

## Qatar Gas Transport Company/Nakilat (QGTS)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR3.200	Target Price	QR4.100
Implied Upside	28.1%		

### Staying The Course In Anticipation Of NF Ship Awards; Maintain Accumulate

**We are increasing our estimates for QGTS while maintaining our price target and Accumulate rating. Nakilat retains significant upside if it is selected as one of the ship owners involved in Qatar's massive LNG expansion.** We remind investors that QatarEnergy is expanding Qatar's LNG capacity from 77 MTPA to 110 MTPA (first production: 4Q2025) and further to 126 MTPA a couple of years later. To cater to this expansion, back in April/June 2020, QatarEnergy signed major LNG shipbuilding capacity agreements with Chinese and South Korean companies to build 100+ LNG vessels worth +QR70bn at that time. Furthermore, in 1Q2021, QatarEnergy issued an invitation to tender package to ship owners for the chartering of LNG carriers in relation to this project; QatarEnergy intends to assign selected ship owners from this tender to the shipyards' construction slots reserved in China and South Korea. **We note the first phase (60 vessels) has been contracted to be built in South Korean/Chinese shipyards and phase 2 has already commenced with a QR14.2bn (\$3.9bn) 17-vessel award to Hyundai on Sep. 27. So far, industry chatter indicate several ship charter agreements have been awarded. However, we do not have color on how many are remaining – with a total 100+ ships to be built to replace some existing fleet/cater to NF and Golden Pass – we expect other awards to be forthcoming.** Considering Nakilat's strategic importance, (QGTS ships ~75-80% of Qatar's current LNG exports) and impressive track record in Qatar's existing LNG shipping value chain, we expect QGTS to be a beneficiary and secure a share of new contracts. We also estimate that every incremental vessel (@100%) adds ~1% to target price and an award of 20-25 ships could markedly boost our PT/estimates. Given typical lead-times for LNG ship construction, we should expect to hear about final ship owner selections over the next few months. The stock, impacted by the regional conflict as investors became increasingly skittish given lack of contract news, declined ~29% peak-to-trough from early July to mid-November. While QGTS has rallied around 5% from its lows, Nakilat's shares have clearly lagged, with the stock down ~13% YTD vs. a 2% decline in Milaha and a 7% fall in the QE Index. **While we remain hopeful that news on the contract front is imminent, we do expect QGTS shares to come under pressure in the unlikely scenario that the company does not secure a meaningful portion of the new LNG shipping contracts.**

#### Highlights

- **We project an 11.1% growth with net income growing from QR1,438.9mn in 2022 (EPS: QR0.26) to QR1,598.2mn (EPS: QR0.29) in 2023.** Our current estimate is 2.2% higher than our previous estimate of QR1,563.3mn. **We expect another 17.3% growth in the bottom-line in 2024 to QR1,875.1mn (EPS: QR0.34).**
- **4Q2023 preview: earnings/EPS should grow 34.5% YoY but decline 1.5% QoQ to QR408.7mn/QR0.07.** The significant yearly growth in 4Q2023 earnings is driven by a substantial uptick in depreciation in 4Q2022 given completion of a 5-year dry-dock cycle, growth in JV income and a decline in SG&A expenses. **4Q2023 adjusted EBITDA of QR883.8mn (5.2% YoY, -1.3% QoQ) should show a more stable trend.**
- **Deleveraging, aided by lower rates, and growth in JVs (especially the shipyard/fabrication business) drive future earnings growth.** For 2024-2026, lower net finance charges make up roughly 75% of overall earnings growth, while growth in JV income make up ~30%. **Our current model assumes no further fleet additions.**
- **High leverage but backed by watertight charter agreements; we do not foresee issues in debt servicing or repayments.** We model principal repayments + finance charges to average QR2.3bn over 2023-33, which is easily covered by OCF (average QR2.7bn over 2023-33) and FCF before finance charges (2023-33 average QR3.4bn); we continue to assume the entire debt is paid off by 2033. Nakilat's high leverage remains manageable as debt is mostly secured by watertight charter agreements for its existing fleet.
- **Potential fleet expansion of 20-25 vessels should not be a cause for concern in terms of debt servicing or dividend payments.** Considering the current \$260mn price tag for LNG ship new builds, if we assume an increase of 20-25 vessels related to the NF expansion, QGTS will have to take on new debt of ~QR15.1bn-QR18.9bn (at 80% D/E). This could potentially send Nakilat's 2025 net debt-to-equity ratio to 1.9x to 2.3x vs. an average of 1.9x over 2020-2022 and 0.6x by 2025. However, this debt would also be secured by LT charters and hence, not a cause for concern for either debt servicing or dividend payments. We could also see a portion of this fleet increase through JV structures, keeping the related debt ring-fenced/off the books.

