

Qatar Gas Transport Company/Nakilat (QGTS)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR3.940	Target Price	QR4.100
Implied Upside	4.1%	Old Target Price	QR3.900

2022 Could Be A Watershed Year As NFE Ship Contracts Loom; Accumulate

We update our model post Nakilat's 1Q2022 results and modestly raise our target from QR3.900 to QR4.100 while maintaining our Accumulate rating. As we have stated previously, 2022 could be a watershed year for Nakilat if it is selected as one of the ship owners involved in Qatar's massive LNG expansion program. Considering Nakilat's strategic importance and impressive track record in Qatar's existing LNG shipping value chain, we expect QGTS to be a major beneficiary of this expansion. We also estimate that every incremental vessel (@100%) adds ~1% to QGTS' target price (see page 2 for details) and an award of 20-30 ships could significantly increase our price target and estimates. Given typical lead-times for LNG ship construction, we should expect to hear about final ship owner selections later in 2022/early 2023. We remain bullish on Nakilat and consider it as the best avenue for equity investors to participate in the LT growth expected in Qatar's LNG sector. Irrespective of the volatility of the LNG shipping market, Nakilat's business should remain relatively unaffected given the LT nature of its charters. QGTS' fleet continues to provide Nakilat with stable, contractually sustainable cash flow that allow for a healthy residual income stream for equity investors after providing for debt service. Moreover, the 40-year life of QGTS' vessels vs. maximum debt life of 25 years (last debt maturing 2033), could allow for value-enhancement. Near-term, addition of 4 LNG vessels (final vessel added in Jan. 2022) via Global Shipping, should help 2022 earnings growth.

Highlights

- Full steam ahead: NFE ship contract awards have commenced and we remain hopeful QGTS could secure a significant share.** We remind investors that QatarEnergy (formerly Qatar Petroleum) is expanding Qatar's LNG capacity from 77 MTPA to 110 MTPA (first production: 4Q2025) and further to 126 MTPA a couple of years later. To cater to this expansion, back in April/June 2020, QatarEnergy signed major LNG shipbuilding capacity agreements with Chinese and South Korean companies to build 100+ LNG vessels worth +QR70bn. Furthermore, in 1Q2021, QatarEnergy issued an invitation to tender package to ship owners for the chartering of LNG carriers in relation to this project; QatarEnergy intends to assign selected ship owners from this tender to the shipyards' construction slots reserved in China and South Korea. In October and November of 2021, QatarEnergy moved ahead with the construction of ten LNG ships (four in China/six in South Korea). Given typical lead-times for LNG ship construction, we should expect to hear about final ship owner selections later in 2022/early 2023. We do note that already on April 12, 2022, QatarEnergy announced that it awarded its first batch of time-charter parties (TCPs) with a subsidiary of Mitsui O.S.K Lines (MOL) for the long-term charter and operation of four LNG ships. In a statement, HE the Minister of State for Energy Affairs, Saad Sherida al-Kaabi, also the President and CEO of QatarEnergy, stated that he expected to announce similar contracts in the near future. In early June 2022, South Korean Shipbuilders announced some details of construction orders involving six ships (174k cm each) at a cost of ~\$215mn/ship. Considering Nakilat's strategic importance and impressive track record in Qatar's existing LNG shipping value chain, we expect QGTS to be a major beneficiary and secure a meaningful share of new contracts.
- We project a 7.4% EPS growth for 2022 followed by a 1.8% increase in 2023.** Our 2022 net income forecast of QR1.45bn is driven by higher JV income as 2022 is the first year of near full-year contribution from the 60%-owned Global Shipping JV, along with continuing growth from the shipping JVs and the shipyard. We also project moderately lower finance charges despite higher rates as a majority (~70%) of QGTS' debt interest costs (including debt held in JVs) are fixed/hedged and Nakilat will continue to lower its debt through principal repayments. For next year, similar factors drive our 1.8% growth in earnings to QR1.48bn.
- High leverage but backed by watertight charter agreements; we do not foresee issues in debt servicing or repayments.** Nakilat has QR19.8bn in debt (91% of its market cap). QGTS made QR1.1bn in principal repayments in 2021 (debt fell 5.5%) and we expect another QR1.1bn repayment this year. Two major bank-loan bullet payments, totaling ~QR10bn, are due in 2025 but we expect QGTS to refinance most of this amount. We model principal repayments + finance charges to average QR2.2bn over 2021-33, which is easily covered by OCF (average QR2.8bn over 2021-33) and FCF before finance charges (2021-33 average QR3.1bn); we continue to assume QGTS's entire debt is paid off by 2033. QGTS' high leverage remains manageable as debt is mostly secured by watertight charter agreements for its existing fleet. Given \$215mn in capex for each extra LNG ship, if we assume an increase of 25 vessels related to the North Field expansion, QGTS will have to take on new debt of ~QR15.7bn (at 80% D/E). While this would imply significant new leverage, this debt would also likely be secured by watertight charters and hence, not a cause for concern.

