

# WDAM Alert– In-Line 1Q2020 With a Slight EPS Growth YoY; Maintain TP, Accumulate

- **WDAM posted 1Q2020 net income/EPS of QR26.5m/QR0.15, up 2.4% YoY and 76.5%, QoQ, in line with our net income estimate. In parallel to our expectations, WDAM's financial results were not affected by Coronavirus disruptions during 1Q2020.** Widam Food Company's (WDAM) net profit rose 2.4% YoY (+76.5% QoQ) to QR26.5mn in 1Q2020, in line with our estimate of QR25.9mn (variation of +2.2%). The sequential rise in the net earnings was due to QR6.3mn of losses from discontinued operations (Al Rkiya Farm) recorded within 4Q2019. EPS amounted to QR0.15 in 1Q2020 as compared to QR0.14 in 1Q2019.
- **Revenue rose by 12.8% YoY:** The company recorded QR146.9mn revenue in 1Q2020, rising by 12.8% YoY. Gross margin (after government compensation), on the other hand, fell to 22.9% in 1Q2020 from 28.3% in 1Q2019 (also down sequentially vs. 4Q2019's 25.5%). Government compensation declined from QR127.3mn as of 1Q2019 to QR97.6mn, which is attributable to higher product prices. Hence, WDAM posted QR33.6mn in gross profits with a 8.9% decline YoY (variation: -2.3%)
- **G&A declined substantially by 34.1% YoY.** WDAM recorded QR9.1mn in 1Q2020 G&A, which is notably below 1Q2019's QR13.8mn and our estimate of QR10.3mn (variation: -11.8%).
- **We maintain our estimates and TP.** In FY2020, the lack of 2019's one-off items (QR20.1mn of one-time losses due to the closure of Al-Rkiya Farm and QR3-4mn of estimated expenses under G&A) should create a positive base for EPS growth in 2020 vs. 2019. Just the lack of one-off items in 2020 should drive 2020 EPS growth by 26% so our thesis of earnings acceleration remains intact. The Strategic Food Security Projects disclosed by the Ministry of Municipality and Environment (MME) in March 2019 envisages that local production of red meat could go up from the current 18% to 30% by 2023. Widam, the leading livestock and red meat provider of Qatar and a key contributor to Qatar's National Food Security Program, is likely to be the top beneficiary of increasing local production, which should enjoy higher profitability vs. imports. Widam is also considering to increase its slaughterhouse capacity from 3,100 heads/day to 5,100 per day. **We maintain our Accumulate rating and our TP at QR8.2.**

### 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

**Saugata Sarkar, CFA, CAIA**  
Head of Research  
+974 4476 6534  
saugata.sarkar@qnbfs.com.qa

**Shahan Keushgerian**  
Senior Research Analyst  
+974 4476 6509  
shahan.keushgerian@qnbfs.com.qa

**Zaid Al Nafsoosi, CMT, CFTE**  
Senior Research Analyst  
+974 4476 6535  
zaid.alnafsoosi@qnbfs.com.qa

**Mehmet Aksoy, PhD**  
Senior Research Analyst  
+974 4476 6589  
mehmet.aksoy@qnbfs.com.qa

**DISCLAIMER:** This publication has been prepared by QNB Financial Services Co. WLL ("QNBFS") a wholly-owned subsidiary of Qatar National Bank Q.P.S.C ("QNB"). QNBFS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange; QNB 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. 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. While this publication has been prepared with the utmost degree of care by our analysts, 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. 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.

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