

Qatar Gas Transport Co./Nakilat (QGTS)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR2.47	Current Target Price	QR2.60
Implied Upside	5.3%	Old Target Price	QR2.50

Smooth Sailing Ahead; Upping Estimates/PT and Reiterating Accumulate

We are increasing our estimates and price target on QGTS shares factoring in its recent purchase of JV vessels and 3Q2019 results. The company's 3Q2019 results reflected positive momentum across key metrics. While adjusted revenue continued to improve, management remained on track in rationalizing costs and enhancing operational efficiencies. Moreover, as we pointed out in our recent [Alert](#), Nakilat's acquisition of its remaining 49.9% stake in a JV (with OSG) consisting of 4 LNG ships, should provide a near-term boost to numbers. We remain bullish on QGTS and consider it as the best avenue for equity investors to participate in the long-term growth expected in Qatar's LNG sector. Going forward, in terms of catalysts, we continue to believe expansion of Qatar's LNG output from 77 MTPA to 110 MTPA is a significant driver. Currently our model does not assume any fleet expansion and we will incorporate such expansion once more details are revealed. We foresee significant upward revision to our estimates and price target once we factor in this expansion. QGTS' fleet continues to provide the company 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), creates refinancing opportunities to increase fleet size. Thus, we think further JV deals in LNG ships and FSRUs are likely especially considering current attractive market fundamentals, which should continue to provide QGTS with growth avenues. Medium-term, we believe the shipyard business, which although cyclical in nature (as highlighted in its 3Q2019 performance), could further improve. We update our model to reflect QGTS' acquisition of its remaining interest in the OSG JV and increase our price target from QR2.50 to QR2.60; we continue to rate Nakilat an Accumulate.

Highlights

- **QGTS' bottom-line rises 17.7% YoY and 5.2% QoQ in 3Q2019 and comes in-line with our forecast.** Nakilat's 3Q2019 earnings of QR252.0mn was in-line with our estimate of QR249.3mn (variation of +1.1%). Operating metrics were also in-line with our forecasts: (1) Revenue from wholly-owned ships of QR774.8mn (0.1% YoY, 1.9% QoQ) was in-line with our estimate of QR769.0mn (difference of +0.8%). (2) Adjusted revenue of QR895.0mn (0.6% YoY, 0.6% QoQ) was also in-line with our estimate of QR902.5mn (-0.8% divergence). (3) Adjusted EBITDA of QR701.3mn (3.0% YoY, 1.0% QoQ) was also in-line with our modeled figure of QR706.8mn (difference of -0.8%). While JV income of QR106.4mn (5.0% YoY, -8.3% QoQ) was 10.9% shy of our estimate of QR119.5mn, this was partially offset by lower finance charges of QR280.4mn (-8.2% YoY, -3.1% QoQ), which beat our forecast of QR291.0mn by 3.7%. The miss in JV income was because of weaker performance by the shipyard business with stronger shipping rates dampening repair activity. Please see page 2 for YoY and QoQ comparisons.
- **We increase our earnings estimates by an average of ~5% over 2020-2022.** We factor in the new acquisition that increases QGTS' wholly-owned fleet from 25 to 29. As the deal closed early October, we anticipate moderate impact to 2019 estimates as well.

Catalysts

- **Expansion of Qatar's LNG output from 77 MTPA to 110 MTPA is a significant driver.** We continue to favor Nakilat, #1 owner/operator of LNG vessels globally, as a LT play geared to Qatari LNG's dominance and anticipated growth in the LNG market.

