LNG Boom to Enhance Long-Term Valuations of Qatari Equities

The QSE underperformed regional and global peers in 2024, even as QSE earnings grew (YTD 9M2024) and various QSE-focused initiatives such as interim dividends (from 10 companies) and share buybacks (from QNB Group) were instituted. *We see QSE aggregate earnings and dividends growing (for our coverage universe) in FY2024 by 6.6% and 1.5%, respectively.* ***In 2025, we still see robust earnings growth, on a "like-for-like" basis, before accounting for the new 15% global minimum tax (GMT)*** *that will be levied on multinationals (of which the true impact is difficult to model given that full details have not yet come to light).* ***For this year, we expect earnings growth (before GMT) to accelerate to 10.2% YoY, while dividends should grow by 9.9% (DY: 5.3%).*** *Meanwhile, Qatar's GDP is projected to grow 2.7% and 5.0% in 2025 and 2026, respectively, according to Bloomberg consensus, which is a considerable step-up from last year's 1.5%; the 1.9x growth rate increase in 2026 primarily emanates from the ramping up of the first phase of the massive North Field LNG expansion project.* ***Overall, we remain constructive on local equities as we see four major themes (below) supporting a positive outlook for the QSE; our main stock picks for 2025 are CBQK, DHBK, QIBK, QGTS, QNNS and MEZA.*** *We also note that* ***QLMI and MCGS could see decent gains if policy developments (roll out of the new national health insurance Seha program) turn out positive.***

Theme 1: Technical Valuation of the QSE. In the immediate horizon, there is a strong case for statistical arbitrage playing out, as the QSE is showing great value attributes due to short-term mispricing of the local market relative to peers and historically. *Under both regimes (post-GFC and post-COVID) we studied, we note the QSE Index remains highly correlated with the composite regional market (S&P GCC Composite LargeMid Cap Index) and we have confidence that this relationship should continue to hold.* ***We therefore hypothesize that the divergence in the relative prices should revert to their historical means in the foreseeable future. Historically, the QSE mispricing has remained below the 1std divergence mean only 24% of the time – currently it is ~1.9std below the divergence mean. Moreover, if we stress test assuming a 15% GMT-induced decline in earnings in the next 12 months, QSE's valuation remains compelling as it remains below the historical average. On average, the market looks attractive with the stress-tested QSE Index Forward PE ratio at 12.6x vs. the post-COVID average of 13.0x.***

Theme 2: QSE-Focused Initiatives – Share buy backs, interim dividends & listings. *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.* ***(1)*** *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 QatarEnergy-affiliated companies (IQCD, MPHC, QAMC, QFLS, QEWS and QGTS). We believe this number could expand in 2025. (2) QNB Group went further by announcing/approving a QR2.9bn share buyback program in September – it had bought back 38.58mn shares by January 14, 2025, at an estimated value of QR680mn. The VWAP of QNB's stock has appreciated ~16%, on average, since the share buyback program was announced. QNBK led the market when it initiated interim dividends; thus, it is possible that other companies could also follow the share buyback initiative. (3) Moreover, it is possible that more listings could be on the horizon, with GISS on track to list a portion of Al Koot, its insurance business, in 2025.***

Theme 3: Fundamental Short-Term Non-Oil Economy – More than just LNG, there is a balanced approach to cater for both near-term growth objectives and longer-term goals. *There are ongoing targeted policy initiatives and/or investments to ensure balanced growth, which include propping up certain sections of the economy. Interventions to reduce cost of doing business were implemented last year, e.g., the rental value of Ministry of Municipality land in the Industrial Zone allocated for commercial activities has been reduced by 90%. Meanwhile, investments aimed for diversifying the economy include the QR20bn new theme park, Simaisma, announced last year. Furthermore, persistently strong tourism numbers since 2022 highlight that diversification efforts are bearing fruit and Qatar's target to attract 6mn/year visitors by 2030 is well within reach. Overall PMI readings, at 52.9 in December and equal to the 4Q average, show the non-oil economy is resilient and confirms the positive growth momentum in the non-oil economy since the beginning of last year.*

Theme 4: Fundamental Long-Term Growth – In the longer term, there is an undeniable fundamental/LNG story that is set to "lift all boats" directly and/or indirectly. *The North Field LNG expansion should see the local economy growing relatively fast in the medium term, which should filter to local companies' bottom-lines directly and/or indirectly. In 2026, GDP is seen accelerating by 5%, around the time the first LNG expansion phase kicks in.* ***We note that the QSE Index had a cumulative growth of 303.1% during the period of 1997-2011, when Qatar grew its LNG capacity from 4 MTPA to 77 MTPA. However, the market reported a lower cumulative growth of 29.2% during the period of 2012-2024 when LNG capacity remained at its steady state.*** *We would be the first to admit that this is a simplistic way of looking at market performance. While there is no doubt that major events – such as the opening up of the equity market to foreign investors, interest rates/inflation, the global financial crisis, COVID-19, the FIFA World Cup, the increase in FOLs, etc. – did affect the QSE Index,* ***we do note that there is precedence for the equity market to improve once Qatar's LNG capacity starts to expand. During the same period, the QSE's market cap grew a cumulative 555% while nominal GDP rose 347%.*** *Meanwhile, the QSE market cap-to-nominal GDP rose from 26% in 1997, peaking at 195.2% in 2005.* ***Looking forward, given the average market cap-to-nominal GDP of 86% and IMF's nominal GDP estimate of QR1trn by 2029, we infer that QSE's market cap could reach QR878bn by 2029 from QR621bn at end-2024, a CAGR of 7.2%.***

We Remain Bullish On Qatari Banks

Qatari banks remain vital to the Qatari economy and the equity market. Stock price performance of banks, ending 2024, has outperformed the QSE Index; the banking sector index increased by 3.4%, while the QE Index dipped by 2.4%.

From a valuation perspective, Qatari banks are inexpensive vs. KSA/KW. However, Qatari banks retain relatively higher upside to RoE (i.e., Qatari banks could potentially boost their ROEs) vs. KSA/UAE/KW, which would make them attractive from 2025 and onward. Qatari banks are trading at a P/B of 1.3x with a RoE of 13.4% vs. the KSA (P/B: 1.8x, RoE: 14.3%), UAE (P/B: 1.3x, RoE: 15.0%) and Kuwait (P/B: 1.5x, RoE: 8.8%). 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, which so far has not shown signs of improvement. More clarity from banks' managements on the period it would take to clean its books would be another positive. Moreover, announcements of projects that would involve credit-off take from domestic banks could also be promising. Furthermore, with interest rates dropping, dividend yields of certain banks could look relatively attractive.

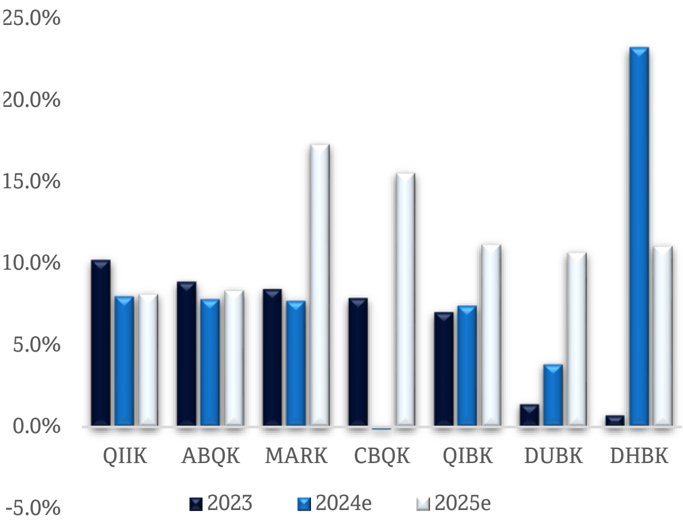
We expect a positive turnaround for banks under coverage (ex. QNB Group, which we do not cover) in 2025 driven by loan growth, modest increase in NIMs, improvements in asset quality, costs containment and profitability. For our coverage universe, loan growth receded by 1.5% in 2023 given the World Cup lull and government repayments of loans – MARK and CBQK contributed to this decline, while other banks posted YoY growth in loans (DHBK was flattish). If we add QNBK to the mix, then aggregate loans posted a 2.8% YoY growth in 2023.

Growth in 2024/25e loans (excluding QNB Group) is expected to improve by 4.6% and 5.5% driven by a combination of the private sector (mainly from real estate, services and general trade) and the public sector (growth in government institutions and higher utilization of overdraft facilities by the government). We note that QNBK has already reported a robust 6.8% YoY growth in overall loans in 2024.

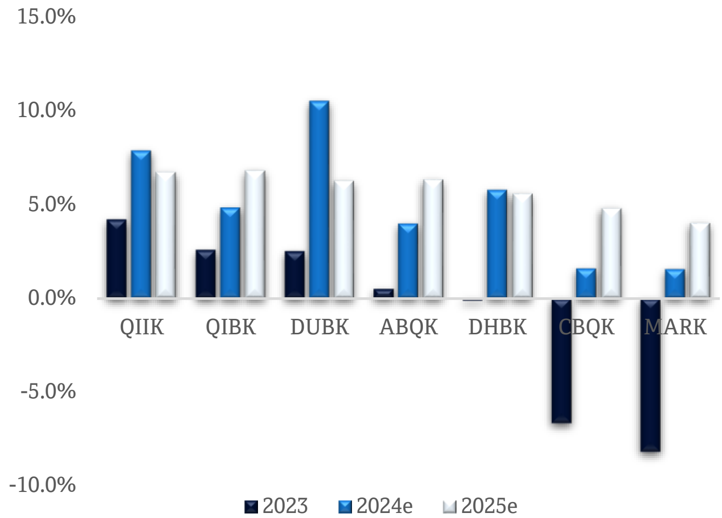
With rates expected to further decrease, we forecast modest NIM expansion especially driven by Islamic banks. With lower rates, we expect asset quality to improve with the median NPL ratio dropping to 4.22% in 2025e vs. 4.52% in 2024e (2023: 4.47%). We also anticipate banks to continue to tackle their Stage 2 loans, as they are one of the highest in the GCC. With the expected improvement in asset quality, we pencil in slightly lower- to-flattish provisions and impairments. As far as efficiency is concerned, Qatar banks generally have low/healthy C/I ratios among GCC banks and this trend is estimated to remain intact.

Net-net, aggregate earnings are modeled to grow (like-for-like) by 6.2%/12.3% in 2024/25e after growing by 6.9% in 2023. The growth in 2025 earnings is expected to be driven by modest margin expansion, costs containment and flat-to-lower CoR. We note that it is likely that the Global Minimum Corporate Tax will be applied this year and haircutting our profit numbers by 15% leads to an estimate of a 4.5% decline in 2025 aggregate earnings. We do want to point out that this 15%-haircut is a "worst-case" scenario as some banks in our coverage universe may not be subject to this tax. The list of banks that could end up avoiding GMT, include DHBK & QIIK (revenue is less than QR3bn) and DUBK & ABQK (revenue is less than QR3bn plus no income producing foreign operations).

Aggregate Earnings are Modeled to Grow by 6.2/12.3% in 2024/25e



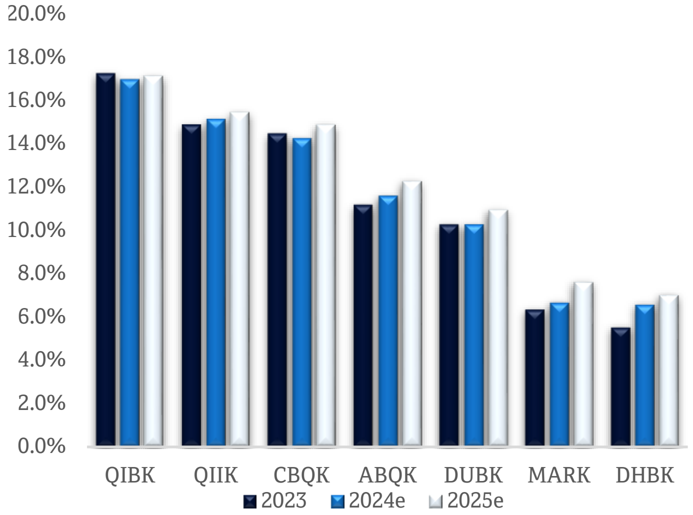
Loans are Forecasted to Grow by Mid-Single Digits in 2025e



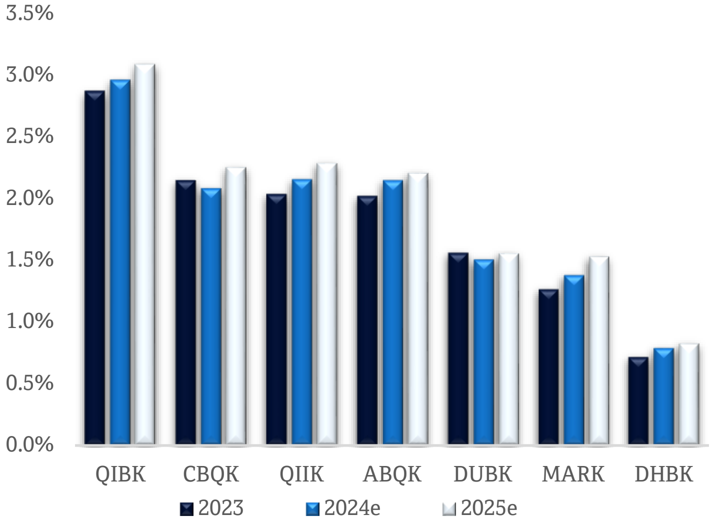
Source: Company data, QNB FS Research

Aggregate net loans are modeled to grow by 4.6%/5.5% in 2024/25e. The mid-single digit growth in 2025 is attributed to: 1) banks continuing to exercise prudent credit underwriting in order to contain asset quality issues that could arise and 2) less credit appetite as the majority of government-related infrastructure projects have been completed. QIBK is estimated to be the top contributor for loan growth in 2025 (+6.8%), followed by DUBK (6.3%) and CBQK/MARK (+4.8%/4.0%).

Majority of Banks Enjoy Healthy RoEs; MARK & DHBK Being the Exception



Strong RoRWAs For The Most Part

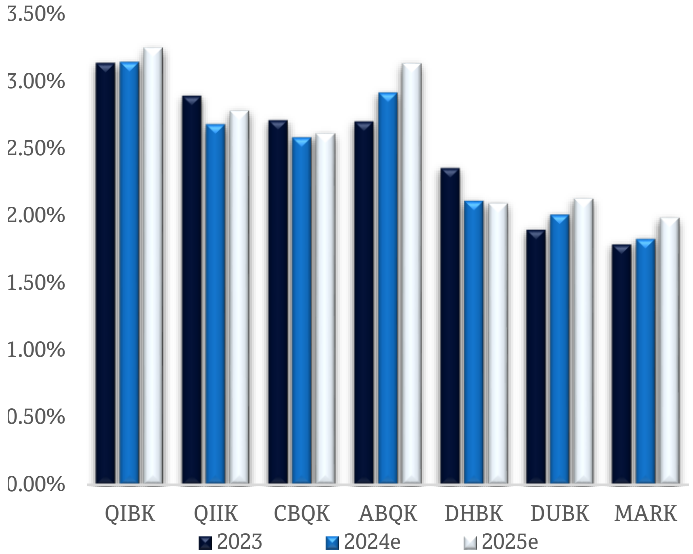


Source: Company data, QNB FS Research

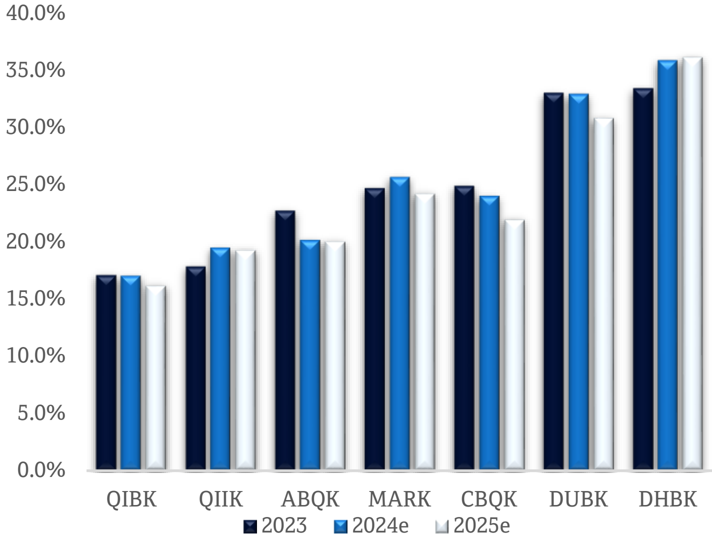
The sector is expected to generate RoEs of 11.2%/12.2% in 2024/25e. The median RoE is weighed down by DHBK (2024e: 6.6%; 2025e: 7.0%) and MARK (2024e: 6.7%; 2025e: 7.6%); DHBK and MARK are expected to generate negative EVAs/negative economic profits as their RoEs are significantly less than their respective costs of equity. The top RoE generators are QIBK (2024e: 17.0%; 2025e: 17.1%), QIIK (2024e: 12.2%; 2025e: 15.5%) and CBQK (2024e: 14.3%; 2025e: 14.9%).

