Persistent Earnings Growth Underpins Market Momentum With LNG Catalyst On The Horizon

We expect 2Q2025 earnings to rise 3.6/1.3% YoY/QoQ for our coverage universe. This follows a 1Q2025 1.0%/13% YoY/QoQ increase in aggregate QSE earnings. *We see most of the growth coming from non-bank earnings, expected to rise 6.9%/2.4% YoY/QoQ as banks increase earnings by 0.7%/0.4%.* ***We remain constructive on Qatari equities as the mainstay LNG/fundamental story anchors the Qatari economy/equities directly/indirectly,*** *augmented by ramping up of the North Field project, including the upgraded capacity expansion target – a significant portion of Qatar's expected annual LNG capacity increase is already signed-off in long-term supply contracts.* ***Continued government efforts to grow/diversify the economy provides another platform for more companies to grow their earnings, with the latest June 2025 PMI at 52.0, confirming uninterrupted expansion in the non-oil economy since the beginning of 2024.*** *Sustained upbeat tourism numbers deserve a special mention.* ***According to the Bloomberg consensus, Qatar's GDP is expected to grow by 2.6% this year, up from 2.4% in 2024.***

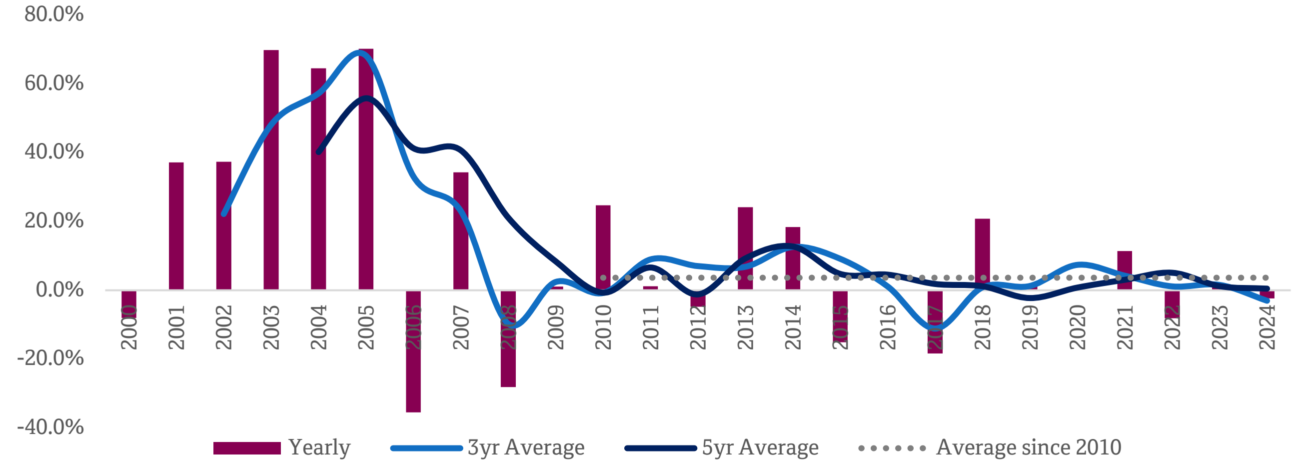
Meanwhile, ***the global economy that has stayed resilient through this phase of multi-decade high interest rates, even as it hums below the average LT growth rate, continues to grapple with the new reality of on-again, off-again US tariffs*** *– the July 09 deadline for countries to make a trade deal with the US has been extend to August 1st. However, the latest passage of the expansionary "BBB Act" in the US provides some respite as it is expected to inject a temporary boost to the global economy though its longer-term impact is being debated. The ACWI rallied 11% in 2Q2025 (1Q2025: -1.7%), staging a remarkable V-shaped recovery following a sharp decline early in the quarter due to the April 2nd "Liberation Day" tariff whiplash. Locally,* ***the QSE climbed 5.0% in 2Q2025 (1Q2025: -3.2%),*** *markedly outperforming the regional index that edged lower by 0.5% in 2Q2025 (1Q2025: +0.8%).* ***Overall, foreign institutions (excluding GCC/Arab investors) turned bullish during 2Q2025 with a net buying positing of $325mn of Qatari equities vs. $328mn net short in 1Q2025.***

