

Qatar National Cement (QNCD)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR3.517	12M Target Price	QR4.366
Implied Upside	24.1%		

Defensive Balance Sheet Cements Low Volatility & High Yield Profile: Initiate with Accumulate

Qatar National Cement is a pillar in Qatar's cement ecosystem, commanding roughly half of the construction materials sector's market share. Strategically located close to the rich deposits of its key limestone input in Umm Bab, the group is engaged in the production and sale of cement, washed sand and lime products. **Boasting a robust balance sheet with no debt, QNCD has substantial cash reserves that contribute approximately 32% to our estimate of its intrinsic value. The company offers an attractive forward dividend yield of 7.7% vs QSE's 4.6%; for FY2024, QNCD paid out more than 100% of earnings, supported by its strong balance sheet. Despite declining revenue since 2015, the group has maintained profitability through savvy deployment of its war chest to generate investment income, which is further augmented by effective cost management/operational efficiency.** The pipeline of major infrastructure projects – spearheaded by Ashghal, Kahramaa and Simaisma – are set to stimulate demand for construction materials, with QNCD's bottom-line potentially seeing magnified growth due to its high operating leverage. In the meantime, the company's high inventory levels, equating to nearly five years of stock, and its **excess cash resources suggest opportunities for balance sheet optimization to enhance shareholder value. Moreover, despite the inherent pronounced cyclicality of the construction industry, QNCD's stock has demonstrated low volatility compared with the broader market and its peers, with a 5-year beta of 0.59. This uncharacteristic low risk profile cements its appeal as a portfolio diversifier and "safe investment" option for income-focused investors. We forecast ~7% earnings growth in 2025, shifting to mid-single-digit growth into the medium term, driven by recovery in domestic demand. Overall, QNCD presents a compelling investment opportunity for those seeking consistent income flow and exposure to Qatar's infrastructure growth, underpinned by strong financial fundamentals and potential for strategic capital deployment/balance sheet engineering. Therefore, we initiate coverage with QR4.366/share PT and an Accumulate rating.**

Highlights

- Robust financial position with potential for balance sheet optimization:** QNCD boasts a debt-free balance sheet with QR904mn of cash/financial investments sitting on the balance sheet at end-FY2024, providing a substantial buffer against economic downturns. That constitutes about 30%/39% of the company's book value/market capitalization. At the moment, this war chest is deployed as equity/fixed income investments, bolstering the overall bottom-line. QNCD's investment income has risen by ~82% between FY2015 and FY2024, a CAGR of ~7%. Moreover, a >77x fair value/BV of group's investment properties provides another cushion to QNCD's value.
- High degree of operating leverage offset by a solid balance sheet:** The company's elevated business risk profile as measured by its high degree of operating leverage (DOL) – which has come under renewed scrutiny due to perennial top-line declines – is partially offset by a markedly low degree of financial leverage (DFL). QNCD has averaged 1.6x degree of total leverage (DTL) between 2015 and 2024, which is less than its 1.9x DOL. Its DTL has been compressed by a sub-1 DFL, with investment income absorbing some of the top-line/operational hit. So, despite a high DOL, earnings have moved largely in-line with revenue in the last 10 years, both declined by ~66%; Comparatively, EBIT has fallen by ~77%. Meanwhile, an expected recovery in infrastructure spend bodes well for the group's high DOL.
- Operating cost management partially offsets falling revenue; Clinker production plant (CPP) mothballed:** There is an ongoing costs' reduction exercise, to reduce the impact of falling revenue; cost of sales has been falling faster than the decline in sales, while the more sticky SG&A expenses decreased to QR33mn in 2024 from QR45mn in 2015. Furthermore, **mothballing of the CPP since mid-2024 as part of streamlining costs is a sensible move since the group is sitting on roughly five years' worth of inventory.** While this has had the adverse effect of raising relative labor costs, which would have been absorbed by new inventory, depreciation has been slashed by more than half – with a net positive effect on GP. Clinker production is set to resume next year, however, according to management.
- Value attributes justify balance sheet optimization:** Sporting a 2025E P/E ratio of 13.4x and DY of 7.7%, which is a discount to regional peers (14.7x and 5.9%), QNCD is well-placed to ride the current QSE zeitgeist of unlocking balance sheet value, evidenced by a wave of buyback announcements & interim dividends by locally listed companies since last year. Historically, QNCD has maintained solid DY credentials; including recently paying out 110% of its FY2024 earnings.
- Relatively low stock volatility/beta:** Related to its DFL, the QNCD stock boasts a surprisingly low 5-yr beta of 0.59 (vs. regional peers' 0.83) despite the pronounced cyclical nature of its products. This can be attributed to its sizeable war chest that absorbs some of the economic shocks pervasive in the construction industry.
- Mid-single digit earnings growth rate expected into the medium term.** We see QNCD's earnings growing by CAGR of 5.9% between 2024 and 2027, and we expect its revenue to grow at 2.4% CAGR in the same period.

Catalysts

- QNCD lacks notable catalysts but its balance sheet is well-placed to engage in various corporate actions including buybacks, special dividends and acquisitions. However, there is little visibility on if or when this happens. Like the 10 QSE-listed companies that initiated interim dividends last year and a few of them further announcing share buybacks, a template has been laid out for other Qatari firms with solid balance sheets to follow, such as QNCD, to help unlock shareholder value.**

Recommendation, Valuation and Risks

- Recommendation and Valuation:** We launch coverage with an "Accumulate" rating and a 12-month PT of QR4.366, implying 24.1% upside. Our PT is a weighted average of DCF and Relative valuation models. Our primary thesis is that QNCD has a strong balance sheet, is managing costs well in a difficult operating environment, and has an attractive stock volatility/beta profile. Also, its high DOL could magnify earnings should construction recover.
- Risks:** (1) Price controls & other regulatory/public policy risks (2) Highly volatile sector fortunes (3) Geopolitics

Key Financial Data and Estimates

GROUP	2024	2025e	2026e	2027e	2028e	2029e
EPS (QR)	0.24	0.26	0.28	0.29	0.31	0.32
P/E (x)	14.38	13.42	12.68	12.12	11.39	10.88
EV/EBITDA (x)	9.36	7.04	5.48	4.90	4.44	4.04
DPS (QR)	0.27	0.27	0.27	0.28	0.30	0.31
DY (%)	7.7%	7.7%	7.7%	8.0%	8.5%	8.9%

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

Key Data

Current Market Price (QR)	3.517
Dividend Yield (%)	7.7
Bloomberg Ticker	QNCD QD
ADR/GDR Ticker	N/A
Reuters Ticker	QNCD.QA
ISIN	QA0007227687
Sector*	Industrial
52wk High/Low (QR)	4.289/3.200
3-m Average Vol.	315,119
Mkt. Cap. (\$ bn/QR bn)	0.6/2.3
EV (\$ bn/QR bn)	0.5/1.8
Shares O/S (mn)	623.5
FO Limit* (%)	100%
FO (Institutional)* (%)	2.5
1-Year Total Return (%)	-0.1
Fiscal Year-End	December 31

Source: Bloomberg (as of July 09, 2025), *Qatar Exchange (as of July 09, 2025); Note: FO is foreign ownership

