

## MEDICARE GROUP (MCGS)

Recommendation	MARKET PERFORM	Risk Rating	R-4
Share Price	QR6.392	Current Target Price	QR8.04
Implied Upside	25.8%		

### In-Line 1Q2020 Excluding Provisions; We Maintain Our Estimates & Target Price

MCGS's net income was below our estimate primarily due to provisions for receivables. While these provisions were unexpected, during MCGS' quarterly call, management did state they could reconsider provisioning during June and December. Moreover, the full extent of the business impact of the ongoing COVID-19 pandemic is yet to flow through into the company's results. Thus, we choose to leave our estimates unchanged for now and continue to rate MCGS as a Market Perform with a QR8.04 target price. Following the announcement of draft law preparations for the new National Healthcare System on 18 June 2019, MCGS shares have gained 7.2% outperforming the QE Index's 13.7% decline. Our one-year TP for MCGS already incorporates foreseeable benefits of a favorable National Health Insurance structure to be up and running by the end of 2021. However, based on our understanding, progress on the National Health Insurance front may have somewhat stalled temporarily because of the Coronavirus pandemic. Until details of the new National Health Insurance scheme become clear, we believe MCGS shares could remain volatile.

### Highlights

- **MCGS posted 1Q2020 net income/EPS of QR20.69m/QR0.07, up 1.6% YoY (down 39.6% QoQ),** below our net income estimate of QR24.4mn. Our miss is primarily due to the company's re-allocation of impairment for receivables (QR4.83mn). **Excluding these provisions, 1Q2020 net income was in-line with our projection (variation: 2.9%).**
- **Gross profits were in-line with our estimate as well (variance +0.3%).** The company recorded QR130.3mn revenue in 1Q2020 with a 1.7% rise YoY, in-line with our QR131.3mn forecast (variation: -0.7%). Gross margin remained flat at 41.1% in 1Q2020 vs. 1Q2019's 41.3%. Hence, MCGS posted flattish gross profits YoY at QR53.6mn, also in-line with our QR52.9mn forecast (variation: +1.4%).
- **On the other hand, 1Q2020 G&A rose by 5.1% YoY,** primarily due to a 59% rise in maintenance & repair expenses, again in-line with our estimate (variation: +2.1%).
- **Lower depreciation charges also supported the bottom-line.** During 4Q2019, MCGS conducted a review of the useful life of its property and equipment, which resulted in changes to the expected life of its property and equipment. As a result, MCGS' depreciation expense fell by 16.7% to QR6.7mn in 1Q2020 from QR7.9mn as of 1Q2019.
- **We continue to rate MCGS as a Market Perform and maintain our TP/estimates for now.** As mentioned previously, MCGS' 1Q2020 results, excluding provisions, were bang in-line with our modeled estimates. Management's commentary during the company's 1Q2020 conference call implied that provisions could be reconsidered during 2Q/year-end results. Moreover, there is little color on much how the curbs in place due to the Coronavirus pandemic will impact near-term results. Therefore, we keep our earnings estimates and target price unchanged for now. Since our initiation on August 27, 2019 with a Market Perform rating, MCGS shares have declined 12.7%, in-line with the QE All Share Index's -10.3%.

### Catalysts

- 1) Collection of NHIC/Seha receivables, 2) Performance of the new Al Wakra clinic, 3) Normalization in MCGS' share price volatility, which should lead to a higher target price. MCGS' 5-year beta is 1.1x vs. international peer group's median of 0.74x; it is also the highest in the international peer group. 4) Completion of the hospital expansion project.

### Recommendation, Valuation and Risks

- **We continue to rate MCGS as a Market Perform.** Our 1-year target price of QR8.04 implies a 25.8% upside potential and assumes that the new National Insurance Scheme will be fully operational by end-2021. Our TP is based on a weighted average combination of DCF and international peer comparison.
- **Risks:** 1) Geopolitical risks. 2) Collection risks. 3) Delays in the new National Health Insurance Scheme. 4) Volatility of provision expenses 5) the Coronavirus pandemic.

