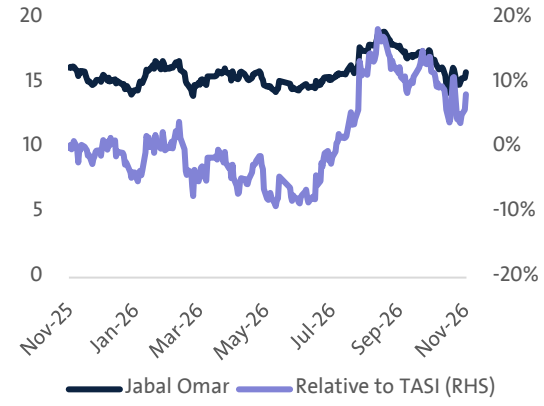
Jabal Omar: Resilient performance in 9M26 despite ongoing challenges

Recommendation	BUY
Market Price	15.9
Target Price	22.0
Total Return	38%

Stock Data

Market Cap Total/FF (SARmn)	18,762/17,317
Shares Total/FF (mn)	1180/1089
52 Week Hi-Low (SAR)	19.10/13.88
3/6/12 M Volume Traded (mnsh)	3.3/3.96/3.48
3/6/12 M Value Traded (USDmn)	14.2/16.4/14.7
3/6/12 M Relative Performance (%)	2%/22%/12%

Jabal Omar Stock Price Performance vs TASI



Source: AC, Bloomberg

Please see the link to our initiation report on Jabal Omar here

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Jabal Omar: Resilient performance despite ongoing challenges

Jabal Omar Development Company (JO) has exhibited a resilient performance in 3Q26 despite a constrained operating environment and negative seasonality in visitor arrivals. JO recorded losses of SAR186mn in 3Q26 (adjusted for impairment and one-offs) compared with losses of SAR172mn in 3Q25. Operating conditions have become more restricted in 4Q26, which, in our view, will likely dampen the usual seasonal uptick in business. We have therefore revised our earnings estimates for 2026/27/28 by -87/-2/+14%. We reiterate our Buy rating on the stock with TP of SAR22 (38% upside).

Key highlights of 3Q26/9M26 earnings

Revenues: JO lifted its overall revenues by 16% YoY in 9M26 driven by both hospitality and commercial segments. JO managed to maintain occupancy at 72% and lift ADR by 6% despite a 9% increase in average available rooms. Commercial segment also exhibited similar trends of increase in GLA rate—particularly in stabilized assets—and addition in GLA. ADR and occupancy showed stable YoY trends in 3Q26. We expect further improvement in GLA rate.

Margin: Cost of revenue has moved in tandem with revenue growth, suggesting stable gross margin YoY. Absence of property gains and continued impairment of operating assets have dragged down operating income by 72% YoY in 9M26. Operating income, EBITDA and FFO, adjusted for two non-cash items, are up 25%, 25% and 40% YoY, respectively.

Finance Cost: JO's finance cost has dropped 17% YoY in 9M26, but is up 67% on a sequential basis. The end of capitalization of interest cost on Phase IV explains the sequential increase in finance cost.

Unit sale: 3Q26 results have provided no major update on the company's plans to sell 400 units from its existing operating assets in Phase IV. We expect JO to make faster progress on the planned unit sale in late 4Q26 or early 1Q27.

Manageable debt level even under constrained operating conditions

JO's net debt to asset ratio has come down to 30% in 2Q26 from 40% in 2022. Meanwhile, the company's capex needs post completion of its ongoing commitment are quite limited.

Jabal Omar: Financial Highlights (SARmn)

Year to Dec	CY24	CY25	CY26E	CY27E	CY28E	CY29E
Revenues	1901	2114	2441	4247	4508	3369
Growth	43.3%	11.2%	15.5%	74.0%	6.2%	-25.3%
PAT	200	2393	42	1313	1498	741
EPS (SAR)	0.2	2.0	0.0	1.1	1.3	0.6
Growth	432%	N/M	-98%	N/M	14%	-51%
DPS (SAR)*	0.0	0.0	0.0	0.0	0.2	0.2
P/E (X)	94.0	7.8	N/M	14.3	12.5	25.3
D/Y (%)	0.0%	0.0%	0.0%	0.0%	1.2%	1.2%
P/FFO(X)	456.0	45.6	29.5	23.1	17.6	14.3
P/BV (X)	1.4	1.2	1.2	1.1	1.0	1.0

Source: Jabal Omar, AC Estimates

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Jabal Omar: Resilient performance despite ongoing challenges

JO has exhibited a resilient performance in 3Q26 despite a constrained operating environment and the negative seasonality in visitor arrivals

Jabal Omar Development Company (Jabal Omar or JO) has exhibited a resilient performance in 3Q26 despite a constrained operating environment and negative seasonality in visitor arrivals. Jabal Omar recorded losses of SAR186mn in 3Q26 (adjusted for impairment and one-offs) compared with losses of SAR172mn in 3Q25. Operating conditions have become more restricted in 4Q26, which, in our view, will likely dampen the usual seasonal uptick in business.We have therefore revised our earnings estimates for 2026/2027/2028 by -87/-2/+14%. Key changes include adjustments in the timing of the unit sale assumption (pushed back to 2028), and ADR and occupancy for 4Q26. We reiterate our Buy rating on the stock with TP of SAR22/sh (38% upside).

