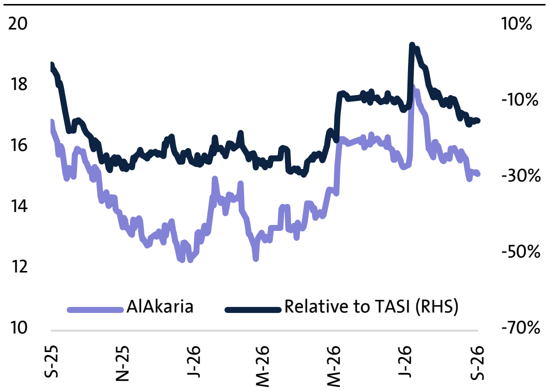
Strong delivery in 1H26; a sustained period of heavy positive news flow seen

Recommendation	BUY
Market Price	15.21
Target Price	25.0
Upside/Downside	64%

Stock Data

Market Cap Total/FF (SARmn)	5,681/2,012
Shares Total/FF (mn)	375/132
52 Week Hi-Low(SAR)	12.3/18.0
3/6/12 M Volume Traded (mnsh)	1.17/1.06/0.97
3/6/12 M Value Traded (USDmn)	4.6/4.0/3.8
3/6/12 M Relative Performance (%)	-6/15/-15

Al Akaria Stock Price Performance VS TASI



Source: AC

Please see the link to our initiation report Al Akaria here

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Al Akaria: A clear disconnect in stock performance and latest updates

We see a clear disconnect between the recent stock price performance of Saudi Real Estate Company (Al Akaria, down 7% in 3-M) and its 1H26 earnings delivery, as well as a number of positive developments. We are not overly concerned about the low revenue backlog of the infrastructure segment and the lack of progress on lifting the current construction suspension or the transaction on Al Widyan land. We expect investors' focus to shift gradually to Income Generating Assets (IGA)—a key value driver for Al Akaria's stock. We expect the positive momentum on major updates to accelerate in 2H26/1Q27. We revise our estimates in view of the key updates and reiterate our Buy rating on Al Akaria with a revised TP of SAR25.

Al Akaria: A strong investment case even if we disregard Al Widyan

The IGA portfolio, a key plank of Al Akaria's investment case in our view, enjoys encouraging growth dynamics with significant supply additions at prime locations and a sizeable premium GLA rate. Al Akaria is set to expand its GLA by over 70% in five years with the commissioning of four new projects (of which two are set to start operations in 2026). We estimate revenue from IGA's portfolio to grow at a 5-year CAGR of 12% and emerge as the single largest contributor to the company's FCF and valuation.

2H26: Key updates to watch out for

IGA: Start of operations of Al Akaria Hills, Al Reef project, and the award of the construction project on L'Avenir. The award can also impact the white land tax booked in 1H26.

Property Sales: Start of off-plan sales in Fai Sidra II (likely: 4Q26), remaining land sales in Al Akaria Park and Vyda (combined estimated revenue of SAR250-300mn, likely in 2H26)

Binyah: Solid 1H26 gross margin of 47%. Progress on construction work on Riyadh Expo 2030 and award of a new construction contract remain crucial.

1H26 Earnings: Defying expectations; set for a stronger 2H26

Al Akaria has defied our expectation of a relatively soft 1H26 earnings performance, supported by strong business performance (IGA, infrastructure, construction), drop in financial cost and one-off gains. Al Akaria's 1H26 earnings of SAR582mn overshot consensus estimate (AIC: SAR70mn). The geopolitical events have largely impacted Al Akaria's plans for the off-plan sale of units in Fai Sidra II. Al Akaria has made encouraging

Al Akaria: Financial Highlights (SARmn)

