

Qatar National Cement (QNCD)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR3.005	12M Target Price	QR3.919
Implied Upside	30.4%	Old 12M Target Price	QR4.366

3Q2025 NP Miss But Sales Recovery Continues After A Decade Of Decay; Maintain Accumulate

While QNCD's 3Q2025 net profit plunged and fell short of our expectation, the silver lining is a continued rebound in revenue growth – now for a second consecutive quarter, breaking a nearly decade-long trend of decline. Net profit declined 50.9% YoY to QR23.4mn in 3Q2025 (-5.2% QoQ), missing our QR25.9mn forecast by 9.9%. This earnings miss was driven by severe margin compression, even as the top-line overshot our estimate. Revenue grew 10.7% YoY to QR103.1mn (+6.2% QoQ), coming in 9.0% above our QR94.6mn projection. Notably, excluding one-off base effects in 2021, 3Q marks only the second quarter of YoY sales growth since 2016, an encouraging sign in light of recently unveiled infrastructure and construction projects in Qatar. We believe the pipeline of major public works – led by entities like Ashghal and Kahramaa – is beginning to stimulate demand for construction materials, and QNCD's high operating leverage means that any sustained volume uptick could significantly amplify bottom-line growth once margins stabilize. That said, profitability remains under pressure. Gross profit collapsed 53.6% YoY to QR18.6mn in 3Q2025 (gross margin 18.1% vs. 43.1% in 3Q2024). This margin deterioration was worse than anticipated (we expected 21.2% for 3Q) and underscores that cost of sales rose sharply, due to fixed costs being recognized despite the halt in clinker production (i.e., labor and overheads that have yet to be fully pared down). Core operating profit fell to QR12.7mn (down 64.3% YoY), missing our estimate by 19.7%, as SG&A costs spiked unexpectedly. Furthermore, other income (mainly dividend and interest income) picked up to QR10.6mn in 3Q, increasing by 33.3% QoQ (though still 11.2% lower YoY). Despite the near-term hit to profits, QNCD's revenue turnaround is a clear positive. YTD, revenues are roughly flat YoY at ~QR291mn, a substantial improvement after years of contraction. We maintain our full-year 2025 sales low-single-digit growth. However, given persistent margin challenges, we have revised down our 2025 net income estimate to QR103.6mn (from QR171.2mn), implying a ~35% YoY decline and an EPS of QR0.16. This incorporates the weaker 3Q/9M results and a cautious view that gross margins may only recover gradually. Despite this reset, we remain confident that earnings growth will resume from 2026 onward, underpinned by improving demand and a normalization of costs. Also, a project currently under construction could also boost rental income once it comes online next year as expected by management. QNCD's robust balance sheet continues to support shareholder returns: We estimate a QR0.20 DPS for 2025 (down from an earlier QR0.27 forecast), which equates to a generous 6.7% yield, noting the company's willingness to distribute above 100% of earnings if needed (FY2024 payout was ~110% of earnings). In sum, QNCD offers a unique mix of a recovering growth story and strong income appeal. The stock's defensive qualities – including low share price volatility and large cash reserves – bolster its status as a "safe investment" diversifier for investors seeking exposure to Qatar's infrastructure upcycle without excessive volatility. We maintain our Accumulate rating but downwardly revise our 12-month PT to QR3.919 from QR4.366. Our PT still shows significant upside.

Highlights

- 3Q2025 earnings miss on weak margins: QNCD reported 3Q2025 net profit of QR23.3mn, a 50.9% YoY decline and slightly below 2Q2025's QR24.6mn. The shortfall versus our estimate (QR25.9mn) was driven by a much lower gross profit than expected. Despite higher revenue, gross profit fell to QR18.6mn (3Q2024: QR40.1mn), as the gross margin compressed to 18.1% (from 43.1% a year ago and 21.2% in 2Q2025). This reflects ballooning cost of sales; management's prior halting of clinker production has cut some costs (e.g., depreciation) but ongoing fixed labor/overhead expenses without corresponding production continue to erode margins. Consequently, core EBIT came in at QR12.7mn (12.3% EBIT margin), down 64.3% YoY. Net profit margin for 3Q was 22.7%, less than half of 3Q2024's 51.1%.
- Sales recovery extends into 3Q; revenue beats forecasts. Revenue rose 10.7% YoY to QR103.1mn in 3Q2025, marking the second straight quarter of YoY growth for QNCD's top line – a noteworthy turnaround after a decade of steady decline (aside from post-COVID volatility). The 3Q revenue also exceeded our estimate of QR94.6mn by 9.0% and was up 6.2% sequentially. We note that 9M2025 revenue is now flat YoY at ~QR291mn, a substantial improvement given it was tracking -5% YoY in 1H. We remain cautiously optimistic that QNCD can finish 2025 with low-single-digit revenue growth, confirming an inflection in its sales trend as new infrastructure projects (roads, utilities, housing developments) start to feed into orders. (cont. /page 2)

