alinma capital

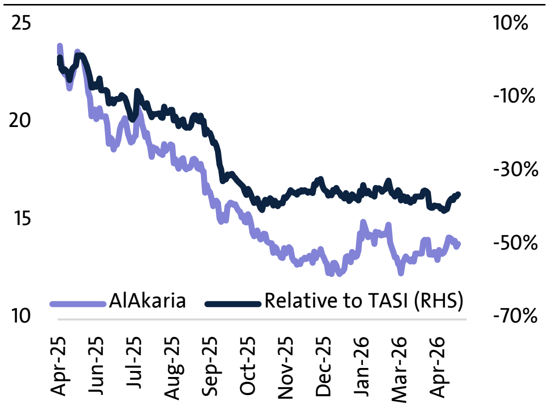
# Estimates revised; investment case remains strong (Buy, TP: SAR22.0)

| Recommendation | BUY |
|---|---|
| Market Price | 13.76 |
| Target Price | 22.0 |
| Upside/Downside | 60% |

**Stock Data**

| | |
|---|---|
| Market Cap Total/FF (SARmn) | 5,160/1,821 |
| Shares Total/FF (mn) | 375/132 |
| 52 Week Hi-Low(SAR) | 12.2/24.0 |
| 3/6/12 M Volume Traded (mnsh) | 0.54/0.79/0.87 |
| 3/6/12 M Value Traded (USDmn) | 3.0/3.7/3.6 |
| 3/6/12 M Relative Performance (%) | 3/3/-36 |

**Al Akaria Stock Price Performance VS TASI**




Source: AC

Please see the link to our initiation report Al Akaria here

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## Al Akaria's investment case remains strong despite a soft earnings patch

We have revisited our earnings estimates for Al Akaria. We now expect 13% lower earnings in 2026 but 4% higher earnings in 2027 relative to our earlier estimates. The changes are based on the release of detailed 2025 accounts, management feedback on the latest updates and the progress on projects. We reiterate our Buy rating on Al Akaria with a revised TP of SAR22/sh (+59% upside). We believe the market is overly focused on the slowdown in build-up in revenue backlog in the infrastructure business, and expected soft earnings in 1H. Al Akaria's IGA portfolio is set to sustain its strong growth spurt in the medium-term. Meanwhile, the outlook on property sales remains positive despite recent hiccups from the introduction of real-estate regulations. Buy

## IGA is set to deliver 5-year CAGR of 11%

We believe Al Akaria's rental income can undergo a 5-year CAGR of 11%. Al Akaria's legacy IGA maintains +90% occupancy and provides significant upside in rental rates from ongoing renovation. Al Akaria is expected to commercialize two new projects in 2026. One of the two projects is already leased out while pre-lease activity is underway for another mixed-use offering. Al Akaria's subsidiaries account for 45% of the company's revenues but only 31% of its bottom-line in 2025. The contribution of its subsidiaries is expected to drop to below 20% of the company's earnings by 2028 with the growth in rental income and normalization of margins in the infrastructure business.

## Soft earnings patch in 1H26 following a strong performance in 2025

We anticipate a soft 1Q26 performance due to absence of property sales (no major land sale deal reported). We estimate 1Q26 net income of SAR27mn (down 46% QoQ) and adjusted earnings of SAR13mn (down 53% QoQ). 2Q26 will likely see similar soft trends in earnings. Most of Al Akaria's new projects are expected to materialize in 2H26 (off-plan sale for Fai Sidra II, Al Reef, Talal Commercial) and should lead to strong 2H performance.

Al Akaria's 2025 earnings of SAR296mn came ahead of the consensus estimate (AC: SAR279mn). Al Akaria's revenues dropped by 5% YoY due to the drag from infrastructure business. Rental revenue jumped 9%. Gross profit grew by 16% YoY on healthy margins in infrastructure and higher contribution of rental revenues. The company's financing cost is down 12%, reflecting reduced borrowing and the impact of cost of borrowing.

