QSE 3Q2020 Earnings Preview

Sunday, 11 October 2020

3Q2020 Earnings: Partial Lifting of COVID-19 Counter-Measures to Drive Sequential Earnings Growth

We expect Qatari stocks under coverage to exhibit a sequential recovery in earnings on a normalized (excluding outliers such as IQCD) basis in 3Q2020. Normalized earnings should increase by 9.1% QoQ in aggregate mainly due to partial recovery of non-financial stocks as a result of the gradual lifting of coronavirus counter-measures since July, coupled with the recovery in commodity prices. IQCD, AHCS** and **QFLS** should make notable positive contributions to the sequential net income performance of stocks under our coverage, whereas we expect **QAMCO** to benefit from higher aluminum prices prevailing in 3Q2020. Consumer-related companies are likely to be supported by Qatar's larger population in 3Q2020, which is 0.8% above its 3Q2019's average. **We continue to remain bullish longer-term on Qatari stocks given their defensive characteristics backed by their strong fundamentals and reasonable valuations.** We also maintain our view that the coronavirus malaise will impact Qatari equities to a lesser extent vs. their regional peers, as has been the case since the beginning of 2020. So far, YTD, the decline for the QE Index has been 4.7%, outperforming the average 10.1% decline seen in other GCC stock markets. On top of Qatar's macro strengths, Qatari companies enjoy robust balance sheets backed with low leverage and decent RoEs, whereas Qatari banks stand out with their exceptional capital adequacy ratios, low NPLs, strong provision coverage, and high profitability. We anticipate **Qatari banks to remain resilient, recording a 1.8% EPS growth sequentially.** Moreover, the proposed merger announcement between **MARK** and **KCBK** should create a positive catalyst for Qatari banks and fuel investor interest in the sector. Besides, MSCI Qatar has a beta of 0.62x vs. the MSCI EM Index and 0.55x vs. the MSCI World Index, which is aligned with Qatari stocks' fundamental strengths and reinforce their defensive characteristics. In case of any unforeseen volatility, the government's QR10bn stock purchase program (corresponding to 36 days' turnover of the QE Index's constituents based on their YTD traded values) creates an important safety net for Qatari stocks. **With coronavirus continuing to impact the real economy, global emerging market equities as well as Qatari stocks could remain volatile. On the other hand, we still believe this market will continue to outperform on a relative basis, as it has thus far this year. We do note that the COVID-19 pandemic and the global oil/commodity price volatility remain as major risk factors to our estimates and will likely impact directly on the financial results of the stocks under our coverage.

