Makkah Construction & Development Company | Rating Change

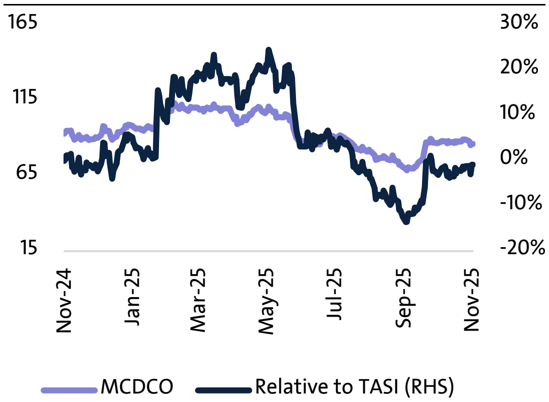
Strong 3Q25 earnings delivery; rating cut to Neutral on price performance

Recommendation	BUY
Market Price	87.3
Target Price	83.0
Upside/Downside	-5%

Stock Data

Market Cap Total/FF (USDmn)	4,656/3,864
Shares Total/FF (mn)	200/165
52 Week Hi-Low(SAR)	113/69
3/6/12 M Volume Traded (mnsh)	0.23/0.3/0.2
3/6/12 M Value Traded (USDmn)	4.9/7.1/6.0
3/6/12 M Relative Performance (%)	1/-15/-9

MCDC Stock Price Performance VS TASI



Source: AC

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MCDC: Strong earnings delivery in 3Q despite drop in volumes

MCDC's 3Q25 results reflect continuation of strong earnings momentum with 22% YoY increase in earnings to SAR85mn, translating into 9M25 earnings to SAR379x, up 17%. The earnings growth is supported by an encouraging industry backdrop of growing religious tourism and a number of initiatives aimed at improving margins and optimizing the available space for both hospitality and commercial assets. We maintain our estimates but cut our rating from Buy to Neutral due to strong price performance.

Key highlights of 3Q25 results

Hospitality Assets: RevPar recorded a 10% YoY jump in 3M25 due to higher demand for rooms in an otherwise lean season. This is also reflected in a 600bps improvement in overall occupancy in hospitality to 79% in 3Q25 (73% in 3Q24). In 9M, RevPar and occupancy came in at SAR791 (+10% YoY) and 81% (Flat) respectively. 4Q is historically a strong demand period and will likely improve RevPar and occupancy. Hospitality contributed 60% to revenue and 56% to gross income (62% gross margin).

Commercial Asset. The headline lease rate (+1% QoQ to SAR17.9k) and occupancy (-1% to 99%) made a marginal sequential move. The expected shift in tenant mix will likely be a major trigger for further improvement in lease rate in near-term.

Hajj & Umrah business: The increase in pilgrims drove the revenues from the segment by a massive 114%. The operating margin of the business remained low (estimated 5-6% in 9M, down bps YoY) and was primarily a significant drag on overall margins.

Major renovation work preponed

The award of the contract for renovation of 107 rooms (out of total 1438) came earlier than expected. The preponing of the award poses upside risk to our estimates in 2026 (higher RevPar) but downside risk to 4Q earnings (due to reduction in available rooms). The renovated rooms are likely to be made available before the high-season in Ramadan.

Strong cash pile; deployment in new opportunities likely

MCDC's cash pile has further grown (estimated at ~SAR1bn in 9M) due to earnings delivery and partial divestment of MCDC's stake in Jabal Omar. MCDC is assessing growth opportunities in real estate development and M&A to optimize its balance sheet.

MCDC: Financial Highlights (SARmn)

Year to Dec	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Revenues	731	836	1037	1105	1175	1285
Growth	58.4%	14.4%	24.1%	6.6%	6.3%	9.4%
PAT	334	411	506	575	620	708
EPS (SAR)	1.7	2.1	2.5	2.9	3.1	3.5
Growth	115%	23%	23%	14%	8%	14%
DPS (SAR)	1.2	1.5	1.9	2.2	2.3	2.7
P/E (X)	52.3	42.5	34.1	30.0	27.8	24.4
D/Y (%)	1.4%	1.7%	2.2%	2.5%	2.7%	3.1%
EV/EBITDA (%)	45.6	39.8	33.2	30.9	28.9	24.9

