

Qatar Gas Transport Company/Nakilat (QGTS)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR3.820	Target Price	QR4.100
Implied Upside	7.3%		

Tweaking Model As We Await News of N. Field Ship Contracts; Accumulate

We are modestly increasing our estimates following 2Q/1H2022 results. As we have stated before, 2022/2023 could be watershed years for QGTS if it is selected as one of the ship owners involved in Qatar's massive LNG expansion program. Considering Nakilat's strategic importance and impressive track record in Qatar's existing LNG shipping value chain, we expect QGTS to be a major beneficiary of this expansion. Our analysis also reveals that every incremental vessel (@100%) adds roughly 1% to our target price and an award of 20-30 ships could significantly increase our price target and estimates. The stock has essentially dropped anchor and is in a holding pattern as we await news about a potential contract win. Given typical lead-times for LNG ship construction, we should expect to hear about final ship owner selections later in 2022/early 2023. **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.** Irrespective of the volatility of the LNG shipping market, Nakilat's business should remain relatively unaffected given its LT charters. Nakilat's fleet continues to provide QGTS with stable, contractually sustained cash flow that allow for a healthy residual income stream for equity investors after providing for debt service. Moreover, the 40-year life of Nakilat's vessels vs. the maximum debt life of 25 years (last debt maturing 2033), could led to value-enhancement. **Near-term, addition of 4 LNG ships (final vessel added Jan. 2022) and impetus in the shipyard should aid 2022 earnings growth.**

Highlights

- We project a 9.7% EPS growth for 2022.** Our previous forecast called for earnings growth rate of 7.4%. Our 2022 net income forecast of QR1.48bn is driven by higher JV income as 2022 is the first year of near full-year contribution from the 60%-owned Global Shipping JV, along with growth from the shipping JVs and the shipyard. We note our 2H2022 earnings estimate of QR754.8mn is consistent with 1H2022's QR729.6mn, which included roughly QR30mn in one-time write-off of legacy financing costs due to refinancing. For next year, similar factors, along with a modest fall in finance charges (despite higher rates as ~70% of Nakilat's interest costs, including debt held in JVs, are fixed/hedged) drive our 1.9% growth in earnings to QR1.51bn.
- We remain hopeful QGTS could secure a significant share of upcoming NF ship contract awards.** QatarEnergy is expanding Qatar's LNG capacity from 77 MTPA to 110 MTPA (first production: 4Q2025) and further to 126 MTPA a couple of years later. To cater to this expansion, back in April/June 2020, QatarEnergy signed major LNG shipbuilding capacity agreements with Chinese and South Korean companies to build 100+ LNG vessels worth +QR70bn. Furthermore, in 1Q2021, QatarEnergy issued an invitation to tender package to ship owners for the chartering of LNG carriers in relation to this project; QatarEnergy intends to assign selected ship owners from this tender to the shipyards' construction slots reserved in China and South Korea. In October and November of 2021, QatarEnergy moved ahead with the construction of ten LNG ships (four in China/six in South Korea). **Given typical lead-times for LNG ship construction, we should expect to hear about final ship owner selections later in 2022/early 2023.** We do note that already on April 12, 2022, QatarEnergy announced that it awarded its first batch of time-charter parties (TCPs) with a subsidiary of Mitsui O.S.K Lines (MOL) for the long-term charter and operation of four LNG ships. In a statement, HE the Minister of State for Energy Affairs, Saad Sherida al-Kaabi, also the President and CEO of QatarEnergy, stated that he expected to announce similar contracts in the near future. In early June 2022, South Korean shipbuilders announced some details of construction orders involving six ships (174k cm each) at a cost of ~\$215mn/ship. **Considering Nakilat's strategic importance and impressive track record in Qatar's existing LNG shipping value chain, we expect QGTS to be a major beneficiary and secure a meaningful share of new contracts.**
- High leverage but backed by watertight charter agreements; we do not foresee issues in debt servicing or repayments.** Nakilat has QR19.4bn in debt (92% of its market cap). QGTS made QR1.1bn in principal repayments in 2021 (debt fell 5.5%) and we expect another QR1.1bn in repayments this year (QR469.2mn repaid in 1H2022). Two major bank-loan bullet payments, totaling ~QR10bn, are due in 2025 but we expect QGTS to refinance most of this amount. We model principal repayments + finance charges to average QR2.2bn over 2021-33, which is easily covered by OCF (average QR2.8bn over 2021-33) and FCF before finance charges (2021-33 average QR3.2bn); we continue to assume the entire debt is paid off by 2033. Nakilat's high leverage remains manageable as debt is mostly secured by watertight charter agreements for its existing fleet. **Considering the current \$230mn price tag for LNG ship new builds, if we assume an increase of 25 vessels related to the NF expansion, QGTS will have to take on new debt of ~QR16.8bn (at 80% D/E). However, this debt would also be secured by charters and hence, not a cause for concern. We also expect a portion of this fleet increase to be done through JVs, keeping the related debt ring-fenced/off the books.**

