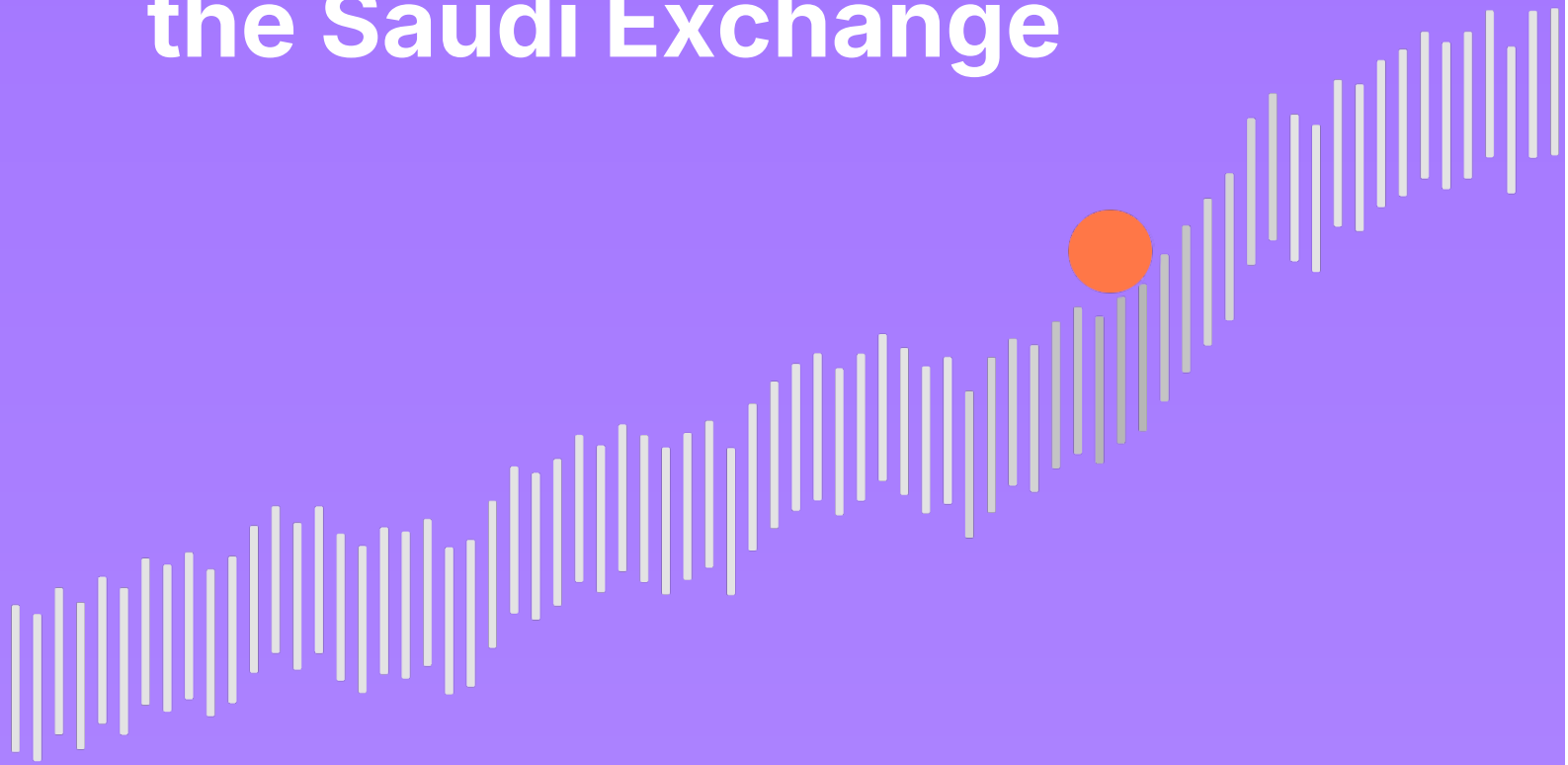




# Announcement of Intention to Float on the Saudi Exchange



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## PRESS RELEASE

# DERAYAH FINANCIAL COMPANY ANNOUNCES ITS INTENTION TO FLOAT ON THE MAIN MARKET OF THE SAUDI EXCHANGE

**Riyadh, 23 January 2025G** - Derayah Financial Company ("**Derayah**" or "**the Company**"), the leading independent digital investment platform in Saudi Arabia (the "**Kingdom**" or "**KSA**"), today announces its intention to proceed with an initial public offering (the "**IPO**" or "**Offering**") and listing of its ordinary shares (the "**Shares**") on the Main Market of the Saudi Exchange ("**Tadawul**").

On 25 December 2024G, the Capital Market Authority (the "**CMA**") approved the Company's application for registering its share capital and the Offering of 49,947,039 ordinary shares ("**Offer Shares**"), representing 20% of the Company's issued share capital, by way of a partial sale by the Company's current shareholders<sup>1</sup> in proportion with their existing shareholding (the "**Selling Shareholders**"). The price of the Offer Shares will be determined at the end of the book-building period. The Company will not receive any portion of the Offering proceeds and the proceeds from the Offering will be distributed to the Selling Shareholders.

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<sup>1</sup> Please refer to Derayah's prospectus for the detailed list of the Selling Shareholders

## Offering Overview

- The Offering consists of 49,947,039 Offer Shares, representing 20% of the Company's issued share capital.
- The Offer Shares will be listed and traded on Tadawul following the completion of the Offering and listing formalities with the CMA and Tadawul.
- The Offer Shares will be offered for subscription to individual and institutional investors, including institutional investors outside the United States in accordance with Regulation S under the US Securities Act of 1933G, as amended (the "**Securities Act**").
- The Offer Shares will be offered to institutional investors, with a claw back to individual investors of up to 10% of the offered Shares.
- The final Offering price will be determined at the end of the book-building process.

For more information, please visit [ipo.derayah.com](http://ipo.derayah.com)

