

## Qatar Gas Transport Company/Nakilat (QGTS)

|                |            |              |         |
|----------------|------------|--------------|---------|
| Recommendation | Outperform | Risk Rating  | R-3     |
| Share Price    | QR3.866    | Target Price | QR5.100 |
| Implied Upside | 31.9%      |              |         |

### Beats 1Q2024 Earnings Estimate On Margin Upside; Reiterate Outperform

QGTS reported 1Q2024 earnings ahead of our expectations on better costs control offsetting a softer-than-expected print on the JV income line. Despite the beat, overall results were unsurprising with Nakilat delivering on its growth metrics. We continue to reiterate QGTS as our top pick with its recently announced 25-conventional LNG vessel award adding QR1 to our price target. We believe that Nakilat could soon announce contract wins in the Q-Max ultra-large LNG carrier-category related to the North Field expansion. We stay Outperform with a price target of QR5.10.

#### Highlights

- In-line revenue & progress in direct costs drive better-than-expected 1Q2024 EBITDA; earnings also beats our model with lower-than-anticipated depreciation and finance costs offsetting softer-than-modeled JV income.** Nakilat's net profit/eps rose 6.1% YoY and 14.0% QoQ to QR419.8mn/QR0.076 in 1Q2024, beating our estimate of QR390.2mn/QR0.070 by 7.6%. For more details, please see page 1.
- Wholly-owned ship revenue of QR895.1mn (1.9% YoY, -0.9% QoQ) was in-line with QNB FS estimate of QR893.6mn (0.2% divergence).**
- EBITDA of QR695.5mn (2.8% YoY, 1.8% QoQ) was 2.0% above our forecast of QR682.1mn given better-than-expected cash operating costs of the wholly-owned fleet (cash gross margins increased to 78.6% vs. our model of 77.4%; GMs gained YoY/QoQ vs. 77.9%/78.3% in 1Q2023/4Q2023. G&A of QR21.0mn (-2.1% YoY, -47.5% QoQ) was 9.4% below our estimate of QR23.2mn.**
- Depreciation of QR204.9mn (2.4% YoY, -19.9% QoQ) was below our forecast of QR229.3mn by 10.6%.** We note that reported depreciation was in-line with management guidance of an annual run-rate of QR800-840mn. Management continues to attribute YoY depreciation growth to the completion of the 2023 dry-dock cycle increasing the company's asset base. We remind investors that QGTS completed a dry-dock cycle in 2022 starting a new one in 2023 - 10 vessels were dry-docked in 2023, with eight more in 2024. However, Nakilat's TCPs typically account for these dry-dock days ensuring a stable and consistent revenue stream.
- JV income of QR165.1mn (-3.8% YoY, -13.8% QoQ) was 10.8% below our estimate of QR185.0mn.** JV income also fell below 2023's quarterly run rate of QR196mn. We will seek color from management regarding this drop. We do note that, overall, JV income continues its buoyant trend, up 13.9% YoY from QR689.4mn in 2022 to QR784.9mn in 2023.
- Finally, finance costs of QR296.1mn (-4.0% YoY, -6.7% QoQ) was 7.4% below of our estimate of QR319.7mn.** Interest costs decreased due to scheduled loan repayments offset by higher SOFR on the unhedged portion (~30%) of QGTS' debt. **Total debt of QR19.4bn increased 9.8% from YE2023 levels of QR17.6bn as Nakilat took on a new facility to partly finance its new build program.** Interest, dividend & other income of QR60.3mn (7.0% YoY, -10.4% QoQ) was 16.5% below our model of QR72.3mn.
- We are adjusting estimates to reflect 1Q2024 results and other model changes.** We project a 9.6% growth with net income/eps growing from QR1,557.8mn/QR0.281 in 2023 to QR1,707.4mn/QR0.308 in 2024. Our current estimate is 8.9% lower than our previous estimate. **Our model does not factor in the planned 25-vessel LNG expansion or the addition of 2 LNG/4 Very Large LPG/Ammonia Gas carriers for delivery between 2026 and 2027.** For more details, please see page 2.

#### Catalysts

- Nakilat has already won 25 conventional vessel contracts (out of 104) and could soon announce some wins in Q-Max ultra-large LNG carriers.** In late March, QGTS signed Time Charter Parties (TCP) agreements for 25 conventional (174,000 m<sup>3</sup>) LNG carriers as part of QatarEnergy's 2<sup>nd</sup> phase of ship owner tender agreements. This announcement builds on the Feb. 2024 announcement that QGTS was selected as owner & operator of up to 25 conventional LNG carriers. QatarEnergy also announced in late February that it was expanding its LNG capacity further to 142 MTPA by 2030 (North Field West) after first expanding it from 77 MTPA to 110 MTPA by 2025/2026 (North Field East) and further to 126 MTPA by 2027 (North Field South). So far, QatarEnergy has already concluded the conventional-sized vessels portion of its expansion program granting TCP agreements for 104 conventional LNG vessels (including 60 in phase 1 and 44 in phase 2 that encompasses 25-vessels for Nakilat and 19 for four international ship-owners. **We do note that industry reports indicate that 18 Q-Max LNG carriers (217,000 m<sup>3</sup>) will also be announced (making it 122 vessels in total) and that Nakilat has already won contracts for nine of these Q-Max carriers (although the company has not officially confirmed this).**

#### Recommendation, Valuation and Risks

- Recommendation & valuation: Our 1-Year target is QR5.100 and we rate QGTS an Outperform.** 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.
- Risks: With the NFE deal announced the risk overhanging the stock (that no deal would be announced) has been eliminated.** Execution risks remain given the magnitude of this new contract but we note that Nakilat's impeccable track record alleviates this concern.