Catalysts

- QNCD lacks notable catalysts, but its balance sheet is well-placed to engage in various corporate actions (e.g. buybacks, special dividends, etc.). However, there is little visibility on whether this happens. Furthermore, a recovery in infrastructure spend could provide a more fundamental catalyst for the group's sales pipeline.

Recommendation, Valuation & Risks

- Recommendation and Valuation:** We maintain our "Accumulate" rating but reduce our 12-month PT to QR3.919 from QR4.366, implying 30.4% upside. Our PT is a weighted average of DCF and Relative valuation models. Our primary thesis is that QNCD has a strong balance sheet, is managing costs well in a difficult operating environment, and has an attractive stock volatility/beta profile. Also, its high DOL could magnify earnings should construction recover.
- Risks:** (1) Price controls & other regulatory/public policy risks (2) Highly volatile sector fortunes (3) Geopolitics

Key Data

Current Market Price (QR)	3.005
Dividend Yield (%)	9.0
Bloomberg Ticker	QNCD QD
ADR/GDR Ticker	N/A
Reuters Ticker	QNCD.QA
ISIN	QA0007227687
Sector*	Industrial
52wk High/Low (QR)	4.289/2.990
3-m Average Vol.	476,900
Mkt. Cap. (\$ bn/QR bn)	0.5/2.0
EV (\$ bn/QR bn)	0.4/1.4
Shares O/S (mn)	653.5
FO Limit* (%)	100%
FO (Institutional)* (%)	2.0
1-Year Total Return (%)	-12.9
Fiscal Year-End	December 31

Source: Bloomberg (as of October 27, 2025), *Qatar Exchange (as of October 26, 2025); Note: FO is foreign ownership

Key Financial Data and Estimates

GROUP	2024	2025e	2026e
EPS (QR)	0.24	0.16	0.25
P/E (x)	12.29	18.95	11.92
EV/EBITDA (x)	7.11	9.25	3.35
DPS (QR)	0.27	0.20	0.24
DY (%)	9.0%	6.7%	8.1%

Source: Company data, QNBFS Research; Note: All data based on current number of shares

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Financial Statements & Projections

3Q2025 Condensed Income Statement vs. Estimates (QR'000)

Income Statement Item	3Q2024	2Q2025	3Q2025	3Q25e	YoY	QoQ	Vs. Est.
Revenue	93,104	97,049	103,056	94,590	10.7%	6.2%	9.0%
GP	40,114	20,601	18,602	20,079	-53.6%	-9.7%	-7.4%
GP M	43.1%	21.2%	18.1%	21.2%			
EBIT (Core Earnings)	35,567	16,654	12,707	15,832	-64.3%	-23.7%	-19.7%
EBIT M	38.2%	17.2%	12.3%	16.7%			
Other income	11,983	7,988	10,645	9,986	-11.2%	33.3%	6.6%
NP	47,550	24,642	23,352	25,911	-50.9%	-5.2%	-9.9%
NP M	51.1%	25.4%	22.7%	27.4%			

