الراجحي المالية
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Al Rajhi Capital

H2 2025 Saudi Market Outlook

July 7th, 2025

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Contents

Executive summary

Saudi economy

- We maintain our positive outlook for the Saudi economy, and thus, we estimate non-oil GDP to grow by around +3.7% y-o-y in 2025.
- Saudi economy registered a real GDP growth by 3.4% y-o-y in Q1-2025, led by 4.9% rise in non-oil GDP.
- Saudi unemployment rate declined to historical low of 6.3% in Q1-2025.
- Bank credit rose by 16.3% y-o-y in May 2025, led by corporate sector growth.

Oil market

- We believe oil prices could remain volatile and trade in a range of USD 65-73/bbl subject to fluctuations driven by geopolitical tensions, supply adjustments, and demand side concerns.
- OPEC's unwinding of output cuts would add 1.8 mb/d by August compared to March. In the meantime, global oil demand growth forecast is expected to be weak at 1.3 mb/d y-o-y.
- Saudi oil production gradual increase during 2025 (by 6% YTD as part of OPEC+) is partially offsetting price decline (-9.4% YTD).

Liquidity and rate outlook

- The elevated spread between SAIBOR-SOFR indicates tight liquidity conditions.
- Banking sector data indicates another year of high funding requirement through non-deposit sources.
- In the US, despite the slowdown concerns, the Fed remains hawkish and expects only 2 cuts this year, and one cut in 2026.

ARC Fund Manager Survey outcomes

- TASI is seen undervalued at current levels
- Most voted for TASI to reach 11,000–11,500 by end-2025
- Most agreed that current fixed income yields (5–6%) reduce the relative appeal of equities.
- Most Favored sectors: Banking, Insurance, and Healthcare
- Least favored sectors: Petrochemicals, Energy (including drillers), and Retail

Equity market wrap up in H1 2025

- In H1 2025, TASI has corrected 7%, matching the trends in the oil prices, which is down ~9% YTD
- Tadawul Small cap index has underperformed the most in H1; defensive sectors have been resilient
- TASI has lagged other GCC as well as emerging markets.
- TASI struggling to breach 2025 start level due to a combination of weak oil prices, weakness in petchems. and tight liquidity conditions.
- Saudi retail and foreigners are the net buyers; while Saudi institutions are the net sellers

H2 2025 equity market outlook

- Following the correction, TASI's trailing multiple has now fallen below the median level.
- Similarly, trailing dividend yield has now hit 4.2%, is broadly close to phase of Covid sell-off.
- MSCI SA's premium over MSCI EM has now reduced notably compared to start of 2024.
- We believe the sharp sell-off in the equities reflects the risk of earnings slowdown to a large extent.
- Nevertheless, in the backdrop of weak oil prices and no signs of recovery for petchems., we adjust our target for TASI downwards. Now we expect TASI to reach 11,800 by the end of 2025, an upside of 4%.

Sectoral performance in 2025

- **Attractive:** Logistics & Tourism, Healthcare, Pharma, HR services
- **Neutral:** Banks, Insurance, Food & Agri., Retail, IT & Telecom and Real estate/Construction/Cement
- **Negative:** Petchems.

Stocks top-picks

- **TASI:** Budget, Astra, Al Habib, SGS, eXtra, Tamkeen, Mobily
- **NOMU:** Academy of Learning

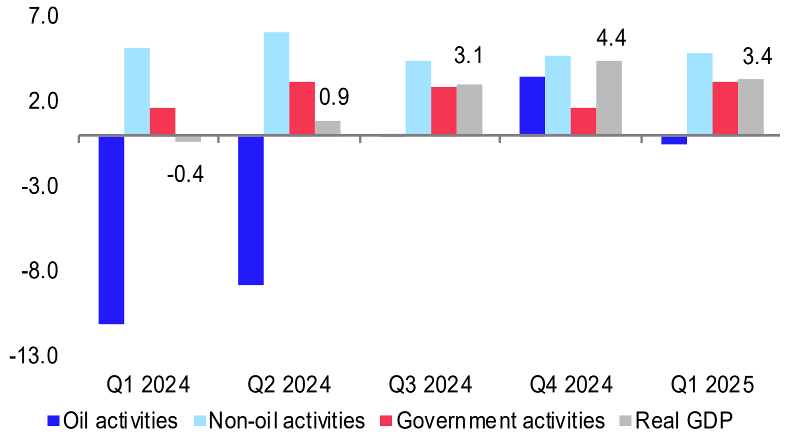
Macroeconomic Outlook

Macroeconomic Developments

Unemployment hits a record low, supported by strong non-oil GDP growth

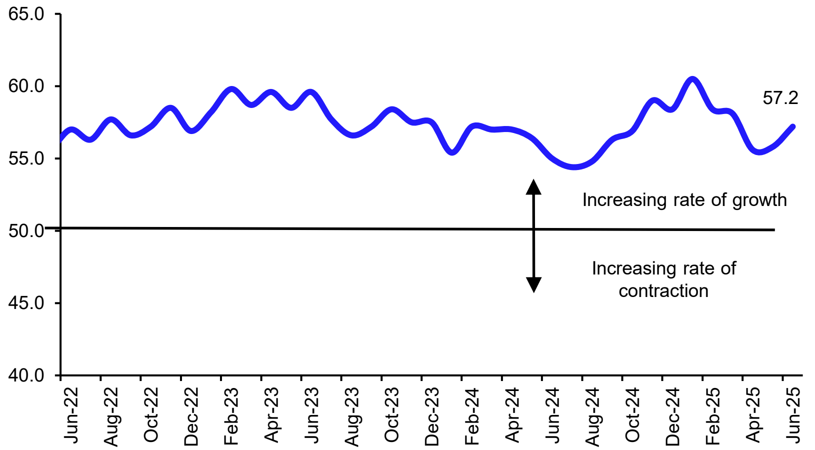
- Real GDP expanded by 3.4% y-o-y in Q1 2025, driven by a 4.9% increase in non-oil GDP. Retail, transportation, and financial sectors were the highest growing activities (y-o-y).
- Business conditions continued to improve, registering a PMI reading of 57 in June, and signaling an ongoing growth story in the private sector.
- Saudi unemployment rate declined to historical low of 6.3%, reflecting sustained job creation momentum.
- Consumer spending rose 10% y-o-y in May to SAR 134 bn, supported by a 69% surge in e-commerce.
- Headline inflation eased slightly to 2.22% y-o-y in May, driven mainly by a 6.81% y-o-y rise in rental prices, which continue to be the main inflation driver in 2025.
- Bank Credit growth remained robust in May, rising 16.3% y-o-y, primarily driven by increased corporate lending.
- Saudi Arabia posted a SAR 58.7bn fiscal deficit in Q1 2025, slightly wider than Q4 2024's SAR 57.7bn. Revenues declined 10.2% y-o-y to SAR 263.6bn, while expenditures rose 5.4% y-o-y to SAR 322.3bn.
- In 2025 overall, we maintain our positive outlook for the Saudi economy, driven by non-oil GDP which is expected to grow by around 3.7%.

Saudi GDP growth (%, y-o-y)



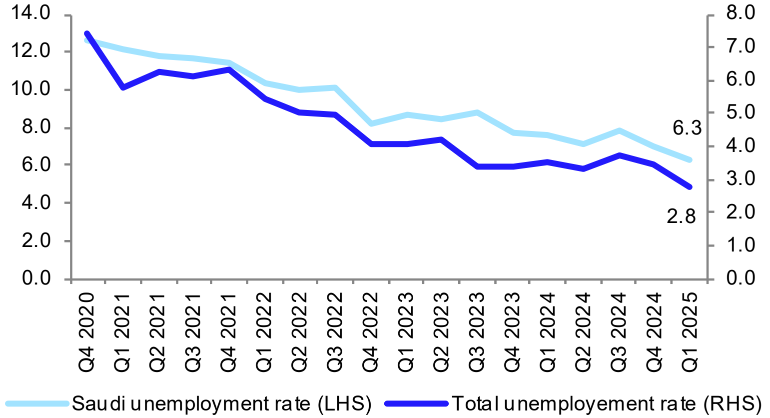
Source: GASTAT, Al Rajhi Capital

Saudi PMI



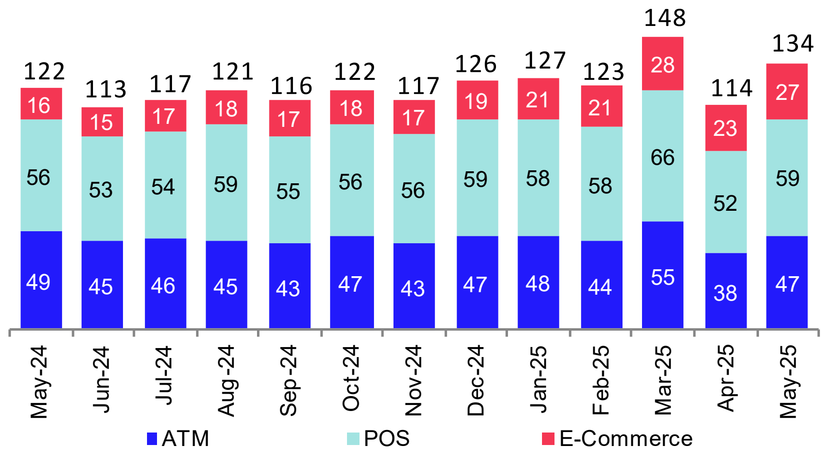
Source: Bloomberg, Al Rajhi Capital

Unemployment rate (%)



Source: GASTAT, Al Rajhi Capital

Domestic Consumption (billion SAR)



