

Industries Qatar (IQCD)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR13.31	Target Price	QR14.00
Implied Upside	5.2%		

Fertilizer/PE Margins Propel 3Q2024; Maintaining Estimates/Rating

IQCD posted a robust set of results in 3Q2024, handily beating our estimates driven by improved profitability in fertilizers/PE based on higher-than-expected urea/PE prices, volumes and margins. We reiterate our Accumulate rating and our price target of QR14.00. IQCD shares have outperformed the overall market this year, up 1.8% vs. a 3.4% decline in the QE Index. Despite the earnings beat, we will maintain our estimates for now as our overall forecasts for 2024 appear reasonable. We expect IQCD to post a 14.4% growth in 2024 earnings on a normalized basis (flattish reported earnings growth), followed by a 6.5% growth in 2025. Over 2023-2028, we expect a 5-year normalized earnings CAGR of 5.2%. IQCD should benefit from the Blue Ammonia (Ammonia-7) project starting 2026, which could lead to ~10% earnings acceleration from our current estimates. The company is trading at 16.1x its 2025 EPS and has an attractive dividend yield (5.9%/6.2% for 2024/2025). In terms of near-term catalysts, IQCD is expected to benefit from roughly \$100mn in inflows (17 days of ADVT) during the upcoming November MSCI SAIR given an upward adjustment in its free float. Moreover, if the company announces a share buyback we could see further momentum in the stock.

Highlights

- IQCD reported QR1,188.3mn in 3Q2024 earnings (-1.4% YoY/13.0% QoQ), 16.6% ahead of our estimate of QR1,019.1mn and 32.0% ahead of Bloomberg consensus. Please refer to page 5 for a detailed table of company's performance and our estimates. Performance was better-than-expected driven by upside in fertilizers and petchems.***
- As expected, 3Q2024 price realizations generally recovered across key product lines YoY and sequentially (except for urea YoY and rebar YoY/QoQ); sales volumes were up YoY/QoQ (barring urea QoQ and LDPE YoY/QoQ). For segment details, please see pages 2-4. 3Q2024 overall sales volumes increased ~7% YoY (driven by increases in all segments) and gained ~1% QoQ on growth in petchems/steel. Production volumes fell ~2% YoY, with declines seen in steel/fertilizers but snapped back with a ~5% sequential increase driven by petchems/steel. We remind investors that IQCD underwent maintenance-related shutdowns in PE and steel in 2Q2024. Overall price realizations (blended across all product lines) were down moderately by ~3% YoY in YTD 2024, while prices gained ~9% sequentially (all prices gained except fuel additives and rebar).***
- We keep our estimates unchanged for now and project flattish 2024 earnings/EPS growth (up 14.4% YoY normalized) to QR4.7bn/QR0.78, followed by a 6.5% uptick in 2025 to QR5.0bn/QR0.83. 2023 earnings were boosted by QR610mn (QR0.10/sh.) in impairments reversals in steel. Group EBITDA could grow 11.0% from QR6.2bn in 2023 to QR6.9bn in 2024, before gaining another 5.8% to QR7.3bn (2025). We expect volumes to recover in 2024/2025 after maintenance-shutdowns in QAFAC/QAFCO-5 in 2023, along with higher sales from the Al Qataria steel acquisition. We could revisit our estimates before FY2024 results are declared once we fine-tune our model.***
- DPS should track EPS; we project flat DPS at QR0.78 (DY: 5.9%) in 2024, before increasing to QR0.83 (6.2%) in 2025. This translates to an average payout of ~100% (flat with 2023), which could be the norm until EPS recovers beyond the QR1 mark; we do note that 1H2024 DPS of QR0.31 translates to a lower payout of roughly 80%. While payouts are high, IQCD retains a strong balance sheet with estimated 3Q2024 cash/share of ~QR1.9 supporting dividends.***
- Bulletproof balance sheet with QR11.3bn in cash/equivalents (after QR4.7bn/QR1.9bn in 2023/1H2024 dividend payments) & zero long-term debt. We note that IQCD has sufficient cash to fund its entire capex outlay of QR10.8bn over 2024-2028. IQCD, on a proportionate basis, generated OCF of QR3.0bn and FCF of QR1.3bn in 9M2024. Net-net, given IQCD's strong balance sheet, we expect the company to withstand difficult market conditions, while retaining dry powder to take advantage of opportunities. IQCD's strong FCF generating ability (QR0.79/share on average over 2023-28, with an average yield of 5.9%), along with its large cash balances, also helps lower DPS volatility.***

Catalysts

- IQCD should benefit from the Blue Ammonia (Ammonia-7) project starting 2026, which could lead to ~10% earnings acceleration from our current estimates. In terms of near-term catalysts, IQCD is expected to benefit from roughly \$100mn in inflows (17 days of ADVT) during the upcoming November MSCI SAIR given an upward adjustment in its free float. Moreover, if the company announces a share buyback we could see further momentum in the stock.***