Recommendation, Valuation and Risks

- **Recommendation & valuation: Our 1-Year target is QR2.60.** QGTS trades at attractive multiples vs. peers despite higher EBITDA margins & FCF yields. We roll forward our DCF-based model to 2020.
- **Risks: (1)** Blockade remains an overhang but business impact has been limited thus far. Shipping is ultimately the charterers' concern and comprehensive insurance policies (incl. war insurance) cover QGTS for political stress events under force majeure clauses for 36 months (plus 6 months in many cases). Blockage of the Strait of Hormuz/Gulf of Suez is unlikely. Charterers will also bear any costs of potential rerouting. **(2)** There is a risk existing LNG contracts are renegotiated but at current rates this looks unlikely. Overall, 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. The likelihood of this is low given investment grade-rated bonds and contagion in other GRE-related bond issues.

Key Financial Data and Estimates

	FY2018	FY2019e	FY2020e	FY2021e
EPS (QR)	0.16	0.18	0.20	0.24
P/E (x)	15.4	14.0	12.1	10.1
DPS (QR)	0.10	0.10	0.10	0.11
Dividend Yield	4.0%	4.0%	4.0%	4.5%

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

Key Data

Current Market Price (QR)	2.47
Current Dividend Yield (%)	4.0
Bloomberg Ticker	QGTS QD
ADR/GDR Ticker	N/A
Reuters Ticker	QGTS.QA
ISIN	QA000A0KD6L1
Sector*	Transportation
52wk High/52wk Low (QR)	2.51/1.71
3-m Average Volume ('mn)	3.1
Mkt. Cap. (\$ bn/QR bn)	3.8/13.7
EV (\$ bn/QR bn)	8.4/30.6
Shares Outstanding (mn)	554.0
FO Limit* (%)	49.0
Current FO* (%)	13.3
1-Year Total Return (%)	48.7
Fiscal Year End	December 31

Source: Bloomberg (as of October 31, 2019), *Qatar Exchange (as of October 31, 2019); Note: FO is foreign ownership

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

3Q2019 Review

QGTS' bottom-line rises 17.7% YoY and 5.2% QoQ in 3Q2019 and comes in-line with our forecast. Nakilat's 3Q2019 earnings of QR252.0mn was in-line with our estimate of QR249.3mn (variation of +1.1%). Operating metrics were also in-line with our forecasts: (1) Revenue from wholly-owned ships of QR774.8mn (0.1% YoY, 1.9% QoQ) was in-line with our estimate of QR769.0mn (difference of +0.8%). (2) Adjusted revenue of QR895.0mn (0.6% YoY, 0.6% QoQ) was also in-line with our estimate of QR902.5mn (-0.8% divergence). (3) Adjusted EBITDA of QR701.3mn (3.0% YoY, 1.0% QoQ) was also in-line with our modeled figure of QR706.8mn (difference of -0.8%). While JV income of QR106.4mn (5.0% YoY, -8.3% QoQ) was 10.9% shy of our estimate of QR119.5mn, this was partially offset by lower finance charges of QR280.4mn (-8.2% YoY, -3.1% QoQ), which beat our forecast of QR291.0mn by 3.7%. The miss in JV income was because of lower performance by the shipyard business with stronger shipping rates dampening repair activity.

Positive momentum continues across key metrics: Management cited better performance of LNG and LPG vessels for the improvement in adjusted revenue. While JV income was down sequentially, YoY growth continued with 3Q2018 JV income impacted by a one-off tax adjustment at Teekay. Operating costs also improved 8.3% YoY and 0.9% QoQ driven by costs optimization. G&A costs also continued their decline (-0.7% YoY, -0.8% QoQ) due to process enhancement and cost optimization initiatives.

