

## Gulf International Services (GISS)

Recommendation	ACCUMULATE	Risk Rating	R-4
Share Price	QR13.80	Current Target Price	QR17.00
Implied Upside	23.2%	Old Target Price	QR19.00

### Upgrading to Accumulate With a Price Target of QR17

*We are updating our estimates and upgrading GISS to an Accumulate rating. Since we moved from an [Outperform to a Market Perform](#) rating on November 26, 2018, GISS stock has fallen 25% hurt by lackluster 4Q2018 results and an omission of dividends for the 2<sup>nd</sup> year in a row. The company's 4Q2018 results were not wholly unexpected and indeed much like as we had stated in our [preview](#) although the magnitude of the revenue falloff, especially in drilling, surprised us. **At current levels, we think the risk-reward for the stock is biased toward the positive and thus upgrade GISS to an Accumulate.** For 2019, we still expect healthy EBITDA growth and the company should post a bottom-line of QR105mn; **we want to highlight our earnings estimate does not include potential rig impairments and a rig impairment cannot be ruled out, which could, once again, wipe out the entire net income for the year.** Our overall thesis on the stock remains the same – GISS' story consists of a sum of moving parts, not entirely predictable and fairly volatile. We do not expect this to change. However, we do expect the drilling segment to pull itself out of losses suffered during 2016-2019 by 2020 in light of increasing demand due to the proposed North Field expansion and given our assumption of high utilization of existing rigs and modest cost savings. **Our target price is now QR17 in light of lowered forecasts.***

#### Highlights

- Rig impairment puts 2018 net income under water but EBITDA remains buoyant.** We were of the view that 4Q2018 results would show growth YoY/QoQ, on an operating basis, but net income could get impacted if we were to see any rig impairments. We were partially correct as the magnitude of the revenue falloff, especially in drilling, surprised us. GISS does not provide any segment details in 1Q and 3Q but the declines seen in 2H in drilling and catering lead us to believe that these segments faced a challenging 4Q. We suspect the Msheireb rig was out of commission for most of 2H and GDI faced lower utilization rates as well. Overall revenue for 4Q2018 receded 14% QoQ leading to a slide in gross profits. However, EBITDA improved sequentially helped by higher D&A expenses in 4Q2018. Group revenue/EBITDA improved YoY. The Al Doha rig was impaired, leading to a QR113mn charge in 2018. The company did not announce a dividend for 2018 as we had alluded to in our [preview](#). For details, see page 3.
- We continue to expect a recovery in drilling in 2019 but remain wary of impairment charges; segment profitability still expected by 2020.** We continue to model 7 offshore rigs to be deployed, in-line with current trend as we do not expect any contribution from the Msheireb rig. We still model the Seadrill West Tucana rig to be deployed in a rig utilization contract and expect another rig to be used in a JV arrangement from 2H2019 (by 2021, we expect two additional rigs working in a JV structure). On the **onshore side, we model 7 rigs in 1H2019 as GDI-3 remains stacked.** Net-net, our modeled GDI segment net loss decreases from a loss of QR264mn (QR168mn loss, excluding segment attributable impairment of QR96mn) in 2018 to a loss of QR85mn in 2019. *We want to point out again our 2019 drilling loss of QR85mn does not factor in any impairments; the Msheireb rig is fairly old and is currently not being used with GDI looking to deploy it outside of Qatar (in Asia). Success of this strategy is yet to be seen and a 2019 (most probably year-end) impairment cannot be ruled out.* We expect GDI to go back in the black in 2020. **We also want to highlight substantial growth in insurance revenue vs. our previous forecasts** given the startup of new medical insurance contracts with QP/Qatargas/other major entities in 2019; however, insurance net income estimates decline vs. previous forecasts given 4Q2018 performance and high loss ratios in medical insurance.

#### Catalysts

- Stock price improvement depends on a resumption of confidence in company performance.** GISS stock continues to remain in a "show me" mode.

