Saudi Electricity Company

SSE Code: 5110 | Reuters Code: 5110.SE | Bloomberg Code: SECO AB|
Current Market Price: SAR 12.2 (As of Feb 22, 2010)

February 2010

Stock Volatility	Expected Return (Feb 2010) Low	Medium	High
Low			
Medium			
High			

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- Saudi Electricity Company (SEC) outperformed the TASI, gaining 8% YTD compared to the index's 5.8% rise. For the year 2009, the index rose 27%, while SEC's stock price advanced 22%.
- SEC currently trades at a P/E of 43x; the company's PE increased 13% in 2009 and 7% YTD in 2010. We place the fair value PE at 40x, which indicates room for a moderate contraction in its earnings multiple.
- SEC reported mixed results in 4Q09—growth in the top line was offset by expanding losses. Revenues in the quarter totaled USD 1.46 bn, up 7.2% over that in 4Q08, while the net loss widened to USD 136 mn from USD 108 mn. Revenues in FY09 improved 7% over FY08, while the net profit grew a modest 5.4% YoY to USD 311 mn. In terms of profitability, SEC's operating margins remained more or less flat at -11% for 4Q09 and 3% for FY09.
- Positives for the company include its monopoly status in power distribution in the Kingdom, low cost fuel purchase agreements with Saudi Aramco and a well-established power generation and distribution network across key locations in Saudi Arabia. SEC is also actively seeking new investment opportunities in the power sector, and is a major shareholder in the Gulf Cooperation Council Interconnection Authority (GCCIA) grid project, an electricity grid connecting the six GCC economies.
- SEC has an aggressive capital expenditure plan aimed at boosting its installed capacity (reducing the need for outside energy purchases), enhancing grid connectivity and expanding the distribution network to interior parts of Saudi Arabia. The planned capital expenditure for 2009–13 is estimated at USD 33 bn. In our view, SEC is well-positioned to capitalize on the growing power demand in the Kingdom and the region.
- We expect revival in industrial activity to drive demand for power in the Kingdom in the near term, while macro factors such as increasing population and shrinking household sizes are likely to support consumer demand for electricity in the long term. We estimate a net income of USD 337 mn for 2010, a growth of 9% over that in 2009.

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USD Mn	2005	2006	2007	2008	2009	2010f
Revenue	5,002	5,254	5,594	5,943	6,359	6,810
Net profit	395	377	414	294	311	337
P/E (LTM)	80.56	38.24	39.86	34.26	40.18	42.86
P/B (LFI)	2.61	1.15	1.28	0.79	0.95	1.00
Market Cap	32,216	14,442	16,386	10,276	12,498	13,449
Stock Returns	8%	-55%	13%	-37%	22%	8%

Note: 2010 figures - P/E, P/B on 2009 ending results and M.Cap. as on Feb 22, 2010
Source: Financial Reports, Bloomberg, Reuters

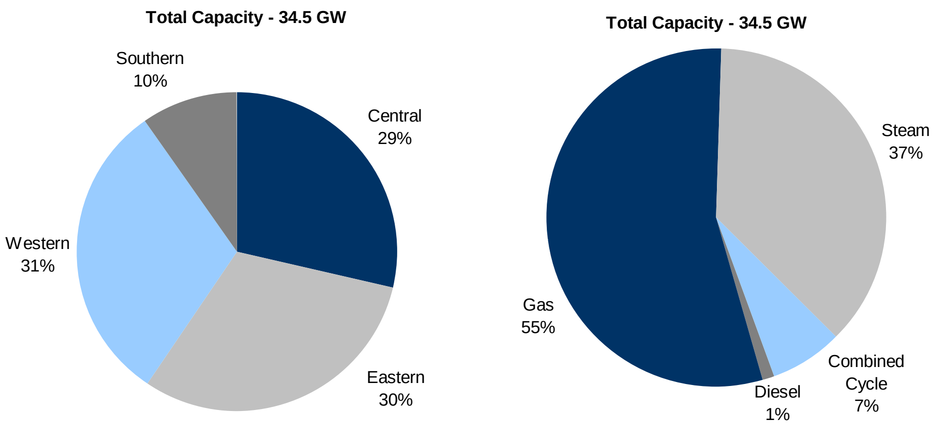
Company Overview

SEC is an integrated power major in Saudi Arabia with operations spanning power generation, transmission and distribution in the Kingdom

Established in 1999, Saudi Electricity Company (SEC) is the primary power generating company in the Kingdom of Saudi Arabia, and also its sole electricity supplier. The company was established following a merger of General Electricity Corporation and four Saudi consolidated electricity companies. The company's business is built around three divisions – Power Generation, Transmission and Distribution. The Government of Saudi Arabia is the largest shareholder in SEC with 74% ownership, followed by state controlled Saudi Aramco, which has 6.9% stake. The rest is in free float.

Power Generation: SEC's installed power generation capacity was 34.5 GW as of 2008 with more or less equally split between western, eastern and central region (Figure 1). The company has 53 operating power plants spread across the Kingdom (Appendix 2). By fuel type, SEC's power generation units can be classified as diesel-based, gas-fired and steam-run with gas dominating as SEC has long-term contracts with Saudi Aramco for the supply of gas at low cost; (Figure 1 & Appendix 3) nearly 55% of SEC's total installed capacity is gas-based. Turbines running on steam account for 37% of the installed capacity.

