Initiation Report

September 14 2023

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# Estithmar Holding QPSC

## Capitalizing on growth opportunities in Qatar and internationally in selected sectors, initiate with a Buy.

**• We view Estithmar Holding well positioned to capitalize on the growth of Qatar's non-oil economy, with multiyear secular growth drivers. We expect a 3-year revenue CAGR of 24.1%, EBITDA CAGR of 41.1%, and strong LT growth supported by expansions in healthcare, hospitality, industry, and service sectors. It targets to triple its EBITDA by FY25e.**

**• Supportive balance sheet: positive net cash, a planned QAR 1bn Sukuk, and a 50% capital increase provide significant funding for its expansion plans, with organic CapEx of QAR 2.1bn budgeted for the next three years.**

**• We initiate with a Buy and set a TP of QAR 2.64 with a 21% upside. The stock trades at 11.6x FY 24e EV/EBITDA, in line with regional peers, while offering superior growth prospects, long-term revenue visibility, and an integrated and synergistic business model.**

**Growing exposure to the healthcare:** Estithmar Holding (previously Investment Holding Group, IHG) is a holding company with multisector exposure in Qatar. The company operates across five key market segments with a focus on healthcare, hospitality, contracting, services, and a wide range of industries. The company is a direct play on the growing healthcare exposure via its wholly owned and operated healthcare facilities, the View and KMC, while also growing its operational management model via long-term contracts with other facilities in the country and regionally (Iraq, Kazakhstan, Egypt, and Algeria). We expect a higher contribution from Healthcare and Ventures clusters and an increasing focus on cost efficiencies to support an EBITDA margin uplift from 12.2% in FY 22 to 19.9% in FY 27e.

**Strong growth runway, 3-yr EBITDA CAGR of 41.1%.** We expect stable and long-term growth derived through higher contributions from multiple segments; key supporting market drivers include low healthcare/hospital penetration and supportive regulation (mandatory insurance for non-Qataris), a strong pipeline of projects in Qatar, Iraq, and Saudi (PIF contracts), and increasing exposure to tourism via its venture's exposure. The company aims to triple its EBITDA by 2025 (ACe 2.8x) and has budgeted QAR 2.1bn in CapEx.

**Strong FCF in FY 24e; potential for dividend commencement in the near-term** Strong EBITDA growth will lead to improved FCF, on our estimates, despite significantly front-loaded CapEx. To fund the growth, the company aims to issue a QAR 1bn Sukuk and to raise 50% additional capital through a combination of a rights issue and private placements in Q4 23e/24e. In our base case, we expect the company to start dividend payments by FY 24e after delivery of its initial growth targets, and we pencil in a 50% payout ratio.

**We initiate with a Buy rating and set a TP of QAR 2.64**. Our DCF-based valuation yields an upside of 21% with a QAR 2.64/share TP. Estithmar Holding trades at 11.6x FY 24e EV/EBITDA, in-line with the sector, while offering superior growth prospects and a shift towards higher margin business. We expect the QAR 1bn Sukuk and capital increase to be sufficient for its ambitious growth plans, and believe the plans will generate a positive EVA, and cater for a 50% DPO as of FY24e.

# BUY QAR 2.64

**Multisector /** Qatar

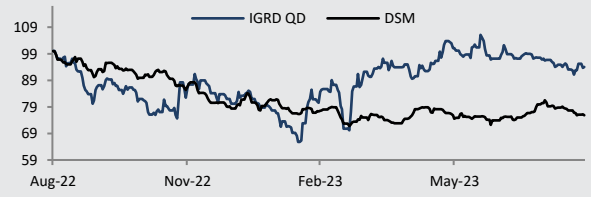
| | |
|---|---|
| Bloomberg code | IGRD QD |
| Market index | DSM |
| Target Price | 2.64 |
| Upside (%) | 20.7 |

**Market data 9/12/2023**

| | |
|---|---|
| Last closing price | 2.16 |
| 52 Week range | 1.4-2.4 |
| Market cap (QAR m) | 7,438 |
| Market cap (USD m) | 2,040 |
| Average Daily Traded Value (QAR m) | 24.0 |
| Average Daily Traded Value (USD m) | 6.6 |
| Free float (%) | 20% |

| Year-end (local m) | 2022 | 2023e | 2024e | 2025e |
|---|---|---|---|---|
| Revenues | 4,237.0 | 3,952.6 | 5,156.9 | 8,106.6 |
| EBITDA | 420.6 | 564.8 | 847.4 | 1,454.4 |
| Net income | 227.9 | 320.7 | 331.9 | 842.0 |
| EPS | 0.04 | 0.06 | 0.07 | 0.16 |
| P/E (current price) | 49.1 | 34.9 | 33.7 | 13.3 |
| Net debt | 1,419.9 | 552.8 | (504.8) | (652.0) |
| BVPS | 0.9 | 1.0 | 1.2 | 1.3 |
| P/B (current price) | 2.5 | 2.1 | 1.9 | 1.7 |
| EV/EBITDA (current price) | 23.3 | 17.3 | 11.6 | 6.7 |
| Div. yield (%) | - | - | 2.2 | 4.5 |
| FCF margin (%) | (1.4) | 1.8 | 2.7 | 4.9 |
| Net debt/EBITDA (x) | 3.4 | 1.0 | (0.6) | (0.4) |
| Net debt/Capital (%) | 23.5 | 9.2 | (7.8) | (9.6) |
| RoAA (%) | 3.9 | 3.7 | 3.6 | 7.8 |
| RoAE (%) | 8.7 | 6.6 | 5.9 | 13.6 |
| RoIC (%) | 5.0 | 6.9 | 7.3 | 15.5 |

**Price Performance**

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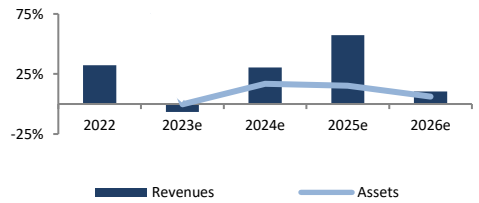
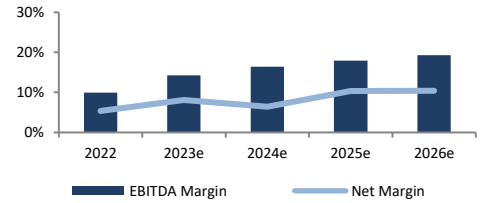
## Abacus *Arqaam Capital Fundamental Data*

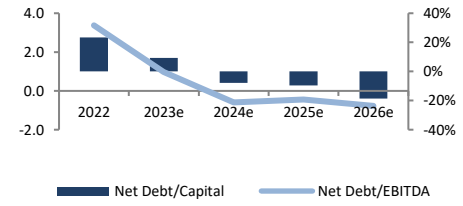
**Profitability**



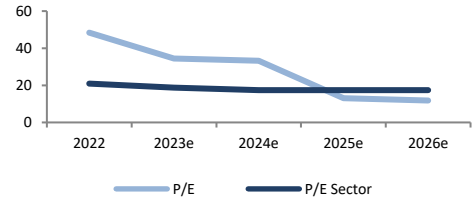

**Growth**




**Gearing**




**Valuation**




**Estithmar Holding QPSC**

| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
|---|---|---|---|---|---|---|
| **Financial summary** | | | | | | |
| Reported EPS | 0.07 | 0.04 | 0.06 | 0.07 | 0.16 | 0.18 |
| Diluted EPS | 0.07 | 0.04 | 0.06 | 0.07 | 0.16 | 0.18 |
| DPS | - | - | - | 0.05 | 0.10 | 0.10 |
| BVPS | 0.15 | 0.87 | 1.03 | 1.16 | 1.26 | 1.38 |
| Weighted average shares | 5,106.00 | 5,106.00 | 5,106.00 | 5,106.00 | 5,106.00 | 5,106.00 |
| Average market cap | 11,028.96 | 11,028.96 | 11,028.96 | 11,028.96 | 11,028.96 | 11,028.96 |

| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
|---|---|---|---|---|---|---|
| **Valuation metrics** | | | | | | |
| P/E (x) | 33.3 | 49.1 | 34.9 | 33.7 | 13.3 | 12.0 |
| P/BV (x) | 14.6 | 2.5 | 2.1 | 1.9 | 1.7 | 1.6 |
| EV/Sales (x) | 3.1 | 2.3 | 2.5 | 1.9 | 1.2 | 1.1 |
| EV/EBITDA (x) | 21.7 | 23.3 | 17.3 | 11.6 | 6.7 | 5.7 |
| EV/FCF (x) | (19.2) | (76.6) | 59.6 | 40.0 | 21.5 | 10.9 |
| EV/Invested capital (x) | 10.6 | 2.2 | 2.0 | 1.8 | 1.7 | 1.6 |
| Dividend yield (%) | - | - | - | 2.2 | 4.5 | 4.5 |

| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
|---|---|---|---|---|---|---|
| **Growth (%)** | | | | | | |
| Revenues | 897.3 | 32.2 | (6.7) | 30.5 | 57.2 | 10.5 |
| EBITDA | 778.2 | (6.6) | 34.3 | 50.0 | 71.6 | 18.9 |
| EBIT | 840.3 | (19.4) | 35.3 | (1.1) | 126.3 | 10.2 |
| Net income | 1,136.6 | (32.1) | 40.7 | 3.5 | 153.7 | 10.8 |

| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
|---|---|---|---|---|---|---|
| **Margins (%)** | | | | | | |
| EBITDA | 14.1 | 9.9 | 14.3 | 16.4 | 17.9 | 19.3 |
| EBIT | 11.6 | 7.1 | 10.2 | 7.8 | 11.2 | 11.1 |
| Net | 10.5 | 5.4 | 8.1 | 6.4 | 10.4 | 10.4 |

| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
|---|---|---|---|---|---|---|
| **Returns (%)** | | | | | | |
| RoAA | 15.0 | 3.9 | 3.7 | 3.6 | 7.8 | 7.8 |
| RoAE | 41.7 | 8.7 | 6.6 | 5.9 | 13.6 | 13.8 |
| RoIC | 25.5 | 5.0 | 6.9 | 7.3 | 15.5 | 17.3 |
| FCF margin | (5.5) | (1.4) | 1.8 | 2.7 | 4.9 | 9.8 |

| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
|---|---|---|---|---|---|---|
| **Gearing (%)** | | | | | | |
| Net debt/Capital | 45.9 | 23.5 | 9.2 | (7.8) | (9.6) | (18.6) |
| Net debt/Equity | 89.4 | 31.8 | 10.5 | (8.5) | (10.1) | (18.9) |
| Interest cover (x) | 10.7 | 4.4 | 5.0 | 6.2 | 16.4 | 18.1 |
| Net debt/EBITDA (x) | 1.5 | 3.4 | 1.0 | (0.6) | (0.4) | (0.8) |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**Abacus** *Arqaam Capital Fundamental Data*

## Investment thesis

A diversified play on Qatar's attractive high growth sectors. The company operates across multiple sub industries including services, industrials, ventures, construction, and healthcare. We expect revenue CAGR of 24.1% over the coming three years and GPm of 22.3% stemming from the ongoing economic activity the country's 2030 targets. The company did a reverse acquisition in 2022 that allowed its revenue to expand and position it across key strategic sectors in the country.

## Shareholders

| Name | % Ownership |
|---|---|
| Mrs. Sumaya Saber Hamsho | 20.72% |
| Mr.Mohamad Moataz Mohamad Al- Khayyat | 19.70% |
| Mr. Ramez Mohamad Al-Khayyat | 19.80% |
| Urbacon Trading and Contracting Company W.L.L | 18.73% |
| Public | 21.05% |

## Board of Directors

| Name | |
|---|---|
| Mr. Moutaz Al-Khayyat | Chairman |
| Mr. Ramez Al-Khayyat | Vice Chairman |
| Mr. Eyad Abdulrahim | Board Member/ Managing Director |
| Mr. Khalid Ghanim S Al-Hodifi Al-Kuwari | Board Member |
| Mr. Hamad Ghanim S Al Hodifi Al-Kuwari | Board Member |
| Mr. Mohamad Mohamad-Sadiq Al-Dawamaneh | Board Member |
| Sheikh Suhaim Bin-AbdulAziz Al Thani | Independent Board Member |
| Mr. Abdulla Darwish Al Darwish | Independent Board Member |
| Dr. Bothaina Al Ansari | Independent Board Member |
| Mr. Ibrahim Abdulla Al Abdulla | Independent Board Member |

**Estithmar Holding QPSC**

| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
|---|---|---|---|---|---|---|
| **Income statement (QARm)** | | | | | | |
| Sales revenue | 3,204.6 | 4,237.0 | 3,952.6 | 5,156.9 | 8,106.6 | 8,960.1 |
| Cost of sales | (2,711.7) | (3,617.1) | (3,208.0) | (4,080.0) | (6,299.6) | (6,850.5) |
| **Gross profit** | **492.9** | **620.0** | **744.6** | **1,076.9** | **1,807.0** | **2,109.6** |
| SG&A | (420.0) | (512.6) | (478.2) | (613.6) | (948.4) | (1,030.3) |
| **EBIT** | **370.8** | **298.8** | **404.3** | **399.7** | **904.7** | **996.7** |
| Net interest income(expense) | (34.7) | (67.5) | (80.2) | (64.4) | (55.0) | (55.0) |
| Associates/affiliates | - | - | - | - | - | - |
| Exceptionals/extraordinaries | 87.8 | 57.0 | 59.3 | 77.4 | 121.6 | 134.4 |
| Other pre-tax income/(expense) | - | - | - | - | - | - |
| **Profit before tax** | **336.1** | **231.3** | **324.2** | **335.3** | **849.7** | **941.7** |
| Income tax expense | (0.4) | (3.4) | (3.4) | (3.4) | (7.7) | (8.5) |
| Other post-tax income/(expense) | - | - | - | - | - | - |
| **Net profit (group)** | **335.7** | **227.9** | **320.7** | **331.9** | **842.0** | **933.2** |
| Minorities | - | - | - | - | - | - |
| **Net profit (parent)** | **335.7** | **227.9** | **320.7** | **331.9** | **842.0** | **933.2** |
| Arqaam adjustments (including dilution) | - | - | - | - | - | - |
| **Arqaam net profit** | **335.7** | **227.9** | **320.7** | **331.9** | **842.0** | **933.2** |

| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
|---|---|---|---|---|---|---|
| **Balance sheet (QARm)** | | | | | | |
| Cash and equivalents | 41.4 | 167.5 | 162.9 | 1,020.6 | 967.8 | 1,450.6 |
| Receivables | 875.5 | 1,306.5 | 1,082.9 | 1,412.9 | 2,221.0 | 2,454.8 |
| Inventories | 383.2 | 233.9 | 207.5 | 263.9 | 407.4 | 443.1 |
| Fixed assets and Investment properties | 802.8 | 1,975.4 | 2,135.1 | 2,311.4 | 2,904.7 | 2,808.8 |
| Other assets | 913.0 | 4,862.4 | 4,935.7 | 4,964.2 | 5,006.3 | 5,052.3 |
| **Total assets** | **3,103.8** | **8,636.5** | **8,614.9** | **10,063.7** | **11,598.0** | **12,300.3** |
| Payables | 1,101.9 | 2,003.0 | 1,776.4 | 2,259.3 | 3,488.4 | 3,793.4 |
| Interest bearing debt | 727.9 | 1,587.4 | 715.8 | 515.8 | 315.8 | 115.8 |
| Other liabilities | 141.8 | 236.4 | 236.4 | 236.4 | 236.4 | 236.4 |
| **Total liabilities** | **1,971.6** | **3,826.8** | **2,728.6** | **3,011.5** | **4,040.6** | **4,145.6** |
| **Shareholders equity** | **767.6** | **4,459.6** | **5,280.3** | **5,946.3** | **6,451.5** | **7,048.8** |
| Minorities | - | - | - | - | - | - |
| **Total liabilities & shareholders equity** | **2,739.3** | **8,286.4** | **8,009.0** | **8,957.8** | **10,492.1** | **11,194.4** |

| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
|---|---|---|---|---|---|---|
| **Cash flow (QARm)** | | | | | | |
| **Cashflow from operations** | **216.4** | **1,087.2** | **512.6** | **911.8** | **1,678.9** | **1,706.0** |
| Net capex | (177.3) | (1,260.9) | (316.2) | (623.8) | (1,139.9) | (632.2) |
| **Free cash flow** | **(608.4)** | **(152.8)** | **196.4** | **293.0** | **544.0** | **1,078.8** |
| Equity raised/(bought back) | - | - | - | - | - | - |
| Dividends paid | (37.1) | - | - | (166.0) | (336.8) | (336.0) |
| Net inc/(dec) in borrowings | (18.9) | (23.3) | - | - | - | - |
| Other investing/financing cash flows | - | - | - | - | - | - |
| **Net cash flow** | **709.7** | **662.5** | **(971.4)** | **(142.3)** | **(52.8)** | **482.8** |
| Change in working capital | (228.7) | 510.2 | (48.7) | 67.8 | 232.2 | (14.4) |

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# We initiate coverage on Estithmar holding with a Buy recommendation and a TP of QAR 2.64

## A multi-sector holding company with a growing exposure to the Qatari healthcare market.

**An attractive market outlook is supportive of key growth segments.** Estithmar Holding operates across multiple key segments in the Qatari market. The company is poised to benefit from an attractive market outlook supported by two key growth markets:

1. **High growth healthcare prospects**: **a growing exposure for the company**

Elegancia Healthcare has ambitious growth plans in the Qatari healthcare market. The company kicked off its exposure to the healthcare sector with The View Hospital, a 7-star facility, affiliated with Cedars Sinai Medical Center in Los Angles, USA. Located in the vicinity of Lusail, the hospital started commercial operations in December 2022 and provides comprehensive inpatient and outpatient programs, with specialized clinical centers equipped with the latest technology. The View Hospital includes 244 ensuite rooms, 63 VIP suites, 6 ambassador suites, and 3 royal suites. and offer comprehensive world-class healthcare services and facilities. In Qatar, the revenue drivers are: (i) a shift from public to private coverage for non-Qataris, (ii) increased local treatment for Qataris instead of traveling abroad, (iii) expansion in the number of hospitals and bed count in Qatar. Elegancia Healthcare seeks to capitalize on the robust growth prospects in Qatar's healthcare sector. With rising population, increasing life expectancy, changing lifestyles and disease patterns, demand for quality healthcare is poised to surge. Qatar's healthcare spending is projected to cross USD 7bn by FY 23e. The country is boosting its healthcare infrastructure and aims to add over 5,500 hospital beds by FY 25e. Elegancia, through its View Hospital and planned facilities, is well positioned to tap this growth.

