

Industries Qatar (IQCD)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR12.19	Target Price	QR14.30
Implied Upside	17.3%	Old Target Price	QR17.00

Risk-Reward Positive Despite Earnings Drop; Moving to Accumulate

We reduce our price target from QR17.00 to QR14.30 and move to an Accumulate rating. We are also reducing our earnings estimates by an average of ~14% over 2023-2027. IQCD reported weaker-than-expected 1Q2023 results with its fertilizer EBITDA margin, driven by higher cost inventory, again retreating to their lowest level (~35%) seen in at least three years. While we believe fertilizer EBITDA margin already reached rock-bottom levels in 1Q2023 and overall group margins should recover going forward, urea prices remain weak and are down high-single-digits thus far in 2Q2023 vs. 1Q2023 (down almost 60% YoY). Urea prices do seem to be recovering modestly MoM in May vs. April ahead of the Indian monsoon season but the overall demand picture remains somber and prices could well slip below \$300/MT levels in the near-term. PE prices also remain sluggish despite the Chinese reopening given additional supply concerns and a weak global outlook. Steel rebar prices have also been weaker thus far in 2Q2023; while domestic demand is anticipated to improve post the World Cup, margins could be weak given increased sales of intermediate products much like 1Q2023. On an overall basis across segments, we do expect prices to stabilize and/or improve in 2H2023. While we have reduced our estimates across the board, our numbers could well be conservative, which could create upside risks to our forecasts. From a valuation perspective, IQCD is trading at 15.6x its estimated 2023 EPS, which is below its historical median of ~18x, implying limited downside. We think investors could consider accumulating IQCD at these levels given its favorable risk-reward characteristics and attractive dividend yield (6.2%/6.6% for 2023/2024).

Highlights

- We project 2023 earnings to decline 46.4% from QR8.8bn in 2022 to QR4.7bn, followed by a resumption of growth with 2024 net income growing 16.9% to QR5.5bn. Group EBITDA (on a proportionate basis) is expected to decline 37.7% from QR11.0bn in 2022 to QR6.8bn in 2023, before gaining 10.5% to QR7.6bn (2024). Post 1Q2023, we expect stable/rising trajectory for earnings/EBITDA assuming the inventory-related downside surprise in fertilizer EBITDA margin is behind us. After significant declines this year, we expect prices to stabilize/gain in 2024 unless there is significant recession-related demand destruction.
- DPS is projected to decline to QR0.75 (6.2% yield) in 2023 before increasing to QR0.80 (6.6%) in 2024; LT dividend payouts should remain high. This translates to an average payout of roughly 92% vs. a historical payout average of ~79% between 2018-2022. While payouts are high, IQCD retains a very strong balance sheet with cash/share of QR2.3 that can support dividends. We note that IQCD has also paid more than 100% of its income in dividends back in 2020.
- Bulletproof balance sheet with QR13.9bn in cash/bank balances & zero long-term debt. We note that IQCD has sufficient cash to fund its entire capex outlay of QR11.0bn over 2023-2027. The company, on a proportionate basis, generated operating CF of QR1.2bn and FCF of QR0.8bn in 1Q2023. Net-net, given IQCD's strong balance sheet, we expect the company to withstand difficult market conditions, while retaining sufficient dry powder to take advantage of potential acquisition opportunities in the future. IQCD's strong FCF generating ability (QR0.77/share on average over 2023-2027, with an average yield of 6.3%), along with its large cash balances, also provide investors with lower DPS volatility.

Catalysts

- In terms of longer-term catalysts, the QR4.4bn Ammonia-7 project, which is also the world's largest Blue ammonia train, is expected to add 400 KTPA of sellable ammonia by 2026. The Ammonia-7 project should also boost the company's ESG credentials. Also, in a smaller deal (roughly QR455mn net cost), IQCD expects to increase its direct stake in Qatar Vinyl Co. (QVC) to 44.8% from May 2026 from its current indirect stake (via QAPCO) of 25.52% by funding its share of the construction of a new Polyvinyl Chloride (PVC) plant. Moreover, similar to the QAFAC deal, IQCD could look to acquire Total's 20% stake in QAPCO, which could also be perceived positively by investors. The purchase of the remaining 50% of QAFAC could also be a possibility.

