

## Qatar Gas Transport Company/Nakilat (QGTS)

|                |            |              |         |
|----------------|------------|--------------|---------|
| Recommendation | Outperform | Risk Rating  | R-3     |
| Share Price    | QR4.492    | Target Price | QR5.600 |
| Implied Upside | 24.7%      |              |         |

### Misses 2Q2024 On Lower GM/JV Income; Revising Estimates; Outperform

QGTS reported 2Q2024 earnings that were moderately below our expectations despite an in-line top-line performance from wholly-owned LNG vessels, along with upside in interest expenses given softer-than-expected cash GMs/JV income (shipyard income)/interest, dividend and other income. QGTS also proposed its first ever interim dividend of QR0.07 (half of its 2023 dividend of QR0.14), implying an annualized dividend yield of 3.1%. Despite the moderate earnings miss, overall results were unsurprising with Nakilat delivering on its growth metrics. We continue to reiterate QGTS as our top pick and stay Outperform with a price target of QR5.600.

#### Highlights

- Nakilat's net profit/EPS rose 8.0% YoY but declined 2.5% QoQ to QR409.4mn/QR0.074 in 2Q2024, moderately missing our estimate of QR424.5mn/QR0.077 by 3.6%. For more details, please see page 1.
- Wholly-owned ship revenue of QR906.1mn (2.2% YoY, 1.2% QoQ) was in-line with QNB FS estimate of QR904.2mn (0.2% divergence).
- EBITDA of QR676.9mn (0.7% YoY, -2.7% QoQ) was also broadly in-line with our forecast of QR685.4 (-1.2% difference) despite higher-than-expected cash operating costs of the wholly-owned fleet (cash gross margins decreased to 76.2% vs. our model of 77.4%; GMs lost ground YoY/QoQ vs. 77.2%/78.6% in 2Q2023/1Q2024. G&A of QR27.4mn (-1.2% YoY, -30.4% QoQ) was also in-line with our estimate of QR27.6mn (-0.8% divergence).
- Depreciation of QR204.9mn (-18.0% YoY, flat QoQ) was below our forecast of QR211.4mn by 3.1%. We note that reported depreciation was in-line with management guidance of an annual run-rate of QR800-840mn. We remind investors that QGTS completed a dry-dock cycle in 2022 starting a new one in 2023 - 10 vessels were dry-docked in 2023, with eight more in 2024. However, Nakilat's TCPs typically account for these dry-dock days ensuring a stable and consistent revenue stream.
- JV income of QR179.8mn (-14.9% YoY, 8.9% QoQ) was 17.1% below our estimate of QR216.9mn due to lower shipyard activity/income. While admittedly, we have been a bit optimistic in our forecast for JV income, we do note that thus far, in 2024, JV income continues to remain below 2023's quarterly run rate of QR196mn. We do note that, overall, JV income continues its buoyant trend, up 13.9% YoY from QR689.4mn in 2022 to QR784.9mn in 2023. Management remains confident that the shipyard will generate sustainable profit going forward despite a subdued performance, thus far, in 2024.
- Finally, finance costs of QR299.0mn (-4.1% YoY, 1.0% QoQ) was 10.7% below our estimate of QR335.0mn. Interest costs decreased due to scheduled loan repayments offset by higher SOFR on the unhedged portion (~30%) of QGTS' debt. Total debt of QR19.4bn increased 10.1% from YE2023 levels of QR17.6bn (flatish QoQ) as Nakilat took on new debt to partly finance its new build program, offset by scheduled repayments. Interest, dividend & other income of QR56.8mn (-1.1% YoY, -5.9% QoQ) was 17.3% below our model of QR68.7mn.
- We are adjusting estimates to reflect 2Q2024 results and other model changes. We project a 3.5% growth with net income/EPS growing from QR1,557.8mn/QR0.281 in 2023 to QR1,612.6mn/QR0.291 in 2024. Our current estimate is 5.5% lower than our previous estimate. The key driver for our new lower estimates is our model assumption of higher finance charges given increased debt levels. For more details, please see page 3.
- We envision a roughly 60% boost to our earnings estimates over 2026-2030 once all expansion is factored in. We note that our model does not currently factor in the earnings accretion from the recently announced 9 QC-Max program, the planned 25-vessel conventional LNG expansion or the addition of two conventional LNG/four Very Large LPG/Ammonia Gas carriers. We will update our model once more details are revealed.

#### Catalysts

- With Nakilat on the cusp of a significant growth cycle, we expect the stock to appreciate.

#### Recommendation, Valuation and Risks

- Recommendation & valuation:** Our price target is QR5.600 and we rate QGTS an Outperform. We stay bullish on Nakilat, which is 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 the LT nature of its charters. Moreover, the 40-year life of Nakilat's existing vessels vs. maximum debt life of 25 years, could allow for value-enhancement.
- Risks:** Execution risks remain given the magnitude of the expansion but we note that Nakilat's impeccable track record alleviates this concern.

