

# Qatar begins interim dividends

Sept. 19, 2024

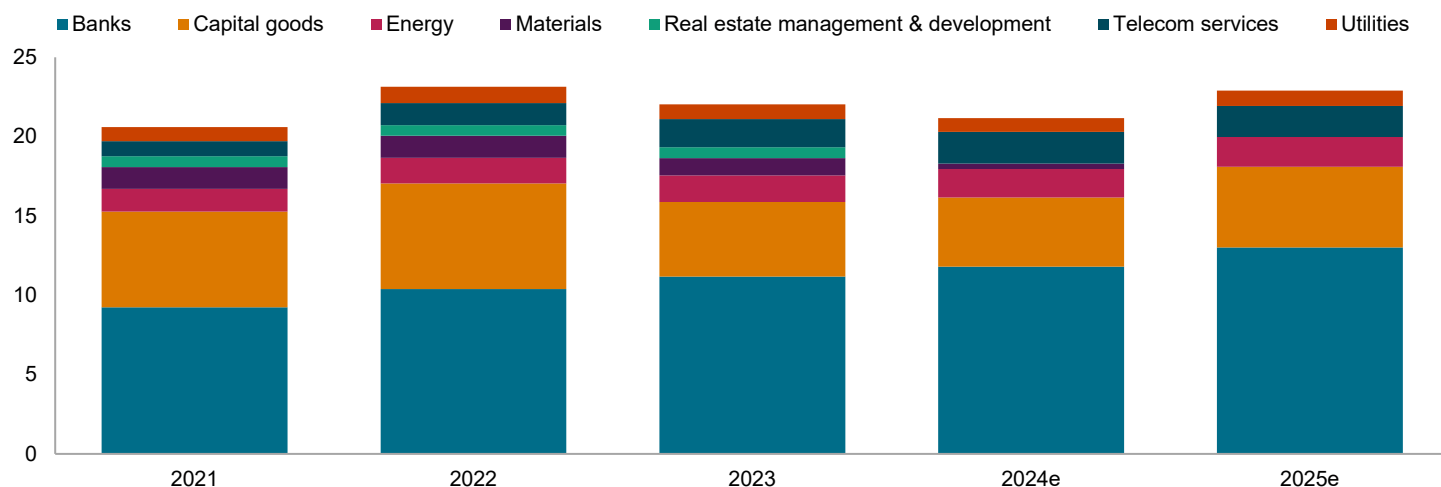
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## Key takeaways

- In November 2023, the Qatar Financial Markets Authority (QFMA) authorized the issuance of interim dividends beginning fiscal year 2024. This decision led several Qatari firms to declare interim dividends alongside their semiannual financial reports, pending QFMA and shareholder consent. These dividends are determined based on the companies' quarterly or half-yearly profits.
- As a result of this change, the Qatari companies will pay an additional dividend in calendar year 2024, leading to a significant increase of 30.57% to 30.23 billion Qatari riyals.
- Among the 13 companies listed in the MSCI Qatar index, nine have declared interim dividends alongside their half-year results. The banking sector has been the primary driver of these dividend announcements, with 45% of the approved interim dividends coming from this sector.
- We anticipate Masraf Al Rayan QPSC and Commercial Bank of Qatar PSQC to announce interim dividends later in 2024. However, management communications from Ooredoo Qatar in the telecom sector and Barwa Real Estate Company QPSC in the real estate sector indicate that interim dividends are unlikely for the current fiscal year.
- Our projection estimates the dividends from MSCI Qatar constituent companies to decrease by 4% in fiscal year 2024, which is driven by the declining profitability of the utility sector comprising Qatar Water and Electricity Company QPSC. Our dividend projections suggest a decline of 9% on a year-over-year basis for the company.
- We project an 8% year-over-year increase in MSCI Qatar dividends for fiscal year 2025. This growth is anticipated to be fueled by double-digit dividend growth in the banking, utilities and capital goods sectors.
- Qatar is the latest country in the Middle East to change its frequency of payments with the interim distributions. When looking at the MSCI constituents, Saudi Arabia, Kuwait and the United Arab Emirates have moved to the interim distribution.

## Aggregate dividend by sector per year for MSCI Qatar (on fiscal year basis)

In Qatari riyals, billions



Data compiled Sept. 5, 2024.  
e = estimated.