Catalysts

- We should find out whether QGTS wins a piece of the LNG expansion contract later this year/in 1H2023.**

Recommendation, Valuation and Risks

- Recommendation & valuation: Our 1-Year target is QR4.100 and we rate QGTS an Accumulate.**
- Risks: (1) We expect QGTS shares to come under pressure in the unlikely scenario that the company does not secure a meaningful portion of the new LNG shipping contracts. (2) There is a risk existing LNG contracts are renegotiated – we do not rule out potential contract restructuring, with QGTS accepting slightly lower charter rates in return for increasing their lengths from 25 to 35+ years. However, bargaining power rests with Qatargas and Nakilat may have no choice but to accept worse contract terms. However, the likelihood of this is low given investment grade-rated bonds and contagion in other GRE-related bond issues.**

Key Financial Data and Estimates

	FY2021	FY2022e	FY2023e	FY2024e
EPS (QR)	0.24	0.26	0.27	0.29
P/E (x)	16.1	15.0	14.7	13.4
DPS (QR)	0.12	0.13	0.13	0.14
Dividend Yield	3.0%	3.3%	3.3%	3.6%

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

Key Data

Current Market Price (QR)	3.940
Current Dividend Yield (%)	3.0
Bloomberg Ticker	QGTS QD
ADR/GDR Ticker	N/A
Reuters Ticker	QGTS.QA
ISIN	QA000A0KD6L1
Sector*	Transportation
52wk High/52wk Low (QR)	4.000/2.993
3-m Average Volume ('mn)	4.4
Mkt. Cap. (\$ bn/QR bn)	6.0/21.8
EV (\$ bn/QR bn)	10.5/38.4
Shares Outstanding (mn)	5,540.0
FO Limit* (%)	49.0
Current Institutional FO* (%)	14.9
1-Year Total Return (%)	33.9
Fiscal Year End	December 31

Source: Bloomberg (as of June 8, 2022), *Qatar Exchange (as of June 8, 2022); Note: FO is foreign ownership

Saugata Sarkar, CFA, CAIA
+974 4476 6534
saugata.sarkar@qnbfs.com.qa

Nakilat Could Benefit If Selected Under The North Field Expansion Ship Contract Program

2022 could be a watershed year for Nakilat if it is selected as one of the ship owners involved in Qatar's massive LNG expansion program. Considering Nakilat's strategic importance and impressive track record in Qatar's existing LNG shipping value chain, we expect QGTS to be a major beneficiary of this expansion. We also estimate that every incremental vessel (@100%) adds ~1% to QGTS' target price and an award of 20-30 ships could significantly affect our price target and estimates. We note we assume roughly \$75,000/day in charter rates, which is lower than QGTS' existing wholly-owned fleet's (the original 25 vessels) charter rates of roughly \$90,000/day. We assume initial contract terms of 25 years after which we assume a 10-year extension at a 30% haircut in revenue. As usual, we do not forecast any terminal value. Given typical lead-times for LNG ship construction, we should expect to hear about final ship owner selections later in 2022/early 2023.

We also note that QGTS could additionally benefit if it is selected for managing a portion of the expansion fleet. We note that Nakilat possesses significant in-house ship management expertise, already managing 25 LNG vessels (21 wholly-owned), a FSRU and four LPG carriers.

In terms of risks, we expect QGTS shares to come under pressure in the unlikely scenario that the company does not secure a meaningful portion of the new LNG shipping contracts. Our current price target of QR4.100 and estimates do not include any impact of this expansion program. Given the scale of the expansion program (100+ ships) and Nakilat's excellent track record, it would be surprising if the company were not able to secure 20+ vessels under the new program.

