

QNBFS Alert – QNCD 3Q2013 Impacted by Ramadan/Summer

- **QNCD posts a net profit of QR86.5mn in 3Q2013.** Qatar National Cement (QNCD) posted a net profit of QR86.5mn in 3Q2013 vs. our estimate of QR109.7mn and QR116.9mn in 2Q2013. The decline is on the back of lower sales, which is down 22.4% QoQ to QR208mn vs. QR268mn in 2Q2013. We believe Ramadan and the summer break led to a decline in sales volume. However, the decline was greater than our estimates and we will try to delve deeper when we speak to management. Going forward, we still expect demand to pick up in 4Q2013 and expect full year net profit to be QR422.5mn for 2013.
- **Expansion is on the cards:** Our thesis remains unchanged – the firm plans to embark on (debt-financed) expansions that will increase its capacity by 7.5k tpd; leading to a bottom-line CAGR of 12.6% (2014-17). However, until the expansion, investors will have to be content with an attractive dividend yield of ~6% for the next two years (as the firm operates near full capacity).
- **We estimate QNCD to post a CAGR of 12.6% in its bottom-line for 2014-2017.** The growth will start to kick-in from mid-2015, when we estimate the new line to increase the firm's capacity. For the interim period (2012-mid 2015), we expect flat top-line and bottom-line growth.
- **Valuation:** QNCD trades on a P/E and an EV/EBITDA of 11.9x and 9.0x on our 2013 estimates. We expect increased investor interest in the stock as the full year dividend announcement nears.
- **We maintain our Accumulate rating with a fair value of QR116.25.** QNCD remains a market leader cashing in on the Qatari infrastructure/construction growth. The company's focus on Qatar makes it one of the pure infrastructure/construction plays on the Qatar growth story. We remain long-term bullish on the stock.

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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