QSE 1Q2020 Earnings Preview

Sunday, 12 April 2020

1Q2020 Earnings: Coronavirus Impact Generally Limited in 1Q2020

We expect Qatari stocks under coverage to exhibit flattish performance YoY in earnings on a normalized (excluding outliers such as IQCD) basis in 1Q2020. Normalized earnings should grow by 0.6% YoY (dip by 0.6% QoQ excluding DHBK, as the bank generated losses in 4Q2019) in aggregate. CBQK & QIBK *should contribute positively to the YoY net income growth of stocks under our coverage.* ***We continue to remain bullish longer term on Qatari stocks given their defensive characteristics backed by their strong fundamentals, reasonable valuation and the government's recently announced support packages.*** *We think the dual headwinds of Coronavirus malaise and oil price collapse will continue to impact the Qatari equities, albeit at a lesser extent vs. their global peers, as has been the case since the beginning of 2020. So far, YTD, the decline for the QE Index has been 13.8%, outperforming the 16.5%-33.8% declines seen in other major GCC stock markets and the 20.3% fall in the MSCI EM Index. Moreover, the recently announced significant QR10bn government backstop for Qatari equities along with myriad investment and support programs targeted at the Qatari real sector,* ***especially the QR75bn support package for the private sector****, should go a long way in shoring up business, consumer and investor sentiment, in our view. During the 2016 & 2018 global EM downtrends, Qatari stocks outperformed the MSCI EM Index, which is a pattern repeating once more during the ongoing Coronavirus & oil shock turbulence. 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. MSCI Qatar has a beta of 0.67x vs the MSCI EM Index and 0.65x vs. the MSCI World Index, which is aligned with Qatari stocks' fundamental strengths and reinforces their defensive characteristics. Near-term, the aforementioned QR10bn stock purchase program (corresponding to 44 days' turnover of the QE Index's constituents based on their 2019 traded values) creates an important safety net for the Qatari stocks in 2020.* ***Even with our pessimistic scenario analysis as detailed in our March 2020 Equity Strategy Report, assuming a hypothetical 20% decline in aggregate EPS of listed Qatari companies from our initial 2020 estimates, we think Qatari stocks are trading at 15.0x 2020e P/E, which is in line with their LT average P/E of 14.9x. While Qatari equities could well decline in the near term below levels implied by their LT average, we continue to think this market will outperform on a relative basis, as it has thus far this year. We do note that the Coronavirus pandemic and the global oil shock remain as major risk factors to our earnings estimates and may 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 growth of 3.2% largely attributed to Commercial Bank of Qatar (CBQK) and Qatar Islamic Bank (QIBK), while a normalized sequential increase of 3.1% (excluding DHBK, as the bank recorded losses in 4Q2019) is expected as banks generally book lower provisions in the 1st quarter vs. other quarters.** ***Lower provisions and cost control, countering margin pressure and weak revenue, drive the YoY aggregate growth in profitability.*** **CBQK** is expected to contribute positively to the YoY profitability performance based on our figures. **Improvement in margins and cost containment should drive healthy growth in the bottom line YoY, in our view.** We estimate +8.9% YoY growth in the bottom line, driven by some improvement in margins (due to repricing) and cost containment. However, we expect weak non-funded income given the current operating environment. Moreover, we foresee possible losses from associates, mainly from its UAE-based associate UAB. The bank's sequential drop in earnings is due to subdued net operating income although we pencil in a sharp drop in provisions. ***CBQK's management has been delivering on its 5-year strategy objectives, which we think is positive. The stock remains inexpensive in our view. We maintain our Accumulate rating and target price of QR4.95.*** Regarding **QIBK**, **the bank is expected to continue its growth trajectory but at a slower pace due to margin pressure.** We expect QIBK's bottom line to be driven by cost containment and lower provisions. Sequentially, earnings should decline (in line with recent trends).
- **We estimate a YoY drop of 13.4% in the bottom line of diversified non-financials under coverage due to Industries Qatar or IQCD (excluding IQCD, on a normalized basis, the decline would be 4.1%), while forecasting a growth of 6.0% QoQ (excluding QEWS as well due to one-time items recorded in 4Q2019).** Based on our assumptions, **IQCD** leads the significant decline in net income on a YoY basis. **IQCD could record a weak 1Q2020;** our quarterly net income estimate implies a 33.3% decline YoY and a 16.4% fall QoQ. Overall conditions in petchems/steel became increasingly challenging as we progressed through 1Q2020 and are likely to get worse in the near-term before possibly improving. On the other hand, increased emphasis on food security in the face of a global pandemic should help fertilizers and lower commodity prices should flow through to margins in all segments. **Concerning Qatar Electricity & Water (QEWS), 1Q2020 could display the effects of seasonality but YoY comparisons should start to ease off.** 1Q2020 revenue of QR542.1mn should show a marginal growth of 0.5% YoY, while still declining 10.2% QoQ. Lower tariffs and/or offtake at RAF B/B1/B2 have hurt 2019 results but YoY comparisons should start to look better in 2020. This should also be evident in 1Q2020 earnings of QR311.8mn, which should gain 0.9% YoY but decline 32.7% QoQ; the sequential fall is primarily due to QR192mn in provision reversals for Umm Al Houl in 4Q2019. ***We continue to like QEWS as a long-term play with a relatively defensive business model, especially considering current market conditions. We maintain our price target of QR17.00 but upgrade the stock from a Market Perform to an Accumulate.***
- **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.

