

Initiating coverage on GCC exchanges

Sector – Financial Services

We initiate our coverage on listed GCC stock exchanges with a broadly positive outlook on the sector. We believe that the sector represents a crucial link as well act as barometers of the broader economic growth of the GCC economies. The exchanges offer a unique opportunity to gain exposure to the region's structural shift toward economic diversification and its strategic move away from oil dependency. In addition to their macroeconomic relevance, GCC exchanges present compelling investment propositions, underpinned by strong fundamentals, continuous product and technology innovation, and alignment with national development visions. The exchanges have facilitated the privatization of several high-profile national entities and have seen increased listings from tech-enabled businesses, established product and service providers, smaller enterprises, and family-owned firms. Additionally, they have attracted increasing foreign investor interest and allocations, driven by multiple index inclusions. In this report, we cover Boursa Kuwait, Saudi Tadawul Group, and Dubai Financial Market.

Boursa Kuwait showcases strong earnings visibility in the backdrop of a favorable regulatory environment and macroeconomic momentum. We have assigned a 15% valuation premium to reflect our expectation of a re-rating, driven by a strong product pipeline like sukuks and derivatives; deepening capital markets including planned launch of an exchange for emerging companies and continued modernization of market infrastructure through initiatives like CCP rollout. In our view, these structural developments are not yet fully reflected in the current valuation and justify a premium to both historical and regional averages.

Key Financials - KWD Mn	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Revenue	30.7	36.3	47.6	54.1	60.8
Operating margin	59.6%	61.7%	64.1%	64.0%	63.8%
Net income	21.9	25.4	33.1	37.0	40.8
Net income margin	71.3%	69.9%	69.6%	68.4%	67.2%
EPS (fils)	78.7	90.5	118.2	132.0	145.7

Source: Kamco Invest Research

We believe **Saudi Tadawul Group (STG)** is well-positioned for margin expansion, supported by operating leverage, Vision 2030 reforms, and a strong IPO pipeline that enhances liquidity and valuation potential. Strategic investments in fintech, data, and commodities are expanding its addressable market and monetization opportunities, reinforcing its role as a one-stop capital markets platform. Ongoing post-trade upgrades and cross-border initiatives further strengthen its regional leadership. Despite short-term sensitivity to ADTV swings, STG's growing base of non-trading revenues and platform maturity justify a premium valuation and our Outperform rating.

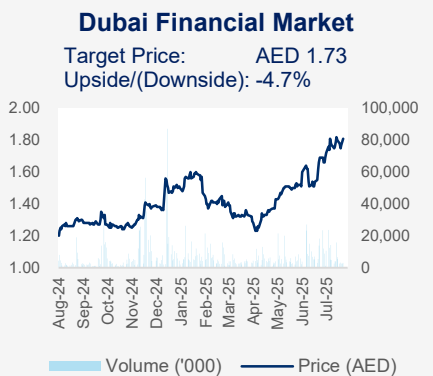
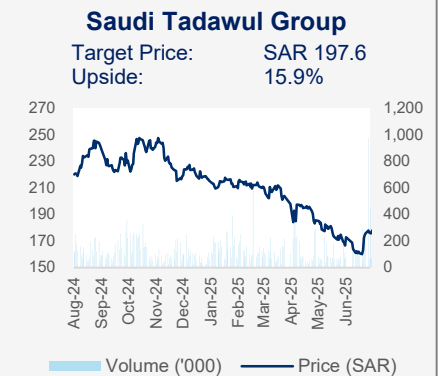
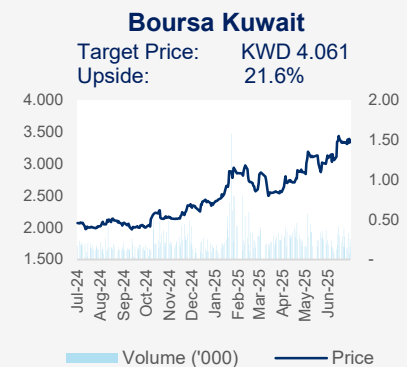
Key Financials - SAR Mn	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Revenue	1,073	1,447	1,514	1,763	2,161
Operating margin	30.6%	39.1%	36.8%	36.4%	39.2%
Net income	381	621	600	686	879
Net income margin	35.6%	42.9%	39.6%	38.9%	40.7%
EPS (SAR)	3.3	5.2	5.0	5.7	7.3

Source: Kamco Invest Research

Dubai Financial Market's valuation reflects its position as a mature, well-regulated exchange and a key gateway for foreign capital. While strong recent performance and IPO activity support its fundamentals, the absence of near-term catalysts, high sector concentration, and a competitive landscape with ADX limit upside potential. Significant non-core income contribution adds to earnings volatility. We believe the current valuation fairly captures these dynamics and maintain a Neutral stance.

Key Financials - AED Mn	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Revenue	349.0	353.1	451.9	480.2	510.4
Operating margin	37.7%	37.2%	47.1%	47.0%	46.7%
Net income	329.6	376.4	437.4	432.0	442.1
Adj. Net income margin	46.1%	45.5%	52.3%	49.4%	50.1%
EPS (AED)	0.041	0.047	0.055	0.054	0.055

Source: Kamco Invest Research



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GCC Financial Market Overview

The financial landscape of the Gulf Cooperation Council (GCC) has undergone a profound transformation since 2015, evolving from nascent markets heavily reliant on oil revenues to increasingly sophisticated and diversified financial hubs. This evolution has been spearheaded by ambitious national vision programmes, progressive regulatory reforms, and significant technological advancements, with the Saudi Tadawul Group (STG), Dubai Financial Market (DFM), and Boursa Kuwait leading the charge. These exchanges are not merely trading venues; they serve as strategic platforms within their respective national development visions, aiming to attract global capital and foster robust domestic economies.

Boursa Kuwait: The privatization success story

Boursa Kuwait's journey since FY-2016 is largely defined by its successful privatization and subsequent market reforms, transforming it into a more agile and investor-friendly exchange.

Privatization and modernization: Boursa Kuwait took over the management of the Kuwait Stock Exchange (KSE) in FY-2016, marking a new era of development. The privatization aimed to address historical challenges such as a lack of listing incentives, low liquidity, and manual disclosure methods.

Market upgrades and international classification: The exchange implemented significant market development initiatives (MD1), unifying settlement cycles to T+3, increasing price limits, and introducing a randomized closing auction. These reforms contributed to FTSE Russell upgrading Boursa Kuwait to a Secondary Emerging Market in FY-2018, opening doors to greater foreign investment.

Enhanced transparency and governance: Boursa Kuwait has focused on strengthening its corporate governance framework, adopting international best practices and standards, and separating roles between executive management and the board of directors. It has also developed sustainability disclosure guidelines to encourage ESG reporting.

Increased liquidity initiatives: The introduction of a Market Maker rulebook is a key initiative to enhance market liquidity, and efforts are underway to broaden the investor base, including attracting more institutional investors.

Saudi Tadawul Group: A decade of strategic expansion

Saudi Arabia's Tadawul has arguably seen the most dramatic evolution. Driven by the ambitious Vision 2030, the exchange has undergone significant reforms to liberalize its market and attract foreign direct investment.

Market opening and inclusion: A pivotal milestone was the gradual opening of the Saudi market to Qualified Foreign Investors (QFIs) starting in FY-2015, culminating in its inclusion in major emerging market equity indices like MSCI and FTSE Russell in FY-2019. This propelled Tadawul onto the global stage, leading to a substantial inflow of foreign capital.

Aramco IPO and market capitalization: The landmark IPO of Saudi Aramco in FY-2019, raising USD 29.4 Bn, significantly elevated Tadawul's market capitalization and global standing. By the end of FY-2024, Tadawul's market capitalization has surged by 463% from FY-2014, reaching approximately USD 2.7 Tn. While Aramco still constitutes a large portion of this, there's a growing push for more listings.

Increased listings and liquidity: Between FY-2014 and FY-2024, Tadawul's main market witnessed 91 IPOs, raising an aggregate of USD 65 Bn (excluding Aramco's secondary offering in July 2024). This has expanded the number of listed issuers from 169 in FY-2014 to 247 by year-end FY-2024. Trading volumes and daily average values have also seen a significant increase, indicating enhanced market liquidity.

Regulatory Initiatives: The Capital Market Authority (CMA) and Tadawul have implemented numerous initiatives, including investments in market infrastructure, new platforms and products, and promoting improved disclosure and governance, all aimed at fostering a more mature and efficient market.

Dubai Financial Market: A Hub of Innovation and Internationalization

The DFM has consistently positioned itself as a dynamic and globally connected exchange, leveraging Dubai's status as a regional business hub.

Strategic IPO program: DFM has seen a renewed focus on attracting IPOs, particularly from state-owned entities and prominent private companies, as part of Dubai's broader economic strategy. FY- 2024 was a strong year for IPOs on the DFM, with three successful offerings raising AED 10.48 Bn, a substantial increase from previous years.

Market performance and investor inflow: The DFM General Index achieved a decade-high performance with 27.1% growth by end-2024. Market capitalization surged by 32% to AED 907 Bn. Crucially, DFM onboarded 138,262 new investors in FY-2024, with 85% being foreign nationals, highlighting its increasing international appeal. Foreign investors contributed to 50% of the total trading value in FY-2024, up from 47% in FY-2023.

Technological advancements and accessibility: DFM has focused on enhancing accessibility for retail investors through digital platforms like the upgraded iVestor App, offering seamless onboarding, direct IPO subscriptions, and portfolio management. This has contributed to a substantial increase in retail investor participation.

Integrated operations: DFM leverages integrated operations with its subsidiary Dubai Central Clearing and Depository and sister exchange Nasdaq Dubai, creating a seamless connection for market participants and a combined liquidity pool.

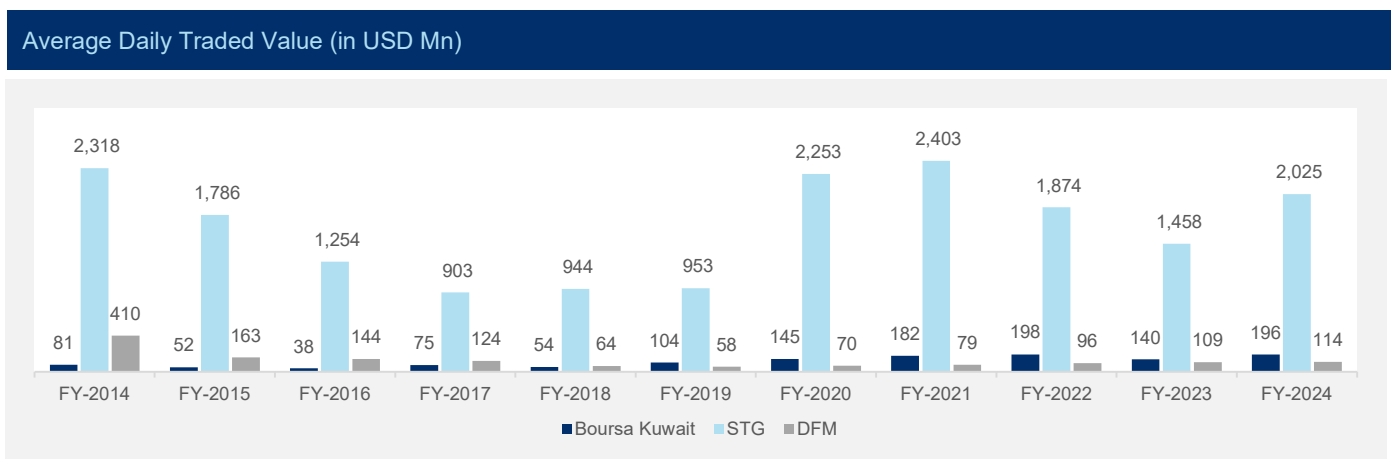
Exchange Profile Comparison: Boursa Kuwait, DFM & Tadawul

Metric	Boursa Kuwait	Saudi Tadawul Group	Dubai Financial Market
Year Established	Privatised in 2016, public listing in 2020	2007 (public listing in 2021)	2000, public listing in 2006-2007
No. of Listed Companies (May 2025)	~140	~230+	~65+
Market Cap (USD Bn)	~130	~3,200	~180
Key Indexed	Premier, Main Market	TASI, NOMU	DFMGI

Source: Kamco Invest Research, Company reports

Evolution of Average Daily Traded Value (ADTV)

The average daily traded value (ADTV) trend across the GCC's leading exchanges like Saudi Tadawul Group, Boursa Kuwait, and the Dubai Financial Market (DFM) offers a clear view of market depth and investor participation over the past decade. The charts below illustrate how each exchange has responded to structural reforms, index inclusions, IPO activity, and broader macroeconomic developments from FY-2014 to FY-2024. Tadawul has demonstrated the most pronounced growth, particularly post-2019, driven by market liberalization and the landmark Aramco IPO. Boursa Kuwait has seen a steady rise in liquidity following its privatization and index inclusions, while DFM's volumes have remained relatively subdued despite intermittent spikes. Together, these trends highlight the varying pace of capital market development across the region.



Source: Kamco Invest Research, Company reports

Overview of Market Capitalization (FY-2015 – H1 FY-2025)

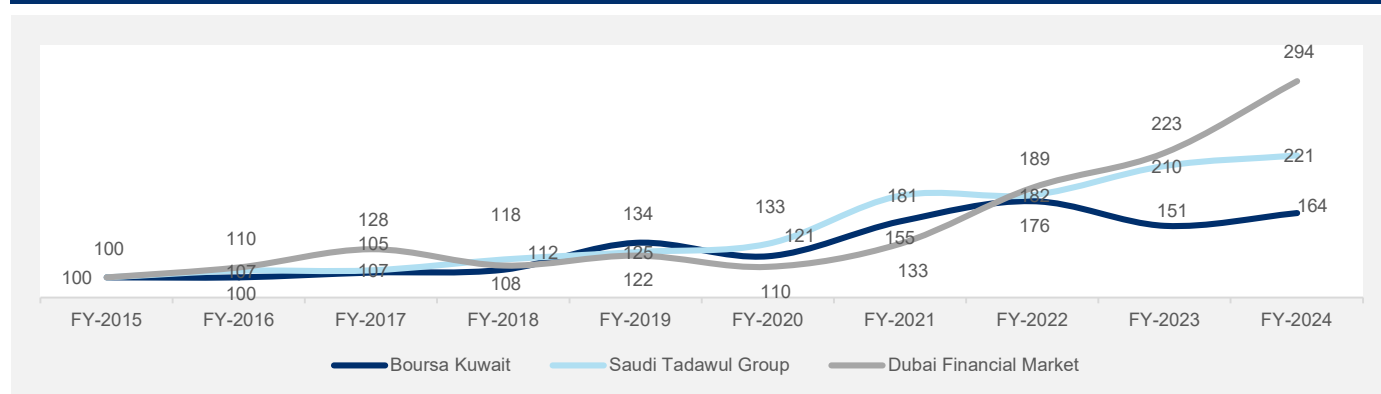
The indexed market capitalization of Saudi Tadawul Group (STG), Boursa Kuwait, and Dubai Financial Market (DFM) reflects the varying pace of market growth and valuation expansion over the past decade.

STG shows the most significant increase, rising from 100 in FY2015 to 294 in FY-2024, driven by Vision 2030 reforms, mega-IPOs (e.g., Aramco), and sustained inflows post-global index inclusions. This sharp upward trend highlights Tadawul's evolution into the region's most liquid and deep market.

Boursa Kuwait demonstrates a steady growth, moving from 100 in FY-2015 to 221 in FY-2024, underpinned by privatization, regulatory enhancements, and index upgrades (MSCI, FTSE). The strong trajectory since FY2019 suggests the market has benefitted from structural reforms and increased foreign participation.

DFM recorded slower growth compared to its peers, increasing from 100 in FY-2015 to 164 in FY-2024. Despite this modest performance, recent acceleration from FY-2021 onward reflects government-led IPO programs and efforts to improve liquidity. However, it still trails STG and Boursa Kuwait in terms of relative market depth.

Indexed Market Capitalization across Boursa Kuwait, STG (ex-ARAMCO) and DFM



Source: Kamco Invest Research, Company reports

Boursa Kuwait

Initiation of Coverage

Sector - Financial Services

Structural Tailwinds, Strategic Upside - Initiating with Outperform

Q1 2025 rebound and market momentum

Boursa Kuwait reported a 58.1% year-on-year increase in net profits for Q1 2025, reaching KWD 10.2 Mn, supported by a sharp recovery in trading activity. The total value traded surged 90% year-on-year to KWD 12.6 Bn in H1 FY-2025, up from KWD 6.6 Bn in H1 FY-2024. Boursa Kuwait's elevation to "Emerging Market" status by MSCI, FTSE Russell, and S&P has enhanced its global standing and driven increased foreign inflows. Market development efforts, particularly the success of the "Premier" Market, have improved liquidity and competitiveness.

Operating leverage to support margin resilience

With the introduction of new trading products and platforms, Boursa Kuwait is set to benefit from stronger operating leverage over the medium term. We expect margins to expand by ~180 bps from FY-2024 to FY-2028, driven by an increase in ADTV-linked revenue from 68.3% to 73.8%. Management expects capital expenditure to remain stable at around KWD 400,000 in FY-2025 and FY-2026, tapering to KWD 200,000 in FY-2027. The shift to cloud infrastructure has also helped reduce the need for large physical IT investments.

In terms of segments, Data Services currently contribute modestly to revenue, but as the exchange expands its analytics and digital tool offerings, we believe this segment offers meaningful upside. We expect margin expansion to be supported by rising trading volumes, improved operating efficiency, and greater revenue diversification.

Exchange reforms and new product launches

Boursa Kuwait is consistently advancing reforms to enhance investor access and modernize exchange infrastructure, with initiatives such as the CCP system, and upcoming launch of ETFs and a fixed-income platform. These efforts align with the FY-2024 public debt law, a key milestone enabling up to KWD 30 Bn in issuances, paving the way for strategic privatizations, IPOs, and broader capital market development.

Valuation and risks

We have used a weighted valuation approach, combining DCF and FY-2025E forward P/E multiple to arrive at a target price of KWD 4.061 per share. While the stock currently trades below the peer median, we have assigned a 15% valuation premium, reflecting our expectation of a re-rating. This is driven by a strong product pipeline expected to be launched in the near term, supportive macroeconomic trends, and anticipated index-driven passive inflows. As Kuwait's capital markets deepen, these structural tailwinds warrant a premium to both historical and regional multiples.

Our risks to the downside include the slower-than-expected rollout of new platforms or products, which may dampen earnings visibility. Primary market momentum could weaken if anticipated privatizations or family business listings fail to materialize, while continued delistings may offset the impact of new issuances. Additionally, any policy reversals or operational inefficiencies could undermine investor confidence.

Key Financials - KWD Mn	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Operating Revenue	30.7	36.3	47.6	54.1	60.8
ADTV Revenue (%)	56.8%	63.5%	68.0%	70.5%	72.5%
Non-ADTV Revenue (%)	43.2%	36.5%	32.0%	29.5%	27.5%
Operating Margin (calculated) (%)	59.6%	61.7%	64.1%	64.0%	63.8%
Net Income Margin (%)	71.3%	69.9%	69.6%	68.4%	67.2%
ROE (%)	34.0%	37.6%	38.9%	34.7%	32.3%
P/E (x)*	21.9x	25.4x	28.3x	25.3x	22.9x
Dividend Yield (%)*	4.9%	3.2%	2.4%	3.0%	3.5%

Source: Kamco Invest Research

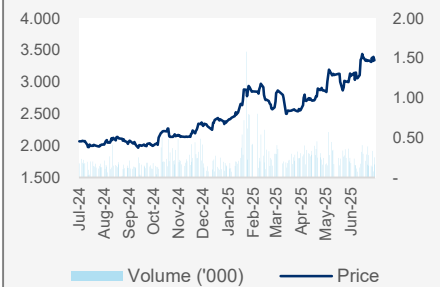
*Historical multiples are based on year-end share price, year-end Price/ EPS and projected multiples are based on closing share price as of 24th July 2025 (Refinitiv)

Outperform

CMP 24-July-2025: KWD 3.339

Target Price: KWD 4.061

Upside: 21.6%



Price Perf:	1M	3M	12M
Absolute	8.0%	30.5%	61.1%

Source: Kamco Invest Research, Refinitiv

Stock Data

Bloomberg Ticker	BOURSA.KW
Last Price	3.339
MCap (KWD Mn)	670
MCap (USD Mn)	2,200
Stock Performance - YTD	45.2%
P/E - FY-2025E (x)	28.3
Dividend Yield-FY-2025E(%)	2.4%
52-Week Range (KWD)	1.907/3.700

Source: Kamco Invest Research, Refinitiv

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Valuation and Risks

Initiate with a TP of KWD 4.061 and an 'Outperform' rating

We initiate coverage on Bursa Kuwait with an Outperform rating, supported by strong earnings momentum, deepening market reforms, and new regulatory developments. These include the planned launch of a dedicated exchange for Kuwait's emerging companies and the introduction of new product offerings. Separately, a proposed mortgage law could serve as a structural catalyst for Kuwait's housing market. By enabling commercial banks to offer standardized, long-term mortgages, the law may unlock significant demand, expand bank lending, and stimulate real estate activity. This, in turn, could lead to higher trading volumes in financial and property-related stocks, reinforcing Bursa Kuwait's position as a capital markets hub.

The stock trades at 31.6x, a discount to regional peers such as Tadawul and DFM, despite its superior operating efficiency and accelerating reform agenda. We value the stock at a target P/E of 30.4x, a 15% premium to its global peers, factoring in continued market liberalization, anticipated IPO momentum, and increased foreign investor participation following Kuwait's inclusion in MSCI, FTSE, and S&P emerging market indices.

The exchange delivered a solid rebound in Q1 2025, with net profit rising 58.1% year-on-year to KWD 10.2 Mn, driven by an 89.6% surge in total trading value.

Kuwait's macro-outlook has improved following the political shift in May 2024, which opens a multi-year window for uninterrupted policy execution. This has already enabled the passage of the long-pending public debt law, potentially unlocking up to KWD 30 Bn in bond issuance leading to an increase in bond listings, thus supporting market depth. The privatization drive is also expected to regain momentum, with potential listings such as Kuwait Airways and the National Postal Service boosting primary market activity. Additionally, privately held family businesses, are likely to tap the market, enhancing Bursa Kuwait's revenue visibility through listing and trading income. Despite a few delistings, Bursa Kuwait remains the second-largest exchange in the GCC by number of listed companies. Notably, average daily trading volumes (ADTV) have continued to strengthen significantly, reflecting improved market liquidity, growing investor participation, and the exchange's success in fostering a more dynamic and resilient trading environment.

Bursa Kuwait is actively modernizing its market infrastructure through key initiatives such as the rollout of a Central Counterparty (CCP) system and the implementation of margin trading. Looking ahead, the potential introduction of new asset classes including ETFs and sukuk, index futures, single-stock options, and closed-ended funds could further deepen the market. In our view, the full impact of these developments is not yet fully reflected in the current valuation, offering upside potential. Strategic regional tie-ups including MoUs with Tadawul and Abu Dhabi Securities Exchange aim to support cross-listings and deepen capital flows across the GCC. As the exchange expands its issuer base and engages international investors through active roadshows, we believe Bursa Kuwait is well-positioned to deliver sustainable growth, both operationally and in terms of investor relevance.

While the stock currently trades below the peer median, we have assigned a 15% valuation premium, reflecting our expectation of a re-rating. This is driven by a strong product pipeline, supportive macroeconomic trends, and anticipated index-driven passive inflows. As Kuwait's capital markets deepen, these structural tailwinds warrant a premium to both historical and regional multiples.

We have used a weighted valuation approach, combining DCF and FY-2025E forward P/E multiple to arrive at a target price of KWD 4.061, implying a 21.6% upside from the closing share price on 24th July 2025.

Valuation	%	KWD Mn	Per Share
Price target based on:			
DCF	50%	909	4.530
Forward P/E (FY-2025E)	50%	721	3.593
Weighted Valuation			4.061
Target Upside			21.6%

Source: Kamco Invest Research

Saudi Tadawul Group (STG)

Initiation of Coverage

Sector - Financial Services

STG: Evolving into a diversified market platform – Initiating with Outperform

Robust revenue growth and diversification

Tadawul Group's Q1 2025 performance, while reflecting a normalization in trading activity, reinforced the strength of its strategic pivot toward revenue diversification. Despite a 37% year-on-year decline in trading values that was led by geopolitical issues in the region leading to lower revenue and net profit, the robust growth in non-ADTV revenue streams highlights the Group's progress in building a more balanced and resilient business model, supporting long-term value creation beyond market turnover cycles.

Tadawul positioned to capitalize on Vision 2030-led IPO momentum

Tadawul's growth is closely aligned with Saudi Arabia's Vision 2030 strategy and the Financial Sector Development Program, aiming to deepen capital markets and drive diversification in terms of financial products. The exchange recorded 44 IPOs in FY-2024 and 23 in Q1 2025, backed by strong privatization momentum. This momentum is expected to continue in the near term. With a solid pipeline of IPOs and rising foreign interest, Tadawul is well positioned to benefit from increased trading activity.

Strategic tie-ups and data technology development

Saudi Tadawul Group is expanding its global reach through strategic MoUs, post-trade upgrades, and partnerships like the CSOP-linked Hong Kong ETFs. The company is expanding aggressively into data and technology services to diversify its revenue base and strengthen market infrastructure. Through strategic acquisitions such as DirectFN (49%) and Gulf Mercantile Exchange (32.6%), the exchange has enhanced its capabilities in real-time trading, analytics, and commodities. These initiatives, aligned with Vision 2030 and growing demand for ETFs, retail tools, and cross-border platforms, position Tadawul as a regional fintech and data leader.

Valuation and risks (STG)

We have used a weighted valuation approach, combining DCF and forward P/E multiples to arrive at a target price of SAR 197.6. We believe STG offers a compelling investment opportunity With a growing share of scalable, diversified non-trading revenues, a solid balance sheet, and tailwinds from Vision 2030 initiatives. While short-term earnings may remain sensitive to ADTV swings, the long-term trajectory of earnings quality justifies our 50% valuation premium (where the stock has traditionally been valued at higher and the outperform rating).

