EFG Hermes
An EFG Holding Company

The Year Ahead 2026

At a Turning Point

TABLE OF CONTENTS

MENA still has more to offer

MENA markets enjoyed a strong run over the past few years, thanks to reformist policies and a favourable external environment. We expect the positive performance to extend into 2026. The external environment remains largely favourable for emerging markets, thanks to a weaker USD and low oil prices. While further rate cuts in the US are expected to be limited, the current rates remain conducive to capital inflows and domestic economic activity. The region has also withstood 2025's elevated geopolitical tensions. And with risks for the latter receding, though not by any means vanishing, this should help further boost the region's strong growth in consumption and hospitality.

Oil is a challenge, but not for all

Our bearish view on oil prices plays out differently across markets. Saudi Arabia is the economy/market that stands to be the most impacted negatively by the bearish view on oil prices. We believe the country does have enough space to borrow and plug its financing needs; however, the uncertainty around the growth trajectory is the main challenge facing the market. This is especially the case amidst the limited fiscal space for the gov't, which aims to contain deficits, as well as its hinting about recalibration and reprioritisation of projects. Conversely, Egypt is an outright beneficiary of low oil prices, which drive one of the core factors in our positive view on the country. The UAE is also set to be less affected and is projected to still print a fiscal surplus at our assumed USD65/b oil price, thanks to its diversified economy and efficient spending model. Kuwait and Qatar (the latter to a much larger degree) are also less negatively affected by lower oil prices.

Overweight on UAE and Egypt…

We remain overweight on the UAE's markets, despite their already impressive run over the past few years, as we believe they still have upside ahead. The country's domestic demand play is still largely intact and has surprised positively in 2025. The banking sector remains in the highlight: a smaller hike in regulatory countercyclical buffer means fewer risks for a rather positive credit growth story. Expansionary fiscal positions – at both the individual emirate and federal levels – are an additional advantage. As for Egypt, the market is best to benefit from the positive external environment highlighted above. Indeed, the country has been the best-performing in MENA in 2025, and we think it still has more upside in 2026. Catalysts include further rate cuts (we project 600-700bps over the coming 12 months), pickup in domestic demand, as incomes recover, and an improving external position. Considering the favourable earnings growth potential, the market's c8x forward P/E remains undemanding, in our view.

…and Neutral on KSA

Our bearish stance on oil, downbeat earnings outlook and prospects of slower growth in bank earnings are all factors driving our Neutral rating on KSA. Uncertainty was the key driver for the market's sharp correction in 2025, one that is likely to continue amidst limited visibility on the pace of public spending and GRE's support of the equity market. The banking sector, a key bright spot, is set to face some headwinds next year, with SAMA pushing for higher countercyclical buffers. We acknowledge, though, that the market is trading at more favourable valuations, even losing recently its premium to the MSCI EM. The more reasonable valuations have, indeed, encouraged additional inflows into the country, with further room ahead for more foreign buying, as investors are still under-positioned relative to the country's index weight. Changes to the Foreign Ownership Limit (FOL), which were hinted-to in 2025, would constitute a key upside risk to the market in 2026, if pushed-through, driving more than USD10bn in foreign inflows into the market. In general, we prefer pure infrastructure plays, which are likely to be less affected by the gov't's reprioritisation of spending.

Kuwait is a *tactical* Neutral

Kuwait has delivered on its promises in the past couple of years, especially last year, when we forecast the country would be the region's black horse. Our positive fundamental view on Kuwait remains intact, as the country's leadership focuses on delivering economic reforms and is strongly committed to its investment cycle. Nevertheless, we turn to a tactical Neutral stance on the equity market, as calling for a further rally from current levels remains contingent upon the pace and effectiveness of implementing the next wave of regulatory reforms. Moreover, the banking sector has already delivered strong returns this year, with leading name NBK seeing its historical valuation premium to regional banks extending further. We await progress on regulations boosting participation of the private sector into the property market; this remains a critical step for banks to utilise the newly approved Mortgage Law. Further fiscal reforms are also critical to boost the sustainability of the country's fiscal position, in our view.

Infrastructure plays are favoured…

The region's significant and continued demographic expansion leads us to favour pure infrastructure plays, which will be in a position to withstand the bearish oil price environment and tight budgets. Such names are more abundant in Saudi Arabia, where we like **East Pipes**, as it provides a play on the growing water and oil & gas sectors, especially with the company trading at 10x 2026e P/E multiple, which does not capture the potential normalised earnings, as well as improved earnings' visibility. We also flag **Electrical Industries** as a better-priced entry into KSA's power sector, at a time when most utilities are trading at a premium. Staying with Saudi Arabia, we like **ADES**, given the company's growth trajectory, especially after its recent acquisition of Shelf Drilling.

Broadening the infrastructure plays into the logistics and transport sectors, we prefer **AD Ports**, a name that is building momentum, whether through accelerated asset monetisation or new growth initiatives, both of which lead to potentially more visibility on dividend payout. **ADNOC L&S** is another Top Pick, as it is the best-positioned to gain from the recent spike in shipping rates, as well as delivery of LNG vessels. Finally, we also favour **ADNOC Gas**, as the company enjoys resilient earnings to the current low oil price environment, thanks to rising domestic gas consumption. The three names have been unjustifiably hit by investors' concerns over global tariffs, offering decent opportunities for stock price recovery in 2026.

…and financials remain attractive

Financials are still in our leading picks for MENA going into next year, as they remain the financing engine of the region's expanding economies. We favour banks in the UAE and Egypt, with both expected to enjoy continued elevated growth in extended credit, thanks to their strong growth drivers. Prospects of further rate cuts, while putting pressure on NIMs, are likely to be compensated-for by growing credit volumes and the accompanying rise in fee income; these are both ROE-accretive. In the UAE, we like **ADCB**, given the loan growth prospects and firepower gained from the recent capital increase. In Egypt, we prefer **COMI** (as a key beneficiary of credit upcycle in Egypt) and **Credit Agricole** (which enjoys one of the highest dividend yields in the country). We are also positive on Saudi banks, but we are wary of an outlook of slowing credit growth, following the hike in regulatory countercyclical buffers. We favour **Rajhi** and **SNB**, with the former being a play on a large fixed-rate asset base and strong retail franchise and the latter banking on opex discipline and active risk-weighted asset optimisation.

Diversified property players rank high

The property sector remains a core part of MENA's equity markets as a play on growing populations. We favour property developers with more diversified business models to mitigate some concerns over maturing property cycles, particularly in the UAE. In the latter, our preferred name remains **Emaar Properties**, thanks to its lucrative dividend yield of c7%, which is supported by solid cash flow visibility. In Egypt, we like **TMG**, which offers investors a play on Egypt's growing property market, with a diversified portfolio into hospitality, as well as regional expansions (limiting downside risks of FX negative surprises). In Saudi Arabia, we like **Retal**, which is set to benefit from the new FOL, given its brand equity. We also like **Jabal Omar (uncovered)**, given the company's unrivalled position in the Kingdom's growing religious tourism market with a cleaner balance sheet. Finally, in Kuwait, we flag **Mabanee** as a play on a growing retail market in KSA and a potential pickup in Kuwait's residential property market.

Domestic demand plays cannot be overlooked

In addition to the above names, we flag several stocks across various sectors that provide lucrative plays on the region's domestic demand growth story. In telecoms, we favour **Mobily** in KSA and **du** in the UAE, both of which offer a decent combination of earnings growth and high yields. In the consumer space, we like the UAE's **Spinneys**, which enjoys healthy LFL growth, thanks to resilient consumer spending in the country. In Egypt, **EDITA** stands out, thanks to a strong earnings recovery after four quarters of earnings pressure and undemanding valuations of 11x forward P/E. **GB Corp** offers investors a play on recovery in Egypt's auto sector, in addition to growing credit demand, amidst falling interest rates. In KSA, we also flag **Almarai**, with the company potentially benefitting from increasing price flexibility. Finally, in healthcare, we flag Egypt's **Ibnsina** – a play on repricing of medicines, falling interest rates and volume recovery in the sector – and Saudi Arabia's **SMC**, which is set to deliver the highest growth amongst KSA-listed hospitals.

2026 Macro Themes

Constructive on emerging markets

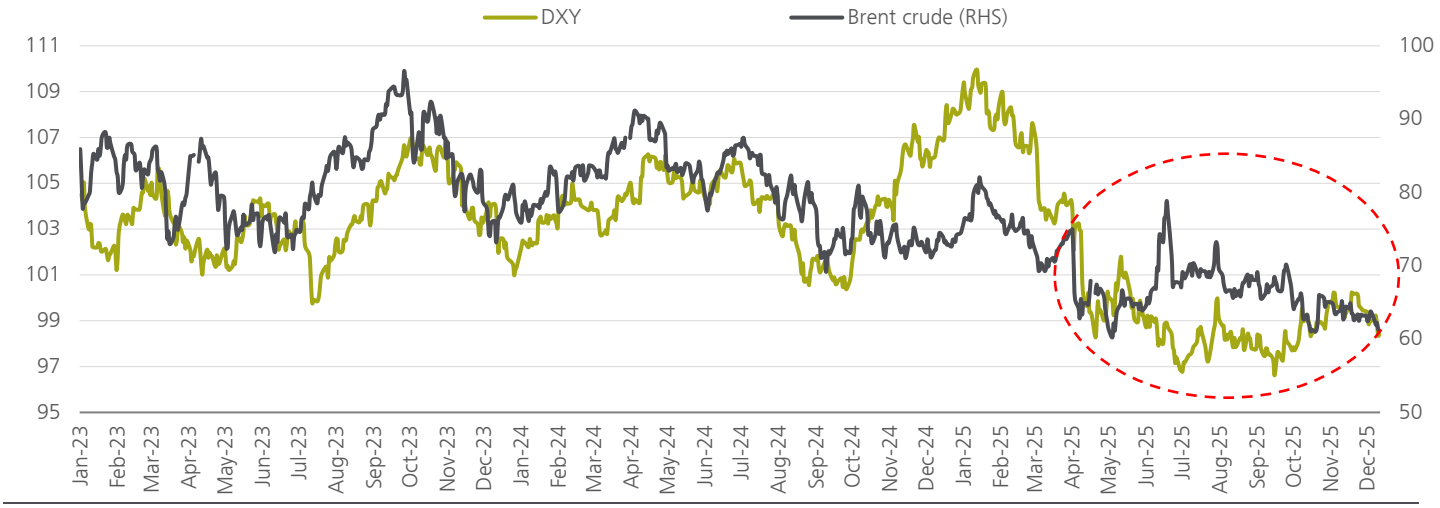
2025 was a year of a turnaround of fortunes for emerging markets, thanks to two positive external shocks. First, the tariff war worked in broader EM's favour, except for those directly impacted by them, as it drove a sharp weakening of the USD, having sparked concerns over the US's growth prospects. A weaker USD is the most welcome news to EM as it typically results in capital inflows.

The weaker USD shock was complemented with another positive one: lower oil prices. Concerns over negative growth headwinds from the tariff war and – more importantly – the OEPC+ decision to boost supply resulted in a notable drop in oil prices. Aside from hydrocarbon producers, the news is also positive for EM, reducing their oil import bills and supporting the disinflation trends further.

Both shocks have helped EM, as well as frontier economies, to recover much faster from the depressed years of 2020-24, when a sharp tightening of US monetary policy and elevated oil price environment pushed major economic imbalances to the forefront.

Figure 1: Weaker USD and lower oil prices were the perfect positive shocks to broader emerging markets in 2025

Index (LHS), USD/b (RHS)



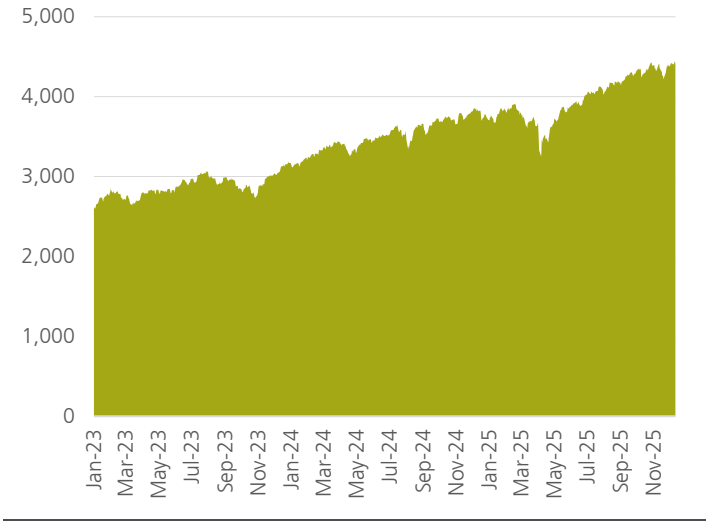
Source: Bloomberg

As a result, EM risk assets saw a strong 2025, and we believe the environment remains supportive for higher returns in 2026. US rates are still at a comfortable level for EM, even if there are not many more rate cuts to look forward to; hence, a stable rate environment in the US around current levels is likely to be good enough to support macro/financial stability in EM, supporting corporate earnings growth.

We acknowledge that the delta of improvement was likely significantly high in 2025, coming from a highly depressed base. Nevertheless, we believe EM assets can still do well, thanks to the envisaged macro stability, which would allow, in many cases, for further disinflation; hence, the easing of monetary policy and, in turn, a boost to economic activity and corporate valuations. Moreover, the relatively stable USD means EM countries will continue to enjoy a favourable cycle of net capital inflows, stable FX and, in turn, limited inflationary risks.

Figure 2: EM equity markets rallied in 2025, on the back of de-risking, improved inflows and prospects of monetary easing. MSCI EM index is up 20% YTD

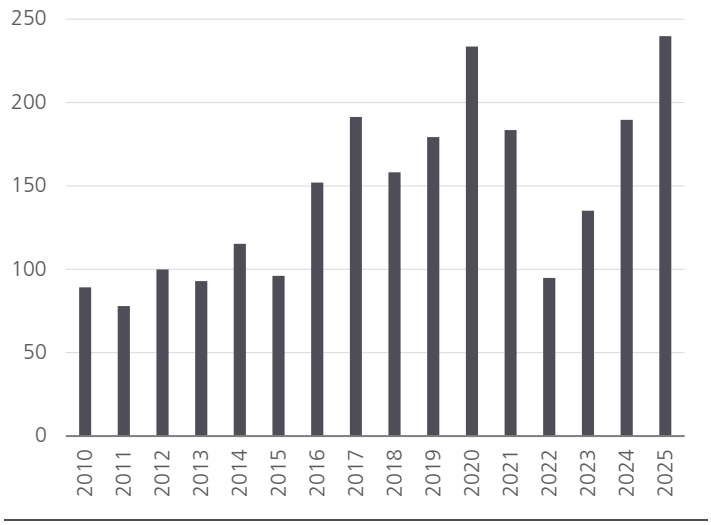
Index



Source: Bloomberg

Figure 3: EM debt issuances recovered strongly in 2025 as sovereigns/corporates regained market access amidst improvement in appetite for EM risk assets

In USDbn



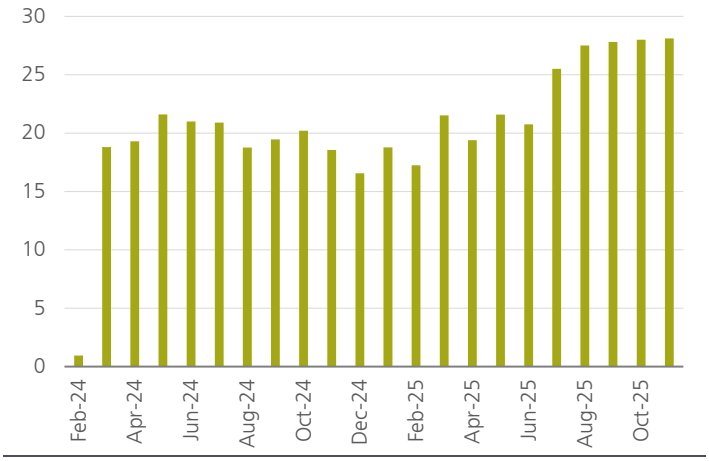
Source: Reuters

In the MENA region, Egypt stands to benefit the most from this environment. Indeed, both its economy and markets enjoyed a good 2025. The country saw a second leg of capital inflows into the carry trade over the summer, boosting locals' confidence in the EGP for the first time in a few years. This, in turn, unleashed a de-dollarisation trend that is still ongoing and driving a notable appreciation of the EGP. Meanwhile, the Central Bank of Egypt (CBE) continued to ease its monetary policy gradually, cutting rates by 625bps as of end-Nov. Equity markets celebrated the positive developments, delivering the region's best performance.

We expect this positive setting to continue in 2026, with a broadly stable EGP supporting further disinflation, encouraging the CBE to continue with its easing cycle (for which we forecast 600-700bps of further cuts over the coming 12 months). A bull case – where Suez Canal fully recovers; thereby, slashing the country's current account deficit by a third – will likely result in even more capital inflows and drive further EGP appreciation.

Figure 4: Egypt saw a second wave of carry trade inflows this summer…

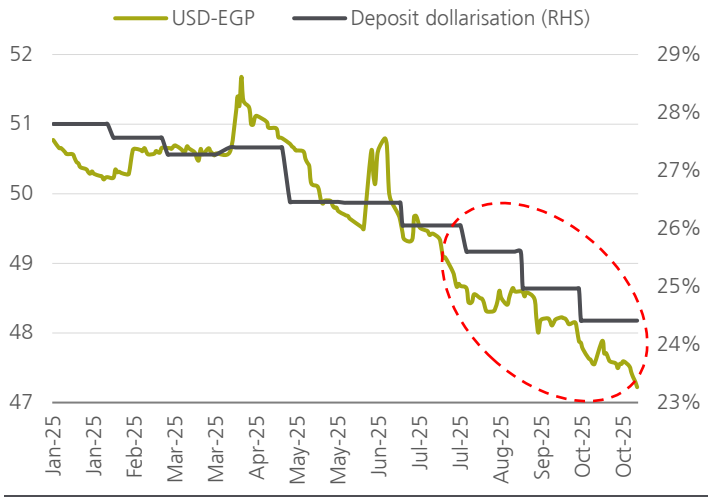
Foreign holdings of local debt in USDbn



Source: Ministry of Finance, EFG Hermes estimates

Figure 5: …supporting a de-dollarisation trend; thereby, driving appreciation of the USD-EGP

USD-EGP (LHS), in % (RHS)



Source: CBE

We see the UAE coming in second place as a beneficiary of the EM positive shocks. The country has the resilience to withstand lower oil prices – as we explain more in the next section. Moreover, the country's diversified economy offers a cushion to its oil exposure with the domestic demand story – underpinned by expansionary fiscal policies and population growth – driving solid performance in these relatively more insulated sectors.

We note, though, that oil exposure has been scarring this positive outlook, as seen in 2025's market performance. Abu Dhabi names with exposure to oil, as well as logistics, have been underperforming vs purely domestic demand plays' rather solid performances. We think the market is being too negative on these names, as they remain largely insulated from global trends and linked more to domestic context. And, we think this makes room for a recovery in these names going into 2026, as we explain in the next section.

Saudi Arabia is the one market that stands out as not benefiting from such an external setting. Being the most vulnerable to lower oil prices, investors are looking at the Kingdom's short-term growth trajectory with scrutiny. Uncertainty over the gov't's spending plans, amidst talks on project recalibration, is penalising the Saudi market, despite the sharp correction in the equity market this year. In this respect, it is difficult to see the market regaining grounds in this environment, all things constant.

As for Kuwait and Qatar, we believe these positive shocks are largely neutral to their markets; therefore, we tend to focus more on their domestic stories. Kuwait is, indeed, going to see some elevated fiscal deficit; however, the gained market access, following the approval of the Public Debt Law and the gov't's focus on several revenue-boosting measures, eases these concerns in the near term.

Oil – We are bearish

The outlook for oil prices remains a challenging one, amidst rising supply, concerns over demand and reduced-geopolitical risk. The bearish trend started in Apr, once OPEC+ decided to take a shift in its policy, reversing previous production cuts, in an effort to bring control to members' abidance by their respective production quotas. The group agreed to unwind 2.2mbpd of production cuts in Sep.

Seven months later, though, the group is falling short in abiding by these production cuts reversals, amidst ongoing pressure on oil prices. Recent data show the group's output dropped in Nov further below the quota ceiling, with 18 of the 22 members participating in surveys reducing their crude production by 38kbpd to 36.17mbpd in Nov. As such, total output fell by more than 400kbpd than the group's quota.

On the demand side, and although oil consumption continued to grow, the outlook is somewhat clouded with concerns over the outlook for economic activity in both the US and China. The latter is set to see its economy slowing further in 2026, as the impact of the trade war settles in, as well as weaker fiscal stimulus. Meanwhile, the outlook for US growth is somewhat mixed: while AI-driven capex is supporting the economy, higher inflation and lower incomes are putting pressure on labour market and broader economic activity.

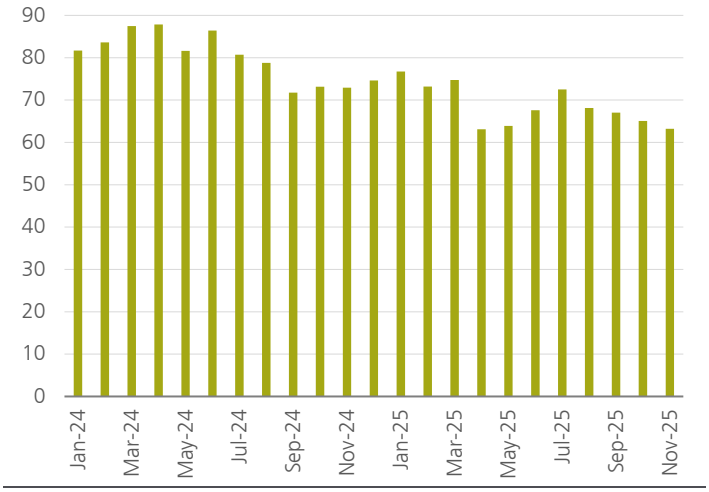
Moreover, the politics behind oil is also not very supportive of a near-term rebound in oil prices, in our view. It is no coincidence that OPEC+, with Russia and Saudi Arabia as heavyweights in the group, made a decision to boost their production levels almost in tandem with the "Liberation Day" announcement. Lower oil prices were clearly a positive shock to the US economy to counterbalance the potential inflationary risks from the tariff shock.

Seeing Saudi Arabia reaping the benefits of a growing relation with the US, as seen in the Crown Prince's latest visit to the US, it seems challenging to expect a big reversal of OPEC+ policy. This is especially the case in a year when the US is holding crucial mid-term election in Nov 2026, one that the US President and his party would desperately want to win to maintain their majority and be able to press ahead with their policy agenda.

In this context, we base our macro and corporate earnings projections on a price of USD65/b for 2026 and 2027. In the near term, risks are tilted mainly to the downside, amidst muted demand outlook, in view of weaker prospects for global GDP growth. Moreover, political risks seem to have somewhat subsided, albeit clearly not resolved, as we expand on later. We have also seen how markets downplayed the impact of geopolitical risks on oil prices, amidst escalations in the Middle East and despite risks to oil production assets in the region. Finally, a resolution of the Russia-Ukraine war would be oil-negative, as it will most likely result in waving of the sanctions on Russia's oil sector; thereby, risking additional supply to the market.

Figure 6: Oil prices sustained decline since trade and OPEC+ shock in early 2025

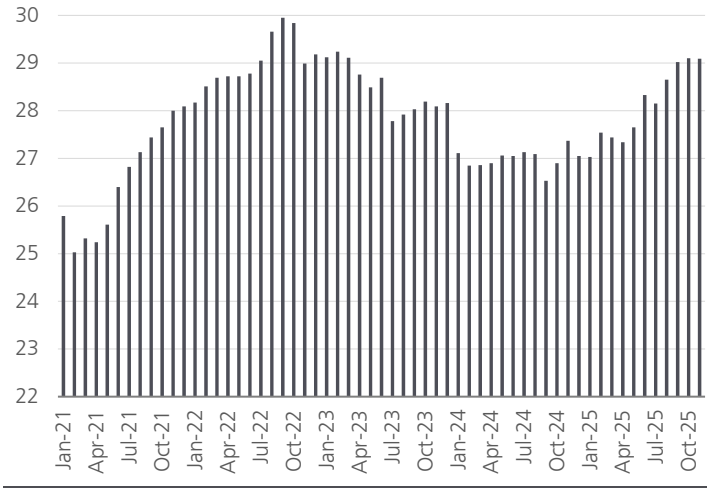
In USD per barrel



Source: Bloomberg

Figure 7: OPEC+ rising production weighed heavily on oil prices, outpacing demand concerns over the trade war

In mn of barrels per day



Source: OPEC

Saudi Arabia is clearly *the* economy in the spotlight in context of the bearish view on oil. The gov't recorded a sharp widening in its budget deficit in 2025, at 5.3% of GDP vs a budgeted 2.3% as it did stick to its expenditure plans, despite the drop in oil prices. Looking at the 2026 budget, announced early in Dec, we estimate the gov't has based its oil revenues on an oil price closer to the USD70/b. With oil prices currently trading at nearly USD60s, the gov't clearly has very limited fiscal space to face a further downtrend in oil prices.

Given the gov'ts commitment to rein-in budget deficits, following last year's elevated deficit levels, further spending cuts (or adverse revenue measures) are potential risks to growth, in case of lower oil prices for longer. Based on our USD65/b oil price projection, as well as expectations of higher spending than budgeted, we forecast a wider deficit of 4.4% of GDP than the gov't's estimated 3.3%.

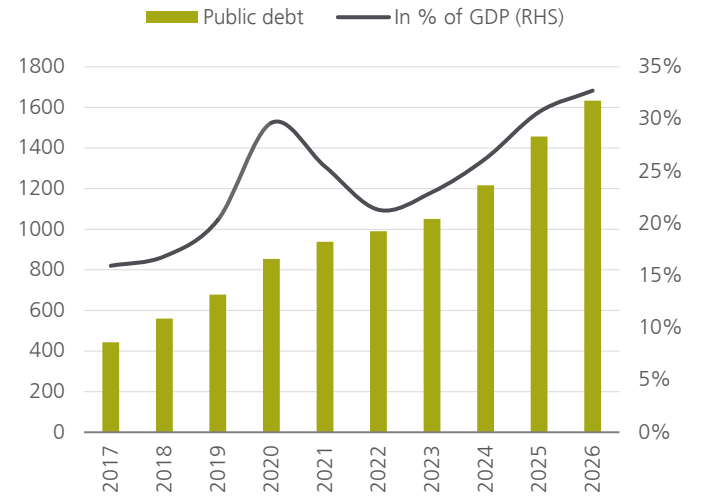
Running such deficits is not that much of a near-term concern for the Kingdom, in our view, considering the still-low levels of public debt. The latter will end 2025 at c31% of GDP, indicating decent room for further leveraging in the coming years. Indeed, the market has been, thus far, well-receiving of Saudi external debt issuances – as evident in the Eurobond spread movements – a trend we expect will continue. Coordination of borrowing plans should be monitored closely by authorities, amidst the broader Saudi Inc., with the tapping of external debt markets now being widely used, not only by the sovereign, but also by the sovereign wealth fund (PIF), other state-owned entities, as well as the banking sector.

Where these deficits, though, are of substantial concern to markets lie mainly in two areas. One is more medium to long term, namely the cost of future borrowing, as debt levels rise higher, at a time when the broader country's balance sheet, and not just the sovereign, is being leveraged. In this context, another key question would be whether the leveraging is producing a decent rate of return that would exceed the borrowing costs.

The second concern, though, is more short to medium term and of more direct impact to equity market, namely the uncertainty over the Kingdom's spending plans. The recent drop in oil prices comes within a context where the State has already been talking about recalibration and reprioritisation of projects, without sharing much detail. Tying this backdrop with news flow around the significant curtailing of some projects (mainly NEOM) and delays in others, spending cuts at the central gov't budget and the sharp drop in project awards, the level of uncertainty has left markets in the dark as to what level of earnings growth to price in, as far as equities are concerned.

Figure 8: KSA's public debt still leaves ample space for future borrowing

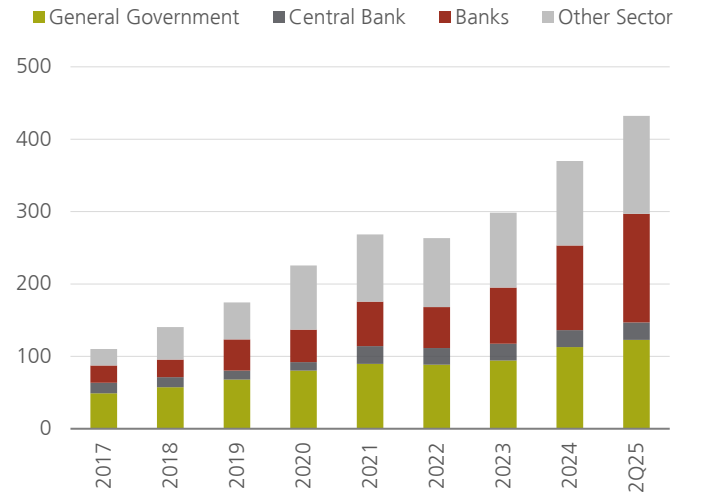
In SARbn (LHS), in % of GDP (RHS



Source: Ministry of Finance, EFG Hermes estimates

Figure 9: Broader Saudi Inc. has been increasingly resorting to global debt markets to fund growth

In USDbn



Source: SAMA

We believe such uncertainty is the biggest factor weighing on the market at this stage, leaving local investors to disregard a relatively decent economic performance in 2025, when non-oil GDP growth remained above 4% and credit growth, while slowing, remained in double-digits. Uncertainty is magnified by the dwindling participation of GREs in the market, a move that is sending mixed signals to local investors.

When it comes to other GCC economies, we believe the lower oil price environment is of a less relative challenge to their fiscal balances and macro outlook. The **UAE** stands out as its diversified economy and more mature public sector result in lower spending obligations; hence, enjoying the strongest fiscal balances amongst its peers. We project the country to be the only one recording a fiscal surplus in 2026, at 4.2% of GDP, with a comfortable budget break-even oil price of USD48.5.

Qatar comes in second, in terms of resilience to a lower oil/gas price environment. On the one hand, the country's mature capex cycle and lack of strong growth drivers are relieving the budget from any major spending commitments. On the other hand, the country is set to receive a revenue boost later next year, when the first phase of its major gas production comes on stream. This expansion will keep supporting fiscal balances over the years to come, providing the country with an ample base of external assets.

In the case of Kuwait, the outlook remains comfortable, at least for now. We estimate the gov't will run elevated fiscal deficits of +12% of GDP, excluding the sovereign wealth fund's income, this year and the next. Concerns over financing these deficits have, though, receded significantly after the country had passed the Public Debt Law earlier in 2025, alleviating previous liquidity concerns. Capitalising on the lowest public debt levels in the region, the country has ample room to ramp up its borrowing in the coming years. Indeed, we estimate the country has already raised its financing needs for the current FY25/26 – which ends in Mar – having tapped both international (for the first time since 2017) and domestic debt markets.

In addition to the comfortable access to financing the deficits, the country has shown commitment to fiscal reforms. The gov't approved late last year an income tax on large corporates – as part of OECD regulations of a global minimum income tax for multinational companies – and the gov't is planning to expand the new income tax to nearly all corporates by 2027. In parallel, the gov't has embarked on a number of measures to boost non-oil revenues, including a revision of public services. Finally, the Finance Ministry has prepared a draft law for excise taxes, suggested to raise 0.5% of GDP of additional revenues, though its fate remains unclear.

On the expenditure side, the gov't is showing increasing signs of spending controls, as it was able to bring spending down in the previous FY24/25, reversing an extended period of expenditure growth. Still, we are yet to see the gov't taking more structural reform steps to enhance fiscal sustainability, tackling issues like fuel subsidies, public wages and/or social handouts.

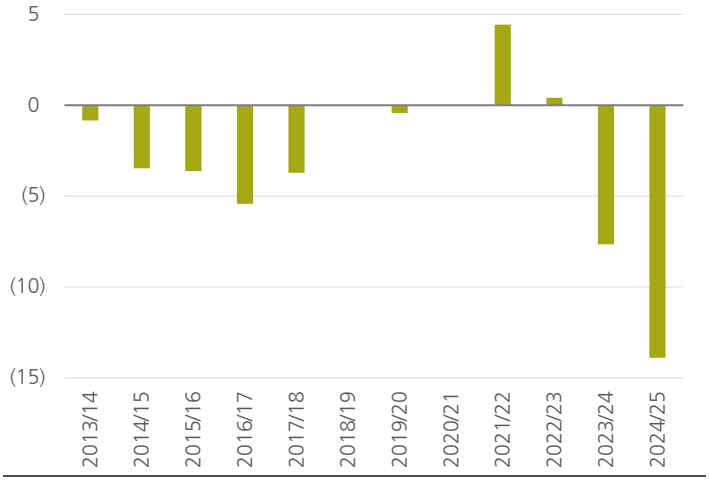
On the complete opposite comes Egypt as a key beneficiary of lower oil prices. Basically, the country is getting the best of the two worlds, namely low oil prices that help contain the rising external energy deficit, while still keeping growth backdrop in the oil-dependent Gulf economies a favourable one; thereby, not impacting flows from remittances and tourism.

The energy deficit mushroomed in the past two years, as FX problems drove a sharp (+40%) decline in natural gas production, leaving the country with a sizeable gap to fill. The country increased its imports from Israel, which are relatively cheaper, being transported through pipelines, but also had to import much more expensive LNG. As a result, the gas imports bill jumped to +USD6bn in FY24/25. As such, lower oil prices will help contain the energy deficit close to its current levels, with improvements really depending on a pickup in domestic production.

Lower oil prices also contributed to the containment of inflationary pressures. Targeting the reduction of fuel subsidies, oil prices falling below the USD70/b level meant the gov't had to increase fuel prices only twice, instead of three times, to reach its cost recovery target.

Figure 10: Egypt recorded its largest ever external energy deficit in FY24/25…

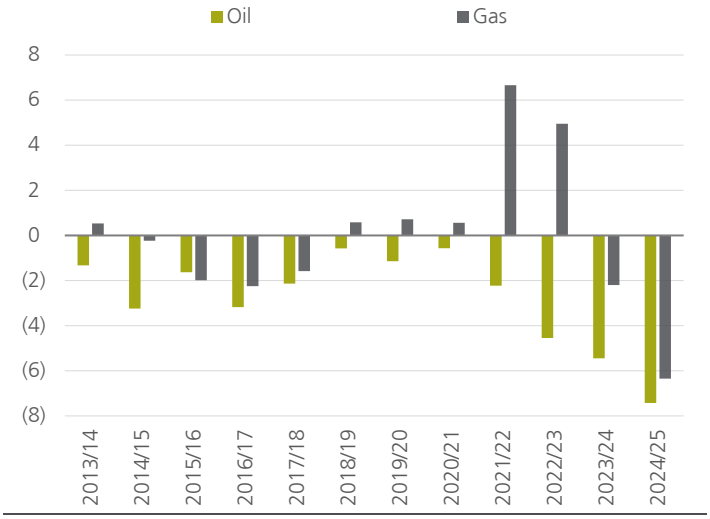
In USDbn



Source: CBE

Figure 11: …driven by a sizeable swing in the natural gas balance, on the back of the sharp fall in production

In USDbn



Source: CBE, EFG Hermes estimates

Interest rates – Not much easing to look forward to

Monetary easing more or less met expectations in 2025, with the US Federal Reserve cutting rates by 75bps (relative to our projection of 100bps), with all rate cuts concentrated in 2H. As such, we still see the impact of these later cuts filtering through into the early months of 2026.

Looking into 2026, it does look like there are limited prospects of many more rate cuts in the US. Indeed, the market is currently pricing in only one rate cut towards end of year. We project only 50bps of cuts by the Fed. In all cases, the key message is that investors should not be assured of a major monetary easing next year.

Such an outlook of constrained monetary easing is built on the still-sticky inflation in the US, which continues to trend higher than the Fed's target of 2%. The impact of tariffs is manifested in the still-elevated goods' inflation, while concerns persist over the impact of migration on the labour force. With such a backdrop, the market is rightly concerned that next year's fiscal stimulus – as the Big Beautiful Bill comes into effect – will constrain the Fed from extending its easing cycle. As such, we anticipate a low probability of rate cuts in 1H26, before room for easing sets in during 2H when we project two rate cuts.

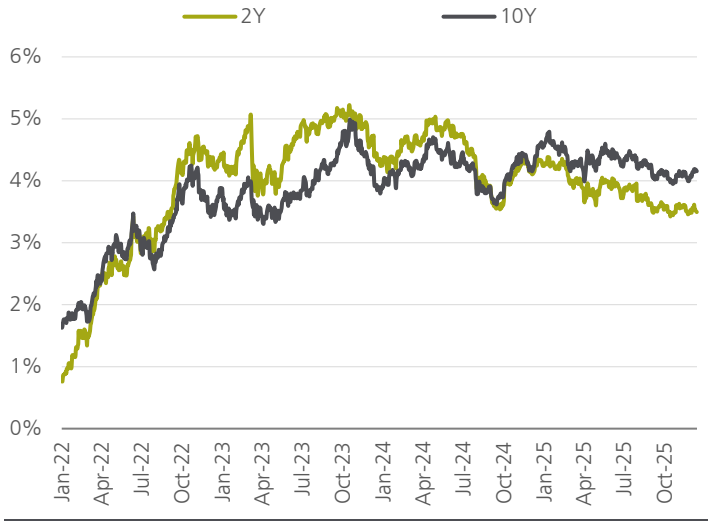
Figure 12: US inflation remains sticky, above the 2% Fed's target…

In Y-o-Y % change

Source: Bloomberg

Figure 13: …leaving Treasury yields also elevated

In %



Source: Bloomberg

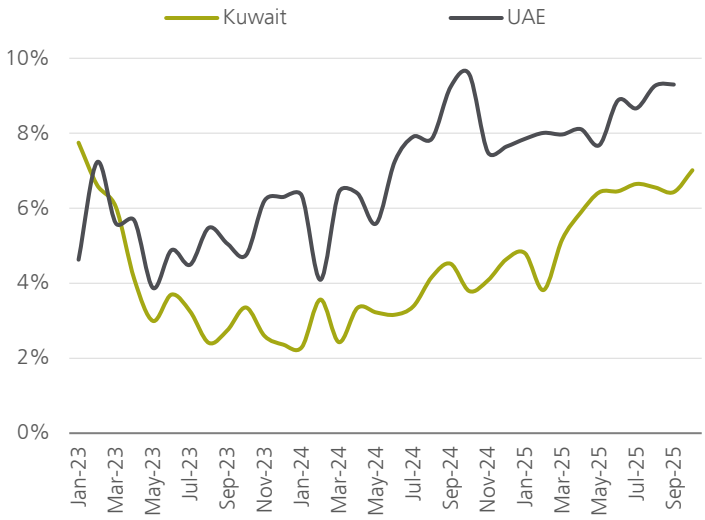
For MENA, the existing rate environment remains conducive for extending ongoing credit growth recoveries. 2025 was a fairly good year for credit growth across the region, with expanding economies, falling interest rates and economic reforms driving a larger appetite for credit demand. The latter remains largely concentrated in the corporate segment, which is benefitting from the gov't's strong drive to support growth. Meanwhile, retail credit in most countries, with the exception of the UAE and Egypt, remains largely more tamed.

The UAE and Kuwait recorded notable credit expansions in 2025, as credit impulse finally started to pick up (Fig.14). We expect both countries to sustain healthy credit demand in 2026, thanks to a positive economic outlook, as well as the recent policy rate cuts by their respective central banks. In Kuwait, the economy is enjoying two strong years of project awards, which bode well for credit appetite as they typically filter through with a lag.

In contrast, we project a slowdown in credit growth in Saudi Arabia, in light of the new regulations pushed by the Central Bank, namely a 100bp rise in countercyclical buffers. By design, the regulation is introduced to slow down credit growth and comes over and above an environment of spending cuts and project recalibration.

Figure 14: UAE and Kuwait seeing decent uptick in credit growth…

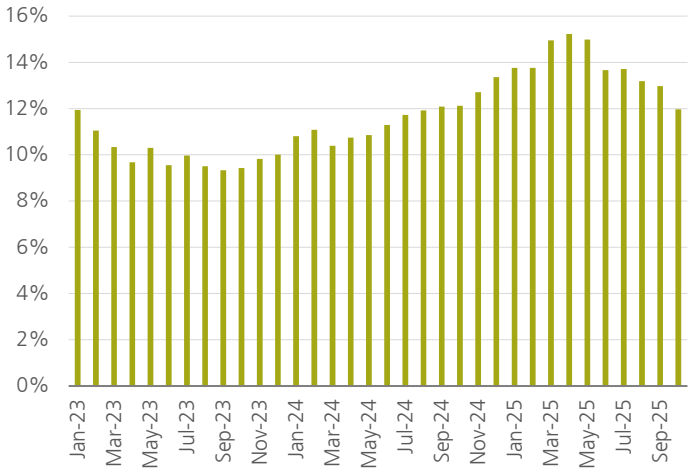
In Y-o-Y % change



Source: Respective central banks

Figure 15: …while KSA is starting a deceleration trend

In Y-o-Y % change



Source: SAMA

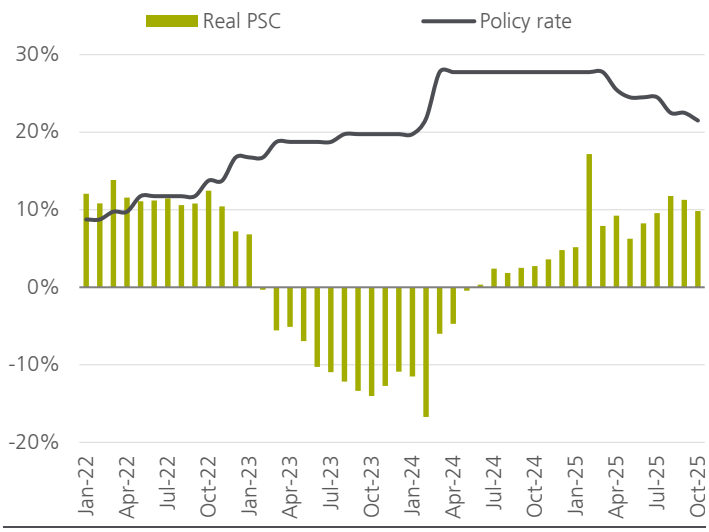
Moving to Egypt, we also project a continuation of elevated credit growth, as restored macro stabilisation makes room for corporates to expand. Macro stability will be complemented with further rate cuts by the Central Bank of Egypt (CBE) as the disinflation trend gains more ground. We forecast inflation to end 2026 within the range of 8-10%, leading us to expect 600-700bps of rate cuts in the coming 12 months.

While such rate cuts might look somewhat aggressive in nominal terms – with the CBE having already cut rates by 525bps as of Nov – they do remain reasonable, in our view, when considering that real rates would be at least 5pp. Such levels would still be at a historical high and would remain relatively competitive; thereby, not risking much outflow from the carry trade, which is important to maintain relative EGP stability.

In this respect, we project private sector credit growth of c25% in FY25/26 and FY26/27. We believe lower nominal rates will further increase appetite for credit, which is already running at healthy levels – even in real terms – despite nominal rates being still close to their all-time highs (Fig.16). Moreover, the past few years of depressed investment levels, especially for the private sector, hint towards room for pent-up demand, subject to FX availability and macro stability.

Figure 16: Egypt's real credit growth remains strong despite the elevated interest rate environment…

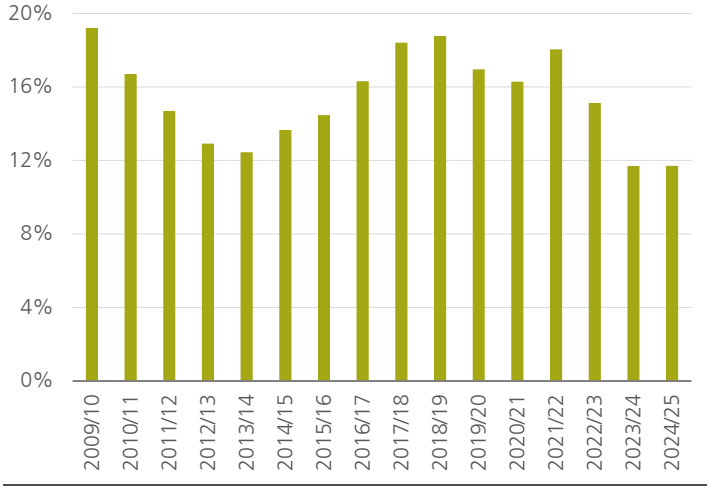
In %



Source: CBE

Figure 17: …justified by years of underinvestment with a lot of catch-up to be done in the next few years

Gross fixed capital formation as % of GDP



Source: Ministry of Planning

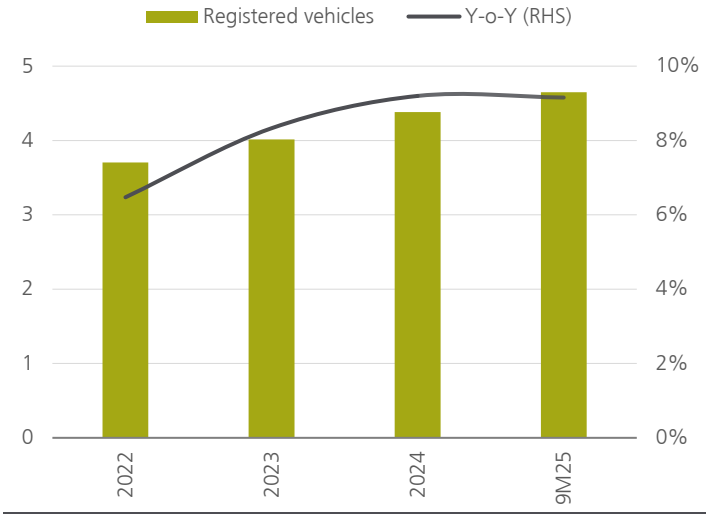
Population story keeps giving

The population growth story continues to represent one of the key pillars of MENA's investment case. Economic diversification policies, easing residency regulations and improved standards of living are clearly providing the Gulf region with an edge, in terms of attracting talent and investors from all over the world.

The story continues to be perfectly played-out in the region, driving healthy levels of domestic demand and boosting corporate earnings growth. The UAE remains in the lead, with population growth expanding rapidly at a CAGR of 4.0% since the pandemic. Official figures indicate the population reached 11.3mn by end of 2024, rising 2mn since 2020. The population growth is driving a broad domestic demand story across the economy, including transportation, logistics, hospitality, property, telecom and financial sectors.

Figure 18: UAE's registered cars growing 9% p.a., in a sign of strong population growth…

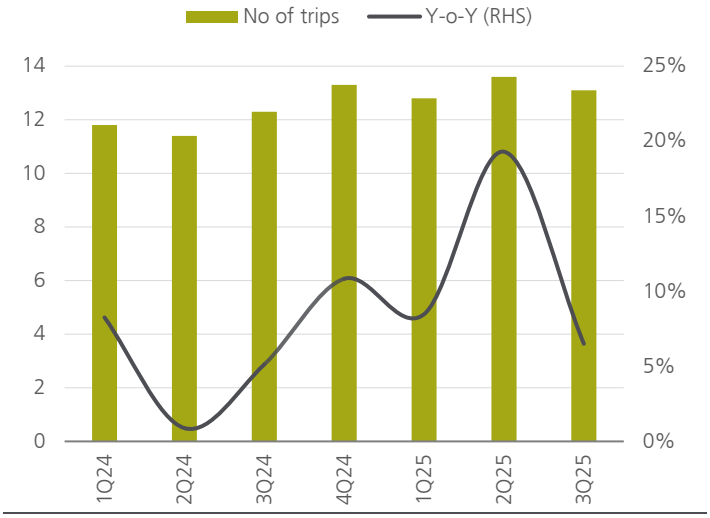
In mn of cars (LHS), In Y-o-Y % change (RHS)



Source: Salik

Figure 19: …with taxi rides also showing the same trend as they grew in double-digits in 9M25

In mn of trips (LHS), In Y-o-Y % change (RHS)



Source: Dubai Taxi Company

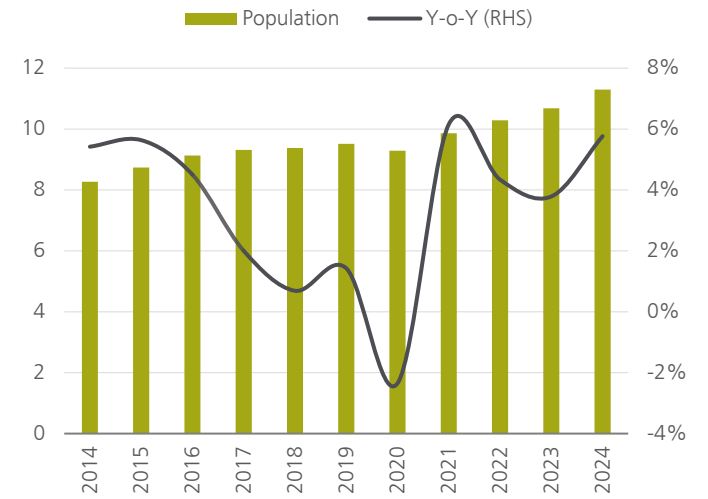
In the case of Saudi Arabia, the population growth story also continues to advance, with more people moving to the Kingdom to benefit from job opportunities. Official figures indicate further expansion in the labour force, with a total of 1.32mn people added to the total number of the employed in 1H25, only slightly lower, compared to 1.41mn added in the same period last year. The majority of added jobs, namely 87%, were to expats with employment for nationals also expanding (in fact faster than last year).

We note, though, that in the case of Saudi Arabia, the appeal of the population growth story is focused more on the infrastructure and property sectors and less so on the consumer space. The latter is the scene of acute competition, which has been weighing heavily on corporate profitability. Moreover, broader consumption trends have been rather soft, likely due to constrained income growth, as well as the unequal distribution of growth. We are, therefore, less positive on the broader consumer space, with the exception of some specific names.

Saudi Arabia's case contrasts with the UAE's, where the rising population theme is providing broader growth dividends across the various segments of the economy. Moreover, the economy is shielded from such fierce competitive drives as in KSA, providing room for companies to leverage the upcycle of population growth. Consumption trends are also much stronger, with the economy more immune to the volatility of oil prices.

Figure 20: UAE recording 4% CAGR population growth since the pandemic

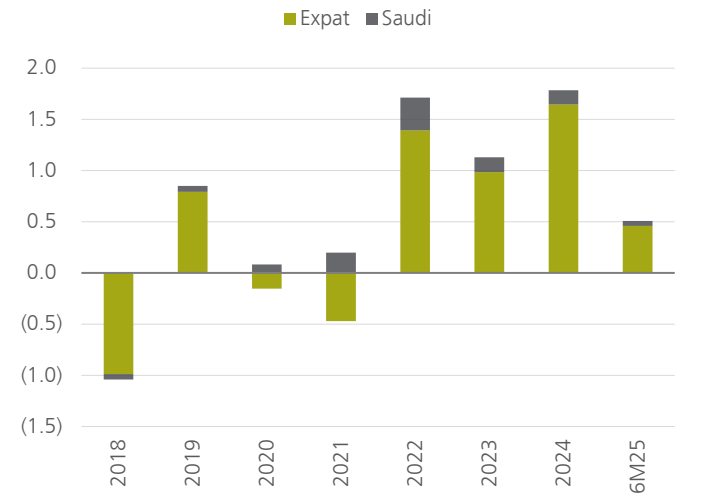
In mn of people (LHS), in Y-o-Y % change (RHS)



Source: FCSA

Figure 21: Employment continues to grow in KSA, driven by expats

Y-o-Y change in mn of people



Source: GSTAT

Capitalising further on this opportunity, the Saudi gov't finally passed the property Foreign Ownership Law, opening up room for both expats and non-residents to own property in the Kingdom, which enjoys a unique competitive edge when it comes to religious tourism. We expect the Law to play out gradually over the coming years in attracting investments to the sector. We believe a natural progression would first drive purchases by expats to be followed gradually by non-residents as the market grows more mature. The availability of financing will be a critical point in driving expats' demand for property. In all cases, the gov't is yet to publish the executive regulations of the Law, which are expected to provide clarity on the zones and terms that foreigners can buy at.
In parallel to the population growth story, the region is sustaining strong growth in the hospitality sector.

Hospitality – Sector shines across MENA

The hospitality sector remains one of the underlying pillars of growth in the region, with several Gulf countries seeing the sector as a key component of their diversification strategies away from oil. Capitalising on the sector's important – as well as continued – global recovery of travel post the pandemic, the region still enjoys across the board, a very strong performance in tourism revenues.

We believe Saudi Arabia, on a relative basis, enjoys a stronger growth outlook, with the country focusing heavily on both religious and conventional tourism to diversify its economy. In fact, the sector is one of the key success stories, so far, in such a strategy. Moreover, and as highlighted above, the country will start to gradually reap the benefits of the newly approved Foreign Ownership Law, with significant foreign demand expected, particularly in the two holy cities (where ownership is likely to take the form of a 99-year lease).

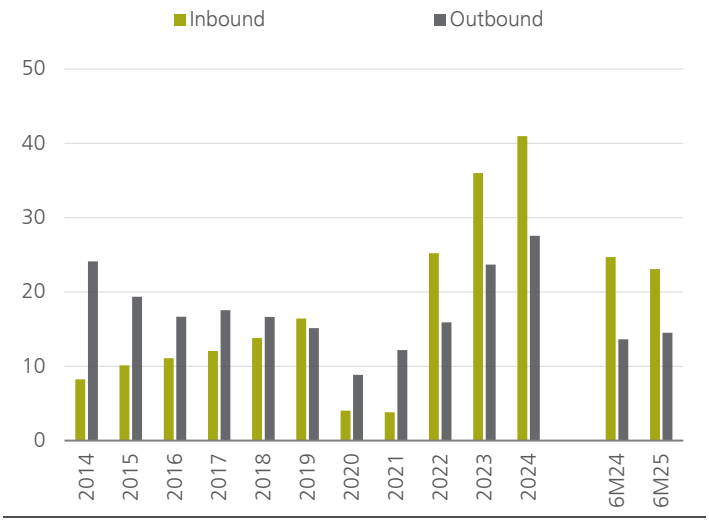
The gov't has been, indeed, focusing on capitalising on the opportunity of religious tourism. The Public Investment Fund announced in late 2025 the King Salman Gate project, a massive mixed-use project in Mekkah covering 12mn square metres, with the aim of accommodating 900k additional worshippers.

Highlighting further the sector's growth opportunity, one can see the significant growth in Umrah visitors over the past few years. Umrah visitors nearly doubled in 2024 vs the pre-pandemic highs (Fig.23) as the country benefits from significant expansion capacity in the holy sites. On the contrary, the Hajj season comes at a major lag to expansion in Umrah visitors; the last Hajj season saw a 9% Y-o-Y drop in the number of pilgrims and was nearly half the peak recorded back in 2012. Authorities are yet to ramp up safety regulations for Hajj and boost the additional capacity with projects like the King Salman Gate, highlighting the growth potential.

Finally, we note that the Six Flags theme park at Qiddiya Giga project is set to be open to the public on 31 Dec. We expect such a development to act as a further boost to the entertainment offering of the Kingdom.

