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4 December 2025

## KIPCO – Issuer Ratings Affirmed; Outlook Revised to Positive

**Capital Intelligence Ratings (CI Ratings or CI)** today announced that it has affirmed the Long-Term Foreign Currency Rating (LT FCR) and Short-Term Foreign Currency Rating (ST FCR) of the parent company of the KIPCO Group at 'BB+' and 'B', respectively. The Outlook on the ratings is raised to Positive.

The parent company has a solid management team with the ability to improve performance at the operating companies' level. The debt structure has been improved, with 44% of borrowing having a maturity of over three years; the average maturity of borrowings was 2.6 years as at Q3 25. Funding is provided by a mixture of bank lines, sukuk and DCM issues. The controlling shareholder has been supportive of a number of rights issues in recent years and in providing other forms of effective capital support. These factors support the rating.

The main portfolio companies have at least satisfactory financial strength metrics, with SADAFCO being a market leader in its product categories in KSA. However, the value of these holdings plus that of Burgan Bank (BB) means that there is a degree of concentration in the portfolio; the same concentration caveat applies to their contribution to dividend income for the parent company. While medium-sized group companies NAPESCO and JTC also pay regular dividends, a number of smaller group companies pay very limited amounts. This concentration in sources of dividend payments to the parent company is a credit challenge.

A key rating driver has been the high level of both gross and net debt in relation to both portfolio value (PV) and tangible equity. However, this year saw the partial prepayments of both EMTN issues; a total of USD304mn was retired. The relatively high cost of debt servicing has also restricted bottom-line profitability and resulted in negative annual FCF before proceeds of disposals for a number of years. More positively, the Company has large cash balances (USD833mn as at end-Q3 25) sufficient to cover upcoming debt maturities in 2026 and most of those upcoming in H1 27. Forecast dividend inflows expected in 2026 and 2027 should comfortably cover any gap. However, the weak interest coverage ratio (as measured as at June 2025) remains a significant credit challenge.

Looking ahead, both gross and net debt are now on a downward trend at the parent company level, with interest coverage improving as well. Cash flow dynamics are satisfactory at both the two largest company holdings by value and at the medium-sized companies. Cash flows have in the past been more problematic at some of the smaller group entities, but all but one has positive cash flow from operations. At the parent company level, cash inflows are limited to cash dividends received plus cash interest on bank balances plus proceeds from asset disposals. Outflows are largely in the form of cash interest paid and a smaller element of cash G&A, and as stated above, have exceeded cash inflows before proceeds from disposals for a number of years (although management believes that this will change for the better in 2026, with free cash flow turning positive). This would allow the Company to accelerate the process of gradually reducing both gross and net debt at the parent company level.

### Liquidity and Short-Term Debt Repayment Capacity

This is considered to remain good. The parent company has sufficient liquid resources on hand to repay all of the short-term bank debt due within one year, as well as the remainder of the EMTN maturity in October 2026. Cash and deposits with Kuwaiti banks are also sufficient to cover the bulk of the remainder of the EMTN maturity in February 2027; any gap will be comfortably covered by expected dividend inflows. No refinancing of EMTN debt will be necessary – and no major borrowings are planned at the parent company level.

## Rating Outlook

The rating Outlook is seen as being Positive. This is based on the declining trend in parent-company level debt and leverage metrics, as well as the known parent company debt maturity profile, expected dividend inflows and available liquid resources that together are sufficient to cover all repayments due before the end of 2027.

## Rating Dynamics: Upside Scenario

If the rating is raised to 'BBB-', the most likely next upside scenario would be a change in the Outlook on that rating to Positive. For this to happen, both gross and net debt at the parent company level would need to continue on the current downward trend, with the forecast improvements in cash dividend inflows also taking place, and with FCF having become positive. At the same time, the interest coverage ratio would need to become much stronger, and for an improving trend in this metric to have become established.

For an actual further raising of the LT FCR itself, there would in addition have to be both very significant reductions in net debt and/or increases in tangible equity sufficient to very substantially improve the net debt to PV and net debt to tangible equity ratios, as these are still seen as being elevated for even a 'BBB-' rating. We would also expect to see FCF showing a growth trend, and for the interest coverage ratio to continue to rise strongly.

## Rating Dynamics: Downside Scenario

The most likely downside scenario would be a lowering of the rating Outlook back to Stable. This could occur if the Company saw dividend inflows fail to meet predicted levels or if one or more Group companies ran into sufficiently serious difficulties that would require the parent company to significantly increase parent-level borrowing in order to fund a subsidiary-level capital increase or other form of financial support.

## Credit Ratings

Issuer Ratings		
Long-Term	Short-Term	Outlook
BB+	B	Positive

## Contact

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## About the Ratings

The credit ratings have been issued by Capital Intelligence Ratings Ltd, P.O. Box 53585, Limassol 3303, Cyprus.

The information sources used to prepare the credit ratings are as follows: public information and information provided by the rated entity. Financial data and metrics have been derived by CI from the financial statements for FY2021-24 and H1 25 for the Consolidated KIPCO Group together with selective information relating to the Parent-only financials. CI may also have relied upon non-public financial information provided by the rated entity and may also have used financial information from credible, independent third-party data providers.

CI considers the quality of information available on the rated entity to be satisfactory for the purposes of assigning and maintaining credit ratings. CI does not audit or independently verify information received during the rating process.

The principal methodology used to determine the ratings is the Corporate Rating Methodology, dated 3 May 2023. For the methodology and our definition of default see <https://ciratings.com/policies-procedures/methodologies-criteria/current-criteria-guidance>. Information on rating scales and definitions and the time horizon of rating outlooks can be found at <https://ciratings.com/policies-procedures/rating-scales-definitions>. Historical performance data, including default rates, are available from a central repository established by ESMA (CEREP) at <https://registers.esma.europa.eu/cerep-publication>

This rating action follows a scheduled periodic (annual review) of the rated entity. Ratings on the entity were first released in December 2024. The ratings and/or rating outlook were amended following their disclosure to the rated entity prior to publication. The ratings have been assigned or maintained at the request of the rated entity or a related third party.

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