

Company Report

Tuesday, 18 April 2017

United Development Company

Recommendation	ACCUMULATE	Risk Rating	R-4
Share Price	19.50	Target Price	25.50
Implied Upside	30.8%		

1Q2017 Beat on Timing of Revenue Recognition

We continue to be buyers of UDCD following 1Q2017 results, which did not change our overall LT view on the company. We continue to see significantly more upside than downside in the shares with management execution on driving higher occupancy rates and potential earnings' accretive milestones are key to bridging the valuation gap vs. peers. However, our estimate of a flat 1Q2017 occupancy could pose a risk to our near-term view.

Highlights

- UDCD's 1Q2017 headline/adj. earnings beat our estimates UDCD's net/adj. profit for 1Q2017 came in at ~QR231/225mn (~34/8% q/q) vs. our estimate of ~QR198mn (+16/13%), which translated into headline/adj. EPS of QR0.65/0.63 vs. our QR0.56.
- As expected, 1Q2017 revenues were skewed to lower margin operations While revenue was up ~68% y/y vs. 1Q2016 (~QR458.1mn), we note that adj. profit came in ~13% lower y/y as a result of the revenue being skewed significantly in favor of higher Opex sales (Abraj Quartier being the main driver). While this was already in our model, we were surprised to see the full recognition of the remainder of the sale of Abraj Quartier office tower in 1Q2017, which was the primary driver of the earnings beat. We now adjusted our estimates to reflect that with negligible impact on our 2017 estimates.
- Abraj Quartier office tower now fully recognized driving lower margins We estimate that ~QR500mn of revenue reported is related the recognition of the remainder of the sale of Abraj Quartier office tower (QR1.25bn sale closed in 4Q2016). This resulted in lower-than-expected gross/adj. profit margins (~40/29% vs. our ~45/35%). As such we would expect gross/profit margins to trend higher for the remainder of 2017 as UDCD focuses more on land plot sales, which are considered higher margin sales.
- Earnings profile suggests flat occupancy; could be a red flag Given our estimate of ~QR500mn in revenue attributable to Abraj Quartier sale, this implies that ~QR270mn is attributable to all other real estate operations and Qatar Cool. This implies that occupancy rates remained largely unchanged in 1Q2017, which gives us pause. We would like to see a more aggressive push on increasing recurring revenue through higher occupancy rates but understand that this could be a function of the weak real estate environment in Qatar. This continues to be the single biggest risk to our estimates and we will be revisiting this over the next couple of quarters to make sure that our valuation remains appropriate.

Catalysts

1) Sale of Giardino Villa plots; 2) Clarity on development of a school and medical facility on the Pearl – timeline unknown; 3) Commercial/full operations at the third Qatar Cool plant in West Bay; and 4) Clarity on a second Qatar Cool plant in the Pearl – timeline unknown.

Recommendation, Valuation and Risks

- **Maintain our QR25.50 TP and Accumulate rating.** We continue to rate the shares as Accumulate given our growth expectations, attractive dividend yield, and valuation upside. The shares are currently trading at ~10x our FY2017 EPS (~20% discount to peers) with P/NAV at ~0.8x suggesting that there remains upside not reflected in the current share price. We consider this an attractive entry point for new investors.
- Risks to our thesis. General economic weakness, changes in interest rates and project finance risk. Finally, we would welcome clarity on future growth initiatives supporting recurring income, which is necessary to sustain the dividend long-term.

Key Financial Data and Estimates

	FY2015	FY2016	FY2017e	FY2018e
Adj. EPS (QR/sh)	1.61	1.91	1.92	2.06
P/E (x)	12.1x	10.2x	10.0x	9.5x
CFPS (QR/sh)	1.78	2.22	2.20	2.44
P/CFPS (x)	9.5x	23.4x	3.7x	9.2x
Adj. EBITDA (QR mn)	761.3	896.2	928.0	999.2
EV/EBITDA (x)	13.0x	11.1x	10.7x	10.0x

Source: Company data, Bloomberg, QNBFS Research

Key Data

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Current Market Price (QR)	19.50
Dividend Yield (%)	6.4%
Bloomberg Ticker	UDCD QD
ISIN	QA000A0KD6M9
Sector	Real Estate
52wk High/52wk Low (QR)	22.94 / 18.01
30-d Average Volume ('000)	347.9
Mkt. Cap. (\$ mn/QR mn)	1,896 / 6,905
Shares Outstanding (mn)	354.1
FO Limit* (%)	49.0%
Current FO* (%)	10.8%
1-Year Total Return (%)	8.0%
Fiscal Year End	December 31
Comment Discondenses (and a C Estamonte 10	2017) * E

Source: Bloomberg (as of February 18, 2017), * Foreign ownership (as of February 18, 2017) and includes GCC institutions