Source: MCDC, ACC Estimates

MCDC: 3Q2025 Earnings Review

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MCDC 3Q2025 Earnings Review

	1Q25	2Q25	3Q25	QoQ	9M24	9M25	YoY
Revenues	**236**	**388**	**284**	**-27%**	**677**	**908**	**34%**
Hotel	170	120	77	-36%	349	367	5%
Commercial Center	65	71	72	1%	168	208	24%
Hajj & Umrah	0	197	139	-29%	157	336	114%
Cost of Revenues	**66**	**245**	**189**	**-23%**	**312**	**500**	**61%**
Gross Profit	**170**	**143**	**95**	**-34%**	**366**	**408**	**11%**
Operating Expenses	25	24	20	-17%	44	69	57%
Operating Income	145	119	75	-37%	322	339	5%
Profit After Tax	150	144	85	-41%	325	379	17%
EPS	0.75	0.72	0.43	-41%	1.63	1.90	17%
Margins							
Gross Margins	72%	37%	33%		54%	45%	34%
Net Margins	64%	37%	30%		48%	42%	49%
Key KPIs							
Hospitality							
RevPAR (SAR)	1,313	763	486	-36%	721	791	10%
Occupancy	93%	71%	79%	800bps	81%	81%	0%
Commercial Center							
Lease Rate (SAR)	16,900	17,729	17,904	1%	15078	16835	12%
Occupancy	98%	100%	99%	-100bps	98%	99%	100bps

Source: Company Announcement

MCDC-Rating cut to Neutral with TP of SAR83.0

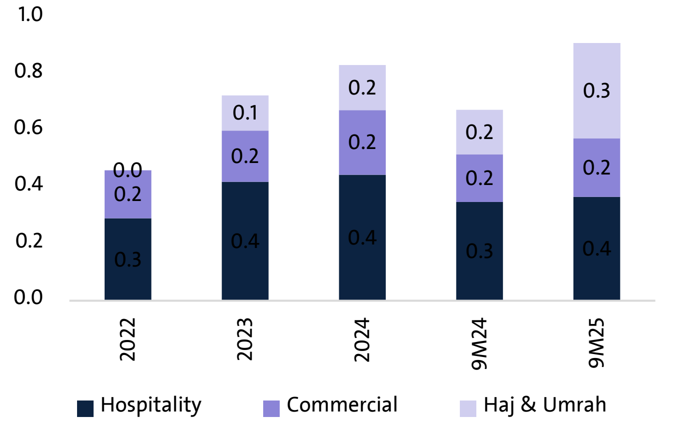
We have cut our rating on MCDC to Neutral from Buy and retain our DCF-based SOTP TP of SAR83. A 26% stock price performance since recent low in early Sep-25 has reduced the gap between the stock's valuation relative to its historical average. The stock now trades at 2026E P/E of 30x (vs 10-year historical average of 44x). We believe MCDC's low- capex growth, robust financial position, established earnings history and unique location justify the valuation premium relative to TASI-listed peers. MCDC's 2026E D/Y of 3% is significantly higher than the yields of its peers. Similarly, MCDC's ROE/ROA are well ahead of peers' averages.

Two key upside risks in MCDC, in our view, stem from; (i) the deployment of company's cash pile in higher yielding assets, and (ii) further optimization of current hospitality and commercial assets not currently part of our estimates.

Two key downside risks are; (i) the execution risk associated with the company's plan to renovate its existing hospitality offerings in hotel and serviced apartments, and (ii) the risk of lower ADR or occupancy due to future additions in keys and retail assets in areas surrounding the Haram, though we highlight MCDC's location advantage vs future offerings.

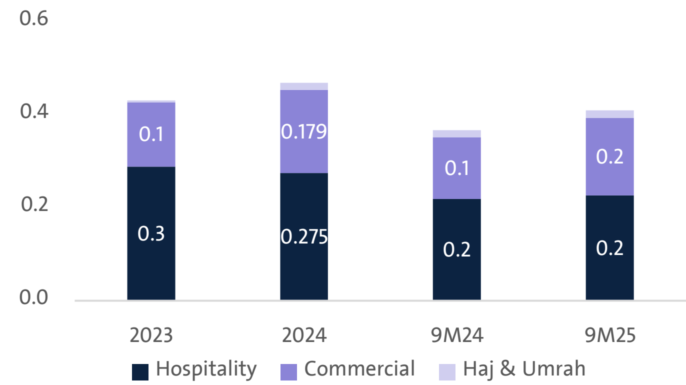
MCDC: Key Trends

MCDC: Revenue Profile by segment (SARbn)



