

IGRD Alert – Better-Than-Expected 3Q Due to Higher Other Income; Maintaining TP/Accumulate

- **IGRD's net profit rose 69.3% YoY and 98.2% QoQ in 3Q2020, above our estimate.** Investment Holding Group's (IGRD) net profit rose 69.3% YoY (+98.2% QoQ) to QR11.3mn in 3Q2020, above our estimate of QR7.4mn. In 9M2020, IGRD posted net income of QR26.7mn as compared to QR34.5mn in 9M2019. EPS amounted to QR0.032 in 9M2020 as compared to QR0.042 in 9M2019.
- **Gross profits were in line with our expectations (variation: 2.3%).** The company recorded QR87.16mn in revenue with a 21.7% fall YoY. The revenue is 16.5% higher QoQ, which we think is attributable to the gradual of lifting of coronavirus counter-measures in the 3Q as well as realizations of some postponed deliveries. Gross margin was 22.9% in 3Q2020 which was above 2Q2020's 22.5% and 3Q2019's 19.2%. As a result, IGRD's gross profit fell by 6.8% YoY but increased by 18.4% QoQ to QR19.9mn in 3Q2020.
- **On the other hand, 3Q2020 other income was up 63.7% YoY and 14.7% QoQ at QR8.6mn, supporting the bottom-line substantially.**
- **Our investment case for IGRD remains intact; We maintain our Accumulate rating and our TP at QR0.744.** Similar to all listed companies, IGRD's revenue is prone to further volatility from clients' operations and businesses because of COVID-19 disruptions. On the other hand, nearly all of IGRD's contracting work is originally related to government projects. Therefore, even if delays in deliveries take place, cancellations are highly unlikely. IGRD's trading business includes masks and outfits for laborers as well as some food items, sales of which have surged notably since the beginning of the coronavirus pandemic. We continue to like the company as a turnaround story as well as the new management's dedication to cost cutting and its efforts on expanding the trading segment's product range with high-margin products. We maintain our positive outlook for the company and believe any weakness in its share price represents a buying opportunity.

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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