#### Key Financial Data and Estimates

|                | FY2023 | FY2024e | FY2025e | FY2026e |
|----------------|--------|---------|---------|---------|
| EPS (QR)       | 0.28   | 0.31    | 0.36    | 0.40    |
| P/E (x)        | 13.7   | 12.5    | 10.7    | 9.7     |
| DPS (QR)       | 0.14   | 0.15    | 0.16    | 0.17    |
| Dividend Yield | 3.6%   | 3.9%    | 4.1%    | 4.4%    |

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

#### Key Data

|                               |                |
|-------------------------------|----------------|
| Current Market Price (QR)     | 3.866          |
| Current Dividend Yield (%)    | 3.6            |
| Bloomberg Ticker              | QGTS QD        |
| ADR/GDR Ticker                | N/A            |
| Reuters Ticker                | QGTS.QA        |
| ISIN                          | QA000A0KD6L1   |
| Sector*                       | Transportation |
| 52wk High/52wk Low (QR)       | 4.433/3.061    |
| 3-m Average Volume ('mn)      | 6.0            |
| Mkt. Cap. (\$ bn/QR bn)       | 5.9/21.4       |
| EV (\$ bn/QR bn)              | 9.6/34.8       |
| Shares Outstanding (mn)       | 5,540.0        |
| FO Limit* (%)                 | 100.0          |
| Current Institutional FO* (%) | 15.8           |
| 1-Year Total Return (%)       | 1.0            |
| Fiscal Year End               | December 31    |

Source: Bloomberg (as of April 28, 2024), \*Qatar Exchange (as of April 28, 2024); Note: FO is foreign ownership

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## 1Q2024 Results Review

In-line revenue & progress in direct costs drive better-than-expected 1Q2024 EBITDA; earnings also beats our model with lower-than-anticipated depreciation and finance costs offsetting softer-than-modeled JV income. Nakilat's net profit/EPS rose 6.1% YoY and 14.0% QoQ to QR419.8mn/QR0.076 in 1Q2024, beating our estimate of QR390.2mn/QR0.070 by 7.6%.

- Wholly-owned ship revenue of QR895.1mn (1.9% YoY, -0.9% QoQ) was in-line with QNB FS estimate of QR893.6mn (0.2% divergence).
- Adjusted revenue (wholly-owned ships + marine & agency services + JV income) of QR1,073.1mn (0.9% YoY, -3.4% QoQ) was also in-line with our estimate of QR1,092.4mn (-1.8% variance) with in-line wholly-owned vessel top-line offset by weaker-than-modeled JV income.
- EBITDA of QR695.5mn (2.8% YoY, 1.8% QoQ) was 2.0% above our forecast of QR682.1mn given better-than-expected cash operating costs of the wholly-owned fleet (cash gross margins increased to 78.6% vs. our model of 77.4%; GMs gained YoY/QoQ vs. 77.9%/78.3% in 1Q2023/4Q2023. G&A of QR21.0mn (-2.1% YoY, -47.5% QoQ) was 9.4% below our estimate of QR23.2mn. Adjusted EBITDA (EBITDA + JV income) of QR860.6mn (1.5% YoY, -1.6% QoQ) was 0.8% below our estimate of QR867.2mn given the JV income miss.
- Depreciation of QR204.9mn (2.4% YoY, -19.9% QoQ) was below our forecast of QR229.3mn by 10.6%. We note that reported depreciation was in-line with management guidance of an annual run-rate of QR800-840mn. Management continues to attribute YoY depreciation growth to the completion of the 2023 dry-dock cycle increasing the company's asset base. We remind investors that QGTS completed a dry-dock cycle in 2022 starting a new one in 2023 – 10 vessels were dry-docked in 2023, with eight more in 2024. However, Nakilat's TCPs typically account for these dry-dock days ensuring a stable and consistent revenue stream.
- JV income of QR165.1mn (-3.8% YoY, -13.8% QoQ) was 10.8% below our estimate of QR185.0mn. JV income also fell below 2023's quarterly run rate of QR196mn. We will seek color from management regarding this drop. We do note that, overall, JV income continues its buoyant trend, up 13.9% YoY from QR689.4mn in 2022 to QR784.9mn in 2023. A key driver of this growth is **improving shipyard performance** (which posted a net profit of QR134.4mn in 2023, up 47.3% from QR91.2mn in 2022 after posting net losses of QR36.2mn and QR25.5mn in 2021 and 2020, respectively). **Maran Nakilat (40% ownership in 15 conventional ships) also posted an impressive 51.2% YoY growth in earnings** from QR194.5mn in 2022 to QR294.0mn in 2023.
- Finally, finance costs of QR296.1mn (-4.0% YoY, -6.7% QoQ) was 7.4% below of our estimate of QR319.7mn. Interest costs decreased due to scheduled loan repayments offset by higher SOFR on the unhedged portion (~ 30%) of QGTS' debt. **Total debt of QR19.4bn increased 9.8% from YE2023 levels of QR17.6bn as Nakilat took on a new facility to partly finance its new build program.** Interest, dividend & other income of QR60.3mn (7.0% YoY, -10.4% QoQ) was 16.5% below our model of QR72.3mn.

