

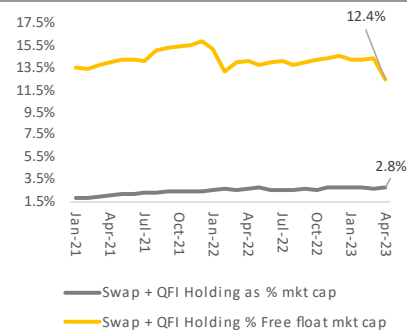
Saudi Arabian Equities

What if foreign ownership limits are lifted for KSA Equities?

This report analyses passive fund flows via MSCI/FTSE EM Index in a scenario of KSA lifting foreign ownership limits like what we have seen in Qatar and a few stocks in the UAE. We expect this to take place as part of KSA's wider ongoing market liberalization initiatives.

- Total passive inflows near US\$9bn:** Currently, most Saudi-listed companies have a foreign ownership limit of 49%. In the event of lifting these restrictions, we estimate a total of ~US\$9bn passive inflows to the market with funds following the MSCI EM Index to bring in additional US\$6.1bn flows and FTSE EM Indices to bring in US\$2.8bn flows.
- Top Beneficiaries:** As per our analysis, the top beneficiaries are likely to be Banks led by AlRajhi Bank, SNB, and Alinma in terms of combined flows related to MSCI and FTSE EM indices. As per the last cut-off for market cap, there may be three new entries from KSA in the MSCI EM index, this may include Bahri, MCDC, and Jabal Omar in case restrictions are lifted for all companies as these three may cross the minimum required threshold for market cap and free float market cap to enter the index.
- Increase in weights:** Total weight of Saudi in the indices is likely to increase to 5.40% (from currently 4.18%) in the MSCI EM Index and 5.85% (from currently 4.45%) in the FTSE EM Index as per our analysis.

Foreign ownership



Source: Tadawul, Bloomberg

Figure 1: Summary of fund flows

	Current weight	New weight	Inflows in US\$bn
MSCI EM Index	4.18%	5.40%	6.1
FTSE EM Index	4.45%	5.85%	2.8
Total			8.9

Source: Bloomberg, GIB Capital calculations. Current refers to April end data

Figure 2: Expected MSCI and FTSE Emerging market fund flows

Top 5 combined inflows in USDbn		MSCI	FTSE	Total
1	Al Rajhi Bank	3.14	1.33	4.47
2	The Saudi National Bank	0.72	0.27	0.98
3	Alinma Bank	0.51	0.21	0.73
4	Banque Saudi Fransi	0.31	0.09	0.40
5	Sahara International Petrochemical	0.25	0.09	0.34

Source: Bloomberg, GIB Capital Calculations

Figure 3: DTC

Top 5 in terms of DTC (Days to Cover) - Combined		MSCI	FTSE	Total
1	Saudi Investment Bank	64	20	84
2	Eastern Province Cement Co.	0	77	77
3	Banque Saudi Fransi	58	18	75
4	Al Rajhi Bank	40	17	57
5	Jadwa REIT Saudi Fund	0	49	49

Source: Bloomberg, GIB Capital Calculations

Note: The calculations include only passive flows and are only based on inclusion in the MSCI/FTSE Index (of AUM ~US\$500/\$200bn). The flows would be higher if we were to include active as well as all global indices.

Pritish Devassy, CFA, CPA

+966-11-834 8467

Pritish.devassy@gibcapital.com

Khaled Bin Ateeq

+966-11-834 8498

khaled.binateeq@gibcapital.com

- **Total inflows near ~US\$9bn:** Our analysis continues to restrict companies such as Bahri, Jabal Omar, MCDC, etc. which have been restricted even as other companies have a FOL of 49%. Fig below summarizes the restricted companies' details in the event of these being lifted as well to 100%.

Figure 4: DTC for restricted companies (if restrictions are removed)

Top 3 in terms of DTC (Days to Cover)		MSCI	FTSE	Total
1	MCDC	161	62	223
2	Jabal Omar	39	14	54
3	Bahri	33	14	47

Source: Bloomberg, GIB Capital calculations

Figure 5: Inflows for restricted companies (if restrictions are removed)

Top 3 combined inflows in USDbn		MSCI	FTSE	Total
1	Jabal Omar	0.45	0.16	0.61
2	MCDC	0.19	0.07	0.27
3	Bahri	0.19	0.08	0.27

Source: Bloomberg, GIB Capital calculations

- **Fund flows post PIF stake sale [FOL = 49%]:** In the below tables, we show the passive flows if PIF sells a 10% stake across all its companies, without a change in the current foreign ownership limits.

Figure 6: What if PIF sells a 10% stake before FOL limits are removed

Company	Inflows in USDbn
The Saudi National Bank	0.02
Saudi Telecom	0.41
Saudi Arabian Mining	0.44
Riyad Bank	0.05
Alinma Bank	-0.01
Acwa Power Co	0.36
Al-Elm Information Security Company	0.10
Saudi Tadawul Group Co	0.06
Emaar The Economic City	0.01
Southern Province Cement Co.	0.00
Qassim Cement Co.	0.00
Yanbu Cement Co.	0.00
National Gas & Industrialization Co.	0.02
Eastern Province Cement Co.	0.01
Saudi Real Estate Co.	0.02
Saudi Ceramic Co.	0.01
Saudi Public Transport Co.	0.01
Dur Hospitality Co.	0.01
Total	1.53

Source: Bloomberg, GIB Capital calculations

- **Fund flows post PIF stake sale [FOL = 100%]:** In the below tables, we show the passive fund flows if PIF sells a 10% stake across all its companies, post a change in the foreign ownership limits to 100%.