RoRWAs for most banks is >2.0%, which is a robust figure. The mainly laggard is DHBK, generating RoRWAs below 1.0%.

NIMs to Modestly Improve in 2025



Qatari Banks are Generally Cost-Efficient (Cost-to-Income Ratio)

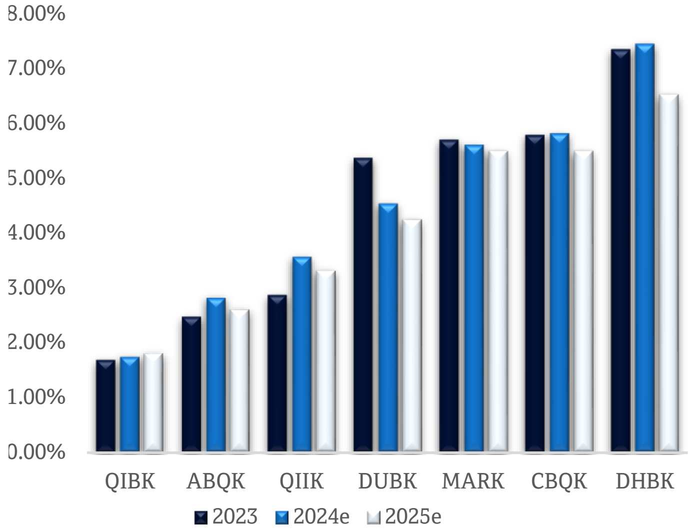


Source: Company data, QNB FS Research

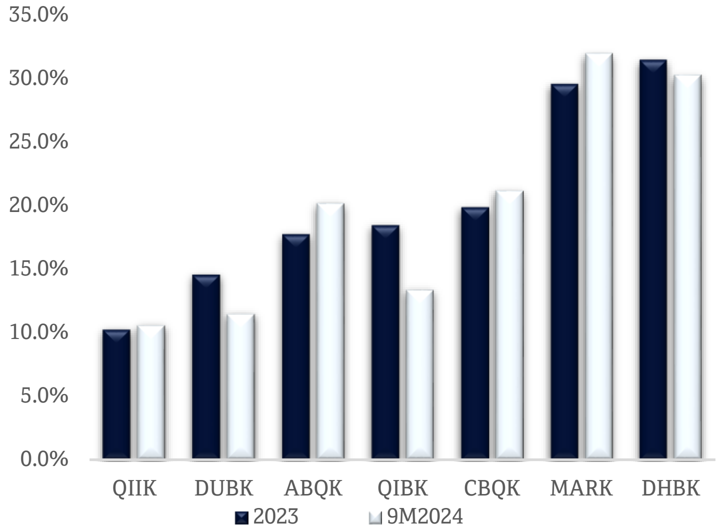
NIMs are expected to improve in 2025 with DHBK being the exception. We expect NIMs on average to increase by 12bps (ex-DHBK) in 2025 following further rate cuts. The expansion in NIMs could be capped as banks replace cheap external funding for expensive domestic funding.

Qatari banks historically have been cost-efficient and we do not expect this trend to reverse. Average C/I ratio (2023) was 24.8%. We forecast this ratio in 2024/25e at 25.0%/24.2%. Excluding DUBK and DHBK, the average is significantly lower (2023: 21.5%; 2024e: 21.3%; 2025e: 20.4%). DHBK's C/I is the highest among its peers as the bank is going through a restructuring and investing in its IT infrastructure.

NPL Ratios for Majority of Banks on the High Side



Stage 2 Loans % of Total Loans is Large for DHBK, MARK & CBQK

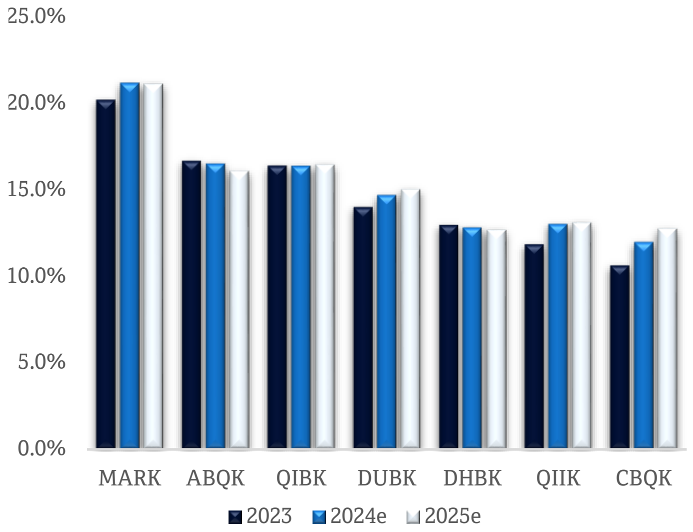


Source: Company data, QNB FS Research

The majority of NPLs are legacy in nature, mostly comprising of real estate and construction; we expect this ratio to go down with further rate cuts as it eases pressure on borrowers. The banks most affected by asset quality issues are: DHBK (2024e: 7.46%; 2025e: 6.53%), CBQK (2024e: 5.83%; 2025e: 5.50%), MARK (2024e: 5.62%; 2025e: 5.50%) and DUBK (2024e: 4.55%; 2025e: 4.25%). We expect the average NPL ratio to decrease from 2024e's 4.52% to 4.22% in 2025e.

The bulk of Stage 2 loans is also mainly attributable to the real estate and construction/contracting segments; we expect a portion of Stage 2 loans to be reclassified to Stage 1 over the coming years. DHBK (2023: 31.5%; 9M2024: 30.3%) and MARK (2023: 29.6%; 9M2024: 32.0%) have one of the highest ratios regionally with little coverage. As such, we believe most banks would likely apply more provisions to Stage 2 loans in order to increase their coverage ratios.

Banks Exhibit Robust CET1 ratios



Source: Company data, QNB FS Research

Qatari banks boast strong CET1 ratios, well above QCB's minimum of 8.5%. MARK (2024e: 20.2%), ABQK (2024e: 16.5%) and QIBK (2024e: 16.4%) enjoy strong capital positions.

Top Picks & Investment Views

- **In the banking sector, excluding QNB Group, which we do not cover, we like CBQK (Rating: Outperform; TP: QR5.244), DHBK (Rating Accumulate, TP: QR1.883) and QIBK (Rating: Accumulate; TP: QR22.45)**
    - **CBQK remains inexpensive and undervalued at a 25% discount to 2025e BV and we reiterate our Outperform rating.** CBQK is in the second phase of its turnaround operation and has been delivering on its goals and objectives. **As such, we believe that the stock trading at 18/25% discounts to its 2024/25e book values, is unjustified; the name trades at a PEG of 0.9x on our 2025 estimates (which is very inexpensive).** Moreover, CBQK was the worst performing stock (among banks) in 2024 as it fell out of favor with FIs; the name declined by ~30%. CBQK should be credited for generating positive EVA starting from 2022 as it increased its RoE from 1.9% in 2016 to 14.5% in 2023. Moreover, management improved the bank's efficiency ratio from 47.5% in 2016 to low-to mid-20%s currently. Furthermore, the bank's CoR has compressed from 195bps in 2017 to 99bps in 2023. NPLs are legacy in nature with little NPL formation. Hence, at current valuation levels, we believe there is significant upside to the name and downside is limited. **We maintain our QR5.244 PT and Outperform rating.**
    - **DHBK is trading at a 46% discount to its 2025e BV and we reiterate Accumulate; we will be adjusting our target price upward after 4Q2024 results.** DHBK has lagged its peers on 3/5-year basis on concerns of asset quality and RoE deterioration. However, the stock improved in 2024, rallying 14.0%. DHBK has exhibited lackluster financial performance since 2016. The name is the cheapest in the GCC, trading at 43%/46% discounts to 2024/25e book values. **With a new executive management/team in place, DHBK has become turnaround play with a 5-year strategy (2023-2027) to transform the bank.** The key goals and objectives are as follows: 1) DHBK has adopted prudent/conservative credit underwriting and is expected to grow its net loans 3-5% p.a., in-line with our estimates (the bank is targeting the public sector and syndications), 2) decreasing the NPL ratio to 4.5%-5% from 7.36% in FY2023 (Stage 2 and 3 loans are mainly attributable to the real estate and construction/contracting segments); coverage ratio for Stage 3 loans stood at 67% in 9M2024 vs. 59% in FY2023 , which is a positive. Stage 2 loans contribute 30% to total loans (one of the highest vs. its peers), which we believe has reached its highs; coverage of Stage 2 loans is a low 7%, 3) significantly improving its efficiency ratio from 33.4% in FY2023 to less than 25% by 2027, which we believe to be ambitious, 4) enhancing its RoE from 5.6% in 2023 to 12%-14% by 2027, which so far we have not modeled in; RoE<CoE, which is yielding negative EVA/economic profits and 5) CoR is expected to reach 120-130bps levels. Given management's ambitious plans, we believe the stock has a strong potential to outperform its peers in the medium-to long-term. **For the time being, we rate the stock an Accumulate with a PT of QR1.883 but we think there is room to raise our PT.**
    - **We stay Accumulate on QIBK given its solid outlook underpinned by attractive valuation.** QIBK is the leading Islamic banking franchise with a 9% market share in loans. QIBK is trading at a low P/TB of 1.6x on our 2025e estimates (20% discount to its 5-year average of 2.1x), which implies upside, in our view. We note that the stock's 5-year median P/B is also 2.1x (5-year high P/B of 2.9x). **Our thesis stays unchanged: QIBK's fundamentals continue to remain robust with strong RoE generation (2021: 18.2%, 2022: 18.1%, 2023: 17.3% and 24e/25e 17.2%/17.3%); moreover, the bank is cost efficient, has a strong Tier-1 position and a superior asset quality profile vs. its peers. As such, we believe the stock still warrants a premium. We maintain our QR22.45 price target and Accumulate rating.**
- **In terms of our top-picks among the non-banks, we like QGTS (Rating: Outperform; TP: QR5.600), QNNS (Rating: Outperform; TP: QR13.30) and MEZA (Rating: Accumulate; TP: QR4.025).** We also want to highlight **QLMI (Rating: Accumulate; TP: QR2.371) and MCGS (Rating: Accumulate; TP: QR5.524) that could have significant momentum if the national insurance plan ("new Seha") is rolled out in 2025.**
    - **Nakilat stands out as a true growth story, leveraged to the massive anticipated growth expected from Qatar's North Field Expansion project, with its: (1) current operations valued at QR4.100 a share; (2) upcoming fleet expansion of 27 conventional LNG vessels/4 VLGCs adding a QR1/share; and (3) recent contract win of 9 QC-Max LNG carriers adding another QR0.50/share.** Nakilat remains a top pick and is a shipping pure play leveraged to the significant growth expected in Qatar's LNG. QGTS is presently involved in 75-80% of Qatar's current LNG exports. As QatarEnergy looks to increase LNG capacity from 77 MTPA to 142 MTPA, it has awarded contracts for 128 LNG ships (104 conventional & 24 QC-Max vessels). Nakilat has secured contracts for 25 conventional LNG ships and 9 QC-Max vessels (27% of total fleet expansion). **We estimate these new conventional/QC-Max vessels should add QR1/QR0.50 to our target price and thus raised Nakilat's TP from QR4.10 to QR5.60 when these deals were announced in February/May of 2024. We envision a roughly 60% boost to our earnings estimates over 2026-2030 once all expansion is factored in.** 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. Moreover, the 40-year life of Nakilat's existing vessels vs. maximum debt life of 25 years, could allow for value-enhancement. **QGTS is trading at P/Es of 14.3x and 13.3x for 2024 and 2025. We rate Nakilat and Outperform with a QR5.600 target price.**
    - **We remain bullish on Milaha, which retains upside given its 36.3% ownership in QGTS and its exposure to Qatar's growing offshore services market.** The stock, since we first started coverage in 2011, has usually traded at a significant discount to its sum-of the-parts, sometimes worth only the value of its investment stake in Nakilat and its equity/bond portfolio. **This**

remains the case currently, with Milaha's "non-core" assets (its 36.3% stake in Nakilat + investment book), along with its net cash position, making up ~100% of Milaha's market cap. This implies that investors continue to get Milaha's "core" or operating businesses for almost free. Milaha's shares offer value and the company is enjoying a multi-year resurgence in its offshore segment (MO) that is leveraged to Qatar's massive North Field Expansion project. Moreover, while its maritime & logistics (MM&L) division is suffering from a drop in container shipping revenue (primarily because of a ratcheting down in container shipping rates along with a decline in volumes) and a moribund logistics unit, YoY comparisons could get less challenging. A lack of large impairments in the future should also help Milaha's earnings trajectory and highlight its growth story to investors. **QNNS trades at P/Es of 10.5x (2024) and 9.6x (2025). Milaha has an Outperform rating along with a target price of QR13.30.**

- **Meeza is one of our favorite stocks, tethered to the secular global tailwinds of the digital/cloud/AI economy.** This is reinforced by the latest global DC market trends – where demand continues to outstrip supply in primary and secondary markets as several hyperscalers announce audacious plans to erect/expand their DC capacities to meet AI needs – as well as positive policy signals by the government (Digital Agenda 2030). With the ever-growing ubiquitous need to create, store, and manipulate data, there is a strong case that demand for datacenters will continue outpacing supply, aided by the outmigration trend of leasing rather than owning DCs. Constrained power grids have further compounded this challenge – a limitation Qatar is well positioned to circumvent. That has put emerging markets, such as Qatar, in the spotlight as a new frontier for computing and data storage. **While Meeza already boasts about half of Qatar's DC inventory, it is on track to expand its DCs further by ~80% over the next ~2½ years, increasing it to ~26MW IT load capacity by end-2026/mid-2027. Our base model expects 50MW IT load capacity in the terminal year of our model for Meeza's DC unit, as guided by management, which acknowledges that this is still on the conservative side. Consequently, we estimate Meeza's DC business contribution to continue to grow and account for about three-quarters of group value in the terminal period, up from ~58% in 2022. We have a TP of QR4.025 on the stock and an Accumulate rating. We expect DPS of QR0.081 and QR0.10 for 2024 and 2025, which translate into dividend yields of 2.6% and 3.2%, respectively. The company is trading at P/Es of 36.7x and 29.9x for 2024 and 2025.**
- **QLM Life & Medical Insurance Company is Qatar's premier medical/health and life insurance company with a +50% market share and strong brand recognition. In May 2022, the Amir approved the mandatory health insurance ("new Seha") law, which will make health insurance compulsory for residents and visitors. Seha could be a game changer – if and when this law is implemented for residents, it could increase the number of members in the local health insurance system by 4 to 5x and we are of the view that QLMI could be one of the primary beneficiaries. This could magnify the company's earnings profile, which we currently expect to grow at a CAGR of 5% over 2023-2029e. QLMI is trading at an attractive 2025e P/B of 1.0x, an 18.0% discount to its 1-year average of 1.2x.** The main catalysts are: 1) Implementation of mandatory health insurance and 2) Increase in the stock's liquidity/volume. **We reiterate our QR2.371 PT and Accumulate rating.**
- **Medicare is more of a tactical pick. It looks healthier after cutting off Al Wakra Clinic in 1H2024 that was squeezing the group as it was making economic losses. However, we note there has not been any notable re-rating of the stock due to margin improvement we are anticipating, which means the stock looks inexpensive.** In 3Q2024, continuing operations looked much healthier, with improving margins and stronger operating cash flows. While 9M2024 profit remained lower YoY due to non-cash impairments linked to the clinic closure, operating cash flows significantly strengthened compared to 9M2023, highlighting the positive impact of this decision. Furthermore, marketing efforts seem to be paying off, with revenue surpassing our expectations YTD (9M2024) — achieving the highest third-quarter revenue since 3Q2015 (excluding the COVID-driven results in 2020), which at the time was artificially boosted by the old Seha program. This rebuffed our belief that the top-line could come under pressure given increased competition/bed supply. Additionally, as previously guided, there were no further costs associated with the Al Wakra Clinic in 3Q2024, boosting our confidence in the outlook. **We reiterate our Accumulate rating and maintain our QR5.524 PT. MCGS could also come back into play as the yield dynamics improve as interest rates cool off. Besides the potential uplift by the "new Seha", we do not see any other major macro catalysts in the immediate horizon.** However, we see the closure of Al Wakra Clinic having a permanent overall net positive effect on margins. Management has signaled that additional cost-saving initiatives are in the pipeline, which could further enhance margins. Moreover, there is the potential for a one-off boost if Medicare receives a cash windfall following a second favorable Court of Appeal judgment against the "old Seha" in May. **We expect DPS of QR0.220 and QR0.339 for 2024 and 2025, which translate into attractive dividend yields of 4.8% and 7.4%, respectively. The company is trading at P/Es of 20.3x and 12.7x for 2024 and 2025.** Overall, several macro and micro themes cancel out each other to render a relatively neutral prognosis on MCGS's short- to medium-term outlook: service level & product quality, public health policy, increased healthcare spend, limited bed capacity & occupancy levels growth, tariff controls and competition from both the private and public players. In the longer term, above-average population growth, disease burden & expected favorable composition of expats, should become more dominant in shaping prospects.

