Estithmar Holding (IGRD)

Recommendation	OUTPERFORM	Risk Rating	R-4
Share Price	QR2.226	12M Target Price	QR2.900
Implied Upside	30.3%		

An Emerging Powerhouse: Initiating Coverage With An Outperform

We initiate coverage of Estithmar Holding (IGRD) with an Outperform rating as it is set to benefit from the best-of-both-worlds despite strong share price action in the past year capturing a chunk of its upside potential. The recent IGRD corporate action – where IGRD reverse-listed Elegancia on 9 May in a share swap deal (subsequently rebranded to Estithmar on 29 May) – has transformed the group into a more attractive proposition and a unique conglomerate. *IGRD "2.0" has been vaulted from a micro-cap construction-focused $222mn company with sub-QR1 stock to a $2bn mid-cap conglomerate adding higher growth/margin segments, such as healthcare, tourism and services to the mix. Pre-merger contracting operations now contribute under 10% of revenue/7% of earnings (1H2021) and "old" IGRD shareholders own only 24.4% of equity in the new entity. We note healthcare, tourism and services are poised to add significant value as Qatar shifts to a service-led economy in the medium-term from infrastructure-driven growth. Consequently, we expect overall top-line to grow at a CAGR of 13% over 2021-2026, while earnings should accelerate 37% over the same period. Margin improvement will be a big driver of valuation, with the EBITDA margin more than doubling to 17% by 2026 from 8% in 2021. We also expect Estithmar to restart dividends in the medium term, once its cash buffers recover from the heavy investment cycle the group is currently going through – "old" IGRD last paid a dividend on 2018 profits. The newly-minted company is slated to report its maiden results for 1H2022 soon and we expect revenue of QR1.87bn, a 12% YoY increase and we estimate net profit to be 15% higher at QR224mn. However, these estimates exclude the new entities (healthcare & tourism) that are all set to resume operations in 2H2022. While execution risks remain, hence our Risk Rating of R-4, we note that IGRD is backed by the owners of Power International Holding who have had considerable success turning Baladna into Qatar's dominant dairy producer.*

Highlights

- From a predominantly contracting (construction) business, the new group now incorporates five verticals – **healthcare, ventures/tourism, services, contracting and industries – bringing in a high level of diversification and stability throughout all business cycles.**
- ***Best-of-both-worlds 2.0*** **– alignment with the "new" economy: Buttressed by a favorable policy backdrop, we see the three divisions – healthcare, ventures/tourism and services – contributing 61% of group revenue but a disproportionately high 77% of EBITDA due to superior margins in the medium-term.**
- ***Best-of-both-worlds 1.0*** **– "old" economy: Traditional businesses still have room to run as the overall economy benefits from the multiplier effects of Qatar's LNG expansion as well as government policies being enacted to transform Qatar to an "advanced economy" by 2030**. While IGRD is realigning its traditional businesses to take advantage of these policies including introducing new products, it is simultaneously developing an export sales pipeline.
- **Significant top- and bottom-line growth:** We expect revenue to grow 21% this year and moderate to 19% in FY2023 due to base effects in traditional businesses. We see further double-digit CAGR in revenue between FY2024 and FY2026 as the healthcare and tourism units continue to ramp up. As a consequence of increased contribution from higher-margin businesses, we estimate net profit increases of 101% in FY2022, 43% in FY2023, and 24% in FY2024. Due to higher earnings growth, PEG ratio should remain <1 for the foreseeable future.
- **While execution risks remain, the proof is in (Baladna's) pudding.** We have confidence in management's execution capability judging from how they turned Baladna into a success story.

Catalysts

- **Significant catalysts abound:** ***(1)*** *The View and KMC, IGRD's hospitals and the subject of significant investor interest, are expected to begin operations in 4Q2022.* ***(2)*** *Al Maha's key attraction Doha Winter Wonderland is also expected to open around November and benefit from FIFA World Cup Qatar 2022 visitors, as well as the anticipated permanent boost of arrivals post-World Cup.* ***(3)*** *Upside potential related to the funding of healthcare and tourism divisions.* ***(4)*** *Announcements of high-margin products and business segments.*

Recommendation, Valuation and Risks

- **Recommendation and Valuation:** ***There is value to be had even after the strong share price performance since the reverse-merger announcement. We rate IGRD an Outperform with a 12-month target of QR2.900 using SOTP EBITDA Exit Multiple valuation; moreover, there are upside risks related to the new segments' funding, in our view.*** We like the new IGRD model with future growth geared toward higher-margin sectors of healthcare, tourism and services, which are set to more than offset the slowdown in construction and industries. These growth areas are supported by the macro backdrop where Qatar is striving to reach "advanced economy" status by 2030. This, along with the fact that IGRD's founders are very entrepreneurial, gives us confidence in the prospects of this emerging giant, with more product launches on the horizon.
- **Key risks: (1)** Execution risk **(2)** High base set by World Cup-related activities in traditional segments of the business **(3)** Conglomerate discount **(4)** Geopolitics **(5)** Global disease outbreak.

Key Financial Data and Estimates

Group	FY21e	FY22e	FY23e	FY24e
EPS (QR)	0.05	0.10	0.14	0.18
P/E (x)	45.86	22.65	15.82	12.72
EV/EBITDA (x)	33.13	16.50	12.17	10.18
DPS (QR)	-	-	0.06	0.07
DY (%)	0.0%	0.0%	2.5%	3.1%

Source: Company data, QNB FS Research; Note: All data based on current number of shares

Key Data

Current Market Price	QR2.226
Dividend Yield	0.00%
Bloomberg Ticker	IGRD QD
ADR/GDR Ticker	N/A
Reuters Ticker	IGRD.QA
ISIN	QA0006UVF886
Sector*	Industrials
52wk Share Price High	QR2.765
52wk Share Price Low	QR1.120
3-m Average Vol. ('mil)	16.6
Mkt. Cap. ($'bn/QR'bn)	2.1/7.6
Shares Outstanding (mn)	3,404.04
FO Limit* (%)	49.0
Current FO* (%)	0.8
1-Year Total Return (%)	63.2
Fiscal Year-End	December 31

Source: Bloomberg (as of August 10, 2022), *Qatar Exchange (as of August 9, 2022); Note: FO is foreign ownership

QNB FS Research
Research@qnbfs.com.qa

Saugata Sarkar, CFA, CAIA
+974 4476 6534
saugata.sarkar@qnbfs.com.qa

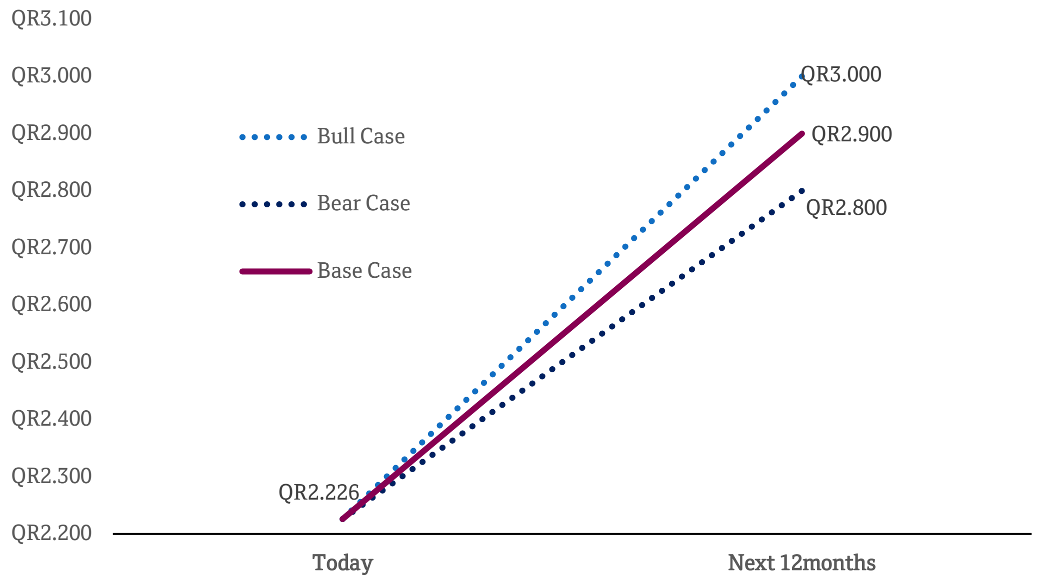
Valuation

- With the group boasting five distinct operations/segments in disparate sectors of the economy, we use the sum-of-the-parts (SOTP) technique to value Estithmar. **Consequently, in our base case we arrived at a 12M Target Price of QR2.900, which implies upside potential of 30.3%**.
- **We estimate that 45% of the value of the group emanates from the two new divisions, healthcare and tourism**. What's more, these segments have lower working capital needs, which combined with higher margins, bodes well for free cash flow generation and thus, group valuation.
- While execution risks cannot be over-emphasized, we see some upside to our growth estimates from new product launches. Furthermore, **Moutaz Al-Khayyat and Ramez Al-Khayyat, owners of Power International Holding, are major shareholders and board members in both Baladna and Estithmar and boast an impressive track record and business acumen, which minimizes execution risk.**
- **Synergies:** The integration of the two entities is likely to progress reasonably smoothly due to their pre-existing business relations. A substantial part of the old IGRD fits in with Estithmar's Contracting unit, with the remaining parts slotted into the Services segment. We, however, did not explicitly incorporate synergies in our valuation.
- **The diversified model lowers overall business risk, consequently reducing the WACC and driving up overall group valuation.**

Upside / Downside Risk Analysis

- **Healthcare and Tourism segments' funding size and structure are fundamental to unlocking more value:** Finer details of the capex quantum and funding structure will only be available when the group releases its maiden set of results (1H2022) since the reverse-merger**. However, from what we have gathered from management, IGRD's hospitals are primarily funded by leases, while the group owns tourism assets, partly financed by debt. Consequently, we hypothesize three scenarios, assuming equity funding is not dilutive:**
  (1) Base case scenario of 20% equity contribution or 4.0x leverage (D/E) – we also get the impression that this is reasonably conservative given our various discussions with management. Moreover, management indicated a high probability of upside risk on our base assumption.
  (2) Bull case assumes an equity contribution of 70% – captures the upside risk.
  (3) Bear case: both segments (healthcare and tourism) are funded entirely by debt – captures the downside risk.

Upside/Downside: Bull Case Promises 34.8% Upside vs 25.8% Upside For The Bear Case



Source: QNB FS Research

- Somewhat reassuring is that even the bear case points to considerable upside of 25.8%, from the current share price**. More importantly, all scenarios support a bullish rating.**

Model Assumptions

- **We value each division using both the Exit EBITDA Multiple (EEM) and DCF techniques. However, our valuation decision is based only on the former, as it combines the power of both DCF and relative (comparable/multiples) valuation methodologies. EEM methodology inherently gives more weight to comparables** and its main attraction is that market multiples are directly observable, which injects confidence in the valuation outcome given that the two new divisions driving the group valuation are not yet operational. Moreover, **management has been more forthcoming with EBITDA margin guidance. We are somewhat wary of WACC (in the case of the DCF model) as a major determinant of value considering the heightened uncertainty in global financial markets at the moment** and the consequent distorted cost of capital signals. Furthermore, small changes in WACC have a disproportionate impact on valuation. Comparatively, EEM is a stable model, small movements in multiples do not significantly upheave the valuation (see the accompanying sensitivity analyses below).
- **While DCF properly captures the unique features and competitive edge of an entity**, we feel we do not have enough and/or reliable data, specifically for the healthcare and tourism units, to model all DCF elements with high confidence.
- **For comparables, we have used trimmed mean of peers from the MEA region**, which are generally lower than the global average, implying that they are more conservative.
- **Notwithstanding execution risks, we see sizeable value emanating from margin expansion as healthcare and tourism units ramp up in the medium term.**
- **We also expect Estithmar to restart dividends in the medium-term,** once its cash buffers recover from the heavy investment cycle the group is currently going through – "old" IGRD last paid a dividend on 2018 profits.
- **Conglomerates, like IGRD, are generally priced by the market at a discount to their SOTP or NAV**. This discount is usually attributed to the additional layer of head-office costs. However, IGRD's traditional businesses are well integrated with clear synergistic linkages.