#### Key Financial Data and Estimates

|                | FY2023 | FY2024e | FY2025e | FY2026e |
|----------------|--------|---------|---------|---------|
| EPS (QR)       | 0.281  | 0.291   | 0.343   | 0.379   |
| P/E (x)        | 16.0   | 15.4    | 13.1    | 11.9    |
| DPS (QR)       | 0.140  | 0.150   | 0.160   | 0.170   |
| Dividend Yield | 3.1%   | 3.3%    | 3.6%    | 3.8%    |

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

#### Key Data

|                               |                |
|-------------------------------|----------------|
| Current Market Price (QR)     | 4.492          |
| 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)       | 4.794/3.061    |
| 3-m Average Volume ('mn)      | 4.0            |
| Mkt. Cap. (\$ bn/QR bn)       | 6.8/24.9       |
| EV (\$ bn/QR bn)              | 11.5/41.7      |
| Shares Outstanding (mn)       | 5,540.0        |
| FO Limit* (%)                 | 100.0          |
| Current Institutional FO* (%) | 16.0           |
| 1-Year Total Return (%)       | 17.7           |
| Fiscal Year End               | December 31    |

Source: Bloomberg (as of August 06, 2024), \*Qatar Exchange (as of August 06, 2024); Note: FO is foreign ownership

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

## 2Q2024 Results Review

Nakilat's net profit/EPS rose 8.0% YoY but declined 2.5% QoQ to QR409.4mn/QR0.074 in 2Q2024, moderately missing our estimate of QR424.5mn/QR0.077 by 3.6%.

- Wholly-owned ship revenue of QR906.1mn (2.2% YoY, 1.2% QoQ) was in-line with QNB FS estimate of QR904.2mn (0.2% divergence).
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### QNB FS 2Q2024 Estimates and Comparisons

| Income Statement                                      |                  |                  |                  |                  |              |              |              |
|---|------------------|------------------|------------------|------------------|--------------|--------------|--------------|
| In QR mn Except Otherwise Noted                       | 2Q2023           | 1Q2024           | 2Q2024           | 2Q2024e          | A Vs. E      | YoY          | QoQ          |
| Revenue from Wholly-Owned Vessels                     | 886.621          | 895.071          | 906.102          | 904.247          | 0.2%         | 2.2%         | 1.2%         |
| Operating Costs                                       | (201.980)        | (191.557)        | (216.078)        | (204.360)        | 5.7%         | 7.0%         | 12.8%        |
| <b>Gross Profit</b>                                   | <b>684.641</b>   | <b>703.514</b>   | <b>690.024</b>   | <b>699.887</b>   | <b>-1.4%</b> | <b>0.8%</b>  | <b>-1.9%</b> |
| <i>Gross Margin</i>                                   | 77.2%            | 78.6%            | 76.2%            | 77.4%            |              |              |              |
| Income from Marine and Agency Services                | 15.172           | 12.992           | 14.302           | 13.136           | 8.9%         | -5.7%        | 10.1%        |
| General and Administrative Expenses                   | (27.751)         | (21.026)         | (27.412)         | (27.634)         | -0.8%        | -1.2%        | 30.4%        |
| <b>EBITDA</b>   | <b>672.062</b>   | <b>695.480</b>   | <b>676.914</b>   | <b>685.390</b>   | <b>-1.2%</b> | <b>0.7%</b>  | <b>-2.7%</b> |
| Depreciation of Property and Equipment                | (249.770)        | (204.912)        | (204.894)        | (211.387)        | -3.1%        | -18.0%       | 0.0%         |
| <b>EBIT</b>   | <b>422.292</b>   | <b>490.568</b>   | <b>472.020</b>   | <b>474.003</b>   | <b>-0.4%</b> | <b>11.8%</b> | <b>-3.8%</b> |
| <i>EBIT Margin</i>                                    | 47.6%            | 54.8%            | 52.1%            | 52.4%            |              |              |              |
| Income from Joint Ventures                            | 211.405          | 165.083          | 179.800          | 216.886          | -17.1%       | -14.9%       | 8.9%         |
| Finance Costs   | (311.966)        | (296.113)        | (299.046)        | (334.995)        | -10.7%       | -4.1%        | 1.0%         |
| Interest, Dividend income & Profit from Islamic Banks | 57.409           | 60.325           | 56.785           | 68.670           | -17.3%       | -1.1%        | -5.9%        |
| <b>Profit Before Tax</b>                              | <b>379.140</b>   | <b>419.863</b>   | <b>409.559</b>   | <b>424.564</b>   | <b>-3.5%</b> | <b>8.0%</b>  | <b>-2.5%</b> |
| <b>Profit After Tax</b>                               | <b>379.140</b>   | <b>419.863</b>   | <b>409.559</b>   | <b>424.564</b>   | <b>-3.5%</b> | <b>8.0%</b>  | <b>-2.5%</b> |
| Minority Interest                                     | (0.244)          | (0.106)          | (0.171)          | (0.107)          | 59.5%        | -29.9%       | 61.3%        |
| <b>Net Income to Equity</b>                           | <b>378.896</b>   | <b>419.757</b>   | <b>409.388</b>   | <b>424.457</b>   | <b>-3.6%</b> | <b>8.0%</b>  | <b>-2.5%</b> |
| <i>Net Profit Margin</i>                              | 42.7%            | 46.9%            | 45.2%            | 46.9%            |              |              |              |
| EPS (QR)  | 0.068            | 0.076            | 0.074            | 0.077            | -3.6%        | 8.0%         | -2.5%        |
| <b>Adjusted EBITDA</b>                                | <b>883.467</b>   | <b>860.563</b>   | <b>856.714</b>   | <b>902.276</b>   | <b>-5.0%</b> | <b>-3.0%</b> | <b>-0.4%</b> |
| <b>Adjusted Revenue</b>                               | <b>1,113.198</b> | <b>1,073.146</b> | <b>1,100.204</b> | <b>1,134.269</b> | <b>-3.0%</b> | <b>-1.2%</b> | <b>2.5%</b>  |
| Particulars   |                  |                  |                  |                  |              |              |              |
|   | 2Q2023           | 1Q2024           | 2Q2024           | 2Q2024e          |              |              |              |
| Adj. EBITDA Margin                                    | 79.4%            | 80.2%            | 77.9%            | 79.5%            |              |              |              |
| Gross Margin  | 77.2%            | 78.6%            | 76.2%            | 77.4%            |              |              |              |
| EBIT Margin   | 47.6%            | 54.8%            | 52.1%            | 52.4%            |              |              |              |
| G & A % of Sales                                      | 3.1%             | 2.3%             | 3.0%             | 3.1%             |              |              |              |
| Depreciation & Amortization % of Sales                | 28.2%            | 22.9%            | 22.6%            | 23.4%            |              |              |              |

