Jabal Omar Development Company | Estimate Change

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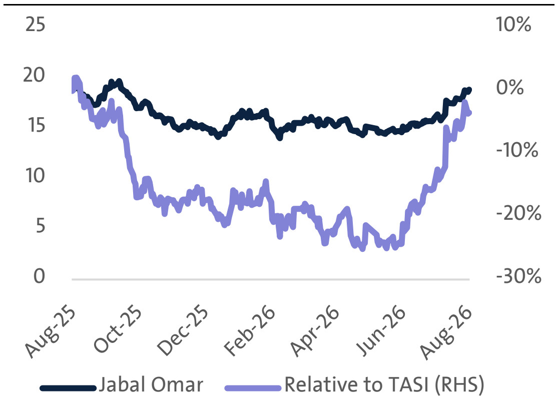
Solid delivery in 1H26; clarity on two key issues emerged; estimated lifted

Recommendation	BUY
Market Price	19.0
Target Price	22.0
Total Return	16%

Stock Data

Market Cap Total/FF (SARmn)	22,420/20,634
Shares Total/FF (mn)	1180/1086
52 Week Hi-Low (SAR)	19.72/14.04
3/6/12 M Volume Traded (mnsh)	4.0/3.67/3.9
3/6/12 M Value Traded (USDmn)	18.7/16.4/16.8
3/6/12 M Relative Performance (%)	28/19/-3%

Jabal Omar Stock Price Performance vs TASI



Source: AIC, Bloomberg

Please see the link to our initiation report on Jabal Omar here

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Jabal Omar: Estimates lifted post 1H26: Reiterate Buy

Jabal Omar Development Company's (JO) 1H26 performance demonstrates continued progress in the company's transformation. The company's gross profit and FFO grew by 16/23% YoY in 1H26, respectively. A favorable industry operating environment has supported JO's earnings. We continue to see improving hospitality performance; however, the benefits of the company's efforts to optimize tenant mix in its commercial portfolio may take another 6-12 to materialize. We have revised our earnings estimate by -9/+32/+46% and have lifted our TP to SAR22.0 (+6%). Key changes include adjustment in the timing of unit sale assumption, ADR (+2%), and unit sale price (+40%).

Two major takeaways from the 1H26 earnings call

The management has highlighted the expected realization of SAR2.5-4bn proceeds from the planned sale of 400 units. The estimates of proceeds are based on realized GFA pricing from unit sales completed in 2017-18, and the current estimated market values. Our new estimates reflect a 16% discount to the average of two values. Secondly, the management considers SAR4-5bn as a comfortable level of debt to make a recommendation to the board for payouts. We expect JO to achieve the debt level by 2028 (Debt to EBITDA: 2x). We had earlier incorporated the start of dividend from 2028.

1H26 results: Strong performance in hospitality

JO posted strong revenue (+16%) and adjusted earnings (up 17% YoY) in 1H26 (headline: SAR275mn, down 70%), reflecting solid performance in hospitality (ADR: +6%, Stable Occupancy, Occupancy of new assets: +20% in 2Q26) and commercial (revenue improved despite drag from new mall) segments. Gross and adjusted EBITDA margin remained stable at 42% and 54% respectively. Finance cost fell 31% YoY, supported by deleveraging, lower benchmark rate and the benefits of loan reprofiling at more favorable rates.

Sizeable impact from potential regulation; we expect big changes

We highlight a new regulation on staffing ratio, which is currently in draft stage— if implemented in its current form— may significantly impact JO's earnings in near-term given low occupancy in new assets and seasonality in occupancy. With the current disclosure, it is difficult to quantify the potential impact at this stage. That said, we see high likelihood of significant changes in the final version.

