

## Integrated Holding Company

Solid Q4 net profit supported a 10fils DPS for FY 21A (2.5% DY). We expect P&L recovery in FY 22e.

- A gradual P&L recovery already started in Q4 and will continue in Q1e on a resumption in project-maintenance execution, but expansion growth, which continues to be delayed in Kuwait, is likely to materialize in Qatar starting in H2 22e.
- The BoD reinstated a 10fils DPS for FY 21A (zero in FY 20A), implying a 2.5% DY and 152% DPO.
- Normalcy in crane utilization rates can be achieved in FY 23e, supported by new growth from Qatar on which CapEx is already deployed. We tweak our TP to KWd 467, offering 19% upside at 45x/17x FY 22/23e EPS.

**Sequential P&L recovery already started in Q4, but expansion growth continues to be delayed in Kuwait:** Revenues arrived at KWD 5.4m in Q4 (-1% y/y, +16% q/q), contributing to a 5% y/y growth in FY 21A, but missing our estimates by 7%. Revenues in FY 21A were supported by contribution from the newly penetrated stevedoring (port) operations which comprised 11% of total revenues (0% in FY 20A), and offsetting lower revenues from equipment leasing (59% of total, -4% y/y). Gross margin slightly improved to 14.2% in FY 21A (+136bps y/y) but remain well below historical levels of 30-40% on pressured leasing rates due to low equipment utilization rates. Revenues from Kuwait dropped to 63% of total (vs. 70% last year) as momentum in mega-projects remains slow, compared to a 37% contribution from Qatar which is expected to see growth from LNG project-subcontracting in FY 22e. Net profit significantly recovered in Q4 to KWD 1.4m (vs. losses last year and last quarter) on gains from FX and the disposal of equipment.

**Minimal CapEx spending of KWD 2.2m in FY 21A** as the company mobilises its idle equipment from Kuwait into Qatar in anticipation of new project execution in H2. IHC targets KWD 5m on CapEx in FY 22e and KWD 12m in FY 23e. Leverage dropped to 21% D/C in FY 21A from 23.4% in FY 20A. Utilisation rates slightly improved for cranes to 43% in Q4 (+3ppt q/q), averaging at 40% in FY 21A.

**Update on recent project awards:** 4 new projects were secured in 2020, including a contract with Kuwait Oil company for 3 years, a contract with Qatar Petroleum for 5 years, a contract with Qatar Shell GTL Ltd for 5 years, and handling Seaport operations in Kuwait, mostly in Shuaiba Port which will continue to support revenues in FY 22e, in line with FY 21A contribution. IHC is also bidding for a large pipeline of O&G expansions in Qatar (at premium margins to Kuwait projects) as subcontracting awards on EPC awards kick started after the selection of main contractors on the LNG expansion in Qatar. But the awards momentum for new projects in Kuwait remains slow.

**We tweak our TP to KWd 467 and maintain Buy with 19% upside at 45x/17x FY 22/23e EPS:** Crane utilization rates slightly improved in Q4 and are likely to see more growth in Q1 22e. We think that utilization rates will reach 60% by FY 23e on a ramp up in project execution in Qatar as LNG subcontracting awards kick started, supporting top-line growth in the coming two years as well as margin expansion. We assume gross margins of 20%/30% in FY 22/23e compared to 40-50% historically. We expect revenues and net profit to grow 22% and 34% y/y, respectively, in FY 22e. We still see 19% upside at 45x/17x FY 22/23e EPS as the market continues to largely price out a recovery in equipment utilization rates.