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Model Summary

Company Name: Ticker: Recommendation:	United Development Co. Price: UDCD QD Mkt Cap ACCUMULATE EV:						
	FY2015	FY2016	FY2017e	FY2018e			
Earnings (in QR mn except Pe			11201/6	1120100			
Revenue	1,440.6	2,390.8	1,989.0	1,813.6			
Gross Profit	874.9	1,116.0	1,184.6	1,320.9			
Adj. EBITDA	761.3	896.2	928.0	999.2			
Adj. EBIT	709.5	818.9	853.7	906.8			
Adj. Net Income	570.1	675.1	679.8	728.9			
FD EPS	1.95	1.76	1.94	2.06			
FD Adj. EPS	1.61	1.91	1.92	2.06			
Cash Flow (in QR mn except P	er Share Iter	ns)					
Operating Cash Flow	632.0	785.6	778.0	863.7			
Cash from Operations	728.9	294.5	1,506.0	476.9			
Cash from Investing	(1,394.6)	584.1	(1,056.8)	(542.3			
Total Capex	(607.4)	(449.7)	(127.2)	(560.0			
Simple FCF (CFO - Capex)	121.5	(155.2)	1,378.8	(83.1)			
Cash from Financing	(715.8)	(837.3)	(869.2)	(417.0			
Total Dividends	457.6	544.5	450.5	442.6			
CFPS (ex. WC)	1.78	2.22	2.20	2.44			
CFPS	2.06	0.83	4.25	1.35			
Balance Sheet (in QR mn exce	pt Per Share	Items)					
Cash/Equiv.	2,277	1,566	2,149	1,667			
PP&E	4,499	3,231	3,253	3,693			
Investment Properties	8,705	8,861	8,849	8,849			
Total Assets	19,138	18,723	16,603	17,057			
Current Debt	1,377	1,245	534	460			
Long-Term Debt	3,430	3,273	3,567	3,667			
Total Debt	4,807	4,518	4,102	4,127			
Total Liabilities	7,852	7,413	5,044	5,179			
Owners' Equity	10,914	10,898	11,116	11,375			
Quarterly Estimates	1Q2017e	2Q2017e	3Q2017e	4Q2017e			
Revenue	768.5	368.3	433.9	418.3			
Gross Profit	304.2	262.2	316.3	302.0			
Adj. EBITDA	287.5	205.5	243.0	192.1			
Adj. EBIT	268.9	189.3	223.4	172.1			
Adj. Net Income	224.7	145.1	180.3	129.6			
Cash from Operations	838.8	412.7	50.9	203.6			
Cash/Equiv.	1,923.8	2,183.9	2,137.2	2,149.2			
Total Debt	4,439.8	4,310.7	4,253.2	4,101.5			
FD EPS	0.65	0.41	0.51	0.37			
FD Adj. EPS	0.63	0.41	0.51	0.37			
CFPS (ex. WC)	0.69	0.45	0.60	0.46			

NA: Not Applicable nmf: Not Meaningful (typically refers to negative or exceedingly large values)

Source: Bloomberg, QNBFS Research

QR 19.50 QR 6,905 mn QR 10,178 mn	Target Price Dividend Yi Total Expec	QR 25.50 6.4% 30.8%		
	FY2015	FY2016	FY2017e	FY2018e
Valuation				
Adj. EV/EBITDA	13.0x	11.1x	10.7x	10.0x
Peer Average*	15.2x	19.6x	16.0x	12.9x
Adj. P/E	12.1x	10.2x	10.0x	9.5x
Peer Average*	14.9x	13.3x	14.4x	13.0x
P/CFPS	9.5x	23.4x	3.7x	9.2x
Peer Average*	13.0x	12.5x	15.7x	13.6x
P/Operating NAV				0.64x
P/NAV				0.77x
Metrics				
Actives				
Leverage and Debt Service				
Net Debt/adj. EBITDA	3.3x	3.3x	2.1x	2.5x
Debt/Capital	26%	25%	25%	25%
Debt/Equity	0.4x	0.4x	0.4x	0.4x
Interest Coverage	5.4x	6.7x	5.6x	6.6x
Profitability				
Adj. ROA	3.0%	3.6%	3.8%	4.3%
Adj. ROE	5.3%	6.2%	6.2%	6.5%
ROC	5.4%	6.0%	6.3%	6.7%
Dividend Payouts				
Adj. Net Income	67%	96%	67%	65%
Operating Cash Flow	60%	86%	57%	57%
Operating Cash Flow	00%	00%	57%	57%
Growth				
Revenue	(24.4%)	66.0%	(16.8%)	(8.8%)
Adj. EBITDA	(16.6%)	17.7%	3.6%	7.7%
Reported Net Income	10.2%	(9.6%)	10.0%	6.3%
Adj. Net Income	(16.1%)	18.4%	0.7%	7.2%
Operating Cash Flow	(17.0%)	24.3%	(1.0%)	11.0%



