

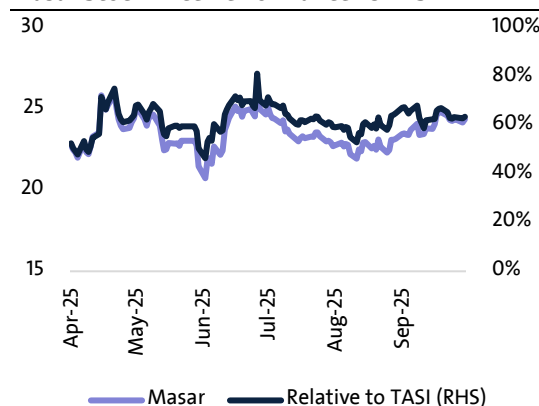
A direct exposure to significant opportunities in religious tourism

Recommendation	Neutral
Market Price	24.2
Target Price	24.5
Total Return	0%

Stock Data

Market Cap Total/FF (USDmn)	9,361/4,235
Shares Total/FF (mn)	1439/651
52 Week Hi-Low(SAR)	15/26.2
3/6/12 M Volume Traded (mnsh)	4.5/7.4/7.4
3/6/12 M Value Traded (USDmn)	29/46/46
Foreign Ownership (Total Shares)	2.5%

Masar Stock Price Performance vs TASI



Source: AC, Bloomberg

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Masar: A direct exposure to significant opportunities in religious tourism

We initiate coverage on Umm Al Qura for Development & Construction Company (Masar), owner, master developer, and operator of Masar Destination, with a Neutral rating and set TP of SAR24.5. A 64% gain in stock price since listing in Mar-25 has left limited upside relative to our valuation, in our view.

Masar capitalizing on the Makkah opportunity with a low-risk strategy

Masar Destination, a 1.25mn sqm site area situated between >500m from the Grand Mosque and the Third Ring Road, provides a clear exposure to the Kingdom's aspirations to promote tourism under the Vision 2030. Masar stands to benefit from a (i) a significant opportunity in the growing religious tourism and the project location, (ii) a diversified development strategy focused on de-risking of project risks and recycling of capital (40% commercial area either sold, leased, or allocated for other uses we estimate), (iii) progress on execution of strategy, allowing unlocking of value via FCF generation over the medium-term, and (iv) strong and committed sponsors.

Four key upside risks

We see four major events that can 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 regulation 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), (iv) expected strong 3Q25 earnings.

Four major downside risks

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

Valuation

Masar trades at CY25E P/BV of 2.1x, 22% 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.

MASAR: Financial Highlights (SARmn)

Year to Dec	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Revenues	988	1824	3089	4261	3847	4292
Growth	130.1%	84.6%	69.4%	37.9%	-9.7%	11.6%
PAT	317	499	1023	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)	109.8	69.8	34.0	20.0	36.6	29.0
D/Y (%)	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%
P/BV(x)	2.8	2.7	2.1	1.9	1.8	1.8

Source: MASAR, AC Estimates

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Masar-Investment Case

We initiate coverage on Masar with a Neutral rating and set Target Price at SAR24.5.

We initiate coverage on Umm Al Qura for Development & Construction Company (Masar), owner, master developer, and operator of Masar Destination (Masar), with a Neutral rating and set a Target Price of SAR24.5. A 64% run-up in the stock price since the listing in Mar-25, driven by favorable changes in regulation and ensuing accelerated progress on land sale program, has left limited upside relative to our valuation. Masar Destination, a 1.25 mn sqm site area situated less than 500m from the Grand Mosque and the Third Ring Road, provides a clear exposure to the Kingdom's aspirations to promote tourism under the Vision 2030.

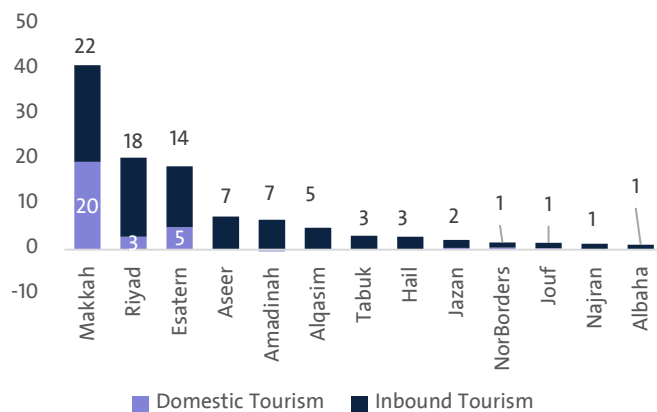
Masar's key investment themes and valuation are discussed below:

1-Makkah Market Opportunity

Masar Destination provides a clear exposure to the Kingdom's aspirations to promote tourism under the Vision 2030

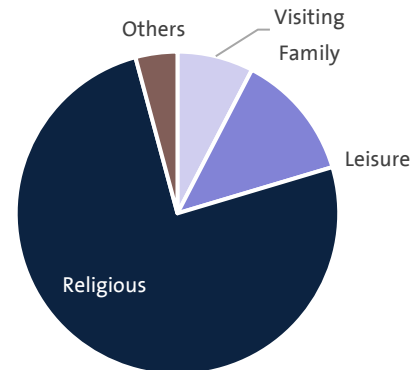
Makkah presents an attractive opportunity for investors in the backdrop of (i) a slew of initiatives by the authorities to deliver on the key objectives of religious tourism as envisaged in the Vision 2030, (ii) improving demographics in the city and demand for second home buyers, an area of particular interest for Masar, (iii) favorable changes in regulation relating to ownership of real estate properties by residents and non-residents in the two holy cities, and (iv) the progress on tourist arrivals and pick-up in demand in various segments related to tourism -hospitality, serviced apartment, retail, which has already tightened the available supply of units and has increased the possibility of materializing the already revised target ahead of the deadline.

Makkah contributes heavily to tourist arrivals in KSA (mn)



Source: AC, MoT

Makkah: Purpose of visit (2024)



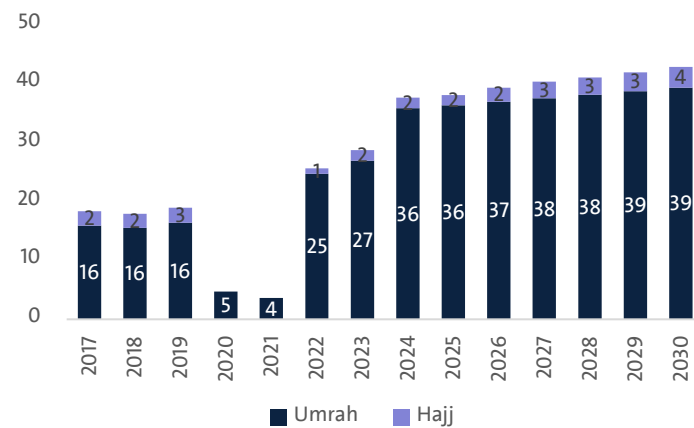
Source: AC, MoT

The current target of arrival of religious tourists of 42.8 mn entails a CAGR of 2% over 2024-2030. We see a clear possibility of another upward revision in target following a recent adjustment made in 2023. The growth in tourist arrivals will likely result in higher demand for hospitality offerings in hotels and serviced apartments located close to Al Haram.

The residential segment also enjoys attractive dynamics. The demand for residential units is estimated at +200k based on current regulations. Supply response is in sight

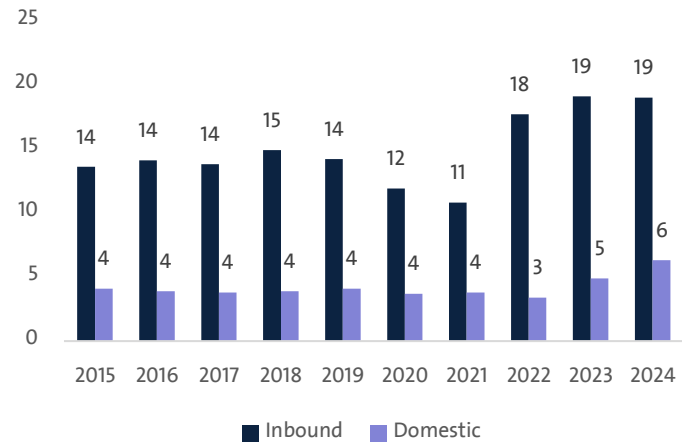
with a number of ongoing and announced projects, including Masar Destination, to benefit from the current market dynamics and future sanguine outlook for the real estate opportunities. Interestingly, market reports suggest a persistent supply gap. The future easing of the current restriction on ownership of real estate property by non-Saudis, may present a clear upside case, particularly for the demand of residential units.

Religious tourist arrivals target set at 42.8mn by 2030 (mn)



Source: Source: AC, MoT

Length of stays for visitors to Makkah has increased (days)



Source: AC, MoT

Multiple projects set to transform Makkah

Masar is one of many mega projects in Makkah with a primary objective of transforming the city into an investment hub and enhancing the attraction of Makkah City, the spiritual capital of the Muslim world. The ongoing and future projects are focused on city transportation, intra-city connections with other cities, and infrastructure. Some of the major projects in Makkah City include;

- The third expansion of the Great Mosque of Makkah, which is expected to accommodate 2 mn Hajj Pilgrims
- The Air connectivity program (new routes by existing airlines, launch of a new airline) via increasing point-to-point connection
- Revamp and expansion of King AbdulAziz International Airport in Jeddah with capacity expected to reach 114 mn passengers by 2030
- Launch of mass transportation project, Makka Metro with four lines and an estimated budget of SAR62bn (USD16.5bn). Masar has already built infrastructure in Masar Destination to accommodate Makkah Metro and to support connectivity for the visitors and residents. The destination incorporates a metro line travelling underground along the Boulevard and two metro stations on each side of the project.

Makkah Metro



Source: Meed

Expansion of King Abdulaziz



Source: AC

Expansion of Masjid Al Haram



Source: AC

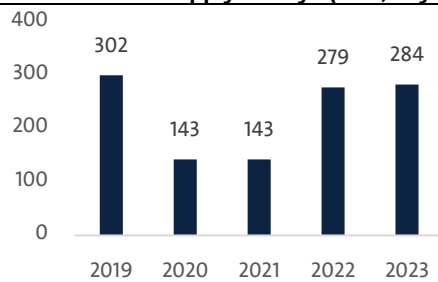
Makkah City offers multiple opportunities to investors in the real estate segments

The growth in arrivals of visitors in Makkah city, and general economic buoyancy in the country offer multiple opportunities to investors in the real estate segments (hospitality, residential, and retail) particularly exposed to religious tourism. The current level of offerings is primarily concentrated in the low-quality segment. Potential favorable regulations on ownership of property by non-Saudis may further add to the attractive dynamics of the real estate assets.

Makkah Opportunity-Hospitality

The existing gaps in offerings in the hospitality segment, particularly in high-quality serviced apartments, coupled with expected future growth in visitor arrivals, offer significant market opportunities for investors and developers in the hospitality sector given supply-demand dynamics, pricing, and occupancy levels. The sector has already made a phenomenal turnaround in the post-COVID period, with a significant pickup in demand and a lack of meaningful supply additions.

Trend in total supply of keys (000, keys)



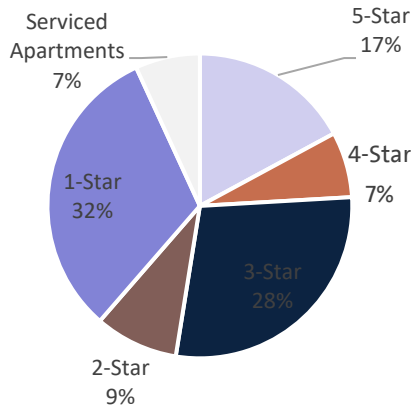
Source: AC

Supply Demand Dynamics

The Makkah hospitality market is primarily dominated by low-quality offerings in both hotels and serviced apartment segments. In hotels, 1-Star and 2-Star categories together account for 41% of total available keys as of 2023. Interestingly, the COVID-19 impact and demolition of some of the properties for redevelopment have reduced the total keys from 302k in 2019 to 284k in 2023. The supply for serviced apartments (SA) is estimated at 19.6 k, however, the bulk of supply (+90%) is considered low-quality due to the outsized presence of unbranded operators in the segment. Out of 19.6K licensed keys for SA, only 236 keys are considered quality offerings.