Figure 1: SEC Installed Capacity by Region and Type – 2008



Source: Saudi Electricity Company

Besides captive production, SEC purchases electricity generation capacities (4.8 GW, or 14% of the total) mostly during peak load times and in the eastern region from third parties such as desalination plants and diesel rental units; the company's total available power capacity was 39.2 GW as of 2008 during which it produced 204 TWH of power, up 7.2% over 2007.

SEC supplied electricity to over 5 mn customers in Saudi Arabia and sold 181,098 GWh of electricity in 2008

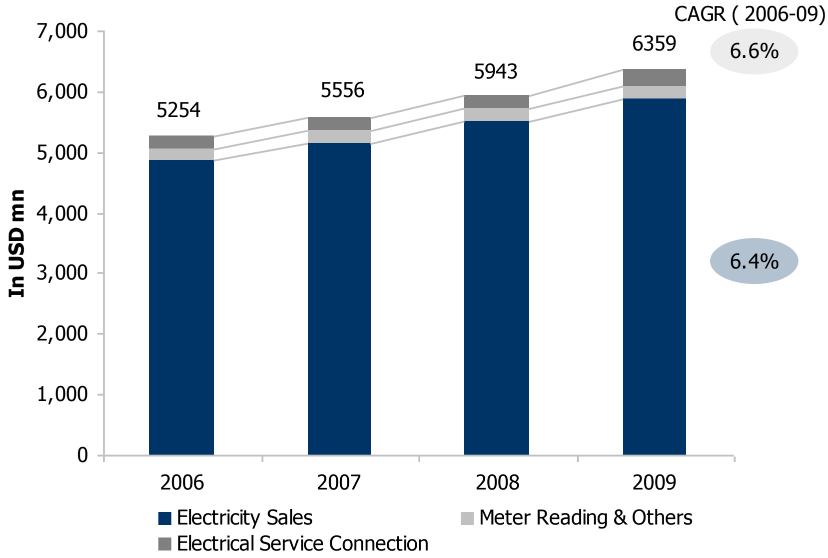
Power Transmission: SEC enjoys a monopoly in the transmission of power in Saudi Arabia. With over 39,800 km of High Voltage (HV) transmission lines, the company supplies power to all parts of the Kingdom (Appendix 4). Of the transmission lines, nearly 36,500 km are overhead lines, while 3,300 km are underground cables.

Power Distribution: SEC's distribution network comprised a total of 170,400 km of medium-to-low voltage power lines and 175,020 km of low voltage lines (127–380v) as of 2008. The company supplied electricity to 5.4 mn customers in Saudi Arabia and sold 181,098 GWh of electricity in 2008.

Electricity sales account for nearly 92% of total revenues and recorded a CAGR of 6.4% during 2006–09

SEC's revenue mix includes electricity sales tariff, meter reading, maintenance and bill preparation tariffs and service connection tariff. Of these, electricity sales account for nearly 92% of total revenues and increased at a CAGR of 6.4% during 2006–09.

Figure 2: SEC revenue trends 2006 – 2009



Source: Reuters, Markaz Research

Residential is the largest end segment, accounting for 53% of the total energy sold in 2008

In terms of end-consumer segments, energy sales to the residential sector accounted for 53% of the total energy sold in 2008, followed by sales to the industrial sector that accounted for 18%. SEC's residential customers are mostly located in the central and western regions (together they purchased ~70% of all electricity sold by the company to its residential customers in 2008); while most of its industrial customers are based in eastern Saudi Arabia (purchased ~75% of all electricity sold by the company to its industrial customers in 2008).

Figure 3: Customer Mix – Energy Sold 2008

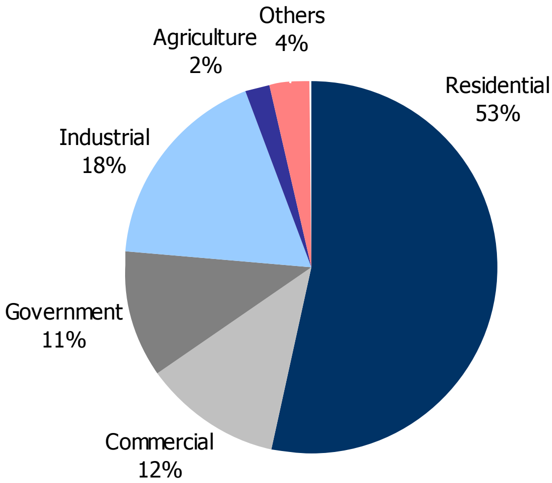
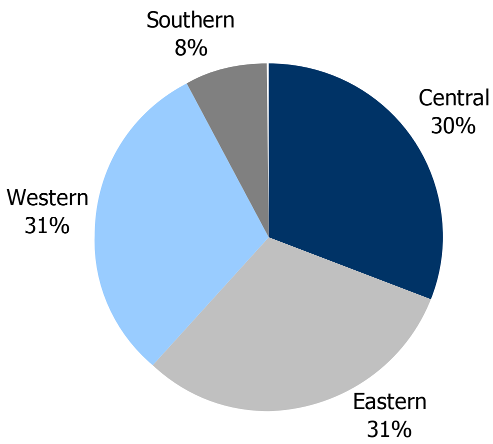


