Gulf International Services (GISS)

Recommendation	**ACCUMULATE**	**Risk Rating**	**R-3**
Share Price	**QR87.90**	**Target Price**	**QR101.51**
Implied Upside	**15.5%**		

Room to Grow; Initiating Coverage with Accumulate

GISS provides investors indirect exposure to some of the key operations of Qatar Petroleum (QP). *Present across a major portion of QP's value chain, GISS offers oil & gas drilling services, helicopter charters & other services, insurance & reinsurance products and catering services, primarily to QP. This has resulted in robust top-line and bottom-line growth profiles and we expect this momentum to persist; we estimate revenue and earnings CAGRs of 27.3% and 16.2% over 2013-16e, respectively. Moreover, 2014 top-line and EPS should expand by 59.8% and 42.3%, respectively, boosted by the buyout of a ~30% minority stake in the company's drilling division. Hence, we initiate coverage with an Accumulate rating.*

Highlights

- **Addition of three assets and acquisition of a ~30% minority stake should propel GDI momentum.** We expect two additional offshore jack-up rigs to begin contributing later this year (Msheireb in May & Dukhan in 4Q), along with a hybrid accommodation lift boat (Rumailah in 2Q). This should boost the company's overall drilling portfolio to 15 rigs (9 offshore/6 onshore), two lift boats and one accommodation barge. Fleet additions, along with increases in offshore rig rates should bolster revenue -- average daily rates climbed to ~$119k in 2013 vs. ~$98k in 2012 benefitting from higher spot oil prices and new rig contracts at higher rates for Al-Jassra and Leshat; we forecast a CAGR of almost 2% in offshore rig rates over 2013-16. Purchase of the remaining ~30% ownership in GDI ($160mn deal price vs. $330mn fair value, according to management) should be effective from May 1, 2014 and allow the full impact of GDI to flow through. *Overall, we expect the top-line and bottom-line to grow at CAGRs of 15.6% and 15.8%, respectively, for 2013-16. GDI should account for QR2.0bn in revenue (42.4% of overall revenue), QR962.9mn (59.1%) in EBITDA and QR545.9mn (50.6%) in net income by 2016.*
- **Aviation business should expand fleet size ~30% by adding 15 helicopters by 2018.** Overall, the fleet size should grow to 51 in 2016 from 44 last year and despite the discontinuation of the company's emergency medical services operation (2 choppers) in early 2014, *we expect top-line and bottom-line CAGRs of 7.1% and 5.7%, respectively, for 2013-16.*
- **Overall, we project revenue and net income to grow, at an average, 27.3% and 16.2%, respectively, over 2013-16.** For 2014, we project hikes in revenue and earnings as GDI is consolidated 100% on a line-for-line basis from May 1 vs. being recorded as joint venture income (equity method at ~70% ownership).

Catalysts

- **Expansion in offshore and potential rig contract re-pricing:** Renewals for Al-Wajbah and Al-Khor later this year could provide newsflow catalysts given our expectation of improved pricing terms**.** Further, with a ~50% market share in offshore Qatar, GDI retains significant long-term potential to expand its footprint. On the catering front, Amwaj should benefit when major projects, such as Barzan (initial phase in 2015), Al Sejeel (2018) and Al Karaana (2018) come on-line.

Recommendation, Valuation and Risks

- **Recommendation and valuation: *We rate GISS an Accumulate with a price target of QR101.51.*** GISS is trading at 2015 P/E and EV/EBITDA multiples of 15.7x and 11.8x, respectively.
- **Risks:** Besides the risk of a decline in oil & gas prices, GISS also faces concentration risk, as most of its businesses are dependent on QP/affiliates.

Key Financial Data and Estimates

	2012	2013	2014e	2015e
EPS (QR)	2.50	3.64	5.18	5.59
P/E (x)	35.2	24.1	17.0	15.7
EV/EBITDA	33.6	24.0	14.1	11.8

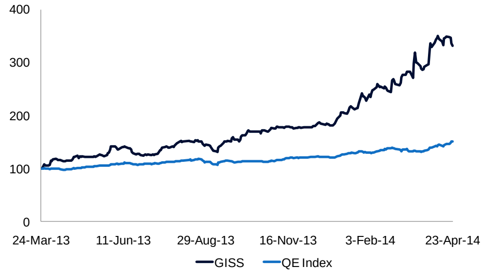
Source: Company data, QNBFS estimates; Note: All data based on current number of shares

Key Data

Bloomberg Ticker	GISS QD
ADR/GDR Ticker	N/A
Reuters Ticker	GISS.QA
ISIN	QA000A0Q6LH4
Sector	Industrials
52wk High/52wk Low (QR)	95.00/30.20
3-m Avg. Volume (000)	418.3
Mkt. Cap. ($ bn/QR bn)	4.5/16.3
FO Limit* (%)	18.0
Current FO* (%)	11.2
Shares Outstanding (mn)	185.8
1-Year Total Return (%)	178.7
Fiscal Year End	December 31

Source: Bloomberg (as of April 23, 2014), Qatar Exchange (as of April 23, 2014); Note: FO is foreign ownership

Relative Price Performance vs. the QE Index



Source: Bloomberg

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Executive Summary

Fleet Expansion and Recent Acquisition to Bolster Drilling Segment Growth

Addition of three assets in 2014 should fuel further momentum in Gulf Drilling International (GDI). This segment is the largest contributor to the overall company, making up 36% and 44% of total top-line and net income last year (on a 100%-consolidated basis). Going forward, we expect two additional offshore jack-up rigs (Msheireb & Dukhan) to begin contributing later this year, along with a hybrid accommodation lift boat (Rumailah). Oxy Qatar should deploy Msheireb, which is a conventional rig, after the rig is delivered around May 2014 for a five-year term. Dukhan, a high-specification jack-up rig, is currently under construction and should be deployed in the fourth quarter of this year. This rig is expected to be utilized by QP. Both these rigs will also garner a mobilization fee providing a one-off boost to the company's financials. Finally, Rumailah is slated to be utilized by Maersk Oil Qatar, after its delivery in 2Q2014, for a three-year period. These three asset additions should boost the company's overall drilling portfolio to 15 rigs (9 offshore and 6 onshore), two lift boats and one accommodation barge.

Recent deal to purchase the remaining ~30% stake in GDI further enhances growth. Purchase of the remaining ~30% ownership in GDI ($160mn deal price vs. $330mn in fair value, according to GISS' management) should be effective from May 1, 2014 and allow the full impact of GDI to flow through. The purchase price will be valued at around 30% of GDI's net book value as of end-April. This value-accretive transaction should provide a major boost to GISS' consolidated top-line, EBITDA and earnings growth rates in 2014, in our view. On our estimates, the acquisition was conducted at an attractive 1.97x 2015 EV/EBITDA multiple.

The favorable offshore rate regime should persist over our forecast horizon. Average daily rates climbed to ~$119k in 2013 vs. ~$98k in 2012 benefitting from higher spot oil prices and new rig contracts at higher rates for Al-Jassra and Leshat. Going forward, deployment of Msheireb and Dukhan at compelling rates and renewals for Al-Wajbah and Al-Khor later this year should further boost blended rates; the company should also continue to benefit from minor revisions to three rolled-over contracts for Al-Doha, Al-Zubarah and Al-Rayyan rigs during 2013. Net-net, we are forecasting a CAGR of almost 2% in offshore rig rates over 2013-16.

Rigs Model – Revenue, Utilization and Average Daily Rates

Revenue (QR mn)	2013	2014e	2015e	2016e
GDI (at 100% Ownership)	1,303	1,858	2,056	2,013
Offshore Rigs				
Al-Doha	100%	94%	100%	87%
Al-Rayyan	100%	100%	94%	87%
Al-Wajbah	100%	100%	100%	92%
Al-Khor	100%	97%	100%	100%
Al-Zubarah	100%	100%	100%	96%
Al-Jassra	75%	100%	100%	96%
Dukhan		25%	100%	100%
Leshat (B-341/Qatar 2022)	25%	100%	100%	96%
Msheireb (Vicksburg)		67%	100%	100%
Onshore Rigs				
GDI-1	100%	100%	97%	100%
GDI-2	100%	100%	97%	100%
GDI-3	100%	94%	100%	100%
GDI-4	100%	100%	100%	97%
GDI-5	100%	100%	97%	100%
GDI-6	100%	100%	97%	100%
Avg. Daily Rates (000 $/d)				
Offshore Rigs	119.3	122.6	125.8	126.5
Onshore Rigs	30.4	31.0	31.7	32.3

Source: Company data, QNBFS estimates

Major Expansion at Gulf Helicopters Another Positive

Management has embarked on an ambitious plan to increase fleet size. The aviation segment made up 17% and 29% of GISS' revenue and profits in 2013. Gulf Helicopters Company (GHC) recently placed firm orders for 15-AugustaWestland 189 choppers. Currently the plan is to deploy 11 helicopters over the next five years to bring the total count to 54, with the first two choppers to be delivered in 2Q2014. Overall, the fleet size should grow to 51 in 2016 from 44 last year and despite the discontinuation of the company's emergency medical services operation (2 choppers) in early 2014, we expect top-line and bottom-line CAGRs of 7.1% and 5.7%, respectively, for 2013-16.