EEM Valuation Summary: Fair Value Attribution

Segment	Peer Multiple	Exit EBITDA	EV (QR'm)	Equity (QR'm)	FV per Share (QR)	% of Total
Healthcare	20.7	199.9	3,428.6	3,124.0	0.918	28.9%
Venture/Tourism	22.9	104.6	1,885.9	1,529.3	0.449	14.1%
Services	8.4	516.4	4,374.5	3,599.9	1.058	33.3%
Industries	8.7	53.6	324.9	162.8	0.048	1.5%
Contracting	14.2	194.3	2,320.3	2,180.0	0.640	20.2%
Cash				224.1	0.066	2.1%
Minorities				(4.7)	(0.001)	0.0%

Source: QNB FS Research

Group Model Summary

Group	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e
Revenue	**3,412.3**	**4,131.6**	**4,913.8**	**5,479.5**	**6,016.3**	**6,417.1**
EBITDA	**256.7**	**515.6**	**698.8**	**835.4**	**970.6**	**1,068.8**
Operating Profit	**209.2**	**461.9**	**624.6**	**752.5**	**878.8**	**967.9**
Tax	0.2	45.3	61.6	74.3	86.8	95.8
NOPAT	**209.0**	**415.7**	**562.1**	**677.2**	**790.9**	**871.1**
Add D&A	47.5	53.8	74.2	82.9	91.8	100.9
Less Capex	91.3	112.5	133.8	149.2	163.8	174.7
Less Working Capital Changes	19.7	273.4	130.0	92.4	87.2	63.6
FFCF	**145.6**	**83.5**	**372.5**	**518.6**	**631.8**	**733.7**
WACC		10.9%	10.6%	10.1%	10.1%	10.1%
Discount Factor		1.05	1.16	1.27	1.40	1.54
FFCF discounted		**79.3**	**320.3**	**407.4**	**450.9**	**476.1**
Sustainable Growth Rate	3.2%					

EBITDA Exit Multiple Valuation	
Terminal EBITDA (discounted)	714.1
EV/EBITDA weighted	13.2
Terminal Value	9,476.6
Sum of FCF PV	1,734.1
Implied Fair EV	**12,334.3**
Net Debt	1,514.3
Minorities	4.7
Equity Value	**9,733.8**
# outstanding shares ('m)	3,404.0
12M Target Share Price	**QR2.900**
Upside/ (downside)	**30.3%**

Source: QNB FS Research

Group Sensitivity Analysis

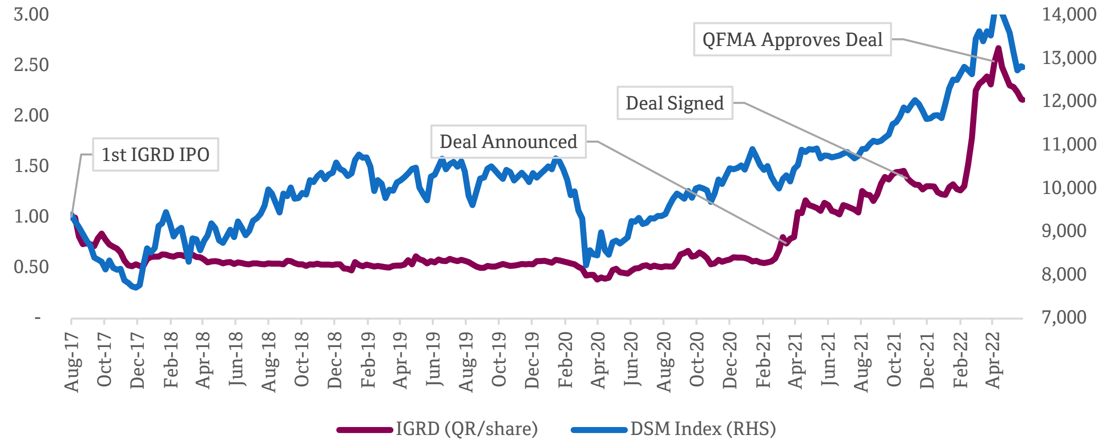
WACC	Equity Value at EBITDA Exit Multiple of: 10.5x	11.5x	13.2x	13.5x	14.5x
8.2%	8,749.8	9,579.4	10,423.7	11,282.6	12,156.2
9.2%	8,451.9	9,255.2	10,072.7	10,904.4	11,750.3
10.2%	8,163.9	8,942.0	9,733.8	10,539.4	11,358.7
11.2%	7,891.0	8,644.86	9,412.0	10,192.5	10,986.3
12.2%	7,626.9	8,357.5	9,101.0	9,857.4	10,626.6

WACC	FV per Share (QR) at EBITDA Exit Multiple of: 10.5x	11.5x	13.2x	13.5x	14.5x
8.2%	2.600	2.800	3.100	3.300	3.600
9.2%	2.500	2.700	3.000	3.200	3.500
10.2%	2.400	2.600	2.900	3.100	3.300
11.2%	2.300	2.500	2.800	3.000	3.200
12.2%	2.200	2.500	2.700	2.900	3.100

Source: QNB FS Research

- **The "old IGRD" had not done much since listing in 2017 but ran up hard since the Estithmar tie-up announcement last year and in the process capturing a part of the upside potential.**

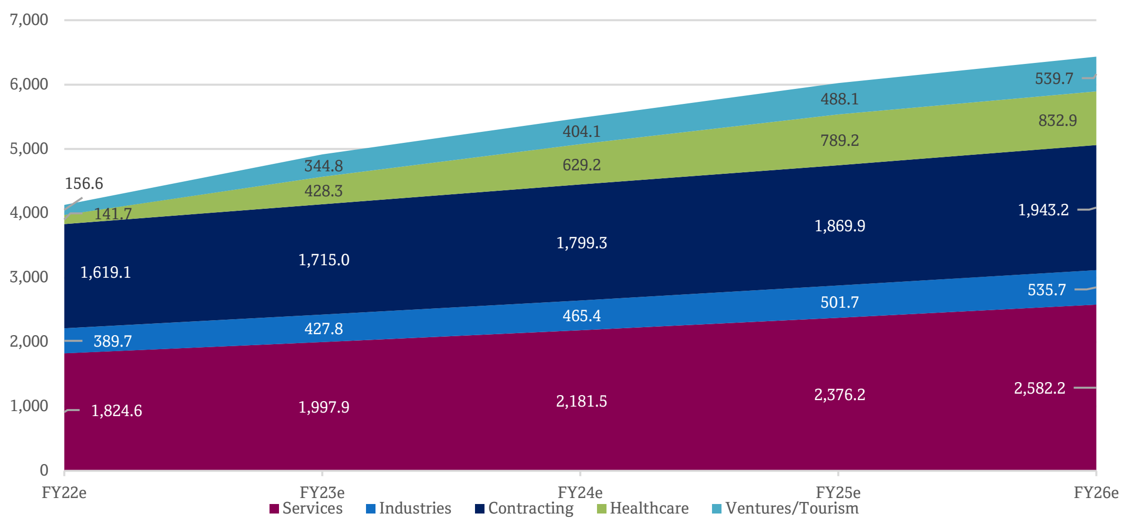
IGRD Share Price Evolution and Important Events



Source: Bloomberg, QNB FS Research

- **Group revenue and EBITDA are projected to grow at a CAGR of 13% and 33% respectively between 2021 and 2026**: We see the new segments, healthcare and tourism, contributing 21% toward group revenue – and 29% in EBITDA due to superior margins – in the medium term from zero in FY21.

Revenue Projections (QR'million)



Source: QNB FS Research

Expected Divisional Revenue Growth Rates

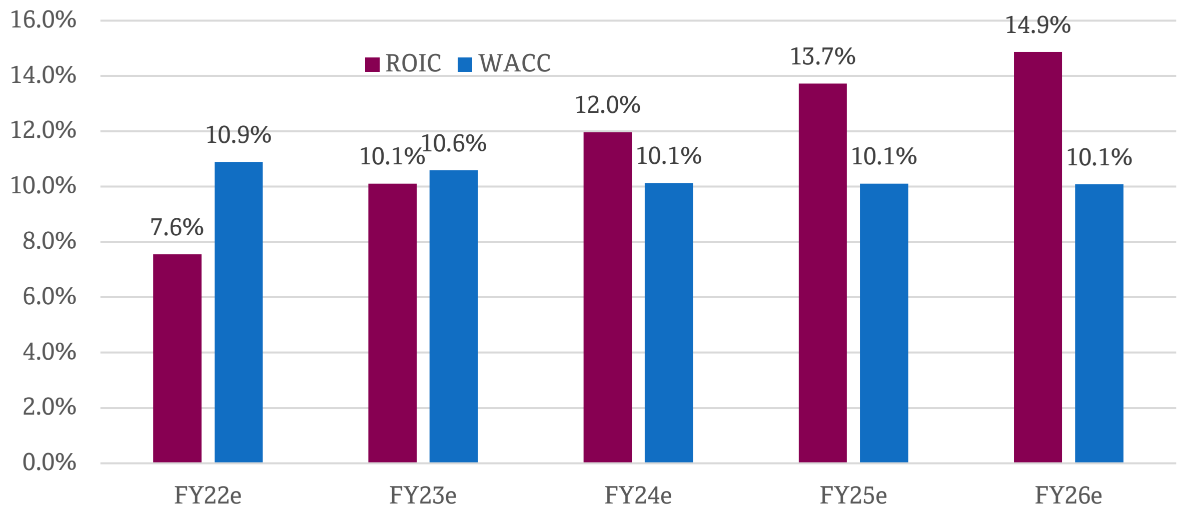
Segment	FY22e	FY23e	FY24e	FY25e	FY26e
Healthcare	N/A	202%	47%	25%	6%
Ventures/Tourism	N/A	120%	17%	21%	11%
Services	13%	10%	9%	9%	9%
Industries	45%	10%	9%	8%	7%
Contracting	39%	6%	5%	4%	4%

Source: QNB FS Research

Summary Group Investment Thesis

- **By combining five disparate sectors under one roof, management is creating a powerhouse that enjoys the best-of-both-worlds**. IGRD continues to take advantage of opportunities in the traditional productive sectors of the economy and simultaneously positions itself strategically in the new economy.
- **Broader economic exposure and diversity: The group is now more integrated with increased touchpoints within ecosystems and along value chains.** From predominantly exposed to the construction sector, Estithmar brings a broader and balanced exposure to various sectors of the economy including healthcare, tourism, consultancy & HR, management services, construction, basic materials and industrial products. The net effect is lowering the company's overall volatility/beta, consequently reducing risk and WACC, which drives up group valuation. **Consequently, we project ROIC that is significantly higher than WACC in the medium term – when the difference is >2ppts, the company is deemed to be improving shareholder value and should generally trade at a premium**.

ROIC > WACC By More Than 4ppts



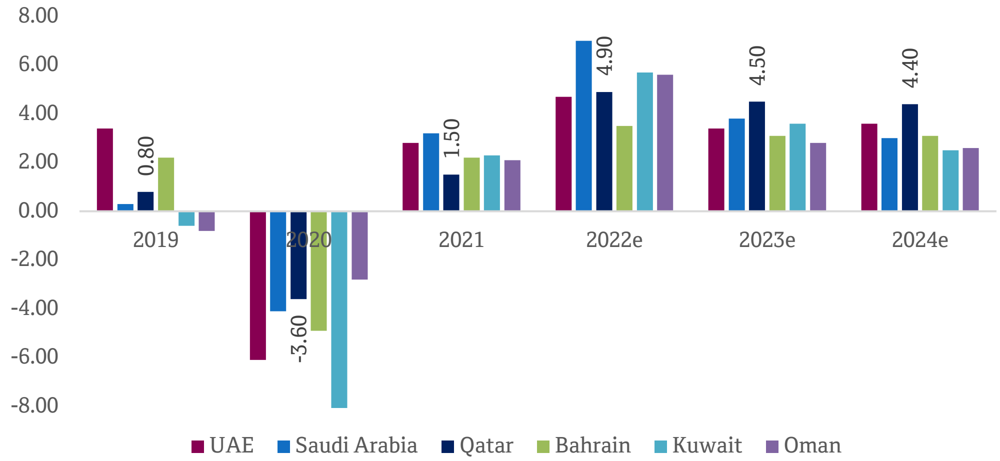
Source: Company data, QNB FS Research

- **Expect Elegancia's management to take over the reins as operationally, 90% of business now comes from Elegancia's group of companies. Estithmar has an agile management team with an impressive track record. We have confidence in the management's execution capability judging from how it turned Baladna into a success story**: Ramez Al Khayyat and Moutaz Al-Khayyat are major shareholders and board members in both Baladna and IGRD. The newer management & board are highly involved in the running of subsidiaries, specifically in business generation and margin expansion.
- **Estithmar brings high-margin businesses into the fold – healthcare & tourism (>15% in margins) and services (10-15% in margins) – that will significantly drive the company's value. Comparatively, old IGRD was largely a construction & industrial model which is an inherently low-margin business of between 5-10%.** Both healthcare and tourism sectors are well-positioned in the Qatari markets as the economy is transitioning to being service-driven. We estimate that by FY2026, high-margin segments will derive 61% (FY22e: 51%) of group revenue and 77% (FY22e: 61%) of group EBITDA.
- **One of Estithmar's prized features is its constant re-innovation.** Its overall strategy, thus product development, has been aligned with Qatar's vision of becoming an advanced economy by 2030, where services are becoming more important as the infrastructure-erection phase of the economy gives way to increased demand for services. Consequently, the business is transitioning towards more service-type products, pivoting from public to private consumers – targeting the growing and more skilled expatriate

population with higher purchasing power. **As such, we expect the launching of high-margin products and business segments in the future. Further to enhancing margin, they are not working capital-intensive which bodes well for higher FCF yield.**

- **The merger should lead to synergies, primarily in the contracting unit and, to some extent, in the services segment,** where there is considerable duplication.
- **With the new IGRD as a broader macroeconomic play, where both business and consumer confidence are at multi-year highs, driven by the World Cup hype and multi-year strong terms-of-trade, the outlook is encouraging.** The LNG project and policies related to Nation Vision 2030 will add more impetus. **The World Bank expects Qatar's economy to be a relative outperformer in the medium term, growing 4.9% (GCC: 5.9%) this year, moderating to 4.5% (GCC: 3.7%) next year and then stabilizing around 4.2% (GCC: 3.3%) in 2024**.