We note asset price volatility could remain elevated in global markets in the short- to medium-term given the risks wrought by the uncertain tariff regime. ***Closer to home, geopolitics and introduction of the 15% global minimum corporate tax rate for multinationals, are additional headwinds for our market.*** *However, we are positive longer term on the Qatari market, and* ***we believe that intermittent market dislocations could present both tactical and long-term opportunities for investors to optimize their portfolios due to the following reasons:***

- **Qatar is relatively safe from US tariffs.** Risks to global growth have risen following tariffs announced by the US, though impact has become difficult to ascertain due to their on-again, off-again nature. When it comes to Qatar, we note that the US has a favorable trade balance with Qatar, limiting the direct impact that the new tariffs/baseline 10%-tariffs could have on Qatar. This means, unlike most countries, the impact on Qatar is second-order in nature rather than direct. **Furthermore, Qatar has always been a yield play and more so now that interest rates are coming down.** We reckon that Qatari companies have solid financial metrics and strong dividend profiles/yields that will become relatively more attractive as central banks lower interest rates.
- **Supply-demand dynamics of oil/gas have become volatile in the near term as OPEC+ continues to ramp up supply with the most recent August hike coming in higher than what had been priced by the market.** Medium term, sanctions by Western countries on Russia, OPEC+ actions, regional geopolitical developments and expected stimulus by China (world's largest oil importer), bode well for demand. Qatar utilizes a conservative oil price forecast ($60/bbl) in its budgeting, below the oil market price on average even at the current depressed levels, which builds natural buffers in its budgeting and positively serves Qatar's finances. This enables flexibility in government spending and improves credit availability within the economy.
- **With the successful hosting of the World Cup, perceived as one of the best editions and putting Qatar in the global spotlight, we are of the view that pockets of the Qatari stock market should benefit from this success.** Qatar has continued to grow its sports & MICE tourism brands. The impact is visible, with Qatar registering record 5.08mn visitor arrivals in 2024 and well on track to hit the 6mn/year visitors target by 2030. Furthermore, **the construction sector has seen recent positive news flow which could eventually revive the sector's fortunes** following the moderation post-2022 World Cup activity. There is a new pipeline of major infrastructure projects, spearheaded by Ashghal, Kahramaa and Simaisma.
- Over the medium- to long-term, **the North Field Gas Expansion, a nascent but growing tourism/sporting sector and QNV2030 investments to make Qatar an advanced economy,** will continue to be major growth drivers for our companies. The demand for Qatar's gas should remain strong for the foreseeable future on the back of geopolitical developments, specifically in Europe, with demand for LNG expected to peak between mid-2030s and mid-2040s.
- **DHBK & CBQK followed QNBK & IQCD in announcing/implementing share buybacks; interim dividends & IPOs/listings could add further momentum. With several QSE companies boasting strong balance sheets but beset with lower valuations, we are beginning to see new initiatives aimed at enhancing shareholder value. QNB Group** approved a QR2.9bn share buyback program in September 2024 – it has bought back more than 116mn shares by 24 June 2025. This was followed by **IQCD's announcement of a QR1.0bn share buyback** program in February 2025. **During 2Q2025, CBQK & DHBK also announced their intentions to buy back** up to 10% of each bank's respective outstanding shares. More companies could also follow the share buyback initiative. Moreover, new rules allowing the distribution of interim dividends by QSE-listed firms could further enhance Qatar's appeal to local and foreign investors. For the first time, **10 companies paid interim dividends related to 1H2024: QNBK, QIBK, QIIK, DUBK and QE-affiliated companies (IQCD, MPHC, QAMC, QFLS, QEWS and QGTS). We believe this number could expand during this reporting season**. In addition, a resurgence in IPOs could be on the horizon, with **GISS** on track to list a portion of Al Koot, its insurance business, and Amwaj, its 30%-owned catering business.
- On top of Qatar's macro strengths, **Qatari companies enjoy robust balance sheets backed by low leverage and decent RoEs. Specifically, Qatari banks stand out with their exceptional capital adequacy ratios and strong provision coverage**. The resumption of monetary loosening should further bolster the attractiveness of the Qatari equity market as a yield play.

