

April 26, 2010

QATAR NATIONAL CEMENT (QANC.QA)

12-Month Fair Value: QAR 84.5

Last Close (25 April, 2010): QAR 81.5

Recommendation: Hold - Risk Level: 3

- Qatar National Cement reported 32.6% drop in revenue to QAR 301.4 in 1Q2010. According to management, this was mainly due to lower cement sales volume. We expect the company to report QAR 1.19 billion for the full year 2010 and hence view the 1Q2010 top line (annualized QAR 1.2 billion for 2010) in line with our forecasts. Limited disclosure restricts us from comparing with our forecasts in detail but we will release an update after the 1H2010 results.
- EBITDA was up 32.2% to QAR 119.4 in 1Q2010 compared to 1Q2009. According to management, this was mainly due to absence of cement imports during 1Q2010. Lower clinker imports during the quarter also helped EBITDA growth. This resulted in EBITDA margin expanding to 39.6% in 1Q2010 compared to 20.2% in 1Q2009. Though the EBITDA margin is higher than our forecasts we believe that it will drop as the year progresses considering that management expect to have more clinker imports in the remaining period of the year.
- The company reported net profit of QAR 111.4 million in 1Q2010, 18.4% lower than the QAR 136.5 million achieved in 1Q2009. The growth at the EBITDA level was negated by a 64% drop in other income (mainly investment and interest income) to QAR 26.4 million in 1Q2010 compared to the same period last year.
- We reiterate our 12-month fair value of QAR 84.5 which is 3.7% above the latest closing price; hence our Hold recommendation.

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Related Research

- Qatar National Cement Initiation of Coverage - 19 January 2010

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION		UPSIDE (DOWNSIDE) POTENTIAL		
BUY		MORE THAN 20%		
ACCUMULATE		BETWEEN 5% AND 20%		
HOLD		BETWEEN -10% AND 5%		
REDUCE		BETWEEN -25% AND -10%		
SELL		LESS THAN -25%		
RISK LEVEL				
LOW RISK		HIGH RISK		
1	2	3	4	5

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