GDP Growth Outlook (%)



Source: World Bank

- **Directors hope to strike a strategic equity sell-down transaction – of the six percentage points of equity exceeding the regulatory threshold – to minimize adverse market impact.** On the effective date of the reverse-merger, Elegancia owners received 75.6% of equity in the new enlarged IGRD, while old IGRD shareholders were, respectively, diluted down. Now Elegancia owners, together with their related parties and BoD own 78.01% as of April 30, 2022. This ownership structure flaunts Article 34 of the QFMA M&A Rules which provides that every person who owns or wishes to own, alone or in concert with others, more than 75% of the capital of the relevant company must notify the QFMA and submit a compulsory offer to purchase all the outstanding shares of the capital of the company. To remedy this, the directors have a three months grace period in which to reduce their shareholding to less than 75%.

Divisional Analysis

Healthcare Segment: Revenue and EBITDA projected to grow at a CAGR of 56% and 160% Between 2022-2026

- **We expect this segment to be the biggest value driver for the group in the short- to medium-term.** At optimum capacity it should contribute around 13% of group revenue and 19% of EBITDA. **What's more, due to superior margins and relatively lower cost of capital, we expect healthcare to account for 20% of valuation.**
- **The sector is primed for growth. Qatar's healthcare expenditures stood at QR18.8bn ($5.2bn) in 2021, with QR5bn of this imported. This is where IGRD comes in – to localize the imported portion.** It is not a stretch to opine that, for the foreseeable future, growth for IGRD's healthcare unit will be limited by its bed capacity, given the relatively low bed capacity (more so in the private sector) and specialty services in the country. Furthermore, Qatar's healthcare expenditure is forecast to hit QR27bn ($7.4bn) by 2026. We assume IGRD will tap less than QR1bn or <4% of the Qatar healthcare market in the medium-term.

Healthcare Model Summary

Healthcare	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e
Revenue	-	**141.7**	**428.3**	**629.2**	**789.2**	**832.9**
EBITDA	-	**4.4**	**83.0**	**138.4**	**181.5**	**199.9**
Operating Profit	-	**0.1**	**72.4**	**127.3**	**169.7**	**187.4**
Tax	-	(0.9)	6.3	11.8	15.9	17.7
NOPAT	-	**0.1**	**65.1**	**114.6**	**152.7**	**168.7**
Add D&A	-	4.3	10.6	11.1	11.8	12.4
Less Capex	-	3.9	11.7	17.1	21.5	22.7
Less Working Capital Changes	-	18.6	37.8	26.5	21.1	5.8
FFCF	-	**(18.1)**	**26.3**	**82.1**	**121.9**	**152.7**
WACC	9.1%	10.2%	9.7%	9.3%	9.3%	9.3%
Discount Factor	0.96	1.05	1.15	1.25	1.37	1.49
FFCF discounted	-	**(17.3)**	**22.9**	**65.7**	**89.3**	**102.3**
Sustainable Growth Rate	3.6%					

EBITDA Exit Multiple Valuation	
Terminal EBITDA (discounted)	138.7
EV/EBITDA peer average	20.7
Terminal Value	2,873.8
Sum of FCF PV	263.0
Implied Fair EV	**3,428.6**
Debt	304.6
Equity Value	**3,124.0**

Source: QNB FS Research

- **IGRD's newly-minted defensive healthcare division is both multiple- and margin-enhancing. The segment has three distinct operations, offering over 8,000 premium tariffed services. Two premium hospitals that are tipped to launch in 4Q2022, with a combined total of 310 beds: The View and Korean Medical Centre (KMC) situated in affluent locations in the vicinity of Katara, The Pearl Qatar and Lusail. The third, EWS, is a 15-year management service contract with Qatar Military, guaranteeing recurring revenue**. Healthcare brings diversification and stability to more cyclical businesses, such as construction. The View and KMC offer significantly different services ensuring low levels of cannibalization as well as a wider product offering and market appeal.
- **The View is affiliated with US's Cedars Sinai Medical Center in Los Angeles: Its offerings include usually-treated-abroad specialties, such as oncology, cardiology, strokes and complex orthopedics**; as well as several trademark specialty services, such as Women's Health, Heart Health, Diabetes Care, Executive Health, Wellness (Weight Management & Bariatric Surgery) and Family Health. **Recently, Cedars-Sinai was ranked as the #2 hospital in the US and as #1 in California by US News & World Report.**
- **Set to open in 4Q2022, The View has a 101,000m^2 built-up area, 244 beds (ensuite rooms), three elegant presidential suites, six ambassador suites, three royal suites and 62 VIP suites**: The facility has 105 private ensuite inpatient rooms/beds, 26 deluxe rooms/beds, six labor, delivery and recovery rooms, 11 newborn intensive care units, 12 intensive care units and 10 operating rooms. It is located at the Al Qutaifiya area, in the vicinity of Lusail, Katara and The Pearl
- **KMC, with several Korean affiliations, focuses on integrative medicine for the body, mind and soul to promote health, wellness and well-being**. KMC's offerings include Plastic Surgery, Aesthetic & Dermatology, Assisted Reproductive Technology, Spine Treatment, Executive Health Screening, Primary Care Treatments, Vision Center (Ophthalmology), Dental Center and Traditional Korean Medicine.

Healthcare Sensitivity Analysis

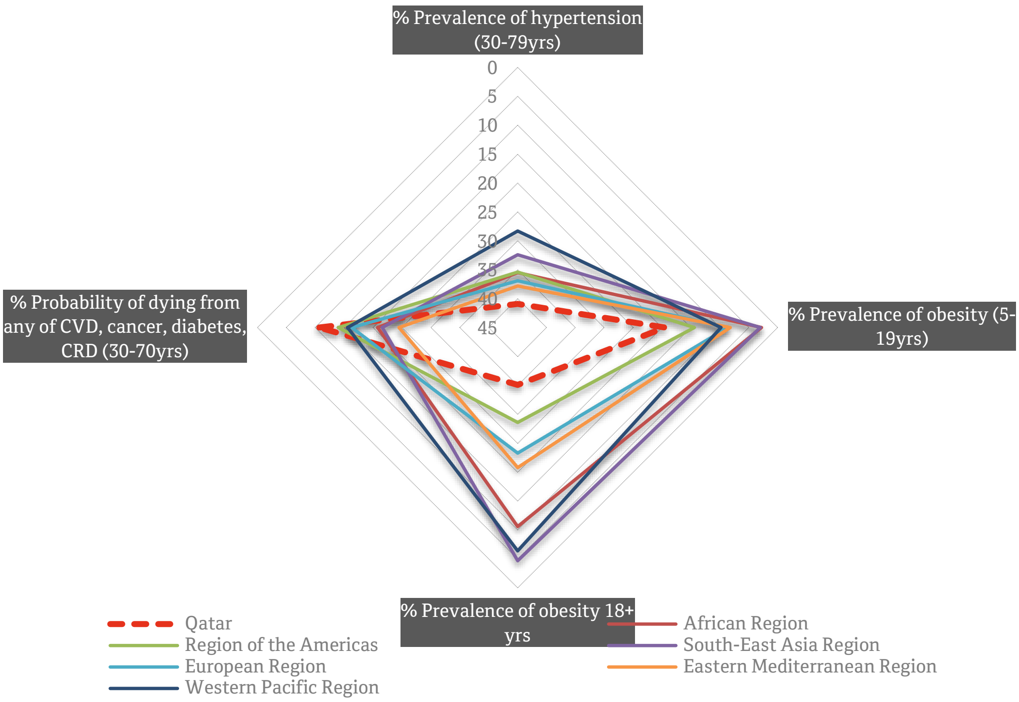
WACC	Equity Value at EBITDA Exit Multiple of: 18.7x	19.7x	20.7x	21.7x	22.7x
7.3%	2,966.4	3,155.8	**3,348.3**	3,544.0	3,742.8
8.3%	2,864.2	3,047.5	**3,233.9**	3,423.3	3,615.8
9.3%	**2,766.0**	**2,943.5**	**3,124.0**	**3,307.4**	**3,493.8**
10.3%	2,671.9	2,843.86	**3,018.7**	3,196.3	3,376.8
11.3%	2,581.4	2,748.0	**2,917.4**	3,089.6	3,264.4

WACC	FV per Share (QR) at EBITDA Exit Multiple of: 18.7x	19.7x	20.7x	21.7x	22.7x
7.3%	0.871	0.927	**0.984**	1.041	1.100
8.3%	0.841	0.895	**0.950**	1.006	1.062
9.3%	**0.813**	**0.865**	**0.918**	**0.972**	**1.026**
10.3%	0.785	0.835	**0.887**	0.939	0.992
11.3%	0.758	0.807	**0.857**	0.908	0.959

Source: QNB FS Research

- **On balance, Qatar's health/medical card is relatively poor**. Combined with relatively high income levels per capita, it augurs for a more advanced healthcare service provisioning, which puts IGRD's healthcare division in a sweet spot.

Qatar's Health Card Is Relatively Weak



Source: WHO, QNB FS Research

- **Private healthcare is underserved with only one private operator as the market is dominated by public hospitals, which lack a full range of services, compelling the government to import these missing services. Together, the two premium hospitals will tap the QAR5bn high-end market that Qatar imports in form of specialized and elective healthcare services. Government will likely view this positively as it reduces the import bill while simultaneously addressing certain aspects/aspirations of the National Vision 2030.** Moreover, the group has a rapport with the government, on the back of hospital management services and several catering contracts with various government entities. Similarly, KMC is meant to localize the GCC/Middle East plastic surgery market with about 20% of Korean plastic surgeries attributed to Middle Easterners. Furthermore, there is an opportunity of tapping the medical tourism market.
- **With its high-end offering, we do not see the segment significantly benefitting from the "new" Seha**, which focuses on basic medical cover. In the medium-term, when operations stabilize, The View is expected to see a footfall of about 100,000 patients per year. The View has a 60/40 inpatient/outpatient beds split, while KMC is predominantly day surgeries and/or outpatient.

Tourism Thesis: Revenue and EBITDA projected to grow at a CAGR of 36% and 83% between 2022-2026

- **We expect tourism to be one of the notable value drivers for the group in the short- to medium-term. At optimum capacity it should contribute around 8% of group revenue from zero currently and account for 15% of group value.**
- Most of the value in the short- to medium term will come from ramping up of capacity as it is a new business.

Tourism Model Summary

Venture/Tourism	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e
Revenue	**-**	**156.6**	**344.8**	**404.1**	**488.1**	**539.7**
EBITDA	**-**	**9.6**	**49.0**	**61.5**	**78.1**	**107.9**
Operating Profit	**-**	**3.6**	**36.9**	**49.2**	**65.5**	**95.1**
Tax	-	0.4	3.7	4.9	6.6	9.5
NOPAT	**-**	**3.2**	**33.2**	**44.2**	**59.0**	**85.6**
Add D&A	-	6.0	12.2	12.3	12.5	12.8
Less Capex	-	4.3	9.4	11.0	13.3	14.7
Less Working Capital Changes	-	20.6	24.8	7.8	11.1	6.8
FFCF	**-**	**(15.6)**	**11.2**	**37.7**	**47.2**	**76.9**
WACC	9.9%	10.8%	10.4%	10.0%	10.0%	10.0%
Discount Factor	0.95	1.05	1.16	1.27	1.40	1.54
FFCF discounted	**-**	**(14.8)**	**9.6**	**29.7**	**33.7**	**50.0**
Sustainable Growth Rate	3.3%					

EBITDA Exit Multiple Valuation	
Terminal EBITDA (discounted)	72.5
EV/EBITDA peer average	22.9
Terminal Value	1,657.6
Sum of FCF PV	108.3
Implied Fair EV	**1,943.2**
Debt	356.7
Equity Value	**1,586.5**

Source: QNB FS Research

- **IGRD's new tourism vertical recently announced several exciting projects and product launches that promise to be big revenue drivers for the group. The division's success is premised on a continued increase in visitor influx, with Qatar expecting tourist inflows to hit 6-million by 2030 from just over one million in 2021 – a CAGR of 10% since 2019.** Sporting is expected to distinguish Qatar from regional competitors, Saudi and the UAE. However, Saudi Arabia looks likely to be the main source of competition for Qatar, specifically when it comes to the more culturally-conscious Arab travelers.
- **IGRD's tourism division can be viewed through three distinct prisms: touristic destinations, hotels & resorts and hospitality & entertainment**. Its main product offering is the theme park, Al Maha Island, located in Lusail near Place Vendome mall, which is set to become a hotspot for Qatar tourism, attracting over 1.5-million visitors annually from the region and around the world. Within the park, there are distinct premium attractions geared to varied visitor archetypes including the Doha Winter Wonderland, run by IMG, which operates the Winter Wonderland in London's Hyde Park. Moreover, a restaurant precinct will bring world-class brands to Doha. Other developments include Katara Hills, Equestrian Club, The Palace and Aspire Zone.