Figure 22: Tourism increasingly becoming a source of national income for KSA

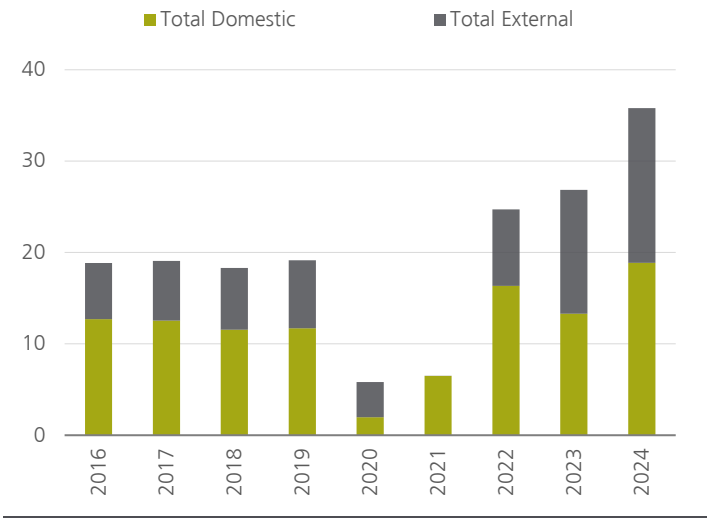
In USDbn



Source: SAMA

Figure 23: Number of Umrah visitors showed notable growth in past few years, pasting encouraging outlook for the sector

In mn of people



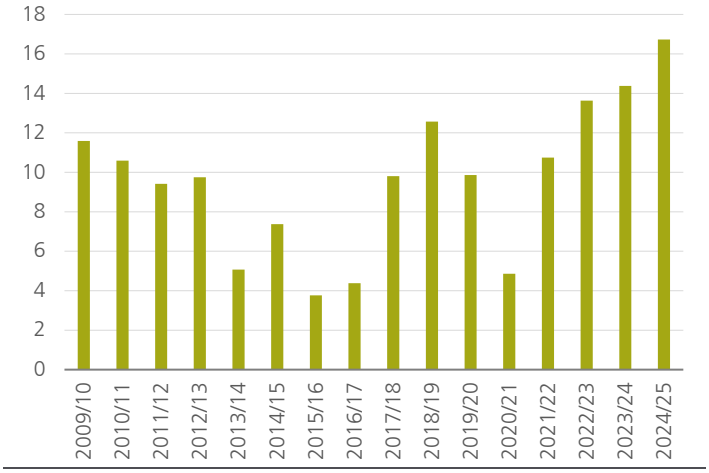
Source: GSTAT

Elsewhere in the region, the hospitality sector continues to expand and break record levels, built on the relatively more conventional foundations than Saudi's story. In Egypt, tourism revenues increased 16% Y-o-Y to a record USD16.7bn in FY24/25, with arrivals rising 17% Y-o-Y to 17.4mn. The ceasefire in Gaza and opening of the Grand Egyptian Museum (GEM) are likely to be additional factors in boosting growth in the coming years.

In the UAE, the various emirates continued to enjoy a buoyant environment, with not much evidence of the escalation of the regional conflict in mid-2025 having a major impact on the sector's activity. Dubai is seeing continued arrivals' growth (up 5% Y-o-Y in 10M25 to 15.7mn visitors). Occupancy levels rose over the same period to 79%, compared to 77% a year earlier, with revenue per room rising 9% Y-o-Y. Abu Dhabi's performance was slightly softer, with hotel guests rising 2.6% Y-o-Y to 4.0mn in 8M25 and occupancy rates increasing to 79% over the same period, from 77% a year earlier.

Figure 24: Tourism revenues continue to break new highs in Egypt

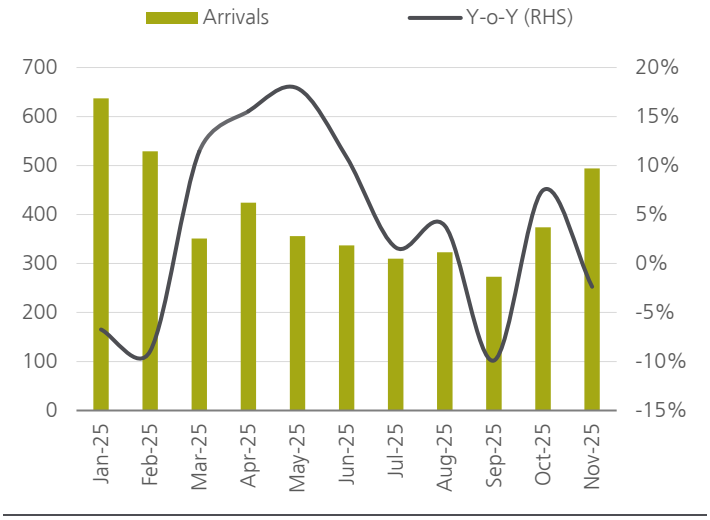
In USDbn



Source: CBE

Figure 25: Qatar saw a short-term setback after Doha attacks

In thousands of people (KHS), In Y-o-Y % change (RHS)



Source: Qatar Tourism

Qatar saw a mixed performance in a somewhat challenging year, in light of the Israeli airstrike on Doha in early Sep. Indeed, the country saw a positive 8M25, when arrivals were up 3.1% Y-o-Y to 3.3mn, partially benefiting from hosting the Asian Cup earlier in the year; however, arrivals saw a sharp drop of 10% Y-o-Y in Sep, the month when the strike took place (coming after an earlier attack in Jul, when Iran fired ballistic missiles on the US military base in Qatar). We expect no lasting effect from the attacks and look forward for a recovery in 2026 as the country continues to reap the benefits of a post-World Cup boom in tourism.

Kuwait, lagging behind the rest of the region and seeing the success stories in KSA and the UAE, is at the early stages of revising its tourism offering. The gov't has taken some steps in facilitating visas for tourism and is considering a number of investments to boost its entertainment offering. Still, we are yet to see a solid framework that would boost the sector as a source of income for the country.

Projects – Pace easing; oil prices a challenge

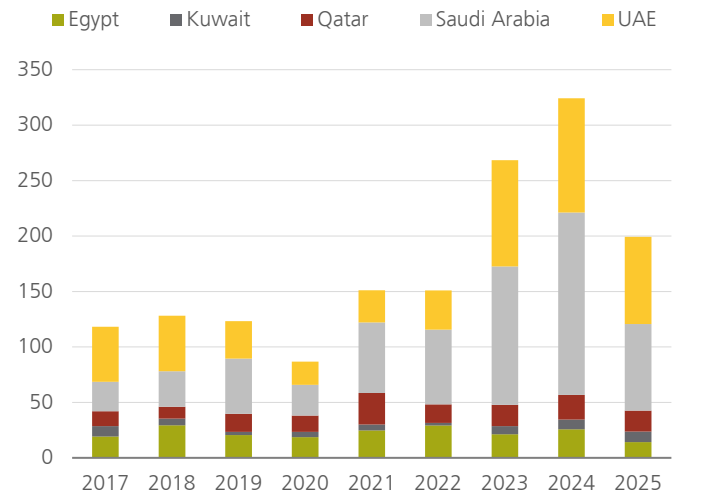
Following two record years, 2025 saw a normalisation in the value of project awards in the region, amidst tighter budgets, reprioritisation of projects and maturing investment cycles. Indeed, total project awards in our coverage dropped 39% Y-o-Y as of end-Nov to USD199bn. The performance per country varied, though.

Kuwait shined out as the only country that recorded growth in its awards, up 8% Y-o-Y to USD9.5bn. This is the third year in a row for the country to see a rise in awards; hence, the 2025 growth is already coming from a decent base, indicating that the investment drive is picking up in the country. Growth this year was driven mostly by the oil and gas sectors with large contracts awards as Kuwait ramps up its crude oil production. The power sector also showed a big jump, rising 2x to USD5.4bn of awards as the country boosts its generation capacity to overcome power outages, particularly over the summer.

We expect the outlook to be promising, with further awards expected in the power, transport and property sectors. The Mubarak Al Kabeer Port is taking top priority, with the gov't expediting contracts with China to boost the implementation of the second and third phases of the project. The property sector is set to offer one of the big opportunities for contractors in the country, though this remains subject to progress by the gov't to finalise legislation to engage the private sector in home-building.

Figure 26: Project awards were still decent, albeit dropping in 2025 after two record years

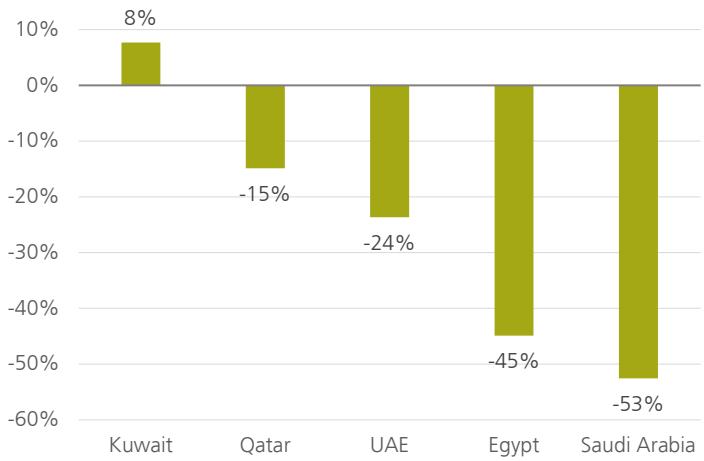
In USDbn



Source: MEED Projects

Figure 27: Kuwait is the only country with higher awards in 2025; KSA seeing the sharpest drop

In Y-o-Y % change



Source: MEED Projects

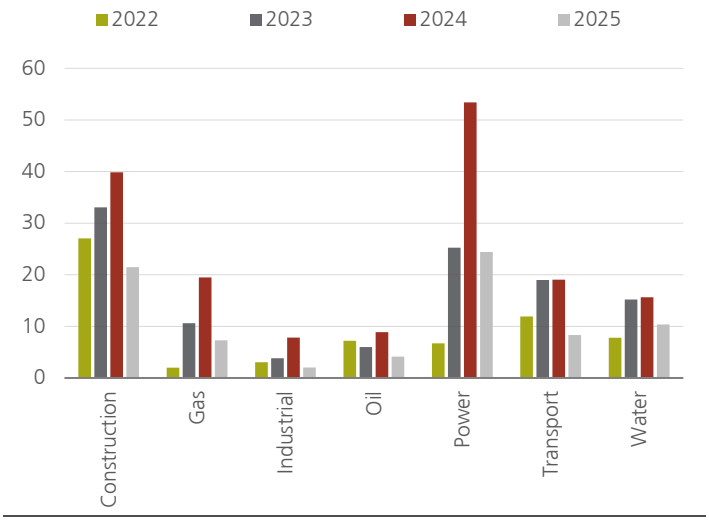
In contrast to Kuwait, Saudi Arabia is the country with the sharpest drop in awards in 2025, with a significant 53% fall to USD78bn. The drop comes after two record years of combined awards of cUSD290bn; hence, was largely expected. Nevertheless, the pace of the drop, as well as the news flow on projects, clearly suggests that the decline also reflects the recalibration/reprioritisation of projects that the gov't has undertaken.

Amidst the tightening spending drive, we look for safer spots that are likely to be less impacted. We believe the purely infrastructure plays offer the best opportunity in Saudi Arabia, as the gov't is very much likely to prioritise these projects to accommodate the rising population and prepare for upcoming events. Power and water projects come on the top, due to the urgent needs to upgrade the existing infrastructure and also accommodate the sharp rise in population in urban centres. Indeed, looking at awards in the power sector in 2025, one would notice that the number of awards did, indeed, drop this year, albeit from an exceptionally high base. The awards, though, nearly match those in 2024 and are multiples of those in 2022.

Event-driven projects form another interesting focus area, with the gov't placing them on top of its agenda. These would include the new airport, expo site, stadia, as well as property developments and housing to create modern centres for the city. Finally, we are also positive on projects in the hospitality sector, which come to accommodate the accelerated growth in tourism. We are particularly positive on the two holy cities, Mecca and Medina, given the sharp rise in activity in religious tourism, following expansions by the gov't. In addition, we expect the two cities to lead demand for property by foreigners after the ownership laws were relaxed.

Figure 28: In KSA, awards in the power and water sector still show health trends, when normalised from last year's exceptional levels

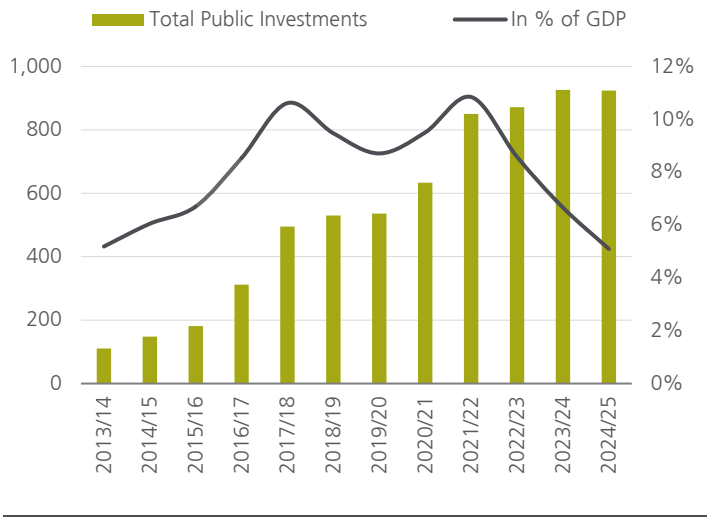
In USDbn



Source: MEED Projects

Figure 29: In Egypt, the cap on public investment has been driving a major real contraction in gov't investment spending

In EGPbn (LHS), In % of GDP (RHS)



Source: Ministry of Planning

In Egypt, the drop in awards was also a sizeable one, at 45%. The decline comes in the first year when the gov't implemented its public investment cap, in line with its commitment within the ongoing IMF loan programme. The cap put a ceiling of EGP1trn for public investments – that is including the central gov't, state-owned companies, economic authorities and the military – resulting in a sharp decline in real investments. Indeed, public investments dropped from a peak of 10.8% of GDP in FY22 to 5.1% in FY25. The ceiling extends to this year and, while pushed 15% higher to EGP1.15trn, the increase is just in line with nominal GDP growth; hence, it does not translate into any real growth in investments.

Nevertheless, we remain positive on the construction sector in Egypt in terms of activity, as the drop in public investments is likely to be picked up by a recovery in private sector projects, as well as broader housing projects. The country has seen a wave of big projects in the property sector, including Ras El-Hekma (2024) and more recently Alam Al-Roum, amongst others. These – together with some lingering infrastructure work – are likely to keep the construction sector active, in our view.

Finally, in the UAE, the outlook remains a positive one, with the drop in awards in 2025 (at 24%) being a more moderate one after two record years. The country enjoys strong fiscal capacity to boost growth, especially amongst the two leading emirates. Dubai announced an expansionary budget for 2025, marking its largest spending growth in three years at 15%, whilst still maintaining a budget surplus. The higher spending will be concentrated mostly on infrastructure and transport projects. Meanwhile, Abu Dhabi maintains a healthy fiscal position, despite the current low oil price environment and its GREs being in a comfortable position to sustain the investment drive, in our view.

Geopolitics – Scores not yet settled

Geopolitical risks have been a key part of 2025 narrative, though, they had a marginal impact on economies and equity markets, despite some unprecedented developments. Risks have receded since then, with the Gaza ceasefire reached later in the year. The truce has been holding since then, despite its fragility, resulting in a reduced geopolitical risk premium for the region.

While buying into the perceived stability, we do acknowledge that it remains a fragile one. The fundamental drivers of instability in the region remains unsettled, with conflicts in Gaza and Lebanon far from being resolved. In Gaza, the peace plan still has not resolved issues of governance of the strip, with Hamas showing no intention to relinquish power, something that will be a source of tension with Israel. In Lebanon, the de-militarisation of Hezbollah continues to be an elusive task and one that is left to a weak Lebanese gov't. As time passes, media reports suggest Hezbollah is re-arming. Again, this opens room for instability, as Israel is unlikely to tolerate a strengthening Hezbollah. With these two conflicts unsettled, the confrontation between Israel and Iran also remains an open one. Some political pundits speculate about a second round between the two countries.

A persistence of the recent peace, even if it entails scattered episodes of escalation, is unlikely to have made a negative impact on markets, in our view. The most to benefit from the continued relative stability is Egypt, which suffers from a big hit to revenues from the Suez Canal. The normalisation of the waterway's revenue would add almost USD6bn in additional annual revenues; thereby, slashing the current account deficit by a third into single nominal digits. Such a development would be a major upside for Egypt's macro environment, fostering a positive outlook for the EGP and supporting the CBE's easing cycle.

Finally, a resolution of the Russia-Ukraine war, to which we assign a low probability in the near term, would be a potential further downside risk to oil prices. Reaching a deal would, by definition, entail at least a partial lifting of sanctions on Russian oil, risking further crude supply.

Regulatory changes – Banks in the spotlight

The banking sector is, once again, in the spotlight, when it comes to key changes to the regulatory environment across our coverage. Central banks in the UAE and Saudi Arabia are lifting up their countercyclical buffers, which will have implications on credit growth outlooks in both countries. In parallel, we have a follow-up on tax regulations that we flagged last year related to corporate income taxes linked to the Global Minimum Income Tax (GMIT) for multinational companies, as per OECD regulations.

Countercyclical buffers boosted

We flag one key regulatory change that is set to take place in 2025 and concerns over the banking sector. The central banks of the UAE and Saudi Arabia are enforcing banks to increase their countercyclical buffers in order to boost their capital positions, amidst the ongoing expansionary cycle of their economies.

In Saudi Arabia, SAMA is pushing for a 100bps rise in countercyclical buffers, while the Central Bank of the UAE is pushing for only a 50bps hike. The buffers are, by definition, introduced by regulators during upcycles of credit in order to build additional buffers – in the form of higher Tier-I capital – in order to slow down credit growth.

This new regulation is one of the key factors driving our banking analysts to project slower credit growth in Saudi Arabia after two years of elevated growth. In parallel, and amidst continued tightness in domestic liquidity, anecdotal evidence suggests more banks are looking to be more pragmatic, with regard to competition, in order to protect their profitability. Other banks are likely to place less emphasis on growing their market shares, turning their attention more towards profitability. This, in turn, is likely to lead to some upward pressure on loan pricing and is, therefore, another reason for our projection of slower credit growth in KSA in 2026, a trend that we have already seen in its first signs in the latter months of 2025.

Meanwhile, we expect a tamer impact in the UAE and therefore remain upbeat on credit growth prospects in the country. First, the increase in the UAE is half of that to be enforced in Saudi Arabia. Second, the banking sector enjoys ample liquidity, relieving any major funding challenge to local banks.

GMIT

Following up on last year's introduction of GMIT, most countries have followed through on such regulations, providing more transparency regarding impact on profitability. Progress per country has been set as follows:

- Kuwait: The gov't implemented the tax, whilst also adopting no exemptions. Moreover, the gov't is planning to broaden the income tax beyond the required minimum income of EUR750mn, as well as international presence, deciding to tax most corporates in the country
- UAE: The gov't has also implemented the tax
- Qatar: No final law has been issued on the matter. The gov't produced only a draft that incorporated some exemptions, but no follow-up has yet been made. We expect only QNB and CBQ to be potentially impacted by the tax
- Saudi Arabia: The gov't did not tackle the matter and did not hint to any changes in regulations. Banks continue to pay an effective income tax rate of 10%, following recent Zakat adjustments. The already high tax rate has likely discouraged the gov't from having to change related regulations, particularly that nearly most banks are more domestically focused

Strategy Themes

Overweight on UAE and Egypt

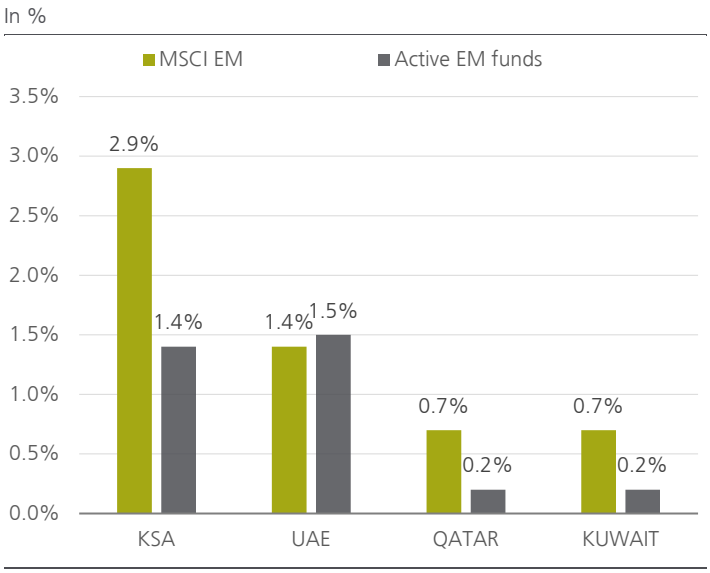
The UAE and Egypt are our preferred markets for 2026, as both stand out to benefit the most from the current external environment and enjoy decent economic growth outlooks.

UAE's strong macro fundamentals, which made it the fastest-growing economy in the region in the post-pandemic years, remain intact, with population expansion, economic reforms and expansionary fiscal policies continuing to project a buoyant growth trajectory. The UAE is the best-equipped amongst Gulf states to manoeuvre the low oil price environment, possessing the strongest fiscal position.

In this context, the UAE's equity markets' impressive performance over the past few years is likely to sustain, in our view. Despite this positive run, the market continues to trade at attractive valuations. In fact, it is trading at around 25% discount to MSCI EM, maintaining its compelling growth-value combination. This discount comes likely as investors penalise the market for some of its oil exposure, which we think is, in most cases, unwarranted.

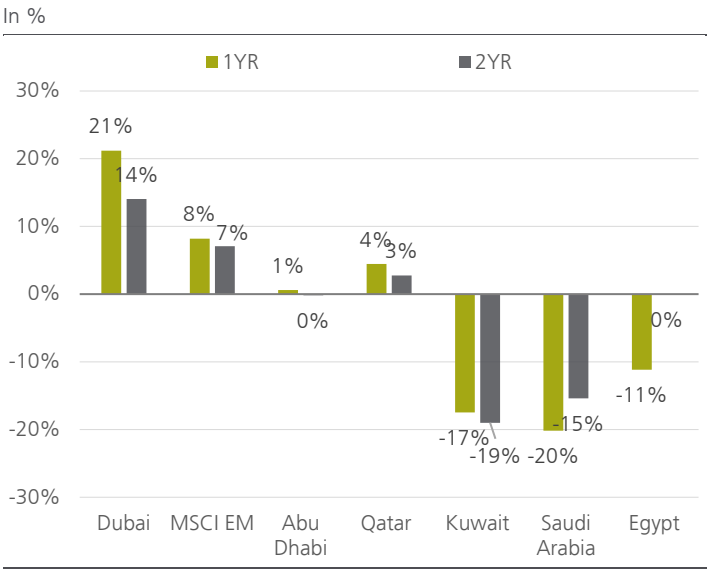
The market, though, faces one key challenge, namely its already being heavily owned by investors; a hurdle that makes us expect a short-term pause to the markets' recent rally. Active fund managers' allocations are now broadly aligned with those of passive MSCI weights, suggesting the pool of marginal buyers is limited. This is especially the case amidst the muted influence of retail investors in the UAE market. And, with our anticipation of some fund rotation into Saudi equities, should the news on raising FOLs materialise, this could be another short-term headwind to the market.

Figure 30: Active EM investors are highest-positioned in the UAE



Source: MSCI, EFG Hermes estimates

Figure 31: Multiples expanded notably in the UAE



Source: Bloomberg, EFG Hermes estimates

As for the list of our Top Picks in the UAE, it continues to be led by the banking sector:

We like **ADCB (ADCB UH, Buy)**, with its planned rights issue (AED6bn), reinforcing its ability to deliver its ambitious five-year target of doubling its pre-AT1 profit by 2029 (c15% CAGR). Overall, loan growth (low-to-mid-teen), a higher share of non-interest income and improved cost-efficiency should underpin the bank's performance through to 2029. The valuation appears undemanding, at 1.5x P/BV, which aligns well with the bank's growth and ROE profile.

In the property sector, our pick is **Emaar Properties (Emaar UH, Buy)**, given its attractive divided yield (+7%), fostered by strong earnings and cash flow visibility for the coming four years. The company has a solid backlog of AED150.3bn (as of 12 Sep 2025), with an average gross margin of 46% on its UAE portfolio. We are especially encouraged by the company's growth potential, with its planned expansion in the iconic Dubai Mall and announcement of Dubai Square mall.

Further to the population growth play, we like **du (DU UH, Buy)**, considering its solid earnings growth and high dividend yields. The company enjoys a debt-free position, with high FCF generation that supports its dividends story. Interestingly, du is diversifying into adjacent opportunities, including digital infrastructure and fintech; these are initiatives that will boost earnings further, in our view.

The list of UAE's Top Picks extends to the utilities, logistics and energy sectors. Amongst the ADNOC names, we like **ADNOC L&S (ADNOCLS UH, Buy)**, as it is a key beneficiary of the recent spike in shipping rates, which will start to boost revenues in 4Q25. The stock is also a play on the UAE's natural gas self-sufficiency, with LNG vessels starting to be delivered in 2H26. The focus, though, on the spot-exposed part of the business (20-30% of EBITDA) seems to have outweighed the fact that the more stable, non-cyclical part of the business, which represents 70-80% of EBITDA, is exposed to ADNOC Group's USD150bn growth plans. Moving on to **ADNOC Gas (ADNOCGAS UH, Buy)**, the 5%+ dividend yield (with growth) cannot go unnoticed for long due to: i) the underlying business generating excess cash at any oil price above USD45/bbl; and ii) an interest rate easing cycle that will widen the equity spreads to sovereign risks.

We are positive on **AD Ports (ADPORTS UH, Buy)**, given the recent progress in monetisation of non-core assets, which helps to unlock value faster and, potentially, provides a path for the company to pay dividends in the near future. This is another stock that has underperformed the market, unjustifiably so, in our view. Basically, we believe the stock is more defensive than widely perceived in the market, supported by 30-40-year rental income contracts and royalties from terminal operations. We believe valuations are compelling, trading at 10.7× 2026e P/E, with a developing dividend story likely to emerge by 2026-27.

In the utility sphere, we like **DEWA (DEWA UH, Buy)**, as it offers a defensive earnings profile, with expanding FCF as capex intensity eases, setting the stage for upside surprises on dividends beyond the current c4.5% yield. The stock, though, might lack immediate catalysts that would include power tariff hikes or a clear path for AI pass-through to the company.

In consumers, we prefer **Spinneys (SPINNEYS UH, Buy)**, with its recent solid top-line growth, which is underpinned by LFL growth on resilient UAE consumer spending and demand for premium grocery products. Best-in-class margins (EBITDA margin c19%, net margin c10%) underpin c8% five-year earnings CAGR, and a net cash balance sheet and negative working capital support a minimum c70% dividend payout.

Turning to Egypt, our other Overweight market, the country is set to be one of the most to gain from the current external environment of low oil prices and weaker USD.

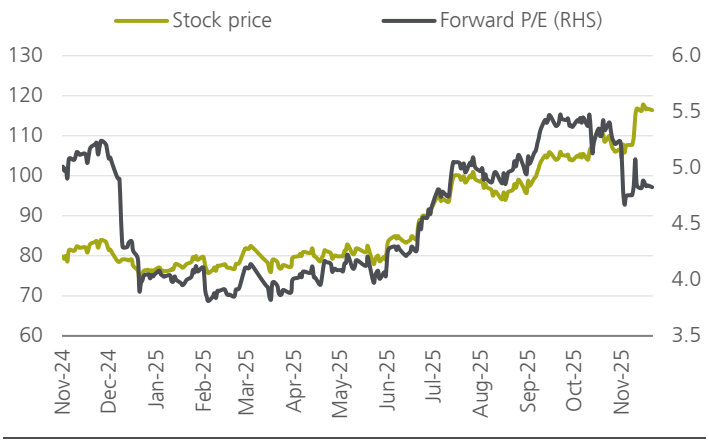
We acknowledge, though, that markets are not driven solely by favourable macroeconomics. Egypt's equity market continues to face challenges, in terms of the lack of depth and constrained liquidity in most of the relevant names to foreign investors, leading the latter to shy away from any big participation. Indeed, despite the market's impressive rally in 2025 – rendering Egypt the best-performing equity market in MENA – foreign investors have hardly shown any pickup in their participation, ending the year as net sellers. In this respect, we continue to expect local investors – mostly on the institutional side – to keep driving the market higher in 2026.

Our Top Picks in Egypt focus on five key names in different sectors. We remain Buyers of the financials sector because - while lower rates will put pressure on NIMs - they are likely to be compensated by the rising volume growth of loans, which is also set to boost fee income growth; hence, is ROE-accretive. We like CIB (**COMI EY, Buy**), given its dominant position in the banking sector, seeing it as the best to pick up on the opportunity of expanding credit growth. We also select Credit Agricole **(CIEB EY, Buy)**, given its elevated ROE of +30% and its exceptional dividend yield of around 14%, the highest - not just in the sector, but also in the market. Finally, we also like **HDBK (HDBK EY, Buy)** amongst banks, given that it is a key beneficiary of Egypt's high-rate environment, supported by a fully EGP balance sheet and low-cost NUCA-linked funding.

We favour **TMG Group (TMGH EY, Buy)**, as it offers a unique exposure to Egypt's growing property and hospitality sectors, in addition to its exposure to regional markets (hedging it against FX risks). We believe the stock's performance YTD has not reflected the company's strong operations, nor the positive news flows regarding announcements of new expansions in Egypt and internationally, including its plan to expand into Iraq and Oman.

Figure 32: COMI trades at attractive valuations, despite recent rally

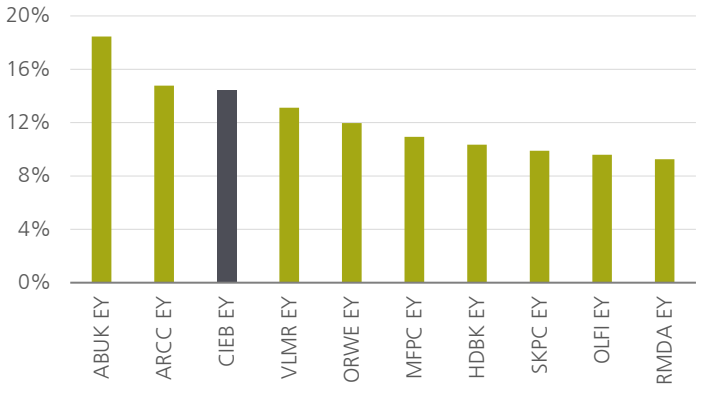
In EGP (LHS), in P/E x (RHS)



Source: Bloomberg

Figure 33: CIEB offers one of the highest dividend yields in Egypt

In %



Source: EGX, EFG Hermes estimates

In the consumer space, we like **EDITA (EFID EY, Buy)**, as it benefits from a recovery in consumption after four quarters of earnings pressure. While the stock has rallied 73% YTD, we still see compelling value, with shares trading at a 2026e P/E of 11x, despite robust earnings growth, underpinned by sustained volume recovery, capacity upgrades and margin expansion, following the recent price-point migration exercise. We also favour **GB Corp (GBCO EY, Buy)**, which is expected to deliver a standout performance, with earnings growth momentum expected to accelerate, on: i) auto volume recovery and margin normalisation; and ii) strong growth in GB Capital, a direct play on falling interest rates. As NBFI earnings scale and financing costs ease, group profitability and earnings visibility should improve.

Finally, in the healthcare sector, our Top Pick is **Ibnsina (ISPH EY, Buy)**, which is a continued beneficiary of: i) regulatory drug price increases; ii) interest rate cuts; and iii) normalisation in consumption trends, as the macro environment stabilises. We estimate that every 1pp cut in interest rates boosts the company's bottom-line by a decent 7%.

Neutral on KSA…

Saudi Arabia's equity market heavily underperformed its regional peers in 2025, bearing the brunt of the Kingdom's higher exposure to oil prices and tight domestic liquidity. These concerns were compounded following OPEC+'s decision to phase out voluntary production cuts, igniting fears on the economy's growth outlook.

We acknowledge Saudi Arabia's higher sensitivity to lower oil prices, which would widen its fiscal deficit, delay some selective large-scale projects and further pressure an already tight liquidity environment within the banking system. Yet, the more relevant question is not whether growth will slow, but rather: to what extent weaker oil prices could genuinely derail the non-oil transformation story — and what expectations are already embedded in today's equity valuations.

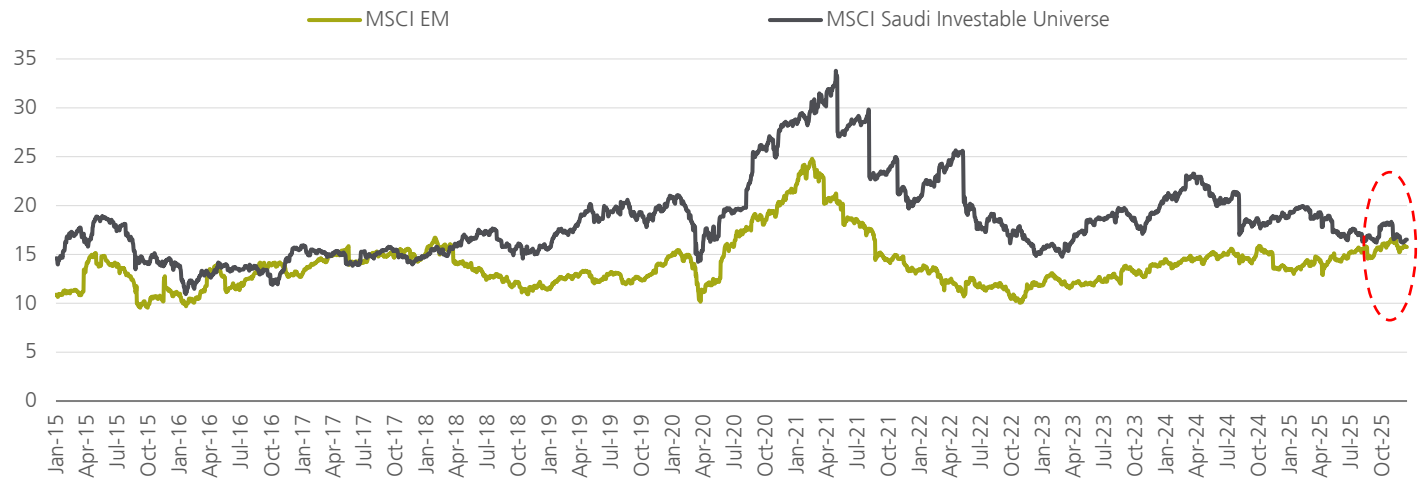
The recent market weakness reflects an adjustment to growth, rather than a reassessment of KSA's structural reform path, in our view. The distinction between medium-term funding pressures and long-term transformation continuity will remain key to determining where value and opportunity ultimately lie within Saudi equities.

We are Neutral on the market, given the aforementioned macro headwinds. Valuations are more reasonable now, with the market losing its premium to EM; however, the multiples' compression (on a P/E basis) does not leave much room for the market to recover without an improvement in profitability. The latter, though, is unlikely in the near term, amidst low oil prices and unfavourable competitive forces in the consumer space, amongst others.

Moreover, and despite spending constraints, we believe the gov't will continue to press ahead with key infrastructure projects in order to: i) accommodate the rise in the Kingdom's population, especially in Riyadh; and ii) cater to upcoming global events, the successful hosting of them will be critical to KSA's growth story. These include the Asian Cup in 2027, the Expo in 2030 and the FIFA World Cup in 2034.

Figure 34: Historical premium of KSA equities over MSCI EM has nearly vanished

P/E in x



Source: MSCI, EFG Hermes estimates

Rising FOLs as a tactical tailwind

There is growing speculation – following media reports – that Saudi authorities may raise foreign ownership limits (FOLs). The report, published in late Sep, drove a short-term rally, which quickly faded away, with no follow-through from authorities, and investors re-focusing on the market's weak fundamentals.

We still see the move, if realised, as a potential tailwind for the market, considering the sizeable inflows resulting from such a move. We estimate some USD10.6bn in inflows (from both MSCI and FTSE tracking funds), with the banking sector being, by far, the most to benefit from such a move. More details on the move and key stocks to benefit are available in the index section.

Our Top Picks in KSA

Banks, alongside telecoms, are the only sectors to have delivered positive returns YTD. Going forward, we are Overweight on banks, infrastructure and real estate, and hospitality plays as key investment themes in Saudi Arabia's domestic transformation story.

In the banking sector, we favour **RJHI (RJHI AB, Buy)**, as it would be the top beneficiary of potential FOL changes. Fundamentally, the bank is well-placed to benefit from recent rate cuts, with around 65% of its assets linked to fixed rates. We estimate that every 25bps rate cut results in a 2% boost to EPS. We also like **SNB (SNB AB, Buy)**, as a beneficiary of potential FOL uplift. We are confident in mgmt.'s ability to reach its 2027 targets of ROE expansion, 12% CAGR loan growth and a 50-60% payout ratio.

One of our high-conviction Top Picks in Saudi Arabia is **ADES (ADES AB, Buy)**, the Kingdom's recently evolved national drilling champion. Following its recent acquisition of Shelf Drilling, the company has become the largest global jack-up driller by fleet-size. We see current valuations – at sub-7x EV/EBITDA – as highly attractive, given the company's growth profile and market's dominant position.

In the infrastructure space, our Top Pick is **East Pipes (EASTPIPE AB, Buy)**, given its impressive EPS growth (2YR CAGR of 15% vs 5% for peers). The company is the market leader in KSA and offers a compelling valuation, with a P/E of 10.4x in FY25/26e and 8.7x in FY26/27e. Moreover, we believe **Electrical Industries (EIC AB, Buy)** offers investors a cheaper way to play KSA's rapidly growing power sector, where listed utility names trade at premium valuations. It is also an import substitution play as the only local manufacturer of HV power transformers.

In the property sector, we like **Retal (RETAL AB, Buy)**, with the stock offering exposure to the growing off-plan sales activity in the Kingdom. The company also showed credible signs of growing its development portfolio, as demonstrated by the SAR12bn in announced projects in 2025. We also like **Jabal Omar (JOMAR AB)**, which stands out because of its unrivalled exposure to KSA's expanding religious tourism sector, anchored by a uniquely strategic asset base next to Al Masjed Al Haram.

In the telecoms sector, **Mobily (EEC AB, Buy)** stands out as the top performer amongst its peers, thanks to continued market share expansion and high margins. The company operates in a market that possesses faster growth rates in the region – thanks to gov't spending linked to Vision 2030 – with strong FCF generation. The stock trades at inexpensive valuations, in our view, given its strong growth profile (6% EBITDA CAGR (2025-27e) and c14% earnings CAGR.

In consumers, **Almarai (Almarai AB, Buy)** has unparalleled scale, market leadership and geographic/category mix that make it the greatest beneficiary of consumption normalisation. Pricing flexibility (bakery adjustment in 2025 and likely fresh milk price hikes in 2026e), diversification and resilient ex-KSA performance should drive earnings recovery.

Finally, in healthcare, **SMC** (SMC AB, Buy) is set to deliver the highest growth amongst KSA-listed hospitals, yet continues to trade at a steep discount to peers. Following weak 1H25 KPIs, a recovery began in 3Q25 and is expected to become fully visible from 4Q25e (all new clinics fully operational, no contribution from the terminated contract in the base and structurally improved opex).

…and Kuwait

Our Overweight call on Kuwait over the past two years has worked perfectly well with the market's standing out against regional peers after years of underperformance. Indeed, the MSCI Kuwait Investable Market Index (MXKUWIM) gained c24% YTD and stands out as the second-best performing market in the region.

We remain positive on Kuwait's fundamentals, with the gov't delivering on reforms, including the passing of the Public Debt Law and Mortgage Law. In parallel, the country's investment drive is proceeding with project awards on an uptrend for the third consecutive year, which is positive for credit appetite.

Nevertheless, we turn tactically Neutral on the market, as calling for a further rally from current levels remains contingent upon the pace and effectiveness of implementing the next wave of regulatory reforms. A big weight will be given to the gov't's ability to push ahead with regulatory reforms in the property sector, ones that engage the private sector in the construction of homes. The boost of supply side on housing is a pre-condition for banks to be able to utilise the new Mortgage Law and extend credit to home buyers.

To a lesser extent, at least in the near term, it would also be positive to see progress in fiscal reforms. The gov't has, indeed, eased fiscal pressures by approving the Debt Law; thereby, removing liquidity concerns. The country will, however, continue to run elevated fiscal deficits at current oil prices; hence, seeing progress in fiscal reforms is important to ensure fiscal sustainability.

We have two Top Picks in the country: one in the financials sector and another in the property. In the banking sector, we still like **NBK (NBK KK, Neutral)** as a top franchise bank with strong exposure to corporate and Islamic banking, making it the best-positioned to capitalise on the country's improving macro dynamics. Still, the YTD share rally does not leave much on the table for investors (our TP indicates only 9% upside). Moreover, the bank's historical valuation premium to other Gulf banks has expanded recently, with NBK's trailing P/E at 40-60% above its peer group (QNB, SNB, ADCB, FAB). A strong re-rating from current levels is unlikely, unless positive surprises on the macro front materialise.

Our second and last Top Pick is **Mabanee (MABANEE KK, Buy)**, which is a dual play on Kuwait's commercial sector, as well as Saudi Arabia's fast-growing retail market. The company is poised for robust earnings growth (2025-30e CAGR of 22%) as its Saudi flagship projects become operational. It is also a play on potential regulatory changes in the residential property sector.

Underweight on Qatar

We maintain our Underweight call on Qatar's equity market, which paid off this year, as it trailed the region, with the exception of Saudi Arabia. The country's equity story remains broadly constrained by weak public investment and muted project awards. Moreover, the North Field LNG expansion - while it could possibly start later next year - remains largely a 2027 story. Investors are awaiting any clear signs of a pickup in non-hydrocarbon growth as a direct result of the rising gas production, or even indirectly through the utilisation of the gas proceeds.

The country's tourism story is encouraging, with the gov't managing to utilise previous global events to put Qatar on the global tourism map. Nevertheless, the sector is still not at a stage to move the needle in a broader economic and market context.

Nevertheless, we flag a couple of names that are included in our Top Picks in Qatar. In the banking sector, we like **QNB (QNBK QD, Buy)**, as it remains a defensive play. The implementation of the 15% income tax in 2025 is likely to boost next year's pre-tax operating performance and lead it to outperform the sector. The stock trades at relatively modest valuation of 12-month trailing P/E of c11x and dividend yield of 3.8%.

Nakilat (QGTS QD, Buy) is the other name we like in Qatar, being a clear play on the gas expansion story. The company is playing a major role in the latter, having already been awarded new contracts for 25 new conventional vessels and nine QC-max sized vessels with those enjoying LT charter agreements with QatarEnergy. Current valuations, especially after its recent share price correction, with the step-up in earnings growth on vessel delivery, imply that Nakilat is trading at a P/E multiple of 7x by 2030/31e, as the full fleet is in operation.

Figure 35: MENA Top Picks

Company	Upside summary	Lead analyst
Saudi Arabia		
Al Rajhi Bank	Al Rajhi is well-positioned for a rate-easing cycle, with c65% of assets fixed-rate and strong exposure to retail and mortgages. Seasonal mortgage demand, rate cuts and the white-land tax initiative,alongside potential FOL upside, support a strong 4Q25 and solid medium-term earnings momentum	Elena Sanchez (esanchez@efg-hermes.com)
Saudi National Bank	SNB's strong capital position (CET1 at 17.6%) and active RWA optimisation provide headroom to absorb tighter regulatory requirements, while supporting earnings leverage. Sustained opex discipline, combined with potential FOL liberalisation and delivery on its 2027 ROE, loan-growth and efficiency targets, underpins re-rating potential	Elena Sanchez (esanchez@efg-hermes.com)
Electrical Industries	Electrical Industries provides a better-priced entry into Saudi Arabia's power sector at a time when most utilities trade at premium valuations. At 18× 2026e P/E, strong earnings visibility and a 23% EPS CAGR through 2029 support further re-rating potential	Yousef Husseini (yhusseini@efg-hermes.com)
East Pipes	East Pipes offers a differentiated way to play Saudi Arabia's accelerating water and Oil & Gas infrastructure cycle, supported by demographic growth, urbanisation and a surge in project awards that should drive backlog and earnings visibility. Despite its cyclicality, the x10 2026e P/E suggests a trough valuation that overlooks both normalised earnings potential and improving medium-term visibility	Ahmed El Shazly (aelshazly@efg-hermes.com)
Jabal Omar (Uncovered)	Jabal Omar stands out due to its unrivalled exposure to Saudi Arabia's expanding religious tourism sector, anchored by a uniquely strategic asset base next to Al Masjed Al Haram. With a cleaner balance sheet, 1,800 new hotel keys coming online in 2026-27, rising occupancy at Jabal Omar Jumeirah and the planned activation of its Hajj licence, earnings visibility and growth momentum are set to strengthen meaningfully	—
Retal	Retal is supported by a strong execution track record and well-established brand in Saudi Arabia's affordable and mid-income housing segment, underpinned by long-standing partnerships with GREs such as ROSHN and NHC that provide pipeline visibility. Despite recent regulatory headwinds, upside is driven by potential off-take agreements with limited sales risk, a gradual mortgage recovery, foreign ownership reforms and historically strong presales momentum around Cityscape Riyadh	Mai Attia (maiattia@efg-hermes.com)
ADES	ADES has transformed into the world's largest jack-up driller with 83 rigs following the Shelf acquisition, giving it unmatched scale and a durable structural cost advantage. This allows ADES to secure long-tenure, sticky contracts at attractive margins and access low-cost funding, underpinning strong earnings visibility, while valuation remains compelling	Ahmed Hazem (ahmaher@efg-hermes.com)
Almarai	Almarai's scale, market leadership and diversified category mix position it to outperform peers as consumption normalises. Pricing flexibility, evident in recent bakery adjustments and potential fresh milk price hikes should help offset diesel inflation, while geographic diversification and resilient ex-KSA performance support margin and earnings recovery	Hatem Alaa (halaa@efg-hermes.com)
SMC	SMC is set to deliver the highest growth amongst KSA-listed hospitals; yet, continues to trade at an undemanding c15× P/E vs a sector average ofc21×. Following weak 1H25 KPIs, driven by a high comparable base and pre-operating costs, the recovery began in 3Q25 and is expected to become fully visible from 4Q25e, with all new clinics operational and no contribution from the terminated contract in the base, while structurally improved opex discipline enhances confidence in meeting 2025 guidance	Ahmed Moataz (amoataz@efg-hermes.com)
Mobily	Mobily continues to expand its revenue market share, especially in the enterprise segment, while maintaining the highest margins amongst peers. The story is underpinned by broadly steady economic drivers and gov't spending (Vision 2030), although there are some moderate risks to gov't spending in the near term. Net leverage reached a reasonable level of 1x. Valuations are rather inexpensive, in light of c6% EBITDA CAGR (2025e-27e) and c14% earnings CAGR. The new strategy (as of Dec 2025) hints at an increased focus on digital infrastructure, especially data centres, which would help extend the growth momentum	Omar Maher (omaher@efg-hermes.com)

Note: Our view on uncovered stocks included in our macro-strategy picks is derived from our broader thematic analysis and does not represent a formal company recommendation or a scientifically derived target price that investors should rely on when making investment decisions
Source: Company data, EFG Hermes estimates

Figure 36: MENA Top Picks *(continued)*

Company	Upside summary	Lead analyst
UAE		
Emaar Porperties	Emaar is a high-beta play on Dubai's strong fundamentals, leveraging its dominant development platform, premium retail and hospitality exposure, and a deep AED875bn pipeline, with solid cash-flow visibility from 2026 underpinning a committed AED1/share dividend (c7% yield) and upside-skewed risk profile in the UAE/GCC context	Mai Attia (maiattia@efg-hermes.com)
ADCB	Confidence in ADCB's five-year plan remains high, anchored by targets to double earnings, sustain CET1 above 12%, deliver ROE above 15% and pay cumulative dividends of AED25bn. The bank is positioned to deliver c15% pre-AT1 profit CAGR through 2029, supported by solid loan growth, rising non-interest income and improving efficiency, while valuation remains undemanding	Elena Sanchez (esanchez@efg-hermes.com)
Spinnyes	Spinneys continues to deliver strong revenue momentum, on solid LFL growth, supported by resilient UAE consumer spending and demand for premium grocery products. Best-in-class margins (EBITDA ~19%, net ~10%), high returns (ROAIC c27%) and a private-label-led model underpin c8% five-year earnings CAGR, while a net-cash balance sheet and negative working capital support a minimum c70% dividend payout	Hatem Alaa (halaa@efg-hermes.com)
ADNOC LS	ADNOC L&S is positioned to benefit from the recent spike in tanker rates and delivery of its LNG vessels from 2H26, as gas production ramps up. As ADNOC's core logistics arm, earnings are largely anchored in stable, contracted services (70-80% of EBITDA), with additional upside from tightening tanker markets and Ruwais LNG-driven growth	Ahmed Hazem (ahmaher@efg-hermes.com)
ADNOC Gas	ADNOC Gas stands out, given its resilient earnings profile, anchored by rising domestic gas volumes and reduced sensitivity to Brent-driven price swings. With an attractive c5% dividend yield and undemanding c14× 2026 P/E, the stock offers a compelling combination of defensive cash flows, income visibility and valuation support	Ahmed Hazem (ahmaher@efg-hermes.com)
AD Ports	AD Ports is building momentum through a combination of growth initiatives and quiet monetisation of non-core assets, including a sizeable land bank that remains underappreciated by the market. With divestment proceeds, further monetisation announcements and solid growth across core businesses, the story should gain further traction into 2026, as initiatives turn FCF-positive and open the door to potential dividends from 2027—prompting investors to position ahead of time	Ahmed Hazem (ahmaher@efg-hermes.com)
DEWA	Dubai's main utility continues to offer an attractive equity story, with volume growth and a moderation in capex setting the stage for higher dividends, which the market will likely welcome. With growth visibility through end of decade and upside optionality from potential tariff increases and AI data-centre demand, valuation remains compelling even before these catalysts materialise	Ahmed Hazem (ahmaher@efg-hermes.com)
du	du is a very good play on UAE's attractive telecoms sector, as it is a single-country telco with exposure to an economy that has been performing very well and will continue to do so. It boasts a very solid, debt-free balance sheet, with high FCF generation and a dividend payout ratio of c100% of earnings, while offering healthy earnings growth (5% CAGR between 2025-28e) and an attractive dividend yield at a reasonable valuation (2026e EV/EBITDA of 5.5x). Strategically, du is further diversifying into adjacent opportunities, including digital infrastructure and fintech; these are initiatives that will boost earnings growth further, in our view. We believe there could be additional upside that is not factored in because of low visibility on the size and growth potential of the adjacent opportunities	Omar Maher (omaher@efg-hermes.com)
Kuwait		
NBK	Provides a direct and liquid exposure to Kuwait's reform-driven growth, anchored by its dominant corporate franchise and mortgage platform, with resilient earnings supported by strong asset quality and a sector-leading ROE	Elena Sanchez (esanchez@efg-hermes.com)
Mabanee	Mabanee offers a dual Kuwait–KSA growth play through its flagship Avenues platform and Saudi super-regional malls, with GLA set to reach 1.1mn sqm by 2027, supporting a 22% earnings CAGR as KSA projects ramp up and providing added upside from offices and hospitality in Riyadh	Mai Attia (maiattia@efg-hermes.com)

Source: Company data, EFG Hermes estimates

Figure 37: MENA Top Picks *(continued)*

Company	Upside summary	Lead analyst
Qatar		
QNB	QNB offers upside from a stronger loan growth outlook—supported by its international exposure—and superior asset quality, alongside potential NIM upside from rate cuts in Turkey. A recovery in Qatar's capex cycle and improving profitability in Egypt and Turkey, combined with tax normalisation in 2025, should drive earnings back to high-single-digit growth in 2026	Elena Sanchez (esanchez@efg-hermes.com)
Nakilat	Nakilat is positioned for a meaningful earnings uplift, driven by contracted fleet expansion under the North Field project, with new vessels locked into long-term charters at attractive IRRs. As deliveries ramp up from late 2026, earnings visibility improves, and valuations should compress to attractive single-digit P/Es, reinforcing its low-risk, long-term contracted growth profile	Ahmed Hazem (ahmaher@efg-hermes.com)
Egypt		
CIB	CIB is a beneficiary of stronger corporate lending demand, due to its strong franchise, with multinationals and large corporates operating in Egypt. The recent release of excess provisions confirms the sound quality of its loan book. Higher non-interest income and loan growth and low cost of risk will be, in our view, key drivers of earnings growth in 2026	Elena Sanchez (esanchez@efg-hermes.com)
Credit Agricole	Credit Agricole is one of the most profitable banks in Egypt in our coverage universe, and we expect it to deliver a sustainable ROE of c30% over the medium term. The bank is well-capitalised and well-positioned to benefit from the cyclical loan growth recovery that we expect for Egypt in the coming years. Its sector-leading 14% dividend yield is another key attraction	Elena Sanchez (esanchez@efg-hermes.com)
HDBK	A key beneficiary of Egypt's high-rate environment, supported by a fully EGP balance sheet and low-cost NUCA-linked funding, with excess liquidity deployed in short-term interest-bearing assets. Despite rate cuts, NIM expanded to a record 14.6% in 9M25, with upside from lower provisions, stronger housing income and higher dividends, while valuations remain undemanding at 2.6× 2026e P/E and 1× P/B against a 45% ROE	Ahmed El Shazly (aelshazly@efg-hermes.com)
Ibn Sina Pharma	Ibnsina a key beneficiary of drug price increases and interest rate cuts, with finance costs remaining a significant drag on earnings and a 1% rate cut lifting net income by c7%. Planned sales of non-core assets should support deleveraging, strengthen the balance sheet and improve the earnings outlook further	Ahmed Moataz (amoataz@efg-hermes.com)
Edita	Edita is seeing a strong earnings recovery after four quarters of pressure, a trend we expect to continue. Valuation remains attractive at c11× forward P/E, supported by sustained volume recovery, capacity upgrades and margin expansion following recent price-point migration	Hatem Alaa (halaa@efg-hermes.com)
TMG	TMG offers diversified exposure to Egypt's property and hospitality sectors, with the latter benefiting from a strong tourism recovery, alongside regional operations that help hedge local and FX risks. Upside is driven by new launches outside Cairo and unpriced expansion plans in Egypt and abroad, supported by solid operating momentum and a strong sales outlook, particularly in the North Coast	Mai Attia (maiattia@efg-hermes.com)
GB Corp	GB Corp stands out as a Top Pick, with earnings mix improving meaningfully: the recovery in auto volumes and margin normalisation are now complemented by strong growth in GB Capital, which is directly leveraged to falling interest rates. As NBFI earnings scale and financing costs peak, group profitability and visibility should improve, offering upside that is not yet fully reflected in the stock price	Hatem Alaa (halaa@efg-hermes.com)

Source: Company data, EFG Hermes estimates

Index Matters (MSCI - FTSE): 2026 index scenarios, risks and potentials

Key themes for 2026 (scenarios, risks and potential flows)

Country classification watch

- Egypt is facing a potential *downgrade* by FTSE, but now has a *credible path to retain EM status,* if the mid-cap thresholds are maintained into year-end 2025
- Oman shows accelerating momentum, with a *strong FTSE EM upgrade case by 2026-27* and an improving, albeit a still-challenging MSCI path

MSCI free float methodology change (May 2026): A single-step implementation of the enhanced FIF methodology will *reduce rounded-up FIFs*, creating up to USD1.65bn in passive outflows across covered EM names, unless offset by secondary offerings.

