



## EVENT FLASH

## Higher than expected results on lower other expenses

Al Akaria reported a higher than expected 1Q16 net income of SR26.6mn. This compares to the NCBC estimates of SR21.6mn, and represents a decline of 38% YoY. With all profit lines broadly in-line with our estimates, we believe the deviation on the net income level came from lower than expected financing expenses and Zakat. We are currently Neutral on the company with a PT of SR39.9. Further announcement regarding Al Waseel project will be a key catalyst. However, fees on white lands remain a key risk due to the company's 20.6mn land bank.

- **Gross profit:** 1Q16 came-in at SR51.1mn, up 10.2% YoY. This is 6.0% higher than the NCBC estimate of SR48.2mn.
- **Net income:** 1Q16 came-in at SR26.6mn, down 38.2% YoY. This compares to NCBC estimates of SR21.6mn. Earnings are down 9.4% on a QoQ basis.
- **NCBC view on results:** Al Akaria announced a higher than expected set of 1Q16 results. Net income declined 38.2% YoY to SR26.6mn. This compares to the NCBC estimates of SR21.6mn. The YoY decline in net income is attributed mainly to higher financing expenses. Moreover, we believe the variance from our estimates is due to lower than expected financing fees and Zakat.
- Gross profit came-in at 6% above our estimates of SR51.1mn. We believe this is a result of opening and renting more units of the Diplomatic Quarter (DQ) project. The number of villas in the DQ project increased from 198 villas to 260 villas.
- However, lower than expected financing expenses and Zakat led to net income coming-in significantly higher the NCBC estimates. We expected financing expenses and Zakat to reach SR19.7mn following to the SR2.2bn loan secured in 2015.
- We believe the decision of the Saudi Council of Ministers to implement fees on white lands will negatively impact Al Akaria considering that the company has a land bank of 20.6mn sqm. However, the impact of this regulation will depend on the Ministry of Housing's definition of white land and time frame for implementation.
- We are Neutral on the stock with a PT of SR39.9. Any announcement regarding the planned developments on the Al Waseel project is a key catalyst. However, the negative impact from fees on white land remain a concern.

## 1Q16 Results Summary

| SR mn            | 1Q16A | 1Q15A | % YoY  | 1Q16E | % Var^ |
|------------------|-------|-------|--------|-------|--------|
| Gross income     | 51    | 46    | 10.2   | 48    | 6.0    |
| Operating income | 42    | 40    | 6.6    | 41    | 1.9    |
| Net income       | 27    | 43    | (38.2) | 22    | 23.2   |
| EPS (SR)         | 0.22  | 0.36  | (38.2) | 0.18  | 23.2   |

Source: Company, NCBC Research ^ % Var indicates variance from NCBC forecasts, \*restated numbers

Please refer to the last page for important disclaimer

## NEUTRAL

**Target price (SR)** 39.9

**Current price (SR)** 18.5

## STOCK DETAILS

|                         |           |
|-------------------------|-----------|
| 52-week range H/L (SR)  | 40.5/15.1 |
| Market cap (\$ mn)      | 590       |
| Shares outstanding (mn) | 120       |
| Listed on exchanges     | TADAWUL   |

| Price perform (%) | 1M    | 3M    | 12M    |
|-------------------|-------|-------|--------|
| Absolute          | (3.6) | 17.8  | (49.9) |
| Rel. to market    | (4.0) | (1.5) | (17.8) |

| Avg daily turnover (mn) | SR   | US\$ |
|-------------------------|------|------|
| 3M                      | 15.9 | 4.2  |
| 12M                     | 18.2 | 4.8  |

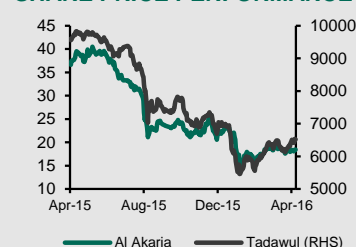
|                |  |
|----------------|--|
| Reuters code   | 4020.SE  |
| Bloomberg code | SRECO AB   |
|                | <a href="http://www.al-akaria.com">www.al-akaria.com</a> |

