QNB FINANCIAL SERVICES

Company Report

Wednesday, 30 June 2021

Qatar Navigation/Milaha (QNNS)

Recommendation	OUTPERFORM	Risk Rating	R-4
Share Price	QR7.311	Target Price	QR10.500
Implied Upside	43.6%		

Core Businesses Remain Free; Initiating Coverage with Outperform

Milaha's shares remain poised for longer-term upside. *The stock, over 2011-2021, has always traded at a significant discount to its sum-of the-parts, sometimes worth only the value of its investment stake in Nakilat and its equity/bond portfolio. This remains the case currently, with Milaha's "non-core" assets (Nakilat + Investment book), along with its net cash position, making up close to 100% of QNNS' market cap. This implies that investors get Milaha's "core" or operating businesses for almost free. However, what could be different this time around is that Milaha should enjoy several catalysts, which could help in its rerating. We note recovery in oil prices/sentiment, the recent lifting of Qatar's blockade, the upcoming FIFA World Cup Qatar 2022 and the massive North Field Expansion project, are all positive tailwinds for Milaha. Growth snapback, as COVID-19 restrictions ease, should also contribute to easier comparisons going forward in 2021. Lack of significant impairments in the future should also help QNNS' earnings trajectory and highlight Milaha's growth story to investors.* ***We initiate coverage on Milaha with an Outperform rating and a price target of 10.500 which implies a 43.6% upside.***

Highlights

- **Nakilat stake + investment book (primarily blue-chip Qatari stocks) + net cash makes up 98% of Milaha's market cap., implying almost no value for the remaining assets.** Historically, this proportion has averaged 71% (2011-present; range: 53-117%). Milaha's investment in Nakilat alone makes up 73% of QNNS' market cap. (average: 43%; range: 31-82%). This discount, both on an absolute basis as well as relative to historical norms, is unjustified, in our opinion. The lack of value ascribed to Milaha's operating (core) businesses also provides some downside support, in our view.
- **Supportive fundamentals should imply an end to substantial impairments and boost earnings visibility.** There were no impairments reported in 1Q2021, a remarkable feat as 3Q2016 was the last impairment-free quarter. Over 2014-2020, QNNS recorded almost QR2bn in impairments, about 44% of its net income and 24% of its market cap. Going forward, we do not expect significant impairments in light of a supportive oil/macro environment and considering that management has already "right-sized" assets down to market/economic values with previous impairments.
- **Recovery in oil prices/sentiment, the recent lifting of the blockade, the FIFA World Cup Qatar 2022 and the massive NFE project should provide growth tailwinds. Milaha Maritime & Logistics** (MM&L; 34% of 2020 net revenue) segment's container shipping business should benefit as Qatar-GCC trade picks up post the blockade, while industrial/project logistics should get a boost from WC 2022 in the near-to-medium term and the NFE project, longer-term. **QTerminals** (49%-owned JV), also part of Maritime & Logistics, should also see an uptick in its port management business as container flows pick up. **Milaha Offshore** (MO; 34%) went through a rough patch given lackluster oil prices (and impairments) but improvement in oil outlook, along with the NFE project, remain strong growth drivers. **Milaha Gas & Petrochem** (MG&P; 13%), like the offshore segment, should benefit from higher oil prices leading to improved charter rates and utilization levels. Overall, all segments should benefit from improving outlook as COVID-19 restrictions ease going forward.
- **Earnings should grow at a CAGR of 8.5% over five years (2020-2025e) excluding impairments/one-offs.** 63% of this five-year growth in "clean" earnings should be driven by Milaha's operating businesses – Offshore, Maritime & Logistics, Gas & Petrochem and Trading (MT) – led by growth at MM&L and MO. QTerminals should show a 3.9% CAGR given volume uptick/phase II expansion at the Hamad Port. On the non-core front, Nakilat (8.8% CAGR) propels the remaining 37% of Milaha's 5-year earnings growth despite a decline in Milaha Capital.

Catalysts

- **Growth beyond our modeled expectations:** Milaha has generally maintained low leverage levels (2020 net debt-to-equity: 12.7%) and could potentially ramp up spending/seek acquisition opportunities. Given supportive market fundamentals, purchases of FSOs/FPSOs (MG&P segment) and acquisition of logistics (MM&L) businesses, among others, could act as potential catalysts.

Recommendation, Valuation and Risks

- **Recommendation and valuation:** ***We launch coverage on QNNS with an Outperform and a QR10.500 price target.*** Our target price implies an upside of 43.6%. We value Milaha using a SOTP methodology, which comprises of these major parts: 1) Separate DCF-based values for the core businesses (MO, MM&L, MG&P and MT); 2) A DCF-based value for QNNS' 36.3% stake in Nakilat **(QGTS: Outperform/QR3.500 Target Price)**; 3) A P/E-based value for Milaha's 49.0%-owned JV QTerminals; 4) Investment (stocks & bonds) portfolio at a 20% haircut to 1Q2021 FV; and 5) Real estate investment properties at a 40% discount to 2020 FV. We also apply a 30% conglomerate discount to arrive at our price target.
- **Risks: Milaha stock remains in a "show-me" mode – always optically undervalued relative to its SOTP, it has often struggled to receive much credit beyond its stake in Nakilat and its investment/real estate portfolio.** For the stock to rerate, investors need to see earnings/EBITDA growth acceleration without significant impairments muddling up the story. Other risks remain, including: (1) Weakness/volatility in oil prices; (2) Execution/integration issues with major fleet additions/acquisitions; (3) Fall in local equity/RE prices; (3) A slowdown in Qatar's economy and (4) Geopolitical crisis in the MENA region.

Key Financial Data and Estimates

	2020	2021e	2022e	2023e
EPS (Excluding Impairments & One-Offs)	0.75	0.76	0.88	0.93
EPS Growth (%)	4.3	0.7	17.0	5.2
P/E (x)	9.7	9.7	8.3	7.9
EV/EBITDA (x)	15.6	16.6	13.8	12.6
FCF Yield (%)	10.3	8.9	9.6	10.2
DPS (QR)	0.30	0.30	0.30	0.30
RoE (%)	6.0	6.2	6.9	6.9

Source: Company data, QNBFS estimates

Key Data

Current Market Price (QR)	7.311
Dividend Yield (%)	4.1
Bloomberg Ticker	QNNS QD
ADR/GDR Ticker	N/A
Reuters Ticker	QNNC.QA
ISIN	QA0007227695
Sector*	Transportation
52wk High/52wk Low (QR)	8.230/5.511
3-m Average Volume ('000)	380.4
Mkt. Cap. ($ bn/QR bn)	2.3/8.3
Enterprise Value ($ bn/QR bn)	2.8/10.0
Shares Outstanding (mn)	1,136.2
FO Limit** (%)	49.0
Current FO** (%)	8.1
1-Year Total Return (%)	35.8
Fiscal Year End	December 31

Source: Bloomberg (as of June 29, 2021), *Qatar Exchange (as of June 29, 2021); **Note: FO is foreign ownership and Milaha's Board has already approved increasing FOL to 100%.

Saugata Sarkar, CFA, CAIA
+974 4476 6534
saugata.sarkar@qnbfs.com.qa

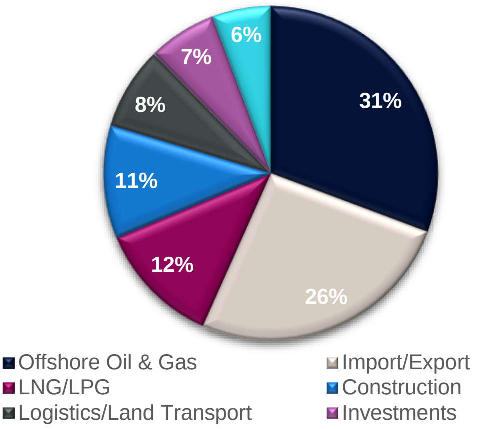
Executive Summary

Qatar Focus

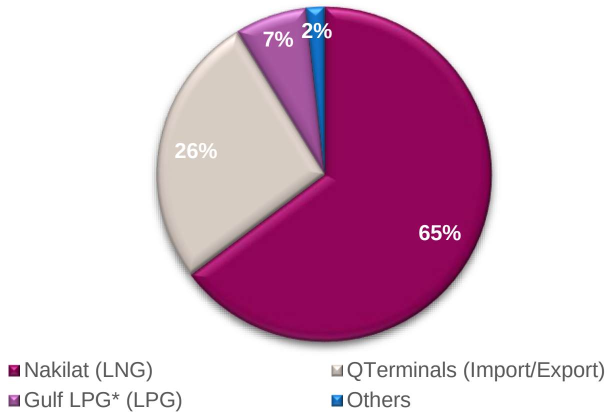
Present across the logistics/transport value chain, Milaha is levered to Qatar's strong economy. The company is a conglomerate involved in several sectors of Qatar's robust economy. Milaha is engaged in container shipping, logistics and warehousing, port management, offshore vessel chartering and services, ship management and other maritime & technical services, real estate investment and management, and investing in the local stock market. The company also has exposure to port services through QTerminals (51/49% JV between Mwani and QNNS) and LNG shipping through its 36.25% shareholding in Nakilat (an associate company).

Milaha's business model is deeply linked to the Qatar growth story. QNNS' business is levered to Qatar's economic growth through: 1) import and export activities, including the LNG and LPG markets, 2) land transport, 3) the construction sector and 4) the property market. Thus, Milaha's revenue stream and its associates & JVs are reflective of Qatar's economy.

Revenue Mix by Sector (2020)



Income from Associates & JVs Mix (2020)



Source: Company data, Note: *excludes impairments

Qatar's planned North Field Expansion (NFE) project, which is expected to boost LNG production capacity from 77 MTPA to 110 MTPA (first production 4Q2025) and further to 126 MTPA a couple of years later, should provide a strong tailwind of growth for QNNS' LNG shipping business through its 36.25% stake in Nakilat. Nakilat is Qatar's flagship LNG carrier and owns the world's largest LNG shipping fleet by capacity. We remain bullish on Nakilat and consider it as the best avenue for equity investors to participate in the LT growth expected in Qatar's LNG sector. ***We have an Outperform rating with a target price of QR3.500/share on Nakilat.***

QNNS' import/export business (primarily imports through container shipping/ports management via QTerminals) and logistics to benefit from growth in trade volumes due to reconciliation of the Gulf rift, the upcoming FIFA World Cup Qatar 2022 and the massive NFE project. Qatar is expected to welcome 1.7mn visitors during the World Cup (approximately accounting for +60% of its population) according to the Qatar Civil Aviation Authority. This event will take place between November and December 2022, with visitors expected to stay a month in Qatar. The World Cup and the NFE project should also boost Milaha's project/industrial logistics businesses.

Ports management (QTerminals) business should also benefit from volume uptick/phase II expansion at the Hamad Port and growth associated with the NFE project. QTerminals, the Mwani Qatar/Milaha (51/49) JV, handles port & terminal operations at the Hamad Port. This JV provides container, general cargo, RORO, livestock and offshore supply services at the Hamad Port. Despite a challenging environment, QTerminals posted a moderate 1.6% revenue growth to QR377.8mn (proportional to Milaha) in 2020 but net income dipped 16.7% to QR167.7mn due to COVID-related health & safety expenses. Net income from QTerminals made up 216% of MM&L's profits in 2020 (avg. 2017-2020: 205%). ***We expect MM&L's net income to grow by a CAGR of 29.8% (2020-25e) driven by container shipping & QTerminals; QTerminals contributes >100% of 2021 segment EPS.***

Milaha Offshore is also set to benefit from the NFE project; bottom-line is expected to expand as the days of heavy impairments is behind them. This business segment has proven to be resilient despite facing headwinds. Hence, we project revenue to increase by a CAGR of 4.0% during 2020-205e (vs. 1.4% in 2015-20) given the North Field expansion and Milaha's dominant market share. *MO was able to grow its revenue marginally despite facing lackluster oil prices. On the other hand, MO's bottom-line (2016-2020) was adversely affected due to heavy impairments on its vessels. We do note major impairments seem unlikely going forward. Hence, we expect this segment's bottom-line to increase from a loss of QR555.6mn in 2020 to a profit of QR144.6mn in 2025e.* ***Excluding impairments, we pencil in a CAGR of 55.8% (2020-25e). Moreover, the segment boasts robust gross & EBITDA Margins of 80.1%/34.8% as of 2020***.

Overall, we expect Milaha to grow its normalized (excluding impairments and one-offs) bottom-line by a CAGR of 8.5% from QR853.5mn in 2020 to QR1.3bn in 2025e.

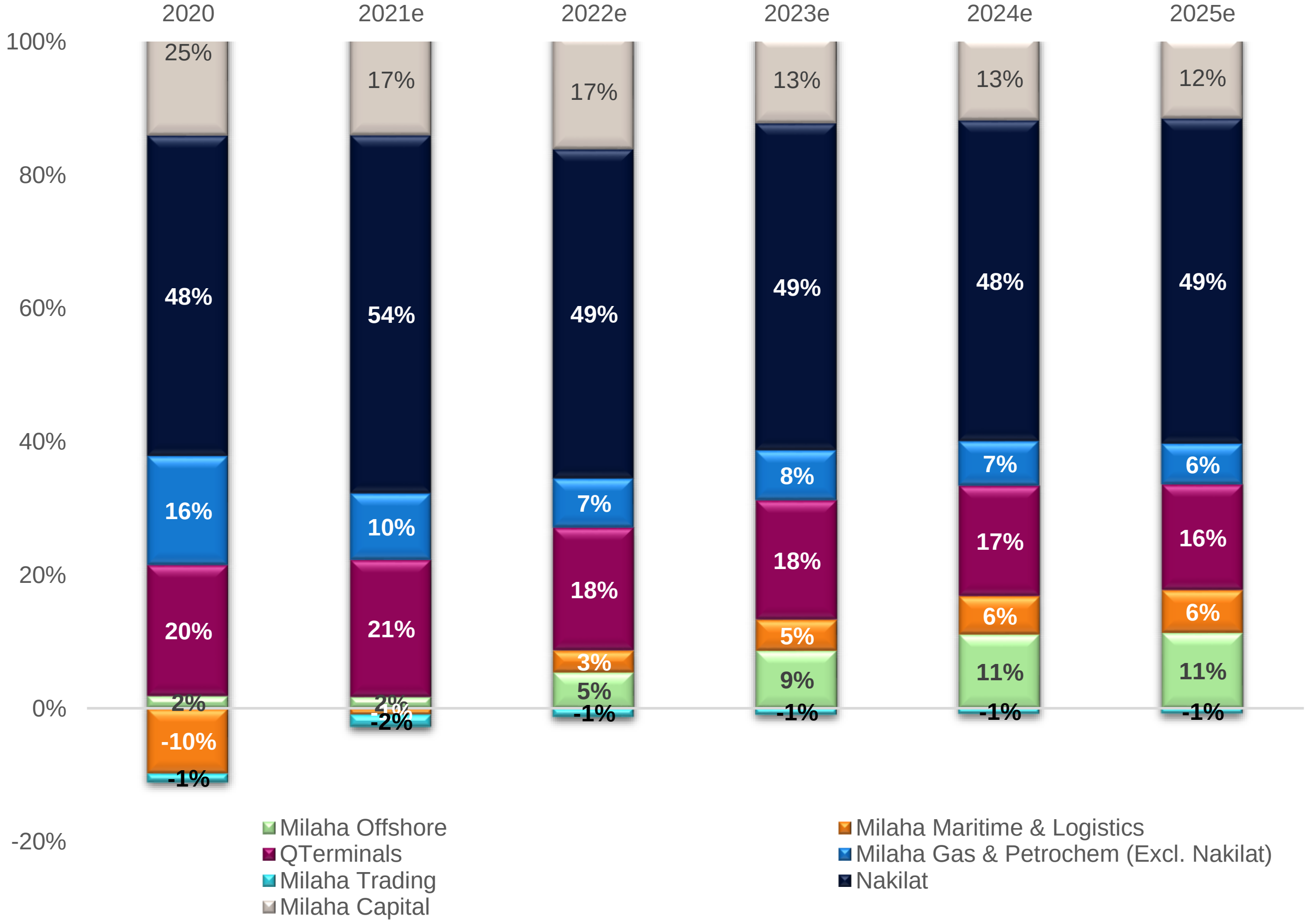
Earnings Projected to Grow at a CAGR of 8.5% Over 2020-2025e and EBITDA at 5.1%

Milaha should show healthy high single-digit earnings growth, excluding impairments and one-offs, over our forecast horizon. We model in a net income CAGR of 8.5% over 2020-2025e.

63% of this five-year growth in "clean" earnings should be driven by Milaha's operating businesses – Offshore, Maritime & Logistics, Gas & Petrochem and Trading – led by growth at MM&L and MO. Trading should post a small increase, while MG&P (excluding Nakilat) is expected to decline. QTerminals should show a 3.9% CAGR given volume uptick/phase II expansion at the Hamad Port. On the non-core front, Nakilat (8.8% CAGR) propels the remaining 37% of Milaha's 5-year earnings growth despite a decline in Milaha Capital.

- **Nakilat (48% of QNNS' 2020 normalized earnings; 50% over forecast horizon) should post an 8.8% CAGR over 2020-2025e. QGTS also makes up approximately 50% of the growth in normalized earnings over 2020-2025e.** Given QGTS makes up more than 70% of Milaha's market cap but only around half of its projected earnings and earnings growth, it is evident that the market continues to undervalue Milaha's other businesses. Please see our reports on Nakilat for more details on our thesis and estimates for QGTS.
- **Milaha Capital (25% of 2020 earnings; 14% over forecast horizon) remains an important part of the bottom-line despite a projected 6.0% decline in earnings over 2020-2025e.** MC's decline in net income is partly due to the base-effect of a one-time gain posted in 2020 and partly because of lower dividend income/real estate rental income recorded in 1Q2021.
- **Milaha's core businesses (7% of 2020 earnings; 19% over forecast horizon) should grow their total EBITDA by a 5.1% CAGR over 2020-2025e.** For reference, total EBITDA actually declined by a CAGR of 11.1% over 2015-2020. Growth is led by MM&L, which posted negative EBITDAs in both 2019 and 2020 but went into the positive in 1Q2021. Offshore should post an 8.7% CAGR in EBITDA over 2020-2025e. With overall finance charges expected to decline by a CAGR of 4.8% over our forecast period, we expect a 37.0% CAGR in normalized earnings for the core business (excluding QTerminals) and a 16.8% CAGR (including QTerminals).
- **QTerminals (20% of 2020 earnings; 18% over forecast horizon) should grow at a CAGR of 3.9% over 2020-2025e and contribute around 8% to net income growth over 2020-2025e.** We believe our estimates are conservative for QTerminals given lack of details about its international operations in Ukraine and Turkey.