Catalysts

- We should find out whether QGTS wins a piece of the LNG expansion contract later this year/in 1H2023.**

Recommendation, Valuation and Risks

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

Key Financial Data and Estimates

	FY2021	FY2022e	FY2023e	FY2024e
EPS (QR)	0.24	0.27	0.27	0.30
P/E (x)	15.6	14.3	14.0	12.9
DPS (QR)	0.12	0.13	0.13	0.14
Dividend Yield	3.1%	3.4%	3.4%	3.7%

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

Key Data

Current Market Price (QR)	3.820
Current Dividend Yield (%)	3.1
Bloomberg Ticker	QGTS QD
ADR/GDR Ticker	N/A
Reuters Ticker	QGTS.QA
ISIN	QA000A0KD6L1
Sector*	Transportation
52wk High/52wk Low (QR)	4.230/3.038
3-m Average Volume ('mn)	3.3
Mkt. Cap. (\$ bn/QR bn)	5.8/21.2
EV (\$ bn/QR bn)	10.1/36.7
Shares Outstanding (mn)	5,540.0
FO Limit* (%)	49.0
Current Institutional FO* (%)	15.1
1-Year Total Return (%)	28.9
Fiscal Year End	December 31

Source: Bloomberg (as of September 15, 2022), *Qatar Exchange (as of September 15, 2022); Note: FO is foreign ownership

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Our Analysis Shows ~1% Boost to Our Target Price For Every LNG Vessel Added Under the North Field Program

2022/2023 could be watershed years for Nakilat if it is selected as one of the ship owners involved in Qatar's massive LNG expansion program. Considering Nakilat's strategic importance and impressive track record in Qatar's existing LNG shipping value chain, we expect QGTS to be a major beneficiary of this expansion. We also estimate that every incremental vessel (@100%) adds ~1% to Nakilat's target price and an award of 20-30 ships could significantly affect our price target and estimates. We note we assume roughly \$85,000/day in charter rates, which is lower than the company's existing wholly-owned fleet's (the original 25 vessels) charter rates that exceed \$90,000/day. We forecast initial contract terms of 25 years after which we assume a 10-year extension at a 30% haircut in revenue. As usual, we do not forecast any terminal value. Given typical lead-times for LNG ship construction, we should expect to hear about final ship owner selections later in 2022/early 2023.

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

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

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

# of Vessels	1
Capex/Ship (\$ mn)	230
Useful Life	40
Debt %	80.0%
Debt (\$ mn)	184
Equity (\$ mn)	46

Periods	1	2	3	4	5	10	15	25	30	35
Revenue (QR mn)	113	113	113	113	114	114	115	116	81	82
Revenue (\$ mn)	31	31	31	31	31	32	32	32	23	23
Average Capacity in m ³	174,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000
Daily Charter Rate/Vessel (in \$)	85,092	85,177	85,029	85,348	85,433	85,861	86,291	86,920	61,255	61,562
EBITDA (QR mn)	78	78	78	78	78	78	78	78	48	48
EBITDA Margin	68.6%	68.6%	68.5%	68.5%	68.4%	68.2%	68.0%	67.6%	58.8%	58.3%
Taxes (Social & Sports Fund Contribution)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Changes in Working Capital	-	-	-	-	-	-	-	-	-	-
Capital Expenditures	(3)	(3)	(3)	(3)	(7)	(7)	(7)	(7)	(7)	(7)
Free Cash Flow to Firm	73	73	73	73	69	70	70	70	40	40
PV of FCFE	68	63	59	55	49	34	24	12	5	3
Cumulative PV of FCFE	68	131	190	244	293	498	642	813	843	863