1st Quarter 2020 Estimates

	EPS (QR)			Revenue (QR mn)		
	1Q2020e	YoY	QoQ	1Q2020e	YoY	QoQ
Aamal (AHCS)	0.014	-8.7%	36.7%	316.9	-1.5%	-9.1%
Ahli Bank (ABQK)	0.075	2.4%	39.0%	260.8	-0.6%	-9.9%
Al Khalij Commercial Bank (KCBK)	0.051	4.4%	23.7%	302.0	4.4%	7.4%
Commercial Bank of Qatar (CBQK)	0.116	8.9%	-9.2%	986.4	4.8%	-27.4%
Doha Bank (DHBK)	0.093	-6.2	N/M	612.5	-3.6%	-12.9%
Gulf International Services (GISS)	0.003	-78.6%	-39.9%	740.1	2.9%	-4.2%
Gulf Warehousing Co. (GWCS)	0.090	-11.7%	-22.2%	273.3	-10.0%	-10.9%
Industries Qatar (IQCD)	0.074	-33.3%	-16.4%	1,171.5	-7.2%	-15.0%
Investment Holding Group (IGRD)	0.016	-14.2%	-34.5%	93.9	-2.4%	-22.1%
Masraf Al Rayan (MARK)	0.074	2.2%	6.0%	719.0	1.4%	-1.0%
Medicare Group (MCGS)	0.087	20.2%	-28.5%	131.3	2.5%	-2.4%
Qatar Electricity & Water (QEWS)	0.283	0.9%	-32.7%	542.1	0.5%	-10.2%
Qatar Fuel (QFLS)	0.272	-17.3%	-21.5%	4,525	-11.3%	-21.2%
Qatar Gas & Transport (QGTS)	0.046	7.3%	-7.7%	984.5	13.5%	-12.6%
Qatar International Islamic Bank (QIIK)	0.178	1.4%	79.7%	352.0	3.2%	-4.2%
Qatar Islamic Bank (QIBK)	0.305	5.3%	-14.1%	1,188.5	3.4%	-7.6%
Qatar Navigation (QNNS)	0.259	6.7%	N/M	699.0	-1.3%	22.5%
Vodafone Qatar (VFQS)	0.009	-17.4%	2.1%	537.1	0.4%	-6.0%
Widam Food (WDAM)	0.144	0.2%	-9.9%	131.5	1.0%	-46.0%
Total (excl. IQCD)		0.6%	8.9%	13,395.7	-2.8%	-13.9%
Total		-4.3%	5.7%	14,567.3	-3.1%	-14.0%