Our risks to the downside include the execution risk in monetizing new verticals may take longer than expected or fall short of projections. Additionally, the slow or inconsistent implementation of Vision 2030 reforms may hinder investor momentum and market activity. Given that strong growth expectations are already priced in, any shortfall in execution could prompt a valuation de-rating. Lastly, scaling new technology platforms like Wamid and GME introduces operational and cybersecurity risks.

Key Financials – SAR Mn	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Operating Revenue	1,073	1,447	1,514	1,763	2,161
ADTV Revenue (%)	69.5%	69.0%	67.6%	67.7%	68.1%
Non-ADTV Revenue (%)	30.5%	31.0%	32.4%	32.3%	31.9%
Operating Margin (%)	30.6%	39.1%	36.8%	36.4%	39.2%
Net Income Margin (%)	35.6%	42.9%	39.6%	38.9%	40.7%
ROE (%)	12.1%	17.8%	16.7%	18.4%	22.7%
P/E (x)*	57.5x	41.8x	34.0x	29.8x	23.2x
Dividend Yield (%) *	1.2%	1.1%	2.4%	2.8%	3.5%

Source: Kamco Invest Research

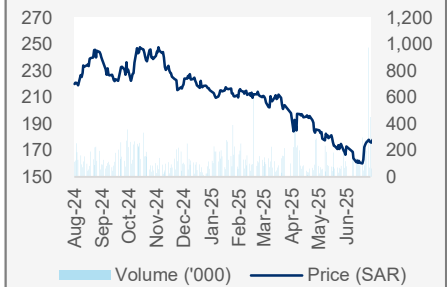
*Historical multiples are based on year-end share price, year-end Price/ EPS and projected multiples are based on closing share price as of 24th July 2025 (Refinitiv)

Outperform

CMP 24-July-2025: SAR 170.4

Target Price: SAR 197.6

Upside: 15.9%



Price Perf:	1M	3M	12M
Absolute	-2.2%	-13.0%	-25.8%

Source: Kamco Invest Research, Refinitiv

Stock Data

Bloomberg Ticker	1111.SE
Last Price (SAR)	170.40
MCap (SAR Mn)	20,448
MCap (USD Mn)	5,451
Stock Performance - YTD	-21.4%
P/E – FY-2025E (x)	34.0
Dividend Yield-FY-2025E(%)	2.4%
52-Week Range (SAR)	160/251

Source: Refinitiv

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Valuation and Risks

Initiate with a TP of SAR 197.6 and an ‘Outperform’ rating

We initiate coverage on Saudi Tadawul Group (STG) with an Outperform rating, supported by its integrated market infrastructure, diversified revenue streams, and strategic alignment with Vision 2030. Despite near-term volatility in trading turnover, we believe Tadawul’s structurally evolving business model, supported by ongoing innovation in infrastructure, transparency, and market participation, positions the company well for sustained long-term growth.

The stock currently trades at 37.8x. STG historically traded at a ~78% premium over global peers (last 3-year average). With part of the growth already priced in, we value it at a conservative 50% premium, reflecting its superior growth visibility, regional dominance, and ongoing monetization of data-adjacent verticals.

Tadawul’s H1 FY-2025 performance reflected resilience despite a cyclical pullback in traded values (down 33% YoY), with management’s strategic focus on diversifying revenues helping to mitigate the impact on profitability. Key contributors such as post-trade services (Muqassa and Edaa), data and information services, and the growing technology segment via Wamid continued to scale during the quarter. These segments benefit from recurring, non-volume-sensitive revenue streams, reinforcing our view that the business is gradually decoupling from ADTV-linked cyclicalities and transitioning toward a more stable, platform-based model. With FY-2024 ADTV averaging SAR 7.5 Bn and a healthy IPO pipeline, we expect a reacceleration in market activity through H2 FY-2025E, providing upside to core trading revenues.

We believe margin expansion is likely to materialize as operating leverage begins to take effect, with Tadawul positioned as a direct beneficiary of Vision 2030 reforms. The Group plays a central role in state-led privatization and the deepening of capital markets. Having hosted 91 IPOs since FY-2014 (~SAR 353 Bn raised), including 44 in FY-2024 and 23 already in Q1 2025, we expect the strong pipeline, including marquee listings, to support both liquidity and valuation upside.

Beyond listings, STG’s strategic investments in fintech (via Wamid), data analytics (through DirectFN), and commodities via Gulf Mercantile Exchange (GME) are steadily enhancing the group’s capabilities and the addressable market. These efforts are also improving monetization potential across the value chain, positioning STG as a one-stop capital markets platform in the region. The company’s regional leadership is further validated through cross-border MoUs, post-trade upgrades (Muqassa’s ISDA alignment), and product innovation such as Hong Kong-linked ETFs.

With a growing share of scalable, diversified non-trading revenues, a solid balance sheet, and tailwinds from Vision 2030 initiatives, we believe STG offers a compelling investment opportunity. While short-term earnings may remain sensitive to ADTV swings, the long-term trajectory of earnings quality and platform maturity justifies our premium valuation multiple and the outperform rating.

Supported by these structural growth drivers, Tadawul’s position as the largest exchange in the GCC offers investors unique exposure to both the petrochemical sector and an expanding pipeline of non-oil industries. Combined with its superior return metrics, with RoE and RoA exceeding those of both developed and emerging market peers, we believe the premium valuation of 50% is well justified.

We have used a weighted valuation approach, combining DCF and forward P/E multiples to arrive at a target price of SAR 197.6, which implies a 15.9% upside from the closing share price on 24th July 2025.

Valuation	%	SAR Mn	Per Share (SAR)
Price target based on:			
DCF	40%	22,146	184.5
Forward P/E (FY-2025E)	60%	24,751	206.3
Weighted valuation			197.6
Target Upside			15.9%

Source: Kamco Invest Research

Dubai Financial Market

Initiation of Coverage

Sector - Financial Services

DFM: Growth Priced In, Volume Dependence Remains – Initiating with Neutral

Strong earnings and IPO momentum, but volume reliance remains

DFM reported solid Q1 2025 performance with revenue increasing by 26% YoY to AED 186.5 Mn and net profit before tax rising to AED 134.9 Mn. The increase was driven by a decade-high average daily traded value (ADTV) that reached AED 663 Mn during the quarter backed by a 64% increase in total traded value. IPO activity has been a major growth catalyst, with FY-2024 listings raising AED 10.25 Bn. However, DFM's earnings remain extremely sensitive to trading volumes and IPO activity, both of which are cyclical and influenced by broader market conditions.

Investment income may normalize as rate cuts loom

In FY-2024, DFM's Investment income as a proportion of operating income stood at 61%, a significant increase from 33% in FY-2021. We expect this proportion to decline as the likelihood of rate cuts increases. A sizable part of DFM's cash reserves comprises dividend funds held on behalf of shareholders, classified as investment deposits rather than freely available cash. Compared to the Saudi Tadawul Group and Boursa Kuwait, DFM's higher deposit balances due to investor dividend receivables may overstate the company's underlying overall liquidity position.

Competition from regional stock exchanges

Competition from regional exchanges with a stronger track record of IPO activity remains a key challenge for DFM. A comparatively lower number of listings has limited DFM's ability to scale non-operating revenue streams such as data and technology services in recent quarters. While DFM continues to play a vital role in the UAE's capital markets ecosystem, regional peers are increasingly capturing a greater share of listings as well as institutional capital, intensifying competitive pressure.

Valuation and risks (DFM)

We have used a weighted average of DCF and P/E to value the company to arrive at a target price of AED 1.73. We have assigned a 15% valuation premium reflecting DFM's structural strengths, increasing volumes and market depth, increasing investor base, strategic role in attracting foreign capital, and Dubai's global hub status support its valuation.

Our risks to the downside include DFM's high reliance on foreign investors, who accounted for 53% of trading volumes in Q1 2025. This raises the risk of volatility in fee-based revenues, particularly during periods of global geopolitical and economic stress and shifting capital flows. The exchange's concentrated exposure to the real estate and financial sectors also increases sensitivity to sector-specific downturns. DFM faces stiff competition from other GCC exchanges, which limits pricing power and makes sustained institutional capital flows more contestable. Additionally, with investment income contributing ~61% of total operating income in FY-2024, we expect normalization to weigh on net profit due to a lower interest rate environment.

Key Financials - AED Mn	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Operating Revenue	349.0	353.1	451.9	480.2	510.4
ADTV Revenue (%)	93.7%	92.4%	92.5%	91.2%	90.1%
Non-ADTV Revenue (%)	6.3%	7.6%	7.5%	8.8%	9.9%
Operating Margin (%)	37.7%	37.2%	47.1%	47.0%	46.7%
Adj. Net Income Margin (%)	46.1%	45.5%	52.3%	49.4%	50.1%
ROE (%)	4.0%	4.4%	5.0%	4.8%	4.8%
P/E (x)*	33.7x	31.9x	33.1x	33.5x	32.7x
Dividend Yield (%) *	2.5%	2.0%	2.2%	2.0%	1.8%

Source: Kamco Invest Research

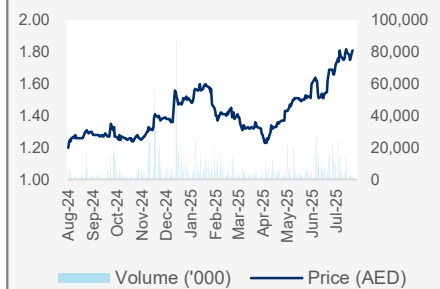
*Historical multiples are based on year-end share price, year-end Price/ EPS and projected multiples are based on closing share price as of 25th July 2025 (Refinitiv)

Neutral

CMP 25-July-2025: AED 1.81

Target Price: AED 1.73

Upside/(Downside): -4.7%



Price Perf:	1M	3M	12M
Absolute	9.0%	33.1%	38.2%

Source: Kamco Invest Research, Refinitiv

Stock Data

Bloomberg Ticker	DFM.DU
Last Price (AED)	1.81
MCap (AED Mn)	14,480
MCap (USD Mn)	3,942
Stock Performance - YTD	20.7%
P/E – FY-2025E (x)	33.1
Dividend Yield-FY-2025E (%)	2.2%
52-Week Range (AED)	1.16/1.84

Source: Kamco Invest Research, Refinitiv

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- › Dubai Financial Market Overview..... 45

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Valuation and Risks

Initiate with a TP of AED 1.73 and a 'Neutral' rating

We initiate coverage on Dubai Financial Market with a Neutral rating. While the company benefits from solid underlying growth fundamentals, we believe the current valuation already prices in its key growth drivers. The stock trades at 34.9x, a premium of 11% to the peer median of 31.6x. We value the stock at a target P/E of 30.4x, a 15% premium to its global peers, to reflect Dubai Financial Market's key structural advantages. As the oldest stock exchange in the region, DFM benefits from a mature regulatory framework, strong institutional infrastructure, and a favorable tax regime. Its role as a gateway for foreign capital into the UAE, supported by high-profile government IPOs and Dubai's position as a global financial hub, further underpins its relative valuation strength.

DFM is focused on increasing market volumes and depth through investments in digital transformation and faster onboarding processes, while also benefiting from Dubai's overall appeal as an investment destination. However, it faces growing competition from other exchanges within the UAE and broader GCC region, particularly in attracting institutional investors. Additionally, its investment income, which constitutes a significant portion of net income, is expected to come under pressure in a lower interest rate environment. Given these dynamics, while we believe the average daily trading value (ADTV) will continue to grow, we do not see material upsides beyond what is already priced into the stock.

DFM reported strong operational momentum in Q1 2025, with revenue growing 26% YoY to AED 186.5 Mn and net profit before tax reaching AED 134.9 Mn. This was supported by a decade-high average daily traded value (ADTV) of AED 663 Mn and a 64% increase in traded value, aided by sustained IPO activity. In our view, the positive sentiment surrounding trading volumes and IPO momentum is largely priced in. The near-term visibility of fresh listing activity is limited, as most headline IPOs like Salik, DEWA, Parkin have already been completed. Going forward, the re-rating potential is likely to depend on structural market developments such as the introduction of dual listings, further derivative products, or post-trade upgrades, none of which have a confirmed timeline.

Foreign investors accounted for 53% of DFM's trading volume in Q1 2025, which continues to provide depth and liquidity to the market. However, we remain cautious on this front as foreign capital can be highly opportunistic, reallocating based on global macro shifts. This raises the risk of volatility in fee-based revenues during periods of reduced foreign interest or external market stress. Additionally, while investment income contributed 34.1% of total income in FY-2024 (up from 22.5% in FY-2022), we anticipate normalization in this segment as rate cut expectations firm up beyond FY-2025. A significant portion of DFM's reported investment deposits (~45% in FY-2024) comprises dividends received from, and payable on behalf of, companies listed on DFM held in the myAccount and iVESTOR card balances at year-end. This treatment may overstate DFM's underlying liquidity and non-core earnings profile, particularly in a declining interest rate environment.

While ongoing reforms and strong foreign participation continue to support long-term investor confidence, DFM's high exposure to the real estate and financial sectors introduces concentration risks. Unlike Boursa Kuwait and Saudi Tadawul Group, DFM operates in a competitive domestic landscape alongside ADX, which limits its pricing power and market share expansion. With non-core earnings contributing significantly and with the absence of near-term catalysts, we reiterate our neutral stance.

We have used a weighted average of DCF and P/E to value the company to arrive at a target price of AED 1.73, which suggests a 4.7% downside from the closing share price on 25th July 2025.

Valuation	%	AED Mn	Per Share (AED)
Price target based on:			
DCF	50%	14,287	1.79
Forward P/E (FY-2025E)	50%	13,301	1.66
Weighted valuation			1.73
Target Upside			-4.7%

Source: Kamco Invest Research

Snapshot – Relative Valuation

Name	Market Cap	P/E		EV/EBITDA		EV/EBIT	
	USD Mn	TTM	FY-2025E	TTM	FY-2025E	TTM	FY-2025E
B3 SA Brasil Bolsa Balcao	12,895	15.0	14.7	9.9	10.1	10.5	10.7
BSE Ltd	11,980	-	54.6	-	40.5	-	43.2
Bursa Malaysia Bhd	1,471	20.4	22.4	7.1	7.2	7.8	8.0
ASX Ltd	9,065	28.5	27.2	-	1.5	NULL	1.6
Euronext NV	18,353	26.6	21.0	12.7	15.5	15.6	19.6
Hong Kong Exchange	72,391	42.3	36.3	23.4	22.8	26.7	24.8
Intercontinental Exchange	1,05,306	38.0	26.3	19.4	18.8	26.0	20.6
Japan Exchange Group	10,659	25.0	25.1	13.1	12.4	15.7	-
London Stock Exchange	73,069	86.4	27.7	16.7	14.1	36.3	18.1
Nasdaq Inc	53,680	35.9	27.8	21.1	20.8	26.9	21.9
Average		35.4	28.1	15.4	16.4	20.7	18.7

Name	EBITDA Margin%		EBIT Margin%		PAT Margin%		ROE%	ROA%	Dividend Yield %
	FY-2024	FY-2025E	FY-2024	FY-2025E	FY-2024	FY-2025E	3- year Avg	3-year Avg	
Brasil Bolsa Balcao	70.0	69.9	64.0	66.1	48.5	50.3	21.2	8.9	2.3
BSE Ltd	33.0	58.3	29.6	54.4	21.8	46.8	24.3	0.3	0.2
Bursa Malaysia Bhd	56.1	53.8	51.4	48.2	40.7	37.9	32.2	6.4	4.7
ASX Ltd	62.3	62.4	58.5	58.0	45.1	44.8	11.6	2.7	4.4
Euronext NV	62.0	62.3	50.4	53.6	38.0	38.9	13.0	0.3	1.9
Hong Kong Exchange	65.5	78.5	57.4	68.2	75.8	57.7	22.9	2.9	2.1
Intercontinental Exchange	64.1	65.6	47.6	56.2	30.2	32.9	8.9	1.5	1.0
Japan Exchange Group	65.4	63.8	54.3	53.1	38.2	36.6	17.4	0.1	2.4
London Stock Exchange	53.3	48.5	24.5	43.5	11.9	22.9	3.1	0.1	1.3
Nasdaq Inc	35.5	57.5	27.2	51.8	15.1	34.7	12.8	4.3	1.2
Average	56.7	62.1	46.5	55.3	36.6	40.3	16.7	2.8	2.1
Saudi Tadawul Group	44.7	43.7	39.1	36.8	42.9	39.6	14.4	5.8	2.0
Boursa Kuwait Securities	64.0	66.0	61.7	64.1	69.9	69.6	36.1	19.5	2.5
Dubai Financial Market	58.4	64.8	37.2	47.1	106.6	96.8	3.4	2.8	1.8

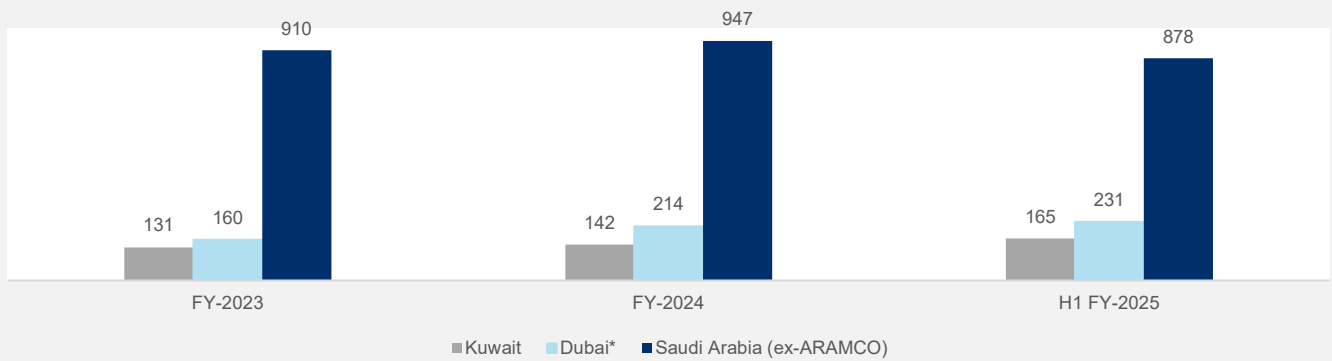
Snapshot – Valuation Premiums

Valuation	Boursa Kuwait	Tadawul Group	DFM
	FY-2025E P/E	FY-2025E P/E	FY-2025E P/E
Median P/E	26.4x	27.5x	26.4x
% Premium	15.0%	50.0%	15.0%
Adjusted P/E Multiple	30.4x	41.2x	30.4x
EPS	118.2	5.0	0.055
Implied Price per Share	KWD 3.593	SAR 206.3	AED 1.66

GCC Exchanges – A Comparison in Charts

...Exchange market capitalization overview...

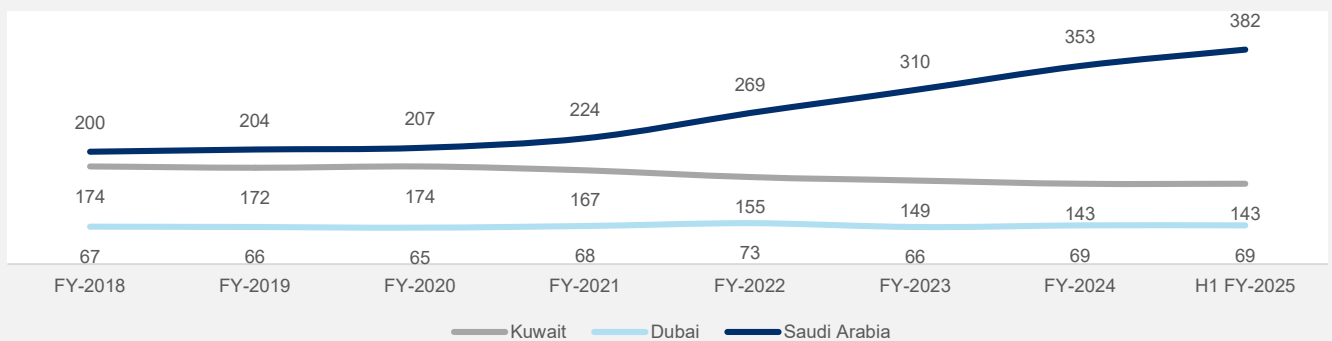
Market Capitalization (USD Bn)¹



Source: Kamco Invest Research, DFM, Tadawul Group, Boursa Kuwait, Refinitiv²

...Listings have gained strong momentum on the Saudi exchange...

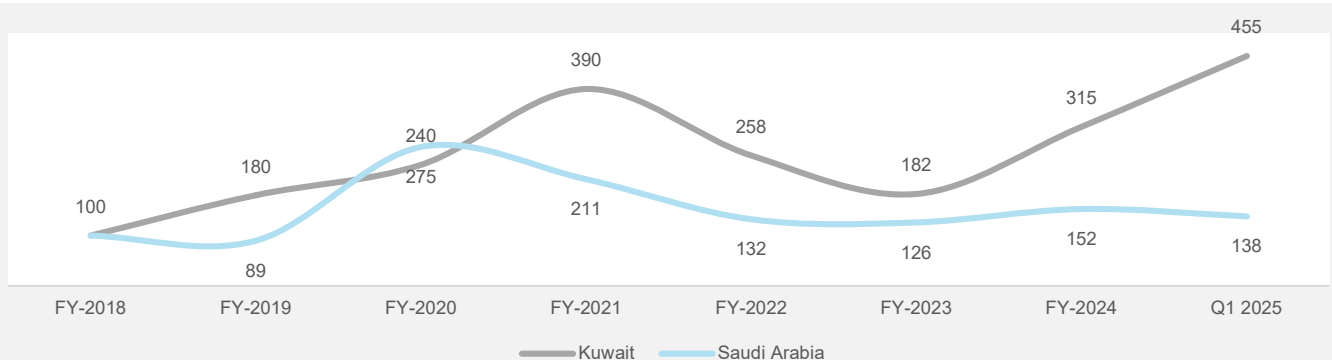
Total Number of Listings



Source: Kamco Invest Research, DFM, Tadawul Group, Boursa Kuwait

Index inclusions and favorable laws being passed supported volume growth...

Indexed Total Volume Activity³



Source: Kamco Invest Research, DFM, Tadawul Group, Boursa Kuwait

¹ Includes only DFM listed companies, DFM release for H1 2025 not published at the time of release of this document

² Market capitalization as on 31st December 2023 and 2024 and 31st March 2025. Sourced from Refinitiv

³ DFM does not report trading volume data prior to FY-2023

Macroeconomic Overview

	Kuwait	UAE	Saudi Arabia
Real GDP growth (FY-2024)	-0.8%	4%	1.3%
GDP growth (FY-2025E)	1.9%	4%	3%
Debt-to-GDP ratio	23.6%	22.0%	30.5% (March 2025)
Breakeven oil price (FY-2025)	USD 81.8 ⁵	USD 49.9	USD 90.9
Fiscal deficit as a % of GDP (FY-2024)	5%	4.1%	2.8%

Source: SAMA, Central Bank of Kuwait, Government of Dubai, IMF

US FED outlook

The Federal Reserve held its benchmark interest rate steady at 4.25%-4.5% in its May-2025 meeting, maintaining a "wait-and-see" stance like in March-2025. Inflation remains slightly above the 2% target, while labor markets are strong, though risks of both higher inflation and rising unemployment have increased. Resilient consumer activity persists despite weaker sentiment data, suggesting that rate cuts could be considered in H2 FY-2025 if conditions shift.

Current expectations: As of early June 2025, econometric models and recent Fed commentary suggest a cautious approach. The Fed is "well positioned to remain patient and await greater clarity on inflation and economic trends." While there might be some rate cuts anticipated in late 2025, the overall trajectory is towards a "moderately restrictive" policy stance, with long-term projections for the Fed Funds Rate around 3.50% in FY-2026 and 3.25% in FY-2027. Currently, the CME Fedwatch indicates a 94% probability of rate cut in the December-2024 Fed meet, subject to macroeconomic changes

Given the currency pegs, the central banks of UAE, Saudi Arabia, and Kuwait will largely mirror the Fed's interest rate decisions. If the Fed embarks on a series of rate cuts in H2 FY-2025 or H1 FY-2026, these GCC central banks will likely follow suit to maintain competitiveness, manage capital flows, and support domestic liquidity. Conversely, if the Fed maintains higher rates or even surprises with a hike due to persistent inflation, the GCC central banks would have little choice but to follow.

Oil prices outlook

The EIA and IMF have recently lowered WTI and Brent crude oil price forecasts for FY-2025 and FY-2026. The EIA sees Brent averaging \$65.85/barrel in FY-2025 and \$59.24/barrel in FY-2026, while the IMF projects an average of \$66.9/barrel in FY-2025, falling to \$62.4/barrel in FY-2026.

As per the latest OPEC+ announcements, the voluntary oil production cuts will be phased out between April 2025 and September 2026, on an accelerated schedule from May 2025.

While forecasts suggest a slight decline from earlier expectations, these price levels are generally considered sufficient to support the expansionary fiscal positions of the governments. Sustained

⁵ FRED

moderate-to-high oil prices provide ample foreign reserves and fiscal space, reducing the need for tight monetary policy to curb demand-side inflation driven by government spending.

Fiscal stance and economic diversification

UAE: The federal budget for FY-2025 estimates expenditures at AED 71.5 Bn, an 11.6% increase from FY-2024, prioritizing promising sectors and infrastructure. The "We the UAE Vision 2031" strategy aims to double GDP. Increased tax revenues (15% domestic minimum top-up tax from Jan 2025, 9% corporate tax from mid-2023) are diversifying the revenue base.

Saudi Arabia: The FY-2025 budget forecasts expenditures of SAR 1.3 Tn, a 7.5% increase over initial estimates, driven by infrastructure projects and public services. Saudi Vision 2030 is a key driver for non-oil sector growth and financial inclusion.

