Qatar National Cement (QNCD)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR2.582	12M Target Price	QR3.300
Implied Upside	27.8%		

Upbeat 2Q2026 Revenue Print, But Margins Remain The Missing Link; Maintain Accumulate

QNCD's top-line recovery gained further traction in 2Q2026, but the earnings conversion remained underwhelming as margins failed to keep pace with sales. Consequently, net profit was broadly flat YoY at QR24.7mn and missed our QR27.9mn estimate by 11.2%. Revenue increased 10.0% YoY and 10.1% QoQ to QR106.8mn, 7.9% ahead of our QR98.9mn estimate, led by a 13.3% YoY rise in cement sales to QR80.1mn. However, gross margin eased to 20.9% from 21.2% in 2Q2025 and 22.1% in 1Q2026, leaving gross profit 1.9% below our forecast. EBIT rose 5.8% YoY to QR17.6mn but missed our estimate by 6.3%, while other income declined 2.6% YoY and fell 14.2% short. **The quarter reinforces an important thesis in the QNCD story: demand is recovering, but margin normalization remains the gatekeeper to a more powerful earnings inflection**. Meanwhile, management attributed 1H2026 revenue growth primarily to higher washed sand and slag volumes and said gross-margin improvement should emerge gradually after clinker production restarted. Yet the 2Q print provides no confirmation of that inflection, with gross margin declining sequentially despite stronger cement sales and higher plant activity. **We therefore raise our revenue forecasts but lower near-term margin assumptions, resulting in a 2.4% reduction in 2026e net profit to QR112.6mn. We maintain our Accumulate rating and QR3.300 12-month PT**. The unchanged valuation reflects offsetting revisions: stronger sales improve confidence that the multi-year revenue decline has bottomed, while weaker margins temper the earnings recovery. QNCD's debt-light, liquid balance sheet and dividend profile characteristics continue to underpin the defensive investment case. However, **with 2026e gross margin now forecast at only 23.1%, versus 25.9% previously, sustained evidence of production efficiencies is required before we can adopt a more upbeat earnings stance.**

Highlights

- **2Q2026 net profit misses despite a clear revenue beat.** Net profit of QR24.7mn increased 0.4% YoY but declined 19.4% QoQ and missed our estimate by 11.2%. EBIT and other income both undershot, by 6.3% and 14.2%, respectively.
- **Cement drives a fifth consecutive quarter of YoY sales recovery.** After a decade of consecutive YoY quarterly sales decay, we have observed an uninterrupted resurgence since mid-2025. Revenue increased 10.0% YoY to QR106.8mn. Cement sales rose 13.3% YoY and 18.1% QoQ to QR80.1mn, while washed-sand sales increased 1.2% YoY but declined 8.4% QoQ to QR24.6mn. For 1H2026, reported revenue increased 8.6% YoY to QR203.8mn. Management attributed the half-year increase mainly to higher washed sand and slag volumes.
- **Margins remain the key hurdle.** Gross margin declined to 20.9% from 21.2% in 2Q2025 and 22.1% in 1Q2026, missing our 23.0% estimate. Management expects improvement to be gradual following the restart of clinker production, but 2Q has not yet validated the expected operating leverage.
- **Revenue upgrades are offset by lower profitability assumptions.** We raise 2026e/2027e revenue by 3.7%/5.1%, but reduce gross profit by 7.2%/2.3%. The result is a modest earnings downgrade despite a material top-line upgrade: we cut net profit by 2.4%/3.0%, respectively.
- **Maintain Accumulate and QR3.300 PT.** The sales recovery and balance-sheet resilience support the rating, while the lack of margin traction and a lower 2026e earnings base cap valuation upside.

Catalysts

- **QNCD still lacks obvious catalysts.** A sustained increase in domestic infrastructure and construction demand remains the most important fundamental catalyst. Faster-than-expected gross-margin recovery after the restart of clinker production would provide the clearest upside risk to our estimates. Additional optionality could emerge from commercial orders for oil-well cement, balance-sheet optimization, or progress at the QR38mn Industrial Area project, for which management said discussions were ongoing to appoint a facility manager.
- **Balance sheet optimization also remains an important value lever** (e.g. buybacks, special dividends, etc.). However, there is little visibility on whether this happens.

Recommendation, Valuation & Risks

- **Recommendation and Valuation**: ***We maintain our Accumulate rating and 12-month PT of QR3.300, implying 27.8% upside.*** Stronger revenue forecasts support the core operating outlook, but lower near-term margins and earnings offset that benefit. Our valuation framework continues to capture both QNCD's operating recovery and its income-investor attributes through DCF, DDM and relative valuation. The unchanged PT is consistent with a thesis that is improving at the top line but not yet at the earnings-conversion level.
- **Risks: (1)** price controls and other regulatory or public-policy risks; **(2)** volatility in construction and infrastructure activity; **(3)** slower-than-expected margin recovery or inefficient plant utilization; **(4)** weaker investment income; and **(5)** stock illiquidity **(6)** geopolitics.

