IBKRCampus

IBKRWebinars

www.ibkr.com/campus/webinars
www.ibkr.eu/campus/webinars

February 16, 2026

# 2026 Saudi Equity Strategy

**Nauman Khan**
SVP, Sell-Side Equity Research
SNB Capital

**Iyad Ghulam**
Head of Equity Research
SNB Capital

IBKRCampus

IBKRWebinars

www.ibkr.com/campus/webinars
www.ibkr.eu/campus/webinars

# Disclosure:

Options involve risk and are not suitable for all investors. For information on the uses and risks of options, you can obtain a copy of the Options Clearing Corporation risk disclosure document titled Characteristics and Risks of Standardized Options or by calling (312) 542-6901.

Futures are not suitable for all investors. The amount you may lose may be greater than your initial investment. Before trading futures, please read the CFTC Risk Disclosure. For a copy visit your local Interactive Brokers Website.

Security futures involve a high degree of risk and are not suitable for all investors. The amount you may lose may be greater than your initial investment. Before trading security futures, please read the Security Futures Risk Disclosure Statement. For a visit copy your local Interactive Brokers Website.

There is a substantial risk of loss in foreign exchange trading. The settlement date of foreign exchange trades can vary due to time zone differences and bank holidays. When trading across foreign exchange markets, this may necessitate borrowing funds to settle foreign exchange trades. The interest rate on borrowed funds must be considered when computing the cost of trades across multiple markets.

The Order types available through Interactive Brokers Trader Workstation are designed to help you limit your loss and/or lock in a profit. Market conditions and other factors may affect execution. In general, orders guarantee a fill or guarantee a price, but not both. In extreme market conditions, an order may either be executed at a different price than anticipated or may not be filled in the marketplace.

There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

IRS Circular 230 Notice: These statements are provided for information purposes only, are not intended to constitute tax advice which may be relied upon to avoid penalties under any federal, state, local or other tax statutes or regulations, and do not resolve any tax issues in your favor.

Interactive Brokers LLC is a member of NYSE FINRA SIPC

Interactive Brokers Canada Inc - Is a member of the Canadian Investment Regulatory Organization (CIRO) and Member - Canadian Investor Protection Fund

Interactive Brokers (U.K.) Limited is authorised and regulated by the Financial Conduct Authority. FCA Register Entry Number 208159

Interactive Brokers Ireland Limited is regulated by the Central Bank of Ireland. CBI, reference number C423427

Interactive Brokers Australia Pty. Ltd. - ABN 98 166 929 568 is licensed and regulated by the Australian Securities and Investments Commission AFSL: 453554

Interactive Brokers Singapore Pte. Ltd. - Is licensed and regulated by the Monetary Authority of Singapore. MAS, Licence No. CMS100917

Interactive Brokers Hong Kong Limited is regulated by the Hong Kong Securities and Futures Commission, and is a member of the SEHK and the HKFE

Interactive Brokers India Pvt. Ltd. member: NSE, BSE, SEBI. Regn. No. SEBI Registration No. INZ000217730; NSDL: IN-DP-NSDL-301-2008

As with all investments, your capital is at risk

SNB Capital

# 2026 Saudi Equity Strategy

A synchronization journey, revealing unique opportunities

# Important disclaimer



Please visit research.snbcapital.com to register and access SNB Capital Research products

## Welcome 2026…

An astonishing year, branded with a striking slogan of "all time high", fueled by hope, tinged with froth, marked by unmistakable overconfidence, and swiftly dismissing major shocks as if it never occurred, 2025 stands out as a year to remember. Burdened by a rich legacy, 2026f emerges as a year of divergence where euphoria collides with reality.

Equities, fixed income and even commodities delivered broad based gains, and pleasure. Markets were supercharged by compelling AI narratives, persistent rate cut debates and once in a life-time tariff rebound. Valuations, while undeniably stretched, are perceived to be the new paradigm, sidelining a bubble scenario.

In an unusual divergence, EMs shined in 2025 with a remarkable performance and expanding valuations, regrettably with Saudi as the notable exception. Although it is blessed with an inspirational vision and attractive valuations, the Saudi market lagged global markets, eroding EM premium in a rare occasion. Liquidity and oil prices were chiefly blamed, triggering a wide spread de-rating.

Looking ahead, we believe the Saudi market, guided by the 3rd phase of the vision and fueled by attractive valuation (-0.5 STDEV compared to 10-year average), has the potential to be the shining star in 2026f and synchronizing with global markets, sparked by liquidity and/or oil prices. Moreover, the acceleration in World Cup 2034, Expo 2030 and Asian Cup 2027 infrastructure along with the AI ambitions and tourism focus provide further opportunities and catalysts beyond 2026f.

We expect the Saudi economy to grow by 4.7% in 2026f, driven by strong growth in oil GDP (+8.0% yoy) and non-oil GDP (+4.0% yoy). Private consumption is projected to remain resilient, supported by rising employment and lower interest rates. Additionally, a sizable pipeline of SAR305bn in value of projects (c6.4% of GDP) are scheduled for completion which should add a boost to the non-oil economic base, acting as a catalyst for further expansion across sectors.

### Would the market end the negative earnings momentum?

For 2026f, we expect the market earnings to grow by c5% yoy, reversing the muted trend of the past 3 years. Amongst the main sectors, the potential improvement in the Petrochemical sector, post major one-offs in 2025f, will be the key driver while Energy would record a marginal growth of 2%. We highlight this remains a function of global macro environment and absence of further one-offs. Adjusting for that, we expect earnings to grow by 9% yoy driven by IT (20% yoy), Tourism (20% yoy) and Healthcare (16% yoy).

### TASI: Scenarios in play

Given the major de-rating that occurred in 2025, we have projected the market through different scenarios. Based our earnings expectation and P/E range, we expect TASI to trade between 10,000 and 11,700 in 2026f, reflecting a dividend yield of 4.4-5.0%. This is based on P/E of 13.5x and 15.8x, inline with the long-term average. Our bottom-up approach based on our PT's indicate a fair value of 12,000 and P/E of 16.2x. In the scenario where liquidity constrains are resolved, the index is expected to re-rate to reach 12,800.

### A synchronization journey, revealing unique opportunities

Although we have a positive tilt towards Banks, Telecom & IT and Tourism sectors, we are sector-agnostic given the attractive valuations across the market.

### Key themes

- Interest rates
- Oil prices
- Liquidity
- Infrastructure spending
- Tourism
- Real-estate reforms
- Artificial intelligence

# Key market drivers in 2026f

### Interest rates
Divergent descent

### Oil prices
Would oil prices remain stable?

### Liquidity
The drag and the trigger

### Infrastructure spending
Prioritization and mega events

### Tourism
Building to scale

### Real-estate reforms
Set to reshape market dynamics

### Artificial intelligence
The beginning of a new era

# Global Themes

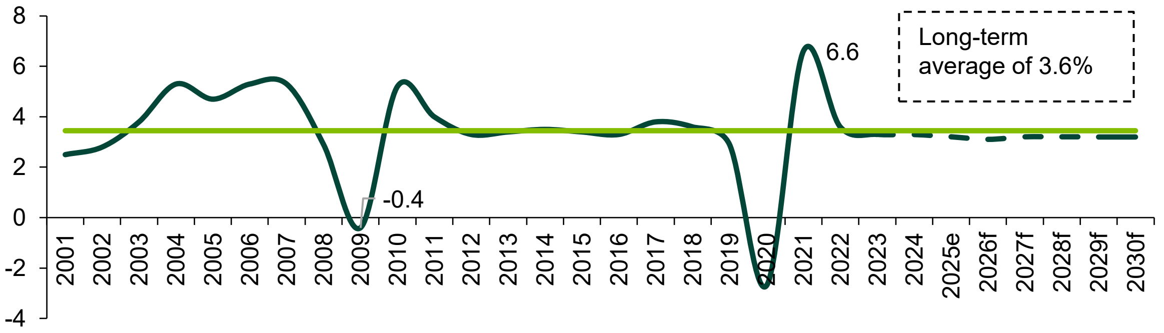
A slogan of “all time high”

# Global Landscape

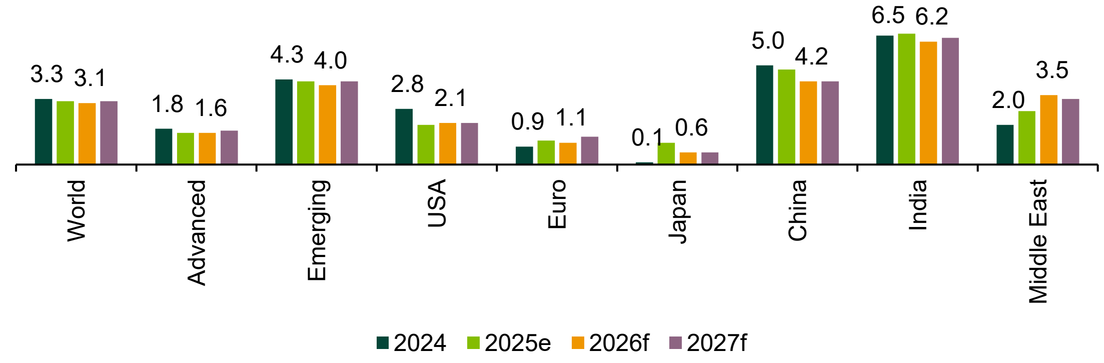
## GDP - Growth is soft

- The global economy in 2026f might not be as pleasant as wished for. Overall, the global GDP growth is projected to slow down, as the global economy adjusts to tighter financial conditions, trade frictions, and elevated policy uncertainty.
- The IMF expects global GDP growth of 3.1% yoy in 2026f (3.2% yoy in 2025), with a clear divergence between advanced (AEs) and emerging market (EMs) economies.
- The AEs are expected to exhibit subdued levels of growth at 1.6% in 2026f (unchanged yoy), while EMs are expected to expand at rate of 4.0% (4.2% in 2025e).
- The US leads AEs growth, with GDP growth projected to accelerate marginally to 2.1% yoy in 2026f (2.0% in 2025e), supported by resilient consumption, investment, technology-driven productivity and a fiscal boost from OBBBA.
- Although the US labor market is cooling, risks of a hard landing have diminished. While AI and data-center investment have the potential to support US productivity, sizable US fiscal deficits (between 7-8% of GDP) and debt to GDP of c100% remain a key medium-term risk.
- European growth is weak and uneven, with the Euro area’s growth expected to decline marginally to 1.1% yoy in 2026f (1.2% in 2025e), reflecting industrial and export weakness.
- China remains a major growth driver despite structural slowdown, with the IMF projecting growth of 4.2% yoy in 2026f (4.8% in 2025e). China’s aggregate consumption remains weak due to cautious households, soft labor income, and high savings, while the ongoing property-sector adjustment weighs on investment. Overall, exports remain supportive but underscore reliance on large trade surpluses and exposure to trade tensions.
- India is the standout global growth engine, with growth of 6.2% yoy expected in 2026f (6.6% in 2025), making it the fastest-growing major economy and an important contributor to global growth.

### Global GDP Growth (%)




### Key economies growth projections (%)



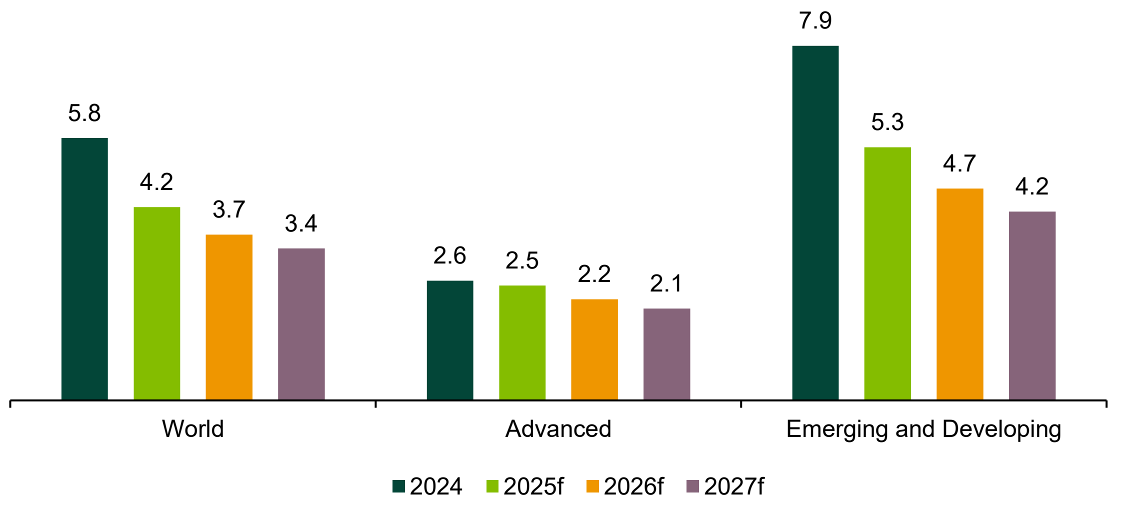

Source: IMF, SNB Capital Research

# Global Landscape

## Inflation – the last difficult mile

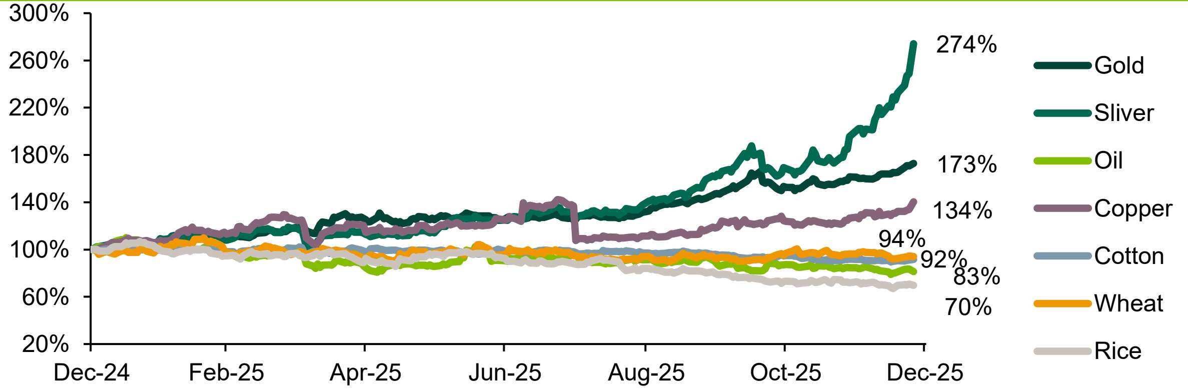
- The 4-year tragical inflationary episode, triggered post COVID-19, has almost come to an end. It is concluding with two important lessons; 1) it would be difficult to return to 2% inflation level and 2) tariffs (or any other supply shocks) might trigger it again instantly.
- In the US, the tariffs would act as a supply shock and are expected to pass through to US consumer prices gradually. However, lower employment and AI might provide a support.
- According to the IMF, global inflation is expected to decline to 4.2% in 2025e and 3.7% in 2026f, with trends of cooling demand and falling energy prices.
- Inflation in advanced economies is expected to decline to 2.5% in 2025f and 2.2% in 2026f, from 2.6% in 2024. For EMs, inflation levels are expected to decline to 5.3% in 2025f and further ease to 4.7% in 2026f, from 7.9% in 2024. In the US, inflation is expected to be at c2.7% (PCE at c2.4%).
- Monetary policies are expected to be uneven across countries reflecting different stages of cycles in varying levels of disinflation.
- We believe the risk remains tilted towards the upside, driven by expectations of ongoing higher commodity prices and tariffs impact.

## World inflation levels (%)



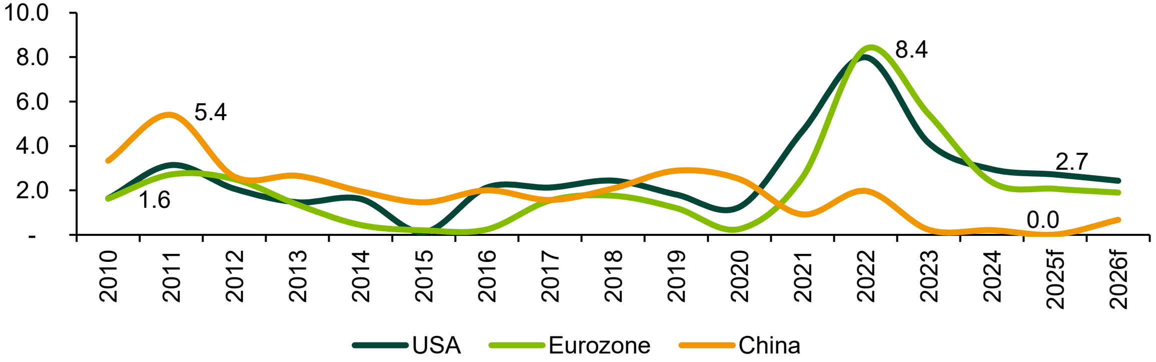

Source: IMF, SNB Capital Research

## Commodity prices return




Source: Bloomberg, SNB Capital Research, Prices indexed to 100

## Selected global CPI projections (%)



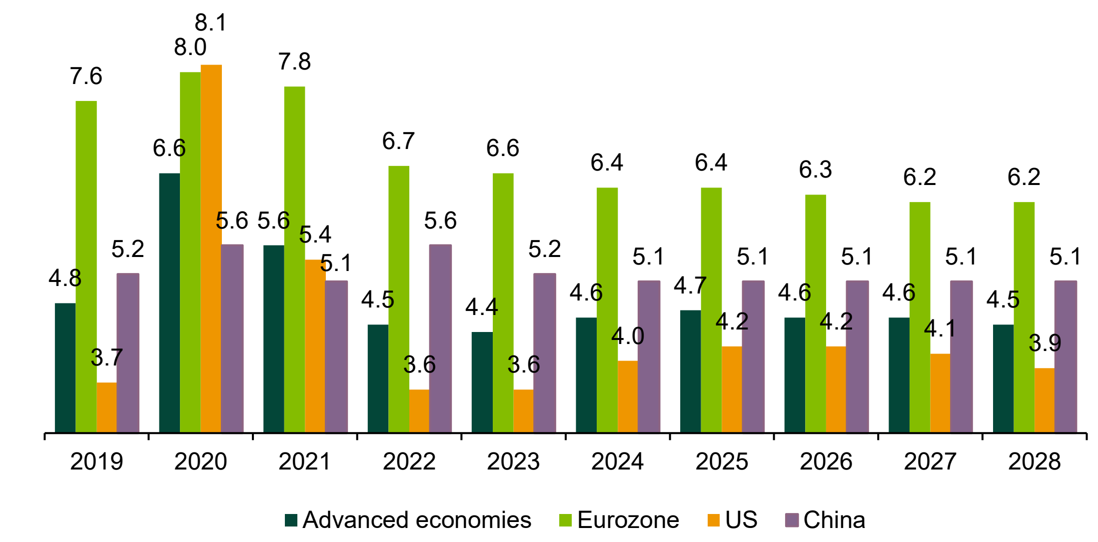

Source: IMF, SNB Capital Research

SNB Capital

## Interest rates - Divergent descent

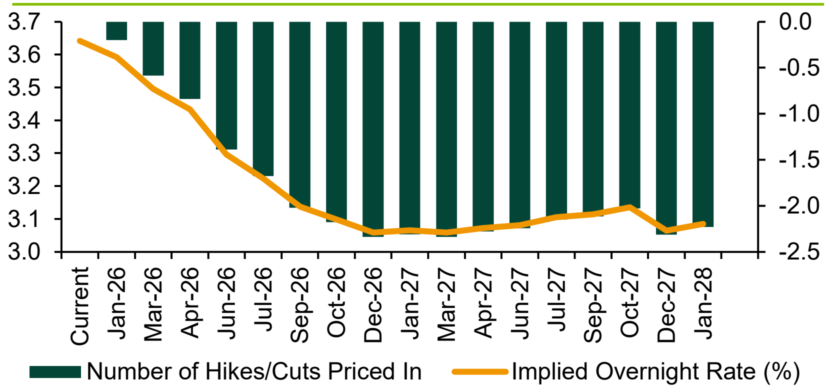
- The Fed is wedged between two opposing waves, sticky inflation and weakening employment market. If the Fed remains tough on rates, prices might cool down but labor market will suffer and if it eases too early inflation could roar back.
- In December 2025 meeting, the Fed reduced its policy rate by another 25bps to a range of 3.50%-3.75%, taking the total cuts to 3 in 2025 (vs 4 cuts in 2024). Although a cut in December was unlikely few months ago, soft labor market data triggered the cut.
- The latest US employment data for November 2025 shows an unemployment rate of 4.6%, up from 4.3% in August. Nonfarm payroll employment increased by 64,000, and the labor force participation rate was broadly stable at 62.3%. The data were not particularly weak but showed concerning signs.
- Divergent descent is the new theme, as the Fed officials had different views on the trajectory of interest rates which would influence the coming period. In general, the Fed is signaling one cut in 2026f vs SNB Capital and consensus estimates of 2 cuts each.
- **Factors to watch:** Unemployment and tariff impact

