

Annual Report 2019  
Executive Summary

تداول  
Tadawul



السوق المالية السعودية  
Saudi Stock Exchange

## Contents

SAUDI STOCK  
EXCHANGE  
(TADAWUL)

02

SHAPING THE  
CONTOURS OF  
A NEW ERA

04

THE MAKING  
OF AN EPOCH

06

TRANSCENDING  
BOUNDARIES

07

MAKING  
HISTORY  
TOGETHER

08

POWERING  
THROUGH

09

LOOKING  
AHEAD

14



### Reporting channels

Our Annual Report 2019 is being released in multiple digital mediums and formats simultaneously to effectively meet the diverse interests of our different stakeholder groups.



#### Print/PDF version

The PDF version of our Report comprises our statutory annual report, which may be downloaded from our website.



<https://annualreport2019.tadawul.com.sa/Resources/AnnualReport2019/pnt>



#### HTML version

The end-to-end interactive online HTML version of our Report is identical to the PDF version, while it includes features for ease of finding, recording, extracting and sharing information.



<https://annualreport2019.tadawul.com.sa/>



#### Executive summary

The executive summary of the Report in both PDF and video formats is ideal for those who want a quick read while on the go and for sharing information through social media.



<https://annualreport2019.tadawul.com.sa/Resources/AnnualReport2019/esv>



### VISION

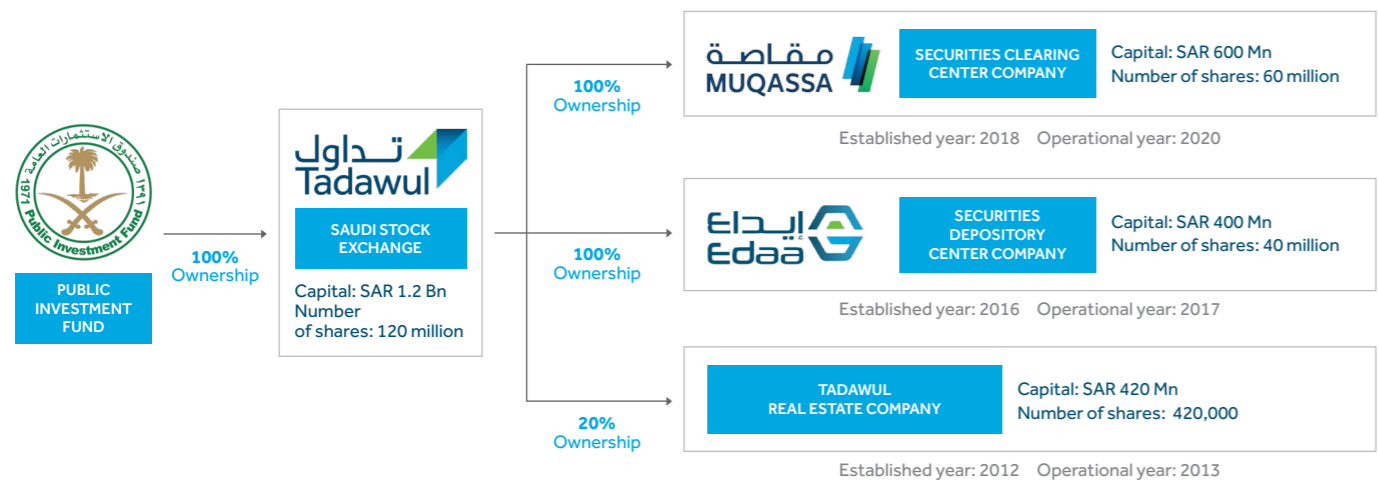
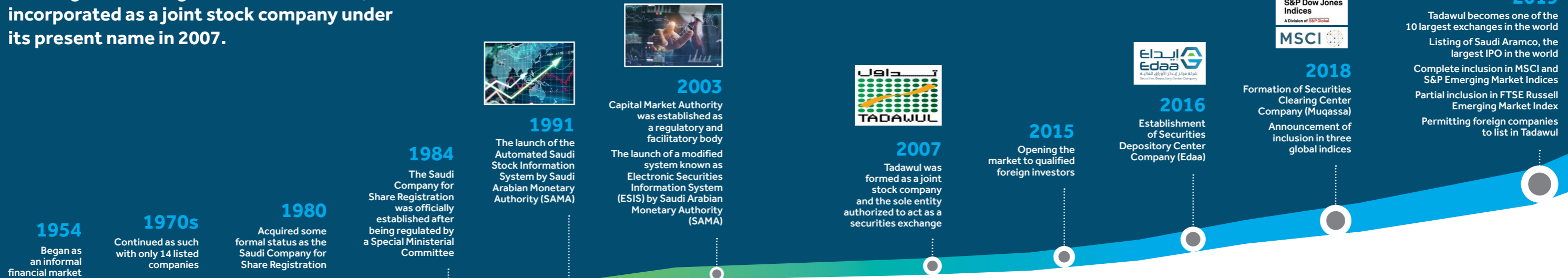
To be an integrated financial exchange that fosters the development of a diverse Saudi capital market and competes internationally.

