



## Earnings miss estimates from a weak topline; Maintain Buy

### Weak topline leads to earnings miss vs. SFC and consensus

Al Tayyar reported 3Q15 net profit of SAR265m (+9% y/y, -36% q/q) which missed SFC estimate by 7% and consensus by 10%. The miss seems to be primarily topline driven with revenues of SAR1.90bn (+8% y/y, -20% q/q) that missed our estimate by 10%, while EBIT of SAR270m (+5% y/y, -37% q/q) missed our estimate by 8%. However, EBITmargin was largely resilient at 14.2% vs. SFC estimate of 14.0% and 14.6% in 3Q14. While no further details are disclosed, topline miss could have either come from volume growth slowdown in the current macro environment or from seasonality since third quarter typically tends to remain slow vs. other quarters.

### Core travel business trades at 2015E P/E of 9.0x; Maintain Buy

After a 18% decline in stock price, Al Tayyar trades at 10.7x 2015E P/E. It has SAR2.2bn (BV) of real estate assets under construction (including the recently purchased 5 star hotel). Valuing these at book value, core travel business trades at 9.0x 2015E P/E which is at a steep discount to KSA consumer basket (19.7x), EM (23.6x) and DM (20.7x) peers. Post publication of 3Q15 preliminary results, we maintain Buy rating on Al Tayyar.

### Watch our for progress on government contracts

Al Tayyar is a leader ( around 32% share) in KSA's fast growing air travel market and provides air ticketing/ancillary services to sticky high value government/corporate customers (69% of revenues) and individuals (31% of revenues). While we like Al Tayyar's profile (industry leading position, strong balance sheet, move into hospitality business to cater to religious tourism) and maintain our optimistic outlook on the company, in a low oil price environment, we believe investors should watch out for progress on Al Tayyar's government contracts as we think they are of high value and contribute to a disproportionate share of profits.

SAR mn	3Q15A	3Q15E	% dev	Cons	% dev	2Q15	% qoq	3Q14	%yoy	2015E	2016E
Revenues	1,898	2,100	-10%	2,087	Na	2,387	-20%	1,757	8%	8,967	10,423
Gross Profit	399	415	-4%	Na	Na	555	-28%	376	6%	1,890	2,194
EBIT	270	295	-8%	302	-11%	426	-37%	257	5%	1,386	1,614
EBIT margin	14.2%	14.0%	1%	14.5%	-2%	18%	-20%	14.6%	-3%	15.5%	15.5%
Net Income	265	284	-7%	296	-10%	396	-33%	244	9%	1,329	1,542
Restated Net profit	265	284	-7%	296	-10%	416	-36%	243	9%	1,329	1,542

Source: Company, Saudi Fransi Capital, Bloomberg

### Rating Summary

Recommendation	Buy
12-Month Target price (SAR)	135
Upside/(Downside)	90%

### Stock Details

Last Close Price	SAR	70.5
Market Capitalization	SAR mln	14,165
Shares Outstanding	mln	200
52-Week High	SAR	112.1
52-Week Low	SAR	63.4
Price Change (YTD)	%	-18%
6-Mth ADTV	mln	46.2
EPS 2015E	SAR	6.66
Reuters / Bloomberg	1810.SE	ALTAYYAR AB

Source: Tadawul

### Key Shareholders (%)

Al Tayyar Investment and Real Estate Development Co.	23
Dr Nasser Bin Aqeel Al Tayyar	19
Public	58

Source: Tadawul

### Price Multiples

	2015E	2016E
P / E	10.7	9.2
EV / EBITDA	8.8	7.6
Dividend Yield	5.1%	6.3%

Source: SFC

### 1-Year Share Performance



Source: Bloomberg

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## Research and Advisory Department

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### Rating Framework

#### **BUY**

Shares of the company under coverage in this report are expected to outperform relative to the sector or the broader market.

#### **HOLD**

Shares of the company under coverage in this report are expected to perform in line with the sector or the broader market.

#### **SELL**

Shares of the company under coverage in this report are expected to underperform relative to the sector or the broader market.

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