

## Qatar Electricity & Water Company (QEWS)

Recommendation	MARKET PERFORM	Risk Rating	R-2
Share Price	QR16.27	Current Target Price	QR17.00
Implied Upside	4.5%	Old Target Price	QR18.40

### Limited Medium-Term Catalysts; Moving to Market Perform

We are lowering our target price and rating for QEWS given weaker-than-expected 2Q2019 results and a soft outlook. While we were already the most conservative on the street in terms of estimates, we further tweak our model downward and lower our forward earnings (2019e-23e) estimates by an average of ~1%. 2Q2019 results were soft despite the benefit of seasonality and 3Q2019 performance is probably not going to markedly improve. QEWS' medium-term outlook remains muted with lower offtake from RAF B (which is already facing lower tariffs in its contract renewal) expected to persist into 2020. Moreover, cost of gas for RAF B is also higher under the new contract, pressuring margins. Overall EPS should fall 17% this year before increasing 3% in 2020 and we think the stock remains in search of a catalyst medium term. We moderate some of our DCF assumptions to lower our price target from QR18.40 to QR17.00 and reduce our rating from Accumulate to Market Perform. **We continue to like the company as a long-term play with a relatively defensive business model.** QEWS still enjoys decent EBITDA margins and dividend/FCF yields. LT catalysts (which are not in our model) abound, including additional domestic expansions (like Facility E; Siraj solar, etc.). Beyond Paiton (Indonesia), we do not have color on other Nebras projects, which could lead to growth relative to our model.

#### Highlights

- **QEWS posts 25.8% YoY decrease but 0.4% QoQ increase in net profit in 2Q2019 and misses our estimate.** QEWS reported net profit of QR310.4mn, missing our estimate of QR340.8mn (variation of -8.9%). The company's 2Q2019 sales came in at QR604.1mn, which represents a YoY decrease of 11.7%. However, on a QoQ basis, sales rose 12.0% and were marginally ahead of our QR582.5mn forecast. Higher-than-expected direct costs led to a GM of 48.8% vs. 64.1% in 2Q2018 (50.6% in 1Q2019) and our estimate of 54.0% explaining the majority of the miss.
- **QNB FS forecasts: 2019 revenue/EPS decreases from QR2.3bn/QR1.17 to QR2.3bn/QR1.16 and 2020 revenue/EPS goes from QR2.3bn/QR1.21 to QR2.3bn/QR1.19.** As we noted previously, we have tweaked our estimates modestly. Our forecasts, as discussed in our [1Q2019 review](#), are affected by RAF B, which is experiencing lower tariffs under a 12-year contract extension from July 2018; RAF B also faces lower offtake this year and the next given the ramp-up in Umm Al Houf (which is running at full capacity). Moreover, RAF B1/B2 are going through a contractually agreed dip in tariff rates this year. Costs have also increased beyond modeled expectations given higher-than-expected gas costs for RAF B's renewal.
- **QEWS still enjoys decent EBITDA margins and dividend/FCF yields.** Despite modeled compression, QEWS still retains decent EBITDA margins (2019-2023 avg.: ~44%). Over 2018-2023, we expect dividend yields to average 4.8% and FCF yields to average 7.1% (despite a 2018 dip as QEWS invested \$252mn into Fac. D). ROEs average around 12.4% over 2019-2023.

#### Catalysts

- **New opportunities currently not in our model:** Besides Umm Al Houf (Facility D), our model does not account for other domestic JV expansions (like Facility E; a solar project called Siraj, etc.) which will lead to LT upside. **Facility E, which is Um Al Houf's size** (power: 2,000-2,500 MW & water: 100-130 MIGD), should be commissioned before summer 2022. Siraj should start operations in late 2020 with 350 MW with a possible expansion to 900 MW. Beyond Paiton in Indonesia, we do not have color on other Nebras projects, which could lead to growth vs. our model. Ultimately, our JV income forecasts could be conservative – we are expecting 9.5% growth from QR542.2mn in 2018 to QR593.4mn in 2019 and a 3.0% CAGR over 2019-2023.

