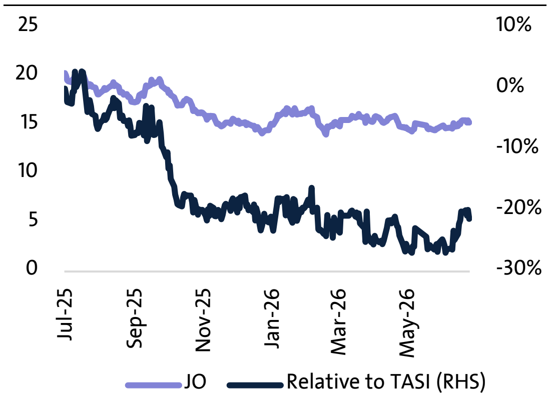
Transformation set to unlock value in the Makkah's prime assets; Buy

Recommendation	BUY
Market Price	15.7
Target Price	20.5
Total Return	31%

Stock Data

Market Cap Total/FF (SARmn)	18,432/16,966
Shares Total/FF (mn)	1180/1086
52 Week Hi-Low (SAR)	20.47/13.88
3/6/12 M Volume Traded (mnsh)	3.9/3.9/3.7
3/6/12 M Value Traded (USDmn)	15.9/17.0/16.5
3/6/12 M Relative Performance (%)	5/-2/-19%

Jabal Omar Stock Price Performance vs TASI



Source: AC, Bloomberg

Muhammad Fawad Khan, CFA
Head of Research
mfkqadri@alinmacapital.com

Jabal Omar-Transformation set to unlock value; initiate with Buy

We initiate coverage on Jabal Omar Development Company (JO), Saudi Arabia's one of the largest hospitality operators, with a Buy rating and set a TP of SAR20.5. We believe the derating of JO's stock valuation came at a time when the company's transformation journey—underpinned by improved delivery of long-delayed projects, capital restructuring and growing FCF– has set the stage for the unlocking of value of Makkah's prime assets. The inclusion of JO's land in the real estate assets permissible for foreign ownership, and the growing religious tourism will further complement JO's strategy.

Key reasons for our liking

Long-delayed projects set to turn into cash-generating assets

JO's sharp focus on the execution of long-delayed projects has underpinned a solid 18% CAGR in the total number of keys and 5% jump in the retail GLA over 2023-2025. Concurrently, the key revenue indicators (RevPar, GLA rate) remain healthy despite supply additions. The combination of stabilization of new assets and healthy RevPar/GLA should deliver a solid 5-year CAGR of 29% in FFO as per our estimates.

II-Significant progress on optimization of capital structure delivered

JO has achieved a significant drop in the company's debt levels (Net D/A down to 29% in 1Q26 from 43% in 2020), driven by asset monetization and divestment of land bank. The start of cash payouts is unlikely anytime soon, given management's focus on further deleveraging and, as such, hinges on progress on asset sales and future capex commitments for development of the remaining land bank in Phase VII, in our view.

Favorable regulation entails a big opportunity for maximizing asset returns

JO's latest plan to sell 400 units came at the right time, in our view, and aims to capitalize on the company's advantage of being one of the few developers with available ready to sell units in proximity to the Haram. We estimate revenue impact of ~SAR2-2.2bn.

Valuations & Risks: Derating seems unjustified

JO's P/BV has dropped to almost 1x, levels not reached even during the COVID era (average: 2.6) and surprisingly came against the backdrop of improving returns on assets, de-levered B/S and growing FCF. Our DCF-based TP incorporate value of land phase VII at a conservative 30% discount to actual price/sqm of sale of land in 2020. Key risks are (i) lower ADR/occupancy, (ii) time and capex overruns, (iii) asset concentration.

Jabal Omar: Financial Highlights (SARmn)

Year to Dec	CY24	CY25	CY26E	CY27E	CY28E	CY29E
Revenues	1901	2114	2823	3801	3623	3226
Growth	43.3%	11.2%	33.5%	34.7%	-4.7%	-11.0%
PAT	200	2393	358	1010	900	688
EPS (SAR)	0.2	2.0	0.3	0.9	0.8	0.6
Growth	N/M	N/M	-85%	182%	-11%	-24%
DPS (SAR)*	0.0	0.0	0.0	0.0	0.0	0.0
P/E (X)	92.4	7.7	51.5	18.3	20.5	26.8
EV/EBITDA(X)	35.4	29.3	19.2	13.3	14.5	17.3
P/BV (X)	1.4	1.2	1.1	1.1	1.0	1.0

Source: Jabal Omar, AC Estimates

Alinma Capital Company
Al Anoud Tower 2, King Fahad Road,
Riyadh 11544, Kingdom of Saudi
Phone: 011 494 8899
Website: www.alinmacapital.com

Jabal Omar Investment Case

We initiate coverage on Jabal Omar with a Buy rating and set a Target Price of SAR20.5

We initiate coverage on Jabal Omar Development Company (JO or Jabal Omar), Saudi Arabia's one of the largest operators in the hospitality sector and the largest hotel operator in the holy city of Makkah, with a Buy rating and set a Target Price of SAR20.5. We believe the derating of Jabal Omar's stock came at a time when the company's transformation journey, primarily underpinned by improved delivery of long-delayed projects and capital restructuring, and growing FCF generation, has set the stage for the unlocking of the value of Makkah's prime real estate assets. The inclusion of JO's land in the real estate assets permissible for foreign ownership, and the growing religious tourism will further complement JO's strategy.

Key reasons for our liking Jabal Omar

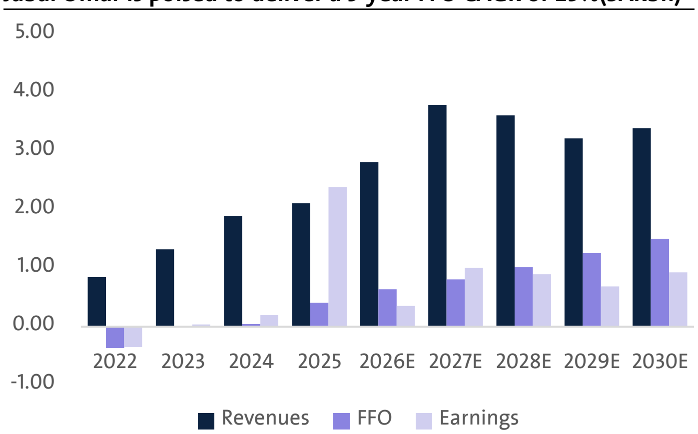
I-Significant opportunities to optimize returns on existing assets

JO's heightened focus on the execution of long-delayed projects as part of its five-year strategy has delivered strong results. The company added 2.3k keys and 7k sqm of GLA in the past five years with the start of operation of two major hospitality assets in the luxury segment in 2023/2024. Two more hospitality assets and one commercial mall are slated for delivery in 2026 & 2027 respectively with over 1700 keys and 20k sqm of GLA. All in all, Jabal Omar is set to double its operational keys over 2023-2026. Interestingly, the majority of additions in keys over 2023-2026 are in the luxury segment (Address, Jumeriah, Sofitel) and will bring the share of keys in the luxury segment to ~50% by the end of 2026 from 10% in early 2023.

The combination of improving occupancy and healthy Revpar should deliver 13/29% 5-year CAGR in EBITDA (adjusted) and FFO res.