## Unemployment rate (%)



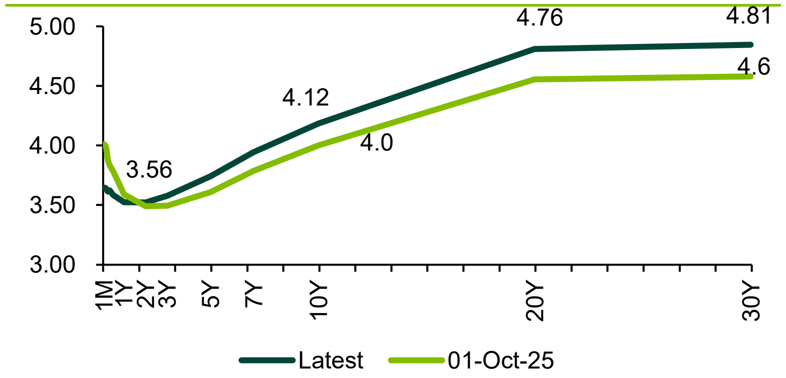

Source: IMF, SNB Capital Research

## Market Implied rate probability (%)



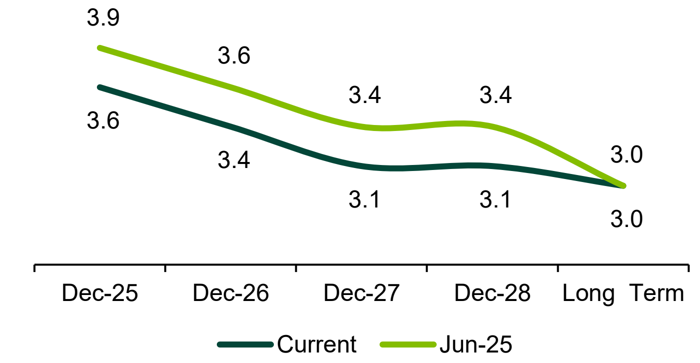

Source: Bloomberg, SNB Capital Research, Prices indexed to 100, As of 25 December 2025

## US yield curve (%)




Source: Bloomberg, SNB Capital Research, Price are as of 25 December 2025

## The Fed dot plot (December 2025)



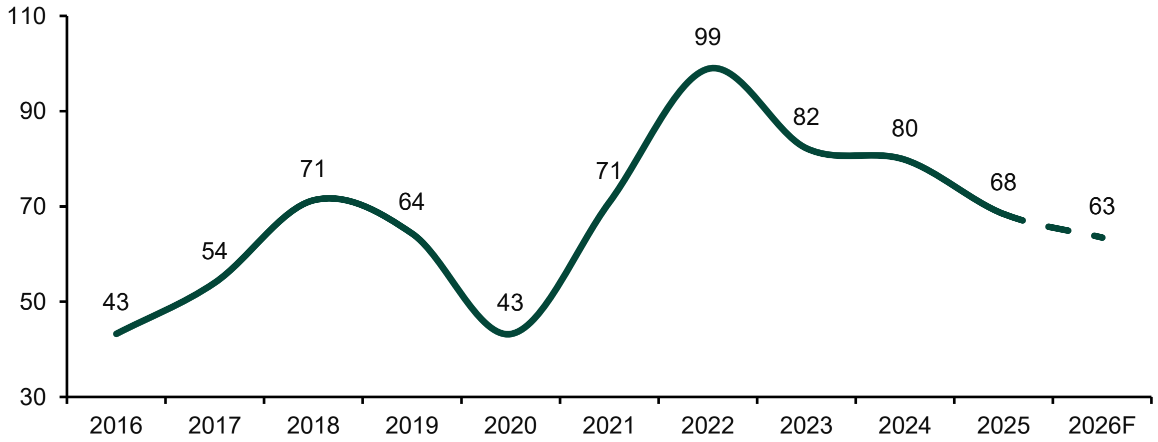

Source: Bloomberg, SNB Capital Research

# Global Landscape

## Oil outlook - Would prices remain stable?

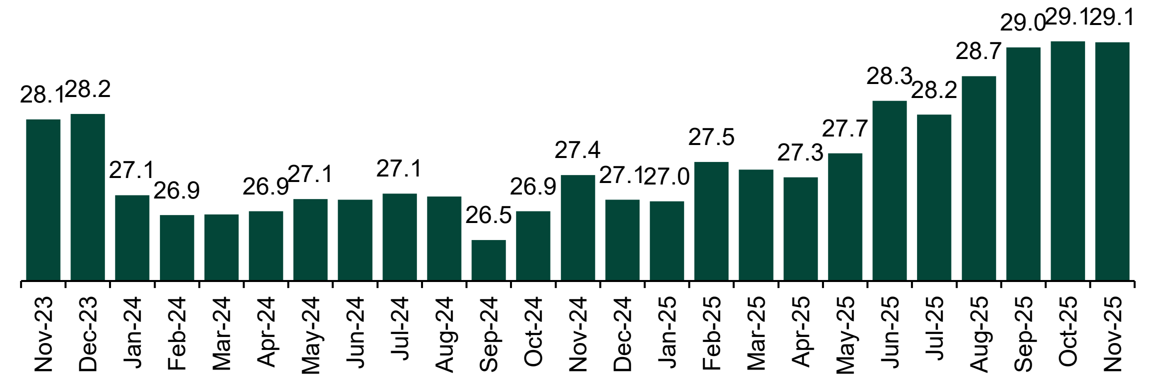
- Brent decreased by 15% yoy to an average of USD68 in 2025, in line with our expectations. While periodic spikes in prices occurred last year due to geopolitical risk premiums, the prevailing theme was of gradual decline driven by growing concerns over global supply-demand dynamics.
- Looking ahead, major oil forecasting agencies remain divided over 2026f oil demand growth, with OPEC maintaining the most bullish view, anticipating 1.3 MMBD (1.3% yoy) growth to 106.5 MMBD, while the IEA projects a modest 0.7 MMBD (0.7% yoy) growth, citing a persistently oversupplied market.
- Last year, OPEC's bullish demand outlook supported its phased unwinding of oil output. In 2026f, OPEC expects that an addition of 0.6 MMBD would not impact the market's balance.
- In the US, the EIA reported that oil production is expected to have grown by 0.35 MMBD (2.6% yoy) last year, while 2026's output is expected to remain flat at 13.6 MMBD, reflecting subdued US shale activity. In fact, a recent US Dallas Fed energy survey showed negative business activity and weak company outlook, highlighting ongoing pessimism among surveyed US shale firms.
- Overall in 2026f, despite all oil agencies expecting demand growth, key uncertainties remain, including: 1) whether oil demand will increase enough to accommodate further OPEC+ unwinding and 2) to what extent geopolitical developments (particularly in the Russian-Ukrainian conflict) will influence the market.
- Against this backdrop, we slightly adjust our **Brent 2026f forecast to USD63** (vs **USD65** previously), reflecting a decline of 7.4% yoy and noting that risks remain weighted to the downside. Our estimates is compared to the consensus estimates of an average price of USD61 (a range of USD55-USD67).

### Oil price forecast (USD/bbl)




Source: Bloomberg, SNB Capital Research

### OPEC oil output (MMBD)

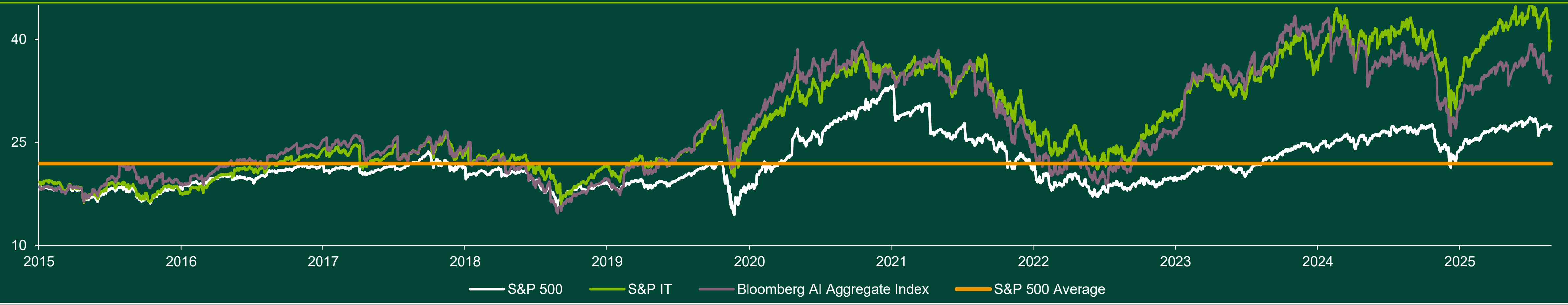



Source: OPEC, SNB Capital Research

## AI - Changing the world

- Led by AI, the world is entering a new era. Apart from inflation, interest rates and tariff, AI was a major theme in 2025, attracting the attention of investors, corporates and governments. We expect AI to continue to be a focal theme in 2026f and beyond.
- The AI industry is in the phase of acceleration and transformative growth with a growing rate of adoption across sectors. According to McKinsey Global Survey, 78% of organizations have begun to use AI in at least one business function, marking a significant increase from 55% in 2023. The fast growing adoption have led to a significant capex by Hyper-scalers of more than USD370bn in 2025 with expectations of additional investments of USD450bn in 2026f with a cumulative spend of cUSD1.6trn by 2030f.
- Moreover, various entities are entering the AI race, establishing a strong foot in this new technology. However, for some it might be related to “fear of missing out”.
- AI is not only driving growth for hyper-scalers and chipmakers, other supporting AI infrastructure and support services are expected to benefit. This include data centers, development tools and database companies. Moreover, the need for energy is expected to increase as data centers are large consumers of energy. It is estimated that data centers capex is expected to reach USD1.6trn over the next 5 years.
- Over the medium term, companies adopting AI would record better productivity supporting margins and profitability. However, the impact on employment and the wider economy is an area of debate and concern.
- With stretched valuations, a key question is whether we are in a bubble that is similar to the dot com or “this time is different”?

### A bubble or not?




Source: Bloomberg, SNB Capital Research

# Saudi Economy

Target spending and countercyclical fiscal policy

# Snapshot of the Saudi Economy

### GDP

Real GDP is projected to grow by 4.6% in 2026f vs 4.4% in 2025e and compared to our estimates of 4.7%. The growth will be driven by both Oil and non-Oil GDP.

### Non-Oil GDP

Non-oil GDP is expected to grow by 5.0% in 2025e and remain strong in 2026f which will be supported by the growing role of the private sector, improvement in investment environment, and the ongoing implementation of Vision 2030.

### Expenditure

Expenditure is projected to decline by 1.7% yoy in 2025f to SAR1,313bn, due to lower current expenditure (-1.2%) and capex.

### Budget Deficit

A budget deficit is expected with a total of SAR165bn (3.3% of GDP) in 2026f vs a deficit of SAR245bn (5.3% of GDP) in 2025e. We expect the deficit level to reach SAR212bn (4.3% of GDP) due to budget overrun in 2026f.

### Inflation

CPI increased to 2.3% in 2025e and is expected to marginally moderate to 2.0% in 2026f (MoF), inline with our views.

### Mega Events and AI

Increased focus on projects completion, mega events related infrastructure projects and AI.

### Oil GDP

Oil GDP will be supported by higher production, inline with OPEC+ agreements. We expect Oil GDP to grow by 8.0% yoy.

### Revenues

Revenues are expected to grow by c5.1% yoy in 2026f to SAR1,147bn. The yoy growth is driven by 5.3% yoy increase in other revenues (includes oil revenue) to SAR735bn and 4.8% increase in tax revenues to SAR412bn. The increase is driven by economic reforms and higher contribution from non-oil activities.

### Capital Expenditure

Capital expenditure is expected to decrease by 5.8% yoy in 2026f to SAR162bn.

### Debt Issuance

Total debt in 2026f is estimated to increase to SAR1,622bn, reflecting a debt-to-GDP ratio of 32.7% (vs 31.7% in 2025e).

### Interest Rate

Two rate cuts in 2026f.

### Implicit Oil Price

2026f :Based on our estimates, the implicit oil price is cUSD60-63/bbl (assuming oil production of c10.2mmbpd

# Saudi Budget

## Target spending and countercyclical fiscal policy

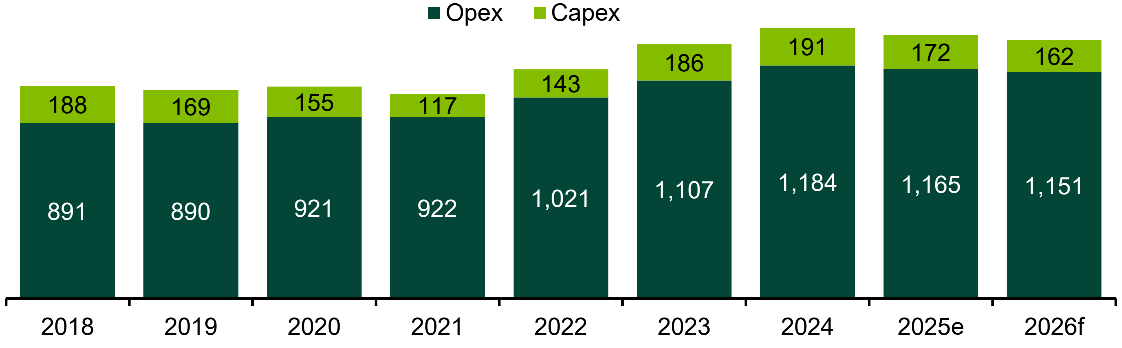
- The fiscal budget 2026f signaled a continued focus on fiscal prudence, with policies designed to safeguard stability and sustainability. This will be achieved through adopting targeted spending and countercyclical fiscal policies.
- Reflecting this balance, official expenditure projections have been modestly recalibrated, aligning with evolving priorities and national objectives, at SAR1,313bn (-1.7% yoy).
- Spending is also expected to reinforce investment momentum which helps: 1) diversifying the economic base, 2) elevate the quality and efficiency of public services, and 3) enhances social protection frameworks.
- The budget statement also projects revenues to grow by 5.1% yoy to SAR1,147bn, resulting in a deficit of SAR165bn (3.3% of GDP) vs SAR245bn (5.3% of GDP) in 2025e. Based on our estimates, the implicit oil price is cUSD60-63/bbl (assuming oil production of c10.2mmbpd).
- Debt levels are expected to increase slightly with public debt balance estimated at SAR1,622bn, translating into a debt-to-GDP of 32.7% in 2026f (vs 31.7% in 2025e and a celling of 40%).

## Budget snapshot (SAR bn)

| | 2024 | 2025e | 2026f | 2027f | 2028f |
|---|---|---|---|---|---|
| Revenue | 1,259 | 1,091 | **1,147** | 1,230 | 1,294 |
| Expenditure | 1,375 | 1,336 | **1,313** | 1,350 | 1,419 |
| Surplus (Deficit) | (116) | (245) | **(165)** | (120) | (125) |
| % of GDP | (2.5)% | (5.3)% | **(3.3)%** | (2.3)% | (2.2)% |
| Debt Balance | 1,216 | 1,457 | **1,622** | 1,742 | 1,867 |
| % of GDP | 25.9% | 31.7% | **32.7%** | 33.1% | 33.1% |
| GDP growth | 2.7% | 4.4% | **4.6%** | 3.7% | 4.5% |
| GDP nominal | 4,703 | 4,600 | **4,965** | 5,258 | 5,643 |
| Inflation | 1.7% | 2.3% | **2.0%** | 1.8% | 1.9% |

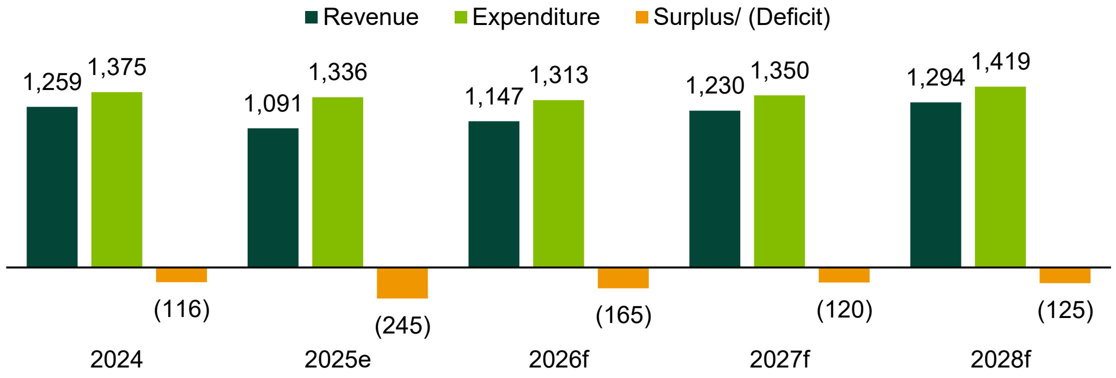
Source: Ministry of Finance, SNB Capital Research

## Fiscal balance scenarios (SAR bn)




Source: Ministry of Finance, SNB Capital Research

## Total revenue, expenditure and fiscal balance (SAR bn)




Source: Ministry of Finance, SNB Capital Research

# Saudi Budget

## Would a wider deficit be sustainable?

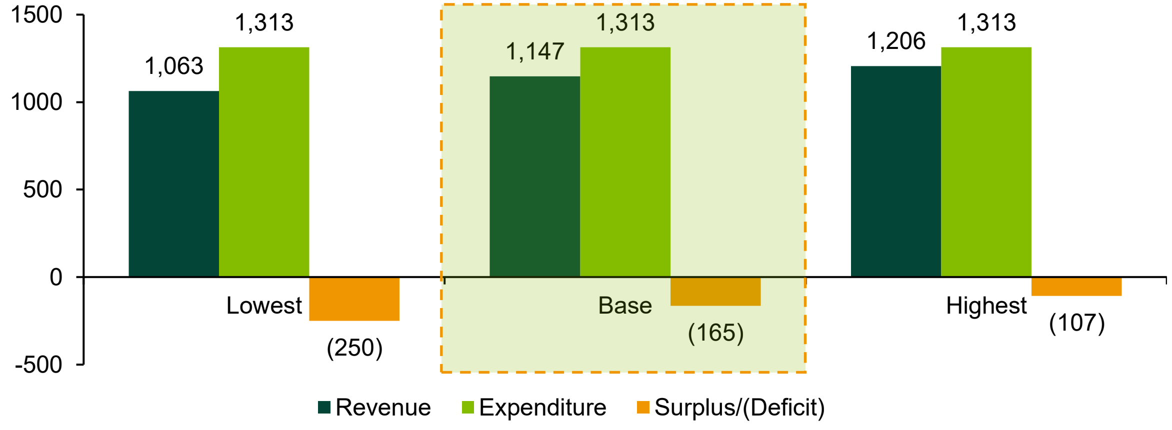
- Under our oil price forecast, oil revenue growth is likely to remain subdued in 2026f, although we still expect a modest annual rise.
- Despite an expected decline in annual oil prices to USD63 (-7.4% yoy) the expansion in Saudi crude oil production by 7% yoy, (in-line with expected OPEC+ unwinding) would modestly raise oil revenue by 5% yoy in 2026f.
- Separately, non-oil revenues would benefit from continued robust levels of non-oil activity.
- Based on our estimates, we expect a slightly wider deficit (at SAR212bn, -4.3% of GDP) than the base case scenario primarily due to the expected overspend vs budgeted levels.
- As a result, we expect the debt trajectory to move modestly higher than projected (at 33.5%), but we remain confident of Saudi Arabia's ability to fund deficits without market stress considering currently low levels of debt to GDP.

