

ALIMTIAZ INVESTMENT GROUP

Sustained growth in profit from continuing operations in Q1 22A.

- Q1 numbers marked a significant improvement in Education, RE, and F&B EBITDA (with a quarter-lag reporting), offsetting a soft performance in the energy & construction and IT solutions sectors. Overall operating revenues/income remained steady y/y in Q1.
- Operating expenses dropped 18% y/y to KWD 6.2m in Q1, supporting growth in net profit from continuing operations to KWD 1.6m in Q1, compared to net losses last year and last quarter. Alimtiaaz did not recognize profits from discontinued operations in Q1 22A in comparison to profit of KWD 2.4m in Q1 21A.
- We tweak our TP to KWD (fils) 174 (-3%) on FX exposure to Egypt via the pharma business, and maintain Buy with an attractive DY of 8%.

Revenues from subsidiaries improved 2% y/y and 7% q/q in Q1, supporting growth in income from operating activities to KWD 8.1m (+1% y/y, +36% q/q). Operating income was supported by net investment gains of KWD 2m in Q1 (compared to net losses last year). SG&A expenses dropped 14% y/y and 10% q/q to KWD 6.3m, largely on stringent cost controls in the IT & Technology service. Parent net income reached KWD 1m in Q1, recovering from net losses last quarter, albeit dropping 32% y/y due to a high base last year in Q1 which was boosted by KWD 2.4m profit from discontinued operations. Excluding one-off gains last year, net profit in Q1 22A marked a solid recovery in core continuing operations as compared to a net loss last year.

EBITDA delivered a solid improvement sequentially in Q1, growing from KWD 0.1m in Q4 to KWD 2.8m in Q1, but remained 5% down y/y on losses in the energy & construction and IT Solutions sectors, which were offset by investment & FV gains. Pharma remains the largest contributor to EBITDA via operations in Egypt (53% of Q1 EBITDA), while EBITDA from education (Amman University in Jordan) jumped 9x y/y. EBITDA was also supported by recovering F&B and real estate operations.

NAV remained flat y/y, but deleveraging continues: the portfolio remains well balanced, with book NAV remaining flat y/y in Q1 22A at KWD 233m with the largest contribution to NAV coming from the IT & Technology (17%), RE Properties (17%), Financial Services RE (13%), Pharma (12%), associates (9%) and Energy & construction (7%). Leverage (debt/equity) dropped from 23% in Q1 21A to 20% in Q1 22A mainly due to the sale of HOTECC, but we expect it to gradually increase on new M&A investments.

During Q1, Alimtiaaz has recognized dividend income amounting to KWD 1.4m while the BoD has approved to distribute a DPS of 9 fils for FY 2021, implying a 8% DY.

We tweak our TP to KWD (fils) 174 (-3%) on FX exposure to Egypt, with 17% of NAV exposed to the EGP via the pharma business. We still see decent upside and an attractive DY of 8%: we expect the improvement in NOI from subsidiaries to continue in FY 22e and to remain driven by i) the materialization of delayed tender projects for Integrated Technology Holding having completed footprint positioning in Kuwait and KSA, ii) stabilized RE valuations on a recovery in global tourism, iii) portfolio optimization and capacity expansion in the pharmaceutical sector with Delta's new factory project and Pharo's new warehouses underway, iv) capacity expansion in Amman Arab University in Q2 22e, and v) higher operational rigs for the energy & construction unit. We maintain Buy with 36% upside.

BUY

KWD (fils) 174

Real Estate / KUWAIT

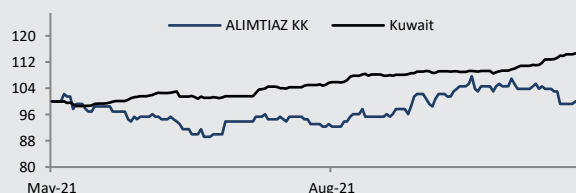
Bloomberg code	ALIMTIAZ KK
Market index	Kuwait
Target Price	174
Upside (%)	55.6

Market data 19/05/2022

Last closing price	112.0
52 Week range	105.0-142.0
Market cap (KWD m)	119
Market cap (USD m)	388
Average Daily Traded Value (KWD m)	648.0
Average Daily Traded Value (USD m)	2,115.0
Free float (%)	80%