Phibion Makuwerere, CFA

+974 4476 6589

phibion.makuwerere@qnbfs.com.qa

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

Valuation

- We value QNCD shares at a 12M PT of QR4.366 with a 24.1% upside potential, which is a weighted target price using a combination of DCF and international & domestic multiples. We assign the biggest weight to DCF (cash flows to firm) as it captures the longer-term potential of the company. The international comparison methodologies utilize regional cement company as peers, to capture industry- or sector-specific pricing and valuation signals.
- QNCD looks relatively attractive on most metrics. Not only does the DCF valuation looks compelling, supported by a substantial cash chest sitting on the balance sheet, it is also attractively priced relative to industry peers (regional cement manufacturers – see *Valuation Summary* table below), as well as the local market, specifically its relative DY to the QSE. However, QNCD has a moderately rich P/E relative to the local market. That dynamic is also reflected in the group's subdued earnings growth outlook for its core operations; a more encapsulating valuation metric, PEG ratio at 2.4x, implies that the market is willing to pay a premium for the stock, justified somewhat by its generous DY as well as QNCD's conservative/defensive balance sheet, which presents considerable optionality. It also explains the disconnect between our rating and the implied upside potential. Typical a 20%+ upside potential for a stock aligns with an "Outperform" rating, but given the uncertainty surrounding growth visibility we believe an "Accumulate" rating is much more warranted.
- We note more than a third of the DCF value is coming from financial investments and the cash pile on the balance sheet. We hypothesize the intrinsic valuation could be improve by optimizing the balance sheet. Current, the safe and low-yielding investments imply a more ambitious capital allocation could extract more value for shareholders – they have yielded 3.1% since 2015, on average annually. So, the strong balance sheet, in a way, justifies a high P/E valuation relative to the QSE. Interim dividends and buybacks are low-hanging fruits, already tried and tested in the local market, to extract more value – QNCD has the balance sheet muscle to follow suit.

Valuation Summary

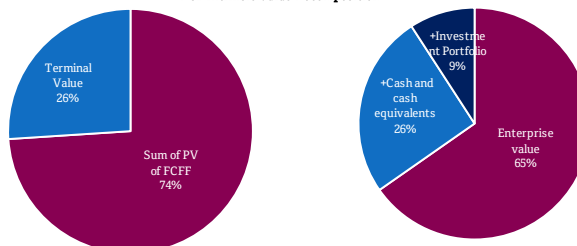
Method	Weight in Overall QNCD Valuation	QNCD Upside Potential
DCF	60%	26.9%
International Comparison	20%	13.5%
P/E, 2025e	5.0%	9.0%
DY, 2025e	5.0%	36.3%
P/E, 2026e	5.0%	-10.3%
DY, 2026e	5.0%	18.8%
Local Comparison	20%	26.6%
DSM All Share Index Dividend Yield, 2025e	10.0%	65.2%
DSM All Share Index P/E, 2025e	10.0%	-12.0%
Weighted Average Upside Potential for QNCD Shares	100.0%	24.1%

Source: QNBFS Research

DCF Model Output: Summary

GROUP	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	Terminal
NOPLAT	100,052,620	117,068,128	118,066,721	130,286,553	139,564,702	146,548,888	153,664,940	160,028,560	166,115,050	171,944,545	176,243,158
EBIT	100,052,620	117,068,128	118,066,721	130,286,553	139,564,702	146,548,888	153,664,940	160,028,560	166,115,050	171,944,545	
Tax	0	0	0	0	0	0	0	0	0	0	0
Reinvestment	33,648,763	251,891,578	(70,619,316)	82,143,983	83,810,073	77,792,420	71,746,089	66,521,089	61,848,830	59,548,468	(57,099,449)
D&A	48,929,632	47,688,313	106,064,159	100,282,330	92,945,638	87,922,131	82,786,017	78,421,642	74,353,764	70,562,313	
Capital Expenditure	(12,894,236)	(60,541,222)	(18,282,656)	(18,296,062)	(18,309,611)	(18,323,305)	(18,337,146)	(18,351,135)	(18,365,274)	(16,935,987)	
Change in WC	(2,386,633)	264,744,487	(158,397,819)	10,157,685	9,174,047	8,193,595	7,297,188	6,450,551	5,660,340	4,919,142	
Free cash flow to the firm (FCFF)	133,701,383	368,959,706	47,450,405	222,430,506	223,374,776	224,341,308	225,410,999	226,549,619	227,763,880	230,490,013	119,143,710
WACC		11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%
Discount Factor		1.06	1.18	1.33	1.48	1.66	1.86	2.08	2.33	2.61	2.92
PV of FCFF		348,722,100	40,062,820	167,763,317	150,800,466	135,024,950	121,193,950	108,810,357	97,722,105	88,340,761	40,792,583
Sum of PV of FCFF		1,258,140,826									
Terminal Value		442,763,086									
Terminal FCF		41,812,397									
Terminal Growth Rate		2.5%									
Terminal WACC		11.9%									
Enterprise value		1,700,903,912									
+Cash and cash equivalents		666,020,615									
+Investment Portfolio		238,338,380									
-Debt - long term and short term		0									
Fair Value of Equity		2,605,262,907									
Shares o/s		653,528,940									
12M target price per share		4.463									
12 Month Upside Potential		26.9%									

DCF Intrinsic Value Decomposition



Source: QNBFS Research

Target Share Price Sensitivity to WACC and Discount Rate

Terminal Discount Rate		Terminal Growth Rate				
		1.50%	2.00%	2.5%	3.00%	3.50%
	9.9%	4.61	4.60	4.58	4.56	4.54
	10.9%	4.55	4.53	4.51	4.49	4.46
	11.9%	4.51	4.49	4.463	4.44	4.40
	12.9%	4.48	4.45	4.43	4.40	4.37
	13.9%	4.45	4.43	4.41	4.38	4.35

Terminal Discount Rate	Upside Potential		1.5%	2.0%	2.5%	3.0%	3.5%
	10.9%	31.1%	30.8%	30.3%	29.7%	29.0%	
	11.4%	29.4%	28.9%	28.3%	27.6%	26.7%	
	11.9%	28.1%	27.5%	26.9%	26.1%	25.2%	
	12.4%	27.2%	26.6%	25.9%	25.1%	24.2%	
	12.9%	26.7%	26.0%	25.3%	24.5%	23.6%	

Source: QNBFS Research

Relative Valuation Metrics

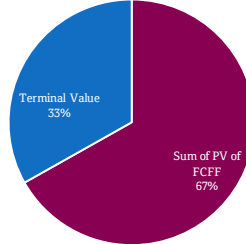
Company	Country	Sh. Price (LCY)	Mcap USDmn	Beta 5yr adj.	P/E		EV/EBITDA		Dividend Yield	
					2025e	2026e	2025e	2026e	2025e	2026e
NORTHERN REGION CEMENT CO	SAUDI ARABIA	7.92	380	n.a.	20.1	16.0	13.8	12.4	3.98	4.61
LAFARGE AFRICA PLC	NIGERIA	85.25	865	n.a.	8.3	n.a.	3.7	3.1	9.38	11.73
YANBU CEMENT CO	SAUDI ARABIA	20.60	865	0.84	18.5	15.7	9.3	8.8	6.55	7.20
NAJRAN CEMENT CO	SAUDI ARABIA	8.27	375	0.76	15.5	12.2	8.6	7.9	4.84	4.84
PPC LTD	SOUTH AFRICA	458.00	397	1.07	10.0	8.5	4.5	4.0	10.92	3.06
CITY CEMENT CO	SAUDI ARABIA	17.78	664	0.97	15.2	14.3	9.1	8.2	6.33	7.00
NATIONAL CEMENT CO	UAE	3.65	357	0.26	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
OMAN CEMENT CO	OMAN	0.48	408	1.32	13.6	n.a.	n.a.	n.a.	n.a.	n.a.
CIMENTS BLANCS NOMINAL	LEBANON	32.00	309	0.35	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
ARABIAN CEMENT	SAUDI ARABIA	23.36	623	0.82	13.3	11.6	6.8	6.1	6.93	8.43
Peer Group Mean				0.80	14.3	13.0	8.0	7.2	7.0%	6.7%
Peer Group Median				0.83	14.4	13.2	8.6	7.9	6.6%	7.0%