Source: Company data, QNB FS Research

## Estimate Revisions

We are adjusting estimates to reflect 2Q2024 results and other model changes. We project a 3.5% growth with net income/EPS growing from QR1,557.8mn/QR0.281 in 2023 to QR1,612.6mn/QR0.291 in 2024. Our current estimate is 5.5% lower than our previous estimate. The key driver for our new lower estimates is our model assumption of higher finance charges given increased debt levels.

We envision a roughly 60% boost to our earnings estimates over 2026-2030 once all expansion is factored in. We note that our model does not currently factor in the earnings accretion from the recently announced 9 QC-Max program, the planned 25-vessel conventional LNG expansion or the addition of two conventional LNG/four Very Large LPG/Ammonia Gas carriers. We will update our model once more details are revealed.

### QNB FS Estimates Revisions

| In QR mn  | Current      |              |              | ▲            | Previous     |              |              | ▲            | Current      |              |  | ▲ |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|---|
|   | 2023         | 2024         | 2024         |              | 2025         | 2025         | 2026         |              | 2026         |              |  |   |
| <b>Revenue from Wholly-Owned Vessels</b>              | <b>3,565</b> | <b>3,578</b> | <b>3,578</b> | <b>0.0%</b>  | <b>3,582</b> | <b>3,582</b> | <b>0.0%</b>  | <b>3,586</b> | <b>3,586</b> | <b>0.0%</b>  |  |   |
| <i>Growth</i>   | 0.4%         | 0.3%         | 0.3%         |              | 0.1%         | 0.1%         |              | 0.1%         | 0.1%         |              |  |   |
| Operating Costs                                       | (795)        | (800)        | (800)        | 0.0%         | (803)        | (803)        | 0.0%         | (806)        | (806)        | 0.0%         |  |   |
| <i>Growth</i>   | 4.1%         | 0.6%         | 0.6%         |              | 0.4%         | 0.4%         |              | 0.4%         | 0.4%         |              |  |   |
| <b>Gross Profit</b>                                   | <b>2,770</b> | <b>2,778</b> | <b>2,778</b> | <b>0.0%</b>  | <b>2,779</b> | <b>2,779</b> | <b>0.0%</b>  | <b>2,780</b> | <b>2,780</b> | <b>0.0%</b>  |  |   |
| <i>GM %</i>   | 77.7%        | 77.6%        | 77.6%        |              | 77.6%        | 77.6%        |              | 77.5%        | 77.5%        |              |  |   |
| Income from Marine and Agency Services                | 60           | 55           | 55           | 0.0%         | 51           | 51           | 0.0%         | 47           | 47           | 0.0%         |  |   |
| General and Administrative Expenses                   | (114)        | (117)        | (117)        | 0.0%         | (121)        | (121)        | 0.0%         | (124)        | (124)        | 0.0%         |  |   |
| <b>EBITDA</b>   | <b>2,716</b> | <b>2,715</b> | <b>2,715</b> | <b>0.0%</b>  | <b>2,709</b> | <b>2,709</b> | <b>0.0%</b>  | <b>2,704</b> | <b>2,704</b> | <b>0.0%</b>  |  |   |
| <i>EBITDA Margin %</i>                                | 76.2%        | 75.9%        | 75.9%        |              | 75.6%        | 75.6%        |              | 75.4%        | 75.4%        |              |  |   |
| Depreciation of Property and Equipment                | (935)        | (841)        | (841)        | 0.0%         | (844)        | (844)        | 0.0%         | (848)        | (848)        | 0.0%         |  |   |
| <b>EBIT</b>   | <b>1,781</b> | <b>1,874</b> | <b>1,874</b> | <b>0.0%</b>  | <b>1,865</b> | <b>1,865</b> | <b>0.0%</b>  | <b>1,856</b> | <b>1,856</b> | <b>0.0%</b>  |  |   |
| <b>Income from Joint Ventures</b>                     | <b>785</b>   | <b>801</b>   | <b>807</b>   | <b>-0.7%</b> | <b>860</b>   | <b>857</b>   | <b>0.4%</b>  | <b>924</b>   | <b>919</b>   | <b>0.6%</b>  |  |   |
