

# TAIBA

**NEUTRAL**

CURRENT PRICE SAR28.6

**UPSIDE +17.8%**

TARGET PRICE SAR33.7

EVENT FLASH

## Losses due to provisions and one-offs

Taiba reported a weaker than expect set of Q4 18 results, with a net loss of SAR69.5mn vs a loss of SAR17.7mn in Q4 17. However adjusting for one-offs, net income stood at SAR40.4mn vs the NCBC estimates of SAR49.5mn. We believe the variance came from lower revenues and gross margins due to lower rental prices for commercial spaces and lower occupancy rates at its hotels.

- NCBC view on the results:** Taiba reported a weaker than expected set of Q4 18 results, with a loss of SAR69.5mn vs a loss of SAR17.7mn in Q4 17. However, adjusting for SAR42mn in other opex and SAR67.8mn in provisions for a guarantee given to SIDF on behalf of its affiliate company, Fiberglass Oasis Company, net profit stood at SAR40.4mn. This is lower than the NCBC estimates of SAR49.5mn. We believe the variance in adjusted earnings came from lower revenues and gross margins as a result of lower revenues from commercial spaces and hotels.
- Sales stood at SAR98.8mn in Q4 18, declining -2.4% yoy. This is lower than our estimates of SAR117mn. Gross margins contracted -516 bps yoy to 53.2%, coming lower than our estimates of 64.2%. We believe the lower than expected revenues and gross margins came as a result of 1) lower rental prices at commercial spaces in Madinah and 2) lower occupancy and ADR at Taiba's hotels. Adjusting for other opex eg receivables provisions and expired project design expenses, opex-to-sales stood at 24.0% in Q4 18 vs 29.8% in Q4 17 which reflects opex efficiencies on core operations.
- Adj. other income stood at SAR11.6mn in Q4 18 vs our estimates of SAR0.7mn. We believe this came as a result of a Zakat reversal of cSAR3mn and higher investments income in Q4 18. Taiba has exited its investments in SABIC in Q3 18 (0.14% stake), realizing a capital gain of SAR47.6mn. We believe this is a key positive as the company will use the proceeds to finance future expansions in hospitality related projects. However, Taiba still holds a stake of 0.81% in Makkah Construction, 1.91% in SAFCO and 3.2% in Knowledge Economic City.
- We are Neutral on Taiba with a PT of SAR33.7. All expansion projects of Taiba, except for the Madinah Airport Hotel, are in the design phase. Any announcements on expansion projects will be a key stock driver. Taiba announced a DPS of SAR1.8 for 2018 vs our estimates of SAR1.6, reflecting a dividend yield of 6.3%. Taiba trades at a 2019f PE of 20.8x.

### Q4 18 Results Summary

SAR mn	Q4 18a	Q4 17a	% yoy	Q4 18f	%Var^	% qoq
Revenues	98.8	101.2	(2.4)%	117.3	(15.8)%	(26.6)%
Gross income	52.6	59.1*	(11.1)%	75.4	(30.3)%	(38.9)%
Gross margin (%)	53.2%	58.4%	(516)bps	64.2%	(1,103)bps	(1,074)bps
EBIT	(13.2)	28.9*	NM	48.8	NM	NM
Adj. EBIT	28.8	28.9*	(0.2)%	48.8	(40.9)%	(62.0)%
Adj. EBIT Margin (%)	29.2%	28.5%	65bps	41.6%	(1,242)bps	(2,717)bps
Net income	(69.5)	(17.7)*	NM	49.5	NM	NM
Adj.net income	40.4	(17.7)*	NM	49.5	(18.4)%	(32.8)%
Adj.net margin (%)	40.9%	-17.5%	NM	42.2%	(132)bps	(379)bps
Adj. EPS (SAR)	0.27	(0.12)	NM	0.33	(18.4)%	(32.8)%

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



### STOCK DETAILS

M52-week range H/L (SAR)	32/27
Market cap (\$mn)	1,144
Shares outstanding (mn)	150
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(1.2)	(7.7)	(6.1)
Rel. to market	(0.2)	(16.0)	(20.9)

Avg daily turnover (mn)	SAR	US\$
3M	2.9	0.8
12M	3.2	0.8

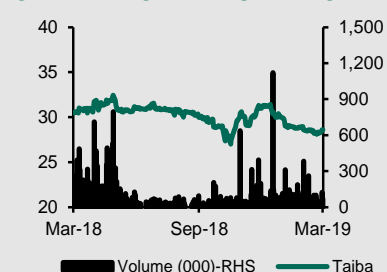
Reuters code	4090.SE
Bloomberg code	TIRECO AB
	www.taiba.com.sa

### VALUATION MULTIPLES

	17a	18f	19f
P/E (x)	23.7	66.5*	20.8
P/B (x)	1.2	1.2	1.2
EV/EBITDA (x)	6.0	5.8	6.0
Div Yield (%)	5.6	5.6	5.6

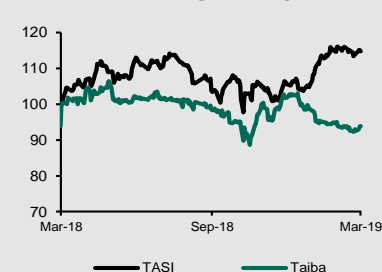
Source: NCBC Research estimates, \*2018a

### SHARE PRICE PERFORMANCE



Source: Tadawul

### RELATIVE PERFORMANCE



Source: Tadawul

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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
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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

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