

AHCS Alert–In-line Results Excluding Impairments; Maintain TP & Market Perform

- **Aamal Company's (AHCS) net profit excluding “net fair value loss on investment properties” rose 22.4% YoY and 10.8% QoQ to QR78.9mn in 4Q2020, in-line with our estimates of QR77.8mn (variation of +1.4%).** Reported net income, including impairments, attributable to AHCS equity holders declined to QR31.7mn in 4Q2020 from QR64.5mn in 4Q2019. In 12M2020, AHCS reported a net profit of QR244.9mn (on an adjusted basis excluding impairment losses), as compared to QR322.3mn in 12M2019. AHCS’ Board has proposed a 2020 cash dividend of QR 0.04 per share, same as last year and in-line with our estimate.
- **4Q2020 gross profit rose by 1.9% YoY and 12.9% QoQ to QR98.7mn, in-line with our estimate (variation: 1.3%).** Aamal’s revenue came in at QR334.8mn in 4Q2020, with a 4.0% decline YoY and flattish QoQ (-0.9%). Gross margin rose from 27.8% in 4Q2019 to 29.5% in 4Q2020, also increasing sequentially from 3Q2020’s 25.9%. During 12M2020, Aamal’s trading and distribution segment delivered a strong performance with YoY revenue/net profit increases of 13.5%/22.0% primarily due to the solid performance of Aamal Medical and Ebn Sina Medical. Ebn Sina Medical focused in 2020 on securing local stock including medicines, baby milk, face masks, gloves, and hand sanitizers and benefitted from rising demand of these products. The industrial manufacturing segment revenue rose 19.8% YoY in 12M2020 driven by Aamal Readymix; however, intense competition affected margins adversely as well as led to lower sales volumes at Senyar Industries. This resulted in a contraction in Senyar’s net earnings, thereby causing segment net income to decline from QR52.6mn in 2019 to QR32.4mn in 2020. The property segment continued to be affected by rent waivers for commercial tenants at both City Center Doha (CCD) and Souk Al Harraj. Aamal closed some of its commercial properties in 2020 and waived rents for 4.5 months. During the closure time, the company repaired and upgraded its properties, which could result in higher rent yields in the coming terms.
- **On the other hand, 4Q2020 G&A fell 19.9% YoY (flat QoQ with a 1.3% rise) to QR 28.0mn.** For 12M2020, G&A declined by 1.4% YoY to QR133.1mn.
- **We continue to rate Aamal as Market Perform and maintain our estimates and TP at QR0.77.** Aamal’s manufacturing segment has started benefit from increased project activity, as Aamal Cables won a QR694mn contract with Kahramaa, to supply 11KV medium voltage and pilot power cables to be delivered over 3 years. On the other hand, completion of the Phase 2 renovation works at City Center resulted in a 7.1% increase in the mall’s GLA. As expected, the mall’s new dedicated jewelry retail area (the Gold Souq) was completed within 4Q2020 with 34 units becoming available. Aamal enjoys a well-diversified business portfolio across many 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 could be better with the completion of renovation works & expansion in the City Center Mall in 2020, Senyar’s new drum and copper factories becoming operational during 1H2021, coupled with the new 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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