**The Qatari government is pursuing reforms to reduce national healthcare costs, including relaunching mandatory medical insurance for expats to shift them into the private system**. Of Qatar's 2.9m population, around 2.4m are registered with the public Hamad Medical Card while only 500k currently have private insurance. This aligns with the private sector's 19% share of hospital beds. However, mandating policies for 2m uninsured residents will substantially grow private healthcare demand. If executed, the reforms could increase spending on private provisions from around $1bn currently to $3.5-4.5bn. Representing 28-35% CAGR growth. This presents a significant opportunity for Elegancia Healthcare's expansion plans, with their “View Hospital” already representing a 30% M/S amongst private facilities (Ex. 2) and 8% of total facilities.


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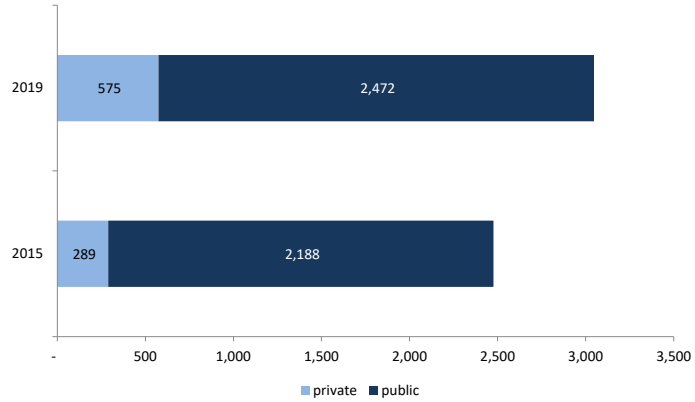
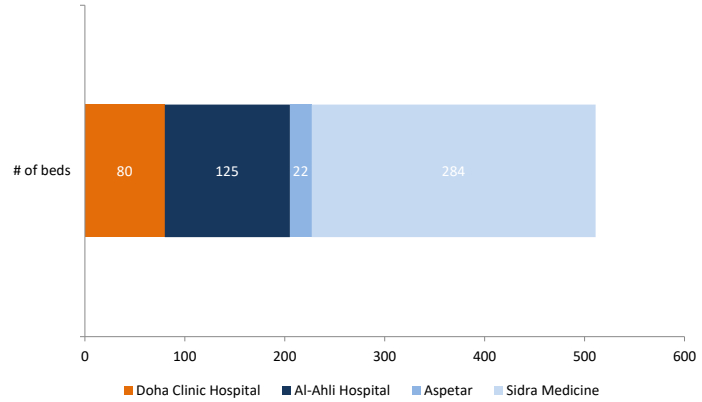
**Exhibit 1: Hospital breakdown - public private**




*Source: Company Data, Arqaam Capital Research*

**Exhibit 2: Breakdown of Beds per Private Sector**




*Source: Company Data, Arqaam Capital Research*

The combination of low healthcare/hospital penetration and supportive regulation (mandatory insurance for non-Qataris) should pave the way for significant growth potential for key hospital operators. Estithmar aims to grow its healthcare exposure via its fully owned and operated healthcare facilities, the View and Korean Medical Center (KMC), while also growing its operational management model via long term contracts with other facilities in the country. In addition, the company signed multiple MoUs in the healthcare space outside of Qatar, with plans to expand its operations in countries like Iraq, Kazakhstan, Egypt, and Algeria. The aforementioned factors, in our view, should translate to a revenue CAGR of 135% for FY 22-27e in its healthcare segment (albeit coming from a low base).

**2. Estithmar Ventures: a proxy on the growing Qatari tourism market**

This segment's main offering is Al Maha Island. a theme park in Al Maha Island (Lusail Winter Wonderland), Katara Hills, and Maysan Doha. The theme park demonstrates the potential of Qatar's tourism sector. Al Maha Island sits on a 230,000 sqm land plot, and includes Lusail Winter Wonderland - with a footfall of c. 3mn guests in the operational period, and a High-End District with internationally refined known brands. This is while Katara Hills is a high-end resort overlooking the key tourist attraction of Katara and provides guests with a serene experience in the lap of nature.

The company expects higher footfall in its existing operations and incremental investments internationally such as Rosewood Maldives; a luxurious hotel offering independent beaches and overwater villas, scheduled to open in 2025, to drive revenue growth between 2022 and 2027 (CAGR of 64%). Management expects the contribution to sales to be at 12% in 2027 from 2% in 2022, despite some overbuilding in Qatar ahead of the FIFA World Cup event.

**3. Other segments to remain key for FCF generation**:

The company's core exposures from construction to other services will remain a major driver for FCF generation. The company expects construction to benefit from ongoing contracting activities in the Qatari market, with a pipeline worth QAR 5.2bn. The large backlog, coupled with secured contracts with the PIF and growth plans outside the domestic market should contribute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to a 14% FY 22-27e revenue CAGR. Meanwhile, Estithmar also operates in services (facilities management, catering, resources, and gabro), and industrials (steel, joinery, and stone) activities. The growth in other segments should remain muted, in our view.

**Strong FCF in FY 24e should allow for dividend payments in the near term**

The combination of strong EBITDA growth and margin enhancement should improve the company's FCF generation as health contribution to the EBITDA mix grows over time, despite significant front-loaded CapEx that the company plans to spend in the near term to facilitate its expansion plans. To fund the growth, the company aims to raise 50% additional capital through a combination of a rights issue and private placements throughout 2023/24. In addition, the company plans to raise 1 bn QAR of debt borrowing via Sukuk issues. We expect the well-funded balance sheet and FCF generation from existing operations to pave the way for first dividend payment from 2024e onwards, and we pencil in a 50% payout ratio from that year onwards.


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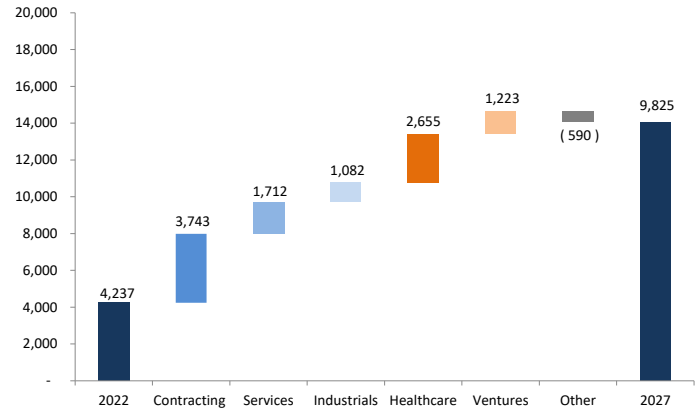
## High growth, with a higher contribution from higher margin LoBs

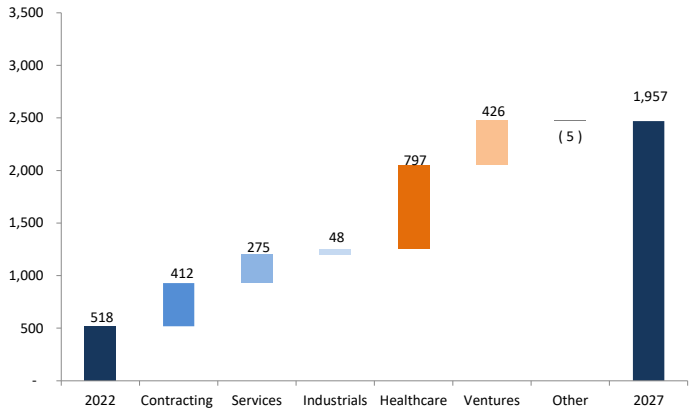
- **High growth stemming from organic growth via market share gains (in services) and capacity additions (in healthcare). It also targets expansion into new markets (KSA, Iraq, Maldives, Algeria, Kazakhstan, and Egypt) in multiple selected sectors (i.e., services, ventures, healthcare, and contracting).**
- **A higher contribution from Healthcare and Ventures and a focus on cost efficiency should lift EBITDA margin from 12.2% in FY 22e to 19.9% in FY 27e, with an EBITDA CAGR FY23-27e of 36.4%, and revenue CAGR FY23-25e of 24.1%. We expect a positive FCF, despite front-loaded CapEx up until FY25e, and the ROIC to increase from 5.0% in FY 24e to 15.5% in FY 25e.**

**Exhibit 3: Healthcare and contractive are major growth drivers**



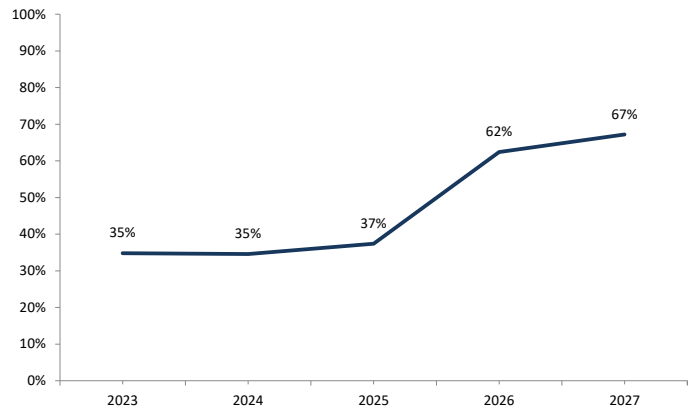

*Source: Arqaam Capital Research, Company Data*

**Exhibit 4: High healthcare margins to support growth in EBITDA and enhance the margin profile**



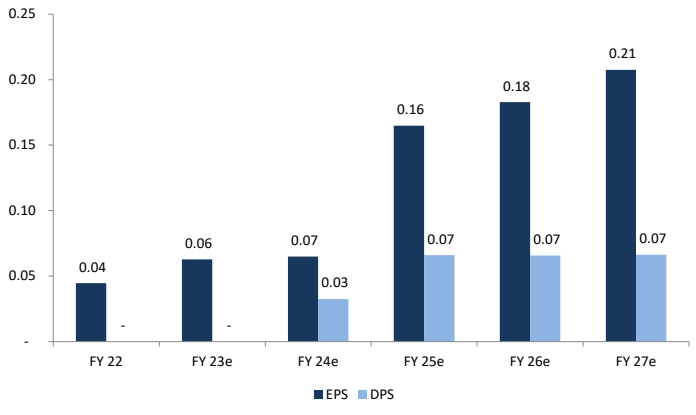

*Source: Arqaam Capital Research, Company Data*

**Exhibit 5: FCF conversion to improve as the revenue mix shifts to higher FCF conversion exposures.**




*Source: Arqaam Capital Research, Company Data*

**Exhibit 6: We expect limited dividend growth in the initial years post the company's ambitious growth plans.**




*Source: Arqaam Capital Research, Company Data*


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**Exhibit 7: Summary of forecasts**

| QAR m | 2022a | 2023e | 2024e | 2025e | 2026e | 2027e |
|---|---|---|---|---|---|---|
| **Total Revenue** | **4,237** | **3,953** | **5,157** | **8,107** | **8,960** | **9,825** |
| **%y/y** | **32.4%** | **-6.7%** | **30.5%** | **57.2%** | **10.5%** | **9.6%** |
| Contracting | 1,940 | 1,698 | 2,183 | 3,395 | 3,565 | 3,743 |
| %y/y | 64% | -13% | 29% | 56% | 5% | 5% |
| % of total revenues | 40% | 37% | 38% | 39% | 37% | 36% |
| | | | | | | |
| Services | 2,300 | 1,946 | 1,825 | 1,817 | 1,773 | 1,712 |
| %y/y | 38% | -15% | -6% | 0% | -2% | -3% |
| % of total revenues | 48% | 43% | 32% | 21% | 19% | 16% |
| | | | | | | |
| Industrials | 446 | 462 | 626 | 937 | 1,030 | 1,082 |
| %y/y | 27% | 4% | 35% | 50% | 10% | 5% |
| % of total revenues | 9% | 10% | 11% | 11% | 11% | 10% |
| | | | | | | |
| Healthcare | 37 | 194 | 697 | 1,924 | 2,309 | 2,655 |
| %y/y | 0% | 425% | 259% | 176% | 20% | 15% |
| % of total revenues | 1% | 4% | 12% | 22% | 24% | 25% |
| | | | | | | |
| Ventures | 104 | 243 | 416 | 624 | 874 | 1,223 |
| %y/y | 0% | 133% | 71% | 50% | 40% | 40% |
| % of total revenues | 2% | 5% | 7% | 7% | 9% | 12% |
| Corporate and Eliminations | (590) | (590) | (590) | (590) | (590) | (590) |
| **Gross profit** | **620** | **745** | **1,077** | **1,807** | **2,110** | **2,365** |
| **Gross margin** | **14.6%** | **18.8%** | **20.9%** | **22.3%** | **23.5%** | **24.1%** |
| | | | | | | |
| **EBITDA** | **518** | **565** | **847** | **1,454** | **1,729** | **1,957** |
| **EBITDA margin** | **12.2%** | **14.3%** | **16.4%** | **17.9%** | **19.3%** | **19.9%** |
| | | | | | | |
| **Net income** | **325** | **307** | **341** | **842** | **933** | **1,059** |
| % y/y | -0.2% | -5.6% | 11.2% | 146.7% | 10.8% | 13.5% |
| **Net margin** | **7.7%** | **7.8%** | **6.6%** | **10.4%** | **10.4%** | **10.8%** |

*Source: Arqaam Capital Research*


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## Valuation – we initiate with a Buy and set a TP of QAR 2.64

We use DCF valuation to assess the fair value of Estithmar Holding. DCF, in our view, best captures the intrinsic value given the expansion plans and long-term nature of the business.

We discount cash flow using Ke of 12.9% (risk-free rate of 4.5% and risk premium of 7.0%) and Kd of 5%. We use a target Debt: Equity composition of 30:70. We use a terminal growth of 3.0%.

We forecast free cash flow till FY 27e.

We initiate coverage on Estithmar Holding with a DCF based TP of QAR 2.64/share (+21% vs. CMP) and a Buy recommendation, given the strong growth trajectory.

**Exhibit 8: Summary of DCF valuation**

| QAR m | 2023e | 2024e | 2025e | 2026e | 2027e |
|---|---|---|---|---|---|
| EBITDA | 565 | 847 | 1,454 | 1,729 | 1,957 |
| Zakat/Tax | (3) | (3) | (8) | (8) | (10) |
| Change in WC | (49) | 68 | 232 | (14) | 6 |
| Capex | (316) | (619) | (1,135) | (627) | (639) |
| **FCFF** | **196** | **293** | **544** | **1,079** | **1,315** |
| **Stub period** | **63** | **293** | **544** | **1,079** | **1,315** |
| Discount Factor | 0.97 | 0.88 | 0.79 | 0.72 | 0.65 |
| | | | | | |
| PV of FCFF | 190 | 257 | 431 | 773 | 853 |
| **Sum of PV of FCFF** | **2,505** | | | | |
| Terminal value | 17,992 | | | | |
| **PV of terminal value** | **11,671** | | | | |
| **Enterprise value** | **14,175** | | | | |
| Net debt* | 574 | | | | |
| Other liabilities | 100 | | | | |
| **Equity value** | **13,498** | | | | |
| No. of shares, m | 4,255 | 5,106 | 5,106 | 5,106 | 5,106 |
| **WACC** | **10.5%** | **10.5%** | **10.5%** | **10.5%** | **10.5%** |
| Terminal growth | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| | | | | | |
| Current P/E | 34.4 | 33.2 | 13.1 | 11.8 | 10.4 |
| **Implied P/E** | **42.1** | **40.7** | **16.0** | **14.5** | **12.7** |
| **Implied EV/EBITDA** | **25.10** | **16.73** | **9.75** | **8.20** | **7.24** |

*Source: Arqaam Capital Research, * includes 0.5bn from the capital increase*


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**Exhibit 9: IGRD QD trades in line with regional peers**

| Country | Name | MKT CAP (USD m) | ADTV (3m) | P/E | P/B | EV/EBITDA | ROE (%) | ROA (%) | ROC (%) |
|---|---|---|---|---|---|---|---|---|---|
| Qatar | Estithmar Holding QPSC | 1,980 | 4,513,092 | 34.4 | 2.1 | 20.7x | 6.07% | 3.3% | 7.28% |
| Qatar | Aamal Co | 1,469 | 331,197 | 14.9 | 0.7 | 14.1x | 4.6% | 4.0% | 4.8% |
| UAE | Reem Investments PJSC | | | | | | 21.0% | 19.6% | 20.3% |
| UAE | Al Waha Capital PJSC | 911 | 932,399 | 7.5 | 1.0 | | 12.6% | 4.4% | 7.4% |
| UAE | Dubai Investments PJSC | 2,871 | 1,318,545 | 5.9 | 0.8 | 16.7x | 14.7% | 8.5% | 9.4% |
| UAE | ANAN INVESTMENT HOLDING P.J.S. | 2,563 | - | | 7.6 | | -10.4% | -2.6% | -7.3% |
| UAE | Batic Investments and Logistic | 358 | 3,680,722 | | 2.9 | | -3.9% | -1.4% | -0.9% |
| KSA | Taiba Investments Co | 1,219 | 1,724,785 | 25.3 | 1.2 | | 4.7% | 4.0% | 4.3% |
| KSA | Derayah REIT | 246 | 340,464 | 19.6 | 1.0 | | 5.3% | 2.8% | 2.9% |
| KSA | Al Gassim Investment Holding | 163 | 2,355,851 | 64.6 | 2.0 | | 3.2% | 2.2% | 0.0% |
| Oman | Dhofar International Development | 251 | 13,556 | 8.1 | 0.7 | | 7.1% | 4.0% | 4.0% |
| Oman | A'Sharqiya Investment Holding | 17 | 5,761 | 16.7 | 0.4 | | 2.5% | 2.0% | 2.0% |
| Kuwait | Alimtiaz Investment Group KSC | 231 | 339,098 | | 0.4 | | -2.0% | -1.3% | -0.7% |
| Kuwait | Kuwait Projects Co Holding KSC | 1,997 | 2,137,153 | 24.9 | 0.9 | | 5.1% | 0.3% | 0.7% |
| Kuwait | Egypt Kuwait Holding Co SAE | 1,157 | 160,646 | 6.5 | 2.6 | 5.1x | 33.4% | 8.8% | 16.2% |
| Kuwait | Privatization Holding Co KSCP | 58 | 131,695 | | 0.3 | | -15.7% | -9.2% | -12.8% |
| Kuwait | National International Co Hold | 80 | 340,558 | 15.5 | 0.6 | | 4.2% | 2.9% | 3.3% |
| Kuwait | Al Salam Group Holding Co KSCP | | | | | | -92.9% | -77.6% | -90.2% |
| Egypt | B Investments Holding | 91 | 599,576 | 2.6 | 1.2 | | 49.9% | 39.4% | 73.3% |
| Egypt | Raya Holding for Financial Inv | 173 | 138,226 | 12.0 | 3.1 | 25.7x | 30.0% | 2.2% | 0.0% |
| Turkey | Global Yatirim Holding AS | 306 | 7,241,352 | 5.8 | 1.9 | | | 41.7% | 5.5% |
| Unites States | TriplePoint Venture Growth BDC | 386 | 2,670,394 | 5.1 | 1.0 | | -6.3% | -2.5% | 13.2% |
| Germany | publity AG | 323 | 18,741 | | 0.8 | | -41.1% | -33.6% | -2.6% |
| Belgium | TINC Comm VA | 465 | 129,265 | 15.2 | 0.9 | 12.0 x | 5.4% | 5.4% | -34.4% |
| Hong Kong | Wealthking Investments Ltd | 280 | 12,962 | 9.0 | 0.2 | | 1.9% | 1.6% | 5.4% |
| Hong Kong | Ding Yi Feng Holdings Group | 378 | 472,126 | | 2.3 | | -28.0% | -24.7% | 1.6% |
| Singapore | GK Goh Holdings Ltd | 306 | - | | | | 17.4% | 12.0% | -24.9% |
| **Average Peers** | | **693** | **1,020,806** | **12.6** | **1.5** | **15.7** | **3.0%** | **-0.2%** | **0.6%** |