Recommendation, Valuation and Risks

- Recommendation and valuation: We rate IQCD an Accumulate with a SOTP-derived PT of QR14.00. The stock trades at P/E of 16.1x (2025/2026).***
- Risks: Oil/urea prices influence IQCD's operations & investor sentiment. Geopolitical risks remain and cannot be modeled.***

Key Financial Data and Estimates

	2022	2023	2024e	2025e	2026e
Revenue (QR mn)	18,794	11,744	12,266	12,985	13,829
Reported EPS (QR)	1.46	0.78	0.78	0.83	0.83
P/E	9.1	17.1	17.1	16.1	16.1
EV/EBITDA	9.3	20.6	19.3	18.3	16.1
Dividend Yield	8.3%	5.9%	5.9%	6.2%	6.2%

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

Key Data

Current Market Price (QR)	13.31
DY 2023/1H2024 Ann. (%)	5.9/4.7
Bloomberg Ticker	IQCD QD
ADR/GDR Ticker	N/A
Reuters Ticker	IQCD.QA
ISIN	QA000A0KD6K3
Sector*	Industrials
52wk High/52wk Low (QR)	13.79/11.26
3-m Average Volume ('mn)	1.6
Mkt. Cap. (\$ bn/QR bn)	22.1/80.5
EV (\$ bn/QR bn)	19.4/70.5
Shares Outstanding (mn)	6,050.0
FO Limit* (%)	100.0
Institutional FO* (%)	7.4
1-Year Total Return (%)	16.2
Fiscal Year End	December 31

Source: Bloomberg (as of October 30, 2024), *Qatar Exchange (as of October 29, 2024); Note: FO is foreign ownership

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Valuation – Our Price Target Implies a 14.1% Appreciation Potential

Our target price of QR14.00/share implies an upside of 14.1% from the current market price. We value IQCD using a Sum-Of-The-Parts (SOTP) methodology, which comprises of separate DFC-based models for its segments:

Valuation Summary

Segment	Methodology	Equity Value	EV/Share	TP/Share	% Of TP
Fertilizers	DCF	37,798	6.2	6.9	50%
Petrochemicals & Fuel Additives	DCF	28,164	4.7	5.2	37%
Steel	DCF	9,491	1.6	1.7	12%
Corporate/Others	DCF	776	0.1	0.1	1%
IQCD		76,229	12.6	14.0	100%

Source: Company data, QNB FS Research

3Q2024 Results Review

IQCD reported QR1,188.3mn in 3Q2024 earnings (-1.4% YoY/13.0% QoQ), 16.6% ahead of our estimate of QR1,019.1mn and 32.0% ahead of Bloomberg consensus. Performance was better-than-expected driven by upside in fertilizers and petchems.

- As expected, 3Q2024 price realizations generally recovered across key product lines YoY and sequentially (except for urea YoY and rebar YoY/QoQ); sales volumes were up YoY/QoQ (barring urea QoQ and LDPE YoY/QoQ). 3Q2024 overall sales volumes increased ~7% YoY (driven by increases in all segments) and gained ~1% QoQ on growth in petchems/steel. Production volumes fell ~2% YoY, with declines seen in steel/fertilizers but snapped back with a ~5% sequential increase driven by petchems/steel. We remind investors that IQCD underwent maintenance-related shutdowns in PE and steel in 2Q2024. Overall price realizations (blended across all product lines) were down moderately by ~3% YoY in YTD 2024, while prices gained ~9% sequentially (all prices gained except fuel additives and rebar).

1Q2024 Price & Sales Volumes Comparisons

Wtd Average Selling Prices (\$/MT)	3Q2023	2Q2024	3Q2024	3Q2024E	A Vs. E	YoY	QoQ
Petrochemicals & Fuel Additives							
LDPE	948	1,081	1,144	1,135	1%	21%	6%
LLDPE	920	943	970	934	4%	5%	3%
Methanol	226	258	243	248	-2%	8%	-6%
MTBE	954	873	764	883	-14%	-20%	-12%
Fertilizer							
Ammonia	299	306	361	376	-4%	21%	18%
Urea	354	291	330	314	5%	-7%	13%
Steel							
Rebar	625	640	616	595	3%	-1%	-4%
DRI/HBI	374	368	372	355	5%	-1%	1%
Billets	-	-	506	-			
Sales Volume (MT' 000)	3Q2023	2Q2024	3Q2024	3Q2024E	A Vs. E	YoY	QoQ
Petrochemicals & Fuel Additives							
LDPE	155	159	153	161	-5%	-1%	-4%
LLDPE	73	47	73	69	6%	0%	55%
Methanol	91	107	113	110	3%	24%	6%
MTBE	76	94	91	85	7%	20%	-3%
Fertilizer							
Ammonia	172	159	112	123	-9%	-35%	-30%
Urea	1,365	1,532	1,482	1,401	6%	9%	-3%
Steel							
Steel Bar	282	272	302	346	-13%	7%	11%
DRI/HBI	136	150	94	121	-22%	-31%	-37%
Billets	-	-	81	-			

