

QGTS Alert – 4Q2019 Results Generally In-Line With Our Estimates; Maintain Accumulate/QR2.60 PT

- **QGTS' bottom-line rises 17.8% YoY and 8.8% QoQ in 4Q2019** – Nakilat's net profit attributable to owners of the company rose to QR274.3mn in 4Q2019, above our estimate of QR250.8mn (variation of +9.4%). While exact details are unavailable, the majority of the beat was driven by one-offs in JV income due to acquisition of QGTS' remaining JV interest in its OSG JV in 4Q2019. The company recorded total one-time 4Q2019 JV income of QR287.9mn (QR120.4mn bargain purchase gain and QR167.6mn gain on de-recognition of JVs.). Operating metrics were generally in-line with our forecasts: (1) Revenue from wholly-owned ships of QR878.4mn (15.2% YoY, 13.4% QoQ) was in-line with our estimate of QR879.4mn (difference of -0.1%). The growth in ship revenue was driven by the purchase of QGTS' remaining 49.9% stake in 4 LNG ships held under its OSG joint venture in October. (2) Adjusted revenue of QR1.1bn (28.3% YoY, 25.9% QoQ) was 13.4% above our estimate of QR993.9mn driven by previously mentioned one-offs in JV income. (3) EBITDA of QR650.2mn (12.9% YoY, 9.3% QoQ) was in-line with our forecast of QR669.8mn (-2.9% difference). (4) Adjusted EBITDA of QR883.0mn (30.0% YoY, 25.9% QoQ) was 14.6% above our modeled figure of QR770.4mn again driven by JV income one-offs. While JV income of QR232.8mn (125.2% YoY, 118.7% QoQ) was higher than our estimate of QR100.7mn, this was partially offset by lower-than-expected finance charges of QR314.5mn (9.7% YoY, 12.2% QoQ), which beat our forecast of QR333.0mn by 5.6%. JV income obviously benefited from one-offs but this was offset by losses in the shipyard business and impairments. Net-net, these results are in-line with our estimates and we will obtain more color regarding the divergence in JV income from management. *Please see page 2 for YoY and QoQ comparisons.*
- **DPS of QR0.10 was in-line with our estimates, flat for the 4th year in a row.** This translates into a yield of 4.7%.
- **We remain bullish on QGTS and consider it as the best avenue for equity investors to participate in the long-term growth expected in Qatar's LNG sector.** Going forward, in terms of catalysts, we continue to believe expansion of Qatar's LNG output from 77 MTPA to 110 MTPA is a significant driver. Currently our model does not assume any fleet expansion and we will incorporate such expansion once more details are revealed. We foresee significant upward revision to our estimates and price target once we factor in this expansion. For now, we maintain our Accumulate rating and price target of QR2.60.

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Income Statement										
In QR mn Except Otherwise Noted	4Q2018	2018	3Q2019	4Q2019	4Q2019e	A Vs. E	YoY	QoQ	2019	2019e
Revenue from Wholly-Owned Vessels	762.310	3,063.097	774.837	878.413	879.436	-0.1%	15.2%	13.4%	3,165.797	3,166.820
Operating Costs	(161.447)	(678.612)	(162.910)	(207.022)	(181.734)	13.9%	28.2%	27.1%	(697.122)	(671.834)
Gross Profit	600.863	2,384.485	611.927	671.391	697.702	-3.8%	11.7%	9.7%	2,468.675	2,494.986
<i>Gross Margin</i>	78.8%	77.8%	79.0%	76.4%	79.3%				78.0%	78.8%
Income from Marine and Agency Services	12.619	53.949	13.779	15.701	13.825	13.6%	24.4%	13.9%	55.339	53.463
General and Administrative Expenses	(37.350)	(134.059)	(30.822)	(36.882)	(41.770)	-11.7%	-1.3%	19.7%	(129.787)	(134.675)
EBITDA	576.132	2,304.375	594.884	650.210	669.757	-2.9%	12.9%	9.3%	2,394.227	2,413.774
Depreciation & Amortization	(190.927)	(757.653)	(190.308)	(318.059)	(218.632)	45.5%	66.6%	67.1%	(882.644)	(783.217)
EBIT	385.205	1,546.722	404.576	332.151	451.125	-26.4%	-13.8%	-17.9%	1,511.583	1,630.557
<i>EBIT Margin</i>	50.5%	50.5%	52.2%	37.8%	51.3%				47.7%	51.5%
Share of Operating Profits from Joint Ventures	103.362	396.442	106.431	232.816	100.668	131.3%	125.2%	118.7%	558.229	426.081
Finance Costs	(286.704)	(1,172.559)	(280.396)	(314.525)	(333.049)	-5.6%	9.7%	12.2%	(1,171.314)	(1,189.838)
Interest, Dividend income & Profit from Islamic Banks	23.775	87.221	16.965	19.673	25.011	-21.3%	-17.3%	16.0%	83.032	88.370
Vessel Sub-Chartering & Other Income	7.522	34.363	4.744	4.483	7.433	-39.7%	-40.4%	-5.5%	21.445	24.395
Profit Before Tax	233.160	892.189	252.320	274.598	251.190	9.3%	17.8%	8.8%	1,002.975	979.567
Profit After Tax	233.160	892.189	252.320	274.598	251.190	9.3%	17.8%	8.8%	1,002.975	979.567
Minority Interest	(0.223)	(1.046)	(0.281)	(0.281)	(0.369)	-23.9%	26.0%	0.0%	(1.041)	(1.129)
Net Income to Equity	232.937	891.143	252.039	274.317	250.820	9.4%	17.8%	8.8%	1,001.934	978.437
<i>Net Profit Margin</i>	30.6%	29.1%	32.5%	31.2%	28.5%				31.6%	30.9%
EPS (QR)	0.04	0.16	0.05	0.05	0.05	9.4%	17.8%	8.8%	0.18	0.18

Adjusted EBITDA	679.494	2,700.817	701.315	883.026	770.426	14.6%	30.0%	25.9%	2,952.456	2,839.856
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Adjusted Revenue	878.291	3,513.488	895.047	1,126.930	993.930	13.4%	28.3%	25.9%	3,779.365	3,646.365
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Particulars	4Q2018	2018	3Q2019	4Q2019	4Q2019e		2019	2019e
Adj. EBITDA Margin	77.4%	76.9%	78.4%	78.4%	77.5%		78.1%	77.9%
Gross Margin	78.8%	77.8%	79.0%	76.4%	78.0%		78.0%	78.8%
EBIT Margin	50.5%	50.5%	52.2%	37.8%	51.3%		47.7%	51.5%
G & A % of Sales	4.9%	4.4%	4.0%	4.2%	4.2%		4.1%	4.3%
Depreciation & Amortization % of Sales	25.0%	24.7%	24.6%	36.2%	24.9%		27.9%	24.7%
Minority Interest % of PAT	0.1%	0.1%	0.1%	0.1%	0.1%		0.1%	0.1%
QoQ Change in D&A	0%		1%	67%				
DPS (QR)		0.10					0.10	0.10

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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