

Company Report

Tuesday, 2 May 2017

Ezdan Holding Group

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	15.99	Target Price	16.00
Implied Upside	0.1%		

1Q 2017 Beat on 1-Time Items; Going Private Officially on the Table

We maintain our QR16.00 TP and Market Perform recommendation. We continue to see upside as limited in the shares despite a \sim 6.0% 1-day share price uptick on the back of strong 1Q 2017 (1-time in nature) and recent indications of ERES potentially going private.

Highlights

- Beat driven by AFS; mostly 1-time in nature. ERES printed QR0.36 EPS, which bested our QR0.20 estimate primarily on the back of significantly higher than expected investment income from 1) sale of available for sale securities (AFS) including a ~5% reduction in ERES' stake in Qatar International Islamic Bank; 2) an unexpected net gain on sale of investments in associates QR177.8mn vs. our Nil; and 3) higher than expected dividend income of ~QR166mn vs. our ~QR66mn. This added ~QR0.19 to our EPS estimate and was slightly offset (~QR0.02) by a ~12% miss on our real estate revenue estimate (~QR435mn vs. our ~QR495mn).
- **Real estate earnings flat y/y; missed our estimates by ~12%.** Real estate revenue (residential/commercial, hotels, and malls) was generally flat y/y despite partial contribution from 2 new malls (Ezdan Wukair and Al Wakra) which drove a ~63% y/y increase in that segment's revenues. Hotel revenue was slightly down y/y (~6%) suggesting weaker occupancy rates.
- Significant reduction to ERES' investment book added to cash coffers... at a cost. AFS declined significantly by ~QR2.4bn as the company reduced its stake in several of its investments, most notably its stake in QIIK (14.88% from 20.00%). As a result, cash balances now are ~QR3.2bn with another ~QR1.8bn coming in 2Q 2017 from the recent issuance of another ~US\$500mn in Sukuk currently trading on the Irish exchange. Management could use a significant chunk of the cash to repay/reprofile debt. While this should help alleviate the pressure on the balance sheet, it negatively impacts our earnings estimates. Our 2017 adj. EPS estimate changed to QR0.81 from QR0.79 while our 2018 estimate changed to QR0.69 from QR0.83 reflecting the lower contribution of investment income to earnings (~37% lower vs. prior estimate). We now expect that ~50% of our 2017 operating income estimate should be driven by investments.
- **Rationale behind going private.** On April 30, news circulated that a large investor owning more than 25% of the shares suggested exploring the potential of ERES going private (shareholder meeting on May 23, 2017). There is currently little information available on the process of voluntary delisting. However, our initial thoughts is that this could afford management the opportunity to re-profile the debt (eliminating the dividend could help) and coming to market at a later stage when the balance sheet is cleaner and market dynamics are more supportive.

Catalysts

- Ezdan Oasis. Expected to begin occupancy by 2H 2017.
- The Curve Hotel. Soft opening in December 2016; official opening in April 2017.
- Ezdan Palace. Soft opening in June 2017.

Recommendation, Valuation and Risks

- Market Perform with a QR16.00 12-month TP. Our estimates imply ~1.0x NAV, implying that current operations/upside are fully absorbed into the share price.
- **Risks to thesis.** Dividend sustainability could be challenged during an economic downturn or should debt repayment become a more urgent focus. A continued reliance on the balance sheet to fund operations/dividends could continue to erode long-term shareholder value. Ability to re-profile debt at comparable cost and appropriate maturities. Ability to secure funding for organic/acquisitive growth.

Key Financial Data and Estimates

	2015	2016	2017e	2018e
Adj. EPS (QR/sh)	0.41	0.68	0.81	0.69
P/E (x)	38.9x	23.6x	19.7x	23.2x
CFPS (QR/sh)	0.49	0.50	0.68	0.83
P/CFPS (x)	21.2x	15.6x	32.0x	19.2x
Adj. EBITDA (QR mn)	1,627.1	2,235.7	2,689.0	2,418.2
EV/EBITDA (x)	35.9x	26.1x	21.7x	24.1x

Source: Company data, Bloomberg, QNBFS Research

Key Data

-	
Current Market Price (QR)	15.99
Dividend Yield (%)	3.1%
Bloomberg Ticker	ERES QD
ISIN	QA000A0NE8B4
Sector	Real Estate
52wk High/52wk Low (QR)	20.24 / 14.63
30-d Average Volume ('000)	1,080.2
Mkt. Cap. (\$ mn/QR mn)	11,648 / 42,413
Shares Outstanding (mn)	2,652.5
FO Limit* (%)	49.0%
Current FO* (%)	4.0%
1-Year Total Return (%)	(14.3%)
Fiscal Year End	31-Dec
C	

Source: Bloomberg (as of May 1, 2017), * Foreign ownership (as of April 27, 2017) and includes GCC institutions

