

Listing Guide



السوق المالية السعودية
Saudi Stock Exchange



LISTING GUIDE

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Saudi Stock Exchange





//

My primary goal is to be an exemplary and leading nation in all aspects, and I will work with you in achieving this endeavor //

King Salman Bin Abdulaziz Al-Saud
Custodian of the Two Holy Mosques

رؤية VISION
2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA



We will encourage our major corporations to expand across borders and take their rightful place in global markets. //

Mohammed Bin Salman Bin Abdulaziz Al-Saud

Crown Prince and Chairman of the Council of Economic and Development Affairs





Sara Alsuhaيمي
Chairperson

“We have been going through positive economic transformation that is moving the whole country towards globalization, diversification, and growth. We are aligning the Saudi Stock Exchange with this momentum of change which is visibly reflected in the position we have successfully reached today regionally and globally”.



Eng. Khalid Alhussan
Chief Executive Officer

“Through our ongoing development plans, we aspire to become regional leaders not only in terms of size and liquidity, but also in terms of presence. Within the Kingdoms 2030 Vision, we are also working on attracting more market participants by constantly applying global standards that cater to local investors and are familiar to international investors as well”.

Foreword

This year's listing guide is an important and valuable resource which may help you and your company decide to make the important step of raising capital through the public markets. Accessing the capital markets, whether for equity or debt, represents an important step in the development of any company, and significantly increases its corporate and commercial profile. The Saudi Stock Exchange (Tadawul) is at the center of this market enabling companies' access to individual and institutional investors. As of the end of the 1st Half 2019, the total number of listed companies, REITs, and debt issuances reached 272. Listed Companies market capitalization of over SAR 2,085.6 billion (US\$ 556.17 billion). Our Main and Nomu - Parallel Market provide different entry points for companies to access our Main Market dependent on their state of development. Over SAR 24 billion (\$6.4 billion) of corporate and SAR 292.42 billion (\$77.98 billion) government debt are listed on our market.

The Saudi capital markets are undergoing rapid change in the context of 2030 Vision program and as we update the market infrastructure and introduce new markets products and services. The Saudi capital markets offer opportunities for companies to benefit from access to individual and institutional investors locally, regionally (GCC), and internationally. This is underpinned by a strong and vibrant economy with Saudi Arabia ranking as the 18th largest economy in the world* and is increasingly recognized as a leading emerging market.

For the 2019 listing guide, we have collaborated with our sponsors, Alinma Investment, Falcom, HSBC, Alistithmar Capital, Instinctif Partners, and Riyadh Capital as well as our strategic partner The Capital Market Authority (CMA), to ensure you benefit from the perspective of other stakeholders who have a strong interest in developing a healthy capital market for our current issuers and companies that want to access the market in the future. Our collective goals are to inform you of the opportunity, help guide you through the process, and ensure you can access the Saudi capital markets with confidence.

The Saudi Stock Exchange

Source: World Bank Data, <https://databank.worldbank.org/data/download/GDP.pdf>



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Introduction

The capital markets play an important role in helping companies connect with investors to fund the growth of their business. Companies can access the capital market to raise equity or debt through the issuance of securities. Tadawul, the Saudi Stock Exchange, plays an important role in facilitating connecting companies with prospective investors. Through our regulated markets and our state-of-the-art trading technology, companies are able to access the capital markets, raise capital, and establish a liquid market in the trading of their securities.

The term going-public often refers to a situation where a company undertakes an initial public offering (IPO) and accesses the capital markets through an offering of shares to the public. Going public through an IPO marks the transformation of a company from being privately-held to publicly-traded. It is a significant milestone in the corporate evolution of any company as it moves onto the next phase of its development.

The process for offering shares to the public and the listing and admission to trading of these shares on Tadawul can broadly be categorized into two phases. A preparatory phase which involves internal preparation and readiness of the issuer and a public offering phase comprising of marketing, offering, listing and trading of the shares. As part of the IPO process the company will engage with a number of external parties including their financial advisor, the CMA, Tadawul and ultimately new institutional and individual investors. A company that decides to embark on an IPO is required to appoint a financial advisor or Authorized Person (AP), licensed by the CMA, to guide and manage the company through the IPO process, submit the IPO application to and communicate with the CMA and Tadawul on the issuer's behalf, and importantly help market the company to prospective investors.

Tadawul, the Saudi Stock Exchange, is responsible for the listing and admission of shares in accordance with the Listing Rules. Companies can become a listed company through a listing on either the Main Market or Nomu - Parallel Market.

The Capital Market Authority (CMA), as the financial regulator of the Saudi capital markets, is responsible for approving any offering of shares in accordance to its rules and regulations and provides a clear and transparent regulatory framework against which capital markets activity can take place.

Institutional and individual investors who buy IPO shares will become shareholders or co-owners in the company and it marks the start of an ongoing relationship. Shareholders are kept up to date on the developments at the company through the ongoing reporting and disclosure obligations and as part of annual shareholder meetings where they have the ability to exert their influence on the direction of the company.

This listing guide provides prospective issuers, business owners, shareholders, investors, and other stakeholders with an overview of the journey for accessing the Saudi capital markets and provides an overview of the markets that are available.

Overview of the Saudi Capital Markets

The Saudi capital market is highly developed with over

SAR365.78

billion of capital raised in debt and equity in the period between 2014 and H1 2019.

In the 1st Half 2019, SAR 3.46 billion share capital was raised in the Main Market equity. The equity market as represented by the total market capitalization of listed companies amounts to SAR 2,085.6 billion with an annual turnover of SAR 439.2 billion in the 1st Half 2019. In the period between 2014 and H1 2019, a total of SAR 43.81 billion of share capital was raised in IPOs and SAR 17.67 billion was raised in follow on capital raisings by companies*.

Companies from the materials and financial (Banks and Insurance) sector represent the largest part of the market followed by telecoms, consumer staples, and utilities. Share ownership in the market is relatively equally divided between Saudi institutions, Government related entities, and individual investors.

GCC and foreign international investors make up a small, but increasing share of the market. The introduction of new regulation for qualified international investors (QFIs) is expected to further increase international investor participation in the market. This is helped by a growing recognition of the country as an emerging market specifically the inclusion to FTSE Russell, MSCI, and S&P Dow Jones. Recording more than 1,200 Qualified Investors up to date.

The corporate debt market is measured by the outstanding maturity profile of issuances amounts to SAR 1.7 billion at the 1st Half 2019. In the period between 2014 and H1 2019, a total of SAR 72.3 billion was raised in corporate debt. Banking, transportation, oil & gas, and petrochemical companies make up the majority of the corporate debt market.

Source: Tadawul's Annual Statistical reports (2014-2019)





Tadawul

The Gateway to the Saudi Capital Markets

Tadawul is wholly owned by the Public Investment Fund. Vision 2030 and its programs will have a significant impact on the development of the capital markets enabling Tadawul to further enhance its position as a financial center for the region.

A total of

272

listings on the Main and Nomu - Parallel Market

of which 192 securities are listed on the Main Market, and 10 securities are listed on Nomu - Parallel Market as well as 7 Debt Instruments and 3 listed ETFS.

In addition to listing of shares, Tadawul provides listing and trading of Sukuks, and corporate bonds, Exchange Traded Funds (ETFs), and Real Estate Investment Traded funds (REITs).

The Tadawul All Share Index (TASI) comprises all the companies listed on Tadawul Main Market and it's one of the key indicators to investors' overall sentiment and performance of companies listed on the Saudi Stock Exchange. Tadawul also publishes various sector specific indices in accordance with the Global Industry Classification Standards (GICS).

Tadawul traces its history back to the mid-1930s when the 'Arabian Automobile Company' was established as the first joint stock company in Saudi Arabia. Regular expansion of economic markets and the introduction of local ownership as a part of foreign banks led to the emergence of corporate market activities until CMA was established on 16 June 2003 (2/6/1424H). On 19 March 2007, the Council of Ministers approved the establishment of the Saudi Stock Exchange Company (Tadawul). This was in accordance with Article 20 of the Capital Market Law.

As a vertically integrated exchange operator, Tadawul provides the following services to companies and market participants:

Main and Nomu - Parallel Market Listings

Through its markets, Tadawul offers listing products and services to issuers wanting to get access to public equity and debt markets. Tadawul operates a Main Market and a Nomu - Parallel Market, which is aimed at growth companies. Companies are able to raise equity and debt financing on our markets.

Tadawul's markets are classified in accordance with the GICS standard in

20

 sectors

introduced in January 2017, including energy, materials, industrials, consumer discretionary, consumer staples, healthcare, financials, telecoms, information technology, real estate, and utilities. A listing ceremony marks the start of the life of a company in the public market. Tadawul also has a program for ongoing company education and training.

Trading Services

Tadawul offers an array of services that benefit all types of investors. Tadawul has a state-of-the-art trading platform that creates a seamless trading experience through full automation of the trading and settlement cycle. All trading activities are matched, confirmed and executed electronically following a

T+2

settlement cycle introduced in April 2017.

The trading engine has been designed to serve multiple types of orders that should satisfy the needs of market members, traders and investors. Tadawul also provides a subscription services for real time market information with details on the stocks traded on TASI.

Post Trade Services

Edaa, the Securities Depository Centre, is wholly owned by Tadawul and offers a range of post trade services that benefit issuers, investors, and members including, amongst others depository services, registry services for both listed and unlisted companies, securities pledging, transfer of securities ownership, securities ownership restriction and release, clearing and settlement related services, corporate actions, consolidated reporting, and asset servicing.

Tadawulaty

Tadawulaty provides a suite of services offered by Edaa in cooperation with its members. It holds a bundle of services targeted at issuers and investors. The services offered aim at benefiting the investment community within the Saudi capital market, including:

- Increasing the level of confidence and transparency regarding investors' ownerships and rights.
- Empowering investors by enabling them to conveniently exercise their voting rights, inquire on their dividend entitlements and receive alerts and notifications on certain important events.
- Bridging the gap between publicly listed companies and their shareholders as well as enhancing the communication and exchange of information amongst them.
- Providing a convenient and direct reporting mechanism from the ultimate source of information to different market participants.
- Offering an on-going process for validating and updating information maintained at Tadawul.



Role of the Capital Market Authority



Introduction to CMA

The Capital Market Law was promulgated through Royal decree No. M/30 issued on 1424H/2003G. Article 4 of the Capital Market Law officially established the Capital Market Authority with the objective of formulating regulations to ensure an appropriate investment environment and the protection of investors in the Saudi Arabian capital market.

Functions and responsibilities of CMA

CMA's functions are to regulate and develop the Saudi Arabian capital market by issuing the rules and regulations required to implement the provisions of the Capital Market Law. The basic objectives are to create an appropriate investment environment, boost investor confidence, reinforce transparency and disclosure standards across all the listed companies and protect investors and dealers from illegal acts in the market.

Duties of CMA

CMA is broadly entrusted with the following duties:

- Regulate and develop the Exchange, seek to develop and improve methods of systems and entities trading in Securities, and develop the procedures that would reduce the risks related to Securities transactions.
- Regulate the issuance of Securities and monitor Securities and dealing in Securities.
- Regulate and monitor the works and activities of parties subject to the control and supervision of the Authority.
- Protect citizens and investors in Securities from unfair and unsound practices or practices involving fraud, deceit, cheating or manipulation
- Seek to achieve fairness, efficiency and transparency in Securities transactions.
- Regulate and monitor the full disclosure of information regarding Securities and their issuers, the dealings of informed persons and major shareholders and investors, and define and make available information which the participants in the market should provide and disclose to shareholders and the public.
- Regulate proxy and purchase requests and public offers of shares.

- License the establishment of special purposes entity, and regulate and control its business, uses, issuance of securities, the registration in its registry established by the Authority and the provisions of its articles of incorporation, and regulate the provisions of the registration of funds transferred to it, including documentation of the rights thereof and its legal standing against others, and the issuance of rules governing thereof.

Market Conduct Regulations

Market Conduct Regulations define the standard code of conduct for all participants to ensure the smooth functioning of the market and provide various rules to be followed by all market participants. Some of the provisions and contents of the market conduct regulations from a broader perspective are:

Prohibition of manipulation and deceptive acts or practices

1. Any person or organization is prohibited from engaging in any activity relating to manipulation of the market or any acts of deception in connection with an order placed or transaction in a security.
2. No person or company shall directly or indirectly place an order or execute a transaction to give a false or misleading impression of trading activities or influence the market to create an artificial bid, price or trade price for any security.
3. Any action, including making a fictitious trade or effecting a trade in a security that involves no change in its beneficial ownership, will be considered as manipulative or deceptive.
4. Entering an order(s) for the sale/purchase of a security with the prior knowledge that an order(s) of substantially the same size, time and price for the sale/purchase of that security, has or will be entered is prohibited.
5. Purchasing or making offers to purchase/sell a security in a pattern of successively higher or lower prices.
6. Entering an order(s) for the sale/purchase of a security to predetermine the sale, ask or bid price.

Insider trading

What is Insider trading?

Insider trading is the buying or selling of any company's shares or other security listed on the stock exchange, by an individual or a group of individuals, who have access to non-public information about the company and take advantage of such information for vested interests.

Who is classified as an Insider?

An individual who is a key member of the management of the company or who has any family relationship with the management of the company or a business or contractual relationship with the management of the company would be considered an insider. An insider is also someone who has access to non-public information.

What is non-public information?

Information about a company, whether positive or negative, which is not in the public domain, but which may have a material impact on the price of the stock when released.

Prohibition on disclosure of insider information

An individual who has any non-public information is prohibited from disclosing such information to any other person who would be able to take undue advantage for personal benefit. An individual who is not an insider is also prohibited from disclosing information about any company's security to any individual who may trade in the security based upon the information received.

Untrue statements

What is an untrue statement?

A statement is considered to be untrue in the following cases:

- Discloses false or inaccurate information
- Influences another person to make false or inaccurate information
- Misrepresents material fact in a statement
- Influences another person to misrepresent a material fact
- Hides a material fact linked to a statement while it is being made

Market conduct prohibits any individual from furnishing untrue statements to influence the price of securities in the capital market.

Liability for quoting untrue statement

A person making an untrue statement shall be liable to compensate a claimant who incurs a loss from acting upon the untrue statement which otherwise would not have been incurred.

Responsibilities of a Publicly Listed Company

Effective Corporate Governance

As the MENA region integrates more into the global economy, the importance of effective corporate governance becomes more significant than ever as it helps to improve competitiveness, transparency, domestic and foreign investor attractiveness and social accountability. The CMA regulations define corporate governance as rules to lead and guide the Company that includes mechanisms to regulate the various relationships between the Board, Executive Directors, Shareholders and Stakeholders (such as employees, customers and suppliers).

The governance framework facilitates the decision making process and adds transparency and credibility to it with the objective of protecting the rights of shareholders and stakeholders achieving fairness, competitiveness and transparency on the Exchange and the business environment. Corporate Governance Regulations also specify the rules and standards governing the companies' management listed in the exchange. The regulation constitutes as guiding principles in applying some of its articles, but must disclose the provisions that have been implemented and the provisions that have not been implemented.

CMA Corporate Governance Framework

In order to ensure compliance with the best corporate governance practices, the CMA has set out a clear corporate governance framework:

- Shareholders' rights
- The board of directors
- Company's committees
- Internal controls
- The company's external auditor
- The relationship with the stakeholders
- Professionalism and ethical standards
- Disclosure and transparency

Good corporate governance:

- Ensures transparency and credibility
- Enhances accountability and effective control mechanisms
- Protects the rights of shareholders and Stakeholders
- Achieves fairness, competitiveness and transparency on the Exchange and the business environment.



A guide for shareholder in general assemblies of listed companies in the Saudi Capital Market

– which aims to activate the role of shareholders in the General Assemblies and to increase their awareness of their rights and the principles of corporate governance for listed companies and other related requirements of the principles of corporate governance for listed companies and other related requirements.

How to read the listed company board of directors report – which demonstrates the importance of the board of directors report, a crucial data source for investors since it reflects the company's performance during the last fiscal year and all factors that affect the company's businesses.

Guidelines for Corporate Governance regulation – which aims to clarify the requirements of the Corporate Governance Regulations.

For the capital market authority to ensure better practices, it offers presentations for newly listed companies to introduce corporate governance and disclosure requirements explaining all the related aspects. The CMA also continuously issues awareness booklets designed to raise investment awareness.

Secures rights of shareholders

The Corporate governance regulations issued by the CMA regulations define the rights which can be exercised by the shareholders. Shareholders' awareness of their rights is a key factor in terms of engaging with them to actively participate in the oversight of a company's growth and its performance.

Improves transparency and disclosures

Holding the board of directors accountable for timely disclosure of information to the shareholders helps enhance transparency and has a positive effect on shareholder confidence. Disclosure to shareholders and investors must be made without discrimination in a clear, correct, non-misleading fashion, and in a timely regular and accurate manner in order to enable shareholders and other Stakeholders to exercise their rights to the fullest extent.

Ensures effective internal controls

The board is responsible for formulating the appropriate internal control policy framework and ensuring its effective implementation, thus identifying any areas requiring improvement. This enhances the reliability of the information shared with the shareholders and other stakeholders.

Imposes accountability and improves performance

With increased focus on management's accountability, and poor performance reflecting inefficiency, management is motivated to extend its best efforts for improvement throughout the company.

Encourages investment

Established norms and effective monitoring of compliance by the regulatory body helps to win the confidence of investors and thereby enhances the scope for additional investment. Good corporate governance can reduce the risk premium investors place on each company which can have the effect of increasing the valuation of the company's shares.

Enhanced governance culture

Monitoring implementation of effective governance requires major changes in the management structure of private companies which can make the process of implementation difficult at the initial stage.

Mechanism for selecting board members

Corporate governance specifies the required skills to be possessed by members of the board and the various board committees. Finding appropriate board members, including independent directors, can be a challenging task. The company must have clear policies and procedures for the membership of the board of directors.

Improving process of internal controls

The Board shall approve an internal control system for the Company in order to assess the policies and procedures relating to risk management; implementation of the provisions of the Company's governance rules approved by the Company and compliance with the relevant laws and regulations.

Effective work by committees

Corporate governance requires the formation of various board committees to ensure the effectiveness of internal controls and adequacy of appropriate skills on the board. For more information, please visit www.cma.org.sa.

Obligations and disclosures

With the company's listed entity status, comes a new set of responsibilities. Once a company is listed, the interest of various stakeholders is directly dependent upon its decisions and performance, so it becomes obligatory for the company to keep its stakeholders informed about decisions being taken and its ongoing operational and financial performance. This helps investors to make an informed decision regarding the continuity of their investments. Some of the key obligations of a listed entity and disclosures to be made by its board are categorized below.

Obligation to disclose material developments

An issuer must disclose to the Authority and the public without delay any material developments in its sphere of activity which is not public knowledge and may affect the assets and liabilities or financial position or the general course of business of the issuer or its subsidiaries and which may reasonably lead to movements in the price of the issuer's listed securities or significantly affect an issuer's ability to meet its commitments in respect of listed debt instruments.

In determining whether a development falls within the scope of this Article, an issuer must assess whether a prudent investor would be likely to consider information about the development in making his investment decisions.