**Al Akaria: Financial Highlights (SARmn)**

| Year to Dec | CY24 | CY25E | CY26E | CY27E | CY28E | CY29E |
|---|---|---|---|---|---|---|
| Revenues | 1988 | 1880 | 1947 | 2166 | 1962 | 1887 |
| Growth | 9.6% | -5.4% | 3.5% | 11.2% | -9.4% | -3.8% |
| PAT-Adjusted | 215 | 296 | 226 | 286 | 209 | 306 |
| EPS (SAR) | 0.6 | 0.8 | 0.6 | 0.8 | 0.6 | 0.8 |
| Growth | 218% | 38% | -24% | 26% | -27% | 46% |
| DPS (SAR) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P/E (X) | 24.1 | 17.5 | 22.9 | 18.1 | 24.8 | 16.9 |
| D/Y (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| EV/EBITDA | 11.4 | 8.8 | 10.7 | 10.1 | 11.4 | 9.8 |
| P/BV | 1.0 | 0.9 | 0.9 | 0.8 | 0.8 | 0.7 |

Source: Al Akaria, AC Estimates

## Estimates revised; investment case remains strong

We have revised Al Akaria earnings estimates by -13/4/-10/1% for 2026/2027/2028/2029 respectively

We have revised Al Akaria earnings estimates by -13/4/-10/1% for 2026/2027/2028/2029 respectively. The key reasons for revision are:

- The impact of expected delay in off-plan sale of Fai Sidra II project into 2H26 (earlier 1H26). We now expect Al Akaria to make major progress on Fai Sidra II in 2027
- The positive revision in G&A costs stemming from lower ECL charge for future years.
- Cost of revenue for IGA revised down in light of the latest lease agreement for Al Reef project. Al Akaria has completely leased out the developed assets for 20 years on yet-to-be-completed Al Reef residential units in Diplomatic Quarter, Riyadh.
- Alongside the revision in earnings estimates, we have also lifted our TP by a nominal 5% for Al Akaria to SAR22.2/sh.

**Al Akaria: Estimates Revision (SARmn)**

| | 2026 | 2027 | 2028 | 2029 | TP |
|---|---|---|---|---|---|
| **New** | 226 | 286 | 209 | 306 | 22.0 |
| Old | 260 | 275 | 231 | 302 | 21.0 |
| % change | **-13%** | **4%** | **-10%** | **1%** | **5.5%** |

Source: AC estimates

### 2025 results above-expected on lower G&A costs

Al Akaria's 2025 earnings of SAR296mn came ahead of the consensus estimate (AC: SAR279mn). Al Akaria's revenues dropped by 5% YoY due to the drag from the infrastructure business. Rental revenue jumped 9%. Gross profit grew by 16% YoY on healthy margins in infrastructure and higher contributions from rental revenues. The company's financing costs are down 12% reflecting reduced borrowing levels and the impact of the cost of borrowing.

**IGA:** Overall, rental income has jumped 9% YoY driven by improved lease rates. The gross margin of rental income has improved to 44 in 2026. We anticipate further improvement in gross/operating margin for rental income over the medium-term based on expected commissioning of new projects in 2026 (Al Reef, Talal Commercial) and availability of renovated units in Olaya Park (+130 units) and DQ. Introduction of the white land tax is likely to push the company to accelerate progress to construction of new projects. We expect the company to award the construction contract for at least two new projects in 2026.

Al Akaria's 2025 earnings of SAR296mn came ahead of the consensus estimate (AC: SAR279mn)

**Mumtalakat:** Mumtalakat has delivered strong revenue and gross profit growth of 24% and 14%, respectively, in 2025. The gross margin on both Al Akaria and non-Al Akaria business have come down by 100-150bps (consolidated at 21% in 2025 vs 23% in 2024). The growing competition in the segment will likely continue putting pressure on margins, in our view. However, Mumtalakat will likely benefit from expected growth in Al Akaria's IGA assets and other business opportunities. The holding company's contribution of Mumtalakat's revenues is estimated at 47% in 2025, down from 52% in 2024.

Binyah has delivered strong gross margin of 42%, up 17% YoY

**Binyah:** Binyah has delivered strong gross margin of 42%, up 17% YoY, primarily due to reversal of additional costs booked on a project. The company's topline has slipped by 20% YoY. The current backlog of revenue for Binyah is quoted at SAR2.2bn, including the company's share of JV. The management has not provided any guidance on the existing pipeline of future projects. Binyah carries SAR0.8bn cash on its balance sheet with total assets of SAR1.1bn. Binyah has received at least two work orders for projects related to Expo 2030. The pace of work orders is likely to accelerate in coming months, in our view.

**Tamear:** The cost-overrun from Al Mashriqyah project has dragged Tamear's financial performance. The company does not expect any further drag from the project in 2026. Tamear's backlog of revenue has increased with the award of new projects by the holding company. The contribution from non-Al Akaria's revenues for Tamear remains limited.