BUY

KWd 467.4

### Industrials / Kuwait

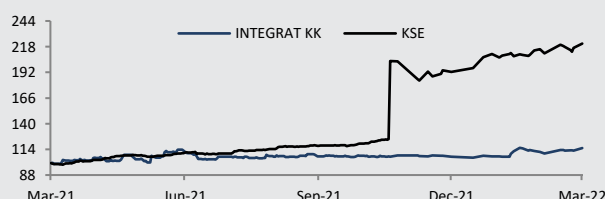
Bloomberg code	INTEGRAT KK
Market index	KSE
Target Price	467.4
Upside (%)	17.7

### Market data 3/30/2022

Last closing price	397.0
52 Week range	352.2-409.0
Market cap (KWD m)	100
Market cap (USD m)	330
Average Daily Traded Value (KWD m)	440.0
Average Daily Traded Value (USD m)	1,447.6
Free float (%)	58%

Year-end (local m)	2021	2022e	2023e	2024e
Revenues	21	26	33	39
EBITDA	11	12	16	19
Net income	2	2	6	9
EPS	0.01	0.01	0.03	0.04
EPS growth (%)	(189.6)	34.4	162.4	52.1
P/E (current price)	52.2	38.8	14.8	9.7
DPS	-	0.01	0.01	0.02
Div. yield (%)	-	2.5	2.5	3.8
FCF/share	-	-	-	-
FCF yield (%)	37.0	10.3	(1.4)	18.2
CAPEX	2	5	13	9
CAPEX/sales (%)	10.4	21.2	39.5	23.2
Net Debt/EBITDA (x)	1.2	1.1	1.0	0.6
EV/EBITDA (x)	11.5	10.9	8.5	6.8
RoAE (%)	2.7	3.6	9.3	13.2
RoIC (%)	2.0	2.7	6.9	9.9

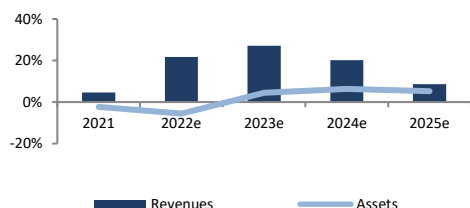
### Price Performance



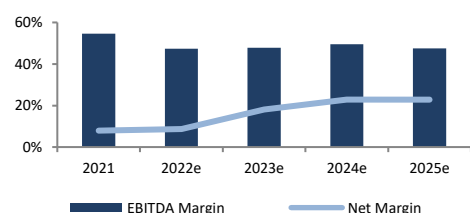
## Abacus

### Arqaam Capital Fundamental Data

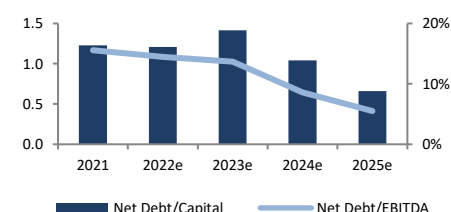
#### Profitability



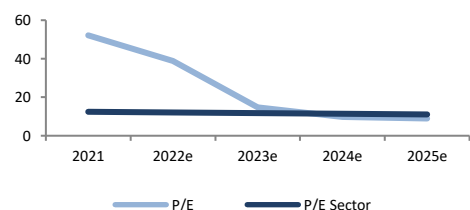
#### Growth



#### Gearing



#### Valuation



#### Integrated Holding Company

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Financial summary</b>						
Reported EPS	(0.01)	0.01	0.01	0.03	0.04	0.04
Diluted EPS	(0.01)	0.01	0.01	0.03	0.04	0.04
DPS	0.03	-	0.01	0.01	0.02	0.02
BVPS	0.27	0.28	0.28	0.29	0.32	0.34
Weighted average shares	220.00	220.00	220.00	220.00	220.00	220.00
Average market cap	86.68	86.68	86.68	86.68	86.68	86.68

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Valuation metrics</b>						
P/E (x) (current price)	(46.7)	52.2	38.8	14.8	9.7	8.9
P/E (x) (target price)	(55.5)	61.9	46.0	17.5	11.5	10.6
EV/EBITDA (x) (current price)	18.7	11.5	10.9	8.5	6.8	6.5
EV/EBITDA (x) (target price)	18.7	11.5	10.9	8.5	6.8	6.5
EV/FCF (x)	(499.8)	16.9	50.0	(285.6)	18.5	14.5
Free cash flow yield (%)	(1.3)	37.0	10.3	(1.4)	18.2	21.4
Dividend yield (%)	6.6	-	2.5	2.5	3.8	5.1