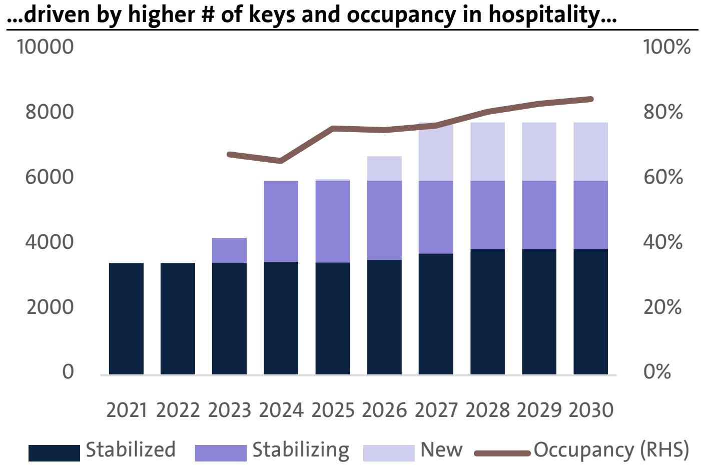
Concurrently, the key revenue indicators (RevPar, Occupancy, GLA/sqm) remain healthy despite significant supply additions. Increased religious tourism, supported by various initiatives of the authorities, and a post-COVID pickup in arrivals of pilgrimages and growing domestic travel have supported the demand for hospitality assets in the holy city of Makkah. The combination of improving occupancy in both newly inaugurated hospitality and retail assets, and healthy RevPar /GLA rates, supported by the shift in mix of keys with a higher tilt towards luxury offerings, should deliver 13/29% CAGR in EBITDA (adjusted for gains on sale of properties) and FFO respectively over 2025-2030, as per our estimates.

Jabal Omar is poised to deliver a 5-year FFO CAGR of 29%(SARbn)



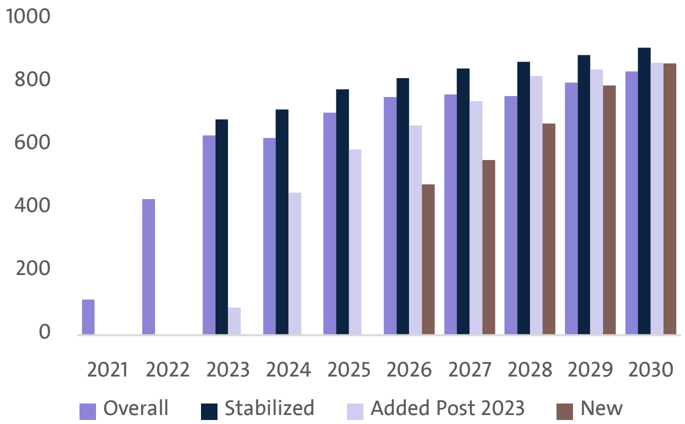
Source: Jabal Omar, AC Estimates

…driven by higher # of keys and occupancy in hospitality…



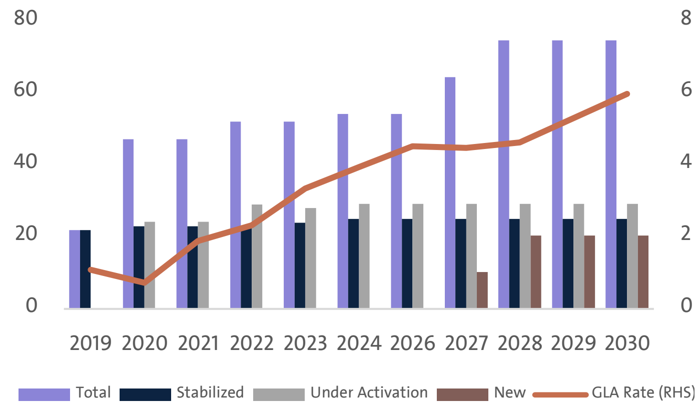
Source: Jabal Omar, AC Estimates

...healthy trends in RevPar (SAR)...



Source: Jabal Omar, AC Estimates

...and an increase in GLA (000'sqm) and lease rate (SAR/sqm)



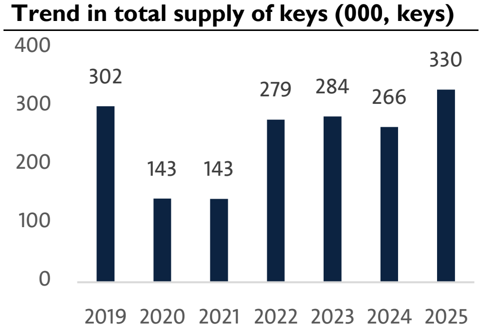
Source: Jabal Omar, AC Estimates

II-Growing religious tourism supports healthy occupancy and ADR

Jabal Omar stands to benefit from the significant increase in religious tourism in Makkah, driven by the progress on objectives under Vision 2030, in the form of further optimization of occupancy and higher ADR/lease rates.

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 sharp pickup in demand and a lack of meaningful supply additions.

Trend in total supply of keys (000, keys)



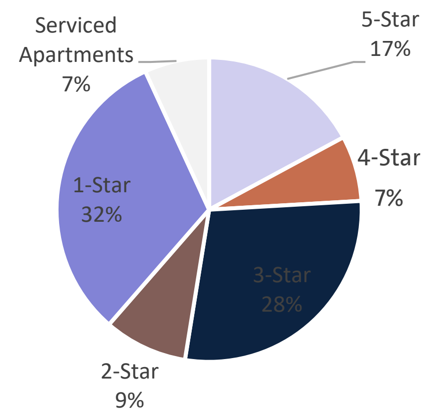
Source: Masar, Ministry of Tourism

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.

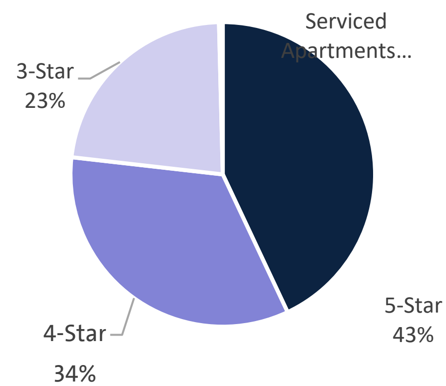
The seasonality in demand for the hospitality sector is quite steep and largely follows the Hijri Calendar for Hajj and Umrah and the last 10 days of the holy month of Ramadan (for Umrah). Other considerations driving seasonality in demand include local and international holiday seasons and seasonal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

Breakdown of total supply (2023)



Source: AC

Hospitality quality offerings (total:67k)



Source: AC

Future additions in keys and serviced apartments

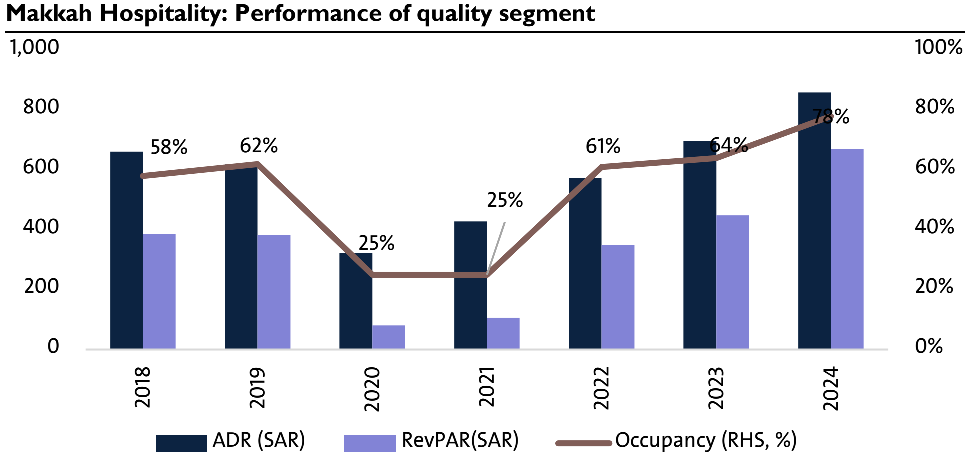
Supply projection suggests an estimated addition of 84k keys by 2030, which implies a supply CAGR of 4.7% vs. CAGR of 5.1% projected for visitor arrivals during the same period, which is likely to keep the occupancy rate at elevated levels. Interestingly, most future supply is likely to be weighted towards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