Recommendation, Valuation and Risks

- Recommendation and valuation:** We rate IQCD an Accumulate with a PT of QR14.30. Our previous rating was Outperform. The stock trades at P/E of 15.6x/13.4x (2023/2024).
- Risks:** Oil/urea prices influence IQCD's operations and investor sentiment. Geopolitical risks remain and cannot be modeled.

Key Financial Data and Estimates

	2022	2023e	2024e	2025e	2026e
Revenue (QR mn)	18,794	11,989	12,270	12,581	13,582
EPS (QR)	1.46	0.78	0.91	0.97	1.02
P/E	8.4x	15.6x	13.4x	12.5x	11.9x
EV/EBITDA	8.3x	17.1x	15.8x	15.1x	13.5x
Dividend Yield	9.0%	6.2%	6.6%	7.4%	7.8%

Source: Company data, QNB FS Research; Note: All data based on current number of shares

Key Data

Current Market Price (QR)	12.19
Dividend Yield (%)	9.0
Bloomberg Ticker	IQCD QD
ADR/GDR Ticker	N/A
Reuters Ticker	IQCD.QA
ISIN	QA000A0KD6K3
Sector*	Industrials
52wk High/52wk Low (QR)	18.90/11.85
3-m Average Volume ('mn)	3.2
Mkt. Cap. (\$ bn/QR bn)	20.3/73.7
EV (\$ bn/QR bn)	16.9/61.7
Shares Outstanding (mn)	6,050.0
FO Limit* (%)	49.0
Institutional FO* (%)	7.6
1-Year Total Return (%)	(29.1)
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2023), *Qatar Exchange (as of June 05, 2023); Note: FO is foreign ownership

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Estimate Revisions

Revenue, EBITDA, Net Income, EPS & DPS

Group (QR Million Unless Stated)	Current	Previous	▲	Current	Previous	▲	Current	Previous	▲	Current	Previous	▲
	2023	2023		2024	2024		2025	2025		2026	2026	
Revenue	17,223	18,058	(4.6%)	17,961	18,748	(4.2%)	18,305	19,040	(3.9%)	19,289	20,319	(5.1%)
EBITDA	6,833	8,439	(19.0%)	7,553	8,754	(13.7%)	7,836	8,907	(12.0%)	8,322	9,780	(14.9%)
Net Income	4,724	6,089	(22.4%)	5,520	6,373	(13.4%)	5,887	6,510	(9.6%)	6,192	7,197	(14.0%)
EPS (QR)	0.78	1.01	(22.4%)	0.91	1.05	(13.4%)	0.97	1.08	(9.6%)	1.02	1.19	(14.0%)
DPS (QR)	0.75	0.80	(6.3%)	0.80	0.85	(5.9%)	0.90	0.90	0.0%	0.95	1.00	(5.0%)
Revenue (QR Million) - Group												
	Current	Previous	▲	Current	Previous	▲	Current	Previous	▲	Current	Previous	▲
	2023	2023		2024	2024		2025	2025		2026	2026	
Total Group	17,223	18,058	(4.6%)	17,961	18,748	(4.2%)	18,305	19,040	(3.9%)	19,289	20,319	(5.1%)
Petrochemical	5,234	5,356	(2.3%)	5,691	5,792	(1.7%)	5,724	5,757	(0.6%)	5,707	5,728	(0.4%)
Fertilizer	7,972	8,958	(11.0%)	8,194	9,192	(10.9%)	8,403	9,417	(10.8%)	9,286	10,609	(12.5%)
Steel	4,017	3,745	7.3%	4,076	3,764	8.3%	4,178	3,865	8.1%	4,296	3,982	7.9%
EBITDA (QR Million) - Group												
	2023	2023	▲	2024	2024	▲	2025	2025	▲	2026	2026	▲
	2023	2023		2024	2024		2025	2025		2026	2026	
Total Group	6,833	8,439	(19.0%)	7,553	8,754	(13.7%)	7,836	8,907	(12.0%)	8,322	9,780	(14.9%)
Petrochemical	2,261	2,679	(15.6%)	2,533	2,836	(10.7%)	2,548	2,811	(9.3%)	2,534	2,787	(9.1%)
Fertilizer	3,264	4,440	(26.5%)	3,593	4,554	(21.1%)	3,716	4,658	(20.2%)	4,167	5,469	(23.8%)
Steel	799	989	(19.2%)	907	997	(9.0%)	1,044	1,067	(2.2%)	1,087	1,149	(5.4%)
Net Income (QR Million) - Group												
	2023	2023	▲	2024	2024	▲	2025	2025	▲	2026	2026	▲
	2023	2023		2024	2024		2025	2025		2026	2026	
Total Group	4,724	6,089	(22.4%)	5,520	6,373	(13.4%)	5,887	6,510	(9.6%)	6,192	7,197	(14.0%)
Petrochemical	1,601	2,018	(20.7%)	1,853	2,157	(14.1%)	1,866	2,128	(12.3%)	1,847	2,099	(12.0%)
Fertilizer	2,168	3,233	(32.9%)	2,593	3,340	(22.3%)	2,806	3,436	(18.3%)	3,082	4,072	(24.3%)
Steel	596	781	(23.7%)	702	784	(10.4%)	838	849	(1.3%)	880	926	(5.0%)
Corporate/Unallocated	359	56	537.8%	371	92	302.3%	377	96	292.2%	384	100	282.6%