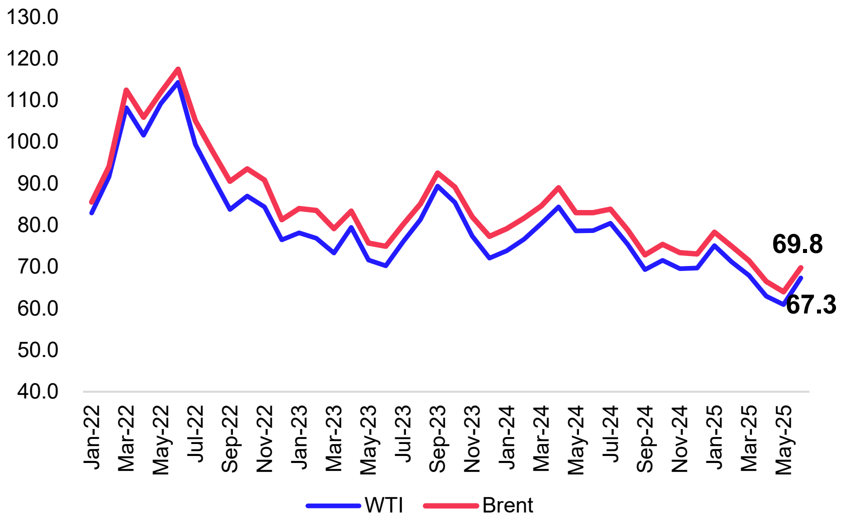
Source: SAMA, Al Rajhi Capital

Oil Market Developments

Oil prices remains volatile amid supply and demand uncertainties

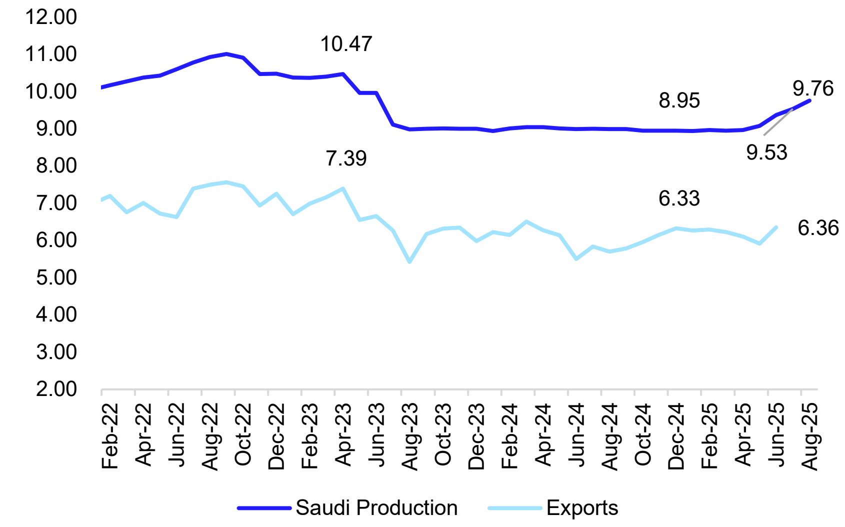
- Oil prices are currently trading around $67/bbl, following significant price volatility in Q2-2025 driven by tariff tensions and the Middle East conflict.
- On the supply side, OPEC opted to implement a larger than initially anticipated unwinding of output cut to be implemented across May-August 2025. This led to supply increase by 1.8 mb/d in July compared to March. For KSA, production increase to 9.76 mb/d will partially offset price decline.
- Amid price uncertainty, US production increased by 2% in May (y-o-y) to reach 13.56 mb/d. However, the rig count continue to be subdued as compared to last year despite the US government's agenda of pushing oil production, mainly due to lower oil price and high interest rate.
- The global oil demand growth forecast for 2025 is at 1.3 mb/d, year-on-year (y-o-y) according to OPEC. Nevertheless, recent estimates suggest slower than expected demand due to slow global GDP growth; e.g. JPM Global Manufacturing PMI and China PMI are both signaling contraction, with reading around 49.5.
- In the backdrop of high uncertainty, we believe oil prices could remain volatile and subject to fluctuations driven by geopolitical tensions, supply adjustments, and demand side concerns. We expect Brent to range between $ 65-73/bbl.

Oil price (USD/bbl)



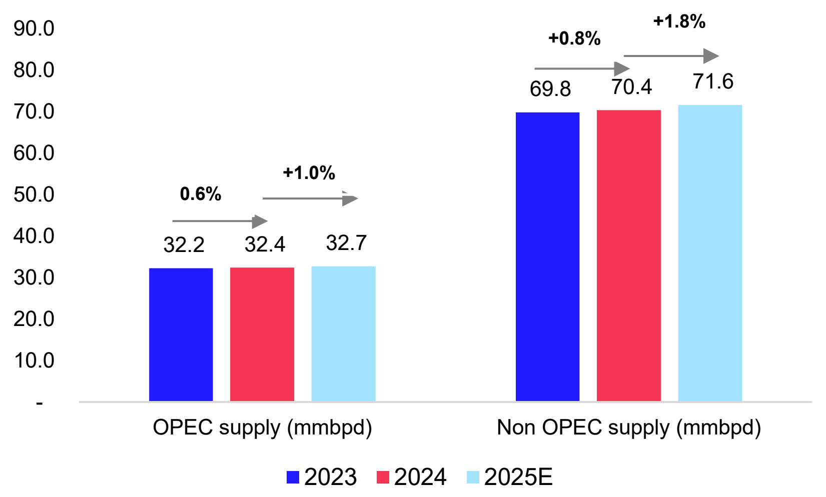
Source: Bloomberg, Al Rajhi Capital

Saudi oil production (mb/d)*



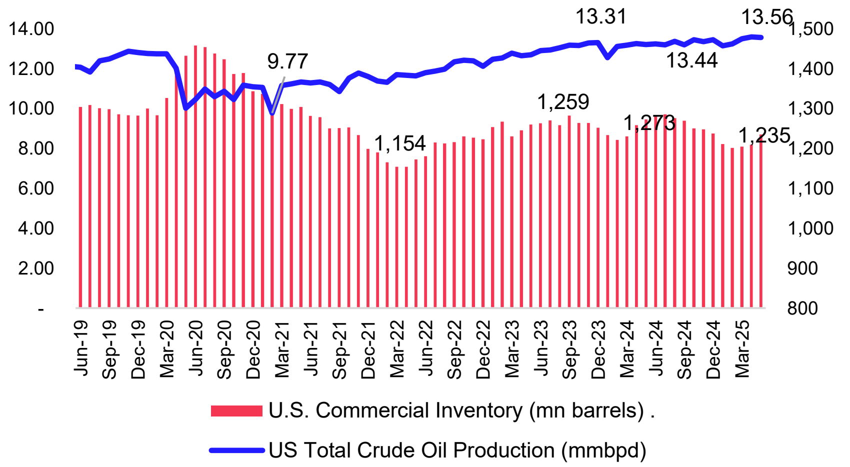
Source: Bloomberg, Al Rajhi Capital, July'25 and August'25 data refers to required production levels by OPEC+.

OPEC vs non-OPEC supply growth (%)



Source: EIA, Al Rajhi Capital

US Total Crude Oil and US Commercial Inventories (mn barrels)



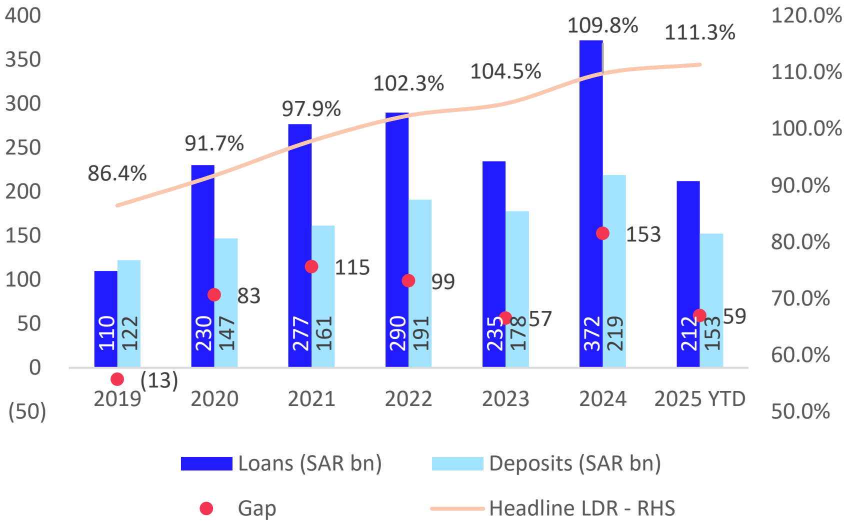
Source: EIA, Al Rajhi Capital

Liquidity and rate outlook

Liquidity continues to be tight

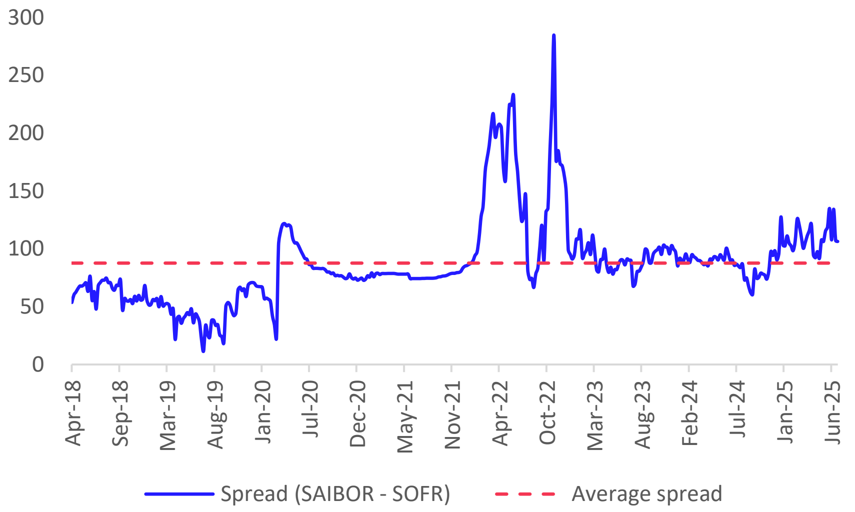
- Based on the trends so far this year (May 2025), it appears we are heading for another year of tight liquidity. The annualized gap (new loans minus new deposits) based on data till May indicates we would be witnessing another year of high funding requirement through non-deposit sources of over SAR 100 bn. Thus, reliance on inter-bank and sukuks will continue.
- The elevated spread between SAIBOR-SOFR also indicates pressure on liquidity.
- Given the pressure on oil prices, the borrowing from government could also increase this year, which could raise the borrowing costs in the system.
- In the US, despite signs of inflation moderating for most part of the year in H1 2025, the Federal Reserve has taken a hawkish stance due to worries over tariffs impact on inflation. It is expected to take 2 cuts this year, but only one cut in 2026.
- We keep our stance of 2 rate cuts in 2025 unchanged, but the possibility of that happening in last quarter of the year is high now. At the same time, we believe more than one cut in 2026 is possible, as the Federal Reserve could prioritize stimulating economy if the tariff-induced slowdown is severe.

Saudi Banking: Incremental loans/deposits and LDR



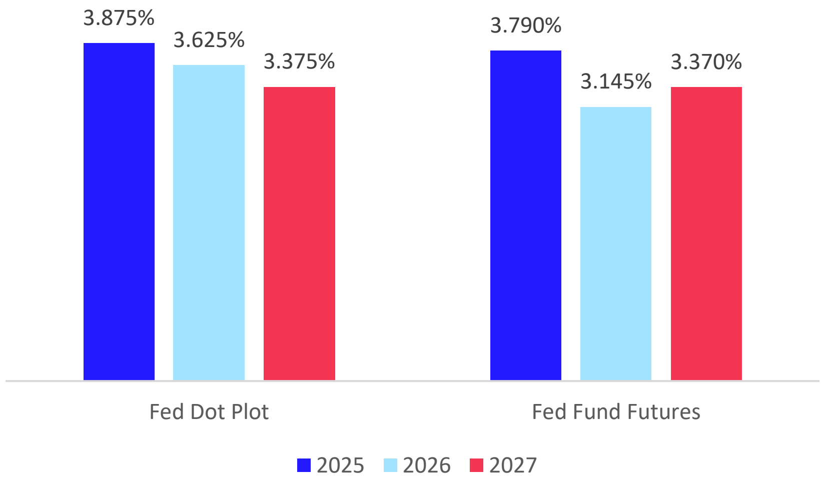
Source: SAMA, Al Rajhi Capital. Gap: Incremental loan minus Incremental deposits. Note: 2025 YTD is data till May

SAIBOR and SOFR spread (bps)