Milaha's Normalized Net Income, by Segments.



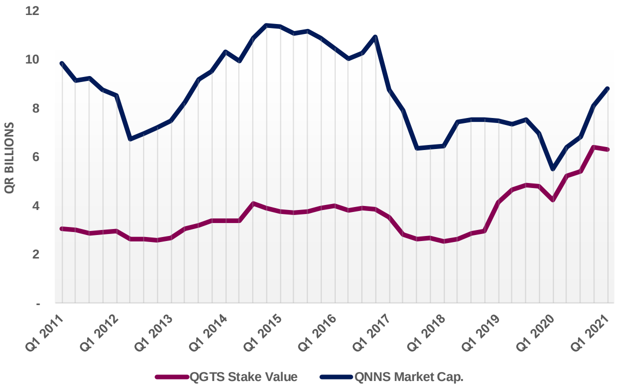
Source: Company data, QNBFS Estimates

Nakilat Remains a Major Driver of Milaha's Bottom-Line & Stock Price

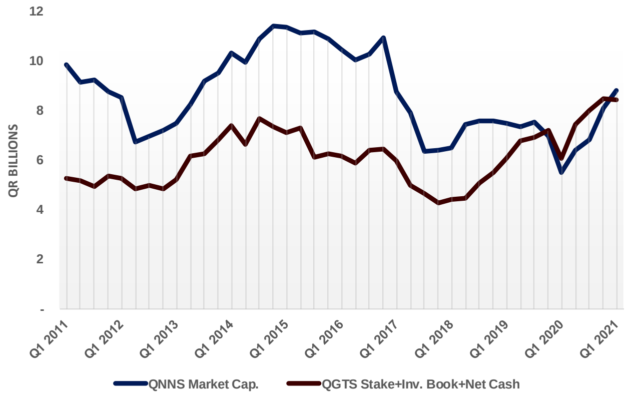
In 2020, Nakilat's earnings made up around 147% of Milaha's operating income (EBIT) and 48% of its "clean" bottom-line. Going forward, we forecast Nakilat to contribute roughly 50% to Milaha's earnings. Milaha and Nakilat's financial results have increasingly diverged in recent years, with QGTS' share of Milaha's EBIT climbing from just 34% in 2015 to 124% in 2019 and 147% in 2020. **We have an Outperform rating with a target price of QR3.500/share on Nakilat.** Nakilat is Qatar's flagship LNG carrier and owns the world's largest LNG shipping fleet by capacity. We remain bullish on Nakilat and consider it as the best avenue for equity investors to participate in the LT growth expected in Qatar's LNG sector. Since we upgraded the stock to an Outperform, QGTS' share price has appreciated by 11%, significantly beating the QE Index's increase of 6%, as Nakilat was re-included in the MSCI EM Index. Irrespective of the volatility of the LNG shipping market, Nakilat's business should remain relatively unaffected given the LT nature of its charters. QGTS' fleet continues to provide the company 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 QGTS' vessels vs. maximum debt life of 25 years (last debt maturing 2033), continues to create refinancing opportunities to increase fleet size. Thus, we think further deals in LNG ships and FSRUs are likely. In the near-term, addition of 4 LNG vessels (1 added in early January followed by one each in 2H2021 and in early 2022) via Global Shipping, should help earnings growth in 2021 and 2022. **In terms of catalysts, we continue to believe expansion of Qatar's LNG output from 77 MTPA to 126 MTPA is a significant driver. Currently our model for Nakilat does not assume any fleet growth and we will incorporate such expansion once more details become available. We note every vessel (@100%) adds roughly 1% to QGTS' target price and we should hear more about carrier selection by end of 2022. We foresee significant upward revision to our estimates and price target once we factor in this expansion.** *For more information on Nakilat, please contact us or see our published research on the stock.*

We note that Milaha's stake in Nakilat is worth ~QR5.3/Share or about 73% of QNNS' stock price. At our target price of QR3.500 for QGTS, this stake is worth around QR6.2/share or 85% of Milaha's stock price.

QGTS Stake Alone is +70% of Milaha's Market Cap.



QGTS+Investments+Net Cash Almost ~100% QNNS Market Cap. Implying Almost Zero Value for Remaining Assets



Source: Company data, Bloomberg

Strong Investment Book Coupled with Real Estate Operations to Provide Support for the Stock

Milaha has a considerable securities portfolio invested in leading blue-chip stocks in Qatar. The company's investment book constitutes Milaha's war chest of financial investments that can be utilized for other higher-return initiatives as they arise. Milaha's investment book remains predominately focused on blue-chip Qatari equities, with its portfolio concentrated in QNB Group (QNBK; ~50% concentration), Qatar Electricity & Water (QEWS; ~25%), Qatar Insurance (QATI) and Masraf Al Rayan (MARK). Management has indicated that the firm does not invest in speculative shares. The group's investment management has fared well and generated an average effective return of 4.2% during 2015-2020 versus an average effective interest rate of 3.4% during the same period. Investment income is a significant contributor to the company's profitability. On average, investment income made up around 20% of "clean" earnings during 2015-2020. We expect investment income to contribute around 14% of net income during 2021e.

The investment portfolio has a balance sheet value of QR3.8bn (1Q2021), which is equivalent to ~QR3.3/share or 46% of QNNS' stock price.

Despite a challenging year, real estate income still contributed almost 17% to QNNS' "clean" earnings in 2020. Milaha owns a diverse portfolio of commercial and residential developments and land plots in Qatar. The company also owns some industrial properties. Commercial properties is the dominant segment. This includes the group's flagship 52-story Navigation Tower, leased to a blue-chip tenant in West Bay, Doha. Milaha also owns several smaller properties generating rental income. On the residential front, Milaha's 178-villa residential compound in Ain Khaled has been completed and is expected to start contributing to revenue by

August/September of this year under a 5-year deal.

What is interesting to note here is that the 2020 fair value of the real estate portfolio is QR1.9bn or ~QR1.7/share, which is around 23% of Milaha's current stock price.

1Q2021 Results Review: Weak Operating Performance but Yearly Comparisons Likely to Get Easier

QNNS reported an impairment-free 1Q2021 reporting a net profit growth of 5.0%. Milaha reported net income of QR297.2mn in 1Q2021, increasing by 5.0% YoY vs. QR283.2mn in 1Q2020 (net loss of QR324.6mn in 4Q2020). Revenue, however, fell 2.5% YoY to QR675.2mn. The bottom-line was helped by a 10.1% increase in income from associates (primarily Nakilat with associates/JVs contributing ~60% to profitability) as EBIT decreased by 34.3% due to a 10.5% increase in total expenses coupled with a 2.5% decrease in revenue. On the plus side, MM&L reported a positive EBITDA for 1Q2021 after posting negative EBITDA for the last couple of years.

We believe yearly profitability comparisons should get easier going forward in 2021. Supportive fundamentals and lack of significant impairments should enable a clearer picture of the underlying profitability of QNNS' core operations in the future.

Catalysts

Growth Beyond our Modeled Expectations

Milaha has generally maintained low leverage levels (2020 net debt-to-equity: 12.7%) and could potentially ramp up spending/seek acquisition opportunities. Given supportive market fundamentals, purchases of FSOs/FPSOs (MG&P segment) and acquisition of logistics (MM&L) businesses, among others, could act as potential catalysts.

Valuation

Our target price of QR10.500/share implies an upside of 43.6% from the current market price. We value Milaha using a SOTP methodology, which comprises of these major parts:

1) Separate DCF-based values for the core businesses (MO, MM&L, MG&P and MT);

2) A DCF-based value for QNNS' 36.25% stake in Nakilat **(QGTS: Outperform/QR3.500 Target Price)**;

3) A P/E-based value for Milaha's 49.00%-owned JV called QTerminals;

4) Investment (stocks & bonds) portfolio at a 20% discount to 1Q2021 FV; and

5) Real estate investment properties at a 40% discount to 2020 FV.

We also apply a conglomerate discount of 30%.

Valuation Summary

SOTP	Methodology	Equity Value (QR mn)	EV/Share	% of Total
Milaha Offshore	DCF	2,266	1.99	13.3%
Milaha Maritime & Logistics	DCF	988	0.87	5.8%
Milaha Gas & Petrochem	DCF	397	0.35	2.3%
Milaha Trading	DCF	(162)	(0.14)	-1.0%
Milaha Core	**DCF**	**3,488**	**3.07**	**20.5%**
Investments	1Q2021 Fair Value (@20% Discount)	3,040	2.68	17.9%
Real Estate - Investment Properties	2020 Fair Value (@40% Discount)	1,159	1.02	6.8%
Associates - Nakilat (36.3% Stake)	**QNBFS Price Target of QR3.50**	**7,027**	**6.19**	**41.3%**
Associates - Other	1Q2021 Book Value (Estimated)	243	0.21	1.4%
JVs - QTerminals (49.0% Stake)	P/E (@20% Discount to 2022 Peers P/E of 12x)	1,769	1.56	10.4%
JVs - Gulf LPG	1Q2021 Book Value (Estimated)	168	0.15	1.0%
Loans to LNG Companies	1Q2021 Book Value	127	0.11	0.7%
Equity Value		**17,021**	**14.98**	**100.0%**
Conglomerate Discount (30%)		5,106	**(4.49)**	
Net Fair Value		**11,915**	**10.500**	
Current Price			7.311	
Upside/(Downside)			**43.6%**	

Source: QNBFS estimates

Relative Valuation

QNNS Trades at a Significant Discount to its Global Peers

	($ mn)		EV/EBITDA			P/E		P/FCF	DY (%)
Name	**Mkt Cap**	**EV**	**2021**	**2022**	**P/E**	**2021**	**2022**	**2021**	**Current**
MISC BHD	7,341	9,541	9.4	8.6	19.7	16.0	14.5	N/A	4.8
THORESEN THAI AGENCIES PCL	972	1,210	14.7	13.1	N/A	37.3	29.2	N/A	0.1
EVERGREEN INTERNATIONAL STOR	1,725	1,769	N/A	N/A	71.0	N/A	N/A	501.6	0.7
MITSUI OSK LINES LTD	5,848	15,434	14.8	13.6	7.1	3.2	5.2	N/A	2.8
NIPPON YUSEN KK	8,675	16,716	9.9	10.7	6.8	3.4	5.9	N/A	3.5
GREAT EASTERN SHIPPING CO	764	809	3.9	3.6	6.2	8.5	7.3	14.7	0.7
AP MOLLER-MAERSK A/S-B	55,029	64,058	4.0	5.9	10.6	5.6	11.0	6.6	1.8
NINGBO MARINE CO LTD-A	1,013	1,397	N/A	N/A	26.7	N/A	N/A	42.6	1.1
PAN OCEAN CO LTD	4,031	5,369	11.8	10.7	36.5	18.7	17.4	52.4	0.6
COSCO SHIPPING DEVELOPMENT-H	5,221	21,718	N/A	N/A	8.7	N/A	N/A	N/A	3.1
TEEKAY LNG PARTNERS LP	1,316	4,281	7.8	7.9	7.0	5.9	5.8	4.3	6.9
NATIONAL SHIPPING CO OF/THE	4,089	6,071	N/A	N/A	12.8	N/A	N/A	4.8	2.6
NAKILAT*	**4,515**	**9,382**	**10.4**	**9.9**	**13.8**	**12.8**	**11.9**	**9.5**	**3.6**
Median			**9.9x**	**9.9x**	**11.7x**	**8.5x**	**11.0x**	**12.1**	**2.6**
QATAR NAVIGATION*	**2,260**	**2,775**	**16.6x**	**13.8x**	**12.3x**	**9.7x**	**8.3x**	**11.3**	**4.1**

Source: Bloomberg; *QNB FS estimates

Valuation remains attractive vs. peers. QNNS trades at a 2022 P/E of 8.3x based on our estimates, a 25% discount to its international peers. Moreover, the stock offers a strong dividend of 4.1% vs. 2.6% of peers.

Milaha's Multiples Leave Room for Expansion

Valuation Multiples	2018	2019	2020	2021e	2022e	2023e
P/E (x)	16.1	15.2	140.5	9.7	8.3	7.9
P/E Excluding Impairments & One-Offs (x)	10.9	10.1	9.7	9.7	8.3	7.9
P/B (x)	0.6	0.6	0.6	0.6	0.6	0.5
EV/EBITDA (x)	13.6	15.6	15.6	16.6	13.8	12.6
Dividend Yield (%)	4.1	4.1	4.1	4.1	4.1	4.1
FCFF Yield (%)	8.8	10.8	10.3	8.9	9.6	10.2

Source: QNB FS estimates

Valuation of Core Operations (MO, MM&L & MG&P) – QR3.07/Share; 21% of Valuation

Milaha Offshore (MO) – QR2.00/share, 13% of Valuation

The offshore segment is a major contributor to Milaha's core valuation. We expect QNNS to benefit significantly considering the upcoming NFE project and Milaha's dominant market share in Qatar's offshore services and chartering market. Note we do not include capex beyond maintenance levels but the NFE project could lead to ramp up in spending along with a potential uptick in growth beyond our modeled forecasts.

DCF Valuation for Milaha Offshore

WACC	
Risk Free Rate	2.28%
Risk Premium	8.50%
Beta	1.05
Cost of Equity	**11.21%**
Cost of Debt	**3.97%**
WACC	**9.31%**
[redacted]	
Terminal Growth Rate	**2.00%**

DCF

QR mn	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	Terminal
EBITDA	250	293	335	381	402	420	424	428	436
NCWC	(3)	21	15	15	9	7	2	2	2
Capex (70% Attributable to MO)	(139)	(140)	(142)	(146)	(151)	(156)	(160)	(165)	(169)
FCFF	**108**	**175**	**209**	**250**	**260**	**271**	**266**	**264**	**269**
Discounted Cashflows	102	152	166	182	173	165	148	134	3,679

Present Value of Interim Cash Flows	1,221
Present Value of Terminal Value	1,873
FCFF	**3,094**
Less Debt	984
Plus Cash	157
FCFE	**2,267**
FCFE/Share (QR)	**2.00**

Source: Company data, QNBFS Estimates

Milaha Maritime & Logistics (MM&L) – QR0.87/share; 6% of Valuation

Container shipping and logistics should benefit from improving trade flows, the upcoming FIFA World Cup Qatar 2022 and the massive NFE project. Segment EBITDA finally turned positive in 1Q2021 and we expect 2021 EBITDA to get back in green after being negative in 2019 and 2020.

DCF Valuation for Milaha Maritime & Logistics

WACC	
Risk Free Rate	2.28%
Risk Premium	8.50%
Beta	1.05
Cost of Equity	**11.21%**
Cost of Debt	**3.97%**
WACC	**10.60%**
[redacted]	
Terminal Growth Rate	**2.00%**

DCF

QR mn	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	Terminal
EBITDA	20	62	79	98	113	132	146	160	163
NCWC	22	13	5	5	4	5	4	4	4
Capex (10% Attributable to MM&L)	(20)	(20)	(20)	(21)	(22)	(22)	(23)	(24)	(24)
FCFF	**22**	**55**	**63**	**82**	**95**	**115**	**126**	**140**	**143**
Discounted Cashflows	21	47	49	57	60	66	65	65	1,661

Present Value of Interim Cash Flows	430
Present Value of Terminal Value	774
FCFF	**1,203**
Less Debt	256
Plus Cash	41
FCFE	**988**
FCFE/Share (QR)	**0.87**

Source: Company data, QNBFS Estimates

Milaha Gas & Petrochem (MG&P) – QR0.35/share; 2% of Valuation

Gas & Petrochem operations benefit from stability as Milaha focuses away from volatile tanker markets. We note if the company expands into FPSOs/FSOs, this segment has the potential to show significant growth after accounting from increased capex.

DCF Valuation for Milaha Gas & Petrochem

WACC	
Risk Free Rate	2.28%
Risk Premium	8.50%
Beta	1.05
Cost of Equity	**11.21%**
Cost of Debt	**3.97%**
WACC	**8.18%**
[redacted]	

Terminal Growth Rate	**2.00%**

DCF

QR mn	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	Terminal
EBITDA	133	109	113	114	114	115	115	114	117
NCWC	(22)	(7)	2	0	1	1	0	(0)	(0)
Capex (19% Attributable to MG&P)	(38)	(38)	(38)	(40)	(41)	(42)	(44)	(45)	(46)
FCFF	**73**	**63**	**76**	**74**	**74**	**74**	**72**	**69**	**71**
Discounted Cashflows	70	56	62	56	52	48	43	38	1,142

Present Value of Interim Cash Flows	424
Present Value of Terminal Value	629
FCFF	**1,053**
Less Debt	781
Plus Cash	125
FCFE	**398**
FCFE/Share (QR)	**0.35**

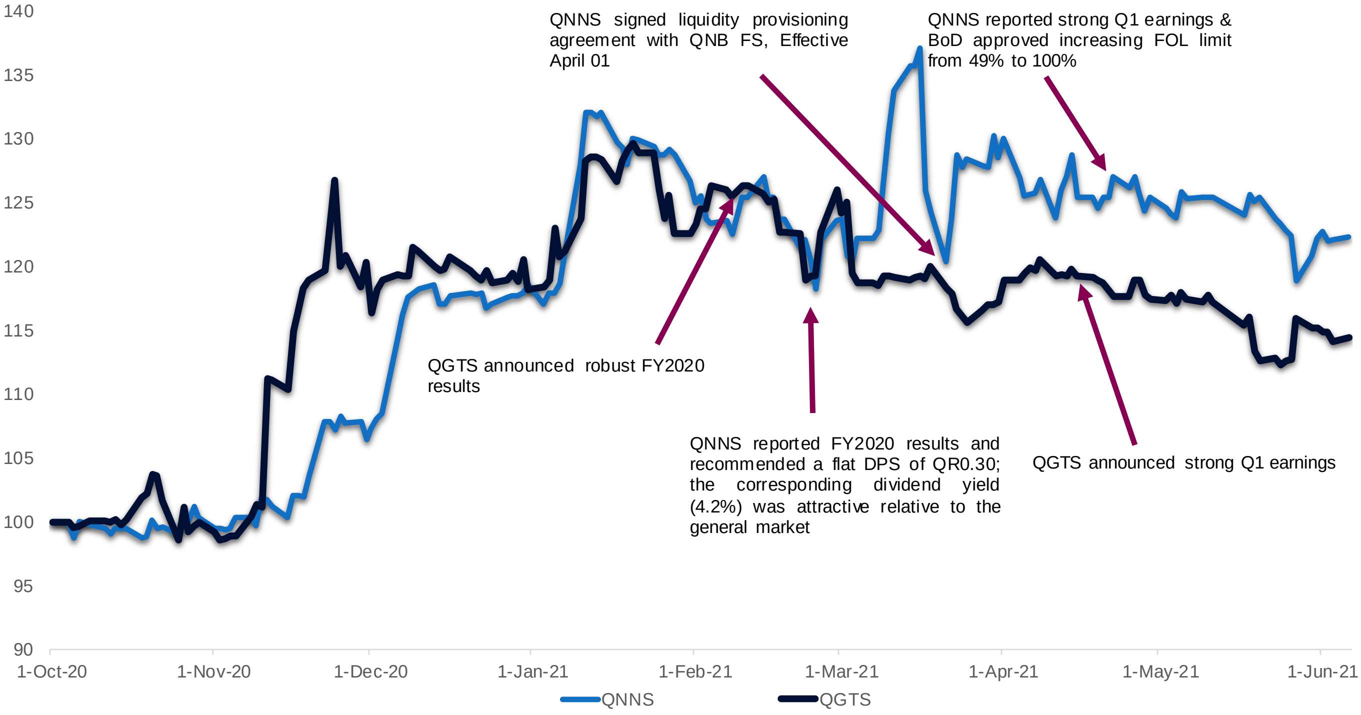
Source: Company data, QNBFS Estimates

Valuation of Other Operations (QGTS, QTerminals, Investment Book & Real Estate)

Nakilat (QNNS' 36.25% Stake) – QR6.19/share; 41% of Valuation

Milaha has a 36.25% stake in Nakilat, which is treated as an investment in an associate. Milaha's investment in Nakilat alone makes up 73% of QNNS' market cap. We rate QGTS an Outperform with a QR3.500 price target and value QNNS' stake in Nakilat at our DCF-based target price valuation (rather than using Nakilat's current market value). It should be noted that Nakilat is a significant contributor to Milaha's profitability.