- **Risks:** Estimates can be impacted by one-off events, greater or lower provisions for banks and investment income/capital gains. Oil and gas price volatility remain a substantial risk to regional equity prices and have a direct detrimental impact on stocks under coverage. Regional instability could also lead to significant volatility.

Key Qatari Stocks Under Coverage

Ticker	Mkt. Cap. (QR mn)	Div. Yield	Price (QR) Last	Price (QR) Target	Recommendation	Implied Return	Investment Thesis
Banks & Financial Services							
ABQK	8,727	*7.3%*	3.421	3.573	MARKET PERFORM	*4.4%*	Ahli Bank is a Qatar focused bank and one of the smallest lenders in Qatar with a focus on the corporate and retail sectors. As of FY2023, ABQK had a ~3% market share of loans and deposits (among listed banks) and plans to increase its market share to about 5%-7% longer term. The primary catalyst for the name is an increase in liquidity as the stock is closely held. ABQK is trading at 2024/25e P/Bs of 1.2/1.1x. We maintain our PT of QR3.573 and Market Perform rating.
CBQK	16,881	*6.0%*	4.171	5.244	OUTPERFORM	*25.7%*	CBQK is in the second phase of its turnaround operation and has been delivering on its goals and objectives. As such, we believe that the stock trading at 18/25% discounts to its 2024/25e book values, is unjustified; the name trades at a PEG of 0.9x on our 2025 estimates (which is very inexpensive). Moreover, CBQK was the worst performing stock (among banks) in 2024 as it fell out of favor with FIs; the name declined by ~30%. CBQK should be credited for generating positive EVA starting from 2022 as it increased its RoE from 1.9% in 2016 to 14.5% in 2023. Moreover, management improved the bank's efficiency ratio from 47.5% in 2016 to low-to mid-20%s currently. Furthermore, the bank's CoR has compressed from 195bps in 2017 to 99bps in 2023. NPLs are legacy in nature with little NPL formation. Hence, at current valuation levels, we believe there is significant upside to the name and downside is limited. We maintain our QR5.244 PT and Outperform rating.
DHBK	6,201	*3.8%*	2.000	1.883	ACCUMULATE	*-5.9%*	DHBK has lagged its peers on 3/5-year basis on concerns of asset quality and RoE deterioration. However, the stock improved in 2024, rallying 14.0%. DHBK has exhibited lackluster financial performance since 2016. The name is the cheapest in the GCC, trading at 43%/46% discounts to 2024/25e book values. With a new executive management/team in place, DHBK has become turnaround play with a 5-year strategy (2023-2027) to transform the bank. The key goals and objectives are as follows: 1) DHBK has adopted prudent/conservative credit underwriting and is expected to grow its net loans 3-5% p.a., in-line with our estimates (the bank is targeting the public sector and syndications), 2) decreasing the NPL ratio to 4.5%-5% from 7.36% in FY2023 (Stage 2 and 3 loans are mainly attributable to the real estate and construction/contracting segments); coverage ratio for Stage 3 loans stood at 67% in 9M2024 vs. 59% in FY2023 , which is a positive. Stage 2 loans contribute 30% to total loans (one of the highest vs. its peers), which we believe has reached its highs; coverage of Stage 2 loans is a low 7%, 3) significantly improving its efficiency ratio from 33.4% in FY2023 to less than 25% by 2027, which we believe to be ambitious, 4) enhancing its RoE from 5.6% in 2023 to 12%-14% by 2027, which so far we have not modeled in; RoE<CoE, which is yielding negative EVA/economic profits and 5) CoR is expected to reach 120-130bps levels. Given management's ambitious plans, we believe the stock has a strong potential to outperform its peers in the medium-to long-term. For the time being, we rate the stock an Accumulate with a PT of QR1.883 but we think there is room to raise our PT.
DUBK	18,790	*4.5%*	3.590	3.810	MARKET PERFORM	*6.1%*	Dukhan Bank was incorporated in 2008 under the name of Barwa Bank and commenced operations in 2009 as a full-service Shari'ah-compliant bank. The bank rebranded itself under the name of Dukhan Bank in October 2020, following the merger with International Bank of Qatar ("IBQ") in mid-2019. DUBK stock was listed in mid-February 2023 with a valuation of 1.8x P/B and a price of QR4.35. Since its listing, DUBK stock has sharply corrected and is trading at attractive P/TBs of 1.5/1.4x based on our 2024/25e estimates. Furthermore, the market is pricing in a sustainable RoE of 12.5%, lower than our estimate of 13.5%. Hence, we are of the view that there is room for further upside. Dukhan Bank is a niche bank with a market share of 5.6% and a focus on private banking clients, which it acquired from International Bank of Qatar (IBQ), family businesses/offices and public sector/GREs (22% of total loans). We maintain our QR3.810 PT and Market Perform rating.
MARK	22,469	*4.1%*	2.416	2.623	MARKET PERFORM	*8.6%*	MARK is the 2nd largest Islamic bank in Qatar with a 7.8% market share in loans. The name lost market share to QIBK as its focus turned to derisking the loan book after its 2021 merger with Al Khalij Commercial Bank. Although MARK's primary exposure is to the public sector (FY2023: 49%), asset quality continues to remain under pressure; the bulk/majority of NPLs is attributed to the construction and real estate segments. NPLs increased from QR979.7mn in FY2020 to QR6.8bn in 3Q2024. As such, the NPL ratio spiked from 1.13% to 5.91% during the same period. Moreover, Stage 2 loans, as a % of total loans remains one of the highest domestically and regionally at 32% with negligible coverage (2.0%). At the same time, coverage of Stage 3 loans increased from 56% in FY2020 to 63% in 9M2024 (FY2023: 57%) excluding eligible collateral. Given MARK's asset quality situation, the stock is trading at 2024e/25e P/TBs of 1.0x (lower than its 5-year average of 1.7x). The stock has also significantly underperformed its peers on a 5-year basis due to asset quality headwinds and RoE erosion. RoE is materially below pre-merger levels and remains well below its CoE of 11.7%. RoE declined from 11.3% in 2021 to 5.8% in 2022; pre-merger, MARK's standalone RoEs hovered around the 16% level. It will be a long road to recovery for RoEs to pick up despite double-digit growth in earnings. We maintain our QR2.623 PT and Market Perform rating.
QIIK	15,879	*4.5%*	10.49	10.44	MARKET PERFORM	*-0.5%*	QIIK is the smallest bank in Qatar with a market share of 2.6% in loans. The bank is focused on retail and real estate which comprise 45%/20% of total loans. The stock is now trading at 2024/25e P/Bs of 2.0/1.9x, close to its 5-year median of 2.2x. As a result, we see limited upside. At these levels, it would imply that QIIK is trading at a 21% premium to QIBK (2025e P/TB 1.6x) and it should be noted that QIBK has better profitability and asset quality indicators. Further, the market is pricing in a sustainable RoE of 18.1%, above our estimate of 15.5% (18.1% sustainable RoE is very challenging to achieve, in our view). While the stock could rally on better-than-expected earnings momentum (we expect a 5-year earnings CAGR of 7.1% vs. historical 5-year earnings CAGR of 5.2%), QIIK's full valuation could crimp further upside in the name. We maintain our QR10.44 PT and Market Perform rating.
QIBK	48,440	*3.7%*	20.50	22.45	ACCUMULATE	*9.5%*	QIBK is the leading Islamic banking franchise with a 9% market share in loans. QIBK is trading at a low P/TB of 1.6x on our 2025e estimates (20% discount to its 5-year average of 2.1x), which implies upside, in our view. We note that the stock's 5-year median P/B is also 2.1x (5-year high P/B of 2.9x). Our thesis stays unchanged: QIBK's fundamentals continue to remain robust with strong RoE generation (2021: 18.2%, 2022: 18.1%, 2023: 17.3% and 24e/25e 17.2%/17.3%); moreover, the bank is cost efficient, has a strong Tier-1 position and a superior asset quality profile vs. its peers. As such, we believe the stock still warrants a premium. We maintain our QR22.45 price target and Accumulate rating.

Source: QNB FS Research

Key Qatari Stocks Under Coverage

Ticker	Mkt. Cap. (QR mn)	Div. Yield	Price (QR) Last	Target	Recommendation	Implied Return	Investment Thesis
Insurance							
QLMI	718	*6.1%*	2.050	2.371	ACCUMULATE	*15.7%*	QLM Life & Medical Insurance Company (QLMI) is Qatar's premier medical/health and life insurance company with a +50% market share and strong brand recognition. In May 2022, the Amir approved the mandatory health insurance (Seha) law, which will make health insurance compulsory for residents and visitors. Seha could be a game changer – if and when this law is implemented for residents, it could increase the number of members in the local health insurance system by 4 to 5x and we are of the view that QLMI could be one of the primary beneficiaries. This could magnify the company's earnings profile, which we currently expect to grow at a CAGR of 5% over 2023-2029e. QLMI is trading at an attractive 2025e P/B of 1.0x, an 18.0% discount to its 1-year average of 1.2x. The main catalysts are: 1) Implementation of mandatory health insurance and 2) Increase in the stock's liquidity/volume. We reiterate our QR2.371 PT and Accumulate rating .
Consumer Goods & Services							
BLDN	2,399	*6.4%*	1.262	1.719	OUTPERFORM	36.2%	Baladna's earnings momentum story has held YTD (9M2024). While 3Q2024 earnings were impressive they, however, came below our estimates which saw us revise our full-year estimates lower. Still, we maintain our Outperform rating as the earnings momentum narrative remains intact, with a PT of QR1.719. We see additional upside potential for the stock, supported by an attractive forward dividend yield estimate, growing operating cash flows, and sustained earnings momentum into 4Q. An area of concern, however, is the balance sheet leverage level, which is comparatively higher. Our primary thesis is that, internally, the headway for volume growth is supported by ample manufacturing capacity and low market shares in select product lines. That will be complemented by considerable scope for margin expansion. Inorganically, the scope to export its model creates PE-like payoff optionality. We also note that while Baladna's capital return ratios are relatively low, they should gradually improve as plant utilization increases and capex normalizes. We expect DPS of QR0.081 and QR0.090 for 2024 and 2025, which translate into attractive dividend yields of 6.4% and 7.2%, respectively. The company is trading at P/Es of 12.5x and 11.2x for 2024 and 2025.
MCGS	1,286	*4.8%*	4.571	5.524	ACCUMULATE	20.8%	Medicare is more of a tactical pick. It looks healthier after cutting off Al Wakra Clinic in 1H2024 that was squeezing the group as it was making economic losses. However, we note there has not been any notable re-rating of the stock due to margin improvement we are anticipating, which means the stock looks inexpensive. In 3Q2024, continuing operations looked much healthier, with improving margins and stronger operating cash flows. While 9M2024 profit remained lower YoY due to non-cash impairments linked to the clinic closure, operating cash flows significantly strengthened compared to 9M2023, highlighting the positive impact of this decision. Furthermore, marketing efforts seem to be paying off, with revenue surpassing our expectations YTD (9M2024) — achieving the highest third-quarter revenue since 3Q2015 (excluding the COVID-driven results in 2020), which at the time was artificially boosted by the old Seha program. This rebuffed our belief that the top-line could come under pressure given increased competition/bed supply. Additionally, as previously guided, there were no further costs associated with the Al Wakra Clinic in 3Q2024, boosting our confidence in the outlook. We reiterate our Accumulate rating and maintain our QR5.524 PT. MCGS could also come back into play as the yield dynamics improve as interest rates cool off. Besides the potential uplift by the "new Seha" we do not see any other major macro catalysts in the immediate horizon. However, we see the closure of Al Wakra Clinic having a permanent overall net positive effect on margins. Management has signaled that additional cost-saving initiatives are in the pipeline, which could further enhance margins. Moreover, there is the potential for a one-off boost if Medicare receives a cash windfall following a second favorable Court of Appeal judgment against the "old Seha" in May. We expect DPS of QR0.220 and QR0.339 for 2024 and 2025, which translate into attractive dividend yields of 4.8% and 7.4%, respectively. The company is trading at P/Es of 20.3x and 12.7x for 2024 and 2025. Overall, several macro and micro themes cancel out each other to render a relatively neutral prognosis on MCGS's short-to medium-term outlook: service level & product quality, public health policy, increased healthcare spend, limited bed capacity & occupancy levels growth, tariff controls and competition from both the private and public players. In the longer term, above-average population growth, disease burden & expected favorable composition of expats, should become more dominant in shaping prospects.
MEZA	2,025	*2.6%*	3.120	4.025	ACCUMULATE	29.0%	Meeza is one of our favorite stocks, tethered to the secular global tailwinds of the digital/cloud/AI economy. This is reinforced by the latest global DC market trends – where demand continues to outstrip supply in primary and secondary markets as several hyperscalers announce audacious plans to erect/expand their DC capacities to meet AI needs – as well as positive policy signals by the government (Digital Agenda 2030). With the ever-growing ubiquitous need to create, store, and manipulate data, there is a strong case that demand for datacenters will continue outpacing supply, aided by the outmigration trend of leasing rather than owning DCs. This challenge has been further compounded by constrained power grids – a limitation Qatar is well-positioned to circumvent. That has put emerging markets, such as Qatar, in the spotlight as a new frontier for computing and data storage. While Meeza already boasts about half of Qatar's DC inventory, it is on track to expand its DCs further by ~80% over the next ~2½ years, increasing it to ~26MW IT load capacity by end-2026/mid-2027. Our base model expects 50MW IT load capacity in the terminal year of our model for Meeza's DC unit, as guided by management, which acknowledges that this is still on the conservative side. Consequently, we estimate Meeza's DC business contribution to continue to grow and account for about three-quarters of group value in the terminal period, up from ~58% in 2022. We have a TP of QR4.025 on the stock and an Accumulate rating. We expect DPS of QR0.081 and QR0.10 for 2024 and 2025, which translate into dividend yields of 2.6% and 3.2%, respectively. The company is trading at P/Es of 36.7x and 29.9x for 2024 and 2025.
QFLS	14,814	*6.4%*	14.90	18.59	ACCUMULATE	24.8%	Woqod's story revolves around its impeccable balance sheet. That is because despite its local market dominance, the nature of the company's business as a "middleman" allows it little in terms of bargaining power between its primary customer Qatar Airways (QA) and primary supplier QatarEnergy (QE). Structurally, Woqod's core product lines — jet fuel, gasoline, and diesel — are vulnerable to global shifts away from fossil fuels but a slowdown in adopting sustainable fuels due to a brewing e-mobility backlash, notably in the US & Europe, could extend the life cycle of hydrocarbons. However, as Woqod navigates this uncertainty, its balance sheet stands out with a significant cash/investments pile – we estimate that roughly half of the company's value is directly linked to that as it gives management significant leeway to extract more value for shareholders, including through special dividends, share buybacks and/or funding diversification internally. Overall, we perceive Woqod's outlook as relatively neutral-to-bullish with its internal strengths providing it with the means to navigate uncertainty. We anticipate mid-single digit bottom-line growth for the foreseeable future but we see a decent dividend flow. We expect DPS of QR0.95 and QR1.00 for 2024 and 2025, which translate into attractive dividend yields of 6.4% and 6.7%, respectively. The company is trading at P/Es of 14.2x and 12.9x for 2024 and 2025. Consequently, we have an Accumulate rating and a PT of QR18.59/share on the name.