Year to Dec	CY24	CY25	CY26E	CY27E	CY28E	CY29E
Revenues	1988	1880	1718	2151	2162	1841
Growth	9.6%	-5.4%	-8.6%	25.2%	0.5%	-14.8%
PAT-Adjusted	215	296	829	302	255	288
EPS (SAR)	0.6	0.8	2.2	0.8	0.7	0.8
Growth	218%	38%	180%	-64%	-15%	13%
DPS (SAR)	0.0	0.0	0.0	0.0	0.0	0.0
P/E (X)	26.5	19.3	6.9	18.9	22.3	19.8
D/Y (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	12.2	9.5	5.6	10.4	11.2	10.4
P/BV	1.1	1.0	0.9	0.8	0.8	0.7

Source: Al Akaria, AIC Estimates

Estimates revised; investment case remains strong

We have revised Al Akaria earnings estimates

We have revised Al Akaria earnings estimates by 267/5/22/-6% for 2026/2027/2028/2029 respectively. The key reasons for the revision are:

- We have reflected the one-off impact of SAR640mn due to remeasurement gains on the investment in associate
- We have incorporated further delay in the company's plans for the off-plan sale of Fai Sidra II in view of the current situation. Al Akaria has already awarded the construction contract for the project and has obtained the required license for off-plan sale.
- We have reflected the progress on the award of the construction contract for Porta Jeddah.
- Impact on revenues and earnings from the recent update on a partnership for the development of land in Vyda project

Al Akaria: Estimates Revision (SARmn)

	2026	2027	2028	2029	TP
New	829	302	255	288	25.0
Old	226	286	209	306	22.0
% ∆	**267%**	**5%**	**22%**	**-6%**	14%

Source: AIC estimates

1H26 Earnings: Defying expectations; set for stronger 2H26

Al Akaria has defied our expectation of a relatively soft 1H26 earnings performance, supported by strong business performance

Al Akaria has defied our expectation of a relatively soft 1H26 earnings performance, supported by strong business performance (IGA, infrastructure, construction), drop in financial cost and one-off gains. Al Akaria's 1H26 earnings of SAR582mn overshot consensus estimate (AIC: SAR70mn). The geopolitical events have largely impacted Al Akaria's plans for the off-plan sale of units in Fai Sidra II. Al Akaria has made encouraging progress on sale of the remaining land in Al Akaria Park.

IGA: Rental income has recorded strong growth of 8% YoY in 1H26 due to a higher number of available units for leasing following the completion of renovation at Al Akaria's Oasis (total: 123 units) and higher lease rates. Gross margin has improved in the IGA segment to 58%, +4%. Two new projects are due for completion in 2H26 (Al Akaria Hills and Al Reef), which should further boost rental income.

Mumtalakat: The facility management business managed to deliver 7% growth in 1H26. However, the margin of the business came under pressure and fell by 7%. Margins for both categories of business (Akaria and Non-Akaria) have moved down. Interestingly, the company's non- Al Akaria revenues accounted for 62% of total revenues in 1H26 vs 47% in 1H25.

Binyah: Binyah has once again delivered a significantly above-average margin of 47% in 1H26 vs 45% in 1H25. Qiddiya and Expo 2030 are the two high-profile projects for Binyah.

Tamear has delivered a complete turnaround in its performance in 1H26

The revenue backlog has dropped significantly and portends a further drop in revenues and earnings in the absence of any new project materializing.

Tamear: Delivered a complete turnaround in its performance in 1H26. Revenues are up 54% YoY while gross margins have turned the corner and recovered from -2% to 11%. Tamear has concluded the Al Mashriqyah project in 2025 on which the company had to book costs outside the agreed scope of work. Tamear has been awarded six contracts from Al Akaria in the past two years. Progress on construction of the projects is the key driver of the company's revenue growth.

Property sale: Revenues from property sales have shrunk by 78% due to a drop in the sale of land and residential units. Al Akaria had earlier booked the major portion of revenue from the off-plan sale in Fai Sidra I before the start of this year while the off-plan sales of units in Fai Sidra II has faced delays. Al Akaria will likely pick up the pace of property sales in 2H26. Sequentially, revenues from property sales are up 53% QoQ, highlighting improving conditions in the market.

