

Target Price: SAR16.0/share
 Current Price: SAR12.0/share
 Upside: 33.5%
Rating: Overweight

Retal Urban Development Company (Retal)

Strong pre-sales and robust backlog to drive growth

- Retal's exposure to a potential price correction in Riyadh is unlikely to be significant given strong pre-sales, affordable NHC project mix and offtake agreements.
- Solid backlog of ~SAR19bn by 4Q25e, with ~70% realizable during 2026–28e, underpins strong revenue visibility (~30% CAGR) and earnings growth of ~27% CAGR over 2024–28e.
- Post revising estimates and rolling forward the valuation, we set TP to SAR16/sh (earlier 14/sh) using DCF method, implying a healthy upside of 33.5% with an Overweight rating.

Retal's 1.6k unsold units in Riyadh could see near-term price pressure... KSA's 2025 regulatory reforms—including the revised White Land Tax, Riyadh's five-year rent freeze, and the launch of Tawazoun platform for providing subsidized land—have prompted some buyers to delay purchases in anticipation of a potential correction in real estate prices (Figures 4, 5), particularly in Riyadh, pressuring sector-wide sales. While Retal is not directly exposed to the White Land Tax or the rent freeze, we assess its exposure to Riyadh-driven price risks. Based on our calculations, ~84% of total units (8.3k units) in ongoing projects are already sold or secured via offtake agreements, while an additional ~10% of units in upcoming projects (7.8k units) are fully contracted through offtake arrangements. Of the remaining unsold units (8.3k; 52% of total units at group level), ~6.4k units (77% of unsold) relate to NHC projects (ex-land purchase), which mostly target affordable housing and are already priced below market levels, thereby limiting downside risk. Excluding these, Retal's unsold Riyadh exposure stands at just ~1.6k units (~20% of unsold units). Accordingly, assuming a 5-15% price correction, we expect the top-line impact could be only 1.4-4.1% on average annually, leading to gross margin contraction of 1.1-3.4ppts (Figure 6). Nonetheless, with its off-plan, mid-to-affordable focus and strong execution track record, we believe that Retal is well positioned to manage near-term market softness.

...with implementation of foreign ownership to gradually support sales and prices: The foreign property ownership law came into effect in January 2026, which allows direct foreign ownership of properties in specifically designated zones in Riyadh and Jeddah, while applying special conditions for ownership in Makkah and Madinah. According to the latest update from the Real Estate General Authority (REGA) in January 2026, it plans to define ~170 geographical zones across the Kingdom where non-Saudis will be permitted to own real estate.

Figure 1: Key financial metrics

SARmn	2024a	2025e	2026e	2027e	2028e
Revenue	2,063	2,461	3,465	4,474	5,922
Revenue growth	51%	19%	41%	29%	32%
Gross profit	500	526	720	901	1,145
Operating profit	340	343	498	655	820
Operating profit margin	16%	14%	14%	15%	14%
Net profit	266	243	367	529	699
Net profit margin	13%	10%	11%	12%	12%
EPS (SAR)	0.5	0.5	0.7	1.1	1.4
DPS (SAR)	0.3	0.2	0.3	0.5	0.6
P/E	22.5x	24.7x	16.4x	11.3x	8.6x

Source: Company data, GIB Capital

Stock data

TASI ticker	4322
Mcap (SARmn)	6,000
Trd. Val (3m) (SARmn)	16.5
Free float	43.5%
QFI holding	8.5%
TASI FF weight	0.11%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