Fig 1 – Historical quarterly results vs. QNBFS estimates

	Unit	102016	202016	302016	402016	102017	QNBFS Est.	Δ	~ /~	
Financial Results	Unit	102016	202016	3Q2016	4Q2016	102017	QNBFS EST.	Δ	q/q	у/у
Total Operating Revenue	QR mn	458.1	353.4	500.2	1,079.1	768.5	561.2	37%	(29%)	68%
Gross Profit	QRmn	310.2	187.7	212.2	405.9	304.2	251.4	21%	(25%)	(2%)
Gross Margin	%	68%	53%	42%	38%	40%	45%	21/0	(2370)	(270)
Adj. EBITDA	QR mn	307.8	132.4	159.2	296.7	287.5	264.1	9%	(3%)	(7%)
Adj. EBITDA Margin	%	67%	37%	32%	27%	37%	47%			
D&A	QR mn	(17.5)	(17.9)	(18.7)	(47.9)	(25.6)	(22.8)	12%	(46%)	47%
Adj. EBIT	QR mn	293.2	120.6	150.0	255.0	268.9	241.3	11%	5%	(8%)
Adj. EBIT Margin	%	64%	34%	30%	24%	35%	43%			
Net Interest Expense	QR mn	(22.0)	(22.2)	(21.3)	(20.7)	(30.9)	(29.8)	4%	50%	41%
Adj. EBT	QR mn	271.3	98.4	128.7	234.3	237.9	211.5	12%	2%	(12%)
Adj. EBT Margin	%	59%	28%	26%	22%	31%	38%			
Reported Net Income (Attrib. to Common Equity)	QR mn	258.9	72.9	119.8	171.6	230.8	198.9	16%	34%	(11%)
Reported Net Income (Attrib. to Common Equity) Margin	%	57%	21%	24%	16%	30%	35%			
Adj. Net Income	QR mn	258.8	89.7	117.8	208.8	224.7	198.9	13%	8%	(13%)
Adj. Net Income Margin	%	56%	25%	24%	19%	29%	35%			
Cash/Equiv.	QR mn	1,645.4	1,610.1	1,544.0	1,565.9	1,923.8	2,247.9	(14%)	23%	17%
Total Debt	QR mn	4,738.2	4,733.1	4,633.5	4,517.9	4,439.8	4,460.4	(0%)	(2%)	(6%)
Operating Cash Flow (Before WC)	QR mn	253.0	103.3	129.1	300.2	244.6	213.8	14%	(19%)	(3%)
Operating Cash Flow (Before WC) Margin	%	55%	29%	26%	28%	32%	38%			
Per Share Items										
Reported EPS - FD	QR/sh	0.73	0.21	0.34	0.48	0.65	0.56	16%		
Adj. EPS - FD	QR/sh	0.73	0.25	0.33	0.59	0.63	0.56	13%		
CFPS (ex. WC)	QR/sh	0.71	0.29	0.36	0.85	0.69	0.60	14%		
NA: Not Applicable										

nmf: Not Meaningful

Source: Company reports, QNBFS Research

Fig 2 – Our 2017 revised vs. prior earnings estimates

			2017e		2018e		
	Unit	Revised	Prior	Δ	Revised	Prior	Δ
nancial Results							
Total Operating Revenue	QR mn	1,989.0	2,148.0	(7%)	1,813.6	1,833.1	(1%)
Gross Profit	QR mn	1,184.6	1,106.5	7%	1,320.9	1,306.4	1%
Gross Margin	%	60%	52%		73%	71%	
Adj. EBITDA	QR mn	928.0	950.7	(2%)	999.2	1,013.4	(1%
Adj. EBITDA Margin	%	47%	44%		55%	55%	
Adj. Net Income	QR mn	679.8	688.0	(1%)	728.9	730.2	(0%
Adj. Net Income Margin	%	34%	32%		40%	40%	
Total Debt	QR mn	4,101.5	4,099.8	0%	4,127.2	4,125.4	0%
Total Dividends Paid	QR mn	450.5	442.6	2%	442.6	442.6	0%
Current Adj. Net Income Dividend Payout Ratio	%	66%	64%		61%	61%	
er Share Items							
Adj. EPS - FD	QR/sh	1.92	1.94	(1%)	2.06	2.06	(0%)
CFPS (ex. WC)	QR/sh	2.20	2.26	(3%)	2.44	2.45	(1%)