Source: QNB FS Research

Key Qatari Stocks Under Coverage

Ticker	Mkt. Cap. (QR mn)	Div. Yield	Price (QR) Last	Price (QR) Target	Recommendation	Implied Return	Investment Thesis
Industrials							
GISS	5,954	*5.5%*	3.204	3.900	OUTPERFORM	*21.7%*	GISS's stock has benefited from a turnaround in its drilling unit, appreciating 21% in 2024 and handily outperforming a sluggish Qatari market. Going forward, with major initiatives, including restructuring of GDI's debt and purchase of three offshore rigs from Seadrill, GISS is on track to deliver significant earnings growth - we project 104% and 15% growth in 2024 and 2025 earnings, respectively. Currently, our model shows that the blended average offshore rig rate for the seven existing rigs reaches almost $100k/d by 2030 from ~$80k/d. We note that the North Field Expansion Project-related rigs, including the three rigs recently purchased from Seadrill and the two Chinese rigs, are being deployed at day rates in excess of $100k/d currently. Moreover, GISS is listing a portion of its insurance subsidiary (Al Koot) in 2025, which could act as positive catalyst for the stock. We also expect DPS of QR0.175 and QR0.200 for 2024 and 2025, which translate into attractive dividend yields of 5.5% and 6.2%, respectively. The company is trading at compelling P/Es of 7.5x and 6.5x for 2024 and 2025. We have a TP of QR3.900 on the stock and an Outperform rating.
IGRD	6,172	*0%*	1.813	2.172	ACCUMULATE	*19.8%*	IGRD's is a longer-term play. Its value is primarily premised on future growth that is geared toward higher-margin sectors of healthcare, tourism and services, which are set to more than offset the slowdown in traditional sectors (construction and industries) as the economy matures. These growth areas are supported by the macro backdrop where Qatar is striving to reach "advanced economy" status by 2030. Traditional segments, to their credit, are finding new success offshore, which could improve their contribution to the group in the short- to medium-term. However, revenue/earnings from individual underlying business segments remain considerably volatile as new business launches are still in the ramp-up phase, and traditional businesses are establishing a new equilibrium following the heightened activity leading up to the 2022 World Cup. An area of concern, however, is the balance sheet leverage level, which is comparatively higher – granted that the group recently listed a cumulative QR650mn Sukuk. This, though, is being used to fund expansion projects internationally, and should be non-dilutive and earnings accretive in the longer horizon. Additionally, the group is on track to issue additional ~10% equity, further diluting holdings of current shareholders. Overall, we have an Accumulate rating with a QR2.172 PT. The company is trading at P/Es of 15.0x and 13.7x for 2024 and 2025, and we do not see it paying a dividend for the foreseeable future.
IQCD	79,437	*5.8%*	13.13	15.00	ACCUMULATE	*14.2%*	We expect IQCD to post a 12% growth in 2024 earnings on a normalized basis (2% reported earnings decline) followed by an 8% growth in 2025. Over 2023-2030, we expect a normalized earnings CAGR of ~4%. IQCD should benefit from the Blue Ammonia (Ammonia-7) project starting 2026, which could lead to ~10% earnings acceleration from our current estimates. The company is trading at 15.9x its 2025 EPS and has an attractive dividend yield (5.8%/6.3% for 2024/2025). IQCD has a bulletproof balance sheet with QR11.3bn in cash/equivalents (after QR4.7bn/QR1.9bn in 2023/1H2024 dividend payments) and zero long-term debt. We note that IQCD has sufficient cash to fund its entire capex outlay of QR10.8bn over 2024-2028. IQCD, on a proportionate basis, generated OCF of QR3.0bn and FCF of QR1.3bn in 9M2024. Net-net, given Industries Qatar's strong balance sheet, we expect the company to withstand difficult market conditions, while retaining dry powder to take advantage of opportunities (including considering a share buyback). IQCD's strong FCF generating ability (QR0.82/share on average over 2023-30, with an average yield of 6.2%), along with its large cash balances, also helps lower DPS volatility. We rate Industries Qatar an Accumulate and have a QR15.00 price target on the stock.
QEWS	17,050	*5.5%*	15.50	21.00	ACCUMULATE	*35.5%*	We like QEWS as a long-term play with a relatively defensive business model, especially given current market conditions. Essentially a capacity provider, QEWS takes on insignificant demand/costs/funding risks in its domestic operations, holding secure contracted assets with long-term (~25 years) fuel agreements/PWPAs and committed funding. This also leads to visible cash flows and a stable operating profile. QEWS enjoys decent EBITDA margins and dividend/FCF yields. Despite modeled compression, EBITDA margins could average ~36% (2023-27). Over 2023-27, dividend yields and FCF yields could average 5.7% and 9.3%, respectively. LT catalysts (not in our model) include Facility E (55% stake; power: 2.3 GW & water: 100 MIGD) that should start operating, in phases, from 2027. Nebras also has medium-term projects in the pipeline with capacity under construction of 3.2 GW (gross)/1.1 GW (net). We also expect DPS of QR0.86 and QR0.88 for 2024 and 2025, which translate into attractive dividend yields of 5.5% and 5.7%, respectively. The company is trading at compelling P/Es of 10.8x and 10.7x for 2024 and 2025. We have a target price of QR21.00 on the stock and an Accumulate rating.

Source: QNB FS Research

Key Qatari Stocks Under Coverage

Ticker	Mkt. Cap. (QR mn)	Div. Yield	Price (QR) Last	Price (QR) Target	Recommendation	Implied Return	Investment Thesis
Transportation							
GWCS	1,904	*3.4%*	3.249	3.900	ACCUMULATE	*20.0%*	GWCS is facing near-term challenges but we remain optimistic regarding the company's longer-term prospects. The company's longstanding GCEO Ranjeev Menon resigned from his position recently and has been replaced by Acting GCEO Matthew Kearns who was, most recently, the Country Manager of UAE Amazon - Logistics. We expect earnings to fall 16% in 2024 after a 10% decline in 2023 as the company continues to face pricing/occupancy weakness in Bu Sulba, along with high (although progressively easing) finance charges. Going forward, GWCS could benefit from several projects. We note that GWC Energy is targeting the offshore/onshore-integrated shipping, logistics and marine services market in Qatar/GCC and could benefit from increased NF activity as Qatar expands its LNG capacity from 77 MTPA to 142 MTPA by 2030. GWCS is also building a 15,000 m2 facility in Ras Laffan (December 2024 completion) to serve EPC contractors for the NF project. Having already entered the freight forwarding market in Saudi Arabia, the company is expanding its logistics operations - GWCS plans to develop 100,000 m2 of Grade A logistics facilities at Ras Al Khair Industrial Port and 200,000 m2 of Grade A logistics infrastructure in Riyadh, Jeddah and Dammam. GWCS's FLAG Oman operations also aims to serve as a vital hub for trade and supply chain solutions across the GCC and beyond. We also note that the company is looking to implement a QR2bn Sukuk program and is also looking into initiatives to reduce its overall debt burden. While these initiatives could well be earnings dilutive in the near term, they could help shore up the company's longer-term prospects. We do note that the stock continues to suffer from a lack of liquidity and sports a below-market dividend yield of 3.4%, which we feel needs to be addressed. GWCS trades at P/Es of 10.6x (2024) and 10.0x (2025). We rate Gulf Warehousing an Accumulate with a QR3.900 price target. With 2025 likely to be a year of transition, we believe investors would be interested in learning more about the company's regional expansion plans and the new Acting GCEO's vision and strategy.
QGTS	24,527	*3.4%*	4.427	5.600	OUTPERFORM	*26.5%*	Nakilat stands out as a true growth story, leveraged to the massive anticipated growth expected from Qatar's North Field Expansion project, with its: (1) current operations valued at QR4.100 a share; (2) upcoming fleet expansion of 27 conventional LNG vessels/4 VLGCs adding a QR1/share; and (3) recent contract win of 9 QC-Max LNG carriers adding another QR0.50/share. Nakilat remains a top pick and is a shipping pure play leveraged to the significant growth expected in Qatar's LNG. QGTS is presently involved in 75-80% of Qatar's current LNG exports. As QatarEnergy looks to increase LNG capacity from 77 MTPA to 142 MTPA, it has awarded contracts for 128 LNG ships (104 conventional & 24 QC-Max vessels). Nakilat has secured contracts for 25 conventional LNG ships and 9 QC-Max vessels (27% of total fleet expansion). We estimate these new conventional/QC-Max vessels should add QR1/QR0.50 to our target price and thus raised Nakilat's TP from QR4.10 to QR5.60 when these deals were announced in February/May of 2024. We envision a roughly 60% boost to our earnings estimates over 2026-2030 once all expansion is factored in. 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. Moreover, the 40-year life of Nakilat's existing vessels vs. maximum debt life of 25 years, could allow for value-enhancement. QGTS is trading at P/Es of 14.3x and 13.3x for 2024 and 2025. We rate Nakilat and Outperform with a QR5.600 target price.
QNNS	12,305	*3.7%*	10.83	13.30	OUTPERFORM	*22.8%*	We remain bullish on QNNS, which retains upside given its 36.3% ownership in QGTS and its exposure to Qatar's growing offshore services market. The stock, since we first started coverage in 2011, has usually traded at a significant discount to its sum-of the-parts, sometimes worth only the value of its investment stake in Nakilat and its equity/bond portfolio. This remains the case currently, with Milaha's "non-core" assets (its 36.3% stake in Nakilat + investment book), along with its net cash position, making up ~100% of Milaha's market cap. This implies that investors continue to get Milaha's "core" or operating businesses for almost free. Milaha's shares offer value and the company is enjoying a multi-year resurgence in its offshore segment (MO) that is leveraged to Qatar's massive North Field Expansion project. Moreover, while its maritime & logistics (MM&L) division is suffering from a drop in container shipping revenue (primarily on account of a ratcheting down in container shipping rates along with a decline in volumes) and a moribund logistics unit, YoY comparisons could get less challenging. A lack of large impairments in the future should also help Milaha's earnings trajectory and highlight its growth story to investors. QNNS trades at P/Es of 10.5x (2024) and 9.6x (2025). Milaha has an Outperform rating along with a target price of QR13.30.
Telecom							
VFQS	7,841	*6.5%*	1.86	2.30	OUTPERFORM	*24.0%*	VFQS continues to deliver impressive and profitable growth, posting CAGRs (2018-2023) of 8.2%, 17.1%, 35.6% and 17.1%, respectively, for revenue, EBITDA, EPS and DPS. Going forward, we are projecting CAGRs (2023-2028) of 2.5% (revenue), 3.5% (EBITDA), 6.5% (EPS) and 7.8% (DPS). We note over the previous five years or so, Vodafone Qatar's shares have rerated from nosebleed valuation territory to in-line-to-moderately expensive levels. The company's dividend yield also remains compelling - VFQS paid QR0.11 in DPS for 2023 (DY: 5.9%) – and we expect DPS to climb 9.1% YoY to QR0.12 (DY: 6.5%) in 2024. The company's longer-term growth prospects as a 2nd operator in a market of Qatar's size and dynamics is more of an open question: population size of 3.1mn, along with a mobile penetration of 150% as of September 2024; VFQS already has revenue market share (RMS) of 31.6% and customer market share (CMS) of 43.8% as of 3Q2024, with postpaid and prepaid subscriber market shares of 39.8% and 45.5%, respectively. We believe there is room for improvement (as of 3Q2024, VFQS has an EBITDA margin of 42.3% vs. ORDS's 53.3%, an ARPU of QR72.7 vs. ORDS's QR102.1, along with 556K high-ARPU/margin postpaid customers relative to Ooredoo's 841K postpaid subs). There also remains a significant 12pp differential between Vodafone Qatar's CMS and RMS. As VFQS demonstrates progress in closing this gap beyond our expectations, the stock could benefit. We are bullish on Vodafone Qatar and rate it an Outperform with a QR2.300 target price.

Source: QNB FS Research

Aggregate Earnings To Grow At 6.6% in 2024 & 10.2% in 2025 For Key Qatari Equities

Keeping with the YoY positive trend witnessed since 4Q2023, we forecast 4Q2024 earnings to grow 4.8% YoY for our coverage universe. Sequentially we see earnings declining by 12.1%. This follows a 7.8%/11.1% YoY/QoQ expansion in 3Q2024 aggregate QSE earnings. We see most of the YoY growth in 4Q2024 coming from banks, due to a combination of costs containment, flat- to- lower provisions and flattish margins, partially offset primarily by Industries Qatar (IQCD). However, banks lead the decline sequentially, mainly attributable to large credit provisions and impairments. *For more details, please see our earnings preview report.*

4th Quarter 2024 Estimates

				Net Income (QR mn)/EPS (QR)				Revenue (QR mn)		
	Price (QR)	Recommendation	Target (QR)	4Q2024e		YoY	QoQ	4Q2024e	YoY	QoQ
Ahli Bank (ABQK)	3.421	Market Perform	3.573	251.70	0.099	13.8%	-4.7%	473.30	3.7%	-8.5%
Baladna (BLDN)	1.262	Outperform	1.719	49.67	0.026	10.2%	22.4%	295.49	4.0%	11.8%
Commercial Bank of Qatar (CBQK)	4.171	Outperform	5.244	664.64	0.164	-9.4%	-13.7%	1,296.58	-8.9%	2.6%
Doha Bank (DHBK)	2.000	Accumulate	1.883	212.68	0.069	49.1%	-17.6%	716.36	3.1%	2.3%
Dukhan Bank (DUBK)	3.590	Market Perform	3.810	207.91	0.040	6.7%	-41.8%	640.46	-8.0%	-3.1%
Gulf International Services (GISS)	3.204	Outperform	3.900	226.32	0.122	N/M	4.7%	1,178.65	30.0%	2.2%
Gulf Warehousing Co. (GWCS)	3.249	Accumulate	3.900	32.67	0.056	-30.7%	-30.0%	407.59	9.3%	-8.0%
Industries Qatar (IQCD)	13.130	Accumulate	15.00	1,101.4	0.182	-22.8%	-7.3%	3,728.1	32.8%	3.2%
Estithmar Holding (IGRD)	1.813	Accumulate	2.172	74.84	0.022	65.8%	-34.7%	1,317.58	90.9%	0.7%
Masraf Al Rayan (MARK)	2.416	Market Perform	2.623	272.82	0.029	27.4%	-45.3%	872.73	10.0%	-7.0%
Qatar Electricity & Water (QEWS)	15.500	Accumulate	21.000	388.70	0.353	-12.1%	-23.7%	779.98	6.3%	-6.5%
Qatar Gas & Transport (QGTS)	4.427	Outperform	5.600	434.66	0.078	18.0%	-2.6%	908.68	0.6%	0.0%
Qatar International Islamic Bank (QIIK)	10.490	Market Perform	10.440	209.87	0.139	11.8%	-45.5%	504.12	3.3%	-4.5%
Qatar Islamic Bank (QIBK)	20.500	Accumulate	22.450	1,346.09	0.570	7.7%	12.2%	1,796.59	2.5%	5.8%
Qatar Fuel Co (QFLS)	14.900	Accumulate	18.590	271.81	0.273	0.0%	-6.1%	7,897.37	6.1%	7.7%
Qatar Navigation/Milaha (QNNS)	10.830	Outperform	13.300	258.91	0.228	61.4%	-10.4%	666.04	-6.8%	-4.5%
QLM Life & Medical Insurance (QLMI)	2.050	Accumulate	2.371	22.08	0.063	-4.9%	72.7%	326.98	5.3%	8.7%
Vodafone Qatar (VFQS)	1.855	Outperform	2.300	145.91	0.035	-1.4%	1.4%	812.72	0.0%	1.4%
Medicare Group (MCGS)	4.571	Accumulate	5.524	27.48	0.092	68.3%	4.1%	139.44	7.3%	12.9%
Meeza (MEZA)	3.120	Accumulate	4.025	13.11	0.020	-7.7%	8.2%	97.53	-12.7%	21.8%
Total				6,213.30		4.8%	-12.1%	24,856.30	10.4%	2.9%

Source: QNB FS Research

Based on our 2024 estimates, our coverage universe will grow aggregate earnings by 6.6% and total dividend payout by 1.5% (4.8% DY).