Mohamed Abo Daff

+974 4476 6589 mohd.abodaff@qnbfs.com.qa

Saugata Sarkar

+974 4476 6534 saugata.sarkar@qnbfs.com.qa

Model Summary

Company Name: Ticker: Recommendation:	Ezdan Hold ERES QD MARKET P		ĵ	Price: Mkt Cap: EV:	QR 15.99 QR 42,413 mn QR 58,346 mn	Target Price Dividend Yi Total Expec	ield:		QR 16.00 3.1% 0.1%
	2015	2016	2017e	2018e		2015	2016	2017e	2018e
Earnings (in QR mn except Per S	hare Items)				Valuation				
Revenue	2,169.0	2,909.6	3,439.3	3,231.4	Adj. EV/EBITDA	35.9x	26.1x	21.7x	24.1x
Gross Profit	1,872.6	2,539.0	3,022.5	2,744.6	Peer Average*	13.6x	18.2x	14.1x	11.2x
Adj. EBITDA	1,627.1	2,235.7	2,689.0	2,418.2	Adj. P/E	38.9x	23.6x	19.7x	23.2x
Adj. EBIT	1,617.8	2,220.0	2,671.2	2,394.4	Peer Average*	13.0x	12.3x	13.6x	12.1x
Reported Net Income	1,661.9	1,812.5	2,155.2	1,831.9	P/CFPS	21.2x	15.6x	32.0x	19.2x
Adj. Net Income	1,090.8	1,797.4	2,153.1	1,831.9	Peer Average*	12.1x	13.8x	12.4x	13.3x
Reported EPS - FD	0.63	0.68	0.81	0.69	P/Operating NAV				1.18x
Adj. EPS - FD	0.41	0.68	0.81	0.69	P/NAV				0.99x
Cash Flow (in QR mn except Per					Metrics				
Operating Cash Flow (ex. WC)	1,311.2	1,319.0	1,802.2	2,212.0	Leverage and Debt Servic				
Cash from Operations	2,001.4	2,726.1	1,325.1	2,203.7	Net Debt/adj. EBITDA	8.8x	6.9x	4.7x	5.0x
Cash from Investing	(1,977.0)	(2,282.5)	3,005.6	176.7	Debt/Capital	32%	32%	32%	29%
Total Capex	(1,603.6)	(2,034.0)	(673.8)	(29.5)	Debt/Equity	0.5x	0.5x	0.5x	0.4x
Simple FCF (CFO - Capex)	397.8	692.1	651.3	2,174.2	Interest Coverage	4.1x	3.6x	4.2x	4.3x
Cash from Financing DPS	495.9 0.40	(638.8) 0.50	(1,497.6) 0.50	(3,928.2) 0.50	Profitability				
DPS	0.40	0.50	0.50	0.50	Adj. ROA	2.4%	3.7%	4.3%	3.7%
CFPS (ex. WC)	0.49	0.50	0.68	0.83	Adj. ROE	3.6%	6.0%	4.3% 7.0%	5.8%
CFPS	0.45	1.03	0.50	0.83	Adj. ROC	3.7%	4.9%	6.0%	5.5%
	0.75	1.05	0.50	0.00 }	Auj. Roc	3.770	4.570	0.070	5.570
Balance Sheet (in QR mn except					Dividend Payouts				
Cash/Equiv.	620	426	3,259	1,712	Reported Net Income	80%	73%	62%	72%
PP&E	22	42	77	83	Adj. Net Income	122%	74%	62%	72%
Investment Properties	36,899	38,920	39,570	39,570	Operating Cash Flow (ex. V		101%	74%	60%
Total Assets	46,939	49,829	50,839	49,336	Cash from Operations	66%	49%	100%	60%
Current Debt	1,486	2,001	2,072	2,072	Growth				
Long-Term Debt	13,474	13,926	13,919	11,847	Revenue	15.9%	34.1%	18.2%	(6.0%)
Total Debt	14,960	15,927	15,991	13,919	Adj. EBITDA	23.4%	37.4%	20.3%	(10.1%)
Total Liabilities	16,558	19,255	19,120	17,079	Reported Net Income	27.1%	9.1%	18.9%	(15.0%)
Owners' Equity	29,977	30,142	31,210	31,541	Adj. Net Income	(16.6%)	64.8%	19.8%	(14.9%)
Minority Interest	404	432	510	717	Operating Cash Flow (ex. V	VC) 21.3%	0.6%	36.6%	22.7%
Quarterly Estimates	1Q2017e	2Q2017e	3Q2017e	4Q2017e					
Revenue	1,234.1	688.3	735.1	781.8	Adj. EPS - FD		Report	ed EPS - FD	
Gross Profit	1,137.2	588.9	628.5	667.9	Adj. Net Incom	A	-	ed Net Inco	me
Adj. EBITDA	1,056.9	517.3	572.2	542.6	,		itepoit		
Adj. EBIT	1,054.2	512.5	567.2	537.3	0.9			ſ	140%
Reported Net Income	943.8	367.7	481.3	360.3	0.8			_	120%
Cash from Operations	(103.2)	500.9	478.5	448.8	0.7				1000/
Cash/Equiv.	3,228.8	3,906.2	476.5 3,451.9	440.0 3,259.5	0.6			-	100%
Total Debt	5,228.8 15,671.1	3,906.2 16,991.5	5,451.9 16,491.2	5,259.5 15,990.9	4.0.5			-	ayout (%)
	10,071.1	10,331.3	10,431.2	10,000.0	YS 0.4				110% the
Reported EPS - FD	0.36	0.14	0.18	0.14	4 0.3			-	Pay 0,00
Adj. EPS - FD	0.36	0.14	0.18	0.14	010			-	40%
CFPS (ex. WC)	0.16	0.14	0.10	0.14	0.2 -				20%
* Bloomberg consensus estimates; cal					0.1 -				
Diooniderg consensus estimates, car									00/
NA: Not Applicable			-		2015	2016 2017e		18e	0%