Highlights

- **We estimate banks under coverage, ex-QNB Group (QNBK), to experience a YoY earnings decline of 10.0% largely attributed to the Commercial Bank of Qatar (CBQK) and Doha Bank (DHBK). Excluding CBQK, earnings would decline by only 5.8%. On the other hand, a sequential increase of 1.8% (+6.3% excluding CBQK) is expected as banks book lower provisions in the 3rd quarter vs. hefty provisions in 1H2020. *For banks under coverage higher provisions, subdued non-funded income and margin compression could pressure aggregate profitability on a YoY basis.* CBQK** is expected to contribute negatively to the YoY profitability performance based on our figures. **Weak revenue, loss from an associate and hefty provisions are expected to dent earnings on a YoY basis.** We estimate a 26.8% YoY drop in CBQK's bottom-line, resulting from overall weak revenue and excessive provisioning. Moreover, we foresee possible losses from associates, mainly from CBQK's UAE-based associate UAB. The sequential drop in earnings is due to subdued revenue and larger provisions & impairments. ***CBQK's management has been delivering on its 5-year strategy objectives, which we think is positive. The stock remains inexpensive and we maintain our Outperform rating and target price of QR5.006*. Regarding DHBK, margin pressure along with weak non-funded income is estimated to adversely impact YoY performance.** Moreover, provisions are expected to remain elevated. Sequentially, we expect net income to rise due to lower provisions & impairments.
- **We estimate a YoY drop of 11.3% in the bottom-line of diversified non-financials under coverage due to Woqod or QFLS (excluding QFLS & BLDN, on a normalized basis, the bottom-line would increase by 1.3%), while forecasting a growth of 45.3% QoQ (excluding AHCS & IQCD, earnings would increase by 16.0% QoQ on a normalized basis).** Based on our assumptions, **QGTS** leads the gains in net income on a YoY basis. **3Q2020 should show YoY growth driven by QGTS' Oct. 2019 purchase of its remaining 49.9% stake in 4 LNG ships previously held under the OSG JV.** YoY, adjusted revenue/earnings of QR993.0mn/QR281.1mn should be up 10.9%/11.5% and should benefit from the aforementioned deal. ***We remain bullish on QGTS and consider it as the best avenue for equity investors to participate in the long-term growth expected in Qatar's LNG sector. For now, we maintain our Accumulate rating and price target of QR2.60.* Moreover, IQCD's 3Q2020 earnings to reflect improved fertilizer dynamics, along with better steel profitability.** Fertilizer should be the primary driver of 3Q2020 profitability with a new GSPA in place from August 1, which has improved QAFCO's gas feedstock cost markedly, while also allowing IQCD to record sales volume from QAFCO 1-4 from August 1. YoY revenue/earnings should also benefit from IQCD's purchase of QP's 25% stake in QAFCO effective January 1, 2020. ***We maintain our Accumulate rating on IQCD and QR11.50 target price.***
- **Risks:** Estimates can be impacted by one-offs, provisions for banks & investment income/capital gains (losses). Volatile oil prices, the economic fallout of the global pandemic & geo-political tensions remain as substantial risk factors to regional equities and may have a direct impact on stocks under coverage.

3rd Quarter 2020 Estimates

	EPS (QR)			Revenue (QR mn)		
	3Q2020e	YoY	QoQ	3Q2020e	YoY	QoQ
Aamal (AHCS)	0.009	-28.5%	N/M	341.16	10.3%	31.2%
Ahli Bank (ABQK)	0.071	-6.9%	51.3%	273.97	-6.9%	-3.2%
Al Khalij Commercial Bank (KCBK)	0.045	10.4%	-13.0%	320.54	5.4%	-8.0%
Baladna (BLDN)	0.025	N/A	7.5%	207.08	N/A	1.0%
Commercial Bank of Qatar (CBQK)	0.103	-26.8%	-16.4%	904.99	-13.8%	0.2%
Doha Bank (DHBK)	0.073	-24.3%	28.5%	688.11	-12.7%	1.3%
Gulf International Services (GISS)	0.022	N/M	-8.8%	723.44	-5.7%	-0.5%
Gulf Warehousing Co. (GWCS)	0.093	-8.3%	-8.0%	300.87	-4.7%	-0.5%
Industries Qatar (IQCD)	0.098	2.3%	81.5%	1,779.19	26.7%	28.9%
Investment Holding Group (IGRD)	0.009	10.1%	11.1%	97.46	-12.5%	30.3%
Masraf Al Rayan (MARK)	0.073	-5.4%	1.5%	736.15	-3.1%	-0.1%
Medicare Group (MCGS)	0.033	-7.4%	-1.6%	99.98	-8.5%	18.6%
Qatar Aluminium Manufacturing Co. (QAMC)	0.006	-38.4%	979.8%	616.84	-3.7%	10.9%
Qatar Electricity & Water (QEWS)	0.315	4.7%	1.7%	669.47	4.3%	2.1%
Qatar Fuel (QFLS)	0.096	-70.4%	117.6%	3,447.67	-40.1%	61.2%
Qatar Gas & Transport (QGTS)	0.051	11.5%	4.1%	992.97	10.9%	1.3%
Qatar International Islamic Bank (QIIK)	0.175	-0.6%	4.1%	365.93	0.2%	-1.0%
Qatar Islamic Bank (QIBK)	0.323	-3.5%	3.2%	1,370.24	11.5%	-3.1%
Qatar Navigation (QNNS)	0.066	-26.9%	N/M	538.23	-6.0%	0.0%
Vodafone Qatar (VFQS)	0.008	10.3%	0.9%	523.27	6.6%	-1.5%
Widam Food (WDAM)	0.070	-10.6%	-45.2%	128.50	9.3%	-25.4%
Total (excl. IQCD & BLDN from EPS and IQCD, QFLS & BLDN from Revenue)		-12.3%	9.1%	9,692.1	-0.7%	0.8%
Total (excl. BLDN)		-10.5%	15.6%	14,919.0	-11.8%	13.6%

