



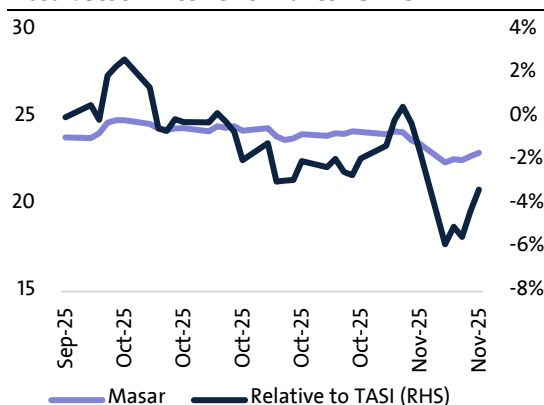
Masar: Accelerated progress on land sale; retain Neutral rating

Recommendation	Neutral
Market Price	22.1
Target Price	24.5
Upside/Downside	11%

Stock Data

Market Cap Total/FF (USDmn)	8,474/3,813
Shares Total/FF (mn)	1438/651
52 Week Hi-Low(SAR)	26.7/19.7
3/6/12 M Volume Traded (mnsh)	2.0/2.3/4.4
3/6/12 M Value Traded (USDmn)	12.7/14.5/27.0
3/6/12 M Relative Performance (%)	-3/6/22

Masar: Stock Price Performance VS TASI



Source: AC

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Masar: Highest sales exhibit accelerated progress on strategy

Umm Al Qura for Development and Construction Company (Masar) announced broadly in-line 3Q25 results with earnings of SAR517mn, modestly overshooting our estimate by 4%. 3Q25 earnings grew by a significant 118% QoQ, bringing 9M25 earnings to SAR913mn (+194%). Accelerated progress on the company's land sale strategy in 3Q was the key driver of the earnings growth. We maintain our estimates and retain our current Neutral rating on the stock with TP of SAR24.5.

Key highlights of 9M25 results

2x higher land area sold in 9M25: Masar has increased the land sale by an estimated 2x YoY in 9M25. A significant portion of sales materialized in 3Q. The accelerated progress on land sale is explained by (i) expected formal activation of Masar Destination in 1Q26 following near-completion of infrastructure, (ii) the proposed changes in regulation for real estate ownership in the Holy Cities, and (iii) increased religious tourism.

Gross margin dropped 76bps YoY in 9M25: Masar's gross margins marginally fell from 46.9% in 9M24 to 46.1% in 9M25. The overall margins are close to management's guidance of 45%. The drop in margin is attributed to: (i) a change in the zone mix in land sales, and (ii) tightening of credit terms for the land sale.

SAR1.4bn capex made in 9M: A major part of capex is on construction of self-development projects and residual capex on infrastructure. Management expects overall infrastructure capex to stay within the guidance of SAR25bn.

Massive deleveraging of balance sheet: Masar has used the proceeds from IPO (~SAR1.4bn), operating cash flows during 9M25 (SAR1.9bn) for capital expenditure (SAR1.5bn) and deleveraging the balance sheet (SAR1.2bn net retirement). Resultantly, the net debt to asset ratio has dropped from 37% on Dec-24 to 27% on Sep-25. The realization of proceeds from the recent land sale deal (SAR1.5bn current receivables) will further strengthen the company's balance sheet in future quarters.

Solid progress on strategy execution

Masar has made solid progress in executing its development strategy, with +30% of plots representing 30-34% of the total area already sold or under agreement.

Masar: Financial Highlights (SARmn)

Year to Dec	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Revenues	988	1824	3089	4261	3847	4292
Growth	130%	85%	69%	38%	-10%	12%
PAT	317	499	1024	1744	950	1201
EPS (SAR)	0.2	0.3	0.7	1.2	0.7	0.8
Growth	-1534%	57%	105%	70%	-46%	26%
DPS (SAR)	0.0	0.0	0.0	0.0	0.0	0.3
P/E (X)	100.2	63.7	31.0	19.1	33.5	26.5
D/Y (%)	0%	0%	0%	0%	0%	2%
P/BV	2.5	2.4	1.9	1.8	1.7	1.6

Source: Company Accounts, ACC Estimates

Masar: 3Q2025 Earnings Review

Umm Al Qura for Development and Construction Company (Masar) announced broadly in-line 3Q25 results with earnings of SAR517mn, modestly overshooting our estimate by 4%. 3Q25 earnings grew by a significant 118% QoQ, bringing 9M25 earnings to SAR913mn (+194%). Accelerated progress on the company's land sale strategy in 3Q was the key driver of the earnings growth. We maintain our estimates and retain our current Neutral rating on the stock with TP of SAR24.5.

Masar 3Q2025 Earnings Review							
SARmn	1Q25	2Q25	3Q25	QoQ	9M24	9M25	YoY
Revenues	502	669	1266	89%	1027	2437	137%
Cost Revenues	-271	-346	-696	101%	-546	-1313	141%
Gross Profit	232	323	569	76%	482	1124	133%
Other Operating Income	25	12	22	84%	42	59	42%
G&A Exp	-46	-74	-46	-37%	-132	-166	27%
Selling & Marketing Exp	-33	-13	-5	-63%	-26	-51	98%
Operating Profit	176	249	541	117%	365	966	165%
Finance Cost	-10	-6	-5	-25%	-30	-20	-32%
Profit Before Tax/Zakat	171	247	539	118%	346	957	176%
Zakat	-11	-10	-22	114%	-35	-44	23%
Profit After Tax/Zakat	160	237	517	118%	311	913	194%
Gross Margin	0.11	0.16	0.36		0.22	0.64	
Operating Margin	46%	48%	45%		46.9%	46.1%	
Net Margin	35%	37%	43%		35%	40%	

Source: Company Announcement

Solid progress on strategy execution

Masar has made solid progress in the execution of its strategy, with +30% of plots representing 30-34% of total area already sold or under agreement. We expect to see continued momentum in near term with more announcements centered around the scheduled major real estate event and enactment of new regulation.

Masar has already utilized ~30-34% of available land* (Sqm)			
	Available Land	Contracted	%age
Land Sale ^I	332000	89342	27%
Lease	100000	89965	90%
Self-Develop-H	40000	28,507	65%
Self-Develop-S	13000	4350	78%
JV-H ^{III}	143000	3100	2%
JV-S	14000	Under Discussion	0%
Total	642000	174,671	34%

I- Includes investment land used for settlement of dues, III- Estimated plot size Source:

Neutral rating reiterated

Four key upside risks

We see four major events that could temporarily lead to near-term excitement in stock price and possibly lead to earnings upside (i) inclusion of the stock in MSCI EM Index and changes in regulations for Foreign Ownership Limits (a liquidity event), (ii) investors'/buyers' response to regulations related to foreign ownership of real estate in the holy cities, (iii) activation of the destination (expected in 1Q26), and (iv) continuation strong earnings momentum in the next few quarters.

Four major downside risks

Key downside risks are: (i) project concentration risk, (ii) risks associated with project development under self-construction strategy, (iii) risks relating to significant reliance on strategic partners and third parties, and (iv) possible widening of the scope of regulation on the rent freeze in other cities.

Valuation

Masar trades at CY25E P/BV of 2.0x, 16% premium to listed peers at TASI with significant exposure to religious tourism and 49% to real estate peers. We have used SOTP-based DCF method to value Masar.

For more details on the company, please refer to our detailed report [here](#).

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 15 November, 2025.

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