### QNB FS 1Q2024 Estimates and Comparisons

| Income Statement                                      |                  |                  |                  |                  |              |             |              |
|---|------------------|------------------|------------------|------------------|--------------|-------------|--------------|
| In QR mn Except Otherwise Noted                       | 1Q2023           | 4Q2023           | 1Q2024           | 1Q2024e          | A Vs. E      | YoY         | QoQ          |
| Revenue from Wholly-Owned Vessels                     | 878.760          | 903.554          | 895.071          | 893.643          | 0.2%         | 1.9%        | -0.9%        |
| Operating Costs                                       | (194.195)        | (196.135)        | (191.557)        | (201.963)        | -5.2%        | -1.4%       | -2.3%        |
| <b>Gross Profit</b>                                   | <b>684.565</b>   | <b>707.419</b>   | <b>703.514</b>   | <b>691.680</b>   | <b>1.7%</b>  | <b>2.8%</b> | <b>-0.6%</b> |
| <i>Gross Margin</i>                                   | 77.9%            | 78.3%            | 78.6%            | 77.4%            |              |             |              |
| Income from Marine and Agency Services                | 13.197           | 15.810           | 12.992           | 13.683           | -5.0%        | -1.6%       | -17.8%       |
| General and Administrative Expenses                   | (21.470)         | (40.075)         | (21.026)         | (23.218)         | -9.4%        | -2.1%       | -47.5%       |
| <b>EBITDA</b>   | <b>676.292</b>   | <b>683.154</b>   | <b>695.480</b>   | <b>682.145</b>   | <b>2.0%</b>  | <b>2.8%</b> | <b>1.8%</b>  |
| Depreciation of Property and Equipment                | (200.170)        | (255.919)        | (204.912)        | (229.303)        | -10.6%       | 2.4%        | -19.9%       |
| <b>EBIT</b>   | <b>476.122</b>   | <b>427.235</b>   | <b>490.568</b>   | <b>452.842</b>   | <b>8.3%</b>  | <b>3.0%</b> | <b>14.8%</b> |
| <i>EBIT Margin</i>                                    | 54.2%            | 47.3%            | 54.8%            | 50.7%            |              |             |              |
| Income from Joint Ventures                            | 171.582          | 191.444          | 165.083          | 185.034          | -10.8%       | -3.8%       | -13.8%       |
| Finance Costs   | (308.343)        | (317.379)        | (296.113)        | (319.710)        | -7.4%        | -4.0%       | -6.7%        |
| Interest, Dividend income & Profit from Islamic Banks | 56.382           | 67.348           | 60.325           | 72.269           | -16.5%       | 7.0%        | -10.4%       |
| <b>Profit Before Tax</b>                              | <b>395.743</b>   | <b>368.648</b>   | <b>419.863</b>   | <b>390.434</b>   | <b>7.5%</b>  | <b>6.1%</b> | <b>13.9%</b> |
| <b>Profit After Tax</b>                               | <b>395.743</b>   | <b>368.648</b>   | <b>419.863</b>   | <b>390.434</b>   | <b>7.5%</b>  | <b>6.1%</b> | <b>13.9%</b> |
| Minority Interest                                     | (0.255)          | (0.299)          | (0.106)          | (0.245)          | -56.7%       | -58.4%      | -64.5%       |
| <b>Net Income to Equity</b>                           | <b>395.488</b>   | <b>368.349</b>   | <b>419.757</b>   | <b>390.189</b>   | <b>7.6%</b>  | <b>6.1%</b> | <b>14.0%</b> |
| <i>Net Profit Margin</i>                              | 45.0%            | 40.8%            | 46.9%            | 43.7%            |              |             |              |
| EPS (QR)  | 0.071            | 0.066            | 0.076            | 0.070            | 7.6%         | 6.1%        | 14.0%        |
| <b>Adjusted EBITDA</b>                                | <b>847.874</b>   | <b>874.598</b>   | <b>860.563</b>   | <b>867.179</b>   | <b>-0.8%</b> | <b>1.5%</b> | <b>-1.6%</b> |
| <b>Adjusted Revenue</b>                               | <b>1,063.539</b> | <b>1,110.808</b> | <b>1,073.146</b> | <b>1,092.360</b> | <b>-1.8%</b> | <b>0.9%</b> | <b>-3.4%</b> |
| Particulars   |                  |                  |                  |                  |              |             |              |
|   | 1Q2023           | 4Q2023           | 1Q2024           | 1Q2024e          |              |             |              |
| Adj. EBITDA Margin                                    | 79.7%            | 78.7%            | 80.2%            | 79.4%            |              |             |              |
| Gross Margin  | 77.9%            | 78.3%            | 78.6%            | 77.4%            |              |             |              |
| EBIT Margin   | 54.2%            | 47.3%            | 54.8%            | 50.7%            |              |             |              |
| G & A % of Sales                                      | 2.4%             | 4.4%             | 2.3%             | 2.6%             |              |             |              |
| Depreciation & Amortization % of Sales                | 22.8%            | 28.3%            | 22.9%            | 25.7%            |              |             |              |