Disclosure of specific events

The issuer must immediately and without delay disclose to the Authority and the public any of the following developments (regardless of whether or not they qualify as "material" under Article 62 of these Rules):

- Any transaction to purchase, sell, lease, or mortgage an asset at a price equal to or greater than 10% of the net assets of the issuer according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later.
- Any losses equal to or greater than 10% of the issuer's net assets; according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later.
- Any significant change in the issuer's production environment or activity including (but not limited to) the availability of resources and the possibility of obtaining them.
- Any changes in the composition of the directors, the audit committee, or to CEO's position of the issuer, and in case the issuer is a special purposes entity, any changes in the composition of the directors, the audit committee or to CEO's position of the sponsor and the special purposes entity.
- Any dispute including any litigation, arbitration, or mediation where the value involved is equal to or greater than 5% of the net assets of the issuer according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later.
- The increase or decrease in the net assets of the issuer equal to or greater than 10% according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later.
- The increase or decrease in the gross profit of the issuer is equal to or greater than 10% according to the latest audited financial statements.
- The call for convening a general or special assembly and its agenda;
- Any proposed change in the capital of the issuer.
- Any change in the rights attaching to any class of listed shares or to the debt instruments convertible to such shares.

Disclosure of financial information

The annual financial statements of an issuer must be disclosed to the Authority and the public upon their approval and prior to their publication to shareholders or third parties. For the purposes of this Article:

- Interim financial statements are deemed approved when they are (a) agreed by the board of directors and (b) signed by (i) a director authorized by the board of directors, (ii) by the CEO and (iii) the CFO; and



- Annual financial statements are deemed approved when they comply with any applicable requirements under the Companies Law.

The issuer shall disclose its interim and annual financial statements through the electronic system specifically designated for such purpose by the Exchange.

The issuer must prepare its interim financial statements in accordance with the accounting and auditing standards adopted by SOCPA, and disclose them to the public within a period not exceeding 30 days after the end of the financial period included in such financial statements.

The issuer must prepare its annual financial statements in accordance with the accounting and auditing standards adopted by SOCPA, and disclose them to the public within a period not exceeding three months after the end of the annual financial period included in such financial statements. The issuer must disclose these annual financial statements not less than 15 calendar days before the date of convening the issuer's annual general assembly.

An issuer must ensure that the external auditor that audits its financial statements and any of its partners comply with the SOCPA rules and regulations in relation to the ownership of shares or securities of the issuer or any of its subsidiaries in order to ensure the audit firm's independence and the independence of any partner or employee of that firm.

If the issuer is a special purposes entity, the sponsor shall provide the special purposes entity of its interim and annual financial statements and the report of the board of directors in a timely manner to enable the special purposes entity to fulfill its obligations under this article.

Board of directors' report

The issuer must provide the Authority with disclose to the shareholders a report issued by the board of directors containing the required information pursuant to the Corporate Governance Regulations within three months from the end of the financial year. The report must include a review of the operations of the issuer during the last financial year and of all relevant factors affecting the issuers business which an investor requires to assess the assets, liabilities and financial position of the issuer.

Duties of directors and senior executives

The directors and senior executives of an issuer must exercise their powers and carry out their duties in such a way to serve the interests of the issuer.

Provision of documents to the Authority

The issuer must send copies to the Authority of any notices, documents, or information that are sent or otherwise made available to its shareholders unless they were disclosed on the Exchange.

Key Reasons for Companies to Go Public



There are different reasons for a private company to access the capital markets through an IPO. Raising capital to fund the further development of the business is often a primary one. There are other benefits that come with being a listed company and which will help the company meet its strategic objectives, help its relationship with shareholders and strengthen the profile and attractiveness of the company. Some of these are discussed in more detail below.

Creating an Optimal Capital Structure

Access to new capital is often the primary reason a private company considers going-public. Raising capital through an IPO allows the company to tap into a larger investor base, which otherwise would not be available without the benefit of an organized market, such as Tadawul, that facilitates and streamlines access to institutional and individual investors. The proceeds from the IPO (cash received from investors in exchange for shares in the company) can be used, among other reasons, to finance capital investment projects, fund organic growth, finance acquisitions, help the company manage its capital structure by paying down debt or restructuring its capital.

Shareholder Monetization

An IPO can also allow the founding or current shareholders to monetize part or all of their holdings in exchange for cash proceeds from the IPO. Private equity, venture capital and investment firms regularly use the IPO route as an exit strategy. Governments also look to IPOs as a means to privatize government owned enterprises and put them on an independent footing.

Price Formation in a Regulated and Transparent Market Place

A listing creates a publicly quoted market for the shares of a company which otherwise would have comprised of illiquid private holdings. Therefore this makes it easier for owners to monetize their holding at the price that is established on

a regulated and organized market. Some family businesses use the IPO as a means to manage their estate and succession planning and allow liquidity for family members who have moved away from the underlying business. Holding a publicly quoted security can also allow owners and shareholders to benefit from their shareholding in ways beyond capital appreciation, for instance, publicly traded shares can be commonly used as a pledge as part of other financial products or loan financing.

A Currency for M&A Activity and Corporate Expansion

A listed company can use its shares as an acquisition currency, beyond cash resources or debt financing. A company listed on Tadawul will have the option to acquire other private or public companies through issuing new shares to fund the acquisition, whereby the shareholders of the target company become shareholders in the acquiring company. This mechanism is practical for a listed company as it enjoys the benefit of having a reference of its valuation through the public market.

A public joint stock company works under the regulatory guidance of CMA, which requires the company to publish ongoing information on a regular and timely basis. Disclosure of a company's financial performance to investors is mandatory under various regulations, and assists in improving transparency, and eases access to broader options of growth for business. This could also help in attracting foreign investment into the company.

Employees Incentive Programs

Stock based compensation can be utilized by a listed company as a benefit scheme for its employees to align their interest with the company's financial or strategic targets. Share options can also be used by a listed company to reward higher performance and help attract and retain senior executives or talented employees.

Enhanced Reputation and Improved Management

Going public is part of the corporate evolution of any successful company as becoming a listed entity requires the demonstration of strong business merits as well as a solid financial track record. A publicly listed company is better able to exercise its political capital as attention on its activities will increase through investment research, analytical coverage, and media coverage..

Moreover, corporate development advances the interest of all stakeholders through better corporate governance and improved corporate social responsibility, which in turn enhances the reputation of the listed company. Accordingly, the development of the corporate environment translates into better business relationships. In addition, it enables companies to attract talent to the organization.

Going public comes with new responsibilities which the company needs to be aware of and must carefully incorporate into its strategy, operational and financial management, communications, and investor relations to ensure it manages all aspects of being a publicly traded company.

Going public is an involved process that may take up considerable management time and if not carefully planned, may distract day to day operations of the business. Ensuring compliance with the ongoing disclosure obligations, as required by Tadawul and the CMA, will bring with it additional resources requirements and costs.



Listed Companies Quotes



Vice Chairman & Chief Executive Officer
of SABIC

Mr. Yousef Bin Abdullah Al-Benyan

"Saudi Arabia is transforming itself to become a growing, sustainable, and diversified economy with private sector as the economic engine. With this Vision 2030 clear blueprint, private sector contribution is set to increase in the economy through innovation, capability building, and job creation supported by a transparent capital allocation; this will create significant shareholder value and reward entrepreneurship and performance driven culture."

THE MAIN MARKET

Sole exchange in the largest MENA economy

Tadawul is the sole authorized exchange in the Kingdom of Saudi Arabia the largest and only MENA country in the G20, with strong macroeconomic fundamentals

The Main Market



Companies can access Tadawul's Main Market through public offering (IPO) and listing. As part of offering the company can raise new capital and or create liquidity for the existing owners or shareholders, the Main Market requirements for listing and for conducting an offering are summarized in the table below. Listed companies are required to comply with the ongoing obligations set by Tadawul and the CMA. Over the past five years, over 26 companies have accessed the Main Market with a total offered value of SAR 49.45 billion. In an IPO, shares are made available to retail investors and institutional investors. Institutional investors include, but are not limited to: mutual funds, pension funds, banks and insurance companies, listed companies, Authorized Persons as well as Qualified Foreign Investors, and SWAP eligible investors.

Main Market Requirements		
Offering	Listing	Continuing Obligations
The company has carried out a main activity for at least 3 years by either itself or through one or more of its subsidiaries	Must be a joint stock company	Obligation to disclose material developments
3 years of audited financial statements	To offer at least 30% of the shares to the public	Disclosure of specific events
An appropriately experienced management team	Have at least 200 public shareholders at the time of listing	Disclosure of financial information
Sufficient working capital for the next 12 months	Aggregate value of shares listed must be at least SAR 300 million	<ul style="list-style-type: none"> Disclose first, second, and third interim financial statements through the electronic system to the public within a period not exceeding 30 days after the end of the financial period Disclose annual financial statements to the public within a period not exceeding 3 months after the end of the annual financial period
Prospectus		Board of directors' report
		Duties of directors and senior executives
		Provision of documents to the CMA

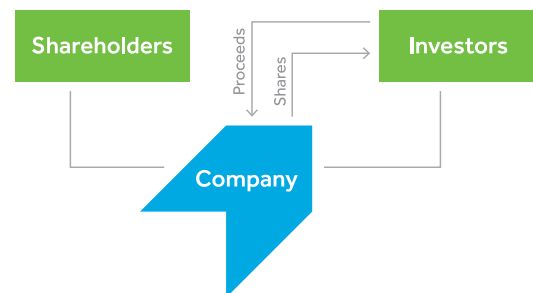
Structuring the Offering and Listing

The offering structure is the blueprint of the IPO and reflects the specific objectives of the issuer and its shareholders. The issuer can go public through an IPO offering new shares in the company and raise what is called new or primary capital. Alternatively in the IPO shareholders can offer existing shares or secondary shares in the company. In a primary offering all proceeds will go to the company while in an offering of secondary shares all proceeds will go to the shareholders as they monetize part of their holdings. The IPO can also combine new and existing shares where some of the offering proceeds go to the company and some of the existing shareholders.

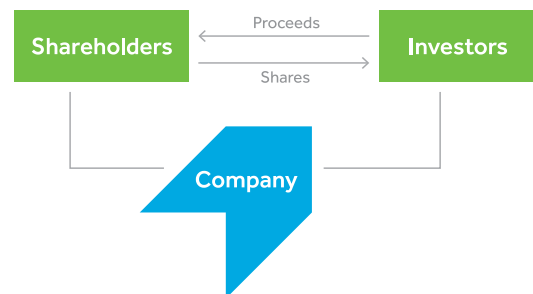
The advice of a financial advisor is important to guide the issuer through the listing and offering process. The financial advisor will advise the issuer in creating the optimal capital structure and capital markets strategy and consequently its optimal offering structure.

Figure 1: Movement of shares and proceeds of an offering of new and existing shares in the company

Primary



Secondary offer



Preparing the Company for Going Public

A company's decision to go public is a strategic decision and is influenced by a number of considerations including the readiness of the business. A company cannot expect to dive head-first into the IPO process. Careful planning and preparation is a key prerequisite to ensure it builds towards a successful IPO and its life as a public company.

Assessment of a company's readiness for the IPO is an essential exercise prior to kicking-off the IPO process as it helps in identifying and resolving any potential business, operational or financial issues. The company must also use this phase to assess how to commit adequate resources to meet the process requirements while not distracting from the day-to-day operations of the business.

Corporatization

Corporatization means that a company has the resources, capabilities and environment to operate as a going-concern—efficiently and effectively—with independence from any of its shareholders, directors, executives, associate companies and any related service providers. Corporatization will see that the interests of all investors, or any other stakeholders, are prioritized and protected.

Conducting an IPO readiness assessment will guide management to identify existing gaps in resources, capabilities and environment that could raise red-flags as part of the IPO process. Some of the identified issues will need remediation prior to listing as they bear regulatory implications, while others will need to be disclosed to the regulators and potential investors as part of the filing and disclosure documents.

Corporate Strategy and Mission

Development and implementation of a sound and resilient corporate strategy, backed by clear and well defined goals and objectives as well as a professional and experienced management team and an established financial and operational track-record, are expected by investors in any public company. The corporate strategy lays the foundation of the investment and value proposition to which potential investors buy into for an execution of a successful IPO transaction.

Corporate Governance and Board Composition

Apart from it being best practice, a listed company needs to satisfy corporate governance standards as set out by the Capital Markets Authority and Tadawul. A strong corporate governance culture empowers the board of directors of the company with decision making responsibilities to ensure the protection of all stakeholders and promote prudent and sound management framework. As part of the IPO preparation, a company must produce a corporate governance manual that complies with the prevailing laws and regulations. A public company must strengthen its board of directors with the appointment of independent members and also establish an audit, nomination and remuneration committee as minimum requirements of local regulations. Many public companies elect to setup further committees depending on the nature and size of their operations such as an executive committee and/or a risk committee.

The Finance and Treasury Function

Financial reporting resources and capabilities are key for a public company. Apart from the time-sensitive obligations to disclose and announce financial results, the flow of accurate and timely information is key to ensure effective management of the company and oversight by the Board. Budgeting and forecasting activities can also be streamlined through adherence to, and application of, sound financial reporting systems, policies and procedures. An internal audit function that directly reports to the Board of Directors, is a regulatory prerequisite for listing and to mitigate some of the regulatory and compliance risks facing the business. Financial risk management is a key topic for any company, let alone a publicly-listed one. The existence of a treasury department as part of the financial function is recommended to manage areas of financial risk. This include amongst others cash and working capital management, leverage and covenant monitoring, financial-charges and loan repayments.

Management Team

The company's management team will be required to have sufficient depth and breadth to prove to existing and prospective investors their ability to lead the business and execute on its stated strategy. As a company prepares for an a listing and offering, the Board of Directors must assess the capabilities and experience of their management team so as to determine whether any strengthening of the management team are required. In addition, succession plans should also be in place to minimize dependence on individuals and ensure smooth managerial transition.

Information Technology

Establishing a comprehensive information technology (IT) infrastructure to support the company's operations, internal functions and controls is essential for a private company before going-public. Enterprise Resources Planning (ERP) systems increases the effectiveness and efficiency of operations through streamlining business activities. Security of information can be emphasized and improved significantly with an

appropriate information technology network.

Investors Relations and Communications

Effective channels of communications with public investors, regulators, the exchange, customers and other stakeholders should be established within prior to going-public. An investor relations functions, in particular, must be established to handle all communication with the investors and shareholders, equity research analysts and also the media. Furthermore, the company must develop and maintain a website that includes information on the company, including but not limited to basic information about the company such as its business, its history, corporate strategy, directors and executives, but also annual reports and financial statements, press releases, its share price and other disclosure that are material to the company.



External Advisors Involved in the Listing and Offering

A company must appoint various external advisors who are each an expert in their respective areas and support the company in the process of going public with proper and quality advice to maximize success. IPO candidates should benefit from receiving appropriate advice early on through the process to ensure proper planning and preparation for the IPO.

Financial Advisor

The financial advisor or investment bank is the company's main partner during its IPO. The role of the financial advisor is essential for the process and involves the coordination of all work streams required for the IPO. The financial advisor guides the company through the relevant transaction considerations, from decision to go public to execution and closing. The role of the financial advisor will be akin to a project manager, responsible for coordinating due diligence, prospectus drafting, equity story development and offer structure, ensure compliance with applicable rules. In addition, it will coordinate liaison between the company and other stakeholders, including the CMA and Tadawul. The financial advisor also provides the company with corporate finance advice and markets the shares to investors during the offering period. The financial advisor will also form the underwriting syndicate, who will assist the company in marketing the issue, facilitate investor education (e.g., pre-deal research), distribute and place the shares with investors as well as providing balance sheet capabilities for underwriting the offering.

Legal Advisor

The legal advisors are responsible to ensure all legal and regulatory requirements of the process are addressed and that all documentation is accurate and complete. This includes the listing application, the board offering resolution, the directors' declarations, the prospectus and all ancillary documentation as applicable, as well as other non-regulatory documentation required for the process. The Issuer's legal advisor is also

responsible for the preparation of the legal due diligence report, and drafting of multiple sections of the prospectus and will support the company in any required corporate or legal reorganization and or restructuring.

Financial Auditors

The accounting consultant's role mainly revolves around the review and assessment of the company's financial statements required for the IPO. The accountant consultant will be different from the company's existing auditors to avoid any conflict of interest. Unlike the auditor, the accountant consultant's review does not provide any sort of assurance on the financial statements, but only measures their quality, trends, behavior over the required disclosure horizon. Typically, the scope of the accounting consultant is limited to the audited financial accounts of the company, but in some cases, the review will extend to include other financial accounts, such as pro-forma financial statements—to retrospectively reflect the changes on results of operations and financial position of the company due to recent events, such as restructuring. The accounting consultant's role will include the preparation of a financial due diligence report on the company's financial accounts over the required disclosure horizon as well as the preparation of the working capital report for the company.

Market Consultant

The market consultant's role is to analyze the company's business and industry, with respect to its past performance, position in the market among its peers, and the sector outlook to produce a market study report if deemed required given limited public information on the company's sector. The market study report is also used to assist the company in the development of its business plan and financial

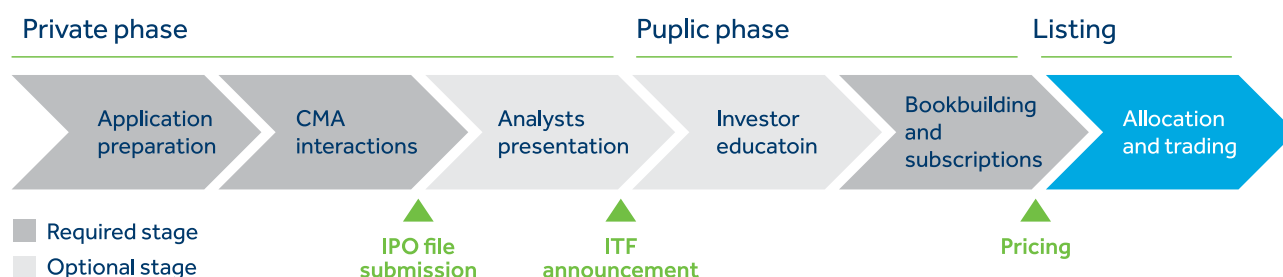
projections.

Other External Advisors and Service Providers

Depending on the nature of the offering, appointment of other advisors may be required or preferred. For example, insurance companies—as per requirements from the Saudi Arabia Monetary Agency—are required to appoint an actuarial consultant to diligence the insurer's underwritings and policies, while REITs needs to appoint a valuation agent to value the underlying property. Services providers may also be required for the process as per the relevant regulations or practice; these may include selling agents, validations service providers, data room service providers, professional printers and translators.

A Roadmap of the IPO Process

The IPO process can be broken-down to two phases: a preparation phase and a public offering phase. In the preparation phase the company together with its external advisors prepares for the public offering phase in which shares are marketed to investor, priced and allocated. The roadmap with key elements of the preparation and public phases of the IPO process are summarized below.





Listed Companies Quotes



Jarir's Chief Executive Officer,
**Mr. Abdul Karim
Al-Aqeel**

"Having Jarir Corporation listed ensures its sustainability and growth, which reduces the risks that might negatively affect our national economy. It also contributes in increasing the company's competence to optimal levels, opening the way for investors to be a part of the company as they acquire its shares. Not to mention the major effect such top-level governance would have on boosting the trust of our customers and financing entities."

The Preparation Phase

The preparation phase is the stage in the IPO process where the company with the help of its advisors is making all the internal preparation to get ready for the public or offering phase. The key elements of this are described below.

Application Preparation

Transaction organization

The company must select a financial advisor and appoint number of other external advisors to start the listing and offering preparation. The financial advisor can help guide the company and assist in the tendering, selection and onboarding of other advisors.