#### Recommendation, Valuation and Risks

- Recommendation and valuation: We rate GISS an Accumulate with a TP of QR17.** GISS trades at 2019 & 2020 EV/EBITDA multiples of 7.7x and 6.3x, respectively.
- Risks: Geopolitical risks** cannot be modeled. Given the low level of absolute earnings along with paper-thin net margins (2018: 2.1% excluding rig impairment/PP&E write-off), **quarterly earnings could be subject to significant volatility. Debt levels are high** (2018: QR5.0bn/5.5x 2018 net-debt-to-EBITDA) but still manageable in light of 1.1x interest coverage and expected reduction in leverage going forward, in our view. Further **decline in rig rates/ utilizations** could pressure shares. GISS also faces **concentration risk** given its exposure to QP/affiliates.

#### Key Financial Data and Estimates

	2018	2019e	2020e	2021e
EPS (QR)	(0.53)	0.57	1.15	1.35
P/E (x)	N/M	24.3	12.0	10.2
EV/EBITDA (x)	8.6	7.7	6.3	5.6

Source: Company data, QNB FS estimates; Note: All data based on current number of shares

#### Key Data

Bloomberg Ticker	GISS QD
ADR/GDR Ticker	N/A
Reuters Ticker	GISS.QA
ISIN	QA000A0Q6LH4
Sector	Industrials
52wk High/52wk Low (QR)	21.50/13.50
3-m Avg. Volume (000)	200.7
Mkt. Cap. (\$ bn/QR bn)	0.7/2.6
EV (\$ bn/QR bn)	1.7/6.2
FO Limit* (%)	49.0
Current FO* (%)	8.8
Shares Outstanding (mn)	185.8
1-Year Total Return (%)	(28.9)
Fiscal Year End	December 31

Source: Bloomberg (as of March 24, 2019), \*Qatar Exchange (as of March 21, 2019); Note: FO is foreign ownership

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## Summary of Estimate Changes

We continue to expect a recovery in drilling in 2019 but remain wary of impairment charges; segment profitability still expected by 2020. We continue to model 7 offshore rigs to be deployed, in-line with current trend as we do not expect any contribution from the Msheireb rig. We still model the Seadrill West Tucana to be deployed in a rig utilization contract and expect another rig to be used in a JV arrangement from 2H2019 (by 2021, we expect two additional rigs working in a JV structure). On the onshore side, we model 7 rigs in 1H2019 as GDI-3 remains stacked. Net-net, our modeled GDI segment net loss decreases from a loss of QR264mn (QR168mn loss, excluding segment attributable impairment of QR96mn) in 2018 to a loss of QR85mn in 2019. We want to point out again our 2019 drilling loss of QR85mn does not factor in any impairments; the Msheireb rig is fairly old and is currently not being used with GDI looking to deploy it outside of Qatar (in Asia). Success of this strategy is yet to be seen and a 2019 (most probably year-end) impairment cannot be ruled out. We expect GDI to go back in the black in 2020. We also want to highlight substantial growth in insurance revenue vs. our previous forecasts given the startup of new medical insurance contracts with QP/Qatargas/other major entities in 2019; however, insurance net income estimates decline vs. previous forecasts given 4Q2018 performance and high loss ratios in medical insurance.

We also eliminate dividends until 2021. This is in-line with recent comments made by GISS' Chairman Sheikh Khalid bin Khalifa Al Thani who stated the company may not pay dividends for three years.

