

INVESTMENT HOLDING GROUP (IGRD)

Recommendation	OUTPERFORM	Risk Rating	R-4
Share Price	QR5.33	Target Price	QR7.50
Implied Upside	40.8%		

Turnaround Story with Attractive Valuation; Outperform

We initiate coverage of Investment Holding Group (IGRD) with an **OUTPERFORM** rating. We think the new management's hands-on approach is expected to bear fruit in 2019 in terms of lower costs and higher revenue. We also see IGRD's latest buyout of CESCO's minority stake as a noteworthy positive step which is likely to add value to IGRD. With QR50mn of net profit as of 2018, CESCO originates the bulk of IGRD's combined net profit. In 2019, we expect IGRD's revenue to grow by 86% YoY along with a 73% growth in EBITDA and a 32% growth in normalized earnings. We believe these growth metrics should signal investors that IGRD is on the right track. Since its IPO in Aug'17, IGRD shares have fallen by 46.7%, underperforming the QE All Share Index by 55.2%. We think new management and evidence of ongoing restructuring could act as catalysts for an improvement in share price.

Highlights

- **Established in 2008, IGRD is mainly engaged in contracting and serves the Qatari market.** IGRD operates in various segments of the construction industry such as general contracting and specialized contracting (Mechanical, Electrical and Plumbing-MEP and Engineering Constructions and Projects-ECP). The company also supplies building materials, safety equipment, security and fire-fighting systems, tools, timber, chemicals, pesticides and food; further, it provides technical services and generates rental income through its properties.
- **We expect IGRD to record revenue/EBITDA/EPS (normalized) growth rates of 86%/73%/32% in 2019, respectively.** Please note that our 2020 forecasts are conservative and subject to revision depending on the company's order book development.
- **A growing economy and 2022 World Cup preparations create a healthy backdrop for Qatari contractors.** Our Economics & Strategy Team forecasts GDP growth to accelerate from 1.6% in 2017 to 2.6% as of 2018 and further to 3.2% in 2019. 4Q2018 data shows that the construction sector is a major driver of this GDP expansion, growing 7.2% YoY and 1.3% QoQ.
- **We think acquisition of the minority stake at CESCO should add value to IGRD.** In 4Q2018, IGRD purchased the remaining 39.6% minority stake in CESCO at QR193.5mn, increasing its stake to 100%. CESCO's 2018 net profits of QR50mn values the transaction at a 9.8x P/E ratio, which is below the QE Index's 14.3x for 2018. Average annual return on investment is implied at 10.2% for the buyout, which is also above its cost of funding (6%).
- **Ongoing restructuring may increase efficiency and lower costs.** Since its IPO, IGRD has been going through a comprehensive restructuring process. The goal of this restructuring is to shift from an investment company to a private equity structure with full management focus on IGRD's subsidiaries. In order to achieve that, IGRD has had notable shifts in its BoD and top management ranks. The new management & the BoD are highly involved in its subsidiaries, especially in terms of business generation and cost management. On one hand, the new management is engaged in expanding the product range of the supplies & trading segment with high margin products. On the other, it is also continuously evaluating cost cutting opportunities, especially in terms of labor force rationalization and rental cost reduction. As a result, we expect adjusted G&A to decline to QR60.2mn in 2019 from QR75.7mn in 2018.
- **A decent dividend yield.** IGRD has paid QR0.25/share of dividends for 2018 and is expected to pay the same amount in 2019-20, which should correspond to a dividend yield of 4.7%.

Catalysts

- 1) Further expansion in the order book. 2) New products 3) Potential buyouts for the minority stakes at other subsidiaries.

Recommendation, Valuation and Risks

- **We rate IGRD as OUTPERFORM. Our 12 month target price of QR7.5 implies a 40.8% upside potential, based on a weighted average combination of DCF, international peer comparison and local market P/E.** IGRD trades at 2019e and 2020e P/E multiples of 7.5x and 9.3x, respectively, implying 35% and 7% discounts to the international contractors peer group. IGRD's 2019-2020e dividend yields are 4.7% each, notably above the international peer group averages of 3.3% and 3.7%, respectively.
- **Risks:** 1) Geopolitical risks 2) Collection risks 3) High weight of goodwill in total assets.

Key Financial Data and Estimates

	2017	2018	2019e	2020e
EPS (QR)	0.49	0.70	0.71	0.57
P/E (x)	10.9	7.6	7.5	9.3
EV/EBITDA (x)	8.9	13.5	8.6	10.3
DPS (QR)	0.25	0.25	0.25	0.25

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

Key Data

Bloomberg Ticker	IGRD QD
ADR/GDR Ticker	N/A
Reuters Ticker	IGRD.QA
ISIN	QA0006UVF886
Sector	Construction
52wk High/52wk Low (QR)	5.99 / 4.73
3-m Avg. Volume (000)	244.0
Mkt. Cap. (QR mn/\$ mn)	442/121
EV (QR mn/\$ mn)	656/180
Current FO* (%)/ Limit	25.4%/49%
Shares Outstanding (mn)	83
1-Year Total Return (%)	-5.0%
Fiscal Year End	December 31

Source: Bloomberg (as of April 11, 2019), *Qatar Exchange (as of as of April 10, 2019); Note: FO is foreign ownership

Mehmet Aksoy, PhD

+974 4476 6589

mehmet.aksoy@qnbfs.com.qa

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

Valuation

We value IGRD shares at QR7.5 with a 40.8% upside potential using a combination of DCF, international and domestic multiples. We have given the highest weight to DCF (cash flows to firm) methodology, as we think it captures the long-term potential of companies better than the market multiples.

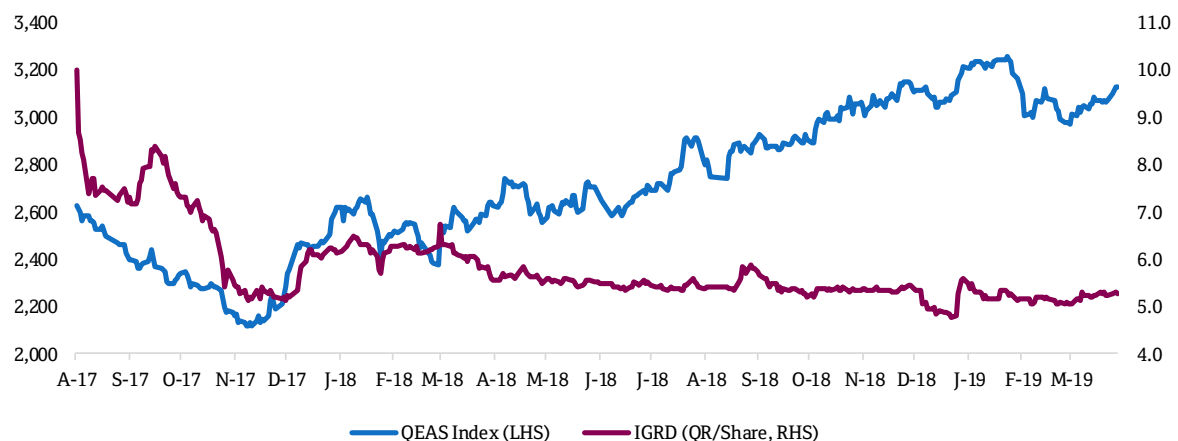
Valuation Summary

Method	Weight in Overall Valuation	IGRD's Upside/Downside Potential
DCF	60%	58.1%
International Comparison	30%	
P/E, 2019e	5%	53.0%
EV/EBITDA, 2019e	5%	-5.3%
Dividend Yield, 2019e	5%	42.7%
P/E, 2020e	5%	7.5%
EV/EBITDA, 2020e	5%	-30.1%
Dividend Yield, 2020e	5%	25.8%
Local Comparison	10%	
DSM All Share Index Dividend Yield 2019E @ 4.5%	5%	5.4%
DSM All Share Index P/E, 2019E @ 13.1x	5%	41.2%
Weighted Average Upside Potential for IGRD Shares		40.8%

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

Since its IPO, IGRD shares have declined by 46.7%, underperforming the QE Index by 55.2%. Since mid-2018, the company has been under extensive restructuring which includes BoD and top executive level shifts, coupled with cost cutting and revenue enhancing measures. The new management aims to convert the company from an investment company to a private equity company structure by being actively engaged in the management of subsidiaries.