Source: Bloomberg, QNBFS Research

Detailed Model Summary

Income Statement Unit 2014 2014 2015 2016 2017 2018 COGS QR mn 1.379 1.187 2.189 2.430 5.439 5.231 COGS QR mn (184) (237) (246) 6.373 6.738 8.73% 7.23% 7.25%								
COGS Gross Profit Gross Margin % QR mn % (194) (227) (236) (371) (417) (447) Gross Margin % QR mn % 1.195 1.1574 1.1574 1.1573 2.1535 3.022 2.746 Gross Margin % QR mn (181) (255) (246) (303) (334) (325) Adj. EBITDA QR mn (181) (255) (246) (303) (334) (325) Adj. EBITDA QR mn 1.014 1.318 1.627 2.236 2.691 2.434 Adj. EBIT QR mn 1.006 1.509 1.618 2.220 2.671 2.394 Adj. EBIT QR mn - - - 2.65 2.65 1.195 1.618 2.201 1.611 1.539 1.633 0.533 653 1.653 Hatrest Expense QR mn 7.29% 7.0.0% 7.4.5% 7.6.5% 7.6.7% 7.75 1.633 1.633 1.633 1.633 1.633 1.633 1.6	Income Statement	Unit OR mm	2013	2014	2015	2016	2017	2018
Gross Profit Grass Margin % QR mn % 1.195 1.174 1.475 2.535 3.022 2.745 Grass Margin % % 86.7% 86.1% 86.3% 87.3% 37.3% 73.3% <		•	•	•			-	
Gross Margin % % 86.7% 94.1% 86.3% 87.3% 87.3% 87.3% 84.9% G&A OR mm (181) (225) (246) (303) (334) (326) Adj. EBITDA OR mm 1.014 1.318 1.627 2.236 2.649 (333) Adj. EBITDA OR mm 1.014 1.318 1.627 2.236 2.649 (333) (324) Adj. EBIT OR mm 1.006 1.509 1.618 (220) 2.671 2.394 Adj. EBIT OR mm 1.006 1.509 1.618 7.6.7% 7.7.7% 7.4.1% Interest Expense OR mm (212) (325) (599) (623) (611) (530) Earnings Before Taxes OR mm 7.93 984 1.219 1.597 2.660 1.664 Adj. Profit Margin % % 7.59% 62.9% 5.0.3% 61.8% 62.6% 5.6.7% WA Basic Shares Outstanding mn 2.652.5 <				. ,	. ,		. ,	. ,
GA OR OR <thor< th=""> OR OR OR<!--</td--><td></td><td>•</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>•</td></thor<>		•	-	-	-	-	-	•
Total Operating Expenses OR mn (181) (225) (224) (303) (324) (224) Adj. EBITDA Adj. EBITDA Adj. EBITDA Adj. EBIT Margin % OR mn (18) (14) 1.14 1.14 1.14 1.14 1.147 2.236 2.488 74.9% Adj. EBIT Margin % % (15) (15) (16) (18) (24) Adj. EBIT Margin % % 72.9% 70.0% 76.3% 77.7% 74.1% Interest Income QR mn (212) (325) (399) (623) (611) (309) K1 Interest Expense QR mn 1.067 1.308 1.019 1.197 2.163 1.632 Adj. Net Income QR mn 793 984 1.219 1.597 2.662.5 2.652.5	Gross Margin %	%	80.7%	84.1%	80.3%	87.3%	87.9%	84.9%
Total Operating Expenses Adj. EBITDA Adj. EBIT Adj. Net Income Adj.	G&A	OR mn	(181)	(255)	(246)	(303)	(334)	(326)
Adj. EBITDA QR mn 1.014 1.518 1.627 2.236 2.2689 2.418 Adj. EBITDA Margin % % 73.0% 75.0% 75.0% 76.8	Total Operating Expenses	•						
Âdj. EBITDA Margin % % 73.5% 70.3% 75.0% 76.8% 78.2% 74.8% D&A Adj. EBIT Adj. EBIT Adj. EBIT Margin % QR mn QR mn Adj. EBIT Margin % (B) (9) (16) (18) (24) Adj. EBIT Margin % % 72.9% 70.0% 7.6.3% 77.7% 7.258 Adj. EBIT Margin % % 72.9% 70.0% 7.6.3% 77.7% 7.1 2.584 Adj. EBIT Margin % % 7.2.9% 70.0% 7.6.3% 77.7% 7.1 2.584 Adj. Net Income Adj. Net Income Adj. Porfit Margin % QR mn 783 984 1.219 1.597 2.060 1.864 Adj. Porfit Margin % % 7.5.9% 69.9% 50.3% 61.8% 62.6% 56.7% WA Po Shares Outstading mn 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 2.652.5 <t< td=""><td></td><td>· -</td><td></td><td></td><td></td><td></td><td></td><td></td></t<>		· -						
Adj. EBIT Adj. EBIT Margin % QR mn % 1.006 1.309 1.618 2.220 2.671 2.2394 Adj. EBIT Margin % % 72.9% 70.5% 76.5% 76.5% 76.3% 76.3% 76.3% 76.3% 76.3% 76.3% 77.7% 77.7% 77.1%	•	•		-		-	-	
Adj. EBIT Margin % % 72.9% 74.0% 74.6% 76.3% 77.7% 74.1% Interest Lapense QR mn - - - - 26 25 Interest Lapense QR mn (212) (325) (399) (623) (611) (530) Earnings Before Taxes QR mn 1.047 1.308 1.091 1.597 2.153 1.832 Adj. Perfit.Margin % % 75.9% 69.9% 50.3% 61.8% 62.6% 55.7% WA FD Shares Outstanding mn 2.652.5 <td>D&A</td> <td>QR mn</td> <td>(8)</td> <td>(9)</td> <td>(9)</td> <td>(16)</td> <td>(18)</td> <td>(24)</td>	D&A	QR mn	(8)	(9)	(9)	(16)	(18)	(24)
