

2Q22 Results Update

September 30, 2022

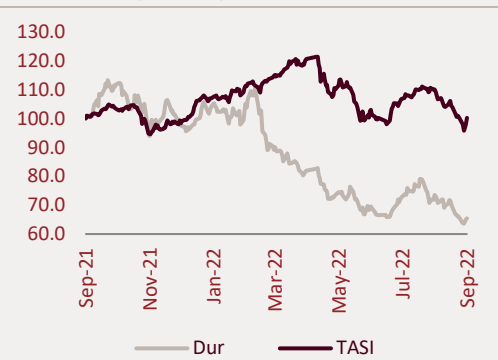
Recommendation	Overweight
Previous Recommendation	Overweight
Current Price (SAR)	20.9
Target Price (SAR)	24.0
Upside/Downside (%)	14.8%

As of September 29, 2022

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	2.1
52-wk High (SAR)	36.4
52-wk Low (SAR)	20.2
Total Outstanding shares (in mn)	100.0
Free Float (%)	60.8%

DUR vs. TASI (Rebased)

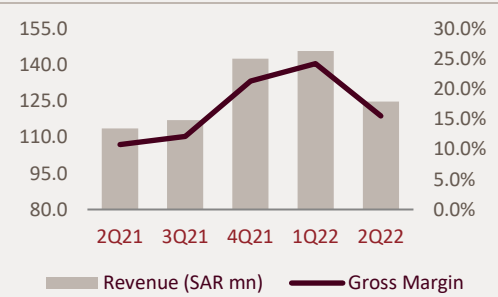


Price Performance (%)	Absolute	Relative
1m	(11.1%)	(2.1%)
6m	(27.4%)	(14.5%)
12m	(34.6%)	(34.8%)

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, Yaqeen Capital;
Data as of September 29, 2022

Increase in interest rates drag bottom line in 2Q22

Dur Hospitality (Dur)'s revenue rose 9.9% YoY to SAR 124.8mn in 2Q22, primarily due to higher revenue contribution from the hospitality, property rental, and property management segments. Despite a 4.0% YoY rise in cost of sales to SAR 105.4mn during the quarter, higher top line led a 58.4% YoY surge in gross profit to SAR 19.4mn in 2Q22. Consequently, gross margin improved 475 bps YoY to 15.5% during the quarter. Operating profit surged 121.5% YoY to SAR 8.7mn despite an increase in selling and marketing expenses as well as general and administration expenses. Subsequently, operating margin expanded 352bps to 7.0% during the quarter. However, rise in financial charges and decline in other income countervailed the fall in zakat expenses, resulting in Dur reporting a net loss of SAR 4.6mn in 2Q22 compared to SAR 3.7mn net loss in 2Q21.

Dur's bottom line dropped during the quarter despite a surge in the top line. Gradual improvement in business environment and lifting of precautionary measures led to improvement in the top line. Consequently, revenue from the hospitality segment advanced 11.9% YoY to SAR 92.0mn, property rental was up 3.3% YoY to SAR 31.9mn, while the property management segment soared 84.0% YoY to SAR 0.9mn during the quarter. However, on quarterly basis, the top line declined 14.3%, as contribution from the hospitality segment decreased on a fall in demand from business sectors due to the seasonal nature of operations of some of the company's hotels. Increase in interest rates during the quarter led to a surge in finance charges, resulting in the company reporting a net loss of SAR 4.6mn in 2Q22. However, as passengers from across the world are now allowed to enter KSA directly, occupancy rate in the Kingdom is expected to improve in FY22, positively impacting the company's performance during the year. Dur's recent agreement for the expansion and development of Rixos Jeddah Resort development project is expected to benefit the company's finances. This project is in line with the company's strategic plan to enhance its position and leadership in KSA's hospitality sector. The Saudi Tourism Development Fund started mega tourism development projects to attract foreign tourists as the government remains committed to diversifying the economy from the oil sector and improving the tourism sector's contribution to GDP. Considering the above-mentioned points, we maintain our "Overweight" rating on the stock.

- Dur's total revenue surged 9.9% YoY to SAR 124.8mn in 2Q22, supported by improved revenue contribution from across segments. Revenue dropped 14.3% QoQ from SAR 145.7mn in 1Q22 due to lower revenue contribution from the hospitality sector.
- Gross profit advanced 58.4% YoY to SAR 19.4mn in 2Q22 as cost of sales grew at a slower pace than the top line. Consequently, gross margin expanded to 15.5% in 2Q22 from 10.8% in 2Q21.
- Dur's operating income jumped 121.5% YoY to SAR 8.7mn as higher top line offset the rise in selling and marketing as well as general and administration expenses. Consequently, operating margin improved to 7.0% in 2Q22 from 3.5% in 2Q21.
- Financial charges surged 86.1% YoY to SAR 10.9mn, whereas other income plummeted 76.3% YoY to SAR 0.6mn during the quarter.
- Consequently, the company reported a net loss of SAR 4.6mn in 2Q22 vis-à-vis a net loss of SAR 3.7mn in 2Q21.
- Dur's loss per share stood at SAR 0.05 in 2Q22 compared to loss per share of SAR 0.04 in 2Q21.

Valuation: We revise our target price to a fair value of SAR 24.0 per share but maintain our "Overweight" rating on the stock.

	2Q22	2Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	124.8	113.6	9.9%	547.3	473.1	15.7%
Gross Profit (SAR mn)	19.4	12.2	58.4%	117.0	59.5	96.6%
EBITDA (SAR mn)	34.1	28.5	19.9%	189.2	140.8	34.4%
Net Profit (SAR mn)	(4.6)	(3.7)	NM	22.3	(15.2)	NM
EPS Basic (SAR)	(0.05)	(0.04)	NM	0.22	(0.15)	NM
Gross Margin (%)	15.5%	10.8%	4.8%	21.4%	12.6%	8.8%
EBITDA Margin (%)	27.4%	25.1%	2.3%	34.6%	29.8%	4.8%
Net Profit Margin (%)	(3.7%)	(3.3%)	(0.4%)	4.1%	(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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