Source: Company data, QNB FS Research

## Estimate Revisions

We are adjusting estimates to reflect 1Q2024 results and other model changes. We project a 9.6% growth with net income/EPS growing from QR1,557.8mn/QR0.281 in 2023 to QR1,707.4mn/QR0.308 in 2024. Our current estimate is 8.9% lower than our previous estimate. Our model does not factor in the planned 25-vessel LNG expansion or the addition of 2 LNG/4 Very Large LPG/Ammonia Gas carriers for delivery between 2026 and 2027.

### QNB FS Estimates Revisions

| In QR mn  | Current      |              |              | Previous     | Current      |              |              | Previous     | Current      |              |      |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|
|   | 2023         | 2024         | 2024         |              | ▲            | 2025         | 2025         |              | ▲            | 2026         | 2026 |
| <b>Revenue from Wholly-Owned Vessels</b>              | <b>3,565</b> | <b>3,578</b> | <b>3,568</b> | <b>0.3%</b>  | <b>3,582</b> | <b>3,572</b> | <b>0.3%</b>  | <b>3,586</b> | <b>3,576</b> | <b>0.3%</b>  |      |
| Growth  | 0.4%         | 0.3%         | 0.1%         |              | 0.1%         | 0.1%         |              | 0.1%         | 0.1%         |              |      |
| Operating Costs                                       | (795)        | (800)        | (817)        | -2.1%        | (803)        | (820)        | -2.1%        | (806)        | (823)        | -2.1%        |      |
| Growth  | 4.1%         | 0.6%         | 0.3%         |              | 0.4%         | 0.3%         |              | 0.4%         | 0.3%         |              |      |
| <b>Gross Profit</b>                                   | <b>2,770</b> | <b>2,778</b> | <b>2,751</b> | <b>1.0%</b>  | <b>2,779</b> | <b>2,752</b> | <b>1.0%</b>  | <b>2,780</b> | <b>2,753</b> | <b>1.0%</b>  |      |
| GM %  | 77.7%        | 77.6%        | 77.1%        |              | 77.6%        | 77.0%        |              | 77.5%        | 77.0%        |              |      |
| Income from Marine and Agency Services                | 60           | 55           | 64           | -14.3%       | 51           | 67           | -24.2%       | 47           | 69           | -31.2%       |      |
| General and Administrative Expenses                   | (114)        | (117)        | (106)        | 10.9%        | (121)        | (109)        | 10.2%        | (124)        | (113)        | 9.5%         |      |
| <b>EBITDA</b>   | <b>2,716</b> | <b>2,715</b> | <b>2,709</b> | <b>0.2%</b>  | <b>2,709</b> | <b>2,710</b> | <b>0.0%</b>  | <b>2,704</b> | <b>2,709</b> | <b>-0.2%</b> |      |
| EBITDA Margin %                                       | 76.2%        | 75.9%        | 75.9%        |              | 75.6%        | 75.8%        |              | 75.4%        | 75.8%        |              |      |
| Depreciation of Property and Equipment                | (935)        | (841)        | (843)        | -0.2%        | (844)        | (846)        | -0.2%        | (848)        | (849)        | -0.2%        |      |
| <b>EBIT</b>   | <b>1,781</b> | <b>1,874</b> | <b>1,867</b> | <b>0.4%</b>  | <b>1,865</b> | <b>1,864</b> | <b>0.0%</b>  | <b>1,856</b> | <b>1,860</b> | <b>-0.2%</b> |      |
| <b>Income from Joint Ventures</b>                     | <b>785</b>   | <b>807</b>   | <b>856</b>   | <b>-5.8%</b> | <b>857</b>   | <b>924</b>   | <b>-7.2%</b> | <b>919</b>   | <b>971</b>   | <b>-5.4%</b> |      |
| Finance Costs   | (1,249)      | (1,184)      | (1,078)      | 9.8%         | (1,032)      | (879)        | 17.4%        | (851)        | (737)        | 15.4%        |      |