IGRD Share Price Graph



Source: Bloomberg, QNB FS Research

IGRD's 2019e & 2020e P/Es are lower than its international contractors peer group. IGRD trades at 2019e and 2020e P/E multiples of 7.5x and 9.3x, implying 35% and 7% discounts to its international peers, respectively.

Valuation Multiples: International Peers vs. IGRD

Company	Country	Mcap USDm	P/E		EV/EBITDA		EBITDA Margin		Dividend Yield		ROE%	
			2019e	2020e	2019e	2020e	2019e	2020e	2019e	2020e	2019e	2020e
ARABTEC HOLDING CO PJSC	UAE	866	11.9	9.1	6.7	5.5	6.0%	7.3%	2.4%	3.2%	15.2%	18.2%
ORASCOM CONSTRUCTION PLC	UAE	701	4.3	4.3	2.9	3.1	8.4%	8.3%	6.9%	8.2%	28.4%	23.6%
DEPA PLC	UAE	139	7.9	6.9	1.5	1.4	6.2%	6.2%	6.0%	7.2%	3.6%	4.5%
ENKA INSAAT VE SANAYI AS	Turkey	4,254	8.9	9.3	5.8	5.2	21.4%	21.4%	3.9%	4.0%	7.7%	7.8%
TEKFEN HOLDING AS	Turkey	1,551	6.0	7.0	2.9	3.2	12.2%	11.4%	5.2%	4.3%	30.2%	22.9%
WILSON BAYLY HOLMES-OVCON	S. Africa	453	8.1	5.8	2.8	1.7	2.3%	3.7%	2.9%	5.6%	8.0%	15.7%
MURRAY & ROBERTS HOLDINGS	S. Africa	477	12.1	8.9	4.7	4.3	6.7%	7.0%	3.7%	4.6%	7.6%	9.9%
SINO THAI ENGR & CONSTR PCL	Thailand	1,199	23.9	20.1	11.6	9.4	8.2%	8.8%	1.6%	1.8%	14.1%	15.2%
AHLUWALIA CONTRACTS LTD	India	328	18.4	14.0	9.6	7.6	12.7%	13.2%	0.1%	0.1%	18.0%	20.0%
KNR CONSTRUCTIONS LTD	India	499	15.9	16.7	9.8	9.1	20.7%	17.3%	n.a.	n.a.	17.4%	16.0%
NBCC INDIA LTD	India	1,614	29.8	22.6	27.0	18.3	4.0%	4.6%	1.8%	2.1%	17.3%	20.6%
SP SETIA BHD	Malaysia	2,116	18.3	15.0	22.2	20.0	22.3%	21.8%	3.7%	4.4%	3.0%	3.9%
GAMUDA BHD	Malaysia	1,948	13.0	12.2	15.1	14.6	20.6%	20.0%	3.6%	3.6%	8.1%	8.2%
SUNWAY BHD	Malaysia	1,997	13.5	12.3	14.7	14.0	14.9%	15.0%	3.8%	4.0%	7.1%	7.6%
WASKITA KARYA PERSERO TBK PT	Indonesia	1,911	7.0	7.1	10.5	9.8	17.1%	17.4%	3.4%	3.2%	15.7%	13.2%
DMCI HOLDINGS INC	Philippines	3,110	9.9	8.6	6.3	5.4	35.0%	35.2%	4.2%	4.4%	19.1%	18.1%
CHINA STATE CONSTRUCTION INT	China	4,738	6.4	5.3	7.3	6.2	13.8%	14.3%	5.0%	5.6%	14.0%	14.7%
SHANGHAI CONSTRUCTION GROU-A	China	5,276	11.0	9.5	6.0	5.6	3.8%	3.6%	6.8%	8.3%	9.7%	10.7%
LONG YUAN CONSTRUCTION GRO-A	China	1,824	10.3	8.0	8.9	6.7	7.9%	8.5%	0.4%	0.4%	10.6%	12.6%
HYUNDAI ENGINEERING & CONST	S. Korea	5,348	12.2	11.4	5.5	5.2	6.9%	7.0%	1.1%	1.1%	7.7%	7.6%
GS ENGINEERING & CONSTRUCT	S. Korea	2,809	6.5	6.3	4.0	3.9	7.5%	7.5%	2.0%	2.1%	12.8%	12.1%
DAEWOO ENGINEERING & CONSTR	S. Korea	1,843	7.0	6.2	5.4	5.1	6.9%	7.0%	1.0%	1.0%	11.8%	12.0%
Peer Group Normalized Av.			11.4	10.0	8.1	7.2	11.4%	11.4%	3.3%	3.7%	12.7%	13.4%
IGRD	Qatar	121	7.5	9.3	8.6	10.3	11.1%	11.1%	4.7%	4.7%	7.6%	5.9%

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

On the other hand, IGRD's EV/EBITDA multiples are above its international peers. IGRD trades at 2019e & 2020e EV/EBITDA multiples of 8.6x and 10.3x, implying 6% and 43% premiums to international peers. IGRD's forecasted EBITDA margins (11.1% for both 2019 & 2020) are also slightly below the international contractors' 11.4% for both 2019 & 2020. However, it is noteworthy that EBITDA calculation of the international peer group companies may not be homogeneous and may be including non-operational income (such as revaluation gains and/or dividends). **Nevertheless, we think there is notable room for improvement in IGRD's EBITDA margins if management becomes successful in expanding the specialized contracting segment, which enjoys 30-40% EBITDA margins.** IGRD management is also optimistic about expanding the trading & supplies segment with high margin products, which should be positive for EBITDA margins as well.

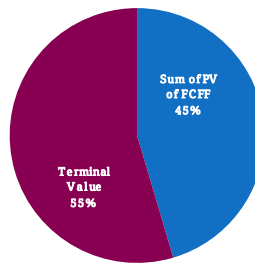
DCF Assumptions:

- **Due to its extensive goodwill, which accounts for 51.9% of its total assets, we use a 1.5bps higher equity risk premium for IGRD shares (for 1x beta).**
- **Given the solid growth rates achieved by the Qatari construction sector (7.2% YoY and 1.3% QoQ as of 4Q2018), coupled with long-term drivers, our terminal growth rate estimate of 2.5% for IGRD may be conservative.** Our Economics & Strategy Team forecasts GDP growth to be accelerated from 1.6% in 2017 to 2.6% as of 2018 and further to 3.2% as of 2019. Furthermore, the non-hydrocarbon sector expansion is anticipated to rise from 5% to 5.3% in 2019. Thanks to the major infrastructure projects related to World Cup 2022 and Qatar's 2030 National Vision, backed by Qatar's high population growth (2.7% YoY as of Feb'19), the Qatari construction sector is likely to maintain its solid growth over the coming years.