Figure 4: Region Mix – Energy Sold (GWH) 2008



Source: Saudi Electricity Company

Enjoys leadership position in Saudi power industry

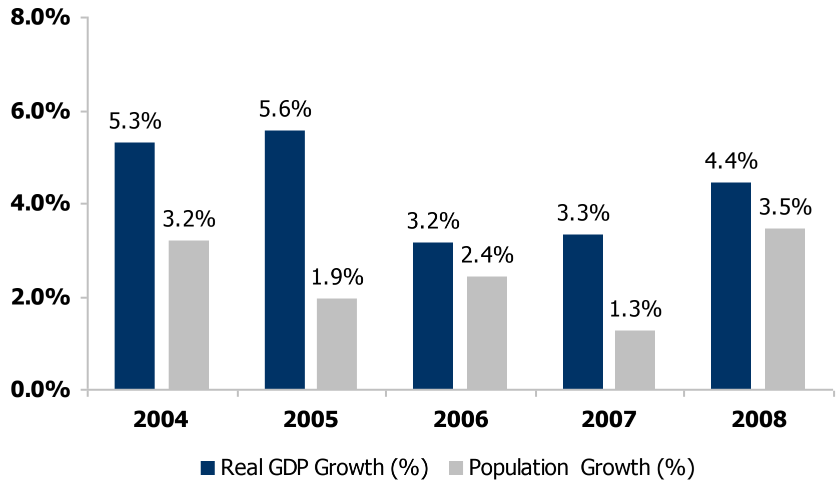
In 2008, SEC accounted for 88% of total electricity sales in the Kingdom, while Marafiq, Water and Electricity Corporation (WEC) and other power producers accounted for the remaining 12%. In a bid to improve private sector participation, the state regulators are encouraging independent power producers from the private sector to enter the Saudi power industry. Since SEC has a monopoly in power distribution, additional capacity through the private sector is likely to help the company improve its asset turnover.

Population in Saudi Arabia has grown steadily at 3–3.5% over the last several years

Population growth, a key driver for power sector in Saudi Arabia

In our view, recovery in industrial activity would drive demand for power in the Kingdom in the near term, while macro factors, such as increasing population and decreasing household sizes, would support residential demand for power in the long term. The population in Saudi Arabia has grown steadily at 3–3.5% over the last several years, whereas the size of the household has contracted gradually from 7.4 in the late 80s to 5.4 in 2008.

Figure 5: Population and GDP Growth 2004–08



Source: Ministry of Economy & Planning, Saudi Arabia

Power tariffs are government-controlled and aimed at ensuring maximum benefit for customers

Power tariffs in Saudi Arabia determined by government; SEC has no pricing power

Despite SEC's cost advantage on gas and diesel (due to procurement at low cost from Saudi Aramco), the company is unable to leverage these benefits as power tariffs are government-controlled, set by the Electricity and Co-generation Regulatory Authority (ECRA) and designed to benefit the end consumer. In our view, increased demand for power following the anticipated recovery in industrial activity in the Kingdom would increase plant utilization rates and drive profitability for the company.

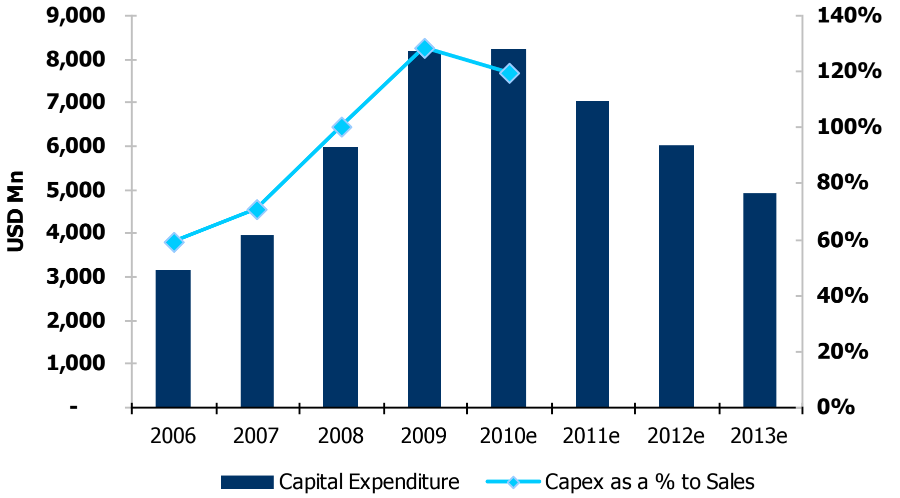
SEC has earmarked a capital expenditure of USD 34 bn for 2009–13 for investments across the power generation, distribution and transmission segments

Significant capex plans to tap electricity demand in the region

SEC has laid out an aggressive capex plan for the next 4–5 years. This includes investments in power generation, distribution systems and transmission lines. In terms of capacity addition, 33 major power projects are planned; these are expected to provide an additional 15 GW of capacity by 2014 at an estimated cost of USD 24 bn (Appendix 6). Of the total planned capacity addition, nearly 55% is expected to be commissioned by

2011. Also, the western and eastern regions are likely to account for nearly 65% of the total addition.

Figure 6: Capital Expenditure Trends 2006–2013e



Source: Saudi Electricity Company, Reuters

SEC has made USD 576 mn worth investments in the GCC region and currently has 40% stake in the GCCIA, the interconnecting grid in GCC