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Growth (%)</b>						
Revenues	(32.1)	4.6	21.7	27.1	20.2	8.6
EBITDA	(59.0)	63.5	5.4	28.5	24.3	4.2
EBIT	(112.5)	(323.2)	22.8	127.9	47.2	8.1
Net income	(123.5)	(189.6)	34.4	162.4	52.1	8.7

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Margins (%)</b>						
EBITDA	35.0	54.6	47.3	47.8	49.5	47.5
EBIT	(5.6)	11.9	12.0	21.5	26.3	26.2
Net	(9.2)	7.9	8.7	18.0	22.8	22.8

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Returns (%)</b>						
RoAA	(1.9)	1.7	2.4	6.3	9.0	9.3
RoAE	(2.9)	2.7	3.6	9.3	13.2	13.4
RoIC	(2.2)	2.0	2.7	6.9	9.9	10.2
FCF margin	(1.3)	37.0	10.3	(1.4)	18.2	21.4

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Gearing (%)</b>						
Net debt/Capital	25.5	16.4	16.1	18.8	13.9	8.8
Net debt/Equity	35.3	21.7	21.3	24.6	17.9	11.1
Interest cover (x)	(1.7)	3.9	5.1	11.7	17.3	18.7
Net debt/EBITDA (x)	3.0	1.2	1.1	1.0	0.6	0.4

## Abacus Arqaam Capital Fundamental Data

### Company profile

IHC is a Sharia-compliant company engaged in the business of operational equipment rental, heavy lift, and transportation services, catering mainly to the oil & gas, power and infrastructure sectors. IHC operates primarily through its subsidiaries in Kuwait and Qatar, with plans for further expansion into Oman in the near future. IHC is ranked 3rd globally in number of wheeled mobile cranes, 5th globally in rough terrain cranes, and 6th globally in crawler cranes. IHC holds an equipment fleet size comprising of c.2.2k units that operated at a weighted average utilization rate of 40% in FY 20A.

### Ownership and board of directors

#### Shareholders

Quest Enterprises	17.1%
Jassim Mustafa Boodai	6.8%
Saud Abdel Aziz Al Babbain	4.7%
Wafra Investment Co	4.6%
Triple E Holding Company	3.4%
Others	23.4%
New investors	40.0%

Source: Company Data

#### Board of Directors

Mr Mohammed Al Fozan	Chairman
Mr Jassim Mustafa Boodai	ice Chairman & CEO
Mr Saleh Sulaiman Al Huwaidi	Director
Mr Ahmad Hamad Al Hamad	Director
Mr Abdulaziz Jasim Boodai	Director
Mr Nasser Mohammed Al Fouzan	Director

Source: Company Data

### Integrated Holding Company

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Income statement (KWD m)</b>						
Sales revenue	20	21	26	33	39	42
Cost of sales	(18)	(18)	(20)	(23)	(25)	(28)
<b>Gross profit</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>10</b>	<b>14</b>	<b>15</b>
SG&A	-	-	-	-	-	-
<b>EBITDA</b>	<b>7</b>	<b>11</b>	<b>12</b>	<b>16</b>	<b>19</b>	<b>20</b>
Depreciation	(8)	(9)	(9)	(9)	(9)	(9)
<b>EBIT</b>	<b>(1)</b>	<b>2</b>	<b>3</b>	<b>7</b>	<b>10</b>	<b>11</b>
Interest expense	(1)	(1)	(1)	(1)	(1)	(1)
Share of results of associates & JV	-	-	-	-	-	-
Profit before tax	(2)	2	2	6	10	11
Taxes	-	-	-	(1)	(1)	(1)
<b>Other post-tax income/(expense)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net profit (group)	(2)	2	2	6	9	10
Minorities	-	1	2	3	4	5
<b>Net profit (parent)</b>	<b>(2)</b>	<b>2</b>	<b>2</b>	<b>6</b>	<b>9</b>	<b>10</b>
Arqaam adjustments (including dilution)	-	-	-	-	-	-
<b>Arqaam Net profit</b>	<b>(2)</b>	<b>2</b>	<b>2</b>	<b>6</b>	<b>9</b>	<b>10</b>