PV of Cash Flows	863
<i>Add:</i>	
Cash Balances	0
PV of BV of Fleet (Fully-Owned)	9
<i>Less:</i>	
Debt Balances	670
Fair Value of Equity	202
Incremental Target Price (Per Share)	0.03
Current Target Price (No Expansion)	4.100
% Upside/(Downside)	0.8%
Shares O/S (Mn)	5,540

Source: QNB FS Research

2Q2022 Review: Operationally In-Line/Better But Modest Earnings Miss On One-Off Boost in Finance Charges

Nakilat reported a modest miss in 2Q2022 bottom-line but operationally delivered another impressive quarter: The company's 2Q2022 net income of QR347.8mn increased 10.4% YoY but declined 8.9% QoQ, coming in 5.4% lower than our estimate of QR367.8mn.

- **Revenue from wholly-owned ships of QR887.3mn (0.3% YoY, 1.5% QoQ) was in-line with our estimate of QR879.2mn (variation of 0.9%).** The sequential increase in wholly-owned ship revenue is likely driven by higher operating days in 2Q2022 vs. 1Q2022.
- **Adjusted revenue (wholly-owned ships + marine & agency services + JV income) of QR1.07bn (7.1% YoY, 2.1% QoQ) was also in-line with our estimate of QR1.03bn (divergence of 3.2%) and was driven by the strength in JV income.**
- **EBITDA of QR698.9mn (1.0% YoY, 2.8% QoQ) was 2.4% ahead of our forecast of QR682.5mn given improvement in cash gross margins (79.8% vs. our model of 78.8%);** EBITDA performance was aided by lower-than-expected direct operating costs of the wholly-owned fleet and an upside in marine & agency services. While G&A expenses of QR23.7mn (4.5% YoY, 15.4% QoQ) was 12.5% above our estimate of QR21.0mn, G&A expenses for 1H2022 of QR44.2mn was moderately lower than 1H2021's QR44.6mn due to continued improvements (along with some timing-related variation).
- **Adjusted EBITDA of QR862.9mn (9.5% YoY, 2.9% QoQ) was 4.6% above our estimate of QR825.2mn.**
- **JV income of QR164.0mn (70.5% YoY, 3.2% QoQ) was 14.9% above our estimate of QR142.7mn.** Improving shipyard performance (which posted net losses of QR36.2mn and QR25.5mn in 2021 and 2020, respectively), along with addition of the 3rd/4th LNG vessels in Nakilat's Global Shipping JV in Oct. 2021/Jan. 2022, led to this increase.
- **Finally finance costs came in at QR306.0mn (15.5% YoY, 17.7% QoQ), and was 18.9% ahead of our estimate of QR257.4mn.** Management attributed this increase to one-off write-off of legacy financing costs due to refinancing and an increase in LIBOR rates on the unhedged portion of Nakilat's debt, offset by scheduled repayment of loans.

