# QNBFS Alert – GISS Announces QR1.6bn Onshore Contract Extension; Raising Estimates and PT to QR129

- **GDI announces 5-year contract extension for GDI 1-4 land rigs.** GDI announced that four of its contracts with Qatar Petroleum (QP), covering the provision of the onshore rigs GDI-1, GDI-2, GDI-3 and GDI-4, were extended for an additional five years with effect from 2Q2014. The cumulative value of these contract extensions (including income from ancillary services) is worth QR1.6bn. These rigs have been working exclusively for QP in the Dukhan oilfields since they were first acquired. The 1500hp rigs, GDI-1, GDI-2 and GDI-4, commenced operations in 2004, 2005 and 2006, respectively, while the 1000hp rig, GDI-3, began operating in 2008.

- **Deal extension terms imply 2x existing land rig rates.** While the extension value includes one-off charges, taking into account the overall value, the daily rate for each of these four rigs works out to around $60k/d. This is almost double the $30.4k/rig for the existing land fleet as of 2013.

- **Increasing estimates by an average of 3-5%.** As a result of this new extension, we are increasing our revenue forecast to QR3.81bn vs. QR3.73bn for 2014. Moreover, we also raise top-line estimates for 2015 (QR4.92bn vs. QR4.77bn) and 2016 (QR5.27bn vs. QR5.05bn). Consequently, our 2014 EBITDA increases to QR1.41bn vs. QR1.36bn. Moreover, our 2015 EBITDA increases to QR1.73bn vs. QR1.66bn. Furthermore, our 2016 EBITDA increases to QR1.87bn vs. 1.76bn. Our net profit estimates change from QR981mn to QR1.01bn (2014), from QR1.08bn to QR1.12bn (2015), and from QR1.15bn to QR1.21bn (2016). We note that these revisions are subject to change pending discussion with GISS management.

- **Increasing price target to QR129 from QR121; maintain Outperform rating.** We recently raised GISS' estimates and PT factoring in recent deals (again on extremely attractive terms) for the Dukhan (offshore) and the GDI 7/8 (land) rigs. Thus new contract extension prompts us to raise our price target further to QR129. Our price target implies 27.3% upside.

| Recommendations<br>*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<br>*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 |

**Saugata Sarkar**
Head of Research
+974 4476 6534
saugata.sarkar@qnbfs.com.qa

**Abdullah Amin, CFA**
Senior Research Analyst
+974 4476 6569
abdullah.amin@qnbfs.com.qa

**Shahan Keushgerian**
Senior Research Analyst
+974 4476 6509
Shahan.keushgerian@qnbfs.com.qa