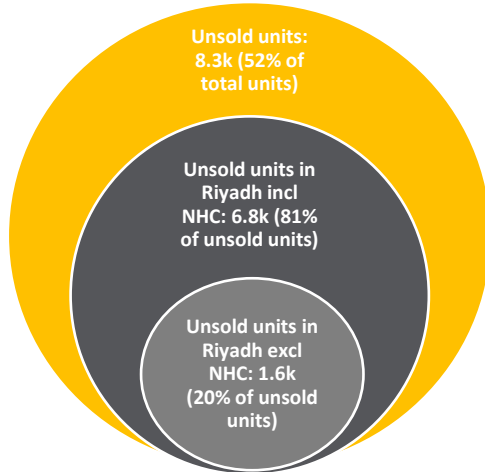
Kunal Doshi

+966-11-834 8372

Kunal.doshi@gibcapital.com

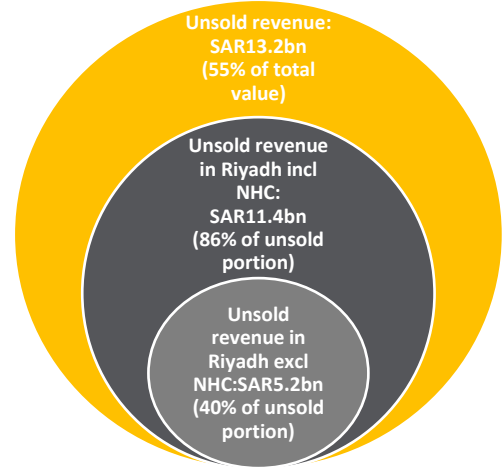
We believe that ROSHN projects, accounting for over 50% of Retal’s unsold units in Riyadh and potentially exposed to price pressures, are likely to be included in these designated zones, given their prime locations and premium positioning. Consequently, these projects should benefit from incremental demand from foreign buyers, easing concerns around pricing pressure and supporting sales momentum.

Figure 2: Unsold portion in unit terms*



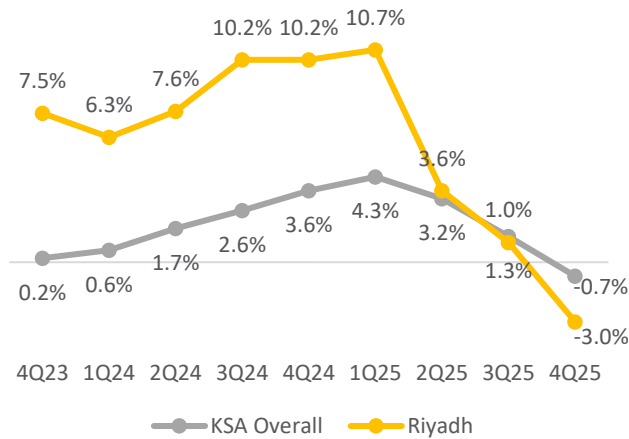
Source: Company data, GIB Capital, *incl. project announced in Nov 2025

Figure 3: Unsold portion in revenue terms*



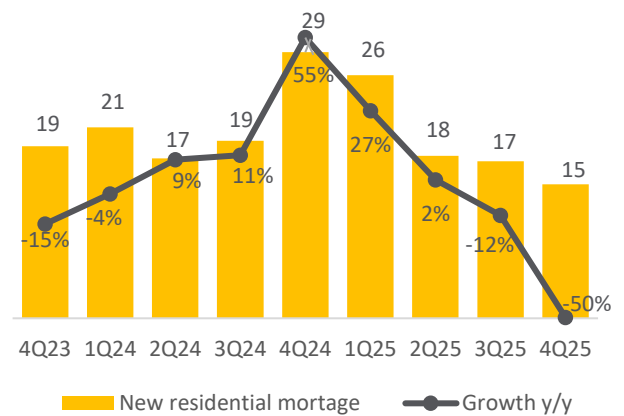
Source: Company data, GIB Capital, *incl. project announced in Nov 2025

Figure 4: Real estate price index (y/y)



Source: GASTAT, Argaam, GIB Capital

Figure 5: New real estate residential mortgage (SARbn)



Source: SAMA Monthly bulletin, GIB Capital

Topline outlook strengthens on solid growth in backlog: Retal’s total project value (including ongoing and upcoming projects) stood at ~SAR18.8bn as of 3Q25 and increased to ~SAR24.0bn following a [major SAR5.2bn contract win from NHC in November 2025](#). Similarly, the company’s backlog (unrecognized revenue) amounted to SAR14.8bn as of 3Q25 and is expected to rise to SAR19.3bn by 4Q25 (including the SAR5.2bn NHC project and a revenue forecast of SAR719mn for the Development segment). Accordingly, even after factoring in a typical 2-3 quarter delay in project execution versus stated timelines, we estimate that ~70% of the backlog will be recognized during 2026–28e, implying an annual revenue run-rate of ~SAR4.6bn. As a result, on a conservative assumption amid a near-term slowdown in sales activity, we forecast revenues of ~SAR3.5bn in 2026e, increasing to ~SAR5.9bn by 2028e, driven by (i) a recovery in sales momentum from 2027e, (ii) a steady execution rate for ongoing projects (particularly offtake projects), and (iii) the commencement of projects in the upcoming category (Figure 12), which has an estimated revenue potential of SAR10.3bn.