Each Additional LNG Vessel Could Add Almost 1% to Nakilat's Target Price

# of Vessels	1
Capex/Ship (\$ mn)	215
Useful Life	40
Debt %	80.0%
Debt (\$ mn)	172
Equity (\$ mn)	43

Periods	1	2	3	4	5	10	15	25	30	35
Revenue (QR mn)	100	100	100	100	100	101	101	102	72	72
Revenue (\$ mn)	28	28	28	28	28	28	28	28	20	20
Average Capacity in m ³	174,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000
Daily Charter Rate/Vessel (in \$)	75,012	75,087	75,162	75,237	75,312	75,690	76,069	76,833	53,999	54,269
EBITDA (QR mn)	69	69	69	69	69	69	69	69	43	42
EBITDA Margin	69.1%	69.1%	69.0%	69.0%	68.9%	68.7%	68.4%	67.9%	59.3%	58.8%
Taxes (Social & Sports Fund Contribution)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(0)
Changes in Working Capital	-	-	-	-	-	-	-	-	-	-
Capital Expenditures	(3)	(3)	(3)	(3)	(6)	(6)	(6)	(6)	(6)	(6)
Free Cash Flow to Firm	65	65	65	65	62	62	62	62	36	36
PV of FCF	61	57	53	50	44	32	23	12	5	4
Cumulative PV of FCF	61	117	170	220	264	454	591	760	790	812

Terminal Value	0
PV of Terminal Value	0

PV of Cash Flows	812
Add:	
Cash Balances	0
PV of BV of Fleet (Fully-Owned)	10
Less:	
Debt Balances	626
Fair Value of Equity	195
Incremental Target Price (Per Share)	0.03
Current Target Price (No Expansion)	4.100
% Upside/(Downside)	0.8%
Shares O/S (Mn)	5,540

Source: QNB FS Research

1Q2022 Review: Earnings Beat Driven by JV Income/Depreciation

Nakilat reported better-than-expected 1Q2022 results. QGTS' 1Q2022 net income of QR381.8mn increased 19.3% YoY and 8.9% QoQ coming in 8.0% higher than our estimate of QR353.5mn.

- Revenue from wholly-owned ships of QR873.9mn (0.3% YoY, -3.5% QoQ) was in-line with our estimate of QR881.3mn (variation of -0.8%). The sequential decline in wholly-owned ship revenue is likely driven by lower operating days in 1Q2022 vs. 4Q2021.
- Adjusted revenue (wholly-owned ships + marine & agency services + JV income) of QR1.04bn (5.4% YoY, -2.3% QoQ) was also in-line with our estimate of QR1.04bn (divergence of 0.4%) and was driven by the strength in JV income.
- EBITDA of QR680.0mn (0.6% YoY, -1.5% QoQ) was just 0.6% ahead of our forecast of QR676.3mn given improvement in cash gross margins (78.9% vs. our model of 78.0%). EBITDA performance was aided by lower-than-expected direct operating costs of the wholly-owned fleet and continued progress (along with some timing-related variation) in G&A expenses of QR20.5mn (-6.5% YoY, -19.1% QoQ/18.3% below our estimate of QR25.1mn).
- Adjusted EBITDA of QR839.0mn (6.7% YoY, flat QoQ) was 2.2% above our estimate of QR821.0mn.
- JV income of QR159.0mn (44.3% YoY, 6.9% QoQ) was 9.9% above our estimate of QR144.7mn. We suspect improving shipyard performance (which posted net losses of QR36.2mn and QR25.5mn in 2021 and 2020, respectively), along with addition of the fourth and final LNG vessel in QGTS's Global Shipping JV, led to this increase.
- Finally finance costs came in at QR260.0mn (-1.7% YoY, 0.4% QoQ), and was only 1.0% ahead of our estimate of QR257.4mn.