- **The kick-off or organizational meeting:** This meeting marks the commencement of the IPO process. Senior management, financial, legal and other advisors and relevant stakeholders in the process will meet to discuss and formulate the process plan. The agenda for the kick-off meeting will include items such as offering structure design, process timeline and the project management plan.
- **Management presentation:** As part of the kick off meeting or shortly after, a management presentation will be prepared by the company covering the business model, market strategy, products and services offered, financial performance and other areas, which may be relevant to the process or the offering. The goal of the presentation is to educate all advisors on the company and its activities and to ensure experts can focus on relevant areas.
- **Project governance:** As part of the kick off meeting project governance should be agreed- to facilitate smooth execution. Weekly conference calls are recommended for advisors to share frequent progress updates on their relevant work streams with the entire working-group. The company should appoint a management liaison; an employee or a team who will be responsible for managing the project from the company's

side. The management liaison function would allocate the majority of its time on the process and have a good understanding of the company with easy access to key decision makers, as needed.

- **Virtual data room:** Access to corporate, legal and financial documentation are important for the advisors in performing their role. A service provider can be appointed to setup a secure, online accessible platform, which contains all data and information required by the different advisors.

Due diligence

An IPO will typically include legal due diligence, financial due diligence, business due diligence and market due diligence. The due diligence exercise is one of the most important and resource-consuming work stream in the IPO process. The objective of the due diligence exercise is to ensure the factual accuracy and to ensure that all material information is reflected in the offering documentations, such as the application, declaration, and most importantly the offering prospectus. In addition the company benefits from having its business being looked at through a different lens enabling it make improvements to processes and procedures.

- **Legal due diligence** is the examination and inquiry onto the company's legal affairs. The legal due diligence exercise is performed by the legal counsels. The scope of the legal due diligence includes a review of all legal documentations, an assessment of compliance with prevailing laws and regulations, an analysis of the materiality of any outstanding litigations or claims, and a review of material contacts, agreements and facilities. The issuer's legal counsel will work closely with the company and its management to ensure all elements of its legal affairs are not subject to any legal risks or uncertainties. Once the exercise is completed, the issuer's legal counsel will issue a legal due diligence report covering the main findings and a description of the legal environment of the company.

- **Business due diligence** is conducted mainly by the financial advisors and is designed to verify and challenge a company's business strategy including current operating model and financial performance as well as future growth strategy. The process may include visits to the company's operational facilities and also management and/or employees interviews. The findings of the business due diligence will help the company's financial advisors to prepare the company's equity story which will be key in positioning the company with future investors.
- **Financial due diligence** is the analysis of the company's audited financial statements. The financial due diligence is done by the company's appointed accounting consultant for the transaction. The accounting consultant will work along-side the company's management on the financial due diligence exercise to verify the factual accuracy of the findings. The scope of the financial due diligence exercise will mirror the fiscal years the company is required to disclose as per the regulations. The financial due diligence exercise will examine the company's audited accounts including the results of operations, financial positions and cash flows to verify the quality of earnings, impact of trends and seasonality, accounting policies and procedures and financial reporting capabilities. The accounting consultant will issue a financial due diligence report, highlighting the main outcomes and findings of the analysis and detailed breakdown of the financial accounts.
- **Working capital analysis** is the assessment of the sufficiency of the company's working capital. As the per the CMA's requirements, a company pursuing an IPO must demonstrate sufficient working capital for the 12 month following the date of prospectus publication. The working capital analysis is prepared by the company's accounting consultant for the transaction to support appropriate declarations in the relevant offering documentations.
- **Market study** is the analysis of the market and industry in which the company operates. The market study, if required, is performed by the appointed market consultant. The scope of the market study will cover an analysis of the macroeconomic environment in the regions where the company conduct its business in. Market positioning analysis and assessment of competitiveness of the company among its peers will be part of the market study. The market study can also be used to supplement the company's business plan and verify some equity story elements. The data and information used in the analysis is typically obtained from public sources, or propriety databases, as applicable.



Business plan

A business plan should support and explain the company's growth and future expansion plan. It usually spans a five years projection horizon, but can be longer depending on the company's business model and industry. The company may elect to commission a third party to support in the development of the business plan, which is typically reviewed by the financial advisor and reflected into the equity story. The final business plan form the basis, and feeds into, the valuation exercise ahead of meeting independent research analysts and investors.

Prospectus and other offering related documentation*

The application for an IPO with the CMA requires a number of documents, which will be prepared by the company and its legal counsel and supported by the financial advisor. What follows is a brief description of the major sections of the offering prospectus.

- **Offering prospectus** is the main offering document. It includes all regulatory disclosures, undertakings, and commitments by a company and ensures that all material information on the company is in the public domain. The prospectus also delivers the main marketing communication messages regarding the offering to the universe of potential investors and is the most visible medium to potential investors. The quality of the prospectus will significantly impact the market reception of the issue. The key sections in the prospectus are as follows:
 1. Risk factors section includes the risks associated with the issuer's operations, industry and shares, which may have a material impact on the company's operations and financial performance. The issuer should aim for a comprehensive disclosure of these risks as it serves as protection to the issuer, its board of directors and senior management from potential lawsuits. The risk factors are drawn from information from the various expert due diligence reports.
 2. Market overview section provides a description of the competitive landscape, trends and drivers in the industry in which the company operates. The section can be based on data and analysis obtained from publicly available third party sources or, if applicable, a report developed exclusively for the issuer by the market consultant.

Refer to the Capital Market Authority's Offering of Securities and Continuous Obligations Rules for a complete list of the support documentation



3. Business description and company information section provides a background and overview of the company's business as well as the equity story and investment highlights. The section highlights the company's formation, ownership evolution, main business activities, products and services and marketing strategy.
4. Management discussion and analysis of the company's operational performance, financial position and business trends in the period under review. The discussion in this section should include an in-depth analysis of the drivers behind the results of operations, including analysis of segmental reporting on a business unit or geographical basis, as relevant. The management discussion and analysis section is drafted with inputs from the accounting consultant and the company's auditors.
5. Legal information section outlines the company's legal environment. A summary of a company's operational licenses and permits, contracts, real estate, insurance, financing agreements, litigations and contingent liabilities are some of the areas typically covered in the legal section. The legal section is drafted with inputs from the legal due diligence report.
6. Other important prospectus sections are listed in the table below.

Section	Description
Organizational structure	Ownership structure pre and post issue, and corporate governance approach, including board committees as well as directors and management biographies
Dividend policy	Description of the company's dividend policy, and the evolution of dividend payments during the last three years preceding the issue
Use of proceed	Estimates of the proceeds from the issue and detailed schedule of its use, including timetable and milestone for expenditure
Experts statement	Affirmation from experts on any statements in the prospectus, including qualification of their expertise and confirmation of independence
Directors declarations	Directors' declaration on business continuity, share sale commissions, financials information, shareholding interest, and working capital sufficiency
Underwriting information	Information about the underwriter, or the underwriters syndicates, including the total amounts and terms of the underwriting agreement
Shares issue information	Information about the offer, including number of shares, value of the offer, nominal share price, subscription methods, offering period, share allocation, refunds etc.
Subscription declaration	Information about the subscription, allocation and the exchange
Available documentation	List of documents available for inspections
Deal expenses	Aggregate expenses accrued by the company in connection with the offering
Regulatory waivers	Details of all waivers granted by the CMA to the company, as applicable

CMA and Tadawul IPO Application Submission and Interactions

The Rules of Offering Securities and Continuing Obligations and the Listing Rules both regulate the offering and listing of securities. The CMA issued both set of regulations based on its continuous efforts to develop the capital market in the Kingdom and protect investors, and in pursuance to the CMA's Financial Leadership Program 2020.

As part of the Transition and Activation of Responsibilities Project, between the CMA and Tadawul, the responsibility for supervising and regulating certain aspects of the market will lay with Tadawul, in accordance with the CMA's rules and regulations. This includes regulations in connection with various activities such as listing and continuous disclosure of information. In other words, the CMA is responsible for the approval of registration and offering, including the prospectus, while Tadawul is responsible for the approval for listing.

The Public Phase

Early Investor and Research Analyst Engagement

Prior to receiving CMA approval, the issuer, along with its financial advisor, may engage in early meetings with leading investors to receive initial feedback on the equity story, offering structure and key terms of the offering. Early investor engagement will help de-risk the IPO by maximizing the investor education whereby key targeted investors may have more time to understand the opportunity which enhances the price discovery process in the public offering phase.

An issuer may also elect to engage with research analysts to provide pre-deal research on the company following CMA approval of the IPO. The issuer's senior management will present to independent research analysts. Such presentation will include all material information on the company, its operations, strategy, equity story, financial performance for the analysts to prepare their respective research reports. The research report will be provided by the research analysts to investors following CMA approval of the IPO and as part of the investor education process ahead of the management roadshow.

The feedback from the investor education process, if implemented on an IPO, can help the company and the financial advisors address investors' concerns during the management roadshow, identify key interested investors and help determine the price range that will be set for the public offering period. The offering period typically lasts two weeks following the announcement of the intention to float.

This phase represents the part of the listing and offering process where it is known to the market that the company is looking to go public. With extensive preparation completed the company is now ready to face investors and attract new investors to the business. Investors will scrutinize a company heavily when it comes to market to ensure that it represents a good investment at the valuation levels implied by the price range. Key elements of the public phase are described below.

The Book Building and Subscription Period

Once the CMA has approved the application, an announcement regarding issuer's intention to float is published. The contents of this statement will include a brief description of the issuer, its intention to undertake the offer, the size of the offer and the names of the advisers for the offer. The issuer will publish a preliminary prospectus as approved by CMA on the CMA website. The investor education period typically lasts two weeks following the announcement of the intention float.

Prior to the start of the institutional book building and retail subscription period the issuer and book runner will set a price range for the shares to help guide investor bids. The Issuer will open the offer for submission of orders from local and international eligible institutional investors via the book runners.

The book building period can be open for a period up to

2 weeks.

During the book building period, the book-runner will arrange investor meetings for the issuer locally and/or internationally (referred to as the investor roadshow). A roadshow presentation, prepared by the company with assistance from the financial advisor, is typically given by the CEO and CFO which includes an overview of the company's activities, financial performance, growth strategy, and equity story.

On the last day of book building, the book-runner will review the bids received by the eligible investors to help the company and/or selling shareholder(s) determine the final price for the IPO. Retail investors on the other hand are able to

subscribe for shares in the IPO during a subscription period.

The retail subscription period can commence at a minimum

14 days

from the date of publishing the prospectus, and typically lasts for one week.

Allocation, Settlement and Listing of the Shares

Once the offering period is concluded, the final allocation will be determined by the issuer and/or selling shareholder(s) on the advice of the financial advisor and book-runner and shared with the CMA. The final allocated share register will be subsequently shared with Tadawul and Edaa to deposit the shares in subscriber accounts and prepare for admission of shares for listing. In case final allocations result in scale back of retail investor orders, oversubscription amounts will be calculated and refunded.

Listed Companies

Below is an overview of recent companies that have listed on the Main Market together with the total capital raised in the past five years.

Total Capital Raised (2014 - H1 2019)





Listed Companies Quotes



CEO of Samba Financial Group,
Mrs. Rania Nashar

"The Saudi Stock Exchange (Tadawul), as the only authorized entity to act as a securities market in the Kingdom, has played a pivotal role in developing market instruments, improving the rules and standards of listing and trading securities, and stimulating market performance and global competitiveness.

Tadawul has certainly contributed to the improvement of companies' turnaround rates and has increased the viability of these companies, enabling the market to deepen the transparency and governance standards that ensure a wise management schemes for these companies.

As one of the largest financial and banking groups in the Kingdom and the region, Listing Samba is an added value to the market, given the size of the group's capital and the number of its shareholders, the Bank's global standards of business management and strict adherence to the highest standards. All of which translates into an active stock trading within the market and enriches it as a whole."

Listed Companies Quotes



Chairman of the Board of Directors
of Thoub Al Aseel Company,
Faisal Al Jedaie

"We have taken it upon ourselves to sustain the company's name and presences through enlisting its shares in the Saudi Stock Exchange. This way we gain from the market's credibility and allows us to have an independent reference in matters of transparency, governance and assistance to qualify the company to be listed in the main market."

NOMU – PARALLEL MARKET

A parallel equity market with lighter listing requirements that serves as an alternative platform for companies to go public

NOMU - is an important channel that diversifies and deepens the financial markets, with more flexibility and lower cost. It is a part of one of the largest liquid markets in the Middle East and North Africa (MENA) region.

Nomu – Parallel Market

Small and medium companies are significantly underserved in Saudi Arabia compared to their overall contribution to the economy. Small and medium sized businesses account for around one third of Saudi's gross domestic product and contribute to approximately two thirds of employment yet their share of bank lending accounts for only 2%. Nomu Parallel Market provides a real alternative for high quality Saudi growth companies to access an alternative source of funding through the Saudi capital markets.

The requirements for listing and offering on Nomu are lighter than for the Main Market and are summarized in the table below. Listed companies are also required to comply with the ongoing obligations set by Tadawul and also the CMA.

Since its inception in late February of 2017, 10 companies have accessed Nomu - Parallel Market raising over SAR **785** million. Through a listing on Nomu - Parallel Market, small and medium size companies are able to access institutional and individual investors which satisfy a number of criteria and have experience investing. Once a company is listed on Nomu - Parallel Market for two years it has the opportunity to transfer up to the Main Market.

Nomu – Parallel Market Requirements		
Offering	Listing	Continuing Obligations
<ul style="list-style-type: none"> • The issuer must have been carrying on, a main activity for at least one year By either itself or through one or more of its subsidiaries. 	<ul style="list-style-type: none"> • Must be a joint stock company 	<ul style="list-style-type: none"> • Obligation to disclose material developments
<ul style="list-style-type: none"> • Appointment of financial advisor 	<ul style="list-style-type: none"> • To offer at least 20% of the shares to the public 	<ul style="list-style-type: none"> • Disclosure of specific events
<ul style="list-style-type: none"> • Prospectus 	<ul style="list-style-type: none"> • Or a minimum capital in circulation of at least SAR 30 Million of share value 	<ul style="list-style-type: none"> • Disclosure of financial information <ol style="list-style-type: none"> 1. Disclose semiannual interim financial statements through the electronic system to the public within a maximum of 45 days of the end of the financial period 2. Disclose annual financial statements to the public within a period not exceeding 3 months after the end of the annual financial period.
<ul style="list-style-type: none"> • The total market cap of the company must be at least 10 Million SAR 	<ul style="list-style-type: none"> • Have at least 50 public shareholders at the time of listing 	<ul style="list-style-type: none"> • Board of directors' report
<ul style="list-style-type: none"> • At least one year audited financial statements 		<ul style="list-style-type: none"> • Duties of directors and senior executives
		<ul style="list-style-type: none"> • Provision of documents to the CMA

What is Nomu - Parallel Market?

Nomu is a parallel equity market with lighter listing requirements that serves as an alternative platform for growing companies that do not yet meet the requirements for the Main Market and look to raise capital and access the capital markets. This is an important channel that serves to further help diversify and deepen the capital markets.

Who can invest in Nomu - Parallel Market?

Through a listing on Nomu, small and medium size companies are able to access institutional and individual investors which satisfy a number of criteria and have experience investing. These investors together are called Qualified Investors. The range of institutional investors that can be accessed is therefore the same as for the Main Market. The range of individual investors that can be accessed is more restricted and limited to experienced investors only.

A more detailed description of the criteria that individuals need to satisfy to qualify as a Qualified Investor are set out below:

Given Nomu – Parallel Market is restricted to Qualified investors, Authorized Persons (APs) must determine who is eligible. For the purpose of Nomu- Parallel Market offering, Qualified Investors are defined as per the below criteria:

- Authorized Persons act for their own account
- Clients of a person authorized by the Authority to conduct managing activities provided that this Authorized Person has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in Nomu - Parallel Market on the client's behalf without obtaining prior approval from the client
- The Government of the Kingdom, any government body, any supranational authority recognized by the Authority or the Exchange, and any other stock exchange recognized by the Authority or Securities Depository Center Company ("Edaa")
- Government-owned companies either directly or through a portfolio managed by a person authorized to carry out managing activities
- Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf
- Investment Funds
- Qualified Foreign Investors
- Any other legal persons allowed to open an investment account in the Kingdom and an account at Securities Depository Center Company ("Edaa")
- Natural persons allowed to open an investment account in the Kingdom and an account at Securities Depository Center Company ("Edaa"), and fulfill any of the following criteria:

1. has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months.
 2. his net assets is not less than 5 million Saudi Riyals.
 3. works or has worked for at least three year in the financial sector.
 4. holds the General Securities Qualification Certificate which is recognized by the Authority.
 5. holds professional certificate that is related to securities business and accredited by an internationally recognized entity.
- Any other persons prescribed by the Authority

Direct Listing

What is Direct Listing?

Direct Listing is a process that allows a company to be listed on the stock exchange without conducting offering to provide companies with flexibility in their access to funding.

What are the benefits of direct listing?

- Faster time to market due to the absence of the book building process.
- The issuer has a longer period to cover the floated shares. Delisting would occur if the required free float level is not met eventually.

How can a company apply for Direct Listing?

A company has two options to directly list its shares in the market. First, a company can list and float shares with a staged liquidity plan that can be executed by a liquidity provider within a period of 12 months. The second option is to enter into a private placement transaction to meet the minimum liquidity requirement for the market, prior to directly listing their shares.

A company must appoint a financial advisor, authorized by the regulator, to prepare the prospectus (without an offering section) to be submitted to the CMA for review and approval. In addition, the financial advisor must prepare the listing application and a detailed liquidity plan, in case a staged liquidity plan is needed to meet the minimum liquidity requirement and the minimum number of shareholders, to the Saudi stock exchange (Tadawul) for review and approval.

How will price formation take place?

If a company chooses to float with a staged liquidity plan, an independent financial advisor provides a valuation and prepares a liquidity plan with the issuer to be submitted as part of the listing application and described in the listing document.

Otherwise, a company can do a private placement transaction prior to the direct listing to meet the entry requirements. This will enhance the price discovery process.

Transition to Main Market

On February 26, 2019 Nomu- the parallel market has completed two years since its launched date. Nomu – Parallel market was created to offer an opportunity and venue for small and medium sized companies to raise capital, and also act as a stepping stone for entering the Main market. As we approach the two year anniversary of its introduction, Nomu listed companies have begun to show interest in transitioning to the Main market. This shows great added value of being listed on the parallel market, which offers the opportunity for organizations to grow and expand.

Undergoing the task of moving to the Main market illustrates the level of confidence asset owners and managers have towards the organizations future. It will increase local and international investment by enhancing the brand image.

Companies looking to transition, enter the parallel market with the goal of raising capital to boost their growth and operations. Those who achieve their desired goals and success can then begin their process to move to the Main market and continuing their Capital market journey. Taking into consideration the success of some companies since listing, a process for qualifying candidates to move to the Main market is required. It will be created with the objective of providing a clear, simple and seamless process. It will ensure a quick transition to the Main market, while also mitigating any risks on trading, internal systems, and reporting.

How can a company apply for a transition to the Main Market?

A listed company may be considered for transition to the Main market by providing all of the requirements for listing on the Main market as well as any additional requirements that may be imposed by the Exchange.

Main market requirements are as follows:

- Meeting the requirements for listing on the Main Market except for the market cap, where the minimum average market cap for the last six months must be at least SR 200 million.
- The Issuer must disclose to the public the board of directors' report which includes all information required pursuant to the relevant Implementing Regulations.
- Approval of the Board of Directors to move to the main market and to disclose it to the

public before the start of the trading session after the issuance of approval.

- Submitting to Tadawul an application to transition to the Main Market and disclosing the application submission to the public.
- After Exchange's approval, the shares will suspend for a period not exceeding five trading sessions then traded in the Main Market upon completing the transfer procedures.



The Benefits of Listing on Nomu –Parallel Market



There are different reasons for private companies to access the capital markets through a listing and offering in Nomu- Parallel Market; raising capital to fund growth and business development are often primary reasons. Going public and listing could also help the company to meet its strategic objectives, maintain relationships with stakeholders and strengthen the profile and attractiveness of its brand. Some of these are discussed in more details below.