Source: Company data, QNB FS Research

Key Metrics

Segment Revenue, EBITDA, Net Income, Pricing and Sales Volumes

Revenue (QR Million) - Group	2021	2022	2023	2024	2025	2026	2027
Total Group	20,150	25,770	17,223	17,961	18,305	19,289	20,387
Petrochemical	5,981	6,976	5,234	5,691	5,724	5,707	6,318
Fertilizer	10,283	14,532	7,972	8,194	8,403	9,286	9,633
Steel	3,886	4,262	4,017	4,076	4,178	4,296	4,436

EBITDA (QR Million) - Group	2021	2022	2023	2024	2025	2026	2027
Total Group	10,140	10,960	6,833	7,553	7,836	8,322	8,945
Petrochemical	3,055	3,083	2,261	2,533	2,548	2,534	2,922
Fertilizer	6,122	6,402	3,264	3,593	3,716	4,167	4,345
Steel	882	1,086	799	907	1,044	1,087	1,138

Net Income (QR Million) - Group	2021	2022	2023	2024	2025	2026	2027
Total Group	8,089	8,815	4,724	5,520	5,887	6,192	7,057
Petrochemical	2,479	2,460	1,601	1,853	1,866	1,847	2,231
Fertilizer	5,107	5,349	2,168	2,593	2,806	3,082	3,356
Steel	716	889	596	702	838	880	930
Corporate/Unallocated	(214)	117	359	371	377	384	540

Revenue (QR Million)	2021	2022	2023	2024	2025	2026	2027
Petrochemicals & Fuel Additives							
LDPE	3,058	3,161	2,513	2,575	2,709	2,485	2,866
LLDPE	1,076	1,256	1,034	1,055	1,109	989	1,170
Methanol	609	471	312	495	525	543	560
MTBE	629	1,319	1,019	1,202	1,002	1,300	1,326
Petrochemical & Fuel Additives Revenue	5,980	6,974	5,234	5,691	5,724	5,707	6,318
Fertilizer							
Ammonia	1,154	1,742	626	648	666	1,255	1,304
Urea	8,994	12,821	7,150	7,350	7,541	7,835	8,133
Fertilizer Revenue	10,283	14,532	7,972	8,194	8,403	9,286	9,633
Steel							
Steel Bars	2,844	2,966	2,352	2,388	2,452	2,526	2,614
Steel Revenue	3,886	4,262	4,017	4,076	4,178	4,296	4,436

Wtd Average Selling Prices (\$/MT)	2021	2022	2023	2024	2025	2026	2027
Petrochemicals & Fuel Additives							
LDPE	1,508	1,378	1,096	1,123	1,181	1,219	1,250
LLDPE	1,202	1,139	1,004	1,024	1,076	1,109	1,136
Methanol	351	307	260	267	283	293	302
MTBE	736	1,007	952	971	1,020	1,050	1,071
Fertilizer							
Ammonia	542	922	350	362	372	387	402
Urea	463	618	336	345	354	368	382
Steel							
Rebar	698	728	570	578	594	612	633

Sales Volume (MT' 000)	2021	2022	2023	2024	2025	2026	2027
Petrochemicals & Fuel Additives							
LDPE	557	630	630	630	630	560	630
LLDPE	246	303	283	283	283	245	283
Methanol	477	421	329	510	510	510	510
MTBE	235	360	294	340	270	340	340
Fertilizer							
Ammonia	585	519	492	492	492	892	892
Urea	5,333	5,698	5,853	5,853	5,853	5,853	5,853
Steel							
Steel Bar	1,119	1,119	1,134	1,134	1,134	1,134	1,134
DRI/HBI	134	119	-	-	-	-	-
Billets	304	36	407	407	407	407	407

