

Target Price : QAR 13.47

Current Price: QAR 12.20

Industries Qatar (IQCD)

Executive Summary

- The net profit for the 9M 2025 period was QAR 3.37 billion, reflecting a decrease of about 12.24% from the QAR 3.84 billion reported during the same timeframe last year. This reduction is a result of the normalization of non-recurring financial and extraordinary income from 9M 2024.
- IQCD has shown impressive operational performance in Q'3 2025, taking advantage of positive changes in global fertilizer and steel prices.
- The fertilizer segment exhibited remarkable resilience, bolstered by soaring urea prices, which significantly enhanced earnings in the third quarter of 2025. This dynamic underscores the company's adaptability and potential for growth amid market fluctuations.
- The Q'3 showed significant operational improvements (QoQ). IQCD reported a consolidated net profit of QAR 1.41 billion, representing a notable 47% increase from the QAR 962.5 million posted in Q2 2025. and it grew approximately 20% compared to the same period in 2024.
- The performance of key segments was mixed. Fertilizers demonstrated resilience as lower costs offset pricing pressures, while petrochemicals experienced margin compression due to global oversupply. Steel operations maintained steady volumes but faced competitive challenges.
- The company possesses significant structural benefits—specifically, long-term feedstock contracts at fixed prices and an almost unleveraged balance sheet—making it a strong defensive option within the cyclical commodities market.
- The company's earnings are significantly influenced by urea prices, which represent about 65%-70% of the company's revenue. The fertilizer industry is typically quite resilient, as food consumption remains essential regardless of global events. Urea prices have remained relatively stable year-to-date, with a reported increase of 9% in the Middle East, despite the significant market volatility observed.
- Concerning the pricing of the company's products, there has been a modest enhancement over the last three quarters, following considerable hikes that reached their highest point in the first quarter of 2022 due to the Russian-Ukrainian conflict. Fertilizer prices continue to be quite elevated because of demand pressures and disruptions in the supply chain. In the first nine months of 2025, the average prices for the company's offerings increased by around 6% when compared to the same timeframe in 2024.
- Qatar and the United States have recently suggested the possibility of reducing or even halting gas exports to Europe in response to the European Union's sustainability law, which is set to take effect in 2027. This action could significantly affect gas prices, particularly in light of the ongoing conflict between Russia and Ukraine, which would, in turn, impact urea prices.
- Sales to North America account for about 13% of the company's overall revenue; the introduction of tariffs will affect that revenue, possibly leading the company to explore new markets.
- IQCD's liquidity remains robust with no outstanding debt. Although it has already commenced its Blue ammonia expansion, the total cash and available balances have reached QAR 9.5 billion, consistent with the previous year. This follows the distribution of the second-half profits for 2024, amounting to QAR 2.6 billion, along with the first-half earnings for the year, which total QAR 1.6 billion.

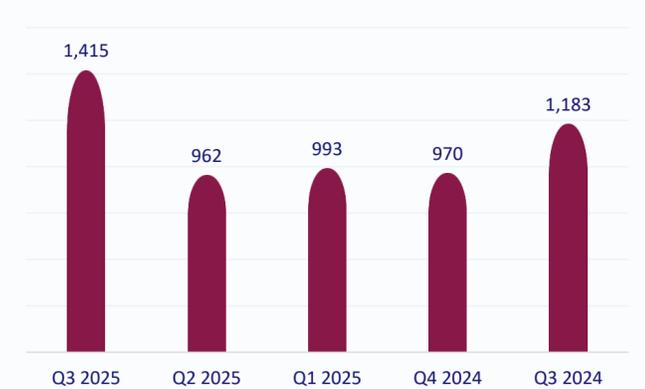
Revenues (million)



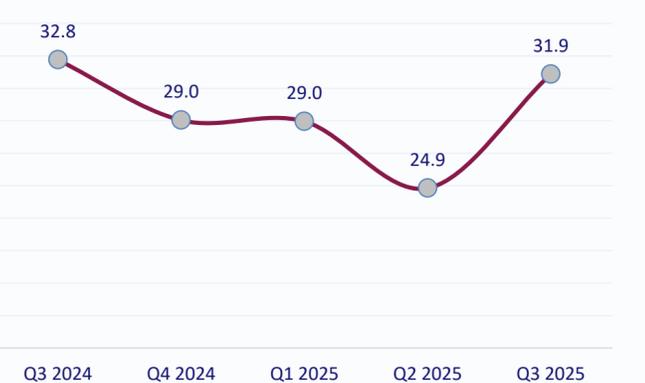
EBITDA (million)