Key Data

Current Market Price (QR)	2.582
Dividend Yield (%)	8.5
Bloomberg Ticker	QNCD QD
ADR/GDR Ticker	N/A
Reuters Ticker	QNCD.QA
ISIN	QA0007227687
Sector*	Industrial
52wk High/Low (QR)	3.381/2.562
3-m Average Vol.	210,020
Mkt. Cap. ($ bn/QR bn)	0.5/1.7
EV ($ bn/QR bn)	0.3/1.2
Shares O/S (mn)	653.5
FO Limit* (%)	100%
FO (Institutional)* (%)	1.2
1-Year Total Return (%)	-16.7
Fiscal Year-End	December 31

Source: Bloomberg (as of September 07, 2026), *Qatar Exchange (as of September 07, 2026); Note: FO is foreign ownership

Key Financial Data and Estimates

GROUP	2025	2026e	2027e
EPS (QR)	0.15	0.17	0.18
P/E (x)	16.83	14.99	14.10
EV/EBITDA (x)	9.99	3.69	3.74
DPS (QR)	0.22	0.18	0.18
DY (%)	8.5%	7.0%	7.0%

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

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Financial Statements & Projections

2Q2026 Condensed Income Statement vs. Estimates (QR'000)

Abridged Income Statement	2Q2025	1Q2026	2Q2026	2Q26e	YoY	QoQ	Vs. Est.
Revenue	97,049	96,991	106,791	98,931	10.0%	10.1%	7.9%
Cement	*70,716*	*67,842*	*80,136*		13.3%	18.1%	
Washed Sand	*24,291*	*26,837*	*24,593*		1.2%	-8.4%	
Other	*2,042*	*2,312*	*2,062*		1.0%	-10.9%	
GP	20,601	21,405	22,330	22,754	8.4%	4.3%	-1.9%
GP M	*21.2%*	*22.1%*	*20.9%*	*23.0%*			
EBIT (Core Earnings)	16,654	11,729	17,622	18,807	5.8%	50.2%	-6.3%
EBIT M	*17.2%*	*12.1%*	*16.5%*	*19.0%*			
Other income	7,988	18,955	7,780	9,066	-2.6%	-59.0%	-14.2%
NP	24,642	30,684	24,743	27,873	0.4%	-19.4%	-11.2%
NP M	*25.4%*	*31.6%*	*23.2%*	*28.2%*			

Source: Company data, QNBFS Research; Note: Quarterly historical divisional data are based on house approximations

- **Sales recovery is broadening, led by cement.** The 2Q revenue beat provides the clearest evidence yet that QNCD's top line may have moved beyond stabilization. Revenue has now increased YoY for five consecutive quarters from 2Q2025 through 2Q2026 on the quarterly series following a decade of uninterrupted decline. In 2Q2026, cement accounted for most of the acceleration, rising 18.1% QoQ, while washed sand moderated sequentially. For 1H2026, reported revenue increased 9% YoY to QR203.8mn. Management attributed the half-year increase mainly to higher washed sand and slag volumes.
- **The missing ingredient is margin conversion.** The stronger revenue trajectory has yet to translate into commensurate gross-profit growth. Cost of sales rose broadly in line with 1H revenue, leaving 1H gross profit up 6% versus 9% revenue growth. In 2Q, gross margin fell sequentially to 20.9%, despite the strong cement contribution. QNCD is currently producing from one plant with stated capacity of 5,000 tons per day, but management did not disclose the utilization rate. Management reiterated that the benefits from restarting clinker production should emerge gradually in coming quarters.

QNB FS Estimates Revision (QR)

	2025	2026e			2027e			2028e		
		Current	Previous	▲	Current	Previous	▲	Current	Previous	▲
REVENUE	399,112,788	428,904,070	413,742,912	3.7%	442,236,792	420,581,482	5.1%	461,847,239	430,594,298	7.3%
Cement	290,954,214	313,324,071	304,909,699	2.8%	324,371,747	311,073,645	4.3%	340,539,244	320,405,855	6.3%
Sand	99,467,906	106,688,510	99,965,246	6.7%	108,822,280	100,465,072	8.3%	112,086,949	100,967,397	11.0%
Others	8,690,668	8,891,489	8,867,967	0.3%	9,042,765	9,042,765	0.0%	9,221,046	9,221,046	0.0%
GROSS PROFIT	90,332,048	99,262,907	106,952,718	-7.2%	110,559,198	113,203,968	-2.3%	124,698,754	123,302,026	1.1%
EBITDA	79,862,198	163,422,856	171,999,744	-5.0%	167,757,193	170,518,046	-1.6%	174,304,366	173,010,492	0.7%
OPERATING PROFIT	49,558,520	58,997,453	67,574,342	-12.7%	66,236,450	69,148,907	-4.2%	78,053,771	77,125,286	1.2%
OTHER INCOME	49,648,748	52,109,802	46,269,901	12.6%	51,899,293	52,640,560	-1.4%	49,383,527	50,434,742	-2.1%
NET PROFIT	100,282,239	112,599,149	115,336,137	-2.4%	119,638,080	123,291,803	-3.0%	128,950,525	129,073,256	-0.1%

