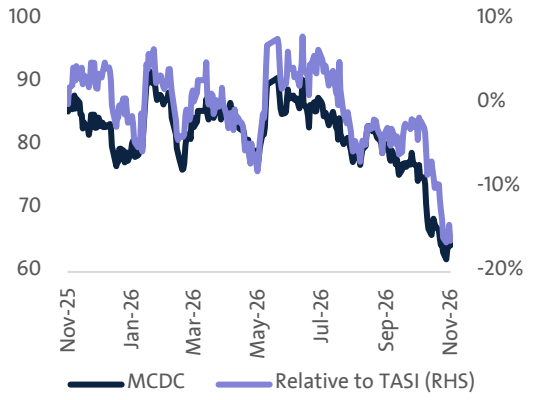
Earnings hold up through renovation phase; growth pipeline expands-Buy

Recommendation	BUY
Market Price	64.4
Target Price	103.0
Total Return	61%

Stock Data	
Market Cap Total/FF (SARmn)	12,880/10,626
Shares Total/FF (mn)	200/165
52 Week Hi-Low(SAR)	92.1/62
3/6/12 M Volume Traded (mnsh)	0.1/0.11/0.14
3/6/12 M Value Traded (USDmn)	2.2/2.4/2.9
1/6/12 M Relative Performance (%)	-12/-20/-16%

MCDC Stock Price Performance VS TASI



Source: AC

MCDC: Robust earnings delivery; tangible progress on growth strategy

We maintain our estimates on Makkah Construction & Development Company (MCDC) post encouraging 3Q2026 results and reiterate our Buy rating with a TP of SAR103. The 30% correction in MCDC's share price from its post-conflict peak in May26 appears overdone, coming against the backdrop of resilient 2Q26 and 3Q26 earnings and significant progress on the company's growth strategy of diversification and optimization. The unfavorable, though non-fundamental, liquidity impact of the downgrade of the stock from the MSCI EM Standard Index to the Small Cap Index has added further to the stock's underperformance.

3Q26/9M26 earnings: Renovation hits availability; hotel ADR remains strong

MCDC delivered 3Q26 earnings of SAR81mn, down 5% YoY despite a 32% drop in available rooms due to the ongoing renovation. Stable ADR (SAR597, down 2% YoY), higher GLA rate (SAR19,641, +7%) and improved occupancy in the commercial segment supported the robust set of numbers. 9M26 earnings came in at SAR416mn, up 9%. Operating expenses remained under control (down 7% YoY in 3Q26; up 12% YoY in 9M26). EBITDA (+8%) and FFO (+8%) maintained their upward trend. Segment-wise details show weak ADR trend in suites (+6%), offset by strong lift in hotel's ADR (+10%). Margin for both hospitality & commercial segments improved YoY by 3/4.2% respectively. Renovation will likely impact a total of 401 rooms (30% of total) and 460sqm GLA (3% of 9M avg) in 4Q26.

Al Misfalah and addition of new floors may offer significant upside

Al Misfalah: The award of the development, a ~41k sqm commercial offering located close to the Haram, represents a second major addition of an asset outside MCDC's legacy assets and supports MCDC's strategy of asset diversification and growth. Our preliminary estimates imply a project IRR of xx% and an earnings impact of xx–xx%.

Addition of new floors: Management has highlighted the possibility of adding new floors to existing towers. The project is at an initial stage. The age and location of the existing assets are key additional considerations for the new project, in our view.

Ajyad: Work is ongoing on the excavation and the design of the new offerings.

Renovation: As per renovation plans, management targets to complete renovation of hotel rooms and achieve xx% renovation of available suites before Ramadan. Renovation of the remaining floors of suites is targeted during the low season in 2027.

