

Saudi Arabia Capital Market 2020

Leaders, Profitability and Business Model



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OUR JOURNEY SO FAR

- Over **700** reports/insights published
- Over **63** Client projects executed
- Frequent media citations and conference participation
- Active social media presence



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Chapter 1

Introduction to the Saudi Capital Market Ecosystem

The Saudi Arabian Capital Market is the largest in GCC. As of December 6, 2020, It constitutes 81.5% of the market capitalization and 87.9% of the region's value traded. The rise in its leadership position can also be attributed to the year-old (2019) listing of Saudi Aramco, the oil major.

Top Saudi banks have been providing investment banking services since the oil boom of the 1970s. Over the years, compulsive speculating in stocks began. With the establishment of The Capital Market Authority (CMA) in 2003, regulations were put in place to restrain such trading. Three years later, the market crashed; the Tadawul fell by 59.3% from the peak in February 2006 to a low in December 2006. More legislation followed. Consequently, most banks spun off their investment banking activities into separate subsidiaries. 'Boutique' investment banks also set up shop in the KSA during this time.



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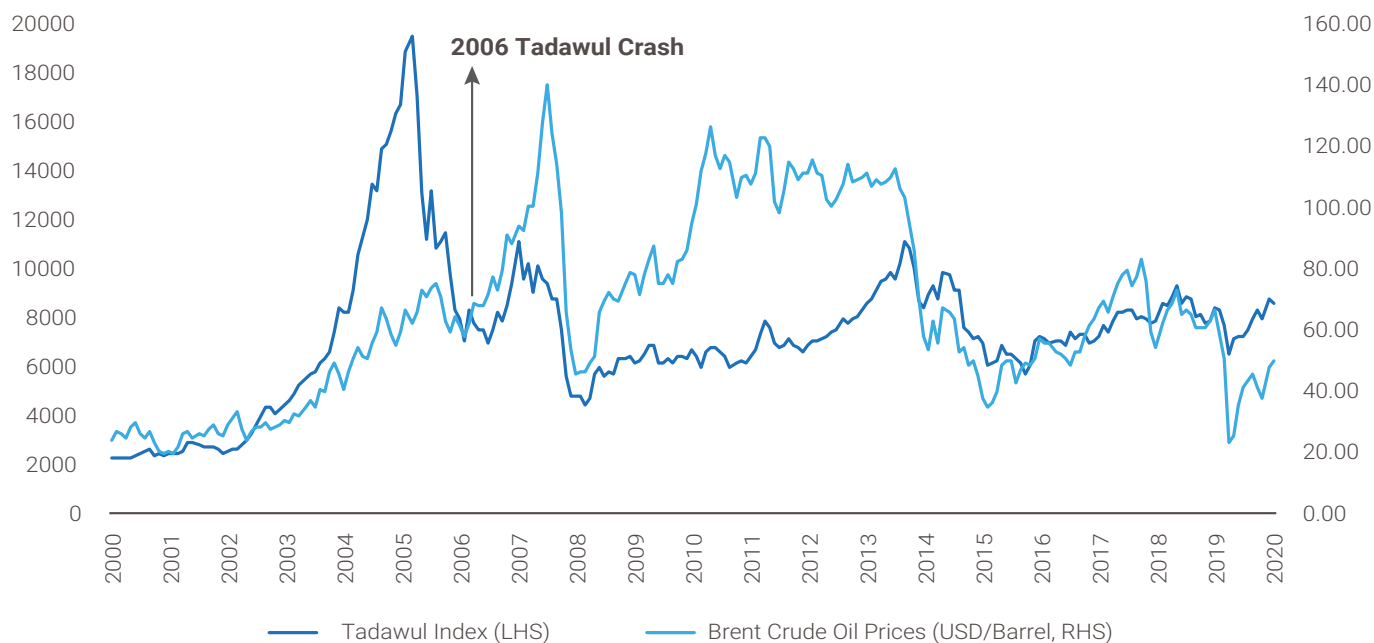
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Tadawul Index (Monthly closing price)



Source: Reinitiv

The below table gives a break-down of capital market participants by type of services provided. About 41% of the participants are all into asset management, investment banking, and brokerage. Most of the firms are subsidiaries of banks or financial institutions. There are only nine pure-play investment management firms in Saudi Arabia, while only three are pure-play asset management firms. None of the firms operate as a pure-play broker.

Breakdown of Financial firms by business focus area

Type of Business	No: of Financial firms
Investment Banking + Asset Management + Brokerage	23
Investment Banking	9
Asset Management + Investment Bank	15
Investment bank + Brokerage	5
Asset Management + Brokerage	1
Asset Managers	3
Brokers	0
Total	56

Source: Refinitiv, Company filings, Marmore Analysis

HOW CAN MARMORE HELP ?

Marmore MENA Intelligence has been providing research services to various clients across the GCC region for well over a decade now. Our presence in Kuwait aids us in better understanding the nuances of the region and support our clients with research and consulting services.



ASSET MANAGERS

Right from raising funds to deployment of the same, there are so many activities that an asset management firm undertakes. Typically, Asset management teams are much smaller compared to the brokerage firms. Asset Managers can deploy Marmore for various activities as mentioned below:

- Economic Research
- Industry/Sector Research
- Stock Screener
- Equity Research (buy-side)
- Valuation
- Fund Research
- Competitors analysis
- Management Analysis
- Portfolio Analysis
- Portfolio rebalancing
- Risk Dashboard
- Fund monitoring and Reporting
- Attribution analysis
- Due Diligence
- Robo advisory
- Capital Market Expectation models
- Content Writing Support



INVESTMENT BANKS

Some of the activities wherein Investment Banks can engage Marmore include:

- Due Diligence
- Pitch book preparation
- Sector Expertise
- Macro-economic and Industry Research
- Deep dive Company research
- Valuation models (detailed)
- Deal Intelligence



BROKERS

As brokers rely on generating revenues through trading commissions, they are also required to maintain a sell-side research desk for their clients. Brokers could engage Marmore for the following functions:

- Equity Research (sell-side)
- Thematic Research
- Industry/Sector Research
- Financial Modelling and valuation
- Offshore Associate
- Real time Result Updates

Key Contacts



M.R. RAGHU

Managing Director

Marmore MENA Intelligene

+91 44 4231 6217

rmandagolathur@markaz.com

Request free detailed report by writing to:



sgoenka@e-marmore.com

Would prefer talking to us?
Call us at:



+91 44 4231 6217



SHISHIR GOENKA

Assistance Vice President, Research & Business Development

Marmore MENA Intelligene

+91 99622 56524

sgoenka@e-marmore.com

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For further information, please contact 'Markaz' at P.O. Box 23444, Safat 13095, Kuwait; **Email:** enquiry@e-marmore.com; **Tel:** 00965 22248280; **Fax:** 00965 22495741.