### MISSION

To offer sound, efficient and attractive capital market products and services that deliver superior value to our market participants and stakeholders.

# SAUDI STOCK EXCHANGE (TADAWUL)

Tadawul, which is authorized to act as a stock exchange in the Kingdom of Saudi Arabia, was incorporated as a joint stock company under its present name in 2007.



### The Securities Depository Centre Company (Edaa)

Handles the Depository and Settlement System (DSS) which maintains records of the securities and their ownership. It develops infrastructure and sets standards to execute transactions efficiently and accurately in conformance with international standards.

[www.edaa.com.sa](http://www.edaa.com.sa)

### The Securities Depository Center Company (Muqassa)

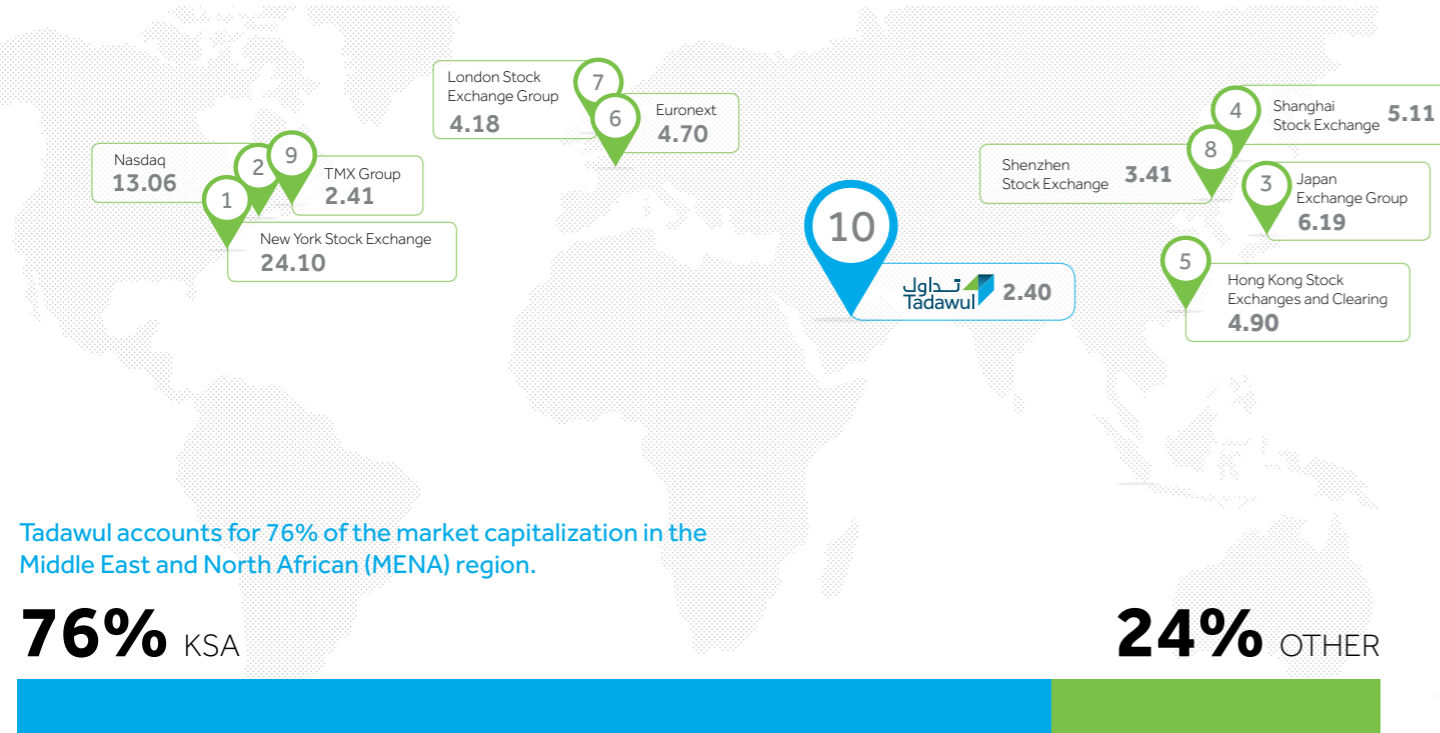
Was formed to act as an intermediary in the securities transfer process and guarantee settlement of transactions. The rules and regulations that provide for Muqassa's role were set out in the latest Capital Market Law update. Muqassa is due to become operational in 2020.