*Source: Arqaam Capital Research, Bloomberg*


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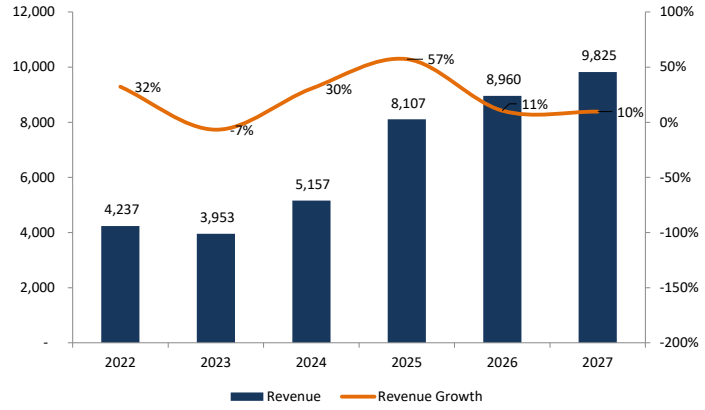
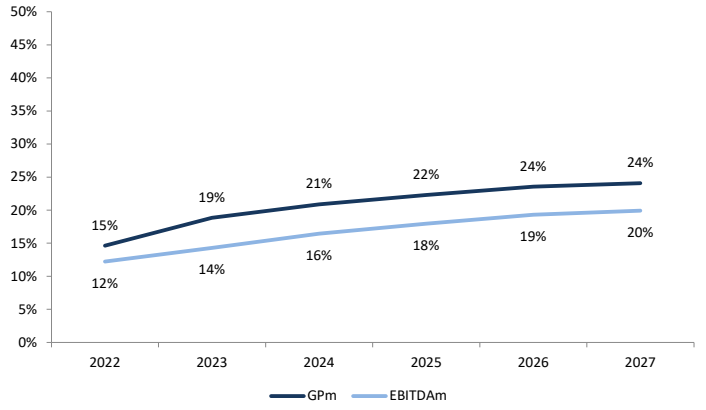
**Exhibit 10: High double-digit growth over the coming years**



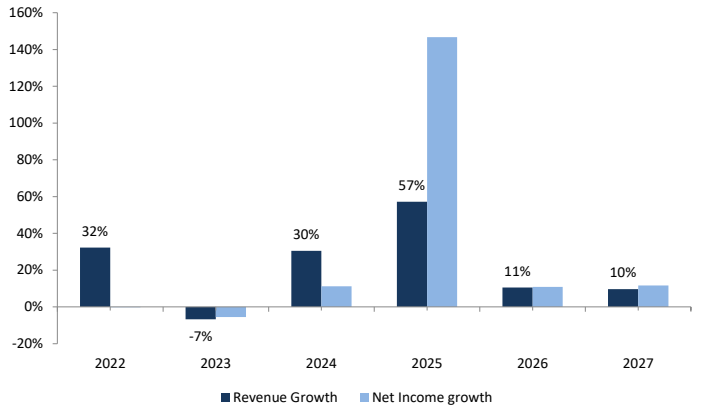

*Source: Arqaam Capital Research*

**Exhibit 11: Margins: we see margin improvements from 2023 onwards on higher healthcare contribution**



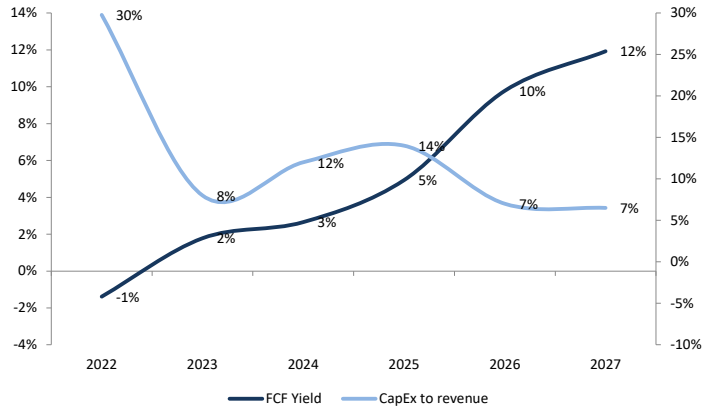

*Source: Arqaam Capital Research*

**Exhibit 12: We expect a 35% net income CAGR over FY 23-27e**



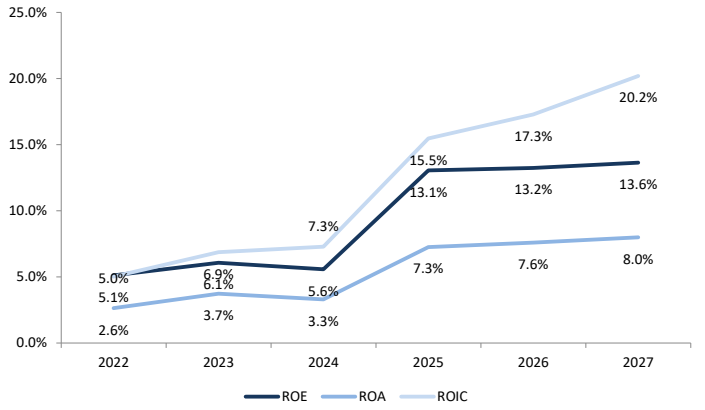

*Source: Arqaam Capital Research*

**Exhibit 13: FCF generation (FCF yield & CapEx to revenues)**



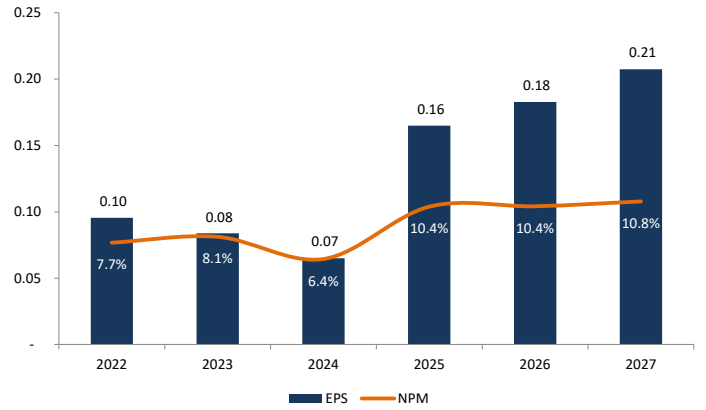

*Source: Arqaam Capital Research*

**Exhibit 14: Returns (RoE, RoA, RoIC)**




*Source: Arqaam Capital Research*

**Exhibit 15: Higher operating leverage and improved margin mix to support bottom line performance.**




*Source: Arqaam Capital Research*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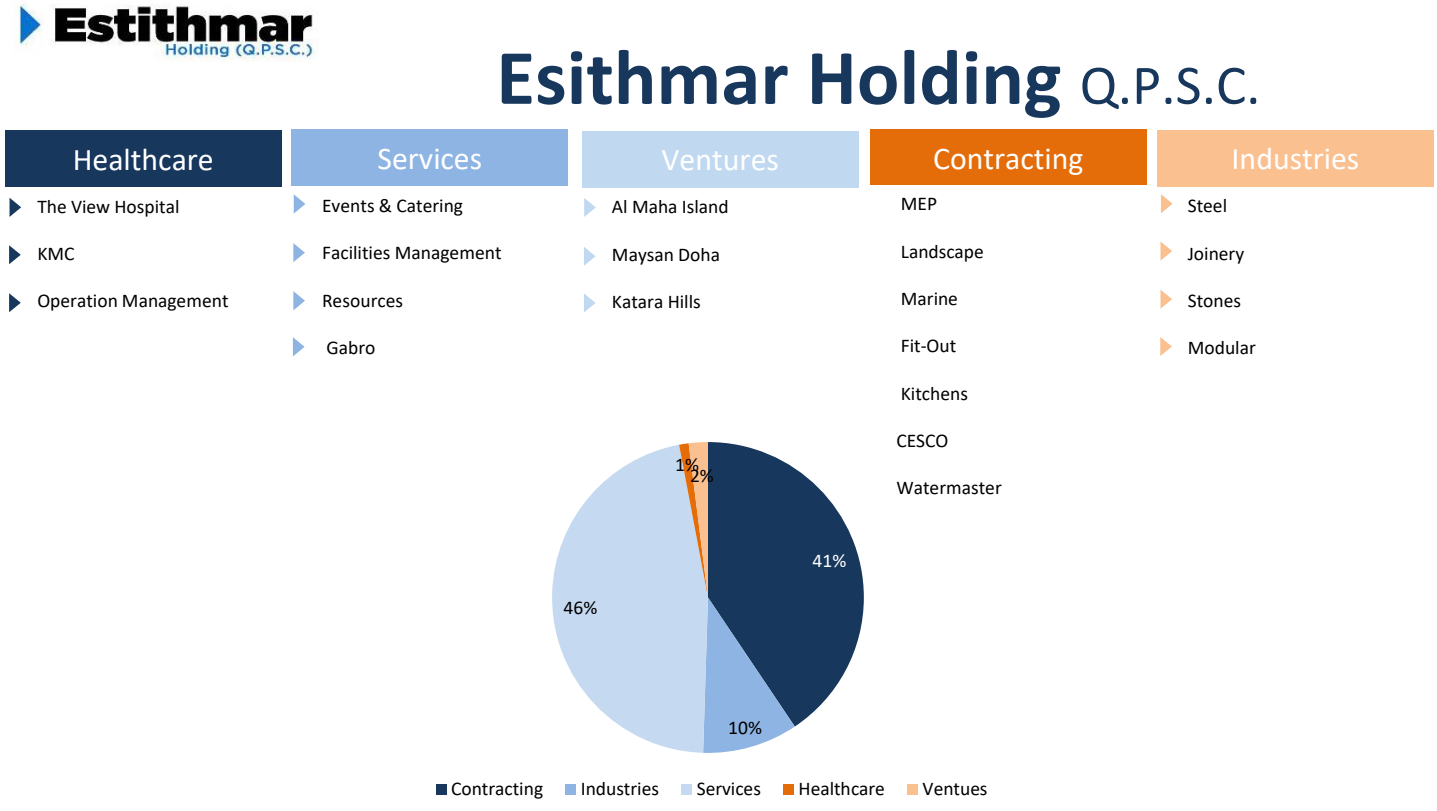
## Growth levers in multiple business lines – name change after a reverse takeover last year

Estithmar Holding (previously Investment Holding Group, IHG) is a group of companies that operate across a variety of sectors with over 20,000 staff members. The company operates across five key market segments with a focus on project management, contracting, catering, trading services, healthcare, and a wide range of industries.

Founded in 2008, IHG has rapidly grown over the years, with Q2 22 marking a major milestone as it completed the acquisition of Elegancia Group WLL (Elegancia) via a share swap agreement (reverse acquisition). Following the approvals, Elegancia shareholders received c.3.1 new shares in IHG for every 1 IHG share, and the paid-up capital increased by QAR 2.6bn (from QAR 830m to QAR 3,404m). IHG now represents 24% of the combined business, and Elegancia 76%.

Post the reverse merger, IHG was renamed Estithmar Holding from Investment Holding Group. The combined entity has c.45 operating entities, organized into five segments. The company also announced in June 2023 plans to raise 50% additional capital with 10% via a rights issue process and the remaining 40% through a combination of a series of private and public placements.

**Exhibit 16: Services and contracting account for the majority of the company's sales as of FY 2022**




*Source: Company Data*


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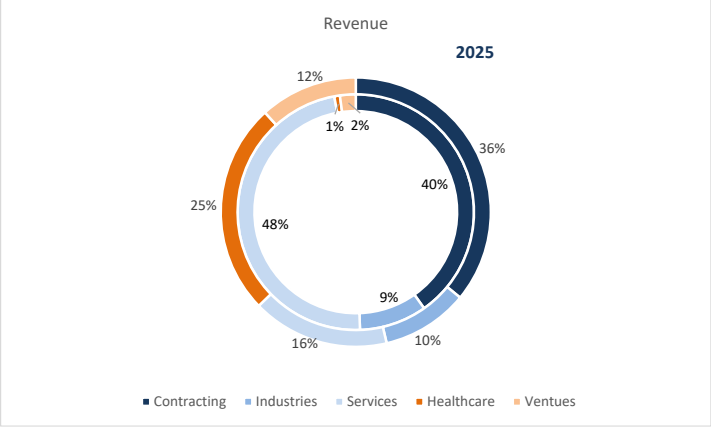
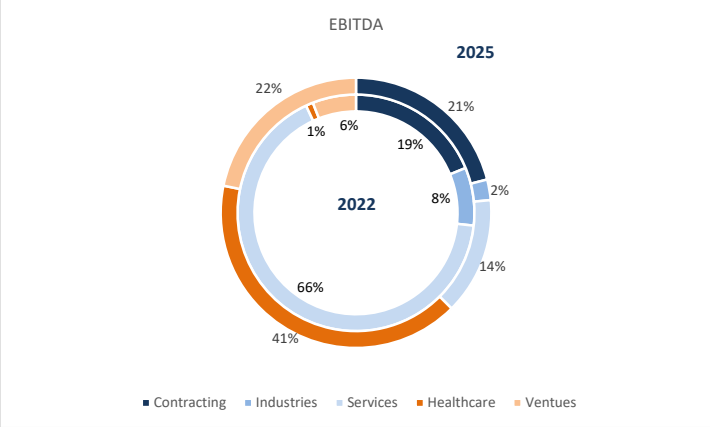
**Exhibit 17: Revenues split by segment FY22a/FY27e**



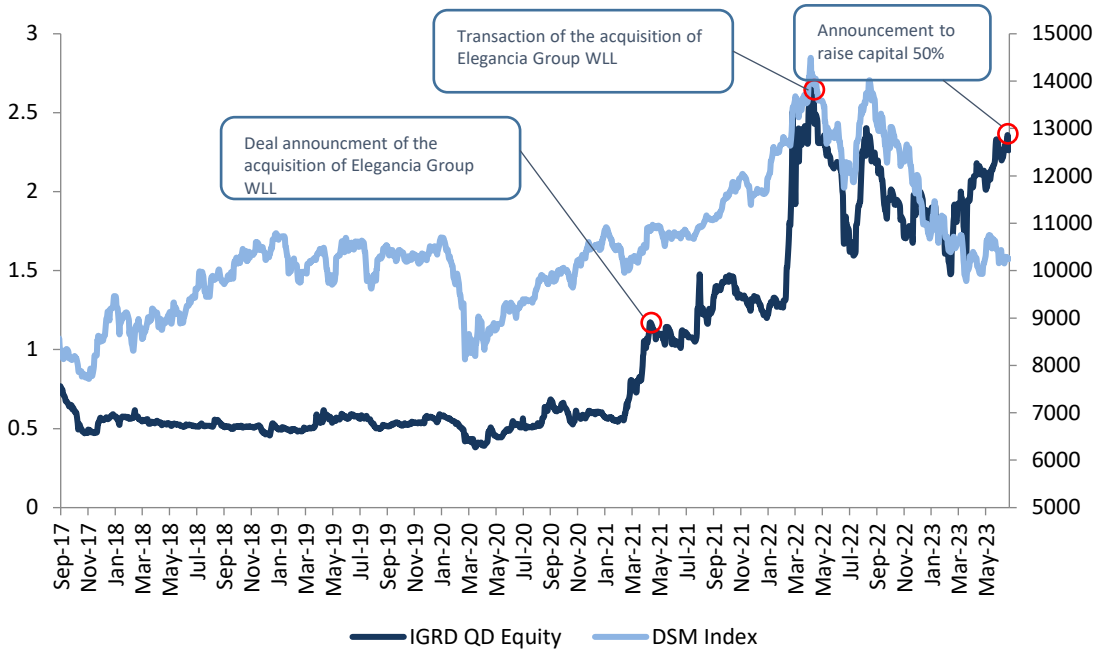

*Source: Company Data, Arqaam Capital Research*

**Exhibit 18: EBITDA split by segment FY22A/FY27e**




*Source: Company Data, Arqaam Capital Research*

**Exhibit 19: Elegancia acquisition marked a key date for share price performance**




*Source: Arqaam Capital Research, Company Data, Bloomberg*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## High growth in healthcare with high margins and ROIC.

- **Management expects the segment to account for 27% of revenues in 2027, from 1% in 2022. It should raise blended margins, with this segment expected to generate EBITDA margin of 41% by FY27e, supporting an EBITDA growth of 175% by 2027.**
- **We expect this segment to contribute the most to the growth opportunity of Estithmar, with a revenue CAGR of 136% by 2027, albeit coming from an exceptionally low base.**
- **It expects mid 20s IRR on the View Hospital and KMC, complemented by growing CapEx light operations model.**
- **In Qatar, the revenue drivers are driven by a shift from public to private coverage for non-Qataris, local treatment for Qataris and medical tourism, with 7% CAGR for the market.**

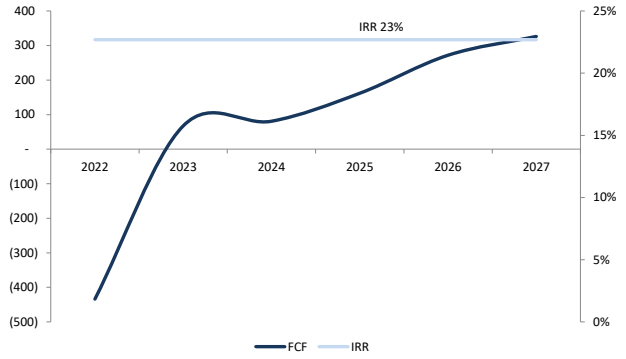
### The View Hospital to generate an IRR of > 23% by FY27e.