### Key Financial Data and Estimates

	2018	2019	2020e	2021e
EPS (QR)	0.30	0.28	0.29	0.31
P/E (x)	21.0	23.0	21.7	20.8
EV/EBITDA (x)	20.4	17.0	16.4	16.1
DPS (QR)	0.30	0.28	0.29	0.31
DY (%)	6.3%	4.3%	4.6%	4.8%

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

### Key Data

Bloomberg Ticker	MCGS QD
ADR/GDR Ticker	N/A
Reuters Ticker	MCGS.QD
ISIN	QA0006929754
Sector	Healthcare
52wk High/52wk Low (QR)	9.2 / 5.31
3-m Avg. Volume (000)	476.4
Mkt. Cap. (\$ bn/QR bn)	0.49/1.8
EV (\$ bn/QR bn)	0.51/1.9
Current FO*/FO limit (%)	18.9%/49%
Shares Outstanding (mn)	281.4
1-Year Total Return (%)	6.7%
Fiscal Year End	December 31

Source: Bloomberg (as of April 28, 2020), \*Qatar Exchange (as of April 28, 2020); Note: FO is foreign ownership

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## Valuation

We value MCGS shares at QR8.04 with a 25.8% upside potential using a combination of DCF and international multiples. We assign the biggest weight to DCF (cash flows to firm) methodology, as we think it captures the long-term potential of companies better than market multiples.

### Valuation Summary

Method	Weight in Overall Valuation	MCGS' Upside/Downside Potential
DCF	70%	34.5%
<b>International Comparison</b>	<b>30%</b>	
P/E, 2020e	15%	12.3%
P/E, 2021e	15%	-1.1%
<b>Weighted Average Upside Potential for MCGS Shares</b>		<b>25.8%</b>