QNB FS 1Q2022 Estimates and Comparisons

Income Statement							
In QR mn Except Otherwise Noted	1Q2021	4Q2021	1Q2022	1Q2022e	A Vs. E	YoY	QoQ
Revenue from Wholly-Owned Vessels	871.354	905.406	873.928	881.295	-0.8%	0.3%	-3.5%
Operating Costs	(181.867)	(203.840)	(184.165)	(193.885)	-5.0%	1.3%	-9.7%
Gross Profit	689.487	701.566	689.763	687.410	0.3%	0.0%	-1.7%
<i>Gross Margin</i>	<i>79.1%</i>	<i>77.5%</i>	<i>78.9%</i>	<i>78.0%</i>			
Income from Marine and Agency Services	8.474	14.016	10.785	14.000	-23.0%	27.3%	-23.1%
General and Administrative Expenses	(21.951)	(25.396)	(20.535)	(25.147)	-18.3%	-6.5%	-19.1%
EBITDA	676.010	690.186	680.013	676.262	0.6%	0.6%	-1.5%
Depreciation & Amortization	(218.822)	(232.668)	(217.404)	(226.362)	-4.0%	-0.6%	-6.6%
EBIT	457.188	457.518	462.609	449.901	2.8%	1.2%	1.1%
<i>EBIT Margin</i>	<i>52.5%</i>	<i>50.5%</i>	<i>52.9%</i>	<i>51.0%</i>			
Share of Operating Profits from Joint Ventures	110.157	148.635	158.949	144.677	9.9%	44.3%	6.9%
Finance Costs	(264.399)	(258.924)	(259.967)	(257.442)	1.0%	-1.7%	0.4%
Interest, Dividend income & Profit from Islamic Banks	17.206	16.761	20.373	16.500	23.5%	18.4%	21.6%
Vessel Sub-Chartering & Other Income	-	(13.358)					
Profit Before Tax	320.152	350.632	381.964	353.636	8.0%	19.3%	8.9%
Profit After Tax	320.152	350.632	381.964	353.636	8.0%	19.3%	8.9%
Minority Interest	(0.046)	(0.096)	(0.129)	(0.097)	33.2%	180.4%	34.4%
Net Income to Equity	320.106	350.536	381.835	353.539	8.0%	19.3%	8.9%
<i>Net Profit Margin</i>	<i>36.7%</i>	<i>38.7%</i>	<i>43.7%</i>	<i>40.1%</i>			
EPS (QR)	0.06	0.06	0.07	0.06	8.0%	19.3%	8.9%
Adjusted EBITDA	786.167	838.821	838.962	820.939	2.2%	6.7%	0.0%
Adjusted Revenue	989.985	1,068.057	1,043.662	1,039.971	0.4%	5.4%	-2.3%
Particulars	1Q2021	4Q2021	1Q2022	1Q2022e			
Adj. EBITDA Margin	79.4%	78.5%	80.4%	78.9%			
Gross Margin	79.1%	77.5%	78.9%	78.0%			
EBIT Margin	52.5%	50.5%	52.9%	51.0%			
G & A % of Sales	2.5%	2.8%	2.3%	2.9%			
Depreciation & Amortization % of Sales	25.1%	25.7%	24.9%	25.7%			