Source: QNB FS Research; Note: EPS based on current number of shares

Net Income (QR mn) of Key Qatari Stocks Under Coverage (Diversified)

Stock	3Q2019	2Q2020	3Q2020e	% Δ YoY	% Δ QoQ	Key Themes
AHCS	75.93	-62.18	**54.27**	**(28.5%)**	**N/M**	**We think AHCS could record higher EPS in 3Q2020 QoQ, with an anticipated partial recovery especially in its property segment as a result of the gradual lift of coronavirus counter measures.** Aamal waived all rental income payable between mid-March and the end of June 2020 in order to support its tenants, leading to a 58% YoY decline in City Center Mall (CCD)'s rental income. Nevertheless, By July 15, all retail units in CCD were open, albeit with lower footfalls. *Aamal enjoys a well-diversified business portfolio including Qatar's leading pharma & medical device distribution companies, which should increase its top- & bottom-line resilience. While 2020 results are likely to be affected by the coronavirus & oil shocks, we believe AHCS' 2021 prospects could be better with the completion of renovation works & expansion in CCD during 2020 and Senyar's new drum and copper factories becoming operational during 1H2021. In 2022, we believe Aamal will be one of the top beneficiaries of FIFA'22 given its property, retail and trading exposures.* ***We rate AHCS a Market Perform with a target price of QR0.770.***
BLDN	N/A	44.32	**47.56**	**N/A**	**7.5%**	**We expect BLDN to maintain its strong top- & bottom-line performances in 3Q2020 as well, primarily due to its new products.** Baladna recorded a 115.4% top-line growth in 2019, which should be followed by an expected 95.2% in 2020 and 16.8% in 2021, as BLDN plans to increase the number of Stock Keeping Units (SKUs) from c.167 at the end of 2019 to c.261 by the end of 2020. *While we have not yet incorporated its potential impact in our forecasts and valuation, Baladna expects to collaborate with the Federal Land Consolidation and Rehabilitation Authority of Malaysia (FELCRA) to implement the "Baladna model" in Malaysia. This is an attempt to increase Malaysia's self-sufficiency in dairy products by doubling the volume of local fresh milk production with an increase of 50-55mnLt/pa.* ***We rate BLDN as an Accumulate with a price target of QR1.94.***
GISS	5.28	45.32	**41.35**	**N/M**	**(8.8%)**	**We continue to forecast bottom-line profitability in 3Q2020.** We do note GISS' quarterly net income remains volatile and difficult to predict given its four disparate segments and razor-thin margins. For 3Q2020, we expect revenue/net income of QR723.4mn/QR41.3mn. We model in moderate top-line declines of 5.7% YoY and 0.5% QoQ. Net income, however, should grow substantially vs. QR5.3mn in 3Q2019 but decline vs. QR45.3mn in 2Q2020. We expect the insurance segment to continue to benefit from an improved operating performance on a YoY basis (lower net claims, better renewal terms and new clients) and mark-to-market investment gains on a QoQ basis. With the 2nd NFE rig not expected to deploy until early-mid 4Q2020, we do not expect significant changes in the drilling segment, which faced a decline in rig utilizations (primarily due to COVID-19 restrictions) lowering1H2020 offshore and onshore revenue by 4% YoY and 29% YoY, respectively. *We continue to expect significant growth in GISS' earnings this year. Newsflow-related catalysts remain positive as the GDI/Seadrill JV (GulfDrill) will begin to deploy six rigs into the NFE program in a phased manner. Moreover, while GISS' proposed debt refinancing/restructuring has been put on the backburner, the company continues to show good progress on its firm wide costs optimization program. In terms of risks, besides the potential of an impairment for the Msheireb rig this year, we believe the company could face further delays or slowdown in its operations due to the ongoing COVID-19 situation/oil price volatility. However, we still believe GISS' financial performance in 2020 and beyond should please investors.* ***We rate GISS an Outperform with a QR2.10 price target.***

