

## **IQCD Alert – In-Line DPS & 4Q2020 Earnings Excl. One-Offs; Accumulate**

- **IQCD's bottom line rises 79.7% YoY and 27.2% QoQ in 4Q2020 on adjusted basis, in-line with our estimate – Industries Qatar's (IQCD) net profit rose 90.2% YoY (+119.6% QoQ) to QR1,023.6mn in 4Q2020. However, adjusted net profit (excluding 2020 one-offs such as FV gains on QAFCO purchase, steel mothballing-related and QMC's impairment losses, and 4Q2019's impairment reversal for QASCO's associate Foulath) increased 79.7% YoY (+27.2% QoQ) to QR787.4mn in 4Q2020, which was in-line with our net income expectations of QR783.3mn (variation of +0.5%).**
- **In terms of segments, better-than-anticipated performance in fertilizers and petchems offset weaker-than-expected steel metrics.**
- **For FY2020, IQCD recorded a net profit of QR2.0bn as compared to QR2.6bn, down by 23.3%. IQCD's revenue, assuming proportionate consolidation, declined by ~17% to reach QR11.4bn vs. QR13.7bn for 2019. *For segment details, please see pages 2 & 3.***
- **Recommended DPS of QR0.33 is also in-line with our estimate of QR0.35. DPS declined 17.5% YoY from QR0.40 for 2019 and implies a 3% yield. IQCD plans to pay out around 100% of its 2020 EPS as dividends.**
- **Despite paying \$1bn (net of cash acquired) for the QAFCO deal, IQCD's balance sheet continues to remain solid with QR9.8bn in proportionate cash/bank balances and zero debt. The company generated operating cash flow of QR3.4bn and free cash flow of QR2.8bn in 2020, which highlights its operational efficiency and ability to generate significant positive cash flows despite challenging conditions. Net-net, given IQCD's strong balance sheet, we expect the company to withstand difficult market conditions while retaining dry powder to take advantage of potential acquisition opportunities in the future.**
- **We maintain our Accumulate rating on IQCD and will likely revise our QR11.50 price target. In terms of longer-term catalysts, similar to the QAFCO deal, IQCD could look to acquire Total's 20% stake in QAPCO, which could also be perceived positively by investors.**

