

Industries Qatar (IQCD)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR12.10	Target Price	QR14.00
Implied Upside	15.5%	Old Target Price	QR14.30

Remain Accumulate On Medium-Term Growth Prospects

We reiterate our Accumulate rating and adjust our price target from QR14.30 to QR14.00. While IQCD shares have had a sluggish start this year and 1Q2024 results are unlikely to move the needle, we remain bullish longer term. 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 15.6x 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%/6.9% for 2024/2025).

Highlights

- 1Q2024 preview: Despite posting a moderate YoY decline in 1Q2024 earnings, IQCD could report solid sequential growth on a normalized basis. We expect IQCD to post a YoY net income decline of 5.1%, along with a sequential 22.4% downturn in earnings. However, excluding a QR550mn reversal of impairment in the steel segment posted in 4Q2023, earnings in 1Q2024 (on a normalized basis) should increase 26.2% QoQ. While overall prices should be generally weaker across the board on a YoY basis, PE prices should strengthen sequentially offsetting a moderate QoQ decline in urea prices. Volumes should follow a similar trend, down YoY but up QoQ as 4Q2023 faced maintenance-related shutdowns in QAFAC-5 and in the fuel additives segment.
- We 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/QAFAC-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 (6.9%) 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 ~QR12bn 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 QR5.4bn and FCF of QR2.7bn in 2023. 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 QAFAC 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 15.6x/14.6x (2024/2025).
- Risks: Oil/urea prices influence IQCD's operations & investor sentiment. Geopolitical risks remain and cannot be modeled.

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	8.3	15.5	15.6	14.6	14.6
EV/EBITDA	8.2	18.3	17.2	16.3	14.4
Dividend Yield	9.1%	6.4%	6.4%	6.9%	6.9%

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

Key Data

Current Market Price (QR)	12.10
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)	3.0
Mkt. Cap. (\$ bn/QR bn)	20.1/73.2
EV (\$ bn/QR bn)	16.1/58.8
Shares Outstanding (mn)	6,050.0
FO Limit* (%)	100.0
Institutional FO* (%)	7.3
1-Year Total Return (%)	4.6
Fiscal Year End	December 31

Source: Bloomberg (as of April 21, 2024), *Qatar Exchange (as of April 21, 2024); Note: FO is foreign ownership

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

Valuation – Our Price Target Implies a 15.5% Appreciation Potential

Our target price of QR14.00/share implies an upside of 15.5% 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	TP/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

Comparative Multiples

Fertilizers

BBG Ticker	Price (LC)	MKT Cap (US \$ mn)	P/E (X)		EV/EBITDA (X)		DY (%)	
			2024e	2025e	2024e	2025e	2024e	2025e
SAFCO AB EQUITY	114.80	14,568	15.28	14.64	9.81	9.59	5.72	5.56
YAR NO Equity	337.30	7,796	11.17	9.47	5.34	4.94	5.14	6.43
MOS US EQUITY	31.00	9,972	10.43	11.04	5.53	5.76	2.64	2.59
Peers Average			12.30	11.72	6.89	6.77	4.50	4.86
Peers Median			11.17	11.04	5.53	5.76	5.14	5.56

Petchems

BBG Ticker	Price (LC)	MKT Cap (US \$ mn)	P/E (X)		EV/EBITDA (X)		DY (%)	
			2024e	2025e	2024e	2025e	2024e	2025e
YANSAB AB EQUITY	37.90	5,683	55.82	27.64	12.00	9.37	4.72	5.52
KAYAN AB EQUITY	9.35	3,739	N/M	161.21	11.71	8.11	-	-
SABIC AB EQUITY	79.70	63,740	31.07	17.75	10.63	7.84	4.47	4.99
PETRROR AB EQUITY	7.61	3,390	N/M	292.69	15.99	10.67	N/M	N/M
SIPCHEM AB EQUITY	32.55	6,363	18.10	11.52	10.14	8.04	5.76	7.04
Peers Average			35.00	102.16	12.10	8.80	3.74	4.39
Peers Median			31.07	27.64	11.71	8.11	4.60	5.26

