

Gulf International Services (GISS)

Recommendation	OUTPERFORM	Risk Rating	R-4
Share Price	QR3.121	Target Price	QR3.900
Implied Upside	25.0%	Old Price Target	QR3.410

Increasing Estimates to Reflect New Rigs; Raising PT & Upgrading to Outperform

We are updating our model, factoring in the recent purchase of three offshore rigs targeted at the massive North Field Expansion Project, and increasing our price target from QR3.410 to QR3.900. We also upgrade our rating on GISS from Accumulate to Outperform. We are raising our 2024 earnings/EPS estimate by 2.4% from QR643.9mn/QR0.346 to QR659.3mn/QR0.355 and our 2025 forecasts also go up by 9.5% from QR724.1mn/QR0.390 to QR793.1mn/QR0.427. Overall, we expect earnings/EPS to grow at a CAGR of 18.3% over 2023-2030. GISS stock has benefited from a turnaround in its drilling unit, appreciating 13% in 2024 and handily outperforming a sluggish Qatari market. Going forward, with major initiatives, including [restructuring of GDI's debt](#) and [purchase of three offshore rigs from Seadrill](#), completed, GISS is on track to deliver significant earnings growth. We also expect DPS of QR0.175 and QR0.200 for 2024 and 2025, which translates into attractive dividend yields of 5.6% and 6.4%. We note that while GISS is generally able to secure rig-rate increases as contracts are renewed for its existing fleet, it is not totally implausible to expect a one-shot renegotiation of its offshore rig rates given that market rates remain higher than GISS's current blended offshore rig rate of ~\$80k/d (as shown recently by ADES Holdings' [contract announcement in Qatar](#)). Moreover, GISS could potentially look to undertake a spin-off/listing for its insurance subsidiary (Al Koot) as it has contemplated in the past (most recently via an attempted merger).

Highlights

- We expect earnings from the drilling segment to flip from a loss of QR37.9mn in 2023 to a profit of QR496.2mn in 2030 and contribute 61% to the overall earnings growth. From 3Q2024, this segment should include contribution from Gulf Jackup (three former Seadrill offshore rigs) and GulfDrill (two Chinese offshore rigs under a bare boat structure), along with GDI's existing fleet of seven offshore rigs, seven onshore rigs, an accommodation jackup and two barges. Our model assumes current offshore/onshore rig rates of ~\$80k/d and ~\$20k/d, with 10-15% increases when contracts are renewed (for offshore, this includes one rig in end-2024, three rigs in mid-2025, two rigs in end-2026 and one rig in mid-2027). Currently, our model shows that the blended average offshore rig rate for the seven existing rigs reaches almost \$100k/d by 2030 from ~\$80k/d. We note that the North Field Expansion Project-related rigs, including the three rigs recently purchased from Seadrill and the two Chinese rigs, are being deployed at day rates in excess of \$100k/d currently. Segment top-line should grow at a CAGR of 6.5% over 2023 to 2030 and contribute 42% to the overall revenue growth. Finally, drilling EBITDA should grow at a CAGR of 14.6% over 2023 to 2030 and contribute 63% to the overall increase in EBITDA.
- Aviation and insurance should continue to grow, generating earnings' CAGRs of 4.7% and 13.7% over 2023-2030. Aviation should contribute 14% to aggregate earnings growth over our forecast period, while insurance should contribute 17%. We expect the company to expand its helicopter fleet (on a net basis, including replacements) by two choppers in 2024, two each in 2026/2027 and one in 2028. Overall, we expect the helicopter fleet to expand from 62 in 1Q2024 to 69 by 2028. For insurance, we expect the segment to benefit from its recent foray into the motor segment.

Catalysts

- Continued profitable growth, along with a potential uptick in rig rates/accretive transaction in insurance, could help the stock. We stay longer-term positive on GISS shares.