**Property sale:** The management targets selling the remaining units and plots in Fai Sidra I and Al Akaria Park in 2026 with cumulative revenue backlog of SAR250-300mn. Fai Sidra II is expected to deliver SAR1.05bn revenue to the company. The restriction on development of Al Widyan land remains in place. **Vyda Residential Project** continues to face delays. We don't rule out the possibility of management deciding to change its plan for the development of the land. Management is awaiting a response from relevant authorities on its request for the **change in use** of the land in Al Arid.

## Declining leverage should pave the way for dividend pay-out

Al Akaria's gross/net debt to assets came in at 33/17% in 2025

Al Akaria's gross/net debt to assets came in at 33/17% in 2025 (estimated at 33/29% excluding Binyah). We expect the company's debt/asset ratio to gradually decline to 6% by 2029 with the increased portfolio of IGA and the expected decline in capex intensity. We believe the improving debt ratio and declining capex intensity relative to company's sustainable cash flow generation at holding company level should pave the way for a potential announcement of the company's new dividend policy in 2026 and the likely resumption of dividends in 4Q27.

| Al Akaria-2025 Results Review | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1Q25 | 2Q25 | 3Q25 | 4Q25 | QoQ | 2024 | 2025 | YoY |
| **Revenues** | **711** | **568** | **490** | **445** | **-9%** | **886** | **1,073** | **21%** |
| Rental Income | 89 | 92 | 93 | 92 | -1% | 338 | 367 | 9% |
| Property Sale | 306 | 186 | 101 | 52 | -48% | 566 | 645 | 14% |
| Infrastructure | 218 | 194 | 190 | 179 | -6% | 974 | 781 | -20% |
| Construction | 66 | 59 | 65 | 75 | 16% | 184 | 264 | 43% |
| Facility MGT | 32 | 37 | 41 | 47 | 14% | 128 | 157 | 23% |
| **Adjusted Revenues** | **628** | **489** | **410** | **353** | **-14%** | **1988** | **1880** | **-5%** |
| **Cost of Revenues** | **318** | **251** | **238** | **249** | **5%** | **1,278** | **1,057** | **-17%** |
| **Gross Profit** | **310** | **238** | **171** | **104** | **-39%** | **709** | **823** | **16%** |
| Operating Expenses | 66 | 65 | 70 | 24 | -66% | 228 | 225 | -1% |
| **Operating Income** | **243** | **173** | **101** | **80** | **-21%** | **481** | **598** | **24%** |
| Other Income | 243 | 173 | 101 | 80 | -21% | 85 | 110 | 29% |
| Financial Charges | 66 | 54 | 54 | 43 | -20% | 229 | 202 | -12% |
| Profit Before tax | 194 | 139 | 102 | 56 | -46% | 324 | 491 | 52% |
| **Profit After Tax** | **150** | **144** | **85** | **95** | **12%** | **306** | **430** | **40%** |
| **-Adjusted** | **135** | **94** | **39** | **27** | **-29%** | **215** | **296** | **38%** |
| EPS | 0.75 | 0.72 | 0.43 | 0.47 | -41% | 0.57 | 0.79 | 38% |
| **Gross margin** | **49%** | **49%** | **42%** | **29%** | | **36%** | **44%** | |
| Rental Income | 40% | 68% | 49% | 79% | | 57% | 59% | |
| Property Sale | 54% | 46% | 26% | 57% | | 47% | 48% | |
| Infrastructure | 54% | 35% | 48% | 29% | | 25% | 42% | |
| Construction | 6% | 202% | -2% | -16% | | 4% | -6% | |
| Facility Mgt | 24% | 23% | 24% | 15% | | 23% | 21% | |

Source: Company Announcement

## Key Reasons for our liking of Al Akaria

**IGA Revenue set to jump 745%:** We believe Al Akaria can lift revenue from IGA by 74% over 2026-2030 (11% CAGR), based on expected improvements in rents through refurbishment of key IGA assets and materialization of existing and future projects. Further progress on projects in the planning/design phase remains a major upside area.

**Potential unlocking of value:** Al Akaria maintains an extensive ownership of a landbank (18.6mn sqm) in prime locations in key cities with material cost advantage. This enhances the company's ability to capture current and future growth opportunities and deliver above-average margins.

**Performance of key business lines is improving:** Al Akaria stands to benefit from improving business performance of construction (absence of losses from a specific project) and facility management arms (new business). The awards of future contracts for infrastructure projects will likely lift the company's current low revenue backlog.