Key highlights of 3Q26/9M26 earnings

Revenues: Jabal Omar lifted its overall revenues by 16% YoY in 9M26 driven by both hospitality and commercial segments. Jabal Omar managed to maintain occupancy at 72% and lift ADR by 6% despite a 9% increase in average available rooms. Commercial segment also exhibited similar trends of increase in GLA rate—particularly in stabilized assets—and addition in GLA. ADR and occupancy showed stable YoY trends in 3Q26. We expect further improvement in GLA rate. Supply in both hospitality and commercial offerings will increase further as Jabal Omar brings the remaining rooms in its Phase IV luxury hospitality offering (~18% room addition) and the commercial mall (+37% GLA addition) by 1H27.

Margin: Cost of revenue has moved in tandem with revenue growth, suggesting stable gross margin YoY. Absence of property gains and continued impairment of operating assets have dragged down operating income by 72% YoY in 9M26. Operating income, EBITDA and FFO, adjusted for two non-cash items, are up 25% and 40% YoY, respectively.

Finance Cost: Jabal Omar's finance cost has dropped 17% YoY in 9M26, but is up 67% on a sequential basis. The end of capitalization of interest cost on Phase IV following the completion of construction and the subsequent commencement of operation of Rotana Jabal Omar Makkah—one of the two hospitality offerings in Phase IV construction—explains the sequential increase in finance cost.

Unit sale: 3Q26 results have provided no major update on the company's plans to sell 400 units from its existing operating assets in Phase IV. Jabal Omar aims to raise SAR2.5-4bn of proceeds from the sale of units at an implied unit sale price of SAR6.25-10mn. We have incorporated SAR2.8bn proceeds in our valuation. We expect Jabal Omar to make faster progress on the planned unit sale in late 4Q26 or early 1Q27.

Jabal Omar's net debt to asset ratio has come down to 31% in 3Q26 from 40% in 2022.

Manageable debt level even under constrained operating conditions: We believe Jabal Omar's leverage remains quite manageable even under the current restricted operating conditions. Jabal Omar's net debt to asset ratio has come down to 31% in 3Q26 from 40% in 2022. Meanwhile, the company's capex needs post completion of its ongoing commitment are quite limited. Jabal Omar's current debt payment obligations of SAR420mn in 2Q26 are sufficiently covered by the company's existing cash levels of SAR860mn. Beyond 2026, the company's debt maturities are well spread out over the

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next five years. Progress on planned sale of units will likely accelerate the company's plans to further deleverage its balance sheet.

Jabal Omar: 9M26 Earnings Review								
	1Q26	2Q26	3Q26	QoQ	YoY	9M25	9M26	YoY
Real Estate Sales	**739**	**715**	**370**	**-48%**	14%	**1,573**	**1,824**	**16%**
Hospitality	677	661	309	-53%	12%	1,416	1,647	16%
Commercial Assets	60	50	60	19%	40%	147	170	16%
Sale of Properties	3	3	1	-60%	-60%	9	7	-24%
Cost of Real Estate Sales	**421**	**427**	**367**	**-14%**	14%	**1,046**	**1,215**	**16%**
Gross Profit	**318**	**289**	**3**	**-99%**	**18%**	**527**	**610**	**16%**
Hospitality	273	270	-19	NM	NM	457	524	15%
Commercial	43	17	21	20%	170%	65	82	26%
Sale of properties	2	1	1	0%	-56%	5	3	-34%
Other Operating Income-Net	-35	-16	-75	NM	NM	1,030	-126	-112%
Operating Expenses	37	38	25	-36%	-72%	162	100	-38%
Provision For Doubtful	13	7	-7	NM	NM	22	13	-41%
Operating Income	**246**	**235**	**-97**	NM	NM	**1,395**	**384**	**-72%**
EBITDA	**399**	**387**	**118**	**-69%**	418%	**741**	**923**	**25%**
FFO	**248**	**292**	**-18**	NM	NM	**369**	**518**	**40%**
Finance Cost	132	87	145	67%	22%	436	364	-17%
Income Before Income Taxes	123	162	-261	NM	NM	1,051	**24**	-98%
Profit After Taxation Before	**117**	**158**	**-261**	NM	NM	**1,102**	**14**	**-99%**
Gross margin	43%	40%	1%	-40	0%	34%	33%	0
Hospitality	40%	41%	-6%	-47	-3%	32%	32%	0
Commercial Assets	72%	35%	35%	0	17%	44%	48%	4
Sale of Properties	62%	28%	70%	42	7%	56%	49%	-7
EBITDA Margin	54%	54%	32%	-22	25%	47%	58%	10
Hospitality								
RevPar (SAR)	996	902	407	-55%	4%	719	765	6%
ADR (SAR)	1,228	1,420	559	-61%	1%	999	1,059	6%
Occupancy (%)	81%	73%	72%	70	1%	72%	72%	0

Source: Jabal Omar. AC

Investment case

We reiterate our Buy rating on the stock with TP of SAR22/sh (38% upside). 2026 is likely to prove a temporary blip in Jabal Omar's overall transformation journey, in our view. Jabal Omar is making significant strides in the delivery of its strategy, which targets completion of the company's capex cycle with the delivery of Phase IV assets, deleveraging and cutting finance cost, optimization of new assets, and execution of its strategy for the development of the remaining land bank.

Key triggers ahead

We see the following triggers for Jabal Omar:

- Resolution or easing of the current geopolitical situation

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- 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 the remaining hospitality and commercial assets in Phase IV (updates likely in 4Q26)
- Clarity on the company's capex commitment for Phase VII under the company's new strategy of capex-light, partnership-led development

Key risks

Key risks for Jabal Omar are; (i) risk associated with project execution, (ii) continuation of the current operating environment, which can negatively impact key revenue indicators and push back the company's asset sale plans, (iii) risk of competition, and (iv) asset concentration risk.

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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 (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: 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 9th November 2026.

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