Kuwait: Targets 2.6% economic growth in FY-2025, driven by financial reforms, including a new corporate tax system and anticipated Public Debt Law approval. The budget includes over 90 development projects, with major infrastructure investments planned. Kuwait also implemented a 15% minimum top-up tax on multinational enterprises from January 2025 and is considering VAT.

The expansionary fiscal policies and significant investment in diversification projects across all three nations will inject liquidity and stimulate economic activity. This strong domestic demand, while generally managed by the peg, implies that central banks would be less inclined to raise rates independently to cool an overheating economy, unless inflation became a severe domestic issue.

New products

	Bursa Kuwait	Dubai Financial Market	Saudi Tadawul Group
Equities	Yes	Yes	Yes
Index futures	To be launched in FY-2026/2027	Yes	Yes
Single stock options and futures	To be launched in FY-2026/2027	Yes	Yes
Sukuks and bonds	To be launched in FY-2025	Yes	Yes
REITs	Yes	Yes	Yes
Closed-End funds (CEFs)	No	N/A	Yes
ETFs	To be launched in FY-2025	Yes	Yes

Source: Kamco Invest Research, Company reports

Among GCC financial markets, Saudi Tadawul Group (STG) stands out with the most comprehensive and diversified product suite, reflecting its maturity and leadership. Dubai Financial Market (DFM) follows with notable progress in market infrastructure and foreign investor participation. Bursa Kuwait, while presently focused on equities and REITs, is on the cusp of a strategic evolution as it prepares to roll out new products, positioning it for meaningful growth and broader investor engagement in the near term.

Investment income as a percentage of operating income

Investment income for exchanges such as Saudi Tadawul, Bursa Kuwait, and Dubai Financial Market (DFM) primarily includes returns from financial assets measured at fair value through other comprehensive income (FVTOCI) and amortized cost, as well as income from deposits. As illustrated in the chart below, DFM derives a significantly higher share of its operating income from investment income (61%) as of Q1 2025, compared to Saudi Tadawul Group (13%) and Bursa Kuwait (6.7%). This disproportionate reliance on non-core income streams highlights potential concerns around the sustainability and resilience of DFM's underlying business model, given the relatively limited contribution from its core trading operations.

Particulars	2020	2021	2022	2023	2024	Q1 2025
Saudi Tadawul Group	3.6%	3.5%	5.1%	11.8%	10.4%	13%
Boursa Kuwait	3.1%	3.6%	4.9%	9.5%	8.4%	6.7%
Dubai Financial Market	45.2%	33.5%	31.1%	48.4%	61.1%	61.4%

Privatization of state-owned enterprises (SOEs)

The Gulf Cooperation Council (GCC) region hosts a portfolio of financially strong, cash-rich state-owned enterprises (SOEs) operating across diverse sectors, including petrochemicals, power and water utilities, logistics, transport infrastructure, and digital services. Countries like Saudi Arabia and the United Arab Emirates have spearheaded the privatization of these SOEs through high-value initial public offerings (IPOs), a trend expected to persist as the region seeks to unlock substantial economic value and broaden access to investment opportunities for both domestic and international investors. These privatized SOEs represent high-quality, blue-chip assets, offering compelling risk-return profiles and direct exposure to the GCC's dynamic economic growth.

Foreign investors have increasingly allocated significant capital to these IPOs, particularly in Saudi Arabia and Dubai, attracted by the robust fundamentals and strategic alignment of these enterprises with national transformation initiatives, such as Saudi Vision 2030 and Dubai 2040. By investing in these SOEs, stakeholders gain access to long-term opportunities tied to the region's ambitious economic diversification and development agendas, positioning them to benefit from the GCC's evolving economic landscape.

Listed on STG	Listing Day Market Cap (SAR)	Market Cap (USD)	Year Of Listing
Saudi Aramco	7,050 Bn	1,800 Bn	2019
Saudi Tadawul Group	12.6 Bn	3.4 Bn	2021
Saudi Aramco Base Oil Co	16.7 Bn	4.5 Bn	2022
The Power and Water Utility Co. for Jubail and Yanbu	33.7 Bn	9 Bn	2022
SAL Saudi Logistics Services	8.5 Bn	2.3 Bn	2023
Total	7,125 Bn	1,820 Bn	

Listed on DFM	Listing Day Market Cap (AED)	Market Cap (USD)	Year Of Listing
Dubai Electricity and Water Authority (DEWA)	124 Bn	33.8 Bn	2022
Dubai Financial Market	8 Bn	2.2 Bn	2006
Emaar Malls Group	37.7 Bn	10.3 Bn	2014
TECOM Group	13.4 Bn	3.6 Bn	2022
Salik Company	15 Bn	4.1 Bn	2022
Total	198.1 Bn	54 Bn	

Saudi Arabia

Since FY-2019, Saudi Arabia has witnessed a transformational surge in capital market activity, led by a deliberate and strategic push to list state-owned enterprises (SOEs) on the Tadawul exchange. These IPOs have collectively contributed approximately SAR 7,125 Bn (including ARAMCO) and SAR 75 Bn (ex-Aramco) to the market capitalization, reshaping the depth, liquidity, and global perception of the Kingdom's equity markets.

Citigroup expects the Public Investment Fund (PIF) to list several of its portfolio companies in Saudi Arabia's equity and IPO markets. The fund is currently engaged in select transactions, with a broader pipeline of deals anticipated to follow.

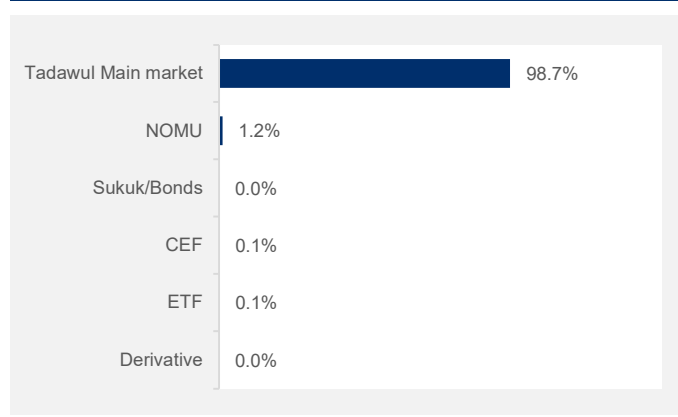
Dubai

Dubai has followed a similar trajectory, albeit on a different scale. Since FY-2019, IPOs of Dubai's SOEs have added AED 246.3 Bn in market capitalization with key listings such as DEWA, Salik, and Empower. The influx of new listings has expanded the market capitalization of DFM higher, expanding 1.7x since FY-2021 to reach AED 688 Bn in FY-2023. This momentum continued into FY-2024, with a further 32% increase to AED 907 Bn. The IPOs of Parkin, Spinneys, and Talabat added AED 49 Bn at subscription prices to the market capitalization, later increasing to AED 52.8 Bn at current levels. Consequently, these three IPOs accounted for 24% of the total market capitalization growth in FY-2024.

Kuwait

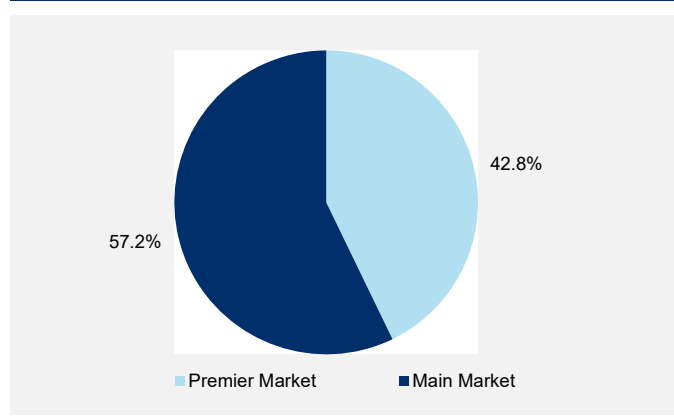
Kuwait's state-owned enterprises (SOEs), particularly in the energy sector and beyond, such as Kuwait Petroleum Corporation and Kuwait Airways, hold significant potential to enhance the depth and liquidity of Boursa Kuwait. While Kuwait has not yet experienced the same wave of SOE initial public offerings (IPOs) as seen in neighboring Saudi Arabia and Dubai, the privatization of these robust, cash-rich entities could unlock substantial value, attracting both domestic and international investors. By listing SOEs, Kuwait could diversify its capital markets, reduce reliance on oil revenues, and align with the economic diversification goals of Kuwait Vision 2035. Such initiatives would not only bolster market competitiveness but also provide investors with exposure to the resilient and high-potential Kuwaiti economy, fostering long-term growth and stability.

Tadawul Trade Volume Breakdown (FY-2024)



Source: Tadawul investor presentation

Boursa Kuwait Trade Volume Breakdown (FY-2024)



Source: Boursa Kuwait investor presentation

IPO pipeline and capital raised

New IPO listings, private placements and relistings in the past 5 years (excluding REITs, SPACs)

Number of listings	FY-2020	FY-2021	FY-2022	FY-2023	FY-2024	Q1 2025
Saudi Tadawul Group	4	15	37	46 ⁶	47 ⁶	23
Boursa Kuwait	2	2 ⁷	1 ⁸	0	1	0
Dubai Financial Market	0	0	6 ⁹	2	3	0

Source: Company reports

⁶ Including direct listings

⁷ FY2021 includes one relisting and direct listing/ private placement, data for which is not publicly available

⁸ FY2022 includes private placement

⁹ FY2022 includes one private placement

Capital raised through IPOs and direct listings

Data in USD Mn	FY-2020	FY-2021	FY-2022	FY-2023	FY-2024	Q1 2025
Saudi Tadawul Group (excl. Aramco)	1,447	4,645	10,267	3,463	4,084	1,100
Boursa Kuwait	209	¹⁰	325	-	147	0
Dubai Financial Market	-	-	8,400	500	2,800	0

Source: Company reports

Saudi Tadawul Group: The top IPOs from FY-2020 to Q1 2025, led by Saudi Aramco, Flynas, Jamjoom, First Milling, and Avalon Pharma, have significantly shaped Saudi Arabia's financial markets and economic diversification. The 2019 IPO of 1.5% of Aramco's shares on Tadawul valued the company at USD 1.7 Tn, significantly boosting Saudi Arabia's financial markets and global investor confidence. Although the number of listings on the TASI (main market) has been lower than on the Nomu market, TASI has been the primary driver of activity due to its significantly higher trading volumes.

Boursa Kuwait: Kuwait's stock exchange, Boursa Kuwait has experienced limited but significant IPO activity from FY-2020 to the Q1 2025, reflecting a cautious yet evolving capital market. With only Ali Alghanim (FY-2022) and Beyout Investment Group (FY-2024) as notable listings, reflecting a cautious market dominated by financials and consumer cyclicals. Boursa Kuwait's 2019 IPO significantly enhanced market visibility, liquidity, and regulatory standards, contributing to its MSCI emerging-market status and attracting foreign investment. However, the exchange's heavy reliance on a few large firms and the slow pace of new listings highlight the need for more diverse IPOs to strengthen the market and support Kuwait's economic diversification.

Dubai Financial Market: From FY-2020 to Q1 2025, the Dubai Financial Market (DFM) saw a significant uptick in Initial Public Offerings (IPOs), particularly from 2021, driven by Dubai's economic diversification efforts and favorable regulatory reforms. The major IPOs were led by DEWA, Salik, Tecom, Empower, Dubai Taxi, Parkin, Spinneys, and Talabat, significantly enhanced DFM's market capitalization, trading volumes, and investor base. These listings diversified the market across utilities, transportation, retail, tech, and real estate, reinforcing Dubai's economic diversification and global financial hub status. Sustained efforts to improve liquidity and relax listing rules are critical for future growth, particularly in tech-driven sectors.

¹⁰ FY-2021 includes one relisting and direct listing/ private placement, data for which is not publicly available

Comparison of costs and charges across the exchanges

Types of fees (in USD)	Boursa Kuwait	Saudi Tadawul Group	DFM
Subscription/Membership fees			
Initial Registration	Not disclosed	16,200 (one time)	40,500 (one time)
Renewal	Not disclosed	8,100 p.a.	35,100 p.a.
Information Technology Fees	Not disclosed		810 - 999 p.a.
Non-Display Licenses	-	13,330-26,660	-
Market Data Distribution Licenses	-	5,333-13,330	-
Reference Data Distribution Licenses	-	1,333-21,328	-
Market Information Reports	-	5,333-13,330	-
Managed Connectivity	-	-	32,670
Listing Fees			
<u>Initial Listing Fees (One-time)</u>			
Equities	16,400	13,330	4,900-16,340
Emerging companies/NOMU	To be announced (TBA)	13,330	-
Bonds and Sukuk	TBA	2,666-13,330	1,361
REIT	Not disclosed	13,330	4,900-16,340
ETFs	6,542	13,330	4,900-16,340
Funds	6,542	Not disclosed	Not disclosed
<u>Annual Listing Fees</u>			
Equities (Market Cap dependent)	32,712-408,892	1 bps of paid-up capital, plus 0.5 bps of the market cap (max 270,000)	5,716-19054
Emerging companies/NOMU Market	TBA	13,330	-
Bonds and Sukuk	TBA	2,666-13,330 (1st Issue)	817
REIT	Not disclosed	13,330-79,980	Not disclosed
ETFs	6,542	-	Not disclosed

Source: KAMCO Invest Research, DFM, CMA Kuwait, Saudi Tadawul Group

Average Cost of Trading

Fees and charges¹¹	Saudi Tadawul Group	DFM	Boursa Kuwait
Average cost of trade per USD 10,000			
Broker commission	0.15%	0.125%	0.1%-0.15%
Exchange fee	0.01%	-	-
CMA fee	0.03%	-	-
Settlement, safekeeping & Clearing fee	0.01%	-	<i>USD 1.6</i>
Market commission	-	0.05%	-
Transaction fees (per transaction)	-	<i>USD 2.7</i>	-
SCA Commission	-	0.05%	-
CDS Commission	-	0.05%	-
Transfer fees	-	-	<i>USD 3.3-16.4</i>
Premier Market			USD 14.9 – USD 28.0
Main Market			USD 19.9 – USD 33.0
Total	0.20%	0.225%	
VAT	0.03%	0.011%	-
Total charges (%)	0.23%	0.286%	-
Total charges	USD 23.12	USD 31.35	USD 14.9 - USD 33

Source: KAMCO Invest Research, DFM, CMA Kuwait, Saudi Tadawul Group, Authorized broker fee list

¹¹ These are indicative fees compiled from multiple regional broker sources, prices for a retail investor, subject to change and rates vary across brokers

Boursa Kuwait

Initiation of Coverage

Sector - Financial Services

Structural Tailwinds, Strategic Upside - Initiating with Outperform

Q1 2025 rebound and market momentum

Boursa Kuwait reported a 58.1% year-on-year increase in net profits for Q1 2025, reaching KWD 10.2 Mn, supported by a sharp recovery in trading activity. The total value traded surged 90% year-on-year to KWD 12.6 Bn in H1 FY-2025, up from KWD 6.6 Bn in H1 FY-2024. Boursa Kuwait's elevation to "Emerging Market" status by MSCI, FTSE Russell, and S&P has enhanced its global standing and driven increased foreign inflows. Market development efforts, particularly the success of the "Premier" Market, have improved liquidity and competitiveness.

Operating leverage to support margin resilience

With the introduction of new trading products and platforms, Boursa Kuwait is set to benefit from stronger operating leverage over the medium term. We expect margins to expand by ~180 bps from FY-2024 to FY-2028, driven by an increase in ADTV-linked revenue from 68.3% to 73.8%. Management expects capital expenditure to remain stable at around KWD 400,000 in FY-2025 and FY-2026, tapering to KWD 200,000 in FY-2027. The shift to cloud infrastructure has also helped reduce the need for large physical IT investments.

In terms of segments, Data Services currently contribute modestly to revenue, but as the exchange expands its analytics and digital tool offerings, we believe this segment offers meaningful upside. We expect margin expansion to be supported by rising trading volumes, improved operating efficiency, and greater revenue diversification.

Exchange reforms and new product launches

Boursa Kuwait is consistently advancing reforms to enhance investor access and modernize exchange infrastructure, with initiatives such as the CCP system, and upcoming launch of ETFs and a fixed-income platform. These efforts align with the FY-2024 public debt law, a key milestone enabling up to KWD 30 Bn in issuances, paving the way for strategic privatizations, IPOs, and broader capital market development.

Valuation and risks

We have used a weighted valuation approach, combining DCF and FY-2025E forward P/E multiple to arrive at a target price of KWD 4.061 per share. While the stock currently trades below the peer median, we have assigned a 15% valuation premium, reflecting our expectation of a re-rating. This is driven by a strong product pipeline expected to be launched in the near term, supportive macroeconomic trends, and anticipated index-driven passive inflows. As Kuwait's capital markets deepen, these structural tailwinds warrant a premium to both historical and regional multiples.

Our risks to the downside include the slower-than-expected rollout of new platforms or products, which may dampen earnings visibility. Primary market momentum could weaken if anticipated privatizations or family business listings fail to materialize, while continued delistings may offset the impact of new issuances. Additionally, any policy reversals or operational inefficiencies could undermine investor confidence.

Key Financials - KWD Mn	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Operating Revenue	30.7	36.3	47.6	54.1	60.8
ADTV Revenue (%)	56.8%	63.5%	68.0%	70.5%	72.5%
Non-ADTV Revenue (%)	43.2%	36.5%	32.0%	29.5%	27.5%
Operating Margin (%)	59.6%	61.7%	64.1%	64.0%	63.8%
Net Income Margin (%)	71.3%	69.9%	69.6%	68.4%	67.2%
ROE (%)	34.0%	37.6%	38.9%	34.7%	32.3%
P/E (x)*	21.9x	25.4x	28.3x	25.3x	22.9x
Dividend Yield (%) *	4.9%	3.2%	2.4%	3.0%	3.5%

Source: Kamco Invest Research

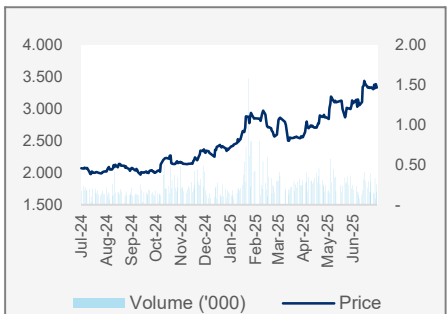
*Historical multiples are based on year-end share price, year-end Price/ EPS and projected multiples are based on closing share price as of 24th July 2025 (Refinitiv)

Outperform

CMP 24-July-2025: KWD 3.339

Target Price: KWD 4.061

Upside: 21.6%



Price Perf:	1M	3M	12M
Absolute	8.0%	30.5%	61.1%

Source: Kamco Invest Research, Refinitiv

Stock Data

Bloomberg Ticker	BOURSA.KW
Last Price (KWD)	3.339
MCap (KWD Mn)	670
MCap (USD Mn)	2,200
Stock Performance - YTD	45.2%
P/E - FY-2025E (x)	28.3
Dividend Yield-2025E (%)	2.4%
52-Week Range (KWD)	1.907/3.700

Source: Kamco Invest Research, Refinitiv

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Valuation and Risks

Initiate with a TP of KWD 4.061 and an 'Outperform' rating

We initiate coverage on Bursa Kuwait with an Outperform rating, supported by strong earnings momentum, deepening market reforms, and new regulatory developments. These include the planned launch of a dedicated exchange for Kuwait's emerging companies and the introduction of new product offerings. Separately, a proposed mortgage law could serve as a structural catalyst for Kuwait's housing market. By enabling commercial banks to offer standardized, long-term mortgages, the law may unlock significant demand, expand bank lending, and stimulate real estate activity. This, in turn, could lead to higher trading volumes in financial and property-related stocks, reinforcing Bursa Kuwait's position as a capital markets hub.

The stock trades at 31.6x, a discount to regional peers such as Tadawul and DFM, despite its superior operating efficiency and accelerating reform agenda. We value the stock at a target P/E of 30.4x, a 15% premium to its global peers, factoring in continued market liberalization, anticipated IPO momentum, and increased foreign investor participation following Kuwait's inclusion in MSCI, FTSE, and S&P emerging market indices.

The exchange delivered a solid rebound in Q1 2025, with net profit rising 58.1% year-on-year to KWD 10.2 Mn, driven by an 89.6% surge in total trading value.

Kuwait's macro-outlook has improved following the political shift in May 2024, which opens a multi-year window for uninterrupted policy execution. This has already enabled the passage of the long-pending public debt law, potentially unlocking up to KWD 30 Bn in bond issuance leading to an increase in bond listings, thus supporting market depth. The privatization drive is also expected to regain momentum, with potential listings such as Kuwait Airways and the National Postal Service boosting primary market activity. Additionally, privately held family businesses, are likely to tap the market, enhancing Bursa Kuwait's revenue visibility through listing and trading income. Despite a few delistings, Bursa Kuwait remains the second-largest exchange in the GCC by number of listed companies. Notably, average daily trading volumes (ADTV) have continued to strengthen significantly, reflecting improved market liquidity, growing investor participation, and the exchange's success in fostering a more dynamic and resilient trading environment.

Bursa Kuwait is actively modernizing its market infrastructure through key initiatives such as the rollout of a Central Counterparty (CCP) system and the implementation of margin trading. Looking ahead, the potential introduction of new asset classes including ETFs and sukuk, index futures, single-stock options, and closed-ended funds could further deepen the market. In our view, the full impact of these developments is not yet fully reflected in the current valuation, offering upside potential. Strategic regional tie-ups including MoUs with Tadawul and Abu Dhabi Securities Exchange aim to support cross-listings and deepen capital flows across the GCC. As the exchange expands its issuer base and engages international investors through active roadshows, we believe Bursa Kuwait is well-positioned to deliver sustainable growth, both operationally and in terms of investor relevance.

While the stock currently trades below the peer median, we have assigned a 15% valuation premium, reflecting our expectation of a re-rating. This is driven by a strong product pipeline, supportive macroeconomic trends, and anticipated index-driven passive inflows. As Kuwait's capital markets deepen, these structural tailwinds warrant a premium to both historical and regional multiples.

We have used a weighted valuation approach, combining DCF and FY-2025E forward P/E multiple to arrive at a target price of KWD 4.061, which implies a 21.6% upside from the closing share price on 24th July 2025.

Valuation	%	KWD Mn	Per Share
Price target based on:			
DCF	50%	909	4.530
Forward P/E (FY-2025E)	50%	721	3.593
Weighted Valuation			4.061
Target Upside			21.6%

Source: Kamco Invest Research

Kuwait Macroeconomic Overview

Kuwait's economy has experienced fluctuating GDP growth rates between FY-2014 and FY-2024. This period saw relatively modest growth with some volatility. A strong recovery occurred in FY-2022, primarily driven by a rebound in oil prices and increased production with an annual growth of 25.7%. Kuwait's economy contracted by 3.6% in real GDP terms in FY-2023 and FY-2024, driven by a 4.3% decline in the oil sector due to agreed-upon cuts in crude oil production.

Kuwait's market capitalization followed a cyclical trend from FY-2014 to FY-2019, influenced by oil price volatility, domestic reforms, and investor sentiment. The FY-2015 oil price slump and the COVID-19 pandemic triggered sharp declines. Between FY-2017 and FY-2024, Kuwait's failure to pass a new public debt law undermined market confidence, leading to liquidity stress and reliance on reserve funds. This fiscal strain triggered a sovereign credit downgrade by Moody's in FY-2020. Additionally, the lack of sovereign debt issuance impeded domestic debt market development by depriving corporate issuers of pricing benchmarks, but a recovery in oil prices and improved macroeconomic conditions in FY-2021 to FY-2022 supported a rebound in the All-Share Index, with market cap strengthening by end of FY-2022. Despite minor fluctuations, market capitalization remained broadly stable into early FY-2025, supported by a 9.8% rise in net profits across 137 listed firms in FY-2024. Parallely, capital market reforms gained momentum with the establishment of the CMA (2010) and Bursa Kuwait (FY-2013 to FY-2014), alongside the Market Development Project and amendments to the FY-2013 FDI Law in FY-2024, all of which improved market efficiency and attracted greater foreign investment.

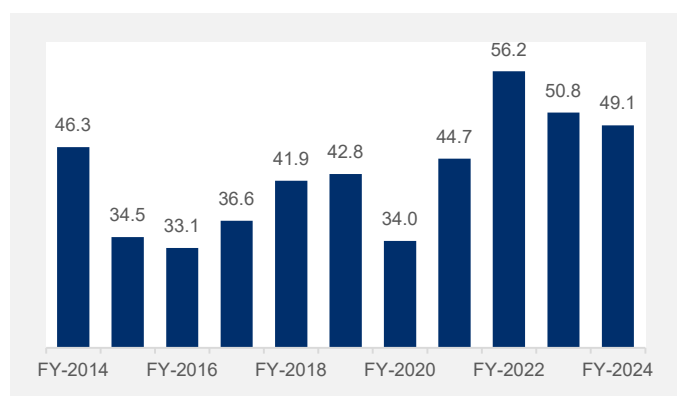
Establishment of the CMA (2010): The creation of the Capital Markets Authority introduced regulatory oversight, enhancing transparency and investor confidence in Kuwait's capital markets.

Formation of Bursa Kuwait (2013–2014): The corporatization and later privatization of the stock exchange improved governance and operational efficiency, aligning it with global standards.

Market Development Project: This multi-phase initiative modernized trading infrastructure, introduced new market segments, and upgraded post-trade services to elevate market competitiveness.

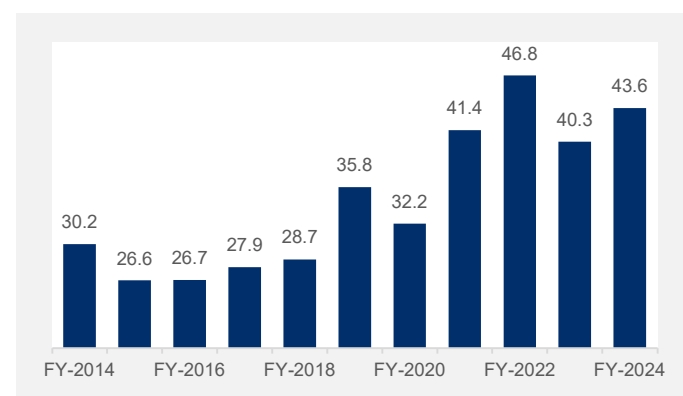
Amendments to the 2013 FDI Law (2024): Revisions eased foreign ownership restrictions and simplified investment procedures, making Kuwait a more attractive destination for global capital.

