

QNBFS Alert – QEWS 1Q2017 Earnings Right in Line W/ Estimate; Accumulate

- **QEWS reported an in-line 1Q2017.** The company's reported net income of QR350mn (+14% QoQ, +1% YoY) came right in-line with our estimate. The QoQ growth in net income came on the back of one-offs in 4Q2016 with EBITDA margins ticking up sequentially to 47.8% vs. 47.2% in 4Q2016. 1Q2017 revenue of QR720mn (-7% QoQ, flat YoY) was also broadly in-line with a divergence of -4% vs. our forecast.
- **We do not envision major changes to our model.**
- **Catalysts – New projects on the horizon:** QEWS should benefit from RAF A3 (36 MIGD) from Sep.2016 (fully functional by 2017). Further, Umm Al Houl (Facility D) should be on-line in 2018 after its initial phase in 2017. Overall, these two projects should expand QEWS' net electricity & water capacity by 28% and 40%, respectively. Beyond these projects, another mega-project (Facility E) should begin construction in 2018-2019, with commissioning by 2020-2021. QEWS (60% stake) has also entered into a JV with QP called Seraj Energy, which will invest in a solar energy project in Qatar with a 500 MW Phase I expected to come on-line in 2019. On the international front, through 60%-owned Nebras, we expect QEWS to seek out other diversification opportunities.
- **Recommendation and valuation:** We rate QEWS an Accumulate with an unchanged price target of QR256.00.

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 |

Saugata Sarkar
Head of Research
+974 4476 6534
saugata.sarkar@qnbfs.com.qa

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

Zaid Al Nafsoosi, CMT, CFTe
Senior Research Analyst
+974 4476 6535
zaid.alnafsoosi@qnbfs.com.qa

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