Stock	3Q2019	2Q2020	3Q2020e	% Δ YoY	% Δ QoQ	Key Themes
GWCS	59.39	59.21	**54.47**	**(8.3%)**	**(8.0%)**	**We model QR300.9mn/QR54.5mn in 3Q2020 top-line/net income.** We expect EPS to fall 8.3% YoY & 8.0% QoQ. Business trends should remain similar to 2Q with GWCS capitalizing on growth in logistics services as lockdown/travel restrictions have created additional demand for grocery/food-related logistics. Freight forwarding, contract logistics and warehouse rentals could be stable, along with some benefits from costs reductions/concessions. *Longer-term, we retain our bullish thesis on GWCS but near-term challenges remain. GWCS has withstood the blockade well with freight-forwarding showing significant growth (up 39% in 2019 from 2017); GWCS' logistics business also remains robust driven by contract logistics and increasing occupancy in Bu Sulba. Growth post Bu Sulba (+95% occupancy) could decline, but as we had flagged previously, GWCS generates substantial FCF and remains on the hunt for expansion avenues. The Al Wukair Logistics Park contract serves as an example of such a growth opportunity. We do note 2020 could be a challenging year (9M2020 EPS expected to decline by 10% YoY) given the dual headwinds of oil price weakness and economic softness due to the coronavirus.* ***We stay Market Perform on GWCS with a QR5.10 price target.***
IQCD	576.89	325.05*	**589.96**	**2.3%**	**81.5%**	**IQCD's 3Q2020 earnings to reflect improved fertilizer dynamics, along with better steel profitability.** Our EPS estimate implies a moderate 2.3% YoY growth profile but an 81.5% increase QoQ. However, on an adjusted basis, including QAFCO at 100% for 3Q2019, EPS should decline 6.6% YoY. (1) Fertilizer should be the primary driver of 3Q2020 profitability with a new GSPA in place from August 1, which has improved QAFCO's gas feedstock cost markedly, while also allowing IQCD to record sales volume from QAFCO 1-4 from August 1. YoY revenue/earnings should also benefit from IQCD's purchase of QP's 25% stake in QAFCO effective January 1, 2020. Moreover, urea prices, while moderately down YoY, have improved sequentially. Segment revenue and net income should grow 22.8% and 79.3%, respectively, YoY. On a sequential basis, fertilizer top-line and earnings should grow 40.4% and 68.1%, respectively. (2) Steel should benefit from the first full quarter impact of IQCD's strategy of focusing on its higher-margin domestic market, while actively avoiding foreign markets (primarily low-cost EM producers). Having mothballed roughly half of its rebar capacity to 0.8 MT (from 1.5 MT previously) in 2Q, we expect steel revenue to fall 62.1% YoY but increase 8.2% QoQ given better realizations. Depreciation charges should decline substantially because of the aforementioned mothballing. This, along with improved pricing, should allow the steel segment to turn profitable with earnings of QR12.2mn vs. a loss of QR76.1mn (excluding mothballing-related impairment charge) in 2Q; steel posted a slight net profit of QR11.0mn in 3Q2019. (3) In Petrochemicals & Fuel Additives, we expect volumes to remain stable YoY but grow QoQ as we move past the planned shutdown of MTBE capacity in 2Q. PE prices have remained somewhat mixed YoY but have improved QoQ. As a result, segment revenue and net income should decline 5.4% and 22.1%, YoY, respectively. On the other hand, we expect both revenue and net income to grow QoQ, up 43.6% and 40.5%, respectively. ***We maintain our Accumulate rating on IQCD and QR11.50 target.*** *Management has recently signaled stability in DPS going forward, which could imply flattish YoY DPS in 2020 despite significant EPS decline. Similar to the QAFCO deal, IQCD could look to acquire Total's 20% stake in QAPCO, which could also be perceived positively by investors.*

