Entity Rating Report

Arabian Centres Company

(Saudi Joint Stock Company)

June 2025

RELATED CRITERIA AND METHODOLOGY

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

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Arabian Centres Company

Entity Rating Report Contents

Rating Summary

1.1 TASSNIEF Opinion:

Arabian Centres Company– Entity Rating	
Domicile	*Saudi Arabia*
Long-Term Rating	*A-*
Outlook	*Stable*
Short-Term Rating	*T-3*
Rating Watch	*N/A*
Action Type	*Initial*

Tassnief has assigned long-term entity rating of **"A-"** **(Single A Minus)** and short-term entity rating of '**T-3'** to **Arabian Centres Company**. The outlook on the rating is "**Stable**".

1.2 TASSNIEF Rating Rationale:

Strong market leadership anchoring business risk profile

Cenomi's business risk profile is underpinned by its established leadership position. The Company commands leading market share of approximately 18% in overall Gross Leasable Area (GLA), three times that of its nearest competitor, underscoring its scale advantage and operational depth in a fragmented market. On a regional level, Cenomi is ranked as the second-largest mall operator in the MENA region, further highlighting its competitive standing. Cenomi's market leadership offers strong pricing power, tenant retention, and resilience to competitive pressures.

High-quality malls portfolio with strategic composition and broad geographical footprint, although some revenue concentration is present in tier-A malls

Cenomi's malls portfolio reflects a well-diversified and strategically positioned assets that reflect the Company's strong competitive standing. As of 2024, Cenomi owns and operates 22 malls across ten major cities in Saudi Arabia, providing access to over 80% of the Kingdom's population. This broad geographic footprint ensures strong consumer reach which along with diversified tenant exposure supports Cenomi's ability to maintain stable occupancy levels and rental yields. Some revenue concentration is present with top 3 malls accounting for around one-third of total revenue, though revenue concentration compares favourably to any other operator in KSA and favourably to most operators in the region.

Sizeable mall portfolio on leasehold land resulting in exposure to lease non-renewal risk; Tassnief expects revenue loss due to lease expiry risk to remain manageable over the rating horizon

The portfolio includes a total GLA of 1.35m square meters, with two-thirds built on leasehold land (which do not grant Cenomi an automatic right of renewal) and around 11 of the 22 malls being on leasehold land. This land ownership structure provides a balance between asset stability and development flexibility. While properties on freehold land offer long-term security of tenure and asset control—contributing to sustained rental income and strategic asset enhancement—properties on leasehold land while providing development flexibility expose the Company to a material long-term risk; the possibility of having to renew leases at significantly higher rates or facing revenue discontinuity due to transfer of asset to the landowner. This risk has already transpired recently in the case of the Mall of Dhahran (first phase) due to the handover of the property to the landowner upon lease expiry resulting in a revenue loss of SAR 139m in 2025. However, apart from the 2nd phase of the lease expiry of the Mall of Dhahran, Tassnief views this risk to be manageable given that the next lease expiries fall due in 2029 and the revenue contribution from the same is only 3.1% of total revenues. Most of the major lease expiries are falling due between 2032 to 2035 with average lease expiry of around 11 years indicating long-term nature of the risk.

Expansion to further strengthen market position, diversify revenue base and strengthen financial profile

Cenomi is aggressively expanding its portfolio through a strategic development pipeline of six new malls. These projects will add approximately 600,000 square meters of GLA by 2027, representing a 44% increase from current levels. The pipeline comprises three flagship malls and three lifestyle destinations, aligning with Cenomi's strategy to shift toward experience-driven retail environments that attract longer dwell times and higher leasing rates. Key developments include Jawharat Riyadh (220,000 square meters GLA) and Jawharat Jeddah (104,000 square meters GLA), both of which are being built on freeholding land and expected to deliver over SAR 650m in EBITDA upon full stabilization in 2028. Tassnief believes that expansion will further strengthen market position, diversify revenue base and strengthen financial profile.