Source: Company data, QNBFS Research

- Cost controls are ongoing, but 3Q margins highlight lingering inefficiencies.** While QNCD's cost optimization efforts continue at the SG&A level – selling and admin expenses in 3Q increased 29.6% YoY (after declining in 2Q by 15% YoY). The company also kept its clinker plant mothballed through 3Q (since mid-2024) to avoid unnecessary inventory buildup. However, despite lower depreciation charges and some savings, gross margin slipped further in 3Q as noted: Fixed costs, specifically labor, are weighing on COGS without clinker operations as they are not being absorbed by inventory. Meanwhile, other income (mostly from QNCD's large investment portfolio and cash) came at QR10.6mn in 3Q2025, which is down 11% YoY but up from just QR8.0mn in 2Q2025. Overall, 9M2025 other income (QR38mn) remains 11.4% lower YoY, contributing to net profit pressure as market yields decline. We will look to 4Q and early 2026 for signs of gross margin rebound as this is critical for a meaningful earnings recovery.

QNB FS Estimates Revision (QR)

2024		2025e			2026e			2027e		
		Current	Previous	▲	Current	Previous	▲	Current	Previous	▲
REVENUE	396,975,145	411,634,299	411,634,299	0.0%	422,092,435	422,092,435	0.0%	425,998,880	425,998,880	0.0%
Cement	306,966,844	321,422,348	321,422,348	0.0%	331,292,641	331,292,641	0.0%	334,605,567	334,605,567	0.0%
Sand	80,923,081	80,923,081	80,923,081	0.0%	81,327,696	81,327,696	0.0%	81,734,335	81,734,335	0.0%
Others	9,085,220	9,288,869	9,288,869	0.0%	9,472,098	9,472,098	0.0%	9,658,978	9,658,978	0.0%
GROSS PROFIT	132,841,483	84,739,242	140,746,343	-39.8%	133,405,629	152,833,293	-12.7%	138,672,782	160,988,984	-13.9%
EBITDA	148,982,252	98,175,692	164,756,441	-40.4%	211,832,636	224,130,880	-5.5%	212,863,116	230,568,883	-7.7%
OPERATING PROFIT	100,052,620	50,487,379	117,068,128	-56.9%	105,768,477	118,066,721	-10.4%	109,872,051	130,286,553	-15.7%
OTHER INCOME	58,683,855	52,359,318	52,362,853	0.0%	58,168,344	61,365,506	-5.2%	65,283,198	57,483,921	13.6%
NET PROFIT	159,826,361	103,609,583	171,247,212	-39.5%	164,699,707	181,248,457	-9.1%	175,918,135	189,586,704	-7.2%

Source: Company data, QNBFS Research

- Strong balance sheet and low-beta stock — a candidate for balance sheet optimization.** QNCD's balance sheet strength continues to be a key investment pillar. The company has a significant cash position, alongside a vast inventory of clinker built up over previous years. Since halting clinker production, QNCD has begun drawing down these stockpiles (which were equivalent to multiple years of production at end-2024), which should gradually convert working capital into cash. This provides an opportunity to unlock shareholder value – for example, through share buybacks or special dividends – in line with the recent trend among Qatari companies to utilize excess balance sheet capacity. While there's no official guidance on such actions, QNCD's board did demonstrate a shareholder-friendly stance by paying 110% of FY2024 earnings as dividends (QR0.27 DPS vs. QR0.24 EPS). For 2025, we assume a slightly lower QR0.20 DPS (still above 100% payout), given the earnings drop. Even at this level, QNCD's dividend yield (FY2025E: 6.7%) remains one of the highest on the QSE, supporting its appeal to income-focused investors. Importantly, QNCD's stock has exhibited remarkably low volatility, and combined with its hefty "war chest," helps buffer investors against the construction sector's cyclicality. This defensive profile, unusual for a cyclical materials company, cements (pun intended) QNCD's role as a stabilizing asset in portfolios, even as we await a full cyclical upturn in its earnings.