Al Akaria-1H26 Earnings Review

SARmn	1Q26*	2Q26*	QoQ	1H25	1H26	YoY
Revenues	**320**	**491**	**53%**	**1279**	**953**	**-25%**
Rental Income	79	117	48%	181	196	8%
Property Sale	43	66	53%	492	109	-78%
Infrastructure Project	174	206	18%	412	381	-8%
Construction Project				125	193	54%
Facility Management				69	74	7%
Adjusted Revenues	320	423	29%	1117	743	-35%
Cost of Revenues	160	207	29%	569	379	-35%
Gross Profit	**159**	**204**	**28%**	**548**	**363**	**-34%**
Operating Expenses	206	38	-81%	131	244	86%
Operating Income	**-46**	**166**	**461%**	**417**	**119**	**-71%**
Other Income	9	10	461%	17	19	-71%
Financial Charges	58	47	-19%	120	105	-12%
Profit Before tax	554	148	-73%	333	702	111%
Profit After Tax	**514**	**142**	**-72%**	**294**	**657**	**123%**
Profit After Tax-Adjusted	**514**	**142**	**-78%**	**294**	**657**	**123%**
EPS	1.26	0.28	-78%	0.61	1.54	152%
Margins						
Gross margin	**50%**	**48%**	**-2%**	**49%**	**49%**	**0%**
Rental Income	48%	76%	28%	54%	62%	8%
Property Sale	56%	38%	-18%	50%	47%	-3%
Infrastructure Project	54%	41%	-13%	45%	47%	2%
Construction Project				-2%	11%	12%
Facility Management				23%	16%	-7%
Operating Margins	-14%	40%	55%	37%	13%	-24%
Net Margins	160%	33%	-125%	20%	87%	67%

Source: Company Announcement, AIC, *Details of gross revenues of construction and facility management segments are not available

We believe Al Akaria can lift revenue from IGA by 76% over 2025-2030 (12% CAGR)

Key Reasons to like Al Akaria

IGA Revenue set to jump 76%: We believe Al Akaria can lift revenue from IGA by 76% over 2025-2030 (12% CAGR), based on expected improvements in rents through refurbishment of key IGA assets and materialization of existing and future projects. Further progress on projects in the planning/design phase remains a major upside area.

Potential unlocking of value: Al Akaria maintains extensive ownership of a landbank (18.6mn sqm) in prime locations in key cities with a material cost advantage. This enhances the company's ability to capture current and future growth opportunities and deliver above-average margins.

Performance of key business lines is improving: Al Akaria stands to benefit from improving business performance of the construction (absence of losses from a specific project) and facility management arms (new business). The awards of future contracts for infrastructure projects (Riyadh Expo 2030, King Salman Airport will likely lift the company's current low revenue backlog.

Valuation is wide open; multiple triggers ahead

Al Akaria's valuations are quite enticing, in our view, as reflected in

I. Al Akaria's market value is one half of the market value of land (excluding investment property).

II. Similarly, the value of the company's IGA portfolio exceeds its market capitalization

III. Al Akaria currently trades at a 2026E P/BV of 0.9x, down from its 10-year average of 1.1x.

Al Akaria's current low valuation is set against the backdrop of a likely continuation of positive news flow on the company's current and future projects. Key future catalysts or updates include:

- New projects under the IGA portfolio are slated for completion in 2026 (Al Reef, Al Akaria Hill)
- Progress on projects in the planning phase for various real estate strategies (Develop & Operate, Develop & Sell units, Develop & Sell land), which will likely provide clarity on the actual payment of white land tax for 2026 and 2027. Key future updates include the start of off-plan sales in Fai Sidra, updates on Vyda Residential Project, sale of commercial land in Al Akaria Park, and the award of construction contracts for L Avenir (likely over 2H2026)
- Update on project awards for the infrastructure (Expo 2030, Saudi Arabia FIFA World Cup 2034, others) and construction arm
- Announcement of a dividend policy (we see the possibility of progress in 2026 with a growing cash pile and the drop in leverage ratios). We believe dividends will start in 2028-2029 and will likely be linked to progress on projects in the IGA portfolio.