[www.muqassa.sa](http://www.muqassa.sa)

# SHAPING THE CONTOURS OF A NEW ERA

Tadawul has taken a step to the next level in its evolution, and is well placed to realize its goal of becoming a global stock exchange.

Tadawul now ranks among the top 10 largest exchanges globally in terms of market capitalization. (USD Tr)



Tadawul accounts for 76% of the market capitalization in the Middle East and North African (MENA) region.



All statistics above are as at 31 December 2019.

## During the year Tadawul:

▶ Took on the largest IPO in history - the listing of Aramco



▶ Was included in two Emerging Market Indices, whilst a third is to be completed in 2020.

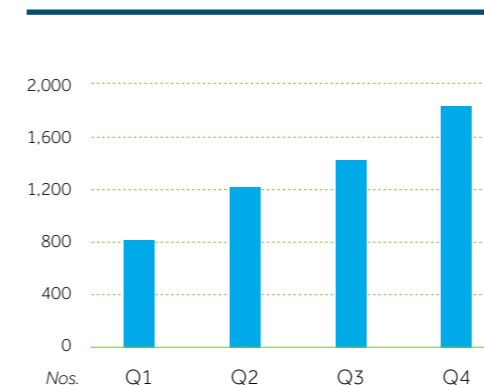


▶ Launched the MT30 Joint Index.



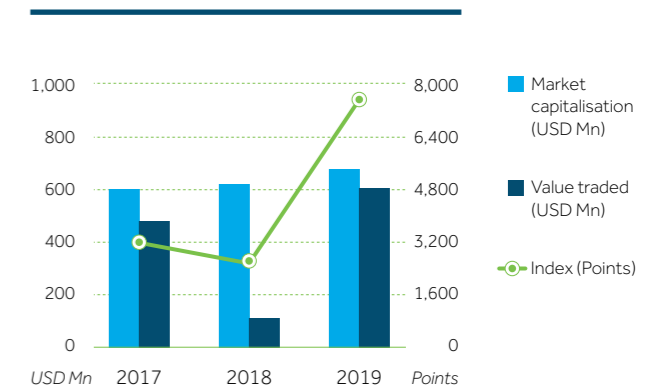
▶ Quadrupled the number of Qualified Foreign Investors (QFIs) to 1,800.