| Finance Costs   | (1,249)      | (1,273)      | (1,184)      | 7.5%         | (1,132)      | (1,032)      | 9.7%         | (958)        | (851)        | 12.6%        |  |   |
| Interest, Dividend income & Profit from Islamic Banks | 242          | 211          | 211          | 0.0%         | 309          | 309          | 0.0%         | 279          | 279          | 0.0%         |  |   |
| Vessel Sub-Chartering & Other Income                  | -            | -            | -            |              | -            | -            |              | -            | -            |              |  |   |
| Profit Before Tax                                     | 1,559        | 1,614        | 1,708        | -5.5%        | 1,902        | 1,999        | -4.8%        | 2,101        | 2,203        | -4.6%        |  |   |
| Taxes   |              |              |              |              |              |              |              |              |              |              |  |   |
| Profit After Tax                                      | 1,559        | 1,614        | 1,708        | -5.5%        | 1,902        | 1,999        | -4.8%        | 2,101        | 2,203        | -4.6%        |  |   |
| Minority Interest                                     | (1)          | (1)          | (1)          | -5.5%        | (1)          | (1)          | -4.8%        | (1)          | (1)          | -4.6%        |  |   |
| <i>% of PAT</i>                                       | -0.1%        | -0.1%        | -0.1%        |              | -0.1%        | -0.1%        |              | -0.1%        | -0.1%        |              |  |   |
| <b>Profit for Equity Holders</b>                      | <b>1,558</b> | <b>1,613</b> | <b>1,707</b> | <b>-5.5%</b> | <b>1,901</b> | <b>1,997</b> | <b>-4.8%</b> | <b>2,100</b> | <b>2,202</b> | <b>-4.6%</b> |  |   |
| <i>Net Profit Margin</i>                              | 43.7%        | 45.1%        | 47.7%        |              | 53.1%        | 55.8%        |              | 58.6%        | 61.4%        |              |  |   |
| <i>Growth</i>   | 8.3%         | 3.5%         | 9.6%         |              | 17.9%        | 17.0%        |              | 10.5%        | 10.2%        |              |  |   |
| <b>EPS</b>  | <b>0.281</b> | <b>0.291</b> | <b>0.308</b> | <b>-5.5%</b> | <b>0.343</b> | <b>0.361</b> | <b>-4.8%</b> | <b>0.379</b> | <b>0.397</b> | <b>-4.6%</b> |  |   |
| <i>Growth</i>   | 8.3%         | 3.5%         | 9.6%         |              | 17.9%        | 17.0%        |              | 10.5%        | 10.2%        |              |  |   |
| <b>DPS</b>  | <b>0.140</b> | <b>0.150</b> | <b>0.150</b> | <b>0.0%</b>  | <b>0.160</b> | <b>0.160</b> | <b>0.0%</b>  | <b>0.170</b> | <b>0.170</b> | <b>0.0%</b>  |  |   |
| <i>Payout Ratio</i>                                   | 49.8%        | 51.5%        | 48.7%        |              | 46.6%        | 44.4%        |              | 44.8%        | 42.8%        |              |  |   |
| <i>Growth</i>   | 7.7%         | 7.1%         | 7.1%         |              | 6.7%         | 6.7%         |              | 6.3%         | 6.3%         |              |  |   |
| <b>Adjusted EBITDA</b>                                | <b>3,501</b> | <b>3,516</b> | <b>3,522</b> | <b>-0.2%</b> | <b>3,569</b> | <b>3,566</b> | <b>0.1%</b>  | <b>3,628</b> | <b>3,622</b> | <b>0.1%</b>  |  |   |
| <i>Growth</i>   | 2.4%         | 0.4%         | 0.6%         |              | 1.5%         | 1.3%         |              | 1.6%         | 1.6%         |              |  |   |
| <b>Adjusted Revenue</b>                               | <b>4,410</b> | <b>4,433</b> | <b>4,439</b> | <b>-0.1%</b> | <b>4,493</b> | <b>4,490</b> | <b>0.1%</b>  | <b>4,558</b> | <b>4,552</b> | <b>0.1%</b>  |  |   |
| <i>Growth</i>   | 2.7%         | 0.5%         | 0.6%         |              | 1.3%         | 1.1%         |              | 1.4%         | 1.4%         |              |  |   |