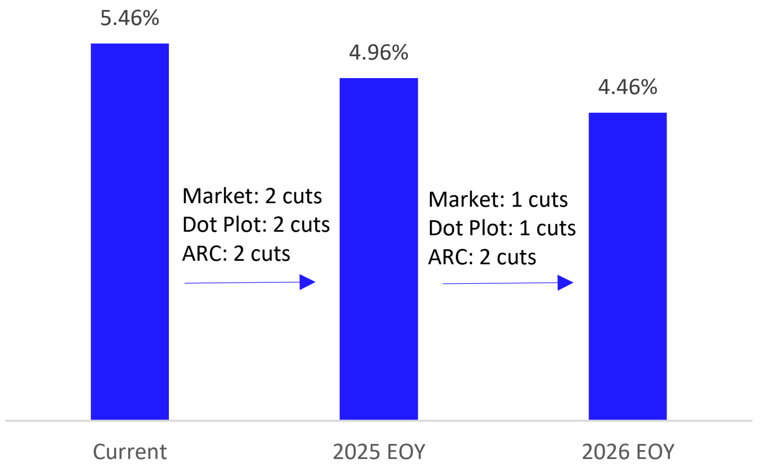
Source: Bloomberg, Al Rajhi Capital, Note: Data as of 30° June 2025

Fed Dot Plot and Fed fund futures



Source: Bloomberg, Al Rajhi Capital,

ARC's SAIBOR estimate



Source: Bloomberg, Al Rajhi Capital. EOY: End of year. SAIBOR is as of 6° July 2025

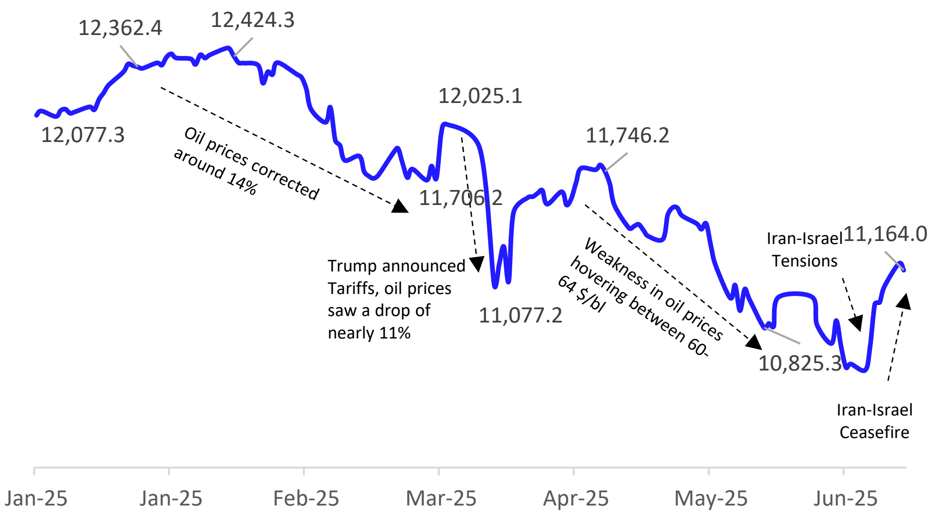
Equity Market Outlook

TASI: H1 2025 wrap-up

Risk off sentiment, TASI underperforms the peers

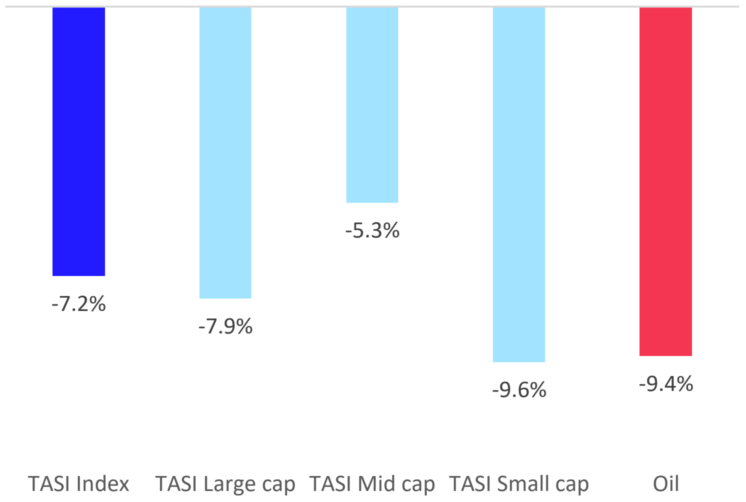
- After a sharp rally in the first two months of the year, TASI entered a downhill trajectory primarily hurt by oil prices. Oil prices were impacted by OPEC's plans to raise output, which in the backdrop of fears over severe slowdown due to Trump's reciprocal tariff plans, spooked the investors. Oil prices have corrected ~9% in H1 2025 with major decline in the months of February (-3.7%) and April (-14.7%).
- Post the ceasefire announcement between Iran-Israel, TASI has recovered to the pre-war levels, but unable to breach it partially due to weaker oil prices. Moreover, concerns are now over the tight liquidity conditions in the Kingdom. A combination of weak oil prices and tight liquidity conditions are weighing on the sentiments.
- Overall, TASI has underperformed other GCC markets as well emerging markets. Although the weakness is broad based, major decline has been noticed across the small caps.
- On the positive side, key banks, such as Al Rajhi and SNB were holding the fort. The sharp credit growth and no visible signs of NPA risk yet are overshadowing concerns over liquidity issues.

TASI decline led by lower oil prices, tariffs and geopolitical concerns



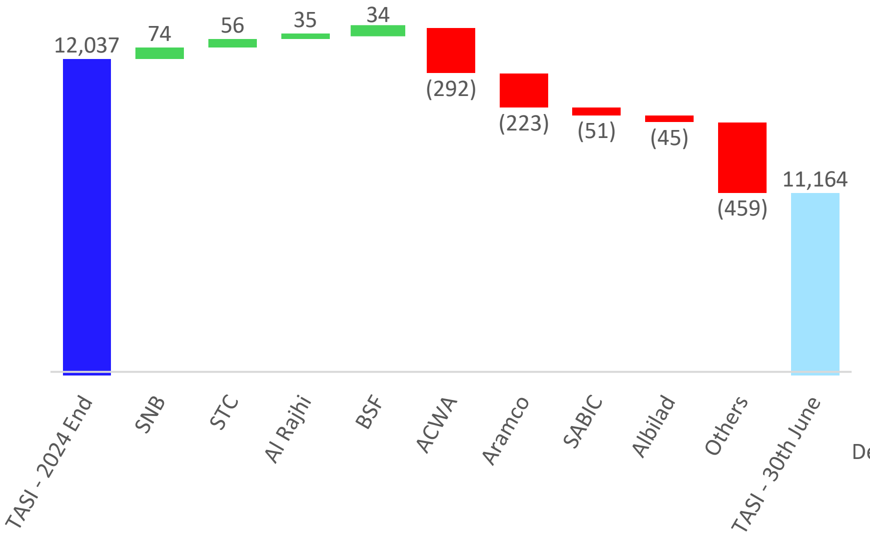
Source: Bloomberg, Al Rajhi Capital, Data as of 30th June 2025

H1 25 performance by different indices (Tadawul defined)



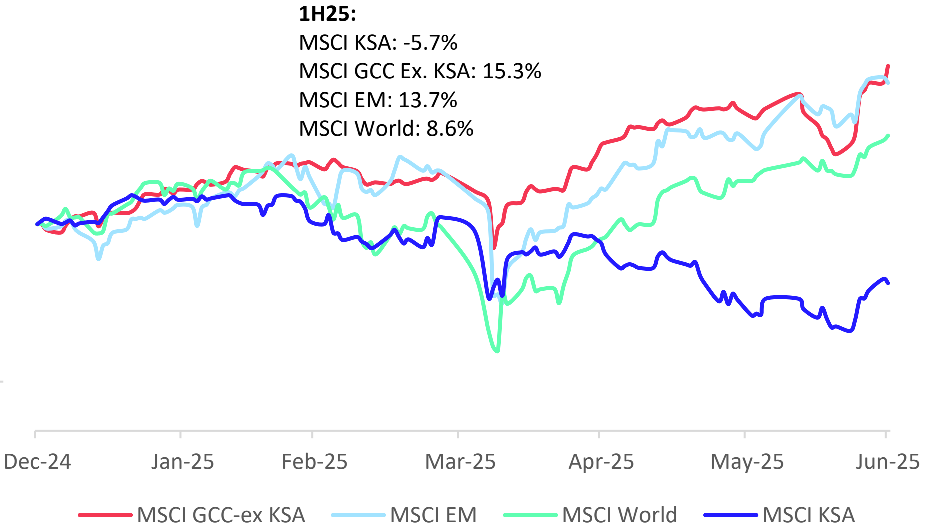
Source: Tadawul, Al Rajhi Capital, Data as of 30th June 2025

TASI index movement waterfall chart



Source: Bloomberg, Al Rajhi Capital, Data as of 30th June 2025

MSCI KSA underperforms other markets (Rebased to 100)



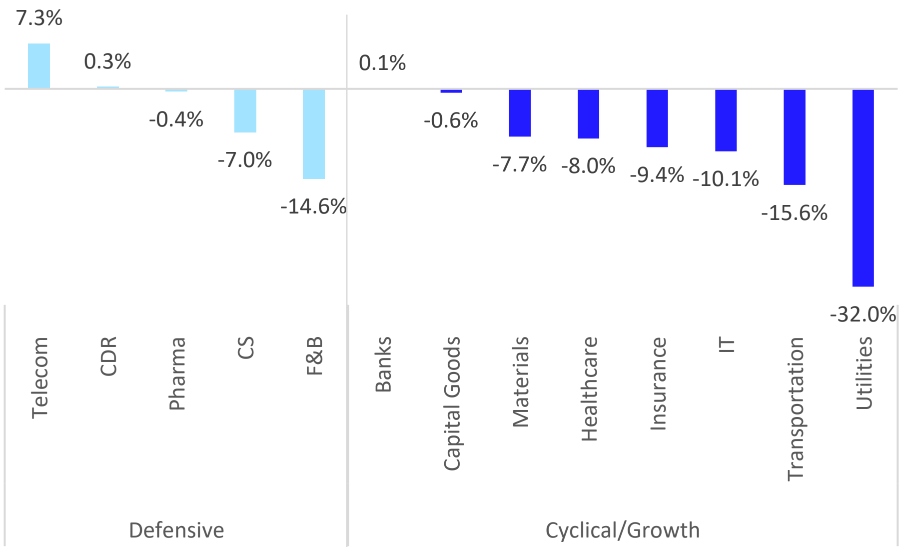
Source: Bloomberg, Al Rajhi Capital, Data as of 30th June 2025

TASI: H1 2025 dissected

Defensive stocks outperformed

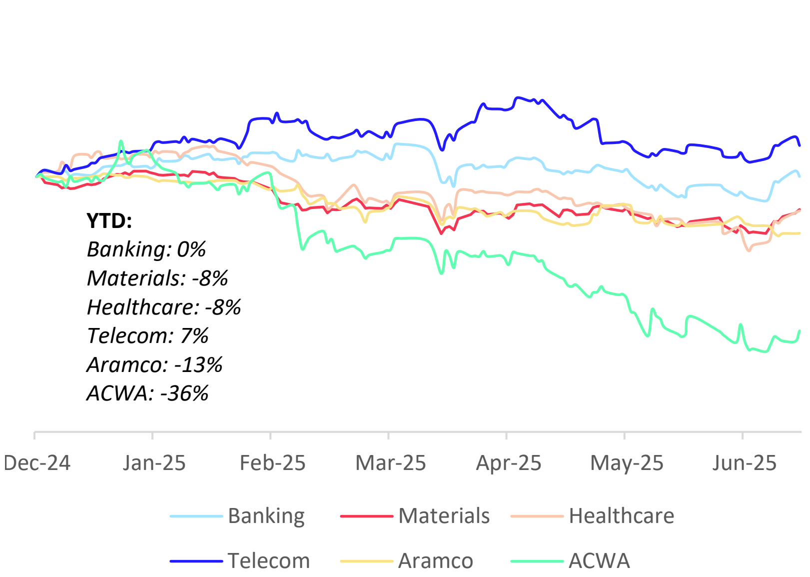
- During Q2-2025 market sell-off, high growth and high valuations stocks came under severe pressure as investors sought refuge in the defensive sectors.
- Defensive sectors such as telecom and pharma were resilient. In fact, telecom led by STC notably outperformed the market. Among the non-defensives, banks were resilient led by the top two banks. However, utilities, mainly Acwa Power, and transportation were the worst performing sectors. Moreover, high growth sectors such as insurance and healthcare also witnessing notable selling.
- Among the heavyweights, Aramco and Acwa Power were the worst performers, while overall banks were resilient, with SNB a clear outperformer. At the same time, STC due to its defensive attributes and Maaden due to the local growth story, were the key gainers.