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

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

Stock	1Q2019	4Q2019	1Q2020e	% Δ YoY	% Δ QoQ	Key Themes
GISS	25.28	9.00	**5.41**	**(78.6%)**	**(39.9%)**	**While 1Q2020 top line should hold the line YoY, earnings are likely to remain weak.** We do note GISS' quarterly net income remains volatile and difficult to predict given its four disparate segments and razor-thin margins. For 1Q2020, we expect revenue/net income of QR740.1mn/QR5.4mn. We model in top line growth of 2.9% YoY (down 4.2% QoQ). Net income, however, should be lower on both a YoY and QoQ basis. YoY growth in top line is mostly because of the insurance business, while earnings will likely be impacted from increased medical claims and general weakness along all segments given prevailing economic conditions. *Our overall thesis remains the same – GISS' story consists of a sum of moving parts, not entirely predictable and fairly volatile. We do not expect this to change. However, we do expect drilling to pull itself out of losses suffered during 2016-19 by 2020/2021 in light of demand due to the proposed North Field expansion and given our assumption of high fleet utilization & modest cost savings.* ***We maintain our Outperform rating with a QR2.10 price target but will likely lower our TP/estimates post 1Q2020 results given overall business conditions.***
GWCS	59.55	67.58	**52.58**	**(11.7%)**	**(22.2%)**	**For 1Q2020, we expect QR273.3mn/QR52.6mn in top line/net income.** We expect revenue to decrease 10.0% YoY and 10.9% QoQ, while net income should also post declines of 11.7% and 22.2%, YoY and QoQ, respectively. The QoQ decline in earnings is skewed because of non-operating items, such as reversal of credit losses (for accounts receivables) of QR8.4mn taken in 4Q2019. *Longer-term, we retain our bullish investment thesis on GWCS – the company has withstood the blockade well with its freight forwarding segment 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 (more than 95% occupancy) could decline, but as we had flagged previously, GWCS has started generating substantial FCF and management remains on the hunt for expansion avenues. The recent Al Wukair Logistics Park contract serves as an example of such a growth opportunity. We do note 2020 could be a challenging year given the dual headwinds of oil price weakness and economic softness due to the Coronavirus but we remain optimistic longer-term.* ***We stay Market Perform on GWCS with a QR5.10 price target.***
AHCS	96.55	64.48	**88.16**	**(8.7%)**	**36.7%**	**We anticipate AHCS to record lower EPS in 1Q2020 YoY** as we expect its industrial manufacturing and property segments may be prone to weaker income YoY due to Coronavirus-related disruptions, which we expect to be partially mitigated by the trading segment. Aamal enjoys a well-diversified business portfolio across many major sectors of the Qatari economy; thus, we think AHCS could be one of the top direct and indirect beneficiaries of the recently announced QR75bn government support package. Furthermore, it has Qatar's leading pharma & medical device distribution companies in its portfolio, which should increase AHCS' top & bottom line resilience. Going forward, while Aamal's 2020 results are likely to be affected by the Coronavirus and 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 continue to rate AHCS as a Market Perform with a price target of QR0.686.***

