

## Qatar National Cement (QNCD)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR3.442	12M Target Price	QR4.366
Implied Upside	26.9%		

### Promising First Sales Growth YoY Ex-Covid Since 2016; NP Declines; Maintain Accumulate

While Qatar National Cement's net profit declined in 2Q2025, there is a silver lining in its revenue that rose for the first time YoY in a decade, when Covid-19 base effects around the 2021 period are excluded. That is quite encouraging, especially in the context of recently announced infrastructure/construction projects. Though we did not put out our 2Q forecasts publicly, we assess that NP undershot as revenue overshot expectations. We expect the pipeline of major infrastructure projects – spearheaded by Ashghal, Kahramaa and Simaisma – to stimulate demand for construction materials, with QNCD's bottom line potentially seeing magnified growth due to its high operating leverage. During 2Q2025, QNCD net profit fell 20.8% to QR24.6mn YoY, but a promising prospect is the top line rising 6.0% to QR97.0mn. Since halting clinker production last year, we are beginning to see progress in inventory management. With nearly five years of inventory at end-FY2024 (we forecast 993 2025E inventory days, roughly three years' worth), coupled with its excess cash resources, there is an opportunity for QNCD to optimize its balance sheet to enhance shareholder value. Moreover, despite the inherent pronounced cyclicality of the construction industry, QNCD's stock has demonstrated low volatility compared with the broader market and its peers, with a 5-year beta of 0.59. This uncharacteristic low risk profile cements its appeal as a portfolio diversifier and "safe investment" option for income-focused investors. We forecast ~7% earnings growth in 2025, shifting to mid-single-digit growth into the medium term, driven by recovery in domestic demand. Overall, QNCD presents an investment opportunity for those seeking a consistent income flow and exposure to Qatar's infrastructure growth/recovery story, underpinned by strong financial fundamentals and potential for strategic capital/balance sheet deployment. Therefore, we maintain our QR4.366/share PT and an Accumulate rating.

### Highlights

- QNCD's 2Q2025 net profit fell 20.8%/19.6% YoY/QoQ to QR24.6mn, primarily due to a slimmer GPM and drop in other income (chiefly dividend and interest income). GPM printed at 21.2% down from 26.5% in 2Q2024 and 22.8% in 1Q2025: Therefore, despite revenue rising, gross profit declined 14.9%/0.2% YoY/QoQ to QR20.6mn. Other income fell 30.7%/58.1% YoY/QoQ to QR8.0mn. YTD profit is down 32.9% at QR55.3mn, which means GPM needs to recover substantially during 2H2025 to meet our full-year expectations. Our 2025E profit is an increase of 7.1% to QR171mn. However, with revenue looking up for the first time in years, we are cautiously optimistic that, together with an improvement in trading margins, it could reverse the 1H deficit. We may update our forecast after the 2Q conference call/reaching out to the management.
- Sales rose YoY for the first time in a decade. Revenue rose 6.0%/7.1% YoY/QoQ to QR97.0mn, likely due to a recovery in sales volume and/or average unit prices. However, YTD revenue is still down 5.0% at QR187.6mn, and this is juxtaposed against our 2025E projection of QR411.6mn, implying a full-year growth of 3.7%. Given the sudden turn to YoY growth during 2Q2025 for the first time since 1Q2016 (ex-Covid period), we are maintaining our forecast.
- Selling & distribution and general & admin expenses (SG&A) continue to shrink. While 2Q2025 SG&A expenses fell 15.0%/58.2% YoY/QoQ to QR3.9mn, they are still marginally up YTD. There is an ongoing cost-reduction exercise to offset the impact of pressure on sales. Furthermore, the group has mothballed the clinker production plant since mid-2024 as part of streamlining costs. While this has seen depreciation and amortization costs falling substantially, we cannot quite tell why the cost of sales ballooned during 2Q. A plausible explanation is labor costs that are being incurred without the corresponding clinker production. In FY2024, the interplay between D&A vs labor costs was net positive on the GPM, however. We will seek more clarity from management.
- Cash reserves and value attributes justify balance sheet optimization: Sporting a 2025E P/E ratio of 13.1x and DY of 7.8%, which is a discount to regional peers (14.3x and 5.6%), QNCD is well-placed to ride the current QSE zeitgeist of unlocking balance sheet value, evidenced by a wave of buyback announcements & interim dividends by locally-listed companies since last year. Historically, QNCD has maintained solid DY credentials; including recently paying out 110% of its FY2024 earnings.
- Relatively low stock volatility/beta: The QNCD stock boasts a surprisingly low 5-yr beta of 0.59 (vs. regional peers' 0.83) despite the pronounced cyclical nature of its products. This can be attributed to its sizeable war chest that absorbs some of the economic shocks pervasive in the construction industry.