ADR & RevPAR Trends

The major revenue indicators for the hospitality sector in Makkah demonstrate healthy 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 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 2022-2024. 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 Hospitality: Performance of quality segment



Source: AC, Masar IPO Prospectus, Knight Frank

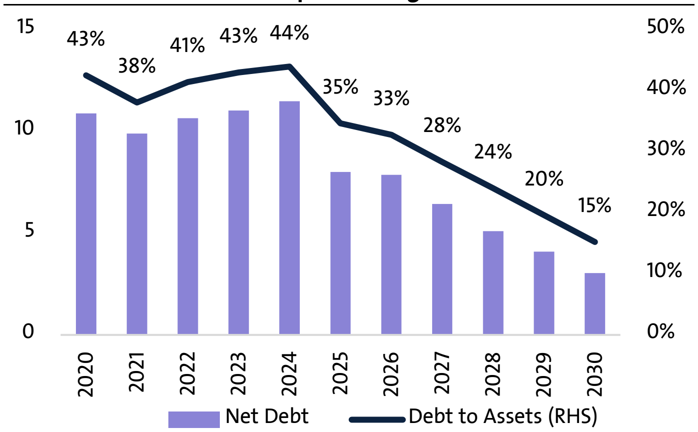
III-Significant progress on optimization of capital structure delivered

Jabal Omar has achieved a significant drop in the company's debt levels and improvement in other key debt ratios

Jabal Omar has achieved a significant drop in the company's debt levels (net debt to assets down to 29% in 1Q26 from 43% in 2020) and improvement in other key debt ratios (Debt Service Coverage, Debt to EBITDA). The transformation of the company's debt ratios was made possible due to the conversion of long-delayed hospitality and commercial assets into cash-generating assets (FFO jumped to SAR0.4bn in 2025 from SAR-1.1bn in 2020), partial debt-to-equity (2.5bn new equity issuance), and partial divestment of land bank (SAR5.8bn proceeds over five-year period). The sustainability in the debt levels has enabled the company to optimize the debt cost and extend the debt maturity to better suit the cash flow profile.

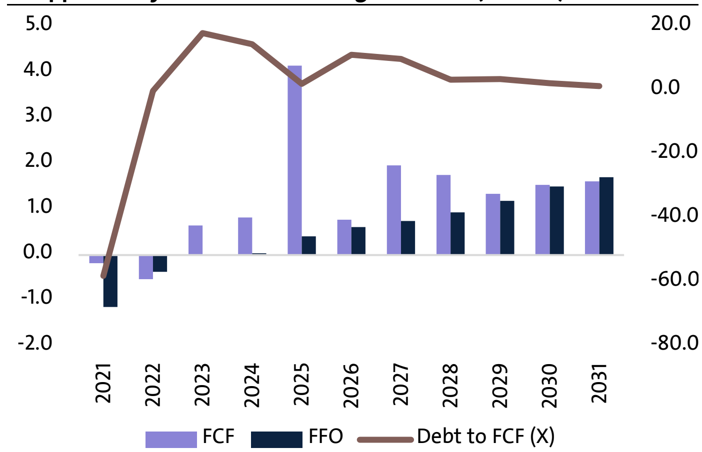
We expect the declining trend in debt levels to continue with further improvement in Jabal Omar's FCF generation over the medium-term. That said, the start of cash dividends is unlikely anytime soon, in our view, given the management's focus on further deleveraging. Swift progress on the company's plan to sell residential units and clarity on future capex commitment for the development of the remaining land bank in Phase VII are the key milestones which can pave the way for the start of the cash dividend.

Jabal Omar: A sustained drop in leverage seen…



Source: Jabal Omar, AC Estimates

…supported by a sustainable FCF generation (SARmn)



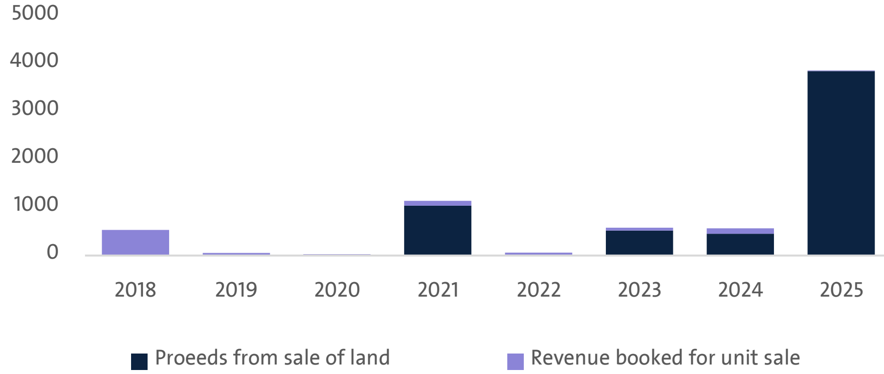
Source: Jabal Omar, AC Estimates

VI-A big opportunity for maximizing asset returns

Jabal Omar 's plan to sell 400 units came at the right time, in our view

Jabal Omar's plan to sell 400 units came at the right time, in our view, and aims to capitalize on the company's advantage of being one of the few developers with available ready to sell units in proximity to the Haram. We estimate revenue impact of ~SAR2-2.2bn over 24 months. The first phase of the company's plans to sell units and the ensuing reduction in units will likely allow the company to accelerate the time required to stabilize the assets and further de-leverage the balance sheet. Our estimate of revenue takes into account the average size of the units (70) and expected price per sqm (SAR80-85k). Jabal Omar had earlier sold 90 hospitality units in 2017-2018 as part of an off-plan sale for its under-construction assets. The average price of 88 residential units (excluding two penthouses) was ~SAR10mn/unit with a price per sqm estimated at SAR80-100k.

Jabal Omar: Proceeds from sale of units and land plots



Source: Jabal Omar, AC

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

Jabal Omar has delivered significant improvement in the GLA rate on stabilized commercial assets and occupancy levels of recently inaugurated hospitality assets. However, the ADR on hospitality asset has exhibited a rather muted growth of 2% in the past two years. Similarly, the occupancy of new commercial assets is also running at significantly lower levels. With the completion of construction in Phase IV and the possibility of adopting a partnership model for the development of Phase VII, the management is expected to put more focus on improving the asset yields of both hospitality and commercial assets. We highlight the following areas, which can potentially deliver improvement in asset yields and may pose upside risk to our estimates:

- **Revenue mix in hospitality assets:** Improving occupancy in new assets and a higher level of occupancy in stabilized assets should allow Jabal Omar the much-needed flexibility to reduce reliance on agents/group booking for high-margin individual bookings

- **Better managing the seasonality and visitor's footfall:** Jabal Omar can possibly explore the option of offering bundled services for Umrah & Hajj visitors to better manage low occupancy and footfall during summer season, in our view.

- **Higher share of F&B and other services in hospitality revenues:** The share of revenue of F&B & other services in the overall hospitality revenues has slipped to 24% in 2025 from a high of 34% in 2020 (average of six years of 27%). Higher share of F&B and Other revenues, a high margin segment, can improve TRevpar of the rooms. We have assumed 22% of rent revenues as F&B and other revenues.