Source: Bloomberg, QNBFS Research

EEM Model Output: Summary

GROUP	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	Terminal
EBITDA	148,982,252	164,756,441	224,130,880	230,568,883	232,510,340	234,471,018	236,450,956	238,450,203	240,468,814	242,506,858	248,569,529
PV of EBITDA		155,719,476	189,235,795	173,901,509	156,655,623	141,121,748	127,129,666	114,526,133	103,173,158	92,946,501	85,105,568
Sum of PV of FCFF		1,258,140,826									
Terminal Value		624,591,474									
Terminal EBITDA		87,233,207									
EBITDA Multiple		7.2									
Enterprise value		1,882,732,289									
+Cash and cash equivalents		666,020,615									
+FVTOCI		238,338,380									
-Long- and Short-term Debt		-									
Fair Value of Equity		2,787,091,285									
Shares outstanding		653,528,940									
Fair Value Per Share		4.265									
12M Target price per share		4.774									
Upside Potential		35.7%									

EEM Enterprise Value Breakdown



Source: QNBFS Research

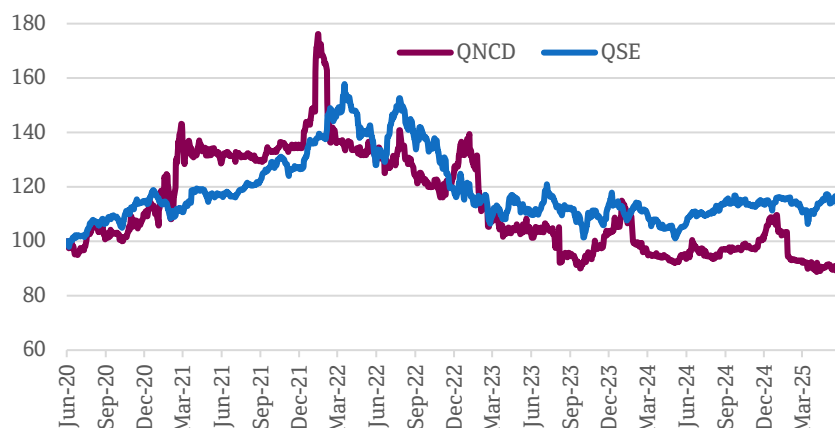
Target Share Price Sensitivity to Exit Multiple and Discount Rate

Terminal Discount Rate		Exit Multiple				
		5.2	6.2	7.2	8.2	9.2
	9.9%	4.395	4.542	4.689	4.835	4.982
	10.9%	4.435	4.583	4.731	4.879	5.028
	11.9%	4.475	4.625	4.774	4.923	5.073
	12.9%	4.515	4.666	4.817	4.967	5.118
	13.9%	4.555	4.707	4.859	5.011	5.164

Upside Potential		5.2	6.2	7.2	8.2	9.2
Terminal Discount Rate	9.9%	25.0%	29.1%	33.3%	37.5%	41.7%
	10.9%	26.1%	30.3%	34.5%	38.7%	43.0%
	11.9%	27.2%	31.5%	35.7%	40.0%	44.2%
	12.9%	28.4%	32.7%	37.0%	41.2%	45.5%
	13.9%	29.5%	33.8%	38.2%	42.5%	46.8%

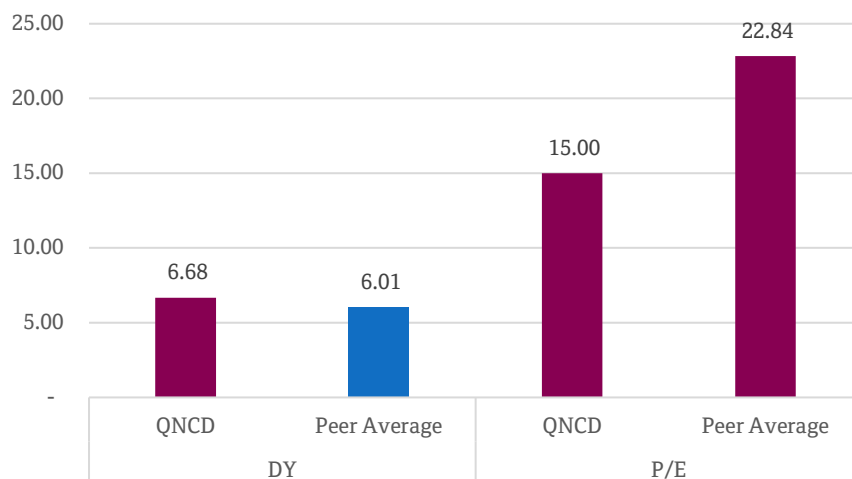
Source: QNBFS Research

5-YR QNCD Share Price Performance vs. QSE (Base = 100)



