

Qatar Gas Transport (QGTS)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR16.89	Target Price	QR18.10
Implied Upside	7.2%		

4Q2012 Core Profitability In Line with Estimates; Surprises Positively on Dividends

4Q2012 core business right in line with our estimates with net income exceeding on one-offs; retaining bullish long-term outlook. Nakilat reported broadly in line 4Q2012 results but proposed a better-than-expected QR1/share DPS for 2012 (vs. our published estimate of QR0.90), which translates into a yield of 5.9% and a payout of 72.4%. We continue to remain positive on Nakilat over the long term given its steady operating model and solid dividend yield. QGTS remains Qatar's primary LNG carrier and benefits from stable/visible revenue and cash flow through 25-year fixed (price and quantity) charter contracts with the state-controlled LNG producers, Qatargas and RasGas. With fleet expansion completed in 2010, we expect strong FCF generation to allow the company to meet its debt repayments (2012 debt: QR23.9bn) comfortably and lead to EPS accretion. Moreover, the shipyard business could surprise positively later in 2013/2014. We have updated our model to reflect 2012 results, which has led to minor estimate revisions. **Our price target for QGTS remains unchanged at QR18.10 but we change our rating to Market Perform.**

Financial Results and Key Takeaways

- Reported 4Q2012 adjusted revenue (+2% QoQ, flat YoY) was in line with our estimate (+1% divergence).** By segment: (1) Revenue from the company's 25 wholly-owned LNG vessels was up 1% QoQ and flat YoY at QR761mn. (2) At QR53mn (-24% QoQ, -20% YoY), share of operating profits from JVs missed our QR70mn estimate as LPG rates fell significantly during the quarter. (3) Finally, income from marine & agency services and vessels sub-chartering more than doubled sequentially to QR43mn benefiting from some seasonality and a pickup in business activity.
- EBITDA (-1% QoQ, -5% YoY) was also at par with our model with the net income beat primarily driven by a gain on derivatives from a JV.** Nakilat posted 4Q2012 EBITDA of QR672mn vs. our estimate of QR679mn. Net income, before appropriations, of QR203mn (12% QoQ, -2% YoY) benefited from ~QR19mn in non-cash derivative gains. *Excluding the incremental impact of this line item, recurring net income was exactly in line with our estimate.*
- We have updated our model, which lead to slight estimate revisions; raising 2013 DPS to QR1.10 (6.5% DY) vs. QR0.95 previously.** We now project QR1.46 in 2013 EPS available to shareholders (vs. QR1.48 previously). Our 2014 EPS estimate remains unchanged at QR1.64. *(Detailed estimates are provided on Page 2)*

4Q2012, Actual vs. Estimates

QR mn ex. per Share Values	4Q2012	QoQ	YoY	4Q2012e	Actual vs. Estimated
Total Revenue	857	2%	0%	847	1%
Revenue - Wholly-Owned Ships	761	1%	0%	753	1%
Income from Marine & Agency Services	12	28%	0%	10	28%
Share of Profits from Joint Ventures	53	-24%	-20%	70	-24%
Vessels Sub-Chartering & Other Income	31	190%	68%	15	105%
EBITDA	672	-1%	-5%	679	-1%
Net Income to Equityholders (Pre Appropriations)	203	12%	-2%	190	7%

Source: Company data, QNBFS estimates

Key Data

Current Market Price (QR)	16.89
Dividend Yield (%)	5.9
Bloomberg Ticker	QGTS QD
ADR/GDR ticker	N/A
Reuters Ticker	QGTS.QA
ISIN	QA000A0KD6L1
Sector*	Transportation
52wk High/52wk Low (QR)	17.97/14.52
3-m Average Volume ('000)	509.2
Mkt. Cap. (\$ bn/QR bn)	2.6/9.5
Shares Outstanding (mn)	560.0
FO Limit* (%)	24.5
Current FO* (%)	10.3
1-Year Total Return (%)	1.0
Fiscal Year End	December 31

Source: Bloomberg (as of March 12, 2013), *Qatar Exchange (as of March 12, 2013); Note: FO is foreign ownership

Broker Recommendations

Recommendation	Number
Buy	3
Hold	1
Sell	0

Source: Bloomberg

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Detailed Financial Statements

Income Statement (In QR mn)	FY2011	FY2012	FY2013e	FY2014e
Revenue – Wholly-Owned Ships	3,005	3,006	3,028	3,058
Income from Marine & Agency Services	39	39	41	43
Share of Profits from Joint Ventures	272	254	297	312
Vessels Sub-Chartering & Other Income	60	73	67	67
Adjusted Net Revenue	3,376	3,372	3,433	3,480
Direct Costs	(572)	(622)	(626)	(652)
Gross Profit	2,804	2,750	2,807	2,827
General and Administrative Expenses	(50)	(71)	(73)	(74)
Interest, Dividend & Profit from Islamic Banks	44	48	48	48
EBITDA	2,798	2,727	2,782	2,802
Depreciation	(592)	(594)	(601)	(601)
EBIT	2,207	2,134	2,181	2,201
Finance Costs	(1,396)	(1,387)	(1,353)	(1,271)
Gain/(Loss) on Derivatives from Joint Ventures	23	20	0	0
Profit After Tax	833	766	828	929
Minority Interest	(1)	(1)	(1)	(1)
Profit for Equity Shareholders	833	765	828	929
Appropriations for Social & Sports Fund	(21)	(19)	(21)	(23)
Profit Available for Equity Shareholders	812	746	807	906
EPS (QR)	1.47	1.35	1.46	1.64

Source: Company data, QNBFS estimates

Balance Sheet (In QR mn)	FY2011	FY2012	FY2013e	FY2014e
Property, Plant and Equipment	25,751	25,192	24,626	24,060
Investment in Joint Venture Companies	1,810	2,019	2,187	2,363
Loans to Joint Venture Companies	1,119	1,085	1,085	1,085
Available-for-Sale Investments	127	145	145	145
Total Non-Current Assets	28,806	28,441	28,042	27,652
Receivables, Inventories and Due from Joint Ventures	365	356	359	362
Cash and Bank Balances	2,237	2,096	1,947	1,852
Total Current Assets	2,602	2,452	2,305	2,214
Total Assets	31,408	30,893	30,347	29,867
Equity Attributable to the Parent	1,458	1,759	2,032	2,345
Minority Interest	5	6	6	7
Total Equity	1,464	1,765	2,039	2,352
Borrowings	23,803	23,118	22,309	21,500
Fair Value of Interest Rate Swaps	4,831	4,815	4,815	4,815
Provision for End of Service Benefits	12	15	15	15
Total Non-Current Liabilities	28,646	27,947	27,138	26,329
Borrowings	978	822	809	809
Accounts Payables/Accruals & Due to Related Parties	321	358	361	376
Total Current Liabilities	1,298	1,181	1,170	1,185
Equity and Liabilities	31,408	30,893	30,347	29,867

Source: Company data, QNBFS 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

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

Risk Ratings

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

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

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