

2Q21 Results Update

September 30, 2021

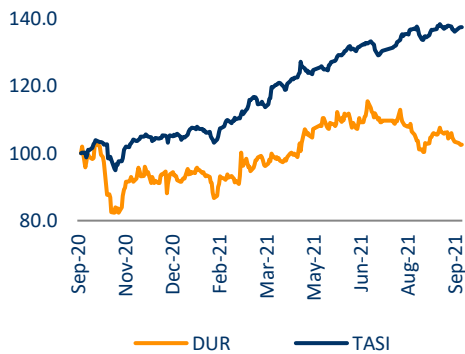
Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	31.9
Target Price (SAR)	32.0
Upside/Downside (%)	0.2%

As of September 29, 2021

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	3.2
52-Wk High (SAR)	36.8
52-Wk Low (SAR)	25.3
Total Outstanding Shares (in mn)	100.0
Free Float (%)	52.4%

DUR vs. TASI (Rebased)

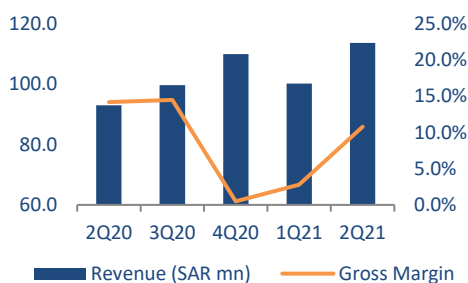


Price Performance (%)	Absolute	Relative
1m	(0.3%)	(2.1%)
6m	4.6%	(13.8%)
12m	2.6%	(34.8%)

Major Shareholders (%)

Aseela Investments Co.	27.14%
Public Investment Fund	16.62%
Mohamed Ibrahim Mohamed Al Issa	12.00%

Revenue (SAR mn) and Gross Margin (%)



Source: Bloomberg, Company Financials, FALCOM Research; Data as of September 29, 2021

Quarterly loss narrowed in 2Q21

Dur Hospitality (Dur)'s revenue climbed 22.2% YoY to SAR 113.6mn in 2Q21, primarily driven by increase in revenue from the hospitality segment. A 27.0% YoY rise in cost of sales resulted in gross profit plunging 7.2% YoY to SAR 12.2mn in 2Q21, while gross margin shrank 340 bps YoY to 10.8% in the quarter. Fall in general and administration expense led the company to report operating profit of SAR 3.9mn in 2Q21 as against SAR 1.6mn in 2Q20, with operating margin expanding 171bps YoY to 3.5% in the current quarter. An increase in other income, coupled with fall in financial charges, led the company to report net loss of SAR 3.7mn in 2Q21 as against net loss of 9.9mn in 2Q20. Subsequently, net margin stood at (-)3.3% in 2Q21 vis-à-vis (-)10.7% in 2Q20.

Dur reported strong performance in 2Q21 compared with that in 2Q20, as the country continues to open up after last year's lockdown due to COVID-19. Dur's total revenue in 2Q21 rose a sharp 22.2% YoY, driven by higher revenue from the Hospitality (up 30.8% YoY to SAR 82.2mn) and Property Rental income (up 4.0% YoY to SAR 30.9n) segments. Supported by lower general and administration expenses, the company reported a 141.3% YoY rise in operating income in 2Q21. Occupancy rate across the KSA remained muted during 2Q21. However, it is expected to improve gradually on steady vaccinations across the globe and easing of travel restrictions. The government remained committed to boost the GDP contribution of the Tourism sector to 10% by 2030, with the country targeting an increase in the number of tourists to 100mn. To achieve this, the government has undertaken several mega projects for tourist attraction and seeks to add 500,000 key rooms by 2030 through the Saudi Tourism Development Fund. Dur plans to add more than 3,400 rooms to its portfolio as it aims to capitalize on the government's investment plans in the sector. Dur has also started initial discussions with Taiba Investments Co. to study the merger of the two companies as Dur seeks to lessen the impact of the pandemic on the company's financials and boost liquidity and efficiency. However, a resurgence in COVID-19 cases due to new strains of the virus may cause prolongation of travel restrictions and create certain headwinds for the company. Further restrictions could lead to subdued demand for accommodations for business and travel, which would result in a lower occupancy rate during the period. In light of the abovementioned factors, we maintain our "Neutral" rating on the stock.

- Dur's total revenue increased 22.2% YoY to SAR 113.6mn in 2Q21, ascribed to a rise in revenue from all the three segments of the company.
- Gross profit dropped 7.2% YoY to SAR 12.2mn in 2Q21, as cost of sales rose 27% YoY to SAR 101.3mn in 2Q21. Simultaneously, gross margin shrank 340bps to 10.8% in the quarter.
- Lower gross margin was offset by a 29.2% YoY fall in general and administration expense as the company's operating profit rose 141.3% YoY to SAR 3.9mn in 2Q21. Consequently, the operating margin expanded to 3.5% in 2Q21 from 1.8% in 2Q20.
- An increase in other income, coupled with fall in financial charges, offset the decline in finance income as the company reported net loss of SAR 3.7mn in 2Q21 as against net loss of 9.9mn in 2Q20. Net margin stood at (-)3.3% in 2Q21 vis-à-vis (-)10.7% in 2Q20.
- On June 12, Dur announced it started initial discussions with Taiba Investments Co. to study the merger of the two companies.

Valuation: We retain our target price to a fair value of SAR 32.0 and maintain the "Neutral" rating on the stock.

	2Q21	2Q20	% YoY	FY21E	FY20	% YoY
Revenue (SAR mn)	113.6	92.9	22.2%	468.9	442.3	6.0%
Gross Profit (SAR mn)	12.2	13.2	(7.2%)	68.8	60.8	13.1%
Operating Profit (SAR mn)	3.9	1.6	141.3%	39.5	5.8	586.3%
Net Profit (SAR mn)	(3.7)	(9.9)	NM	4.5	(49.5)	NM
EPS (SAR)	(0.04)	(0.10)	NM	0.05	(0.49)	NM
Gross Margin (%)	10.8%	14.2%	(3.4%)	14.7%	13.8%	0.9%
Operating Margin (%)	3.5%	1.8%	1.7%	8.4%	1.3%	7.1%
Net Profit Margin (%)	(3.3%)	(10.7%)	NM	1.0%	(11.2%)	NM

Source: Company Financials, FALCOM Research

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FALCOM Rating Methodology

FALCOM Financial Services uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by 10%.

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from FALCOM Financial Services.

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