Sectoral Performance in H1 2025



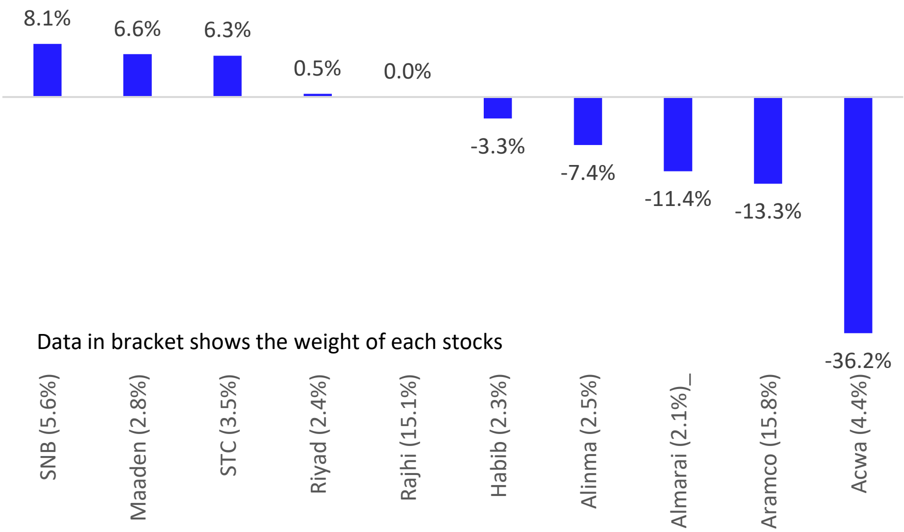
Source: Bloomberg, Al Rajhi Capital, Data as of 30th June 2025
Note: Sectors are as per Tadawul. CDR: Consumer Discretionary Distribution & Retail, F&B: Food & Beverages, CS: Consumer staples

Performance of top weighted sectors/stocks (Rebased to 100)



Source: Bloomberg, Al Rajhi Capital, Data as of 30th June 2025

Performance of top 10 heavy weights (collective weight of 55.4% as of 30th June 2025)



Source: Bloomberg, Al Rajhi Capital, Data as of 30th June 2025

Top 10 gainers/losers till date in H1 2025

Gainers	% Change	losers	% Change
Cenomi Retail	86%	Gulf General	-41%
Saudi Cabil	46%	Fakeeh	-39%
Al Babtain	44%	Anaam	-38%
Zamil	36%	Batic	-36%
Al Mawarid	33%	ACWA	-36%
Dar Al Arkan	27%	Raydan	-35%
Abo Moati	26%	MBC Group	-32%
Bahri	21%	Banan Real Es	-32%
EIC	19%	SAPTCO	-32%
BSFR	16%	SRMG	-30%

Source: Bloomberg, Al Rajhi Capital, Data as of 30th June 2025

TASI: Trading Flows

Saudi institutions net sellers; while retail and QFIs net buyers

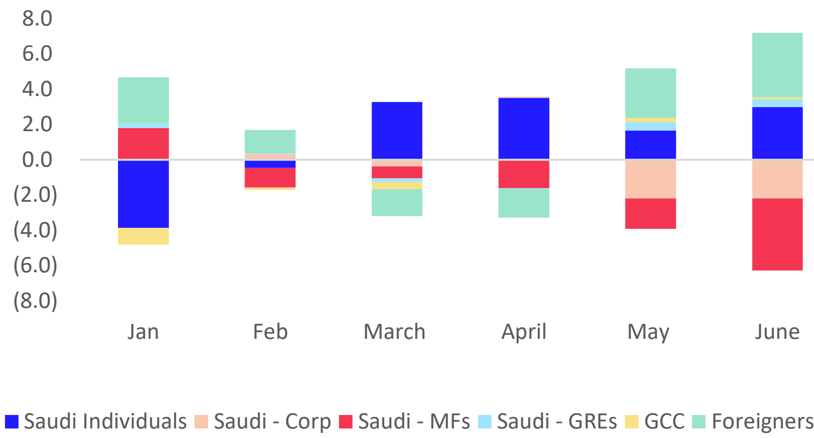
- Despite the market weakness, QFIs continued to be the net buyers in the market, although the quantum reduced notably compared to 2024. At the same time, Saudi retail investors also contributed equally and together with QFIs absorbed the selling from the Saudi institutions.
- Bulk of the selling from Saudi institutions came in the months of April and June, first due to reciprocal tariff announcement and second due to the Middle-East war.
- ADTV has declined compared to 2024 primarily hurt by lack of enough participation from Saudi institutions and lower transactions from QFIs. However, the liquidity is still above the 2023 levels.
- ADTV decline has been more severe in the small cap stocks compared to the levels seen in H1 2024

Foreigners and retail net buyers in H1 2025 (SAR bn)

	2020	2021	2022	2023	2024	1H25
Saudi Individuals	↓ (31.8)	↓ (22.3)	↓ (5.4)	↓ (7.1)	↑ 11.1	↑ 7.1
Saudi – Corp	↑ 280.1	↑ 13.6	↓ (27.2)	↓ (12.2)	↓ (5.2)	↓ (4.4)
Saudi - MFs	↓ (0.7)	↓ (2.8)	↑ 0.9	↓ (6.1)	↑ 2.1	↓ (7.4)
Saudi - GREs	↓ (262.7)	↓ (9.7)	↑ 3.1	↑ 12.0	↓ (30.7)	↑ 0.9
GCC	↓ (4.8)	↓ (2.6)	↓ (2.4)	↑ 1.2	↑ 2.4	↓ (1.1)
Foreigners	↑ 18.7	↑ 25.5	↑ 43.5	↑ 14.2	↑ 21.0	↑ 7.3

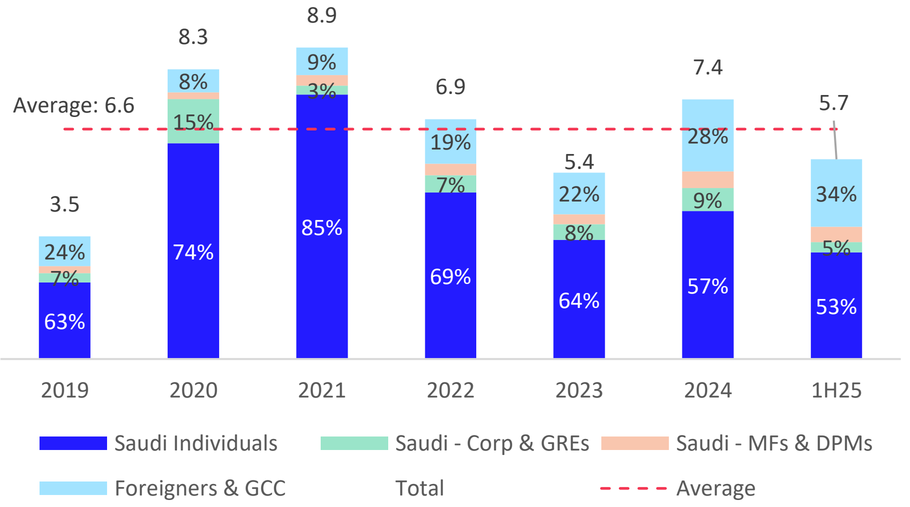
Source: Tadawul, Al Rajhi Capital. Note: foreigners include QFIs as well as other foreign investors, Data as of 30th June 2025. MF means mutual funds

Foreigners and retail net buyers in H1 2025 (SAR bn)



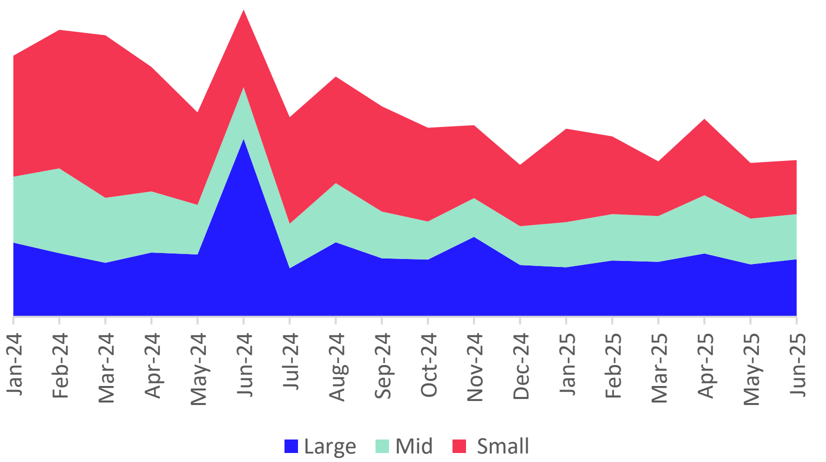
Source: Tadawul, Al Rajhi Capital Note: foreigners include QFIs as well as other foreign investors, Data as of 30th June 2025. MF means mutual funds

Average daily traded value (ADTV) over the years (SAR bn)



Source: Tadawul, Al Rajhi Capital, Data as of 30th June 2025

ADTV trend for different indices (SAR bn)



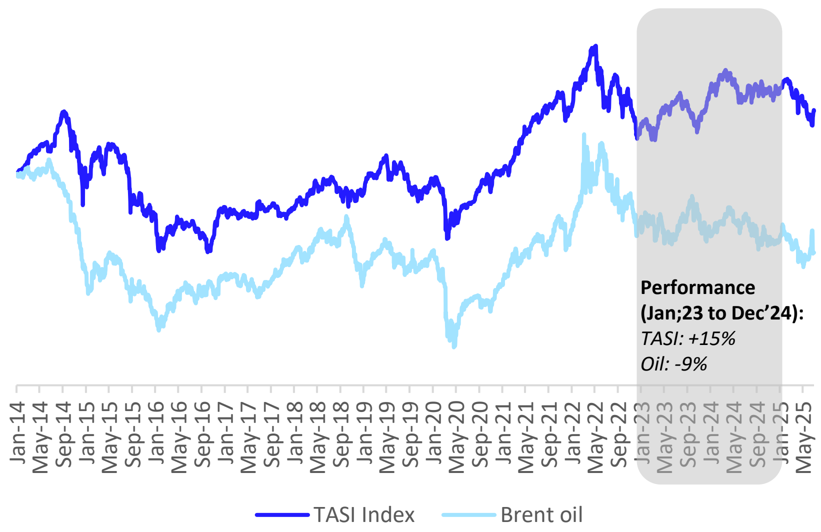
Source: Tadawul, Al Rajhi Capital, Data as of 30th June 2025

TASI/Oil: Not yet decoupled

Oil below USD 70/bbl has hurt the sentiments

- In the last two years (2023/2024), TASI has notably outperformed oil led by sectors such as healthcare, insurance and mid/small cap space, that were not entirely dependent on the movement of oil prices.
- During this phase, oil remained volatile and traded in a wide range of USD 75-90/bbl. However, despite the volatility, TASI showed signs of decoupling, supported by the ongoing diversification of the economy and as the listing of non-oil dependent companies increased.
- However, this year we have noticed the movement of TASI broadly in line with the oil pries. In our view, this is mainly due to oil dropping below the USD 70/bbl level, that has weakened sentiments and raised concerns over possible impact on government spending.
- Further, geopolitical risks also added fuel to the fire. Despite oil price hike during June, we haven't seen a similar reaction to the Iraq war, due to the nature and associated risks of the recent conflict.
- Also, it has been noticed that oil prices eventually is dictated more by fundamentals. As per ECB's economic bulletin published in 2023, in case of geopolitical risk related to Middle East (refer to chart), oil prices spike initially, which is a key indicator of risk in the region. However, within a quarter, the oil prices declines by about 1-2%, again implying normalizing of risk.