# IQCD Alert – In-Line DPS & 4Q2020 Earnings Excl. One-Offs; Accumulate

Income Statement (QR million)	4Q2019	3Q2020	4Q2020	4Q2020e	A Vs. E	YoY	QoQ	2019	2020	YoY
<b>Revenue</b>	<b>1,378.291</b>	<b>1,590.186</b>	<b>2,086.986</b>	<b>1,762.121</b>	<b>18.4%</b>	<b>51.4%</b>	<b>31.2%</b>	<b>5,095.823</b>	<b>7,399.718</b>	<b>45.2%</b>
Cost of Sales (Ex. Depreciation & Amortization)	(1,471.018)	(935.685)	(1,284.582)	(1,066.083)	20.5%	-12.7%	37.3%	(4,814.298)	(4,856.247)	0.9%
<b>Gross Profit</b>	<b>(92.727)</b>	<b>654.501</b>	<b>802.404</b>	<b>696.038</b>	<b>15.3%</b>	<b>N/M</b>	<b>22.6%</b>	<b>281.525</b>	<b>2,543.471</b>	<b>803.5%</b>
General and Administrative Expenses	(34.473)	(97.209)	(144.882)	(116.500)	24.4%	<b>320.3%</b>	<b>49.0%</b>	(139.743)	(480.855)	<b>244.1%</b>
Selling & Distribution Expenses	(27.410)	(6.573)	(2.755)	(13.500)	-79.6%	-89.9%	-58.1%	(82.606)	(35.019)	-57.6%
<b>EBITDA</b>	<b>(154.610)</b>	<b>550.719</b>	<b>654.767</b>	<b>566.038</b>	<b>15.7%</b>	<b>N/M</b>	<b>18.9%</b>	<b>59.176</b>	<b>2,027.597</b>	<b>3326.4%</b>
Depreciation & Amortization	(71.490)	(299.269)	(495.436)	(297.000)	66.8%	593.0%	65.5%	(277.273)	(1,445.497)	421.3%
<b>EBIT</b>	<b>(226.100)</b>	<b>251.450</b>	<b>159.331</b>	<b>269.038</b>	<b>-40.8%</b>	<b>N/M</b>	<b>-36.6%</b>	<b>(218.097)</b>	<b>582.100</b>	<b>-366.9%</b>
Finance Costs	(2.696)	(8.154)	(12.340)	(6.000)	105.7%	357.7%	51.3%	(11.497)	(37.354)	224.9%
Share of Results from Associates	(16.043)	(2.495)	10.116	(12.000)	N/M	-163.1%	N/M	75.328	14.347	-81.0%
Share of Results of JVs	576.813	315.084	441.051	361.384	22.0%	-23.5%	40.0%	2,180.755	1,065.305	-51.1%
Other Income	106.157	83.737	123.383	170.864	-27.8%	16.2%	47.3%	448.124	354.633	-20.9%
Income from Investments & Other Income/Expenses	100.000	(153.001)	236.183			136.2%	N/M	100.000	31.040	-69.0%
<b>Profit Before Tax</b>	<b>538.131</b>	<b>486.621</b>	<b>957.724</b>	<b>783.286</b>	<b>22.3%</b>	<b>78.0%</b>	<b>96.8%</b>	<b>2,574.613</b>	<b>2,010.071</b>	<b>-21.9%</b>
Tax		161.458	(0.421)				N/M		(1.868)	
<b>Profit After Tax</b>	<b>538.131</b>	<b>648.079</b>	<b>957.303</b>	<b>783.286</b>	<b>22.2%</b>	<b>77.9%</b>	<b>47.7%</b>	<b>2,574.613</b>	<b>2,008.203</b>	<b>-22.0%</b>
Minority Interest		(182.038)	66.270				N/M		(33.333)	
<b>Profit for Equity Holders</b>	<b>538.131</b>	<b>466.041</b>	<b>1,023.573</b>	<b>783.286</b>	<b>30.7%</b>	<b>90.2%</b>	<b>119.6%</b>	<b>2,574.613</b>	<b>1,974.870</b>	<b>-23.3%</b>
<b>EPS (in QR)</b>	<b>0.09</b>	<b>0.08</b>	<b>0.17</b>	<b>0.13</b>	<b>30.7%</b>	<b>90.2%</b>	<b>119.6%</b>	<b>0.43</b>	<b>0.33</b>	<b>-23.3%</b>
Shares O/S (mn)	6,050	6,050	6,050	6,050				6,050	6,050	
<b>DPS (in QR)</b>								<b>0.40</b>	<b>0.33</b>	<b>-17.5%</b>