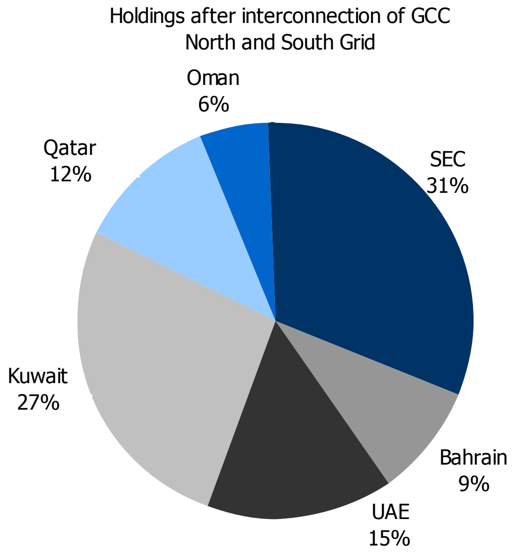
The commissioning of these power projects is expected to reduce SEC's dependence on purchased power and lower its operating expenses, thereby driving a moderate expansion in profitability. SEC also aims to expand network coverage by adding 197 new transformers with an additional capacity of 35,000 MVA by 2012. Moreover, establishing grid connectivity among various regions in Saudi Arabia is likely to help SEC increase its plant utilization rates. The company plans to spend USD 3.5 bn per annum on transmission over the next 5 years and USD 1.89 bn a year on distribution over the next 8–10 years.

SEC - Investments in the Kingdom

SEC's 31% stake in the GCCIA holds long-term value creation potential

Besides investing in core operations, SEC has made investments totaling USD 576 mn, across several companies in Saudi Arabia and GCC (Appendix 6). Notable among these is the GCCIA in which the company has picked up a 40% stake at an investment of USD 454 mn. The GCCIA aims to interconnect grids across the six GCC economies across three phases. Phase I of the project entailed interconnecting Saudi Arabia, Bahrain, Qatar and Kuwait ("GCC North Grid") at an estimated project cost of USD 1.2 bn. The GCC North Grid, completed recently, will be linked to the grid connecting the United Arab Emirates and Oman (Phase 2 – "GCC South Grid"). Post completion of the interconnection of the GCC North and South Grids (Phase 3), the UAE and Oman would become shareholders in the GCCIA and SEC would retain a 31% stake in GCCIA. In our view, a fully functional GCC grid, expected to be completed in 2011, would provide SEC an opportunity to tap the region's growing demand for power and leverage its low cost access to fuel sources from Saudi Aramco. In addition, the grid offers the company the scope to cater to the electricity needs (by exporting surplus power) of North Africa and Europe through connectivity to Pan-Arab grids (Arab Magrebh and EJLIST) and UCTE Europe.

Figure 7: GCCIA Shareholding Pattern



Source: Saudi Electricity Company

SEC stock offers an attractive 5.8% dividend yield at current prices

A notable track record of dividends

Over the years, SEC has built a sound track record of dividend payout to shareholders—historically, USD 0.25 per share, or a dividend yield of 5.8% at current market price making it something of a fixed income proxy. In 2006, dividend payouts fell to about USD 0.04 per share as gross dividends declined about 80%.

Earlier, the stock was trading over concerns of expiry of government waiver of dividends. (When SEC was established, the government had waived off its rights to receive the dividends until 2009 or a 10-year period.) However, in 2009, the government extended this waiver for another 10 years, providing much-needed clarity on the dividend outlook.

Discussion Notes

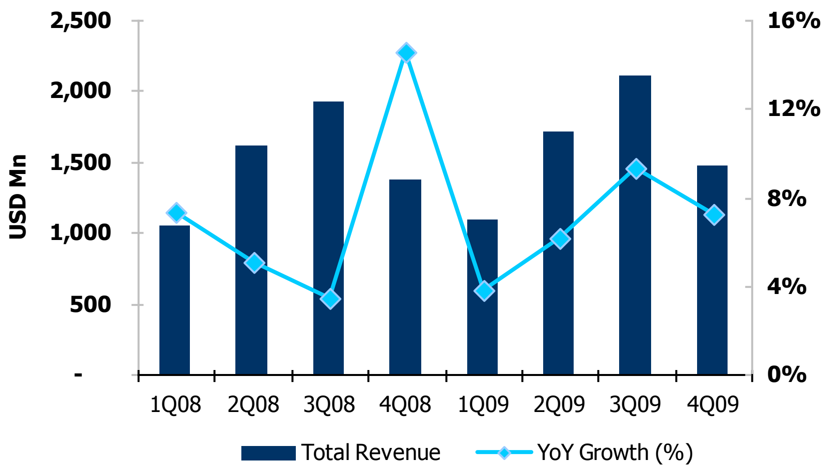
Looking Back – 2009 Results

Total revenue (or sales) grew 7.2% YoY in 4Q09 to USD 1.46 bn

SEC's net loss widened to USD 136 mn in 4Q09 from USD 108 mn in 4Q08. Due to higher demand for power in the Kingdom, the company's top line grew 7.2% to USD 1.46 bn in 4Q09 from USD 1.37 bn in 4Q08. Operating margins remained flat during the quarter and the bottom line was largely impacted by a 47% increase in the cost of purchased energy and a 12% rise in depreciation charges due to SEC's higher capital expenditure in 2009. For the full year 2009, the company's top line grew 7% to USD 6.36 bn from USD 5.94 bn in 2008. Net profit rose a modest 5.4% over that in 2008 aided by strong performance in 3Q09.