DCF Summary

DCF-Cash Flow to Firm (QR)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Term. Value Normalized
EBIT (1-tax rate)	83,206,282	65,491,014	67,641,065	69,694,705	72,069,415	74,221,138	76,086,810	78,035,629	80,071,647	81,981,386	83,942,355
EBIT	85,339,776	67,170,271	69,375,451	71,481,749	73,917,349	76,124,244	78,037,754	80,036,542	82,124,766	84,083,473	86,094,723
Tax rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Depreciation	6,840,444	7,210,152	7,744,742	8,279,318	8,321,672	8,364,243	8,407,032	8,450,039	8,493,267	8,536,715	8,580,386
Capital Expenditure	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
% of Enterprise Value	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Change in WC	79,070,136	-25,662,616	7,666,230	7,759,028	7,769,201	7,690,445	7,519,486	7,864,573	8,228,312	8,557,129	10,916,988
Chg. working capital days	36.3	-14.7	4.3	4.2	4.0	3.9	3.7	3.8	3.8	3.9	4.8
Net Sales	794,935,397	635,182,548	656,969,977	678,870,804	700,640,310	722,020,009	742,746,855	764,337,138	786,834,236	810,411,515	834,834,049
Change in sales	86.5%	-20.1%	3.4%	3.3%	3.2%	3.1%	2.9%	2.9%	2.9%	3.0%	3.0%
Free cash flow to the firm (FCFF)	2,976,590	90,363,782	59,719,577	62,214,995	64,621,886	66,894,935	68,974,356	70,621,095	72,336,602	73,960,973	73,605,753
PV of FCFF	2,976,590	83,083,065	50,529,669	48,443,600	46,305,501	44,112,107	41,856,589	39,438,668	37,175,559	34,979,503	32,035,713
Sum of PV of FCFF	428,900,851										
Terminal Value	515,484,902										
Terminal FCFF	32,035,713										
Terminal Growth Rate	2.5%										
<u>Terminal WACC</u>	<u>8.7%</u>										
Enterprise value	944,385,753										
+Cash and cash equivalents	79,952,464										
-Debt - long term and short term	300,014,805										
-Minority Interest	24,766,544										
Fair Value of Equity	699,556,868										
Shares o/s (mn)	83,000,000										
12M target price per share	8.43										
12 Month Upside Potential	58.1%										

DCF Enterprise value breakdown



DCF SENSITIVITY

TARGET SHARE PRICE SENSITIVITY TO TERMINAL GROWTH RATE AND DISCOUNT RATE

Terminal Discount Rate %	Terminal Growth Rate				
	1.5%	2.0%	2.5%	3.0%	3.5%
7.7%	8.43	7.97	7.97	8.43	9.62
8.2%	8.97	8.43	8.43	8.97	10.40
8.7%	8.97	8.43	8.43	8.97	10.40
9.2%	8.43	7.97	7.97	8.43	9.62
9.7%	7.57	7.22	7.22	7.57	8.43

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

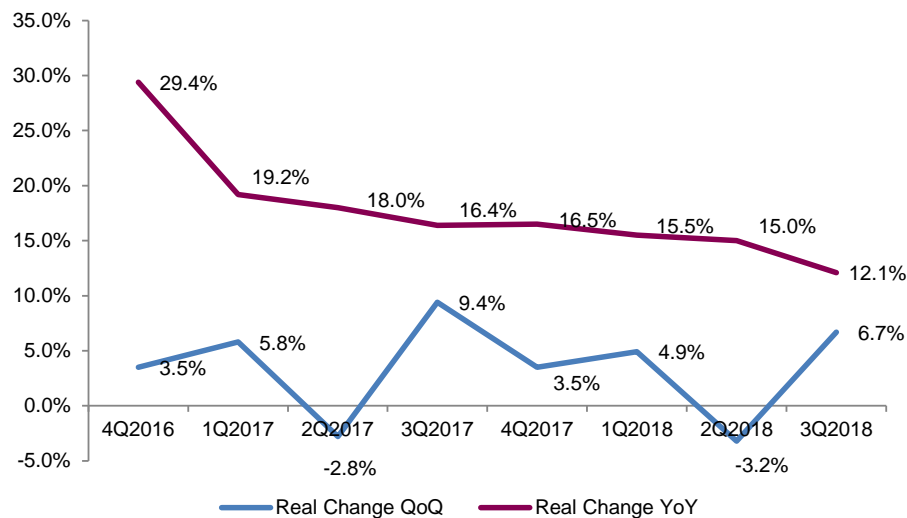
Terminal Discount Rate %	Terminal Growth Rate				
	1.5%	2.0%	2.5%	3.0%	3.5%
7.7%	58.1%	49.5%	49.5%	58.1%	80.5%
8.2%	68.3%	58.1%	58.1%	68.3%	95.2%
8.7%	68.3%	58.1%	58.1%	68.3%	95.2%
9.2%	58.1%	49.5%	49.5%	58.1%	80.5%
9.7%	42.0%	35.5%	35.5%	42.0%	58.1%

Source: QNB FS Research

Investment Themes

- **A growing economy, high population growth and ongoing major infrastructure projects such as Qatar Rail and 2022 World Cup preparations create a healthy backdrop for the Qatari construction sector:**
 - **Solid macro backdrop and accelerating growth continue to support the construction sector:** Our Economics & Strategy Team forecasts GDP growth to accelerate from 1.6% in 2017 to 2.6% as of 2018 and further to 3.2% as of 2019. While the hydrocarbon growth is anticipated to speed up from an expected 0.2% in 2018 to 0.7%, non-hydrocarbon sector expansion is also anticipated to rise from 5% to 5.3% in 2019. Strength in construction, agriculture, manufacturing, transportation and storage sectors backed by strong consumer demand are likely to be the primary drivers of higher growth in 2019. Furthermore, Qatar is likely to be one of the few countries that promise GDP acceleration in 2019.
 - **In the longer term, Qatar's economy should benefit from a number of recent measures.** Investment should be bolstered by new projects related to the expansion of LNG production and projects aimed at ensuring self-sufficiency and sustainability as well as an expected new law to open up more sectors to 100% foreign ownership. **Therefore, we expect the growth rate of both the hydrocarbon and non-hydrocarbon sectors to continue rising over the coming years.**
 - **The construction sector, which accounts for more than 20% of non-hydrocarbon GDP, remains the key growth driver.** The gross value added (GVA) of the construction sector rose by 17.5% YoY in 2017, thanks to the key infrastructure projects related to Qatar's Vision 2030 and World Cup 2022. The construction sector's resilience continued in 2018 as implied by the 4Q2018 data showing that the sector's GVA rose by 7.2% YoY & 1.3% QoQ reaching QR25.0bn in 4Q. Annualized GVA of the construction sector was QR103bn as of 3Q2018 at current prices, accounting for 15.1% of total GDP.

Qatar: Quarterly Construction Activities at Constant Prices (2013=100), YoY & QoQ Changes



Source: Qatar Planning and Statistics Authority

- **Strong population growth (2.7% YoY as of Feb'19)** is another major driver for the construction sector in the coming years.
- **For IGRD, we anticipate the company to record a strong top-line growth in 2019.** Thanks to the company's estimated order book of QR700mn, we expect IGRD to record revenue/EBITDA/EPS (normalized) growth rates of 86%/73%/32% in 2019, respectively.
- **We think the acquisition of the minority stake at CESCO should add value to IGRD.** In 4Q2018, IGRD bought out the remaining 39.6% minority stake in CESCO from minority shareholders at QR193.5mn and increased its stake to 100% in the company. IGRD has already paid QR150mn; QR100mn of which was financed via a bank facility, whereas QR50mn was paid through the company's own cash. The remaining QR43.5mn will be delivered via semi-annual payments starting from April 2019. We think, the buyout should contribute positively to IGRD's valuation as average return on investment is implied at

10.2% for the buyout, which is above its cost of funding (6%). We also think IGRD bought the asset at an advantageous price as CESCO's 2018 net profit values the transaction at a P/E ratio of 9.8x, which is below the QE All Share Index's 14.3x for 2018.