### QNB FS Current Estimates Vs. Previous Estimates

In QR mn	2019			2020			2021		
	Current	Previous	Change	Current	Previous	Change	Current	Previous	Change
<b>Revenue</b>	<b>2,754.6</b>	<b>2,765.8</b>	<b>-0.4%</b>	<b>2,859.3</b>	<b>2,808.0</b>	<b>1.8%</b>	<b>2,891.3</b>	<b>2,851.7</b>	<b>1.4%</b>
Gulf Drilling International (GDI)	1,158.3	1,273.3	-9.0%	1,214.7	1,275.9	-4.8%	1,196.8	1,279.0	-6.4%
Gulf Helicopters Company (GHC)	555.1	544.0	2.0%	568.9	557.6	2.0%	583.2	571.5	2.0%
Amwaj Catering Company (AHC)	391.6	458.6	-14.6%	409.8	472.3	-13.2%	428.8	486.5	-11.9%
Al Koot Insurance & Reinsurance (AKIR)	649.6	490.0	32.6%	665.8	502.2	32.6%	682.5	514.8	32.6%
<b>COGS</b>	<b>2,282.8</b>	<b>2,229.5</b>	<b>2.4%</b>	<b>2,292.5</b>	<b>2,204.2</b>	<b>4.0%</b>	<b>2,304.8</b>	<b>2,216.5</b>	<b>4.0%</b>
<b>Gross Profit</b>	<b>471.8</b>	<b>536.4</b>	<b>-12.0%</b>	<b>566.8</b>	<b>603.8</b>	<b>-6.1%</b>	<b>586.5</b>	<b>635.2</b>	<b>-7.7%</b>
SG&A	213.1	227.8	-6.5%	214.2	228.8	-6.4%	212.3	230.4	-7.9%
Total Other Income	37.5	66.0	-43.2%	45.0	66.0	-31.8%	57.5	66.0	-12.8%
Net Finance Income(Expense)	(190.8)	(220.5)	-13.5%	(184.5)	(204.5)	-9.8%	(180.5)	(190.4)	-5.2%
<b>Net Income</b>	<b>105.5</b>	<b>154.1</b>	<b>-31.6%</b>	<b>213.1</b>	<b>236.5</b>	<b>-9.9%</b>	<b>251.2</b>	<b>280.3</b>	<b>-10.4%</b>
Net Margin	3.8%	5.6%		7.5%	8.4%		8.7%	9.8%	
Gulf Drilling International (GDI)	(85.5)	(51.4)	66.2%	0.5	7.3	-92.9%	4.9	28.6	-82.7%
Net Margin	-7.4%	-4.0%		0.0%	0.6%		0.4%	2.2%	
Gulf Helicopters Company (GHC)	144.0	123.6	16.5%	152.7	133.7	14.2%	164.6	144.0	14.3%
Net Margin	25.9%	22.7%		26.8%	24.0%		28.2%	25.2%	
Amwaj Catering Company (AHC)	26.9	20.1	33.9%	31.4	29.9	5.0%	36.3	35.5	2.3%
Net Margin	6.9%	4.4%		7.7%	6.3%		8.5%	7.3%	
Al Koot Insurance & Reinsurance (AKIR)	54.4	90.5	-39.8%	60.3	94.2	-36.0%	69.7	100.8	-30.8%
Net Margin	8.4%	18.5%		9.1%	18.7%		10.2%	19.6%	
Corporate/Other	(34.4)	(28.6)	20.1%	(31.9)	(28.6)	11.4%	(24.4)	(28.6)	-14.8%
Net Margin	-1.2%	-1.0%		-1.1%	-1.0%		-0.8%	-1.0%	
<b>EBITDA</b>	<b>772.4</b>	<b>880.6</b>	<b>-12.3%</b>	<b>871.8</b>	<b>947.7</b>	<b>-8.0%</b>	<b>904.0</b>	<b>978.3</b>	<b>-7.6%</b>
EBITDA Margin	28.0%	31.8%		30.5%	33.8%		31.3%	34.3%	
Gulf Drilling International (GDI)	470.8	509.8	-7.6%	550.5	553.9	-0.6%	550.9	562.3	-2.0%
EBITDA Margin	40.6%	40.0%		45.3%	43.4%		46.0%	44.0%	
Gulf Helicopters Company (GHC)	244.8	221.4	10.6%	252.5	230.8	9.4%	263.5	240.7	9.5%
EBITDA Margin	44.1%	40.7%		44.4%	41.4%		45.2%	42.1%	
Amwaj Catering Company (AHC)	37.5	36.0	4.1%	41.8	45.9	-8.9%	46.4	51.4	-9.7%
EBITDA Margin	9.6%	7.9%		10.2%	9.7%		10.8%	10.6%	
Al Koot Insurance & Reinsurance (AKIR)	31.0	92.0	-66.3%	36.3	95.8	-62.1%	45.1	102.4	-56.0%
EBITDA Margin	4.8%	18.8%		5.4%	19.1%		6.6%	19.9%	
Corporate/Other	(11.8)	21.4	N/M	(9.3)	21.4	N/M	(1.8)	21.4	N/M
EBITDA Margin	-2.5%	4.0%		-1.6%	3.5%		-0.3%	3.4%	
<b>EPS</b>	<b>0.57</b>	<b>0.83</b>	<b>-31.6%</b>	<b>1.15</b>	<b>1.27</b>	<b>-9.9%</b>	<b>1.35</b>	<b>1.51</b>	<b>-10.4%</b>
DPS	0.00	1.25	-100.0%	0.00	1.50	-100.0%	0.00	1.75	-100.0%