Number of QFIs (2019)



▶ Effected structural changes to Nomu – Parallel Market.

Nomu – Parallel Market



# THE MAKING OF AN EPOCH

**Building on what we had achieved in preceding years, in 2019 we transformed ourselves and entered the ranks of another tier of global stock exchanges.**

2019 was a year to remember – a year in which we made a quantum leap. Two global indices included us in their emerging market lists, a feat we achieved after being on watch lists for only a year. The Aramco listing at the close of the year brought us within the ranks of the leading exchanges globally, with a near five-fold growth in market capitalization.

Tadawul has now acquired more international visibility and is seeking to expand its activities regionally and worldwide. We do not adopt a short-term insular approach. Tadawul does not confine its strategies to those which will lead to immediate economic and financial outcomes. The Exchange has positioned itself as an innovator and not a follower. We seek to break boundaries and look for new opportunities.



**Sarah Al-Suhaimi**  
Chairperson

# TRANSCENDING BOUNDARIES

**It was a year of great achievement in markets and technology as well as in people development.**

Tadawul recorded many extraordinary and multi-faceted achievements. The Exchange dramatically elevated its standing in the global stock market landscape. This not only bolstered our brand image in the global investor community, but was also a great achievement for the Kingdom as a whole, and one which our citizens could take pride in.

As the year drew to a close, two years of onerous preparatory work brought us to the watershed moment – the listing of Aramco. The listing turned out to be the largest IPO in history. Two global indices, MSCI and S&P, completed the process of including Tadawul in their Emerging Market Indices. A third, FTSE, is expected to finalise our inclusion in H1 2020. This was instrumental in nearly quadrupling the Qualified Foreign Investors from 500 to 1,800.

Net profit increased by **3.4%** to **SAR 153.3 Mn**  
(SAR 148.2 Mn in 2018)

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by **13.7%** to **SAR 204.6 Mn**  
(SAR 179.9 Mn in 2018)

Our financial results have to be interpreted in the context of the heavy expenses incurred in technology and people due to the Aramco listing – an investment for the future. The developments in 2019 will set the stage for further improvements in 2020, such as Muqassa, the clearing subsidiary, becoming fully operational, the introduction of derivatives, the MT30 Index Futures, stock futures, and options.



**Eng. Khalid Abdullah Al-Hussan**  
Chief Executive Officer

# MAKING HISTORY TOGETHER



**Taking on the largest IPO in history was a major challenge for an emerging Stock Exchange. Onerous preliminary work on a number of aspects of the listing had to be completed. Yet Tadawul faced up to the task and concluded this epoch making event with flying colours.**

While the previous two years were also very eventful ones for Tadawul, 2019 will be remembered as one where we made a quantum leap. The landmark event, the listing of Aramco, took place as the year was drawing to a close. This was the culmination of two years of arduous preparatory work, especially in markets and technology. Consequent to the listing, which was the largest IPO in history, we ended the year as the 10th largest exchange globally, in terms of market capitalization. On the second day of trading, Aramco attained a market capitalization of USD 2 Tn. We also account for over three quarters of the market capitalization in the MENA region.

This was indeed a great challenge for an emerging stock exchange. A listing of this magnitude had wide-ranging implications and multiple procedural and system changes were required on many fronts. Transparency in financial matters of the Company became imperative. Testing processes of new systems had to involve market participants, such as members and data vendors. Hours of the opening auction were extended so that that end-of-auction would take place later than the rest of the market.

