

# IGRD Alert – Prospective Elegancia Acquisition Could be a Substantial Growth Driver; Accumulate

- **Investment Holding Group (IGRD) announced that Elegancia Group Holding W.L.L. has submitted a proposal to be acquired by IGRD through a share swap.** Elegancia Group Holding W.L.L. employs more than 20,000 employees. It is currently developing two hospitals in the State of Qatar. Elegancia's portfolio include several companies in Qatar that operate in the following sectors: – Healthcare services, General services, Industrial and Contracting. IGRD's Board of Directors has discussed the proposal and initially approved it subject to a detailed study of the financial, legal, administrative and technical aspects of the target company. Once the study is finalized, it will be presented to IGRD's EGM for potential shareholders' approval.
- **We maintain our Accumulate rating; however, we will revise our estimates and TP once details on the acquisition /share swap rate are released.** As the deal is likely to be structured as a share swap, we do not think IGRD will be required to raise new debt to finance the acquisition. This will be different from IGRD's CESCO minority stake buy-out in 2018 and should be perceived as positive by current IGRD investors. On the other hand, Elegancia's financials, growth prospects, and ultimately the share swap ratio for the deal will be the major catalysts for our new forecasts and TP going forward. Apart from its businesses in construction supply chain, which should complement IGRD's contracting arm, Elegancia also has less-cyclical businesses such as two upcoming hospitals, International Healthcare Center and the View Hospital (the latter with 250 beds to be opened in 2022). Elegancia's healthcare exposure might contribute notably to IGRD both in terms of profitability and diversification away from the contracting business.
- **We continue to like IGRD as a turnaround story.** Since its IPO, IGRD has been going through a comprehensive restructuring process. The goal of this restructuring is to shift from an investment company to a private equity structure with full management focus on IGRD's subsidiaries. In order to achieve that, IGRD has had notable shifts in its BoD and top management ranks in recent years. The new management appointed after the IPO & the BoD are highly involved in its subsidiaries, especially in terms of business generation and cost management. On one hand, the new management is engaged in expanding the product range of the supplies & trading segment with high margin products. It is also continuously evaluating cost cutting opportunities, especially in terms of labor force rationalization and rental cost reduction. As a result, IGRD's G&A declined to QR55mn (after adjusted for the one-offs) in 2020 from QR75.7mn in 2018. On the M&A front, in 4Q2018, IGRD purchased the remaining 39.6% minority stake in CESCO at QR193.5mn, increasing its stake to 100%. The prospective acquisition of Elegancia is likely to be another step taken by management to ensure the long-term growth and profitability of the company. We maintain our Accumulate rating.

### 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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