Daily Bulletin

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Retal: 3Q26 earnings beat consensus, supported by a one-off gain; margins contract YoY

Last Price: SAR 6.2 | Consensus Target Price: SAR 12.9 | YoY Performance: -46.3%

Retal Urban Development Co. (Retal) reported a net income of SAR 51.7 mn for 3Q26, exceeding the consensus estimate of SAR 37.0 mn by 39.7%. Profitability was down 6.8% YoY but recovered from a net loss of SAR 17.2 mn reported in 2Q26. The decline in net profit was due to a 20.2% YoY increase in cost of sales due to changes in sales mix and higher handover-related costs for ongoing projects. Additionally, operating expenses rose 23.4% YoY to SAR 54.6 mn. This was partly offset by a 13.1% YoY increase in revenue and a SAR 17.3 mn gain following the commencement of the partial liquidation of a fund in which the company holds an interest, and a higher share of results from associates.

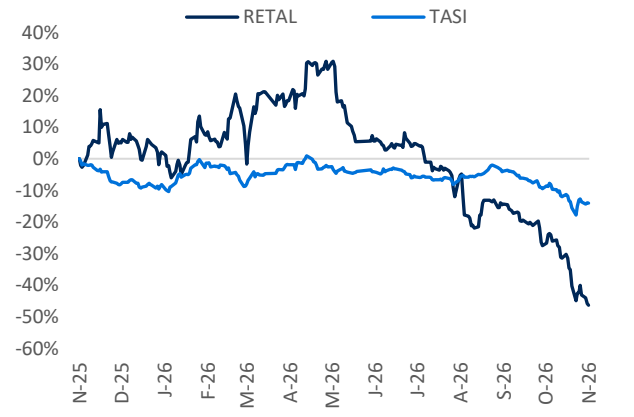
Revenue for the quarter arrived at SAR 764.7 mn, up 13.1% YoY and exceeded the consensus estimate by 18.2%. The increase in revenue was driven by a 14.2% YoY rise in revenue from development contracts, led by higher completion rates across ongoing projects. However, gross profit for the quarter declined 14.5% YoY to SAR 119.3 mn, due to a 20.2% YoY increase in cost of sales. The company faces a higher contribution from lower margin projects, which in our view are mainly NHC and ROSHN offtake developments. Resultantly, gross margins for 3Q26 fell by 5.0 ppts YoY to 15.6%.

On a sequential basis, revenue rose 21.6% from SAR 628.7 mn in 2Q26, while cost of sales rose at a slower pace of 18.7%. This drove a 40.7% QoQ increase in gross profit and a 2.1 ppts expansion in gross margin from 13.5% in 2Q26. Additionally, a 9.3% QoQ decline in opex supported a 163.0% increase in operating profit, with the company returning to profitability from a net loss of SAR 17.2 mn in 2Q26.

As of 2Q26, Retal's backlog stood at SAR 18.4 bn, equaling 7.6x of 2025 revenue, while 85% of units in ongoing projects were already sold. NHC accounts for 52.9% of the backlog, with Retal's NHC project value rising from SAR 4.1 bn in 2024 to SAR 11.5 bn in 2Q26, including the SAR 5.2 bn Deera development. Additionally, NHC's plan to double housing supply from 300,000 homes at end of 2025 to 600,000 by 2030f supports further awards. ROSHN (including offtake) and Jabeen add SAR 6.9 bn and SAR 1.1 bn to the backlog, respectively.

Retal's stock has declined 46.3% YoY, underperforming TASI, which declined 14.0% during the same period. The stock is currently trading at a 2027e P/E of 8.5x, with a consensus target price of SAR 12.9/share, implying an upside of 108.1% from last close of SAR 6.2/share.

Relative price chart



Source: Bloomberg, anbc research

Key financials (SAR mn)

	3Q26	3Q25	*YoY (%)*	2Q26	*QoQ (%)*	Cons.	*Var (%)*
Revenue	765	676	13.1	629	21.6	647	18.2
COGS	645	537	20.2	544	18.7	-	
Gross profit	**119**	**140**	**-14.5**	**85**	**40.7**	**-**	
GM %	*15.6*	*20.6*		*13.5*		-	
Operating exp.	55	44	23.4	60	-9.3	-	
Operating profit	**65**	**95**	**-32.1**	**25**	**163.0**	**72**	**-10.1**
OM %	*8.5*	*14.1*		*3.9*		*11.1*	
Net income	**52**	**56**	**-6.8**	**-17**		**37**	**39.7**
Net margin (%)	*6.8*	*8.2*		*-2.7*		*5.7*	
EPS (SAR)	**0.10**	**0.11**		**-0.03**		**0.07**	

Source: Company financials, anbc research

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