Enhancing the Company's Corporate Profile

Listing highlights the company's activities and performance through media coverage and analysts reports. Thus, it is an effective channel that exposes the company and its services to the public. Listing plays an active role in promoting the company's brand, and attracting new investors, clients and suppliers. In addition, investors get a chance to participate in the company's future growth plans as well as its position in the market and its financial performance.

Increasing Funding Options

Offering on Nomu is an opportunity for SMEs to diversify funding resources and access cost efficient and risk managed capital. It also increases the company's options when it comes to liquidity, and further provides flexible funding opportunities. In general, listed companies also are in an improved position to get a loan from banks at lower funding costs and longer maturities. Furthermore, it enhances investors' confidence in the company.

Enhancing Continuity of the Company

Creating a separate legal entity listed on the market provides reassurance about the company's long-term sustainability. This is unlike risks associated with family businesses. For example, it is possible for the second generation or third generation to face some challenges that may make it difficult to continue with the same attention, management and performance

as the first generation did. Internal conflicts are common in family businesses, which might adversely affect the company's future.

Improving Credibility of the Company

Transparency and availability of information are two characteristics of listed companies, which are subject to the supervision of the Capital Market Authority (CMA). This obligates companies to disseminate information periodically and at specified times. Disclosing the company's financial performance to investors is a mandatory requirement under many legislations. This is important to promote transparency and facilitate the company's access to more growth opportunities, including mergers, acquisitions and joint ventures. Offering on Nomu-Parallel Market increases the level of corporate governance, raises awareness of its owners and management, and separates ownership from management. These are important factors as they contribute in building stakeholders' confidence in the company. This means that they can evaluate their investments and carefully make buying or selling decisions. Good performing companies are always working to take advantage of these features to enhance their position and credibility in the market.

Expanding Pool of Investors and Chances of Entering New Markets

Offering allows companies to diversify their investor base by introducing experienced institutional investors and retail investors who may contribute to the development of the company's business. Also, allowing foreign investors to invest in Nomu-Parallel Market could open the door for expansion in foreign markets.

Providing Direct Liquidity to Shareholders

Investing in a listed company is one of the most attractive forms of investment because investors can easily sell and buy stocks in the market immediately.

Enabling Stock Price Valuation in Case of Potential Merger and Acquisition

Valuation is one of the main pillars of mergers and acquisitions. Listed companies have quoted share price daily, making it easier to determine price bands in mergers and acquisitions transactions.

Allowing Flexible Exit

Nomu - Parallel Market is considered an exit tool available for existing owners. This gives owners greater flexibility tool in making offering decision.

A minimum of

20% of the company's value can be offered instead of

30% compared to the main market.

Facilitating Peers Comparison and Analysis

Nomu's index and information of companies listed in the market enable financial analysts to understand data and make decisions more efficiently, in terms of understanding economic cycles and evaluating similar SMEs.

It is easy to compare listed company with its peers due to availability of information. For example, a retail company can be compared to other companies listed in the same sector as well as to the general sector index to determine its relative performance.

Promoting Staff Participation

Many companies offer their employees long-term incentive share schemes (employee stock option programs). This gives employees the opportunity to participate in future growth and become shareholders in the company, which in turn attracts talented and competent employees, increases employee retention, and enhances alignment between the company and its employees.



External Advisors Involved in a Parallel Market Offering and Listing

A company that intends to offer on Nomu-Parallel Market must appoint a team of advisors who will be responsible for managing the offering process and dealing with regulatory bodies such as the CMA and Tadawul on behalf of the company.

An Authorized Professional Advisory Team

It is important that the issuer develop an equity story for the offering in order to attract investors. Financial advisors play an important role in helping the issuer to develop an equity story for offering in Nomu – Parallel Market. The advisory team usually consists of the following advisors:

- **Financial Advisor (mandatory):** offering and listing process requires the appointment of a financial advisor authorized by the CMA. The financial advisor acts as project manager and provides guidance to meet legislative requirements as well as assisting in the appointment and supervision of other advisors.

The financial advisor is the main point of contact with the CMA and Tadawul in relation to the offering where he takes the necessary professional procedures, consults with other advisors, and makes sure that the company has met all listing requirements. The financial advisor's tasks are summed up as follows:

1. Ensure that the issuer meets all offering and listing requirements.
2. Calculate the fair market value of the issuer using several internationally accepted valuation methods.
3. Prepare the listing and offering file and submit to Tadawul and the CMA
4. Manage all procedures and stages of obtaining the CMA's approval, including continuous follow-up with the staff of the Listing Department and with the CMA and answer all their queries, questions and observations related to the offering application.
5. Obtain final approval from the CMA for offering the company's shares and Tadawul approval for listing.
6. Complete opening investment accounts

for potential customers, and completing all forms related to the offering process.

7. Collect subscription proceeds from receiving entities and fulfill all necessary procedures related to the deposit of proceeds in the accounts agreed-upon with the issuer.
8. Manager allocation of shares and refund of surplus, if any.
9. Notify the CMA of final offering results.
10. Provide Tadawul a record of the final shareholders of the company, and finalize all procedures related to the registration process.

- **Legal Advisor (optional):** The legal advisor assists in any process related to legal restructuring required for the company prior to the offering, conducting a legal due diligence, and identifying legal risks may face the company.
- **Financial Due Care Advisor (optional):** Conduct financial due diligence which includes: analysis of historical financial statements, ensure correctness and integrity of financial information, and the financial position of the company.

Other advisors may be consulted when needed, such as marketing advisor, business plan advisor, the International Financial Reporting Standard's (IFRS) advisor, asset valuation advisor, and others.

A Roadmap for Offering and Listing on Nomu – Parallel Market



The CMA and Tadawul have issued rules and regulations for offering and listing on Nomu - Parallel Market that must be complied with by issuers. These rules include the main requirements that the issuer needs to comply with before and after its board of director's resolution to list the company's securities. Such rules must be complied with during and after the listing process on Nomu - Parallel Market.

- **Appointment of External Advisors:** The CMA requires appointing an independent authorized financial advisor to advise the company on offering and ensure compliance with the various rules and regulations of the CMA. These are detailed in the CMA Offering Securities & Continues Obligation rules and Tadawul Listing rules. Appointment of legal advisor and financial due care advisor are optional in Nomu.
- **Offering and Listing on Nomu - Parallel Market:** The process of offering and listing on Nomu-Parallel Market from the issuer does not require that the securities offered to be covered by an underwriter (optional). In addition, the issuer, in consultation with the financial advisor, must provide the required documents such as the application of registration, the prospectus, in accordance with the CMA's Parallel Market Listing Rules. The IPO file should be submitted through a web portal, then Tadawul and the CMA will review the application in parallel.

Tadawul issues a conditional listing approval within

10 days and the CMA will issue the offering approval within **30 days.**

• **Compliance with the CMA's Offering Securities & Continues Obligation rules & Tadawul Listing rules:** The issuer shall comply with these rules and shall submit information and clarifications to the CMA upon request. The financial advisor appointed by the issuer may also assist in providing the CMA with all the required information and clarifications.

- **Ongoing Obligations:** Listed companies are required to comply with the CMA's Offering Securities & Continues Obligation rules and Tadawul Listing rules and any other rules and regulations as dictated by the CMA on a continuous basis, in order to ensure that requirements of listed companies are maintained. Main commitments include requirements for disclosure of substantial developments, and financial information within certain time frames, announcements, publications, board functions, securities notices and the payment of fees. CMA's Offering Securities & Continues Obligation rules and Tadawul Listing rules also covers regulations for raising and reducing capital. It should be noted that the above aspects are intended only to provide an overview of the main requirements and do not include all the detailed requirements that the issuer must comply with. Please refer to the CMA's and Tadawul websites for more information.

CMA & Tadawul Submission of the IPO Application

For listings in the Parallel Market, there are no specific requirements imposed by the CMA with regard to financial, legal and market due diligence on the issuing company. Despite this, however, the issuer and the financial advisor may decide to appoint external advisors to conduct these exercises in order to strengthen the overall IPO application and to provide more comfort to interested and eligible investors. The information resulting from the due diligence studies may also be disclosed in the prospectus, a critical document in the IPO application, which may help prospective investors to make well-informed investment decisions. The issuer and the financial advisor may also arrange with the appointed external advisors to include their respective studies as part of the IPO application.

All IPO applications will require full compliance with the CMA's Offering Securities & Continues Obligation rules and Tadawul Listing rules in order to be considered eligible for submission to the CMA*.

In addition, all documents within the application must be submitted to the CMA & Tadawul in soft copy.

For information on the documents that are required in the IPO application, please refer CMA's Offer of Securities and Continuing Obligations rules & Tadawul Listing rules

CMA and Tadawul Review and Decision

The first stage of the CMA review process entails a comprehensive review of all submitted documents, wherein the CMA shall ensure the completeness of the documents and their compliance with the CMA's Offering Securities & Continues Obligation rules and Tadawul Listing rules. The second stage entails a thorough review of the prospectus submitted with the application. It should be noted that the CMA shall not provide any comments on the prospectus unless the application is deemed complete and acceptable to them. The financial advisor (in collaboration with the issuer and the appointed external advisors, if any) is expected to address any comments from the CMA on the application documents before resubmitting the amended IPO file. A second round of review comments may also be expected upon resubmission of the file. Depending on the application under review, further rounds of comments may be expected, with all parties involved working together to issue updated and improved drafts of the prospectus until finalization. The CMA decision on the IPO application typically takes 30 days while Tadawul approval for listing takes up to 10 days in parallel from the initial submission of the application, depending on the completeness of the documents and the quality of the prospectus, provided that all comments have been addressed and there are no other major concerns. Upon approval, an official announcement relating to the approval is released on the CMA website.

Marketing, Pricing, Allocation, Settlement, and Listing

Upon obtaining the approval to list, the shares are ready to be officially marketed to Qualified Investors. As such, the financial advisor may reach out to Qualified Investors and communicate all necessary details on the issuer and the security, including the results of the valuation, as determined by the issuer and the financial advisor. Such details are communicated to the investors via market sounding activities, investor meetings and roadshow presentations. The book-building and subscription stages follow, wherein a range of share prices (or set price) is determined based on the valuation, and bid forms entailing the prices are distributed to interested and eligible investors. All investors are expected to place their bids for the security, disclosing details such as the number of shares they intend to purchase at each bid price within the range (if a range of prices is offered). Access to a virtual data room may also be provided during this stage, in which details about the offer and supporting documents can be accessed for further analysis before the placement of the bids. Upon receiving the bids, the financial advisor shall determine the final price per share (provided a range of prices was given to investors) and

the allocation to each investor, based on the offering coverage. An "allocation notification" is subsequently sent to inform investors of their allocated shares and the determined price per share, if a range of prices was given. The transfer of funds follows this stage, and the names and details of the investors are sent to Tadawul in order to complete the transfer of shares to their portfolios and for commencement of the trading.

Post-Listing

Following completion of the listing and commencement of trading, the issuer will have to comply with regulatory requirements relating to disclosures and announcements, as and when required. In addition, the issuers are advised to conduct periodical calls and/or meetings with shareholders in order to provide transparency on their performance and future plans.

Nomu - Parallel Market Listings

Below is an overview of the companies that have been listed on Nomu – Parallel Market together with the total capital raised since the inception of Nomu – Parallel Market in 2017.



Listed in Feb 17
Offered Value SAR 17.6 MM



Listed in Feb 17
Offered Value SAR 48 MM



Listed in Jul 17
Offered Value SAR 25.4 MM



Listed in Feb 17
Offered Value SAR 33.6 MM



Listed in Feb 17
Offered Value SAR 216 MM



Listed in June 17
Offered Value SAR 225 MM



Listed in Feb 17
Offered Value SAR 118.5 MM



Listed in Feb 17
Offered Value SAR 16.3 MM



Listed in Feb 17
Offered Value SAR 22 MM



Listed in April 18
Offered Value SAR 32.4 MM

Listed Companies Quotes



CEO of Al-Kathiri Holding,
Meshal Al-Kathiri

"AlKathairi Holding has been listed on the Saudi Stock Exchange (Tadawul) enabling it to make significant strides towards doubling the company's expansion plans and pursuing successful corporate approaches for a thriving future that will be sustained for generations to come."

Case Studies



Thob Alaseel Company

Thob Alaseel is a leading distributor of high quality fabrics, underwear, and Thobs in the region. It was established in 1989 as a limited liability company with a capital of SR 2 million, and Thob Alaseel has a presence in most of Saudi cities with 20 branches across the Kingdom. Also, it has agents in UAE, Iraq, Syria, Yemen, Jordan, Libya, and Kuwait. The company sells high quality Thobs and fine cotton underwear for men and kids and offers wide range of products including vests, briefs, short pants, and other underwear products for all ages and in all sizes. Through its subsidiary Al Jedaie Fabrics, the company sells high quality men's fabrics in the region with 43 branches across the Kingdom. Thob Alaseel enjoys a dominant market share due to its high quality fabrics, product innovation, competitive pricing, and established brand equity.

In 2016, Thob Alaseel transformed into closed join-stock company with a capital of SR 150 million at the time. In aspiration to sustain the company's successful equity story and to ensure smooth transition to the second generation, the company appointed FALCOM Financial Services as financial advisor and lead manager for its IPO in the Parallel Market in 2017. Thob Alaseel offered 3 million shares representing 30% of its share capital and equivalent to SAR 255 million, the largest IPO since inception of Nomu-Parallel Market. The IPO was successful with a coverage of 150%.

FALCOM Financial Services was IPO financial advisor and lead manager for 4 companies listed in the Parallel Market, and successfully obtained approvals from CMA for other 3 companies. In 2018, FALCOM Financial Services was awarded "Lead Manager" of the year by Argaam Company, a leading financial news portal in the region.



الاستثمار كابيتال
Alistithmar Capital



Raydan Cuisines & Restaurants Company

Established in 1995, Raydan Cuisines and Restaurants Company ("Raydan" or "the Company") is one of the leading companies in the traditional Arabian food services industry in the kingdom with 14 branches across several major cities. In 2013, the Company acquired Al Rawsha Sweets, adding a wide list of baked goods and international food catering services to its operations.

Raydan intended to list its shares in Nomu Parallel Market and appointed Alistithmar Capital ("ICAP") as financial advisor, Shearman & Sterling as legal advisor, PwC as financial due diligence advisor, and Bayina Partners as market consultant. With a share capital of SAR 216.0 million divided amongst 22.5 million shares, the Company offered 30% of its paid-up capital equating to 6.75 million offered shares. The transaction was successfully listed in the pilot stage of the Parallel Market launch on the 26th of February, 2017, in which seven companies were listed in Nomu - Parallel Market.

Raydan's IPO was highly successful and considered as the largest Parallel Market IPO during the launch of the market with over 260 bids equating to a total coverage value exceeding one billion Saudi Riyals and an oversubscription of 493%, approximately half of the total coverage value for the seven companies listed during the pilot launch. In addition to this, approximately 40% of the investors in the IPO were financial institutions, including authorized persons, funds and DPMs.

In 2017, Alistithmar Capital was awarded the "Deal of the Year" award in Saudi Arabia as a result of its successful listing of Raydan Cuisines and Restaurants Company in Nomu Market. The "Deal of the Year" award is a prestigious and well-recognized award from The Banker Middle East and is typically given to renowned financial institutions and reputable companies that make a great contribution in the kingdom capital markets.





Listing Incentive

Listing Incentive

A part of the efforts to "incentivize and encourage private sector companies to offer and list their shares on the stock market" initiative, under the umbrella of the Financial Sector Development Program (FSDP), one of the executive programs launched by the Council of Economic and Development Affairs (CEDA), to achieve the objectives of the Kingdom's Vision 2030 to develop the national economy and diversify income sources through enhancing the depth of financial sector institutions and developing the Saudi capital market to be an advanced capital market.

In cooperation with The Saudi Stock Exchange (Tadawul), several government entities announced the launch and offering of ten incentives to give preference to companies listed on the Saudi Stock Market to encourage private companies to become public joint stock companies.

These incentives are part of a series of several incentives to be announced in the coming period by the supporting governmental entities, and the incentives that have been launched so far:

 الصندوق الصناعي صندوق التنمية الصناعية السعودي Saudi Industrial Development Fund	Saudi Industrial Development Fund (SIDF)	Increased loan limits granted to listed companies
 الهيئة العامة للغذاء والدواء Saudi Food & Drug Authority	Saudi Food & Drug Authority (SFDA)	Assigning fast track services at SFDA's Business Support Center and providing advisory services including training courses on SFDA's electronic systems
 صندوق التنمية الزراعية Agricultural Development Fund المملكة العربية السعودية	Agricultural Development Fund (ADF)	Raising the funding percentage, and increasing credit service limits per customer and reducing the required guarantees for listed companies
 الهيئة العامة للاستثمار SAUDI ARABIAN GENERAL INVESTMENT AUTHORITY SAGIA	Saudi Arabian General Investment Authority (SAGIA)	Facilitate fast track approval process for the registration of foreign partners (joint ventures etc.)
 وزارة الصحة Ministry of Health	Ministry of Health (MOH)	Provide listed companies priority access to speaking privileges and advertising at high profile events managed by Ministry of Health
		Offer listed companies preferential access to training programs run by Ministry of Health
		Provide listed companies with priority access to medical data & medical databases
 الهيئة العامة للزكاة والدخل General Authority of Zakat & Tax	General Authority of Zakat and Tax (GAZT)	Providing a relationship manager for listed companies to help settle all transactions with the Authority and follow up on all tasks related to zakat or income taxes.
		Providing a fast-track service to deal with the requests of companies listed in the capital market.
 الجمارك السعودية SAUDI CUSTOMS	Saudi Customs	Providing the listed companies the priority of applying to the Authorized Economic Operator Program



Listed Companies Quotes



جدوة ريت الحرمين
Jadwa REIT Al Haramain



Managing Director and CEO of
Jadwa Investment ,
Tariq Al Sudairy

"Tadawul's newly launched REIT market offers investors the opportunity to invest in income-generating real estate, in a highly liquid and hassle-free manner, and without the need to accumulate large amounts of capital in order to access this asset class. Our first fund, Jadwa REIT Al-Haramain Fund, was the first REIT to offer investors access to the two holy cities of Makkah and Madinah. On the other hand, our second REIT offering, Jadwa REIT Saudi Fund, aims to offer investors diversified exposure to all other major cities and across different sectors of the real estate market."

REAL ESTATE INVESTMENT TRADED FUNDS (REITs)

Conduit to an evolving capital market as part of Vision 2030

The Kingdom has significant capital markets potential underpinned by Vision 2030 an ambitious economic transformation programme

Real Estate Investment Traded Funds (REITs)

Real Estate Investment Traded Funds, or REITs were introduced in the market in

2016

when the first REITs was listed on Tadawul's Main Market.

Since then 17 REITs, have come to the market raising over SAR 6.39 billion in capital. The introduction of REITs is expected to play a fundamental role in transforming the property sector with institutional investors playing an increasing role in the market and also leading to the availability of larger investment grade property assets.

Real Estate – a Core Asset Class

الرياض المالية
riyad capital

In 2016, S&P Dow Jones Indices and MSCI moved stock-exchange listed Equity REITs and other listed real estate companies from the Financials Sector of their Global Industry Classification Standard (GICS®) to a newly created Real Estate Sector. The Real Estate Sector is the first new sector added since GICS® was created in 1999.