| Interest, Dividend income & Profit from Islamic Banks | 242          | 211          | 232          | -8.7%        | 309          | 206          | 50.1%        | 279          | 208          | 34.6%        |      |
| Vessel Sub-Chartering & Other Income                  | -            | -            | -            |              | -            | -            |              | -            | -            |              |      |
| Profit Before Tax                                     | 1,559        | 1,708        | 1,876        | -8.9%        | 1,999        | 2,115        | -5.5%        | 2,203        | 2,301        | -4.3%        |      |
| Taxes   |              |              |              |              |              |              |              |              |              |              |      |
| Profit After Tax                                      | 1,559        | 1,708        | 1,876        | -8.9%        | 1,999        | 2,115        | -5.5%        | 2,203        | 2,301        | -4.3%        |      |
| Minority Interest                                     | (1)          | (1)          | (1)          | -2.5%        | (1)          | (1)          | 1.2%         | (1)          | (1)          | 2.5%         |      |
| % of PAT  | -0.1%        | -0.1%        | -0.1%        |              | -0.1%        | -0.1%        |              | -0.1%        | -0.1%        |              |      |
| <b>Profit for Equity Holders</b>                      | <b>1,558</b> | <b>1,707</b> | <b>1,875</b> | <b>-8.9%</b> | <b>1,997</b> | <b>2,113</b> | <b>-5.5%</b> | <b>2,202</b> | <b>2,300</b> | <b>-4.3%</b> |      |
| Net Profit Margin                                     | 43.7%        | 47.7%        | 52.5%        |              | 55.8%        | 59.2%        |              | 61.4%        | 64.3%        |              |      |
| Growth  | 8.3%         | 9.6%         | 17.3%        |              | 17.0%        | 12.7%        |              | 10.2%        | 8.8%         |              |      |
| <b>EPS</b>  | <b>0.28</b>  | <b>0.31</b>  | <b>0.34</b>  | <b>-8.9%</b> | <b>0.36</b>  | <b>0.38</b>  | <b>-5.5%</b> | <b>0.40</b>  | <b>0.42</b>  | <b>-4.3%</b> |      |
| Growth  | 8.3%         | 9.6%         | 17.3%        |              | 17.0%        | 12.7%        |              | 10.2%        | 8.8%         |              |      |
| <b>DPS</b>  | <b>0.14</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  | 49.8%        | 48.7%        | 44.3%        |              | 44.4%        | 41.9%        |              | 42.8%        | 41.0%        |              |      |
| Growth  | 7.7%         | 7.1%         | 7.1%         |              | 6.7%         | 6.7%         |              | 6.3%         | 6.3%         |              |      |
| <b>Adjusted EBITDA</b>                                | <b>3,501</b> | <b>3,522</b> | <b>3,565</b> | <b>-1.2%</b> | <b>3,566</b> | <b>3,634</b> | <b>-1.9%</b> | <b>3,622</b> | <b>3,680</b> | <b>-1.6%</b> |      |
| Growth  | 2.4%         | 0.6%         | 1.6%         |              | 1.3%         | 1.9%         |              | 1.6%         | 1.3%         |              |      |
| <b>Adjusted Revenue</b>                               | <b>4,410</b> | <b>4,439</b> | <b>4,488</b> | <b>-1.1%</b> | <b>4,490</b> | <b>4,563</b> | <b>-1.6%</b> | <b>4,552</b> | <b>4,616</b> | <b>-1.4%</b> |      |
| Growth  | 2.7%         | 0.6%         | 1.4%         |              | 1.1%         | 1.7%         |              | 1.4%         | 1.2%         |              |      |