#### Catalysts

- **We should find out whether QGTS wins a piece of the LNG expansion contracts over the next few months.** 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. Nakilat's fleet continues to provide QGTS with stable, contractually sustainable cash flow that allow for a healthy residual income stream for equity investors after providing for debt service. Moreover, the 40-year life of Nakilat's vessels vs. maximum debt life of 25 years (last debt maturing 2033), could allow for value-enhancement.

#### Recommendation, Valuation and Risks

- **Recommendation & valuation: Our 1-Year target is QR4.100 and we rate QGTS an Accumulate.**
- **Risks: (1) We expect QGTS shares to come under pressure if the company does not secure a meaningful portion of the new LNG shipping contracts. (2) There is a risk that existing LNG contracts are renegotiated – we do not rule out potential contract restructuring, with QGTS accepting slightly lower charter rates in return for increasing their lengths from 25 to 35+ years. However, bargaining power rests with QatarEnergy LNG and Nakilat may have no choice but to accept worse contract terms. However, the likelihood of this is low given investment grade-rated bonds and contagion in other GRE-related bond issues.**

#### Key Financial Data and Estimates

	FY2022	FY2023e	FY2024e	FY2025e
EPS (QR)	0.26	0.29	0.34	0.38
P/E (x)	12.3	11.1	9.5	8.4
DPS (QR)	0.13	0.14	0.15	0.16
Dividend Yield	4.1%	4.4%	4.7%	5.0%

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

#### Key Data

Current Market Price (QR)	3.200
Current Dividend Yield (%)	4.1
Bloomberg Ticker	QGTS QD
ADR/GDR Ticker	N/A
Reuters Ticker	QGTS.QA
ISIN	QA000A0KD6L1
Sector*	Transportation
52wk High/52wk Low (QR)	4.300/3.061
3-m Average Volume ('mn)	5.2
Mkt. Cap. (\$ bn/QR bn)	4.9/17.7
EV (\$ bn/QR bn)	8.6/31.3
Shares Outstanding (mn)	5,540.0
FO Limit* (%)	100.0
Current Institutional FO* (%)	15.5
1-Year Total Return (%)	(10.9)
Fiscal Year End	December 31

Source: Bloomberg (as of December 14, 2023), \*Qatar Exchange (as of December 14, 2023); Note: FO is foreign ownership

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## Our Analysis Shows ~1% Boost To TP For Every LNG Vessel Added Under The North Field Program

Nakilat remains in the running to secure a portion of LNG transport contracts associated with Qatar's massive LNG expansion program. Considering Nakilat's strategic importance and impressive track record in Qatar's existing LNG shipping value chain, we expect QGTS to be a major beneficiary of this expansion. We also estimate that every incremental vessel (@100%) adds ~1% to Nakilat's target price and an award of 20-25 ships could significantly affect our price target and estimates. We note we assume roughly \$90,000/day in charter rates, which is lower than the company's existing wholly-owned fleet's (the original 25 vessels) charter rates that exceed \$90,000/day. We forecast initial contract terms of 25 years after which we assume a 10-year extension at a 30% haircut in revenue. As usual, we do not forecast any terminal value. Given typical lead-times for LNG ship construction, we should expect to hear about final ship owner selections over the next few months.