Steel

BBG Ticker	Price (LC)	MKT Cap (US \$ mn)	P/E (X)		EV/EBITDA (X)		DY (%)	
			2024e	2025e	2024e	2025e	2024e	2025e
MT NA EQUITY	23.8	21,670	5.99	5.08	3.63	3.29	2.03	2.17
TKA GR EQUITY	4.5	3,012	15.76	4.96	0.24	0.20	3.53	4.01
NUE US EQUITY	191.4	45,923	14.54	14.22	8.18	8.05	1.12	1.14
XUS EQUITY	38.6	8,676	12.46	11.42	5.38	4.85	0.52	0.57
5411 JP EQUITY	2,377.0	9,824	7.57	6.50	6.27	5.83	4.21	4.65
SAIL IN EQUITY	148.6	7,358	26.42	18.29	8.75	7.34	1.38	1.76
JSTL IN EQUITY	861.4	25,252	20.21	14.13	9.57	7.96	0.67	0.89
Peers Average			14.71	10.66	6.00	5.36	1.92	2.17
Peers Median			14.54	11.42	6.27	5.83	1.38	1.76

IQCD QD Equity	12.10	20,103	15.57	14.62	17.23	16.32	6.45	6.86
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Source: Company data, QNB FS Research

IQCD is Trading Below Historical Median Suggesting Limited Downside



Source: Bloomberg

1Q2024 Preview: Expect Solid Sequential Growth on a Normalized Basis

Despite posting a moderate YoY decline in 1Q2024 earnings, IQCD could report solid sequential growth on a normalized basis. We expect IQCD to post a YoY net income decline of 5.1%, along with a sequential 22.4% downtick in earnings. **However, excluding a QR550mn reversal of impairment in the steel segment posted in 4Q2023, earnings in 1Q2024 (on a normalized basis) should increase 26.2% QoQ.** While overall prices should be generally weaker across the board on a YoY basis, PE prices should strengthen sequentially offsetting a moderate QoQ decline in urea prices. Volumes should follow a similar trend, down YoY but up QoQ as 4Q2023 faced maintenance-related shutdowns in QAFCO-5 and in the fuel additives segment. Digging into segments, in fertilizers, urea prices have eased around 5% from the average prices seen during 4Q2023 despite strengthening as the first quarter progressed (indications are that prices declined in April, however); urea prices should also face moderate YoY weakness. Sales volumes, while modeled lower YoY, should recover from 4Q2023's shutdown-related lows, in our view. We expect 1Q2024 fertilizer EBITDA margins to jump to almost 45% from 35% in 1Q2023 (which faced higher inventory costs) but soften modestly relative to 4Q2023's 46%. On the PE/FA front, while yearly comparisons should be weak, QoQ prices have shown decent improvement (led by LDPE and MTBE); sequential volume comparisons should look decent given maintenance-related shutdowns in QAFAC in 4Q2023, despite the 35-40 days in expected shutdowns in QAPCO in 1Q2024. Consequently, we expect segment earnings to decline YoY but improve sequentially. Finally, in the steel segment, rebar prices while down YoY remained stable QoQ. Sales volumes should benefit from the October Al Qataria acquisition offset by an expected shutdown in January 2024. We expect segment earnings to decline YoY but improve sequentially on a normalized basis (excluding the previously mentioned impairment reversal in 4Q2023).

