Q3 23A Results Review
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Estithmar Holding QPSC

EPS advanced +6% y/y on profitable Healthcare and higher NPm of the Services segment, 2% ahead of our estimates

- **Revenue dropped by 37% y/y, coming from a high base given the high World Cup-related activity, -15.3%/-3.5% vs. BBG/ACe.**
- **The healthcare LoB turned profitable, and Services NPm doubled y/y, with gross margins increasing 952 bps y/y.**
- **EPS increased +5.8% y/y and 4.7% q/q, 2% ahead of our estimates due to higher NPm in the Services segment.**
- **Estithmar Holding trades at 11.6x FY 24e EV/EBITDA, offers superior growth prospects and a sustained NPm expansion, despite dilution from a capital increase to fund its growth plans.**

Revenues came at QAR 745m as the healthcare and venture segments continued to ramp up, reflecting a sequential growth of +3.8% q/q, albeit down 37% y/y due to the high base from World Cup-related activity, 3.5% behind our forecasts, but missing consensus by 15.3%. In Q3 the Healthcare segment turned profitable supported by robust revenue growth.

Segmental performance trends: i) Construction and Industrials segment's revenues came in at QAR 316m (-51.4% y/y) and net profit at QAR 15m (-29.4% y/y), but NPm increased 152 bps y/y to 4.9%, ii) Services segment's, revenues dropped to QAR 387m (-34.5%), but net profit rose to QAR 115m (+31.8%), iii) Healthcare segment's revenue spiked c.12x (from a low base) to QAR 108m with a positive net profit contribution of QAR 4m (vs losses in the prior quarters) as The View hospital ramped up, iv) The Ventures Segment recorded a revenue of QAR 23m, but also a net loss of QAR 30m as Al Maha island and Lusail winter wonderland were closed during summer, with a ramp up in Q4e.

Operational margins increased y/y to 23.1 %: The GPm continues to recover y/y, up by 952bps (in line with ACe), mainly because of higher services segment margins. This filtered to an EBIT of QAR 131m (9.5% y/y and -6.8% q/q), albeit 3.1% behind our estimates.

EPS registered a growth of +5.8% y/y and 4.7% q/q, slightly higher than we expected: Net profit grew +5.8% y/y to QAR 103m (4.7% q/q), beating street estimates (31.7%/2% vs. BBG/ACe), with the NPm in the Services segment doubling to 29.6% compared to 14.7% in Q3 22A.

We find valuation multiples fair and maintain our Buy rating: 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 will 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 2.6**

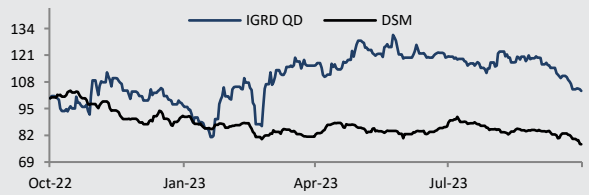
Multisector / Qatar

Bloomberg code	IGRD QD
Market index	DSM
Target Price	2.6
Upside (%)	28.7

Market data	**10/26/2023**
Last closing price	2.02
52 Week range	1.4-2.4
Market cap (QAR m)	6,383
Market cap (USD m)	1,750
Average Daily Traded Value (QAR m)	17.0
Average Daily Traded Value (USD m)	4.8
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)	31.7	28.1	22.1	20.0
Net debt	17.0	18.0	19.6	21.4
BVPS	3.76	3.54	3.26	2.98
P/B (current price)	2.2	1.8	1.6	1.5
EV/EBITDA (current price)	20.8	15.5	10.3	6.0
Div. yield (%)	-	-	2.6	5.3
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 (%)	5.5	6.2	7.4	7.7
RoAE (%)	10.5	11.6	13.7	13.9
RoIC (%)	8.5	9.0	10.5	10.9