Year-end (local m)	2021	2022e	2023e	2024e
Revenues	74.5	84.9	93.4	101.6
EBITDA	7.2	12.1	13.3	14.7
EPS	-	-	-	-
P/E (current price)	75.7	13.2	11.9	10.8
Net debt	21.7	22.9	24.0	24.9
BVPS	0.2	0.2	0.2	0.2
P/B (current price)	0.6	0.6	0.6	0.6
EV/EBITDA (current price)	26.7	15.9	14.4	13.1
Div. yield (%)	-	5.4	6.3	7.1
FCF margin (%)	(7.1)	8.2	8.7	9.3
Net debt/EBITDA (x)	3.0	1.9	1.8	1.7
Net debt/Capital (%)	9.4	9.8	10.2	10.4
Interest cover (x)	1.9	4.8	5.4	6.1
RoAA (%)	0.5	3.0	3.3	3.6
RoAE (%)	0.8	4.7	5.1	5.6
RoIC (%)	0.7	3.8	4.1	4.5

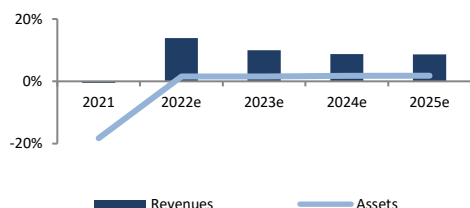
Price Performance



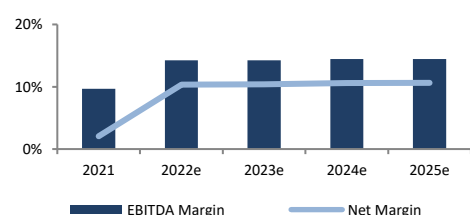
Abacus

Arqaam Capital Fundamental Data

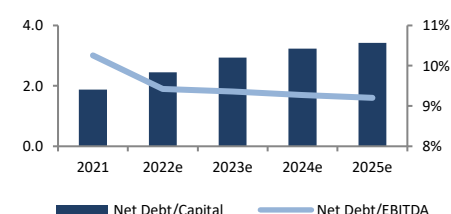
Profitability



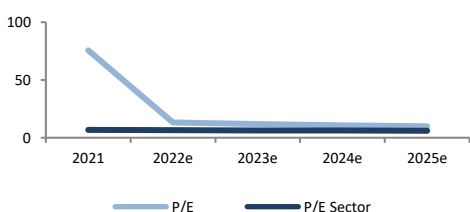
Growth



Gearing



Valuation



ALIMTIAZ INVESTMENT GROUP

Year-end	2020	2021	2022e	2023e	2024e	2025e
Financial summary						
Reported EPS	(0.02)	-	0.01	0.01	0.01	0.01
Diluted EPS	(0.02)	-	0.01	0.01	0.01	0.01
DPS	-	-	0.01	0.01	0.01	0.01
BVPS	0.18	0.18	0.18	0.19	0.19	0.19
Weighted average shares	1,027.48	1,031.40	1,035.06	1,035.06	1,035.06	1,035.06
Average market cap	115.08	115.93	115.93	115.93	115.93	115.93

Year-end	2020	2021	2022e	2023e	2024e	2025e
Valuation metrics						
P/E (x) (current price)	(5.5)	75.7	13.2	11.9	10.8	9.9
P/E (x) (target price)	(8.5)	117.8	20.5	18.6	16.7	15.4
P/BV (x) (target price)	1.0	1.0	0.9	0.9	0.9	0.9
EV/EBITDA (x)	(9.3)	26.7	15.9	14.4	13.1	12.1
EV/FCF (x)	(17.0)	(36.3)	27.5	23.6	20.3	18.0
EV/Invested capital (x)	1.1	1.0	1.0	1.0	1.0	1.0
Dividend yield (%)	-	-	5.4	6.3	7.1	8.0

Year-end	2020	2021	2022e	2023e	2024e	2025e
Growth (%)						
Revenues	2.4	(0.5)	13.9	10.0	8.7	8.6
EBITDA	(165.1)	(134.8)	67.9	9.9	10.4	8.4
EBIT	(183.8)	(123.3)	80.4	11.9	12.4	9.8
Net income	(141.9)	(107.3)	473.3	10.5	11.1	8.8

