

## TAIBA



## EVENT FLASH

## Results worse than expected

Taiba announced its 4Q12 preliminary results on 15 January 2012 after market hours. Net income came in at SR42.4mn, significantly below our estimate due to land sale gains not being booked. Earnings dropped significantly by 44.9% on a YoY basis due to the SR59mn land compensation which the company received during 4Q11. We await the detailed results before updating our model.

- **Gross profit** for 4Q12 came in at SR59mn vs. the NCBC estimate of SR99mn (40.4% below our estimate) recording a YoY decline of 31.3%.
- **Operating profit** for 4Q12 came in at SR48mn vs. the NCBC estimate of SR83mn (41.4% below our estimate) recording a YoY decline of 35.1%.
- **Net income** for 4Q12 came in at SR42mn vs. the NCBC estimate of SR81mn (47.8% below our estimate) recording a YoY decline of 44.9% and 18.7% QoQ.
- In summary, Taiba reported a weak set of results YoY. The company attributed the YoY decline in earnings to the company's sale of assets (land plots) during 4Q11 as well as the increase in investment income which it recorded during 4Q11. Although the company has not yet reported its revenue figures, we believe the deviation between our numbers and the reported figures is in the company's top line. In our model, we assumed that Taiba's sale of land plots in Riyadh and Jeddah on the 21 and 28 November 2012 worth around SR130mn would be reflected in the company's 4Q12 performance; we assume this has been delayed to 1Q13.
- For 2012, net income came in at SR409mn, increasing 72.9% YoY from SR237mn in 2011 primarily due to the company's capital gains from the sale of land plots.
- On 09 December 2012, we downgraded Taiba from Overweight to Neutral primarily off the back of increased concerns regarding the expansion plans of the Prophet's Mosque in Madinah and the potential compulsory purchase orders this may lead to for TAIBA. During our Overweight call, the stock increased 46.3%, versus the TASI which increased 3.7%.
- Given the weak set of results from Taiba, we expect the stock to be under pressure during today's trading session.
- We are currently Neutral on the stock with a price target of SR26.3/share. We will update our numbers once the detailed results are available. The stock is currently trading at a 2013E P/B of 1.12x which is in-line with its historic average.

## 4Q12 Results Summary

SR mn	4Q12A	4Q11A	YoY (%)	4Q12E	Var (%) <sup>^</sup>
Gross profit	59.0	111.7	(47.1)	99.0	(40.4)
Operating profit	48.3	73.4	(34.1)	82.5	(41.4)
Reported net income	42.4	75.2	(43.6)	81.2	(47.8)
EPS (SR)	0.29	0.50	(43.6)	0.54	(47.8)

Source: Company, NCBC Research <sup>^</sup> % Var indicates variance from NCBC forecasts

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## NEUTRAL

**Target price (SR)** 26.3

**Current price (SR)** 24.5

## STOCK DETAILS

M52-week range H/L (SR)	27.0/18.8
Market cap (\$mn)	978
Shares outstanding (mn)	150
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	1.7	5.8	26.7
Rel. to market	1.2	10.2	16.9

Avg daily turnover (mn)	SR	US\$
3M	3.4	0.9
12M	6.1	1.6

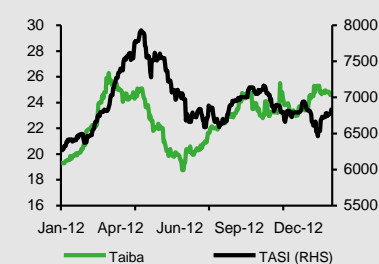
Reuters code	4090.SE
Bloomberg code	TIRECO AB
	<a href="http://www.taiba.com.sa">www.taiba.com.sa</a>

## VALUATION MULTIPLES

	11A	12E	13E
Reported P/E (x)	15.0	8.7	17.5
P/B (x)	1.22	1.12	1.10
EV/EBITDA (x)	7.8	7.4	8.1
Div Yield (%)	4.2	4.2	4.2

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**

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

**NC:** Not covered. NCBC does not cover this company

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