Recommendation, Valuation and Risks

- Recommendation and valuation:** We rate GISS an Outperform with a TP of QR3.900.
- Risks:** Geopolitical risks cannot be modeled. Oil price volatility can hurt operations and rig rate renegotiation efforts. Debt levels are high and will increase given the recent purchase of three offshore rigs from Seadrill (2024e total debt: QR5.5bn/3.3x net-debt-to-EBITDA) but manageable in light of 1.8x/2.2x interest coverage (2024e/2025e) by the drilling segment. The recent restructuring of drilling debt (QR4.1bn restructured in March 2023 with repayments in 18 unequal annual installments beginning only in 2026, along with a 35% balloon payment in 2048) should also ease pressure. Decline in rig rates/utilizations could pressure shares. GISS also faces concentration risk given its exposure to QatarEnergy/affiliates.

Key Financial Data and Estimates

	2023	2024e	2025e	2026e
Revenue (QR mn)	3,538	4,044	4,436	4,632
EPS (QR)	0.211	0.355	0.427	0.481
P/E	14.8	8.8	7.3	6.5
DPS	0.150	0.175	0.200	0.225
Dividend Yield	4.8%	5.6%	6.4%	7.2%

Source: Company data, QNB FS Research

Key Data

Current Market Price (QR)	3.121
Dividend Yield (%)	4.8
Bloomberg Ticker	GISS QD
ADR/GDR Ticker	N/A
Reuters Ticker	GISS.QA
ISIN	QA000A0Q6LH4
Sector*	Industrials
52wk High/52wk Low (QR)	3.232/1.740
3-m Average Volume ('mn)	5.4
Mkt. Cap. (\$ bn/QR bn)	1.6/5.8
EV (\$ bn/QR bn)	2.4/8.6
Shares Outstanding (bn)	1.9
FO Limit* (%)	49.0
Institutional FO* (%)	12.7
1-Year Total Return (%)	74.2
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign ownership

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Valuation – Our Price Target Implies a 25.0% Appreciation Potential

Our target price of QR3.900/share implies an upside of 25.0% from the current market price. We value GISS using a Sum-Of-The-Parts (SOTP) methodology, which comprises of separate DFC-based models for its drilling and aviation segments. We value the insurance segment and the company’s 30% stake in Amwaj’s catering operations using P/E multiples.

Valuation Summary

Segment	Methodology	Equity Value	EV/Share	TP/Share	% Of TP
Drilling	DCF	4,053	2.181	2.403	62%
Aviation	DCF	3,565	1.918	2.185	56%
Insurance	P/E - 10x 2024 EPS	1,422	0.765	0.765	20%
Catering	P/E - 8x 2024 EPS	329	0.177	0.177	5%
Conglomerate Discount @ 30%		(2,811)	(1.512)	(1.659)	
GISS		6,558	3.500	3.900	100%

Source: Company data, QNB FS Research

Rig Rate/Utilization Assumptions

	2024	2025	2026	2027	2028	2029	2030
Existing Fleet - GDI							
7 Offshore Rigs - Blended Rate \$k/d	78	81	84	90	92	98	99
7 Offshore Rigs - Average Utilization	96%	94%	96%	92%	96%	92%	96%
New Fleet - Gulf Jackup							
3 Offshore Rigs - Blended Rate \$k/d	120	120	120	120	120	120	120
3 Offshore Rigs - Average Utilization	48%	96%	96%	96%	95%	93%	96%
Total Fleet							
10 Offshore Rigs - Blended Rate \$k/d	86	93	94	100	101	105	105
10 Offshore Rigs - Average Utilization	82%	95%	96%	93%	96%	92%	96%
7 Onshore Rigs - Blended Rate \$k/d	21	22	22	23	23	24	24
7 Onshore Rigs - Average Utilization	84%	84%	84%	84%	84%	84%	84%

Source: QNB FS Research; Note: Gulf Jackup rigs are assumed fully-consolidated in 3Q2024

Estimate Changes

We are raising our 2024 earnings/EPS estimate by 2.4% from QR643.9mn/QR0.346 to QR659.3mn/QR0.355 and our 2025 forecasts also go up by 9.5% from QR724.1mn/QR0.390 to QR793.1mn/QR0.427.