Stock	3Q2019	2Q2020	3Q2020e	% Δ YoY	% Δ QoQ	Key Themes
IGRD	6.70	6.64	**7.37**	**10.1%**	**11.1%**	**We anticipate IGRD could record higher EPS in 3Q2020 YoY/QoQ due to receding coronavirus disruptions. Furthermore, IGRD benefits from the prevailing low interest rate environment** as its financial expenses notably fell by 35.9% sequentially (-34.1 YoY) in 2Q2020 to QR2.5mn. We anticipate IGRD's ongoing cost-cutting efforts to continue as well, which have already resulted in an 8.6% YoY/27.6% QoQ decline in 2Q2020 G&A to QR15.3mn. It is noteworthy that nearly all of IGRD's contracting work is originally related to government projects. Thus, even if delays take place, cancellations are unlikely. Besides, IGRD's trading business include masks and outfits for laborers (sales of which have surged notably since the beginning of the pandemic). *We continue to like the company as a turnaround story as well as the new management's dedication in cost cutting and its efforts in expanding the trading segment's product range with high-margin products.* ***We rate IGRD as an Accumulate with a price target of QR0.744.***
MCGS	10.13	9.53	**9.38**	**(7.4%)**	**(1.6%)**	**We expect MCGS to record lower YoY net income in 3Q2020 primarily due to COVID-19-related disruptions. On a sequential basis, better operational results expected in 3Q2020 is likely to be overshadowed by 2Q2020's QR4.5mn of provision reversals,** leading to a higher EPS base. Under the instructions of the Ministry of Public Health, the company had ceased to carry out any non-urgent or non-emergency procedures during most of 2Q. Certain services such as dentistry, cosmetic surgery, dermatology, etc. were also reduced. As the restrictions have gradually started to ease by mid-June, we think MCGS' revenue should be improving in 3Q2020, supported by a YoY increase in local population. Separately, on Sep. 30, a local court has issued a verdict to oblige National Health Insurance Company (SEHA) to pay QR130.7mn to MCGS for its past-due debt. Assuming that the net book value of the disputed receivable is around QR38mn, MCGS should be recording a profit of roughly QR90mn because of the court case, which accounts for 120% of MCGS' 2019 net profits and 9.6% of 1H2020 shareholder's equity. We think this is just the first ruling on the court case and legal process could continue in the Court of Cassation. *We continue to believe the company is likely to benefit from an anticipated re-initiation of Qatar's National Health Insurance Scheme, which resulted in an upsurge in MCGS' revenue and net profit during its first implementation in 2013-2015. Until details of the new National Health Insurance are clarified, we foresee MCGS shares remaining volatile.* ***We maintain our Market Perform rating with a QR8.04 price target.***
QAMC	55.36	3.16	**34.11**	**(38.4%)**	**979.8%**	**Recovering aluminum prices to impact positively on 3Q2020 results sequentially.** Coronavirus disruptions pushed aluminum prices to the bottom of their last 5-year-cycle by April 8. Nevertheless, as a result of strong demand from China, coupled with the end of global lockdowns in June, primary aluminum prices have been recovering since then, rising 25.5% from their April bottom. Besides, average Alumina/Aluminium ratio is slightly better in 3Q2020 vs. 2Q2020, which should support Qatalum's gross margins as well. ***We are Market Perform on the name with a QR0.980 target price.***