**Valuation is wide open; multiple triggers ahead**

Al Akaria's valuation is wide open following a 59% correction in the stock price since Apr-25. The company's market value of land is 2x of its existing market capitalization.

Similarly, the value of IGA assets is also estimated to be below its current market cap. Al Akaria currently trades at P/BV of 0.9x, down from its 10-year average of 1.1x.

## Key catalysts to track

We see a number of project-related catalysts for Al Akaria that can unlock the valuation discount in the stock price:

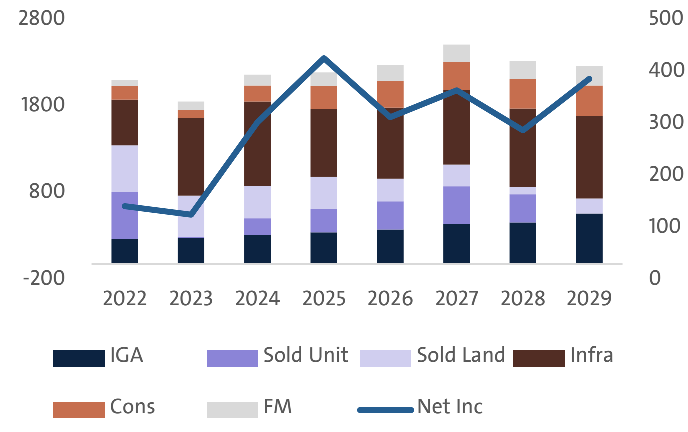
- Commencement of new projects under IGA portfolio is slated to be completed in 2026 (Gate 6, Al Reef, Tilal Commercial Center)
- Progress on projects under planning for various real estate strategies (Develop & Operate, Develop & Sell units, Develop & Sell land), which will likely provide clarity on actual payment of WLT for 2026 and 2027. Key future updates include start of off-plan sales in Fai Sedra, updates on Vyda Residential Project, sale of commercial land in Al Akaria Park, award of construction contracts on L Avenir and Porta Jeddah (all likely over in 2026)
- Update on project awards for infrastructure (Expo 2030, Saudi Arabia FIFA World Cup 2034, others) and construction arms
- Announcement of dividend policy (we see the possibility of progress in 2026 with a growing cash pile and the drop leverage ratios)

## Key Risks

I-Time & Cost overruns on projects, II-Occupancy of new projects in IGA, III-Financial performance of subsidiaries, IV-White land tax on the landbank owned by Al Akaria.