## Company Overview

- Derayah is the Kingdom's leading independent digital investment platform, committed to simplifying investments, making wealth creation accessible to every investor.
- Established in 2009G, Derayah has successfully evolved into a technology-led provider of brokerage and asset & wealth management solutions, delivering cutting-edge solutions to its diverse and expanding client base, with client accounts expanding 12-fold<sup>2</sup> since 2016G.
- Derayah's strengths lie in a deep understanding of financial markets, guided by a visionary founder-led Board of Directors and led by an experienced executive management team with extensive knowledge in capital markets and investments; a proprietary, purpose-built technology infrastructure designed for scalability, agility and a superior digital user experience; and continuous product innovation that keeps the Company ahead of market trends and sensitive to client needs.
- Derayah's strengths are further supported by a large and growing addressable market, favorable industry dynamics and technology transformative agendas in the financial sector.
- Derayah's main business segments include brokerage and asset & wealth management:
  - **Market-leading digital brokerage platform:** Derayah offers a unique brokerage platform, that serves as a single access point to 43 local, regional, and international markets, and providing clients with access to a variety of financial instruments, including equities, fixed income, and derivatives.
  - **Fast-growing asset & wealth management business:** Derayah manages SAR 15.1 billion of assets (as of 30 June 2024G), covering both public and private markets.

<sup>2</sup> Growth in Client Accounts (2016G–2023G)

## Derayah in Numbers

### Leading Digital Broker

- #1 independent broker by brokerage revenue, and 3<sup>rd</sup> largest Capital Markets Institution ("CMI") with c.14%<sup>3</sup> market share in KSA's online brokerage;
- Client Accounts grew by 12x (2016G-2023G) with c.100% acquired online<sup>4</sup>; and
- +98% of the Trading is Online<sup>5</sup>.

### Growing and Diversified Asset Management Business

- SAR 15.1 billion Assets Under Management (AUM, as of 30 June 2024G), a growth of c.50% from 31 December 2023G and an increase of a 33% CAGR (2020G – 30 June 2024G); and
- Diversified AUMs, 65% of which is in public markets<sup>6</sup> and 35% in private markets<sup>7</sup> as of 30 June 2024G.