Source: Bloomberg consensus figures for international peers, QNB FS Research

### Valuation Multiples: International Peers vs. MCGS

Company	Country	Mcap USDmn	Beta 5yr adj.	P/E		EV/EBITDA		EBITDA Margin		Dividend Yield			ROE%	
				2020e	2021e	2020e	2021e	2020e	2021e	2019	2020e	2021e	2020e	2021e
NATIONAL MEDICAL CARE CO	KSA	444	0.83	17.6	13.1	8.5	7.6	22.3%	22.9%	3.0%	3.0%	3.9%	7.9%	8.8%
AL HAMMADI CO FOR DEVELOPMEN	KSA	613	1.03	20.5	14.8	n.a.	n.a.	n.a.	n.a.	3.6%	3.5%	4.5%	6.0%	6.5%
DALLAH HEALTHCARE CO	KSA	910	0.81	23.9	15.5	16.0	12.1	20.6%	21.5%	2.1%	3.5%	4.1%	9.5%	13.5%
MIDDLE EAST HEALTHCARE CO	KSA	629	0.95	18.4	11.7	13.4	10.6	15.9%	16.3%	0.5%	4.7%	5.8%	6.8%	9.6%
MOUWASAT MEDICAL SERVICES CO	KSA	2,154	0.82	19.0	16.7	13.6	11.9	32.3%	31.1%	2.3%	2.5%	2.9%	20.8%	22.3%
CLEOPATRA HOSPITAL	Egypt	437	0.78	15.5	8.8	10.0	7.0	26.6%	28.1%	n.a.	4.3%	5.8%	18.4%	22.2%
MEDICLINIC INTERNATIONAL PLC	Bahrain	2,345	1.00	9.9	10.1	8.7	9.1	16.6%	15.8%	3.0%	2.8%	2.8%	5.5%	5.3%
ASTER DM HEALTHCARE LTD	India	663	0.93	15.5	13.0	6.6	6.0	13.4%	13.5%	n.a.	n.a.	n.a.	11.1%	12.6%
NARAYANA HRUDAYALAYA LTD	India	740	0.63	49.1	40.5	14.9	13.9	13.1%	13.4%	n.a.	0.5%	0.5%	10.9%	11.9%
NETCARE LTD	S.Africa	1,210	0.84	10.0	8.7	6.1	5.8	20.8%	20.6%	6.8%	7.0%	7.6%	22.5%	22.9%
LIFE HEALTHCARE GROUP HOLDIN	S.Africa	1,417	0.88	11.7	10.2	6.6	5.9	22.1%	22.9%	4.4%	6.0%	6.6%	12.4%	13.7%
MEDICLINIC INTERNATIONAL PLC	S.Africa	2,343	0.96	9.9	10.1	8.7	9.1	16.6%	15.8%	3.0%	2.8%	2.8%	5.5%	5.3%
BANGKOK DUSIT MED SERVICE	Thailand	10,142	0.71	38.3	30.8	20.9	17.9	20.9%	22.2%	2.1%	1.6%	1.8%	10.4%	12.1%
BUMRUNGRAD HOSPITAL PCL	Thailand	2,915	0.72	30.5	25.8	17.9	15.5	29.8%	31.4%	2.3%	2.1%	2.3%	15.3%	16.6%
IHH HEALTHCARE BHD	Malaysia	10,297	0.75	49.7	38.8	17.5	15.4	21.5%	22.2%	0.6%	0.7%	0.9%	3.9%	4.9%
KPJ HEALTHCARE BERHAD	Malaysia	863	0.74	21.0	19.1	11.4	10.4	15.4%	15.6%	2.2%	2.2%	2.3%	9.5%	9.8%
MITRA KELUARGA KARYASEHAT TB	Indonesia	1,795	0.42	37.4	32.3	24.6	21.1	32.7%	33.7%	1.1%	1.2%	1.3%	16.0%	17.5%
SILOAM INTERNATIONAL HOSPITA	Indonesia	501	0.81	89.1	54.0	7.8	6.6	13.2%	13.9%	n.a.	0.0%	0.1%	0.6%	2.1%
BANGKOK CHAIN HOSPITAL PCL	Thailand	1,038	0.89	27.6	25.8	15.3	13.9	27.0%	26.8%	1.8%	1.7%	2.0%	18.1%	17.9%
CHINA RESOURCES MEDICAL HOLD	China	678	1.08	10.7	9.8	4.9	3.9	32.7%	37.8%	1.5%	1.8%	2.1%	6.7%	7.0%
MEDIKALOKA HERMINA TBK PT	Indonesia	477	0.77	24.8	19.7	9.9	8.8	22.0%	21.8%	0.6%	1.5%	1.8%	11.6%	12.8%
APOLLO HOSPITALS ENTERPRISE	India	2,618	0.74	58.7	56.6	15.2	15.2	13.6%	12.7%	0.5%	0.4%	0.5%	9.6%	10.7%
FORTIS HEALTHCARE LTD	India	1,170	0.85	76.0	128.8	16.8	18.7	13.5%	12.0%	0.0%	0.0%	0.0%	1.3%	0.6%
WENZHOU KANGNING HOSPITAL -H	China	176	0.49	12.0	18.7	4.7	n.a.	26.7%	n.a.	1.8%	1.9%	1.1%	10.9%	12.0%
THONBURI HEALTHCARE GROUP PC	Thailand	533	0.81	58.3	61.3	23.4	19.4	13.7%	14.2%	1.7%	0.9%	1.1%	1.9%	3.9%
VIBHAVADI MEDICAL CENTER PCL	Thailand	675	0.84	23.6	23.6	15.8	15.0	28.5%	28.4%	2.4%	n.a.	n.a.	8.3%	8.6%
RAMSAY HEALTH CARE LTD	Australia	9,054	0.95	35.8	28.6	15.2	13.7	13.2%	13.5%	2.4%	1.0%	1.8%	12.3%	11.1%
<b>Peer Group Median</b>			<b>0.81</b>	<b>23.6</b>	<b>19.1</b>	<b>13.5</b>	<b>11.9</b>	<b>20.8%</b>	<b>21.5%</b>	<b>2.1%</b>	<b>1.9%</b>	<b>2.1%</b>	<b>9.6%</b>	<b>11.1%</b>
<b>Peer Group Normalized Av.</b>			<b>0.81</b>	<b>24.4</b>	<b>20.6</b>	<b>11.3</b>	<b>10.5</b>	<b>18.5%</b>	<b>18.4%</b>	<b>1.9%</b>	<b>2.0%</b>	<b>2.3%</b>	<b>9.0%</b>	<b>9.9%</b>
<b>MCGS</b>	<b>Qatar</b>	<b>494</b>	<b>1.04</b>	<b>21.7</b>	<b>20.8</b>	<b>16.4</b>	<b>16.1</b>	<b>21.1%</b>	<b>21.6%</b>	<b>4.3%</b>	<b>4.6%</b>	<b>4.8%</b>	<b>8.1%</b>	<b>8.4%</b>