Stock	1Q2019	4Q2019	1Q2020e	% Δ YoY	% Δ QoQ	Key Themes
IGRD	15.68	20.53	**13.46**	**(14.2%)**	**(34.5%)**	**We anticipate IGRD could record lower EPS in 1Q2020 YoY due to the 1Q2019's high base.** While we anticipate a flattish EBIT YoY, fair value gains on investment properties (QR2.25mn) recorded in 1Q2019 increases the base and is expected to lead to a 14.2% net earnings decline YoY in 1Q2020. IGRD's management is currently confident it has taken relevant precautions against the impact of the Coronavirus on their 2020 operations and expect changes in the company's financial results to be minimal. Management thinks that unforeseen disruptions on the contracting front are likely to be covered via the trading segment. Furthermore, nearly all of IGRD's contracting work is originally related to government projects. Thus, even if delays take place, cancellations are unlikely. It is noteworthy that 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 continue to rate IGRD as an Outperform with a price target of QR0.60.***
IQCD	674.04	538.13	**449.65**	**(33.3%)**	**(16.4%)**	**IQCD could record a weak 1Q2020.** Our quarterly net income estimate implies a 33.3% decline YoY and a 16.4% fall QoQ. (1) Fertilizers, which stood out as the only outperformer in 4Q2019, should again help stem the tide in 1Q2020 with urea prices holding steady on a sequential basis. (2) In Petrochemicals, while PE prices have not significantly deteriorated sequentially, sales into Asia could be challenging given lockdowns related to the Coronavirus. (3) Finally, for Steel, we think weak market conditions will continue to persist – 4Q2019 cash steel GMs fell to -6.7%, marking the first time steel has posted a loss on the gross margin line in at least a decade (our model goes back to 1Q2008). A moderate decline in steel prices QoQ, along with the lingering impact of higher-priced inventory, should continue to pressure steel revenue and margins in 1Q2020. Moreover, the steel segment also benefited from QR100mn in impairment reversals for IQCD's steel associate Foulath Holding in 4Q2019. Overall conditions in petchems/steel became increasingly challenging as we progressed through 1Q2020 and are likely to get worse in the near-term before possibly improving. On the other hand, increased emphasis on food security in the face of a global pandemic should help fertilizers and lower commodity prices should flow through to margins in all segments. ***We retain our Market Perform rating and QR10 price target but will likely revise our estimates/PT lower after 1Q2020.*** *With earnings under pressure in the medium-term, investors will seek answers regarding deployment of IQCD's cash pile (QR12.4bn) and its strategy.*
MCGS	20.36	34.23	**24.47**	**20.2%**	**(28.5%)**	**We expect MCGS to record higher YoY net income in 1Q2020 primarily due to the lack of provisions that took place in 1Q2019.** We anticipate flattish revenue and EBIT for MCGS in 1Q2020 vs. 1Q2019. On the other hand, the lack of impairment provisions for SEHA receivables in 1Q2020 (vs. QR4.4mn in 1Q2019), are likely to boost MCGS' YoY bottom line growth in 1Q2020. 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.***

Stock	1Q2019	4Q2019	1Q2020e	% Δ YoY	% Δ QoQ	Key Themes
QEWS	309.07	463.72	**311.85**	**0.9%**	**(32.7%)**	**1Q2020 should continue to display the effects of seasonality while YoY comparisons should start to ease off.** 1Q2020 revenue of QR542.1mn should show a marginal growth of 0.5% YoY, while still declining 10.2% QoQ. On a yearly basis, QEWS' top line has already witnessed declines of 18.3% in 1Q2019, 11.7% in 2Q2019 and 4.4% in 3Q2019, before registering a 3.0% gain in 4Q2019. 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 (which is running at full capacity). 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 start to look better in 2020. This should also be evident in 1Q2020 earnings of QR311.8mn, which should gain 0.9% YoY but decline 32.7% QoQ; the sequential decline is primarily because of QR192mn in provision reversals for Umm Al Houl taken in 4Q2019. *We continue to like the company as a long-term play with a relatively defensive business model, especially considering current market conditions. 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 starting by 2022-2023; Siraj solar project starting in 2021, etc.). 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 but upgrade the stock from a Market Perform to an Accumulate.***
QFLS	326.89	344.58	**270.47**	**(17.3%)**	**(21.5%)**	**We expect Woqod to report Q270.5mn in net earnings in 1Q2020, with a decline of 17.3% YoY.** Jet fuel is QFLS' prime product, accounting for half of the total fuel sold as of FY2019. We think the company is experiencing lower demand from its major client, Qatar Airways, as flights are reduced because of Coronavirus-related counter measures. We also think Woqod's local fuel distribution could be adversely impacted during 1Q2020 given stay-at-home directives. 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 maintain our Market Perform rating on QFLS shares with a QR23.40 price target.***
QNNS	278.49	127.88	**297.09**	**6.7%**	**132.3%**	**We expect QNNS to follow recent trends.** We anticipate net income to increase YoY driven by QGTS and other JV income, which has been the driving force behind QNNS. The QoQ jump in the bottom line is mainly driven by the absence of vessels impairments, which we do not forecast. ***We are Market Perform on the name for now with a QR8.10 target price.***

