

QEWS Alert – Agrees to Acquire Remaining 40% of Nebras for \$530mn; Accumulate

- **QEWS announces that it will buy the remaining 40% of Nebras from Qatar Holding for \$530mn subject to customary approvals.** QEWS' wholly-owned subsidiary, Ras Laffan Operating Co., has signed a share sale and repurchase agreement with Qatar Holding to purchase 40% of the share capital of Nebras Power from QH. QEWS already owns the remaining 60% of the share capital of Nebras. The agreed purchase price for the transaction is \$530mn. Completion of this deal is subject to a number of conditions, including notably regulatory approvals and notifications in certain foreign jurisdictions where Nebras is present, along with the approval of the General Assembly of QEWS (to be held in March 2022).
- **Price appears attractive vs. BV and QEWS will likely fund the transaction using mostly bank loans.** The 40% stake was worth roughly \$580mn as of 3Q2021. So the purchase price is likely at book value or at a moderate discount to BV. Given Nebras' reported earnings of QR284.9mn in 2020, this deal values Nebras at ~17x 2020 earnings. Established in 2013, Nebras Power is a global power development, investment and operating company. It was set up as a strategic JV between two key GREs of the State of Qatar (QEWC & QIA), with the objective to develop and manage a portfolio of sustainable strategic investments in power, water and renewables globally. Nebras has set as a strategic target to increase its asset base to 14GW+ gross by 2025, almost 90% of which comprise of clean energy sources, in a balanced mix of greenfield developments and M&A activity.
- **Our view: this transaction puts QEWS in direct operational control of Nebras; QIA remains a major stakeholder given its 30.74% ownership in QEWS.** Management of Nebras remains committed to delivering returns with CEO Mr. Khalid Mohammed Jolo an accomplished deal maker in the power and utilities sector.
- **We remain Accumulate on QEWS with a QR17.0 price target.** We continue to like the company as a long-term play with a relatively defensive business model, especially in light of current market conditions. The near-term impact of the COVID-19 pandemic could remain muted on QEWS' business model as the company is paid based on power and water availability and is not affected by the vagaries of end demand. QEWS still enjoys decent EBITDA margins and dividend/FCF yields. As expected, the UAH water expansion (61.45 MIGD) was commissioned during 1Q2021. LT catalysts (which are not in our model) abound, including additional domestic expansions (like Facility E in 2024-2025; Siraj solar project in 2021-2022, etc.). Nebras remains on the hunt for growth but beyond Paiton (Indonesia), we do not have color on other major Nebras projects, which could lead to growth relative to our model.

Recommendations

Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price

OUTPERFORM Greater than +20%

ACCUMULATE Between +10% to +20%

MARKET PERFORM Between -10% to +10%

REDUCE Between -10% to -20%

UNDERPERFORM Lower than -20%

Risk Ratings

Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals

R-1 Significantly lower than average

R-2 Lower than average

R-3 Medium / In-line with the average

R-4 Above average

R-5 Significantly above average

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