

## Retal Urban Development Co. (RETAL)

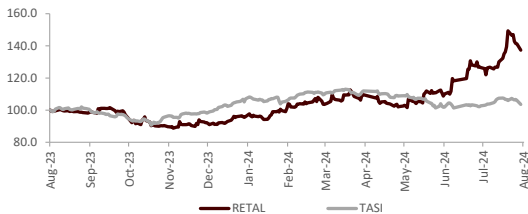
## Recommendation

Buy

Current Market Price (SAR)	11.9
52wk High / Low (SAR)	13.3/7.8
Mkt. Cap. (USD/SAR Mn)	1,618/6,070
Shares Outstanding (mn)	500.0
Free Float (%)	43.5%
3m Average Vol. (000)	1,485.9
3m Avg Daily Turnover (SAR'000)	16,130
Dividend Yield '24e (%)	1.8%
P/E'24e (x)	21.5
EV/EBITDA'24e (x)	3.8

Source: Bloomberg

## Relative Price Performance



## Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	1,107	1,367	1,700	2,034
Gross profit	297	379	471	562
Gross margin (%)	27%	28%	28%	28%
EBIT	218	245	304	363
EBIT margin (%)	20%	18%	18%	18%
EBITDA	232	262	323	386
EBITDA margin (%)	21%	19%	19%	19%
Net Income	246	202	250	307
Net margin (%)	22%	15%	15%	15%
EPS (SAR)	0.49	0.42	0.56	0.68
RoE (%)	38%	28%	33%	34%

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 amid higher operating profit

- RETAL's net profit rose by 1.7% YoY to SAR 72mn in 2Q2024 due to higher gross profit, lower selling and marketing expenses, and increased gain on investment at FVTPL, despite higher general and administrative expenses, lower equity accounted investment results, and higher finance costs. QoQ, net profit rose by 15.9% due to decreased general and administrative and selling and marketing expenses, despite declines in equity accounted investment results, gain on investment at FVTPL, and other income. Net income margin fell by 11.4ppts YoY (+3.1ppts QoQ) to 15.6%.
- Revenue in 2Q2024 increased by 76.0% YoY to SAR 464mn, driven by a 98% rise in development contracts from more projects, higher completion rates, and increased investment fund and joint project revenues, despite a decline in real estate unit/land sales. QoQ, revenue declined by 7.4% due to lower real estate unit/land sales.
- Gross profit in 2Q2024 rose by 64.7% YoY (+1.7% QoQ) to SAR 129mn, driven by higher revenue YoY and a larger decline in cost of revenue QoQ. Gross margin fell by 1.9ppts YoY (+2.5ppts QoQ) to 27.8%.
- Operating income rose by 88.4% YoY (+15.8% QoQ) to SAR 102mn in 2Q2024 due to lower selling and administrative expenses (-29.3% YoY; -71.5% QoQ). Operating profit margin improved by 1.4ppts YoY (+4.4ppts QoQ) to 21.9%.
- For 1H2024, net income rose by 19.5% YoY to SAR 134mn due to higher revenue and gross profit, despite higher general and administrative expenses, sales and marketing expenses, finance costs, and lower equity accounted investment results. Net income margin fell by 5.4ppts YoY to 13.9%.
- For 1H2024, revenue rose by 65.4% YoY to SAR 964mn, driven by a 76% rise in development contracts to SAR 910.50mn from more projects (11 to 16), higher completion rates, and increased investment fund and joint project revenues.

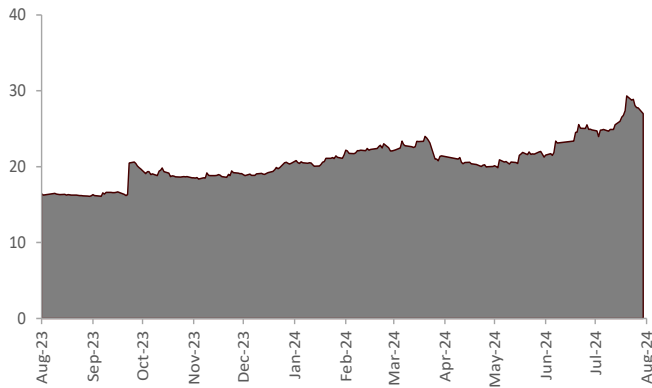
**Outlook & Valuation:** In the dynamic realm of urban development in the KSA, Retal stands as a beacon of opportunity and promise. The company's financial performance is expected to grow steadily in the coming years. While short-term challenges like increased financial charges and general administrative expenses may pose temporary setbacks, the long-term outlook remains positive. Revenue visibility is strong, supported by 23 ongoing projects and upcoming ventures, with an anticipated revenue of SAR 12.8bn. Based on DCF valuation, we arrive at a fair value of SAR 13.8/share, with a strong upside of 15.4% from the current level. Hence, we recommend a Buy rating on the stock.

## Financial Summary

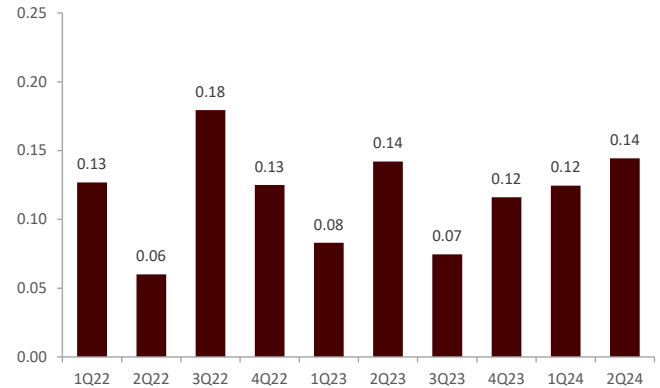
SAR (mn)	2Q2024	2Q2023	YoY	1Q2024	QoQ
Revenue	464	263	76%	501	-7%
Gross profit	129	78	65%	127	2%
Gross margin (%)	28%	30%		25%	
EBIT	102	54	88%	88	16%
EBIT margin (%)	22%	20%		18%	
Net Income	72	71	2%	62	16%
Net margin (%)	16%	27%		12%	
EPS (SAR)	0.14	0.14	2%	0.12	16%

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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