

## TAIBA



## EVENT FLASH

## Significant YoY growth in earnings

Taiba announced its 4Q11 preliminary results on 15 January 2012 after market hours. Net income came in at SR76.9mn, below our estimate of SR91.9mn but up 78.6% YoY. The company attributed the significant growth in earnings to the improved average daily rates as well as land compensations which the company received during the quarter. We await the detailed results before updating our model.

- **Net income grew strongly YoY:** 4Q11 came in at SR76.9mn compared to a reported profit of SR43.1mn in 4Q10. According to the announcement on Tadawul, the improvement in average daily rates was a key driver for the overall growth in earnings during the quarter. However, on a quarterly basis, net income decreased 14.9% from SR90.4mn in 3Q11, primarily due to the land compensation which the company received from the Saudi government during 3Q11 (SR59.8mn in compensation).
- **Gross profit below our estimate:** 4Q11 came in at SR85.9mn, 25.6% below our estimate of SR115.4mn. 4Q11 was a significant increase of 59.4% YoY (SR53.9mn in 4Q10).
- **Significant growth in 2011 net income:** Taiba reported a SR237mn in net income for 2011 compared to the SR92.1mn which it recorded in 2010. Taiba benefited from rising rental yields in 2011 and the reopening of its residential complex, which was previously under refurbishment in 2010.
- In summary, this is a very strong set of results from Taiba. While all profit lines fell short of our expectations, the growth in the company's earnings remains impressive. We believe that we overstated the increase in company's occupancy rates which led to the deviation between the reported numbers and our expectations.
- We believe that the deviation between gross and operating income comes as a result of lower expenses which Taiba benefited from during 4Q11 compared to 4Q10. Whereas the deviation from net income is due to an increase in the company's other income.
- We view the 4Q11 results as a strong performance from Taiba. We are currently Overweight with a PT SR21.2/share and await full details before updating our model.

## 4Q11 Results Summary

SR mn	4Q11A	4Q10A	YoY (%)	4Q11E	Var (%)^
Gross profit	85.9	53.9	59.4	115.4	(25.6)
Operating profit	74.7	39.4	89.6	104.8	(28.7)
Net income	77.0	43.1	78.6	91.9	(16.3)
EPS (SR)	0.52	0.29	78.6	0.61	(16.3)

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

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## OVERWEIGHT

<b>Target price</b>	<b>SR21.2</b>
<b>Current price (SR)</b>	<b>19.3</b>

## STOCK DETAILS

M52-week range H/L (SR)	20.1/14.0
Market cap (\$mn)	772
Shares outstanding (mn)	150
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	4.3	10.6	21.4
Rel. to market	4.8	8.3	24.4

Avg daily turnover (mn)	SR	US\$
3M	4.5	1.2
12M	3.9	1.0

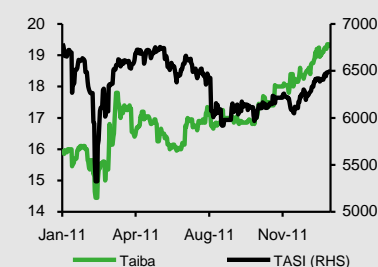
Reuters code	4090.SE
Bloomberg code	TIRECO AB
	<a href="http://www.taiba.com.sa">www.taiba.com.sa</a>

## VALUATION MULTIPLES

	10A	11E	12E
Reported P/E (x)	31.4	14.1	15.0
P/B (x)	1.01	1.01	0.99
EV/EBITDA (x)	14.1	5.7	5.7
Div Yield (%)	5.2	5.2	5.2

Source: NCBC Research estimates

## SHARE PRICE PERFORMANCE



Source: Bloomberg

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16 JANUARY 2012

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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**

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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