MCDC: Financial Highlights (SARmn)

Year to Dec	CY24	CY25	CY26E	CY27E	CY28E	CY29E
Revenues	836	1073	1285	1518	1621	1675
Growth	14.4%	28.3%	19.8%	18.2%	6.7%	3.3%
PAT	411	474	521	664	720	727
EPS (SAR)	2.1	2.4	2.6	3.3	3.6	3.6
Growth	23%	15%	10%	27%	8%	1%
DPS (SAR)	1.5	1.5	1.6	2.0	2.2	2.2
P/E (X)	31.3	27.1	24.6	19.3	17.8	17.7
D/Y (%)	2.3%	2.3%	2.4%	3.1%	3.4%	3.4%
P/FFO (X)	29.2	27.6	24.7	19.3	17.4	17.1

Source: MCDC, AIC Estimates

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3Q/9M26: Solid earnings despite ongoing renovation

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MCDC: 9M26 Earnings Review

	1Q26	2Q26	3Q26	QoQ	YoY	9M25	9M26	YoY
Revenues	**251**	**701**	**151**	**-78%**	**-47%**	**908**	**1,104**	**22%**
Hospitality	172	141	59	-58%	-23%	367	373	2%
Commercial	79	89	85	-4%	19%	208	253	22%
Hajj & Umrah	0	471	7	-98%	-95%	336	478	42%
Cost of Revenues	**65**	**510**	**59**	**-88%**	**-69%**	**500**	**634**	**27%**
Gross Profit	187	191	93	-51%	-2%	408	470	15%
Hospitality	122	97	26	-73%	-17%	226	245	8%
Commercial	65	77	73	-5%	25%	167	215	29%
Operating Expenses	**30**	**29**	**19**	**-35%**	**-7%**	**69**	**77**	**12%**
Operating Income	**157**	**162**	**74**	-54%	-1%	339	394	**16%**
EBITDA	164	171	117	-32%	-14%	418	452	8%
FFO	158	166	81	-51%	-9%	375	405	8%
Profit After Tax	**162**	**173**	**81**	**-53%**	**-5%**	**380**	**416**	**9%**
EPS	0.81	0.86	0.40	-53%	-5%	2	2	%
Gross Margin								
Hospitality	71%	69%	44%	-25%	3%	62%	66%	4%
Commercial	83%	86%	86%	-1%	4%	80%	85%	5%
Hajj & Umrah	-126%	4%	-94%	-98%	-99%	5%	2%	-3%
Key KPIs								
Hospitality								
Total RevPAR (SAR)	1,389	1,141	775	-32%	31%	945	1265	34%
RevPar (SAR)	1,314	1,201	597	-50%	24%	792	929	17%
ADR(SAR)	1,314.8	1,201.0	597.0	-50%	-2%	1,154	1261	9%
Occupancy (%)	88%	82%	94%	12%	15%	82%	86%	5%
Available Rooms	1,379.0	1,377.0	976.0	-29%	-32%	1434	1244	-13%
Commercial Center								
Lease Rate (SAR/sqm)	19,174	20,429	19,641	7%	10%	16,835	18211	8%
Occupancy (%)	98.6%	99.6%	98.4%	1%	4%	98.5%	98.7%	0%

Source: MCDC, AC

Classification: Private

Project updates: Second major real estate development added

Our preliminary estimates yield project IRR of 17-24% and earnings impact of 7-11%

Award of Al Misfalah: The award of the Al Misfalah Park Development Project, a ~41k sqm commercial offering located close to the Haram, represents the second major addition of real estate assets outside MCDC's legacy assets, and supports MCDC's strategy of asset diversification and growth. Our preliminary estimates yield project IRR of 17-24% and earnings impact of 7-11% assuming capex for the project of SAR360-540mn and GLA rate of SAR4500. We have not incorporated the project in our base-case earnings estimate given the uncertainty on the future capex.

Al Misfalah is a 109k sqm site located less than 1km from the Haram. The project aims to improve the urban landscape in the holy city and focuses on changing the existing space for public park into upgraded green space for visitors and residents, adding the recreation and community facilities and transforming commercial offerings. As part of the agreement, MCDC will develop and operate the green space, and other community facilities in the park, alongside commercial space. The rental income from commercial asset of ~41k sqm (equivalent to a small-sized shopping mall or twice the size of MCDC's existing commercial GLA), will be the key source of MCDC's revenues. MCDC estimates total project cost of SAR360mn (50%+/-) and development period of two years.