Source: Company data, QNB FS Research

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

We estimate that every incremental vessel (@100%) adds ~1% to Nakilat's target price. 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.

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.

Overall, the new fleet expansion adds ~QR1 to our no-expansion target price of QR4.10 to arrive at our QR5.10 current price target.

### 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 FCF                                   | 71        | 68         | 63         | 59         | 53         | 37         | 26         | 13         | 5          | 4            |
| <b>Cumulative PV of FCF</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>   |
| <b>PV of Cash Flows</b>                     |           |            |            |            |            |            |            |            |            | <b>937</b>   |
| 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: Company data, QNB FS Research



## Valuation and Key Ratios

### Growth Metrics

|                                  | 2016    | 2017    | 2018    | 2019   | 2020    | 2021    | 2022   | 2023    | 2024   | 2025    | 2030    | 2033    | CAGR<br>22-33 |
|----------------------------------|---------|---------|---------|--------|---------|---------|--------|---------|--------|---------|---------|---------|---------------|
| <b>Growth Ratios (In %)</b>      |         |         |         |        |         |         |        |         |        |         |         |         |               |
| Revenue - Wholly Owned           | 0.7%    | (0.4%)  | 0.2%    | 3.4%   | 11.1%   | 0.7%    | 0.3%   | 0.4%    | 0.3%   | 0.1%    | 0.1%    | 0.1%    | 0.2%          |
| Revenue - Adjusted               | 2.0%    | (6.1%)  | 1.8%    | 7.6%   | 4.6%    | 3.3%    | 5.2%   | 2.7%    | 0.6%   | 1.1%    | 0.9%    | 0.7%    | 1.0%          |
| Gross Profit                     | 0.1%    | 0.4%    | 1.1%    | 3.5%   | 12.8%   | 0.4%    | (0.3%) | (0.6%)  | 0.3%   | 0.1%    | 0.1%    | 0.1%    | 0.0%          |
| EBITDA                           | (1.1%)  | 0.5%    | 1.0%    | 3.9%   | 14.3%   | 0.4%    | (0.6%) | (0.5%)  | (0.0%) | (0.2%)  | (0.1%)  | (0.2%)  | -0.2%         |
| EBITDA -Adjusted                 | 1.1%    | (7.2%)  | 3.1%    | 9.3%   | 5.9%    | 3.6%    | 5.5%   | 2.4%    | 0.6%   | 1.3%    | 0.9%    | 0.7%    | 1.0%          |
| EBIT                             | (6.5%)  | 0.7%    | 2.2%    | (2.3%) | 22.1%   | 0.3%    | (3.7%) | (0.1%)  | 5.2%   | (0.5%)  | (0.4%)  | (0.4%)  | 0.1%          |
| Income from JVs                  | 11.1%   | (38.7%) | 16.9%   | 40.8%  | (30.1%) | 26.5%   | 39.7%  | 13.9%   | 2.8%   | 6.3%    | 3.8%    | 2.7%    | 4.8%          |
| Finance Charges/Interest Expense | (0.9%)  | (1.3%)  | 0.0%    | (0.1%) | (2.9%)  | (7.8%)  | 8.6%   | 9.6%    | (5.2%) | (12.8%) | (25.7%) | (64.2%) | (23.5%)       |
| EPS                              | (2.9%)  | (11.3%) | 5.3%    | 12.4%  | 15.8%   | 16.7%   | 6.3%   | 8.3%    | 9.6%   | 17.0%   | 4.7%    | 5.0%    | 7.3%          |
| CFPS                             | (9.9%)  | 16.7%   | (6.4%)  | 15.9%  | 79.3%   | (27.2%) | 29.6%  | (16.1%) | 15.4%  | 1.5%    | 5.1%    | 3.7%    | 3.6%          |
| FCFPS                            | (4.9%)  | 22.0%   | (22.1%) | 10.9%  | 114.9%  | (24.3%) | 25.3%  | (39.2%) | 59.0%  | 1.6%    | 5.6%    | 0.2%    | 3.4%          |
| 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%    | 0.3%   | 0.1%    | 0.1%    | 0.1%    |
| Revenue - Adjusted               | 2.0%    | (6.1%)  | 1.8%    | 7.6%   | 4.6%    | 3.3%    | 5.2%   | 2.7%    | 0.6%   | 1.1%    | 0.9%    | 0.7%    |
| Gross Profit                     | 0.1%    | 0.4%    | 1.1%    | 3.5%   | 12.8%   | 0.4%    | (0.3%) | (0.6%)  | 0.3%   | 0.1%    | 0.1%    | 0.1%    |
| EBITDA                           | (1.1%)  | 0.5%    | 1.0%    | 3.9%   | 14.3%   | 0.4%    | (0.6%) | (0.5%)  | (0.0%) | (0.2%)  | (0.1%)  | (0.2%)  |
| EBITDA -Adjusted                 | 1.1%    | (7.2%)  | 3.1%    | 9.3%   | 5.9%    | 3.6%    | 5.5%   | 2.4%    | 0.6%   | 1.3%    | 0.9%    | 0.7%    |
| EBIT                             | (6.5%)  | 0.7%    | 2.2%    | (2.3%) | 22.1%   | 0.3%    | (3.7%) | (0.1%)  | 5.2%   | (0.5%)  | (0.4%)  | (0.4%)  |
| Income from JVs                  | 11.1%   | (38.7%) | 16.9%   | 40.8%  | (30.1%) | 26.5%   | 39.7%  | 13.9%   | 2.8%   | 6.3%    | 3.8%    | 2.7%    |
| Finance Charges/Interest Expense | (0.9%)  | (1.3%)  | 0.0%    | (0.1%) | (2.9%)  | (7.8%)  | 8.6%   | 9.6%    | (5.2%) | (12.8%) | (25.7%) | (64.2%) |
| EPS                              | (2.9%)  | (11.3%) | 5.3%    | 12.4%  | 15.8%   | 16.7%   | 6.3%   | 8.3%    | 9.6%   | 17.0%   | 4.7%    | 5.0%    |
| CFPS                             | (9.9%)  | 16.7%   | (6.4%)  | 15.9%  | 79.3%   | (27.2%) | 29.6%  | (16.1%) | 15.4%  | 1.5%    | 5.1%    | 3.7%    |
| FCFPS                            | (4.9%)  | 22.0%   | (22.1%) | 10.9%  | 114.9%  | (24.3%) | 25.3%  | (39.2%) | 59.0%  | 1.6%    | 5.6%    | 0.2%    |
| 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%    |