Source: Bloomberg, QNB FS Research

Estimate Revisions

QNB FS Estimates Revisions

In QR mn	Current				Previous				Current				Previous			
	2021	2022	2022	▲	2023	2023	▲	2024	2024	▲	2025	2025	▲	2025	2025	▲
Revenue from Wholly-Owned Vessels	3,541	3,547	3,547	0.0%	3,553	3,552	0.0%	3,553	3,552	0.0%	3,553	3,552	0.0%	3,553	3,552	0.0%
Growth	0.7%	0.2%	0.2%		0.2%	0.2%		0.0%	0.0%		0.0%	0.0%		0.0%	0.0%	
Operating Costs	(746)	(751)	(750)	0.2%	(753)	(751)	0.2%	(753)	(751)	0.2%	(753)	(751)	0.2%	(753)	(751)	0.2%
Growth	1.7%	0.7%	0.5%		0.2%	0.2%		0.0%	0.0%		0.0%	0.0%		0.0%	0.0%	
Gross Profit	2,795	2,796	2,797	0.0%	2,800	2,801	0.0%	2,800	2,801	0.0%	2,800	2,801	0.0%	2,800	2,801	0.0%
GM %	78.9%	78.8%	78.9%		78.8%	78.9%		78.8%	78.9%		78.8%	78.9%		78.8%	78.9%	
Income from Marine and Agency Services	49	43	51	-15.8%	44	52	-15.8%	45	54	-15.8%	47	55	-15.8%	47	55	-15.8%
General and Administrative Expenses	(97)	(99)	(101)	-1.7%	(102)	(104)	-1.7%	(105)	(106)	-1.7%	(107)	(108)	-1.7%	(107)	(108)	-1.7%
EBITDA	2,746	2,739	2,746	-0.3%	2,741	2,749	-0.3%	2,741	2,748	-0.3%	2,740	2,748	-0.3%	2,740	2,748	-0.3%
EBITDA Margin %	77.6%	77.2%	77.4%		77.2%	77.4%		77.1%	77.4%		77.1%	77.4%		77.1%	77.4%	
Depreciation & Amortization	(895)	(891)	(899)	-0.9%	(894)	(903)	-0.9%	(898)	(906)	-0.9%	(901)	(910)	-0.9%	(901)	(910)	-0.9%
EBIT	1,851	1,848	1,847	0.0%	1,847	1,846	0.0%	1,843	1,842	0.0%	1,839	1,838	0.0%	1,839	1,838	0.0%
Share of Operating Profits from Joint Ventures	494	568	536	5.8%	578	562	2.8%	614	607	1.2%	676	674	0.2%	676	674	0.2%
Finance Costs	(1,049)	(1,040)	(1,030)	0.9%	(1,027)	(1,018)	0.9%	(912)	(904)	0.9%	(744)	(738)	0.9%	(744)	(738)	0.9%
Interest, Dividend income & Profit from Islamic Banks	58	79	64	22.9%	83	67	22.9%	84	69	22.9%	86	70	22.9%	86	70	22.9%
Vessel Sub-Chartering & Other Income	-	-	-		-	-		-	-		-	-		-	-	
Profit Before Tax	1,354	1,455	1,418	2.6%	1,481	1,458	1.6%	1,630	1,614	1.0%	1,856	1,845	0.6%	1,856	1,845	0.6%
Taxes																
Profit After Tax	1,354	1,455	1,418	2.6%	1,481	1,458	1.6%	1,630	1,614	1.0%	1,856	1,845	0.6%	1,856	1,845	0.6%
Minority Interest	(1)	(1)	(1)	-28.0%	(1)	(1)	-28.7%	(1)	(1)	-29.2%	(1)	(1)	-29.4%	(1)	(1)	-29.4%
% of PAT	-0.1%	0.0%	-0.1%		0.0%	-0.1%		0.0%	-0.1%		0.0%	-0.1%		0.0%	-0.1%	
Profit for Equity Holders	1,353	1,454	1,417	2.6%	1,480	1,457	1.6%	1,629	1,613	1.0%	1,856	1,844	0.7%	1,856	1,844	0.7%
Net Profit Margin	38.2%	41.0%	39.9%		41.7%	41.0%		45.9%	45.4%		52.2%	51.9%		52.2%	51.9%	
Growth	16.7%	7.4%	4.7%		1.8%	2.8%		10.1%	10.7%		13.9%	14.3%		13.9%	14.3%	
EPS	0.24	0.26	0.26	2.6%	0.27	0.26	1.6%	0.29	0.29	1.0%	0.33	0.33	0.7%	0.33	0.33	0.7%
Growth	16.7%	7.4%	4.7%		1.8%	2.8%		10.1%	10.7%		13.9%	14.3%		13.9%	14.3%	
DPS	0.12	0.13	0.13	0.0%	0.13	0.13	0.0%	0.14	0.14	0.0%	0.15	0.15	0.0%	0.15	0.15	0.0%
Payout Ratio	49.1%	49.5%	50.8%		48.7%	49.4%		47.6%	48.1%		44.8%	45.1%		44.8%	45.1%	
Growth	9.1%	8.3%	8.3%		0.0%	0.0%		7.7%	7.7%		7.1%	7.1%		7.1%	7.1%	
Adjusted EBITDA	3,240	3,306	3,283	0.7%	3,319	3,311	0.2%	3,355	3,355	0.0%	3,416	3,422	-0.2%	3,416	3,422	-0.2%
Growth	3.6%	2.0%	1.3%		0.4%	0.9%		1.1%	1.3%		1.8%	2.0%		1.8%	2.0%	
Adjusted Revenue	4,084	4,157	4,134	0.6%	4,174	4,166	0.2%	4,212	4,213	0.0%	4,275	4,282	-0.2%	4,275	4,282	-0.2%
Growth	3.3%	1.8%	1.2%		0.4%	0.8%		0.9%	1.1%		1.5%	1.6%		1.5%	1.6%	