QNB FS Estimates Revisions

	Current			▲	Previous			▲	Current			▲
	2023	2024	2024		2025	2025	2026		2026			
Revenue	3,538	4,044	3,894	4%	4,436	4,115	8%	4,632	4,326	7%		
Drilling	1,329	1,660	1,510	10%	1,865	1,544	21%	1,910	1,604	19%		
Aviation	1,035	1,109	1,109	0%	1,183	1,183	0%	1,251	1,251	0%		
Insurance	1,174	1,276	1,276	0%	1,388	1,388	0%	1,471	1,471	0%		
COGS	2,867	3,142	3,086	2%	3,340	3,226	4%	3,440	3,334	3%		
Drilling	1,126	1,262	1,206	5%	1,330	1,215	9%	1,328	1,223	9%		
Aviation	628	702	702	0%	743	743	0%	782	782	0%		
Insurance	1,104	1,169	1,169	0%	1,258	1,258	0%	1,319	1,319	0%		
Gross Profit	672	902	808	12%	1,096	890	23%	1,192	992	20%		
Gross Margin	19%	22%	21%		25%	22%		26%	23%			
Drilling	203	398	304	31%	536	329	63%	582	381	53%		
Gross Margin	15%	24%	20%		29%	21%		30%	24%			
Aviation	407	407	407	0%	440	440	0%	469	469	0%		
Gross Margin	39%	37%	37%		37%	37%		37%	37%			
Insurance	70	107	107	0%	130	130	0%	152	152	0%		
Gross Margin	6%	8%	8%		9%	9%		10%	10%			
SG&A	193	226	209	8%	257	221	16%	268	232	16%		
Net Insurance Finance Income/Expen:	10	12	12	0%	13	13	0%	14	14	0%		
Total Other Income	46	53	53	0%	50	50	0%	51	51	0%		
Net Finance Income(Expense)	(135)	(116)	(75)	55%	(149)	(72)	107%	(138)	(70)	96%		
Income from JVs	25	47	65	-27%	55	76	-28%	58	79	-27%		
Net Income	392	659	644	2%	793	724	10%	894	821	9%		
Net Margin	11%	16%	17%		18%	18%		19%	19%			
Drilling	(38)	143	125	14%	233	159	46%	293	215	36%		
Net Margin	-3%	9%	8%		13%	10%		15%	13%			
Aviation	337	331	331	0%	351	351	0%	371	371	0%		
Net Margin	33%	30%	30%		30%	30%		30%	30%			
Insurance	100	132	132	0%	155	155	0%	177	177	0%		
Net Margin	9%	10%	10%		11%	11%		12%	12%			
EBITDA	908	1,186	1,142	4%	1,428	1,102	30%	1,543	1,224	26%		
EBITDA Margin	26%	29%	29%		32%	27%		33%	28%			
Drilling	418	641	530	21%	816	561	46%	870	619	41%		
EBITDA Margin	31%	39%	35%		44%	36%		46%	39%			
Aviation	415	436	436	0%	484	484	0%	525	525	0%		
EBITDA Margin	40%	39%	39%		41%	41%		42%	42%			
Insurance	75	110	110	0%	132	132	0%	154	154	0%		
EBITDA Margin	6%	9%	9%		9%	9%		10%	10%			
EPS	0.211	0.355	0.346	2%	0.427	0.390	10%	0.481	0.442	9%		
DPS	0.150	0.175	0.175	0%	0.200	0.200	0%	0.225	0.225	0%		

