

Q&A INTERVIEW

A One-Stop Shop for Saudi Investors

BSF Capital's recent run of growth and its competitive edge as the Kingdom builds a positive investment climate under Vision 2030.

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"Now is the right time to look into Saudi Arabia."

SALAM ALKHUNAIZI · BSF CAPITAL

How would you define the investment sentiment in Saudi Arabia in 2024?

We are experiencing higher trading volumes and increased demand for our brokerage services. This uptick in activity enhances our fees and commission income. Additionally, increased interest in Saudi equities leads to more capital-raising activities such as initial public offerings and bond issuances. The positive investment sentiment coupled with Saudi Arabia's ambition to diversify its economy continues to create exciting investment opportunities in new sectors. With our established presence and leading position, we are well positioned to capitalize on these trends by offering a comprehensive suite of investment products and services to both local and foreign investors.

The surge in foreign investors coupled with cooling inflation and an anticipated reduction in interest rates in Western economies suggests that we might be at the beginning of a new bullish cycle. The positive sentiment around the Saudi economy, government reforms and the diversification of the economy under Vision 2030 along with a focus on sustainable public spending and infrastructure development collectively contribute to a favorable investment environment. It is possible that these trends will continue for Saudi Arabia in the medium and long term.

What has the government of Saudi Arabia done to incentivize foreign interest in Saudi Arabia's investment market?

It is imperative we look at this from four different perspectives. First, we need to address market reforms and regulations. The Capital Market Authority has implemented a series of market reforms to enhance transparency, improve corporate governance and ensure investor protection. These changes have made the Saudi market more attractive to foreign investors. The second key factor is the inclusion of Saudi Arabia in international indices. Being part of major indices such as the MSCI Emerging Markets and the Financial Times Stock Exchange Index has increased our visibility and attractiveness to global investors. A third important factor was the easing of foreign investment restrictions. The Capital Market Authority has streamlined the process for foreign investors to access the Saudi market, which has broadened the investor base and increased liquidity. The last factor in attracting foreign interest to Saudi Arabia has to do with technological advancements. The introduction of advanced trading systems and platforms has improved the efficiency and accessibility of the Saudi market and made it easier for investors to trade and manage their portfolios.

From an equity investment perspective, efforts at economic diversification under the Vision 2030 program efforts and reducing our reliance on oil has provided a broader range of investment opportunities across different sectors such as tourism, entertainment, technology and renewable energy. There exists strong government support, with the state actively backing financial markets through various initiatives, public spending and reforms. High growth potential is driven by sectoral reforms, infrastructure development and a young and dynamic population. Lastly, the stable macroeconomic environment alongside prudent financial policies, substantial foreign reserves and a strong credit rating adds to our attractiveness.

Sectors such as tourism and entertainment where the government is taking a leading role require new regulations and infrastructure, which is ongoing. The private sector has already begun participating in these areas. In the post-COVID era, digitization and building digital infrastructure has moved quickly, particularly the digitization of government services. Currently a lot of changes have been made to the Saudi economy to ensure that we are heading in the right direction. The government has put the right regulations in place to welcome all investments. Now is the right time to look into Saudi Arabia.



Salam Alkhunaizi
CEO

What factors have contributed to BSF Capital's large rise in earnings in 2023 and the beginning of 2024?

Our strong results in 2023 can be attributed to a combination of strategic initiatives and favorable market conditions. We were able to capitalize on opportunities in the local market and leverage global coverage to expand our investment offerings. Additionally, our diversified portfolio and commitment to stable investments played a critical role in driving our performance in 2023. As for 2024, after reviewing our first quarter results, we are pleased to see the same momentum that we had early last year. We are witnessing robust client inflows and continuous strong performance across all our asset classes. Our focus remains on adapting to market dynamics, enhancing our technology capabilities and maintaining a client-centric approach. We remain conscious and optimistic about the rest of the year and believe we are well-positioned to navigate the challenges and seize the opportunities that will arise in 2024.