The promotion of Real Estate under its own sector is reflective of the growth in size and importance of the real estate asset class within the US economy – and is indicative of the trend on a global scale. JP Morgan described it most accurately in their piece, Real Estate: Alternative no more, when they stated "real estate is increasingly being viewed, not as an alternative, but as an essential portfolio component."*

In markets where real estate is a key constituent of the investment market, the property sectors are highly developed with a larger proportion of investment-grade, or institutional, properties. In fact, markets with either matured or developing REIT sectors are usually characterized with real estate markets that are comprised of a higher proportion of institutional quality, investment-grade properties.

Hudgins, Michael C. "Real Estate: Alternative No More."
J.P.Morgan Assets Management, J.P.Morgan, am.jpmorgan.
com/blobcontent/131/169/1383169203231_11_559.pdf.

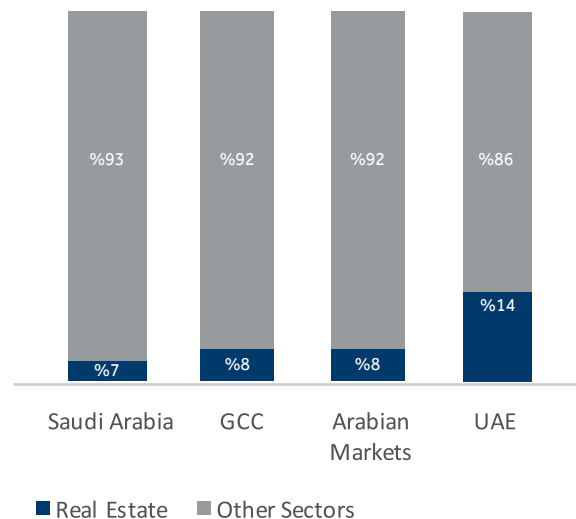


Institutional Real Estate in Saudi Arabia

Real estate has traditionally been an important asset class in Saudi Arabia. Due to capital constraints real estate development was limited mainly to investment in land plots, residential infill developments and smaller commercial properties. Larger, investment-grade property assets with higher ticket sizes were consequently left out of reach for a large number of individual investors with appetite towards real estate investment opportunities. Government-backed entities, and to some extent endowments and larger family-owned companies, directly developed larger Class A quality properties for long-term hold strategies – preventing an environment of active “institutional” property trades (transactions of large investment-grade properties between two institutional real estate investors). The lack of institutional property trades was mainly due to the absence of institutional real estate investors.

With restrained capital market financing options, and limited institutional real estate investors, real estate development in Saudi Arabia focused mostly on smaller, non-investment grade properties. In the face of these limitations, the institutional-grade property sector in Saudi Arabia is considered to be underdeveloped, especially for a G20 economy. On a regional basis, the Saudi real estate sector exposes significant growth potential. The introduction of a REIT market addresses this gap in the market.

Real Estate Sector Weight⁶



What are REITs

الإيمان للاستثمار
alinma investment

REITs are financial instruments that allow all types of investors to obtain investment exposure to the Real Estate Market. This is achieved through collective ownership of constructed developed real estate qualified to generate periodic rental income.

The main operational framework of a REIT is summarized below.



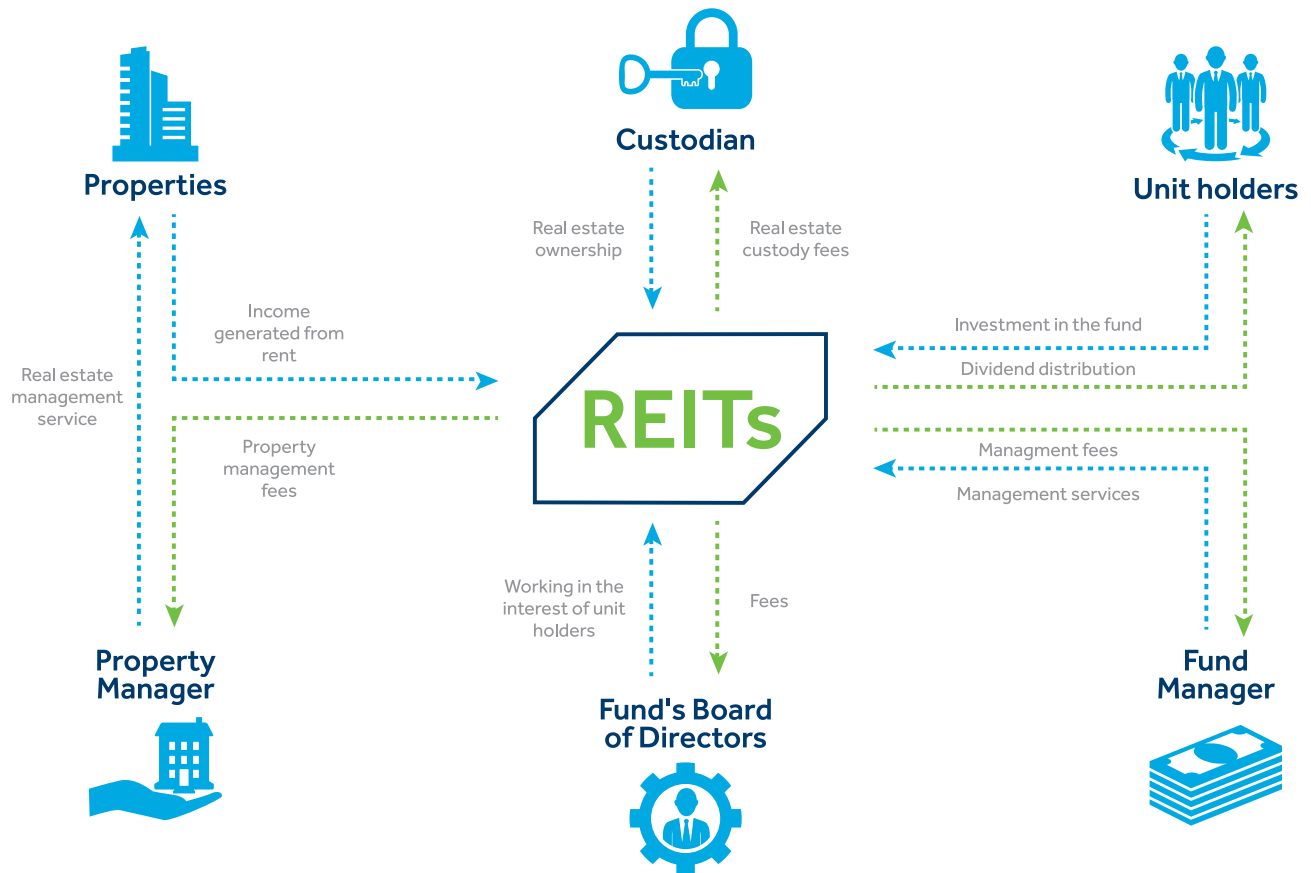
REITs consist of units, where each unit represents ownership in the underlying real estate. REIT units are like shares and trade on Tadawul's Main Market just like equities during trading hours.

REITs can invest locally, regionally and globally, where the total asset value outside the Kingdom shall not exceed 25% of the fund's total asset value. In addition REITs are required to distribute at least 90% of the fund's net profits to the unit holders annually (minimum) and therefore provide in principle a conditional income.

Similar to other investment vehicles, REITs adhere to the rules and regulations issued by the CMA. REITs also abide by the high standards of transparency and disclosure that are already applied in the current equity market. The main characteristics of REITs as per the CMA regulations are summarized below:

Fund Legal Type	Closed – ended fund.
Number of Investors	Minimum 200 investors.
Initial Offer	Minimum SAR 500 million.
Nominal Value per Unit	SAR 10 per unit.
Assets Ownership	The assets must be registered under the name of third party (custodian) and owned by the unit holders.
Distributions	At least 90% of the fund's net profits must be distributed minimum annually to the unit holders.
Leverage	The borrowing of the fund's must not exceed (50%) of the total assets value of the fund.
Investment	At least (75%) of the fund's total assets value according to the last audited financial statements must be invested in constructed developed real estates qualified to generate periodic and rental income.
Vacant Lands	The fund manager is prohibited from investing in vacant lands.
Real Estate Development	The fund manager is allowed to invest up to a maximum of (25%) of the fund's total assets value according to the last audited financial statements in real estate development whether on real estates owned by the fund manager or not, and to renovate or redevelop these properties.
Real Estate Outside the Kingdom	The fund manager shall not invest more than (25%) of the fund's total assets value according to the last audited financial statements in properties outside the Kingdom.
Public Ownership	At least 30% of the total REIT units are owned by unit holders from the public.
Owners' lock-up period	1 year

REIT Structure & Key Stakeholders



Fund Management and Disclosure

Fund Management

- The Fund will be managed by a Portfolio Manager working for the Fund Manager, who should be registered with the Authority as per the Authorized Persons Regulations.
- Fund Manager Duties:
 - To set out decision making procedures that should be followed when executing technical and administrative issues of the Fund's businesses and projects.
 - To inform the Authority regarding any material event or development that might affect the Fund's business.
 - To comply with all laws and regulations valid in the Kingdom related to the Fund's business.
 - To manage the Fund's assets in favor of the Unitholders benefit according to the Fund's Terms and Conditions.
 - Ensuring the legality and validity of all contracts concluded for the benefit of the Fund.
- Notwithstanding the appointment of one or more third parties or affiliates, the fund manager shall remain responsible for Fund management, administration and custody of the fund's assets,.
- The Fund Manager is financially responsible for any losses the Fund generates in the case of negligence and misconduct from his end.

Disclosure

The Fund Manager shall provide sufficient information with regards to the Fund's investment goals, conditions, risks and any other information that would enable Unitholders to make their investment decisions. The information materials about a Fund shall not contain any incorrect or misleading information.

Listings in 2018-H1 2019

 <p>الخبير ريت Alkabeer REIT</p> <p>Listed in Mar 19 Fund Size SAR 664 M</p>	 <p>الاهلي كابيتال NCB Capital</p> <p>Listed in Jan 18 Fund Size SAR 1.38 B</p>	 <p>المشاعر ريت Al Masha'ar REIT</p> <p>Listed in Jan 18 Fund Size SAR 572 M</p>	 <p>جدوى ريت السعودية Jadwa REIT Saudi</p> <p>Listed in Feb 18 Fund Size SAR 1.58 B</p>
 <p>الراجحي ريت Al Rajhi REIT</p> <p>Listed in Mar 18 Fund Size SAR 1.22 B</p>	 <p>درayah</p> <p>Listed in Mar 18 Fund Size SAR 1.08 B</p>	 <p>سدكو كابيتال SEDCO CAPITAL</p> <p>Listed in May 18 Fund Size SAR 600 M</p>	
 <p>بنيان ريت Bonyan REIT</p> <p>Listed in Jul 18 Fund Size SAR 1.63 B</p>	 <p>سويكوب وابل ريت SAWCOBP WABEL REIT</p> <p>Listed in Aug 18 Fund Size SAR 1.18 B</p>	 <p>ميفك ريت MEFIC REIT</p> <p>Listed in Nov 18 Fund Size SAR 733 M</p>	

Case Studies

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Riyad Capital REIT

The Introduction of REITs in Saudi Arabia

On November 13, 2016, Riyad REIT was listed on Tadawul as Saudi Arabia's first REIT. Riyad REIT was launched as a diversified REIT with a broad base of properties (office, retail, hospitality), tenancy (over 80 tenants), industry mix (food & beverage, hospitality, education, telecom, government), and markets (Riyadh, Jeddah, Dammam, and Khobar). The diversified investment approach did not expose Riyad REIT's portfolio to any one sector, tenant, or market – allowing for the mitigation of risk exposure. Additionally, the diversified approach allowed for wider expansion possibilities targeting properties on the merits of strong cash flow potential, property strengths, and further diversification into new sectors.

Since listing, Riyad REIT has already acquired two additional properties, and is currently in the process of acquiring three properties through the first capital raise by a REIT. This transaction activity symbolizes what was missing in the Saudi property markets – an institutional real estate investor looking to acquire properties. The number of "institutional" real estate investors is expected to increase in the foreseeable future.

Since the introduction of REITs in the market

17 REITs
have come to market in total.

The REIT sector is expected to play a fundamental role in transforming the property sector. With large institutional property investors (REITs) targeting higher quality, investment-grade properties, and the market mindset is





expected to shift. With better exit opportunities available through REITs, developments will aim to meet acquisition criteria of REITs – the preferred buyer of larger properties. REITs are also expected to directly invest in the development of higher quality properties (within limits set by regulations). Smaller, non-investment grade properties will have less demand, and will therefore be pursued to a lesser degree. This will be an evolving trend.

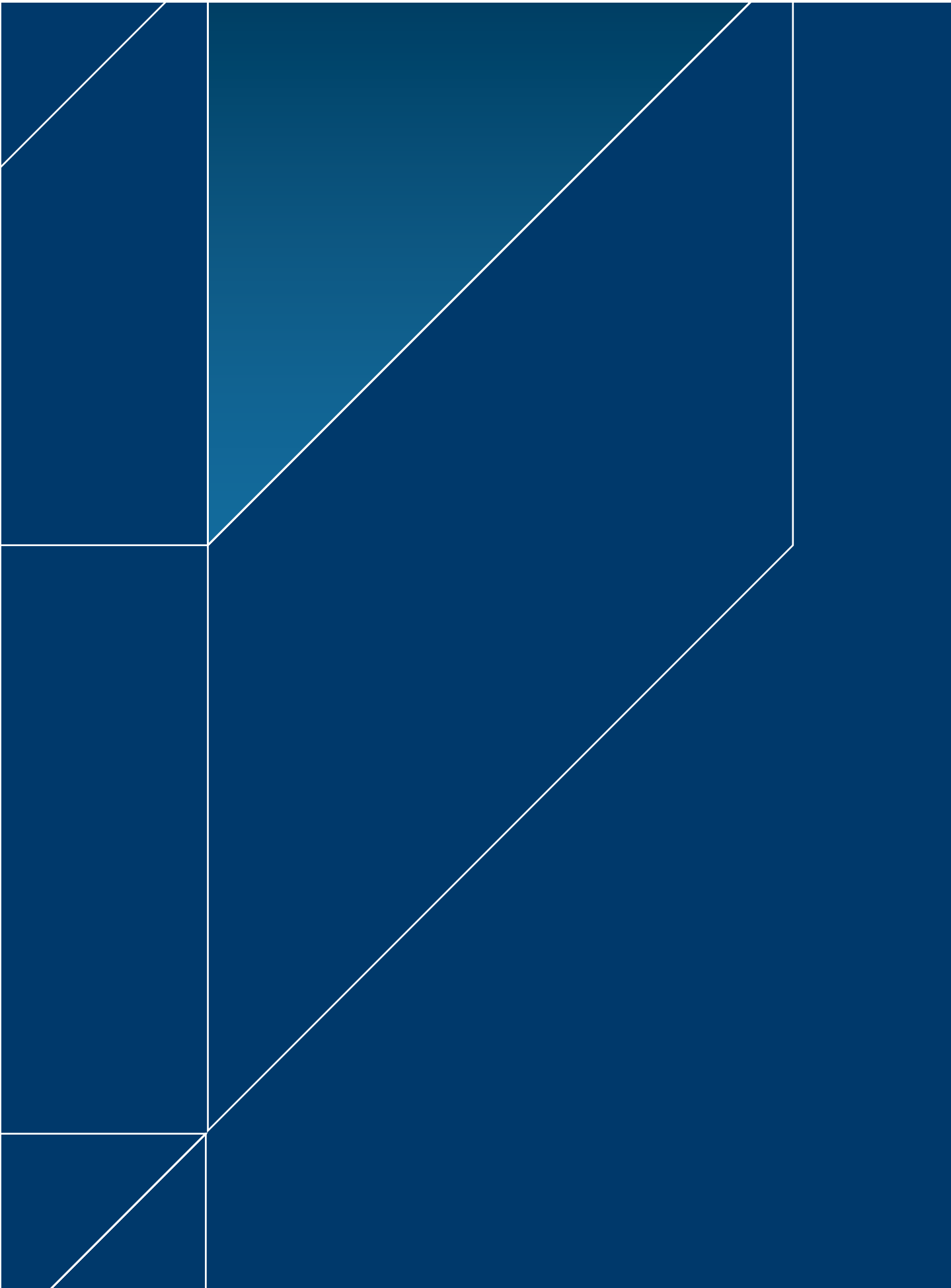
Over time, REITs will be judged by the market based on their acquisition strategy, portfolio strength, management experience, and quality of cash flows. The quality of assets acquired by REITs is expected to continue to improve as the property sector institutionalizes over time.

Better Accessibility to the Individual Investor

The institutionalization of the Saudi property market, through the formation of the REIT sector, improves accessibility to the individual investor. The investment-grade property sector is defined by high barriers to entry due to their large ticket size. The large size of institutional property assets usually keeps these assets out of the reach of the common investor.

REITs have developed a link between the real estate sector and the capital markets.

The accessibility to the capital markets allows individual investors to gain access to larger property assets, regular income streams, better liquidity relative to direct investment in physical properties, and potential for long-term capital growth. The establishment of a well-regulated, more liquid, real estate investment instrument is expected to expand investment opportunities to a wide variety of properties that were typically not available to investors.



CORPORATE DEBT

Corporate Debt



The debt capital markets offer an alternative solution to access long term capital beyond the conventional loan and equity market. Tapping the debt capital markets will aid in adding liquidity pools beyond the conventional sources to fund a company's working capital, capital expenditure and improvement to capital structure to realize maximum value from the company's operations. A company can also achieve a high credit standing due to its ability to access the debt capital markets. Its increased corporate and public profile would also aid in raising market awareness of the company's standing supporting its capital raising activities going forward.

The majority of debt financing today continues to be dominated by commercial loans provided by banks in the Saudi Market. Issuing a Bond / Sukuk would diversify funding sources available to the company and potentially free up bank credit lines. Access to the debt capital market would enable the company to vary its funding targets according to needs which is especially suiting for event driven financings. The impact of these instruments can relax a company's cash flows and offer financing options for their long term growth plans and to instill a structured liability management approach.

Issuing debt through capital markets instrument (Bond / Sukuk) offers a different source of capital through long dated maturities for 5 – 10 year usually as a bullet payment. Although it is common in the Bond/Sukuk market to repay the full amount at maturity, an amortizing repayment and a Bond/Sukuk with call option at the discretion of the issuer can be included. Precedents for both exist in the Saudi market.



Strategic Highlights and Key Considerations

Listing in Public or Private Formats.

Most of the debt instrument issuances in the Saudi market were issued under the private placement format. The main driver for choosing private offering route (which is restricted to "sophisticated investors") is the relatively flexible documentation and approval requirements. In addition, very few Bond/Sukuk investors lack in investment experience and therefore public offerings typically do not generate significant additional demand compared to private offers. The market and the CMA would prefer to see more public Sukuk offerings especially for listed companies or government-linked entities. To this effect the CMA has been accommodating to issuers in waiving some of the requirements with the aim to attract issuers to public format offering.

Private Placements

This approach gives access to all major investors. Fewer documentation requirements for filing purposes (and documentation in dual-language not needed) where

CMA filing is in the form of a

10-day

notification.

This provides a greater degree of certainty with respect to timing.

Public Offering

Public offerings in principle give access to a larger pool of investors and it provides the issuer with wider market recognition. Today, however, most participating investors are eligible to invest under the private placement format. It has wider market recognition and interaction. Government agencies favor public issuances to promote, support, and develop the public Saudi Debt Market. Public issuers are generally perceived as "socially responsible" companies and transparent in their operations. Some of the key considerations are that all major documents

and agreements need to be in Arabic, in addition CMA approval is required (i.e. CMA must actively review and approve the offering of the issue) with greater disclosure required.

