الراجحي المالية
alrajhi capital

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Saudi Manpower Solutions Co.

Industry ripe for growth, but near-term margin a key concern; Initiate with a neutral rating

Neutral

Price Target (SAR): 7.5

IPO offer price (SAR): 7.5
Upside/Downside: At par with the IPO price

Valuation Multiples	23A	24E	25E
P/E (x) (at listing price)	18.0	19.0	17.2
P/B (x)	5.8	5.3	5.0

IPO Details

Offer Price (SAR/sh)	7.50
Offered Shares	120 mn ordinary shares
Use of IPO Proceeds	Net of IPO proceeds distributed to selling shareholders

Post IPO Ownership (Substantial)

Al Holoul Al Mutakamela Holding Co.	47.76%
Rafid Advanced Investments Co.	4.84%

Earnings

(SARmn)	2023	2024E	2025E
Revenue	1,827	1,997	2,220
Revenue growth	-0.7%	9.3%	11.2%
Gross profit	243	245	271
Gross margin	13.3%	12.3%	12.2%
EBIT	166	164	180
EBIT margin	9.1%	8.2%	8.1%
EBITDA	227	223	238
EBITDA margin	12.4%	11.2%	10.7%
Net profit	166	158	174
Net margin	9.1%	7.9%	7.8%
EPS	0.42	0.40	0.44
DPS	0.42	0.30	0.33
P/E (current)	18.0x	19.0x	17.2x
P/E (target)	18.0x	19.0x	17.2x
RoE	31.9%	28.2%	28.8%

Source: Company data, Al Rajhi Capital

SMASCO, an industry pioneer, is the first licensed company in the Kingdom with over 37,000+ staff on their payroll facilitating appropriate candidate sourcing for its diversified clientele (Corporate and Individuals). Equipped with offering a suite of integrated solutions, the Group is a prominent player in the industry with a broad reach commanding a 14%-16% market share based on its FY22 headcount. Additionally, there are several macro catalysts in place for the company to embark on a solid growth trajectory. But given the current competitive and regulatory landscape the challenges remain. We reckon that the stiff competition wave in the industry on the back of top 3 players aggressively trying to capture the growing markets such as construction, hospitality, etc. at an expense of margin erosion. Moreover, the government-imposed price caps on the individual segment and the resultant expected change in the nationality mix in the Individual segment are bound to hurt margins in the Individual segment too. Although the revenue growth outlook appears to be healthy and the balance sheet strength is clearly visible, but competition and pressure on margins remain our key concerns. Hence, we initiate our coverage on SMASCO with a target price of SA7.5/sh, at par with the IPO price, implying a "Neutral" rating. Our detailed investment rationale is as follows.

Industry leadership underscores long-term growth albeit price competition a drag: KSA's thriving economy driven by Vision 2030 initiatives presents a promising growth trajectory for manpower deployment companies. In the wake of positive domestic indicators including the improvement in labour market dynamics as well as substantial government spending outlay on infrastructure projects and smart-city clusters, demand is expected to propel in the temporary staffing sector (primarily blue-collar workforce) going forward. Overall, outsourcing temporary staffing activities to the manpower companies provides access to a diverse range of hires enabling flexibility and cost-effectiveness for enterprises. SMASCO is well-positioned to capitalise on the favourable market conditions for contractual manpower deployment with a strong value proposition. SMASCO has notable exposure to the growing markets such as construction, healthcare and hospitality. In FY 2023, SMASCO's corporate revenue had over 22% contribution from the construction sector and hospitality & healthcare collectively had almost 17% share in the corporate segment, implying the scale and its ability to tap the market. However, since major players are vying for manpower deployment in this space, particularly the growth in the construction segment is expected to come at the expense of some margin erosion.

State-of-the-Art IT Infrastructure provides an edge- The company's robust IT infrastructure serves as a cornerstone of its operations, facilitating efficient management and execution of various tasks across its organizational landscape. Leveraging advanced IT solutions such as AI for streamlining its core operations, the company enhances its manpower operations. SMASCO employs a dynamic pricing engine to deliver customized packages for corporate clients. Furthermore, the Group is a pioneer in launching the Rowad smart mobile app tailored for SME to find the best-fit manpower for them and the Raha app for the Individual sector. Overall, the company's proactiveness in enhancing its IT capabilities positions it to navigate through evolving market landscape and unlock growth opportunities going forward.

Historically strong margins at a risk due to price ceiling: Due to its dominant market positioning, SMASCO outperformed its peers in terms of overall gross margins as of FY23. This was primarily driven by solid gross margins in the corporate segment owing to the company's healthy exposure to the Petrochemical segment in conjunction with long-term contracts with SABIC. Individual segment margins also did not reflect the impact of price caps primarily due to ongoing contracts. Conversely, competitors faced challenges such as increased costs from expansion (Al Mawarid) or workforce mix disruptions (Maharah) and overall gross margins for these peers underperformed that of SMASCO, demonstrating the support lent by the quality of its corporate portfolio. However, as contracts approach expiration in FY24, SMASCO may experience margin pressure in the Individual segment due to the price ceiling and the possibility of change in nationality mix, although volume growth could continue to be solid. While margin compression may not come as surprise to the market, a positive revision in the price cap by the MHRSD could present a compelling investment opportunity.

Asset light model paves way for scalability: The company's business model requires minimal capital investment for expansion, enabling easy scalability in response to market demand. Moreover, most of the company's operational infrastructure including housing, distribution centres, sales branches, and transportation facilities are leased, eliminating the need for capex. With limited needs for heavy investment in physical assets like real estate, machinery, or inventory, SMASCO can swiftly and efficiently allocate capital towards growth opportunities. Overall, SMASCO's capital-light operations facilitate efficient growth scalability, flexibility and adaptability to market dynamics.

Valuations: The average TTM P/E multiple of the leading global staffing companies throughout the cycle is 18x, with an average of 24x during the bull cycle, and average of 15x during the trough. Despite the strong growth opportunities, we refrain from using the bull cycle multiples and assign only a slight premium over the average multiples. Using the P/E approach, we arrive at a fair value price of SAR7.51/share at an implied multiple of 19x on 2024E EPS (2023 P/E multiple of 18x). The DCF approach, based on a 9.95% WACC and 2.5% terminal growth rate, yields a fair value price of SAR7.53/sh. For the target price, we value the company based on a blend of DCF and relative valuation methodology (P/E). An equally weighted mix of both the approaches implies a TP of SAR7.5/sh (rounded up). Our target price of SAR 7.5/share is at par with the IPO price, implying a 'Neutral' rating.

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Industry Overview

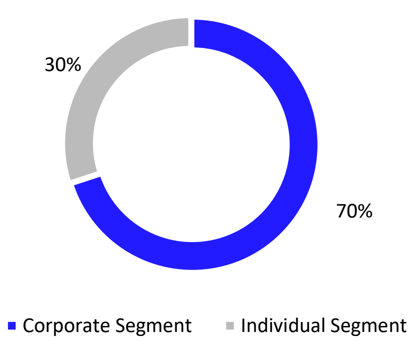
Staffing is instrumental in maintaining a dynamic, efficient, and competitive workforce, aligning human resources with the strategic objectives of the organization. The shape of hiring industry has been revamped as enterprises seek temporary staffing solutions to enhance productivity with increasing skewness towards skill-based hiring. Productive outsourcing fosters scalability, cost management and time management besides allowing companies to ramp up their workforce when needed. The global staffing industry consists of two primary segments: permanent (direct) staffing, which is estimated to account for approximately 8% of total market spending, and temporary staffing, which makes up about 92%.

Temporary staffing- The key highlight in the temporary staffing market is that manpower deployment to clients (individuals or business) happens on the third-party staffing firm's payroll contracted for a specified period, thereby leading to cost optimisation and flexibility.

KSA - Despite global headwinds, KSA's economic bounce back post Covid has been broad based across sectors. Moreover, the country's Vision 2030 agenda has fuelled job creation across corporate and individual sectors in the economy. Hence, contract staffing industry has been gaining traction in the Kingdom. The key demand drivers for temporary staffing industry have been listed as under-

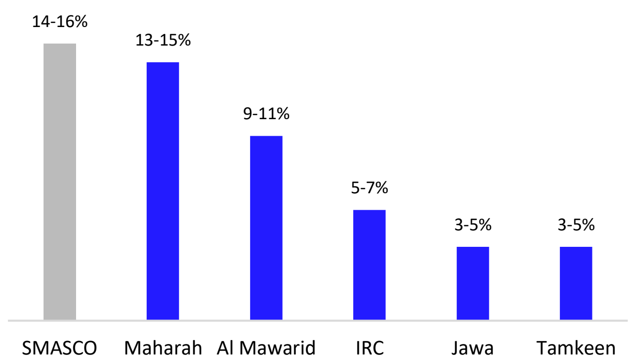
1. Workforce requirements have been bolstered by rising labour demand driven by economic growth and non-oil GDP growth underpinned by various sectors.
2. A host of Mega and Giga Project development projects and smart city clusters that are underway will be key to blue-collar job creation in the Kingdom with incremental demand for skilled workers across an array of industries.
3. A sea of vacancies would arise on the back of the Government's initiatives under NIDLP (National Industrial Development and Logistics Program) for developing the nation into a global logistics hub with increased focus across industries.
4. Job creation under the umbrella of Kingdom's transformation objectives encompassing thrust on privatisation, SMEs and beyond. Hence, sectors of strategic importance include housing, retail, tourism healthcare, construction, etc. will act as major catalysts for a larger addressable market size.
5. In other note, evolving demographics, inclusion of women in the workforce and several other cultural changes in the nation acts as a pivot for hourly workers and resident workers (servants and house cleaners), drivers, etc.
6. Additionally, religious pilgrimages, cultural festivals, and tourism-related activities also make space for spur in employment opportunities.