Source: Company data, QNB FS Research

Ratio Analysis

Key Ratios & Valuation Metrics

Particulars	2020	2021	2022	2022*	2023	2024	2025	2026	2027	2028	2029	2030
Growth Rates												
Revenue	(0.4%)	3.1%	18.6%	(1.9%)	16.6%	14.3%	9.7%	4.4%	4.3%	3.9%	2.2%	3.1%
Gross Profit	(18.2%)	4.3%	94.1%	78.0%	9.0%	34.3%	21.4%	8.8%	7.8%	7.5%	3.2%	7.2%
EBITDA	(20.5%)	(7.8%)	53.3%	58.6%	8.0%	30.6%	20.3%	8.1%	7.3%	7.4%	4.3%	6.4%
EBIT	(47.0%)	14.0%	177.9%	190.9%	20.5%	34.1%	21.3%	9.7%	8.4%	8.2%	3.3%	7.9%
PAT/EPS	N/M	N/M	435.5%	458.0%	29.6%	68.3%	20.3%	12.7%	10.7%	10.5%	5.5%	10.2%
DPS	N/A	N/A	N/M	N/M	50.0%	16.7%	14.3%	12.5%	11.1%	10.0%	9.1%	8.3%
CFPS	(48.5%)	19.4%	66.0%	66.0%	14.9%	23.7%	21.8%	7.8%	7.3%	7.0%	4.3%	6.0%
FCFPS	(57.7%)	19.5%	72.0%	72.0%	11.9%	N/M	N/M	16.1%	9.0%	10.6%	6.6%	10.8%
Operating Ratios												
Gross Margin	11.1%	11.2%	18.4%	20.3%	19.0%	22.3%	24.7%	25.7%	26.6%	27.5%	27.8%	28.9%
Gross Margin, Excluding Depreciation & Amortization	25.3%	22.8%	28.2%	31.8%	28.9%	32.7%	36.0%	37.1%	38.1%	39.2%	40.0%	41.2%
EBITDA Margin	19.2%	17.2%	22.2%	27.7%	25.7%	29.3%	32.2%	33.3%	34.3%	35.4%	36.2%	37.3%
EBIT Margin	4.6%	5.1%	12.0%	15.2%	15.7%	18.5%	20.4%	21.5%	22.3%	23.2%	23.5%	24.6%
Net Margin	(10.6%)	1.8%	7.9%	10.0%	11.1%	16.3%	17.9%	19.3%	20.5%	21.8%	22.5%	24.0%
Working Capital Ratios												
Inventory Days	32.7	37.8	47.9	59.4	56.1	56.5	56.5	56.5	56.5	56.5	56.5	56.5
Average Collection Period	75.8	82.1	79.6	43.1	24.1	26.5	26.5	26.5	26.5	26.5	26.5	26.5
Payable Days	96.3	104.1	109.0	86.7	66.9	58.3	56.3	55.2	54.6	53.8	53.6	52.7
Finance Ratios												
Debt-Equity Ratio	1.4	1.3	1.2	1.2	1.1	1.3	1.2	1.0	0.9	0.7	0.6	0.5
Net Debt-Equity Ratio	1.2	1.1	0.9	0.9	0.8	0.9	0.7	0.5	0.4	0.2	0.1	(0.1)
Net Debt-to-Capital	0.5	0.5	0.5	0.5	0.4	0.5	0.4	0.3	0.3	0.2	0.1	(0.1)
Debt-to-EBITDA	7.7	8.2	5.3	5.2	4.9	4.7	3.8	3.4	3.0	2.6	2.3	2.0
Net Debt-to-EBITDA	6.5	6.8	3.9	3.8	3.4	3.3	2.4	1.8	1.3	0.7	0.2	(0.3)
Interest Coverage	0.9	1.2	2.4	2.6	2.7	4.1	4.3	4.9	5.7	6.5	7.4	8.9
Return Ratios												
ROIC	1.8%	2.1%	5.6%	5.8%	6.8%	7.7%	8.9%	9.5%	10.0%	10.5%	10.6%	11.1%
ROE	-9.8%	1.7%	8.1%	8.3%	10.2%	15.6%	16.9%	17.2%	17.1%	17.1%	16.4%	16.4%
ROA	-3.2%	0.5%	2.7%	3.0%	3.8%	5.5%	6.3%	6.9%	7.4%	8.0%	8.2%	8.8%
FCF Yield	4.6%	5.5%	9.5%	9.5%	10.6%	-7.8%	16.8%	19.5%	21.2%	23.5%	25.0%	27.8%
Liquidity Ratios												
Current Ratio	1.2	1.3	1.0	1.1	1.8	2.0	2.2	2.3	2.4	2.5	2.7	2.9
Quick Ratio	1.1	1.2	0.9	0.9	1.6	1.8	1.9	2.1	2.2	2.3	2.4	2.7
Valuation												
EV/Sales	2.9	2.8	2.2	2.7	2.3	2.2	1.9	1.7	1.4	1.2	1.0	0.8
EV/EBITDA	15.3	16.2	10.1	9.8	8.9	7.5	5.8	5.0	4.2	3.4	2.8	2.1
EV/EBIT	63.3	54.1	18.6	17.9	14.5	11.9	9.2	7.7	6.4	5.2	4.3	3.2
P/E	N/M	107.0	20.0	19.2	14.8	8.8	7.3	6.5	5.9	5.3	5.0	4.6
P/CF	13.9	11.6	7.0	7.0	6.1	4.9	4.0	3.8	3.5	3.3	3.1	3.0
P/BV	1.8	1.8	1.6	1.6	1.5	1.4	1.2	1.1	1.0	0.9	0.8	0.7
Dividend Yield	0.0%	0.0%	3.2%	3.2%	4.8%	5.6%	6.4%	7.2%	8.0%	8.8%	9.6%	10.4%
FCF Yield	4.6%	5.5%	9.5%	9.5%	10.6%	(7.8%)	16.8%	19.5%	21.2%	23.5%	25.0%	27.8%