Issuing under a program

Under the Debt Issuance program, a company can consider accessing the Bond/Sukuk market through multiple issuances, i.e. a company can issue multiple Sukuk when opportunities arise in the market and/or to meet on-going requirements. Taping the market for multiple Bond/Sukuk issuances under a single documentation platform - while retaining a flexible set of parameters (tenors, amounts, frequency, etc.) at the companies' discretion. The Sukuk Program will cut costs and lead time for repeat issuances. However, infrequent issuances are best supported by a standalone issuance documentation. The comparative up-front costs of setting up a Program are slightly higher than for standalone issuances and there is an annual cost for updating the Bond/Sukuk Program. Saving (cost and time) on the program are realized when it is used for repeat issuances as the documentation will be already in place.

Although the documentation requirement for a Program is slightly heavier than for stand-alone issuance, there is no difference in the required lead-time to draft all the necessary documents.

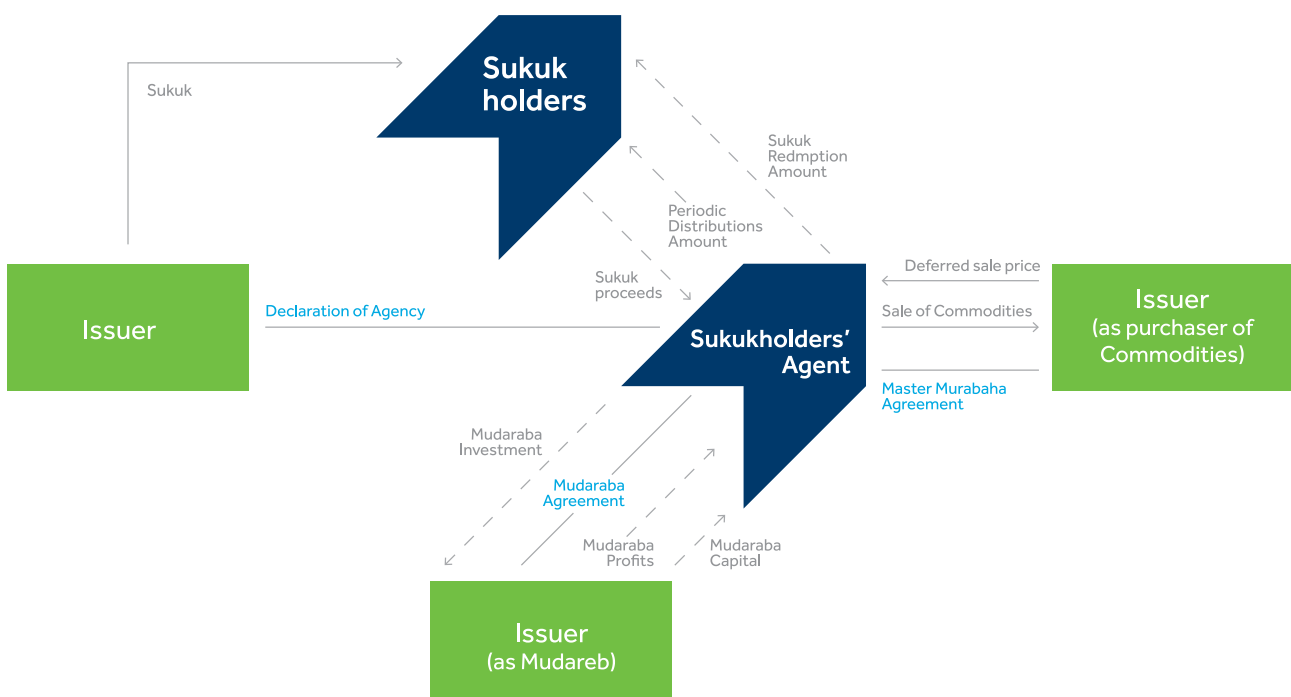
Bond/Sukuk Program will provide the company with increased market exposure and will encourage new investors to put in credit lines. Strategically it will enable reverse enquiry opportunities that might otherwise be missed on stand-alone issuances. The ability to issue opportunistically will enable the company to take advantage of favorable market conditions.

Sukuk Structure

The Islamic principles that are commonly applied in Sukuk transactions are described below:

Principle	Description
Mudaraba	A contract of profit sharing where one party contributes his entrepreneurial efforts while the other provides capital. Any profits are shared between the two parties on a pre-agreed basis, while losses are borne by the provider of the capital
Musharaka	A partnership contract between two or more parties, each contributing capital. The profit is shared among the parties based on the profit sharing ratio agreed in the contract and any loss is shared among the parties based on the agreed contribution ratio
Wakala	A contract of agency in which one party appoints another entity to perform a certain task on the former's behalf
Ijara	Ijarah involves leasing of Shariah-compliant leaseable assets such as land, building, plant, equipment, etc. over a specified period for a specific price (lease payments)
Murabaha	A contract that refers to the purchase and sale transaction of certain Shari'ah-compliant commodities; whereby payment of the sale price is on a deferred and an installment basis with a pre-agreed payment period. The sale price shall be equivalent to the purchase price plus profit

In the Saudi Debt Market, the widely-used Sukuk structure is Sukuk Al Istithmar utilising a mixture of Mudaraba and Muraba structure with X% (typically 51% or more) of the Sukuk proceeds are invested in Mudaraba assets (investment in Shariah-compliant business of the Issuer), while the remaining Sukuk proceeds of X% (typically not more than 49%) are invested in Murabaha transaction (purchase of Shari'ah-compliant commodities). The generic Sukuk Al Istithmar structure is depicted below:



Key Parties

They key parties that are typically involve in a Sukuk or Bond transaction are:

Party	Role
Lead Manager	<ul style="list-style-type: none"> Leads and manages the issuance process, which include structuring, obtaining relevant approvals (i.e. Shari'ah approval), preparation of the documentation required (i.e. offering circular, transaction documents), applicable regulatory filings (i.e. CMA), etc. Leads the entire marketing, distribution, and settlement work stream
Legal Counsel	<ul style="list-style-type: none"> Provides legal advice related to the Saudi Arabian law, English law or law of other jurisdictions (where applicable) and drafts the offering circular, transaction documents, and other relevant documents Typically, two legal counsels will be appointed to advise the issuer and the lead manager respectively
Shari'ah Committee (only applicable for Sukuk)	<ul style="list-style-type: none"> Advises on Shari'ah related matters and issue Shari'ah pronouncement in relation to the structure and transaction documents Typically, the lead manager has its own Shari'ah Committee
Auditor	<ul style="list-style-type: none"> Provides comfort on the financial information presented in the offering circular and review the Zakat and taxation section in the offering circular Typically, the existing auditor will be appointed
Sukukholders' Agent	Represents the Sukukholders and monitors the compliance of the terms and conditions
Payments Administrator	Calculates and transfers profit and redemption payment to the investors and publishes notice of the periodic distribution payment



Key Phases

The typical key phases and major milestone in a Sukuk or Bond transaction:

Appointment Phase	<ul style="list-style-type: none"> • Internal approval such as from the Board of Directors to approve the Sukuk/ Bond issuance, appointment of advisers for the Sukuk/Bond, etc. • Appointment of lead manager • Appointment of other parties such as legal counsels, auditor, etc.
Structuring and Documentation Phase	<ul style="list-style-type: none"> • Drafting terms and conditions and commercial terms • Shari'ah structuring and Shari'ah Committee's approval on the Sukuk structure (only applicable to Sukuk) • Drafting of offering circular and transaction documents • Due diligence meeting • Shari'ah sign-off on the transaction documents (only applicable to Sukuk)
Notification Phase	Preparation of notification for private placement or submission for public offering to the CMA
Distribution Phase	<ul style="list-style-type: none"> • Formulate strategy for marketing • Preparation of investor presentation • Coordination with potential investors and follow-up on potential interest • Book building • Announcement of final price
Allocation and Settlement Phase	<ul style="list-style-type: none"> • Final allocation to investors • Execution of transaction documents • Payment of proceeds from allocated investors to the issuer
Post-closing Phase	<ul style="list-style-type: none"> • Registration of the Sukuk/Bond by the registrar • Listing of the Sukuk/Bond by Tadawul (applicable for listed Sukuk/Bond only) • Notification to the CMA on the final allocation to the investors and total proceeds of the Sukuk/Bond

Overview of Saudi Debt Capital Markets

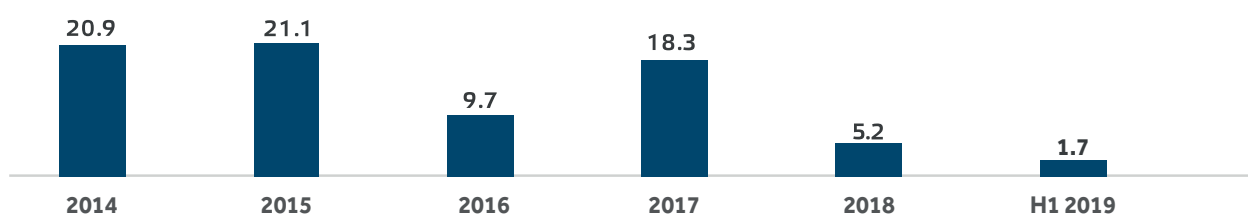
An overview of the Saudi debt capital markets is provided below.

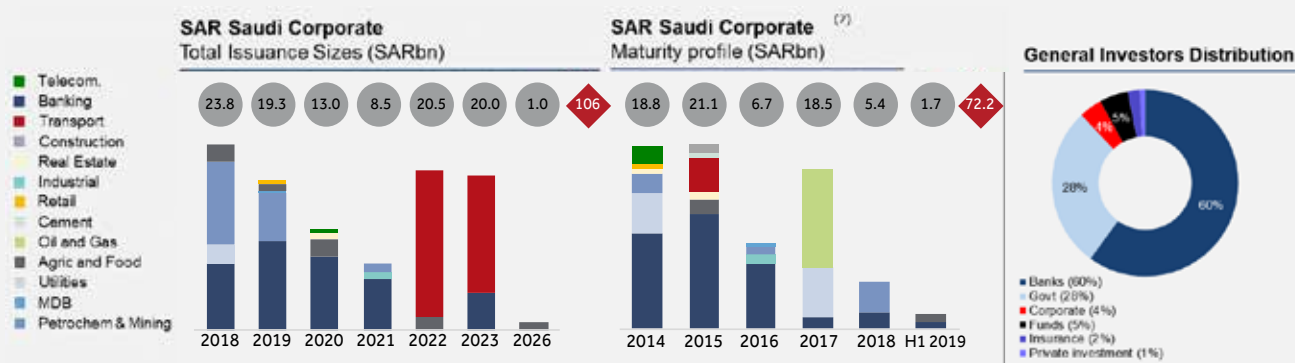
Over the past 5 years a total of

SAR 144 Billion was raised

in the market with different maturity profiles and representing a diverse set of sectors. The majority of debt listings in the past five years were through private placement rather than public offering.

Debt Capital Markets Issuance Amount (SAR Billion)





Source: Bloomberg, HSBC. We assumed that Sukuks/Bonds with an embedded call option will mature in the first call date.

Type of Coupon – Floating versus Fixed Rate

The majority of issuers in the Saudi market have issued floating rate debt instruments as compared to fixed rate securities. The chart below summarizes the coupon type of debt instruments used in the Saudi debt capital markets.

Principal Repayment

While almost all the issuers in the Saudi market use the proceeds of the debt issuance for general corporate purposes, the issuers have also enjoyed the flexibility of bullet principal repayment at the maturity of the debt instruments. For the past five years, almost all debt instrument issuances have bullet repayment feature.

Characteristics of Debt Instruments

Tenor or Maturity of Instruments

For the past five years, the majority (62.2%) of the debt instruments have been issued with a five (5) year tenor as it remains as the sweet spot among the investors in the Saudi market. There are also issuances with seven (7) year and ten (10) year tenors which accounted for 21.6% of the Saudi market due to demand from certain group investors, typically bank treasuries, pension funds and government related entities.

Case Studies



National Shipping Company ("Bahri")

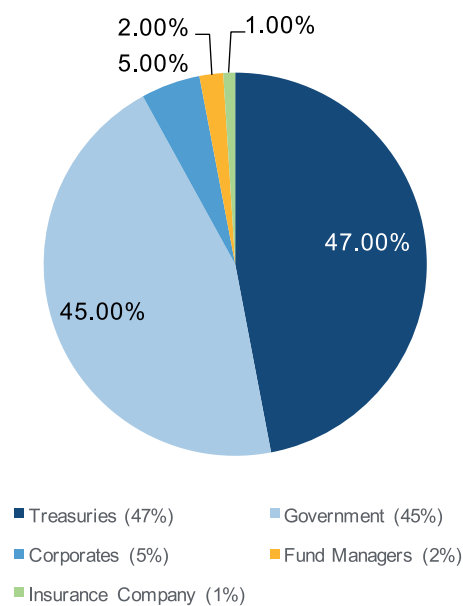
Inaugural debt issue of SAR 3.9 billion

- On July 30, 2015, National Shipping Company ("Bahri") issued a SAR 3.9bn (USD 1,040mn eqvl.) senior unsecured Sukuk. This transaction represents Bahri's debut capital market issuance

Transaction Highlights

Issuer:	National Shipping Company
Issuer rating:	NR
Pricing Date:	18 June 2015
Settlement Date:	30 July 2015
Maturity Date:	31 July 2022
Issue Amount:	SAR 3.9bn (USD 1,040mn eqvl.)
Status	Senior Unsecured
HSBC's Role	Lead Coordinator, Joint Lead Manager and Bookrunner Payment Administrator

Demand by investor type





Almarai Company

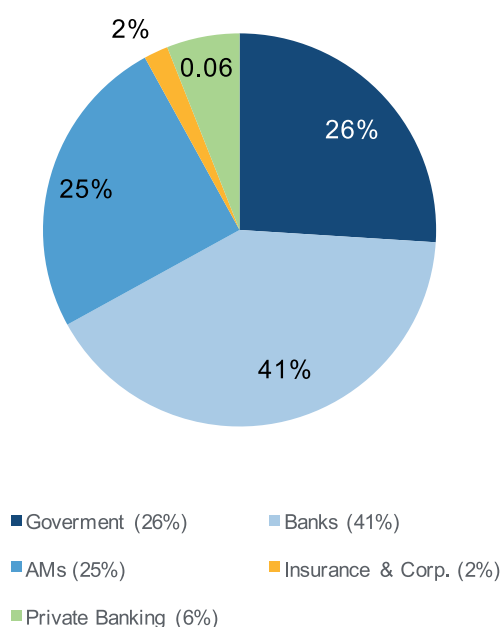
First Perpetual Equity Accounted Corporate Hybrid Sukuk of SAR 1.7 billion

- The transaction marks first perpetual equity-accounted corporate hybrid Sukuk in the CEEMEA region.
- This transaction was intended to strengthen Almarai's capital base and keep gearing levels within the "internal comfort zone".
- This innovative transaction, which represents senior unsecured obligations, gives Almarai the option to defer profit payments along with the obligation to pay profit over the deferred payments. This Sukuk qualifies for equity accounting.

Transaction Highlights

Issuer	Almarai Company
Issue Rating	Unrated
Instrument	Hybrid Sukuk
Status	Senior Unsecured (pari passu with other senior Sukuk of the Issuer)
Settlement Date	30 September 2013
Maturity	Perpetual
Issuer Call Option	30 September 2018 and any distribution payment date thereafter
Size	SAR 1.7bn
HSBC role	Joint Lead Manager and Bookrunner

Demand by investor type



Case Studies

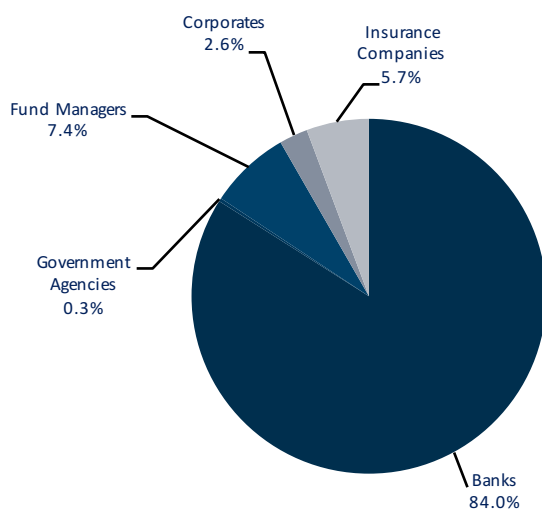
الرياض المالية
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Transaction highlights

Issuer	Saudi International Petrochemical Company
Currency	SAR
Issue Size	SAR 1,000 million
Issue Date	16 June 2016
Maturity	Five (5) years (16 June 2021)
Issue Price	One hundred per cent. (100%) of the aggregate nominal value of the Sukuk
Profit Rate	6-month SAIBOR + 235 bps
Periodic Distribution Dates	Semi-annually every 16th December and 16th June
Status	Senior. Other than a secured reserve account with respect to one profit payment, the transaction is unsecured
Islamic Structure	Al-Istithmar
Mode of Issue	Book building
Offer Type	Private placement, restricted to sophisticated investors in the Kingdom of Saudi Arabia
Governing Law	Laws of the Kingdom of Saudi Arabia
Riyad Capital Role	Coordinator, Joint Lead Manager, Joint Bookrunner and Sukukholders' Agent

Allocation by investor type



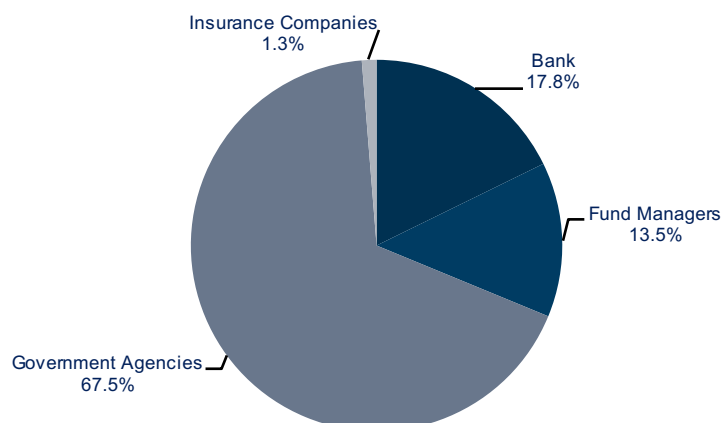
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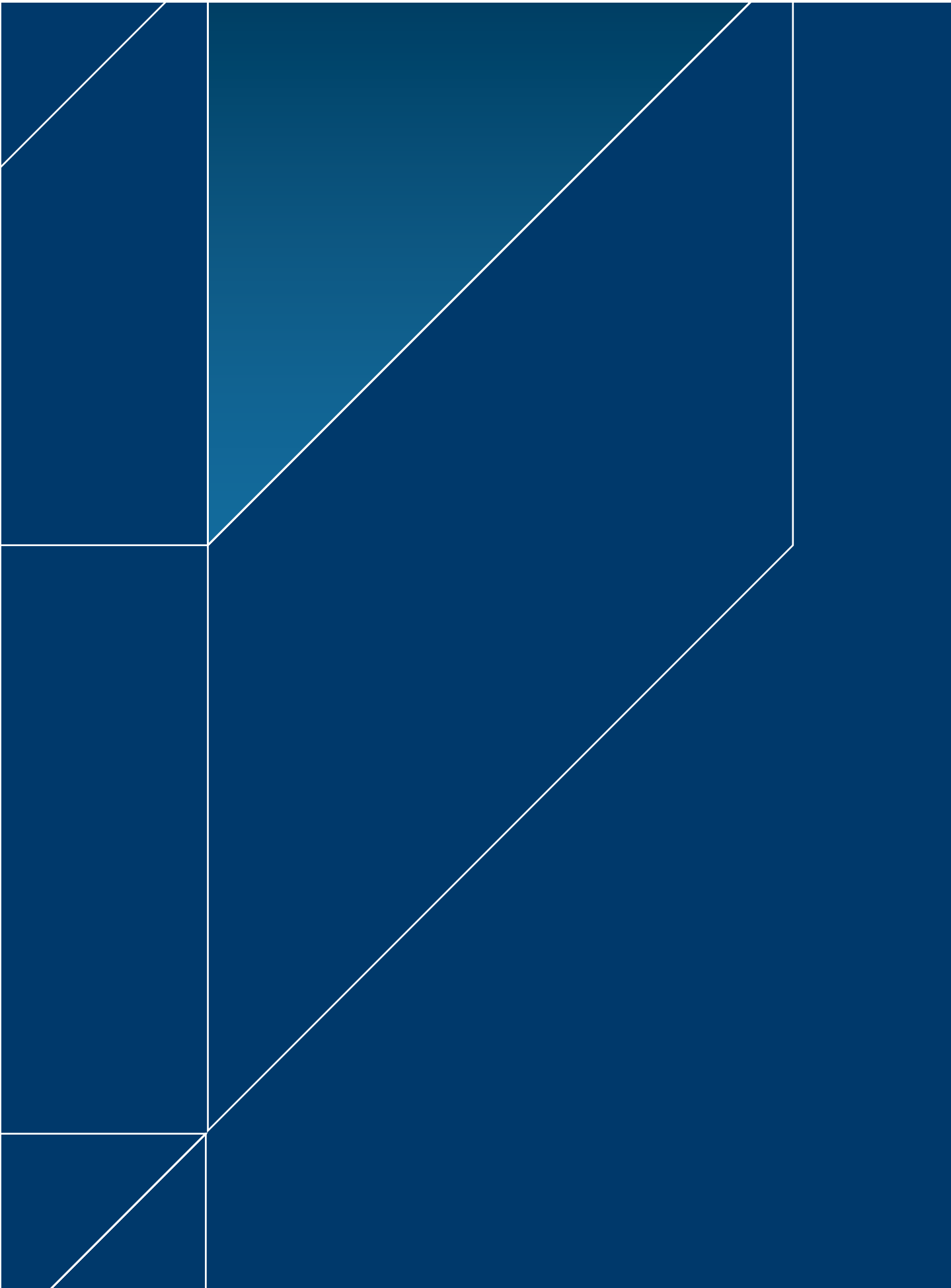
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Transaction highlights