4Q/FY2023 Review: Headline Beat On Impairment Reversal; Strong Dividends With 100% Payout

IQCD reported QR1.4bn/QR0.24 in 4Q2023 earnings/EPS (-19.3% YoY/18.4% QoQ), handily topping our estimate of QR1.1bn/QR0.18 by 30.0%. However, reported earnings included QR550mn of impairment reversals in the steel business (DR-2 facility) and normalized earnings/EPS excluding this item, came in at QR876.8mn/QR0.14, missing our forecast by 20.1%. **The miss in 4Q2023, if we exclude the one-off, essentially came from lower-than-expected volumes from petrochemicals (specifically maintenance-shutdowns at fuel additives) and higher-than-expected costs in the steel segment (4Q2023 EBITDA margin of 12%, lowest since 2Q2020).**

- **Petchem price realizations beat our model except MTBE, while urea and steel rebar pricing fell below our estimates.** Overall price realizations ratcheted down 24% YoY due to weakness in fertilizers but eked out a modest 5% QoQ increase.
- **Sales volumes were generally weaker across the board, with methanol significantly below our model – while we had accounted for the fuel additives maintenance-related shutdowns in our model, reported sales volumes still surprised on the downside.** According to the company, on a consolidated level, 4Q2023 overall sales volumes fell 8% YoY and 7% QoQ due to lower production given planned shutdowns in fuel additives and fertilizers. For the year, sales volumes declined around 1% from 10.2mn MT in 2022 to 10.1mn MT in 2023. Production volumes remained flattish YoY at 16.7mn MT in 2023; sequentially, production volumes fell roughly 7% from 4.4mn MT in 3Q2023 to 4.1mn MT in 4Q2023 given shutdowns in all segments, including FA, fertilizers and steel. Utilization rates remained roughly 100% in both 2023 and 2022 but fell from 103% in 3Q2023 to 96% in 4Q2023.

4Q2023 Price & Sales Volumes Comparisons

Wtd Average Selling Prices (\$/MT)	4Q2022	3Q2023	4Q2023	4Q2023E	A Vs. E	YoY	QoQ
Petrochemicals & Fuel Additives							
LDPE	1,103	948	1,017	967	5%	-8%	7%
LLDPE	949	920	950	902	5%	0%	3%
Methanol	272	226	254	236	8%	-7%	12%
MTBE	879	954	870	1,002	-13%	-1%	-9%
Fertilizer							
Ammonia	882	299	508	419	21%	-42%	70%
Urea	579	354	342	372	-8%	-41%	-3%
Steel							
Rebar	623	625	610	650	-6%	-2%	-2%
DRI/HBI	337	374	371	389	-5%	10%	-1%
Billets	-	-	-	-			
Sales Volume (MT' 000)	4Q2022	3Q2023	4Q2023	4Q2023E	A Vs. E	YoY	QoQ
Petrochemicals & Fuel Additives							
LDPE	163	155	144	165	-13%	-12%	-7%
LLDPE	81	73	66	80	-18%	-19%	-10%
Methanol	106	91	46	65	-29%	-57%	-49%
MTBE	98	76	62	60	3%	-37%	-18%
Fertilizer							
Ammonia	128	172	124	47	163%	-3%	-28%
Urea	1,433	1,365	1,254	1,307	-4%	-12%	-8%
Steel							
Steel Bar	237	282	348	330	5%	47%	23%
DRI/HBI	116	136	122	145	-16%	5%	-10%
Billets	-	-	-	30	-100%		