#### Recommendation, Valuation and Risks

- **Recommendation & valuation: Our 1-year PT is QR17.00.** 2019 & 2020 P/Es seem rich at 14.0x and 13.6x, respectively. We rate QEWS a Market Perform.
- **Risks: Geopolitical risks** cannot be modeled. Besides **risks in international expansion, domestic projects could also get delayed/shelved.** It is possible **Kahramaa renegotiates existing contracts** and recent discussions on K-Factors gives us pause. We note the recent lower-than-expected rates for RAF B involve a contract renewal on a fully depreciated plant. However, contract terms are proprietary and we cannot rule out unforeseen declines in tariffs/offtake. The next contract renewal, however, is not until August 2022 (RAF B1). **Operational risks include availability of capacity below contracted levels,** which could lead to penalties.

#### Key Financial Data and Estimates

	FY2018	FY2019e	FY2020e	FY2021e
Revenue (QR mn)	2,601	2,289	2,333	2,379
Revenue Growth	-15.3%	-12.0%	1.9%	2.0%
EPS (QR)	1.40	1.16	1.19	1.27
EPS Growth	-4.9%	-17.0%	3.0%	6.4%
P/E (x)	11.6	14.0	13.6	12.8
DPS (QR)	0.78	0.78	0.78	0.78
ROE	14.7%	12.7%	12.5%	12.7%

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

#### Key Data

Current Market Price (QR)	16.27
Current Dividend Yield (%)	4.8
Bloomberg Ticker	QEWS QD
ADR/GDR Ticker	N/A
Reuters Ticker	QEWC.QA
ISIN	QA0006929812
Sector*	Industrials
52wk High/52wk Low (QR)	19.55/15.89
3-m Average Volume ('000)	413.0
Mkt. Cap. (\$ bn/QR bn)	4.9/17.9
EV (\$ bn/QR bn)	5.9/21.4
Shares Outstanding (bn)	1.10
FO Limit* (%)	49.0
Current FO* (%)	13.0
1-Year Total Return (%)	(9.8)
Fiscal Year End	December 31

Source: Bloomberg (as of July 25, 2019), \*Qatar Exchange (as of July 25, 2019); Note: FO is foreign ownership

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## Summary of Estimate Changes

QNB FS forecasts: 2019 revenue/EPS decreases from QR2.3bn/QR1.17 to QR2.3bn/QR1.16 and 2020 revenue/EPS goes from QR2.3bn/QR1.21 to QR2.3bn/QR1.19. As we noted previously, we have tweaked our estimates modestly.

- Our forecasts, as discussed in our 1Q2019 review, are affected by RAF B, which is experiencing lower tariffs under a 12-year contract extension from July 2018; RAF B also faces lower offtake this year and the next given the ramp-up in Umm Al Houl (which is running at full capacity). Moreover, RAF B1/B2 are going through a contractually agreed dip in tariff rates this year. Costs have also increased beyond modeled expectations given higher-than-expected gas costs for RAF B's renewal. We also note RAF B1's current contracts ends in August 2022 and we have modeled in another decline in tariff rates for that project. Our JV income estimates also factor in Umm Al Houl's increase in water capacity by 45% from 136.5 MIGD to 198 MIGD in 2021; this project is expected to cost \$450mn and QEWS retains a 60% stake in this plant.