QNB FS 2Q2022 Estimates and Comparisons

Income Statement							
In QR mn Except Otherwise Noted	2Q2021	1Q2022	2Q2022	2Q2022e	A Vs. E	YoY	QoQ
Revenue from Wholly-Owned Vessels	884.550	873.928	887.345	879.220	0.9%	0.3%	1.5%
Operating Costs	(184.391)	(184.165)	(179.265)	(186.395)	-3.8%	-2.8%	-2.7%
Gross Profit	700.159	689.763	708.080	692.825	2.2%	1.1%	2.7%
<i>Gross Margin</i>	<i>79.2%</i>	<i>78.9%</i>	<i>79.8%</i>	<i>78.8%</i>			
Income from Marine and Agency Services	14.513	10.785	14.504	10.731	35.2%	-0.1%	34.5%
General and Administrative Expenses	(22.664)	(20.535)	(23.689)	(21.048)	12.5%	4.5%	15.4%
EBITDA	692.008	680.013	698.895	682.508	2.4%	1.0%	2.8%
Depreciation & Amortization	(220.850)	(217.404)	(222.006)	(220.665)	0.6%	0.5%	2.1%
EBIT	471.158	462.609	476.889	461.843	3.3%	1.2%	3.1%
<i>EBIT Margin</i>	<i>53.3%</i>	<i>52.9%</i>	<i>53.7%</i>	<i>52.5%</i>			
Share of Operating Profits from Joint Ventures	96.205	158.949	163.991	142.736	14.9%	70.5%	3.2%
Finance Costs	(265.029)	(259.967)	(306.002)	(257.367)	18.9%	15.5%	17.7%
Interest, Dividend income & Profit from Islamic Banks	13.108	20.373	13.260	20.679	-35.9%	1.2%	-34.9%
Vessel Sub-Chartering & Other Income	-	-	-	-			
Profit Before Tax	315.442	381.964	348.138	367.891	-5.4%	10.4%	-8.9%
Profit After Tax	315.442	381.964	348.138	367.891	-5.4%	10.4%	-8.9%
Minority Interest	(0.361)	(0.129)	(0.332)	(0.124)	167.2%	-8.0%	157.4%
Net Income to Equity	315.081	381.835	347.806	367.766	-5.4%	10.4%	-8.9%
<i>Net Profit Margin</i>	<i>35.6%</i>	<i>43.7%</i>	<i>39.2%</i>	<i>41.8%</i>			
EPS (QR)	0.06	0.07	0.06	0.07	-5.4%	10.4%	-8.9%
Adjusted EBITDA	788.213	838.962	862.886	825.244	4.6%	9.5%	2.9%
Adjusted Revenue	995.268	1,043.662	1,065.840	1,032.687	3.2%	7.1%	2.1%
Particulars	2Q2021	1Q2022	2Q2022	2Q2022e			
Adj. EBITDA Margin	79.2%	80.4%	81.0%	79.9%			
Gross Margin	79.2%	78.9%	79.8%	78.8%			
EBIT Margin	53.3%	52.9%	53.7%	52.5%			
G & A % of Sales	2.6%	2.3%	2.7%	2.4%			
Depreciation & Amortization % of Sales	25.0%	24.9%	25.0%	25.1%			