The company kicked off its exposure to the healthcare sector with The View Hospital, a 7-star facility, which is affiliated with Cedars Sinai Medical Center in Los Angeles, USA. Located in the vicinity of Lusail, the hospital started commercial operations in December 2022 and provides comprehensive inpatient and outpatient programs, with specialized clinical centers equipped with the latest technology. The View Hospital includes 244 ensuite rooms, 63 VIP suites, 6 ambassador suites, and 3 royal suites. It offers comprehensive world-class healthcare services and facilities.

### Korean Medical Center to yield a mid-20s IRR.

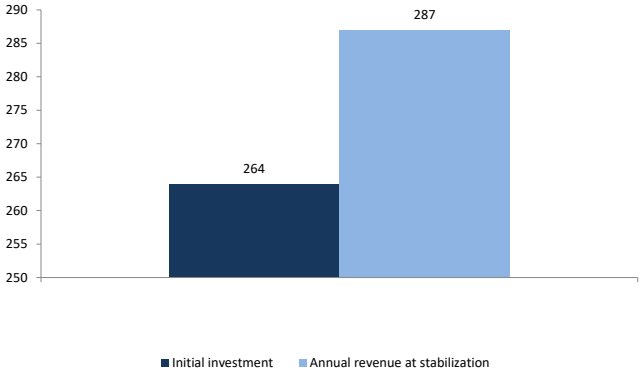
Another facility that falls under Elegancia Healthcare is the Korean Medical Center (KMC). It is a highly specialized and technologically advanced medical center and one of its kind in the GCC as it offers the most sought-after high-end specialized Korean Medicine, which is specialized in cosmetic surgery and wellness screening. It will be a destination of choice for nationals, expats, and medical tourists who seek clinical excellence, and advanced medical technology. KMC is a 30,000 square-meter building located in the Lusail Downtown, which is the heart of Lusail City, and expected to be operational in 4Q 2023. KMC is more of an outpatient facility and will have sixty-six procedure treatment rooms, 46 outpatient clinics, 18 surgery beds, and 3 operating rooms. KMC revenue drivers are capturing market share from Qatar's healthcare market that would have otherwise traveled for such services as well as filling a gap in the healthcare market in Qatar.

**Exhibit 20: The View hospital targets to achieve an IRR of 23% by FY27e on increased operating leverage.**




*Source: Arqaam Capital Research, Company Data*

**Exhibit 21: IRR on KMC expected to reach 24.4%**




*Source: Arqaam Capital Research, Company Data*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### Operation management model provides 30% of the revenues, offering scope for significant growth with limited CapEx

In addition to the two key hospitals, nearly 30% of the forecasted revenue contribution to the healthcare segment is coming through the operation management model which is involved in managing healthcare operations (such as minimizing cost, maximizing profit, and optimizing resources). Currently, with a long-term contract, Estithmar Holding is managing a 400-bed hospital. Also, this model is intended to be used for future international expansion with the latest announcement of Iraqi operations.

### Supportive market outlook for a multi-operational model

The Qatari market is under supplied in terms of hospital beds and benefits from a rapidly growing spending per capita on healthcare, currently well behind economies such as Western Europe and the USA. Despite high-quality government healthcare facilities, there is an observed lack of resources and long wait times currently.

The government of Qatar currently spends QAR 5bn on healthcare for ~300k Qataris, with a high need to travel for receive the necessary medical care. The government strongly supports making high-quality healthcare available to Qataris in Qatar, both for convenience and cost savings – The View Hospital, as a 7-star facility, affiliated with Cedars-Sinai, features visiting top doctors addresses the local needs.

Furthermore, the government has decreed that all foreign residents will require private health insurance and this regulation should come into force shortly. Of the 2.6m non-Qatari residents, 1.4m are non-labor and a potential addressable market.

Currently, View Hospital has arrangements with 80% of the insurance companies, and this is expected to further expand closer to 100%.

Outside of the company's domestic market, the company highlighted that over 25% of the spend on aesthetic medicine (e.g. cosmetic surgery) in Korea is from the GCC, and by partnering with top Korean medical providers such as ASAN Medical and JK Medical it can bring the best of Korean aesthetic and holistic medicine to Qatar and the GCC in the soon to be opened Korean Medical Center, which will be an outpatient and day surgery center offering cosmetic surgery, executive health screening, a stem cell lab, hyperbaric medicine, fertility treatment, dental, pain management, and numerous other specialties.

It also sees room for growth in the Qatar market from medical tourists from the GCC.


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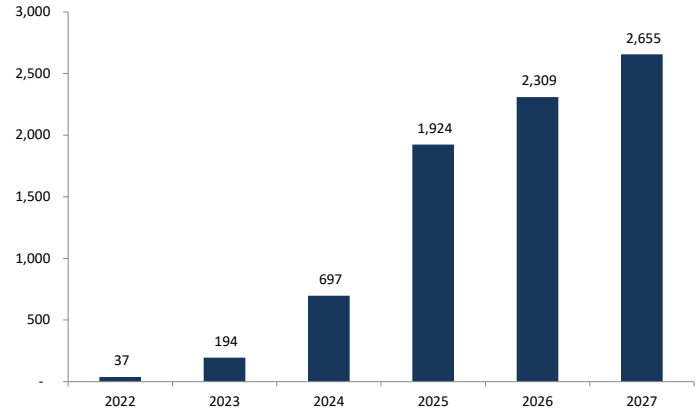
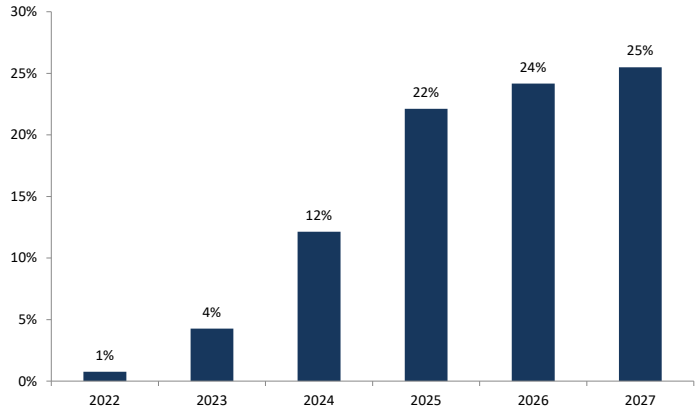
**Exhibit 22: Healthcare revenues to grow meaningfully over the coming years…**



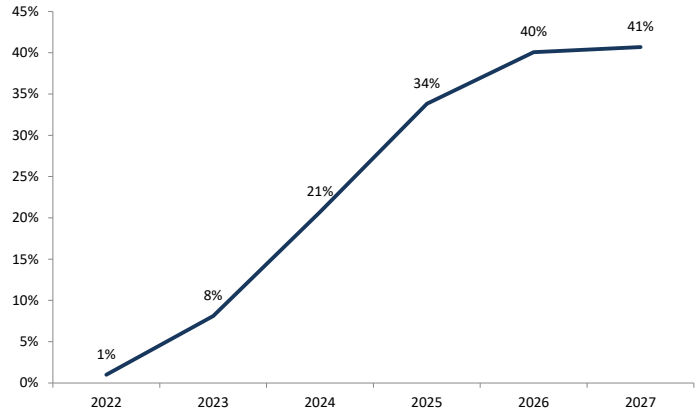

*Source: Arqaam Capital Research, Company Data*

**Exhibit 23: …and is expected to account for c.25% of revenue in 2027**



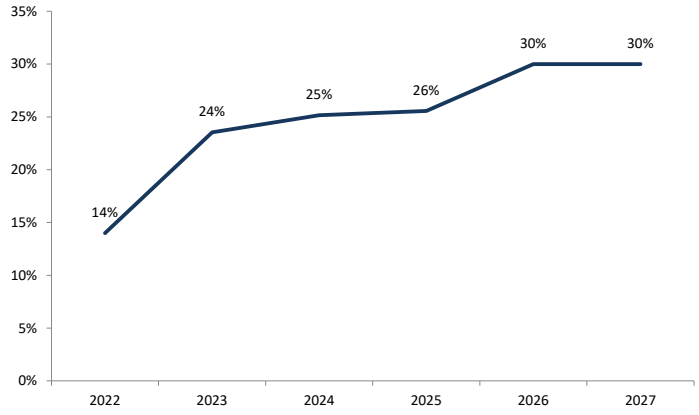

*Source: Arqaam Capital Research, Company Data*

**Exhibit 24: EBITDA contribution grow at a faster pace given the higher margins profile vs other segments**




*Source: Arqaam Capital Research, Company Data*

**Exhibit 25: Healthcare EBITDA margins to stabilize at 30% in 2027**




*Source: Arqaam Capital Research, Company Data*

## Background of the Qatari healthcare market

Qatar aims to establish a comprehensive, top-notch healthcare system that is accessible to all citizens and affordable as part of its National Development Strategy. Qatar is moving towards an insurance-based system with increased private sector participation that supports the government in reducing its overall spending on public healthcare.

With the new law that makes it mandatory for all non-Qatari residents to have private health insurance, the load on the public healthcare system will be reduced as more low-middle-income residents seek treatment from private healthcare providers.

The demographic age distribution in Qatar is expected to drive the demand for healthcare services, c.73% of the population between the ages of 25-64, the demand for specialties such as maternal, general medicine, orthopedic, and general surgery are expected to stay strong.


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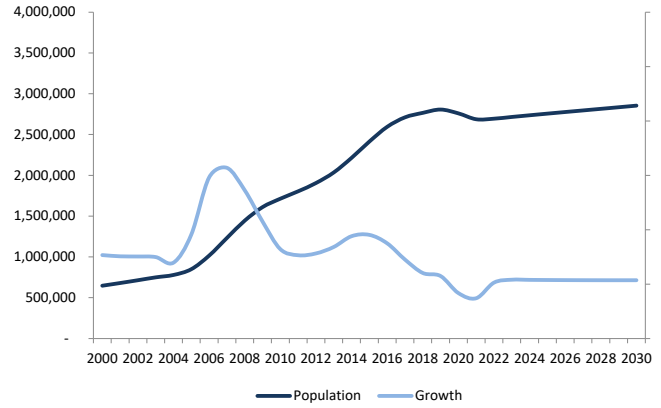
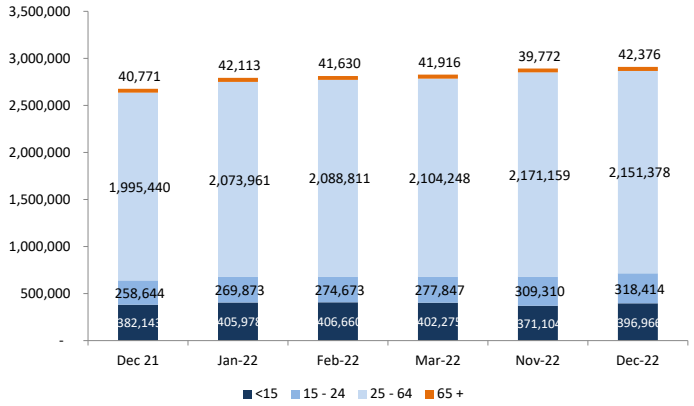
**Exhibit 26: Qatar population on a soft rising trend…**




*Source: Arqaam Capital Research, United Nations - World Population Prospects*

**Exhibit 27: … with 74% in the age between 25-64**

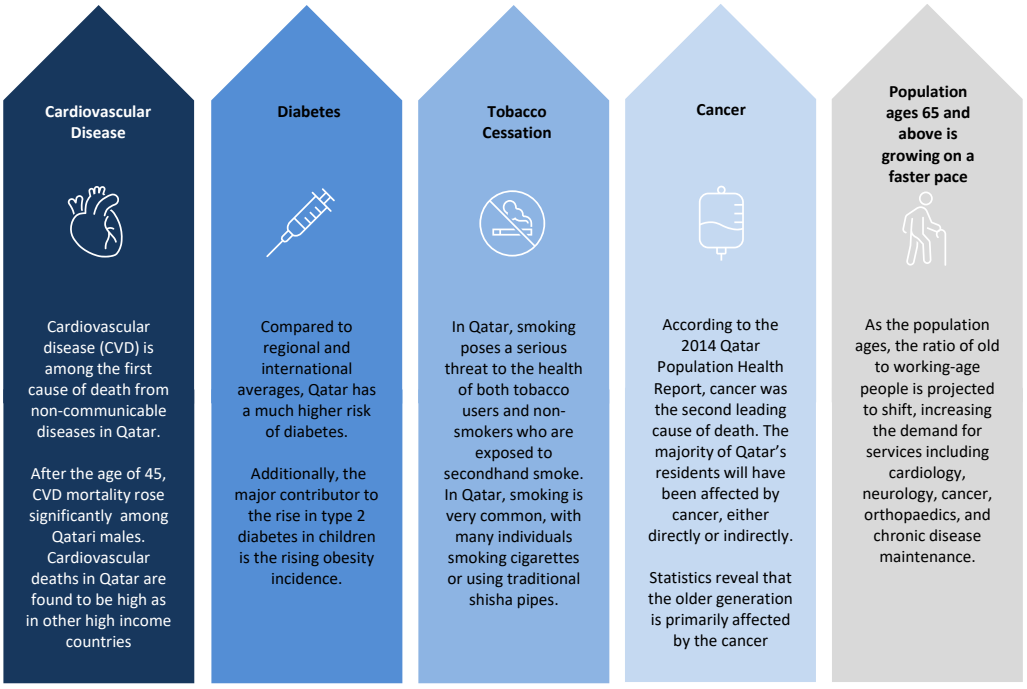



*Source: Qatar planning and statistic authority*

The middle age population represent the largest set, who is more willing to spend on healthcare services due to high public awareness and preference for healthier lifestyles.

In Qatar, the demand for cardiology and orthopedics is high and growing for the middle age population due to the rising incidence of Non-Communicable Diseases (NCDs) in the 35-45 age bracket.

**Exhibit 28: Healthcare demand in Qatar is driven by increased number of CVD incidence, diabetes, tobacco consumption, cancer, growth in population segment > 65**




*Source: Arqaam Capital Research, Qatar Public Health Strategy*

According to the company, healthcare spending is expected to witness a 5-year CAGR of 7.0%, among the highest in the GCC.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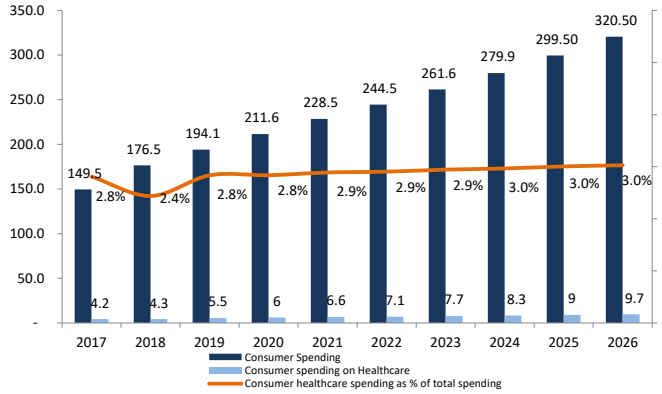
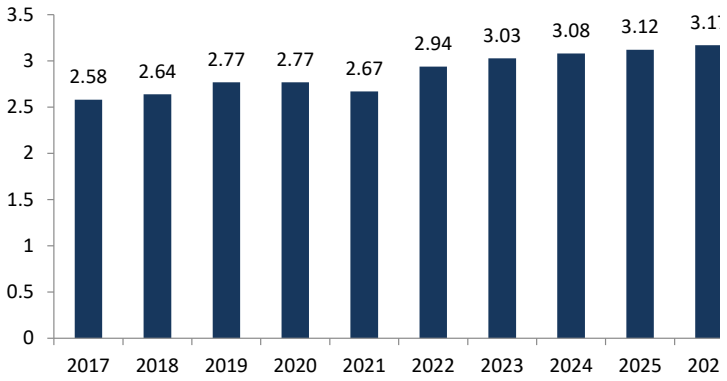
The government's free healthcare program for Qatari nationals, increased insurance coverage, and improved private healthcare services are all contributing factors to the expected growth in consumer healthcare spending.

**Exhibit 29: .3% of consumer spending is spent on healthcare**




*Source: Arqaam Capital Research, United Nations - World Population Prospects*

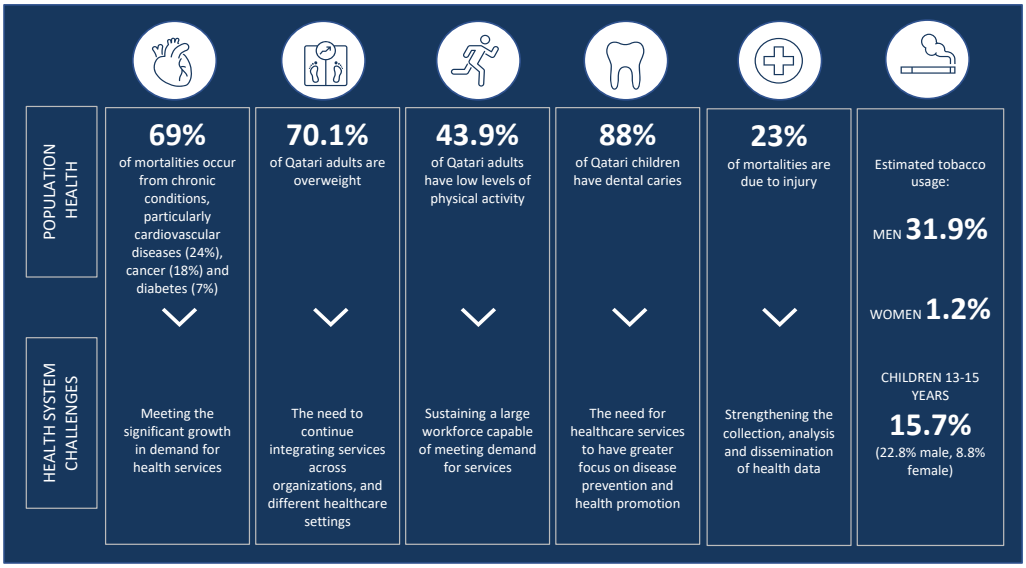
**Exhibit 30: Qatar population CAGR FY22-27 of 1.8%**




*Source: Qatar planning and statistic authority*

The International Diabetes Federation (IDF) estimates that 13.5% of the adult population (20-79 years) in Qatar is currently suffering from diabetes, which sits well above the average of 9.1% in the Middle Eastern region.