Source: Company data, QNB FS Research

- **Petchems, underperformed in 4Q2023, with top-line and profitability falling short of our forecasts driven by lower-than-expected sales volumes.** 4Q2023 revenue of ~QR1.2bn (-22% YoY, -7% QoQ) was 7% lower than our model on broadly lower-than-expected volumes for both PE & FA. Earnings of QR212.2mn fell 45.4% YoY/34.2% QoQ, and was 37.4% below our model. EBITDA margins came in at ~23% for 4Q2023 vs. around 41% in 4Q2022 and 39% in 3Q2023; EBITDA margin for the quarter was the lowest on record ever since IQCD started reporting quarterly segment EBITDA margins from 1Q2020. Product prices, while down YoY across the board (except for LLDPE), exhibited growth QoQ, barring MTBE. YoY pricing continues to be affected by oil price volatility, easing of supply chain pressures that were prevalent during 2022 and cautious consumer spending because of persistent recessionary fears. However, improving sentiment on the back of better fundamentals helped prices sequentially. Sales volumes fell 24% YoY/16% QoQ and production volumes also declined 13% YoY and 16% QoQ; decreases were seen across the board, with declines in fuel additives exacerbated by planned shutdowns during the quarter.
- **Fertilizer EBITDA margin of 46% in 4Q2023, improved moderately vs. 43% in 4Q2022, but faced a slight decline relative to 48% in 3Q2023.** Segment top-line and income of QR1.8bn and QR527.8mn decreased 47.2% and 55.4%, YoY, respectively, as prices remained significantly lower than year-ago levels given a challenging global macro environment for nitrogen-based fertilizers with softening demand and easing of supply restraints. Sequentially, segment revenue was down 6.5% and earnings decreased 16.9% with urea prices down modestly along with an 8% QoQ decline in urea sales volumes. Segment top-line was 0.6% ahead of our model and earnings were higher by 5.2%. IQCD's production volumes were down 11% YoY and 8% QoQ; similarly, sales volumes declined 11% YoY and 10% QoQ.

- **4Q2023 steel top-line marginally beat our forecast but profitability was significantly boosted by an impairment reversal of QR550mn.** Steel revenue came in at QR1.0bn (34.0% YoY, 11.1% QoQ), which was 1.6% ahead of our model. 4Q2023 income of QR618.9mn (437.7% YoY, 375.9% QoQ) 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, normalized 4Q2023 net income of QR68.9mn (-40.1% YoY, -47.0% QoQ) was 56.0% below our forecast of QR156.5mn. We note that income from associates, primarily from Foulath that produces/sell iron oxide pellets, came in at QR51.4mn (-67.4% YoY, -31.7% QoQ and 62.4% below our forecast of QR136.7mn). Steel also faced higher volume-related operating expenses in 2023. EBITDA margins fell to 12% in 4Q2023 vs. 22% in 4Q2022 and 14% in 3Q2023. Management commentary indicated a subdued outlook, both globally and in Qatar; however, IQCD pointed out that its steel business remains profitable despite overall macro challenges. According to the company, steel rebar realizations dipped by roughly 2% on both a YoY and a QoQ basis. Sales volumes for 4Q2023 gained 30% YoY/10% QoQ but production volumes were only up roughly 1% YoY and down 8% sequentially. The Al Qataria acquisition (completed in October 2023) added 15K tons in volumes (3% of sales volumes) during the quarter.
- **For FY2023, IQCD posted net profit of QR4.7bn (EPS: QR0.78) down 46.5% YoY as compared to QR8.8bn (EPS: QR1.46) in 2022.** We note 2023 included QR610mn in impairment reversals (in the steel segment) and normalized earnings were down 53.4% YoY to QR4.1bn (EPS: QR0.68). We were expecting QR4.4bn (EPS: QR0.73). Decline in pricing (down ~34% YoY) lowered earnings by QR8.7bn in 2023, while sales volumes decreased marginally by 1% YoY contributing QR441mn to the earnings decline. This was offset by a positive contribution of QR4.1bn from a decline in opex; the decrease in operating costs was linked to lower variable costs driven by end-product price indexed raw material cost, partially offset by general inflation. The company also reported proportionate revenue of ~QR16.9bn in FY2023, down 34% YoY from QR25.8bn in 2022. Overall group EBITDA declined ~44% from QR11.0bn (EBITDA margin: 43%) to QR6.2bn (37%).
- **2023 DPS of QR0.78 translated into a payout of 100% and implies a dividend yield of 6.4%.** We were expecting QR0.75 in DPS in 2023; for 2022, IQCD paid a dividend of QR1.10 per share.