### Catalysts

- QNCD lacks notable catalysts, but its balance sheet is well-placed to engage in various corporate actions, including buybacks, special dividends, and acquisitions. However, there is little visibility on whether this happens. Furthermore, a recovery in infrastructure spend could provide a more fundamental catalyst for the group's sales pipeline.

### Recommendation, Valuation & Risks

- Recommendation and Valuation: We maintain our "Accumulate" rating and 12-month PT of QR4.366, implying 26.9% upside. Our PT is a weighted average of DCF and Relative valuation models. Our primary thesis is that QNCD has a strong balance sheet, is managing costs well in a difficult operating environment, and has an attractive stock volatility/beta profile. Also, its high DOL could magnify earnings should construction recover.
- Risks: (1) Price controls & other regulatory/public policy risks (2) Highly volatile sector fortunes (3) Geopolitics

### Key Financial Data and Estimates

GROUP	2024	2025e	2026e	2027e	2028e	2029e
EPS (QR)	0.24	0.26	0.28	0.29	0.31	0.32
P/E (x)	14.07	13.14	12.41	11.87	11.15	10.65
EV/EBITDA (x)	9.03	6.74	5.26	4.68	4.23	3.83
DPS (QR)	0.27	0.27	0.27	0.28	0.30	0.31
DY (%)	7.8%	7.8%	7.8%	8.1%	8.7%	9.1%

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

### Key Data

Current Market Price (QR)	3.442
Dividend Yield (%)	7.8
Bloomberg Ticker	QNCD QD
ADR/GDR Ticker	N/A
Reuters Ticker	QNCD.QA
ISIN	QA0007227687
Sector*	Industrial
52wk High/Low (QR)	4.289/3.200
3-m Average Vol.	319,343
Mkt. Cap. (\$ bn/QR bn)	0.6/2.2
EV (\$ bn/QR bn)	0.5/1.7
Shares O/S (mn)	623.5
FO Limit* (%)	100%
FO (Institutional)* (%)	2.4
1-Year Total Return (%)	0.7
Fiscal Year-End	December 31

Source: Bloomberg (as of July 22, 2025), \*Qatar Exchange (as of July 21, 2025); Note: FO is foreign ownership

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**Income Statement**

	2024	2025e	2026e	2027e	2028e	2029e
<b>REVENUE</b>	<b>396,975,145</b>	<b>411,634,299</b>	<b>422,092,435</b>	<b>425,998,880</b>	<b>429,944,213</b>	<b>433,928,849</b>
Cement	306,966,844	321,422,348	331,292,641	334,605,567	337,951,623	341,331,139
Sand	80,923,081	80,923,081	81,327,696	81,734,335	82,143,007	82,553,722
Others	9,085,220	9,288,869	9,472,098	9,658,978	9,849,584	10,043,988
<b>GROSS PROFIT</b>	<b>132,841,483</b>	<b>140,746,343</b>	<b>152,833,293</b>	<b>160,988,984</b>	<b>168,775,862</b>	<b>176,220,746</b>
EBITDA	148,982,252	164,756,441	224,130,880	230,568,883	232,510,340	234,471,018
<b>OPERATING PROFIT</b>	<b>100,052,620</b>	<b>117,068,128</b>	<b>118,066,721</b>	<b>130,286,553</b>	<b>139,564,702</b>	<b>146,548,888</b>
OTHER INCOME	58,683,855	52,362,853	61,365,506	57,483,921	60,335,642	62,826,726
<b>NET PROFIT</b>	<b>159,826,361</b>	<b>171,247,212</b>	<b>181,248,457</b>	<b>189,586,704</b>	<b>201,716,574</b>	<b>211,191,844</b>