- **Tenant mix in the commercial assets with more focus on F&B**

- **Optimization of GLA in various commercial assets, particularly public areas**

- **Revisiting the existing franchise and other service agreement** with key partners for possible areas of cost reduction

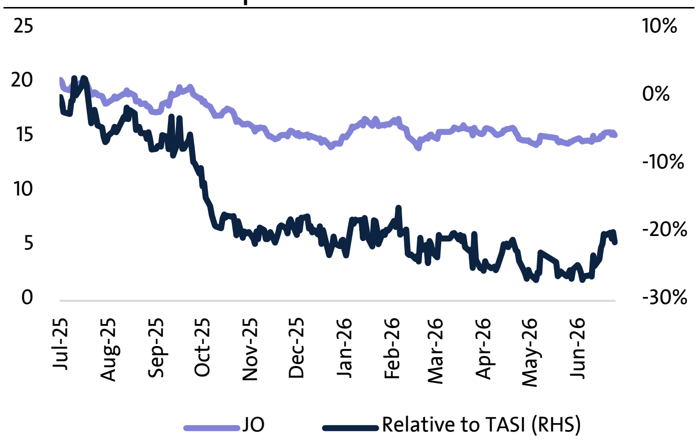
A steep underperformance of JO's stock price in the past 12 months is perplexing to us

VI-Jabal Omar-Derating amid improving fundamentals

The steep underperformance of JO's stock price in the past 12 months is perplexing to us. The stock's P/BV has dropped to almost 1x from 1.6x a year ago vs the average of 2.6x over 2019-2026. Jabal Omar's stock traded in the range of P/BV of 2.3x to 4.6x during the COVID period. The drop in the company's valuation and a steep underperformance came against the backdrop of improving company's fundamentals and presents a big disconnect. The key indicators of operational performance have recorded healthy performance with the execution of the company's strategy aimed at increasing return, deleveraging balance and growing FCF. P/BV is our preferred valuation metric, given the big drag on the company's earnings indicators during the COVID period.

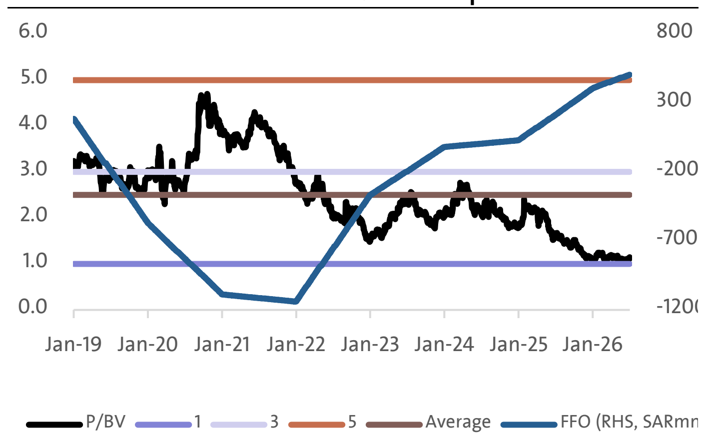
The chart below aptly illustrates the disconnect between the JO's valuation and its current and expected financial performance as captured in Funds from Operations (FFO). The FFO excludes gains from the company's plans to sell units and gains from the sale of land.

Jabal Omar: 19% underperformance vs TASI in 12-month...



Source: Bloomberg, AC

...a clear disconnect in valuation & financial performance



Source: AC

Key triggers ahead

2025 and 1Q2026 exhibited the fruits of the ongoing company's transformation process with marked improvement in key operational and financial performance benchmarks. 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
- Earnings announcement for 2Q26, given the positive impact of seasonality associated with Hajj and unusual strength in ADR before the start of Hajj season

Valuation

Our WACC of 8.3% is 30bps above the discount rate used by the company to value its operating assets

We have elected to use the FCF-based valuation method instead of using any conventional real estate valuation method based on the following reasons:

1-The uniqueness of company's assets and the status of the company's balance sheet

2-Jabal Omar's hospitality and commercial assets are at various stages of stabilization given the scattered timeline of commencement of operations of assets

3-Capex commitment for Phase VII is still uncertain

That said, we highlight our WACC (explained below) of 8.3% is 30bps above the discount rate used by the company to value its operating assets based on the Discounted Cash Flow (DCF) model.

1-DCF-based SOTP model used

We estimate the DCF-based Target Price of the stock of SAR20.5/sh

We have used the DCF-based SOTP valuation method, given the company's capex and free cash flow profile. We used a two-stage Free Cash Flow to Firm model to estimate the DCF-based fair value of the company. We estimate Jabal Omar's equity value at SAR24bn, which we have used to set our Target Price on the stock. Our DCF-based Target Price of SAR20.5 incorporates the value of land phase VII at a conservative 30% discount to the actual price/sqm of sale of land in 2020.

Jabal Omar: DCF-based SOTP Valuation

SARmn	2026E	2027E	2028E	2029E	2030E	2031E
Net Income	**358**	**1,010**	**900**	**688**	**933**	**1,120**
Commission Expense	**608**	**510**	**413**	**322**	**198**	**103**
Add: Net Impairment/ECL/Fair	549	579	596	598	601	604
Less: Δ in Working Capital	64	15	-53	-74	-59	-67
Capex	-1008	-209	-109	-121	-133	-136
Free Cash To Firm	570	1906	1747	1413	1541	1626
PV of FCFF	570	1836	1554	1161	1169	1139
Summary of Valuation						
Long term growth rate (g)	2.50%					
Terminal value	**28,702**					
Present value of terminal value	20,103					
Present value of future cash flows	7,430					
Value of Land	5339					
Enterprise Value	32,872					
Cash & Cash Equivalent	1,583					
Borrowing	-9316					
PV of Perpetual debt	-1500					
Equity value	**24,088**					
Shares	1,180.0					
Equity value per share	**20.50**					

Source: AC Estimates

Key assumptions that underpin the DCF methods are explained below:

RevPAR: Jabal Omar's RevPar has undergone a CAGR of 18% over 2022-2025 on the back of higher occupancy levels (76% in 2025 vs 68% in 2023). The company's ADR has, however, remained flat at SAR927 for stabilized assets over the same period. We have assumed ADR growth of 5% for 2026 on stabilized assets based on 1Q26 performance and 2.5% annual growth thereafter. For assets added or to be added after 2023, we have assumed a 4-year stabilization period. All in all, we estimate Jabal Omar's RevPar to undergo a conservative 4% CAGR over our forecast period.

Jabal Omar's commercial assets have exhibited a strong 28% CAGR in lease rate over 2022-2025

Lease rate for Commercial Center: Jabal Omar's commercial assets have exhibited a strong 28% CAGR in lease rate over 2022-2025, driven by improving occupancy in assets added post 2023 and better lease rates. We expect the lease rate to under a CAGR of 9% over our forecast period of 2026-2031 on the back of a higher occupancy level in commercial assets brought into operation in 2023.

Occupancy: Jabal Omar's hospitality and commercial assets are divided into two categories based on the commencement of asset operation before (Stabilized) and after 2023 (under activation). The hospitality and commercial assets which were brought into operation before 2023 maintain a healthy occupancy rate of 84% and 97% respectively, in 2025, which we assumed to remain largely unchanged. For assets which are brought in operation after 2023 (mainly Address Jabal Omar, Jumeirah Jabal Omar) are estimated to have occupancy of 60-66% in 2025 for hospitality and ~50% for commercial assets. We have assumed a 4-year stabilization period for occupancy for both hospitality and commercial assets added or to be added post 2023.

Capex: We have assumed recurring capital expenditure of 4% of revenues, which we believe is conservative in the context of the weighted average life of assets.

Operating cost: We expect the operating cost as a percentage of revenue of the respective segments for hospitality (from 51% in 2025 to 48% by 2031) and commercial assets (from 24% in 2025 to 16% by 2031) to drop as a result of stabilization in operation and improving occupancy respectively.

Terminal growth rate: We have assumed a 2.5% terminal growth rate, which is in line with the increase in lease rate and ADR escalation assumptions for Jabal Omar.

