



Financial *Performance*

CFO Review

Thriving Against Uncertainties



“As we bid farewell to 2023, I take great pride in presenting yet another year of financial triumph for Retal. Amidst the backdrop of global economic uncertainty, escalating interest rates, and oscillating demand, our journey has been defined by adept navigation, leveraging a robust business model and strategic developments”

As a result, we recorded impressive revenue growth, an outcome of our focus on expanding our reach and developing more communities across the Kingdom. Revenues generated from our core business, Development Contracts, achieved a new milestone, crossing the one-billion mark to record SAR 1.27 billion for the year, up 83% year-on-year. On a consolidated basis, we booked a 24% year-on-year growth in revenues, reaching SAR 1.37 billion. The increase stems from doubling the number of ongoing projects to 12, a rise in the number of units sold by over 40%, and high completion rates in projects under implementation. The value of units sold during the year came in at a record SAR 1.9 billion, with this positive growth trajectory pointing to the strength of our business model and the inherent growth potential of our underlying business. It is worth noting that the rise in Retal’s sales was achieved despite the decline in real estate credit facilities offered by Saudi banks to individuals during 2023 by 36% year-on-year* compared to 2022.

Further down the income statement, our gross profit recorded SAR 379.3 million in 2023, increasing 25% year-on-year on the back of expanded revenues. Despite the aforementioned decline in land sales and completed units, which are typically associated with higher margins, we successfully maintained our gross profitability, with our gross profit margin (GPM) standing at 27.7% in 2023, up 0.3 pts from one year prior.

During the year, Retal continued to ramp up its marketing activities to increase its market share in its new expansion territories for newly launched projects

and cement its position as a premier lifestyle destination developer in the Kingdom. Recording SAR 47.2 million in FY 2023, the increase in our selling and marketing expenses, allocated to several targeted advertisements, our participation in local real estate exhibitions and various service and community outreach initiatives, directly influenced the significant 83% year-on-year growth in revenues from development contracts in FY 2023. Additionally, general and administrative expenses increased to SAR 87.1 million during the year, up from SAR 59.2 million in FY 2022, a direct result of structural changes undertaken by Retal in pursuit of its long-term strategic growth plan. Consequently, we booked an EBITDA of SAR 325.2 million, up from SAR 291.7 million. Despite growth on the absolute level, our EBITDA margin stood at 23.8% in FY 2023, a decline from 26.4% in FY 2022, which witnessed the sale of land and completed units with high profitability.

On the expenses side, we recorded significant increases in our finance costs, growing to SAR 99.9 million during the year compared to SAR 21.2 million in the previous year. Increased finance costs were a direct reflection of higher SIBOR rates compared to FY 2022. As such, the net profit to shareholders stood at SAR 202.3 million during the year, reflecting a net profit margin (NPM) of 14.8%.

Turning to our financial position, Retal recorded an impressive 50% year-on-year increase in total assets in 2023, fueled primarily by growth in our ongoing projects, which booked SAR 5.2 billion. In parallel, we maintained healthy cash balances throughout the year, increasing our cash in hand

and at banks to SAR 705.9 million as of the end of 2023, compared to SAR 523.0 million as of 31 December 2022. The enhancement of our cash balance is a direct result of the well-executed strategy by our management to optimize Retal’s cash flow from operating activities. These measures, thoughtfully devised, have effectively elevated our cash flow from operating activities by curtailing the Company’s capital requirements and reducing the ensuing cash conversion cycle.

In parallel, our debt balance as of year-end 2023 stood at SAR 1.45 billion, an increase of 78% year-on-year. Higher debt balances were brought forth to acquire the lands necessary for the development of several projects, including Ayala Al Mohammedia, projects in collaboration with ROSHN, as well as Nesaj Town Al-Hassa. Despite the rise in our debt balances, it is important to highlight that Retal relies on strong and constantly updated debt framework to ensure its financial stability, with our debt being project-based and tied to set project timelines within the real estate sector. Additionally, throughout the year, we converted 10% of our outstanding debt into interest-hedged debt to minimize the impact of rising interest rates. Notably, the subsequent uptick in our leverage ratios associated with increasing debt remained comfortably within the predefined target ranges set by management. As of the end of 2023, Retal recorded a modified current ratio of 3.26x and a net debt-to-equity ratio of 1.58x.