We also note that QGTS could additionally benefit if it is selected for managing a portion of the expansion fleet. We point out that Nakilat possesses significant in-house ship management expertise and is already managing 25 LNG vessels (21 wholly-owned), a FSRU and four LPG carriers.

In terms of risks, we expect Nakilat's shares to come under pressure in the unlikely scenario that the company does not secure a meaningful portion of the new LNG shipping contracts. We do note our current price target of QR4.100 and estimates do not include any impact of this expansion program. Given the scale of this expansion program (100+ ships) and Nakilat's excellent track record, it would be surprising if QGTS was not able to secure 20+ vessels under the new program.

### Each Additional LNG Vessel Could Add ~1% to Nakilat's Target Price

# of Vessels	1
Capex/Ship (\$ mn)	260
Useful Life	40
Depreciation/Year (\$ mn)	7
Depreciation/Year (QR mn)	24
Residual Value of Vessel (s) in Year 35 (QR mn)	118
Debt %	80.0%
Debt (\$ mn)	208
Equity (\$ mn)	52
Equity (QR mn)	189

Periods	1	2	3	4	5	10	15	25	30	35
<b>Revenue (QR mn)</b>	120	120	120	120	120	121	121	123	86	87
<b>Revenue (\$ mn)</b>	33	33	33	33	33	33	33	34	24	24
Average Capacity in m <sup>3</sup>	174,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000
Daily Charter Rate/Vessel (in \$)	90,067	90,157	90,000	90,337	90,428	90,881	91,336	92,001	64,836	65,161
<b>EBITDA (QR mn)</b>	81	83	83	83	83	83	83	82	51	50
EBITDA Margin	67.7%	69.5%	69.5%	69.4%	69.3%	68.7%	68.2%	67.1%	59.1%	57.9%
Taxes (Social & Sports Fund Contribution)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Changes in Working Capital	-	-	-	-	-	-	-	-	-	-
Capital Expenditures	(4)	(4)	(4)	(4)	(7)	(7)	(7)	(7)	(7)	(7)
<b>Free Cash Flow to Firm</b>	<b>76</b>	<b>78</b>	<b>78</b>	<b>78</b>	<b>75</b>	<b>74</b>	<b>74</b>	<b>74</b>	<b>43</b>	<b>42</b>
PV of FCFE	71	68	63	59	53	37	26	13	5	4
<b>Cumulative PV of FCFE</b>	<b>71</b>	<b>139</b>	<b>202</b>	<b>262</b>	<b>314</b>	<b>537</b>	<b>693</b>	<b>881</b>	<b>914</b>	<b>937</b>

PV of Cash Flows	937
Add:	
Cash Balances	0
PV of BV of Fleet (Fully-Owned)	10
Less:	
Debt Balances	757
<b>Fair Value of Equity</b>	<b>190</b>
<b>Incremental Target Price (Per Share)</b>	<b>0.03</b>
<b>Current Target Price (No Expansion)</b>	<b>4.100</b>
<b>% Upside/(Downside)</b>	<b>0.8%</b>
Shares O/S (Mn)	5,540