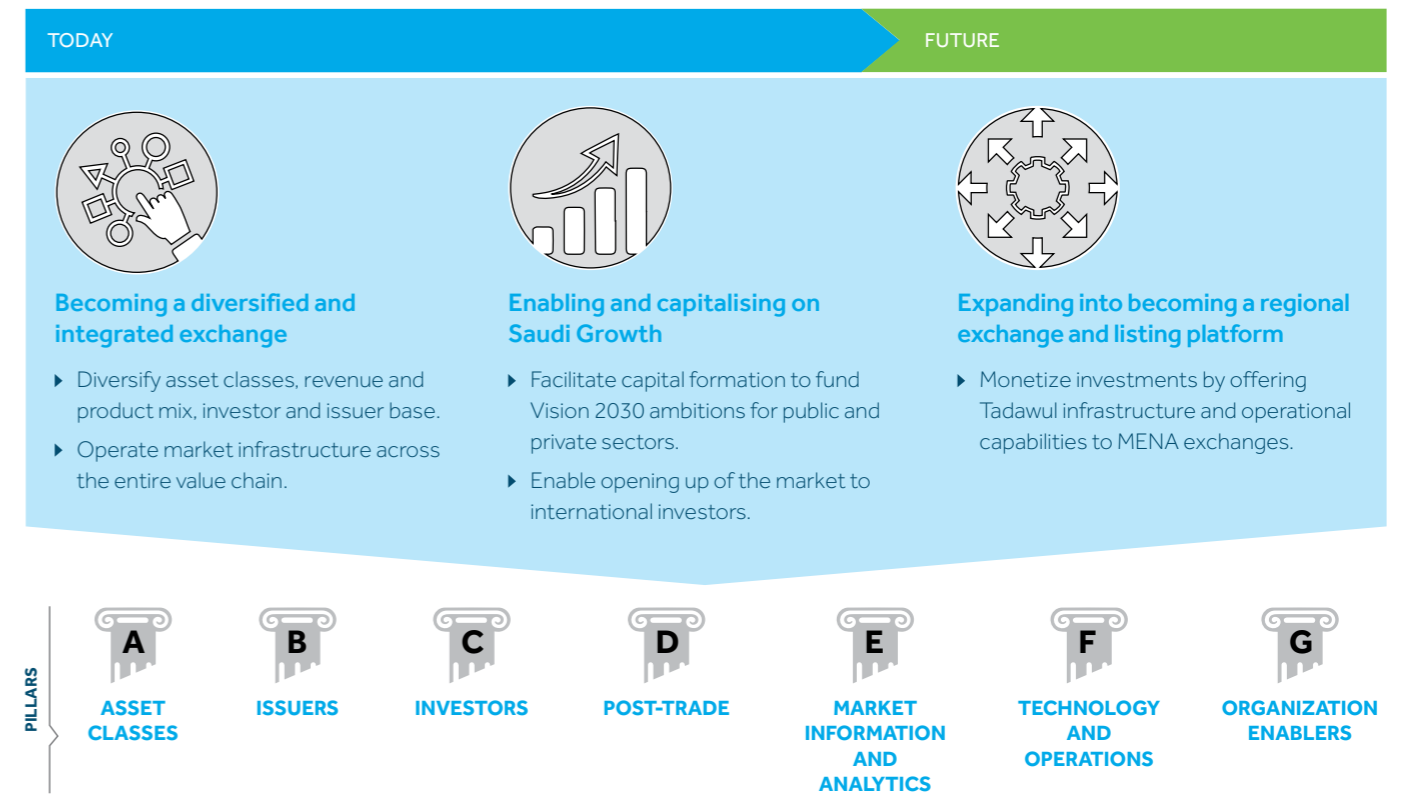
[Further reading on the Aramco listing.](#)

# POWERING THROUGH

## Strategy

**Tadawul continues to function within the framework of the strategic plan for 2018-2022.**

The plan is built on seven strategic pillars which in turn encapsulate 29 strategic initiatives.



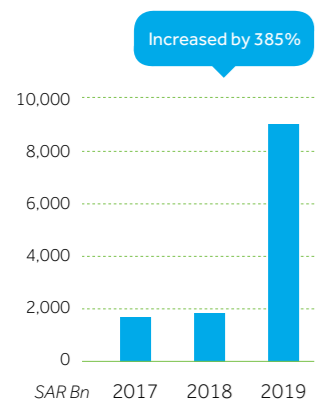
Consequent to a review conducted in 2019 several sub-initiatives have been incorporated into the strategy. Our objectives and strategies are closely linked with the goals of the Kingdom's Vision 2030.

