

Industries Qatar (IQCD)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR12.25	Target Price	QR14.00
Implied Upside	14.1%		

Broad-Based 1Q2024 Beat; Remain Accumulate With QR14 Price Target

IQCD posted an impressive set of results in 1Q2024, handily beating our estimates across segments based on higher-than-expected volumes and margins. We reiterate our Accumulate rating and our price target of QR14.00. While IQCD shares have had a sluggish start this year, we remain bullish longer term. Despite the earnings beat, we will maintain our estimates for now as our overall forecasts still appear reasonable. We expect IQCD to post a 14.4% growth in 2024 earnings on a normalized basis (flattish reported earnings growth), followed by a 6.5% growth in 2025. Over 2023-2028, we expect a 5-year normalized earnings CAGR of 5.2%. **IQCD should benefit from several catalysts, which are not in our model, including stake buyouts in QAFAC/QAPCO and new projects such as Blue Ammonia (Ammonia-7)/PVC, which could lead to ~35% earnings acceleration even under conservative assumptions.** Moreover, Qatar's ongoing expansion of its North Field aimed at increasing the State's LNG capacity from 77 MTPA to 142 MTPA by 2030 could allow for gas availability for downstream projects for IQCD. **We believe our model is quite conservative, which could create upside risks to our forecasts. IQCD is trading at 15.8x its 2024 EPS, below its historical median of 16.6x, implying limited downside. Investors should accumulate IQCD given its favorable risk-reward characteristics and attractive dividend yield (6.4%/6.8% for 2024/2025).**

Highlights

- **IQCD reported QR1,280.5mn in 1Q2024 earnings (9.8% YoY/-10.3% QoQ), 15.7% ahead of our estimate of QR1,106.8mn and 24.4% ahead of Bloomberg consensus. Normalized earnings, excluding a QR550mn-impairment reversal in steel, were up 46.0%. Please refer to page 5 for a detailed table of company's performance and our estimates.** Performance was better-than-expected across segments, led by fertilizers, and accompanied by the steel and petchems segments.
- **As expected, 1Q2024 price realizations generally continued to fall moderately across key product lines YoY but recovered sequentially; sales volumes followed a similar trend.** For segment details, please see pages 4 & 6. 1Q2024 overall sales volumes fell ~8% YoY (driven by steel/fertilizers and timing of shipments) but gained ~10% QoQ on broad-based increases. Production volumes eked out a 1% YoY increase but roared back with 10% sequential increase. We remind investors that IQCD underwent maintenance-related shutdowns in fuel additives, QAFCO-5 and steel in 4Q2023, while 1Q2024 only faced shutdowns in QAPCO. Overall price realizations (blended across all product lines) were down moderately (-4% YoY/-2% QoQ).
- **Petchems, outperformed in 1Q2024, with top-line and profitability exceeding our forecasts driven by volume upside offsetting lower-than-expected pricing.** 1Q2024 revenue of ~QR1.4bn (flattish YoY, ~-19% QoQ) was ~9% above our model on broadly higher-than-expected volumes for PE & FA offsetting moderately softer-than-forecasted prices. Earnings of QR354.0mn fell 7.5% YoY but grew 66.8% QoQ, and was 4.2% above our model. EBITDA margins came in at ~38% for 1Q2024 vs. around 40% in 1Q2023 and 23% in 4Q2023. Product prices, while down moderately YoY across the board, exhibited slight growth/stability QoQ on the back of better fundamentals. Sales volumes fell ~7% YoY, with decreases across the board, except for LLDPE, and grew ~25% QoQ. 1Q2024 production volumes rose roughly 1% YoY and grew 3% QoQ as 4Q2023 faced extensive maintenance-related shutdowns in QAFAC.
- **Fertilizer EBITDA margin shot up to ~49% in 1Q2024, its highest level in two years as IQCD benefited from lower operating costs.** Revenue of QR1.9bn decreased 16.2% YoY on lower prices/sales volumes but segment earnings of QR639.0mn increased 25.0%; IQCD reported a 28% YoY decline in operating costs as variable costs improved, aided by lower feedstock costs, boosting profitability. Sequentially, segment revenue was up 3.8% as sales volumes grew due to demand from the Indian subcontinent and higher production. Earnings increased 21.1% QoQ aided by higher sales and lower operating costs. Fertilizer EBITDA margin beat our estimate of 45% and improved nicely vs. 35% posted in 1Q2023 (which faced higher inventory costs) and 46% reported in 4Q2023. Segment top-line and earnings were 4.0% and 35.2% ahead of our model, respectively. IQCD's production volumes were down ~1% YoY but up ~10% QoQ; similarly sales volumes declined ~10% YoY due to supply challenges and lower demand but gained ~7% QoQ. We note QAFCO-5 went through a maintenance-related shutdown in 4Q2023 that helped boost sequential volumes. *Continued on next page.*
- **Steel top-line exceeded our forecast moderately but profitability was significantly better than our model.** Steel revenue came in at QR1.0bn (-15.5% YoY, 3.6% QoQ), which was 2.9% ahead of our model. YoY, rebar prices and sales volumes fell modestly leading to the revenue decline; IQCD also sold billets in 1Q2023, which it did not in 1Q2024. However, sequentially, improved sales volumes (on higher production as Doha facilities were under maintenance in 4Q2023) and higher contribution from the Al Qataria acquisition, along with modest improvement in prices, aided revenue growth. *Continued on next page.*