Inclusion potentials: du (UAE), following Mubadala's 7.55% stake sale – could finally pass liquidity screens and enter: MSCI EM Standard as early as Aug 2026 (minimum of USD280mn inflows). FTSE EM as early as Sep 2026 (minimum of USD100mn inflows).

Saudi Arabia 100% FOL scenario: If foreign ownership limits are lifted (as per recent news), more than USD10bn in passive inflows could be triggered, dominated by Al Rajhi Bank, plus optional upside USD500mn, if Bahri opens to foreigners (USD420mn if opened to 49%).

1. Country classification outlook

Egypt — EM downgrade risk, but improving prospects

FTSE's 2025 classification review placed Egypt on the watchlist for a potential downgrade from 'emerging' to 'frontier' markets. The key driver: Egypt currently has only one constituent in the FTSE EM large- and mid-cap segment.

Quantitative thresholds

- Mid-cap requirement: USD2.89bn (reviewed quarterly)
- FFMC test: Must exceed 0.05% of FTSE EM All Cap Index – Egypt meets this at 0.08% (USD7.9bn)
- Constituent count test: Requires at least two EM-eligible mid or large caps. Egypt has only one (CIB) as of the Sep review

Positive momentum since the review: TMG — now exceeds the latest announced mid-cap threshold; each with a comfortable buffer. As long as any FTSE increase to this threshold does not exceed 10%, TMG would still meet the mid-cap upgrade requirement, based on current market levels. If TMG remains above the threshold through 31 Dec 2025, Egypt could avoid the downgrade risk.

Why maintaining status becomes easier

Once upgraded to mid-cap, a stock only needs to remain above a much lower retention threshold (cUSD1.63bn).

Key dates ahead

- Mar 2026 interim FTSE update (data as of 31 Dec 2025)
- Sep 2026 annual review (based on 30 Jun 2026 data) when a downgrade could be confirmed

Overall scenario: Egypt now has a sound chance of retaining its EM status, assuming the newly qualified names maintain a stable market cap.

Oman – Strong FTSE EM momentum; MSCI progress slower, albeit improving

Oman has become one of the standout upgrade candidates, with the market performance improving significantly, liquidity rising and a healthy IPO pipeline taking shape, leading to valuations showing clear signs of strengthening.

FTSE EM upgrade status

- Meets all nine qualitative criteria for secondary EM status
- Quantitative metrics (investable market cap and constituent count) have been lagging, but they are now catching up
- Between 2024 and Sep 2025: the country has moved from zero eligible stocks to one mid cap + two small caps in the FTSE Global All Cap Index

Potential pathway: Likely addition to FTSE EM watchlist in Sep 2026, with the potential full EM upgrade in 2027.

Estimated passive inflows: Around USD220mn across at least eight stocks: OQEP, Bank Muscat, Sohar International, OQGN, Omantel, NBO, OQ Base Industries, Asyad Shipping.

MSCI EM upgrade status – more challenging, but not out of reach

MSCI requires

- Current GMSR: USD7.4bn (implying EM standard minimum of USD3.7bn; FFMC of USD1.8bn)
- At least three securities meet size and liquidity screening (which is stricter than FTSE's)

So where does Oman stand? First, OQEP and Bank Muscat are now within a close range and only need c20-25% share appreciation to be able to meet the FFMC minimum threshold, while using current FIFs. Second, Sohar International Bank could become the third candidate if: i) the merger with Ahli Bank is revived; ii) the merged entity rallies c25%; or iii) a new listing emerges that independently meets MSCI EM size and liquidity requirements.

In terms of timing, the earliest time for MSCI to place Oman on its watchlist is May 2026; however, the more likely scenario is a watchlist inclusion in May 2027.

Passive inflow potential: At least USD470mn if three Omani names meet EM criteria.

2. MSCI FIF Methodology Change (May 2026)

MSCI will overhaul its free-float adjustment factor methodology in May 2026, eliminating the long-standing rounding-up convention that inflated FIFs for many stocks.

Impact mechanics

- Many EM names have FIFs rounded up
- New methodology uses stricter rounding for free float, which would lead to reducing FIFs and, therefore, index weights
- Implementation will occur in one step in the May 2026 SAIR

Expected market impact

- Across our EM coverage, estimated passive outflows of up to cUSD1.65bn
- Outflows could be mitigated, if any of these companies conduct secondary offerings before end of 1Q26

Figure 38: Top 10 names at risk

Ticker	Country	Flows	Flows/ADVT
MAADEN AB	Saudi Arabia	-270	10
KFH KK	KUWAIT	-197	7
ACWA AB	Saudi Arabia	-164	6
EMAAR UH	UAE	-137	2
STC AB	Saudi Arabia	-122	3
QNBK QD	QATAR	-97	9
EMIRATES UH	UAE	-90	6
ADNOCDRI UH	UAE	-67	3
QIBK QD	QATAR	-64	10
SABB AB	Saudi Arabia	-58	4

Source: MSCI, Bloomberg, EFG Hermes estimates

3. Inclusions and potential inflows

du (UAE) has finally become an inclusion candidate. Following Mubadala's 7.55% (342mn shares) secondary offering:

- Liquidity has risen significantly
- Liquidity improvement already began in Jul - Aug, pre-offering — the most important factor for MSCI & FTSE eligibility

If elevated volumes are sustained through Jun 2026, du is likely to pass liquidity screening for both index providers.

Earliest inclusion windows:

- MSCI EM Standard: Aug 2026 (minimum of USD280mn inflows)
- FTSE EM: Sep 2026 (minimum of USD100mn inflows)

4. Saudi Arabia — largest potential inflow story (100% FOL scenario)

Bloomberg reported recently that Saudi Arabia is preparing to allow foreign majority ownership of listed companies by lifting the current 49% cap. The CMA is reportedly at the final stages of lifting it, pending higher-level gov't approval.

Unknowns:

- Whether FOL moves fully to 100% across the board
- Timing of implementation

Market impact, if fully implemented:

- More than USD10bn of passive inflows from MSCI and FTSE passive trackers
- Al Rajhi Bank alone could account for nearly half of this total
- An additional USD500mn potential if Bahri, currently at 0% FOL, opens fully (USD420mn if opened to 49%)

Figure 39: Top 15 beneficiaries of lifting the foreign ownership limit

Ticker	MSCI Flows (USDmn)	FTSE Flows (USDmn)	Total flows (USDmn)	Flows/ADVT
RJHI AB	4,372	1,553	5,926	55
SNB AB	692	242	935	19
ALINMA AB	575	203	778	16
EEC AB	264	91	355	22
BSF AB	221	81	302	27
ALARKAN AB	203	72	275	38
JOMAR AB	154	64	218	12
MCDCO AB	133	47	179	39
BJAZ AB	115	48	163	14
ALBI AB	102	51	152	13
SIPCHEM AB	110	40	150	14
TAWUNIYA AB	110	38	148	9
JARIR AB	84	30	114	20
ALDREES AB	22	55	77	6
SIBC AB	41	27	68	32
All members Exp. Total	7,407	3,187	10,594	

Source: MSCI, FTSE, Bloomberg, Reuters, Exchange & EFG Hermes estimates

TABLE OF CONTENTS

Market still offers growth

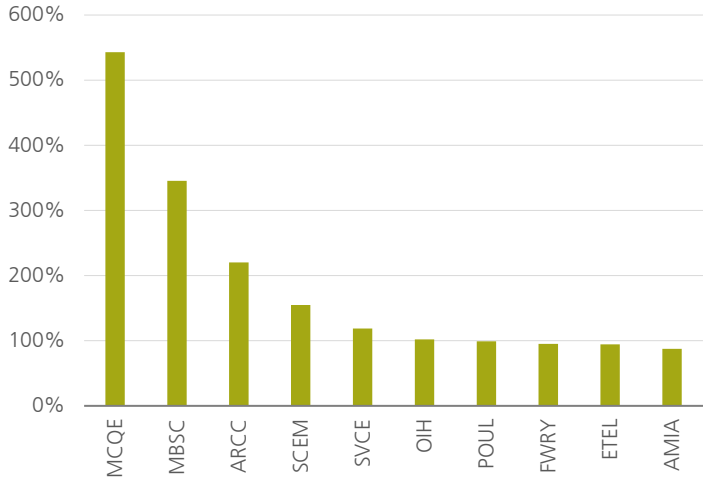
Egypt's market surprised positively in 2025, closing the year as the best-performing in the MENA region. It perfectly rode the tide of positive sentiment around emerging markets, following the trade war shock. A weaker USD and lower oil prices were two very positive shocks that uplifted the underlying economic fundamentals. Lower oil prices eased concerns over external accounts and projected favourably on the inflation outlook. Meanwhile, a weaker USD increased the appetite for Egyptian risk assets.

Coinciding with the underlying improvement in external balances, the weaker USD was an immediate invitation to higher inflows into the carry trade, which unleashed an appreciation of the USD-EGP. The latter, in turn, boosted local confidence in EGP assets for levels not seen post the floatation, starting a wave of de-dollarisation that is still ongoing as we near end of year. Unsurprisingly, the equity market was a key beneficiary of this trend as, indeed, is reflected in the notable rise in market liquidity, which saw a visible uptrend throughout 2H25.

Boosted by the abovementioned factors, the market saw a decent rally, with the USD boosted further by the USD-EGP appreciation. In addition, the market had its own domestic stories that boosted its performance. Key amongst these was the sharp rise in cement prices – following adjustments to the domestic quota system – which drove a sharp rally in cement stocks. Indeed, the market's top five performers YTD are also cement companies, with returns ranging between 100% to +500%.

Figure 1: Cement stocks top the list of top performers in 2025

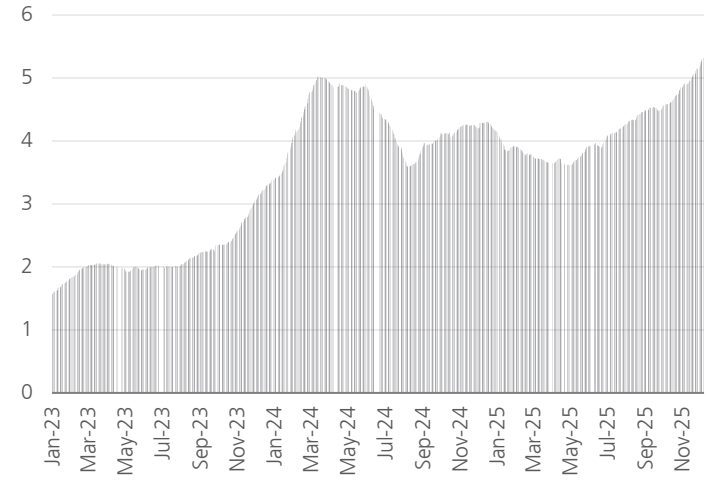
In YTD % change



Source: Bloomberg

Figure 2: Volumes on an uptrend in 2H25

30-day moving average of daily value traded in EGPbn



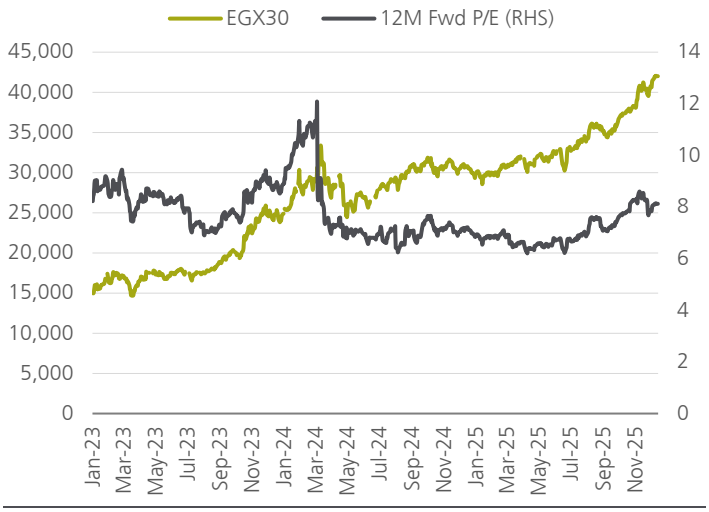
Source: EGX

We see the market still has more to offer in 2026. Stable macro is likely to provide room for healthy earnings growth; indeed, consensus is forecasting 13% CAGR growth over the coming two years. We project the disinflation trend to continue, providing room for the CBE to press ahead with its easing cycle. We project 600-700bps of rate cuts, with policy rates reaching 15% by end-2026. We also expect stable FX conditions, which should be supportive to corporate margins. We also have fewer concerns over FTSE's move to put the market on the watch list for a possible downgrade to a frontier market, with the latest market rally already taking stocks to levels that beat the index providers' minimum requirement for an emerging market status.

The market, though, will continue to face a key challenge, namely relevance to foreign investors. The country's weight in global indices remains too small and liquidity too thin to ignite investors' interest, which was demonstrated this year by continued depressed participation of foreign investors, despite the positive external headwinds and the market's decent performance. In fact, foreign investors remained net sellers throughout 2025.

Figure 3: Market rallied in 2025, albeit still trading at undemanding valuations

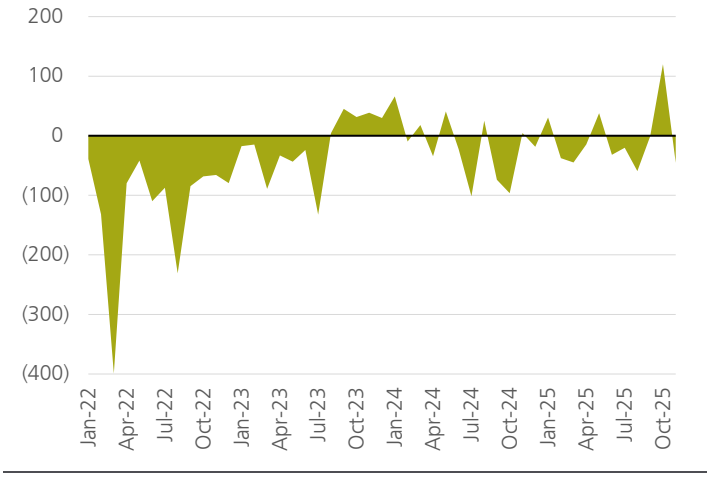
Index (LHS), P/E ratio (RHS)



Source: Bloomberg

Figure 4: Foreign investors were still net sellers, despite the market's rally

In USDmn



Source: EGX

Building on the above constructed view, we are Overweight on the Egyptian market in 2026. We are positive on the consumer sector, with a rebound in volumes ongoing, thanks to stabilising macro conditions, as well as improved access to financing. Our Top Pick is **Edita**, due to volume recovery, capacity additions and margin expansion. The stock is trading at an undemanding valuation of 11.3x forward P/E.

We also continue to like banking stocks, despite the prospects of lower interest rates, as banks are likely to benefit from extended loan recovery. Our Top Picks include **CIB** and **ADIB**, given their strong growth profile. We like Credit Agricole for its dividend yield c14% for 2026.

In the property sector, the sector faces affordability concerns, as well as high rates. Nevertheless, we like **TMG**, as it offers a diversified exposure to Egypt's property and hospitality sectors – with the latter enjoying a strong recovery, thanks to record tourism revenues – as well as providing exposure to regional markets (which act as a hedge to both the local market and FX weakness).

We are Neutral on fertiliser names, given limited upside risks to pricing. We do, though, expect an improvement in gas supply issues, which weighed heavily on earnings in 2025. We also believe valuations have largely bottomed, with companies possessing attractive positions, being cash-rich and high-dividend payers.

We are cautious when it comes to cement stocks for a number of reasons. First, the gov't has recently taken measures to boost supply in the market, in light of the sharp price rally in the past few months, probably hinting to normalisation in domestic prices. Second, stock prices have seen significant gains in 2025, being the market's top performers, leaving limited upside, if any, for next year.

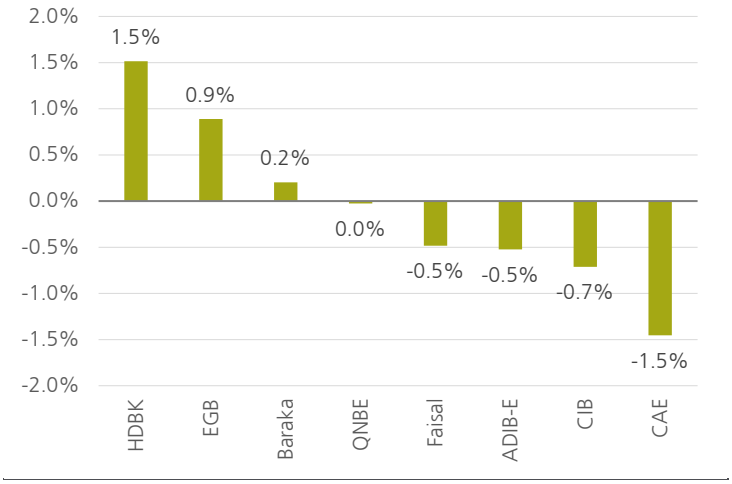
Banks

Margin normalisation started in 2025, but at a slower pace than we had expected initially

Slower inflation during 2025 prompted the CBE to start the monetary easing cycle, with cuts to benchmark rates of 625bps year to date, following rate hikes of 19pp in 2022-24. Egypt banks' net interest margins began normalising this year, from exceptionally high levels in 2024, but margin compression has been generally lower than we had expected initially. At the wider sector level, banks have placed strong focus on mobilising low-cost deposits and on lengthening the duration of assets, both helping in containing NIM pressure during 2025.

Figure 5: NIM compression has been generally lower than our initial estimates…

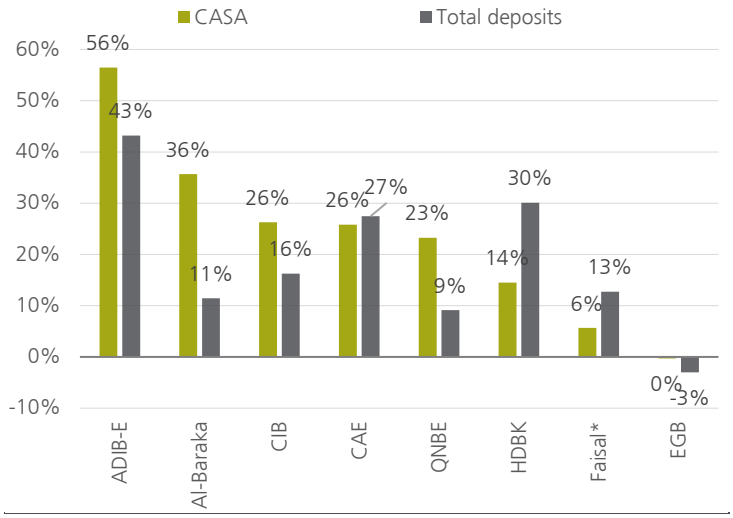
NIM change during 9M25 (vs FY24)



Source: Company data

Figure 6: …partly a reflection of banks' focus on low-cost deposit growth

Y-o-Y change in CASA and Y-o-Y change in total deposits (as of Sep 2025)



*Faisal's CASA includes only demand deposits, as savings deposits are not disclosed separately

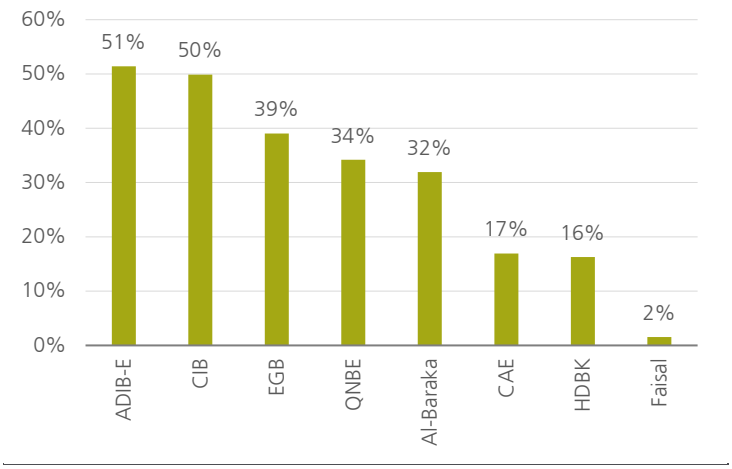
Source: Company data

Credit growth generally strong, with CIB and ADIB-E outperforming the sector

Aggregate loan growth for banks in our coverage was strong during 9M25, at 39% Y-o-Y and 26% YTD. This is well above mid-teen inflation, reflecting improving corporate confidence in Egypt's macroeconomic outlook, supported by a high level of FX reserves, exchange rate stability (appreciating this year), lower inflation and lower borrowing costs. Banks' risk appetite has increased generally, with their asset mix changing from gov't and liquid assets to customer loans as a means of enhancing non-interest income and revenue growth to compensate for lower interest rates.

Figure 7: ADIB-E and CIB have seen strong loan growth this year…

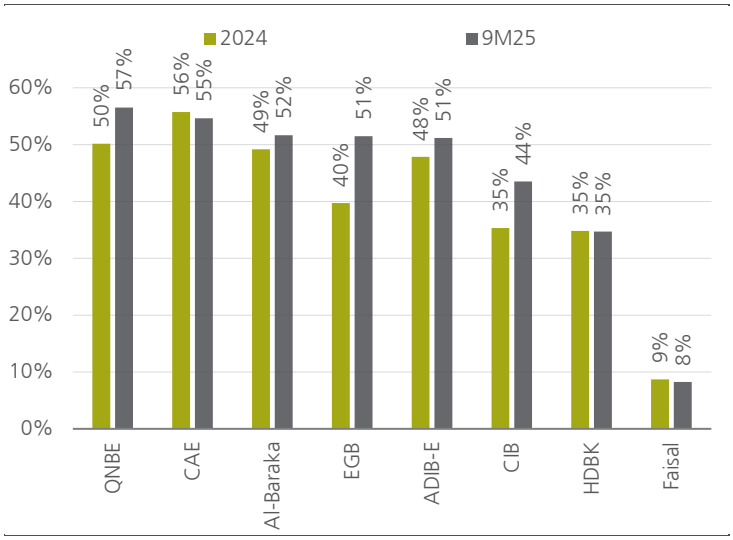
Y-o-Y change in loans by bank (9M25)



Source: Company data

Figure 8: …shifting focus from risk-free gov't and liquid assets to customer loans; loan-to-deposit ratios increasing

Loan-to-deposit ratio



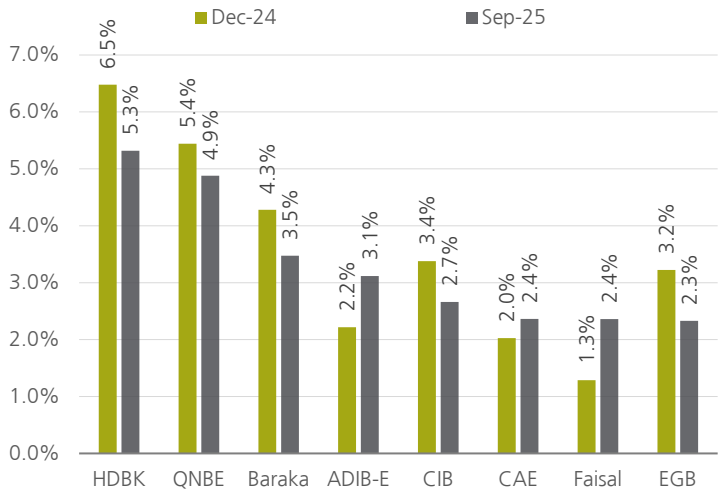
Source: Company data

Credit quality continues to be resilient

Loan books have been remarkably resilient to elevated interest rates and to macro stress in 2022-24. NPL ratios have improved in 2025 (partly a reflection of loan growth), and provisioning charges have generally declined from exceptionally high levels in 2024 (when banks used strong revenue to add provisioning buffers). CIB obtained approval from the CBE in 3Q25 to recalibrate its Expected Credit Loss (ECL) model, the assumptions of which are now more aligned with Egypt's current macroeconomic environment. As a result, the bank released excess provisions through the P&L and booked a special, non-distributable reserve in shareholders' equity. It is too early to assess whether other banks will also transition to ECL models with less stringent macro assumptions. Generally, provisions coverage is very high across the sector, but other Egypt banks have not indicated there is a short-term intention to transition to a new ECL model. We note that such transitions require CBE approval, a process that took over a year for CIB.

Figure 9: NPL ratios declined in 2025

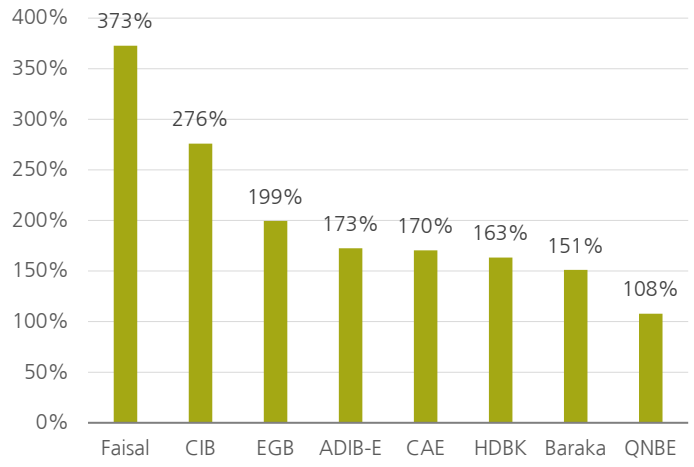
NPL ratio



Source: Company data

Figure 10: All banks have large provisioning buffers

Total provisions to NPLs (Sep 2025)



Source: Company data

2026: A year of further NIM and ROE normalisation

NIMs to continue to normalise: With rate cuts of 625bps so far in 2025, and with similar cuts expected in 2026, margins are set to continue normalising and at a faster pace than in 2025. We expect CIB's NIM will continue to be more resilient than the sector's because of its larger investment book of bonds and strong track record in mobilising low-cost deposits.

Loan growth and fee income to accelerate: Banks are confident in the outlook for credit growth, citing a strong pipeline for capex-related loans. Loan growth is set to boost fee and FX income.

Slower pressure in opex and low cost of risk levels: We expect slower inflation to drive contained operating expense growth across the sector. We do not factor in upward pressure in provisioning costs and expect the credit quality environment to continue to be benign, thanks to falling borrowing costs and Egypt's improving macro environment.

Slower earnings growth and normalising ROE: We expect avg. earnings growth of c15% (slightly above inflation in low teens), down from 35% in 2025e. Upside risks to our estimates are credit growth and non-interest income. We expect ROAE levels will continue to trend down from the exceptionally high levels of 2023-24. For most banks, ROAE will continue to be well above the CoE of c20%.

Top Picks: Egypt banks continue to trade at very low multiples and are, in our view, generally undervalued. Our stock selection is based on the outlook for loan growth and non-interest income, track record in growing low-cost deposits and ROAE. We like CIB and ADIB-E for growth, and Credit Agricole Egypt and HDBK for yield (highest in our banks coverage universe in Egypt and one of the highest in Egypt's stock market).

CIB: Key beneficiary of stronger corporate lending demand, due to its strong franchise, with multinationals and large corporates operating in Egypt. The recent release of excess provisions confirms the sound quality of its loan book. Higher non-interest income and loan growth and low cost of risk will be, in our view, key drivers of earnings growth in 2026.

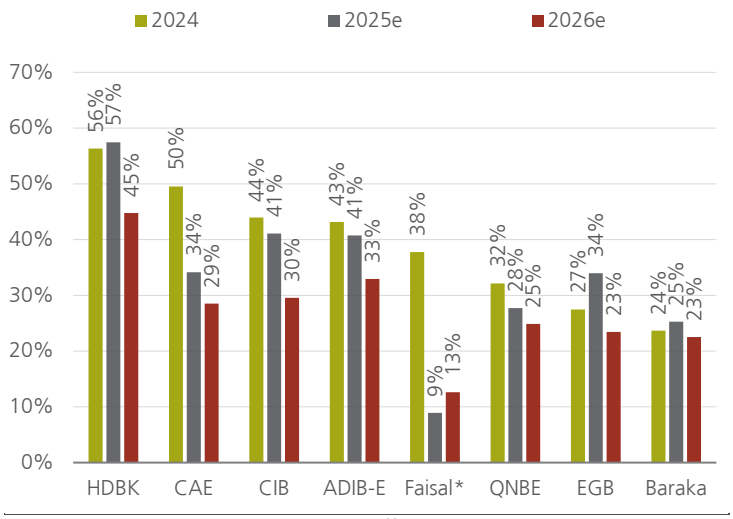
ADIB-E: The bank recently finalised a 15% rights issue to fund strong loan growth. Its ROE, RoA and credit quality track record are all very solid. The recent rights issue will enhance its capacity to grow its share of wallet and market share amongst large corporates.

Credit Agricole Egypt: Historically, the bank has prioritised profitability over balance sheet growth and has had a very prudent credit risk stance. It offers potentially lower loan growth than other Egypt banks, but has one of the highest dividend yields in Egypt's stock market.

HDBK: Highest ROE in Egypt banks, thanks to above-sector avg. net interest margin. It also benefits from: a large retail portfolio and a low-cost deposit mix, which includes CASA and, to a lower extent, downpayments from individuals seeking to take part in land auctions conducted by the gov't (NUCA). Its Tier-1 is at an all-time high, and we think there is upside risk to dividends. It offers one of the highest dividend yields in Egypt banks (second highest after Credit Agricole).

Figure 11: ROEs are trending down, but still strong across the sector

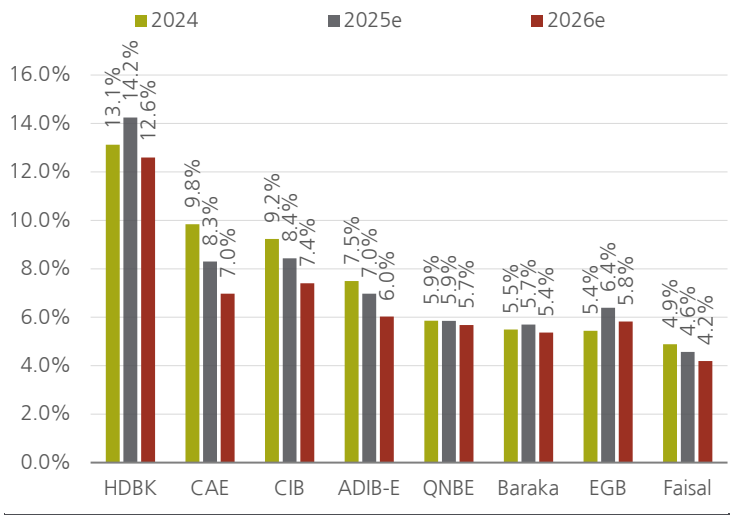
ROAE by bank



*Faisal's 2024 net income included one-off gains on FX assets revaluation
Source: Company data, EFG Hermes estimates

Figure 12: ROE normalisation to be driven by declining NIMs in a lower interest rate environment

NIM by bank



Source: Company data, EFG Hermes estimates

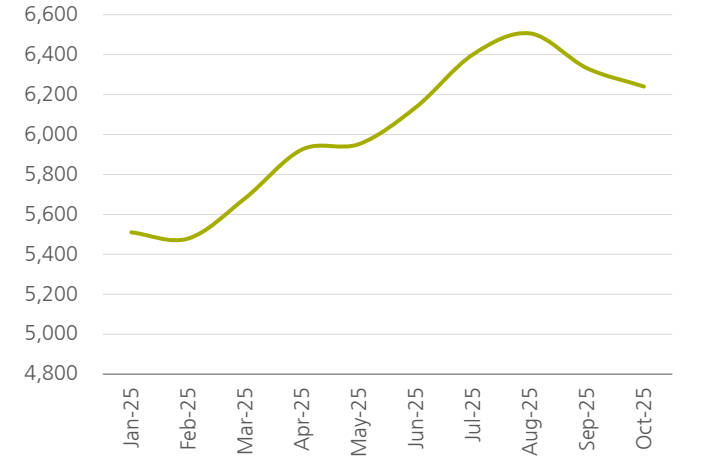
Real Estate

2025 – Relatively slow year for developments in Cairo, but secondary home market still solid

Egypt's property market has been stable in 2025, with demand for projects in East and West Cairo showing stable demand, while demand for second homes in the North Coast and Red Sea is still strong. As per Aqar Map, the total demand index showed the strongest growth during the summer months when there were several projects launched in the North Coast, besides Emaar's Marassi Red (Red Sea). Listed developers have exposure to projects in the North Coast; hence, managed to continue selling in these projects throughout the year. We note that the price increases that started in 2023 have resulted in some unit prices more than doubling in value; hence, heightening the affordability concerns that have been overshadowing the market for a few years. This trend has been extended in 2025 and resulted in a relative slowdown in sales for companies' projects around Cairo and some extension in payment terms to encourage more sales. Currently, we expect new project launches in the East and West sides of Cairo to witness relatively stagnant demand, with developers not lowering their selling prices and encouraging more buying activity by further extending payment terms and/or offering smaller-sized units.

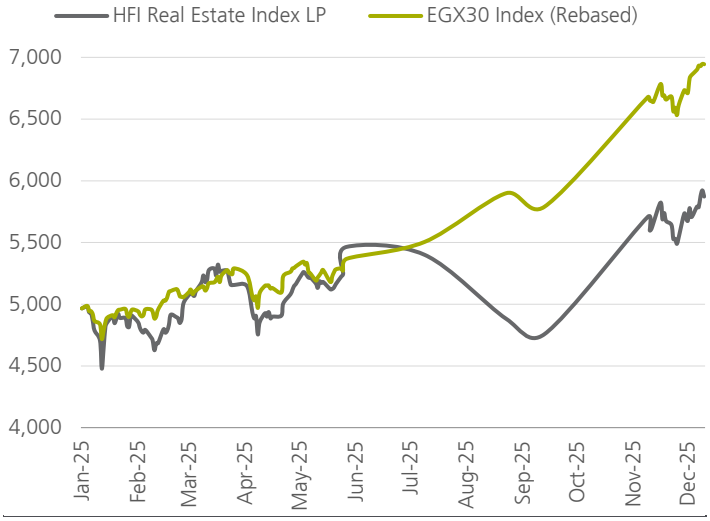
We think the overall operating market performance has resulted in real estate stocks underperforming the general market index YTD.

Figure 13: Total demand index, according to Aqar Map, indicated stronger demand during the summer months…



Source: Aqar Map, EFG Hermes estimates

Figure 14: …this trend has been reflected on property stock process, although the sector has underperformed the general market index YTD



Source: Bloomberg, EFG Hermes estimates

2026 – Focus will remain on second-home purchases; affordability concerns to persist

Going into 2026, we think there are a few themes that would dominate the scene; these include: i) more agreements being announced in the Ras El-Hekma project, further clarity about development plans and possible revenue-sharing agreements being concluded; ii) further expansions by major local players into the region, eyeing the UAE, besides the Kingdom's property market; and iii) negligible selling price increases for new launches, which we think will be lower than the prevalent inflation rates, as affordability concerns rise further, especially in projects around Cairo, while we think new project launches in the North Coast will continue their price uptrend.

We expect Modon Properties, the master-developer of Ras El Hekma project, to announce several developments related to it, given the extensive time taken to plan for such a giga project. We think the company will lead the development; yet, might collaborate with first-tier developers to speed up the monetisation pace in the project. Other similar projects in the North Coast and Red Sea will continue to attract local and foreign buying power, which will place pressure on sales in East and West Cairo, where developers would resort to extending payment terms for buyers to mitigate affordability concerns.

As for international expansion moves, we believe that only the larger and more established developers would be able to compete in the regional markets, given the higher competition; hence, we believe more cautious expansion moves would be made in 2026 until market knowledge is gained. TMG would be in the lead, given its proven success in its Saudi operation and its recently announced projects in Oman.

Top Pick

TMG: The company is our Top Pick, as it offers exposure to growth in Egypt's property market in both Cairo and second-home market in the North Coast and Red Sea, while at the same time giving exposure to the attractive hospitality segment through several premium assets, resulting in a strong foreign currency revenue source. International expansions are contributing gradually to the company's exponential growth as they establish a strong foreign currency revenue source. We expect the stock to outperform in 2026, with new sales in the company's Oman projects being booked and more projects in KSA, especially following the approval of the Foreign Ownership Law.

Consumer

Demand seeing a solid recovery, on strong Egypt macro

Volume trends for Egypt consumer names have been strongly rebounding, as inflation has eased, and the EGP has strengthened against the USD. Nonetheless, focus is on growing FX revenue by increasing reliance on exports to source annual FX needs (Edita has ventured recently into Iraq - its second international operating market after Morocco). Capex spending has been rising, indicating greater confidence by companies in demand trends. Price increases have been minimal, with limited to no need for further hikes in the short term.

Divergent operational performance of food names

Operational performance of listed consumer names has been a mixed bag. **Edita** has been the standout, as its volumes and margins were the most depressed, with the company staging an impressive earnings recovery since 2Q25, as it was sourcing its FX needs in 2023 from banks at the official rate (in contrast to some black-market sourcing for other players) and the slight discretionary nature of its snack products. **Juhayna** is seeing a strong earnings adjustment in 2025e, as 2024 was inflated by extremely high prices and margins, on orange concentrate exports (prices had doubled globally in 2024, on supply shortages of oranges). Similarly, **Obour Land's** margins were inflated in 2024, partly from inputs sourced at low FX rates.

Cigarette prices continue to rise, given greater pricing flexibility

Egypt's largest tobacco producer, **Eastern Co.**, increased retail selling prices on 18 Jul, with key SKUs (95%+ of sales volumes) up by cEGP5.25 per pack (+c14%) to EGP44.0 and ex-factory prices by EGP2.13 (+c16%). This comes after the ceiling of the lower tax bracket (this is where over 95% of Eastern Co.'s brands are priced) was raised, as the flat tax per pack increased from EGP4.50 to EGP5.0. The EGP5.25 per pack retail price hike is split as follows: i) EGP0.5 increase in flat rate; ii) EGP2.63 variable sales tax (50% of retail price); and ii) EGP2.13 ex-factory price increase (+16%). We note that this is EC's ninth direct ex-factory price increase since Nov 2017, with the two prior increases (in Sep 2019 and Dec 2020) done via a reduction in retailer margin. Earlier in Jul 2024, EAST increased the retail prices of its main local brands by EGP0.22/pack (+0.6% on avg.), on the increase in the health insurance tax to EGP1.35/pack, from EGP1.10/pack (should rise by EGP0.25/pack every three years). New regulations now permit an annual increase (every Nov) in tax brackets of 12% without Parliamentary approval. This change to regulations provides the company with much-needed flexibility to increase prices every year.

Figure 15: Recent price change for Eastern Co.'s key SKUs, representing 95%+ of its local sales volumes

In EGP per pack

	Queen (58% of volumes), Box (36%) and Super (4%)		Change
Feb 2024			
Ex-factory price	7.88	9.38	19%
Flat tax	4.5	4.5	0%
Variable tax	13.5	15	11%
Health tax	1.1	1.1	0%
Retailer margin	0.025	0.025	0%
Retail price	**27**	**30**	**11%**
Apr 2024			
Ex-factory price	9.38	11.63	24%
Flat tax	4.5	4.5	0%
Variable tax	15	17.25	15%
Health tax	1.1	1.1	0%
Retailer margin	0.025	0.025	0%
Retail price	**30**	**34.5**	**15%**
Jul 2024			
Ex-factory price	11.63	11.49	-1%
Flat tax	4.5	4.5	0%
Variable tax	17.25	17.36	1%
Health tax	1.1	1.35	23%
Retailer margin	0.025	0.025	0%
Retail price	**34.5**	**34.72**	**0.60%**
Nov 2024			
Ex-factory price	11.49	13.5	18%
Flat tax	4.5	4.5	0%
Variable tax	17.36	19.38	12%
Health tax	1.35	1.35	0%
Retailer margin	0.025	0.025	0%
Retail price	**34.72**	**38.75**	**12%**
Jul 2025			
Ex-factory price	13.5	15.63	16%
Flat tax	4.5	5	11%
Variable tax	19.38	22	14%
Health tax	1.35	1.35	0%
Retailer margin	0.025	0.025	0%
Retail price	**38.75**	**44**	**14%**

Source: Company data

Discretionary names more of a mixed bag

GB Corp's trends have been mixed – auto volumes recovered significantly, margins normalised (were inflated in 4Q24 and 1Q24, as any currency sourced at the black-market rate was booked as an FX loss) and interest costs rose. The company's NBFI business, GB Capital, however, has been seeing strong portfolio and earnings growth, on declining interest rates. Meanwhile, Oriental Weavers saw a weaker earnings momentum in 9M25 (-19%), as local market conditions remained soft, and constrained consumer purchasing power led to a shift towards lower-cost carpet alternatives, as well as on weaker margins. The gov't announced a new exports subsidy programme, reducing rebates 70% starting from 1 Jul 2024. OW still has backlog until 30 Jun 2024, which is expected to be received in 2025e (total export rebates for 2025 expected to reach cEGP415mn). Accordingly, we expect the 70% cut (vs 2024) to be fully reflected in 2026e (c0.8% of export sales over 2026-29e).

Top Pick

Edita: Egypt's leading snack company is expected to continue with its resumed earnings growth, on: i) continued volume recovery (started in May-Jun 2025), as consumers adjust to higher price points and the macroeconomic environment improves; ii) capacity additions in key growth categories ramp up (we expect the addition of six lines over 2024-26e for cake and bakery); and iii) sustained margin rerating, following the most recent price point migration exercise (Edita's proactive pricing strategy migrated the avg. price point per pack up to EGP5.5 in 2Q25, from EGP3 in 2023).

Healthcare

Price increase approval, volume recovery driving strong pharma market growth

The Egyptian Drug Authority (EDA) approved price increases over 2022-23, following the EGP devaluation in Mar 2022 (law permits if FX rate moves +/- 15%), with the overall market's avg. selling price (ASP) increasing 22% Y-o-Y in 2022 and +26% in 2023. Moreover, following the EGP devaluation in Mar 2024, the EDA started to approve price increases from May 2024 (chronic medication +30% and acute/OTC +40-50%), implemented over phases. That said, we forecast the overall pharma market to grow 30% Y-o-Y in 2025e and a still-strong 18% in 2026e (followed by a 3YR CAGR of 12%), as the aforementioned price increases have not yet been implemented on the entire market (covered 49% of total SKUs registered, which constitute c82% of total market value as of 3Q25), as well as a recovery in volumes (+11% in 9M25) as consumers adjust to new prices.

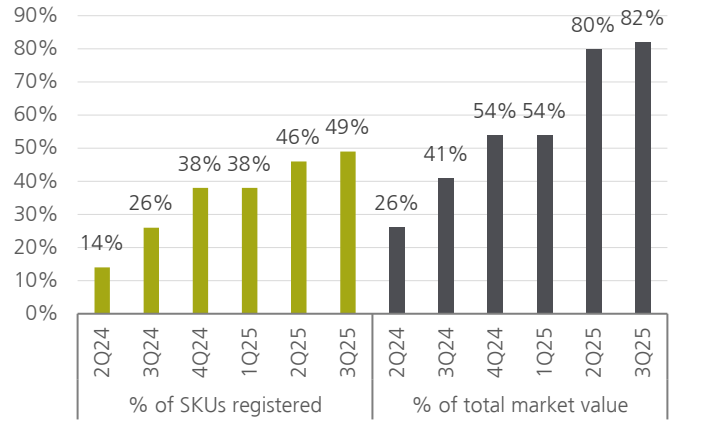
In addition to the aforementioned price increases, the gov't has been taking steps to solve the limited availability of medicines, which include: i) the CBE giving priority to pending import requests for medicine and medical supplies (especially those held at ports) from Feb 2024; and ii) gov't approving subsidised loans worth EGP7bn for pharmaceutical manufacturers, offering them financing at an interest rate of 5-7%, to help streamline production of medications and secure necessary imports; and iii) gov't allocating EGP10bn to settle its financial obligations to pharmaceutical and medical supply companies.

Private sector to benefit from recent law allowing it to develop public health facilities

There is also strong potential for healthcare providers after the President recently ratified a law that allows the private sector to establish, manage, operate and develop public health facilities in Egypt. The gov't-proposed law, approved by the House of Representatives in May, allows private investors to secure concessions to manage and operate public hospitals for no less than three years and up to 15 years. The private sector should maintain these public health facilities, medical equipment and all necessary infrastructure and keep them in good and functional condition throughout the contract period. According to the law, all health facilities, including medical equipment, will be transferred back to state ownership at the end of the concession period for free and in good condition. Moreover, the law requires private investors to maintain a minimum of 25% of the facility's employees, if they agree, ensuring that there is no prejudice to their financial and employment rights.

Figure 16: Regulator continued to increase prices of drugs…

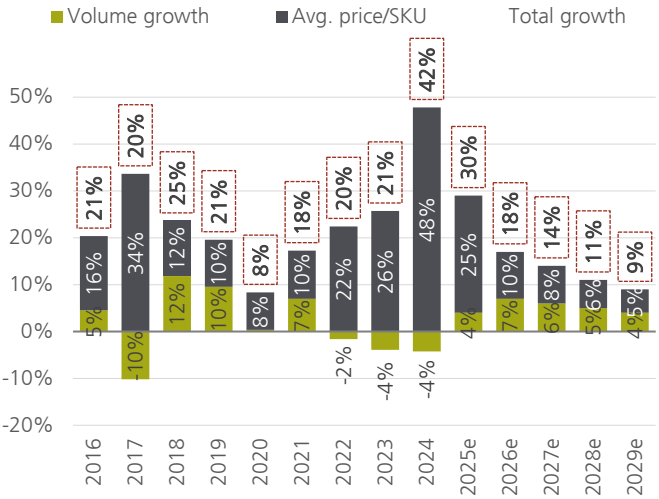
% of total products (in SKUs and value) that received price increases



Source: Ibnsina Pharma

Figure 17: …driving strong growth in pharma market, while volumes recover as consumers adjust to higher prices

Y-o-Y growth



Source: IQVIA, EFG Hermes estimates

Top Pick

Ibnsina: Currently our preferred pharma name in Egypt, as we see it as a main beneficiary of drug price increases and interest rate cuts (c71% of EBIT in 2024 was eaten up by finance costs – every 1pp cut increases our bottom-line estimate by 7%). The company has also: i) started to execute the sale of its non-core assets (liquated EGP959mn assets held for sale, as of 9M25), resulting in lower debt and reduced expenses (EGP266mn over 2025-26e); ii) continued to diversify its business strategically, with other verticals (non-pharma distribution, medical promotion, 3PL services) accounting for c22% of net profit, which allows the company to benefit from pre-pricing of products, higher margins and better working capital cycle; and iii) shown commendable improvement in working capital management (-12% in 9M25 vs 1H25, despite the large increase in revenue).

Telecoms

Robust 2026 outlook, on healthy sector fundamentals

After a year of strong performance for Egyptian telecom operators in 2025, the positive momentum will extend into 2026, we expect. This will be driven by a set of healthy drivers at macroeconomic and sector levels. The pickup in overall economic activity will generate strong demand for telecom services in the consumer, enterprise, and wholesale segments, as digitalisation efforts across various sectors continue, with the backing of gov't-led initiatives and frameworks; this will expand the penetration of data/internet services, in terms of subscribers reach and use cases. The push for wider network coverage in mobile and fixed networks will also help open new pockets of growth, backed by the ongoing expansion of fiber infrastructure and recent release of spectrum during the 5G launch, in our view. Telecom operators continue to diversify their commercial activities into different verticals beyond traditional telco services, which will extend the already strong momentum seen over the recent years; we highlight fintech as a substantial area of growth, as well as ICT services for enterprise customers and wholesale infrastructure, both domestic and international. Moreover, the normalisation of inflation will help stabilise operators' cost structures, and the ensuing interest rate cuts – assuming inflation remains tame – should help free up more liquidity for operators to invest in their networks and commercial activities, all of which will improve earnings growth, we expect.

To raise or not to raise

Egypt's National Telecommunications Regulatory Authority (NTRA) sanctioned two consecutive price increases on telecommunication services in 2024, one in Jan/Feb and the other in Nov/Dec, at a magnitude of 15% each. This was meant to help telecom operators offset some of the severe cost inflation seen in Egypt in the lead-up to the Mar 2024 devaluation. A regulatory-approved price hike had not occurred in Egypt for many years, despite multiple requests from telecom operators. The successive increases helped operators deliver stronger growth and margins in 2025, despite no increase in prices during the year itself.

The big question now is whether the regulator will allow prices to be raised again after the 2025 pause. We believe the probability of this happening is relatively lower in 2026, given that: i) most operators delivered stellar numbers in 2025, signaling a relative degree of comfort with the current price levels, which would weaken the case for price-ups; and ii) the gov't is less likely to approve higher prices, as its priority will most probably be to keep inflation at bay in order to improve chances of interest rate cuts.

Will the AI revolution catch up soon?

Not just yet, in our view. Egypt has generally lagged behind the GCC, in terms of investments in AI, efforts to localise the technology and the necessary infrastructure to support its proliferation. We have seen AI adoption generally in different sectors at a moderate scale, mostly in the form of implementation for the purpose of improving operating/cost-efficiency and customer experience, but we have not yet seen the large-scale, gov't-backed AI strategy that is currently playing out in GCC countries, particularly the UAE and KSA. Egypt has the necessary elements of the ecosystem to develop an AI industry, as it has infrastructure (data centres, energy generation, submarine cables, etc.) and talent, but if it were to accelerate and catch up with the GCC, it would need significantly more infrastructure investments, a clear national strategy, and - more importantly - the ability to import tech hardware (e.g. chips).

Materials/Industrials

Gas supply shortages still the key headwind in 2025, but set for recovery in 2026

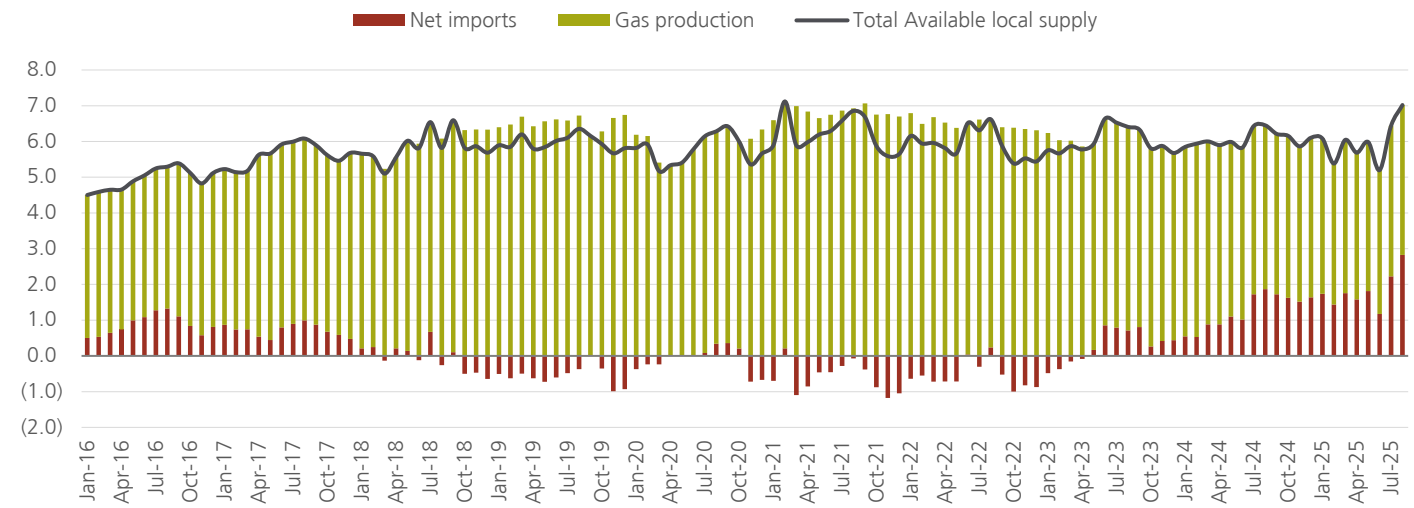
The industrials sector, especially fertilisers, was still plagued by gas supply shortages throughout 2025, as both gas production and supply in 1H25 fell 8-9% from 2H24 levels. The trough came in Jun, when both production and local supply availability dropped to the lowest since 2016/2017, as the Iran-Israel war disrupted and ultimately cut off pipeline flows. With that said, as of end-Aug, production has improved by c4% from its bottom.

To address the issue, the gov't has ramped up imports substantially, reaching 2.8bn cubic ft/day in Aug, a record high for a single month. This has driven local supply availability to its highest since 2021.

But the worst is behind us, we believe, as there is significantly higher capex being deployed to boost production (several smaller wells have been connected to the pipeline grid between end-Aug and Nov 2025), and the gov't is looking to maintain its aggressive pace of imports in 2026. Improved local supply availability next year should, in turn, improve operating rates for industrials and material stocks utilising gas feedstock.

Figure 18: Gas supply availability was weak in 2025, but recovered strongly in Aug to its highest since 2021

In bn cubic feet per day



Source: JODI, EFG Hermes estimates

Fertilisers: Gas supply boost a positive, but local market pricing still a drag

While we expect the improved gas supply to bode especially well for fertiliser producers, as they are amongst the largest gas consumers in Egypt's industrials space, there are some other looming issues that 2026 may bring. Namely, a higher gas price (the minimum price was raised by USD1/mmBtu) and a continued significantly low local urea price (USD128/t, even after the recent additional EGP1,500/t increase). Furthermore, our understanding is that the recent local market price increase will not be paid directly upon delivery; instead, it will be collected separately, bringing into question how timely these receivables will be. Furthermore, global pricing is likely to be weaker in 2026 than in 2025. As such, we would approach the sector with slight caution; however, valuations, having bottomed, are looking attractive, and companies are cash-rich and well-positioned to benefit substantially once gas supply stabilises.

Petrochemicals: Gas supply to remain a constraint, and global headwinds are not helping

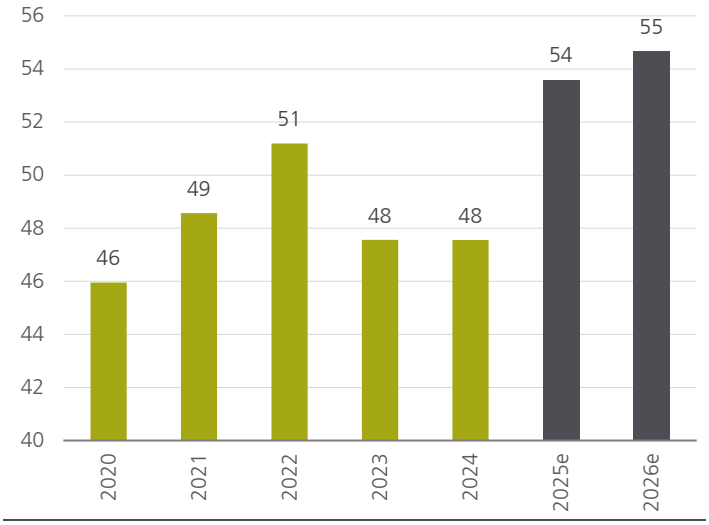
For petrochemicals, the improvement in the broad natural gas supply (methane gas) would not help solve Sidpec's gas supply issues as the company utilises ethane gas, which is structurally short in Egypt and is not imported the way methane/LNG is, nor is it as readily available for import as LNG, given the limited number of export hubs (US the only current seaborne exporter). As such, we would still avoid this sector until a more LT solution for gas supply is reached.