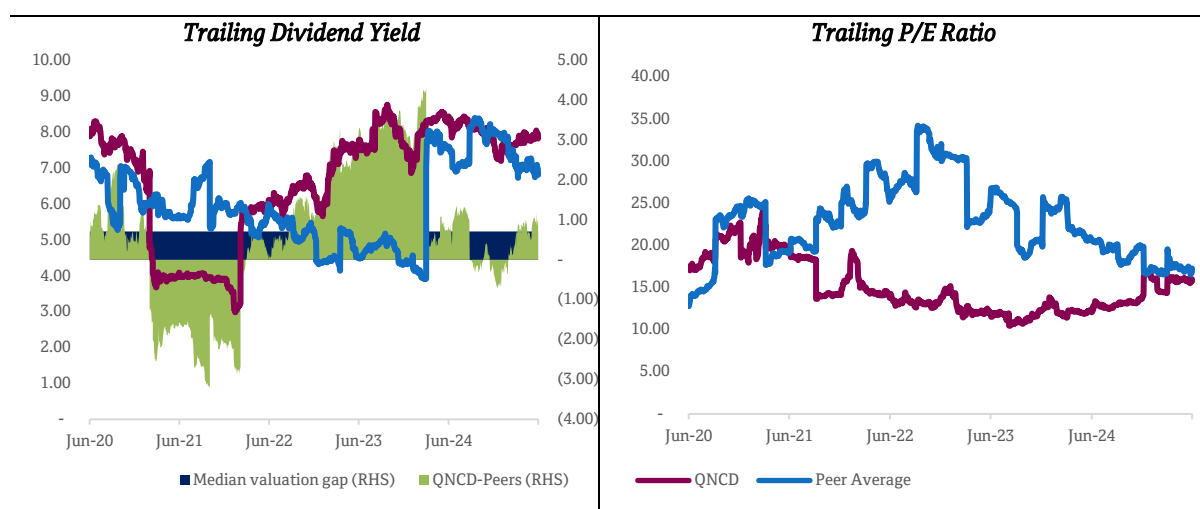
Source: Bloomberg, QNBFS Research

Fundamentals: QNCD vs. Peers Average 5-YR Average



Source: Bloomberg, QNBFS Research

Fundamentals: QNCD vs. Peers Average 5-YR Series – DY Shows More Relative Value

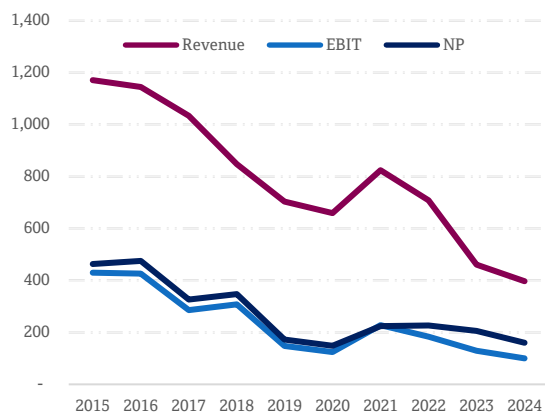


Source: Bloomberg, QNBFS Research

Potential Value Drivers

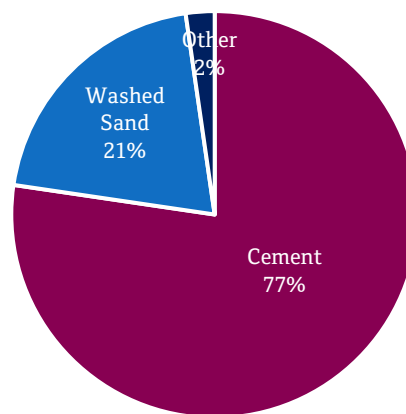
In this section, we expand on QNCD's investment thesis. **Most of QNCD's revenue comes from cement sales, split roughly 90/10 between Ordinary Portland and Sulphate-resistant Portland.** Historically, cement sales account for ~78% of group revenue, while the balance comes from other related construction materials: washed cement (~20% of sales) and other (~2% of sales). First, we expand on what we perceive to be QNCD's most important internal sources of value creation, highlighted summarily on page 1. Specifically, we look at the "strong" balance sheet and the optionality it affords. Furthermore, we briefly examine the outlook for infrastructure-led demand resurgence – including from Ashghal, Kahramaa, and Simaisma – which could resuscitate the decline in cement sales since 2015. Despite a decade of revenue pressure and high operating leverage, net profit has remained resilient, largely supported by non-operating income, notably investment income derived from its advantageous financial position.

Trend in Total Sales vs. EBIT vs. NP (QR'mn)



Source: Company data, QNBFS Research

Sales Mix FY2024



Some of the major themes covered in this section include:

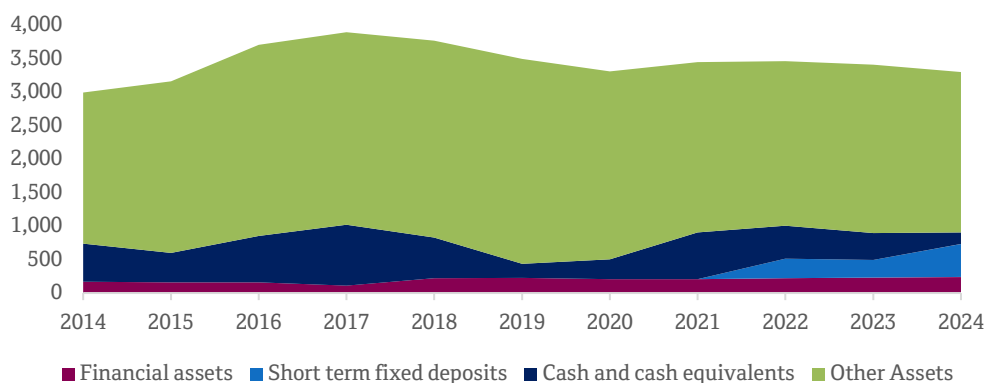
- Robust financial position with potential for balance sheet optimization
- High degree of operating leverage balanced by low degree of financial leverage
- Operating cost management partially offsets falling revenue; Clinker production plant (CPP) mothballed
- Value attributes justify balance sheet optimization
- Relatively low stock volatility/beta
- Potential recovery in infrastructure spend could reverse perennial sales decay

We expand on each of these themes as follows:

Theme 1: Robust Financial Position with Potential for Balance Sheet Optimization

- QNCB boasts a debt-free balance sheet with QR904mn of unencumbered cash/financial investments at end-FY2024, providing a substantial buffer against economic downturns. That constitutes about 30%/39% of the company's book value/market capitalization. At the moment, this war chest is deployed as equity/fixed income investments, which bolsters the overall bottom-line. Investment income, which makes up the bulk of QNCB's "other income" or non-core income, has risen by ~82% between FY2015 and FY2024, a CAGR of ~7%. Cash/investments were QR732mn in 1Q2025 after dividend payments.

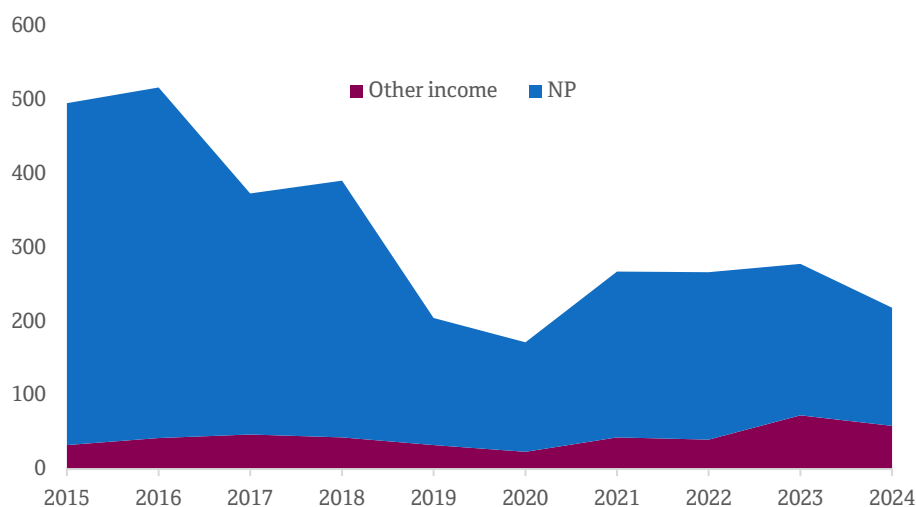
Cash/Investments Load Vs. Other Non-Liquid Assets (QR'Mn)



Source: Company data, QNBFS Research

- We estimate that the return on cash & financial investments on the balance sheet has averaged ~3.1% in the last 10 years. This yield has become an important driver of QNCB's bottom line: it made up 26.4% of the bottom line in FY2024, up from 3.5% in FY2015. The increase in its contribution is not only from the growth in investment income but also due to the decline in earnings from core operations. We note, **the low returns on the group's cash and investments weigh down overall group return metrics, which implies there is room for management to optimize the balance sheet, e.g., through buybacks/distributions or acquisitions.** We have already seen several QSE-listed companies with strong balance sheets taking the route of announcing buybacks since last year, led by QNBK.
- Investment properties with >77x fair value to BV provide considerable margin of safety to QNCB's valuation:** The group boasts investments in properties that also contribute to "other income" through rental income. QNCB's property portfolio had a book value of QR2.4mn at end-FY2024, juxtaposed against a higher fair value estimate of QR185mn, per company-funded independent assessor. We used the BV of these investment properties in our estimation of the overall value of the group – a more conservative approach.