Source: Company data, QNB FS Research

Detailed Financial Statements

Income Statement

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue	3,034	3,538	4,044	4,436	4,632	4,830	5,018	5,130	5,287
Drilling	1,232	1,329	1,660	1,865	1,910	1,942	1,992	1,999	2,069
Aviation	914	1,035	1,109	1,183	1,251	1,338	1,411	1,458	1,493
Insurance	888	1,174	1,276	1,388	1,471	1,549	1,615	1,673	1,725
COGS	2,417	2,867	3,142	3,340	3,440	3,544	3,636	3,703	3,757
Drilling	1,138	1,126	1,262	1,330	1,328	1,327	1,326	1,324	1,323
Aviation	541	628	702	743	782	834	875	901	919
Insurance	782	1,104	1,169	1,258	1,319	1,373	1,424	1,466	1,503
Corporate/Other	(44)	9	10	10	10	11	11	11	11
Gross Profit	617	672	902	1,096	1,192	1,285	1,382	1,427	1,530
Gross Margin	20.3%	19.0%	22.3%	24.7%	25.7%	26.6%	27.5%	27.8%	28.9%
Drilling	94	203	398	536	582	615	666	674	746
Gross Margin	8%	15%	24%	29%	30%	32%	33%	34%	36%
Aviation	373	407	407	440	469	505	535	557	574
Gross Margin	41%	39%	37%	37%	37%	38%	38%	38%	38%
Insurance	106	70	107	130	152	176	192	207	222
Gross Margin	12%	6%	8%	9%	10%	11%	12%	12%	13%
SG&A	166	193	226	257	268	280	290	298	307
Net Insurance Finance Income/Expense	(11)	10	12	13	14	14	15	16	16
Total Other Income	3	46	53	50	51	53	54	55	55
Net Finance Income(Expense)	(145)	(135)	(116)	(149)	(138)	(127)	(113)	(94)	(72)
Net Finance Income (Expense) - Subsidiaries Ex. Drilling	23	42	33	28	25	24	24	27	32
Net Finance Income (Expense) - Unallocated	10	27	27	23	21	20	20	23	26
Finance Income - Drilling	1	0	0	0	0	0	0	0	0
Finance Expense - Drilling	(179)	(204)	(177)	(201)	(184)	(171)	(157)	(144)	(130)
Taxes	(14)	(9)	(13)	(14)	(15)	(17)	(18)	(19)	(20)
Discontinued Operations, Non-Recurring Items & Mino:	1	(24)	0						
Income from JVs	18	25	47	55	58	61	64	66	69
Net Income	302	392	659	793	894	990	1,094	1,153	1,271
Net Margin	10%	11%	16%	18%	19%	20%	22%	22%	24%
Drilling	(90)	(38)	143	233	293	337	398	417	496
Net Margin	-7%	-3%	9%	13%	15%	17%	20%	21%	24%
Aviation	296	337	331	351	371	399	424	446	464
Net Margin	32%	33%	30%	30%	30%	30%	30%	31%	31%
Insurance	70	100	132	155	177	201	216	231	246
Net Margin	8%	9%	10%	11%	12%	13%	13%	14%	14%
Corporate/Other	26	(7)	53	54	53	54	55	60	65
EBITDA	841	908	1,186	1,428	1,543	1,656	1,778	1,856	1,974
EBITDA Margin	28%	26%	29%	32%	33%	34%	35%	36%	37%
Drilling	369	418	641	816	870	911	978	1,010	1,089
EBITDA Margin	30%	31%	39%	44%	46%	47%	49%	51%	53%
Aviation	388	415	436	484	525	573	614	645	671
EBITDA Margin	43%	40%	39%	41%	42%	43%	44%	44%	45%
Insurance	57	75	110	132	154	177	192	207	222
EBITDA Margin	6%	6%	9%	9%	10%	11%	12%	12%	13%
Corporate/Other	26	(0)	(0)	(4)	(5)	(6)	(6)	(6)	(7)
EBIT	462	557	747	906	994	1,078	1,166	1,205	1,300
EBIT Margin	15%	16%	18%	20%	21%	22%	23%	23%	25%
Drilling	88	168	320	434	477	507	555	560	626
EBIT Margin	7%	13%	19%	23%	25%	26%	28%	28%	30%
Aviation	306	333	338	365	390	421	448	468	483
EBIT Margin	34%	32%	30%	31%	31%	31%	32%	32%	32%
Insurance	53	71	105	127	148	171	186	201	215
EBIT Margin	6%	6%	8%	9%	10%	11%	12%	12%	12%
Corporate/Other	14	(15)	(16)	(20)	(21)	(22)	(23)	(23)	(24)
EPS	0.163	0.211	0.355	0.427	0.481	0.532	0.588	0.621	0.684
DPS	0.100	0.150	0.175	0.200	0.225	0.250	0.275	0.300	0.325