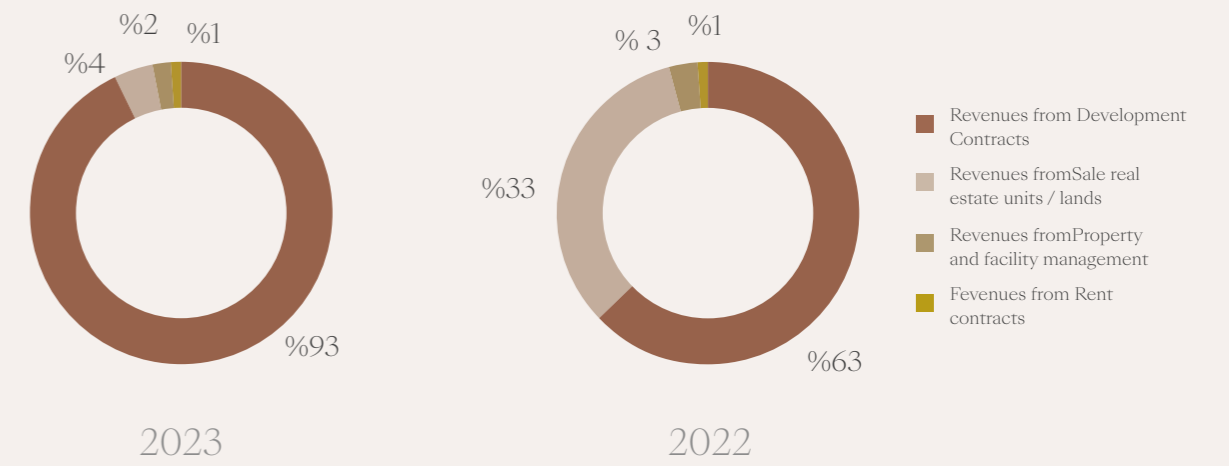
Ammar AlGhoul
CFO
Chief Financial Officer

* Source: Argaam

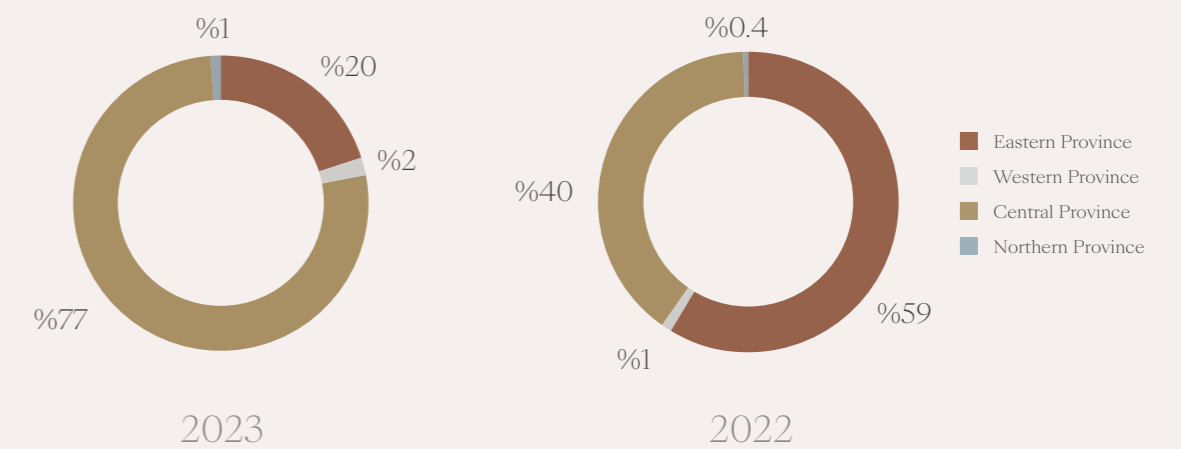
Consolidated Income Statement (2019-2023)

	2023	2022	2021	2020	2019
Revenue	1,367,125	1,106,830	1,085,321	587,451	456,536
Cost of revenue	(987,839)	(803,598)	(839,860)	(463,142)	(379,134)
Gross profit	379,286	303,232	245,461	124,309	77,402
General and administrative expenses	(87,060)	(59,174)	(42,699)	(26,184)	(23,215)
Selling and marketing expenses	(47,158)	(19,750)	(21,230)	(7,702)	(6,317)
Operating profit	245,068	224,308	181,532	90,423	47,870
Finance cost	(99,851)	(21,190)	(3,173)	(2,171)	(4,961)
Share of results of equity accounted investments	64,806	34,641	1,820	12,827	(3,064)
Gain of investments at FVTPL. net	4,911	10,833	3,688	374	22,462
Other income. net	3,210	8,050	3,995	1,892	2,015
Profit before zakat	218,144	256,642	187,862	103,345	64,322
Zakat	(10,204)	(10,899)	(8,463)	(4,711)	(4,630)
Profit from continuing operations	207,940	245,743	179,399	98,634	59,692
Gain on disposal of a subsidiary, net of zakat	-	-	13,936	-	-
Profit for the year	207,940	245,743	193,335	98,634	59,692
Non-controlling interest	5,591	-	(385)	-	-
Net profit for shareholders	202,350	245,743	193,720	98,634	59,692