Total revenue (or sales) grew 7.2% YoY to USD 1.46 bn in 4Q09, taking FY09 revenue to USD 6.36 bn, a modest 7% growth over 2008. However, on a quarterly basis (Figure 6), numbers imply accelerating revenue growth: revenue increased 3.8% YoY in 1Q09, 6.1% in 2Q09 (5.1% in 2Q08), and 9.3% in 3Q09 (3.5% in 3Q08). In fact, SEC's top line performance is impacted by the seasonal demand of electricity in the Kingdom. Generally, the electricity consumption is highest during the period May to September (reflected in Q2 & Q3 performance). This is due to the high summer temperature in this period and the resultant increased usage of air conditioners in the Kingdom.

Figure 8: Total Quarterly Revenue (Sales) - Growth Trend



Source: Reuters Knowledge, Markaz Research

We expect the company to register revenue of USD 6.81 bn for 2010, a growth of 7% over 2009

In terms of stock performance, SEC has performed reasonably well, with the share price up 8% YTD and 22% in 2009.

Looking forward – 2010

We expect power demand in the Kingdom to improve in 2010 supported by recovery in industrial and residential demand. SEC is estimated to generate total revenue of USD 6.81 bn in 2010, up 7% over 2009.

The company has been able to maintain a steady cost structure, but is witnessing margin pressures due to rising purchase energy costs. In addition, SEC's aggressive capex plans and long gestation projects are increasing depreciation charges, which are impacting its operating margins. However, with the commissioning of new power projects, energy purchases from third-parties are likely to decline.

Figure 9: Consensus estimates Vs Markaz estimates - 2010f

	Consensus Estimate Table (2010 f)					
Annual (USD mn)	**TAIB**	**NCB**	**CA Cheuvex**	**GIH**	**EFG Hermes**	**Markaz**
Date of Estimates	**Oct-09**	**Oct-09**	**Aug-09**	**Jan-10**	**Feb-10**	**Feb-10**
ROA:	1.4%	-	-	-	-	1%
ROE:	4.7%	-	2.3%	-	-	3%
Revenue:	7,640	6,743	6,742	6,702	6,804	6,810
EBIT:	524	142	270	253	245	250
Net Profit (Pre Extra. Items):	636	270	303	357	342	337
Net Profit:	636	270	303	357	342	337
Growth	**105%**	**-13%**	**-2%**	**15%**	**10%**	**9%**
Recommendation	**Overweight**	**N/A**	**Sell**	**N/A**	**Neutral**	

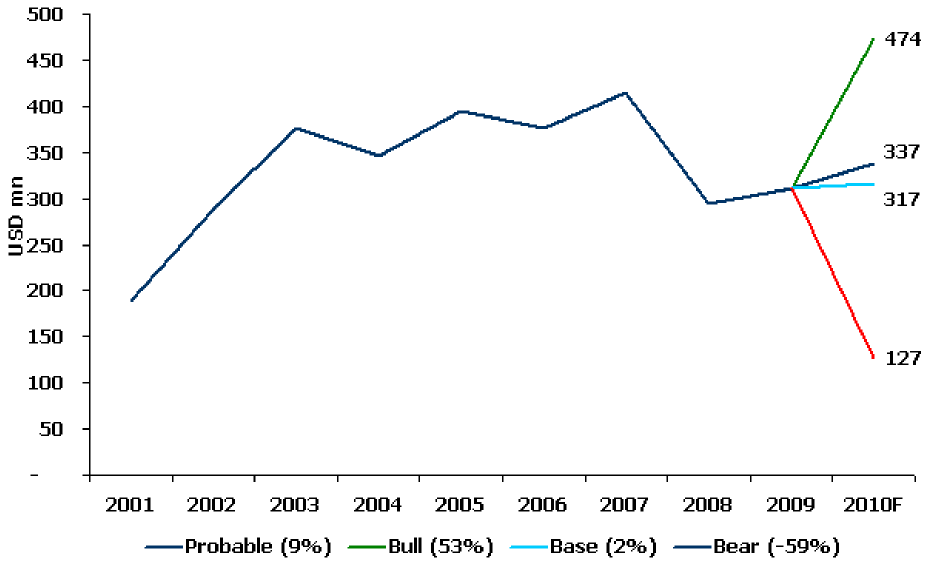
Source: Zawya, Reuters Knowledge, Markaz Research

We expect SEC to deliver a net income of USD 337 mn for 2010, up 9% over that in 2009.

Our call on 2010 net profit is a weighted product of three scenarios: the Bull Case (with a 53% growth in net income, and a 25% probability of occurring), a Base Case (with an 2% growth in net income and a 65% probability of occurring), and finally, a Bear Case (with a decline of 59% and a mere 10% chance of occurring).

We expect the company to record a net income of USD 337 mn for 2010, a growth of 9% over 2009

Figure 10: Net Income Trend



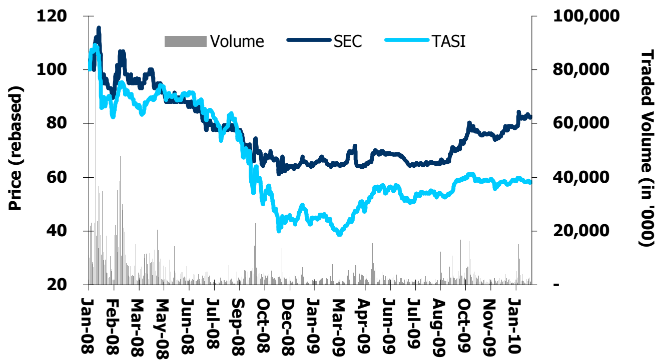
Source: Reuters Knowledge, Markaz Research