Income Statement (QR)

	2024	2025e	2026e	2027e	2028e	2029e
REVENUE	396,975,145	411,634,299	422,092,435	425,998,880	429,944,213	433,928,849
Cement	306,966,844	321,422,348	331,292,641	334,605,567	337,951,623	341,331,139
Sand	80,923,081	80,923,081	81,327,696	81,734,335	82,143,007	82,553,722
Others	9,085,220	9,288,869	9,472,098	9,658,978	9,849,584	10,043,988
GROSS PROFIT	132,841,483	84,739,242	133,405,629	138,672,782	146,461,500	153,893,992
EBITDA	148,982,252	98,175,692	211,832,636	212,863,116	212,525,235	214,318,413
OPERATING PROFIT	100,052,620	50,487,379	105,768,477	109,872,051	117,054,293	124,041,988
OTHER INCOME	58,683,855	52,359,318	58,168,344	65,283,198	71,275,238	73,351,042
NET PROFIT	159,826,361	103,609,583	164,699,707	175,918,135	189,092,417	198,155,915

Source: Company data, QNBFS Research

Cash flow Statement (QR)

	2024	2025e	2026e	2027e	2028e	2029e
Cash Flow from Operating Activities	148,151,557	353,427,036	374,019,441	345,656,560	266,385,379	269,601,066
Cash Flow from Investing Activities	(183,037,562)	(47,570,456)	(44,103,186)	(4,116,592)	(4,130,141)	(4,143,835)
Cash Flow from Financing Activities	(196,058,682)	(176,452,814)	(130,705,788)	(158,164,418)	(169,382,846)	(182,557,127)
Change in Cash	(230,944,687)	129,403,766	199,210,467	183,375,550	92,872,393	82,900,104
Cash Beginning of Period	402,853,303	171,908,616	301,312,383	500,522,849	683,898,399	776,770,792
Cash End of Period	171,908,616	301,312,383	500,522,849	683,898,399	776,770,792	859,670,896

Source: Company data, QNBFS Research

Balance Sheet (QR)

	2024	2025e	2026e	2027e	2028e	2029e
BALANCE SHEET						
Non-current asset						
Property, plant and equipment	1,515,543,263	1,530,797,197	1,485,416,719	1,403,122,740	1,326,415,127	1,254,915,724
Investment properties	2,371,666	1,917,948	1,464,230	1,010,512	556,794	103,076
Intangible assets	6,202,764	4,255,457	2,308,150	360,843	360,843	360,843
Investment in associates	31,586,797	30,849,683	31,612,569	32,375,455	33,138,341	33,901,227
Financial assets at FVTOCI	238,338,380	260,548,380	260,548,380	260,548,380	260,548,380	260,548,380
Total non-current assets	1,794,042,870	1,828,368,665	1,781,350,048	1,697,417,930	1,621,019,485	1,549,829,250
Current assets						
Non-current assets held for sale	719,551	2,219,551	2,219,551	2,219,551	2,219,551	2,219,551
Inventories	626,024,425	409,797,407	288,314,918	199,916,714	195,684,670	191,816,212
Accounts and other receivables	217,111,386	225,128,687	230,848,391	232,984,882	235,142,641	237,321,895
Short term fixed deposits	494,111,999	494,111,999	494,111,999	494,111,999	494,111,999	494,111,999
Cash and cash equivalents	171,908,616	301,312,383	500,522,849	683,898,399	776,770,792	859,670,896
Total current assets	1,509,875,977	1,432,570,027	1,516,017,708	1,613,131,546	1,703,929,653	1,785,140,553
Total assets	3,303,918,847	3,260,938,691	3,297,367,756	3,310,549,476	3,324,949,138	3,334,969,803
EQUITY AND LIABILITIES						
Share capital	653,528,940	653,528,940	653,528,940	653,528,940	653,528,940	653,528,940
Legal reserve	326,764,470	326,764,470	326,764,470	326,764,470	326,764,470	326,764,470
Fair value reserve of financial assets at FVTOCI	9,515,891	31,725,891	31,725,891	31,725,891	31,725,891	31,725,891
Share of fair value reserves of associates	6,495,490	6,495,490	6,495,490	6,495,490	6,495,490	6,495,490
Retained earnings	2,048,034,109	1,972,600,639	2,002,477,066	2,015,832,829	2,030,815,090	2,041,459,980
Total equity	3,044,338,900	2,991,115,430	3,020,991,857	3,034,347,620	3,049,329,881	3,059,974,771
Non-current liability						
Employees' end of service benefits	13,694,624	13,694,624	13,694,624	13,694,624	13,694,624	13,694,624
Accounts & other payables - long term	43,259,742	45,061,896	46,214,732	46,184,111	46,081,612	45,971,789
Total non-current liability	56,954,366	58,756,520	59,909,356	59,878,735	59,776,236	59,666,413
Current liability						
Accounts & other payables - short term	202,625,581	211,066,741	216,466,544	216,323,120	215,843,021	215,328,619
Total current liability	202,625,581	211,066,741	216,466,544	216,323,120	215,843,021	215,328,619
Total liabilities	259,579,947	269,823,261	276,375,899	276,201,855	275,619,257	274,995,032
Total equity and liabilities	3,303,918,847	3,260,938,691	3,297,367,756	3,310,549,476	3,324,949,138	3,334,969,803

