

The Arabian Contracting Services Company announces intention to list on the Saudi Stock Exchange (Tadawul)

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Intention to Float Announcement

Following Approval of the Capital Market Authority

The Arabian Contracting Services Company announces its intention to list on the Main Market Saudi Exchange

Offering Overview

- The Arabian Contracting Services Company ("**the Company**" or "**Alarabia**") announces its intention to offer 30% of its shares for public subscription and then list the shares on the Main Market of the Saudi Exchange
- Established more than 38 years ago in Riyadh on 18/05/1403H, corresponding to 03/03/1983, Alarabia obtained the approval of the Capital Market Authority on its request to offer fifteen million (15,000,000) ordinary shares representing 30% of its fifty million (50,000,000) ordinary shares for public offering on 28 June 2021G
- The final offering price for Alarabia will be determined for all subscribers after completion of the book building period

Overview of the Company

- Alarabia is the largest outdoor advertising Company in terms of revenue in Saudi Arabia.
- Alarabia ranked 14th among the world's largest outdoor advertising companies in 2018G and ranked 12th in 2019G in terms of revenue.
- As of 31 December 2020G, the Company operated 4,942 roadside billboards and 73 indoor billboards, distributed in 27 cities around the Kingdom.
- Al Arabia's market share amounted to 65.6%, 65.8% and 62.3% of outdoor advertising expenditure in the Kingdom of Saudi Arabia in 2018G, 2019G and 2020G, respectively. The Company's market share of total advertising spending in the Kingdom was estimated at 22.5%, 30.2% and 22.9% in the years 2018G, 2019G and 2020G, respectively.
- The Company has registered strong profitability historically and despite the adverse effects of the Corona pandemic, the Company has succeeded in delivering profitability in 2020 and maintaining its position as the market leader.

Riyadh: 3 October 2021

The head office of the Company is located in the center of Al Olaya Commercial District with branches and offices in Jeddah and Riyadh. Alarabia Out of Home Advertising, a subsidiary of the Company located in the United Arab Emirates (UAE), is a representative office of the Alarabia, and it markets the Company's advertising spaces to advertising agencies and media buyers.

The Chairman of the Board of Directors of Alarabia, Engineer Abdelellah Abdulrahman Alkhereiji said that the "Company's strategic decision to offer its shares for public subscription is particularly important to both individuals and Institutional Investors. Alarabia is the only Company in the market that provides fully integrated services in the outdoor advertising sector. It relies on a clear growth strategy and a model of rigorous development that has proven successful over more than 38 years during which the Company has achieved leaps of systematic growth. Alarabia has also contributed to increasing advertising and marketing awareness by introducing the contemporary global technological advancements to the Kingdom."

He added that "the announcement of Alarabia's intention to list 30% of our shares on the Saudi Exchange (Tadawul) is a historic milestone for the Company. The Company IPO will enhance its growth, support its market leading position in the Kingdom and enable it to take full advantage of the available opportunities".

The Chief Executive Officer ("CEO") of Alarabia, Mohammed Abdelellah Alkherieji said that, "since inception, Alarabia has adopted an integrated business system strategy through which it provides unique and distinguished advertising sites, managing

marketing, printing, installation, maintenance, and operations efficiently using world-class technologies. Alarabia takes advantage of the strength and vitality of the Saudi economy, the largest and most attractive economy in the Middle East and North Africa region." He added that, "the Company has a number of competitive advantages, which enabled it to grow its business rapidly since its inception and provide a strong basis for future growth".

The CEO added that "Alarabia is proud to lead one of the most important sectors in Saudi Arabia. Our market leadership has been clear on many levels, the most important of which was assisting in the evolution of the advertising sector providing state-of-the-art, smart, digital billboards and introducing data measurement tools".

The CEO also confirmed that "Alarabia is well positioned to take advantage of the increased opportunities, particularly those provided by the positive market dynamics, which are part of the reformation program included in the Kingdom's Vision 2030. We anticipate increase in advertising demand as a result of the announced tourism and entertainment mega projects. The Company's strengths include robust financial position; distinguished relationships with suppliers; network of billboards spread across the different cities of the Kingdom; market share; and experienced and skillful team".