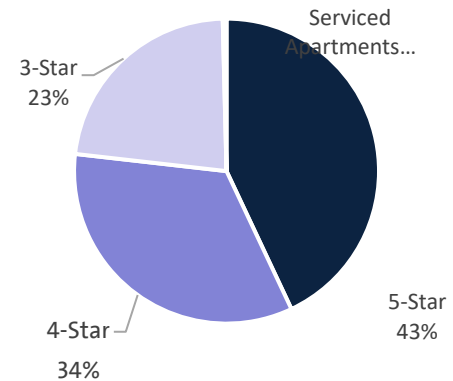
The seasonality in demand for the hospitality sector is quite steep and largely follows the Hijri Calendar for Hajj and Umrah and the last 10 days of the holy month of Ramadan (for Umrah). Other considerations driving seasonality in demand include local and international holiday seasons and seasonal variations in temperature in the Kingdom.

Breakdown of total supply (2023, total: 284k)



Source: AC

Hospitality quality offerings (total:67k)



Source: AC

Future additions in keys and serviced apartment

Supply projection suggests an estimated addition of 84k keys over 2023-2030, which implies a supply CAGR of 4.7% vs. CAGR of 5.1% projected for visitor arrivals during the same period which is likely to keep occupancy rate at elevated levels. Interestingly, most of future supply is likely to be weighted towards quality offerings.

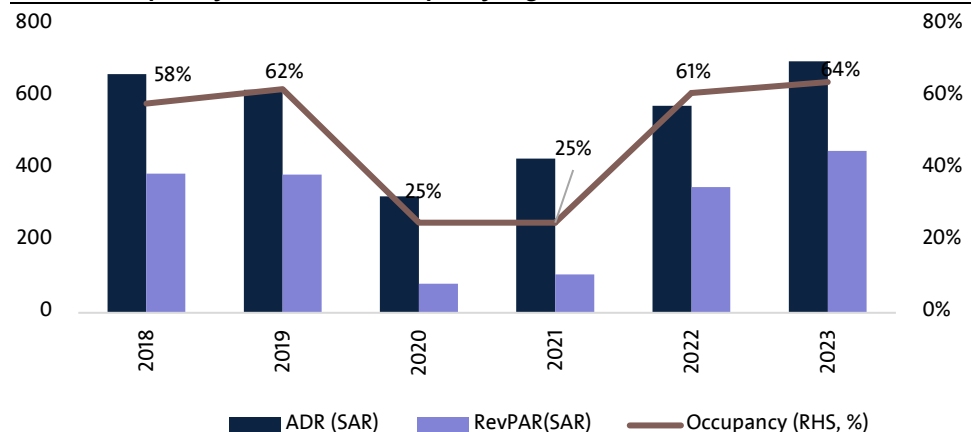
The serviced apartment segment presents an attractive opportunity for the developers, particularly due to easing of visa regulation, the general trend of increasing the length of stay among religious tourists, and the current supply gap in quality offerings. Masar has allocated 29% investable area in Masar Destination for the construction of serviced apartment offering and targets to add ~18,000 units of Grade A and Grade A- categories once the destination is fully developed. For more details on offerings available in Masar, please refer to the section, "A diversified development strategy".

ADR & PAR Trends

The major revenue indicators for the hospitality sector in Makkah demonstrate healthy trends in line with quicker and deeper post-COVID turnaround experienced in the

The major revenue indicators for the hospitality sector in Makkah demonstrate healthy trends

Makkah Hospitality: Performance of quality segment



Source: IPO Prospectus, AC

tourism activity in the city and current supply/demand dynamics. The trends in average daily rate (ADR) and Revenue Per Available Room (RevPAR) show significant sequential improvement in 2022 and 2023. This is almost consistent across all quality offerings. Meanwhile, the occupancy rate for quality offerings (3-Star and above for both hotels and serviced apartments) has scaled new heights.

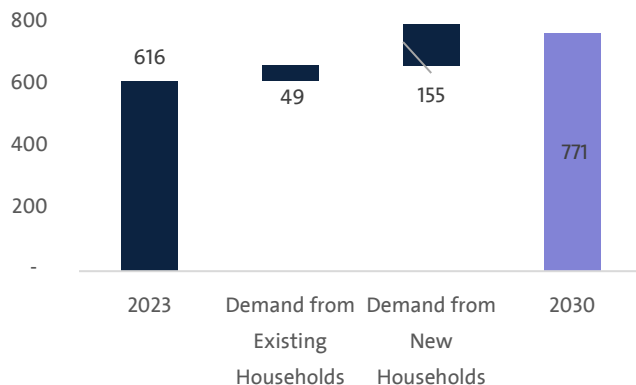
Makkah Opportunity-Residential

The dynamics of demand for residential units in Makkah city are favorable with population growth (1.9% CAGR) and growth in new households (3.3%) providing an encouraging backdrop. The changing demographics with decreasing household size are expected to deliver a significant lift to total demand. Meanwhile, the government's initiatives to increase ownership among citizens and the provision of affordable credit by the financial institutions provide further support to the demand outlook. Apartments constitute a major chunk of current residential offerings.

The total demand for residential units is expected to grow at CAGR of 3.3% over 2023-2030

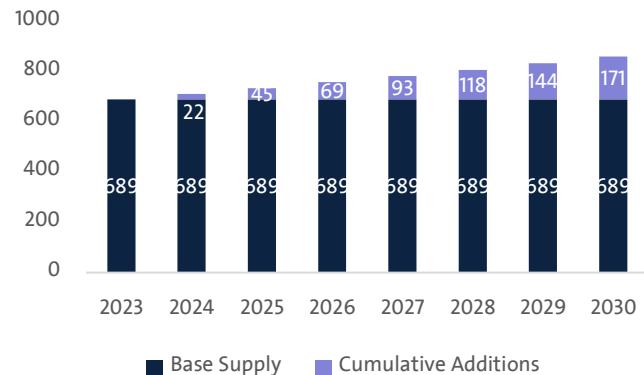
The total demand for residential units is expected to increase to 771k by 2030 from 616k in 2023, implying a CAGR of 3.3% over 2023-2030 (see graph below). The major part of the demand is likely to stem from the addition of new households with a preference for small-sized units. The demographic changes are mirrored in the type of housing unit and overall offerings, with apartments and small affordable units expected to account for the bulk of future demand (73%). On the supply side, the total confirmed and estimated organized supply stands at 171k units, implying a CAGR of 3.2% over 2023-2030 and a supply gap of 33K units.

Makkah residential-Incremental demand of 204 units (000)



Source: IPO Prospectus

Future marginal supply implies deficit of 33k units (000)



Source: IPO Prospectus

Second Home Buyers

For Masar, the major area of interest in the residential market is second-home buyers for units situated close to Al Haram, a niche market driven primarily by HNWIs. The number of HNWs in the GCC and KSA is expected to grow by 277 k to reach 1 mn by 2030 and will likely comprise 43% population of HNWIs. This presents a significant market opportunity for the developers. Accordingly, the developers have come up with plans to add ~7500 units close to Al Haram to address the potential future demand. The demand dynamics will likely see a significant uptick from recent changes in regulations, which

have effectively opened up ownership of real estate properties by Muslim HNWI's in the two holy cities.

Significant Premium on Price Realization

The four key determinants of price for second home buyers are

- Distance from Al Haram,
- View on Al Haram
- Facilities and Amenities
- Tier of Brand (if branded)

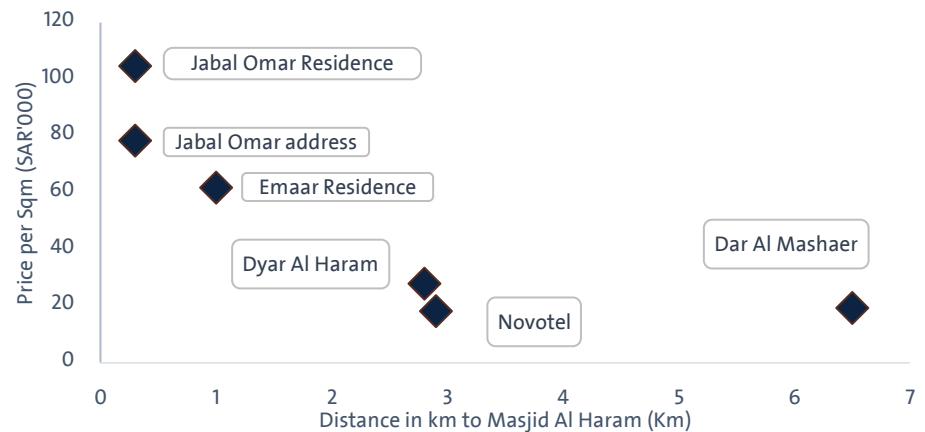
The following presents a comparison of prices of existing and soon-to-be-added projects in areas close to Al Haram. Masar is not only close to Al Haram (merely <500m from Al Haram boundary); it also aims to offer a differentiated experience via a focus on mobility, connectivity, retail offerings, culture, and social infrastructure and is accordingly expected to derive market competitive rates for the residential offerings.

Residential projects close to Al Haram- Price trend

	Completion Year	Distance (Km)	District	Units	Development	Price (SAR/Sqm)
Emaar Residence	2012	1.0	Al Haram	316	Abraj	61,717
Novotel Residence	2024	2.9	Thakher City	242	Thakher City	18,218
JO Residence-Address	2024	0.3	Ash Shubaikah	741	Jabal Omar	78,301
JO Residence	2018	0.3	Ash Shubaikah	193	Jabal Omar	104,636
Dyar Al Haram	2026	2.8	Al Rusayfah	2200	Masar	27,870
Dar Al Mashaer	2023	6.5	Al Jamiah	320	Dar Almashaer	19,350

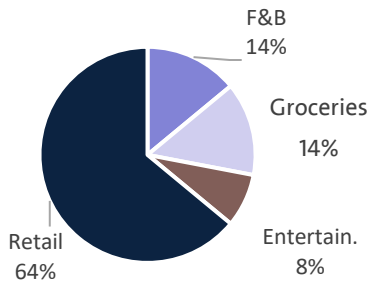
*Distance From Haram is based on Google Map, barring Dyar Al Haram Source: AC

Residential offerings in proximity to Al Haram-Price and distance relationship



Source: AC

Makkah retail offerings by use (2023)

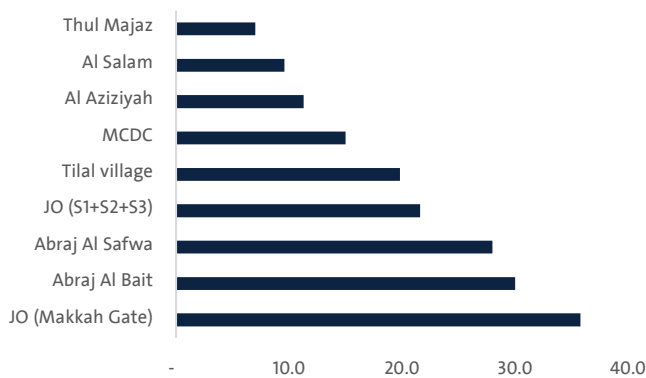


Source: Company Presentation, ACC

Makkah Opportunity-Retail

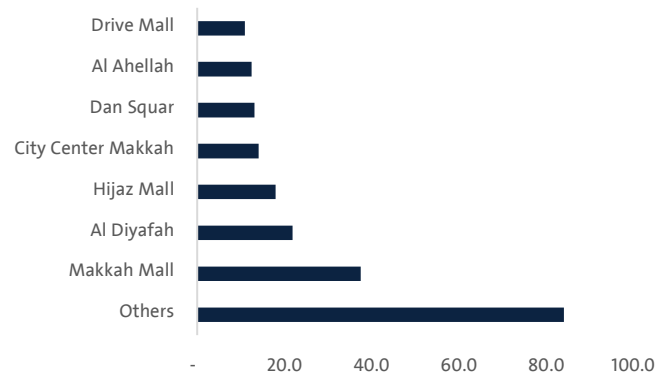
Like other real estate segments, the retail landscape in Makkah offers significant opportunities and is defined by healthy occupancy, relatively lower per capita GLA, and dominance of big players in the organized retail segment. The retail segment is also poised to benefit from the growing number of visitors and the expected increase in the retail expenditure over the medium term. Overall, the proximity to Haram defines the type of offerings by retail and the size of the unit. Visitor-focused retail units predominantly offer gifts, souvenirs, health & beauty products and accessories. The visitor-focused retail units tend to have a relatively small size. Conversely, resident-focused retail includes experience-oriented offerings besides dining and entertainment experiences. The size of the units varies according to the product/service offering.