- **Ongoing restructuring targets to increase efficiency and reduce costs.** Since its IPO, IGRD has been going through a comprehensive restructuring program. The goal of this restructuring is to shift from an investment company framework to a private equity company mindset by establishing a hands-on management team that is thoroughly engaged in the management of subsidiaries. In order to achieve this:
 - Three Board of Directors have been replaced with independent members as per QFMA Regulations. We believe the new independent board members are actively participating in the company's affairs.
 - **Number of BoD meetings and other sub-committee meetings have increased as a consequence of focused leadership.** In 2018, the company held 11 BoD meetings and 14 sub-committee meetings (Risk & Audit, Nomination & Remuneration), which are expected to increase to 15 and 20 meetings, respectively in 2019.
 - **Top management shifts.** After the public offering, in 2018, the company appointed new individuals to the posts of CEO, COO and CFO. This new blood has vigorously supported and implemented IGRD's restructuring.
 - **New management has set ambitious goals in its 5-year business plan.** The new management & the BoD are highly involved in the subsidiaries, especially in terms of new business generation and cost management. On one hand, the new management is engaged in expanding the product range of supplies & trading segment with new high-margin products. On the other, it is also continuously evaluating cost cutting opportunities, especially in terms of labor force rationalization (such as disbanding project teams once a project is completed) and rental cost reduction. As a result, we expect adjusted G&A (excluding provisions and management expenses) to decline to QR60.2mn in 2019 from QR75.8mn in 2018.
 - **The restructuring also includes the redefinition of the business lines of subsidiaries in an attempt to reach a leaner company structure.** IGRD plans to eliminate overlaps in the principal activities of its subsidiaries. For the time being, some of IGRD's contracting companies are also engaged in building material trading activities, which is the major activity for its trading segment companies. Some overlaps also exist in the operations of its constructing companies; i.e. both Debbas and EMEC are MEP contractors.
- **A decent dividend yield.** IGRD has paid QR0.25/share dividends for 2017 and is expected to pay the same amount in 2018 and 2019, which should correspond to a dividend yield of 4.7%.
- **Low risk business model.** IGRD tends to work as a sub-contractor, which prevents the company from payment delays.

Investment Challenges

- **Goodwill accounts for 51.9% of IGRD's total assets as of 2018.** Before the IPO, the share capital of IGRD was determined at QR830mn to reflect the company's value as per evaluation and not as per book value of partners' equity as at December 31, 2016, following the approvals of Ministry of Economy and Commerce, Qatar Financial Market Authority, Qatar Stock Exchange. Then the shareholders' approved the same in their Constituent General Assembly. As a result, IGRD recorded an internally generated goodwill in the Company's books of accounts amounting to QR711.5mn.
- **Considering the nature of the contracting business, long receivable and retention dates lead to a longer cash cycle, necessitating a high working capital requirement.** As of 2018, we estimate IGRD's cash cycle as 204 days as a result of an estimated average receivables days of 356 (including retentions) and inventory days of 96 that is partially mitigated by an estimated average payable days of 248. Retention receivables (which are generally 10% of billings in the contracting business) are particularly long, as half of them are kept until the project finishes. The remaining half (5%) is released approximately 400 days after the project completion in order to be utilized in case of possible maintenance requirements. IGRD finances 50-70% of its projects with project finance loans at a cost of 5-6.75% as of 2018.
- **IGRD's capital intensive line of business may hamper its DPS growth in the future.** We think high receivable days, coupled with an expected acceleration in growth as well as possible buyouts of remaining subsidiary minority stakes over the coming years, may lead the management to retain funds within the company.
- **While new management is keen on restructuring and expanding the business, some of the subsidiaries may be in need of additional attention in terms of growth and/or profit generation.** Among IGRD's subsidiaries, CESCO originates the highest profits (which has remained somewhat stable since 2016), whereas Watermaster, CDCT and Trelco recorded notable growth rates (albeit coming from lower bases). Debbas, Trelco Building Materials and Consolidated Supplies had negative aggregate profits for the 2015-2018 period.

IGRD's Subsidiaries: Annual and Accumulated Net Profits for the 2015-2018 Period

Total Profits (QRmn)	2015	2016	2017	2018	CAGR % (2015-2018)	Total Profits (2015-2018)
Consolidated Engineering Systems Co. (CESCO)	70.1	56.7	54.1	50.0	-11%	230.9
Watermaster (Qatar)	4.9	8.1	12.5	10.3	28%	35.9
Trelco Limited*	3.8	5.3	10.8	6.7*	21%	26.5
Construction Development Contracting & Trading Co. (CDCT)	1.6	1.4	8.8	4.0	35%	15.9
Electro Mechanical Engineering Co. (EMEC)	3.8	2.0	-2.4	1.0	-36%	4.3
Debbas Enterprises	0.6	0.3	0.9	-3.6	N/M	-1.7
Trelco Building Materials Co.	1.2	0.7	0.6	-4.3	N/M	-1.9
Consolidated Supplies Co.	0.8	-2.5	-1.9	-1.9	N/M	-5.5

(*) Excluding Trelco's QR28.75mn of revaluation gains regarding its stake at Doha Cables

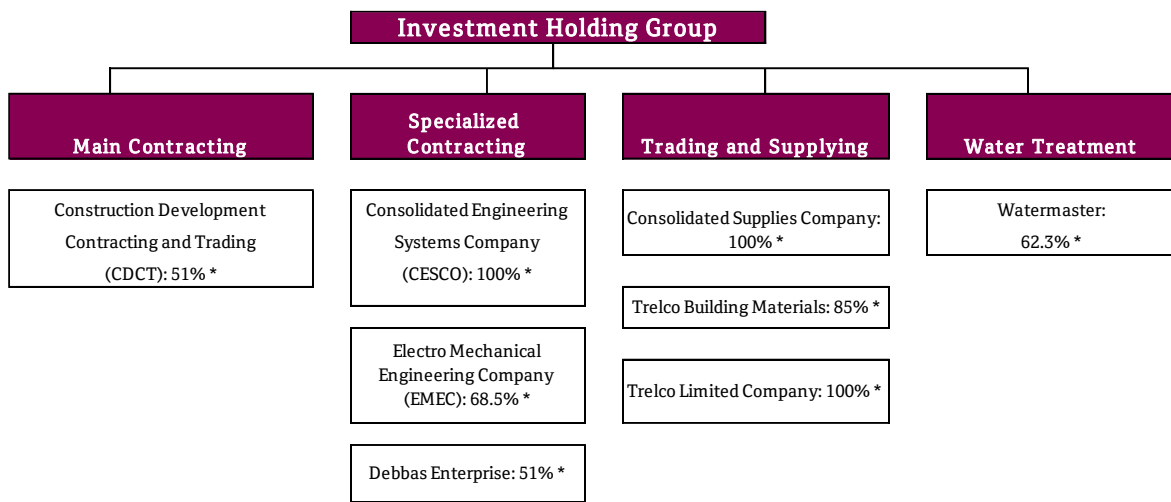
Source: QNB FS Research

Company Overview

Established in 2008, IGRD operates in various segments of the Qatari construction sector, such as general contracting and specialized contracting (Mechanical, Electrical, Plumbing - MEP and Engineering Constructions and Projects - ECP). The company also supplies building materials, safety equipment, tools, timber, security systems, and fire-fighting systems, together with other building materials to the local market.

