

QAMC Alert – QAMCO gets fast track approval for inclusion into FTSE EM Index

- **What happened? QAMCO gets fast track approval for inclusion into FTSE EM Index as expected.** As we have previously alerted the possibility in our QAMCO Informational Brief released on December 17, 2018, FTSE Russell announced the fast entry of QAMC as a new constituent in its FTSE Emerging Index. The change should be effective after market close on Thursday 20 December 2018.
- **Market impact: Our analysis indicates around \$25mn in passive foreign flows related to the FTSE inclusion.** Since its listing on December 16, QAMCO has traded around \$132mn, including \$89mn in its first day. As expected, the stock has reacted positively to the FTSE confirmation with active investors/traders positioning themselves ahead of the expected inflows. However, we do note that it may take a couple of months for the passive trackers to adjust their positions, as it has been observed in the past.
- **Strong financials backed by low leverage and high EBITDA margins:** As of 1H18, Qatalum's total net debt was \$1.37bn, accounting for 54% of the company's share capital, while its EBITDA to interest expenses ratio was 9.7x. Low capex (\$85mn in 2016, \$63.5mn in 2017 and an annualized \$60mn as of 1H18) coupled with strong EBITDA margins which are nearly double of that of its international peers, result in strong cash generation for Qatalum.

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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