Equity Research report
CENOMICE AB Equity
25 March 2026

Target Price: SAR21.5/share
Current price: SAR16.94/share
Upside: 27.1% (2026 Div. Yield: 8.9%)
Rating: Overweight

Cenomi Centers (formerly Arabian Centers Co.)

Cut TP on revised topline, elevated ECL and rising finance costs

- Topline is likely to grow at a 7.9% CAGR over 2024–28e, driven by the openings of 2 flagship malls, partly offset by mall cancellations and slightly lower occupancy.
- Adjusted earnings are expected to remain broadly flat over 2024–28e despite healthy topline growth, weighed down by elevated ECL provisions and rising finance costs.
- Post revising our estimates and rolling forward the valuation, we cut our TP to SAR21.5/sh (vs. SAR26/sh earlier), implying an upside of ~27% and Overweight rating.

Flagship malls opening in 2026 to drive medium-term topline… Cenomi Centers has six malls in pipeline as of 3Q25, adding a total GLA of 559k sqm, with openings scheduled over 2026–28e. Two flagship assets, Westfield Jeddah (WJ) and Westfield Riyadh (WR), are expected to begin operations in 2026. Together, they contribute 324k sqm of GLA (~58% of the planned expansion). However, excluding Khobar Mall (scrapped; substitute under discussion) and Jubail Marina Mall (potentially to be scrapped), these two malls account for ~75% of the effective expansion pipeline. Both malls are >98% structurally complete, with WJ slated to open in May-26 and WR in late Sep-26. Considering their A+ positioning, strong pre-leasing (85–93%), and solid rental rates (~10–15% higher than existing A-category malls), along with slight revision in occupancy rates for a few properties, we forecast topline growth of 7.2% in 2026e, accelerating to ~20% in 2027e as ramp-up effects kick in, implying a 7.9% revenue CAGR (excl.-Khobar and Marina malls) over 2024–28e (vs. 11.7% previously).

…with potential rent freeze impact more than offset by incremental EBITDA: Saudi Arabia's five-year rent freeze in Riyadh will have only a marginal financial impact on Cenomi Centers despite the city accounting for 31% of its rental income, as existing leases, including escalation clauses, remain valid until expiry and the average remaining lease term in Riyadh is ~1.5 years. Management estimates a revenue impact of only SAR11–17mn annually over 2025–29e (<1% of topline). Even on a more conservative basis, our estimates suggest only a 1–2% topline impact over the same period, indicating that the financial impact remains limited. Furthermore, we conservatively expect incremental EBITDA of ~SAR620mn (vs. management guidance of SAR650mn) from the stabilization of the two flagship malls(Westfield Jeddah and Westfield Riyadh) by 2029e. This, alongside improvements in tenant mix and premium rental rates, is expected to more than offset the impact of the rent freeze on earnings.

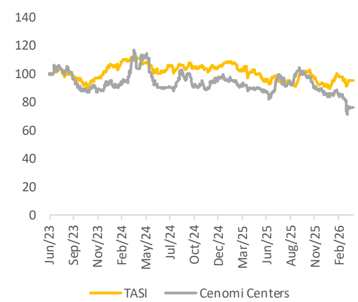
Figure 1: Key financial metrics

SARmn	2023a	2024a	2025e	2026e	2027e	2028e
Revenue	2,254	2,344	2,266	2,429	2,918	3,181
Revenue growth	*2%*	*4%*	*-3%*	*7%*	*20%*	*9%*
Gross Profit	1,870	1,986	1,903	2,017	2,437	2,667
Gross profit margin	*83%*	*85%*	*84%*	*83%*	*84%*	*84%*
Adj operating Profit*	1,012	1,472	1,208	1,306	1,751	1,967
Net profit	1,515	1,217	1,444	953	891	1,051
Adj net profit*	617	777	494	424	561	778
Adj net margin	*27%*	*33%*	*22%*	*17%*	*19%*	*24%*
Adj EPS (SAR)	1.3	1.6	1.0	0.9	1.2	1.6
DPS (SAR)	1.6	1.5	1.5	1.5	1.5	1.5
P/E	13.0x	10.4x	16.3x	19.0x	14.3x	10.3x

*Source: Company data, GIB Capital, *Adj for FV gain/(loss) on investment properties and one-offs*