nmf: Not Meaningful

Source: QNBFS Research

Detailed Model Summary

Revenue QR mp 2.081 1.906 1.441 2.391 1.989 1.814 COSS QR mp QR mp 933 1.175 875 1.116 1.1821 Gross Margin % % 44.8% 61.6% 60.7% 46.7% 59.6% 72.8% G6A QR mn (230) (231) (31) (31) (31) (31) (31) (31) (31) (31) (31) (31) (31) (31) (31) (31) (31) (31) (31	Income Statement	Unit	2013	2014	2015	2016	2017	2018
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GA OR M G287) G312 G303 G303 <thg303< th=""> G303 G303<!--</td--><td>Gross Profit</td><td>QR mn</td><td>933</td><td>1,175</td><td>875</td><td>1,116</td><td>1,185</td><td>1,321</td></thg303<>	Gross Profit	QR mn	933	1,175	875	1,116	1,185	1,321
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Adj. EBIT Margin % % 26.5% 44.9% 49.2% 34.3% 42.9% 50.0% Interest Expense QR mn (84) (148) (131) (122) (151) (137) Vel Interest Expense QR mn (84) (148) (131) (122) (168) (122) (118) Earnings Before Taxes QR mn 400 750 613 733 732 789 Adj. Net Income QR mn 404 679 570 660 729 Adj. Profit Margin % % 19.4% 35.6% 39.6% 28.2% 54.2% 40.2% WA Basic Shares Outstading mn 354.1 354	D&A	QR mn	(112)	(84)	(75)	(102)	(102)	(121)
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Net Interest Expense ÖR mn (62) (125) (96) (122) (118) Earnings Before Taxes QR mn 490 730 613 733 732 789 Adj. Net Income QR mn 404 679 570 675 680 723 Adj. Profit Margin % % 19.4% 35.6% 39.6% 28.2% 3.4.2% 40.2% WA Bosic Shares Outstading mn 354.1 356.1 165 1170.2	Interest Income	QR mn	22	23	35	37	30	19
Earnings Before Taxes Adj. Net Income Adj. Profit Margin % QR mn % 1400 730 613 733 732 789 Adj. Profit Margin % % 19.4% 35.6% 39.6% 28.2% 34.2% 40.2% WA Basic Shares Outstading MA Boy Shares Outstading PD EoP Shares Outstading mn mn 354.1 356.7 35.84 4.001 4.01 4.05 2.265 1.145 1.560 1.145 1.560 <t< td=""><td>Interest Expense</td><td>QR mn</td><td>(84)</td><td>(148)</td><td>(131)</td><td>(123)</td><td>(151)</td><td>(137)</td></t<>	Interest Expense	QR mn	(84)	(148)	(131)	(123)	(151)	(137)
Adj. Në Turcome Adj. Profit Margin % QR mn % 404 679 570 675 680 729 Adj. Profit Margin % % 19.4% 35.6% 39.6% 28.2% 34.2% 40.2% WA Basic Shares Outstading WA PD Shares Outstading mn mn 354.1 156.1 16.06 <td< td=""><td>Net Interest Expense</td><td>QR mn</td><td>(62)</td><td>(125)</td><td>(96)</td><td>(86)</td><td>(122)</td><td>(118)</td></td<>	Net Interest Expense	QR mn	(62)	(125)	(96)	(86)	(122)	(118)
Adj. Profit Margin % % 19.4% 35.6% 39.6% 28.2% 34.2% 40.2% WA Basic Shares Outstading MA PD Shares Outstading DE do Shares Outstanding mn mn 354.1 356.1 1350.1 136.1 136.1 136.1 136.1 136.1 136.1 136.1 136.1	Earnings Before Taxes	QR mn	490	730	613	733	732	789
WA Basic Shares Outstading WA PD Shares Outstading PD EoP Shares Outstanding mn 354.1 356.1 357 36.0 <	Adj. Net Income	QR mn	404	679	570	675	680	729
WA FD Shares Outstanding mn 354.1 356.1 155 155 155 165 157 2016	•	%	19.4%	35.6%	39.6%	28.2%	34.2%	40.2%
FD EoP Shares Outstanding mn 337.2 354.1 354.1 354.1 354.1 354.1 Adj. EPS - FD QR/sh 1.14 1.92 1.61 1.91 1.92 2.06 CFPS (ex. WC) QR/sh 3.16 4.45 2.06 0.83 4.25 1.35 Balance Sheet 2013 2014 2015 2016 2017 2018 Cash/Equiv QR mn 2,002 2,823 2,277 1,566 2,149 1,667 A/R QR mn 2,002 2,823 2,277 1,566 2,149 1,651 Inventories QR mn 1,665 1,370 2,018 461 540 Total Long-Term Assets QR mn 5,844 4,001 4,499 3,231 3,253 3,693 Total Long-Term Assets QR mn 11,917 13,244 14,106 12,875 12,881 13,290 Total Current Liabilities QR mn 2,313 2,671 2,664 2,589 637 746 Total Current Liabilities QR mn 3,775 3,472 <td< td=""><td>WA Basic Shares Outstading</td><td>mn</td><td>354.1</td><td>354.1</td><td>354.1</td><td>354.1</td><td>354.1</td><td>354.1</td></td<>	WA Basic Shares Outstading	mn	354.1	354.1	354.1	354.1	354.1	354.1