## Growth and evolution of the market

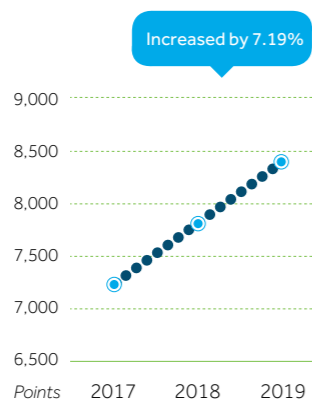
The market saw some dramatic developments in 2019. Bolstered by the Aramco listing, the marketing capitalisation surged by 385%, while the Tadawul All Share Index (TASI) rose by 7.19% during 2019.

**Two global indices, MSCI and S&P completed the process of including Tadawul in their Emerging Market Indices. A third, FTSE Russell is scheduled to follow suit in 2020.** What makes these achievements all the more commendable is that they took place after being on watch lists after only one year. Consequently, the number of QFIs nearly quadrupled from 500 to 1,800.

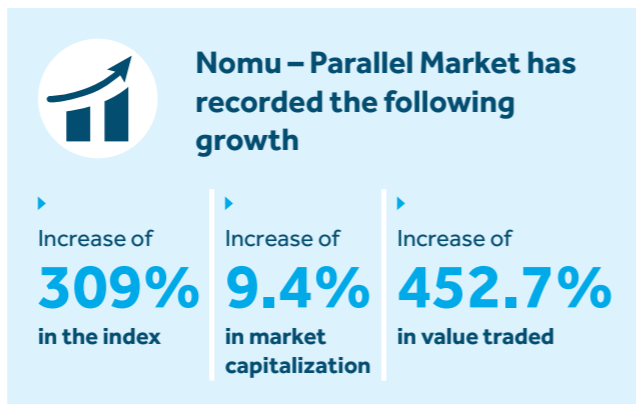
### Market capitalization



### Tadawul All Share Index (TASI)

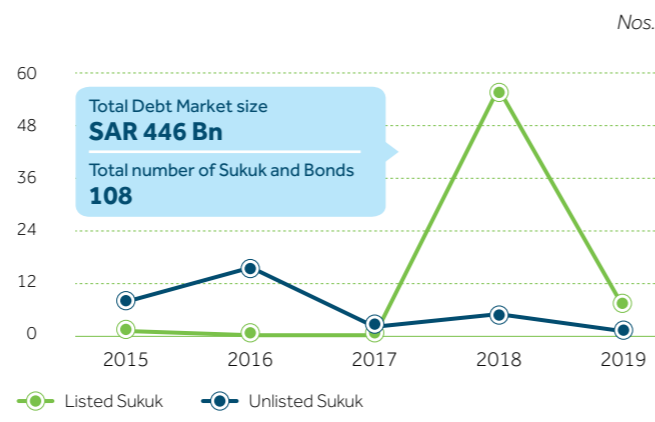


The market not only grew, but also diversified. The Nomu – Parallel Market was revamped, greatly enhancing its contribution to the Kingdom's SME sector. Major procedural changes were made to ease the process of listing as well as the transitioning to the Main Market. Index capping was also introduced to limit the weighting of a single security.



Major steps were also taken to enhance the debt market through amendments to the fees and bond structure. A major innovation that has been embarked on is the entry of Exchange Traded Funds (ETFs) into the debt market. The introduction of new products such as derivatives and Close Ended Funds (CEFs) is envisioned for 2020.