Other Income Has Increased its Importance in Driving Net Profit (QR'Mn)

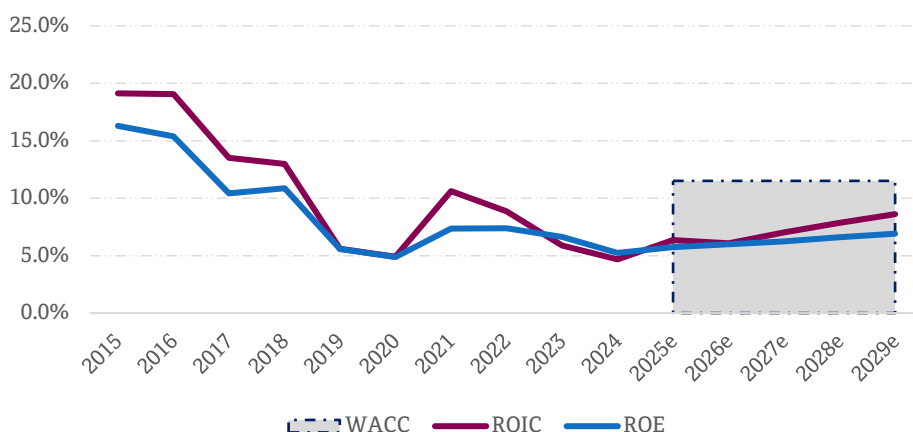


Source: Company data, QNBFS Research

Theme 2: Value Attributes Justify Balance Sheet Optimization

- **Sporting a 2025E P/E ratio of 13.4x and DY of 7.7%, implying a discount to regional peers' 14.7x and 5.9%, respectively,** QNCD is well-placed to ride the QSE zeitgeist of unlocking balance sheet value, with several listed companies initiating value-enhancing initiatives such as buyback announcements and interim dividends since last year. Historically, QNCD has maintained solid DY credentials, including paying out 110% of its FY2024 earnings. We note its excess financial resources could be deployed much more effectively, given that return metrics have been waning, somewhat justifying its deep value attributes relative to peers and now very low by most yardsticks, with RoE/RoIC falling to 4.2%/5.7% in FY2024 from 16.3%/19.1% in FY2015. Furthermore, the absence of debt on the balance sheet has raised group WACC; we estimate that QNCD's WACC is higher than its RoIC, again supporting the notion for the need to optimize the balance sheet.

Declining: RoE Vs. RoIC Vs. WACC

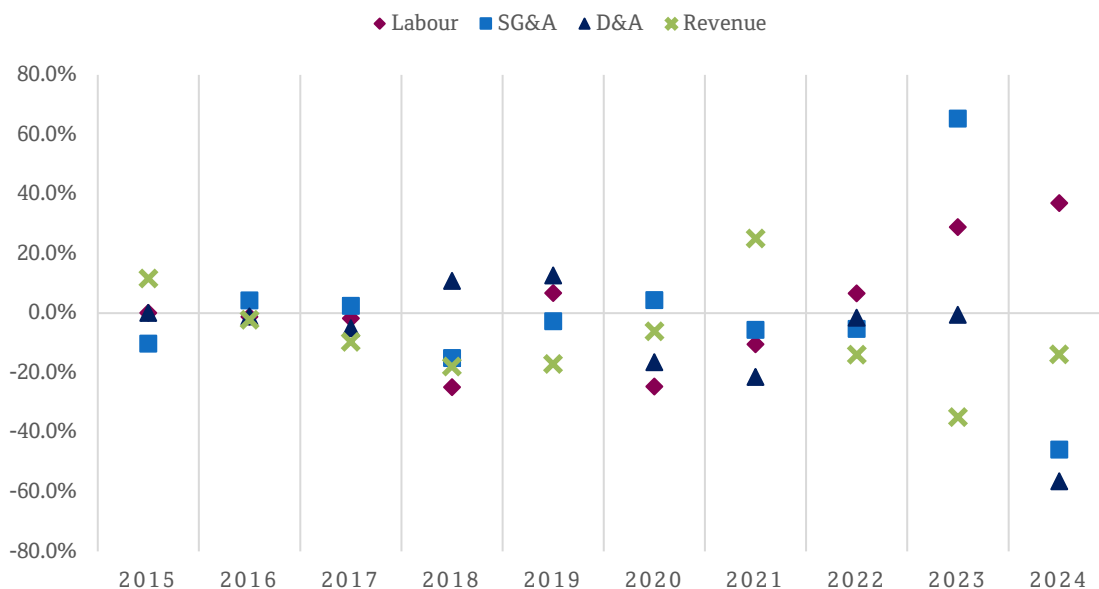


Source: Company data, QNBFS Research

Theme 3: Operating Cost Management Partially Offsets Falling Revenue; Clinker Production Plant (CPP) Mothballed

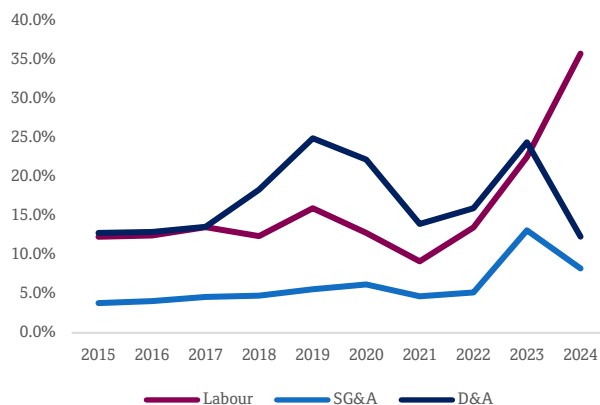
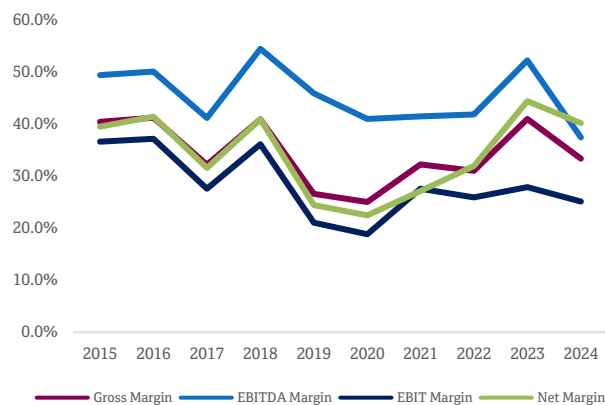
- There is an ongoing costs' reduction exercise to lower the adverse impact of falling revenue. **Cost of sales have been falling faster than the decline in sales, while the more sticky SG&A expenses decreased to QR33mn in 2024 from QR45mn (2015).** Similarly, **mothballing of the CPP since mid-2024 is also part of the cost streamlining exercise: It is a sensible move since the group is sitting on ~ five years' worth of inventory.** While this has had the adverse effect of raising relative labor costs, which would have been absorbed by new inventory, depreciation has been slashed by more than half, translating to an overall net positive effect on GP. However, clinker production is slated to resume next year, according to management. **We also note that the cost of its main inputs – limestone (given long-term mining rights) and labor – are fairly predictable, which means QNCD has relatively greater control of these cash production costs, and consequently, the GP margins.**

