

Qatar Gas Transport Company/Nakilat (QGTS)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR3.960	Target Price	QR4.100
Implied Upside	3.5%		

Upping Forecasts Post 1Q2023; Accumulate In Anticipation of NF Ship Awards

We are increasing our estimates following better-than-anticipated 1Q2023 results. As we have stated before, 2023 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. We remind investors that QatarEnergy 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 at that time. 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. So far, newsflow/industry chatter indicate several ship charter agreements have been awarded already. Considering Nakilat's strategic importance, (QGTS ships ~75-80% of Qatar's current LNG exports) 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 also estimate that every incremental vessel (@100%) adds ~1% to QGTS' target price (for details, see page 2) and an award of 20-25 ships could markedly boost our price target and estimates. Given typical lead-times for LNG ship construction, we should expect to hear about final ship owner selections in 2023.

Highlights

- **QGTS beats our 1Q2023 earnings estimate on lower-than-expected depreciation expense:** Nakilat's 1Q2023 net income of QR395.5mn increased 3.6% YoY and 30.2% QoQ, beating our estimate of QR374.2mn by 5.7%.
- **We project an 8.6% growth with net income growing from QR1,438.9mn in 2022 to QR1,563.3mn in 2023.** Our previous forecast called for an earnings growth rate of 1.9%. While we have revised Nakilat's 2023 earnings upward by 3.3% vs. our previous estimate, the acceleration in YoY growth is partly due to [lower-than-expected 2022 results](#) on a sudden uptick in 4Q2022 depreciation charges (due to completion of a 5-year dry-dock cycle in 2022). Investors were reassured when 1Q2023 depreciation fell back to normal levels that, according to management, should persist throughout 2023 as the company embarks on a new dry-dock cycle along with streamlined recording of depreciation. This should help boost momentum in 2023 earnings.
- **Deleveraging, despite increased rates, and growth in JVs (especially the shipyard and the fabrication business) drive future earnings growth.** For 2023, the aforementioned fall in depreciation contributes ~90% of earnings growth. For 2024-2026, lower finance charges make up roughly 80% of overall earnings growth, while growth in JV income make up ~20%. Our current model assumes no further fleet additions.
- **High leverage but backed by watertight charter agreements; we do not foresee issues in debt servicing or repayments.** Nakilat has QR18.8bn (\$5.2bn) in debt (85% of its current market cap) as of 1Q2023. QGTS made QR1.0bn in principal repayments in 2022 (debt fell 5.3%) and we expect another QR979.6mn in repayments this year. For next year, ~QR2.4bn is coming due in two loans but we expect a portion of this to be refinanced. Further, two major bank-loan bullet payments, totaling ~QR7.7bn, are due in 2025 (originally ~QR10bn was due but QGTS refinanced QR2.5bn of this in 2022) but we expect QGTS to refinance most of this amount. We model principal repayments + finance charges to average QR2.4bn over 2023-33, which is easily covered by OCF (average QR2.8bn over 2023-33) and FCF before finance charges (2023-33 average QR3.1bn); we continue to assume the entire debt is paid off by 2033. Nakilat's high leverage remains manageable as debt is mostly secured by watertight charter agreements for its existing fleet.
- **Potential fleet expansion of 20-25 vessels should not be a cause for concern in terms of debt servicing or dividend payments.** Considering the current \$260mn price tag for LNG ship new builds, if we assume an increase of 20-25 vessels related to the NF expansion, QGTS will have to take on new debt of ~QR15.1bn-QR18.9bn (at 80% D/E). This could potentially send Nakilat's 2025 net debt-to-equity ratio to 2.1x to 2.4x vs. an average of 1.8x over 2020-2022 and 0.7x by 2025. However, this debt would also be secured by LT charters and hence, not a cause for concern for either debt servicing or dividend payments. We could also see a portion of this fleet increase through JV structures, keeping the related debt ring-fenced/off the books.

Catalysts

- **We should find out whether QGTS wins a piece of the LNG expansion contract later this year.** We stay bullish on Nakilat, which is 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. Nakilat's fleet continues to provide QGTS 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 Nakilat's vessels vs. maximum debt life of 25 years (last debt maturing 2033), could allow for value-enhancement.