Figure 1 **KSA Temporary Staffing Market Sizing**



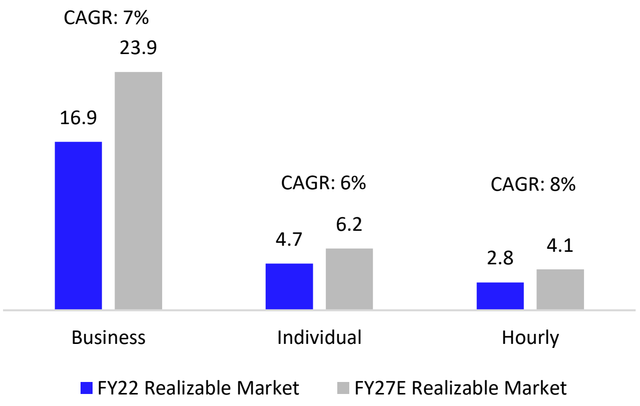
Source: Company Data, Al Rajhi Capital

Figure 2 **KSA Key Player Market Share (FY22)***



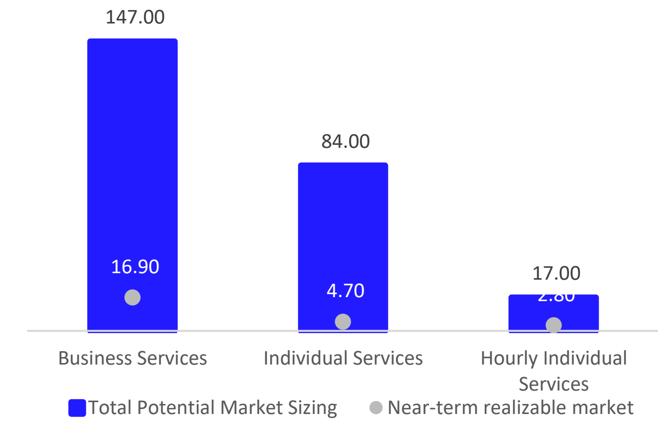
Source: Company Data, Market Consultant, Al Rajhi Capital; * Based on total Headcount

Figure 3 **KSA Manpower Services Realizable market size – Near Term and Projected (SAR bn)**



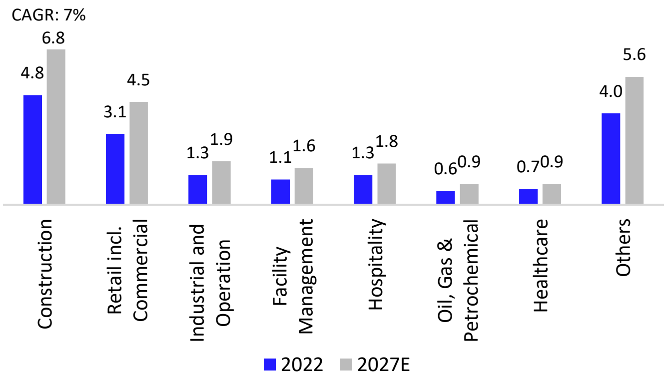
Source: Company Data, Market Consultant, Al Rajhi Capital; *FY22

Figure 4 **KSA Market Size for different classes (SARbn)***



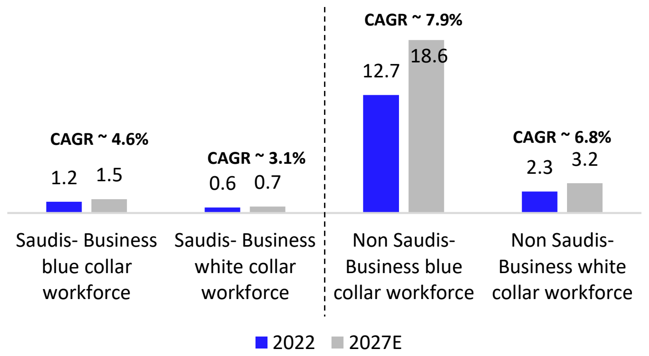
Source: Company Data, Market Consultant, Al Rajhi Capital; * FY22

Figure 5 **KSA Business Services Realizable Market Size- As per Industry Segment (SAR bn)**



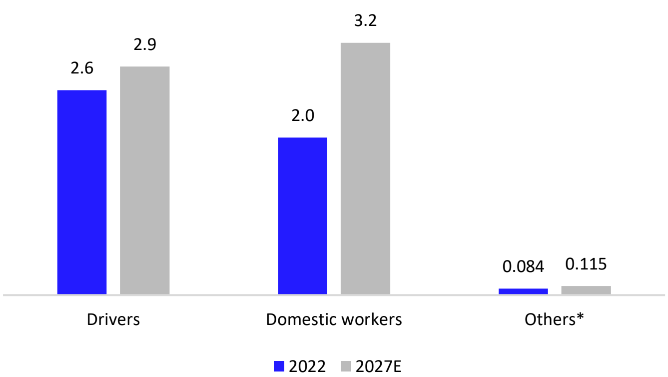
Source: GASTAT, Market Consultant, Al Rajhi Capital

Figure 6 **KSA Business Services Realizable Market Size- As per Nationality and Job Type (SAR bn)***



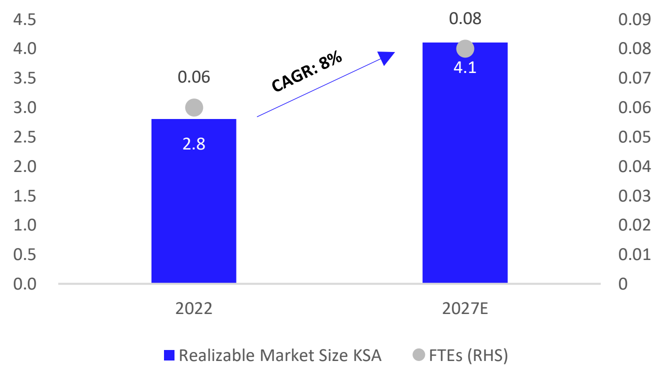
Source: GASTAT, Market Consultant, Al Rajhi Capital; * CAGR in terms of market size growth

Figure 7 **KSA Individual Full Time Realizable Market Size- As per Occupation (SAR bn)**



Source: Company Data, Al Rajhi Capital, *Others: Cook and food provider, House guards and Domestic care

Figure 8 **KSA Individual Hourly Realizable Market Size- (SAR bn) and FTEs (mn)**



Source: Company Data, Market Consultant, Al Rajhi Capital

Regulatory Landscape makes a case for the Big getting Bigger- The Kingdom's regulatory framework by the Government mandates 30% of the headcount to come from the Individual Market segment. Owing to the current regulatory scenario, a larger chunk of growth for the manpower companies is slated to come in from the individual segment. Moreover, the capital requirement to enter the market stands at SAR100mn thereby deterring potential entrants. However, the price ceilings imposed by MHRSD (effective from February 2023, the MHRSD introduced a price cap for Hourly and Mouqeemah services within the Kingdom) may act as a pain point in margin growth thereby having an offsetting impact on profitability of the manpower companies in KSA. However, the regulatory environment makes the market ripe for consolidation, as smaller players have restrained financial capabilities for growth. Hence, players like SMASCO have a fair chance of further market share penetration due to their abilities to successfully navigate through the regulatory headwinds aided by the scale of operations. Meanwhile, the third-party manpower hiring system in the Kingdom is relatively at a nascent stage. But there are ample growth triggers for the industry are adequately in place. Hence, we envisage an attractive growth forecast for SMASCO albeit on a low base, underlined by the promising sector outlook.

Company Overview

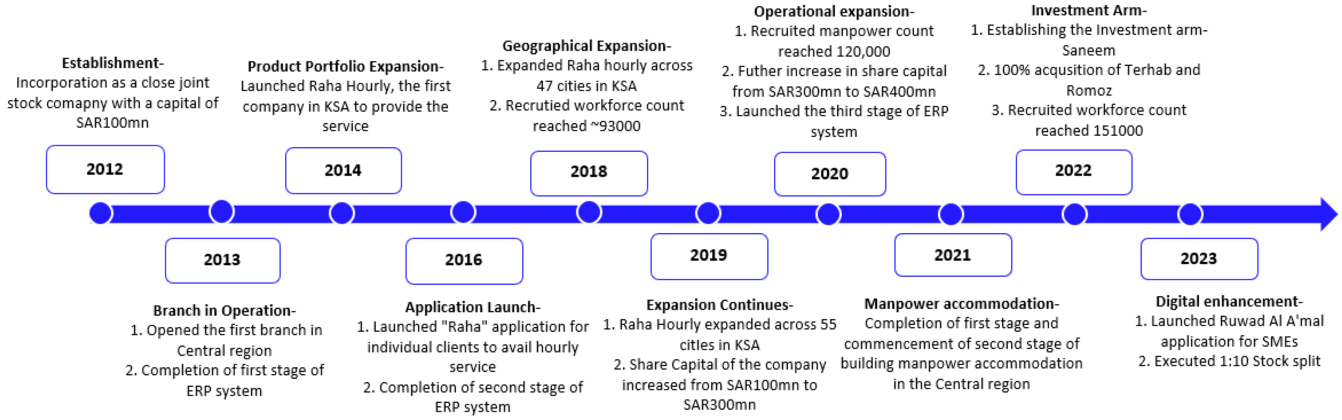
Saudi Manpower Solutions Co. specializes in providing comprehensive workforce solutions for multiple blue-collar jobs and beyond, broadly catering to the requirements of a diversified clientele- both businesses and individuals. The Group's establishment dates to 2012, being the first licensed manpower service provider in the Kingdom. The company commands a significant market share (14%-16% as of FY22) owing to its first mover advantage in providing tailormade manpower sourcing solutions for SMEs and offering on-demand hourly services since 2014 under the Individual segment umbrella. The strong performance of the Group is predominantly highlighted by remarkable achievement of deploying ~160,000 skilled workers from over 40 countries as of 9MFY23. Fundamentally, SMASCO brings to the fore, integration across the recruitment value chain through the offering of several value-added services.

The primary business activity entails providing recruitment solutions to two main sectors-

Corporate Segment - Manpower services in this segment encompasses professional, skilled, and unskilled manpower solutions for a wide array of industries, both public and private. The service offerings in this segment ranges from fulfilment of basic manpower needs to adhoc requirements as well as addressing peak season demand. The corporate segment constitutes about 70% of the temporary manpower services market in KSA and contributes ~68% to the company's revenue mix.

Individual Segment - The individual segment service offerings cater to the requirements of private individuals requiring a range of home services spanning across categories like domestic workers, cleaners, drivers, personal care assistants and several on-demand services and stay-in services. SMASCO's branch network footprint across key cities enables it to enhance customer engagement and contract renewals. Manpower utilisation rates are a key determinant for revenues under this segment.

Figure 9 **SMASCO Timeline**



Source: Company Data, Al Rajhi Capital

Integrated solutions enhancing the core competency of the company- The group assumes responsibility for workforce accommodation by way of leveraging the infrastructure of Saudi Logistics Company Housing and Transportation. The company's strong operational infrastructure is at play with an extensive network of 52 accommodation sites, housing over 8,000 workers and encompasses a diverse transportation fleet to the north of 651 vehicles as of 9MFY23. In addition to this, SMASCO has a strong network footprint comprising over 150 active agencies across the globe. The company also undertakes comprehensive health check-ups and arranges trainings to build employ capabilities relevant to the job.