Source: QNB FS estimates

## 4Q2018/2018 Review

**Rig impairment puts 2018 net income under water but EBITDA remains buoyant.** We were of the view that 4Q2018 results would show growth YoY/QoQ, on an operating basis, but net income could get impacted if we were to see any rig impairments. We were partially correct as the magnitude of the revenue falloff, especially in drilling, surprised us. GISS does not provide any segment details in 1Q and 3Q but the declines seen in 2H in drilling and catering lead us to believe that these segments faced a challenging 4Q. We suspect the Msheireb rig was out of commission for most of 2H and GDI faced lower utilization rates as well. Overall revenue for 4Q2018 receded 14% QoQ leading to a slide in gross profits. However, EBITDA improved sequentially helped by higher D&A expenses in 4Q2018; we note EBITDA excludes one-offs, such as impairments, write-offs, etc. Group revenue/EBITDA improved YoY. The Al Doha rig was impaired, leading to a QR113mn charge in 2018. The company did not announce a dividend for 2018 as we had alluded to in our preview.

### QNB FS 4Q2018 Estimates and Comparisons

In QR mn	4Q2018A	4Q2018e	A vs. E	4Q2017A	YoY	3Q2018A	QoQ
Revenue	558.1	686.0	-19%	526.9	5.9%	650.7	-14.2%
Gross Profit	64.9	124.5	-48%	135.8	-52.2%	90.2	-28.0%
EBITDA	190.7	211.9	-10%	174.6	9.2%	178.4	6.9%
EBIT	56.0	91.7	-39%	103.0	-45.7%	61.2	-8.6%
Net Income	(137.7)	24.8	N/M	62.8	N/M	5.22	N/M
EPS (QR)	(0.74)	0.13	N/M	0.34	N/M	0.03	N/M
Net Income, Ex. Impairments*	4.5	24.8	-82%	62.7	-92.8%	5.22	-13.7%
EPS, Ex. Impairments* (QR)	0.02	0.13	-82%	0.34	-92.8%	0.03	-13.7%
DPS (in QR)							

\*Major Impairments, Include the Al Doha Rig (QR113mn) in 2018 and the Al Rayyan Rig (QR133mn) in 2016

Gross Margin	11.6%	18.2%		25.8%		13.9%
EBITDA Margin	34.2%	30.9%		33.1%		27.4%
EBIT Margin	10.0%	13.4%		19.6%		9.4%
Net Margin, Ex. Impairments	0.8%	3.6%		11.9%		0.8%

Source: Company data, QNB FS estimates

### QNB FS 2018 Estimates and Comparisons

In QR mn	2H2018A	1H2018A	Change	2018	2018e	A vs. E	YoY	2017	YoY	2016
Revenue	1,208.7	1,310.4	-7.8%	2,519.2	2,647.1	-4.8%	4.8%	2,402.9	-19.6%	2,988.8
Gross Profit	155.1	221.6	-30.0%	376.7	436.3	-13.7%	-11.9%	427.6	-19.3%	529.8
EBITDA	369.0	376.5	-2.0%	745.5	774.2	-3.7%	3.5%	720.4	-17.6%	874.8
EBIT	117.2	138.1	-15.2%	255.3	298.5	-14.5%	10.0%	232.0	-21.8%	296.8
Net Income	(132.5)	34.2	N/M	(98.3)	64.3	N/M	N/M	85.0	26.9%	67.0
EPS (QR)	(0.71)	0.18	N/M	(0.53)	0.35	N/M	N/M	0.46	26.9%	0.36
Net Income, Ex. Impairments*	9.7	42.0	-76.8%	51.7	64.3	-19.5%	-46.1%	95.9	-52.0%	199.9
EPS, Ex. Impairments* (QR)	0.05	0.23	-76.8%	0.28	0.35	-19.5%	-46.1%	0.52	-52.0%	1.08
DPS (in QR)				0.00	1.00	-100.0%		0.00	-100.0%	1.00