Weighted average cost of capital of 8.3%: Our weighted average cost of capital assumptions include cost of equity (COE) of 9.6% and cost of debt of 6.5%. The COE calculation is based on a risk-free rate of 4.5%, a market risk premium of 5%, and a beta of 1.01x (adjusted 5-year). For the debt rate, we have used to estimate weighted average cost of debt for Jabal Omar of 6.5% vs actual estimated cost of debt of 6.85% in 2025. We believe Jabal Omar can reduce its effective cost of debt by another 25bps on the back of full impact of decline in benchmark rate, improved financial position, and debt re-profiling. We have used 60/40% weight for equity and debt (2025: 37%/63% D/E).

Jabal Omar: Basic Valuation Assumptions	
Risk Free rate	4.5%
Market Risk Premium	5.0%
Adjusted Beta (x)	1.02
Cost of Equity	9.6
Cost of debt	6.5%
Weights (Equity/Debt)	60/40%

Source: AC Estimates

Sensitivity Analysis on terminal growth and WACC

The following table presents the sensitivity of Jabal Omar's valuation to changes in WACC and terminal growth. Based on the sensitivity, we obtain a valuation range of SAR17.5-24.5/sh assuming ranges of terminal growth of 2-3% and WACC of 7.8-8.8% respectively. On an average basis, Jabal Omar's valuation moves by 4% for every 25bps change in terminal growth rate and by 4.5% for 25bps change in WACC, respectively.

Jabal Omar: Valuation Sensitivity to WACC & terminal growth rate

		Terminal Growth				
		2.0%	**2.25%**	**2.5%**	**2.75%**	**3.0%**
WACC	**7.8%**	20.7	21.5	22.4	23.4	24.5
	8.1%	19.8	20.6	21.4	22.3	23.2
	8.3%	19.0	19.7	20.5	21.2	22.1
	8.6%	18.2	18.8	19.5	20.2	21.0
	8.8%	17.5	18.1	18.7	19.4	20.1

Source: AC

3-Relative Valuation

We have selected a sample of 12 real estate companies listed on Tadawul's main index TASI and other regional indices

We have selected a sample of 12 real estate companies listed on Tadawul's main index TASI and other regional indices to compare Jabal Omar's valuation with its peers'. Taiba (Non-rated), MCDC (Rated Buy) and Masar (Rated Neutral) are the three closest peers for Jabal Omar given common exposure to religious tourism in Makkah.

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

Jabal Omar Relative Valuation

Stock name	Country	Market Cap.	Price	P/E		P/BV		D/Y		EV/EBITDA		ROE	ROA
		Local Cur	Local	2026	2027	2026	2027	2026	2027	2026	2027	2025	2025
ALARKAN AB Equity	KSA	20077	18.6	21.3	17.1	0.9	0.8	1.3%	1.3%	21.8	19.9	5%	4%
ADCO AB Equity	KSA	4386	18.8	21.7		1.1	1.1	2.3%	2.3%	24.4	22.2	7%	3%
SRECO AB Equity	KSA	6401	17.1	24.3	19.3	1.1	1.0			14.7	13.0	5%	5%
Retal AB Equity	KSA	5555	11.1	16.1	11.2	4.5	3.2	2.6%	2.6%	14.5	11.9	28%	8%
JOMAR AB equity	**KSA**	18432	15.6	51.5	18.3	1.1	1.1			19.2	13.3	15%	3%
MCDCO AB equity	KSA	16940	84.7	34.8	26.6	4.2	4.0	1.8%	2.3%	35.6	26.5	12%	9%
Masar ABequity	KSA	24601	17.1	26.6	25.7	1.5	1.4			32.3	31.2	6%	3%
Ceomi Ab Equity	KSA	7980	16.8	7.3	7.1	0.5	0.5	4.5%	8.9%	18.5	12.9	15%	7%
Deyaar UH Equity	UAE	3413	0.8	6.3	5.5	0.6	0.5	6.4%	6.4%	8.3	5.9	11%	5%
Rakprop UH Equity	UAE	3270	1.1	7.4	5.8	0.5	0.5	0.0%	0.0%	8.2	6.5	7%	4%
Mabanee KK Equity	KU	1467	936.0	23.7	21.7	1.6	1.5	1.0%	0.0%	24.9	10.9	10%	5%
EMAAR UH Equity	UAE	102707	11.6	5.4	4.3	0.8	0.6	-8.6%	-8.6%	4.7	4.2	16%	10%
Aldar UH Equity	UAE	61486	7.8	7.6	6.3	1.1	0.9	2.5%	0.0%	7.3	6.2	16%	8%
Mean				12.2	9.6	1.0	0.9	1.4%	1.5%	12.8	10.1	9.3%	4.7%
Mean Domestic				19.2	15.0	1.1	1.1	2.1%	2.4%	20.8	16.8	9%	4%

Source: Bloomberg, AC Estimates

- Jabal Omar trades at a significant premium to its listed peers at TASI on P/E multiple. As a major portion of assets are yet to achieve optimal levels and

On P/BV value comparison, Jabal Omar trades at 38-39% discount to domestic peers with similar exposure to religious tourism

the company is still developing the remaining work in Phase IV, the company's earnings are unlikely to reach the optimal level before 2028-2029.

- On P/BV value comparison, Jabal Omar trades at 38-39% discount to domestic peers with similar exposure to religious tourism. However, the stock's P/BV of 1.1x on 2026 is broadly in line with the valuation of both domestic companies (including companies with other real estate offerings) and the overall average of its peers.

Key Risks to Our Investment Case

The following are key downside risks to our investment case for Jabal Omar:

I-Risk associated with project execution

Jabal Omar has guided for capital expenditure of SAR1bn for 2026 with a significant decline in capex in future years

Jabal Omar has guided for capital expenditure of SAR1bn for 2026 with a significant decline in capex in future years. Jabal Omar is expected to complete the construction of Phase IV in 2026. The company has added ~560 keys as part of the Phase IV program in late 2025 already and is working to add the remaining keys in 2H2026 and the commercial mall by early 2027.

II- Use of available land bank

Jabal Omar currently holds ~24ksqm of land in Phase VII of the project. The company intends to develop the land in a capex-light model. This may entail forming a JV with other real estate developers. JO may limit its participation in future corporate structure to the value of land. The future corporate structure, capex contribution and returns on the project may impact our estimates of future cash flows and the company's valuation.

III- Risk of competition

The forecast from the real estate consultancy company points to the addition of 85k total keys over 2024-2030 in Makkah. The majority of future keys will likely cater to the offerings in which Jabal Omar is currently engaged. This entails the risk of weak pricing power, particularly in the lean period, which can impact the company's earnings and return.

Jabal Omar's current location of being in proximity to the Haram Mosque is a major advantage for the company and as such should allow the company to minimize the impact on ADR/RevPAR in case of a price war among future players, in our view.

IV- Concentration risk

Jabal Omar's earnings are subject to risk of downside due to low occupancy rate arising from any natural disaster or geopolitical event

Jabal Omar operates hospitality and commercial assets adjacent to the Holy Mosque, which caters to religious tourists coming from all over the world. As such, the company's earnings are subject to risk of downside due to low occupancy rate arising from any natural disaster, geopolitical event or any epidemic/pandemic.