Stock	3Q2019	2Q2020	3Q2020e	% Δ YoY	% Δ QoQ	Key Themes
QEWS	330.68	340.45	**346.12**	**4.7%**	**1.7%**	**3Q2020 should benefit from seasonality while YoY comparisons should remain favorable.** 3Q2020 revenue of QR669.5mn should grow 4.3% YoY and 2.1% QoQ. This should mark the fourth consecutive quarter of YoY revenue increases, with QEWS' top-line registering gains of 3.0%, 11.1% and 8.5% in 4Q2019, 1Q2020 and 2Q2020, respectively, after posting yearly declines through 1Q2019-3Q2019. As we have noted previously, RAF B, which already witnessed lowered tariffs under a 12-year contract extension from July 2018, also faces lower offtake in 2019/2020 given Umm Al Houl's ramp up. Moreover, RAF B1/B2 are going through a contractually agreed dip in tariff rates. Costs have also increased beyond modeled expectations given higher-than-expected gas costs for RAF B's renewal. However, with these items already affecting 2019 performance, YoY comparisons should look better in 2020. This was evident in 1H2020 earnings performance in our view and the trend should continue in 3Q2020 as well, with net income of QR346.1mn, up 4.7% YoY and 1.7% QoQ. *We continue to like the company as a long-term play with a relatively defensive business model, especially in light of current market conditions. The near-term impact of the COVID-19 pandemic could remain muted on QEWS' business model as the company is paid based on power and water availability and is not affected by the vagaries of end demand. QEWS still enjoys decent EBITDA margins and dividend/FCF yields. LT catalysts (which are not in our model) abound, including additional domestic expansions (like Facility E in 2022-2023; Siraj solar project in 2021-2022, etc.). Nebras remains on the hunt for growth with a goal of increasing its net capacity to 6 GW by 2023 from 1.7 GW in September 2019. However, beyond Paiton (Indonesia), we do not have color on other major Nebras projects, which could lead to growth relative to our model.* ***We maintain our QR17.00 price target and our Accumulate rating.***
QFLS	323.53	44.08	**95.92**	**(70.4%)**	**117.6%**	**We expect Woqod's top- and bottom-lines to be positively affected by higher fuel consumption in 3Q2020 sequentially as a result of a lifting of COVID-19-related lockdowns, coupled with an increase in the number of international flights.** Jet fuel is QFLS' prime product, accounting for half of the total fuel sold as of FY2019; hence, an expected increase in higher jet fuel volumes as a result of an increase in international flights should drive the sequential recovery in 3Q2020. While we think the worst is over for QFLS as coronavirus measures are gradually easing in 3Q2020, we still expect WOQOD's 2020 bottom-line (and partially 2021 net income as well) should likely remain under some pressure due to coronavirus-related counter measures. *In the medium-to-long-term, Qatar Airways Group's planned expansion is likely to be the foremost long-term driver for Woqod's bottom-line growth. Concurrently, the company's ongoing expansion of its retail fuel station network should support its fuel and non-fuel revenue growth gradually.* ***We stay Market Perform rating on QFLS with a QR19.80 price target.***