Source: QNB FS Research

Valuation and Key Ratios

Growth Metrics

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033	CAGR 21-'33
Growth Ratios (In %)													
Revenue - Wholly Owned	0.7%	(0.4%)	0.2%	3.4%	11.1%	0.7%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Revenue - Adjusted	2.0%	(6.1%)	1.8%	7.6%	4.6%	3.3%	1.8%	0.4%	0.9%	1.5%	0.6%	0.6%	0.9%
Gross Profit	0.1%	0.4%	1.1%	3.5%	12.8%	0.4%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	(1.1%)	0.5%	1.0%	3.9%	14.3%	0.4%	(0.3%)	0.1%	(0.0%)	(0.0%)	(0.0%)	(0.0%)	0.0%
EBITDA -Adjusted	1.1%	(7.2%)	3.1%	9.3%	5.9%	3.6%	2.0%	0.4%	1.1%	1.8%	0.7%	0.7%	1.0%
EBIT	(6.5%)	0.7%	2.2%	(2.3%)	22.1%	0.3%	(0.2%)	(0.0%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)
Income from JVs	11.1%	(38.7%)	16.9%	40.8%	(30.1%)	26.5%	15.0%	1.8%	6.3%	10.0%	3.1%	2.9%	5.2%
Finance Charges/Interest Expense	(0.9%)	(1.3%)	0.0%	(0.1%)	(2.9%)	(7.8%)	(0.9%)	(1.2%)	(11.2%)	(18.4%)	(22.0%)	(66.5%)	(23.5%)
EPS	(2.9%)	(11.3%)	5.3%	12.4%	15.8%	16.7%	7.4%	1.8%	10.1%	13.9%	4.5%	4.0%	6.2%
CFPS	(9.9%)	16.7%	(6.4%)	15.9%	79.3%	(27.2%)	34.0%	(17.2%)	6.6%	9.3%	3.4%	3.2%	4.7%
FCFPS	(4.9%)	22.0%	(22.1%)	10.9%	114.9%	(24.3%)	28.7%	(18.0%)	2.0%	15.1%	8.4%	3.2%	4.6%
DPS	(20.0%)	0.0%	0.0%	0.0%	10.0%	9.1%	8.3%	0.0%	7.7%	7.1%	0.0%	0.0%	4.3%

Source: Bloomberg, QNB FS Research; Note: Adjusted revenue includes wholly-owned revenue, income from marine & agency services and income from JVs, while Adjusted EBITDA includes income from JVs

Peer Comparisons

Company	Mcap \$mn	5yr Adj. Beta	P/E 2022e	P/E 2023e	EV/EBITDA 2022e	EV/EBITDA 2023e	P/B 2022e	P/B 2023e	ROE 2022e	ROE 2023e	EBITDA Margin 2022e	EBITDA Margin 2023e	Dividend 2022e	Yield 2023e
COSCO SHIPPING ENERGY TRAN-H	6,951	0.81	30.4	9.0	1.1	2.2	0.74	0.70	2.4%	7.9%	41.9%	29.6%	1.21	4.71
GASLOG PARTNERS LP	356	0.98	4.3	4.5	6.7	7.1	0.44	0.38	8.9%	7.7%	71.9%	70.4%	0.59	0.59
DYNAGAS LNG PARTNERS LP	162	0.81	6.1	5.4	9.0	8.8	0.51	N/A	N/A	N/A	69.3%	69.8%	N/A	N/A
SFL CORP LTD	1,579	0.97	11.7	10.8	10.4	9.9	1.39	1.35	14.0%	11.8%	64.0%	66.5%	7.72	8.36
GOLAR LNG LTD	2,853	1.07	23.4	20.2	15.7	13.3	1.27	1.09	9.2%	6.7%	83.7%	81.7%	0.00	N/A
TSAKOS ENERGY NAVIGATION LTD	321	1.18	4.5	3.8	5.7	5.5	N/A	N/A	N/A	N/A	56.5%	54.6%	1.76	1.76
Peer Group Average		0.97	13.5	9.0	8.1	7.8	0.87	0.88	8.6%	8.5%	64.6%	62.1%	2.81	3.84
Peer Group Median		0.98	8.9	7.2	7.9	8.0	0.74	0.90	9.0%	7.8%	66.7%	68.2%	1.21	3.23
QATAR GAS TRANSPORT (NAKILAT)	5,959	0.82	15.0	14.7	11.1	10.6	1.88	1.77	14.3%	12.3%	77.2%	77.2%	3.30	3.30