Stock	1Q2019	4Q2019	1Q2020e	% Δ YoY	% Δ QoQ	Key Themes
QGTS	235.99	274.32	**253.19**	**7.3%**	**(7.7%)**	**1Q2020 to show YoY growth driven by QGTS' recent acquisition of its remaining 49.9% stake in 4 LNG ships previously held under its OSG joint venture.** YoY, adjusted revenue/earnings of QR984.5mn/QR253.2mn should be up 13.5%/7.3%. On a sequential basis, adjusted revenue and net income should show declines of 12.6% and 7.7%, respectively. YoY, earnings should benefit from the aforementioned acquisition, which boosts wholly-owned ship revenue. Earnings growth, however, is held back by our assumption of higher operating costs, and lower interest/dividend and other income. On a QoQ basis, adjusted revenue is impacted by slightly lower wholly-owned ship revenue (one day less in 1Q2020 vs. 4Q2019) and the lack of one-time positive items that boosted JV income in 4Q2019. Sequentially, the decline in net income is less pronounced as D&A expenses in 4Q2019 were inflated due to some acceleration, while 1Q2020 also benefits from improvement in gross margins, lower finance charges and higher dividend/interest income. *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. While the ongoing downturn has influenced the global LNG shipping market, Nakilat's business should remain relatively unaffected given the LT nature of its charters. 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.* ***For now, we maintain our Accumulate rating and price target of QR2.60.***
VFQS	43.54	35.25	**35.98**	**(17.4%)**	**2.1%**	**VFQS should post a modest sequential growth in earnings in 1Q2020.** We expect 1Q2020 EPS to fall 17.4% YoY but increase 2.1% QoQ. In light of the current situation and despite a 4% QoQ growth in Qatar's total population, we expect some pressure on ARPUs and profitability given significant data giveaways. *Our view on the stock remains unchanged – we continue to like VFQS' postpaid momentum in (4Q2019 segment revenue up 21.6% YoY/5.8% QoQ). We also believe postpaid, 5G (more than 70% of Doha under coverage as of 3Q2019), home broadband, enterprise and bundled solutions should continue to drive future growth.* ***We rate VFQS an Accumulate with a QR1.40 price target.***
WDAM	25.85	28.74	**25.91**	**0.2%**	**-9.9%**	**We expect WDAM to record a flat EPS YoY in 1Q2020, as we do not expect its financial results to be affected by Coronavirus disruptions,** at least during 1Q2020. In FY2020, the lack of 2019's one-off items (QR20.1mn of one-time losses due to the closure of Al-Rkiya Farm and QR3-4mn of estimated expenses under G&A) should create a positive base for EPS growth in 2020 vs. 2019. The Strategic Food Security Projects disclosed by the Ministry of Municipality and Environment (MME) in March 2019 envisages that local production of red meat could go up from the current 18% to 30% by 2023. Widam, the leading livestock and red meat provider of Qatar and a key contributor to Qatar's National Food Security Program, is likely to be the top beneficiary of increasing local production, which should enjoy higher profitability vs. imports. Widam is also increasing its slaughterhouse capacity from 3,100 heads/day to 5,100 per day. ***We rate WDAM an Accumulate with a price target of QR8.20.***