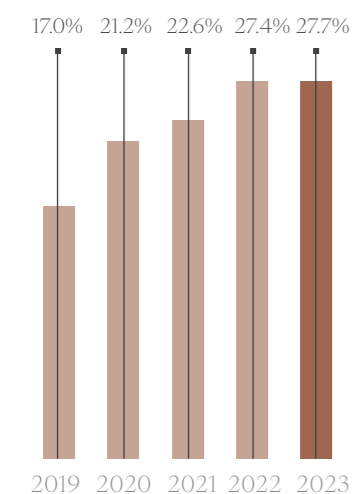
Nature of Revenues (2022-2023)



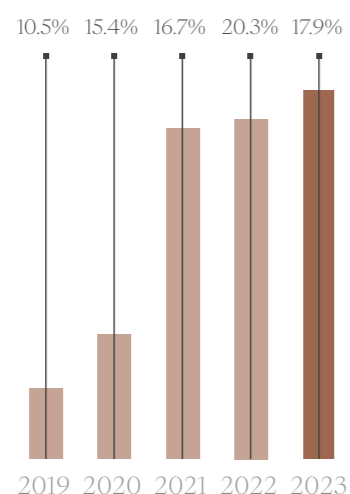
Revenue by Geography (2022-2023)



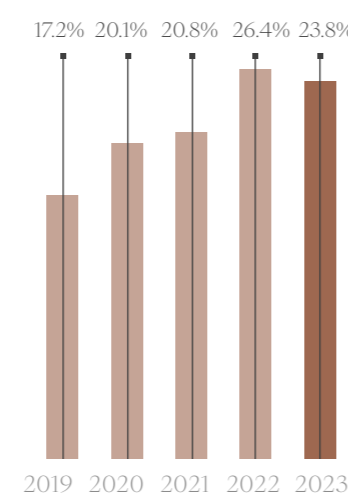
Gross Profit Margin



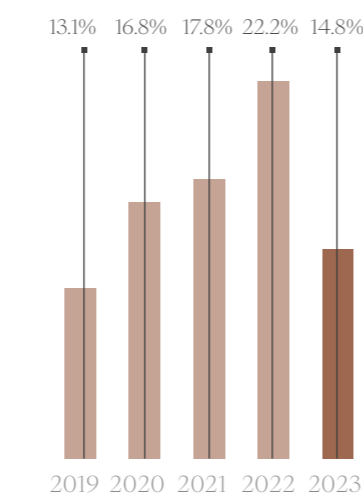
Operating Profit Margin



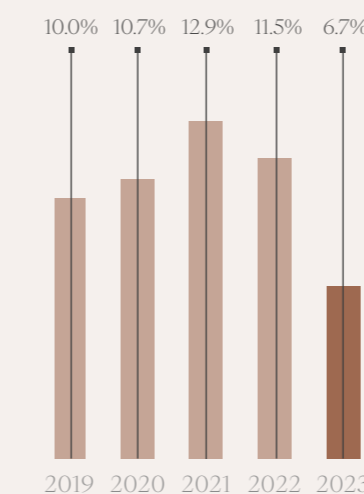
EBITDA margin



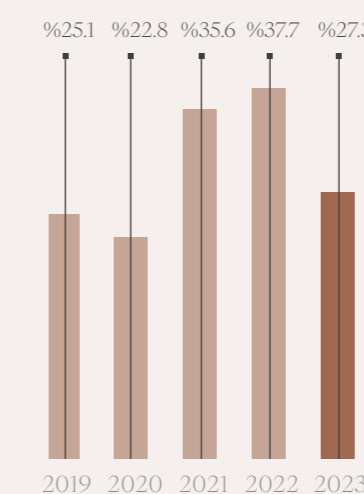
Net Profit Margin



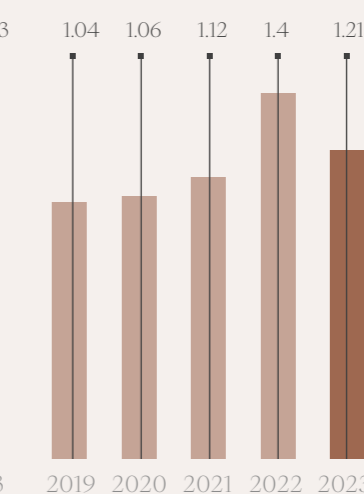
ROA (TTM)