### QNB FS Current Estimates Vs. Previous Estimates

Income Statement (QR mn) Particulars	Current				Previous								
	2018	2019e	2019e	▲	2020e	2020e	▲	2021e	2021e	▲	2022e	2022e	▲
Revenue	2,601.491	2,289.227	2,256.810	1.4%	2,332.979	2,299.429	1.5%	2,378.617	2,344.236	1.5%	2,413.686	2,377.028	1.5%
Cost of Sales (Excluding Depreciation)	(1,120.129)	(1,121.721)	(1,071.985)	4.6%	(1,131.495)	(1,092.229)	3.6%	(1,141.736)	(1,113.512)	2.5%	(1,182.706)	(1,129.088)	4.7%
<b>Gross Profit</b>	<b>1,481.362</b>	<b>1,167.506</b>	<b>1,184.825</b>	<b>-1.5%</b>	<b>1,201.484</b>	<b>1,207.200</b>	<b>-0.5%</b>	<b>1,236.881</b>	<b>1,230.724</b>	<b>0.5%</b>	<b>1,230.980</b>	<b>1,247.940</b>	<b>-1.4%</b>
General & Administrative Expenses	(176.408)	(172.880)	(178.172)	-3.0%	(177.202)	(182.626)	-3.0%	(181.632)	(187.192)	-3.0%	(186.173)	(191.872)	-3.0%
<b>EBITDA</b>	<b>1,304.954</b>	<b>994.626</b>	<b>1,006.653</b>	<b>-1.2%</b>	<b>1,024.282</b>	<b>1,024.574</b>	<b>0.0%</b>	<b>1,055.249</b>	<b>1,043.532</b>	<b>1.1%</b>	<b>1,044.807</b>	<b>1,056.068</b>	<b>-1.1%</b>
Depreciation	(279.525)	(283.333)	(288.333)	-1.7%	(287.333)	(292.333)	-1.7%	(291.333)	(296.333)	-1.7%	(295.333)	(300.333)	-1.7%
Amortization	(7.949)	(7.949)	(7.949)	0.0%	(7.949)	(7.949)	0.0%	(7.949)	(7.949)	0.0%	(7.949)	(7.949)	0.0%
<b>EBIT</b>	<b>1,017.480</b>	<b>703.344</b>	<b>710.371</b>	<b>-1.0%</b>	<b>729.000</b>	<b>724.292</b>	<b>0.7%</b>	<b>755.966</b>	<b>739.250</b>	<b>2.3%</b>	<b>741.525</b>	<b>747.786</b>	<b>-0.8%</b>
Finance Costs	(226.835)	(252.624)	(232.754)	8.5%	(192.441)	(209.115)	-8.0%	(183.362)	(199.250)	-8.0%	(173.770)	(188.826)	-8.0%
Interest Income & Share of Interest Income from JVs	112.386	139.921	118.005	18.6%	83.952	123.906	-32.2%	88.150	130.101	-32.2%	92.557	136.606	-32.2%
Finance Costs - Net	(114.449)	(112.703)	(114.749)	-1.8%	(108.488)	(85.209)	27.3%	(95.212)	(69.149)	37.7%	(81.212)	(52.220)	55.5%
Dividend Income and Gain on Sale of AFS	38.049	60.000	60.000	0.0%	69.540	61.815	12.5%	73.017	64.905	12.5%	76.667	68.151	12.5%
Other & Misc. Income / Expense	81.914	60.000	60.000	0.0%	60.000	60.000	0.0%	60.000	60.000	0.0%	60.000	60.000	0.0%