Recently, we have been performing exceptionally well in asset management and investment banking. Over the last three years, investment banking has seen significant growth, particularly in advisory services and corporate finance. Our expertise in mergers and acquisitions and capital markets has positioned us as a trusted advisor and led us to record revenues and client engagement. We played a leading role in the secondary offering of Saudi Aramco conducted by the government. In asset management, our performance has been outstanding due to our strategic focus on delivering tailored investment solutions and robust risk management practices. We leverage top talent in the Saudi market to enhance portfolio performance. Our commitment to sustainable investing has attracted clients and outperformed market benchmarks.

What kind of advantages does BSF Capital gain through its close relationship with its parent company BSF?

Banque Saudi Fransi recently rebranded and is now called BSF. We simplified the plan and renamed everything within BSF because we want to act as a group rather than individual companies. This allows us to complement each other and focus on providing our clients with the best financial investment solutions. Under the new branding we changed our Trademark name from Saudi Fransi Capital to BSF Capital. Our new visual identity and branding sets us up to continue playing an expert role in the local and regional financial markets and develop our role as advocates of the Kingdom's economy and business evolution on the world stage. The synergies between us and BSF are significant. We provide comprehensive wealth management services for BSF private client base that complement our asset management offerings. This integration allows us to provide a holistic approach and cover everything from wealth planning to investment management and credit solutions. For our institutional clients, BSF has an extensive network and other resources that enhance our ability to deliver bespoke client services that range from investment banking and asset management to brokerage services. Moreover, we collaborate to leverage BSF's research capabilities, market insights and advanced technology infrastructure. Our close partnership translates into better risk management and more informed investment decisions.

What are BSF Capital's competitive advantages as a one-stop-shop for investors?

We offer a comprehensive product range with one of the widest and deepest product and service offerings in Saudi Arabia. This provides investors and corporate and institutional clients with a variety of diversification and customization options and a complete suite of capital market solutions. These solutions span asset management, investment banking and brokerage services. We have invested in research capabilities to provide valuable insights and recommendations to our investors. These cover individual equities, macro- and sector-specific insights and emerging trends. We adopt a client-centric approach focused on enhancing the journey, which is central to our latest transformation. We are strong believers in the Vision 2030 programs, and our specific focus on its realization is evident in all our initiatives, including our digital infrastructure and leadership projects. We aim to bring innovative listings to the market.

Why was the listing of local fintech innovator Rasan Information Technology Company a landmark event for Saudi Arabia?

The listing of Rasan Information Technology Company was a groundbreaking transaction and a roadmap for creating a successful listing of a Saudi unicorn on the market. We are proud to have been part of this as financial advisors, underwriters and bookrunners. The success of the initial public offering is due to several factors. The first is that the company is a unique business with no readily available comparisons in the local or regional market. We conducted a detailed benchmark and comprehensive price discovery phase, which were instrumental in positioning the company with investors. Second, the company is only four years old and there were transaction-specific matters that needed to be addressed with the regulator. Our research team empowered investors with in-depth knowledge to ensure seamless understanding on all sides. Investor engagement involved a multi-phase marketing approach focused on core investor groups and thought leaders to catalyze pricing and create demand. This resulted in the book being covered multiple times on the first day. Around 1,800 institutional investors participated in the bookbuilding, making it one of the highest in the market. The aftermarket performance has been extremely strong, making it one of the best-performing initial public offerings in Q1 2024. Saudi Arabia has become a premier destination for venture capital investments, driven by a dynamic startup ecosystem, a young and tech-savvy population and deep technology penetration.

In what ways is BSF Capital contributing to the government's Vision 2030 initiative?

Vision 2030 has provided a blueprint for where we want to go. We are working closely with our regulators and other stakeholders on developing the financial sector under the financial sector development program. We are identifying challenges and creating solutions. For example, we worked on the King Salman Park project in Riyadh by creating a SAR3-billion fund to finance its development as well as creating the 1st carrier neutral Data Center Fund. This initiative supports the realization of Vision 2030 by bringing together public and private sector resources.