### Solid financial track-record, and a healthy, debt-free balance sheet, yielding attractive returns to shareholders

- SAR 624 million Total Operating Income in 2023G - 31% CAGR (2020G-2023G);
- SAR 330 million Net Income in 2023G - 47% CAGR (2020G-2023G) yielding a c. 53% net profit margin in 2023G;
- A cash-rich, debt-free, and capital-light balance sheet; and
- Market-leading Return on Average Equity of 43% and 69% Dividend Payout Ratio in 2023G.

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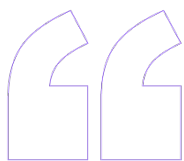
<sup>3</sup> As of 30 June 2024

<sup>4</sup> Since 2018

<sup>5</sup> As of June 2024

<sup>6</sup> Public markets defined as funds with underlying public assets

<sup>7</sup> Private market funds defined as funds with underlying private assets

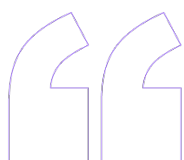


**TAHA ALKUWAIZ**, Co-Founder and Chairman of Derayah, **said:**

We are proud to announce the launch of our IPO at a pivotal moment in the Kingdom's financial sector. This IPO goes beyond being a milestone for Derayah; it stands as a testament to our steadfast dedication to democratizing investment and providing all types of investors with innovative, accessible, and comprehensive wealth-building solutions.

Since our inception in 2009G, Derayah has led the way as the first end-to-end digitally enabled investment platform in the Kingdom. Powered by proprietary cutting-edge technology, our personalized and client-centric platform has allowed us to anticipate and adapt to evolving client needs and market trends with agility. This foundation has been instrumental in enabling our exponential growth and solidifying our position as an industry leader.

As the Kingdom's financial sector undergoes significant transformation with both regional and global capital markets continuing to offer compelling growth opportunities, Derayah is uniquely positioned for further success. I am excited to welcome new shareholders to join us on this journey as we continue to drive innovation, create value, and contribute to the Kingdom's ambitious economic transformation.



**MOHAMMED ALSHAMMASI**, Chief Executive Officer of Derayah, **said:**

With the launch of our IPO, Derayah is embarking on an exciting new chapter that will further solidify its position as a leading independent digital investment platform in Saudi Arabia.

In recent years, we have achieved exponential growth by capitalizing on favorable local, regional, and global capital markets. We have done this by successfully catering to the needs of digital natives while simplifying the investment journey and providing a unique experience for a new generation of investors. What sets us apart is our proprietary user-centric technology, designed to ensure a seamless investor experience. This advanced and user-friendly platform enables real-time data processing and integration across financial systems, allowing us to respond swiftly to market changes and client needs. The results speak for themselves: since 2016, we have seen a remarkable 12-fold growth in overall client accounts.



**ALSHAMMASI added:**

Our growth is anchored by three strategic pillars: sustaining brokerage leadership through innovative, first-to-market products and value-added services; expanding our asset management business in both private and public markets; and advancing digital wealth management by including pioneering robo-advisory solutions, among other innovations, tailored to a wider range of client needs. Additionally, our strategic investment in Bank D360, a Shariah-compliant digital bank, which recently received SAMA's approval to commence operations, will further accelerate our growth and unlock new opportunities. I am optimistic about the road ahead and Derayah's ability to create greater, lasting value for all stakeholders, including our future shareholders.