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Balance sheet (KWD m)</b>						
Cash and equivalents	2	7	7	4	7	12
Receivables	12	12	11	13	16	17
Inventories	1	1	1	1	1	1
Tangible fixed assets	82	75	71	75	75	75
Other assets including goodwill	2	2	2	2	2	2
<b>Total assets</b>	<b>99</b>	<b>97</b>	<b>91</b>	<b>96</b>	<b>102</b>	<b>107</b>
Payables	13	12	7	8	9	10
Interest bearing debt	23	20	20	20	20	20
Other liabilities	3	3	3	3	3	3
<b>Total liabilities</b>	<b>39</b>	<b>35</b>	<b>30</b>	<b>31</b>	<b>32</b>	<b>32</b>
Shareholders equity	60	62	62	65	70	75
Minorities	-	-	-	-	-	-
<b>Total liabilities &amp; shareholders equity</b>	<b>99</b>	<b>97</b>	<b>91</b>	<b>96</b>	<b>102</b>	<b>107</b>

Year-end	2020	2021	2022e	2023e	2024e	2025e
<b>Cash flow (KWD m)</b>						
<b>Cashflow from operations</b>	<b>18</b>	<b>10</b>	<b>8</b>	<b>12</b>	<b>16</b>	<b>18</b>
Net capex	(18)	(2)	(5)	(13)	(9)	(9)
<b>Free cash flow</b>	<b>-</b>	<b>8</b>	<b>3</b>	<b>-</b>	<b>7</b>	<b>9</b>
Equity raised/(bought back)	-	-	-	-	-	-
Dividends paid	(7)	-	(3)	(3)	(4)	(5)
Net inc/(dec) in borrowings	8	(3)	-	-	-	-
Other investing/financing cash flows	-	-	-	-	-	-
<b>Net cash flow</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>(3)</b>	<b>3</b>	<b>4</b>
Change in working capital	9	-	(3)	(2)	(2)	(1)

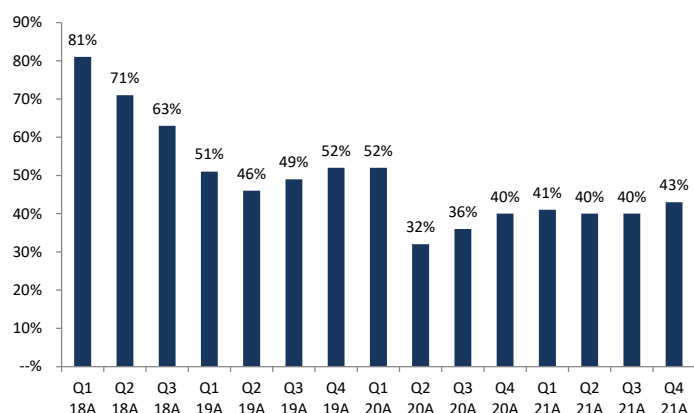
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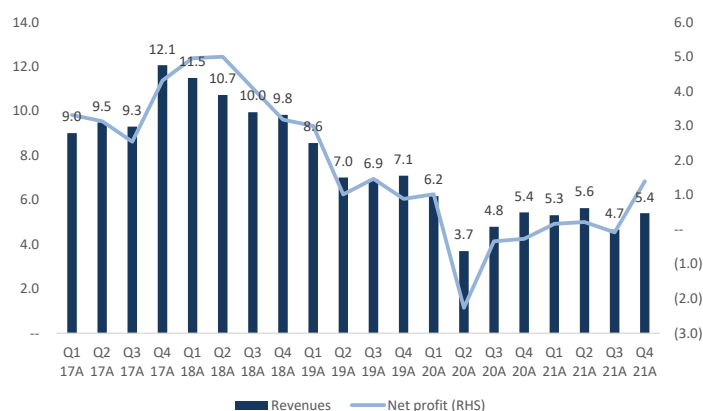
**Exhibit 1: INTEGRAT KK revenue breakdown: stevedoring operations continue to ramp up in Q4**