Details of Al Misfalah Development Park	
Total Site Area	109k sqm
Landscape Park Area	79k sqm
Commercial GLA	40.8ksqm
Annual Land Rent	SAR25.8mn p.a., 10% increase every five years
Lease term	25 years
Grace Period	30 months
Project Cost	SAR360mn, +/-50%
Development Period	2 years

Source: MCDC

MCDC's balance sheet retains significant flexibility for capturing further available growth opportunities

Addition of new floors: Management is evaluating the addition of new floors to the existing buildings and is currently working through various aspects of the project. In our view, the age and location of the existing assets are key execution considerations that may prolong the regulatory approval process and increase construction time and cost

While management has ruled out selling units from existing inventory at this stage, we believe future unit additions could be developed for sale rather than for hotel use. This will allow MCDC to: (i) benefit from new area of demand for residential units following introduction of new regulations on foreign ownership of real estate assets in the holy city of Makkah, (ii) recycle its capital for other development opportunities in the two holy cities, and (iii) better manage its offerings.

Ajyad Project: Rock excavation at the project site and the design of the new hospitality and commercial offering are underway. MCDC aims to deliver hospitality assets with 2,000 rooms and 16k sqm of commercial GLA by 2032.

Classification: Private

MCDC's balance sheet retains significant flexibility for capturing further available growth opportunities

Renovation

Hotel: MCDC has achieved 54% progress on renovation of hotel room (13 out of 24 floors). MCDC is preparing to bring tower 2 back into operation following completion of renovation in 4Q. The management targets to complete renovation of hotel rooms and tower 5 before Ramadan. The renovation of remaining two towers is targeted during low season in 2027.

Commercial: MCDC has divided the re-development of 4th floor of commercial center into two zones. The redevelopment of Zone I has been completed and is being handed over to tenants. Zone II will be targeted for completion by the end of 2026. Earlier, MCDC had guided for completion of redevelopment of 4th floor in early 4Q26. The redevelopment will add ~4k sqm to the company's commercial GLA.

Investment case & risks

We reiterate our Buy rating on Makkah Construction & Development Company (MCDC) with a SOTP-based TP of SAR103. Our key reasons for the rating are:

1-Sustainable double-digit earnings growth: We believe MCDC can deliver a 4-year earnings CAGR of 11% based on management initiatives on optimization of existing assets. The commencement of operations on Ajyad will likely allow MCDC to sustain its earnings growth trajectory, implying earnings CAGR of 13% over 2025-2033.

2-Solid financial position to pursue growth opportunities: MCDC's balance sheet retains significant flexibility for capturing further available growth opportunities, choosing financing mix of the Ajyad project and potentially lifting cash payout. MCDC effectively maintains a debt-free balance sheet. MCDC's cash flows from operation are expected trend upwards from SAR412mn in 2025 to SAR860mn by 2030 (cumulative: SAR3.8bn. We estimate total capex requirements of SAR2.8bn over 2026-2030.

3-Market trends complement location: MCDC stands to benefit from the significant increase in the religious tourism in Makkah, driven by the progress on objectives under Vision 2030, in the form of further optimization of occupancy, and higher ADR and lease rates. The prime locations of existing operating and future assets give MCDC an added advantage.

4-Further upside area: Two major areas of upside for MCDC are: (i) the potential for further asset optimization remains beyond current initiatives on the existing assets, in our view. One such example is addition of new floors on existing tower as highlighted by the management in the latest earnings call, and (ii) Clarity on the Al Misfalah Development project, which can provide significant upside to our earnings

Key risks to investment case

(i) The execution risk associated with the company's plan to renovate and construct its existing hospitality offerings in hotels and serviced apartments, and development of new assets(ii) the risk of lower ADR or occupancy due to future additions in keys and retail assets in areas surrounding the Haram, though we highlight MCDC enjoys significant location advantage, (iii) concentration risk as MCDC's current future assets are located at only location and address religious tourism only.

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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.

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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 15th November, 2026.

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