Recent Stock Price Performance – Milaha Vs. Nakilat



Source: Bloomberg

QTerminals (51/49% JV between Mwani & QNNS) – QR1.56/share; 10% of Valuation

We value QTerminals independently of Milaha's other core business since it is a joint venture and a significant contributor to the firm's overall profitability. QTerminals operates the Hamad Port and has expanded overseas with operations in Ukraine and Turkey. Given limited visibility into the long-term impact of their international operations, we have chosen to be conservative with our growth assumptions for QTerminals. We value QTerminals at fair value of QR1.56/share. Our fair value is based on applying a P/E multiple of ~12.0x to 2022e net income. We derive our P/E multiple by applying a 20% discount to the average of global/international peers.

Relative P/E Valuation for QTerminals

QR mn	2019	2020	2021e	2022e
Revenue (QTerminals)	759	771	855	855
Revenue (QNNS' 49% Share)	**372**	**378**	**419**	**419**
TEUs Handled in mn	1.3	1.4	1.6	1.7
Hamad Port Capacity (Phase 1 & 2) in mn	2.0	2.0	2.0	3.0
Revenue per TEUs (QR)	503	503	503	503
Net Income (QNNS' 49% Share)	**201**	**168**	**177**	**185**
Net Profit Margin	**54.2%**	**44.4%**	**42.2%**	**44.2%**
Fair Value (@20% Discount to 2022 Peers P/E of 12x)				**1,769**
Fair Value/Share (QR)				**1.56**

Source: Company data, QNBFS Estimates

Peers Comparables for Port Operators

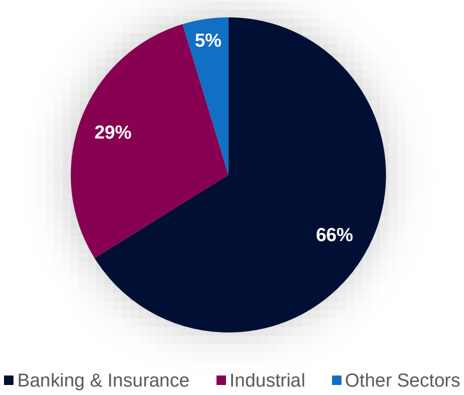
	($ mn)		EV/EBITDA		P/E		P/FCF	DY (%)
Name	Mkt Cap	EV	2021	2022	2021	2022	2021	Current
GLOBAL PORTS HOLDING PLC	112	678	6.2	5.5	3.2	2.8	N/A	N/A
EUROKAI KGAA	500	696	8.2	7.8	30.7	19.4	8.0	3.1
PIRAEUS PORT AUTHORITY SA	588	594	7.7	6.7	15.3	13.0	23.5	2.7
GUJARAT PIPAVAV PORT LTD	749	656	10.1	8.5	18.3	15.1	14.9	4.9
GLOBAL PORTS INV-GDR REG S	722	1,350	6.2	5.9	8.7	7.5	24.7	N/A
HUTCHISON PORT HOLDINGS TR-U	1,960	7,272	8.7	8.6	18.2	18.0	3.5	6.9
CHINA MERCHANTS PORT HOLDING	5,319	12,352	12.1	11.4	8.7	8.1	17.0	6.1
TIANJIN PORT CO LTD-A	1,756	3,481	N/A	N/A	N/A	N/A	12.2	1.8
SHANGHAI INTERNATIONAL POR-A	17,186	21,574	10.6	10.3	11.3	10.5	11.0	3.0
Average					**14.3x**	**11.8x**		
Median					**13.3x**	**11.7x**		

Source: Bloomberg

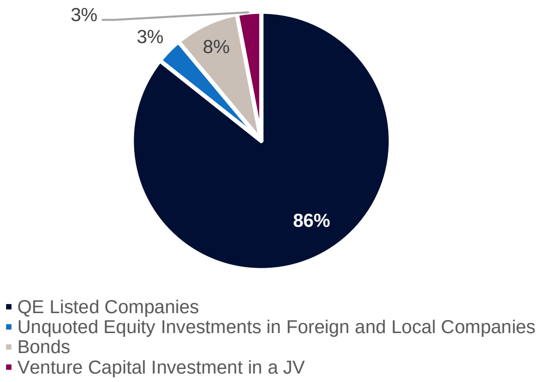
Investment Portfolio – QR2.68/share; 18% of Valuation

Milaha boasts a sizeable investment portfolio consisting mainly of QE-listed blue-chip stocks. As of March 30, 2021, the firm reported a market value of QR3.68bn for its FVOCI (available-for-sale) book and QR115.7mn for its FVTPL (held-for-trading) investments. The combined value of these investments makes up 22.3% and 27.4% of Milaha's total assets and shareholders' equity, respectively. It is worth mentioning that the value of these investments as a percentage of the firm's market capitalization is currently north of 40%. As of 2020, around 86% of the investment portfolio is invested in securities listed on the Qatar Exchange, while around 3% is invested in unquoted local & foreign securities; 8% is invested in bonds and 3% in venture capital investment in a JV. As Milaha's investment book is purely financial in nature and is not part of their core operations, we have opted to take a conservative stance and apply a 20% discount to the 1Q2021 investment portfolio value.

Banking Sector Dominates the Investment Book.



QE-Listed Companies Dominate the Investment Book



Source: Company data

Real Estate (Investment Properties) – QR1.02/share; 7% of Valuation

Milaha has a hefty real estate portfolio. As of 1Q2021, the book value of QNNS' real estate portfolio was QR790.3mn while its fair value as of FY2020 was QR1.93 billion, as appraised by an independent appraiser. As is the case with the investment portfolio, the fair value of the real estate portfolio makes up a significant portion of Milaha's market capitalization; currently greater than 20%. We have remained on the cautious side and valued the real estate portfolio by applying a 40% discount to this fair value.

Risks to Our Target Price

- **Milaha stock remains in a "show-me" mode – always optically undervalued relative to its SOTP, it has often struggled to receive much credit beyond its stake in Nakilat and its investment/real estate portfolio.** For the stock to rerate, investors need to see earnings/EBITDA growth acceleration without significant impairments muddling up the story.
- **Milaha is levered to the local economy.** Thus, a slowdown in the Qatari economy would have adverse consequences on the company's operations.
- **Given the company's sizable investment and real estate book, Milaha remains highly susceptible to a downturn in local equity/property markets.**
- **Given the importance of Nakilat, a key risk is a decline in Nakilat's profitability below expectations.**
- **Execution/integration issues with major fleet additions/acquisitions.**
- **Geopolitical crisis in the MENA region.**

Company Background

Company Description

From its modest beginnings as Qatar's first shipping agent in 1957, Milaha (Qatar Navigation) has transformed itself into one of the largest and most diversified companies in the Middle East. The company is a conglomerate involved in several sectors of Qatar's robust economy. Milaha is engaged in container shipping, logistics and warehousing, port management, offshore vessel chartering and services, ship management and other maritime & technical services, real estate investment and management, and investing in the local stock market. **QNNS also owns 36.25% of Nakilat (QGTS: Outperform/QR3.50 Target Price).**

Milaha was one of the original 17 companies that started trading on the Qatar Stock Exchange, when the QSE started official operations back in 1997. Qatar Shipping Co. (now part of Milaha) was also one of the other names that started trading back in May 1997.

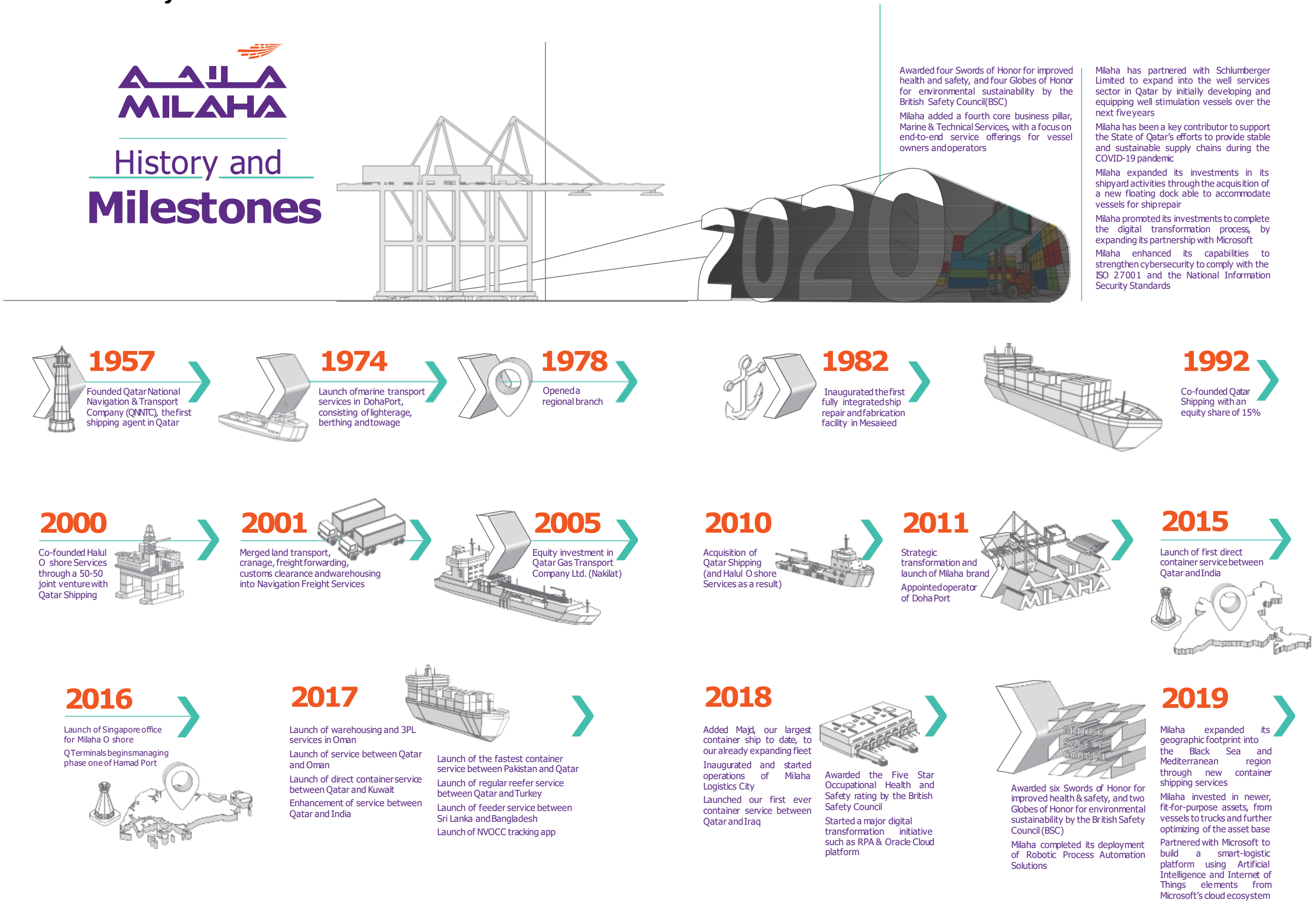
Milaha's most significant and transformative acquisition came in 2010, when it acquired the remaining 85% of Qatar Shipping or Q-Ship, which effectively doubled its stake in QGTS to 30%. This QR4.4bn acquisition expanded Milaha's balance sheet by almost 80%, fundamentally changing its operations and giving QNNS significant exposure to other business segments within the shipping industry, such as LNG, LPG and petchems. Because of this acquisition, Halul Offshore Services Co. was transformed into a wholly-owned subsidiary of Milaha and its holding in Nakilat was automatically upped from 15% to 30%. Finally, Milaha gained a 50% exposure to Qatar Quarries Building Materials (QQBMC), a firm that was treated as an associate prior to the acquisition. **During 2011, Milaha rebranded itself under its current name and reorganized its business segments. In February 2019, QNNS bought up an additional 5.9% stake in Nakilat from Qatar Investment Authority, upping its total share in QGTS to 36.25%.**

Recent Key Events & Disclosures

Date	Description
April 21, 2021	BoD approves increasing FOL from 49% to 100%. Implementation is subject to EGM approval, regulatory clearances and necessary procedures.
April 19, 2021	Milaha and Schlumberger announce commencement of operations of the first Qatari-owned offshore well stimulation vessel Halul-48.
March 31, 2021	Milaha enters into a liquidity provisioning agreement with QNB Financial Services with LP activities starting from April 1.
October 21, 2020	QTerminals, a JV between Mwani Qatar (51%) and Milaha (49%), purchases a strategic 99.99% equity stake in Turkey's Port Akdeniz, Antalaya, for an enterprise value of $140mn. QTerminals enters into a sale and purchase agreement for the port, which serves more than 2,500 vessel calls per year. Port Akdeniz becomes the third port asset in QTerminals' global portfolio.
September 27,2020	Signs a MoU encompassing a five-year joint development project with Schlumberger that will support value building projects, while jointly driving QP-led Tawteen initiatives for Qatar. This will include a Qatari-owned, flagged and operated Oil Well Stimulation Vessel.
June 21, 2020	Milaha reorganizes and creates a new strategic pillar, Marine & Technical Services, to focus on both current activities (ship management, shipping agency, shipyard, bunkering, etc.) and introduce new services, such as ship chandlering. Milaha will also combine its truck sales and distribution activities with its land-based asset maintenance and servicing (for e.g., trucks, crane, forklifts, etc.) activities. Also, the existing Maritime & Logistics pillar will focus on enabling trade and providing end-to-end supply chain solutions for commercial customers, through Container Shipping, Ports, and logistics. As part of its focus on its core business, Milaha is also exiting its travel agency business, as well as de-emphasizing its equipment agency and distribution activities. As a result of this re-organization, four out of Milaha's five strategic pillars will focus on core-business pillars: (1) Maritime and Logistics, (2) Offshore Marine, (3) Gas & Petrochem, and (4) Marine & Technical Services. The fifth pillar, Milaha Capital, will deal solely with financial and real estate investments. We expect the changes to be reflect on reporting from 2022 onward.
March 8, 2020	Milaha announces acquisition of a new floating dock to support vessels repair and dry docking. The dock is set to arrive at the Mesaieed Shipyard in the coming months and will be fully operational in the second half of 2020.
January 31, 2020	QTerminals wins a 35-year concession to develop, manage and operate the port of Olvia in Ukraine. Olvia is an important Black sea port and QTerminals is committed to invest roughly $120mn, developing the port over five years.

Source: Company data

Milaha's History & Milestones



Source: Milaha's 2020 Annual Report

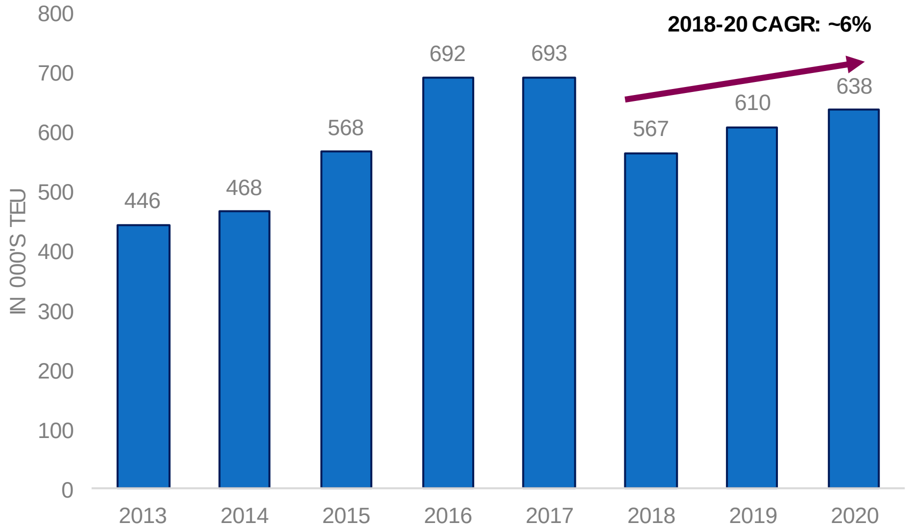
Milaha Maritime & Logistics (MM&L)

Milaha Maritime & Logistics is the firm's container shipping and logistics business accounting for 33.9% of total net revenue as of 2020. 2020 operations were hurt by the pandemic with overall segment gross revenue down 9.7% to QR860.6mn, while net income fell 9.8% to QR77.5mn further impacted by COVID-19 expenses. EBITDA was modestly negative in both 2019 and 2020, while EBITDA margins have progressively declined from 31.0% in 2015 to 0.6% in 2018, before going into the red in 2019 and 2020. As a result, MM&L only made up around 10.6% of group EBITDA over 2015-2020. This business line is composed of four sub-segments: container shipping, logistics and warehousing, shipyard and shipping agencies. **This segment also houses Milaha's 49%-owned JV called QTerminals, which manages port operations at the Hamad port; net income from QTerminals made up 216% of MM&L's profits in 2020 (avg. 2017-2020: 205%).** We continue to believe the recent resolution of the blockade will benefit Qatar-GCC trade and consequently Milaha's maritime and logistics operations. Moreover, Qatar's planned North Field Expansion (NFE) project, which is expected to boost LNG production capacity from 77 MTPA to 110 MTPA (first production 4Q2025) and further to 126 MTPA a couple of years later, should provide a strong tailwind of growth for QNNS' logistics businesses.