Revenues ('000 KWD)	Q4 18A	Q1 19A	Q2 19A	Q3 19A	Q4 19A	Q1 20A	Q2 20A	Q3 20A	Q4 20A	Q1 21A	Q2 21A	Q3 21A	Q4 21A
Equipment leasing	6,645	5,686	4,599	4,310	4,584	4,239	2,561	2,895	3,264	3,224	3,335	2,654	3,243
Heavy lift	2,305	2,293	1,895	2,145	1,936	1,223	514	877	1,239	1,230	820	765	805
Oil field services	--	--	--	--	--	104	192	271	169	213	320	349	199
Transportation & others	839	581	522	477	569	605	431	744	256	413	421	20	168
Stevedoring Operations	--	--	--	--	--	--	--	--	--	237	733	876	985
<b>Total</b>	<b>9,789</b>	<b>8,560</b>	<b>7,016</b>	<b>6,931</b>	<b>7,089</b>	<b>6,171</b>	<b>3,698</b>	<b>4,787</b>	<b>4,928</b>	<b>5,317</b>	<b>5,629</b>	<b>4,664</b>	<b>5,400</b>

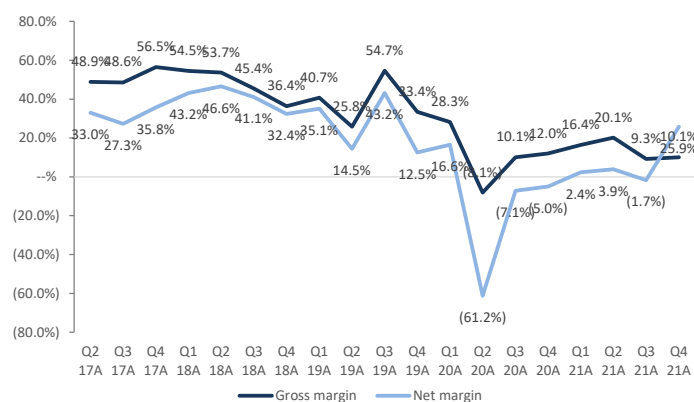
Source: Company Data, Arqaam Capital Research

**Exhibit 1: Crane utilization rates show a modest growth in Q4**


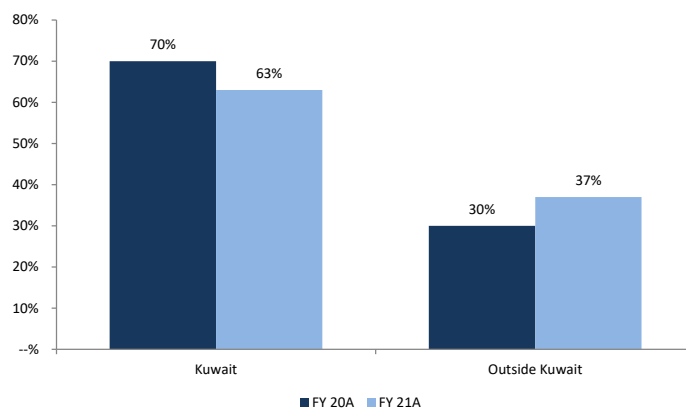
Source: Company Data, Arqaam Capital Research