Year-end	2020	2021	2022e	2023e	2024e	2025e
Margins (%)						
EBITDA	(27.6)	9.7	14.2	14.2	14.5	14.4
EBIT	(30.7)	7.2	11.4	11.6	12.0	12.1
Net	(28.0)	2.1	10.3	10.4	10.6	10.6

Year-end	2020	2021	2022e	2023e	2024e	2025e
Returns (%)						
RoAA	(5.8)	0.5	3.0	3.3	3.6	3.8
RoAE	(10.6)	0.8	4.7	5.1	5.6	5.9
RoIC	(8.5)	0.7	3.8	4.1	4.5	4.9
FCF margin	(15.1)	(7.1)	8.2	8.7	9.3	9.7

Year-end	2020	2021	2022e	2023e	2024e	2025e
Gearing (%)						
Net debt/Capital	17.1	9.4	9.8	10.2	10.4	10.6
Net debt/Equity	23.2	11.6	12.1	12.5	12.7	12.9
Interest cover (x)	(7.9)	1.9	4.8	5.4	6.1	6.7
Net debt/EBITDA (x)	(2.0)	3.0	1.9	1.8	1.7	1.6

Abacus

Arqaam Securities Fundamental Data

Company Profile

Al Intiaz Investment Group (AIIG) is a leading Kuwaiti Sharia'a compliant investment group established in 2005 and was listed on Bursa Kuwait in 2011. The company runs a diversified portfolio of assets that span across different markets globally with a focus on the GCC and wider MENA region. Core assets represent 86% of AIIG's portfolio NAV centered around six main business verticals.

Shareholders and Board Members

Shareholders

Mr. Khalid Sultan ben Essa	9.7%
Other	90.3%

Board of Directors

Mr. Khalid Sultan Ben Essa	Non-Executive Chairman
Mr. Abdullah Dekhel Jassar Al-Jassar	Non-Executive Deputy Chairman
Mr. Ahmad Mohammad Boodai	Non-Executive Director
Mr. Tareq Ibrahim Al-Mansour	Non-Executive Director
Mr. Abdulrahman Mohammad Al-Khannah	Independent Director
Mr. Fahad Salah Al Essa	Independent Director
Mr. Nawaf Hussain Marafi	Group Chief Executive Director

ALIMTIAZ INVESTMENT GROUP

Year-end	2020	2021	2022e	2023e	2024e	2025e
Income statement (KWD m)						
Sales revenue	74.9	74.5	84.9	93.4	101.6	110.3
Gross profit	25.5	27.6	32.9	36.0	39.5	42.8
SG&A	(24.1)	(24.7)	(23.8)	(25.7)	(27.9)	(29.8)
EBITDA	(20.7)	7.2	12.1	13.3	14.7	15.9
Depreciation & Amortisation	(2.3)	(1.8)	(2.4)	(2.5)	(2.5)	(2.6)
EBIT	(23.0)	5.4	9.7	10.8	12.2	13.3
Net interest expense	(2.9)	(2.9)	(2.0)	(2.0)	(2.0)	(2.0)
Associates/affiliates	(0.6)	1.8	3.0	3.0	3.0	3.0
Exceptionals/extraordinaries	(21.5)	0.4	-	-	-	-
Other pre-tax income/(expense)	-	-	-	-	-	-
Profit before tax	(25.9)	2.5	10.7	11.8	13.2	14.3
Income tax expense	-	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)
Minorities	(5.0)	0.9	1.6	1.8	2.1	2.3
Other post-tax income/(expense)	-	-	(0.1)	(0.1)	(0.1)	(0.1)
Net profit	(21.0)	1.5	8.8	9.7	10.8	11.7
Arqaam adjustments (including dilution)	-	-	-	-	-	-
Arqaam Net profit	(21.0)	1.5	8.8	9.7	10.8	11.7