Quarterly Net Income (million)



Net Income Margin %

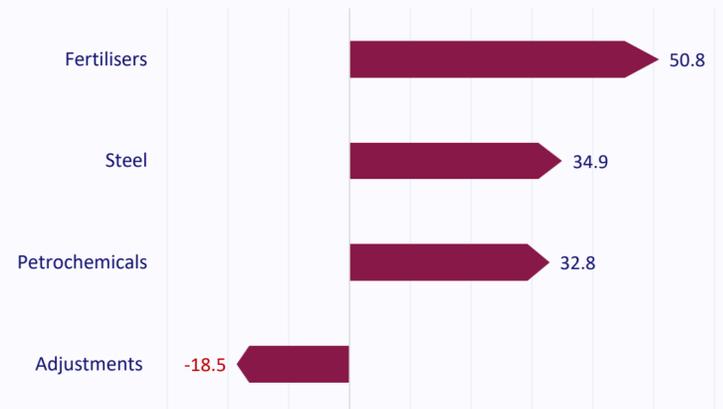


Sectoral Analysis

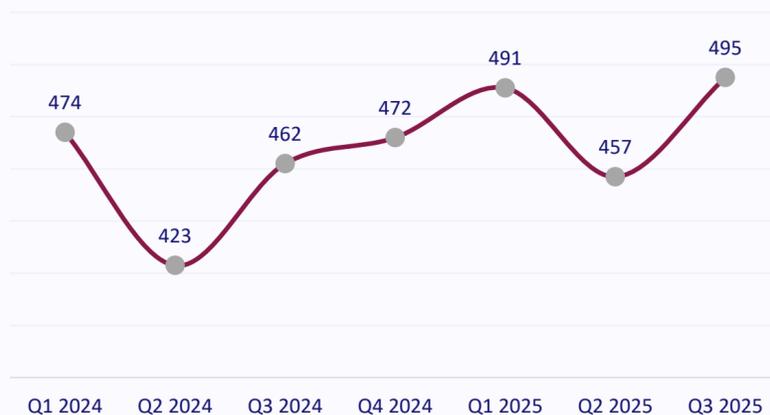
The company carries out its primary operations across the following sectors:

- The petrochemicals industry is involved in the production and sale of ethylene, polyethene, MTBE, methanol, and various other petrochemical products.
- The fertilizers industry focuses on the production and sale of urea, ammonia, and additional byproducts.
- The iron and steel industry is responsible for producing and selling pellets, bars, billets, and a range of other steel products.
- Additional operations of the parent company.

Sales by Sector %



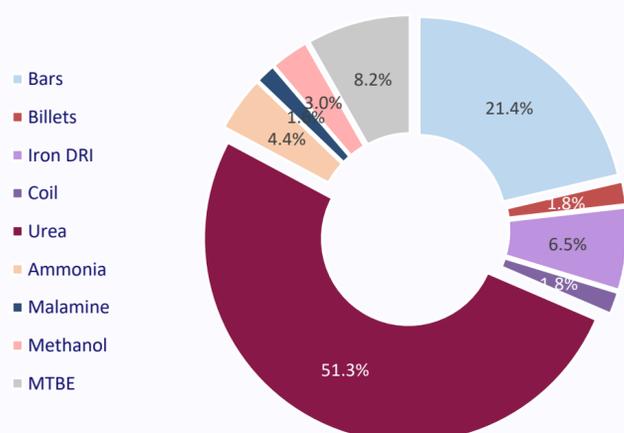
Average prices of the company's products (\$)



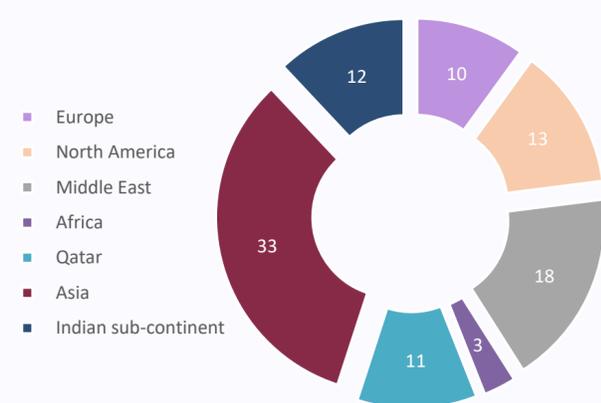
Sales Volume (000' metric tons)