### Number of issuances of listed and unlisted Sukuk



[Further reading on Markets.](#)

## Leveraging technology

**During the year under review a number of mission-critical technical initiatives were successfully implemented. Preparations for the Aramco IPO were a massive undertaking in itself.**

The processing volume created by the listing and the resulting load on systems called for major technological developments, both in hardware and in systems. The IPO issuer application needed to be upgraded while different processes were developed for institutional investors.

Other initiatives such as Post-Trade Technology Program and the Tadawul New Data Centre were implemented in parallel. The agreement entered into with Nasdaq in 2017, to migrate its post-trade technology is due to continue till 2021. Executing a plethora of changes in infrastructure, systems and services while keeping existing functions running was a major challenge, which required a high degree of professionalism. All new systems had also to be tested adequately before being brought on-stream.

[Further reading on how technology supports our function.](#)

## The human factor

In addition to technology, human resources of suitable calibre are indispensable in the stock exchange domain.

**Tadawul's HR practices are geared to aligning the staff's aspirations and their development with the goals of the organization.**

Organization structure and job roles were also revamped in 2019, towards a better fit with corporate goals. In our training and development programmes we judiciously balance short and long-term needs. We seek to fill any skill gaps among those holding management positions today; we also seek to develop the leaders of tomorrow. The Exchange has introduced a Career Path Programme which gives direction to the employees on their career future as well as filling our HR needs.

**Women account for 23.8% of our total staff strength while Saudis account for 89.9%.**

This illustrates our commitment to Saudization and gender equality.





[Further reading on our human talent.](#)

## Promoting sustainability

**Tadawul does not take a narrow financial or market-focused approach in its activities. It is very conscious of social, environmental and governance considerations which are increasingly coming to the forefront in dialogues at global forums.** In 2018, the Exchange joined the United Nations' Sustainable Stock Exchanges (SSE), which is a network which now includes 96 stock exchanges. Five of the SSE's goals have been identified as the ones which Tadawul will concentrate on in its advocacy activities and assistance to market participants.



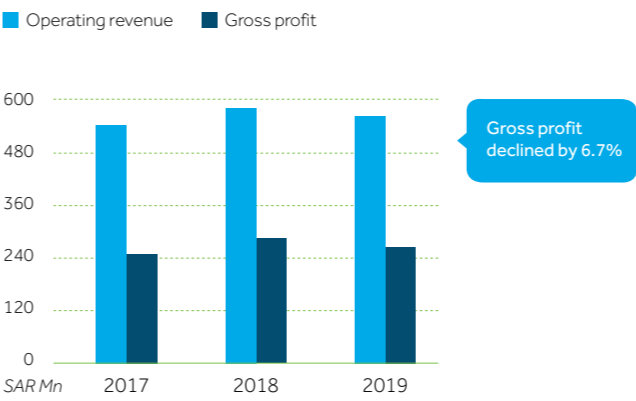
Tadawul's sustainability programmes are crafted around four areas: economy, environment, education and community. One key programme, which is likely to continue for several years, is Invest Wisely which seeks to educate participants on investing and financial literacy. We were the first Saudi Company to sign the Women's Empowerment Principles and also strive to promote boardroom diversity and gender equality in listed companies.

[Further reading on our approach to sustainability.](#)

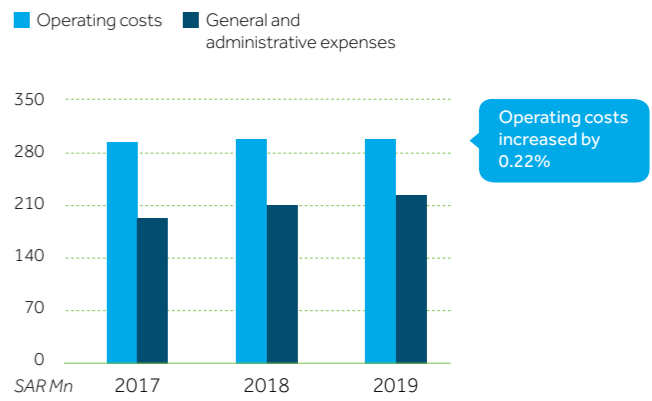
## The financial picture

Tadawul recorded marginal increases in total assets, profit after tax, return on assets and return on equity during the year and a substantial decline in operating profit. In preparation for the Aramco listing substantial expenses were incurred in technology as well as human resources. However Aramco shares began to be traded only in December 2019, which is why returns were not reflected in this year, but should be realised in subsequent years.