Source: Company data, QNB FS Research

1Q2023 Review: Soft Fertilizer Margin Drives Weak Results

IQCD reported QR1.17bn in 1Q2023 earnings (-56.9% YoY/-34.1% QoQ) – Industries Qatar's (IQCD) 1Q2023 earnings also fell shy of our QR1.36bn estimate by 14.4%. 1Q2023 fertilizer EBITDA margin fell from ~43% in 4Q2022 (~50% in 1Q2022) to ~35%, falling below our 40% forecast, and contributing to the majority of the earnings miss. IQCD's 1Q2023 urea realization of \$352/MT (down ~47% YoY and ~39% QoQ) was actually modestly ahead of our modeled forecast of \$340/MT leading to a slight beat on the fertilizer top-line. Thus, the margin deterioration is entirely due to higher fertilizer direct costs, which is surprising given the progressive fall in urea prices during 1Q2023. As fertilizer gas feedstock costs are based on YTD urea pricing, the miss in fertilizer EBITDA margin implies higher-cost inventory and indeed the company points to unfavorable inventory movements linked to higher sales volumes in its press release. Finally, lower-than-expected earnings from steel-segment-associate Foulath, along with a slight miss by the wholly-owned steel operations combined to offset a modest beat in petchems and upside from interest income/other income.

- **Price realizations fell across the board YoY but improved sequentially for steel and petchems; sales volumes improved for steel and fertilizers but retreated for petchems.** 1Q2023 overall sales volumes improved ~3% and ~10%, respectively, on a YoY and QoQ basis. Overall price realizations ratcheted down ~35% YoY and ~22% QoQ. Production volumes also increased ~11% YoY from 3.9 MTPA in 1Q2022 to 4.4 MTPA, while 1Q2023 production volumes also gained ~1% QoQ from 4.3 MTPA. Utilization rates climbed to 105% vs. 94% in 1Q2022 and 104% in 4Q2022.
- **Petchems, the only outperformer in 1Q2023, with segment top-line and profitability besting our forecasts given moderate upside in LDPE sales volumes along with slightly better-than-expected pricing.** 1Q2023 segment revenue of ~QR1.36bn (~26% YoY, ~-8% QoQ) was roughly 2% higher than our model on modestly better-than-expected volumes for LDPE, along with moderately higher-than-modeled price realizations across the board for PE & FA, except MTBE. Segment earnings of QR382.47mn fell 43.1% YoY and 1.5% QoQ, and was 14.0% ahead of our model. EBITDA margins came in ~40% for 1Q2023 vs. around 45% in 1Q2022 and 41% in 4Q2022. Product prices, while down significantly YoY across the board, firmed up sequentially as expected on the back of better fundamentals. Sales volumes were down ~4% YoY/~11% QoQ, with the roughly 8% increase in LDPE volumes shoring up the segment's YoY sales volumes. Production volumes gained roughly 7% YoY aided by higher availability of facilities but fell ~3% QoQ.
- **Fertilizer EBITDA margin disappointed, dropping back to 3Q2022's ~35% level, which was the lowest level seen in at least three years.** Revenue and income of QR2.24bn and QR511.09mn decreased 43.8% and 70.7%, YoY, respectively. Sequentially, segment revenue was down 34.6% and earnings declined 56.8%. Segment top-line was 3.7% above our model but earnings were short by 30.5%; to explain this decline in profitability, in its press release, IQCD pointed to higher operating costs because of unfavorable inventory movements linked to higher sales volumes. 1Q2023 EBITDA margin declined to ~35% vs. approximately 50% in 1Q2022 and 43% in 4Q2022. According to the company, urea prices decreased ~47% YoY and ~39% QoQ from \$661/MT in 1Q2022 and \$579/MT in 4Q2022 to \$352/MT in 1Q2023; realized urea prices were approximately 4% higher than our modeled estimate. Urea prices have come down from decade highs in 1H2022 given downward pressure on grain, energy, other commodity prices and overall inflation. IQCD also pointed to the restart-up of European production following shutdowns in 2022 amid the Russia-Ukraine crises. IQCD's production volumes were up ~11% YoY but flattish sequentially; sales volumes grew ~3% YoY and ~6% QoQ.
- **Steel segment revenue beat our forecast on a jump in volumes but profitability was below our estimates as income from associate (Foulath) weakened.** Steel revenue came in at QR1.23bn (-5.5% YoY, 64.2% QoQ), which was 30.5% ahead of our model. Segment income of QR133.99mn (-48.7% YoY, 16.4% QoQ) was, however, 37.0% shy of our forecast of QR212.79mn. We note that income from associates, primarily from Foulath that produces and sell iron oxide pellets, came in at QR64.13mn (12.0% YoY, -59.4% QoQ and 44.8% below our forecast of QR116.19mn). The segment also faced higher volume-related operating expenses and lower other income. EBITDA margins fell to ~15% in 1Q2023 vs. roughly 24% in 1Q2022 and 22% in 4Q2022. According to the company, steel realizations dipped by ~16% YoY but gained around 6% QoQ. IQCD pointed to constructive demand-supply dynamics, both in Qatar and internationally, in aiding the sequential growth in steel prices. We do note that steel prices were somewhat lower than our forecasts – the company reported rebar realizations of \$647/MT in 1Q2023 vs. \$724/MT in 1Q2022, \$623/MT in 4Q2022 and our expectation of \$716/MT. Sales volumes increased ~12% YoY and shot up ~55% sequentially; volumes were significantly stronger than our model, especially in billets, with domestic demand being helped by construction activities returning gradually to mid-2022 levels. Production volumes were up roughly up 17% YoY/7% QoQ. Production volumes, since the beginning of 2022 for DRI/HBI, were aided by the re-startup of the DR-2 facility in 1Q2022 that has 1,500 KTPA of capacity (as opposed to the 800 KTPA-DR-1 facility it replaced).