Cements: Cautious stance, amidst gov't decision to boost supply in the market

Egypt's cement sector has witnessed elevated demand in 2025, with local sales volumes increasing c14% Y-o-Y as of end-Oct because of the changes in the building code in late 2024 and ongoing megaprojects. Cement prices reached a record high, crossing EGP3,000/t in 3Q25, despite the end of the quota system in May. For 2026e, we remain cautious on the price side, as the gov't has implemented several measures to curb rising cement prices and increase market supply, including: i) requiring all players to operate any idle capacities; ii) issuing two new cement licences; and iii) introducing fees on production exceeding licenced capacity. That said, we do not expect these measures to have any immediate impact over the ST, but their effect is likely to materialise over 2026e-27e; hence, we maintain our cautious stance on the sector, as we do not expect the recent price momentum to continue.

Figure 19: Demand growth momentum has been strong in 2025e…

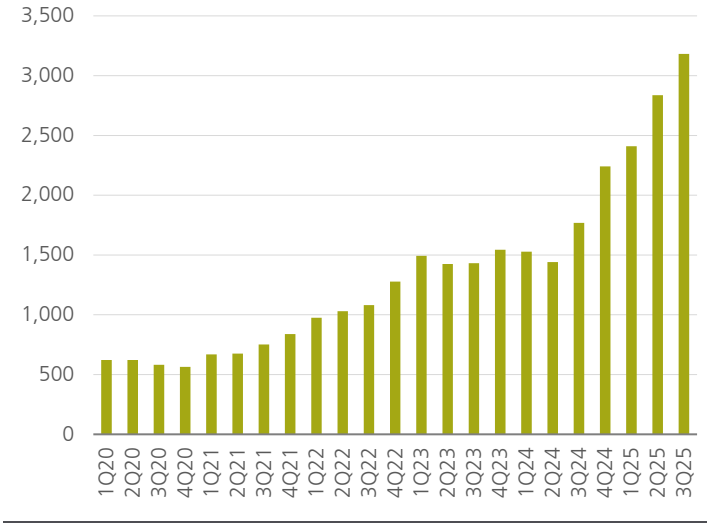
Egypt annual cement demand in mn tonnes



Source: Company data, EFG Hermes estimates

Figure 20: …which has supported cement prices

Egypt avg. sector quarterly cement prices in EGP/t



Source: Company data, EFG Hermes estimates

Top Picks

Abu Qir: With cash accounting for c40% of the market cap, the underlying business is trading at a forward P/E of sub-3x, assuming full utilisation. This sets the stage for a substantial uplift in earnings, as the supply of gas improves throughout 2026.

MOPCO: The company sits on a net cash position (c5% of market cap) and is defensive in nature, given its LT gas contract with its own pricing mechanism (e.g. not impacted by gov't announcing gas price increases for the sector). It also offers a robust FCF conversion (80%+), given its young asset base, while the current valuation (P/E of c5x) is undemanding.

Figure 21: Egypt coverage

Price as of 17 Dec 2025

Company	Price	TP	Rating	YTD perf.	ADVT	M Cap	P/E (x)			P/B (x)	DY (%)
	(EGP)			(%)	(USDmn)	(USDbn)	2024	2025	2026	2025	2025
Consumer											
Edita	25.60	38.50	Buy	89.1	0.79	0.75	25.9	16.7	11.3	9.0	3.6
GB Corp	26.95	30.00	Buy	57.3	0.94	0.62	9.7	8.6	6.4	1.1	2.0
Juhayna	23.60	48.00	Buy	(11.9)	0.75	0.58	8.4	6.3	5.4	2.7	6.4
Obour Land	24.18	22.00	Buy	33.0	0.21	0.20	10.2	9.5	8.7	9.6	8.7
Oriental Weavers	22.98	30.00	Buy	(8.1)	0.75	0.32	5.4	4.9	5.0	0.8	10.9
Financials											
Abu Dhabi Islamic Bank - Egypt	28.20	46.60	Buy	68.0	1.16	0.89	4.2	3.8	3.3	1.2	0.0
Al Baraka Bank Egypt	15.38	11.60	Neutral	20.2	0.25	0.24	4.4	4.1	4.0	0.8	8.4
CIB	103.80	139.00	Buy	32.2	5.53	6.64	6.4	4.4	4.6	1.5	4.3
Credit Agricole Egypt	22.50	33.00	Buy	18.4	0.29	0.59	3.9	4.6	4.3	1.5	13.3
Egyptian Gulf Bank*	0.29	0.21	Sell	7.9	0.06	0.15	3.8	3.7	3.5	0.6	0.0
EK Holding*	0.69	1.70	Buy	(10.3)	0.17	0.81	5.0	4.7	3.3	1.6	11.7
Faisal Islamic Bank of Egypt	32.51	24.90	Sell	(10.0)	0.13	0.44	2.6	4.1	3.9	0.6	7.0
Housing & Dev. Bank	86.96	110.00	Buy	62.9	0.34	0.97	4.1	2.7	2.6	1.3	9.8
QNB Egypt	44.92	54.20	Buy	40.5	0.20	2.04	4.1	3.6	3.3	0.9	5.6
Healthcare											
EIPICO	73.09	100.00	Buy	59.2	0.74	0.26	27.9	10.1	8.4	2.0	4.1
Ibnsina Pharma	11.00	14.50	Buy	57.1	1.01	0.23	20.1	11.6	7.3	4.4	2.5
Integrated Diagnostics Holdings*	0.68	0.70	Buy	55.6	0.09	0.41	22.0	13.9	11.1	7.0	3.2
Rameda	3.15	6.50	Buy	(5.7)	0.52	0.10	15.4	9.3	5.6	2.2	4.7
Materials											
Abu Qir Fertilizers	46.60	67.50	Buy	(4.7)	1.0	1.2	5.1	7.4	6.5	1.8	12.9
Arabian Cement Company (Egypt)	50.60	55.10	Neutral	197.6	1.02	0.40	16.5	5.3	5.4	4.3	15.0
Egyptian Chemical Industries	11.77	8.22	Sell	66.2	0.64	0.49	22.5	20.3	17.7	2.0	1.6
Misr Fertilizers Production Company (MOPCO)	29.37	37.00	Buy	8.9	0.4	1.8	4.0	5.8	6.3	1.8	13.6
National Printing	22.03	32.00	Buy	N/A	0.08	0.10	11.6	11.2	6.5	1.6	1.1
Sidi Kerir	19.20	23.00	Neutral	(0.3)	0.41	0.37	7.7	9.3	8.3	2.3	5.7
Real Estate & Hospitality											
Egyptian Resorts Company	8.00	5.40	Neutral	61.0	0.44	0.18	23.9	28.9	30.8	39.9	0.0
Heliopolis Housing	3.59	21.00	Buy	19.1	1.85	0.30	5.6	4.9	4.3	0.4	7.5
Palm Hills	8.45	13.00	Buy	29.2	2.64	0.52	7.6	5.5	4.5	1.3	0.0
TMG Holding	74.70	130.00	Buy	33.4	3.74	3.24	14.4	13.2	10.3	1.1	0.3

* In USD

Source: Company data, EFG Hermes estimates

Macro outlook – Riding the positive EM tide

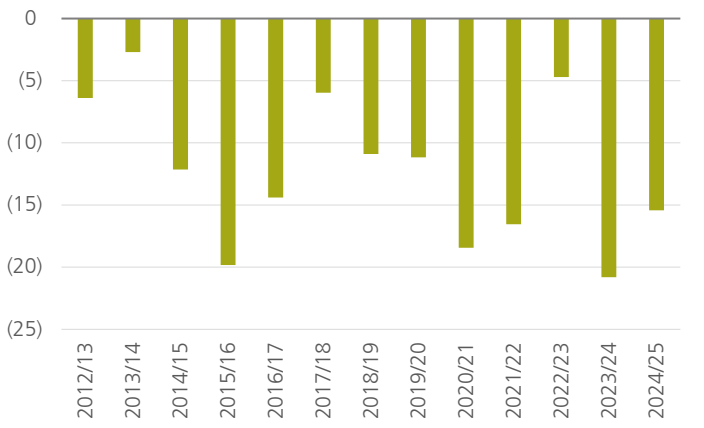
Egypt's economic fortunes have been witnessing a major turnaround in 2025 as the country reaps the benefits of its macro adjustment, as well as those emanating from a positive external environment. Restored FX stability and tight fiscal and monetary policies unleashed a disinflation trend, where inflation slowed down to the low-teens.

Improvement in underlying external accounts is clearly the highlight of the story. The current account deficit narrowed 26% Y-o-Y to USD15.4bn in FY24/25, thanks to record levels in nearly all key sources of FX income. Non-oil exports jumped 29% Y-o-Y to USD34.6bn; tourism 16% to USD16.7bn; and remittances 65% to USD36.2bn. The non-oil trade deficit narrowed in the latter half of the year as backlogs were cleared and imports normalised (as relaxed FX conditions eased the phenomenon of overstocking). In parallel to the improved CA dynamics, FDI recorded a notable jump, rising to USD12.2bn, the highest in nearly two decades (when excluding asset sales).

These underlying improvements were also complemented by the USD weakness and drop in oil prices. Both are two positive external shocks for Egypt: Weaker USD meant more appetite for Egyptian assets – along with a broader recovery in emerging market assets – while lower oil prices eased concerns over the energy deficit, as well as inflationary pressures. As a result, Egypt has seen net inflows into the domestic carry trade. The latter had the positive ripple effect of boosting confidence in the local currency, unleashing a de-dollarisation trend that emerged in the summer and continues to run until now.

Figure 22: CAD showed a notable decline in FY24/25…

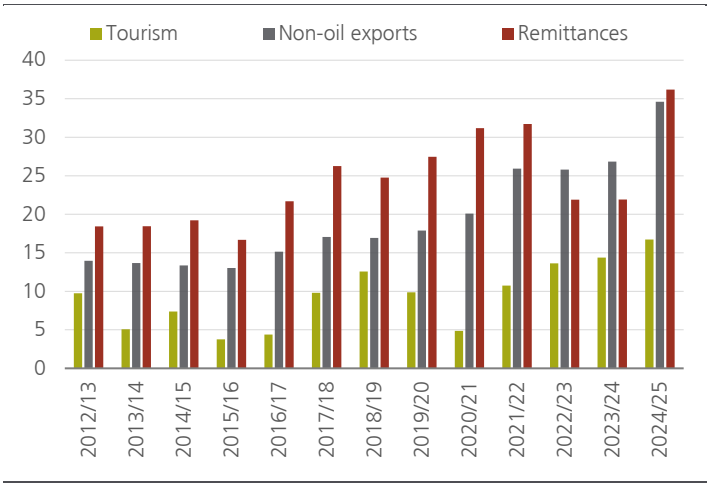
In USDbn



Source: CBE

Figure 23: …thanks to record levels in key sources of FX income

In USDbn



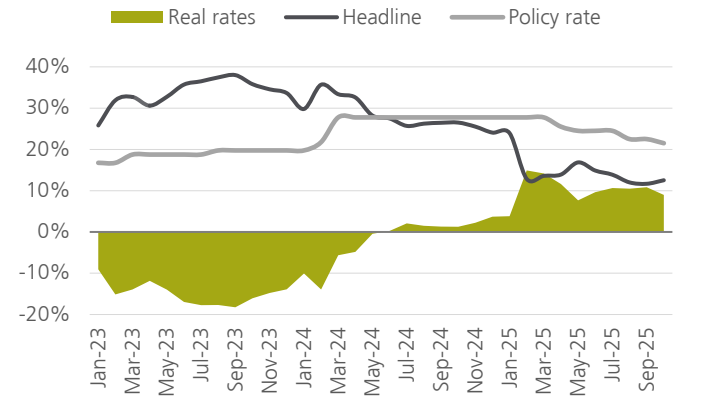
Source: CBE

Positive external developments and an appreciating EGP boded well for inflation dynamics, supporting a disinflation path that pushed inflation into ending the year in the low-teens. FX availability and stable macro conditions meant production of various food products has normalised, driving a complete collapse of food inflation, which dropped to less than 1% by end of 2025. Non-food items were the driver of inflation during the year as the gov't continued with some adjustments to administered prices, most notably fuel and pharma.

The disinflation path is set to continue in 2026, with limited upside risks to inflation. There are no major fiscal consolidation measures planned for next year to our knowledge, and geopolitical risks are receding. External pressures are subsiding, and oil is trading at favourable levels for energy-importing Egypt. We, therefore, expect inflation to average 10-11% in 2026, likely falling to high single-digits by end of year. Such an inflation trajectory provides ample room for the CBE to cut rates, whilst also keeping real rates notably above their historical trend. In this context, we forecast 600-700bps of rate cuts in 2026, meaning real rates will likely be at least 5%.

Figure 24: CBE has ample room to cut rates in 2026

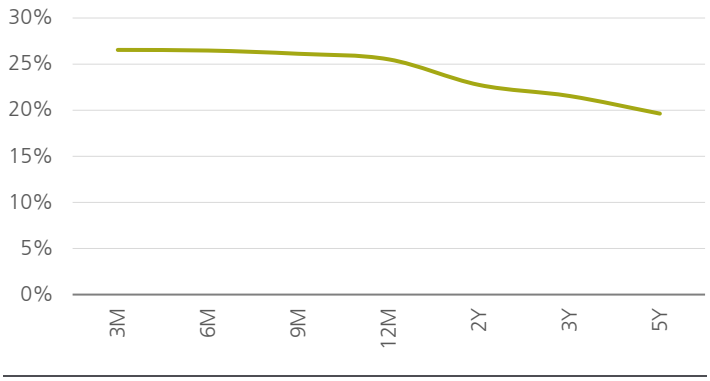
In %



Source: CAPMAS, CBE

Figure 25: Treasury yields far from reflecting the disinflation ahead

In %



Source: CBE

We expect similar trends in 2026, namely further disinflation, more monetary easing, improvement in external accounts and accelerated pace of GDP growth. Inflation, we project, will end the year within the range of 8-10%, i.e., a further 4-6pp slowdown from 2025 levels. The further slowdown in inflation and high real rates will create ample room for the CBE to sustain its monetary easing cycle. We, therefore, project 600-700bps of rate cuts, assuming the CBE will target real rates of around 5% by end of year.

The disinflation path will be supported by a continued improvement in external accounts, where we project the CAD would narrow further in FY25/26, thanks to sustained progress in key sources of FX income, particularly remittances and tourism. FDI received an additional booster through the real estate deal with Qatari Diar, with USD3.5bn of inflows likely taking FDI above the USD15bn mark in the current FY26. As such, Egypt is set to be self-sufficient, in terms of FX resources, in a boost to macro stability and risk perception towards Egyptian assets.

Finally, we expect economic recovery to gain more ground as economic conditions normalise further, augmented by macro stability, positive external environment and lower interest rates. Preliminary official GDP numbers indicate real GDP growth accelerated to 5.3% in 1QFY25/26 (3Q25), signaling that growth could very well end the year above the 5%-mark. We expect industry, hospitality, construction and trade to be the leading sectors sustaining the impressive GDP growth numbers.

More positively, risks to our above portrayed base case for Egypt's economy are tilted mostly to the upside. The economy has, indeed, gained fairground along its path of economic recovery, but it is still facing two key external shocks, namely those of Suez Canal and energy. Suez Canal revenues, which are 60% below their historic levels, have a good shot to recover, in light of the easing geopolitical tensions in the region (particularly post reaching the Gaze ceasefire). We expect normalisation in maritime activity to take time and project only a gradual recovery throughout the year. A full recovery of the waterway's revenue is the single biggest upside in 2026, potentially cutting CAD to single-digit nominal levels and boosting both the fiscal position and GDP growth.

In parallel, a recovery in domestic natural gas production would be another important upside macro risk. Gas production dropped +40% in the past three years; thereby, driving a historical widening in the country's external energy balance. We do not foresee, though, any major breakthrough during 2026, given that a meaningful recovery would only materialise by new gas finds, in our view. We, therefore, only project a gradual uptick in production and a somewhat stable external energy deficit.

Finally, progress on public divestment of the State would constitute one more upside risk. Both visibility and progress in this regard have been rather limited in the past, but a spontaneous deal could still happen, resulting in a boost to the country's reserves and external position.

Egypt Macroeconomic Indicators (Year-end Jun)

	2023a	2024a	2025e	2026e	2027e
Real Sector					
Nominal GDP (USDbn)	391.3	383.1	364.5	443.6	493.6
Real GDP growth	3.8%	2.4%	4.4%	5.0%	4.6%
Population (mn)	105.2	106.6	108.1	109.7	111.2
Per capita GDP (USD)	3,721	3,592	3,371	4,046	4,440
CPI inflation (%, Avg.)	24.1%	33.6%	20.9%	11.9%	8.5%
External Sector					
Trade balance (USDbn)	(31.2)	(39.6)	(51.0)	(53.1)	(56.3)
Services balance (USDbn)	21.9	14.4	15.1	15.8	21.3
Tourism (USDbn)	13.6	14.4	16.7	18.7	20.6
Suez canal (USDbn)	8.8	6.6	3.6	3.9	9.0
Private transfers (net) (USDbn)	21.9	21.9	36.2	38.4	40.7
Current account balance (USDbn)	(4.7)	(20.8)	(15.4)	(15.0)	(11.0)
Current account balance (% of GDP)	-1.2%	-5.4%	-4.2%	-3.4%	-2.2%
FDI (USDbn)	9.7	45.6	11.7	16.2	14.2
Fiscal Sector					
Tax revenues (USDbn)	48.5	44.9	42.7	52.8	58.2
Subsidies (USDbn)	10.6	9.7	6.3	5.9	6.0
Primary balance (% of GDP)	1.6%	6.2%	3.3%	3.4%	3.3%
Fiscal balance (USDbn)	(23.5)	(13.9)	(27.2)	(28.0)	(25.2)
Fiscal balance (% of GDP)	-6.0%	-3.6%	-7.5%	-6.3%	-5.1%
Net domestic budget sector debt (% of GDP)	59.1%	54.6%	53.1%	53.9%	54.4%
Gross external government debt (% of GDP)	21.3%	20.9%	21.7%	17.6%	15.6%
Monetary Sector					
NFAs in the banking system (USDbn)	(27.0)	13.0	17.9	21.8	20.0
Foreign reserves (USDbn)	34.8	46.4	48.7	53.6	56.2
Exchange rate versus USD (Avg.)	25.95	36.29	49.75	48.04	49.00
Benchmark lending interest rate (end of period)	19.3%	28.3%	25.0%	19.0%	13.0%
Broad money growth	24.7%	16.7%	35.8%	31.1%	23.4%
Private sector credit growth (%, eop)	25.4%	27.8%	23.1%	24.1%	24.1%
Private sector credit (% of GDP)	26.9%	25.1%	23.7%	25.0%	27.4%

Source: Central Bank of Egypt, Ministry of Finance, CAPMAS and EFG Hermes estimates

In search of a floor

- Market continues to face challenging outlook
- We focus our attention on infrastructure plays and banks
- Foreign investors remain net buyers, likely on improved valuations

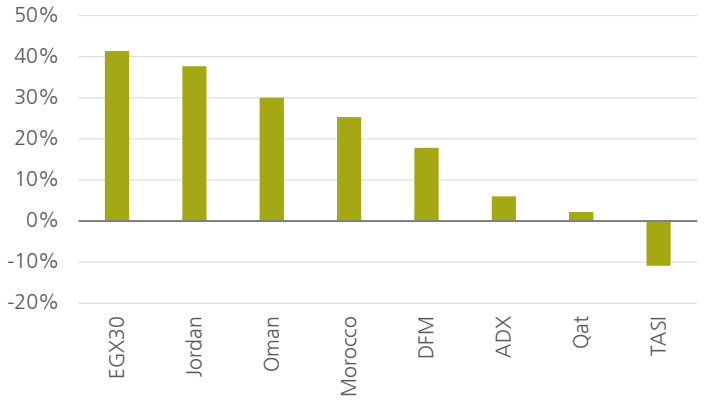
The equity market in Saudi Arabia faced a very tough 2025. Big headwinds came to the market way earlier in the year, led by a bearish turn in oil prices, following the start of the trade war and OPEC+'s decision to increase oil production. In a market that was already concerned about public spending cuts and seeing softer earnings growth, external headwinds almost immediately unleashed a major correction that still engulfs the market going into 2026. Underwhelming growth in earnings was another key drag on the market.

Fierce competitive forces in the consumer space represented a challenge for margins, amidst an already soft consumption backdrop, weighing heavily on earnings growth. In parallel, the petrochemicals sector faced challenges of global oversupply and low oil prices. The property market was hit by confusion around various reform efforts, puzzling investors about their net impact on the sector. These included approval of the white land tax, release of the freeze on land plots in Norther Riyadh, approval of the Foreign Ownership Law and the implementation of a five-year rent freeze in Riyadh (and possible other cities in the Kingdom).

A bearish view on oil prices and uncertainty over gov't spending plans are likely to remain constraints on a near-term recovery in the equity market, in our view. In fact, we think uncertainty is the largest challenge facing the market, weighing on sentiment and leaving local investors, in particular, in more of a wait-and-see approach. Indeed, official data show locals have increasingly shifted their attention to international markets, particularly the US, where Saudi nationals increased their purchases of US equities in 9M25 by c90%, compared to 2024.

Figure 1: TASI heavily underperformed regional markets in 2025

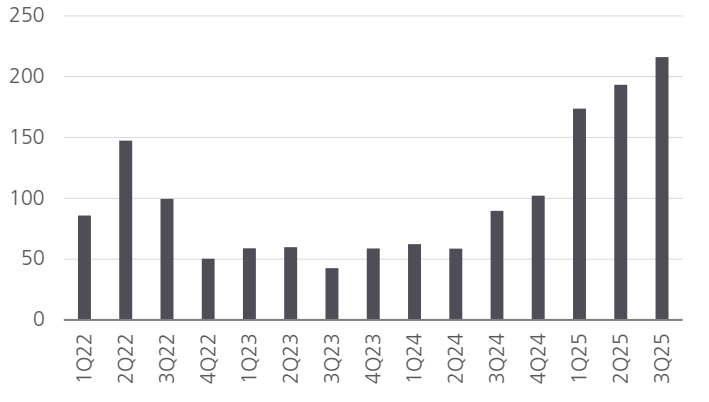
In YTD % change



Source: Bloomberg

Figure 2: Locals turned their attention to US market

Saudi transactions in US equities in SARbn



Source: CMA

In this context, we keep a Neutral stance on the Saudi equity market. While the outlook remains challenging, we believe the market has decently corrected and is too cheap to be deemed 'underweight'. Moreover, the drive for expansion of basic infrastructure upgrades and the event-driven spending requirements (2027 Asian Cup, 2030 Riyadh Expo and 2034 FIFA World Cup) will ensure a decent level of spending that will continue to drive favourable opportunities in the market. Alone, core infrastructure projects are sufficient for the growth factor that the equity market is currently discounting, in our view.

We, therefore, keep our focus on purely infrastructure plays, banks and property sectors.

Our Top Pick list starts with **ADES,** with the recent acquisition of Shelf Drilling bringing total jack-up rigs to 83, more than 20% of the global fleet. The company's structural cost advantage sharpens the company's competitive edge. Finally, the company trades at undemanding valuations of sub 7x 2026e EV/EBITDA (post-Shelf Drilling acquisition).

Turning to infrastructure plays, we flag two names, namely **East Pipes** and **Electrical Industries**. Although the valuations of purely utility plays appear to be stretched, the highlighted names provide comparable exposure to the infrastructure theme at more attractive entry points. East Pipes offers exposure to our most preferred infrastructure theme in KSA: the water sector, with sizeable project awards being underway. While cyclical by nature, the stock's sub-10× P/E multiple implies a trough-like valuation that fails to reflect its normalised earnings potential or the improving visibility on medium-term profitability. As for Electrical Industries, the name offers an alternative and better-priced way to gain exposure to Saudi Arabia's power sector, where most listed utilities names now trade at premium valuations. While the headline multiple at 18.4x P/E in 2026e appears fair, we still see room for further multiple expansion, on a 2024-29e EPS CAGR of 23%.

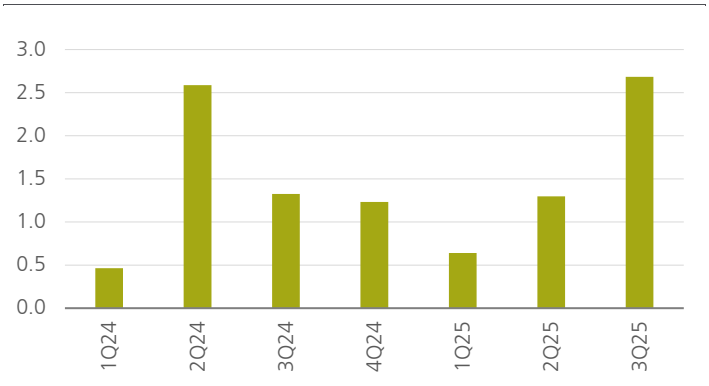
In the banking sector, we still like **Rajhi Bank,** as the bank is well-placed for a rate-easing cycle, with around 65% of assets linked to fixed rates, thanks to its strong exposure to the retail segment. A pick-up in mortgage activity (rate cut and white land tax initiative are both tailwinds). The bank is also a key beneficiary of a potential increase in foreign ownership limits (FOL). **SNB** is also a Top Pick, given its access to overseas funding, strong liquidity and robust capitalisation.

Turning to the property and hospitality sectors, we favour developers with strong brand equity in the Saudi middle-class segment and close ties to quasi-sovereign landowners. Our Top Pick is **Retal**, as it fits all these criteria. The company will benefit from potential new off-take agreements that offer attractive margins and implementation of foreign ownership regulations. In hospitality, the Kingdom's focus on expanding religious tourism remains an important driver for the sector. Operators with prime locations and already deployed capex stand to benefit most from rising Umrah and Hajj traffic, provided valuations offer attractive entry points. We like **Jabal Omar** (uncovered), given its relatively lower valuation than peers, deleveraging and strong expansion plans.

In the consumer space, we flag **Almarai**, with the potential of price hikes acting as the key catalyst for the stock. We also remain positive on car rentals where we like **Budget KSA** as the market leader and fastest-growing in its sector. In healthcare, our Top Pick is **CARE**, which is consistently delivering on its five-year strategy through capacity expansion and improving profitability. The stock is trading at a discount to peers, despite superior growth visibility and a de-risked balance sheet, following the settlement of legacy receivables.

Figure 3: Foreign investors buying the dips in KSA

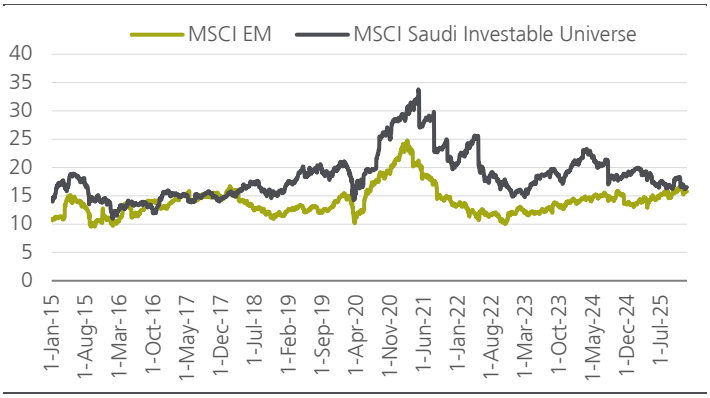
In USDbn



Source: Tadawul

Figure 4: Market nearly closed valuation gap with EM

P/E in x



Source: Bloomberg

Banks

Rising regulatory capital requirements…

Saudi banks' regulatory capital requirements are set to rise in 2026 by at least 100bps. SAMA will impose the counter cyclical buffer (CCYB) in May 2026 at 100bps (currently at 0bps for domestic operations), as it seeks to avoid the build-up of system-wide risks, due to continued strong loan growth. In addition, SAMA has tightened certain assumptions for Interest Rate Risk in the Banking Book (IRRBB) for its review of the Internal Capital Adequacy Process (ICAAP), which, we believe, has had more of an impact on Rajhi, SNB and ANB than it did on other banks. Our channel checks suggest that the more rigorous ICAAP assessment would raise the minimum capital requirement by 25-75bps as of 1Q26 for certain banks.

Figure 5: Saudi banks' CET 1 position as of 3Q25

	3Q25	Minimum Pillar I*	Excess
SNB	17.60%	9.20%	8.40%
Rajhi	15.50%	8.10%	7.40%
Riyad	13.30%	7.60%	5.70%
SAB	14.40%	7.50%	6.90%
Alinma	13.40%	7.00%	6.40%
BSF	15.70%	7.50%	8.20%
ANB	16.20%	7.10%	9.10%
Bilad	14.80%	7.00%	7.80%
BJAZ	11.70%	7.00%	4.70%
SAIB	13.20%	7.00%	6.20%
Median	14.60%	7.30%	7.20%

*Pillar I requirements only; Saudi banks typically have significant Pillar II requirements that are not disclosed
Source: Company data

…and focus on profitability…

Saudi banks had indicated at our London Conference in Sep (view full report) that they are seeing an improvement in loan pricing, as banks' inclination to compete aggressively against a backdrop of relatively tight liquidity was beginning to recede. There is evidence in 3Q25 results that this trend of improved loan pricing is playing out, as the asset yield across the sector has broadly increased, even though rates were stable Q-o-Q in 3Q25.

Figure 6: Sector's asset yield rose Q-o-Q, even though rates (SAIBOR and SOFR) were slightly lower

Yield expansion suggests pricing on loans is improving

	3Q25	Q-o-Q
SAIB	6.11%	0.13%
Alinma	6.11%	0.13%
BSF	6.08%	0.13%
ANB	5.91%	-0.18%
Riyad	5.85%	0.16%
Bilad	5.76%	0.03%
Sector	5.76%	0.12%
SNB	5.68%	0.15%
Rajhi	5.64%	0.15%
BJAZ	5.62%	0.18%
SAB	5.53%	0.14%
SAIBOR	5.38%	-0.03%
SOFR	4.19%	-0.10%

Source: Company data, EFG Hermes estimates

…are likely to lead to slower loan growth in 2026: The introduction of a countercyclical buffer (CCYB of 100bps from May 2026), a more rigorous IRRBB stress test and focus on profitability are likely to lead to slower loan growth in 2026. Moderation in loan growth should be positive for liquidity, as the gap between loan and deposit growth is likely to narrow down. Improved liquidity should be NIM-positive, as cost of funds pressure is likely to recede.

Top Picks

SNB – Buy: With a CET 1 of 17.6% (the highest in our coverage), SNB, in our view, is well-positioned to absorb rising regulatory capital requirements. The bank is optimising RWA density (down 200bps Y-o-Y to 67%) by reducing unutilised credit lines (commitments to extend credit are down c40% Y-o-Y) and enhancing collateral coverage for loans. Its 3Q25 earnings beat was broad-based, but what was most impressive was the cost trajectory. Its opex is down 13% Y-o-Y in 3Q25 and 4% Y-o-Y in 9M25. Mgmt. comments suggest the majority of opex reduction is sustainable in nature, with further savings expected in 4Q25 and 1Q26.

Rajhi – Buy: We view mgmt.'s decision to cut 1H25 dividends by 40% as a balancing act – rewarding its shareholders, whilst maintaining satisfactory capital ratios to meet the higher regulatory capital requirements (CCYB and IRRBB). It has one of the strongest MT earnings growth prospects, as it is amongst the best-positioned banks for rate cuts. We see scope for a strong 4Q25, driven by: i) rate cuts, which should be margin-supportive and stimulate retail financing demand; and ii) seasonal mortgage demand, with Cityscape Global 2025 in Nov 2025 likely to boost demand as it did a year ago. For context, in 2024, c33% of the sector's full-year mortgage growth took place in 4Q24.

Real Estate

2025: A year of reforms in the sector

There have been several developments and reform measures announced in 2025, which affected the real estate sector in the Kingdom. These included: i) removal of restrictions on various land plots with a total area exceeding 50mn sqm in Riyadh; ii) announcements of the detailed implementation of the white land tax, with land areas classified by zones and assigned different tax rates; iii) launch of gov't initiative to offer land plots at an average price of SAR1,500 per sqm, targeting to offer 10,000 to 40,000 land plots per annum for the coming five years, based on market supply and demand at these prices; and iv) enforcing a freeze on rent increases for the coming five years in Riyadh across all asset classes, including residential, office and retail space. Besides the abovementioned reforms, the gov't has finally approved the Foreign Ownership Law in the Kingdom in Jul 2025, with the Law expected to come into effect in Jan 2026. All details regarding the Law, its implementation and designated areas where ownership would be permitted are yet-to-be-announced.

The gov't's initiatives, which target stability in the sector's dynamics, especially in Riyadh, have contributed to what we think was a slowdown in property transactions, evident in weaker mortgage transactions, especially in 2Q25 and extended to 3Q25 – we attribute such weakness in activity to a "wait-and-see" mode that was dominating the market, rather than a structural change to its dynamics. This was the result of Saudi nationals being the main driver for the real estate market, even following the introduction of the premium residency programme; hence, the prevalence of the perception that such gov't initiatives would result in lower land prices, with the argument that developers would be able to secure more attractively priced land plots and would, eventually, imply lower selling prices for the end-buyer. We also think the higher cost of borrowing that continued in 2025 has also contributed to lower transactions being concluded. The lower sector activity has resulted in a negative sentiment, with real estate stocks underperforming the market index YTD; this is despite our favourable sector outlook.

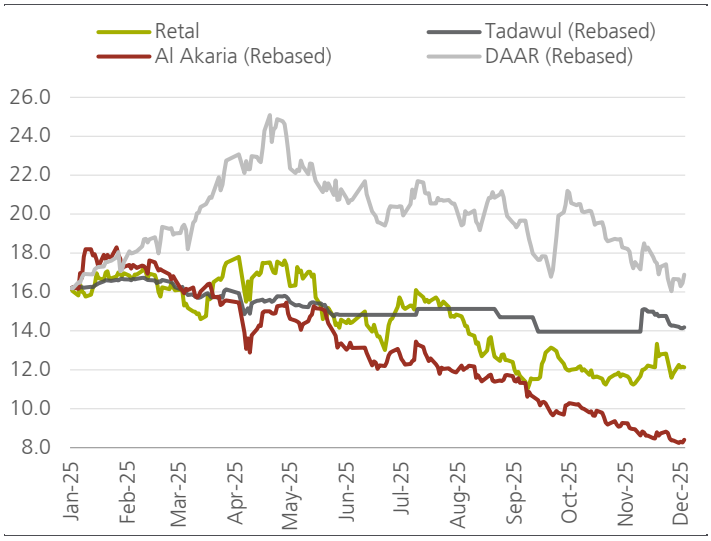
Figure 7: A significant drop in mortgage transaction value in 2Q-3Q25…

In SARmn

Source: SAMA, EFG Hermes estimates

Figure 8: …which negatively reflected on various stocks' performance, especially Al Akaria and Retal; far underperforming the market

In SAR



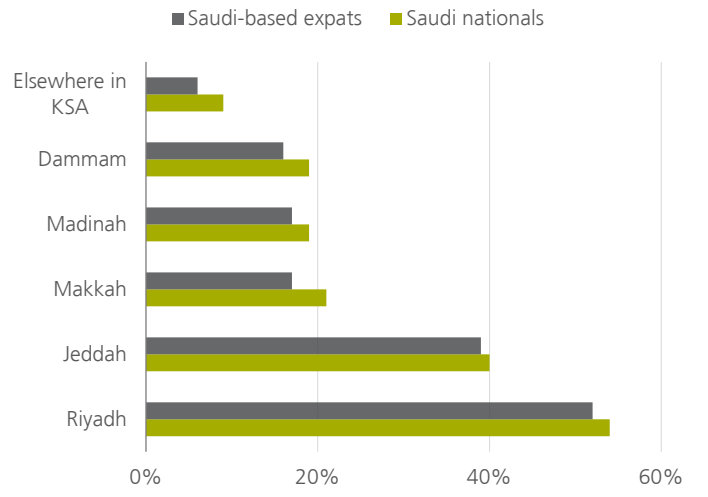
Source: Bloomberg, EFG Hermes estimates

2026: Impact of Foreign Ownership Law, once in effect, would be in the limelight

We expect the implications of the previously announced measures to unfold in 2026, with the Foreign Ownership Law coming in effect. We believe further clarity regarding the implementation of the Law would result in positive sentiment and encourage expatriates to initiate a wave of buying power in the sector. This would be more focused on locations that will be designated for foreigners to buy freely, especially in Riyadh and Jeddah. As for Mecca and Medina, we expect significant demand from foreigners, including non-residents, for projects that would be opened for foreign ownership, even if they are on a long-term leasehold basis. We expect projects around the Holy Mosque, in particular, to attract demand from several nationalities, which will, in turn, result in higher selling prices for projects in the area. We believe Masar project will be one of the prime beneficiaries, with increased demand for residential land plots, along with joint ventures between the company and developers being initiated and announced. Furthermore, we believe such a step would encourage Jabal Omar to monetise its Phase 7 land bank by launching residential projects in the remaining land plots.

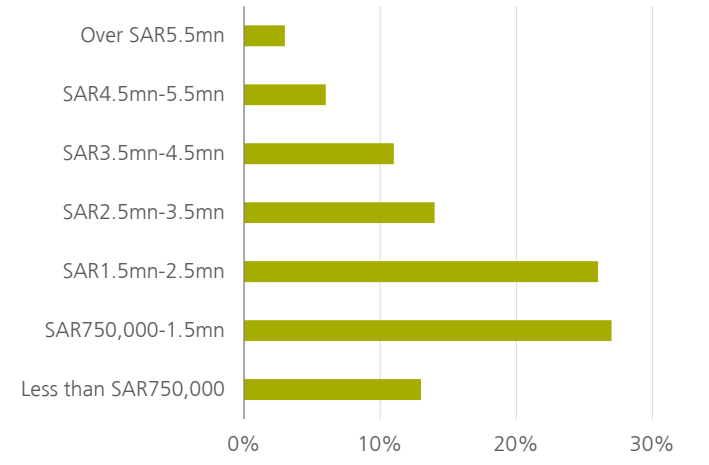
New project launches in Riyadh will continue to be strong in 2026, especially with launches in new giga projects, where we expect the first launch in the iconic New Murabaa project in 2Q26 – a project that would attract demand from various segments and nationalities, in our view. We expect NHC and Roshn will continue to launch more projects and conclude agreements with private developers to monetise their land banks and will target various market segments as the market opens up to attract foreign buying. According to Knight Frank, the average home purchase budget for Saudi nationals ranges from SAR2.1mn for those with monthly earnings between SAR10,000-20,000 and rises to SAR3.7mn for those earning between SAR70,000-80,000 per month, whereas the average price for a 4BR standalone unit in Riyadh is SAR2.8mn, suggesting that standalone units may be less affordable for middle-income Saudi households without additional financial support or alternative financing options. Therefore, we highlight the significance of the mortgage system to support buying activity in 2026, especially as more banks offer mortgages to expats to buy off-plan units.

Figure 9: Focus on future ownership remains in main cities for both nationals and expats…



Source: Knight Frank, EFG Hermes estimates

Figure 10: …with the price bracket between SAR750,000 and SAR2.5mn attracting the highest demand



Source: Knight Frank, EFG Hermes estimates

We expect implications of the reforms will start to be revealed in 2026, where we think more landowners will be selling their lands or contributing land plots into joint ventures with developers, in an attempt to avoid white land tax payments. We believe there will be a limited impact on land prices, especially in the outskirts of the city, where all the new giga developments like Roshn Sedra, Al Fursan and Al Khozam are located. Furthermore, the final announcement of the beneficiaries from the Tawazon programme will result in restoring demand back to the sector, with non-successful applicants seeking to buy housing units. As for the lease market, we expect stability in lease rates for the existing residential units; however, new units coming into the market starting next year will be leased-out at higher rates, in our view, with landlords' ask rates compensating for the five-year rent freeze; hence, the higher rent in the base year. We expect new units coming in Roshn Sedra and others in Riyadh city to see higher rent rates.

As for growing concerns that the gov't would scale back spending on giga projects, we think focus will remain on projects in Riyadh, with more progress in Diriyah project and New Murabaa joining the scene. Roshn and NHC investments in communities in Riyadh will continue, in our view, with no plans to slow down the monetisation pace, given the demand potential in the city and encouraged by expatriates' increased contribution to buying activity. New project announcements will remain in the Holy Cities, in our view, especially following more clarity on the Foreign Ownership Law; however, we think Rua Al Madinah and Rua Al Haram projects will not be in-focus, with spending on both projects starting at a later stage. We expect a scale-back in spending in NEOM, with focus redirected to other giga projects that would contribute more to the 2030 Vision and that address the housing shortage in major cities. We also think the gov't will increase spending on projects that are part of the Expo 2030 event and stadia across the Kingdom that will contribute to the success of the FIFA World Cup in 2034.

Top Pick

Retal: Is our Top Pick in KSA real estate coverage, with the stock offering an attractive investment opportunity that gives exposure to the growing off-plan sales activity. We believe the Foreign Ownership Law coming into effect in Jan 2026 would initiate a new wave of buying activity amongst expatriates; hence, contributing positively to the company's contracted sales numbers. Retal has announced projects with a total value of SAR12bn in 2025, of which the majority were launched during the Cityscape exhibition and/or planned to be launched for sale in 2026; hence, indicating the company's potential to grow its development portfolio. We expect the higher contribution of middle- and high-end segment sales will result in an overall margin widening.

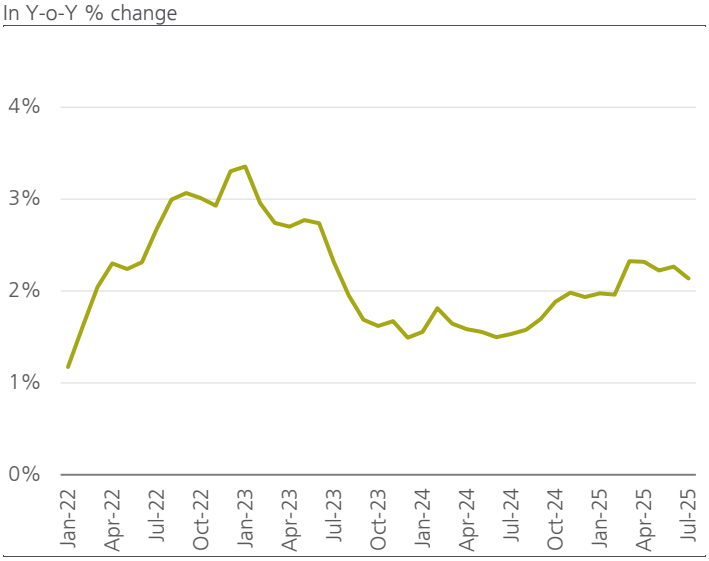
Consumer

2025 has been another challenging year

Challenging trends for most Saudi consumer names seen in 2024 continued into 2025, as weak market volume growth (on slower population growth, inflation and newer forms of spending like entertainment eating off consumer wallets) drove more aggressive promotions; however, we believe there could some respite heading into 2026 as inflation eases on muted commodity prices and the recently enacted rent freeze.

Figure 11: KSA's inflation rate increased to 2.14% in Jul 2025

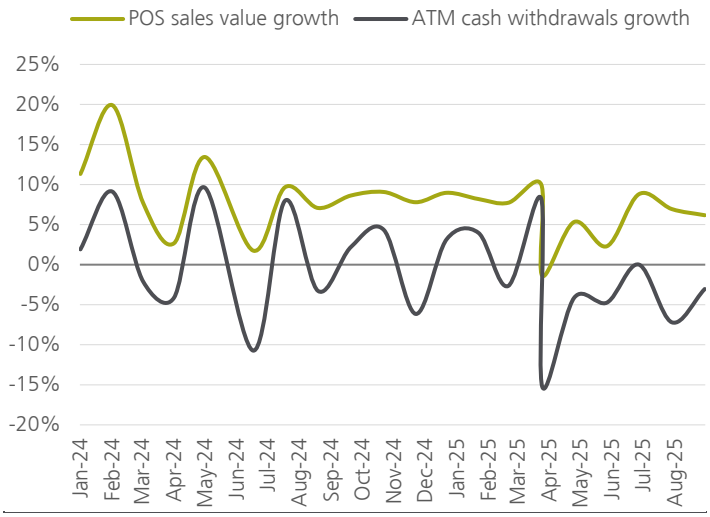
In Y-o-Y % change



Source: GASTAT

Figure 12: Value of point-of-sales (POS) transactions in KSA grew 6% Y-o-Y in Sep (-7% M-o-M), while ATM cash withdrawals declined 3% Y-o-Y (+1% M-o-M)

In Y-o-Y % change



Source: SAMA

Food producers weak, but price increases on the horizon; grocery retailers challenged

Food names are still seeing challenging trends that have mostly worsened vs 2024 from muted demand and increased promotions (particularly in long-life dairy and poultry). Amongst dairy names, **Almarai** has been relatively the best-performing company because of its diversified product and geographic mix (ex-KSA markets, such as UAE and Egypt, are doing well), as well as some price increases (on 1 Jul 2025, Almarai raised single-serve bakery products priced at SAR1.5 by c33% to SAR2.0, implying cSAR150-200mn in additional revenues, which largely offset the impact of higher diesel prices from 1 Jan 2025). We expect further price increases (not reflected in our forecasts), but given the fierce competition in long-life milk (promotions due to some raw milk oversupply) and poultry (especially in food services impairing pricing), we see greater prospects of price revisions for fresh milk (last significant price revisions were in 2022 at +c20%) or other categories. Such a move will have to be initiated by Almarai, given its market leadership position, but **Nadec** could be the biggest beneficiary of fresh dairy price hikes, due to its relatively large exposure to the segment (c44% of total 2024 revenue vs c35% for Almarai, which has decent ex-KSA GCC exposure). We also believe higher fresh milk prices could reduce the promotional intensity in long-life milk, benefitting **SADAFCO**.

Similarly, grocery retailers have been seeing slowing revenue momentum, on weaker LFL sales, signalling lower market demand (especially for non-food grocery items) and increased competition, especially with improved performance at previously troubled/distressed players such as **BinDawood** and **Panda** and entry of new players. **Othaim** has been the weakest link, seeing significant margin pressure, on: i) increased promotional spending in a challenging market to gain/maintain market share; ii) rising leasing costs associated with new stores that are taking longer to ramp up; and iii) higher selling and distribution costs, especially for e-commerce (delivery costs, etc.).

QSRs seeing some rebound; Keeta disrupting the aggregator space

Quick service restaurants (QSRs) started to see some recovery from the pressure of boycotts of American brands initiated in 4Q23, given the regional geopolitical tension, as well as increased competition in some subcategories and pressure from aggregators on delivery fees. **Americana** is our preferred name in the space, as it has been seeing a decent recovery in its earnings since 4Q24, with a stronger rebound in smaller GCC markets and Egypt. KSA aggregator **Jahez** started to see the heat of the entry of Chinese player Meituan (operator of the Keeta brand) in Oct 2024, which has been causing a significant disruption to the market.

Electronics players have been performing fairly well; Leejam still set to recover

The electronics market has been flat to recovering slightly following a weak performance since 2021, as is evident from improved revenue trends (mid- to high-single-digit growth) at **eXtra**, **Jarir**, **SACO** and **Shaker** (electronics segment), due to strong buying patterns during COVID-19 lockdowns and ahead of the Jul 2020 VAT increase, as well as high inflation over 2022-23. White goods (where eXtra is a dominant player) is the best-performing sub-segment in the market, on tailwinds from housing demand/mortgage growth and limited competition from online players. eXtra's performance has also been supported by the launch of Clix (partnership with Panda, where eXtra is managing the electronics section at their hypermarkets).

We also highlight leading gym operator **Leejam** as a play on rising demand for fitness in KSA and its aggressive expansion plans, with the recent slowdown in numbers, due to a relatively larger member base after strong growth over 2022-23, aggressive gym openings in 2024-25 and opening in newer areas that take more time to ramp up. We were expecting a recovery in earnings from 3Q25, but this has not materialised yet. Nevertheless, earnings will likely recover in 4Q25, on a low comparable base.

Car rental names have been the best performers in 2025

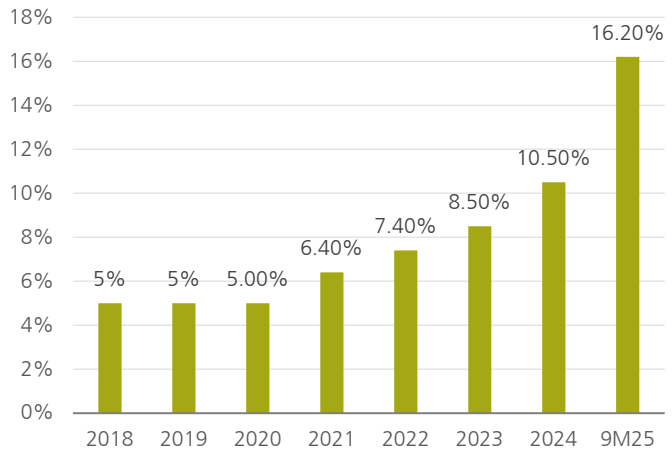
All three listed car rental names – **Budget KSA**, **Lumi** and **Theeb** – have been delivering solid earnings growth in 2025 (mid- to high-teens). This performance reflects: i) a still-robust leasing market, despite a slowdown in gov't business from an ongoing migration to the Expro platform, on increased demand from corporates (opting to lease, not own); ii) improved ST rentals' utilisation, despite a still-weak market, on fleet optimisation; and iii) pressure from lower used-car margins subsiding, as 2024 was a low base.

Consolidation remains a theme in some retail sub-sectors

Petrol station operator **Aldrees** is one of the best plays on this theme, given the high fragmentation of the market (it is the leader, with only c16% market share) and is also a play on the optionality of a potential hike in regulated gasoline/diesel margins (every SAR0.01 increase in gasoline margins would raise our TP and earnings estimate by c13-15% on avg. between 2025-29e; an increase of SAR0.01 in diesel margins would raise our TP and earnings estimate by c10-11% on avg.). **eXtra** also still has some scope to gain market share in the electronics market, especially driven by white goods, and grocery retail is set to benefit in the medium term from modern trade under-penetration (only c45-50% of the market is organised).

Figure 13: Evolution of Aldrees' market share - strong gains from 2021, on station openings and consolidation benefits

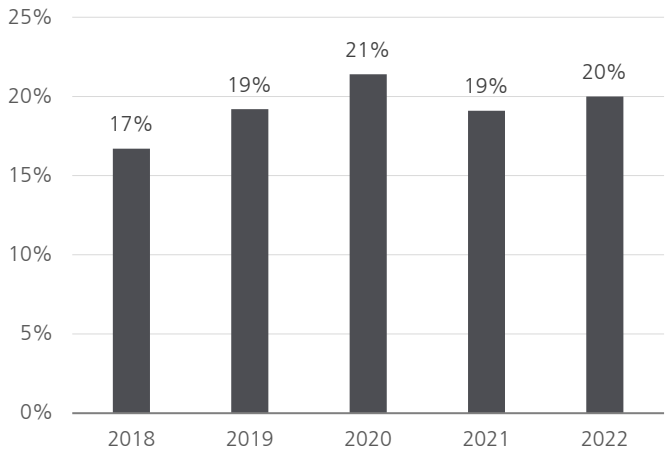
Market share



Source: Company data

Figure 14: Evolution of eXtra's total electronics market share – strong gains from 2017, on consolidation benefits; eased in 2021-22; eXtra's white goods market share doubled over the past three years

Market share



Source: Company data

Top Picks

Almarai: MENA's largest listed consumer name and the GCC's leading dairy and juice company. The company is likely to continue outperforming peers, given its broader category mix and geographic diversification (solid performance in ex-KSA markets). Also, we see that the upside optionality from an impending increase in fresh milk prices would offset the impact of higher diesel prices.

Americana: MENA's leading QSR operator has been staging an earnings recovery from the impact of boycotts since 4Q24 (expect a 5YR earnings CAGR of 16%), with earnings set to return to its historical peak (2022) by 2027e.

Budget KSA: Market leader in LT vehicle leasing market, which continues to deliver robust growth. We expect the company to deliver the strongest earnings growth in the sector in the medium term, on cost and revenue synergies from the AutoWorld acquisition (concluded in 3Q24).

Leejam: KSA's largest fitness centre operator continues to expand aggressively across multiple gym formats, with a new growth strategy expected to be announced in 2026. We expect earnings to stage a recovery from 4Q25e, partly on a low comparable base, especially on the margin front.

Healthcare

Strong operational performance to continue, with favourable macro backdrop, rising insurance coverage and higher prices

KSA hospital operator names are on track to post solid 2025e results, supported by strong operational performance (revenue and margins), a trend we expect will continue in 2026-27e. We attribute the solid performance to: i) a recovery in the economy, which has been supporting employment and population trends (particularly in Riyadh); ii) increased insurance coverage (number of insured lives increased 12% Y-o-Y to c13.8mn as of Oct 2025); iii) favourable pricing trends (on case/patient mix and price increases implemented by some hospitals); iv) the gov't not opening new facilities in main cities; thus, positioning private hospital operators to gain higher traffic. That said, we do not see a risk from the recent revision by the Saudi gov't to its population targets and expansions (NEOM, etc.), as – despite the large expansions taking place by private hospitals – the sector is estimated to see a shortage in beds of c2k (assuming current gov't-led expansions do not see further delays, and there are no expansions in the public sector). Moreover, the Saudi gov't continued its efforts to transform the sector, with several initiatives to promote its quality and infrastructure, none of which have benefitted private hospital operators thus far (opportunity is in the privatisation programme, which remains immaterial in the ST).

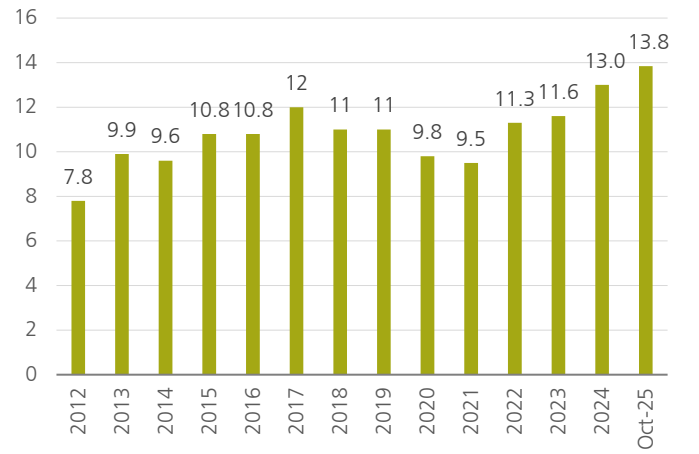
Non-pharma to remain dampened by discount/promotion trends

Dynamics in the non-pharma segment remain challenged in 2025, with trends of discounts/promotions this year continuing to be comparable to that of 2023-24, which is a trend we expect to continue going forward, on increased presence by discounters (emerged from 2021, and now accounting for 0.9% of the segment's overall sales), specialist stores (such as Sephora; accounts for 36% of the segment's overall sales) and online retailers/marketplaces.