Growth Rates: Revenue Vs. SG&A Vs. Labor Vs. D&A



Source: Company data, QNBFS Research

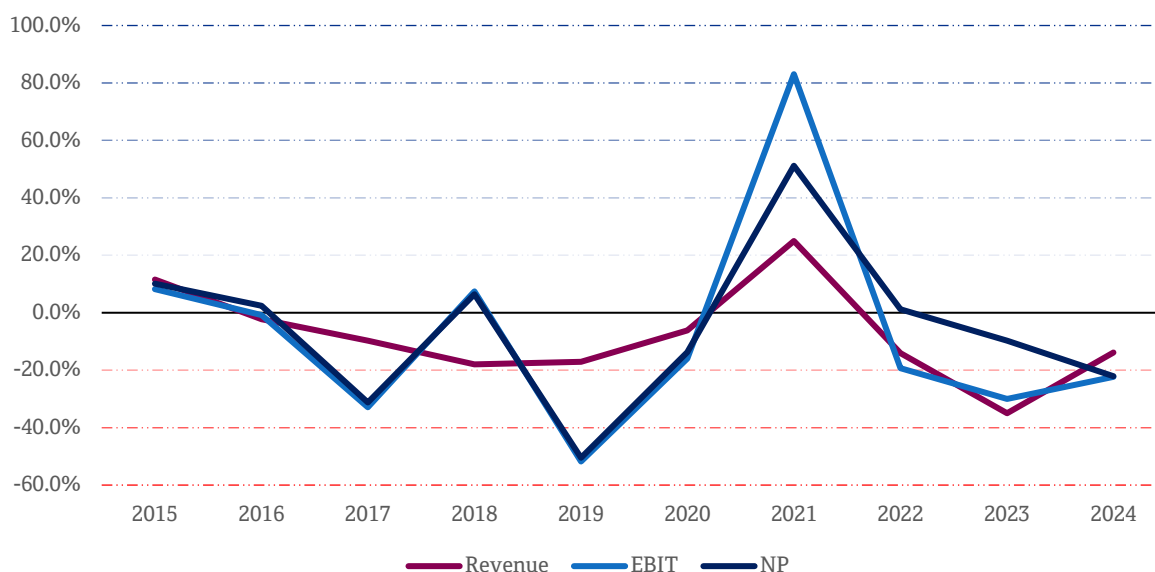
- The SG&A print in 2023 was artificially hiked by higher-than-average cement sales rebate levels that are expected to normalize in future. Also, direct labor margin spiked in 2024 due to the CPP closure but was more than offset by the decrease in SG&A and D&A margins – all are expected to normalize once production resumes.
- Even with revenue coming under pressure since 2015, **the streamlining of costs has helped to keep cost/profit margins under control, maintaining roughly similar levels over time.**

Margins: SG&A Vs. Labor Vs. D&A

Margins: GP Vs. EBITDA Vs. EBIT Vs. NP


Source: Company data, QNBFS Research

Theme 4: High Degree of Operating Leverage Balanced-Off by Low Degree of Financial Leverage

- **The company's elevated business risk profile, as measured by its high degree of operating leverage (DOL) – which has come under scrutiny due to its top-line decline – is partially offset by a markedly low degree of financial leverage (DFL), which helps to cushion the hit from adverse sales movements.** QNCD averaged 1.6x degree of total leverage (DTL) between 2015 and 2024, which is less than its 1.9x DOL. Its DTL has been compressed by a sub-1 DFL, as investment/other income absorbed some of the topline/operational hit. So, despite a high DOL, earnings have moved largely in line with revenue in the last 10 years, both declining by ~66%. Comparatively, EBIT, without a financial leverage cushion, has fallen by ~77%. Meanwhile, an expected recovery in infrastructure spend bodes well for the group's high DOL, as it could significantly magnify EBIT/NP growth.

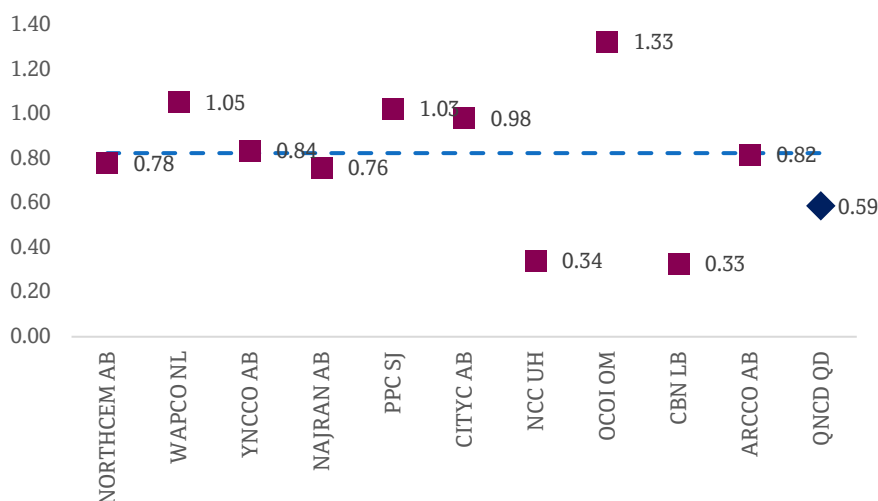
Growth Rates: Revenue Vs EBIT Vs. NP


Source: Company data, QNBFS Research

Theme 5: Relatively Low Stock Volatility/Beta

- Related to its DFL, QNCD's stock boasts a surprisingly low 5-yr beta of 0.59 (vs. regional peers' 0.83 average) despite the pronounced cyclical nature of its sales pipeline. This can be attributed to its sizeable war chest that absorbs some of the economic shocks pervasive in the construction industry. From a valuation perspective, this bodes well for the overall intrinsic value of the stock as it reduces the cost of equity, especially to investors seeking low-volatility exposures. Consequently, in a diversified portfolio, the QNCD stock is likely to enhance overall risk-adjusted returns.