Earnings to grow at high double-digit CAGR over 2024-28e despite likely margin pressures:

The company's gross margin normalized to 21.7% in 9M25 (vs. 24.2% in 2024 and 27.7% in 2023), broadly in line with our expectations and within management's guidance range of 20–22%. Margins in prior years were supported by a higher contribution from high-margin projects such as REIT and self-owned developments. As revenue from lower-margin projects, including NHC and Jebeen, is set to increase, margins are likely to face further pressure, partly offset by stable high-margin (~60%) development fees from REIT and JV projects. Accordingly, we expect gross margins to fluctuate among the years, reflecting the changing mix of clients with different margin profiles, and to range between ~19–21% over 2026–28e. Overall, despite likely margin contraction, earnings are projected to grow at a ~27% CAGR over 2024–28e, supported by solid topline growth, operating leverage, and declining finance costs.

Scenarios: To assess the impact of a potential price correction on unsold units (excluding NHC but including land purchase projects), we modelled the following scenarios:

In our base case scenario, we assume the announced project value for ongoing and upcoming projects, given that only around 1.6k units are potentially exposed to any price decline, which could be largely offset by stronger demand from the newly introduced foreign ownership law. However, in other scenarios, we assume a 5–15% decline in unit prices, which could negatively weigh on the company's revenue in the range of 1.4–4.1% on average annually, with gross margin contracting in the range of 1.1–3.4% on average annually, as detailed below.

Figure 6: Scenario analysis to evaluate the impact of a potential price decline in unit prices

	2026e	2027e	2028e
Sales (SARmn)			
Base (No price correction)	3,465	4,474	5,922
Scenario 1 (5% price correction)	3,427	4,405	5,836
Scenario 2 (10% price correction)	3,388	4,337	5,749
Scenario 3 (15% price correction)	3,350	4,269	5,662
Gross Profit (SARmn)			
Base (No price correction)	720	901	1,145
Scenario 1 (5% price correction)	682	833	1,059
Scenario 2 (10% price correction)	643	765	972
Scenario 3 (15% price correction)	605	696	885
Gross Profit Margin			
Base (No price correction)	20.8%	20.1%	19.3%
Scenario 1 (5% price correction)	19.9%	18.9%	18.1%
Scenario 2 (10% price correction)	19.0%	17.6%	16.9%
Scenario 3 (15% price correction)	18.1%	16.3%	15.6%

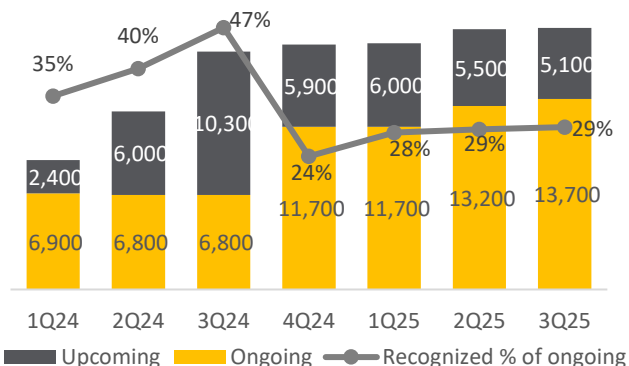
Source: Company data, GIB Capital

Valuation: Post incorporating new projects, revising our forecasts, and rolling forward valuation, we raise our one-year forward target price to SAR16/share (from SAR14/share), based solely on our DCF methodology (9.5% WACC; unchanged). We note that recent regulatory changes have driven a sharp sector-wide correction, with Retal down 29.5% over the last one year amid concerns over weaker sales activity and unit price pressure. However, as an off-plan developer with a strong execution track record and a solid backlog of ~SAR19bn (GIBC calculation) as of 4Q25, we expect Retal to navigate these near-term headwinds and maintain healthy growth.

Risks: Key risks to our valuation are economic slowdown, persistently high interest rates, delays in receiving land, failure to win projects or receive incentives from the Government, weaker-than-expected sales activities, unexpected correction in real estate prices, and higher-than-expected increases in construction costs, etc.

