

ALIMTIAZ INVESTMENT GROUP

Near-term asset disposals should unlock decent upside for Alimtia. Maintain Buy.

- Balance sheet remains well-provisioned in 9M, offering deep value at 0.46x P/B and 0.69x P/tBV, with a strong liquidity position (23% of total assets, 0.9x of liabilities). But Net debt/EBITDA increased to ~6x on a slowdown in EBITDA in FY 22e, which we see correcting in FY 23e+.
- Post Q3, Alimtia concluded an asset disposal in the US and is assessing an asset sale in Egypt, which combined, could unlock significant cash proceeds for Alimtia (c.20% of mktcap, in our view). The proceeds can also support DPS sustainability in FY 22e at lucrative yields.
- We adjust our TP to KWD (fils) 151, slightly impacted by FX devaluation in Egypt, but still see decent upside following the recent stock de-rating. We maintain Buy on well-provisioned balanced sheet supported by an attractive DY in FY 22e (11% DY based on last year's DPS, 8.8% DY based on ACe).

Q3 revenues from subsidiaries dropped to KWD 15.4m (-18% q/q, -18% y/y) due to a slowdown across the different sectors, which was reflected in lower profits from operating activities at KWD 4.86m (-15% q/q, -20% y/y) impacted by real estate provisions, losses from IT Solutions, and lower translated income for Pharma (Egypt). But the Education sector exhibited a solid recovery (+152% y/y in 9M EBITDA) following the start of a new academic year. SG&A expenses dropped sequentially by 5% q/q but remained flat on a yearly basis at KWD 5.6m on cost rationalization mainly in F&B expenses (-68% q/q, -48% y/y), while 9M OpEx dropped 10% y/y for the group supported by cost rationalization across all segments. Alimtia reported a net loss for parent Co of KWD 1.17m, almost flat y/y.

EBITDA slipped to KWD -0.47m in Q3 and KWD 3m in 9M (-58% y/y): Alimtia reported EBITDA from the Pharma sector (KWD -0.2m), Real Estate (KWD -0.4m), and Financial Services (KWD -0.3m), slightly offset by the Education sector which was the largest contributor to parent EBITDA in Q3 with KWD 0.5m (+154% q/q, +60% y/y). EBITDA from F&B sector (+83% q/q, -26% y/y) and Energy and Construction sector (+16% q/q, nm y/y) improved sequentially in Q3 but continued to produce losses at KWD -0.05m and KWD -0.7m, respectively. EBITDA from listed securities improved to KWD 0.28m in Q3 following losses in Q2 and the same quarter last year.

NAV remains well-provisioned and extremely discounted at 0.38x P/NAV, settling at KWD 216m in 9M (-2% q/q, -10% y/y), suggesting decent upside in disposal value. The portfolio remains well-balanced with IT Solutions and Real Estate Properties both comprising 18% of total NAV, followed by Financial Services (15%) and Pharma (12%), both increasing 1% annually. The share of listed securities decreased from 11% to 8% annually as of 9M. During the same period, BV of parent equity slightly dropped to KWD 173.2m (-1% q/q, -7% y/y) in Q3 and book value per share stood at KWD (fils) 169, implying a deep discount at 0.44x P/B and 0.67x P/tBV. Leverage (D/E ratio) was maintained at 0.19x, while total debt decreased in Q3 to KWD 37.1m (-19% y/y, -3% q/q).

Alimtia has recognized dividend income from portfolio companies amounting to KWD 2.2m in 9M 2022 (-33% y/y).

Post Q3, Alimtia announced that it concluded an asset disposal in the US and is assessing the sale of a stake in subsidiary in Egypt, which combined, could unlock decent cash proceeds for Alimtia: the company exited from an investment in the real estate hospitality sector in Boston (US) for an amount of USD 24m (KWD 7.4m), while will be fully collected in Q4e. The company is also studying an offer submitted to Al-Ritaj Holding to acquire its stake in Delta Pharmaceutical Industries in Egypt (a subsidiary of a subsidiary, AIIG owns 92.47% of Al-Ritaj) for EGP 1.2bn (KWD 18.9m), which could unlock up to KWD 10m in cash proceeds (on our estimates) and partially mitigate AIIG's exposure to FX in Egypt. We think that both transactions could unlock decent upside for Alimtia, and expect the cash proceeds to strengthen the balance sheet and support the continuity of dividends in FY 22e.