On the specialized contracting front, IGRD is engaged in engineering, sales, implementation, integration, testing, commissioning, turnkey solutions and maintenance of fire alarm and detection systems, firefighting and suppression systems, access control and CCTV systems, low current systems, audio visual & related IT infrastructure solutions as well as offering design, assembly, installation, operation and maintenance of water treatment plants and ancillary water systems.

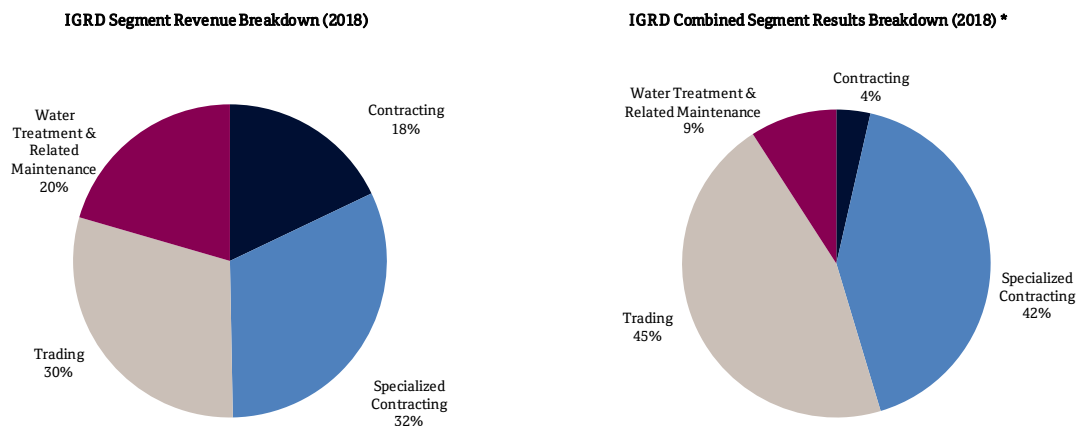
IGRD: Business Segments and Subsidiaries



(*) IGRD's Stake in the company, Source: IGRD Financials

IGRD currently has 8 directly owned subsidiaries, which are organized under four major segments, main contracting, specialized contracting and trading & supplying. Among the specialized contracting companies, Watermaster is classified separately in the financial statements under the "Water Treatment & Related Maintenance" segment.

IGRD: Business Segments: Revenue and Segment Profit Breakdown



(*) Excluding others & eliminations
Source: IGRD Financials

In Aug'17, IGRD shares started to trade at the QE with a free float of 29.83%. The company offered 49.8mn ordinary shares representing 60% of the company's capital at QR10.1/share vs. the par value of QR10. 24,756,800 shares were subscribed during the IPO which resulted in a free float of 29.83% for IGRD. Rest of the shares (58.24mn corresponding to a 70.17% stake) are held by its founders.

BUSINESS SEGMENTS

MAIN CONTRACTING

As of 2018, the segment generated QR76.4mn of revenue (18% of total) and recorded QR4.0mn of segment profit (4% of total, excluding eliminations and others). Construction Development Contracting & Trading W.L.L. (CDCT) is IGRD's sole subsidiary in this segment in which IGRD has a 51% stake. As a "Grade B" civil contracting company, CDCT offers a full range of construction services and operates in all fields of construction such as commercial, industrial, landscaping and residential constructing catering to both the public and private sectors. As a certified MEP (Mechanical, Electrical, and Plumbing) contractor especially for the Ministry of Municipality and Environment, CDCT performs construction, fit out, MEP, maintenance, facilities management and value engineering for the public sector as well. Among its numerous accomplishments, CDCT completed a cable factory for QICC, a residential building for Awkaf and a gas station for Woqod.

Main Contracting- CDCT: Revenue & Profit

Construction Development Contracting & Trading Co. W.L.L. (CDCT)	2015	2016	2017	2018	CAGR (2015-18)	Total Profits (2015-2018)
Revenue (QRmn)	76.09	58.00	78.56	76.43	0.1%	
Total Profits (QRmn)	1.62	1.37	8.83	4.03	35.5%	15.9
Net Margin %	2.1%	2.4%	11.2%	5.3%		

Source: IGRD Financials, QNB FS Research

SPECIALIZED CONTRACTING

As of 2018, specialized contracting generated QR135.7mn of revenue (32% of total) and recorded QR47.4mn of segment profit (42% of total, excluding eliminations and others). It is worth noting that segment results only include specialized contracting revenue and profits and excludes the supplies trading business, which is separately recorded under the trading & supplies segment. IGRD has three subsidiaries in this segment as Watermaster is classified separately:

- 1) **Consolidated Engineering Systems Company W.L.L. (CESCO) is the main company operating in this segment.** CESCO is engaged in trading, engineering, contracting integration, testing, commissioning and maintenance of fire alarm and detection systems, firefighting and suppression systems, access control and CCTV systems, audio visual & related IT infrastructure systems and low current systems. CESCO is classified as a "Grade A" contractor by Qatar Ministry of Interior. The company is also certified by the Qatar Civil Defense and listed by Kahramaa.

Among IGRD's subsidiaries, CESCO has generated the highest profits with low volatility since 2016.

CESCO: Revenue & Profit

Consolidated Engineering Systems Company W.L.L. (CESCO)	2015	2016	2017	2018	CAGR (2015-2018)	Total Profits (2015-2018*)
Revenue (QRmn)	198.5	148.6	143.5	145.1	-10%	
Total Profits (QRmn)	70.1	56.7	54.1	50.0	-11%	230.9
Net Margin %	35%	38%	38%	34%		

(**) Segment results only include specialized contracting revenue and profits excluding supplies trading business outcome, which have been separately recorded under the trading & supplies segment. Therefore, sum of the individual company results and segment results do not match.

Source: IGRD Financials, QNB FS Research

- 2) **Debbas Enterprise (MEP contracting and facility management)** was established as a partnership with Debbas Holding, Lebanon in 2006. The company is specialized in the design, planning and execution of electro-mechanical projects as well as facility management services. Debbas caters to rail network station projects, stadiums, convention centers, data centers, hospitals, universities, industrial and residential buildings, car parks. The electro-mechanical activities include heating, ventilation and air conditioning, plumbing networks and sanitary fixtures, firefighting, A.C controls, medium voltage distribution, indoor and outdoor lighting, street lighting, lighting protection and data network systems. The low current systems activities include building management systems, fire detection, access control, parking management systems, public address, communication systems and networks, closed circuit TV, intrusion and security monitoring systems, nurse call system, entertainment and audio visual systems, and home automation. In the past, Debbas completed MEP projects for Doha Conventional Center, Doha Metro Red Line and The Pearl's Porto Arabia Buildings.

Debbas plans to upgrade its certification to "Grade A" in order to participate in larger projects. The company also targets Qatar Rail and FIFA 2022 stadium projects and larger facility management clients.