QNB FS Estimates and Comparisons

Income Statement							
In QR mn Except Otherwise Noted	3Q2018	2Q2019	3Q2019	3Q2019e	A Vs. E	YoY	QoQ
Revenue from Wholly-Owned Vessels	774.328	760.651	774.837	769.010	0.8%	0.1%	1.9%
Operating Costs	(177.605)	(164.429)	(162.910)	(164.568)	-1.0%	-8.3%	-0.9%
Gross Profit	596.723	596.222	611.927	604.442	1.2%	2.5%	2.6%
<i>Gross Margin</i>	<i>77.1%</i>	<i>78.4%</i>	<i>79.0%</i>	<i>78.6%</i>			
Income from Marine and Agency Services	13.702	13.312	13.779	14.000	-1.6%	0.6%	3.5%
General and Administrative Expenses	(31.026)	(31.055)	(30.822)	(31.150)	-1.1%	-0.7%	-0.8%
EBITDA	579.399	578.479	594.884	587.292	1.3%	2.7%	2.8%
Depreciation & Amortization	(189.999)	(188.818)	(190.308)	(190.706)	-0.2%	0.2%	0.8%
EBIT	389.400	389.661	404.576	396.586	2.0%	3.9%	3.8%
<i>EBIT Margin</i>	<i>50.3%</i>	<i>51.2%</i>	<i>52.2%</i>	<i>51.6%</i>			
Share of Operating Profits from Joint Ventures	101.406	116.037	106.431	119.518	-10.9%	5.0%	-8.3%
Finance Costs	(305.450)	(289.464)	(280.396)	(291.021)	-3.7%	-8.2%	-3.1%
Interest, Dividend income & Profit from Islamic Banks	20.353	18.486	16.965	19.000	-10.7%	-16.6%	-8.2%
Vessel Sub-Chartering & Other Income	8.656	5.121	4.744	5.500	-13.7%	-45.2%	-7.4%
Profit Before Tax	214.365	239.841	252.320	249.582	1.1%	17.7%	5.2%
Profit After Tax	214.365	239.841	252.320	249.582	1.1%	17.7%	5.2%
Minority Interest	(0.257)	(0.254)	(0.281)	(0.264)	6.3%	9.3%	10.6%
Net Income to Equity	214.108	239.587	252.039	249.318	1.1%	17.7%	5.2%
<i>Net Profit Margin</i>	<i>27.7%</i>	<i>31.5%</i>	<i>32.5%</i>	<i>32.4%</i>			
EPS (QR)	0.04	0.04	0.05	0.05	1.1%	17.7%	5.2%
Adjusted EBITDA	680.805	694.516	701.315	706.810	-0.8%	3.0%	1.0%
Adjusted Revenue	889.436	890.000	895.047	902.528	-0.8%	0.6%	0.6%

Particulars	3Q2018	2Q2019	3Q2019	3Q2019e
Adj. EBITDA Margin	76.5%	78.0%	78.4%	78.3%
Gross Margin	77.1%	78.4%	79.0%	78.6%
EBIT Margin	50.3%	51.2%	52.2%	51.6%
G & A % of Sales	4.0%	4.1%	4.0%	4.1%
Depreciation & Amortization % of Sales	24.5%	24.8%	24.6%	24.8%

Source: Company data, QNB FS estimates; Note: Adjusted revenue includes wholly-owned revenue, operating profits from marine & agency services and income from JVs, while Adjusted EBITDA includes income from JVs

Summary of Estimate Changes

We increase our earnings estimates by an average of ~5% over 2020-2022. We factor in the new acquisition that increases QGTS' wholly-owned fleet from 25 to 29. As the deal closed early October, we anticipate moderate impact to 2019 estimates as well. We continue to factor in some contract rollovers at the company's Nakilat Maran joint venture. In addition, our 2021 profit forecast also factors in another four LNG vessels via QGTS' new JV (Global Shipping Co).