## Expenditure by sector (SAR bn)

| | 2024 | 2025e | 2026f | yoy % |
|---|---|---|---|---|
| Public Administration | 54 | 50 | 57 | 13.2% |
| Military | 237 | 239 | 240 | 0.3% |
| Security and Regional Administration | 127 | 123 | 120 | -2.1% |
| Municipal Services | 116 | 91 | 72 | -21.2% |
| Education | 204 | 199 | 202 | 1.5% |
| Health and Social Development | 273 | 269 | 259 | -3.5% |
| Economic Resources | 93 | 90 | 92 | 1.7% |
| Infrastructure and Transportation | 44 | 41 | 35 | -14.9% |
| General Items | 228 | 234 | 236 | 1.0% |
| Total | 1,375 | 1,336 | 1,313 | -1.8% |
| As % of GDP | 29.23% | 29.00% | 26.40% | |

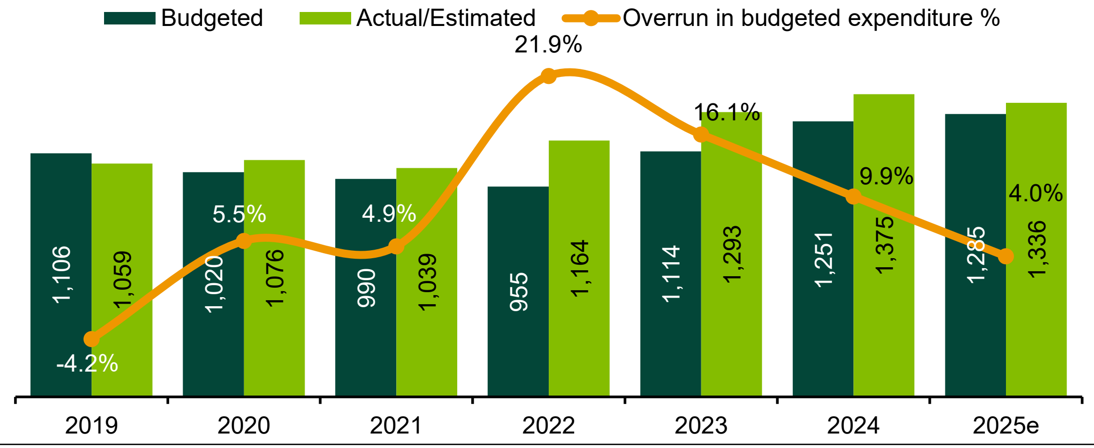
Source: Ministry of Finance, SNB Capital Research

## Expenditure break-down (SAR bn)




Source: Ministry of Finance, SNB Capital Research

## Budget overrun (SAR bn)



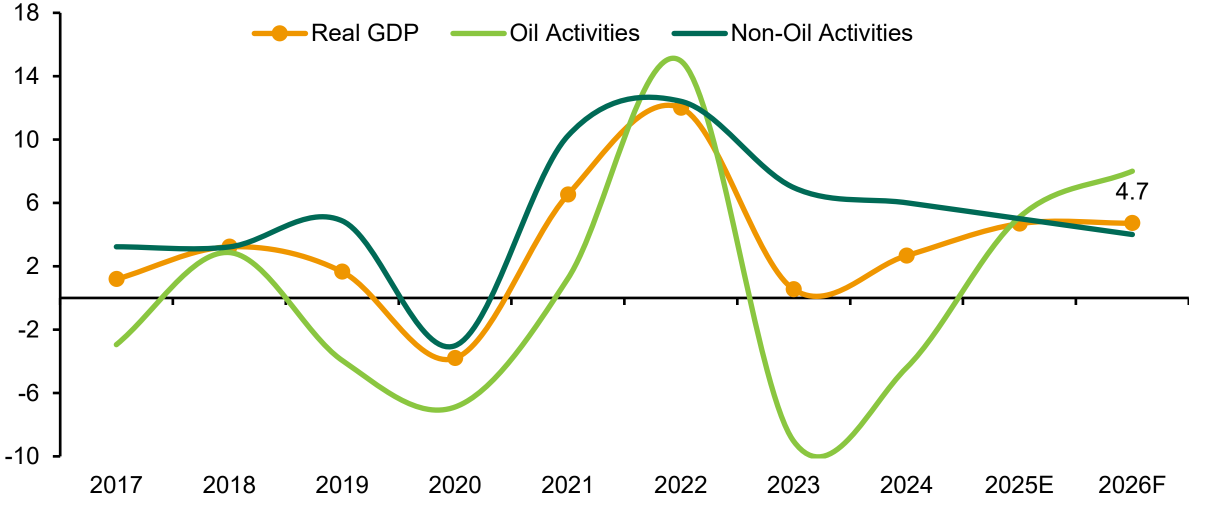

Source: Ministry of Finance, SNB Capital Research

# Saudi Economy

## GDP growth, what to expect?

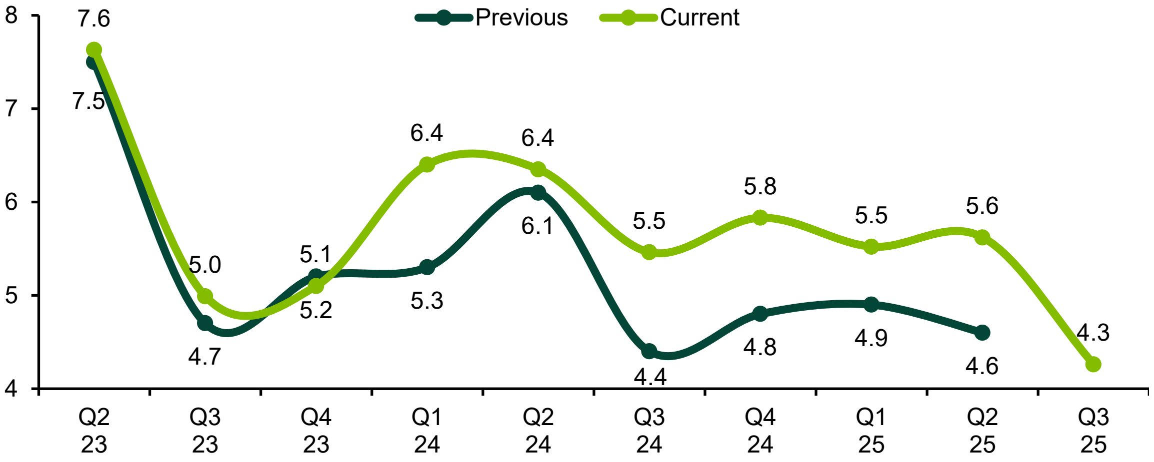
- According to the latest data, Saudi real GDP grew 4.8% yoy in Q3 25. Oil activities GDP grew by 8.1% yoy as oil production rose by 8.8% yoy to an average of 9.7 MMBD during Q3 25, while government sector GDP grew by 1.4% yoy. Non-oil activities GDP rose 4.3% yoy as all sectors continued to post annual rises.
- We note there were revisions to historical data in the recent data release, which were more apparent in non-oil activities GDP. Accordingly, Saudi Q1-Q3 25 real GDP averaged growth of 4.3% yoy (vs official FY2025 projections of 4.4%), with non-oil activities revised to 5.1% yoy (vs official FY2025 projections of 4.4%).
- In 2026f, we expect both the oil and non-oil sectors to contribute positively to the overall growth.
- On the non-oil side, we expect private consumption to remain resilient which will be supported by rising employment and lower interest rates.
- Additionally, a sizable pipeline of SAR305bn in value of projects (c6.4% of GDP) are scheduled for completion which should add a meaningful boost to the non-oil economic base. This will be acting as a catalyst for further expansion across sectors such as construction, logistics, entertainment, and hospitality.
- Putting it all together, we forecast oil activities GDP to rebound strongly (+8.0% yoy) in 2026f, while non-oil activities GDP maintains a solid momentum of 4.0% yoy.
- This sets the stage for real GDP growth of 4.7% in 2026f, which we believe is a healthy and well-balanced expansion supported by both structural reforms and cyclical tailwinds.

### Real GDP % yoy




Source: Ministry of Finance, SNB Capital Research

### Real non-oil activities GDP (% yoy)

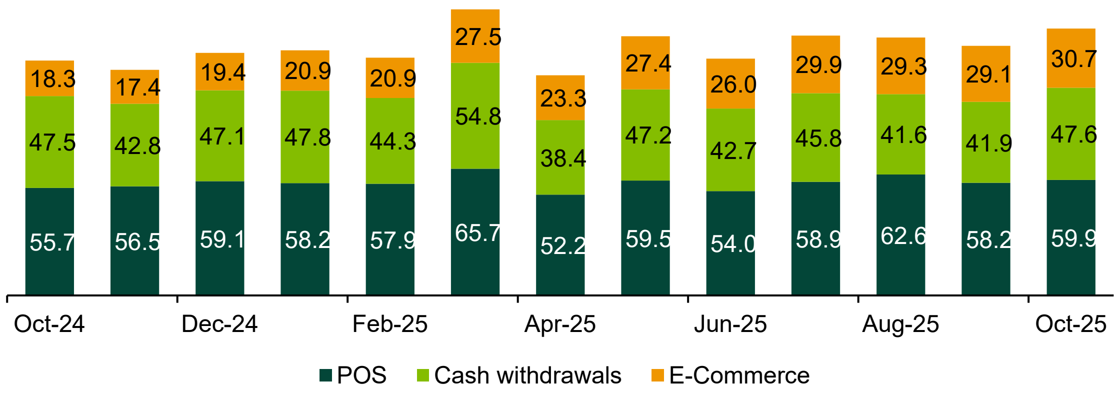



Source: Ministry of Finance, SNB Capital Research

## Is consumption impacted?

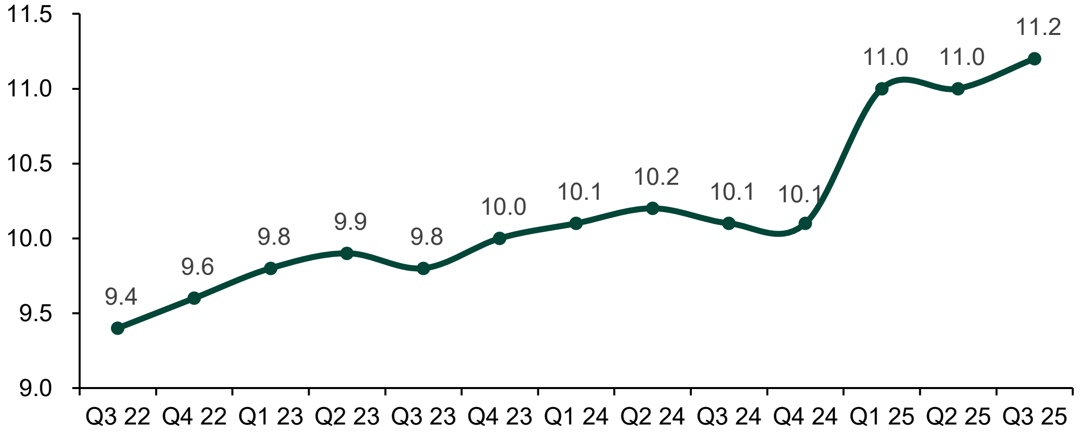
- Private consumption remains resilient, with consumer spending growing by 11% yoy to SAR1.3trn in Jan-Oct 2025, a record high.
- Consumer sentiment also remains solid (at 70.6 points), in-line with the two year average, with 48% of respondents viewing their personal financial situation as “very strong” vs 41% six months earlier.
- Looking ahead, the macro environment remains supportive of consumer spending growth, including more job openings in the private sector for citizens.
- Unemployment stood at 7.5% in Q3 25 (vs 7.8% a year earlier) and c173,000 citizens were employed in the private sector in the year ending in Q3 25, with wages rising by 10.9% yoy.
- A greater number of foreign workers is also expected to help raise consumer demand.
- Official figures show that c1.04mn more foreign workers entered the labor market in the year till Q3 25, taking the total number of foreigners residing in Saudi to c10.2mn.
- Additionally, a sustained increase in inbound travel in 2026f, as Saudi aims to host 70mn foreign visitors by 2030, will help fuel further consumption. Saudi had 60.9mn domestic and international visitors in H1 25 (+1.5% yoy) with tourism spending up 4% yoy to SAR161.4bn (6.8% of H1 25 GDP).
- These factors along with a drop in domestic interest rates will provide support to households by lowering the debt-to-income ratios, thereby increasing disposable income.

### Consumer spending (SAR bn)




Source: SAMA, SNB Capital Research

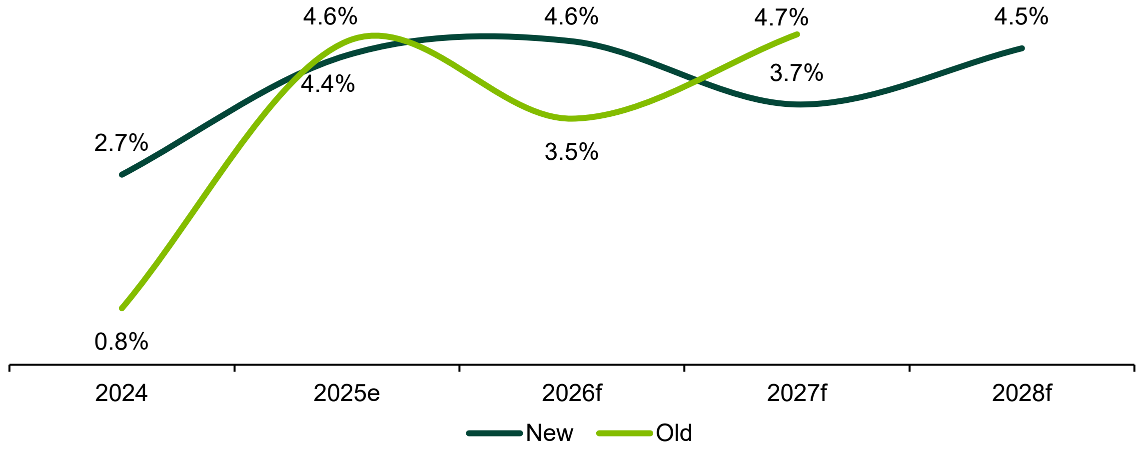
### Average Saudi private sector wages (SAR 000’s)




Source: GASTAT, SNB Capital Research

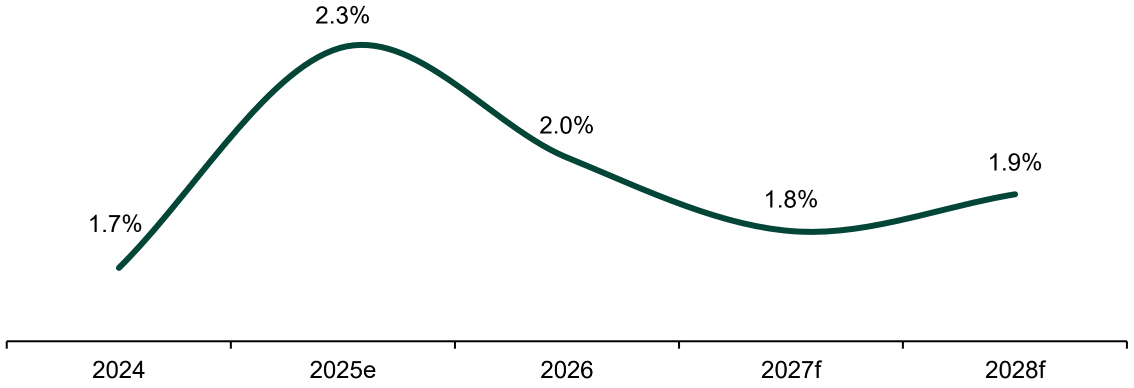
# Evolution of Key Economic Matrices

## Saudi GDP forecast (%)



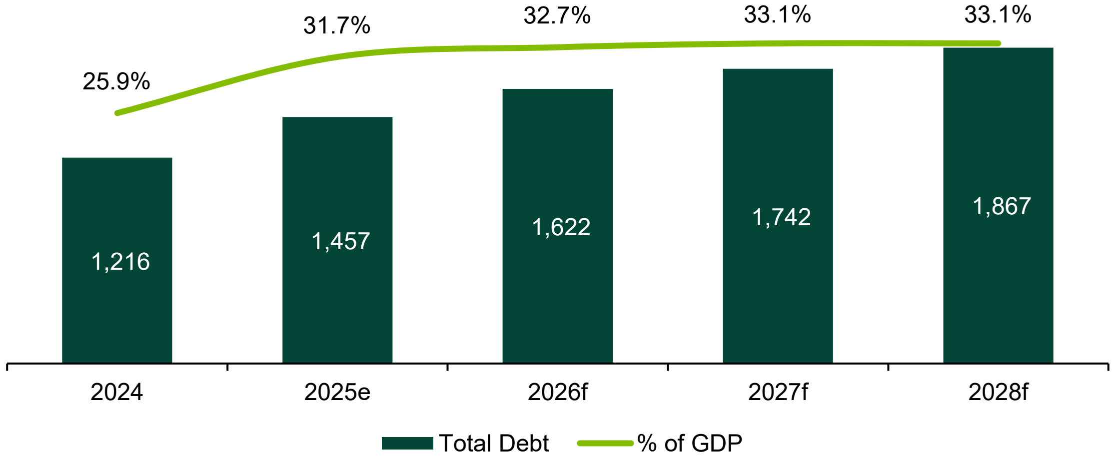

Source: Ministry of Finance, SNB Capital Research

## Inflation to remain stable



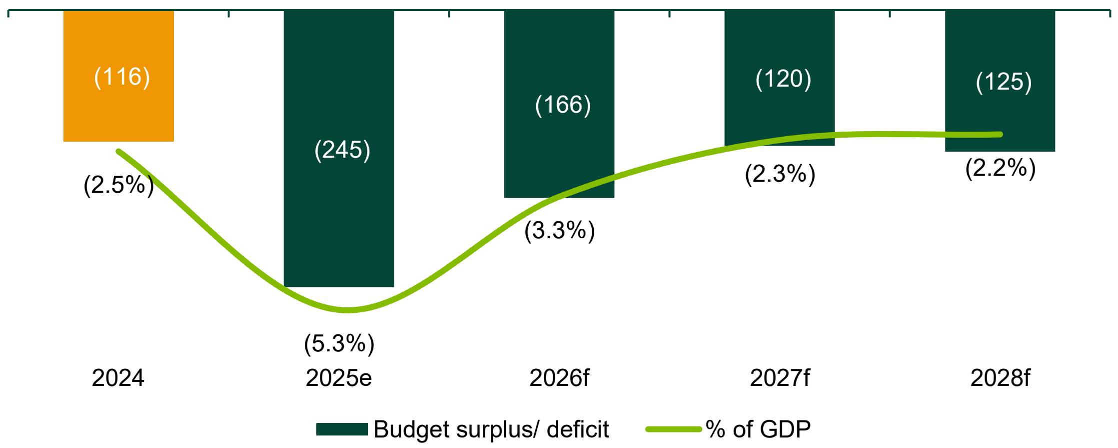

Source: Ministry of Finance, SNB Capital Research

## Debt-to-GDP levels (SAR bn, % of GDP)




Source: Ministry of Finance, SNB Capital Research

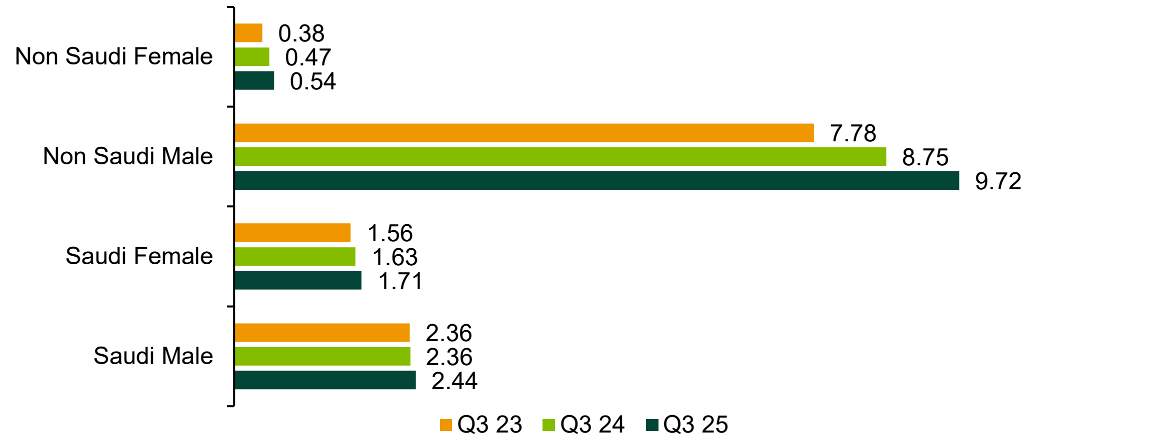
## Fiscal roadmap 2024-2028f (SAR bn, % of GDP)