Meanwhile, total pharma market grew by a robust c18% in 9M25, driven by: i) higher volumes, on the aforementioned increase in insurance coverage and supportive gov't initiatives (targeting to increase local pharma production to 40% of total, from c29% currently and c24% in 2021); ii) a favourable drug pricing environment (SFDA has been more accommodative, with some cases of upward repricing and reversal of previous price reductions); and iii) continued demand for GLP-1 products (weight loss and diabetes drugs; Mounjaro, Ozempic, etc.). These have helped offset some of the aforementioned pressures that the non-pharma market is facing.

Figure 15: Number of insured lives resumed strong growth from 2022, supported by better employment and population trends

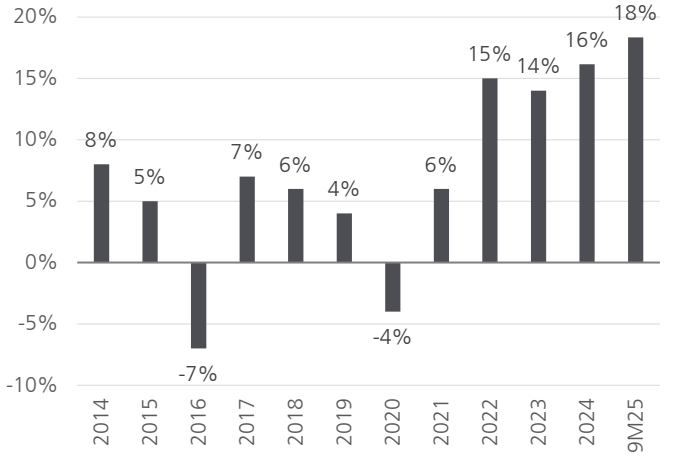
Number of insured lives (in mn)



Source: CHI, Bupa Arabia

Figure 16: Total KSA pharma market (private + tenders) continued to exhibit robust growth (+18% Y-o-Y in 9M25)

Y-o-Y growth



Source: IQVIA

Top Picks

SMC: A play on Riyadh's growing demographics, where it has an extensive expansion plan over 2027-29e that would see it open three new hospitals, which will increase total beds by 2x and clinics by 3x. It also caters to mid-to-high tier patients (vs peers, which are mostly concentrated in just one segment); thus, capturing a wider spectrum of growth. We also like SMC, as we see it benefitting from the implementation of DRG, given a higher contribution from outpatients (65% of revenue vs sector avg. of 50%). The name trades at a discount to peers, with the main catalyst for rerating being an improvement in reported numbers – which started in 3Q25 – that we expect to continue, after the company reported weak KPIs in 1H25 because of a high comparable base that included revenue from a terminated contract.

CARE: The company is continuing to deliver on its five-year strategy, with the rollout of additional capacities at existing facilities and improvement in financial metrics (net margin almost at sector avg. from being less than half the avg. three-four years ago). There is also upside to our numbers from: i) the company further rolling out its M&A strategy, which, so far, has been done at a value-accretive manner, with currently an additional firepower of cSAR3bn (would add 30% to current market cap, using the current RoIC of 25%); and ii) being the only clear beneficiary of implementing the new pricing system of DRG, starting 2027. The name trades at a discount to the sector, despite higher growth prospects and improved risk profile.

Dallah: The company's focus on improving performance at existing hospitals started to reap benefits from 2Q25, which – along with the incremental addition to earnings from the two recently acquired hospitals (achieved a positive EBTIDA in 3Q25, and on track to achieve net profit breakeven from 4Q25) – is, so far, not reflected by the market (consensus avg. earnings estimate for 2025 is SAR500mn, while Dallah already achieved SAR421mn in 9M25, with 2H typically stronger on seasonality). The name trades at par with sector, despite its stronger earnings growth (starts from 4Q25e, with 2026e EPS +34% vs sector avg. of 24%). We note that there is upside to our numbers, as we assume a terminal net margin of c17%, which is lower than the company's target of c19%.

Nahdi: Started to deliver a solid operational performance from 3Q25, with the company growing its revenue while expanding its margins. Revenue growth in prior quarters came at the expense of margins, indicating that the previously implemented price revision exercise has been successful. We recently raised Nahdi to Buy, with expectations of stronger growth from 4Q25, partially supported by the company recently joining the Wasfaty programme.

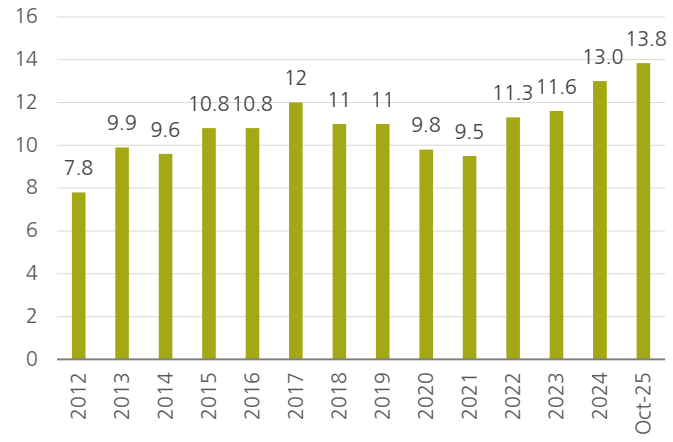
Insurance

Medical – elevated claims' inflation persists

Medical inflation is still high, estimated at 8-11% in 2025e and a similar level in 2026e, driven by: i) elevated base inflation (nearly 75% of overall medical inflation) due to the ongoing shift towards high-end hospitals (given large capacity expansions of those operators) and higher visits/patient; and ii) higher claims' inflation from Article 11 (insurers billing MoH hospitals). There is a lag between the time an insurer applies price increases until it reflects on profitability, while simultaneously there is the need to manage competition in the market. Growth in insured lives remained robust (+12% Y-o-Y in 9M25), but it is not fully reflecting for all insurers, given a rising enforcement gap (c25% as of 3Q25) and increased competition – Tawuniya has been outperforming (market share +2.1pp Y-o-Y in 1H25), driven by its improved value proposition and focus on SME underwriting. Primary care expansion is set to continue; however, the associated reduction in claims will take time to materialise as members' enrolment picks up.

Figure 17: Number of insured lives resumed strong growth from 2022, supported by better employment and population trends

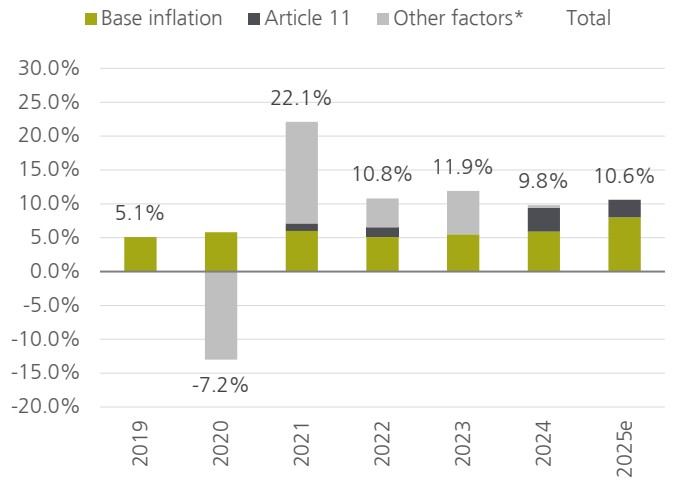
Number of insured lives (in mn)



Source: CHI, Bupa Arabia

Figure 18: Medical inflation rose in 2025e, on significant expansion by high-end hospitals and Article 11

Y-o-Y growth



*Includes CHI expansion in table of benefits, PHIES, deferred claims, COVID-19, flu, duplicates loading

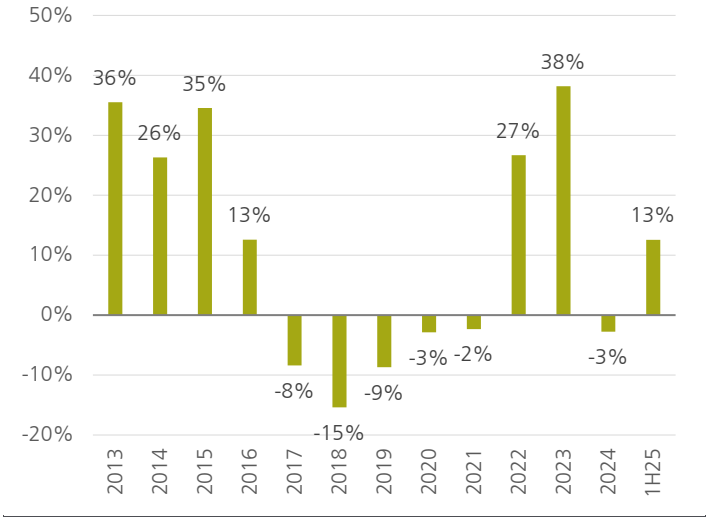
Source: Bupa Arabia

Motor – price war starting to ease, but pricing not back yet to healthy levels

Overall motor GWP growth has been robust thus far in 2025, but profitability has been largely pressured because of the fierce price war since early 2Q24, which has resulted in companies such as Tawuniya losing market share as it selectively let go of its lower-margin businesses. There are early signs of price stabilisation, as insurers have reacted by raising motor rates to repair distressed margins, but is not yet at a level that can drive better profitability for the insurance sector. A medium-to-long term growth driver is the stricter enforcement of insurance coverage, given that c25% of total cars remain uninsured.

Figure 19: Motor GWP returned to growth in 1H25, on higher volumes, with price wars starting to ease

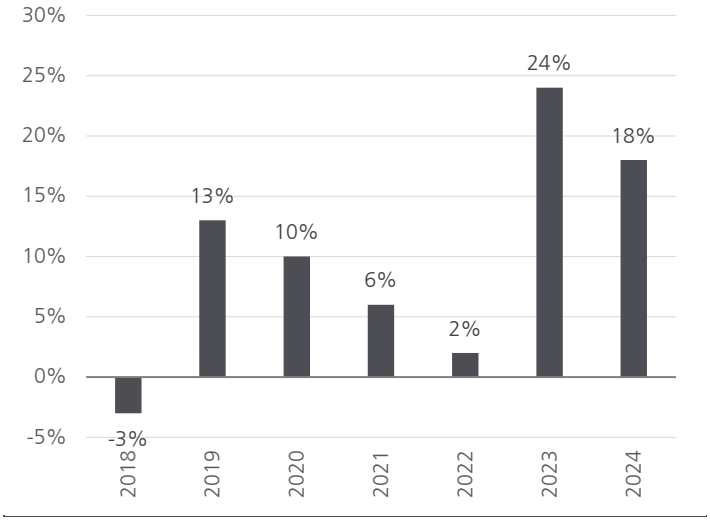
Y-o-Y growth



Source: SAMA

Figure 20: Number of insured vehicles growing strongly since 2023, on regulator enforcements, favourable demographics

Y-o-Y growth in the number of insured vehicles



Source: Najm

Life – emerging growth venue in Saudi Arabia

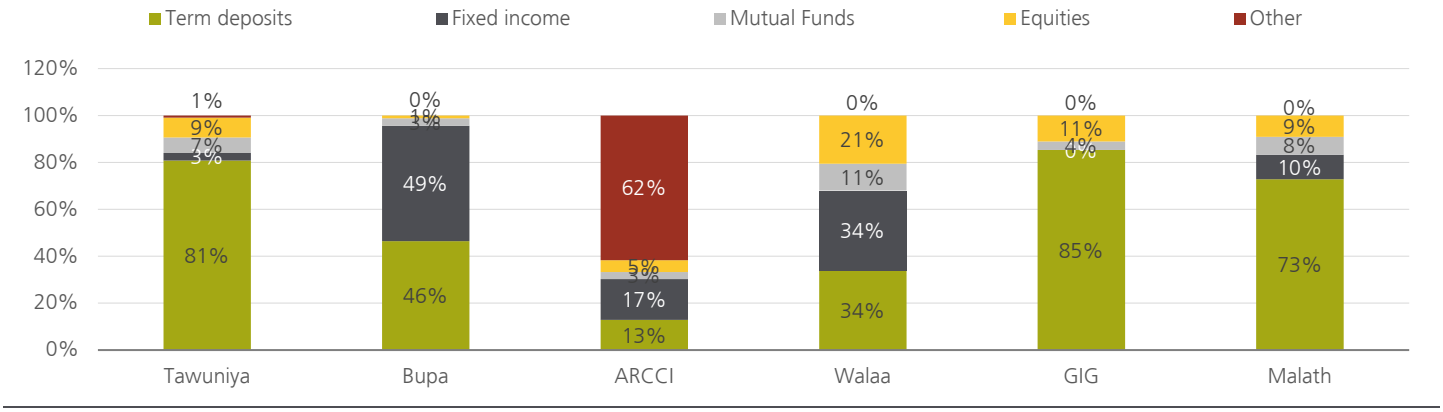
Life (P&S) is emerging as the new relay for growth for KSA's insurance sector, amidst a supportive macro backdrop (Vision 2030 push for savings by Saudis), rising demand from a young and growing population (50%+ are under the age of 30) and improving financial literacy and risk-awareness (product is part of pension planning). There have also been some supportive regulatory changes that ensure structural long-term growth in P&S, such as: i) the new social insurance law that came into effect in Jul 2025, on civil employees who did not have previous contribution periods (raised the retirement age; thereby, increasing the pool of contributions that feed into more savings-type products and retirement-focused financial planning); and ii) launching a voluntary pension and savings programme that will be open to both Saudis and expats, designed to boost household savings (aimed to reduce remittance outflows from expats, in our view), which create a natural demand for long-term savings products, annuities and life-insurance-backed retirement vehicles. Al Rajhi Takaful is the segment's market leader, and Tawuniya has recently ventured into this segment.

Lower rates to weigh on investment yields from 2Q25

The ongoing monetary easing cycle is pressuring insurers' investment yields (impact reflected from 2Q25); however, the overall investment income is still growing for some insurers, on: i) changing investment book allocations (more into fixed income and mutual funds); ii) preemptively working on extending the duration of their portfolios; and iii) the overall increase in the investment book size.

Figure 21: Investment book mix for main insurers

Investment mix as of 2024 of covered Saudi insurers



Source: Company data, EFG Hermes

Top Pick

Tawuniya: As a multi-line insurer, the company is positioned to capture the structural growth opportunities in the sector. Growth should be supported by population and employment expansion, closing enforcement gaps in the medical and motor insurance, new project activity boosting P&C, all of which align with the gov't's coverage expansion goals under Vision 2030. The recent venture into P&C savings should also fuel growth in the medium term. The stock's valuation stands below historical levels.

Telecoms

Enterprise outlook still good, on no clear evidence of ICT spending cuts

Growth in Saudi Arabia's telecoms sector remained healthy in 2025, in our view, despite an increasing number of anecdotes suggesting there might be a gov't budget squeeze that is affecting public project awards in the ICT sector and impacting growth for telecom and IT players. If we look at aggregate enterprise revenue (calculated by EFG Hermes) from all three telecom operators in 9M25, the implied growth is c5% Y-o-Y vs c15% Y-o-Y in FY24, but we note there is a seasonality element, with 4Q usually being, by far, the strongest quarter of the year in this business.

FY25 will likely end at a lower growth rate than FY24, but we believe this is normal, due to the sector maturing slightly more and, more importantly, because we are likely heading into a spending re-prioritisation cycle by the gov't – not spending cuts – that should accelerate again, once the budget allows; hence, we believe 2026 will likely show softer growth, but the market should consider a longer-term horizon to fully capture the real growth potential for ICT businesses.

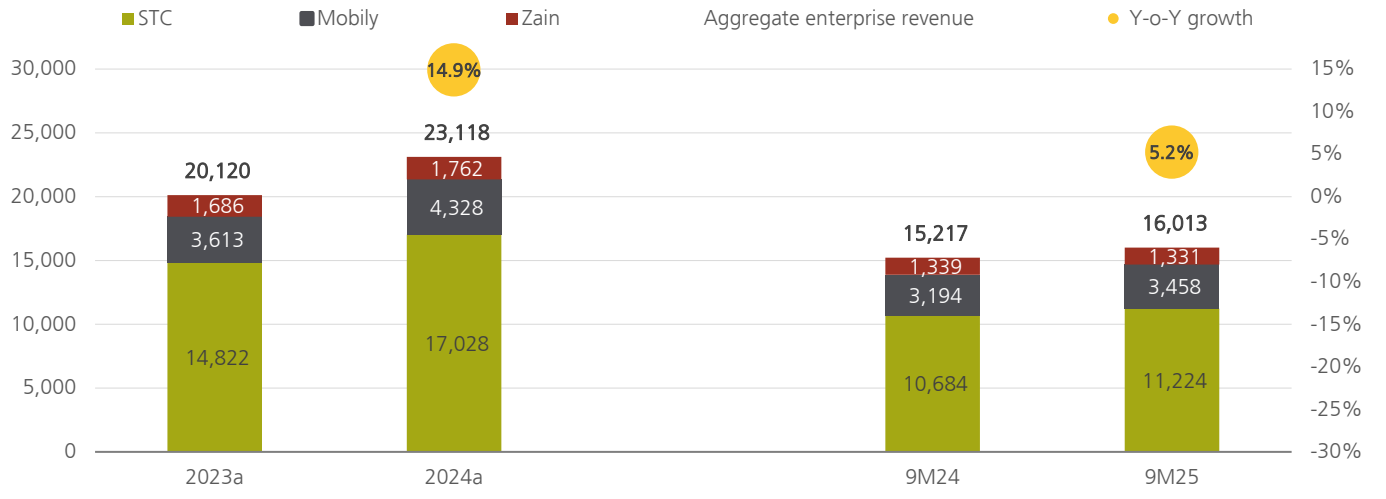
Short-cycle slowdown; some ICT projects are critical

We are of the view that gov't spending is undergoing a broader fiscal re-prioritisation, which will likely have a heavier impact on large-scale giga/mega construction projects rather than the ICT sector specifically. The projects that telecom and IT players are exposed to are more critical in nature and less likely to be cancelled, but they could experience some temporary slowdown, in our view.

Infrastructure projects are even less likely to be impacted, particularly in areas like mobile and fixed networks, data centres, submarine cables, etc. Moreover, even in the event of some slowdown, KSA's enterprise segment growth will remain higher than GCC peers in 2026, we believe, making it an attractive market in relative terms. We also highlight a risk that gov't receivables collection could be impacted temporarily, if budget pressure becomes more intense.

Figure 22: Aggregate enterprise revenue

In SARmn, unless otherwise stated



Source: Company data, EFG Hermes estimates

Push beyond core telecom to continue

KSA telcos will continue to diversify their exposure, reducing their dependance on traditional telecom (a mature cashcow) and broadening their services portfolio into adjacent digital services, including fintech, digital infrastructure and others. Operators under our coverage are at different stages of the development cycle, which explains the contrast in revenue growth, margin and capex profiles. Overall, this diversification will provide additional growth runways in 2026, in our view, and monetisation of such initiatives will improve gradually over the longer term.

AI starting to emerge

Saudi Arabia is one of two super contenders for the region's AI race and, while the other – UAE – has had a head start in recent years, KSA is beginning to catch up, with the help of a sovereign strategy that focuses on: i) securing necessary technology hardware from major US vendors (e.g. recent US gov't approval to export Nvidia chips to KSA); ii) developing local capabilities (e.g. PIF-led establishment of Humain, a national AI company building data centres, cloud, models and applications); and iii) creating a dedicated regulatory environment (e.g. creation of SDAIA, the national reference for the organisation, development, handling of data and AI, as well as operation, research, and innovation of data and AI).

At the current stage, companies in our KSA universe are largely uninvolved with AI, at least directly, but some are well into the construction of data centres to cater to the impending capacity utilisation spike that will come with AI. We believe the national agenda will accelerate telecom companies' involvement in AI in 2026 and beyond; the largest beneficiaries from an infrastructure angle would be STC and Mobily, in our view.

Top Pick

Mobily: The company is a top performer amongst KSA peers, with continued revenue market share expansion, especially in the enterprise segment, whilst maintaining the highest margins amongst them. It is well-positioned in a market where growth remains above the regional average, on the back of steady economic drivers and gov't spending (Vision 2030), although there are some moderate risks to gov't spending in the near term, we note. FCF generation is quite solid, as it continues to benefit from capex normalisation, following a cycle of network modernisation and 5G deployment, although near-term capex will be somewhat higher than usual, as the company has acquired recently new spectrum and is planning to expand its data centre capacity.

Moreover, net leverage has already reached a reasonable level of 1x. We see Mobily continuing to deliver healthy earnings growth, with significant potential for higher dividend distributions, which currently hover around a rather low DPO of mid-50s. Valuations are currently inexpensive, in our view, in light of the c6% EBITDA CAGR (2025-27e) and c14% earnings CAGR, one of the highest growth rates amongst KSA telcos. It also offers a much higher DPS upside, in light of its low DPO (2024a: 55%) and double-digit earnings growth.

Another catalyst could appear in 2026: higher foreign ownership limit (FOL). Besides the positive short-term boost to the stock price from potential inflows (Mobily is one of the top 10 beneficiaries, with total flows of cUSD369mn, we estimate), a higher FOL could reignite interest from e& to acquire an additional stake in Mobily, in our view. e&'s first formal attempt at this was in Mar 2022, but this attempt came to an end in Dec 2023, as it was unable to secure a deal; we believe this might have been due to FOL being at 49%, while e& was aiming for 50%+1 ownership post tender offer.

Sector key name

STC: The company is currently undergoing a phase of cost restructuring, as margins have been pressured in the past three years from greenfield investments in adjacent opportunities (non-telco); this margin pressure and its impact on earnings growth caused a relative underperformance in the stock and de-rating in valuations vs historical forward multiples and yields. Moreover, the overhang of PIF potentially selling additional shares in STC has been a key concern for the market. After a period of excitement for the stock, stemming from the sale of a stake in the towers business to PIF and the ensuing special dividend, the stock now lacks a clear catalyst and is trading at a recurring dividend yield (as per minimum dividend policy) of c5%, which does not appear attractive enough for investors. STC's diversification and balance sheet monetisation strategies will pay off in the longer run, in our view, but in the meantime, the story remains predominantly about exposure to the Saudi telecom services and infrastructure, which partly runs the risk of lower gov't spending.

Industrials and utilities

Utilities' growth outlook robust, but stock investability is a challenge

In KSA's utility space, the overarching story remains quite compelling, on: i) renewables expansion; ii) water infrastructure build-up; iii) regulatory reform; and iv) downstream utility derivative assets being in tight demand; however, finding investable equities remains our main concern as we head into 2026. A feasible strategy to gain access to this infrastructure narrative is to capture more downstream players (such as transformers or pipe manufacturers), as valuations are still rich (or, at the very least, full) for pure play utilities. The one pure play utility, however, that could come as a surprise in 2026 is Marafiq, if regulatory reforms come through – though it has been two years of wait time, with no indication of any alleviation in sight.

Expect a turnaround year for drillers, as Aramco brings back previously suspended rigs

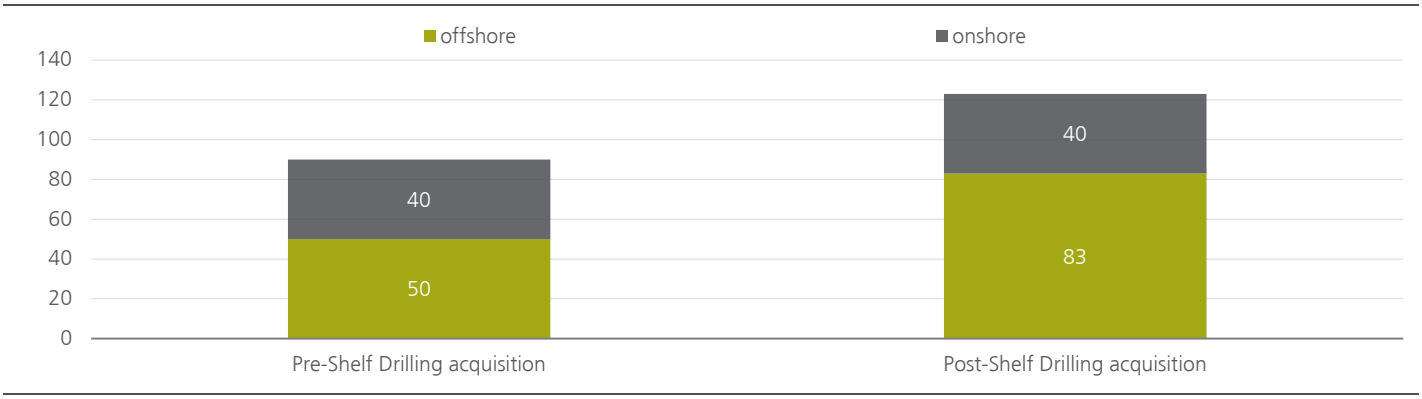
For the energy space, drillers are clearly coming into focus once more, as Aramco is bringing back some of the suspended rigs to the market, creating further tightness in the global jack-up space and offering more contract visibility to ADES and ADC.

Top Picks

ADES: The company is on the brink of transformation in 2026, as it integrates 33 more jack-up rigs acquired from Shelf Drilling, while heading into the year, with elevated utilisation for its own existing rigs. The ensuing revenue step-up, along with the cost-cutting and synergy initiatives that ADES will undertake, translates into a highly attractive valuation for an offshore driller exposed to ever-tightening market dynamics. With this market tightness, ADES, in our view, is positioned to capture significant growth in day-rates, as its contracts roll over. We note that ADES' day-rates are strategically offered at a high discount vs its peers, with a sizeable upside on the table.

Figure 23: ADES rig fleet by segment, pre- and post-Shelf Drilling acquisition

In number of rigs



Source: Company data, EFG Hermes estimates

EIC: An alternative and more attractive way to play the power sector in KSA, as the company is well-positioned to take advantage of the substantial growth in the broader power market, as it is: i) currently the only high-voltage power transformers manufacturer and has a massive edge on importers, given the hefty imports tariff and robust localisation incentives; ii) expanding into the extra-high-voltage (EHV) power transformers manufacturing space and will be the first EHV power transformers manufacturer in KSA; and iii) a clear play on the current global power transformers theme, amidst a historically tight market, which is seeing lead times of up to eight years for some HV/EHV transformer orders in advanced markets.

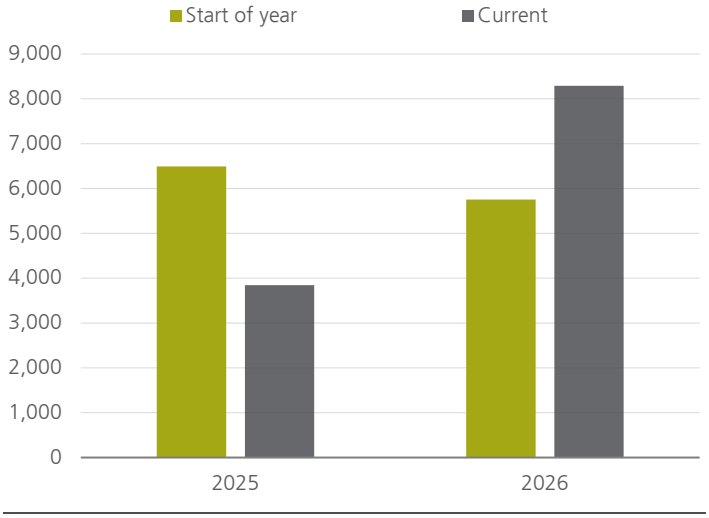
Chemicals

Chemicals faced numerous challenges and hurdles in 2025…

The global chemicals sector remained under pressure in 2025, with prices generally lower Y-o-Y, amidst the pullback in oil prices. Although a substantial portion of new capacity additions were delayed (over 40% of P/E capacity additions that were expected to materialise this year were pushed back to 2026), chemical spreads to feedstock saw only modest improvement, as demand remained lacklustre, and the market was already oversupplied to start the year and struggled to absorb even the lower-than-expected additions.

Figure 24: A substantial portion of P/E supply was pushed in 2026…

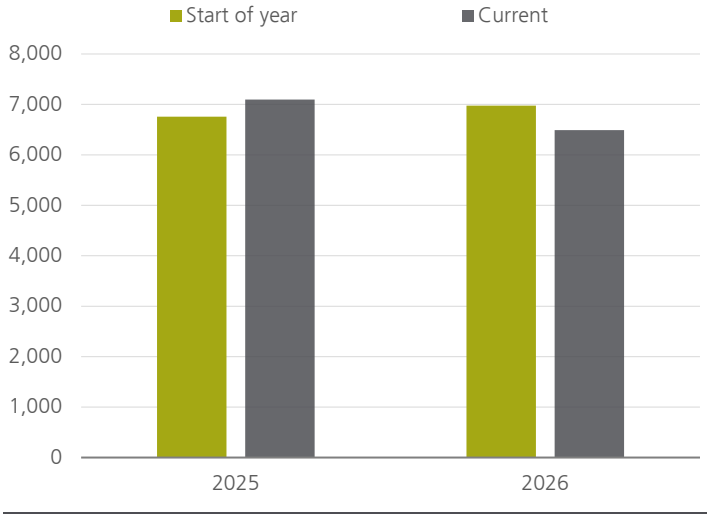
Estimated P/E supply additions at start of year vs current in mn tonnes



Source: CMA, EFG Hermes estimates

Figure 25: …Whereas PP supply came in slightly earlier than expected

Estimated PP supply additions at start of year vs current in mn tonnes



Source: CMA, EFG Hermes estimates

…and 2026 to pose further obstacles

The global chemicals sector is expected to see another very difficult year in 2026, if not worse than 2025, as supply additions accelerate even further, with most of the delayed capacity from 2025 now materialising in 2026. While there have been sizeable permanent shutdowns announced/executed (Europe and Asia mainly), they have not been sufficient to offset the massive supply growth expected in the year ahead. Overall, we believe chemical prices and spreads would remain near their trough levels in 2026, which would lead to further obstacles for chemical producers.

As such, our stance on the sector is cautious and selective, focusing on companies with single or few products. We would also avoid exposure to large, diversified chemical plays, such as **SABIC,** which looks undemanding from a long-term valuation context, but is too diversified to the broader chemicals space. As such, the company would not benefit meaningfully from any potential improvement in one of its products – e.g., it would require a broader recovery in global chemical markets, which we do not believe is on the cards for 2026.

LPG feedstock outlook is the main positive, but other feedstocks likely to increase

The only meaningful positive for chemicals in 2026 is on the feedstock side, as we expect LPG prices to be pressured further, given supply growth from the US and the Middle East. In particular, we believe Aramco is currently protecting its market share in Asia by offering attractive pricing vs exporters from the US, with its LPG prices for Oct and Nov seeing counter seasonal price cuts (usually, Aramco raises prices ahead of the winter heating demand season). Spot propane prices are currently at cUSD500/t (down 18% Y-o-Y, vs Brent down only 9% Y-o-Y), reflecting improved supply, and we expect further price relief in 2026, as supply growth picks up further, which should support producers utilising liquid feedstock (propane or butane) in KSA. With that said, for producers utilising methane or ethane feedstock rather than LPG in KSA, prices are likely to increase at the start of 2026, in our view. We forecast methane prices would rise from the current USD2.15/mmBtu to USD2.5/mmBtu, while ethane would rise from USD3/mmBtu to USD3.5/mmBtu.

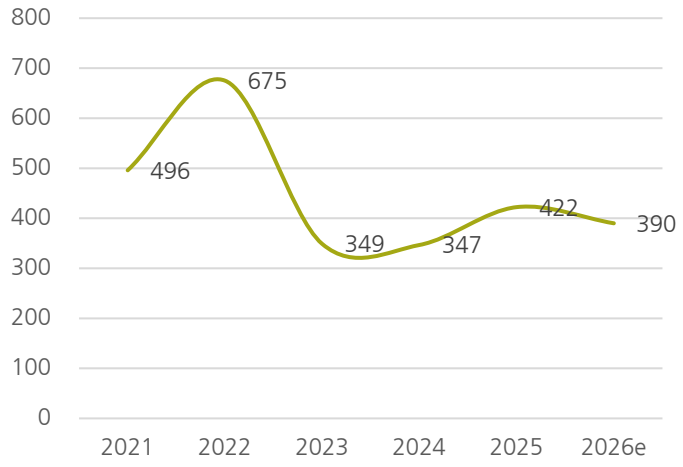
Fertilisers looking fundamentally strong, but 2025 was likely a peak for now

Fertiliser prices were robust for most of 2025, supported by several supply disruptions globally (Egypt, Iran during the summer), very strong Indian demand amidst minimal inventory to start the year (Indian imports between Jan to Oct surged 73% Y-o-Y, according to ICIS News), limited Chinese exports in 1H, and strong European demand to close the year ahead of the introduction of the CBAM at the start of 2026 (carbon tax on urea imports).

While fundamentals are set to remain strong in 2026, with minimal supply growth and urea affordability back in line with historical levels, we believe 2025 was a peak year for prices. 2026 will likely see lower prices, as supply availability should improve, given the unexpected disruptions of this year, and as Chinese supply could rise further, in addition to India's demand unlikely to continue at the very strong levels of 2025. That said, we still expect urea prices to remain at attractive levels: cUSD390/t, on avg.

Figure 26: 2025 was likely a peak year for urea

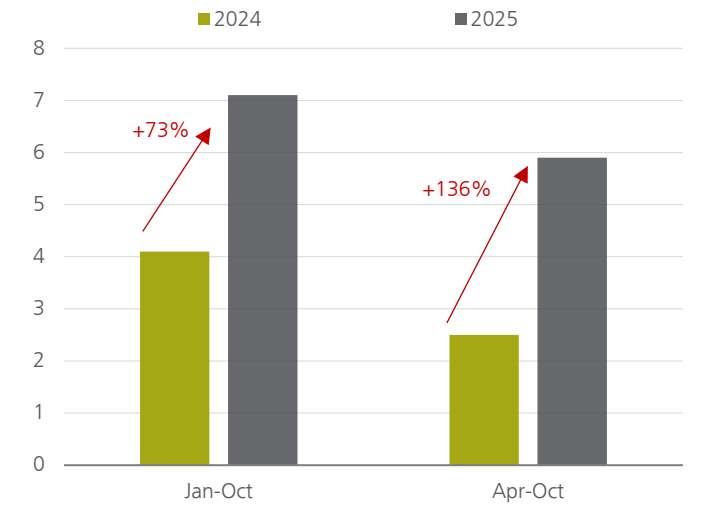
Historical and forecast 2025 and 2026 urea prices in USD/t



Source: Company data, EFG Hermes estimates

Figure 27: India urea imports surged in 2025, especially since Apr

India urea imports



Source: Company data, EFG Hermes estimates

Top Picks

Advanced: As noted earlier, chemical prices are set to remain under pressure in 2026, but we are constructive on the outlook for propane feedstock prices, given the increased supply from the US and the Middle East. Producers such as Advanced, which utilise 100% propane feedstock, would be key beneficiaries. With that said, Advanced should see its margins growing further vs 2025, especially as it ramps up the production of its premium grades. Another core strength of the company is that it is not exposed to potential methane/ethane price increases in KSA. That said, PP margins should be quite weak in 2026, given the expected supply growth; so - while we prefer the name, on a relative basis - 2026 is still likely to be a challenging year, from a historic perspective.

SANIC: While we believe the urea market has peaked in 2025, and we see more downside for pricing in 2026, given the extremely challenging fundamentals in other chemical products, we believe fertilisers could act as a defensive safe haven. Though we acknowledge that this is largely reflected in SANIC's valuation, the company's naturally defensive nature, with its net cash position of SAR25/share (c20%+ of marketcap), and sizeable dividend should still allow it to outperform the broader chemical space in 2026, in our view.

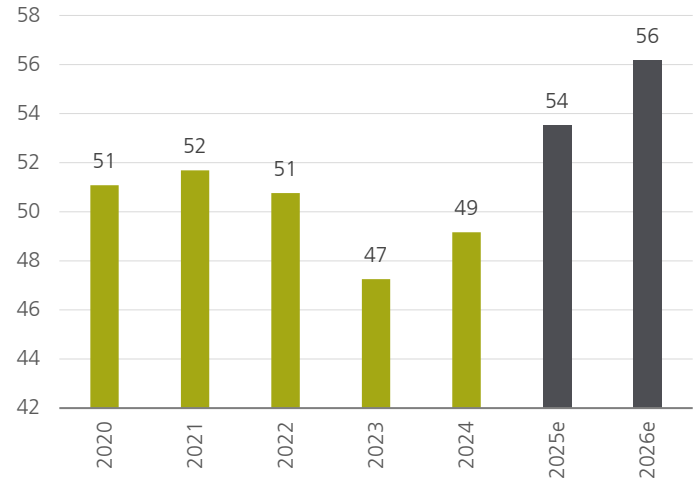
Cements

Time-bound projects and interest rate cuts to continue supporting cement demand

KSA's local sales volumes were up c13% Y-o-Y as of end-Oct, supported by high demand, particularly from the Eastern and Central regions. This momentum reflects the gov't's prioritisation of key projects, particularly those tied to major international events, such as Expo 2030, FIFA World Cup and the Asian Games, as the bulk of these are situated around the Central region. In addition, we expect the two rounds of interest rate cuts in Sep and Oct 2025 to support construction and housing projects in KSA, especially as the gov't has extended its subsidised mortgage programme for three more years; hence, we expect these projects to see demand rising in mid-single digits in FY26e, after the robust growth of FY25.

Figure 28: KSA cement demand saw robust growth in 2025e

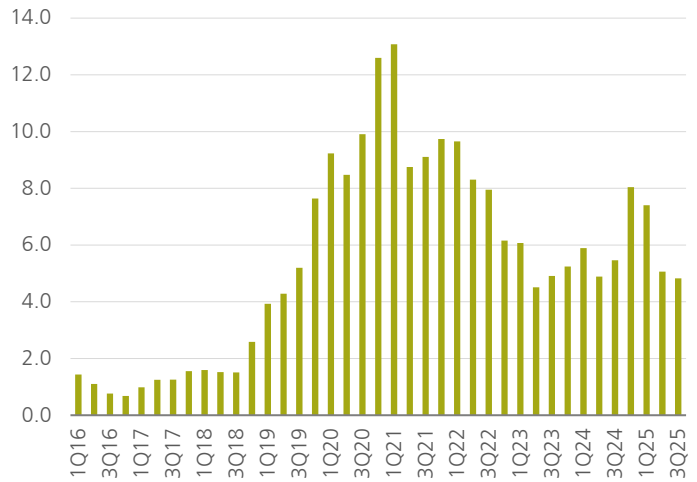
KSA annual cement demand in mn tonnes



Source: Company data, EFG Hermes estimates

Figure 29: Still expecting further recovery in housing sector, supported by the recent interest rate cuts

New mortgage loan generation - quarterly in USDbn



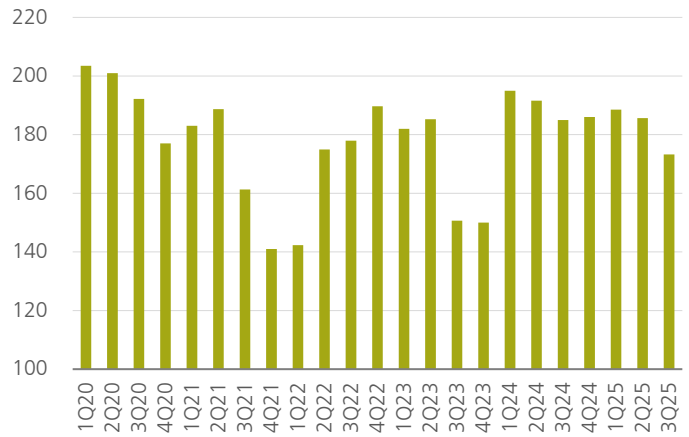
Source: Company data, EFG Hermes estimates

Competition and market share trigger price war in Central region

Cement prices have been slightly volatile despite strong demand, with avg. prices decreasing to SAR173/t in 3Q25 from SAR186/t in 2Q25, because of competition pressure, mainly in the Central region (avg. price of SAR143/t). Prices were resilient in the Western, Eastern and Southern regions (avg. cSAR188/t). With the current robust outlook for demand, we expect some price recovery, especially as the recent decline was driven primarily by Certain players seeking to increase their market share. Prices, as a result, are likely to normalise in 4Q25 and further improve in 2026e, supported by strong demand and the potential additional increase in feedstock prices, in our view.

Figure 30: Avg. cement prices down in 3Q25, on strong competition…

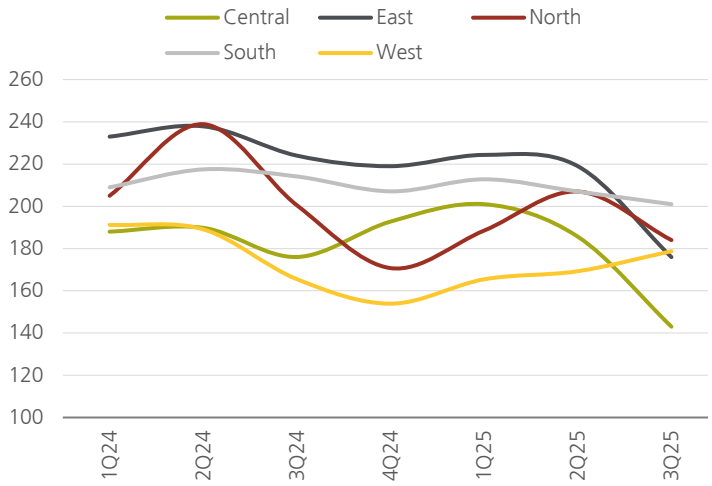
KSA avg. sector quarterly cement price in SAR/t



Source: Company data, EFG Hermes estimates

Figure 31: …particularly in the Central region

KSA avg. sector quarterly cement price per region in SAR/t



Source: Company data, EFG Hermes estimates

Maintain a positive outlook for the Central region amidst robust growth

Saudi cement stock prices have seen a sharp correction of c26% year to date, and valuation looks attractive for most of the names. That said, we recommend being selective and focusing on the stocks with strong exposure to the Central region, as the strong demand momentum, particularly in Riyadh, should continue into 2026e, supported by the upcoming international events and ongoing housing projects. In addition, with a potential increase in feedstock prices, we still favour players with a cost advantage; hence, we remain positive on Yamama, City and Saudi Cement.

Top Picks

Yamama Cement: Our preferred pick, for being the largest player in the market – particularly the Central region – with a stronger growth outlook, unlike the rest of KSA's market. The company has a low-cost advantage, and Line 7 should be operational in 1H26, which will add c40% to the company's capacity, supporting MT earnings growth. In addition, land monetisation could be a medium-term re-rating catalyst for the stock.

City Cement: The company has substantial excess capacity in the high-demand Riyadh Province, with a current utilisation rate of c78% vs other Central players operating at full capacity. Another positive is the company's use of alternative fuel in its feedstock, which would reduce the impact of potential future fuel price increases. In addition, the stock offers an attractive valuation at the current levels.

Saudi Cement: We like Saudi Cement for its access to the Central region (Riyadh within c300km), which has supported its volume growth (+26% Y-o-Y as of end-Oct) and stability in cement prices. The name also offers one of the sector's leading dividend yields.

Figure 32: Saudi Arabia coverage

Price as of 17 Dec 2025

Company	Price (SAR)	TP	Rating	YTD perf. (%)	ADVT (USDmn)	M Cap (USDbn)	P/E (x) 2024	P/E (x) 2025	P/E (x) 2026	P/B (x) 2025	DY (%) 2025
Consumer											
Al Othaim	6.23	7.80	Neutral	(40.7)	2.83	1.49	17.2	19.7	18.3	4.7	6.4
Alamar Foods	41.60	88.00	Neutral	(44.5)	2.39	0.28	33.7	14.8	10.4	3.4	5.5
Aldawaa Medical Services	53.35	75.00	Neutral	(32.0)	3.29	1.21	12.1	11.8	10.7	2.9	4.7
Almarai	43.50	62.50	Buy	(24.0)	8.42	11.60	19.3	18.3	16.3	2.3	2.9
Americana Restaurants	1.73	2.75	Buy	(24.1)	17.87	3.89	22.2	19.3	16.1	12.8	4.2
Ataa Educational Co	60.50	57.00	Neutral	(15.5)	0.73	0.68	39.8	38.5	34.0	3.4	2.5
Budget Saudi	64.55	100.00	Buy	(21.2)	2.42	1.35	16.1	14.1	12.0	1.8	3.1
CATRION	79.40	132.00	Neutral	(34.9)	4.17	1.74	20.2	18.1	14.6	4.6	3.9
Cherry Trading	25.20	43.00	Buy	N/A	4.58	0.20	12.0	10.2	8.0	1.3	2.0
eXtra	85.25	129.00	Buy	(5.5)	5.20	1.82	13.4	12.6	11.5	6.6	7.6
Farm Superstores	14.17	19.50	Sell	(37.4)	0.24	0.17	19.2	15.3	11.7	0.9	2.8
Halwani Brothers	32.44	42.50	Neutral	(38.9)	0.75	0.31	18.1	17.6	13.5	3.2	0.0
Herfy	15.07	16.60	Sell	(40.0)	0.86	0.26	N/M	N/M	N/M	1.1	0.0
Jamjoom Fashion Trading	145.10	209.00	Buy	N/A	0.21	0.31	14.1	11.5	10.6	7.7	5.2
Jarir	12.78	15.80	Buy	0.9	6.95	4.09	15.6	14.7	13.7	10.6	6.8
Leejam	110.60	175.00	Buy	(40.3)	6.52	1.54	16.7	16.8	14.2	4.4	3.7
Lumi Rental	52.90	77.50	Buy	(25.7)	1.78	0.78	15.6	13.9	12.6	2.2	3.2
Nadec	18.49	28.00	Buy	(25.1)	4.39	1.49	13.1	12.8	12.2	1.2	0.0
Nahdi Medical	95.45	135.00	Buy	(18.8)	7.83	3.31	15.8	14.7	13.2	5.3	5.7
National Co for Learning & Education	143.40	155.00	Neutral	(30.0)	1.14	1.64	39.1	39.3	35.7	8.1	1.5
Nice One	18.56	35.00	Neutral	(68.2)	4.19	0.57	30.3	21.6	15.9	4.5	0.0
SACO	26.14	28.50	Neutral	(17.4)	1.13	0.25	N/M	40.4	24.0	2.7	0.0
SADAFCO	231.90	310.00	Buy	(31.3)	2.58	2.01	15.6	16.9	15.6	5.1	6.5
Savola	23.82	35.00	Buy	(35.1)	5.51	1.91	15.3	11.9	9.9	1.5	4.2
Shaker	21.65	34.50	Buy	(20.0)	1.64	0.32	14.5	13.3	10.8	1.5	0.0
Theeb	39.04	97.50	Buy	(49.0)	1.21	0.45	9.2	8.3	7.6	1.9	6.0
Energy											
ADES Holding	17.56	27.00	Buy	1.2	10.84	5.29	24.7	23.7	15.1	2.9	2.5
Aldrees	124.00	160.00	Buy	3.2	14.01	3.31	36.6	28.3	22.5	7.9	1.8
Arabian Drilling	102.90	121.00	Buy	(7.8)	8.78	2.44	28.5	N/M	32.3	1.6	0.0
Saudi Aramco	23.60	29.00	Buy	(15.9)	80.13	1,522.70	14.5	16.0	14.8	3.8	5.6
Financials											
AL Rajhi Bank	95.50	113.00	Buy	1.0	111.12	101.85	20.4	17.2	15.3	3.7	3.4
Al Rajhi Insurance	79.20	214.00	Neutral	(53.8)	5.65	2.11	19.6	14.3	10.5	2.8	0.0
Alinma Bank	24.30	41.00	Buy	(16.1)	46.41	16.20	11.0	9.7	8.9	1.8	5.0
Arab National Bank	21.23	26.00	Buy	0.7	9.08	11.32	8.6	7.8	7.2	1.1	6.7
Bank Albilad	24.95	28.00	Neutral	(23.3)	11.16	9.98	13.3	13.2	12.3	2.0	1.9
Bank Aljazira	11.09	14.20	Neutral	(25.9)	11.59	3.79	13.7	10.4	8.8	0.9	0.0
Banque Saudi Fransi	16.42	18.00	Neutral	3.7	10.91	10.94	9.6	8.6	8.0	1.0	6.8
Bupa	141.30	206.00	Neutral	(31.7)	8.31	5.65	17.1	15.1	13.3	3.3	4.2
Gulf Insurance Group	22.19	35.00	Buy	(30.0)	0.71	0.31	13.3	9.5	6.5	1.0	4.2
Malath Insurance	9.50	16.00	Neutral	(42.1)	0.62	0.13	11.5	8.6	6.5	1.0	0.0
Riyad Bank	25.68	40.00	Buy	(10.2)	15.99	20.54	8.6	7.8	7.1	1.3	7.1
SAIB	12.85	14.00	Neutral	(11.4)	1.98	4.28	9.0	8.3	7.5	1.0	6.0
Saudi Awwal Bank	32.00	49.00	Buy	(4.9)	15.46	17.53	8.5	7.9	7.2	0.9	6.7
Saudi National Bank	36.60	49.00	Buy	9.6	52.07	58.55	10.7	10.2	9.1	1.3	5.8
Tawuniya	117.00	175.00	Buy	(20.7)	11.18	4.68	18.7	15.9	14.9	3.4	1.9
United International Holding	157.90	169.00	Neutral	(12.3)	2.38	1.05	17.6	12.1	11.0	3.3	4.5
Walaa Insurance	10.88	20.90	Neutral	(43.8)	4.32	0.37	7.4	6.2	4.9	0.7	0.0

Source: Company data, EFG Hermes estimates

Figure 33: Saudi Arabia coverage *(continued)*

Price as of 17 Dec 2025

Company	Price (SAR)	TP	Rating	YTD perf. (%)	ADVT (USDmn)	M Cap (USDbn)	P/E (x) 2024	P/E (x) 2025	P/E (x) 2026	P/B (x) 2025	DY (%) 2025
Healthcare											
Almoosa Health	163.30	190.00	Neutral	16.0	1.58	1.93	76.7	31.6	23.9	3.6	0.8
Dallah Healthcare	119.10	175.00	Buy	(20.6)	2.75	3.21	25.7	25.1	18.7	3.3	2.5
Fakeeh Care Group	35.00	45.00	Neutral	(47.8)	2.60	2.16	28.8	24.6	19.4	2.6	0.4
Hammadi	28.36	42.00	Buy	(26.1)	2.80	1.21	16.0	15.1	13.1	2.3	4.9
MEAHCO	34.48	65.00	Neutral	(49.8)	6.27	0.85	14.9	14.3	12.3	1.7	2.8
Mouwasat	68.85	85.00	Neutral	(19.1)	12.41	3.67	21.3	17.3	16.8	3.9	2.9
National Medical Care	133.40	225.00	Buy	(20.1)	4.00	1.60	24.9	18.2	15.0	3.4	1.9
Specialized Medical Company	19.29	33.50	Buy	N/A	4.34	1.29	24.2	19.7	14.3	4.6	1.6
SPIMACO	26.42	28.00	Neutral	(17.3)	2.78	0.85	N/M	24.4	16.4	2.3	3.8
Sulaiman Al Habib (HMG)	252.20	260.00	Neutral	(10.1)	14.40	23.53	38.8	34.6	27.7	11.8	2.0
Industrials											
Al Mawarid Manpower	129.40	166.00	Buy	22.8	2.50	0.52	20.3	14.7	12.2	4.3	2.7
Bahri	28.82	31.00	Neutral	37.8	4.61	7.09	12.3	10.3	9.1	1.7	3.5
Electrical Industries Company	11.52	13.00	Buy	59.1	15.30	3.42	32.3	22.9	18.4	10.4	2.2
Gas Arabian Services	13.47	18.50	Buy	(21.9)	0.54	0.57	18.7	14.7	11.5	4.3	4.1
Maharah Human Resources	5.99	6.50	Buy	(2.8)	6.23	0.76	22.8	30.1	17.5	4.3	1.1
National Industrialization Company	9.60	13.00	Buy	(5.5)	5.14	1.71	41.9	17.5	15.0	0.6	0.0
Saudi Ceramics	27.98	28.80	Neutral	(17.9)	2.92	0.75	27.4	19.1	13.9	1.8	4.2
Saudi Manpower Solutions (SMASCO)	5.32	7.30	Buy	(30.5)	2.63	0.57	16.8	14.7	12.7	3.4	5.4
Materials											
Advanced Petrochemicals	28.74	50.00	Buy	(10.5)	5.99	1.99	N/M	37.2	14.7	2.4	0.0
Al Jouf Cement Company	6.53	7.70	Sell	(36.5)	0.52	0.19	N/M	N/M	29.4	0.8	0.0
Arabian Cement Company	20.64	27.00	Neutral	(20.6)	0.74	0.55	12.9	12.0	9.7	0.8	7.9
Chemanol	8.47	17.00	Neutral	(54.2)	1.01	0.15	N/M	N/M	N/M	0.7	0.0
City Cement Company	12.63	24.60	Buy	(30.6)	1.12	0.47	12.3	11.1	9.1	1.3	9.9
East Pipes Integrated	139.00	185.00	Buy	(1.0)	6.87	1.17	16.4	11.5	10.4	3.9	2.9
Eastern Province Cement Company	23.76	35.00	Neutral	(30.9)	1.15	0.54	8.2	8.1	7.1	0.9	7.6
Maaden	57.95	46.00	Neutral	15.2	28.80	58.75	78.5	34.0	26.9	4.1	0.0
Northern Region Cement Company	7.32	6.40	Sell	(20.9)	0.53	0.35	13.1	25.7	18.8	0.5	3.1
Qassim Cement Company	41.10	54.90	Neutral	(21.9)	2.29	1.20	15.1	14.0	10.9	1.6	7.1
SABIC	52.40	78.00	Buy	(21.8)	22.35	41.91	N/M	39.8	16.3	1.0	6.7
SABIC Agri-Nutrients	110.90	125.00	Neutral	(0.1)	16.0	14.1	15.9	12.2	14.2	2.6	6.3
Saudi Cement Company	34.34	48.30	Buy	(19.5)	1.53	1.40	12.5	12.7	11.4	2.3	7.9
SIPCHEM	15.77	27.50	Neutral	(36.6)	9.86	3.08	21.9	17.0	13.3	0.7	6.3
Southern Province Cement Company	21.93	29.00	Neutral	(36.4)	0.65	0.82	12.6	17.8	16.4	0.9	4.6
Tabuk Cement Company	9.38	12.00	Neutral	(27.1)	0.65	0.23	10.6	14.0	11.0	0.7	5.3
Yamama Cement Company	24.00	45.10	Buy	(31.5)	4.60	1.30	11.6	10.3	9.3	1.0	6.3
Yanbu Cement Company	14.31	24.00	Buy	(41.1)	1.79	0.60	14.3	13.7	12.9	0.9	9.1
YANSAB	28.38	42.00	Buy	(24.9)	3.40	4.26	38.0	44.2	34.5	1.5	7.0
Real Estate & Hospitality											
Al Akaria	13.37	24.00	Buy	(47.2)	4.68	1.34	23.3	14.7	19.0	0.9	0.0
Cenomi Centers	19.13	26.00	Buy	(11.8)	5.35	2.42	7.5	8.5	9.6	0.6	7.8
Dar Al Arkan	15.80	16.00	Neutral	4.6	6.80	4.55	21.3	12.7	10.5	0.8	0.0
Retal Urban Development	11.52	20.00	Buy	(28.8)	5.54	1.54	21.6	17.0	11.0	5.5	2.2
Telecom Services											
Etihad Etisalat	64.60	79.00	Buy	21.0	16.06	13.26	16.0	14.7	13.0	2.4	3.9
Saudi Telecom Company	42.20	47.60	Buy	5.5	40.24	56.08	14.8	14.1	13.3	2.4	5.2
Zain KSA	10.37	11.50	Neutral	1.1	7.12	2.48	22.1	18.0	16.2	0.9	4.8
Information Technology											
Jahez	15.47	35.00	Buy	(48.9)	8.35	0.87	16.4	13.0	11.9	2.4	3.8
Rasan Information Technology	118.30	108.00	Buy	36.9	16.25	2.44	N/M	59.1	43.6	16.8	0.0
Utilities											
ACWA Power	186.00	109.00	Sell	(53.3)	27.92	37.99	N/M	61.3	42.2	5.0	0.0
Alkhorayef Water & Power	129.40	145.00	Neutral	(13.7)	2.66	1.21	18.7	19.1	17.6	5.0	2.3
Marafiq	38.00	61.00	Buy	(30.7)	3.79	2.53	N/M	N/M	9.8	1.8	0.0
Riyadh Cables Group	121.70	91.00	Sell	(11.7)	9.85	4.87	21.7	20.3	19.9	6.1	3.3

Source: Company data, EFG Hermes estimates

Macro outlook – Softer macro conditions ahead

The drop in oil prices and its bearish outlook have clouded Saudi Arabia's economic outlook, raising uncertainty over the gov't's spending plans, as well as funding requirements. Magnifying such uncertainty also is the limited transparency on public spending plans, with not much detail revealed about the gov't's recalibration/re-prioritisation exercise it undertook nearly a couple of years ago, making room for speculations by the markets.