QNB FS Current Estimates Vs. Previous Estimates

In QR mn	Current Previous			Current Previous			Current Previous			Current Previous		
	2019		▲	2020		▲	2021		▲	2022		▲
Revenue from Wholly-Owned Vessels	3,167	3,066	3.3%	3,473	3,069	13.2%	3,476	3,072	13.2%	3,480	3,074	13.2%
<i>Growth</i>	3.4%	0.1%		9.7%	0.1%		0.1%	0.1%		0.1%	0.1%	
Operating Costs	(672)	(677)	-0.8%	(735)	(677)	8.5%	(737)	(679)	8.5%	(739)	(681)	8.5%
<i>Growth</i>	-1.0%	-0.2%		9.3%	0.0%		0.3%	0.3%		0.3%	0.3%	
Gross Profit	2,495	2,389	4.5%	2,738	2,392	14.5%	2,740	2,393	14.5%	2,741	2,393	14.5%
<i>GM %</i>	78.8%	77.9%		78.8%	77.9%		78.8%	77.9%		78.8%	77.8%	
Income from Marine and Agency Services	53	55	-2.8%	55	56	-2.8%	56	57	-2.8%	57	58	-2.8%
General and Administrative Expenses	(135)	(134)	0.9%	(147)	(133)	10.2%	(147)	(133)	10.2%	(147)	(133)	10.2%
EBITDA	2,414	2,310	4.5%	2,646	2,315	14.3%	2,648	2,317	14.3%	2,651	2,318	14.3%
<i>EBITDA Margin %</i>	76.2%	75.4%		76.2%	75.4%		76.2%	75.4%		76.2%	75.4%	
Depreciation & Amortization	(783)	(779)	0.6%	(868)	(779)	11.4%	(869)	(780)	11.4%	(870)	(781)	11.4%
EBIT	1,631	1,532	6.5%	1,778	1,536	15.8%	1,779	1,536	15.8%	1,781	1,537	15.8%
Share of Operating Profits from Joint Ventures	426	470	-9.3%	446	522	-14.6%	592	673	-12.0%	631	716	-11.9%
Finance Costs	(1,190)	(1,160)	2.6%	(1,215)	(1,102)	10.3%	(1,146)	(1,039)	10.3%	(1,072)	(972)	10.3%
Interest, Dividend income & Profit from Islamic Banks	88	87	1.2%	92	87	4.9%	92	87	4.9%	92	88	4.9%
Vessel Sub-Chartering & Other Income	24	34	-29.1%	34	34	0.0%	34	34	0.0%	34	34	0.0%
Profit Before Tax	980	963	1.7%	1,135	1,078	5.3%	1,352	1,292	4.6%	1,466	1,403	4.5%
Taxes												
Profit After Tax	980	963	1.7%	1,135	1,078	5.3%	1,352	1,292	4.6%	1,466	1,403	4.5%
Minority Interest	(1)	(1)	0.0%	(1)	(1)	0.0%	(2)	(2)	0.0%	(2)	(2)	0.0%
<i>% of PAT</i>	-0.1%	-0.1%		-0.1%	-0.1%		-0.1%	-0.1%		-0.1%	-0.1%	
Profit for Equity Holders	978	962	1.7%	1,134	1,076	5.3%	1,350	1,290	4.6%	1,464	1,401	4.5%
<i>Net Profit Margin</i>	30.9%	31.4%		32.6%	35.1%		38.8%	42.0%		42.1%	45.6%	
<i>Growth</i>	9.8%	8.0%		15.9%	11.9%		19.1%	19.9%		8.4%	8.6%	
EPS	0.18	0.17	1.7%	0.20	0.19	5.3%	0.24	0.23	4.6%	0.26	0.25	4.5%
<i>Growth</i>	9.8%	8.0%		15.9%	11.9%		19.1%	19.9%		8.4%	8.6%	
DPS	0.10	0.10	0.0%	0.10	0.10	0.0%	0.11	0.11	0.0%	0.12	0.12	0.0%
<i>Payout Ratio</i>	56.6%	57.6%		48.9%	51.5%		45.1%	47.2%		45.4%	47.4%	
<i>Growth</i>	0.0%	0.0%		0.0%	0.0%		0.0%	0.0%		0.0%	0.0%	
Adjusted EBITDA	2,840	2,780	2.1%	3,092	2,837	9.0%	3,241	2,989	8.4%	3,281	3,034	8.1%
<i>Growth</i>	5.1%	2.9%		8.9%	2.0%		4.8%	5.4%		1.3%	1.5%	
Adjusted Revenue	3,646	3,591	1.5%	3,973	3,647	8.9%	4,124	3,802	8.5%	4,167	3,849	8.3%
<i>Growth</i>	3.8%	2.2%		9.0%	1.6%		3.8%	4.2%		1.0%	1.2%	