- **Container shipping (~66% of segment top-line) provides feeder and line services in the Middle East, Indian-subcontinent and Europe through four fully-owned container vessels and various charter agreements.** Container shipping top-line was flattish in 2020 at ~QR564mn. With costs (crew expenses, depreciation, etc.) largely fixed, container shipping is a volume-driven business dependent on GDP and trade growth; market rates are determined by volumes and throughput, utilization and cargo tonnage, type of routes, etc. While COVID-19 put a lid on volumes and activity in 2020, container shipping did relatively well showing volume growth in a challenging market. The outlook for 2021 is brighter despite ongoing uncertainty given current lockdowns in India. Milaha's network optimization efforts are also paying off with reduced costs and improved margins according to management.
    - **The feeder business has and continues to make up the majority of container shipping's revenue.** The company has operated in the feeder services industry in the GCC for more than 50 years. In terms of its current in-house fleet, Milaha owns one vessel with a capacity of 3,586 TEU and three vessels with capacities of 1,015 TEUs each. Previously, Milaha used to own/operate smaller container vessels in the Doha port; however, when Doha port was replaced by the Hamad port in 2016-2017, the company sold off several of these smaller vessels. Currently, QNNS also charters a fleet of vessels predominately for its Mediterranean/Black Sea operations. Milaha owns and

charters feeder vessels serving major line operators, such as Maersk, CMA-CGM, and Yang Ming Lines in hub ports. QNNS provides feeder services between Qatar, Oman, Kuwait, India, Pakistan, Sri Lanka, Bangladesh, Turkey and Western Europe, among others. While Milaha shifted its regional trans-shipment from Jebel Ali (Dubai) to Oman after the 2017 blockade, the recent resolution of the GCC crises is likely to reinvigorate maritime transport between Qatar and the UAE.

Container Shipping Has Posted Decent Growth in 2019 & 2020



Source: Company data

- ○ **In the line shipping business, Milaha has a fleet of owned containers that get shipped on Milaha or third-party vessels.** Overall, the line business makes up the minority of container shipping revenue. Qatar Navigation Lines started operations in 1995 and now serves the Middle East, the Indian Subcontinent, South East Asia, and East Africa, among others.
- ○ **Milaha discontinued its bulk shipping chartering business around mid-last year and sold its sole bulk vessel in February 2021.** This sub-segment had limited revenue potential and profitability, generating only around QR62mn in revenue in 2019.

Container & Bulk Shipping – Fleet & Sale of Vessels

Maritime & Logistics			Ownership %						
	Year Built	Capacity	2015	2016	2017	2018	2019	2020	2021
Container Vessels									
Al Khor	1999	390 (TEU)	100%	0%	0%	0%	0%	0%	0%
Al Waab	2003	515 (TEU)	100%	100%	100%	100%	100%	0%	0%
Al Dakhira	2003	515 (TEU)	100%	100%	0%	0%	0%	0%	0%
Al Yasra	2009	1,015 (TEU)	100%	100%	100%	100%	100%	0%	0%
Al Bidda	2009	1,015 (TEU)	100%	100%	100%	100%	100%	100%	100%
Al Rumeila	2009	1,015 (TEU)	100%	100%	100%	100%	100%	100%	100%
Oshairij	2010	1,015 (TEU)	100%	100%	100%	100%	100%	100%	100%
Majd	2007	3,586 (TEU)	0%	0%	0%	100%	100%	100%	100%
Bulk Vessels									
Qatar Spirit	2009	57,000 (DWT)	100%	100%	100%	100%	100%	100%	0%
Tugs									
Al Rakan	2006	241 (Gross Tonnage)	100%	100%	100%	100%	0%	0%	0%
Barges									
QN120	2005	5,052 (DWT)	100%	100%	100%	100%	0%	0%	0%

Source: Company data; Note: Shaded vessels part of existing fleet & 2021 figures current as of 1Q2021

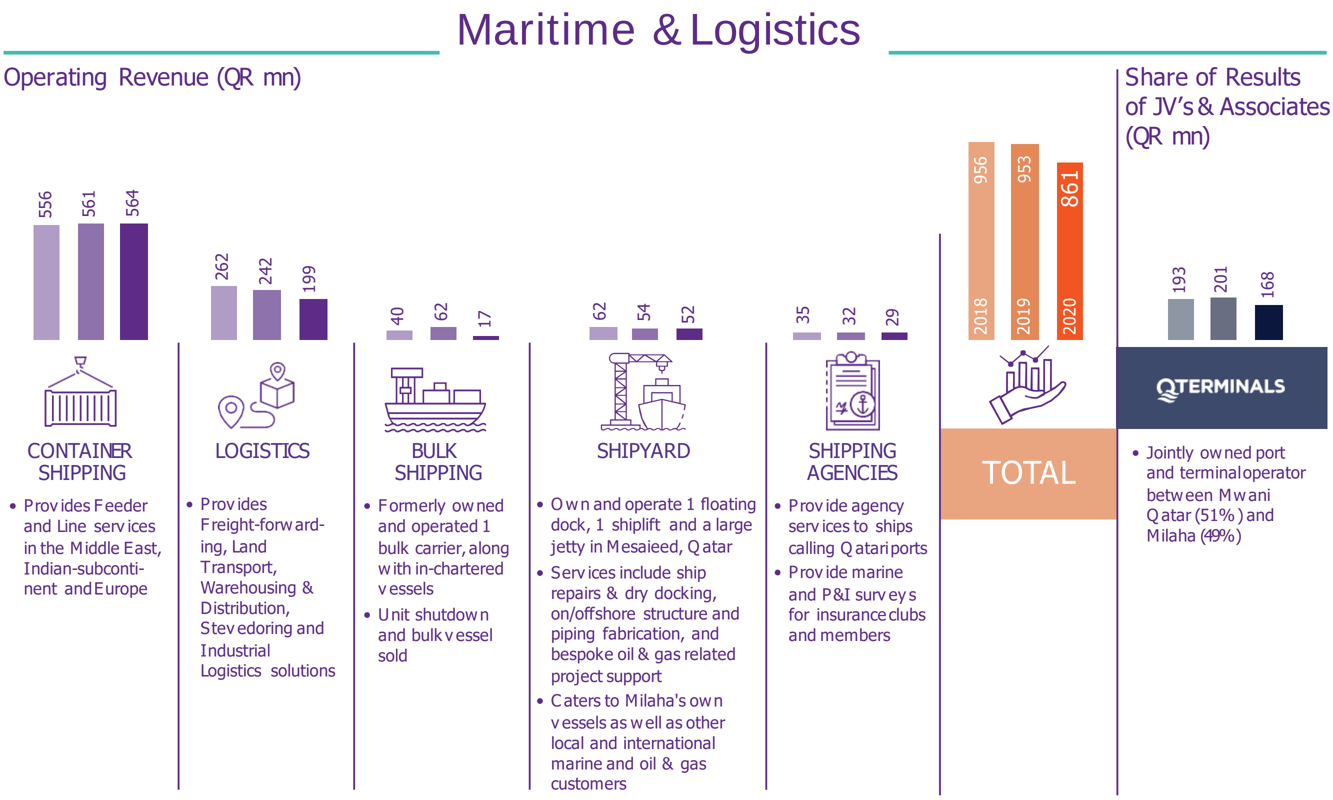
- **Milaha has expanded its container shipping business capabilities, positioning itself for future growth.** QNNS, over the past few years, has worked to manage and optimize its networks and expanded into new regions, such as the Black Sea. The feeder business depends on Main Line Operators (MLOs) and their business fundamentals. MLOs have generally focused on the main hubs, allowing players such as Milaha opportunities to partner up to focus on tertiary hubs. In the line business, globally, due to COVID-19-related restrictions, MLO rates have increased to somewhat unsustainable levels – demand has substantially increased due to boost in online purchases and supplier inventory growth, while there has been a lack of containers/container vessels given port restrictions/congestion, slow movement of containers, etc. As vaccination rates increase and businesses open up, port restrictions will dissipate and long-haul rate dynamics should change.

- **Logistics services (roughly 23% of segment revenue) provide logistics and supply chain management to industrial and retail clients.** This sub-segment operates a fleet of trucks, trailers, cranes and other equipment. It provides various services such as industrial logistics solutions, warehousing & distribution, freight forwarding, land transport and stevedoring. Milaha is a key player in the Qatari logistics market, which is led by **Gulf Warehousing (GWCS: Market Perform/QR5.100 Target Price)**.
    - **Industrial logistics provides manpower, equipment and support services to customer sites.** Milaha has a roster of several major "Q" companies that it serves in this sub-segment. QNNS also provides stevedoring and cargo handling at Mesaieed Port and manages the Container Terminal 7 at Mesaieed Port on behalf of Qatar Petroleum. Milaha also supports Qatar's industrial exporters with multiple weekly sailings from Mesaieed Industrial City carrying LDPE, HDPE & LLDPE and aluminum to main trans-shipment hubs within the region. While corona virus-related malaise hurt 2020 operations amid lockdowns (for example, Qatar Steel mothballed almost half of its domestic capacity early on in 2020), the company is cautiously optimistic for 2021 as onsite client project work has picked up given expected increase in import/export trade volumes.
    - **In warehousing, currently Milaha Logistics City (MLC) houses around 36k sqm of temperature-controlled/chilled & frozen warehousing space in three warehouses.** QNNS provides warehouse services to several blue-chip clients, including Qatar Airways. Revenue here is determined by rate/sqm (premium for temperature-controlled) and warehouse inventory turns. 2020 was a good year for warehousing and distribution with new clients and projects. For this year, utilization rates are expected to increase in Milaha Logistics City warehouses.
    - **Freight forwarding includes freight services through land, air and sea, including customs clearance and cargo insurance.** Management expects 2021 freight forwarding volumes to show growth.
- **QNNS' strategy is to sweat existing logistics assets, while looking at international deals.** With MLC already operating at very high levels of utilization, the company is looking to optimize revenue/Sqm by adding value-added services, such as transportation, packing/unpacking/labeling, freight forwarding, etc. While price competition remains high, management is hopeful that the FIFA World Cup Qatar 2022 and the massive NFE project will led to a boom in project logistics later this year. As per guidance on earnings calls, management is looking at international logistics deals, which we have not incorporated in our model.
- **Shipyard (~6% of MM&L revenue) and shipping agencies (approximately 3%) are other relatively smaller sub-segments.**
    - **The shipyard in Mesaieed, since its foundation in 1978, caters to QNNS' own/third-party vessels and is involved in ship repairs and dry-docking, on/offshore structure and piping fabrication, machining and bespoke oil & gas project support.** Outlook for 2021 is generally positive. Investments in the shipyard are expected to persist into 2021-22 where a major upgrade is scheduled to enhance marine facilities and construct a new jetty.
    - **The shipping agency unit acts as an agent on behalf of other shipping companies calling Qatari ports providing agency services, along with marine surveys and protection & indemnity surveys.** Specifically, shipping agents ensure required berths for incoming vessels, arrange for pilot boats and tugs, act as stevedores, repair ships when necessary, and organize contact between the master of the ship and the authorities, among other services. Last year, agency services faced significant declines in crew handling due to COVID-19 restrictions but a pickup is expected this year.
- **QTerminals, the Mwani Qatar/Milaha (51/49) JV, handles port and terminal operations at the Hamad port.** This JV provides container, general cargo, RORO, livestock and offshore supply services at the Hamad Port. Despite a challenging environment, QTerminals posted a moderate 1.6% revenue growth to QR377.8mn (proportional to Milaha) in 2020 but net income dipped 16.7% to QR167.7mn due to COVID-related health & safety expenses. We note that as QTerminals is a JV, QNNS only records its net share of earnings in its P&L (under the equity method of accounting). The company also expects QTerminals to grow this year given prospects of volume stability/uptick at the Hamad port.
    - **QTerminals was formed in May 2017 replacing Milaha's old port services division (part of MM&L), which was primarily concerned with managing the old Doha port.** In October 2017, Milaha delegated its port-management rights of QR416.1mn to the QTerminals JV, recording these rights as an investment in Milaha's books. We note these concession rights will revert back to Milaha in force majeure situations. These concession rights have a validity of 14 years ending in 2030.
    - **Container TEUs handled at the Hamad port grew from 1.32mn TEUs in 2019 to 1.41mn TEUS in 2020 despite the global pandemic.** QTerminals gets paid by TEUs handled, storage fees, demurrage charges, penalties, etc. QTerminals currently manages phase 1 or CT1 at the Hamad Port. We note that Hamad Port's Container Terminal 2 or CT2 will be developed over four phases, with phase 2 scheduled to expand port capacity from 2mn TEUs currently to 3mn TEUs by end of 2022. The remaining two phases will be developed in the future as demand rises.
    - **With domestic business driving medium-term growth, international expansion (Ukraine/Turkey) should lead to longer-term upside.** In January 2020, QTerminals won a 35-year concession for the port of Olvia in Ukraine. Olvia is an important Black sea port and QTerminals is committed to invest roughly $120mn, developing the port over five years. Also in October of last year, QTerminals acquired a 99.99% equity stake in a sale and purchase agreement for Turkey's Port Akdeniz, Antalaya, for an enterprise value of about $140mn. Akdeniz is located in the

East Mediterranean Sea coast of Turkey and serves more than 2,500 vessel calls per year.

- **With Hamad Port aspiring to be a trans-shipment hub to the Upper Gulf countries, supporting countries such as Kuwait and Iraq, QTerminals is poised to show future growth.** Rates are usually determined by the regulator (Mwani) after consultations with MLOs and other industry players. While throughput should increase going forward, yields are likely to compress given pressure on rates in light of a major expansion expected in Saudi Arabia's King Abdulaziz Port Dammam.
- **Milaha's ship management unit, which takes care in-house fleet and technical services, is also part of MM&L.** Income related to fleet management and technical services is allocated as expenses in the Milaha Offshore and Milaha Gas & Petrochem segments, with no net impact to consolidated financials.

Maritime & Logistics



Fleet

Business Unit	No.	Year Built	Capacity
Container Shipping	1	2007	3,586 (TEU)
	2	2009	1,015 (TEU)
	1	2010	1,015 (TEU)

Source: Milaha's 2020 Fact Sheet

Milaha Offshore (MO)

Milaha offshore (which incorporates Halul Offshore's businesses) provides offshore services to the oil & gas industry, operating a diverse fleet of offshore service vessels with the use of anchor handling tugs, supply and dynamic positioning vessels, stand-by safety boats, work and crew boats. This business segment also provides diving services, maintenance services on offshore energy installations and harbor marine operations. Milaha's acquisition of Qatar Shipping Co. during 2010 transformed Halul from a 50/50 JV to a wholly owned subsidiary of Milaha and augmented QNNS' offshore business division. As of 2020, Milaha Offshore represents a hefty 33.6% of Milaha's net revenue; top-line grew 1.3% YoY from QR752.5mn in 2019 to QR762.2mn in 2020. Segment net loss, however, ballooned 174.5% to QR555.6mn as vessel impairments expanded 152.9% to QR571.3mn. Milaha Offshore is a significant contributor to the group's EBITDA, representing 26.2% (2015-2020). Moreover, this segment's EBITDA margin averaged around 32.4% (2015-2020). Milaha owns 46 offshore vessels and charters another five-ten vessels. The major sub-divisions in the offshore segment are: vessel chartering (75% of MO top-line), services (14%) and harbor marine operations (12%).

- **Vessel chartering is an important driver and is well positioned to benefit from the North Field expansion project.** Top-line growth last year was driven by chartered-in 3rd party vessels, as well as the addition of a well stimulation vessel; chartering grew its revenue from ~QR539mn in 2019 to roughly QR570mn in 2020. Currently, Milaha has a fleet of 46 offshore support vessels operating under a mix of long-term multi-year charters and project-based deployments; moreover, QNNS also undertakes new vessel investments based on specific project requirements. This business is predominately Qatar based and Milaha has a significant estimated 60-70% market share in the local market. Milaha has recorded vessel impairments totaling almost QR1.2bn over 2014-2020, 134.0% of the net loss of QR862.4mn reported by the offshore division over the same period. Large cuts in capex/opex by the oil majors has driven vessel valuations downward, prompting impairments across the industry. Further write-downs at Milaha are likely to be limited going forward. Offshore has a positive business/contract pipeline for 2021 and vessel offhires due to COVID19 have tapered off as of Q1 but remain difficult to predict going forward. In terms of longer-term catalysts, we continue to believe expansion of Qatar's LNG output from 77 MTPA to 126 MTPA is a significant driver.
- **Offshore services is closely tied to vessel chartering and should also benefit from similar growth trends.** Services revenue fell from ~QR122mn in 2019 to ~QR105mn last year as COVID-19 outbreaks on some vessels caused temporary offhires. However, excluding these outbreaks, Milaha witnessed increased demand for diving, subsea surveying and MMO projects that resulted in several new contract and services awards. These services are expected to grow further this year.
- **Milaha Offshore has gone through a rough patch given lackluster oil prices but improvement in oil outlook, along with the NFE project, remain strong growth drivers.** This business was generating net margins of 35-40% before oil prices declined and MO's lack of geographical diversification beyond Qatar worked out in its favor in a market with deteriorating fundamentals. Day rates have been soft over the past few years but there is some light at the end of the tunnel. Milaha Offshore's business strategy has been to charter vessels to quickly capture client business, replacing these vessels with purchased vessels as the need arises. Owning vessels is increasingly a strength in this segment and MO has been attempting to layer in higher-margin offshore services to capture additional value. The company has expanded into services, such as cabling, subsea/topside engineering, etc. to create margins – the recent partnership with Schlumberger is an apt example, where Milaha is focusing on knowledge transfer with a world-class partner. Overall, Milaha maintains an estimated 60-70% market share in Qatar's offshore chartering and services industry and is well-positioned to benefit from growth in this market. Moreover, Qatar's planned North Field Expansion (NFE) project, which is expected to boost LNG production capacity from 77 MTPA to 110 MTPA (first production 4Q2025) and further to 126 MTPA a couple of years later, should provide a strong tailwind of growth for Milaha's offshore segment. The NFE project, which is supposed to feature eight wellhead platforms, would ultimately require several offshore vessels, along with construction support and diving support vessels. Given QNNS' strong market share, capabilities and long-standing track record and relationship with Qatar Petroleum, we expect MO to be a key beneficiary by 2023-2024. Depending on the NFE project's specific requirements and customizations, Milaha could have to spend additional capex in expanding its offshore fleet (not currently incorporated in our model). Growth tailwinds, along with a lack of significant impairments muddling up the picture, should help this segment going forward.