Adj. EPS - FD QR/sh 1.14 1.92 1.61 1.91 1.92 2.06 CFPS (ex. WC) QR/sh 3.16 2.27 2.15 1.78 2.22 2.20 2.44 CFPS QR/sh 3.16 4.45 2.06 0.83 4.25 1.35 Balance Sheet 2013 2014 2015 2016 2017 2018 Cash/Equiv QR mn 2.002 2.823 2.277 1,566 2.149 1,667 A/R QR mn 3.096 1,665 1,370 2.018 461 540 Total Current Assets QR mn 3.824 4.001 4.499 3.231 3.253 3.6631 Total Long-Term Assets QR mn 1.8,765 19.214 19,138 18,723 16,603 17,057 A/P QR mn 2.313 2.671 2.664 2.589 637 746 Total Lurent Liabilities QR mn 4.243 4.622 3.637 3.413 3.713 <td>-</td> <td>mn</td> <td>354.1</td> <td>354.1</td> <td>354.1</td> <td>354.1</td> <td>354.1</td> <td>354.1</td>	-	mn	354.1	354.1	354.1	354.1	354.1	354.1
CFPS (ex. WC) QR/sh 2.27 2.15 1.78 2.22 2.20 2.44 CFPS QR/sh 3.16 4.45 2.06 0.85 4.25 1.35 State QR/sh 3.16 4.45 2.06 0.85 4.25 1.35 State QR mn 2.002 2.823 2.277 1.566 2.149 1.657 A/R QR mn 2.002 2.823 2.277 1.566 2.149 1.667 Inventories QR mn 3.096 1.665 1.370 2.018 461 540 Total Current Assets QR mn 3.824 4.001 4.499 3.231 3.263 3.693 17.057 Total Long-Term Assets QR mn 11.917 15.244 14.106 12.875 12.861 13.290 Total Lassetrs QR mn 3.513 2.661 2.589 637 746 Total Current Liabilities QR mn 3.775 3.472 4.215 4.000 1.331	FD EoP Shares Outstanding	mn	337.2	354.1	354.1	354.1	354.1	354.1
CFPS QR/sh 3.16 4.45 2.06 0.83 4.25 1.35 Balance Sheet 2013 2014 2015 2016 2017 2018 Cash/Equiv QR mn 2,002 2,823 2,277 1,566 2,149 1,667 A/R QR mn 3,096 1,665 1,370 2,018 461 540 Total Current Assets QR mn 3,096 1,665 1,370 2,018 461 540 Total Current Assets QR mn 3,824 4,001 4,499 3,231 3,253 3,693 TOTAL ASSETS QR mn 19,17 15,244 19,138 18,723 16,603 17,057 A/P QR mn 2,313 2,671 2,664 2,589 637 746 Total LABILITIES QR mn 3,775 3,472 4,215 4,000 1,331 1,356 Total LABILITIES QR mn 3,15 347 3,743 3,413 3,713 3,541	Adj. EPS - FD	QR/sh	1.14	1.92	1.61	1.91	1.92	2.06
Balance Sheet 2013 2014 2015 2016 2017 2018 Cash/Equiv QR mn 2,002 2,823 2,277 1,566 2,149 1,667 A/R QR mn 1,729 1,464 1,386 2,265 1,143 1,560 Inventories QR mn 3,996 1,665 1,370 2,018 461 540 Total Current Assets QR mn 6,848 5,970 5,033 5,849 3,753 3,693 Total Long-Term Assets QR mn 11,917 13,244 14,106 12,875 12,851 13,290 Total Current Liabilities QR mn 2,313 2,671 2,664 2,589 637 746 Total Current Liabilities QR mn 3,713 3,613 3,713 3,813 Total LT Liabilities QR mn 3,372 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,54	CFPS (ex. WC)	OR/sh	2.27	2.15	1.78	2.22	2.20	2.44
Cash/Equiv QR mn 2,002 2,823 2,277 1,566 2,149 1,667 A/R QR mn 1,729 1,464 1,386 2,265 1,143 1,560 Inventories QR mn 3,096 1,665 1,370 2,018 461 540 Total Current Assets QR mn 6,848 5,970 5,033 5,849 3,753 3,767 PR&E QR mn 3,824 4,001 4,499 3,221 3,2253 3,593 Total Log-Term Assets QR mn 11,917 13,244 14,106 12,875 12,861 13,290 Total Current Liabilities QR mn 2,313 2,671 2,664 2,589 637 746 Total Current Liabilities QR mn 3,775 3,472 4,215 4,000 1,331 1,366 Total LT Liabilities QR mn 8,018 8,094 7,852 7,413 5,044 5,179 Non-Controlling Interest QR mn 3,372 3,541	CFPS	QR/sh	3.16	4.45	2.06	0.83	4.25	1.35