Existing Supply : Organized retails (visitor-focused, GLA*)



*000 sqm Source: Company Presentation

Existing Supply:Organized retail (resident-focused, GLA*)

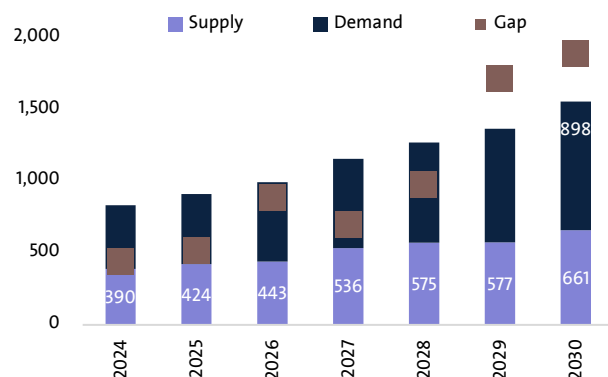


*000 sqm Source: Company Presentation

Current supply/demand dynamics

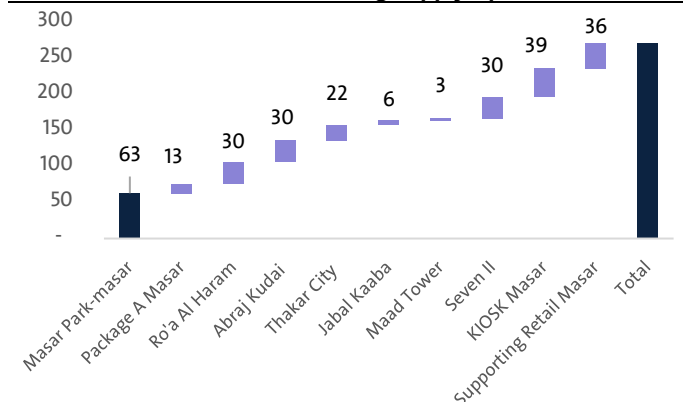
Makkah's organized retail supply is estimated at 390 ksqm. Existing supply includes 178K sqm of visitor-focused malls and 212K sqm of resident-focused malls. The total GLA is expected to undergo a CAGR of 7.8% by 2030 to 661K sqm, slightly higher than the cumulative growth of 7.1% in visitors and populations over the same period. This implies

Makkah's retail supply likely to see a persistent gap*...



*000 Sqm, Source: Company Presentation

...based on confirmed forthcoming supply up to 2030*



*000 Sqm, Source: Company Presentation

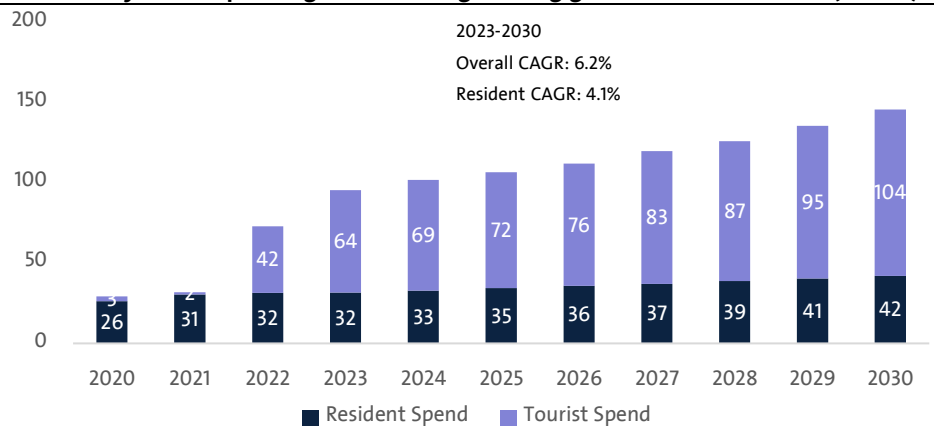
Makkah retail is also likely to benefit from healthy growth in retail expenditure with an estimated CAGR of 6.2% through to 2030

that GLA/capita is unlikely to see any significant jump despite big future supply additions. All in all, the supply deficit in retail offerings is likely to persist despite significant additions in the projected period. Interestingly, retail supply additions in Masar Destination are projected to account for over 56% of total supply additions in the city.

Retail expenditure is projected to grow by 6.2%

Besides encouraging supply-demand dynamics, Makkah retail is also likely to benefit from healthy growth in retail expenditure with an estimated CAGR of 6.2% through to 2030. This is underpinned by increased supply in high-quality hospitality and residential offerings, coupled with positive economic conditions. Interestingly, the expected growth in spending by visitors (7.2%) is likely to outpace growth in spending by residents (4.1% CAGR).

Makkah City-Retail spending set to undergo strong growth over 2023-2030 (SARbn)



Source: IPO Prospectus, Company Presentation

Retail Leasing Rate

With strong supply-demand dynamics, higher footfall, and healthy retail expenditure, the retail spaces close to the Haram area understandably command a healthy lease rate (weighted average rate >SAR10k/sqm) while at the same time maintaining an above-average occupancy rate. Masar, with its focus on quality offerings and huge catchment opportunities due to mobility, cultural and social experience, and future connectivity with Makkah Metro, may offer similar or better dynamics for project owners/operators, in our view.

Masar is rightly pursuing a diversified development strategy, in our view, given the scope and complexity involved

2-A diversified development strategy

Masar is rightly pursuing a diversified development strategy, in our view, given the scope and complexity involved in the development of a one-of-its kind project in the Kingdom with an estimated total development value SAR100bn. The Masar's development strategy allows the company to:

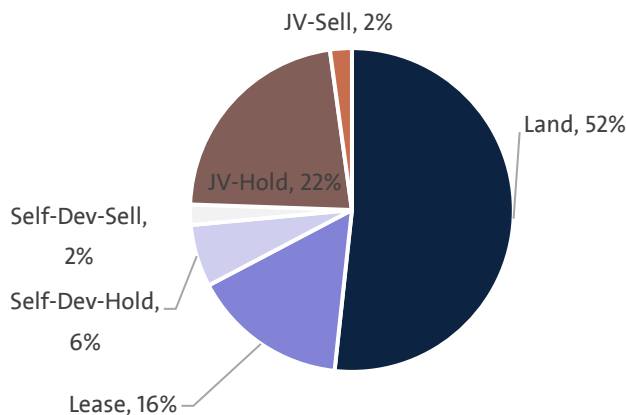
- Avoid shortcomings seen in mega projects of similar nature (management focus, execution risk, overstretched capital commitment)
- Lighten up capital requirements for the company
- Ensure participation from the domestic private sector and foreign investors, hence attracting a larger investor base
- Timely develop the project following successive delays due to COVID and other issues
- Retain direct or indirect ownership of a significant portion of project land under various development strategies (self- development, JV-supported development, and leasing)
- Target current and anticipated supply shortages in different real estate offerings across various price points
- Retain control of the overall destination by being the master developer and operator
- Benefit from ancillary sources of income, crucial to offset the overall operating cost of the destination, and add to the shareholders' return

Development strategy divided into three major verticals...

Masar's strategy broadly covers three verticals which are in turn divided into sub-verticals

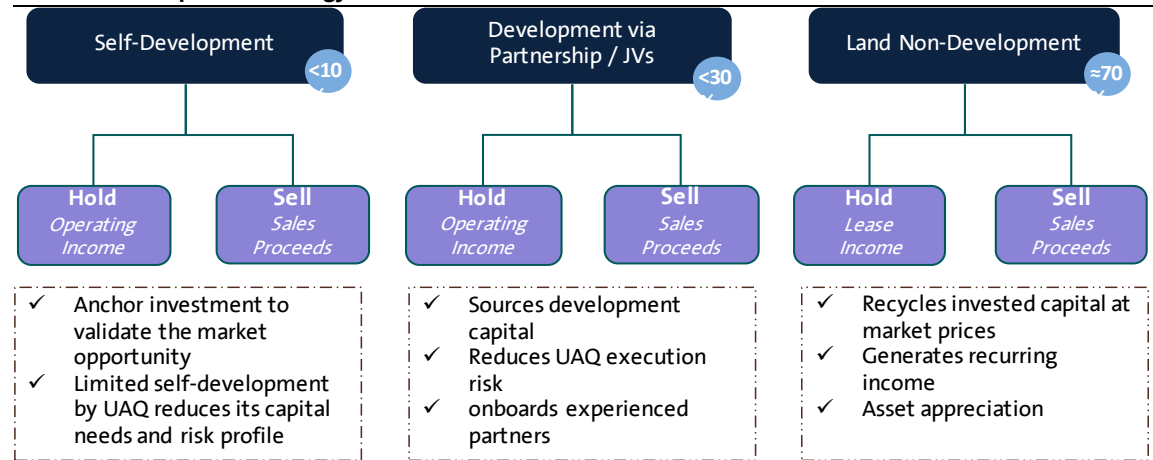
Masar's strategy broadly covers three verticals, which are in turn divided into sub-verticals. Overall, each vertical promises a steady source of income and provides opportunities for recycling capital for the development of assets and the return of capital to the shareholders.

Masar's Development Strategy- Breakdown of investment land



Source: MASAR, AC

Masar's development strategy relies on three verticals



Percentage of land plots

Source: AC, Company Presentation

Self-Development

This vertical is further subdivided into two sub-verticals, self-development & hold and self-development & sell and covers up to 8% of investment land. As part of this vertical, Masar has embarked on two development packages. Package A covers six plots for hospitality (two five-star hotels, and one four-star hotel), residential (Grade A) and retail offerings (two plots close to Al Haram in Zone I). Package B includes the development of a three-star hotel in Zone III. This vertical provides a steady source of income to Masar and an opportunity for capital redeployment.

Masar is playing the role of an anchor investor in Masar

# of Plots	Asset Type	Operator/Partner	Package	Units	Plot Size
1	Residential Apartments	Embassy Suites by Hilton	A	302	
2	Retail	Masar/Third Party	A		13,787
1	4 Star Hotel	Kempinski	A	392	2639
1	5 Star Hotel	Kempinski	A	382	3130
1	5 Star Hotel	Taj	A	358	3130
2	3 Star Hotel	Hilton Garden Inn	B	1560	7872

Source: IPO Prospectus

Development Via Partnership/Joint Ventures

Masar is targeting to enter strategic partnerships with sub-developers for multiple real estate offerings across three zones. The future partnerships will pursue either hold (hospitality) or sell strategy (primarily residential), depending on the type of offerings. Masar's contribution to the JV partnerships will likely be limited to the value of the land.

Masar aims to capitalize on the current and future market opportunities in Makkah for specific segments of real estate

This will allow Masar to limit its capital contribution while at the same time benefiting from the commercialization of land.

Non-Development Land

This includes the sale of developed land to sub-developers and leasing of land. Generally, Masar has allocated plots for the health and retail sectors in the leasing portion. Most leasing agreements incorporate a revenue-sharing model. The leasing of land under a long-term contract provides a steady source of income to Masar, while land sales allow the company to monetize its land bank and create opportunities for future capital redeployment.

