

WDAM Alert – Pending 2021 Financials, Our Rating and Target Price are Under Revision

- **WDAM reports net loss of QR16.5mn in 2Q2021** below our estimate of QR0.5mn. Widam Food Company (WDAM) reported net loss of QR16.5mn in 2Q2021 as compared to net profit of QR23.1mn in 2Q2020 and net profit of QR1.0mn in 1Q2021. Loss per share amounted to QR0.09 in 6M2021 as compared to earnings per share of QR0.28 in 6M2020.
- **Pending financials, our estimates and TP are under revision.** Following the lifting of the Government subsidies at the end of 2020, we were waiting for the Qatari meat market to adjust to the new normal. We remind investors that WDAM's subsidy agreement with the Government of Qatar for Australian fresh and chilled meat expired in 2020 and was not renewed. Lifting of government subsidies in 1H2021 resulted in higher sales prices for Widam's previously-subsidized products. The possible "brought-forward" sales in 4Q2020 ahead of the price increases in 1Q2021 might have an affect on 1Q2021 demand, therefore we think, 2Q2021 has been a better indicator for the sector's new normal. Apparently, Widam's 2Q2021 bottom-line weakness might be indicating that sheep meat demand's price-volume elasticity might be high and the impact of lifting of the Government subsidies is likely to resume in the coming months, as well. **Therefore we will be revising our forecasts and target price after the 2Q2021 Results Conference Call.** On the positive front, Widam Food Company (WDAM) announced it has signed agreement with Qatar Charity and Qatar Red Crescent to manage their charitable Adhiya Programs in Sudan, Kenya and Somalia. Besides, the Strategic Food Security Projects disclosed by the Ministry of Municipality and Environment (MME) in March 2019 envisages that local production of red meat could go up from the current 18% to 30% by 2023. Widam, the leading livestock and red meat provider of Qatar and a key contributor to Qatar's National Food Security Program, is likely to be a top beneficiary of increasing local production, which should enjoy higher profitability vs. imports.

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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