Cash/Equiv QR mn 2,002 2,823 2,277 1,566 2,149 1,667 A/R QR mn 1,729 1,464 1,386 2,265 1,143 1,560 Inventories QR mn 3,096 1,665 1,370 2,018 461 540 Total Current Assets QR mn 5,848 5,970 5,033 5,849 3,753 3,767 PRE QR mn 3,824 4,001 4,499 3,221 3,2253 3,593 Total Log-Term Assets QR mn 11,917 13,244 14,106 12,875 12,861 13,290 Total Current Liabilities QR mn 2,313 2,671 2,664 2,589 637 746 Total Current Liabilities QR mn 3,775 3,472 4,215 4,000 1,331 1,366 Total LT Liabilities QR mn 8,018 8,094 7,852 7,413 5,044 5,179 Non-Controlling Interest QR mn 3,372 3,541	Balance Sheet		2013	2014	2015	2016	2017	2018
Inventories QR mn 3,096 1,665 1,370 2,018 461 540 Total Current Assets QR mn 3,824 4,001 4,499 3,231 3,253 3,693 Total Long-Term Assets QR mn 11,917 13,244 14,106 12,875 12,851 13,290 TOTAL ASSETS QR mn 2,313 2,671 2,664 2,589 637 746 Total Current Liabilities QR mn 3,775 3,472 4,215 4,000 1,331 1,366 Total LT Liabilities QR mn 4,243 4,622 3,637 3,413 3,713 3,813 TOTAL LIABILITIES QR mn 8,018 8,094 7,852 7,413 5,044 5,179 Non-Controlling Interest QR mn 3,372 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541		QR mn	2,002	2,823	2,277	1,566	2,149	1,667
Total Current Assets QR mn 6,848 5,970 5,033 5,849 3,753 3,767 PP&E QR mn 3,824 4,001 4,499 3,231 3,253 3,693 Total Long-Term Assets QR mn 11,917 13,244 14,106 12,875 12,851 13,290 TOTAL ASSETS QR mn 2,313 2,671 2,664 2,589 637 746 A/P QR mn 3,775 3,472 4,215 4,000 1,331 1,366 Total Lurent Liabilities QR mn 3,775 3,472 4,215 4,000 1,331 1,366 Total LIABILITIES QR mn 3,572 3,637 3,413 3,713 3,813 TOTAL Current Liabilities QR mn 315 347 373 412 443 503 Issued Capital QR mn 3,372 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541 3,541	A/R	QR mn	1,729	1,464	1,386	2,265	1,143	1,560
Total Current Assets QR mn 6,848 5,970 5,033 5,849 3,753 3,767 PP&E QR mn 3,824 4,001 4,499 3,231 3,253 3,693 Total Long-Term Assets QR mn 11,917 13,244 14,106 12,875 12,851 13,290 TOTAL ASSETS QR mn 2,313 2,671 2,664 2,589 637 746 Total Current Liabilities QR mn 3,775 3,472 4,215 4,000 1,331 1,366 Total LT Liabilities QR mn 4,243 4,622 3,637 3,413 3,713 3,813 TOTAL LIABILITIES QR mn 315 347 373 412 443 503 Issued Capital QR mn 3,572 3,541	Inventories	QR mn	3,096	1,665	1,370	2,018	461	540
Total Long-Term Assets TOTAL ASSETS QR mn QR mn 11,917 13,244 14,106 12,875 12,861 13,290 A/P Total Current Liabilities Total Current Liabilities QR mn 2,313 2,671 2,664 2,589 637 746 Total Current Liabilities QR mn 3,775 3,472 4,215 4,000 1,331 1,366 Total LT Liabilities QR mn 4,243 4,622 3,637 3,413 3,713 3,813 TOTAL LIABILITIES QR mn 8,018 8,094 7,852 7,413 5,044 5,179 Non-Controlling Interest QR mn 3,372 3,541 3,5	Total Current Assets	QR mn	6,848		5,033	5,849	3,753	3,767
TOTAL ASSETS QR mn 18,765 19,214 19,138 18,723 16,603 17,057 A/P QR mn 2,313 2,671 2,664 2,589 637 746 Total Current Liabilities QR mn 3,775 3,472 4,215 4,000 1,331 1,566 Total LT Liabilities QR mn 4,243 4,622 3,637 3,413 3,713 3,813 TOTAL LIABILITIES QR mn 8,018 8,094 7,852 7,413 5,044 5,179 Non-Controlling Interest QR mn 3,15 347 373 412 443 503 Issued Capital QR mn 4,057 4,099 4,258 4,498 4,796 4,975 TOTAL OWNERS EQUITY QR mn 10,432 10,772 10,914 10,898 11,116 11,375 Cash Flow Statement 2013 2014 2015 2016 2017 2018 Operating Cash Flow QR mn 317 816 97 <t< td=""><td>PP&E</td><td>QR mn</td><td>3,824</td><td>4,001</td><td>4,499</td><td>3,231</td><td>3,253</td><td>3,693</td></t<>	PP&E	QR mn	3,824	4,001	4,499	3,231	3,253	3,693
A/P QR mn 2,313 2,671 2,664 2,589 637 746 Total Current Liabilities QR mn 3,775 3,472 4,215 4,000 1,331 1,366 Total LT Liabilities QR mn 4,243 4,622 3,637 3,413 3,713 3,813 TOTAL LIABILITIES QR mn 8,018 8,094 7,852 7,413 5,044 5,179 Non-Controlling Interest QR mn 3,372 3,541	Total Long-Term Assets	QR mn	11,917	13,244	14,106	12,875	12,851	13,290