....and promises to capitalize on the big market opportunity

Masar aims to capitalize on the current and future market opportunities in Makkah for specific segments of real estate via the three identified development strategies in Masar Destination. With the approved masterplan, the company has added essential components in the project to deliver a differentiated and holistic experience for residents and visitors alike. Overall, Masar targets to add over 50k units divided into;

- High-quality offerings for hotels and serviced apartments,
- Residential towers of Grades A and B,
- Retail in the shape of malls, supplementary retail and convenience,
- A tertiary level healthcare,
- Grade A commercial office space.

Overall, Masar aims to host +158k visitors once the destination is fully activated. The key highlights of the real estate offerings in Masar Destination are detailed below;

Masar Destination: Summary of real estate offerings					
	Serviced Apartment	Hospitality	Residential	Retail	Other
Represents of GFA	32%	31%	29%	6%	2%
Land Area (000'sqm)	184.8	168.5	189.4	85.0	13.2
Progress*	3%	16%	28%	80%	100%
Range of Offering	Grade A	5 star premium	Low * Mid * High Rise	Grade A	Healthcare;
	Grade A-	5 star, 4 star, 3 star	1 * 2 * 3 * 4 Bedrooms	Grade A-	Offices

*Based on # of plots in 1H2025 Source: IPO Prospectus, Tadawul Announcements, Company Presentation AC

Masar has already made significant progress on its execution of strategy in a short span of time

Strategy validation is already in place...

Masar has already made significant progress on its execution of strategy in a short span of time since the company started marketing the Masar Destination. Masar has either sold, leased, or assigned for self-development a total of 67 plots, representing 34% of a total of 205 investment plots in the master plan. The overall progress would increase to 41% Including the plots earmarked for the company's head office in Zone III and temporary retail in Zone II. A number of renowned developers and operators in the Kingdom have already taken exposure in the project, hence providing the much-needed validation to the company's multi-dimensional strategy.

Masar has already utilized ~27% 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: AC, MASAR

...with a solid pipeline of deals

Besides the already signed deals, Masar is also engaged with various developers and investors to finalize a number of deals. The progress on Zone III has picked up significantly, particularly for the land sale program. We estimate the company has already sold 80% of the available land bank in Zone III, 26% in Zone I (including land settlement) and ~24% in Zone II. The progress on Zone I has relatively lagged behind, which we expect to pick up pace in the near future. Zone II was opened for sale in 2H24 and Masar has achieved significant progress on land sale in a very short-period of time.

Masar has made significant progress on most of the challenging work on land acquisition and infrastructure

3-Masar: Stage set for unlocking of value

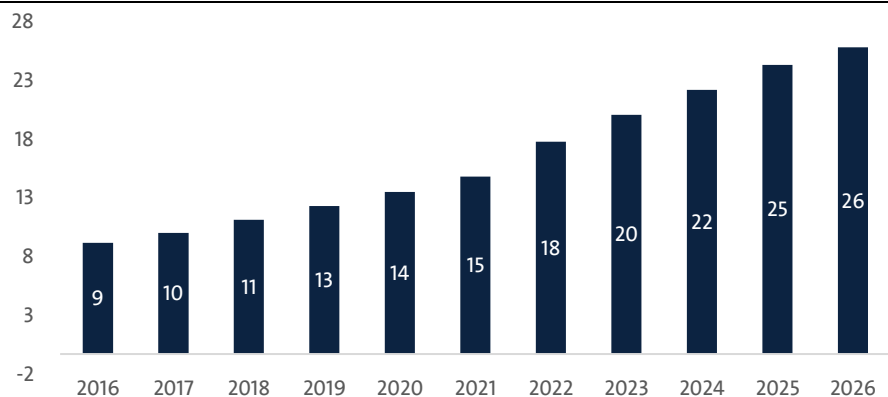
The development of Masar Destination has come a long way since its inception, whereby the company is ready for unlocking the value via execution of the company's development strategy. Masar has made significant progress on most of the challenging work on land acquisition and infrastructure and has already made related capital expenditures. Backed by the strong financial support from the sponsors, the company's balance sheet is robust with manageable leverage. Following a major milestone in the form of recording the first-ever profit year in 2023, we expect MASAR to start delivering positive cash flows from 2026.

Major capex already complete...

Since the start of the project, Masar has cumulatively made ~SAR24bn capex up to 2024. The two major uses of capex include; (i) capex for acquisition of land (~SAR10 bn), (ii) laying down infrastructure and soft Cost (cumulative ~SAR14bn). Masar has completed over 99% of major infrastructure work (+91% including infrastructure for ancillary services). Only a small amount is left for the compensation of land acquisition for which the company has already accounted for in its balance sheet. The future requirement beyond 2024 for capex is estimated at ~SAR5.4bn which includes two major areas:

- **Remaining capex on core infrastructure and ancillary infrastructure elements (Kiosk, Metro, Parking, ICT):** The total capex is estimated at SAR1.2bn which we believe is manageable.
- **Development capex for the self-construction projects under Package A & B-** Total estimated capex is SAR3.4 bn for the construction of hotel, residential project, and retail assets. Masar has arranged funding for future development through Alinma Fund I and Alinma Fund II totaling SAR6.5 bn

Masar- Capital expenditure trend (cumulative, SARbn)



Source: MASAR, AC Estimates

...with value unlocking on the horizon

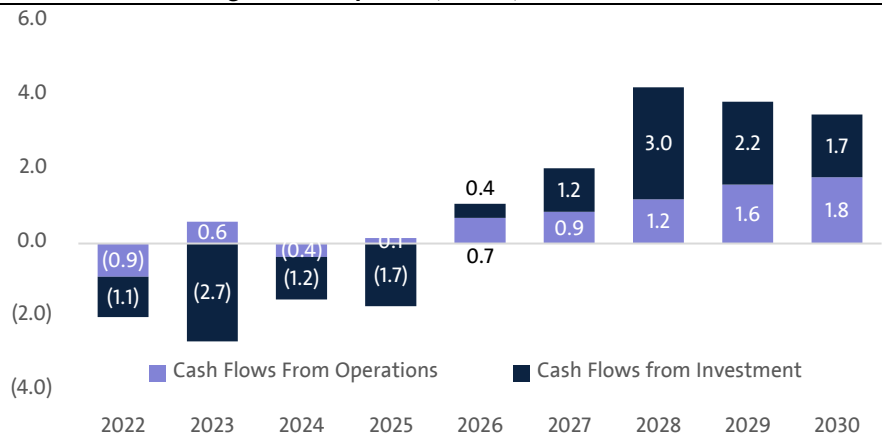
We expect Masar to start generating significant cash free on the back of expected progress on its development strategy and the start of hosting of residents and visitors in Masar Destination expected by 2026. In the short term, the expected capex and the extended credit terms offered in the land sale agreement will likely keep a lid on the

Beyond 2025, we are expecting FCF increase to a more sustainable range of SAR2.5-4bn over 2027-2030

company's free cash flows. The progress on land sales is crucial, though the complete cash flow impact from land sales is generally materialized with a delay due to installment payment terms offered to the buyers. With the significant increase in demand for land sale in 2025, Masar has tightened the credit terms for deal, which bodes well for FCF generation. Beyond 2025, we are expecting free cash flows to turn the corner and gradually increase to a more sustainable range of SAR3.5-4bn over 2027-2030.

Expected stability in the level of receivables related to land sales by 2026-2027, completion of self-development projects, and the start of ancillary revenues will likely contribute to free cash flow generation. FCF generation will allow the company to opt for deleveraging of the balance sheet, make dividend payments, or recycle capex for other self-development projects within the destination. Finalization of JV may further increase cash flow generation capacity of the company once the projects are brought online. We expect JV projects to start contributing to cash flows post 2030 due to the current status of JV strategy and the construction and stabilization time required for the future projects.

Masar-Free Cash Flow* generation profile (SARbn)



CFO-CFI- Payment of financing cost & other small adjustment Source: AC Estimates

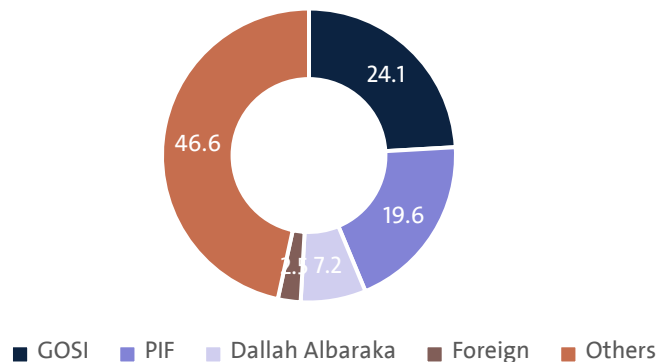
A strong backing from sponsors has provided much-needed financial support and stability over the years

4-Strong & committed sponsors

Masar boasts strong and committed sponsors among its key shareholders with significant financial resources and unwavering commitment to the success of the project despite multiple challenges and delays. A strong backing from sponsors has provided much-needed financial support and stability over the years and played a pivotal role for the execution of a one-of-a-kind development project in the Kingdom (please refer to the graph below on evolution of Masar's capital). The company's significant ownership directly or indirectly rests with the government institutions. Some of the major private sector real estate developers in Makkah also own a significant portion of the company's shareholding.

Masar's key shareholders-General Organization of Social Insurance, Public Investment Fund and Dallah Albaraka Group, cumulatively account for majority of shares in the company. The other shareholders include small investors from private and public sector institutions and individual investors.

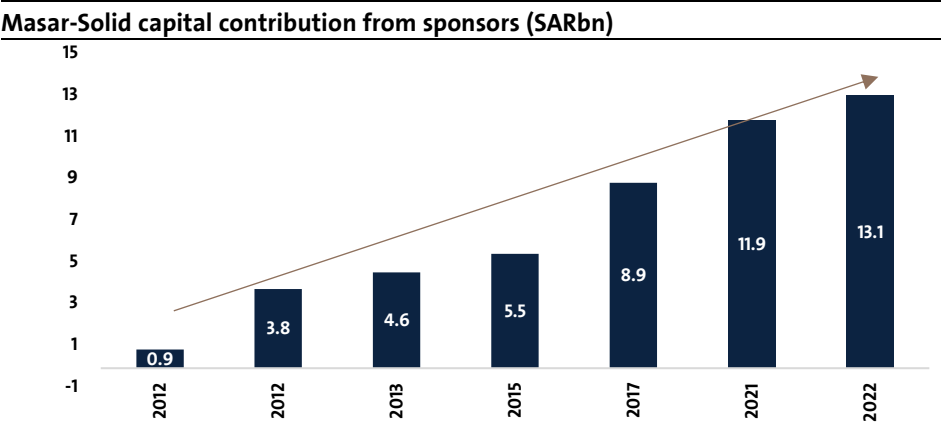
Masar-Shareholding summary



Source: Tadawul

Significant capital injection by sponsors since inception

Since its inception in 2012, MASAR has undergone multiple rounds of capital injection via contribution from existing shareholders and addition of new shareholders (in the form of cash or in-kind contribution). MASAR has cumulatively raised SAR13.1bn capital, bulk of which is believed to be in the form of cash. Significant capital injections clearly demonstrate sponsors' trust in the opportunity afforded by Masar Destination and the execution capacity of the management.



Source: AC, Masar

5-Key areas of upside and downside risk

Four Key Upside Risks

We believe Masar is a strong candidate for inclusion in MSCI EM Index and FTSE-Russel indices in the upcoming reviews

We see four major events that can temporarily lead to near-term excitement in stock price and possibly lead to earnings upside.

Inclusion of the stock in MSCI EM Index and changes in regulation for Foreign Ownership Limit

We believe Masar is a strong candidate for inclusion in MSCI EM Index and FTSE-Russel indices in the upcoming reviews, as the stock meets all the quantitative requirements set by the index providers. The stock's market cap and Free float cap of USD9.3bn/USD4.2bn are comfortably above the minimum threshold. The stock also meets the minimum listing history of six months. Upon potential inclusion, Masar is likely to have a 0.04% weight in the MSCI EM Index. Based on current regulation on Foreign Ownership Limit (FOL) and estimated size of AUM tracking EM of USD330bn, Masar can attract up to USD135mn passive inflows from the indexed fund. The fresh demand of shares can be a source of upside risk to stock price, in our view. In the past seven months, foreigners have accumulated a 2.5% stake in the stock.