Source: QNB FS Research

## Estimate Revisions

### QNB FS Estimates Revisions

In QR mn	Current				Previous				Current				Previous			
	2021	2022	2023	2023	▲	2024	2024	▲	2025	2025	▲	2026	2026	▲		
<b>Revenue from Wholly-Owned Vessels</b>	<b>3,541</b>	<b>3,550</b>	<b>3,564</b>	<b>3,564</b>	<b>0.0%</b>	<b>3,568</b>	<b>3,568</b>	<b>0.0%</b>	<b>3,572</b>	<b>3,572</b>	<b>0.0%</b>	<b>3,576</b>	<b>3,576</b>	<b>0.0%</b>		
Growth	0.7%	0.3%	0.4%	0.4%		0.1%	0.1%		0.1%	0.1%		0.1%	0.1%			
Operating Costs	(746)	(764)	(815)	(775)	5.1%	(817)	(777)	5.3%	(820)	(778)	5.4%	(823)	(780)	5.5%		
Growth	1.7%	2.4%	1.4%	1.4%		0.3%	0.2%		0.3%	0.2%		0.3%	0.2%			
<b>Gross Profit</b>	<b>2,795</b>	<b>2,786</b>	<b>2,750</b>	<b>2,790</b>	<b>-1.4%</b>	<b>2,751</b>	<b>2,792</b>	<b>-1.5%</b>	<b>2,752</b>	<b>2,794</b>	<b>-1.5%</b>	<b>2,753</b>	<b>2,796</b>	<b>-1.5%</b>		
GM %	78.9%	78.5%	77.1%	78.3%		77.1%	78.2%		77.0%	78.2%		77.0%	78.2%			
Income from Marine and Agency Services	49	55	61	57	7.0%	64	59	9.1%	67	61	10.2%	69	62	10.4%		
General and Administrative Expenses	(97)	(112)	(102)	(106)	-3.2%	(106)	(108)	-2.2%	(109)	(111)	-1.3%	(113)	(114)	-0.3%		
<b>EBITDA</b>	<b>2,746</b>	<b>2,729</b>	<b>2,709</b>	<b>2,741</b>	<b>-1.2%</b>	<b>2,709</b>	<b>2,742</b>	<b>-1.2%</b>	<b>2,710</b>	<b>2,744</b>	<b>-1.2%</b>	<b>2,709</b>	<b>2,745</b>	<b>-1.3%</b>		
EBITDA Margin %	77.6%	76.9%	76.0%	76.9%	2.5%	75.9%	76.9%		75.8%	76.8%		75.8%	76.8%			
Depreciation of Property and Equipment	(895)	(947)	(910)	(832)	9.4%	(843)	(835)	0.9%	(846)	(839)	0.9%	(849)	(842)	0.9%		
<b>EBIT</b>	<b>1,851</b>	<b>1,783</b>	<b>1,799</b>	<b>1,909</b>	<b>-5.8%</b>	<b>1,867</b>	<b>1,907</b>	<b>-2.1%</b>	<b>1,864</b>	<b>1,905</b>	<b>-2.2%</b>	<b>1,860</b>	<b>1,903</b>	<b>-2.3%</b>		
<b>Income from Joint Ventures</b>	<b>494</b>	<b>689</b>	<b>802</b>	<b>671</b>	<b>19.4%</b>	<b>856</b>	<b>713</b>	<b>20.0%</b>	<b>924</b>	<b>754</b>	<b>22.6%</b>	<b>971</b>	<b>789</b>	<b>23.1%</b>		
Finance Costs	(1,049)	(1,139)	(1,239)	(1,208)	2.5%	(1,078)	(1,070)	0.8%	(879)	(935)	-6.0%	(737)	(814)	-9.4%		