Offshore – Offshore Fleet & Sale of Vessels

Offshore - Chartering & Services		Ownership %						
	Year Built	2015	2016	2017	2018	2019	2020	2021
Safety Standby Vessels								
Halul 10	2002	100%	100%	100%	0%	0%	0%	0%
Halul 11	2002	100%	100%	100%	0%	0%	0%	0%
Halul 12	2002	100%	100%	100%	0%	0%	0%	0%
Halul 14	2003	100%	100%	100%	100%	100%	100%	100%
Halul 15	2008	100%	100%	100%	100%	100%	100%	100%
Halul 16	2008	100%	100%	100%	100%	100%	100%	100%
Halul 18	2008	100%	100%	100%	100%	100%	100%	100%
Anchor Handling Tugs								
Halul 20	2002	100%	100%	100%	100%	100%	100%	100%
Halul 21	2002	100%	100%	100%	100%	100%	100%	100%
Halul 22	2003	100%	100%	100%	100%	100%	100%	100%
Halul 23	2003	100%	100%	100%	100%	100%	100%	100%
Halul 29	2007	100%	100%	100%	100%	100%	100%	100%
DP1 Anchor Handling Towing								
Halul 25	2007	100%	100%	100%	100%	100%	100%	100%
Halul 26	2007	100%	100%	100%	100%	100%	100%	100%
Halul 27	2008	100%	100%	100%	100%	100%	100%	100%
Halul 71	2009	0%	0%	0%	100%	100%	100%	100%
Construction Support Vessels								
Halul 32	1982	100%	100%	0%	0%	0%	0%	0%
Halul 35	1984	100%	100%	0%	0%	0%	0%	0%
Halul 38	2010	100%	100%	100%	100%	100%	100%	100%
Halul 52	2014	100%	100%	100%	100%	100%	100%	100%
Halul 53	2014	100%	100%	100%	100%	100%	100%	100%
Diving Support Vessels								
Khattaf	1986	100%	100%	0%	0%	0%	0%	0%
Halul 41	2010	100%	100%	100%	100%	100%	100%	100%
Shaddad	2014	100%	100%	100%	100%	100%	100%	100%
DP2 Platform Support Vessels								
Halul 40	2009	100%	100%	100%	100%	100%	100%	100%
Halul 42	2014	100%	100%	100%	100%	100%	100%	100%
Halul 43	2014	100%	100%	100%	100%	100%	100%	100%
Halul 44	2014	100%	100%	100%	100%	100%	100%	100%
Halul 45	2015	100%	100%	100%	100%	100%	100%	100%
Halul 80	2016	0%	0%	0%	100%	100%	100%	100%
Halul 81	2016	0%	0%	0%	100%	100%	100%	100%
Halul 82	2016	0%	0%	0%	100%	100%	100%	100%
Halul 83	2018	0%	0%	0%	100%	100%	100%	100%
DP2 Anchor Handling Towing Supply Vessels								
Halul 70	2009	0%	0%	0%	100%	100%	100%	100%
Halul 60	2011	100%	100%	100%	100%	100%	100%	100%
Halul 61	2012	100%	100%	100%	100%	100%	100%	100%
Halul 63	2013	100%	100%	100%	100%	100%	100%	100%
Halul 62	2014	100%	100%	100%	100%	100%	100%	100%
Halul 69	2018	0%	0%	0%	0%	100%	100%	100%
DP2 Well Stimulation Vessel								
Halul 48	2018	0%	0%	0%	0%	0%	0%	100%
DP2 Anchor Handling Towing								
Halul 90	2015	0%	0%	0%	100%	100%	100%	100%
Anchor Handling Towing Vessels								
Halul 91	2019	0%	0%	0%	0%	0%	100%	100%
Wireline Support Vessels								
Halul 17	2008	100%	100%	100%	100%	100%	100%	100%
Halul 28	2007	100%	100%	100%	100%	100%	100%	100%
Halul 30	2003	100%	100%	100%	100%	100%	100%	100%
Halul 36	1983	100%	0%	0%	0%	0%	0%	0%
Halul 37	2004	100%	100%	100%	100%	100%	100%	100%
Multi-Purpose Support Vessels								
Halul 50	2011	100%	100%	100%	100%	100%	100%	100%
Halul 51	2012	100%	100%	100%	100%	100%	100%	100%
Al Huwaila	2005	100%	100%	100%	100%	100%	0%	0%
Halul 49	2017	0%	0%	0%	100%	100%	100%	100%
Fast Supply Intervention Vessel								
Halul 100	2018	0%	0%	0%	100%	100%	100%	100%
Halul 101	2018	0%	0%	0%	100%	100%	100%	100%
Liftboat Vessels								
Milaha Explorer	2016	0%	100%	100%	100%	100%	100%	100%

Source: Company data; Note: Shaded vessels part of existing fleet & 2021 figures current as of 1Q2021

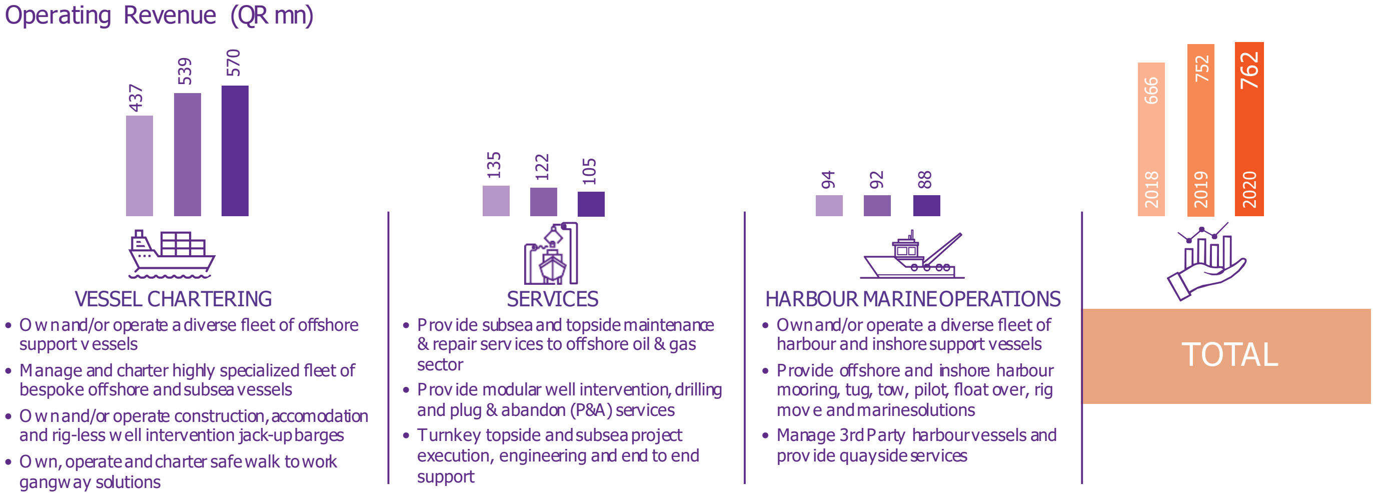
- **Milaha's harbor marine operations division owns and operates harbor support and services vessels.** Harbor revenue fell from ~QR92mn in 2019 to ~QR88mn in 2020. This segment used to be part of the Gas & Petrochem division before being reclassified as part of MO in 2019. Milaha currently has a fleet of 25 vessels, of which 15 are being used for QP under a 20-year contract signed back in 2013; the remaining vessels are on multi-year or spot market contracts. Milaha expects stable revenue throughout this year in harbor operations.

Offshore – Harbor Fleet & Sale of Vessels

Offshore - Harbour Craft			Ownership %						
	Year Built	Capacity/Type	2015	2016	2017	2018	2019	2020	2021
Towage Tugs									
Al Mashra	2001	Harbor Towage Tug	100%	100%	100%	100%	100%	100%	100%
Ghasham	2001	Harbor Towage Tug	100%	100%	100%	100%	100%	100%	100%
Sailain	2001	Harbor Towage Tug	100%	100%	100%	100%	100%	100%	0%
Soda Natheel	2001	Harbor Towage Tug	100%	100%	100%	100%	100%	100%	100%
Umm Slal	2014	Harbor Towage Tug - 35T	100%	100%	100%	100%	100%	100%	100%
Jinan II	2014	Harbor Towage Tug - 35T	100%	100%	100%	100%	100%	100%	100%
Ghasham II	2013	Harbor Towage Tug - 55T	100%	100%	100%	100%	100%	100%	100%
Sodanatheel II	2013	Harbor Towage Tug - 55T	100%	100%	100%	100%	100%	100%	100%
AlMashra II	2013	Harbor Towage Tug - 55T	100%	100%	100%	100%	100%	100%	100%
Sailain II	2014	Harbor Towage Tug - 55T	100%	100%	100%	100%	100%	100%	100%
Semesma	2014	Harbor Towage Tug - 80T	100%	100%	100%	100%	100%	100%	100%
Salwa	2014	Harbor Towage Tug - 80T	100%	100%	100%	100%	100%	100%	100%
Wassit	2004	Tanker Berthing Assistance Tug	100%	100%	100%	100%	100%	100%	100%
Pilot Boats									
Al Kharara	2000	Pilot Boat	100%	100%	100%	0%	0%	0%	0%
Zarka	2000	Pilot Boat	100%	100%	100%	100%	100%	100%	100%
Shaqra	2007	Pilot Boat	100%	100%	100%	100%	100%	100%	100%
Zarka II	2014	Pilot Boat	100%	100%	100%	100%	100%	100%	100%
Alkharara II	2014	Pilot Boat	100%	100%	100%	100%	100%	100%	100%
Shaqra II	2014	Pilot Boat	100%	100%	100%	100%	100%	100%	100%
Aljubailat	2014	Pilot Boat	100%	100%	100%	100%	100%	100%	100%
Mooring Boats									
Alafja	2013	Mooring Boat	100%	100%	100%	100%	100%	100%	100%
Almelaihat	2013	Mooring Boat	100%	100%	100%	100%	100%	100%	100%
Umm Hawta	2013	Mooring Boat	100%	100%	100%	100%	100%	100%	100%
Althumama	2013	Mooring Boat	100%	100%	100%	100%	100%	100%	100%
Wassit II	2013	Mooring Boat	100%	100%	100%	100%	100%	100%	100%
Almashaf	2013	Mooring Boat	100%	100%	100%	100%	100%	100%	100%
Service Boats									
Wadi Alsahal	2013	Service Boat	100%	100%	100%	100%	100%	100%	100%

Source: Company data; Note: Shaded vessels part of existing fleet & 2021 figures current as of 1Q2021

Offshore



Fleet

Type	#Year Built 2002–2008	2009–2015	2016–2020	Total
Safety Standby Vessels	4			4
Anchor Handling Towing Supply Vessels	5			5
DP1 Anchor Handling Towing Supply Vessels	3	1		4
Construction Support Vessels		3		3
Diving Support Vessels		2		2
DP2 Platform Support Vessels		5	4	9
DP2 Anchor Handling Towing Supply Vessels		5	1	6
DP2 Well Stimulation Vessel			1	1
DP2 Anchor Handling Towing Vessels		1		1
Anchor Handling Towing Vessels			1	1
Wireline Support Vessels	4			4
Multi-Purpose Support Vessels		2	1	3
Fast Supply Intervention Vessels			2	2
Liftboat Vessels			1	1

Fleet

Business Unit	Type	No.	Year Built
Harbour Marine Operations	Pilot Boats Harbour Towage	1	2000
	Tugs Tanker Berthing	3	2001
	Assistance Tugs Pilot Boats	1	2004
	Service Boats	1	2007
	Mooring Boats	1	2013
	Harbour Towage Tugs	6	2013
	Pilot Boats Harbour	3	2013
	Towage Tugs	4	2014
		5	2014

Source: Milaha's 2020 Fact Sheet

Milaha Gas & Petrochem (MG&P)

MG&P is leveraged to LNG shipping through its 2 wholly-owned vessels, its stake in Nakilat and ownership in 6 LNG carrier JVs. This segment is engaged in transporting liquefied natural gas (LNG), liquefied petroleum gas (LPG), petrochems/clean products, and crude oil/dirty products. MG&P operates 2 fully-owned LNG ships, 1 wholly-owned product tanker and a LPG/ammonia gas carrier. Milaha also owns 15-30% stakes in LNG JVs with 6 ships and 4 jointly-owned LPG carriers with Nakilat under the Gulf LPG JV.

A key contributor to this segment is Milaha's 36.25% stake in Qatar Gas & Transport Co. (Nakilat). Nakilat is an associate of Milaha and is recorded in Milaha's books using the equity method of accounting. Prior to 2010, Milaha and Q-Ship each had a 15% ownership interest in Nakilat. Following the acquisition of Q-Ship, the company's stake increased to 30%, which Milaha further added to in early 2019. It is important to mention here that Nakilat contributes more than 70% to Milaha's market cap.

MG&P made up about 13.1% of Milaha's net revenue in 2020. Despite COVID-19, top-line and net income performance last year were relatively flattish at QR298.0mn and QR423.2mn, respectively; improved freight rates along with significant expense reduction helped operating margins, which increased from 18.1% in 2019 to 37.5% in 2020. **We note QR410.0mn in earnings (around 97%) came from Milaha's associate, Nakilat, in 2020; QGTS has contributed an average of 92.4% to MG&P's net income over 2015-2020.** Despite improvements in operating margins and Nakilat earnings, overall segment profitability remained flattish in 2020 vs. 2019 due to losses at the Gulf LPG JV. Overall, MG&P contributed 24.2% to the group's EBITDA during 2015-2020. MG&P recorded an average EBITDA margin of 55.2% during 2015-2020.

- **LNG shipping (~62% of 2020 segment top-line), via two wholly-owned conventional vessels, represents fairly stable business through long-term (around 25 year) charter agreements.** These two ships generated QR186mn in revenue in 2020, up from QR178mn in 2019. Milaha used to own 40% of these vessels through associates but acquired full ownership back in 3Q2015. Milaha expects fairly stable earnings from this business due to the long-term fixed nature of contracts.
- **Tankers (roughly 30% of MG&P's revenue), made up of two Long-Range 2 product and one Aframax crude tanker, faced a difficult 1Q2021 due to falling shipping rates.** QNNS sold two product tankers in 2019 and sold one product tanker and its crude tanker recently in June 2021. Tanker rates are mostly exposed to spot market volatility and faces a challenging ST outlook although rates seem to have recovered a bit vs. 1Q2021.

- **QNNS' LPG/Ammonia gas carrier (~8% of segment revenue) is contracted for two years until mid-2022.** Milaha also sold off an underperforming gas carrier in the 4th quarter of 2019. QNNS expects stable earnings from this segment until 2022.

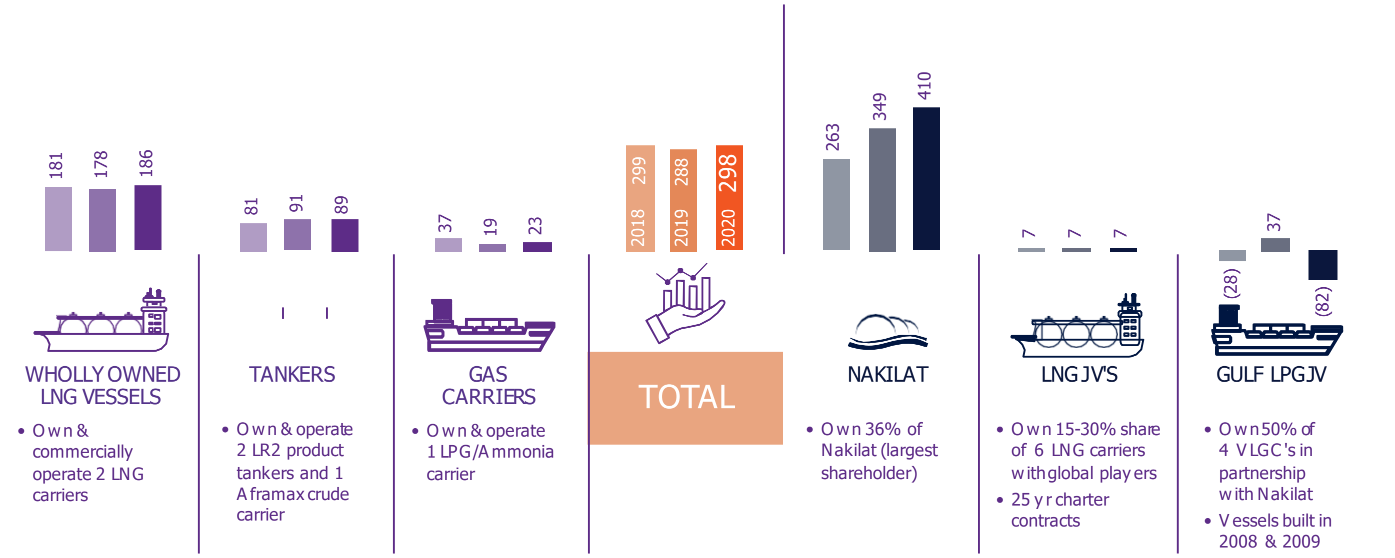
Gas & Petrochem – – Fleet & Sale of Vessels

Gas & PetroChem	Year Built	Capacity/Type	Ownership % 2015	2016	2017	2018	2019	2020	2021
Product Tankers									
Jinan	2003	37,285 (DWT)	100%	100%	100%	100%	0%	0%	0%
Dukhan	2003	37,283 (DWT)	100%	100%	100%	100%	0%	0%	0%
Mesaieed	2006	106,008 (DWT)	100%	100%	100%	100%	100%	100%	0%
Khawr Aladid	2006	106,003 (DWT)	100%	100%	100%	100%	100%	100%	100%
Crude Tanker									
Umlma	2006	106,005 (DWT)	100%	100%	100%	100%	100%	100%	0%
LPG/Ammonia Carriers									
Almarona	2004	22,500 (CBM)	100%	100%	100%	100%	100%	100%	100%
Almajedah	2004	22,500 (CBM)	100%	100%	100%	100%	100%	0%	0%
LNG Carriers									
Milaha Ras Laffan	2004	113,000 (CBM)	100%	100%	100%	100%	100%	100%	100%
Milaha Qatar	2006	127,500 (CBM)	100%	100%	100%	100%	100%	100%	100%

Source: Company data; Note: Shaded vessels part of existing fleet & 2021 figures current as of present date

- **Milaha's stake in Nakilat has been a significant value driver.** Milaha and Q-Ship were both founding shareholders (with 15% stakes each) in Nakilat, which was listed on the QSE in April 2005. QNNS' current ownership in QGTS stands at 36.25% with Milaha liquidating its lower-yielding HFT portfolio to buy an additional 5.9% stake in Nakilat in early 2019. Nakilat made up ~92% of QNNS' segment earnings over 2015-2020.
- **QNNS also owns 15-30% stakes in LNG JVs with 6 ships, which are chartered under 25-year agreements.** Income from these JVs have stayed stable at around QR7mn over 2018-2020. Milaha expects fairly stable earnings from this business due to the long-term fixed nature of contracts.
- **Milaha also owns 50% of four VLGCs, along with QGTS, under the Gulf LPG JV.** This is a very volatile segment with net JV earnings dipping into the red in 2020 with a net loss of QR82.3mn vs. a net profit of QR36.5mn in 2019; the JV recorded impairments in 2020 against these vessels, with Milaha's share of those impairments being QR126.6mn. Outlook here continues to be relatively unpredictable.
- **Milaha's strategy in MG&P has been to diversify away from volatile but traditional shipping assets, such as MRs and tankers, and instead focus on long-term contract bound FSOs/FPSOs/shuttle tanker market.** Fleet expansion would could entail significant additional capex, which we do not factor into our model given the current lack of details. We also do not expect the company to add any further to its natgas assets given its already significant exposure through Nakilat.

