

TAIBA



EVENT FLASH

Opening of new hotels supports 4Q13 earnings

Taiba announced a good set of 4Q13 results, with net income of SR64.5mn, 19% above the NCBC estimate. The company attributes this to better operating rates. We believe this is due to better than expected occupancy rates at the newly opened hotels, Al Aqeeq Palace Hotel and Madinah Aramas Hotel, and lower impact from the cut in Hajj pilgrims.

- **Gross profit** for 4Q13 came in at SR65.9mn, up 12% YoY and higher than the NCBC estimate of SR53.9mn.
- **Operating income** for 4Q13 came in at SR55.7mn, increasing 15% YoY and was higher than the NCBC estimate of SR44.7mn.
- **Net income** for 4Q13 came in at SR64.5mn, increasing 52% YoY. This is higher than the NCBC estimate of SR53.9mn. 4Q13 earnings were flat on a QoQ basis.
- **NCBC View on Results:** In summary, Taiba reported a strong set of 4Q13 results, with net income up 52.1% YoY, 19.6% above our expectations, mainly due to higher other income relative to 4Q12. Revenues were up 21.1% with hotel openings and better occupancy rates in our view the key reasons behind this.
- The company attributed the YoY growth to higher operating rates and increased investment income. We believe that this may be attributed to the opening of two new hotels in 2013 – Madinah Aramas and Al Aqeeq Palace Hotel (opened in December 2013). The increase of 52% in the bottom line, compared to 12-15% on Gross and operating lines, is due to “Investment and other income” losses of SR7mn in 4Q12 vs. SR15.1 gains in 4Q13.
- Net income came in 19.6% above our estimate due to a 31.5% higher than expected top line. We believe this is driven by 1) lower than expected effect from the cut in Hajj pilgrims 2) higher than expected occupancy at the newly opened hotels (we assumed a 60% occupancy at these hotels).
- We believe the relatively lower growth YoY on the gross profit line compared to revenues is due to higher operating expenses, which led to a decrease of 5% in gross margins to 62.8%. Operating margins remain relatively unchanged at 53.1%.
- We are currently Neutral on Taiba with a price target of SR39.2. Successful operations of the newly opened hotels (Al Aqeeq Palace and Madinah Aramas) will support 1Q14 and full year earnings.

4Q13 Results Summary

SR mn	4Q13A	4Q12A	YoY (%)	4Q13E	Var (%) [^]
Revenues	105	86.5	21.1	79.8	31.5
Gross profit	65.9	58.6	12.4	53.9	22.3
Operating profit	55.7	48.3	15.3	44.7	24.7
Reported net income	64.5	42.4	52.0	53.9	19.6
EPS (SR)	0.43	0.28	52.0	0.36	19.6

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

Please refer to the last page for important disclaimer

NEUTRAL

Target price (SR) 39.2

Current price (SR) 38.3

STOCK DETAILS

M52-week range H/L (SR)	47.1/23.0
Market cap (\$mn)	1,536
Shares outstanding (mn)	150
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(5.3)	(10.5)	58.7
Rel. to market	(9.2)	(19.7)	37.1

Avg daily turnover (mn)	SR	US\$
3M	65.1	17.4
12M	35.9	9.6

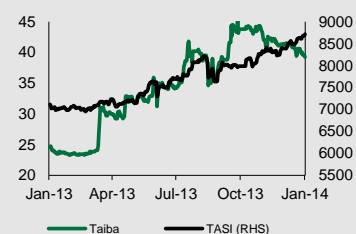
Reuters code	4090.SE
Bloomberg code	TIRECO AB
	www.taiba.com.sa

VALUATION MULTIPLES

	12A	13E	14E
Reported P/E (x)	14.1	21.8	18.4
P/B (x)	1.7	1.7	1.6
EV/EBITDA (x)	16.7	19.0	13.2
Div Yield (%)	3.1	3.1	3.1

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Bloomberg

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- 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

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