

3Q21 Results Update

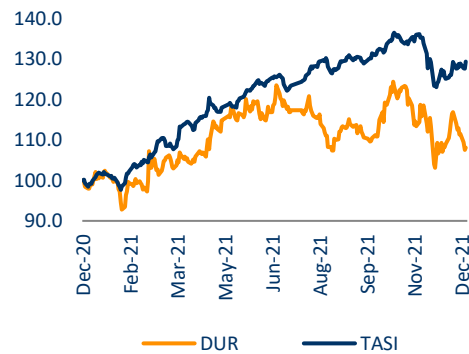
December 29, 2021

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	31.2
Target Price (SAR)	32.0
Upside/Downside (%)	1.7%
<i>As of December 28, 2021</i>	

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	3.1
52-Wk High (SAR)	36.8
52-Wk Low (SAR)	26.6
Total Outstanding Shares (in mn)	100.0
Free Float (%)	52.4%

DUR vs. TASI (Rebased)

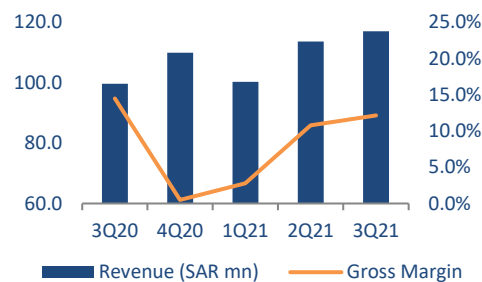


Price Performance (%)	Absolute	Relative
1m	4.0%	(0.9%)
6m	(8.8%)	(12.1%)
12m	8.1%	(21.3%)

Major Shareholders (%)

Aseela Investments Co.	27.14%
Public Investment Fund	16.62%
Mohamed Ibrahim Mohamed Al Issa	12.00%
General Organization for Social Insurance	6.69%

Revenue (SAR mn) and Gross Margin (%)



Source: Bloomberg, Company Financials, FALCOM Research;
Data as of December 28, 2021

Ease in travel restrictions boost topline in 3Q21

Dur Hospitality (Dur)'s revenue surged 17.5% YoY to SAR 117.0mn in 3Q21, primarily driven by higher revenue from hospitality and property rental segments. However, gross profit dipped 1.6% YoY to SAR 14.2mn in 3Q21 as cost of sales soared 20.7% YoY to SAR 102.8mn. Consequently, gross margin shrank 235 bps YoY to 12.1% in the quarter. Rise in selling, general, and administration (SG&A) expenses led to the fall in the company's operating profit by 29.1% YoY to SAR 4.6mn in 3Q21. Operating margin narrowed 260bps YoY to 4.0% in the quarter. The company reported net loss of SAR 6.3mn in 3Q21, as against net loss of SAR 8.4mn in 3Q20. Subsequently, net margin stood at (5.4%) in 3Q21 vis-à-vis (8.4%) in 3Q20. Dur reported improved performance in 3Q21 compared with that in 3Q20, as the country continues to open up after the lockdown in 2020 due to the COVID-19 pandemic. Topline climbed 17.5% YoY in 3Q21, driven by higher revenue from Hospitality (up 23.4% YoY to SAR 85.3mn) and Property Rental (up 4.4% YoY to SAR 31.5n) segments. Occupancy rates across the KSA's major cities improved in 2021 on steady vaccinations across the globe and easing of travel restrictions. KSA's Ministry of Interior recently announced that the Kingdom will allow direct entry for passengers from all countries who have received one dose of a COVID-19 vaccine. This will likely further boost the company's performance in the upcoming quarters. Dur recently launched 'Nur by Makarem', a 3-star hotel brand, which would further improve its topline going forward. The government remained committed to diversify the economy from the oil sector and improve GDP contribution from the Tourism sector. To achieve this, the Saudi Tourism Development Fund already deployed around SAR 6bn to develop megaprojects for tourist attraction since its establishment in 2020 till September 2021. Dur signed a contract with Accor to manage and operate a luxury tourist resort in Jeddah. Through the agreement, Dur will develop the current Makarem Annakheel Village on Obhor Bay in Jeddah into a full-fledged tourist resort. The company expects positive financial impact of this contract from 3Q23. However, resurgence in COVID-19 cases around the globe due to Omicron may compel KSA to impose travel restrictions, which could lead to subdued demand for accommodations for business and travel and create certain headwinds for the company. In light of the aforementioned factors, we maintain our "Neutral" rating on the stock.

- Dur's total revenue increased by 17.5% YoY to SAR 117.0mn in 3Q21, attributed to the rise in revenue from hospitality and property rental segments of the company.
- Gross profit marginally dropped by 1.6% YoY to SAR 14.2mn in 3Q21, as cost of sales rose 20.7% YoY to SAR 102.8mn in 3Q21. Simultaneously, gross margin shrank 235bps to 12.1%.
- Surge in SG&A expenses led to a drop in operating profit by 29.1% YoY to SAR 4.6mn in 3Q21. Consequently, operating margin contracted to 4.0% in 3Q21 from 6.6% in 3Q20.
- Lower operating profit translated into net loss of SAR 6.3mn in 3Q21. Net margin was (5.4%) in 3Q21 vis-à-vis (8.4%) in 3Q20.

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

	3Q21	3Q20	% YoY	FY21E	FY20	% YoY
Revenue (SAR mn)	117.0	99.6	17.5%	441.3	442.3	(0.2%)
Gross Profit (SAR mn)	14.2	14.4	(1.6%)	39.0	60.8	(35.8%)
Operating Profit (SAR mn)	4.6	6.5	(29.1%)	9.1	5.8	58.0%
Net Profit (SAR mn)	(6.3)	(8.4)	NM	(12.2)	(49.5)	NM
EPS (SAR)	(0.06)	(0.08)	NM	(0.12)	(0.49)	NM
Gross Margin (%)	12.1%	14.5%	(2.3%)	8.8%	13.8%	(4.9%)
Operating Margin (%)	4.0%	6.6%	(2.6%)	2.1%	1.3%	0.8%
Net Profit Margin (%)	(5.4%)	(8.4%)	NM	(2.8%)	(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, FALCOM Research.

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