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

	FY2022	FY2023e	FY2024e	FY2025e
EPS (QR)	0.26	0.28	0.31	0.34
P/E (x)	15.2	14.0	12.7	11.6
DPS (QR)	0.13	0.14	0.15	0.16
Dividend Yield	3.3%	3.5%	3.8%	4.0%

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

Key Data

Current Market Price (QR)	3.960
Current Dividend Yield (%)	3.3
Bloomberg Ticker	QGTS QD
ADR/GDR Ticker	N/A
Reuters Ticker	QGTS.QA
ISIN	QA000A0KD6L1
Sector*	Transportation
52wk High/52wk Low (QR)	4.230/3.100
3-m Average Volume ('mn)	3.6
Mkt. Cap. (\$ bn/QR bn)	6.0/21.9
EV (\$ bn/QR bn)	10.0/36.3
Shares Outstanding (mn)	5,540.0
FO Limit* (%)	100.0
Current Institutional FO* (%)	15.6
1-Year Total Return (%)	18.4
Fiscal Year End	December 31

Source: Bloomberg (as of May 22, 2023), *Qatar Exchange (as of May 22, 2023); Note: FO is foreign ownership

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

Our Analysis Shows ~1% Boost to Our Target Price For Every LNG Vessel Added Under the North Field Program

2023 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 Nakilat's target price and an award of 20-25 ships could significantly affect our price target and estimates. We note we assume roughly \$90,000/day in charter rates, which is lower than the company's existing wholly-owned fleet's (the original 25 vessels) charter rates that exceed \$90,000/day. We forecast 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 this year.

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

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

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

# of Vessels	1
Capex/Ship (\$ mn)	260
Useful Life	40
Depreciation/Year (\$ mn)	7
Depreciation/Year (QR mn)	24
Residual Value of Vessel (s) in Year 35 (QR mn)	118
Debt %	80.0%
Debt (\$ mn)	208
Equity (\$ mn)	52

Periods	1	2	3	4	5	10	15	25	30	35
Revenue (QR mn)	120	120	120	120	120	121	121	123	86	87
Revenue (\$ mn)	33	33	33	33	33	33	34	34	24	24
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 \$)	90,067	90,157	90,000	90,337	90,428	90,881	91,336	92,001	64,836	65,161
EBITDA (QR mn)	81	85	85	85	85	85	85	86	54	53
EBITDA Margin	67.5%	70.7%	70.7%	70.6%	70.6%	70.4%	70.3%	70.0%	62.1%	61.7%
Taxes (Social & Sports Fund Contribution)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(1)
Changes in Working Capital	-	-	-	-	-	-	-	-	-	-
Capital Expenditures	(4)	(4)	(4)	(4)	(7)	(7)	(7)	(7)	(7)	(7)
Free Cash Flow to Firm	76	80	80	80	76	76	77	77	46	45
PV of FCF	71	69	64	60	53	37	26	13	5	4
Cumulative PV of FCF	71	140	204	264	317	541	698	886	919	942

PV of Cash Flows	942
Add:	
Cash Balances	0
PV of BV of Fleet (Fully-Owned)	10
Less:	
Debt Balances	757
Fair Value of Equity	194
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

1Q2023 Review: In-Line Operations With Lower Depreciation Leads To Modest 1Q2023 Beat

QGTS beats our 1Q2023 earnings estimate on lower-than-expected depreciation expense: Nakilat's 1Q2023 net income of QR395.5mn increased 3.6% YoY and 30.2% QoQ, beating our estimate of QR374.2mn by 5.7%.