Interest, Dividend income & Profit from Islamic Banks	58	107	237	192	23.8%	232	184	26.0%	206	168	22.2%	208	167	24.3%		
Vessel Sub-Chartering & Other Income	-	-	-	-		-	-		-	-		-	-			
Profit Before Tax	1,354	1,439	1,599	1,564	2.2%	1,876	1,734	8.2%	2,115	1,892	11.8%	2,301	2,045	12.5%		
Taxes																
Profit After Tax	1,354	1,439	1,599	1,564	2.2%	1,876	1,734	8.2%	2,115	1,892	11.8%	2,301	2,045	12.5%		
Minority Interest	(1)	(0)	(1)	(1)	-6.6%	(1)	(1)	-1.2%	(1)	(1)	2.1%	(1)	(1)	2.8%		
% of PAT	-0.1%	0.0%	-0.1%	-0.1%		-0.1%	-0.1%		-0.1%	-0.1%		-0.1%	-0.1%			
<b>Profit for Equity Holders</b>	<b>1,353</b>	<b>1,439</b>	<b>1,598</b>	<b>1,563</b>	<b>2.2%</b>	<b>1,875</b>	<b>1,733</b>	<b>8.2%</b>	<b>2,113</b>	<b>1,891</b>	<b>11.8%</b>	<b>2,300</b>	<b>2,044</b>	<b>12.5%</b>		
Net Profit Margin	38.2%	40.5%	44.8%	43.9%		52.5%	48.6%		59.2%	52.9%		64.3%	57.2%			
Growth	16.7%	6.3%	11.1%	8.6%		17.3%	10.9%		12.7%	9.1%		8.8%	8.1%			
<b>EPS</b>	<b>0.24</b>	<b>0.26</b>	<b>0.29</b>	<b>0.28</b>	<b>2.2%</b>	<b>0.34</b>	<b>0.31</b>	<b>8.2%</b>	<b>0.38</b>	<b>0.34</b>	<b>11.8%</b>	<b>0.42</b>	<b>0.37</b>	<b>12.5%</b>		
Growth	16.7%	6.3%	11.1%	8.6%		17.3%	10.9%		12.7%	9.1%		8.8%	8.1%			
<b>DPS</b>	<b>0.12</b>	<b>0.13</b>	<b>0.14</b>	<b>0.14</b>	<b>0.0%</b>	<b>0.15</b>	<b>0.15</b>	<b>0.0%</b>	<b>0.16</b>	<b>0.16</b>	<b>0.0%</b>	<b>0.17</b>	<b>0.17</b>	<b>0.0%</b>		
Payout Ratio	49.1%	50.1%	48.5%	49.6%		44.3%	48.0%		41.9%	46.9%		41.0%	46.1%			
Growth	9.1%	8.3%	7.7%	7.7%		7.1%	7.1%		6.7%	6.7%		6.3%	6.3%			
<b>Adjusted EBITDA</b>	<b>3,240</b>	<b>3,419</b>	<b>3,510</b>	<b>3,413</b>	<b>2.9%</b>	<b>3,565</b>	<b>3,456</b>	<b>3.2%</b>	<b>3,634</b>	<b>3,497</b>	<b>3.9%</b>	<b>3,680</b>	<b>3,534</b>	<b>4.1%</b>		
Growth	3.6%	5.5%	2.7%	-0.2%		1.6%	1.3%		1.9%	1.2%		1.3%	1.0%			
<b>Adjusted Revenue</b>	<b>4,084</b>	<b>4,295</b>	<b>4,427</b>	<b>4,293</b>	<b>3.1%</b>	<b>4,488</b>	<b>4,340</b>	<b>3.4%</b>	<b>4,563</b>	<b>4,387</b>	<b>4.0%</b>	<b>4,616</b>	<b>4,427</b>	<b>4.3%</b>		
Growth	3.3%	5.2%	3.1%	0.0%		1.4%	1.1%		1.7%	1.1%		1.2%	0.9%			