Full-Year 2024 Estimates

	Revenue (QR mn)			Net Income (QR mn)			EPS (QR)		P/E		DPS (QR)			
	FY2023	FY2024e	YoY	FY2023	FY2024e	YoY	FY2023	FY2024e	2023	2024e	FY2023	Yield	FY2024e	Yield
Ahli Bank (ABQK)	1,588.99	1,893.22	19.1%	771.91	832.70	7.9%	0.303	0.326	11.3	10.5	0.250	7.3%	0.250	7.3%
Baladna (BLDN)	1,056.76	1,154.51	9.3%	109.63	191.96	75.1%	0.058	0.101	21.9	12.5	0.070	5.5%	0.081	6.4%
Commercial Bank of Qatar (CBQK)	5,783.66	5,210.66	-9.9%	2,651.25	2,647.02	-0.2%	0.655	0.654	6.4	6.4	0.250	6.0%	0.250	6.0%
Doha Bank (DHBK)	2,829.36	2,745.27	-3.0%	560.24	690.51	23.3%	0.181	0.223	11.1	9.0	0.075	3.8%	0.075	3.8%
Dukhan Bank (DUBK)	2,444.03	2,580.22	5.6%	1,197.68	1,243.93	3.9%	0.229	0.238	15.7	15.1	0.160	4.5%	0.160	4.5%
Gulf International Services (GISS)	3,538.49	4,234.44	19.7%	391.79	798.90	103.9%	0.211	0.430	15.2	7.5	0.150	4.7%	0.175	5.5%
Gulf Warehousing Co. (GWCS)	1,508.30	1,599.08	6.0%	215.04	179.69	-16.4%	0.367	0.307	8.9	10.6	0.110	3.4%	0.110	3.4%
Industries Qatar (IQCD)	11,744.03	13,039.27	11.0%	4,720.14	4,621.45	-2.1%	0.780	0.764	16.8	17.2	0.780	5.9%	0.760	5.8%
Estithmar Holding (IGRD)	2,919.08	4,273.07	46.4%	347.75	410.58	18.1%	0.102	0.121	17.7	15.0	0.000	0.0%	0.000	0.0%
Masraf Al Rayan (MARK)	3,537.25	3,650.41	3.2%	1,369.43	1,476.01	7.8%	0.147	0.159	16.4	15.2	0.100	4.1%	0.100	4.1%
Qatar Electricity & Water (QEWS)	2,911.22	3,045.34	4.6%	1,551.44	1,577.62	1.7%	1.410	1.434	11.0	10.8	0.860	5.5%	0.860	5.5%
Qatar Gas & Transport (QGTS)	3,565.15	3,618.18	1.5%	1,557.83	1,710.08	9.8%	0.281	0.309	15.7	14.3	0.140	3.2%	0.150	3.4%
Qatar International Islamic Bank (QIIK)	1,974.42	1,982.67	0.4%	1,036.30	1,119.75	8.1%	0.685	0.740	15.3	14.2	0.450	4.3%	0.475	4.5%
Qatar Islamic Bank (QIBK)	6,521.41	6,728.43	3.2%	3,978.93	4,277.20	7.5%	1.684	1.810	12.2	11.3	0.725	3.5%	0.750	3.7%
Qatar Fuel Co (QFLS)	27,932.51	29,169.78	4.4%	983.96	1,043.11	6.0%	0.990	1.049	15.1	14.2	0.900	6.0%	0.950	6.4%
Qatar Navigation/Milaha (QNNS)	2,941.79	2,797.06	-4.9%	1,030.20	1,176.29	14.2%	0.907	1.035	11.9	10.5	0.375	3.5%	0.400	3.7%
QLM Life & Medical Insurance (QLMI)	1,123.64	1,202.29	7.0%	743.72	750.25	0.9%	0.212	0.214	9.6	9.6	0.125	6.1%	0.125	6.1%
Vodafone Qatar (VFQS)	3,110.82	3,199.63	2.9%	540.04	583.00	8.0%	0.128	0.138	14.5	13.4	0.110	5.9%	0.120	6.5%
Medicare Group (MCGS)	486.31	521.91	7.3%	65.70	63.51	-3.3%	0.233	0.226	19.6	20.3	0.220	4.8%	0.220	4.8%
Meeza (MEZA)	422.92	356.97	-15.6%	60.22	55.11	-8.5%	0.093	0.085	33.6	36.7	0.081	2.6%	0.081	2.6%
Total	87,940.13	93,002.43	5.8%	23,883.20	25,448.70	6.6%					Mkt. Cap. Weighted DY	4.7%		4.8%
											Mean DY	4.5%		4.7%

Source: QNB FS Research

For this year, we expect earnings growth to accelerate to 10.2% YoY, while dividends should grow by 9.9% (DY: 5.3%). We note that it is likely that the 15% Global Minimum Corporate Tax will be applied this year and will be levied on MNC's with annual revenue exceeding QR3bn and with income producing foreign operations. However, on a "like-for-like" basis (before taxes), earnings should show decent growth in 2025.

Full-Year 2025 Estimates

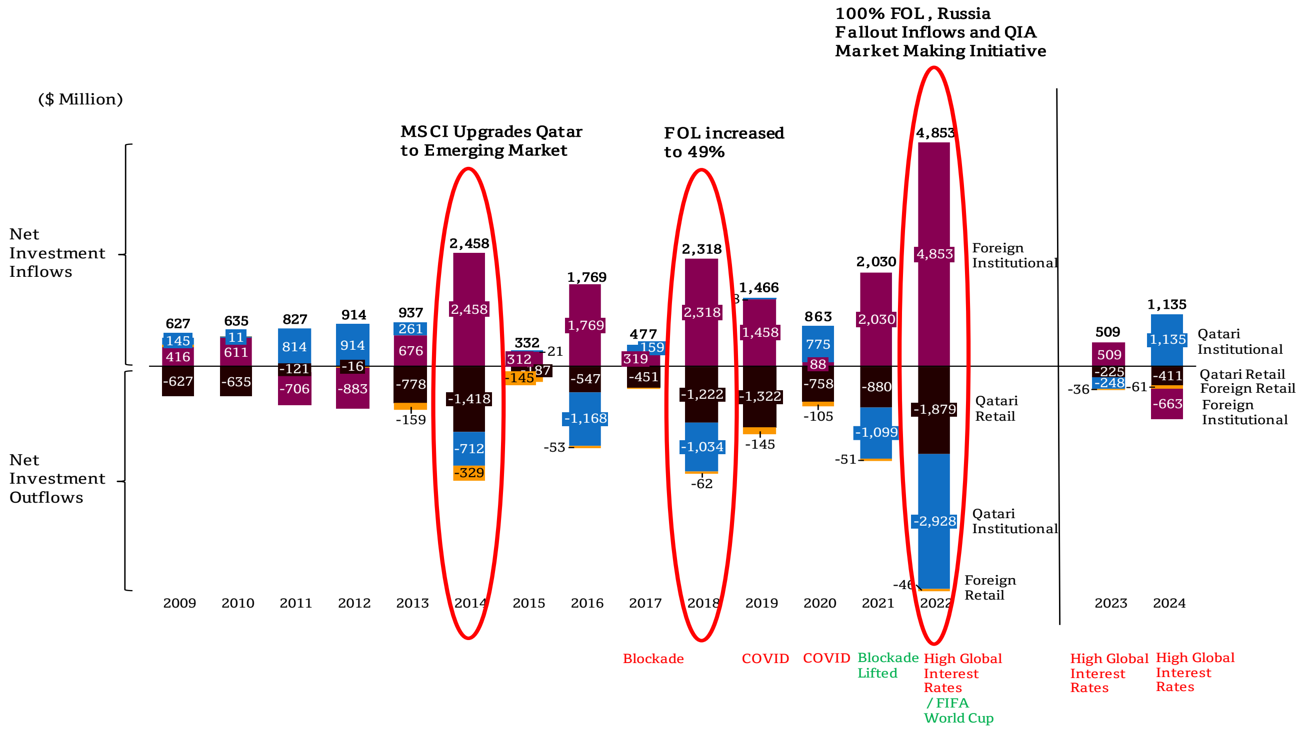
	Revenue (QR mn)				Net Income (QR mn)				EPS (QR)		P/E		DPS (QR)			
	FY2024e	YoY	FY2025e	YoY	FY2024e	YoY	FY2025e	YoY	FY2024e	FY2025e	2024e	2025e	FY2024e	Yield	FY2025e	Yield
Ahli Bank (ABQK)	1,893.22	19.1%	2,055.04	8.5%	832.70	7.9%	902.47	8.4%	0.326	0.354	10.5	9.7	0.250	7.3%	0.275	8.0%
Baladna (BLDN)	1,154.51	9.3%	1,175.57	1.8%	191.96	75.1%	214.48	11.7%	0.101	0.113	12.5	11.2	0.081	6.4%	0.090	7.2%
Commercial Bank of Qatar (CBQK)	5,210.66	-9.9%	5,884.40	12.9%	2,647.02	-0.2%	3,059.00	15.6%	0.654	0.756	6.4	5.5	0.250	6.0%	0.275	6.6%
Doha Bank (DHBK)	2,745.27	-3.0%	2,876.14	4.8%	690.51	23.3%	766.93	11.1%	0.223	0.247	9.0	8.1	0.075	3.8%	0.100	5.0%
Dukhan Bank (DUBK)	2,580.22	5.6%	2,836.11	9.9%	1,243.93	3.9%	1,377.08	10.7%	0.238	0.263	15.1	13.6	0.160	4.5%	0.180	5.0%
Gulf International Services (GISS)	4,234.44	19.7%	4,769.93	12.6%	798.90	103.9%	919.31	15.1%	0.430	0.495	7.5	6.5	0.175	5.5%	0.200	6.2%
Gulf Warehousing Co. (GWCS)	1,599.08	6.0%	1,713.82	7.2%	179.69	-16.4%	190.57	6.1%	0.307	0.325	10.6	10.0	0.110	3.4%	0.110	3.4%
Industries Qatar (IQCD)	13,039.27	11.0%	14,979.45	14.9%	4,621.45	-2.1%	5,002.51	8.2%	0.764	0.827	17.2	15.9	0.760	5.8%	0.830	6.3%
Estithmar Holding (IGRD)	4,273.07	46.4%	4,524.45	5.9%	410.58	18.1%	449.42	9.5%	0.121	0.132	15.0	13.7	0.000	0.0%	0.000	0.0%
Masraf Al Rayan (MARK)	3,650.41	3.2%	3,997.27	9.5%	1,476.01	7.8%	1,731.36	17.3%	0.159	0.186	15.2	13.0	0.100	4.1%	0.125	5.2%
Qatar Electricity & Water (QEWS)	3,045.34	4.6%	3,085.99	1.3%	1,577.62	1.7%	1,586.65	0.6%	1.434	1.442	10.8	10.7	0.860	5.5%	0.880	5.7%
Qatar Gas & Transport (QGTS)	3,618.18	1.5%	3,622.58	0.1%	1,710.08	9.8%	1,846.53	8.0%	0.309	0.333	14.3	13.3	0.150	3.4%	0.160	3.6%
Qatar International Islamic Bank (QIIK)	1,982.67	0.4%	2,123.97	7.1%	1,119.75	8.1%	1,211.17	8.2%	0.740	0.800	14.2	13.1	0.475	4.5%	0.500	4.8%
Qatar Islamic Bank (QIBK)	6,728.43	3.2%	7,326.05	8.9%	4,277.20	7.5%	4,755.69	11.2%	1.810	2.013	11.3	10.2	0.750	3.7%	0.800	3.9%
Qatar Fuel Co (QFLS)	29,169.78	4.4%	30,515.38	4.6%	1,043.11	6.0%	1,144.27	9.7%	1.049	1.151	14.2	12.9	0.950	6.4%	1.000	6.7%
Qatar Navigation/Milaha (QNNS)	2,797.06	-4.9%	3,015.46	7.8%	1,176.29	14.2%	1,285.39	9.3%	1.035	1.131	10.5	9.6	0.400	3.7%	0.425	3.9%
QLM Life & Medical Insurance (QLMI)	1,202.29	7.0%	1,288.79	7.2%	750.25	0.9%	788.62	5.1%	0.214	0.225	9.6	9.1	0.125	6.1%	0.130	6.3%
Vodafone Qatar (VFQS)	3,199.63	2.9%	3,275.71	2.4%	583.00	8.0%	634.42	8.8%	0.138	0.150	13.4	12.4	0.120	6.5%	0.135	7.3%
Medicare Group (MCGS)	521.91	7.3%	543.34	4.1%	63.51	-3.3%	101.20	59.3%	0.226	0.360	20.3	12.7	0.220	4.8%	0.339	7.4%
Meeza (MEZA)	356.97	-15.6%	414.92	16.2%	55.11	-8.5%	67.82	23.1%	0.085	0.105	36.7	29.9	0.081	2.6%	0.100	3.2%
Total	93,002.43	5.8%	100,024.36	7.6%	25,448.70	6.6%	28,034.87	10.2%					Mkt. Cap. Weighted DY	4.8%		5.3%
													Mean DY	4.7%		5.3%

Source: QNB FS Research

QSE Historical Investment Flows

- **Historically there has been a rapid shift in investment flows with foreign institutional investors turning net buyers, primarily taking-off with the MSCI announcement in 2013 and the upgrade in 2014 to Emerging Market status.** Foreign institutional investors' net long positions reached QR2.3bn in 2018 as FOL limits for stocks were raised to 49% and rose as high as $4.85bn in 2022 as FOL limits for stocks were increased further to 100%. Inflows from the Russia fallout and the QIA market making initiatives also attracted foreign investors.