### Operating Ratios (In %)

|                    |       |       |       |       |       |       |       |       |       |       |       |       |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Gross Margin       | 76.6% | 77.2% | 77.8% | 78.0% | 79.1% | 78.9% | 78.5% | 77.7% | 77.6% | 77.6% | 77.4% | 77.3% |
| EBITDA Margin      | 74.0% | 74.6% | 75.2% | 75.6% | 77.8% | 77.6% | 76.9% | 76.2% | 75.9% | 75.6% | 74.6% | 74.0% |
| Adj. EBITDA Margin | 76.8% | 75.9% | 76.9% | 78.1% | 79.1% | 79.3% | 79.6% | 79.4% | 79.3% | 79.4% | 79.7% | 79.7% |
| EBIT Margin        | 49.0% | 49.5% | 50.5% | 47.7% | 52.5% | 52.3% | 50.2% | 50.0% | 52.4% | 52.1% | 50.7% | 49.9% |
| Net Margin         | 31.1% | 27.7% | 29.1% | 31.6% | 33.0% | 38.2% | 40.5% | 43.7% | 47.7% | 55.8% | 75.3% | 86.1% |

### Finance Ratios

|                          |       |       |       |       |       |       |       |       |       |       |       |      |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| Net Debt-to-EBITDA       | 8.3   | 7.8   | 7.5   | 7.9   | 6.6   | 6.0   | 5.2   | 4.9   | 4.4   | 3.7   | 0.5   | -2.0 |
| Debt-Equity Ratio        | 4.1   | 3.5   | 2.9   | 3.1   | 3.0   | 2.3   | 1.7   | 1.5   | 1.4   | 1.2   | 0.3   | 0.0  |
| Net Debt-Equity Ratio    | 3.6   | 3.0   | 2.5   | 2.8   | 2.5   | 1.9   | 1.3   | 1.1   | 0.9   | 0.7   | 0.1   | -0.2 |
| Debt-to-Capital          | 80.3% | 77.7% | 74.1% | 75.6% | 74.7% | 69.4% | 62.6% | 59.3% | 59.0% | 54.3% | 21.8% | 0.0% |
| Interest Coverage        | 1.3   | 1.3   | 1.3   | 1.3   | 1.6   | 1.8   | 1.6   | 1.4   | 1.6   | 1.8   | 5.0   | 30.1 |
| EBITDA Interest Coverage | 1.9   | 1.9   | 2.0   | 2.0   | 2.4   | 2.6   | 2.4   | 2.2   | 2.3   | 2.6   | 7.3   | 44.6 |

### Return Ratios (In %)

|      |       |       |       |       |       |       |       |       |       |       |       |       |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| ROIC | 5.6%  | 5.7%  | 5.8%  | 5.4%  | 6.6%  | 6.5%  | 5.9%  | 6.0%  | 5.9%  | 6.0%  | 6.6%  | 6.7%  |
| ROAE | 19.7% | 15.1% | 13.9% | 14.5% | 16.6% | 17.1% | 14.4% | 13.4% | 13.6% | 14.7% | 13.0% | 12.0% |
| ROAA | 3.1%  | 2.8%  | 3.0%  | 3.2%  | 3.6%  | 4.2%  | 4.5%  | 4.9%  | 5.2%  | 5.9%  | 9.1%  | 10.7% |

### Valuation

|                    |      |      |      |      |       |      |       |      |       |       |       |       |
|--------------------|------|------|------|------|-------|------|-------|------|-------|-------|-------|-------|
| EV/EBITDA-Adjusted | 14.2 | 14.9 | 14.3 | 13.6 | 12.6  | 11.6 | 10.4  | 9.9  | 9.4   | 8.8   | 6.0   | 4.2   |
| EV/EBIT            | 26.8 | 25.9 | 25.0 | 26.6 | 21.3  | 20.4 | 19.9  | 19.5 | 17.7  | 16.9  | 12.4  | 8.9   |
| P/E                | 22.4 | 25.3 | 24.0 | 21.4 | 18.5  | 15.8 | 14.9  | 13.7 | 12.5  | 10.7  | 7.9   | 6.9   |
| P/CF               | 19.1 | 16.3 | 17.5 | 15.1 | 8.4   | 11.5 | 8.9   | 10.6 | 9.2   | 9.1   | 6.7   | 6.0   |
| P/B                | 4.1  | 3.6  | 3.1  | 3.1  | 3.0   | 2.4  | 1.9   | 1.8  | 1.6   | 1.5   | 1.0   | 0.8   |
| Dividend Yield     | 2.6% | 2.6% | 2.6% | 2.6% | 2.8%  | 3.1% | 3.4%  | 3.6% | 3.9%  | 4.1%  | 5.4%  | 6.2%  |
| FCF Yield          | 5.0% | 6.1% | 4.8% | 5.3% | 11.4% | 8.6% | 10.8% | 6.6% | 10.4% | 10.6% | 14.4% | 15.6% |