Business Model

Being a forerunner in the human resource industry in the Kingdom, SMASCO has emerged as a market leader on the back of its operational niche dating back to more than a decade ago. With over 37,000 staff, the Group's recruitment services address the needs of both Corporates and Individuals. SMASCO's operational-know how in the temporary manpower hiring industry is aligned with the larger strategy of corporates to scale their core activities via outsourcing non-core operations and with the individuals' evolution of cultural and demographic shift. The Group undertakes mapping of best-fit manpower, highly professional, skilled and unskilled as per client requirements through its network with recruitment agencies. Since its inception, the company has actively focussed on geographical expansion and providing diversity in manpower resources by hiring people across nationalities on its payroll. As mentioned above, the Group's service offerings can be categorised across two sectors-

Business (corporate) - Manpower deployment in the corporate segment involves providing services for expatriate and Saudi labour to private and public entities across key sectors comprising oil and gas/petrochemical, retail, construction, industrial and operation, healthcare, and hospitality and beyond. The contracts generally span over 1-2 years wherein the revenue invoicing is carried out on a monthly basis. Moreover, the service offerings range from blue collar jobs to white collar jobs as well, albeit the former dominates a larger share of the pie. In other note, in extension to its urge for digital enhancement, the company has recently launched a customised manpower sourcing solution application "Roward" for SMEs, which can be categorised as a vast potential market. The main solutions are broadly subdivided as hereunder-

Figure 10 **Corporate Segment- Range of Services**

Musanadeh	•Providing Manpower Services
Mutakamelah	•Manpower Solutions with Housing and Transportation
Shamelah	•Comprehensive and Efficient Manpower Solutions
Mawsemiah	•Short-Term and Total Manpower Contracts for Peak Seasons
Jahez	•Readily Available, Qualified and Skilled Manpower

Source: Company Data, Al Rajhi Capital

***Musanadeh* -** This service covers the entire spectrum of basic procedures, including recruitment, salary management, medical and social insurance, Iqama processing, driving licence acquisition and the arrangement of return tickets. The Group ensures manpower proficiency by way of background checks and health screenings. Besides, the Group attempts to maximise customer satisfaction by undertaking rapid recruitment solutions and convenient alternative hires in case of attrition or unsuitable manpower.

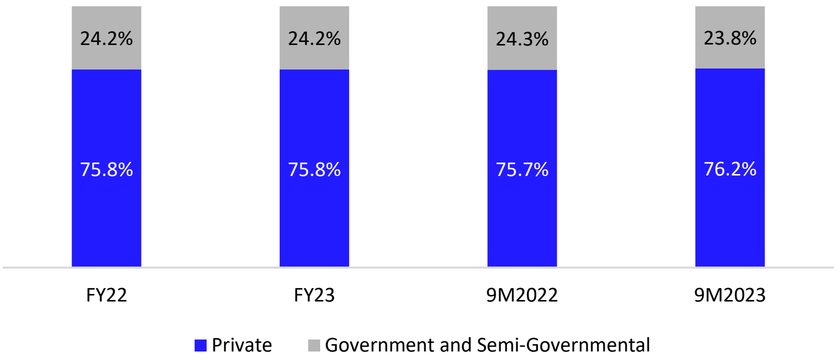
***Mutakamelah* -** Under this vertical, the company provides additional services like accommodation and caters to mobility needs of its manpower resources, building on the capabilities of Saudi Logistic Co. underpinned by its solid infrastructure of housing and transportation fleet. Essentially, this enables the clients to focus on core operations due to the confidence that their human capital is being efficiently managed within a well-established framework.

***Shamelah* -** This sub-segment builds on the offerings of Musanadeh and Mutakamelah with additional specialized services tailored to meet clients' human resource needs. Hence, this is an integrated vertical representing the pinnacle of services provided to the corporate sector.

Mawsemiah - Services under this segment support client needs in the peak season thereby providing seasonal recruitment flexibility as per demand. SMASCO optimises high volume seasonal hiring for clients primarily during the Hajj and the agricultural harvest season. Basically, the corporates have access to viable recruitment options for managing seasonal upsurge in their business activities.

Jahez - Temporary manpower requirements for the Group's corporate clients are addressed under the Jahez vertical wherein the company provides flexible solutions for short-term and immediate staffing needs. Under the Jahez umbrella, the company provides all services designed under Musanadeh barring accommodation.

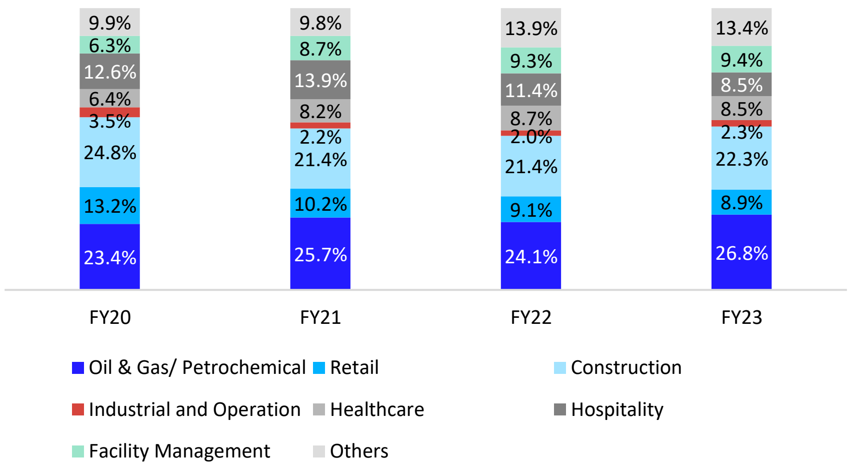
Figure 11 **Corporate Segment Revenue Mix**



Source: Company Data, Al Rajhi Capital

Corporate segment invoicing - The revenue invoice issuing mechanism under the Corporate vertical ranges from 25th to the 5th of the following month. For the corporate segment workforce, the Group guarantees salary transfers within five days after the month concludes, whereas payments from the clients are typically settled within 5-90 days of the respective invoice issuance.

Figure 12 **Corporate Segment – Industry wise Revenue Mix**



Source: Company Data, Al Rajhi Capital

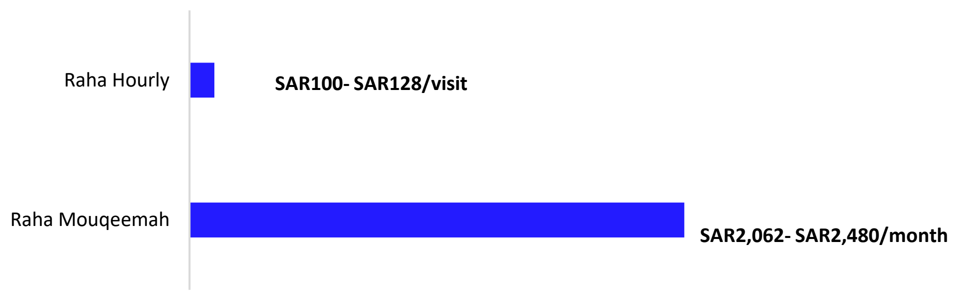
Individuals - In line with the evolving demographics, SMASCO caters to the individual segment (households and individuals) through a wide range of tailor-made service offerings across categories like domestic workers, cleaners, drivers, personal care assistants and several on-demand services and stay-in services. The company's extensive branch network across key cities enhances customer engagement and facilitates contract renewals. In addition to this, the company adequately complies with the Government's mandate of minimum 30% headcount to come from the individual segment. The individual segment services can be categorized across two sub segments-

Raha Mouqeemah - The Group serves manpower needs for individuals for a slew of services under this segment encompassing domestic workers, cleaners, private drivers and personal assistants. The contract tenure can be as short as a month and can extend up to a quarter, 6 months or a period of two years. As of 9MFY23, the company was equipped to offer these services across 96 provinces and cities.

Raha Hourly - This segment focusses primarily on on-demand hourly services unlike the long-term contract nature of Raha Mouqeemah services. The company caters to need for domestic workers and cleaners' services under this arm typically packaged for a minimum of four hours expanding across eight hours in a day as per client requirement with billing being based on the number of hours for which the worker was deployed. As of 9MFY23, the network footprint in this segment was spread across 52 cities and provinces through 9 branches in 8 major cities across KSA. The company's first mover advantage in this segment stands out as a key highlight.

Pricing - The pricing mechanism takes into account the cost of delivering the professional domestic manpower including costs for running employees' background screening, assessing medical fitness and providing trainings, marketing, etc. The average secondment price under the Raha Mouqeemah vertical is determined as per the competence and salary of the worker. On the other hand, the timing of visit is another key determinant for the average secondment price under the Raha Hourly vertical. However, it is important to note that the MHRSD imposed a price cap for hourly and Mouqeemah services within the Kingdom effective from February 2023. Additionally, the Group also has to adhere to the respective pricing policies of different nationalities from where the workers have been hired, for example, the Philippines Govt mandate for a minimum wage of SAR1500/month for Filipino domestic workers.

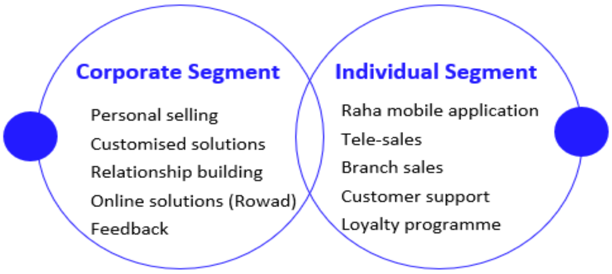
Figure 13 **Average Secondment Price (SAR) as of 9MFY23**



Source: Company Data, Al Rajhi Capital

Individual segment invoicing - The revenue invoicing methodology for the Individual segment is applicable from the 15th to the 5th of the following month on a monthly basis. For the workforce in this vertical, the Group guarantees salary transfers before the conclusion of the month, with client settlement varying from advance payments or instalments depending on the worker characteristics.

Figure 14 **Customer acquisition and Retention strategy**



Source: Company Data, Al Rajhi Capital

Revenue Composition

Positive recruitment dynamics in KSA aligns well for the temporary recruitment market underscored by job creation across sectors being driven by economic diversification and the offtake of several mega and giga projects. Moreover, the changing culture across individuals bodes well for the manpower needs in the Individual segment.

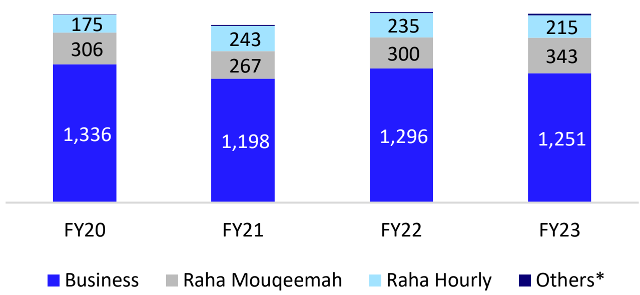
SMASCO's revenues are recognised upon workforce deployment to clients, both Business and Individuals. The company's revenues construct primarily comprises of a major portion of revenues being derived from the Corporate sector and the remaining part accruing from the Individual segment (Raha Mouqeemah and Raha Hourly). The Group improves scalability and efficiency by aligning the best possible match between the candidate and the client with the help of training programmes essential for enhancing their job output.

Corporate segment - Revenues are generated based on the profession and specialisation of the employee considering the nationality which impacts the salary. Moreover, an incremental fee is added to the invoice representing the cost (training, medical check-up, visa costs, etc) which acts as the margins of the company. The typical settlement takes place within 5-90 days of invoicing.

Individual Segment - Manpower experience, nationality and length of visit (applicable for Raha Hourly) are key revenue determinants in this segment. The invoices are generally settled in advance barring a few cases where they may be settled in instalments.