Tourism Sensitivity Analysis

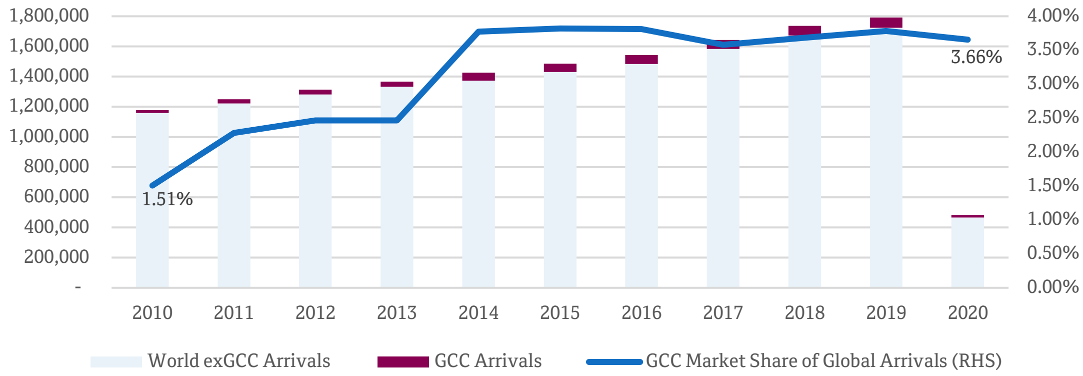
	Equity Value at EBITDA Exit Multiple of:				
WACC	20.9x	21.9x	22.9x	23.9x	24.9x
8.0%	1,509.5	1,611.0	**1,714.0**	1,818.8	1,925.1
9.0%	1,451.0	1,549.2	**1,648.99**	1,750.4	1,853.4
10.0%	**1,394.8**	**1,489.9**	**1,586.5**	**1,684.8**	**1,784.5**
11.0%	1,340.8	1,432.93	**1,526.6**	1,621.7	1,718.4
12.0%	1,288.9	1,378.2	**1,469.0**	1,561.2	1,654.9

	FV per Share (QR) at EBITDA Exit Multiple of:				
WACC	20.9x	21.9x	22.9x	23.9x	24.9x
8.0%	0.443	0.473	**0.504**	0.534	0.566
9.0%	0.426	0.455	**0.484**	0.514	0.544
10.0%	**0.410**	**0.438**	**0.466**	**0.495**	**0.524**
11.0%	0.394	0.421	**0.448**	0.476	0.505
12.0%	0.379	0.405	**0.432**	0.459	0.486

Source: QNB FS Research

- **A system-wide windfall is expected for Qatari businesses due to the World Cup, more so for tourism.** Berthold Trenkel, the chief operating officer of Qatar Tourism, is expecting more than one million visitors during the WC. This is a palatable estimate given that other editions have driven over five million tourists to host countries. There is some fortuity on the part of Qatar. The sporting event comes as the world is reopening following a devastating two years of COVID-19. The cabin fever of the past two years has gotten the better of most people, now willing to travel and recreate, now more so than usual. To support this growth, Qatar's hotel market's supply is set to exceed 44,000 rooms by the end of 2022, almost a 50% growth from 30,000 rooms in 2021.

Tourist Arrivals ('000)



Source: UNWTO, QNB FS Research

- **A subtle and more important vestigial effect of hosting the WC will be the sparking of sustained tourist flows to Qatar, with the government identifying 14 priority markets to keep tourist inflows after the mega sporting event**, including more sports offerings. While a sustained influx of tourists directly bodes well for IGRD's tourism unit, its premium hospitals might opportunely benefit through medical tourism. This means a lot rides on the successful hosting of the WC. Of course, new waves or variants of COVID-19 as well as the nascent threat of Monkeypox, remain on the radar as downside risks.
- **Over the years, Qatar Airways and Qatari international investments in sports have played a critical role in improving the image of Qatar internationally, which should bode well for tourism.** Anecdotally, Qatar Airway's reliability and its more socially-conscious stance as the world went into shutdown during COVID-19, is believed to have further boosted Qatar's image globally.

Services: Revenue and EBITDA are both projected to grow at a CAGR at 9% between 2022-2026

- **We expect services to contribute 40% of group revenue in FY2026 and account for 34% of group value.** While divisional revenue grew 61% in FY20 and an estimated 29% in FY21, we expect double-digit growth in FY22 as business confidence remains high in Qatar due to the World Cup and strong hydrocarbon prices. However, we expect activity to moderate to single-digit growth rate from next year due to base effects.
- **We do see its fat margins coming under competitive pressure in the medium-term.**

Services Model Summary

Services	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e
Revenue	**1,615.4**	**1,824.6**	**1,997.9**	**2,181.5**	**2,376.2**	**2,582.2**
EBITDA	**-**	**364.9**	**399.6**	**436.3**	**475.2**	**516.4**
Operating Profit	**-**	**339.7**	**369.9**	**402.1**	**436.5**	**473.1**
Tax	-	34.0	37.0	40.2	43.7	47.3
NOPAT	**-**	**305.7**	**332.9**	**361.9**	**392.9**	**425.8**
Add D&A	-	25.2	29.7	34.2	38.7	43.3
Less Capex	-	58.8	63.5	68.2	72.8	77.6
Less Working Capital Changes	-	111.5	32.5	28.5	28.2	26.7
FFCF	**-**	**160.7**	**266.6**	**299.4**	**330.6**	**364.8**
WACC	10.1%	11.0%	10.6%	10.3%	10.3%	10.3%
Discount Factor	0.95	1.05	1.16	1.28	1.41	1.55
FFCF discounted	**-**	**152.5**	**229.1**	**234.6**	**234.9**	**235.1**
Sustainable Growth Rate	3.1%					

EBITDA Exit Multiple Valuation	
Terminal EBITDA (discounted)	343.0
EV/EBITDA peer average	8.4
Terminal Value	2,881.3
Sum of FCF PV	1,086.2
Implied Fair EV	**4,374.4**
Debt	774.6
Equity Value	**3,599.8**

Source: QNB FS Research

- **The services division – given its support function to various sectors of the economy – is a general macro play with its exposure to various sectors and is likely to remain strong on the back of the robust Qatari economy that is tipped to outperform peers in the medium term as it ramps up its LNG output.** This is expected to act as a positive growth multiplier to both up and downstream industries.
- **Qatar's uniqueness presents labor or manpower provisioning as an attractive business opportunity. Its small population and the resultant difficulty of securing local labor create an addressable business need. Consequently, 40% of IGRD's Services segment revenue comes from human resourcing, mostly in contracting sectors**: It is involved in the whole ecosystem including recruiting (mostly internationally), training and placing. What's more, it doesn't look like the local labor supply will fill this gap anytime soon.
- Within the Services unit, the other major revenue drivers are catering/hospitality (30%) and facilities management (25%), with the balance coming primarily from events management and gabbro logistics.
- **Facilities Management market in Qatar is expected to grow at a 17.3% CAGR between 2021 and 2030 from \$5.28bn to \$22.3bn,** driven by increasing infrastructure development, expanding tourism and growing private market (P&S Intelligence, 2022).

Services Sensitivity Analysis

	Equity Value at EBITDA Exit Multiple of:				
WACC	6.4x	7.4x	8.4x	9.4x	10.4x
8.3%	2,992.6	3,417.0	**3,849.1**	4,289.1	4,736.9
9.3%	2,893.5	3,304.4	**3,722.90**	4,149.0	4,582.6
10.3%	**2,796.4**	**3,194.4**	**3,599.8**	**4,012.5**	**4,432.5**
11.3%	2,706.8	3,092.38	**3,485.1**	3,885.0	4,291.9
12.3%	2,618.7	2,992.5	**3,373.1**	3,760.6	4,155.0

	FV per Share (QR) at EBITDA Exit Multiple of:				
WACC	6.4x	7.4x	8.4x	9.4x	10.4x
8.3%	0.879	1.004	**1.131**	1.260	1.392
9.3%	0.850	0.971	**1.094**	1.219	1.346
10.3%	**0.822**	**0.938**	**1.058**	**1.179**	**1.302**
11.3%	0.795	0.908	**1.024**	1.141	1.261
12.3%	0.769	0.879	**0.991**	1.105	1.221

Source: QNB FS Research

Contracting: Revenue and EBITDA projected to grow at a CAGR of 5% and 14% between 2022-2026

- **We expect the contracting unit to contribute 30% of group revenue in FY26 down from an estimated 39% in FY22 and account for 21% of valuation.** While divisional revenue grew 41% in FY20 and an estimated 32% in FY21, it is expected to moderate in FY22, growing 6%. Qatari construction sector grew CAGR of 12% (nominal) between 2011 and 2021.
- **We estimate that IGRD's contacting revenues represented just over 1% of the Qatari construction market by end of 2021.**

Contracting Model Summary

Contracting	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e
Revenue	**1,528.6**	**1,619.1**	**1,715.0**	**1,799.3**	**1,869.9**	**1,943.2**
EBITDA	**-**	**113.3**	**137.2**	**161.9**	**187.0**	**194.3**
Operating Profit	**-**	**104.6**	**126.7**	**149.6**	**172.9**	**178.4**
Tax	-	10.5	12.7	15.0	17.3	17.8
NOPAT	**-**	**94.2**	**114.0**	**134.7**	**155.6**	**160.5**
Add D&A	-	8.7	10.5	12.3	14.1	16.0
Less Capex	-	23.1	25.0	26.8	28.7	30.6
Less Working Capital Changes	-	98.9	27.9	23.5	22.2	20.1
FFCF	**-**	**(19.2)**	**71.6**	**96.6**	**118.9**	**125.9**
WACC	10.3%	11.3%	10.9%	10.5%	10.5%	10.5%
Discount Factor	0.95	1.05	1.17	1.28	1.42	1.57
FFCF discounted	**-**	**(18.2)**	**61.3**	**75.3**	**83.8**	**80.4**
Sustainable Growth Rate	3.1%					

EBITDA Exit Multiple Valuation	
Terminal EBITDA (discounted)	127.8
EV/EBITDA peer average	14.2
Terminal Value	1,817.3
Sum of FCF PV	282.7
Implied Fair EV	**2,320.2**
Debt	140.4
Equity Value	**2,179.9**

Source: QNB FS Research

- **With WC construction-related activity coming to an end, it is not the end of the road for contractors. The expanding LNG, green hydrogen sectors plus the potential for exports present huge growth opportunities.** Furthermore, the end of WC-related work simply means a shift in focus to projects in line with the Nation Vision 2030 as more still needs to be done to achieve stated goals. The group's order book remains robust, with QR1bn worth of orders over the next 12 months.
- **Construction has legs to run as projects pivot from World Cup-related to Nation Vision 2030-related. The strong ToT being enjoyed by Qatar will ensure sustained government appetite to maintain decent infrastructure spend.** Overall, the sector's growth should moderate in the medium-term.
- **The construction division is introducing modular construction, in line with the government's objective of attracting more skilled labor to the country**. Modular construction can potentially reduce labor costs by up to 50% as well as save time. Additionally, there is scope to export modular construction products to Saudi Arabia, in the near term, which has a ballooning need for the technology to meet its growing infrastructure needs. Saudi Arabia states it needs between 15 to 20 modular construction factories, up from the three it has now, amid its much-hyped giga projects such as Neom. Consequently, IGRD see exports making 70% of the divisional sales in the medium-term.

Contracting Sensitivity Analysis

	Equity Value at EBITDA Exit Multiple of:				
WACC	12.2x	13.2x	14.2x	15.2x	16.2x
8.5%	1,989.2	2,156.2	**2,326.0**	2,498.9	2,674.6
9.5%	1,925.4	2,087.1	**2,251.63**	2,419.0	2,589.2
10.5%	**1,863.9**	**2,020.5**	**2,179.9**	**2,342.0**	**2,506.8**
11.5%	1,805.3	1,957.08	**2,111.5**	2,268.6	2,428.3
12.5%	1,748.7	1,895.8	**2,045.5**	2,197.7	2,352.6

	FV per Share (QR) at EBITDA Exit Multiple of:				
WACC	12.2x	13.2x	14.2x	15.2x	16.2x
8.5%	0.584	0.633	**0.683**	0.734	0.786
9.5%	0.566	0.613	**0.661**	0.711	0.761
10.5%	**0.548**	**0.594**	**0.640**	**0.688**	**0.736**
11.5%	0.530	0.575	**0.620**	0.666	0.713
12.5%	0.514	0.557	**0.601**	0.646	0.691

Source: QNB FS Research

Industries: Revenue and EBITDA projected to grow at a CAGR of 8% and 23% between 2022-2026

- **We expect the industries segment to contribute 8% of group revenue in FY26 down from an estimated 9% in FY22 and account for 2% of group value.** While divisional revenue grew 15% in FY20, it declined an estimated 16% in FY21. We however expect some recovery in FY22 given the segment's close linkages with construction and manufacturing activity, benefiting from high business confidence levels. Qatar's PMI has been teetering at historical highs for the past several months as companies race to complete their World Cup-related projects. Consequently, activity could slow down from next year due to base effects.