Total Current Liabilities QR mn 3,775 3,472 4,215 4,000 1,331 1,366 Total LT Liabilities QR mn 4,243 4,622 3,637 3,413 3,713 3,813 TOTAL LIABILITIES QR mn 8,018 8,094 7,852 7,413 5,044 5,179 Non-Controlling Interest QR mn 315 347 373 412 443 503 Issued Capital QR mn 3,372 3,541 <t< td=""><td>TOTAL ASSETS</td><td>QR mn</td><td>18,765</td><td>19,214</td><td>19,138</td><td>18,723</td><td>16,603</td><td>17,057</td></t<>	TOTAL ASSETS	QR mn	18,765	19,214	19,138	18,723	16,603	17,057
Total LT Liabilities QR mn 4,243 4,622 3,637 3,413 3,713 3,813 TOTAL LIABILITIES QR mn 8,018 8,094 7,852 7,413 5,044 5,179 Non-Controlling Interest QR mn 315 347 373 412 443 503 Issued Capital QR mn 3,372 3,541	A/P	QR mn	2,313	2,671	2,664	2,589	637	746
TOTAL LIABILITIES QR mn 8,018 8,094 7,852 7,413 5,044 5,179 Non-Controlling Interest QR mn 315 347 373 412 443 503 Issued Capital Retained Earnings QR mn 3,372 3,541 </td <td>Total Current Liabilities</td> <td>QR mn</td> <td>3,775</td> <td>3,472</td> <td>4,215</td> <td>4,000</td> <td>1,331</td> <td>1,366</td>	Total Current Liabilities	QR mn	3,775	3,472	4,215	4,000	1,331	1,366
Non-Controlling Interest QR mn 315 347 373 412 443 503 Issued Capital Retained Earnings TOTAL OWNERS EQUITY QR mn 3,372 3,541	Total LT Liabilities	QR mn	4,243	4,622	3,637	3,413	3,713	3,813
Issued Capital Retained Earnings QR mn QR mn 3,372 4,057 3,541 4,099 3,541 4,258 3,541 4,498 3,541 4,796 3,541 4,975 TOTAL OWNERS EQUITY QR mn QR mn 10,432 10,772 10,914 10,898 11,116 11,375 Cash Flow Statement 2013 2014 2015 2016 2017 2018 Operating Cash Flow QR mn 803 761 632 786 778 864 Non-Cash Change in WC QR mn 317 816 97 (491) 728 (387) CFO QR mn 1,120 1,577 729 294 1,506 477 Capex QR mn (494) (316) (607) (450) (127) (560) CFI QR mn (2,519) (1,075) (1,395) 584 (1,057) (542) Net Change in Debt QR mn (345) (346) (458) (544) (450) (443) CFF QR mn (1,040) (524)	TOTAL LIABILITIES	QR mn	8,018	8,094	7,852	7,413	5,044	5,179
Retained Earnings QR mn 4,057 4,099 4,258 4,498 4,796 4,975 TOTAL OWNERS EQUITY QR mn 10,432 10,772 10,914 10,898 11,116 11,375 Cash Flow Statement 2013 2014 2015 2016 2017 2018 Operating Cash Flow QR mn 803 761 632 786 778 864 Non-Cash Change in WC QR mn 317 816 97 (491) 728 (387) CFO QR mn 1,120 1,577 729 294 1,506 477 Capex QR mn (494) (316) (607) (450) (127) (560) CFI QR mn (455) (510) (1,395) 584 (1,057) (542) Net Change in Debt QR mn (345) (346) (458) (544) (450) (443) Dividends QR mn (345) (346) (458) (544) (450)	Non-Controlling Interest	QR mn	315	347	373	412	443	503
TOTAL OWNERS EQUITY QR mn 10,432 10,772 10,914 10,898 11,116 11,375 Cash Flow Statement 2013 2014 2015 2016 2017 2018 Operating Cash Flow QR mn 803 761 632 786 778 864 Non-Cash Change in WC QR mn 317 816 97 (491) 728 (387) CFO QR mn (494) (316) (607) (450) (127) (560) CFI QR mn (494) (316) (607) (450) (127) (560) Net Change in Debt QR mn (2,519) (1,075) (1,938) (649) (419) 26 Dividends QR mn (345) (346) (458) (544) (450) (443) FX Translation QR mn (1,040) (524) (716) (837) (869) (417)	Issued Capital	QR mn	3,372	3,541	3,541	3,541	3,541	3,541
Cash Flow Statement 2013 2014 2015 2016 2017 2018 Operating Cash Flow QR mn 803 761 632 786 778 864 Non-Cash Change in WC QR mn 317 816 97 (491) 728 (387) CFO QR mn (494) (316) (607) (450) (127) (560) CFO QR mn (494) (316) (607) (450) (127) (560) CFI QR mn (494) (316) (607) (450) (127) (560) Net Change in Debt QR mn (2,519) (1,075) (1,938) (649) (419) 26 Dividends QR mn (345) (346) (458) (544) (450) (443) FX Translation QR mn - - - - - - -	Retained Earnings	QR mn	4,057	4,099	4,258	4,498	4,796	4,975
