

QNBFS Alert – QGTS 3Q2013 Results Show Sequential Growth

- **3Q2013 results in-line on an operating basis.** Nakilat reported 3Q2013 results with: (1) Revenue from wholly-owned vessels ahead by 2% vs. our estimate at QR764mn (+3% QoQ, +1% YoY). (2) Share of operating profits from JVs improved to QR80mn (+11% QoQ, +15% YoY) and was 7% ahead of our estimate given the recovery in LPG shipping rates during the quarter. EBITDA of QR580mn (flat QoQ, -2% YoY) was bang in line with our estimate. (3) Adjusted EBITDA of QR671mn (+1% QoQ, -1% YoY) was 3% below our estimate of QR692mn driven primarily by interest, vessel sub-chartering and other income. (4) Net income of QR193mn (+6% QoQ, +7% YoY) was also impacted by QR4mn in losses from derivative instruments in JVs, which we do not model. Excluding this, net income was 6% softer than our estimate of QR211mn. *Please refer to table in next page for more details.*
- **Maintain Market Perform rating with a QR18.06 price target.** Near-term catalysts remain limited beyond EPS accretion due to debt repayments/refinancing. However, we continue to expect the company's wholly-owned LNG shipping business to post stable EBITDA on an annual basis (despite quarterly volatility). The announced fleet expansion of jointly-held LNG vessels to 29 to 31 by early 2014 is incrementally (albeit marginally) positive in terms of earnings. However, this deal could be a precursor of things to come if Nakilat can indeed replicate its success beyond Qatargas and RasGas. Moreover, the shipyard business could surprise positively later in 2014/2015. QGTS also trades at an attractive 2013 dividend yield of ~6%. Nakilat remains a vital link in the State of Qatar's LNG value chain and we maintain our long-term bullish stance on the company.

Income Statement (QR Million)							
Particulars	3QFY12	2QFY13	3QFY13	3QFY13E	A v. E	Q/Q	YY
Revenue from Wholly-Owned Vessels	752.848	742.152	764.076	750.308	2%	3%	1%
Operating Costs	(157.915)	(148.517)	(173.223)	(158.690)	9%	17%	10%
Gross Profit	594.933	593.635	590.853	591.618	0%	0%	-1%
<i>Gross Margin</i>	<i>79.0%</i>	<i>80.0%</i>	<i>77.3%</i>	<i>78.9%</i>			
Income from Marine and Agency Services	9.501	11.072	11.224	12.000	-6%	1%	18%
General and Administrative Expenses	(13.921)	(24.131)	(22.190)	(25.052)	-11%	-8%	59%
EBITDA	590.513	580.576	579.887	578.566	0%	0%	-2%
Depreciation & Amortization	(149.110)	(149.018)	(153.399)	(149.018)	3%	3%	3%
EBIT	441.403	431.558	426.488	429.548	-1%	-1%	-3%
<i>EBIT Margin</i>	<i>58.6%</i>	<i>58.1%</i>	<i>55.8%</i>	<i>57.2%</i>			
Share of Operating Profits from Joint Ventures	70.078	72.326	80.396	75.000	7%	11%	15%
Finance Costs	(355.568)	(332.872)	(319.993)	(332.264)	-4%	-4%	-10%
Interest, Dividend income & Profit from Islamic Banks	9.670	6.819	6.872	12.386	-45%	1%	-29%
Vessel Sub-Chartering & Other Income	10.619	7.895	3.999	26.324	-85%	-49%	-62%
Gain / (Loss) on Derivatives from JVs	5.434	(3.322)	(4.190)			26%	-177%
Profit Before Tax	181.636	182.404	193.572	210.992	-8%	6%	7%
Profit After Tax	181.636	182.404	193.572	210.992	-8%	6%	7%
Minority Interest	(0.107)	(0.247)	(0.234)	(0.286)	-18%	-5%	119%
Profit for equity holders	181.529	182.157	193.338	210.707	-8%	6%	7%
<i>Net Profit Margin</i>	<i>24.1%</i>	<i>24.5%</i>	<i>25.3%</i>	<i>28.1%</i>			
EPS (QR)	0.33	0.33	0.35	0.38	-8%	6%	7%
Adjusted EBITDA	680.880	667.616	671.154	692.275	-3%	1%	-1%
<i>Adjusted EBITDA Margin</i>	<i>90.4%</i>	<i>90.0%</i>	<i>87.8%</i>	<i>92.3%</i>			

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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