Industries Model Summary

Industries	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e
Revenue	**268.3**	**389.7**	**427.8**	**465.4**	**501.7**	**535.7**
EBITDA	**-**	**23.4**	**29.9**	**37.2**	**50.2**	**53.6**
Operating Profit	**-**	**13.9**	**18.8**	**24.3**	**35.5**	**37.2**
Tax	-	1.4	1.9	2.4	3.6	3.7
NOPAT	**-**	**12.5**	**16.9**	**21.9**	**32.0**	**33.4**
Add D&A	-	9.5	11.2	12.9	14.7	16.4
Less Capex	-	22.4	24.2	26.0	27.8	29.6
Less Working Capital Changes	-	23.8	7.0	6.1	5.9	5.5
FFCF	**-**	**(24.2)**	**(3.1)**	**2.7**	**12.9**	**14.7**
WACC	11.0%	12.0%	11.6%	11.2%	11.2%	11.2%
Discount Factor	0.95	1.06	1.18	1.30	1.45	1.61
FFCF discounted	**-**	**(22.9)**	**(2.6)**	**2.1**	**8.9**	**9.1**
Sustainable Growth Rate	3.1%					

EBITDA Exit Multiple Valuation	
Terminal EBITDA (discounted)	34.3
EV/EBITDA peer average	8.7
Terminal Value	297.7
Sum of FCF PV	(5.4)
Implied Fair EV	**324.9**
Debt	162.1
Equity Value	**162.8**

Source: QNB FS Research

- **Industries, like contracting, is expected to indirectly benefit from the LNG expansion project through the multiplier effect that the project will have to the economy in the medium-term**. Qatar's LNG output of 77 MTPA in 2021 is expected to hit 110 MTPA in 2025m, increasing further to 126 MTPA by 2027. This is a CAGR of 8.6% in six years.
- However, we do want to point out that this division has a disproportionately high level of assets and debt relative to its revenue generation. In our view, its low margins do not justify this allocation.

Industries Sensitivity Analysis

	Equity Value at EBITDA Exit Multiple of:				
WACC	6.7x	7.7x	8.7x	9.7x	10.7x
9.2%	99.31	142.2	185.8	230.2	275.4
10.2%	90.2	131.7	173.99	217.0	260.8
11.2%	81.6	121.8	162.8	204.5	246.9
12.2%	73.2	112.12	151.8	192.2	233.3
13.2%	65.1	102.9	141.3	180.5	220.4

	FV per Share (QR) at EBITDA Exit Multiple of:				
WACC	6.7x	7.7x	8.7x	9.7x	10.7x
9.2%	0.029	0.042	0.055	0.068	0.081
10.2%	0.027	0.039	0.051	0.064	0.077
11.2%	0.024	0.036	0.048	0.060	0.073
12.2%	0.021	0.033	0.045	0.056	0.069
13.2%	0.019	0.030	0.042	0.053	0.065

Source: QNB FS Research

Group Condensed Financial Statements & Forecasts

Income Statement (QR'million)

Group	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e
Revenue	**3,412.3**	**4,131.6**	**4,913.8**	**5,479.5**	**6,016.3**	**6,417.1**
Gross Profit	**328.3**	**813.0**	**1,018.7**	**1,163.3**	**1,300.1**	**1,393.2**
EBITDA	**256.7**	**515.6**	**698.8**	**835.4**	**970.6**	**1,068.8**
Operating Profit	**209.2**	**445.3**	**611.2**	**741.7**	**870.1**	**961.0**
Finance costs	42.8	73.1	78.4	78.7	79.1	79.6
Tax	0.2	37.2	53.3	66.3	79.1	88.1
Net Profit	**166.2**	**335.0**	**479.5**	**596.7**	**711.8**	**793.3**
EPS	**0.05**	**0.10**	**0.14**	**0.18**	**0.21**	**0.23**
DPS	**-**	**-**	**-**	**0.07**	**0.08**	**0.09**

Source: Company data, QNB FS Research

Balance Sheet (QR'million)

Group	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e
Property, Plant & Equipment	189.3	892.7	945.9	1,004.8	1,068.7	1,134.4
Investment properties	90.4	73.6	59.9	48.7	39.7	32.3
Intangibles	9.6	11.1	12.8	14.8	16.9	19.1
Goodwill	3,247.4	3,247.4	3,247.4	3,247.4	3,247.4	3,247.4
Right-of-use assets	46.8	49.9	54.5	60.0	65.9	71.9
Financial assets @ FVTPL	31.0	31.0	31.0	31.0	31.0	31.0
Non-current assets	**3,614.6**	**4,305.7**	**4,351.6**	**4,406.7**	**4,469.6**	**4,536.0**
Inventories	437.5	461.1	527.7	579.2	628.6	669.6
Accounts receivable and other debit balances	1,877.6	2,150.7	2,385.9	2,590.2	2,788.8	2,973.4
Contract assets	1,051.6	1,051.6	1,051.6	1,051.6	1,051.6	1,051.6
Cash and bank balances	193.1	116.3	450.3	882.8	1,401.5	2,011.6
Current assets	**3,559.8**	**3,779.7**	**4,415.4**	**5,103.8**	**5,870.5**	**6,706.1**
TOTAL ASSETS	**7,174.4**	**8,085.4**	**8,767.0**	**9,510.6**	**10,340.1**	**11,242.1**
Capital	3,404.0	3,404.0	3,404.0	3,404.0	3,404.0	3,404.0
Legal reserve	50.1	50.1	50.1	50.1	50.1	50.1
Other reserve	3.9	3.9	3.9	3.9	3.9	3.9
Retained earnings	479.8	814.4	1,251.3	1,794.8	2,443.2	3,165.8
Common Equity	**3,938.0**	**4,272.5**	**4,709.4**	**5,252.9**	**5,901.3**	**6,623.9**
Non-controlling interests	4.7	5.1	5.7	6.4	7.2	8.2
Total shareholders' equity	**3,942.6**	**4,277.6**	**4,715.0**	**5,259.3**	**5,908.6**	**6,632.1**
Provision or employeess' end of service benefits	97.1	120.0	145.5	165.5	168.8	172.2
Interest bearing loans and borrowings-LT	643.4	959.4	959.4	959.4	959.4	959.4
Loans from related parties	27.8	27.8	27.8	27.8	27.8	27.8
Lease liabilities-LT	35.6	37.9	41.4	45.6	50.1	54.6
Non-current liabilities	**803.9**	**1,145.0**	**1,174.2**	**1,198.3**	**1,206.1**	**1,214.0**
Accounts payable and other credit balances	1,980.2	2,003.5	2,175.3	2,338.8	2,499.6	2,661.5
Interest bearing loans and borrowings-ST	422.6	630.2	630.2	630.2	630.2	630.2
Lease liabilities-ST	11.8	12.6	13.8	15.1	16.6	18.1
Dividend payable	2.1	-	42.1	52.4	62.5	69.7
Bank overdraft	11.1	16.5	16.5	16.5	16.5	16.5
Current liabilities	**2,427.8**	**2,662.7**	**2,877.8**	**3,053.0**	**3,225.5**	**3,396.0**
Total liabilities	**3,231.8**	**3,807.8**	**4,052.0**	**4,251.3**	**4,431.6**	**4,610.0**
EQUITY & LIABILITIES	**7,174.4**	**8,085.4**	**8,767.0**	**9,510.6**	**10,340.1**	**11,242.1**

Source: Company data, QNB FS Research

Cash Flow Statement (QR'million)

Group	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e
Cash generated from operating activities	**230.6**	**159.9**	**470.2**	**635.2**	**763.5**	**876.8**
Net cash generated from operating activities	208.8	182.7	495.8	655.2	766.8	880.2
Net cash used in investing activities	(284.4)	(759.1)	(116.3)	(129.7)	(142.4)	(151.9)
Net cash generated from finacing activities	227.1	513.3	(14.7)	(57.9)	(69.3)	(80.5)
Changes in cash	**151.4**	**(63.1)**	**364.8**	**467.6**	**555.1**	**647.8**

Source: Company data, QNB FS Research

Key Ratios

Group	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e
PE Ratio	45.9	22.6	15.8	12.7	10.7	9.6
PEG Ratio	N/A	0.2	0.4	0.5	0.6	0.8
P/CF	7.2	10.4	3.5	2.6	2.2	1.9
P/BV	0.42	0.39	0.35	0.32	0.28	0.25
Debt-Equity Ratio	29%	39%	36%	32%	29%	26%
Net Debt/Equity	24%	36%	26%	15%	5%	-5%
Net Debt-to-Capital	20%	29%	21%	12%	4%	-4%
Net Debt/EBITDA	3.6	3.0	1.7	0.9	0.3	(0.3)
Interest Coverage	4.9	6.1	7.8	9.4	11.0	12.1
EV/EBITDA	33.1	16.5	12.2	10.2	8.8	8.0
EV/Sales	2.5	2.1	1.7	1.6	1.4	1.3
EV/EBIT	40.7	19.1	13.9	11.5	9.8	8.9
ROIC	4.1%	7.6%	10.1%	12.0%	13.7%	14.8%
WACC	8.3%	10.9%	10.6%	10.1%	10.1%	10.1%
ROE	4.2%	7.8%	10.2%	11.3%	12.0%	12.0%
ROA	2.3%	4.1%	5.5%	6.3%	6.9%	7.0%
FCF Yield	1.6%	1.0%	4.8%	6.8%	8.1%	9.4%
Dividend Yield	0.0%	0.0%	2.5%	3.1%	3.8%	4.2%
Current Ratio	1.5	1.4	1.5	1.7	1.8	2.0
Quick Ratio	1.3	1.2	1.4	1.5	1.6	1.8
Inventory Days	52	51	49	49	49	49
Average Collection Period	201	190	177	173	169	169
Payable Days	234	220	204	198	193	193

Source: Company data, QNB FS Research

Company Background

On April 11, 2022, Investment Holding Group (IGRD), as it was known then, acquired Elegancia Group Holding W.L.L. (formerly known as Elegancia Group Administrative Consultancy W.L.L.) and its subsidiaries through a reverse-acquisition transaction. On 9 May 2022, IGRD reverse-listed Elegancia Group on the QSE through a share swap deal. The swap ratio was set at 3.101025 for Elegancia shareholders for every IGRD share in issue, translating to ownership of 75.6% to 24.4% of the combined entity in favor of Elegancia shareholders.

Shortly after the reverse-merger, IGRD was renamed Estithmar Holding from Investment Holding Group. The new IGRD houses both the "old IGRD" and the "old Elegancia Group", which operated as a private company for several years before the merger. The combined entity has c.40 operating entities, organized into five segments:

Source: Company data

On a combined basis, the pro-forma unaudited abridged income statement for the six months ended 30 June 2021, show total revenue of QR 1,680.1mn at a net profit margin of 11.7%, with respective contributions from the two entities as follows:

IHG – Pro-forma – 6 months to 30 June 2021			*(QAR millions)*
	Revenue	**NP**	**NPM**
IHG	160.0	12.5	**8.0%**
Elegancia	1,520.1	183.9	**12.1%**
Total Combined	**1,680.1**	**196.4**	**11.7%**

Source: Company data

Similarly, the abridged balance sheet is as follows:

IHG – Pro-forma – 6 months to 30 June 2021			*(QAR millions)*
Return on Assets	**NP**	**Total Assets**	**ROA**
IHG	12.5	848.3	**1.47%**
Elegancia	183.9	572.3	**32.13%**
Combined ROA	**196.4**	**3,975.6**	***4.94%***

IHG – Pro-forma - 6 months to 30 June 2021			*(QAR millions)*
Return On Equity	**NP**	**Total Equity**	**ROE**
IHG	12.5	830.0	**3.0%**
Elegancia	183.9	10.0	**3,678%**
Pro-forma Adjustments	-	**2,564.0**	
Combined ROE	**196.4**	**3,404.0**	**11.5%**

Source: Company data

Services: This segment is a provider of facilities management, catering, resources and material supply services. Businesses in this division are mature and have been in existence on average for around 8 years, experiencing significant growth over that period to become the largest division within IGRD. This cluster has booked orders of QR5.9bn as of 30 June 2021, predominantly from its facility management and catering business when they enter into longer-term contracts with their clients, while gabbro and manpower hires tend to be more for meeting market demand. This includes a catering contract for Qatar Armed Forces that has a further 11 years or so to run under a design, build, operate and transfer framework.

Major clients continue to be Qatar Armed Forces, Msheireb Properties, Ministry of Education and Higher Education, Ministry of Interior, Ministry of Culture and Sport and UCC (Urbacon Trading & Contracting).

Contracting: This segment consists of Grade A MEP and landscape contracting, offshore marine and logistics services. The businesses in this division have been in operation between 7 and 10 years. The value of secured contracts as of 1H2022 was QR1.0bn.

Major clients are UCC, Private Affairs Office, Ashghal, Al Jaber and Promar Marine Contracting.

Industries: Comprise of businesses that provide a comprehensive range of steel, joinery and stone works. All steel businesses have been in operation now for over 7 years, while the joinery and stone business for around 10 years. The value of secured contracts as of 1H2021 was QR267.3mn or approximately 12 months of revenue based on the company's 1H2021 revenue run rate.

Major clients are UCC, BK Gulf and Al Jaber.

Healthcare: This segment is in its establishment phase with the construction and fit-out of two medical facilities that are affiliated with renowned international partners. The View Hospital and the Korean Medical Center are both expected to commence operations in 4Q2022. In addition, start-up of a public-private partnership with a government entity commenced in early 2022.

The offerings are high-end premium services targeting the affluent local and international markets.

Ventures/Tourism: This segment's main offering is a theme park, Al Maha Island, located in Lusail near the Place Vendome mall. This theme park is set to become a hotspot for Qatar tourism, attracting over 1.5-million visitors annually from the region and around the world. Within the park, there are distinct premium attractions geared to varied visitors, including the Doha Winter Wonderland, run by IMG, which also operates the Winter Wonderland in London's Hyde Park. Moreover, a restaurant precinct will bring top-of the-line international restaurant brands to Doha. Other developments include Katara Hills, Equestrian Club, The Palace and Aspire Zone.