QNB FS 1Q2023 Estimates and Comparisons

Income Statement (QR Million)	1Q2022	4Q2022	1Q2023	1Q2023e	A Vs. E	YoY	QoQ
Revenue	5,280.579	4,169.832	3,467.196	3,099.963	11.8%	-34.3%	-16.9%
Cost of Sales (Ex. D &A)	(2,842.653)	(2,570.136)	(2,425.194)	(1,732.259)	40.0%	-14.7%	-5.6%
Gross Profit	2,437.926	1,599.696	1,042.002	1,367.704	-23.8%	-57.3%	-34.9%
General & Admin. Expenses	(175.822)	(193.952)	(166.532)	(154.998)	7.4%	-5.3%	-14.1%
Selling & Distribution Costs	(31.240)	(21.043)	(13.767)	(18.600)	-26.0%	-55.9%	-34.6%
EBITDA	2,230.864	1,384.701	861.703	1,194.106	-27.8%	-61.4%	-37.8%
Depreciation & Amortization	(375.042)	(374.668)	(329.378)	(377.478)	-12.7%	-12.2%	-12.1%
EBIT	1,855.822	1,010.033	532.325	816.628	-34.8%	-71.3%	-47.3%
Finance Costs	(5.494)	(6.800)	(7.253)	(7.208)	0.6%	32.0%	6.7%
Share of Results from Associates	57.249	157.782	64.128	116.192	-44.8%	12.0%	-59.4%
Share of Results of JVs	672.594	388.449	382.473	335.473	14.0%	-43.1%	-1.5%
Other Income	123.830	218.812	195.318	100.600	94.2%	57.7%	-10.7%
Profit Before Tax	2,704.001	1,768.276	1,166.991	1,361.685	-14.3%	-56.8%	-34.0%
Tax	(0.145)	(0.114)	(0.384)	(0.088)	337.4%	164.8%	236.8%
Profit After Tax	2,703.856	1,768.162	1,166.607	1,361.597	-14.3%	-56.9%	-34.0%
Minority Interest	(0.238)	0.453	(0.682)	(0.120)	469.0%	186.6%	-250.6%
Profit for Equity Holders	2,703.618	1,768.615	1,165.925	1,361.477	-14.4%	-56.9%	-34.1%
Net Margin	51.2%	42.4%	33.6%	43.9%			
EPS (in QR)	0.45	0.29	0.19	0.23	-14.4%	-56.9%	-34.1%
Cost of Sales	53.8%	61.6%	69.9%	55.9%			
Gross Margin %	46.2%	38.4%	30.1%	44.1%			
G&A % Sales	3.3%	4.7%	4.8%	5.0%			
Selling Expenses % Sales	0.6%	0.5%	0.4%	0.6%			
EBITDA %	42.2%	33.2%	24.9%	38.5%			
D&A % Sales	7.1%	9.0%	9.5%	12.2%			
EBIT %	35.1%	24.2%	15.4%	26.3%			
Net Margin %	51.2%	42.4%	33.6%	43.9%			