Adj. EBIT Margin % % 72.9% 74.0% 74.6% 76.3% 77.7% 74.1% Interest Lapense QR mn - - - - 26 25 Interest Lapense QR mn (212) (325) (399) (623) (611) (530) Earnings Before Taxes QR mn 1.047 1.308 1.091 1.597 2.153 1.832 Adj. Perfit.Margin % % 75.9% 69.9% 50.3% 61.8% 62.6% 55.7% WA FD Shares Outstanding mn 2.652.5 <td>Adj. EBIT</td> <td></td> <td>1,006</td> <td>1,309</td> <td>1,618</td> <td>2,220</td> <td>2,671</td> <td>2,394</td>	Adj. EBIT		1,006	1,309	1,618	2,220	2,671	2,394
Interest Expense ÖR mn (212) (323) (633) (658) Net Interest Expense OR mn (212) (325) (399) (623) (611) (530) Adj. Profit Margin % OR mn % 793 984 1,219 1,997 2,153 1,864 Adj. Profit Margin % % 75,9% 69,9% 50,3% 61,8% 62,6% 56,7% WA Basic Shares Outstanding mn 2,652,5 2	-	%	72.9%	70.0%	74.6%	76.3%	77.7%	74.1%
Interest Expense ÖR mn (212) (323) (633) (658) Net Interest Expense OR mn (212) (325) (399) (623) (611) (530) Adj. Profit Margin % OR mn % 793 984 1,219 1,997 2,153 1,864 Adj. Profit Margin % % 75,9% 69,9% 50,3% 61,8% 62,6% 56,7% WA Basic Shares Outstanding mn 2,652,5 2	Interest Income	OR mn	_	_	_	_	26	26
Net Interest Expense QR mn (212) (329) (632) (611) (530) Earnings Before Taxes QR mn 1,047 1,209 1,097 2,060 1,081 Adj. Net Income QR mn 1,047 1,500 1,091 1,797 2,153 1,832 Adj. Perfit Margin % % 75.9% 69.9% 50.3% 61.8% 62.6% 56.7% WA Busic Shares Outstanding mn 2,652.5			(212)	(725)		(623)		
Earnings Before Taxes Adj. Net Income QR mn 793 984 1,219 1,537 2,060 1,647 Adj. Net Income QR mn 1,047 1,308 1,091 1,797 2,153 1,632 Adj. Profit Margin % % 75.9% 69.9% 50.3% 61.8% 62.6% 56.7% WA Basic Shares Outstading mn 2,652.5 2	-	•						
Adj. Profit Margin % QR mn 1,047 1,308 1,091 1,797 2,153 1,632 Adj. Profit Margin % % 75.9% 69.9% 50.3% 61.8% 62.6% 56.7% WA Basic Shares Outstading mn 2,652.5 2,652.		· -	. ,	. ,				
Adj. Profit Margin % % 75.9% 62.9% 50.3% 61.8% 62.6% 56.7% WA Basic Shares Outstading MA ED Shares Outstading DE OP Shares Outstading mn mn 2,652.5 1,712 13 13 1,717 14 2016 2017 2018 30.777 <t< td=""><td></td><td>•</td><td></td><td></td><td></td><td></td><td></td><td>•</td></t<>		•						•
WA Basic Shares Outstading MA PD Shares Outstading FD EoP Shares Outstading mn mn 2,652.5		•			-		-	
WA FD Shares Outstanding mn 2,652.5 <td>Auj. Frojit Murgin 70</td> <td>70</td> <td>75.570</td> <td>03.370</td> <td>50.570</td> <td>01.070</td> <td>02.070</td> <td>50.770</td>	Auj. Frojit Murgin 70	70	75.570	03.370	50.570	01.070	02.070	50.770
FD EoP Shares Outstanding mn 2,652.5 <td>WA Basic Shares Outstading</td> <td>mn</td> <td>2,652.5</td> <td>2,652.5</td> <td>2,652.5</td> <td>2,652.5</td> <td>2,652.5</td> <td>2,652.5</td>	WA Basic Shares Outstading	mn	2,652.5	2,652.5	2,652.5	2,652.5	2,652.5	2,652.5
Adj. EPS - FD CPFS (ex. WC) QR/sh 0.39 0.41 0.68 0.81 0.69 CFPS QR/sh 0.29 0.41 0.49 0.50 0.68 0.83 Balance Sheet 2013 2014 2015 2016 2017 2018 Cash/Equiv QR mn 450 298 620 426 3.259 1,712 A/R QR mn 144 82 127 236 444 502 Inventories QR mn 13 22 20 19 15 16 Total Current Assets QR mn 28 22 42 77 83 Total Long-Term Assets QR mn 40,527 42,503 45,670 49,048 46,975 46,980 Total Long-Term Assets QR mn 262 324 916 664 377 408 Total Current Liabilities QR mn 1,265 13,516 16,558 19,225 19,120 17,079 Non-Controlling Interest <td></td> <td>mn</td> <td>2,652.5</td> <td>2,652.5</td> <td>2,652.5</td> <td>2,652.5</td> <td>2,652.5</td> <td>2,652.5</td>		mn	2,652.5	2,652.5	2,652.5	2,652.5	2,652.5	2,652.5
CFPS (ex. WC) CFPS QR/sh QR/sh 0.29 0.09 0.41 0.37 0.49 0.37 0.50 0.68 0.83 0.83 0.83 Balance Sheet 2013 2014 2015 2016 2017 2018 Cash/Equiv QR mn 450 298 620 426 3,259 1,712 A/R QR mn 144 82 127 226 464 502 Inventories QR mn 13 22 20 19 15 16 Total Current Assets QR mn 676 890 1,268 780 3,865 2,356 Total Long-Term Assets QR mn 40,527 42,503 45,670 49,048 46,975 46,980 Total Current Liabilities QR mn 262 324 916 664 377 408 Total Current Liabilities QR mn 1,867 1,558 2,402 4,16 2,505 2,505 2,505 2,505 2,505 2,505 2,505 2,505 2,505 2,505 <td>FD EoP Shares Outstanding</td> <td>mn</td> <td>2,652.5</td> <td>2,652.5</td> <td>2,652.5</td> <td>2,652.5</td> <td>2,652.5</td> <td>2,652.5</td>	FD EoP Shares Outstanding	mn	2,652.5	2,652.5	2,652.5	2,652.5	2,652.5	2,652.5