Kuwait GDP (KWD Bn) (FY-2014 to FY-2024) (CAGR :0.6%)



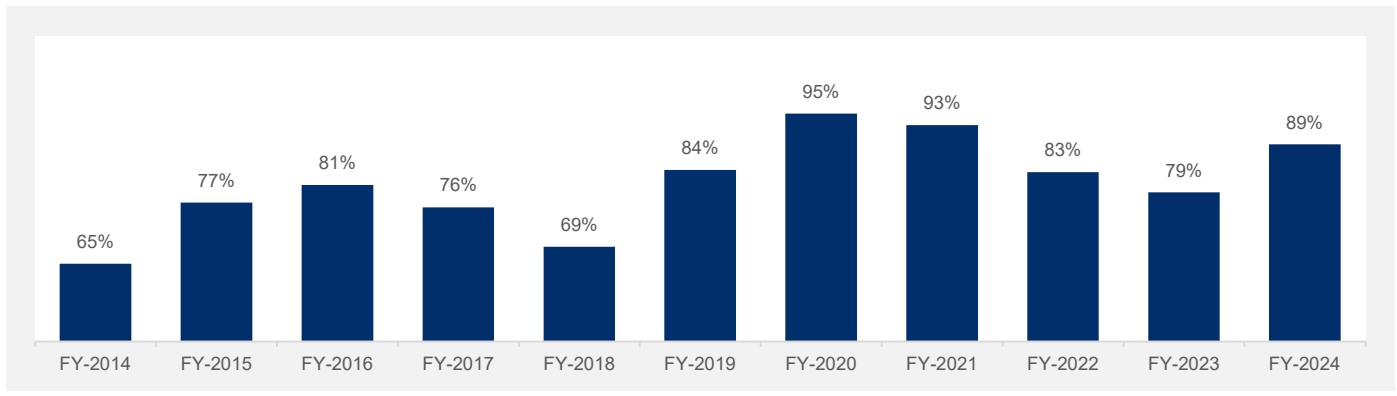
Source: Kamco Invest Research

Kuwait Market Cap (KWD Bn) (FY-2014 to FY-2024) (CAGR:3.7%)



Source: Kamco Invest Research

Market Capitalization to GDP Ratio



Source: Kamco Invest Research

Economy rebounds, oil dependency remains

The country remains deeply reliant on oil, which accounts for about 90% of government revenues, compared with 64 % in Saudi Arabia and 50 % in the UAE as of FY-2024. Fitch Ratings projects a 3.1% expansion in the economy for FY-2025, driven primarily by an increase in oil production expected to come into effect in early April. This marks a welcome rebound after two consecutive years of contraction, with the economy shrinking by 3.6% in FY-2023 and 2.7% in FY-2024.

The decision by OPEC+ to gradually increase oil production from April 2025, reversing a series of cuts designed to ramp up prices starting in FY-2023, has compounded some of Kuwait's fiscal challenges by increasing an already-large projected fiscal deficit for the coming year.

The fiscal deficit is projected to widen to 7.2% of GDP in FY-2025, reflecting a decline in oil revenues despite ongoing expenditure containment measures. Public debt is expected to rise gradually from FY-2025 onward, assuming the implementation of the Financing and Liquidity Law. Over the medium term, fiscal pressures are expected to persist as revenue losses from oil continue to outstrip consolidation efforts, particularly if reforms face delays or remain limited in scope. Monetary stabilization is expected to remain closely aligned with global central bank policies, supported by a moderating inflation trajectory, which is projected to decline to 2.5% in FY-2025.

The passing of the debt law will help Kuwait raise debt through sukuks and bonds to bridge the deficit gap and in turn increase the volume and value traded on Boursa Kuwait and would also lead to increased foreign inflows.

Capital market reforms

Allowing foreign ownership in banks- The Ministry of Commerce and Industry issued a decision allowing foreign investors to own and trade in Kuwaiti banking companies, subject to a maximum ownership limit of 5% for each investor, unless higher ownership is approved by the Central Bank of Kuwait for strategic or significant stakes.

Market Development Program (MD 3.2)- Kuwait has launched Part 2 of Phase 3 (MD 3.2) of its Market Development Program, a key initiative led by the CMA in partnership with Boursa Kuwait, Kuwait Clearing Company (KCC), and the Central Bank. As part of this effort, Boursa Kuwait and KCC are enhancing market infrastructure by implementing the Central Counterparty (CCP) system and evaluating brokerage firms' readiness to operate under it in coordination with the Central Bank and local banks.

Product expansion and platform development- The exchange plans to introduce ETFs and a corporate fixed-income platform, including bonds and sukuk, in line with the CCP framework. Cash settlements are now routed through local banks and the Central Bank's KASSIP system, enhancing efficiency and reducing risk.

Public debt law- Kuwait recently approved a public debt law that allows the government to issue sovereign bonds and sukuks, marking a significant step towards addressing liquidity challenges and

diversifying its funding sources. The original proposal aimed to raise up to KWD 20 Bn (USD 65 Bn) over 50 years, though the final cap may be increased to KWD 30 Bn, as previously suggested.

Mortgage law- If approved, Kuwait's proposed residential mortgage law could reshape the housing finance sector by allowing banks to offer long-term, state-subsidized mortgage loans of up to KWD200,000. Even moderate uptake could drive significant loan growth, boost the banking sector, and support construction activity. Additional reforms to foreign property ownership could further increase housing loan demand, particularly from high-earning expatriates.

Margin trading- As of mid-2024, the Capital Markets Authority (CMA) of Kuwait authorized licensed investment firms and brokerage houses to offer margin trading services. This initiative was aimed at enhancing market liquidity and provide investors with leveraged trading options.

Short selling- Naked short selling is not allowed in Boursa Kuwait, as opposed to Tadawul and Dubai Financial Exchange. This enables reducing volatility in the markets, protect investors, boost confidence, and support long-term market development while giving regulators time to build necessary infrastructure.

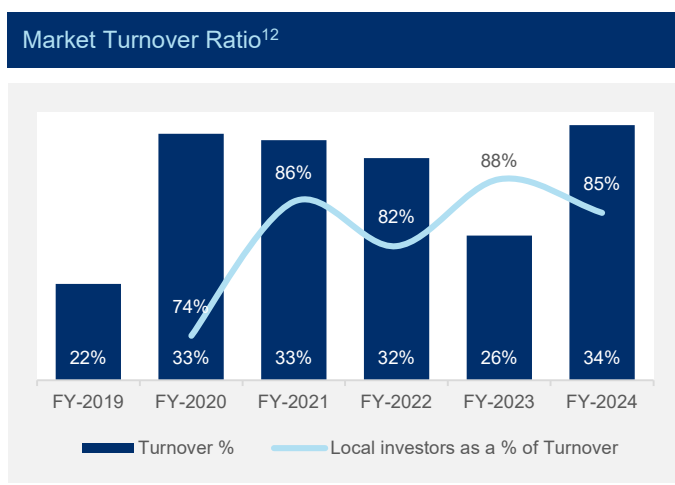
Emerging companies' platform: The CMA, in collaboration with Boursa Kuwait, has introduced a new regulatory framework to facilitate the listing and trading of emerging companies on the Kuwait Stock Exchange, including a dedicated platform and revised listing rules.

Index inclusions and market liquidity

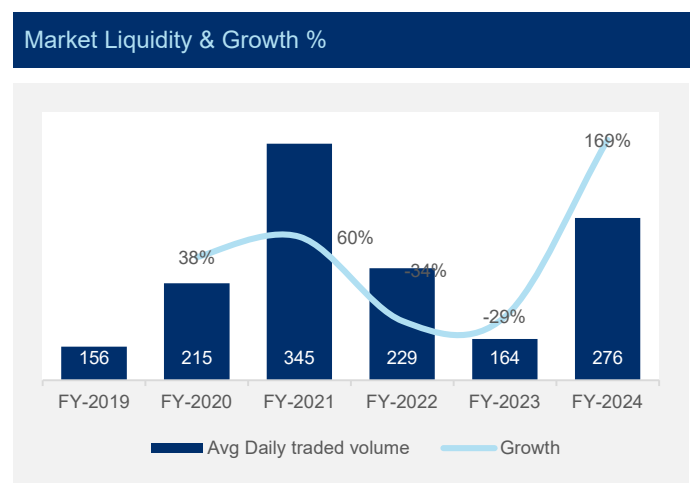
September 2018- FTSE Russell included Kuwait in its emerging markets list in September 2018, a move that ushered in ~USD 500 Mn to ~USD 800 Mn of foreign investment in Kuwait's equity markets. Kuwaiti stocks were introduced to the index in a phased approach with 50% of their weightings were provided to the index in September 2018 with the remaining 50% in December 2018. Prior to its inclusion, FTSE Russell expected Kuwait to have a 0.4% weighting in its emerging market index.

September 2019- Kuwait was included in the S&P Dow Jones Global Benchmark Indices with an emerging market classification on September 23, 2019. The inclusion was expected to generate approximately USD 2 Bn in passive inflows.

May 2020- Kuwait was included in MSCI's May 2020 Semi-Annual Index Review that led to an inclusion of nine stocks in the MSCI Emerging Market Index having a proforma index weight of approximately 0.5%.



Source: Kamco Invest Research, Company reports



Source: Kamco Invest Research, Company reports

¹² Total value of shares traded/ average market capitalization

A primer on foreign market access

Since FY-2015, Bursa Kuwait has evolved from a retail-driven market into an internationally integrated exchange. Initially characterized by low foreign ownership and limited influence from international investors, the market began transforming with the exchange's privatization and the inclusion of Kuwaiti equities in global indices like FTSE (FY-2017) and MSCI (FY-2020). These milestones triggered significant foreign capital inflows, particularly in FY-2019 and FY-2020, with foreign buying peaking at 25.4% ahead of MSCI inclusion. While post-inclusion activity normalized, the foreign and institutional investor presence remained strong, with stable, balanced buy/sell flows from FY-2021 onward. By FY-2024, foreign investments reached KWD 222 Mn, and institutions dominated trading activity, signaling a maturing investor base. As of April 2025, foreign inflows remained positive, reinforcing Bursa Kuwait's position as a credible and attractive destination for regional and global investors.

2015: Prior to the establishment of Bursa Kuwait, the Kuwait Stock Exchange saw lower trading activity in FY-2015. Foreign ownership levels were relatively low at this stage, indicating limited direct investment from international investors. The market was primarily driven by local investors. Foreign buying and selling were almost balanced at ~11%, respectively, suggesting neutral net positions and limited influence on price trends.

2016-2018: The transition to Bursa Kuwait in FY-2016 marked a period of market modernization. While Kuwaiti investors remained the dominant participants, there was a gradual increase in foreign interest, supported by the first inclusion of Kuwaiti shares in the FTSE Russell Emerging Markets Index in FY-2017. Activity slightly dipped with buying at 9.3% and selling at 8.1%, reflecting cautious positioning during early reform phases despite market modernization efforts.

2019: The privatization of Bursa Kuwait in FY-2019 was a significant milestone. This move, along with the announcement of Kuwait's reclassification as an emerging market by MSCI, effective in FY-2020, paved the way for increased foreign investment. This was the breakout year, as foreign buying surged to 25.4% and selling to 20.2%. This spread (+5.2%) aligns with pre-MSCI inclusion inflows, positioning Kuwait as an emerging market investment hotspot.

2020: The inclusion of Bursa Kuwait in the MSCI Emerging Markets Indices in November 2020 was a transformative event. This led to substantial foreign capital inflows, with over KWD 961.6 Mn traded on the inclusion day, mostly from foreign investors. Post-inclusion normalization saw reduced activity (buying: 18.1%, selling: 10.7%), indicating that while some capital exited, a strong base of foreign buyers remained.

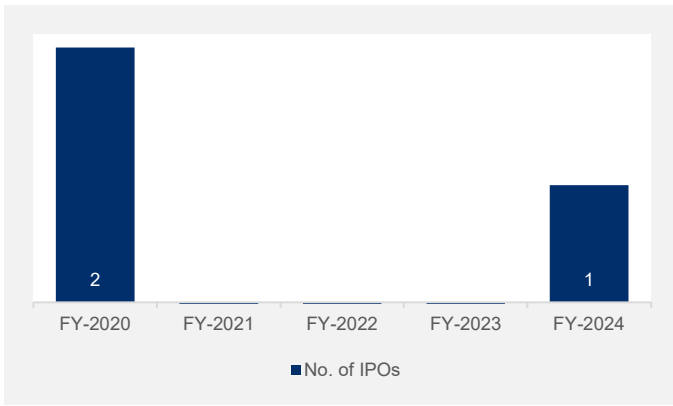
2021-2022: Bursa Kuwait continued to attract foreign investments, with institutional investors playing an increasingly dominant role in transaction volumes. Total foreign turnover activity increased significantly. Foreign activity stabilized with buying at 11.8% and selling at 10.8%, suggesting minimal net foreign pressure and a maturing investor base.

2023: While overall traded values decreased in FY-2023, institutional investor turnover activity increased. The gap narrowed again (buying: 14.4%, selling: 13.9%), showing more balanced buy/sell flows and steady foreign engagement despite a drop in overall traded values.

2024: Foreign investments in Bursa Kuwait reached KWD 222 Mn, driven by net purchases from foreign institutions and companies. Institutions and companies dominated transactions, accounting for over half of the market's activities. Retail investor turnover also saw an increase.

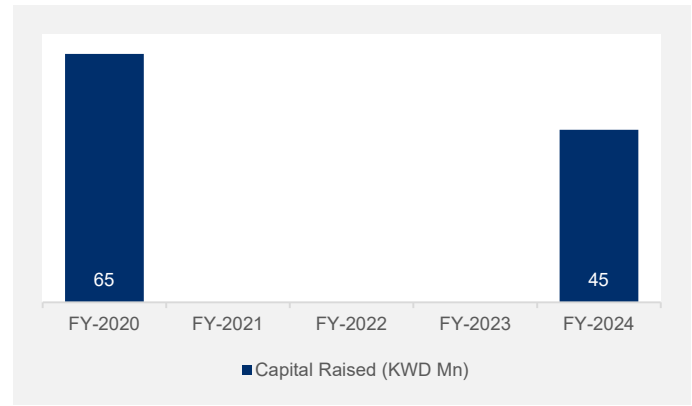
IPO and other listings

IPO Listings on Bursa Kuwait



Source: Company reports

Capital Raised through IPOs on Bursa Kuwait (KWD Mn)



Source: Company reports

Bursa Kuwait overview

Bursa Kuwait Securities Company, established in FY-2014 and headquartered in Kuwait City, is the privatized operator of Kuwait's official stock exchange. It manages and operates the securities trading platform, overseeing market operations, listings, disclosures, and compliance with regulatory standards. Since its privatization in FY-2019, the first of its kind in the Middle East, Bursa Kuwait has focused on modernizing the market infrastructure, increasing transparency, and attracting institutional and foreign investment. It listed its own shares on the exchange in FY-2020 and has worked closely with global index providers like MSCI to elevate Kuwait to an emerging market status. Through its initiatives, Bursa Kuwait aims to position the country as a regional financial hub and improve market liquidity, efficiency, and investor participation.

Ownership structure

Subsidiaries	Nature of ownership	% Ownership	Principal activities
Bursa Kuwait Company for Business Economic and IT Consultancy	Directly held	100%	Administrative, economic and information technology consulting
Kuwait Clearing Company (KCC)	Directly held	50%	Provides clearing, settlement, and depository services
Kuwait International Trustee Company	Held through KCC	100%	Providing trustee services
Kuwait Clearing House	Held through KCC	100%	Performing clearing and settlement between securities trading operations
Kuwait Central Securities Depository	Held through KCC	100%	Providing central depository, register services and transfer of ownership services

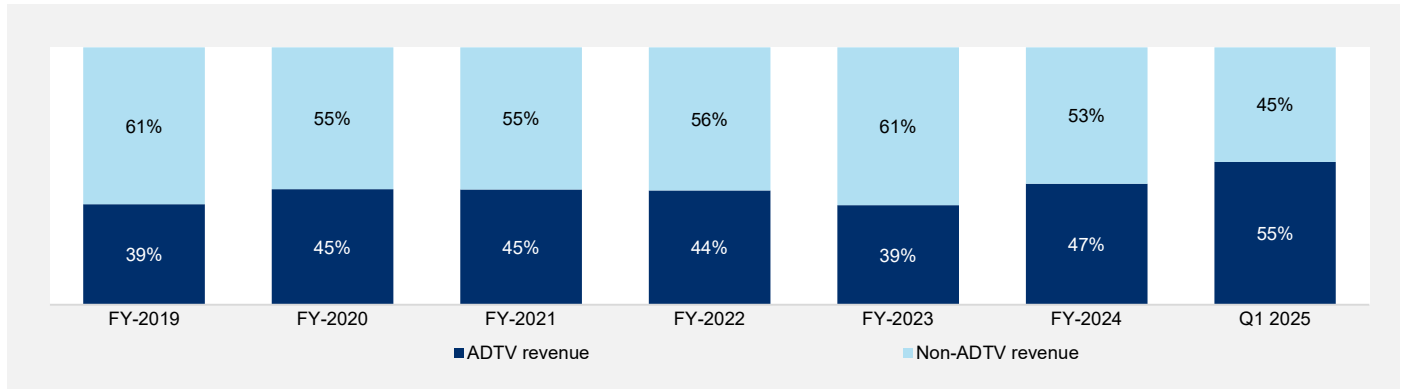
Segmental revenue and margins

The revenue mix of Bursa Kuwait from FY-2019 to Q1 2025, segmented into ADTV-linked revenue (e.g., trading commissions, clearing, settlement) and non-ADTV-linked revenue (e.g., subscriptions, depository, registry services). A notable trend emerges from FY-2019 to FY-2023, non-ADTV revenue consistently comprised the majority, ranging from 55% to 61%, highlighting the exchange's dependence on stable, recurring income streams. However, in FY-2024 and more significantly in Q1 2025, there's a marked shift with ADTV-linked revenue rising to 47% and then 55%, respectively indicating a resurgence in trading activity and volume-driven income. This pivot suggests a favorable shift in market dynamics, potentially driven by macro tailwinds such as improving liquidity, higher investor participation, or a strong IPO pipeline fuelling secondary market activity.

From a strategic perspective, this rebound in ADTV-linked revenue enhances earnings sensitivity to market cycles but also reintroduces volatility. We believe the way forward for the exchange should

continue to diversify its non-trading income, possibly through enhanced digital services, corporate solutions, or cross-border initiatives. Additionally, deepening the capital market through new listings and product innovation (e.g., derivatives, ESG platforms) can sustain trading volumes, while a robust non-ADTV base cushions downside risk during low-turnover periods.

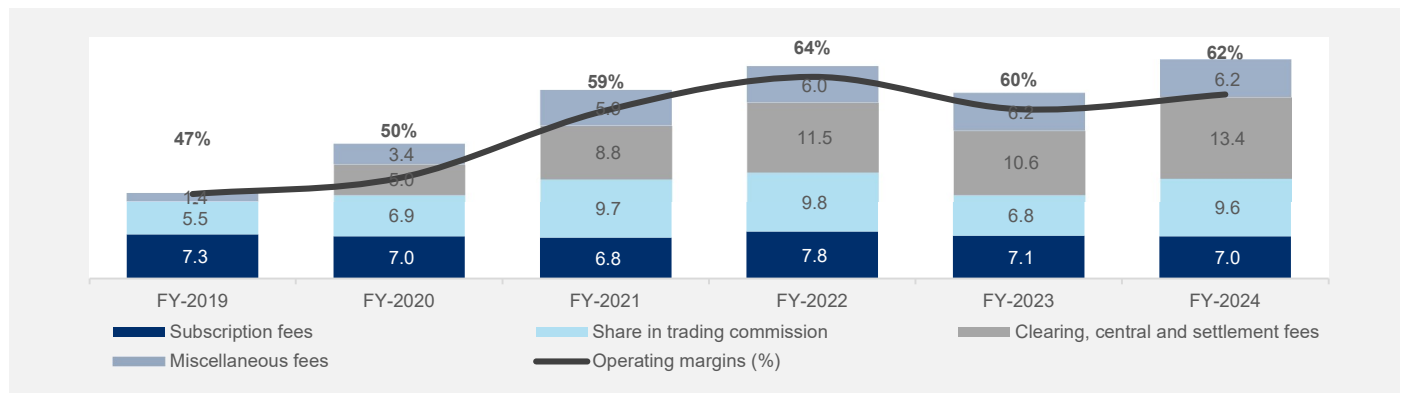
ADTV and non-ADTV linked revenue



Source: Company reports

From FY-2019 to FY-2024, the company's operating margin improved from 47% to 62%, driven by a shift toward scalable, fee-based services. Early gains were supported by stable subscription income and rising trading commission shares, while clearing and settlement fees more than tripled, becoming the dominant revenue stream. Margins peaked at 64% in FY-2022 before dipping slightly due to revenue stabilization. A recovery in FY-2024 was led by a strong surge in settlement income. The exchange is poised to benefit from operating leverage as new trading products and platforms gain traction. The exchange's capex remains manageable and is set to decline post-2027, following key infrastructure investments. The exchange is enhancing agility through cloud adoption and bolstering cybersecurity. While data services currently contribute modestly, expanding offerings in market data and analytics present a strong upside potential. Coupled with rising volumes and product adoption, these efforts should support margin resilience and revenue diversification.

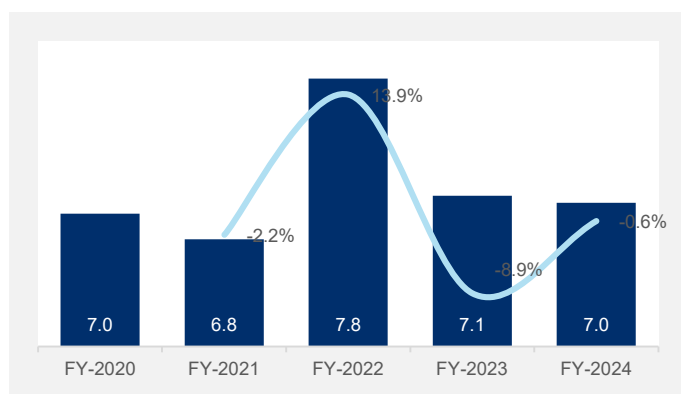
Segmental Income (FY-2019 to FY-2024) (KWD Mn)



Source: Company reports

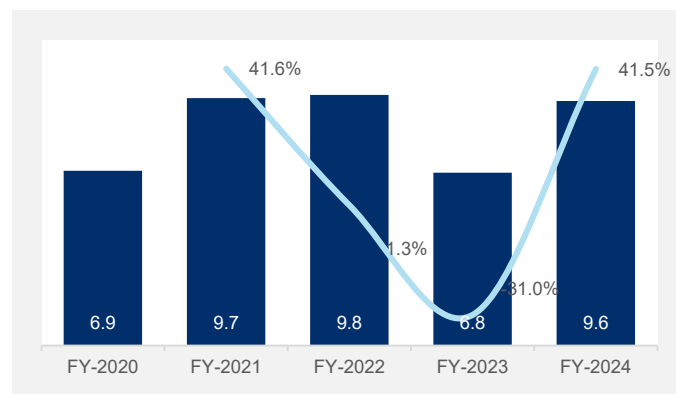
Subscription fees- This segment generates revenue from the number of companies listed each year on the exchange and the change in market capitalization of all the listed companies. The revenue is driven by the trading volatility that dictates the change in market capitalization of the companies and the IPO listings, which reached KWD 7 Mn in FY-2020, reaching a record high of KWD 7.8 Mn in FY-2022, owing to the listing of Ali Al-Ghanim & Sons Automotive Company with a market capitalization of KWD 221 Mn.