Source: Ministry of Finance, SNB Capital Research

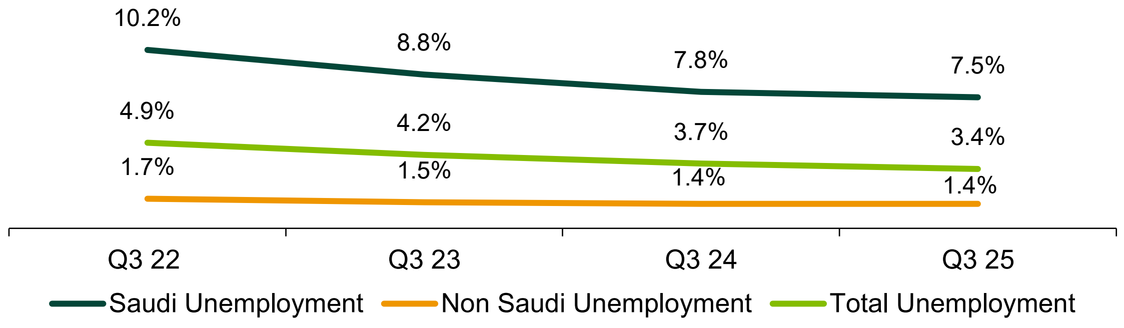
# Evolution of Key Economic Matrices

## Saudi workforce (ex domestic workers) (mn)



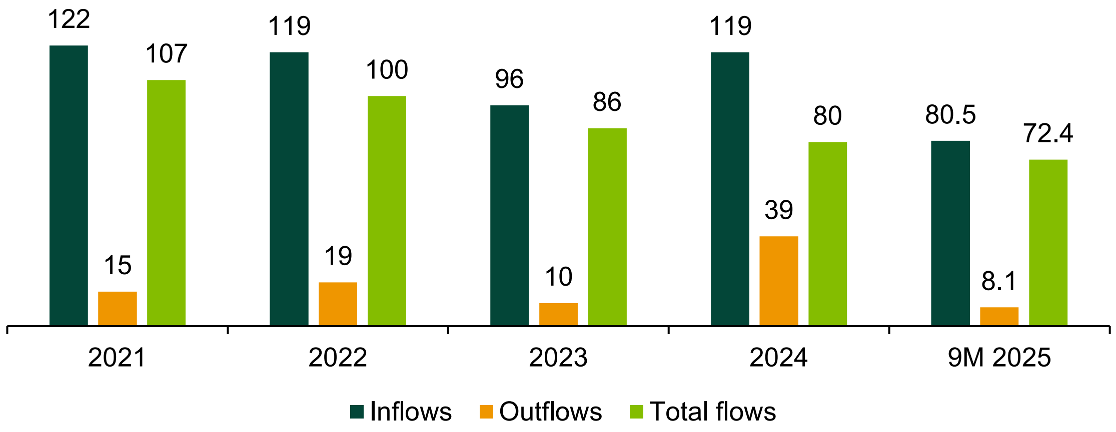

Source: GASTAT, SNB Capital Research

## Saudi unemployment rate



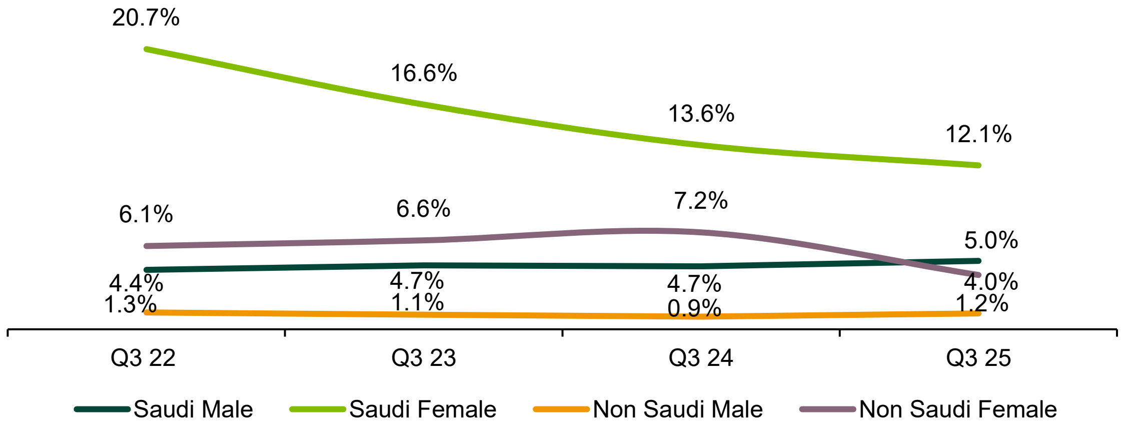

Source: GASTAT, SNB Capital Research

## Net FDI Inflows (SAR bn)




Source: Ministry of Finance, SNB Capital Research

## Unemployment rate by gender and nationality




Source: GASTAT, SNB Capital Research

# Evolution of Key Economic Matrices

SNB Capital

**Selected economic variables**

| | 2022 | 2023 | 2024 | 2025e | 2026f* | 2027f* |
|---|---|---|---|---|---|---|
| **Real Sector** | | | | | | |
| Oil Sector | | | | | | |
| Brent Oil (USD/BBL) | 99 | 82 | 80 | 68 | 63 | 67 |
| Oil Production (MMBD) | 10.6 | 9.6 | 9.0 | 9.5 | 10.2 | 10.4 |
| Real GDP | | | | | | |
| Oil (yoy %) | 15.0 | -9.0 | -4.4 | 5.1 | 8.0 | 2.0 |
| Non-Oil Activities (yoy %) | 12.4 | 7.0 | 5.2 | 4.5 | 4.0 | 4.0 |
| Government Activities (yoy %) | 4.6 | 1.1 | 2.3 | 2.0 | 1.5 | 1.4 |
| Total (yoy %) | 12.0 | 0.5 | 2.0 | 4.7 | 4.7 | 3.4 |
| **Nominal GDP** | | | | | | |
| GDP at Market Prices (SAR bn) | 4,647 | 4,570 | 4,703 | 4,600 | 4,938 | 5,110 |
| GDP at Market Prices (USD bn) | 1,239 | 1,219 | 1,254 | 1,227 | 1,317 | 1,363 |
| GDP at Market Prices (yoy %) | 26.1 | -1.7 | 2.9 | -2.2 | 7.4 | 3.5 |
| **Fiscal Sector** | | | | | | |
| Revenue (SAR bn) | 1,268 | 1,212 | 1,259 | 1,091 | 1,135 | 1,213 |
| Expenditure (SAR bn) | 1,164 | 1,293 | 1,375 | 1,336 | 1,339 | 1,377 |
| Budget Balance (SAR bn) | 104 | -81 | -116 | -245 | -204 | -164 |
| (% of GDP) | 2.2 | -1.8 | -2.5 | -5.3 | -4.1 | -3.2 |
| Gross Public Debt (SAR bn) | 990 | 1,050 | 1,216 | 1,457 | 1,661 | 1,825 |
| (% of GDP) | 21.3 | 23.0 | 25.9 | 31.7 | 33.6 | 35.7 |
| **Monetary & Financial Sector** | | | | | | |
| Money Supply (M3) (yoy %) | 8.1 | 7.6 | 8.8 | 8.7 | 8.2 | 7.9 |
| SAMA Repo Rate (% End of Period) | 5.00 | 6.00 | 5.00 | 4.25 | 3.75 | 3.75 |
| 3M SAIBOR (% Period Average) | 3.13 | 5.93 | 6.02 | 5.12 | 4.34 | 4.21 |
| Inflation (yoy %) | 2.5 | 2.5 | 1.5 | 2.0 | 1.7 | 2.0 |
| **External Sector** | | | | | | |
| Exports (USD bn) | 411 | 320 | 306 | 290 | 308 | 338 |
| Imports (USD bn) | 174 | 190 | 214 | 222 | 226 | 232 |
| Trade Balance (USD bn) | 237 | 130 | 92 | 68 | 82 | 106 |
| Current Account Balance (USD bn) | 145 | 26 | -16 | -48 | -54 | -26 |
| (% of GDP) | 11.7 | 2.1 | -1.3 | -3.9 | -4.1 | -1.9 |
| SAMA FX Reserve Assets (USD bn) | 460 | 437 | 437 | 427 | 422 | 422 |
| **Demographics** | | | | | | |
| Population (mn) | 32.2 | 33.7 | 35.3 | 36.2 | 37.1 | 38.0 |

Source: Ministry of Finance, SNB Capital Research * 2026f-2027f are SNB Capital estimates

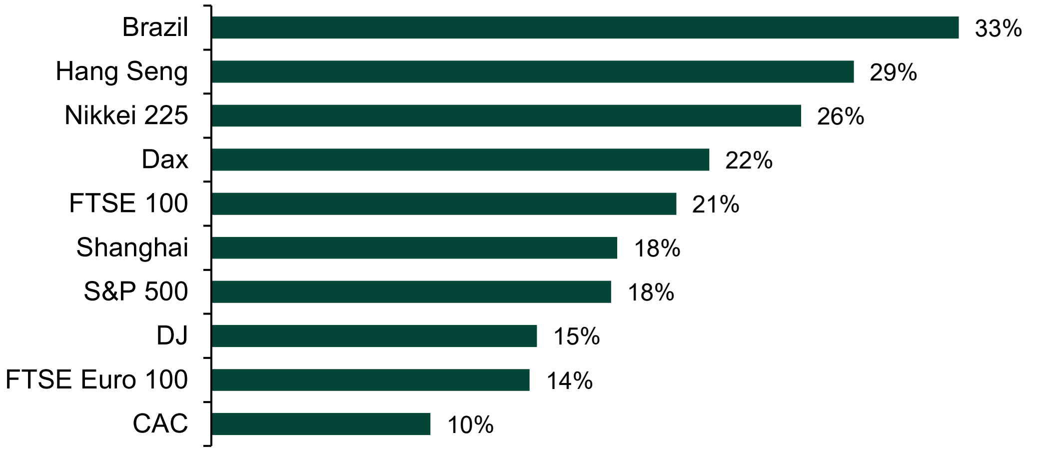
# Markets in 2025

# Global Equities Performance

## A striking slogan of “all time high”

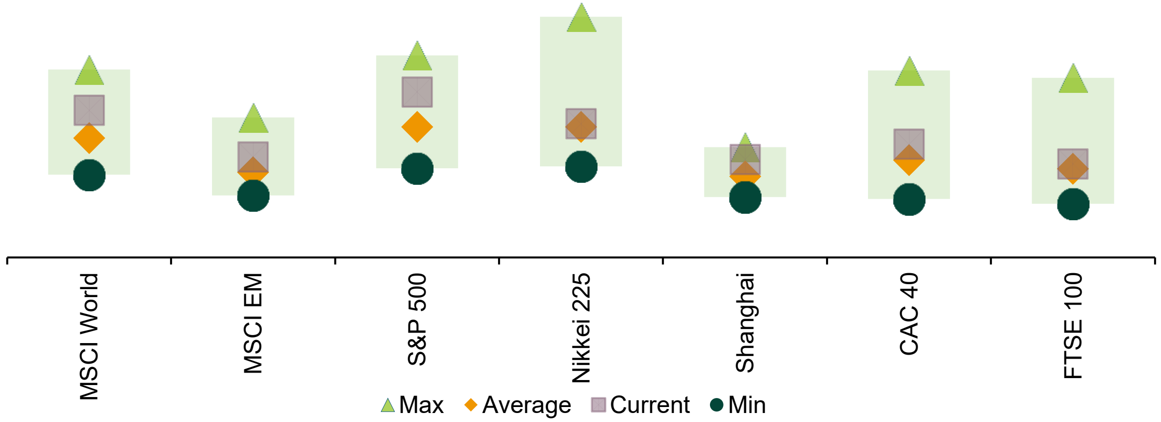
- The momentum continued in 2025 with global markets recording another outstanding performance, branded with a striking slogan of “all time high”, and swiftly dismissing major shocks. Markets were fueled by AI, rate cut debates and a tariff rebound.
- MSCI World increased by 20.7% yoy in 2025, higher than the last 10 years median return of 11% and posting the 3rd consecutive year of +20% gains, led by strong gains in Brazil (+33%), Hang Seng (+29%), and Nikkei 225 (26%). Meanwhile, S&P 500 gained 18% (vs 24% in 2024) and FTSE 100 grew by 21% (vs 5.7% in 2024).
- For the 1st time since 2017, EMs outperformed MSCI World with a gain of 29.4% (vs 5.3% in 2024), significantly higher than the last 10 years median return of 6%.
- Valuations, while undeniably stretched, are perceived to be the new paradigm, sidelining a bubble scenario. MSCI World trades at forward P/E of 23.1x, vs the 10-year average of 18.7x, S&P 500 trades at 26.0x (vs average of 20.5x), while MSCI EM P/E stood at 15.7x, deviating from its historical average of 13.4x.
- Euphoria continues to drive equity markets in 2026f with expectations of another strong year across markets driven by AI development, interest rates, and new trade orders & tariffs.

## Global equity indices performance in 2025



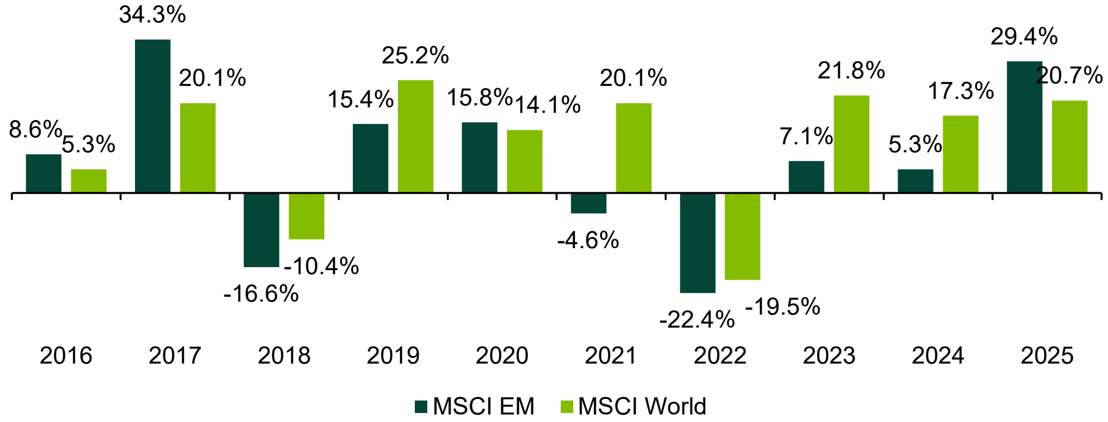

Source: Bloomberg, SNB Capital Research. As of 25 December 2025.

## P/E comparison of major equity markets (vs 10-year average)




Source: Bloomberg, SNB Capital Research. As of 25 December 2025.

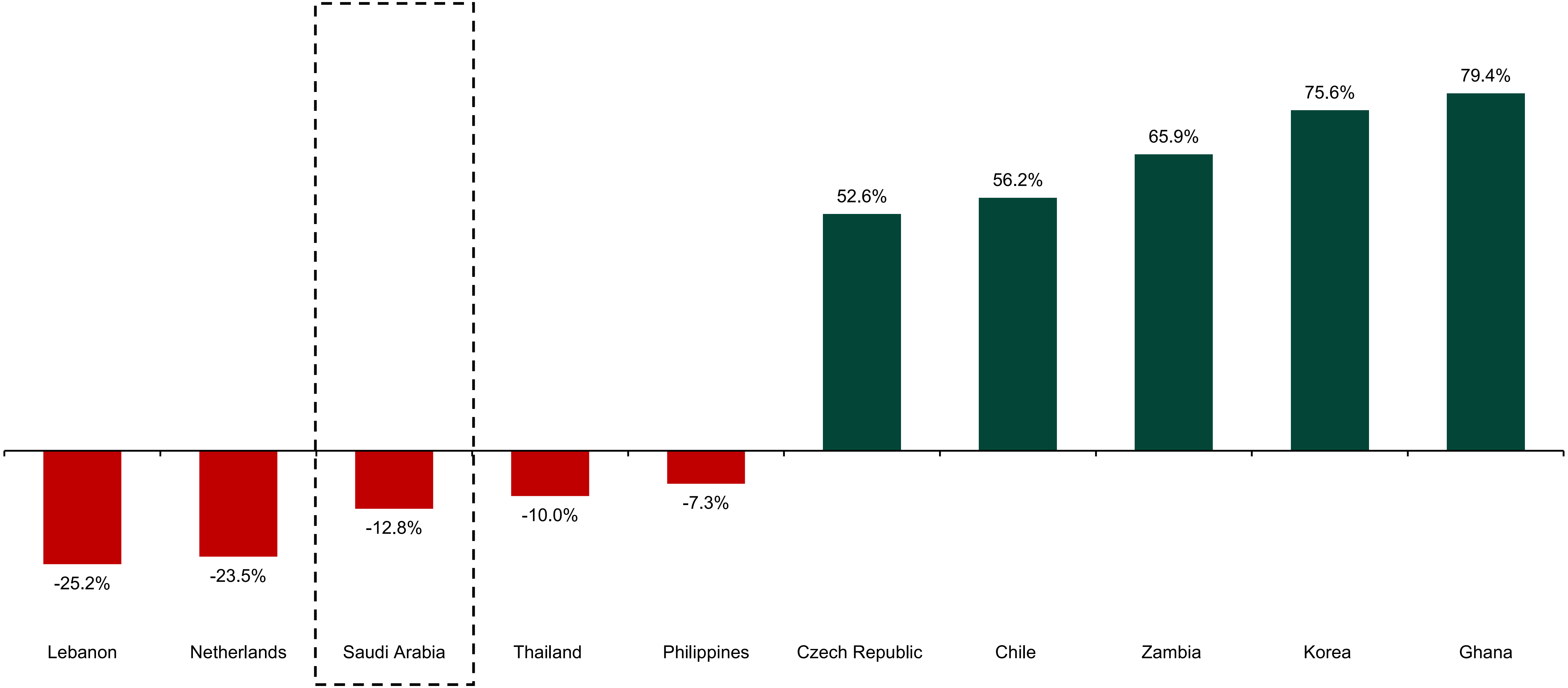
## MSCI World and MSCI EM 10-year returns




Source: Bloomberg, SNB Capital Research. As of 25 December 2025.

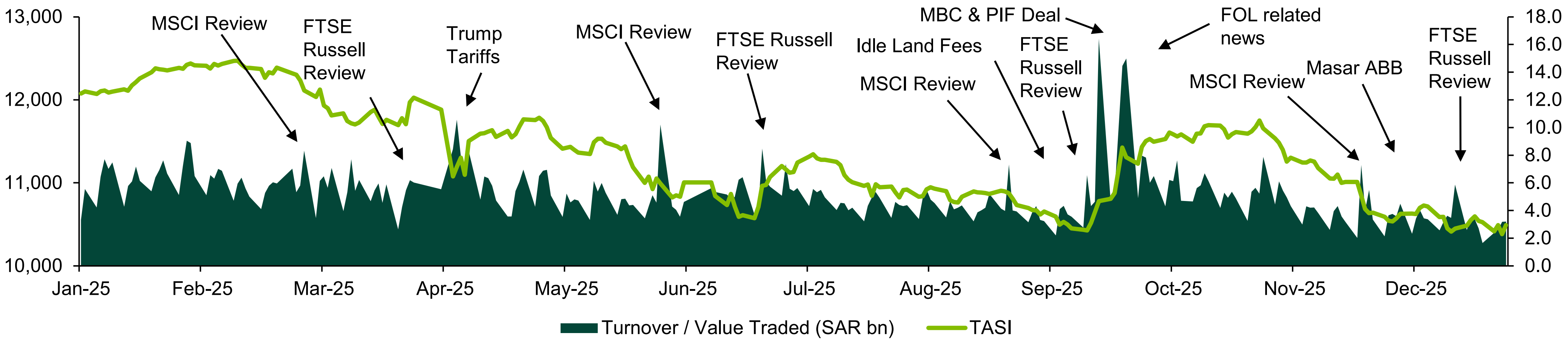
# 2025 Saudi Market Performance - TASI

## Best and worst preforming global equity indices




Source: Saudi Exchange, Bloomberg, SNB Capital Research. As of 31 December 2025

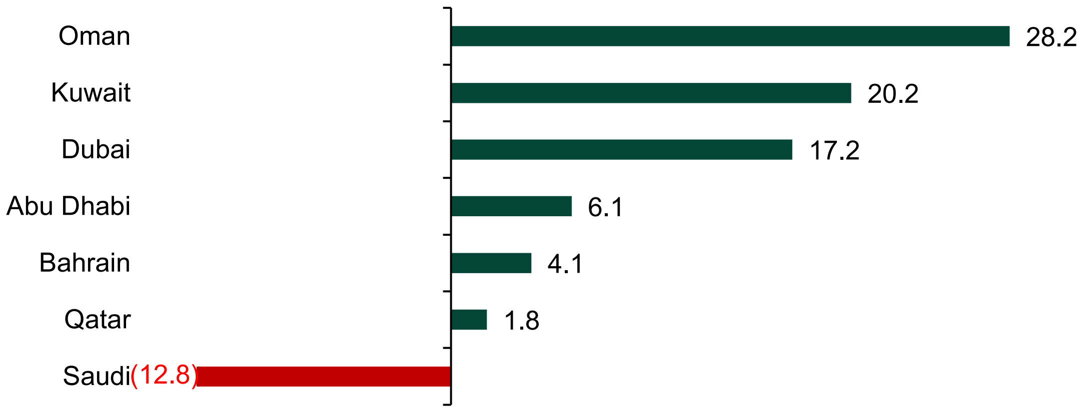
## TASI performance and value traded (SAR bn)




High 12,472 – 10 Feb
Low 10,382 –30 Dec
Last 10,491 - 31 Dec

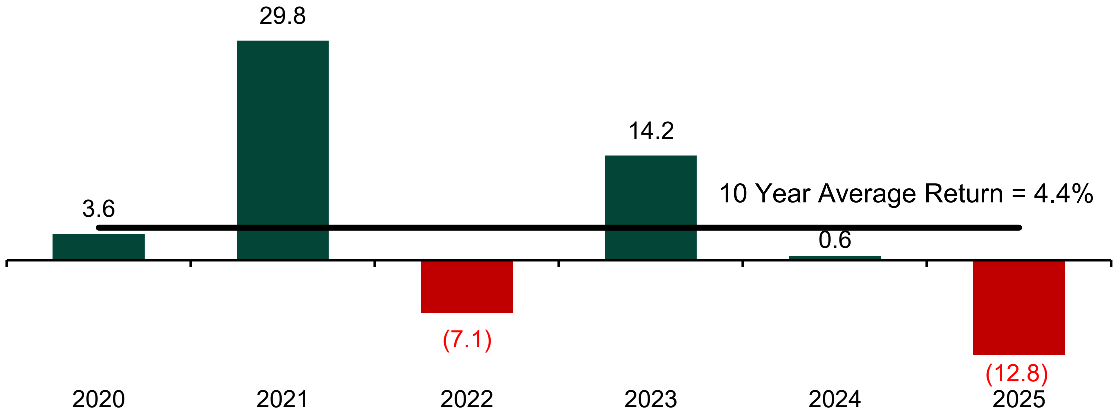
Source: Saudi Exchange, Bloomberg, SNB Capital Research. As of 31 December 2025

## GCC equity indices performance




Source: Saudi Exchange, Bloomberg, SNB Capital Research. As of 31 December 2025

## TASI 2025 performance vs last 5 years




Source: Saudi Exchange, Bloomberg, SNB Capital Research. As of 31 December 2025

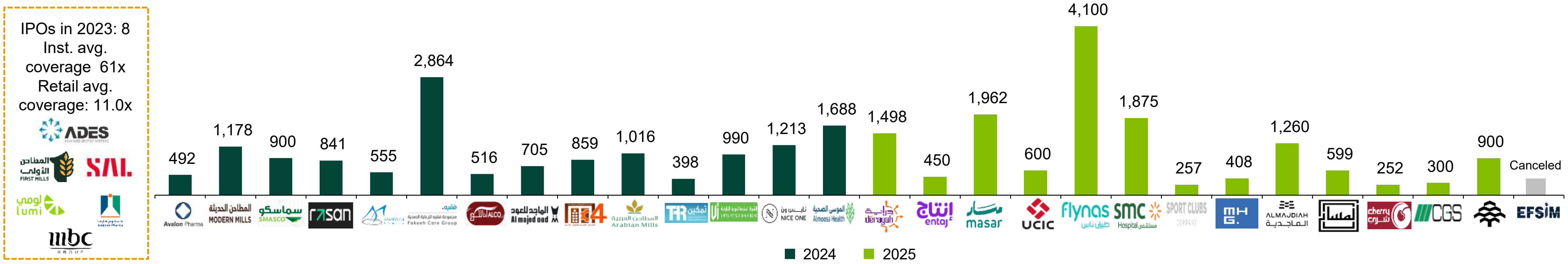
# Saudi IPOs

## Changing appetite

- The IPO market in 2025 offered new and attractive sectors which increased the breadth of the market, including Airlines, Financial Services, Healthcare and Special Education. Despite that, the latest few IPOs faced major challenges with low coverage and a cancelation, signaling a major red flag.
- Although the IPO activity was resilient in 2025 with 13 listings raising SAR14.5bn (vs SAR14.2bn in 2024), the numbers masked distinct shifts in sentiment which haven't been noticed in the Saudi market in many years. Investors moved from "buying everything" to strict valuation discipline and ending the year by "not interested in IPOs".
- Institutional appetite faltered over the year from a peak coverage of 241x to 11x. Retail participation also declined with two IPOs not covered. We believe this reflects liquidity issues and poor post listing performance of recent issuances.
- Since January 2024, 25 companies went public in Saudi. The average return of all the listed companies since their IPO is -1.8%. However, 63% are trading below the IPO price and 10 out of 13 IPOs in 2025 are trading below the IPO price.
- As the market momentum remains weak, we expect limited IPO activities in the beginning of the year. However, selected IPOs might go through. Based on our Q4 25 survey, Fund Managers remained interested in quality picks with attractive valuation and showed a preference for Healthcare & Technology.