Source: Company data, QNB FS Research

QNB FS 1Q2023 Segment Estimates and Comparisons

In QR Millions

Steel	1Q2022	2Q2022	3Q2022	4Q2022	1Q2023	1Q2023e	A Vs. E
Revenue	1,300.068	1,159.139	1,054.591	748.040	1,228.299	941.567	30%
Profit Before Tax	261.211	359.527	152.943	115.105	133.986	212.794	-37%
NM %	20.09%	31.02%	14.50%	15.39%	10.91%	22.60%	
Revenue Q/Q	34%	-11%	-9%	-29%	64%	26%	
Profit Before Tax Q/Q	199%	38%	-57%	-25%	16%	85%	
Revenue Y/Y	6%	18%	50%	-23%	-6%	-28%	
Profit Before Tax Y/Y	1%	52%	15%	32%	-49%	-19%	
Petrochemicals	1Q2022	2Q2022	3Q2022	4Q2022	1Q2023	1Q2023	A Vs. E
Revenue	1,835.000	2,017.000	1,639.000	1,483.000	1,362.000	1,335.481	2%
Profit Before Tax	672.594	831.054	568.336	388.449	382.473	335.473	14%
NM %	36.65%	41.20%	34.68%	26.19%	28.08%	25.12%	
Revenue Q/Q	42%	10%	-19%	-10%	-8%	-10%	
Profit Before Tax Q/Q	120%	24%	-32%	-32%	-2%	-14%	
Revenue Y/Y	33%	16%	5%	15%	-26%	-27%	
Profit Before Tax Y/Y	11%	-6%	-16%	27%	-43%	-50%	
Fertilizers	1Q2022	2Q2022	3Q2022	4Q2022	1Q2023	1Q2023	A Vs. E
Revenue	3,980.511	3,972.022	3,157.431	3,421.792	2,238.897	2,158.396	4%
Profit Before Tax	1,745.172	1,561.848	858.375	1,183.317	511.093	734.934	-30%
NM %	43.84%	39.32%	27.19%	34.58%	22.83%	34.05%	
Revenue Q/Q	6%	0%	-21%	8%	-35%	-37%	
Profit Before Tax Q/Q	-24%	-11%	-45%	38%	-57%	-38%	
Revenue Y/Y	147%	78%	17%	-9%	-44%	-46%	
Profit Before Tax Y/Y	193%	65%	-33%	-48%	-71%	-58%	
Total Revenue	7,115.579	7,148.161	5,851.022	5,652.832	4,829.196	4,435.444	9%
YoY Growth	69%	44%	18%	-6%	-32%	-38%	
QoQ Growth	18%	0.5%	-18%	-3%	-15%	-22%	
Steel	18%	16%	18%	13%	25%	21%	
Petrochemicals	26%	28%	28%	26%	28%	30%	
Fertilizers	56%	56%	54%	61%	46%	49%	
Total Profit Before Tax (Ex. Unallocated)	2,678.977	2,752.429	1,579.654	1,686.871	1,027.552	1,283.201	-20%
Steel	10%	13%	10%	7%	13%	17%	
Petrochemicals	25%	30%	36%	23%	37%	26%	
Fertilizers	65%	57%	54%	70%	50%	57%	
Group Net Income	2,703.618	2,728.633	1,613.788	1,768.615	1,165.925	1,361.477	-14%
Segment Profit Before Tax/Group NI	99%	101%	98%	95%	88%	94%	
Unallocated Net Income	24.64	(23.80)	34.13	81.74	138.37	78.28	77%

