NM	NM	NM	45.8%
EPS	-4.08	0.17	3.36	4.90

Source: Aljazira Capital, Company reports

### No. of flights and Y/Y growth



Source: Aljazira Capital, Company reports

### Key Ratios

	FY20	FY21	FY22E	FY23E
GP Margin	4.6%	27.4%	31.1%	33.6%
Net Margin	-36.1%	1.2%	15.4%	18.2%
P/E (x)	NEG	HIGH	23.2	15.9
P/B (x)	7.4	7.3	6.7	6.2
EV/EBITDA (x)	NEG	29.2	14.5	10.6

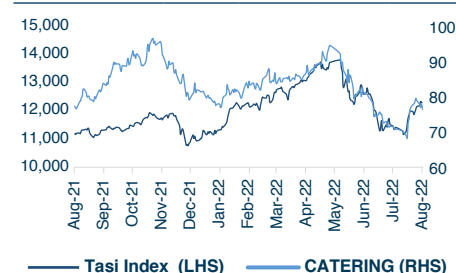
Source: Company reports, Aljazira Capital

### Key Market Data

Market Cap (bn)	6.3
YTD %	0.13%
52 Week High/ Low	97.2/67.7
Shares Outstanding (mn)	82.0

Source: Company reports, Aljazira Capital

### Price Performance



Source: Tadawul, Aljazira Capital



### Key Financial Data

Amount in SAR mn, unless otherwise specified	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Income statement</b>						
Gross Revenue	2,156	927	1,213	1,792	2,213	2,417
Y/Y	5.9%	-57.0%	30.9%	47.8%	23.5%	9.2%
Cost of Revenue	(1,369)	(884)	(881)	(1,235)	(1,469)	(1,601)
<b>Gross Profit</b>	<b>787</b>	<b>42</b>	<b>332</b>	<b>557</b>	<b>744</b>	<b>816</b>
<b>General &amp; Administrative Expense</b>	<b>(246)</b>	<b>(256)</b>	<b>(236)</b>	<b>(239)</b>	<b>(295)</b>	<b>(323)</b>
<b>Operating Income</b>	<b>539</b>	<b>(271)</b>	<b>60</b>	<b>324</b>	<b>460</b>	<b>506</b>
Y/Y	6.7%	NM	NM	437.0%	41.8%	10.0%
Finance costs	(34)	(34)	(27)	(27)	(24)	(23)
<b>Income before Zakat</b>	<b>503</b>	<b>(316)</b>	<b>34</b>	<b>298</b>	<b>436</b>	<b>483</b>
Zakat	(39)	(19)	(20)	(22)	(34)	(37)
<b>Net income</b>	<b>464</b>	<b>(335)</b>	<b>14</b>	<b>276</b>	<b>402</b>	<b>445</b>
Y/Y	1.0%	NM	NM	NM	45.8%	10.7%
<b>EPS</b>	<b>5.66</b>	<b>(4.08)</b>	<b>0.17</b>	<b>3.36</b>	<b>4.90</b>	<b>5.43</b>
<b>Balance sheet</b>						
<b>Assets</b>						
Cash and cash equivalents and Short term Investment	189	257	176	129	205	230
Other current assets	1,143	1,022	885	1,039	1,016	1,105
<b>Total current assets</b>	<b>1,332</b>	<b>1,279</b>	<b>1,062</b>	<b>1,168</b>	<b>1,221</b>	<b>1,335</b>
Property Plant and equipment	560	456	408	399	416	431
Right of use assets	530	510	417	395	383	374
Other non-current assets	82	63	44	39	38	37
<b>Total assets</b>	<b>2,504</b>	<b>2,307</b>	<b>1,931</b>	<b>2,001</b>	<b>2,057</b>	<b>2,177</b>
<b>Liabilities</b>						
Total current liabilities	605	869	572	581	552	575
Total non-current liabilities	593	578	487	464	469	476
<b>Total liabilities</b>	<b>1,199</b>	<b>1,447</b>	<b>1,058</b>	<b>1,046</b>	<b>1,022</b>	<b>1,052</b>
<b>Shareholders' Equity</b>						
Share capital	820	820	820	820	820	820
Statutory reserve	354	354	246	246	246	246
Retained earnings	132	(314)	(193)	(111)	(30)	59
<b>Total shareholders' equity</b>	<b>1,306</b>	<b>860</b>	<b>873</b>	<b>955</b>	<b>1,036</b>	<b>1,125</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,504</b>	<b>2,307</b>	<b>1,931</b>	<b>2,001</b>	<b>2,057</b>	<b>2,177</b>
<b>Cashflow statement</b>						
Operating activities	744	(35)	373	306	572	535
Investing activities	(61)	(46)	(36)	(104)	(166)	(157)
Financing activities	(641)	149	(419)	(250)	(330)	(354)
Change in cash	42	69	(81)	(48)	76	24
Ending cash balance	189	257	176	129	205	230
<b>Key fundamental ratios</b>						
<b>Liquidity ratios</b>						
Current ratio (x)	2.2	1.5	1.9	2.0	2.2	2.3
Quick ratio (x)	1.7	1.2	1.5	1.6	1.8	1.9
<b>Profitability ratios</b>						
GP Margin	36.5%	4.6%	27.4%	31.1%	33.6%	33.8%
Operating Margins	25.0%	-29.2%	5.0%	18.1%	20.8%	20.9%
EBITDA Margin	32.4%	-9.6%	18.8%	25.6%	28.0%	0.0%
Net Margins	21.5%	-36.1%	1.2%	15.4%	18.2%	18.4%
ROE	35.6%	-30.9%	1.6%	30.2%	40.4%	41.2%
ROA	20.2%	-13.9%	0.7%	14.0%	19.8%	21.0%