Issuer	Riyad Bank
Currency	SAR
Issue Size	SAR 4,000 million
Issue Date	24 June 2015
Maturity	Ten (10) years (24 June 2025) (Callable on the 5th anniversary)
Issue Price	One hundred per cent. (100%) of the aggregate nominal value of the Sukuk
Profit Rate	6-month SAIBOR + 115 bps
Periodic Distribution Dates	Semi-annually every 24th December and 24th June
Status	Subordinated
Islamic Structure	Al-Istithmar
Mode of Issue	Book building
Offer Type	Private placement, restricted to sophisticated investors in the Kingdom of Saudi Arabia
Governing Law	Laws of the Kingdom of Saudi Arabia
Riyad Capital Role	Lead Manager, Bookrunner, Sukukholders' Agent and Payment Administrator

Allocation by investor type





EXCHANGE- TRADED FUNDS (ETFs)

Diversified and growing revenue base with significant upside potential

Tadawul's revenue base is expected to double over the next 5 years underpinned by an ambitious strategy

Exchange-Traded Funds (ETFs)



Exchange-Traded-Funds or ETFs are investment funds that track an index, and are divided into equal units traded on the stock market during official trading hours similar to trading shares of companies. ETFs enjoy advantages of both investment funds and stocks at the same time. FALCOM Financial Services was the first to launch an ETF in the Kingdom of Saudi Arabia in 2010: "FALCOM 30 ETF". It was followed by "FALCOM Petrochemical ETF" and "HSBC Saudi 20 ETF", which diversified investment options for investors.

ETFs differ from other methods of investment by:



Transparency

Since ETFs follow market indexes, they offer daily visibility into holdings. The fund managers have a daily obligation to disclose all this information. ETFs also have a continuous valuation during trading hours of the unit value, known as the Indicative Net Asset Value (iNAV). Having this intraday valuation provides a high level of transparency that is not found in any other type of investment fund. In addition, at the end of the day, fund managers publish the Net Asset Value of the units (NAV).



Cost

Investment in ETFs is mainly characterized by low costs associated with the participation in these funds. The expenses of managing ETFs are disclosed in its Terms and Conditions. There are brokerage costs associated with the purchase or sale of ETF units.



Flexibility

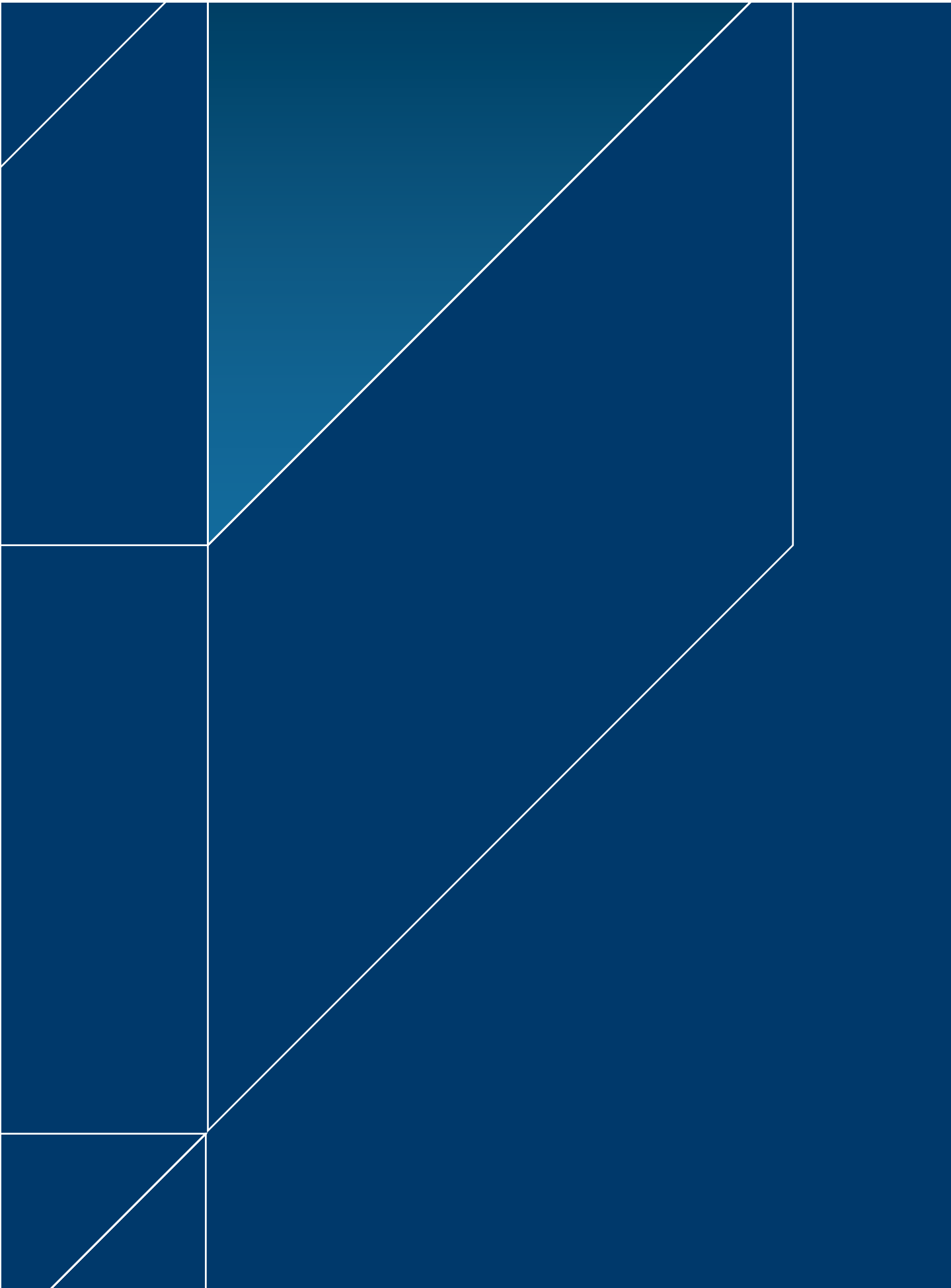
ETF units are easy to deal with as investors can buy or sell units directly through the stock market and instantly, in the same way as buying shares. Investors can buy ETF units regardless of the issuer, unlike mutual funds where investment is required to be dealt with directly by the fund manager. There is also no minimum limit of participation in ETFs. Also, ETFs have Market Makers that provide liquidity and maintain bid and offer prices during the session.



Diversity of investments

ETFs are generally characterized by the diversification of their invested assets which provides exposure to the index basket of securities unlike picking one share; hence reducing the risk of investment and price volatility, unlike direct equity investment. Also, as the index goes under periodical reviews, the ETF basket rebalances ensure the diversity of investments over time.





CLOSED-END FUNDS

What are Closed-end Funds (CEFs)?

Closed-end Funds, or CEFs, are financial instruments issued to the public and traded on the Exchange allowing all types of investors to obtain investment exposure to a diverse set of underlying assets. CEFs consist of units, where each unit represents ownership in the underlying asset. CEFs are traded on the Exchange just like REITs and equities during trading hours.

With regards to control and supervision, similar to other investment vehicles, CEFs adhere to the rules and regulations issued by the CMA. CEFs are subject to abide by the high standards of transparency and disclosure as set out in the CEF Instructions.

Characteristics of Closed-End Funds

- Additional investment opportunity and increased diversification.
- High transparency, as the Fund Manager is obligated to publish periodical reports which are published on Tadawul's website
- Easy to invest in, as Closed-End Funds trade

similar to equities and REITs.

- Diversification is an advantage, as it would decrease the risk on the fund.

Objective of listing Closed-end Funds

- Provide more liquidity to investors, by establishing a platform for trading units of closed investment funds, as they are traded at any given time during trading hours
- Encourage the growth of the assets industry, through the fund's investment in a variety of assets
- Provide an attractive environment for investment where there are multiple investment channels accessible to all investor types
- Increase the level of transparency in the fund and its investment; by providing continuous bids and asks during trading hours and applying disclosure requirements.



Offering & Listing Requirements

Fund Legal Type	Closed – end fund
Fund Size	Minimum SAR 300 Million
Nominal Value per Unit	SAR 10 per unit
Number of Investors	Minimum 200 investors
Free Float	At least 30% of the total CEF units are owned by unit holders from the public
Lock-up Period	12-months restriction on founding shareholder units
Disclosure requirement	Disclosure of material changes and specific events as mentioned in the Closed-end Funds Instructions and the Investment Fund Regulations
Leverage	Leverage must not exceed 30% of the total assets value of the fund
Direct listing (Technical listing)	Permitted provided all requirements are met
Unit Pricing	Reference to Article 66 and 67 of the Investment Fund Regulations, the pricing of units shall be consistent with the nature of the Fund's assets, provided that a valuation is conducted once every 6 months at a minimum.
Capital increase	Through in-kind contribution or cash contributions provided the Fund Manager obtains the consent of the unit holders following obtaining the Capital Market Authority's approval as this is considered a fundamental change.

Closed-end Funds Investment Scope and Restrictions

Investment Scope

- The closed-end funds can invest in private funds no more than 25% of the net asset value of the Fund in a single asset. Except the specialized public funds.
- More than 10% of the net asset value of the Fund can be invested in non-liquid assets
- More than 35% of the net asset value of the Fund can be invested in government debt instruments.

Investment Restrictions

- Restricted from investing in Real Estate assets
- Restricted from investing more than 25% of the fund's total assets in a single asset.

The main differences between Real Estate Investment Traded Funds – REITs & Closed-end Funds (CEFs):

Characteristics	Real Estate Investment Traded Funds – REITs	Closed-End Funds
Fund Legal Type	Closed – end fund	Closed – end fund
Fund Size	Minimum SAR 500 Million	Minimum SAR 300 Million
Nominal Value per Unit	SAR 10 per unit	SAR 10 per unit
IPO	Public offering of units	Public offering of units
Number of Investors	Minimum 200 investors	Minimum 200 investors
Dividend Distributions	At least 90% of the fund's net profits must be distributed annually to the unit holders	Not applicable
Leverage	Leverage must not exceed 50% of the total assets value of the fund	Leverage must not exceed 30% of the total assets value of the fund
Assets Ownership	The assets must be registered under the name of third party (custodian) and owned by the unit holders	The assets must be registered under the name of third party (custodian) and owned by the unit holders
Free Float	At least 30% of the total REIT units are owned by unit holders from the public	At least 30% of the total CEF units are owned by unit holders from the public
Investment Scope and Restrictions	At least 75% of the fund's total assets value according to the last audited financial statements must be invested in constructed developed real estate qualified to generate periodic and rental income	Restricted from investing more than 25% of the fund's total assets in a single asset. Permitted to invest more than 35% of the net asset value of the CEF in government debt instruments
Trading Time	Similar to Main Market trading hours	Similar to Main Market trading hours
Fluctuation Limits	±10%	±10%





INVESTOR RELATIONS

**To be the interface between the company
and its investors**

IR is the channel for two-way communications
between a company and the financial markets as a
whole

The Importance of Investor Relations and Communication

INSTINCTIF

PARTNERS

Effective corporate and financial communications are an essential tool for an IPO. By establishing a positive profile among key stakeholders, including business and financial media, analysts and investors, the issuer (the IPO Company) will maximise its potential for a successful flotation. To attract investors and secure a fair valuation, the company must first demonstrate its equity story and then explain how it intends to deploy funds to support future growth. In the post-financial-crisis era, reputation is everything. Media, analysts and sophisticated investors will scrutinise a potential issuer more closely than ever before. It is therefore vital that all bases are covered. When questioned, management need to clearly demonstrate the historic and future growth trajectory of their business, be transparent in the information they provide, and deliver a narrative to key audiences that will garner support for their IPO.

Communications objectives and drivers

To effectively communicate its IPO, the issuer should have a clear understanding of the drivers that will influence the listing. These include market conditions, the reputation of the sector, the relative security or insecurity of the legislative and regulatory environment, the company's investment case, how proceeds will be deployed, valuation of the stock, the track-record and reputation of management, and the book-building process. The diagram below outlines the key drivers of an IPO and the communications objectives that accompany them.

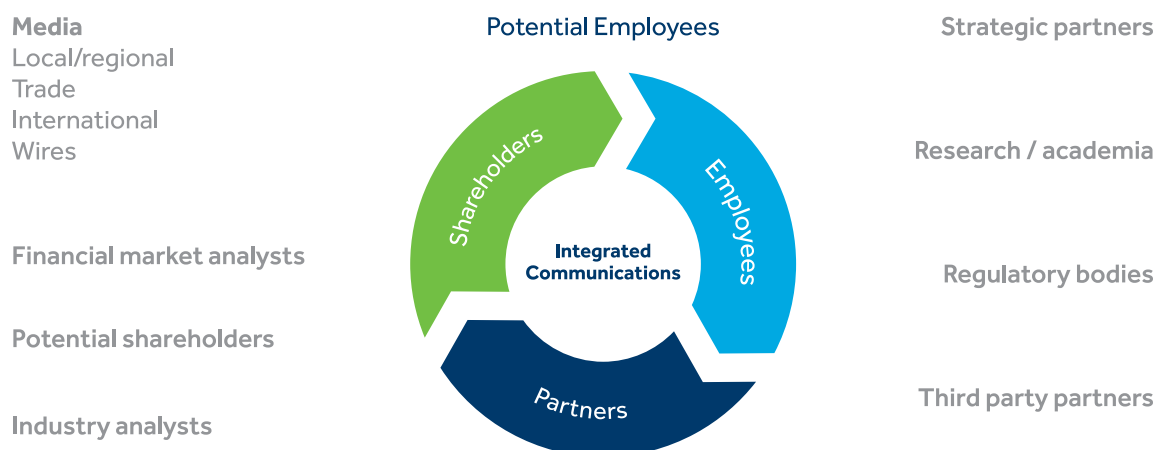
DRIVERS		OBJECTIVES
Market conditions <ul style="list-style-type: none"> IPO market sentiment Macro-economic environment 	➔	Timing is everything <ul style="list-style-type: none"> Strictly manage communications: prepare leak strategy; manage speculation Enhance corporate profile ahead of intention-to-float announcement Watch listed peers and new issues
Sector reputation <ul style="list-style-type: none"> What concerns do investors have? Is peer-group comparison favourable? 	➔	Stand out: build the investment case <ul style="list-style-type: none"> Why are you unique/a must-buy? Demonstrate transparency, ethics and responsibility Differentiate the company from its peers Show transparency on financials
Macro legislative/regulatory conditions <ul style="list-style-type: none"> Government calendar and directives Concerns around future regulation 	➔	Equity story <ul style="list-style-type: none"> Positive development within company and the market Show compelling growth story and market positioning
Investment case <ul style="list-style-type: none"> How compelling is the equity story? Why is this a must-buy equity? 	➔	Right market dynamics <ul style="list-style-type: none"> Fund managers may be generalists – educate them Explain business model, technology, USPs, positioning vs. competitors Why are you well positioned to list at this point in time? How will listing proceeds be used to drive growth? After-market liquidity will drive analyst interest/coverage
Use of proceeds <ul style="list-style-type: none"> Use of listing proceeds and deal structure 	➔	Governance <ul style="list-style-type: none"> Board composition is key Non-Executive Directors – demonstrate strength in depth Explain remuneration and proceeds – questions will be asked Demonstrate long-term alignment of management with ownership stakes
Valuation <ul style="list-style-type: none"> Optimal value for all parties: what are the intentions of major shareholders? Liquidity and demand Dividend projections 	➔	Book-building <ul style="list-style-type: none"> Generate a sense of scarcity With competing IPOs in the pipeline, show why the issuer is unique Key message: 'one to get hold of'
Management team <ul style="list-style-type: none"> Track record Alignment with shareholders 	➔	
Book-building <ul style="list-style-type: none"> Momentum and pricing tension 	➔	

Identify and understand your audiences

For the company to achieve its communications goals, it must identify and understand its most important audiences. These audiences are wide-ranging, and each has a different set of needs, objectives and styles of interaction. These need to be fully understood, and the IPO marketing plan adapted to meet them.

Stakeholder audiences vary from media, investors and analysts to employees, industry bodies, customers, partners, regulators, governments and other influencers. Audiences belong to a complex matrix, which can be difficult to navigate. IPO communications should always be consistent, but the requirements and interests of individual audiences should be considered. Investors and analysts, for example, will have a strong interest in your medium- to long-term growth potential, while regulators will place a heavy emphasis on your corporate governance framework.

A strong IPO marketing strategy will take into account all stakeholder audiences. The diagram below provides an overview of the universe in which your integrated communications programme will be delivered.



Adopt a best practice approach

The benefit of a well-structured and phased approach is that the company will be clearly differentiated from its peers and within its sector. The process will allow management to build the right relationships with the right stakeholders, creating understanding, support and trust among target audiences and influencers. This will, ultimately, generate an appetite for shares.

Step 1: Prepare to succeed

- Get your story/messages right
- Agree programme of activity
- Upgrade website/social media platforms/collaterals
- Rehearse presentations

Step 2: Build your reputation

- Raise awareness/establish profile through set-piece events
- Generate enthusiasm for business and management

Step 3: Step up the pace

- Accelerate momentum
- Manage issues
- Generate positive news-flow

The company and its management must be well-prepared for the IPO marketing campaign. The equity story and key messages need to be developed to a high level of detail, with responses to tough questions drafted and rehearsed. There must be a clear programme of activity, that is threaded into the increasingly busy diaries of spokespeople, and all supporting materials (both online and offline) should be ready to be rolled-out at short notice. It is highly recommended that presentations and media engagements are meticulously rehearsed, to ensure impactful on-message delivery.