The proposed change in FOL, currently under consultation phase, is unlikely to have a direct impact on Masar's potential weight, given the stock's current Free Float of 45%. However, the stock price may benefit from market excitement surrounding the event.

Buyers' response to regulation related to foreign ownership of real estate in the holy cities

The regulation will create a new source of demand for the real estate offerings in Masar

The authorities have recently announced liberalization of regulation relating to ownership of real estate by residents and non-residents. The rules governing the new regulation (cities, ownership type, etc) are expected to be announced soon ahead of implementation the deadline of new regulation in Jan-26. The regulation will create a new source of demand for the real estate offerings in Masar and potentially lead to upside risk to land prices and future sale prices for residential units by either Masar or its joint ventures.

Activation of the destination (expected in 1Q26)

We believe Masar Destination is likely to be activated by early 2026

We believe Masar Destination is likely to be activated by early 2026. The company has almost completed the infrastructure development and other offerings (mobility, communication etc). The Boulevard within the destination is ready to host the visitors. Construction on the self-development projects is progressing and is expected to be completed by 2027. The activation of Masar Destination, the first major real estate project, will likely attract media and public attention and which may result in positive impact on stock price.

Expected strong 3Q25 earnings

We expect Masar to deliver a strong set of earnings in 3Q25 on the back of

We expect Masar to deliver a strong set of earnings in 3Q25 on the back of significant land sale deals during the period. As per available details, Masar has signed deals for over 29k square meters of land in 3Q25, in addition to deals signed under reservation agreements. We estimate the company can book upto SAR1.3bn of revenues and SAR499mn of net income in 3Q25, up 92% and 110% YoY respectively.

Four Major Downside Risks

The following are key downside risks to the investment case for Masar;

I-Project concentration risk

The sizeable geographic concentration of the assets being exposed to MASAR to an outsized impact on business activity and financial health or its strategic partners

Masar, largely aims to cater to visitors and pilgrims to the Holy Mosque for the purpose of Umrah and Hajj. The future business activities in Masar will face both significant concentration risk and the seasonality associated with the arrivals of visitors. The sizeable geographic concentration of the assets exposes Masar to an outsized impact on business activity and financial health of the company or its strategic partners due to potential deterioration in economic, regulatory, weather, and epidemiological conditions either in Makkah, the Kingdom or the countries, that are the source of significant number of pilgrims visiting the Haram.

II-Risks associated with project development

In terms of scale, Masar is one of the largest real estate development projects in the Kingdom. Like any other real estate project, Masar is exposed to the risk of time and cost overruns, as well as risk related to the execution of development plans as per the approved Master Plan for the project and conditions relating to the arrangement of financing and/or cost of financing for the execution of the projects by either Masar or its strategic partners.

III-Risk relating to significant reliance on strategic partners & third parties

24% of project land is expected to be developed through partnerships with joint ventures

The development plan of Masar envisages significant participation by the private sector either as an independent player or strategic partners of Masar. 24% of project land is expected to be developed through partnerships with joint ventures. The scale of development of the projects exposes Masar to significant reliance on strategic partners. Insufficient participation by strategic partners, financial health, or execution risks related to envisaged JV projects may pose challenges for the full development of the destination and the anticipated business activities.

IV-Widening of scope of rent-freeze regulation in other cities

The Real Estate General Authority (REGA) have recently introduced regulations governing the relationship between the landed and tenants for commercial and residential real estate. As part of new regulations, authorities have announced a freeze on rents for five years effective Sep-2025 for real estate within the borders of Riyadh. REGA has unveiled its plans to conduct studies for widening of the scope of new regulations to other cities. The potential change in regulation may lead to a negative impact on Masar's future estimates due to lower rental/lease income on commercial offerings within the destination to be operated by either Masar or JV partner or lower land prices.

We have valued Masar on DCF-based SOTP valuation method and have arrived at a valuation of SAR24.5/sh.

Valuation

We have valued Umm Al Qura for Development & Construction Company (Masar) on DCF-based SOTP valuation and arrived at valuation of SAR24.5). We have set our Target Price of the stock based on the SOTP valuation which implies <1% upside. The valuation method is selected due to industry dynamics, general valuation methods used for similar companies listed on Tadawul, the current status of the development of land in Masar, and the future outlook.

The WACC for the DCF approach is calculated at 7.4% based on Cost of Equity of 8.6% and Cost of Debt of 6.0%. The Cost of Equity assumptions include risk-free rate of 4.5%, a market risk premium of 5% and an adjusted beta of 0.82 (based on the daily beta of the companies in the peer group for a period of three years or since listing).

Masar-WACC Calculation	
Risk Free rate	4.5%
Market Risk Premium	5%
Adjusted Beta (x)	0.82
Cost of Equity	8.6%
Share of Equity	55%
Cost of Debt	6.0%
WACC	7.4%

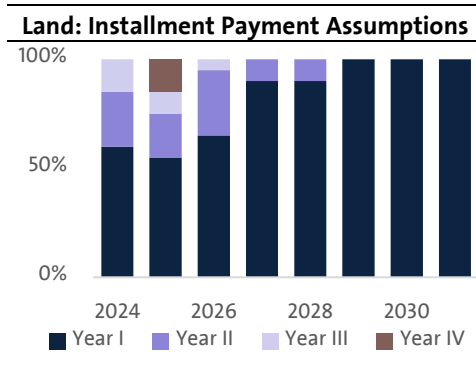
Source: AC

SOTP Valuation

We have used SOTP valuation to better model the various components of company's future cash flows

We have used SOTP valuation to better model the various components of the company's future cash flows from the execution of the company's development strategy. The SOTP method allows us the flexibility to use separate assumptions and valuation methods suitable for each vertical. The Appendices I-A provide a detailed overview of expected execution of development strategy. We discuss each valuation component and relevant assumptions below

Land Sale: We have simply used the discounted value of future cash flows from land sale for this component. We have assumed a 3-year instalment plan for the materialization of the complete sale value for land deals over 2025-2026, two-year instalment plan over 2027-2028 and 100% cash collection upon signing off deals thereafter. This is broadly In-line with the history of similar deals signed by the company and the expected improvement of terms in land sale in future. The valuation of land sale, the biggest component of company's development plan, is sensitive to assumptions on average prices, timing, sales mix, and instalment assumptions. We have assumed average land sale of 33k sqm given the progress in 9M2025 and the current pipeline of deals.



Source: AC

The terminal year for each strategy varies according to completion of future projects and stabilization of earnings

The cost of the land is derived from the current value of land, capital work in progress on infrastructure, soft cost, and future capex. We estimate average cost/sqm for Zone I, Zone II and Zone III of SAR62k, SAR34k and SAR19.5k respectively. Masar is expected to have an average gross margin of 45% on land sale given our assumptions for the average price of land sale and estimated average cost of land. It is worthwhile to note the gross margins are expected to increase in future years as the cost of land is fixed while the price of land is expected to undergo 2-3% inflation.

Leasing: The value of the leasing component is primarily the discounted value of future annual leasing revenues. Most of the leasing agreements carry a revenue-sharing arrangement between the company and the lessees. We have conservatively ignored the revenue sharing component from the future leasing revenues.

Self-Development: We have made individual cash flows estimates for assets under self-development (either hold or sell strategy) based on future offerings (hospitality, retail, serviced apartments, or residential buildings). Masar is currently building the company's headquarters on ~9k sqm of investment land located in Zone III. The management plans to vacate the future property and build residential units post-2034 under its Self-Develop and Sell strategy. We have assumed the fair value of the land based on the average prices given uncertainty on timing and the current drawn-out timeline for the future project.

JV (Hold & Sale): We have modelled the future projects and respective offerings to make projections of future cash flows. Masar targets to have 35-55% ownership in future JVs depending on the value and location of the land in Masar. The value of the land and expected capex on the real estate project will likely determine Masar's ownership in future JVs.

Two-stage FCF method used

We have used a two-stage Free Cash Flow to Firm method for assets under lease, self-development & hold and JV-hold strategies. The terminal year for each strategy varies according to completion of future projects and stabilization of earnings and cash flows. For land sale, Self-Development-Sell and JV-Sell strategies, we have discounted all projected cash flows to estimate the value. For the cost elements (Selling, Distribution, taxes/Zakat Etc.), we have used 2032 as the terminal year. All the future cash flows have been discounted to the valuation date. We have calculated the enterprise value by adding the value of all components and subtracting the impact of operating and tax costs. We have deducted the company's net debt from EV to arrive at Masar's equity value.

Terminal Year Assumption for Various Components of		
Valuation Component	Terminal Year	ACC Comment
Land	NA	All future cash flows considered
Lease	2029	Stabilization in leasing revenues
Self-Development-Hold	2031	Expected stability in occupancy
Self-Development-Sell	NA	All future cash flows considered, secondary retail (2030)
JV-Sell	NA	All future cash flows considered, secondary retail (2030)
JV-Hold	2040	Completion of JV projects
Selling & Distrib. G&A and Others	2032	Optimization of different sources of income
Ancillary Revenues	2032	Optimization of different sources of ancillary revenues

Source: AC

Masar-Valuation (SARmn)	
Land	19,635
Lease	3,785
Self-Develop. Hold	6,424
Self-Develop. Sell	1,570
JV	11,800
Ancillary	5,923
Selling, Distribution, G&A & Others	(5,088)
EV	44,049
Debt (2024 E)	(9,990)
Cash (2024 E)	836
Net Value for Equity Shareholders	34,895

Source: AC

Sensitivity analysis on terminal growth and WACC

We have calculated Masar's valuation sensitivity on WACC and terminal growth. Based on our calculation, we estimate every 25bps change in WACC would result in ~5.0% change in valuation, while every 25bps change in terminal growth would account for ~3.6% movement in valuation, respectively. It is pertinent to note over 60% of EV value (land sale, lease, Self-Developed and Sale and JV and Sale) is not subject to changes in terminal value, hence Masar's valuation shows limited sensitivity to changes in terminal growth rate.

We have calculated Masar's valuation sensitivity on WACC and terminal growth

Market Cap to Book Value is our preferred relative valuation method for Masar

2-Relative Valuation

We have limited ourselves to the available sample of listed real estate companies on Tadawul. The market dynamics, regulations and economic conditions meaningfully vary across regimes and render cross-country comparison less meaningful for real estate companies, in our view. Due to this reason, we have opted not to compare Masar with other listed peers in the emerging markets.

We have relied on a sample of 10 real estate companies primarily listed on Tadawul's main index TASI to compare Masar's valuation with its peers'. Masar's is a one-of-a-kind asset in terms of location, project scope and real estate exposure.

MCDC, Taiba Investment, and Jabal Omar are the three closest peers with significant assets catering to the religious tourism in the Kingdom. However, the three companies are in different stages of growth.

MCDC operates single income-generating real estate though the company is making efforts to diversify its income base. Taiba has embarked on a significant expansion phase following its merger with another TASI-listed company, primarily focused on hospitality. Jabal Omar looks to strengthen its financial position following a significant financial restructuring and commissioning of new hospitality assets.

KEC is another TASI-listed master developer catering to religious tourism. However, the company differs in terms of size, complexity, and offerings and as such have yet to establish earnings and/or payout history.

We make the following observations on Masar's relative valuation vis a vis selected listed peers.

