

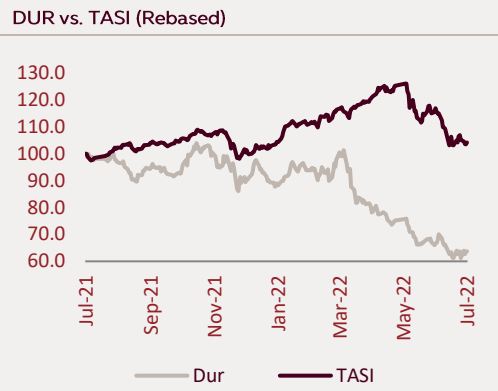
1Q22 Results Update

July 12, 2022

Recommendation	Overweight
Previous Recommendation	Neutral
Current Price (SAR)	21.3
Target Price (SAR)	26.0
Upside/Downside (%)	22.3%

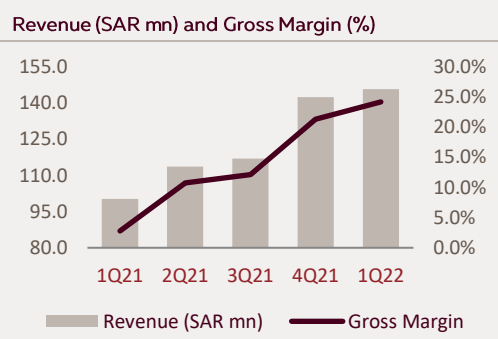
As of July 6, 2022

Key Data (Source: Bloomberg)	
Market Cap (SAR bn)	2.1
52-wk High (SAR)	36.4
52-wk Low (SAR)	21.0
Total Outstanding shares (in mn)	100.0
Free Float (%)	54.2%



Price Performance (%)	Absolute	Relative
1m	(8.4%)	2.5%
6m	(30.9%)	(30.7%)
12m	(39.0%)	(43.1%)

Major Shareholders (%)	
Aseela Investments Co.	27.14%
Public Investment Fund	16.62%
Mohamed Ibrahim Mohamed Al Issa	12.00%



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of July 6, 2022

Easing of travel restrictions, lifting suspension of Umrah boosts topline in 1Q22

Dur Hospitality (Dur)'s revenue surged 45.4% YoY to SAR 145.7mn in 1Q22, primarily driven by higher revenue contribution from the hospitality, property rental, and property management segments. Cost of sales rose 13.4% YoY to SAR 110.5mn in 1Q22. However, higher revenue led to the company reporting gross profit of SAR 35.2mn in 1Q22 as against SAR 2.8mn in 1Q21. Consequently, gross margin improved 21.4% YoY to 24.2% in 1Q22. Despite a rise in selling and marketing expenses and general and administration expenses, operating profit stood at SAR 23.3mn in 1Q22 as against operating loss of SAR 1.8mn in 1Q21. Operating margin stood at 16.0% during the quarter. Rise in financial charges and significant drop in other income were offset by higher topline as the company reported net profit of SAR 12.8mn in 1Q22 compared with SAR 1.9mn in 1Q21. Consequently, net income margin improved 691 bps YoY to 8.8% in 1Q22.

Dur reported a significantly improved performance in 1Q22 compared with that in 1Q21. The surge in the company's topline was attributable to lifting of the precautionary measures related to COVID 19, gradual improvement in business environment, lifting of suspension of Umrah, and increasing capacity of the Grand Mosque. Consequently, revenue from the hospitality segment soared 63.4% YoY to SAR 113.9mn, property rental was up 3.9% YoY to SAR 31.4mn, while the property management segment grew 41.5% YoY during the quarter. The occupancy rate in the KSA is expected to improve further in FY22, as passengers from across the globe are now allowed to enter the KSA directly. This is likely to boost the company's performance in FY22. Dur recently signed a contract worth SAR 181.7mn with Al Murshid Contracting Group for the expansion and development of Rixos Jeddah Resort development project. The company expects the positive financial impact of this contract to materialize starting 4Q23. This project is in line with the company's strategic plan to enhance its position and leadership in the KSA's hospitality sector. The government remains committed to diversifying the economy from the oil sector and improving the tourism sector's contribution to GDP. To achieve this, the Saudi Tourism Development Fund started mega tourism development projects to attract foreign tourists. Considering the above-listed points, we change our rating to "Overweight" on the stock.

- Dur's total revenue increased 45.4% YoY to SAR 145.7mn in 1Q22, supported by improved revenue contribution across segments.
- Gross profit surged to SAR 35.2mn in 1Q22 from SAR 2.8mn in 1Q21 despite a 13.4% YoY increase in the company's cost of sales to SAR 110.5mn during the quarter. Consequently, gross margin advanced to 24.2% in 1Q22 from 2.8% in 1Q21.
- The rise in selling and marketing and general and administration expenses was offset by higher topline, as Dur reported operating income of SAR 23.3mn in 1Q22 as against operating loss of SAR 1.8mn in 1Q21. Consequently, operating margin improved to 16.0% in 1Q22 from (-)1.8% in 1Q21.
- Financial charges increased 18.1% YoY to SAR 6.8mn, whereas other income fell 83.7% YoY to SAR 2.3mn during the quarter.
- However, the company's net profit stood at SAR 12.8mn in 1Q22 as against SAR 1.9mn in 1Q21. Subsequently, the net margin rose to 8.8% in 1Q22 vis-à-vis 1.9% in 1Q21.

Valuation: We revise our target price to a fair value of SAR 26.0 per share and change our rating to "Overweight" on the stock.

	1Q22	1Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	145.7	100.2	45.4%	582.3	473.1	23.1%
Gross Profit (SAR mn)	35.2	2.8	1162.5%	126.0	59.5	111.8%
EBITDA (SAR mn)	48.9	22.8	114.8%	196.8	140.8	39.8%
Net Profit (SAR mn)	12.8	1.9	582.6%	41.6	(15.2)	NM
EPS Basic (SAR)	0.13	0.02	10.9%	0.42	(0.15)	NM
Gross Margin (%)	24.2%	2.8%	21.4%	21.6%	12.6%	9.1%
EBITDA Margin (%)	33.6%	22.7%	10.8%	33.8%	29.8%	4.1%
Net Profit Margin (%)	8.8%	1.9%	6.9%	7.1%	(3.2%)	NM

Source: Company Financials, Yaqeen Capital

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Yaqeen Capital Rating Methodology

Yaqeen Capital 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 Yaqeen Capital.

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