Source: QNB FS estimates

Key Growth Metrics

Growth Metrics

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033	CAGR '17-'33
Growth Ratios (In %)													
Revenue - Wholly Owned	0.7%	(0.4%)	0.2%	3.4%	9.7%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.9%
Revenue - Adjusted	2.0%	(6.1%)	1.8%	3.8%	9.0%	3.8%	1.0%	0.9%	1.5%	1.3%	1.1%	1.1%	2.0%
Gross Profit	0.1%	0.4%	1.1%	4.6%	9.8%	0.0%	0.0%	(0.9%)	0.0%	0.0%	0.0%	0.0%	0.9%
EBITDA	(1.1%)	0.5%	1.0%	4.7%	9.6%	0.1%	0.1%	(0.9%)	0.1%	0.1%	0.1%	0.1%	0.9%
EBITDA -Adjusted	1.1%	(7.2%)	3.1%	5.1%	8.9%	4.8%	1.3%	0.3%	1.8%	1.6%	1.3%	1.3%	2.3%
EBIT	(6.5%)	0.7%	2.2%	5.4%	9.1%	0.1%	0.1%	(1.4%)	0.1%	0.1%	0.1%	0.1%	1.0%
EPS	(2.9%)	(11.3%)	5.3%	9.8%	15.9%	19.1%	8.4%	5.0%	12.0%	9.4%	5.6%	4.9%	8.2%
CFPS	(9.9%)	16.7%	(6.4%)	56.1%	(7.3%)	4.9%	5.3%	7.5%	3.6%	6.5%	4.2%	3.8%	5.9%
FCFPS	(4.9%)	22.0%	(22.1%)	21.5%	37.4%	5.1%	5.5%	0.4%	10.5%	7.6%	5.0%	(0.6%)	5.5%
DPS	(20.0%)	0.0%	0.0%	0.0%	0.0%	10.0%	9.1%	8.3%	15.4%	6.7%	4.8%	4.0%	6.2%

Source: Company data, QNB FS estimates; Note: Adjusted revenue includes wholly-owned revenue, operating profits from marine & agency services and income from JVs, while Adjusted EBITDA includes income from JVs