- **Revenue from wholly-owned ships** of QR878.8mn (0.6% YoY, -2.1% QoQ) was bang in-line with our estimate of QR882.0mn (variation of -0.4%).
- **Adjusted revenue** (wholly-owned ships + marine & agency services + JV income) of QR1.06bn (1.9% YoY, -2.8% QoQ) was also in-line with our estimate of QR1.07bn (again a -0.4% variance).
- **EBITDA** of QR676.3mn (-0.5% YoY, 2.7% QoQ) was 0.6% ahead of our forecast of QR672.6mn given slightly lower-than-expected **cash operating costs** of the wholly-owned fleet (cash gross margins rose to 77.9% vs. our model of 77.4% and 78.9%/76.6% in 1Q2022/4Q2022) and growth in **income from marine & agency services** (22.4% YoY, -12.3% QoQ; 22.1% ahead of our model); **G&A** expenses of QR21.5mn (4.6% YoY, -51.4% QoQ; in-line with our estimate of QR21.2mn) fell significantly sequentially, as expected, from its 4Q2022 high that included expenses related to several COVID-19-related postponed projects concerning IT infrastructure, maintenance, travel, conferences, etc.
- **Adjusted EBITDA** (EBITDA + JV income) of QR847.9mn (1.1% YoY, 0.9% QoQ) was right in-line with our estimate of QR847.5mn, with slightly lower-than-expected JV income offsetting the modest upside seen in EBITDA.
- **Depreciation** of QR200.2mn (-7.9% YoY, -30.2% QoQ) was 9.5% below our forecast of QR221.2mn. Depreciation fell given completion of a 5-year dry-dock cycle in 2022 and the beginning of a new one in 2023. We had expected depreciation to fall but underestimated the extent of its decline.
- **JV income** of QR171.6mn (7.9% YoY, -5.6% QoQ) was 1.9% below our estimate of QR174.9mn. Overall, JV income continues its buoyant trend due to improving shipyard performance (which posted a net profit of QR91.2mn in 2022 after posting net losses of QR36.2mn and QR25.5mn in 2021 and 2020, respectively), along with addition of the 3rd/4th LNG vessels in Nakilat's Global Shipping JV in Oct. 2021/Jan. 2022.
- Finally, **finance costs** of QR308.3mn (18.6% YoY, 4.7% QoQ) was 3.5% ahead of our estimate of QR297.9mn. Interest costs increased due to gains in LIBOR rates on the unhedged portion (~ 30%) of QGTS' debt, offset by scheduled repayment of loans. However, net finance charges were in line with our model as **interest, dividend & other income** of QR56.4mn (176.7% YoY, 25.7% QoQ) came in 22.6% above our forecast of QR46.0mn driven by higher rates on term deposits and increase in dividend income on investment securities.

QNB FS 1Q2023 Estimates and Comparisons

Income Statement							
In QR mn Except Otherwise Noted	1Q2022	4Q2022	1Q2023	1Q2023e	A Vs. E	YoY	QoQ
Revenue from Wholly-Owned Vessels	873.928	897.228	878.760	881.980	-0.4%	0.6%	-2.1%
Operating Costs	(184.165)	(209.905)	(194.195)	(199.057)	-2.4%	5.4%	-7.5%
Gross Profit	689.763	687.323	684.565	682.923	0.2%	-0.8%	-0.4%
<i>Gross Margin</i>	78.9%	76.6%	77.9%	77.4%			
Income from Marine and Agency Services	10.785	15.055	13.197	10.812	22.1%	22.4%	-12.3%
General and Administrative Expenses	(20.535)	(44.186)	(21.470)	(21.151)	1.5%	4.6%	-51.4%
EBITDA	680.013	658.192	676.292	672.584	0.6%	-0.5%	2.7%
Depreciation of Property and Equipment	(217.404)	(286.648)	(200.170)	(221.230)	-9.5%	-7.9%	-30.2%
EBIT	462.609	371.544	476.122	451.354	5.5%	2.9%	28.1%
<i>EBIT Margin</i>	52.9%	41.4%	54.2%	51.2%			
Share of Operating Profits from Joint Ventures	158.949	181.745	171.582	174.930	-1.9%	7.9%	-5.6%
Finance Costs	(259.967)	(294.593)	(308.343)	(297.878)	3.5%	18.6%	4.7%
Interest, Dividend income & Profit from Islamic Banks	20.373	44.865	56.382	45.987	22.6%	176.7%	25.7%
Profit Before Tax	381.964	303.561	395.743	374.392	5.7%	3.6%	30.4%
Profit After Tax	381.964	303.561	395.743	374.392	5.7%	3.6%	30.4%
Minority Interest	(0.129)	0.240	(0.255)	(0.145)	75.7%	97.7%	-206.3%
Net Income to Equity	381.835	303.801	395.488	374.247	5.7%	3.6%	30.2%
<i>Net Profit Margin</i>	43.7%	33.9%	45.0%	42.4%			
EPS (QR)	0.07	0.05	0.07	0.07	5.7%	3.6%	30.2%
Adjusted EBITDA	838.962	839.937	847.874	847.514	0.0%	1.1%	0.9%
Adjusted Revenue	1,043.662	1,094.028	1,063.539	1,067.722	-0.4%	1.9%	-2.8%