We adjust our TP to KWD (fils) 151 due to FX devaluation in Egypt (Egypt is 12% of NAV via the pharma business). We still see decent upside and an attractive DY of ~9% in FY 22e (11% DY based on FY 21A DPS): we think that NOI from subsidiaries has bottomed in 9M 22A and is due for recovery in FY 23e, mainly driven by i) the materialization of delayed tender projects for Integrated Technology Holding having completed footprint positioning in Kuwait and KSA, ii) portfolio optimization and capacity expansion in the pharmaceutical sector with Pharo's new warehouses underway, iii) capacity expansion in Amman Arab University in H2 22e, and iv) higher operational rigs for the energy & construction unit. We maintain Buy with 86% upside.

BUY

KWD (fils) 151

Real Estate / KUWAIT

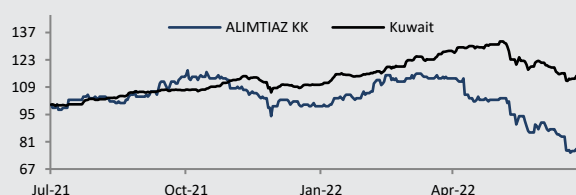
Bloomberg code	ALIMTIAZ KK
Market index	Kuwait
Target Price	151
Upside (%)	86.1

Market data 11/23/2022

Last closing price	81.0
52 Week range	86.6-142.0
Market cap (KWD m)	83.0
Market cap (USD m)	276
Average Daily Traded Value (KWD m)	0.55
Average Daily Traded Value (USD m)	1.80
Free float (%)	80%

Year-end (local m)	2021	2022e	2023e	2024e
Revenues	74.5	78.6	86.6	94.2
EBITDA	7.2	10.9	12.0	13.3
EPS	-	-	-	-
P/E (current price)	547.3	108.0	97.0	87.0
Net debt	21.7	27.2	29.6	30.8
BVPS	0.2	0.2	0.2	0.2
P/B (current price)	0.45	0.45	0.45	0.44
EV/EBITDA (current price)	20.1	13.4	12.1	10.9
Div. yield (%)	-	11.3	8.8	8.8
FCF margin (%)	(7.1)	7.3	7.9	8.6
Net debt/EBITDA (x)	3.0	2.5	2.5	2.3
Net debt/Capital (%)	9.4	11.9	12.9	13.2
Interest cover (x)	1.9	4.2	4.8	5.4
RoAA (%)	0.5	2.7	3.0	3.3
RoAE (%)	0.8	4.2	4.6	5.1
RoIC (%)	0.7	3.4	3.7	4.1

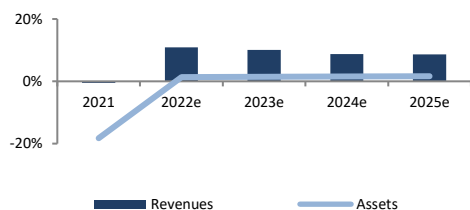
Price Performance



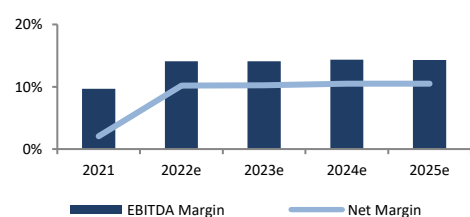
Abacus

Arqaam Capital Fundamental Data

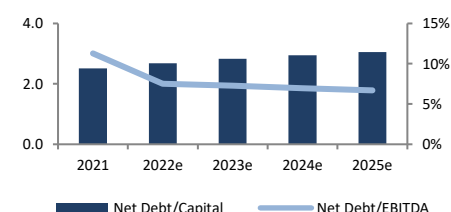
Profitability



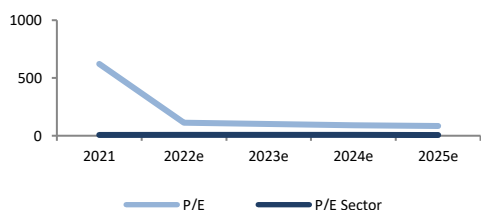
Growth



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	1,037.40	1,035.06	1,035.06	1,035.06	1,035.06
Average market cap	945.28	952.26	952.26	952.26	952.26	952.26

