

Retal Urban Development Co. (BUY, TP: SAR 18, 4322.SE) 4Q25 Results Review

Strong revenue growth and margin expansion, attributed to strong execution across the portfolio, led to earnings growth. Maintain BUY.

Retal Urban Development (RETAL) reported an increase of 13% Y/Y and 87% Q/Q in 4Q25 earnings (EPS SAR 0.21). Revenue advanced Y/Y and Q/Q, driven by higher development contract revenues. Gross profit jumped Y/Y and Q/Q. Operating expenses advanced; however, operating income reported an increase both on a Y/Y and Q/Q basis. Net margin stood at 15%.

- Revenue increased 20% Y/Y and 4% Q/Q to SAR 706mn, driven by increase in development contract revenue in 4Q25. Development contract revenue stood at SAR 695mn, an increase of 22% Y/Y and 4% Q/Q. The increase is due to progress on existing projects.
- Gross profit during 4Q25 jumped 74% Y/Y and 65% Q/Q at SAR 230mn. Gross margins expanded 1,007 bps Y/Y and 1,197 bps Q/Q.
- Opex recorded an increase of 41% Y/Y and 74% Q/Q basis to SAR 77mn, mainly driven by higher selling expenses. Despite the decline in operating expenses, operating profit jumped 97% Y/Y and 61% Q/Q due to higher revenue and gross profit.
- Finance cost in 4Q25 was up 22% Y/Y and 26% Q/Q whereas share from equity accounted investments retreated 91% Y/Y (up 5.1x Q/Q).
- In 4Q25, the company reported a net profit of SAR 104mn (EPS: SAR 0.21) vs a profit of SAR 92mn (EPS: SAR 0.18) in 4Q24 and SAR 55mn (EPS: SAR 0.11) in 3Q25.
- Retal has maintained strong revenue growth, achieving its highest quarterly revenue to date in 4Q25. This positive trajectory is expected to continue, driven by a robust project pipeline and a solid backlog. As of December 2025, the company's development portfolio consists of 25 projects with a total value of SAR 24.4bn, comprising 20 ongoing and 5 upcoming projects. Recognized revenue amounted to SAR 4.6bn (19%), while unrecognized revenue stood at SAR 19.8bn (81%), of which SAR 10.9bn is tied to upcoming projects. The backlog for ongoing projects totaled 8,278 units, with 7,012 units already sold and 1,266 remaining unsold. The backlog for upcoming projects is 7,763 units, taking the total unit backlog to 16,041, driven by new additions from Deera (4,839 units), Nesaj Lazord (1,064 units), and Roshn 4G (744 units). Over the long term, Retal is well positioned to benefit from real estate sector reforms and the gradual opening of the market to foreign investors in selected areas, which should support demand for its higher-margin offerings. That said, prolonged geopolitical tensions could weigh on Saudi Arabia's non-oil economy, potentially impacting the real estate sector. The company is pursuing both organic growth and a strategic transaction to acquire a stake in Ajdan Real Estate Development Company through the issuance of new ordinary shares. This move would give Retal access to a diversified portfolio, including projects such as Ajdan Waterfront and Ajdan Al Ramis, as well as ongoing developments like the Fairmont Ajdan Al Khobar Hotel and the Infinity project. While this transaction is not yet reflected in our estimates, it is expected to have a positive impact on the company's financial performance. We have revised our estimates to reflect the current project backlog and rolled forward our target price to a 12-month horizon, resulting in a 6.5% increase. The stock is currently trading at a 2026F P/E of 20.1x. Compared to selected peers (ALAKARIA, SUMOU, ALMAJDIAH, and ALARKAN), Retal trades at a premium, with a P/E (TTM) of 25.7x versus the peer average of 13.9x. Maintain Buy.

Rating and Risks

We are Buy rated on RETAL and our 12-month target price is SAR 18. Upside risks include stronger-than-expected residential demand and decline in interest rates. Downside risks include slump in demand, and slowdown in NHC and ROSHN projects.

SAR mln	4Q25	3Q25	4Q24	Q/Q %	Y/Y %
Revenues	706	676	588	4%	20%
Cost of Sales	-476	-537	-456	-11%	4%
Gross Profit	230	140	133	65%	74%
Operating Expenses	-77	-44	-55	74%	41%
Operating Profit	153	95	78	61%	97%
Net Income	104	55	92	87%	13%
EPS	0.21	0.11	0.18	87%	13%

Margins (%)	4Q25	3Q25	4Q24	Q/Q bps	Y/Y bps
Gross Margin	33	21	23	1,197 bps	1,007 bps
Operating Margin	22	14	13	760 bps	845 bps
Net Margin	15	8	16	647 bps	-90 bps

Rating Summary and Forecasts

Rating Summary

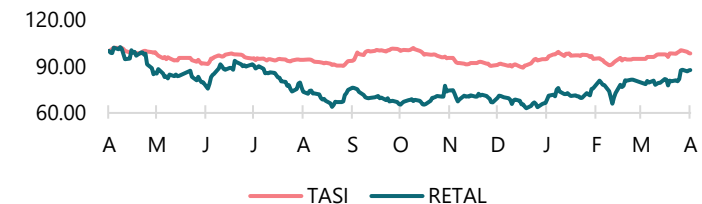
Rating	Buy
Market Price	14.6
12-month Target Price	18
Upside / Downside	22%
Mkt Cap (SAR mn)	7,300.0
52 week High/Low	17.84/10.57

Forecasts

	12/25 A	12/26 A	12/27 E	12/28 E
Net Income (SAR mn)	293	363	528	603
PER (x)	24.9	20.1	13.8	12.1
PBV (x)	7.2	5.7	4.4	3.5
EPS (SAR)	0.6	0.7	1.1	1.2
DPS (SAR)	0.3	0.4	0.5	0.7
RoE (%)	28.9	28.3	31.5	29.2
Dividend Yield (%)	2.0	2.5	3.6	4.5

Price Chart

● TASI ● RETAL



Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

Saudi Fransi Capital

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Head Office

8092 King Fahd Road | Riyadh 12313-3735 | Kingdom of Saudi Arabia

Mailing Address

P.O. Box 23454 Riyadh 11426 | Kingdom of Saudi Arabia

Tel: +966 11 282 6828 | 800 125 9999

www.bsfcapital.sa

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