Key Risks

I-Time & Cost overruns on projects,

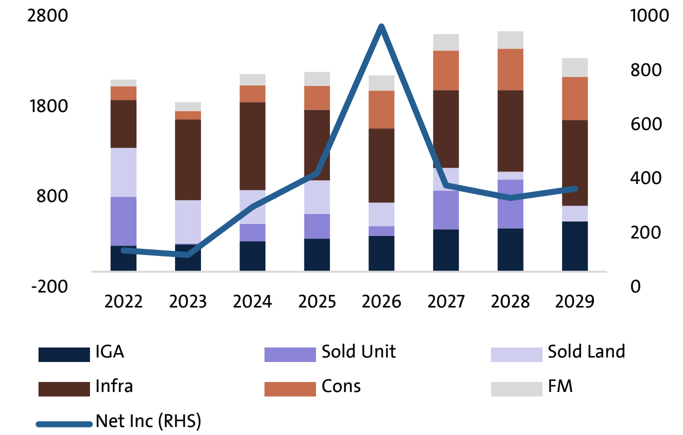
II-Occupancy levels of new projects in IGA,

III-Financial performance of subsidiaries,

IV-White land tax on Al Akaria's landbank.

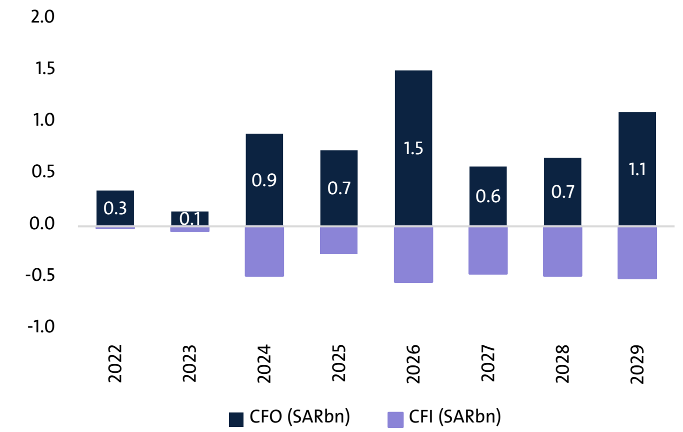
Al Akaria in Chart

Al Akaria:Revenue Trajectory (SARmn)



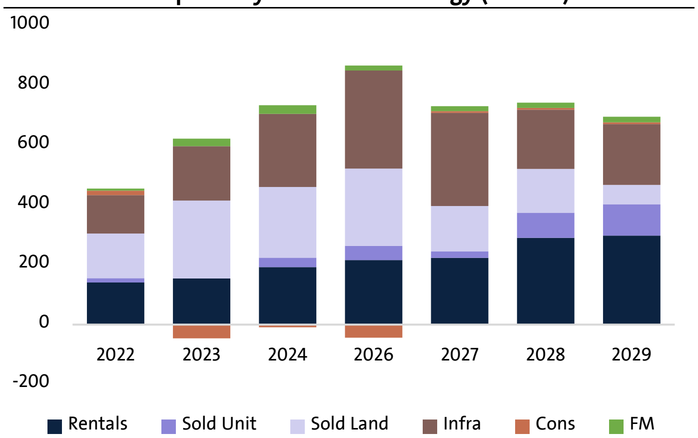
Source: Al Akaria, AC Research

Al Akaria: Cash flow Profile (SARbn)