## Investment Highlights

### Simplifying Investment for Every Investor

#### Favorable industry outlook bolstered by KSA's economic strength, ongoing financial sector reforms, and a digitally savvy population

- **Largest economy in the GCC.** With c. SAR 4.01 trillion in nominal GDP (as of 2023G), KSA is among the largest economies in the world and is the largest in the GCC region, accounting for around half of the region's total GDP.
- **Demographic and digital strengths.** KSA has an economically active population, 58% of which are of working age, and is benefiting from rising per capita wealth and high levels of digitalization with c.100% internet penetration, which ranks among the highest in the world.
- **Vision 2030 driving growth.** KSA's financial services industry is further reinforced by the Financial Sector Development Program (FSDP), a key component of 'Vision 2030', with goals of attracting both local and international investors, boosting private sector growth, and targeting a SAR 13.3 billion direct GDP contribution from FinTech companies by 2030G.
- **Thriving digital brokerage market.** KSA's digital brokerage market grew at 9% annually from 2018G to 2023G in terms of total internet value traded, with expected continued growth at 12% annually through 2028G, driven by increased online trading and market expansion.
- **Booming asset management growth.** The asset management sector saw 12% AUM growth from 2020G to 2023G and is projected to grow at 15% annually through 2028G, supported by favorable conditions in the Saudi Capital Markets.

#### KSA's leading independent digital broker, serving all types of investors as a preferred gateway to local, regional, and international markets

- **A leader with a differentiated edge.** Derayah's flagship brokerage business is among the top 3 largest in KSA by revenue and market share, and provides clients with access to 43 local, regional, and international markets through proprietary platforms.
- **Scalable growth, targeting underserved clients.** The number of client brokerage accounts has grown 12-fold from 2016G to 2023G with c. 100% of new clients onboarded online since 2018G, reflecting the scalability of its offering and its ability to provide solutions more inclusively to a broader spectrum of investors, particularly retail investors.
- **Strong appeal to younger, digital native investors.** As of 1H24, 72% of Derayah's client accounts belonged to investors 40 years old or younger, implying its resonance with the younger digitally savvy segment. Moreover, the working age proportion of KSA's

population is 58% compared to the 49% global average and is expected to grow 2% compared to the global average of 0.9% between 2023G and 2029G<sup>8</sup>.

- **Significant increase in market share.** As such, since 2018G Derayah has been growing its online brokerage market share reaching c.14% in 1H24 with 2023G brokerage revenue<sup>9</sup> reaching SAR 364 million, making Derayah the largest independent broker by brokerage revenue.
- **Unparalleled market access and comprehensive securities offering.** Today, the 'Derayah Platform' provides access to 10 local and regional markets through a single access point, offering local & regional equities and fixed income, in addition to derivatives. The 'Derayah Global Platform' provides clients with international brokerage access to 33 global markets with a variety of financial instruments, including stocks, options, futures, CFDs, bonds, and commodities.
- **Strategic partnerships powered by technology excellence.** Derayah's platform also integrates API connectivity with third-party applications enabling clients to choose their preferred platforms and applications, thereby further positioning Derayah as a technology leader and market enabler in the digital brokerage space.

### Strong asset management expertise driving market share growth and expansion into high-margin asset classes

- **Expanded asset management offerings.** In recent years, Derayah has actively grown its asset management business by expanding its product offerings, covering both public and private markets.
- **Outstanding AUM growth.** Derayah has nearly tripled its AUM to SAR 15.1 billion as of 1H 2024G from SAR 5.6 billion in 2020G, achieving an impressive CAGR of 33%, significantly outpacing the KSA market's ~13% CAGR over the 2020G-1H 2024G period.
- **Top performing public market funds.** Derayah's Public Market funds – which include equities, fixed income, and cash management – have grown at a CAGR of nearly 80% between 2020G and 1H 2024G, primarily driven by the strong performance of flagship products such as the Derayah Saudi Freestyle Fund and Discretionary Portfolios.
- **Innovative private market products.** Derayah's Private Markets business manages assets worth SAR 5.4 billion, as of 1H 2024G, including Derayah's REIT and Trade Finance Fund, our innovative solution to support margin trading.
- **Robust superior profitability.** The Company has demonstrated robust profitability, achieving a blended margin of 94 basis points (bps) in 2023G, well above the 59bps median of other Capital Market Institutions (CMIs).
- **Commitment to global standards.** Derayah has earned an MQ2 Investment Manager Quality rating from Moody's and the Company's Capital Markets division remains fully compliant with Global Investment Performance Standards (GIPS®), underscoring its commitment to high standards and exceptional investment performance.