**Exhibit 31: Key healthcare system challenges in Qatar**




*Source: Arqaam Capital Research, National Health Strategy*

The goal of Qatar's strategy is to place the country at the top of international healthcare rankings. Future investment opportunities will arise because of Qatar's plans to increase the contribution of private sector healthcare expenditure to 25.0% and the requirement for Qatar to bring itself up to date with complementary, alternative and health optimization services. We see the aforementioned market factors supportive of a multiyear growth outlook for the company's ambitious to cater for the Qatari's healthcare market.


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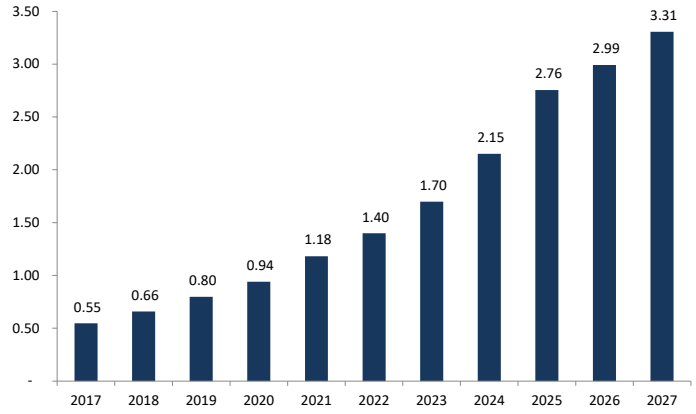
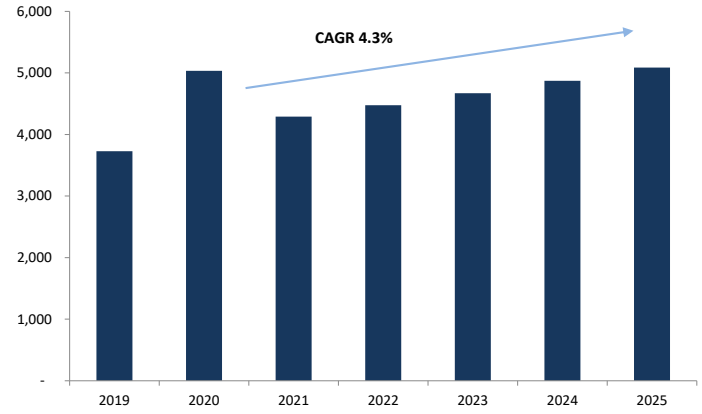
**Exhibit 32: Qatar Healthcare Revenue in USD mn**



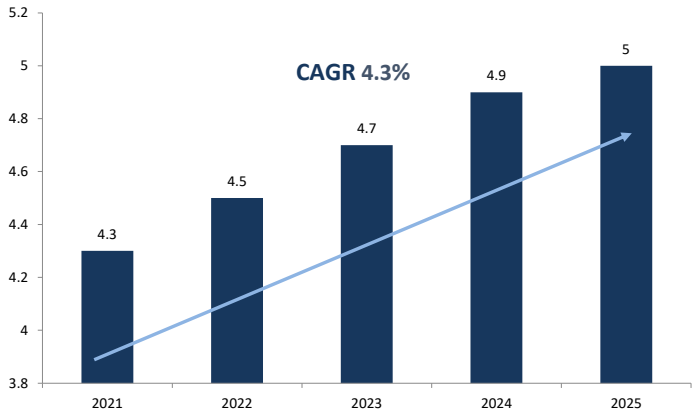

*Source: Arqaam Capital Research, Statista*

**Exhibit 33: Hospital and Clinics Market Size - rev in USD mn**



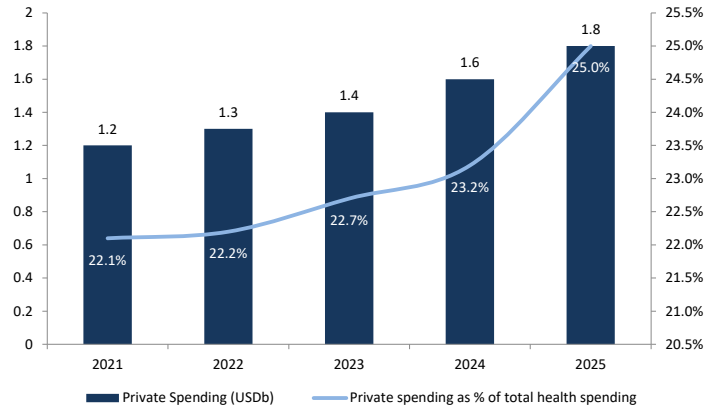

*Source: Arqaam Capital Research, Company Data*

**Exhibit 34: Qatar market size of Hospitals and Clinics Industry forecasted to improve.**




*Source: Company Data, Arqaam Capital Research*

**Exhibit 35: Qatar's Private Healthcare Spending is expected to gradually increase between 2022 - 2025.**




*Source: Company Data, Arqaam Capital Research*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## Elegancia Contracting: double digit revenue growth ahead.

- **Qatar's construction sector should increase at a CAGR FY 22-25e of 4.2%, thanks to Qatar National Vision 2030, calling for QAR 60bn spending on infrastructure and Real Estate projects by 2025.**
- **With a pipeline of QAR5bn in Qatar and an expected win ratio of 10%, and opportunities in KSA, management expects the segment to grow at a 5-year revenue CAGR of 14% and EBITDA CAGR of 33%.**
- **However, the construction contribution to revenue should decline from 40% in FY22A to 38% by FY27e.**

One of the largest contributors to the company's revenue is the contracting segment. It provides a range of services in the construction and contracting industry. It consists of eleven business units that include grade A MEP contracting with over 5.5K workforce, a major landscape player in Qatar, and a water-related specialty company.

The company has a long history of working with both the private and public sectors. One of the key features is the focus on sustainability and innovation, as well as using the latest technology. This segment also provides post-project completion support services.

The supportive macro backdrop for construction activity should remain healthy post the World Cup. According to Qatar Planning and Statistics Authority (PSA), Qatar's construction sector is predicted to increase at a rate of 4.2% between 2022 and 2025, thanks to Qatar National Vision 2030, which calls for QAR 60 billion in infrastructure and real estate projects by 2025.

As the economy of Qatar was investing in hosting the FIFA World Cup 2022 and the commitment of Qatar National Vision 2030, the government is heavily investing in developing the country's infrastructure. Construction is considered a major contributor to the economy, and Qatar is undertaking an impressive array of projects.

Over the last few years, Qatar's building industry has grown to become a major economic engine. New train and metro lines, a rising airport and port, and a quickly expanding road network have all contributed to the Gulf state's double-digit growth rates, making it a development hotspot.

Qatar's strategy seeks to transfer into a knowledge-based economy through infrastructural investments, economic diversification, private sector development, natural resources management, human development, and sustainable social and environmental development. This strategy is being driven by expectations of growth for the economy by moving away from its dependence on the oil and gas sector.

The endorsement of new laws regulating public-private partnerships is expected to attract private sector investment in developing infrastructure and healthcare projects, hence supporting industry growth during the forecast period.


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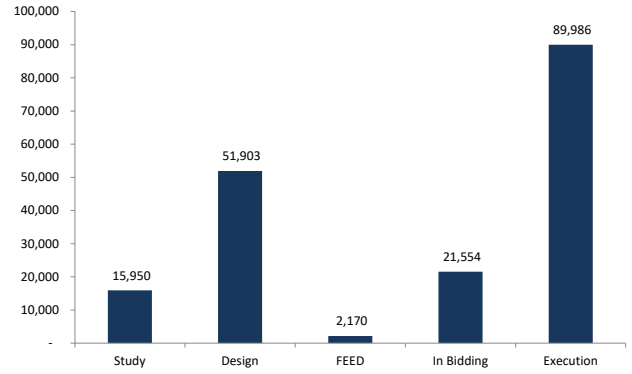
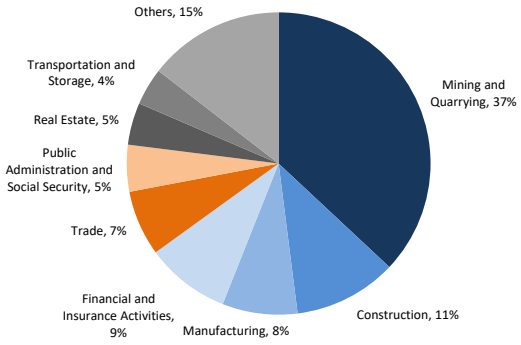
## Exhibit 36: USD 90 bn of projects in execution phase in Qatar



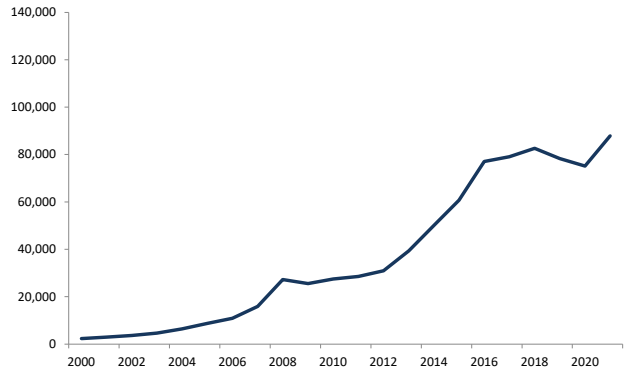

*Source: MEED*

## Exhibit 37: Qatar GDP by Sector as of Q4 2022



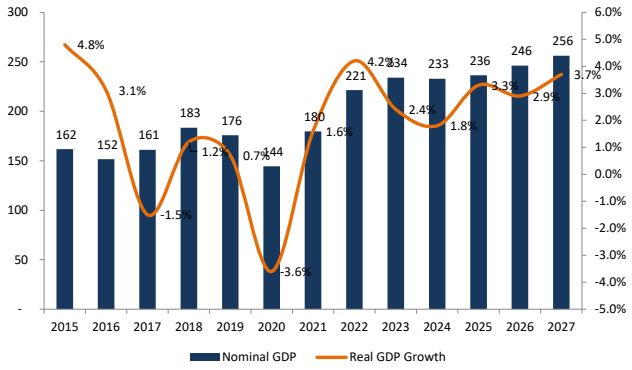

*Source: MEED*

## Exhibit 38: Qatar construction GDP



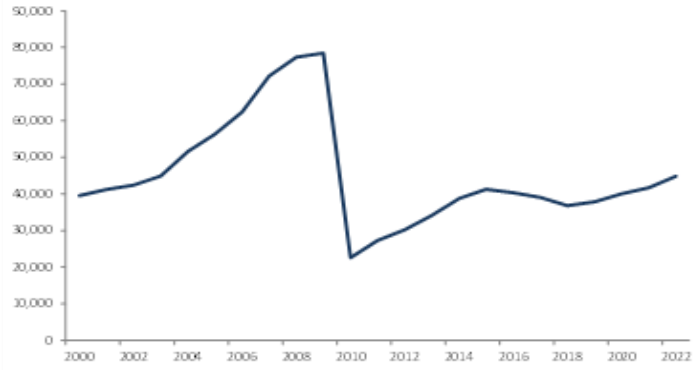

*Source: Bloomberg, Arqaam Capital Research*

## Exhibit 39: Qatar Real GDP Growth



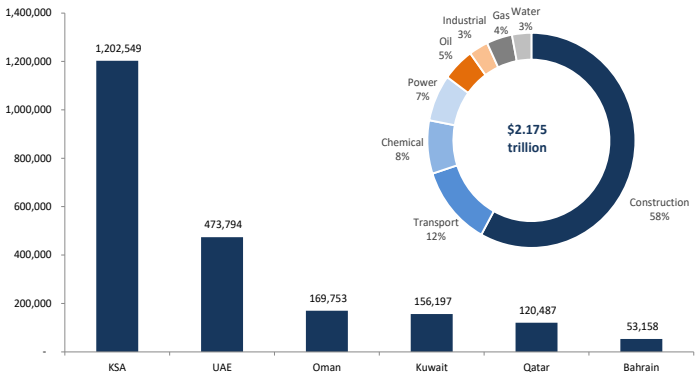

*Source: Bloomberg, Arqaam Capital Research*

## Exhibit 40: KSA current Construction GDP




*Source: Bloomberg, Arqaam Capital Research*

## Exhibit 41: GCC Future Pipeline




*Source: MEED*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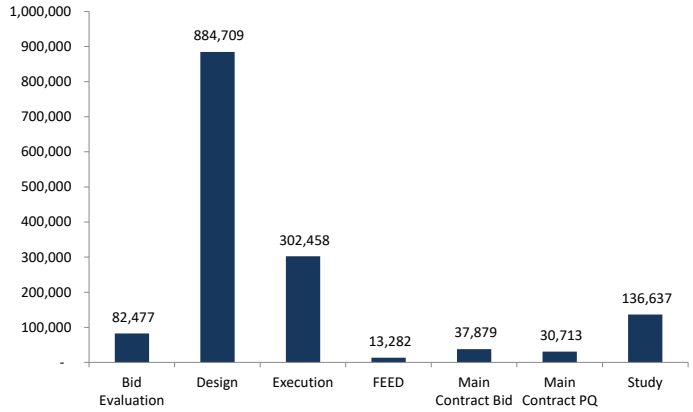
**Neighboring markets also offer significant growth opportunities.**

The KSA construction sector was valued at USD133.1 bn in 2022 and is expected to grow a CAGR of 4.0% between 2024-2027 supported by the vision 2030. Saudi Arabia's construction industry is embracing technology as a time and cost efficiency. Using modular parts, constructors can assemble high-quality constructions within a much shorter time. Mega projects in the pipeline supporting the construction sector in KSA, such as NEOM, and the Red Sea giga project.

The company is actively engaged in addressing multiple mega projects in KSA with three large contracts secured with Red Sea, including the iconic Al Shura development.

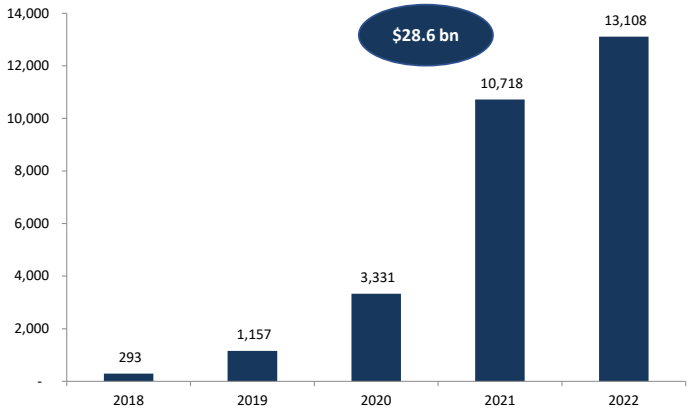
In addition, Estithmar Holding recently signed three MoUs with the Iraqi National Investment Commission worth USD 7bn to develop modern comprehensive cities, 5 stars hotels and operate and manage several hospitals in Iraq.

**Exhibit 42: KSA major projects worth $1.48tn are either in the works or planned.**



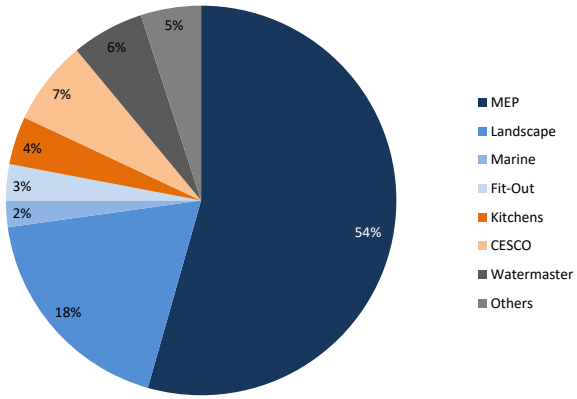

*Source: MEED*

**Exhibit 43: KSA total value of giga project contracts awarded 2018-2022 ($m)**



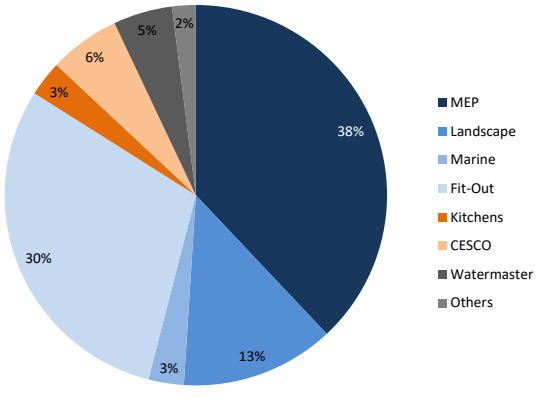

*Source: MEED*

**Exhibit 44: Contracting segment breakdown by service in FY22A**




*Source: Company Data, Arqaam Capital Research*

**Exhibit 45: Company expects a more diversified exposure by FY25e**




*Source: Company Data, Arqaam Capital Research*


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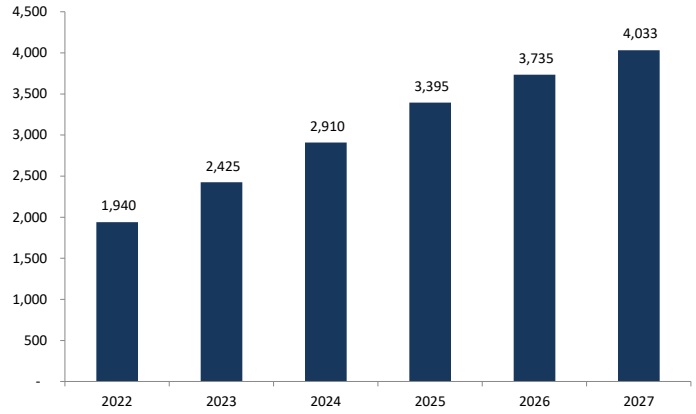
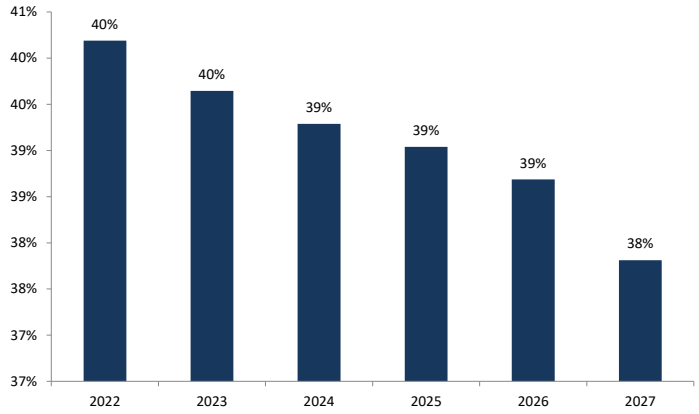
**Exhibit 46: Construction revenue to continue to grow through 2027e**