\*Major Impairments, Include the Al Doha Rig (QR113mn) in 2018 and the Al Rayyan Rig (QR133mn) in 2016

Gross Margin	12.8%	16.9%		15.0%	16.5%			17.8%		17.7%
EBITDA Margin	30.5%	28.7%		29.6%	29.2%			30.0%		29.3%
EBIT Margin	9.7%	10.5%		10.1%	11.3%			9.7%		9.9%
Net Margin, Ex. Impairments	0.8%	3.2%		2.1%	2.4%			4.0%		6.7%

Source: QNB FS estimates

## Key Segment Details

### Key Segment Details

In QR mn	2017	2018	2019e	2020e	2021e
<b>Revenue</b>	<b>2,403</b>	<b>2,519</b>	<b>2,755</b>	<b>2,859</b>	<b>2,891</b>
<i>Gulf Drilling International (GDI)</i>	1,112	1,142	1,158	1,215	1,197
<i>Gulf Helicopters Company (GHC)</i>	530	542	555	569	583
<i>Amwaj Catering Company (AHC)</i>	436	403	392	410	429
<i>Al Koot Insurance &amp; Reinsurance (AKIR)</i>	326	433	650	666	682
<b>Net Income</b>	<b>85</b>	<b>(98)</b>	<b>105</b>	<b>213</b>	<b>251</b>
<i>Net Margin</i>	<b>4%</b>	<b>-4%</b>	<b>4%</b>	<b>7%</b>	<b>9%</b>
<b>Drilling</b>	<b>(102)</b>	<b>(264)</b>	<b>(85)</b>	<b>1</b>	<b>5</b>
<i>Net Margin</i>	-9%	-23%	-7%	0%	0%
<b>Helicopters</b>	<b>145</b>	<b>141</b>	<b>144</b>	<b>153</b>	<b>165</b>
<i>Net Margin</i>	27%	26%	26%	27%	28%
<b>Catering</b>	<b>17</b>	<b>24</b>	<b>27</b>	<b>31</b>	<b>36</b>
<i>Net Margin</i>	4%	6%	7%	8%	8%
<b>Insurance</b>	<b>71</b>	<b>53</b>	<b>54</b>	<b>60</b>	<b>70</b>
<i>Net Margin</i>	22%	12%	8%	9%	10%
<b>EBITDA</b>	<b>720</b>	<b>746</b>	<b>772</b>	<b>872</b>	<b>904</b>
<i>EBITDA Margin</i>	<b>30%</b>	<b>30%</b>	<b>28%</b>	<b>30%</b>	<b>31%</b>
<b>Drilling</b>	<b>424</b>	<b>398</b>	<b>471</b>	<b>550</b>	<b>551</b>
<i>EBITDA Margin</i>	38%	35%	41%	45%	46%
<b>Helicopters</b>	<b>239</b>	<b>243</b>	<b>245</b>	<b>253</b>	<b>263</b>
<i>EBITDA Margin</i>	45%	45%	44%	44%	45%
<b>Catering</b>	<b>29</b>	<b>35</b>	<b>37</b>	<b>42</b>	<b>46</b>
<i>EBITDA Margin</i>	7%	9%	10%	10%	11%
<b>Insurance</b>	<b>56</b>	<b>38</b>	<b>31</b>	<b>36</b>	<b>45</b>
<i>EBITDA Margin</i>	17%	9%	5%	5%	7%

