REAL ESTATE | 10 MAY 2017

TAIBA

الأهلي كابيتال
NCB Capital

EVENT FLASH

In-line results, supported by higher investment income

Taiba reported an in-line set of 1Q17 results. Net income increased 3.7% YoY, to SR56.1mn. This compares to the NCBC estimates of SR55.3mn. With all other profit lines coming below our estimates, we believe the earnings were mainly supported by a higher income from equity investments of SR17mn vs. our estimates of SR6.9mn. However, we believe the large equity investments are a key risk for the company. We are Neutral on the stock with a PT of SR42.3.

- **NCBC view on the results:** Taiba reported an in-line set of 1Q17 results. Net income increased 3.7% YoY, to SR56.1mn. This compares to the NCBC estimates of SR55.3mn. We believe allowance cut and overall economic slowdown impacted the performance of the company's hotels. This led to revenue declining 10.1% YoY and margins coming below our estimates
- Sales of Taiba stood at SR106mn in 1Q17, decreasing 10.1% YoY and coming 9.7% below our estimates. We believe this decline was due to lower ADR and occupancy. Moreover, Gross and EBIT margins came -199 bps and -392 bps lower than expected. However, EBIT margins expanded 104bps YoY to 45.7%, leading to a lower decline of 8.0% YoY in EBIT to SR48.5mn.
- We believe other/investment income stood at SR17mn in 1Q17. This compares to our estimates of SR6.9mn, SR5.3mn in 1Q16 and SR11mn in 4Q16. We believe the majority of this investment income constituted of dividends from the company's equity investments. Moreover, we believe the deviation from our estimates is due to the timing of dividend distributions.
- Taiba invested SR445.8mn in SABIC and Makkah Construction upon receiving the compulsory purchase order (CPO) payment from the government, while increasing its investment in SAFCO by SR269mn to SR895mn. We believe the CPO compensation was the main source for financing these investments. Investing CPO compensations in equity is exposing the company to a significant risk which may reduce its ability to build new hotels, if the value of these investments depreciates.
- We are currently Neutral on Taiba with a PT of SR42.3. We believe the unclear outlook on earnings remains a key concern. Moreover, the equity investments of the company add to this risk. Although the company plans to build hotels in Riyadh, Jeddah and Khobar, we believe the potential revenue is significantly lower than the hotels that received CPOs.

1Q17 Results Summary

SR mn	1Q17A	1Q16A	% YoY	1Q17E	%Var^	% QoQ
Revenues	106.2	118.1	(10.1)	17.6	(9.7)	(3.5)
Gross income	63.2	69.9**	(9.7)	72.3	(12.6)	3.9**
Gross margin (%)	*59.5%*	*59.2%*	*0.30*	*61.5%*	*(1.99)*	*4.26*
EBIT	48.5	52.7**	(8.0)	58.3	(16.8)	(1.0)**
EBIT Margin (%)	*45.7%*	*44.6%*	*1.04*	*49.6%*	*(3.92)*	*1.16*
Net income	56.1	54.1 **	3.7	55.3	1.4	(8.4)**
Net Margin (%)	*52.8%*	*45.8%*	*7.02*	*47.1%*	*5.76*	*(2.81)*
EPS (SR)	0.37	0.36	3.7	0.37	1.4	(8.4)

Source: Company, NCBC Research , ^ % Var indicates variance from NCBC forecasts; **Restated

NEUTRAL

Target price (SR)	**42.3**
Current price (SR)	**42.9**
Upside/Downside (%)	**(1.5)**

STOCK DETAILS

M52-week range H/L (SR)	46/32
Market cap ($mn)	1,718
Shares outstanding (mn)	150
Listed on exchanges	TADAWUL

Price perform (%)	**1M**	**3M**	**12M**
Absolute	(5.8)	8.7	25.5
Rel. to market	(2.0)	9.5	22.2

Avg. daily turnover (mn)	**SR**	**US$**
3M	5.8	1.5
12M	4.6	1.2

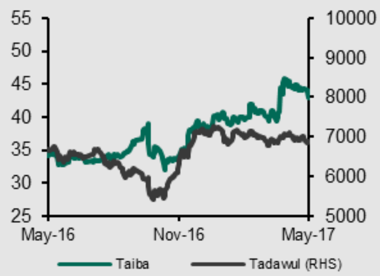
Reuters code	4090.SE
Bloomberg code	TIRECO AB
	www.taiba.com.sa

VALUATION MULTIPLES

	16A	**17E**	**18E**
P/E (x)	25.8	25.0	23.2
P/B (x)	1.7	1.7	1.7
EV/EBITDA (x)	13.4	12.4	11.5
Div Yield (%)	4.7	4.7	4.7

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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NCBC Investment Ratings

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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