QNCD's Has Relatively Low Beta Vs. Peers

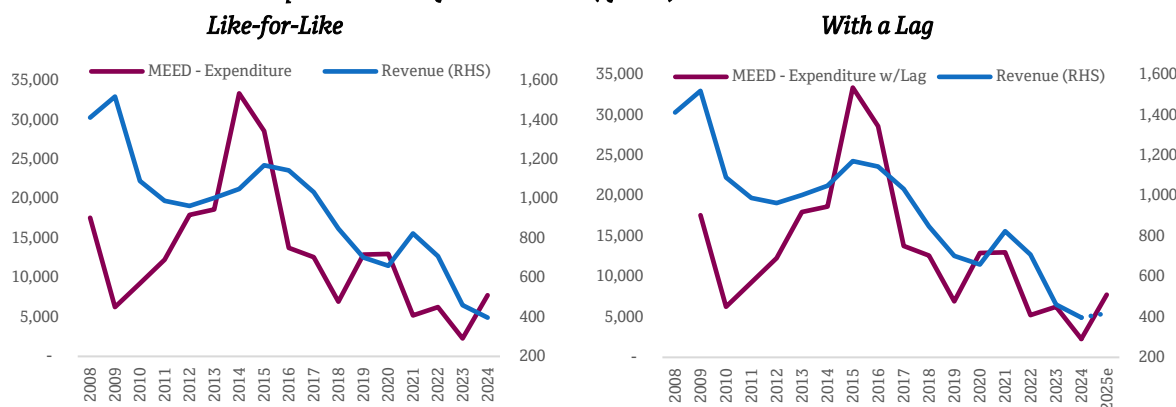


Source: Bloomberg, QNBFS Research

Theme 6: Potential Recovery in Infrastructure Spend Could Reverse Perennial Sales Decay

- MEED infrastructure expenditure data shows a meaningful, lagged correlation (+0.4) with QNCD's revenue (one-year lag vs. -0.2 without lag), reflecting the time it takes for project activity to impact cement sales. With last year's infrastructure spend surging over 3.4x, we expect this to feed into QNCD's top line — despite a softer 1Q2025. **New awards in Simaisma, Kahramaa, and Ashghal projects — together with broader construction sector strength tied to North Field LNG-driven GDP growth in 2026 — support a recovery thesis.** This combination of lagged project momentum and improving macro drivers suggest the multi-year decline in cement volumes may soon reverse.

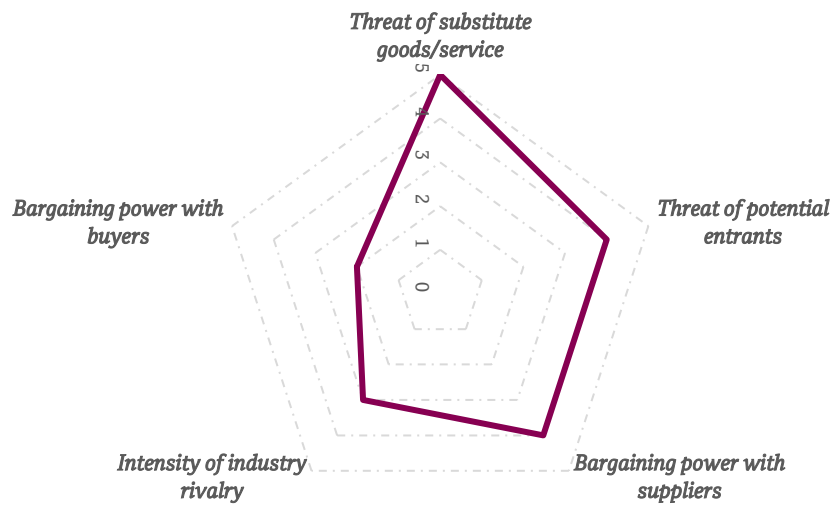
Positive Correlation: MEED Expenditure Vs. QNCD Revenue (QR'mn):



Source: Bloomberg (MEED), QNBFS Research

- QNCD is one of the two integrated cement manufacturers in Qatar. Its main competitor Al Khalij Cement is located a few kilometers from QNCD in Umm Bab, also to take advantage of the rich limestone deposits in the area. In addition, there are two cement mills in the local market that are not fully integrated: United Gulf Cement and Aljabor Cement Industries. So, QNCD is one of the four main players in the local market, where it commands about half of the oligopoly market share.

Subjective Competitive Strength Analysis Map: QNCD Moderately Competitive



Source: QNBFS Research; Note: Ranked from perceived weakest (1) to strongest (5) quality

- Based on our own proprietary subjective qualitative scoring of Porter's five competitive forces, **we think QNCD is strongest on "threat of substitutes" but weakest on "bargaining power with customers"**. We believe the main implication is that, on one hand, QNCD should not struggle to maintain its market share. On the other hand, its margins could come under pressure. To offset some of these challenges, QNCD has been deploying its sizeable war chest, albeit conservatively.

Company Overview

- Qatar National Cement Company is a pioneering producer of cement, lime, and washed sand in Qatar, established in 1965 by an Emiri Decree No. 07, to cater to the country's growing demand for cement products. **Over the years, it has expanded its operations and now produces a range of products including Ordinary Portland and Sulphate Resistant Cement, Hydrated Lime, Calcined Lime, and Washed Sand.**
- QNCD operates several manufacturing units, including those located in Umm Bab and Al-Boaadiat. These locations were selected based on their proximity to abundant raw material limestone deposits. Umm Bab is located 82km from Doha, while Al-Boaadiat is situated on Qatar's western coast.
- The company has a long history of modernization and expansion, with the establishment of the first 100,000 tons production line in 1969. Currently, it operates **four Cement plants, two Sand Washing plants** and a **Calcium Carbonate plant**. It has total cement production capacity of 19,000 tons per day (tpd) and total sand washing plant production capacity of 40,000 tpd.

Umm Bab Site Aerial View



Management

Board Members



*Excellency Sheikh/ Khalid Bin
Khalifa Bin Jassem Al Thani
Chairman of the Board*



*Sulaiman Khalid Al Mana
Deputy Chairman & Director*



*Essa Mohammed Ali A M Kaldari
Chief Executive Officer*



*Khaled Sultan K Kh Al-Rabban
Managing Director*



*Khalifa Essa A Al-Khulaifi
Member*



*Saleh Mohd A Al-Mass
Member*



*Nasser Sultan Al Humaidi
Member*



*Mr. Farhood Hadi Rashed Al Hajeri
Member*



*Mr. Fiasal Ahmed Ali Al Sadda
Member*

Source: Company data

Financial Statements & Projections

Income Statement

	2024	2025e	2026e	2027e	2028e	2029e
REVENUE	396,975,145	411,634,299	422,092,435	425,998,880	429,944,213	433,928,849
Cement	306,966,844	321,422,348	331,292,641	334,605,567	337,951,623	341,331,139
Sand	80,923,081	80,923,081	81,327,696	81,734,335	82,143,007	82,553,722
Others	9,085,220	9,288,869	9,472,098	9,658,978	9,849,584	10,043,988
GROSS PROFIT	132,841,483	140,746,343	152,833,293	160,988,984	168,775,862	176,220,746
EBITDA	148,982,252	164,756,441	224,130,880	230,568,883	232,510,340	234,471,018
OPERATING PROFIT	100,052,620	117,068,128	118,066,721	130,286,553	139,564,702	146,548,888
OTHER INCOME	58,683,855	52,362,853	61,365,506	57,483,921	60,335,642	62,826,726
NET PROFIT	159,826,361	171,247,212	181,248,457	189,586,704	201,716,574	211,191,844