Source: Company data, QNB FS estimates

## Ratio Analysis

### Key Metrics

Particulars	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Growth Rates</b>									
Revenue	6.6%	(28.2%)	(19.6%)	4.8%	9.3%	3.8%	1.1%	1.6%	1.9%
Gross Profit	1.2%	(56.2%)	(19.3%)	(11.9%)	25.2%	20.1%	3.5%	5.5%	3.6%
EBITDA	(18.9%)	(40.0%)	(17.6%)	3.5%	3.6%	12.9%	3.7%	5.1%	3.8%
EBIT	(33.4%)	(69.0%)	(21.8%)	10.0%	16.0%	34.2%	8.6%	11.2%	8.0%
PAT/EPS	(43.2%)	(91.6%)	26.9%	(215.6%)	(207.3%)	102.0%	17.9%	20.4%	17.2%
DPS	(81.8%)	0.0%	(100.0%)	N/A	N/A	N/A	N/A	N/A	50.0%
CFPS	25.3%	(35.1%)	(24.2%)	(39.7%)	108.1%	(6.0%)	5.5%	4.5%	4.4%
FCFPS	N/M	(59.3%)	32.4%	(41.9%)	232.3%	(9.8%)	6.1%	4.7%	4.5%
<b>Operating Ratios</b>									
Gross Margin	29.1%	17.7%	17.8%	15.0%	17.1%	19.8%	20.3%	21.1%	21.4%
Gross Margin, Excluding Depreciation & Amortization	40.7%	36.7%	37.8%	34.1%	34.2%	36.2%	36.4%	36.9%	36.9%
EBITDA Margin	35.0%	29.3%	30.0%	29.6%	28.0%	30.5%	31.3%	32.4%	33.0%
EBIT Margin	23.0%	9.9%	9.7%	10.1%	10.8%	13.9%	14.9%	16.3%	17.3%
Net Margin	19.2%	2.2%	3.5%	(3.9%)	3.8%	7.5%	8.7%	10.3%	11.8%
<b>Finance Ratios</b>									
Debt-Equity Ratio	1.3	1.5	1.4	1.4	1.3	1.2	1.1	1.0	0.8
Net Debt-Equity Ratio	1.1	1.1	1.1	1.2	1.0	0.8	0.7	0.5	0.4
Net Debt-to-Capital	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.3	0.3
Net Debt-to-EBITDA	2.9	4.8	5.8	5.5	4.7	3.7	3.1	2.4	1.9
Interest Coverage	12.2	2.4	1.3	1.1	1.3	1.8	2.0	2.2	2.5
<b>Return Ratios</b>									
ROIC	10.5%	3.2%	2.6%	3.0%	3.5%	4.7%	5.1%	5.5%	6.1%
ROE	20.4%	1.8%	2.3%	-2.8%	2.9%	5.5%	6.1%	6.9%	7.6%
ROA	7.1%	0.6%	0.8%	-1.0%	1.0%	2.1%	2.4%	2.8%	3.3%
FCF Yield	24.5%	10.0%	13.2%	7.7%	25.5%	23.0%	24.4%	25.5%	26.6%
<b>Liquidity Ratios</b>									
Current Ratio	0.9	1.2	1.0	1.2	1.3	1.5	1.9	0.8	1.5
Quick Ratio	0.9	1.1	1.0	1.1	1.2	1.4	1.8	0.8	1.4
<b>Valuation</b>									
EV/Sales	1.6	2.2	2.7	2.5	2.1	1.9	1.7	1.6	1.4
EV/EBITDA	4.5	7.5	9.1	8.6	7.7	6.3	5.6	4.8	4.2
EV/EBIT	6.8	22.2	28.3	25.0	20.0	13.9	11.7	9.5	7.9
P/E	3.2	38.3	30.2	N/M	24.3	12.0	10.2	8.5	7.2
P/CF	1.8	2.7	3.6	5.9	2.8	3.0	2.9	2.7	2.6
P/BV	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.5
Dividend Yield	7.2%	7.2%	0.0%	0.0%	0.0%	0.0%	0.0%	3.6%	5.4%
FCF Yield	24.5%	10.0%	13.2%	7.7%	25.5%	23.0%	24.4%	25.5%	26.6%