Year-end	2020	2021	2022e	2023e	2024e	2025e
Balance sheet (KWD m)						
Cash and equivalents	23.3	21.3	20.0	18.9	18.1	17.4
Receivables	79.8	35.0	35.0	35.0	35.0	35.0
Tangible fixed assets	40.1	23.4	23.4	23.4	23.4	23.4
Investment properties	45.8	37.7	37.7	37.7	37.7	37.7
Other assets including goodwill	163.7	170.8	176.5	182.3	188.2	194.3
Total assets	352.6	288.2	292.6	297.3	302.4	307.8
Payables	62.4	27.8	27.8	27.8	27.8	27.8
Interest bearing debt	65.5	42.9	42.9	42.9	42.9	42.9
Other liabilities	11.3	6.5	6.7	6.9	7.0	7.2
Total liabilities	139.1	77.3	77.5	77.6	77.8	78.0
Shareholders equity	181.7	187.4	190.0	192.7	195.6	198.6
Minorities	31.7	23.5	25.1	27.0	29.0	31.3
Total liabilities & shareholders equity	352.6	288.2	292.6	297.3	302.4	307.8

Year-end	2020	2021	2022e	2023e	2024e	2025e
Cash flow (KWD m)						
Cashflow from operations	(1.5)	0.1	9.4	10.6	12.0	13.2
Net capex	(9.8)	(5.4)	(2.4)	(2.5)	(2.5)	(2.6)
Free cash flow	(11.3)	(5.3)	7.0	8.1	9.5	10.7
Equity raised/(bought back)	-	-	-	-	-	-
Dividends paid	-	-	(6.2)	(7.3)	(8.3)	(9.3)
Net inc/(dec) in borrowings	2.5	0.9	-	-	-	-
Other investing/financing cash flows	(3.4)	(2.9)	(2.0)	(2.0)	(2.0)	(2.0)
Net cash flow	(5.8)	0.8	(1.2)	(1.1)	(0.8)	(0.7)
Change in working capital	(12.7)	(6.6)	-	-	-	-

Mohamad Haidar, CFA

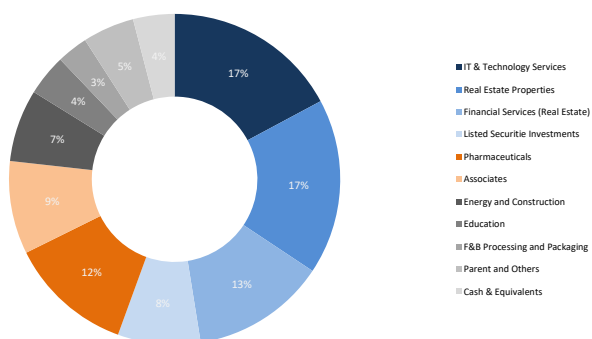
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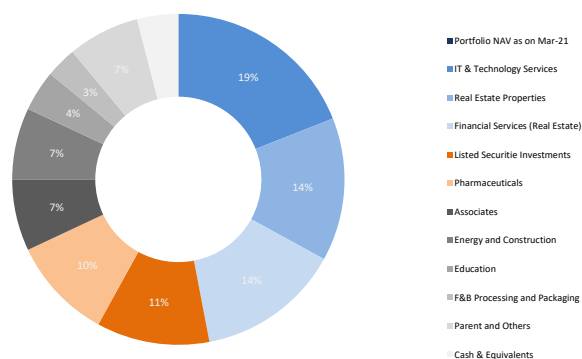
Exhibit 1: Alimtia Group Q1 22A results

KWDm	Q1 22A	Q4 21A	q/q 22	Q1 21A	y/y Q1
Revenues of operating activities from subsidiaries	19.35	18.02	7.4%	18.96	2.1%
Expenses of operating activities from subsidiaries	-12.69	-11.68	8.7%	-10.55	20.3%
Net operating income from subsidiaries	6.66	6.35	4.9%	8.41	(20.8%)
Associates income	-0.33	0.76	(143.9%)	0.09	(469.7%)
Net investment income (loss)	1.97	1.78	10.4%	-0.09	(2187.5%)
Changes in FV of IP	0.10	-0.23	(144.8%)	-0.05	(322.3%)
Rental income	0.55	0.54	1.3%	0.64	(14.8%)
Impairment loss and other net provisions	-0.96	-4.06	(76.4%)	-0.97	(1.2%)
Other operating income	0.13	0.84	(84.4%)	0.00	
Income from Operating Activities	8.12	5.98	35.8%	8.03	1.1%
S,G&A	-6.25	-5.66	10.3%	-7.26	(14.0%)
Other expenses	0.03	-0.57	(105.7%)	-0.36	(108.9%)
Net income from Operating Activities	1.91	-0.25	(873.9%)	0.41	368.2%
Depreciation and amortization	-0.45	-0.61	(26.7%)	-0.40	11.7%
Finance charges	-0.71	-0.63	11.2%	-0.95	(26.0%)
Other Income	0.84	0.37	131.2%	0.22	279.2%
Profit (loss) from continued operations	1.60	-1.13	nm	-0.72	nm
Profit (Loss) before NLST	1.60	-1.13	nm	1.65	(2.9%)
NLST	-0.03	0.15	nm	-0.02	nm
Group Net income	1.57	-1.04	nm	1.63	(3.8%)
Attributable NI	1.03	-0.90	nm	1.52	(32.0%)