Overview of the Company

About the Company

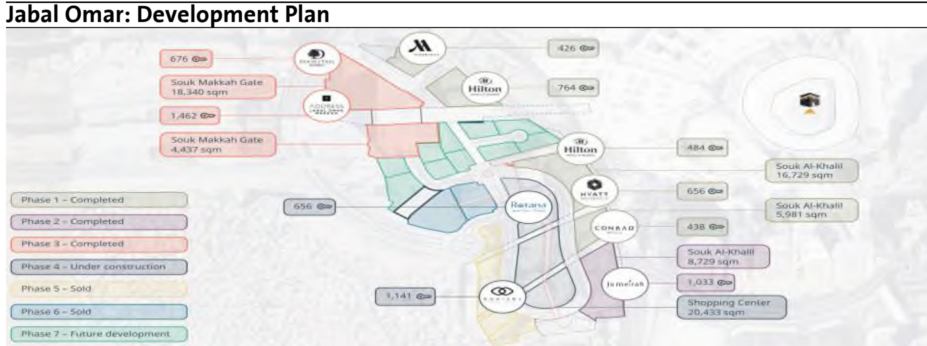
Jabal Omar Development Company is one of the largest real estate players in the Middle East. Jabal Oamr is a master developer of an area of 235ksq meters and built land area of 150k sqm, located in proximity to the Haram Mosque in Makkah. The company is known for its quality offerings in the hospitality, and commercial segments. Jabal Omar's hospitality offerings are concentrated in luxury (~52% of total) and Upper Upscale (~48%) categories and aptly reflect the strategic location of the company's land. Jabal Omar's master-plan incorporates key amenities and attractions within its destination, which include prayer rooms, including the world's highest prayer room, museum, hospital, helipad, sightseeing and other facilities.

Jabal Omar: Summary of project assets

Land Area	000sqm	235
Built-up Area	mn sqm	2.5
Project Phases	X	7
Towers	X	45
International Hotels	X	11
Rooms	000	13
Leasable area	000sqm	80
Parking Space	X	1100

Source: Jabal Omar

Jabal Omar: Development Plan



Source: Jabal Omar

Jabal Omar: Details of assets in various phases

	Build land	Towers	Keys	Commercial	Progress
Total	150869	45	13000	85000	
Phase I	27509	10	2768	25393	100%
Phase II	11314	4	1033	8792	100%
Phase III	28596	4	2138	22777	100%
Phase IV	28268	7	1796	20433	96%
Phase V	15549				Sold
Phase VI	13152				Sold
Phase VII*	26481				TBD

*10% of Phase VI sold, One plot in Phase IV not included, Source: Jabal Omar

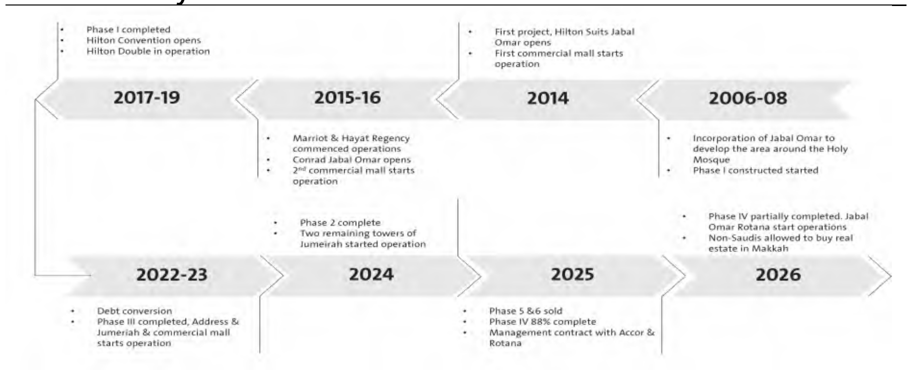
The development of Jabal Omar's master-plan envisages total keys of above 13k, and commercial area of 85ksqm spread over a total of seven phases. Since the start of construction, the company has almost completed four phases with total keys of +7700 and a commercial area of 54ksqm. The land plots on two Phases and one land plot in Phase VII, representing 10% of built land in Phase VII, were sold over 2020-2025 as part of the company's capital restructuring exercise. The company has earmarked the remaining land bank in Phase VII for development under a partnership model to minimize future capital expenditure, reduce risk, and attract other real estate developers.

A diversified offering in branded hotel segments in Makkah				
Hotel & Serviced Apartments	**Towers**	**Floors**	**Keys**	**Phase**
Jabal Omar Hilton Suites	2	20	484	Phase I
Jabal Omar Hyatt Regency	2	23	656	Phase I
Jabal Omar Marriot	2	11 & 20	426	Phase I
Conrad Jabal Omar	2	24	438	Phase I
Hilton Hotel & Convention Jabal Omar	2	30	764	Phase I
Jumeirah Jabal Omar	4	19	1033	Phase 2
Address Jabal Omar	2	44	1462	Phase 3
Double Tree by Hilton Jabal Omar	2	33	676	Phase 3
Jabal Omar Rotana	3	24	655	Phase 4
Jabal Omar Sofitel	2	24	1141	Phase 4

Source: Jabal Omar

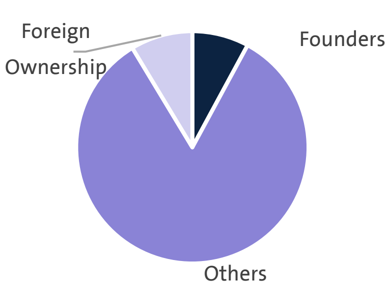
Key events in the company's history

Jabal Omar: Key Events



Source: Jabal Omar

Jabal Omar Shareholding : 2026



Source: Bloomberg, Tadawul, AC

Shareholding Details

Jabal Omar was listed on the main market of Tadawul in 2007. The company was incorporated pursuant to a Royal Decree. The company's founding shareholders mostly made in-kind contributions in the form of transfer of ownership of land in lieu of ownership in the company. As a result, no single shareholder owns substantial ownership in the company. The foreign shareholders have accumulated a 8% stake (94mn shares) in Jabal Omar. Jabal Omar's market cap and free float market are estimated at SAR18.5bn and SAR17bn (free float: ~92%). Jabal Omar was made part of MSCI Saudi, MSCI EM Index and FTSE-Russel index in 2025 pursuant to the changes in regulations pertaining to ownership by non-Saudi shareholders in companies with real estate assets in Makkah and Madinah.

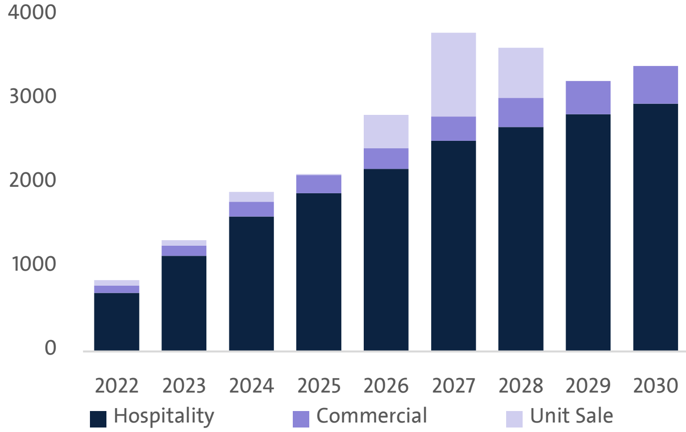
Jabal Omar-SWOT Analysis

Strengths	Opportunities
▪ Strategic location of the hospitality assets and commercial centers in proximity to the Holy Mosque in Makkah ▪ Diversified branded offerings in partnership with the world's renowned hospitality operators, allowing Jabal Omar to cater to a wide variety of visitors' needs ▪ Improving financial position with significant decline in overall debt ▪ High occupancy rates on stabilized assets, reflecting the location advantage of the company's assets and offerings ▪ The company's land area is included in the available zones in Makkah for foreign ownership ▪ Potential to improve returns on operating assets via optimization of revenue mix (booking, tenant mix, available GLA, occupancy)	▪ Favorable economic conditions, defined by robust economic growth, particularly in the non-oil sector, growing foreign and local investments and significant revenue diversification ▪ Exposure to significant market opportunity directly aligned with the Vision 2030 goals and the religious tourism targets, which may provide opportunities for Jabal Omar to better utilize its financial resources ▪ 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 and better occupancy of the rooms and suites
Weakness	**Threats**
▪ Concentration risk, as Jabal Omar's assets are located at only one location and have exposure to only religious tourism theme ▪ Variation in occupancy rate during the year producing seasonality in earnings ▪ Distributed ownership of the company	▪ Future competition from development of new hospitality offerings in areas surrounding Jabal Omar, including on plots sold in Phase IV, V and VII. ▪ Delay in execution of the company's plans for execution of ongoing capital expenditure and future plans for development of Phase VII ▪ Change in the calculation method for the white land tax on the company's remaining land bank average prices in the city to prices linked with the market value