Source: Company data, QNBFS Research

Ratios

	2024	2025e	2026e	2027e	2028e	2029e
Growth Rates						
Revenue	-13.8%	3.7%	2.5%	0.9%	0.9%	0.9%
Gross Profit	-29.8%	-36.2%	57.4%	3.9%	5.6%	5.1%
EBITDA	-38.2%	-34.1%	115.8%	0.5%	-0.2%	0.8%
EBIT	-22.3%	-49.5%	109.5%	3.9%	6.5%	6.0%
NP	-22.1%	-35.2%	59.0%	6.8%	7.5%	4.8%
EPS	-22.1%	-35.2%	59.0%	6.8%	7.5%	4.8%
DPS	-10.0%	-25.9%	21.0%	7.1%	7.8%	5.0%
CFPS	296.3%	138.6%	5.8%	-7.6%	-22.9%	1.2%
FCFF	528.4%	116.5%	7.8%	3.7%	-24.2%	1.3%
Operating Ratios						
Gross Margin	33.5%	20.6%	31.6%	32.6%	34.1%	35.5%
EBITDA Margin	37.5%	23.9%	50.2%	50.0%	49.4%	49.4%
EBIT Margin	25.2%	12.3%	25.1%	25.8%	27.2%	28.6%
Net Margin	40.3%	25.2%	39.0%	41.3%	44.0%	45.7%
Working Capital Ratios						
Inventory Days	1,746	800	500	350	350	350
Average Collection Period	204.85	204.85	204.85	204.85	204.85	204.85
Payable Days	75.03	74.53	74.71	74.64	74.67	74.66
NWC days						
Finance Ratios						
Debt-Equity Ratio	0%	0%	0%	0%	0%	0%
Net Debt -Equity Ratio	0%	0%	0%	0%	0%	0%
Net Debt -to-Capital	0%	0%	0%	0%	0%	0%
Net Debt -to-EBITDA	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Interest Coverage	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Return Ratios						
ROIC	4.7%	2.6%	6.0%	6.9%	7.7%	8.6%
ROE	5.2%	3.5%	5.5%	5.8%	6.2%	6.5%
ROA	4.8%	3.2%	5.0%	5.3%	5.7%	6.0%
WACC		12.0%	12.0%	12.0%	12.0%	12.0%
Liquidity Ratios						
Current Ratio	7.5	6.8	7.0	7.5	7.9	8.3
Quick Ratio	4.4	4.8	5.7	6.5	7.0	7.4
Cash Ratio	3.3	3.8	4.6	5.4	5.9	6.3
Valuation Ratios						
EV/Sales	3.39	2.21	1.68	1.23	1.01	0.81
EV/EBITDA	9.03	9.25	3.35	2.47	2.03	1.63
EV/EBIT	13.44	17.98	6.70	4.78	3.69	2.82
P/E	14.07	18.95	11.92	11.16	10.39	9.91
P/CFO	15.2	5.6	5.3	5.7	7.4	7.3
P/BV	0.7	0.7	0.7	0.6	0.6	0.6
Dividend Yield	7.8%	6.7%	8.1%	8.6%	9.3%	9.8%
FCF Yield	6.0%	14.9%	16.1%	16.7%	12.6%	12.8%
Unencumbered cash/Book Value	29.7%	35.3%	41.5%	47.4%	50.2%	52.8%
Unencumbered cash/Market Cap.	40.2%	53.8%	63.9%	73.3%	78.0%	82.2%

Source: Company data, QNBFS Research

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

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