Rating Report

Safa Investment Company

(Single Person Limited Liability Company)

September 2025

Classification: Restricted

RELATED CRITERIA AND METHODOLOGY

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

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Entity Rating Report Contents

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Rating Summary

1.1 TASSNIEF Opinion:

Safa Investment Company	
Domicile	*Saudi Arabia*
Long-Term Rating	*BBB+*
Outlook	*Stable*
Short-Term Rating	*T-3*
Rating Watch	*No*
Action Type	*Maintained*
Last Rating Action	*January 2024*
Rating type	*Solicited*

Tassnief has maintained a long-term entity rating of **"BBB+" (Triple B plus)** and short-term entity rating of **"T-3"** of Safa Investment Company. The outlook on the rating is "Stable".

1.2 TASSNIEF Rating Rationale:

The ratings assigned to Safa Investment (Safa) take into account its established track record and market position, real estate development model focused on efficient capital utilization, sizeable pipeline of projects, satisfactory operational diversity with multiple streams of revenue, and a seasoned management team. Geographic and segment concentration continues to remain high. The ratings incorporate sustained revenue growth, maintenance of satisfactory profit margins, and adherence to a conservative financial policy with an emphasis on efficient capital deployment. The capital structure remains low-leveraged despite a sizable project pipeline, as funding arrangements are primarily secured through the fund partnership model. However, the ratings are also constrained by inherent risks in the real estate sector, characterized by high cyclicality, competitive intensity, and elevated execution and selling risks.

The governance framework is assessed as satisfactory, supported by active Board oversight, a formal internal audit function operating under a risk-based audit approach, sound project monitoring mechanisms, and documented policies and procedures. Further enhancements are anticipated during the current year, which are expected to result in strengthened regulatory oversight and improved Board effectiveness through the induction of independent directors and the enhanced functioning of Board-level committees.

Safa has strengthened its market positioning through a real estate development model focused on efficient capital deployment while pursuing a sustained revenue growth strategy by capitalizing on demand-supply gaps in the market. The Company has successfully expanded its project pipeline through strategic partnerships with real estate funds, a model that enables diversification of revenue streams while reducing equity exposure and working capital intensity. This approach has allowed Safa to broaden its development footprint across multiple locations with improved capital efficiency.

Operational diversity is considered satisfactory, with revenue derived from projects sales, development contracts, and the sale of housing units. Revenue visibility is supported by a sound project pipeline, reflecting continued growth in operational scale. However, the Company’s geographic and segment diversification remains limited, with current activities concentrated in three cities and focused predominantly on real estate development. However, geographic and segment diversification remains limited, with the Company’s activities concentrated in three cities and focused exclusively on real estate development.

The financial risk profile reflects continued revenue growth and gradual improvement in net margins over the past three years. Sustaining healthy net profitability over the assessment horizon will remain important to support internal capital generation and fund ongoing expansion. The Company’s net working capital cycle has steadily improved, supported by the increasing share of fund-based development projects. Under this model, Safa leverages advance payments and monthly billing arrangements from partner funds to meet construction-related working capital needs, thereby enhancing cash flow predictability and reducing reliance on external financing.