Anchoring our overall convictions are Qatari valuations, looking attractive historically and relative to peers, especially given that we see earnings continuing to grow for the foreseeable future. We stay bullish longer term on Qatari equities given their defensive characteristics backed by their strong fundamentals. Moreover, from a technical viewpoint, with all three return measures (yearly, 3yr & 5yr) below trend, it is not inconceivable for QSE to end 2025 higher.

Qatar Stock Exchange Historical Price Returns



Source: QSE, Bloomberg, QNB FS Research

2nd Quarter 2025 Estimates

					Net Income	EPS (QR)			Revenue (QR mn)		
	Price (QR)	Recommendation	Target (QR)	Return	2Q2025e		YoY	QoQ	2Q2025e	YoY	QoQ
Ahli Bank (ABQK)	3.798	Market Perform	3.573	-5.9%	174.51	0.068	5.8%	-23.9%	392.88	-10.2%	7.1%
Baladna (BLDN)	1.290	Accumulate	1.515	17.4%	61.57	0.031	12.1%	5.7%	323.87	14.9%	0.0%
Commercial Bank of Qatar (CBQK)	4.559	Outperform	5.244	15.0%	674.33	0.167	-12.3%	3.5%	1,187.59	-10.2%	-3.3%
Doha Bank (DHBK)	2.537	Accumulate	1.883	-25.8%	242.06	0.078	20.4%	-3.8%	709.56	6.0%	4.1%
Dukhan Bank (DUBK)	3.649	Market Perform	3.730	2.2%	380.18	0.073	5.3%	-13.0%	646.90	3.7%	-6.0%
Gulf International Services (GISS)	3.286	Outperform	3.900	18.7%	217.98	0.117	11.6%	-1.8%	1,200.83	24.7%	5.4%
Gulf Warehousing Co. (GWCS)	2.886	Accumulate	3.800	31.7%	37.18	0.063	-24.8%	-1.4%	376.43	1.0%	2.4%
Industries Qatar (IQCD)	12.51	Accumulate	15.20	21.5%	1,088.0	0.180	3.5%	9.6%	3,583.4	28.6%	4.5%
Estithmar Holding (IGRD)	3.270	Accumulate	3.170	-3.1%	224.97	0.060	87.1%	28.7%	1,578.56	85.7%	20.6%
Masraf Al Rayan (MARK)	2.320	Market Perform	2.623	13.1%	389.37	0.042	1.7%	-4.5%	816.79	-11.7%	-5.5%
Qatar Electricity & Water (QEWS)	16.24	Accumulate	20.00	23.2%	310.63	0.282	-14.0%	8.0%	747.23	0.5%	9.7%
Qatar Gas & Transport (QGTS)	4.879	Outperform	5.600	14.8%	428.96	0.077	4.8%	-1.0%	916.07	1.1%	0.8%
Qatar International Islamic Bank (QIIK)	11.06	Market Perform	11.26	1.8%	339.78	0.224	6.2%	-4.6%	499.60	3.8%	-1.0%
Qatar Islamic Bank (QIBK)	22.40	Accumulate	22.45	0.2%	1,131.08	0.479	1.9%	14.8%	1,644.54	1.5%	1.6%
Qatar Fuel Co (QFLS)	15.25	Accumulate	16.56	8.6%	205.75	0.207	-13.7%	-10.7%	6,346.16	-10.7%	0.4%
Qatar Navigation/Milaha (QNNS)	11.08	Outperform	13.30	20.0%	301.17	0.265	14.4%	-19.6%	714.00	4.0%	-6.0%
QLM Life & Medical Insurance (QLMI)	1.988	Accumulate	2.371	19.3%	22.96	0.066	-6.9%	51.1%	311.44	5.6%	4.0%
Vodafone Qatar (VFQS)	2.345	Outperform	2.400	2.3%	159.79	0.038	11.7%	-1.5%	822.93	5.6%	-3.7%
Medicare Group (MCGS)	5.257	Accumulate	5.524	5.1%	21.09	0.075	-232.2%	-2.4%	133.38	3.5%	4.4%
Meeza (MEZA)	3.225	Accumulate	3.761	16.6%	16.72	0.026	-8.2%	27.5%	99.46	4.5%	15.9%
Mekdam Holdings (MKDM)	2.820	Accumulate	3.400	20.6%	9.92	0.062	31.9%	-12.7%	138.16	-3.2%	-1.2%
Total					6,438.0		3.6%	1.3%	23,189.7	3.9%	2.2%