Source: QNB FS Research

## Valuation and Key Ratios

### Growth Metrics

Growth Ratios (In %)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033	CAGR 22-33
Revenue - Wholly Owned	0.7%	(0.4%)	0.2%	3.4%	11.1%	0.7%	0.3%	0.4%	0.1%	0.1%	0.1%	0.1%	0.1%
Revenue - Adjusted	2.0%	(6.1%)	1.8%	7.6%	4.6%	3.3%	5.2%	3.1%	1.4%	1.7%	0.5%	1.1%	1.1%
Gross Profit	0.1%	0.4%	1.1%	3.5%	12.8%	0.4%	(0.3%)	(1.3%)	0.0%	0.0%	0.1%	0.1%	-0.1%
EBITDA	(1.1%)	0.5%	1.0%	3.9%	14.3%	0.4%	(0.6%)	(0.8%)	0.0%	0.0%	(0.0%)	(0.0%)	-0.1%
EBITDA - Adjusted	1.1%	(7.2%)	3.1%	9.3%	5.9%	3.6%	5.5%	2.7%	1.6%	1.9%	0.5%	1.2%	1.1%
EBIT	(6.5%)	0.7%	2.2%	(2.3%)	22.1%	0.3%	(3.7%)	0.9%	3.8%	(0.2%)	(0.2%)	(0.3%)	0.2%
Income from JVs	11.1%	(38.7%)	16.9%	40.8%	(30.1%)	26.5%	39.7%	16.3%	6.7%	8.0%	1.9%	4.1%	4.7%
Finance Charges/Interest Expense	(0.9%)	(1.3%)	0.0%	(0.1%)	(2.9%)	(7.8%)	8.6%	8.7%	(13.0%)	(18.5%)	(15.8%)	(57.1%)	(19.1%)
EPS	(2.9%)	(11.3%)	5.3%	12.4%	15.8%	16.7%	6.3%	11.1%	17.3%	12.7%	4.3%	7.3%	7.6%
CFPS	(9.9%)	16.7%	(6.4%)	15.9%	79.3%	(27.2%)	29.6%	(9.1%)	6.0%	11.0%	3.0%	5.5%	3.5%
FCFPS	(4.9%)	22.0%	(22.1%)	10.9%	114.9%	(24.3%)	25.3%	(16.3%)	14.7%	11.5%	3.5%	1.9%	3.3%
DPS	(20.0%)	0.0%	0.0%	0.0%	10.0%	9.1%	8.3%	7.7%	7.1%	6.7%	5.0%	4.3%	5.7%