Source: Company data, QNB FS Research

- Fertilizer EBITDA margin gained to ~44% in 3Q2024, beating our estimate of 39% on better-than-expected urea prices/sales volumes along with lower variable operating costs.** Revenue of QR1.9bn decreased 0.5% YoY on lower prices (urea realization of \$330/MT declined 7% YoY vs. \$354/MT in 3Q2023) offsetting sales volumes growth and segment earnings of QR548.2mn decreased 13.6% YoY; IQCD had reported a significant boost in profitability in 3Q2023 when EBITDA margins shot up to 48% aided by lower-priced inventory. Sequentially, segment revenue was up 8.1% aided by a 13% uptick in urea price realization to \$330/MT (vs. \$291/MT in 2Q2024 and our estimate of \$314/MT) despite a 3% QoQ decline in sales volumes (certain 1Q2024 urea shipments got pushed into 2Q2024). Earnings increased 50.0% QoQ aided by higher gross margin resulting from improved revenue and reduced operating costs driven by lower variable costs. Fertilizer EBITDA margin beat our estimate of 39% and rebounded nicely vs. 37% posted in 2Q2024 (down YoY relative to 48% posted in 3Q2023). Segment top-line and earnings were 9.8% and 47.3% ahead of our model, respectively. IQCD's production volumes were down ~2% YoY/~1% QoQ, while sales volumes were up 4% YoY but down ~5% QoQ.
- Petchems, outperformed in 3Q2024, with top-line and profitability exceeding our forecasts driven by moderate volume upside (except for LDPE) along with firmer PE prices.** 3Q2024 revenue of ~QR1.5bn (~19% YoY, ~11% QoQ) was ~5% above our model on broadly higher-than-expected volumes for PE & FA (except a moderate miss in LDPE volumes) along with firmer-than-forecasted PE prices. Earnings of QR505.3mn shot up 56.6% YoY and 30.1% QoQ, and was 14.6% above our model. EBITDA margins came in at the highest level for the year at ~41% in 3Q2024 vs. around 39% in 3Q2023/2Q2024. Product prices were up YoY/QoQ for PE but were mixed when it came to fuel additives. Sales volumes grew ~16% YoY/13% QoQ, with increases across the board, except for slightly lower LDPE and MTBE (QoQ only) volumes. 3Q2024 production volumes rose roughly 5% YoY/25% QoQ with 2Q2024 facing some PE shutdowns.
- Steel top-line exceeded our forecast but profitability was lower than our model.** Steel revenue came in at QR1.0bn (11.8% YoY, 13.6% QoQ), which was 5.4% ahead of our model. Rebar price weakness YoY/QoQ was more than offset by sales volume gains; IQCD also sold billets in 3Q2024, which it did not in 3Q2023/2Q2024. Sequentially, 3Q2024 sales volumes also benefited from the lack of planned maintenance that took place during 2Q2024. Income of QR79.5mn (-38.9% YoY, -60.7% QoQ) was 19.5% below our forecast of QR98.8mn. We note that 2Q2024 included QR142.7mn in reversal of bank financial guarantee provided to an associate (SOLB Steel) and excluding that item, 3Q2024 segment earnings actually grew 33.7% QoQ. We also point out that income from associates, primarily from Foulath that produces/sell iron oxide pellets, came in at QR70.1mn (-6.9% YoY, 41.0% QoQ and 25.5% above our forecast of QR55.9mn). Steel maintained flattish EBITDA margins at ~14% in 3Q2024 vs. 14%/13% in 3Q2023/2Q2024. Management commentary indicated a subdued outlook, both globally and within the region, with overcapacity and muted demand amid sluggish construction activity given the high-interest rate environment; however, the company did point to improvement in demand since 2H2024 as China took several measures to stimulate its local construction market. According to IQCD, blended steel realizations dipped by ~3% YTD but grew 1% QoQ. Sales volumes for 3Q2024 gained 11% YoY/13% QoQ. Production volumes, however, fell roughly 6% YoY but gained 8% QoQ. We note IQCD benefited from a sequential uptick in production and sales given planned maintenance-related shutdowns in 2Q2024.