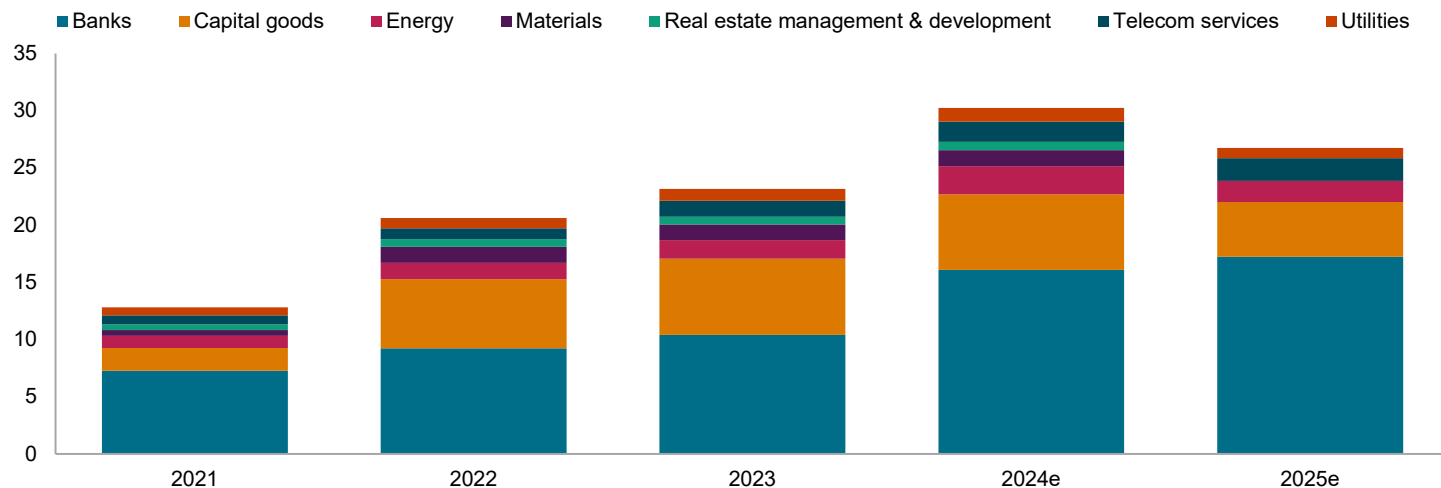
In the absence of earnings estimates for Barwa Real Estate Company QPSC and Mesaieed Petrochemical Holding Company QPSC, we are unable to forecast any dividends for the companies and therefore for the materials and real estate sectors.

Source: S&P Global Market Intelligence.

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# Interim dividend by sectors

According to the Qatar Financial Markets Authority (QFMA), there are advantages and implications of the new rules which allow “listed companies to distribute interim dividends that provide investors in the stock market with a periodic return (quarterly or annually) on the value of their investments instead of waiting for the annual one.”

The QFMA added, “It also contributes to reinjecting part or all the dividends into the market periodically during the financial year as well increasing activity in the market. This also can help attracting a new category of investors to the stock market and enhancing investor confidence in the operational performance of listed companies, the strength of their financial position and their ability to generate real interim revenues and cash flows.”

## Banks

**Qatar National Bank QPSC** was the first company to approve and pay an interim dividend with a payment of 0.33 riyal per share. The bank demonstrated sustainable growth during the first half of the year with a 7% year-over-year increase in half-yearly profits. The bank posted an impressive capital adequacy ratio of 19.2%. Management communicated that the bank is not aiming at a 50%-50% split between the interim and final dividends based on an annual payout ratio. We expect the bank to pay a final dividend of 0.35 riyal per share for the financial year. The company has a trend to pay dividends in the range of 40%-50%. Our projection for fiscal year 2024 results in a payout ratio of 45%, which is in the middle of the range and in line with the trend of the last three years.

For **Dukhan Bank QPSC**, we expect a final dividend of 0.09 riyal per share for the year. The bank announced an interim dividend of 0.08 riyal per share. The bank has had a rather erratic payout ratio throughout its history. We have based our full-year projections on the average payout ratio of the last five years, which comes to 64%. Notably, management has communicated its intention to move to quarterly distributions in the future. Since the bank has paid its interim dividends based on half-yearly profits, we find it unlikely that the bank will begin its quarterly distributions in fiscal year 2024 itself.