Share of profits of JV Companies	542.190	593.429	603.882	-1.7%	593.514	596.750	-0.5%	636.156	639.472	-0.5%	652.060	655.458	-0.5%
<b>Profit before Tax</b>	<b>1,565.184</b>	<b>1,304.069</b>	<b>1,319.504</b>	<b>-1.2%</b>	<b>1,343.566</b>	<b>1,357.646</b>	<b>-1.0%</b>	<b>1,429.926</b>	<b>1,434.477</b>	<b>-0.3%</b>	<b>1,449.040</b>	<b>1,479.174</b>	<b>-2.0%</b>
Tax													
<b>Profit after Tax</b>	<b>1,565.184</b>	<b>1,304.069</b>	<b>1,319.504</b>	<b>-1.2%</b>	<b>1,343.566</b>	<b>1,357.646</b>	<b>-1.0%</b>	<b>1,429.926</b>	<b>1,434.477</b>	<b>-0.3%</b>	<b>1,449.040</b>	<b>1,479.174</b>	<b>-2.0%</b>
Minority Interest	(28.597)	(28.826)	(29.108)	-1.0%	(29.699)	(29.950)	-0.8%	(31.608)	(31.645)	-0.1%	(32.031)	(32.631)	-1.8%
<b>Profit for Equity Holders</b>	<b>1,536.587</b>	<b>1,275.243</b>	<b>1,290.395</b>	<b>-1.2%</b>	<b>1,313.867</b>	<b>1,327.697</b>	<b>-1.0%</b>	<b>1,398.318</b>	<b>1,402.833</b>	<b>-0.3%</b>	<b>1,417.009</b>	<b>1,446.544</b>	<b>-2.0%</b>
<b>Net Profit Margin</b>	<b>59.1%</b>	<b>55.7%</b>	<b>57.2%</b>		<b>56.3%</b>	<b>57.7%</b>		<b>58.8%</b>	<b>59.8%</b>		<b>58.7%</b>	<b>60.9%</b>	
Shares O/S (mn)	1,100	1,100	1,100		1,100	1,100		1,100	1,100		1,100	1,100	
<b>Basic and Diluted EPS</b>	<b>1.40</b>	<b>1.16</b>	<b>1.17</b>	<b>-1.2%</b>	<b>1.19</b>	<b>1.21</b>	<b>-1.0%</b>	<b>1.27</b>	<b>1.28</b>	<b>-0.3%</b>	<b>1.29</b>	<b>1.32</b>	<b>-2.0%</b>
DPS	0.78	0.78	0.78	0.0%	0.78	0.78	0.0%	0.78	0.78	0.0%	0.78	0.78	0.0%
Dividend Payout Ratio	55.5%	66.9%	66.1%		64.9%	64.2%		61.0%	60.8%		60.2%	58.9%	
<b>Margins/Ratios</b>	<b>2018</b>	<b>2019e</b>	<b>2019e</b>		<b>2020e</b>	<b>2020e</b>		<b>2021e</b>	<b>2021e</b>		<b>2022e</b>	<b>2022e</b>	
Cost of Sales	43.1%	49.0%	47.5%		48.5%	47.5%		48.0%	47.5%		49.0%	47.5%	
Gross Margin	56.9%	51.0%	52.5%		51.5%	52.5%		52.0%	52.5%		51.0%	52.5%	
General & Administrative Expenses (% of Sales)	6.8%	7.6%	7.9%		7.6%	7.9%		7.6%	8.0%		7.7%	8.1%	
EBITDA Margin	50.2%	43.4%	44.6%		43.9%	44.6%		44.4%	44.5%		43.3%	44.4%	
EBIT Margin	39.1%	30.7%	31.5%		31.2%	31.5%		31.8%	31.5%		30.7%	31.5%	