Stock	3Q2019	2Q2020	3Q2020e	% Δ YoY	% Δ QoQ	Key Themes
QGTS	252.04	269.89	**281.06**	**11.5%**	**4.1%**	**3Q2020 to show YoY growth driven by QGTS' Oct. 2019 purchase of its remaining 49.9% stake in 4 LNG ships previously held under the OSG JV.** YoY, adjusted revenue/earnings of QR993.0mn/QR281.1mn should be up 10.9%/11.5%. QoQ, adj. revenue should be up 1.3% and EPS should grow 4.1%. YoY, top-line and EPS should benefit from the aforementioned deal. On a QoQ basis, adj. revenue is also driven by an extra operating day in 3Q vs. 2Q. Sequentially, growth in earnings is also helped by a new LNG vessel being deployed under QGTS' 60%-JV Global Shipping Co. and lower finance charges. *We remain bullish on QGTS and consider it as the best avenue for equity investors to participate in the LT growth expected in Qatar's LNG sector. Irrespective of the volatility of the LNG shipping market, Nakilat's business should remain relatively unaffected given the LT nature of its charters. In the near-term, addition of 4 LNG vessels (2 in 2020, with 2 next year) via Global Shipping, should help earnings growth in 2020 and 2021. Going forward, in terms of catalysts, we continue to believe expansion of Qatar's LNG output from 77 MTPA to 126 MTPA is a significant driver. Currently our model does not assume any fleet expansion and we will incorporate such expansion once more details are revealed. We foresee significant upward revision to our estimates and price target once we factor in this expansion. We do not envision substantial risks to QGTS' business model due to the ongoing oil price volatility/COVID-19 pandemic.* ***We remain Accumulate on QGTS with a QR2.60 price target.***
QNNS	102.73	16.74	**75.11**	**(26.9%)**	**N/M**	**3Q2020 earnings to drop YoY on account of associates/JVs and impairments of vessels.** We anticipate net income to decrease YoY due softening LNG and LPG prices attributed to associate-QGTS and other JVs. The sequential surge in the bottom-line is mainly due to lower vessels impairment.
VFQS	30.36	33.18	**33.49**	**10.3%**	**0.9%**	**VFQS should report a solid 3Q2020 given boost from broadband, data and postpaid.** We expect 3Q2020 EPS to increase 10.3% YoY and 0.9% QoQ. Given restrictions on travel and work-from-home trends, we expect strong growth in data and broadband, along with continued traction in postpaid. *Our view on the stock remains unchanged – we continue to like VFQS' momentum in postpaid and higher value-added services. We also believe postpaid, 5G, home broadband, enterprise and bundled solutions should continue to drive future growth.* ***We rate VFQS an Accumulate with a QR1.40 price target.***
WDAM	14.15	23.08	**12.65**	**(10.6%)**	**(45.2%)**	**We expect WDAM to record a lower EPS growth YoY in 3Q2020 due to the impact of coronavirus disruptions on the HORECA segment (hotels, restaurants, cafés), albeit to a lesser extent in 3Q2020.** Furthermore, we are of the view that disruptions in international flights could support Widam's top & bottom-lines in 3Q2020 as Qatar's seasonal population contraction during summer months seems to be much less in 2020 vs. 2018 & 2019. Typically, Qatar's population contracts by 10% in July vs. May (10.3% in 2018 and 9.7% in 2019) due to increased outbound tourism activity, coupled with expats visiting their home countries. However, in 2020, July-May population contraction remained at 2.1%, resulting in an 11.1% population growth YoY for Qatar in July and 2.6% YoY in August. As a result, Qatar's 3Q2020 population was 0.8% above its 3Q2019's average. ***We rate WDAM an Accumulate with a PT of QR7.80.***

Net Income (QR mn) of Key Qatari Stocks Under Coverage (Financials)