Source: Company data, QNB FS Research

## Valuation and Key Ratios

### Growth Metrics

|                                  | 2016    | 2017    | 2018    | 2019   | 2020    | 2021    | 2022   | 2023    | 2024   | 2025    | 2030    | 2033    | CAGR<br>23-33 |
|----------------------------------|---------|---------|---------|--------|---------|---------|--------|---------|--------|---------|---------|---------|---------------|
| <b>Growth Ratios (In %)</b>      |         |         |         |        |         |         |        |         |        |         |         |         |               |
| Revenue - Wholly Owned           | 0.7%    | (0.4%)  | 0.2%    | 3.4%   | 11.1%   | 0.7%    | 0.3%   | 0.4%    | 0.3%   | 0.1%    | 0.1%    | 0.1%    | 0.1%          |
| Revenue - Adjusted               | 2.0%    | (6.1%)  | 1.8%    | 7.6%   | 4.6%    | 3.3%    | 5.2%   | 2.7%    | 0.5%   | 1.3%    | 0.9%    | 0.8%    | 0.9%          |
| Gross Profit                     | 0.1%    | 0.4%    | 1.1%    | 3.5%   | 12.8%   | 0.4%    | (0.3%) | (0.6%)  | 0.3%   | 0.1%    | 0.1%    | 0.1%    | 0.1%          |
| EBITDA                           | (1.1%)  | 0.5%    | 1.0%    | 3.9%   | 14.3%   | 0.4%    | (0.6%) | (0.5%)  | (0.0%) | (0.2%)  | (0.1%)  | (0.2%)  | -0.2%         |
| EBITDA -Adjusted                 | 1.1%    | (7.2%)  | 3.1%    | 9.3%   | 5.9%    | 3.6%    | 5.5%   | 2.4%    | 0.4%   | 1.5%    | 0.9%    | 0.8%    | 1.0%          |
| EBIT                             | (6.5%)  | 0.7%    | 2.2%    | (2.3%) | 22.1%   | 0.3%    | (3.7%) | (0.1%)  | 5.2%   | (0.5%)  | (0.4%)  | (0.4%)  | 0.1%          |
| Income from JVs                  | 11.1%   | (38.7%) | 16.9%   | 40.8%  | (30.1%) | 26.5%   | 39.7%  | 13.9%   | 2.0%   | 7.5%    | 3.6%    | 2.9%    | 4.2%          |
| Finance Charges/Interest Expense | (0.9%)  | (1.3%)  | 0.0%    | (0.1%) | (2.9%)  | (7.8%)  | 8.6%   | 9.6%    | 1.9%   | (11.1%) | (25.5%) | (61.4%) | (24.4%)       |
| EPS                              | (2.9%)  | (11.3%) | 5.3%    | 12.4%  | 15.8%   | 16.7%   | 6.3%   | 8.3%    | 3.5%   | 17.9%   | 4.8%    | 5.5%    | 7.2%          |
| CFPS                             | (9.9%)  | 16.7%   | (6.4%)  | 15.9%  | 79.3%   | (27.2%) | 29.6%  | (16.1%) | 10.8%  | 1.4%    | 5.2%    | 4.2%    | 5.8%          |
| FCFPS                            | (4.9%)  | 22.0%   | (22.1%) | 10.9%  | 114.9%  | (24.3%) | 25.3%  | (39.2%) | 52.3%  | 1.5%    | 5.8%    | 0.7%    | 9.0%          |
| DPS                              | (20.0%) | 0.0%    | 0.0%    | 0.0%   | 10.0%   | 9.1%    | 8.3%   | 7.7%    | 7.1%   | 6.7%    | 5.0%    | 4.3%    | 5.5%          |