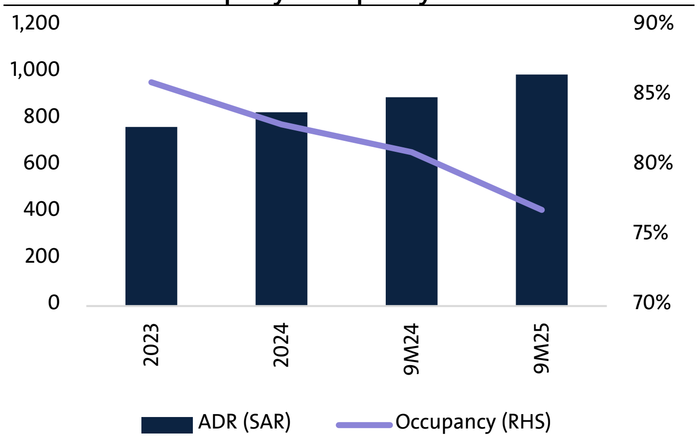
Source: MCDC, AC Estimates

MCDC: Gross profit by segment (SARbn)



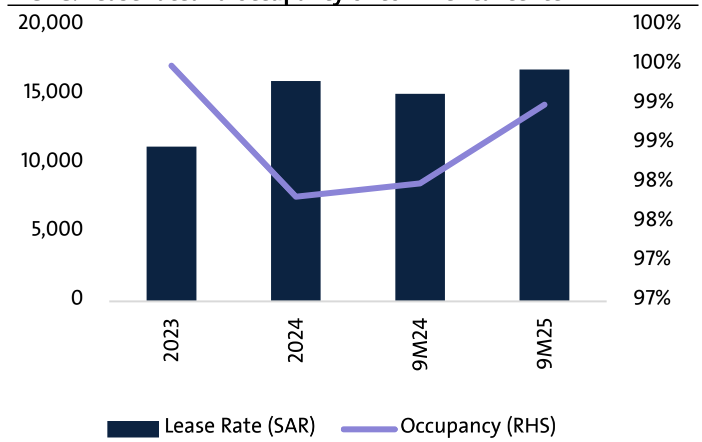
Source: MCDC, AC Estimates

MCDC: ADR and occupancy of hospitlaity



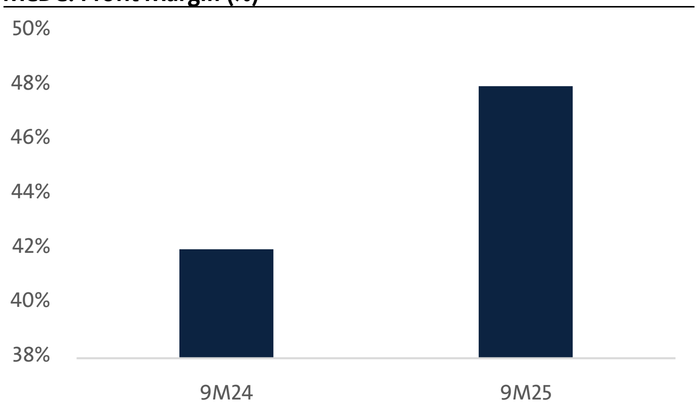
Source: MCDC, AC Estimates

MCDC: Lease rateand occupancy of commerical center



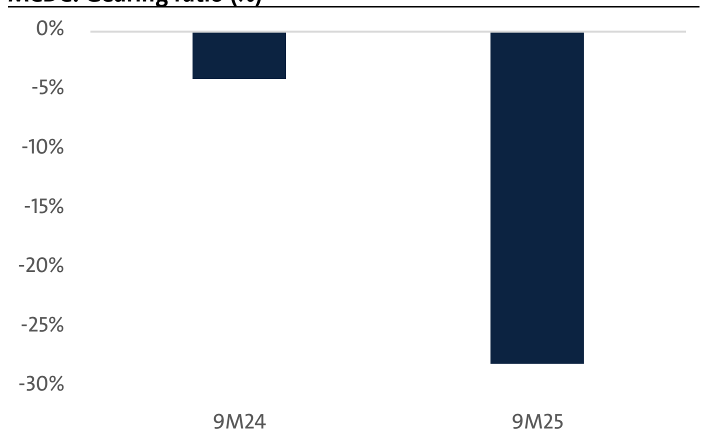
Source: MCDC, AC Estimates

MCDC: Profit Margin (%)



Source: MCDC, AC Estimates

MCDC: Gearing ratio (%)



Source: MCDC, AC Estimates

Analyst Certification:

I/We, **Muhammad Fawad Khan, CFA** 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.

Rating Methodology

Alinma Capital Company (ACC) follow a four-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: AIC has not assigned any rating on the stock

Coverage Suspended: AIC 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 06 November, 2025.

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