Source: Company data, QNBFS Research

Balance Sheet

BALANCE SHEET	2024	2025e	2026e	2027e	2028e	2029e
Non-current asset						
Property, plant and equipment and capital work in progress	1,515,543,263	1,530,797,197	1,445,416,719	1,365,831,476	1,291,649,167	1,222,504,060
Investment properties	2,371,666	1,917,948	1,464,230	1,010,512	556,794	103,076
Intangible assets	6,202,764	4,255,457	2,308,150	360,843	360,843	360,843
Investment in associates	31,586,797	33,403,027	35,219,257	37,035,487	38,851,717	40,667,947
Financial assets at fair value through other comprehensive income-equity instruments	238,338,380	238,338,380	238,338,380	238,338,380	238,338,380	238,338,380
Total non-current assets	1,794,042,870	1,808,712,009	1,722,746,736	1,642,576,698	1,569,756,901	1,501,974,306
Current assets						
Non-current assets held for sale	719,551	719,551	719,551	719,551	719,551	719,551
Inventories	626,024,425	359,935,196	520,885,460	507,823,288	495,824,834	484,819,867
Accounts and other receivables	217,111,386	225,128,687	230,848,391	232,984,882	235,142,641	237,321,895
Short term fixed deposits	494,111,999	494,111,999	494,111,999	494,111,999	494,111,999	494,111,999
Cash and cash equivalents	171,908,616	406,323,068	338,617,654	437,274,290	532,947,268	619,670,388
Total current assets	1,509,875,977	1,486,218,501	1,585,183,055	1,672,914,010	1,758,746,293	1,836,643,701
Total assets	3,303,918,847	3,294,930,509	3,307,929,791	3,315,490,708	3,328,503,194	3,338,618,006
EQUITY AND LIABILITIES						
Share capital	653,528,940	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	326,764,470
Fair value reserve of financial assets at fair value through other comprehensive income-equity instruments	9,515,891	9,515,891	9,515,891	9,515,891	9,515,891	9,515,891
Share of fair value reserves of associates	6,495,490	6,495,490	6,495,490	6,495,490	6,495,490	6,495,490
Retained earnings	2,048,034,109	2,038,547,327	2,038,811,759	2,047,205,981	2,060,828,226	2,071,558,989
Total equity	3,044,338,900	3,034,852,118	3,035,116,550	3,043,510,772	3,057,133,017	3,067,863,780
Non-current liability						
Employees' end of service benefits	13,694,624	13,694,624	13,694,624	13,694,624	13,694,624	13,694,624
Accounts & other payables - long term	43,259,742	43,347,436	45,587,937	45,441,329	45,334,052	45,225,685
Total non-current liability	56,954,366	57,042,060	59,282,561	59,135,953	59,028,676	58,920,309
Current liability						
Accounts & other payables - short term	202,625,581	203,036,332	213,530,681	212,843,982	212,341,501	211,833,918
Total current liability	202,625,581	203,036,332	213,530,681	212,843,982	212,341,501	211,833,918
Total liabilities	259,579,947	260,078,392	272,813,241	271,979,935	271,370,177	270,754,226
Total equity and liabilities	3,303,918,847	3,294,930,509	3,307,929,791	3,315,490,708	3,328,503,194	3,338,618,006

Source: Company data, QNBFS Research

Cash flow Statement

	2024	2025e	2026e	2027e	2028e	2029e
Cash Flow from Operating Activities	148,151,557	458,437,721	114,059,291	280,434,747	284,063,238	287,256,944
Cash Flow from Investing Activities	(183,037,562)	(47,570,456)	(5,311,891)	(5,325,296)	(5,338,845)	(5,352,539)
Cash Flow from Financing Activities	(196,058,682)	(176,452,814)	(176,452,814)	(176,452,814)	(183,051,415)	(195,181,285)
Change in Cash	(230,944,687)	234,414,451	(67,705,414)	98,656,636	95,672,978	86,723,120
Cash Beginning of Period	402,853,303	171,908,616	406,323,068	338,617,654	437,274,290	532,947,268
Cash End of Period	171,908,616	406,323,068	338,617,654	437,274,290	532,947,268	619,670,388

Source: Company data, QNBFS Research

Ratios

	2024	2025e	2026e	2027e	2028e	2029e
Growth Rates						
Revenue	-13.8%	3.7%	2.5%	0.9%	0.9%	0.9%
Gross Profit	-29.8%	6.0%	8.6%	5.3%	4.8%	4.4%
EBITDA	-38.2%	10.6%	36.0%	2.9%	0.8%	0.8%
EBIT	-22.3%	17.0%	0.9%	10.3%	7.1%	5.0%
NP	-22.1%	7.1%	5.8%	4.6%	6.4%	4.7%
EPS	-22.1%	7.1%	5.8%	4.6%	6.4%	4.7%
DPS	-10.0%	0.0%	0.0%	3.7%	6.6%	4.9%
CFPS	296.3%	209.4%	-75.1%	145.9%	1.3%	1.1%
FCFF	528.4%	194.2%	-75.9%	173.7%	1.4%	1.2%
Operating Ratios						
Gross Margin	33.5%	34.2%	36.2%	37.8%	39.3%	40.6%
EBITDA Margin	37.5%	40.0%	53.1%	54.1%	54.1%	54.0%
EBIT Margin	25.2%	28.4%	28.0%	30.6%	32.5%	33.8%
Net Margin	40.3%	41.6%	42.9%	44.5%	46.9%	48.7%
Working Capital Ratios						
Inventory Days	1,746	993	993	993	993	993
Average Collection Period	204.85	204.85	204.85	204.85	204.85	204.85
Payable Days	75.03	74.53	74.71	74.64	74.67	74.66
NWC days						
Finance Ratios						
Debt-Equity Ratio	0%	0%	0%	0%	0%	0%
Net Debt -Equity Ratio	0%	0%	0%	0%	0%	0%
Net Debt -to-Capital	0%	0%	0%	0%	0%	0%
Net Debt -to-EBITDA	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Interest Coverage	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Return Ratios						
ROIC	4.7%	6.2%	6.0%	7.0%	7.8%	8.5%
ROE	5.2%	5.6%	6.0%	6.2%	6.6%	6.9%
ROA	4.8%	5.2%	5.5%	5.7%	6.1%	6.3%
WACC		11.9%	11.9%	11.9%	11.9%	11.9%
Liquidity Ratios						
Current Ratio	7.5	7.3	7.4	7.9	8.3	8.7
Quick Ratio	4.4	5.5	5.0	5.5	5.9	6.4
Cash Ratio	3.3	4.4	3.9	4.4	4.8	5.3
Valuation Ratios						
EV/Sales	3.51	2.82	2.91	2.65	2.40	2.18
EV/EBITDA	9.36	7.04	5.48	4.90	4.44	4.04
EV/EBIT	13.93	9.91	10.40	8.66	7.40	6.46
P/E	14.38	13.42	12.68	12.12	11.39	10.88
P/CFO	15.5	5.0	20.2	8.2	8.1	8.0
P/BV	0.8	0.8	0.8	0.8	0.8	0.7
Dividend Yield	7.7%	7.7%	7.7%	8.0%	8.5%	8.9%
FCF Yield	5.9%	17.3%	4.2%	11.4%	11.6%	11.7%
Unencumbered cash/Book Value	29.7%	37.5%	35.3%	38.4%	41.4%	44.1%
Unencumbered cash/Market Cap.	39.3%	49.5%	46.6%	50.9%	55.1%	58.8%

Source: Company data, QNBFS 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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