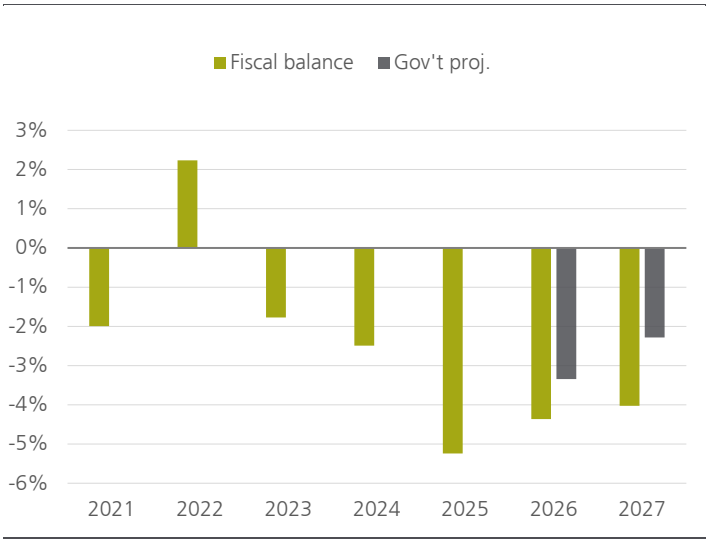
Feeding into the uncertainty narrative, a number of macro indications have weakened, led by reduced number of project awards (one of the key parameters of spending appetite), having seen a massive drop of 53% Y-o-Y – the largest in the MENA region. The drop comes, indeed, from an elevated base, with two record preceding years, but still, a drop of this size – tied with the narrative of a tight fiscal balance and the gov't's recalibration exercise – will not bode well for investors' confidence.

The recently announced 2026 budget did not do much to alleviate such concerns; in fact, it accentuated them. Whilst still aiming to keep spending relatively elevated, the gov't is budgeting for a second cut in spending in as many years. Headline expenditure is budgeted to drop 2%, with 2025 preliminary numbers pointing to a 3% cut. Capex is bearing the brunt of the spending cut, with a planned drop of 6% (again on the back of a 10% decline in 2025).

Attention in 2026 budget pivoted more to the revenue side, which highlights the limited fiscal space. We estimate the budget is based on an oil price of USD68-70/b, leaving authorities with a narrow margin, if any, in terms of maneuverability, with oil prices ending 2025 at levels lower than the assumed range. We, therefore, project a wider fiscal deficit of 4.4% of GDP vs the budgeted 3.3%, basing our forecasts on an expected oil price of USD65/b. Moreover, we forecast a higher nominal expenditure level, building on the trend in the past few years, when the gov't has consistently exceeded its budgeted expenditure. We believe risks to our forecasts are tilted mostly to the downside; hence, the market will be wary of a wider deficit.

Figure 34: We project wider fiscal deficits than assumed by gov't

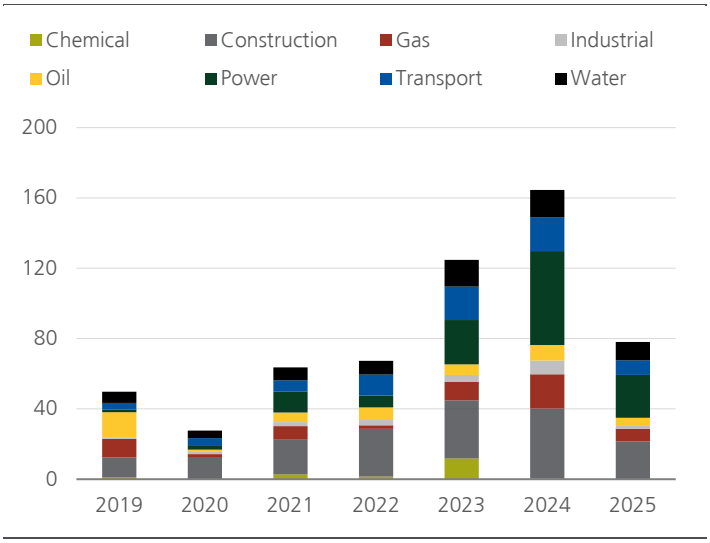
In % of GDP



Source: Ministry of Finance, EFG Hermes estimates

Figure 35: Project awards plunged 53% in 2025

In USDbn

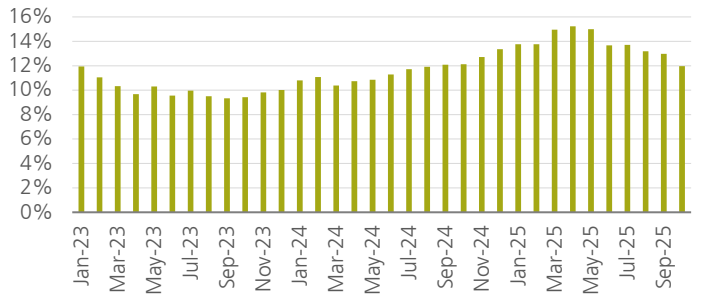


Source: MEED Projects

In this context, we expect some softening in economic conditions in 2026, the signs of which having already started to be manifested in the latter half of this year, as the impact of the oil price shock and ensuing uncertainty gradually set in. In addition to the notable drop in project awards highlighted above, there has been a visible deceleration in credit growth (Fig.36). Labour market conditions weakened slightly, with 2Q data showing a rise in unemployment for Saudi nationals. These indicators tie up with a softening in non-oil GDP growth, which slowed for two consecutive quarters to 4.7% in 2Q and then to 3.7% in 3Q, from 5.0% in 1Q. Consumption led the slower growth environment, in addition to contraction in gov't investment.

Figure 36: Private sector credit growth slowing from early 2025 peak

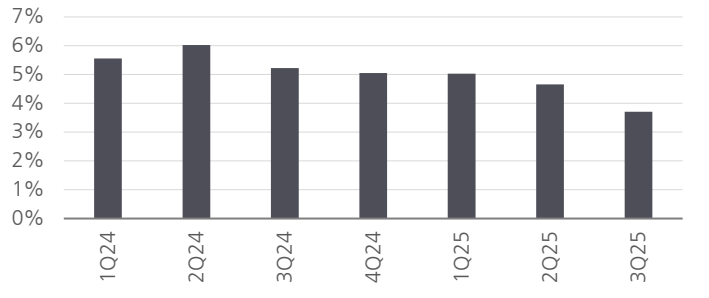
In Y-o-Y % change



Source: SAMA

Figure 37: Real non-oil GDP growth also slowing starting 2Q25

In Y-o-Y % change



Source: GSTAT

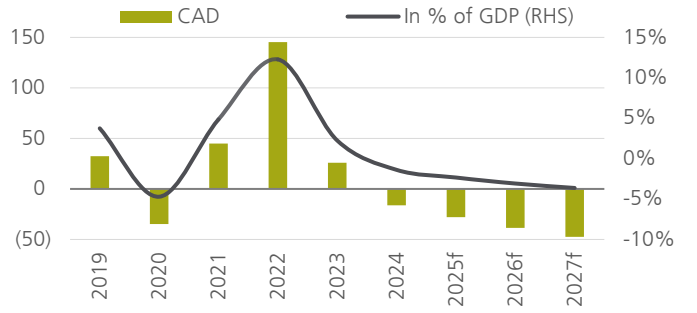
The elevated twin deficits clearly make financing an important factor to watch, especially amidst tight domestic liquidity. We project a fiscal deficit of USD58bn and current account deficit of USD39bn in 2026. The magnitude of the projected deficits hints towards yet another elevated year of external financing needs that we estimate at the cUSD20bn mark. We see total public debt rising further to SAR1.63trn (32.7% of GDP) in 2026.

Financing needs for broader Saudi Inc. – i.e. including PIF, Aramco, banks, etc. – would be even higher. Indeed, the banking sector has been increasingly looking for external financing in recent years to overcome the tightness of domestic liquidity. The sector's net foreign asset (NFA) position swung to a net liability position in 2024 and saw another wave in 2025, taking the balance to a NFL position of USD41bn by Oct 2025.

In addition to raising external financing, we believe a structural current account deficit – as KSA needs to finance its growth – would entail a further revisit of the external investment, driven by state-owned institutions in order to maintain a largely stable FX reserve position, similar to what it has done in the previous few years. This is important for sustaining the credibility of the peg, which we see as far from being threatened at this stage.

Figure 38: CA structurally in the red, on rising growth

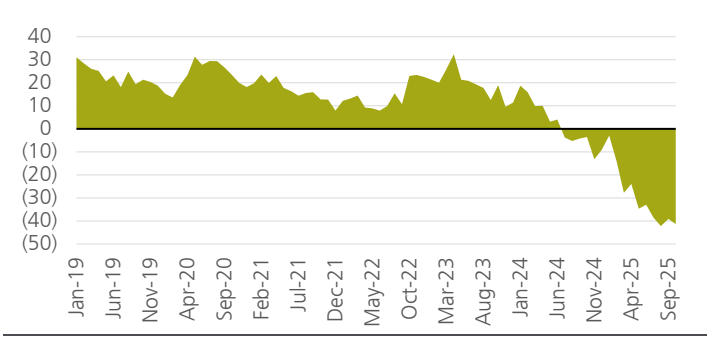
In USDbn (LHS), In % of GPD (RHS)



Source: SAMA, EFG Hermes estimates

Figure 39: Banks increasingly looking for external financing

Net foreign asset position in USDbn



Source: SAMA

Saudi Arabia Macroeconomic Indicators (Year-end Dec)

	2023a	2024a	2025e	2026e	2027e
Real Sector					
Nominal GDP (USDbn)	1,218.6	1,237.5	1,266.6	1,331.2	1,392.5
Real GDP growth	0.5%	1.8%	4.5%	4.4%	2.7%
Real non-oil growth	5.7%	4.3%	4.2%	3.9%	3.7%
Population (mn)	33.7	35.3	36.2	37.2	38.2
Per capita GDP (USD)	36,157	35,057	34,949	35,776	36,447
Oil price (Brent, USD/b Avg.)	82.2	79.9	68.0	65.0	65.0
CPI inflation (%, Avg.)	2.5%	1.5%	2.0%	2.0%	1.8%
External Sector					
Trade balance (USDbn)	130.3	92.0	64.7	55.4	49.1
HC exports (USDbn)	247.4	223.4	198.1	200.4	200.4
Non-HC exports (USDbn)	72.8	82.4	100.3	107.5	115.3
Services balance (USDbn)	(60.7)	(62.3)	(44.5)	(43.0)	(42.0)
Net transfers (USDbn)	(51.4)	(54.7)	(56.3)	(58.9)	(61.7)
Current account (USDbn)	25.9	(16.3)	(27.9)	(38.5)	(47.4)
Current account (% of GDP)	2.1%	-1.3%	-2.2%	-2.9%	-3.4%
FDI (USDbn)	5.5	(6.3)	8.0	9.0	10.0
Fiscal Sector					
HC revenues (USDbn)	201.2	201.8	156.5	158.7	158.7
Other revenues (USDbn)	122.1	134.0	133.6	143.5	152.7
Spending (USDbn)	344.9	366.6	356.5	360.3	367.5
Primary balance (% of GDP)	-2.6%	-3.5%	-6.4%	-5.7%	-5.5%
Fiscal balance (USDbn)	(21.6)	(30.8)	(66.4)	(58.0)	(56.0)
Fiscal balance (% of GDP)	-1.8%	-2.5%	-5.2%	-4.4%	-4.0%
Budget breakeven oil price (USD/b)	91.7	100.2	91.0	83.6	82.9
Net domestic claims on government (% of GDP)	1.9%	3.7%	5.0%	5.8%	6.4%
Gross external government debt (% of GDP)	8.9%	10.3%	11.6%	11.2%	10.9%
Monetary Sector					
NFAs in the banking system (USDbn)	428.5	405.4	372.1	352.2	332.1
Exchange rate versus USD (Avg.)	3.75	3.75	3.75	3.75	3.75
Benchmark lending interest rate (end of period)	6.0%	5.0%	4.3%	3.8%	3.3%
Broad money growth	9.4%	9.7%	12.3%	11.2%	10.7%
Private sector credit growth (%, eop)	10.0%	13.4%	15.0%	14.0%	13.0%
Private sector credit (% of GDP)	55.1%	61.5%	69.1%	75.0%	81.0%

Source: SAMA, General Authority for Statistics, IMF and EFG Hermes estimates

Market still has more to give

- Overweight position maintained, on strong fundamentals
- Banks and property stocks still key picks
- Logistics and transport also in the forefront

The UAE's equity markets continue to enjoy a favourable outlook as they withstood various headwinds in 2025, including lower oil prices, higher global tariffs and escalation of geopolitical risks. These headwinds, though, did weigh on sentiment for some key sectors, including logistics and energy. Not much affected by these global headwinds, banks and property stocks drove the decent market performance. In fact, banks made up six of the top 10 performing stocks, thanks to rapid earnings growth and accelerated credit growth.

For 2026, we remain Overweight on UAE markets, convinced that the country's structural growth story - whether the population growth theme, economic diversification or monetisation of state-owned assets - remains intact. The pace of growth might be softening from a high base, but the earnings outlook remains attractive, in our view.

In the property market, we favour **Emaar Properties**, given its attractive dividend yield, which is based on a strong cash flow visibility. Exposure to the retail and hospitality segments is a plus, counterbalancing the expected stability in the property segment. We also like **RAK Properties**, with the rise in number of launches and the Wynn Resort nearing completion. In Abu Dhabi, **Aldar** continues to stand out, with the aim to achieve its 2030 targets to reach 50% of its EBITDA from investment properties likely driving news flow on the stock.

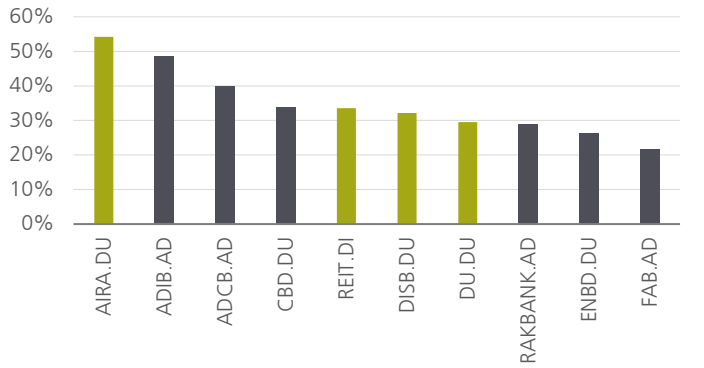
Banks also remain in favour, thanks to expectations of sustained strong credit growth and fee income, which will drive healthy growth in earnings. Our Top Picks in the sector are **ADCB** (planned rights issue to boost capacity to growth) and **ADIB** (high ROE and sufficient capital to support growth).

In the transport/logistics sectors, we like **ADNOC L&S,** which is set to benefit from the recent spike in tanker rates and delivery of its LNG vessels in 2H26, as gas production starts to ramp up. Finally, the stock is trading at an undemanding P/E of 14x 2026e earnings. We also are constructive on **AD Ports,** with the company pushing ahead with an asset monetisation programme, which we believe will boost its capacity to pay dividends.

In telcos, we remain Buyers of **du**, with the company being a perfect play on the population theme and also its being exposed to the investment theme of data centres. Capex requirements of the latter might lead to improving the company's capital structure by driving some borrowings, especially amidst the low interest rate environment.

Figure 1: Banks dominated the list of top performers in 2025

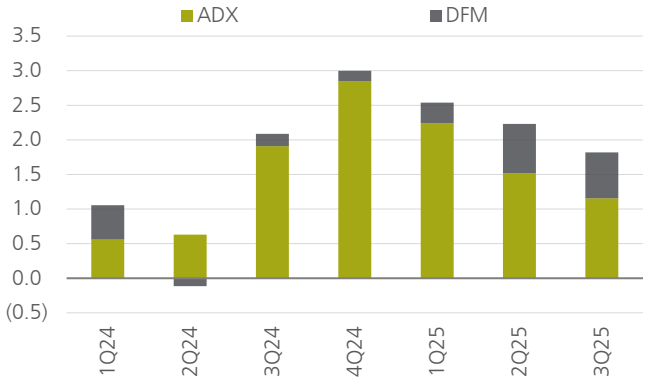
In YTD change



Source: Bloomberg

Figure 2: Foreign inflows up 80% Y-o-Y in 9M25

In USDbn



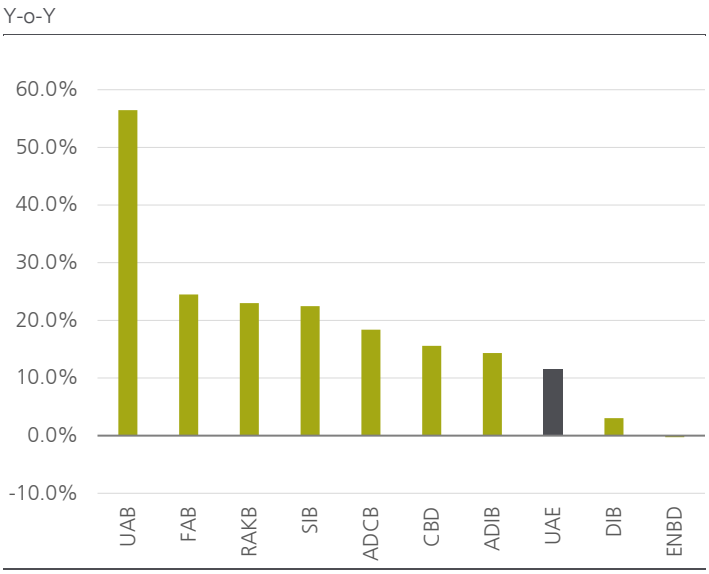
Source: Stock exchanges

Banks

Poised for another year of strong loan growth

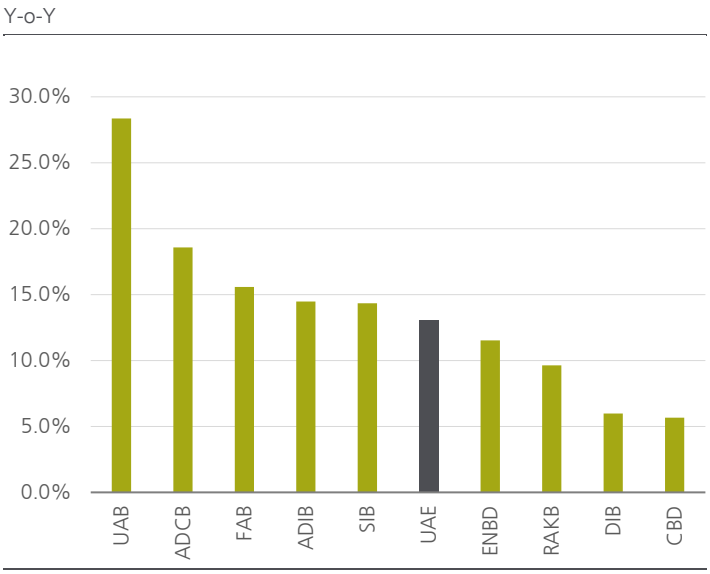
Our UAE banks' composite delivered stronger-than-expected earnings in 9M25 vs 9M24. Earnings were up 12% Y-o-Y vs an earnings decline, which we had envisaged back in Dec 2025, as loan growth has been stronger than expected, fee and other income has surprised positively, and provisioning continues to be low. In addition, for certain large UAE banks – ADCB and ADIB – the corporate tax did not increase to 15% in 2025, from 9%, as these banks were eligible for the Initial Phase of Internal Activity Exclusion. UAE banks' NIMs have also held up better than Saudi banks', as the latter had to grapple with relatively tight liquidity. This contributed to the relatively strong stock price performance for UAE banks, especially ADIB and ADCB.

Figure 3: UAE banks' 9M25 earnings increased 12% Y-o-Y…



Source: Company data, EFG Hermes estimates

Figure 4: …with their revenue up c13% Y-o-Y during this period



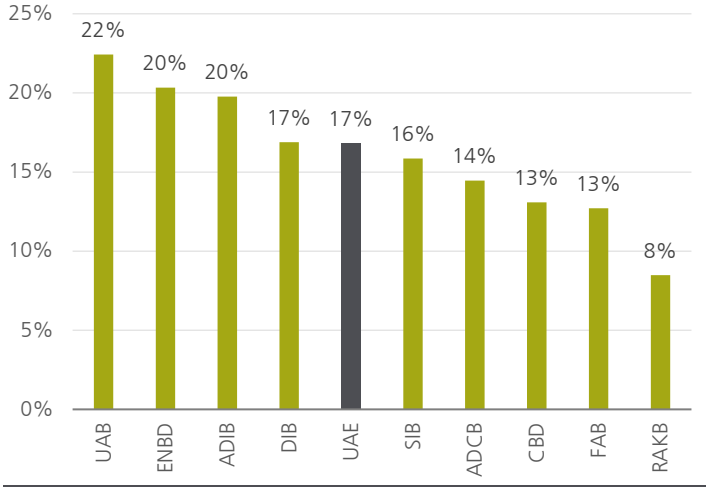
Source: Company data, EFG Hermes estimates

Loan growth - key positive surprise in 2025

Aggregate loan growth for our UAE banks' composite has been impressive: as of 3Q25, loan growth is 19% Y-o-Y and 17% YTD. At the system level, two sectors stand out: retail (+17% Y-o-Y as of Aug 2025) and foreign credit (+59% Y-o-Y). ENBD revised its loan growth up to "low 20s" post 3Q25, from "high single-digit" at beginning of 2025, with growth spread across retail, corporate, Saudi Arabia and Turkey. The upward revision in growth comes despite a reduction in lending to Dubai sovereign. ADIB revised its loan growth to >20% post 3Q25, from >10% at beginning of 2025, driven by retail (mortgages) and public sectors. FAB revised its loan growth guidance to "low double digits", from "mid to high single-digits", driven by growth in corporate and banks (trade finance). DIB raised its 2025 financing and sukuk growth to 20% for 2025, from 15%, driven by growth in the corporate (domestic and cross-border) and consumer (home finance, personal and auto) sectors.

Figure 5: Loan growth by bank

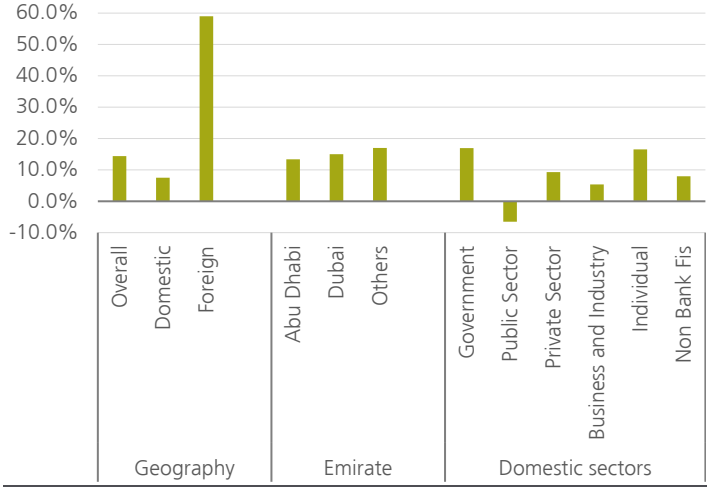
YTD 3Q25



Source: Company data

Figure 6: Breakdown of loan growth

As of Aug 2025, Y-o-Y



Source: UAE Central Bank

Strong loan growth momentum likely to continue into next year

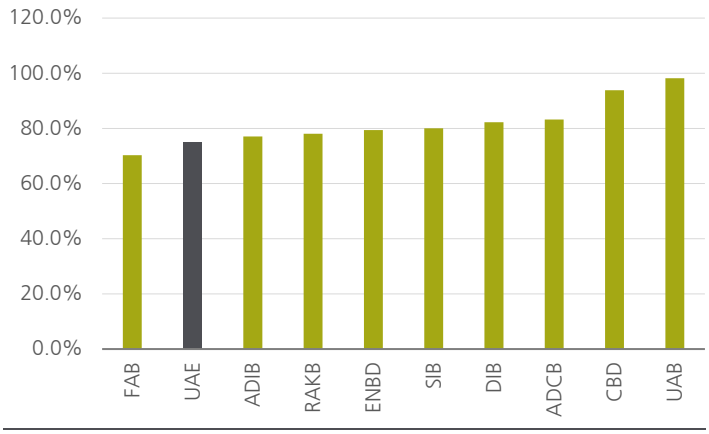
Looking ahead, loan growth prospects for UAE banks continue to be encouraging. The UAE's non-oil GDP is set to grow by 4.8% in 2026 from 4.5% in 2025; mgmt. comments suggest their loan pipeline is solid, loan demand is likely to be strong from KSA, where the regulator is tightening domestic bank's lending capacity by raising capital requirements, and as UAE's domestic liquidity continues to be satisfactory.

A comfortable liquidity position, boosted by strong deposit growth

UAE banks continue to be well-positioned, with LDR at 75% as of 3Q25 vs 106% for KSA banks. Deposit growth for UAE banks is also superior, at 14% Y-o-Y as of 3Q25 vs 8% for KSA banks. The relatively plentiful level of liquidity should ensure that UAE banks' growth prospects are not constrained in 2026.

Figure 7: Loan-to-deposit ratio for UAE banks; UAE at c75%

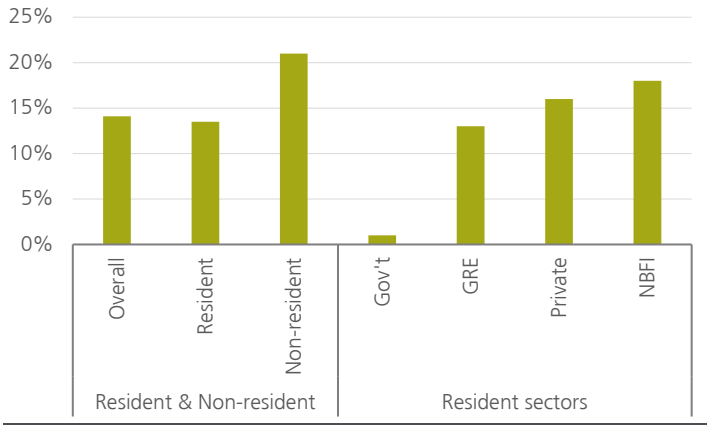
As of 3Q25



Source: Company data

Figure 8: Deposit growth is strong across most segments

Deposit growth Y-o-Y by sectors as of Aug 2025



Source: UAE Central Bank

Banks are reinforcing their capital positions to ensure that growth is not compromised

The UAE Central Bank is planning to increase the Counter Cyclical Buffer (CCYB) to 50bps effective Jan 2026. We believe the UAE's CCYB requirements are less restrictive than those of Saudi Arabia, where the regulator would impose a CCYB buffer of 100bps from May 2026. The UAE Central Bank states that the 50bp buffer is being introduced in context of a neutral risk environment, when cyclical systemic risks are neither particularly high nor particularly low. In addition to the CCYB, the Central Bank widened the D-SIB buffer requirement for ADCB to 100bps, from 50bps earlier. The change triggered ADCB's mgmt. decision to raise capital via an AED6.1bn rights issue (c120bps of CET 1 capital). For our coverage, Sharjah-based UAB raised AED1bn via a rights issue in 2025.

Figure 9: UAE banks - CET 1 position as of 3Q25

	CET 1	Minimum Pillar I*	Excess
FAB	13.70%	11.50%	2.20%
ENBD	14.70%	11.00%	3.70%
ADCB	12.70%	10.50%	2.20%
DIB	13.40%	10.00%	3.40%
ADIB	13.00%	9.50%	3.50%
CBD	12.90%	9.50%	3.40%
RAKB	16.00%	9.50%	6.50%
SIB	12.00%	9.50%	2.50%
UAB	18.50%	9.50%	9.00%

*Minimum capital requirements exclude CCYB buffer, which becomes effective at 50bps from Jan 2026
Source: Company data, EFG Hermes estimates

Top Picks

ADCB: The bank's planned AED6.1bn rights issue reinforces our confidence in the bank's ability to deliver on its ambitious five-year plan – double earnings; CET 1 >12%, ROE >15% and cumulative dividends of AED25bn.

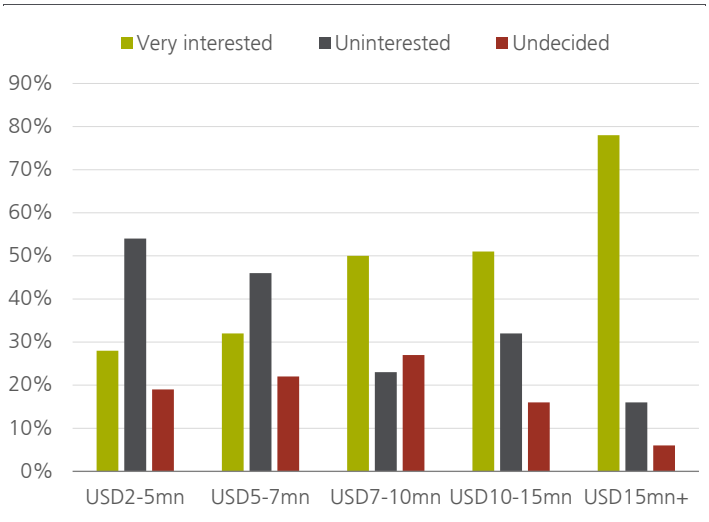
ADIB: Its strong ROE (29% in 2026) and satisfactory capital position (CET 1: 12.7%) should ensure that the bank's growth aspirations (loan pipeline strongest in six years) are not capped by capital constraints.

Real Estate

We think 2026 will continue to be a solid year for the UAE's real estate market, continuing the uptrend that started since 2021 - expecting a stable operational performance across the various segments, led by the property sector, whilst the hospitality and retail segments will continue to show positive trends. We believe Dubai will remain in focus, given the emirate's significant market size and its being on the top list of markets for global property investors, and Abu Dhabi's property market will grow steadily, continuing to attract foreign interest. Ras Al Khaimah will also continue to be on the radar screen of property investors, with the emirate actively implementing changes to attract foreign interest and investments to the sector. According to a survey conducted by Knight Frank, which included global HNWI, there has been remarkably positive interest from HNWI to buy properties in Dubai, especially units within the price bracket of over USD15mn; hence, indicating a continuation of increased representation of high-end residential units' sales in total market transactions. It is worth noting that Dubai has been ranked as the top market for residential sales transactions for properties worth USD10mn+. We expect such strong interest to continue in 2026, which justifies Emaar's recent announcement of launching a project in 2026 that would include mansions; hence, increasing the representation of high-end projects in its total portfolio. This is in addition to the launch of two sizeable projects in the Oasis community earlier this year, with a total sales value of cAED18bn. We expect similar trends to be extended to other emirates, with Aldar launching projects in Fahad Island, a high-end coastal community in Abu Dhabi, and RAK Properties planning to launch branded units in its Mina Island, including Armani-branded units.

Although we believe the trend of higher representation of high-end units in total market transactions will continue in 2026 across the UAE, Dubai and Abu Dhabi's initiatives to encourage first-time buyers and various housing programme schemes will also support sales for lower-priced units. We expect a solid performance in the real estate market across the three emirates.

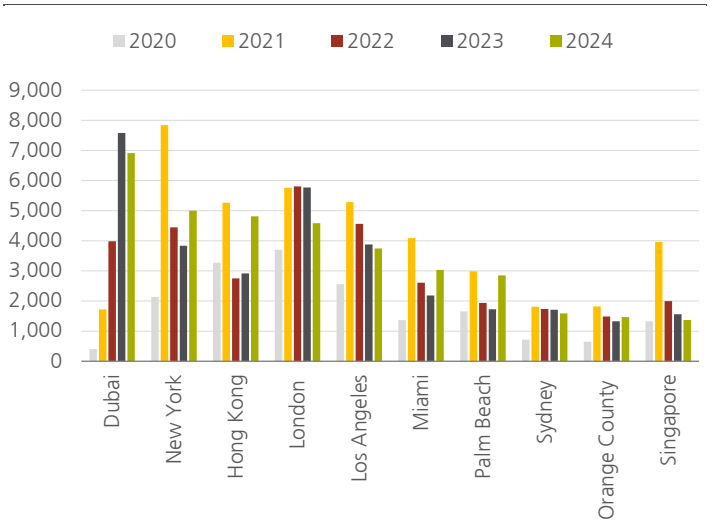
Figure 10: Increased interest amongst respondents is witnessed in units priced USD15mn+



Source: Knight Frank, EFG Hermes

Figure 11: Dubai ranks first, in terms of annualised residential sales worth USD10mn+ amongst global cities

In USDmn



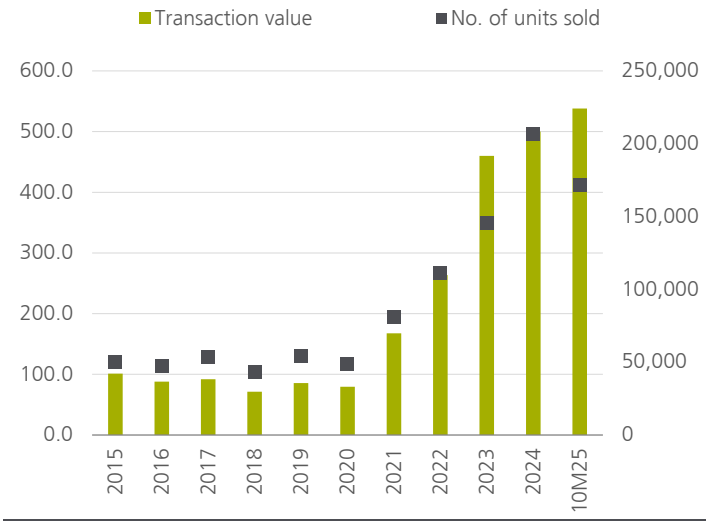
Source: Knight Frank, EFG Hermes

Dubai: All eyes on what will happen – a year of stability, in our view

The off-plan sales activity in Dubai continued its uptrend in 2025, for the fifth consecutive year, where we estimate total off-plan sales to come in at AED380bn in 2025 (+35% Y-o-Y), following four years of exponential growth. The year started on a strong note, with major project launches in 1H25, led by two large launches by Emaar, at a total value of cAED18bn. Activity continues to be strong YTD, with average selling prices on an uptrend; average payment terms remain intact, with no major extended payment terms offered, in an attempt to encourage more sales. All eyes are on what will happen to the property market in the emirate in 2026, especially following five years of strong growth and anticipation of the sector peaking over the past three years. The market fundamentals remain solid, in our view, where we believe the emirate's initiative for first-time buyers programme that was launched in 2025 would support sales activity for projects with unit prices below the AED5mn threshold, while the emirate will continue to attract the global HNWI seeking investment opportunities, especially in the high-end and branded units' segments; hence, we expect Dubai's property market to witness another year of positive performance, extending its uptrend cycle. We see no major changes to the payment terms offered by developers for new launches, given the solid market dynamics. Emaar will continue to lead, in terms of market share, in our view, with a diversified project portfolio that would cater to wide market segments.

Figure 12: Exponential growth in total transactions continues in 2025, while number of units sold would come in lower than in 2024, in our estimates, due to increased representation higher-priced units

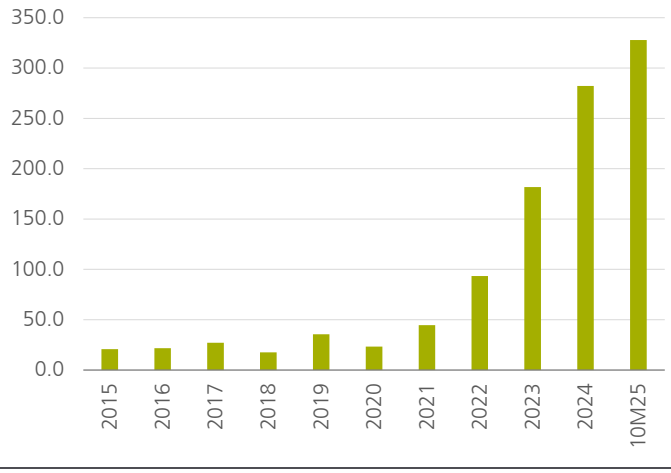
In AEDbn



Source: REIDIN, EFG Hermes estimates

Figure 13: Off-plan sales continue to be strong; we estimate 35% growth Y-o-Y in 2025

In AEDbn



Source: REIDIN, EFG Hermes estimates

Abu Dhabi market would expand further in 2026

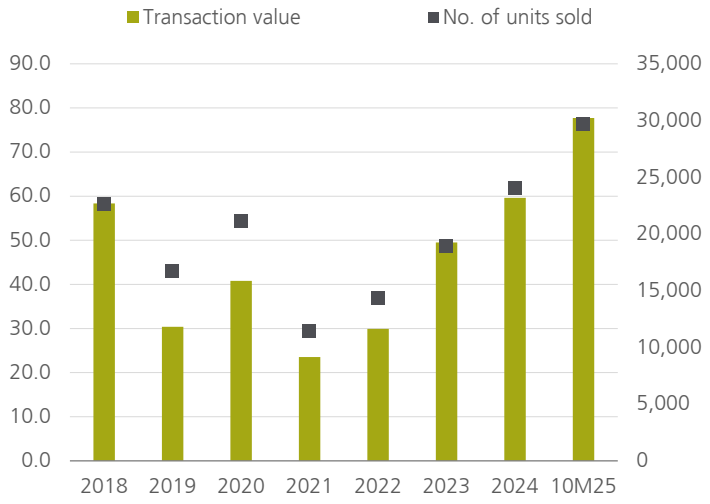
Following relatively weak 2024 off-plan sales in the Abu Dhabi market, where we had expected previously that such a slowdown in activity would be a mid-cycle dip, rather than a start of a recessionary period, activity has picked up quickly in 2025, driven by the launch of several large projects by market leaders, Aldar and Modon Properties, along with other private developers. Off-plan sales transactions came in at AED44.9bn in 10M25, double the transaction value of the same comparable period. Our positive outlook is driven by: i) favourable macro outlook that would continue to reflect positively on the property sector; ii) potentially a more active and liquid secondary (resale) market, based on a more diverse buyer base that we think will result in more demand going forward; and iii) a more mature market that would entail a wider product offering, leading to further depth and breadth to the Abu Dhabi market. Therefore, we believe there is potential for a surge in market activity in Abu Dhabi, similar to what happened in Dubai over the past three years. Although we do not expect the same growth level, at least in the medium term, the relatively faster pace of developments in the emirate is an encouraging factor that would attract demand for its property market, in our opinion.

Favourable macro outlook reflects positively on sector dynamics

We expect the positive trend in market activity to continue in the short and medium terms, backed by the sector's strong fundamentals, with Abu Dhabi 2030 strategy having ambitious targets that we think will reflect positively on population growth rates and investment appetite. The emirate continues its efforts to establish the city as a major entertainment hub and destination of choice in the region, with Abu Dhabi being the home for a number of theme parks and leisure destinations, including the prospective Disney Land that is expected to be opened between 2030 and 2032. We believe such efforts will have positive implications on the property market, with demand from expatriates increasing as they continue to appreciate the lifestyle within several destinations, along with increased interest from foreign buyers. For example, Aldar's mgmt. has indicated previously that around 80% of sales come from new buyers, while around half of the buyers indicate that they are planning to live in the purchased units.

Figure 14: Total residential transactions in Abu Dhabi continue their uptrend for the fourth year

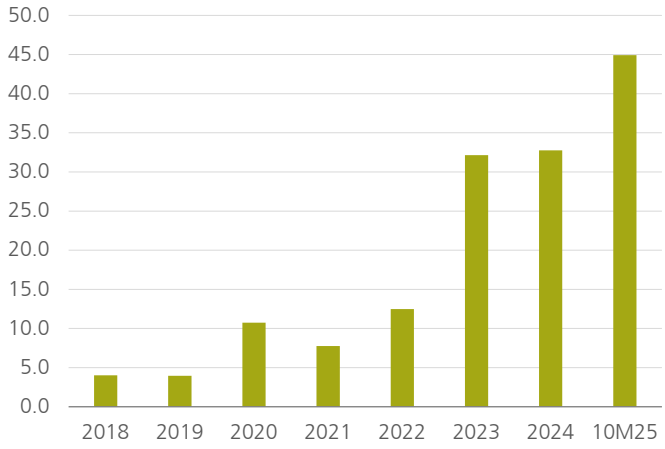
In AEDmn



Source: QUANTA, EFG Hermes

Figure 15: A surge in off-plan sales transactions in 2025; an encouraging trend that we expect would continue

In AEDmn



Source: QUANTA, EFG Hermes

Ras Al Khaimah will continue to attract investments

RAK's property market has been increasingly attracting attention over the past few years, especially following the announcement of the establishment of casino licences in the emirate. The announcements, first made in 2022, attracted major local developers, including Aldar and Emaar to establish presence in the emirate, with Aldar adding to its investment portfolio a retail mall and two hotel assets, while Emaar launched a residential community in the emirate, with plans to establish a new hotel. The real estate market has witnessed signs of increased activity since 2021; however, there was a surge in real estate transactions in 2024 that continued in 2025, with total market transactions up 32% Y-o-Y in 8M25 to reach AED16.9bn. RAK Properties has leveraged on the positive operating environment, with the company managing to book AED2.0bn in 9M25 (+117% Y-o-Y).

In 2026, we expect property transactions to rise in Ras Al Khaimah, with more private developers setting up new projects, especially in Al Marjan Island, and as the Wynn Resort nears its completion date, scheduled for 2027.

Top Picks

Emaar Properties: An attractive dividend yield play, with strong earnings and cash flow visibility for the coming four years. Emaar has a solid sales backlog of AED150.3bn (as of Sep 2025), with an average gross margin of 46% on its UAE portfolio (85% of the Group's development portfolio); hence, indicating the potential of cash flow that would be generated as these projects get handed over. Ambitious plans in the retail segment add to the attractiveness of the story and give further support to the recurring income asset base, with the planned expansion in the iconic Dubai Mall and announcement of Dubai Square mall. We are positive on the company's growth potential and, also, its ability to offer investors a lucrative dividend yield (+7%).

Aldar: We are positive on Aldar's ambitious growth targets and mgmt.'s ability to deliver such numbers. We expect further positive expansion and acquisition announcements in 2026, with the aim of contributing to the ambitious 2030 strategy, and set numbers to support the stock performance positively. Despite Aldar not offering attractive dividend yields, on our numbers, we see the growth story in the development and investment segments translating eventually into more lucrative dividend yields beyond the short term.

RAK Properties: A growth play, leveraging on the ongoing developments in the Ras Al Khaimah emirate, especially as the Wynn Resort project nears completion. The company's focused strategy and plans to increase the development portfolio and diversify into various segments, especially the high-end and branded units, would support the growth story and lead to high margins for the portfolio, as per our numbers. The stock is a unique proxy on Ras Al Khaimah emirate's growing property and hospitality segment.

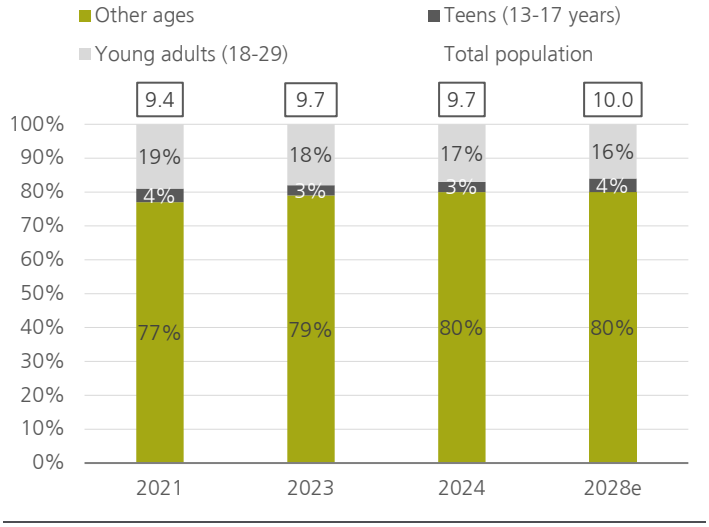
Consumer

Strong consumption trends persist in UAE, driven by a growing affluent expat population…

The UAE consumer sector continued to demonstrate strong momentum in 2025, underpinned by sustained population growth and an expanding base of affluent expats. This has supported solid performance across major consumer companies, with high disposable incomes translating into resilient spending patterns. Despite the introduction of a 15% corporate tax for large companies (from 9%), overall sector growth remained intact, as strong demand fundamentals and operational performance offset the higher tax burden.

Figure 16: UAE population exceeded 9.7mn in 2024…

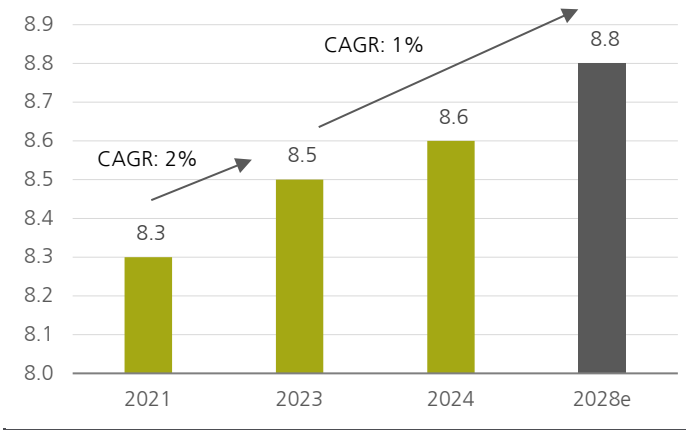
In mn



Source: EMI Report

Figure 17: …with expatriates accounting for c90% of total

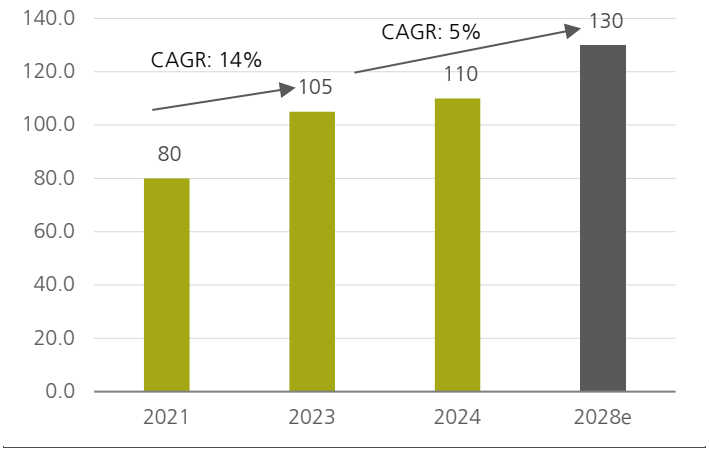
In mn



Source: EMI Report

Figure 18: Disposable income per capita expected to rise further at a CAGR of 5%

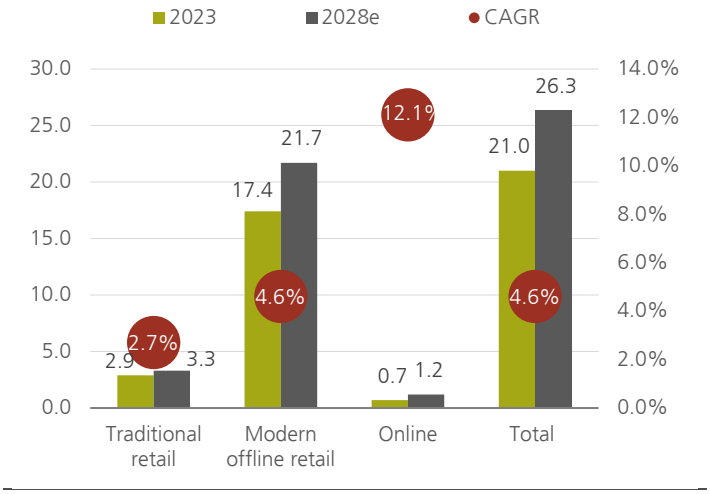
AED '000



Source: EMI Report

Figure 19: UAE is the fastest-growing retail market in the GCC, with modern retail contributing c86% to total retail market in the UAE

Total UAE retail market size by channel in (USDbn)



Source: Euromonitor

…resulting in strong performance of UAE consumer companies

Grocery retailers (**Spinneys** and **LuLu Retail**) continued to deliver healthy like-for-like (LFL) sales growth in the UAE (LuLu witnessed weaker performance in KSA), benefitting from strong market tailwinds in the country. Amongst non-food retailers, **ADNOC Distribution** saw its GCC throughput continue its uptrend in 9M25 – after declining for six consecutive years (reversed that trend in 2024) – because of an improvement in the UAE's macro environment. Meanwhile, leading taxi operator **Dubai Taxi Co.** delivered a strong bottom-line in 2Q25 and 3Q25, reversing the downtrend of 2024 and 1Q25, on a recovery in margins, supported by lower fuel costs, and as Bolt promotions were not as high as they were in 1Q25.

talabat share price on downward spiral, despite solid operational performance since IPO

talabat is maintaining its impressive growth, underpinned by a robust customer order frequency increase and multi-vertical use (earnings +26% in 9M25); however, the share price has been pressured severely (-39% YTD and is near all-time lows), on: i) concerns over market share and margin declines, due to increased competition from the entry of Meituan (operator of the Keeta brand) into talabat's key markets in 4Q25; ii) abrupt mgmt. changes (CEO resigned in Nov); and iii) to a lesser extent, the temporary halt of the company's operations in Qatar. Nevertheless, the company maintained its guidance for 2025: GMV growth of 27-29% (on a constant currency basis), adj. revenue growth of 29-32%, adj. EBITDA margin to GMV of 6.5%, net income margin to GMV of 5.0% and a minimum dividend payout of USD400mn. We believe guidance for 2026e (to be announced with FY25 results) will be more conservative, as pressure from rising competition intensifies.

Top Picks

ADNOC Distribution: Delivered improved GCC station throughputs in 2024 and 9M25, while non-fuel retail initiatives (c-store network revitalisation, EV charging points, property management, etc.) have started to contribute more significantly to the overall numbers (total non-fuel retail represents c39% of 9M25 gross profit). We believe ADNOC Distribution's current valuation is attractive, with the stock having a lucrative dividend yield, which is at a discount to UAE infrastructure names with a dividend commitment. During the ADNOC Majlis held on 8 Oct, the company proposed extending its dividend commitment of the higher of USD700mn a year or a 75% DPO to 2030e (vs 2028e). It also proposed shifting to a quarterly dividend frequency from 1Q26 (vs semi-annually). We forecast a 5YR earnings CAGR of 8%, driven by higher volumes and some opex savings.

Spinneys: Has been seeing strong revenue growth momentum, on solid like-for-like (LFL) sales growth, capitalising on the stable spending power of UAE consumers and continued demand for premium grocery products. Spinneys has best-in-class margins (2024 EBITDA margin: c19%; net margin: c10%) and returns (ROAIC: 27%) due to a very high contribution from private labels (c43% of 2024 top-line) and fresh food items (c63%, the majority of which are private labels). We expect earnings to grow at a 5YR CAGR of 8%, on store expansions. We like the company's liquid balance sheet (net cash position), aided by its negative working capital cycle, providing scope for high dividend payments (min. DPO of 70%). The KSA operation has not been a drag on numbers, due to better-than-expected ramp-up and slow rollout of stores (two in total as of 9M25).

Telecoms

Strong macroeconomic momentum to fuel telcos' growth

We see the UAE's economy in 2026 continuing to benefit from a medley of factors that will ensure a steady positive momentum for the telecoms sector, including continuing population growth, stronger tourism activity, FDI inflows, amongst other aspects; this has trickled down positively to the telecoms sector in recent years, including 2025, and will continue to do so for the foreseeable future, in our view.

Competitive landscape still benign

The UAE's telecom market will continue to benefit from healthy competition dynamics that focus mostly on quality of service and innovation and far less on pricing. This applies to the mobile and fixed segments, despite a likely persistence of the heated competition in fixed (especially fixed wireless access or FWA and to a lesser extent FTTH). In 2025, du remained very focused on commercial efforts in FWA and its market share grew further, a trend that should carry into 2026, we believe. With the overall pie continuing to grow on strong macroeconomic fundamentals, we strongly believe competition between e& and du will remain benign in 2026. Moreover, the same fundamentals and a clear gov't-led digitalisation agenda are likely to extend the healthy growth in the enterprise segment.

AI increasingly central to UAE's story

The UAE has a very clear and ambitious national strategy to develop the AI industry and has already invested heavily in AI-enabling infrastructure, as well as having helped the creation of a domestic AI industry that is becoming a regional leader. All companies under our coverage in the UAE will play growing roles in AI in 2026 and beyond, we believe, as some are already working on building the necessary infrastructure and/or are developing products that leverage AI as market demand grows further and use cases expand. The UAE's ICT infrastructure is one of the most advanced in the region, which is an important factor that will help accelerate growth of AI in the country; this is also backed by sovereign efforts to import the technology and hardware from the USA. Moreover, it will help develop a larger ecosystem that will create new adjacent opportunities for telecom players.

Top Picks

du: A very good play on the UAE's attractive telecoms sector, as it is a single-country telco, with exposure to an economy that has been performing very well. du benefitted recently from a reduction in effective royalty rates that coincided with the implementation of the inaugural corporate tax in UAE, leading to earnings growth and higher dividends. It boasts a very solid, debt-free balance sheet, with high FCF generation and a dividend payout ratio of c100% of earnings. Strategically, du is diversifying into adjacent opportunities like digital infrastructure (data centres and submarine cables), fintech, IT services (enterprise, cybersecurity, etc.), which will extend its already healthy growth momentum, in our view.