Sales by Product



Revenue by Region %



- Urea Sales account for more than 50% of the company's revenue, indicating that its financial performance is affected by urea prices. There is a positive correlation between urea and gas prices.
- The company possesses more flexibility compared to its competitors in the same industry regarding its capacity to endure pricing pressures on its products. This advantage is supported by the variety of its product offerings on one side, and a robust financial standing characterized by strong cash flows and minimal debt on the other.
- The company is allocating QAR 3.5 billion for turnarounds, QAR 3.5 billion for operations and technology upgrades, and an additional QAR 4 billion for the blue ammonia and PVC projects.
- Blue Ammonia project is expected to be ready for startup in the Q1 2026. However, it remains unclear whether any off-take agreements for blue ammonia are currently in place and what the selling price per ton will be, as management has been reluctant to address these questions during earnings calls. Conversely, the PVC project is anticipated to be completed by the middle of this year.

Sectoral Analysis

Segment (QAR m)	Revenue 9M 2025	Revenue 9M 2024	YoY Revenue Change
Petrochemicals	3,854	3,615	6.6%
Fertilizers	6,320	5,577	13.3%
Steel	3,670	2,935	25.1%
Consolidated	11,740	9,311	26.1%

Segment	Profit Before Tax 9M 2025	Profit Before Tax 9M 2024	YoY PBT Change
Petrochemicals	773,620	1,247,743	-38.0%
Fertilizers	2,142,903	1,552,777	38.0%
Steel	350,277	438,035	-20.0%
Others	405,125	1,515,084	-73.3%
Consolidated	3,423,510	3,925,561	-12.8%

Factors Influencing the Company's Performance

- Commodity Price Fluctuations:** Prices for ethane and urea decreased by 7-10% due to global oversupply and reduced demand in Asia (China's industrial slowdown). This led to a 3 percentage point decline in petrochemical margins.
- Operational Improvements:** The completion of routine maintenance increased Q3 production by 5%, while cost management strategies (such as energy optimization) resulted in savings of QR 200 million. A reliability rate of 97% helped reduce downtime.
- Qatar's Economic Context:** Non-hydrocarbon GDP growth reached 3.6% in 2025, driven by infrastructure projects (like Ashghal's QR 81 billion initiative), which bolstered steel demand. However, declining global energy prices limited potential gains.
- Regulatory and Environmental Factors:** The introduction of a new global minimum tax resulted in an additional QAR 27 million in expenses, while Qatar's QNRES initiative (aiming for 4GW of renewables by 2030) promotes sustainable transitions, which may increase capital expenditures.

Income Statement Analysis

Item (QAR m)	Q3 2025	Q2 2025	Q3 2024	QoQ Change (Q3'25 vs Q2'25)	YoY Change (Q3'25 vs Q3'24)
Revenue	4,440	3,873	3,612	14.6%	22.9%
Cost of Sales	-3,121	-3,124	-2,804	-0.1%	11.3%
Gross Profit	1,319	749	807	76.3%	63.4%
Gross Margin	29.7%	19.3%	22.4%	10.4 pp	7.3 pp
Operating Profit	1,106	523	598	111.6%	84.9%
Operating Margin	24.9%	13.5%	16.6%	11.4 pp	8.3 pp
Finance & Other Income	120	55	50	118.2%	140.0%
Net Profit	1,415	963	1,183	47.1%	-18.7%
Net Profit Margin	31.9%	24.9%	32.8%	7.0 pp	-0.9 pp

- **Exceptional Top-Line Growth:** Revenue experienced a robust increase of 14.6% Quarter-over-Quarter (QoQ) and an impressive 22.9% Year-over-Year (YoY). Increased production volume coupled with improved prices contributed to boosting revenue growth.
- **Gross Profit Surge:** The company showcased remarkable efficiency, with Gross Profit soaring by 76.3% QoQ and 63.4% YoY.
- **Operating Leverage:** Operating Profit witnessed a significant rise of 111.6% QoQ and 84.9% YoY, where the growth in revenue far outpaces the growth in operating expenses.