Key Financial Data and Estimates

	2022	2023	2024e	2025e	2026e
Revenue (QR mn)	18,794	11,744	12,266	12,985	13,829
Reported EPS (QR)	1.46	0.78	0.78	0.83	0.83
P/E	8.4	15.7	15.8	14.8	14.8
EV/EBITDA	8.3	18.6	17.5	16.6	14.6
Dividend Yield	9.0%	6.4%	6.4%	6.8%	6.8%

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

Key Data

Current Market Price (QR)	12.25
Dividend Yield (%)	6.4
Bloomberg Ticker	IQCD QD
ADR/GDR Ticker	N/A
Reuters Ticker	IQCD.QA
ISIN	QA000A0KD6K3
Sector*	Industrials
52wk High/52wk Low (QR)	14.33/10.80
3-m Average Volume ('mn)	2.9
Mkt. Cap. (\$ bn/QR bn)	20.3/74.1
EV (\$ bn/QR bn)	17.3/63.0
Shares Outstanding (mn)	6,050.0
FO Limit* (%)	100.0
Institutional FO* (%)	7.3
1-Year Total Return (%)	(0.2)
Fiscal Year End	December 31

Source: Bloomberg (as of April 30, 2024), *Qatar Exchange (as of April 30, 2024); Note: FO is foreign ownership

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- *Continued from first page.* Income of QR156.4mn (16.7% YoY, -74.7% QoQ) was 37.7% ahead of our forecast of QR113.6mn. We note that 4Q2023 income included QR550mn in impairment reversals related to the 1,500 KTPA-DR-2 facility (that was previously mothballed and restarted in 2022, replacing the 800 KTPA-DR-1 facility). If we strip out this reversal, 1Q2024 segment earnings were actually up 127.0% QoQ. We note that income from associates, primarily from Foulath that produces/sell iron oxide pellets, came in at QR76.1mn (18.7% YoY, 48.1% QoQ and 42.7% above our forecast of QR55.3mn). Steel also enjoyed lower operating expenses (down 19% YoY) given YoY improvement in raw material costs. EBITDA margins rose to ~21% in 1Q2024 vs. ~15% in 1Q2023 and ~12% in 4Q2023. Management commentary indicated a subdued outlook, both globally and in Qatar, with sluggish construction activity given the high-interest rate environment; steel prices were also impacted by a sharp decline in raw material (iron ore/scrap) prices. According to the company, blended steel realizations dipped by ~4% YoY/~2% QoQ. Sales volumes for 1Q2024 fell ~12% YoY but gained ~6% QoQ. Production volumes were up roughly up 7% YoY/14% QoQ. Production volumes, since the beginning of 2022 for DRI/HBI, have been aided by the re-startup of the DR-2 facility in 1Q2022 that has 1,700 KTPA of capacity (as opposed to the 800 KTPA-DR-1 facility it replaced).
- **We keep our estimates unchanged for now and project flattish 2024 earnings/EPS growth (up 14.4% YoY normalized) to QR4.7bn/QR0.78, followed by a 6.5% uptick in 2025 to QR5.0bn/QR0.83.** 2023 earnings were boosted by QR610mn (QR0.10/sh.) in impairments reversals in steel. **Group EBITDA could grow 11.0% from QR6.2bn in 2023 to QR6.9bn in 2024, before gaining another 5.8% to QR7.3bn (2025).** We expect prices to strengthen moderately and volumes to recover in 2024/2025 after maintenance-shutdowns in QAFAC/QAFCO-5 in 2023, along with higher sales from the Al Qataria steel acquisition.
- **DPS should track EPS; we project flat DPS at QR0.78 (DY: 6.4%) in 2024, before increasing to QR0.83 (6.8%) in 2025.** This translates to an average payout of ~100% (flat with 2023), which we believe could be the norm until EPS recovers beyond the QR1 mark. **While payouts are high, IQCD retains a strong balance sheet with estimated 1Q2024 cash/share of ~QR2 supporting dividends.**
- **Bulletproof balance sheet with QR12.1bn in cash/equivalents (after QR4.7bn in 2023 dividend payments) & zero long-term debt. We note that IQCD has sufficient cash to fund its entire capex outlay of QR10.8bn over 2024-2028.** IQCD, on a proportionate basis, generated OCF of QR915mn and FCF of QR400mn in 1Q2024. Net-net, given IQCD's strong balance sheet, we expect the company to withstand difficult market conditions, while retaining dry powder to take advantage of opportunities. IQCD's strong FCF generating ability (QR0.79/share on average over 2023-28, with an average yield of 6.5%), along with its large cash balances, also helps lower DPS volatility.