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Market and Business Overview

Outdoor advertising is a core advertising method that specifically targets people outside their homes, whether they are pedestrians, drivers, passengers, shopping centers visitors, or airport travelers. Outdoor advertising is divided into three categories, by location: (1) roadside advertising, (2) indoor advertising, and (3) transit advertising.

The Company's business is currently limited to roadside advertising and indoor advertising. The Company carries out its activities through an integrated business model that encompasses all operational processes that serve the outdoor advertising sector, involving billboard installation (including site construction operations and electrical works), marketing and selling advertising spaces to clients, printing advertisements, and installing them on billboards, and maintenance operations. The Company carries out silk-screen printing (using a silk screen to print advertisements), offset printing (using metal printing plates in various printing operations) and digital printing in which computer systems are used to print advertisements).

Recently, the Company introduced digital billboard technology to its billboards. These billboards are attractive and capable of displaying a greater number of advertising panels, and the advertisements displayed thereon can be instantly changed from the Company's main control center, thus facilitating the rapid implementation of advertising campaigns for the Company's clients.

With respect to roadside advertising, the Company participates in tenders organized by various secretariats, municipalities, and government agencies throughout the Kingdom of Saudi Arabia to lease and invest in numerous sites belonging to these agencies and secretariats by installing billboards and selling the advertising space on such billboards to clients. The Company has recently expanded its business by entering the indoor advertising market. In this regard, the Company has entered into a number of exclusive contracts with the owners of commercial centers in different regions within the Kingdom of Saudi Arabia.

Key Investment Highlights

Leadership and Market Share

The Company has a leading position in the outdoor advertising sector in local and regional markets. According to Frost & Sullivan, the Company was ranked 14th among the world's top outdoor advertising companies in 2018G and 12th in 2019G in terms of revenue.

Locally and regionally, the Company is considered the largest Company in the field of outdoor advertising in terms of revenue. Its market share was estimated at about 65.8% of total spending on outdoor advertising in the Kingdom of Saudi Arabia during 2019G and 62.3% during 2020G, according to the market study report prepared by Frost & Sullivan.

Advertising sites across 28 cities in the Kingdom provides Alarabia with an unparalleled network that can provide customers Kingdom-wide reach. As at 31 December 2020G, the Company had about 4,942 roadside billboards and 73 indoor billboards.

Attractive Sector

The Saudi economy is the largest and most attractive economy in GCC countries and the Middle East, with a GDP of about 3.0 trillion Saudi riyals in 2019G. It is supported by developments related to macroeconomic factors especially those planned and expected under Vision 2030. Historically, the performance of the Saudi advertising market has been closely related to the economic outlook of the Kingdom.

The outdoor advertising sector witnessed growth of 20% for the period between 2013G and 2019G due to its advantages over all other audio-visual advertising methods, which cannot compete with outdoor advertising due to their inability to provide advertisers with the same features as roadside advertisements. For example, roadside advertising is not subject to consumers' choice or ability to control whether or not it is viewed. Outdoor advertisements are considered less expensive on a per viewer basis than other advertising channels. With the introduction of new digital screens that are able to collect viewing data and viewer characteristics, outdoor advertising possesses all the features advertisers are looking for to increase views and grow their profits, by using and analysing the available data to determine how, when and where ads are displayed.

Modern Technology

The Company has been a leader in, and continues to contribute to, finding and creating new trends in the outdoor advertising sector. For example, it is the first Company to start operating digital billboards (Mezah) in the Kingdom of Saudi Arabia, such as those installed on King Fahd Road in Riyadh. This type of billboard has greatly improved how ads are displayed on the roadside due to the flexibility it provides to advertisers. Another example of modern technology is "The Guide" screen that was installed and operated at the beginning of 2021G on Prince Mohammed Bin Abdulaziz Street – Tahlia Street, in Riyadh. The digital screens provide the ability to centralize control through a main control room to broadcast, monitor and collect all data related to advertisements, such as viewing rates, viewers' impressions, and viewers' demographic factors. This is

undoubtedly considered the most important data for advertisers, as it enables them to conduct proper planning for their target groups.