Subscription Fees (KWD Mn)



Source: Kamco Invest Research

Share in Trading Commission (KWD Mn)

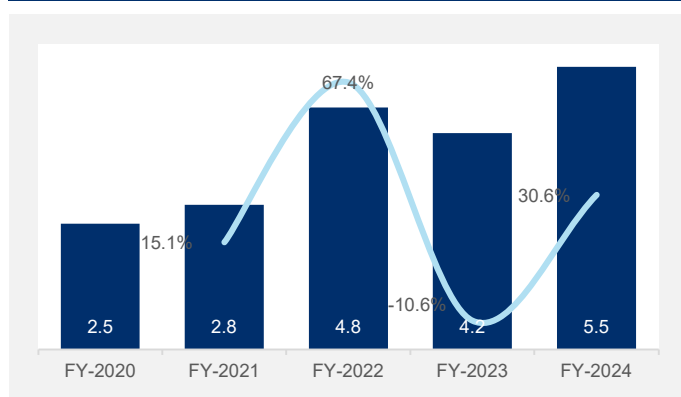


Source: Kamco Invest Research

Share in trading commission- This segment generates revenue from the trading activities that take place during the year. During FY-2024, Boursa Kuwait's trading segment delivered a strong performance, underpinned by a significant surge in market activity. Average daily traded value (ADTV) increased by 39.4% YoY to KWD 59.79 Mn (vs. KWD 42.89 Mn in FY-2023), translating into a 41.5% YoY uplift in trading-related operating revenues. This momentum was primarily driven by the "Main" market segment, with the total value traded in FY-2024 surpassing FY-2022 levels, the highest since privatization

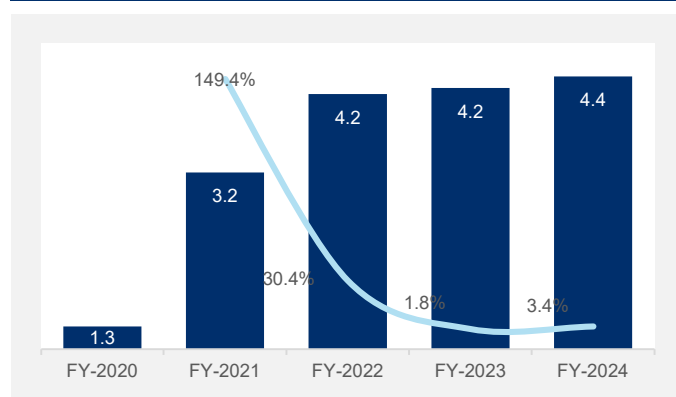
Clearing operations- The segment generates revenue primarily from post-trade services provided through its central clearinghouse, Kuwait Clearing Company (KCC). Revenue from clearing operations grew by 30.6%, reaching KWD 5.55 Mn in FY-2024 (2023: KWD 4.25 Mn), the highest since privatization. Trading volumes rose to 68.5 Bn shares in FY-2024, marking a 73% increase from FY-2023

Clearing Operations (KWD Mn)



Source: Kamco Invest Research

Central Depository Services (KWD Mn)



Source: Kamco Invest Research

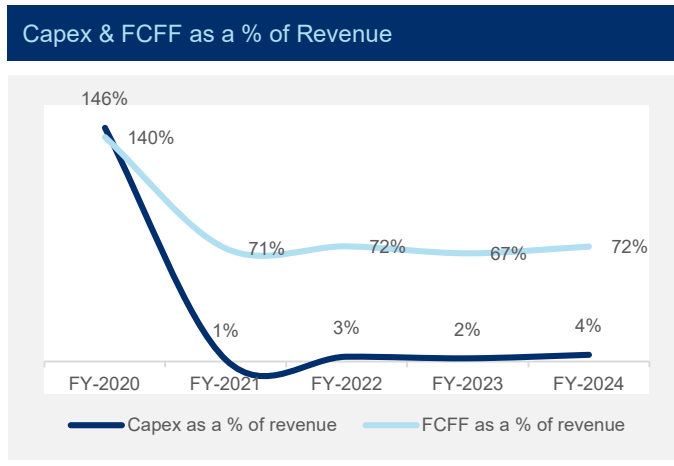
Central depository services- This segment generates revenue from value of securities custodized by KCC on behalf of mutual funds, investment companies, and global custodians. The surge in depository services revenue in FY-2021 was driven by heightened OTC market activity, with 104 companies in continuous trading and 535 in special trades.

Capex and investment income analysis

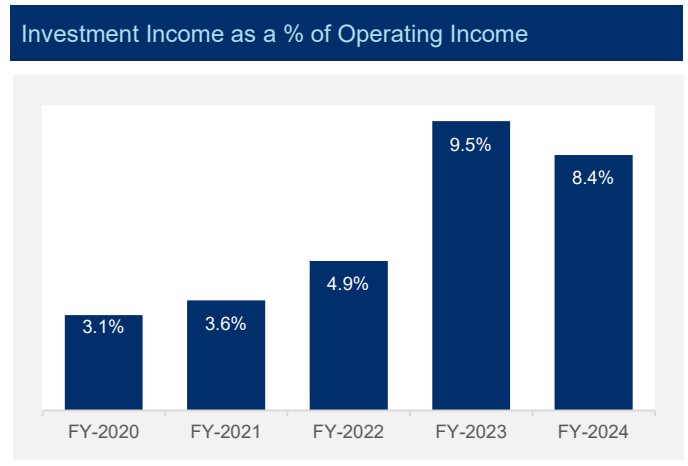
The company acquired the remaining stake in Kuwait Clearing Company (KCC), leading to a significant capex increase that exceeded revenue (146%), indicating a large, likely one-time infrastructure or systems investment, possibly linked to privatization-related upgrades. Despite the high capex, FCFE remained strong at 140%, reflecting exceptional operating cash flow or non-recurring income. From FY-2021 onwards, capex levels normalized, ranging between 1%–4%,

indicating a light capital intensity business model, typical of exchange platforms. FCFF remained healthy and stable, hovering around 67–72%, demonstrating consistent cash-generating ability.

Investment income as a percentage of total operating income: The expansion in investment income as a proportion of total operating income from 3.1% in FY-2020 to 6.7% in Q1 2025, after peaking at 9.5% in FY-2023 was largely driven by the global interest rate cycle, as the US Federal Reserve, whose policy decisions significantly influence GCC rates due to currency pegs undertook a series of aggressive hikes to curb inflation. Looking ahead, we anticipate some moderation in margins, as expectations of rate cuts materializing by H2 FY-2025 or, at the latest, in FY-2026 begin to weigh on interest income growth.



Source: Kamco Invest Research



Source: Kamco Invest Research

Shift in revenue mix

Clearing and settlement fees grew at a CAGR of 28% during the period FY-2020 to FY-2024:

The notable increase in foreign investments in Kuwait's financial market from FY-2019 to FY-2024 has significantly reshaped Bursa Kuwait's revenue composition, particularly driving strong growth in clearing and settlement fees, which rose at a 28% compound annual growth rate (CAGR) over the period.

This surge was fueled by Kuwait's elevation to "Emerging Market" status by global index providers like MSCI in December 2019 and FTSE Russell in September 2018, drawing substantial foreign institutional inflows. In FY-2024 alone, foreign investments in Bursa Kuwait totaled approximately KWD 222 Mn with non-GCC foreign institutions registering net buying of KWD 228 Mn.

Reforms introducing new financial instruments such as ETFs and standardized derivatives like futures and options, along with enhanced regulatory frameworks have increased market accessibility and trading activity, thereby creating greater demand for post-trade services. Together, these factors have driven the steady rise in clearing and settlement revenues at Bursa Kuwait from FY-2019 to FY-2024.

Technological advancements and investments

Bursa Kuwait has undertaken significant technological upgrades since its privatization, notably adopting Nasdaq's X-Stream INET trading platform to enhance speed and efficiency. It has introduced fully electronic IPO subscription systems and improved post-trade infrastructure through Kuwait Clearing Company. Real-time market surveillance tools and upgraded investor portals have strengthened transparency and accessibility. The exchange has also enhanced its electronic disclosure framework and is exploring fintech integration. These advancements align Bursa Kuwait with global best practices and support its long-term growth and investor appeal.

Financial Overview

Balance Sheet (KWD '000, unless stated otherwise)	FY-2022	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Assets						
Goodwill & Intangible assets	42,897	43,205	43,875	44,502	45,145	45,804
Property and equipment	1,141	1,438	2,253	2,671	3,087	3,297
Right-of-use assets	899	683	483	491	488	487
Accounts receivable and other assets	286	282	246	304	323	373
Term deposits	57,064	54,080	66,721	66,721	66,721	66,721
Cash and cash equivalents	9,543	10,749	3,399	26,032	52,254	80,168
Total assets	119,554	118,886	126,146	150,995	178,650	208,436
Liabilities						
Accounts payable and other liabilities	8,972	8,207	9,468	10,629	13,081	14,759
Lease liabilities	928	714	502	502	502	502
Total Liabilities	11,442	10,477	11,719	12,989	15,304	17,037
Shareholder's Equity						
Share capital	20,078	20,078	20,078	20,078	20,078	20,078
Reserves	15,005	18,324	22,173	37,935	58,032	81,704
Retained earnings	30,415	25,828	25,302	28,276	29,130	28,564
Non-controlling interests	42,614	44,179	46,874	51,716	56,107	61,053
Total shareholders' equity	108,112	108,409	114,427	138,005	163,346	191,399
Total Liabilities & Equity	119,554	118,886	126,146	150,995	178,650	208,436
Income Statement (KWD '000, unless stated otherwise)	FY-2022	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Subscription fees	7,779	7,088	7,046	8,085	9,373	9,843
Share in trading commission	9,835	6,787	9,603	14,514	17,259	19,331
Settlement operations	11,547	10,644	13,441	17,799	20,862	24,764
Total operating revenue	35,200	30,682	36,315	47,553	54,107	60,830
<i>Growth YoY %</i>		-13%	18%	31%	14%	12%
Total operating costs	12,583	12,409	13,914	17,062	19,495	21,995
<i>As a % of revenue</i>	36%	40%	38%	36%	36%	36%
<i>Growth YoY %</i>		-1%	12%	23%	14%	13%
Operating profit	22,617	18,273	22,401	30,491	34,612	38,835
Investment income	1,722	2,904	3,036	2,693	2,608	2,402
<i>Investment Income as a % of total income</i>	5%	9%	8%	6%	5%	4%
Zakat	163	109	162	210	235	259
Net profit	24,037	21,869	25,380	33,118	36,991	40,848

Source: Kamco Invest Research, Boursa Kuwait

Valuation & Financial Metrics	FY-2022	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Volumes traded (Mn)	55,974	39,567	68,482	97,121	111,689	131,793
<i>Growth %</i>		41%	-42%	-29%	-13%	-15%
Value traded (Mn)	14,741	10,380	14,828	21,642	23,806	26,663
<i>Growth %</i>		42%	-30%	-31%	-9%	-11%
Total Market capitalization (KWD Mn)	46,722	40,259	43,577	48,718	51,641	54,230
Avg daily traded value (Mn)	60	43	60	88	97	109
<i>Growth %</i>		41%	-28%	-32%	-9%	-11%
Operating margin	64%	60%	62%	64%	64%	64%
Net profit margin	68%	71%	70%	70%	68%	67%
Return on Equity (ROE)	0%	0%	0%	0%	0%	0%
Return on Assets (ROA)	0%	0%	0%	0%	0%	0%
EPS (fils)	89.7	78.7	90.5	118.2	132.0	145.7
DPS (fils)	65.0	85.0	74.0	78.5	100.1	117.9

Source: Kamco Invest Research, Boursa Kuwait

Valuation: Discounted Cash Flows

For our discounted cash flow model, we use a cost of equity assumption of 7.7%, and a risk-free rate of 3.6%. For the model, we use a perpetual growth rate of 2%.

Snapshot – Discounted Cash Flow Model

Discounted Cash Flow Model	Units	Projected					Terminal Value
		FY-2025E	FY-2026E	FY-2027E	FY-2028E	FY-2029E	
Long-Term Growth Rate	%						2.0%
Cost of Equity	%						7.7%
Free Cash Flow to Firm (FCFF)	KWD Mn	33.7	39.6	42.4	46.9	53.5	958.5
Present Value (PV) of FCFF	KWD Mn	32.8	35.9	35.6	36.6	38.7	694.0

Enterprise Value (EV)	KWD Mn	873.7
Less: Net Debt	KWD Mn	(35.8)
Equity Value	KWD Mn	909.5
Shares Outstanding	Mn	200.8
Equity Value Per Share	KWD	4.529

Source: Kamco Invest Research

Saudi Tadawul Group (STG)

Initiation of Coverage

Sector - Financial Services

STG: Evolving into a diversified market platform – Initiating with Outperform

Robust revenue growth and diversification

Tadawul Group's Q1 2025 performance, while reflecting a normalization in trading activity, reinforced the strength of its strategic pivot toward revenue diversification. Despite a 37% year-on-year decline in trading values that was led by geopolitical issues in the region leading to lower revenue and net profit, the robust growth in non-ADTV revenue streams highlights the Group's progress in building a more balanced and resilient business model, supporting long-term value creation beyond market turnover cycles.

Tadawul positioned to capitalize on Vision 2030-led IPO momentum

Tadawul's growth is closely aligned with Saudi Arabia's Vision 2030 strategy and the Financial Sector Development Program, aiming to deepen capital markets and drive diversification in terms of financial products. The exchange recorded 44 IPOs in FY-2024 and 23 in Q1 2025, backed by strong privatization momentum. This momentum is expected to continue in the near term. With a solid pipeline of IPOs and rising foreign interest, Tadawul is well positioned to benefit from increased trading activity.

Strategic tie-ups and data technology development

Saudi Tadawul Group is expanding its global reach through strategic MoUs, post-trade upgrades, and partnerships like the CSOP-linked Hong Kong ETFs. The company is expanding aggressively into data and technology services to diversify its revenue base and strengthen market infrastructure. Through strategic acquisitions such as DirectFN (49%) and Gulf Mercantile Exchange (32.6%), the exchange has enhanced its capabilities in real-time trading, analytics, and commodities. These initiatives, aligned with Vision 2030 and growing demand for ETFs, retail tools, and cross-border platforms, position Tadawul as a regional fintech and data leader.

Valuation and risks (STG)

We have used a weighted valuation approach, combining DCF and forward P/E multiples to arrive at a target price of SAR 197.6. We believe STG offers a compelling investment opportunity With a growing share of scalable, diversified non-trading revenues, a solid balance sheet, and tailwinds from Vision 2030 initiatives. While short-term earnings may remain sensitive to ADTV swings, the long-term trajectory of earnings quality justifies our 50% valuation premium (where the stock has traditionally been valued at higher and the outperform rating).

Our risks to the downside include the execution risk in monetizing new verticals may take longer than expected or fall short of projections. Additionally, the slow or inconsistent implementation of Vision 2030 reforms may hinder investor momentum and market activity. Given that strong growth expectations are already priced in, any shortfall in execution could prompt a valuation de-rating. Lastly, scaling new technology platforms like Wamid and GME introduces operational and cybersecurity risks.

Key Financials – SAR Mn	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Operating Revenue	1,073	1,447	1,514	1,763	2,161
ADTV Revenue (%)	69.5%	69.0%	67.6%	67.7%	68.1%
Non-ADTV Revenue (%)	30.5%	31.0%	32.4%	32.3%	31.9%
Operating Margin (%)	30.6%	39.1%	36.8%	36.4%	39.2%
Net Income Margin (%)	35.6%	42.9%	39.6%	38.9%	40.7%
ROE (%)	12.1%	17.8%	16.7%	18.4%	22.7%
P/E (x)*	57.5x	41.8x	34.0x	29.8x	23.2x
Dividend Yield (%) *	1.2%	1.1%	2.4%	2.8%	3.5%

Source: Kamco Invest Research

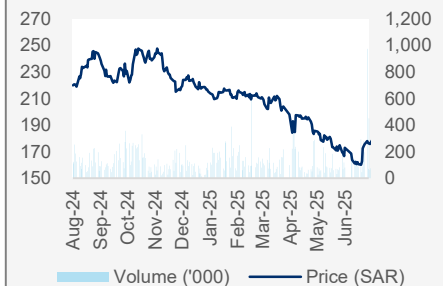
*Historical multiples are based on year-end share price, year-end Price/ EPS and projected multiples are based on closing share price as of 24th July 2025 (Refinitiv)

Outperform

CMP 24-July-2025: SAR 170.4

Target Price: SAR 197.6

Upside: 15.9%



Price Perf:	1M	3M	12M
Absolute	-2.2%	-13.0%	-25.8%

Source: Kamco Invest Research, Refinitiv

Stock Data

Bloomberg Ticker	1111.SE
Last Price (SAR)	170.40
MCap (SAR Mn)	20,448
MCap (USD Mn)	5,451
Stock Performance - YTD	-21.4%
P/E – FY-2025E (x)	34.0
Dividend Yield--2025E (%)	2.4%
52-Week Range (SAR)	160/251

Source: Refinitiv

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Valuation and Risks

Initiate with a TP of SAR 197.6 and an ‘Outperform’ rating

We initiate coverage on Saudi Tadawul Group (STG) with an Outperform rating, supported by its integrated market infrastructure, diversified revenue streams, and strategic alignment with Vision 2030. Despite near-term volatility in trading turnover, we believe Tadawul’s structurally evolving business model, supported by ongoing innovation in infrastructure, transparency, and market participation, positions the company well for sustained long-term growth.

The stock currently trades at 37.8x. STG historically traded at a ~78% premium over global peers (last 3-year average). With part of the growth already priced in, we value it at a conservative 50% premium, reflecting its superior growth visibility, regional dominance, and ongoing monetization of data-adjacent verticals.

Tadawul’s H1 FY-2025 performance reflected resilience despite a cyclical pullback in traded values (down 33% YoY), with management’s strategic focus on diversifying revenues helping to mitigate the impact on profitability. Key contributors such as post-trade services (Muqassa and Edaa), data and information services, and the growing technology segment via Wamid continued to scale during the quarter. These segments benefit from recurring, non-volume-sensitive revenue streams, reinforcing our view that the business is gradually decoupling from ADTV-linked cyclicalities and transitioning toward a more stable, platform-based model. With FY-2024 ADTV averaging SAR 7.5 Bn and a healthy IPO pipeline, we expect a reacceleration in market activity through H2 FY-2025E, providing upside to core trading revenues.

We believe margin expansion is likely to materialize as operating leverage begins to take effect, with Tadawul positioned as a direct beneficiary of Vision 2030 reforms. The Group plays a central role in state-led privatization and the deepening of capital markets. Having hosted 91 IPOs since FY-2014 (~SAR 353 Bn raised), including 44 in FY-2024 and 23 already in Q1 2025, we expect the strong pipeline, including marquee listings, to support both liquidity and valuation upside.

Beyond listings, STG’s strategic investments in fintech (via Wamid), data analytics (through DirectFN), and commodities via Gulf Mercantile Exchange (GME) are steadily enhancing the group’s capabilities and the addressable market. These efforts are also improving monetization potential across the value chain, positioning STG as a one-stop capital markets platform in the region. The company’s regional leadership is further validated through cross-border MoUs, post-trade upgrades (Muqassa’s ISDA alignment), and product innovation such as Hong Kong-linked ETFs.

With a growing share of scalable, diversified non-trading revenues, a solid balance sheet, and tailwinds from Vision 2030 initiatives, we believe STG offers a compelling investment opportunity. While short-term earnings may remain sensitive to ADTV swings, the long-term trajectory of earnings quality and platform maturity justifies our premium valuation multiple and the outperform rating.

Supported by these structural growth drivers, Tadawul’s position as the largest exchange in the GCC offers investors unique exposure to both the petrochemical sector and an expanding pipeline of non-oil industries. Combined with its superior return metrics, with RoE and RoA exceeding those of both developed and emerging market peers, we believe the premium valuation of 50% is well justified.

We have used a weighted valuation approach, combining DCF and forward P/E multiples to arrive at a target price of SAR 197.6, which implies a 15.9% upside from the closing share price on 24th July 2025.

Valuation	%	SAR Mn	Per Share (SAR)
Price target based on:			
DCF	40%	22,146	184.5
Forward P/E (FY-2025E)	60%	24,751	206.3
Weighted valuation			197.6
Target Upside			15.9%

Source: Kamco Invest Research

Saudi Arabia Macroeconomic Overview

The KSA economy rebounded robustly from the recession caused by the COVID-19 pandemic, buoyed by rollout of the National Investment Strategy (NIS) as part of its ambitious Vision 2030 reform plan. However, Saudi Arabia's economy experienced volatility in GDP growth from FY-2014 to FY-2024, primarily dictated by shifts in global oil prices, OPEC+ production decisions, and domestic structural reforms. While the early part of the decade saw restrained growth due to subdued oil markets and fiscal adjustments, a robust recovery took hold in FY-2022, with real GDP expanding by 8.7% year-on-year, driven by surging oil prices and increased crude output. However, in FY-2023 and FY-2024, the economy decelerated, recording a mild contraction of around 0.8% in real GDP, as Saudi Arabia implemented coordinated oil production cuts under OPEC+ agreements to support market stability.

Saudi Arabia's market capitalization, much like its broader economic performance, has followed a cyclical trajectory influenced by oil market cycles, investor confidence, and the gradual liberalization of capital markets. The FY-2015 oil price crash weighed heavily on valuations, dampening investor sentiment and reducing equity market depth. The introduction of Vision 2030 reforms and inclusion in major global indices, such as FTSE Russell, MSCI Emerging Markets, and S&P Dow Jones, significantly boosted market confidence and attracted substantial foreign capital inflows. The landmark listing of Saudi Aramco further deepened the Tadawul All Share Index (TASI), drawing considerable interest from international investors.

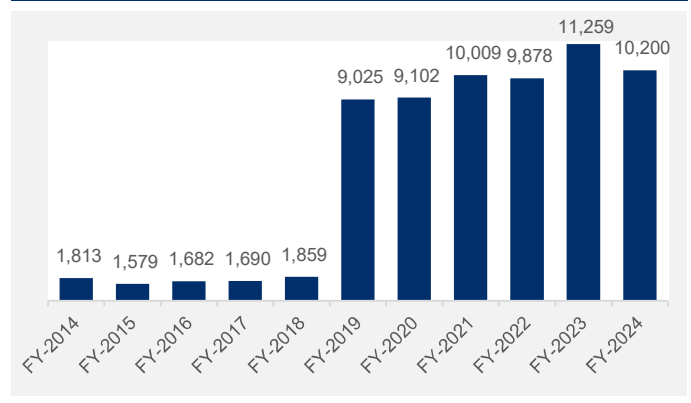
The COVID-19 pandemic triggered a temporary market pullback in FY-2020, followed by a strong recovery during FY-2021–2022 in tandem with higher oil revenues and improved corporate earnings. While listed company profitability remained solid into FY-2024, supported by non-oil sector expansion, market capitalization experienced moderate volatility but maintained a generally stable upward trend into early FY-2025, reflecting resilience in investor appetite and macroeconomic fundamentals.

Saudi Arabia GDP (SAR Bn)



Source: Kamco Invest Research, Refinitiv

Saudi Arabia Market Cap (SAR Bn)



Source: Kamco Invest Research, Refinitiv

Economic outlook and diversification strategy (2025–2027)

As per the latest OPEC+ announcements, the voluntary oil production cuts will be phased out between April 2025 and September 2026, on an accelerated schedule from May 2025. Resultantly, growth is forecasted to increase in the medium term, driven by increased oil production from 8.9 Mn bpd in March 2025, to 9.9 Mn bpd towards the end of FY-2026. With the full resumption of oil production (anticipated to further pick up in FY-2027 to an average of 10.4 Mn bpd), oil GDP growth is expected to accelerate starting FY-2026, forecasted to grow at 6.7% and 6.1 % respectively for FY-2026 and FY-2027.

Meanwhile, the non-oil sector is estimated to maintain steady yearly growth (3.6% on average) between FY-2025 and FY-2027. However, rising global economic uncertainty remains an impediment to stronger non-oil sector growth. The anticipated increase in oil production and improving services balance are also expected to strengthen the external sector in FY-2025 to FY-2027.

Additionally, service exports as a percentage of GDP is projected to increase due to increased tourism and investments in the digital economy. Net foreign direct investments are predicted to remain stable, at 1.1 % of GDP throughout FY-2025 to FY-2027. Fiscal pressures are expected to increase in the medium term due to increased (capital) expenditure, in line with the budgeted projections. However, the planned increase in oil production in FY-2025 to FY-2027 is likely to keep the fiscal deficit within reasonable bounds, despite a projected increase from 2.3 % of GDP in FY-2025 to 3.1 % in FY-2027. On the monetary side, inflation is projected to remain stable in the coming years in line with recent trends.

Oil prices are expected to decline in FY-2025 to USD 67 per barrel, as the gradual phase-out of OPEC+ oil production cuts and strong supply growth from non-OPEC+ countries are expected to outpace subdued global oil demand growth amid expectations of weaker and uncertain global economic prospects. This will necessitate the need for the government to borrow through domestic as well as international debt markets.

The Kingdom of Saudi Arabia's most significant and posing a clear emphasis on diversifying the economy towards non-oil activities to achieve a more balanced and sustainable future socioeconomic transformation is Vision 2030, officially launched in FY-2016.

Capital market reforms

Market access: The government decided to open the Saudi Stock Exchange (Tadawul) to Qualified Foreign Investors (QFIs) in FY-2015. This landmark move allowed foreign financial institutions to directly invest in listed shares, subject to certain restrictions.

Surge in foreign investment: The introduction of the QFI program led to a significant rise in foreign investment in the Saudi capital market. By the end of FY-2022, the value of foreign investments had increased by 300% compared to FY-2018, reaching SAR 347 Bn.

Regulatory infrastructure upgrades: The opening of the market spurred a series of enhancements to align with international best practices, including the adoption of a T+2 settlement cycle and the establishment of an independent custody model.

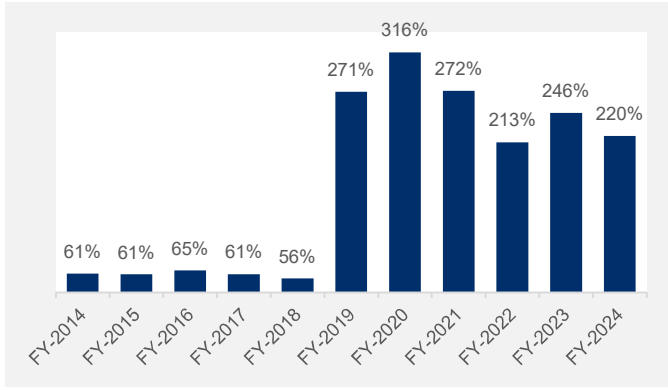
Index inclusion impact: These reforms and the increased accessibility led to the inclusion of Saudi Arabia in major emerging market indices like MSCI in FY-2019 and FTSE Russell in FY-2018. This inclusion triggered substantial inflows of foreign capital from passive and active funds.

Investment law 2025: The Saudi Investment Law, which came into effect in February 2025, replaced the previous Foreign Investment Law with a unified and simplified regime for both local and foreign investors. It enhanced legal protections, streamlined registration processes, and ensured equal treatment while clearly outlining restricted sectors. For trading exchanges, the law boosted foreign participation, deepened market liquidity, and supported higher trading volumes and values through improved investor confidence and access.

Increased trading volumes and market capitalization

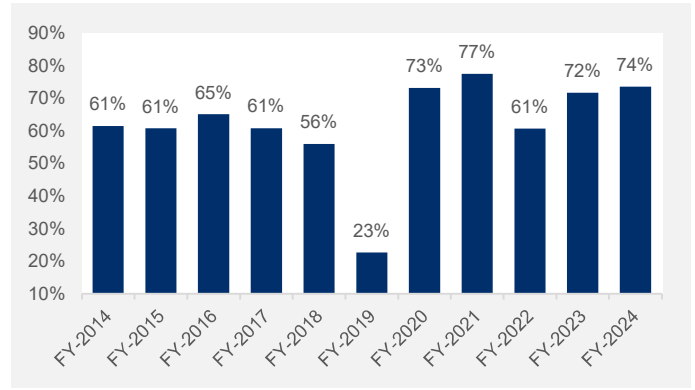
The participation of foreign investors coupled with retail participation (FY-2024: 4.6%, FY-2016: 4.5%) contributed to higher trading volumes and an increase in the overall market capitalization of Tadawul, to become one of the largest stock exchanges in the MENA region and globally. Foreign ownership in Saudi companies, based on free float market capitalization (FY-2024: 11.0%, FY-2016-4.3%), increased significantly after the MSCI inclusion.