Aviation Model – Revenue and Fleet Count

	2013	2014e	2015e	2016e
Revenue (QR mn)	619	636	693	760
Weighted Fleet Count	43.8	43.7	46.2	49.2
Revenue/Chopper (QR mn)	14.1	14.6	15.0	15.4

Source: Company data, QNBFS estimates

Amwaj Catering Remains a Significant Contributor to GISS' Top-Line

We estimate 2013-2016e CAGRs of 4.1% and 7.9% for revenue and net profit, respectively. The catering segment is a relatively low-margin business with a 2013 gross margin and EBITDA margin of 13.1% and 8.2%, respectively. Hence, this business segment's contribution to the bottom-line is relatively minor at around 8% in 2013 vs. a top-line contribution of ~27%.

Insurance/Reinsurance Operations Add a Further Element of Diversification to GISS' Growth Story

We estimate Al Koot to post average growth rates of 7.3% and 4.3% in revenue and net profit, respectively, over 2013 to 2016. This segment made up around 20% of revenue and 19% of net profit in 2013. Al Koot Insurance and Reinsurance Company (AKIR) continues to operate as the de facto captive insurance service provider to the QP, while expanding in the medical segment via its relationship with AXA Gulf.

1Q2014 Review

GISS posted a net income of QR188.6mn in the first quarter of this year, growing by 38.9% YoY. This growth was driven primarily by the company's share of income from JVs, which is essentially GDI (+81.5% YoY) and other income (QR20.8mn vs. QR7.8mn in 1Q2013). Growth in revenue (+11.6% YoY) was dampened by an increase in COGS (+14.3% YoY). GDI posted revenue of QR261.6mn, an increase of 51.1%. This performance was driven mainly by the offshore sector, which contributed QR196.1mn to total revenue, with the deployment of Al-Jassra and Leshat offshore rigs in 2Q2013 and 4Q2013, respectively. Moreover, a slight revision to three rolled-over contracts for Al-Doha, Al-Zubarah and Al-Rayyan during 2013 aided segment top-line growth. However, on a QoQ basis, revenue was down by QR30.4mn due to the booking of a one-off mobilization fee in 4Q2013 related to the deployment of the Leshat offshore rig. Net profit from the drilling segment grew by 82.4% YoY, with profitability driven primarily by Al-Jassra and Leshat, along with higher daily rates received for the three extended offshore rig contracts. Revenue from the aviation segment increased by a modest QR3.8mn, or 2.5% YoY, reaching QR153.0mn, as an increase in fleet size (44 helicopters versus 40 in 1Q2013) was somewhat offset by the end of GHC's long-term relationship with Qatar's National Health Authority for providing helicopter emergency medical services. Segment earnings increased by QR2.2mn to reach QR56.2mn. AKIR recorded gross insurance revenue of QR191.6mn, implying a growth of 18.4% YoY. The main driver behind this growth was the medical line of business, as an additional 7,500 members joined the Al Koot Global Care Medical Insurance Scheme versus 1Q2013. Profit from the insurance segment reached QR32.0mn, an increase of 10.7% YoY, as an increase in major insurance claims were mostly offset by the release of deferred revenue and strong gains on the company's investment portfolio. Finally, the catering segment top-line grew 12.7% YoY and around 3.3% QoQ to QR272.1mn; while the yearly growth was fueled by an expansion in the subsidiary's catering and manpower contracting services to almost 100 domestic projects, the sequential increase was due to an one-off boost from shut-down related services. Segment net profit grew 73.8% to QR32.5mn mostly on account of the aforementioned one-off boost.

Catalysts

Expansion in offshore and potential rig contract re-pricing could act as catalysts. Renewals for Al-Wajbah and Al-Khor later this year could provide newsflow catalysts given our expectation of improved pricing terms. Further, with a ~50% market share in offshore Qatar, GDI retains significant long-term potential to expand its footprint. On the catering front, Amwaj should benefit when major projects, such as Barzan (initial phase in 2015), Al Sejeel (2018) and Al Karaana (2018) come on-line.

Valuation

We have valued the drilling, aviation and catering segments using a Discounted Cash Flow (DCF) valuation methodology; Al Koot has been valued using a 2014 P/E multiple. The DCF is a standard discounted cash flow analysis of forecasted cash flows, which results in a present value of expected cash flows or cash flow equivalents to investors. We have used a cost of equity (Ke) assumption of 12.0%. The Ke rate results from the aggregation of an assumed risk-free rate (4.0%), an equity risk premium of 8.0% and a beta of 1.0x. Thus, with a 20/80 (debt/equity) target capital structure, the weighted average cost of capital (WACC) comes to 9.8%.

WACC Calculation

Risk-Free Rate (%)	4.0
Risk Premium (%)	8.0
Beta	1.0
Cost of Equity (%)	**12.0**
Target Debt-to-Equity Ratio	20:80
WACC (%)	**9.8**

Source: QNBFS estimates

DCF Valuation

	Fair Value of Equity (QR mn)	Fair Value per Share (QR)
Cumulative PV of FCFF	6,774	36.45
PV of Terminal Value	13,009	70.00
PV of Cash Flows	**19,783**	**106.45**
Add:		
Cash Balances (1Q2014)	469	2.52
Less: Debt Balances (1Q2014)	3,482	18.74
Fair Value of GISS, Ex. Al Koot	**16,770**	**90.24**
Al Koot (Valuation)		
Peers Median P/E	13.0x	
Al Koot 2014e Earnings	161	0.87
Al Koot Fair Value	**2,096**	**11.28**
Fair Value of GISS, Including Al Koot	**18,865**	**101.51**

Source: Company data, QNBFS estimates

Sensitivity Analysis

	7.8%	8.8%	9.8%	10.8%	11.8%
1.0%	101.96	86.32	74.27	64.70	56.93
2.0%	115.69	**95.90**	**81.23**	**69.91**	60.92
3.0%	135.18	**108.81**	**90.24**	**76.45**	65.82
4.0%	165.00	**127.12**	**102.37**	**84.93**	71.98
5.0%	216.38	155.16	119.60	96.35	79.97

Source: Company data, QNBFS estimates

Risks to Our Target Price

- **Risk of a decline in oil & gas prices:** Spot oil prices are a key determinant of rig rates during contract negotiations/renegotiations. A decline in commodity prices could lead to lower contracted daily rig rates in the future and impact the company's top-line and profitability.
- **GISS also faces concentration risk, as most of its businesses are dependent on QP/affiliates.** A slowdown in QP's operations would have a disproportionately large impact on GISS.
- **Insurance business is notoriously volatile.** Roughly, 20% of current revenue comes from the insurance/reinsurance business. Any extraordinary events/claims could materially affect our model and forecasts.

Company Background: Poised to Deliver Solid Returns

Company Description

A holding company with exposure to the downstream hydrocarbon sector. Qatar Petroleum (QP) founded GISS in February 2008. Gulf International Services has investments in oil and gas related services, with interests in offshore and onshore drilling, helicopter maintenance and transportation and catering. GISS also offers insurance, reinsurance and related advisory services. Over 2013-2016e, we estimate GISS' revenue and net profit to reach QR4.7bn (27.3% CAGR) and QR1.1bn (16.2% CAGR), respectively.

Subsidiaries / Joint Venture

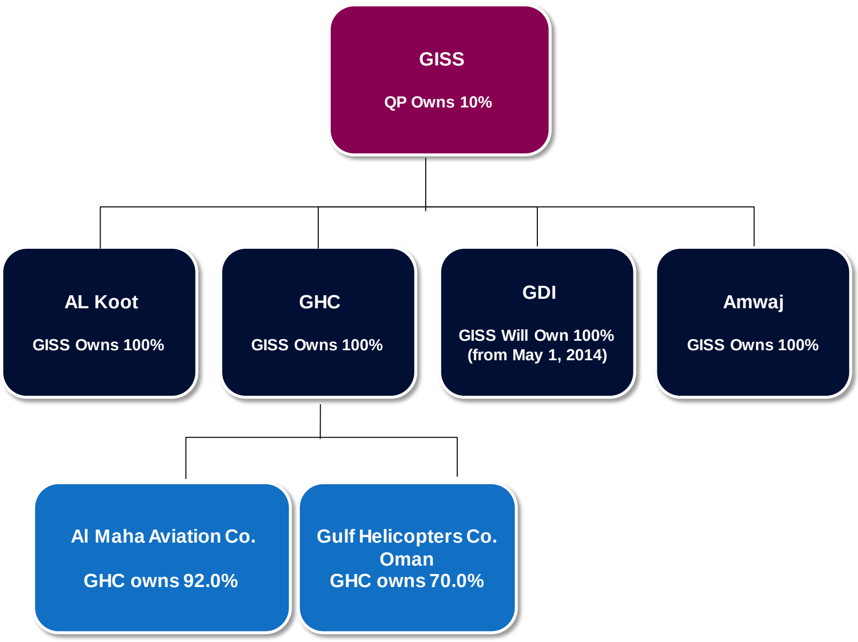
Gulf Drilling International Ltd. (GDI): GDI provides contract land and offshore drilling services to the QP group and its international co-ventures. GDI's current operating rig fleet consists of 7 offshore rigs and 6 onshore rigs, all under contract. Two more offshore rigs are expected to be added in 2014. GDI currently has ~50% and 100% market shares of the Qatari offshore and onshore market, respectively. This joint venture will convert into a wholly-owned subsidiary on May 1, 2014.

Al Koot Insurance and Reinsurance Company (AKIR): Incorporated in 2003, this 100%-owned subsidiary provides various insurance, reinsurance and risk management services to QP and its subsidiaries and affiliates. GISS continues to enjoy good traction with non-QP clients in medical insurance.

Gulf Helicopters Company (GHC): GHC is a wholly-owned subsidiary that provides services such as offshore operations, visual flight rules and instrument flight rules, onshore transport, VIP transport, load lifting (both short and long line) and photo flights. This subsidiary is the sole provider of helicopter transport in Qatar with a presence in the MENA region and in India. GHC operated a fleet of 44 helicopters in 2013 compared to 37 in 2010. The company recently signed a contract for 15 AW189 helicopters for offshore transport missions.

Amwaj Catering Services Co. (ACS): GISS acquired Amwaj on June 1, 2012 from QP for a net cash consideration of QR422.1mn, which translated into a 6.8x P/E (2013). With a staff of 6,170 individuals, Amwaj is engaged in industrial catering services, corporate hospitality, VIP catering services, and manpower and soft facilities management services, primarily for the oil and gas sector in Qatar.

Company Profile



Source: Company data

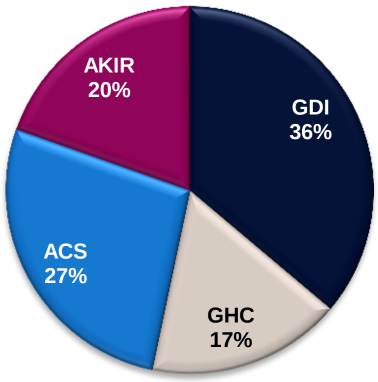
Board of Directors

Management	Designation
H.E. Dr. Mohamed Saleh Al-Sada	Chairman & Managing Director
Saeed Mubarak Al-Muhannadi	Deputy Chairman
Abdulaziz Ahmad Al-Malki	Board Member
Ahmad Saif Al-Sulaiti	Board Member
Ahmed Rafee Al-Emadi	CEO of Al Koot & Board Member
Ibrahim Jassim Al Othman Fakhro	CEO & Director of GDI
Mohamed Ibrahim Al-Mohannadi	CEO of GHC & Board Member

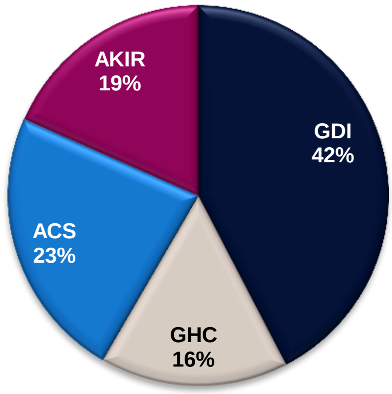
Source: Company data

Key Financial Indicators

GDI Dominates GISS' Top-Line in 2013*

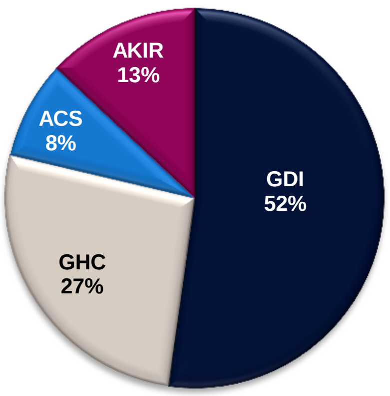


…and Expected to be a Greater Contributor in 2016

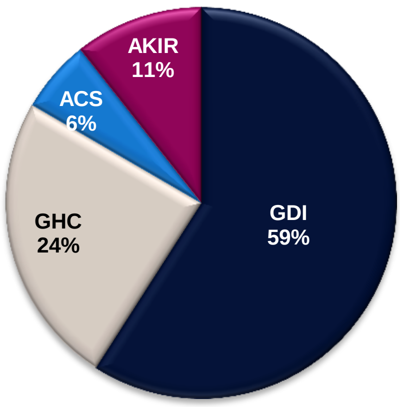


Source: Company data, QNBFS estimates; Note:*Assuming 100% ownership of GDI

GDI's EBITDA Also Dominates GISS' EBITDA in 2013*

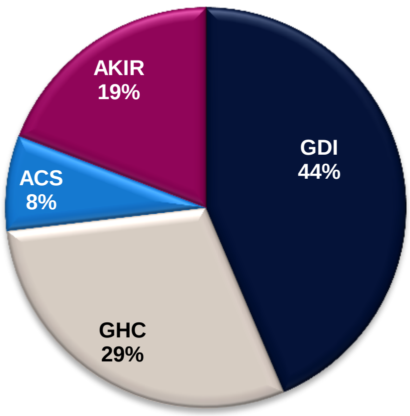


…and Should Continue to do so in 2016

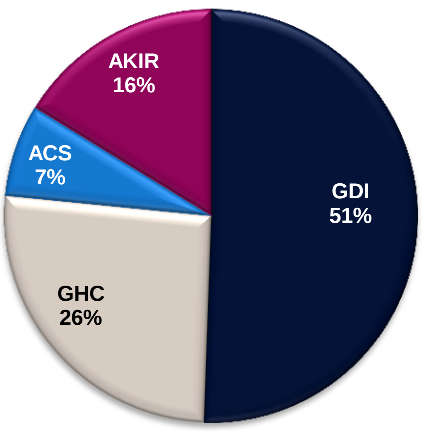


Source: Company data, QNBFS estimates; Note:*Assuming 100% ownership of GDI

GDI's Profitability Drives GISS' Bottom-Line in 2013*



…and to a Greater Extent in 2016



Source: Company data, QNBFS estimates; Note:*Assuming 100% ownership of GDI

Gulf Drilling International (GDI): Key Player in the Qatari Onshore and Offshore Drilling

Company Description

Formed in 2004, Gulf Drilling International provides key drilling (onshore and offshore) and drilling-related services to primarily QP and QP affiliates. GDI was incorporated as a joint venture between Qatar Petroleum (60%) and Japan Drilling Company (JDC) (40%) for the purpose of owning, chartering, operating and maintaining a number of drilling rigs (offshore and onshore). Subsequent to exercising a share option provision within the joint venture agreement, QP increased its stake to 69.99% (March 2004) and then transferred this shareholding to GISS. Recently, management announced that GISS signed a share purchase agreement (SPA) with JDC to acquire its ~30% stake in GDI. The net book value and acquisition cost is approximately $160mn, subject to change due to the final account settlements on the acquisition date. However, the fair market value, according to GISS, is estimated to be QR1.2bn or $330mn. The transaction is being 100%-financed through an eight-year unsecured bilateral loan that will be obtained on competitive terms and conditions from local banks. As per the terms of the SPA, GDI will become a wholly-owned subsidiary of GISS starting from May 1, 2014. As such, we expect this acquisition to bolster GISS' top-line and bottom-line in 2014 and beyond.

GDI currently has direct ownership of 13 drilling rigs (7 offshore, 6 onshore), which are used to drill wells suitable for oil and natural gas extraction, 1 jack-up accommodation barge, and 1 lift boat. The drilling process usually consists of drilling boreholes to varying depths, sampling sub-surface formation reservoir fluids to determine economic feasibility of production, and then installing pipes and instruments to produce reservoir fluids. GDI continues to maintain a close relationship with QP. Thus, the majority of GDI's drilling rigs are contracted to QP and QP affiliates.

GDI enjoys a monopoly in the onshore drilling segment. The company has a 100% market share in this segment in Qatar. GDI operates 6 onshore rigs with 2 rigs acquired in 2012 and put into operation in 2013. All onshore rigs are exclusively operated for QP, and are rated to a maximum drilling depth of between 3,000 meters and 4,500 meters.

Onshore Rigs

Onshore Rigs	Year Built	Client	Contract Start Date	Contract End Date
GDI-1	1980	QP	1Q2005	1Q2014
GDI-2	2004	QP	1Q2005	1Q2014
GDI-3	2008	QP	1Q2006	1Q2014
GDI-4	2006	QP	4Q2006	2Q2014
GDI-5	2012	QP	4Q2012	4Q2015
GDI-6	2012	QP	4Q2012	4Q2015

Source: Company data

GDI has maintained excellent utilization rates of its onshore fleet. Utilization rates historically (2009-2013) have remained at an optimal 100%. This is mainly attributed to major maintenance being conducted onsite with minimal disturbance of operations. We estimate a 99% average utilization in 2014 as GDI-3 has a 21-day maintenance cycle. In 2015, we compute an average utilization rate that is marginally above 98% as GDI-1, 2, 5 and 6 undergo 10-day maintenance cycles.

Utilization Rates

Onshore Rigs	2012	2013	2014e	2015e
GDI-1	100%	100%	100%	97%
GDI-2	100%	100%	100%	97%
GDI-3	100%	100%	94%	100%
GDI-4	100%	100%	100%	100%
GDI-5	N/A	100%	100%	97%
GDI-6	N/A	100%	100%	97%

Source: Company data, QNBFS estimates

GDI enjoys competitive rates on its rigs. GDI's onshore drilling rigs are operated under individual day rate contracts. Moreover, under these arrangements, GDI is paid fixed rates whether the rigs are operating or on standby. However, these contracts are set at low or in certain circumstances, nil day rates when the rig is moving, when operations are interrupted or restricted due to machinery breakdown, adverse weather or sea conditions and or other conditions beyond the control of GDI.

We expect an improvement in rig rates going forward. Rig rates have been stable in 2012 and 2013. However, given that the majority of the contracts were up for renewal in 1Q2014, we expect GDI to receive improved rates going forward. As such, we expect rig rates to pick up by 2.0% in 2014 followed by another 2.0% in 2015. Rig renewal rates are usually linked to spot oil prices (management does not provide individual price details of the rigs, but does indicate blended price for all the rigs combined).

Onshore Rig Rates

Average Rig Rates/Day	2010	2011	2012	2013	2014e	2015e
$	28.3	30.6	30.3	30.4	31.0	31.7
QR	103.2	111.5	110.4	110.8	113.0	115.3

Source: Company data, QNBFS estimates

GDI enjoys a sizeable market share in the offshore drilling segment. As of 2013, GDI operated 7 offshore rigs with 2 rigs expected to be operational in 2014. Msheireb and Dukhan are expected to come on-line in 2Q2014 and 4Q2014, respectively. GDI's offshore business claims a market share of ~50%. GDI's major offshore clients are QP, Maersk, Shell and Oxy Qatar. The older rigs have a maximum drilling depth of 6,000 meters, while the new rigs (Al-Khor onward) are considered hi-spec and are rated for 9,000 meters.

Offshore Rigs

Offshore Rigs	Year Built	Client	Contract Start Date	Contract End Date
Al-Doha	1981	QP	2Q2010	2Q2018
Al-Rayyan	1982	Oxy	1Q2011	2Q2015
Al-Wajbah	1977	Oxy	2Q2010	3Q2014
Al-Khor	2006	Shell	1Q2011	3Q2014 (est.)
Al-Zubarah	2008	QP	2Q2010	1Q2018
Al-Jassra	2013	Maersk	2Q2013	2Q2018
Dukhan*	2014	QP	4Q2014 (est.)	TBA
Leshat (B-341/Qatar 2022)	2013	Maersk	4Q2013	4Q2015
Msheireb (Vicksburg)	2014	Oxy	2Q2014 (est.)	2Q2018 (est.)

Source: Company data; Note: *Under Construction

Notable Announced Contracts

Offshore Rigs	Year Built	Client	Contract Period	Contract Value
AL Doha	1981	QP	2Q2010 – 2Q2018	QR1.7bn
Al-Rayyan	1982	Oxy	1Q2011 – 2Q2015	QR273mn
Al-Wajbah	1977	Oxy	2Q2010 – 3Q2014	QR830mn
Al-Jassra	2013	Maersk	2Q2013 – 2Q2018	QR770mn
Leshat*	2013	Maersk	4Q2013 – 4Q2015	More than QR750mn*
Msheireb	2014	Oxy	2Q2014 – 2Q2018 (est.)	QR865mn

Source: Company data; Note: Contract value also includes a three-year deal for Rumailah

GDI has maintained high utilization rates of its offshore fleet. Utilization rates historically (2009-2013) have ranged from 83% to 100%. This is the case with offshore rigs because major planned maintenance usually occurs every three to five years and the rigs have to be transferred to a shipyard for a period of one to three months. We estimate an 87% average utilization in 2014 as Al-Doha is expected to undergo a 21-day maintenance cycle, along with Al Khor's 10-day cycle. Furthermore, Msheireb is expected to be operational from the 2nd quarter of 2014 (we assume an annual utilization rate of 67%) and Dukhan is expected to come on-line at the end of 2014 (we assume an annual utilization rate of 25%). In 2015, we compute an average utilization rate of 99% as Al-Rayyan is expected to undergo a 21-day maintenance cycle.

Utilization Rates

Offshore Rigs	2012	2013	2014e	2015e
Al-Doha	100%	100%	94%	100%
Al-Rayyan	100%	100%	100%	94%
Al-Wajbah	100%	100%	100%	100%
Al-Khor	100%	100%	97%	100%
Al-Zubarah	100%	100%	100%	100%
Al-Jassra	N/A	75%	100%	100%
Dukhan*	N/A	N/A	25%	100%
Leshat	N/A	25%	100%	100%
Msheireb	N/A	N/A	67%	100%

Source: Company data, QNBFS estimates

GDI also enjoys competitive rates on its offshore rigs. GDI's offshore drilling rigs are operated like the onshore rigs as mentioned above. However, offshore rigs command much higher day rates than onshore rigs due to their sophistication.

We expect an improvement in rig rates going forward. Rig rates have significantly improved in 2013 vs. 2012 and 2011. Given the additions of new rigs and increasing rig rates, we expect GDI's revenue from this business to grow by a CAGR of 16.7% (2013-2016e).

Offshore Rig Rates

Average Rig Rates/Day	2010	2011	2012	2013	2014e	2015e
$	116.5	99.3	98.2	119.3	122.6	125.8
QR	424.1	361.3	357.4	434.3	446.2	458.3

Source: Company data, QNBFS estimates

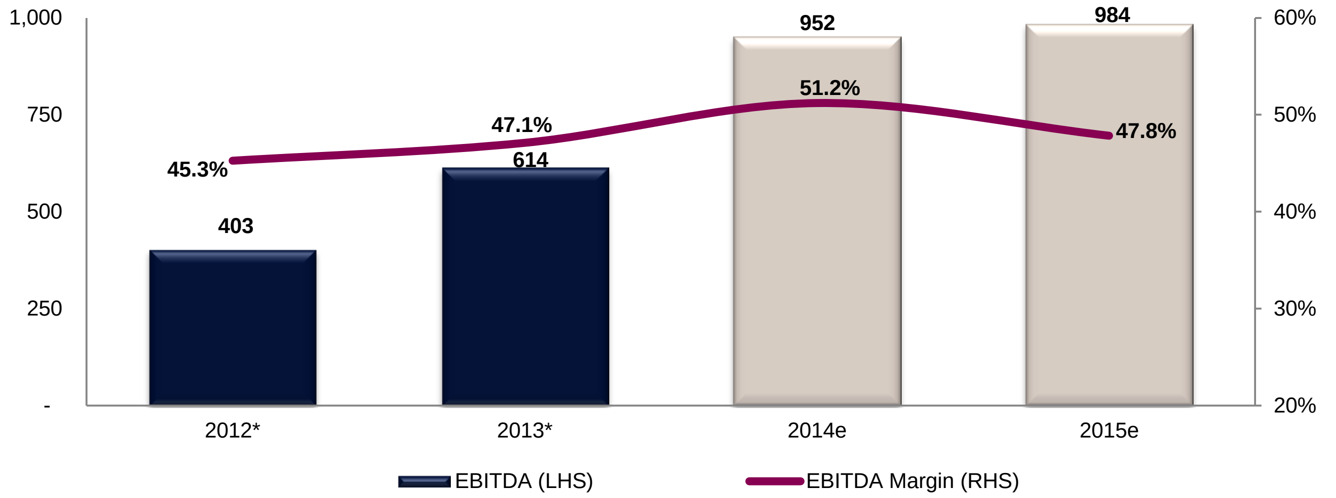
Board of Directors & Key Personnel

Management	Designation
Mr. Saad Sherida Al Kaabi	Chairman
Mr. Abdulrahman Ahmed Al- Shaibi	Deputy Chairman
Mr. Ibrahim Jassim Al Othman Fakhro	Director & CEO
Sheikh Abdulaziz Bin Thani Al Thani	Board Member
Mr. Yuichiro Ichikawa	Director
Mr. Kenzo Yamada	Director
Mr. Yoichi Onoe	Director & COO
Mr. Khalid Al-Kubaisi	CFO
Mr. Takao Okada	OMF

Source: Company data

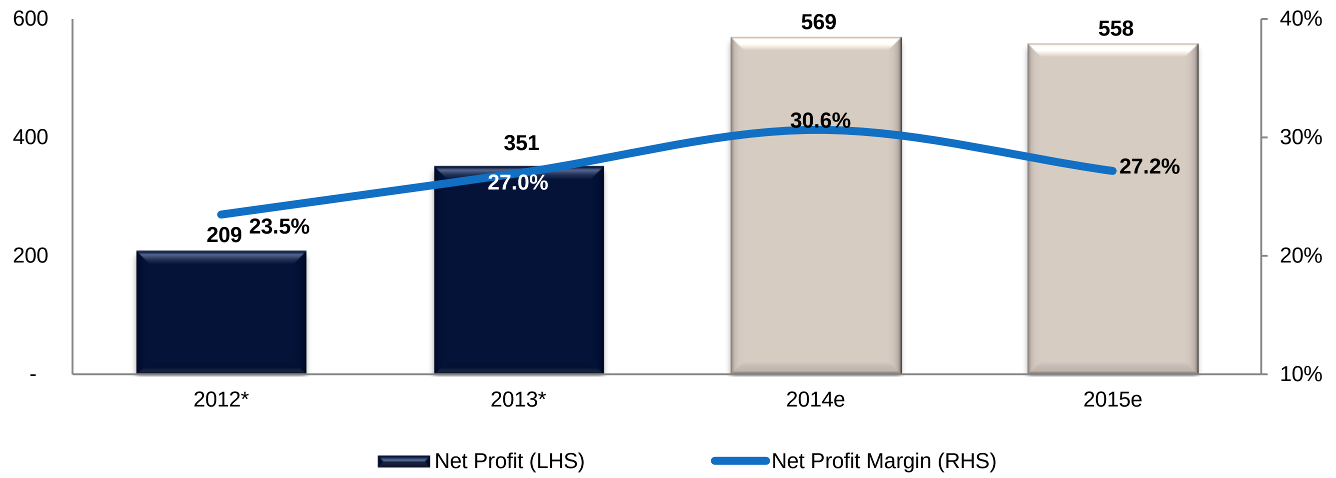
Key Financial Indicators

GDI Enjoys a Strong EBITDA (QR mn) as Well as Robust EBITDA Margins



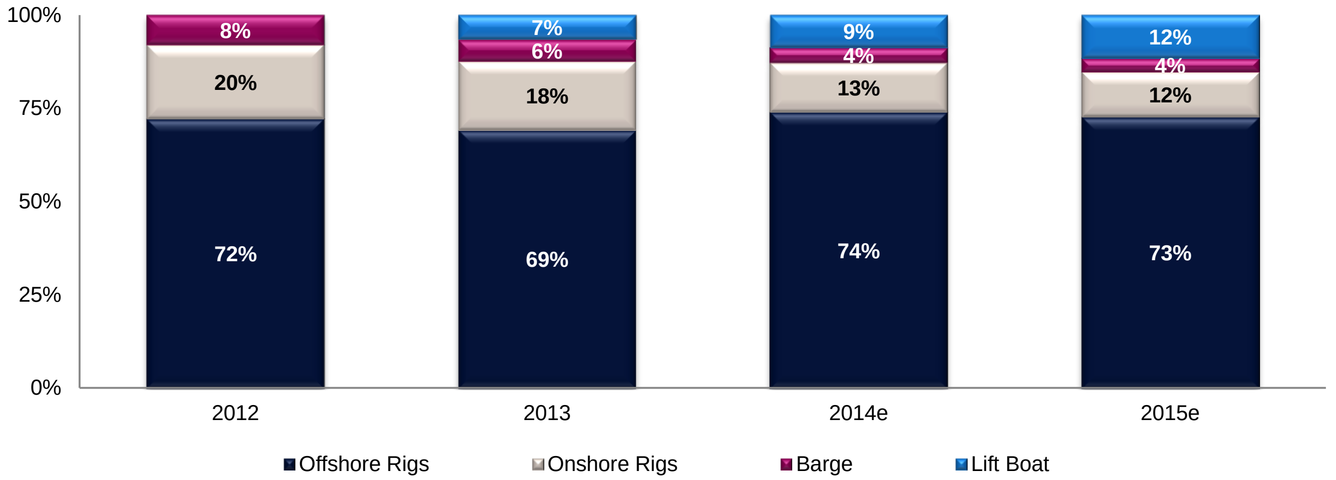
Source: Company data, QNBFS estimates; Note: *Assuming 100% ownership of GDI

Solid Profitability (QR mn)



Source: Company data, QNBFS estimates; Note: *Assuming 100% ownership of GDI

Offshore Revenue Dominates



Source: Company data, QNBFS estimates

Gulf Helicopters Company (GHC): Expanding Its Fleet in the Coming Five Years

Company Description

Originally formed in 1970 as a subsidiary of British Overseas Airways Corporation, the company was subsequently purchased by Gulf Air and then sold to QP in 1998. Furthermore, QP transferred its 100% shareholding in Gulf Helicopters Company to GISS in 2008. GHC has 2 subsidiaries, Al Maha Aviation Co. (92% ownership/100% effective control) and Gulf Helicopters Co. LLC, Oman (70%/100%). The company also has a 36% investment in a joint venture, United Helicharters Private Ltd. and a branch office located in West Sussex, UK.

GHC has a fleet of 44 helicopters comprised of 16 AW 139s, 23 Bells, three S 92s and two MD 902s (beneficial ownership). The company's 16 twin-engine AgustaWestland 139 helicopters can carry between 12 and 15 passengers each, while its Bell choppers have a seating capacity of 13 persons per helicopter. GHC offers services such as VVIP transport, offshore support, visual flight rules (VFR) & instrument flight rules (IFR), onshore/offshore transport, seismic support, load lifting (both short & long line) and photo flights.

GHC is aggressively expanding its fleet. GHC signed an order from AgustaWestland for 15 new generation AW 189 super medium helicopters. The company is expected to take delivery of 2 choppers in 2Q2014 and another one in 4Q2014. The rest of the choppers are expected to be delivered between 2015 and 2018. It should be noted that the two MD 902s will not be deployed going forward as GHC's contract with Hamad Emergency Medical Services (HEMS) ended. However, historically HEMS' contribution to GISS group revenue has been only around 1%.

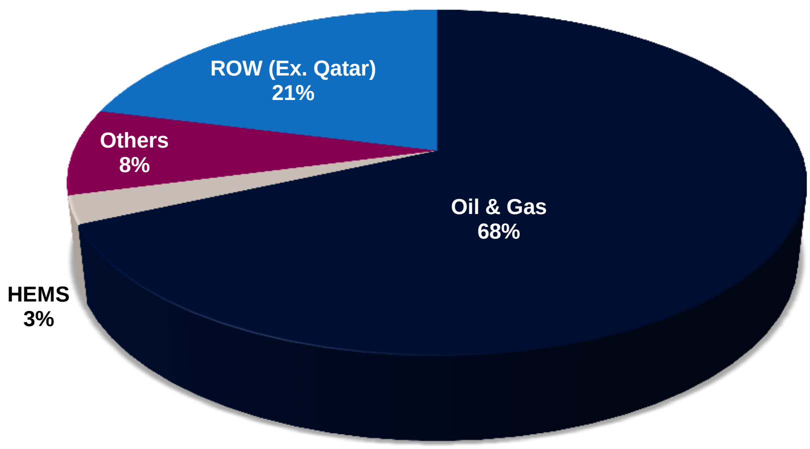
Helicopter Fleet Details

Helicopters	2011	2012	2013	2014e	2015e	2016e
AW 139	13	15	16	16	16	16
Bell 412/212/206	22	23	22	23	23	23
MD 902	2	2	2	-	-	-
S 92	2	3	3	3	3	3
AW 189	N/A	N/A	N/A	3	6	9
Total	**40**	**42**	**44**	**45**	**48**	**51**

Source: Company data, QNBFS estimates

GHC to experience healthy growth, in our view. We estimate GHC's revenue and net income to grow at CAGRs (2013-16e) of 7.1% and 5.7%, respectively. Our estimates are based on GHC's additions of new helicopters.

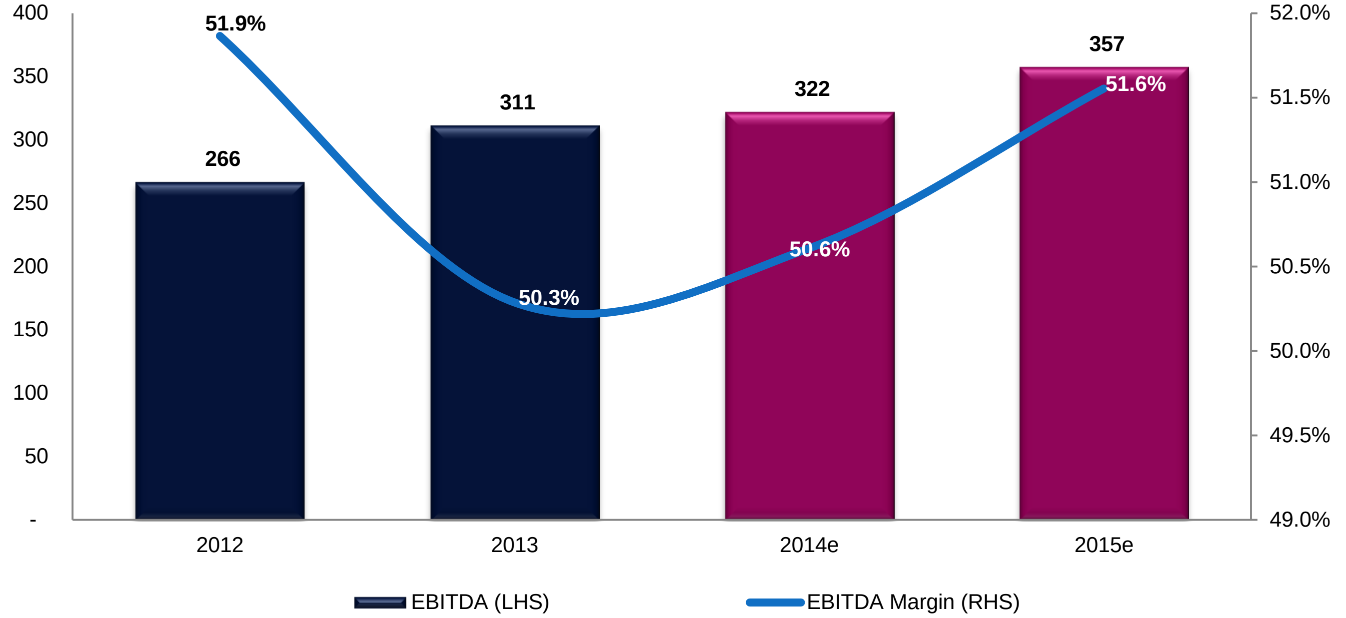
Oil & Gas Dominates GHC's Top-Line (2013)



Source: Company data

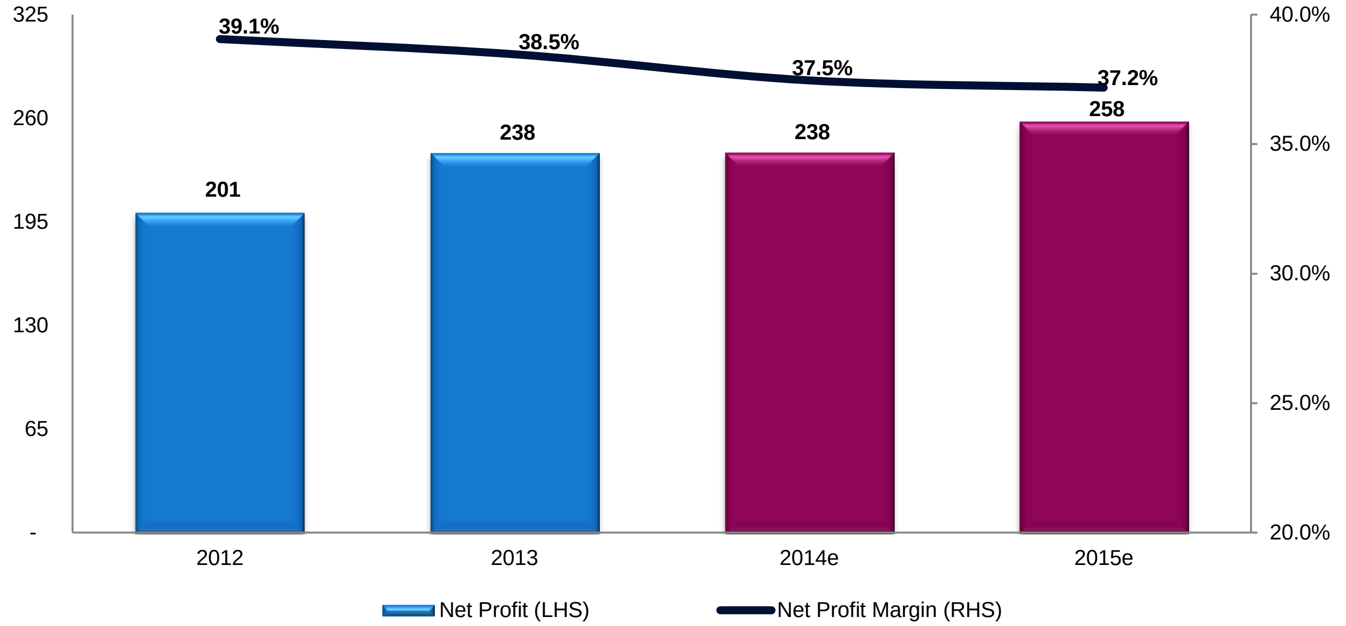
Key Financial Indicators

Solid EBITDA (QR mn) Complemented with Strong Margins



Source: Company data, QNBFS estimates

Strong Net Margins (QR mn)



Source: Company data, QNBFS estimates

Amwaj Catering Services Company (ACS): Growth Highly Reliant on QP's Future Endeavors

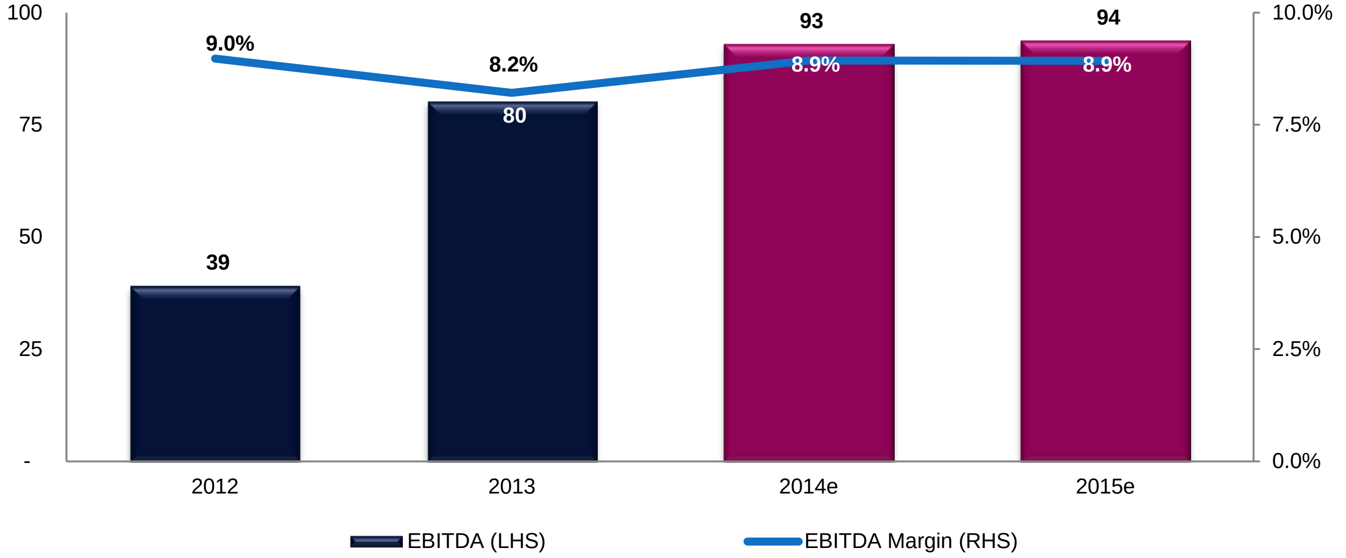
Company Description

Amwaj Catering Services was formed in 2006 as a wholly-owned subsidiary of QP. GISS acquired Amwaj on June 1, 2012 from QP for a net cash consideration of QR422.1mn, which translated into a 6.8x P/E (2013). With a staff of 6,170 individuals, Amwaj is engaged in industrial catering services, corporate hospitality, VIP catering services, and manpower and soft facilities management services, primarily for the oil and gas sector in Qatar.

We estimate CAGRs (2013-2016e) of 4.1% and 7.9% in revenue and net profit, respectively. Amwaj primarily caters to QP and QP's affiliates. The Barzan Gas Development project is expected to be operational (first production) in 2015, further aiding Amwaj's growth. Since Amwaj's growth prospects are linked to QP, we expect this business to benefit when the Al Sejeel Petrochemicals plant (2018) and the Al Karaana Petrochemicals complex (2018) come on-line.

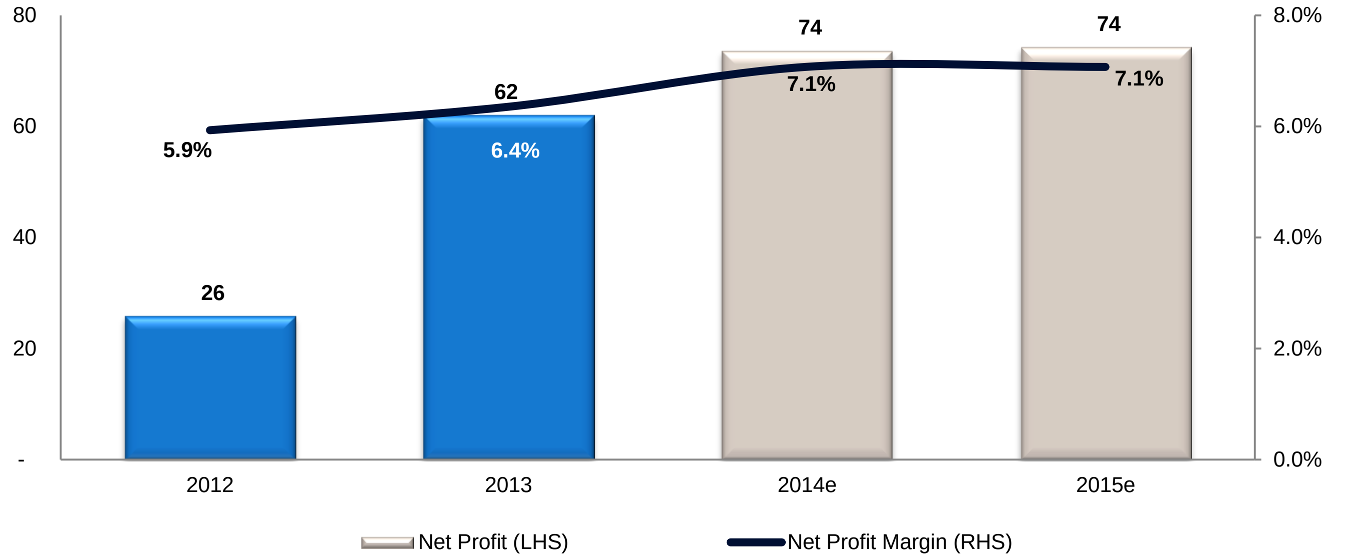
Key Financial Indicators

Flattish EBITDA (QR mn) Expected Over 2014-15



Source: Company data, QNBFS estimates

Slim Profits (QR mn) with Narrow Margins (Consistent With the Catering & Food Industry)



Source: Company data, QNBFS estimates

Al Koot Insurance & Reinsurance Co. (AKIR): Growing Into the Medical Segment

Company Description

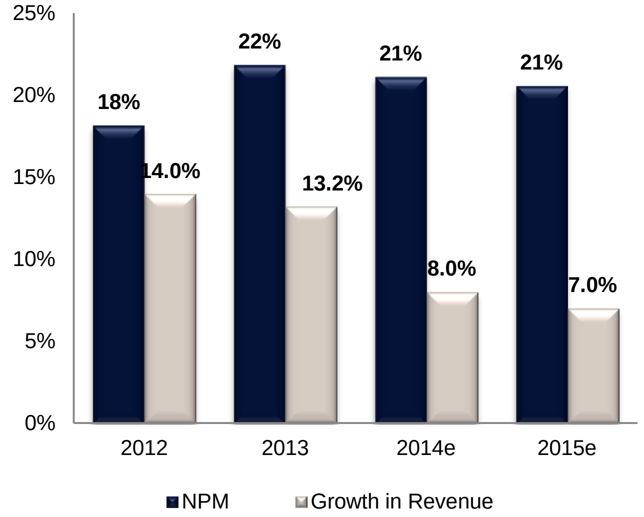
Incorporated in 2003, AKIR historically provided insurance and reinsurance services primarily to QP. Named after a historical fort, AKIR has been in operation for more than a decade. In 2008, QP transferred its ownership of AKIR to GISS. Under the terms of the GISS IPO, QP continues using AKIR's insurance and reinsurance services as the QP Group's captive insurer. Although around 63% of the company's business (2013 net premiums) is linked to the oil & gas segment, which in turn is primarily driven by QP and its business ventures, the company has also expanded into medical insurance. Along with AXA, the company has formed the Al Koot Global Care Medical Insurance Scheme, which is available for QP employees and personnel of other selected companies.

Board of Directors & Key Personnel

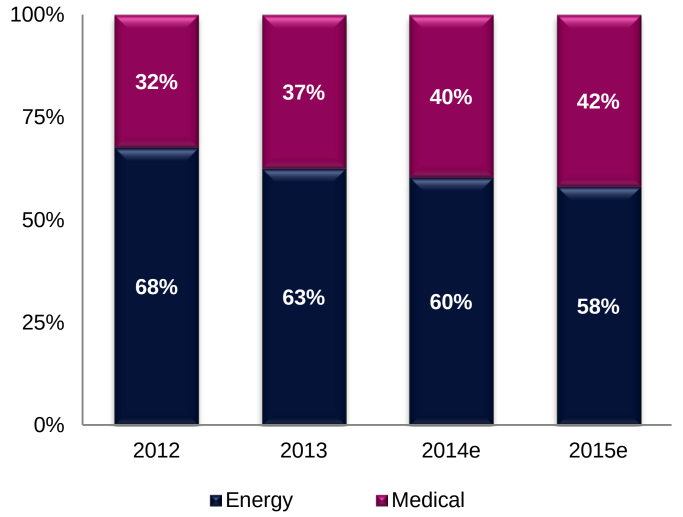
Management	Designation
Abdul Rahman Ahmad Abdul Rahman Al-Shaibi	Chairman
Ahmed Rafee Al-Emadi	CEO & Vice Chairman
Khalid Al Omair Al-Nuaimi	Board Member
Erham Al-Kaabi	Board Member
Ebrahim Ahmad Al-Mannai	Board Member
Osman Hag Musa	Captive & Reinsurance Manager & Secretary to the Board
Abdul-Rahman Yissah	Business Development and HR Manager
Imran M. Ahmed	CFO

Source: Company data

Stable Net Margins



Net Premiums – Medical to Contribute More



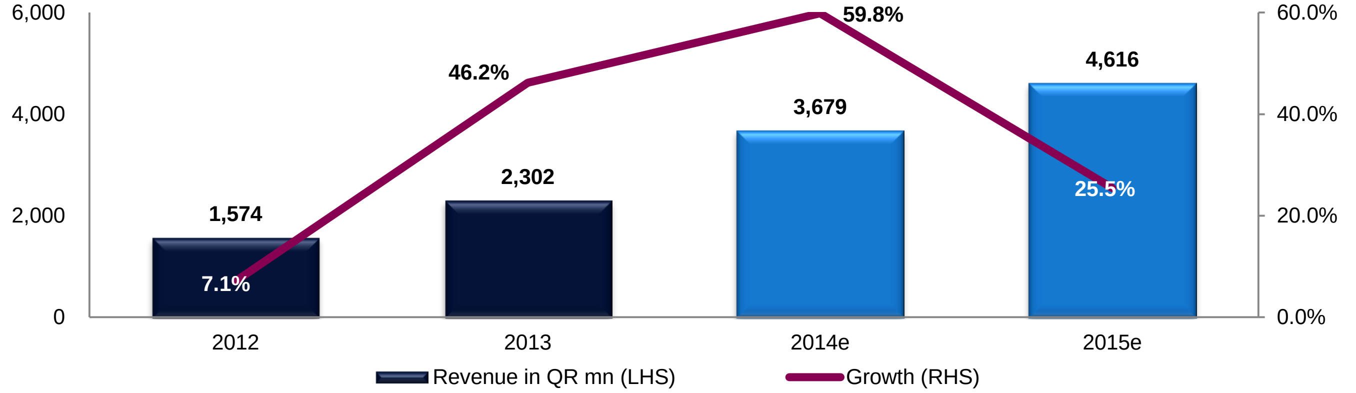
Source: Company data, QNBFS estimates

Key Forecasts

Revenue

We estimate revenue to grow at a CAGR of 27.3% over 2013-16e. We are of the view that GDI, followed by GHC, will spearhead the growth in top-line. We estimate GDI's revenue to grow at a CAGR (2013-16e) of 15.6% (on a like-for-like basis) as the company adds three assets this year and benefits from higher rig rates. The other major avenue of growth is related to the consolidation of GDI from May 1, 2014 (in 2013, GDI was treated as a JV with no revenue consolidation in GISS' books). In addition to GDI, we pencil in a CAGR (2013-16e) of 7.1% for the aviation segment. Our assumption is based on the company expanding its fleet to 51 choppers by 2016.

Solid Revenue (QR mn) Growth on the Horizon

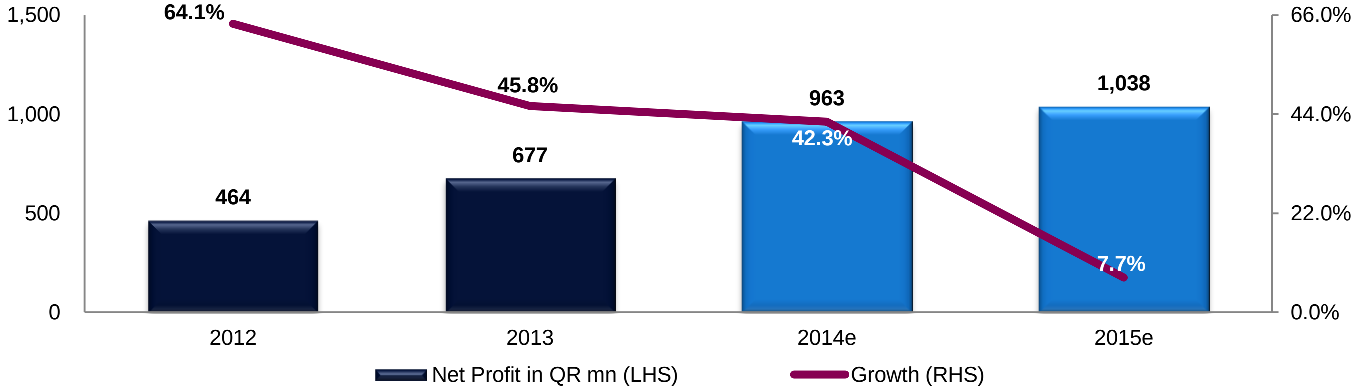


Source: Company data, QNBFS estimates

Profitability

We estimate net income to grow at a CAGR of 16.2% over 2013-16e. We assume GDI to grow by a CAGR (2013-16e) of 15.8%. As is the case with revenue, earnings will be significantly boosted given GDI's 100% consolidation. Moreover, the aviation segment will grow by a CAGR of 5.7%. Catering is expected to grow at a CAGR of 7.9% over the same period. Finally, insurance is expected to increase by a CAGR of 4.3%.

Earnings (QR mn) to Continue to Expand, Albeit at a Lower Rate Post 2014



Source: Company data, QNBFS estimates

Dividends

GISS consistently pays out dividends. We assume an average dividend payout ratio of 45.4% over 2014e-2016e, slightly lower than the 2011-2013 average. We expect GISS to distribute cash DPS of QR2.25 and 2.50 in 2014 and 2015, respectively.

Capital Expenditures (Capex)

Capex, going forward, should be spent primarily by GHC. We estimate a total capex of QR1.1bn in the coming five years of which around QR982.8mn is attributed to the aviation segment (concerning purchase of choppers). The choppers will be financed with a combination of debt (70%) and equity (30%). The company generates healthy cash flow from operations. As such, GISS should remain free cash flow positive even after we deduct the capex.

Key Ratios*

	2012	2013	2014e	2015e
Growth (%)				
Revenue	N/M	46.2%	59.8%	25.5%
Net Profit	N/M	45.8%	42.3%	7.7%
Profitability Ratios (%)				
EBITDA Margin	35.5%	34.0%	36.3%	34.5%
EBIT Margin	30.7%	30.1%	27.1%	23.5%
Net Margin	29.5%	29.4%	26.2%	22.5%
RoAE	18.6%	23.7%	28.7%	26.9%
Valuation Multiples				
P/E	35.2	24.1	17.0	15.7
P/B	6.2	5.3	4.5	4.0
EV/EBITDA	33.6	24.0	14.1	11.8
DY	1.4%	1.8%	2.6%	2.8%

Source: Company data, QNBFS estimates; Note:*GDI results consolidated from May 1, 2014

Detailed Financial Statements

Income Statement

In QR mn	2012	2013	2014e	2015e
Revenue	**1,574**	**2,302**	**3,679**	**4,616**
Gulf Drilling International (GDI)*			1,239	2,056
Gulf Helicopters Company (GHC)	514	619	636	693
Amwaj Catering Company (ACS)	436	976	1,041	1,050
Al Koot Insurance & Reinsurance (AKIR)	624	707	763	817
COGS	1,247	1,818	2,676	3,302
Gross Profit	**327**	**484**	**1,003**	**1,314**
SG&A	66	94	211	300
Total Other Income	49	39	55	55
Net Finance Income(Expense)	6	3	(16)	(32)
Income from JVs	148	245	134	1
Net Income	**464**	**677**	**963**	**1,038**
EBITDA	**558**	**782**	**1,334**	**1,591**

Source: Company data, QNBFS estimates; Note: EPS based on current number of shares, *GDI results consolidated from May 1, 2014

Balance Sheet*

In QR mn	2012	2013	2014e	2015e
Assets				
Cash & Cash Equivalents	757	893	1,403	1,832
Investments Held for Trading	410	261	197	197
Other Current Assets	-	-	2	2
Accounts Receivable, Insurance Receivables & Prepayments	1,184	985	980	1,009
Due From Related Parties	267	243	302	302
Inventories	62	80	83	84
Total Current Assets	**2,679**	**2,461**	**2,966**	**3,424**
Long-Term Assets				
Available for Sale Investments	52	170	211	211
Held to Maturity Investments	85	85	85	85
Investment in Joint Ventures	1,109	1,380	1,499	1,616
Investment Properties	1	1	1	1
Goodwill	304	304	304	304
Property, Plant & Equipment	940	963	1,078	1,182
Total Long-Term Assets	**2,492**	**2,903**	**3,178**	**3,400**
Total Assets	**5,171**	**5,364**	**6,144**	**6,824**
Liabilities				
Short-Term Debt	173	139	148	148
Accounts Payable, Insurance Payable & Accruals	1,721	1,629	1,719	1,809
Due to Related Parties	2	1	19	19
Current Liabilities	**1,896**	**1,769**	**1,885**	**1,975**
Long-Term Liabilities				
Employees End of Service Benefits	30	40	42	42
Long-Term Debt	608	469	579	716
Total Long-Term Liabilities	**638**	**509**	**621**	**759**
Total Liabilities	**2,534**	**2,278**	**2,506**	**2,733**
Total Shareholders' Equity	**2,637**	**3,086**	**3,638**	**4,090**
Total Liabilities & Shareholders' Equity	**5,171**	**5,364**	**6,144**	**6,824**

Source: Company data, QNBFS estimates; Note: Prepared based on IFRS 11

Cash Flow Statement#

	2012	2013	2014e	2015e
Operating Activities				
Profit for the Year	464	677	850	870
Depreciation	74	90	102	116
Share of Profit from JVs	(148)	(245)	(399)	(392)
Other Operating Income before Changes in Working Capital	(1)	19	(3)	(3)
Net Operating Income Before Changes in Working Capital	**389**	**541**	**549**	**592**
Changes in Working Capital	(133)	82	49	61
Cash from Operations	**256**	**623**	**598**	**653**
Employees' End of Service Benefits Paid	(5)	(3)	2	0
Cash Flow from Operations	**251**	**620**	**599**	**653**
Investing Activities				
Capital Expenditure	(117)	(114)	(216)	(221)
Other Investing Activities	(397)	22	320	289
Cash Flow from Investing Activities	**(515)**	**(92)**	**104**	**68**
Financing Activities				
Dividends Paid	(176)	(223)	(297)	(418)
Other Financing Activities	523	(188)	104	126
Cash Flow from Financing Activities	**347**	**(411)**	**(193)**	**(293)**
Change in Cash	84	117	510	429
Cash Beginning of Period	308	392	893*	1,403
Cash End of Period	**392**	**509**	**1,403**	**1,832**

Source: Company data, QNBFS estimates; Note: *Includes time deposits, #Prepared based on IFRS 11

Notes

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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