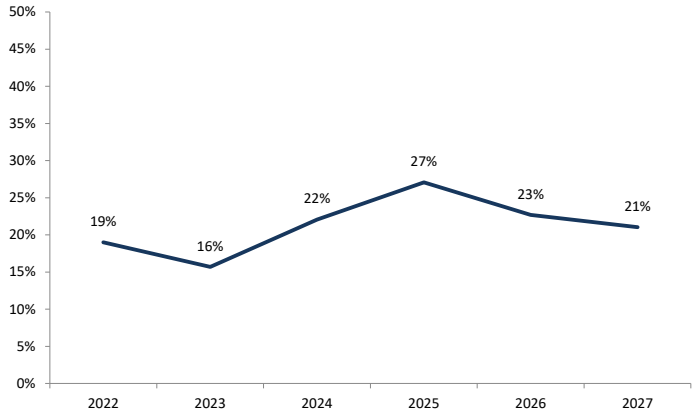

*Source: Arqaam Capital Research, Company Data*

**Exhibit 47: Construction contribution to revenue to decline as other segments grow at a fast pace**



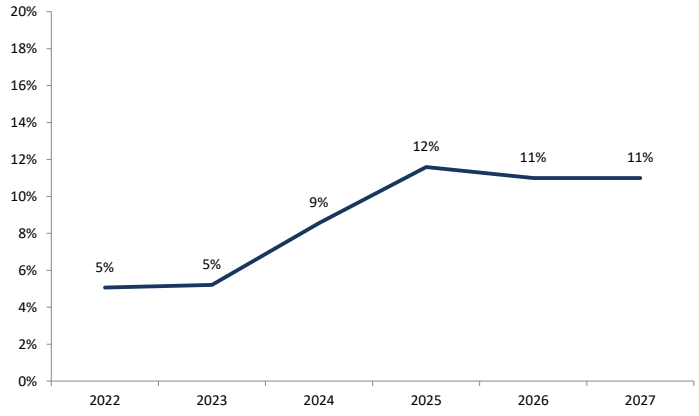

*Source: Arqaam Capital Research, Company Data*

**Exhibit 48: Construction to remain an important contributor to EBITDA**




*Source: Arqaam Capital Research, Company Data*

**Exhibit 49: EBITDA margins to stabilize on diversified mix and economies of scale**




*Source: Arqaam Capital Research, Company Data*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## Estithmar Ventures: capitalizing on the growing tourism market

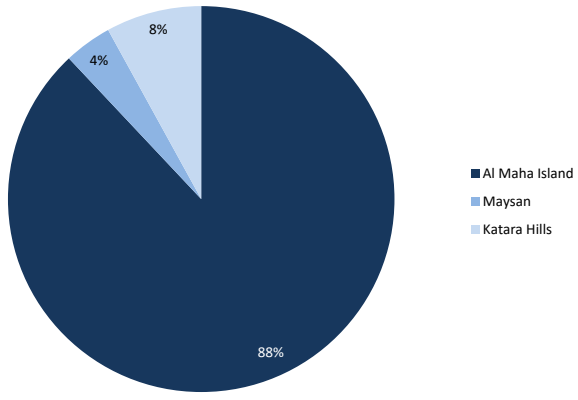
- **Management expects the contribution to sales to increase to 12% in FY27e from 2% in 2022, with a revenue CAGR of 64%.**
- **Main offerings are Al Maha Island, a theme park in Al Maha Island, Katara Hills, and Maysan Doha.**
- **It plans to open Rosewood Maldives in FY25e.**

This segment's main offering is Al Maha Island, a theme park in Al Maha Island, Katara Hills, and Maysan Doha. The theme park demonstrates the potential of Qatar's tourism sector. Al Maha Island sits on 230,000 sqm. It includes Lusail Winter Wonderland - with a footfall of c. 3mn guests in the operational period, and a High-End District with internationally refined known brands. This is while Katara Hills is a high-end resort overlooking the key tourist attraction of Katara and provides guests with a serene experience in the lap of nature.

Maysan Doha is in Aspire Zone and is operated by Hilton LXR. Maysan has been designed to be a luxurious vacation resort for travelers and visitors who seek exclusivity, high-end experiences. Furthermore, Ventures owns Equestrian Club which offers high-end food and beverage and VIP entertainment.

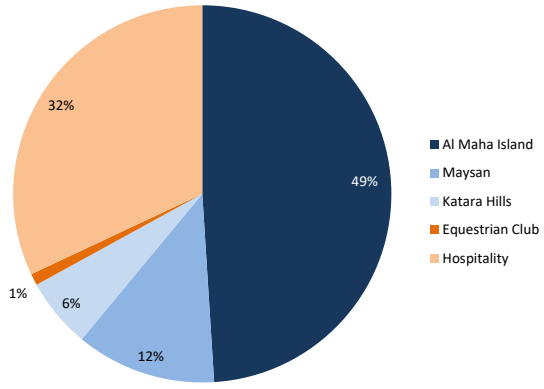
The company expects higher footfall in its existing operations and incremental investments internationally such as Rosewood Maldives; a luxurious hotel offering independent beaches and overwater villas, scheduled to open in 2025, to drive revenue CAGR of 64% FY22-27e.

**Exhibit 50: Main contributor in FY22a is Al Maha Island**




*Source: Company Data, Arqaam Capital Research*

**Exhibit 51: Introducing the hospitality segment**




*Source: Company Data, Arqaam Capital Research*


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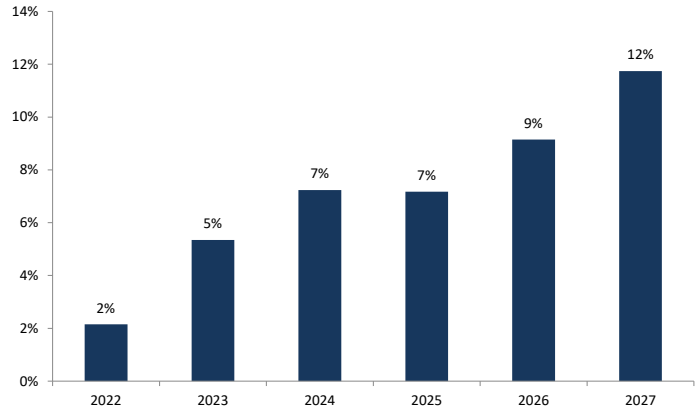
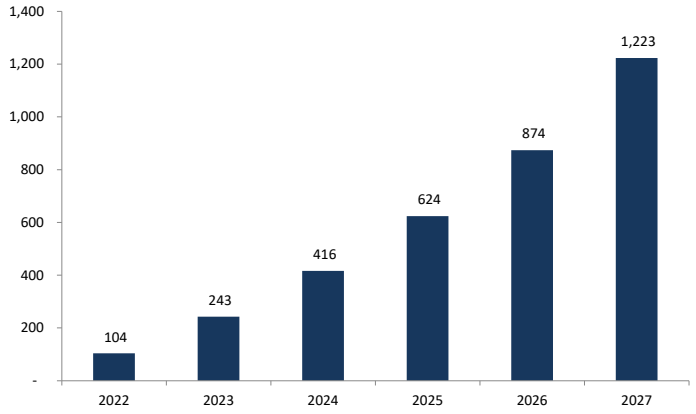
**Exhibit 52: Ventures to increase its contribution to topline …**



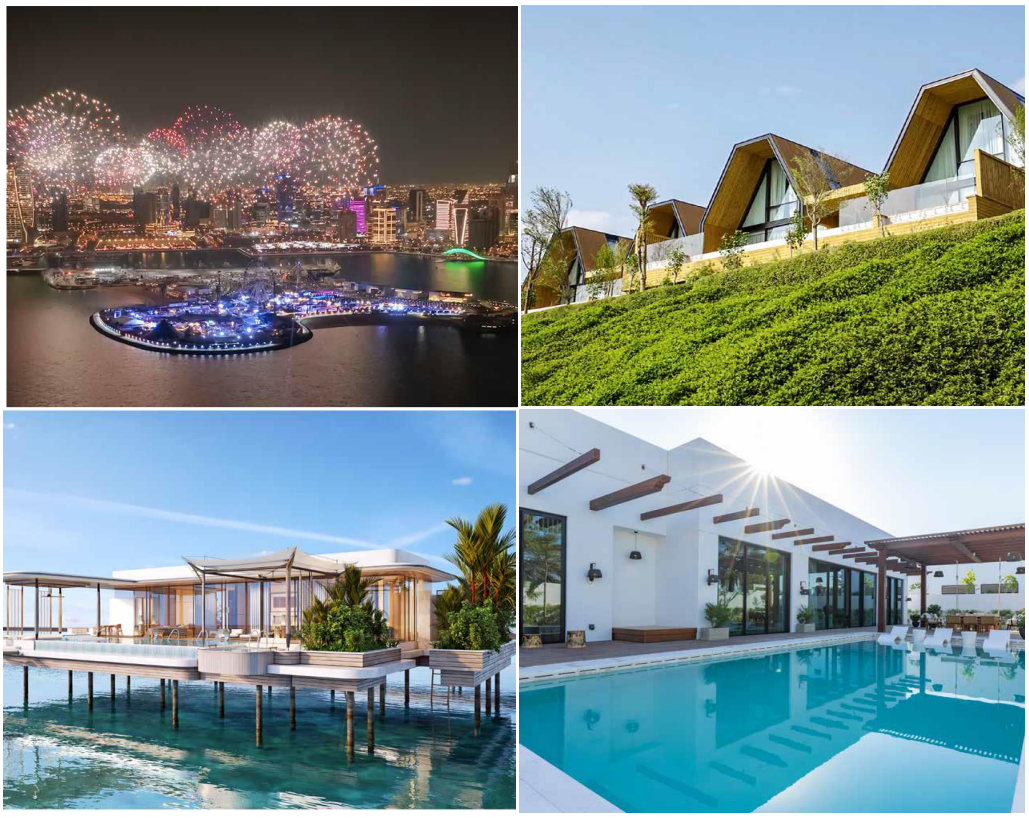

*Source: Arqaam Capital Research, Company Data*

**Exhibit 53: … as ventures revenue grow over time**




*Source: Arqaam Capital Research, Company Data*

**Exhibit 54: A growing exposure to hospitality in Qatar and other markets**



*Source: Company Data*


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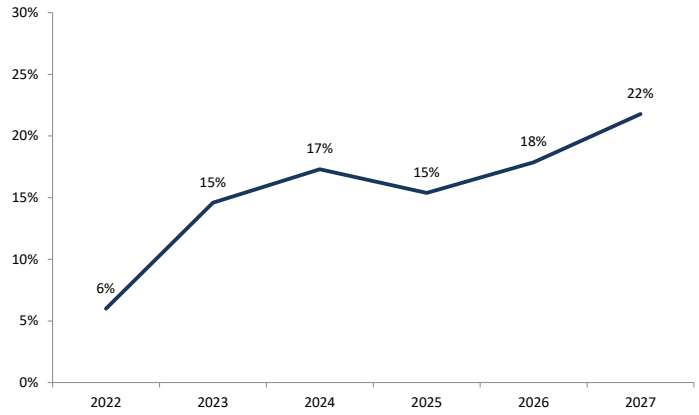
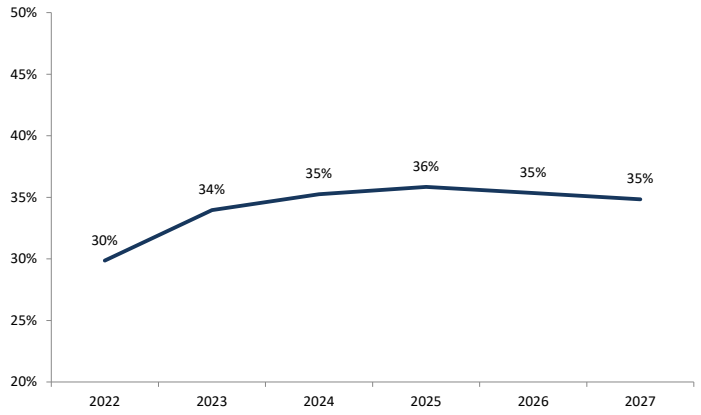
**Exhibit 55: Steady EBITDA growth**




*Source: Arqaam Capital Research, Company Data*

**Exhibit 56: EBITDA margins to remain in the mid 30s.**




*Source: Arqaam Capital Research, Company Data*

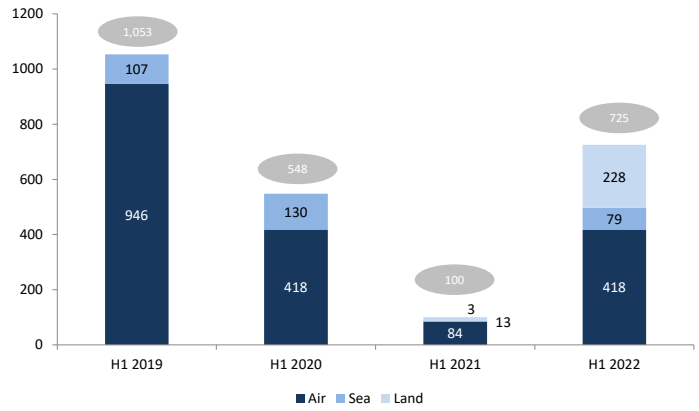
## Continued growth in tourism, 2022 amplified by the FIFA World Cup event

The tourism sector plays a significant role in Qatar's strategy to diversify its national economy to achieve Qatar National Vision 2030. Qatar acknowledges the urgent need to reduce reliance on oil and gas revenues while also building a sustainable national economy to achieve Qatar National Vision 2030. Qatar's tourism sector continues to witness a strong recovery and the aim is to raise tourism to 12% of GDP by 2030.

Qatar plans to invest USD 45 billion in tourism after the World Cup and aims to double the sector's GDP contribution over the next 16 years. The lifting of the blockade, hosting the FIFA World Cup, developing tourism infrastructure, and global travel recovery are all expected to support the growth prospects of the tourism sector in Qatar. With noteworthy events like hosting the FIFA World Cup in 2022, Qatar's tourism sector is witnessing rapid growth, guided by the Qatar National Tourism Sector Strategy 2030, Qatar attempts to be among the top tourist destinations, both in terms of leisure and business tourism.

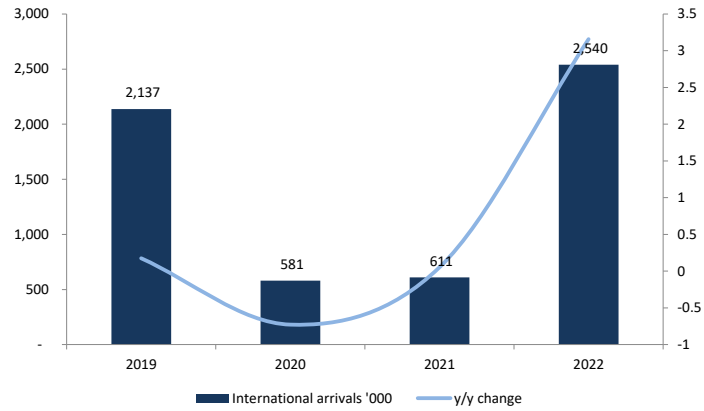
Qatar allowed foreign investors to own 100% of companies, which has led to a significant increase in the volume of domestic and foreign investment, with FDIs up 27% in FY21A.

**Exhibit 57: Tourism performance H1 2022 '000**




*Source: Arqaam Capital Research, Qatar Tourism*

**Exhibit 58: International arrivals**




*Source: Arqaam Capital Research, Qatar Tourism*


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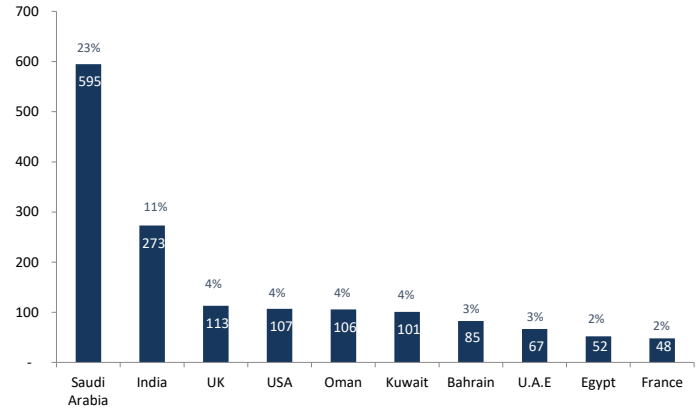
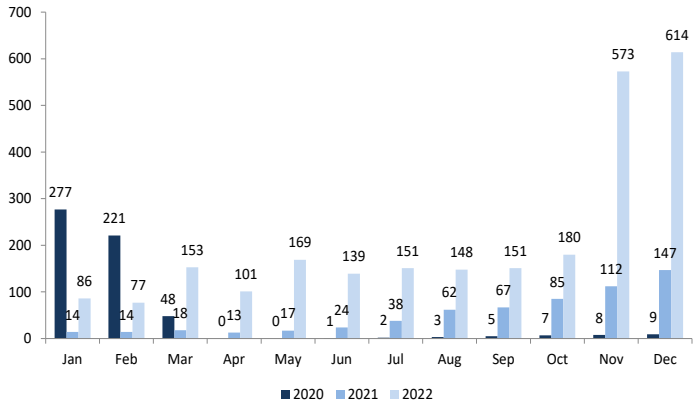
**Exhibit 59: Top 10 Source markets by arrivals in 2022**




*Source: Arqaam Capital Research, Qatar Tourism*

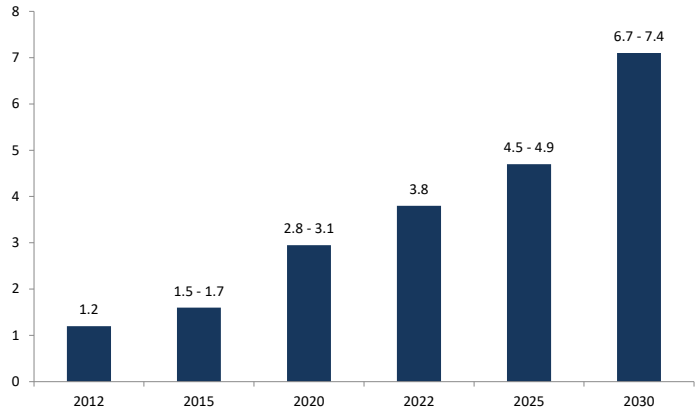
**Exhibit 60: Qatar Visitors by month (000)**




*Source: Arqaam Capital Research, Qatar Tourism*

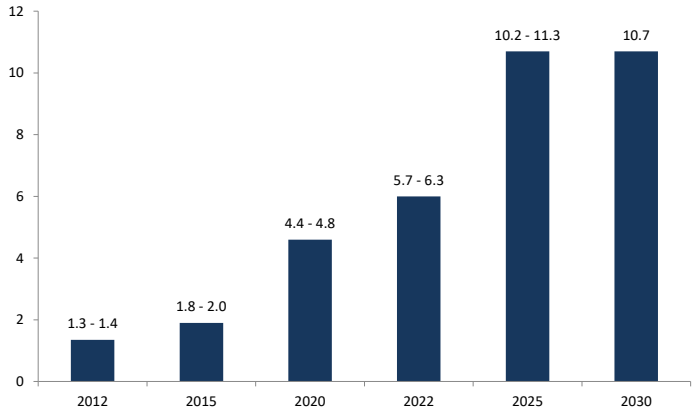
The six-month-long Expo 2023, Doha is expected to be attended by as many as three million visitors from across the world who will be exploring the latest innovations and techniques in the agriculture and sustainability sectors. (Source: Expo 2023 official)

**Exhibit 61: C 7.4 million are expected to visit Qatar in 2030**




*Source: Company Data, Arqaam Capital Research*

**Exhibit 62: Significant growth in tourist spending in Qatar**




*Source: Company Data, Arqaam Capital Research*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## Elegancia Industries: increased localization providing a tailwind.