Source: QNB FS estimates

## Valuation and Key Ratios

### Valuation Metrics

Particulars	2014	2015	2016	2017	2018	2019e	2020e	2021e	2022e	2023e
<b>Valuation</b>										
EV/EBITDA - Consolidated	14.1	13.2	12.6	12.8	14.8	19.9	18.9	17.9	17.6	17.0
EV/EBIT	20.1	18.6	17.0	18.1	19.0	28.1	26.6	25.0	24.9	23.9
P/E	11.7	11.9	12.1	11.1	11.6	14.0	13.6	12.8	12.6	12.3
P/CF	8.1	9.7	8.7	10.7	8.6	11.4	11.9	11.7	11.6	11.4
P/BV	2.6	2.4	2.2	2.0	1.7	1.8	1.7	1.6	1.5	1.5
Dividend Yield	4.6%	4.6%	4.6%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
FCF Yield	(2.7%)	4.6%	6.9%	9.0%	5.8%	7.1%	7.0%	7.5%	7.6%	7.7%

Source: Bloomberg, QNB FS estimates

## Peer Comparison

Company	Mcap	P/E		EV/EBITDA		P/BV		P/FCF		ROE		EBITDA Margin		Dividend Yield	
	\$ mn	2019e	2020e	2019e	2020e	2019e	2020e	2019e	2020e	2019e	2020e	2019e	2020e	2019e	2020e
SAUDI ELECTRICITY CO	22,152	73.9	50.5	10.2	9.8	1.1	1.1	-7.5	-9.5	2.3%	3.0%	35.1%	35.4%	3.5	3.5
TAQA MOROCCO	2,140	18.7	18.7	8.3	8.2	n.a.	n.a.	9.6	8.3	19.7%	19.7%	41.4%	41.4%	4.8	4.8
ABU DHABI NATIONAL ENERGY CO	1,263	9.6	9.6	7.9	7.8	n.a.	n.a.	1.2	1.2	5.4%	9.6%	51.0%	49.5%	n.a	n.a
TABREED	1,323	10.3	10.3	10.5	10.2	1.0	1.0	8.6	8.3	10.5%	10.4%	48.3%	47.8%	5.4	5.6
MONTAUK ENERGY HOLDINGS LTD	304	7.3	11.6	6.9	5.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	48.7%	42.0%	3.4	4.5
KENYA ELECTRICITY GENERATING	392	2.8	2.8	7.1	6.0	0.2	0.2	-6.8	21.7	3.9%	7.0%	63.7%	64.7%	7.8	10.9
LYONNAISE DES EAUX DE CASABL	376	21.1	21.1	4.2	4.0	n.a.	n.a.	8.0	6.9	8.2%	8.7%	15.5%	15.8%	5.9	5.9
SEVERN TRENT PLC	6,038	17.8	15.2	11.9	11.7	4.0	4.0	54.7	31.7	25.5%	20.8%	51.5%	51.0%	4.6	4.9
UNITED UTILITIES GROUP PLC	6,683	17.7	13.6	11.9	11.4	1.7	1.7	15.8	13.7	12.2%	8.9%	59.1%	59.9%	5.2	5.4
TATA POWER CO LTD	2,504	10.2	11.5	10.5	9.6	0.9	0.9	3.9	3.6	8.6%	9.0%	20.6%	22.2%	2.0	2.5
CESC LTD	1,447	7.5	8.1	6.4	6.5	1.0	0.9	5.3	7.0	12.7%	12.5%	26.4%	27.8%	2.3	2.5
NTPC LTD	18,914	8.8	10.0	11.0	9.7	1.1	1.1	-17.2	-1217.4	11.3%	12.0%	27.6%	28.8%	3.3	4.2
EDP - ENERGIAS DO BRASIL SA	3,164	11.6	11.6	7.1	6.3	1.3	1.3	-11.8	-138.4	10.7%	11.1%	20.0%	21.1%	3.5	4.4
<b>Peer Group Average</b>		<b>16.7</b>	<b>15.0</b>	<b>8.8</b>	<b>8.2</b>	<b>1.4</b>	<b>1.3</b>	<b>5.3</b>	<b>-105.2</b>	<b>10.9%</b>	<b>11.1%</b>	<b>39.2%</b>	<b>39.0%</b>	<b>4.3</b>	<b>4.9</b>
<b>Peer Group Normalized Av.</b>		<b>12.8</b>	<b>12.8</b>	<b>8.9</b>	<b>8.3</b>	<b>1.2</b>	<b>1.1</b>	<b>2.6</b>	<b>-7.7</b>	<b>10.3%</b>	<b>10.9%</b>	<b>39.1%</b>	<b>38.8%</b>	<b>4.2</b>	<b>4.6</b>
<b>Peer Group Normalized Av.2</b>		<b>12.5</b>	<b>12.5</b>	<b>8.8</b>	<b>8.2</b>	<b>1.1</b>	<b>1.1</b>	<b>2.8</b>	<b>5.0</b>	<b>9.9%</b>	<b>10.3%</b>	<b>39.0%</b>	<b>38.4%</b>	<b>4.2</b>	<b>4.7</b>