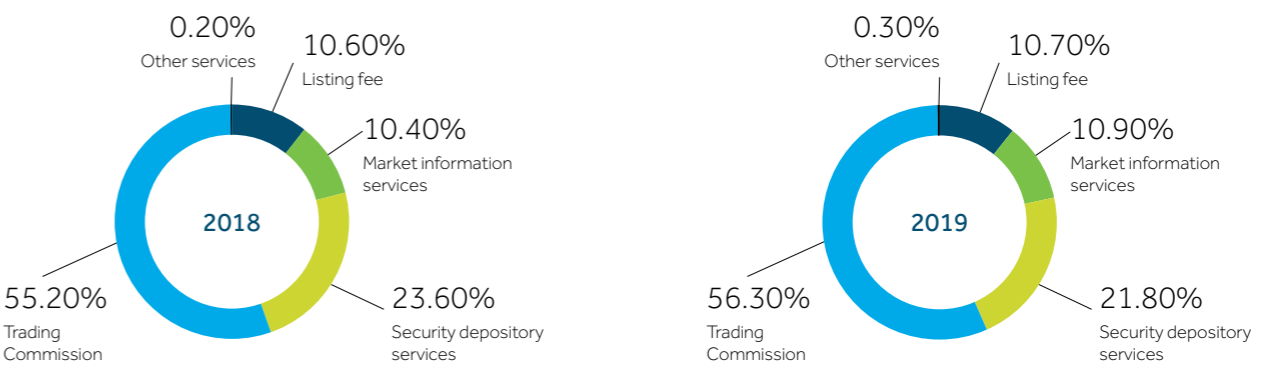
### Revenue and profitability



### Expenses



### The composition of operating revenue



[Further reading on our financial performance.](#)



# LOOKING AHEAD

A step in a new direction was taken when Edaa signed MOUs with Abu Dhabi Stock Exchange and Bahrain Clear to permit foreign companies to list on Tadawul. This is only a beginning and further developments in this direction can be expected. In the technological sphere we look forward to a raft of new enhancements such as hardware replacements for trading system and database; upgrades in systems and operating systems which will enhance security; and go-live of the derivative market application. The new Data Centre is also on track and is scheduled to be completed by end H1 2020.

Complementary to other developments, we will have to transform our HR culture from a top-down one to one driven by employee engagement. Realizing this will require all organizational units to take ownership of the process. We will need to do more to enable innovation, expand job roles, upscale employees and proactively foresee new business and technological needs. To keep up with the challenges we will have to continually refine our HR strategies and policies to attain our corporate goals.

In 2020, the company is also poised to move to the next level in sustainability by adopting an international ESG model that will serve as a framework to enable us to take more targeted action in this domain. An SSE initiative that remains to be addressed is climate action and green finance.

**Saudi Stock Exchange (Tadawul)**  
6897 King Fahd Road – Al Ulaya  
Unit Number: 15  
Riyadh 12211-3388  
Kingdom of Saudi Arabia

Customer Service: +966 92000 1919  
Fax: +966 (0)11 218 9133

csc@tadawul.com.sa  
www.tadawul.com.sa



**This Annual Report is Carbon Neutral**

Produced by Smart Media (Pvt) Limited, a carbon neutral company that offsets its direct and indirect GHG emissions through verified sources.



www.SmartAnnualReport.com

www.carbonfund.org

**GSARN**<sup>®</sup> Global Standard Annual Report Number<sup>®</sup>  
SAU8777SSETX0190000E106  
www.gsarn.org