Stock data	
TASI ticker	4321
Mcap (SARmn)	8,047
Trd. Val (3m) (SARmn)	13.6
Free float	50.8%
QFI holding	11.4%
TASI FF weight	0.30%

Prices indexed to 100



Source: Bloomberg

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Higher ECL and rising finance costs to limit earnings growth… Cenomi Centers recorded a sharp increase in credit loss provisioning in 9M25, up 39% y/y (excluding one-time provisioning), following the adoption of a more conservative ECL methodology where the company reduced its assumed payment days from 720 to 360. We therefore now expect ECL charges to remain elevated at ~13.5–14% of revenue over 2025–26e (~14% of revenue in 9M25), before gradually improving to around 9% of revenue by 2028e. In addition, finance costs are likely to rise from 2H26 onwards, reaching a peak of ~SAR1bn annually during 2027-28e as the flagship malls (WJ, WR) become operational, and the financing expenses related to these assets begin flowing through the income statement. As a result, despite healthy topline growth of ~8% CAGR during 2024–28e, adjusted earnings growth (adjusted for FV gains and one-offs) is expected to remain broadly flat over the same period (~16% CAGR over 2025e-28e).

…with liquidity pressure amid elevated leverage remaining a key concern: We note that despite an expected improvement in operating cash flows (SAR1.7–2.3bn annually over 2026-28e, per GIBC estimates), supported by the opening of new malls such as Westfield Jeddah and Westfield Riyadh, Cenomi Centers' balance sheet remains highly leveraged. Net debt (incl. lease liabilities) to EBITDA is projected to reach a record 12.9–9.8x in 2026–27e (vs. 7.8x in 2023), largely driven by non-recourse project financing for upcoming malls (~SAR1.3–1.4bn annually). Furthermore, as discussed above, annual financial charges are also expected to rise materially, exceeding SAR1bn from 2026e, alongside SAR280–300mn in lease payments. Combined with ~SAR713mn in annual dividends, recurring cash outflows remain substantial. Overall, liquidity is likely to stay tight amid SAR1.7bn net capex needs over 2026–28e and debt maturities of over SAR4bn through 2029e, implying continued reliance on external funding.

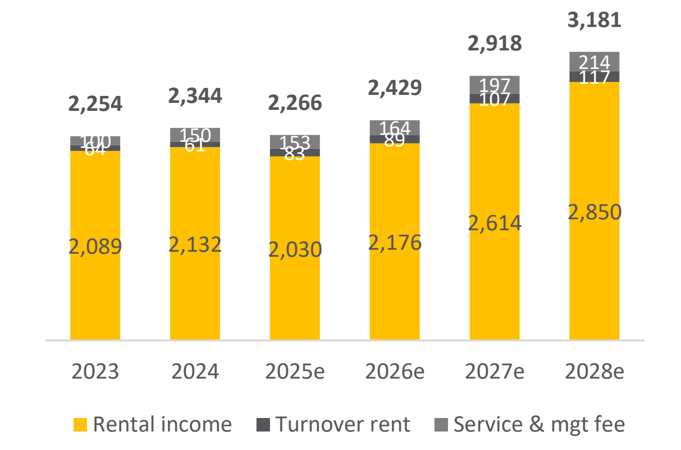
Recent SAR788mn legal lawsuit creates new overhang for Cenomi Centers: The landlord of Dhahran Mall has filed a tort liability lawsuit against Cenomi Centers seeking total compensation of ~SAR788mn, comprising SAR161.9mn for fair rental value of a non-contracted area, SAR103.4mn related to the fire-damaged section, and SAR523.0mn for recovery of property revenues. Following the announcement, the company's share price declined by ~6%. We note that the claim represents ~5% of NAV (~SAR1.7/sh impact). However, given the early litigation stage and management's intention to contest the claims, we haven't factored any financial impact from this, acting as a downside risk to our estimates and valuations.