Sustained premium pricing power driven by prime locations and strong tenant mix

Cenomi has shown strong pricing power due to its dominant market position, prime locations, and diverse tenant base. Its ability to attract top retailers to strategically placed malls allow it to consistently charge above-average rents. With over 1,000 international, regional, and local brands, the Company benefits from strong demand and higher lease rates, particularly in core markets. In 2024, Cenomi saw a 1.4% increase in weighted average rental revenue per square meter (down from 6.3% in 2023), reflecting continued resilience despite market growth normalization. While rental revenue increases in key locations, the slowdown in growth suggests pricing limits in mature urban centers. Nevertheless, Cenomi's premium positioning, long-term leases, and focus on lifestyle retail help maintain rental yield premiums compared to competitors.

Strong operating performance supported by high occupancy and footfall growth

Cenomi continues to deliver strong operating performance, underpinned by consistently high occupancy rates and footfall growth, both of which reflect the Company's effective asset management and strategic repositioning. As of end-2024, Cenomi achieved a like-for-like occupancy rate of 94.4%, up from 92.6% in 2023, successfully reaching its short-term target range of 94%–95%. The Company's malls in core cities outperformed market benchmarks, with Riyadh averaging 95% occupancy versus a market average of 90%, and Jeddah and Dammam both recording 94%, also well above their respective city averages.

Cenomi has maintained positive momentum in retail footfall, recording 132m visits in 2024, a 6.3% increase year-on-year. Key drivers of this growth include the successful ramp-up of U Walk Riyadh and U Walk Jeddah, the introduction of international flagship brands and premium F&B concepts, and strategic enhancements to mall aesthetics and amenities. Cenomi's investment in seasonal marketing campaigns and event-based programming further boosts visitors' frequency and time spent. Looking ahead, Cenomi is well-positioned to sustain and potentially accelerate footfall growth, supported by commencement of operations of Jawharat Riyadh (+20m footfall annually) and Jawharat Jeddah (+15m footfall annually) and a continued shift towards non-traditional retail categories, such as entertainment and dining, aimed at enhancing engagement. The entertainment and dining segment has already witnessed a growing trend over the last few years.

Favourable operating environment to support operating performance and occupancies although competitive pressures are expected to intensify

The long-term tailwinds of Saudi Arabia's young demographic profile, increasing urbanization, high disposable income, strong projected non-oil GDP growth, low retail GLA per capita and Vision 2030 tourism initiatives contribute to a favourable operating environment assessment and should translate into incremental retail traffic, especially in Tier 1 cities and tourism zones. However, certain risks could weigh on footfall growth and occupancy sustainability. These include the ongoing expansion of ecommerce (29% YoY growth in 2024)[1], which may continue to displace visits to traditional retail segments, particularly in fashion and electronics. Moreover, the Saudi market is witnessing rapid retail real estate expansion, with an estimated 7.4m[2] square meters of new retail space expected to come online in the next few years. High-profile developments may intensify competition for both tenants and consumers, particularly in Riyadh.

Diversified revenue base and resilient tenant ecosystem

The Company's tenant base is well-diversified, with established long-term strategic relationships with its top 10 key account tenants with whom an average relationship tenure is around 20 years. Customer concentration remains modest, with the top five tenants contributing just 22% (2023: 27.4%) of total revenue in 2024, highlighting modest dependence on any single counterparty. Following the strategic disposal of select non-Inditex brands by Cenomi Retail, the latter's revenue contribution fell to 10.2% (2023: 15.7%), while exposure to Inditex brands remained stable. Both GLA and revenue contributions from Cenomi Retail are expected to stabilize around current levels, maintaining portfolio diversity.

Sizeable lease expiries due in 2025; comfort is drawn from strong track-record of lease renewals and strong historical tenant retention

Cenomi's lease structure includes short-to medium-term leases (3–5 years) which allow for timely repricing and tenant mix optimization, while long-term anchor leases (10–15 years) provide steady, recurring income streams. Strong tenant retention is evidenced by lease renewal growth of 13.5% (2023: 10.6%) in 2024. One notable near-term challenge is the concentration of lease expiries in 2025, which account for 41.3% of rental revenue. While this presents elevated renewal and vacancy risk, 71.3% of these expiries are concentrated in high-performing Class A malls, where tenant demand and backfill prospects are typically stronger. Moreover, the Company has a track record of around 90% of lease renewals over the last few years. Nonetheless, the timely execution of renewal negotiations and leasing strategies will be critical to maintain occupancy and income stability during this period.

