

# AHCS Alert – In-line Results With Strong Prospects; Maintain Market Perform

- **Aamal Company's (AHCS) net profit rose 114.1% QoQ yet down 17.7% YoY to QR67.9mn in 1Q2021, in-line with our estimate of QR67.6mn (variation of +0.4%).** EPS amounted to QR0.01 in 1Q2021 as compared to QR0.01 in 1Q2020.
- **1Q2021 gross profit declined by 3.8% QoQ and 14.1% YoY to QR95.0mn, in-line with our estimate (variation: 3.1%).** Aamal's revenue came in at QR312.7mn in 1Q2021, with respective declines of 6.6% QoQ and 16.4% YoY. Gross margin rose from 29.6% in 1Q2020 and 29.5% in 4Q2020 to 30.4% in 1Q2021. Industrial Manufacturing segment recorded a 15.1% revenue growth YoY thanks to performances of Aamal Cement Industries and Aamal Cables. On the negative side, the company stated that rental income of the property segment shrank vs. 1Q2020 as Aamal adjusted rents in parallel to the prevailing market conditions. Trading and Distribution segment also saw a reduction in orders from the public sector for Ebn Sina Medical and Aamal Medical products, It is noteworthy that Trading and Distribution segment's performance is also affected by 2020's high base as Aamal's Trading and Distribution segment recorded revenue/net profit increases of 13.5%/22.0% vs. 2019 primarily due to the solid performance of Aamal Medical and Ebn Sina Medical. Ebn Sina Medical focused in 2020 on securing local stock including medicines, baby milk, face masks, gloves, and hand sanitizers and benefitted from rising demand of these products.
- **On the other hand, lower financial expenses and G&A (vs. 1Q2020), supported the bottom-line. 1Q2021 net financial expenses fell 58.2% QoQ/ 38.2% YoY, both due to the declining financial expenses as well as rising financial income.** G&A also fell 9.6% YoY (but up 19% QoQ) to QR33.3mn.
- **We continue to rate Aamal as Market Perform and maintain our estimates for now.** Aamal's manufacturing segment has started to benefit from increased project activity, as Aamal Cables won a QR694mn contract with Kahramaa, to supply 11KV medium voltage and pilot power cables to be delivered over 3 years. On the other hand, completion of the Phase 2 renovation works at City Center resulted in a 7.1% increase in the mall's GLA. As expected, the mall's new dedicated jewelry retail area (the Gold Souq) was completed within 4Q2020 with 34 units becoming available. Aamal enjoys a well-diversified business portfolio across many major sectors of the Qatari economy; thus, we are of the view that AHCS could be one of the top direct and indirect beneficiaries of the expected post-coronavirus recovery in Qatar. Moreover, it has Qatar's leading pharma & medical device distribution companies in its portfolio, which should support AHCS' top- & bottom-line resilience. Going forward, while Aamal's 2020 results were affected by the coronavirus shock, we believe AHCS' 2021 prospects could be better with the completion of renovation works & expansion in the City Center Mall in 2020, Senyar's new drum and copper factories becoming operational during 1H2021, coupled with the Kahramaa order. Ebn Sina Medical and Aamal Medical products are expected to see higher public sector demand in the remaining part of the year. In 2022, we believe Aamal could be one of the top beneficiaries of FIFA'22, given its property, retail and trading exposures.

### Recommendations

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

**OUTPERFORM** Greater than +20%

**ACCUMULATE** Between +10% to +20%

**MARKET PERFORM** Between -10% to +10%

**REDUCE** Between -10% to -20%

**UNDERPERFORM** Lower than -20%

### Risk Ratings

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

**R-1** Significantly lower than average

**R-2** Lower than average

**R-3** Medium / In-line with the average

**R-4** Above average

**R-5** Significantly above average

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