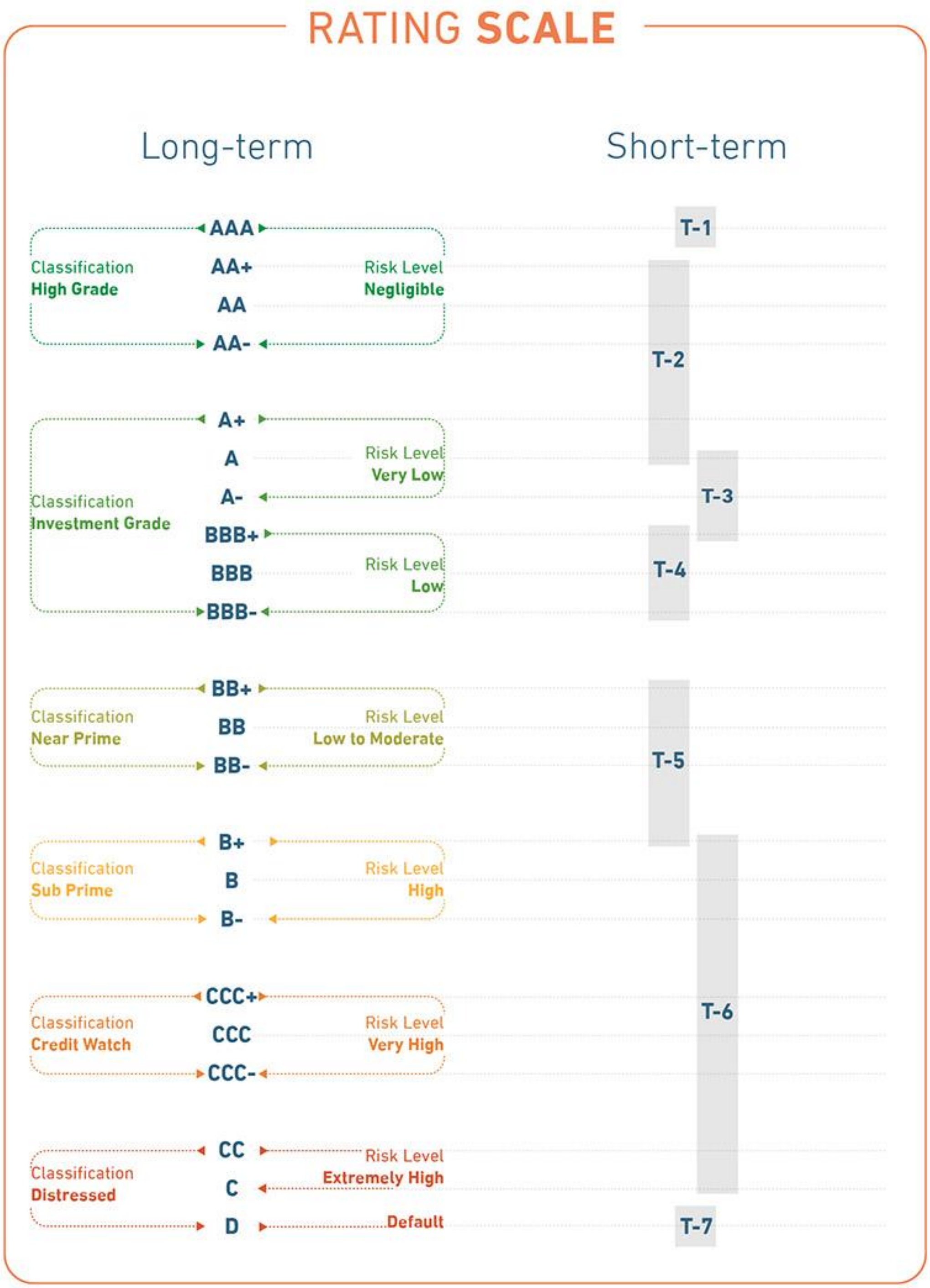
The growing use of fund partnerships has contributed to improved balance sheet discipline, reduced borrowing requirements, and greater efficiency in liquidity management. Liquidity cushion is assessed as satisfactory, with available cash and bank balances providing adequate near-term coverage for operational needs. Financial flexibility remains sound, underpinned by a low-leverage capital structure, adequate cash reserves, access to committed funding lines, and a development model that structurally lowers working capital intensity.

While the debt-to-FFO ratio has weakened due to a decline in funds from operations (FFO), debt levels have remained broadly stable. Some comfort is drawn from the alignment of debt repayment schedules with project-specific cash flow generation, which mitigates refinancing and liquidity risks. Although the Company does not have a formal dividend policy, no dividends have been distributed to date, reflecting a retained earnings strategy aimed at supporting business expansion and strengthening the equity base.

1.3 Rating Triggers

The ratings are dependent on the successful implementation of ongoing initiatives to strengthen the governance framework. The ratings also remain dependent on further increasing the scale of operations & cash flow generation, improving geographic and segment diversity, and sustaining financial risk profile. Any significant increase in leverage indicators and resultant weakness in cash flow coverage may exert pressure on ratings.

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



Entity 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****