CFPS (ex. WC) CFPS QR/sh QR/sh 0.29 0.09 0.41 0.37 0.49 0.37 0.50 0.68 0.83 0.83 0.83 Balance Sheet 2013 2014 2015 2016 2017 2018 Cash/Equiv QR mn 450 298 620 426 3,259 1,712 A/R QR mn 144 82 127 226 464 502 Inventories QR mn 13 22 20 19 15 16 Total Current Assets QR mn 676 890 1,268 780 3,865 2,356 Total Long-Term Assets QR mn 40,527 42,503 45,670 49,048 46,975 46,980 Total Current Liabilities QR mn 262 324 916 664 377 408 Total Current Liabilities QR mn 1,867 1,558 2,402 4,16 2,505 2,505 2,505 2,505 2,505 2,505 2,505 2,505 2,505 2,505 <td>Adi. EPS - FD</td> <td>OR/sh</td> <td>0.39</td> <td>0.49</td> <td>0.41</td> <td>0.68</td> <td>0.81</td> <td>0.69</td>	Adi. EPS - FD	OR/sh	0.39	0.49	0.41	0.68	0.81	0.69
CFFS QR/sh 0.09 0.37 0.75 1.03 0.50 0.83 Balance Sheet 2013 2014 2015 2016 2017 2018 Cash/Equiv QR mn 450 298 620 426 5,259 1,712 A/R QR mn 144 82 127 236 464 502 Inventories QR mn 13 22 20 19 15 16 Total Current Assets QR mn 676 890 1,268 780 3,865 2,356 Total Long-Term Assets QR mn 40,527 42,503 45,670 49,048 46,975 46,980 Total Current Liabilities QR mn 1,867 1,558 2,402 4,176 2,505 2,535 Total LT Liabilities QR mn 1,2652 15,525 19,120 17,079 Non-Controlling Interest QR mn - - 404 432 510 717 Issued Capital		•	0.29	0.41	0.49	0.50	0.68	0.83
Cash/Equiv QR mn 450 298 620 426 3,259 1,712 A/R QR mn 144 82 127 236 464 502 Inventories QR mn 13 22 20 19 15 16 Total Current Assets QR mn 28 22 20 19 15 66 Total Long-Term Assets QR mn 28 22 42 77 85 Total Long-Term Assets QR mn 40,527 42,503 45,670 49,048 46,975 46,989 49,329 50,839 49,326 A/P QR mn 262 324 916 664 377 408 Total Current Liabilities QR mn 1,867 1,558 2,402 4,176 2,505 2,536 Total LI LiAbilities QR mn 12,559 13,316 16,558 19,255 19,120 17,079 Non-Controlling Interest QR mn 26,525 26,525 26,525		•	0.09	0.37	0.75	1.03	0.50	0.83
Cash/Equiv QR mn 450 298 620 426 3,259 1,712 A/R QR mn 144 82 127 236 464 502 Inventories QR mn 13 22 20 19 15 16 Total Current Assets QR mn 28 22 20 19 15 66 Total Long-Term Assets QR mn 28 22 42 77 85 Total Long-Term Assets QR mn 40,527 42,503 45,670 49,048 46,975 46,989 49,329 50,839 49,326 A/P QR mn 262 324 916 664 377 408 Total Current Liabilities QR mn 1,867 1,558 2,402 4,176 2,505 2,536 Total LI LiAbilities QR mn 12,559 13,316 16,558 19,255 19,120 17,079 Non-Controlling Interest QR mn 26,525 26,525 26,525	Palance Shoet		2017	2014	2015	2016	2017	2019
A/R QR mn 144 82 127 236 464 502 Inventories QR mn 13 22 20 19 15 16 Total Current Assets QR mn 676 890 1,268 780 3,865 2,356 Total Long-Term Assets QR mn 40,527 42,503 45,670 49,048 46,975 46,980 TOTAL ASSETS QR mn 40,527 42,503 45,670 49,048 46,975 46,980 Total Current Liabilities QR mn 1,867 1,588 2,402 4,176 2,505 2,536 Total Liabilities QR mn 1,867 1,588 19,255 19,120 17,079 Non-Controlling Interest QR mn 12,559 13,316 16,558 19,255 19,120 17,079 Non-Controlling Interest QR mn 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 2,843 2,970		OR mn						
Inventories QR mn 13 22 20 19 15 16 Total Current Assets QR mn 676 890 1,268 780 3,865 2,356 PP&E QR mn 28 28 22 42 77 83 Total Long-Term Assets QR mn 40,527 42,503 45,670 49,048 40,5975 46,980 TOTAL ASSETS QR mn 262 324 916 664 377 408 Total Current Liabilities QR mn 1,867 1,558 2,402 4,176 2,505 2,536 Total LT Liabilities QR mn 12,559 13,316 16,558 19,225 19,120 17,079 Non-Controlling Interest QR mn 26,525	-	•					-	,
