

## Estithmar Holding (IGRD)

Recommendation	ACCUMULATE	Risk Rating	R-4
Share Price	QR1.710	Target Price	QR2.310
Implied Upside	35.1%		

### Moderate 3Q2024 Beat As Top-line Surges on Weaker Margins; Maintain Accumulate

**Estithmar Holding's 3Q2024 attributable earnings was moderately better than our projections, primarily driven by significantly stronger revenue in most segments than modeled, bar the ventures unit, which came in-line.** Notably, corporate/eliminations recorded positive top-line, for the first time, at least since 2022. The strong top-lines were largely offset by weaker divisional margins than we expected. Other notable revenue beats came from the healthcare (as KMC started operations) and contracting businesses (as Saudi operations start to contribute). Revenue/earnings from individual underlying business segments remain considerably volatile as new business launches are still in the ramp-up phase, and traditional businesses are establishing a new equilibrium following the heightened activity leading up to the 2022 World Cup. We plan to update our full-year forecast after the conference call and we are keen to learn about (1) the component of the contracting business that is foreign, and specifically the margin profile, given it was tipped to be higher, (2) healthcare division contribution profile, so far the Operation Management Model with the government has been doing most of the heavy-lifting, and (3) what is happening with corporate/eliminations. In the meantime, **we maintain our Accumulate rating with a QR2.310 PT.** An area of concern, however, is the balance sheet leverage level, which is comparatively higher – granted that the group recently listed a QR500mn sukuk.

### Highlights

- In 3Q2024, Estithmar Holding's attributable profit printed moderately above our estimates.** Earnings rose 11.3%/4.9% YoY/QoQ to QR114.7mn (vs. estimate of QR109.3mn) as the top-line came in markedly above our estimates but margins shank across board, below what we had modeled. Group NP margin declined to 8.8% (vs. 13.4% expected) from 13.8% in 3Q2023 and 12.9% in the previous quarter. The GP margin declined to 21.0% from 23.1% in 3Q2023 and 29.2% in the previous quarter. Similarly, the operating margin came in lower at 11.9% from 17.8% in 3Q2023 and 18.0% in 2Q2024
- Group revenue spiked 75.7%/53.9% YoY/QoQ to QR1.31bn, above our estimate of QR814.5mn.** The beat was across all units, accentuated by corporate/eliminations, which turned positive to QR23.2mn from a negative figure of QR89.7mn/QR145.0mn in 3Q2023/2Q2024. Management had guided that the ratio would continue to moderate, but the assumption has always been that it will stay negative. We will find out during the call what caused the new positive dynamic.
- Segment review: margins remain volatile, and mostly lower during 3Q2024:** (i) **Services segment** revenue rose 8.2%/10.0% YoY/QoQ to QR419.1mn; NP margin moved to 18.4% from 29.6%/18.1% in 3Q2023/2Q2024. (ii) **Contracting & industries** revenue jumped 79.0%/40.3% YoY/QoQ to QR565.8mn, likely due to the Saudi sales pipeline. NP margin printed to 7.7% vs. 4.9%/9.8% in 3Q2023/2Q2024. (iii) **Healthcare** revenue climbed 161.3%/47.3% YoY/QoQ to QR282.9mn. NP margin came in at 5.1% vs. 3.7% and 6.1% in 3Q2023 and 2Q2024, respectively. Previously profits from the Operation Management Model hospital was more than offsetting losses from The View, and the newly opened, Korean Medical Center. (iv) **Ventures'** revenue was lower YoY/QoQ by 23.3%/6.0% to QR17.7mn. The YoY revenue trend is concerning – we had expected it to continue growing as the underlying assumption is that it is still ramping up. Due to seasonality, the unit made a loss of QR18.5mn from a loss of QR30.3mn and QR2.7mn in 3Q2024 and 2Q2024, respectively. The shrinking loss position YoY is somewhat encouraging.

### Catalysts

- Significant catalysts:** (1) Positive sales & operation updates of new healthcare/tourism businesses (2) New product launches/offshore expansion (3) Dividend distribution launch, though unlikely to happen for the foreseeable future due to capex commitment and elevated debt levels.