Particulars	1Q2022	4Q2022	1Q2023	1Q2023e
Adj. EBITDA Margin	80.4%	76.8%	79.7%	79.4%
Gross Margin	78.9%	76.6%	77.9%	77.4%
EBIT Margin	52.9%	41.4%	54.2%	51.2%
G & A % of Sales	2.3%	4.9%	2.4%	2.4%
Depreciation & Amortization % of Sales	24.9%	31.9%	22.8%	25.1%

Source: Bloomberg, QNB FS Research

Estimate Revisions

QNB FS Estimates Revisions

In QR mn	Current		Previous		▲	Current		Previous		▲	
	2021	2022	2023	2023		2024	2024	2025	2025		
Revenue from Wholly-Owned Vessels	3,541	3,550	3,564	3,553	0.3%	3,568	3,553	0.4%	3,572	3,553	0.5%
Growth	0.7%	0.3%	0.4%	0.2%		0.1%	0.0%		0.1%	0.0%	
Operating Costs	(746)	(764)	(775)	(743)	4.4%	(777)	(743)	4.6%	(778)	(743)	4.8%
Growth	1.7%	2.4%	1.4%	0.2%		0.2%	0.0%		0.2%	0.0%	
Gross Profit	2,795	2,786	2,790	2,810	-0.7%	2,792	2,810	-0.7%	2,794	2,810	-0.6%
GM %	78.9%	78.5%	78.3%	79.1%		78.2%	79.1%		78.2%	79.1%	
Income from Marine and Agency Services	49	55	57	57	0.5%	59	59	0.5%	61	60	0.5%
General and Administrative Expenses	(97)	(112)	(106)	(96)	9.6%	(108)	(98)	10.1%	(111)	(100)	10.7%
EBITDA	2,746	2,729	2,741	2,770	-1.1%	2,742	2,770	-1.0%	2,744	2,770	-1.0%
EBITDA Margin %	77.6%	76.9%	76.9%	78.0%		76.9%	78.0%		76.8%	78.0%	
Depreciation of Property and Equipment	(895)	(947)	(832)	(901)	-7.7%	(835)	(905)	-7.7%	(839)	(908)	-7.7%
EBIT	1,851	1,783	1,909	1,869	2.1%	1,907	1,866	2.2%	1,905	1,862	2.3%
Share of Operating Profits from Joint Ventures	494	689	671	665	0.9%	713	681	4.7%	754	746	1.0%
Finance Costs	(1,049)	(1,139)	(1,208)	(1,100)	9.8%	(1,070)	(980)	9.2%	(935)	(803)	16.4%
Interest, Dividend income & Profit from Islamic Banks	58	107	192	79	142.1%	184	81	127.5%	168	82	104.1%
Vessel Sub-Chartering & Other Income	-	-	-	-		-	-		-	-	
Profit Before Tax	1,354	1,439	1,564	1,514	3.3%	1,734	1,648	5.3%	1,892	1,887	0.3%
Taxes											
Profit After Tax	1,354	1,439	1,564	1,514	3.3%	1,734	1,648	5.3%	1,892	1,887	0.3%
Minority Interest	(1)	(0)	(1)	(1)	-16.5%	(1)	(1)	-15.0%	(1)	(1)	-19.0%
% of PAT	-0.1%	0.0%	-0.1%	-0.1%		-0.1%	-0.1%		-0.1%	-0.1%	
Profit for Equity Holders	1,353	1,439	1,563	1,513	3.3%	1,733	1,646	5.3%	1,891	1,886	0.3%
Net Profit Margin	38.2%	40.5%	43.9%	42.6%		48.6%	46.3%		52.9%	53.1%	
Growth	16.7%	6.3%	8.6%	1.9%		10.9%	8.8%		9.1%	14.6%	
EPS	0.24	0.26	0.28	0.27	3.3%	0.31	0.30	5.3%	0.34	0.34	0.3%
Growth	16.7%	6.3%	8.6%	1.9%		10.9%	8.8%		9.1%	14.6%	
DPS	0.12	0.13	0.14	0.13	7.7%	0.15	0.14	7.1%	0.16	0.15	6.7%
Payout Ratio	49.1%	50.1%	49.6%	47.6%		48.0%	47.1%		46.9%	44.1%	
Growth	9.1%	8.3%	7.7%	0.0%		7.1%	7.7%		6.7%	7.1%	
Adjusted EBITDA	3,240	3,419	3,413	3,436	-0.7%	3,456	3,452	0.1%	3,497	3,517	-0.5%
Growth	3.6%	5.5%	-0.2%	0.7%		1.3%	0.5%		1.2%	1.9%	
Adjusted Revenue	4,084	4,295	4,293	4,275	0.4%	4,340	4,292	1.1%	4,387	4,359	0.6%
Growth	3.3%	5.2%	0.0%	0.6%		1.1%	0.4%		1.1%	1.6%	

