

AKARIA



EVENT FLASH

Good results with net income up 2.3% YoY

Akaria announced its 3Q11 preliminary results on 12 October 2011 after market hours. Net income came in at SR33.8mn, higher than our estimate of SR25.2mn. Earnings grew on a YoY basis due to improved occupancy rates. We await the detailed results before updating our model.

- **Net income grew strongly YoY:** 3Q11 came in at SR33.8mn compared to a reported net profit of SR33.0mn in 3Q10. According to the announcement on Tadawul, the improvement in occupancy rates at the Plaza complex as well as other properties led to the increase in bottom line figures. On a quarterly basis, net income increased 34.7% from SR25.1mn in 2Q11.
- **Gross profit below our estimate:** 3Q11 came in at SR38.0mn below our estimate of SR41.4mn. 3Q11 was a 0.7% decrease YoY (SR38.3mn in 3Q10).
- **EPS up on an annual basis:** 3Q11 came in at SR0.26 ahead of our estimate. 3Q11 was an increase of 2.3% YoY (SR0.25 in 3Q10).
- In summary, this is a strong set of results from Al Akaria. While the gross profit line fell short of our estimates, net income came in ahead of our estimate by 33.8%. We believe that we underestimated the impact of the company's Akaria Plaza on the top-line figure.
- We continue to believe that the office market is challenging for the company. Given that offices comprise 55% of rental revenue and the rising excess supply of office space in Riyadh; we assume some pressure on revenues from older offices. Hence, we do not expect significant improvement in the company's top-line figures. However, this negative pressure will be offset by new revenues from Akaria Plaza, in our view.
- We view the 3Q11 results as a strong performance from Akaria, yet believe that the short to medium term outlook for the company remains limited. We are currently Neutral with a PT SR26.5/share and await full details before updating our model.

3Q11 Results Summary

SR mn	3Q11A	3Q10A	YoY (%)	3Q11E	Var^ (%)
Gross profit	38.0	38.3	(0.7)	41.4	(8.3)
Operating profit	34.0	33.6	1.2	28.1	21.0
Net income	33.8	33.0	2.3	25.2	34.1
EPS (SR)	0.26	0.25	2.3	0.19	34.1

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

Please refer to the last page for important disclaimer

NEUTRAL

Target price	SR26.5
Current price (SR)	23.0

STOCK DETAILS

M52-week range H/L (SR)	26.9/19.8
Market cap (\$mn)	736
Shares outstanding (mn)	120
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	5.3	(8.4)	(6.9)
Rel. to market	4.7	(2.2)	(3.8)

Avg daily turnover (mn)	SR	US\$
3M	1.9	0.5
12M	4.9	1.3

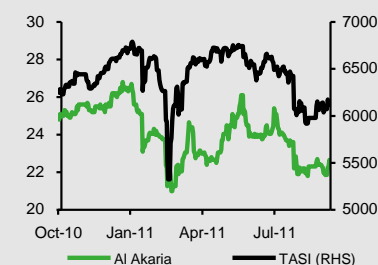
Reuters code	4020.SE
Bloomberg code	SRECO AB
	www.al-akaria.com

VALUATION MULTIPLES

	10A	11E	12E
Reported P/E (x)	15.1	27.4	25.3
P/B (x)	0.9	0.9	0.9
P/FCF (x)	12.0	NM	NM
Div Yield (%)	5.4	3.3	3.3

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Bloomberg

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