Year-end	2020	2021	2022e	2023e	2024e	2025e
Valuation metrics						
P/E (x) (current price)	(45.0)	547.3	108.0	97.0	87.0	79.8
P/E (x) (target price)	(7.9)	101.8	20.1	18.0	16.2	14.8
P/BV (x) (target price)	0.8	0.8	0.8	0.8	0.8	0.8
EV/EBITDA (x)	(9.3)	20.1	13.4	12.1	10.9	10.0
EV/FCF (x)	(12.9)	(27.4)	25.1	21.1	17.9	15.7
EV/Invested capital (x)	0.8	0.8	0.8	0.8	0.8	0.7
Dividend yield (%)	-	-	11.3	8.8	8.8	8.8

Year-end	2020	2021	2022e	2023e	2024e	2025e
Growth (%)						
Revenues	2.4	(0.5)	5.5	10.1	8.8	8.8
EBITDA	(165.1)	(134.9)	50.7	10.6	10.8	8.6
EBIT	(183.8)	(123.3)	57.3	13.0	13.1	10.1
Net income	(141.9)	(107.3)	406.6	11.3	11.6	9.0

Year-end	2020	2021	2022e	2023e	2024e	2025e
Margins (%)						
EBITDA	(27.6)	9.7	13.8	13.9	14.1	14.1
EBIT	(30.7)	7.2	10.7	11.0	11.4	11.6
Net	(28.0)	2.1	9.9	10.0	10.2	10.2

Year-end	2020	2021	2022e	2023e	2024e	2025e
Returns (%)						
RoAA	(5.8)	0.5	2.7	3.0	3.3	3.5
RoAE	(10.6)	0.8	4.2	4.6	5.1	5.5
RoIC	(8.5)	0.7	3.4	3.7	4.1	4.4
FCF margin	(15.1)	(7.1)	7.3	7.9	8.6	9.0

Year-end	2020	2021	2022e	2023e	2024e	2025e
Gearing (%)						
Net debt/Capital	17.1	9.4	11.9	12.9	13.2	13.0
Net debt/Equity	23.2	11.6	14.6	15.8	16.2	15.9
Interest cover (x)	(7.9)	1.9	4.2	4.8	5.4	5.9
Net debt/EBITDA (x)	(2.0)	3.0	2.5	2.5	2.3	2.1

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	9.70%
Jassar Dakhil Jassar Jassar	5.85%
Other	84.45%

Board of Directors

Mr. Khalid Sultan Ben Essa	Non-Executive Chairman
Mr. Abdullah Dakhil Jassar 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	78.6	86.6	94.2	102.5
Gross profit	25.5	27.6	29.9	32.9	36.2	39.2
SG&A	(24.1)	(24.7)	(22.1)	(23.9)	(26.0)	(27.8)
EBITDA	(20.7)	7.2	10.8	12.0	13.3	14.4
Depreciation & Amortization	(2.3)	(1.8)	(2.4)	(2.5)	(2.5)	(2.6)
EBIT	(23.0)	5.4	8.4	9.5	10.8	11.9
Net interest income(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)	-	-	-	-	-	-
(Loss) profit before tax	(25.9)	2.5	9.4	10.5	11.8	12.9
Income tax expense	-	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)
Minorities	(5.0)	0.9	1.4	1.6	1.8	2.0
Other post-tax income/(expense)	-	-	(0.1)	(0.1)	(0.1)	(0.1)
Net (loss) profit	(21.0)	1.5	7.8	8.6	9.6	10.5
Arqaam adjustments (including dilution)	-	-	-	-	-	-
Arqaam Net profit	(21.0)	1.5	7.8	8.6	9.6	10.5

Year-end	2020	2021	2022e	2023e	2024e	2025e
Balance sheet (KWD m)						
Cash and equivalents	23.3	21.3	15.7	13.3	12.2	12.1
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	163.6	170.8	176.5	182.3	188.2	194.3
Total assets	352.6	288.2	288.3	291.7	296.5	302.6
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	11.2	6.6	6.8	6.9	7.1	7.3
Total liabilities	139.1	77.3	77.5	77.6	77.8	78.0
Shareholders equity	181.7	187.4	185.9	187.5	190.3	194.1
Minorities	31.8	23.5	25.0	26.6	28.4	30.5
Total liabilities & shareholders equity	352.6	288.2	288.3	291.7	296.5	302.6