Jabal Omar: Financial Highlights (SARmn)

Year to Dec	CY24	CY25	CY26E	CY27E	CY28E	CY29E
Revenues	1901	2114	2768	4292	4229	3294
Growth	43.3%	11.2%	31.0%	55.0%	-1.5%	-22.1%
PAT	200	2393	324	1335	1313	704
EPS (SAR)	0.2	2.0	0.3	1.1	1.1	0.6
Growth	432%	N/M	-86%	312%	-2%	-46%
DPS (SAR)*	0.0	0.0	0.0	0.0	0.2	0.2
P/E (X)	111.5	9.3	68.6	16.7	17.0	31.6
D/Y (%)	0.0%	0.0%	0.0%	0.0%	0.9%	0.9%
P/FFO(X)	540.8	54.0	32.2	26.7	21.5	17.5
P/BV (X)	1.7	1.4	1.4	1.3	1.2	1.2

Source: Jabal Omar, AIC Estimates

We have revised our earnings estimate by -9/32/46/2% for Jabal Omar

Jabal Omar: Estimates changed post 1H26 results

We have revised our 2026-29 earnings estimate by -9%, +32%, +46% and +2% respectively for Jabal Omar Development Company (Jabal Omar or JO) post 1H26 results and management feedback on 1H26 performance. We have lifted our TP to SAR22.0 from SAR20.5 (+6%). We reiterate Buy on Jabal Omar (16% upside).

Key reasons for change in estimate include;

- We have pushed back our assumption of unit sale for 2026 into 2027 and 2028 based on the progress on planned unit sale so far. Our 2026 estimate incorporates the expected sale of 40 units only versus 100 units before.
- We have adjusted our earlier assumptions for ADR (+2% compared to previous estimate), GLA rate (down 14% due to lower occupancy in new commercial assets for 2026) and unit sales value (+40%, in light of recent feedback from the management).

Jabal Omar: Summary of estimate changes

	2026E	2027	2028	2029	TP
New	324	1335	1313	704	22.0
Old	358	1010	900	688	20.5
%	-9%	32%	46%	2%	6%

Source: Company Announcement, AIC

Jabal Omar posted strong adjusted 1H26 earnings of SAR323mn, up 17% YoY

Solid earnings delivery in 1H26

Jabal Omar posted strong adjusted 1H26 earnings of SAR323mn, up 17% YoY, reflecting solid performance in hospitality and commercial segments. We adjust reported earnings for gains on property sales and impairment- charges to better assess underlying recurring profitability. The company reported a 70% drop in headline earnings to SAR275mn. Key highlights of 1H26 earnings and takeaways from management comments are discussed below:

Business performance

Hospitality: Jabal Omar delivered higher RevPar (+7%) and ADR (+6%) despite an 8% increase in the number of average keys in 1H26. Occupancy of hospitality assets improved by 1%. The improved KPIs of hospitality assets—despite ongoing geopolitical events—are associated with the management initiatives to stabilize performance of assets added after 2023 and a lower number of restricted days for Umrah before and after Hajj this year compared to last year. The occupancy of assets which have commenced operation after 2023 increased to 58% in 1H26 versus 38% in 1H25.

Commercial: Jabal Omar managed to deliver a 6% growth in mall revenue in 1H26 despite a 4% drop in overall GLA rate. Notably, GLA rate for assets operational before 2023 increased 15% YoY. On a QoQ basis, revenues of commercial assets dropped by 16% due to higher vacancy rates in new commercial assets. The company is in the midst of changing the tenant mix of its commercial mall in Phase III to better suit its strategy. The occupancy level of the mall is expected to improve in 2H26.

Impairment

Jabal Omar has booked total impairment of SAR55mn in 1H26 vs an impairment of SAR261mn in 1H25. The impairment charges are primarily associated with the Phase IV

Financial charges in 1H26 dropped 31% YoY

assets. The management expects to complete construction of Phase IV by early 2027 and would determine the impairment charges based on the annual fair value assessment of assets. The new fair value assessment will likely take into account the impact of new regulation on foreign ownership of real estate assets in the two holy cities and may reduce/eliminate the need for booking further impairment provisioning on Phase IV assets.

Financial charges

Financial charges in 1H26 dropped 31% YoY, which we attribute to three reasons: (i) de-leveraging, (ii) the impact of movement in benchmark rates, and (iii) re-profiling of loans in 1H26 at better spreads, which resulted in one-off gains of SAR23mn in 2Q26.