Steady growth in revenues and healthy margins translate into satisfactory profitability profile

Revenues of the Company have increased at a steady pace of 2% and 4% during 2023 and 2024, respectively which along with healthy FFO margins (adjusted for non-cash items) averaging around 37% translate into a satisfactory profitability profile. However, accounting for sizeable non-recurring impairment charges incurred over the last 2 years, adjusted FFO margins stood at 23%. Increase in receivable provisioning during 2024 was partly attributable to change in provisioning policy. For 2025, revenue profile is projected to remain stable at 2024 levels with loss of revenue due to handing over the first phase of Mall of Dhahran to be offset by rental revenue from U Walk Jeddah, growth in turnover rent, improved occupancies and higher non-GLA revenue. Under its base case scenario, Tassnief expects adjusted FFO margin to range between 35% to 37% as provisioning expense normalizes while finance cost is expected to continue to increase due higher debt levels.

[1]https://www.spa.gov.sa/en/N2242154
[2]https://www.knightfrank.com.sa/en/research/the-saudi-report-2025-11978.aspx

Working capital cycle has deteriorated in 2024; CFO has remained consistently lower than FFO over the last 3 years

During 2024, the Company's CFO generation amounted to SAR 195m (2023: SAR 660m). The lower CFO generation was attributable to a rise in trade and related party receivables and partially due to the decline in payables and other liabilities. Over the last 3 years, the CFO generation has consistently been lower than FFO, reflecting the expansion phase the Company is in and the rising receivables from related parties. While transactions with related party (Cenomi retail) are at arm's length and have declined over time, they continue to extend cash collection cycle. Overall related party transactions are elevated given that Cenomi retail is the largest client and construction of most malls including the 2 ongoing developments are being done by a related party Lynx Contracting.

Diversified debt funding mix, extended debt repayment schedule from Banks and satisfactory LTV provide some degree of financial flexibility, although timely refinancing of Sukuk repayment due in 2026 and reinforcing liquidity buffers are critical

The Company has a diversified funding mix in terms of funds mobilized through Sukuk and Bank borrowings. Moreover, over time the Company has diversified debt mix from fully secured debt on balance sheet to a balanced mix of secured and unsecured debt portfolio. Debt repayment schedule from Banks is extended, although sizeable Sukuk repayment is due in 2026. Tassnief has incorporated refinancing of the Sukuk repayment due in 2026 during 2025. Moreover, liquidity buffers in terms of unutilized lines are expected to be largely utilized for funding the capital expenditure for expansion. Tassnief has been communicated that the timing of capital expenditure plan, besides Jawharat Riyadh and Jawharat Jeddah, remains flexible and will only commence if sufficient dedicated financing is secured. Going forward, management is planning the following to ensure timely payment of the upcoming Sukuk and reinforcing liquidity buffers:

- SAR 4.5bn Sukuk programme – Initial capital to raise SAR 750mn to SAR 1bn - Availability of adequate cash and standby lines to meet business requirements up to 10% of total debt.
- USD 1bn (SAR 3.75bn) – Planned for 3Q2025

Management's proactive approach in reinforcing liquidity buffers and planning for upcoming payments in advance has been noted positively.

Aggressive financial and development policies have resulted in weakening in credit metrics and is a key rating constraint

A combination of aggressive financial policies along with significant capital expenditure being incurred for the development of 2 flagship malls has resulted in weakening in credit metrics in terms of interest (FFO interest coverage has declined from 2.71x in 2022 to 1.63x in 2024) and debt coverages (Net debt to EBITDAR has declined from 6.67x at end-2023 to 7.51x at end-2024), which is a key rating constraint. Both these indicators are weak for the current assigned rating. As of June 2024, the Company was in full compliance with all covenants submitted to lenders. However, there is a potential risk of falling short of certain covenants due to the recent debt additions and the significant Sukuk repayment scheduled for 2026. Tassnief expects management to proactively manage any such non-compliances with Banks.