<sup>8</sup> International Monetary Fund forecasts

<sup>9</sup> Fees from brokerage excluding margin financing revenue

## Proprietary purpose-built technology enabling a superior digital user experience and the ability to unlock swifter market response time, agile scaling, and efficient operations

- **Unmatched proprietary technology.** Derayah has built its core systems internally, which allows for better scalability, reduced latency, improved transaction performance, and quicker response times
- **Doubling down investment in digital infrastructure.** The Company has made considerable investments in IT, nearly tripling since 2018G to SAR 15 million in 2023G, resulting in a significant increase in daily net traffic capacity from 13 Mbps to 100 Mbps.
- **Fully digital client journey.** The Company emphasizes simplified client onboarding, through a mobile app account opening without the need for a current account, and enhanced features like fast margin loan approvals, real-time price platforms, and extended trading capabilities, all of which provide a seamless and flexible investment experience.
- **Omni-channel approach.** Online customer acquisitions are supported by omni-channel capabilities through web, mobile, and telephone, offering clients flexibility and accessibility.
- **Agile operations driving innovation and differentiation.** Derayah encourages agile collaboration between business and technology teams to drive continuous innovation, ensure customer satisfaction and long-term engagement, and further differentiate itself in the market.

## Solid financial track record with a consistent growth trajectory, strong profitability, and robust returns

- **Strong business performance driving robust financial performance.** Over the years, Derayah has consistently delivered strong financial performance, with operating income growing at a 31% CAGR from 2020G to 2023G, driven by a 21% CAGR in brokerage revenue and a 20% CAGR in asset management revenue, over the same period.
- **Surging profitability.** Net profit more than tripled to SAR 330 million in 2023G, rising from SAR 105 million in 2020G, with the 2023G net profit margin increasing to 53% from 38% in 2020G.
- **Sustaining healthy growth momentum in 2024G.** The Company's growth trajectory persisted in the first half of 2024G, with operating income increasing by 63% year-on-year to SAR 434 million and net profit rising by 70% to SAR 228 million.
- **Operational efficiency gains.** Derayah has continuously improved its operating efficiency over the years with a decreasing cost-to-income ratio, falling from 57% in 2020G to 41% as of 1H 2024.
- **Lean balance sheet with strong cash generation.** The Company maintains a debt-free balance sheet, strong cash flow generation with a 77% cash conversion rate in 2023G, and a high return on equity of 43% in 2023G, increasing to 51% in the first half of 2024G (annualized).



- **Capex light model.** Derayah's capex-light business model ensures sustainable profitability and supports business growth with minimal capital requirements.
- **Commitment to shareholder returns.** The Company has demonstrated its commitment to shareholder value creation, increasing its dividend payout ratio to 69% in 2023G from 15% in 2020G.

### Led by a highly experienced founder-led team with a successful execution track record

- **Founder-led, visionary board.** The Board of Directors is composed of highly experienced professionals with diverse backgrounds in various sectors and is spearheaded by the co-founder and Chairman, Mr. Taha Al-Kuwaiz.
- **Experienced, seasoned management team.** The solid, experienced management team has a combined experience of more than 150 years and possesses a unique blend of cross-industry expertise, local insight, and a proven track record of delivering on strategy.
- **Innovative, growth and collaborative mindset.** Derayah cultivates a work environment where teams can thrive, fostering a culture of excellence and innovation that translates into superior outcomes for clients.

### Well-Defined Strategic Path to Future Growth

- **Driving growth through innovation.** Derayah aims to build on its proven track record of innovation and exceptional user experience to seize opportunities driven by the digitalization and consumerization transforming Saudi capital markets. The Company will prioritize enhancing its product portfolio, expanding its market presence, and diversifying its offerings.
- **Expanding into high-growth segments.** The Company will continue to strengthen its brokerage and asset & wealth management businesses by pioneering first-to-market products, tapping into high-margin asset classes, and wealth-tech innovative services like Derayah Smart to meet evolving client needs.
- **Scaling the business while strengthening client relationships.** Derayah will focus on client acquisition, retention, and personalized support, leveraging digital capabilities, data analytics, and strategic investments like Bank D360 to create a virtuous cycle of growth and loyalty.