Source: QNB FS Research

Highlights

Banks

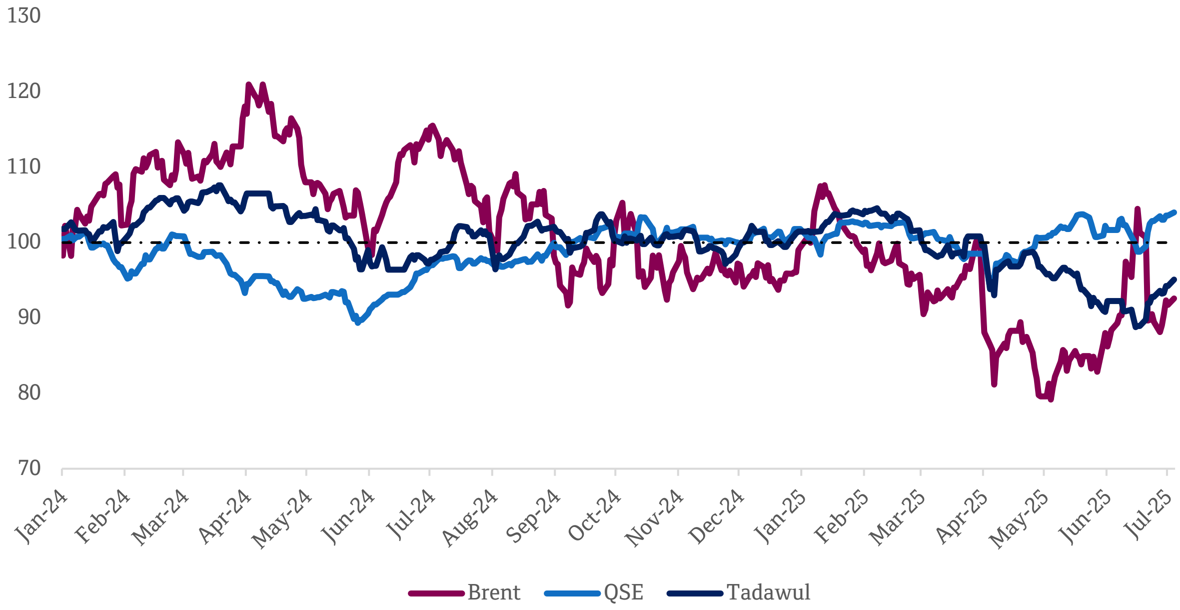
- **Stock price performance of banks, YTD, has outperformed the QSE Index; the banking sector index increased by 5.4%, while the QSE Index moved up by 2.2%; the increase in the indices is mainly attributable to an improvement in investor confidence, especially FIs.**
- **From a valuation perspective, Qatari banks are expensive vs. KSA/UAE, but significantly attractive vs. KW. However, Qatari banks retain relatively higher upside to RoEs (i.e., Qatari banks could potentially boost their RoEs) vs. KSA/UAE, which would make them attractive from 2026 and onward.** Qatari banks are trading at a P/B of 1.4x with a RoE of 11.9% vs. the KSA (P/B: 1.2x, RoE: 14.0%), UAE (P/B: 1.4x, RoE: 15.9%) and Kuwait (P/B: 1.6x, RoE: 8.1%). ***We are of the view that a positive outlook on 2025 asset quality could serve as a catalyst as asset quality remains a concern for investors, especially for mid-sized banks, given that NPLs have spiked along with Stage 2 loans (although Stage 2 loans started to show signs of improvement and NPLs have peaked with room for improvement). More clarity from banks' managements on the period it would take to clean their books would be another positive. Moreover, announcements of projects that would involve credit-off take from domestic banks, could also be promising for the sector.***
- **We estimate banks under coverage – excluding QNB Group (QNBK), which is not part of our coverage – to experience flattish YoY earnings growth, mainly due to weak performance from Commercial Bank of Qatar (CBQK). On the other hand, Doha Bank (DHBK), Qatar International Islamic Bank (QIIK) and Qatar Islamic Bank (QIBK), are estimated to contribute positively to aggregate earnings, (excluding CBQK, aggregate earnings are penciled to grow by 4.6%).** The YoY aggregate performance is due to a combination of lower CoR and flattish margins. Sequentially, earnings are expected to follow historical trends; bottom-line is estimated to inch up by 0.4% supported by QIBK. Excluding QIBK, overall sector earnings would retreat by 5.7%, mainly attributable to higher credit provisions and impairments.
    - **DHBK is estimated to significantly contribute to aggregate earnings growth.** DHBK is expected to grow its 2Q2025 profitability by 20.4% YoY (base effect) due to significantly lower provisions and impairments. Sequentially, the bottom-line is modeled to recede by 3.8% (in-line with historical trends) due to higher provisions & impairments although net operating income is expected to improve. Based on our estimates, DHBK could generate FY2025e/26e RoE of 6.5%/7.5%, which is significantly lower than its CoE. The name trades at 2025e/26e P/B of 0.7x, which is a material discount to its book value.