Source: Company data, QNBFS Research

**Balance Sheet**

<b>BALANCE SHEET</b>	2024	2025e	2026e	2027e	2028e	2029e
<b>Non-current asset</b>						
Property, plant and equipment and capital work in progress	1,515,543,263	1,530,797,197	1,445,416,719	1,365,831,476	1,291,649,167	1,222,504,060
Investment properties	2,371,666	1,917,948	1,464,230	1,010,512	556,794	103,076
Intangible assets	6,202,764	4,255,457	2,308,150	360,843	360,843	360,843
Investment in associates	31,586,797	33,403,027	35,219,257	37,035,487	38,851,717	40,667,947
Financial assets at fair value through other comprehensive income-equity instruments	238,338,380	238,338,380	238,338,380	238,338,380	238,338,380	238,338,380
<b>Total non-current assets</b>	<b>1,794,042,870</b>	<b>1,808,712,009</b>	<b>1,722,746,736</b>	<b>1,642,576,698</b>	<b>1,569,756,901</b>	<b>1,501,974,306</b>
<b>Current assets</b>						
Non-current assets held for sale	719,551	719,551	719,551	719,551	719,551	719,551
Inventories	626,024,425	359,935,196	520,885,460	507,823,288	495,824,834	484,819,867
Accounts and other receivables	217,111,386	225,128,687	230,848,391	232,984,882	235,142,641	237,321,895
Short term fixed deposits	494,111,999	494,111,999	494,111,999	494,111,999	494,111,999	494,111,999
Cash and cash equivalents	171,908,616	406,323,068	338,617,654	437,274,290	532,947,268	619,670,388
<b>Total current assets</b>	<b>1,509,875,977</b>	<b>1,486,218,501</b>	<b>1,585,183,055</b>	<b>1,672,914,010</b>	<b>1,758,746,293</b>	<b>1,836,643,701</b>
<b>Total assets</b>	<b>3,303,918,847</b>	<b>3,294,930,509</b>	<b>3,307,929,791</b>	<b>3,315,490,708</b>	<b>3,328,503,194</b>	<b>3,338,618,006</b>
<b>EQUITY AND LIABILITIES</b>						
Share capital	653,528,940	653,528,940	653,528,940	653,528,940	653,528,940	653,528,940
Legal reserve	326,764,470	326,764,470	326,764,470	326,764,470	326,764,470	326,764,470
Fair value reserve of financial assets at fair value through other comprehensive income-equity instruments	9,515,891	9,515,891	9,515,891	9,515,891	9,515,891	9,515,891
Share of fair value reserves of associates	6,495,490	6,495,490	6,495,490	6,495,490	6,495,490	6,495,490
Retained earnings	2,048,034,109	2,038,547,327	2,038,811,759	2,047,205,981	2,060,828,226	2,071,558,989
<b>Total equity</b>	<b>3,044,338,900</b>	<b>3,034,852,118</b>	<b>3,035,116,550</b>	<b>3,043,510,772</b>	<b>3,057,133,017</b>	<b>3,067,863,780</b>
<b>Non-current liability</b>						
Employees' end of service benefits	13,694,624	13,694,624	13,694,624	13,694,624	13,694,624	13,694,624
Accounts & other payables - long term	43,259,742	43,347,436	45,587,937	45,441,329	45,334,052	45,225,685
<b>Total non-current liability</b>	<b>56,954,366</b>	<b>57,042,060</b>	<b>59,282,561</b>	<b>59,135,953</b>	<b>59,028,676</b>	<b>58,920,309</b>
<b>Current liability</b>						
Accounts & other payables - short term	202,625,581	203,036,332	213,530,681	212,843,982	212,341,501	211,833,918
<b>Total current liability</b>	<b>202,625,581</b>	<b>203,036,332</b>	<b>213,530,681</b>	<b>212,843,982</b>	<b>212,341,501</b>	<b>211,833,918</b>
<b>Total liabilities</b>	<b>259,579,947</b>	<b>260,078,392</b>	<b>272,813,241</b>	<b>271,979,935</b>	<b>271,370,177</b>	<b>270,754,226</b>
<b>Total equity and liabilities</b>	<b>3,303,918,847</b>	<b>3,294,930,509</b>	<b>3,307,929,791</b>	<b>3,315,490,708</b>	<b>3,328,503,194</b>	<b>3,338,618,006</b>

Source: Company data, QNBFS Research

**Cash flow Statement**

	2024	2025e	2026e	2027e	2028e	2029e
<b>Cash Flow from Operating Activities</b>	<b>148,151,557</b>	<b>458,437,721</b>	<b>114,059,291</b>	<b>280,434,747</b>	<b>284,063,238</b>	<b>287,256,944</b>
<b>Cash Flow from Investing Activities</b>	<b>(183,037,562)</b>	<b>(47,570,456)</b>	<b>(5,311,891)</b>	<b>(5,325,296)</b>	<b>(5,338,845)</b>	<b>(5,352,539)</b>
<b>Cash Flow from Financing Activities</b>	<b>(196,058,682)</b>	<b>(176,452,814)</b>	<b>(176,452,814)</b>	<b>(176,452,814)</b>	<b>(183,051,415)</b>	<b>(195,181,285)</b>
Change in Cash	(230,944,687)	234,414,451	(67,705,414)	98,656,636	95,672,978	86,723,120
Cash Beginning of Period	402,853,303	171,908,616	406,323,068	338,617,654	437,274,290	532,947,268
<b>Cash End of Period</b>	<b>171,908,616</b>	<b>406,323,068</b>	<b>338,617,654</b>	<b>437,274,290</b>	<b>532,947,268</b>	<b>619,670,388</b>