QNB FS 3Q2024 Segment Estimates and Comparisons

In QR Millions

Steel	3Q2023	2Q2024	3Q2024	3Q2024e	A Vs. E
Revenue	902.184	888.144	1,008.617	957.264	5.4%
Profit Before Tax	130.038	202.117	79.503	98.806	-19.5%
<i>NM %</i>	14.41%	22.76%	7.88%	10.32%	
<i>Revenue QoQ</i>	-20%	-14%	14%	8%	
<i>Profit Before Tax QoQ</i>	-10%	29%	-61%	-51%	
<i>Revenue YoY</i>	-14%	-22%	12%	6%	
<i>Profit Before Tax YoY</i>	-15%	40%	-39%	-24%	
Petrochemicals & Fuel Additives	3Q2023	2Q2024	3Q2024	3Q2024e	A Vs. E
Revenue	1,241.000	1,320.000	1,471.000	1,403.734	4.8%
Profit Before Tax	322.595	388.463	505.320	441.043	14.6%
<i>NM %</i>	25.99%	29.43%	34.35%	31.42%	
<i>Revenue QoQ</i>	-13%	-3%	11%	6%	
<i>Profit Before Tax QoQ</i>	-27%	10%	30%	14%	
<i>Revenue YoY</i>	-24%	-7%	19%	13%	
<i>Profit Before Tax YoY</i>	-43%	-12%	57%	37%	
Fertilizers	3Q2023	2Q2024	3Q2024	3Q2024e	A Vs. E
Revenue	1,931.722	1,779.063	1,922.513	1,751.608	9.8%
Profit Before Tax	634.760	365.499	548.239	372.146	47.3%
<i>NM %</i>	32.86%	20.54%	28.52%	21.25%	
<i>Revenue QoQ</i>	29%	-5%	8%	-2%	
<i>Profit Before Tax QoQ</i>	198%	-43%	50%	2%	
<i>Revenue YoY</i>	-39%	18%	0%	-9%	
<i>Profit Before Tax YoY</i>	-26%	72%	-14%	-41%	
Total Revenue	4,074.906	3,987.207	4,402.130	4,112.606	7.0%
<i>YoY Growth</i>	-30%	-2%	8%	1%	
<i>QoQ Growth</i>	0%	-7%	10%	3%	
Steel	22%	22%	23%	23%	
Petrochemicals & Fuel Additives	30%	33%	33%	34%	
Fertilizers	47%	45%	44%	43%	
Total Profit Before Tax (Ex. Unallocated)	1,087.393	956.079	1,133.062	911.995	24.2%
Steel	12%	21%	7%	11%	
Petrochemicals & Fuel Additives	30%	41%	45%	48%	
Fertilizers	58%	38%	48%	41%	
Group Net Income	1,205.205	1,051.259	1,188.267	1,019.149	16.6%
Segment Profit Before Tax/Group NI	90%	91%	95%	89%	
Unallocated Net Income	117.812	95.180	55.205	107.154	-48.5%

Source: Company data, QNB FS Research

QNB FS 3Q2024 Estimates and Comparisons

Income Statement (QR Million)	3Q2023	2Q2024	3Q2024	3Q2024e	A Vs. E	YoY	QoQ
Revenue	2,833.906	2,786.094	3,611.691	2,708.872	33.3%	27.4%	29.6%
Cost of Sales (Ex. D &A)	(1,689.577)	(1,859.288)	(2,384.969)	(1,792.549)	33.0%	41.2%	28.3%
Gross Profit	1,144.329	926.806	1,226.722	916.323	33.9%	7.2%	32.4%
General & Admin. Expenses	(179.510)	(174.965)	(188.607)	(167.613)	12.5%	5.1%	7.8%
Selling & Distribution Costs	(16.590)	(26.662)	(20.434)	(14.932)	36.8%	23.2%	-23.4%
EBITDA	948.229	725.179	1,017.681	733.778	38.7%	7.3%	40.3%
Depreciation & Amortization	(362.778)	(373.300)	(409.432)	(377.465)	8.5%	12.9%	9.7%
EBIT	585.451	351.879	608.249	356.313	70.7%	3.9%	72.9%
Finance Costs	(7.150)	(7.113)	(8.069)	(6.742)	19.7%	12.9%	13.4%
Share of Results from Associates	75.287	49.712	70.071	55.851	25.5%	-6.9%	41.0%
Share of Results of JVs	322.280	346.122	384.897	441.043	-12.7%	19.4%	11.2%
Other Income	169.895	335.043	195.011	196.115	-0.6%	14.8%	-41.8%
Impairments, Reversals & Others	60.000						
Profit Before Tax	1,205.763	1,075.643	1,250.159	1,042.580	19.9%	3.7%	16.2%
Tax	(0.215)	(8.273)	(22.127)	(8.019)	175.9%	10191.6%	167.5%
Profit After Tax - Continuing Operations	1,205.548	1,067.370	1,228.032	1,034.561	18.7%	1.9%	15.1%
Profit From Discontinued Operations	-	-	-	-			
Profit	1,205.548	1,067.370	1,228.032	1,034.561	18.7%	1.9%	15.1%
Minority Interest	(0.343)	(16.111)	(39.765)	(15.412)	158.0%	11493.3%	146.8%
Profit for Equity Holders	1,205.205	1,051.259	1,188.267	1,019.149	16.6%	-1.4%	13.0%
Net Margin	42.5%	37.7%	32.9%	37.6%			
EPS (in QR)	0.20	0.17	0.20	0.17	16.6%	-1.4%	13.0%
Cost of Sales	59.6%	66.7%	66.0%	66.2%			
Gross Margin %	40.4%	33.3%	34.0%	33.8%			
G&A % Sales	6.3%	6.3%	5.2%	6.2%			
Selling Expenses % Sales	0.6%	1.0%	0.6%	0.6%			
EBITDA %	33.5%	26.0%	28.2%	27.1%			
D&A % Sales	12.8%	13.4%	11.3%	13.9%			
EBIT %	20.7%	12.6%	16.8%	13.2%			
Net Margin %	42.5%	37.7%	32.9%	37.6%			