Source: Bloomberg consensus figures for international peers, QNB FS Research

### DCF Assumptions:

- **MCGS' beta is materially above its international peers, due to severe stock volatility during 2014-2019.** MCGS' 5-year beta was 1.04 vs. international peer group's normalized average and median of 0.81 each. It is also the second highest in the international peer group. Implementation and cancellation of Seha during 2013-2015 caused significant upward and downward swings in MCGS' revenue and earnings and consequently its share price, boosting its 5-year beta.
- **If MCGS' beta normalization continues, we may consider updating our DCF model accordingly in the future.** It is noteworthy that MCGS' 2-year beta is 0.98, which is below the 5-year beta. If we had used MCGS' 2-year beta rather than its 5-year beta, its DCF upside potential would have increased to 42.6% from 34.5% currently.

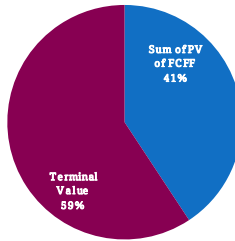
## DCF Summary

WACC calculation	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Value Normalized
<b>Cost of equity</b>	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%
RF: (US 10 yr+Qatar 10yr CDS)	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
ERP	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%
ERP for 1x Beta	7.30%	7.30%	7.30%	7.30%	7.30%	7.30%	7.30%	7.30%	7.30%	7.30%	7.30%
Beta	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04
<b>After-tax cost of debt</b>	2.06%	1.37%	0.69%	0.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>WACC</b>	<b>9.8%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>9.8%</b>