Figure 7: What if PIF sells a 10% stake after FOL limits are removed

Company	Inflows in USDbn
The Saudi National Bank	0.63
Saudi Telecom	0.62
Saudi Arabian Mining	0.48
Riyad Bank	0.26
Alinma Bank	0.18
Acwa Power Co	0.39
Elm	0.10
Saudi Tadawul Group Co	0.06
Emaar The Economic City	0.03
Southern Province Cement Co.	0.01
Qassim Cement Co.	0.01
Yanbu Cement Co.	0.00
National Gas & Industrialization Co.	0.00
Eastern Province Cement Co.	0.00
Saudi Real Estate Co.	0.00
Saudi Ceramic Co.	0.00
Saudi Public Transport Co.	0.00
Dur Hospitality Co.	0.00
Total	2.77

Source: Bloomberg, GIB Capital calculations

Appendix

Figure 8

Top 10 in terms of DTC (Days to Cover) - MSCI EM		
1	Saudi Investment Bank	64
2	Banque Saudi Fransi	58
3	Al Rajhi Bank	40
4	Saudi Industrial Investment Group	27
5	Savola Group	26
6	Etihad Etisalat	21
7	Jarir Marketing	17
8	Sahara International Petrochemical	14
9	The Saudi National Bank	14
10	Alinma Bank	14

Source: Bloomberg, GIB Capital calculations

Top 10 in terms of DTC (Days to Cover) - FTSE EM		
1	Eastern Province Cement Co.	77
2	Jadwa REIT Saudi Fund	49
3	Arriyadh Development Co.	27
4	Northern Region Cement Co.	24
5	Tabuk Cement Co.	23
6	City Cement Co.	23
7	Saudi Chemical Co. Holding	23
8	Arabian Cement Co./Saudi Arabia	23
9	Saudi Investment Bank	20
10	Saudi Cement Co.	19

Source: Bloomberg, GIB Capital calculations

Top 10 in terms of DTC (Days to Cover) - Combined		MSCI	FTSE	Total
1	Saudi Investment Bank	64	20	84
2	Eastern Province Cement Co.	0	77	77
3	Banque Saudi Fransi	58	18	75
4	Al Rajhi Bank	40	17	57
5	Jadwa REIT Saudi Fund	0	49	49
6	Saudi Industrial Investment Group	27	10	37
7	Savola Group	26	8	34
8	Etihad Etisalat	21	6	27
9	Arriyadh Development Co.	0	27	27
10	Northern Region Cement Co.	0	24	24

Source: Bloomberg, GIB Capital calculations

Figure 9

Top 10 MSCI inflows in USDbn		
1	Al Rajhi Bank	3.14
2	The Saudi National Bank	0.72
3	Alinma Bank	0.51
4	Banque Saudi Fransi	0.31
5	Sahara International Petrochemical	0.25
6	Etihad Etisalat	0.19
7	Dar Al Arkan Real Estate Development	0.15
8	Bank Aljazira	0.14
9	Jarir Marketing	0.12
10	Saudi Industrial Investment Group	0.12

Source: Bloomberg, GIB Capital calculations

Top 10 FTSE inflows in USDbn		
1	Al Rajhi Bank	1.33
2	Saudi National Bank	0.27
3	Alinma Bank	0.21
4	Banque Saudi Fransi	0.09
5	Sahara International Petrochemical Co.	0.09
6	Dar Al Arkan Real Estate Development Co.	0.07
7	Etihad Etisalat Co.	0.06
8	Aldrees Petroleum and Transport Services Co.	0.06
9	Bank Al-Jazira	0.05
10	Al Hammadi Holding	0.05

Source: Bloomberg, GIB Capital calculations

Top 10 combined inflows in USDbn			MSCI	FTSE	Total
1	Al Rajhi Bank	3.14	1.33	4.47	
2	The Saudi National Bank	0.72	0.27	0.98	
3	Alinma Bank	0.51	0.21	0.73	
4	Banque Saudi Fransi	0.31	0.09	0.40	
5	Sahara International Petrochemical	0.25	0.09	0.34	
6	Etihad Etisalat	0.19	0.06	0.25	
7	Dar Al Arkan Real Estate Development	0.15	0.07	0.22	
8	Bank Aljazira	0.14	0.05	0.19	
9	Jarir Marketing	0.12	0.04	0.16	
10	Saudi Industrial Investment Group	0.12	0.04	0.16	

Source: Bloomberg, GIB Capital calculations

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Contact us for queries:

Pritish Devassy, CFA, CPA

Sell Side Research Department,

GIB Capital,

B1, Granada Business & Residential Park,

Eastern Ring Road, PO Box 89589, Riyadh 11692

Pritish.devassy@gibcapital.com | www.gibcapital.com