Ratio Analysis

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%	9.7%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Revenue - Adjusted	2.0%	(6.1%)	1.8%	3.8%	9.0%	3.8%	1.0%	0.9%	1.5%	1.3%	1.1%	1.1%
Gross Profit	0.1%	0.4%	1.1%	4.6%	9.8%	0.0%	0.0%	(0.9%)	0.0%	0.0%	0.0%	0.0%
EBITDA	(1.1%)	0.5%	1.0%	4.7%	9.6%	0.1%	0.1%	(0.9%)	0.1%	0.1%	0.1%	0.1%
EBITDA -Adjusted	1.1%	(7.2%)	3.1%	5.1%	8.9%	4.8%	1.3%	0.3%	1.8%	1.6%	1.3%	1.3%
EBIT	(6.5%)	0.7%	2.2%	5.4%	9.1%	0.1%	0.1%	(1.4%)	0.1%	0.1%	0.1%	0.1%
EPS	(2.9%)	(11.3%)	5.3%	9.8%	15.9%	19.1%	8.4%	5.0%	12.0%	9.4%	5.6%	4.9%
CFPS	(9.9%)	16.7%	(6.4%)	56.1%	(7.3%)	4.9%	5.3%	7.5%	3.6%	6.5%	4.2%	3.8%
FCFPS	(4.9%)	22.0%	(22.1%)	21.5%	37.4%	5.1%	5.5%	0.4%	10.5%	7.6%	5.0%	(0.6%)
DPS	(20.0%)	0.0%	0.0%	0.0%	0.0%	10.0%	9.1%	8.3%	15.4%	6.7%	4.8%	4.0%
Operating Ratios (In %)												
Gross Margin	76.6%	77.2%	77.8%	78.8%	78.8%	78.8%	78.8%	77.9%	77.9%	77.8%	77.6%	77.5%
EBITDA Margin	74.0%	74.6%	75.2%	76.2%	76.2%	76.2%	76.2%	75.4%	75.4%	75.4%	75.3%	75.3%
Adj. EBITDA Margin	76.8%	75.9%	76.9%	77.9%	77.8%	78.6%	78.7%	78.2%	78.5%	78.7%	79.6%	80.1%
EBIT Margin	49.0%	49.5%	50.5%	51.5%	51.2%	51.2%	51.2%	50.4%	50.4%	50.3%	50.3%	50.3%
Net Margin	31.1%	27.7%	29.1%	30.9%	32.6%	38.8%	42.1%	44.1%	49.4%	54.0%	73.5%	85.1%
Finance Ratios												
Net Debt-to-EBITDA	8.3	7.8	7.5	7.1	6.0	5.5	5.0	4.6	4.0	3.4	0.3	-1.8
Debt-Equity Ratio	4.1	3.5	2.9	2.8	2.4	2.0	1.7	1.4	1.1	0.9	0.2	0.0
Net Debt-Equity Ratio	3.6	3.0	2.5	2.3	1.9	1.6	1.3	1.1	0.9	0.7	0.0	-0.2
Interest Coverage	1.3	1.3	1.3	1.4	1.5	1.6	1.7	1.7	2.0	2.3	5.6	39.0
EBITDA Interest Coverage	1.9	1.9	2.0	2.0	2.2	2.3	2.5	2.6	3.0	3.4	8.4	58.4
Return Ratios (In %)												
ROIC	5.6%	5.7%	5.8%	5.8%	6.4%	6.5%	6.5%	6.6%	6.7%	6.8%	7.0%	6.9%
ROAE	19.7%	15.1%	13.9%	13.6%	14.5%	15.6%	15.2%	14.4%	14.7%	14.6%	13.0%	12.0%
ROAA	3.1%	2.8%	3.0%	3.2%	3.5%	4.2%	4.7%	5.0%	5.7%	6.3%	9.1%	10.6%
Liquidity Ratios												
Current Ratio	2.0	1.6	1.4	1.5	1.4	1.4	1.4	1.2	1.2	1.2	1.3	2.5
Quick Ratio	2.0	1.6	1.4	1.5	1.4	1.4	1.3	1.2	1.2	1.2	1.3	2.5
Valuation												
EV/EBITDA-Adjusted	11.5	12.0	11.4	10.8	9.6	8.7	8.2	7.8	7.2	6.6	3.9	2.3
EV/EBIT	21.6	20.8	20.0	18.8	16.6	15.8	15.1	14.6	13.7	12.8	8.1	5.0
P/E	14.3	16.2	15.4	14.0	12.1	10.1	9.3	8.9	7.9	7.3	5.3	4.6
P/CF	12.2	10.4	11.1	7.1	7.7	7.3	7.0	6.5	6.3	5.9	4.7	4.2
P/B	2.6	2.3	2.0	1.8	1.7	1.5	1.3	1.2	1.1	1.0	0.7	0.5
Dividend Yield	4.0%	4.0%	4.0%	4.0%	4.0%	4.5%	4.9%	5.3%	6.1%	6.5%	8.9%	10.5%
FCF Yield	7.9%	9.6%	7.5%	9.1%	12.5%	13.1%	13.8%	13.9%	15.3%	16.5%	20.9%	22.5%