Gas & Petrochem



Fleet

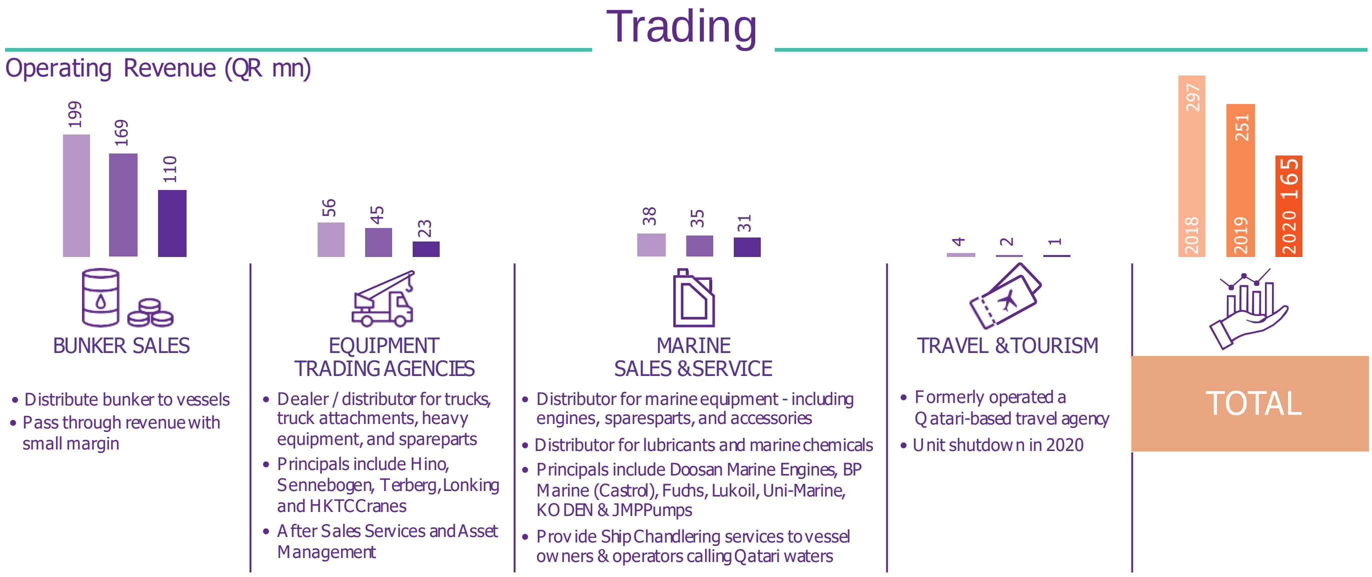
Business Unit	Type	No.	Year Built	Capacity
Tankers	Product	2	2006	106,000 (DWT)
	Crude	1	2006	106,000 (DWT)
Gas Carriers	LPG/Ammonia	1	2004	22,500 (CBM)
LNG Vessels	LNG	1	2004	138,273 (CBM)
	LNG	1	2006	145,602 (CBM)

Source: Milaha's 2020 Fact Sheet

Milaha Trading (MT)

Milaha Trading distributes bunker to vessels (at a small margin), sells trucks, heavy equipment, machinery and marine lubricants. In Qatar, Milaha is an exclusive agent to Japan's Hino Trucks, Netherlands Terberg and Germany's Sennebogen Cranes. In 2020, Milaha shut down its travel agency business. As of 2020, this segment made up just 3.2% of Milaha's total net revenue and its contribution to EBITDA and net profits was negative/immaterial. This segment got hit because of coronavirus-related lockdowns in 2Q2020 and depressed demand during the rest of 2020, with net revenue plummeting 42.5% to QR73.0mn; however, segment loss of QR11.3mn remained fairly flattish with a loss of QR11.1mn in 2019. For 2021, the company is cautiously optimistic based on its sales pipeline.

Trading



Source: Milaha's 2020 Fact Sheet

Milaha Capital (MC)

This division is primarily engaged in investing in the local equities market, development and management of real estate, and has a 50% holding in Qatar Quarries & Building Materials Co. (QQBMC). This division also provides corporate finance advisory services for Milaha and its subsidiaries. As of 2020, Milaha Capital's (MC) net revenue of QR365.0mn contributed about 16.1% of group total net sales. Of this, investment income (mostly stocks and some bonds) contributed QR164.2mn (45.0%), followed by QQBMC at QR107.1mn (29.4%) and real estate rental income at QR93.6mn (25.7%). This division's net income almost halved from QR246.7mn in 2019 to QR125.4mn in 2020 despite moderate growth in investment income as rental income came under pressure due to market conditions and Milaha also recorded an impairment charge of QR163.0mn for warehousing facilities.

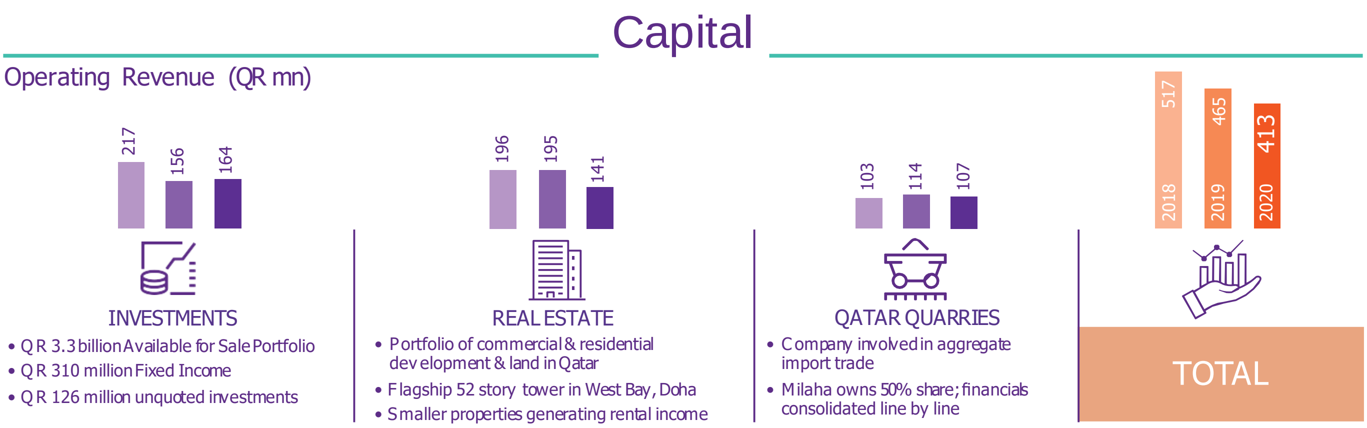
- **QR3.3bn or 88.4% of the total available-for-sale book is held in Qatari stocks, with QR2.2bn (66.1%) held in banks & insurance stocks and close to QR1bn (29.2%) held in equities of industrial companies.** This investment book constitutes Milaha's war chest of financial investments that can be utilized for other higher-return initiatives as they arise. Milaha's investment book remains predominately focused on blue-chip Qatari equities, with its portfolio concentrated in QNB (~50%), QEWS (~25%), QATI and MARK. In order to lower P&L volatility, Milaha has liquidated its held-for-trading portfolio, which was around QR0.5bn in 2017 to virtually nothing currently. Besides its equity portfolio, QNNS also holds QR309.8mn in fixed income (8.3% of AFS book) and QR125.7mn (3.4%) in unquoted investments (founder's shares). Milaha recorded investment income of QR164.2mn (45.0% of MC's net revenue) in 2020 vs. QR155.6mn in 2019.
    - **Dividend income of QR143.4mn is the most significant contributor to MC's top-line,** making up 39.3% of MC's net revenue, with most of this figure or QR137.5mn coming from dividends on stocks held in the AFS book. Interest on bonds made up 3.3% of segment revenue as of 2020. Milaha diversified from primarily listed stocks in its AFS book to an 8.3% allocation into higher-yielding fixed income assets in 2020.
- **Milaha owns a diverse portfolio of commercial and residential developments and land plots in Qatar.** Net rental income plummeted 36.1% from QR146.6mn in 2019 to QR93.6mn in 2020 due to challenging market conditions. In 2020, Milaha recorded a QR 163mn impairment in relation to a warehousing facility, and also posted a gain of sales of QR81.7mn from five properties, with four essentially being non-revenue generating, and one being a small, old villa compound with annual revenue of less than ~QR1mn. Milaha, however, was able to maintain high occupancy rates at existing properties (97% in residential and 94% in commercial). For 2021, real estate revenue should run at 1Q2021 rates for the most part until a new 178-villa compound starts contributing to rental income in 3Q2021. Overall, real estate consists of 3 categories of holdings, broken out as follows:
    - **Commercial properties (owned): ~roughly two thirds of real estate revenue contribution**, with Milaha's flagship

52-story in West Bay, Doha being the main contributor.

- **Industrial & Residential properties (owned/leased): makes up roughly one third of real estate revenue.** Milaha's 178-villa residential compound in Ain Khaled has been completed; its contract has been signed, and is expected to start contributing to revenue by August/September of this year. This compound has been 100% leased out to the government under a five-year deal.

- **QQBMC, established in 2004, is engaged in importing and distribution of construction materials.** QQBMC is a major importer of gabbro aggregate into Qatar and primarily serves the construction sector. In 2020, QQBMC contributed 29.4% to Milaha Capital's net revenue. However, its contribution to EBITDA and earnings were negligible.

Capital

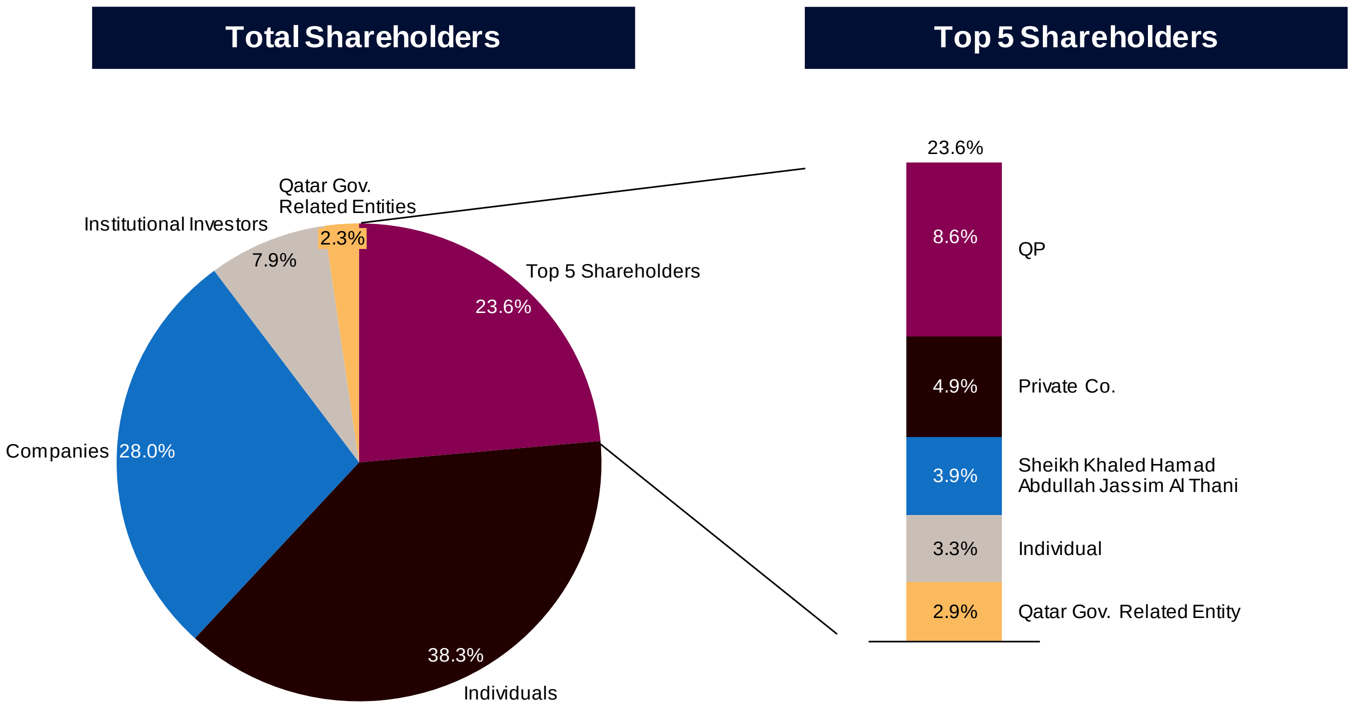


Source: Milaha's 2020 Fact Sheet

Ownership Structure, Board of Directors and Management

QP owns an 8.61% stake in Milaha and government/semi-government own around ~14%. In mid-April, the Qatari Council of Ministers approved a draft law that allows non-Qatari investors to own up to 100% of the capital of Qatari companies listed on the Qatar Stock Exchange. As a result of this ruling, in late April, Milaha's BoD approved amending the company's Articles of Association to increase the percentage of non-Qatari ownership from 49% to 100% subject to EGM approval, regulatory clearances and implementation by the Qatar Central Securities Depository. Current foreign ownership is only around 8% with a lot of headroom remaining.

Milaha Shareholders (As of April 30, 2021)*



Source: Company data; *Note: Sheikh Khaled Hamad Abdullah Jassim Al Thani owns a 5.08% stake according to the latest QCSD data

Board of Directors

Name	Designation
H.E Sheikh Jassim bin Hamad bin Jassim Jaber Al-Thani	Chairman
H.E Sheikh Khalid bin Khalifa bin Jassim Fahad Al-Thani	Vice Chairman
H.E. Sheikh Abdulrahman bin Saud Al Thani	Member
Adel Ali Bin Ali	Member
H.E Sheikh Hamad bin Mohammed Khalid Al-Thani	Member
Mohammed Ebrahim Al-Sulaiti	Member
H.E. Sheikh Suhaim bin Khaled bin Hamad Al-Thani	Member
Hitmi Ali Khalifa Al Hitmi	Member
Dr. Mazen Jassim Jaidah	Member
Hamad bin Mohammad Al-Mana	Member
Saad Mohammad Saad Al-Romaihi	Member

Source: Company data

Management Team

Name	Designation
Abdulrahman Essa Al-Mannai	President & Chief Executive Officer
Akram Bashir Iswaisi	EVP Finance & Investments
Saleh Abdulla Alharoon	EVP Support Services
Gautam Bellur	EVP Corporate Development & Strategy
Mohammed Abdulla Swidan	EVP Milaha Offshore
Anders Lund Kristensen	EVP Milaha Maritime & Logistics
Asem Al Naser	Chief Internal Auditor

Source: Company data

Key Forecasts

We estimate overall revenue to increase by a CAGR of 2.8% in 2020-2025e. Milaha's revenue declined at a CAGR of 5.3% during 2015-2020 reaching QR2.3 billion in 2020. This was due to several factors: 1) moribund oil prices, 2) lackluster shipping rates and 3) spending/capex delays at key clients due to the overall tepid economic environment. The blockade of 2017 (which was resolved, for the most part, earlier this year) also impacted the company's port management, container shipping and logistics businesses. Moreover, the COVID-19 pandemic created further challenges last year. We note a lack of revenue reported from port management due to the establishment of the QTerminals JV (51%/49% attributable to Mwani and Milaha, respectively) in 2017, also put a lid on QNNS' top-line.

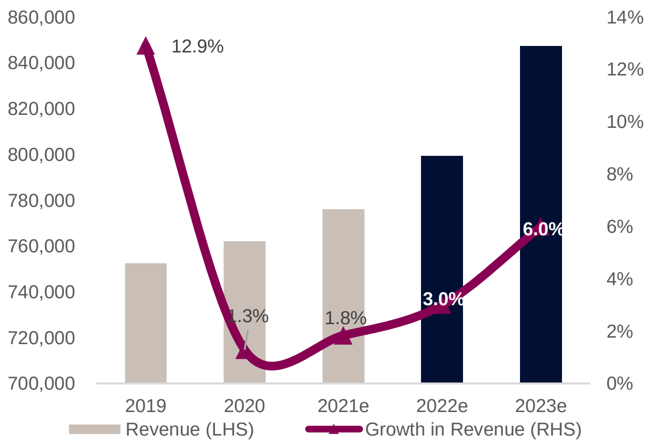
We estimate Milaha's core revenue (excluding MC) to increase by a CAGR of 3.2% in 2020-2025e driven by MO & MM&L. Milaha's core revenue receded by a CAGR of 5.4% during 2015-2020. MT, MM&L and MG&P primarily drove this decline. MO is modeled to grow by a CAGR of 4.0% (2020-25e) and contribute almost 50% to the incremental growth in core revenue, while MM&L is expected to increase by a CAGR of 5.0% and contribute 65% to the incremental growth in core revenue. MO is expected to benefit from the North Field expansion, while MM&L is expected to benefit from increasing volumes from container shipping and growth in project logistics because of the upcoming FIFA World Cup Qatar 2022 and the NFE project.