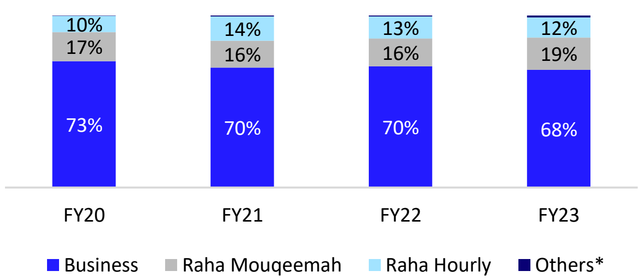
The key revenue drivers are the Headcount across each segment and average annual charge out rates per worker in addition to being dependent on the nationality mix. However, inherently corporate revenues are based on securing new contracts and contract expiry/renewals whereas revenues in the hourly segment are driven by the span of worker visit.

Figure 15 **Segment-wise Revenue Breakdown (SARmn)**



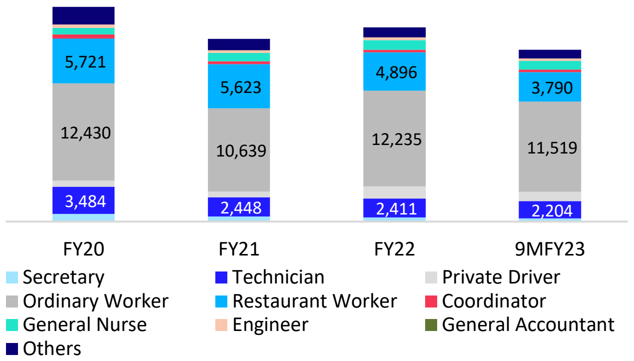
Source: Company Data, Al Rajhi Capital; * Other revenues from Saudi Logistics Company

Figure 16 **Segment-wise Revenue Composition (%)**



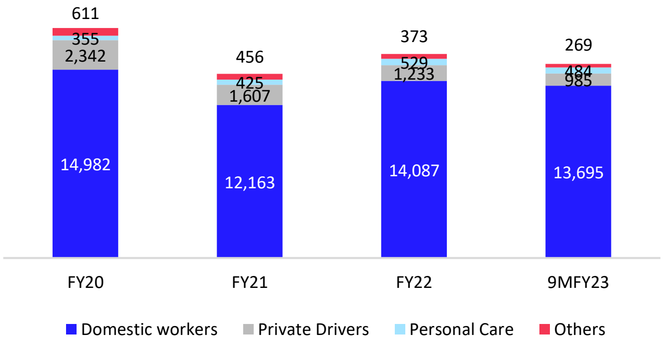
Source: Company Data, Al Rajhi Capital; *Other revenues from Saudi Logistics Company

Figure 17 **Corporate Profession-wise Manpower Resources**



Source: Company Data, Al Rajhi Capital; * Other revenues from Saudi Logistics Company

Figure 18 **Individual Profession-wise Manpower Resources**



Source: Company Data, Al Rajhi Capital; *Other revenues from Saudi Logistics Company

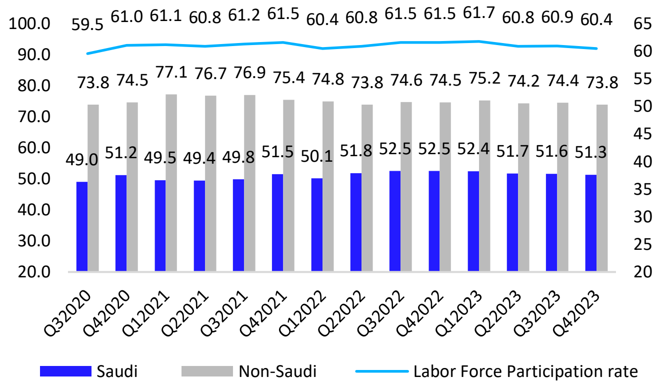
Investment Rationale

- **Industry leadership underscores long-term growth albeit price competition a drag-** Buoyancy in the KSA economy and diversification away from oil driven by Vision 2030 initiatives bode well for the manpower deployment companies. The Saudi Government's endeavor for increasing non-oil revenues, taking measures for enhancing the labor force participation rate (OECD Labor Force Participation Rate cited at 73.3% as of 4Q22) and boosting women participation in the workforce augurs well for growth prospects in the staffing industry. Additionally, the Government's robust spending pipeline on construction of massive infrastructure projects (Mega and Giga projects) necessitates the need for an enormous number of skilled workforces in the economy on account of the industry's labor-intensive characteristics.

  Overall, the staffing market in the construction sector is expected to grow at a CAGR of almost 7% during 2022-2027E supported by the above-mentioned factors. The construction sector contributes 22.3% in FY23's corporate revenue mix for SMASCO implying the company's strong focus to tap opportunities in the segment notwithstanding the low margin nature of the sector. Although SMASCO's share in construction is lower than that of Al Mawarid's (52.1% as of FY23), it plans to expand its footing in the same with the growing prospects in the industry. Moreover, the healthy influx of tourism, and evolving hues in the healthcare industry aligns seamlessly with the upsurge in the manpower requirements. The significant improvement in the unemployment rate in KSA and increasing labor force participation rate act as a healthy scenario for temporary staffing companies. SMASCO is well positioned to leverage the favorable market conditions for contractual manpower deployment aided by the high labor force participation rate of expatriates as the Non-Saudi Business Blue collar and white-collar workforce constitutes the highest share in the Kingdom's Business Services Realizable Market.

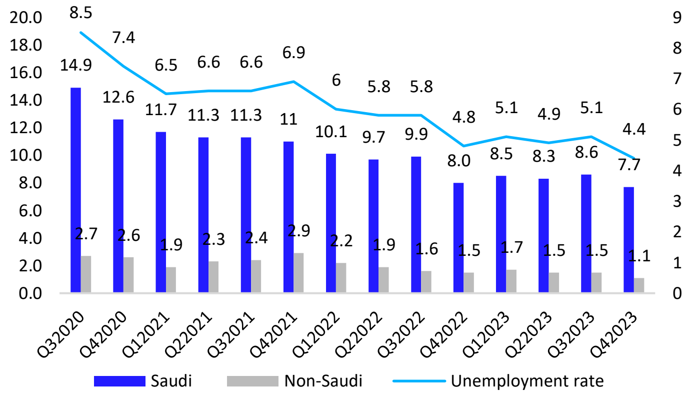
  In a nutshell, despite many growth catalysts, fierce competition in the industry is a tender spot. Among the top players, the pursuit for manpower deployment in the construction sector is deepening price competition. In order to capture further market share and secure contracts in the segment, the company may indulge in price competition. Hence, the corporate segment is poised to post weaker margins although the headcount driven growth in revenues will continue to accelerate. We expect margins in the corporate division to shrink by 70 bps in FY24 to 12% and sustain around those levels in the medium term. Yet the strong positioning of the company in the market has the ability to foster top-line growth backed by the triggers in the industry.

Figure 19 **KSA Labor Market Participation Rate**



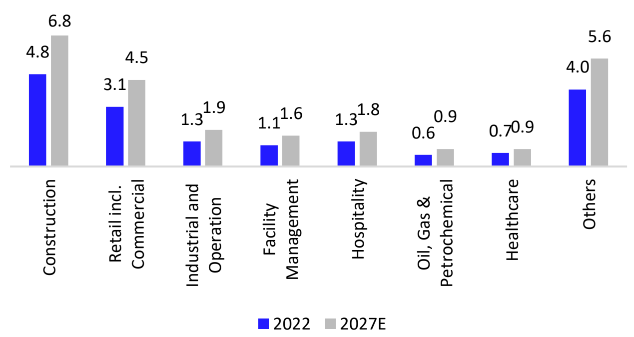
Source: Company Data, Al Rajhi Capital; * Other revenues from Saudi Logistics Company

Figure 20 **KSA Unemployment Rate**



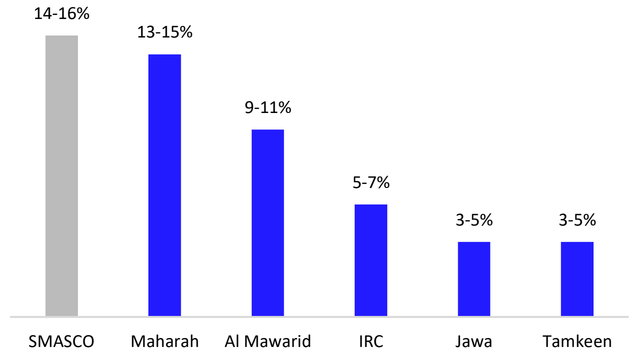
Source: Company Data, Al Rajhi Capital; *Other revenues from Saudi Logistics Company

Figure 21 **Business Services Realizable Market Size KSA***



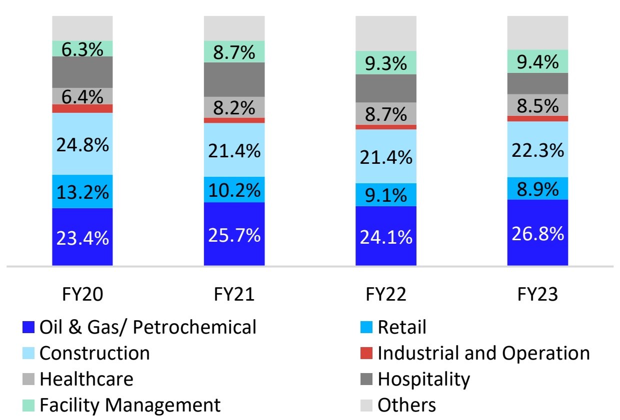
Source: Company Data, Al Rajhi Capital; * in SAR bn

Figure 22 **KSA Key player market share (FY22)***



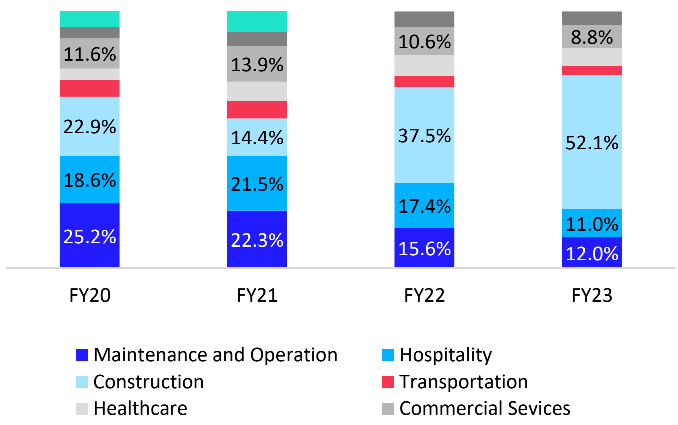
Source: Company Data, Market Consultant, Al Rajhi Capital; * Based on total Headcount

Figure 23 **SMASCO Corporate Revenue Mix**



Source: Company Data, Al Rajhi Capital; * Other revenues from Saudi Logistics Company

Figure 24 **Al Mawarid Corporate Revenue Mix**



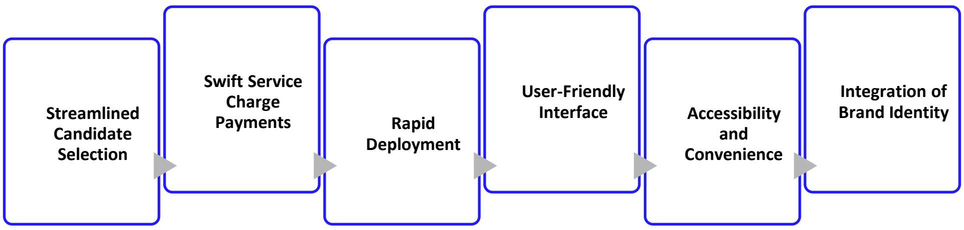
Source: Company Data, Al Rajhi Capital; *Other revenues from Saudi Logistics Company

- **State-of-the-Art IT Infrastructure provides an edge-**
  The Group has seamlessly integrated the use of digital products and services into its core business functions. Leveraging its technological capabilities in its back-end operations, SMASCO deploys a dynamic pricing engine to deliver customized packages for its corporate clients. Moreover, the company uses AI algorithms in its daily operations. SMASCO's IT infrastructure also encompasses the use of Microsoft Dynamics 365 Finance and Operations for streamlined processes.