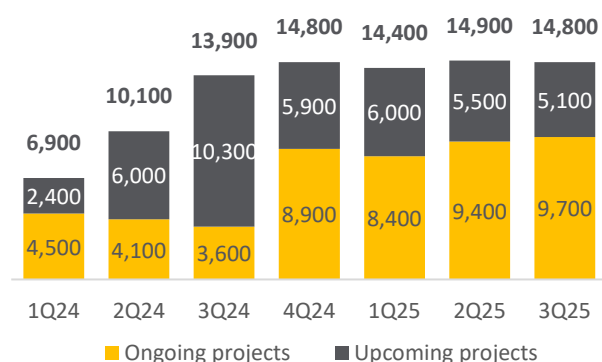
Retal's portfolio evolution

Figure 7: Total project value by status (SARmn)



Source: Company data, GIB Capital

Figure 9: Backlog (unrecognized rev) by status (SARmn)



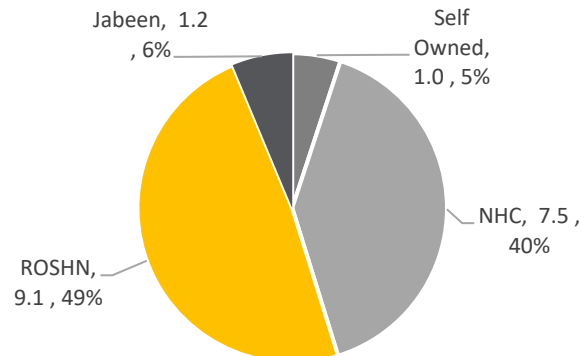
Source: Company data, GIB Capital

Figure 11: Retal's ongoing projects as of 3Q25

SR No.	Project name	Project Value (SARmn)	No. of units	% sold
1	Ewan Sedra 2	984	372	100%
2	Nesaj Town - Fursan Ruh	640	759	100%
3	Nesaj Town - Safwa	300	356	100%
4	Jabeen – Jalmuda*	336	250	100%
5	Jabeen – Qozama*	282	235	100%
6	Jabeen – Yasmeen*	563	416	100%
7	Roshn Dev*	2,895	1,962	100%
8	Nesaj Town - Assala	184	288	98%
9	Nesaj Sadayem	422	352	97%
10	Ewan Sedra 3	711	242	97%
11	Roya El-Nahkeel	85	68	96%
12	Nesaj Town - Fursan 2	731	502	87%
13	ROYA - Sedra	594	366	78%
14	Nesaj Town - Sadan	348	550	63%
15	Ewan Sedra 4 wave 6	1,309	363	52%
16	Ewan Khozam 1	1,384	482	43%
17	Nesaj Town - Hassa	450	347	39%
18	Ewan Rejan	1,112	285	25%
19	Ayala Jeddah	391	60	10%
Total		13,721	8,255	

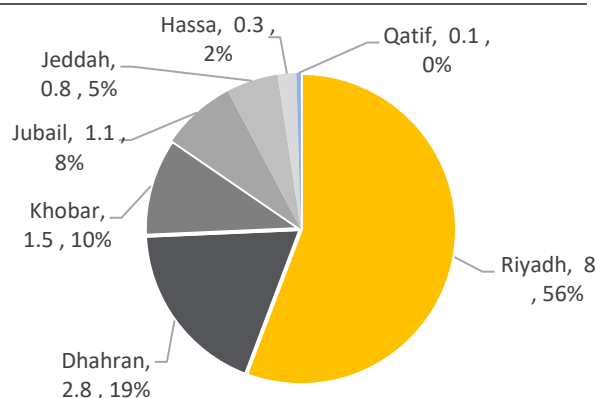
Source: Company data, GIB Capital. * Offtake projects

Figure 8: Total project value by client as of 3Q25 (SARbn)



Source: Company data, GIB Capital

Figure 10: Backlog (unrecognized rev) by city as of 3Q25 (SARbn)



Source: Company data, GIB Capital

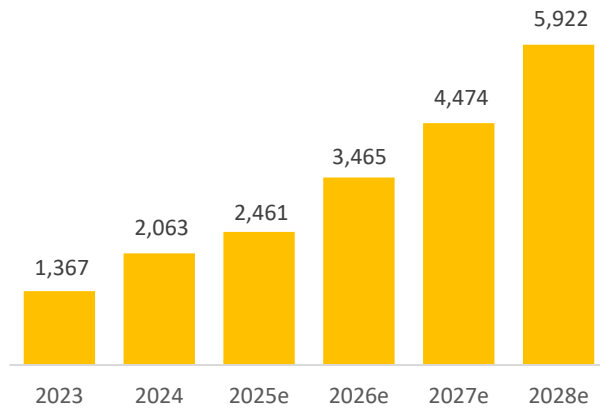
Figure 12: Retal's upcoming projects as of 3Q25