Source: Bloomberg, QNB FS Research

Key Metrics

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033
Growth Ratios (In %)												
Revenue - Wholly Owned	0.7%	(0.4%)	0.2%	3.4%	11.1%	0.7%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%
Revenue - Adjusted	2.0%	(6.1%)	1.8%	7.6%	4.6%	3.3%	1.8%	0.4%	0.9%	1.5%	0.6%	0.6%
Gross Profit	0.1%	0.4%	1.1%	3.5%	12.8%	0.4%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
EBITDA	(1.1%)	0.5%	1.0%	3.9%	14.3%	0.4%	(0.3%)	0.1%	(0.0%)	(0.0%)	(0.0%)	(0.0%)
EBITDA -Adjusted	1.1%	(7.2%)	3.1%	9.3%	5.9%	3.6%	2.0%	0.4%	1.1%	1.8%	0.7%	0.7%
EBIT	(6.5%)	0.7%	2.2%	(2.3%)	22.1%	0.3%	(0.2%)	(0.0%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)
Income from JVs	11.1%	(38.7%)	16.9%	40.8%	(30.1%)	26.5%	15.0%	1.8%	6.3%	10.0%	3.1%	2.9%
Finance Charges/Interest Expense	(0.9%)	(1.3%)	0.0%	(0.1%)	(2.9%)	(7.8%)	(0.9%)	(1.2%)	(11.2%)	(18.4%)	(22.0%)	(66.5%)
EPS	(2.9%)	(11.3%)	5.3%	12.4%	15.8%	16.7%	7.4%	1.8%	10.1%	13.9%	4.5%	4.0%
CFPS	(9.9%)	16.7%	(6.4%)	15.9%	79.3%	(27.2%)	34.0%	(17.2%)	6.6%	9.3%	3.4%	3.2%
FCFPS	(4.9%)	22.0%	(22.1%)	10.9%	114.9%	(24.3%)	28.7%	(18.0%)	2.0%	15.1%	8.4%	3.2%
DPS	(20.0%)	0.0%	0.0%	0.0%	10.0%	9.1%	8.3%	0.0%	7.7%	7.1%	0.0%	0.0%
Operating Ratios (In %)												
Gross Margin	76.6%	77.2%	77.8%	78.0%	79.1%	78.9%	78.8%	78.8%	78.8%	78.8%	78.8%	78.8%
EBITDA Margin	74.0%	74.6%	75.2%	75.6%	77.8%	77.6%	77.2%	77.2%	77.1%	77.1%	77.0%	77.0%
Adj. EBITDA Margin	76.8%	75.9%	76.9%	78.1%	79.1%	79.3%	79.5%	79.5%	79.7%	79.9%	80.4%	80.6%
EBIT Margin	49.0%	49.5%	50.5%	47.7%	52.5%	52.3%	52.1%	52.0%	51.9%	51.8%	51.2%	50.8%
Net Margin	31.1%	27.7%	29.1%	31.6%	33.0%	38.2%	41.0%	41.7%	45.9%	52.2%	69.0%	78.0%
Finance Ratios												
Net Debt-to-EBITDA	8.3	7.8	7.5	7.9	6.6	6.0	5.5	5.0	4.5	4.0	0.9	-1.3
Debt-Equity Ratio	4.1	3.5	2.9	3.1	3.0	2.3	1.6	1.4	1.1	0.9	0.2	0.0
Net Debt-Equity Ratio	3.6	3.0	2.5	2.8	2.5	1.9	1.3	1.1	0.9	0.8	0.1	-0.1
Debt-to-Capital	80.3%	77.7%	74.1%	75.6%	74.7%	69.4%	61.7%	58.6%	52.5%	47.5%	18.8%	0.0%
Interest Coverage	1.3	1.3	1.3	1.3	1.6	1.8	1.8	1.8	2.0	2.5	6.2	42.6
EBITDA Interest Coverage	1.9	1.9	2.0	2.0	2.4	2.6	2.6	2.7	3.0	3.7	9.4	64.5
Return Ratios (In %)												
ROIC	5.6%	5.7%	5.8%	5.4%	6.6%	6.5%	6.1%	6.2%	6.6%	6.7%	7.1%	7.1%
ROAE	19.7%	15.1%	13.9%	14.5%	16.6%	17.1%	14.3%	12.3%	12.7%	13.4%	12.2%	11.2%
ROAA	3.1%	2.8%	3.0%	3.2%	3.6%	4.2%	4.5%	4.6%	5.3%	6.3%	8.9%	10.1%
Valuation												
EV/EBITDA-Adjusted	14.4	15.1	14.4	13.7	12.7	11.8	11.1	10.6	10.2	9.5	6.7	4.9
EV/EBIT	27.0	26.1	25.2	26.8	21.5	20.6	19.8	19.1	18.5	17.7	13.2	9.9
P/E	22.9	25.8	24.5	21.8	18.8	16.1	15.0	14.7	13.4	11.8	8.9	7.9
P/CF	19.4	16.6	17.8	15.3	8.6	11.8	8.8	10.6	9.9	9.1	7.4	6.7
P/B	4.2	3.7	3.1	3.2	3.1	2.5	1.9	1.8	1.6	1.5	1.0	0.9
Dividend Yield	2.5%	2.5%	2.5%	2.5%	2.8%	3.0%	3.3%	3.3%	3.6%	3.8%	4.8%	5.1%
FCF Yield	4.9%	6.0%	4.7%	5.2%	11.2%	8.4%	10.9%	8.9%	9.1%	10.5%	13.1%	14.4%