### Recommendation, Valuation and Risks

- Recommendation and Valuation:** We maintain our Accumulate rating and our 12-month TP of QR2.310 implying 35.1% upside potential, using a SoTP weighted-average of the DCF and EBITDA Exit Multiple valuation methods. IGRD's thesis is premised on future growth that is geared toward higher-margin sectors of healthcare, tourism and services, which are set to more than offset the slowdown in traditional sectors (construction and industries) as the economy matures. These growth areas are supported by the macro backdrop where Qatar is striving to reach "advanced economy" status by 2030. Meanwhile, the traditional segments are finding new success offshore, which could improve their contribution to the group in the short- to medium-term.
- Key risks:** (1) Dilution risk (2) Execution risk and slow ramping up of new projects (3) Elevated debt levels (4) Conglomerate discount.

### Key Financial Data and Estimates

Group	2023	2024E	2025E	2026E	2027E
EPS (QR)	0.102	0.112	0.126	0.167	0.195
P/E (x)	16.74	15.21	13.55	10.26	8.76
EV/EBITDA (x)	14.54	12.89	11.01	8.65	7.17
DPS (QR)	-	-	-	0.10	0.17
DY (%)	0.0%	0.0%	0.0%	5.8%	9.7%

Source: Company data, QNB FS Research; Note: All data based on current number of shares; These estimates may not reflect the most recent quarter

### Key Data

Current Market Price (QR)	1.710
Dividend Yield (%)	0.0
Bloomberg Ticker	IGRD QD
ADR/GDR Ticker	N/A
Reuters Ticker	IGRD.QA
ISIN	QA0006UVF886
Sector*	Industrials
52wk High/52wk Low (QR)	2.131/1.673
3m Average Vol. ('mn)	3.8
Mkt. Cap. (\$'bn/QR'bn)	1.6/5.8
EV (\$'bn/QR'bn)	2.2/8.1
Shares Outstanding (mn)	3,404.0
FO Limit* (%)	49.0
Current Institutional FO* (%)	1.7
1-Year Total Return (%)	-12.4
Fiscal Year-End	December 31

Source: Bloomberg (as of October 28, 2024), \*Qatar Exchange (as of October 28, 2024); Note: FO is foreign ownership

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**3Q2024 IGRD Financial Performance**

QR'millions	3Q23a	2Q2024a	3Q2024a	YoY	QoQ
<b>Revenue</b>	<b>744.87</b>	<b>850.14</b>	<b>1,308.71</b>	75.7%	53.9%
Services	387.25	381.00	419.14	8.2%	10.0%
Contracting & Industries	316.01	403.29	565.79	79.0%	40.3%
Healthcare	108.29	192.09	282.92	161.3%	47.3%
Ventures/Tourism	23.03	18.77	17.65	-23.3%	-6.0%
Corporate/Eliminations	(89.70)	(145.02)	23.21	N.M	N.M
<b>Gross Profit</b>	<b>171.92</b>	<b>248.16</b>	<b>274.82</b>	59.9%	10.7%
Services	97.56	91.88	101.64	4.2%	10.6%
Contracting & Industries	52.76	73.93	67.99	28.9%	-8.0%
Healthcare	47.18	77.28	103.71	119.8%	34.2%
Ventures/Tourism	(25.58)	5.07	(0.80)	-96.9%	N.M
Corporate/Eliminations	-	0.00	2.29	N.M	98091.8%
<b>Net Profit</b>	<b>101.73</b>	<b>123.77</b>	<b>116.52</b>	14.5%	-5.9%
Services	114.52	68.65	77.02	-32.7%	12.2%
Contracting & Industries	15.39	39.68	43.42	182.2%	9.4%
Healthcare	3.99	11.73	14.55	264.8%	24.1%
Ventures/Tourism	(30.28)	(2.73)	(18.48)	-39.0%	576.9%
Corporate/Eliminations	(1.89)	6.44	0.02	N.M	-99.7%
<b>Minorities</b>	<b>(1.27)</b>	<b>14.42</b>	<b>1.84</b>	N.M	-87.3%
<b>Attributable Profit</b>	<b>103.00</b>	<b>109.36</b>	<b>114.69</b>	<b>11.3%</b>	<b>4.9%</b>

Source: Company data, QNB FS 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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