TASI versus oil long term performance (rebased to 100)



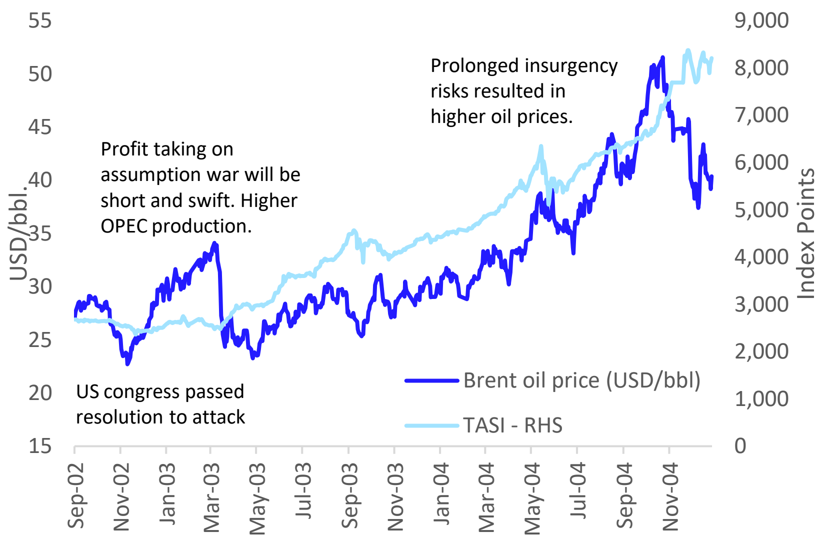
Source: Bloomberg, Al Rajhi Capital

Heat map of TASI vs oil

		Q1	Q2	Q3	Q4	Overall
5 Year Avg.	**TASI**	**2.46%**	**2.46%**	**3.94%**	**0.28%**	**8.22%**
	Oil	**0.45%**	**19.65%**	**-1.81%**	**1.61%**	**5.13%**
2025	TASI	-0.10%	-7.16%			-7.25%
	Oil	0.13%	-9.54%			-9.42%
2024	TASI	3.63%	-5.82%	4.68%	-1.55%	0.58%
	Oil	13.55%	-1.22%	-16.94%	4.00%	-3.12%
2023	TASI	1.07%	8.20%	-3.52%	8.24%	14.21%
	Oil	-7.15%	-6.11%	27.25%	-19.17%	-10.32%
2022	TASI	16.03%	-11.97%	-1.02%	-8.13%	-7.12%
	Oil	38.74%	6.39%	-23.39%	-2.33%	10.45%
2021	TASI	14.02%	10.86%	4.66%	-1.86%	29.83%
	Oil	22.66%	18.24%	4.51%	-0.94%	50.15%

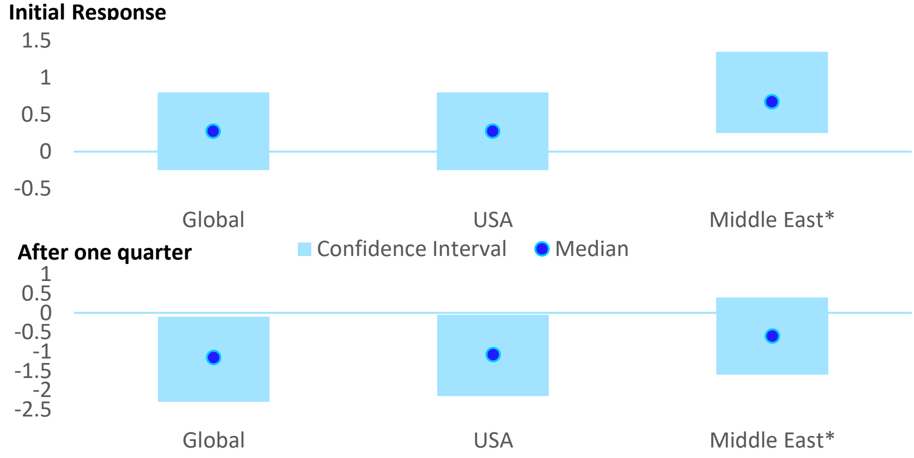
Source: Bloomberg, Al Rajhi Capital, Data as of 30th June 2025

Iraq war 2003 and Oil price



Source: Bloomberg, Al Rajhi Capital

Oil price spikes in the short term in reaction to geopolitical shocks, but normalizes within a quarter



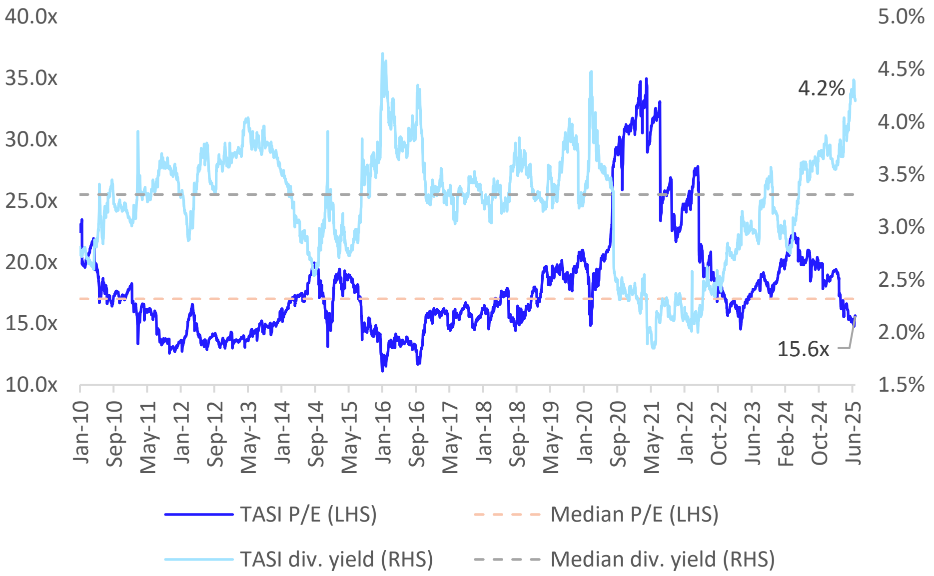
Source: Haver, Caldara and Iacoviello (2022) and ECB staff calculations, Al Rajhi Capital, Note: Middle east represents one of the countries (not key oil producer) involved currently in geopolitical risk. Notes: The chart shows the response of the Brent oil price to a one standard deviation geopolitical risk shock. Each VAR includes a country-specific GPR index, global industrial production, the Brent oil price, the domestic stock market index and the US two-year yield. All variables excluding the index and the two-year yield enter in logs. The sample covers the period from January 2000 to October 2023. Countries are ordered according to the size of the initial response.*

TASI: Relative valuations

Dividend yield closer to Covid sell-off, P/E below average now

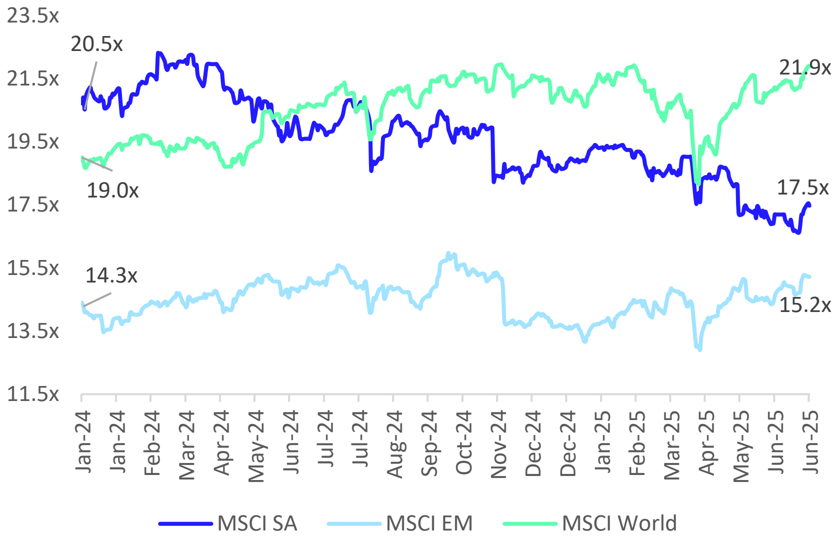
- Post the weak performance so far in 2025, TASI's trailing multiple has now fallen slightly below the median to 15.6x. Similarly, trailing dividend yield has now hit 4.2%, which is broadly similar to what we saw during Covid sell-off.
- Also, MSCI SA's valuation premium over MSCI EM has now reduced to 2x versus 6x at the start of 2024. And this has come in the backdrop of MSCI World recovering all its losses and posting new highs.
- There are concerns that weaker oil prices will have impact on the future corporate earnings, but we believe the sharp sell-off in the equities reflects the risks to a large extent. In our view, several sectors are trading at attractive valuations and there are pockets of opportunities, especially in the small and mid cap space (refer to slide 16).
- Nevertheless, in the backdrop of weak oil prices and no signs of recovery for petchems., we revise our target for TASI downwards. As we consider our latest target prices for our covered stocks, our new TASI target level is 11,800 points (2025 end), which offers an upside of 4% from the current levels.