Net profit, excluding impairments & a one-off gain, is estimated to grow by a CAGR of 8.5% in 2020-25e. Reported net income, however, should show a CAGR of 85.0% in 2020-25e mainly due to a strong base effect as net profit was significantly depressed given material impairments of vessels. MO, MG&P and MM&L is forecasted to contribute to the incremental growth in net income. MO is estimated to contribute 57% to the incremental growth as it booked losses in 2020 due to hefty impairments (which are not supposed to occur, in a material way, going forward). Moreover, MG&P is expected to grow by a CAGR of 10.7% (36.25%-owned associate QGTS to be the main driver) and contribute around 23% to the incremental growth. Further, MM&L is penciled to grow by 29.8% and contribute 17% to the incremental growth in Milaha's bottom-line.

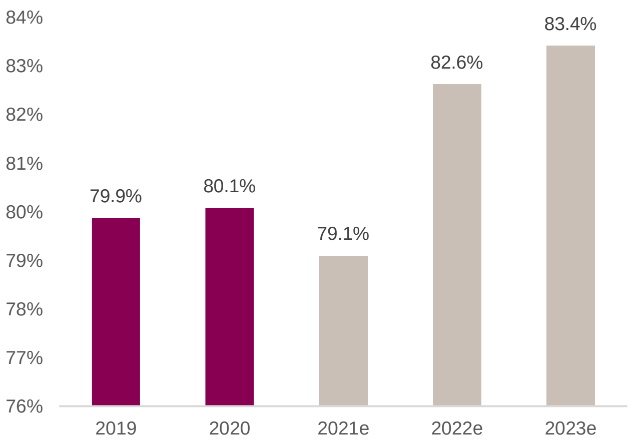
Milaha Offshore Forecasts

Milaha Offshore witnessed its net revenue grow at a CAGR of 1.4% during 2015-2020. This business segment has proven to be resilient despite facing headwinds. Hence, we project revenue to increase by a CAGR of 4.0% during 2020-205e (vs. 1.4% in 2015-20) given the North Field expansion and Milaha's dominant market share. *MO was able to grow its revenue marginally despite facing lackluster oil prices. On the other hand, MO's bottom-line (2016-2020) was adversely affected due to heavy impairments on its vessels. We do note major impairments seem unlikely going forward. Hence, we expect this segment's bottom-line to increase from a loss of QR555.6mn in 2020 to a profit of QR144.6mn in 2025e.* ***Excluding impairments, we pencil in a CAGR of 55.8% (2020-25e). Moreover, the segment boasts robust gross & EBITDA Margins of 80.1%/34.8% as of 2020***.

Revenue (in QR '000) to Grow by 4.0% (2020-25e)

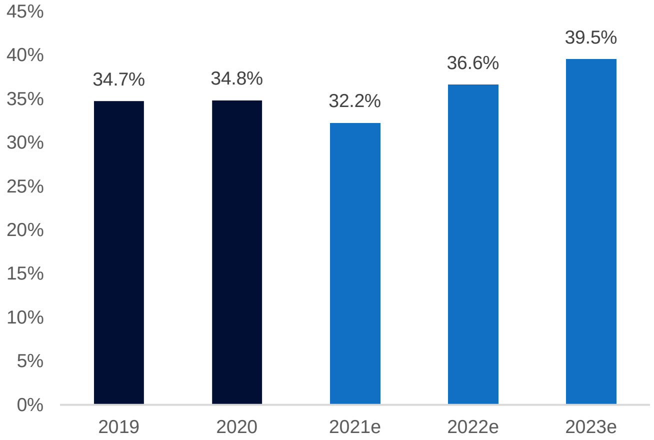


Delivering Impeccable Gross Margin

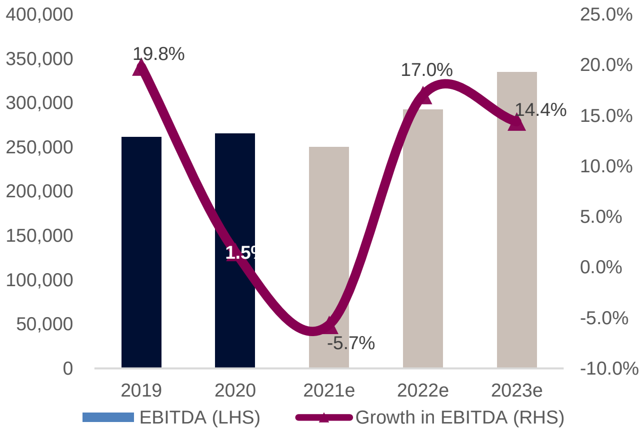


Source: Company data, QNB FS estimates

Generating Strong EBITDA Margin

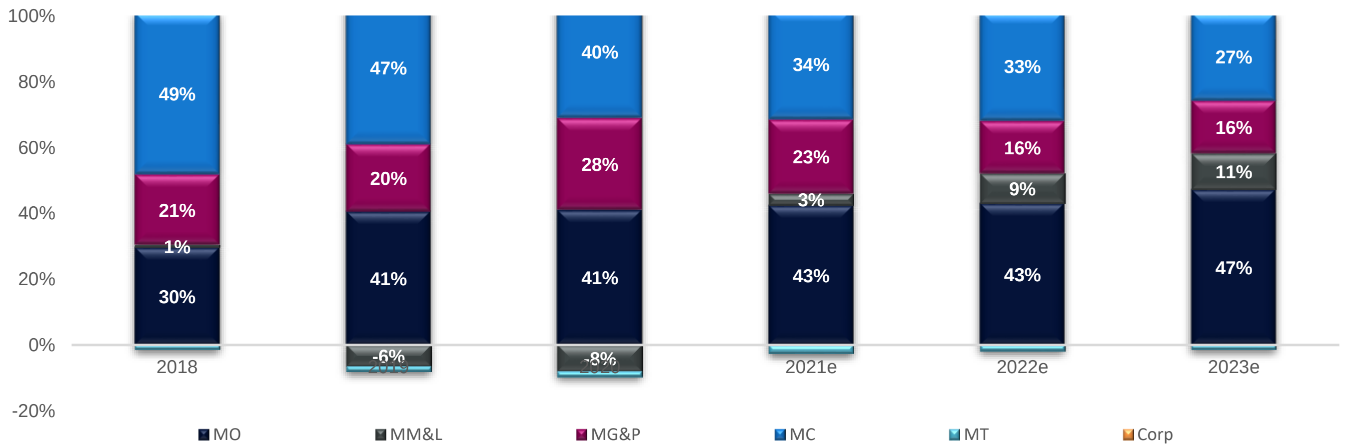


Growth in EBITDA (in QR ‘000)to Resume After 2021



Source: Company data, QNB FS estimates

Strong Contributor to QNNS’ Total EBITDA

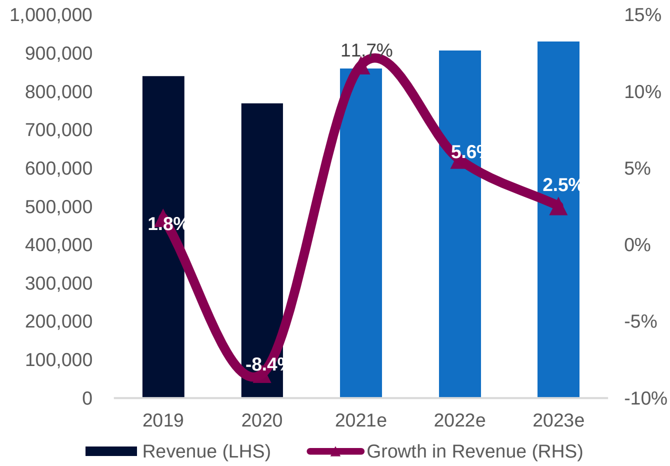


Source: Company data, QNB FS estimates

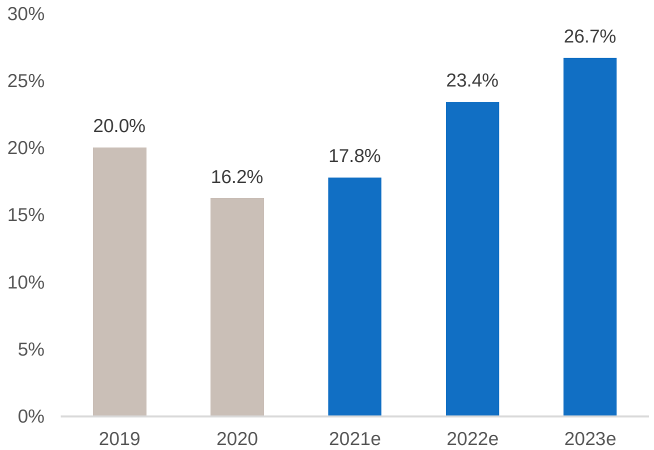
Milaha Maritime & Logistics Forecasts

Revenue (net) from Milaha Maritime & Logistics (MM&L) declined by a CAGR of 2.4% (2017-2020); however, container shipping, which contributes ~66% to MM&L’s revenue (2020) receded by only 1.7% during the same period. We note we are using a 3-year-CAGR as opposed to a 5-year-CAGR because port operations were fully consolidated in MM&Ls financials prior to 2017’s formation of QTerminals. Lackluster oil prices, the blockade (June 2017-January 2021) and the COVID-19 pandemic created significant headwinds in the past. Notwithstanding this, revenue gained traction in 1Q2021. *As such, we project revenue to grow by a CAGR of 5.0% during 2020-2025e.* It is worth mentioning that container shipping is a critical business, which grew by 6.3% during 2016-2020. Moreover, we pencil in a CAGR of 5.1% (2020-25e) for container shipping***. We expect net income to grow by a CAGR of 29.8% (2020-25e) driven by container shipping and QTerminals; QTerminals contributes >100% of 2021 segment bottom-line.***

Revenue (in QR ‘000) to Grow by 5.0% (2020-25e)

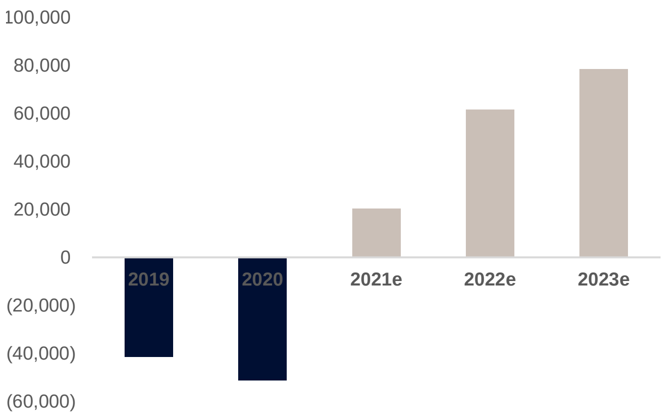


Gross Margins to Markedly Improve

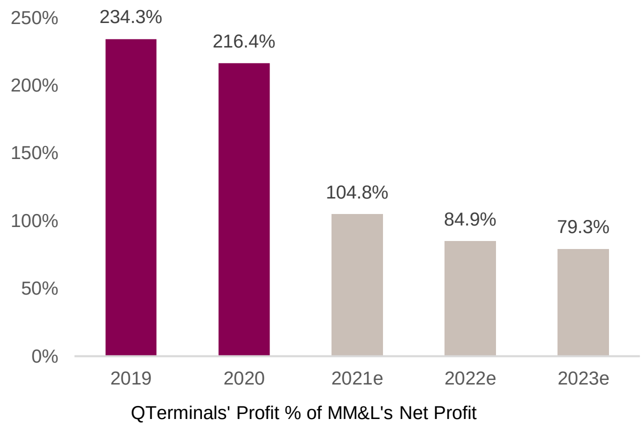


Source: Company data, QNB FS estimates

EBITDA (in QR '000) to Turn Positive



QTerminals To Aide In Bottom-Line Growth

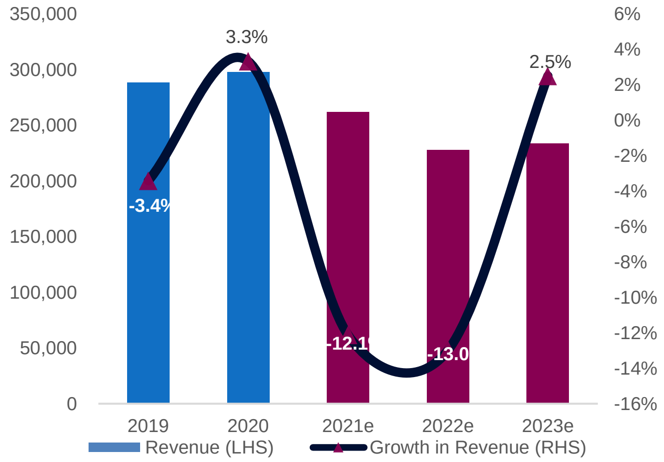


Source: Company data, QNB FS estimates

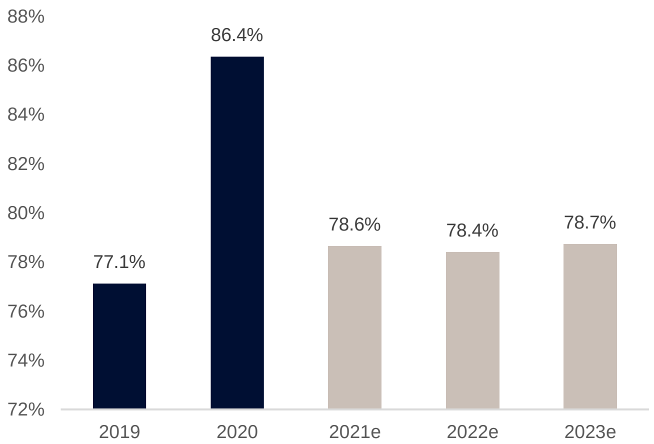
Milaha Gas & Petrochem Forecasts

Milaha Gas & Petrochem's (MG&P) profitability is forecasted to be driven by its 36.25% stake in Nakilat (non-core business); we expect net profit to grow by a CAGR of 10.7% (2020-25e). *Nakilat (QGTS) contributed on average (2017-20) 82% to MG&P's profitability (excluding impairments on vessels) and 40% to QNNS' total income (excluding impairments) during the same period*. **We model in a CAGR (2020-25e) of -4.4% in revenue because of weak rates generated by the LR2 product & Aframax tankers.**

Revenue (in QR '000) to Recede by 4.4% (2020-25e)

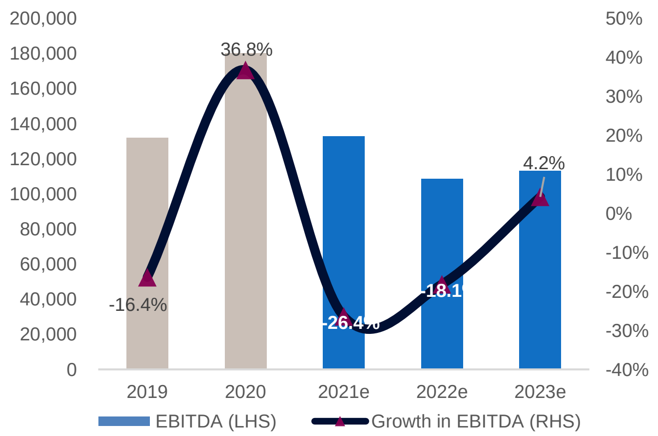


Gross Margin to Remain in a Healthy/Strong Range

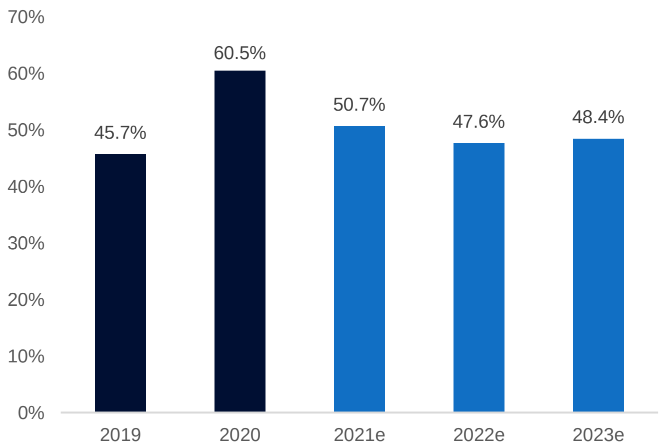


Source: Company data, QNB FS estimates

EBITDA (in QR '000) to Weaken as a Result of Soft Revenue

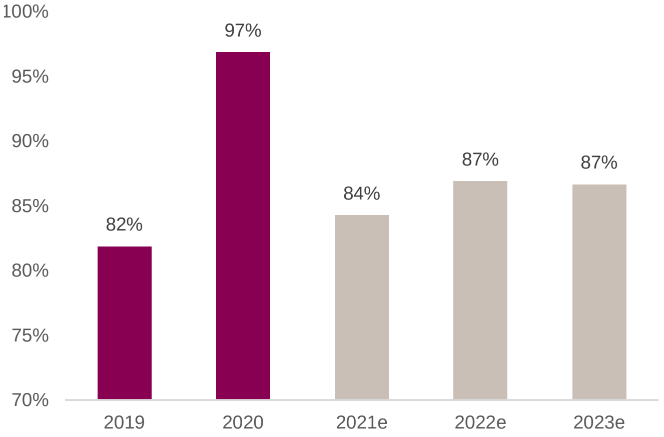


EBITDA Margin to Follow Suit

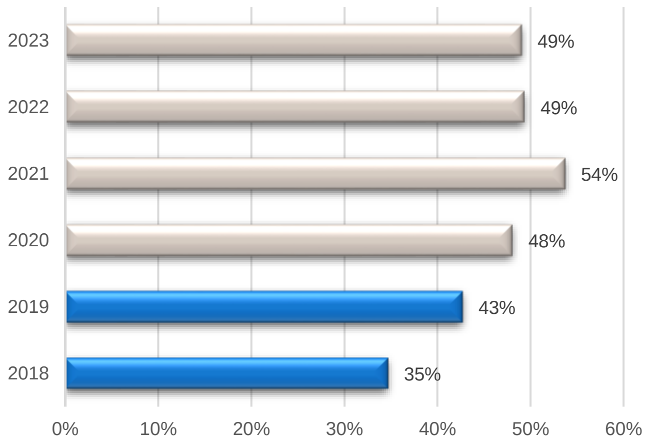


Source: Company data, QNB FS estimates

QGTS' Contribution to MG&Ps Bottom-Line is Significant



QGTS' Contribution to QNNS' Earnings (Ex. Impairments)