# IQCD Alert – In-Line DPS & 4Q2020 Earnings Excl. One-Offs; Accumulate

In QR Millions

<b>Steel</b>	<b>4Q2019</b>	<b>2019</b>	<b>3Q2020</b>	<b>4Q2020</b>	<b>2020</b>	<b>4Q2020e</b>	<b>A Vs. E</b>	<b>2020e</b>	<b>A Vs. E</b>
Revenue	1,378.291	5,095.823	538.513	662.541	2,994.713	590.397	12%	2,922.569	2%
Net Profit	(121.533)	36.109	26.084	49.609	(1,313.583)	58.173	-15%	(1,305.019)	1%
<i>NM %</i>	-8.82%	0.7%	4.84%	7.49%	-43.9%	9.85%		-44.7%	
<i>Revenue Q/Q</i>	-2%		10%	23%		10%			
<i>Net Income Q/Q</i>	N/M		N/M	90%		123%			
<i>Revenue Y/Y</i>	12%	-12%	-62%	-52%	-41%	-57%		-43%	
<i>Net Income Y/Y</i>	N/M	-95%	144%	N/M	N/M	N/M		N/M	
<b>Petrochemicals</b>	<b>4Q2019</b>	<b>2019</b>	<b>3Q2020</b>	<b>4Q2020</b>	<b>2020</b>	<b>4Q2020e</b>	<b>A Vs. E</b>	<b>2020e</b>	<b>A Vs. E</b>
Revenue	1,072.216	4,393.579	1,023.000	1,231.000	3,961.000	1,200.612	3%	3,930.612	1%
Net Profit	305.659	1,308.346	315.084	441.051	1,065.305	361.384	22%	985.638	8%
<i>NM %</i>	28.51%	29.8%	30.80%	35.83%	26.9%	30.10%		25.1%	
<i>Revenue Q/Q</i>	0%		35%	20%		17%			
<i>Net Income Q/Q</i>	-9%		69%	40%		15%			
<i>Revenue Y/Y</i>	-24%	-25%	-5%	15%	-10%	12%		-11%	
<i>Net Income Y/Y</i>	-31%	-47%	-6%	44%	-19%	18%		-25%	
<b>Fertilizers</b>	<b>4Q2019</b>	<b>2019</b>	<b>3Q2020</b>	<b>4Q2020</b>	<b>2020</b>	<b>4Q2020e</b>	<b>A Vs. E</b>	<b>2020e</b>	<b>A Vs. E</b>
Revenue	1,073.461	4,257.598	1,051.673	1,424.445	4,405.005	878.793	62%	3,859.353	14%
Net Profit	271.154	872.409	82.012	363.654	817.140	278.239	31%	731.725	12%
<i>NM %</i>	25.26%	18.0%	7.80%	25.53%	18.0%	31.66%		19.0%	
<i>Revenue Q/Q</i>	3%		18.4%	35%		-16%			
<i>Net Income Q/Q</i>	66%		-53.0%	343%		239%			
<i>Revenue Y/Y</i>	-24%	-9%	0.9%	33%	3%	-18%		-9%	
<i>Net Income Y/Y</i>	-47%	-37%	-49.8%	34%	-6%	3%		-16%	
<b>Total Revenue</b>	<b>3,523.968</b>	<b>13,747.000</b>	<b>2,613.186</b>	<b>3,317.986</b>	<b>11,360.718</b>	<b>2,669.802</b>		<b>11,005.465</b>	
<i>YoY Growth</i>	-13%	-16%	-26%	-6%	-17%	-24%		-20%	
<i>QoQ Growth</i>	0%		22%	27%		2%			
Steel	39%	37%	21%	20%	26%	22%		27%	
Petrochemicals	30%	32%	39%	37%	35%	45%		36%	
Fertilizers	30%	31%	40%	43%	39%	33%		35%	
<b>Total NI (Ex. Unallocated)</b>	<b>455.280</b>	<b>2,216.864</b>	<b>423.180</b>	<b>854.314</b>	<b>568.862</b>	<b>697.797</b>		<b>412.345</b>	
Steel	-27%	2%	6%	6%	-231%	8%		-316%	
Petrochemicals	67%	59%	74%	52%	187%	52%		239%	
Fertilizers	60%	39%	19%	43%	144%	40%		177%	

### 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

**Saugata Sarkar, CFA, CAIA**  
Head of Research  
+974 4476 6534  
saugata.sarkar@qnbfs.com.qa

**Shahan Keushgerian**  
Senior Research Analyst  
+974 4476 6509  
shahan.keushgerian@qnbfs.com.qa

**Zaid Al Nafsoosi, CMT, CFTE**  
Senior Research Analyst  
+974 4476 6535  
zaid.alnafsoosi@qnbfs.com.qa

**Mehmet Aksoy, PhD**  
Senior Research Analyst  
+974 4476 6589  
mehmet.aksoy@qnbfs.com.qa

**DISCLAIMER:** This publication has been prepared by QNB Financial Services Co. WLL ("QNB FS") a wholly-owned subsidiary of Qatar National Bank Q.P.S.C ("QNB"). QNB FS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange; QNB is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNB FS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNB FS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. While this publication has been prepared with the utmost degree of care by our analysts, QNB FS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. QNB FS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report.

**COPYRIGHT:** No part of this document may be reproduced without the explicit written permission of QNB FS.