Management Team

Source: Company data

Shareholding Structure

Shareholder	Notes	Designation	No. of Shares	% Holding
Mr. Mohamad Moataz Mohamad Al-Khayat	Estithmar Insiders	Chairman	986,234,063	29.0%
Mr. Ramez Mohamad Al-Khayat		Vice Chairman	995,781,808	29.3%
Mr. Khalid Ghanim Sultan Al Hodaifi Al Kuwari		Board Member	7,666,120	0.2%
Mr. Hamad Ghanim Sultan Al Hodaifi Al Kuwari		Board Member	8,092,020	0.2%
Mr. Mohammed Ghanim Al Hodaifi Al Kuwari		Board Member	101,306	0.003%
Mr. Mohamd Mohamad Sadiq Al-Dawamaneh (Highness Holding Company)		Board Member	14,250,000	0.42%
Mr. Eyad Ihsan Abdel Rahim (Urbacon Trading and Contracting Company)		Board Member	643,509,375	18.9%
Mr. Sheik Suhaim Bin Abdul Aziz Al Thani		Board Member -- ind.	0	0.0%
Mr. Adbulla Darwish Al Darwish		Board Member -- ind.	0	0.0%
Dr. Bothaina Al Ansari		Board Member -- ind.	0	0.0%
Mr. Ibrahim Abdulla Al-Abdulla		Board Member -- ind.	0	0.0%
Other shareholders			748,402,808	22.0%
		Total	3,404,037,500	100.0%

Source: Company data, 30 April 2022

Appendix

Main Macro Themes: Healthcare & Tourism

We see increasing revenue contribution from higher-margin businesses driving incremental value in the short-to-medium-term: Revenue contribution from healthcare and tourism should grow from nil in FY21 to 13% and 8% in FY26, respectively. This section shows that strong macro tailwinds support growth in these two sectors: **(1) population growth and aging (2) sedentary lifestyles (3) a nascent private sector and low base effects (4) supportive government policy including diversifying the economy from gas (5) World Cup hosting and its vestigial benefits.**

Healthcare markets are generally highly penetrated and volume growth is highly linked to population growth, which by nature is pedestrian, but the sector's defensive properties during normal business cycles improves its appeal. Interestingly, Qatar's unique healthcare sector profile does not neatly fit this narration as it has distinctly unique drivers. Growth in patient volumes will not only come from its expected above-average population growth in the medium to long term but from growing demand of more complex acuity services that have high-margins as the population's average age increases and sedentary lifestyles take a toll. Medical tourism is also expected to play a hand in increasing patient numbers. To take advantage of this evolution, IGRD is investing in new hospitals with renowned international affiliations. At optimum capacity, IGRD expects to handle a footfall of 100,000 patients annually. While regulation risk has increased globally, in Qatar we see positive regulatory developments to support the growth of the private sector as the government unburdens its finances. Furthermore, favorable income level trends should be a tailwind.

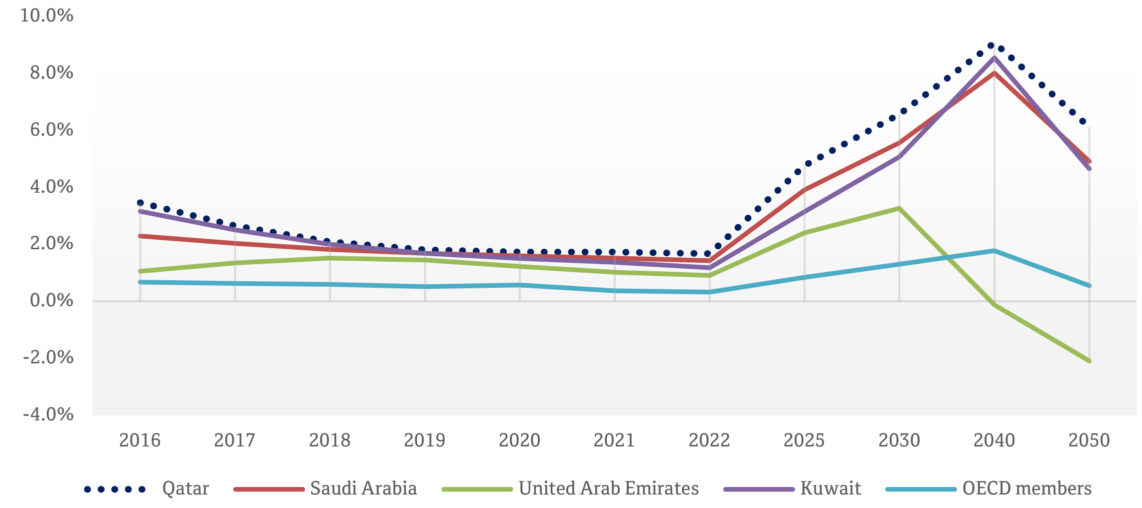
Qatar's ***tourism*** is at a sweet spot. Base effects and enabling government policy are likely to see tourism becoming a significant contributor to Qatar's economy as there is a deliberate move by government to diversify the economy away from hydrocarbons. The share of global arrivals for the GCC and specifically for Qatar are relatively low. Hosting the World Cup is tipped to be a catalyst for sustained tourism growth in the country, with arrivals expected to hit six million annually by 2030 from around 2.1mn in 2019. Consequently, tourism is expected to contribute 12% of GDP by 2030 from 3.5% in 2019, translating to double-digit CAGR over the same period. Qatar's total visitor arrivals for the first half of 2022 has already overtaken the total visitor arrivals for the entire year 2021, increasing by 18.7% for the first half of 2022 to reach 725,376 as compared with 610,922 total visitor arrivals for the entire 2021. By developing the tourism business, IGRD is well-placed to tap this gold mine opportunity.

In this next section we explore some of the key statistics for healthcare and tourism sectors:

Healthcare

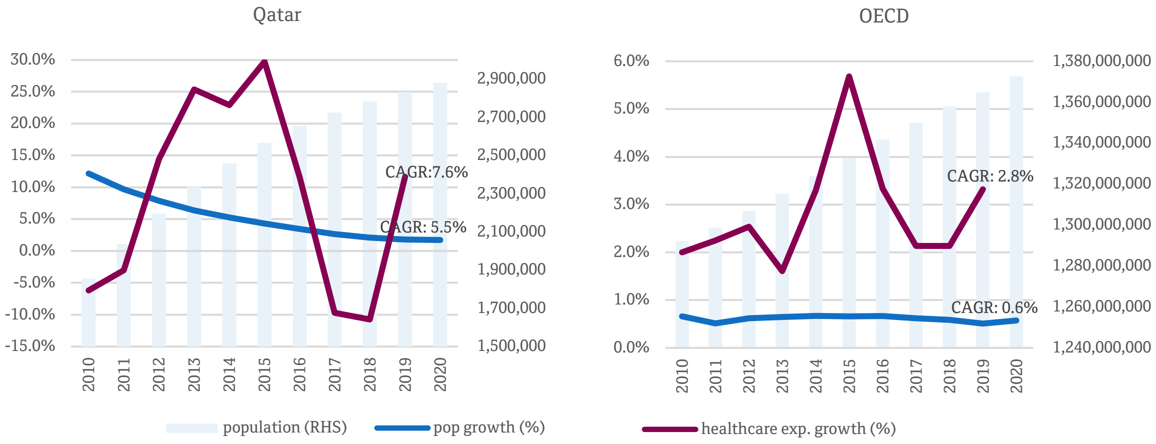
- **Expected above-average population growth for the foreseeable future should be a major driver of the consumption of healthcare services in Qatar.** Over longer-time horizons, healthcare expenditure growth rate is positively correlated with population growth and is more elastic with respect to the rising average population age and/or the deteriorating health profile of the population. However, the path for healthcare expenditure is not as smooth mainly due to public policy interventions. Qatar's healthcare expenditure metrics (below) show the palpable influence of policy trials-and-errors. This is not unique to Qatar but is a global phenomenon as authorities grapple with ballooning healthcare costs – recent examples include the UAE and Switzerland.
- **With an inherently small population, the move by the Qatari government to advance the economy and attract highly-skilled labor bodes well for patient numbers as well as buying power**. Most of this "above-average" growth in population is expected to emanate from expatriates. At the end 2020, Qatar's population was 2.88mn with males accounting for 75%, which is largely attributed to the gender profile of the expat population (World Bank).

Population Growth Rate



Source: World Bank

Population And Healthcare Growth



Source: World Bank

- **MCGS, the only listed healthcare provider, has enjoyed some positive co-movement of its revenue with changes in Qatar's healthcare expenditure**. Qatar's healthcare expenditure has seen a CAGR of 7.6% between 2009 and 2019, while MCGS has experienced a CAGR of 7.1% over the same period. In both instances, growth has been higher than the 5.5% implied by population growth. Meanwhile, there is a government healthcare expenditure forecast of [1]5.8% annually between 2016 and 2026.

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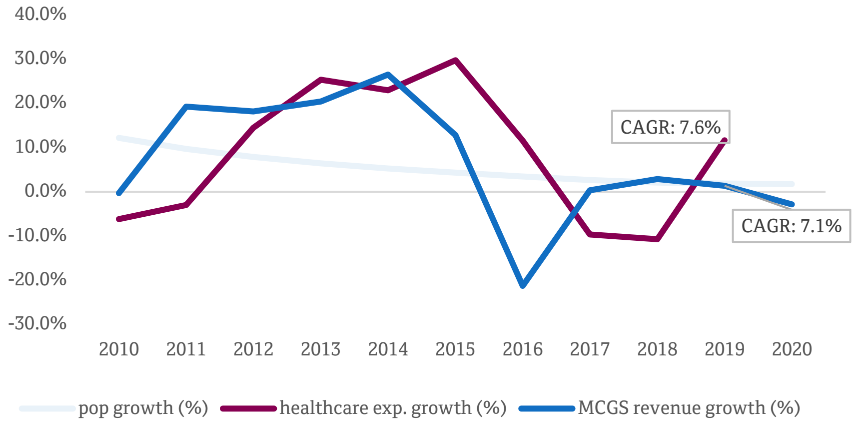
[1]Qatar's healthcare system has benefited from largescale investments with spending forecast to grow from USD $4.2bn in 2016 to USD $7.4bn in 2026, representing a 10-year compound annual growth rate of 5.8%. (https://qfz.gov.qa/why-qatar/great-place-to-live/)

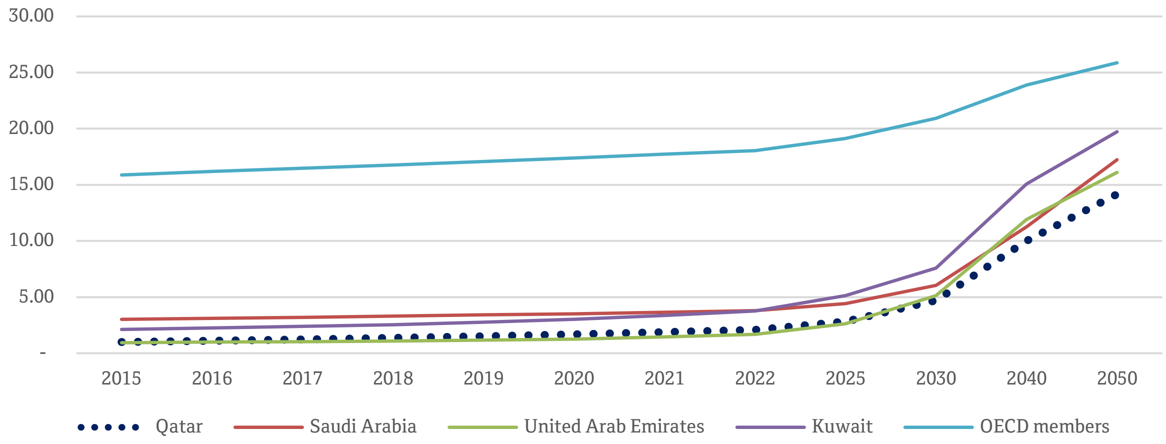
Healthcare Expenditure vs MCGS' Revenue Growth Rates



Source: WB, MCGS

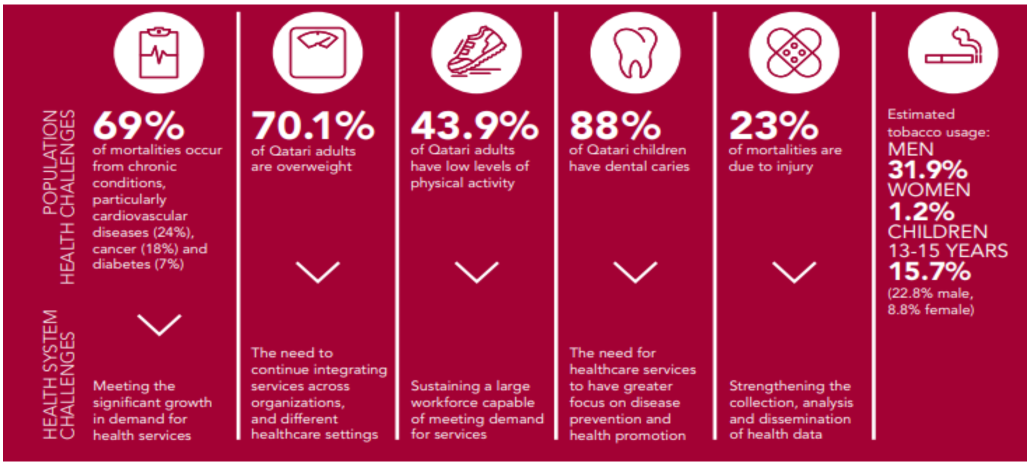
- **While globally, the demand for healthcare spend is growing due to an increasing proportion of the elderly in the demographics, Qatar's relatively young population is unhealthy due to sedentary lifestyles, which equally requires more healthcare spend, specifically on premium services and high-margin procedures (including electives).** Of course, over the longer-term, with its high life expectancy, there is room for a further increase in healthcare expenditures as Qatar's average-age-profile increases.
- **Consanguinity marriages, relatively high within the GCC region, adds a layer of unique health challenges.** However, the government is working to mitigate this (gene/blood testing before marriage) and the ongoing genome project should further help.
- **Qatar's young unhealthy population, ironically, bodes well for Qatar healthcare providers like IGRD and MCGS.**