Total Current Assets PP&E QR mn 676 890 1,268 780 3,865 2,356 Total Long-Term Assets TOTAL ASSETS QR mn 28 28 22 42 77 83 A/P QR mn 40,527 42,503 45,670 49,048 46,975 46,980 A/P QR mn 0,527 42,503 45,670 49,048 46,975 46,980 A/P QR mn 1,357 42,503 45,670 49,048 46,975 46,980 Total Current Liabilities QR mn 1,867 1,558 2,402 4,176 2,505 2,536 Total Current Liabilities QR mn 12,659 13,316 16,558 19,255 19,120 17,079 Non-Controlling Interest QR mn 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 26,525 <td< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></td<>								
PP&E QR mn 28 28 22 42 77 83 Total Long-Term Assets QR mn 40,527 42,503 45,670 49,048 46,975 46,980 TOTAL ASSETS QR mn QR mn 41,203 43,393 46,939 49,829 50,839 49,336 A/P QR mn 262 324 916 664 377 408 Total Current Liabilities QR mn 1,867 1,558 2,402 4,176 2,505 2,535 TOTAL LIABILITIES QR mn 12,559 13,316 16,558 19,255 19,120 17,079 Non-Controlling Interest QR mn 26,525 26,5								
Total Long-Term Assets TOTAL ASSETS QR mn QR mn 40,527 42,503 45,670 49,048 46,975 46,980 A/P Total Current Liabilities QR mn 262 324 916 664 377 408 Total Current Liabilities QR mn 1,867 1,558 2,402 4,176 2,505 2,536 Total LI Liabilities QR mn 10,692 11,757 14,156 15,079 16,615 14,543 TOTAL LIABILITIES QR mn 12,559 13,316 16,558 19,255 19,120 17,079 Non-Controlling Interest QR mn 26,525		•						
TOTAL ASSETS QR mn 41,203 43,393 46,939 49,829 50,839 49,336 A/P QR mn 262 324 916 664 377 408 Total Current Liabilities QR mn 1,867 1,558 2,402 4,176 2,505 2,536 Total LT Liabilities QR mn 10,692 11,757 14,156 15,079 16,615 14,543 TOTAL LIABILITIES QR mn 12,559 13,316 16,558 19,255 19,120 17,079 Non-Controlling Interest QR mn 26,525 <		•						
Total Current Liabilities QR mn 1,867 1,558 2,402 4,176 2,505 2,536 Total LT Liabilities QR mn 10,692 11,757 14,156 15,079 16,615 14,543 TOTAL LIABILITIES QR mn 12,559 13,316 16,558 19,255 19,120 17,079 Non-Controlling Interest QR mn - - 404 432 510 717 Issued Capital QR mn 26,525 2016	-			•			-	
Total Current Liabilities QR mn 1,867 1,558 2,402 4,176 2,505 2,536 Total LT Liabilities QR mn 10,692 11,757 14,156 15,079 16,615 14,543 TOTAL LIABILITIES QR mn 12,559 13,316 16,558 19,255 19,120 17,079 Non-Controlling Interest QR mn - - 404 432 510 717 Issued Capital QR mn 26,525 2016	A /D	OD mm	202	704	010	664	777	400
Total LT Liabilities QR mn 10,692 11,757 14,156 15,079 16,615 14,543 TOTAL LIABILITIES QR mn 12,559 13,316 16,558 19,255 19,120 17,079 Non-Controlling Interest QR mn - - 404 432 510 717 Issued Capital Retained Earnings QR mn 26,525 20,12 2018 2017 </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>								
TOTAL LIABILITIES QR mn 12,559 13,316 16,558 19,255 19,120 17,079 Non-Controlling Interest QR mn - - 404 432 510 717 Issued Capital Retained Earnings QR mn 26,525 2016 2017			-	-	-	-	-	
Non-Controlling Interest QR mn - - 404 432 510 717 Issued Capital Retained Earnings TOTAL OWNERS EQUITY QR mn QR mn 26,525								-
Issued Capital Retained Earnings QR mn QR mn 26,525 <th2< td=""><td>IUIAL LIABILITIES</td><td>QK mn</td><td>12,009</td><td>13,310</td><td>10,008</td><td>19,200</td><td>19,120</td><td>17,079</td></th2<>	IUIAL LIABILITIES	QK mn	12,009	13,310	10,008	19,200	19,120	17,079
Retained Earnings QR mn 861 1,230 1,623 1,882 2,843 2,970 TOTAL OWNERS EQUITY QR mn 28,644 30,077 29,977 30,142 31,210 31,541 Cash Flow Statement 2013 2014 2015 2016 2017 2018 Operating Cash Flow QR mn 769 1,081 1,311 1,319 1,802 2,212 Non-Cash Change in WC QR mn (521) (111) 690 1,407 (477) (8) CFO QR mn 248 970 2,001 2,726 1,325 2,204 Capex QR mn (756) (400) (1,604) (2,034) (674) (30) CFI QR mn (1,305 131 1,557 300 (103) (2,072) Net Change in Debt QR mn (345) (822) (1,061) (937) (937) (1,326) CFF QR mn 1,305 131 1,557 300 (103)	Non-Controlling Interest	QR mn	-	-	404	432	510	717