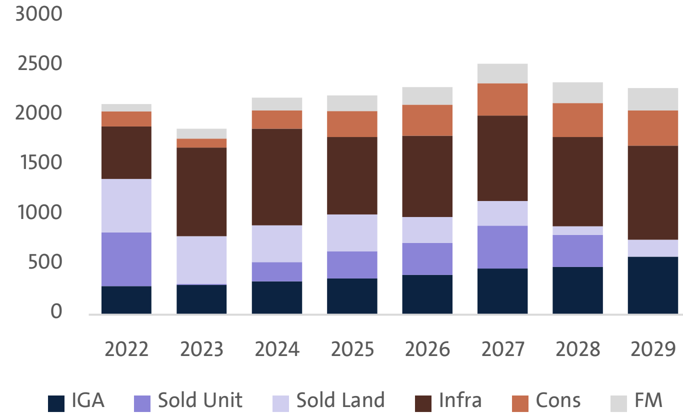
## Al Akaria in Chart

**Al Akaria:Revenue Trajectory (SARmn)**



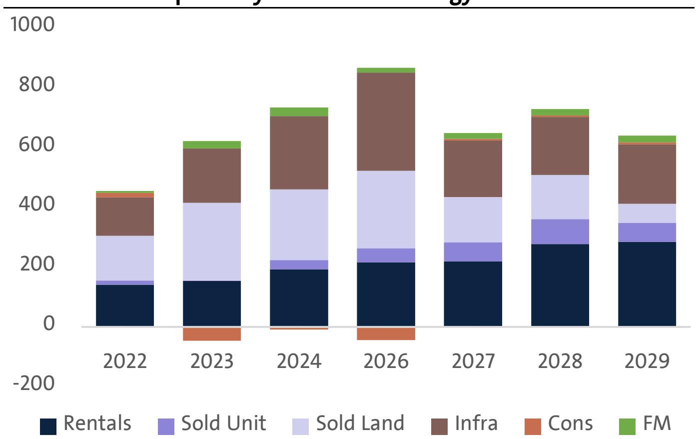

Source: Al Akaria, AC Research

**Al Akaria: Revenue Profile (%)**



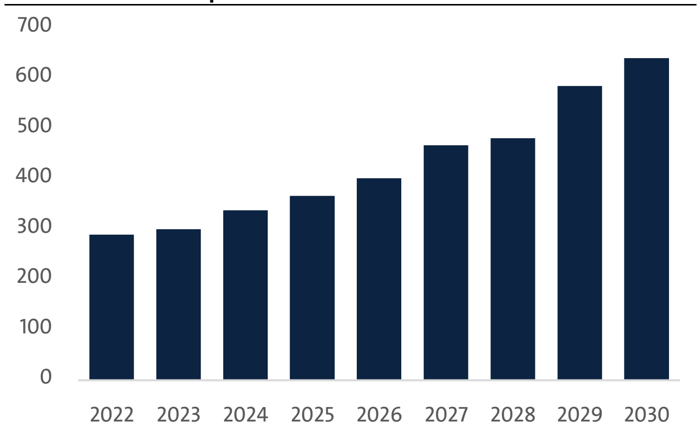

Source: Al Akaria, AC Research

**Al Akaria: Gross profit by real estate strategy**



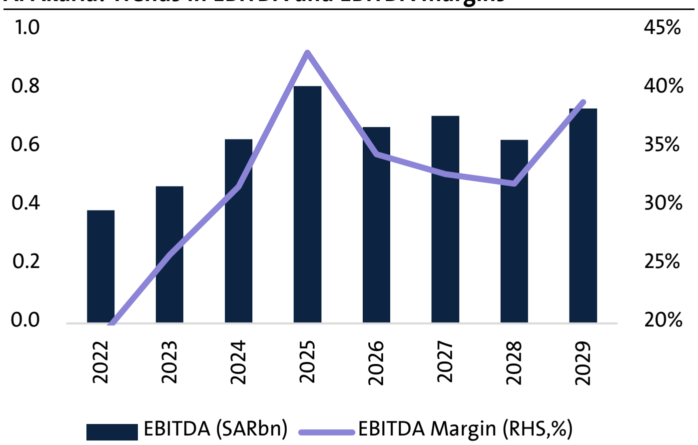

Source: Al Akaria, AC

**Al Akaria: Revenue profile of Al Akaria IGA**



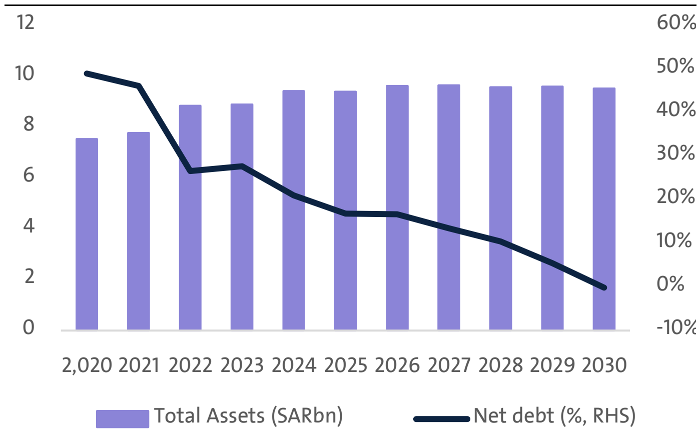

Source: Al Akaria, AC Research

**Al Akaria: Trends in EBITDA and EBITDA margins**




Source: Al Akaria, AC

**Al Akaria: Trends in total assets and net debt ratio**




Source: Al Akaria, AC Research

## Analyst Certification:

I/We, **Muhammad Fawad Khan** the author/s of this report, hereby certify that that: (i) views expressed in this report reflect the Research Analyst's personal views about all of the securities and (ii) no part of any of compensation of the author/s was, is, or will be directly or indirectly related to the specific recommendations or views expressed by in this report.

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**>+15% Total Return:** Stocks with +15% expected total return (including dividend yield) over the next 12-months are classified as Buy.

**5-15%:** Stocks with total return between 5-15% can be classified as Buy or Neutral.

**>-5%<+5% total return:** Stocks with total return between -5+5% can be classified as Neutral or Underperform

**Underperform**-Stocks which are expected to have <-5% total return

**Not Covered**: ACC has not assigned any rating on the stock

**Coverage Suspended:** ACC has temporarily suspended the coverage of the stock either in compliance with local regulation or other considerations

Price data for the listed securities is based on 29th April, 2026.

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