## Highlights of the Offering

- The Offer Shares will be listed and traded on Tadawul following the completion of the Offering and listing formalities with the CMA and the Saudi Exchange.
- The Offering will consist of 49,947,039 ordinary shares representing 20% of the Company's share capital, to be sold by the Selling Shareholders.
- The Selling Shareholders collectively own the majority of the Company's Shares prior to the Offering. Following completion of the Offering, the Selling Shareholders will collectively own 80% of the Company's share capital.
- After listing, at least 60% of the Company's shares shall be subject to a lock-up period of 24 months from the date of the start of trading of the Company's shares on the main market. All substantial shareholders, as well as shareholders holding more than 3% of the Company's share capital, directors, and senior executives who hold shares in the Company will be subject to this lock-up period. New shareholders will not be subject to the lock-up period.
- With respect to the Offering, the Company has appointed HSBC Saudi Arabia as sole financial advisor, bookrunner, global coordinator, lead manager and underwriter.
- Derayah Financial Company, Alinma Investment, Al-Istithmar Capital, Aljazira Capital, Alkhabeer Capital, Al Rajhi Capital, ANB Capital, BSF Capital, GIB Capital, Riyadh Capital, SAB Invest, Sahm Capital, SNB Capital, and Yaqeen Capital act as Receiving Agents (collectively, the **"Receiving Agents"**) for the retail investor tranche.
- Please refer to the prospectus for details on the expected timetable of the Offering.
- The Offering is restricted to the following two groups of investors:
  - **Tranche (A):**  
**Participating Parties:**
    - This tranche includes the categories entitled to participate in the book-building process, including investment funds, qualified foreign companies and institutions, investors from Gulf (GCC) companies, and other foreign investors.
  - **Tranche (B):**  
**Individual Investors:**
    - This tranche includes Saudi natural persons, including any divorced or widowed Saudi woman with minor children from a non-Saudi husband, who is entitled to subscribe in their names for her own benefit provided she submits proof that she is divorced or widowed and proof that she is the mother of her minor children, and any non-Saudi natural person who is resident in the Kingdom or Gulf Cooperation Council country national who has a bank account with one of the Receiving Entities and is eligible to open an investment account. A subscription for shares made by a person in the name of his divorcee shall be deemed void and if a transaction of this nature is proved to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.
    - Individual Subscribers must, at the time of subscription, have an active stock portfolio at a Capital Market Institution associated with the Receiving Agent being subscribed through, otherwise subscriptions will be rendered void and the amounts paid will be refunded.

## Enquiries

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This announcement may include statements that are, or may be deemed to be, "**forward-looking statements**". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "aim,"

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There is no guarantee that the Offering will occur and you should not base your investment decisions on the Company's intentions in relation to the Offering. This announcement does not constitute a recommendation concerning the Offering nor any declaration or undertaking by any means. Acquiring Offer Shares to which this announcement relates may expose an investor to a significant risk of losing the entire amount invested.

Persons considering investment should consult an investment advisor or an authorized person specializing in advising on such investments.

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

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In connection with the Offering, the Financial Advisor and any of its affiliates, may take up a portion of the Offer Shares in connection with the Offering as a principal position and in that capacity may retain, purchase, sell, offer to sell for their own accounts such Offer Shares and other securities of the Company or related investments in connection with the Offering or otherwise.

References in the Prospectus, once published, to the Company's shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Financial Advisor and any of its affiliates acting in such capacity. In addition, the Financial Advisor and any of its affiliates may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which the Financial Advisor and any of its affiliates may from time to time, acquire, hold or dispose of securities. The Financial Advisors do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.