

Retal Urban Development Co. (RETAL)

Target Price: SAR 11.0/share

Upside: 14.9%

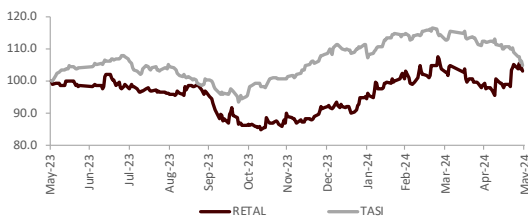
Recommendation

Buy

Current Market Price (SAR)	9.6
52wk High / Low (SAR)	10.0/7.9
Mkt. Cap. (USD/SAR Mn)	1,277/4,790
Shares Outstanding (mn)	500.0
Free Float (%)	43.5%
3m Average Vol. (000)	904.0
3m Avg Daily Turnover (SAR'000)	8,573
Dividend Yield '24e (%)	2.1%
P/E'24e (x)	18.1
EV/EBITDA'24e (x)	3.6

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	1,107	1,367	1,632	1,874
Gross profit	297	379	452	518
Gross margin (%)	27%	28%	28%	28%
EBIT	218	245	292	334
EBIT margin (%)	20%	18%	18%	18%
EBITDA	232	262	311	357
EBITDA margin (%)	21%	19%	19%	19%
Net Income	246	202	240	283
Net margin (%)	22%	15%	15%	15%
EPS (SAR)	0.49	0.42	0.53	0.63
RoE (%)	38%	28%	32%	31%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Al Fozan Holding Company	52.98%
Abdullah Faisal Abdulaziz Albraikan	3.57%

Source: Bloomberg, Yaqeen Capital

Earnings rose due to higher operating profit

- RETAL's net profit surged by 49.9% YoY to SAR 62mn in 1Q2024, driven by a 55% increase in gross profit, an 8mn rise in equity accounted investments, and a 2mn gain on FVTPL investments, despite higher general, administrative, selling, marketing, and finance costs. QoQ, net profit rose by 10.5% as development contracts revenues increased by 7% to SAR 460mn, operating expenses decreased, and gains on FVTPL investments amounted to SAR 2mn. However, the net income margin decreased by 0.6ppts YoY (-0.1ppts QoQ) to 12.4%.
- 1Q2024 revenue increased by 56.6% YoY to SAR 501mn, due to a 58% rise in development contracts revenues, driven by doubling ongoing projects from 8 to 16, high completion rates, and increased revenues from investment funds and joint projects, with unit sales rising by 76% to SAR 34mn. QoQ, revenue rose by 11.7% due to a 7% increase in development contracts to SAR 460mn, driven by an increase in ongoing projects from 12 to 16, high completion rates, and higher revenues from investment funds and joint projects, while unit sales increased by 89% to SAR 34mn.
- Gross profit for 1Q2024 jumped by 55.2% YoY to SAR 127mn, driven by a lower rise in the cost of sales compared to sales. QoQ, gross profit fell by 0.6% due to a higher rise in the cost of sales compared to sales. The gross margin decreased by 0.2ppts YoY (-3.1ppts QoQ) to 25.3%.
- Operating income saw a significant 53.4% YoY increase (13.2% QoQ) to SAR 88mn in 1Q2024. The operating profit margin declined by 0.4ppts YoY (+0.2ppts QoQ) to 17.5%.

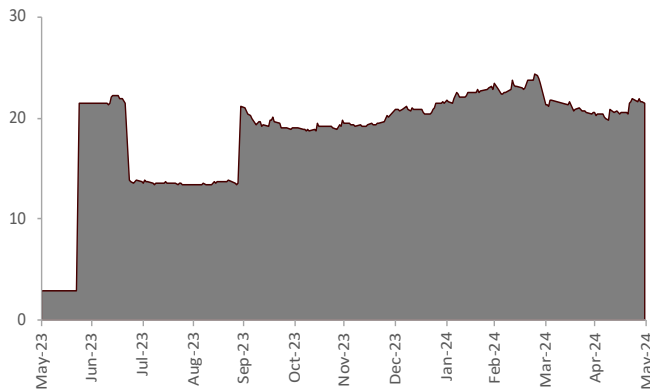
Outlook & Valuation: In the dynamic realm of urban development in the KSA, Retal shines as a symbol of opportunity and promise. The company's financial performance is projected to grow steadily in the coming years. While short-term challenges such as increased financial charges and general administrative expenses may present temporary setbacks, the long-term outlook remains positive. Revenue visibility is strong, bolstered by a total 21 ongoing projects and upcoming projects, with an expected revenue of SAR 9.2bn. Based on DCF valuation, we arrive at a fair value of SAR 11.0/share, with a strong upside of 14.9% from the current level. Hence, we recommend a Buy rating on the stock.

Financial Summary

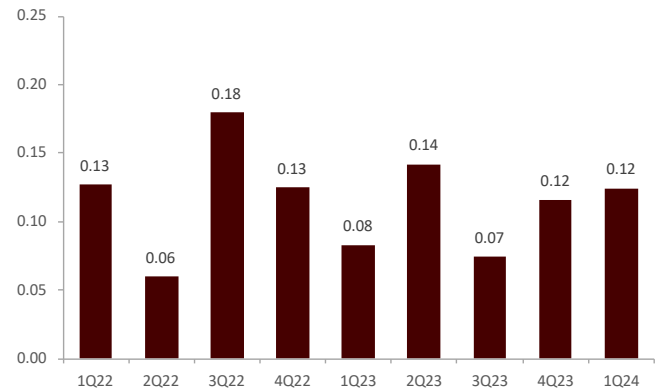
SAR (mn)	1Q2024	1Q2023	YoY	4Q2023	QoQ
Revenue	501	320	57%	448	12%
Gross profit	127	82	55%	128	-1%
Gross margin (%)	25%	26%		28%	
EBIT	88	57	53%	78	13%
EBIT margin (%)	18%	18%		17%	
Net Income	62	42	50%	56	10%
Net margin (%)	12%	13%		13%	
EPS (SAR)	0.12	0.08	50%	0.12	7%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by $\geq 10\%$

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by $\geq 10\%$

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