

## **QNBFS Alert – GISS Announces Significant Upside for 2014 DPS; Reiterate Outperform**

- **Major dividend surprise with QR5.5 recommended for 2014 cash DPS.** GISS' Board of Directors announced a cash DPS of QR5.50 for 2014 vs. QR1.60 (adjusted for 25% bonus shares) in 2013, which translates into a 243.7% YoY growth. The 2014 dividend implies an attractive dividend yield of 5.7%. As mentioned in our company note '*GISS - Growth Story Remains Intact; Reiterate Outperform*' published on January 06, 2015, the dividend could act as a catalyst for the stock in the near-term.
- **We maintain our bullish opinion on GISS.** Much of the company's drilling business remains secured, despite the decline in oil prices, through existing contracts with just two offshore rigs (Al-Rayyan and Leshat) and two onshore rigs (GDI-5 and GDI-6) up for renewal in 2015 and 2016. Consequently, all remaining offshore rigs, except one, in a total fleet of 10 (9 currently in operation) are already secured by announced contracts with disclosed attractive rig rates that were fixed before the decline in oil prices. These contracts are mostly five years in duration with the earliest ending in 2Q2017.
- **Maintaining our target price of QR120; reiterating our Outperform rating on GISS stock.** We believe that this dividend announcement will be perceived positively by the market.
- **Read-through for Industries Qatar (Board meeting on January 8):** IQCD, like GISS, is also hosting a sooner-than-expected meeting of its Board on January 8 to discuss its 2014 dividend distribution. Currently, we expect IQCD to announce QR11/share in cash DPS (flat with 2013). However, investors could expect a similar positive surprise in IQCD dividends post their board meeting. From our model's perspective, we are not expecting a major cut to dividends in 2014 given IQCD's strong net cash position (QR5.5/share) as of 9M2014, sufficient cash dividend cover of 0.8x (at QR11/share) and lack of major expansion opportunities. A combination of cash DPS plus bonus shares can also not be ruled out (similar to 2012, when 10% bonus shares accompanied cash DPS).

### Recommendations

*Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*

<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

### Risk Ratings

*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*

<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

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