Figure: Financial policy at stabilization of Jawharat Riyadh & Jeddah (SAR in mn)

Financial Policy (SAR in mn)	2023	2024
Bank Loans & Sukuk	8,987	12,172
Cash & Short-term Investments	388	926
Investment Property	25,334	28,019
Net LTV	**33.9%**	**40.1%**
Target		**<45%**
Net Financial Debt	8,599	11,246
EBITDAR	1,290	1,497
Net Debt/EBITDAR	**6.67**	**7.51**
Target		**<5x**
Gearing	**0.60**	**0.76**
Target		**<0.5x**

Aggressive financial policy is evident from a sizeable dividend policy which represents around 70% of FFOs and primarily utilizes debt for funding new asset development. This along with 44% increase in targeted GLA by 2027 also reflects aggressive development policy. Moreover, the development of Jawahrat Jeddah and Jawahrat Riyadh with the timeline of December 2025 and April 2026, respectively, has resulted in elevated funding requirements. This is being met through a combination of cash & marketable securities, undrawn facilities and disposal of non-core assets. The Company has established a Fund with GIB Capital to bring forward the U Walk Qassim development and associated land sale. Going forward, Tassnief expects credit metrics to only improve from 2026 onwards, whereas 2025 credit metrics will further weaken as additional debt is mobilized. Full recovery in credit metrics is expected to materialize by 2028 where we expect the full EBITDA impact of Jawahrat Jeddah and Jawahrat Riyadh to be reflected in financials. Tassnief is incorporating improved credit metrics while assigning the current ratings. Both malls are expected to contribute SAR 650m in new cash flows at stabilization.