Retained Earnings QR mn 861 1,230 1,623 1,882 2,843 2,970 TOTAL OWNERS EQUITY QR mn 28,644 30,077 29,977 30,142 31,210 31,541 Cash Flow Statement 2013 2014 2015 2016 2017 2018 Operating Cash Flow QR mn 769 1,081 1,311 1,319 1,802 2,212 Non-Cash Change in WC QR mn (521) (111) 690 1,407 (477) (8) CFO QR mn 248 970 2,001 2,726 1,325 2,204 Capex QR mn (756) (400) (1,604) (2,034) (674) (30) CFI QR mn (1,305 131 1,557 300 (103) (2,072) Net Change in Debt QR mn (345) (822) (1,061) (937) (937) (1,326) CFF QR mn 1,305 131 1,557 300 (103)	Issued Capital	QR mn	26,525	26,525	26,525	26,525	26,525	26,525
TOTAL OWNERS EQUITY QR mn 28,644 30,077 29,977 30,142 31,210 31,541 Cash Flow Statement 2013 2014 2015 2016 2017 2018 Operating Cash Flow Non-Cash Change in WC QR mn 769 1,081 1,311 1,319 1,802 2,212 CFO QR mn (521) (111) 690 1,407 (477) (8) CFO QR mn 248 970 2,001 2,726 1,325 2,204 Capex QR mn (756) (400) (1,604) (2,034) (674) (30) CFI QR mn (756) (400) (1,604) (2,034) (674) (30) Net Change in Debt QR mn (345) (822) (1,061) (937) (937) (1,326) Dividends QR mn (345) (822) (1,061) (937) (1,326) FX Translation QR mn - - - - - - </td <td>-</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	-							
Operating Cash Flow Non-Cash Change in WC QR mn QR mn 769 (521) 1,081 (111) 1,311 690 1,311 (407) 1,802 (477) 2,212 (8) CFO QR mn 248 970 2,001 2,726 1,325 2,204 Capex CFI QR mn (756) (400) (1,604) (2,034) (674) (30) CFI QR mn (1,446) (266) (1,977) (2,283) 3,006 177 Net Change in Debt Dividends QR mn 1,305 131 1,557 300 (103) (2,072) CFF QR mn (345) (822) (1,061) (937) (937) (1,326) FX Translation QR mn - - - - - -			28,644					
Operating Cash Flow Non-Cash Change in WC QR mn QR mn 769 (521) 1,081 (111) 1,311 690 1,311 (407) 1,802 (477) 2,212 (8) CFO QR mn 248 970 2,001 2,726 1,325 2,204 Capex CFI QR mn (756) (400) (1,604) (2,034) (674) (30) CFI QR mn (1,446) (266) (1,977) (2,283) 3,006 177 Net Change in Debt Dividends QR mn 1,305 131 1,557 300 (103) (2,072) CFF QR mn (345) (822) (1,061) (937) (937) (1,326) FX Translation QR mn - - - - - -	Cash Flow Statement		2013	2014	2015	2016	2017	2018
Non-Cash Change in WC QR mn (521) (111) 690 1,407 (477) (8) CFO QR mn 248 970 2,001 2,726 1,325 2,204 Capex QR mn (756) (400) (1,604) (2,034) (674) (30) CFI QR mn (1,446) (266) (1,977) (2,283) 3,006 177 Net Change in Debt QR mn 1,305 131 1,557 300 (103) (2,072) Dividends QR mn (345) (822) (1,061) (937) (937) (1,326) FX Translation QR mn - - - - - -		OR mn						
CFO QR mn 248 970 2,001 2,726 1,325 2,204 Capex QR mn (756) (400) (1,604) (2,034) (674) (30) CFI QR mn (1,446) (266) (1,977) (2,283) 3,006 177 Net Change in Debt QR mn 1,305 131 1,557 300 (103) (2,072) Dividends QR mn (345) (822) (1,061) (937) (937) (1,326) CFF QR mn 960 (691) 496 (639) (1,498) (3,928) FX Translation QR mn - - - - - -								
CFI QR mn (1,446) (266) (1,977) (2,283) 3,006 177 Net Change in Debt Dividends QR mn 1,305 131 1,557 300 (103) (2,072) QR mn (345) (822) (1,061) (937) (937) (1,326) CFF QR mn 960 (691) 496 (639) (1,498) (3,928) FX Translation QR mn - - - - - -	5	• -						
CFI QR mn (1,446) (266) (1,977) (2,283) 3,006 177 Net Change in Debt Dividends QR mn 1,305 131 1,557 300 (103) (2,072) QR mn (345) (822) (1,061) (937) (937) (1,326) CFF QR mn 960 (691) 496 (639) (1,498) (3,928) FX Translation QR mn - - - - - -	Capay	0P	(766)	(400)	(1 604)	(2 07 1)	(674)	(70)
Net Change in Debt QR mn 1,305 131 1,557 300 (103) (2,072) Dividends QR mn (345) (822) (1,061) (937) (937) (1,326) CFF QR mn 960 (691) 496 (639) (1,498) (3,928) FX Translation QR mn - - - - - -								
Dividends QR mn (345) (822) (1,061) (937) (937) (1,326) CFF QR mn 960 (691) 496 (639) (1,498) (3,928) FX Translation QR mn - <t< td=""><td></td><td>-</td><td></td><td></td><td></td><td></td><td></td><td></td></t<>		-						
CFF QR mn 960 (691) 496 (639) (1,498) (3,928) FX Translation QR mn -	-	•						
FX Translation QR mn		-						
	ULL	QK MN	900	(091)	490	(023)	(1,498)	(3,928)
Net Change in Cash QR mn (238) 12 520 (195) 2,833 (1,548)		-	-	-	-	-	-	-
	Net Change in Cash	QR mn	(238)	12	520	(195)	2,833	(1,548)