- Masar's P/E of 34x/20x are at significant premium of 59% and 30% relative to its peers on 2025 and 2026 earnings. However, we hasten to highlight Masar trades at 14% discount to listed peers with significant exposure to religious tourism 2026E earnings.
- Masar's EV/EBITDA for 2025 and 2026 is at estimated 108/34% premium to its listed peers. However, the premium turns to significant discount of 15%% and 37% respectively in case we consider EBITDA adjusted for the non-cash cost of land sale. Relative to peers with significant exposure to religious tourism, Masar trades at -22% discount on 2026E unadjusted EBITDA.
- Masar's P/BV of 2.1x is at 49% and 22% premium relative to the two groups. Unlike its other peers, Masar has a limited history of profitability given the long time required to transform the area earmarked for the Masar Destination in 2013 from decrepit properties to its current status.
- Masar is yet to come up with a dividend policy. We believe the company will only start paying dividends upon operationalization of its self-developed assets by 2027-2028. Masar is likely to channel future proceeds from land sale for meeting the capex requirement of self-development projects and deleveraging the balance sheet.

MCDC, Taiba Investment and Jabal Omar are the closest peers with significant assets catering to the religious tourism in the Kingdom

Masar-Relative Valuation

Stock name	Country	Market	Price	P/E		P/BV	D/Y		EV/EBITDA		ROE	ROA
		USDmn	Local	2025E	2026E	2025E	2025E	2026E	2025E	2026E	2025E	2025E
Jabal Omar	KSA	5835	18.7			1.5						
Taiba Investments	KSA	2832	40.8	23	21	1.5	1.8%	1.8%	19.4	19.4	7%	5%
Makkah	KSA	4676	73.5	29.1	25.6	3.7	2.6%	2.9%	28.7	77.8	10%	9%
KEC	KSA	1118	12.3			1.4						
Mean- Religious				25.9	23.1	1.7	2%	2%	23	31	8%	7%
Saudi Real Estate	KSA	1520	15.2	16		1.0			11.5	11.8	6%	7%
Retal	KSA	1571	11.7	18	12	6.4	3.0%	3.0%	16.6	16.2	36%	7%
Dar Alarkan	KSA	5394	19.0	20	18	0.9			16.9	23.6	5%	4%
Al-Andalus Property	KSA	496	20.1			1.7	1.5%	1.5%	23.6	15.1		4%
Arriyad Dvelop.	KSA	1821	29.5	1119	20	1.7	1.9%	1.9%	25.1	11.4	5%	3%
Cenomi Centers	KSA	2858	22.2	11	7	0.7	6.3%	6.3%	15.2	15.9	6%	6%
Mean-All				21.3	15.5	1.4	2.7%	2.8%	18.6	17.9	7%	5%
Masar	KSA	9284	24.2	34	20	2.1	0.0%	0.0%	38.6	24.1	6%	3%

Source: Bloomberg, AC Estimates

Masar-SWOT Analysis

Strengths

- Diversified development strategy, ~40% of investment land/plot already occupied/leased or allocated for self-development, laying the foundation for Masar destination to come to life
- Masar aims to provide a unique experience to visitors and residents with focus on mobility, public service, health, and other social services
- Masar has made substantial progress on laying down a state-of-the-art, digitally integrated infrastructure
- A robust financial position with manageable leverage and available funds for major self-development projects
- Strong & committed sponsors having contributed over SAR13bn for the project
- Support from the authorities in execution of the company's plan as Masar is one of the major projects for materialization of Vision 2030 targets for the religious tourism

Opportunities

- Favorable economic conditions, defined by robust economic growth, particularly in the non-oil sector, growing foreign and local investment, and significant revenue diversification
- Exposure to significant market opportunity directly aligned with the Vision 2030 goals and the religious tourism targets
- Progress on regulation to allow non-Saudis to own land in the holy cities which can open up interest from a sizeable investor class of high net-worth individuals from outside the Kingdom
- Easing visa regulation and processes for both Hajj and Umrah
- Growing population, both citizens and residents, with later driven by economic activity and government initiatives, will likely translate into more visitors to Al Haram

Weakness

- Cash Flows materialization is stretched given the nature of the business and terms offered to sub-developers/investors. From a valuation point of view, this entails higher sensitivity of the company's future cash and valuation form any change in assumption for WACC calculation.
- Masar is a holistic project with multiple verticals for the execution of the company's strategy. All the parts (hospitality, residential apartments, retail, mobility etc) have to come into play at once for the materialization of the full potential of the destination.
- Currently, Masar's location is surrounded by very old and nearly decrepit properties on both sides. MASAR has already built solid boundaries to separate the destination. Furthermore, the company plans to cover the view on both sides.

Threats

- Concentration risk as MASAR's assets are located at only one geographic location and have exposure to only religious tourism theme
- Potential future claims by the service providers
- Competition among key developers in the area may result in either delays in execution of company's strategy or lower-than-expected price for land sale, lease rate and hospitality earnings
- Future legal challenges on land appropriation cannot be ruled out. Furthermore, the company will bear any cost in connection with a lawsuit against Makkah Region Development Authority (MRDA) and the Royal Commission for Makkah City and Holy Sites (RCMC) in connection with the acquisition of land by the company in Masar.

Source: AC

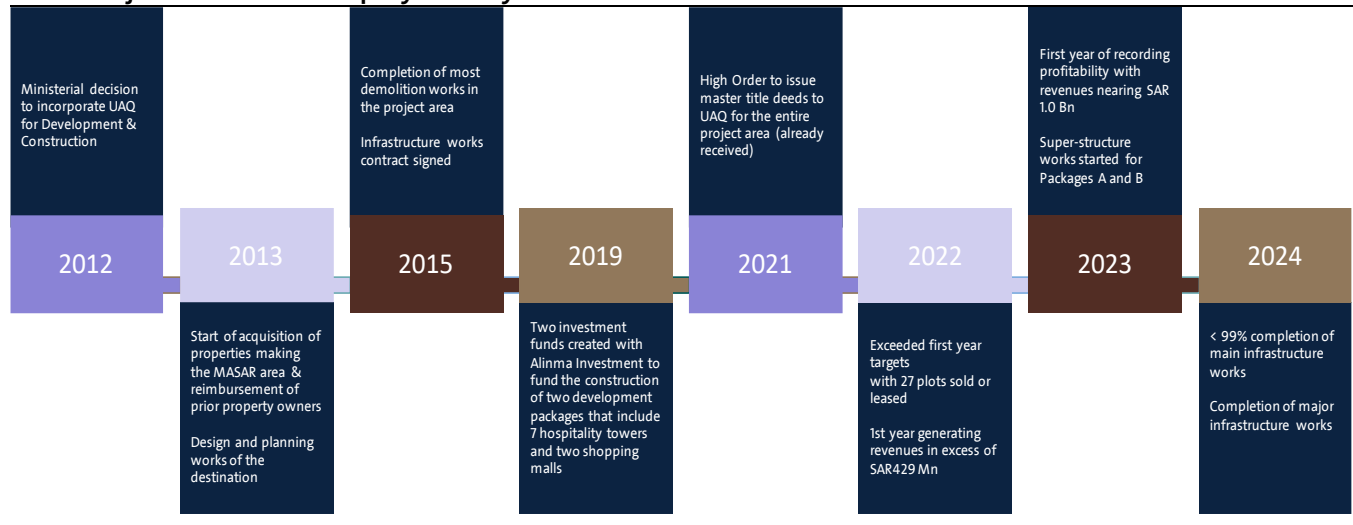
Overview of the Company

About the Company

Masar aims to completely reshape the area surrounding the Haram Mosque in Makkah under the project

Established in 2012 by a high order, Umm Al Qura For Development & Construction Company (Masar) aims to completely reshape the area surrounding the Haram Mosque in Makkah under the project, Masar Destination (Masar or Project), a ~SAR100bn real estate development project. Masar has very strong sponsors among its key shareholders. The company is guided by a diversified board of directors, comprising prominent figures from real estate, banks, financial institutions other industries. MASAR has put up a team of seasoned professionals to deliver on its objectives.

Masar: Major events in the company's history



Source: Company Reports

Masar is one of the largest development projects in Makkah with a site area exceeding 1.25mn sqm

Masar-One-of-a-kind project

Masar is one of the largest development projects located at the western approach of Makkah with a site area exceeding 1.25mn sqm. The project is nestled between the intersection of the Third Ring Road and Prince Mohammed Bin Salman Road (formerly Umm Alqura Road) all the way to First Ring Road, facing Al Haram's King Fahad Gate. Masar was carved out via land deals of over 3600 properties from previous owners pursuant to a high order. The project has come a long way since its conception back in 2012.

- I. The property acquisition, demolition, levelling, and compensation for land are almost complete.
- II. The ownership deeds of the project land have been combined into four master deeds
- III. The masterplan for the development of Masar Destination was approved by the Royal Commission of Makkah and Holy Sites.
- IV. 99% of infrastructure work with the main contractors is already complete
The breakdown of total site area as per masterplan is given below.
- V. Out of the total site area of 1.25mn sqm, 690k sqm is allocated for development plots, making up 222 land plots, out of which 205 plots over

641k sqm are held for investment plots and the remaining plots are reserved for public services



Source: Company Reports

Masar-An attractive addition to the listed real estate universe

Based on offered price, Masar will have a total market cap of SAR35bn (USD9.3bn) and free float market cap of SAR16bn (USD4.2bn)

Based on its market cap of SAR35bn (USD9.3bn) and free float market cap of SAR16bn (USD4.2bn), Masar the largest listed real estate development company with index weight of ~0.75% Masar currently have a free float market cap above the current minimum threshold set by MSCI Inc, a global index provider. Given the recent changes in regulation for the foreign ownership of publicly listed real estate companies with assets in the two holy cities, and its free float market cap, Masar will likely be included in the MSCI EM Index, in our view.

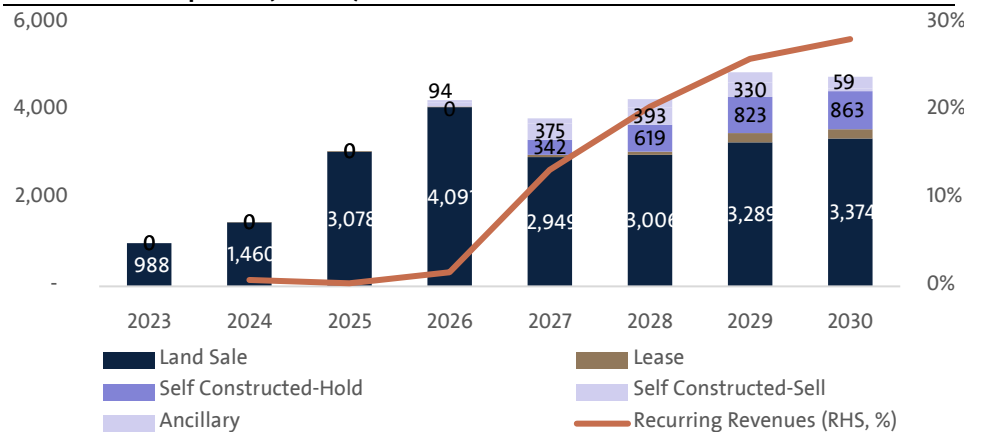
Financial Analysis

22% revenue CAGR through to 2030

Masar is likely to remain dependent on the sale of land for the next two years for generating revenues, in our view

Masar is likely to remain dependent on the sale of land for the next two years for generating revenues, in our view. The company has started booking leasing revenues on a deal signed last year. However, the majority of lease revenues relating to healthcare (Fakeeh Hospital) and retail (the largest mall in Makkah to be developed by Hamat) and other agreements will start flowing from 2027-2028 due to revenue-sharing components attached to the leasing agreements. All in all, we expect Masar's revenues to undergo a CAGR of 22% over 2024-20230.