Market Capitalization to GDP Ratio



Source: Kamco Invest Research, SAMA

Market Capitalization to GDP Ratio (Ex-ARAMCO)



Source: Kamco Invest Research, SAMA

KSA's total market capitalization increased from SAR 1,813 Bn in FY-2014 to SAR 10,200 Bn aided by the index inclusions in FTSE Russell (March 2018), MSCI Emerging Market Index (2019) and S&P Dow Jones Indices (September 2019) coupled with an increase in volumes from 59 Bn in FY-2019 to 99 Bn in FY-2024, peaking at 181 Bn in FY-2020. Capital raised through IPOs in FY-2024 reached SAR 15.5 Tn, driven by 55 new listings across Main Market, NOMU and Sukuks as compared to 5 listings in FY-2020.

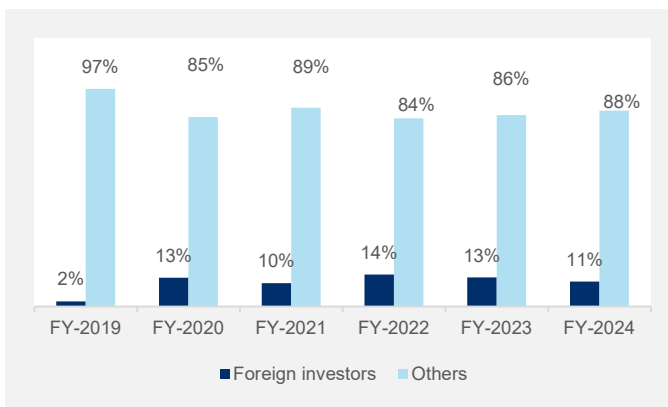
Free float market capitalization and Index inclusions

March 2019- FTSE Russell included Saudi Arabia in its emerging markets list in March 2019, over six tranches under a phased inclusion from March 2019 to June 2020. Saudi's stocks had a weightage of ~3.22% in the FTSE Emerging All Cap indexes.

March 2019- S&P Dow Jones Emerging Market Indices' (DJI) Global Benchmark Indices (BMI) included Saudi Arabia into two phases, with the first one starting on March 2019 and the second phase to be completed by September 2019. Saudi stocks were eligible for inclusion at 50% of float-adjusted market capitalization (FMC) from March 19, 2019, and at 100% of FMC on September 23, 2019.

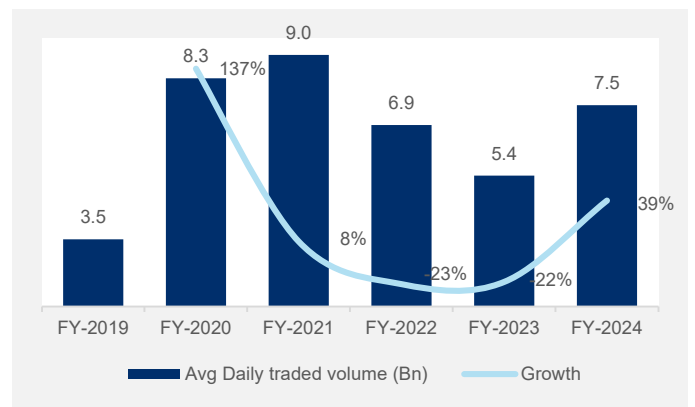
June 2019- MSCI included Saudi Arabia in its MSCI Emerging Markets Index and the MSCI ACWI Index in a two-step process. On a pro forma basis, Saudi stocks represented approximately 2.6% of the MSCI Emerging Markets IMI.

Main Market Ownership by Free Float



Source: Kamco Invest Research, Market reports

Market Liquidity



Source: Kamco Invest Research, Market reports

A primer on foreign market access

Since FY-2015, the Saudi Exchange (Tadawul) has experienced a strategic evolution in its investor landscape, driven by Vision 2030 reforms, international index inclusions, and increased market accessibility. Institutional and foreign investor participation has grown steadily, complementing the historically dominant retail base. These changes highlight Tadawul's emergence as a gateway for global capital and a key player in the region's capital markets. From FY-2015 to FY-2024, Saudi Arabia's capital markets progressed from 92.9% domestic ownership to increased global integration. Following the FY-2015 opening to Qualified Foreign Investors (QFIs), foreign ownership rose from 4.6% to 7.9% by FY-2019.

2015-2018: Initial market opening phase and early trends: Foreign access and market sentiment: In FY-2015, Saudi investors dominated Tadawul, holding 92.93% of market capitalization, while foreign investors held 4.58%. Foreign participation was limited, accounting for 3.2% of total shares bought and 3.9% of total shares sold. Net foreign trading was negative at SAR 4.30 Bn, reflecting a cautious approach despite the market opening in June.

2016 to 2018: Increase in foreign buying: Foreign buys in Tadawul rose from 2.51% to 6.23% and sells from 2.88% to 3.39%. Net foreign trades remained negative, indicating cautious participation. Market sentiment was influenced by oil price volatility and local economic conditions.

2019-2022: MSCI inclusion and market deepening: Tadawul's international breakthrough: Foreign ownership jumped to 7.86% by July 2019, and net foreign inflows reached SAR 91.18 Bn that year, continuing positively through FY-2020–FY-2022. Qualified Foreign Investors (QFIs) rose from ~500 in early FY-2018 to over 1,800 by end-2019. The launch of new indices like the MSCI Tadawul 30 Index (MT30) and the development of the derivatives market further enhanced the market's appeal to QFIs by providing additional tools for investment and risk management. While retail investor participation remained significant, the balance of power in Tadawul's trading activity showed a clear shift towards foreign institutions.

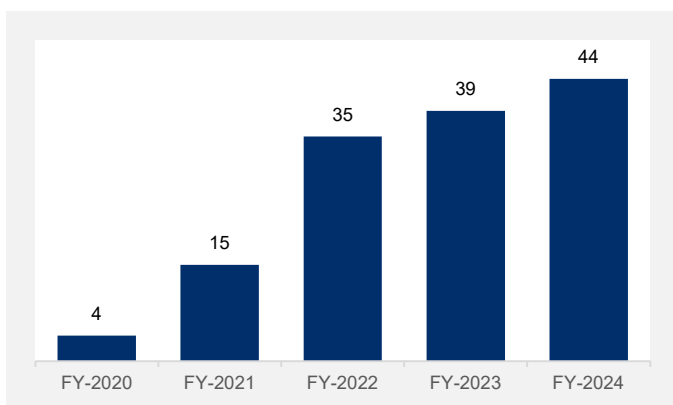
2023-Present: Sustained foreign interest and regulatory reforms: Continued growth and new listings: Foreign investors maintained a strong presence in Tadawul in FY-2023 and FY-2024, with net buying continuing. Saudi individuals became net buyers again in FY-2024, and individual investors surpassed 6 Mn by Q4 2023. Market gains, new listings, and the passing of the Investment Law in February 2025 helps in streamlining business setups by replacing licensing with a simplified registration system.

IPO momentum and market expansion

Saudi Arabia has significantly increased IPO activity on the Tadawul exchange, primarily by listing state-owned enterprises. This wave of listings has substantially enhanced market capitalization, contributing to greater market depth, improved liquidity, and stronger interest from global investors. Additionally, the Nomu – Parallel Market has gained increasing traction as a complementary platform for high-growth companies and SMEs seeking streamlined access to public capital. Since its restructuring and regulatory easing in FY-2020, Nomu has experienced a sharp rise in listings with over 50 companies listed between FY-2020 and FY-2024, and cumulative market capitalization surpassing SAR 30 Bn. The market serves as a launchpad for future Main Market migrations and is becoming a vital part of Saudi Arabia's SME development strategy under Vision 2030.

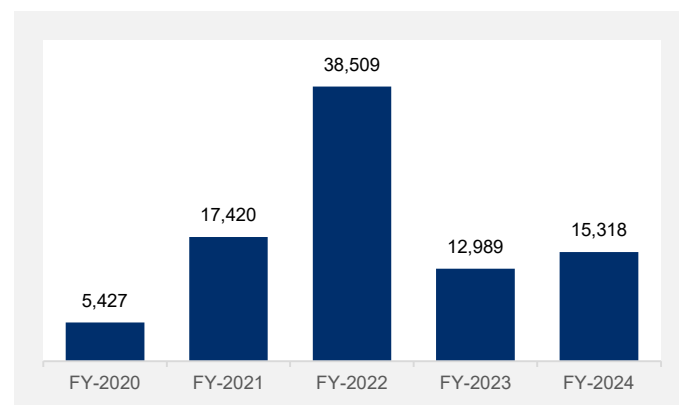
The pipeline for FY-2025 alone includes approximately 37 companies. This positions Tadawul as a central platform for regional and international capital reallocation, particularly as investors continue to seek exposure to energy-transition themes, infrastructure, and logistics through fundamentally strong and systemically important issuers.

Total IPO listings



Source: Kamco Invest Research, Market reports

Capital raised through IPOs (SAR Mn)



Source: Kamco Invest Research, Market reports

Saudi Tadawul Group Overview

Saudi Tadawul Group Holding Company (STG), established in 2007 and headquartered in Riyadh, is the privatized operator of Saudi Arabia's official stock exchange and a key driver of the Kingdom's capital market development. Reorganized as a holding group in FY-2021 and publicly listed the same year, STG oversees end-to-end market operations through four subsidiaries: Saudi Exchange (trading and listings), Edaa (post-trade and registry), Muqassa (clearing), and WAMID (fintech and market analytics). The group manages trading across a range of asset classes, including equities, sukuk, ETFs, and derivatives. It has been instrumental in Saudi Arabia's inclusion in major global indices such as MSCI and FTSE, helping attract significant foreign institutional investment. Supporting Vision 2030, Tadawul is focused on expanding market depth, enhancing transparency, and positioning Saudi Arabia as a leading regional and global financial hub.

Ownership structure

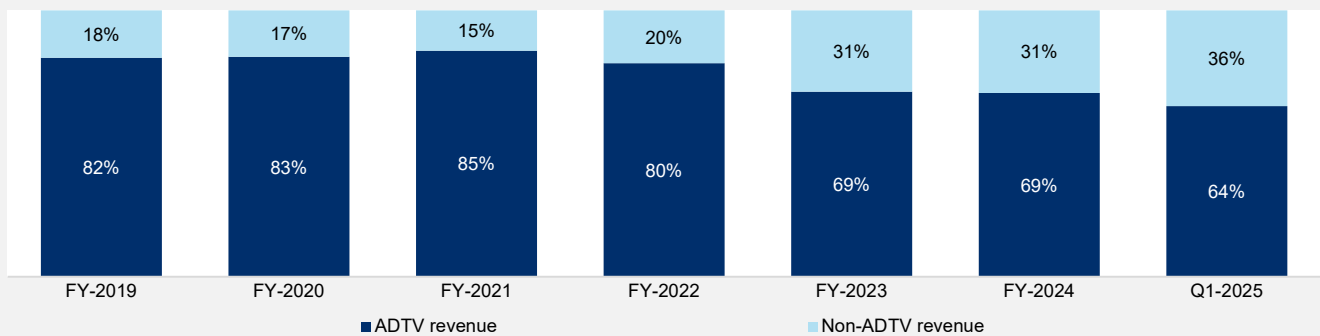
Subsidiaries	Nature of Ownership	% Ownership	Principal Activities
Saudi Exchange Company	Directly held	100%	Conducts listing and trading in securities for local and international investors
Edaa (Securities Depository Center Company)	Directly held	100%	Provides services related to securities deposit and ownership registration
Muqassa (Securities Clearing Center Company)	Directly held	100%	Provides services related to enhancing the market infrastructure and development of new products.
WAMID Tadawul Advanced Solutions Company	Directly held	100%	Provides data and technology services to market participants

Segmental revenue and margins

Tadawul's business model was historically reliant on trading volumes, with ADTV revenue accounting for over 80-85% until FY-2021, exposing earnings to market volatility. From FY-2022, a structural shift began with rising non-ADTV revenues, driven by its transformation into a holding group, growth in data and tech services, and strong IPO activity under Vision 2030.

By Q1 2025, non-ADTV revenue rose to 36%, more than doubling since FY-2021, highlighting the group's evolving and more resilient business model.

ADTV and Non-ADTV Revenue¹³



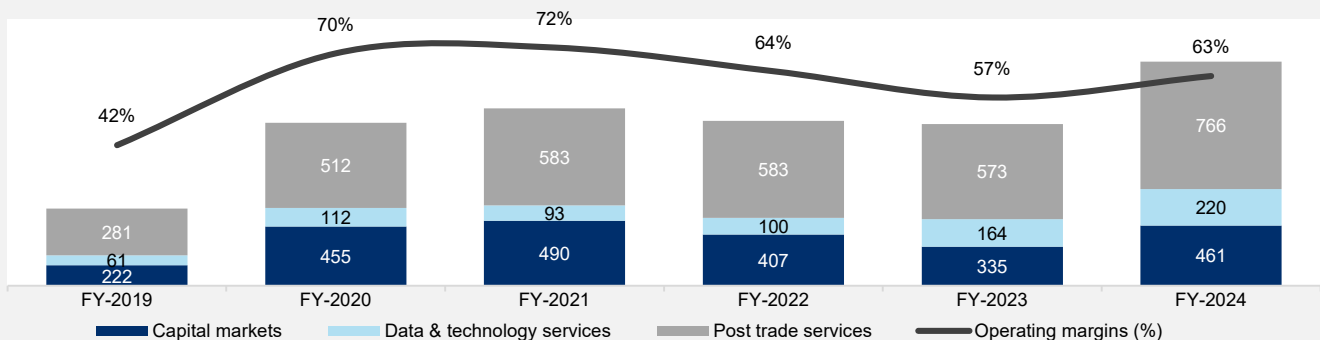
Source: Company reports

Capital markets: It represents revenue earned from primary listings, annual fees, and transaction-based trading services. Listing fees are recognized upon admission, while annual and subscription fees are recognized over time, and trading revenues are recognized per transaction.

Data and technology services: This segment earns revenue from data subscriptions, index licenses, co-location services, and software licensing.

Post-trade services: It generates revenue from clearing, settlement, custody, and registry services. Revenue from clearing and settlement is recognized at the point of transaction completion, while custody and registry fees are recognized over time.

Segmental Income (FY-2019 to FY-2024) (SAR Mn)



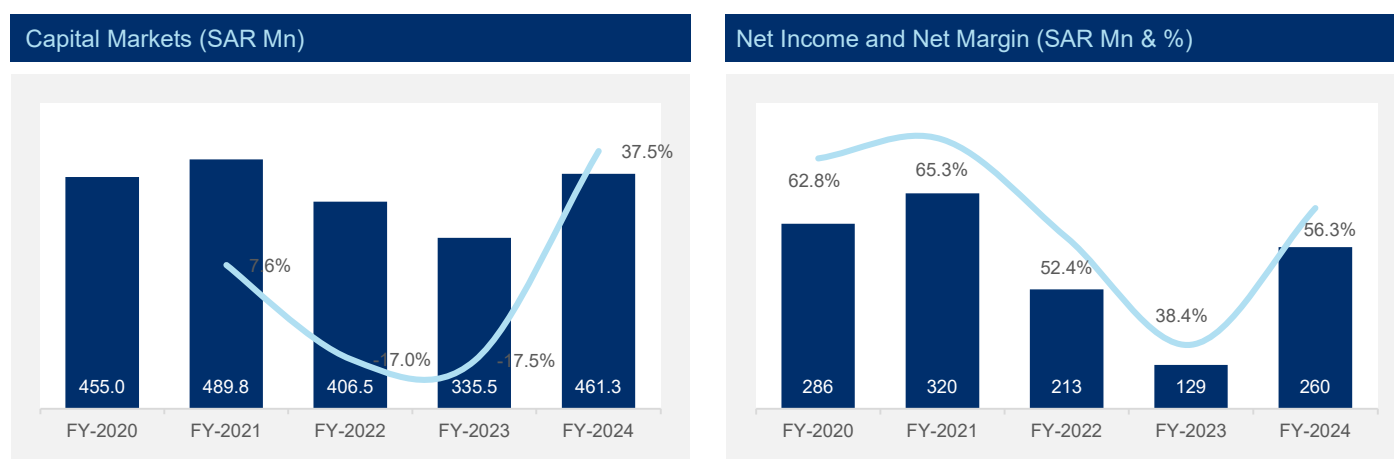
Source: Company reports

¹³ (ADTV= Post trade services, trading services and derivatives services & Non-ADTV = Data and Technology services, Membership fees Listing services, Commission income)

Financial overview

During the period between FY-2019 and FY-2024, the company's operating margin rose from 42% to 63%, reflecting shifts in its revenue mix. The margin peaked in FY-2021 at 72%, driven by strong growth in capital markets and post trade services segments. However, margin pressure emerged in FY-2022–FY-2023 due to a decline in trading activity and rising costs tied to scaling data & technology services. Despite this, the segment's contribution has grown steadily, supporting diversification. In FY-2024, a sharp rebound in post trade services and recovery in capital markets helped margins recover. The evolving mix toward scalable, higher-margin services positions the company for more stable profitability ahead.

Capital markets: This segment generates revenue primarily from trading commissions across securities and derivatives markets, fees from new listings and capital raises, annual charges on listed securities, and other secondary market services. Revenue trends closely followed changes in average daily traded value (ADTV), which peaked at SAR 9.1 Bn in FY-2021 amid a liquidity surge driven by pandemic-era stimulus and low interest rates. However, as inflation rose and central banks tightened monetary policy, ADTV declined to SAR 7.0 Bn in FY-2022 and further to SAR 5.5 Bn in FY-2023, before rebounding to SAR 7.6 Bn in FY-2024. Reflecting this, the segment's revenue moved from SAR 455 Mn in FY-2020 to SAR 461 Mn in FY-2024, with a notable 37.5% year-on-year increase in FY-2024 following a dip in FY-2023, supported by improved investor sentiment and Aramco's secondary offering in mid-2024. In FY-2024, trading services accounted for the bulk of revenue (73.9%), followed by listing services (24.5%), membership fees (1.3%), and derivatives (0.3%). While the net margin narrowed from 62.8% in FY-2020 to 56.3% in FY-2024, the segment continues to deliver the highest margin across the group's businesses.

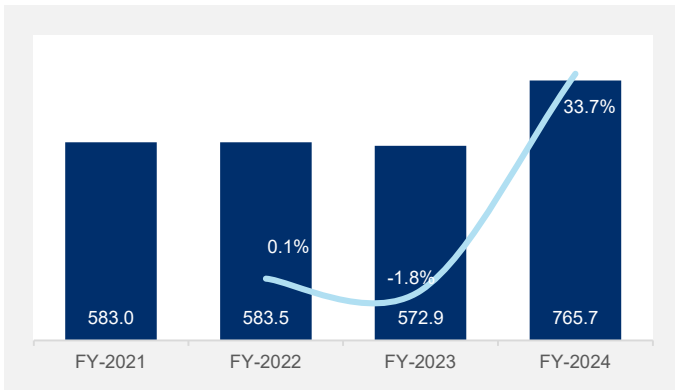


Source: Company reports

Post-trade services: This business segment is responsible for a range of post-trade activities, including investment portfolio registration, recording ownership, facilitating securities transfers, settlement and clearing processes, and ensuring the safekeeping of assets. It also oversees ownership limitations, works closely with market participants and settlement agents, and keeps comprehensive records of securities issuers. Additional services include organizing shareholder meetings, enabling remote voting options, and distributing regulatory reports and notifications in line with market rules.

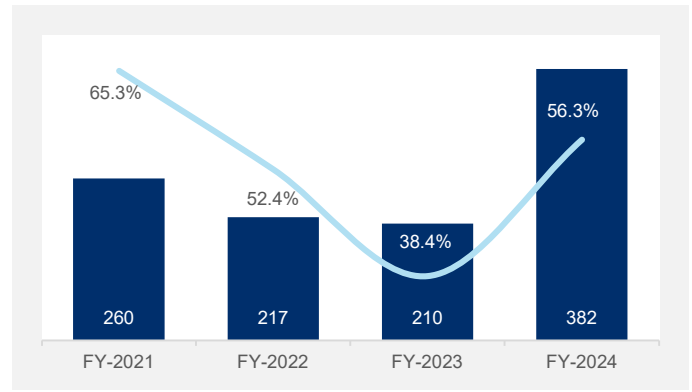
From FY-2020 to FY-2024, the segment's revenue increased from SAR 512 Mn to SAR 766 Mn, reflecting a compound annual growth rate (CAGR) of 10.6%. Most of the revenue (~85.6%) was generated from post-trade services, while income from clearing-related treasury activities contributed 14.1%. Membership fees formed a minor portion at 0.3%, and revenue from the derivatives market remained negligible. Over the same period, the segment's net profit margin improved significantly, rising from 40.8% to 49.8%.

Post Trade Services (SAR Mn)



Source: Company reports

Net Income and Net Margin (SAR Mn & %)

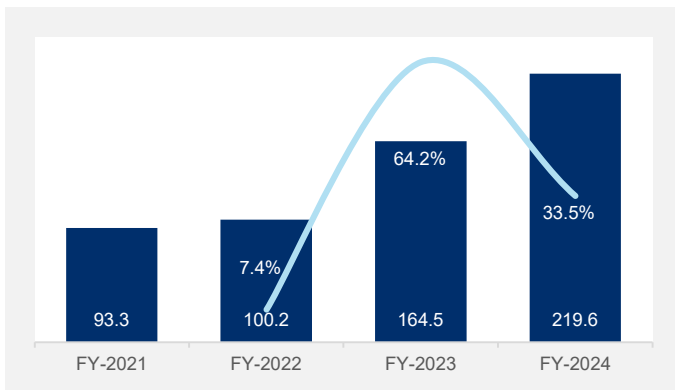


Source: Company reports

Data and technology services: This segment is dedicated to expanding Data and Technology Services, providing real-time trading data, market indices, financial analytics, and fintech solutions to support the broader financial ecosystem. It also focuses on developing financial technology platforms and creating content that serves the needs of various stakeholders.

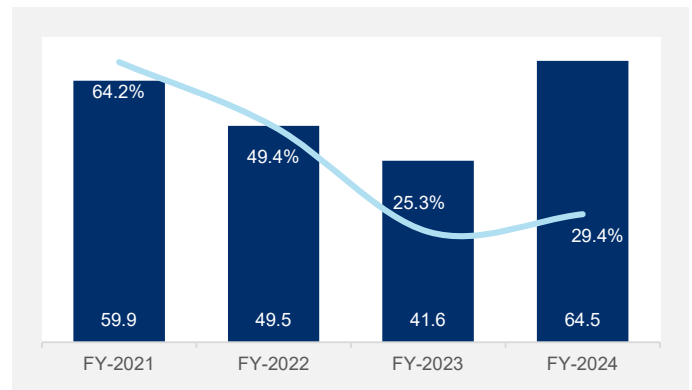
Between FY-2020 and FY-2024, the segment's revenue nearly doubled, rising from SAR 112 Mn to SAR 220 Mn, representing a compound annual growth rate (CAGR) of 18.2%. In FY-2024, market information was the largest contributor, generating 51.3% of total revenue. The reduction in margins from ~76% in FY-2020 to 29.8% in FY-2024 can be attributed to an increase in investment in this segment through acquiring the remaining stake (49%) in DirectFN and a strategic stake in Gulf Mercantile Exchange (GME). STG's strategic acquisitions, such as DirectFN and a stake in the Gulf Mercantile Exchange, alongside data and technology monetization initiatives, are set to drive revenue growth.

Data and Technology Services (SAR Mn)



Source: Company reports

Net Income and Net Margin (SAR Mn & %)



Source: Company reports

Shift in revenue mix

The group's revenue grew at a CAGR of 21% from FY-2019-24, the period during which foreign investor's share of the total buying increased from 5.8% to 28.7%, respectively. The operating margins increased from 7% in FY-2019 to 39% in FY-2024.

Post-trade services grew at a CAGR of 22% during the period FY-2019 to FY-2024: Muqassa and Edaa, Tadawul group's post-trade services arm have implemented significant infrastructure enhancements to modernize and streamline operations in the Saudi capital market. These upgrades include optimizing order flow and introducing flexible settlement cycles (ranging from T+0 to T+5) for Negotiated Deals and Over the Counter (OTC) trades. Muqassa has expanded its clearing services to cover all securities traded on the Saudi Exchange, allowing Capital Market Institutions (CMIs) and banks to access more comprehensive clearing capabilities. Meanwhile, Edaa has launched a new

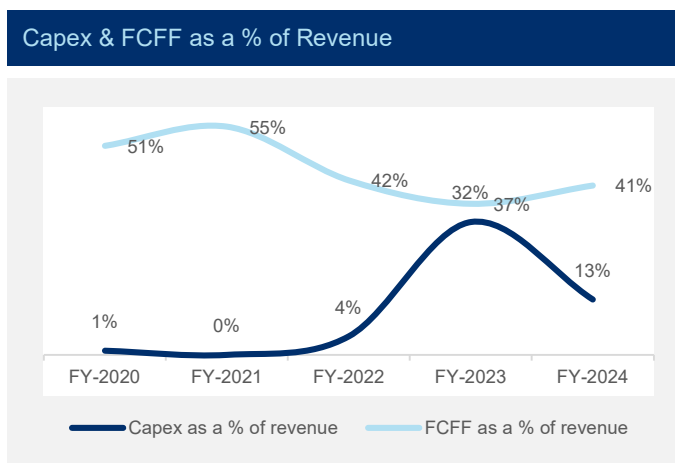
central securities depository (CSD) system and upgraded post-trade services to meet international standards.