Catalysts

- **New projects/buyouts, not in our model, could lead to ~35% earnings acceleration: (1) acquisition of the remaining 50% stake in QAFAC** after the current JV agreement expires in June could lead to a ~10% annualized EPS acceleration, **(2) Startup of a new 350 KTPA PVC plant** (QR455mn net cost) in mid-2025, along with **an increase in effective stake in its QVC JV** (to 44.8% from its current indirect stake [via QAPCO] of 25.52%) from May 2026, could also lead to a ~3% increase in earnings. **(3) The QR4.4bn/1.2 MTPA Ammonia-7 project, which is also the world's largest Blue ammonia train, could add ~15% to EPS by 2026 if IQCD retains the older A-1/A-2 trains. The A-7 project should also boost IQCD's ESG credentials.** **(4) Moreover, similar to the QAFCO deal, IQCD could look to acquire Total's 20% stake in QAPCO when its JV agreement expires in 2029, which could add ~5% to EPS.** **(5) Given Qatar's ongoing LNG expansion, it is possible that incremental gas is released for downstream projects.** We do note that the recently announced \$6bn-Ras Laffan Petchem Complex (1.7 MTPA of HDPE) is 70/30 owned by QatarEnergy/Chevron Phillips. However, it is always possible that QatarEnergy transfers a part of this project, when completed, to listed downstream entities, IQCD & MPHIC, as has been the case in the past. However, it is yet to be seen if this would indeed be the case for future deals.

Recommendation, Valuation and Risks

- **Recommendation and valuation: We rate IQCD an Accumulate with a SOTP-derived PT of QR14.00.** The stock trades at P/E of 15.8x/14.8x (2024/2025).
- **Risks:** Oil/urea prices influence IQCD's operations & investor sentiment. Geopolitical risks remain and cannot be modeled.

Valuation – Our Price Target Implies a 14.1% Appreciation Potential

Our target price of QR14.00/share implies an upside of 14.1% from the current market price. We value IQCD using a Sum-Of-The-Parts (SOTP) methodology, which comprises of separate DFC-based models for its segments:

Valuation Summary

Segment	Methodology	Equity Value	EV/Share	CP/Share	% Of TP
Fertilizers	DCF	37,798	6.2	6.9	50%
Petrochemicals & Fuel Additives	DCF	28,164	4.7	5.2	37%
Steel	DCF	9,491	1.6	1.7	12%
Corporate/Others	DCF	776	0.1	0.1	1%
IQCD		76,229	12.6	14.0	100%

Source: Company data, QNB FS Research

IQCD is Trading Below Historical Median Suggesting Limited Downside



Source: Bloomberg

1Q2024 Results Review

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- As expected, 1Q2024 price realizations generally continued to fall moderately across key product lines YoY but recovered sequentially; sales volumes followed a similar trend. 1Q2024 overall sales volumes fell ~8% YoY (driven by steel/fertilizers and timing of shipments) but gained ~10% QoQ on broad-based increases. Production volumes eked out a 1% YoY increase but roared back with 10% sequential increase. We remind investors that IQCD underwent maintenance-related shutdowns in fuel additives, QAFCO-5 and steel in 4Q2023, while 1Q2024 only faced shutdowns in QAPCO. Overall price realizations (blended across all product lines) were down moderately (-4% YoY/-2% QoQ).

1Q2024 Price & Sales Volumes Comparisons

Wtd Average Selling Prices (\$/MT)	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E	YoY	QoQ
Petrochemicals & Fuel Additives							
LDPE	1,123	1,017	1,038	1,088	-5%	-8%	2%
LLDPE	1,005	950	964	977	-1%	-4%	1%
Methanol	280	254	254	265	-4%	-9%	0%
MTBE	891	870	884	945	-6%	-1%	2%
Fertilizer							
Ammonia	637	508	378	359	5%	-41%	-26%
Urea	352	342	343	326	5%	-3%	0%
Steel							
Rebar	647	610	623	612	2%	-4%	2%
DRI/HBI	368	371	384	360	7%	4%	4%
Billets	556	-	-	562	-100%	-100%	
Sales Volume (MT' 000)	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E	YoY	QoQ
Petrochemicals & Fuel Additives							
LDPE	159	144	146	143	2%	-8%	1%
LLDPE	63	66	84	66	27%	33%	27%
Methanol	104	46	103	100	3%	-1%	124%
MTBE	89	62	82	75	9%	-8%	32%
Fertilizer							
Ammonia	110	124	105	120	-13%	-5%	-15%
Urea	1,542	1,254	1,375	1,368	1%	-11%	10%
Steel							
Steel Bar	319	348	317	325	-3%	-1%	-9%
DRI/HBI	139	122	182	120	51%	31%	49%
Billets	107	-	-	26	-100%	-100%	

Source: Company data, QNB FS Research

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QNB FS 1Q2024 Estimates and Comparisons