Source: Bloomberg, QNB FS Research; Note: Adjusted revenue includes wholly-owned revenue, income from marine & agency services and income from JVs, while Adjusted EBITDA includes income from JVs

Detailed Financial Statements

Income Statement (In QR mn)	FY2021	FY2022e	FY2023e	FY2024e
Revenue – Wholly-Owned Ships	3,541	3,547	3,553	3,553
Direct Costs	(746)	(751)	(753)	(753)
Gross Profit	2,795	2,796	2,800	2,800
Income from Marine & Agency Services	49	43	44	45
General and Administrative Expenses	(97)	(99)	(102)	(105)
EBITDA	2,746	2,739	2,741	2,741
Depreciation	(895)	(891)	(894)	(898)
EBIT	1,851	1,848	1,847	1,843
Share of Profits from Joint Ventures	494	568	578	614
Finance Costs	(1,049)	(1,040)	(1,027)	(912)
Interest, Dividend & Profit from Islamic Banks	58	79	83	84
Vessels Sub-Chartering & Other Income	0	0	0	0
Profit Before Tax	1,354	1,455	1,481	1,630
Income Tax Expense	0	0	0	0
Profit After Tax	1,354	1,455	1,481	1,630
Minority Interest	(1)	(1)	(1)	(1)
Profit for Equity Shareholders	1,353	1,454	1,480	1,629
EPS (QR)	0.24	0.26	0.27	0.29
Adjusted Revenue	4,084	4,157	4,174	4,212
Adjusted EBITDA	3,240	3,306	3,319	3,355

Source: Bloomberg, QNB FS Research

Balance Sheet (In QR mn)	FY2021	FY2022e	FY2023e	FY2024e
Non-Current Assets				
Property, Plant and Equipment	22,266	21,493	20,716	20,032
Investment in Joint Venture Companies	4,900	4,955	5,242	5,588
Loans to Joint Venture Companies	669	942	942	942
Equity Investments	163	197	197	197
Total Non-Current Assets	27,998	27,587	27,097	26,759
Current Assets				
Receivables, Inventories and Due from Joint Ventures	873	834	835	835
Cash and Bank Balances	3,439	3,779	3,818	2,222
Total Current Assets	4,313	4,613	4,653	3,057
Total Assets	32,311	32,200	31,750	29,816
Equity				
Equity Attributable to the Parent	8,764	11,607	12,367	13,275
Minority Interest	8	8	9	9
Total Equity	8,771	11,615	12,375	13,285
Non-Current Liabilities				
Borrowings	18,143	17,501	14,658	12,964
Lease Liability, Provision for End of Service Benefits and Other Liabilities	1,701	284	284	284
Total Non-Current Liabilities	19,844	17,785	14,941	13,248
Current Liabilities				
Borrowings	1,707	1,213	2,843	1,694
Accounts Payables/Accruals, Due to Joint Ventures & Others	1,988	1,588	1,590	1,590
Total Current Liabilities	3,695	2,801	4,433	3,284
Equity and Liabilities	32,311	32,200	31,750	29,816

Source: Bloomberg, 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

Contacts

Contacts

QNB Financial Services Co. W.L.L.
 Contact Center: (+974) 4476 6666
info@qnbfs.com.qa
 Doha, Qatar

Saugata Sarkar, CFA, CAIA
 Head of Research
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
 Senior Research Analyst
shahan.keushgerian@qnbfs.com.qa

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