Source: Company Reports, AJC Research



**Saudi Ground Services Co. (SGS): To benefit from rising air traffic after delayed recovery due to prolonged impact of COVID-19; may have to wait for full recovery**

SGS being completely dependent on functioning of airlines and air travel was severely impacted by travel restrictions. Now, with easing restrictions, start of Hajj and Umrah season, and rising number of flights as well as passengers' volumes of operation are expected to improve for SGS. Moreover, the company, a leader in ground handling services in the Kingdom, is placed well to benefit in the long term from the Saudi government's efforts to boost number of foreign visitors, establish a cargo hub, increase flights and develop airports to handle more passengers. We recommend "Neutral" rating with a TP of SAR 28.6 per share.

**Soon to be in the black with improving air traffic:** There has been significant improvements in air traffic in the past few months after the Kingdom lifted restrictions imposed during the pandemic. As per SGS management the company's operating flight rate improved from 63% at the beginning of FY22 to 73% in March for international flights, while it increased from 80% to 90% during the same period for domestic flights. With an operating rate around 85% being the expected break-even further improvements would bring the company back into profits. Saudia, the largest contributor to SGS' topline (signed a contract worth SAR 5.9bn for five years in FY21), saw a 75% Y/Y jump in number passengers served and 77% Y/Y surge in flight hours in Q1-22. This is clearly indicative of an ongoing recovery in the sector and further improvement can be expected during anticipated higher pilgrimage inflows, as well as summer travelling season. However, it should be noted that recovery in international travel has been slower; and the impact of inflation on consumer spending and concerns of global economic slowdown continue to be key headwinds to the recovery. Thus, we expect it will take time for SGS to reach its pre-Covid earnings and estimate net loss of SAR 39.7mn in FY22 and net profit of SAR 269.7mn in FY23.

**Ramp up activities expected to have mixed impact on margins:** The increase revenue driven by rise in operating volumes is likely to support improvement in margins. However, we believe in initial phases expansion of margins will be limited by ramp up activities that will require reversing of some of the cost control measures implemented during the pandemic. Further with the withdrawal of SANED benefits and current requirement of increasing the staff, personnel expenses are expected rise. We expect gross margin of 16.8% in FY22 and 24.9% in FY23.

**Delay in recovery may cause liquidity concerns leading to further increase in debt:** SGS raised debt to combat the cash burn during the pandemic. In FY20, the company signed loan facilities worth SAR 2.0bn, out of which it has drawn total of SAR 1.3bn as of March 2022. As the repayment period has already started for some of these facilities the company would need to generate sufficient operating cash to repay loans. We believe SGS may require drawing some more amount from available credit facilities or restructure existing loans to delay the payment period. Subsequently, higher debt and rising interest rates would lead to higher finance expenses. However, sale of its equity holding at net profit of SAR 23.7mn by SGS in Q1-22 will provide some liquidity support in the short run.

**AJC's view and valuation:** The improving operating environment for SGS is expected to help the company to attain profitability in coming quarters. However, with certain challenges in international air traffic recovery, complete recovery is expected to be delayed for the company. Moreover, managing liquidity and increased debt level will be key challenges for SGS. We value Catering with 100% weightage to DCF (risk free rate = 3.5%, WACC = 7.9%, terminal growth = 2.5%) to arrive at a TP of SAR 28.6/share, implying an upside of 1.9%. We recommend a "Neutral" rating on the stock.