- **QIBK** continues to enjoy robust fundamentals with strong double-digit RoE generation (FY2025e/26e RoE: 16%), and efficient costs' management (2025e/26e C/I: 16.5%/16.0%). However, margins are expected to be flat. **QIBK is modeled to grow its net profit by 1.9% YoY in 2Q2025, despite an increase in CoR, driven by flat margins and costs' containment.** Sequentially, QIBK's net profit is modeled to jump by 14.8% (in-line with historical trends) on lower CoR and a marginal increase in net operating income. The name is trading at an attractive 2025e/26e P/TB 1.8x/1.6x vs. its 5-year low of 1.6x, high of 3.0x and average of 2.2x.

Diversified

- **We estimate a YoY/QoQ increase of 6.9%/2.4% in the bottom-line of diversified non-financials under coverage. The increase is led by Estithmar Holding (IGRD), with other notable contributions from Milaha (QNNS), Medicare Group (MCGS), and Industries Qatar (IQCD).**
  - **Following a blowout 1Q2025, we expected IGRD to maintain its strong earnings momentum into 2Q2025**, where we see earnings climbing 105.7%/28.7% YoY/QoQ, again driven by the healthcare unit. The sharp turnaround in the healthcare fortunes is underpinned by a major new services contract signed between IGRD and the government, executed via Hamad Medical Corporation, which can now refer Qatari citizens for treatment. The agreement reflects broader public-private collaboration efforts aimed at expanding access to high-quality healthcare. While the HMC-IGRD contract was signed in 1Q2025, four other private hospitals have recently entered into similar agreements with HMC this July. This includes Al-Ahli Hospital (MCGS), Al Emadi Hospital, Aman Hospital and Doha Clinic Hospital.
- **Risks:** Estimates can be impacted by one-offs, impairments/write-downs for non-financial companies, provisions for banks and investment income/capital gains (losses). Volatile oil & gas prices & geo-political tensions remain major risk factors to regional equities and have a direct detrimental impact on stocks under coverage.

QSE Price Performance Vs. Brent and KSA [Rebased to 100]



Source: Bloomberg, QNB FS Research

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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