QATAR ELECTRICITY & WATER CO	4,915	14.0	13.6	19.9	18.9	1.8	1.7	14.1	14.3	12.7%	12.5%	43.4%	43.9%	4.8	4.8
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Source: Bloomberg, QNB FS estimates

## Key Growth Rates/CAGRs/Ratios

Particulars	2014	2015	2016	2017	2018	2019e	2020e	2021e	2022e	2023e	CAGR ('19-'23)
<b>Growth Rates</b>											
Revenue	(0.2%)	2.9%	4.0%	(1.0%)	(15.3%)	(12.0%)	1.9%	2.0%	1.5%	1.3%	1.7%
Gross Profit	(1.8%)	1.9%	3.6%	(3.3%)	(15.8%)	(21.2%)	2.9%	2.9%	(0.5%)	1.3%	1.7%
EBITDA - Consolidated	(2.5%)	5.4%	2.8%	(4.9%)	(15.8%)	(23.8%)	3.0%	3.0%	(1.0%)	1.1%	1.5%
EBIT	(3.5%)	7.3%	7.2%	(9.3%)	(7.2%)	(30.9%)	3.6%	3.7%	(1.9%)	1.1%	1.6%
JV Income	3.6%	4.1%	(25.1%)	85.4%	(4.4%)	9.5%	0.0%	7.2%	2.5%	2.5%	3.0%
PBT	11.0%	(2.0%)	(1.9%)	8.8%	(4.5%)	(16.7%)	3.0%	6.4%	1.3%	3.0%	3.4%
Net Income/EPS	10.5%	(1.9%)	(1.7%)	9.5%	(4.9%)	(17.0%)	3.0%	6.4%	1.3%	3.0%	3.4%
DPS	10.0%	0.0%	0.0%	3.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CFPS	30.7%	(16.6%)	11.7%	(19.1%)	24.2%	(24.5%)	(3.7%)	1.2%	1.2%	1.4%	0.0%
FCFPS	NM	NM	50.5%	30.9%	(35.1%)	21.5%	(1.5%)	7.8%	1.4%	1.6%	2.3%
<b>Operating Ratios</b>											
Gross Margin	59.5%	58.9%	58.7%	57.3%	56.9%	51.0%	51.5%	52.0%	51.0%	51.0%	
EBITDA Margin - Consolidated	51.8%	53.1%	52.5%	50.4%	50.2%	43.4%	43.9%	44.4%	43.3%	43.2%	
EBIT Margin	36.3%	37.8%	38.9%	35.7%	39.1%	30.7%	31.2%	31.8%	30.7%	30.6%	
Net Margin	52.8%	50.3%	47.5%	52.6%	59.1%	55.7%	56.3%	58.8%	58.7%	59.6%	
<b>Finance Ratios</b>											
Debt-Equity Ratio	0.8	0.7	0.7	0.7	0.7	0.6	0.5	0.5	0.4	0.4	
Net Debt-Equity Ratio	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.1	
Interest Coverage	9.7	9.4	8.1	6.1	4.5	2.8	3.8	4.1	4.3	4.6	
<b>Return Ratios</b>											
ROIC	8.8%	9.2%	8.5%	7.4%	5.9%	4.4%	4.5%	4.6%	4.5%	4.4%	
ROE	22.6%	20.4%	17.8%	18.0%	14.7%	12.7%	12.5%	12.7%	12.2%	11.9%	
ROA	11.8%	11.2%	9.7%	10.2%	8.4%	7.6%	7.7%	8.1%	8.1%	8.2%	
FCF Yield	-2.7%	4.6%	6.9%	9.0%	5.8%	7.1%	7.0%	7.5%	7.6%	7.7%	
<b>Liquidity Ratios</b>											
Current Ratio	1.2	1.5	2.1	2.3	1.6	1.1	1.2	1.3	1.4	1.6	
Quick Ratio	1.1	1.4	1.9	2.2	1.6	1.1	1.1	1.3	1.4	1.6	