Source: Bloomberg, QNB FS Research; Note: Adjusted revenue includes wholly-owned revenue, income from marine & agency services and income from JVs, while Adjusted EBITDA includes income from JVs

## Key Metrics

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033
<b>Growth Ratios (In %)</b>												
Revenue - Wholly Owned	0.7%	(0.4%)	0.2%	3.4%	11.1%	0.7%	0.3%	0.4%	0.1%	0.1%	0.1%	0.1%
Revenue - Adjusted	2.0%	(6.1%)	1.8%	7.6%	4.6%	3.3%	5.2%	3.1%	1.4%	1.7%	0.5%	1.1%
Gross Profit	0.1%	0.4%	1.1%	3.5%	12.8%	0.4%	(0.3%)	(1.3%)	0.0%	0.0%	0.1%	0.1%
EBITDA	(1.1%)	0.5%	1.0%	3.9%	14.3%	0.4%	(0.6%)	(0.8%)	0.0%	0.0%	(0.0%)	(0.0%)
EBITDA -Adjusted	1.1%	(7.2%)	3.1%	9.3%	5.9%	3.6%	5.5%	2.7%	1.6%	1.9%	0.5%	1.2%
EBIT	(6.5%)	0.7%	2.2%	(2.3%)	22.1%	0.3%	(3.7%)	0.9%	3.8%	(0.2%)	(0.2%)	(0.3%)
Income from JVs	11.1%	(38.7%)	16.9%	40.8%	(30.1%)	26.5%	39.7%	16.3%	6.7%	8.0%	1.9%	4.1%
Finance Charges/Interest Expense	(0.9%)	(1.3%)	0.0%	(0.1%)	(2.9%)	(7.8%)	8.6%	8.7%	(13.0%)	(18.5%)	(15.8%)	(57.1%)
EPS	(2.9%)	(11.3%)	5.3%	12.4%	15.8%	16.7%	6.3%	11.1%	17.3%	12.7%	4.3%	7.3%
CFPS	(9.9%)	16.7%	(6.4%)	15.9%	79.3%	(27.2%)	29.6%	(9.1%)	6.0%	11.0%	3.0%	5.5%
FCFPS	(4.9%)	22.0%	(22.1%)	10.9%	114.9%	(24.3%)	25.3%	(16.3%)	14.7%	11.5%	3.5%	1.9%
DPS	(20.0%)	0.0%	0.0%	0.0%	10.0%	9.1%	8.3%	7.7%	7.1%	6.7%	5.0%	4.3%
<b>Operating Ratios (In %)</b>												
Gross Margin	76.6%	77.2%	77.8%	78.0%	79.1%	78.9%	78.5%	77.1%	77.1%	77.0%	76.9%	76.8%
EBITDA Margin	74.0%	74.6%	75.2%	75.6%	77.8%	77.6%	76.9%	76.0%	75.9%	75.8%	75.4%	75.0%
Adj. EBITDA Margin	76.8%	75.9%	76.9%	78.1%	79.1%	79.3%	79.6%	79.3%	79.4%	79.6%	79.7%	79.7%
EBIT Margin	49.0%	49.5%	50.5%	47.7%	52.5%	52.3%	50.2%	50.5%	52.3%	52.2%	51.3%	50.8%
Net Margin	31.1%	27.7%	29.1%	31.6%	33.0%	38.2%	40.5%	44.8%	52.5%	59.2%	76.8%	89.1%
<b>Finance Ratios</b>												
Net Debt-to-EBITDA	8.3	7.8	7.5	7.9	6.6	6.0	5.2	4.8	4.2	3.5	-0.1	-2.5
Debt-Equity Ratio	4.1	3.5	2.9	3.1	3.0	2.3	1.7	1.4	1.2	1.0	0.3	0.0
Net Debt-Equity Ratio	3.6	3.0	2.5	2.8	2.5	1.9	1.3	1.0	0.8	0.6	0.0	-0.2
Debt-to-Capital	80.3%	77.7%	74.1%	75.6%	74.7%	69.4%	62.6%	58.9%	54.5%	50.1%	24.4%	0.0%
Interest Coverage	1.3	1.3	1.3	1.3	1.6	1.8	1.6	1.5	1.7	2.1	4.5	16.6
EBITDA Interest Coverage	1.9	1.9	2.0	2.0	2.4	2.6	2.4	2.2	2.5	3.1	6.6	24.5
<b>Return Ratios (In %)</b>												
ROIC	5.6%	5.7%	5.8%	5.4%	6.6%	6.5%	5.9%	6.0%	6.3%	6.3%	6.2%	6.6%
ROAE	19.7%	15.1%	13.9%	14.5%	16.6%	17.1%	14.4%	13.5%	14.5%	14.9%	12.8%	11.9%
ROAA	3.1%	2.8%	3.0%	3.2%	3.6%	4.2%	4.5%	5.0%	5.9%	6.7%	8.8%	10.4%
<b>Valuation</b>												
EV/EBITDA-Adjusted	12.9	13.5	12.9	12.4	11.4	10.5	9.3	8.7	8.1	7.5	4.6	2.8
EV/EBIT	24.3	23.4	22.6	24.1	19.3	18.4	17.9	17.0	15.5	14.6	9.4	5.9
P/E	18.6	21.0	19.9	17.7	15.3	13.1	12.3	11.1	9.5	8.4	6.4	5.5
P/CF	15.8	13.5	14.4	12.5	6.9	9.5	7.4	8.1	7.6	6.9	5.6	5.0
P/B	3.4	3.0	2.6	2.6	2.5	2.0	1.6	1.4	1.3	1.2	0.8	0.6
Dividend Yield	3.1%	3.1%	3.1%	3.1%	3.4%	3.8%	4.1%	4.4%	4.7%	5.0%	6.6%	7.5%
FCF Yield	6.1%	7.4%	5.8%	6.4%	13.7%	10.4%	13.0%	10.9%	12.5%	14.0%	17.2%	18.6%

Source: Bloomberg, QNB FS Research; Note: Adjusted revenue includes wholly-owned revenue, income from marine & agency services and income from JVs, while Adjusted EBITDA includes income from JVs