Source: Company data, QNBFS Research

- **We increase revenue across the forecast horizon to reflect stronger cement and washed-sand sales**. However, the absence of margin recovery in 2Q leads us to reduce near-term gross-margin assumptions. The result is a modest earnings downgrade despite a material top-line upgrade. We now forecast 2026e revenue growth of 7.5% to QR428.9mn, but gross profit growth of only 9.9% to QR99.3mn, implying a 23.1% gross margin. Net profit is expected to increase 12.3% to QR112.6mn.

Income Statement (QR)

	2025	2026e	2027e	2028e	2029e
REVENUE	399,112,788	428,904,070	442,236,792	461,847,239	486,827,919
Cement	290,954,214	313,324,071	324,371,747	340,539,244	360,854,612
Sand	99,467,906	106,688,510	108,822,280	112,086,949	116,570,427
Others	8,690,668	8,891,489	9,042,765	9,221,046	9,402,880
GROSS PROFIT	90,332,048	99,262,907	110,559,198	124,698,754	141,180,096
EBITDA	79,862,198	163,422,856	167,757,193	174,304,366	184,507,551
OPERATING PROFIT	49,558,520	58,997,453	66,236,450	78,053,771	93,044,851
OTHER INCOME	49,648,748	52,109,802	51,899,293	49,383,527	50,879,133
NET PROFIT	100,282,239	112,599,149	119,638,080	128,950,525	145,448,570

Source: Company data, QNBFS Research

Balance Sheet (QR)

BALANCE SHEET	2025	2026e	2027e	2028e	2029e
Non-current asset					
Property, plant and equipment and capital work in progress	1,542,053,642	1,499,160,417	1,421,335,974	1,350,632,959	1,283,484,443
Right-of-use assets	6,777,584	6,443,318	6,109,052	5,774,786	5,440,520
Investment properties	1,917,948	1,464,230	1,010,512	556,794	103,076
Intangible assets	3,850,265	772,336	772,336	772,336	772,336
Investment in associates	31,904,842	33,692,282	35,479,722	37,267,162	39,054,602
Financial assets at fair value through other comprehensive income-equity instruments	250,875,635	250,875,635	250,875,635	250,875,635	250,875,635
Total non-current assets	**1,837,379,916**	**1,792,408,218**	**1,715,583,231**	**1,645,879,672**	**1,579,730,612**
Current assets					
Inventories	481,486,408	270,502,810	189,892,395	162,702,917	164,058,313
Accounts and other receivables	225,311,347	242,129,435	249,656,163	260,726,859	274,829,215
Short term fixed deposits	439,936,526	439,936,526	439,936,526	439,936,526	439,936,526
Cash and cash equivalents	205,730,212	399,922,519	376,043,143	468,819,764	537,670,808
Assets classified as held for sale - associate	1,150,266	1,150,266	1,150,266	1,150,266	1,150,266
Total current assets	**1,353,614,759**	**1,353,641,556**	**1,256,678,493**	**1,333,336,331**	**1,417,645,128**
Total assets	**3,190,994,675**	**3,146,049,774**	**2,972,261,725**	**2,979,216,003**	**2,997,375,739**
EQUITY AND LIABILITIES					
Share capital	653,528,940	653,528,940	653,528,940	653,528,940	653,528,940
Legal reserve	326,764,470	326,764,470	326,764,470	326,764,470	326,764,470
Fair value reserve of financial assets at fair value through other comprehensive income-equity instruments	7,820,868	7,820,868	7,820,868	7,820,868	7,820,868
Share of fair value reserves of associates	8,364,260	8,364,260	8,364,260	8,364,260	8,364,260
Retained earnings	1,971,877,139	1,937,884,943	1,936,896,862	1,944,988,415	1,964,385,535
Total equity	**2,968,355,677**	**2,934,363,481**	**2,933,375,400**	**2,941,466,953**	**2,960,864,073**
Non-current liability					
Lease liabilities	6,260,718	6,039,522	5,808,822	5,568,210	5,317,260
Employees' end of service benefits	13,785,642	13,785,642	13,785,642	13,785,642	13,785,642
Accounts & other payables - long term	1,850,310	1,752,198	171,481	163,484	154,674
Total non-current liability	**21,896,670**	**21,577,361**	**19,765,944**	**19,517,336**	**19,257,576**
Current liability					
Lease liabilities	618,108	596,270	573,493	549,738	524,962
Accounts & other payables - short term	200,124,220	189,512,662	18,546,887	17,681,977	16,729,129
Total current liability	**200,742,328**	**190,108,932**	**19,120,380**	**18,231,715**	**17,254,091**
Total liabilities	**222,638,998**	**211,686,293**	**38,886,325**	**37,749,050**	**36,511,667**
Total equity and liabilities	**3,190,994,675**	**3,146,049,774**	**2,972,261,725**	**2,979,216,003**	**2,997,375,740**