TASI P/E below long-term median, div. yield above median



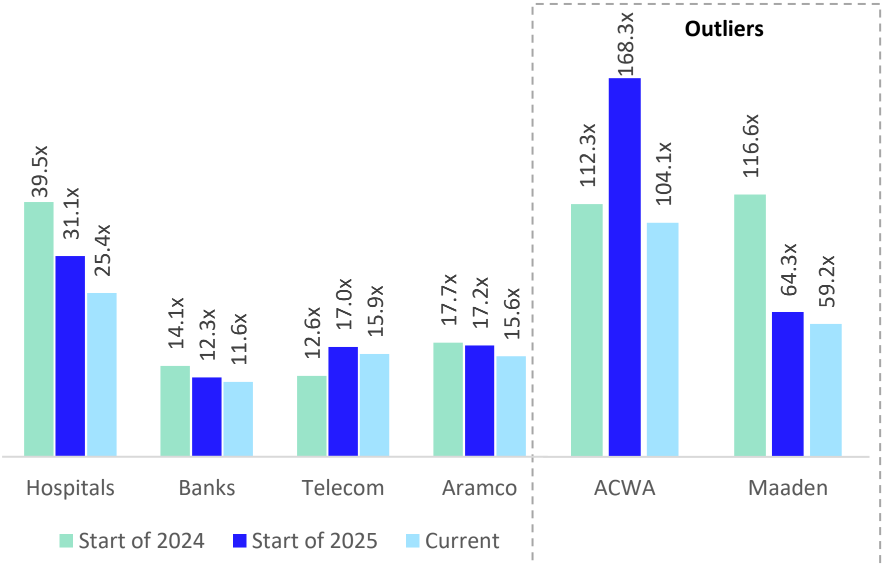
Source: Bloomberg, Al Rajhi Capital, Data as of 30th June 2025, Have considered Index Adjusted PE for TASI

MSCI SA P/E has contracted notably relative to EM



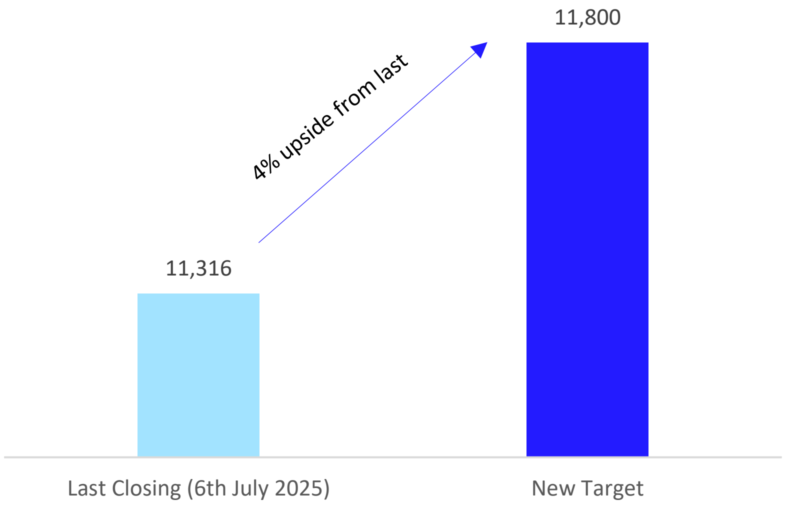
Source: Bloomberg, Al Rajhi Capital, Data as of 30th June 2025, Have considered Index Adjusted PE for all indices

Trailing P/E of heavyweight sectors/stocks



Source: Bloomberg, Al Rajhi Capital. Note: We have considered equal-weighted PE for all the indices. For Hospitals we have not considred the recent IPOs: Almoosa and SMC

TASI target for 2025 end



Source: Bloomberg, Al Rajhi Capital. Note: TASI Target is based on our target prices for our covered stocks. For banks' fair value, we use our internal assessment

Sectoral Outlook and Top Picks

Key Sector Views

Overweight

- Tourism & Logistics
- Healthcare
- Pharmaceuticals
- HR Services

Neutral

- Insurance
- Information Technologies (IT)
- Retail
- Real Estate
- Telecom
- Cement
- Banks
- Building Construction
- Food & Agriculture

Underweight

- Petrochemicals

Rationale for Top Picks

Market	Company	Mcap (SARmn)	Last Price	TP	Upside (%)	ADTV (20 days) (SARmn)	P/E		EV/EBITDA	
							2025E	2026E	2025E	2026E
TASI	**Budget Saudi**	5,691	72.8	97.0	33	12.2	14.2x	12.5x	7.1x	6.6x
	Astra	12,696	158.7	208.0	31	13.3	18.7x	16.7x	15.0x	13.5x
	Al Habib	94,150	269.0	327.0	22	61.1	35.4x	27.8x	29.1x	23.0x
	SGS	9,325	49.6	60.0	21	20.0	23.5x	18.5x	14.7x	12.2x
	eXtra	7,044	88.1	105.0	19	23.9	13.9x	12.5x	8.3x	7.4x
	Mobily	46,084	59.9	69.3	16	50.5	13.4x	12.5x	6.7x	6.3x
	Tamkeen	1,428	53.9	62.0	15	8.1	15.7x	14.7x	12.2x	11.3x
NOMU	**AOL**	810	9.0	12.4	38	0.1	15.7x	11.3x	10.2x	7.9x

Source: Bloomberg, Al Rajhi Capital estimates, Last price as of 6th July 2025

Rationale for Top Picks

Budget	**Budget:** In the near-term, Budget's earnings is expected to benefit from Auto World acquisition. In the medium/long-term, increase in tourism/business activity in the Kingdom on the back of numerous giga & mega project and plethora of business/entertainment events is expected to drive earnings growth for the company
أسترا الصناعية astra industries	**Astra:** In our view, the YTD decline in the stock price is a good opportunity to accumulate the stock. In 2025, it will be an operating margin improvement story coming from both pharma and steel. The topline growth in pharma is coming from the government channel, thus although gross margins could be broadly flat but the advantage of scale and lesser requirement to spend on marketing will help the operating margins. Also, in the steel business, the company is focusing on margin accretive projects. In H1 2025, steel revenues have been lower y-o-y, but for the year as a whole we expect flat to modest growth with margin improvement. In chemical, the positive contribution to the bottom-line will come mainly from the finance costs savings in Turkey. As we approach second half of the year, the earnings will have the benefit of easy base in steel and will see higher finance cost savings in Turkey. We are very positive on H2 2025 earnings trajectory.
د. سليمان الحبيب DR SULIMAN AL HABIB medical group المجموعة الطبية	**Al Habib:** The year 2025 is a very crucial year for the company as it ramps up its recently opened hospitals. Among all the projects, the 500 beds hospital in Riyadh and the two hospitals in Jeddah are very crucial. As per the management, the patient volumes in the initial few weeks at its Southwest Jeddah Hospital (50% ownership) have been better than the run rate at Khobar, indicating signs of strong demand. In our view, more than the cost pressure, focus should be on the trends of patient volumes. In our view, any weakness in the stock price should be utilized as an opportunity to build position as its medium to long term growth story is pretty solid. We see upside risks to our target price if we see strong quicker than expected ramp-up at the Jeddah/New Riyadh hospital and manageable costs pressure in 2025.
SGS	**SGS:** In the near-term company's earnings is expected to grow by high double-digit on the back of improvement in gross margin and lower provision expense. In the medium/long-term SGS is expected to be a key beneficiary of increase in tourists arrival within the kingdom (which includes benefiting from its contract with Riyadh Air)
اكسترا eXtra	**eXtra:** Despite offering mid-single digit earnings growth (adjusted for divestment of Tasheel), company trades at an undemanding P/E of 14x. Near-term earnings growth, driven by the success of the mega sales in the electronic business, should in our opinion act as a catalyst for positive share price movement

Rationale for Top Picks

mobily	**Mobily:** The company has demonstrated the ability to continuously secure projects from the Government, large companies and SMEs which should support strong growth in business and wholesale segment. In addition to this, the consumer segment grew 4.6% y-o-y in FY24, coming out of period of stagnation. Combination of these factors should help Mobily achieve guided revenue for FY25. Moreover, the company generates industry leading EBITDA margins (FY24- 39.5%). The stock is currently trading at an attractive valuation of 13.4x on our FY25E earnings. We expect earnings grow at a CAGR of ~7.8% during FY25-28.
Tamkeen Human Resource.co	**Tamkeen:** We expect a solid topline growth in 2025E, led by full year contribution of the construction contract won last year, new contracts in the medical space, and the growth of individual hourly services. The Q1 2025 gross margins have been solid. Despite growing revenues by more than 2x, the gross margins in the corporate segment were 21.5%, higher than peers average, showing the company's selective approach. Moreover, the gross margins in the individual segment were also solid at 15.2%, primarily supported by better utilization rates. Given that the construction contract won by the company last year has better margins and the margins are fixed for the duration of the contract (2027E expiry), we believe the margin pressure will be noticeable only beyond 2027.
أكاديمية التعلم Academy Of Learning	**AOL:** AOL listed on Nomu, is an emerging player in the education and training space in the KSA. The company is well positioned to capitalize on Saudi Arabia's growing demand for vocational training as the job market continues to favor ready to be employed workforce and is focused on gender diversity. The company has predominantly focused on women education & training and has benefited from the sharp growth in demand for the women workforce. From just 7 branches in 2022, it has opened 12 branches by the end of 2024. Moreover, over the medium term, the growth will come from its plan to venture into having schools, through a newly formed subsidiary. Although profitability could be under pressure this year due to new branches, sooner than later the margins should recover. We estimate revenues (standalone, ex-education company) to grow by 29% CAGR over the next 4 years and profits to increase by 34%.

Fund Manager Survey

Fund Manager Survey

About the survey

- **Date of Survey:** 24th June to 6th July 2025
- **Participants:** Local and global asset managers

Insights

- Most believe that **TASI is undervalued at current levels**.
- Most voted that **cash holdings as a % of AUMs** are either **above average or at-least in line**.
- **A stable geopolitical environment and oil prices above USD 75/bbl** are key catalysts for market recovery.
- With the geopolitical situation currently contained but oil prices below USD 70/bbl, **TASI is projected to reach 11,000–11,500 by end-2025**.
- Fund managers agree that **current fixed income yields (5–6%) reduce the relative appeal of equities**.
- IPO activity, both primary and secondary, has a **significant effect on market liquidity**.
- The preferred strategy is targeting both **large and mid caps with growth characteristics**
- **For banks**, investor concern centers **around the risk of a slowdown in credit growth**.
- **In healthcare**, **upcoming capacity additions in Riyadh and Jeddah** remain a concern.
- Under current market conditions, **ACWA Power** faces a heightened risk of further **correction**.