  In addition to this, the company has launched the ROWAD Application for addressing the manpower needs of Small and Medium Enterprises which represents a large proportion of the expat workforce in KSA. ROWAD enables SMEs to efficiently browse and select skilled professionals in sync with their needs. The App's ability to ensure the reduction in time from candidate selection to deployment ensures business continuity thereby creating a brand identity for SMASCO. The company was also a pioneer in the Kingdom to offer at-home services via the Raha application. The Raha vertical is pivotal to the growth of the company and the first move advantage in terms of the Raha application acts as an impetus to growth. The Raha app, launched in 2016, has seen more than 4 mn downloads (as of 30th Sep. 2023) and 2.3 mn active users. Raha has revolutionized the usage of home services and it simplifies the contracting process, making it more accessible and user friendly.

  Moreover, the customer portal and the WAFI application are complementary and provide a digital ecosystem. The customer portal offers an interactive platform for business clients to manage contracts and track employee and vacancy statuses. The WAFI application, an employee self-service tool, allows the workforce to manage various requests independently, enhancing employee satisfaction and productivity. Overall, the company's strong digital architecture will aid in unlocking decent growth going forward.

Figure 25 **Unique Features of the Rowad Smart Mobile App**



Source: Company Data, Al Rajhi Capital

- **Margin headwinds in the short-term due to competition and price caps:** Owing to the dominant market positioning of SMASCO, the company leads its peers in terms of overall gross margins as of FY23. The key contributor to SMASCO's margin outperformance (13.3%) versus its peers (Al Mawarid: 11.5% and Maharah: 12.5%) in FY23 is the Individual segment wherein the company posted solid gross margins despite the price ceiling imposition by the MHRSD. It is implied that all companies in the segment borne the brunt of the Ministry's mandate and it is fair to acknowledge that FY23 margins for SMASCO do not reflect the impact of price caps as not all the contracts are revised as per the new pricing. While the case would have been similar for other players in the industry, the margins for competition were hurt on account of other variables. So to say, Mawarid's gross margins took a hit in FY23 on account of the expansion of the 'Hemma' hourly program leading to a surge in costs whereas Maharah's margins were also hit because of the price caps.

  Nevertheless, as contracts near expiry in FY24, SMASCO is also expected to exhibit deepening margin pressure in the individual segment on account of the changing nationality mix weighed by the price ceiling, albeit a part of it could be neutralized by the increase in headcount. However, the company has enough scale in the individual segment to see operational leverage benefits.

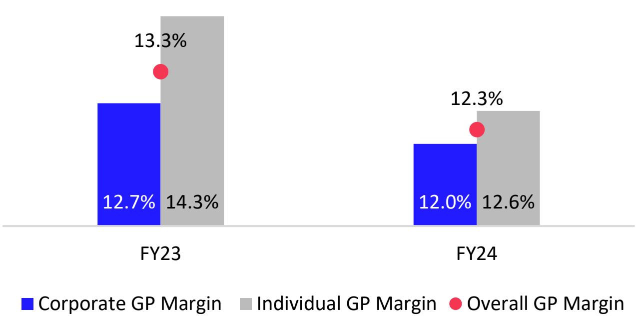
  Further, the ongoing competition in the construction sector, where some peers are ready to grab market share at very thin margins are expected to hurt margins for all the market players. However, overall the margin pressure should be limited for SMASCO supported by its solid positioning in the corporate segment and its relatively high exposure to the petrochemical segment. Unlike construction, where the need is predominantly for blue-collar, the petrochemical segment demands both blue- and white-collar staffing, thus the competition is limited. Moreover, the company has a long-standing relationship with marque clients such as SABIC, thereby aiding margins in the corporate portfolio. Beyond 2024, we expect margins to stabilize and start improving from 2026 onwards supported by corporate segment.

Figure 26 **SMASCO Gross Margins by segments**

Gross Margins by Segment	2023	2024E	2025E	2026E	2027E
Corporate	12.7%	12.0%	12.0%	12.1%	12.2%
Raha Mouqema	14.0%	12.5%	12.3%	12.3%	12.3%
Raha Hourly	14.9%	12.8%	12.5%	12.5%	12.5%

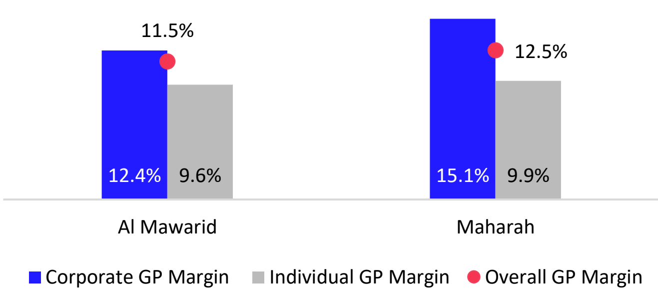
Source: Company data, Al Rajhi Capital

Figure 27 **SMASCO Gross Margins FY23 and FY24**



Source: Company Data, Al Rajhi Capital, *Individual segment includes others too

Figure 28 **Listed Peers FY23 Gross Margins**



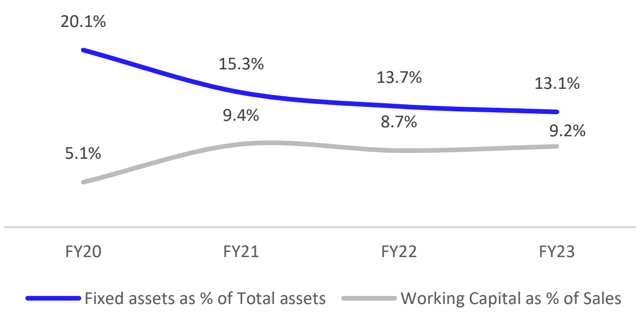
Source: Company Data, Al Rajhi Capital, *Individual segment includes others too

- **Asset light model paves way for scalability -**
  The business model of the company entails minimal capital investment for expansion and market penetration allowing the company to scale up the operations quickly in response to market demand. On account of minimal needs for heavy investment in physical assets such as machinery, or inventory, SMASCO can allocate capital more efficiently and focus on its core competencies by taking a proactive stance towards tech. innovation and enhancing its market positioning. Most of the worker housing, distribution centres, sales branches and other logistical facilities are leased.

  The Aridh housing complex, a strategically developed hub intended to serve as a prototype for future accommodations is not leased. However, the capex is already done for this complex, thus no major investment required in the near future. As of 30 September 2023, the group operated an extensive network of 52 accommodation sites, providing accommodation for over 8,000 workers. Al Arid alone accommodates over 3,500 individuals. This strategic investment in accommodation infrastructure underscores the commitment to the well-being of its workforce and its capability to efficiently manage large-scale manpower operations.

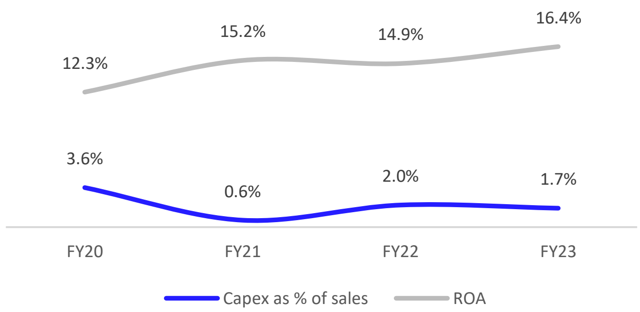
  In addition to this, the company possesses the ability to generate a significant amount of free cash flow on account of effective working capital management aided by securing advance deposits (ranging between 1-3 months of billings) from the individual segment clients. Moreover, the company has a healthy working capital due to the efficient receivables collection cycle, ranging from just 45-50 days Overall, the company can grow efficiently and adapt to market dynamics with greater ease channeled by its capital-light operations and robust working capital management. This is evident in the strong cash flow conversion, over the last 5 years, on an average the company has generated net cash from operations of SAR 187 mn, which is 80% of average EBITDA over the same period. We estimate the cash conversion to improve further to 84% (average) driven by the relatively higher growth in the individual segment.

Figure 29 **Fixed assets as % of Total Assets & Working Capital as % of sales**



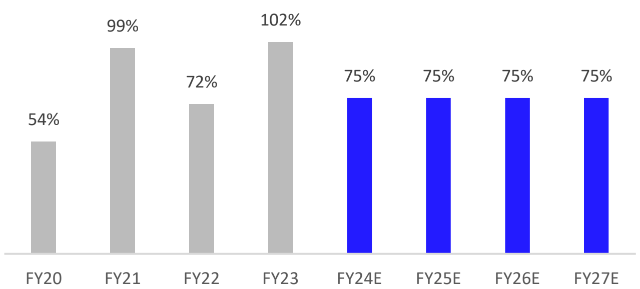
Source: Company Data, Al Rajhi Capital, working capital considered is as per management definition

Figure 30 **ROA & Capex as % of Sales**



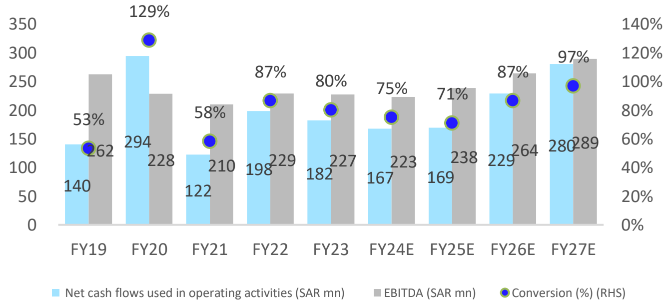
Source: Company Data, Al Rajhi Capital

Figure 31 **Dividend Payout**



Source: Company Data, Al Rajhi Capital estimates

Figure 32 **Cash flows conversion**



Source: Company Data, Al Rajhi Capital estimates

Valuation and Key Risks

Globally, staffing business is considered to be cyclical in nature given the requirement of hiring at the start of the cycle and slowdown at the peak of the cycle. Thus, the range of the valuation multiple is pretty wide given the cyclicality, while the average valuation multiples tend to be on the lower side compared to the overall stock market. Based on the historical data since 2011, the average TTM P/E multiple of the leading global staffing companies throughout the cycle is 18x, with 24x during the bull cycle, and 15x during the bottom phase of the cycle.