**Qatar Islamic Bank QPSC** announced an interim dividend of 0.25 riyal per share. The bank achieved second-quarter net profit growth of 5.6% against last year. Its capital adequacy ratio stood at 20.7% as of June 2024. The bank maintains an annual payout ratio of 40%-50%. During the earnings call, management indicated that the company’s interim dividend was approached with caution, as this was the initial distribution, and the decision reflected the current circumstances. The bank plans to gradually enhance its payout ratio, supported by a robust capital position. We expect a final dividend of 0.53 riyal per share. Our projection is in line with a payout ratio of 42% of earnings, which is in line with last year’s payout ratio.

**Qatar International Islamic Bank QPSC (QIIB)** announced an interim dividend of 0.23 riyal per share. QIIB’s balance sheet decreased compared with fiscal year 2023, which is mainly a result of reducing the bank’s balances and investments with financial institutions. However, financing assets grew by 5.6% compared with fiscal year 2023, which offset the decline in balances and investments with financial institutions. Its capital adequacy ratio stood at 18.8% as of June 2024 and half-year net profit was up by 6.5% against the same period last year. There was no outlook on dividends provided by the bank during its earnings call. We expect a final dividend of 0.25 riyal per share, resulting in a split of 48%-52% between the interim and final dividends. Our full-year payout ratio stands at 61%, which is slightly lower than the average of the last five years of 63%.

Two banks that are yet to pay any interim dividends are **Masraf Al Rayan QPSC (MAR)** and **Commercial Bank of Qatar PSQC**. **MAR** has approved interim dividends during its board meeting, will start implementing the interim dividend principle, and has recommended to MAR shareholders to approve the amendment of MAR's Articles of Association to authorize the board to distribute interim dividends. We are forecasting a dividend of 0.11 riyal per share, split between an interim and a final dividend equally for the year. We expect a higher probability that the shareholders approve the distribution, and that the bank announces interim dividends along with its third-quarter results. **Commercial Bank of Qatar** has also approved the interim dividend policy. We expect the bank to pay a total dividend of 0.26 riyal per share for fiscal year 2024. In the absence of any pre-specified split and policy, we expect the bank to pay an equal split in favor of the interim and final dividends.

## Energy

**Qatar Fuel Company QPSC** announced an interim dividend of 0.40 riyal per share for the first half of the year. The company posted a 9.5% increase in net profits against the same period last year. In its earnings call, management communicated that the interim dividend payout ratio stood at 83%. Based on this, we are projecting a final dividend of 0.58 riyal per share that will bring the total dividends to 0.98 riyal per share, which is consistent with an annual payout ratio of 83%.

**Qatar Gas Transport Co. Ltd.** announced an interim dividend of 0.07 riyal per share on its half-yearly profits. Management communicated in its earnings call that the board remains confident in sustaining dividend distributions in the future despite planned capital expenditures. Management reiterated its commitment to shareholder returns and communicated that the company's strong balance sheet and long-term contracts should provide it with the flexibility to manage dividend distributions over the coming years. The company has been increasing its dividends by 0.01 riyal since fiscal year 2020, and we expect the trend to continue at least until fiscal year 2026 as earnings estimates suggest an increase of a single-digit percentage, after which double-digit growth is expected. Based on this, we expect the final dividend to be 0.08 riyal per share, bringing the total dividend for the year to 0.15 riyal per share, 0.01 riyal higher than last year's dividend of 0.14 riyal per share.

## Materials

**Mesaieed Petrochemical Holding Company QPSC** announced an interim dividend of 0.027 riyal per share, in line with a payout ratio of 85% of the net profit for the first half of the year. Its net profit was impacted due to a decline in selling price resulting in a lower revenue. However, this effect was partially offset by higher sales volumes. Despite the volatility in commodity prices, the company posted slight quarter-over-quarter growth in EBITDA margins.

## Capital goods

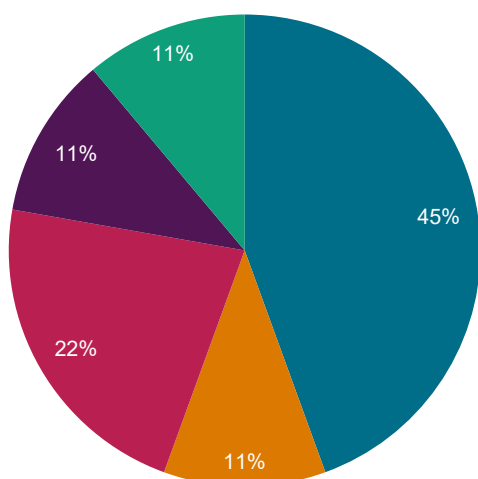
**Industries Qatar QPSC** paid an interim dividend of 0.31 riyal per share, in line with a payout ratio of 80% based on half-year earnings. Earnings estimates suggest a decline in earnings of around 3% during fiscal year 2024 for the company. Based on this and taking note of the company's trend from last year, we are forecasting a final dividend of 0.45 riyal per share, bringing the total dividend to 0.75 riyal per share, at close to a 100% payout ratio. In its earnings call, management communicated that the final dividend will be adjusted based on the market conditions and there could be a deviation in the payout ratio.