Masar- Revenue profile (SARmn)



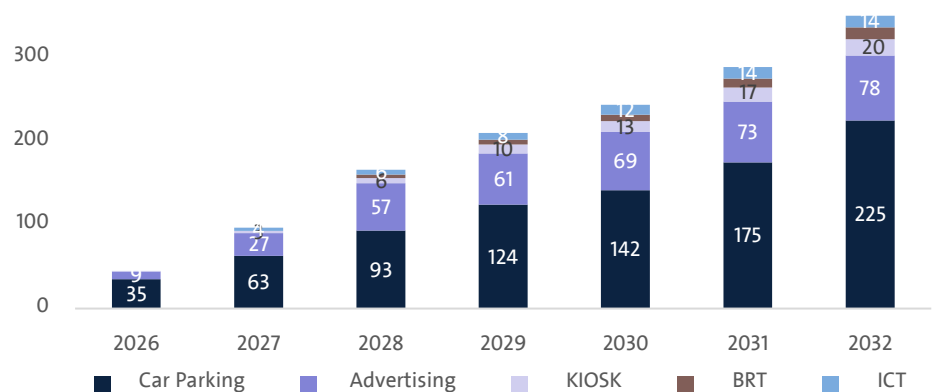
Source: AC

Masar-Recurring revenues

The recurring revenues will likely account for 32% of total revenue by 2030

The recurring revenues (self-constructed & hold assets, leasing, and ancillary services in the destination) will likely account for 28% of total revenue by 2030 and ~33% of gross profits. We expect optimization of ancillary revenues from advertisement, KIOSKS, parking, Metro to materialize in 2031-2032 once major components of the destination (self-constructed, leasing, projects by strategic partners) are delivered and optimized.

Masar-Car Parking and Advert. are the two major sources of ancillary revenues (SARmn)



Source: AC

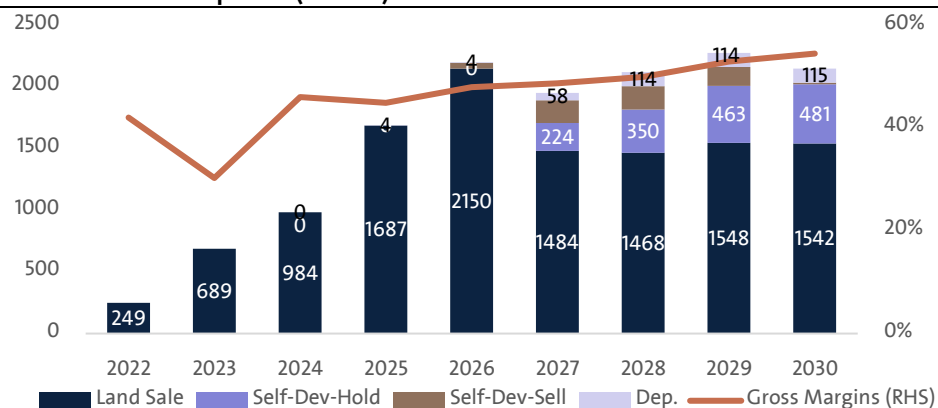
Company's gross margins will likely range 40-48% during 2024-2030

Parking Fee and advertisement are expected to be two major contributors to the ancillary revenues with estimated share of 64% and 22% respectively by 2032.

Cost of Revenues

Masar's cost of revenues will likely comprise the cost of land (largely non-cash item), cost of developed assets for self-constructed and sell strategy, and revenue cost for self-constructed-hold assets (primarily for hospitality assets). We have assumed net revenue for the parking segment. MASAR is unlikely to incur any cost for advertisement and kiosks given the nature of current and future agreements. We estimate MASAR's cost of revenues to grow from SAR1bn in 2023 to SAR2,2bn by 2030. Company's gross margins will likely range 46-53% during the same period and will likely be a function of sale mix for land sale, gross margin on other real estate offerings (sale of residential units, hospitality offerings) and the contribution from ancillary revenues.

Masar-Cost of sales profile (SARmn)



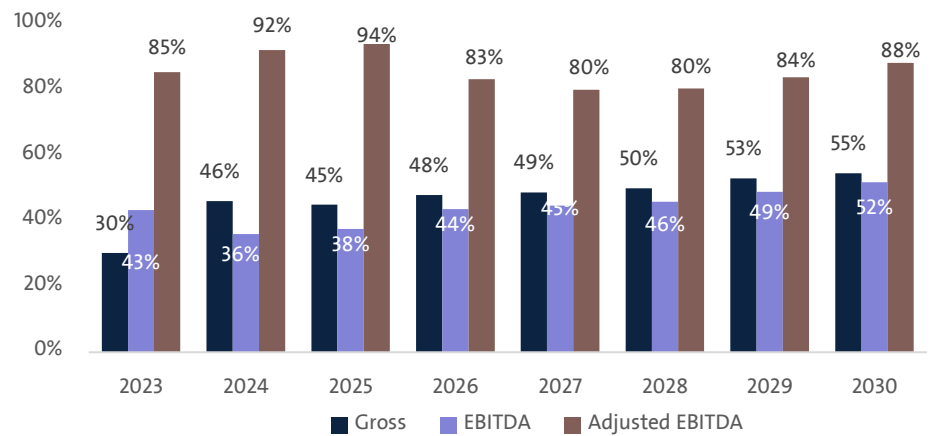
Source: AC

Margins Trends

Masar's adjusted EBITDA margins are likely to hover close to the 90% mark on a consistent basis until 2030

Masar's gross margins are likely to be a function of (i) the margin on the self-development assets, (ii) ancillary revenues and (iii) margins on the land sale. MASAR's gross margins are unlikely to be impacted by the mix of land sale in different zone as the land development cost is apportioned based on the value of land. We estimate gross margins of the company to gradually pick up from an estimated 39-42% range in 2024-2026 to 52% by 2030. The company's EBITDA margins will likely stay close to gross margins, as JV are expected to start making a meaningful contribution to company's earnings from 2031-2032, in our view. It is pertinent to highlight that the cost of land sale is largely non-cash in nature and hence requires adjustment for a meaningful insight into EBITDA margin. Adjusted with the cost of sales, Masar's EBITDA margins are likely to hover in the range of 80-90% mark on a consistent basis.

MASAR: Trends in margins (%)



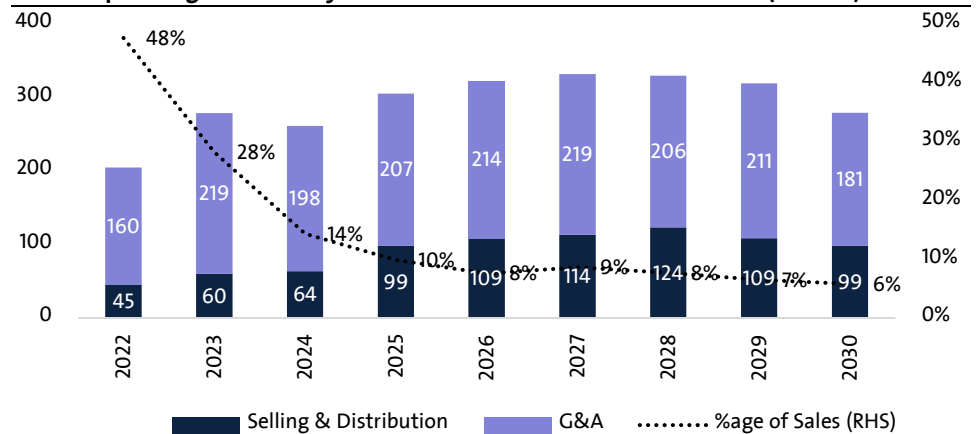
Source: AC estimates

Operating Cost

Masar's selling expenses as a percentage of revenue are likely to remain in the range of 2-3% over 2025-2030.

Masar's selling expenses as a percentage of revenue are likely to remain in the range of 2-3% over 2025-2030. The promotion cost is likely to ramp up over the medium term as Masar prepares the ground for formal activation of Masar Destination. Litigation and consultancy charges make up more than 50% of G&A expenses in 2023. We have assumed consultancy charges to remain elevated in the medium term. For litigation costs, we have assumed additional provisioning of SAR80mn spread over the next four years. All in all, Masar's operating cost (Selling & Distribution & G&A) is likely to trend down from a high of 14% in 2024 to 6% range by 2030.

Masar-Operating cost is likely to trend down over the medium term (SARmn)



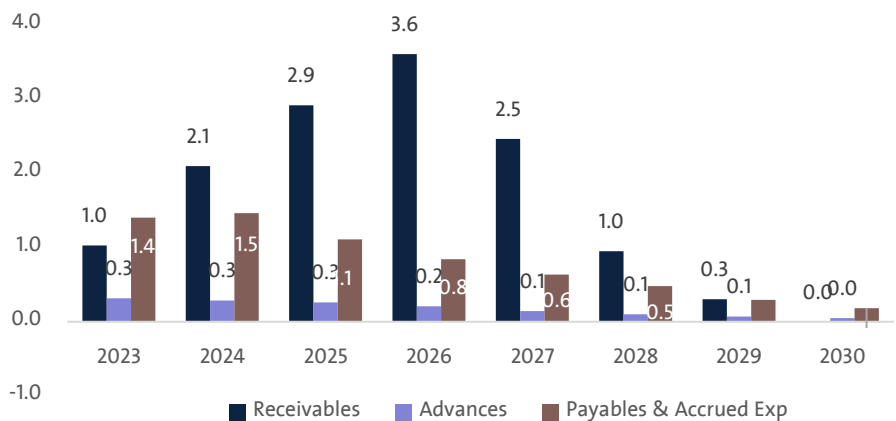
Source: AC

Masar's working financing is likely to mirror the trends in revenues from land sales and terms offered to future buyers

Working capital financing

Masar's working financing is likely to mirror the trends in revenues from land sales and terms offered to future buyers for the payments of land sale value. We have assumed a 3-year instalment plan for the materialization of the complete sale value for land deals in over 2025-2026, two-year instalment plan over 2027-2028 and 100% cash collection upon signing of deals thereafter. This is broadly In-line with the history of similar deals signed by the company and the expected improvement of terms for land sale in future. Based on expected trends in land sale and terms for instalment payment, we expect Masar's working capital/receivables to peak by 2025 and make a gradual descend thereafter. This will likely provide a significant relief to Masar on its working capital financing and overall liquidity.

MASAR-Working Capital Requirements likely to drop over the medium term (SARbn)



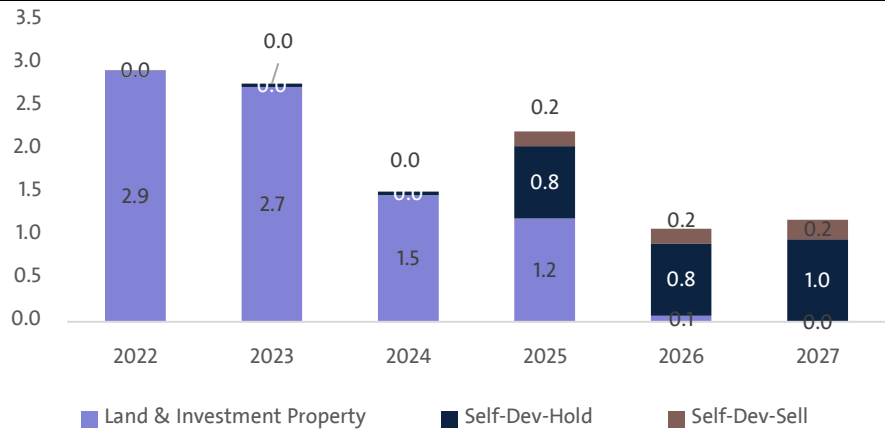
Source: AC Estimates

Masar has completed over 99% of major infrastructure work (+91% including infrastructure for ancillary services)

CAPEX- Major portion is already complete

Masar has completed over 99% of major infrastructure work, suggesting the limited need for future capex on infrastructure development beyond 2025. However, construction of projects under self-development strategy is continuing and expected to be completed by 2027. Total remaining capex is estimated at SAR5.0bn over the medium term. Given Masar's unique strategy for land development that emphasizes participation from other strategic partners under JV structure and the company's plans to sell over 50% of investment land, the future project capex and recurring capex requirements are likely to be limited, in our view.