## VALUATION MULTIPLES

|               | 15A    | 16E    | 17E   |
|---------------|--------|--------|-------|
| P/E (x)       | 15.0   | 10.6   | 9.9   |
| P/B (x)       | 0.6    | 0.6    | 0.6   |
| EV/EBITDA (x) | (11.7) | (10.2) | (9.9) |
| Div Yield (%) | 5.4    | 5.4    | 5.4   |
| P/E (x)       | 15.0   | 10.6   | 9.9   |

Source: NCBC Research estimates

## SHARE PRICE PERFORMANCE



Source: Tadawul

**Mohamed Tomalieh** +966 12 690 7635  
m.tomalieh@ncbc.com

Kindly send all mailing list requests to [research@ncbc.com](mailto:research@ncbc.com)

**NCBC Research website**

<http://research.ncbc.com>

**Brokerage website**

[www.alahlitadawul.com](http://www.alahlitadawul.com)  
[www.alahlibrokerage.com](http://www.alahlibrokerage.com)

**Corporate website**

[www.ncbc.com](http://www.ncbc.com)

**NCBC Investment Ratings**

|               |   |
|---------------|---|
| OVERWEIGHT:   | Target price represents an increase in the share price in excess of 15% in the next 12 months   |
| NEUTRAL:      | Target price represents a change in the share price 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 |

**Other Definitions**

NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

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

NC: Not covered. NCBC does not cover this company

**Important information**

The authors of this document hereby certify that the views expressed in this document accurately reflect their personal views regarding the securities and companies that are the subject of this document. The authors also certify that neither they nor their respective spouses or dependants (if relevant) hold a beneficial interest in the securities that are the subject of this document. Funds managed by NCB Capital and its subsidiaries for third parties may own the securities that are the subject of this document. NCB Capital or its subsidiaries may own securities in one or more of the aforementioned companies, or funds or in funds managed by third parties. The authors of this document may own securities in funds open to the public that invest in the securities mentioned in this document as part of a diversified portfolio over which they have no discretion. The Investment Banking division of NCB Capital may be in the process of soliciting or executing fee earning mandates for companies that are either the subject of this document or are mentioned in this document.

This document is issued to the person to whom NCB Capital has issued it. This document is intended for general information purposes only, and may not be reproduced or redistributed to any other person. This document is not intended as an offer or solicitation with respect to the purchase or sale of any security. This document is not intended to take into account any investment suitability needs of the recipient. In particular, this document is not customized to the specific investment objectives, financial situation, risk appetite or other needs of any person who may receive this document. NCB Capital strongly advises every potential investor to seek professional legal, accounting and financial guidance when determining whether an investment in a security is appropriate to his or her needs. Any investment recommendations contained in this document take into account both risk and expected return. Information and opinions contained in this document have been compiled or arrived at by NCB Capital from sources believed to be reliable, but NCB Capital has not independently verified the contents of this document and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this document. To the maximum extent permitted by applicable law and regulation, NCB Capital shall not be liable for any loss that may arise from the use of this document or its contents or otherwise arising in connection therewith. Any financial projections, fair value estimates and statements regarding future prospects contained in this document may not be realized. All opinions and estimates included in this document constitute NCB Capital's judgment as of the date of production of this document, and are subject to change without notice. Past performance of any investment is not indicative of future results. The value of securities, the income from them, the prices and currencies of securities, can go down as well as up. An investor may get back less than he or she originally invested. Additionally, fees may apply on investments in securities. Changes in currency rates may have an adverse effect on the value, price or income of a security. No part of this document may be reproduced without the written permission of NCB Capital. Neither this document nor any copy hereof may be distributed in any jurisdiction outside the Kingdom of Saudi Arabia where its distribution may be restricted by law. Persons who receive this document should make themselves aware of, and adhere to, any such restrictions. By accepting this document, the recipient agrees to be bound by the foregoing limitations.

NCB Capital is authorised by the Capital Market Authority of the Kingdom of Saudi Arabia to carry out dealing, as principal and agent, and underwriting, managing, arranging, advising and custody, with respect to securities under licence number 37-06046. The registered office of which is at Al Mather street in Riyadh, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia.