



Rating Rationale

**Ladun Investment Company
(Joint Stock Company)**

February 2023

1.1 TASSNIEF Opinion:

<i>Ladun Investment Company – Entity Rating</i>	
<i>Domicile</i>	<i>Saudi Arabia</i>
<i>Long-Term Rating</i>	<i>BBB+</i>
<i>Outlook</i>	<i>Stable</i>
<i>Short-Term Rating</i>	<i>T-4</i>
<i>Rating Watch</i>	<i>No</i>
<i>Action Type</i>	<i>Assigned</i>
<i>Last Rating Action</i>	<i>N/A</i>

Tassnief has assigned a long-term entity rating of “BBB+” (Triple B Plus) and short-term entity rating of “T-4” to Ladun Investment Company. The outlook on the rating is “Stable”. Tassnief considers the rated issuer or issuance hold adequate creditworthiness, thus average credit risk.

1.2 Rating Rationale:

The assigned ratings are underpinned by established track record, market position, experienced management team and improving governance framework. Ratings also factor in business diversification supported by Kingdom wide geographical presence (although concentration is higher in the western region), adequate segment and operational diversity. Moreover, the Company’s integrated operations across the entire real estate value chain and sizeable order backlog is a key rating driver. Assessment of financial profile reflects room for improvement in margins & cash flow generation while leverage indicators are currently elevated. However, Tassnief expects these indicators to depict improvement due to sizeable inflows from ongoing projects during 2023.

Overall governance framework has witnessed noticeable improvement over the last few years and is considered sound. Governance framework incorporates effective board oversight with presence of board of directors having independent directors, presence of board audit committee and strong strategic planning process. Management team comprises experienced professionals while an effective internal controls framework has been implemented recently.

Business risk profile incorporates Integrated operations across entire real estate value chain, business diversification supported by kingdom wide geographical presence, adequate segment and operational diversity and improving market position with established track record of undertaking diversified projects. Expected revenue visibility from ongoing projects supports Company has a sizeable land bank which can further developed while a part of it is already under development; this will support the Company’s business plans going forward. Real estate and construction were historically major contributors to revenues but strategy is present to grow passive income; growth in passive income will support business profile. Business risk profile is supported by projected growth in revenue and strong pipeline of future projects.

Financial risk profile factors in projected improvement in margins and cash flows. Capitalization indicators are supported by sizeable paid up capital and all long-term debt being project related debt that will be paid through project related proceeds. Liquidity profile draws support from sizeable expected inflows from real estate projects and presence of liquid assets comprising cash and investments.

1.3 Rating Triggers

- Increase in margins and cash flow generation
- Reduction in leverage indicators and improvement in debt servicing coverage
- Achieving projected financial indicators

1.4 About the Company

LADUN Investment Company started half a century ago, where the company was established in 1968; later it became a Saudi public stock company with a capital of SAR 500,000,000. The Company has extensive experience in the development and management of real estate assets. Financial statements for 2021 are audited by El Sayed El Ayouty & Co. Certified Public Accountants (independent member firm of Moore Global Network Limited) with unqualified opinion. Financial statements are prepared on a quarterly basis.

Classification: **Restricted**

RELATED CRITERIA AND METHODOLOGY

Rating Methodology for Corporate (v.2. 2019) can be found on the website:

www.tassnief.com

DISCLAIMER:

- TASSNIEF has conducted the exercise based on its approved Rating Methodologies and Policies in order to derive the credit rating opinion on Ladun Investment Company. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold or sell any securities or make any other investment decisions.
- All analyses related to the rating report are merely opinions of TASSNIEF on the rating date.
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- This rating has not been amended following disclosure to the rated entity or its related party(ies). The rating scale can be found in the link above. The rated entity has not conducted any rating activity with regards to its rating. No parts of the rating activities were outsourced.
- The analyses and forecasts in this rating report are inherently forward-looking and cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

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