

TAIBA



This is an extract of our published report, the full version of which can be found on the ncbc.com website

COMPANY UPDATE

Outlook remains positive

We remain Overweight on Taiba with a PT of SR21.2. We continue to believe that the company's fundamentals make the stock an attractive play in the hospitality sector of Saudi Arabia. With projects under construction set to commence in 2012 and 2013, we expect a significant growth in the company's earnings performance in the coming years.

- Strong 4Q11 earnings due to Hajj season:** We believe 4Q11 will record strong earnings growth due to the increasing number of pilgrims (5% YoY increase) during the Hajj season and the improvement in occupancy rates coupled with higher Average Daily Rates (ADR). From our discussions with management, and based on our analysis we expect 4Q11 revenues of approximately SR260mn. 4Q11 profit will contribute to around 47% of 2011 profits.
- Project completion to drive top-line growth:** We currently expect rental revenue, Taiba's largest revenue source, to increase from SR184mn in 2011 to approximately SR334mn in 2013E, a CAGR of 29.1% per annum, driven by the completion of new projects over the period.
- Compensation for land plots in 1Q12:** From our discussions with management we understand that the compensation for the plot of land where Aramas Hotel lies will flow into the company's financial records as soon as 1Q12. Due to this, Taiba will record a one-off additional profit of approximately SR168mn.
- Stock currently trades in line with average P/BV:** Since our initiation, the stock is up 6.2% versus the TASI which is down 6.7%. On a valuation front, Taiba is trading in line with the average peer multiple at 0.9x P/B for 2011E. However, given the company's steady growth in earnings over the long run, we would argue that it should be trading at a premium to its market peers.

Financial summary

SR mn	2010	2011E	2012E	2013E	2014E	CAGR (%)
Revenues	248	533	528	439	525	20.7
EBITDA	104	258	254	204	252	24.9
Net income	92	205	193	139	165	15.7
EBITDA margin %	41.8	48.3	48.2	46.4	47.9	
Net margin %	37.2	38.5	36.6	31.6	31.5	
ROE %	3.2	7.2	6.6	4.8	5.7	
EPS (SR)	0.61	1.37	1.29	0.93	1.10	
DPS (SR)	1.00	1.00	1.00	1.00	1.00	

Source: Company, NCBC Research estimates

OVERWEIGHT

Target price (SR) 21.2

Current price (SR) 18.25

STOCK DETAILS

M52-week range H/L (SR)	19/14
Market cap (\$mn)	730
Shares outstanding (mn)	150
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	4.9	7.6	22.9
Rel. to market	5.4	5.0	25.9

Avg daily turnover (mn)	SR	US\$
3M	2.9	0.8
12M	3.3	0.9

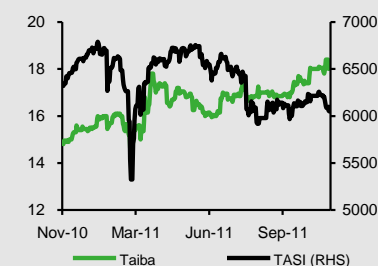
Reuters code	4090.SE
Bloomberg code	TIRECO AB
	www.taiba.com.sa

VALUATION MULTIPLES

	10A	11E	12E
Reported P/E (x)	29.7	13.3	14.2
P/B (x)	0.95	0.95	0.94
EV/EBITDA (x)	12.5	5.0	5.1
Div Yield (%)	5.5	5.5	5.5

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

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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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