Key Financial Ratios

Metric	Q3 2025	Q2 2025	Q3 2024
EPS (QAR)	0.23	0.16	0.20
Return on Equity (ROE) - Annualized	11.7%	11.0%	14.0%
Book Value Per Share (QAR)	6.14	6.16	6.11
Net Debt	-23%	-24%	-29%
Current Ratio (X)	7.82	7.33	7.93

Dividends

	June 2025	2024	2023	2022	2021	2020
DPS (QAR)	0.26	0.74	0.78	1.10	1.00	0.33
Payout Ratio %	81.3	100.0	100.0	75.5	75.0	110.0
Dividend Yield %	5.1	4.7	8.4	7.8	2.1	3.7
Dividend Coverage (x)	1.2	1.0	1.0	1.3	1.3	0.9

Course Extremes

Current year	11.46		13.9
1 year	11.46		13.9
3 years	10.8		15.6
5 years	10.07		20.35
10 years	6.39		20.35

Stock Price

Beta (5Y)	0.81
52-Week Price Change	6.73%
50-Day Moving Average	12.53
200-Day Moving Average	12.67
Relative Strength Index (RSI)	39.71
Average Volume (20 Days)	1,317,223

Income statement

Revenue	15.08 B
Gross Profit	3.58 B
Operating Income	2.66 B
Pretax Income	4.10 B
Net Income	4.31 B
EBITDA	4.29 B
EBIT	4.29 B
Earnings Per Share (EPS)	0.71

Balance sheet

Cash & Cash Equivalents	9.25 B
Total Debt	409 M
Net Cash	8.84 B
Net Cash Per Share	1.46
Equity (Book Value)	38.04 B
Book Value Per Share	6.14

Valuation Matrix (x)

EV / Earnings	16.40
EV / Revenue	4.36
EV / EBITDA	12.07
EV / EBIT	17.44

Stock Performance

3 months	-5.43%	
6 months	-1.61%	
Current year	-8.06%	
1 year	-5.43%	
3 years	-16.32%	
5 years	+20.79%	
10 years	+9.91%	

Annual stock Performance

2025	-8.06%	
2024	+1.45%	
2023	+2.11%	
2022	-17.30%	
2021	+42.50%	
2020	+5.74%	
2019	-23.06%	
2018	+37.74%	
2017	-17.45%	
2016	+5.76%	
2015	-33.87%	

Geographic ownership

Qatar	94.1%
USA	3.9%
Norway	0.8%

Ownership type

Government	66.3%
Pension funds	27.8%
Investment Advisor	5.0%

Financial Ratio

Current Ratio	7.81
Quick Ratio	6.24
Debt / Equity	0.00
Debt / EBITDA	0.09

Valuation

We recommend **Buying**

We use A DCF model and comparable valuation.

Our analysis indicates the fair value of the stock ranges
between **QAR 13.27 and QAR 13.67**

Assumptions:

- Revenue CARG 2.5%.
- Average EBITDA Margin 33%.
- Cost of equity ranging between 7.80% and 8.05%.
- Terminal Value: The growth rate in perpetuity is 3.0%.
- Terminal EBITDA Multiple = 14.0 (x)

Key Risks to Consider

- **Commodity Price Volatility:** IQCD is profoundly impacted by fluctuations in the prices of oil, natural gas, petrochemicals, fertilizers, and steel. A decline in crude oil or natural gas prices can significantly erode margins in the petrochemical and fertilizer sectors, which rely on low-cost feedstocks while grappling with the challenges of global oversupply. The benefits of low-cost production from Qatari gas help, but prolonged low prices (e.g., below \$60/barrel) pose threats.
- **Demand Fluctuations and Market Dynamics :** Changes in global demand for IQCD's offerings—prompted by economic downturns, trade restrictions, or regional instabilities—may result in an oversupply situation. The demand for fertilizers is closely linked to agricultural cycles, petrochemicals are influenced by industrial production, and steel demand is tied to spending on construction and infrastructure. Qatar's non-hydrocarbon GDP growth decelerated to 2% in 2024, which has constrained domestic steel consumption.
- **Geopolitical and Political Risks:** IQCD is exposed to Middle East tensions, regional conflicts, or sanctions that disrupt LNG exports or supply chains.
- **Increased Competition and Market Share Decline:** The emergence of new competitors in the GCC, such as those from the UAE and Oman, as well as global players like U.S. LNG exporters, is heightening the pressure on pricing and profit margins.

Disclaimer

Qatar Securities Company has prepared this report to provide an unbiased analysis of the business's performance. It's important to note that the assessment is based on assumptions that may vary in interpretation and may not be entirely accurate. This document focuses on evaluating the company's financial status, not as a solicitation to buy or sell. There may be a conflict of interest since this stock is part of investment portfolios managed by Qatar Securities Company.

Ramzi Qasmieh
+974 44255272
Ramzi.Qasmieh@qsc.qa