**Exhibit 2: P&L recovers sequentially in Q4**


Source: Company Data, Arqaam Capital Research

**Exhibit 3: NPM supported by one-off gains in Q4**


Source: Company Data, Arqaam Capital Research

**Exhibit 4: Revenue breakdown by geography**


Source: Company Data, Arqaam Capital Research

**Revenues:** KWD 5.4m (-1% y/y, +16% q/q, -7% vs. AC)

**Gross profit:** KWD 0.54m (-17% y/y, +26% q/q, -56% vs. AC)

**EBITDA:** KWD 3.77m (+95% y/y, +78% q/q, +30% vs. AC)

**Net profit:** KWD 1.40m (+4.7x vs. AC)

**Exhibit 5: INTEGRAT KK Q4/FY 21A results**

KWD m	Q4 21AAC estimates		Δ	Q4 20A	y/y	Q3 21A	q/q	FY 21A	FY 20A	y/y
<b>Revenues</b>	5.40	5.80	(6.9%)	5.44	(0.7%)	4.67	15.7%	21.01	20.09	4.6%
<b>Gross profit</b>	0.54	1.25	(56.4%)	0.65	(16.6%)	0.43	26.1%	2.98	2.58	15.6%
<b>EBITDA</b>	3.77	2.90	29.9%	1.93	94.9%	2.12	77.8%	10.87	7.02	54.8%
<b>Net income</b>	1.40	0.30	365.6%	(0.27)	(614.4%)	(0.08)	(1851.7%)	1.66	(1.85)	(189.6%)
<b>Gross margin</b>	10.1%	21.6%	(1,147bps)	12.0%	(193bps)	9.3%	83bps	14.2%	12.8%	136bps
<b>EBITDA margin</b>	69.8%	50.0%	1,975bps	35.6%	3,420bps	45.4%	2,436bps	51.7%	35.0%	1,679bps
<b>Net margin</b>	25.9%	5.2%	2,070bps	(5.0%)	3,087bps	(1.7%)	2,758bps	7.9%	(9.2%)	1,714bps

Source: Company Data, Arqaam Capital Research

**Exhibit 6: DCF summary**

KWD m unless otherwise stated		FY 20A	FY 21e	FY 22e	FY 23e
<b>EBIT (1-τ)</b>		<b>2.1</b>	<b>1.0</b>	<b>3.2</b>	<b>6.9</b>
Depreciation & Amortization		8.1	9.0	9.0	8.6
<b>EBITDA</b>		<b>10.3</b>	<b>10.0</b>	<b>12.2</b>	<b>15.5</b>
Working Capital Changes		8.8	0.1	(3.3)	(2.2)
<b>Operating Cash Flow</b>		<b>19.1</b>	<b>10.1</b>	<b>8.9</b>	<b>13.3</b>
Purchase of PPE		(17.9)	(2.2)	(5.4)	(12.9)
<b>Free Cash Flow to Firm</b>		<b>1.2</b>	<b>7.9</b>	<b>3.5</b>	<b>0.5</b>
Discount Factor		1.0	1.0	0.9	0.8
<b>PV of Visible FCFF</b>		--	--	3.2	0.4
Terminal Value		164			
<b>Equity Valuation</b>		<b>WACC parameters</b>			
PV of Visible FCFF	<b>17</b>	Rf			3.5%
PV of Terminal Value	<b>115</b>	EMRP			6.5%
		Adjusted Beta			1.20
<b>Enterprise Value</b>	<b>132</b>	<b>Cost of Equity</b>			<b>11.3%</b>
Cash & Cash Equivalents	7	<b>Cost of Debt</b>			<b>4.0%</b>
Less: Net (Debt) Funds	(20)	D/C (market)			25.0%
<b>Equity Value</b>	<b>118</b>	<b>WACC</b>			<b>9.4%</b>
NOSH	253				
<b>Equity Value per Share (KWD)</b>	<b>467</b>	Perpetual growth			3.0%

Source: Company Data, Arqaam Capital Research

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<b>Hold</b>	0-15%
<b>Sell</b>	Total return <0%

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