Source: Company data, QNB FS Research

Balance Sheet

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Current Assets									
Cash & Cash Equivalents	1,143	1,296	1,584	2,064	2,450	2,897	3,400	3,917	4,580
Financial Investments	438	469	494	519	546	573	601	629	658
Insurance Contract/Accounts Receivables & Prepayments	1,026	1,010	1,136	1,239	1,308	1,374	1,431	1,478	1,524
Due From Related Parties	671	637	566	566	566	566	566	566	566
Inventories & Contract Assets	514	590	635	667	682	698	711	723	731
Total Current Assets	3,792	4,001	4,414	5,055	5,552	6,108	6,708	7,313	8,059
Non-Current Assets									
Financial Investments	307	368	366	366	366	366	366	366	366
Equity-Accounted Investees & Joint Ventures	28	390	400	410	422	434	447	460	474
Goodwill & Intangibles	304	-	-	-	-	-	-	-	-
Right of Use & Contract Assets	63	41	40	40	40	40	40	40	40
Property, Plant & Equipment	5,561	5,507	6,694	6,631	6,495	6,342	6,140	5,886	5,562
Non-Current Assets	6,262	6,306	7,499	7,447	7,323	7,181	6,992	6,752	6,441
Total Assets	10,054	10,308	11,913	12,502	12,875	13,289	13,700	14,065	14,501
Current Liabilities									
Short-Term Debt & Bank Overdraft	1,734	268	136	136	136	139	189	178	169
Insurance Payables, Accounts Payable & Accruals	1,800	1,901	2,005	2,163	2,269	2,373	2,460	2,538	2,603
Contract Liabilities & Lease Liabilities	49	5	5	5	5	5	5	5	5
Due to Related Parties	21	37	37	37	37	37	37	37	37
Current Liabilities	3,604	2,211	2,181	2,340	2,446	2,554	2,691	2,758	2,814
Non-Current Liabilities									
Employees EoS Benefits & Provision for Decommissioning Costs	158	81	86	86	86	86	86	86	86
Contract Liabilities, Lease Liabilities & Deferred Tax Liabilities	30	41	40	40	40	40	40	40	40
Long-Term Debt	2,634	4,139	5,386	5,348	5,094	4,829	4,475	4,131	3,796
Non-Current Liabilities	2,821	4,260	5,511	5,474	5,220	4,955	4,600	4,256	3,922
Total Liabilities	6,426	6,471	7,693	7,814	7,666	7,509	7,291	7,014	6,736
Shareholders' Equity									
Total Shareholder's Equity	3,629	3,837	4,220	4,688	5,210	5,782	6,411	7,053	7,767
Non-Controlling Interest	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(2)	(2)
Total Shareholders' Equity	3,629	3,837	4,220	4,687	5,209	5,780	6,409	7,051	7,765
Liabilities & Shareholder's Equity	10,054	10,308	11,913	12,502	12,875	13,289	13,700	14,065	14,501

Source: Company data, QNB FS 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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