Source: QNB FS Research

Valuation and Key Ratios

Growth Metrics

Growth Ratios (In %)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033	CAGR 21-'33
Revenue - Wholly Owned	0.7%	(0.4%)	0.2%	3.4%	11.1%	0.7%	0.3%	0.4%	0.1%	0.1%	0.1%	0.1%	0.1%
Revenue - Adjusted	2.0%	(6.1%)	1.8%	7.6%	4.6%	3.3%	5.2%	(0.0%)	1.1%	1.1%	0.5%	1.2%	1.1%
Gross Profit	0.1%	0.4%	1.1%	3.5%	12.8%	0.4%	(0.3%)	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
EBITDA	(1.1%)	0.5%	1.0%	3.9%	14.3%	0.4%	(0.6%)	0.4%	0.0%	0.0%	0.1%	0.1%	0.0%
EBITDA -Adjusted	1.1%	(7.2%)	3.1%	9.3%	5.9%	3.6%	5.5%	(0.2%)	1.3%	1.2%	0.6%	1.4%	1.2%
EBIT	(6.5%)	0.7%	2.2%	(2.3%)	22.1%	0.3%	(3.7%)	7.1%	(0.1%)	(0.1%)	(0.1%)	(0.1%)	0.2%
Income from JVs	11.1%	(38.7%)	16.9%	40.8%	(30.1%)	26.5%	39.7%	(2.6%)	6.2%	5.7%	2.1%	5.5%	5.7%
Finance Charges/Interest Expense	(0.9%)	(1.3%)	0.0%	(0.1%)	(2.9%)	(7.8%)	8.6%	6.0%	(11.4%)	(12.6%)	(13.9%)	(56.4%)	(16.0%)
EPS	(2.9%)	(11.3%)	5.3%	12.4%	15.8%	16.7%	6.3%	8.6%	10.9%	9.1%	4.5%	8.6%	6.7%
CFPS	(9.9%)	16.7%	(6.4%)	15.9%	79.3%	(27.2%)	29.6%	(13.0%)	0.4%	7.6%	3.4%	6.7%	4.7%
FCFPS	(4.9%)	22.0%	(22.1%)	10.9%	114.9%	(24.3%)	25.3%	(17.8%)	5.5%	8.1%	3.9%	2.8%	4.1%
DPS	(20.0%)	0.0%	0.0%	0.0%	10.0%	9.1%	8.3%	7.7%	7.1%	6.7%	5.0%	4.3%	5.9%