Elderly as a % Of Total Population (ages 65 and Above)



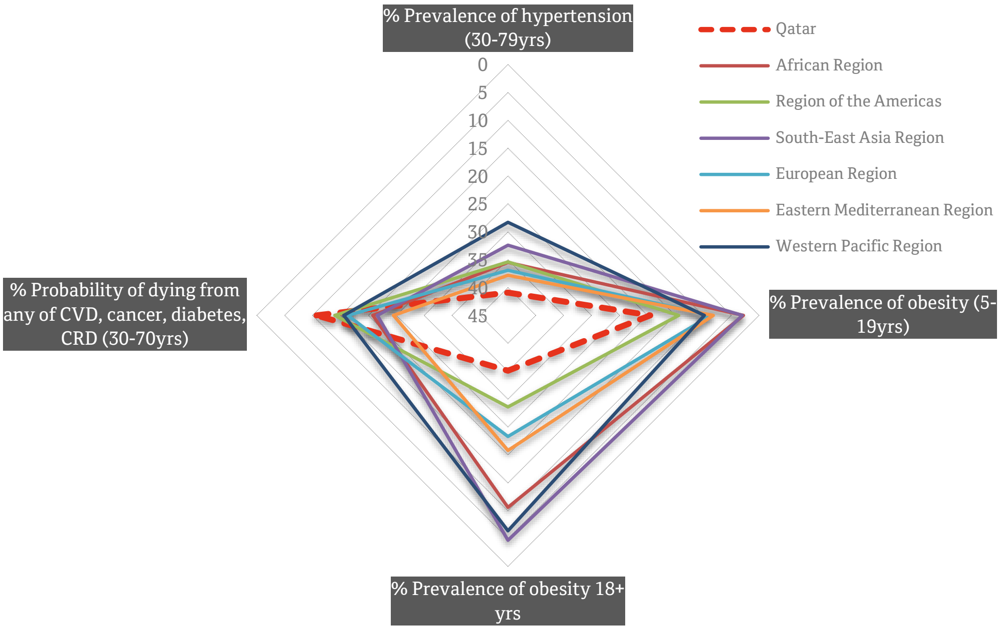
Source: WB

Qatari Healthcare System's Challenges



Source: MoPH, National Healthcare Strategy 2018-2022 (Our Health Our Future) Report

Qatar's Health Card vs Peers

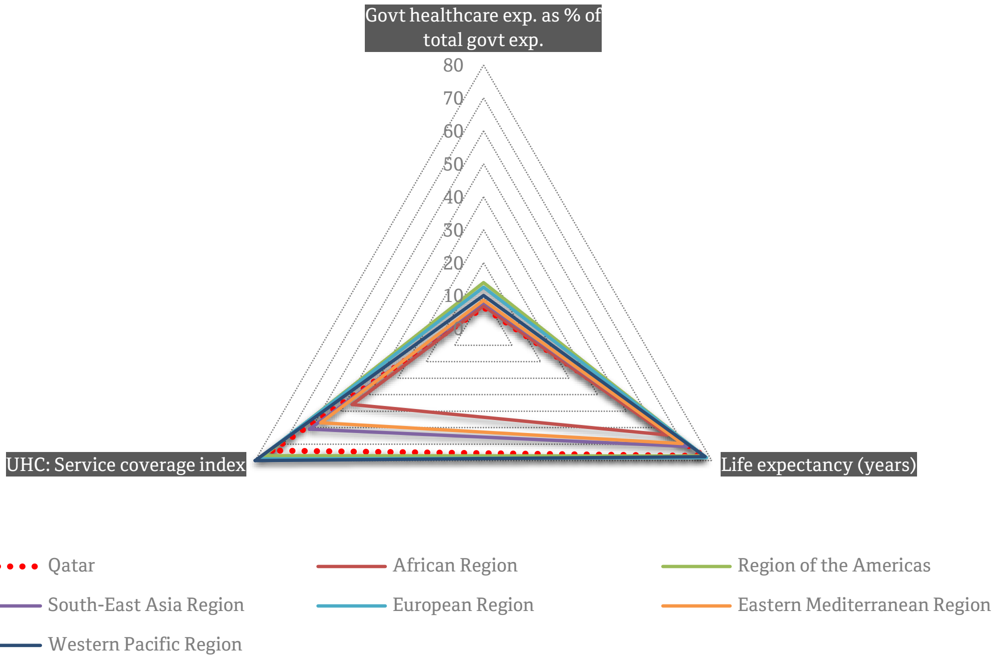


Source: WHO

- [2]**According to data from the WHO, NCDs were responsible for approximately 69% of all deaths in Qatar in 2016, with cardiovascular diseases and cancer accounting for 27% and 16%, respectively.** While around 9% of deaths were caused by diabetes – much lower than rates in other GCC countries such as the UAE (18.7%), Saudi Arabia (16.8%) and Oman (13.4%) – it is still above the global average of 6.4%. The economic costs of NCDs on Qatar's health sector are high and expected to rise as current lifestyle trends continue. A study from the World Economic Forum and Harvard University's School of Public Health in 2015 estimated that the cost of NCDs in the country is set to reach around $2,778 per capita. This figure is noteworthy as the OECD average for total health care spending per capita in 2017 stood at approximately $3,857.
- **We do note some healthcare metrics are encouraging** such as Qatar's comparatively **high life expectancy. However, the longer people live the more they spend on healthcare.**

[2] https://oxfordbusinessgroup.com/overview/keeping-pace-private-sector-set-play-more-important-role-demand-medical-services-continues-rise

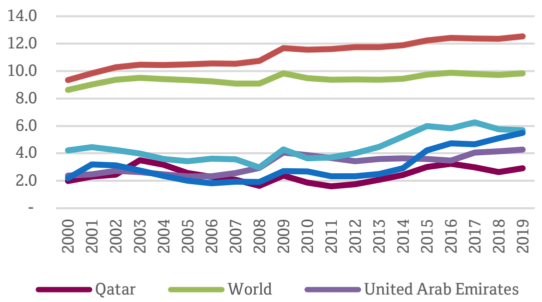
Some Encouraging Healthcare Statistics



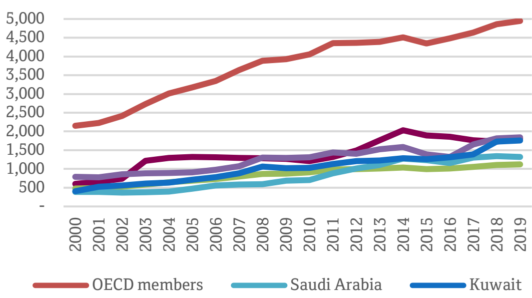
Source: WHO, WB

- **Positive base effects as relative healthcare spend is lower than global average and the OECD average – both for per capita and as a % of GDP:** Qatar's high GDP per capita creates a favorable backdrop for the Qatari healthcare sector. Given its 2030 goal of becoming an advanced country, it is reasonable to hypothesize its health spend rising to catch up with the OECD averages. The relative poor health of its populace could drive this growth anyway.

Health Expenditure (% of GDP)



Health Expenditure Per Capita (US$)



Source: WB

- **We believe the GCC (including Qatari) hospital bed-density has room for expansion**: OECD countries had an average of 47.9 hospital beds/10k population in 2016, which suggests the whole GCC region (with its average 16.3 hospital beds/10k population between 2014 and 2018), including Qatar, may need a higher hospital bed-density in the coming years as they play catch-up. Qatar plans to increase its number of hospital beds to 5.7k by 2033 from an estimated 3.1k in 2019 (Qatar Healthcare Facilities Master Plan 2013- 2033).

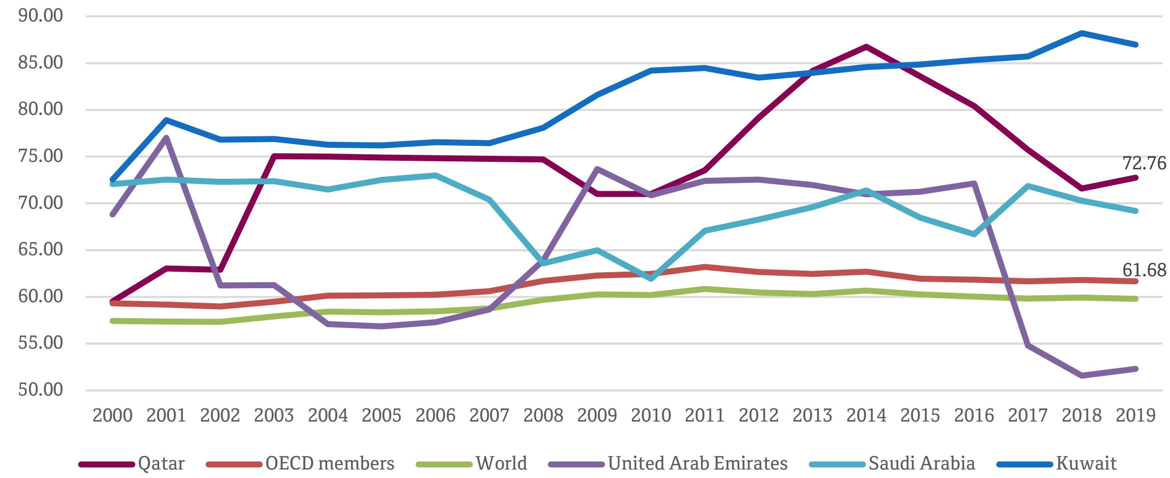
Qatari Hospital Beds & Density

		2019		2018		2017		2016	
		Rate*	Number	Rate*	Number	Rate*	Number	Rate*	Number
No. of Beds in Hospitals	Government	1.0	2,778	0.9	2,498	0.8	2,223	0.9	2,373
	Private	0.1	356	0.1	358	0.1	327	0.1	254
	Total	**1.1**	**3,134**	**1.0**	**2,856**	**0.9**	**2,550**	**1.0**	**2,627**
Population per Bed	Government		1,008		1,105		1,226		1,103
	Private		7,863		7,710		8,332		10,306
	Total		**893**		**966**		**1,068**		**996**

* Rate per 1000 population
Source: Planning and Statistics Authority

- **Market structure and competition: Low private market penetration and low private sector participation in the economy is a growth omen for private players**. More than 72% of healthcare expenditure is borne by the state, considerably higher than the global and OECD averages. Basic care services are provided mostly free of charge to citizens.

Government vs Private Health Expenditure (As a % of Health Expenditure)



Source: WB

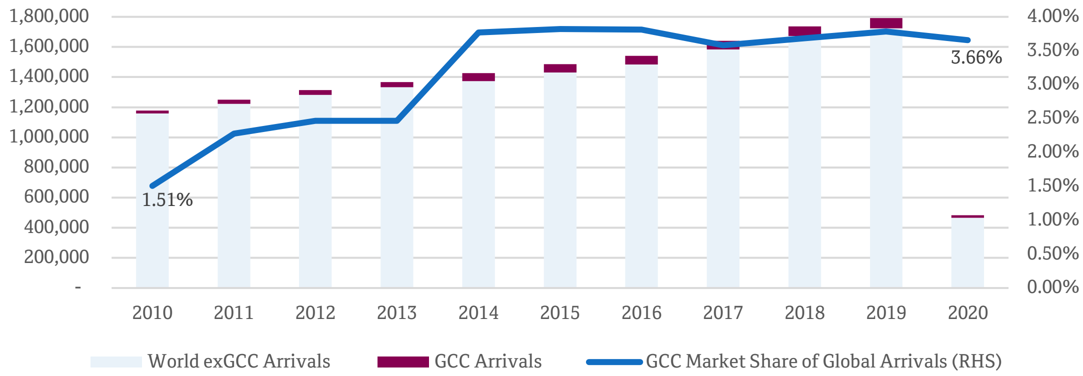
- **The private hospitals' market is small and is growing from a low base, with only 356[3] beds out of 3,134 total hospitals beds in Qatar**. Medicare (MCGS) is the dominant private market player, commanding 70% of the market share. We see IGRD not only gaining market share but also addressing underserved niches within the healthcare market. IGRD is focusing on specialties/services usually treated abroad: oncology, cardiology, strokes and complex orthopedic procedures. The market of imported healthcare procedures and services is estimated at QR5bn.
- **The "new Seha", a universal care initiative by the government, is an enabler of increased healthcare spend from the private sector.** While tourists are required to have travel insurance, companies are now mandated to enroll their employees on at least a basic health insurance programs for acute care. We however do not see this materially benefitting IGRD given its high-end focus – MCGS could, however, benefit to some extent.
- **On the downside, governments around the world are crafting policies to combat ballooning healthcare spend**. The abrupt halt of the "old Seha" is a case in point, but this is a global phenomenon with the UAE (in 2016) and Switzerland as the most recent examples of governments clamping down on medical costs/inflation. However, Qatar's finances are likely to remain strong riding on LNG tailwinds, which bodes well for healthcare spend; moreover, as Qatar catches up with spending averages in advanced economies, we expect healthcare spending to grow.