Income Statement (QR Million)	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E	YoY	QoQ
Revenue	3,467.196	2,808.313	2,913.384	2,812.496	3.6%	-16.0%	3.7%
Cost of Sales (Ex. D & A)	(2,425.194)	(1,740.936)	(1,710.216)	(1,717.376)	-0.4%	-29.5%	-1.8%
Gross Profit	1,042.002	1,067.377	1,203.168	1,095.120	9.9%	15.5%	12.7%
General & Admin. Expenses	(166.532)	(186.368)	(153.534)	(191.531)	-19.8%	-7.8%	-17.6%
Selling & Distribution Costs	(13.767)	(21.447)	(14.735)	(19.687)	-25.2%	7.0%	-31.3%
EBITDA	861.703	859.562	1,034.899	883.901	17.1%	20.1%	20.4%
Depreciation & Amortization	(329.378)	(453.252)	(362.439)	(365.624)	-0.9%	10.0%	-20.0%
EBIT	532.325	406.310	672.460	518.277	29.7%	26.3%	65.5%
Finance Costs	(7.253)	(6.938)	(6.888)	(7.042)	-2.2%	-5.0%	-0.7%
Share of Results from Associates	64.128	51.387	76.101	53.314	42.7%	18.7%	48.1%
Share of Results of JVs	382.473	212.193	353.960	339.688	4.2%	-7.5%	66.8%
Other Income	195.318	215.260	186.079	203.521	-8.6%	-4.7%	-13.6%
Impairments, Reversals & Others		550.000		-			-100.0%
Profit Before Tax	1,166.991	1,428.212	1,281.712	1,107.758	15.7%	9.8%	-10.3%
Tax	(0.384)	(0.580)	(0.453)	(0.386)	17.2%	18.0%	-21.9%
Profit After Tax - Continuing Operations	1,166.607	1,427.632	1,281.259	1,107.372	15.7%	9.8%	-10.3%
Profit From Discontinued Operations							
Profit	1,166.607	1,427.632	1,281.259	1,107.372	15.7%	9.8%	-10.3%
Minority Interest	(0.682)	(0.785)	(0.755)	(0.621)	21.5%	10.7%	-3.8%
Profit for Equity Holders	1,165.925	1,426.847	1,280.504	1,106.750	15.7%	9.8%	-10.3%
Net Margin	33.6%	50.8%	44.0%	39.5%			
EPS (in QR)	0.19	0.24	0.21	0.18	15.7%	9.8%	-10.3%
Cost of Sales	69.9%	62.0%	58.7%	61.1%			
Gross Margin %	30.1%	38.0%	41.3%	38.9%			
G&A % Sales	4.8%	6.6%	5.3%	6.8%			
Selling Expenses % Sales	0.4%	0.8%	0.5%	0.7%			
EBITDA %	24.9%	30.6%	35.5%	31.4%			
D&A % Sales	9.5%	16.1%	12.4%	13.0%			
EBIT %	15.4%	14.5%	23.1%	18.4%			
Net Margin %	33.6%	50.8%	44.0%	39.4%			

Source: Company data, QNB FS Research

QNB FS 1Q2024 Segment Estimates and Comparisons

In QR Millions

Steel	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E
Revenue	1,228.299	1,002.158	1,037.817	1,008.643	2.9%
Profit Before Tax	133.986	618.911	156.415	113.573	37.7%
<i>NM %</i>	<i>10.91%</i>	<i>61.76%</i>	<i>15.07%</i>	<i>11.26%</i>	
<i>Revenue QoQ</i>	<i>64%</i>	<i>11%</i>	<i>4%</i>	<i>1%</i>	
<i>Profit Before Tax QoQ</i>	<i>16%</i>	<i>376%</i>	<i>-75%</i>	<i>-82%</i>	
<i>Revenue YoY</i>	<i>-6%</i>	<i>34%</i>	<i>-16%</i>	<i>-18%</i>	
<i>Profit Before Tax YoY</i>	<i>-49%</i>	<i>438%</i>	<i>17%</i>	<i>-15%</i>	
Petrochemicals & Fuel Additives	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E
Revenue	1,362.000	1,150.000	1,364.000	1,251.613	9.0%
Profit Before Tax	382.473	212.193	353.960	339.688	4.2%
<i>NM %</i>	<i>28.08%</i>	<i>18.45%</i>	<i>25.95%</i>	<i>27.14%</i>	
<i>Revenue QoQ</i>	<i>-8%</i>	<i>-7%</i>	<i>19%</i>	<i>9%</i>	
<i>Profit Before Tax QoQ</i>	<i>-2%</i>	<i>-34%</i>	<i>67%</i>	<i>60%</i>	
<i>Revenue YoY</i>	<i>-26%</i>	<i>-22%</i>	<i>0%</i>	<i>-8%</i>	
<i>Profit Before Tax YoY</i>	<i>-43%</i>	<i>-45%</i>	<i>-7%</i>	<i>-11%</i>	
Fertilizers	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E
Revenue	2,238.897	1,806.155	1,875.567	1,803.853	4.0%
Profit Before Tax	511.093	527.774	639.039	472.790	35.2%
<i>NM %</i>	<i>22.83%</i>	<i>29.22%</i>	<i>34.07%</i>	<i>26.21%</i>	
<i>Revenue QoQ</i>	<i>-35%</i>	<i>-7%</i>	<i>3.8%</i>	<i>-0.1%</i>	
<i>Profit Before Tax QoQ</i>	<i>-57%</i>	<i>-17%</i>	<i>21.1%</i>	<i>-10.4%</i>	
<i>Revenue YoY</i>	<i>-44%</i>	<i>-47%</i>	<i>-16.2%</i>	<i>-19.4%</i>	
<i>Profit Before Tax YoY</i>	<i>-71%</i>	<i>-55%</i>	<i>25.0%</i>	<i>-7.5%</i>	
Total Revenue	4,829.196	3,958.313	4,277.384	4,064.109	5.2%
<i>YoY Growth</i>	<i>-32%</i>	<i>-30%</i>	<i>-11%</i>	<i>-16%</i>	
<i>QoQ Growth</i>	<i>-15%</i>	<i>-3%</i>	<i>8%</i>	<i>3%</i>	
Steel	25%	25%	24%	25%	
Petrochemicals & Fuel Additives	28%	29%	32%	31%	
Fertilizers	46%	46%	44%	44%	
Total Profit Before Tax (Ex. Unallocated)	1,027.552	1,358.878	1,149.414	926.051	24.1%
Steel	13%	46%	14%	12%	
Petrochemicals & Fuel Additives	37%	16%	31%	37%	
Fertilizers	50%	39%	56%	51%	
Group Net Income	1,165.925	1,426.847	1,280.504	1,106.750	15.7%
Segment Profit Before Tax/Group NI	88%	95%	90%	84%	
Unallocated Net Income	138.373	67.969	131.090	180.699	-27.5%