DCF-Cash Flow to Firm (QR)	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Term. Value Normalized
<b>EBIT (1-tax rate)</b>	<b>77,315,074</b>	<b>80,711,772</b>	<b>133,912,347</b>	<b>132,969,764</b>	<b>158,831,028</b>	<b>181,643,052</b>	<b>200,571,500</b>	<b>214,834,107</b>	<b>223,735,412</b>	<b>236,725,827</b>	<b>236,725,827</b>
EBIT	79,297,512	82,781,304	137,345,997	136,379,245	162,903,619	186,300,566	205,714,359	220,342,674	229,472,217	242,795,720	242,795,720
Tax rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<b>Depreciation</b>	<b>21,208,543</b>	<b>23,376,377</b>	<b>23,852,148</b>	<b>24,328,255</b>	<b>24,804,688</b>	<b>25,281,432</b>	<b>25,758,479</b>	<b>26,235,815</b>	<b>26,713,433</b>	<b>25,848,549</b>	<b>25,848,549</b>
<b>Capital Expenditure</b>	<b>28,144,174</b>	<b>28,144,174</b>	<b>28,144,174</b>	<b>28,144,174</b>	<b>28,144,174</b>	<b>28,144,174</b>	<b>28,144,174</b>	<b>28,144,174</b>	<b>28,144,174</b>	<b>28,144,174</b>	<b>28,144,174</b>
% of Enterprise Value	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
<b>Change in WC</b>	<b>5,759,243</b>	<b>2,703,593</b>	<b>12,570,066</b>	<b>9,359,782</b>	<b>8,154,841</b>	<b>7,460,319</b>	<b>6,564,606</b>	<b>5,480,358</b>	<b>4,228,656</b>	<b>3,774,530</b>	<b>3,774,530</b>
Chg. working capital days	4.1	1.9	7.8	5.3	4.3	3.7	3.1	2.5	1.9	1.6	1.6
Net Sales	508,833,598	524,078,781	591,778,393	650,648,120	696,193,488	737,965,098	774,863,352	805,857,887	830,033,623	850,784,464	850,784,464
Change in sales	3.7%	3.0%	12.9%	9.9%	7.0%	6.0%	5.0%	4.0%	3.0%	2.5%	2.5%
<b>Free cash flow to the firm (FCFF)</b>	<b>64,620,200</b>	<b>73,240,382</b>	<b>117,050,255</b>	<b>119,794,064</b>	<b>147,336,701</b>	<b>171,319,992</b>	<b>191,621,199</b>	<b>207,445,390</b>	<b>218,076,015</b>	<b>230,655,672</b>	<b>230,655,672</b>
<b>PV of FCFF</b>	<b>64,620,200</b>	<b>66,723,859</b>	<b>97,154,216</b>	<b>90,595,206</b>	<b>101,523,882</b>	<b>107,560,464</b>	<b>109,616,398</b>	<b>108,124,252</b>	<b>103,565,375</b>	<b>99,806,349</b>	<b>99,806,349</b>
<b>Sum of PV of FCFF</b>											

<b>Terminal Value</b>	<b>1,381,966,635</b>
Terminal FCFF	99,806,349
Terminal Growth Rate	2.5%
Terminal WACC	9.8%
<b>Enterprise value</b>	<b>2,331,256,835</b>
+Cash and cash equivalents	138,653,405
-Debt - long term and short term	50,179,808
-Minority Interest	0
<b>Fair Value of Equity</b>	<b>2,419,730,432</b>
Shares o/s (mn)	281,441,000
<b>12M target price per share</b>	<b>8.60</b>
<b>12 Month Upside Potential</b>	<b>34.5%</b>

DCF Enterprise value breakdown



## DCF SENSITIVITY

### TARGET SHARE PRICE SENSITIVITY TO TERMINAL GROWTH RATE AND DISCOUNT RATE

Terminal	Terminal Growth Rate				
	1.5%	2.0%	2.5%	3.0%	3.5%
8.8%	8.60	8.96	9.39	9.88	10.48
9.3%	8.28	8.60	8.96	9.39	9.88
9.8%	8.00	8.28	8.60	8.96	9.39
10.3%	7.75	8.00	8.28	8.60	8.96
10.8%	7.53	7.75	8.00	8.28	8.60

### SHARE PRICE UPSIDE POTENTIAL SENSITIVITY TO TERMINAL GROWTH RATE AND DISCOUNT RATE

Terminal	Terminal Growth Rate				
	1.5%	2.0%	2.5%	3.0%	3.5%
8.8%	34.5%	40.2%	46.9%	54.6%	63.9%
9.3%	29.5%	34.5%	40.2%	46.9%	54.6%
9.8%	25.2%	29.5%	34.5%	40.2%	46.9%
10.3%	21.3%	25.2%	29.5%	34.5%	40.2%
10.8%	17.8%	21.3%	25.2%	29.5%	34.5%