Valuation and risks: We update our key assumptions, such as i) revised timelines for the openings of Westfield Jeddah and Westfield Riyadh, ii) removal of Jawharat Khobar as the project was scrapped and its substitute remains under discussion, and iii) exclusion of Marina Mall–Jubail, for which management is uncertain about proceeding with. As a result, we now forecast revenue CAGR of 7.9% over 2024–28e (vs. 11.7% previously). Additionally, based on the 9M25 ECL trend, we expect provisioning to stay elevated at 13–14% in 2025–26e (vs. 7–8% earlier). We also raised finance cost estimates to ~SAR1bn annually during 2027–28e as capitalized costs for flagship properties begin to flow through. Consequently, net income (adj for FV gain on investment properties and one-offs) is likely to remain broadly flat over 2024-28e (~16% CAGR over 2025e-28e), pressured by higher ECL and rising finance costs.

Post revising our estimates and rolling forward the valuation, we lower our one-year forward blended target price to SAR21.5/share (SAR26/share earlier) based on a combination of our DCF valuation (SAR21.4/share) and price-to-NAV methodology (SAR21.6/share). Key risks to our valuation are a decline in footfall due to changes in market dynamics, delays in rent collections, failure to retain existing tenants or sign new ones, inflation, delays in expansion or renovation plans, etc.

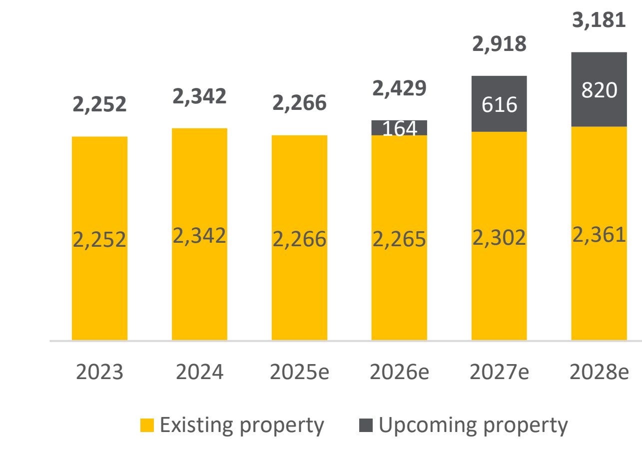
Financial analysis in charts

Figure 2: Revenue (SARmn)



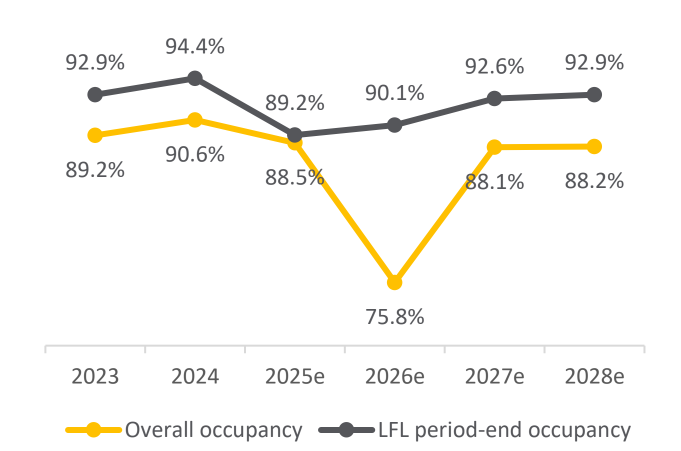
ource: Company data, GIB Capital

Figure 3: Revenue by property (SARmn)