SR No.	Project name	Project Value (SARmn)	No. of units	% sold
1	Ewan El-Nahkeel	24	10	0%
2	Ewan Khozam 2	1,400	465	0%
3	Ewan Sedra 5 wave 7	2,235	644	0%
4	Roshn 4G*	461	744	100%
5	Nesaj Town Lazord	1,028	1,064	0%
6	Al Fursan Suburb, Phase 3**	5,200	4,839	0%
Total		10,347	7,766	

Source: Company data, GIB Capital. * Offtake projects **Signed in 4Q25.

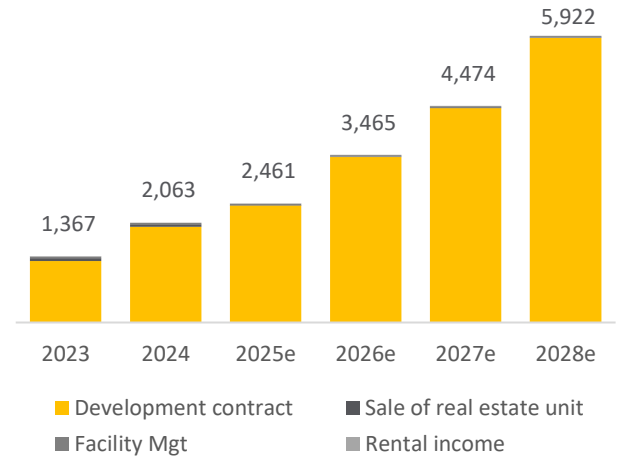
Financial analysis in charts

Figure 13: Revenue (SARmn)



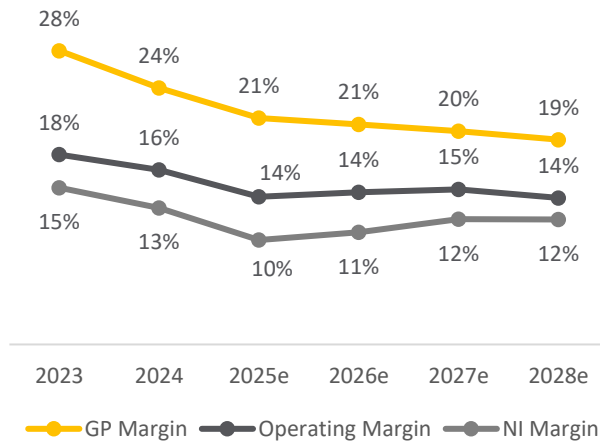
Source: Company data, GIB Capital

Figure 14: Revenue breakup by segment (SARmn)



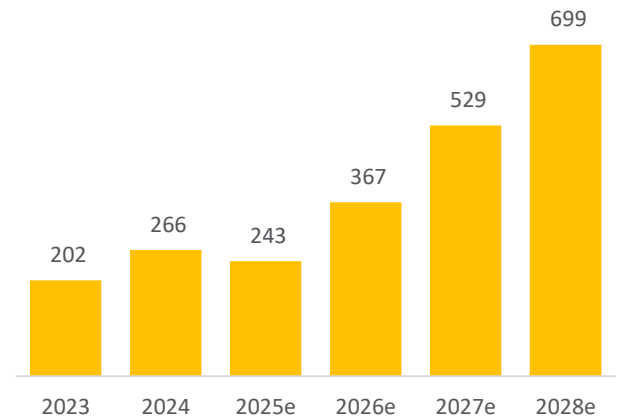
Source: Company data, GIB Capital

Figure 15: Margin trends



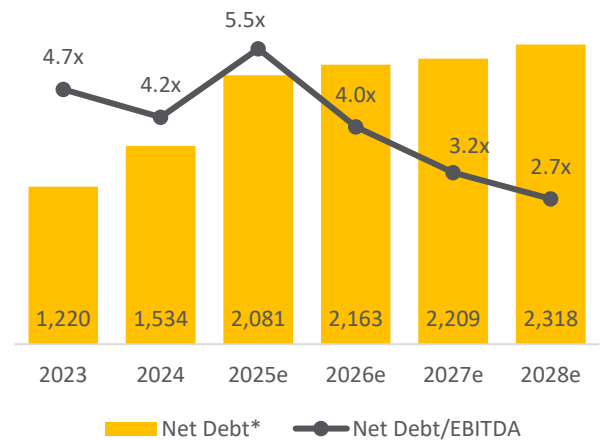
Source: Company data, GIB Capital

Figure 16: Net income (SARmn)