Source: AC

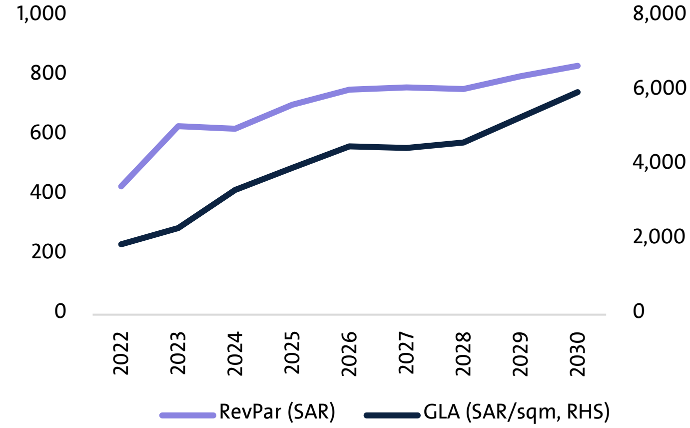
Jabal Omar in Charts

Jabal Omar:Revenue trajectory by segment (SARmn)



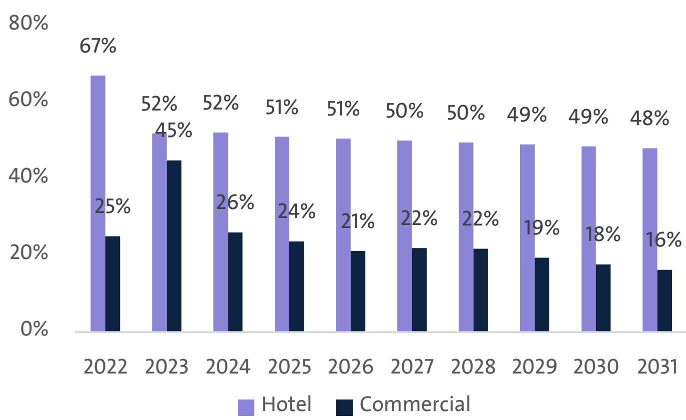
Source: Jabal Omar, AC Research

Jabal Omar: Trends in RevPar and GLA rate



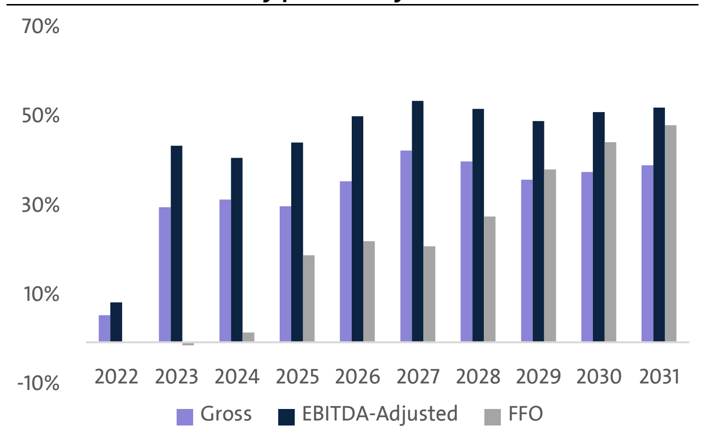
Source: Jabal Omar, AC Research

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



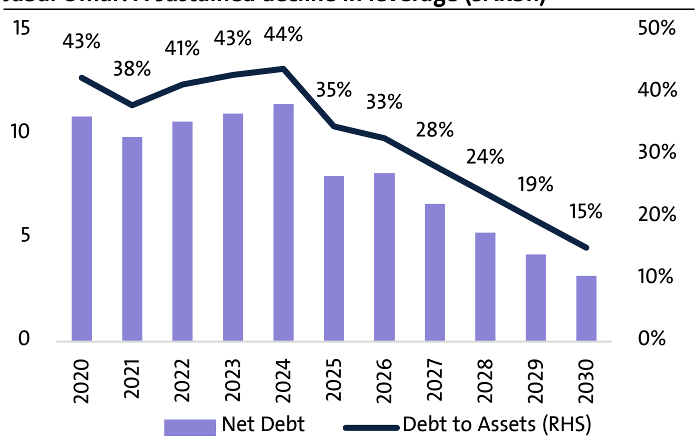
Source: Jabal Omar, AC Research

Jabal Omar: Trends in key profitability ratios



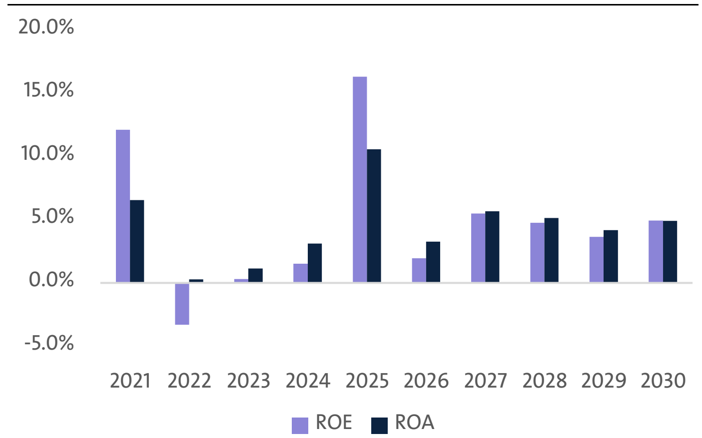
Source: Jabal Omar, AC Research

Jabal Omar: A sustained decline in leverage (SARbn)



Source: Jabal Omar, AC Research

Jabal Omar: ROE and ROA trends



Source: Jabal Omar, AC Research

Jabal Omar: Key Financials

Jabal Omar: Profit & Loss Account (SARmn)

	2024	2025	2026E	2027E	2028E	2029E	2030E
Revenue	**1,901**	**2,114**	**2,823**	**3,801**	**3,623**	**3,226**	**3,402**
Hospitality	1,610	1,889	2,178	2,513	2,677	2,830	2,956
Commercial	174	214	245	289	345	396	446
Sale of properties	117	11	400	1,000	600	0	0
Cost of Revenue	-1,294	-1,469	-1,785	-2,132	-2,129	-2,045	-2,096
Hotel	-841	-964	-1,101	-1,258	-1,327	-1,389	-1,435
Commercial	-45	-51	-51	-62	-74	-76	-78
Gross Profit	**608**	**645**	**1,038**	**1,669**	**1,494**	**1,181**	**1,306**
Selling and distribution	**-12**	**-7**	**-9**	**-11**	**-13**	**-15**	**-17**
General and administrative	**-164**	**-113**	**-124**	**-142**	**-152**	**-153**	**-148**
Other Operating Income	**756**	**2,294**	**8**	**8**	**8**	**8**	**8**
EBIT	**836**	**2,858**	**838**	**1,509**	**1,321**	**1,006**	**1,134**
EBITDA	**1,230**	**3,318**	**1,387**	**2,088**	**1,917**	**1,605**	**1,735**
EBITDA-Adjusted	**785**	**946**	**1,447**	**2,088**	**1,917**	**1,605**	**1,735**
FFO	**41**	**412**	**640**	**812**	**1,019**	**1,259**	**1,507**
Finance income/Others	86	57	37	36	36	35	34
Financial costs	**-712**	**-564**	**-508**	**-503**	**-429**	**-334**	**-206**
Profit before Zakat	**223**	**2,357**	**374**	**1,049**	**935**	**714**	**969**
Zakat	**-24**	**36**	**-16**	**-39**	**-35**	**-27**	**-36**
Profit after Tax	**200**	**2,393**	**358**	**1,010**	**900**	**688**	**933**
EPS	0.2	2.0	0.3	0.9	0.8	0.6	0.8
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.2