Source: Company data, QNBFS Research

Cash flow Statement (QR)

	2025	2026e	2027e	2028e	2029e
Cash Flow from Operating Activities	**204,240,422**	**387,520,939**	**106,099,408**	**225,233,875**	**205,482,119**
Cash Flow from Investing Activities	**21,977,990**	**(49,013,685)**	**(11,804,995)**	**(14,283,465)**	**(13,677,259)**
Cash Flow from Financing Activities	**(179,826,654)**	**(144,314,947)**	**(118,173,789)**	**(118,173,789)**	**(122,953,816)**
Change in Cash	46,391,758	194,192,307	(23,879,376)	92,776,621	68,851,044
Cash Beginning of Period	159,338,454	205,730,212	399,922,519	376,043,143	468,819,764
Cash End of Period	**205,730,212**	**399,922,519**	**376,043,143**	**468,819,764**	**537,670,808**

Source: Company data, QNBFS Research

Ratios

	2025	2026e	2027e	2028e	2029e
Growth Rates					
Revenue	0.5%	7.5%	3.1%	4.4%	5.4%
Gross Profit	-32.0%	9.9%	11.4%	12.8%	13.2%
EBITDA	-45.6%	104.6%	2.7%	3.9%	5.9%
EBIT	-50.6%	19.0%	12.3%	17.8%	19.2%
NP	-37.3%	12.3%	6.3%	7.8%	12.8%
EPS	-37.3%	12.3%	6.3%	7.8%	12.8%
DPS	-18.5%	-18.2%	0.0%	4.1%	13.5%
CFPS	49.8%	89.7%	-72.6%	112.3%	-8.8%
FCFF	18.9%	122.2%	-74.7%	142.3%	-9.3%
Operating Ratios					
Gross Margin	22.6%	23.1%	25.0%	27.0%	29.0%
EBITDA Margin	20.0%	38.1%	37.9%	37.7%	37.9%
EBIT Margin	12.4%	13.8%	15.0%	16.9%	19.1%
Net Margin	25.1%	26.3%	27.1%	27.9%	29.9%
Working Capital Ratios					
Inventory Days	588	500	350	300	300
Average Collection Period	222	222	222	222	222
Payable Days	35	27	26	23	20
NWC days					
Finance Ratios					
Debt-Equity Ratio	0%	0%	0%	0%	0%
Net Debt -Equity Ratio	0%	0%	0%	0%	0%
Net Debt -to-Capital	0%	0%	0%	0%	0%
Net Debt -to-EBITDA	N.A.	N.A.	N.A.	N.A.	N.A.
Interest Coverage	N.A.	N.A.	N.A.	N.A.	N.A.
Return Ratios					
ROIC	2.4%	3.2%	3.5%	4.4%	5.4%
ROE	3.4%	3.8%	4.1%	4.4%	4.9%
ROA	3.1%	3.6%	3.9%	4.3%	4.9%
WACC		12.1%	12.1%	12.1%	12.1%
Liquidity Ratios					
Current Ratio	6.8	7.1	67.8	75.4	84.7
Quick Ratio	4.4	5.7	57.5	66.2	74.9
Cash Ratio	3.2	4.4	44.0	51.4	58.4
Valuation Ratios					
EV/Sales	2.00	1.41	1.42	1.16	0.95
EV/EBITDA	9.99	3.69	3.74	3.06	2.52
EV/EBIT	16.10	10.23	9.47	6.84	5.00
P/E	16.83	14.99	14.10	13.09	11.60
P/CFO	8.3	4.4	15.9	7.5	8.2
P/BV	0.6	0.6	0.6	0.6	0.6
Dividend Yield	8.5%	7.0%	7.0%	7.3%	8.2%
FCF Yield	8.7%	19.3%	4.9%	11.8%	10.7%
Unencumbered cash/Book Value	30.2%	37.2%	36.4%	39.4%	41.5%
Unencumbered cash/Market Cap.	52.7%	64.2%	62.8%	68.4%	72.5%

Source: Company data, QNBFS Research

Recommendations *Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*		Risk Ratings *Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*	
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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