Source: Bloomberg, QNB FS estimates

## Detailed Financial Statements

Income Statement (In QR mn)	FY2018	FY2019e	FY2020e	FY2021e
<b>Revenue</b>	<b>2,601</b>	<b>2,289</b>	<b>2,333</b>	<b>2,379</b>
Cost of Sales, Excluding Depreciation	(1,120)	(1,122)	(1,131)	(1,142)
<b>Gross Profit</b>	<b>1,481</b>	<b>1,168</b>	<b>1,201</b>	<b>1,237</b>
General & Administrative Expenses	(176)	(173)	(177)	(182)
<b>EBITDA</b>	<b>1,305</b>	<b>995</b>	<b>1,024</b>	<b>1,055</b>
Deferred Income	0	0	0	0
Depreciation & Amortization	(287)	(291)	(295)	(299)
<b>EBIT</b>	<b>1,017</b>	<b>703</b>	<b>729</b>	<b>756</b>
Finance Costs, Net	(189)	(193)	(123)	(110)
Dividend Income & Gain on Sale of AFS	112	140	84	88
Other & Miscellaneous Income/Expense & Share of Profits from JVs	624	653	654	696
Share of Associates	0	0	0	0
Profit Before Tax	1,565	1,304	1,344	1,430
Income Tax Expense	0	0	0	0
<b>Profit After Tax (Continuing Operations)</b>	<b>1,565</b>	<b>1,304</b>	<b>1,344</b>	<b>1,430</b>
Discontinued Operations				
Minority Interest	(29)	(29)	(30)	(32)
<b>Profit for Shareholders</b>	<b>1,537</b>	<b>1,275</b>	<b>1,314</b>	<b>1,398</b>
<b>EPS (QR)</b>	<b>1.40</b>	<b>1.16</b>	<b>1.19</b>	<b>1.27</b>

Source: Company data, QNB FS estimates

Balance Sheet (In QR mn)	FY2018	FY2019e	FY2020e	FY2021e
<b>Non-Current Assets</b>				
Property, Plant & Equipment	5,750	5,567	5,380	5,188
Available-for-Sale Investments	1,559	1,720	1,720	1,720
Finance Lease Receivables	1,118	1,000	895	801
JV Loans and Investments in JVs	4,718	5,176	5,596	5,955
Other Non-Current assets	150	113	105	97
<b>Total Non-Current Assets</b>	<b>13,294</b>	<b>13,576</b>	<b>13,695</b>	<b>13,762</b>
<b>Current Assets</b>				
Finance Lease Receivables & Others	139	138	138	138
Inventories	142	138	139	141
Accounts Receivables & Prepayments	492	408	415	424
Cash and Short-Term Deposits	4,118	2,485	2,600	2,795
<b>Total Current Assets</b>	<b>4,891</b>	<b>3,169</b>	<b>3,292</b>	<b>3,498</b>
<b>Total Assets</b>	<b>18,185</b>	<b>16,745</b>	<b>16,988</b>	<b>17,259</b>
<b>Equity</b>				
Equity to the Parent	10,456	10,034	10,495	11,041
Minority Interest	258	265	273	281
<b>Total Equity</b>	<b>10,713</b>	<b>10,299</b>	<b>10,768</b>	<b>11,322</b>
<b>Non-Current Liabilities</b>				
Loans and Borrowings	4,366	3,474	3,318	3,154
Employees' End of Service Benefits	69	71	73	75
Other Payables		23	23	23
Derivatives	16	16	16	16
<b>Total Non-Current Liabilities</b>	<b>4,451</b>	<b>3,584</b>	<b>3,430</b>	<b>3,267</b>
<b>Current Liabilities</b>				
Accounts Payables & Others	572	542	573	563
Loans and Borrowings	2,444	2,316	2,212	2,102
Derivatives	5	5	5	5
<b>Total Current Liabilities</b>	<b>3,021</b>	<b>2,863</b>	<b>2,790</b>	<b>2,670</b>
<b>Equity and Liabilities</b>	<b>18,185</b>	<b>16,745</b>	<b>16,988</b>	<b>17,259</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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