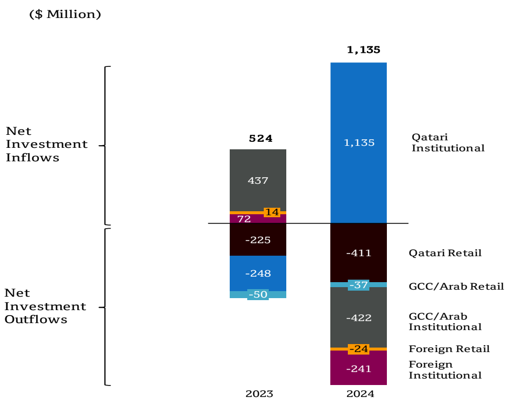
QSE Historical Investment Flows (2009-2024)



Source: QSE; QNBFS Research

- **A further detailed investor breakdown of recent developments in 2023 and 2024 in investment flows show the shift of GCC/Arab institutional investors and foreign institutional investors from net long positions in 2023 to net short positions in 2024 while Qatari institutional investors became net buyers.** Overall, in 2024 Qatari institutional investors were net long by $1,135mn, while GCC/Arab institutional investors were short by $422mn, Qatari retail investors short by $411mn and foreign institutional investors short by $241mn. **Overall, even as net investment inflows gathered pace in 2024, net investment outflows mainly from GCC/Arab and foreign institutional investors were partially triggered by the ongoing regional geopolitical conflicts; however, overall traded value has increased in recent years and continued to show momentum.**

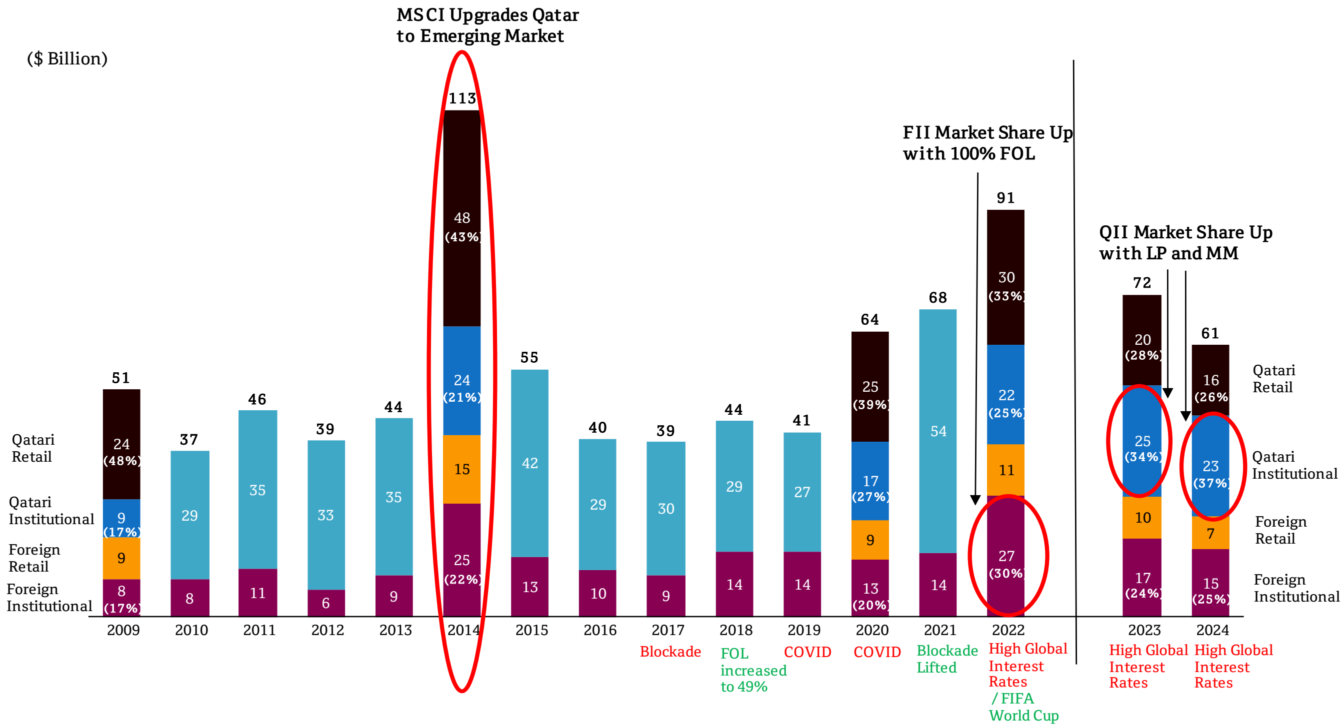
QSE Investment Flows (2023-2024)



Source: QSE; QNBFS Research

- Overall traded value has increased significantly in recent years, consistently trading above $60bn annually from 2020 to 2024. Additionally there has been an increase in the share of trading by Qatari institutions, which has increased from 17% of total in 2009 to 37% in 2024. Foreign institutional investors increased their share from 17% in 2009 to a high of 30% in 2022 as FOL limits for stocks were raised to 100%.

QSE Historical Traded Value (2009-2024)

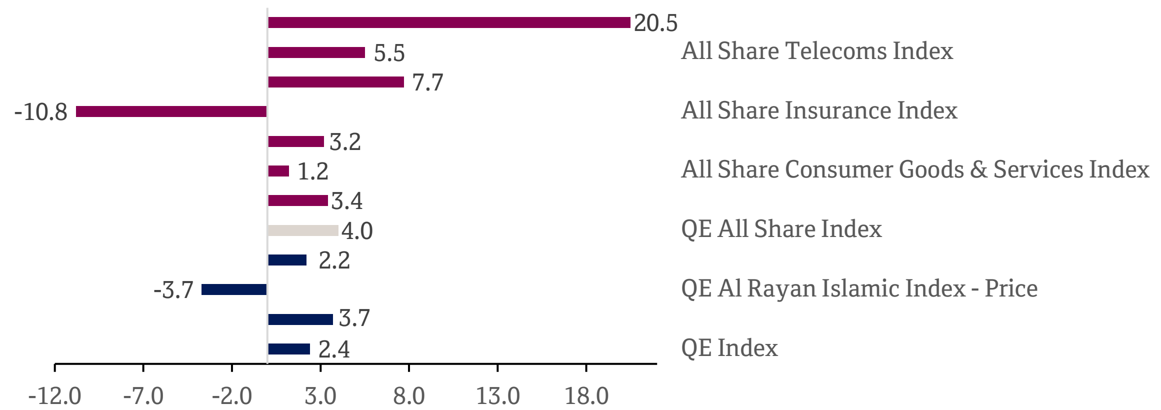


Source: QSE; QNBFS Research

Trading Performance Review (2024)

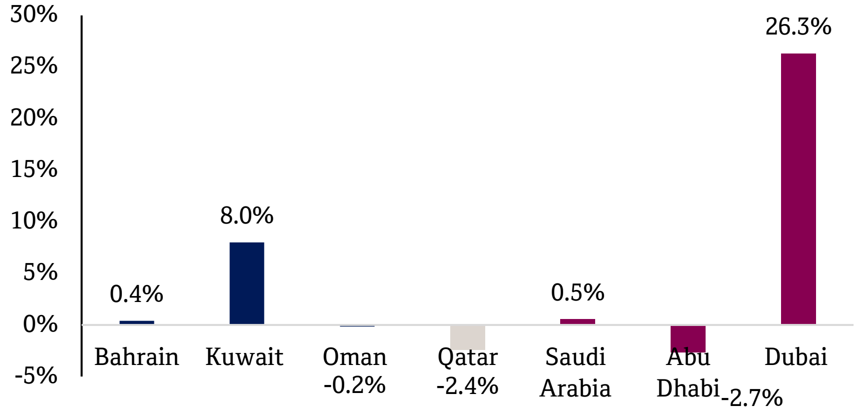
The Qatar Exchange Index shrunk 2.4% (total return: -3.7%) in 2024, similar to the Abu Dhabi General Index, which slipped 2.7%. On the other hand, the Dubai General Index shot up 26.3%. The index staged a significant recovery of almost 14% from its closing lows of 9,279.05 in late May to close the year at 10,517.09. Market capitalization fell slightly by 0.6% YTD to QR620.9bn in 2024 vs. QR624.6bn in 2023. The QE All Share Insurance Index dragged the market as it declined by 10.8%, while all other sectors grew by the end of the year. The QE All Share Transportation Index registered a substantial growth of 20.5%, outshining its peers. **Trading value dropped by 14.9% to QR106.6bn during 2024 vs. QR125.3bn in 2023. Furthermore, trading volume slipped to 38.2bn in 2024 vs. 44.6bn in 2023 (-14.4%).** The year welcomed Al Faleh Educational Holding Company (FALH) to the QE main market as part of the Consumer Goods & Services Sector. In terms of trading movement by type of investor, local institutional investors were the leading net buyers during 2024, buying QR39.5bn in equities while foreign institutions were the leading net sellers with around QR24.0bn in value sold during the year.

QSE Total Return Indices Performance in 2024 (YoY %)



Source: Bloomberg, QNBFS

GCC Equity Indices Performance (2024)



Source: Bloomberg, QNBFS

Selected Metrics for Qatar Stock Exchange (2024)

QSE Top Gainers	Close	2024 %	Vol. (mn)	Mkt. Cap (QR mn)
ERES	1.056	23.1%	2,793.2	28,010.4
GISS	3.328	20.6%	1,271.4	6,184.8
QGTS	4.149	17.9%	1,000.0	22,986.6
MEZA	3.275	14.2%	161.4	2,125.4
QNNS	10.99	13.3%	225.1	12,486.5
DHBK	1.991	8.8%	1,035.6	6,173.0
GWCS	3.370	7.6%	324.6	197.5
BLDN	1.317	7.6%	1,878.8	2,503.6
NLCS	0.780	7.0%	1,096.1	385.9
UDCD	1.123	5.5%	1,678.5	3,976.4

QSE Top Losers	Close	2024 %	Vol. (mn)	Mkt. Cap (QR mn)
MKDM	3.590	(30.4%)	52.6	592.4
CBQK	4.350	(29.8%)	806.8	17,605.6
QOIS	0.702	(26.2%)	288.2	221.1
QGRI	1.153	(21.6%)	98.5	1,009.0
AKHI	2.389	(19.6%)	454.2	609.9
MRDS	0.584	(19.2%)	2,068.4	584.0
QATI	2.123	(18.0%)	172.2	6,933.9
FALH	0.695	(17.9%)	534.0	166.8
QLMI	2.065	(17.4%)	65.0	722.8
QCFS	2.400	(17.2%)	0.9	150.7

QSE Top Vol. Trades	Close	2024 %	Vol. (mn)	Mkt. Cap (QR mn)
QAMC	1.212	(13.4%)	3,560.1	6,763.1
MARK	2.463	(7.2%)	2,866.0	22,905.9
ERES	1.056	23.1%	2,793.2	28,010.4
MPHC	1.495	(16.4%)	2,272.9	18,781.9
MRDS	0.584	(19.2%)	2,068.4	584.0
DUBK	3.695	(7.0%)	2,025.2	19,340.0
BLDN	1.317	7.6%	1,878.8	2,503.6
QGMD	1.370	(5.6%)	1,736.1	158.2
UDCD	1.123	5.5%	1,678.5	3,976.4
VFQS	1.830	(4.0%)	1,278.7	7,735.4

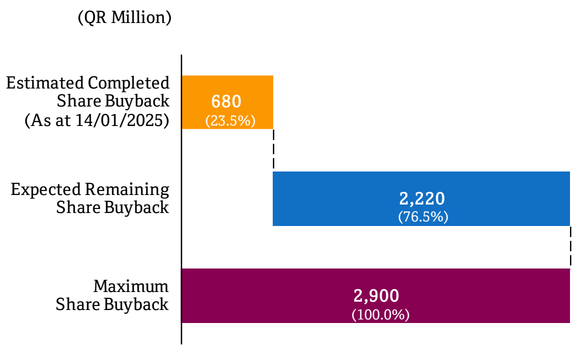
QSE Top Val. Trades	Close	2024 %	Val. (QR mn)	Mkt. Cap (QR mn)
QNBK	17.29	4.6%	13,092.6	159,697.8
DUBK	3.695	(7.0%)	7,760.9	19,340.0
IQCD	13.27	1.5%	7,136.2	80,283.5
MARK	2.463	(7.2%)	6,916.4	22,905.9
QIBK	21.4	(0.7%)	6,763.3	159,697.8
QAMC	1.212	(13.4%)	4,687.4	6,763.1
QGTS	4.149	17.9%	4,090.4	22,986.6
MPHC	1.495	(16.4%)	3,933.9	18,781.9
GISS	3.328	20.6%	3,888.0	6,184.8
ORDS	11.55	1.3%	3,555.9	36,997.0

Source: QSE, Bloomberg

QNB Share Buyback Program

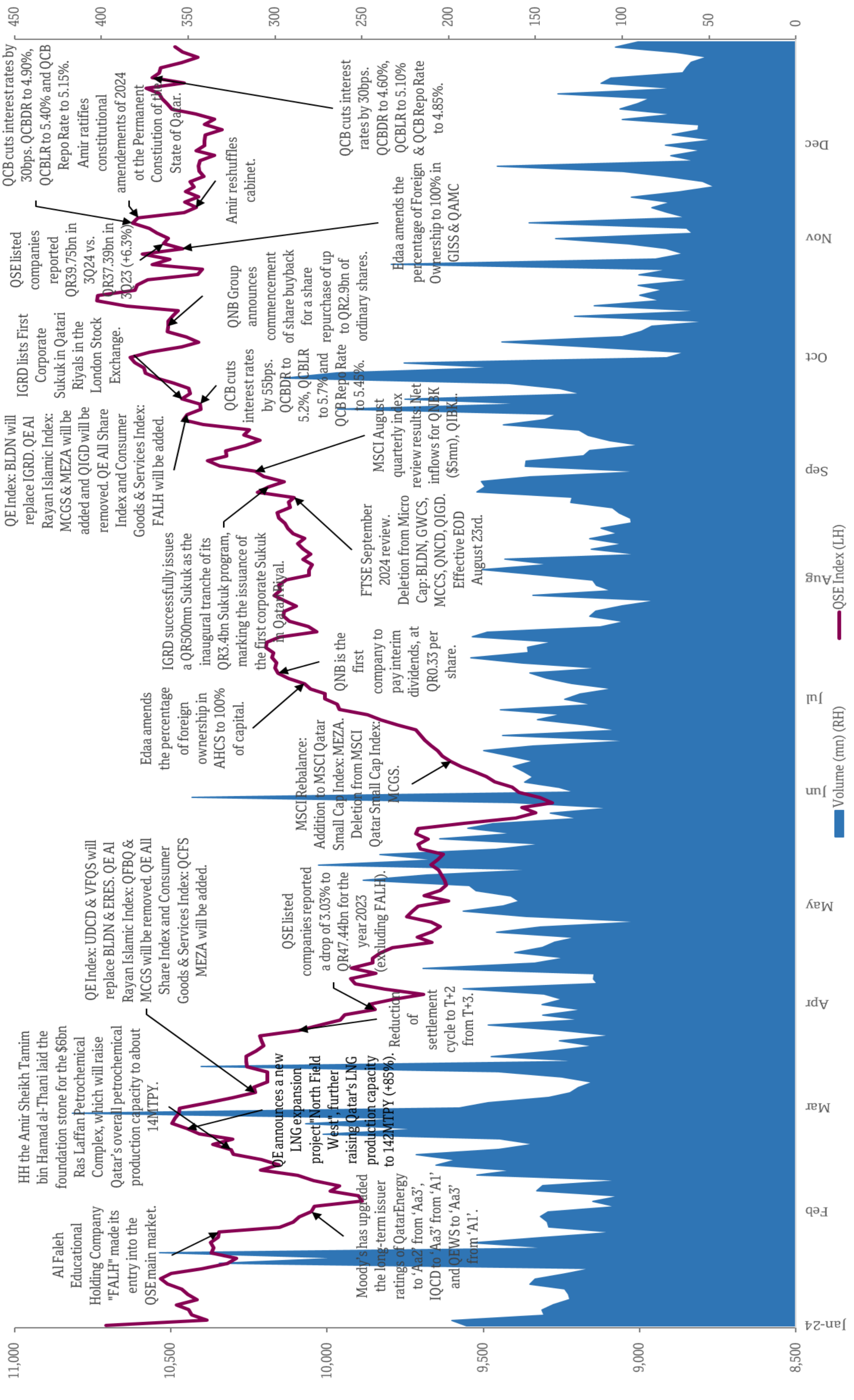
- **QNB Group announced/approved a QR2.9bn share buyback program in September** – it had bought back 38.58mn shares by January 14, 2025, at an estimated value of QR680mn. The VWAP of QNB's stock has appreciated ~16%, on average, since the share buyback program was announced. QNBK led the market when it initiated interim dividends; thus, it is possible that other companies could also follow the share buyback initiative.