Source: QNB FS Research

## Detailed Financial Statements

### Income Statement (QR000)

	2017	2018	2019	2020e	2021e
<b>Revenue</b>	<b>470,621</b>	<b>484,211</b>	<b>490,678</b>	<b>508,834</b>	<b>524,079</b>
COGS	268,101	283,162	294,038	304,917	311,097
<b>Gross Profit</b>	<b>202,520</b>	<b>201,050</b>	<b>196,641</b>	<b>203,916</b>	<b>212,982</b>
SG&A	85,880	88,397	93,891	96,540	99,954
Depreciation	28,191	31,370	27,398	28,079	30,247
<b>Operating Income</b>	<b>88,449</b>	<b>81,282</b>	<b>75,352</b>	<b>79,298</b>	<b>82,781</b>
EBITDA	116,640	112,652	102,750	107,376	113,028
(Loss)/ gain from disposal of Property and equipment	0	0	0	0	0
Provision Expenses	-16,166	-3,052	-652	-376	-388
Other Income	11,235	8,891	8,829	8,527	8,815
Net Finance Income (Expense)	-732	366	-2,469	-1,596	-1,550
<b>Net profit before management fees and income tax</b>	<b>82,785</b>	<b>87,486</b>	<b>81,059</b>	<b>85,852</b>	<b>89,658</b>
Management fees	-2,783	-2,975	-2,861	-3,030	-3,164
Income Tax	0	0	0	0	0
Non controlling interests	0	0	0	0	0
<b>Net Income</b>	<b>80,002</b>	<b>84,511</b>	<b>78,199</b>	<b>82,822</b>	<b>86,494</b>
<i>Net Profit Margin</i>	<i>17.0%</i>	<i>17.5%</i>	<i>15.9%</i>	<i>16.3%</i>	<i>16.5%</i>
<i>Shares Outstanding (mn)</i>	<i>281,441</i>	<i>281,441</i>	<i>281,441</i>	<i>281,441</i>	<i>281,441</i>
<b>EPS</b>	<b>0.28</b>	<b>0.30</b>	<b>0.28</b>	<b>0.29</b>	<b>0.31</b>
<b>DPS</b>	<b>0.40</b>	<b>0.30</b>	<b>0.28</b>	<b>0.29</b>	<b>0.31</b>

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

### Balance Sheet (QR000)

	2017	2018	2019	2020e	2021e
Cash & Cash Equivalents	52,053	53,638	40,320	40,320	21,320
S/T Deposits	50,066	40,000	35,000	40,996	5,861
Accounts Receivable & Prepayments	83,815	63,825	67,009	69,488	71,570
Other Receivables and Prepayments	15,267	29,534	26,155	27,123	27,935
Due From Related Parties	0	0	0	0	0
Inventories	27,543	23,087	21,509	24,861	25,365
<b>Total Current Assets</b>	<b>228,745</b>	<b>210,085</b>	<b>189,992</b>	<b>202,788</b>	<b>152,050</b>
Financial assets at fair value through other comprehensive	45,619	52,059	63,334	63,334	63,334
Right-of-use assets	0	0	66,464	61,839	57,213
Property, Plant & Equipment	909,271	942,705	947,945	961,356	1,022,094
<b>Non-Current Assets</b>	<b>954,890</b>	<b>994,764</b>	<b>1,104,831</b>	<b>1,114,971</b>	<b>1,172,505</b>
<b>Total Assets</b>	<b>1,183,634</b>	<b>1,204,849</b>	<b>1,294,823</b>	<b>1,317,759</b>	<b>1,324,556</b>
Short-Term Debt	14,472	14,974	11,449	28,587	30,792
Lease Liabilities	0	0	3,404	3,231	3,050
Accounts Payable & Accruals	29,683	32,718	34,664	35,749	36,473
Other Payables	46,451	41,561	50,694	50,652	50,823
Dividends Payable/Payable to shareholders	18,880	21,404	24,431	25,876	27,169
<b>Current Liabilities</b>	<b>109,486</b>	<b>110,657</b>	<b>124,642</b>	<b>144,095</b>	<b>148,308</b>
<b>Non-Current Liabilities</b>					
Lease Liabilities	0	0	64,373	61,108	57,684
Retentions payable	0	0	0	0	0
Long-Term Debt	19,708	16,032	19,083	20,037	21,039
Employees end of service benefits	52,692	60,176	65,654	68,937	72,384
<b>Non-Current Liabilities</b>	<b>72,399</b>	<b>76,208</b>	<b>149,110</b>	<b>150,083</b>	<b>151,107</b>
<b>Total Liabilities</b>	<b>181,885</b>	<b>186,865</b>	<b>273,753</b>	<b>294,178</b>	<b>299,416</b>
<b>Total Shareholder's Equity</b>	<b>1,001,749</b>	<b>1,017,984</b>	<b>1,021,070</b>	<b>1,023,581</b>	<b>1,025,140</b>
Minority Interest	0	0	0	0	0
<b>Liabilities &amp; Shareholder's Equity</b>	<b>1,183,634</b>	<b>1,204,849</b>	<b>1,294,823</b>	<b>1,317,759</b>	<b>1,324,556</b>