Source: Jabal Omar, AC Estimates

Jabal Omar-Cash flow Highlights (SARmn)

	2024	2025	2026E	2027E	2028E	2029E	2030E
Cash Flows from Operation	**(392)**	**(5)**	**923**	**1,807**	**1,572**	**1,192**	**1,456**
Depreciation	696	407	549	579	596	598	601
Net changes in operating	(750)	(200)	28	(44)	(108)	(120)	(115)
Cash Flows from Investing	**189**	**3,351**	**(998)**	**(199)**	**(99)**	**(121)**	**(133)**
Change in Property Plant	(546)	(717)	(1,008)	(209)	(109)	(121)	(133)
Proceeds from sale	453	3,856	0	0	0	0	0
Cash Flows from Financing	**385**	**-2899**	**-552**	**-1287**	**-1287**	**-1287**	**-1467**
net change in debt	383	-2794	-552	-1287	-1287	-1287	-1187
Dividend/others	2	-105	0	0	0	0	-280

Source: Jabal Omar, AC Estimates

Jabal Omar - Balance Sheet Highlights (SARmn)							
	2024	**2025**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
Assets	**27,554**	**26,873**	**26,796**	**26,602**	**26,126**	**25,397**	**24,801**
Non-Current Assets	**24,743**	**25,082**	**25,158**	**24,804**	**24,307**	**23,829**	**23,361**
Property, Plant and	24,521	24,883	24,969	24,625	24,138	23,661	23,192
Current Assets	**2,811**	**1,791**	**1,638**	**1,798**	**1,819**	**1,568**	**1,440**
Cash and cash equivalents	848	1,335	708	1,030	1,217	1,001	858
Trade receivables	840	182	255	344	328	292	308
Equity	**13,471**	**15,864**	**16,221**	**17,231**	**18,131**	**18,819**	**19,472**
Share capital	11,800	11,800	11,800	11,800	11,800	11,800	11,800
Retained earnings &	237	2,738	3,095	4,105	5,006	5,693	6,346
Liabilities	**14,083**	**11,010**	**10,575**	**9,371**	**7,995**	**6,578**	**5,329**
Non-Current Liabilities	**11,962**	**9,699**	**8,334**	**6,969**	**5,604**	**2,839**	**2,211**
Long-term borrowings	10,953	8,764	7,477	6,190	4,903	2,216	1,666
Other non-current	1,010	935	857	779	701	623	545
Current Liabilities	**2,121**	**1,311**	**2,241**	**2,402**	**2,391**	**3,739**	**3,118**
Trade payables and other	796	676	880	1,052	1,050	1,008	1,034
Current Portion & Short-	1,157	552	1,287	1,287	1,287	2,687	2,050
Zakat	168	84	74	64	54	44	34

Source: Jabal Omar, AC Estimates

Jabal Omar- Key Ratios								
	Units	**2024**	**2025**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
Revenue Profile (% of total)								
Revenues	%	1901	2114	2823	3801	3623	3226	3402
Hospitality	%	85%	89%	77%	66%	74%	88%	87%
Commercial	%	9%	10%	9%	8%	10%	12%	13%
Turnover Ratios								
AR Turnover	x	2.3	11.6	11.1	11.1	11.1	11.1	11.1
AP Turnover	x	1.6	2.2	2.0	2.0	2.0	2.0	2.0
DSO	x	161	31	33	33	33	33	33
DPO	Days	225	168	180	180	180	180	180
CCC	Days	**-63**	**-136**	**-147**	**-147**	**-147**	**-147**	**-147**
Capital Structure Ratios								
Debt to Equity	%	90%	59%	54%	43%	34%	26%	19%
Debt to Assets	%	44%	35%	33%	28%	24%	19%	15%
Net Debt to Assets	X	42%	30%	30%	24%	19%	15%	12%
Net Debt to EBITDA	X	9.3	2.4	5.8	3.1	2.6	2.4	1.7
Net Debt to Ad. EBITDA	X	14.6	8.5	5.6	3.1	2.6	2.4	1.7
Net Debt to FFO	X	279.1	19.4	12.6	8.0	4.9	3.1	1.9
Profitability Ratios								
GP Margin	%	32%	30%	37%	44%	41%	37%	38%
Operating Margin	%	44%	135%	30%	40%	36%	31%	33%
EBITDA Margin	%	41%	45%	51%	55%	53%	50%	51%
NP Margin	%	10%	113%	13%	27%	25%	21%	27%
FFO Margin	%	2%	19%	23%	21%	28%	39%	44%
Return Ratios								
ROE	%	2%	16.3%	2.2%	6.0%	5.1%	3.7%	4.9%
ROA	%	3.0%	10.9%	3.1%	5.6%	5.0%	3.9%	3.0%
Return Ratios								
Market Price	SAR	15.62	15.62	15.62	15.62	15.62	15.62	15.62
PE	X	92.4	7.7	51.5	18.3	20.5	26.8	19.8
Dividend Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%
BVPS	SAR	11.4	13.4	13.7	14.6	15.4	15.9	16.5
PB	X	1.37	1.16	1.14	1.07	1.02	0.98	0.95
EV/EBITDA	X	35.4	29.3	19.2	13.3	14.5	17.3	16.0
Price to FFO	X	447.9	44.8	28.8	22.7	18.1	14.6	12.2

Source: AC Estimates, Jabal Omar

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 (AC) 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 14th July 2026.

Disclaimer

The published reports are for general information purposes to present a view on the company/economic sector/economic subject under research and should not be considered a recommendation to buy/sell/hold for any security or any other assets. This report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of securities, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Alinma Capital Company from sources believed to be reliable, but Alinma Capital company has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Alinma Capital Company shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the securities mentioned in the report. The investor might get an amount less than the amount invested in some cases. Some securities maybe, by nature, of low volume/trades or may become like that unexpectedly in special circumstances and this might increase the risk on the investor. Some fees might be levied on some investments in securities. This report has been written by professional employees in Alinma Capital Company, and they might be holding positions directly in any securities and mutual funds contained in this report during the time of publication of this report, This report has been produced independently and separately by the Research Division at Alinma Capital Company and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Alinma Capital Company. Funds managed by Alinma Capital Company and its subsidiaries for third parties may own the securities that are the subject of this document.

Funds managed by Alinma Capital Company and its subsidiaries for third parties may own the securities that are the subject of this document or its subsidiaries may own securities in one or more of the aforementioned companies, and/or indirectly through funds managed by third parties. The Investment Banking division of Funds managed by Alinma Capital Company and its subsidiaries for third parties may own the securities that are the subject of this document maybe in the process of soliciting or executing fee earning mandates for companies that is either the subject of this document or is mentioned in this document. One or more of Funds managed by Alinma Capital Company and its subsidiaries for third parties may own the securities that are the subject of this document board members or executive managers could be also a board member or member of the executive management at the company or companies mentioned in this report, or their associated companies. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission by Alinma Capital Company and its subsidiaries for third parties may own the securities that are the subject of this document.

Alinma Capital Company, a Saudi closed joint stock company under CR No. 1010269764 and the Capital Market Authority License No.37-09134.