Masar: Future capex largely directed towards self-development projects (SARbn)



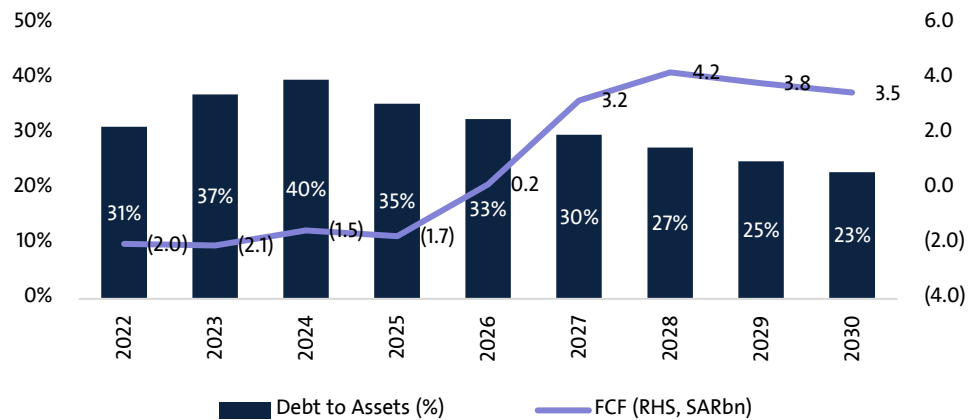
Source: MASAR. AC estimates

Debt-to-asset ratio

Masar's debt-to-asset ratio is likely to trend down 40% in 2024 to 30% by 2027

Masar's debt-to-asset ratio is likely to drop from 40% in 2024 to 30% by 2027 in line with the progress in land sale, and the expected trend in capex for infrastructure and self-construction projects. Existing terms of debt entail debt repayment of SAR4.1bn due in the next two years. Given the expected trend in cash flow from operation over the medium term, Masar is likely to meet the capex requirement from its internal cashflows and possibly de-lever the balance sheet. During 1H25, Masar has reduced its debt by 8% compared to levels in Dec-2024 given the proceeds from public offering and land sale.

Masar: Debt to Assets is likely to pick up before gradually sliding down



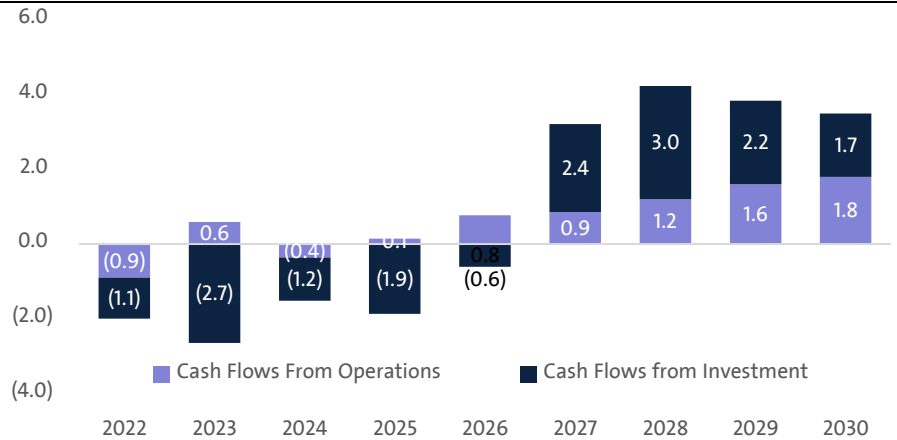
Source: Masar, AC estimates

Beyond 2027, we are expecting free cash flows to turn the corner and gradually increase to a more sustainable range

Free Cash Flow-Post activation of destination likely to ramp-up

Masdar capacity to generate free cash flows will likely be impacted by concurrent needs for capex for self-developed projects until 2025 and build-up in receivables on the back of pickup in land sales. A significant acceleration in land sale in 2025 and materialization of full proceeds will likely turn Masdar's free cash flows to positive in 2026 and gradually increase to a more sustainable range of SAR3.5-4bn over 2027-2030. We believe MASAR's future FCF will likely be sufficient to pay down its debt post-activation of the destination and start distributing dividends to its shareholders, in our view.

Masdar: Free Cash Flow* to turn positive by 2026-2027 (SARbn)



Payment of financing cost adjusted in CFO Source: ACC estimates,

Masar-Key Financial Highlights

Masar- Profit & Loss (SARmn)									
	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Revenues	429	988	1,824	3,089	4,261	3,847	4,292	4,909	4,810
Revenues from									
Land Sale	429	988	1,813	3,078	4,091	2,949	3,006	3,289	3,374
Leasing	0	0	11	13	13	54	66	210	216
Self-Develop.	0	0	0	0	0	342	619	823	863
Self-Develop.	0	0	0	0	94	375	393	330	59
Ancillary Revenues	0	0	0	0	58	115	191	235	270
Cost of Revenues	-249	-689	-994	-1,700	-2,217	-1,973	-2,148	-2,308	-2,187
Gross Profit	181	299	829	1,389	2,044	1,874	2,144	2,601	2,623
S&M	-45	-60	-64	-99	-109	-114	-124	-109	-99
G&A	-160	-219	-198	-207	-214	-219	-206	-211	-181
Other Operating	31	408	79	72	134	120	40	4	34
Amortization of	0	20	63	62	124	112	35	16	0
Share of Income	0	0	0	0	0	0	0	-15	32
EBIT	6	426	564	1,154	1,853	1,660	1,853	2,284	2,375
EBITDA	13	437	658	1,160	1,859	1,720	1,968	2,400	2,493
EBITDA-Adjusted*	262	1,126	1,642	2,847	4,009	3,204	3,436	3,948	4,034
Financial Charges	-20	-34	-40	-42	-42	-628	-547	-500	-453
PBT	-15	392	524	1,112	1,811	1,033	1,306	1,783	1,922
Zakat	-8	-75	-35	-89	-145	-83	-104	-144	-152
PAT	-22	317	488	1,023	1,666	950	1,201	1,640	1,770
EPS	0.0	0.2	0.3	0.7	1.2	0.7	0.8	1.1	1.2
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.6	0.7

Cost of Land added back Source: Masar, AC Estimates,

Masar- Balance Sheet (SARmn)									
	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Assets	22,64	23,213	25,060	28,130	28,987	28,729	28,457	28,265	28,174
Non-Current Asset	21,122	21,724	22,107	25,034	24,433	22,796	20,723	18,64	17,044
PPE	20,98	21,088	20,950	22,703	22,343	22,145	20,416	18,628	17,023
LT receivables.	120	614	1,137	2,310	2,069	631	286	0	0
Current Assets	1,523	1,489	2,953	3,097	4,554	5,933	7,734	9,616	11,130
Advances	228	316	288	259	207	145	102	71	50
Trade receivables	266	415	960	605	1,539	1,832	665	302	0
Cash equivalent	922	539	513	1,356	1,939	3,067	6,064	8,327	10,162
Equity & Liabilities	22,64	23,213	25,060	28,130	28,987	28,729	28,457	28,265	28,174
Equity	12,154	12,473	12,970	16,407	18,073	19,023	19,744	20,56	21,271
Share Capital	13,07	13,079	13,079	14,386	14,386	14,386	14,386	14,386	14,386
Retained Earnings	-924	-606	-107	916	2,583	3,533	4,253	5,073	5,781
Liabilities	10,49	10,740	12,090	11,724	10,914	9,706	8,714	7,701	6,903
Non-Current	7,245	8,794	10,015	8,502	8,763	7,975	7,199	6,587	4,932
Long Term Loans	7,089	8,634	9,840	8,335	8,594	7,844	7,094	6,500	4,875
Current Liabilities	3,247	1,946	2,075	3,222	2,151	1,731	1,515	1,114	1,970
CP of debt	0	0	150	1,650	906	750	750	594	1,625
Accrued Expenses	1,322	1,327	1,382	1,037	778	583	437	262	157
Others	1,924	619	543	535	468	398	328	258	188

Source: MASAR, AC Estimates,

Masar-Summary of Cash Flows (SARmn)									
	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Cash Flows from Operating (582)	1,166	419	1,112	1,517	1,486	1,746	2,100	2,254	
Changes in Working Capital	(12)	(277)	43	(200)	(152)	(117)	(157)	(86)	
Interest Expense	33	40	42	42	628	547	500	453	
Cash Flows from Investing (1,094)	(2,652)	(1,152)	(1,698)	384	1,185	3,038	2,244	1,700	
Capex	(1,456)	(1,512)	(2,213)	(1,083)	(1,188)	(30)	(30)	(30)	
Land disposal	1,105	1,145	1,687	2,150	1,484	1,468	1,548	1,542	
Changes in receivables	(643)	(1,068)	(818)	(693)	1,145	1,511	650	302	
Others	(1,658)	283	(354)	10	(256)	89	76	(114)	
Cash Flows from Financing (171)	1,102	707	1,429	(1,317)	(1,544)	(1,788)	(2,080)	(2,119)	
Debt Repayment	1,538	1,356	(5)	(485)	(906)	(750)	(750)	(594)	
Interest payment	(573)	(782)	(967)	(823)	(628)	(547)	(500)	(453)	

Source: Masar, AC Estimates

Masar-Key Ratios										
	Units	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Liquidity Ratios										
Current	x	0.47	0.77	1.42	0.96	2.12	3.43	5.10	8.63	5.65
Quick	x	0.40	0.60	1.13	0.88	2.02	3.33	5.02	8.53	5.60
Cash	x	0.31	0.39	0.67	0.69	1.31	2.27	4.58	8.26	5.60
Capital Structure Ratios										
Debt to Equity	%	58%	69%	77%	61%	53%	45%	40%	34%	31%
Debt Ratio	%	31%	37%	40%	35%	33%	30%	28%	25%	23%
Debt Coverage*	X	0.0	0.6	0.6	0.4	1.0	2.1	2.4	3.7	1.4
Profitability Ratios										
GP Margin	%	42%	30%	46%	45%	48%	49%	50%	53%	55%
Operating Margin	%	2%	43%	36%	37%	44%	43%	43%	47%	49%
EBITDA Margin	%	2%	43%	36%	38%	44%	45%	46%	49%	52%
Adjusted EBITDA	%	59%	113%	90%	92%	94%	83%	80%	80%	84%
NP Margin	%	-5%	32%	27%	33%	39%	25%	28%	33%	37%
Growth Ratios										
Revenues	%		130%	85%	69%	38%	-10%	12%	14%	-2%
Properties	%		130%	85%	69%	36%	-11%	10%	14%	-3%
Ancillary	%						99%	65%	23%	15%
Gross Profit	%		166%	281%	165%	147%	92%	114%	121%	101%
EBIT	%	-1.04	7409%	35%	101%	61%	-10%	12%	23%	4%
Net Income	%	-0.85	-1534%	57%	105%	63%	-43%	26%	37%	8%
Return Ratios										
ROE	%	-0.2%	2.5%	3.4%	5.9%	9.0%	4.9%	6.0%	7.8%	8.2%
ROA	%	0.0%	1.4%	2.0%	3.7%	5.9%	5.3%	6.0%	7.4%	7.9%
ROIC**	%	0.0%	1.7%	2.4%	4.3%	6.3%	5.5%	6.2%	7.6%	7.9%
Return Ratios										
Market Price	SAR	24.2	24.2	24.2	24.2	24.2	24.2	24.2	24.2	24.2
PE	X	-	109.8	69.8	34.0	20.9	36.6	29.0	21.2	19.7
PB	X	2.86	2.79	2.68	2.12	1.93	1.83	1.76	1.69	1.64
EV/EBITDA	X			68.1	38.6	24.1	26.0	22.8	18.7	18.0
EV/EBITDA-Adjus		175.5	40.1	27.3	15.7	11.2	14.0	13.0	11.4	11.1
Dividend Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	2.4%	3.1%
Payout Ratio	X	0%	0%	0%	0%	0%	0%	40%	50%	60%

Source: Masar, AC Estimates

Debt Coverage=EBITDA(1-Effective Zakat/Tax rate)/(Financing Cost including IDC + Current Portion of debt)

**ROIC=EBIT*(1-Effective Zakat/tax rate)/(Total Debt + Equity)

Analyst Certification:

I, **Muhammad Fawad Khan, CFA** the author 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: 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 October 12, 2025.

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