These technological and operational upgrades have had a transformative impact on market activity, particularly in the securities borrowing and lending (SBL) space. Although regulations for stock lending have existed since 2017–2018, meaningful growth in actual lending activity only occurred after the post-trade system overhaul in FY-2022. The results are notable: the value of securities on loan rose 15% year-over-year to USD 5.7 Mn by February 2025, and the inventory of lendable securities grew by 190%, from USD 3.1 Bn to USD 8.9 Bn. This evolution positions Tadawul not just as a trading venue but as a more mature and internationally competitive financial market.

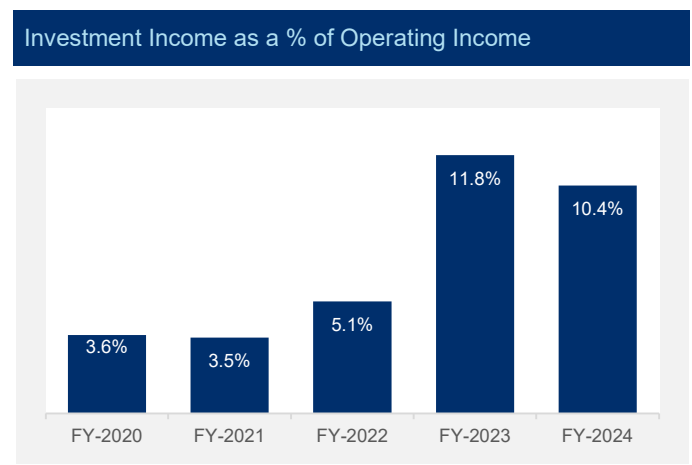
In parallel, additional solutions and initiatives have been introduced to further support market development. The launch of "Edaa Connect" has simplified mutual fund access and post-trade processes, while a new Capital Management System by the Saudi Exchange aims to improve the transparency and efficiency of IPO processes. Furthermore, Muqassa has entered into an MOU with Fidelity Information Services (FIS) Global to bring advanced technologies to the Saudi derivatives market.

Capex and Investment income analysis

Saudi Tadawul Group maintained a lean capex profile until FY-2021, with strong FCFF margins above 50%, reflecting an asset-light model. From FY-2022, the group entered a strategic investment phase, with CFI rising sharply to 37% of revenue in FY-2023, driven by investments in subsidiaries, technology, and infrastructure. This led to a temporary dip in FCFF, but by FY-2024, capex normalized to 13% and FCFF recovered to 41%, indicating improved capital efficiency and healthy cash generation. These investments were largely channeled through Wamid, its innovation arm, focusing on data monetization, fintech, and analytics. Tadawul also introduced a Unified Data Feed (UDF), enhanced post-trade infrastructure via Edaa and Muqassa, launched a company information portal to boost transparency, and strengthened its technology backbone through cloud, cybersecurity, and regtech initiatives, aligning with Vision 2030's digital transformation goals.



Source: Kamco Invest Research



Source: Kamco Invest Research

Technological advancements and investments

Tadawul group have achieved significant milestones in innovating and upgrading the exchange mechanism and operating efficiency to global standards. In FY-2024, Tadawul successfully completed its annual certifications and adherence to international standards and the launch of the Post-Trade Transformation Program Phase 2 (PTTP 2.0). This transformative platform enhanced market efficiency, scalability and competitiveness, aligning with the Group's vision of supporting a resilient and advanced financial ecosystem. Going forward, the Tadawul group will focus on innovation and digital transformation to build scalable, resilient systems and improve efficiency across financial markets. The Group aims to enhance decision-making and customer engagement through data-driven insights while forming strategic partnerships to launch innovative products. WAMID, its innovation arm, is leading this drive with key initiatives like the AI-powered Data Monetization Program.

Financial Overview

Balance Sheet (SAR Mn, unless stated otherwise)	FY-2022	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Assets						
Property and equipment	110.4	217.8	367.4	446.2	540.8	616.4
Intangible assets and Goodwill	139.3	377.4	422.1	449.5	483.8	529.4
Equity accounted investments	400.7	383.5	551.3	556.5	561.4	566.0
Right-of-use assets	5.3	217.4	169.0	170.0	170.9	180.1
Investments	674.4	660.3	1,374.7	1,370.2	1,359.6	1,368.9
Net Accounts receivable	64.3	94.7	98.9	99.3	113.5	143.2
Advances, prepayments and other assets	116.1	136.6	162.1	161.5	192.3	242.7
Clearing participant financial assets	4,060.7	3,526.9	4,409.3	4,409.3	4,409.3	4,409.3
Cash and cash equivalents	2,118.8	2,050.6	1,586.4	1,534.5	1,548.3	1,518.9
Total assets	7,690.0	7,665.4	9,141.2	9,196.9	9,380.0	9,575.1
Liabilities						
Lease liabilities	0.0	202.3	157.0	121.9	94.7	73.5
Borrowings	0.0	11.5	191.9	191.9	191.9	191.9
Accounts payable	12.5	49.8	52.4	59.9	69.7	79.6
Balance due to Capital Market Authority (CMA)	19.4	55.1	58.4	56.8	57.6	57.2
Deferred revenue	16.7	42.8	56.8	49.8	53.3	51.5
Accrued expenses and other current liabilities	264.8	300.1	352.2	351.0	417.4	471.3
Total Liabilities	4,510.4	4,507.9	5,649.5	5,598.1	5,658.8	5,697.0
Shareholder's Equity						
Share capital	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0
Reserves	360.0	(132.9)	(145.3)	(145.3)	(145.3)	(145.3)
Retained earnings	1,619.7	2,090.4	2,437.1	2,544.2	2,666.6	2,823.4
Total shareholders' equity	3,179.7	3,157.5	3,491.7	3,598.8	3,721.2	3,878.1
Total Liabilities & Equity	7,690.0	7,665.4	9,141.2	9,196.9	9,380.0	9,575.1
Income Statement (SAR Mn, unless stated otherwise)						
Capital markets	406.5	335.5	461.3	520.6	627.2	750.4
Data and technology services	100.2	164.5	219.6	234.0	284.0	372.1
Post-trade services	583.5	572.9	765.7	759.3	851.6	1,038.3
Total operating revenue	1,090.2	1,072.8	1,446.6	1,513.9	1,762.9	2,160.8
<i>Growth YoY %</i>		-2%	35%	5%	16%	23%
Total operating costs	644.3	744.5	880.4	956.4	1,121.8	1,313.1
<i>As a % of revenue</i>	59%	69%	61%	63%	64%	61%
<i>Growth YoY %</i>		16%	18%	9%	17%	17%
Operating profit	445.9	328.3	566.1	557.5	641.0	847.7
Investment income	56.0	127.0	151.1	117.9	117.8	128.9
<i>Investment Income as a % of total income</i>	5%	12%	10%	8%	7%	6%
Zakat	67.7	55.5	59.8	57.8	66.1	84.7
Other Income	18.9	4.5	5.7	2.7	3.0	2.5
Net profit	424.6	381.5	620.9	600.0	685.6	878.9

Valuation & Financial Metrics	FY-2022	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Volumes traded (Bn)	87.3	83.3	100.8	82.0	113.6	143.1
Growth %		-5%	21%	-19%	39%	26%
Value traded (Bn)	1,721.5	1,341.2	1,876.5	1,725.0	2,272.0	2,710.1
Growth %		-22%	40%	-8%	32%	19%
Total Market capitalization (Bn)	9,913.2	11,307.7	10,259.0	10,772.0	11,004.8	11,333.7
Avg daily traded value (Bn)	6.9	5.4	7.5	6.9	9.0	10.8
Growth %		-22%	39%	-9%	32%	19%
ROE	13%	12%	18%	17%	18%	23%
ROA	6%	5%	7%	7%	7%	9%
EPS (SAR)	3.5	3.3	5.2	5.0	5.7	7.3
DPS (SAR)	3.0	2.3	2.3	4.1	4.7	6.0

Source: Kamco Invest Research, Saudi Tadawul Group

Valuation: Discounted Cash Flows

For our discounted cash flow model, we use a cost of equity assumption of 8.6%, and a risk-free rate of 4.3%. For the model, we use a perpetual growth rate of 2%.

Snapshot – Discounted Cash Flow Model

Discounted Cash Flow Model	Units	Projected					Terminal Value
		FY-2025E	FY-2026E	FY-2027E	FY-2028E	FY-2029E	
Long-Term Growth Rate	%						2.0%
Cost of Equity	%						8.6%
Free Cash Flow to Firm (FCFF)	SAR Mn	634.4	753.6	927.6	1,116.4	1,421.9	25,650.0
Present Value (PV) of FCFF	SAR Mn	618.1	682.0	779.8	871.6	1,031.2	18,601.8
Enterprise Value (EV)	SAR Mn	22,584					
Less: Net Debt	SAR Mn	439					
Equity Value	SAR Mn	22,146					
Shares Outstanding	SAR Mn	120					
Equity Value Per Share		184.5					

Source: Kamco Invest Research

Dubai Financial Market

Initiation of Coverage

Sector - Financial Services

DFM: Growth Priced In, Volume Dependence Remains – Initiating with Neutral

Strong earnings and IPO momentum, but volume reliance remains

DFM reported solid Q1 2025 performance with revenue increasing by 26% YoY to AED 186.5 Mn and net profit before tax rising to AED 134.9 Mn. The increase was driven by a decade-high average daily traded value (ADTV) that reached AED 663 Mn during the quarter backed by a 64% increase in total traded value. IPO activity has been a major growth catalyst, with FY-2024 listings raising AED 10.25 Bn. However, DFM's earnings remain extremely sensitive to trading volumes and IPO activity, both of which are cyclical and influenced by broader market conditions.

Investment income may normalize as rate cuts loom

In FY-2024, DFM's Investment income as a proportion of operating income stood at 61%, a significant increase from 33% in FY-2021. We expect this proportion to decline as the likelihood of rate cuts increases. A sizable part of DFM's cash reserves comprises dividend funds held on behalf of shareholders, classified as investment deposits rather than freely available cash. Compared to the Saudi Tadawul Group and Boursa Kuwait, DFM's higher deposit balances due to investor dividend receivables may overstate the company's underlying overall liquidity position.

Competition from regional stock exchanges

Competition from regional exchanges with a stronger track record of IPO activity remains a key challenge for DFM. A comparatively lower number of listings has limited DFM's ability to scale non-operating revenue streams such as data and technology services. While DFM continues to play a vital role in the UAE's capital markets ecosystem, regional peers are increasingly capturing a greater share of listings as well as institutional capital, intensifying competitive pressure.

Valuation and risks (DFM)

We have used a weighted average of DCF and P/E to value the company to arrive at a target price of AED 1.73. We have assigned a 15% valuation premium reflecting DFM's structural strengths, increasing volumes and market depth, increasing investor base, strategic role in attracting foreign capital, and Dubai's global hub status support its valuation.

Our risks to the downside include DFM's high reliance on foreign investors, who accounted for 53% of trading volumes in Q1 2025. This raises the risk of volatility in fee-based revenues, particularly during periods of global geopolitical and economic stress and shifting capital flows. The exchange's concentrated exposure to the real estate and financial sectors also increases sensitivity to sector-specific downturns. DFM faces stiff competition from other GCC exchanges, which limits pricing power and makes sustained institutional capital flows more contestable. Additionally, with investment income contributing ~61% of total operating income in FY-2024, we expect normalization to weigh on net profit due to a lower interest rate environment.

Key Financials - AED Mn	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Operating Revenue	349.0	353.1	451.9	480.2	510.4
ADTV Revenue (%)	93.7%	92.4%	92.5%	91.2%	90.1%
Non-ADTV Revenue (%)	6.3%	7.6%	7.5%	8.8%	9.9%
Operating Margin (%)	37.7%	37.2%	47.1%	47.0%	46.7%
Adj. Net Income Margin (%)	46.1%	45.5%	52.3%	49.4%	50.1%
ROE (%)	4.0%	4.4%	5.0%	4.8%	4.8%
P/E (x)*	33.7x	31.9x	33.1x	33.5x	32.7x
Dividend Yield (%) *	2.5%	2.0%	2.2%	2.0%	1.8%

Source: Kamco Invest Research

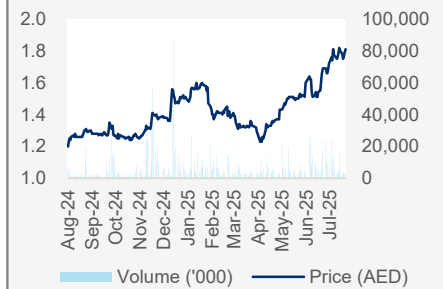
*Historical multiples are based on year-end share price, year-end Price/ EPS and projected multiples are based on closing share price as of 25th July 2025 (Refinitiv)

Neutral

CMP 25-July-2025: AED 1.81

Target Price: AED 1.73

Upside/(Downside): -4.7%



Price Perf:	1M	3M	12M
Absolute	9.0%	33.1%	38.2%

Source: Kamco Invest Research, Refinitiv

Stock Data

Bloomberg Ticker	DFM.DU
Last Price (AED)	1.81
MCap (AED Mn)	14,480
MCap (USD Mn)	3,942
Stock Performance - YTD	20.7%
P/E – FY-2025E (x)	33.1
Dividend Yield-FY-2025E (%)	2.2%
52-Week Range (AED)	1.16/1.84

Source: Kamco Invest Research, Refinitiv

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- > Financial Overview..... 55

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Valuation and Risks

Initiate with a TP of AED 1.73 and a 'Neutral' rating

We initiate coverage on Dubai Financial Market with a Neutral rating. While the company benefits from solid underlying growth fundamentals, we believe the current valuation already prices in its key growth drivers. The stock trades at 34.9x, a premium of 11% to the peer median of 31.6x. We value the stock at a target P/E of 30.4x, a 15% premium to its global peers, to reflect Dubai Financial Market's key structural advantages. As the oldest stock exchange in the region, DFM benefits from a mature regulatory framework, strong institutional infrastructure, and a favorable tax regime. Its role as a gateway for foreign capital into the UAE, supported by high-profile government IPOs and Dubai's position as a global financial hub, further underpins its relative valuation strength.

DFM is focused on increasing market volumes and depth through investments in digital transformation and faster onboarding processes, while also benefiting from Dubai's overall appeal as an investment destination. However, it faces growing competition from other exchanges within the UAE and broader GCC region, particularly in attracting institutional investors. Additionally, its investment income, which constitutes a significant portion of net income, is expected to come under pressure in a lower interest rate environment. Given these dynamics, while we believe the average daily trading value (ADTV) will continue to grow, we do not see material upsides beyond what is already priced into the stock.

DFM reported strong operational momentum in Q1 2025, with revenue growing 26% YoY to AED 186.5 Mn and net profit before tax reaching AED 134.9 Mn. This was supported by a decade-high average daily traded value (ADTV) of AED 663 Mn and a 64% increase in traded value, aided by sustained IPO activity. In our view, the positive sentiment surrounding trading volumes and IPO momentum is largely priced in. The near-term visibility of fresh listing activity is limited, as most headline IPOs like Salik, DEWA, Parkin have already been completed. Going forward, the re-rating potential is likely to depend on structural market developments such as the introduction of dual listings, further derivative products, or post-trade upgrades, none of which have a confirmed timeline.

Foreign investors accounted for 53% of DFM's trading volume in Q1 2025, which continues to provide depth and liquidity to the market. However, we remain cautious on this front as foreign capital can be highly opportunistic, reallocating based on global macro shifts. This raises the risk of volatility in fee-based revenues during periods of reduced foreign interest or external market stress. Additionally, while investment income contributed 61% of operating income in FY-2024 (up from 33% in FY-2021), we anticipate normalization in this segment as rate cut expectations firm up beyond FY-2025. A significant portion of DFM's reported investment deposits (~45% in FY-2024) comprises dividends received from, and payable on behalf of, companies listed on DFM held in the myAccount and iVESTOR card balances at year-end. This treatment may overstate DFM's underlying liquidity and non-core earnings profile, particularly in a declining interest rate environment.

While ongoing reforms and strong foreign participation continue to support long-term investor confidence, DFM's high exposure to the real estate and financial sectors introduces concentration risks. Unlike Boursa Kuwait and Saudi Tadawul Group, DFM operates in a competitive domestic landscape alongside ADX, which limits its pricing power and market share expansion. With non-core earnings contributing significantly and with the absence of near-term catalysts, we reiterate our neutral stance.

We have used a weighted average of DCF and P/E to value the company to arrive at a target price of AED 1.73, which suggests a 4.7% downside from the closing share price on 25th July 2025.

Valuation	%	AED Mn	Per Share
Price target based on:			
DCF	50%	14,287	1.79
Forward P/E (FY-2025E)	50%	13,301	1.66
Weighted valuation			1.73
Target Upside			-4.7%

Source: Kamco Invest Research

Dubai Macroeconomic Overview

Dubai's economy displayed notable shifts in growth between FY-2014 and FY-2024, shaped by global trade dynamics, real estate cycles, tourism trends, and broader regional geopolitical developments. After a period of muted expansion in mid-2010s, due to subdued global demand and property market corrections regained momentum post-pandemic, with real GDP rising 5.5% in FY-2022, supported by a strong rebound in tourism, trade, and real estate. However, growth moderated to around 2.8% in FY-2023 and FY-2024, amid tightening global financial conditions and cautious consumer sentiment.

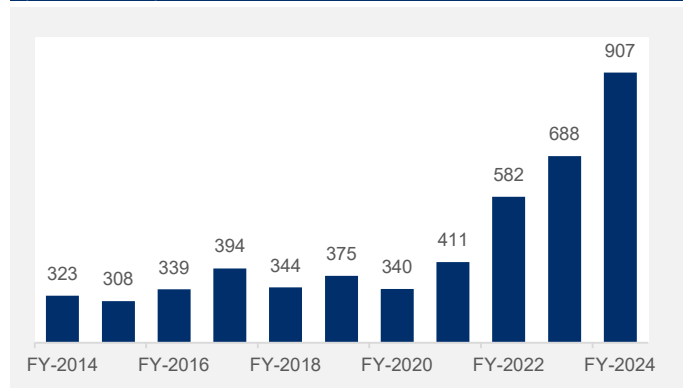
Dubai's equity market capitalization has mirrored this economic trajectory, closely tied to investor confidence, international capital flows, and key sectoral performance, especially real estate and banking. Following a dip during the oil price correction in FY-2015 and the global equity sell-off in early FY-2020, the Dubai Financial Market (DFM) staged a recovery fueled by strong post-COVID economic activity and a wave of IPOs, including state-linked entities like DEWA and Salik in FY-2022. The total market capitalization increased from AED 323 Bn in FY-2014 to approximately AED 907 Bn by FY-2024, reflecting growing institutional participation and renewed efforts to boost listings. The government's ongoing push to deepen capital markets, supported by regulatory reforms and privatization drives, has helped stabilize market sentiment and sustain a positive investment outlook into FY-2025, despite global headwinds.

UAE GDP (AED Bn) (FY-2014 to FY-2024)¹⁴ (CAGR:3%)



Source: Government of Dubai, Company reports

Dubai Market Cap (AED Bn) (FY-2014 to FY-2024) (CAGR:11%)



Source: Company reports

Economic outlook and diversification strategy (FY-2025 to FY-2027)

The United Arab Emirates is expected to witness economic growth, underpinned by the gradual phasing out of voluntary oil production cuts agreed under the latest OPEC+ framework. Beginning May 2025 and continuing through September 2026, the UAE's crude output is set to recover meaningfully. Oil production, which stood at approximately 8.9 Mn barrels per day (bpd) in March 2025, is forecast to rise to 9.9 Mn bpd by end FY-2026, with a further increase to an average of 10.4 Mn bpd in FY-2027.

This normalization of oil output marks a significant turnaround from the supply restraint period and is expected to drive a robust rebound in oil sector GDP, with growth forecast at 7.6% in FY-2026 and 5.5% in FY-2027. These gains will not only restore hydrocarbon revenues but also enhance fiscal strength, external account surpluses, and sovereign credit positioning, particularly as oil-linked receipts support ongoing infrastructure, energy transition, and digital economy investments.

Higher oil production strengthens the UAE's current account surplus and boosts domestic liquidity, creating a favorable environment for foreign portfolio inflows into equities, ETFs, and fixed income instruments. This resurgence enhances the UAE's appeal as a regional investment hub, with

¹⁴ Annualized for FY-2024

improved energy revenues supporting new listings, privatizations, and elevated trading volumes, ultimately deepening market depth and exchange revenues.

Capital market reforms

Gradual easing of foreign ownership: Dubai steadily relaxed foreign ownership rules. While the Federal Companies Law required 51% UAE ownership, free zones like DIFC had no such limits. DFM allowed foreign shareholding, subject to company-specific caps.

Capital market committee: DFM set up a capital market committee in 2021 and a company privatization program. This led to increased interest from both the private sector and family businesses, resulting in more listings and higher trading volumes.

Digital reforms: DFM undertook digital transformation strategies to improve market accessibility. Notably, the onboarding process for investors was streamlined from a multi-week process to just five minutes, with the launch of digital platforms like iVestor 2.0.

Broadening investor access: DFM expanded investor participation by enabling margin trading, introducing securities lending and borrowing (SLB), and enhancing the user experience through digital wallets and direct IPO subscriptions.

Listing and settlement reforms: Enabled dual listings (e.g., Nasdaq Dubai, LSE) to boost visibility. State IPOs (e.g., DEWA) increased free float and liquidity. SCA unified exchange regulations, and settlement improved to a T+2 cycle.

Introduction of REITS, ETFs, and retail access: New vehicles like Emirates REIT and Shariah-compliant ETFs launched. Nasdaq Dubai's Connect Scheme opened broader retail access via DFM brokers.

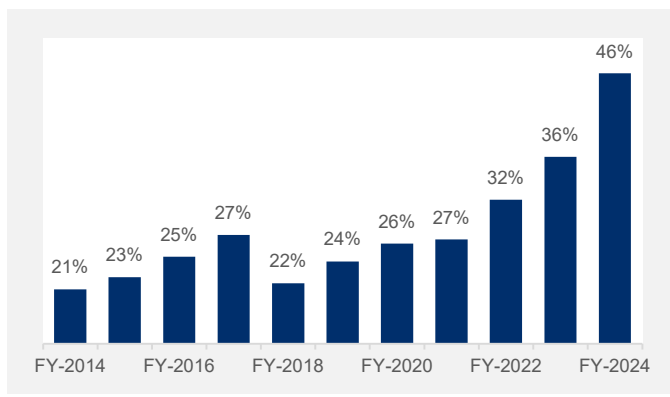
Inclusion in emerging market indices: Dubai's entry into the MSCI Emerging Markets Index (2014) drove major international fund inflows.

Launch of derivatives on regional equities: DFM became the first regional market to offer derivatives on regional equities (single stock futures). The introduction of derivatives welcomed a wider range of international institutional investors and increased trading volumes.

Index liquidity and market capitalization

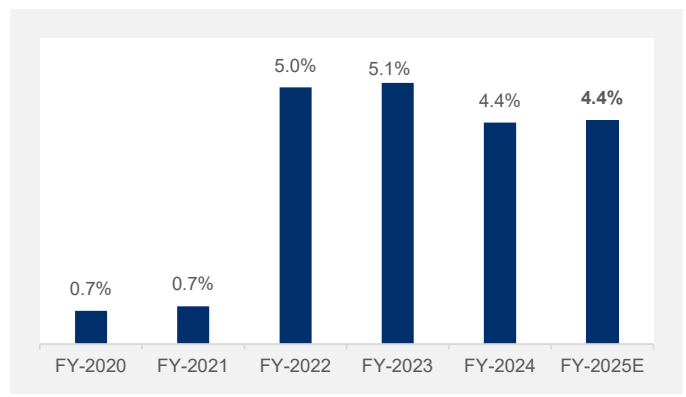
After the progressive easing of international laws for foreign investment, their participation increased from 16.7% in FY-2015 to 21% in FY-2024, whereas retail participation rose from 24% in FY-2015 to ~35% in FY-2024. DFM's total market capitalization grew from AED 308 Bn in FY-2015 to AED 907 Bn in FY-2024 majorly due to easing of foreign ownership restrictions and other major reforms. Capital raised through IPOs in FY-2024 totaled ~AED 11 Bn, adding AED 49 Bn in market capitalization.

Market Capitalization to GDP Ratio



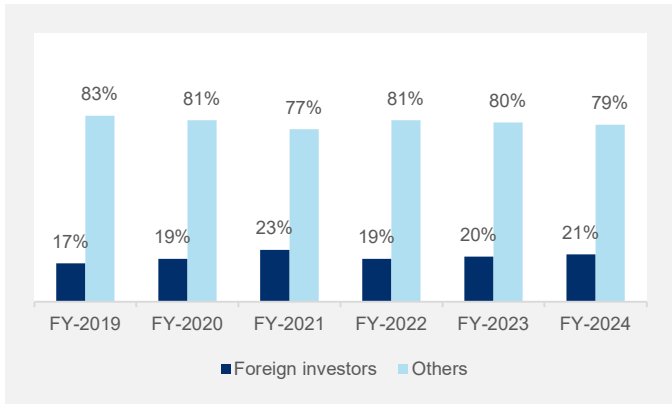
Source: Kamco Invest Research

Interest Rate Outlook



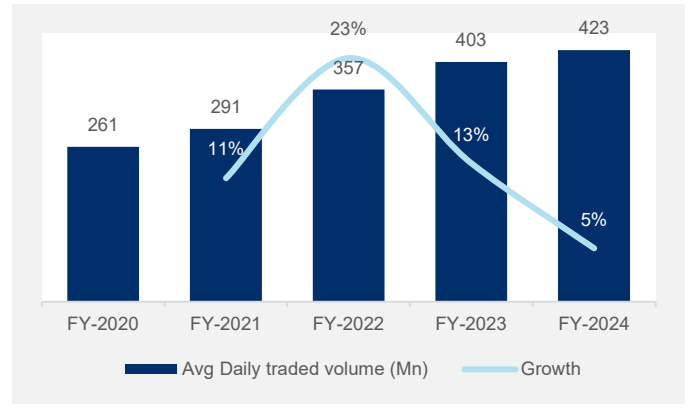
Source: Central Bank of UAE (CBUAE)

Foreign Ownership (by Market Capitalization)



Source: Kamco Invest Research

Average Daily Traded Value (in AED Mn)



Source: Kamco Invest Research

A primer on foreign market access

Executive summary

Since FY-2015, the Dubai Financial Market (DFM) has steadily transformed its investor base, with foreign and institutional participation rising to 53%, alongside a consistently active retail segment. This shift has been driven by economic diversification, regulatory reforms, and external market dynamics. The trend accelerated through FY-2024 and Q1 2025, with market capitalization nearly tripling since FY-2015, and institutional participation reaching 72%, highlighting DFM's emergence as a more resilient and globally integrated exchange.