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)                    | FY2023       | FY2024e      | FY2025e      | FY2026e      |
|--|--------------|--------------|--------------|--------------|
| <b>Revenue – Wholly-Owned Ships</b>            | <b>3,565</b> | <b>3,578</b> | <b>3,582</b> | <b>3,586</b> |
| Direct Costs                                   | (795)        | (800)        | (803)        | (806)        |
| <b>Gross Profit</b>                            | <b>2,770</b> | <b>2,778</b> | <b>2,779</b> | <b>2,780</b> |
| Income from Marine & Agency Services           | 60           | 55           | 51           | 47           |
| General and Administrative Expenses            | (114)        | (117)        | (121)        | (124)        |
| <b>EBITDA</b>                                  | <b>2,716</b> | <b>2,715</b> | <b>2,709</b> | <b>2,704</b> |
| Depreciation                                   | (935)        | (841)        | (844)        | (848)        |
| <b>EBIT</b>                                    | <b>1,781</b> | <b>1,874</b> | <b>1,865</b> | <b>1,856</b> |
| Share of Profits from Joint Ventures           | 785          | 807          | 857          | 919          |
| Finance Costs                                  | (1,249)      | (1,184)      | (1,032)      | (851)        |
| Interest, Dividend & Profit from Islamic Banks | 242          | 211          | 309          | 279          |
| <b>Profit Before Tax</b>                       | <b>1,559</b> | <b>1,708</b> | <b>1,999</b> | <b>2,203</b> |
| Income Tax Expense                             | 0            | 0            | 0            | 0            |
| <b>Profit After Tax</b>                        | <b>1,559</b> | <b>1,708</b> | <b>1,999</b> | <b>2,203</b> |
| Minority Interest                              | (1)          | (1)          | (1)          | (1)          |
| <b>Profit for Equity Shareholders</b>          | <b>1,558</b> | <b>1,707</b> | <b>1,997</b> | <b>2,202</b> |
| <b>EPS (QR)</b>                                | <b>0.28</b>  | <b>0.31</b>  | <b>0.36</b>  | <b>0.40</b>  |
| <b>Adjusted Revenue</b>                        | <b>4,410</b> | <b>4,439</b> | <b>4,490</b> | <b>4,552</b> |
| <b>Adjusted EBITDA</b>                         | <b>3,501</b> | <b>3,522</b> | <b>3,566</b> | <b>3,622</b> |

Source: Company data, QNB FS Research

| Balance Sheet (In QR mn)   | FY2023        | FY2024e       | FY2025e       | FY2026e       |
|--|---------------|---------------|---------------|---------------|
| <b>Non-Current Assets</b>  |               |               |               |               |
| Property, Plant and Equipment  | 21,002        | 20,261        | 19,516        | 18,767        |
| Investment in Joint Venture Companies  | 5,681         | 5,905         | 6,138         | 6,384         |
| Loans to Joint Venture Companies   | 90            | 90            | 90            | 90            |
| Equity Investments   | 142           | 129           | 129           | 129           |
| <b>Total Non-Current Assets</b>  | <b>26,915</b> | <b>26,385</b> | <b>25,872</b> | <b>25,369</b> |
| <b>Current Assets</b>  |               |               |               |               |
| Receivables, Inventories, Due from Joint Ventures & Others                   | 838           | 691           | 692           | 693           |
| Cash and Bank Balances   | 4,224         | 6,916         | 6,769         | 6,524         |
| <b>Total Current Assets</b>  | <b>5,062</b>  | <b>7,607</b>  | <b>7,461</b>  | <b>7,217</b>  |
| <b>Total Assets</b>  | <b>31,977</b> | <b>33,992</b> | <b>33,334</b> | <b>32,586</b> |
| <b>Equity</b>  |               |               |               |               |
| Equity Attributable to the Parent  | 12,084        | 13,037        | 14,225        | 15,562        |
| Minority Interest  | 6             | 7             | 8             | 9             |
| <b>Total Equity</b>  | <b>12,090</b> | <b>13,044</b> | <b>14,233</b> | <b>15,572</b> |
| <b>Non-Current Liabilities</b>   |               |               |               |               |
| Borrowings   | 16,495        | 16,921        | 14,870        | 12,801        |
| Lease Liability, Provision for End of Service Benefits and Other Liabilities | 710           | 667           | 627           | 587           |
| <b>Total Non-Current Liabilities</b>   | <b>17,205</b> | <b>17,589</b> | <b>15,497</b> | <b>13,388</b> |
| <b>Current Liabilities</b>   |               |               |               |               |
| Borrowings   | 1,125         | 1,813         | 2,052         | 2,069         |
| Accounts Payables/Accruals, Due to Joint Ventures & Others                   | 1,556         | 1,546         | 1,552         | 1,558         |
| <b>Total Current Liabilities</b>   | <b>2,681</b>  | <b>3,359</b>  | <b>3,603</b>  | <b>3,626</b>  |
| <b>Equity and Liabilities</b>  | <b>31,977</b> | <b>33,992</b> | <b>33,334</b> | <b>32,586</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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