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

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%	0.3%	0.4%	0.1%	0.1%	0.1%	0.1%
Revenue - Adjusted	2.0%	(6.1%)	1.8%	7.6%	4.6%	3.3%	5.2%	(0.0%)	1.1%	1.1%	0.5%	1.2%
Gross Profit	0.1%	0.4%	1.1%	3.5%	12.8%	0.4%	(0.3%)	0.1%	0.1%	0.1%	0.1%	0.1%
EBITDA	(1.1%)	0.5%	1.0%	3.9%	14.3%	0.4%	(0.6%)	0.4%	0.0%	0.0%	0.1%	0.1%
EBITDA -Adjusted	1.1%	(7.2%)	3.1%	9.3%	5.9%	3.6%	5.5%	(0.2%)	1.3%	1.2%	0.6%	1.4%
EBIT	(6.5%)	0.7%	2.2%	(2.3%)	22.1%	0.3%	(3.7%)	7.1%	(0.1%)	(0.1%)	(0.1%)	(0.1%)
Income from JVs	11.1%	(38.7%)	16.9%	40.8%	(30.1%)	26.5%	39.7%	(2.6%)	6.2%	5.7%	2.1%	5.5%
Finance Charges/Interest Expense	(0.9%)	(1.3%)	0.0%	(0.1%)	(2.9%)	(7.8%)	8.6%	6.0%	(11.4%)	(12.6%)	(13.9%)	(56.4%)
EPS	(2.9%)	(11.3%)	5.3%	12.4%	15.8%	16.7%	6.3%	8.6%	10.9%	9.1%	4.5%	8.6%
CFPS	(9.9%)	16.7%	(6.4%)	15.9%	79.3%	(27.2%)	29.6%	(13.0%)	0.4%	7.6%	3.4%	6.7%
FCFPS	(4.9%)	22.0%	(22.1%)	10.9%	114.9%	(24.3%)	25.3%	(17.8%)	5.5%	8.1%	3.9%	2.8%
DPS	(20.0%)	0.0%	0.0%	0.0%	10.0%	9.1%	8.3%	7.7%	7.1%	6.7%	5.0%	4.3%
Operating Ratios (In %)												
Gross Margin	76.6%	77.2%	77.8%	78.0%	79.1%	78.9%	78.5%	78.3%	78.2%	78.2%	78.2%	78.2%
EBITDA Margin	74.0%	74.6%	75.2%	75.6%	77.8%	77.6%	76.9%	76.9%	76.9%	76.8%	76.7%	76.6%
Adj. EBITDA Margin	76.8%	75.9%	76.9%	78.1%	79.1%	79.3%	79.6%	79.5%	79.6%	79.7%	79.9%	80.2%
EBIT Margin	49.0%	49.5%	50.5%	47.7%	52.5%	52.3%	50.2%	53.6%	53.4%	53.3%	52.8%	52.5%
Net Margin	31.1%	27.7%	29.1%	31.6%	33.0%	38.2%	40.5%	43.9%	48.6%	52.9%	68.6%	81.3%
Finance Ratios												
Net Debt-to-EBITDA	8.3	7.8	7.5	7.9	6.6	6.0	5.2	4.8	4.3	3.8	0.9	-1.1
Debt-Equity Ratio	4.1	3.5	2.9	3.1	3.0	2.3	1.7	1.5	1.2	1.1	0.4	0.0
Net Debt-Equity Ratio	3.6	3.0	2.5	2.8	2.5	1.9	1.3	1.1	0.9	0.7	0.1	-0.1
Debt-to-Capital	80.3%	77.7%	74.1%	75.6%	74.7%	69.4%	62.6%	59.5%	55.3%	51.3%	28.6%	0.0%
Interest Coverage	1.3	1.3	1.3	1.3	1.6	1.8	1.6	1.6	1.8	2.0	3.9	14.6
EBITDA Interest Coverage	1.9	1.9	2.0	2.0	2.4	2.6	2.4	2.3	2.6	2.9	5.7	21.2
Return Ratios (In %)												
ROIC	5.6%	5.7%	5.8%	5.4%	6.6%	6.5%	5.9%	6.4%	6.5%	6.5%	6.6%	7.5%
ROAE	19.7%	15.1%	13.9%	14.5%	16.6%	17.1%	14.4%	13.4%	13.7%	13.8%	12.3%	12.0%
ROAA	3.1%	2.8%	3.0%	3.2%	3.6%	4.2%	4.5%	4.9%	5.5%	6.0%	8.0%	10.2%
Valuation												
EV/EBITDA-Adjusted	14.4	15.1	14.5	13.8	12.7	11.8	10.5	10.3	9.8	9.2	6.7	5.1
EV/EBIT	27.1	26.2	25.3	26.9	21.6	20.6	20.2	18.4	17.7	16.9	12.8	9.9
P/E	23.0	25.9	24.6	21.9	18.9	16.2	15.2	14.0	12.7	11.6	8.9	7.5
P/CF	19.5	16.7	17.9	15.4	8.6	11.8	9.1	10.5	10.4	9.7	7.9	6.8
P/B	4.2	3.7	3.2	3.2	3.1	2.5	2.0	1.8	1.7	1.5	1.1	0.9
Dividend Yield	2.5%	2.5%	2.5%	2.5%	2.8%	3.0%	3.3%	3.5%	3.8%	4.0%	5.3%	6.1%
FCF Yield	4.9%	6.0%	4.7%	5.2%	11.1%	8.4%	10.5%	8.7%	9.1%	9.9%	12.3%	13.7%