Source: Company data, QNB FS estimates

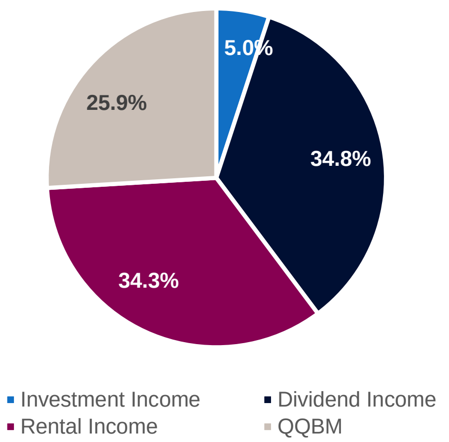
Milaha Trading Forecasts

During 2015-2020, net revenue from Milaha Trading (MT) dropped by a CAGR of 27.4%, making up just 3.8% of core revenue as of 2020 vs. 14.4% in 2015. A word of caution – the performance of this business line is highly erratic – revenue surged and sharply declined between 2011 and 2015 and has been consistently declining from 2016. While 1Q2021 top-line showed promise, increasing almost 29% YoY, this segment remains lumpy and we conservatively project revenue to marginally go up by a CAGR of 3.4% (2020-2025e). *The rationale behind our assumption is based on MT benefitting from the NFE by selling cranes and heavy equipment to QP. It is important to note that given the nature of this business, gross margins are thin.* **As such, we do not foresee any profitability or positive EBITDA emerging from this segment over our forecast horizon.**

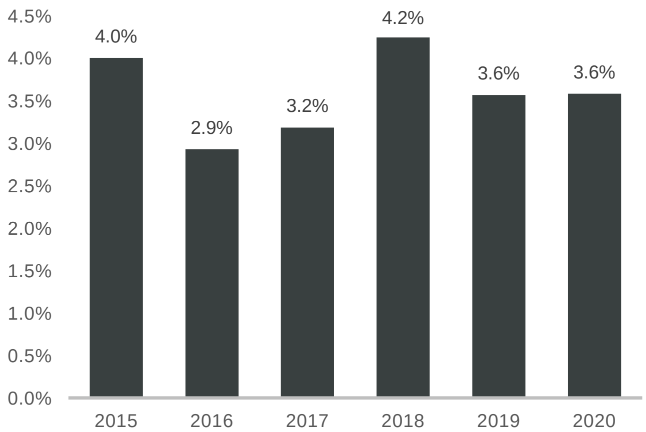
Milaha Capital Forecasts

We model flattish revenue and 4.7% bottom-line growth for Milaha Capital (MC) over 2020-2025e. We are of the view that profitability will be driven by dividend income as it has generally contributed >50% to MC's clean bottom-line over the past 5 years and we do not expect this trend to change markedly. MC has generated a healthy dividend yield of 3-4% over 2015-2020. Further, we expect rental income to generally maintain its 1Q2021 run-rate for the most part in 2021 before contribution from its residential villas kick in by August/September. As far as QQBM is considered, while we should see decent top-line growth in-line with reported figures in 1Q2021, its net income impact is generally minimal.

Revenue Breakdown (2020)

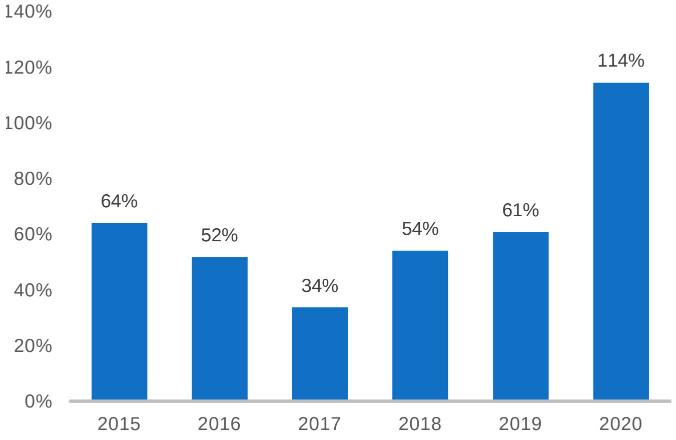


Generates Healthy Yield from Investment Portfolio



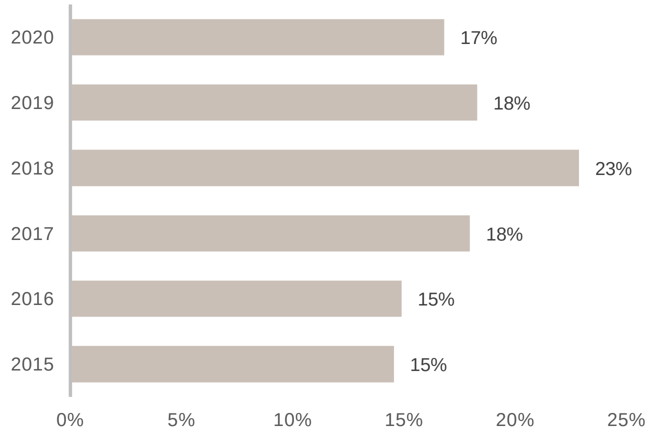
Source: Company data

Dividend Income Significantly Contributes to MC's Income



Source: Company data

And QNNS' "Clean" Bottom-Line



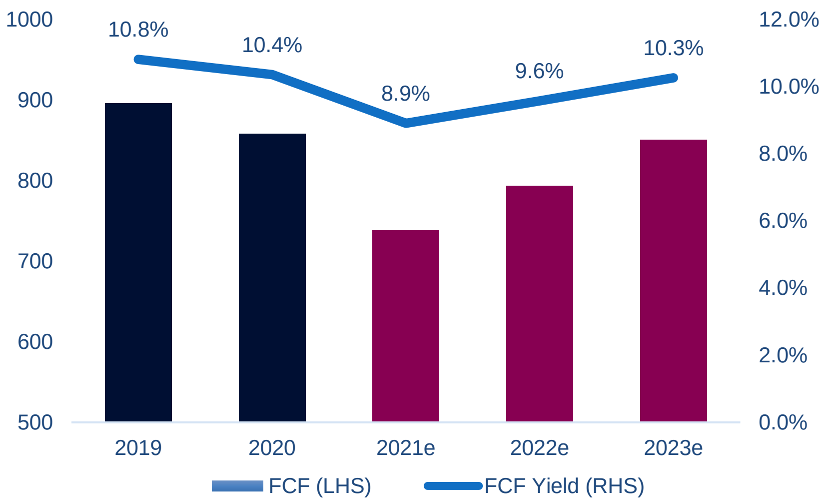
Capex

Beyond 2020, we model in an average capex-to-sales ratio of 8.3% penciling in maintenance capex. This is consistent with recent history, as Milaha has not added to its fleet of vessels meaningfully over the past several years. However, QNNS is actively considering deals in industrial logistics and could also add to its fleet (potentially purchasing FSOs). Given the lack of color concerning such expansions, we do not model in any growth capex. Milaha has generally maintained low leverage levels (2020 net debt-to-equity: 12.7%) and could potentially ramp up spending/seek acquisition opportunities. If and when QNNS decides to expand, capital outlays could increase substantially driving up capex intensity.

Solid Cash Flow Generation Capacity

We expect QNNS' FCFF to improve from QR858.2mn in 2020 to QR985.9mn at the end of our forecast period (2025e). This translates into a strong FCFF yield of 9.6% in 2022e, steadily improving to 11.9% in 2025e.

QNNS Exhibits Healthy FCF Yield

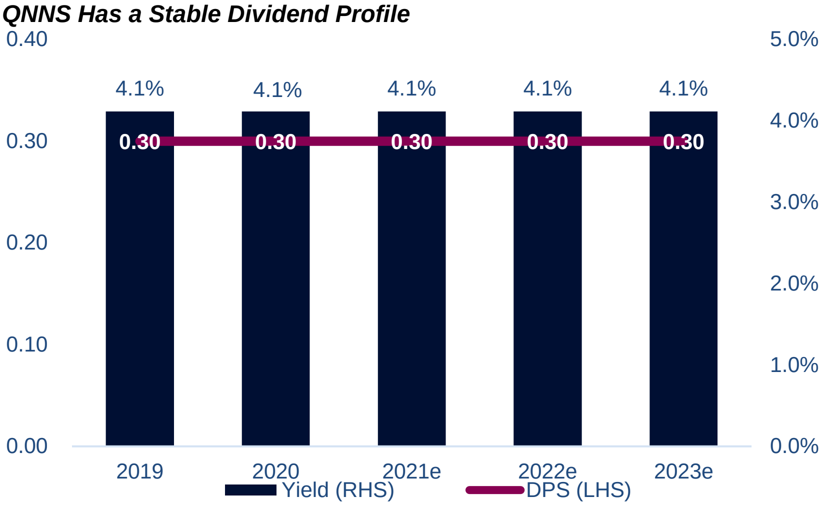


Source: Company data, QNB FS estimates

Dividends

QNNS offers a compelling dividend yield relative to market comparables. QNNS has maintained a flat DPS of QR0.30 since 2017 with a median payout ratio of 69%. We note the outsized 2020-dividend payout ratio was because of significant impairments booked last year. Having said this, QNNS was one of the few companies that did not cut its 2020 DPS vs. sharp cuts at some major companies. We maintain a flat DPS in our forecast horizon as QNNS plans on expanding its businesses (seeking vessel purchases and other acquisitions) in the future. However, if expansion plans do not materialize, we could expect upside to our dividend.

QNNS Has a Stable Dividend Profile



Source: Company data, QNB FS estimates

Financial Statements

Income Statement

In QR mn	2018	2019	2020	2021e	2022e	2023e
Revenue	**2,420**	**2,425**	**2,267**	**2,331**	**2,398**	**2,446**
COGS	(1,107)	(1,185)	(1,036)	(1,141)	(1,112)	(1,123)
Gross Profit	**1,313**	**1,240**	**1,232**	**1,190**	**1,286**	**1,323**
SG&A	(578)	(595)	(586)	(601)	(605)	(613)
EBITDA	**735**	**644**	**646**	**589**	**680**	**710**
Depreciation & Amortization	(334)	(362)	(367)	(364)	(364)	(373)
EBIT	**401**	**283**	**279**	**224**	**317**	**337**
Net Interest Income (Expense)	(85)	(79)	(63)	(44)	(34)	(29)
Share of Results From JVs	165	239	85	216	225	229
Share of Results From Associates	273	361	418	469	503	526
Impairments & Others	(242)	(256)	(655)	-	-	
Net Profit Before Taxes & Minority Interest	**512**	**547**	**64**	**865**	**1,011**	**1,064**
Taxes	0	(1)	(5)	(4)	(5)	(5)
Net Profit Before Minority Interest	**512**	**546**	**59**	**861**	**1,006**	**1,059**
Minority Interest	5	1	(0)	(1)	(1)	(1)
Net Profit	**516**	**547**	**59**	**859**	**1,005**	**1,058**
Net Profit Excluding Impairments & One-Offs	**760**	**819**	**853**	**859**	**1,005**	**1,058**

Source: Company data, QNB FS estimates

Balance Sheet

In QR mn	2018	2019	2020	2021e	2022e	2023e
Current Assets						
Cash & Cash Equivalents	705	346	377	378	467	853
Loan to a Related Party	-	-	393	393	393	393
Equity Investments at FVTPL	139	56	117	119	123	125
Trade & Other Receivables	760	741	764	773	795	811
Inventories	122	81	78	81	79	80
Total Current Assets	**1,726**	**1,224**	**1,728**	**1,744**	**1,857**	**2,262**
Non-Current Assets						
Other Assets	175	308	376	318	269	219
Investment Securities at FVOCI	4,101	4,099	3,741	3,854	3,970	4,049
Investment In Associates	5,365	5,914	6,002	6,248	6,508	6,791
Investments in JVs	950	1,090	964	1,008	1,053	1,098
Intangible Assets	160	149	152	141	131	122
Investment Property	1,299	823	799	780	760	741
Property, Vessels & Equipment	4,031	4,063	3,250	3,184	3,109	3,029
Total Non-Current Assets	**16,082**	**16,447**	**15,284**	**15,532**	**15,800**	**16,049**
Total Assets	**17,808**	**17,671**	**17,012**	**17,276**	**17,657**	**18,311**
Current Liabilities						
Trade & Other Payables	511	576	675	723	708	713
Loans, Borrowings & Lease Liabilities	274	324	809	632	568	493
Total Current Liabilities	**785**	**900**	**1,484**	**1,355**	**1,276**	**1,207**
Non-Current Liabilities						
Loans & Borrowings	2,149	1,837	1,403	1,276	1,070	1,076
Others	236	336	367	367	367	367
Total Non-Current Liabilities	**2,385**	**2,173**	**1,770**	**1,643**	**1,436**	**1,443**
Total Liabilities	**3,170**	**3,073**	**3,254**	**2,998**	**2,713**	**2,650**
Minority Interest	56	55	55	56	58	58
Shareholders' Equity	**14,582**	**14,543**	**13,703**	**14,222**	**14,886**	**15,603**
Total Liabilities & Shareholders' Equity	**17,808**	**17,671**	**17,012**	**17,276**	**17,657**	**18,311**

Source: Company data, QNB FS estimates

Cash Flow Statement

In QR mn	2018	2019	2020	2021e	2022e	2023e
Operating Activities						
Profit for the Year	512	547	59	859	1,005	1,058
Adjustments for:						
Depreciation & Amortization	334	362	367	364	364	373
Dividend Income	(174)	(150)	(143)	(102)	(107)	(112)
Share of Results from Associates	(273)	(361)	(418)	(469)	(503)	(526)
Share of Results from JVs	(165)	(239)	(85)	(216)	(225)	(229)
Others	284	352	757	(34)	(36)	(37)
Changes in Working Capital:						
Inventories	23	48	4	(4)	2	(1)
Receivables	168	14	(49)	(8)	(22)	(16)
Payables	(27)	(4)	48	48	(15)	5
Others	(23)	(16)	(18)	0	0	0
Net Cash from Operating Income	**658**	**554**	**520**	**439**	**463**	**514**
Investing Activities						
Purchase of PP&E	(371)	(139)	(221)	(199)	(199)	(202)
Net Change in Investment Properties	(62)	(97)	(19)	(11)	(11)	(12)
Dividend Income	174	150	143	102	107	112
Dividend Received from Associates	174	233	205	223	243	243
Dividends Received from JVs	98	98	211	173	180	184
Net Movement in Investment Securities	(18)	(96)	(98)	(116)	(119)	(82)
Others	1,701	139	(141)	35	37	38
Cash Flow from Investment Activities	**1,695**	**287**	**80**	**207**	**237**	**281**
Financing Activities						
Dividends Paid	(398)	(341)	(341)	(341)	(341)	(341)
Net Movement in Loans & Borrowings	(1,987)	(316)	13	(304)	(270)	(68)
Others	(155)	(134)	(144)	37	-	-
Net Cash from Financing Activities	**(2,540)**	**(791)**	**(471)**	**(608)**	**(611)**	**(409)**
Net Increase/(Decrease) in Cash & Cash Equivalents	(187)	50	128	38	89	386
Cash & Cash Equivalents at the Beginning of the Year	374	127	178	306	345	433
Cash & Cash Equivalents at the End of the Year	**187**	**178**	**306**	**345**	**433**	**820**

Source: Company data, QNB FS estimates

Key Ratios

Key Ratios	2018	2019	2020	2021e	2022e	2023e
Growth (%)						
Revenue	(2.86)	0.20	(6.49)	2.82	2.86	2.01
Gross Profit	(3.48)	(5.60)	(0.66)	(3.37)	8.04	2.91
EBITDA	(4.61)	(12.35)	0.20	(8.83)	15.59	4.32
EBIT	(10.55)	(29.50)	(1.35)	(19.58)	41.28	6.25
Net Profit	9.90	5.89	(89.19)	1,353.97	16.96	5.23
Net Profit (Excluding Impairments & One-Offs)	0.88	7.73	4.27	0.69	16.96	5.23
Profitability (%)						
Gross Margin	54.27	51.13	54.32	51.04	53.62	54.09
EBITDA Margin	30.38	26.58	28.48	25.25	28.37	29.02
EBIT Margin	16.57	11.66	12.30	9.62	13.21	13.76
Net Margin	21.34	22.55	2.61	36.86	41.92	43.24
RoE	3.67	3.75	0.42	6.15	6.91	6.94
RoE (Excluding Impairments & One-Offs)	5.40	5.62	6.04	6.15	6.91	6.94
RoAA	2.82	3.08	0.34	5.01	5.75	5.88
BEP	2.19	1.59	1.61	1.31	1.81	1.87
RoAIC	2.39	1.77	1.81	1.48	2.05	2.12
RoACE	2.29	1.68	1.72	1.41	1.95	2.01
Efficiency						
Fixed Asset Turnover	0.59	0.60	0.62	0.72	0.76	0.80
Total Asset Turnover	0.13	0.14	0.13	0.14	0.14	0.14
Sales-to-Net Working Capital	6.52	12.60	29.91	58.90	32.22	28.40
Receivables-to-Payables	1.49	1.18	1.00	1.07	1.12	1.14
Capex-to-Sales (%)	15.35	5.75	9.77	8.53	8.31	8.28
Liquidity (x)						
Current Ratio	2.20	1.36	1.16	1.29	1.45	1.87
Quick Ratio	2.04	1.27	1.11	1.23	1.39	1.81
Cash Ratio	0.90	0.38	0.25	0.28	0.37	0.71
Leverage Ratios						
Net Debt/Equity (%)	11.78	12.11	12.73	10.11	7.25	4.00
Net Debt-to-Capital (%)	10.26	11.05	11.34	9.47	6.99	3.93
Net Debt-to-EBITDA	2.34	2.73	2.70	2.44	1.59	0.88
Interest Coverage Ratio (x)	2.72	2.75	3.33	2.84	4.47	5.03

Source: Company data, QNB FS estimates

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

Contacts

Saugata Sarkar, CFA, CAIA
Head of Research
Tel: (+974) 4476 6534
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
Senior Research Analyst
Tel: (+974) 4476 6509
shahan.keushgerian@qnbfs.com.qa

Mehmet Aksoy, PhD
Senior Research Analyst
Tel: (+974) 4476 6589
mehmet.aksoy@qnbfs.com.qa

QNB Financial Services Co. W.L.L.
Contact Center: (+974) 4476 6666
PO Box 24025
Doha, Qatar