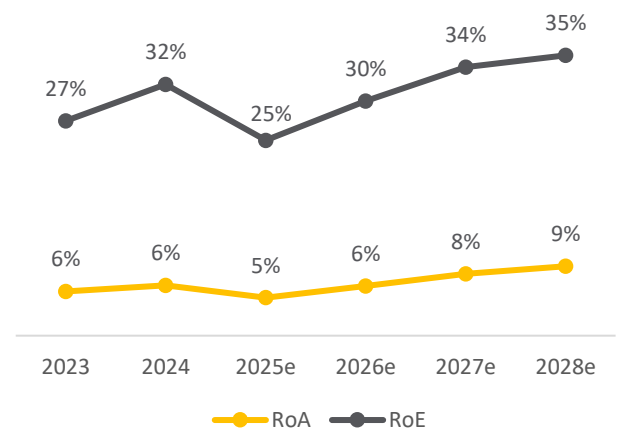
Source: Company data, GIB Capital

Figure 17: Leverage trend (SARmn)



Source: Company data, GIB Capital, *including lease liabilities and payable to Ministry of Housing

Figure 18: Profitability ratios



Source: Company data, GIB Capital

Financials

Figure 19: Summarized basic financial statements (SARmn)

Income statement	2023a	2024a	2025e	2026e	2027e	2028e
Revenue	1,367	2,063	2,461	3,465	4,474	5,922
revenue y/y	24%	51%	19%	41%	29%	32%
COGS	988	1,564	1,935	2,745	3,572	4,777
Gross Profit	379	500	526	720	901	1,145
Gross Profit margin	27.7%	24.2%	21.4%	20.8%	20.1%	19.3%
Sales & Marketing	47	49	52	69	72	95
G&A	81	108	131	152	174	231
ECL	6	3	(0)	0	0	0
Operating profit	245	340	343	498	655	820
Operating margin	17.9%	16.5%	13.9%	14.4%	14.6%	13.8%
Finance costs	100	123	113	104	96	83
Profit/(loss) from associates	65	71	18	25	28	28
Other income, net	8	7	42	3	3	3
PBT	218	295	290	422	590	768
Zakat	10	13	16	20	28	37
Minority Interest	6	17	32	35	32	32
Net income	202	266	243	367	529	699
Net margin	14.8%	12.9%	9.9%	10.6%	11.8%	11.8%
y/y	-18%	32%	-9%	51%	44%	32%
EPS	0.4	0.5	0.5	0.7	1.1	1.4
DPS	0.3	0.3	0.2	0.3	0.5	0.6
Payout	79%	51%	45%	40%	45%	45%
EBITDA	258	364	379	536	693	859
Net debt (w/o lease liabilities)	1,183	1,497	2,044	2,126	2,172	2,281
Net debt (w/ lease liabilities)	1,220	1,534	2,081	2,163	2,209	2,318

Balance Sheet	2023a	2024a	2025e	2026e	2027e	2028e
Inventories	24	32	48	60	78	105
Accounts Receivable	238	457	506	665	797	1,055
Prepaid Expenses and Other	283	177	271	302	393	525
Contract Assets	201	300	358	504	651	861
Development Properties	705	1,039	1,548	1,921	2,322	2,890
Investment at FVTPL	0	79	79	79	79	79
Cash and Equivalents	706	833	553	592	690	680
Total Current Assets	2,157	2,917	3,363	4,123	5,010	6,195
Right of Use Assets	35	35	35	35	35	35
PP&E - Net	160	187	220	227	234	240
Intangible Assets	13	11	11	11	11	11
Investment in Associates	395	329	347	372	399	427
Investment Properties	310	302	302	302	302	302
Other	563	419	804	804	804	804
Total Non-Current Assets	1,475	1,283	1,719	1,751	1,785	1,818
Total Assets	3,632	4,200	5,082	5,874	6,795	8,013
Current Liabilities	1,779	2,248	3,234	3,770	4,368	5,369
Non-current Liabilities	1,104	1,110	860	860	860	660
Equity	750	842	988	1,243	1,567	1,984
Total Equity and Liabilities	3,632	4,200	5,082	5,874	6,795	8,013
BVPS	1.5	1.7	2.0	2.5	3.1	4.0