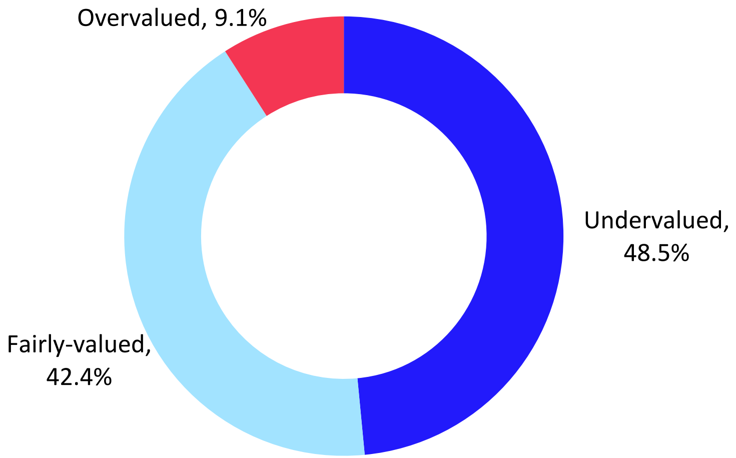
Sectoral favorites

- **Favorable:** Banking, Insurance, and Healthcare
- **Less attractive:** Petrochemicals, Energy (including drillers), and Retail

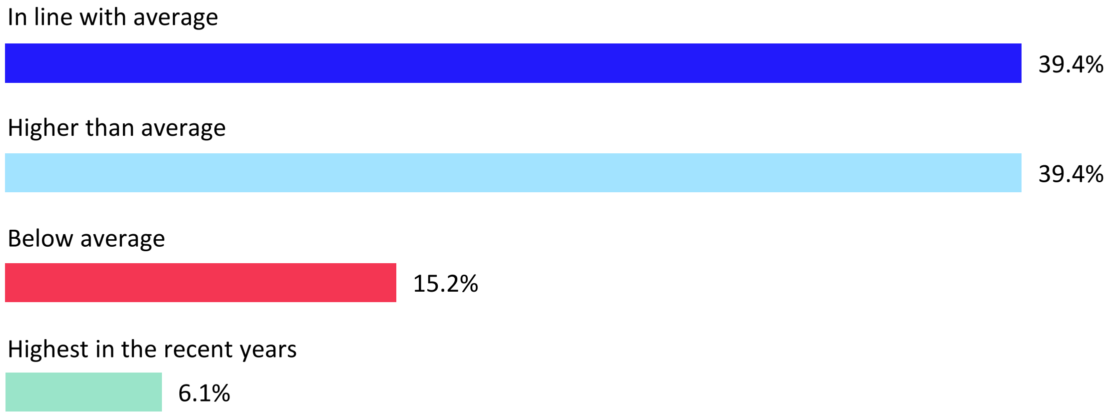
Source: Survey by Al Rajhi Capital.

Fund Manager Survey

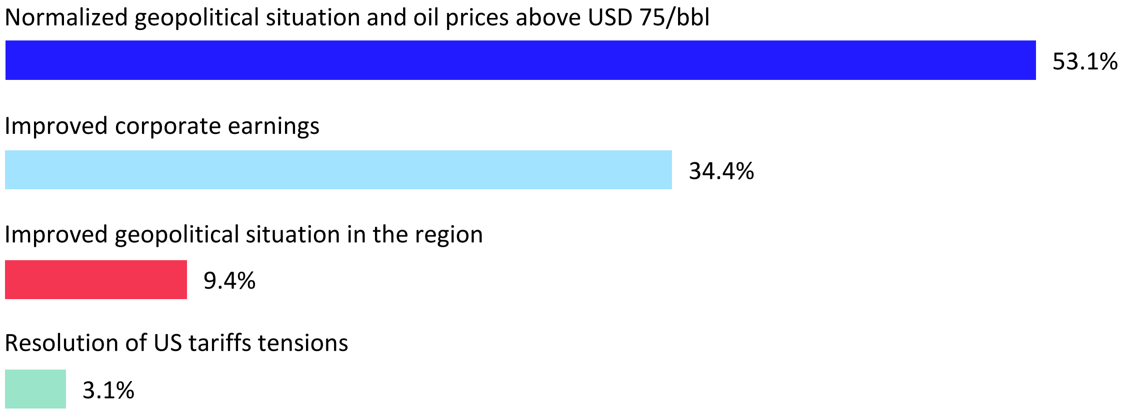
How do you see the market (TASI) valuation in general?



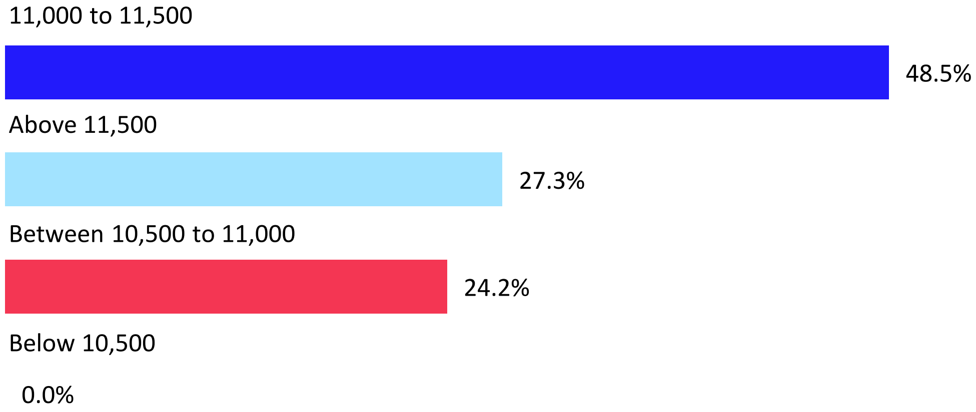
What is the proportion of cash held as a % of your AUM's compared to historic levels?



In your opinion, which of the below catalysts could help the market recover from here?



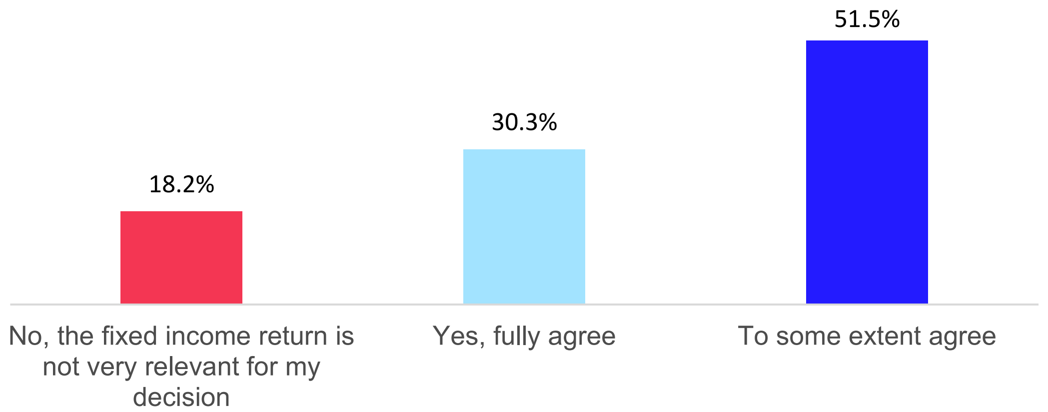
As the war is contained now, but oil prices are below USD 70/bbl, what level could TASI reach by the end of 2025, in your opinion?



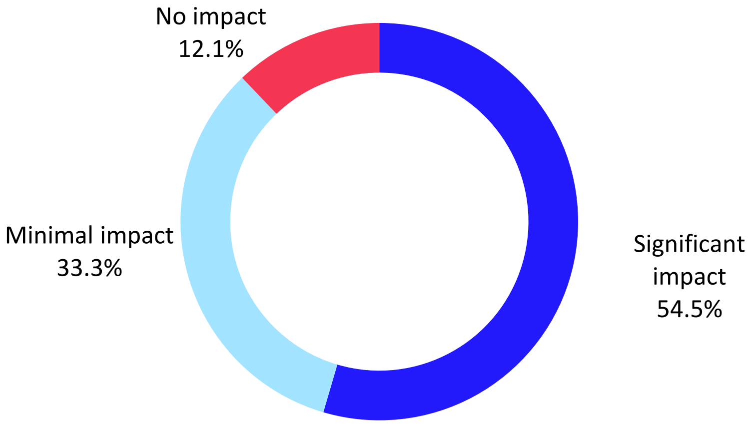
Source: Survey by Al Rajhi Capital.

Fund Manager Survey

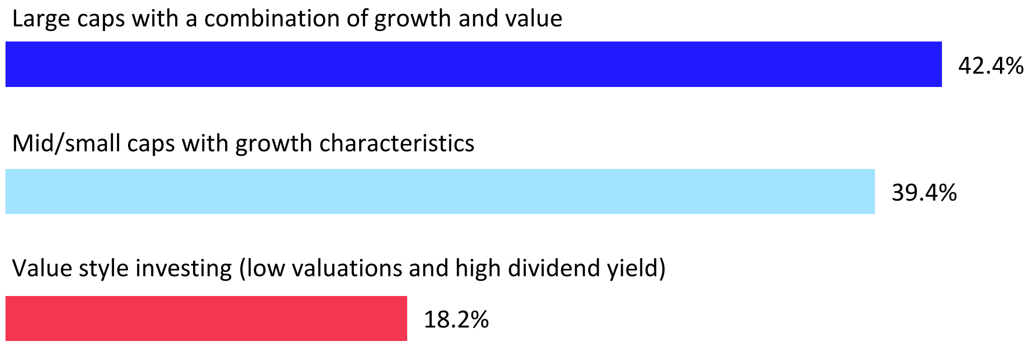
Does the current fixed income yield (5-6%) reduce the attractiveness of equities in your portfolios?



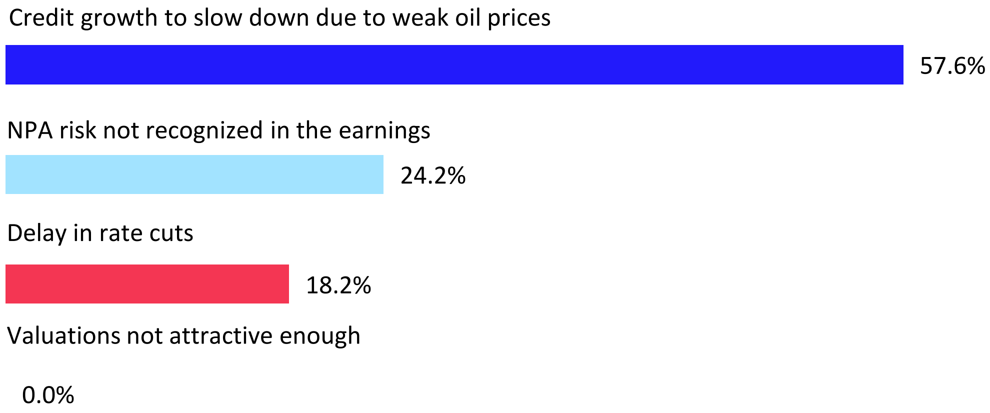
How do you see the impact of IPOs (initial and secondary IPOs) on market liquidity?



In the current scenario, if the cash has to be deployed, what strategy would be favored?



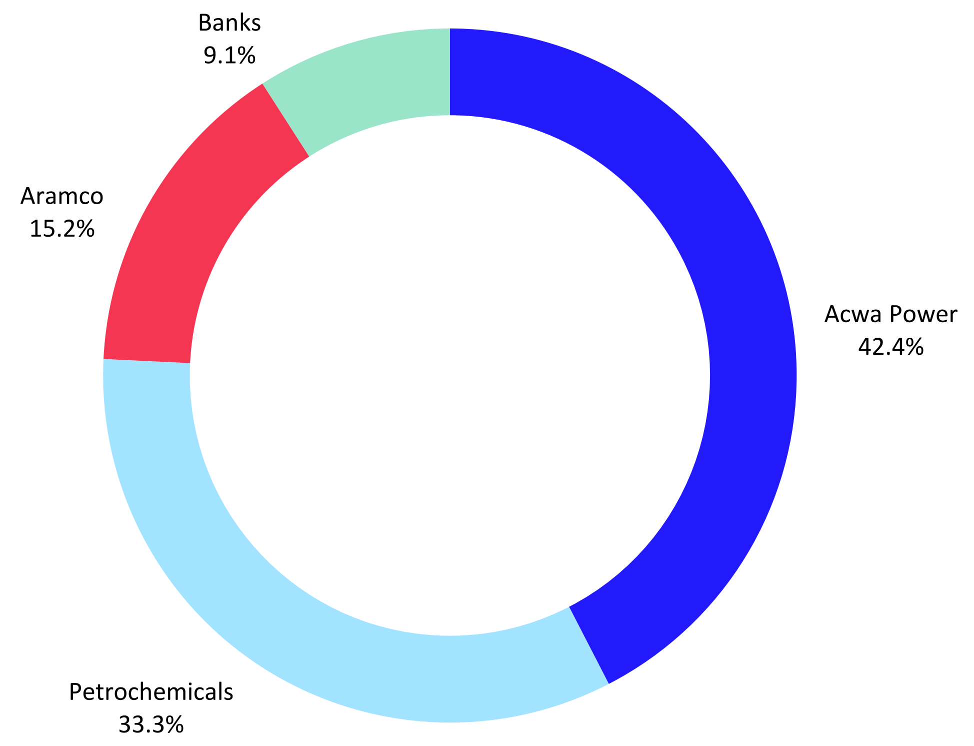
For banks, what is the biggest worry for the investors and the risk that is not fully priced in yet?