Operating Cash Flow Non-Cash Change in WC QR mn 803 761 632 786 778 864 Non-Cash Change in WC QR mn 317 816 97 (491) 728 (387) CFO QR mn 1,120 1,577 729 294 1,506 477 Capex QR mn (494) (316) (607) (450) (127) (560) CFI QR mn (455) (510) (1,395) 584 (1,057) (542) Net Change in Debt QR mn (2,519) (1,075) (1,938) (649) (419) 26 Dividends QR mn (345) (346) (458) (544) (450) (443) FX Translation QR mn - - - - - - -	TOTAL OWNERS EQUITY	QR mn	10,432	10,772	10,914	10,898	11,116	11,375
Non-Cash Change in WC QR mn 317 816 97 (491) 728 (387) CFO QR mn 1,120 1,577 729 294 1,506 477 Capex QR mn (494) (316) (607) (450) (127) (560) CFI QR mn (455) (510) (1,395) 584 (1,057) (542) Net Change in Debt QR mn (2,519) (1,075) (1,938) (649) (419) 26 Dividends QR mn (345) (346) (458) (544) (450) (443) CFF QR mn QR mn (1,040) (524) (716) (837) (869) (417) FX Translation QR mn - - - - - - -			2013	2014	2015	2016	2017	2018
CFO QR mn 1,120 1,577 729 294 1,506 477 Capex QR mn (494) (316) (607) (450) (127) (560) CFI QR mn (494) (316) (607) (450) (127) (560) Net Change in Debt QR mn (455) (510) (1,395) 584 (1,057) (542) Net Change in Debt QR mn (2,519) (1,075) (1,938) (649) (419) 26 Dividends QR mn (345) (346) (458) (544) (450) (443) CFF QR mn (1,040) (524) (716) (837) (869) (417) FX Translation QR mn - - - - - -	Operating Cash Flow	QR mn	803	761	632	786	778	864
Capex QR mn (494) (316) (607) (450) (127) (560) CFI QR mn (455) (510) (1,395) 584 (1,057) (542) Net Change in Debt Dividends QR mn (2,519) (1,075) (1,938) (649) (419) 26 OR mn QR mn (345) (346) (458) (544) (450) (443) CFF QR mn (1,040) (524) (716) (837) (869) (417) FX Translation QR mn - - - - - -	Non-Cash Change in WC	QR mn	317	816	97	(491)	728	
CFI QR mn (455) (510) (1,395) 584 (1,057) (542) Net Change in Debt Dividends QR mn (2,519) (1,075) (1,938) (649) (419) 26 QR mn (345) (346) (458) (544) (450) (443) CFF QR mn (1,040) (524) (716) (837) (869) (417) FX Translation QR mn - - - - - -	CFO	QR mn	1,120	1,577	729	294	1,506	477
Net Change in Debt QR mn (2,519) (1,075) (1,938) (649) (419) 26 Dividends QR mn (345) (346) (458) (544) (450) (443) CFF QR mn (1,040) (524) (716) (837) (869) (417) FX Translation QR mn - - - - - -	Capex	QR mn	(494)	(316)	(607)	(450)	(127)	(560)
Dividends QR mn (345) (346) (458) (544) (450) (443) CFF QR mn (1,040) (524) (716) (837) (869) (417) FX Translation QR mn - <th<< td=""><td>CFI</td><td>QR mn</td><td>(455)</td><td>(510)</td><td>(1,395)</td><td>584</td><td>(1,057)</td><td>(542)</td></th<<>	CFI	QR mn	(455)	(510)	(1,395)	584	(1,057)	(542)
Dividends QR mn (345) (346) (458) (544) (450) (443) CFF QR mn (1,040) (524) (716) (837) (869) (417) FX Translation QR mn - <th<< td=""><td>Net Change in Debt</td><td>QR mn</td><td>(2,519)</td><td>(1,075)</td><td>(1,938)</td><td>(649)</td><td>(419)</td><td>26</td></th<<>	Net Change in Debt	QR mn	(2,519)	(1,075)	(1,938)	(649)	(419)	26
FX Translation QR mn	Dividends	QR mn	(345)	(346)	(458)	(544)	(450)	(443)
	CFF	QR mn	(1,040)	(524)	(716)	(837)	(869)	(417)
	FX Translation	QR mn	-	-	-	-	-	-
		-	(375)	544	(1,381)	41	(420)	(482)

Source: Company reports, 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					
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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