QNB FS 4Q2023 Estimates and Comparisons

Income Statement (QR Million)	4Q2022	3Q2023	4Q2023	4Q2023e	A Vs. E	YoY
Revenue	4,169.832	2,833.906	2,808.313	2,782.348	0.9%	-32.7%
Cost of Sales (Ex. D &A)	(2,552.437)	(1,689.577)	(1,740.936)	(1,871.124)	-7.0%	-31.8%
Gross Profit	1,617.395	1,144.329	1,067.377	911.223	17.1%	-34.0%
General & Admin. Expenses	(162.309)	(179.510)	(186.368)	(183.874)	1.4%	14.8%
Selling & Distribution Costs	(20.359)	(16.590)	(21.447)	(17.569)	22.1%	5.3%
EBITDA	1,434.727	948.229	859.562	709.781	21.1%	-40.1%
Depreciation & Amortization	(424.694)	(362.778)	(453.252)	(369.873)	22.5%	6.7%
EBIT	1,010.033	585.451	406.310	339.908	19.5%	-59.8%
Finance Costs	(6.800)	(7.150)	(6.938)	(7.117)	-2.5%	2.0%
Share of Results from Associates	157.782	75.287	51.387	136.750	-62.4%	-67.4%
Share of Results of JVs	388.449	322.280	212.193	338.843	-37.4%	-45.4%
Other Income	218.812	169.895	215.260	290.255	-25.8%	-1.6%
Investment Income & Other	-	60.000	550.000	-	N/M	N/M
Profit Before Tax	1,768.276	1,205.763	1,428.212	1,098.638	30.0%	-19.2%
Tax	(0.114)	(0.215)	(0.580)	(0.360)	60.9%	408.8%
Profit After Tax - Continuing Operations	1,768.162	1,205.548	1,427.632	1,098.278	30.0%	-19.3%
Profit From Discontinued Operations	-	-	-	-		
Profit	1,768.162	1,205.548	1,427.632	1,098.278	30.0%	-19.3%
Minority Interest	0.453	(0.343)	(0.785)	(0.622)	26.3%	N/M
Profit for Equity Holders	1,768.615	1,205.205	1,426.847	1,097.656	30.0%	-19.3%
Net Margin	42.4%	42.5%	50.8%	39.5%		
EPS (in QR)	0.29	0.20	0.24	0.18	30.0%	-19.3%
Cost of Sales	61.2%	59.6%	62.0%	67.2%		
Gross Margin %	38.8%	40.4%	38.0%	32.8%		
G&A % Sales	3.9%	6.3%	6.6%	6.6%		
Selling Expenses % Sales	0.5%	0.6%	0.8%	0.6%		
EBITDA %	34.4%	33.5%	30.6%	25.5%		
D&A % Sales	10.2%	12.8%	16.1%	13.3%		
EBIT %	24.2%	20.7%	14.5%	12.2%		
Net Margin %	42.4%	42.5%	50.8%	39.5%		

Source: Company data, QNB FS Research

QNB 2023 Estimates and Comparisons

Income Statement (QR Million)	2022	2023	2023e	A Vs. E	YoY
Revenue	18,793.594	11,744.032	11,718.067	0.2%	-37.5%
Cost of Sales (Ex. D & A)	(11,205.955)	(7,749.122)	(7,879.310)	-1.7%	-30.8%
Gross Profit	7,587.639	3,994.910	3,838.756	4.1%	-47.3%
General & Admin. Expenses	(648.104)	(704.469)	(701.975)	0.4%	8.7%
Selling & Distribution Costs	(67.732)	(78.607)	(74.729)	5.2%	16.1%
EBITDA	6,871.803	3,211.834	3,062.053	4.9%	-53.3%
Depreciation & Amortization	(1,497.985)	(1,503.562)	(1,420.183)	5.9%	0.4%
EBIT	5,373.818	1,708.272	1,641.870	4.0%	-68.2%
Finance Costs	(23.650)	(28.528)	(28.707)	-0.6%	20.6%
Share of Results from Associates	427.855	281.636	366.999	-23.3%	-34.2%
Share of Results of JVs	2,460.433	1,359.961	1,486.611	-8.5%	-44.7%
Other Income	577.698	793.096	868.091	-8.6%	37.3%
Investment Income & Other	-	610.000	60.000	916.7%	N/M
Profit Before Tax	8,816.154	4,724.437	4,394.863	7.5%	-46.4%
Tax	(0.790)	(1.648)	(1.428)	15.4%	108.6%
Profit After Tax - Continuing Operations	8,815.364	4,722.789	4,393.435	7.5%	-46.4%
Profit From Discontinued Operations	-	-	-	-	-
Profit	8,815.364	4,722.789	4,393.435	7.5%	-46.4%
Minority Interest	(0.710)	(2.650)	(2.487)	6.6%	273.2%
Profit for Equity Holders	8,814.654	4,720.139	4,390.948	7.5%	-46.5%
Net Margin	46.9%	40.2%	37.5%		
EPS (in QR)	1.46	0.78	0.73	7.5%	-46.5%
DPS (in QR)	1.10	0.78	0.75	4.0%	-29.1%