[3] PSA Health Services Statistics (2020)

Tourism

- **Over time, the world has increased its time/travel allocation to the Arab world**, likely nudged by the UAE (Dubai) and we believe this has positive spin-offs for regional markets such as Qatar.

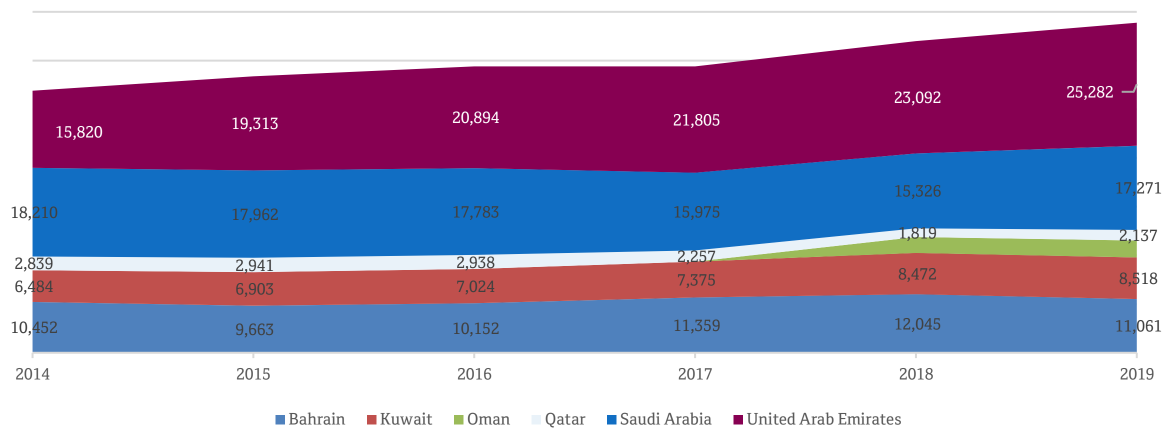
Global Tourists and GCC's Share of the Market



Source: UNWTO

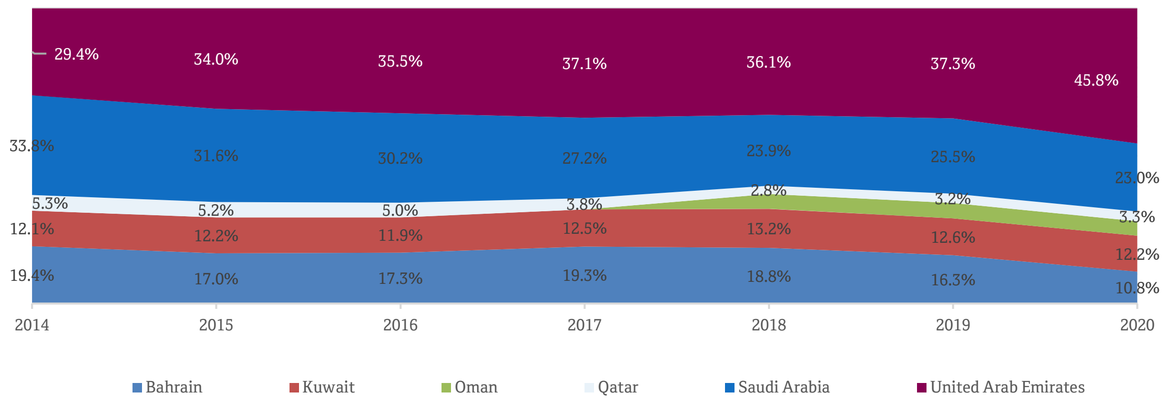
- **Base effects globally, regionally and by source, are set to drive tourist arrivals to Qatar**: Qatar has the lowest market share among its peers. Consequently, there is room to grow off a low base. Between 2014 and 2019, Dubai arrivals increased 60% to 25.3-million international arrivals, while its share relative to peers increased to 37.3% to 29.4%. While the blockade contributed to Qatar's arrivals falling by 25% between 2015 and 2019, we believe things are turning around. The World Cup could alone attract around one million visitors. In 2019 (pre-COVID), Qatar recorded 2.14mn visitors.

Tourist Arrivals Within the GCC Market ('000)



Source: UNWTO

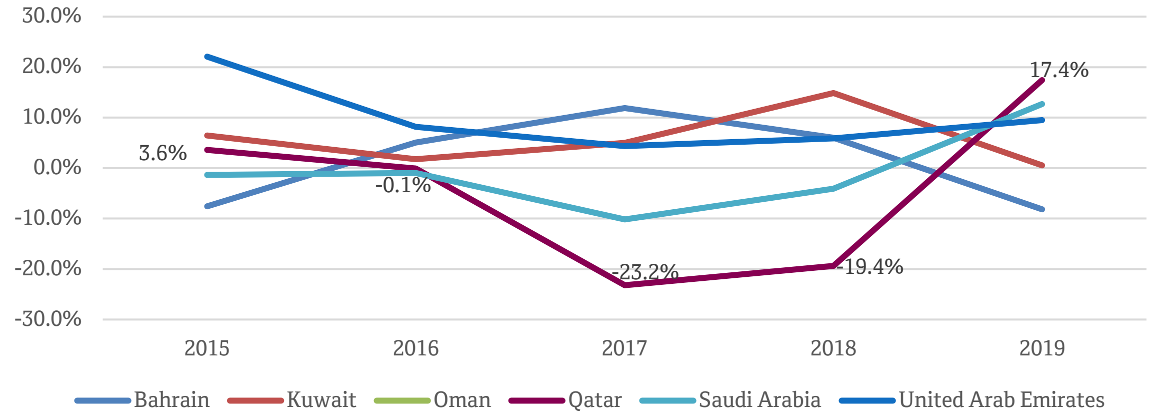
Regional Market Share of Arrivals



Source: UNWTO

- **Qatar's target is to attract 6mn visitors per year by 2030, implying a CAGR of 10%, when we use 2019 (pre-COVID) as the base year, when 2.14mn visitors came to Qatar –** The UAE achieved a similar CAGR between 2014 and 2019. This is an important assumption in modeling the outlook for IGRD's tourism segment.

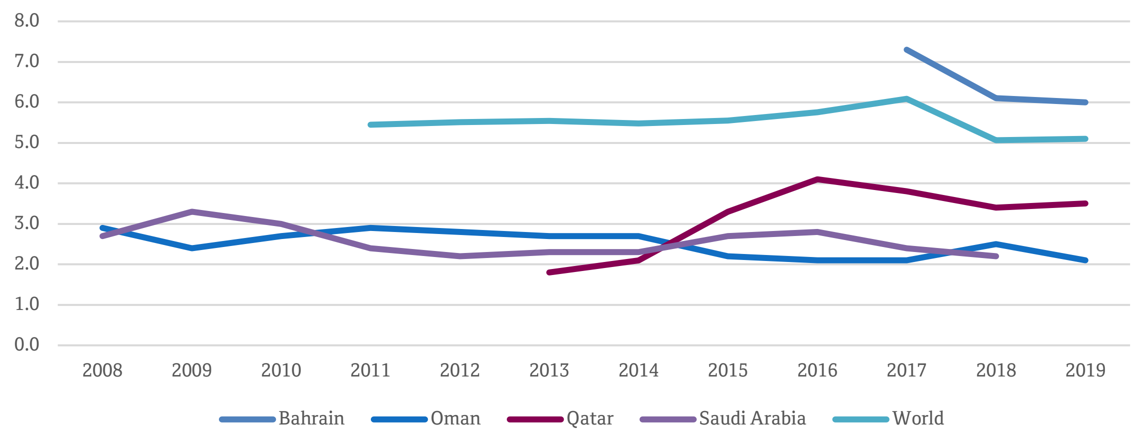
Arrivals Growth



Source: UNWTO

- **As a share of its GDP, tourism is small and the government is driving it as one of the five-priority sectors for economic diversification – government aims to grow annual arrivals from 1.5 million to six million by 2030.** As such, the National Tourism Council was established by Emiri Decree No. (74) of 2018 to assume the function of regulating tourism under Law No. (20) of 2018 and to organize festivals and business events under Law No. (21) of 2018. It further supervises development of tourism under the programs and projects of the national strategy for the tourism sector in coordination with the relevant government agencies and the private sector.

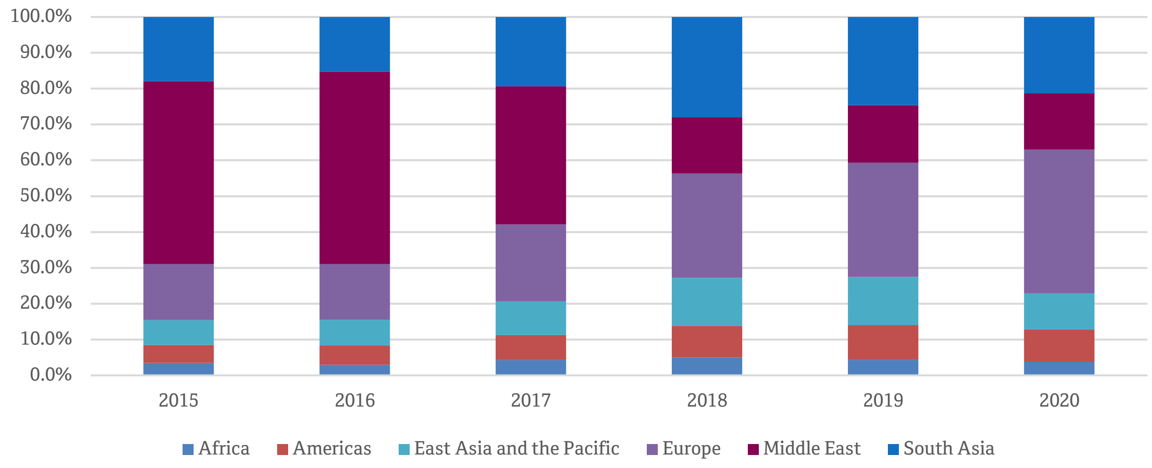
Direct Tourism as a Proportion of Total GDP (%)



Source: WB, UNWTO

- **Noteworthy, 80% of the world's population is within a 6-hour flight from Qatar and more than two-thirds can enter Qatar visa-free.** Qatar has room to increase its share of arrivals from Asia and America off a low base as well as recover its regional arrivals. This growth will be supported by expanded capacity in hotel rooms. Qatar keys/rooms are expected to hit 44k this year/in 2022 from >30k in 2021. The jump by almost half in capacity could create challenges around excess capacity, specifically post the World Cup. IGRD's presence in the accommodation is small, with a total of just 53 keys/rooms: Katara Hills (20 keys) and The Palace (33keys). **However, we see tourists arrivals driving revenue in IGRD's other offerings**:
  - Winter Wonderland theme park;
  - Seven restaurants – Zuma, LPM Restaurant & Bar, EM Sherif Restaurant, Dokya, Nammos, Astoria and Billionaire;
  - Equestrian club;
  - and Concerts & events

Qatar's Source of Arrivals



Source: UNWTO

- **Thanks to the [4]legislative, administrative and institutional reforms, Qatar has been ranked as one of the most open countries in the Middle East (8th in the world) in terms of visa facilitation.** In 2019, nearly 80,000 travelers took advantage of overnight stopover privileges when transiting through Doha, or through a free 96-hour transit visit and overnight hotel stay at a reduced hotel price. Since the opening of Doha Port in 2017, the number of cruise ships reached about 60 cruise ships in 2019 until early 2020, carrying about 207,000 visitors. Qatar has hosted 545 international conferences and events since 2014, including 148 in 2019. In the field of sports tourism, Qatar has hosted nearly 80 sporting events in the past three years, including the World Athletics Championships and the first ANOC World Beach Games in 2019. Of course, the State of Qatar is in the process of finalizing the hosting of the FIFA World Cup 2022 and the FINA World Swimming Championships in 2023.

[Ends]

[4] Qatar Voluntary National Review 2021 Report – the implementation of the 2030 Agenda for Sustainable Development

Recommendations *Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*		Risk Ratings *Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*	
OUTPERFORM	Greater than +20%	**R-1**	Significantly lower than average
ACCUMULATE	Between +10% to +20%	**R-2**	Lower than average
MARKET PERFORM	Between -10% to +10%	**R-3**	Medium / In-line with the average
REDUCE	Between -10% to -20%	**R-4**	Above average
UNDERPERFORM	Lower than -20%	**R-5**	Significantly above average

Contacts

QNB Financial Services Co. W.L.L.
Contact Center: (+974) 4476 6666
info@qnbfs.com.qa
Doha, Qatar

Saugata Sarkar, CFA, CAIA
Head of Research
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
Senior Research Analyst
shahan.keushgerian@qnbfs.com.qa