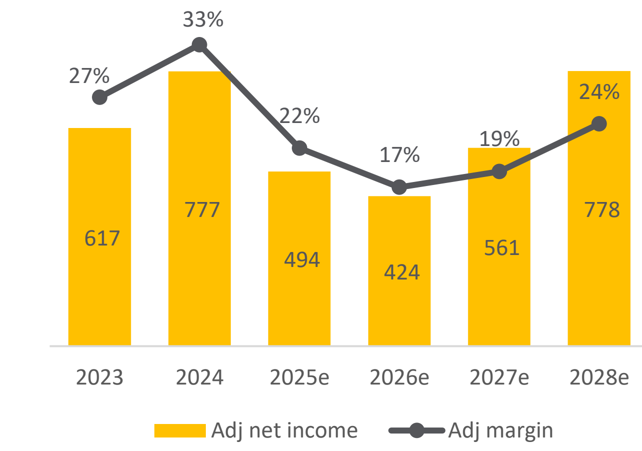
Source: Company data, GIB Capital

Figure 4: Occupancy trend



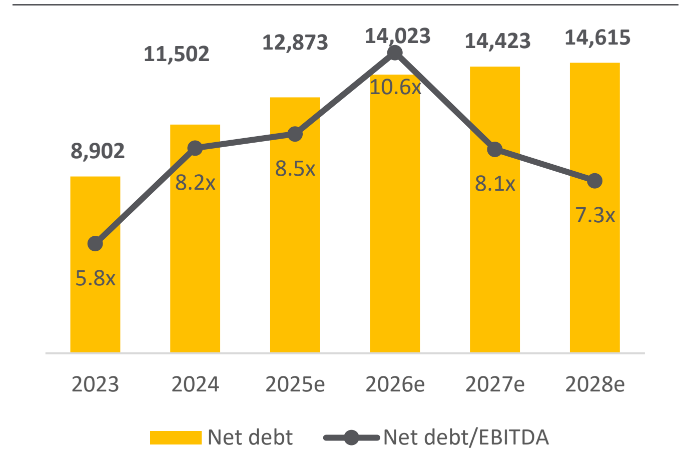
Source: Company data, GIB Capital

*Figure 5: Adj net income (SARmn) and margin**



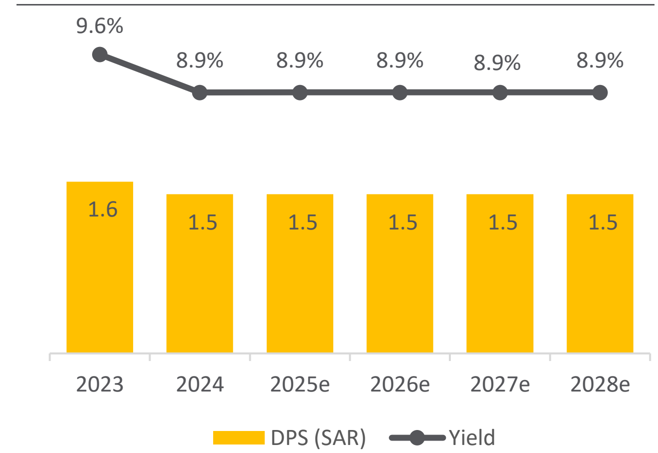
*Source: Company data, GIB Capital, *Adjusted for FV gain/loss on investment properties and one-offs*

*Figure 6: Leverage trend (SARmn)**



*Source: Company data, GIB Capital, *Excluding lease liabilities*

Figure 7: Dividend



Source: Company data, GIB Capital

Financials

Figure 8: Summarized basic financial statements (SARmn)