## TASI amounts raised in 2024 and 2025 (SAR mn)

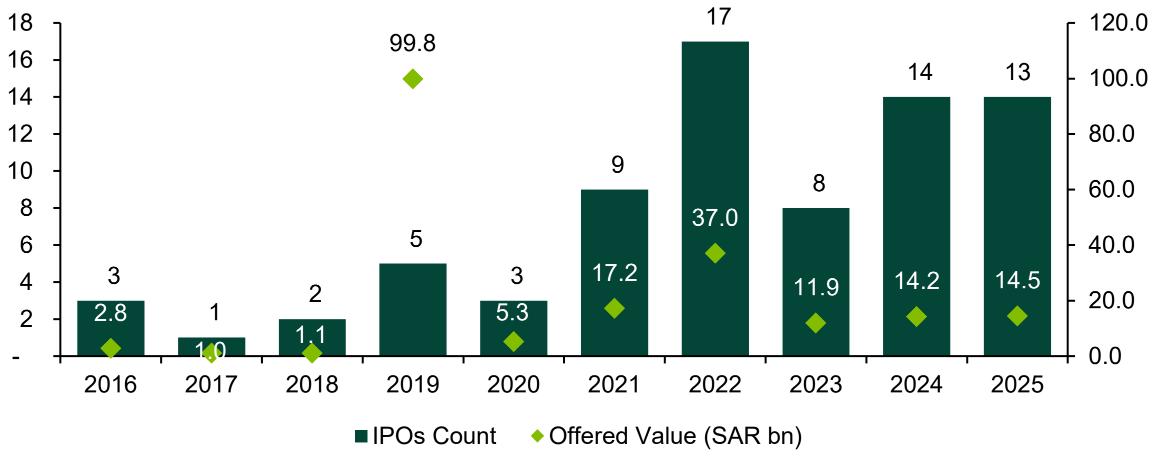
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Institutional Coverage | 139x | 127x | 128x | 129x | 170x | 119x | 69x | 156x | 119x | 132x | 139x | 132x | 139x | 103x | 162x | 208x | 241x | 59x | 100x | 65x | 44x | 9.7x | 107x | 103x | 86x | 62x | 11x | N/A |
| Retail Coverage | 54x | 22x | 13x | 13x | 6.1x | 15x | 17x | 8.2x | 3.9x | 9.2x | 14x | 9.1x | 7.9x | 4.1x | 15x | 30x | 20x | 8.9x | 3.5x | 1.5x | 5.3x | 2.0x | 2.8x | 1.2x | 6.5x | 0.7x | 0.4x | N/A |




Source: Saudi Exchange, SNB Capital Research

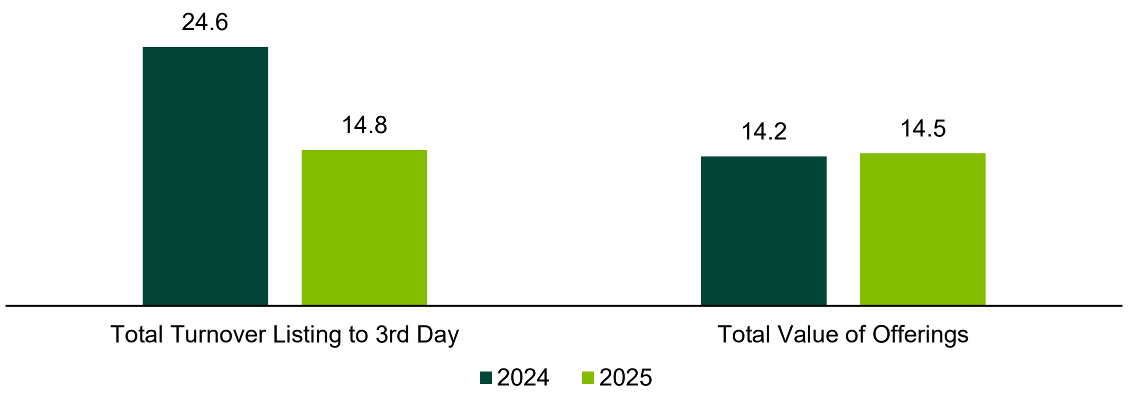
# Saudi IPOs

## Overview of Saudi main market IPOs




Source: Saudi Exchange, SNB Capital Research. 2019 is SAR3.8bn excluding Saudi Aramco IPO

## Offer value and initial turnover for IPOs 2024–2025 (SAR bn)




Source: Bloomberg, SNB Capital Research

## IPOs post listing performance

| Company | Institutional coverage | Retail coverage | Offer price | CMP | % returns since IPO |
|---|---|---|---|---|---|
| | | 2025 | | | |
| Alramz | 11x | 0.36x | 70.0 | 54.3 | -22% |
| CGS | 61.6x | 0.709x | 10.0 | 9.09 | -9% |
| Cherry | 86x | 6.47x | 28.0 | 24.12 | -14% |
| Al Masar AlShamil | 103x | 1.2x | 19.5 | 25.02 | 28% |
| Al Majdiah | 107x | 2.8x | 14.0 | 10.04 | -28% |
| Build Station | 10x | 2x | 85.0 | 54.1 | -36% |
| Sport Clubs | 44x | 5.3x | 7.5 | 8.25 | 10% |
| SMC | 65x | 1.5x | 25.0 | 18.04 | -28% |
| Flynas | 100x | 3.5x | 80.0 | 65.05 | -19% |
| UCIC | 126x | 9x | 50.0 | 25.74 | -49% |
| Masar | 241x | 20x | 15.0 | 17.19 | 15% |
| Entaj | 208x | 30x | 50.0 | 31.2 | -38% |
| Derayah | 162x | 15x | 30.0 | 25.7 | -14% |
| | | 2024 | | | |
| Almoosa | 103x | 4.1x | 127 | 175.4 | 38% |
| Nice One | 139x | 7.9x | 35.0 | 17.9 | -49% |
| Tasheel | 132x | 9.1x | 132 | 154.9 | 17% |
| Tamkeen | 139x | 14x | 50.0 | 54 | 8% |
| Arabian Mills | 132x | 9.2x | 66.0 | 38.7 | -41% |
| Fourth Milling | 119x | 3.9x | 5.3 | 3.53 | -33% |
| Al Majed Oud | 156x | 8.2x | 94.0 | 132.3 | 41% |
| Talco | 69x | 17x | 43.0 | 34.5 | -20% |
| Fakeeh Care | 119x | 15x | 57.5 | 34.1 | -41% |
| Miahona | 170x | 6.1x | 11.5 | 17.93 | 56% |
| Rasan | 129x | 13x | 37.0 | 115.9 | 213% |
| SMASCO | 128x | 13x | 7.5 | 5.28 | -30% |
| Modern Mills | 127x | 22x | 48.0 | 28.62 | -40% |
| Avalon Pharma | 139x | 54x | 82.0 | 111.2 | 36% |

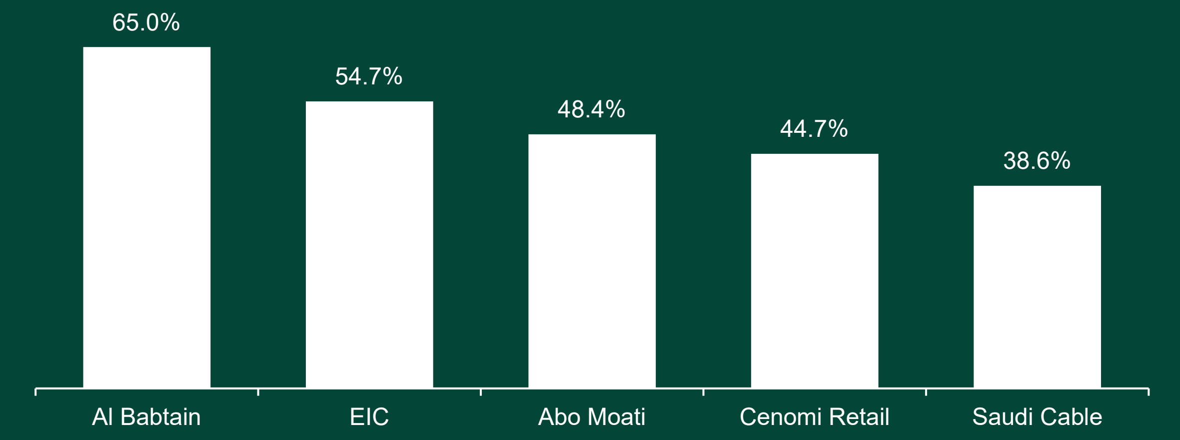
Source: Saudi Exchange, Bloomberg, SNB Capital Research. As of 31 December 2025

# 2025 Saudi Market Performance - TASI

## TASI sector performance - 2025

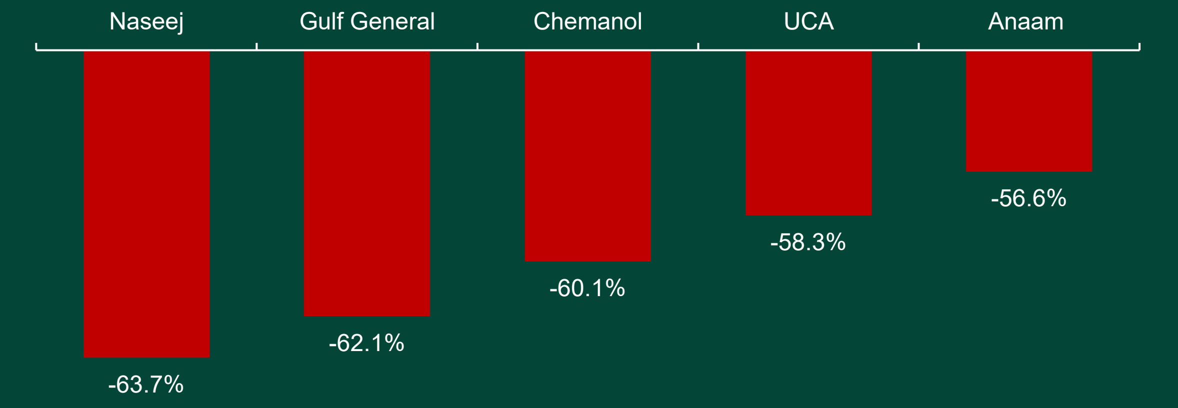

Source: Saudi Exchange, Bloomberg, SNB Capital Research. As of 31 December 2025

## TASI top gainers - 2025




Source: Saudi Exchange, Bloomberg, SNB Capital Research. As of 31 December 2025

## TASI top decliners - 2025




Source: Saudi Exchange, Bloomberg, SNB Capital Research. As of 31 December 2025

# 2026 Saudi Equity Strategy

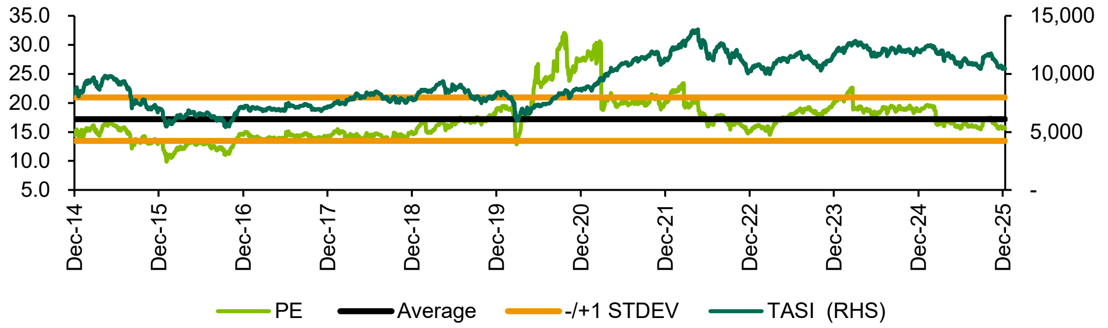
A synchronization journey, revealing unique opportunities

# 2026 Saudi Equity Strategy

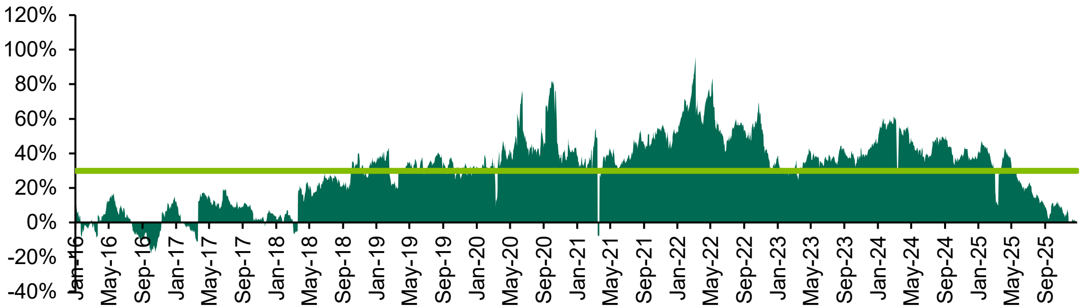
## A synchronization journey, revealing unique opportunities

- Equities, fixed income and even commodities delivered broad based gains, and pleasure. In an unusual divergence, EMs shined in 2025 with a remarkable performance and expanding valuations, regrettably with Saudi as the notable exception. Although it is blessed with an inspirational vision and attractive valuations, the Saudi market lagged global markets, eroding EM premium in a rare occasion. TASI ended the year at 10,491, below the lower end of our expectations of 10,900. Overall, the index declined by 12.8% during the year, which is the largest decline since 2015.
- TASI's performance aftermath led to a major de-rating of c17% from c19x in 2024 to c15.7x (-0.5x STDEV below last 10-year average of 17.5x). Moreover, many stocks are trading at a considerable discount to their 5-year average multiples and multi-year lows.
- In 2026f, investors' negative sentiment loop would continue to circle around liquidity, oil and muted earnings growth. However, we believe the underlying fundamentals of the Saudi economy remains strong on the back of robust growth in non-oil GDP and strong government balance sheet while major events infrastructure spend remains a key driver.
- As hidden gems unveil and the Saudi market return to global markets rhythm, we believe 2026f offers a unique investment opportunity. Value investing would be the favored strategy, with attractive opportunities across sectors, blue-chips and small-mid caps.
- Given the major de-rating that occurred in 2025, we have projected the market through different scenarios. Based on our earnings expectation and P/E range, we expect TASI to trade between 10,000 and 11,700 in 2026f, reflecting a dividend yield of 4.4%-5.0%. This is based on P/E of 13.5x and 15.8x, inline with the long-term average. Our bottom-up approach based on our PT's indicate a fair value of 12,000 and P/E of 16.2x. In the scenario where liquidity constrains are resolved, the index is expected to re-rate to reach 12,800.
- Key 2026f themes
  - Interest rates - Oil - Liquidity - Infrastructure spending
  - Tourism -Real-estate reforms - AI spending
- Although we have a positive tilt towards Banks, Telecom & IT and Tourism sectors, we are sector-agnostic given the attractive valuations across the market.

## TASI P/E (x)




## TASI premium over MSCI EM




## TASI valuation

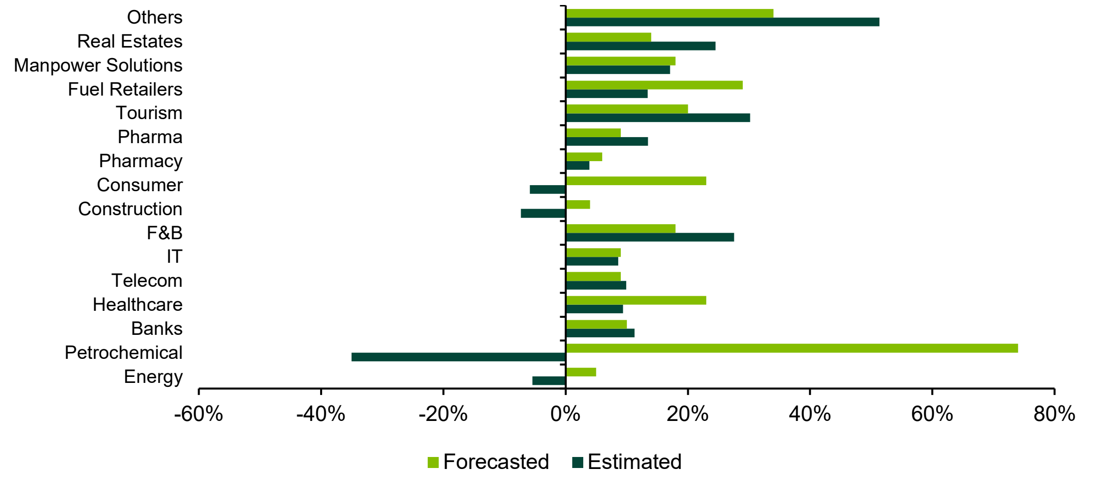
| | Historical LT | Historical 10-yr | 2025f | Var % | 2026f | Var % |
|---|---|---|---|---|---|---|
| **P/E** | 15.8 | 17.5 | 15.8 | -9% | 14.2 | -18% |
| **P/BV** | 2.1 | 2.1 | 2.1 | 2% | 2.0 | -5% |
| **EV/EBITDA** | 10.0 | 11.1 | 12.5 | 12% | 12.0 | 8% |
| **EV/Sales** | 3.6 | 3.8 | 4.4 | 17% | - | - |
| **Dividend Yield** | 3.8 | 4.8 | 3.9 | 0.9 | 4.4 | 0.5 |

Source: Saudi Exchange, Bloomberg, SNB Capital Research. Prices as of 25 December 2025

## Would the market end the negative earnings trajectory?

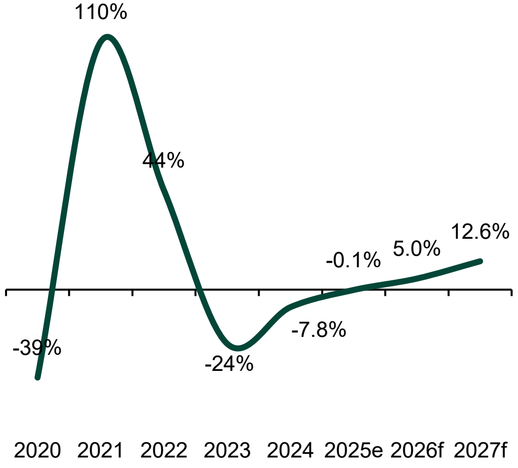
- Earnings remained broadly flat in 2025f, barely ending the declining trend of the past 2 years as strong earnings of Banks, Telecoms and Healthcare offset the weak performance from Energy, Petrochemicals and Consumers. Food & Beverage showed strong growth, but is mainly attributed to recovery in Savola (on recurring basis), rather than a broad sector wise trend.
- However, the figures are still below out initial expectation of a growth of 8% yoy. Amongst sectors, Energy, Petrochemical, Healthcare, Consumer and Construction underperformed our initial expectations, while Banks and Telecoms were broadly in-line with our initial expectations.
- For 2026f, we expect the market earnings to grow by c5% yoy. Amongst the main sectors, the potential improvement in the Petrochemical sector, post major one-offs in 2025f, will be the key driver while Energy would report a marginal growth of 2%. We highlight this remains a function of global macro environment and absence of further one-offs.
- Adjusting for that, we expect earnings to grow by 9% yoy driven by IT (20% yoy), Tourism (20% yoy) and Healthcare (16% yoy).
- We expect Banks earnings to grow by 5% yoy as the impact of loan book growth and efficiency gains would be offset by relatively lower margins. Funding room remains the main concern that could keep cost of funds elevated.
- Telecom is expected to grow by 7% yoy due to strong growth in value added services as well as initiation of large public sector contracts in H2 26f. For IT sector, we expect a growth of 20% yoy driven by increased digitization.
- Healthcare is expected to grow by 16% yoy, supported by the ramp-up and addition of new facilities, which should overcome the impact of margin contractions.
- For Tourism, we expect the sector to record a strong growth of 20% yoy driven by growing number of tourists, expanding airlines' fleet and the launch of Riyadh Air.
- Although we expect a major growth for the Petrochemicals sector, it is driven by major one-offs in 2025 rather than an actual sector recovery. Apart from that, we expect the sector to continue to face major headwinds with weak prices and low spreads as global overcapacity issues continue.