Source: Company data, QNB FS estimates

## Detailed Financial Statements

### Income Statement

In QR mn	2017	2018	2019e	2020e	2021e
<b>Revenue</b>	<b>2,403</b>	<b>2,519</b>	<b>2,755</b>	<b>2,859</b>	<b>2,891</b>
COGS	1,975	2,142	2,283	2,292	2,305
<b>Gross Profit</b>	<b>428</b>	<b>377</b>	<b>472</b>	<b>567</b>	<b>586</b>
SG&A	222	214	213	214	212
Total Other Income	25	(65)	38	45	58
Net Finance Income (Expense)	(145)	(196)	(191)	(185)	(181)
<b>Net Income</b>	<b>85</b>	<b>(98)</b>	<b>105</b>	<b>213</b>	<b>251</b>
<b>EBITDA</b>	<b>720</b>	<b>746</b>	<b>772</b>	<b>872</b>	<b>904</b>
<b>EPS</b>	<b>0.46</b>	<b>(0.53)</b>	<b>0.57</b>	<b>1.15</b>	<b>1.35</b>
<b>DPS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

Source: Company data, QNB FS estimates; Note: EPS based on current number of shares

### Balance Sheet

In QR mn	2017	2018	2019e	2020e	2021e
<b>Current Assets</b>					
Cash & Cash Equivalents	952	888	1,094	1,305	1,661
Financial Investments	201	289	289	289	289
Insurance & Accounts Receivables/Prepayments	725	1,007	1,194	1,230	1,254
Due From Related Parties	434	477	477	477	477
Inventories	202	216	223	223	225
Contract Assets		19	19	19	19
<b>Total Current Assets</b>	<b>2,513</b>	<b>2,897</b>	<b>3,296</b>	<b>3,543</b>	<b>3,925</b>
<b>Non-Current Assets</b>					
Financial Investments	391	226	226	226	226
Equity-Accounted Investees	-	1	1	1	1
Goodwill & Intangibles	305	304	304	304	304
Contract Assets		9	9	9	9
Property, Plant & Equipment	7,220	6,720	6,494	6,280	6,079
<b>Non-Current Assets</b>	<b>7,915</b>	<b>7,260</b>	<b>7,034</b>	<b>6,820</b>	<b>6,619</b>
<b>Total Assets</b>	<b>10,428</b>	<b>10,157</b>	<b>10,330</b>	<b>10,364</b>	<b>10,545</b>
<b>Current Liabilities</b>					
Short-Term Debt	898	935	800	600	239
Bank Overdraft		1	1	1	1
Insurance Payables, Accounts Payable & Accruals	1,493	1,424	1,751	1,772	1,802
Contract Liabilities		37	37	37	37
Due to Related Parties	8	28	28	28	28
<b>Current Liabilities</b>	<b>2,400</b>	<b>2,426</b>	<b>2,618</b>	<b>2,439</b>	<b>2,108</b>
<b>Non-Current Liabilities</b>					
EOS/Provision for Decomm. Costs	103	122	122	122	122
Contract Liabilities		16	16	16	16
Long-Term Debt	4,248	4,062	3,937	3,936	4,197
<b>Non-Current Liabilities</b>	<b>4,350</b>	<b>4,199</b>	<b>4,074</b>	<b>4,074</b>	<b>4,334</b>
<b>Total Liabilities</b>	<b>6,750</b>	<b>6,625</b>	<b>6,692</b>	<b>6,513</b>	<b>6,443</b>
<b>Shareholders' Equity</b>					
<b>Total Shareholders' Equity</b>	<b>3,679</b>	<b>3,532</b>	<b>3,638</b>	<b>3,851</b>	<b>4,102</b>
<b>Liabilities &amp; Shareholders' Equity</b>	<b>10,428</b>	<b>10,157</b>	<b>10,330</b>	<b>10,364</b>	<b>10,545</b>

Source: Company data, QNB FS estimates



### 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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