Cashflow	2023a	2024a	2025e	2026e	2027e	2028e
Cashflow from Operations	-148	4	64	229	381	549
Cashflow from Investing	-87	39	-70	-44	-45	-45
Cashflow from Financing	418	84	-274	-147	-238	-515
Total Cashflows	183	127	-280	39	98	-11

Source: Company, GIB Capital

Figure 20: Key ratios

Key ratios	2023a	2024a	2025e	2026e	2027e	2028e
Profitability ratios						
RoA	6%	6%	5%	6%	8%	9%
RoE	27%	32%	25%	30%	34%	35%
Sales/Assets	38%	49%	48%	59%	66%	74%
Net margin	14.8%	12.9%	9.9%	10.6%	11.8%	11.8%
Liquidity ratios						
Current Assets/ Current Liabilities	1.2	1.3	1.0	1.1	1.1	1.2
Debt to Total Equity	1.9	2.1	1.6	1.3	1.0	0.7
Receivable Days	64	81	75	70	65	65
Inventory Days	9	8	9	8	8	8
Payable days	166	72	115	110	100	95
Debt ratios						
Net Debt/EBITDA*	4.7	4.2	5.5	4.0	3.2	2.7
EBIT/Interest	2.5	2.8	3.0	4.8	6.8	9.9
Debt/Assets	0.4	0.4	0.3	0.3	0.2	0.2
Valuation ratios						
P/E	29.7	22.5	24.7	16.4	11.3	8.6
P/B	8.0	7.1	6.1	4.8	3.8	3.0
EV/EBITDA	26.0	18.4	17.7	12.5	9.7	7.8
Div. yield	2.7%	2.3%	1.8%	2.4%	4.0%	5.2%
FCF yield	NM	1.2%	1.1%	4.8%	7.2%	9.7%

Source: Company, GIB Capital, * including lease liabilities and Payable to Ministry of Housing

Disclaimer

This research report has been prepared by GIB Capital, Riyadh, Saudi Arabia. It has been prepared for the general use of GIB Capital's clients and may not be altered, redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of GIB Capital. Receipt and review of this research document constitute your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this document prior to public disclosure of such information by GIB Capital. The information contained was obtained from various public sources believed to be reliable, but we do not guarantee its accuracy. GIB Capital makes no representations or warranties (express or implied) regarding the data and information provided and GIB Capital does not represent that the information content of this document is complete, or free from any error, not misleading, or fit for any particular purpose. This research document provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment products related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this document.

Investors should seek financial, legal or tax advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that the price or value of such securities and investments may rise or fall. Fluctuations in exchange rates could have adverse effects on the value of or price of, or income derived from, certain investments. Accordingly, investors may receive back less than originally invested. GIB Capital or its officers (including research analysts) may have a financial interest in securities of the issuer(s) or related investments, including long or short positions in securities, warrants, futures, options, derivatives, or other financial instruments. GIB Capital may from time to time perform investment banking or other services for, solicit investment banking or other business from, any company mentioned in this research document. GIB Capital and employees, shall not be liable for any direct, indirect or consequential loss or damages that may arise, directly or indirectly, from any use of the information contained in this research document. Where the report contains or refers to a recommendation about a specific security or securities service, please note that it may not be suitable for all recipients. Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations. The subjectivity in future expectations is complex and may miss actual or reported numbers.

This research document and any recommendations contained are subject to change without prior notice. GIB Capital assumes no responsibility to update the information in this research document. This research document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law, or which would subject GIB Capital to any registration or licensing requirement within such jurisdiction

The principal activities of GIB Capital are Dealing, Custody, Managing, Arranging and Advising pursuant to the Capital Market Authority ("CMA") License No. 07078-37.

We use a rating system based on potential upside, 1 year from today, based on our valuation models. For "Overweight" ratings, the estimated upside is >10%, for "Underweight", the estimated downside is <10%. For returns in between +/- 10%, we have a Neutral rating.

Contact us for queries:

Sell Side Research Department,
GIB Capital,
B1, Granada Business & Residential Park,
Eastern Ring Road, PO Box 89589, Riyadh 11692
www.gibcapital.com