Source: Company data, QNB FS Research

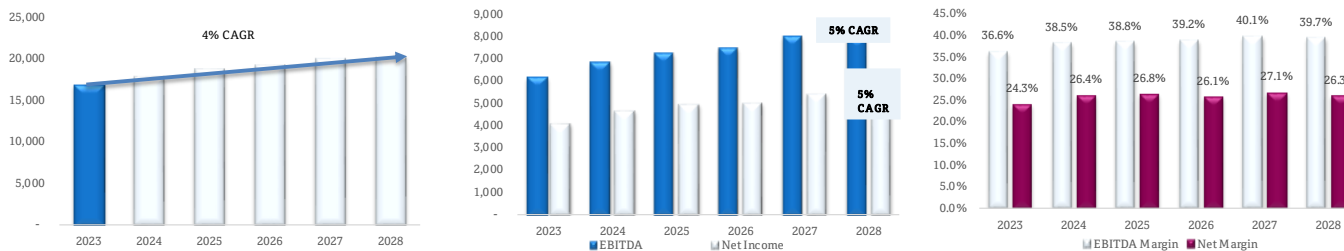
Key Metrics

Segment Revenue, EBITDA, Net Income, Pricing and Sales Volumes

Revenue (QR Million) - Group	2021	2022	2023	2024	2025	2026	2027	2028
Total Group	20,150	25,769	16,919	17,837	18,713	19,242	20,104	20,163
Petrochemicals & Fuel Additives	5,981	6,975	5,175	5,571	5,728	5,413	5,961	5,896
Fertilizer	10,283	14,532	7,480	7,657	7,911	8,411	8,645	8,731
Steel	3,886	4,262	4,264	4,609	5,074	5,418	5,498	5,536
EBITDA (QR Million) - Group	2021	2022	2023	2024	2025	2026	2027	2028
Total Group	10,142	10,960	6,185	6,865	7,262	7,538	8,063	7,995
Petrochemicals & Fuel Additives	3,055	3,083	1,898	2,205	2,320	2,055	2,493	2,425
Fertilizer	6,122	6,402	3,001	3,215	3,347	3,789	3,862	3,858
Steel	882	1,086	687	817	955	1,049	1,061	1,061
Net Income (QR Million) - Group	2021	2022	2023	2024	2025	2026	2027	2028
Total Group	8,089	8,815	4,720	4,701	5,008	5,015	5,446	5,295
Petrochemicals & Fuel Additives	2,479	2,460	1,360	1,622	1,715	1,445	1,861	1,788
Fertilizer	5,106	5,347	1,882	2,035	2,103	2,286	2,286	2,208
Steel	716	889	1,027	546	680	771	782	780
Corporate/Unallocated	(212)	118	451	498	510	513	516	520
Revenue (QR Million)	2021	2022	2023	2024	2025	2026	2027	2028
Petrochemicals & Fuel Additives								
LDPE	3,058	3,161	2,364	2,490	2,544	2,287	2,615	2,631
LLDPE	1,076	1,256	983	1,023	1,048	918	1,081	1,088
Methanol	609	471	315	440	466	485	499	424
MTBE	629	1,319	1,051	1,143	1,190	1,236	1,274	1,258
Petrochemical & Fuel Additives Revenue	5,980	6,974	5,176	5,571	5,728	5,413	5,961	5,896
Fertilizer								
Ammonia	1,154	1,742	834	628	639	1,015	1,161	1,186
Urea	8,994	12,821	6,635	6,971	7,214	7,337	7,426	7,486
Melamine	448	420	244	291	291	291	291	291
Fertilizer Revenue	10,283	14,532	7,480	7,657	7,911	8,411	8,645	8,731
Steel								
Rebar	2,844	2,966	2,964	3,339	3,758	4,077	4,138	4,167
DRI/HBI	147	901	746	743	771	786	797	802
Billets	543	81	272	249	260	265	268	270
Coils	359	353	289	285	291	296	300	303
Steel Revenue	3,886	4,262	4,264	4,609	5,074	5,418	5,498	5,536
Wtd Average Selling Prices (\$/MT)	2021	2022	2023	2024	2025	2026	2027	2028
Petrochemicals & Fuel Additives								
LDPE	1,508	1,378	1,041	1,089	1,113	1,132	1,144	1,151
LLDPE	1,202	1,139	972	986	1,010	1,029	1,042	1,049
Methanol	351	307	247	266	281	293	301	306
MTBE	736	1,007	911	951	990	1,029	1,061	1,083
Fertilizer								
Ammonia	542	922	402	352	358	362	366	369
Urea	463	618	335	343	351	356	359	362
Steel								
Rebar	698	728	631	629	647	661	671	675
DRI/HBI	416	450	516	379	389	396	402	404
Billets	491	621	562	579	594	606	614	617
Sales Volume (MT' 000)	2021	2022	2023	2024	2025	2026	2027	2028
Petrochemicals & Fuel Additives								
LDPE	557	630	624	628	628	555	628	628
LLDPE	246	303	278	285	285	245	285	285
Methanol	477	421	351	455	455	455	455	380
MTBE	235	360	317	330	330	330	330	319
Fertilizer								
Ammonia	585	519	569	491	491	771	871	883
Urea	5,333	5,698	5,449	5,581	5,651	5,668	5,680	5,686
Steel								
Rebar	1,119	1,119	1,290	1,458	1,597	1,695	1,695	1,695
DRI/HBI	97	550	397	539	545	545	545	545
Billets	304	36	133	118	120	120	120	120

