

3Q22 Results Update

December 15, 2022

Recommendation Overweight

Previous Recommendation	Overweight
Current Price (SAR)	19.1
Target Price (SAR)	21.1
Upside/Downside (%)	10.8%

As of December 14, 2022

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	1.9
52-wk High (SAR)	35.3
52-wk Low (SAR)	18.2
Total Outstanding shares (in mn)	100.0
Free Float (%)	44.2%

DUR vs. TASI (Rebased)



Price Performance (%)	Absolute	Relative
1m	(5.1%)	3.4%
6m	(17.1%)	(2.4%)
12m	(42.9%)	(35.9%)

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 December 14, 2022

Recovery in hospitality segment drives topline growth in 3Q22

Dur Hospitality (Dur)'s revenue grew 3.1% YoY to SAR 120.7mn in 3Q22, primarily driven by improved revenue contribution from the hospitality, property rental, and property management segments. Cost of sales declined 1.0% YoY to SAR 101.8mn during the quarter. Consequently, gross profit surged 33.3% YoY to SAR 18.9mn, while gross margin improved 355 bps YoY to 15.7% during the quarter. Lower general and administration expenses offset the increase in selling and distribution expenses and resulted in a 102.9% YoY rise in operating profit to SAR 9.4mn. Subsequently, operating margin expanded 382bps to 7.8% during the quarter. However, Dur reported a net loss of SAR 6.0mn in 3Q22 owing to rise in financial charges and zakat expenses. The company's loss margin stood at (-)5.0% in 3Q22 as against (-)5.4% in 3Q21.

Dur's reported improved performance in 3Q22 as the topline surged, while net loss lowered during the quarter. The company's topline improved, led by the lifting of precautionary measures and improved business environment. Consequently, revenue from the hospitality segment grew 2.1% YoY to SAR 87.1mn, property rental was up 3.5% YoY to SAR 32.6mn, and the property management segment advanced 261.0% YoY to SAR 1.0mn during the quarter. However, on quarterly basis, the topline slipped 3.3% due to lower contribution from the hospitality segment. The company undertook expense control measures, which led to improvement in operating profit. Consequently, despite an increase in finance charges due to high interest rates during the quarter, the company's net loss lowered YoY to SAR 6.0mn in 3Q22. Occupancy rate in the KSA is recovering as passengers from across the world are now allowed to enter directly after COVID-19 restrictions for a couple of years. This is expected to positively impact the company's performance during FY22. Dur recently obtained a SAR 257mn Shariah-compliant Murabaha facility to expand and develop the Rixos Jeddah Resort. This project is in line with the company's strategic plan to enhance its position and leadership in the KSA's hospitality sector. Additionally, Dur signed a non-binding MoU with Smart Zone Real Estate Co. to develop a hotel within STC Square project in Riyadh. The KSA government remains committed to diversify the economy from the oil sector and improve the tourism sector's contribution to GDP. Accordingly, mega tourism development projects have been initiated to attract foreign tourists, which could be a tailwind for the company. Considering the above-mentioned points, we maintain our "Overweight" rating on the stock.

- Dur's total revenue advanced 3.1% YoY to SAR 120.7mn in 3Q22, led by improved revenue contribution from across segments. However, the topline dropped 3.3% QoQ from SAR 124.8mn in 2Q22 due to lower revenue contribution from the hospitality sector.
- Cost of sales declined during the quarter, leading to a 33.3% YoY rise in gross profit to SAR 18.9mn in 3Q22. Consequently, gross margin expanded to 15.7% in 3Q22 from 12.1% in 3Q21.
- Dur's operating income was up 102.9% YoY to SAR 9.4mn as the rise in selling and marketing was counterbalanced by lower general and administration expenses. Consequently, operating margin improved to 7.8% in 3Q22 from 4.0% in 3Q21.
- Share in the results of equity accounted investee slightly offset the rise in financial charges and zakat expenses during the quarter.
- Consequently, the company reported a net loss of SAR 6.0mn in 3Q22 vis-à-vis a net loss of SAR 6.3mn in 3Q21.
- Dur's loss per share stood at SAR 0.06 in 3Q22.

Valuation: We revise our target price to a fair value of SAR 21.1 per share but maintain our "Overweight" rating on the stock.

	3Q22	3Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	120.7	117.0	3.1%	524.7	473.1	10.9%
Gross Profit (SAR mn)	18.9	14.2	33.3%	93.9	59.5	57.8%
EBITDA (SAR mn)	34.7	28.6	21.5%	164.2	140.8	16.6%
Net Profit (SAR mn)	(6.0)	(6.3)	NM	2.0	(15.2)	NM
EPS Basic (SAR)	(0.06)	(0.06)	NM	0.02	(0.15)	NM
Gross Margin (%)	15.7%	12.1%	3.6%	17.9%	12.6%	5.3%
EBITDA Margin (%)	28.8%	24.4%	4.3%	31.3%	29.8%	1.5%
Net Profit Margin (%)	(5.0%)	(5.4%)	0.3%	0.4%	(3.2%)	NM

Source: Company Financials, Yaqeen Capital

3Q22 Results Update
Yaqeen Capital Rating Methodology

December 15, 2022

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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