Capex

The capital expenditure of SAR223mn in 1H26 is only 22% of management's start-of-the-year guidance of SAR1bn. The final phase of construction of Phase IV was impacted by delays in material availability for both commercial and hospitality assets. The management expects capex to decline significantly in 2027. The committed capex over the next six to nine months was quoted at SAR900mn.

De-leveraging

Jabal Omar has de-levered its balance sheet by another 90bps in 1H26 with net debt to asset calculated at 28.7%. Both receivables and payables showed adverse moves, implying bigger room for deleveraging in 2H once the working capital trend normalizes in 2H26. Overall, we expect Jabal Omar to continue deleveraging its balance sheet by using its free cash flow generation and the expected proceeds from the sale of units.

We highlight the new regulation on staffing ratio –currently under draft stage— if implemented in its current form, may have a magnified impact on Jabal Omar's earnings

Impact of adverse regulation

We highlight the new regulation on staffing ratios –currently under draft stage— if implemented in its current form, may have a magnified impact on Jabal Omar's earnings in the near-term due to:

- Low occupancy in new assets
- Level of offering (~50% rooms in luxury category)
- General volatility in the occupancy levels of hospitality assets in the Holy City

The current disclosures on number of employees by current hospitality facilities make it difficult to quantify the potential impact on the company's earnings at this stage. That said, we continue to see the possibility of significant changes in the final version due to following reasons:

- Significant variation in tourist arrivals and seasonality in occupancy levels in hotels
- The estimated impact on costs of hotel operators with low levels of occupancy, particularly those hospitality facilities which are located away from the Haram Mosques. In a worst-case scenario, this may affect the available supply of rooms in the two holy cities.

Jabal Omar: 1H26 Earnings Review						
SARmn	**1Q26**	**2Q26**	**QoQ**	**1H25**	**1H26**	**YoY**
Real Estate Sales	**739**	**715**	**-3%**	**1,249**	**1,454**	**16%**
Hospitality	677	694	3%	1,140	1,371	20%
Commercial Assets	60	50	-16%	104	110	6%
Sale of Properties	3	3	1%	6	5	-6%
Cost of Real Estate Sales	**421**	**427**	**1%**	**725**	**848**	**17%**
Gross Profit	318	289	-9%	525	607	16%
Hospitality	273	303	11%	464	576	24%
Commercial	43	17	-60%	57	61	6%
Sale of properties	2	1	-55%	3	2	-21%
Other Operating Income-Net	-35	-16	-54%	660	-51	-108%
Operating Expenses	37	38	4%	76	75	0%
Provision For Doubtful Accounts	13	7	-46%	9	20	135%
Operating Income	**246**	**235**	**-4%**	**1,109**	**481**	**-57%**
EBITDA	**364**	**371**	**2%**	**1,325**	**735**	**-45%**
FFO	**248**	**292**	**18%**	**439**	**540**	**23%**
Finance Cost	132	87	**-34%**	**318**	**219**	**-31%**
Income Before Income Taxes	123	162	32%	847	285	-66%
Profit After Taxes	**117**	**158**	**35%**	**904**	**275**	**-70%**
Gross margin	43%	40%	-251	42%	42%	-25
Hospitality	40%	44%	328	41%	42%	124
Commercial Assets	72%	35%	-3739	55%	55%	5
Sale of Properties	62%	28%	-3436	53%	45%	-825
EBITDA Margin	54%	54%	14	53%	54%	79
RevPar (SAR)	996	961	-3%	882	948	7%
ADR (SAR)	1,228	1,412	15%	1,218	1,296	6%
Occupancy-Hospitality	81%	65%	-1575	72%	73%	11
GLA rate (SAR/sqm)	6,857	5,714	-17%	6,693	6,416	-4%

Source: Jabal Omar, AIC

Key reasons for our liking Jabal Omar

Jabal Omar's stock price has reversed a significant period of underperformance over the past month with 18% jump in stock price compared with a 3% movement in the TASI index. Strong 1H26 results, progress on completion of construction of Phase IV, and significant news flow on foreign investor's ownership of real estate in the two holy cities have contributed to the stock's performance. We continue to see further stock price performance ahead, driven by the company's improving fundamentals.