At current prices, the stock still looks attractive, despite being one of the strongest performers amongst MENA telcos. We believe there could be additional upside that is not factored-in because of low visibility on the size of the adjacent opportunities and difficulty to quantify their growth potential. Also, it offers attractive dividend yields at an unjustifiable discount to similar UAE names (gov't-owned/linked, plays on UAE economy/population growth, etc.) that are currently trading closer to the sovereign yield.

Alpha Data: Offers unique exposure to the UAE's growing IT services sector, as it is one of the largest players in a rather fragmented market (its share of the addressable market is only c6%), and to KSA, which is the largest IT market in the region and one of the fastest-growing, backed by ambitious gov't-led digitalisation agenda. ICT spending in the UAE and KSA is supported by strong fundamentals, given both gov'ts' push for digitalisation and sizeable spend on various projects. Alpha Data's longstanding client relations, track record, expertise and business model put it in a favourable position to benefit from its addressable market CAGR (2023-28e) of 9% in the UAE and 11% in KSA. Acceleration in AI deployment across the region could lead to even faster growth. The company offers a good combination of growth and value, thanks to its asset-light business model, high cash conversion, and generous dividend policy (DPO of c80% from 2025 onwards). At current prices, the dividend yield is very attractive, we believe.

Sector key name

e&: The company is in the middle of a major strategy transformation at the moment, having recently adopted a model of becoming a global tech company, as opposed to being a regional telco previously. This transformation requires a substantial amount of capital, as a large part of this will be achieved via acquisitions; however, most of the capital spent on asset acquisitions over the past two-three years was directed towards telco assets (Vodafone Group, PPF Group, Telenor Pakistan, etc.), which does not achieve the tech-co goal. Additionally, while the geographic diversification strategy has historically worked well at times when the UAE market was lacking growth, and international markets were growing, e& is currently facing the opposite, whereby the UAE has generated decent growth, and its international markets were a drag on earnings recently because of FX weakness. As a result, excluding the impact of M&A, organic earnings growth has been relatively subdued. At the current dividend yield of c4.5% (based on the announced progressive dividend policy), the stock appears fairly valued and lacks any catalysts.

Industrials

AI power boom a positive for Dubai's power utilities

The UAE's utility space has been in relatively high demand throughout 2025, with 2026 shaping up to be a year for more developments, in our view. In the past few years, the AI data centres have been a trending theme, which we think will likely translate into utility infrastructure build-up now. DEWA and TAQA are well-positioned to benefit from this dynamic, as they are the quasi-monopoly power generation assets that serve two of the most active markets globally in AI deployment (Dubai and Abu Dhabi). With the addition of the AI plans and UAE's impressive population growth, utility infrastructure development would come at the forefront of investment ideas, and we note that DEWA and TAQA are heavily focusing on developing green/renewables power assets. The other derivative utility plays that focus on district cooling (Empower and Tabreed) are also growing to accommodate the surging population expansion, which should translate into more relevant activity in 2026.

Transport/logistics plays likely to see further upside in 2026

As for the transport and logistics space, two entities stand out in the sector: i) AD Ports, from a non-oil/industrialisation standpoint for the economy; and ii) ADNOC L&S, which positions itself as the go-to arm for ADNOC Group's entire logistics needs – with more upside from its international tanker shipping exposure in a significantly tight market currently.

Energy price outlook not compelling, but to be largely offset by higher volumes

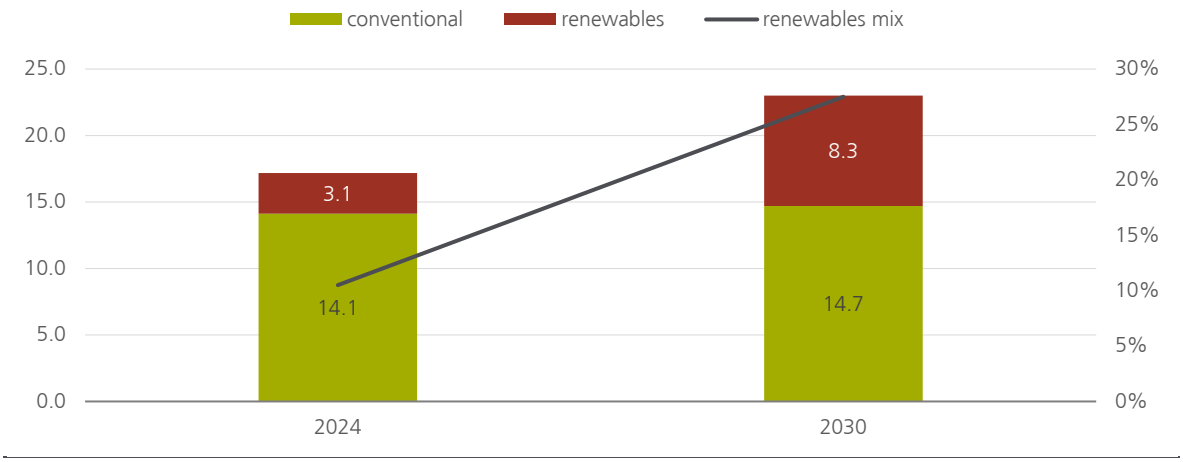
On the energy side, while the sentiment for crude pricing is not at its most supportive, there are individual energy stories that are emerging in listed ADX names (ADNOC Gas and Dana Gas) as a result of volumes expanding with somewhat defensive attributes.

Top Picks

DEWA: Dubai's main utility provider, the volume growth of which – coupled by slight easing in capex – would lead to the ramping-up of dividends. The market would react positively to the move, at a time when DEWA offers further growth until end of decade. Discussions on tariff increases are also being considered, which would be highly accretive, if enacted. From a valuation perspective, the company's equity story remains compelling, in our view. Even if the AI data centre and tariff adjustment themes do not materialise, there will be significant upside optionality on the table, when they ultimately do.

Figure 20: DEWA's evolving generation mix; 2024 vs 2030 target

LHS: in GW; RHS: in %

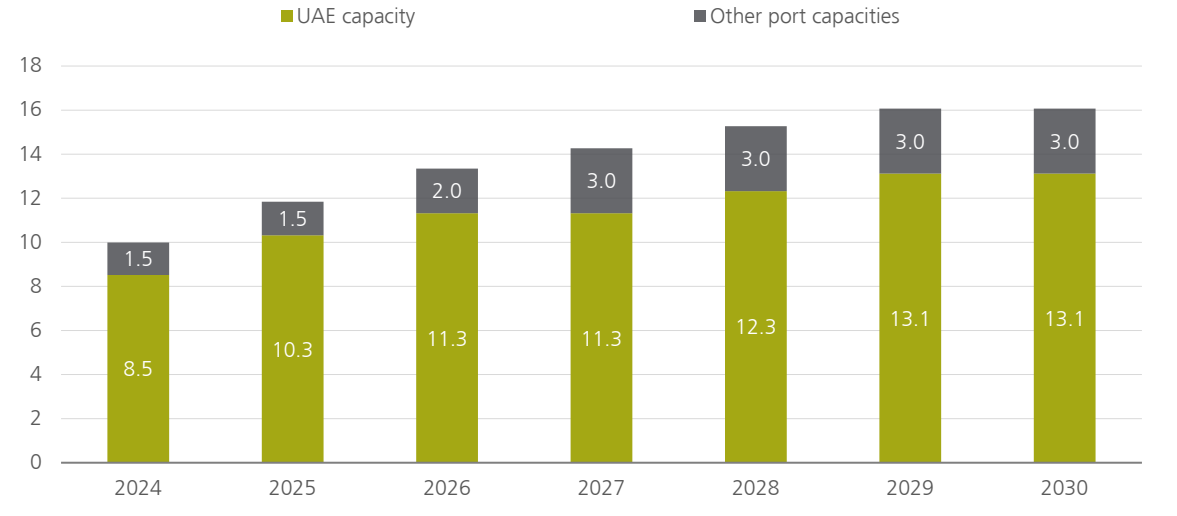


Source: Company data, EFG Hermes estimates

AD Ports: The name seems to be on a spree of growth initiatives, along with divestments of non-core assets that the market seems to be in the dark about (such as a significant land bank). The company has been gaining traction at end of 2025, which we think would continue in 2026, as: i) cash proceeds of these divestments come through; ii) more monetisation initiatives are announced; and iii) growth is being witnessed in underlying core businesses, such as AD-based container terminals, economic zones and maritime. We also think the equity story will be in the spotlight as AD Ports' initiatives develop into FCF-positive business in 2026, opening discussion for potential dividend distributions towards early 2027 – with shareholders likely to position beforehand.

Figure 21: AD Ports capacity progression

In mn TEUs



Source: Company data, EFG Hermes estimates

Figure 22: UAE coverage

Price as of 17 Dec 2025

Company	Price	TP	Rating	YTD perf.	ADVT	M Cap		P/E (x)		P/B (x)	DY (%)
	(AED)			(%)	(USDmn)	(USDbn)	2024	2025	2026	2025	2025
Consumer											
Agthia	3.82	6.50	Buy	(41.2)	0.64	0.86	10.8	9.8	8.6	1.1	5.8
Alef Education	1.09	1.35	Buy	(5.2)	0.75	2.08	17.1	16.2	14.6	12.6	8.8
Dubai Taxi	2.53	3.15	Buy	(9.0)	0.99	1.72	19.5	17.6	16.3	18.5	4.8
Emirates Driving Co. (DRIVE)	3.07	3.65	Buy	9.6	0.15	0.90	13.0	12.0	11.5	3.0	7.2
Lulu Retail	1.18	1.82	Buy	(37.9)	3.17	3.32	15.4	13.9	11.8	3.4	5.4
Spinneys	1.52	2.10	Buy	(5.6)	0.59	1.49	17.1	16.9	15.5	13.3	4.1
Taaleem	4.12	6.50	Buy	4.3	0.48	1.12	25.2	28.9	26.8	2.6	3.1
talabat	0.98	2.15	Buy	(29.8)	9.00	6.23	15.9	13.2	10.9	12.4	6.4
Energy											
ADNOC Distribution	3.99	4.30	Buy	13.4	12.21	13.58	23.0	21.7	19.7	34.7	5.2
ADNOC Drilling	5.27	6.40	Buy	(1.1)	25.02	22.96	17.6	16.1	14.8	5.6	4.4
ADNOC Gas	3.46	4.15	Buy	(1.4)	37.28	72.31	14.5	14.2	14.4	2.9	5.0
Dana Gas	0.85	1.10	Buy	21.0	2.77	1.62	10.8	11.7	6.9	0.6	7.0
Financials											
AD Commercial Bank	14.36	18.20	Buy	37.8	23.87	28.62	12.0	10.3	8.6	1.5	4.2
AD Islamic Bank	20.82	25.00	Buy	50.7	18.20	20.59	13.9	12.3	10.9	3.2	4.3
Al Ansari Financial Services	1.00	1.09	Neutral	(0.3)	0.13	2.03	16.3	14.3	12.7	3.8	6.0
Commercial Bank of Dubai	9.57	8.90	Neutral	33.3	0.04	7.78	9.4	8.5	8.5	1.9	5.9
Dubai Islamic Bank	9.48	9.00	Neutral	33.7	12.05	18.69	9.9	11.2	10.6	1.7	4.6
Emirates NBD	28.80	27.00	Buy	34.3	15.26	49.53	7.9	8.2	7.8	1.4	3.8
First Abu Dhabi Bank	16.84	17.10	Neutral	22.6	18.52	50.55	10.8	10.2	9.8	1.5	4.8
RAK Bank	7.80	7.90	Neutral	28.9	1.15	4.27	7.6	7.2	7.4	1.3	7.0
Sharjah Islamic Bank	3.06	2.60	Neutral	22.9	6.86	2.70	11.4	10.8	9.1	1.4	4.9
United Arab Bank	1.28	1.20	Neutral	2.3	0.89	1.08	10.3	9.3	10.0	1.3	1.1
Healthcare											
Burjeel Holdings	1.33	1.50	Neutral	(32.1)	1.45	1.88	18.6	23.9	17.4	3.9	2.1

Source: Company data, EFG Hermes estimates

Figure 23: UAE coverage *(continued)*

Price as of 17 Dec 2025

Company	Price	TP	Rating	YTD perf.	ADVT	M Cap		P/E (x)		P/B (x)	DY (%)
	(AED)			(%)	(USDmn)	(USDbn)	2024	2025	2026	2025	2025
Industrials											
AD Ports	4.68	8.40	Buy	(8.1)	5.46	6.49	17.9	14.7	10.7	1.0	0.0
ADNOC Logistics & Services	5.74	7.00	Buy	5.7	20.28	11.56	15.3	14.3	14.5	1.9	2.5
Air Arabia	4.74	3.75	Neutral	53.9	5.69	6.02	15.1	14.9	15.4	3.1	5.4
Alec Holdings	1.49	1.75	Buy	N/A	1.80	2.03	20.6	12.0	7.3	5.5	4.2
NMDC Energy	2.40	3.50	Buy	(14.9)	1.16	3.27	8.5	6.3	4.4	1.8	5.8
NMDC Group	21.50	31.00	Buy	(13.0)	8.01	4.94	6.1	4.8	4.1	1.5	6.8
Parkin	5.85	6.00	Neutral	20.1	3.27	4.78	40.7	29.9	27.2	32.9	3.3
RAK Ceramics	2.44	3.30	Buy	(2.0)	0.33	0.66	11.4	9.5	8.9	0.8	7.4
Salik	6.28	5.10	Sell	16.3	8.05	12.82	40.4	30.5	27.6	35.8	3.3
Materials											
Borouge	2.53	2.65	Neutral	5.4	7.59	20.71	16.9	17.1	15.0	4.7	6.3
Fertiglobe	2.48	2.90	Buy	1.2	3.8	5.6	35.1	13.8	19.8	4.0	4.5
Real Estate & Hospitality											
Aldar Properties	8.88	14.00	Buy	15.6	30.49	19.01	12.5	8.9	7.5	1.4	2.9
Emaar	14.20	18.00	Buy	10.5	53.79	34.17	9.3	9.4	8.1	1.3	7.0
Emaar Development	15.35	18.00	Buy	12.0	10.81	16.72	8.0	7.1	7.1	1.8	5.5
Emirates REIT	0.67	0.85	Buy	38.5	0.03	0.21	1.0	8.7	5.8	0.3	3.8
RAK Properties	1.34	2.25	Buy	17.5	2.48	1.09	14.3	11.6	10.2	0.7	0.0
Telecom Services											
du	9.65	11.00	Buy	28.8	5.67	11.91	17.6	15.2	14.4	4.3	6.4
EAND	18.06	19.30	Neutral	10.7	11.58	42.77	14.9	14.6	14.4	3.0	4.4
Information Technology											
Alpha Data	1.65	2.54	Buy	8.6	0.46	0.45	6.8	10.5	9.2	5.3	7.9
Utilities											
DEWA	2.81	3.30	Buy	(1.1)	5.68	38.26	20.0	19.2	16.0	1.6	4.7
EMPOWER	1.55	2.30	Buy	(14.8)	1.86	4.22	17.3	15.5	14.5	4.7	5.6
Tabreed	3.08	4.80	Buy	2.7	0.83	2.39	15.3	13.9	13.0	1.4	5.5
TAQA	3.49	1.65	Sell	(0.6)	3.03	106.84	55.5	54.3	53.1	3.9	1.1

Source: Company data, EFG Hermes estimates

Macro outlook – Strong fundamentals uphold

The UAE's economic outlook remains positive, underpinned by solid fundamentals. The population story is likely to continue paying off as the country attracts more expats and the easing of visa regulations boosts the number of residents. Official figures show the UAE's population at 11.3mn in 2024 – translating into 5% per annum growth, on average in the years between 2021 and 2024, with positive ripple effects throughout the economy.

The favourable growth dynamics will continue to be supported by a solid fiscal position that comfortably withstands the current bearish oil price environment. The UAE possesses one of the lowest budget break-even oil prices in the region, which we estimate at cUSD49/b in 2026, leaving the country in a position to sustain spending growth. Assuming a USD65/b oil price, we project the consolidated accounts of the emirates will run at 4.2% of GDP surplus in 2025, slightly lower than 5.3% in 2025.

The healthy fiscal position is not only underpinned by the rich emirate of Abu Dhabi, but also extends to Dubai. The latter is set to run its sixth straight fiscal surplus as it enjoys solid economic growth. Utilising the strong fundamentals, the gov't is expanding spending in 2026 (+15%), with focus on infrastructure.

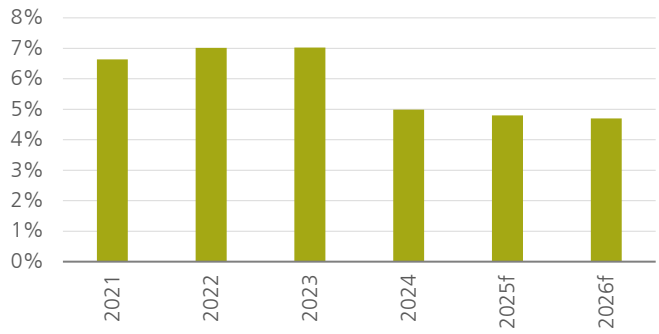
Further monetary easing is also set to provide some marginal support to economic activity. Credit growth is relatively at the early stages of recovery, with 2025 being the first proper year of growth (one that remains in single digits for total private sector credit). We, therefore, see further room for credit growth in the coming year, with more rate cuts on the cards as the UAE's Central Bank tracks US rates.

The above-portrayed positive picture faces one main challenge, namely that of a booming property sector. The outlook remains uncertain, with the sector enjoying one of its longest upcycles in its history. Concerns over a correction in property prices persist, but we see no signs of this materialising, thus far. Our property analyst expects some softness in prices, albeit supported by the high-end segment. The data, though, might be skewed by transactions at the high end of the market, which are showing no signs of abating.

In conclusion, we maintain a favourable outlook for the UAE's economy, which also withstood its ground in 2025, despite the high base in the previous years, as well as geopolitical challenges. We, therefore, keep our real GDP growth projections for 2025 and 2026 unchanged, at 4.8% and 4.7%, respectively, as they were a year ago. Dubai and Abu Dhabi, as the two leading emirates, delivered solid growth in 2025, thanks to strong expansion in key economic sectors. Hospitality, including healthy activity in Ras Al Khaimah, withstood geopolitical pressures and delivered a solid performance. Construction remains in a healthy condition, thanks to an expanding property sector in both emirates, in addition to the gov't's focus on improving infrastructure.

Figure 24: Non-oil GDP growth to slow, from a high base

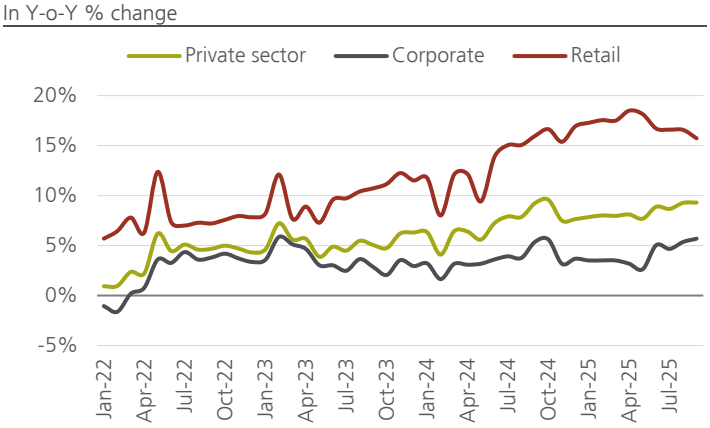
In %



Source: FCSA, EFG Hermes estimates

Figure 25: Credit growth has further room to gain pace

In Y-o-Y % change



Source: Central Bank of UAE

UAE Macroeconomic Indicators (Year-end Dec)

	2023a	2024a	2025e	2026e	2027e
Real Sector					
Nominal GDP (USDbn)	523.0	552.7	566.4	597.4	629.1
Real GDP growth	4.3%	4.0%	5.0%	5.3%	4.1%
Real non-oil growth	7.0%	5.0%	4.8%	4.7%	4.5%
Population (mn)	10.7	11.3	11.7	12.1	12.5
Per capita GDP (USD)	48,975	48,937	48,457	49,379	50,242
Oil price (Brent, USD/b Avg.)	82.2	79.9	68.0	65.0	65.0
CPI inflation (%, Avg.)	1.6%	1.7%	1.5%	1.8%	1.6%
External Sector					
Trade balance (USDbn)	59.4	66.4	67.4	67.1	66.7
HC exports (USDbn)	86.8	87.3	84.4	86.5	89.0
Non-HC exports (USDbn)	325.5	379.6	436.5	502.0	577.3
Services balance (USDbn)	56.7	64.7	58.0	60.0	60.0
Net transfers (USDbn)	(62.1)	(67.1)	(69.1)	(71.1)	(73.1)
Current account (USDbn)	68.6	80.0	74.3	73.9	71.6
Current account (% of GDP)	13.1%	14.5%	13.1%	12.4%	11.4%
FDI (USDbn)	8.4	(31.6)	26.0	30.0	32.0
Fiscal Sector					
HC revenues (USDbn)	78.1	78.6	75.9	77.8	80.1
Other revenues (USDbn)	70.9	79.0	81.0	86.0	90.6
Spending (USDbn)	118.5	125.0	127.1	138.6	145.8
Primary balance (% of GDP)	5.2%	5.2%	4.7%	3.7%	3.4%
Fiscal balance (USDbn)	30.4	32.6	29.8	25.2	24.9
Fiscal balance (% of GDP)	5.8%	5.9%	5.3%	4.2%	4.0%
Budget breakeven oil price (USD/b)	49.3	48.0	45.5	48.5	49.4
Net domestic claims on government (% of GDP)	-5.4%	-5.9%	-8.7%	-9.0%	-9.4%
Gross external government debt (% of GDP)	84.3%	93.3%	93.6%	91.1%	88.8%
Monetary Sector					
NFAs in the banking system (USDbn)	312.2	394.2	482.5	560.5	638.2
Exchange rate versus USD (Avg.)	3.67	3.67	3.67	3.67	3.67
Benchmark lending interest rate (end of period)	5.4%	4.4%	3.7%	3.2%	2.7%
Broad money growth	18.8%	14.6%	15.2%	14.8%	13.3%
Private sector credit growth (%, eop)	6.2%	8.7%	9.5%	8.0%	8.5%
Private sector credit (% of GDP)	66.1%	68.0%	72.6%	74.4%	76.6%

Source: Central Bank of UAE, IMF and EFG Hermes estimates

Tactically Neutral

- Kuwait delivered strong performance in past two years…
- …suggesting it is time for a breather
- Outlook remains positive, given the reform drive

Kuwait delivered on its promises, as we dubbed it a year ago the region's black horse, and was the top-performing market in the GCC region for the second straight year. The market continued to benefit from the positive sentiment, driven by reforms. These included the approval of important legislations, led by the Public Debt Law and the Mortgage Law. Credit growth picked up, in light of improved business sentiment. Project awards also extended their uptrend, with Kuwait having been the only country in the region to see a rise in awards in 2025.

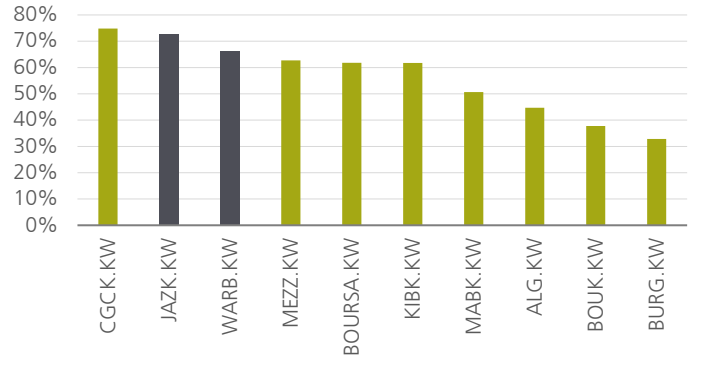
In addition, the market was boosted by some key names, due partially to one-off events. Jazeera Airways was the market's second best-performing stock in 2025, boosted by the tender offer to acquire the company by its largest shareholder, Boodai Group. In parallel, Warba Bank was the third best-performing stock, boosted by its attempted acquisition of Gulf Bank. Stocks like Mezzan and Boursa Kuwait also saw exceptional rallies, thanks to a strong recovery in profitability. We note that the stock price rally in banking names has rendered most of them as the most expensive in the region, especially when taking into account their relatively low ROE profiles.

Looking back at two years of exceptional performance, particularly last year's - which was uplifted by the abovementioned developments - we see the market due for a breather. So, while we remain structurally positive on the Kuwait story, we turn tactically Neutral on the market, awaiting clarity/progress on some key upside risks to it. Key amongst these is progress on the real estate market regulations, which will allow the private sector to lead the resolution of housing shortages. Progress is key to boost outlook for property developers/contractors, as well as help utilise mortgage lending, following approval of the Mortgage Law.

We focus in Kuwait on two names. First, is **NBK,** which enjoys a strong growth outlook and reasonable valuation. It is also the best to capture credit growth opportunities in the corporate and mortgages segments. We also favour **Mabanee**, with the company recording good progress in its pre-leasing for its Avenues project in Riyadh.

Figure 1: Some one-off events partially drove the market's strong performance in 2025

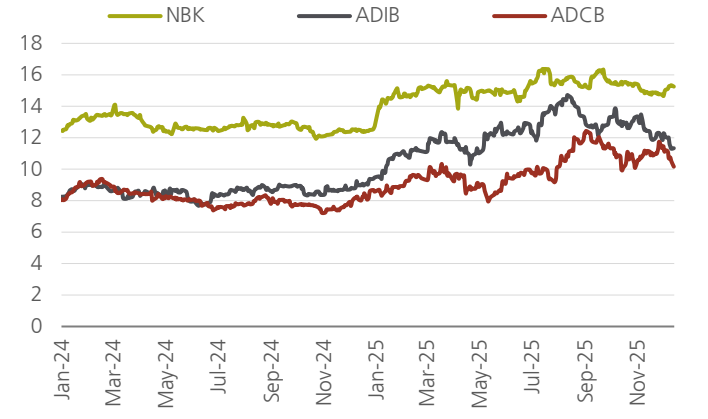
YTD price change



Source: Bloomberg

Figure 2: NBK expanded premium valuation to more profitable UAE banks

12-month forward P/E multiples



Source: Bloomberg

Banks

Corporate segment has driven uplift in loan growth to high-single digit at sector level in 2025; loan growth for NBK, KFH and Boubyan Bank has outperformed

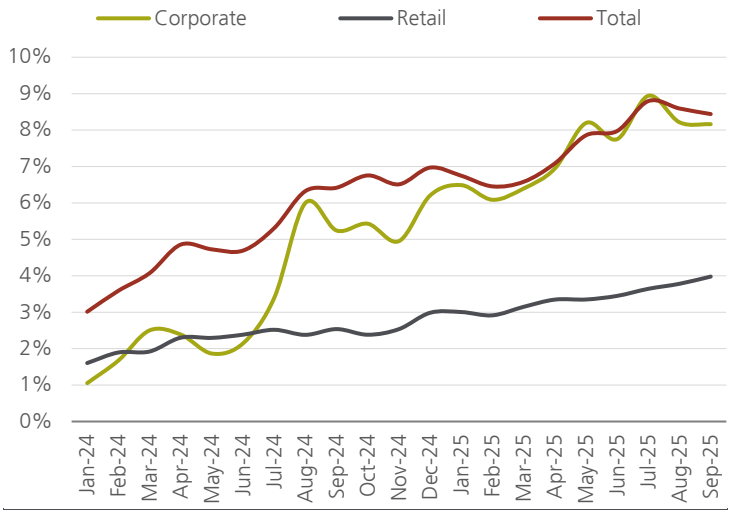
Total credit in Kuwait (including loans to residents and non-residents) improved from low- to mid-single digit for most of 2024 to c8% Y-o-Y in 2025 (as of Sep 2025). Loan growth has been led mainly by the corporate sector and reflects stronger corporate confidence and Kuwait's improved business environment. Cabinet approved its Public Debt Law earlier this year, triggering several domestic issuances and its first Eurobond since 2017. Kuwait is also moving ahead with key infrastructure projects in transport, power, water and housing, amongst others, and it is reportedly finalising its first mortgage law. Real estate activity has risen; project awards were strong in FY24 and year to date in 2025; and PMI readings have been solid, all indicative of a pickup in business activity. Loan growth for banks in our coverage was mixed, but larger banks have generally seen stronger growth in loan books than mid-sized ones. NBK and KFH recorded strong loan growth both domestically and in their international business.

Retail loan growth continues to be lacklustre

Retail loan growth is running at 4% Y-o-Y this year (as of Sep 2025), up marginally from an avg. of 3% Y-o-Y in 2024. In our view, sluggish retail loan growth reflects: i) high interest rates and expectations of rate cuts; ii) retail borrowers anticipating the approval of the mortgage law in the near future and reducing large borrowing decisions to leave room for housing debt (in compliance with debt burden ratios); and, to a lower extent iii) rationalisation in gov't's current expenditure. Card spending, down c5% Y-o-Y in 9M25, suggests slow retail consumption in Kuwait.

Figure 3: Pickup in loan growth has been corporate-led in 2025

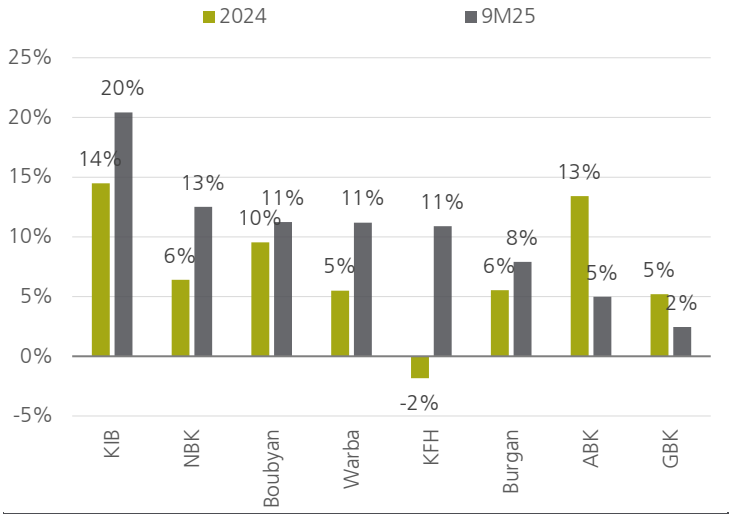
System Y-o-Y loan growth by segment



Source: Central Bank of Kuwait data

Figure 4: Most banks' Y-o-Y loan growth was in low teens in 9M25

Loan growth Y-o-Y



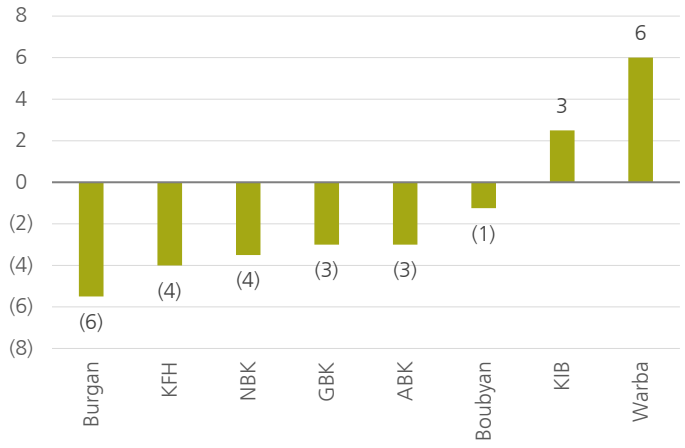
Source: Company data

2026 outlook for loan growth is solid

Banks have not yet seen capex lending demand linked to large infrastructure projects, as there is typically a lag between the award of projects and the drawdown of lending facilities. We expect corporate loan growth to see an additional boost next year from project-related capex, with mortgage loans (base case is that banks will start offering mortgages in 2H26, pending approval of regulations by CBK) and the ongoing improved sentiment contributing further to overall credit growth. We forecast wider system loan growth of low teens in 2026, and net interest income in low- to mid-single digit. Most banks are set to record lower margins with rate cuts, with the exception of Warba Bank and to a lesser extent KIB, which may see an uplift to its NIM in the short term (liabilities reprice faster than assets).

Figure 5: Most banks will see NIM compression with rate cuts; Warba and KIB may see some expansion, as per disclosed theoretical sensitivity

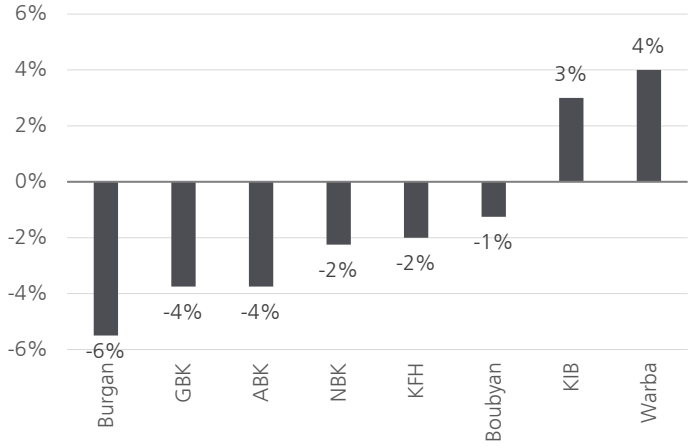
NIMs sensitivity to a 25bp rate cut – annualised (in bps)



Source: Company data

Figure 6: Impact of 25bp rate cut on earnings, on an annualised basis

As a % of 2025 earnings



Source: Company data

No emerging concerns over liquidity

Loan growth of 8% Y-o-Y is running ahead of total deposit growth of c3% for Sep 2025. The loan-to-deposit ratio (LDR) for the sector increased to 111% in Sep, up from 106% in Dec 2024. The regulatory LDR (includes various other funding sources) was 79% at system level in Sep 2025, below the 90% regulatory ceiling; hence, at a comfortable level. Following Saudi Arabia's liquidity tightening in 2025, liquidity has been in focus lately also for Kuwait banks, but banks' mgmt. generally agree that there are no emerging pressures and that banks have already started diversifying funding sources and have been frequent Debt Capital Market issuers for several years. There are no major concerns over deposit pricing incorporating a liquidity premium, as is the case in Saudi Arabia.

M&A: 2026 could see the merger of Warba Bank and Gulf Bank, creating Kuwait's second largest Islamic bank

Following Warba Bank's purchase of a large minority stake of 32.75% of Gulf Bank in Apr, both banks appointed investment advisors that are currently assessing the feasibility of a merger. Upon receiving all regulatory and shareholder approvals, a legal merger may take place in mid-2026. The tie-up between both banks will create Kuwait's second largest Islamic bank by total assets (after KFH and ahead of Boubyan Bank), with potential for revenue synergies (Warba is more corporate-focused; Gulf Bank more retail-focused). Over the medium term, Islamic banks KFH and Boubyan Bank will face stronger competition, particularly in the retail segment, but integration and full conversion of Gulf Bank's business into Islamic may take 12-18 months.

How to play Kuwait's reform story

Kuwait bank stocks have delivered good returns year to date, with mid-cap banks outperforming larger ones. At current multiples, Kuwait banks are the most expensive in a regional context, in terms of both P/E and P/B (when considering their ROE levels, which – apart from KFH and NBK – are generally weak in a regional context). We believe share prices are already reflecting the positive momentum of 2026 onwards, and that there are better growth stories and more attractively valued stocks elsewhere in MENA. Within a local context, we still favour NBK (most reasonable valuations and good play on corporate loan growth and mortgages). Amongst smaller banks, KIB offers some further restructuring potential.

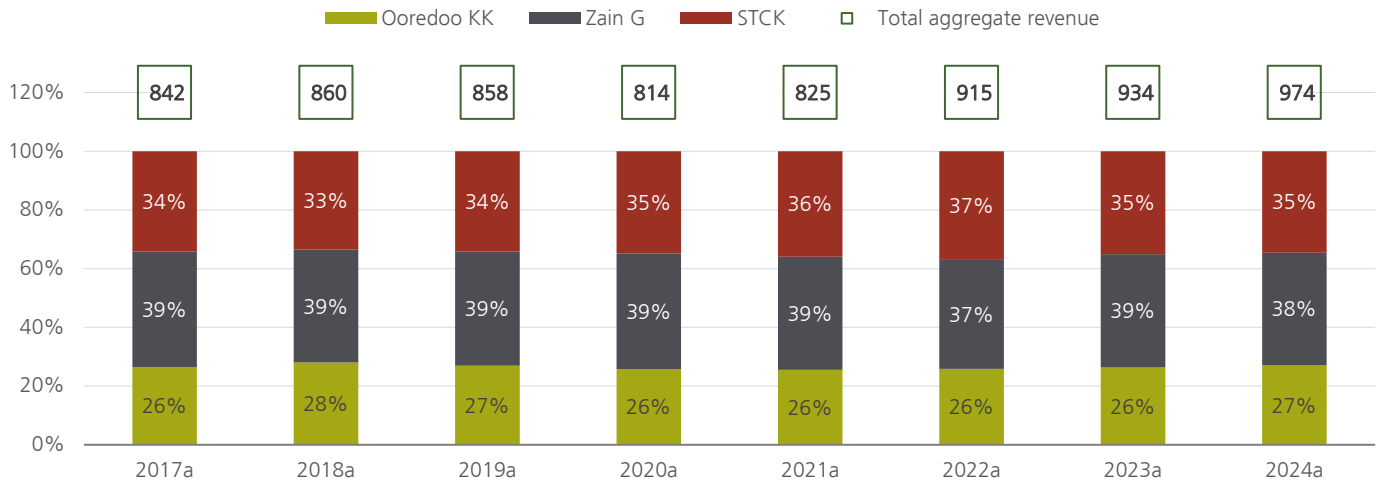
Telecoms

A mature market, with limited growth headroom

The Kuwaiti telecoms market remains largely saturated, as it continues to be overcrowded by too many operators for a relatively small market, with the overall market pie barely expanding and not leaving much room for operators to generate meaningful organic growth. Prior to STC Kuwait's ePortal consolidation in mid-2022, the underlying market dynamics already pointed to stagnation, with a 2017-21 aggregate revenue CAGR of c0.5%. Normalising for the said acquisition, we calculate that 2017-24a CAGR was at c1%. This muted performance reflects market maturity and absence of diversification initiatives, in our view; these dynamics remain unchanged, and we expect them to persist in 2026 and beyond. In other GCC markets, we also see limited growth in some mature segments, such as the consumers segment, but growth still comes from other sources, especially the enterprise segment, as gov't spending in these countries is significantly higher than in Kuwait, and initiatives encouraging investments in adjacencies are more developed.

Figure 7: Total aggregate revenue and market shares

In KWDmn, unless otherwise stated



Source: Company data

No clear catalysts for the sector

In Kuwait, there is lack of a clear strategy for the development of the sector, and gov't spending seems more focused on other areas such as public infrastructure and housing. We still see no evidence of a tangible strategy or sizeable flow of gov't-led infrastructure and digitalisation projects in the ICT space that could support the enterprise segment and drive higher demand in the sector. As a result, telecom operators will remain constrained in a market with very limited scope for accelerating growth, and any attempt to expand revenue share will likely come at the expense of profitability, we believe.

Sector key names

Zain Group: The company's diverse geographic exposure has been rather unfavourable in recent years, particularly because of the war in Sudan, which has resulted in significant revenue losses and earnings volatility. More importantly, it cemented the market's perception that Zain Group is riskier vs other GCC-listed peers, which explains why Zain's stock has been trading almost consistently at a discount to regional peers. We see no change to this dynamic and – despite the recent improvement in Zain Sudan's performance – the war is still ongoing, and results could deteriorate again unexpectedly, we believe. Elsewhere, the remainder of Zain's footprint is unexciting, as it faces various challenges ranging between aggressive competition, tough regulatory environment, market saturation, etc., which apply to key markets, such as Kuwait, KSA, Jordan and Bahrain. The only bright spot currently is the Iraqi unit, but we believe it is not sufficient to offset risks in other markets. Moreover, Zain Group is one of the highest-leveraged telcos in the region, and its cash flow generation is not sufficient to offset this; all of this explains why it is trading at a higher dividend yield (c7%) than peers, and we think this is not enough of a catalyst for the stock to rerate.

Ooredoo Kuwait: The company is a good play on regional markets that are benefitting mostly from favourable conditions at the moment, particularly Algeria and Tunisia. Ooredoo Kuwait has a solid balance sheet with minimal leverage and boasts healthy FCF generation, enabling a high dividend payout ratio. Moreover, given it is more than 90%-owned by Ooredoo Group, DPO will likely remain high, as Ooredoo Group has been pushing for higher dividend payments for many years to maximise cash upstreaming, especially that there is no need for cash retention at the level of Ooredoo Kuwait Group. Stock valuations are attractive, offering a rather high dividend yield vs its regional peers, but the stock's free float market cap is small, and trading liquidity is very thin, explaining the quasi-permanent discount to GCC peers.

Figure 8: Kuwait coverage

Price as of 17 Dec 2025

Company	Price	TP	Rating	YTD perf.	ADVT	M Cap	P/E (x)			P/B (x)	DY (%)
	(KWD)			(%)	(USDmn)	(USDbn)	2024	2025	2026	2025	2025
Consumer											
Ali Alghanim	1.14	1.10	Buy	43.3	3.92	1.33	15.8	15.3	14.9	5.1	5.3
Humansoft	2.50	3.45	Buy	(8.1)	1.58	1.10	8.4	8.6	8.8	5.0	14.0
Mezzan	1.31	1.10	Buy	46.0	2.21	1.33	29.4	23.9	22.6	3.5	2.3
Financials											
Al Ahli Bank of Kuwait	0.29	0.32	Buy	18.3	2.34	2.50	14.8	13.5	12.8	1.2	3.4
Boubyan Bank	0.73	0.80	Neutral	36.4	4.56	9.98	35.4	33.3	29.8	3.3	1.5
Boursa Kuwait	3.66	4.13	Buy	58.9	2.69	2.39	40.4	27.7	25.4	9.3	3.3
Burgan Bank	0.23	0.24	Neutral	37.2	5.78	2.85	23.5	25.2	18.6	1.0	2.6
Commercial Bank of Kuwait	0.52	0.43	Sell	(19.7)	0.42	3.36	N/M	N/M	N/M	N/M	0.0
Gulf Bank	0.37	0.37	Neutral	17.6	6.27	4.51	24.2	25.6	24.0	1.7	2.3
Kuwait Finance House	0.81	0.85	Neutral	17.0	27.99	48.08	25.8	24.1	20.7	2.7	2.5
Kuwait International Bank	0.28	0.32	Buy	58.4	7.78	1.42	28.3	24.8	19.9	1.3	1.8
National Bank of Kuwait	1.01	1.14	Neutral	17.8	15.90	28.64	15.2	14.8	14.7	2.1	3.5
Warba Bank	0.30	0.29	Neutral	64.5	11.31	4.37	35.7	27.2	23.1	1.6	0.0
Industrials											
Beyout Investment Group	0.41	0.60	Buy	0.5	2.26	0.40	16.7	12.2	10.5	2.5	7.4
Integrated Holding Company	0.45	0.49	Neutral	(2.0)	1.97	0.37	16.6	11.6	8.9	1.6	5.6
Jazeera Airways	1.68	1.50	Buy	66.9	2.56	1.21	34.9	19.0	16.6	12.9	4.7
Real Estate & Hospitality											
Mabanee	1.10	1.00	Buy	52.9	3.60	5.30	23.5	17.8	22.0	2.1	1.3
Telecom Services											
Ooredoo Kuwait	1.38	1.40	Buy	29.7	0.49	2.26	15.5	15.8	15.6	1.2	5.8
STC Kuwait	0.69	0.58	Neutral	28.6	2.63	2.25	20.9	22.5	22.7	2.9	4.3
Zain Group	0.52	0.53	Neutral	10.2	5.67	7.29	10.5	10.8	10.7	1.6	7.7

Source: Company data, EFG Hermes estimates

Macro outlook – Momentum continues to build up

Kuwait's gov't continues making notable strides in re-shaping the country's macro environment. 2025 proved to be an important year in this respect, with the gov't delivering on important economic initiatives. Key amongst these is the approval of the Public Debt Law, which alleviated concerns over public liquidity conditions. The gov't was quick to utilise the Law, raising by Nov (halfway through the fiscal year) nearly all of its financing needs. The issuances included: i) KWD1.95bn in domestic issuances; and ii) USD11.25bn (KWD3.45bn) in the first international bond issuance since 2017, bringing the total issuances to KWD5.4bn. We estimate the gov't has no further borrowing needs for the current FY25/26 (ends in Mar).

Further to its legislative achievements, the gov't finally approved the Mortgage Law, which has remained a long time in the waiting, with the aim of availing financing for Kuwaitis to resolve housing shortages. The issuance of the law is only the first step that needs to be followed by issuing its executive regulations, which are set to contain all the important details (including loan-to-value ratios, foreclosure regulations, etc.). As such, we do not expect banks to start extending mortgage finance before 2H26.

In addition, the gov't pressed further ahead with its investment drive, with Kuwait being the only country in the region to sustain rising project awards in 2025. As of end-Nov, awards were up 8% vs 2024 at USD9.5bn, thanks to a remarkably high jump in awards in the power sector (up 2x to USD5.4bn). The oil and gas sector contributed positively to awards, at USD1.7bn, up 4x, from 2024 levels.

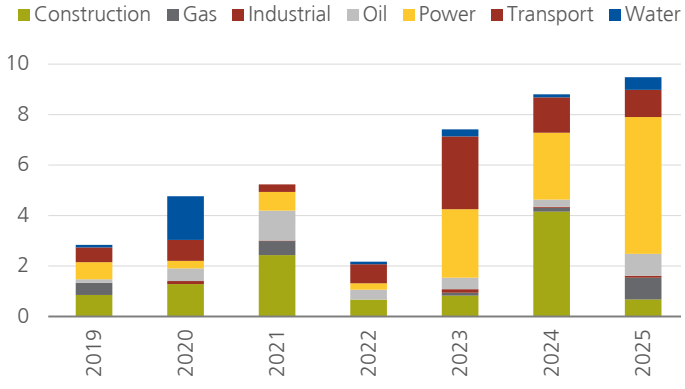
The abovementioned positive economic backdrop is likely to boost non-oil GDP growth gradually. The latter is set to accelerate to 2.2% in 2025, and we project a further pickup in 2026 to 2.6%. The growth levels, though, are still below the UAE's and KSA's +4%, showing the room for Kuwait's growth levels to catch up. We expect growth to continue to be led by investment, whilst private consumption growth would remain largely subdued.

For 2026, we believe attention will shift increasingly to the gov't's ability to deliver on further economic progress, particularly in the property sector. The latter is key to boost investment, where the gov't is working on implementing frameworks that will enable the private sector to have a bigger role in the sector. Achieving progress in this regard is critical to utilise the Mortgage Law; financing is clearly available – thanks to a very liquid market – so, supply of properties remains the other important milestone for a resolution of housing shortages.

Progress on further fiscal reforms will be important for fiscal sustainability. The gov't gave a positive start, managing to contain spending in FY24/25 and introduce income taxes for large corporates. The market will be looking forward to progress on subsidies, as well as additional revenue measures to boost non-oil revenues.

Figure 9: Project awards sustained their uptrend in 2025

In USDbn



Source: MEED Projects

Figure 10: Credit growth accelerating, driven by corporate sector

In Y-o-Y % change

Source: Central Bank of Kuwait

Kuwait Macroeconomic Indicators (Year-end Dec)

	2022a	2023a	2024e	2025e	2026e
Real Sector					
Nominal GDP (USDbn)	183.4	165.3	160.1	155.5	159.1
Real GDP growth	6.8%	-1.7%	-2.6%	1.9%	2.3%
Real non-oil growth	1.6%	1.0%	1.8%	2.2%	2.6%
Population (mn)	4.7	4.9	5.0	5.1	5.2
Per capita GDP (USD)	38,729	34,011	32,101	30,558	30,663
Oil price (Brent, USD/b Avg.)	99.0	82.2	79.9	68.0	65.0
CPI inflation (%, Avg.)	4.0%	3.6%	2.9%	2.4%	2.5%
External Sector					
Trade balance (USDbn)	71.9	51.1	44.0	29.7	26.9
HC exports (USDbn)	94.0	78.0	68.8	55.9	54.5
Non-HC exports (USDbn)	6.3	6.1	8.6	8.8	9.1
Services balance (USDbn)	(16.9)	(19.1)	(15.8)	(20.3)	(21.1)
Net transfers (USDbn)	(17.9)	(12.9)	(14.6)	(14.9)	(15.2)
Current account (USDbn)	63.1	51.4	46.7	29.2	26.9
Current account (% of GDP)	34.4%	31.1%	29.1%	18.8%	16.9%
FDI (USDbn)	(23.8)	(9.1)	(9.7)	(5.9)	(5.9)
Fiscal Sector					
HC revenues (USDbn)	87.1	69.9	62.6	50.8	49.6
Other revenues (USDbn)	52.8	54.5	55.0	57.0	59.9
Spending (USDbn)	73.1	82.0	85.4	85.1	87.0
Primary balance (% of GDP)	35.7%	24.3%	18.3%	12.7%	12.3%
Fiscal balance (USDbn)	66.8	42.5	32.3	22.8	22.6
Fiscal balance (% of GDP)	36.4%	25.7%	20.2%	14.6%	14.2%
Budget breakeven oil price (USD/b)	65.1	81.5	86.5	84.3	82.4
Net domestic claims on government (% of GDP)	-21.4%	-25.2%	-26.2%	-27.5%	-27.5%
Gross external government debt (% of GDP)	2.5%	2.7%	2.8%	9.3%	15.4%
Monetary Sector					
NFAs in the banking system (USDbn)	76.9	82.2	88.6	87.4	86.5
Exchange rate versus USD (Avg.)	0.31	0.31	0.31	0.31	0.31
Benchmark lending interest rate (end of period)	3.5%	4.3%	4.0%	4.0%	3.5%
Broad money growth	6.5%	1.0%	4.3%	2.6%	3.2%
Private sector credit growth (%, eop)	8.0%	2.4%	4.7%	7.0%	6.2%
Private sector credit (% of GDP)	78.5%	88.9%	96.2%	105.6%	109.6%

Source: Central Bank of Kuwait, Ministry of Finance, IMF and EFG Hermes estimates

Underweight call remains

- Muted performance, amidst lack of catalysts
- Concerns over property cycle weighs on the market
- Gas story not feeding much into the non-oil economy

Qatar's market largely trailed the GCC region yet again in 2025 (second only to the Saudi market) as it continues to lack a key catalyst that can alter a rather muted performance. The banking sector delivered one of the region's lowest levels of credit growth in 2025, amidst the lack of a strong public spending drive that exists in other countries in the region. Despite most banks escaping additional tax charges related to the Global Minimum Tax, profitability was rather anaemic, at low to mid single-digits in 9M25.

The chemicals sector was also under pressure, amidst global oversupply and subdued demand. Fertilisers acted, though, as a balancing act, lifting profitability for a name like IQCD. We see 2026 as even more challenging for the sector, with continued oversupply in chemicals and limited upside in fertilisers.

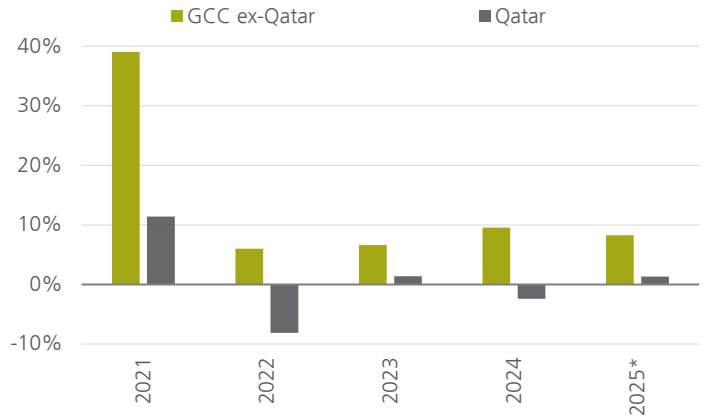
Our Underweight call on the market, therefore, remains unchanged. While 2026 is set to carry the first dividends of the gas expansion, resulting in a boost to headline GDP growth, gov't revenues and current account surplus, the filtration of all these positive developments to the equity market is likely to be limited to one or two names.

Most of the infrastructure is already in place, and with the first trains of the first phase about to start production within a few months, there were no strong signs that loan growth is benefitting from the gas expansion. As such, the gas story, at least in the foreseeable future, is likely to be confined to a boost to overall macro stability and a deleveraging process of the sovereign.

Picking up interesting names amidst this lacklustre environment, we remain Buyers of **Nakilat** as the main play on the gas expansion. With the start of the gas production coming on stream later in 2026, we expect a boost to revenues. It is set to receive the LNG vessels later this year, driving a step-up in cash flows starting 2027 and forward.

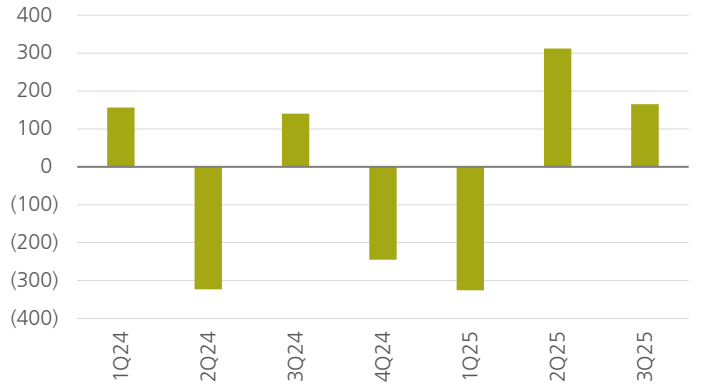
In the banking sector, we favour **QNB**, given an attractive loan growth outlook – given exposure to international businesses – as well as stronger asset quality. The bank could also see upside risks to NIMs from rate cuts in Turkey. Finally, normalisation of tax hit in 2025 is set to normalise, driving EPS growth back to a high-single digit in 2026.