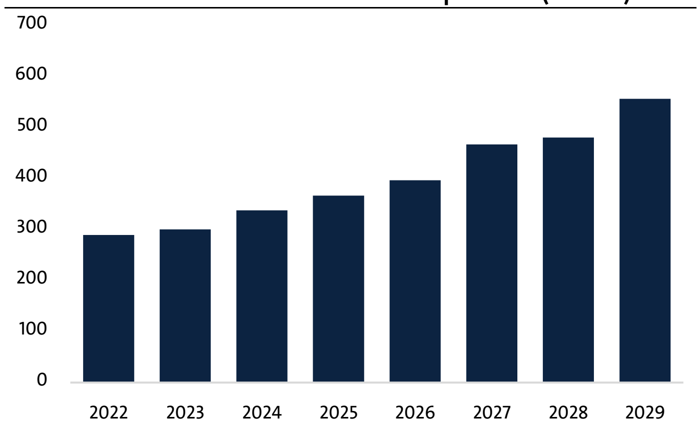
Source: Al Akaria, AC Research

Al Akaria: Gross profit by real estate strategy (SARmn)



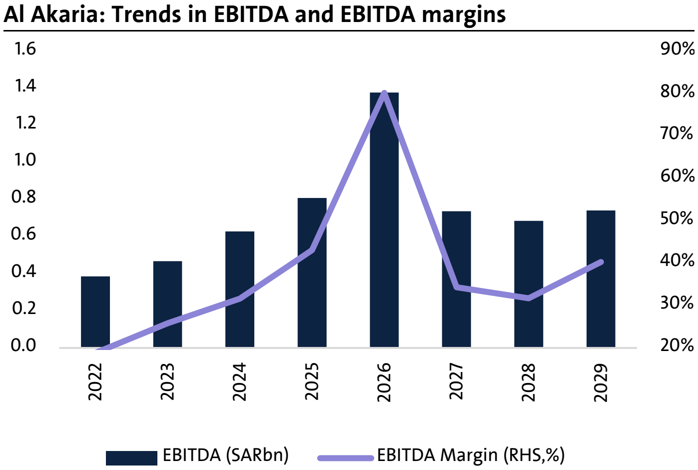
Source: Al Akaria, AC

Al Akaria: Revenue trend of Al Akaria IGA portfolio (SARmn)



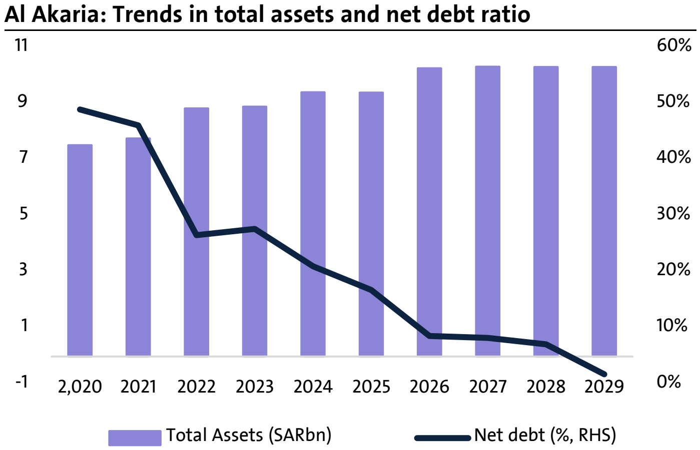
Source: Al Akaria, AC Research

Al Akaria: Trends in EBITDA and EBITDA margins



Source: Al Akaria, AC

Al Akaria: Trends in total assets and net debt ratio



Source: Al Akaria, AC Research

Analyst Certification:

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

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Alinma Capital Company (AIC) 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: AIC has not assigned any rating on the stock

Coverage Suspended: AIC has temporarily suspended the coverage of the stock either in compliance with local regulation or other considerations

Price data for the listed securities is based on 9th September, 2026.

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