Coming to the KSA, there are two listed comparable companies currently, Al Mawarid and Maharah. Al Mawarid is more a pure play staffing company, while Maharah's bottom line has JV contribution through the investments in hospital business. Since listing, Mawarid has traded at a TTM P/E of 19x and is currently at 20x (TTM). The current Mawarid TTM multiples is slightly ahead of the average multiple of global companies due to the strong growth outlook of the KSA. In our view, the staffing industry in the KSA is at the start of the cycle, thus the multiple could move higher once the industry starts reporting stronger growth and improvement in the margins. On the negative side, the fragmented nature of KSA's staffing industry and the pressure on margins due to growing competition could weigh on the earnings and multiples in the near term. Nevertheless, from a medium-term point of view, as we enter the execution phase of the several projects lined up in the KSA, the demand for staffing will rise notably and drive volume demand that should offset pressure on the pricing.

All said and done, we refrain from using the bull cycle multiples yet as we would wait for more clarity on pricing and competition, while considering a modest premium to the average multiples. Thus, we assign a forward 2024E P/E of 19x, to derive fair value through RV method of SAR 7.51/share. Given the lack of consensus estimates for its peers, we are comparing the multiples on 2023 basis. At our RV derived fair value of SAR 7.51/share, the implied trailing (2023) P/E multiple is 18x, which is at a discount to Mawarid's 2023 P/E of 21x, mainly due to weak bottom-line growth of SMASCO expected in 2024. Moreover, Mawarid's growth has been stronger than SAMSCO in 2023 and is expected to maintain the momentum in 2024 as well, however, SMASCO's business is inherently stronger and less cyclical (Mawarid has 52% exposure to construction business), while its margins are better due to the scale in the individual segment. Thus, we do not consider notable discount to Mawarid and believe the 10-12% discount on trailing is reasonable and beyond 2024 the margins for SMASCO will stabilize and the benefits of topline growth will start reflecting in the profitability.

Our target price is a combination of relative valuation and DCF. Our DCF method yields a fair value of SAR 7.53/share, which is derived through a terminal growth rate of 2.5% and WACC of 9.95%. The main reason for using relatively higher WACC is the exposure to cyclicality (beta assumed 1.1x) and at the same time the capital structure is skewed towards equity. We have assumed optimal debt structure to derive the WACC (25% debt in the long term). We estimate solid cash flow generation supported by efficient working capital management and profitability. Overall, the FCF is expected to grow at a healthy rate of ~8% CAGR during 2023-2030E.

An equally weighted mix of DCF and relative valuation methodologies yields a target price of SAR7.5/sh (rounded up). Hence, we initiate coverage on SMASCO with a 'Neutral' rating on the stock and implies in line with the IPO price.

Figure 33 **Valuation**

DCF (SAR mn unless specified)	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
NOPAT	**152.0**	**149.1**	**164.1**	**186.7**	**208.5**	**230.5**	**252.7**	**280.6**
Add: Depreciation	60.8	59.2	58.1	58.9	59.8	58.3	58.8	58.8
Less: Capex	(15.4)	(27.0)	(27.5)	(25.6)	(26.0)	(20.7)	(20.5)	(20.3)
Less: Change in working capital	(42.6)	(56.2)	(69.5)	(34.5)	(7.4)	(14.7)	(64.5)	(57.3)
FREE CASH FLOW TO FIRM	**154.8**	**125.1**	**125.2**	**185.5**	**234.9**	**253.3**	**226.5**	**261.7**
PV of Free Cash Flows	**161.5**	**118.7**	**108.1**	**145.6**	**167.7**	**164.4**	**133.7**	**140.5**

Sum of present values of FCFs	**978.8**	**Key Assumptions:**	
Present value of terminal value	**1,932.3**	Cost of Equity	11.30%
Enterprise Value	**2,911.1**	Cost of Debt(Post-tax)	5.92%
Less: Leases	(25.7)	Debt weight	25.00%
Less: Emplyee Benefits & Others	(109.4)	WACC	9.95%
Add: Cash & Term Deposits	235.6	Terminal growth	2.50%
Equity value	**3,011.5**		
Shares Outstanding	400.0		
Value per share	**7.53**		

Relative Valuation	Values
SMASCO P/E	19.0x
2024E EPS	0.4
Fair value per share (SAR)	**7.51**
Implied 2023 P/E	18.0x
Mawarid TTM P/E	21.0x

Methodologies	Values	Weight	Weighted Values
DCF	7.53	50%	3.76
Relative valuation	7.51	50%	3.76
Target Price (Rounded off)			**7.5**
Offer Price			7.5
Upside			0.0%

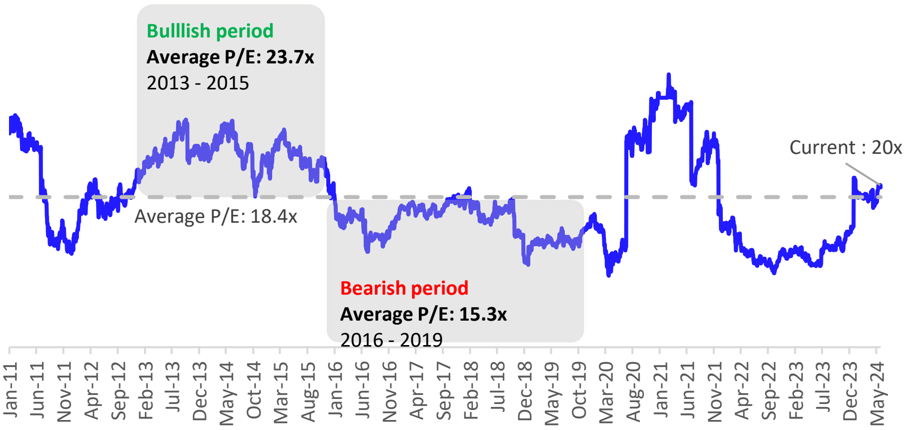
Source: Al Rajhi Capital estimates

Figure 34 **Sensitivity Analysis**

		Terminal Growth				
		2.0%	**2.3%**	**2.5%**	**2.8%**	**3.0%**
WACC	**9.3%**	7.6	7.8	8.0	8.3	8.5
	9.5%	7.4	7.5	7.7	7.9	8.2
	9.8%	7.1	7.3	7.5	7.6	7.9
	10.0%	6.9	7.0	7.2	7.4	7.6
	10.3%	6.7	6.8	7.0	7.1	7.3

Source: Al Rajhi Capital estimates

Figure 35 **Global staffing companies' P/E Chart**



Source: Bloomberg, Al Rajhi Capital
Note: Global companies are PageGroup, Hays, STHREE, Randstad, Adecco, Robert Half and Manpower Group

Key Risks:

1. Regulatory overhang of further price cap impositions or hiring restrictions by the Government or MHRSD. Moreover, any adverse agreement between the MHRSD and the Philippines Government may hurt manpower deployment.
2. Unpredicted contract terminations by the key corporate clients.
3. Lower than expected growth in headcount and lower than expected revenue per worker hurt by cyclical market dynamics.
4. Increase in visa costs incurred by the group may pose risk to margins.
5. Unfavourable regulations with respect to expat hiring may hurt the growth in headcount.
6. Ongoing price competition poses a risk to the company's market share.

Peer Analysis

The third-party manpower deployment industry in the Kingdom consists of a pool of 46 licensed companies. The industry ecosystem is marked by high competition with limited price differentiation and hence offers higher bargaining power to the corporate clients facilitating easy switching at lower costs. However, it is worth noting that despite the wide market breadth, the top 6 players command 50-60% of the market share in the industry. SMASCO stands to be the market leader in the industry preceding the other 2 listed players Al Mawarid and Maharah slightly in terms of market share.

Given the current regulatory framework around the minimum manpower distribution in the individual segment (should be 30%), the market is ripe for consolidation. This is on account of the inability of the smaller players to compete with the market leaders, owing to the higher costs involved with the individual manpower recruitment. Operational efficiency and economies of scale is a key pre-requisite for growth in the individual segment due to the significantly higher number of clients in this sector. Hence, the bet is on the big to become bigger on the back of their higher financial capabilities but with a trade-off in margins due to the ongoing price war.

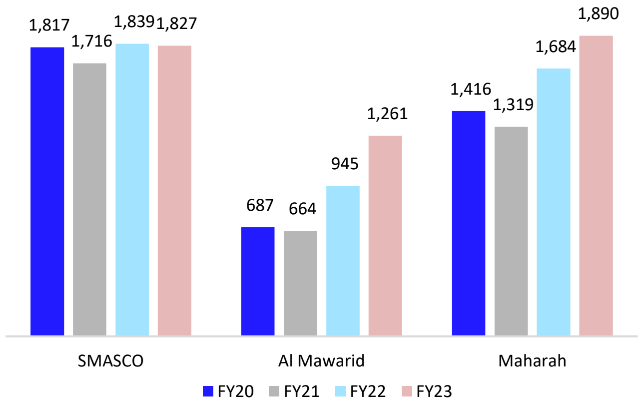
Although there is minimal price differentiation across the players, the top players in the market differ in terms of their key service areas in the corporate segment, for example, SMASCO is comparatively less exposed to the cyclicality of the construction industry as its key operational areas include a mix oil and gas (26.8%) and construction only 22.3%, as of FY23, while Mawarid has a deep presence in the construction sector (52.1% as of FY23). On the other hand, Maharah is largely present in hospitality and healthcare besides the industrial segment. In the unlisted space, players like Jawa HR provide hospitality staff for events on an hourly basis, Tamkeen HR is at a more nascent stage with a primary focus on the healthcare sector. Hence, each company has its niche established. Speaking of it, we present the competitive landscape hereunder-

Figure 36 **KSA Listed Players Landscape**

Company	Revenue Mix		Key Differentiation in Corporate Revenues
	Corporate	Individual	
SMASCO	68%	32%	Construction, Oil & Gas/Petrochemical
Al Mawarid	68%	32%	Construction
Maharah	70%	30%	Hospitality and Healthcare, Industrial and Operational

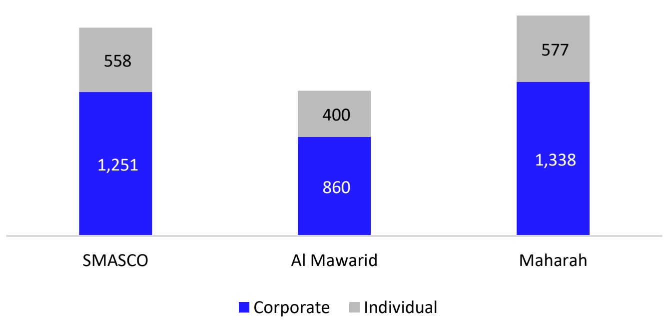
Source: Company Data, Al Rajhi Capital, *Individual includes others too