Source: Company data, QNB FS Research; Note: 3Q2024 items, such as revenue, certain expenses, etc. are not comparable YoY/QoQ and with our estimates given QAFAC is being treated as a subsidiary (50% ownership) from 3Q2024 onward; however, 3Q2024 earnings are comparable across the board

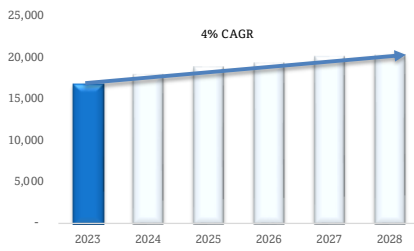
Key Metrics

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

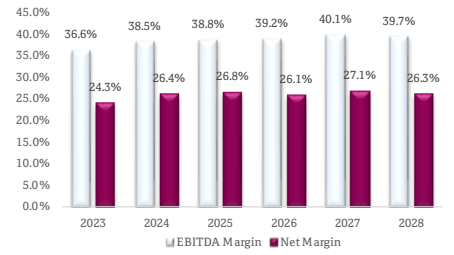
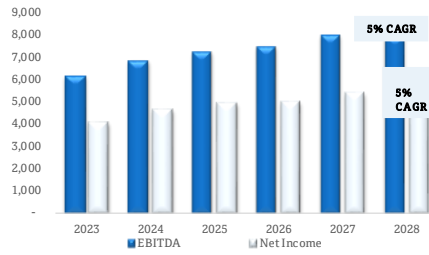
Revenue (QR Million) - Group	2021	2022	2023	2024	2025	2026	2027	2028
Total Group	20,150	25,769	16,919	17,837	18,713	19,242	20,104	20,163
Petrochemicals & Fuel Additives	5,981	6,975	5,175	5,571	5,728	5,413	5,961	5,896
Fertilizer	10,283	14,532	7,480	7,657	7,911	8,411	8,645	8,731
Steel	3,886	4,262	4,264	4,609	5,074	5,418	5,498	5,536
EBITDA (QR Million) - Group	2021	2022	2023	2024	2025	2026	2027	2028
Total Group	10,142	10,960	6,185	6,865	7,262	7,538	8,063	7,995
Petrochemicals & Fuel Additives	3,055	3,083	1,898	2,205	2,320	2,055	2,493	2,425
Fertilizer	6,122	6,402	3,001	3,215	3,347	3,789	3,862	3,858
Steel	882	1,086	687	817	955	1,049	1,061	1,061
Net Income (QR Million) - Group	2021	2022	2023	2024	2025	2026	2027	2028
Total Group	8,089	8,815	4,720	4,701	5,008	5,015	5,446	5,295
Petrochemicals & Fuel Additives	2,479	2,460	1,360	1,622	1,715	1,445	1,861	1,788
Fertilizer	5,106	5,347	1,882	2,035	2,103	2,286	2,286	2,208
Steel	716	889	1,027	546	680	771	782	780
Corporate/Unallocated	(212)	118	451	498	510	513	516	520
Revenue (QR Million)	2021	2022	2023	2024	2025	2026	2027	2028
Petrochemicals & Fuel Additives								
LDPE	3,058	3,161	2,364	2,490	2,544	2,287	2,615	2,631
LLDPE	1,076	1,256	983	1,023	1,048	918	1,081	1,088
Methanol	609	471	315	440	466	485	499	424
MTBE	629	1,319	1,051	1,143	1,190	1,236	1,274	1,258
Petrochemical & Fuel Additives Revenue	5,980	6,974	5,176	5,571	5,728	5,413	5,961	5,896
Fertilizer								
Ammonia	1,154	1,742	834	628	639	1,015	1,161	1,186
Urea	8,994	12,821	6,635	6,971	7,214	7,337	7,426	7,486
Melamine	448	420	244	291	291	291	291	291
Fertilizer Revenue	10,283	14,532	7,480	7,657	7,911	8,411	8,645	8,731
Steel								
Rebar	2,844	2,966	2,964	3,339	3,758	4,077	4,138	4,167
DRI/HBI	147	901	746	743	771	786	797	802
Billets	543	81	272	249	260	265	268	270
Coils	359	353	289	285	291	296	300	303
Steel Revenue	3,886	4,262	4,264	4,609	5,074	5,418	5,498	5,536
Wtd Average Selling Prices (\$/MT)	2021	2022	2023	2024	2025	2026	2027	2028
Petrochemicals & Fuel Additives								
LDPE	1,508	1,378	1,041	1,089	1,113	1,132	1,144	1,151
LLDPE	1,202	1,139	972	986	1,010	1,029	1,042	1,049
Methanol	351	307	247	266	281	293	301	306
MTBE	736	1,007	911	951	990	1,029	1,061	1,083
Fertilizer								
Ammonia	542	922	402	352	358	362	366	369
Urea	463	618	335	343	351	356	359	362
Steel								
Rebar	698	728	631	629	647	661	671	675
DRI/HBI	416	450	516	379	389	396	402	404
Billets	491	621	562	579	594	606	614	617
Sales Volume (MT' 000)	2021	2022	2023	2024	2025	2026	2027	2028
Petrochemicals & Fuel Additives								
LDPE	557	630	624	628	628	555	628	628
LLDPE	246	303	278	285	285	245	285	285
Methanol	477	421	351	455	455	455	455	380
MTBE	235	360	317	330	330	330	330	319
Fertilizer								
Ammonia	585	519	569	491	491	771	871	883
Urea	5,333	5,698	5,449	5,581	5,651	5,668	5,680	5,686
Steel								
Rebar	1,119	1,119	1,290	1,458	1,597	1,695	1,695	1,695
DRI/HBI	97	550	397	539	545	545	545	545
Billets	304	36	133	118	120	120	120	120