Source: Company data, QNB FS Research

Ratio Analysis

Key Ratios & Valuation Metrics

Particulars	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Growth Ratios (In %)											
Revenue - Proportionate Group	3.6%	14.7%	(15.9%)	(17.4%)	77.4%	27.9%	(33.2%)	4.3%	1.9%	5.4%	5.7%
Revenue - Reported	(1.0%)	25.1%	(12.0%)	45.2%	91.5%	32.6%	(36.2%)	2.3%	2.5%	8.0%	3.6%
Gross Profit	(31.8%)	24.1%	(75.7%)	803.5%	193.1%	2.2%	(44.4%)	9.5%	4.8%	10.1%	4.2%
EBITDA - Proportionate Group	(4.1%)	31.5%	(41.3%)	3.3%	170.6%	8.1%	(37.7%)	10.5%	3.7%	6.2%	7.5%
EBITDA - Reported	(38.4%)	35.9%	(93.6%)	3326.4%	229.6%	2.8%	(49.2%)	11.3%	5.5%	11.8%	4.7%
EBIT	(48.3%)	51.1%	N/M	N/M	1152.9%	2.7%	(61.5%)	23.6%	11.7%	10.7%	14.5%
JV Income	51.9%	48.8%	(43.8%)	(51.1%)	132.7%	(0.8%)	(34.9%)	15.8%	0.7%	(1.0%)	20.8%
PBT	12.2%	51.7%	(48.8%)	(28.3%)	338.4%	9.0%	(46.4%)	16.9%	6.6%	5.2%	14.0%
PAT	12.2%	51.7%	(48.8%)	(28.4%)	338.8%	9.0%	(46.4%)	16.9%	6.6%	5.2%	14.0%
Net Income	12.2%	51.7%	(48.8%)	(29.7%)	346.8%	9.0%	(46.4%)	16.9%	6.6%	5.2%	14.0%
EPS	12.2%	51.7%	(48.8%)	(29.7%)	346.8%	9.0%	(46.4%)	16.9%	6.6%	5.2%	14.0%
DPS	25.0%	20.0%	(33.3%)	(17.5%)	203.0%	10.0%	(31.8%)	6.7%	12.5%	5.6%	10.5%
Operating Ratios (In %)											
Gross Margin	20.2%	20.0%	5.5%	34.4%	52.6%	40.5%	35.4%	37.8%	38.6%	39.4%	39.6%
EBITDA Margin - Proportionate Gr	33.0%	37.8%	26.4%	33.0%	50.3%	42.5%	39.7%	42.1%	42.8%	43.1%	43.9%
EBITDA Margin - Reported	14.6%	15.9%	1.2%	27.4%	47.2%	36.6%	29.1%	31.6%	32.5%	33.7%	34.1%
EBIT Margin	9.8%	11.8%	(4.3%)	5.6%	36.9%	28.6%	17.3%	20.9%	22.7%	23.3%	25.7%
Net Margin	71.6%	86.9%	50.5%	24.5%	57.1%	46.9%	39.4%	45.0%	46.8%	45.6%	50.2%
Working Capital Ratios (Days)											
Inventory days	142.7	135.3	140.4	146.6	108.9	101.4	125.0	125.0	125.0	125.0	125.0
Average collection period	98.8	63.3	64.3	78.5	79.6	37.7	50.0	50.0	50.0	50.0	50.0
Payable days	115.2	104.6	93.9	105.7	108.2	69.7	90.0	90.0	90.0	90.0	90.0
Finance Ratios											
Net Debt-Equity Ratio	(0.2)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)
Interest Coverage	45.1	351.1	-19.0	11.2	206.4	227.2	65.8	82.1	96.5	112.4	135.5
Return Ratios (In %)											
ROE	9.9%	14.2%	7.5%	5.4%	20.5%	21.0%	11.8%	13.5%	14.1%	14.6%	16.2%
ROA	9.4%	13.6%	7.2%	5.0%	19.1%	19.6%	11.1%	12.7%	13.3%	13.7%	15.2%
Liquidity Ratios											
Current Ratio	7.8	10.4	11.2	8.9	10.1	10.7	10.2	9.6	9.2	8.9	9.0
Quick Ratio	6.8	9.2	9.7	7.6	9.2	9.3	8.9	8.2	7.9	7.5	7.7
Valuation											
EV/Reported EBITDA	97.6	68.5	1,065.2	32.1	8.9	8.3	17.1	15.8	15.1	13.5	12.7
EV/EBIT	146.3	92.3	(289.0)	155.6	11.4	10.6	28.8	23.9	21.6	19.5	16.8
P/E	22.2	14.7	28.6	40.7	9.1	8.4	15.6	13.4	12.5	11.9	10.5
P/BV	2.2	2.1	2.2	2.2	1.9	1.8	1.8	1.8	1.8	1.7	1.7
Dividend Yield	4.1%	4.9%	3.3%	2.7%	8.2%	9.0%	6.2%	6.6%	7.4%	7.8%	8.6%
FCF Yield	3.7%	7.9%	5.0%	4.1%	10.0%	12.1%	5.3%	4.0%	5.9%	7.4%	8.7%