Year-end	2020	2021	2022e	2023e	2024e	2025e
Cash flow (KWD m)						
Cashflow from operations	(1.5)	0.1	8.2	9.3	10.6	11.8
Net capex	(9.8)	(5.4)	(2.4)	(2.5)	(2.5)	(2.6)
Free cash flow	(11.3)	(5.3)	5.8	6.9	8.1	9.2
Equity raised/(bought back)	-	-	-	-	-	-
Dividends paid	-	-	(9.3)	(7.3)	(7.3)	(7.3)
Net inc/(dec) in borrowings	2.5	0.9	-	-	-	-
Other investing/financing cash flows	3.1	5.2	(2.0)	(2.0)	(2.0)	(2.0)
Net cash flow	(5.7)	0.8	(5.6)	(2.4)	(1.1)	(0.0)
Change in working capital	(12.7)	(6.6)	-	-	-	-

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Yahya Charafeddine

Exhibit 1: Alimtia Group Q3 22A results

KWDm	Q3 22A	Q2 22A	q/q 22	Q3 21A	y/y Q
Revenues of operating activities from subsidiaries	15.41	18.84	-18%	18.82	-18%
Expenses of operating activities from subsidiaries	-10.87	-12.69	14%	-12.13	10%
Gross profit from subsidiaries	4.54	6.15	-26%	6.69	-32%
Associates income	-0.36	-0.91	60%	0.71	nm
Net investment income (loss)	-0.12	-0.34	64%	-2.01	94%
Changes in FV of IP	0.00	0.00	nm	0.00	nm
Rental income	0.50	0.52	-4%	0.59	-16%
Impairment loss and other net provisions	-0.18	-0.45	60%	-0.38	52%
Other operating income	0.49	0.80	-39%	0.47	4%
Income from operating activities	4.86	5.75	-15%	6.07	-20%
S,G&A	-5.61	-5.89	5%	-5.55	-1%
Other expenses	0.00	0.01	-136%	-0.14	97%
Opex	-5.61	-5.88	5%	-5.69	1%
Net (loss) income from operating activities	-0.75	-0.13	-494%	0.38	nm
Depreciation and amortization	-0.35	-0.45	23%	-0.40	13%
Finance charges	-0.56	-0.53	-5%	-0.64	13%
Other Income	0.28	0.83	-66%	0.26	11%
Loss from continued operations	-1.37	-0.28	-386%	-0.41	-234%
Loss before NLST	-1.37	-0.28	-386%	-0.41	-234%
NLST	0.01	0.02	-31%	0.00	nm
Group net income	-1.36	-0.26	-415%	-0.41	-231%
Attributable NI	-1.17	-0.68	-72%	-1.19	2%

Source: Company Data, Arqaam Capital Research

Exhibit 2: EBITDA Breakdown- Q3 22A

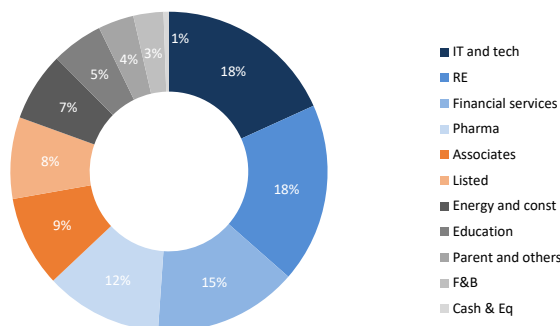
EBITDA	Q3 22A	Q2 22A	q/q 22	Q3 21A	y/y Q
Pharma	-0.22	1.72	nm	1.62	nm
Energy and const	-0.69	-0.82	16%	0.11	nm
IT and tech	-0.36	-0.25	-46%	-0.04	nm
Education	0.51	0.20	154%	0.30	60%
F&B	-0.05	-0.28	83%	-0.07	-26%
RE	-0.43	0.30	nm	0.25	nm
Listed	0.28	-0.80	nm	-2.39	nm
Financial services	-0.34	0.13	nm	0.95	nm
Associates	0.33	-0.09	nm	0.64	-47%
Parent and others	0.51	0.84	-39%	-0.73	nm
Cash &Eq	0.00	-0.25	100%	0.00	nm
Total	-0.47	0.70	nm	0.63	nm