Figure 37 **KSA Listed Players Revenue (SAR mn) Evolution**



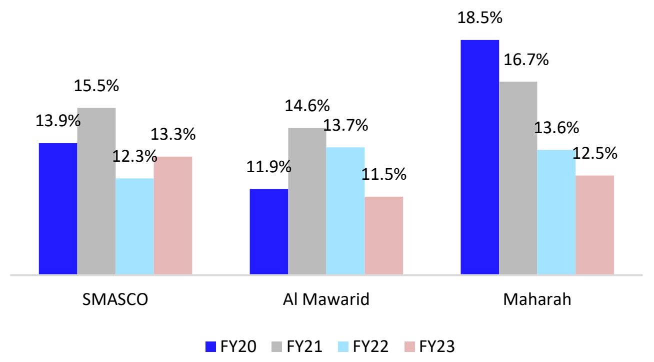
Source: Company Data, Al Rajhi Capital

Figure 38 **KSA Listed Players FY23 Revenue Mix (SARmn)**



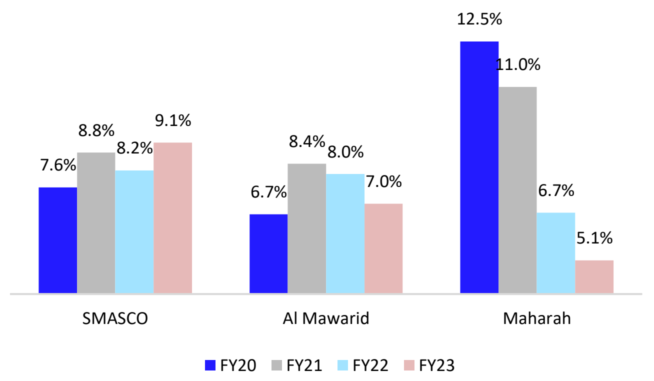
Source: Company Data, Al Rajhi Capital, *Individual includes others too

Figure 39 **KSA Listed Players Gross Margin Evolution (%)**



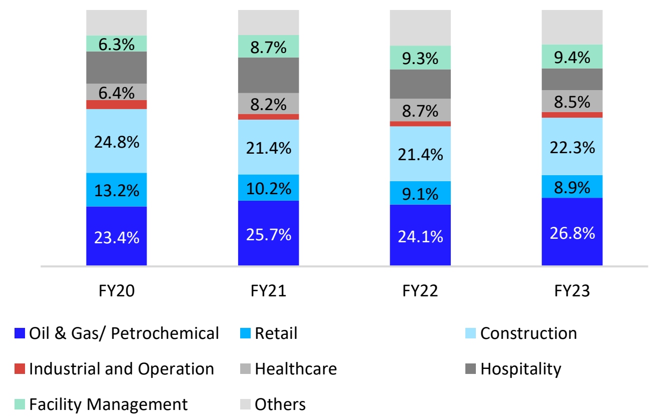
Source: Company Data, Al Rajhi Capital

Figure 40 **KSA Listed Players Net Margin Evolution (%)**



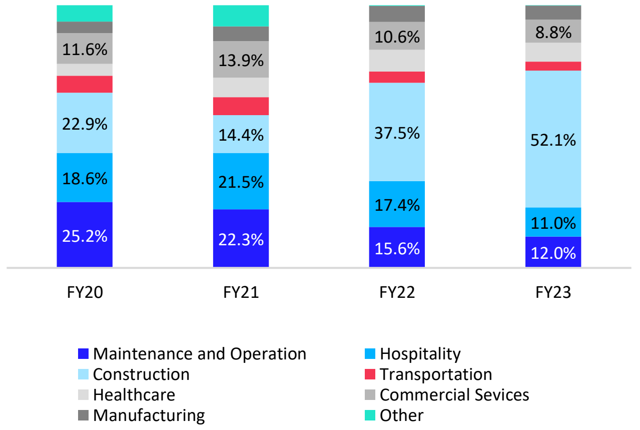
Source: Company Data, Al Rajhi Capital

Figure 41 **KSA SMASCO Corporate Revenue Mix**



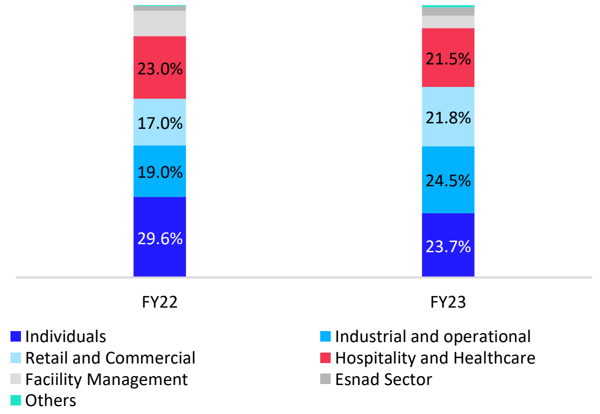
Source: Company Data, Al Rajhi Capital; * Other revenues from Saudi Logistics Company

Figure 42 **KSA Al Mawarid Corporate Revenue Mix**



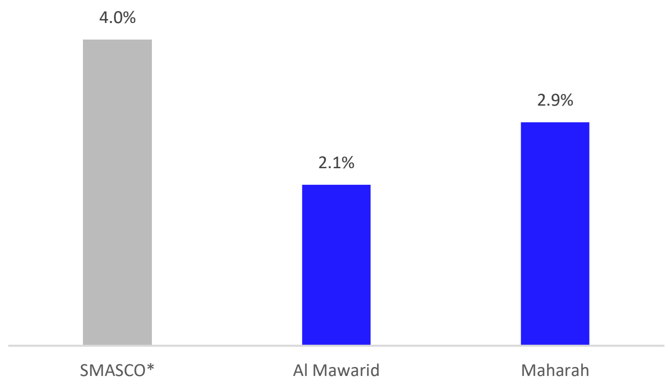
Source: Company Data, Al Rajhi Capital; *Other revenues from Saudi Logistics Company

Figure 43 **Maharah Total Revenue Mix**



Source: Company Data, Al Rajhi Capital

Figure 44 **KSA Listed Players Dividend yield (TTM)**



Source: Company Data, Al Rajhi Capital; *2024E DPS is considered for SMASCO

Financial Assumptions

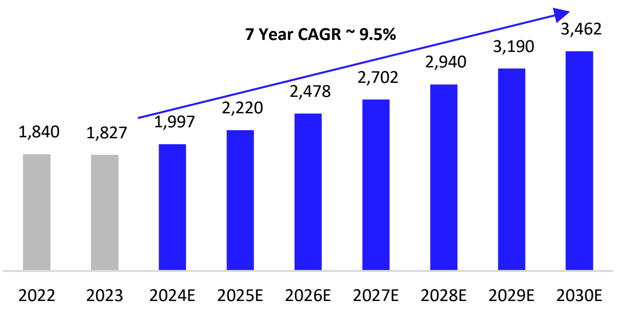
Revenue analysis: SMASCO's revenue trajectory has been mixed over the past few years in view of a combination of favourable and challenging outcomes. While Covid had a pressing impact on the industry, battering revenue and other KPIs for the company, the pent-up demand post Covid lead to a recovery in revenues in FY22 driven by an increase in headcount from 34,230 in FY21 to 37000+ in FY22. FY23 revenues were subdued on account of the decline in average charge out rates in the Raha Hourly segment and decline in headcount in the corporate segment. Going forward, growth levers in the industry are well placed to drive a consistent growth in SMASCO's headcount across all verticals. The company's revenues are potentially expected to compound at a high single digit growth rate of 9.6% between 2023-2030E. Meanwhile, the company's revenue mix constitutes 68% revenues from the corporate segment followed by 31% from the Individual segment and a negligible share of other revenues from the Saudi Logistics Company. We anticipate the current revenue split to sustain with a slight uptick in the share of the Individual segment over the future years due to traction in the hourly segment. The corporate sector revenues are also poised to compound at a healthy rate of 9.5% over 2023-2030E on account of the company's firm footing in the petrochemical and construction segment. As of 9MFY23, the Group had a contracted backlog of approximately 2,795 workers ready for deployment across various sectors. Overall, the company is strategically positioned to navigate through the industry dynamics and exhibit a decent revenue growth.

Cost analysis: Manpower salaries is the primary component in the Group's cost of sales. The company is expected to witness an increase in this component in conjunction with the increase in manpower strength. In other note, we anticipate the growth in costs to be faster than the revenues as intensifying competition would limit the company's potential to increase the mark-up demanded from its clients. Hence, any increase in salaries to retain manpower would inherently lead to an increase in cost for the company in case of failure to pass on the costs to its clientele. On the other hand, the operating expenses may benefit from the economies of scale over the medium term as the company can leverage its market dominance to control other overheads in comparison to smaller players in the industry.

Margins: We foresee the company to witness a notable compression in its margins in the near-medium term owing to the intensifying competition in the industry. The price war involved in the corporate division to pursue contracts in construction sector, the price ceiling imposition by the MHRSD and any additional overheads which may not be passed on to the clients in order to maintain contracts with key accounts, may exert negative pressure on the margins for the Group. Moreover, the actual impact of the price cap in the Raha Mouqeemah and Raha Hourly segment will be felt in 2024 as new contract onboarding and existing contracts renewal will materialise at the new rates in contrast to FY23 which had benefit of existing contracts. Consequently, the Gross margins are expected to be hit by 100 bps in FY24 and sustain around those levels in the near-medium term. However, Operating margins and net margins may see an expansion in the later years beyond FY 2025 as operating leverage starts to kick in.

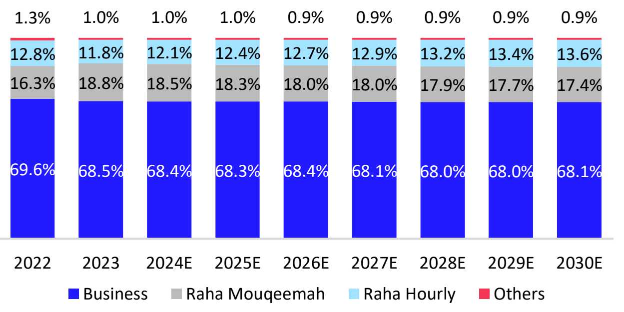
Balance Sheet: As mentioned earlier, SMASCO works on an asset-light model, sitting on a strong balance sheet with negligible debt. The company has adequate cash reserves to fund expansion albeit majority of the operational expansion is capital-light. The balance sheet strength solidifies the company's financial flexibility and lends it a competitive advantage in comparison to smaller players in the industry. Moreover, SMASCO's market leadership is well defined by its efficient working capital position, low debt and abundant cash.