Source: Company data, QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Revenue	7,400	14,169	18,794	11,989	12,270	12,581	13,582	14,069
Cost of Sales, Excluding D&A	(4,856)	(6,715)	(11,174)	(7,750)	(7,629)	(7,720)	(8,231)	(8,494)
Gross Profit	2,543	7,454	7,620	4,239	4,640	4,861	5,352	5,575
G&A Expenses	(481)	(712)	(680)	(681)	(687)	(693)	(699)	(705)
Selling Expenses	(35)	(59)	(68)	(70)	(72)	(74)	(76)	(77)
EBITDA	2,028	6,683	6,872	3,488	3,882	4,094	4,577	4,793
Depreciation & Amortization	(1,610)	(1,450)	(1,498)	(1,416)	(1,322)	(1,236)	(1,414)	(1,170)
EBIT	418	5,233	5,374	2,071	2,560	2,858	3,163	3,622
Finance Costs	(37)	(25)	(24)	(31)	(31)	(30)	(28)	(27)
Share of Results of Joint Ventures	1,065	2,479	2,460	1,601	1,853	1,866	1,847	2,231
Other Income, Expenses, Taxes & Minorities	365	402	1,004	1,083	1,139	1,193	1,211	1,230
Profit for Shareholders	1,810	8,089	8,815	4,724	5,520	5,887	6,192	7,057
EPS (QR)	0.30	1.34	1.46	0.78	0.91	0.97	1.02	1.17
Group Revenue	11,361	20,150	25,770	17,223	17,961	18,305	19,289	20,387
Group EBITDA	3,748	10,140	10,960	6,833	7,553	7,836	8,322	8,945

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Non-Current Assets								
PP&E & PUD	13,718	12,696	11,877	13,141	15,029	15,733	15,429	15,088
Investment Properties	-	-	-	-	-	-	-	-
Investment in Associates	1,475	1,577	1,890	2,162	2,472	2,827	3,192	3,568
Investment in Joint Ventures	6,916	6,823	7,097	7,286	7,505	7,725	7,944	8,207
Available-for-Sale Investments	-	-	-	-	-	-	-	-
Right-of Use Assets & Others	227	189	242	238	238	238	238	238
Total Non-Current Assets	22,335	21,284	21,106	22,827	25,243	26,523	26,802	27,102
Current Assets								
Inventories	1,945	2,004	3,105	2,654	2,606	2,644	2,819	2,909
Accounts Rec. & Prepayments	1,587	3,090	1,943	1,642	1,676	1,723	1,861	1,927
Due from Related Parties	869	1,494	1,535	979	1,002	1,027	1,109	1,149
Financial Assets at FVTPL	348	349	397	397	397	397	397	397
Cash and Bank Balances	8,801	14,086	16,919	14,175	12,560	12,097	12,142	12,844
Total Current Assets	13,550	21,023	23,899	19,847	18,241	17,888	18,328	19,226
Total Assets	35,885	42,308	45,005	42,674	43,484	44,412	45,130	46,328
Equity								
Total Equity	33,613	39,510	42,020	39,977	40,822	41,722	42,315	43,448
Non-Current Liabilities								
Loans and Borrowings	-	-	-	-	-	-	-	-
EOS Benefits & Lease Liabilities	745	724	761	754	754	754	754	754
Total Non-Current Liabilities	745	724	761	754	754	754	754	754
Current Liabilities								
Accounts Payables & Accruals	1,403	1,991	2,132	1,911	1,876	1,904	2,029	2,094
Due to Related Parties, Lease Liabilities & Others	88	83	92	32	32	32	32	32
Loans and Borrowings	37	-	-	-	-	-	-	-
Total Current Liabilities	1,527	2,073	2,224	1,943	1,908	1,935	2,061	2,126
Equity and Liabilities	35,885	42,308	45,005	42,674	43,484	44,412	45,130	46,328

Source: Company data, QNB FS Research

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

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