Debbas Enterprises: Revenue & Profit

Debbas Enterprises - Qatar W.L.L.	2015	2016	2017	2018	CAGR (2015-2018)	Total Profits (2015-2018)
Revenue (QRmn)	66.9	27.6	46.9	33.4	-20.7%	
Total Profits (QRmn)	0.6	0.3	0.9	-3.6	N.M.	-1.7
Net Margin %	0.9%	1.2%	1.9%	-10.7%		

Source: IGRD Financials, QNB FS Research

- 3) **Electro Mechanical Engineering Company W.L.L. (EMEC):** Founded in 2005, EMEC is a "Grade A" MEP contractor mainly engaged in the installation and maintenance of electro mechanical works. The company is in Qatar Public Works Authority's (Ashghal) vendors list under "Infrastructure Affairs – Drainage" classification, as an approved subcontractor for the installation works. EMEC is also authorized by Qatar General Electricity & Water Corporation (Kahramaa) as a Grade "A" company to practice Electrical Contracting works in Qatar. EMEC provides a full range of electrical and mechanical and contracting activities in many areas:

- Mechanical works: Heating, ventilation and air-conditioning, plumbing and drainage, water treatment plants, and swimming pools.
- Firefighting systems: fire sprinkler systems, deluge systems, FM200, CO2 systems, and NOVEC systems.
- Electrical systems: High voltage transformers, power generating sets, power distribution networks, lighting systems, uninterruptible power systems.

- Low current: fire alarm systems, CCTV systems, public address systems, access control and intrusions systems, building management systems, and audio/ visual systems.

EMEC: Revenue & Profit

Electro Mechanical Engineering Company W.L.L. (EMEC)	2015	2016	2017	2018	CAGR (2015-18)	Total Profits (2015-2018)
Revenue (QRmn)	98.84	85.28	64.78	53.80	-18.4%	
Total Profits (QRmn)	3.76	2.02	-2.44	0.97	-36.3%	4.3
Net Margin %	3.8%	2.4%	-3.8%	1.8%		

Source: IGRD Financials, QNB FS Research

TRADING

As of 2018, trading generated QR127mn of revenue (30% of total) and recorded QR51.6mn of aggregate segment profit (45% of total, excluding eliminations and others). IGRD operates with four companies in this segment: Trelco Building Materials Company, Trelco Limited and Consolidated Supplies Company. Apart from its contracting activities, CESCO is also engaged in trading.

- 1) **Trelco Building Materials Company W.L.L. (TBMC)** was established in 2008 and supplies construction materials to the Qatari market. The company is the main vendor for plywood, bitumen impregnated boards, steel prop pipe supports, scaffolding, engineered panels, softwood, temperate and tropical hardwood species and wood-working accessories and tools. TBMC uses storage facilities and has its own fleet of handling equipment as well as transportation vehicles.

Trelco Building Materials: Revenue & Profit

Trelco Building Materials Co. W.L.L.	2015	2016	2017	2018	CAGR (2015-18)	Total Profits (2015-2018)
Revenue (QRmn)	24.10	22.29	20.18	8.75	-28.7%	
Total Profits (QRmn)	1.15	0.68	0.63	-4.34	N.M.	-1.9
Net Margin %	4.8%	3.1%	3.1%	-49.6%		

Source: IGRD Financials, QNB FS Research

- 2) **Trelco Limited (Trelco)** was established in 1977 as a supply & trading company. The main activities of the company are trading in foods, chemicals, pesticides, providing technical services, real estate (rental) and various activities.

Trelco: Revenue & Profit

Trelco Limited	2015	2016	2017	2018*	CAGR (2015-18)	Total Profits (2015-2018)
Revenue (QRmn)	8.79	5.95	6.01	5.88	-12.6%	
Total Profits (QRmn)	3.76	5.27	10.76	6.68*	21.1%	26.5

(*) Excluding Trelco's QR28.75mn of revaluation gains regarding its stake at Doha Cables

Source: IGRD Financials, QNB FS Research

- 3) **Consolidated Supplies Company W.L.L. (CSC)** was established in 2002 and it is a multidivisional company specialized in:

- Mechanical works: Heating, ventilation and air-conditioning, plumbing and drainage, water treatment plants, and swimming pools.
- Supply of safety equipment, fire extinguishers, fire blankets, fire alarm systems and fire hose systems, GI conduits, ceiling & exhaust fans, lighting fixtures, switches and sockets, flood lights, water heaters, transformers.
- Servicing & maintenance of firefighting equipment, refill & servicing of fire extinguishers.
- Supply and maintenance of electrical and lighting equipment.
- Supply of other building materials such as power tools, hand tools, plumbing materials, binding wires and miscellaneous accessories.
- Distribution, supply and maintenance of sanitary ware, such as kitchen sinks and personal protective equipment under its own brands, Waiss and Hammer-Man.
- **In December 2018, IGRD bought out the 24.5% minority stake in CSC at QR0.5mn and increased its stake to 100% in the company.** The book value of the purchased stake was minus QR835k. CSC recorded net losses in during 2016-2018 period; however, IGRD management is optimistic about turning around the company starting from 2019.

Consolidated Supplies: Revenue & Profit

Consolidated Supplies Company W.L.L.	2015	2016	2017	2018	CAGR (2015-18)	Total Profits (2015-2018*)
Revenue (QRmn)	29.87	17.48	17.64	15.07	-20.4%	
Total Profits (QRmn)	0.77	-2.53	-1.91	-1.85	N.M.	-5.5
Net Margin %	2.6%	N.M.	N.M.	N.M.		

Source: IGRD Financials, QNB FS Research

WATER TREATMENT AND MAINTENANCE

As of 2018, water treatment and maintenance generated QR87.5mn in revenue (20% of total) and recorded QR10.3mn of segment income (9% of total, excluding eliminations and others). IGRD operates with one company in this segment, the Watermaster. Established in 2006, Watermaster is a specialized contracting company in water treatment technology, waste water treatment, swimming pools, wellness centers and water features. It also offers design, assembly, installation, operation and maintenance of treatment plants and ancillary water systems. Watermaster designs and implements solutions in recreational and treatment construction for both the private (hotels, resorts, buildings and private villas) and public-sector customers (governmental and municipalities). As of 2018, IGRD owns 63.3% of Watermaster.

Watermaster: Revenue & Profit

Watermaster (Qatar) Company W.L.L.	2015	2016	2017	2018	CAGR (2015-18)	Total Profits (2015-2018)
Revenue (QRmn)	63.05	82.51	91.61	87.50	11.5%	
Total Profits (QRmn)	4.94	8.06	12.54	10.33	27.9%	35.9
Net Margin %	7.8%	9.8%	13.7%	11.8%		

Source: IGRD Financials, QNB FS Research

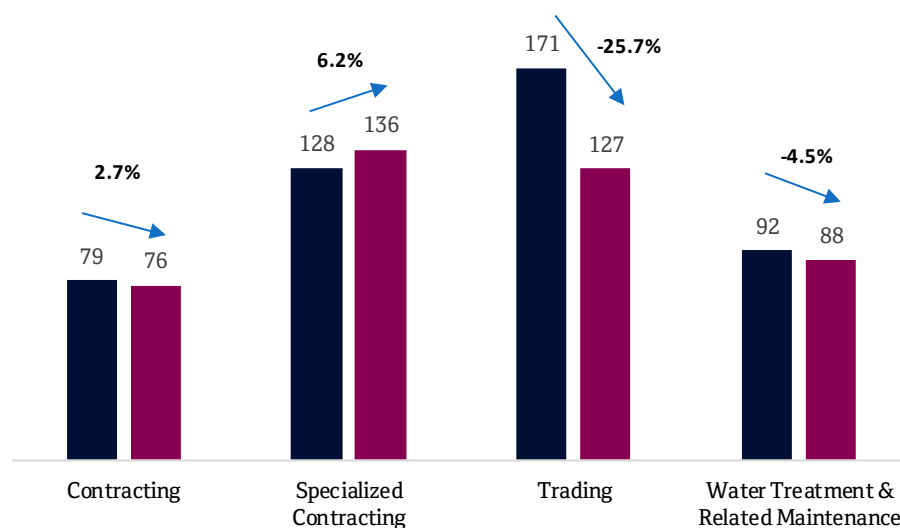
Catalysts

- **Any expansion in the contracting/specialized contracting order books.** The company completes its orders over 12 to 24 months; hence, any expansion in the order book should impact medium-term numbers. We estimate IGRD's current order book as QR700mn for 2019.
- **New products launches particularly by the trading segment companies.**
- **Potential buyouts, at attractive prices, for the minority stakes at other subsidiaries.** IGRD currently has 63.3% stake in Watermaster, 68.5% at EMEC, 51% at CDCT and Debbas Enterprises each, as well as 85% at Trelco. As have been the case with CESCO and Consolidated Supplies in 2018, we think IGRD may consider to increase its stake at the above mentioned subsidiaries over the coming years.