Valuation

SEC has gained 8% YTD, outperforming the TASI, which has risen 5.8%. However, in 2009, SEC advanced 22%, underperforming the index's 27% gain (Figure 11). The company's current PE is at 42.5x; its PE multiple has expanded 6.2% YTD and 13% in 2009. Despite SEC's cost advantage, the company is not able to fully leverage it as power tariffs are controlled by the government. However, recovery in industrial activity, the long-term trends of increasing population growth, shrinking household size and grid connectivity across the GCC are expected to help SEC operate at improved capacity utilization rate. In addition, the commissioning of planned capacities is likely to reduce third-party purchases and drive profitability for SEC. We, thus, place the fair value PE at a conservative 40x, indicating room for a moderate contraction of its earnings multiple. We expect SEC's net income to grow 9% YoY to USD 337 mn in 2010 on a 7% increase in revenue to USD 6.81 bn.

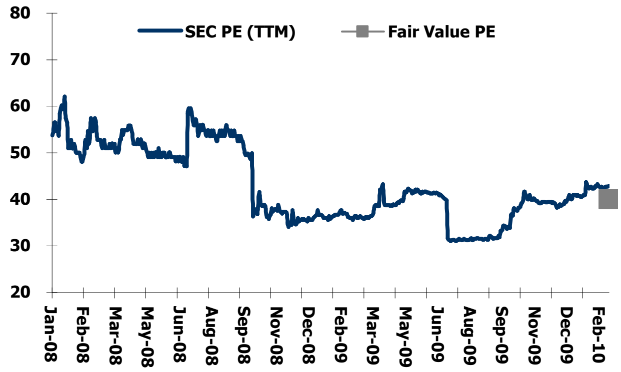
SEC's Turnover Velocity declined significantly to 13% in 2009 (from 42% in 2008) due to weak volumes. Overall, we expect the stock to yield Low returns with Low volatility as per the Markaz Volatility Index.

Figure 11: Price & Volume Trend



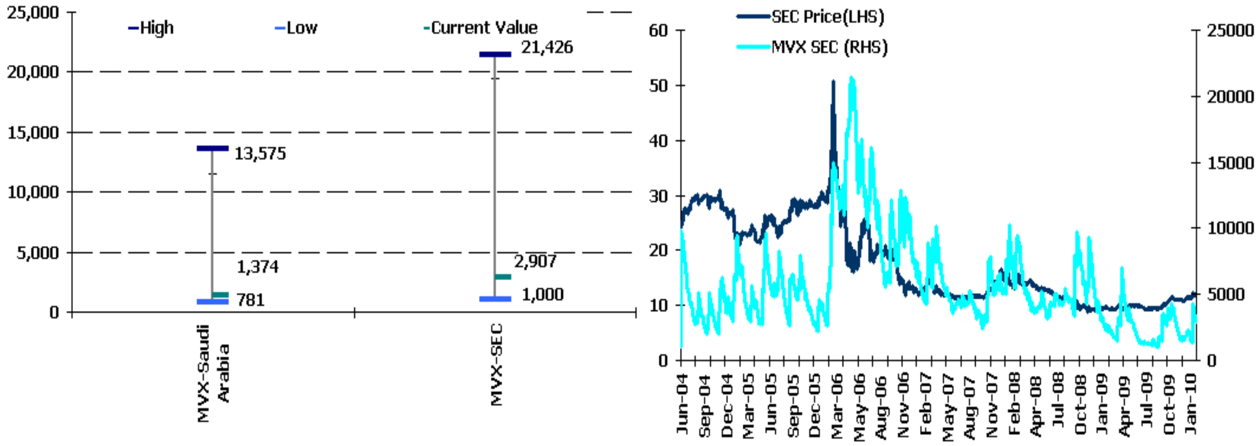
Source: Bloomberg

Figure 12: PE Trend & Fair Value



Source: Bloomberg, Markaz Research

Figure 13: Markaz Volatility Index (January 2010)



Source: Bloomberg, Markaz Research

Appendix 1: Key Statistics

Income statement (USD mn)	2005	2006	2007	2008	2009	2010f
Electricity Sales	4,647	4,875	5,189	5,506	5,876	6,305
Gross Revenues	5,002	5,254	5,594	5,943	6,359	6,810
Total Operating Expenses	4,666	4,946	5,259	5,739	6,139	6,560
Operating Profit	336	308	335	204	220	250
Net profit	395	377	414	294	311	337
Balance Sheet (USD Mn)	**2005**	**2006**	**2007**	**2008**	**2009**	**2010f**
Total Current Assets	7,596	5,604	7,247	6,668	5,873	
Non-Current Assets	23,748	28,312	29,112	32,093	38,403	
Total Assets	31,344	33,916	36,359	38,762	44,277	
Current Liabilities	9,140	7,289	9,245	10,704	13,244	
Long Term Loans	5,942	6,386	5,008	5,222	5,719	
Non-Current Liabilities	3,927	7,675	9,309	9,890	12,204	
Total Liabilities	19,010	21,351	23,563	25,817	31,167	
Total Shareholder's Equity	12,334	12,565	12,796	12,945	13,109	
Key Ratios	**2005**	**2006**	**2007**	**2008**	**2009**	**2010F**
Return on Equity (%)	3.2%	3.0%	3.2%	2.3%	2.4%	2.7%
Return on Assets (%)	1.3%	1.1%	1.1%	0.8%	0.7%	0.8%
Revenue Growth (%)	6.7%	5.0%	6.5%	6.2%	7.0%	7.3%
Earnings Growth (%)	14.1%	-4.7%	9.8%	-28.9%	5.4%	13.7%
Historical EV (USD Mn)	38,158	20,828	21,394	15,498	18,217	
P/E	80.56	38.24	39.86	34.26	40.18	
Price/Book	2.61	1.15	1.28	0.79	0.95	
EPS (USD)	0.10	0.09	0.10	0.07	0.07	
BVPS (USD)	2.96	3.02	3.07	3.11	3.15	
DPS (USD)	0.19	0.03	0.03	0.03	0.00	
Market Price (SR)	29.00	13.00	14.75	9.25	11.25	
Assets Growth (%)	8%	8%	7%	7%	14%	
Equity Growth (%)	2%	2%	2%	1%	1%	
Annual Trading Volume (mn)	7,015	7,922	2,205	1,526	564	
Annual Trading Value (USD mn)	49,079	54,569	7,878	5,545	1,517	
Turnover Velocity	158%	234%	51%	42%	13%	
M Cap (USD mn)	32,216	14,442	16,386	10,276	12,498	