Source: Company data, QNB FS Research

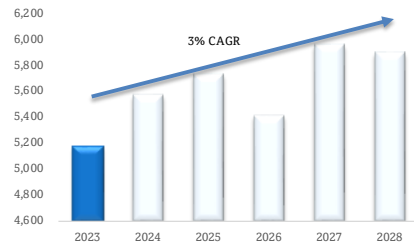
Group – Revenue, Group EBITDA, Normalized Net Income, Margins & Growth (In QR Mn & Percentages)



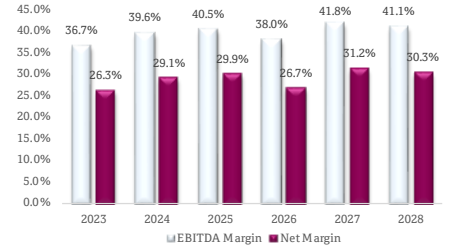
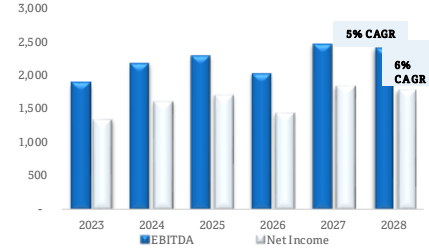
Source: Company data, QNB FS Research



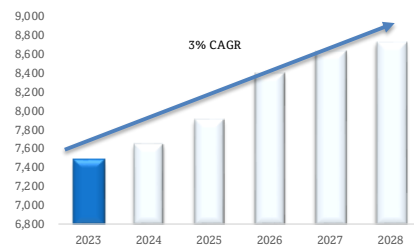
Petrochemicals & Fuel Additives – Revenue, EBITDA, Normalized Net Income, Margins & Growth (In QR Mn & Percentages)



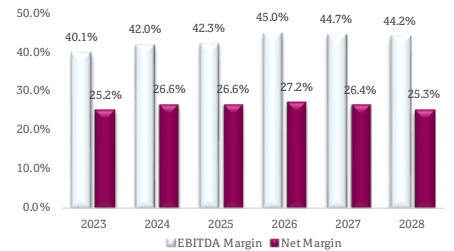
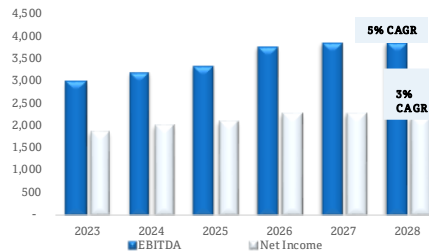
Source: Company data, QNB FS Research



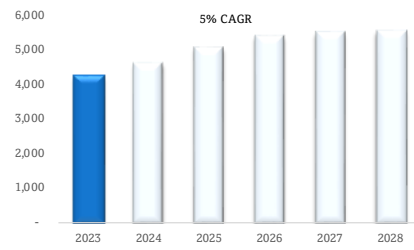
Fertilizers – Revenue, EBITDA, Normalized Net Income, Margins & Growth (In QR Mn & Percentages)



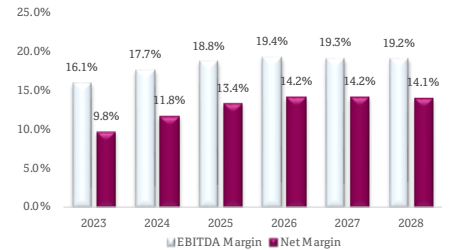
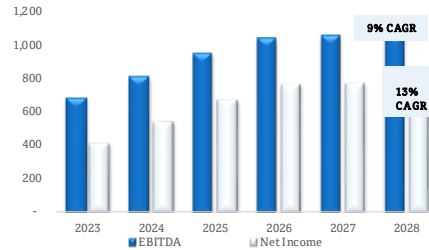
Source: Company data, QNB FS Research



Steel – Revenue, EBITDA, Normalized Net Income, Margins & Growth (In QR Mn & Percentages)



