

AL AKARIA



EVENT FLASH

In-line set of results

Al Akaria announced its 1Q13 preliminary results on 14 April 2013 after market hours. Net income came in at SR42.1mn, in-line with our estimate. Net income increased on a YoY basis by 10.5% due to an increase in rental income and a decline in operating and G&A expenses.

- **Gross profit** for 1Q13 came in at SR45.6mn vs. NCBC estimate of SR44.5mn recording a YoY increase of 8.5%.
- **Operating profit** for 1Q13 came in at SR41.9mn vs. NCBC estimate of SR41.0mn (2.2% higher than our estimate) recording a YoY increase of 12%.
- **Net income** for 1Q13 came in at SR42.1mn in-line with our and recording a YoY increase of 10.5% but a 25.7% QoQ decline.
- In summary, Al Akaria reported a good set of results with net income recording a 10.5% YoY growth to SR42.1. The reported figure was in-line with our estimate but 6.6% higher than consensus. Although the company has not reported its top line figures yet, the good growth could be attributed to higher revenues in our view. The management attributes the income growth to an increase in rental income and a decline in operating and G&A expenses.
- On a QoQ basis, net income fell 25.7% due to the base effect from a mutual fund unit sale recorded in 4Q12. Adjusting for the gain from the sale of SR9.9mn, net income fell 10% QoQ from SR46.8mn.
- In our last update on the company, we mentioned that we are expecting Al Akaria to record a revenue growth of 9.8% in 2013E, with EBIT margins of 59.7% and net margins of 61.3%, leading to a 2.5% YoY growth in net income to SR173mn.
- We expect the revenue growth for 2013E will be driven by continued strong residential rental revenue performance, which is expected to contribute 47.9% of total revenue in 2013E (33% on average over the last five years).
- We are currently Neutral on Al Akaria with a PT of SR33.5. We await the full detailed results before updating our model.

1Q13 Results Summary

| SR mn | 1Q 13A | 1Q 12A | % YoY | 1Q 13E | % Var [^] |
|------------------|--------|--------|-------|--------|--------------------|
| Gross profit | 45.6 | 42.0 | 8.5 | 44.5 | 2.5 |
| Operating profit | 41.9 | 37.5 | 11.8 | 41.0 | 2.2 |
| Net income | 42.1 | 38.2 | 10.3 | 42.0 | 0.2 |
| EPS (SR) | 0.35 | 0.32 | 10.3 | 0.35 | 0.2 |

Source: Company, NCBC Research [^] % Var indicates variance from NCBC forecasts

NEUTRAL

| | |
|---------------------------|-------------|
| Target price (SR) | 33.5 |
| Current price (SR) | 32.4 |

STOCK DETAILS

| | |
|-------------------------|-----------|
| M52-week range H/L (SR) | 38.0/23.5 |
| Market cap (\$mn) | 1,037 |
| Shares outstanding (mn) | 120 |
| Listed on exchanges | TADAWUL |

| Price perform (%) | 1M | 3M | 12M |
|-------------------|--------|-------|-------|
| Absolute | (13.2) | 23.5 | 24.3 |
| Rel. to market | 86.8 | 123.5 | 124.3 |

| Avg daily turnover (mn) | SR | US\$ |
|-------------------------|------|------|
| 3M | 13.4 | 3.57 |
| 12M | 15.1 | 4.01 |

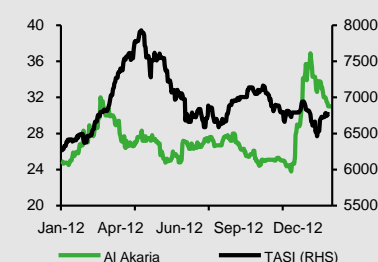
| | |
|----------------|--|
| Reuters code | 4020.SE |
| Bloomberg code | SRECO AB |
| | www.al-akaria.com |

VALUATION MULTIPLES

| | 12A | 13E | 14E |
|------------------|------|------|------|
| Reported P/E (x) | 18.2 | 21.8 | 23.5 |
| P/B (x) | 1.01 | 1.02 | 1.04 |
| Div Yield (%) | 4.63 | 4.63 | 3.89 |
| EV/EBITDA | 4.65 | 6.49 | 7.42 |

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Bloomberg

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| | |
|---------------|---|
| OVERWEIGHT: | Target price represents expected returns in excess of 15% in the next 12 months |
| NEUTRAL: | Target price represents expected returns between -10% and +15% in the next 12 months |
| UNDERWEIGHT: | Target price represents a fall in share price exceeding 10% in the next 12 months |
| PRICE TARGET: | Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon |

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CS: Coverage Suspended. NCBC has suspended coverage of this company

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