

AKARIA



EVENT FLASH

4Q11 down YoY due to lower land sales

Akaria announced its 4Q11 preliminary results on 14 January 2012 after market hours. Net income came in at SR60.6mn, above our estimate of SR44.4mn. Net income declined significantly on a YoY basis by 46% due to lower land sales. We await the detailed results before updating our model.

- **Net income declined significantly YoY:** 4Q11 came in at SR60.6mn compared to a reported profit of SR114mn in 4Q10. According to the announcement on Tadawul, the company attributed the YoY decline in earnings to the SR137.5mn sale of the company's Al Basateen neighbourhood during 4Q10. However, on a quarterly basis, net income increased 79% from SR33.8mn in 3Q11. The growth in earnings came primarily as a result of Akaria selling plots of land in "Qurtuba" for SR14.7mn, which was recognized in 4Q11.
- **Gross profit down YoY:** 4Q11 came in at SR56.9mn slightly below our estimate of SR60.7mn. 4Q11 was a decrease of 66% YoY (SR167.4mn in 3Q11).
- **EPS down on an annual basis:** 4Q11 came in at SR0.51 ahead of our estimate of SR0.37. 4Q11 was a decrease of 42% YoY (SR0.88 in 4Q10).
- **Net income for 2011 down 18% YoY:** The company recorded an annual income of SR150mn, implying an 18% decline from 2010 when it reported SR183mn. Despite the improved occupancy rates and the lower expenses, Akaria's YoY performance declined due to lower land sales.
- Although our Gross Income estimate is broadly in line with the number reported by Akaria, we have differed significantly on Operating and Net Income. The key reason for this is the SR14.7mn from land sales which we were not expecting.
- In our last company update we highlighted that 2011 was regarded as a year of investment for the company. For 2011, the SR14.7mn land sales made in 4Q11 is the only land sale in 2011 against SR222.9mn of land sales in 2010. Thus, this is the primary reason behind the significant decline in net income in 4Q11 and for 2011 as a whole.
- In general, 4Q11 results were ahead of our expectations yet disappointing YoY across all profit lines. We are currently Neutral on the stock with a PT SR27.3/share and await full details before updating our model.

4Q11 Results Summary

SR mn	4Q 11A	4Q 10A	% Y o Y	4Q 11E	% Var^
Gross profit	56.9	167.5	(66.0)	60.7	(6.3)
Operating profit	53.4	151.1	(64.7)	47.3	12.9
Net income	60.6	114.0	(46.9)	44.4	36.6
EPS (SR)	0.51	0.88	(41.9)	0.37	36.6

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

NEUTRAL

Target price (SR)	27.3
Current price (SR)	26.2

STOCK DETAILS

M52-week range H/L (SR)	27.6/19.8
Market cap (\$mn)	838
Shares outstanding (mn)	120
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	3.7	6.7	(6.5)
Rel. to market	2.6	4.3	(3.9)

Avg daily turnover (mn)	SR	US\$
3M	3.3	0.9
12M	4.8	1.3

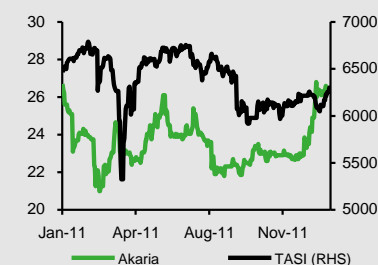
Reuters code	4020.SE
Bloomberg code	SRECO AB
	www.al-akaria.com

VALUATION MULTIPLES

	10A	11E	12E
Reported P/E (x)	17.2	30.4	28.0
P/B (x)	1.0	1.0	1.0
P/FCF (x)	13.6	NM	NM
Div Yield (%)	4.8	3.8	3.8

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Bloomberg

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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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