Source: Company Data, Arqaam Capital Research

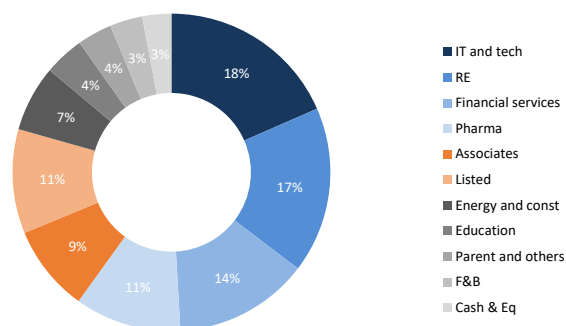
Exhibit 3: Opex Breakdown- Q3 22A

Opex	Q3 22A	Q2 22A	q/q 22	Q3 21A	y/y Q
Pharma	2.2	1.9	19%	2.1	6%
Energy and const	0.0	0.0	-	0.0	-
IT and tech	1.1	1.0	6%	1.0	10%
Education	0.8	0.8	4%	0.7	8%
F&B	0.3	1.0	-68%	0.6	-48%
RE	0.1	0.1	1%	0.0	-
Listed	0.0	0.0	-	0.0	-
Financial services	0.6	0.6	0%	0.6	4%
Associates	0.0	0.0	-	0.0	-
Parent and others	0.5	0.5	-4%	0.7	-28%
Total	5.6	5.9	-5%	5.7	-1%

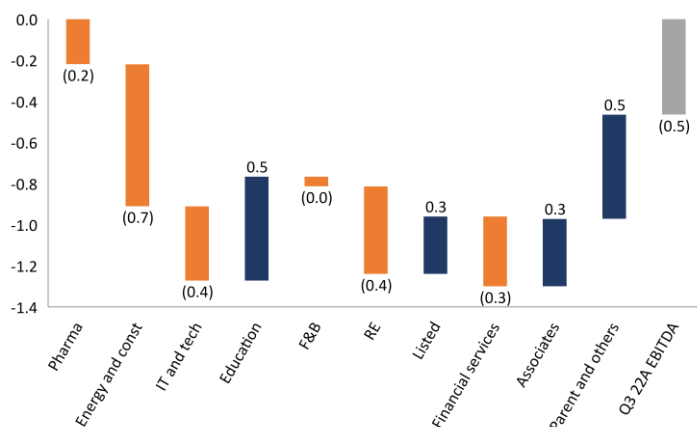
Source: Company Data, Arqaam Capital Research

Exhibit 4: Portfolio NAV as on Sep 22


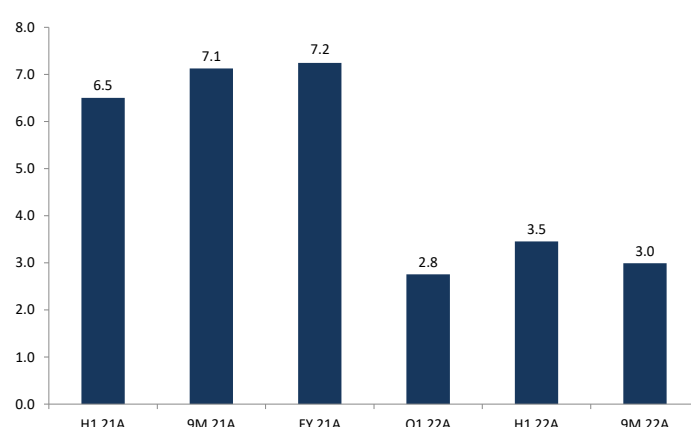
Source: Company Data, Arqaam Capital Research

Exhibit 5: Portfolio NAV as on Sep 21


Source: Company Data, Arqaam Capital Research

Exhibit 6: Q3 22A EBITDA Breakdown (KWD m)


Source: Company Data, Arqaam Capital Research

Exhibit 7: EBITDA quarterly trend (KWD m)


Source: Company Data, Arqaam Capital Research

Exhibit 8: SotP summary: we tweak our TP to KWd 151

SotP valuation	NAV	DCF
IT & technology services	39.4	39.5
Financial Services (Real Estate)	31.6	31.6
AIIG Real Estate Properties	39.2	39.2
Listed securities investments	17.8	17.8
Energy and construction	15.1	24.2
Pharmaceuticals	25.7	34.0
Associates	19.9	23.6
Education	11.3	13.8
F&B Processing and packaging	6.6	7.8
Parent and others	7.9	14.6
Total EV	214.6	246.1
Add: cash & equivalents	1.2	1.2
Less: parent debt	(16)	(16)
Less: parent OpEx	(49)	(49)
Implied NAV	150	182
Holding discount %	15%	15%
Equity value	128	154
NOSH	1.02	1.02
TP	124	151
CMP	81	81
BVPS	173	173
Upside to CMP %	54%	86%
Upside to BVPS %	(28%)	(13%)

Source: Company Data, Arqaam Capital Research

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Hold	0-15%
Sell	Total return <0%

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