Source: Bloomberg, QNB FS Research

Estimate Revisions

QNB FS Estimates Revisions

In QR mn	Current				Previous				Current				Previous			
	2021	2022	2022	▲	2023	2023	▲	2024	2024	▲	2025	2025	▲	2025	2025	▲
Revenue from Wholly-Owned Vessels	3,541	3,547	3,547	0.0%	3,553	3,553	0.0%	3,553	3,553	0.0%	3,553	3,553	0.0%	3,553	3,553	0.0%
Growth	0.7%	0.2%	0.2%		0.2%	0.2%		0.0%	0.0%		0.0%	0.0%		0.0%	0.0%	
Operating Costs	(746)	(741)	(751)	-1.3%	(743)	(753)	-1.3%	(743)	(753)	-1.3%	(743)	(753)	-1.3%	(743)	(753)	-1.3%
Growth	1.7%	-0.7%	0.7%		0.2%	0.2%		0.0%	0.0%		0.0%	0.0%		0.0%	0.0%	
Gross Profit	2,795	2,806	2,796	0.4%	2,810	2,800	0.4%	2,810	2,800	0.4%	2,810	2,800	0.4%	2,810	2,800	0.4%
GM %	78.9%	79.1%	78.8%		79.1%	78.8%		79.1%	78.8%		79.1%	78.8%		79.1%	78.8%	
Income from Marine and Agency Services	49	55	43	29.6%	57	44	29.6%	59	45	29.6%	60	47	29.6%	60	47	29.6%
General and Administrative Expenses	(97)	(93)	(99)	-6.0%	(96)	(102)	-6.0%	(98)	(105)	-6.0%	(100)	(107)	-6.0%	(100)	(107)	-6.0%
EBITDA	2,746	2,767	2,739	1.0%	2,770	2,741	1.1%	2,770	2,741	1.1%	2,770	2,740	1.1%	2,770	2,740	1.1%
EBITDA Margin %	77.6%	78.0%	77.2%		78.0%	77.2%		78.0%	77.1%		78.0%	77.1%		78.0%	77.1%	
Depreciation & Amortization	(895)	(898)	(891)	0.8%	(901)	(894)	0.8%	(905)	(898)	0.8%	(908)	(901)	0.8%	(908)	(901)	0.8%
EBIT	1,851	1,870	1,848	1.2%	1,869	1,847	1.2%	1,866	1,843	1.2%	1,862	1,839	1.3%	1,862	1,839	1.3%
Share of Operating Profits from Joint Ventures	494	646	568	13.8%	665	578	15.2%	681	614	10.9%	746	676	10.5%	746	676	10.5%
Finance Costs	(1,049)	(1,105)	(1,040)	6.3%	(1,100)	(1,027)	7.1%	(980)	(912)	7.5%	(803)	(744)	7.9%	(803)	(744)	7.9%
Interest, Dividend income & Profit from Islamic Banks	58	75	79	-4.2%	79	83	-4.2%	81	84	-4.2%	82	86	-4.2%	82	86	-4.2%
Vessel Sub-Chartering & Other Income	-	-	-		-	-		-	-		-	-		-	-	
Profit Before Tax	1,354	1,486	1,455	2.1%	1,514	1,481	2.3%	1,648	1,630	1.1%	1,887	1,856	1.7%	1,887	1,856	1.7%
Taxes	-	-	-		-	-		-	-		-	-		-	-	
Profit After Tax	1,354	1,486	1,455	2.1%	1,514	1,481	2.3%	1,648	1,630	1.1%	1,887	1,856	1.7%	1,887	1,856	1.7%
Minority Interest	(1)	(1)	(1)	107.2%	(1)	(1)	107.5%	(1)	(1)	105.2%	(1)	(1)	106.3%	(1)	(1)	106.3%
% of PAT	-0.1%	-0.1%	0.0%		-0.1%	0.0%		-0.1%	0.0%		-0.1%	0.0%		-0.1%	0.0%	
Profit for Equity Holders	1,353	1,484	1,454	2.1%	1,513	1,480	2.2%	1,646	1,629	1.1%	1,886	1,856	1.6%	1,886	1,856	1.6%
Net Profit Margin	38.2%	41.9%	41.0%		42.6%	41.7%		46.3%	45.9%		53.1%	52.2%		53.1%	52.2%	
Growth	16.7%	9.7%	7.4%		1.9%	1.8%		8.8%	10.1%		14.6%	13.9%		14.6%	13.9%	
EPS	0.24	0.27	0.26	2.1%	0.27	0.27	2.2%	0.30	0.29	1.1%	0.34	0.33	1.6%	0.34	0.33	1.6%
Growth	16.7%	9.7%	7.4%		1.9%	1.8%		8.8%	10.1%		14.6%	13.9%		14.6%	13.9%	
DPS	0.12	0.13	0.13	0.0%	0.13	0.13	0.0%	0.14	0.14	0.0%	0.15	0.15	0.0%	0.15	0.15	0.0%
Payout Ratio	49.1%	48.5%	49.5%		47.6%	48.7%		47.1%	47.6%		44.1%	44.8%		44.1%	44.8%	
Growth	9.1%	8.3%	8.3%		0.0%	0.0%		7.7%	7.7%		7.1%	7.1%		7.1%	7.1%	
Adjusted EBITDA	3,240	3,413	3,306	3.2%	3,436	3,319	3.5%	3,452	3,355	2.9%	3,517	3,416	3.0%	3,517	3,416	3.0%
Growth	3.6%	5.3%	2.0%		0.7%	0.4%		0.5%	1.1%		1.9%	1.8%		1.9%	1.8%	
Adjusted Revenue	4,084	4,248	4,157	2.2%	4,275	4,174	2.4%	4,292	4,212	1.9%	4,359	4,275	2.0%	4,359	4,275	2.0%
Growth	3.3%	4.0%	1.8%		0.6%	0.4%		0.4%	0.9%		1.6%	1.5%		1.6%	1.5%	