Source: Company data, QNBFS Research

**Ratios**

	2024	2025e	2026e	2027e	2028e	2029e
<b>Growth Rates</b>						
Revenue	-13.8%	3.7%	2.5%	0.9%	0.9%	0.9%
Gross Profit	-29.8%	6.0%	8.6%	5.3%	4.8%	4.4%
EBITDA	-38.2%	10.6%	36.0%	2.9%	0.8%	0.8%
EBIT	-22.3%	17.0%	0.9%	10.3%	7.1%	5.0%
NP	-22.1%	7.1%	5.8%	4.6%	6.4%	4.7%
EPS	-22.1%	7.1%	5.8%	4.6%	6.4%	4.7%
DPS	-10.0%	0.0%	0.0%	3.7%	6.6%	4.9%
CFPS	296.3%	209.4%	-75.1%	145.9%	1.3%	1.1%
FCFF	528.4%	194.2%	-75.9%	173.7%	1.4%	1.2%
<b>Operating Ratios</b>						
Gross Margin	33.5%	34.2%	36.2%	37.8%	39.3%	40.6%
EBITDA Margin	37.5%	40.0%	53.1%	54.1%	54.1%	54.0%
EBIT Margin	25.2%	28.4%	28.0%	30.6%	32.5%	33.8%
Net Margin	40.3%	41.6%	42.9%	44.5%	46.9%	48.7%
<b>Working Capital Ratios</b>						
Inventory Days	1,746	993	993	993	993	993
Average Collection Period	204.85	204.85	204.85	204.85	204.85	204.85
Payable Days	75.03	74.53	74.71	74.64	74.67	74.66
NWC days						
<b>Finance Ratios</b>						
Debt-Equity Ratio	0%	0%	0%	0%	0%	0%
Net Debt -Equity Ratio	0%	0%	0%	0%	0%	0%
Net Debt -to-Capital	0%	0%	0%	0%	0%	0%
Net Debt -to-EBITDA	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Interest Coverage	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>Return Ratios</b>						
ROIC	4.7%	6.2%	6.0%	7.0%	7.8%	8.5%
ROE	5.2%	5.6%	6.0%	6.2%	6.6%	6.9%
ROA	4.8%	5.2%	5.5%	5.7%	6.1%	6.3%
WACC		12.0%	12.0%	12.0%	12.0%	12.0%
<b>Liquidity Ratios</b>						
Current Ratio	7.5	7.3	7.4	7.9	8.3	8.7
Quick Ratio	4.4	5.5	5.0	5.5	5.9	6.4
Cash Ratio	3.3	4.4	3.9	4.4	4.8	5.3
<b>Valuation Ratios</b>						
EV/Sales	3.39	2.70	2.79	2.53	2.29	2.07
EV/EBITDA	9.03	6.74	5.26	4.68	4.23	3.83
EV/EBIT	13.44	9.49	9.98	8.29	7.05	6.12
P/E	14.07	13.14	12.41	11.87	11.15	10.65
P/CFO	15.2	4.9	19.7	8.0	7.9	7.8
P/BV	0.7	0.7	0.7	0.7	0.7	0.7
Dividend Yield	7.8%	7.8%	7.8%	8.1%	8.7%	9.1%
FCF Yield	6.0%	17.7%	4.3%	11.7%	11.8%	12.0%
Unencumbered cash/Book Value	29.7%	37.5%	35.3%	38.4%	41.4%	44.1%
Unencumbered cash/Market Cap.	40.2%	50.6%	47.6%	52.0%	56.3%	60.1%

Source: Company data, QNBFS 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>	
<b>OUTPERFORM</b>	Greater than +20%	<b>R-1</b>	Significantly lower than average
<b>ACCUMULATE</b>	Between +10% to +20%	<b>R-2</b>	Lower than average
<b>MARKET PERFORM</b>	Between -10% to +10%	<b>R-3</b>	Medium / In-line with the average
<b>REDUCE</b>	Between -10% to -20%	<b>R-4</b>	Above average
<b>UNDERPERFORM</b>	Lower than -20%	<b>R-5</b>	Significantly above average

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