## 2025f earnings- Estimate vs Forecast (%)

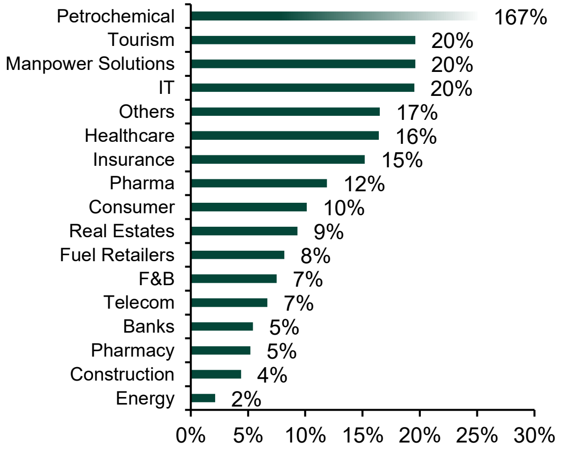



Source: Company reports, SNB Capital Research

## Market profitability growth (%)




## Sector wise earnings growth 2026f



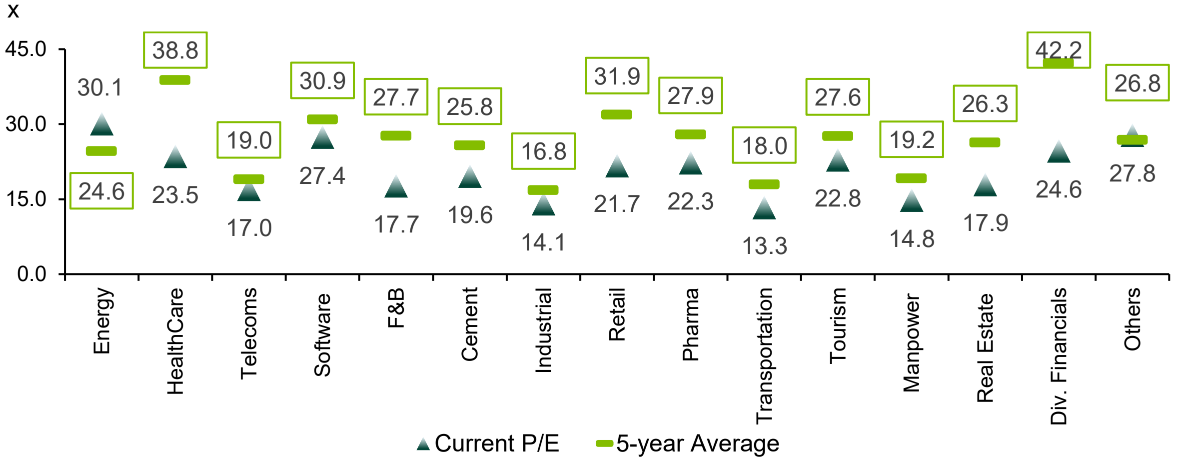

Source: Company reports, SNB Capital Research

# 2026 Saudi Equity Strategy

## Persistent de-rating or inevitable re-rating

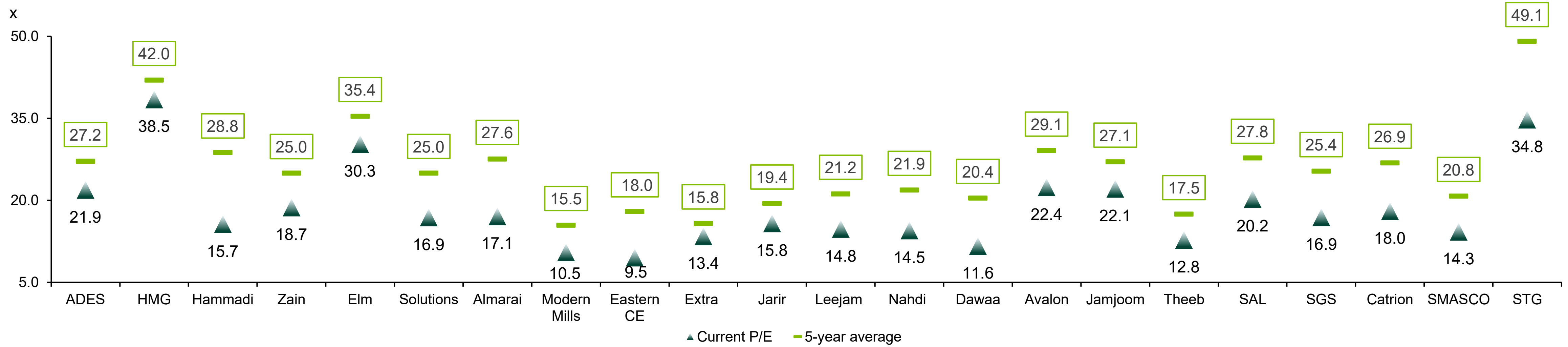
- The recent market aftermath has resulted in a broad based de-rating across sectors, pushing valuations materially lower.
- Current P/E levels stand below long term historical averages, reflecting an adjustment that appears disproportionate to underlying fundamentals.
- We believe these valuation levels present an attractive entry point, particularly as earnings visibility improves and sentiment stabilizes.
- Moreover, a normalization in liquidity constrains could act as a key catalyst for a gradual re-rating over the coming period.

## P/E below historical levels across sectors (ex-energy) – 2025f P/E




Source: Bloomberg, SNB Capital Research. Prices as of 25 December 2025. Includes only covered stocks. Others include: MBC, SEC and Aldrees

## Valuations of selected Saudi picks – 2025f P/E



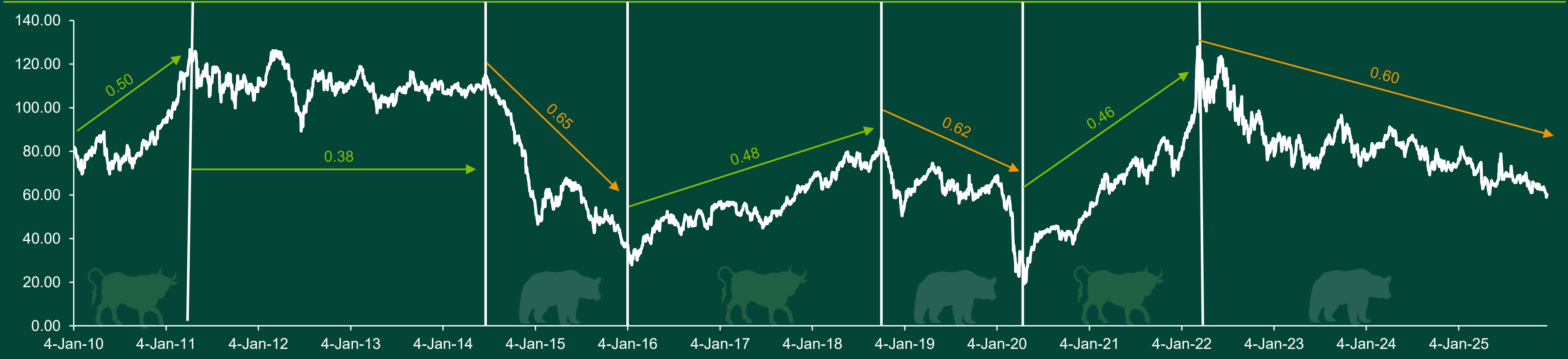

Source: Bloomberg, SNB Capital Research. Prices as of 25 December 2025

# Oil and TASI

## Stronger correlation with larger moves

- Oil prices has historically influenced the performance of the Saudi market, but the strength of the relationship varied over time.
- Based on 180-month data, oil price movements explain c40% of TASI returns. However, the correlation decreased slightly to c38% since the announcement of Vision 2030.
- Moreover, oil-TASI relationship appears to be moderate to strongly correlated over the longer run, but increases sharply during down cycles. During periods of oil price stability, correlations decline as equity performance is driven by earnings delivery and sector fundamentals.
- In general, sectors react differently as historically, Energy and Material (including Petrochemical and Mining) exhibit high correlation with oil prices changes, which we believe is due to the direct impact of oil prices on their product prices and costs. Banks correlation have been high as well which we believe is due to the implication of loan growth and credit quality. On the other hand, correlation with F&B and Telecom is generally low.
- Going forward, we believe the diversification of the Saudi economy and the increasing breadth of TASI are expected to weaken the correlation further.

### Oil and TASI correlations across cycles




Source: Bloomberg, SNB Capital Research

SNB Capital

# Market Themes

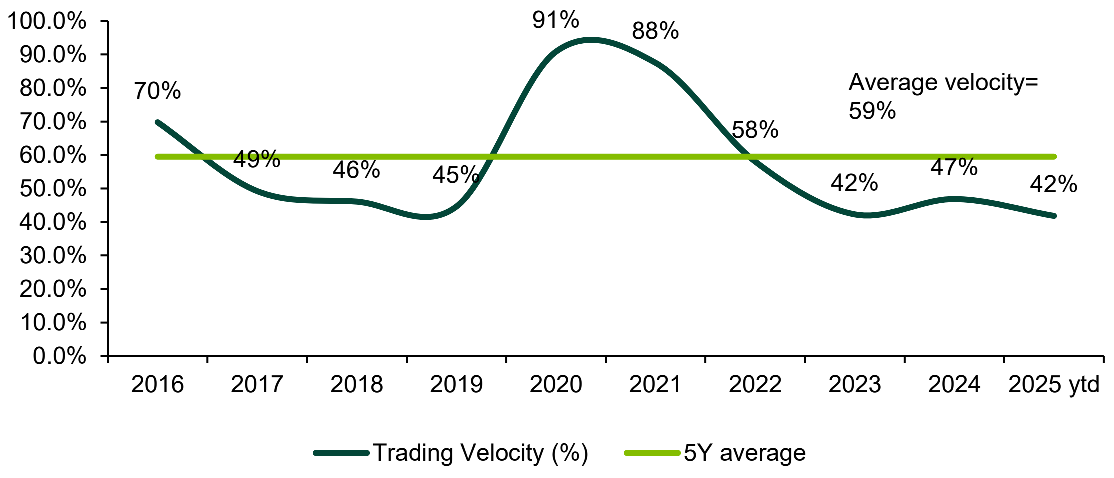
Diverging forces

# Liquidity – The drag and the trigger

## The root of all troubles

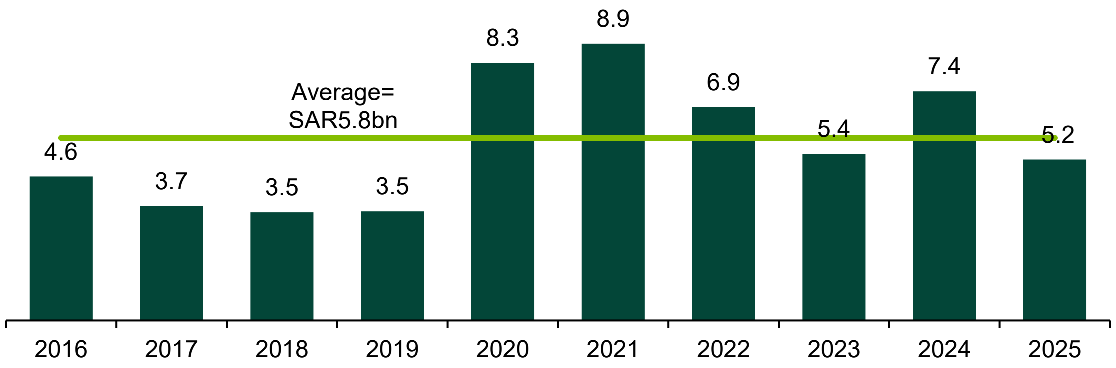
- Liquidity was blamed for the poor performance of the Saudi market in 2025. The term was used interchangeably to refer to multiple factors across the market and economy.
- After recording higher liquidity levels over the past few years, the Saudi market's liquidity came under a significant pressure in 2025. ADTV declined by 29.8% yoy to SAR5.2bn, lower than the 10-year average of SAR5.8bn and compared to SAR7.4bn in 2024.
- ADTV fell to SAR4.80bn in H2 25 (SAR3.6bn in Dec 25), hitting a low of SAR1.65bn on 25 December 2025, the lowest level since December 2019. Traded velocity also declined to c42% in 2025 vs c47% in 2024 and is well below the 10-year average of 59%. This is despite the increase in listed companies and major market enhancements.
- We believe the decline in liquidity is due to 1) spillover effect of constrained liquidity in the banking system, 2) attractive and stable return in fixed income, 3) lower participation of retail investors and 4) muted earnings growth.
- Heading into 2026f, we believe liquidity remains the main concern for the market. One of the key triggers might be the potential change in FOL, resulting in an inflow of USD10-11bn, amongst others.

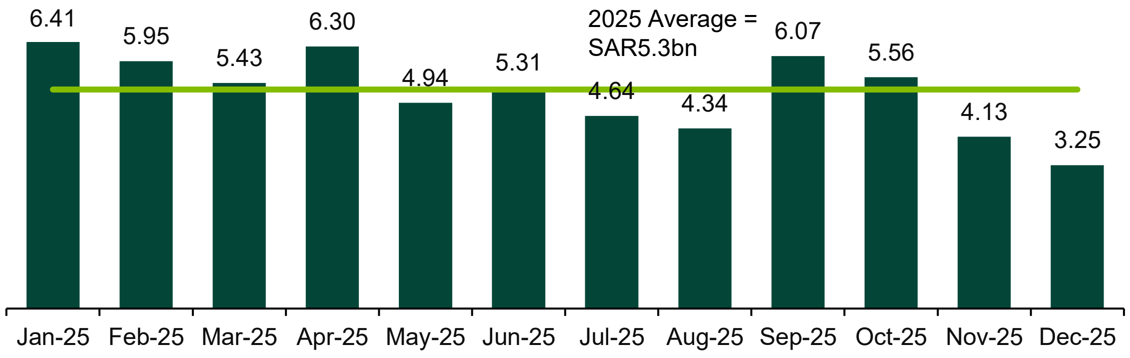
## Saudi Exchange traded velocity (%)




Source: Saudi Exchange, SNB Capital Research, Velocity is calculated Ex-Saudi Aramco based on average market capitalization (beginning + closing divided by 2)

## Saudi market ADTV (SAR bn)



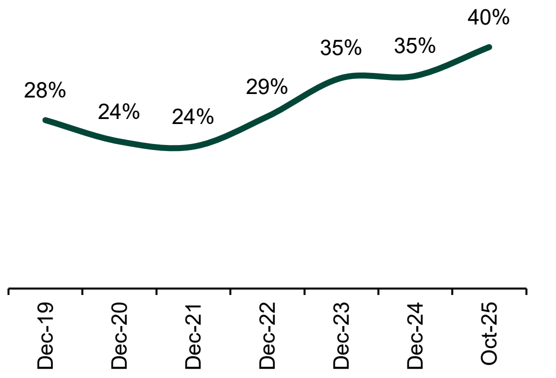

Source: Saudi Exchange, SNB Capital Research. As of 31 December 2025

# Liquidity – The drag and the trigger

## Investors moving to alternative asset classes

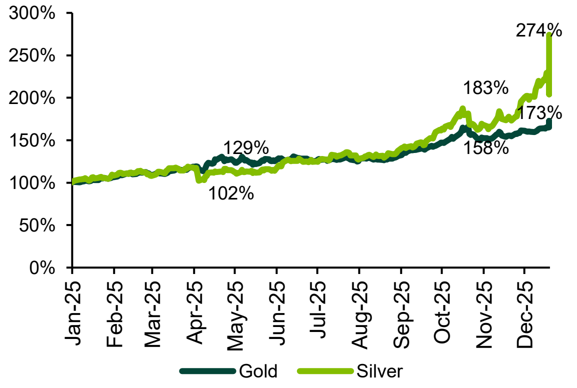
- Retail investors have also shifted towards other asset classes including time deposits, debt issuances, MM funds and commodities.
- The investors capitalized on tight liquidity situation with growing interest in term deposits and money market instruments. Term deposits account for c40% of total deposits (as of October 2025) up from 24% back in 2021 and represented the majority of the incremental deposits over the past 4 years.
- Moreover, the ongoing issuances of sukuk has also diverted investors from equities, on the back of attractive yields (such as Arabian Center +8.5%). Moreover, Tier 1 offerings' returns are exempted from Zakat (as it has already been paid by banks), which increases the attractiveness of this instrument.
- Commodities, mainly gold and silver, also attracted investors with phenomenal returns of +70% and +170% in 2025, respectively.