Source: Zawya, Reuters, Company Financials

Appendix 2: SEC Installed Generation Capacity 2008

Province	Power Plants	Generation Units	Actual Capacity (MW	% of Total Capacity
Eastern	15	127	10671	30.96%
Western	16	162	10709	31.07%
Central	14	194	9779	28.37%
Southern	8	100	3311	9.6%
Total	53	583	34470	100%

Source: Saudi Electricity Company

Appendix 3: Fuel Prices for SEC from Saudi Aramco

Type of Fuel	Price (USD per mm Btu)
Natural Gas	0.75
Diesel	0.63
Light Crude Oil	0.74
Heavy Fuel Oil	0.32

Source: Saudi Electricity Company

Appendix 4: SEC Transmission Lines 2008

Voltage of Transmission Lines	No. of Sub-stations	No. of Transformers	Capacity (MVA)
380 KV	46	158	52401.6
230 KV	35	124	27252.8
132 KV	263	670	41684.3
110-115 KV	242	738	32075.3

Source: Saudi Electricity Company

Appendix 5: Investments by SEC 2008

Company	Investment (USD mn)	Stake	Description
GCC Interconnection Authority (GCCIA)	454.1	40%	Interconnecting the electricity transmission networks of the member states of the GCC
Water and Electricity Company (WEC)	4.1	50%	Purchasing power and desalinated water and reselling to SWCC and to SEC
Shuaibah Water and Electricity Company	0.1	8%	Developing and operating the Shuaibah-III project for the dual production of water and electricity
Shuqaiq Water and Electricity Company	0.1	8%	Developing and operating the Shuqaiq project for the dual production of water and electricity
Shuaibah Holding Company	0.0	8%	Developing projects for the dual production of water and electricity
Al-Jubail Water and Electricity Company	0.1	5%	Developing and operating the project for the dual production of water and electricity in the city of Jubail
Rass Al Zoor Water and Electricity Company	0.3	20%	Developing and operating the project for the dual production of water and electricity
Rabigh Electricity Company	0.5	100%	Developing and operating the project for the production of electricity
Investments Held to Maturity	116.5	-	Include investments in various Sukuks such as SABIC and SAAB Sukuks
Total	**576**		

Source: Company Report, Reuters

Appendix 6: SEC's Major Power Projects: 2009-2014

Project Description	Region	Capacity (MW)	Planned Commissioning Date (First Unit)	Est. Project Cost (USD mn)
Al-Quraya Power (Gas)	Eastern	1,950	2009	1,204
Faras Power	Eastern	508	2009	331
Al-Guba Power Extension	Central	55	2009	83
PP 8	Central	480	2009	297
Tihama Expansion	Southern	120	2009	129
Jazan Expansion	Southern	132	2009	80
Jazan Expansion	Southern	60	2009	33
Sarorah Expansion	Southern	48	2009	96
Al-Jouf/Arar Expansion	Eastern	60	2010	49
Rafha Power Expansion	Eastern	30	2010	44
PP 10	Central	1,320	2010	1,993
Al-Guba Power Expansion	Central	55	2010	83
Rabigh Gas Plant 1	Western	960	2010	818
Rabigh Gas Plant 2	Western	720	2010	932
Tabuk Expansion	Western	120	2010	173
Duba Expansion	Western	45	2010	106
Al-Wajh power	Western	90	2010	56
PP 10	Central	660	2011	996
Qurayate Power Expansion	Eastern	120	2011	66
Shaibah Steam Plant	Western	397	2012	978
Shaibah Steam Plant	Western	794	2011	1,955
Najran Air Cooling	Southern	60	2012	53
Al-Quraya Power Steam Part	Eastern	1,255	2012	2,581
Tabarjal Expansion	Eastern	25	2012	39
Rabigh Steam Power Plant 1	Western	630	2012	1,204
Tabuk Expansion	Western	120	2012	176
Al-Wajh Expansion	Western	30	2012	47
Qurayate Power Expansion	Eastern	25	2013	37
Al-Wajh Expansion	Western	30	2013	44
Rabigh Steam Power Plant 1 & 2	Western	1,260	2013	2,803
PP 10 Steam Part	Central	990	2014	2,100
Rabigh Steam Power Plant	Western	630	2014	1,337
Al-Shuqaiq	Southern	1,200	2014	2,546
Total		**14,979**		**23,470**