Earnings Overview and Outlook

IGRD recorded QR58.4mn in net earnings as of 2018 with a 43.4% increase YoY, mainly thanks to a rise in other income and declining minority interest following the CESCO stake buyout. Net revenue contracted by 9.1% YoY to QR426.3mn in FY2018. The decline in revenue is primarily due to lower supplies & trading revenue, which fell from QR171mn as of FY2017 to QR127mn at-end 2018.

Segment Revenue (QRmn) & YoY Growth (2017-2018)



Source: IGRD Financials, QNB FS

■ 2017 ■ 2018

Gross margin was slightly lower in 2018 at 29.8% vs. 30.1% in 2017 although some recovery took place in 4Q18 when the gross margins rose to 36.7% vs. 4Q17's 25.3%. It is noteworthy that fluctuations in the margins are the consequence of the contracting business, as IGRD's gross margins range around 10% to 40% depending on the nature of the order executed. While conventional contracting orders have c10% margin, specialized contracting orders (such as firefighting system installations) are at the higher end. Nevertheless, IGRD's gross profit fell by 10.1% to QR126.8mn as of FY2018 vs. 2017.

Operating income was down by 24.5% to QR45.3mn as of 2018 due to the adjusted G&A (excluding the provision expenses and management fees) rising 1% YoY, coupled with lower gross profit. Because of the high weight of adjusted G&A in revenue (18% as of FY2018) even small changes in the G&A may cause a notable fluctuation at the EBIT level. A 5% decline in depreciation resulted in IGRD to record QR51.1mn in EBITDA with a 22.7% YoY decline.

Net other income rose by 37.6% YoY to QR32.6mn, boosted by QR28.75mn of revaluation gains for IGRD's 2.5% stake in Doha Cables and the lack of "loss on the sale of damaged items" of QR1.49mn recorded in 2017. The increase in net other income was partially mitigated by: 1) QR14.8mn of provisions allocated for slow moving inventory (QR7.84mn), QR981k for allowance for doubtful accounts and QR6mn of other provisions 2) Lower rent income from the investment properties falling to QR6.2mn from QR9.6mn in 2017 due to the ongoing renovations at the properties 3) The decline in reversal of maintenance provisions from QR1.58mn in 2017 to QR142k.

Financial expenses rose to QR11.94mn, growing by 31.1% over 2017 as a result of increasing interest costs and rising debt to QR300mn at-end 2018 vs. QR199mn as of 2017 and QR197mn as of 9M18.

One of the major reasons for the bottom line expansion in 2018 was the minority interest item in the P&L, which declined from minus QR29.6mn as of 2017 to minus QR3.67mn, following IGRD's acquisition of 39.6% stake in CESCO on Sep 30, 2018. The book value (BV) of the acquired stake was QR42.3mn and rather than recording the difference (QR151mn) between the BV and the price paid as goodwill under assets, IGRD preferred to create an "other reserves" item under its shareholder's equity and recorded the difference as a deduction. After the acquisition, IGRD's stake rose to 100% at CESCO. On a separate note, on 31 December 2018, IGRD acquired the remaining 24.5% interest in the voting shares of Consolidated Supplies Company W.L.L. at QR0.5mn, increasing its ownership interest to 100%.

In 2019, we expect IGRD to post QR794.9mn in revenue (up 86.5% vs. 2018) and QR59.3mn in net earnings with a 1.6% increase YoY, thanks to expected new orders in the special contracting segment. On a normalized basis (excluding extraordinary & one-off items), we forecast IGRD's EPS to rise by 32% over 2018. We expect gross profit growth to be at a more moderate rate of 17.2% YoY, in line with an expected decline in IGRD's gross margins from 29.8% as of 2018 to 18.7% in 2019. The foreseen decline in the margin is attributable to expected lower margins at new orders.

Thanks to an anticipated 20.5% contraction in our adjusted G&A - excluding the provision expenses and management fees - we expect IGRD's EBITDA to rise by 73.0% to QR88.4mn. New management is keen on reducing the company's cost base especially by rationalizing its labor force and reducing the rent expenses. 2018 has given management the opportunity to identify potential cost cutting areas (both at the HQ and subsidiary levels) to be implemented in 2019.

Net other income is expected to fall by 62% vs. 2018 to QR12.4mn from QR32.6mn. The decline in net other income may be due to 1) Lack of QR28.75mn of revaluation gains for IGRD's 2.5% stake in Doha Cables recorded in 2018 2) Expected lack of "recovery of expenses" in 2019 vs. QR3.7mn in 2018 3) Expected decline of QR0.3mn in other various income items. We anticipate lower other income to be partially mitigated by the lack of provision expenses in 2019 which have been as high as QR14.8mn in 2018.

Rising financial expenses and a surge in minority interest are likely to depress 2019 bottom line growth. Financial expenses are anticipated to rise from QR11.9mn to QR19.75mn as a result of a QR100mn rise in financial debt through the end of 2018 following IGRD's buyout of CESCO's 39.6% stake. Expected revenue growth is also anticipated to fuel IGRD's financial debt, given the company's average cash cycle of 204 days. As a result, we forecast IGRD's financial debt to increase to QR380mn from QR300mn at end 2018. Meanwhile, we also forecast non-controlling interest's share in total profits to rise from QR3.67mn in 2018 to QR11mn, as the revenue growth is anticipated to originate from group companies which have a higher percentage of minority shareholders (like Debbas Enterprises where IGRD has a 51% stake).