## Detailed Financial Statements

Income Statement (In QR mn)	FY2022	FY2023e	FY2024e	FY2025e
<b>Revenue – Wholly-Owned Ships</b>	<b>3,550</b>	<b>3,564</b>	<b>3,568</b>	<b>3,572</b>
Direct Costs	(764)	(815)	(817)	(820)
<b>Gross Profit</b>	<b>2,786</b>	<b>2,750</b>	<b>2,751</b>	<b>2,752</b>
Income from Marine & Agency Services	55	61	64	67
General and Administrative Expenses	(112)	(102)	(106)	(109)
<b>EBITDA</b>	<b>2,729</b>	<b>2,709</b>	<b>2,709</b>	<b>2,710</b>
Depreciation	(947)	(910)	(843)	(846)
<b>EBIT</b>	<b>1,783</b>	<b>1,799</b>	<b>1,867</b>	<b>1,864</b>
Share of Profits from Joint Ventures	689	802	856	924
Finance Costs	(1,139)	(1,239)	(1,078)	(879)
Interest, Dividend & Profit from Islamic Banks	107	237	232	206
<b>Profit Before Tax</b>	<b>1,439</b>	<b>1,599</b>	<b>1,876</b>	<b>2,115</b>
Income Tax Expense	0	0	0	0
<b>Profit After Tax</b>	<b>1,439</b>	<b>1,599</b>	<b>1,876</b>	<b>2,115</b>
Minority Interest	(0)	(1)	(1)	(1)
<b>Profit for Equity Shareholders</b>	<b>1,439</b>	<b>1,598</b>	<b>1,875</b>	<b>2,113</b>
<b>EPS (QR)</b>	<b>0.26</b>	<b>0.29</b>	<b>0.34</b>	<b>0.38</b>
<b>Adjusted Revenue</b>	<b>4,295</b>	<b>4,427</b>	<b>4,488</b>	<b>4,563</b>
<b>Adjusted EBITDA</b>	<b>3,419</b>	<b>3,510</b>	<b>3,565</b>	<b>3,634</b>

Source: Bloomberg, QNB FS Research

Balance Sheet (In QR mn)	FY2022	FY2023e	FY2024e	FY2025e
<b>Non-Current Assets</b>				
Property, Plant and Equipment	21,327	20,672	19,929	19,182
Investment in Joint Venture Companies	5,290	5,612	5,846	6,092
Loans to Joint Venture Companies	68	71	71	71
Equity Investments	139	151	151	151
<b>Total Non-Current Assets</b>	<b>26,824</b>	<b>26,505</b>	<b>25,996</b>	<b>25,496</b>
<b>Current Assets</b>				
Receivables, Inventories, Due from Joint Ventures & Others	812	736	737	738
Cash and Bank Balances	4,560	4,815	4,792	5,231
<b>Total Current Assets</b>	<b>5,372</b>	<b>5,551</b>	<b>5,529</b>	<b>5,968</b>
<b>Total Assets</b>	<b>32,196</b>	<b>32,056</b>	<b>31,526</b>	<b>31,464</b>
<b>Equity</b>				
Equity Attributable to the Parent	11,249	12,402	13,500	14,780
Minority Interest	6	7	8	9
<b>Total Equity</b>	<b>11,255</b>	<b>12,408</b>	<b>13,507</b>	<b>14,789</b>
<b>Non-Current Liabilities</b>				
Borrowings	17,722	16,147	14,826	13,265
Lease Liability, Provision for End of Service Benefits and Other Liabilities	480	499	472	445
<b>Total Non-Current Liabilities</b>	<b>18,202</b>	<b>16,646</b>	<b>15,298</b>	<b>13,710</b>
<b>Current Liabilities</b>				
Borrowings	1,085	1,600	1,321	1,561
Accounts Payables/Accruals, Due to Joint Ventures & Others	1,655	1,401	1,400	1,404
<b>Total Current Liabilities</b>	<b>2,740</b>	<b>3,001</b>	<b>2,721</b>	<b>2,965</b>
<b>Equity and Liabilities</b>	<b>32,196</b>	<b>32,056</b>	<b>31,526</b>	<b>31,464</b>

Source: Bloomberg, QNB FS 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>	
<b>OUTPERFORM</b>	Greater than +20%	<b>R-1</b>	Significantly lower than average
<b>ACCUMULATE</b>	Between +10% to +20%	<b>R-2</b>	Lower than average
<b>MARKET PERFORM</b>	Between -10% to +10%	<b>R-3</b>	Medium / In-line with the average
<b>REDUCE</b>	Between -10% to -20%	<b>R-4</b>	Above average
<b>UNDERPERFORM</b>	Lower than -20%	<b>R-5</b>	Significantly above average

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