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

### Key Metrics

|                                  | 2016    | 2017    | 2018    | 2019   | 2020    | 2021    | 2022   | 2023    | 2024   | 2025    | 2030    | 2033    |
|----------------------------------|---------|---------|---------|--------|---------|---------|--------|---------|--------|---------|---------|---------|
| <b>Growth Ratios (In %)</b>      |         |         |         |        |         |         |        |         |        |         |         |         |
| Revenue - Wholly Owned           | 0.7%    | (0.4%)  | 0.2%    | 3.4%   | 11.1%   | 0.7%    | 0.3%   | 0.4%    | 0.3%   | 0.1%    | 0.1%    | 0.1%    |
| Revenue - Adjusted               | 2.0%    | (6.1%)  | 1.8%    | 7.6%   | 4.6%    | 3.3%    | 5.2%   | 2.7%    | 0.5%   | 1.3%    | 0.9%    | 0.8%    |
| Gross Profit                     | 0.1%    | 0.4%    | 1.1%    | 3.5%   | 12.8%   | 0.4%    | (0.3%) | (0.6%)  | 0.3%   | 0.1%    | 0.1%    | 0.1%    |
| EBITDA                           | (1.1%)  | 0.5%    | 1.0%    | 3.9%   | 14.3%   | 0.4%    | (0.6%) | (0.5%)  | (0.0%) | (0.2%)  | (0.1%)  | (0.2%)  |
| EBITDA -Adjusted                 | 1.1%    | (7.2%)  | 3.1%    | 9.3%   | 5.9%    | 3.6%    | 5.5%   | 2.4%    | 0.4%   | 1.5%    | 0.9%    | 0.8%    |
| EBIT                             | (6.5%)  | 0.7%    | 2.2%    | (2.3%) | 22.1%   | 0.3%    | (3.7%) | (0.1%)  | 5.2%   | (0.5%)  | (0.4%)  | (0.4%)  |
| Income from JVs                  | 11.1%   | (38.7%) | 16.9%   | 40.8%  | (30.1%) | 26.5%   | 39.7%  | 13.9%   | 2.0%   | 7.5%    | 3.6%    | 2.9%    |
| Finance Charges/Interest Expense | (0.9%)  | (1.3%)  | 0.0%    | (0.1%) | (2.9%)  | (7.8%)  | 8.6%   | 9.6%    | 1.9%   | (11.1%) | (25.5%) | (61.4%) |
| EPS                              | (2.9%)  | (11.3%) | 5.3%    | 12.4%  | 15.8%   | 16.7%   | 6.3%   | 8.3%    | 3.5%   | 17.9%   | 4.8%    | 5.5%    |
| CFPS                             | (9.9%)  | 16.7%   | (6.4%)  | 15.9%  | 79.3%   | (27.2%) | 29.6%  | (16.1%) | 10.8%  | 1.4%    | 5.2%    | 4.2%    |
| FCFPS                            | (4.9%)  | 22.0%   | (22.1%) | 10.9%  | 114.9%  | (24.3%) | 25.3%  | (39.2%) | 52.3%  | 1.5%    | 5.8%    | 0.7%    |
| DPS                              | (20.0%) | 0.0%    | 0.0%    | 0.0%   | 10.0%   | 9.1%    | 8.3%   | 7.7%    | 7.1%   | 6.7%    | 5.0%    | 4.3%    |

### Operating Ratios (In %)

|                    |       |       |       |       |       |       |       |       |       |       |       |       |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Gross Margin       | 76.6% | 77.2% | 77.8% | 78.0% | 79.1% | 78.9% | 78.5% | 77.7% | 77.6% | 77.6% | 77.4% | 77.3% |
| EBITDA Margin      | 74.0% | 74.6% | 75.2% | 75.6% | 77.8% | 77.6% | 76.9% | 76.2% | 75.9% | 75.6% | 74.6% | 74.0% |
| Adj. EBITDA Margin | 76.8% | 75.9% | 76.9% | 78.1% | 79.1% | 79.3% | 79.6% | 79.4% | 79.3% | 79.4% | 79.9% | 79.8% |
| EBIT Margin        | 49.0% | 49.5% | 50.5% | 47.7% | 52.5% | 52.3% | 50.2% | 50.0% | 52.4% | 52.1% | 50.7% | 49.9% |
| Net Margin         | 31.1% | 27.7% | 29.1% | 31.6% | 33.0% | 38.2% | 40.5% | 43.7% | 45.1% | 53.1% | 75.6% | 86.5% |