- **Management expects this segment's revenue to grow at 19% CAGR through 2027.**
- **The segment contributes to 11% of revenues in FY22, continuing at 11% in FY27e, with EBITDA contribution falling from 8% to 2% by FY27e as other segments grow faster.**
- **Qatar has ambitious plans to further increase domestic industries.**

The company boasts 80,000 square meters of factories. These facilities are equipped to manage a comprehensive range of tasks, including the fabrication of Steelworks, galvanization, joinery, and stones. Key segments targets include government, semi-government, private developers, and oil & gas. It contributes to c.10% of revenue, and has secured contracts of QAR 150m.

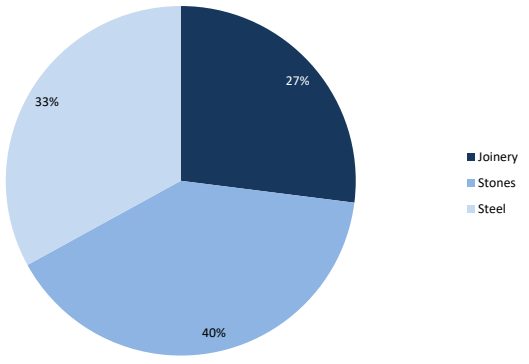
With the introduction of the modular construction factory (forecasts for nearly 50% of segment revenue FY25e), which manufactures offsite volumetric 3d turnkey modules for the construction industry. This is a well-established construction method that provides better quality, cost efficiency, and less construction time.

In keeping with Qatar's National Vision 2030, the country has made significant strides to grow its economy, particularly in the industrial sector, by promoting the oil and gas industry sector and building a cutting-edge infrastructure that can support its domestic industries.

To achieve balanced economic growth independent of oil revenues, Qatar is working to establish a strong industrial foundation, import industrial goods, diversify its national income sources, and boost the contribution of the industrial sector to the GDP.

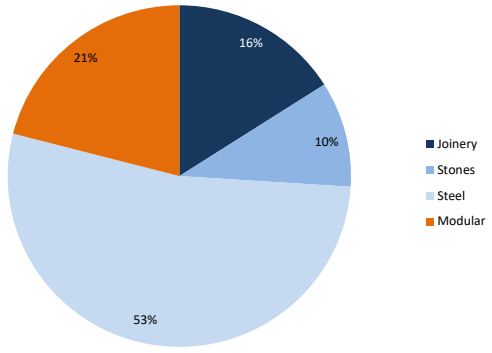
Like the construction segment, 2022 was relatively typical for these businesses with less of a "World Cup Effect". While there may be some slowdown in the Qatar market post-World Cup this should be compensated by international expansion. Management expects this segment's revenue to grow at 19% CAGR through 2027.

**Exhibit 63: Equal revenue mix in FY22a**




*Source: Company Data, Arqaam Capital Research*

**Exhibit 64: Modular segment to account c. 53% in FY25e**




*Source: Company Data, Arqaam Capital Research*


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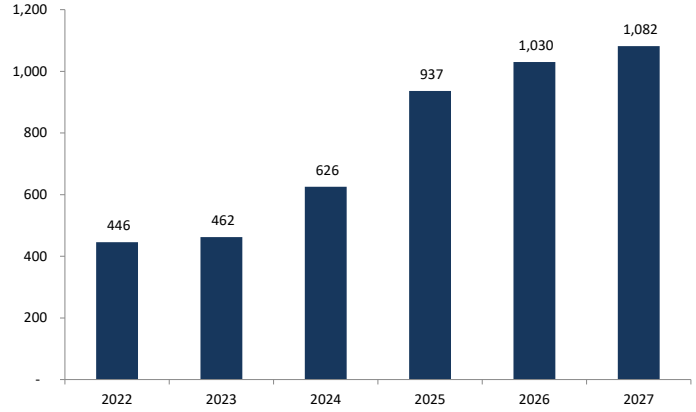
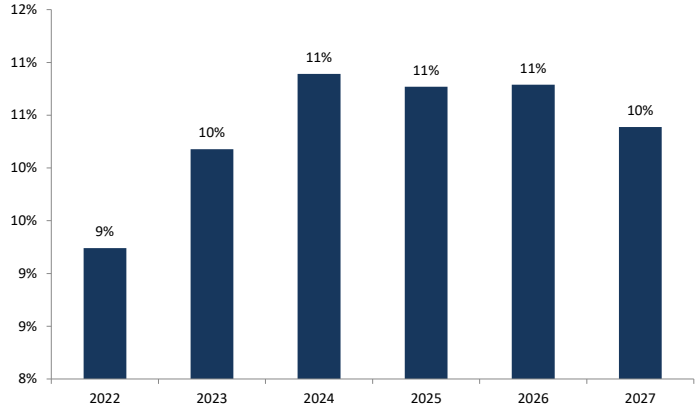
**Exhibit 65: Estithmar Holding industrials revenue**



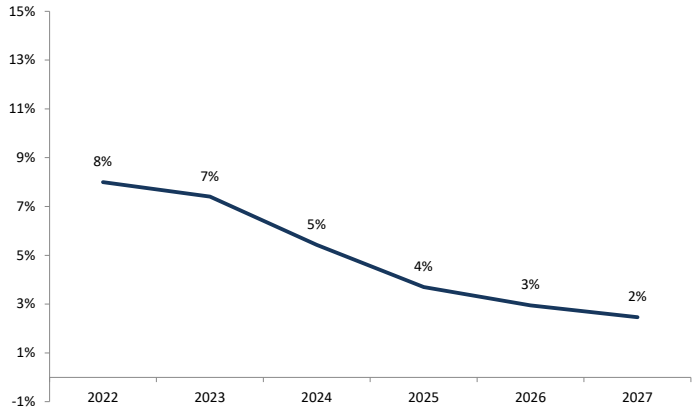

*Source: Arqaam Capital Research, Company Data*

**Exhibit 66: Industrials contribution to revenue**



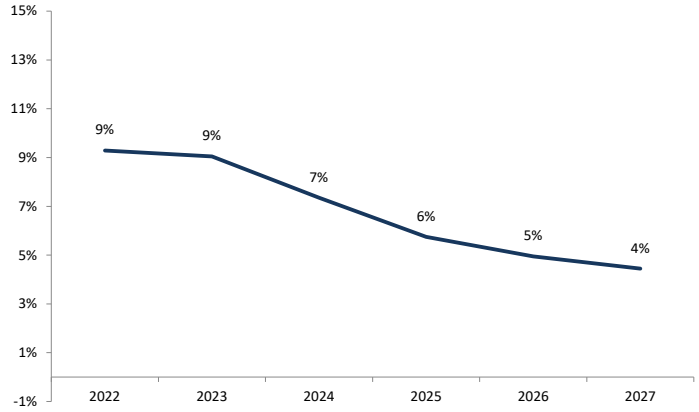

*Source: Arqaam Capital Research, Company Data*

**Exhibit 67: Industrial segment EBITDA contribution to decline as it grows slower than other segments …**




*Source: Arqaam Capital Research, Company Data*

**Exhibit 68: … EBITDA margins to move lower due to phase out of the world-cup effect.**




*Source: Arqaam Capital Research, Company Data*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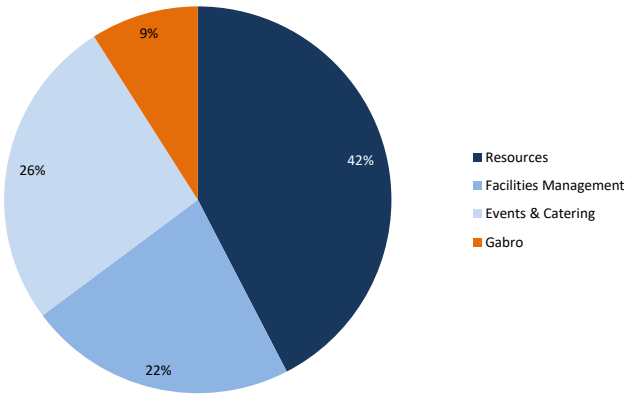
## Elegancia Services – high base effect from World Cup in 2022

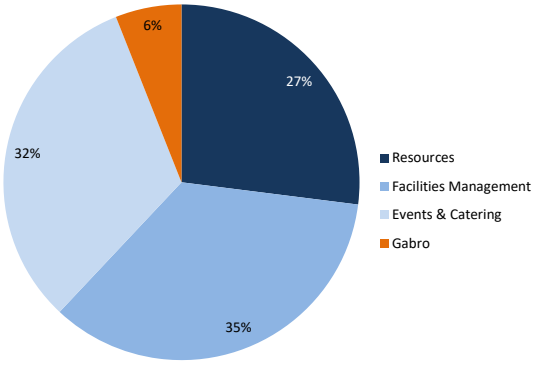
- This segment is the largest contributor to the company's revenue and accounts for the majority of net income in FY22.
- Through multiple companies, the segment provides catering, event, and facilities management services, manpower, and supply & trading activities.
- During the FIFA world cup, this sector had a high volume of extra work and is expected to rebase over the next few years due to the extraordinary uplift in 2022 related it the World Cup. The company has a backlog of QAR 3.2 bn for 2023, in addition to longer-term contracts with its clients.
- Elegancia services sector as of FY 22A 47%/67% revenue/EBITDA and should account for 22%/20% revenue/EBITDA in FY25e.

**Exhibit 69: Services clusters breakdown in FY22a**



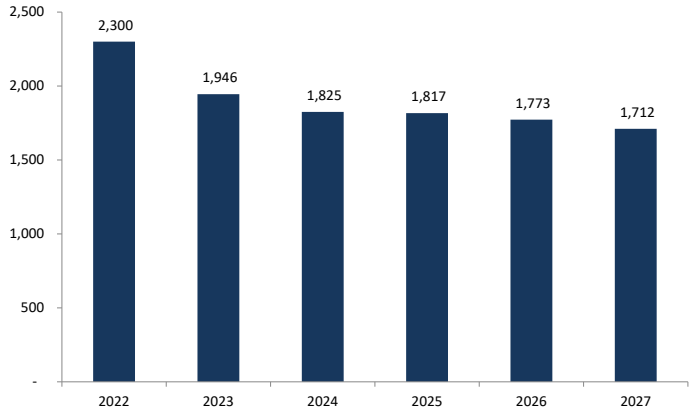

*Source: Company Data, Arqaam Capital Research*

**Exhibit 70: … while in FY25e**



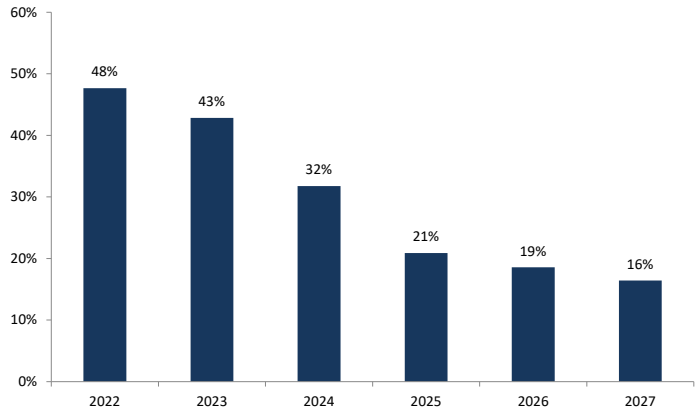

*Source: Company Data, Arqaam Capital Research*

**Exhibit 71: Services revenues to rebase post world cup extraordinary uplift.**




*Source: Arqaam Capital Research, Company Data*

**Exhibit 72: Contribution to decline as other segments grow at a faster pace.**




*Source: Arqaam Capital Research, Company Data*


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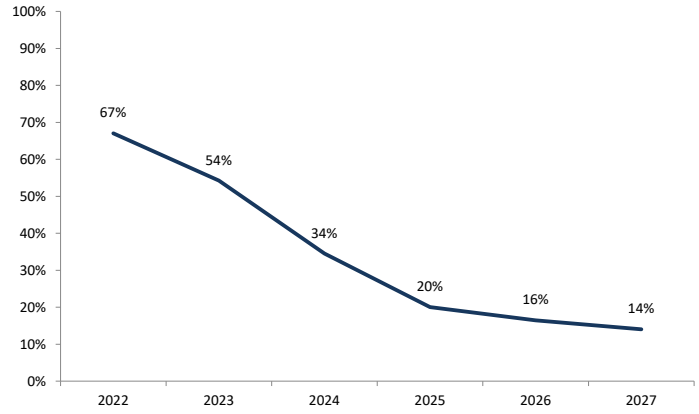
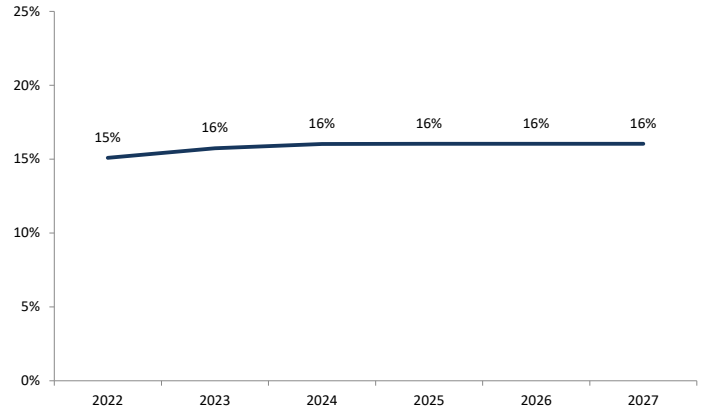
**Exhibit 73: A declining contribution to EBITDA by 2027**




*Source: Arqaam Capital Research, Company Data*

**Exhibit 74: EBITDA margins to remain withing the 16-16% range**



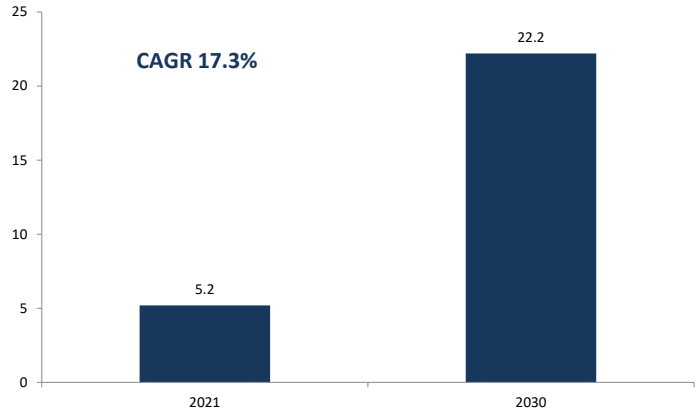

*Source: Arqaam Capital Research, Company Data*

## Services market outlook

The expansion of Qatar's global presence and the rise of the local economy in the country have both contributed to the services sector's tremendous growth. Due to the quick growth of other businesses and areas that use services in their operations, the services industry is one of the rising sectors.

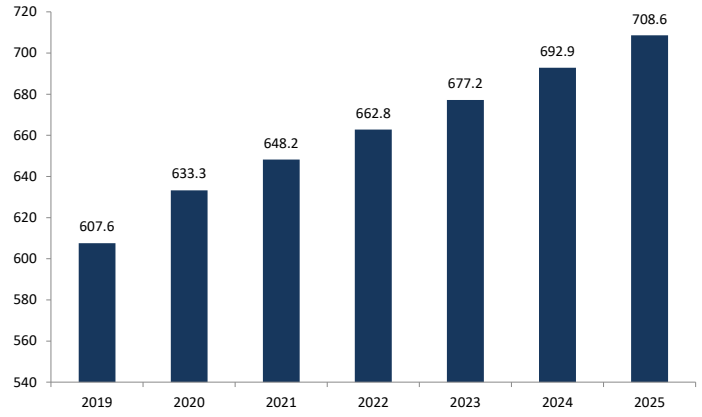
The Qatar National Vision 2030 long-term plan is to generate a favorable business environment to support higher investment and employment. This sector is expected to indirectly benefit from Qatar's liquefied natural gas (LNG) expansion project.