### Increased contribution of term deposits to total deposits




Source: SAMA, SNB Capital Research

### Gold and Silver relative performance in 2025 (%)




Source: Bloomberg, SNB Capital Research. Prices as of 26 December 2025

## Some of the key issuances in 2025 (USD, EUR, SAR)

| Issue Date | Issuer | Ratings (M/S/F) | Maturity Date | Currency | Amount Issued (mn) | Coupon (%) |
|---|---|---|---|---|---|---|
| | | | **Banks** | | | |
| 27-Aug-25 | BSF | - / - / BBB | 03-Sep-23 | USD | 1000 | 5.76% |
| 27-Aug-25 | Alinma | - / - / - | PerpNC5 | USD | 500 | 6.25% |
| 17-Jul-25 | SAB | - / - / - | PerpNC5 | SAR | 2,000 | 6.30% |
| 07-Jul-25 | RIBL | - / - / - | 14-Jul-35 | USD | 1250 | 6.21% |
| 03-Jun-25 | SNB | - / - / - | PerpNC5 | SAR | 1,730 | 6.00% |
| 20-May-25 | Alinma | - / - / - | PerpNC5 | USD | 500 | 6.50% |
| 15-May-25 | Bilad | - / - / - | PerpNC5 | USD | 650 | 6.50% |
| 14-May-25 | SAB | - / - / - | PerpNC5 | USD | 650 | 6.50% |
| 01-May-25 | BSF | - / - / - | PerpNC5 | USD | 650 | 6.38% |
| 16-Jan-25 | ANB | - / - / - | PerpNC5 | SAR | 3,350 | 6.20% |
| 16-Jan-25 | RIBL | - / - / - | PerpNC5 | SAR | 2,000 | 6.00% |
| | | | **Other Corporates** | | | |
| 24-Nov-25 | Arabian Centres Sukuk IV | - / - / - | 4-Dec-30 | USD | 500 | 8.88% |
| 19-Nov-25 | Arabian Centres | - / - / BB | 23-Nov-31 | SAR | 2,100 | 8.50% |
| 25-Jun-25 | Dar Al Arkan | B1 / - / - | 2-Jul-30 | USD | 750 | 7.25% |
| 4-Mar-25 | Rawabi Holding Co | - / - / - | 13-Mar-27 | SAR | 100 | 8.10% |
| 4-Mar-25 | Rawabi Holding Co | - / - / - | 13-Mar-28 | SAR | 431 | 8.30% |
| 11-Feb-25 | Saudi Electricity | Aa3 / - / A+ | 18-Feb-35 | USD | 1,250 | 5.49% |
| 6-Feb-25 | Ma'aden Co | Baa1 / - / BBB+ | 13-Feb-30 | USD | 750 | 5.25% |
| 6-Feb-25 | Ma'aden Co | Baa1 / - / BBB+ | 13-Feb-35 | USD | 500 | 5.50% |

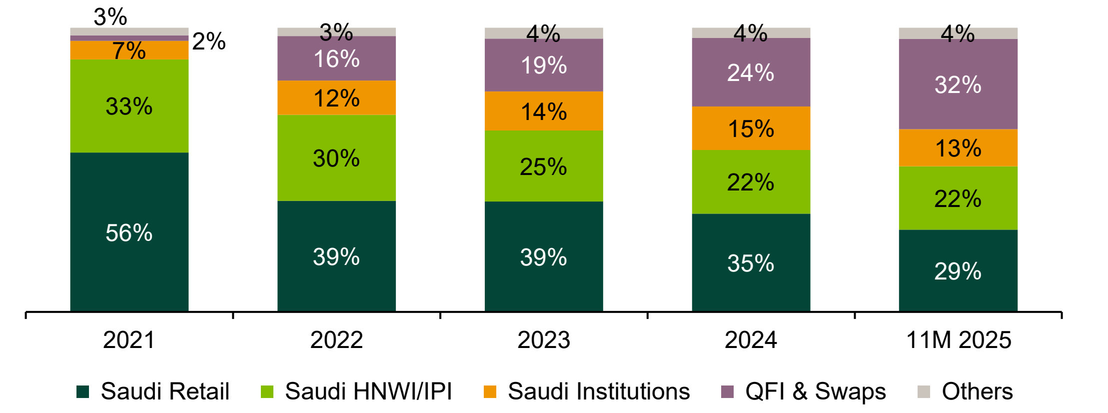
Source: Bloomberg, SNB Capital Research

# Liquidity – The drag and the trigger

## Retail investors, a cause or a consequence?

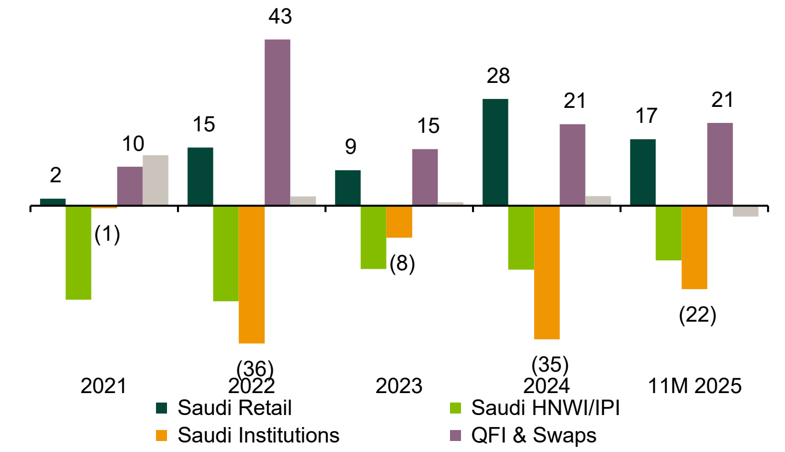
- We believe weak market performance negatively impacted Saudi retail participation and sentiment. Although retail investors remain a key part of the market, their contribution declined from c35% in 2024 to 29% in 11M 25. Meanwhile, the contribution of HNW/IPI remained at c22% in 11M 25, similar to last year.
- We believe lack of positive momentum shifted retail investors' away from the Saudi market to seek better returns in other markets/asset classes. Saudi investors trading in the US market hit an all-time high of SAR216bn in Q3 25, taking the 9M 25 value to SAR583bn. This reflects ADTV of cSAR3.4bn and SAR3.1bn vs TASI's of SAR3.6bn and SAR5.49bn, in Q3 25 and 9M 25, respectively.
- On the other hand, QFIs (inc. swaps) contribution increased significantly from c24% in 2024 to 32% in 11M 25 (2.0% in 2021), and remained the main source of liquidity. QFIs were net buyers of SAR21.3bn in 11M 25 vs a net purchase of SAR21.0bn in 2024.

## Activity of market participants (%)



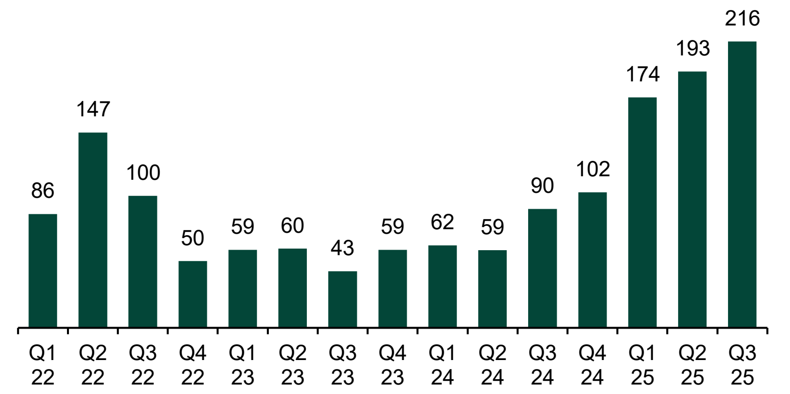

Source: Saudi Exchange, SNB Capital Research

## Net trading activity by investor type (SAR bn)



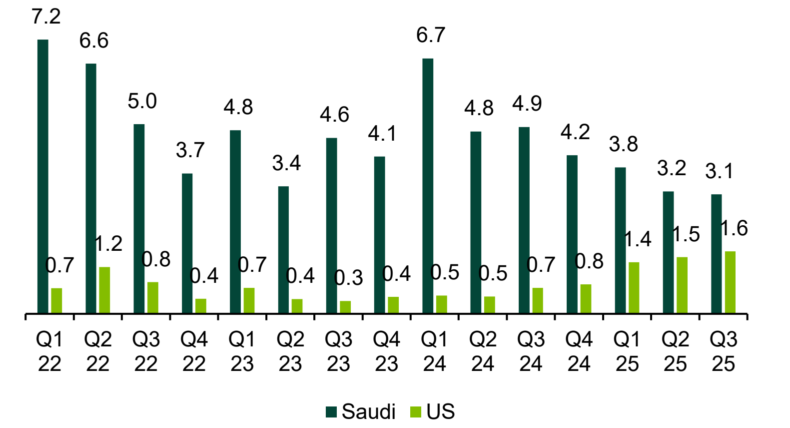

Source: Saudi Exchange, SNB Capital Research

## Saudi investors value traded in the US market (SAR bn)




Source: Argaam, SNB Capital Research, Data is from CMA and is based on trades executed through local financial institutions

## Saudi ADTV vs US (SAR bn)



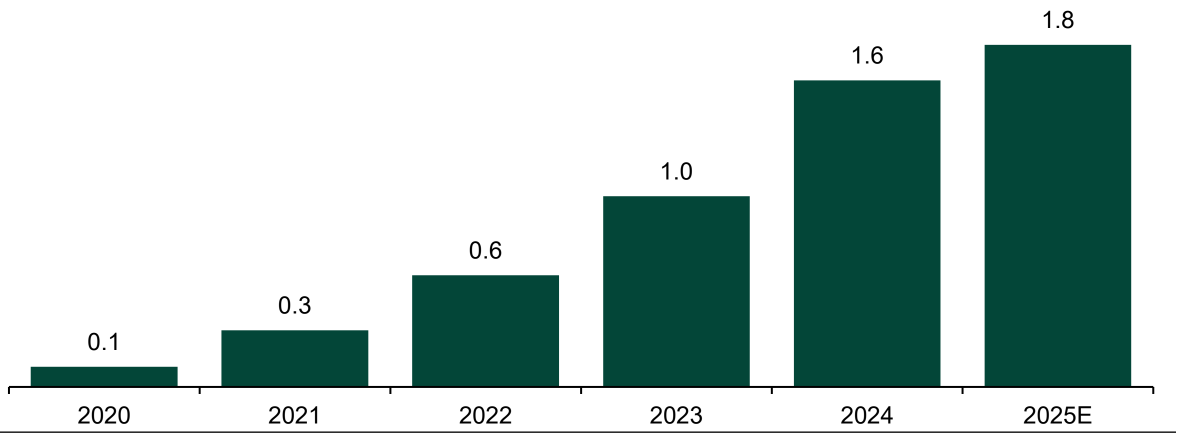

Source: Saudi Exchange, Argaam, SNB Capital Research, The data represents Saudi investors daily traded activity comparison in Saudi vs US market

# Infrastructure Spending – Prioritization and major events

## New awards down, but with a sizable pipeline of projects in execution

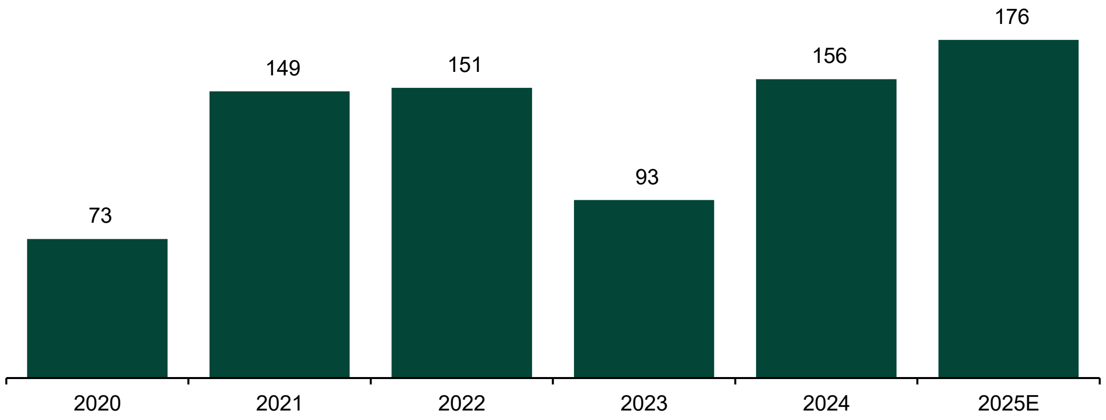
- The total value of new project awards declined by 69% yoy in 2025 to a total of SAR184bn which we believe is largely a function of phasing, elongation and reprioritization of projects, rather than an abrupt pullback. This has been consistently reiterated at an official level.
- At the same time, the value of project completions increased 13% yoy to SAR176bn, demonstrating that activity remains robust as there is a shift towards delivering on existing commitments.
- We highlight that Saudi has one of the largest active construction pipelines globally with cSAR4.6trn worth of projects currently under execution. This embedded backlog provides multi-year visibility for contractors, suppliers and financiers, even in the absence of a strong near-term awards flow.
- Macro construction indicators confirm underlying strength. Construction GDP growth of 4.1% (Q1–Q3 2025) and continued strength in local cement sales point to sustained physical construction activity. These proxies reinforce the view that execution levels remain strong despite fewer new contract announcements.
- The current environment reflects a maturing project cycle. Following several years of exceptionally large award volumes (cSAR1.8trn worth of projects were awarded during 2021-25), the system is now absorbing and delivering those projects.
- As a result, completions, commissioning and operational readiness are becoming more important metrics than headline award values. On the other hand, we expect a new wave of projects to be driven by the impact of the real estate new regulations.

### Cumulative project awards 2020-25 (SAR trn)




Source: SCAVO, SNB Capital Research

### Value of project completions (SAR bn)

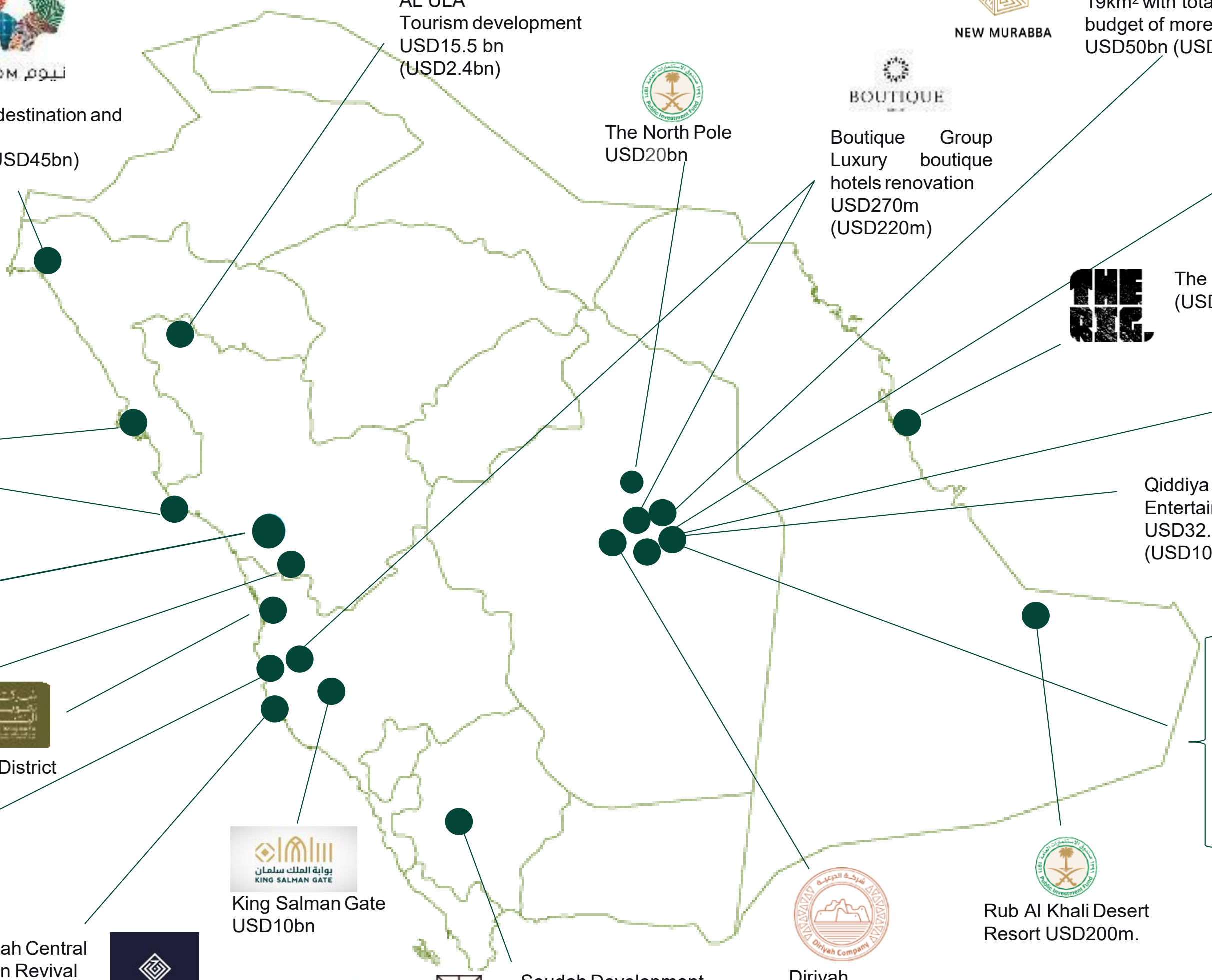



Source: SCAVO, SNB Capital Research

# Infrastructure Spending – Prioritization and major events

## … but there is more than just airports and stadiums

Total value = USD925bn
Total work awarded to date = USD116.6bn



NEOM
City, tourism destination and industrial hub
USD500bn (USD45bn)

Royal Commission for AlUla
AL ULA
Tourism development
USD15.5 bn
(USD2.4bn)

The North Pole
USD20bn

Boutique Group
Luxury boutique hotels renovation
USD270m
(USD220m)

NEW MURABBA
New Murabba: World's largest downtown development covering 19km2 with total estimated budget of more than USD50bn (USD186m)

ROSHN
Residential housing for nationals and residents
USD47.8bn (USD5.9bn)

The RIG, USD1.5bn, (USD250m).

KSIA
King Salman International Airport
USD30bn (USD100m)

Red Sea Global
Red Sea Global (Including Amaala) luxury coastal development
USD27.5bn
(USD11.6bn).

Qiddiya
Qiddiya Entertainment City
USD32.1bn
(USD10bn).

The Monolith
USD300m

Rua Al Madinah Islamic & cultural destination for pilgrims
USD37bn (USD1.2bn).

Al Balad Historic District Development USD5bn.

Sports Boulevard
USD8.5bn
(USD4bn)

King Salman International Park
USD10.4bn (USD6.8bn)

Green Riyadh
USD23bn (USD3.01bn)

King Salman Gate
USD10bn

Al Wadi Project
USD1bn (USD10m).

Jeddah Central Urban Revival
USD20bn
(USD3.2bn).

Soudah Development
Soudah Development
USD7.7n (USD80m).

Diriyah
USD63.2bn
(USD16.9bn)

Rub Al Khali Desert Resort USD200m.

Entertainment complexes in multiple cities
USD13.3bn (USD5.3bn)

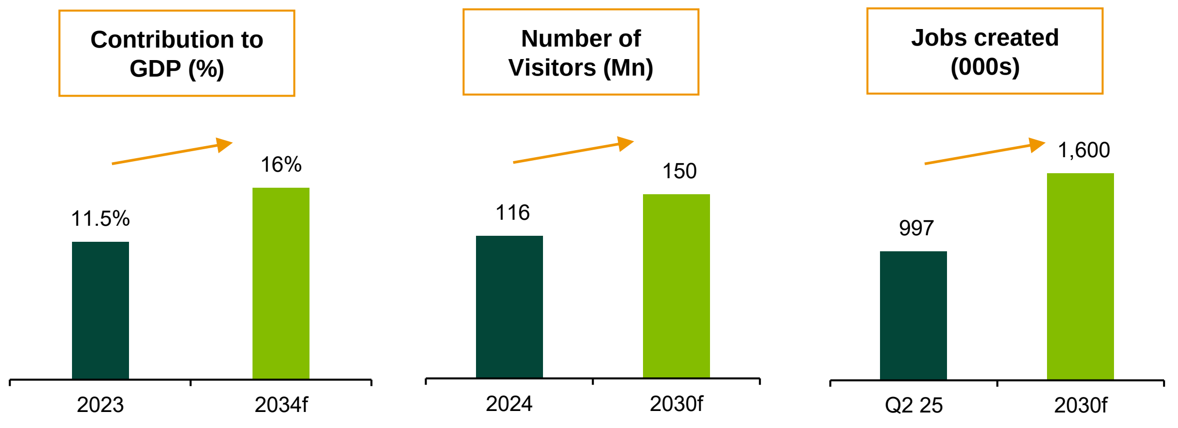
Source: Meed, SNB Capital Research

# Tourism – Building to scale

## Great progress and major potentials

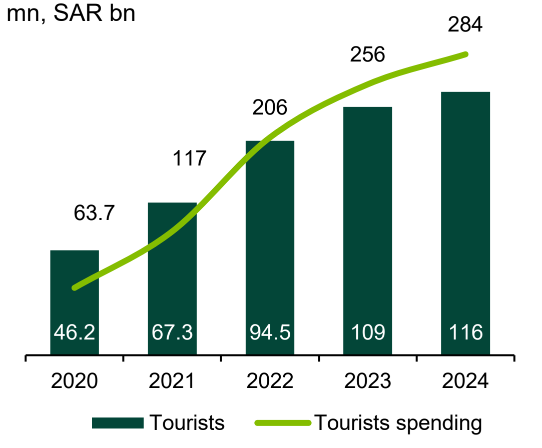
- Tourism remains a key pillar in Vision 2030, with a targeted contribution to GDP of 16% by 2034f (both direct and indirect). Moreover, Saudi aims to reach 150mn visitors and to create 1.6mn jobs related to the sector by 2030f.
- As a result of various strategies and programs, Saudi ranked 1st globally in international tourism revenue growth in Q1 25, and the 3rd in the growth of international tourists arrivals according to the World Tourism Barometer.
- Moreover, according to MoF's 2026f budget report, the travel item in the BoP was positive in 2024 achieving a surplus of SAR50.3bn (SAR32.2bn in H1 25), compared to a deficit of cSAR21bn in 2016.
- Tourists spending was also strong. According to the Ministry of Tourism, Saudi recorded 116mn tourists in 2024 (86.2mn domestic and 29.7 inbound) with a total spending of SAR284bn. Notably, majority of the inbound spending was on Umrah at SAR68.2bn followed by leisure at SAR36.4bn. The majority of the domestic spending was on Visiting Friends and Relatives (VFR) at SAR38.4bn followed by leisure at SAR36.8bn. We note that the total targeted tourism expenditure is aimed to reach SAR351bn in 2026f.
- The opening of several large projects will also support the sector. After the completion of Phase 1, Red Sea project is expected to have 27 operational resorts by H1 26, supported by 16 weekly flights.
- Moreover, Qiddiya City is opening, with Six Flags at 98% completion, Aquarabia at 97%, Golf Courses at 84% and Speed Park Track at 36%.
- We believe the completion of different phases of large projects will continue to attract more tourists going forward.