### Finance Ratios

|                          |       |       |       |       |       |       |       |       |       |       |       |      |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| Net Debt-to-EBITDA       | 8.3   | 7.8   | 7.5   | 7.9   | 6.6   | 6.0   | 5.2   | 4.9   | 4.4   | 3.8   | 0.6   | -1.9 |
| Debt-Equity Ratio        | 4.1   | 3.5   | 2.9   | 3.1   | 3.0   | 2.3   | 1.7   | 1.5   | 1.5   | 1.3   | 0.3   | 0.0  |
| Net Debt-Equity Ratio    | 3.6   | 3.0   | 2.5   | 2.8   | 2.5   | 1.9   | 1.3   | 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% | 62.6% | 59.3% | 59.9% | 55.6% | 22.8% | 0.0% |
| Interest Coverage        | 1.3   | 1.3   | 1.3   | 1.3   | 1.6   | 1.8   | 1.6   | 1.4   | 1.5   | 1.6   | 4.7   | 23.7 |
| EBITDA Interest Coverage | 1.9   | 1.9   | 2.0   | 2.0   | 2.4   | 2.6   | 2.4   | 2.2   | 2.1   | 2.4   | 7.0   | 35.2 |

### Return Ratios (In %)

|      |       |       |       |       |       |       |       |       |       |       |       |       |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| ROIC | 5.6%  | 5.7%  | 5.8%  | 5.4%  | 6.6%  | 6.5%  | 5.9%  | 6.0%  | 5.8%  | 5.9%  | 6.6%  | 6.8%  |
| ROAE | 19.7% | 15.1% | 13.9% | 14.5% | 16.6% | 17.1% | 14.4% | 13.4% | 12.9% | 14.1% | 13.3% | 12.1% |
| ROAA | 3.1%  | 2.8%  | 3.0%  | 3.2%  | 3.6%  | 4.2%  | 4.5%  | 4.9%  | 4.8%  | 5.6%  | 9.2%  | 10.8% |

### Valuation

|                    |      |      |      |      |      |      |      |      |      |      |       |       |
|--------------------|------|------|------|------|------|------|------|------|------|------|-------|-------|
| EV/EBITDA-Adjusted | 15.5 | 16.3 | 15.6 | 14.8 | 13.7 | 12.7 | 11.4 | 10.9 | 10.4 | 9.8  | 7.0   | 5.1   |
| EV/EBIT            | 29.1 | 28.2 | 27.2 | 28.9 | 23.2 | 22.2 | 21.9 | 21.4 | 19.6 | 18.8 | 14.4  | 11.0  |
| P/E                | 26.1 | 29.4 | 27.9 | 24.8 | 21.5 | 18.4 | 17.3 | 16.0 | 15.4 | 13.1 | 9.1   | 8.0   |
| P/CF               | 22.2 | 19.0 | 20.3 | 17.5 | 9.8  | 13.4 | 10.3 | 12.3 | 11.1 | 11.0 | 7.8   | 7.0   |
| P/B                | 4.7  | 4.2  | 3.6  | 3.6  | 3.5  | 2.8  | 2.2  | 2.1  | 1.9  | 1.8  | 1.2   | 0.9   |
| Dividend Yield     | 2.2% | 2.2% | 2.2% | 2.2% | 2.4% | 2.7% | 2.9% | 3.1% | 3.3% | 3.6% | 4.7%  | 5.3%  |
| FCF Yield          | 4.3% | 5.3% | 4.1% | 4.6% | 9.8% | 7.4% | 9.3% | 5.6% | 8.6% | 8.7% | 12.4% | 13.4% |

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)                    | FY2023       | FY2024e      | FY2025e      | FY2026e      |
|--|--------------|--------------|--------------|--------------|
| <b>Revenue – Wholly-Owned Ships</b>            | <b>3,565</b> | <b>3,578</b> | <b>3,582</b> | <b>3,586</b> |
| Direct Costs                                   | (795)        | (800)        | (803)        | (806)        |
| <b>Gross Profit</b>                            | <b>2,770</b> | <b>2,778</b> | <b>2,779</b> | <b>2,780</b> |
| Income from Marine & Agency Services           | 60           | 55           | 51           | 47           |
| General and Administrative Expenses            | (114)        | (117)        | (121)        | (124)        |
| <b>EBITDA</b>                                  | <b>2,716</b> | <b>2,715</b> | <b>2,709</b> | <b>2,704</b> |
| Depreciation                                   | (935)        | (841)        | (844)        | (848)        |
| <b>EBIT</b>                                    | <b>1,781</b> | <b>1,874</b> | <b>1,865</b> | <b>1,856</b> |
| Share of Profits from Joint Ventures           | 785          | 801          | 860          | 924          |
| Finance Costs                                  | (1,249)      | (1,273)      | (1,132)      | (958)        |
| Interest, Dividend & Profit from Islamic Banks | 242          | 211          | 309          | 279          |
| <b>Profit Before Tax</b>                       | <b>1,559</b> | <b>1,614</b> | <b>1,902</b> | <b>2,101</b> |
| Income Tax Expense                             | 0            | 0            | 0            | 0            |
| <b>Profit After Tax</b>                        | <b>1,559</b> | <b>1,614</b> | <b>1,902</b> | <b>2,101</b> |
| Minority Interest                              | (1)          | (1)          | (1)          | (1)          |
| <b>Profit for Equity Shareholders</b>          | <b>1,558</b> | <b>1,613</b> | <b>1,901</b> | <b>2,100</b> |
| <b>EPS (QR)</b>                                | <b>0.281</b> | <b>0.291</b> | <b>0.343</b> | <b>0.379</b> |
| <b>Adjusted Revenue</b>                        | <b>4,410</b> | <b>4,433</b> | <b>4,493</b> | <b>4,558</b> |
| <b>Adjusted EBITDA</b>                         | <b>3,501</b> | <b>3,516</b> | <b>3,569</b> | <b>3,628</b> |