Historical trends and recent developments

2015: Market volatility driven by low oil prices led to a decline in trading activity, yet foreign investor participation rose to 48.6% from 43.8% in FY-2014. DFM recorded a net foreign investment outflow of AED 189.8 Mn, with institutional investors also pulling capital. Market capitalization stood at AED 328.3 Bn by January-end.

2016: Despite a 12% drop in overall trading value, foreign investors contributed 45% of trading activity, with net inflows of AED 306.5 Mn. Institutional investors accounted for 30% of the trading value and recorded net inflows of AED 2.2 Bn, signaling early signs of institutional interest despite market softness.

2022: Foreign ownership of listed market cap reached 19%. Trading activity by foreign and institutional investors rose to 49% and 58%, respectively, with total traded value exceeding AED 90 Bn, underscoring growing investor confidence and liquidity.

2024: Retail investor activity rebounded, comprising 35% of trading volume. The DFM added new investors, 85% of whom were foreign. Market capitalization surged to AED 907 Bn, and the DFM General Index posted a strong annual gain of 27.1%.

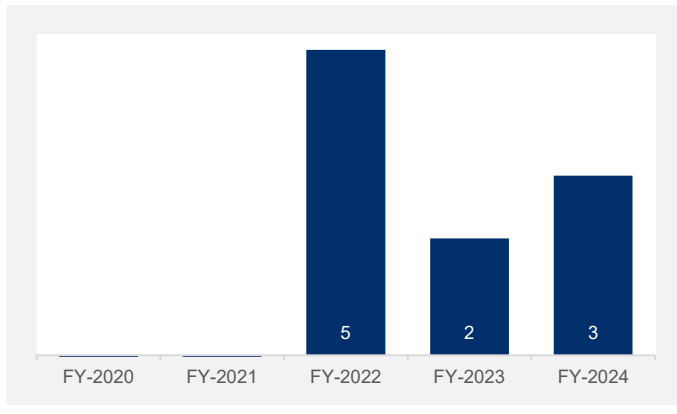
Q1 2025: Trading value increased 64% YoY to AED 41 Bn. Foreign investors represented 53% of trading value, while institutional participation rose to 72%. DFM attracted 19,366 new investors, 86% being foreign nationals bringing the total market capitalization to AED 897 Bn by March-end.

IPO momentum and market expansion

Dubai has witnessed a surge in IPO activity on the Dubai Financial Market (DFM), driven largely by the Dubai government's privatization initiative to list 10 state-linked entities. This has significantly boosted market capitalization, broadened sectoral representation, and improved market liquidity. High-profile listings such as DEWA, Salik, and Empower have attracted strong investor interest, particularly from foreign institutions. The exchange has also introduced the Dubai Growth Market, aimed at providing a flexible and cost-effective listing route for SMEs and family businesses. Since its launch in FY-2021, the platform has facilitated multiple listings and is positioned to play a key role

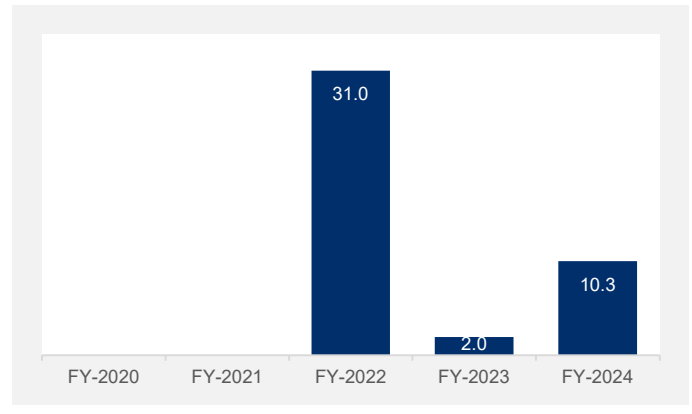
in supporting Dubai's ambition to become a regional capital markets hub. The IPO pipeline remains robust, with continued emphasis on sectors aligned with Dubai's economic diversification plans, including utilities, logistics, and fintech.

IPO listings on DFM exchange



Source: Company reports

IPO Capital raised on DFM exchange (AED Bn)



Source: Company reports

Dubai Financial Market Overview

Company overview

Dubai Financial Market (DFM), established in 2000 and headquartered in Dubai, is the primary stock exchange of the Emirate and a central pillar in the UAE's capital market evolution. Strategically positioned as a listed entity, DFM plays a vital role in facilitating trading and listings across a diverse spectrum of securities, including equities, sukuk, and derivatives. It has been a key catalyst in the UAE's elevation to emerging market status within global indices like MSCI and FTSE, thereby attracting substantial international institutional investment. In alignment with Dubai's broader economic vision, DFM is committed to enhancing market efficiency, fostering innovation through initiatives like its "Smart Borse" strategy, and solidifying Dubai's standing as a prominent international financial center.

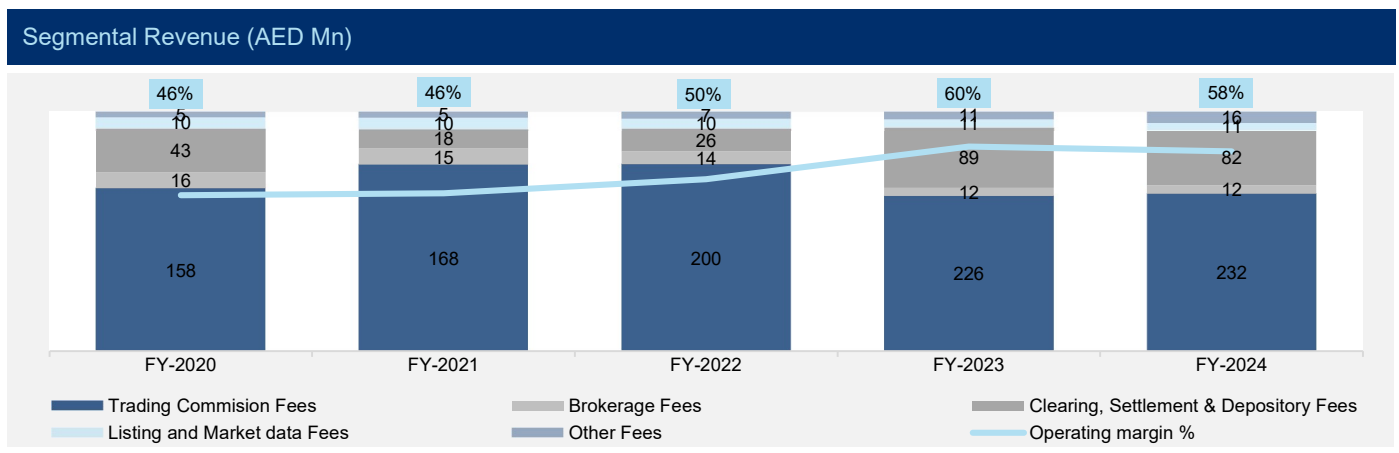
Ownership structure

Subsidiaries	Nature of ownership	% Ownership	Principal activities
Dubai Central Securities Depository LLC (Dubai CSD)	Directly held	100%	Manages post-trade services, safe custody, registration, depositing, and ownership transfer
Dubai Clear LLC	Directly held	100%	Handles clearing, settlement, and risk management
Nasdaq Dubai	Directly held	67%	Act as a financial exchange and clearing house

Segmental revenue and margins

Financial Overview

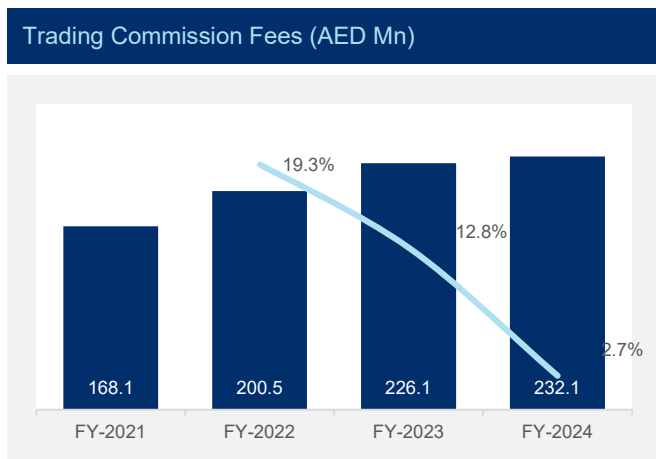
From FY-2020 to Q1 2025, the company's operating margin rose from 46% to a peak of 60% in FY-2023 before moderating to 57% in Q1 2025. This trend was largely shaped by the dominance of trading commission fees, which consistently accounted for over 50% of total revenue. The margin expansion through FY-2023 was supported by a growing contribution from Clearing, Settlement & Depository Fees, rising from AED 109 Mn in FY-2020 to AED 96 Mn in FY-2023, reflecting increasing transaction volumes and enhanced infrastructure utilization. However, as that stream plateaued and other revenue streams (brokerage, listing, and market data) remained flat, margins slightly softened in FY-2024 and Q1 2025. Despite this, the company's revenue base remains resilient, underpinned by trading activity, while any further upside will depend on deepening post-trade services and broadening the fee mix.



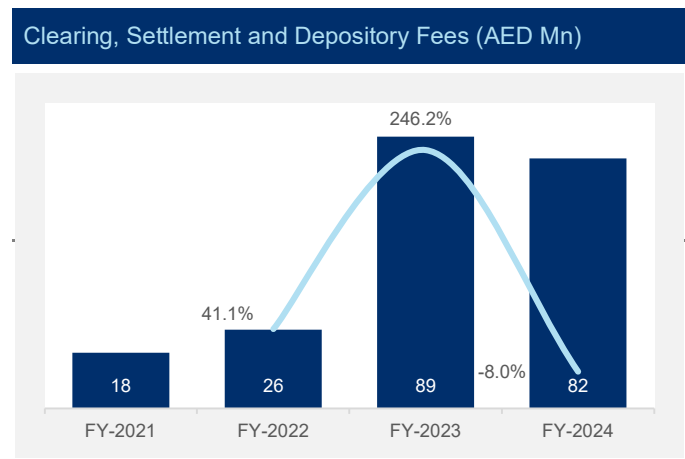
Source: Company reports

Revenue & drivers

Trading commission fees: This segment generates revenue primarily from trading commissions across securities and derivatives markets, fees from new listings and capital raises, annual charges on listed securities, and other secondary market services. Revenue trends closely followed changes in average daily traded value (ADTV), which rose to AED 423 Mn in FY-2024, the highest till date. The Real Estate sector ranked first in terms of traded value at AED 36.2 Bn, contributing 35% of the total traded value. The Financials sector ranked second at AED 33.3 Bn, a 32% contribution: followed by the Industrial sector at AED 21.5 Bn, a 21% contribution.



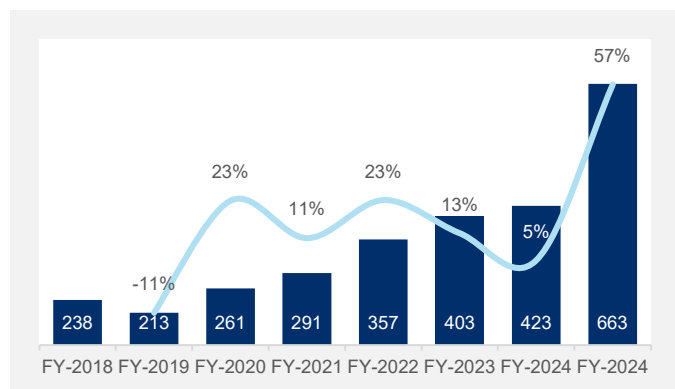
Source: Company reports



Source: Company reports

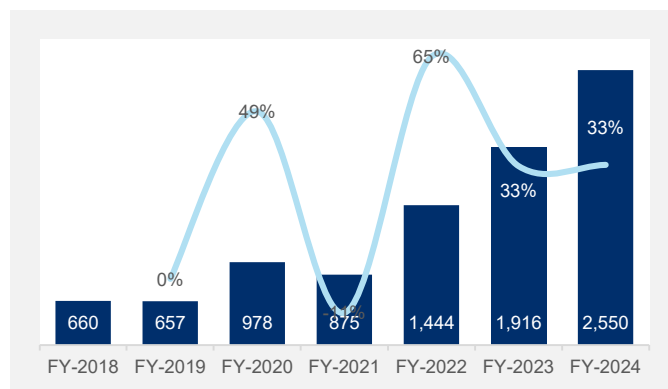
Clearing, settlement and depository fees: This segment generates revenue from customer/company subscription services on a daily/annual basis. Revenue trends closely followed changes in the number of trades, which rose to 2.55 Mn in FY-2024 from 1.44 Mn in FY-2022.

Average Daily Traded Value (AED Mn)



Source: Company reports

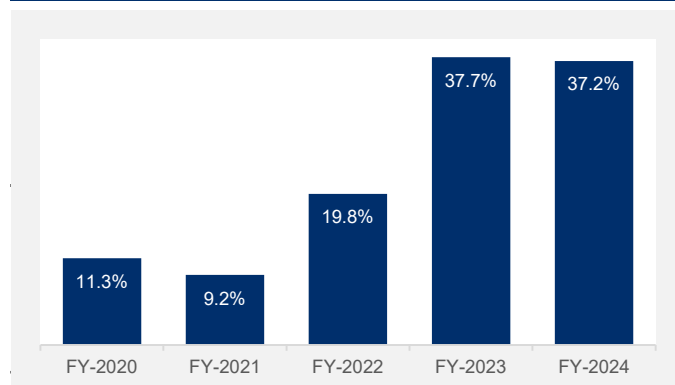
Number of Trades (in '000)



Source: Company reports

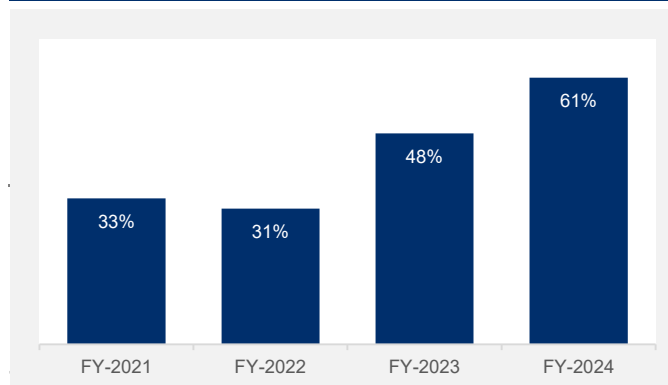
Margins

Operating Margins (calculated) (%)



Source: Company reports

Investment Income as a % Of Operating Revenues



Source: Company reports

DFM demonstrated remarkable operating margin expansion, surging from 11.3% in FY-2020 to a peak of 37.7% in FY-2023, before a slight moderation to 37.2% in FY-2024. This significant increase was primarily driven by the robust government-led IPO program, which fueled immense trading activity and liquidity, boosting transaction-based revenues. DFM's inherent operational leverage allowed these increased revenues to translate into higher profitability. While margins saw a slight normalization from their peak, continued strategic focus on new listings, product diversification, and technology investments are poised to sustain DFM's strong profitability going forward.

Investment income: During FY-2021 to FY-2023, the decline in the proportion of investment income suggests that the core operating revenues of the exchange (such as trading fees, listing fees etc) were growing at a significantly faster rate than investment income as it was a period of exceptionally strong market activity. The surge in high-profile IPOs and a general increase in trading volumes in FY-2022 and FY-2023 would have caused a massive boost in transaction-based and listing revenues.

The dramatic rise during FY-2023 to Q1 2025: In the proportion of investment income in this later period indicates a shift, where investment income began to grow much more rapidly than core operating revenues, as this period correlates with the high-interest rates globally. Maximizing yields on exchanges cash and liquid investments, significantly boosting absolute investment income. Following the peak intensity of IPO activity and trading volumes in FY-2022 and FY-2023, the growth

rate of core operating revenues slowed down, causing investment returns to become a more significant contributor to overall financial performance as investment income remained robust.

Shift in revenue mix

Trading commission fees grew at a CAGR of 12% during the period FY-2019 to FY-2024: The substantial increase in foreign investor participation in the Dubai Financial Market (DFM) from FY-2019 to FY-2024 has been a key driver behind the 12.5% compound annual growth rate (CAGR) in trading commission income during this period.

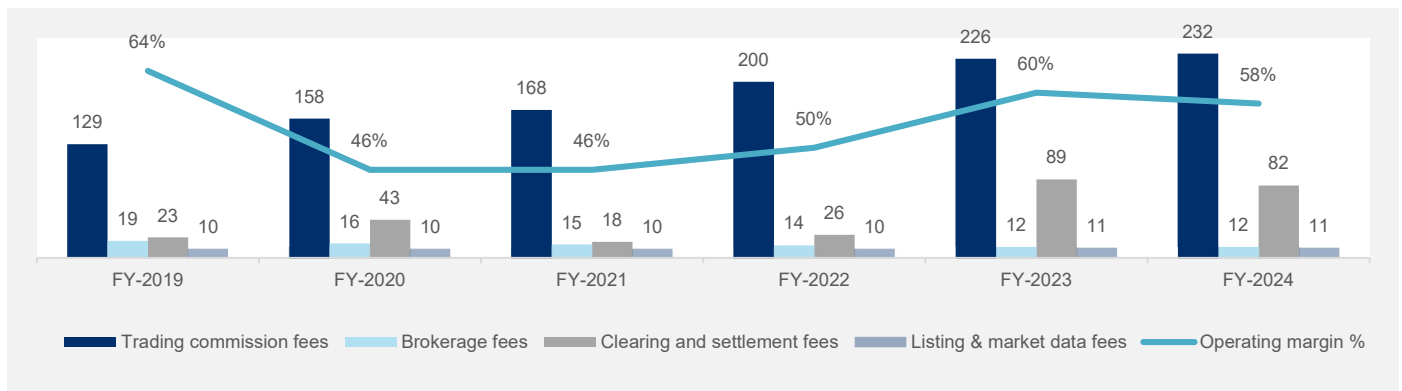
In FY-2024, DFM saw a remarkable surge in investor interest, welcoming a significantly higher number of new participants compared to the previous year. A large majority of these newcomers were foreign nationals, highlighting the growing global appeal of the market. Foreign investors contributed 50% of the total trading value in FY-2024, up from 47% in FY-2023. This surge in foreign participation significantly boosted trading volumes, leading to higher commission revenues for DFM.

The influx of foreign capital was further amplified by a series of high-profile IPOs, including listings from Parkin, Spinneys, and Talabat, which collectively raised AED 10.48 Bn in FY-2024. These offerings attracted substantial interest from international investors, contributing to increased trading activity and, consequently, higher commission income.

Additionally, the rise in institutional investor activity, which accounted for 65% of the trading value in FY-2024 compared to 58% in FY-2023, underscores the growing confidence of global investors in DFM's market stability and growth prospects.

Collectively, these factors heightened foreign investor participation, successful IPOs, and increased institutional trading have synergistically contributed to the robust growth in DFM's trading commission income over the five-year period.

Segmental Income (FY-2019 to FY-2024) (AED Mn)



Source: Company reports

Technological advancements and investments

DFM continues to make significant strides in leveraging cutting-edge technologies to enhance trading efficiency, market participation, and investor decision-making. The following are key developments observed in recent years:

AI and algorithmic trading: The exchange has successfully deployed AI-driven algorithmic trading systems capable of executing high-frequency trades within milliseconds. These enhancements have materially improved market liquidity and price discovery efficiency.

Blockchain and digital assets: The regulatory landscape in Dubai underwent a transformative shift with the establishment of the Virtual Asset Regulatory Authority (VARA) in FY-2023. Under VARA's oversight, DFM has introduced trading capabilities for cryptocurrencies and tokenized securities. Dubai's regulatory and tech advancements have broadened asset offerings and positioned it as a regional hub for digital finance.

AI-driven advisory and online trading: AI-driven robo-advisors are enhancing portfolio management and financial inclusion in the UAE. Their rise supports growing retail participation with automated, accessible investment tools. DFM has expanded digital access through platforms like Sarwa, Baraka, and its Smart Trading App. These efforts have lowered entry barriers and significantly boosted retail trading volumes.

Financial Overview

Balance Sheet (AED Mn, unless stated otherwise)	FY-2022	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Assets						
Intangible assets including Goodwill	4,799.5	4,743.0	4,686.5	4,630.0	4,573.5	4,517.1
Property and equipment	320.5	322.5	42.2	47.3	52.9	56.4
Investment Property	-	-	288.5	288.5	288.5	288.5
Total Investments & Financial Assets	3,760.9	4,384.0	4,953.3	5,151.4	5,510.8	5,933.6
Prepaid Expenses & Other Receivables	143.8	226.4	275.5	250.2	295.6	304.7
Cash and cash equivalents	469.4	160.9	268.2	491.0	482.2	533.4
Total Assets	9,494.0	9,836.8	10,514.4	10,858.4	11,203.5	11,633.7
Liabilities						
Payable & Accrued Expenses	1,461.5	1,572.7	1,861.4	2,027.6	2,177.8	2,396.0
Lease liabilities	8.9	4.5	16.3	16.4	25.6	17.5
Other Liabilities including Dividend payable	76.0	67.4	70.7	68.9	69.0	69.6
Total Liabilities	1,546.4	1,644.6	1,948.4	2,112.9	2,272.4	2,483.2
Shareholder's Equity						
Share capital	7,995.6	7,995.6	7,995.6	7,995.6	7,995.6	7,995.6
Reserves	(200.1)	(117.3)	288.1	388.9	477.3	557.4
Retained earnings	134.7	296.5	265.2	343.9	441.1	580.4
Non-controlling interests	17.2	17.4	17.1	17.1	17.1	17.1
Total Equity	7,947.5	8,192.2	8,566.0	8,745.5	8,931.1	9,150.5
Total Liabilities & Equity	9,494.0	9,836.8	10,514.4	10,858.4	11,203.5	11,633.7

Income Statement (AED Mn, unless stated otherwise)	FY-2022	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Trading commission fees	200	226	232	317	326	342
Brokerage fees	14	12	12	13	13	13
Clearing, settlement & depository fees	26	89	82	89	100	105
Listing and market data fees	10	11	11	11	12	13
Other fees	7	11	16	22	30	38
Total operating income	257	349	353	452	480	510
<i>Growth YoY %</i>		35.9%	1.2%	19.3%	8.7%	8.3%
Total operating costs	206	218	222	239	255	272
<i>As a % of total revenue</i>	58.1%	39.7%	35.1%	33.2%	34.8%	35.8%
<i>Growth YoY %</i>		5.6%	1.9%	7.9%	6.5%	6.8%
Operating profit	50.8	131.5	131.4	212.7	225.5	238.3
Investment income	80	169	216	201	195	187
<i>Investment income as a % of total income</i>	23%	31%	34%	29%	26%	24%
Dividend & Other income	14.1	29.4	63.6	67.4	56.5	62.5
Interest expense	(1.0)	(0.1)	(1.3)	(0.7)	(2.1)	(1.6)
(-) Corporate tax	0.0	0.0	(33.0)	(43.2)	(42.7)	(43.7)
Net profit	143.9	329.6	376.4	437.4	432.0	442.1

Valuation & Financial Metrics	FY-2022	FY-2023	FY-2024	FY-2025E	FY-2026E	FY-2027E
Value Traded (AED Bn)	90	101	107	159	171	180
Growth %		12.2%	5.9%	48.3%	8.0%	5.1%
Total Market capitalization (AED Bn)	582	688	907	1162	1510	1918
Avg Daily traded value (ADTV) (AED Mn)	357	403	423	635	685	720
Growth %		12.9%	5.0%	50.0%	8.0%	5.1%
Return on Equity (ROE)	1.81%	4.02%	4.39%	5.00%	4.84%	4.83%
Return on Assets (ROA)	1.52%	3.35%	3.58%	4.03%	3.86%	3.80%
Dividend Payout Ratio	93.4%	84.9%	65.3%	72.0%	67.5%	58.5%
Operating Margins (calculated)	19.8%	37.7%	37.2%	47.1%	47.0%	46.7%
Net profit margin	40.6%	60.2%	59.5%	60.7%	59.1%	58.2%
Earnings per share (AED)	0.018	0.041	0.047	0.055	0.054	0.055
Dividend per share (AED)	0.017	0.035	0.031	0.039	0.036	0.032

Source: Kamco Invest Research, DFM

Valuation: Discounted Cash Flows

For our discounted cash flow model, we use a cost of equity assumption of 7.9%, and a UAE repo rate of 4.9%. For the model, we use a perpetual growth rate of 2%.

Snapshot – Discounted Cash Flow Model

Discounted Cash Flow Model	Units	Projected					Terminal Value
		FY-2025E	FY-2026E	FY-2027E	FY-2028E	FY-2029E	
Long-Term Growth Rate	%						2.0%
Cost of Equity	%						7.9%
Free Cash Flow to Firm (FCFF)	AED Mn	793.5	670.6	789.6	599.0	836.2	14,533.7
Present Value (PV) of FCFF	AED Mn	772.5	605.3	660.7	464.6	601.2	10,449.1
Enterprise Value (EV)	AED Mn	13,553.4					
Less: Net Debt	AED Mn	(734.1)					
Equity Value	AED Mn	14,287.5					
Shares Outstanding	Mn	7,995.8					
Equity Value Per Share	AED	1.79					

Source: Kamco Invest Research

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