Figure 45 **SMASCO Revenue Projection (SARmn)**



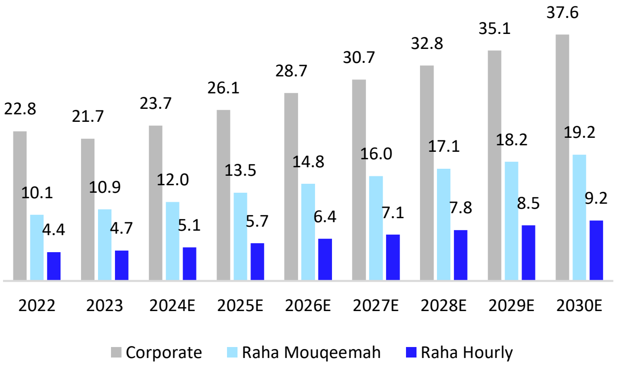
Source: Company Data, Al Rajhi Capital, ARC estimates

Figure 46 **SMASCO Revenue Mix (2022-2030E)**



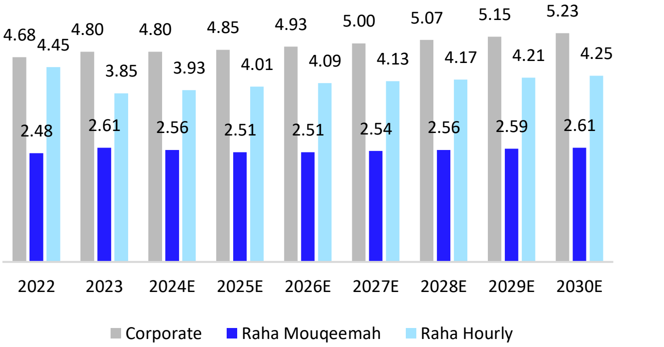
Source: Company Data, Al Rajhi Capital, ARC estimates

Figure 47 **SMASCO Headcount Evolution (000s)**



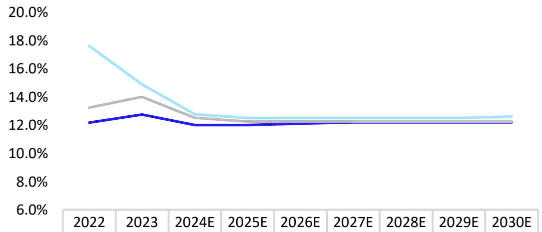
Source: Company Data, Al Rajhi Capital, ARC estimates

Figure 48 **Average Monthly Revenue/Manpower* (SAR 000s)**



Source: Company Data, Al Rajhi Capital, *in SAR

Figure 49 **SMASCO Segment-Wise Margin Profile (2022-2030E)**

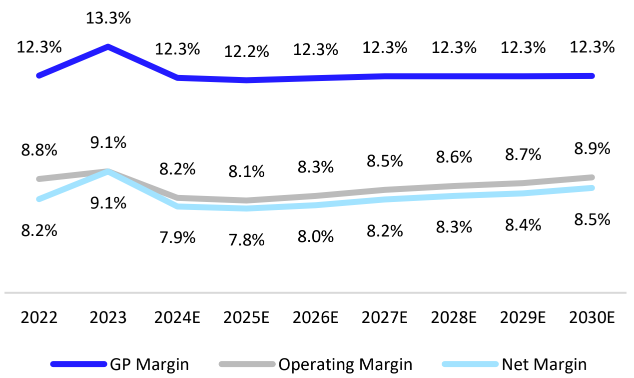


	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Corporate	12.2%	12.7%	12.0%	12.0%	12.1%	12.2%	12.2%	12.2%	12.2%
Raha Mouqeemah	13.2%	14.0%	12.5%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%
Raha Hourly	17.6%	14.9%	12.8%	12.5%	12.5%	12.5%	12.5%	12.5%	12.6%

Corporate Raha Mouqeemah Raha Hourly

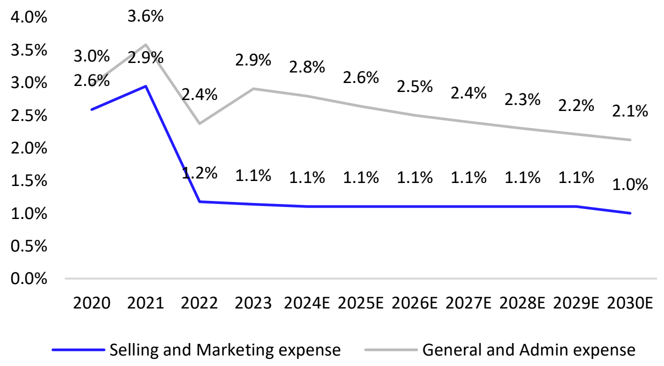
Source: Company Data, Al Rajhi Capital, ARC estimates

Figure 50 **SMASCO Overall Margin Profile (2022-2030E)**



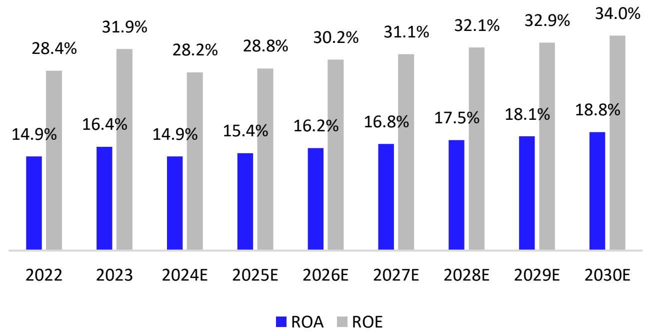
Source: Company Data, Al Rajhi Capital, *ARC estimates

Figure 51 **Operating expenses as a % of sales (2020-2030E)**



Source: Company Data, Al Rajhi Capital, ARC estimates

Figure 52 **ROA and ROE (%) (2022-2030E)**



Source: Company Data, Al Rajhi Capital, ARC estimates
Note: ROA is net income/total assets, ROE is net income/total equity

Key Financials

Figure 53 **Income Statement**

(SAR mn)	2023	2024E	2025E	2026E	2027E	2028E
Sales	**1,827**	**1,997**	**2,220**	**2,478**	**2,702**	**2,940**
Growth	*-0.7%*	*9.3%*	*11.2%*	*11.6%*	*9.0%*	*8.8%*
Cost of Sales	(1,584)	(1,752)	(1,950)	(2,175)	(2,369)	(2,578)
Gross Income	**243**	**245**	**271**	**304**	**333**	**362**
Gross Margin	*13.3%*	*12.3%*	*12.2%*	*12.3%*	*12.3%*	*12.3%*
General and Administrative expenses	(53)	(56)	(59)	(62)	(65)	(68)
Selling and marketing expenses	(21)	(22)	(24)	(27)	(30)	(32)
% of revenues	*4.1%*	*3.9%*	*3.7%*	*3.6%*	*3.5%*	*3.4%*
ECL Provision	(3)	(3)	(7)	(9)	(9)	(9)
Operating Expenses	**(77)**	**(81)**	**(90)**	**(99)**	**(104)**	**(109)**
% of revenues	*4.2%*	*4.1%*	*4.1%*	*4.0%*	*3.8%*	*3.7%*
Operating Income	**166**	**164**	**180**	**205**	**229**	**253**
Operating Margin	*9.1%*	*8.2%*	*8.1%*	*8.3%*	*8.5%*	*8.6%*
Financial costs	(5)	(5)	(4)	(5)	(5)	(5)
Other income	20	15	16	16	18	19
Profit before tax	**182**	**174**	**191**	**217**	**242**	**267**
Zakat & Tax	(16)	(16)	(17)	(20)	(22)	(24)
Net Income	**166**	**158**	**174**	**197**	**220**	**243**
Net Margin	*9.1%*	*7.9%*	*7.8%*	*8.0%*	*8.2%*	*8.3%*
EPS (SAR/sh)	**0.42**	**0.40**	**0.44**	**0.49**	**0.55**	**0.61**

Source: Company Data, Al Rajhi Capital

Figure 54 **Cash Flow Statement**

(SAR mn)	2023	2024E	2025E	2026E	2027E	2028E
Cash from operations	182.1	167.4	169.5	228.8	280.2	294.8
Cash from investing	(77.2)	(35.7)	(49.0)	(50.5)	(56.7)	(50.6)
Cash from financing	(184.6)	(120.8)	(129.2)	(143.0)	(165.1)	(194.5)
Net change in cash and cash equivalents	**(79.8)**	**10.9**	**(8.7)**	**35.3**	**58.4**	**49.7**
Cash and cash equivalents, end of the period	**35.6**	**46.5**	**37.8**	**73.1**	**131.5**	**181.2**

Source: Company Data, Al Rajhi Capital

Figure 55 **Key Ratios**

Key metrics	2023	2024E	2025E	2026E	2027E	2028E
Current ratio	2.4x	2.5x	2.5x	2.6x	2.6x	2.6x
Gross margin	13.3%	12.3%	12.2%	12.3%	12.3%	12.3%
EBITDA margin	12.4%	11.2%	10.7%	10.7%	10.7%	10.6%
Operating margin	9.1%	8.2%	8.1%	8.3%	8.5%	8.6%
Net margin	9.1%	7.9%	7.8%	8.0%	8.2%	8.3%
ROA	16.4%	14.9%	15.4%	16.2%	16.8%	17.5%
ROE	31.9%	28.2%	28.8%	30.2%	31.1%	32.1%

Source: Company Data, Al Rajhi Capital

Figure 56 **Balance Sheet**

(SAR mn)	2023E	2024E	2025E	2026E	2027E	2028E
Assets						
Murahaba deposits- Non current	10	10	10	10	10	10
Visas in use - non current	8	8	8	8	8	8
Advance payments for Investments	7	7	7	7	7	7
Right of use assets	29	28	28	28	27	25
Projects under progress	50	60	72	83	96	107
Intangible assets	2	2	2	2	2	2
Property and Equipment	133	127	123	116	111	104
Total non-current assets	**240**	**243**	**250**	**255**	**261**	**263**
Cash and cash equivalents	36	47	38	73	131	181
Murahaba deposits - current portion	190	189	198	212	230	249
Investment at FVPL	2	2	2	2	2	2
Trade and other receivables	302	328	365	373	370	362
Prepayments and advances	189	200	222	248	257	279
Due from related parties	6	6	6	6	6	6
Visas in use - Current portion	17	18	18	19	19	20
Available visas	32	32	32	32	32	32
Total current assets	**773**	**820**	**880**	**965**	**1,047**	**1,131**
Total Assets	**1,012**	**1,063**	**1,131**	**1,219**	**1,308**	**1,394**
Liabilities						
Retained despoits - non current portion	55	55	55	55	55	55
Employee benefit obligations	96	103	109	116	123	131
Non current portion of lease liabilities	15	14	15	18	18	18
Total non-current liabilities	**167**	**172**	**179**	**189**	**197**	**205**
Retained Deposits - current portion	47	47	47	47	47	47
Unearned revenues	52	60	67	69	76	82
Trade payables	30	31	32	36	38	42
Accrued expenses and other credit balance:	171	170	178	198	216	235
Lease liabilities	11	9	10	12	12	12
Zakat provision	13	13	13	13	13	13
Total current liabilities	**324**	**330**	**347**	**376**	**402**	**431**
Total equity	**522**	**561**	**605**	**654**	**709**	**758**
Total Liabilities	**1,012**	**1,063**	**1,131**	**1,220**	**1,308**	**1,394**

Source: Company Data, Al Rajhi Capital

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