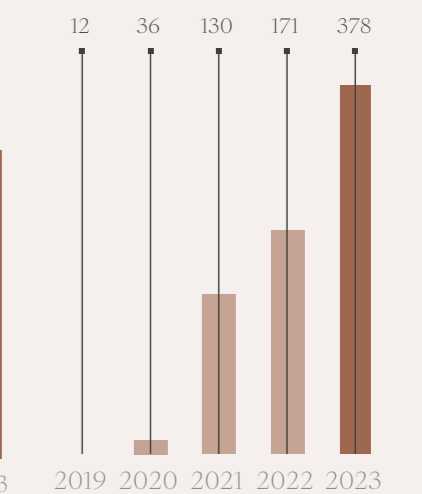
ROE (TTM)



Current Ratio



Net Working Capital (SAR mn)



Consolidated Balance Sheet (2019-2023)

SAR (in thousands)	2023	2022	2021	2020	2019
ASSETS					
NON-CURRENT ASSETS					
Development Properties	559,311	464,668	63,438	-	2,208
Investment Properties	309,993	122,310	201,583	329,198	210,438
Investment from Associate and Joint Venture	394,929	330,437	306,398	121,250	112,820
Prepayment and other receivables	3,205	2,382	2,202	1,067	1,227
Right-of-use assets	35,009	2,850	6,659	14,916	20,464
Intangible assets	13,217	10,279	4,166	3,499	3,727
Property and equipment	159,729	124,032	90,793	90,212	4,912
TOTAL NON-CURRENT ASSETS	1,475,393	1,056,958	675,238	560,142	355,796
CURRENT ASSETS					
Cash on hand and at banks	705,883	522,975	407,977	64,981	9,637
Investments at fair value through profit or loss (FVTPL)	101	23,754	656	-	-
Accounts receivable	237,850	242,911	269,446	82,737	93,452
Contract asset	200,951	91,185	69,844	203,751	150,459
Development properties	705,477	353,232	245,368	139,488	30,888
Prepayment and other receivables	282,647	114,155	162,927	95,265	31,158
Inventories	23,813	15,963	12,509	22,254	4,367
Total current assets	2,156,722	1,364,175	1,168,727	608,476	319,961
TOTAL ASSETS	3,632,115	2,421,133	1,843,965	1,168,618	675,757
EQUITY AND LIABILITIES					
Equity					
Share capital	500,000	400,000	400,000	375,000	250,000
Statutory reserve	83,014	62,779	38,205	18,833	8,969
Reserve for change in ownership interests in subsidiary	8,163	-	-	-	-
Actuarial reserve	(5,617)	(3,213)	(3,358)	(2,509)	(1,494)
Retained earnings	742,518	734,410	568,906	518,786	346,167
Non-controlling interests	7,333	-	(135)	-	-
TOTAL EQUITY	749,851	734,410	568,770	518,786	346,167
NON-CURRENT LIABILITIES					
Employees' end of service benefits	17,829	12,585	11,078	9,481	7,794
Lease liabilities	33,542	2,407	-	3,073	10,271
Long term loans	1,028,721	461,499	211,459	64,667	-
Accounts payable	23,450	17,453	13,658	-	3,967
TOTAL NON-CURRENT LIABILITIES	1,103,542	493,944	236,194	77,221	22,032
CURRENT LIABILITIES					
Accounts payable	450,132	273,461	65,310	224,110	135,002
Payable to National Housing Company	437,429	254,662	272,521	35,132	-
Contract liabilities	109,232	100,220	109,675	36,939	1,606
Accrued expenses and other payables	336,098	193,328	88,184	13,010	7,528
Lease liabilities	3,254	236	2,995	8,693	7,509
Refundable incentives	-	-	-	115,019	150,018
Short term loans	286,929	165,070	100,352	50,000	-
Long term loans	136,136	189,811	389,517	83,733	-
Zakat payable	19,512	15,991	10,447	5,975	5,895
TOTAL CURRENT LIABILITIES	1,778,722	1,192,779	1,039,001	572,611	307,558
TOTAL LIABILITIES	2,882,264	1,686,723	1,275,195	649,832	329,590
TOTAL EQUITY AND LIABILITIES	3,632,115	2,421,133	1,843,966	1,168,618	675,757

Consolidated Cash Flow Statement (2019-2023)

SAR (in thousands)v	2023	2022	2021	2020	2019
Net cash flow generated from operating activities	(148,310)	460	234,634	14,002	(106,284)
Net cash flow generated from investing activities	(86,732)	82,889	(12,592)	(153,586)	42,820
Net cash flow generated from financing activities	417,950	31,648	120,954	194,927	(11,954)
Net change in cash and cash equivalents	182,908	114,997	342,996	55,343	(75,418)
Cash and cash equivalent at the beginning of the year	24,137	32,414	9,975	4,112	85,055
Restricted Cash	(152,312)	(123,275)	(320,557)	(49,481)	(5,525)
Cash and cash equivalent at the end of the year	54,733	24,136	32,414	9,974	4,112