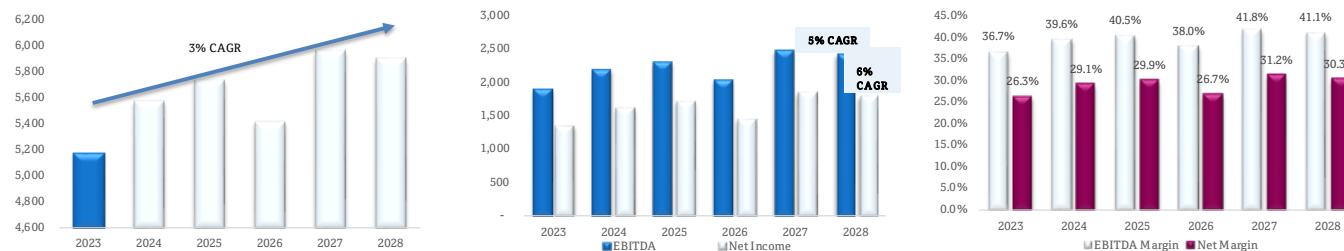
Source: Company data, QNB FS Research

Group – Revenue, Group EBITDA, Normalized Net Income, Margins & Growth (In QR Mn & Percentages)



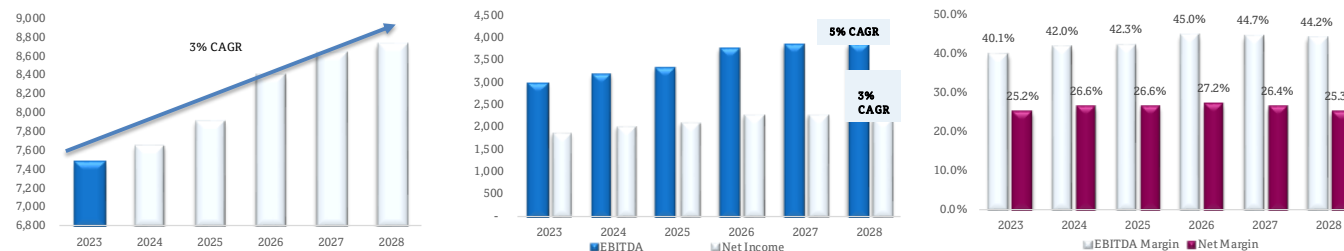
Source: Company data, QNB FS Research

Petrochemicals & Fuel Additives – Revenue, EBITDA, Normalized Net Income, Margins & Growth (In QR Mn & Percentages)



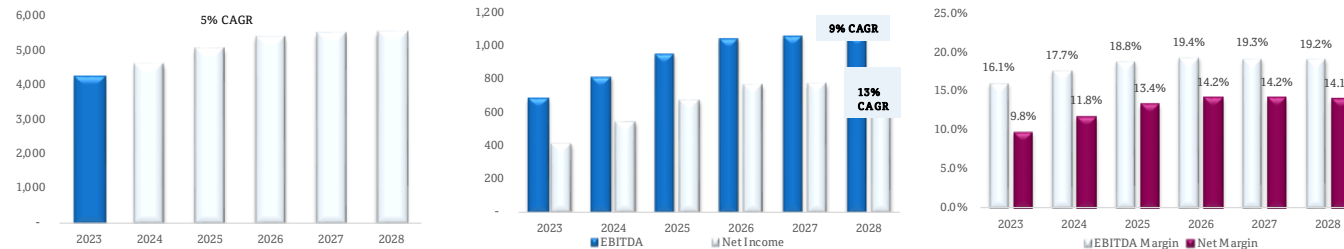
Source: Company data, QNB FS Research

Fertilizers – Revenue, EBITDA, Normalized Net Income, Margins & Growth (In QR Mn & Percentages)