Cost of Sales	59.6%	66.0%	67.2%
Gross Margin %	40.4%	34.0%	32.8%
G&A % Sales	3.4%	6.0%	6.0%
Selling Expenses % Sales	0.4%	0.7%	0.6%
EBITDA %	36.6%	27.3%	26.1%
D&A % Sales	8.0%	12.8%	12.1%
EBIT %	28.6%	14.5%	14.0%
Net Margin %	46.9%	40.2%	37.5%

Source: Company data, QNB FS Research

QNB FS 4Q2023/FY2023 Segment Estimates and Comparisons

In QR Millions											
	4Q2022	1Q2023	2Q2023	3Q2023	4Q2023	4Q2023e	A Vs. E	2022	2023	2023e	A Vs. E
Steel											
Revenue	748.040	1,228.299	1,131.537	902.184	1,002.158	986.073	1.6%	4,261.838	4,264.178	4,248.093	0.4%
Profit Before Tax	115.105	133.986	144.503	130.038	618.911	156.471	295.5%	888.786	1,027.438	564.998	81.8%
NM %	15.39%	10.91%	12.77%	14.41%	61.76%	15.87%		20.85%	24.09%	13.30%	
Revenue QoQ	-29%	64%	-8%	-20%	11%	9%					
Profit Before Tax QoQ	-25%	16%	8%	-10%	376%	20%					
Revenue YoY	-23%	-6%	-2%	-14%	34%	32%		10%	0%	0%	
Profit Before Tax YoY	32%	-49%	-60%	-15%	438%	36%		24%	16%	-36%	
Petrochemicals & Fuel Additives											
Revenue	1,483.000	1,362.000	1,423.000	1,241.000	1,150.000	1,242.287	-7.4%	6,975.000	5,175.000	5,268.287	-1.8%
Profit Before Tax	388.449	382.473	442.700	322.595	212.193	338.843	-37.4%	2,460.433	1,359.961	1,486.611	-8.5%
NM %	26.19%	28.08%	31.11%	25.99%	18.45%	27.28%		35.28%	26.28%	28.22%	
Revenue QoQ	-10%	-8%	4%	-13%	-7%	0%					
Profit Before Tax QoQ	-32%	-2%	16%	-27%	-34%	5%					
Revenue YoY	15%	-26%	-29%	-24%	-22%	-16%		17%	-26%	-24%	
Profit Before Tax YoY	27%	-43%	-47%	-43%	-45%	-13%		-1%	-45%	-40%	
Fertilizers											
Revenue	3,421.792	2,238.897	1,503.080	1,931.722	1,806.155	1,796.274	0.6%	14,531.756	7,479.854	7,469.973	0.1%
Profit Before Tax	1,183.317	511.093	212.893	634.760	527.774	501.911	5.2%	5,348.712	1,886.520	1,860.657	1.4%
NM %	34.58%	22.83%	14.16%	32.86%	29.22%	27.94%		36.81%	25.22%	24.91%	
Revenue QoQ	8%	-35%	-33%	29%	-7%	-7%					
Profit Before Tax QoQ	38%	-57%	-58%	198%	-17%	-21%					
Revenue YoY	-9%	-44%	-62%	-39%	-47%	-48%		41%	-49%	-49%	
Profit Before Tax YoY	-48%	-71%	-86%	-26%	-55%	-58%		5%	-65%	-65%	
Total Revenue	5,652.832	4,829.196	4,057.617	4,074.906	3,958.313	4,024.634	-2%	25,768.594	16,919.032	16,986.353	-0.4%
YoY Growth	-6%	-32%	-43%	-30%	-30%	-29%		28%	-34%	-34%	
QoQ Growth	-3%	-15%	-16%	0%	-3%	-1%					
Steel	13%	25%	28%	22%	25%	25%		17%	25%	25%	
Petrochemicals & Fuel Additives	26%	28%	35%	30%	29%	31%		27%	31%	31%	
Fertilizers	61%	46%	37%	47%	46%	45%		56%	44%	44%	
Total Profit Before Tax (Ex. Unallocated)	1,686.871	1,027.552	800.096	1,087.393	1,358.878	997.225	36%	8,697.931	4,273.919	3,912.266	9.2%
Steel	7%	13%	18%	12%	46%	16%		10%	24%	14%	
Petrochemicals & Fuel Additives	23%	37%	55%	30%	16%	34%		28%	32%	38%	
Fertilizers	70%	50%	27%	58%	39%	50%		61%	44%	48%	
Group Net Income	1,768.615	1,165.925	922.162	1,205.205	1,426.847	1,097.656	30.0%	8,814.654	4,720.139	4,390.948	7.5%
Segment Profit Before Tax/Group NI	95%	88%	87%	90%	95%	91%		99%	91%	89%	
Unallocated Net Income	81.744	138.373	122.066	117.812	67.969	100.431	-32.3%	116.723	446.220	478.682	-6.8%