QNB Share Buyback Program



Source: QSE

QSE Index Performance, Volume & Major Events

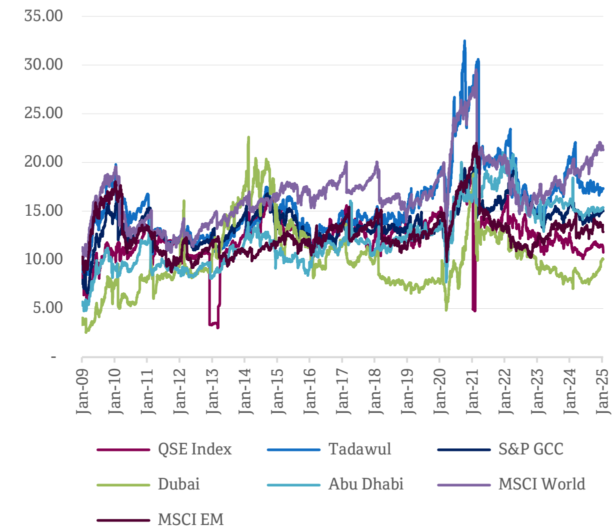


Source: QSE; Bloomberg and QNBFS Research

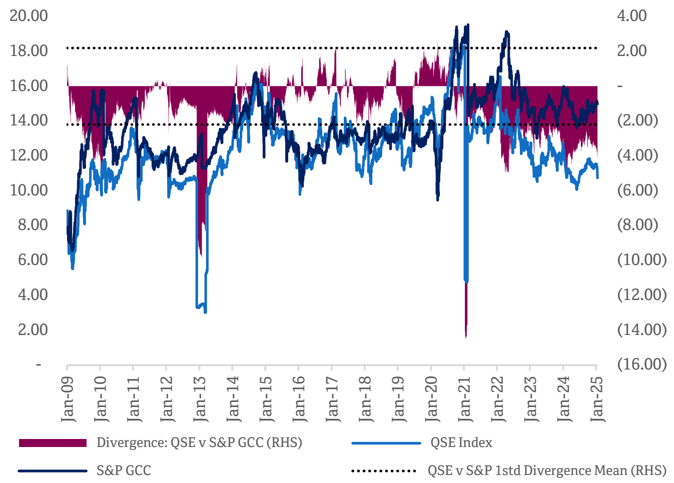
Thesis 1 Expanded: Mean Reversion Possible With The QSE ~1.9 SD Below Divergence Mean

- ***We are of the view that statistical arbitrage could drive QSE's near-term returns – a contrarian investment strategy that exploits temporary deviations in prices with a focus on mean reversion.*** Under the two regimes (post-GFC and post-COVID) we studied, we note the QSE Index has been highly correlated with the composite regional market (S&P GCC Composite LargeMid Cap Index) in both instances – we have confidence that this relationship should continue to hold. We therefore hypothesize that the divergence in the relative prices should revert to their historical means in the foreseeable future. For Qatari stocks, this means equities are likely to go up to realign with their historical relative price ratios with peers.
- **We believe the reversion to mean thesis is well founded, supported by attractive valuations across the local market relative to the region and historically.**

Forward PE: QSE Vs. Various Indices



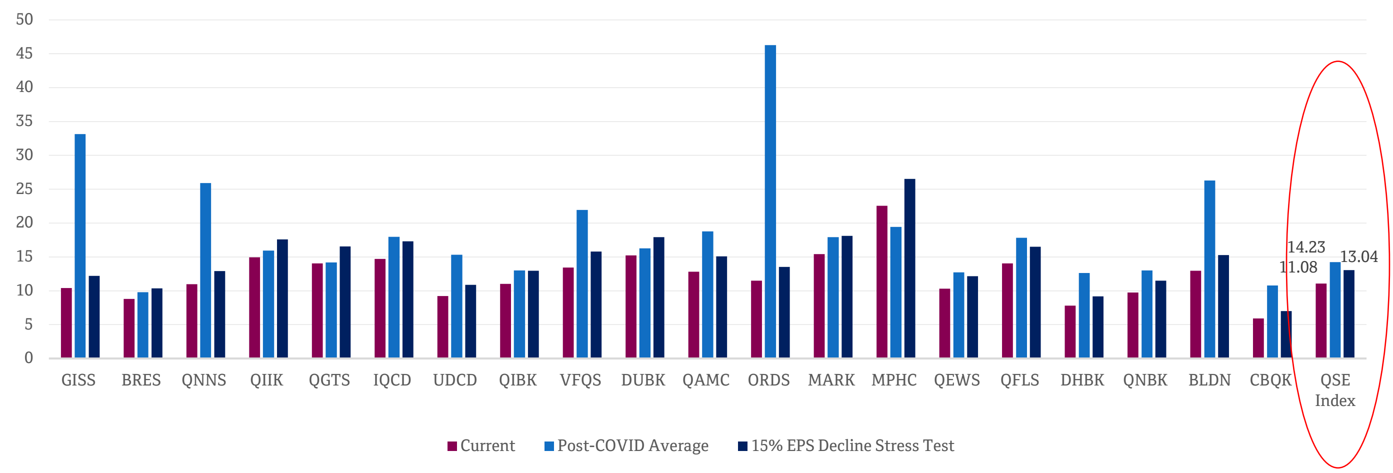
Forward PE: QSE Vs. S&P GCC



Source: Bloomberg, QNBFS Research

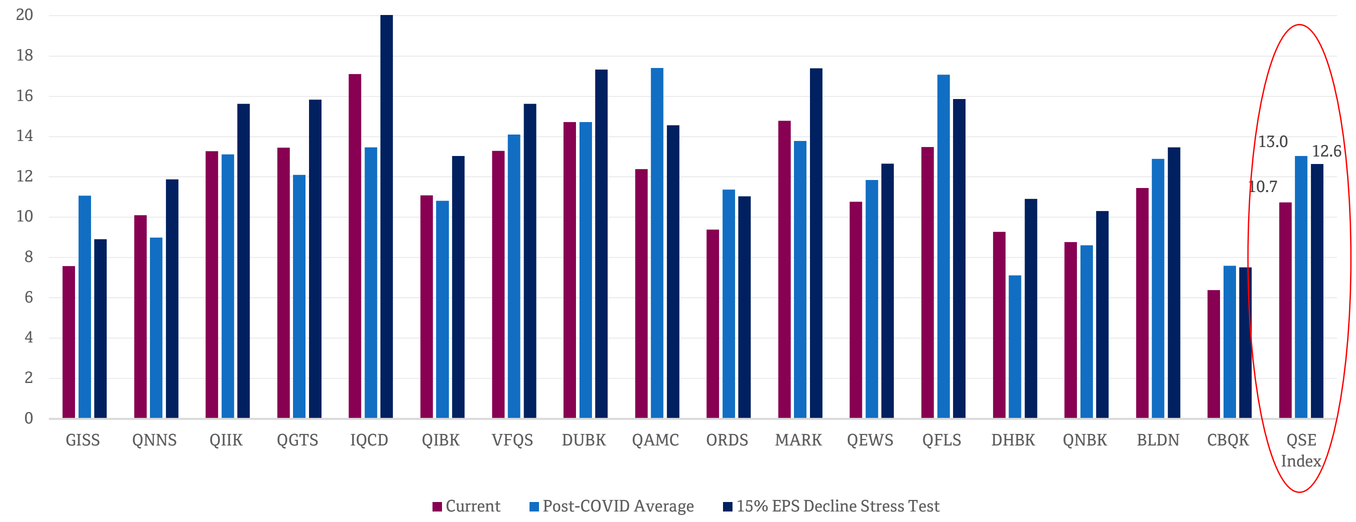
- **Historically, the QSE mispricing has remained below the 1std divergence mean only 24% of the time – currently it is ~1.9std below the divergence mean.** An analysis of the individual components of the QSE Index sheds more light on deep value attributes exhibited at a stock level. Even after assuming a 15% haircut to earnings in the next 12 months due to the GMT, valuations remain compelling as they remain below the historical averages for many companies. **On average, the market looks attractive with the stress-tested QSE Index FPE ratio at 12.6x, printing lower than the post-COVID average of 13.0x.**

Stress Testing for 15% GMT: L12M Reported PE Analysis Of The QSE Index Constituents



Source: Bloomberg, QNBFS Research; Note: Post-COVID averages for ORDS, QNNS and GISS are negatively affected by one-offs, such as impairments

Stress Testing for 15% GMT: N12M Reported PE Analysis Of The QSE Index Constituents

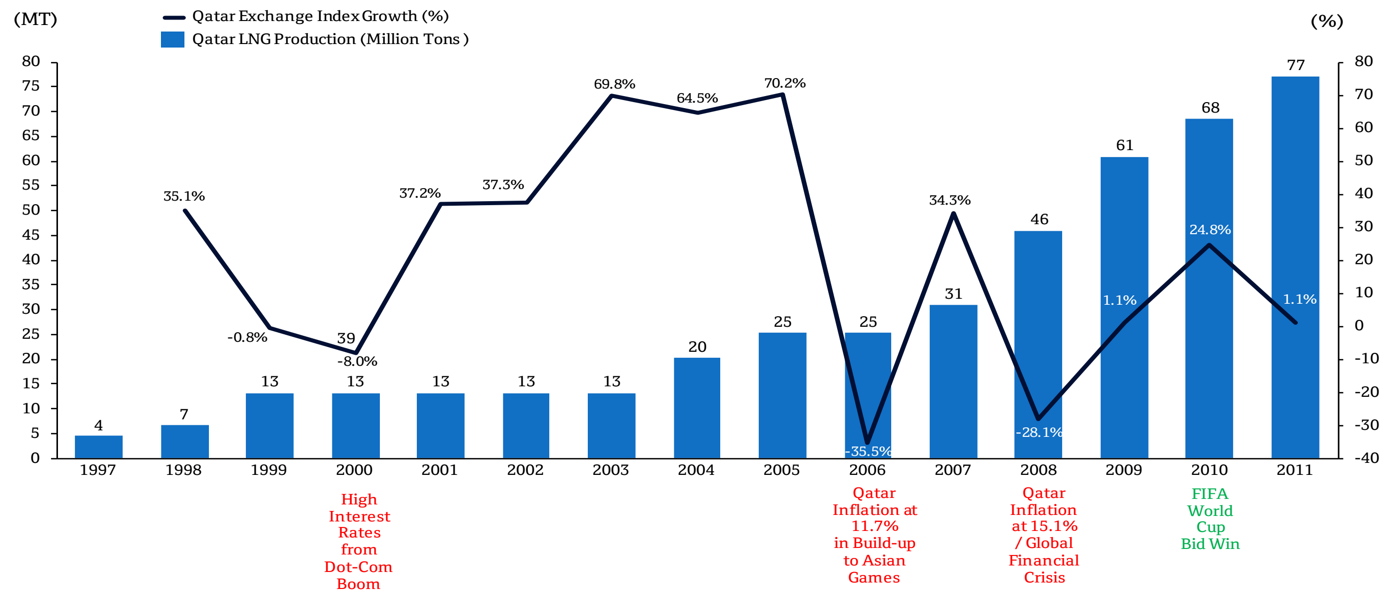


Source: Bloomberg, QNBFS Research; Note: Post-COVID averages for ORDS, QNNS and GISS are negatively affected by one-offs, such as impairments; While BRES, UDCD & MPHC are part of the QSE Index, they have been excluded from the analysis due to lack of data.

Thesis 4 Expanded: Significant LNG Expansion Could Boost Qatari Equities

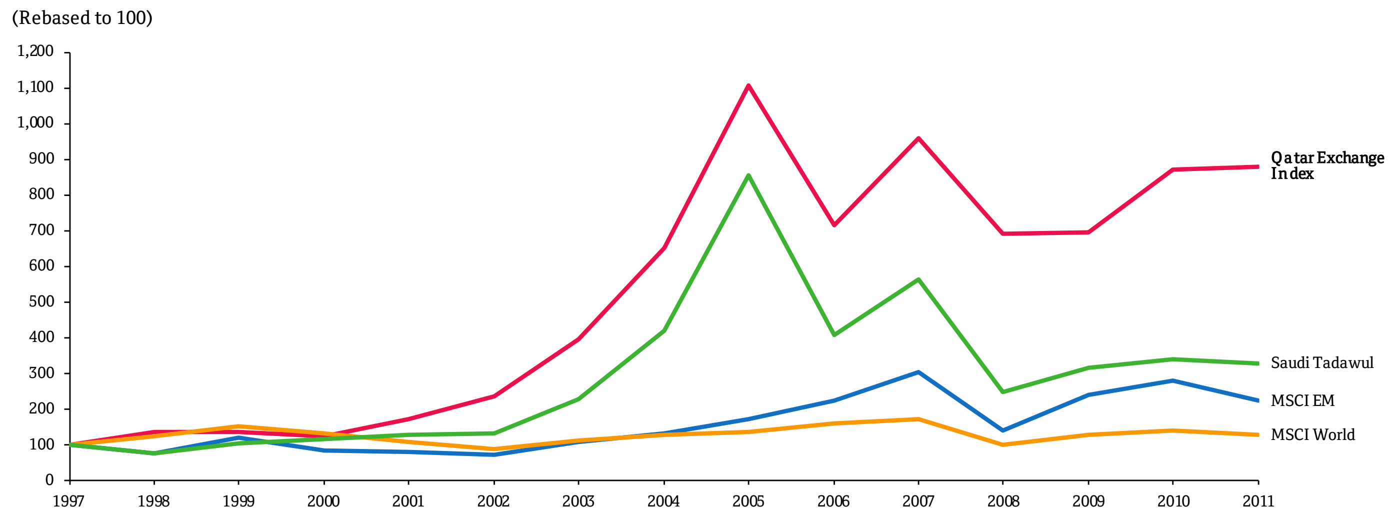
- **Looking at the initial LNG development/growth phase from 1997-2011 wherein LNG output grew from 4 Million Tons Per Annum (MTPA) in 1997 to 77 MTPA in 2011, we see a significant growth in the QSE Index. The QSE Index had cumulative growth of 303.1% during the period 1997-2011, compared to a growth of 266.1% for the Saudi Tadawul Exchange Index, 177.5% for the MSCI Emerging Markets Index and 56.5% for the MSCI World Index.** Although we do note that other major events such as the opening up of the equity market to foreign investors, high interest rates, high inflation, the global financial crisis and the FIFA World Cup bid win, among others, did occur during the period, our calculations take a somewhat simplistic approach during the review period from 1997-2011.