Source: Company data, QNB FS Research



Ratio Analysis

Key Ratios & Valuation Metrics

Particulars	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Growth Ratios (In %)												
Revenue - Proportionate Group	3.6%	14.7%	(15.9%)	(17.4%)	77.4%	27.9%	(34.3%)	5.4%	4.9%	2.8%	4.5%	0.3%
Revenue - Reported	(1.0%)	25.1%	(12.0%)	45.2%	91.5%	32.6%	(37.5%)	4.4%	5.9%	6.5%	2.3%	0.9%
Gross Profit	(31.9%)	24.2%	(76.0%)	805.6%	195.6%	2.2%	(47.3%)	8.3%	6.6%	12.0%	2.1%	0.4%
EBITDA - Proportionate Group	(4.1%)	31.5%	(41.4%)	4.5%	168.1%	8.1%	(43.6%)	11.0%	5.8%	3.8%	7.0%	(0.8%)
EBITDA - Reported	(38.4%)	35.9%	(93.6%)	3326.4%	229.6%	2.8%	(53.3%)	9.5%	7.3%	14.0%	1.9%	(0.2%)
EBIT	(48.3%)	51.1%	N/M	N/M	1152.9%	2.7%	(68.2%)	15.0%	9.5%	12.3%	0.2%	(3.6%)
JV Income	51.9%	48.8%	(43.8%)	(51.1%)	132.7%	(0.8%)	(44.7%)	19.3%	5.7%	(15.7%)	28.8%	(3.9%)
PBT	12.2%	51.7%	(48.8%)	(28.3%)	338.4%	9.0%	(46.4%)	(0.4%)	6.5%	0.1%	8.6%	(2.8%)
PAT	12.2%	51.7%	(48.8%)	(28.4%)	338.8%	9.0%	(46.4%)	(0.4%)	6.5%	0.1%	8.6%	(2.8%)
Net Income - Reported	12.2%	51.7%	(48.8%)	(29.7%)	346.8%	9.0%	(46.5%)	(0.4%)	6.5%	0.1%	8.6%	(2.8%)
Net Income - Normalized	15.6%	48.7%	(51.3%)	(28.1%)	354.6%	9.0%	(53.4%)	14.4%	6.5%	0.1%	8.6%	(2.8%)
EPS - Reported	12.2%	51.7%	(48.8%)	(29.7%)	346.8%	9.0%	(46.5%)	(0.4%)	6.5%	0.1%	8.6%	(2.8%)
EPS - Normalized	15.6%	48.7%	(51.3%)	(28.1%)	354.6%	9.0%	(53.4%)	14.4%	6.5%	0.1%	8.6%	(2.8%)
DPS	25.0%	20.0%	(33.3%)	(17.5%)	203.0%	10.0%	(29.1%)	0.0%	6.4%	0.0%	8.4%	(2.2%)
Operating Ratios (In %)												
Gross Margin	20.1%	20.0%	5.4%	33.9%	52.4%	40.4%	34.0%	35.3%	35.5%	37.4%	37.3%	37.1%
EBITDA Margin - Proportionate Gr	33.0%	37.8%	26.3%	33.3%	50.3%	42.5%	36.6%	38.5%	38.8%	39.2%	40.1%	39.7%
EBITDA Margin - Reported	14.6%	15.9%	1.2%	27.4%	47.2%	36.6%	27.3%	28.7%	29.1%	31.1%	31.0%	30.7%
EBIT Margin	9.8%	11.8%	(4.3%)	5.6%	36.9%	28.6%	14.5%	16.0%	16.6%	17.5%	17.1%	16.4%
Net Margin	71.6%	86.9%	50.5%	24.5%	57.1%	46.9%	40.2%	38.3%	38.6%	36.3%	38.5%	37.1%
Working Capital Ratios (Days)												
Inventory days	142.6	135.2	140.3	145.6	108.5	101.1	133.5	133.5	133.5	133.5	133.5	133.5
Average collection period	98.8	63.3	64.3	78.5	79.6	37.7	53.4	53.4	53.4	53.4	53.4	53.4
Payable days	115.0	104.5	93.9	105.1	107.8	69.4	104.6	104.6	104.6	104.6	104.6	104.6
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)	(0.3)
Interest Coverage	45.1	351.1	-19.0	11.2	206.4	227.2	59.9	69.6	80.2	94.8	100.1	101.5
Return Ratios (In %)												
ROE	9.9%	14.2%	7.5%	5.4%	20.5%	21.0%	11.8%	11.8%	12.5%	12.6%	13.6%	13.3%
ROA	9.4%	13.6%	7.2%	5.0%	19.1%	19.6%	11.0%	10.9%	11.6%	11.6%	12.5%	12.2%
Liquidity Ratios												
Current Ratio	7.8	10.4	11.2	8.9	10.1	10.7	9.0	8.1	7.4	7.2	7.5	7.9
Quick Ratio	6.8	9.2	9.7	7.6	9.2	9.3	7.7	6.8	6.1	5.9	6.2	6.6
Valuation												
EV/Reported EBITDA	107.6	75.9	1,179.7	35.4	9.9	9.3	20.6	19.3	18.3	16.1	15.5	15.3
EV/EBIT	161.2	102.2	N/M	171.9	12.7	11.8	38.7	34.6	32.0	28.6	28.1	28.6
P/E	24.3	16.0	31.3	44.5	10.0	9.1	17.1	17.1	16.1	16.1	14.8	15.2
P/Normalized Earnings	23.6	15.9	32.5	45.3	10.0	9.1	19.6	17.1	16.1	16.1	14.8	15.2
P/BV	2.4	2.3	2.4	2.4	2.0	1.9	2.0	2.0	2.0	2.0	2.0	2.0
Dividend Yield	3.8%	4.5%	3.0%	2.5%	7.5%	8.3%	5.9%	5.9%	6.2%	6.2%	6.8%	6.6%
FCF Yield	3.4%	7.3%	4.6%	3.8%	9.2%	11.1%	5.6%	3.6%	4.6%	6.0%	7.6%	8.2%