Source: Company data, QNB FS Research

| Balance Sheet (In QR mn)   | FY2023        | FY2024e       | FY2025e       | FY2026e       |
|--|---------------|---------------|---------------|---------------|
| <b>Non-Current Assets</b>  |               |               |               |               |
| Property, Plant and Equipment  | 21,002        | 20,261        | 19,516        | 18,767        |
| Investment in Joint Venture Companies  | 5,681         | 5,900         | 6,132         | 6,377         |
| Loans to Joint Venture Companies   | 90            | 90            | 90            | 90            |
| Equity Investments   | 142           | 129           | 129           | 129           |
| <b>Total Non-Current Assets</b>  | <b>26,915</b> | <b>26,380</b> | <b>25,866</b> | <b>25,362</b> |
| <b>Current Assets</b>  |               |               |               |               |
| Receivables, Inventories, Due from Joint Ventures & Others                   | 838           | 691           | 692           | 693           |
| Cash and Bank Balances   | 4,224         | 7,456         | 7,211         | 6,707         |
| <b>Total Current Assets</b>  | <b>5,062</b>  | <b>8,147</b>  | <b>7,903</b>  | <b>7,400</b>  |
| <b>Total Assets</b>  | <b>31,977</b> | <b>34,528</b> | <b>33,769</b> | <b>32,762</b> |
| <b>Equity</b>  |               |               |               |               |
| Equity Attributable to the Parent  | 12,084        | 12,943        | 14,034        | 15,269        |
| Minority Interest  | 6             | 7             | 8             | 9             |
| <b>Total Equity</b>  | <b>12,090</b> | <b>12,949</b> | <b>14,042</b> | <b>15,278</b> |
| <b>Non-Current Liabilities</b>   |               |               |               |               |
| Borrowings   | 16,495        | 17,548        | 15,339        | 13,113        |
| Lease Liability, Provision for End of Service Benefits and Other Liabilities | 710           | 667           | 627           | 587           |
| <b>Total Non-Current Liabilities</b>   | <b>17,205</b> | <b>18,216</b> | <b>15,966</b> | <b>13,700</b> |
| <b>Current Liabilities</b>   |               |               |               |               |
| Borrowings   | 1,125         | 1,816         | 2,209         | 2,226         |
| Accounts Payables/Accruals, Due to Joint Ventures & Others                   | 1,556         | 1,546         | 1,552         | 1,558         |
| <b>Total Current Liabilities</b>   | <b>2,681</b>  | <b>3,363</b>  | <b>3,761</b>  | <b>3,783</b>  |
| <b>Equity and Liabilities</b>  | <b>31,977</b> | <b>34,528</b> | <b>33,769</b> | <b>32,762</b> |

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> |                                   |
| <b>OUTPERFORM</b>   | Greater than +20%    | <b>R-1</b>   | Significantly lower than average  |
| <b>ACCUMULATE</b>   | Between +10% to +20% | <b>R-2</b>   | Lower than average                |
| <b>MARKET PERFORM</b>   | Between -10% to +10% | <b>R-3</b>   | Medium / In-line with the average |
| <b>REDUCE</b>   | Between -10% to -20% | <b>R-4</b>   | Above average                     |
| <b>UNDERPERFORM</b>   | Lower than -20%      | <b>R-5</b>   | Significantly above average       |

## Contacts

QNB Financial Services Co. W.L.L.  
 Contact Center: (+974) 4476 6666  
[info@qnbfs.com.qa](mailto:info@qnbfs.com.qa)  
 Doha, Qatar

Saugata Sarkar, CFA, CAIA  
 Head of Research  
[saugata.sarkar@qnbfs.com.qa](mailto:saugata.sarkar@qnbfs.com.qa)

Shahan Keushgerian  
 Senior Research Analyst  
[shahan.keushgerian@qnbfs.com.qa](mailto:shahan.keushgerian@qnbfs.com.qa)

Phibion Makuwerere, CFA  
 Senior Research Analyst  
[phibion.makuwerere@qnbfs.com.qa](mailto:phibion.makuwerere@qnbfs.com.qa)

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