Source: Company data, QNB FS estimates; Note: Adjusted revenue includes wholly-owned revenue, operating profits from marine & agency services and income from JVs, while Adjusted EBITDA includes income from JVs

Detailed Financial Statements

Income Statement

Income Statement (In QR mn)	FY2018	FY2019e	FY2020e	FY2021e
Revenue – Wholly-Owned Ships	3,063	3,167	3,473	3,476
Direct Costs	(679)	(672)	(735)	(737)
Gross Profit	2,384	2,495	2,738	2,740
Income from Marine & Agency Services	54	53	55	56
General and Administrative Expenses	(134)	(135)	(147)	(147)
EBITDA	2,304	2,414	2,646	2,648
Depreciation	(758)	(783)	(868)	(869)
EBIT	1,547	1,631	1,778	1,779
Share of Profits from Joint Ventures	396	426	446	592
Finance Costs	(1,173)	(1,190)	(1,215)	(1,146)
Interest, Dividend & Profit from Islamic Banks	87	88	92	92
Vessels Sub-Chartering & Other Income	34	24	34	34
Profit Before Tax	892	980	1,135	1,352
Income Tax Expense	0	0	0	0
Profit After Tax	892	980	1,135	1,352
Minority Interest	(1)	(1)	(1)	(2)
Profit for Equity Shareholders	891	978	1,134	1,350
EPS (QR)	0.16	0.18	0.20	0.24
Adjusted Revenue	3,513	3,646	3,973	4,124
Adjusted EBITDA	2,701	2,840	3,092	3,241

Source: Company data, QNB FS estimates

Balance Sheet

Balance Sheet (In QR mn)	FY2018	FY2019e	FY2020e	FY2021e
Non-Current Assets				
Property, Plant and Equipment	21,840	23,133	22,334	21,535
Investment in Joint Venture Companies	4,613	3,859	4,277	4,549
Loans to Joint Venture Companies	105	228	228	228
Available-for-Sale Investments	144	118	118	118
Total Non-Current Assets	26,703	27,338	26,957	26,430
Current Assets				
Receivables, Inventories and Due from Joint Ventures	398	1,352	1,473	1,474
Cash and Bank Balances	2,463	3,748	3,624	3,736
Total Current Assets	2,861	5,100	5,096	5,210
Total Assets	29,564	32,439	32,054	31,640
Equity				
Equity Attributable to the Parent	6,933	7,480	8,209	9,155
Minority Interest	5	6	8	9
Total Equity	6,938	7,487	8,217	9,164
Non-Current Liabilities				
Borrowings	18,867	19,755	18,527	17,206
Fair Value of Interest Rate Swaps	1,643	1,526	1,408	1,291
Provision for End of Service Benefits	116	212	212	212
Total Non-Current Liabilities	20,626	21,492	20,146	18,708
Current Liabilities				
Borrowings	928	1,017	1,070	1,163
Accounts Payables/Accruals & Due to Related Parties	773	2,164	2,363	2,370
Fair Value of Interest Rate Swaps	300	279	257	236
Total Current Liabilities	2,000	3,459	3,690	3,768
Equity and Liabilities	29,564	32,439	32,054	31,640

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

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

Contacts

Saugata Sarkar, CFA, CAIA

Head of Research

Tel: (+974) 4476 6534

saugata.sarkar@qnbfs.com.qa

Mehmet Aksoy, PhD

Senior Research Analyst

Tel: (+974) 4476 6589

mehmet.aksoy@qnbfs.com.qa

Shahan Keushgerian

Senior Research Analyst

Tel: (+974) 4476 6509

shahan.keushgerian@qnbfs.com.qa

QNB Financial Services Co. W.L.L.

Contact Center: (+974) 4476 6666

PO Box 24025

Doha, Qatar

Zaid al-Nafoosi, CMT, CFTe

Senior Research Analyst

Tel: (+974) 4476 6535

zaid.alnafoosi@qnbfs.com.qa

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