Source: Company data, QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Revenue	14,169	18,794	11,744	12,266	12,985	13,829	14,143	14,267
Cost of Sales, Excluding D&A	(6,744)	(11,206)	(7,749)	(7,939)	(8,373)	(8,663)	(8,867)	(8,969)
Gross Profit	7,425	7,588	3,995	4,328	4,612	5,166	5,276	5,298
Cash G&A Expenses	(684)	(648)	(704)	(727)	(751)	(773)	(800)	(827)
Cash Selling Expenses	(59)	(68)	(79)	(84)	(87)	(90)	(93)	(97)
EBITDA	6,683	6,872	3,212	3,517	3,773	4,303	4,383	4,374
Depreciation & Amortization	(1,450)	(1,498)	(1,504)	(1,552)	(1,621)	(1,885)	(1,960)	(2,038)
EBIT	5,233	5,374	1,708	1,965	2,152	2,418	2,423	2,336
Finance Costs	(25)	(24)	(29)	(28)	(27)	(25)	(24)	(23)
Share of Results of Joint Ventures	2,479	2,460	1,360	1,622	1,715	1,445	1,861	1,788
Other Income, Expenses, Taxes & Minorities	402	1,004	1,680	1,142	1,168	1,178	1,186	1,194
Profit for Shareholders	8,089	8,815	4,720	4,701	5,008	5,015	5,446	5,295
EPS (QR)	1.34	1.46	0.78	0.78	0.83	0.83	0.90	0.88
DPS (QR)	1.00	1.10	0.78	0.78	0.83	0.83	0.90	0.88
Group Revenue	20,150	25,769	16,919	17,837	18,713	19,242	20,104	20,163
Group EBITDA	10,142	10,960	6,185	6,865	7,262	7,538	8,063	7,995

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Non-Current Assets								
PP&E & PUD	12,696	11,877	13,532	15,122	16,145	16,011	15,204	13,821
Investment Properties	0	0	0	0	0	0	0	0
Investment in Associates	1,577	1,890	1,811	2,134	2,472	2,817	3,168	3,523
Investment in Joint Ventures	6,823	7,097	6,783	6,412	6,021	5,690	5,265	4,857
Available-for-Sale Investments	0	0	0	0	0	0	0	0
Right-of Use Assets & Others	189	242	593	581	567	546	523	498
Total Non-Current Assets	21,284	21,106	22,719	24,250	25,205	25,065	24,161	22,700
Current Assets								
Inventories	2,004	3,105	2,833	2,895	3,061	3,168	3,242	3,279
Accounts Rec. & Prepayments	3,090	1,943	1,719	1,791	1,901	2,024	2,070	2,088
Due from Related Parties	1,494	1,535	946	988	1,046	1,114	1,140	1,150
Financial Assets at FVTPL	349	397	421	421	421	421	421	421
Cash and Bank Balances	14,086	16,919	14,414	12,623	11,631	11,428	12,536	13,682
Total Current Assets	21,023	23,899	20,334	18,718	18,061	18,156	19,409	20,620
Total Assets	42,308	45,005	43,053	42,968	43,266	43,220	43,570	43,320
Total Equity	39,510	42,020	39,976	39,843	40,011	39,882	40,173	39,894
Non-Current Liabilities								
Loans and Borrowings	0	0	0	0	0	0	0	0
EOS Benefits & Lease Liabilities	724	761	806	806	806	806	806	806
Total Non-Current Liabilities	724	761	806	806	806	806	806	806
Current Liabilities								
Accounts Payables & Accruals	1,991	2,132	2,220	2,268	2,399	2,482	2,540	2,570
Due to Related Parties, Lease Liabilities & Others	83	92	50	50	50	50	50	50
Loans and Borrowings	0	0	0	0	0	0	0	0
Total Current Liabilities	2,073	2,224	2,270	2,318	2,449	2,532	2,590	2,620
Equity and Liabilities	42,308	45,005	43,053	42,968	43,266	43,220	43,570	43,320

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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