Stock	3Q2019	2Q2020	3Q2020e	% Δ YoY	% Δ QoQ	Key Themes
ABQK	185.27	114.06	**172.55**	**(6.9%)**	**51.3%**	**We expect a modest drop in earnings YoY due to weak non-funded income.** Based on our assumptions, we expect net profit to decline by 6.9% YoY due to soft non-funded income resulting from COVID-19. We also expect margins to remain stable after expanding by 9bps in 1H2020. On a QoQ basis, we estimate a surge in the bottom-line to be driven by lower provisions as we believe ABQK booked the majority of provisions in 2Q2020. *The stock trades at a PEG of 2.6x (which is expensive) based on a 5-year earnings CAGR of 5.1%.* ***We maintain our Reduce rating and price target at QR2.857.***
KCBK	145.15	184.17	**160.22**	**10.4%**	**(13.0%)**	**Improvement in margin and cost containment to drive bottom-line YoY.** The estimated YoY increase in profitability is a result of further improvement in NIM (given KCBK's favorable asset/liability mix) and operating efficiency. We still expect provisions to remain elevated because of the COVID-19 pandemic. We estimate a sequential drop in earnings, in-line with historical trends. *KCBK trades at a 0.9x P/B vs. 0.7x previously (valuation expanded due to the announcement of a possible merger with MARK). Moreover, the name trades at 4% discount to its fundamental P/E of 7.8x based on our 2021 estimates.* ***For the time being, we maintain our Market Perform rating and price target at QR1.554.***
CBQK	569.87	499.04	**416.96**	**(26.8%)**	**(16.4%)**	**Weak revenue, loss from an associate and hefty provisions are expected to dent earnings on a YoY basis.** We estimate a 26.8% YoY drop in CBQK's bottom-line, resulting from overall weak revenue and excessive provisioning. Moreover, we foresee possible losses from associates, mainly from CBQK's UAE-based associate UAB. The sequential drop in earnings is due to subdued revenue and larger provisions & impairments. ***The stock remains inexpensive in our view and we maintain our Outperform rating and target price of QR5.006.***
DHBK	299.93	176.62	**227.05**	**(24.3%)**	**28.5%**	**Margin pressure along with weak non-funded income is estimated to adversely impact YoY performance.** The estimated YoY drop in profitability is due to margin pressure and subdued non-funded income. Moreover, provisions are expected to remain elevated. Sequentially, we expect net income to rise due to lower provisions & impairments. ***We maintain our Market Perform rating & target price at QR2.305.***
MARK	575.35	536.49	**544.28**	**(5.4%)**	**1.5%**	**We expect subdued performance both YoY and sequentially.** MARK's net income is expected to drop YoY mainly due to precautionary net provisions stemming from COVID-19 (vs. a negligible figure in 3Q2019) and weak non-funded income. Sequentially, net profit is expected to slightly increase due to lower provisions as management booked the majority of provisions in 1H2020. *MARK boasts one of the highest dividend yields (5.8%); the bank is cost-efficient, a strong RoE generator (2019: 16.0%) and maintains a superior asset quality vs. its peers.* ***In terms of our recommendation, we maintain our Market Perform rating and price target at QR3.766.***
QIIK	266.43	254.28	**264.74**	**(0.6%)**	**4.1%**	**Margin expansion and cost containment to aid the bottom-line.** We estimate flattish earnings YoY driven by margin expansion and cost containment, despite weak non-funded income and an increase in provisions. On the other hand, the QoQ increase (in-line with historical trends) is due to lower provisions as management booked hefty provisions in 1H2020. ***We maintain our Market Perform rating and target price at QR7.950.***

Stock	2Q2019	1Q2020	2Q2020e	% Δ YoY	% Δ QoQ	Key Themes
QIBK	790.05	739.02	**762.49**	**(3.5%)**	**3.2%**	**Given QIBK's conservative nature, we expect the bank to book large provisions.** We expect QIBK's bottom-line to decline due to weak non-funded income and a surge in precautionary provisions resulting from COVID-19. Sequentially, growth in earnings is estimated to be driven by lower provisions as revenue is expected to be subdued. ***We maintain our Market Perform rating and price target at QR15.70.***

Source: QNB FS Research, company data; Note: IQCD's 2Q2020 earnings includes the contribution of the QAFCO acquisition in 1Q-2Q2020

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

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