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)	FY2022	FY2023e	FY2024e	FY2025e
Revenue – Wholly-Owned Ships	3,550	3,564	3,568	3,572
Direct Costs	(764)	(775)	(777)	(778)
Gross Profit	2,786	2,790	2,792	2,794
Income from Marine & Agency Services	55	57	59	61
General and Administrative Expenses	(112)	(106)	(108)	(111)
EBITDA	2,729	2,741	2,742	2,744
Depreciation	(947)	(832)	(835)	(839)
EBIT	1,783	1,909	1,907	1,905
Share of Profits from Joint Ventures	689	671	713	754
Finance Costs	(1,139)	(1,208)	(1,070)	(935)
Interest, Dividend & Profit from Islamic Banks	107	192	184	168
Vessels Sub-Chartering & Other Income	0	0	0	0
Profit Before Tax	1,439	1,564	1,734	1,892
Income Tax Expense	0	0	0	0
Profit After Tax	1,439	1,564	1,734	1,892
Minority Interest	(0)	(1)	(1)	(1)
Profit for Equity Shareholders	1,439	1,563	1,733	1,891
EPS (QR)	0.26	0.28	0.31	0.34
Adjusted Revenue	4,295	4,293	4,340	4,387
Adjusted EBITDA	3,419	3,413	3,456	3,497

Source: Bloomberg, QNB FS Research

Balance Sheet (In QR mn)	FY2022	FY2023e	FY2024e	FY2025e
Non-Current Assets				
Property, Plant and Equipment	21,327	20,691	19,956	19,216
Investment in Joint Venture Companies	5,290	5,668	6,009	6,365
Loans to Joint Venture Companies	68	68	68	68
Equity Investments	139	140	140	140
Total Non-Current Assets	26,824	26,567	26,173	25,789
Current Assets				
Receivables, Inventories and Due from Joint Ventures	812	799	800	801
Cash and Bank Balances	4,560	4,600	4,432	4,630
Total Current Assets	5,372	5,399	5,233	5,431
Total Assets	32,196	31,967	31,405	31,220
Equity				
Equity Attributable to the Parent	11,249	12,155	13,174	14,296
Minority Interest	6	7	8	9
Total Equity	11,255	12,162	13,182	14,305
Non-Current Liabilities				
Borrowings	17,722	16,328	15,080	13,691
Lease Liability, Provision for End of Service Benefits and Other Liabilities	480	415	352	288
Total Non-Current Liabilities	18,202	16,743	15,431	13,979
Current Liabilities				
Borrowings	1,085	1,499	1,249	1,389
Accounts Payables/Accruals, Due to Joint Ventures & Others	1,655	1,563	1,543	1,547
Total Current Liabilities	2,740	3,062	2,792	2,936
Equity and Liabilities	32,196	31,967	31,405	31,220

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

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

Phibion Makuwerere, CFA
 Senior Research Analyst
phibion.makuwerere@qnbfs.com.qa

Disclaimer and Copyright Notice: This publication has been prepared by QNB Financial Services WLL (“QNB FS”) a wholly-owned subsidiary of QNB Q.P.S.C (“QNB”). QNB FS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange QNB Q.P.S.C. is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNB FS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. QNB FS accepts no liability whatsoever for any direct or indirect losses arising from use of this report. Any investment decision should depend on the individual circumstances of the investor and be based on specifically engaged investment advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNB FS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. QNB FS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. For reports dealing with Technical Analysis, expressed opinions and/or recommendations may be different or contrary to the opinions/recommendations of QNB FS Fundamental Research as a result of depending solely on the historical technical data (price and volume). QNB FS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report. This report may not be reproduced in whole or in part without permission from QNB FS

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNB FS.