Source: QNB FS Research

Valuation and Key Ratios

Growth Metrics

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033	CAGR
Growth Ratios (In %)													21-'33
Revenue - Wholly Owned	0.7%	(0.4%)	0.2%	3.4%	11.1%	0.7%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Revenue - Adjusted	2.0%	(6.1%)	1.8%	7.6%	4.6%	3.3%	4.0%	0.6%	0.4%	1.6%	0.6%	0.8%	1.1%
Gross Profit	0.1%	0.4%	1.1%	3.5%	12.8%	0.4%	0.4%	0.2%	0.0%	0.0%	0.0%	0.0%	0.1%
EBITDA	(1.1%)	0.5%	1.0%	3.9%	14.3%	0.4%	0.8%	0.1%	(0.0%)	(0.0%)	0.0%	0.0%	0.1%
EBITDA - Adjusted	1.1%	(7.2%)	3.1%	9.3%	5.9%	3.6%	5.3%	0.7%	0.5%	1.9%	0.7%	0.9%	1.3%
EBIT	(6.5%)	0.7%	2.2%	(2.3%)	22.1%	0.3%	1.0%	(0.0%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.1%)
Income from JVs	11.1%	(38.7%)	16.9%	40.8%	(30.1%)	26.5%	30.9%	3.0%	2.4%	9.6%	2.9%	3.3%	6.1%
Finance Charges/Interest Expense	(0.9%)	(1.3%)	0.0%	(0.1%)	(2.9%)	(7.8%)	5.4%	(0.5%)	(10.9%)	(18.0%)	(20.4%)	(69.4%)	(23.0%)
EPS	(2.9%)	(11.3%)	5.3%	12.4%	15.8%	16.7%	9.7%	1.9%	8.8%	14.6%	4.6%	4.8%	6.5%
CFPS	(9.9%)	16.7%	(6.4%)	15.9%	79.3%	(27.2%)	34.8%	(17.3%)	6.2%	9.8%	3.5%	3.8%	5.0%
FCFPS	(4.9%)	22.0%	(22.1%)	10.9%	114.9%	(24.3%)	29.5%	(18.2%)	1.6%	15.7%	8.5%	3.9%	4.8%
DPS	(20.0%)	0.0%	0.0%	0.0%	10.0%	9.1%	8.3%	0.0%	7.7%	7.1%	0.0%	0.0%	4.3%

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

Peer Comparisons

Company	Mcap	Syr Adj.	P/E		EV/EBITDA		P/B		ROE		EBITDA Margin		Dividend Yield	
	\$mn	Beta	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e
COSCO SHIPPING ENERGY TRAN-H	9,019	0.82	20.8	9.1	18.1	11.8	0.96	0.88	4.3%	10.9%	31.7%	41.8%	1.72	4.22
GASLOG PARTNERS LP	308	0.94	3.4	3.6	6.2	6.5	0.41	0.37	11.2%	10.7%	71.6%	71.6%	0.68	0.68
DYNAGAS LNG PARTNERS LP	124	0.76	4.3	3.9	7.7	7.6	0.45	N/A	N/A	N/A	69.8%	70.2%	N/A	N/A
SFL CORP LTD	1,430	0.97	10.2	10.0	9.1	8.5	1.24	1.22	15.3%	10.7%	65.7%	67.3%	8.75	10.08
GOLAR LNG LTD	2,825	1.08	24.8	13.4	11.5	10.0	1.10	0.99	20.2%	8.2%	102.2%	99.7%	0.00	N/A
TSAKOS ENERGY NAVIGATION LTD	504	1.18	3.3	2.5	4.9	4.0	N/A	N/A	N/A	N/A	59.7%	64.7%	1.68	1.68
Peer Group Average		0.96	13.5	9.0	9.6	8.1	0.83	0.86	12.7%	10.1%	66.8%	69.2%	3.2%	4.2%
Peer Group Median		0.95	7.3	6.5	8.4	8.0	0.96	0.93	13.2%	10.7%	67.7%	68.8%	1.68	2.95
QATAR GAS TRANSPORT (NAKILAT)	5,753	0.82	14.3	14.0	10.4	9.9	2.09	1.85	15.7%	14.1%	78.0%	78.0%	3.40	3.40