Source: Company data, QNB FS Research

Steel – Revenue, EBITDA, Normalized Net Income, Margins & Growth (In QR Mn & Percentages)



Source: Company data, QNB FS Research

Ratio Analysis

Key Ratios & Valuation Metrics

Particulars	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Growth Ratios (In %)												
Revenue - Proportionate Group	3.6%	14.7%	(15.9%)	(17.4%)	77.4%	27.9%	(34.3%)	5.4%	4.9%	2.8%	4.5%	0.3%
Revenue - Reported	(1.0%)	25.1%	(12.0%)	45.2%	91.5%	32.6%	(37.5%)	4.4%	5.9%	6.5%	2.3%	0.9%
Gross Profit	(31.9%)	24.2%	(76.0%)	805.6%	195.6%	2.2%	(47.3%)	8.3%	6.6%	12.0%	2.1%	0.4%
EBITDA - Proportionate Group	(4.1%)	31.5%	(41.4%)	4.5%	168.1%	8.1%	(43.6%)	11.0%	5.8%	3.8%	7.0%	(0.8%)
EBITDA - Reported	(38.4%)	35.9%	(93.6%)	3326.4%	229.6%	2.8%	(53.3%)	9.5%	7.3%	14.0%	1.9%	(0.2%)
EBIT	(48.3%)	51.1%	N/M	N/M	1152.9%	2.7%	(68.2%)	15.0%	9.5%	12.3%	0.2%	(3.6%)
JV Income	51.9%	48.8%	(43.8%)	(51.1%)	132.7%	(0.8%)	(44.7%)	19.3%	5.7%	(15.7%)	28.8%	(3.9%)
PBT	12.2%	51.7%	(48.8%)	(28.3%)	338.4%	9.0%	(46.4%)	(0.4%)	6.5%	0.1%	8.6%	(2.8%)
PAT	12.2%	51.7%	(48.8%)	(28.4%)	338.8%	9.0%	(46.4%)	(0.4%)	6.5%	0.1%	8.6%	(2.8%)
Net Income - Reported	12.2%	51.7%	(48.8%)	(29.7%)	346.8%	9.0%	(46.5%)	(0.4%)	6.5%	0.1%	8.6%	(2.8%)
Net Income - Normalized	15.6%	48.7%	(51.3%)	(28.1%)	354.6%	9.0%	(53.4%)	14.4%	6.5%	0.1%	8.6%	(2.8%)
EPS - Reported	12.2%	51.7%	(48.8%)	(29.7%)	346.8%	9.0%	(46.5%)	(0.4%)	6.5%	0.1%	8.6%	(2.8%)
EPS - Normalized	15.6%	48.7%	(51.3%)	(28.1%)	354.6%	9.0%	(53.4%)	14.4%	6.5%	0.1%	8.6%	(2.8%)
DPS	25.0%	20.0%	(33.3%)	(17.5%)	203.0%	10.0%	(29.1%)	0.0%	6.4%	0.0%	8.4%	(2.2%)
Operating Ratios (In %)												
Gross Margin	20.1%	20.0%	5.4%	33.9%	52.4%	40.4%	34.0%	35.3%	35.5%	37.4%	37.3%	37.1%
EBITDA Margin - Proportionate Gr	33.0%	37.8%	26.3%	33.3%	50.3%	42.5%	36.6%	38.5%	38.8%	39.2%	40.1%	39.7%
EBITDA Margin - Reported	14.6%	15.9%	1.2%	27.4%	47.2%	36.6%	27.3%	28.7%	29.1%	31.1%	31.0%	30.7%
EBIT Margin	9.8%	11.8%	(4.3%)	5.6%	36.9%	28.6%	14.5%	16.0%	16.6%	17.5%	17.1%	16.4%
Net Margin	71.6%	86.9%	50.5%	24.5%	57.1%	46.9%	40.2%	38.3%	38.6%	36.3%	38.5%	37.1%
Working Capital Ratios (Days)												
Inventory days	142.6	135.2	140.3	145.6	108.5	101.1	133.5	133.5	133.5	133.5	133.5	133.5
Average collection period	98.8	63.3	64.3	78.5	79.6	37.7	53.4	53.4	53.4	53.4	53.4	53.4
Payable days	115.0	104.5	93.9	105.1	107.8	69.4	104.6	104.6	104.6	104.6	104.6	104.6
Finance Ratios												
Net Debt-Equity Ratio	(0.2)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Interest Coverage	45.1	351.1	-19.0	11.2	206.4	227.2	59.9	69.6	80.2	94.8	100.1	101.5
Return Ratios (In %)												
ROE	9.9%	14.2%	7.5%	5.4%	20.5%	21.0%	11.8%	11.8%	12.5%	12.6%	13.6%	13.3%
ROA	9.4%	13.6%	7.2%	5.0%	19.1%	19.6%	11.0%	10.9%	11.6%	11.6%	12.5%	12.2%
Liquidity Ratios												
Current Ratio	7.8	10.4	11.2	8.9	10.1	10.7	9.0	8.1	7.4	7.2	7.5	7.9
Quick Ratio	6.8	9.2	9.7	7.6	9.2	9.3	7.7	6.8	6.1	5.9	6.2	6.6
Valuation												
EV/Reported EBITDA	98.2	68.9	1,071.3	32.2	9.0	8.3	18.6	17.5	16.6	14.6	14.1	13.8
EV/EBIT	147.1	92.9	N/M	156.5	11.5	10.6	35.0	31.3	29.0	25.9	25.4	25.9
P/E	22.4	14.7	28.8	40.9	9.2	8.4	15.7	15.8	14.8	14.8	13.6	14.0
P/Normalized Earnings	21.7	14.6	29.9	41.7	9.2	8.4	18.0	15.8	14.8	14.8	13.6	14.0
P/BV	2.2	2.1	2.2	2.2	1.9	1.8	1.9	1.9	1.9	1.9	1.8	1.9
Dividend Yield	4.1%	4.9%	3.3%	2.7%	8.2%	9.0%	6.4%	6.4%	6.8%	6.8%	7.3%	7.2%
FCF Yield	3.6%	7.9%	5.0%	4.1%	10.0%	12.0%	6.0%	4.0%	5.0%	6.5%	8.3%	8.9%