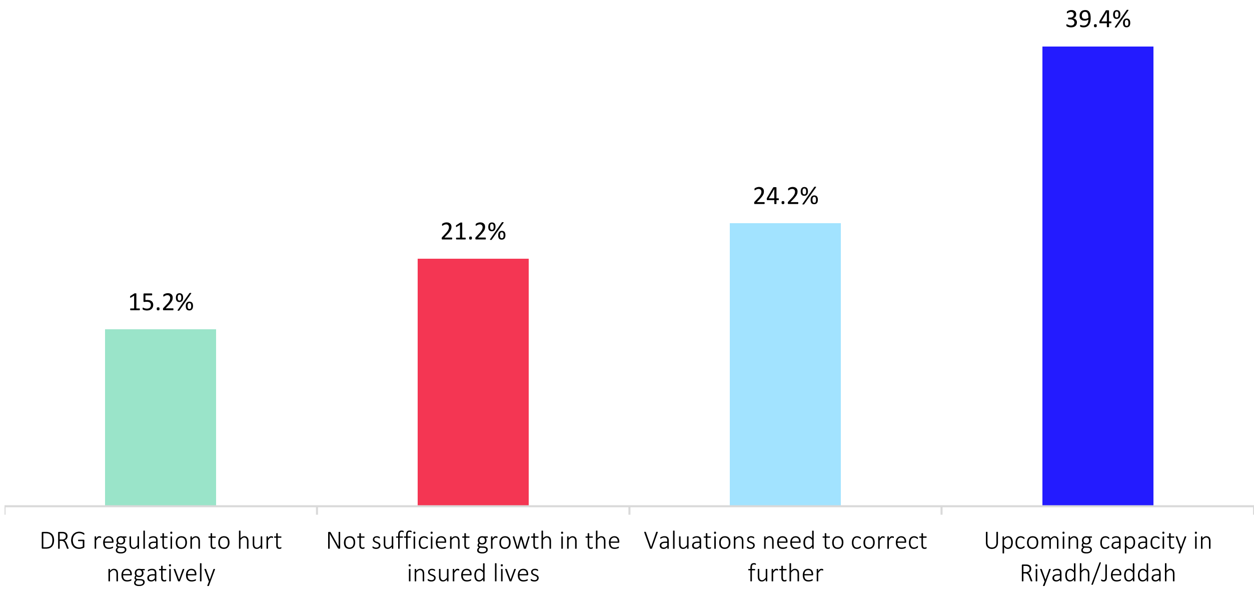
Source: Survey by Al Rajhi Capital.

Fund Manager Survey

In the current market conditions: among the heavyweights, which stock/sector is at risk of further correction?



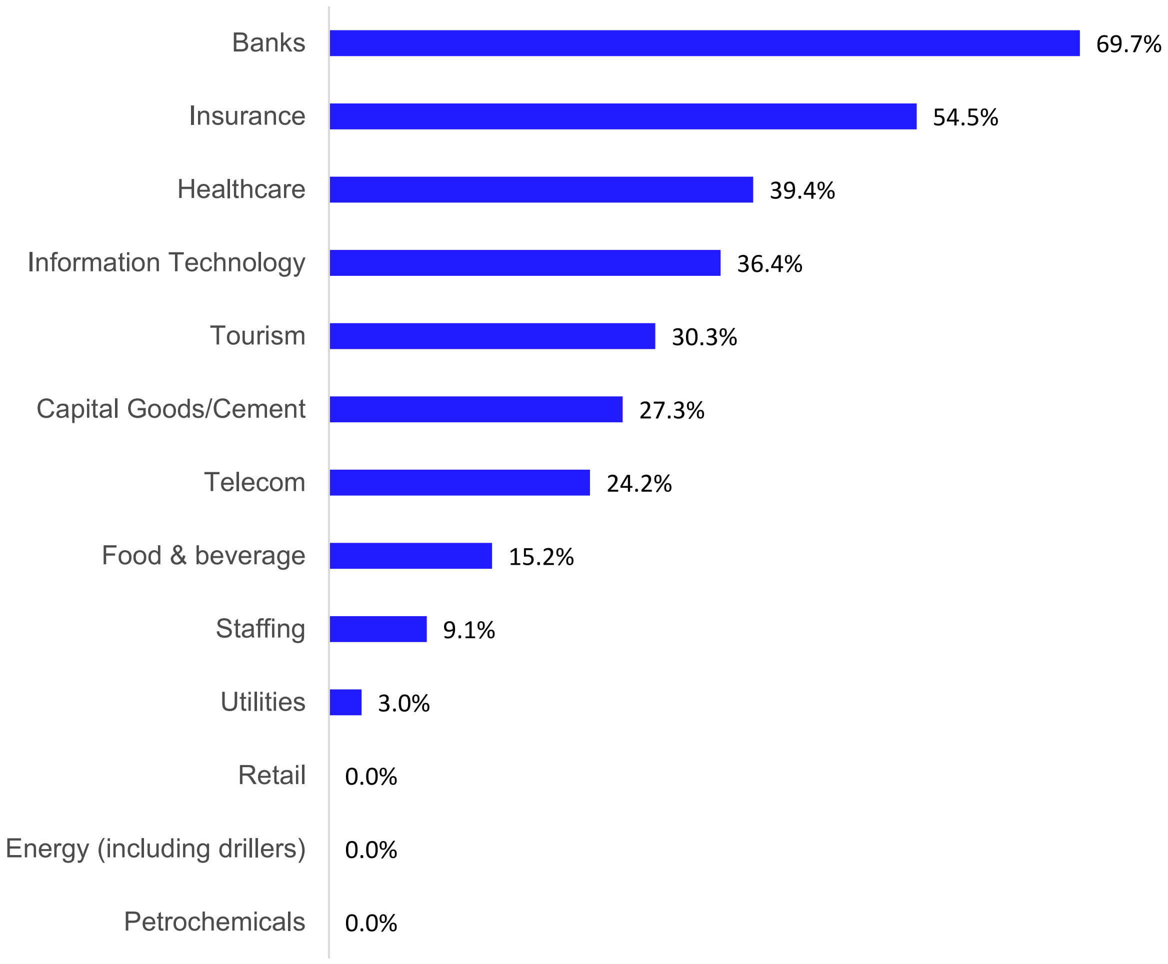
For healthcare, what is stopping the investors from bottom fishing?



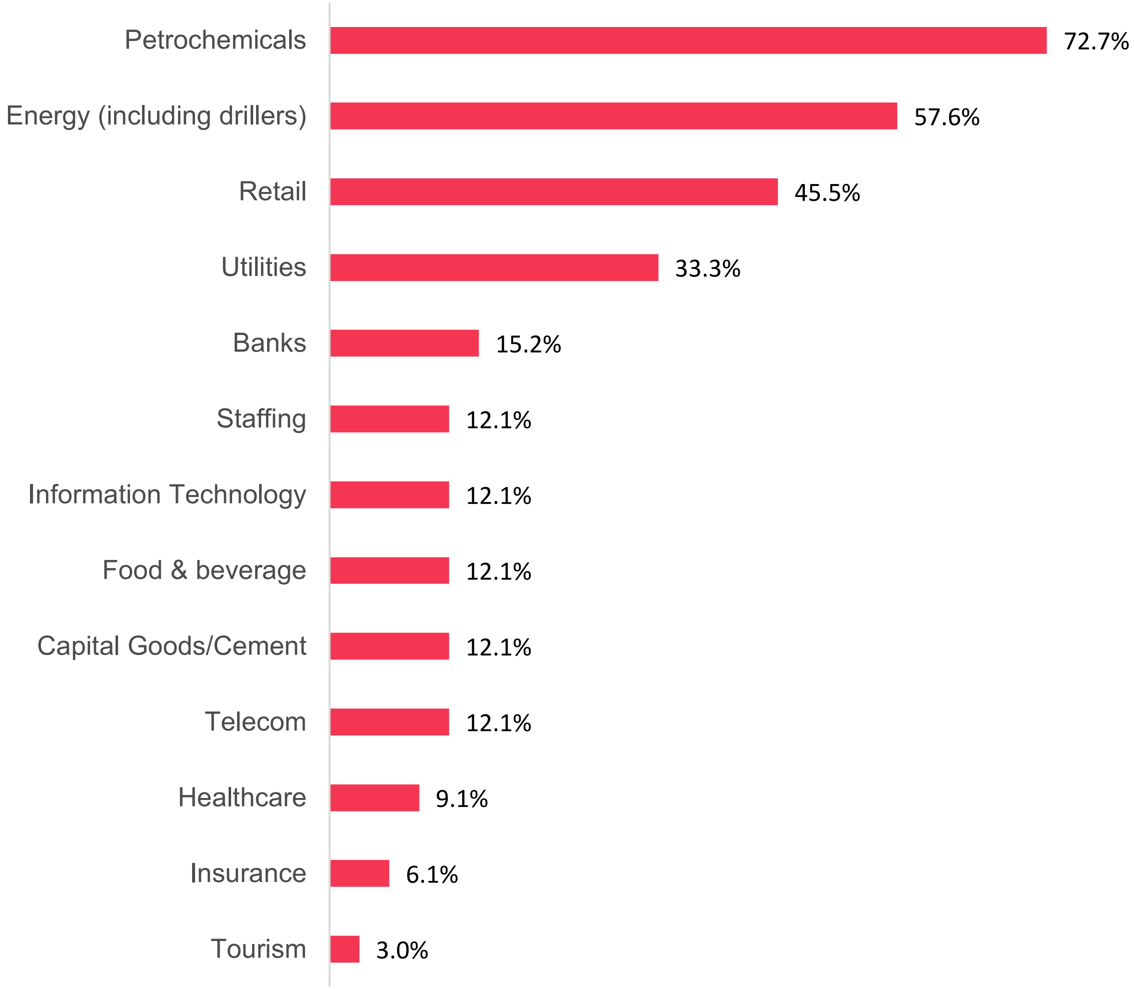
Source: Survey by Al Rajhi Capital.

Fund Manager Survey

Top three favored sectors for H2 2025?



Least three favored sectors for H2 2025?



Source: Survey by Al Rajhi Capital.

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Thank You

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"Underweight": Our target price is more than 10% below the current share price, and we expect the share price to reach the target on a 12 month time horizon.

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