1.3 Rating Triggers

Negative rating triggers include

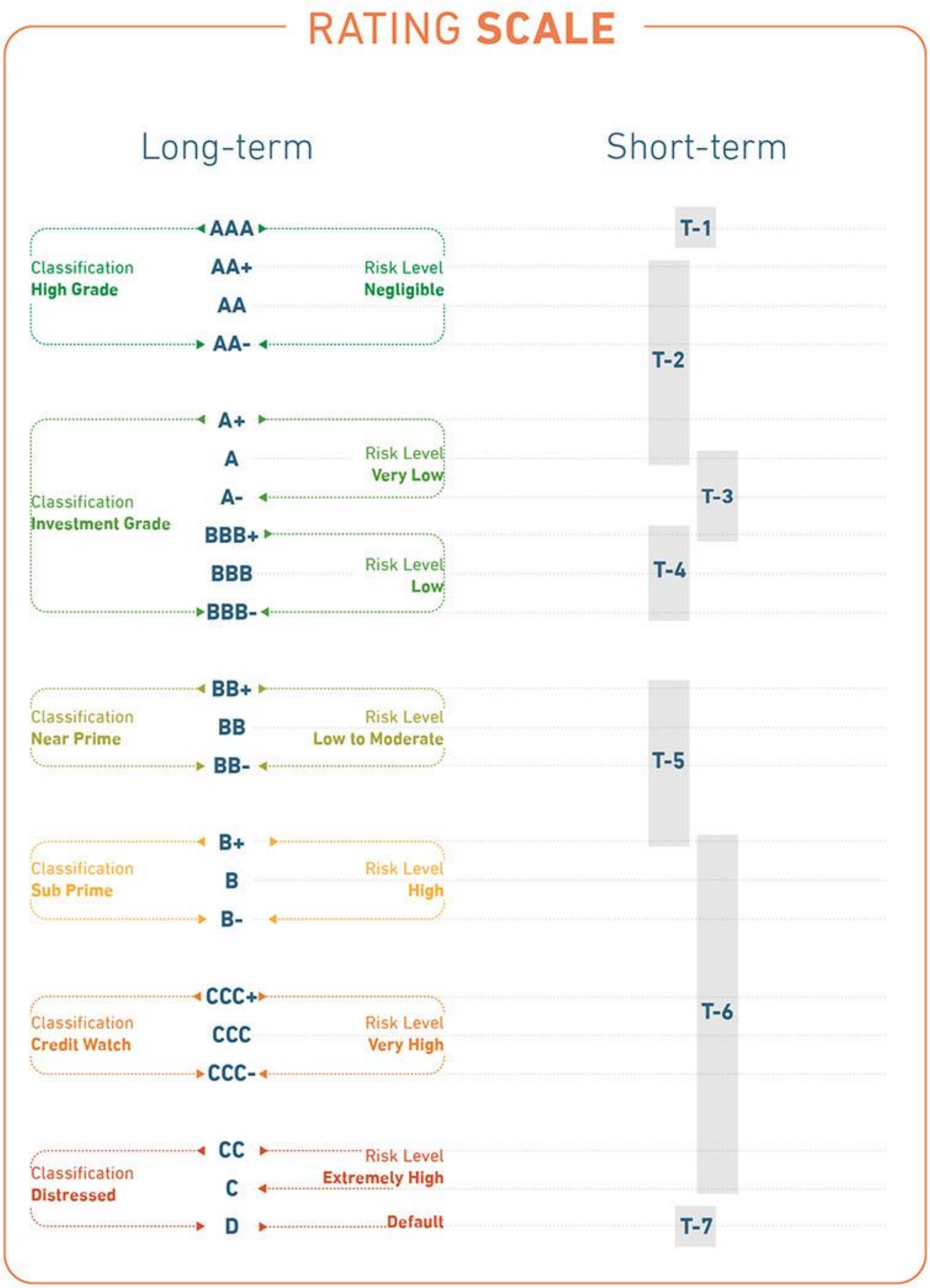
- Any further weakening in FFO-based interest coverages from around current level.
- Further increase in Net Debt to EBITDAR from the current level of 7.51x.
- Non-materialization of improvement in FFO-based interest coverages and Net Debt to EBITDAR post stabilization of Jawahrat Jeddah and Jawahrat Riyadh.
- Continued deterioration in working capital resulting in lower CFO generation as compared to FFO.
- Significant weakening in operating performance through decline in occupancies levels below 90%.
- Deterioration in operating environment, which Tassnief does not anticipate in its base case scenario.

Positive rating triggers include

- A sustained shift towards a balanced financial policy resulting in improved in debt and interest coverages.
- Improvement in occupancies levels above 95% following the stabilization of Jawahrat Jeddah and Jawahrat Riyadh.

- Improvement in FFO based interest coverages to around 2.75x and Net Debt to EBITDAR to below 5x on a sustainable basis.

TASSNIEF's Long-term & Short-term Rating Scale



Long-Term Rating Scale	Definitions
AAA	**Extremely Robust**; Tassnief considers the rated issuer or issuance hold the **highest creditworthiness**, thus **negligible credit risk**
AA+ AA AA-	**Very Robust**; Tassnief considers the rated issuer or issuance hold **very high creditworthiness**, thus **minimal credit risk**. Risk profile may vary slightly with changes in economic / sector conditions
A+ A A-	**Robust**; Tassnief considers the rated issuer or issuance hold **high creditworthiness**, thus **very low credit risk**. Risk profile may vary with changes in economic / sector conditions
BBB+ BBB BBB-	**Moderate**; Tassnief considers the rated issuer or issuance hold **adequate creditworthiness**, thus **low credit risk**. Risk profile may exhibit moderately high variation with changes in economic / sector conditions
BB+ BB BB-	Tassnief considers the rated issuer or issuance hold **low to moderate credit risk**. Risk profile may exhibit wide variation with changes in economic / sector conditions.
B+ B B-	Tassnief considers the rated issuer or issuance hold **very low creditworthiness**, thus **high credit risk**
CCC+ CCC CCC-	Tassnief considers the rated issuer or issuance hold **extremely low creditworthiness**, thus **very high credit risk**
CC C	**Highly speculative credit profile**, and the default is imminent
D	Tassnief considers the rated issuer or issuance have **defaulted or may default soon.**

****End of Report****