As the issuer builds its reputation in the market, a greater level of awareness among target audiences will be achieved. This can, to a large degree, be secured through set-piece events such as roundtables and site visits, which will generate enthusiasm and interest in the business and its operations as well as trust in management. As the IPO approaches, and particularly at the time of the intention-to-float (ITF) statement, momentum will accelerate. At this point, the in-house and external communications team must be ready to work around the clock to exploit opportunities, manage issues and create consistent and positive news-flow. If the programme is effectively delivered, the end result (mitigating factors permitting) will be maximum value for the company's stock.



The IPO marketing strategy

The IPO marketing strategy is best envisaged as a 4-phase process. During Phase 1, the issuing company should engage in a detailed programme of preparation. Deliverables to prepare for the IPO will typically include the establishment of formal communications protocols and controls. PR materials developed to support the listing process will include a set of key messages that are aligned with the investment case as well as Q&A documents, key themes, leak and positioning statements, KPIs, website content, presentation decks, a social media plan and a corporate photo library. If there is a large retail offer, we also recommend an IPO film and an advertising campaign. Further activities should include media training of senior management, the creation of analyst and media databases, a clearly defined media strategy, and initial drafting of the ITF, pricing and first-day-of-dealing statements.

As the IPO marketing strategy progresses into Phases 2 and 3 (see diagram below) there are various PR do's and don'ts that should be strictly adhered to:

What you should do

- Refer analyst, financial media and market queries to the appropriate advisors
- Liaise internally on media inquiries/responses
- Inform advisors immediately if sensitive information is inadvertently disclosed
- Keep all advisory teams informed of major forthcoming activity
- Draft documents in good time with realistic deadlines
- Proactively communicate with staff at appropriate time
- Three levels of communication:
 1. Ordinary course of business: continue as usual
 2. Business promotion: be careful
 3. Market/'sell' the IPO: no

What you should not do

- Issue written material without checking with legal and financial advisors
- Give unsupervised interviews
- Share your business strategies externally
- Make any 'forward-looking' statements (operational or financial)
- Comment on the merits of investing in the company (market 'priming')
- Discuss any aspect of the IPO externally
- Inadvertently brief local/trade media



Setting Up Best Practice Investor Relations

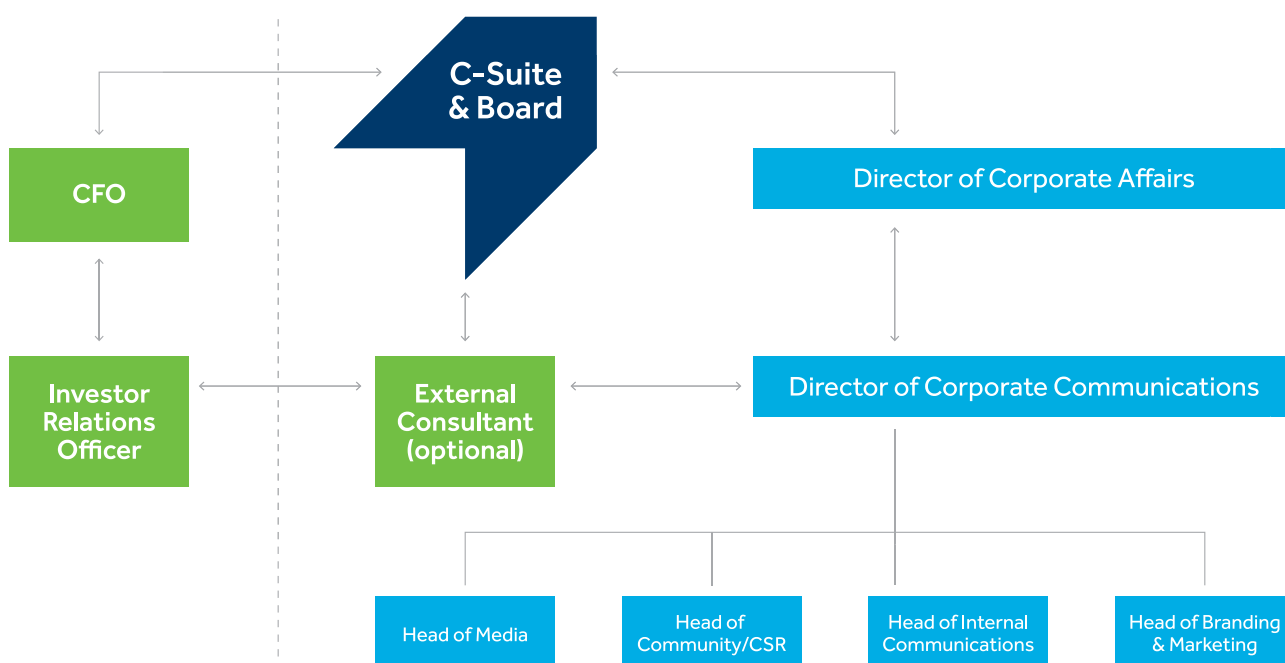
In Saudi Arabia's current economic environment, it is more necessary than ever for listed companies to take ownership of their Investor Relations (IR) programs. With regulation in the Kingdom's capital market making it increasingly open to Qualified Foreign Investors (QFIs), and a clear drive by the Saudi government to attract Foreign Direct Investment (FDI), now is the moment for Tadawul-listed companies to grow and sustain relationships with global investors.

Powerful new forces and regulatory developments around the world, not least MiFID II, are forcing issuers to rethink how they engage with investors and how a differentiated equity story is vital for catching their attention. The consequence of MiFID II is that listed Saudi companies may struggle to gain international sell-side coverage. Moreover, the buy-side community has become increasingly margin sensitive and is becoming resource-scarce as the rise in passive investing gathers pace. This means that the need for effective and direct interaction with the investor community, driven by the IR team, is paramount.

The successful IR program requires continued strategic outreach, to maintain a positive reputation among key audiences, with market visibility supporting a fairly-valued share price and continued investor confidence. Transparency should be the IR program's first priority. As IR best practice in Saudi Arabia and the GCC develops to align itself with international standards, analysts and investors will expect an increasingly high level of disclosure, which gives them the confidence they need to advise or allocate. Investor communications cannot be opaque or selective, but must be transparent and consistent.

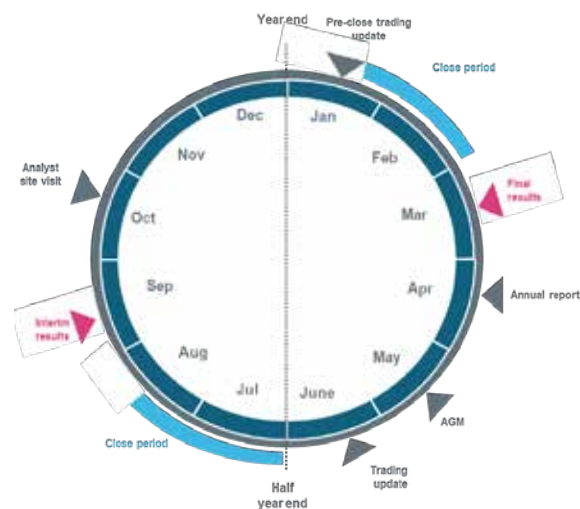
Establishing the IR Function

Establishing an effective IR function will lay the foundation for streamlined and effective investor communications. The transition to a public company brings with it a culture shift within the organization, whereby new roles and responsibilities are established to meet new obligations. Work flows will need to be adapted to meet IR and disclosure requirements, and it is likely that new hires may be required to perform the duties of a specialized IR role. A well-structured IR framework will set the tone for future IR activity, and afford the capacity required to build on the quality of your investor outreach program. The diagram below provides an indicative overview of a best practice IR framework:



Transitioning to the Reporting Cycle

An actively-managed, rolling program will create a flow of disclosures at consistent and evenly-timed intervals. Forward planning for relevant stakeholder (analysts, media, and investors) and shareholder engagements will also be an important characteristic of the company's financial calendar. The calendar and reporting cycle should be clearly articulated on the company's Investor Relations webpage, where investors and shareholders can gain visibility on what they can expect to see and hear from quarter to quarter. The diagram below provides an indicative, high-level summary of a typical yearly cycle, which may vary from company to company:



What should the IR program achieve?

What does the market expect of your company?

- Market and media expect access to information
- Under promise and over deliver
- Decide spokespeople and initiate clear controls
- Build long-term relationships based on trust
- Know your audience - make sure you address their needs
- Win a reputation for openness and accessibility
- Be prepared to talk sector (but never criticize competitors)
- Keep active between stops in the financial calendar
- Be as available for bad news as for good news
- Win your company the respect that it deserves

What should a company expect to achieve from a best practice Investor Relations program?

- A compelling investment case: a clear, concise, complete and consistent message that resonates positively with the investor community
- Delivering on the market's expectations: establishing and managing the expectations of all capital markets stakeholders, in good times and bad
- Improving relationships with buy- and sell-side audiences: consistent and proactive communication while at the same time optimizing use of senior management time
- Increasing visibility in the market: securing the best speaking platforms for senior management and placing articles in leading financial/business media
- Maximizing valuation & lowering cost of capital: creating demand for shares by precise investor targeting; lowering future cost of capital by strong ties with capital markets players



Three-phase Approach to IR

The three-phase approach to building an IR program and the tool box which supports it follows an 'Analyze, Develop, Execute' sequence of activity.

Analyze	Develop	Execute
<ul style="list-style-type: none"> IR strategy and audit Shareholder analysis Investor targeting and peer analysis Perception studies Quarterly investor interaction reports Governance and CSR monitoring Review sell-side coverage Sell-side ratings assessment Competitor intelligence reports 	<ul style="list-style-type: none"> Equity story development Messaging Expectation management Investor factsheets and infographics Investor film(s) Consensus management CSR story development Database clean-up and monitoring Support equity research initiation 	<ul style="list-style-type: none"> Financial calendar and disclosures management Provide investor access Host Capital Markets Days Organize site visits Database management Investor profiling Email distribution IR board reports Support proxy solicitation



Maintain Momentum: Food for thought

Having established a fully-fledged IR function and program, it is essential to maintain momentum by attracting ongoing interest from investor audiences. This can be achieved through a series of engaging events and publications. Important events include the Annual General Meeting (AGM), at which shareholders gather to vote on Board resolutions and to hear updates on the company and its performance. The AGM is a golden opportunity to impress IR's most important stakeholders with compelling presentations, which can be supported by multimedia content such as an Investor Film.

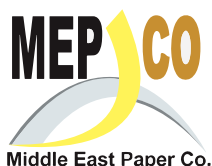
The Annual Report is an important publication within the IR calendar. This can be strengthened by high quality graphic design and photography, the use of infographics to explain the company's strategy and business model as well as a supporting microsite to provide investors, analysts and other stakeholders with easily digested and navigated content. A comprehensive download center on the Annual Report website (as well as on the main IR webpage) is an important feature, allowing audiences to go straight to the information they require.

Further events might include regular site visits for analysts – for example to factories or real estate assets – as well as an annual Capital Markets Day (or Investor Day), at which the most important constituents of the IR database are invited to meet management, attend presentations on the company's financial and operating performance, receive updates on the growth strategy, and tour facilities.

Such events are an effective way of engaging with audiences, and creating a personal and tangible link with the business. In many ways, they are as important as the obligatory reporting and disclosure program.

Case Studies

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Middle East Paper Company (MEPCO)

Challenge

To develop a 360-degree Investor Relations (IR) strategy to establish MEPCO's reputation and positioning among a diverse set of local, regional and international investor audiences. With a clear strategy in place, MEPCO commenced its financial communications and IR programme since its listing on Tadawul in 2015. MEPCO has rolled out a full financial communications programme, to develop strong relationships with investors and media, which had not previously been in place.

Action

The development of an international peer benchmarking analysis, a comprehensive IR roadmap, corporate key messaging, media relations strategy, and a communications outreach programme including the regional dispatch of all MEPCO's financial results enables MEPCO to proactively communicate with its stakeholder audiences using a consistent and timely approach.

MEPCO carried out its first ever Analyst Day in Q4 2017 and secured invitations to the region's leading investor conferences in 2018. MEPCO's attributes as a successful Saudi business, its commercial sustainability and environmental credentials have been communicated to position the company among relevant audiences.





Result

Within a 9-month period,

MEPCO's share price rose by more than

50%

after it began proactive investor communications.

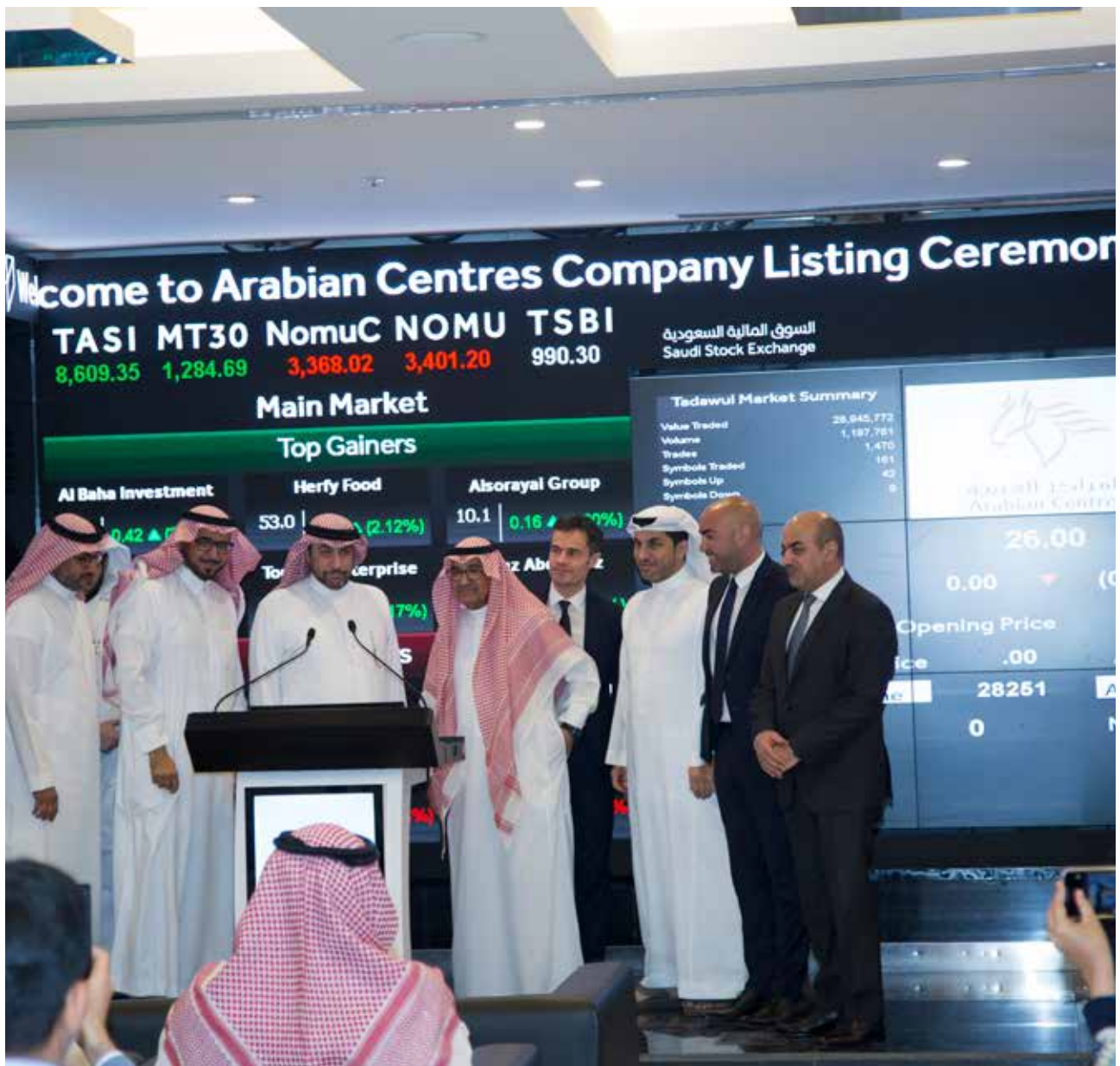
The management team are forging strong relationships with stakeholders and continue to build relationships with key equity analysts. Having previously had no analyst coverage, MEPCO is now covered by SICO with a strong pipeline for further local and international coverage.

The IR and financial communications team is in the process of refining its strategy as the positioning phase is coming to a close and a more targeted, internationally-focused strategic direction will ensue.

Listing Ceremony

The Saudi Stock Exchange (Tadawul) offers to conduct a Listing Ceremony at the Media Center in Tadawul for newly listed companies to celebrate on their listing date before market open and their shares start trading. The listing Ceremony serves to promote and highlight reaching a successful milestone in the company journey. The service provided by Tadawul in relations to the Listing Ceremony include:

1. Ceremony reception and attendees welcoming
2. Preparation of a Press Release and distributing to different media outlets
3. Photographs of the ceremony
4. Social media coverage
5. The company can invite any media agency to conduct interviews and coverage, subject to the approval of Tadawul.





Glossary

AP	Authorized Person
CCP	Central Counterparty Clearing House
CMA	Capital Market Authority
Coupon	Annual interest payment that the bondholder receives from the bond's issue date until it matures
Debt	A sum of money that is owed or due
Edaa/SDC	The Saudi Securities Depository Centre Co.
ETF	Exchange-Traded Fund
FDD	Financial Due Diligence
GICS	Global Industry Classification Standard
IPO	Initial Public Offering
LDD	Legal Due Diligence
Main Market	Main companies segment
Maturity / Tenor	Amount of time left for the repayment of a loan or until a financial contract expires
NAV	Net asset value
NOMU	A parallel equity market
QFI	Qualified Foreign Investor
REIT	Real Estate Investment Traded fund
Share	Share of any company wherever incorporated. The definition of "share" includes every instrument having the characteristics of equity
Sukuk	Islamic bonds
Tadawul	The Saudi Stock Exchange
TASI	Tadawul All Share Index
Unit	The interest of the holders in an investment fund consisting of units
CEF	CLOSED-END FUNDS

Appendix

Overview of Tadawul Listing and Annual Fees

Platform	Fee Type	Amount	Frequency
Main Market	Initial Listing fees	SAR 50,000	One time
	Annual Listing fees	1 bps of paid up capital + 0.5 bps of the average market capitalization The annual listing fee is subject to: Maximum: SAR 1,000,000	Annual
Nomu - Parallel Market	Initial Listing fees	SAR 50,000	One time
	Annual Listing fees	SAR 50,000	Annual
REITs	Initial Listing fees	SAR 50,000	One time
	Annual Listing fees	0.3bps of market capitalization The annual listing fee is subject to: Minimum: SAR 50,000 Maximum: SAR 300,000	Annual
Closed-end Funds	Initial Listing fees	SAR 50,000	One time
	Annual Listing fees	0.3bps of market capitalization The annual listing fee is subject to: Minimum: SAR 50,000 Maximum: SAR 300,000	Annual
Sukuk & Bonds	Annual Issuance fees - first issuance	0.00001 (0.1bps) of issuance size	Annual
	Annual Issuance fees - additional issuances	0.000005 (0.05bps) of issuance size	Annual
	Minimum Annual Issuance fees	SAR 30,000	Annual
ETFs	ETF Listing Fee	50,000.00	One time

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2. Real Estate
3. Healthcare
4. IT
5. Telecommunication
6. Utilities
7. Consumer Discretionary



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3. Materials
4. Energy



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