Our Buy rating on Jabal Omar is underpinned by the following reasons:

I-Significant opportunities to optimize returns on existing assets,

II-Growing religious tourism supports healthy occupancy and ADR

III-Significant progress on optimization of capital structure delivered

IV-A big opportunity for maximizing asset returns

V-Room for optimization of asset yield may deliver further upside

Key triggers ahead

We see the following triggers for Jabal Omar:

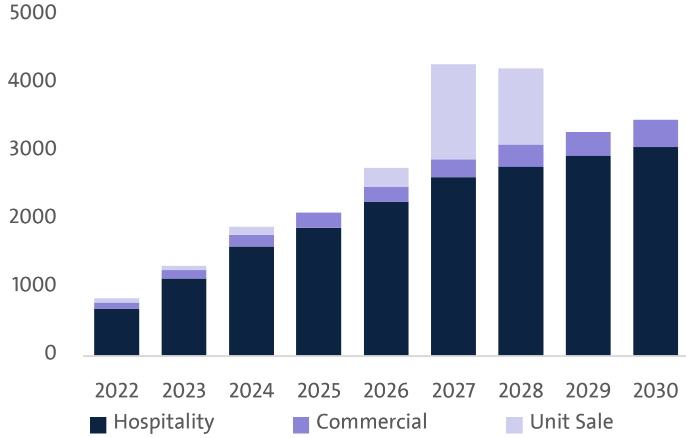
- Update on the company's plans to sell 400 units as part of the first phase of its asset monetization program (major updates likely in 4Q26)
- Timely completion of remaining hospitality and commercial assets in Phase IV (updates likely in late 3Q/4Q26)
- Clarity on capex commitment on Phase VII under the company's new strategy of capex-light, partnership-led development

Key risks to our investment case

I- Risk associated with project execution, II- Use of available land bank, III- Risk of competition, IV- Concentration risk

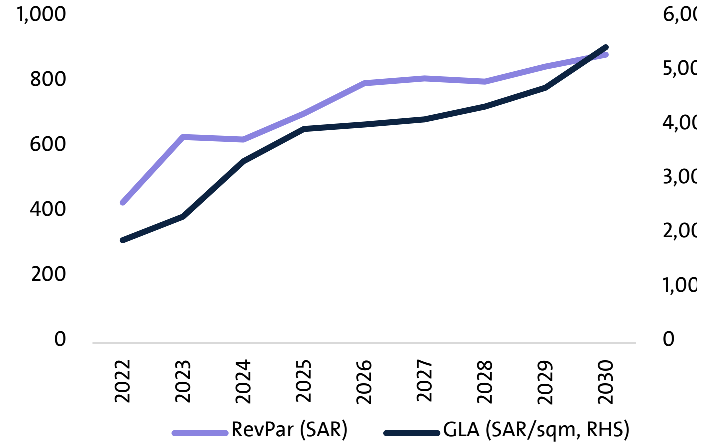
Jabal Omar in Charts

Jabal Omar:Revenue trajectory by segment (SARmn)