Income statement	2023a	2024a	2025e	2026e	2027e	2028e
Revenue	**2,254**	**2,344**	**2,266**	**2,429**	**2,918**	**3,181**
revenue y/y	*2%*	*4%*	*-3%*	*7%*	*20%*	*9%*
COGS	(383)	(358)	(364)	(412)	(481)	(515)
Gross Profit	**1,870**	**1,986**	**1,903**	**2,017**	**2,437**	**2,667**
Gross Profit margin	*83.0%*	*84.7%*	*84.0%*	*83.0%*	*83.5%*	*83.8%*
S&M and G&A	(414)	(279)	(366)	(383)	(394)	(414)
Expected Credit (Loss)/reversal	(190)	(322)	(320)	(328)	(292)	(286)
Net FV gain/(loss) on investment properties	370	565	676	519	320	263
Adj operating profit*	**1,012**	**1,472**	**1,208**	**1,306**	**1,751**	**1,967**
Operating margin	*45%*	*63%*	*53%*	*54%*	*60%*	*62%*
Finance costs, net	(357)	(690)	(669)	(838)	(1,150)	(1,143)
PBT	**1,541**	**1,268**	**1,497**	**992**	**927**	**1,094**
Zakat/tax	(40)	(44)	(47)	(35)	(32)	(38)
Net income	**1,515**	**1,217**	**1,444**	**953**	**891**	**1,051**
Adj Net income*	**617**	**777**	**494**	**424**	**561**	**778**
Adj Net margin	*27%*	*33%*	*22%*	*17%*	*19%*	*24%*
y/y	*50%*	*-20%*	*19%*	*-34%*	*-7%*	*18%*
Adj EPS	**1.3**	**1.6**	**1.0**	**0.9**	**1.2**	**1.6**
DPS	1.6	1.5	1.5	1.5	1.5	1.5
Payout	125%	92%	144%	168%	127%	92%
Adj EBITDA*	**1,017**	**1,481**	**1,224**	**1,317**	**1,763**	**1,980**
Balance Sheet	**2023a**	**2024a**	**2025e**	**2026e**	**2027e**	**2028e**
Development properties	354	354	354	354	354	354
Accrued revenue	79	69	66	71	85	93
Account receivable and others	474	483	621	599	640	697
Amount due from related party	484	408	181	170	204	223
Prepayment and other assets	118	431	417	447	537	585
Other investments	303	256	258	258	258	258
Cash and cash equivalents	85	670	506	155	389	301
Total Current Assets	**1,896**	**2,671**	**2,403**	**2,054**	**2,467**	**2,511**
Investment properties	25,334	28,019	30,510	31,962	32,820	33,458
Property and equipment	57	49	45	42	41	40
Amount due from related party	0	235	102	102	102	102
Other non-current assets	254	238	482	477	473	470
Total Non-Current Assets	**25,645**	**28,541**	**31,412**	**32,855**	**33,708**	**34,342**
Total Assets	**27,751**	**31,453**	**33,965**	**34,709**	**35,775**	**36,453**
Current Liabilities	4,639	1,639	1,855	2,088	3,284	4,985
Non-current Liabilities	8,800	14,985	16,546	16,812	16,500	15,134
Equity	14,312	14,828	15,564	15,808	15,991	16,334
Total Equity and Liabilities	**27,751**	**31,453**	**33,965**	**34,709**	**35,775**	**36,453**
BVPS	30.1	31.2	32.8	33.3	33.7	34.4
Cashflow	**2023a**	**2024a**	**2025e**	**2026e**	**2027e**	**2028e**
Cashflow from Operations	1,390	1,006	1,678	1,365	1,824	1,953
Cashflow from Investing	(689)	(1,939)	(1,230)	(515)	(215)	(139)
Cashflow from Financing	(1,227)	1,518	(612)	(1,200)	(1,374)	(1,903)
Total Cashflows	**(525)**	**585**	**(165)**	**(351)**	**234**	**(88)**

*Source: Company data, GIB Capital, *Adj for FV gain/(loss) on investment properties and one-offs.*

Figure 9: Key ratios

Key ratios	2023a	2024a	2025e	2026e	2027e	2028e
Profitability ratios						
RoA	2%	2%	1%	1%	2%	2%
RoE	4%	5%	3%	3%	4%	5%
Rental yield	9%	8%	7%	8%	9%	10%
Net margin	27%	33%	22%	17%	19%	24%
Liquidity ratios						
Current ratio	0	2	1	1	1	1
Accrued revenue days	13	11	11	11	11	11
Receivable days	77	75	100	90	80	80
Payable days	669	683	850	770	750	740
Cash conversion cycle	(580)	(597)	(739)	(669)	(659)	(649)
Debt ratios						
Net Debt/EBITDA (w/ IFRS liab.)	7.8x	10.4x	10.8x	12.9x	9.8x	8.9x
Net Debt/EBITDA (w/o IFRS liab.)	5.8x	8.2x	8.5x	10.6x	8.1x	7.3x
Loan to value*	35%	41%	42%	44%	44%	44%
Net Debt/Equity (w/ IFRS liab.)	0.8x	1.0x	1.0x	1.1x	1.1x	1.1x
Valuation ratios						
P/E	13.0x	10.4x	16.3x	19.0x	14.3x	10.3x
P/B	0.6x	0.5x	0.5x	0.5x	0.5x	0.5x
Price/FFO	9.0x	11.9x	9.9x	17.7x	13.6x	9.9x
EV/EBITDA	19.9x	13.7x	16.6x	15.4x	11.5x	10.2x
FCF Yield	-2.0%	-11.7%	-7.0%	0.5%	15.1%	16.3%
Dividend Yield	9.6%	8.9%	8.9%	8.9%	8.9%	8.9%

*Source: Company data, GIB Capital, *Excluding lease liabilities*

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