Figure 1: Qatar sustained its underperformance against regional markets
In Y-o-Y % change



Source: Bloomberg

Figure 2: Foreign inflows were net positive in 9M25, but failed to lift up the market much
In USDmn



Source: Qatar Stock Exchange

Banks

Banks generally lack strong catalysts; QNB is Top Pick

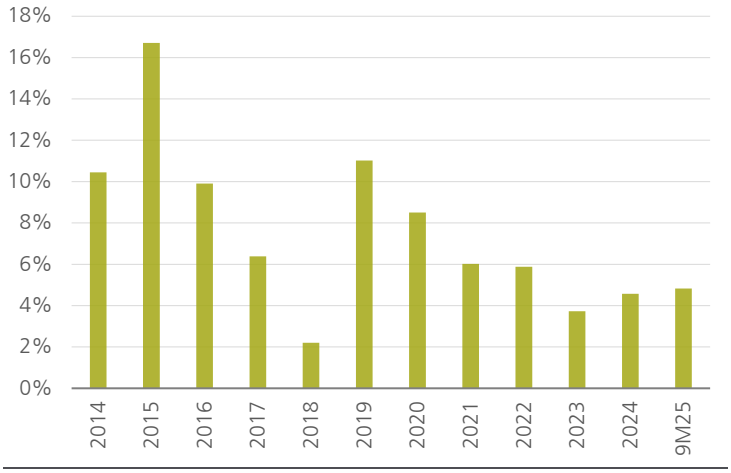
Qatar banks have underperformed UAE and Kuwait banks this year against a backdrop of slower credit growth vs other GCC markets, slow normalisation in cost of risk and lacklustre earnings growth. QNB's share buyback (announced in Sep 2024) is ongoing, but buybacks from CBQ and DHBK, already approved by their boards earlier this year, are still pending regulatory approvals (from QCB and QFMA), adding to the lack of solid catalysts. Amongst Qatar banks, we still favour QNB, on better loan growth than sector (int'l business has boosted loan growth this year), upside risks to NIMs on rate cuts in Turkey and stronger asset quality. We expect its EPS growth to return to a high-single digit in 2026 (+3% in 2025e) after adopting a 15% minimum top-up tax in Jan 2025. We also like – albeit with less conviction – Doha Bank (low multiples; conversion to Islamic is an upside risk).

Loan growth is slower than other GCC markets; LNG spillovers are an upside risk

Underlying credit growth (excluding volatile overdrafts to Qatar's Ministry of Finance) has slowed down to an avg. of 5% p.a. vs mid-teens pre-FIFA World Cup, as capex on major projects has fallen from the 2021 peak. The gov't is focusing on economic diversification (tourism, logistics, industrial hubs, knowledge-based economy), but banks expect capex linked to these initiatives will lead to similar growth in 2025-26 and over the medium term of mid to high single-digit, a slower pace vs the rest of GCC, albeit above Qatar's non-oil GDP growth of c4% (and inflation of low single-digit). Qatar's hydrocarbon GDP will see a strong boost from 2026, as the first LNG expansion comes on line; spillovers into the non-oil economy are an upside risk for loan growth, but for now there is limited visibility.

Figure 3: Excluding volatile overdrafts to Ministry of Finance, underlying loan growth has been within the range of 5-6% p.a. post World Cup

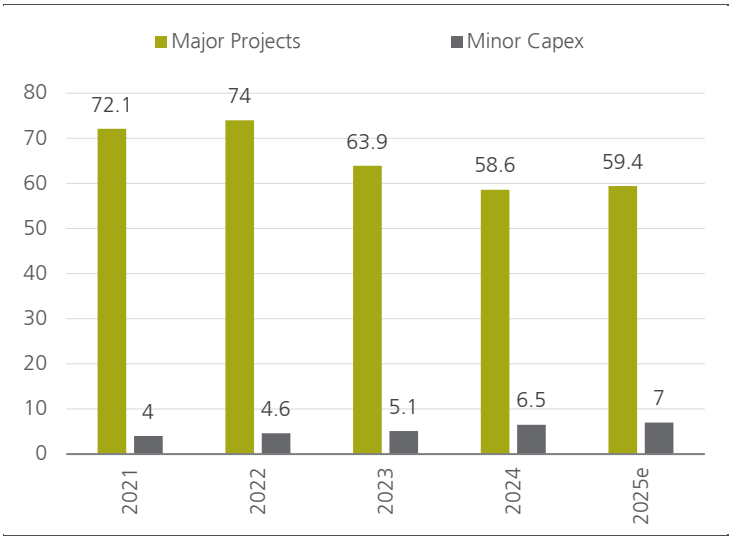
System loan growth, Y-o-Y change



Source: Qatar Central Bank data

Figure 4: Qatar's credit growth slowdown reflects decline in major capex

Capex (QARmn)



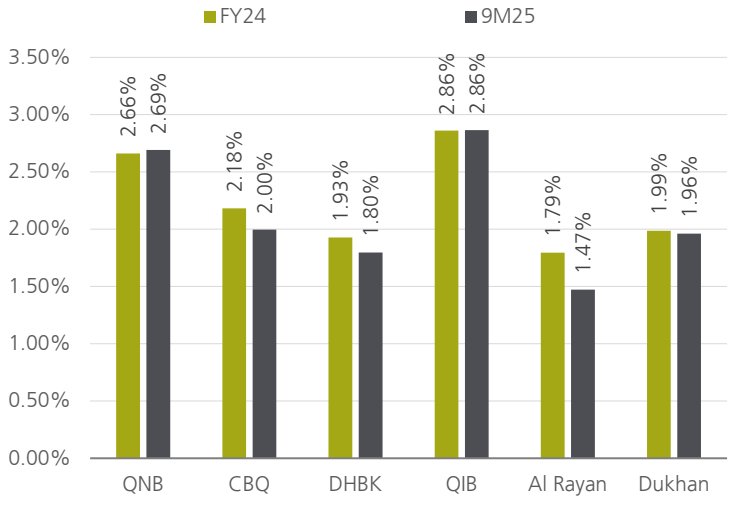
Source: Gov't disclosures

Tax exemption was a positive surprise this year, but EPS growth is slow, on weak top-line growth

QIB, Al Rayan Bank, Dukhan Bank, Doha Bank and CBQ expect to be exempt from the minimum 15% tax in 2025-30, as their foreign branches and subsidiaries are small (key two conditions to be exempt are to be present in less than six countries, and that fixed assets outside of home market are below EUR50mn on avg. for every fiscal year). CBQ is selling its Turkey head office and expects to release 9M25 tax provisions in 4Q25. Despite no additional tax charges for Qatar banks (ex-QNB, which adopted the minimum tax in Jan 2025), profit growth for the sector was in low- to mid-single digit in 9M25 after slow to negative top-line growth. Theoretical sensitivity suggests NIMs will be neutral to slightly down after rate cuts (on an annualised basis), but 9M25 NIMs were pressured after rate cuts, and high deposit concentration and elevated loan-to-deposit ratios have often meant a weak transmission of lower rates to funding costs. QNB and QIB have a better history of managing NIMs (stronger deposit franchises, QNB's more diversified funding base).

Figure 5: Most mid-sized banks have seen NIM pressure in 9M25…

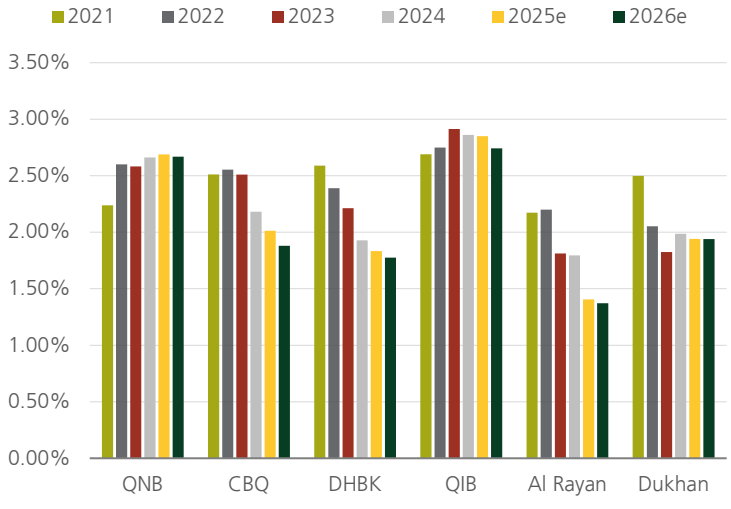
NIM by bank



Source: Company data

Figure 6: …with the exception of QNB and QIB (stronger deposit franchises), NIMs for Qatar banks are at a several-year low

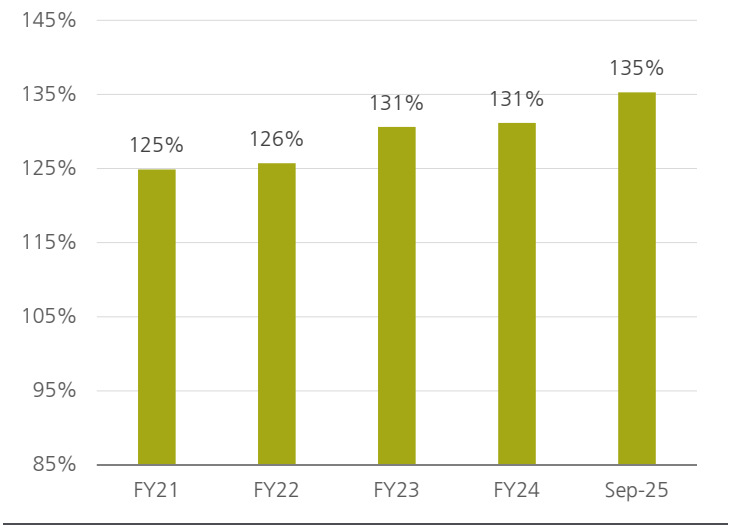
NIM by bank



Source: Company data, EFG Hermes estimates

Figure 7: Qatar's loan-to-deposit ratio is structurally high…

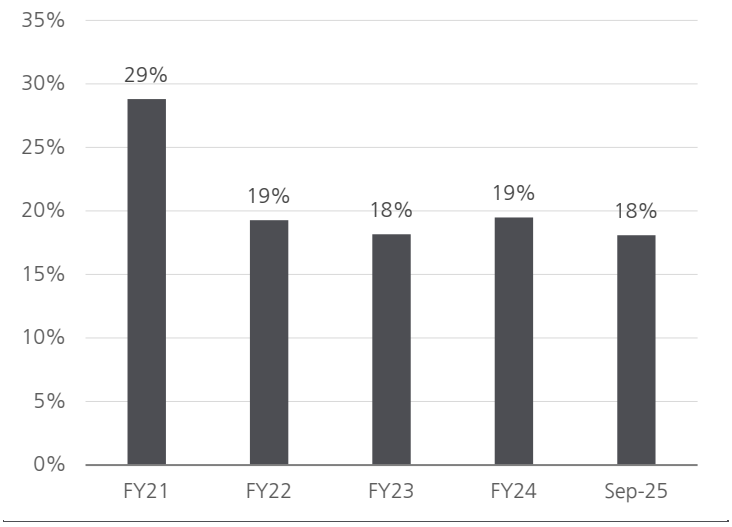
System-loan-to-deposit ratio



Source: Qatar Central Bank data

Figure 8: …with the country having a structural deficit of domestic deposits

System non-resident-to-total-deposits



Source: Qatar Central Bank data

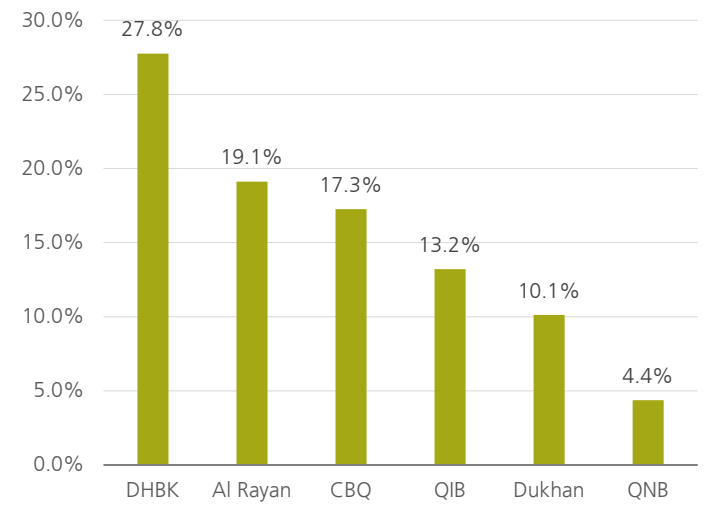
Stage 2 loans as a % of total loans trending down, but still high in GCC banks context

The share of Stage-2-loans-to-total-loans has fallen from the peak of 2023, driven mainly by upgrades to Stage 1 and, to a lesser extent, loan growth. Provision coverage of Stage 2 loans has generally improved. Stage 2 loans for Qatar banks, above industry averages vs the rest of the GCC, include mainly facilities to contractors, real estate projects/developers and private banking customers that have been under restructuring for several years.

Generally, banks do not expect Stage 2 loans to be a source of new NPL formation, but they indicated that the decline in the Stage 2 loan book will take time. The real estate sector has seen several KPIs improving in recent months, including an uptick in the QCB real estate price index (+12% over the past year). The office segment remains subdued and continues to be reliant on public sector demand in the short term. Rental prices have picked up in certain areas, but continue to be well below their peak level in 2016. In our view, a resolution of Stage 2 loans would need a stronger recovery in demand for real estate and prices or any gov't-led initiatives to alleviate pressures on the sector. Both seem unlikely in the short term.

Figure 9: Doha Bank, Al Rayan and CBQ continue to have a high share of Stage 2 loans to total loans

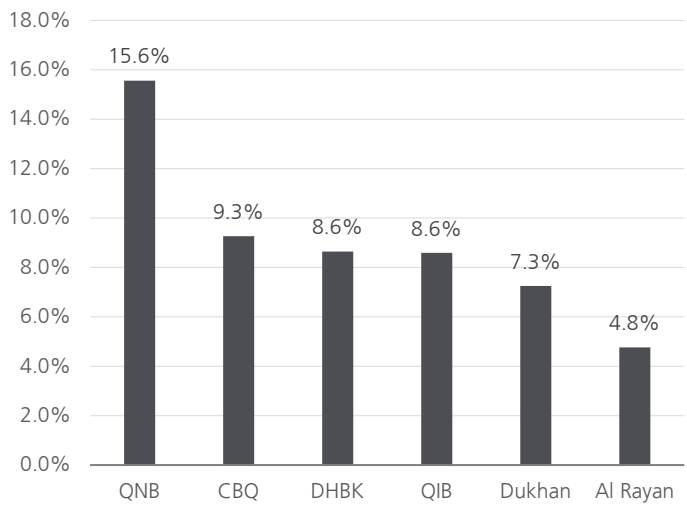
Stage 2 loans to total loans (Sep 2025)



Source: Company data

Figure 10: Provisions coverage has increased, but banks have indicated they will continue to add provisions to their Stage 2 loan book

Stage 2 provisions coverage (Sep 2025)



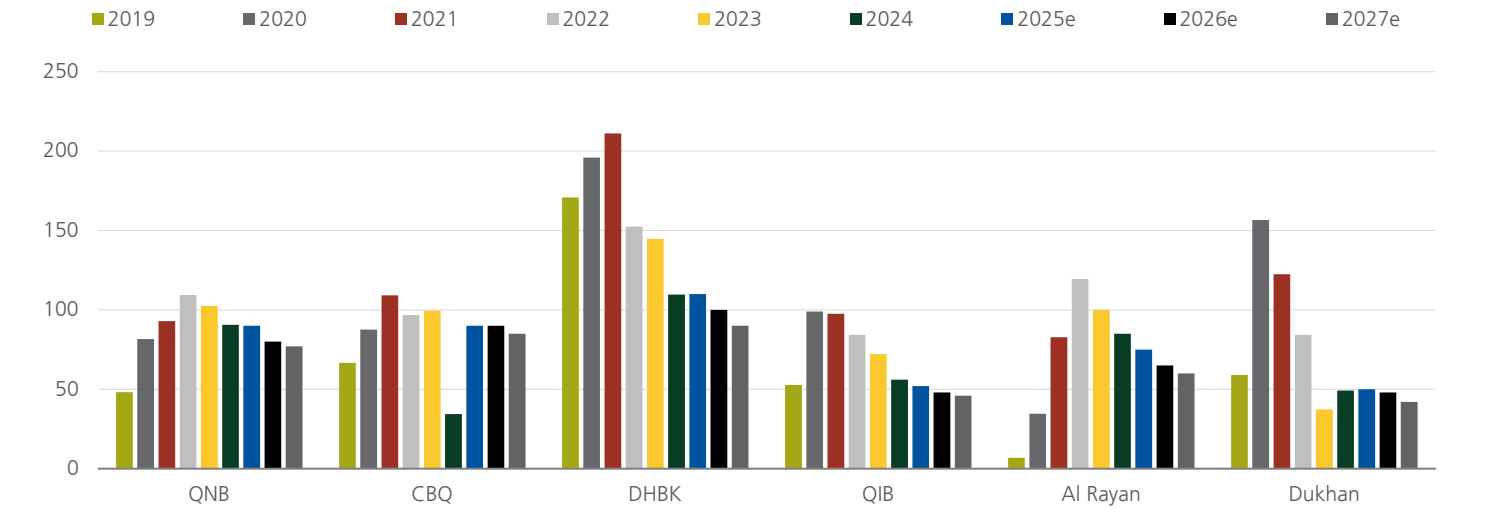
Source: Company data

Slow normalisation in cost of risk

Most of Qatar banks' cost of risk continues to be well above pre-2020 levels. Banks expect it will fall gradually over the coming few years. CBQ and Dukhan Bank are seeing a more volatile cost of risk because of loan recoveries (both expect recoveries to continue, but these are difficult to predict). With the underlying slow property market and for some banks relatively low provisions coverage (excluding collateral), we think it is unlikely that cost of risk will fall sharply in 2026 or 2027.

Figure 11: Cost of risk normalisation is gradual

Cost of risk (bps)



Source: Company data, EFG Hermes estimates

Materials/Industrials

A tough year for chemicals players, with the exception of fertilisers…

The global chemicals sector remained under pressure in 2025, amidst substantial oversupply and muted demand, which have weighed down on prices for most of the year. Chemical producers in Qatar were generally under pressure, with the exception of fertilisers, the prices of which were near peak levels for most of the year. The strong fertilisers performance has helped offset the weakness in other segments for producers, such as IQCD; however, pure petchem plays, such as MPHC, have seen significant pressure on their stock price performance.

…and 2026 will likely see further headwinds across the board

Looking into the year ahead, the outlook seems more challenging for petrochemicals and fertilisers. For chemicals, supply additions have not yet peaked, and 2026 is set to see substantial capacity additions, especially for polyethylene, which will keep prices and margins under pressure. While demand has seemingly improved throughout 2025, it hasn't been sufficient enough to offset massive supply growth – and we don't expect this to change in 2026.

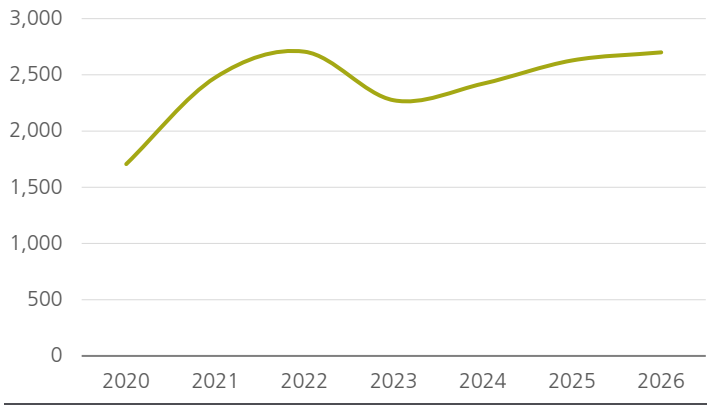
For fertilisers, while we still believe prices would hold up at strong levels from a historical perspective, we believe 2025 was a peak year that was supported by supply disruptions and minimal inventory in India, which we do not expect to recur in 2026. While we are currently Neutral on **IQCD**, given the weaker price outlook for 2026 for petchems and fertilisers, the company offers several solid defensive characteristics, with its high dividend and sizeable cash balance.

Aluminium fared much better, and we expect this to extend into 2026

Aluminium prices have risen more than 10% in 2025, driven by strong demand and limited supply growth, especially with China having reached its capacity ceiling at end-2024. This, coupled with the steep decline in raw material alumina prices, saw aluminium producers' margins expand substantially throughout the year. We expect this strength to extend into 2026, as supply growth remains highly constrained, and as demand continues to benefit from structural factors, such as rising EV sales and global electrification (AI and data centres). On the other hand, alumina prices are expected to remain relatively low, given the substantial capacity growth witnessed in 2025, though we do not expect the alumina-to-aluminium ratio to remain as low as it currently is (at 11.5% vs c16-17% LT avg.).

Figure 12: We expect further strength in aluminium prices in 2026

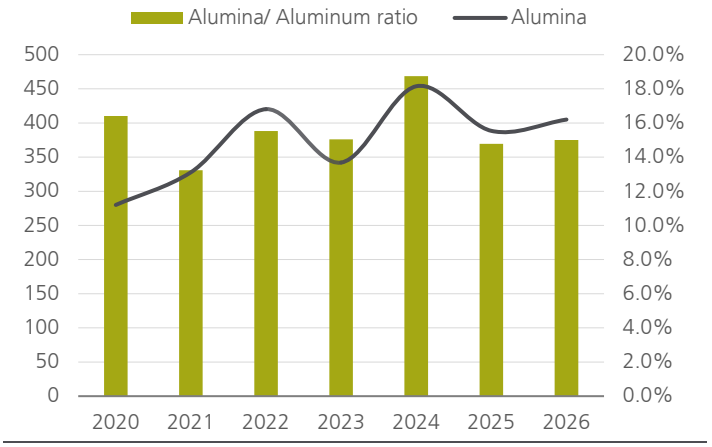
Aluminium prices in USD/t



Source: Bloomberg, EFG Hermes estimates

Figure 13: Alumina prices to see slight increase

LHS: Alumina prices in USD/t, RHS: Alumina/aluminium price ratio in %



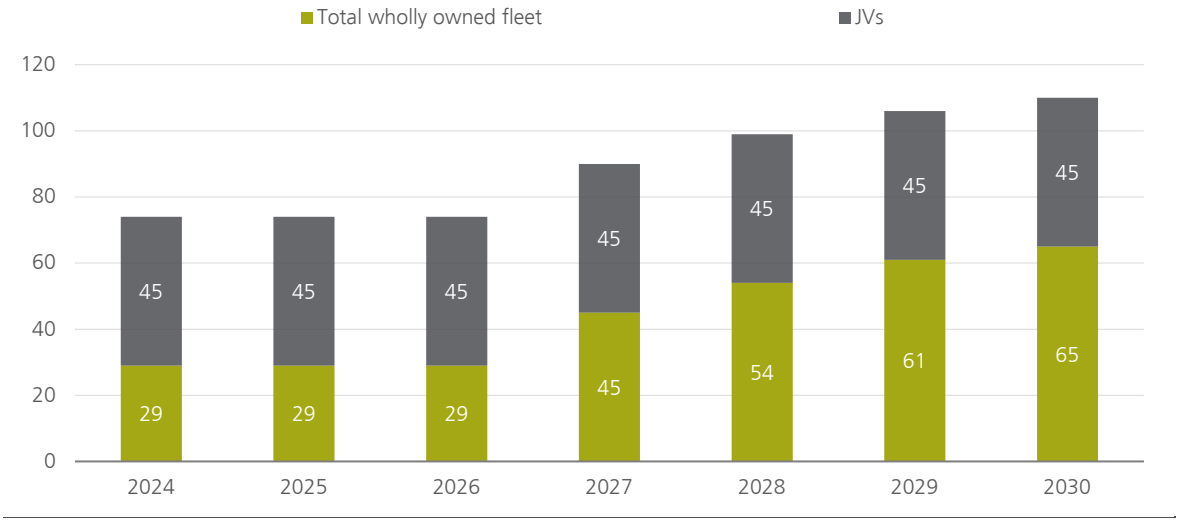
Source: Bloomberg, EFG Hermes estimates

Top Picks

Nakilat: As we approach 2026, QGTS moves much closer to the scheduled delivery of the new LNG vessels that will service the North Field expansion (40 vessels being delivered between end of 2026 and 2030). With the delivery of this new capacity, Nakilat will enjoy an uptick in earnings that drive the multiples far lower vs their 2025 levels – a trend that puts the multiples at attractive single-digit P/Es in a low-risk equity story, with a long-term contracted business.

Figure 14: Fleet progression

In number of vessels



Source: Company data, EFG Hermes estimates

QAMCO: We remain Buyers of QAMCO, despite a very strong performance in 2025, as we expect pricing strength for aluminium to continue, given tight supply and strong structural demand, which should drive another year of stronger pricing in 2026, in our view. Moreover, we expect alumina prices to remain quite low from a historical perspective (even if higher than current spot levels), given the substantial supply added in 2025, which should drive another year of robust margins for QAMCO. Overall, the stock's valuation (2026 P/E of c10x, we estimate) appears to assume 2025 is a peak year, and prices would decrease next year. We see otherwise and believe earnings will rise further.

Telecoms

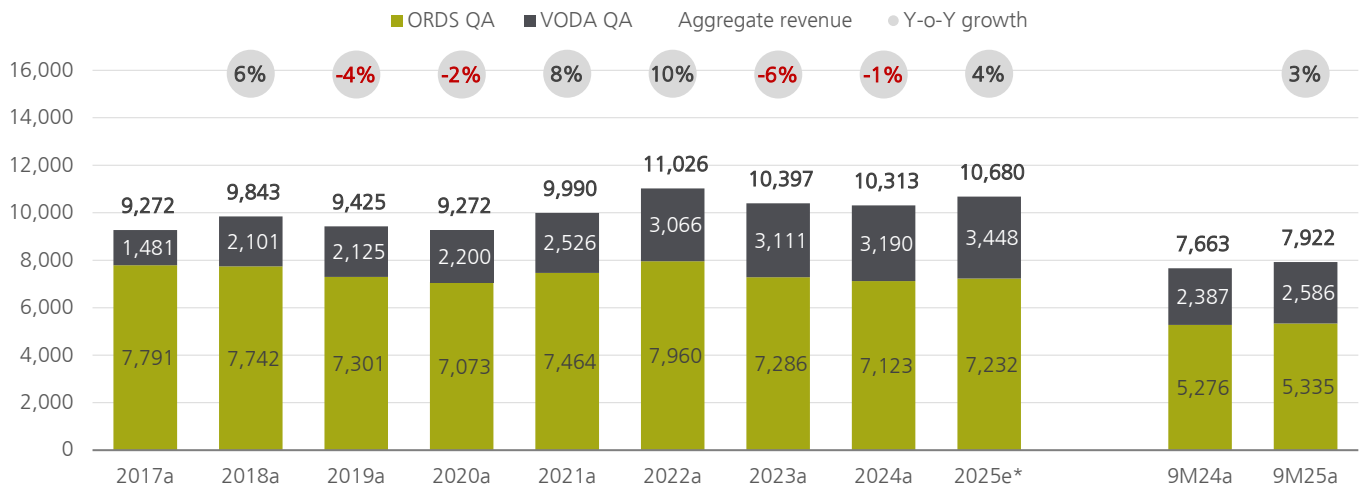
Stable sector dynamics expected to extend into 2026

Qatar's telecoms market continued to show healthy fundamentals in 2025, as its overall growth was in line with the normalisation of economic activity, following the World Cup cycle. Based on 9M25 data, aggregate telco revenues for Ooredoo Group and Vodafone Qatar point to steady low-single-digit Y-o-Y growth of 3-4%. Recent negative prints in prior years were driven largely by a high-base effect, following the exceptional World Cup surge, rather than any deterioration in underlying demand. We expect the sector to close the year with the same growth profile seen YTD.

In 2026, we believe the telecoms market will remain similarly stable, with aggregate revenue growth likely coming in at low single-digit rates. This is despite the fact that overall economic activity will likely accelerate, on the back of strong growth in the hydrocarbons sector, as a result of LNG capacity expansions; we believe this will bring in strong oil GDP growth, albeit not so much on the non-oil side, which will trickle down modestly to the telecoms sector. From a competition standpoint, market dynamics will remain largely benign, in our view, even if telecom operators continue to cite aggressive competition as a key theme; as long as Qatar remains a two-player market, we believe it is unlikely that competition will become value-destructive.

Figure 15: Aggregate market revenue and growth dynamics

In QARmn, unless otherwise stated



* Revenue for Vodafone Qatar is annualised
Source: Company data, EFG Hermes estimates

DC infrastructure build-out accelerating

A key theme playing out in Qatar is data centre (DC) infrastructure, where we see momentum continuing to accelerate in 2026. Syntys (owned by Ooredoo Group) currently operates 16.1MW, with an additional 20MW planned and 4.5MW currently under construction, marking a meaningful capacity expansion. Another substantial player in Qatar's DC space, Meeza, is also expanding its M-Vault portfolio, with MV-4 progressing towards an 8MW build-out (including a 4MW phase that is already 84% complete), alongside additional phases committed across the platform and c38MW currently at the design stage. This is an important pillar of Qatar's competitive strategy in the region's ICT sector, and we believe the country has a significant advantage of having advanced infrastructure across various parts of the sector, including mobile, fixed, DCs, submarine cables, etc. Moreover, Qatar has one of the lowest energy prices in the region, which enables it to compete well with GCC peers in terms of the attractiveness of digital infrastructure; this means that, by creating a regional infrastructure hub, the country could earn a seat at the table, in terms of attracting global players to set up presence in the country for serving the rest of the region, in our view.

Sector key name

Ooredoo Group: The company underwent a significant restructuring exercise over the recent years that consisted mainly of: i) selling non-core assets; ii) cost-efficiency; iii) carve-out of non-telco businesses into new verticals; and iv) expanding into adjacent opportunities. This successful plan led to an improvement in margins and a clearer earnings outlook with less volatility, which resulted in a significant re-rating of the stock. The carve-out of the new verticals is still ongoing (towerco, data centres, fintech, etc.) and – once complete – we believe there could be more value unlocking for shareholders, as the market could start to assign different valuation multiples to each business, depending on its growth potential (as opposed to the market looking mostly at the company only as a telco). Moreover, improvement in profitability, growth outlook and performance will likely lead to a stronger dividends profile in the longer run, especially that the investments needed for all the new verticals are already covered by the company's very solid balance sheet. A recent stake sale by ADIA has led to a larger free float, which ought to improve trading liquidity going forward, we believe.

Figure 16: Qatar coverage

Price as of 17 Dec 2025

Company	Price	TP	Rating	YTD perf.	ADVT	M Cap	P/E (x)			P/B (x)	DY (%)
	(QAR)			(%)	(USDmn)	(USDbn)	2024	2025	2026	2025	2025
Energy											
Nakilat	4.37	5.70	Buy	5.4	3.88	6.64	14.8	14.7	15.0	1.7	3.2
Financials											
Commercial Bank of Qatar	4.24	4.80	Neutral	(2.5)	2.72	4.70	6.2	8.2	7.2	0.9	7.1
Doha Bank	2.80	2.95	Buy	40.6	2.68	2.38	13.1	13.3	13.1	0.8	3.6
Dukhan Bank	3.47	3.84	Neutral	(6.1)	1.89	4.97	14.1	13.3	12.5	1.4	5.2
Masraf Al Rayan	2.19	2.79	Buy	(11.2)	5.37	5.57	13.1	11.6	10.0	0.9	5.5
Qatar Islamic Bank	23.86	24.30	Buy	11.7	6.86	15.45	12.9	12.3	11.7	2.0	3.4
Qatar National Bank	18.35	21.80	Buy	6.1	12.17	46.44	10.9	10.9	10.0	1.8	3.8
Industrials											
Gulf Warehousing	2.21	5.10	Buy	(34.4)	0.76	0.35	7.5	8.0	7.4	0.5	6.8
Materials											
Industries Qatar	11.80	14.20	Neutral	(11.1)	5.16	19.56	15.9	14.4	13.0	1.9	6.9
Qatar Aluminum Manufacturing	1.53	1.60	Buy	26.1	3.47	2.34	13.9	13.2	11.1	1.2	5.5
Telecom Services											
Ooredoo Group	13.03	13.70	Buy	12.8	8.62	11.43	13.3	12.5	12.3	1.2	3.8
Utilities											
Qatar Electricity & Water	14.96	22.50	Buy	(4.7)	1.61	4.51	11.6	10.9	10.4	1.0	5.5

Source: Company data, EFG Hermes estimates

Macro outlook – Stable macro, but no excitement

Qatar's macro story remains eventful, with the country still in a post-investment boom and yet to find new, broader engines of economic growth. The pace of non-oil GDP expansion eased starting 2Q25 as the base from last year normalised. High-frequency economic indicators, indeed, confirm a slower pace in 2025. Credit growth for the private sector was rather tame, averaging 4.1% in 10M25 vs 5.6% in 2024. Lending to the manufacturing and contractors remained in the red, highlighting subdued growth in both sectors. Meanwhile, public sector credit growth was largely around the 7% mark, partially reflecting borrowing to finance the budget deficit.

The tourism sector performance somewhat softened YTD, partly from last year's high base, when the country hosted the Asian Cup in the first two months of the year. Arrivals were up only 2% Y-o-Y in 9M25 to 3.54mn; however, the number of nights spent grew by a higher 8.3% to 7.7mn nights.

The weak growth backdrop was also reflected in the continued decline in project awards, which fell 15% Y-o-Y to USD19bn (three weeks before end of year). The decline is even much more prominent when excluding the hydrocarbons sector; ex-hydrocarbon awards dropped 51% Y-o-Y to hit at least a decade-low. This is a further evidence of the country going through a post-investment boom.

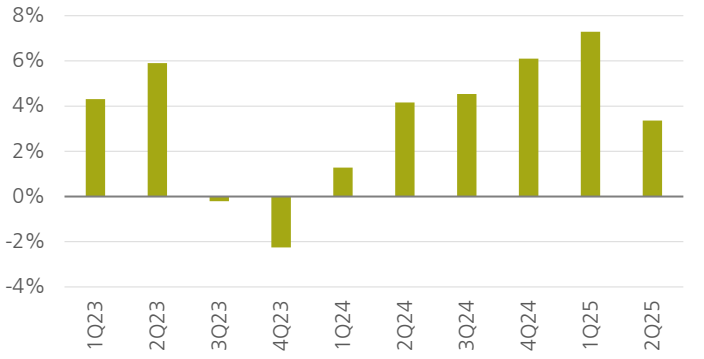
For next year, we broadly expect a similar picture, especially when it comes to the non-hydrocarbons sector. We forecast real non-hydrocarbons GDP growth of 3.5%, driven mostly by incremental consumption growth, as investment is likely to remain weak, on limited fiscal impulse.

We note, though, that 2026 should see the production of the first batch of the first phase of the country's colossal gas expansion: of the 32mn-tonne-per-year first-phase expansion – out of a total of 64mn t/y – the first train is set to come on stream, boosting production by 8mn t/y, the equivalent of c10% growth. The date of production has somewhat slipped from earlier in the year, and recent indications by one of the international oil firms with a stake in the project suggest the end of this first stage will also slip towards mid-2028.

As such, we expect only a small impact from the rising gas production in 2026 before starting to accelerate gradually in the following two years. The oil and gas current price environment, though, is still likely to leave the fiscal budget in the red, albeit recording only a small deficit within the range of 1-2% of GDP. The small deficit, coupled with the fair level of growth, is likely to allow for only a marginal pace of deleveraging, with the latter gaining pace starting 2027 when hydrocarbon revenues accelerated as gas production rises in a more meaningful way. The external accounts will look much stronger, with a projected current account surplus of c23% of GDP.

Figure 17: Non-oil growth slowing notably in 2025, on last year's elevated base

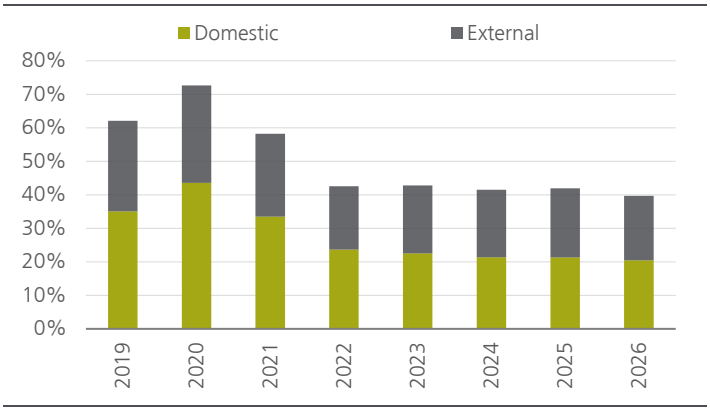
In Y-o-Y % change



Source: Planning and Statistics Authority

Figure 18: A small fiscal deficit and weak GDP growth resulting in only marginal deleveraging for the sovereign

In % of GDP



Source: Ministry of Finance, IMF and EFG Hermes estimates

Qatar Macroeconomic Indicators (Year-end Dec)

	2023a	2024a	2025e	2026e	2027e
Real Sector					
Nominal GDP (USDbn)	217.3	218.4	213.6	224.9	241.4
Real GDP growth	1.4%	2.8%	2.8%	4.3%	6.2%
Real non-oil growth	1.8%	4.0%	4.1%	3.5%	3.2%
Population (mn)	3.0	3.1	3.3	3.3	3.4
Per capita GDP (USD)	73,268	69,473	65,446	67,223	70,398
Oil price (Brent, USD/b Avg.)	82.2	79.9	68.0	65.0	65.0
CPI inflation (%, Avg.)	3.0%	1.3%	0.4%	1.0%	1.5%
External Sector					
Trade balance (USDbn)	68.3	65.7	60.3	61.5	68.5
HC exports (USDbn)	84.5	84.3	82.2	85.6	94.8
Non-HC exports (USDbn)	13.2	14.0	13.3	13.9	14.8
Services balance (USDbn)	(11.8)	(6.9)	(9.0)	(8.5)	(8.5)
Net transfers (USDbn)	(14.0)	(10.2)	(14.1)	(14.4)	(14.7)
Current account (USDbn)	36.4	41.4	32.1	33.6	40.3
Current account (% of GDP)	16.8%	18.9%	15.0%	14.9%	16.7%
FDI (USDbn)	(0.3)	(1.1)	(2.0)	(2.0)	(2.0)
Fiscal Sector					
HC revenues (USDbn)	65.1	54.3	51.8	52.6	56.7
Other revenues (USDbn)	4.8	4.4	4.1	4.3	4.6
Spending (USDbn)	58.1	57.1	57.1	58.7	60.4
Primary balance (% of GDP)	6.9%	2.0%	0.7%	0.5%	1.5%
Fiscal balance (USDbn)	11.8	1.6	(1.3)	(1.8)	0.8
Fiscal balance (% of GDP)	5.4%	0.7%	-0.6%	-0.8%	0.3%
Budget breakeven oil price (USD/b)	70.6	69.4	69.5	66.6	59.8
Net domestic claims on government (% of GDP)	25.3%	24.5%	32.9%	34.7%	34.9%
Gross external government debt (% of GDP)	22.5%	21.3%	22.2%	21.5%	19.7%
Monetary Sector					
NFAs in the banking system (USDbn)	(51.7)	(61.0)	(70.6)	(76.7)	(82.1)
Exchange rate versus USD (Avg.)	3.64	3.64	3.64	3.64	3.64
Benchmark lending interest rate (end of period)	6.0%	4.9%	4.1%	3.6%	3.1%
Broad money growth	1.1%	-0.6%	0.9%	1.8%	2.7%
Private sector credit growth (%, eop)	4.9%	3.8%	3.5%	3.7%	3.5%
Private sector credit (% of GDP)	109.2%	112.8%	119.4%	117.6%	113.4%

Source: Qatar Central Bank, Ministry of Planning and Statistics, IMF and EFG Hermes estimates

TABLE OF CONTENTS

Name	Position	E-mail	Direct number
Ahmed Shams El Din	Managing Director, Head of Research	ashamseldin@efg-hermes.com	+20 2 35356143
Macro Strategy			
Mohamed Abu Basha	Managing Director, Head of Macroeconomic Analysis	mbasha@efg-hermes.com	+20 2 35356157
Noura El-Essawy	Analyst, Strategy	naessawy@efg-hermes.com	+20 2 35356117
Financials			
Elena Sanchez-Cabezudo, CFA	Managing Director, Head of Financials	esanchez@efg-hermes.com	+971 4 363 4007
Ahmed El Shazly	Associate Director, Financials	aelshazly@efg-hermes.com	+20 2 353 56570
Omnia Kadry	Associate, Financials	okadry@efg-hermes.com	+20 2 35356154
Consumer			
Hatem Alaa, CFA	Deputy Head of Research & Head of Consumer Sector	halaa@efg-hermes.com	+20 2 35356156
Fahad Shaikh, CFA	Director, Consumer	fshaikh@efg-hermes.com	+971 4 363 4005
Nada Amin	Director, Consumer	namin@efg-hermes.com	+20 2 35356679
Mirna Maher, CFA	Associate Director, Consumer	mmaher@efg-hermes.com	+20 2 35356141
Abdullah Kandeel	Analyst, Consumer	akandeel@efg-hermes.com	+20 2 35356516
Chemicals & Materials			
Yousef Husseini	Managing Director, Chemicals	yhusseini@efg-hermes.com	+20 2 35356013
Dina Hicham	Vice President, Materials	dhicham@efg-hermes.com	+20 2 35356049
Malak Hassan Rashad	Analyst, Chemicals	mhrashad@efg-hermes.com	+20 2 35356390
Healthcare & Insurance			
Ahmed Moataz	Associate Director, Healthcare & Insurance	amoataz@efg-hermes.com	+20 2 35356515
Industrials, Utilities, Oil & Gas, Transportation & Logistics			
Ahmed Hazem Maher	Director, Industrials, Utilities, O&G, Transp. & Logistics	ahmaher@efg-hermes.com	+20 2 35351137
Zeina Fares	Associate, Industrials, Utilities, O&G, Transp. & Logistics	zfares@efg-hermes.com	+20 2 35356131
Malak Hatem	Analyst, Industrials, Utilities, O&G, Transp. & Logistics	mhatem@efg-hermes.com	+20 2 35356170
Real Estate & Construction			
Mai Attia	Managing Director, Head of Real Estate & Const.	maiattia@efg-hermes.com	+20 2 35356434
Shaza Shaker	Associate, Real Estate & Construction	sshaker@efg-hermes.com	+20 2 35356070

Name	Position	E-mail	Direct number
Telecommunications			
Omar Maher	Director, Telecommunications	omaher@efg-hermes.com	+20 2 35356388
Malak ElKafrawy	Analyst, Telecommunications	melkafrawy@efg-hermes.com	+20 2 35356392
Quantitative Research			
Ahmed Difrawy	Managing Director, Head of Quantitative research	adifrawy@efg-hermes.com	+20 2 35356144
Refaat Mahmoud	Director, Quantitative research	rmahmoud@efg-hermes.com	+20 2 35356095
Yousef Mourad, CFA	Associate Director, Quantitative research	ymourad@efg-hermes.com	+20 2 35356572
Ahmed Abdelmeged	Vice President, Quantitative research	aabdelmeged@efg-hermes.com	+20 2 35356065
Editing			
Rehab El Kobtan	Director, Editor	relkobtan@efg-hermes.com	+20 2 35356392
Amr Shehata	Associate Director, Editor	ashehata@efg-hermes.com	+20 2 35356059
Production & Distribution			
Haidy Samir	Director, Head of Production & Distribution	hsfahmy@efg-hermes.com	+20 2 35352180
David Nasr	Associate Director, Production & Distribution	dnasr@efg-hermes.com	+20 2 35356500
Sandra Azer	Vice President, Production & Distribution	sazer@efg-hermes.com	+20 2 35356469
Mirna Ezzat	Associate, Production & Distribution	mezzat@efg-hermes.com	+20 2 35356392
Retail			
Ahmed Nabil Sarhan	Associate Director, Retail	ansarhan@efg-hermes.com	+20 2 35356442
Sandra Raef	Associate Director, Retail Strategist	sraef@efg-hermes.com	+20 2 35356059
Translation			
Shaimaa ElSarky	Vice President	selsarky@efg-hermes.com	+20 2 35356163
Admin			
Fuyumi Archer	Senior Executive Support Manager	farcher@efg-hermes.com	+971 4 363 4008
Nermeen Abdel Khalek	Research Contracts & External Affairs Senior Manager	nabdelkhalek@efg-hermes.com	+20 2 35356684
Sherouq Abdelsalam	Senior Department Assistant	sabdelsalam@efg-hermes.com	+20 2 35356107

Name	E-mail	Direct number
Institutional Sales		
Cairo Office		
Mohamed Aly	maly@efg-hermes.com	+20 2 35356052
Wael El Tahawy	weltahawy@efg-hermes.com	+20 2 35356359
Ahmed Hashem	ahashem@efg-hermes.com	+20 2 35356286
Carol Aziz	caziz@efg-hermes.com	+20 2 35356312
Yasser Waly	ywaly@efg-hermes.com	+20 2 35356339
Riyadh Office		
Ramy El Essawy	ressawy@efg-hermes.com	+966 5 4880 0338
Mahdi Aljishi	maljishi@efg-hermes.com	+966 5 5506 0443
Dubai Office		
Ayah Abou Steit	asteit@efg-hermes.com	+971 4 363 4091
Lucia Merzaian	lmerzaian@efg-hermes.com	+971 4 363 4421
GCC High Net Worth Sales		
Hatem Adnan	hadnan@efg-hermes.com	+20 2 35 35 6083
Hany Ghandour	hghandour@efg-hermes.com	+966 5 4880 0677
Individual Sales		
Bassam Nour	bassam@efg-hermes.com	+20 2 35356069

Analyst Certification

The research analyst(s) listed on the front page of this report certifies that the views expressed in this document accurately reflect personal views about the securities and companies that are the subject of this report. The research analyst(s) listed on the front page of this report also certifies that any spouse(s) or dependents (if relevant) do not hold a beneficial interest in the securities that are subject of this report. The research analyst(s) listed on the front page of this report also certifies no part of their respective compensation was, is & or will be directly or indirectly related to the specific ratings or views expressed in this research report. EFG Hermes has taken measures to ensure that the review process and signing off on this report is conducted by person(s) who do not have a beneficial interest in the securities mentioned in this report and are neither remunerated directly nor indirectly for the specific ratings mentioned in this report nor for the review process of this report. The research analyst(s) listed on the front page of this report also certifies that they are acting independently and impartially from EFG Hermes shareholders, directors and is not affected by any current or potential conflict of interest that may arise from any of EFG Hermes' activities.

Analyst compensation: *The research analyst(s) primarily responsible for the preparation of the content of the research report attests that no part of the analyst's(s') compensation was, is or will be, directly or indirectly, related to the specific recommendations expressed by the research analyst's(s') in the research report. The research analyst's(s') compensation is, however, determined by the overall economic performance of EFG Hermes.*

Registration of non-US analysts: *Unless otherwise noted, the non-US analysts listed on the front of this report are employees of EFG Hermes. Research analysts employed by EFG Hermes are not registered/qualified as research analysts under FINRA/NYSE rules, and may not be subject to FINRA Rule 2241 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.*

Important Disclosures

EFG Holding S.A.E., or any of its subsidiaries or officers (other than the authors of this report) may have a financial interest in one or any of the securities that are the subject of this report. Funds managed by EFG Holding SAE and its subsidiaries (together and separately, "EFG Hermes") for third parties may own the securities that are the subject of this report. EFG Hermes may own shares in one or more of the aforementioned funds, or in funds managed by third parties. The author(s) of this report may own shares in funds open to the public that invest in the securities mentioned in this report as part of a diversified portfolio, over which the author(s) has/have no discretion. The Investment Banking division of EFG Hermes may be in the process of soliciting or executing fee-earning mandates for companies (or affiliates of companies) that are either the subject of this report or are mentioned in this report. Research reports issued by EFG Hermes are prepared and issued in accordance with the requirements of the local exchange conduct of business rules, where the stock is primarily listed.

Investment Disclaimers

This research report is prepared for general circulation and has been sent to you as a client of one of the entities in the EFG Hermes Group, and is intended for general information purposes only. It is not intended as an offer or solicitation or advice with respect to the purchase or sale of any security.

It is not tailored to the specific investment objectives, financial situation or needs of any specific person that may receive this report. This research report must not be considered as advice nor be acted upon by you unless you have considered it in conjunction with additional advice from an EFG Hermes entity, with which you have a client agreement. We strongly advise potential investors to seek financial guidance when determining whether an investment is appropriate to their needs.

Our investment recommendations take into account both risk and expected returns. We base our long-term target price estimate on fundamental analysis of the company's future prospects, after having taken perceived risk into consideration. We have conducted extensive research to arrive at our investment recommendation(s) and target price estimate(s) for the company or companies mentioned in this report. Readers should understand that financial projections, target price estimates and statements regarding future prospects may not be realized. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without prior notice. The target prices stated in our company update, initiation and corporate action adjustment reports on stocks listed on the EGX are valid for three months starting from the date of publication. EFG Hermes' target prices for stock coverage in other countries (excl. Egypt) are on a 12-month basis. All other reports on EGX-listed stocks, such as flash notes, sector or company commentaries, do not include, denote, or imply any changes to target prices. EFG Hermes' analysts plan to update all covered stock forecasts on a quarterly basis. For any additional information, please visit : http://www.efghermesresearch.com

Although the information in this report has been obtained from sources that EFG Hermes believes to be reliable, we have not independently verified such information, and it may not be accurate or complete. EFG Hermes does not represent or warrant, either expressly or implied, the accuracy or completeness of the information or opinions contained within this report, and no liability whatsoever is accepted by EFG Hermes or any other person for any loss, howsoever arising, directly or indirectly, from any use of such information or opinions or otherwise arising in connection therewith.

The decision to subscribe to or purchase securities in any offering should not be based on this report and must be based only on public information on such security and/or information made available in the prospectus or any other document prepared and issued in connection with the offering.

Investment in equities or other securities are subject to various risks, including, among others, market risk, currency risk, default risk and liquidity risk. Income from such securities, and their value or price may, therefore, fluctuate. Basis and levels of taxation may change, which would affect the expected return from such securities. Foreign currency rates of exchange may affect the value or income of any security mentioned in this report. Investors should, therefore, note that, by purchasing such securities, including GDRs, they effectively assume currency risk.

This report may contain a short- or medium-term recommendation or trading idea, which underscores a near-term event that would have a short-term price impact on the equity securities of the company or companies' subject of this report. Short-term trading ideas and recommendations are different from our fundamental equity rating, which reflects, among other things, both a longer-term total return expectation and relative valuation of equity securities relative to other stocks within their wider peer group. Short-term trading recommendations may, therefore, differ from the longer-term stock's fundamental rating.

For Entities and Clients in the United States

Hermes Securities Brokerage is not registered as a broker-dealer with the US Securities and Exchange Commission, and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Hermes Securities Brokerage is not a member of the Financial Industry Regulatory Authority (FINRA), and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance, and disclosure of potential conflicts of interest.

This research report is only being offered to U.S. Institutional and Major US Institutional Investors (subject to conditions outlined in Rule 15a-6) and is not available to, and should not be used by, any US person or entity that does not fall within one (1) of these categories/classifications. Hermes Securities Brokerage cannot and will not accept orders for the securities covered in this research report placed by any person or entity in the United States. Hermes Securities Brokerage is an affiliate company of EFG Hermes International Securities Brokerage S.A.E. ("EHISB"), located at B129, Phase 3, Smart Village – KM28 Cairo, Alexandria road 6th of October 12577 – Egypt. EHISB has a 15a-6 chaperoning agreement with Brasil Plural Securities LLC, located at 950 Third Avenue New York, NY 10022-USA Inc. at 212-388-5600. Orders should be placed with our correspondent, Brasil Plural Securities LLC.

A major US Institutional Investor who may receive and use this report must have assets under management of more than USD100,000,000 and is either an investment company registered with the SEC under the US Investment Company Act of 1940, a US bank or savings and loan association, business development company, small business investment company, employee benefit plan as defined in SEC Regulation D, a private business development company as defined in SEC Regulation D, an organization described in US Internal Revenue Code Section 501(c)(3) and SEC Regulation D, a trust as defined in SEC Regulation D, or an SEC registered investment adviser or any other manager of a pooled investment vehicle.

U.S. institutional investors who may receive and use this report must be a bank, insurance company, investment company registered with the SEC, small business investment company, private business development company, certain employee benefits plans, as well as trusts and tax-exempt organizations with more than $5 million in assets.

This research report was prepared by EFG Hermes, a company authorized to engage in securities activities in various jurisdictions. EFG Hermes is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" and "U.S. Institutional Investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Brasil Plural Securities LLC, a SEC registered and FINRA member broker-dealer authorized in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through EFG Hermes. To contact Brasil Plural Securities LLC directly via phone at (212)388-5600 or via mail at Brasil Plural Securities LLC - 950 Third Avenue, New York, NY 10022.

Brasil Plural Securities LLC accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

Additional - U.S. person other than a major U.S. institutional investor disclosures

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither EFG Hermes nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report. EFG Hermes may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of EFG Hermes.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments. Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by EFG Hermes with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein. No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior consent of EFG Hermes and EFG Hermes accepts no liability whatsoever for the actions of third parties in this respect.

Investment Banking Business

EFG Hermes, or any of its subsidiaries, does and seeks to do business with companies mentioned in its research reports or any of their affiliates. As a result, investors should be aware that the firm, or any of its subsidiaries, maintains material conflict of interest that could affect the objectivity of this report.

Guide to Analysis

EFG Hermes investment research is based on fundamental analysis of companies and stocks, the sectors that they are exposed to, as well as the country and regional economic environment.

In special situations, EFG Hermes may assign a rating for a stock that is different from the one indicated by the 12-month expected return relative to the corresponding target price. For the 12-month long-term ratings for any investment covered in our research, the ratings are defined by the following ranges in percentage terms:

Rating	Potential Upside (Downside) %
Buy	Above 15%
Neutral	(10%) and 15%
Sell	Below (10%)

EFG Hermes policy is to update research reports when appropriate based on material changes in a company's financial performance, the sector outlook, the general economic outlook, or any other changes which could impact the analyst's outlook or rating for the company. Share price volatility may cause a stock to move outside of the longer-term rating range to which the original rating was applied. In such cases, the analyst will not necessarily need to adjust the rating for the stock immediately. However, if a stock has been outside of its longer-term investment rating range consistently for 30 days or more, the analyst will be encouraged to review the rating.

Copyright and Confidentiality

Contacts and Statements

All reports are prepared by Hermes Securities Brokerage (main office), Building No. B129, Phase 3, Smart Village, KM 28, Cairo-Alexandria Desert Road, Egypt 12577, Tel +20 2 35 35 6140 | Fax +20 2 35 37 0939 which has an issued capital of EGP3,843,091.

Reviewed and approved by EFG Hermes KSA - a closed joint stock company established under license number 06016-37 issued by the Capital Market Authority in Saudi Arabia whose registered office is in Sky Towers, Northern Tower, Olaya, Riyadh, Saudi Arabia with Commercial Registration number 1010226534.

Reviewed and approved by EFG Hermes UAE Limited, which is regulated by the DFSA and has its address at Office 301, The Exchange, DIFC, Dubai. The material is distributed in the UAE or the Dubai International Financial Centre (DIFC) (as applicable) by EFG Hermes UAE Limited. The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" as defined in the DFSA Rulebook. No other person should act upon it. This Research Report should not be relied upon by or distributed to Retail Clients.

Reviewed and approved by EFG Hermes Pakistan Limited. (Research Entity Notification No. REP-192), incorporated in Pakistan with registered number 0040559, and has its address at Office No. 904, 9th Floor, Emerald Tower, Plot No. G19, Block-5, Clifton, Karachi, Pakistan. Distributed in Kenya by EFG Hermes Kenya Limited, an entity licensed under the Capital Markets Act and regulated by the Capital Markets Authority.

The information in this document is directed only at Institutional Investors If you are not an institutional investor you must not act on it.

EFG Hermes Offices

www.efghermesresearch.com

BLOOMBERG EFGH REUTERS PAGES .EFGS .HRMS .EFGI .HFISMCAP