Source: Bloomberg, QNB FS Research

Key Metrics

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033
Growth Ratios (In %)												
Revenue - Wholly Owned	0.7%	(0.4%)	0.2%	3.4%	11.1%	0.7%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%
Revenue - Adjusted	2.0%	(6.1%)	1.8%	7.6%	4.6%	3.3%	4.0%	0.6%	0.4%	1.6%	0.6%	0.8%
Gross Profit	0.1%	0.4%	1.1%	3.5%	12.8%	0.4%	0.4%	0.2%	0.0%	0.0%	0.0%	0.0%
EBITDA	(1.1%)	0.5%	1.0%	3.9%	14.3%	0.4%	0.8%	0.1%	(0.0%)	(0.0%)	0.0%	0.0%
EBITDA -Adjusted	1.1%	(7.2%)	3.1%	9.3%	5.9%	3.6%	5.3%	0.7%	0.5%	1.9%	0.7%	0.9%
EBIT	(6.5%)	0.7%	2.2%	(2.3%)	22.1%	0.3%	1.0%	(0.0%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)
Income from JVs	11.1%	(38.7%)	16.9%	40.8%	(30.1%)	26.5%	30.9%	3.0%	2.4%	9.6%	2.9%	3.3%
Finance Charges/Interest Expense	(0.9%)	(1.3%)	0.0%	(0.1%)	(2.9%)	(7.8%)	5.4%	(0.5%)	(10.9%)	(18.0%)	(20.4%)	(69.4%)
EPS	(2.9%)	(11.3%)	5.3%	12.4%	15.8%	16.7%	9.7%	1.9%	8.8%	14.6%	4.6%	4.8%
CFPS	(9.9%)	16.7%	(6.4%)	15.9%	79.3%	(27.2%)	34.8%	(17.3%)	6.2%	9.8%	3.5%	3.8%
FCFPS	(4.9%)	22.0%	(22.1%)	10.9%	114.9%	(24.3%)	29.5%	(18.2%)	1.6%	15.7%	8.5%	3.9%
DPS	(20.0%)	0.0%	0.0%	0.0%	10.0%	9.1%	8.3%	0.0%	7.7%	7.1%	0.0%	0.0%
Operating Ratios (In %)												
Gross Margin	76.6%	77.2%	77.8%	78.0%	79.1%	78.9%	79.1%	79.1%	79.1%	79.1%	79.1%	79.1%
EBITDA Margin	74.0%	74.6%	75.2%	75.6%	77.8%	77.6%	78.0%	78.0%	78.0%	78.0%	78.0%	77.9%
Adj. EBITDA Margin	76.8%	75.9%	76.9%	78.1%	79.1%	79.3%	80.3%	80.4%	80.4%	80.7%	81.2%	81.4%
EBIT Margin	49.0%	49.5%	50.5%	47.7%	52.5%	52.3%	52.7%	52.6%	52.5%	52.4%	51.9%	51.6%
Net Margin	31.1%	27.7%	29.1%	31.6%	33.0%	38.2%	41.9%	42.6%	46.3%	53.1%	70.7%	81.2%
Finance Ratios												
Net Debt-to-EBITDA	8.3	7.8	7.5	7.9	6.6	6.0	5.2	4.7	4.2	3.6	0.5	-1.8
Debt-Equity Ratio	4.1	3.5	2.9	3.1	3.0	2.3	1.9	1.5	1.2	0.9	0.2	0.0
Net Debt-Equity Ratio	3.6	3.0	2.5	2.8	2.5	1.9	1.4	1.1	0.9	0.7	0.1	-0.2
Debt-to-Capital	80.3%	77.7%	74.1%	75.6%	74.7%	69.4%	65.0%	60.7%	53.5%	47.6%	19.8%	0.0%
Interest Coverage	1.3	1.3	1.3	1.3	1.6	1.8	1.7	1.7	1.9	2.3	5.5	40.5
EBITDA Interest Coverage	1.9	1.9	2.0	2.0	2.4	2.6	2.5	2.5	2.8	3.4	8.3	61.3
Return Ratios (In %)												
ROIC	5.6%	5.7%	5.8%	5.4%	6.6%	6.5%	6.5%	6.4%	6.7%	6.7%	7.0%	7.0%
ROAE	19.7%	15.1%	13.9%	14.5%	16.6%	17.1%	15.7%	14.1%	13.6%	13.8%	12.3%	11.4%
ROAA	3.1%	2.8%	3.0%	3.2%	3.6%	4.2%	4.6%	4.8%	5.4%	6.4%	8.9%	10.3%
Valuation												
EV/EBITDA-Adjusted	14.2	14.8	14.2	13.5	12.5	11.5	10.4	9.9	9.5	8.8	6.1	4.3
EV/EBIT	26.6	25.7	24.8	26.4	21.2	20.2	19.0	18.2	17.5	16.7	12.1	8.8
P/E	22.2	25.0	23.7	21.1	18.2	15.6	14.3	14.0	12.9	11.2	8.4	7.3
P/CF	18.8	16.1	17.2	14.9	8.3	11.4	8.5	10.2	9.6	8.8	7.1	6.4
P/B	4.0	3.6	3.1	3.1	3.0	2.4	2.1	1.9	1.6	1.5	1.0	0.8
Dividend Yield	2.6%	2.6%	2.6%	2.6%	2.9%	3.1%	3.4%	3.4%	3.7%	3.9%	5.0%	5.2%
FCF Yield	5.1%	6.2%	4.8%	5.4%	11.5%	8.7%	11.3%	9.2%	9.4%	10.8%	13.7%	15.3%