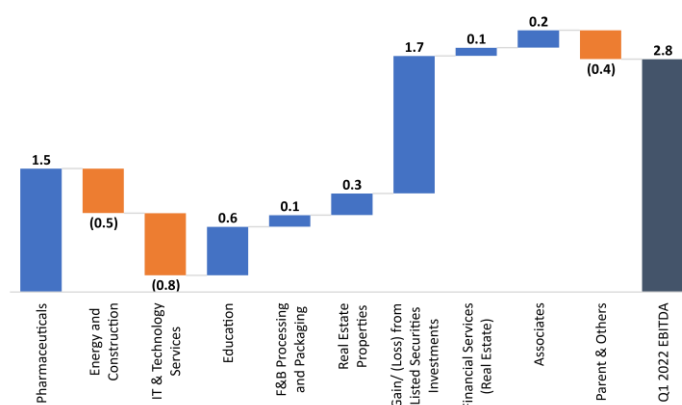
Source: Company Data, Arqaam Capital Research

Exhibit 2: Portfolio NAV as on Mar 22


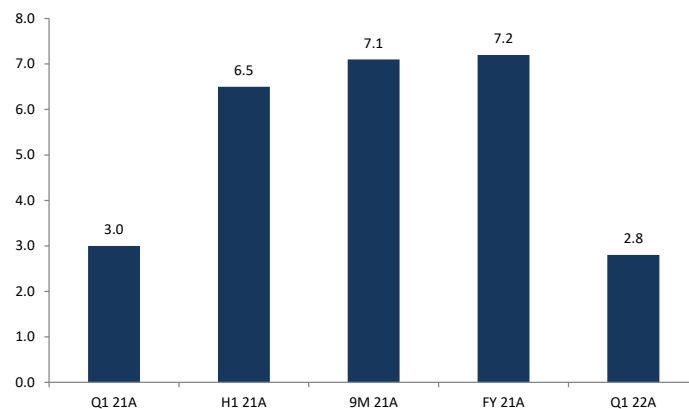
Source: Company Data, Arqaam Capital Research

Exhibit 3: Portfolio NAV as on Mar 21


Source: Company Data, Arqaam Capital Research

Exhibit 4: Q1 22A EBITDA Breakdown (KWD m)


Source: Company Data, Arqaam Capital Research

Exhibit 5: EBITDA quarterly trend (KWD m)


Source: Company Data, Arqaam Capital Research

Exhibit 6: SotP summary: we maintain our TP unchanged at KWD (fils) 174

SotP valuation	NAV	DCF
IT & technology services	40.5	45.9
Financial Services (Real Estate)	31.7	31.7
AIIG Real Estate Properties	40.2	40.2
Listed securities investments	22.5	22.5
Energy and construction	17.3	29.0
Pharmaceuticals	26.4	44.8
Associates	21.7	23.6
Education	10.1	13.8
F&B Processing and packaging	6.9	7.8
Parent and others	9.2	14.6
Total EV	226.5	273.7
Add: cash & equivalents	7.2	7.2
Less: parent debt	(19)	(19)
Less: parent OpEx	(49)	(49)
Implied NAV	165	213
Holding discount %	15%	15%
Equity value	141	181
NOSH	1.04	1.04
TP	136	174
CMP	112	112
BVPS	172	172
Upside to CMP %	21%	56%
Upside to BVPS %	(21%)	1%

Source: Company Data, Arqaam Capital Research

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