Qatar LNG Growth Phase 1997-2011



Source: QSE, QNBFS Research

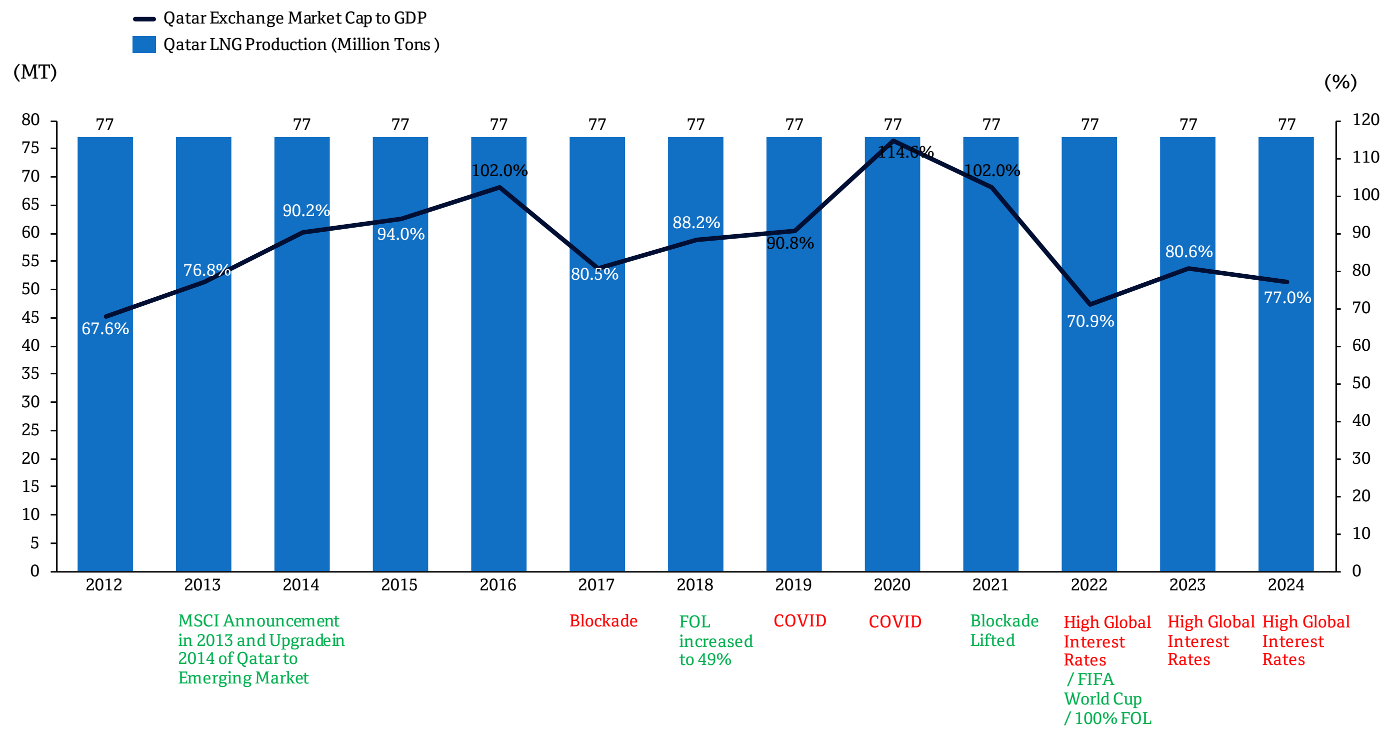
QE Index Growth Comparison During Qatar LNG Growth Phase



Source: QSE, QNBFS Research

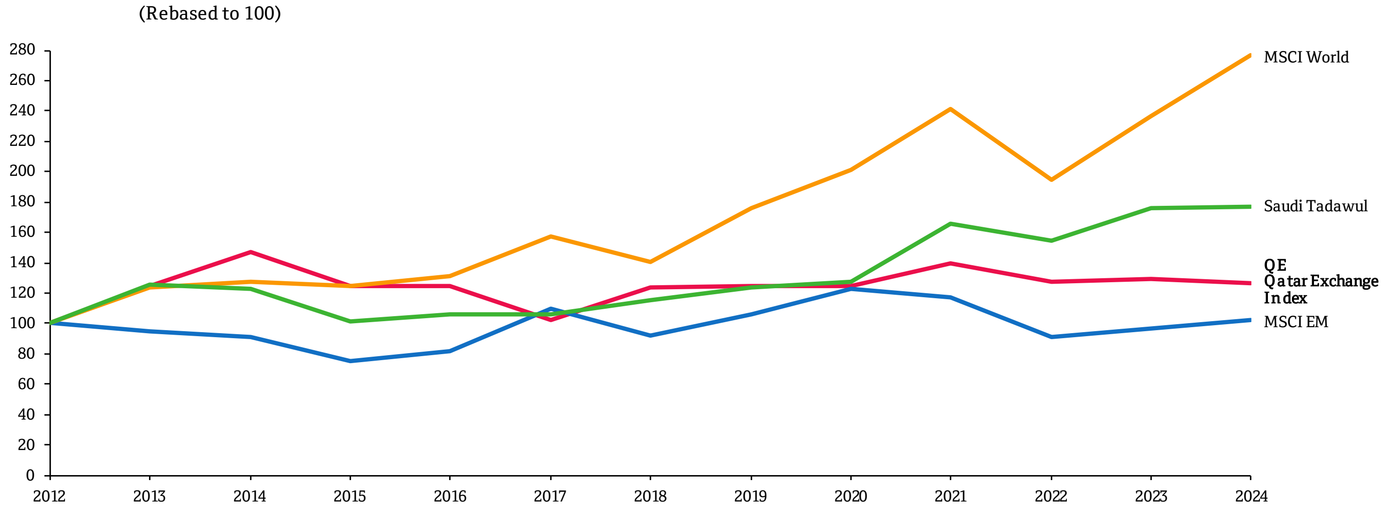
- **During the LNG steady phase from 2012 to 2024 wherein LNG output stood at 77 MTPA, we do not see the high growth rates in the QSE Index witnessed in the LNG growth phase.** The Qatar Exchange Index had a cumulative growth of 29.2% during the period 2012-2024, compared to a growth of 67.2% for the Saudi Tadawul Exchange Index, 16.1% for the MSCI Emerging Markets Index and 118.0% for the MSCI World Index. Although we do note that other major events such as Qatar's MSCI upgrade to Emerging Markets status, the blockade, increase in FOL limits, the COVID-19 pandemic, the FIFA World Cup and high global interest rates, among others, did occur during the period, our calculations take a somewhat simplistic approach during the review period from 2012-2024.

Qatar LNG Steady Phase 2012-2024



Source: QSE, QNBFS Research

QE Index Growth Comparison During Qatar LNG Steady Phase



Source: QSE, QNBFS Research

- **A sizeable amount of Qatar's expected annual LNG capacity increase has already been signed-off in long-term supply contracts with an average contract length of 22.5 years**. The demand for Qatar's gas is expected to 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

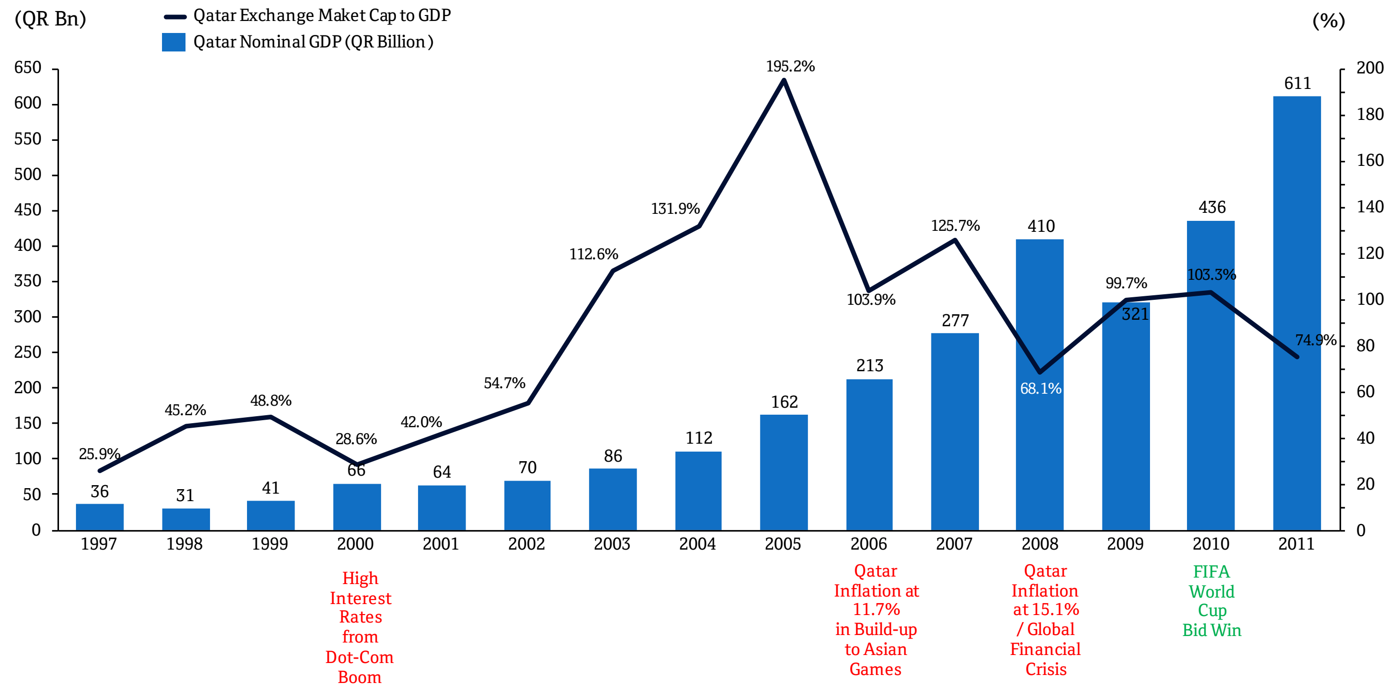
New LNG Supply Agreements between Qatar and Various Partners

Partner	MTPA	Term
CPC Corporation (Taiwan)	4.0	27 years
China Petroleum Corporation (Sinopec)	3.0	27 years
Eni - Italy	1.0	27 years
Shell - Netherlands	3.5	27 years
TotalEnergies - France	3.5	27 years
China National Petroleum Corporation (CNPC)	4.0	27 years
Bangladesh Oil, Gas and Mineral Corporation (Petrobangla)	1.8	15 years
Conocophillips - Germany	2.0	15 years
China Petroleum Corporation (Sinopec)	4.0	27 years
China Petroleum Corporation (Sinopec)	2.0	10 years
Kuwait Petroleum Corporation (KPC)	3.0	15 years
Shell - China	3.0	N/A
Petronet - India	7.5	20 years
Excelerate Energy - Bangladesh	1.0	15 years
Total/Average	43.3	22.5 years*

Source: QatarEnergy, QNBFS Research; *Based on available data

- **During the LNG growth phase from 1997-2011, GDP grew by around 17 fold and Qatar Exchange market cap-to-GDP progressed from 26% in 1997 to heights of 195.2% in 2005.** The Qatar Exchange market cap grew by a cumulative 555% from 1997-2011, while nominal GDP grew by 347%.

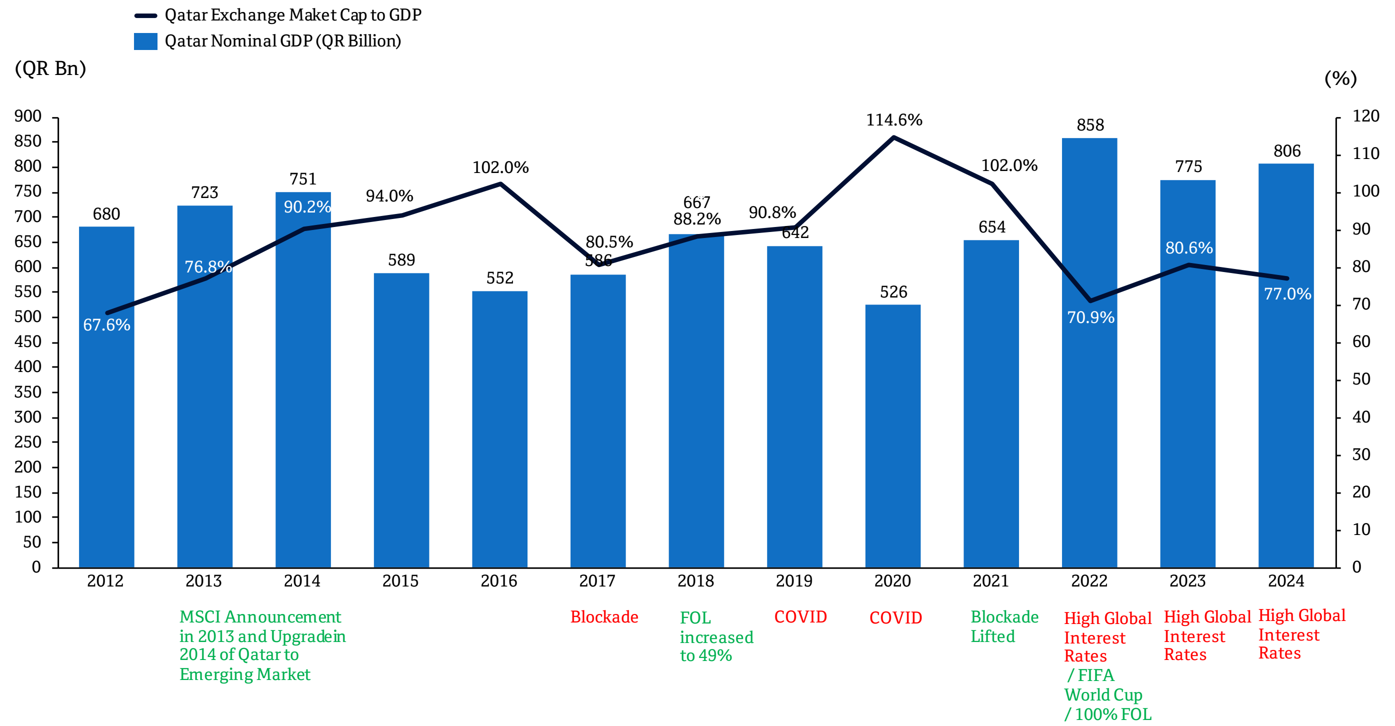
Qatar LNG Growth Phase 1997-2011



Source: QSE, QNBFS Research

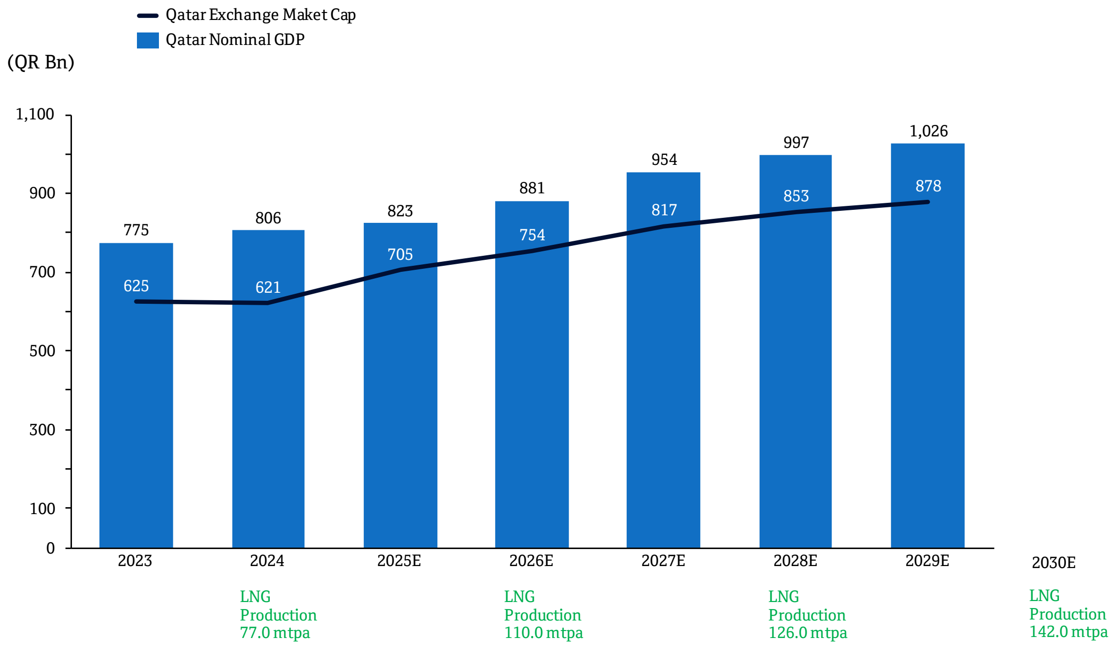
- **Looking at the market cap-to-GDP progression during the LNG steady phase from 2012-2024, we see more steady market cap-to-GDP rates.** Even as LNG steadied from 2012 onward, there were other market factors such as the MSCI Upgrade and FOL increases that led to decent market cap growth rates. Both, the Qatar Exchange Market Cap and nominal GDP grew by a cumulative 42% from 2012-2024. This compared to a cumulative of 555% and 347% respectively for the Qatar Exchange Market Cap and nominal GDP during the LNG growth phase. . **Looking forward, given the average market cap-to-nominal GDP of 86% and IMF's nominal GDP estimate of QR1trn by 2029, we infer that QSE's market cap could reach QR878bn by 2029 from QR621bn at end-2024, a CAGR of 7.2%.**

Qatar LNG Steady Phase 2012-2024



Source: QSE, QNBFS Research

Qatar Stock Exchange Vs. Nominal GDP Forecast



Source: QSE, IMF, QNBFS 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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