Source: Saudi Electricity Company

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Managing GCC Volatility (Feb-07)
GCC for Fundamentalists (Dec-06)
GCC Leverage Risk (Nov-06)

Periodic Research

Daily

Markaz Daily Morning Brief
Markaz Kuwait Watch
Daily Fixed Income Update

Weekly

KSE Market Weekly Review
International Market Update
Real Estate Market Commentary

Monthly

Mena Mergers & Acquisitions
Option Market Activity
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Market Review

Quarterly

GCC Equity Funds
Thought Speaks
Equity Research Statistics

Sector Research

Infrastructure

GCC Power
GCC Ports
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Real Estate – Market Outlook

- Egypt Real Estate - Trends and Outlook(Feb-10)
- Kuwait Real Estate Outlook(Dec-09)
- Abu Dhabi Residential (Nov-09)
- Office Investment in KSA (Jul-09)
- Saudi Arabia – Residential Real Estate Outlook (Jun-09)
- Saudi Arabia (Sep-08)
- Abu Dhabi (July-08)
- Algeria (Mar-08)
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- Kuwait (Feb-08)
- Lebanon (Dec-07)
- Qatar (Sep-07)
- Saudi Arabia (Jul-07)
- U.S.A. (May-07)
- Syria (Apr-07)

Real Estate Strategic Research

- GCC Distressed Real Estate Opportunities (Sep-09)
- GCC Real Estate Financing (Sept-09)
- Real Estate Earnings -2009 (May-09)
- Supply Adjustments Are we done? (Apr-09)
- Dubai Real Estate Meltdown (Feb-09)

Markaz Research Offerings

Company Research

Saudi Arabia

- Saudi Electricity Co (Feb-10)
- Maaden (Feb-10)
- Yamama Cement (Feb-10)
- Etihad Etisalat (Feb-10)
- Al Marai Company (Dec-09)
- Arab National Bank (Oct-09)
- SAFCO (Oct-09)
- Al Rajhi Bank (Aug-09)
- Riyad Bank (Jul-09)
- Saudi Telecom Co. (May-09)
- Sabic (Mar-09)
- Samba Financial Group (Feb-09)
- Saudi Investment Bank (Jan-09)
- Savola Group (Dec-08)
- Kingdom Holding Co (Dec-08)
- Saudi Kayan Petro Co. (Aug-08)
- Banque Saudi Fransi (Jun-08)

Research Coverage Market Cap as % of total Market cap 45%

UAE

- Dubai Financial Market (Sept-09)
- ADCB (Jun-09)
- DP World (Jun-09)
- NBAD (Feb-09)
- Sorouh Real Estate (Feb-09)
- Aldar Properties (Feb-09)
- Gulf Cement Company (Jan-09)
- Abu Dhabi National Hotels (Dec-08)
- Dubai Investments (Dec-08)
- Arabtec Holding (Dec-08)
- Air Arabia (Nov-08)
- Union Properties (Nov-08)
- Dubai Islamic bank (Oct-08)
- Union National Bank (Aug-08)
- Emaar Properties (July-08)
- Dana Gas (July-08)
- FGB (July-08)
- Etisalat (Jun-08)

Research Coverage Market Cap as % of total Market cap 48%

Qatar

- Qatar Telecom (Jun-09)
- Industries Qatar (Apr-09)
- Qatar National Bank (Feb-09)
- United Development Co. (Feb-09)
- Qatar Fuel Co. (Dec-08)
- Qatar Shipping Co (Dec-08)
- Barwa Real Estate Co. (Nov-08)
- Qatar Int'l Islamic bank (Nov-08)
- Qatar Insurance Co. (Nov-08)
- Qatar Gas Transport Co. (Oct-08)
- Doha Bank (Aug-08)
- QEWC (July-08)
- QISB (July-08)
- Masraf Al-Rayan (Jun-08)
- Commercial Bank of Qatar (Jun-08)

Research Coverage Market Cap as % of total Market cap 95%

Bahrain

- Gulf Finance House (Oct-08)
- Esterad Investment Company (Aug-08)
- Bahrain Islamic Bank (Aug-08)
- Ithmaar Bank (July-08)
- Tameer (July-08)
- Batelco (July-08)

Research Coverage Market Cap as % of total Market cap 29%

Egypt

- Commercial Int'l Bank (Oct-08)
- Orascom Telecom (Sep-08)
- Mobinil (Sep-08)
- Telecom Egypt (Aug-08)
- EFG-Hermes (Jun-08)

Research Coverage Market Cap as % of total Market cap 45%

Oman

- Galfar Engineering & Cont. (Nov-08)
- Oman Telecommunications (Sept-08)
- Bank Muscat(Sept-08)
- Oman Cement (Sept-08)
- Raysut Cement Company (Aug-08)
- National Bank of Oman (Aug-08)
- OIB (July-08)

Research Coverage Market Cap as % of total Market cap 69%

Jordan

- Arab Bank (Sept-08)
- Cairo Amman Bank (Oct-08)

Research Coverage Market Cap as % of total Market cap 39%

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Low	Where the potential return is less than 10%
Medium	Where the potential return is between 10% and 25%
High	Where the potential return is greater than 25%

Definitions – Volatility (Risk)

High	Where the Current MVX and band width of stock is more than the respective country benchmark
Medium	Where the current MVX is lower than benchmark and band width higher than or lower than benchmark
Low	Where the current MVX is lower than the benchmark and the band width lower than the benchmark

MVX refers to Markaz Volatility Index calculated by Markaz based on in-house proprietary model

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