Price Performance



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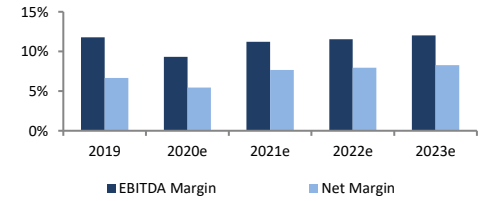
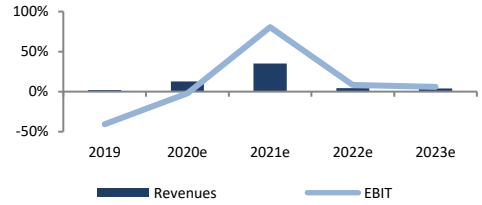
Abacus *Arqaam Capital Fundamental Data*

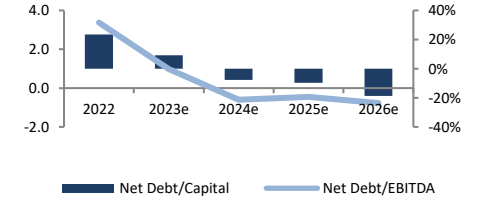
Profitability



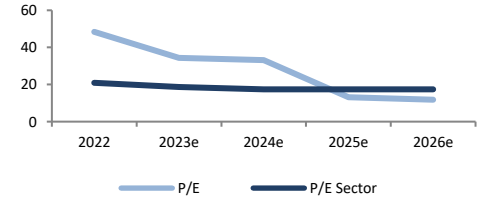
Growth



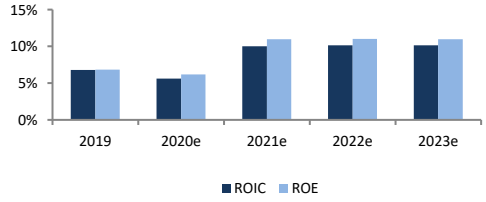
Gearing



Valuation



Return



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	16.6	17.0	18.0	19.6	21.4	23.6
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)	30.0	27.4	35.6	32.2	30.1	27.9
P/BV (x)	41	36	31	25	22	20
EV/Sales (x)	15.4	16.2	17.9	16.7	15.6	14.5
EV/EBITDA (x)	19.4	20.8	15.5	10.3	6.0	5.1
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 (%)	1.75	1.76	1.79	1.79	1.79	1.75

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*

Company Profile

Estithmar Holding is a Qatari public listed company with a diverse portfolio of 51 companies operating in 5 strategic business sectors; healthcare, services, ventures, contracting and industries.

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
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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Q3 23A preliminary results summary

Revenues: QAR 745m (-37.0% y/y, 3.8% q/q, -3.5% vs. AC est., and -15.3% vs. BBG)
Gross profit : QAR 172m (7.3% y/y, -24.0% q/q, -3.6% vs. AC est.)
EBIT: QAR 131m (9.5% y/y, -6.8% q/q, -3.1% vs. AC est.)
Net income: QAR 103m (5.8% y/y, 4.7% q/q, 2.0% vs. AC est., and 31.7% vs. BBG)

Exhibit 1: IGRD QD Q3 23A prelim results

QAR m	*Q3 23A*	*Ace*	*Δ*	*BBG consensus*	*Δ*	*Q3 22A*	*y/y change*	*Q2 23A*	*q/q change*
Revenues	745	772	-3.5%	879	-15.3%	1,182	-37.0%	717	3.8%
Gross profit	172	178	-3.6%			160	7.3%	226	-24.0%
EBIT	131	135	-3.1%			120	9.5%	141	-6.8%
Net income	103	101	2.0%	78.2	31.7%	97	5.8%	98	4.7%
Gross margin	23.1%	23.1%	(3 bps)			13.6%	952 bps	31.5%	(843 bps)
EBIT margin	17.6%	17.5%	7 bps			10.1%	746 bps	19.6%	(201 bps)
Net margin	13.8%	13.1%	75 bps	8.9%	493 bps	8.2%	559 bps	13.7%	11 bps

Source: Company Data, Bloomberg, Arqaam Capital Research

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Hold	0-15%
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