Source: Company data, QNB FS Research

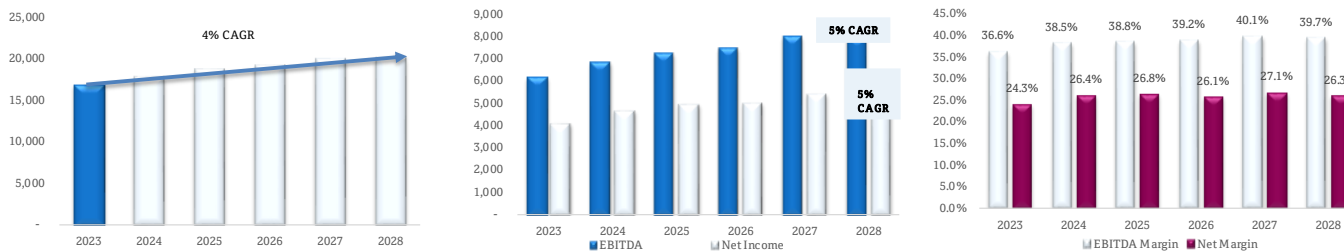
Key Metrics

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

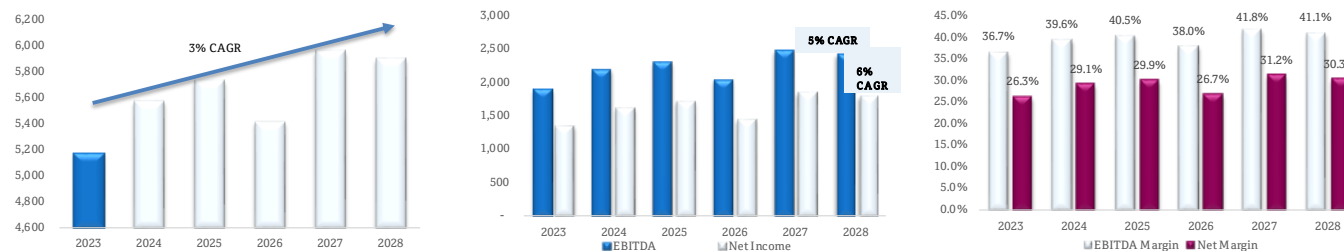
Source: Company data, QNB FS Research

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



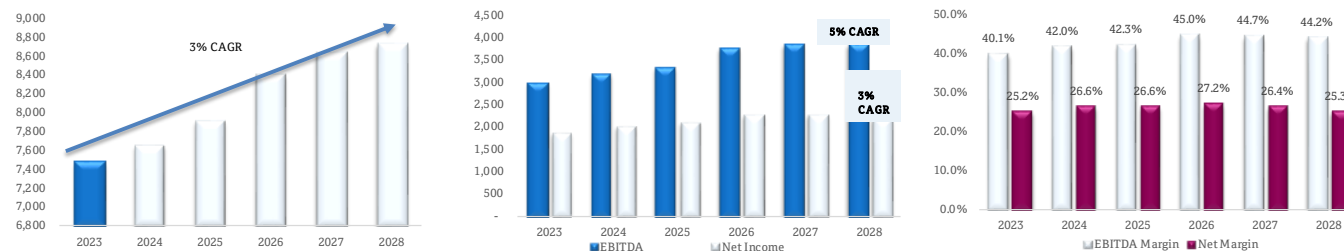
Source: Company data, QNB FS Research

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



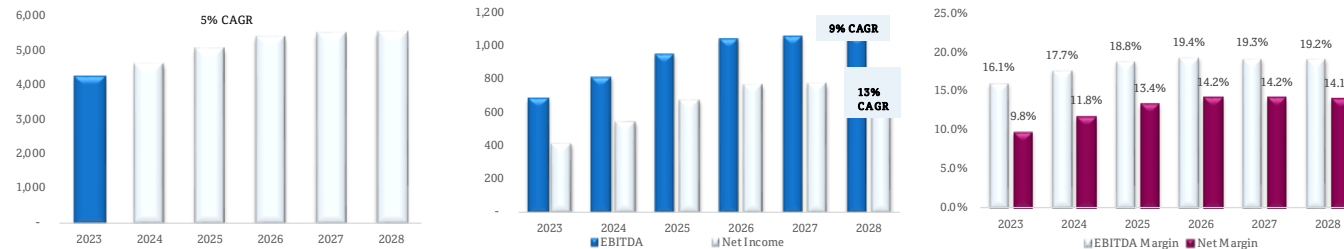
Source: Company data, QNB FS Research

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	96.8	68.0	1,056.0	31.8	8.8	8.2	18.3	17.2	16.3	14.4	13.8	13.6
EV/EBIT	145.1	91.5	N/M	154.3	11.3	10.5	34.4	30.8	28.6	25.6	25.1	25.5
P/E	22.1	14.6	28.4	40.4	9.0	8.3	15.5	15.6	14.6	14.6	13.4	13.8
P/Normalized Earnings	21.4	14.4	29.6	41.1	9.0	8.3	17.8	15.6	14.6	14.6	13.4	13.8
P/BV	2.2	2.1	2.1	2.2	1.9	1.7	1.8	1.8	1.8	1.8	1.8	1.8
Dividend Yield	4.1%	5.0%	3.3%	2.7%	8.3%	9.1%	6.4%	6.4%	6.9%	6.9%	7.4%	7.3%
FCF Yield	3.7%	8.0%	5.1%	4.1%	10.1%	12.2%	6.1%	4.0%	5.1%	6.6%	8.4%	9.0%

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

Contacts

QNB Financial Services Co. W.L.L.
 Contact Center: (+974) 4476 6666
info@qnbfs.com.qa
 Doha, Qatar

Saugata Sarkar, CFA, CAIA
 Head of Research
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
 Senior Research Analyst
shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
 Senior Research Analyst
phibion.makuwerere@qnbfs.com.qa

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