Strong Consistent Financial Performance

The Company's financial performance and profits date back several decades. The Company has a strong financial position and high profit margins of 30%, 43% and 20% in the past three years (2018G to 2020G) respectively. Note that gross profit margin decreased from 43% in 2019G to 20% in 2020G due to the curfew and complete shut-down in the Kingdom of Saudi Arabia to curb the spread of coronavirus (COVID-19). The Company has demonstrated its strong financial position and ability to achieve sustainable profitability during periods of low economic activity, such as the recent phases in 2016G and 2017G, which affected the sector in general. However, the Company continued to record profits in all those years. Moreover, the Company has not recorded any operating losses to date.

The Management Team

The Company has a management team with extensive experience in outdoor advertising. The team is professional, experienced, knowledgeable, and innovative. The management team includes members of the Company's founding family who have been working to maintain a cohesive work culture in line with the family's values, which reflects the extent of their commitment to the Company and achieving its objectives.

Offering Highlights

- The Company intends to list its Shares on the Main Market of the Saudi Exchange of Saudi Arabia. The Offering consists of the sale of fifteen million (15,000,000) shares of the Company, representing 30% of its share capital and will be sold by current shareholders.
- GIB Capital is the Financial Advisor, Lead Manager, Bookrunner and Underwriter in relation to the Offering. Albilad Capital is acting as the co-Underwriter.
- Saudi National Bank, Bank Albilad, Saudi British Bank and Riyadh Bank have been appointed as receiving agents.
- The Offering will be restricted to the following two groups of investors:
 - Institutional Investors Tranche: This tranche includes the categories that are entitled to participate in the book building process, as specified under the Capital Market Authority instructions on book building and allocation of shares in initial public offering. Fifteen million (15,000,000) shares representing one hundred percent (100%) of the total offering shares will be allocated to Institutional Investors. The final allocation will take place after the end of the retail investors' subscription period. In the event there

is sufficient demand from retail investors to subscribe to the offering shares allocated to them, the bookrunner shall be entitled to reduce the number of the offering shares allocated to the Institutional Investors to thirteen million and five hundred thousand (13,500,000) ordinary shares representing ninety (90%) of the total offer shares. The number and percentage of the offer shares that will be allocated to the Institutional Investors will be determined by the Financial Advisor in consultation with the Company and the selling shareholders applying the discretionary allocation mechanism.

- Retail Investors Tranche: This tranche consists of the Saudi natural persons, including any divorced or widowed Saudi woman with minor children from marriage to a non-Saudi husband – who is entitled to subscribe for her benefit in her name or in the names of her minor children, provided that she provides a proof that she is divorced or widowed and is the mother of her minor children. It also includes GCC investors who are natural persons and resident foreign investors holding a valid residency permits and are entitled to open an investment account. A maximum of one million and five hundred thousand (1,500,000) shares, representing 10% of the total offering shares will be allocated to individual investors. In the event there is no sufficient demand by individual investors on all offer shares allocated to them, Financial Advisor is entitled to reduce the number of shares allocated to individual investors in proportion to the number of offer shares subscribed to by the said subscribers.

For more information and inquiries, please contact:

The Financial Advisor:

GIB Capital, the IPO Financial Advisor, Lead Manager, Bookrunner and Underwriter.

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conditions, and the impact of economic, political, and social developments in Saudi Arabia. These factors will be described in more detail in the Prospectus. Forward-looking statements speak only as of the date they are made. Each of the Company, the financial advisors and their respective affiliates expressly disclaims any obligation or undertaking to update, review or revise any forward-looking statement contained in this announcement whether as a result of new information, future developments or otherwise.

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The financial advisors are acting exclusively for the Company and no-one else in connection with the Offering. They will not regard any other person as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, nor for providing advice in relation to the offering, the contents of this announcement or any transaction, arrangement or other matter referred to herein.

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