Source: Company reports, QNBFS 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				
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

Contacts

Saugata Sarkar Head of Research Tel: (+974) 4476 6534 saugata.sarkar@qnbfs.com.qa

Zaid Al Nafoosi, CMT, CFTe

Senior Research Analyst Tel: (+974) 4476 6535 zaid.alnafoosi@qnbfs.com.qa

Mohamed Abo Daff

Senior Research Analyst Tel: (+974) 4476 6589 mohd.abodaff@qnbfs.com.qa

QNB Financial Services Co. WLL

Contact Center: (+974) 4476 6666 PO Box 24025 Doha, Qatar

Shahan Keushgerian

Senior Research Analyst Tel: (+974) 4476 6509 shahan.keushgerian@qnbfs.com.qa

Disclaimer and Copyright Notice: This publication has been prepared by QNB Financial Services Co. WLL ("QNBFS") a wholly-owned subsidiary of QNB SAQ ("QNB"). QNBFS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange QNB SAQ is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNBFS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. QNBFS accepts no liability whatsoever for any direct or indirect losses arising from use of this report. Any investment decision should depend on the individual circumstances of the investor and be based on specifically engaged investment advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNBFS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. QNBFS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. For reports dealing with Technical Analysis, expressed opinions and/or recommendations may be different or contrary to the opinions/recommendations of QNBFS Fundamental Research as a result of depending solely on the historical technical data (price and volume). QNBFS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report. This report may not be reproduced in whole or in part without permission from QNBFS

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNBFS.