

Qatar Fuel/Woqod (QFLS)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR15.26	12M Target Price	QR16.56
Implied Upside	8.6%		

2Q2025 NP Falls But Beats Estimates On Firmer Margins; Flat Interim Div; Stay Accumulate

Woqod reported 2Q2025 net profit of QR229.9mn, down 3.6% YoY, primarily due to weaker non-core income YoY. However, this 2Q2025 earnings print managed to beat our expectations. The beat was driven by (1) firmer GPM (accounts for just over a third of the beat), (2) larger provision reversal-than-modeled (about a fifth of the beat), and (3) higher-than-modeled non-core income (almost half of the beat). The group maintained its interim dividend at QR0.40/share. Meanwhile, revenue missed estimates, falling 13.5% YoY to QR6.1bn. 2Q2025 YoY revenue weakness emanates primarily from price weakness in jet fuel sales, otherwise overall sales volume crept up. Based on multi-year trends, Woqod's jet fuel and gasoline volumes have shown consistent, albeit moderating, growth, whereas diesel has persistently contracted. However, the stronger-than-modeled GPM saw gross profit growing YoY and eclipsing our expectations. GPM improvement YoY since 4Q/FY2024 is an encouraging sign that it might bottoming out – a potential turning point after years of gradual compression. 2Q2025 is now the fourth consecutive quarter where revenue has declined YoY as well as missing estimates. Nonetheless, we maintain our full-year projections for now given the offset between declining revenue and improving margins: We see NP declining by 10.5% to QR941.6mn in 2025. Also, we maintain our 2025 DPS estimate at QR0.93/share. Consequently, **we maintain our QR16.56 PT**. Meanwhile, **Woqod's balance sheet remains a core strength**. The company holds substantial cash and investments' portfolio, providing both downside protection and optionality for capital deployment, including potential buybacks or inorganic initiatives. So, despite its earnings headwinds, **we maintain our Accumulate rating**. The combination of improving margin dynamics, a robust balance sheet, and a still-attractive dividend yield supports our neutral-to-bullish medium-term view on the stock, even as we adopt a more conservative valuation stance.

Highlights

- **QFLS's 2Q2025 earnings declined 3.6%/0.2% YoY/QoQ to QR229.9mn, but came in ahead of our estimate of QR205.6mn.** While revenue fell considerably, it was not directly linked to the decline in the bottom-line as the GPM rose to 2.5% (vs. 2.3% modeled) from 2.1% in 2Q2024 (1Q2025: 3.0%), which saw the gross profit rising 6.0% YoY but declined sequentially by 19.2% to QR155.6mn vs expectations of QR146.8mn. Management attributes this YoY margin expansion to the cost optimization and transportation income within the B2B segment. Also, the EBIT margin improved to 2.0% (vs. 1.7% modeled) from 1.6% in 2Q2024, thanks to a larger provision reversal-than-modeled; overall G&A expenses declined 1.5% YoY to QR35.5mn (vs. QR38.0mn projected). Combined non-core income printed at QR119.9mn, down 9.7%/1.3% YoY/QoQ, but above expectations of QR107.5mn. This saw the NPM rising to 3.7% from 3.4%/3.6% in 2Q2024/1Q2025.
- **Woqod's 2Q2025 revenue declined 13.5%/2.7% YoY/QoQ to QR6.1bn, lower than our estimate of QR6.3bn.** While sales volume improved overall, the average jet fuel price was lower. **Overall sales volumes inched up by 1.6% to 2,794mn liters vs. 2,749mn liters modeled.** Diesel rose YoY for the first time since 1Q2024, up 2.4% to 493mn lt (vs. 483mn lt modeled), while gasoline volumes recovered (+4.9% to 786mn lt vs. 749mn lt est.) driven by super petrol. Meanwhile, jet fuel saw a consecutive quarterly pullback, down 0.1% to 1,515mn lt vs. 1,517mn est.
- **Jet fuel, the single biggest revenue contributor** (~54% of overall sales volume during 2Q2025), will likely drive growth in petroleum products. **The future growth of jet fuel is linked to the growth expected from Qatar Airways (QA),** which is expanding its fleet size and destinations – over 90% of Woqod's jet fuel sales go to QA. Meanwhile, **the expected increase in Qatar's LNG production could be a growth lever for Woqod's bunkering business, and might stem diesel sales decline, as the number of LNG carriers servicing Qatar will increase significantly.** However, these vessels are set to adopt "dual fuel" propulsion technologies that enable them to utilize gas as the primary/cleaner fuel. Also, recovery in infrastructure spending could bolster bulk diesel sales.
- **Woqod has considerable horsepower on its balance sheet.** We estimate roughly half of the group's value comes from what we consider to be non-operating items – cash pile, financial investments, and investment properties. **More importantly, this horsepower on the balance sheet provides a platform for growth and value-creation options for management – dividends, buybacks and diversification.** Woqod remains a strong yield play relative to peers.

Catalysts

- (1) The business lacks notable catalysts but Woqod's balance sheet contains enough fuel for various corporate actions including buybacks, special dividends and acquisitions. However, there is little visibility on if or when this happens. (2) Re-negotiate better terms with Qatar Energy (QE) and QA. (3) QA aircraft and LNG vessel fleets expansion. (4) Sustained rollback of EV targets by auto manufacturers.

Recommendation, Valuation and Risks

- **Recommendation and Valuation: We maintain an "Accumulate" rating and our 12M PT of QR16.56, implying 8.6% upside.** Our TP is a weighted average of various valuation models: DCF, EBITDA Exit Multiple and Relative-Valuation. Our primary thesis is that Woqod's petroleum business still has select pockets (jet fuel and LNG expansion-linked bunkering) of potential growth in the short- to medium-term helped by its dominant market position in Qatar. Plus, more value could be unlocked from optimizing the balance sheet.
- **Risks: (1) Customer (QA) & supplier (QE) concentration risk & margin-erosion (2) Price controls & other regulatory/policy risks (3) Commodity price/stock price volatility (4) Consumer adoption of EVs (5) Geopolitics**

Key Financial Data and Estimates

GROUP	2024	2025e	2026e	2027e	2028e	2029e
EPS (QR)	1.06	0.95	0.93	0.98	1.05	1.10
P/E (x)	14.42	16.11	16.34	15.63	14.52	13.93
EV/EBITDA (x)	16.53	18.01	17.24	15.93	15.21	14.20
DPS (QR)	1.00	0.93	0.90	0.95	1.00	1.05
DY (%)	6.6%	6.1%	5.9%	6.2%	6.6%	6.9%

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

Financial Statements and Forecasts

Wednesday, 16 July 2025

qnbfs.com

Key Data

Current Market Price (QR)	15.26
Dividend Yield (%)	6.6
Bloomberg Ticker	QFLS QD
ADR/GDR Ticker	N/A
Reuters Ticker	QFLS.QA
ISIN	QA0001200771
Sector*	Consumer Goods
52wk High/Low (QR)	15.57/13.37
3-m Average Vol.	654,478
Mkt. Cap. (\$ bn/QR bn)	4.2/15.2
EV (\$ bn/QR bn)	3.6/13.2
Shares O/S (mn)	994.3
FO Limit* (%)	100%
FO (Institutional)* (%)	12.9
1-Year Total Return (%)	9.5
Fiscal Year-End	December 31

Source: Bloomberg (as of July 15, 2025), *Qatar Exchange (as of July 15, 2025); Note: FO is foreign ownership

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Income statement

GROUP (QR'MN)	2024	2025e	2026e	2027e	2028e	2029e
REVENUE	28,003	26,065	27,453	29,177	30,042	31,852
GROSS PROFIT	758	702	742	792	861	912
EBITDA	768	707	737	793	824	880
OPERATING PROFIT	526	481	502	547	618	662
NET PROFIT	1,052	942	929	971	1,045	1,089

Source: Company data, QNBFS Research

Balance Sheet

GROUP (QR'MN)	2024	2025e	2026e	2027e	2028e	2029e
Non-current assets						
Property, plant & equipment	3,133	3,036	3,197	3,398	3,499	3,709
Right of use assets	142	98	53	9	9	9
Investment properties	845	829	813	797	781	765
Investment securities	4,429	4,429	4,429	4,429	4,429	4,429
Goodwill & intangibles	144	144	144	144	144	144
	8,693	8,535	8,636	8,776	8,861	9,056
Current assets						
Inventories	637	593	625	664	683	724
Due from related parties	277	258	272	289	297	315
Trade receivables	1,701	1,584	1,668	1,773	1,825	1,935
Prepayments/other receivables	145	145	145	145	145	145
Cash and bank balances	2,624	2,563	2,546	2,586	2,631	2,680
Total Current Assets	5,385	5,143	5,256	5,457	5,582	5,800
TOTAL ASSETS	14,078	13,678	13,892	14,233	14,443	14,856
EQUITY & LIABILITIES						
Equity						
Share capital	994	994	994	994	994	994
Legal reserve	499	499	499	499	499	499
Fair value reserve	23	23	23	23	23	23
Revaluations surplus	502	502	502	502	502	502
Retained earnings	6,940	6,863	6,844	6,896	6,970	7,038
Common equity	8,958	8,882	8,863	8,914	8,988	9,056
Non-controlling interest	107	142	179	219	258	299
Total equity	9,065	9,024	9,042	9,133	9,246	9,356
Non-current liabilities						
Employees benefits	127	127	127	127	127	127
Decommissioning Provision	37	37	37	37	37	37
Finance lease liability	115	88	60	31	0	0
Total non-current liabilities	278	252	224	195	164	164
Current liabilities						
Trade and other payables	1,172	1,091	1,149	1,221	1,256	1,331
Due to related parties	3,527	3,283	3,458	3,675	3,778	4,005
Finance lease liability	36	28	19	10	0	0
Total current liabilities	4,736	4,402	4,626	4,906	5,033	5,336
TOTAL EQUITY & LIABILITIES	14,078	13,678	13,892	14,233	14,443	14,856

Source: Company data, QNBFS Research

Cash flow Statement

GROUP (QR'MN)	2024	2025e	2026e	2027e	2028e	2029e
Cash flow from operations	879	722	998	1,076	1,035	1,165
Cash flow from investing activities	(294)	254	(48)	(98)	(2)	(122)
Cash flow from financing activities	(1,378)	(1,037)	(967)	(938)	(987)	(994)
(Decrease)/Increase in cash	(793)	(61)	(17)	40	45	48
Beginning cash	3,417	2,624	2,563	2,546	2,586	2,631
Closing cash	2,624	2,563	2,546	2,586	2,631	2,680

Source: Company data, QNBFS Research

Ratios

	2024	2025e	2026e	2027e	2028e	2029e
Growth Rates						
Revenue	0.3%	-6.9%	5.3%	6.3%	3.0%	6.0%
Gross Profit	2.6%	-7.3%	5.6%	6.7%	8.7%	6.0%
EBITDA	-0.8%	-8.0%	4.3%	7.6%	4.0%	6.8%
EBIT	0.3%	-8.6%	4.5%	8.9%	12.9%	7.2%
NP	7.0%	-10.5%	-1.4%	4.6%	7.6%	4.3%
EPS	7.0%	-10.5%	-1.4%	4.6%	7.6%	4.3%
DPS	11.1%	-7.0%	-3.2%	5.6%	5.3%	5.0%
CFPS	-22.3%	-19.0%	36.5%	7.6%	-3.7%	12.4%
Operating Ratios						
Gross Margin	2.71%	2.69%	2.70%	2.71%	2.86%	2.86%
EBITDA Margin	2.74%	2.71%	2.68%	2.72%	2.74%	2.76%
EBIT Margin	1.9%	1.8%	1.8%	1.9%	2.1%	2.1%
Net Margin	3.8%	3.6%	3.4%	3.3%	3.5%	3.4%
Working Capital Ratios						
Inventory Days	8.6	8.6	8.6	8.6	8.6	8.6
Average Collection Period	27.5	27.5	27.5	27.5	27.5	27.5
Payable Days	63.0	63.0	63.0	63.0	63.0	63.0
NWC days	-26.9	-26.9	-26.9	-26.9	-26.9	-26.9
Finance Ratios						
Debt-Equity Ratio	1.7%	1.3%	0.9%	0.5%	0.0%	0.0%
Net Debt -Equity Ratio	-27.6%	-27.5%	-27.8%	-28.6%	-29.3%	-29.6%
Net Debt -to-Capital	-27.2%	-27.2%	-27.6%	-28.4%	-29.3%	-29.6%
Net Debt -to-EBITDA	-3.2	-3.5	-3.3	-3.2	-3.2	-3.0
Interest Coverage	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.
Return Ratios						
ROIC	7.8%	7.2%	7.5%	8.1%	9.1%	9.7%
ROE	11.7%	10.6%	10.5%	10.9%	11.6%	12.0%
ROA	7.8%	7.1%	7.0%	7.1%	7.5%	7.6%
Liquidity Ratios						
Current Ratio	1.1	1.2	1.1	1.1	1.1	1.1
Quick Ratio	1.0	1.0	1.0	1.0	1.0	1.0
Cash Ratio	0.6	0.6	0.6	0.5	0.5	0.5
Current Ratio (+investments)	2.1	2.2	2.1	2.0	2.0	1.9
Valuation Ratios						
EV/Sales	0.5	0.5	0.5	0.4	0.4	0.4
EV/EBITDA	16.5	18.0	17.2	15.9	15.2	14.2
EV/EBIT	16.5	18.0	17.2	15.9	15.2	14.2
P/E	14.4	16.1	16.3	15.6	14.5	13.9
P/CFO	16.4	20.3	14.9	13.8	14.3	12.7
P/BV	1.7	1.7	1.7	1.7	1.7	1.7
Dividend Yield	6.6%	6.1%	5.9%	6.2%	6.6%	6.9%
FCF Yield	6.5%	5.4%	8.9%	9.8%	8.9%	10.6%

Source: Company data, QNBFS Research

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

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