

GISS Alert – QP Awards Major North Field Expansion Contract; Upgrade to Outperform/Raise Price Target to QR21

- **In a press release, GISS announced that QP has awarded it with contracts to provide six premium offshore jack up rigs for the North Field expansion (NFE) project. GDI intends to finalize an agreement with Seadrill to provide these required jack up rigs under the terms of their existing Strategic Cooperation Agreement. According to the deployment schedule put forth in GISS' press release: 1) the first two rigs will be contracted for a firm duration of three years and will start working from 1Q2020, 2) the third rig will start operations in 2Q2020 for a period of two years, 3) two additional rigs contracted for three years will start operations in 3Q2020 and 4) finally, a suitable rig already being deployed by Qatargas will be utilized in this drilling program from 2Q2020 onward. Qatargas is in charge of executing this NFE project on behalf of QP; total contracts call for a drilling program of eight rigs, with the remaining two rigs awarded to US-based Northern Offshore Drilling Operations Ltd. The drilling program retains exercisable options to extend its duration if required and is a major component of the NFE project designed to increase Qatar's LNG capacity from 77 MTPA to 110 MTPA by 2024. The scope of the project includes the drilling and completion of 80 new wells from eight wellhead platform locations.**
- **Financial impact: We increase our earnings estimate by an average of 28% over 2020-2023. We increase our 2020 EPS from QR1.13 to QR1.46 (+29%) and our 2021 EPS goes from QR1.30 to QR1.72 (+32%). We will detail our estimate changes in a subsequent report shortly. We are assuming the five extra rigs to be deployed in a similar arrangement as the West Tucana rig currently being used under a rig utilization agreement with Seadrill. GISS could opt for another structure, such as a JV arrangement and more details should be forthcoming in the future.**
- **We upgrade GISS to Outperform from Accumulate and raise our price target from QR17 to QR21. We view this news as further validation of our bullish view on GISS and note the stock is up 17% since our prior upgrade on March 24, 2019 vs. the QSE Index's 5% gain.**

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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