

TAIBA



EVENT FLASH

2Q12 preliminary results below expectations

Taiba announced its 2Q12 preliminary results on 15 July 2012 after market hours. Net income came in at SR44.0mn, below our estimate of SR61.9mn. Earnings grew significantly by 36.6% on a YoY basis due to higher operating rates but fell short of our expectations. We await the detailed results before updating our model.

- **Gross profit** for 2Q12 came in at SR64.2mn vs. the NCBC estimate of SR91.8mn (30.1% below our estimate) recording a YoY growth of 39.8%.
- **Operating profit** for 2Q12 came in at SR56.6mn vs. the NCBC estimate of SR65.9mn (14.0% below our estimate) recording a YoY growth of 63.0%.
- **Net income** for 2Q12 came in at SR44.0mn vs. the NCBC estimate of SR62.0mn (28.9% below our estimate) recording a YoY growth of 36.6% but an 83.6% QoQ decline.
- **EPS** for 2Q12 came in at SR0.29 vs. NCBC estimate of SR0.41 (28.9% below our estimate) recording a YoY growth of 36.6%.
- In summary, this is a strong set of results from Taiba when compared to the company's performance during 2Q11. The management attributed the YoY increase to the overall improvement in the company's operating rates. On a quarterly basis, earnings declined due to the compensation received for the compulsory purchase order by the government during 1Q12.
- However, all profit lines fell below our expectations. On the gross line, our estimates were approximately 30% higher than the company's reported figures. We believe that the deviation in numbers was primarily due to a delay in the opening of some of Taiba's hotels. Currently our model assumes the start of operations of four hotels; Al Ajwah Arak, Al Aqeeq Hotel, Taiba Aramas and Arac Makkah during 1H12, which led to our 2Q12 revenue estimate of approximately SR125mn. However, the results indicate that this must have been significantly lower, although the company has not yet reported that figure.
- We are currently Overweight with a PT SR28.1 per share and await full details before updating our model.

2Q12 Results Summary

SR mn	2Q12A	2Q11A	YoY (%)	2Q12E	Var (%) [^]
Gross profit	64.2	45.9	39.8	91.8	(30.1)
Operating profit	56.6	34.8	63.0	65.9	(14.0)
Net income	44.0	32.2	36.6	62.0	(28.9)
EPS (SR)	0.29	0.21	36.6	0.41	(28.9)

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

Please refer to the last page for important disclaimer

OVERWEIGHT

Target price (SR)	28.1
Current price (SR)	20.3

STOCK DETAILS

M52-week range H/L (SR)	27.0/16.2
Market cap (\$mn)	810
Shares outstanding (mn)	150
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	1.8	(16.7)	20.9
Rel. to market	3.0	(7.3)	18.5

Avg daily turnover (mn)	SR	US\$
3M	8.1	2.2
12M	6.1	1.6

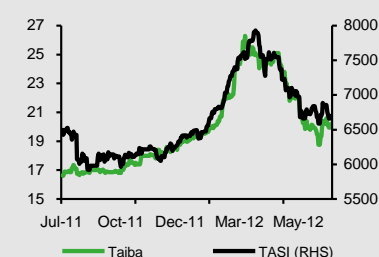
Reuters code	4090.SE
Bloomberg code	TIRECO AB
	www.taiba.com.sa

VALUATION MULTIPLES

	11A	12E	13E
Reported P/E (x)	12.2	9.0	13.5
P/B (x)	0.99	0.93	0.92
EV/EBITDA (x)	5.1	3.4	4.8
Div Yield (%)	5.2	5.2	5.2

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

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

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