**Neutral**

Target Price (SAR)	28.6
Upside / (Downside)*	1.9%

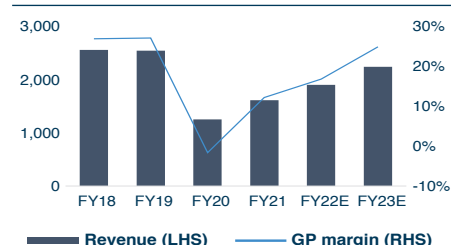
Source: Tadawul \*prices as of 02<sup>nd</sup> of August 2022

**Key Financials**

SARmn (unless specified)	FY20	FY21	FY22E	FY23E
Revenue	1,252	1,608	1,897	2,238
Growth %	-50.7%	28.4%	17.9%	18.0%
Gross Profit	-21	195	318	556
Net Profit	-454	-254	-40	270
Growth %	NM	NM	NM	NM
EPS	-2.42	-1.35	-0.21	1.43

Source: Company reports, Aljazira Capital

**Revenue and GP margin (SARmn)**



Source: Aljazira Capital, Company reports

**Key Ratios**

	FY20	FY21	FY22E	FY23E
GP Margin	-1.7%	12.1%	16.8%	24.9%
Net Margin	-36.3%	-15.8%	-2.1%	12.0%
P/E (x)	NEG	NEG	NEG	19.6
P/B (x)	2.4	2.5	2.3	2.3
EV/EBITDA (x)	NEG	NEG	28.7	11.8

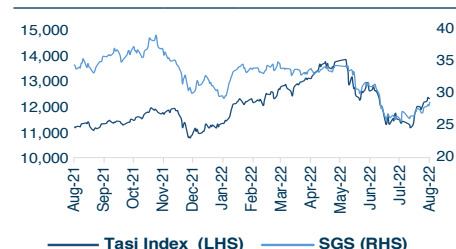
Source: Company reports, Aljazira Capital

**Key Market Data**

Market Cap (bn)	5.4
YTD %	-3.05%
52 Week High/ Low	39.7/25.5
Shares Outstanding (mn)	188.0

Source: Company reports, Aljazira Capital

**Price Performance**



Source: Tadawul, Aljazira Capital



### Key Financial Data

Amount in SAR mn, unless otherwise specified	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Income statement</b>						
Gross Revenue	2,540	1,252	1,608	1,897	2,238	2,402
Y/Y	-0.6%	-50.7%	28.4%	17.9%	18.0%	7.3%
Cost of Revenue	(1,853)	(1,273)	(1,413)	(1,579)	(1,682)	(1,768)
<b>Gross Profit</b>	<b>687</b>	<b>(21)</b>	<b>195</b>	<b>318</b>	<b>556</b>	<b>634</b>
General & Administrative Expense	(239)	(257)	(296)	(282)	(288)	(310)
Other Income	0	2	10	7	9	9
<b>Operating Income</b>	<b>416</b>	<b>(403)</b>	<b>(170)</b>	<b>3</b>	<b>277</b>	<b>334</b>
Y/Y	12.1%	NM	NM	NM	NM	20.7%
Share in net income of equity accounted investee	12	(22)	(35)	5	6	6
Financial Income	35	14	21	27	32	32
Financial Charges	(9)	(16)	(30)	(33)	(25)	(21)
<b>Income before Zakat</b>	<b>454</b>	<b>(427)</b>	<b>(214)</b>	<b>3</b>	<b>289</b>	<b>351</b>
Zakat	(31)	(27)	(40)	(42)	(19)	(23)
<b>Net income</b>	<b>423</b>	<b>(454)</b>	<b>(254)</b>	<b>(40)</b>	<b>270</b>	<b>328</b>
Y/Y	14.9%	NM	NM	NM	NM	21.5%
<b>EPS</b>	<b>2.25</b>	<b>(2.42)</b>	<b>(1.35)</b>	<b>(0.21)</b>	<b>1.43</b>	<b>1.74</b>
<b>Balance sheet</b>						
<b>Assets</b>						
Cash and cash equivalents	120	96	255	247	28	90
Short term Bank Deposits	-	-	-	-	-	-
Investment Held for Trading	944	977	1,391	900	900	900
Trade Receivables, net	872	1,148	1,067	981	1,042	1,044
Inventories, net	0	0	0	0	0	0
Prepayment & Other receivables	461	531	614	569	671	721
Other current assets	2,277	2,656	3,073	2,451	2,614	2,665
<b>Total Current Assets</b>	<b>2,397</b>	<b>2,751</b>	<b>3,328</b>	<b>2,698</b>	<b>2,642</b>	<b>2,755</b>
Investment accounted under equity method	142	99	52	57	63	69
Property & Equipment	593	526	528	505	491	476
Intangible assets	885	849	813	776	740	704
Prepayment & Other receivables	124	61	4	5	6	6
Other non-current assets	1,333	1,140	991	953	914	882
Total non-current assets	1,926	1,666	1,519	1,458	1,405	1,358
<b>Total Assets</b>	<b>4,323</b>	<b>4,417</b>	<b>4,847</b>	<b>4,155</b>	<b>4,046</b>	<b>4,112</b>
<b>LIABILITIES</b>						
Trade Payables	21	96	69	87	92	97
Accrued Zakat	107	126	159	192	200	211
Accrued Expenses & other Liabilities	543	522	475	502	492	519
Current- Lease Liabilities	45	42	36	14	12	15
Total current liabilities	716	786	1,451	1,078	969	971
Employees end of services benefits	531	558	581	521	512	540
Non -Current- Lease Liabilities	130	80	79	120	148	180
Total non-current liabilities	661	1,132	1,131	828	774	806
<b>Total Liabilities</b>	<b>1,377</b>	<b>1,918</b>	<b>2,582</b>	<b>1,906</b>	<b>1,744</b>	<b>1,777</b>
<b>EQUITY</b>						
Share Capital	1,880	1,880	1,880	1,880	1,880	1,880
Statutory Reserve	499	499	499	499	499	499
Retained Earnings	567	120	(114)	(130)	(76)	(43)
<b>Total Shareholder's Equity</b>	<b>2,946</b>	<b>2,499</b>	<b>2,265</b>	<b>2,249</b>	<b>2,303</b>	<b>2,336</b>
<b>Total Liabilities &amp; Equity</b>	<b>4,323</b>	<b>4,417</b>	<b>4,847</b>	<b>4,155</b>	<b>4,046</b>	<b>4,112</b>
<b>Cashflow statement</b>						
Operating activities	966	(419)	(10)	293	291	529
Investing activities	(734)	(40)	(475)	388	(111)	(100)
Financing activities	(422)	436	644	(689)	(399)	(368)
Change in cash	(190)	(24)	159	(8)	(219)	62
Ending cash balance	120	96	255	247	28	90
<b>Key fundamental ratios</b>						
<b>Liquidity ratios</b>						
Current ratio (x)	2.7	2.8	1.9	2.0	2.0	2.1
Quick ratio (x)	2.7	2.8	1.9	2.0	2.0	2.1
<b>Profitability ratios</b>						
GP Margin	27.0%	-1.7%	12.1%	16.8%	24.9%	26.4%
Operating Margins	16.4%	-32.2%	-10.6%	0.2%	12.4%	13.9%
EBITDA Margin	24.5%	-16.5%	0.0%	9.9%	20.9%	21.5%
Net Margins	16.7%	-36.3%	-15.8%	-2.1%	12.0%	13.6%
ROE	14.5%	-16.7%	-10.7%	-1.8%	11.8%	14.1%
ROA	10.2%	-10.4%	-5.5%	-0.9%	6.6%	8.0%

Source: Company Reports, AJC Research







RESEARCH DIVISION

Head of Sell-Side Research  
Jassim Al-Jubran  
+966 11 2256248  
j.aljabran@aljaziracapital.com.sa

RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

## Disclaimer

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of stocks, bonds, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Al-Jazira Capital from sources believed to be reliable, but Al-Jazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Al-Jazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. The investor might get an amount less than the amount invested in some cases. Some stocks or securities maybe, by nature, of low volume/trades or may become like that unexpectedly in special circumstances and this might increase the risk on the investor. Some fees might be levied on some investments in securities. This report has been written by professional employees in Al-Jazira Capital, and they undertake that neither them, nor their wives or children hold positions directly in any listed shares or securities contained in this report during the time of publication of this report, however, The authors and/or their wives/children of this document may own securities in funds open to the public that invest in the securities mentioned in this document as part of a diversified portfolio over which they have no discretion. This report has been produced independently and separately by the Research Division at Al-Jazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Al-Jazira Capital. Funds managed by Al-Jazira Capital and its subsidiaries for third parties may own the securities that are the subject of this document. Al-Jazira Capital or its subsidiaries may own securities in one or more of the aforementioned companies, and/or indirectly through funds managed by third parties. The Investment Banking division of Al-Jazira Capital maybe in the process of soliciting or executing fee earning mandates for companies that is either the subject of this document or is mentioned in this document. One or more of Al-Jazira Capital board members or executive managers could be also a board member or member of the executive management at the company or companies mentioned in this report, or their associated companies. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of Al-Jazira Capital. Persons who receive this report should make themselves aware, of and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.

Asset Management | Brokerage | Investment Banking | Custody | Advisory

Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia. Tel: 011 2256000 - Fax: 011 2256068