# Utilities

**We expect Qatar Electricity and Water Company QPSC** to pay a final dividend of 0.55 riyal per share. The company announced an interim dividend of 0.25 riyal per share. Looking at the last five years, the company has maintained a payout ratio of between 60% and 62%. Our projection translates into a payout ratio of 61%, which is in the middle of the range. The company posted a decline in net profit of 12% against the same period last year.

## Interim dividends paid by sector

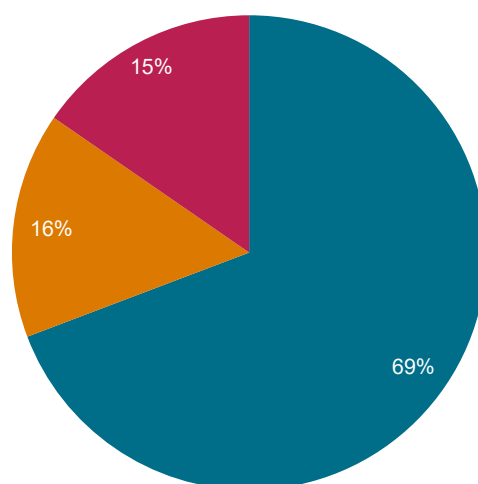
■ Banks ■ Capital goods ■ Energy ■ Materials ■ Utilities



Data compiled Sept. 5, 2024.  
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## Likelihood of interim dividends in FY 2024

■ Announced ■ Likely to announce ■ Not likely to announce



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## Interim dividends: MSCI Qatar

Company	ISIN	DPS (Qatari riyal)	Confidence rank	Ex-date	Confidence rank
Qatar National Bank QPSC	QA0006929895	0.3300	-	07/18/24	-
Dukhan Bank QPSC	QA000B982PM1	0.0800	-	07/25/24	-
Qatar Islamic Bank QPSC	QA0006929853	0.2500	-	07/25/24	-
Qatar International Islamic Bank QPSC	QA0006929879	0.2300	-	07/31/24	-
Qatar Fuel Company QPSC	QA0001200771	0.4000	-	08/12/24	-
Industries Qatar QPSC	QA000A0KD6K3	0.3100	-	08/21/24	-
Mesaieed Petrochemical Holding Company QPSC	QA000VSUG130	0.0270	-	08/21/24	-
Qatar Electricity & Water Company QPSC	QA0006929812	0.2500	-	09/09/24	-
Qatar Gas Transport Co. Ltd.	QA000A0KD6L1	0.0700	-	09/11/24	-
Masraf Al Rayan QPSC	QA000A0M8VM3	0.0550(e)	Low	11/26/24(e)	Low
Commercial Bank of Qatar PSQC	QA0007227752	0.1300	Low	12/12/24(e)	Low

Data compiled Sept. 5, 2024.  
DPS = dividend per share.  
Source: S&P Global Market Intelligence.  
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# Annual dividend payers

## Telecommunications

**Ooredoo Qatar** had gotten approval for interim dividends in its last annual general meeting. However, the company is maintaining a cautious approach toward interim dividends. Since interim dividends could put pressure on cash management, the company intends to take a conservative approach and judge the performance throughout the year before implementing interim dividends. As per management's tone, it is unlikely that the company will implement interim dividends in the current financial year.

## Real estate

**Barwa Real Estate Company QPSC's** management did not address interim dividends during its earnings call and has not yet announced any meeting for approval. The group's revenue decreased by 1 million riyals in the first half of fiscal year 2024 compared with the previous year. However, net debt improved, declining from 0.57 times as of Dec. 31, 2023, to 0.41 times as of June 30, 2024. Given the lack of clear communication regarding interim dividends, we are excluding Barwa Real Estate from our expectations for interim distributions in the current fiscal year.

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