Source: QNB FS Research, company data

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

Stock	1Q2019	4Q2019	1Q2020e	% Δ YoY	% Δ QoQ	Key Themes
ABQK	177.45	130.69	**181.66**	**2.4%**	**39.0%**	**We expect a small increase in profitability YoY but a sequential surge; margins to remain under strong pressure YoY & QoQ.** Based on our assumptions, we expect net profit to grow by 2.4% YoY due to halving of provisions as operating income is estimated to remain subdued. On a QoQ basis, we estimate the surge in bottom line to be driven by a significant drop in provisions (historical trend). *ABQK trades at PEG of 2.5x (which is expensive) based on 5-year earnings CAGR of 4.6%.* ***We maintain our Reduce rating and price target at QR2.587.***
KCBK	176.39	148.94	**184.20**	**4.4%**	**23.7%**	**We expect YoY growth in bottom line to be driven by margin expansion and cost containment.** The YoY growth in profitability is a result of a 6.1% growth in net interest income (driven by margin improvement given KCBK's favorable asset/liability mix) and flattish opex. We highlight the large increase in bottom line sequentially is due to a large drop in provisions, margin expansion and cost containment. *KCBK trades at a 0.7x P/B (indicating a ~30% discount to book value) and a 7.5x P/E based on our 2020 estimates, which we think is unjustified.* ***For the time being, we maintain our Market Perform rating and target at QR1.40.***
CBQK	431.07	517.08	**469.30**	**8.9%**	**(9.2%)**	**Improvement in margins and cost containment should drive healthy growth in the bottom line YoY, in our view.** We estimate +8.9% YoY growth in the bottom line, driven by some improvement in margins (due to repricing) and cost containment. However, we expect weak non-funded income given the current operating environment. Moreover, we foresee possible losses from associates, mainly from CBQK's UAE-based associate UAB. The sequential drop in earnings is due to subdued net operating income although we pencil in a sharp drop in provisions. *CBQK's management has been delivering on its 5-year strategy objectives, which we think is positive.* ***The stock remains inexpensive in our view and we maintain our Accumulate rating and target price of QR4.95.***
DHBK	307.49	(64.59)	**288.49**	**(6.2%)**	**N/M**	**Margin pressure and weak non-funded income could dent DHBK's bottom line YoY.** The estimated YoY drop in profitability is due to margin pressure resulting from an unfavorable asset/liability mix in a low interest rate environment and weak non-funded income (given the current operating environment). Sequentially, we expect profitability vs. a net loss of QR64.6mn recorded in 4Q2019 because of record high provisions. Having said this, DHBK's net operating income remains weak. The bank has set forth a strategy of exercising prudent risk control, de-risking the balance sheet away from contracting & real estate, containing costs and maintaining CET 1 of min. 12% through internal growth. Post 2024, we expect RoE to improve significantly. ***We maintain our Accumulate rating & target price at QR2.60.***
MARK	544.24	524.81	**556.32**	**2.2%**	**6.0%**	**We expect subdued performance YoY.** MARK's net income could grow 2.2% YoY mainly due to cost containment. Sequentially, net profit is expected to increase due to lower provisions, in line with historical trends. MARK boasts one of the highest dividend yields (5.9%); 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 QR3.94.***
QIIK	266.05	150.03	**269.66**	**1.4%**	**79.7%**	**QIIK is expected to follow historical trends.** We estimate a modest 1.4% increase in earnings YoY driven by net interest & investment income and lower losses from associates, while the QoQ surge is due to net reversals in provisions (in line with historical trends). ***We maintain our Market Perform rating and target price of QR7.95.***

Stock	1Q2019	4Q2019	1Q2020e	% Δ YoY	% Δ QoQ	Key Themes
QIBK	685.23	840.07	**721.39**	**5.3%**	**(14.1%)**	**QIBK is expected to continue its growth trajectory but at a slower pace due to margin pressure.** We expect the bottom line to be driven by cost containment and lower provisions. Sequentially, earnings should decline (in line with recent trends). ***We maintain our Market Perform rating and price target at QR15.70.***

Source: QNB FS Research, company data

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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