**Exhibit 75: Qatar Facility Management revenue to reach USD 22.2 bn by 2030**




*Source: Company Data, Arqaam Capital Research*

**Exhibit 76: Catering in Qatar constantly growing (USD mn)**




*Source: Company Data, Arqaam Capital Research*


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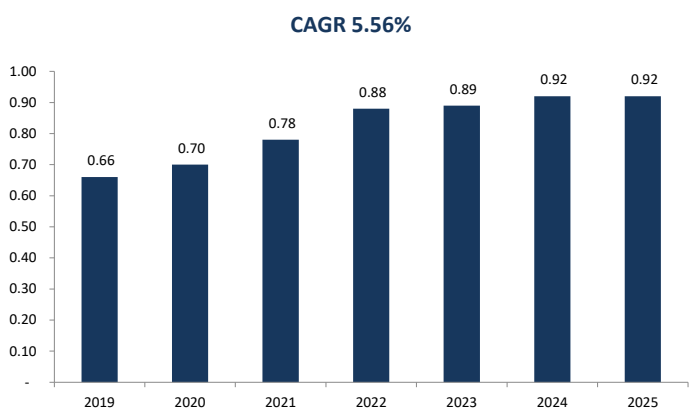
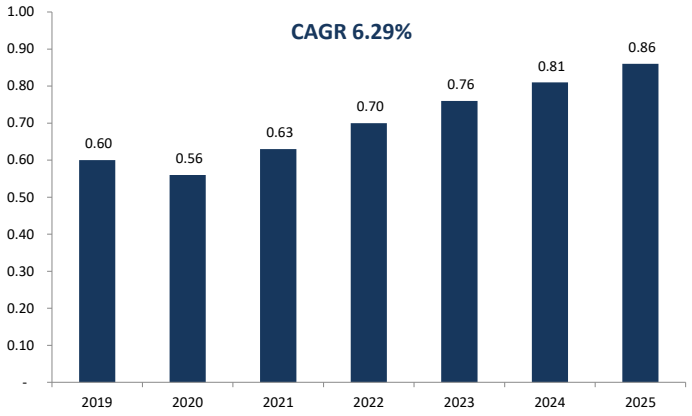
**Exhibit 77: Stability in Workforce Management revenue (USD mn)**




*Source: Company Data, Arqaam Capital Research*

**Exhibit 78: Construction Aggregates CAGR of 6.29% 2019-2025 and revenue of USD 0.86 mn**




*Source: Company Data, Arqaam Capital Research*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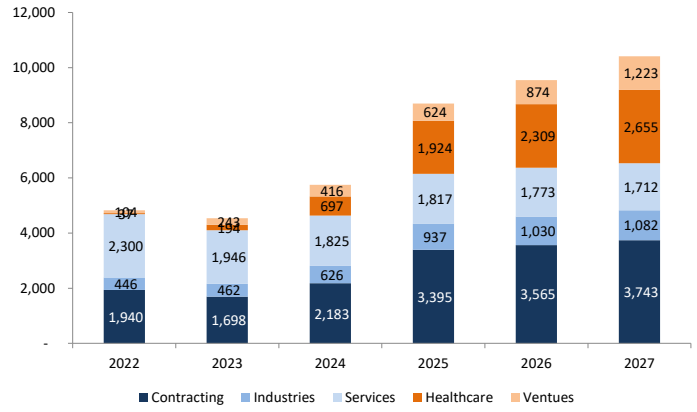
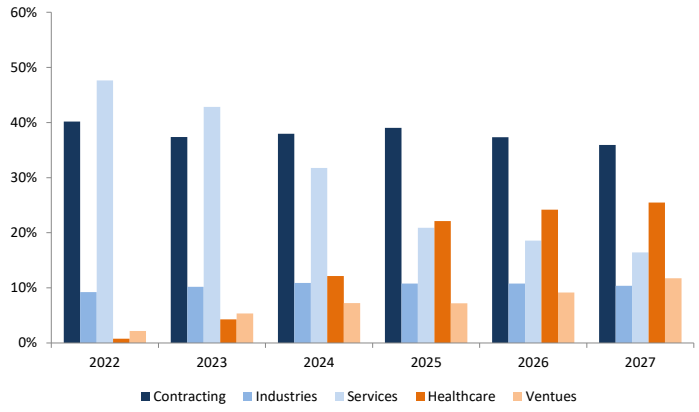
## Forecast by segment

### Exhibit 79: Revenue



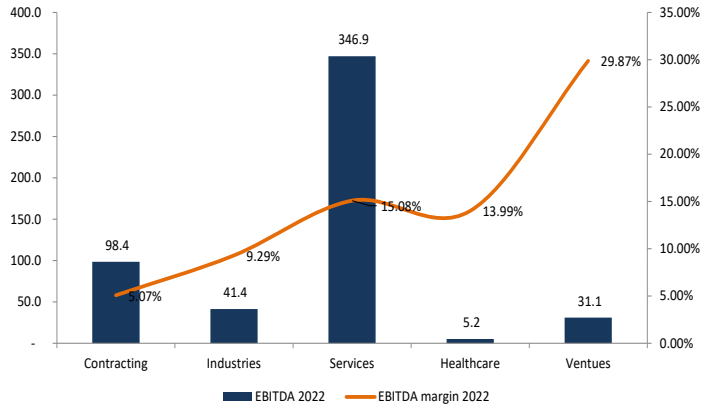

*Source: Company Data, Arqaam Capital Research*

### Exhibit 80: Revenue by segment %



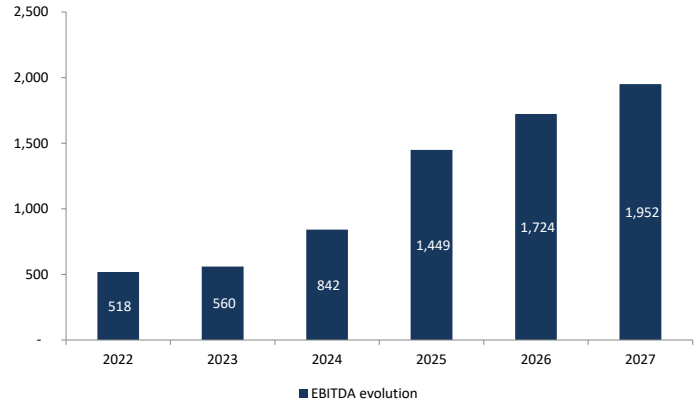

*Source: Company Data, Arqaam Capital Research*

### Exhibit 81: 2022 EBITDA vs margins




*Source: Company Data, Arqaam Capital Research*

### Exhibit 82: EBITDA evolution




*Source: Company Data, Arqaam Capital Research*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## ESG policies have strengthened.

### Environment and Social policies are integrated in its decision making.

Estithmar Holding seeks to minimize the environmental impact of its work and endeavors to promote sustainable development by conserving energy, materials, and resources. Moreover, the company takes active measures to ensure its activities are conducted in an environmentally conscious manner and to incorporate the relevant environmental safety precautions.

Estithmar believes in the principle of corporate social responsibility towards the community within which it operates. It is also committed to continuously promoting the values of development, protecting, and preserving human life, health, natural resources, and the environment, as well as adding value to the community in which it operates.

Its ESG Disclosure is aligned with the QSE ESG Guidance and references international best practices including the GRI Standards, the United Nations Sustainable Development Goals (SDGs), the Ten UN Principles, as well national standards and initiatives including the Qatar National Vision 2030 (QNV).

**Exhibit 83: ESG strategy to secure sustainable growth**




*Source: Company Data*


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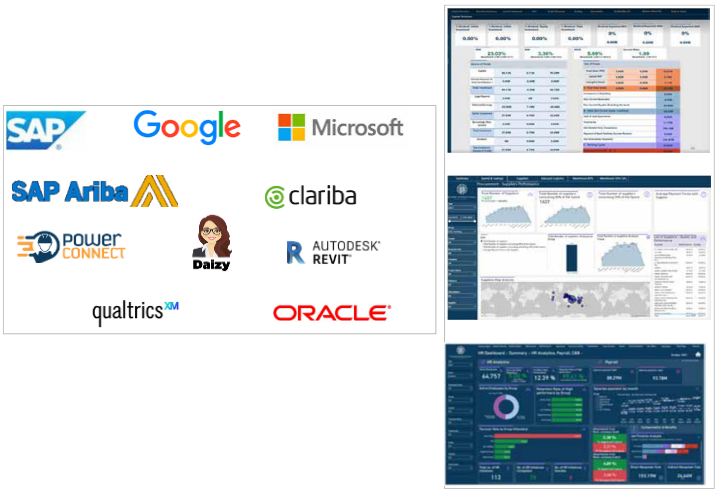
## Digital Transformation and Governance

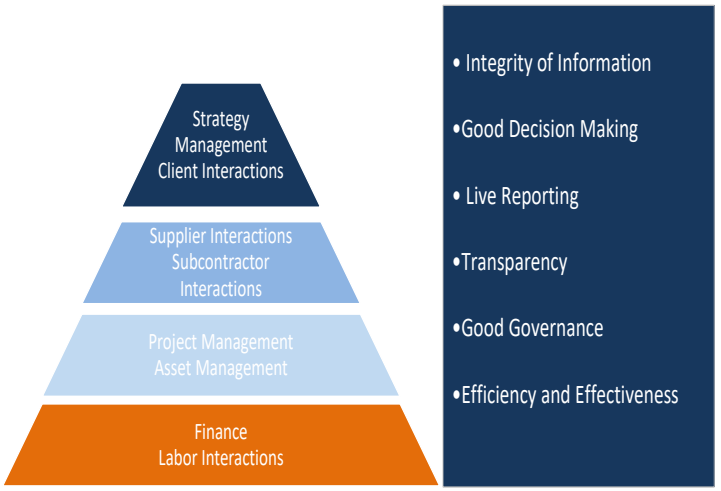
Technology integrations implemented by the group have allowed better efficiency to the services, Estimation, Planning, Cost saving, Timely delivery. Estithmar Holding promotes the sustainable development of communities through its adherence to environmental, social, and corporate governance.

**Exhibit 84: Better efficiency via digital transformation**




*Source: Company Data*

**Exhibit 85: Control system through governance**




*Source: Company Data*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## Board of Directors

**Exhibit 86: Experienced management team : 4 independent directors and 7 non-independent**



**Mr. Moutaz Al-Khayyat**
**Chairman**



**Mr. Ramez Al-Khayyat**
**Vice Chairman**
Chair, Executive Committee



**Mr. Eyad Abdulrahim**
**Board Member / Managing Director**
Member, Nomination & Remuneration Committee
Member, Audit & Risk Management Committee
Member, Executive Committee



**Mr. Mohamad Mohamad Sadiq Al-Dawamaneh**
**Board Member**
Member, Nomination & Remuneration Committee
Member, Executive Committee



**Mr. Hamad Ghanim S Al-HodifiAl-Kuwari**
**Board Member**



**Mr. Khalid Ghanim S Al-HodifiAl-Kuwari**
**Board Member**



**Sheikh SuhaimBin AbdulAzizAl Thani**
**Independent Board Member**



**Mr. Abdulla Darwish Al Darwish**
**Independent Board Member**
Chair, Audit & Risk Management Committee



**Dr. BothainaAl Ansari**
**Independent Board Member**
Chair, Nomination & Remuneration Committee



**Mr. Ibrahim Abdulla Al Abdulla**
**Independent Board Member**
Member, Nomination & Remuneration Committee
Member, Audit & Risk Management Committee

*Source: Company Data*

**Exhibit 87: A multigenerational and diversified Management team**




*Source: Company Data*


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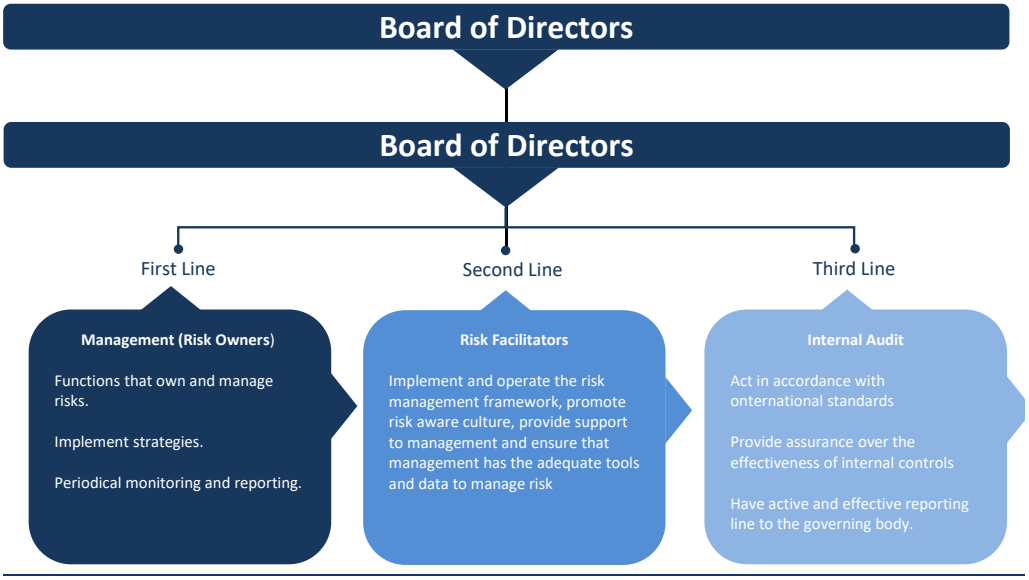
### Risk Management

An integrated process for risk, compliance, and governance oversight with business and other assurance functions to address the changing risk landscape by monitoring and communicating risk, testing, and implementing controls.

Using the three Lines of defense model, the roles and responsibilities of each defense line are specified to establish a governance structure that enables sharing of risk-related information between the front line and senior management.

**Exhibit 88: Governance and risk management model**




*Source: Company Data*


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**Exhibit 89: Corporate strategy**

Existing Market Positioning:
Traditional business with large / stable revenue base and growth potential (ongoing Government spending on projects, LNG expansion etc.).

Strategic Plan:
Diversified revenue streams with presence in new economy service sectors (e.g. healthcare, tourism, other services) and traditional sectors (e.g. indus - tries, contracting).

Macroeconomic Climate:
Continued Government spending on infrastructure (non-FIFA related) through, LNG expansion, hosting major events.

Microeconomic Climate:
High per capita income, changing perception of Qatar and positioning as tourism hub, (Qatar airways network).

Healthcare Focus:
Strong emphasis behind Healthcare businesses in the Qatar Vision 2030 (aging population, cosmetic surgery, lack of private capacity, defensive business, mandatory insurance).

Tourism Focus:
Support for Ventures business (Government focus on tourism businesses – 2030 target of 6 million visitors, strategic location between Asia and Europe, Expo 2023, Asian games)

Margin Enhancement Potential:
Increasing margins as service businesses (Services, Healthcare, Ventures) form greater part of the mix

Strong Track Record:
Founders / management with strong track record (Elegancia, PIH, Baladna)

Growing share of external businesses:
Gradual decline in reliance on revenue from associated companies (PIH and UCC) and increasing contribution of revenue from independent external sources

*Source: Company Data, Arqaam Capital Research*


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## Financials

**Exhibit 90: BS summary**

| BS summary (QAR) | FY 21 | FY 22 | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 |
|---|---|---|---|---|---|---|---|
| PP&E | 803 | 1,975 | 2,135 | 2,311 | 2,905 | 2,809 | 2,624 |
| Intangible assets- Goodwill | 6 | 3,246 | 3,246 | 3,246 | 3,246 | 3,246 | 3,246 |
| Other | 134 | 265 | 338 | 366 | 408 | 454 | 504 |
| **Non-current assets** | **942** | **5,486** | **5,719** | **5,924** | **6,559** | **6,509** | **6,374** |
| Cash and equivalents | 41 | 167 | 163 | 1,021 | 968 | 1,451 | 2,251 |
| Contract assets | 386 | 952 | 952 | 952 | 952 | 952 | 952 |
| Receivables and other debit | 875 | 1,306 | 1,083 | 1,413 | 2,221 | 2,455 | 2,692 |
| Other | 898 | 817 | 698 | 755 | 898 | 934 | 973 |
| **Current assets** | **2,201** | **3,243** | **2,896** | **4,140** | **5,039** | **5,791** | **6,868** |
| **Total assets** | **3,143** | **8,729** | **8,615** | **10,064** | **11,598** | **12,300** | **13,242** |
| | | | | | | | |
| Borrowings | 392 | 672 | 0 | 0 | 0 | 0 | 0 |
| Bank overdrafts | 199 | 216 | 0 | 0 | 0 | 0 | 0 |
| Payables and accruals | 1,102 | 2,003 | 1,776 | 2,259 | 3,488 | 3,793 | 4,131 |
| Other | 213 | 263 | 143 | 143 | 143 | 143 | 143 |
| **Current liabilities** | **1,906** | **3,154** | **1,920** | **2,403** | **3,632** | **3,937** | **4,274** |
| **Non-current liabilities** | **469** | **1,115** | **1,415** | **1,715** | **1,515** | **1,315** | **1,199** |
| **Total liabilities** | **2,375** | **4,269** | **3,335** | **4,117** | **5,147** | **5,252** | **5,473** |
| **Equity** | **768** | **4,460** | **5,280** | **5,946** | **6,452** | **7,049** | **7,769** |

*Source: Arqaam Capital Research*


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**Exhibit 91: P&L summary**

| P&L summary (QARm) | FY 21 | FY 22 | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 | 3-year CAGR (FY 22-25e) | 5-year CAGR (FY 22-27e) |
|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **3,205** | **4,237** | **3,953** | **5,157** | **8,107** | **8,960** | **9,825** | **24.1%** | **18.3%** |
| **Adj. EBITDA** | **440** | **518** | **565** | **847** | **1,454** | **1,729** | **1,957** | **41.1%** | **30.5%** |
| margin | 13.7% | 12.2% | 14.3% | 16.4% | 17.9% | 19.3% | 19.9% | | |
| **EBIT** | **361** | **396** | **404** | **400** | **905** | **997** | **1124** | **31.7%** | **23.2%** |
| margin | 11.3% | 9.3% | 10.2% | 7.8% | 11.2% | 11.1% | 11.4% | | |
| **PBT** | **326** | **328** | **324** | **335** | **850** | **942** | **1,069** | **37.3%** | **26.6%** |
| Tax | (0.38) | (3.37) | (3.44) | (3.40) | (7.70) | (8.49) | (9.57) | | |
| **Net profit** | **326** | **325** | **321** | **332** | **842** | **933** | **1059** | **37.3%** | **26.7%** |

*Source: Arqaam Capital Research*

**Exhibit 92: Cash Flow Statement**

| QARm | FY 23e | FY 24e | FY 25e | FY 26e | FY 27e |
|---|---|---|---|---|---|
| EBITDA | 565 | 847 | 1,454 | 1,729 | 1,957 |
| Zakat/Tax | (3) | (3) | (8) | (8) | (10) |
| Change in WC | (49) | 68 | 232 | (14) | 6 |
| Capex | (316) | (619) | (1,135) | (627) | (639) |
| **FCFF** | **196** | **293** | **544** | **1,079** | **1,315** |
| Dividend | 0 | (171) | (337) | (336) | (339) |
| Cash balance | 1,149 | 1,012 | 968 | 1,451 | 2,251 |
| Gross debt | 1,271 | 1,780 | 2,836 | 3,147 | 3,562 |
| Net cash | (409) | (471) | (627) | (1,310) | (2,227) |
| Net debt/EBITDA | (0.7) | (0.6) | (0.4) | (0.8) | (1.1) |
| **Net debt/Equity** | **-7%** | **-8%** | **-10%** | **-19%** | **-29%** |

*Source: Arqaam Capital Research*


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| | |
|---|---|
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| **Hold** | 0-15% |
| **Sell** | Total return <0% |

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