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

Detailed Financial Statements

Income Statement (In QR mn)	FY2021	FY2022e	FY2023e	FY2024e
Revenue – Wholly-Owned Ships	3,541	3,547	3,553	3,553
Direct Costs	(746)	(741)	(743)	(743)
Gross Profit	2,795	2,806	2,810	2,810
Income from Marine & Agency Services	49	55	57	59
General and Administrative Expenses	(97)	(93)	(96)	(98)
EBITDA	2,746	2,767	2,770	2,770
Depreciation	(895)	(898)	(901)	(905)
EBIT	1,851	1,870	1,869	1,866
Share of Profits from Joint Ventures	494	646	665	681
Finance Costs	(1,049)	(1,105)	(1,100)	(980)
Interest, Dividend & Profit from Islamic Banks	58	75	79	81
Vessels Sub-Chartering & Other Income	0	0	0	0
Profit Before Tax	1,354	1,486	1,514	1,648
Income Tax Expense	0	0	0	0
Profit After Tax	1,354	1,486	1,514	1,648
Minority Interest	(1)	(1)	(1)	(1)
Profit for Equity Shareholders	1,353	1,484	1,513	1,646
EPS (QR)	0.24	0.27	0.27	0.30
Adjusted Revenue	4,084	4,248	4,275	4,292
Adjusted EBITDA	3,240	3,413	3,436	3,452

Source: Bloomberg, QNB FS Research

Balance Sheet (In QR mn)	FY2021	FY2022e	FY2023e	FY2024e
Non-Current Assets				
Property, Plant and Equipment	22,266	21,486	20,702	20,010
Investment in Joint Venture Companies	4,900	4,960	5,287	5,666
Loans to Joint Venture Companies	669	69	69	69
Equity Investments	163	190	190	190
Total Non-Current Assets	27,998	26,704	26,247	25,935
Current Assets				
Receivables, Inventories and Due from Joint Ventures	873	843	844	844
Cash and Bank Balances	3,439	4,237	4,475	3,071
Total Current Assets	4,313	5,080	5,319	3,915
Total Assets	32,311	31,784	31,567	29,850
Equity				
Equity Attributable to the Parent	8,764	10,115	11,413	12,843
Minority Interest	8	9	10	11
Total Equity	8,771	10,124	11,423	12,855
Non-Current Liabilities				
Borrowings	18,143	17,594	14,797	13,150
Lease Liability, Provision for End of Service Benefits and Other Liabilities	1,701	1,329	977	625
Total Non-Current Liabilities	19,844	18,923	15,774	13,775
Current Liabilities				
Borrowings	1,707	1,166	2,797	1,647
Accounts Payables/Accruals, Due to Joint Ventures & Others	1,988	1,571	1,573	1,573
Total Current Liabilities	3,695	2,737	4,370	3,221
Equity and Liabilities	32,311	31,784	31,567	29,850

Source: Bloomberg, QNB FS Research

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

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