Source: Company data, QNB FS Research

## Ratio Analysis

### Key Metrics

Particulars	2017	2018	2019	2020e	2021e
<b>Growth Rates</b>					
Revenue	0.3%	2.9%	1.3%	3.7%	3.0%
Gross Profit	2.8%	(0.7%)	(2.2%)	3.7%	4.4%
EBITDA	(0.1%)	(3.4%)	(8.8%)	4.5%	5.3%
EBIT	(2.0%)	(8.1%)	(7.3%)	5.2%	4.4%
PAT/EPS	N/M	5.6%	(7.5%)	5.9%	4.4%
DPS	N/M	(25.0%)	(7.4%)	5.9%	4.4%
CFPS	N/M	(25.1%)	(5.9%)	(13.4%)	8.5%
<b>Operating Ratios</b>					
Gross Margin	43.0%	41.5%	40.1%	40.1%	40.6%
Gross Margin, Excluding Depreciation & Amortization	43.0%	41.5%	40.1%	40.1%	40.6%
EBITDA Margin	24.8%	23.3%	20.9%	21.1%	21.6%
EBIT Margin	18.8%	16.8%	15.4%	15.6%	15.8%
Net Margin	17.0%	17.5%	15.9%	16.3%	16.5%
<b>Working Capital Days</b>					
Inventory Days	59	76	71	76	76
Average Collection Period	37	30	27	30	30
Payable Days	98	88	85	87	87
<b>Finance Ratios</b>					
Debt-Equity Ratio	3%	3%	2%	5%	5%
Net Debt-Equity Ratio	-7%	-6%	-6%	-3%	2%
Net Debt-to-Capital	-7%	-7%	-6%	-3%	2%
Net Debt-to-EBITDA	(0.6)	(0.6)	(0.5)	(0.3)	0.2
Interest Coverage	54.4	76.2	19.1	21.8	26.3
<b>Return Ratios</b>					
ROIC	8.5%	7.7%	7.2%	7.4%	7.7%
ROE	8.0%	8.3%	7.7%	8.1%	8.4%
ROA	6.8%	7.0%	6.0%	6.3%	6.5%
FCF Yield	6.0%	5.6%	5.2%	4.0%	1.8%
<b>Liquidity Ratios</b>					
Current Ratio	2.1	1.9	1.7	1.4	1.0
Quick Ratio	1.8	1.7	1.5	1.2	0.9
<b>Valuation</b>					
EV/Sales	3.7	3.6	3.6	3.5	3.5
EV/EBITDA	19.4	20.4	17.0	16.4	16.1
EV/EBIT	19.6	21.4	23.1	22.3	22.0
P/E	24.6	21.0	23.0	21.7	20.8
P/CF	10.4	13.9	14.7	17.0	15.7
P/BV	1.8	1.8	1.8	1.8	1.8
Dividend Yield	4.3%	6.3%	4.3%	4.6%	4.8%
FCF Yield	6.0%	5.6%	5.2%	4.0%	1.8%

Source: Company data, QNB FS Research

### Recommendations

Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price

<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

### Risk Ratings

Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals

<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

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