

# AHCS Alert – In-line Results; Maintaining Market Perform and Target Price

- **Aamal Company's (AHCS) net profit declines 9.3% QoQ to QR61.6mn (compared to a net loss of QR62.2mn in 2Q2020), in-line with our estimate of QR62.6mn (variation of -1.7%).** Lack of negative fair value adjustments in the property segment (QR74.4mn in 2Q2020) supported Aamal's bottom-line vs. 2Q2020. EPS amounted to QR0.021 in 6M2021 as compared to QR0.003 in 6M2020.
- **2Q2021 gross profit rose by 2.6% QoQ and 120.7% YoY to QR97.4mn, in-line with our estimate (variation: 3.8%).** Aamal's revenue came in at QR398.7mn in 2Q2021, with respective increases of 27.3% QoQ and 53.1% YoY. All Aamal's segments benefitted from the normalization in local demand and recorded strong recovery vs. 2Q2020. Aamal's gross margin rose from 17.0% in 2Q2020 and yet declined to 24.5% in 2Q2021 from 1Q2021's 30.4%. In 1H2021, Aamal's Industrial Manufacturing segment recorded a 79.0% revenue growth YoY. Thanks to improved market conditions, better product mix and lower costs, Aamal Cement tripled its bottom-line YoY to QR1.4mn whereas Aamal Readmix's net loss was halved to QR1.9mn. The Property segment also recovered strongly with revenue increasing 59.9% YoY in 1H2021 as a result of normalizing rent income.
- **On the other hand, higher financial expenses and G&A has led to a sequential decline in Aamal's net earnings.** 2Q2021 net financial expenses were up 62.0% QoQ (12.2% YoY) to QR5.2mn, whereas G&A also rose 15.5% QoQ (although it was down 5.6% YoY) to QR38.4mn.
- **We continue to rate Aamal as a Market Perform; maintain our estimates and TP at QR0.77 for now.** Going forward, Aamal expects business volumes to increase further amid increasing flow of contracts relating to the FIFA World Cup 2022 and Qatar's pipeline of other major infrastructure projects. The company is also optimistic about a gradual margin improvement during 2H2021. Aamal's manufacturing segment is already benefitting from increased project activity – Aamal Cables won a QR694mn 3-year contract in August 2022 with Kahramaa to supply 11KV medium voltage and pilot power cables. On the other hand, completion of Phase 2 renovation works at City Center Mall resulted in a 7.1% increase in the mall's GLA. The mall's new dedicated jewelry retail area (the Gold Souq) was completed within 4Q2020 and 34 units have become available. City Center frontage renovation works continue, which is likely to introduce new outdoor cafes and restaurants to the Mall. Aamal enjoys a well-diversified business portfolio across major sectors of the Qatari economy; thus, we are of the view that AHCS could be one of the top direct and indirect beneficiaries of the expected post-coronavirus recovery in Qatar. Moreover, it has Qatar's leading pharma & medical device distribution companies in its portfolio, which should support AHCS' top- & bottom-line resilience. Going forward, while Aamal's 2020 results were affected by the coronavirus shock, we believe AHCS' 2021 prospects are better with the completion of renovation works & expansion in the City Center Mall, Senyar's new drum and copper factories becoming operational during in 2021, coupled with the Kahramaa order. In 2022, we believe Aamal could be one of the top beneficiaries of FIFA'22 given its property, retail and trading exposures.

### Recommendations

*Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*

**OUTPERFORM** Greater than +20%

**ACCUMULATE** Between +10% to +20%

**MARKET PERFORM** Between -10% to +10%

**REDUCE** Between -10% to -20%

**UNDERPERFORM** Lower than -20%

### Risk Ratings

*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*

**R-1** Significantly lower than average

**R-2** Lower than average

**R-3** Medium / In-line with the average

**R-4** Above average

**R-5** Significantly above average

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