Source: Company data, QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Revenue	14,169	18,794	11,744	12,266	12,985	13,829	14,143	14,267
Cost of Sales, Excluding D&A	(6,744)	(11,206)	(7,749)	(7,939)	(8,373)	(8,663)	(8,867)	(8,969)
Gross Profit	7,425	7,588	3,995	4,328	4,612	5,166	5,276	5,298
Cash G&A Expenses	(684)	(648)	(704)	(727)	(751)	(773)	(800)	(827)
Cash Selling Expenses	(59)	(68)	(79)	(84)	(87)	(90)	(93)	(97)
EBITDA	6,683	6,872	3,212	3,517	3,773	4,303	4,383	4,374
Depreciation & Amortization	(1,450)	(1,498)	(1,504)	(1,552)	(1,621)	(1,885)	(1,960)	(2,038)
EBIT	5,233	5,374	1,708	1,965	2,152	2,418	2,423	2,336
Finance Costs	(25)	(24)	(29)	(28)	(27)	(25)	(24)	(23)
Share of Results of Joint Ventures	2,479	2,460	1,360	1,622	1,715	1,445	1,861	1,788
Other Income, Expenses, Taxes & Minorities	402	1,004	1,680	1,142	1,168	1,178	1,186	1,194
Profit for Shareholders	8,089	8,815	4,720	4,701	5,008	5,015	5,446	5,295
EPS (QR)	1.34	1.46	0.78	0.78	0.83	0.83	0.90	0.88
DPS (QR)	1.00	1.10	0.78	0.78	0.83	0.83	0.90	0.88
Group Revenue	20,150	25,769	16,919	17,837	18,713	19,242	20,104	20,163
Group EBITDA	10,142	10,960	6,185	6,865	7,262	7,538	8,063	7,995

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Non-Current Assets								
PP&E & PUD	12,696	11,877	13,532	15,122	16,145	16,011	15,204	13,821
Investment Properties	0	0	0	0	0	0	0	0
Investment in Associates	1,577	1,890	1,811	2,134	2,472	2,817	3,168	3,523
Investment in Joint Ventures	6,823	7,097	6,783	6,412	6,021	5,690	5,265	4,857
Available-for-Sale Investments	0	0	0	0	0	0	0	0
Right-of Use Assets & Others	189	242	593	581	567	546	523	498
Total Non-Current Assets	21,284	21,106	22,719	24,250	25,205	25,065	24,161	22,700
Current Assets								
Inventories	2,004	3,105	2,833	2,895	3,061	3,168	3,242	3,279
Accounts Rec. & Prepayments	3,090	1,943	1,719	1,791	1,901	2,024	2,070	2,088
Due from Related Parties	1,494	1,535	946	988	1,046	1,114	1,140	1,150
Financial Assets at FVTPL	349	397	421	421	421	421	421	421
Cash and Bank Balances	14,086	16,919	14,414	12,623	11,631	11,428	12,536	13,682
Total Current Assets	21,023	23,899	20,334	18,718	18,061	18,156	19,409	20,620
Total Assets	42,308	45,005	43,053	42,968	43,266	43,220	43,570	43,320
Total Equity	39,510	42,020	39,976	39,843	40,011	39,882	40,173	39,894
Non-Current Liabilities								
Loans and Borrowings	0	0	0	0	0	0	0	0
EOS Benefits & Lease Liabilities	724	761	806	806	806	806	806	806
Total Non-Current Liabilities	724	761	806	806	806	806	806	806
Current Liabilities								
Accounts Payables & Accruals	1,991	2,132	2,220	2,268	2,399	2,482	2,540	2,570
Due to Related Parties, Lease Liabilities & Others	83	92	50	50	50	50	50	50
Loans and Borrowings	0	0	0	0	0	0	0	0
Total Current Liabilities	2,073	2,224	2,270	2,318	2,449	2,532	2,590	2,620
Equity and Liabilities	42,308	45,005	43,053	42,968	43,266	43,220	43,570	43,320

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

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