Detailed Financial Statements

Income Statement

	2017	2018	2019e	2020e	2021e
Revenue	469,232	426,299	794,935	635,183	656,970
COGS	328,114	299,445	646,304	501,161	518,147
Gross Profit	141,117	126,854	148,631	134,021	138,823
Adj. SG&A	75,030	75,761	60,216	63,518	65,697
Depreciation	6,022	5,748	6,840	7,210	7,745
Operating Income	60,065	45,345	81,575	63,293	65,382
EBITDA	66,087	51,093	88,416	70,503	73,126
Impairment Loss on Investment Properties	-606	-606	-606	-606	-606
Fair Value Gain From Financial Assets	0	28,750	0	0	0
(Loss)/ Gain From Disposal of Property and Equipment	118	-322	0	0	0
Provision Expenses	-379	-14,823	0	0	0
Loss on Sale of Damaged Items	-1,489	0	0	0	0
Dividend Income From AFS Investments	5,000	3,765	3,765	3,878	3,994
Other Income	21,070	15,866	9,289	9,981	10,079
Gain on the Disposal of a Subsidiary	0	0	0	0	0
Total Other Income	23,714	32,630	12,448	13,253	13,467
Net Finance Income(Expense)	-9,111	-11,943	-19,746	-20,890	-19,410
Net profit before management fees and income tax	74,669	66,031	74,277	55,655	59,438
Management Fees	-4,320	-3,995	-3,995	-4,115	-4,238
Income Tax	0	0	0	0	0
Non-controlling Interests	-29,636	-3,674	-11,000	-3,898	-4,174
Net Income	40,712	58,362	59,282	47,643	51,026
Net Profit Margin	8.7%	13.7%	7.5%	7.5%	7.8%
Shares Outstanding (k)	83,000	83,000	83,000	83,000	83,000
EPS	0.49	0.70	0.71	0.57	0.61
EPS (Normalized for extraordinary & one-off items)	0.51	0.54	0.71	0.57	0.61
<i>Growth</i>	<i>N/M</i>	<i>5%</i>	<i>32%</i>	<i>-20%</i>	<i>7%</i>
DPS	0.25	0.25	0.25	0.25	0.25

Note: EPS based on current number of shares

Source: Company data, QNB FS Research

Balance Sheet

	2017	2018	2019e	2020e	2021e
Cash & Cash Equivalents	136,856	79,952	79,952	79,952	79,952
Investments Held for Trading/ST Investments	0	0	8,365	35,238	45,015
Accounts Receivable & Prepayments	173,306	169,959	178,426	193,239	200,803
Gross amounts due from customers on contract work	198,745	201,199	376,701	323,391	336,049
Due From Related Parties	32,750	30,911	46,232	43,026	44,710
Inventories	71,652	78,663	83,383	88,385	93,689
Total Current Assets	613,309	560,684	773,058	763,232	800,217
Retentions Receivable	49,528	44,621	83,599	67,113	69,739
Financial Assets at Fair Value Through Other Comprehensive Income	2,250	31,000	31,000	31,000	31,000
Investment Properties	1,565	959	1,007	1,057	1,110
Goodwill & Intangibles	711,492	711,492	711,492	711,492	711,492
Property, Plant & Equipment	19,644	21,338	22,165	21,890	21,014
Non-Current Assets	784,480	809,410	849,264	832,553	834,356
Total Assets	1,397,789	1,370,093	1,622,322	1,595,784	1,634,574
Short-Term Debt	197,417	212,219	287,829	275,015	258,015
Insurance Payables, Accounts Payable & Accruals	192,393	203,181	349,681	326,321	346,704
Due to Related Parties	16,812	63,030	48,447	33,864	34,687
Dividend Payable	3,003	3,293	3,293	3,293	3,293
Current Liabilities	409,624	481,723	689,250	638,493	642,699
Retention Payable	1,285	1,881	3,978	3,021	3,123
Long-Term Debt	1,269	87,796	92,186	96,795	101,635
Employees End of Service Benefits	30,139	25,193	26,453	27,776	29,165
Non-Current Liabilities	32,693	114,870	122,617	127,592	133,923
Total Liabilities	442,318	596,594	811,867	766,085	776,622
Total Shareholder's Equity	869,694	748,733	784,505	803,134	830,481
Minority Interest	85,777	24,767	25,950	26,566	27,471
Liabilities & Shareholder's Equity	1,397,789	1,370,093	1,622,322	1,595,784	1,634,574

Source: Company data, QNB FS Research

Cash Flow Statement

	2017	2018	2019e	2020e	2021e
Cash Flow From Operations	29,314	54,701	-10,241	95,855	75,822
Cash Flow From Investment Activities	-2,772	-158,263	-22,535	-22,533	-22,530
Cash Flow From Financing Activities	-11,784	46,892	36,744	-58,110	-55,249
Cash Flow From Other Activities	-416	-233	4,396	11,660	11,733
Change In Cash	14,342	-56,903	8,365	26,873	9,776
Cash Beginning of Period	122,514	136,855	79,952	79,952	79,952
Decrease (increase) in Fixed Deposits	0	0	-8,365	-26,873	-9,777
Cash End of Period	136,855	79,952	79,952	79,952	79,952

Source: Company data, QNB FS Research

Ratio Analysis

Key Metrics

Particulars	2017	2018	2019e	2020e	2021e
Growth Rates					
Revenue	4.8%	(9.1%)	86.5%	(20.1%)	3.4%
Gross Profit	(4.9%)	(10.1%)	17.2%	(9.8%)	3.6%
EBITDA	(14.5%)	(22.7%)	73.0%	(20.3%)	3.7%
EBIT	(16.1%)	(24.5%)	79.9%	(22.4%)	3.3%
PAT/EPS	N/M	43.4%	1.6%	(19.6%)	7.1%
DPS	N/M	0.0%	0.0%	0.0%	0.0%
CFPS	N/M	86.6%	N/M	N/M	(20.9%)
Operating Ratios					
Gross Margin	30.1%	29.8%	18.7%	21.1%	21.1%
Gross Margin, Excluding Depreciation & Amortization	30.1%	29.8%	18.7%	21.1%	21.1%
EBITDA Margin	14.1%	12.0%	11.1%	11.1%	11.1%
EBIT Margin	12.8%	10.6%	10.3%	10.0%	10.0%
Net Margin	8.7%	13.7%	7.5%	7.5%	7.8%
Finance Ratios					
Debt-Equity Ratio	23%	40%	48%	46%	43%
Net Debt-Equity Ratio	7%	29%	37%	32%	28%
Net Debt-to-Capital	7%	23%	27%	24%	22%
Net Debt-to-EBITDA	0.9	4.3	3.3	3.6	3.2
Interest Coverage	6.6	3.8	4.1	3.0	3.4
Return Ratios					
ROIC	5.6%	4.3%	7.0%	5.4%	5.5%
ROE	4.7%	7.8%	7.6%	5.9%	6.1%
ROA	2.9%	4.3%	3.7%	3.0%	3.1%
FCF Yield	6.0%	10.6%	-4.1%	19.9%	15.3%
Liquidity Ratios					
Current Ratio	1.5	1.2	1.1	1.2	1.2
Quick Ratio	1.3	1.0	1.0	1.1	1.1
Valuation					
EV/Sales	1.3	1.6	1.0	1.1	1.1
EV/EBITDA	8.9	13.5	8.6	10.3	9.6
EV/EBIT	9.8	15.2	9.3	11.5	10.8
P/E	10.9	7.6	7.5	9.3	8.7
P/CF	15.1	8.1	-43.2	4.6	5.8
P/BV	0.5	0.6	0.6	0.6	0.5
Dividend Yield	4.7%	4.7%	4.7%	4.7%	4.7%
FCF Yield	6.0%	10.6%	(4.1%)	19.9%	15.3%

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

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, CFA, CAIA

Head of Research

Tel: (+974) 4476 6534

saugata.sarkar@QNBFS.com.qa

Mehmet Aksoy, PhD

Senior Research Analyst

Tel: (+974) 4476 6589

mehmet.aksoy@QNBFS.com.qa

Shahan Keushgerian

Senior Research Analyst

Tel: (+974) 4476 6509

shahan.keushgerian@QNBFS.com.qa

QNB Financial Services Co. W.L.L.

Contact Center: (+974) 4476 6666

PO Box 24025

Doha, Qatar

Zaid al-Nafoosi, CMT, CFTe

Senior Research Analyst

Tel: (+974) 4476 6535

zaid.alnafoosi@QNBFS.com.qa

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