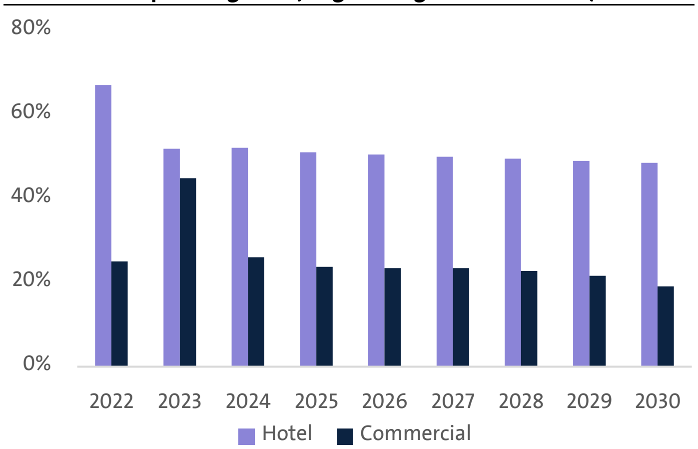
Source: Jabal Omar, AIC Research

Jabal Omar: Trends in RevPar and GLA rate



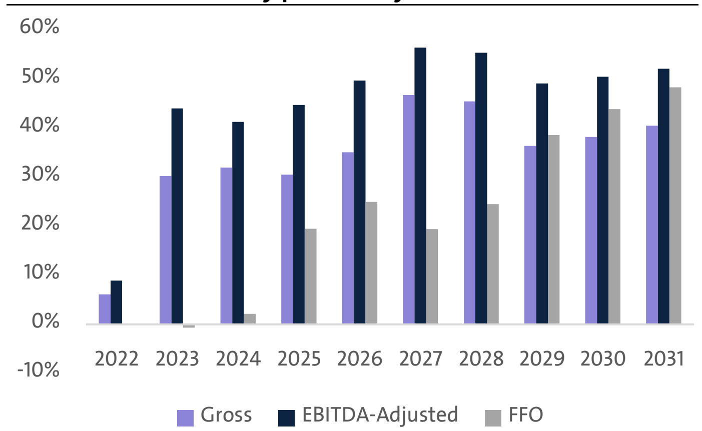
Source: Jabal Omar, AIC Research

Jabal Omar: Operating cost (%age of segment's revenue)



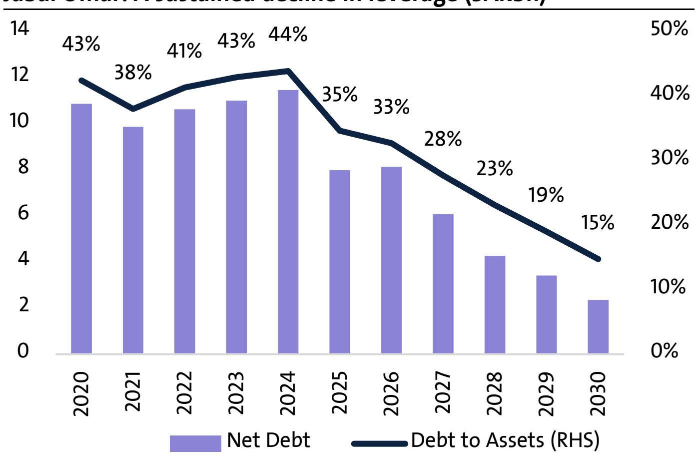
Source: Jabal Omar, AIC Research

Jabal Omar: Trends in key profitability ratios



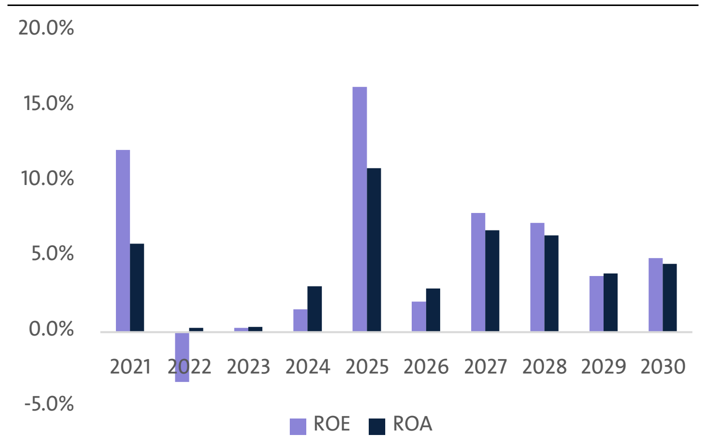
Source: Jabal Omar, AIC Research

Jabal Omar: A sustained decline in leverage (SARbn)



Source: Jabal Omar, AIC Research

Jabal Omar: ROE and ROA trends



Source: Jabal Omar, AIC Research

Analyst Certification:

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Alinma Capital Company (AIC) follow a three-tier rating system based on total return methodology as per following details

>+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: AC has not assigned any rating on the stock

Coverage Suspended: AC 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 25th August 2026.

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