## Future targets in tourism



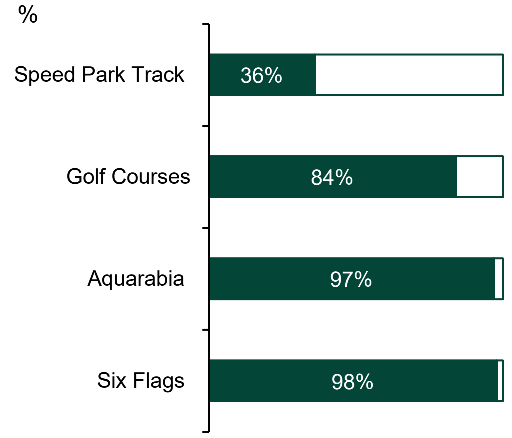

Source: GASTAT, MoF, MoT, SNB Capital Research

## Tourists and tourists' spending




Source: MoT, SNB Capital Research

## Qiddiya city construction progress



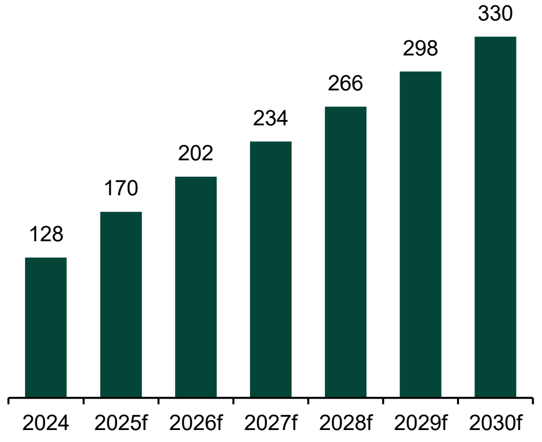

Source: Qiddiya, SNB Capital Research* as of 21 December

# Tourism – Building to scale

## Aviation, the enabler

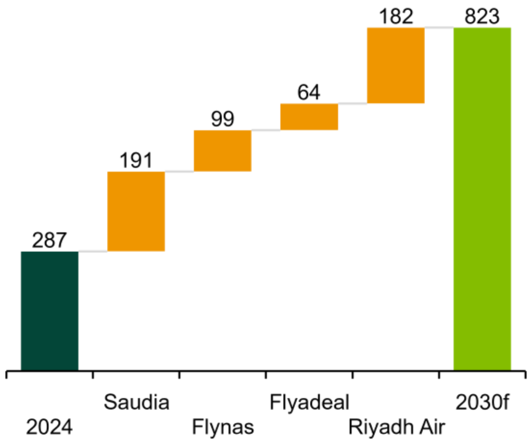
- Saudi aviation sector is key enabler for the tourism sector. The sector is undergoing a structural expansion as part of Vision 2030 and inline with the tourism growth ambitions.
- The total air passengers is targeted to reach 330mn by 2030f, up from 128mn in 2024 driven by tourism, pilgrimage, business travel, and domestic mobility. To reach the target, Saudi carriers started a major fleet expansion plans, increasing the total fleet from 287 in 2024 to 823 by 2030f. Moreover, GACA provided several license to operate across Saudi airports including Air Arabia, Vistajet, Jazeera Airways and BeOnd.
- Saudia, the flagship carrier, had a fleet of 190 aircrafts as of 2024 and plans to add 191 aircrafts by 2030f, taking its total fleet to 381 aircrafts. Flynas is also planning for major expansion from only 61 aircrafts in 2024 to 160 by 2030f. Flyadeal is following a similar path with a plan to expand from 36 planes to 100 by 2030f. Moreover, Riyadh Air is expected to have a fleet of 182 aircrafts by 2030f.
- For religious tourism, the number of umrah pilgrims are targeted to grow to c20mn in 2026f, up from 16.9mn in 2024. We note that a total of 7.8mn pilgrims visited during H1 25.
- Major airport expansions across Riyadh, Jeddah, Dammam, and Madinah are increasing system capacity in terms of passengers served. Notably, Jeddah Airport showcased a strong growth of 136% yoy, serving 49.1mn passengers in 2024. In November 2025, the airport reached a record of 50mn passengers, the highest level across Saudi airports on record.
- By 2030f, Riyadh Airport aims to reach a capacity of c150mn passengers, while Jeddah Airport is aiming to grow to 135mn passengers.

## Saudi air passengers targets (mn)



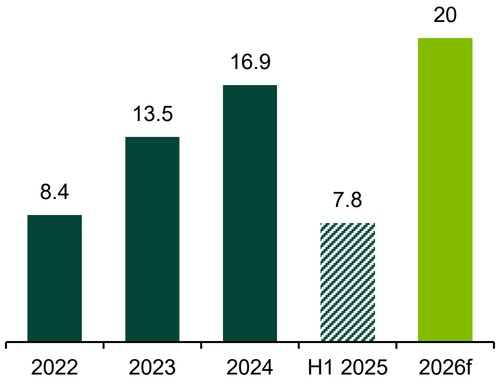

Source: Flynas prospectus, SNB Capital Research

## Fleet expansions (number of planes)



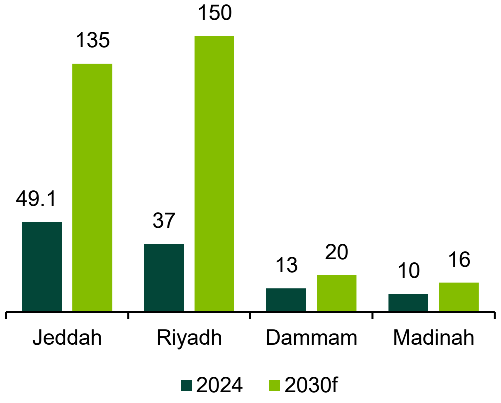

Source: Flynas prospectus, Media, SNB Capital Research

## Expected number of pilgrims (mn)




Source: GASTAT, MoF, SNB Capital Research

## Major airports passengers capacity (mn)



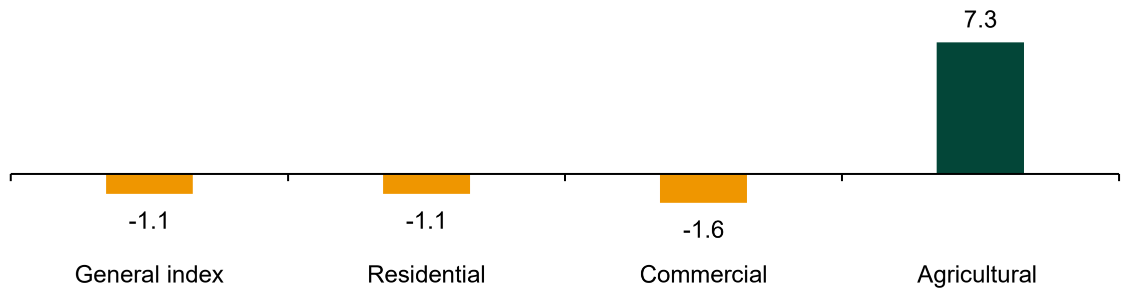

Source: Flynas prospectus, SNB Capital Research

# Real-estate reforms – Set to reshape market dynamics

## How will the reforms impact the overall market?

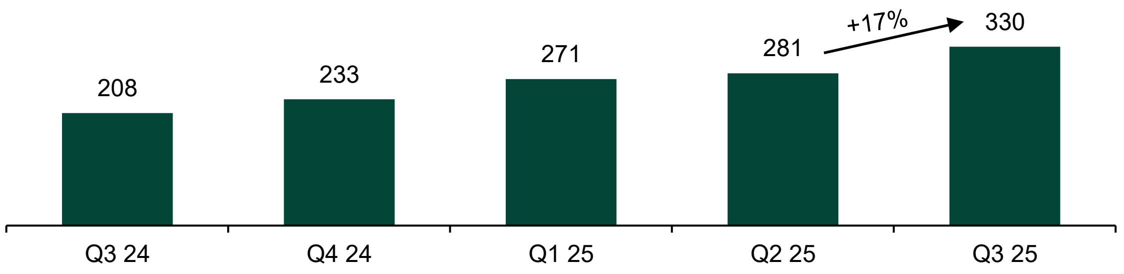
- Overall, we believe both **demand** and **supply** of real estate in Riyadh will rise in light of the recent reforms.
- On the **supply** side, activity should be underpinned by 1) the implementation of idle-land fees; accelerating development, 2) the allocation of land plots to Saudis at a capped price (first batch of 10,024 lands granted in Dec 2025 with allocations expected to continue annually) and 3) the lifting of the transaction suspension on lands located North of Riyadh, covering a total area of 81.5 $km^2$.
- Meanwhile, following the regulations that permit non-Saudi real estate ownership (effective Jan 2026), both Saudi and non-Saudi **demand** for developed properties should improve driven by declining prices and widening offerings.
- The reforms have already contributed to a **general price decline** in Riyadh. We expect the downward trend to resume in 2026f as reforms implementation deepens.
- In Q3 25, the general real estate price index (REPI) declined by 1.1% qoq, as the largest weighted sector 'residential' declined by 1.1% qoq. Within this, the Riyadh region real estate price index fell by 0.4% qoq, which was the 2nd consecutive quarterly decline.
- Real estate companies indicated that land prices declined by c10-20% in Riyadh recently, although the magnitude of discounts varies by landlord. Large landlords are offering higher discounts to accelerate sales, while demand for undeveloped (idle) lands remains subdued.
- Moreover, distressed landlords are facing liquidity constraints due to limited cash availability for development and challenges in raising liquidity through asset sales or leverage. Hence, many are seeking partnerships and quick development solutions. We note that private real estate fund assets grew 17% qoq in Q3 25.
- We expect a negative impact on companies with large land banks in Riyadh. Developers with land banks or thinner margins are likely to face further margin compression, while higher-margin developers may have a greater capacity to absorb part of the decline in end-unit prices and compensate by lower land prices. Furthermore, REITs exposed to residential and commercial properties could be negatively impacted by the rental freeze, depending on the portfolio lease duration and exposure.

### Real estate price index – qoq change in Q3 25 (%)




Source: GASTAT, SNB Capital Research

### Growth in private real estate fund assets (SAR bn)




Source: CMA, SNB Capital Research

# Real-estate reforms – Set to reshape market dynamics

## How do we see the real estate reforms impacting Saudi equities?

**Idle-land fees**

- We expect the key beneficiaries to be developers, construction and contractors as demand would be strong for their services. The manpower sector is also expected to be a main beneficiary. Moreover, the banking sector would play a vital rule in financing the projects and providing mortgages among completion.
- Real-estate focused companies would be negatively impacted due to lower prices, lower demand for idle lands and higher costs.

**Rental regulations**

- The impact is expected to be negative overall on real-estate developers/owners and REITs that own major leased assets in Riyadh. On the other hand, retail, fuel stations and car rental industries are expected to have an overall positive impact as leases and associated lease costs may decline relative to topline (mainly for near-renewal leases).
- For real-estate companies, we believe the impact would vary based on its exposure to Riyadh and the type of contracts. Cenomi Centers highlighted that the impact would be c1% of the topline. For Taiba, the company has 6 residential properties in Riyadh (out of a total of c23 owned properties) and we expect the impact to be moderate. For REITs, 7 out of 20 have an exposure exceeding 40% of the portfolio, including Mefic, Al Waha, Alinma Retail, Al Maather, Al Aziziah, Jadwa Saudi and Alkhabeer.

## Expected sectoral impact from the new regulations

| Sector | Expected impact | |
|---|---|---|
| | **Idle-land fees** | **Rental regulations** |
| Real-estate developers | Generally **positive** for developers with no major land banks as they would benefit from higher activity and lower land prices, compensating for declining end-unit selling prices, while companies with land bank exposure would see a **negative** impact | Generally **negative** for developers with a major leased portfolio in Riyadh as caps would be imposed on rents, but auto lease renewals should improve occupancies |
| REITs | Limited direct impact | Generally **negative** for REITs with a higher exposure to commercial and residential properties in Riyadh as caps would be imposed on rents, but auto lease renewals should improve occupancies |
| Banks | **Positive** as the sector would play a vital rule in financing the development projects and providing mortgages among completion | Limited direct impact |
| Cement, steel, contractors and manpower | **Positive** as development activity accelerates | Limited direct impact |
| Retail, fuel stations and car rentals | Limited direct impact | Generally **positive** as leases and associated costs may decline relative to topline (mainly for near-renewal leases) |

Source: SNB Capital Research

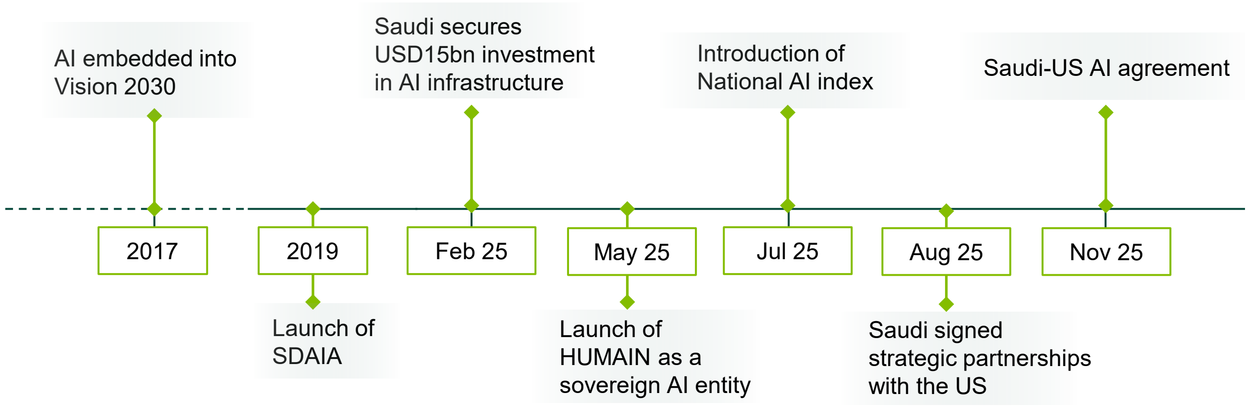
# Saudi AI – The beginning of a new era

SNB Capital

## Joining the race

- In addition to mega projects and major events, Saudi aims to be a key player in AI.
- Following to its establishment in 2020, the National Strategy for Data & AI aims to position Saudi among the top 15 AI countries in the world, attracting SAR75bn (USD20bn) in data and AI investments and supporting c300 AI related start-ups by 2030f. As of 2025, the strategy already supported over 221 start-ups, alongside cSAR368bn in domestic investments and cSAR127bn in foreign direct investment. Moreover, the strategy targets the development of +20,000 AI and data specialists and c40% workforce AI literacy by 2030, strengthening the domestic skills base required to operate AI-intensive infrastructure at scale.
- Along with government initiatives, we believe the recent Saudi-US agreement related to advanced AI and semiconductor chips supports the scaling of AI investments.
- Saudi has complemented infrastructure investment with collaborations with global cloud and technology providers, supporting localization of services and domestic deployment of AI infrastructure and focusing on multiple areas, including data centers.
- Moreover, the establishment of HUMAIN as the national AI champion anchors Saudi's early-stage AI ecosystem within a coordinated framework, providing a centralized platform for AI compute infrastructure, foundation models, and applied use cases, while scaling capacity through c1.0 GW of HUMAIN-led AI data centers over five years (NVIDIA/AMD/AWS), alongside c1.5 GW from DataVolt's Oxagon campus and a cUSD1.5bn Groq–Aramco AI compute facility.
- At this stage, several of the flagship initiatives are led by state-backed entities and platforms, with listed-market exposure expected to develop gradually over time.

## Saudi's AI journey




Source: Media, SNB Capital Research

## Key Saudi AI adoption KPIs – targets vs achievements

| Objectives | Baseline 2020 | Achieved 2025 | Target 2025 | Target 2030 |
|---|---|---|---|---|
| FDI in data and AI in Saudi (cumulative) | NA | SAR127bn | cSAR15bn | cSAR30bn |
| Local investment in data and AI (cumulative) | NA | SAR368bn | cSAR22bn | cSAR45bn |
| Open data index (Ranking) | 29 | 1 | 15 | 10 |
| Active data and AI startups | 26 | 221 | c100 | c300 |

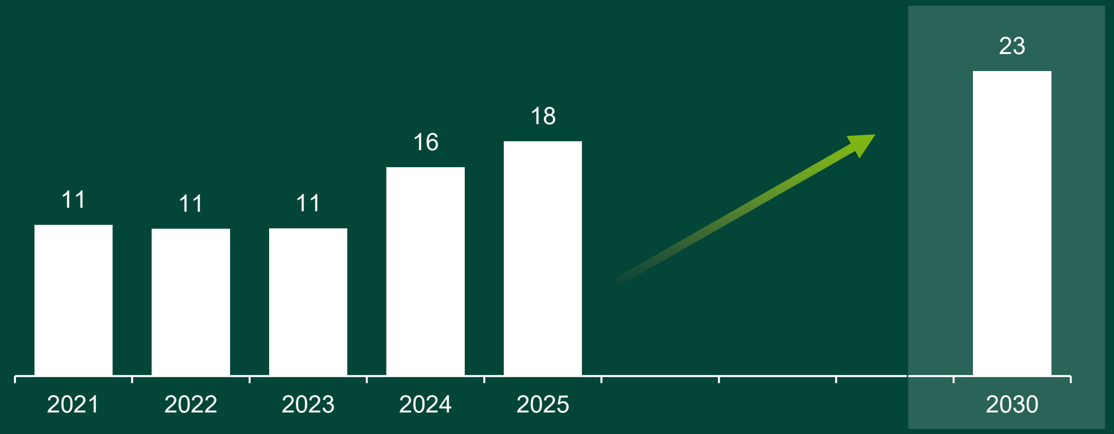
Source: SDAIA, SNB Capital Research

# Saudi AI – The beginning of a new era

## AI and TASI

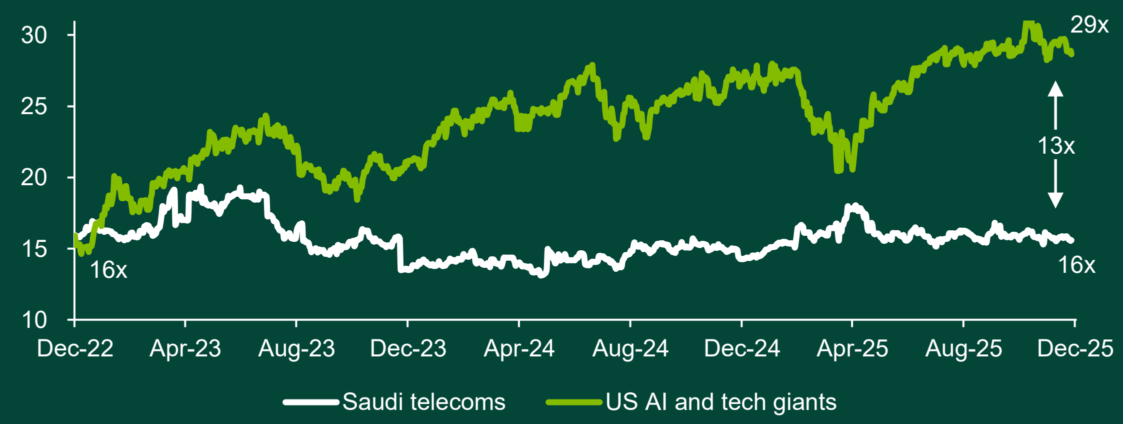
- At the listed-company level, Saudi's AI exposure is currently reflected primarily through ownership, operation, and servicing of data-center capacity.
- While domestic data center capacity remains small in absolute terms, recent announcements and ongoing projects indicate a clear acceleration in capacity additions. This is aligned with rising demand from cloud providers, hyper-scalers, government digitalization programs, and large enterprises. The Saudi data center capacity is expected to grow at 2024-30f CAGR of 29%, supported by increasing compute intensity per workload, localization requirements, and a shift toward data and AI-driven applications across sectors.
- Telecom operators play a central role in this ecosystem through data-center operations, fiber connectivity, cloud enablement, and managed services, positioning them to benefit from higher utilization rates and recurring service revenues.
- Collectively, the total capex spending of Telecom operators increased at a 2020-25f CAGR of c12% to cSAR18bn and it is estimated to increase further at a CAGR of c5.3% between 2025-29f to SAR23bn.
- As the cycle progresses, the investment focus is expected to move from capacity build-out towards utilization and returns, with earnings impact driven by longer-duration contracts, operating leverage, and improved visibility on returns on invested capital.
- From the **equity investors'** perspective, the widening valuation gap between Saudi telecoms and US AI tech industry since 2022 largely reflects differences in capex intensity, with the US players re-rating as AI investment accelerated. A sustained increase in AI-related capex led by Saudi telecom and tech industry could over time support a gradual narrowing of this valuation gap.

## Total listed Telecom companies' capex to reach SAR23bn by 2030 (SAR bn)




Source: Company reports, SNB Capital Research

## Forward P/E comparison – valuation gap widened over 3 years




Source: Bloomberg, SNB Capital Research

# Important disclaimer



SNB Capital is authorised by the Capital Market Authority of the Kingdom of Saudi Arabia to carry out dealing, as principal and agent, and underwriting, managing, arranging, advising and custody, with respect to securities under license number 37-06046. The registered office of SNB Capital is at King Saud Road, SNB Regional Building P.O. Box 22216, 11495 Riyadh, Kingdom of Saudi Arabia.

SNB Capital Company, Saudi Joint Stock Company, Paid up capital SAR 1,500 million, authorized by the Capital Market Authority, CR 1010231474, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia, T:+966 11874 7106, F:+966 11 406 0049, www.alahlicapital.com

Please visit research.snbcapital.com to register and access SNB Capital Research products