

QNBFS Alert – QGTS 1Q2013 Core Business Results In Line

- **1Q2013 core business results come in line with our estimate; maintain Accumulate rating with QR18.10 price target.** Nakilat reported broadly in line 1Q2013 results with: (1) Revenue from wholly-owned vessels falling right in line with our estimate QR746mn (-2% QoQ, flat YoY) with the sequential decline likely driven by lower operating days in 1Q vs. 4Q. (2) EBITDA of QR569mn also coming right in line with our estimate of QR569mn. (3) Adjusted EBITDA of QR668mn (-1% QoQ, -2% YoY), however, was 4% below our estimate of QR698 driven primarily by lower-than-expected income from JVs and vessel & sub-chartering income. (4) Net income of QR177mn (-13% QoQ, flat YoY) was also impacted by QR12mn in losses from derivative instruments in JVs, which we do not model. Excluding this, net income was 10% softer than our estimate of QR210mn.
- **While the miss and sequential decline in net income in 1Q2013 could impact the stock near term, our thesis on QGTS remains unchanged.** We continue to remain positive on Nakilat over the long term given its steady operating model and solid dividend yield (2013 DY: 6.9%). QGTS remains Qatar's primary LNG carrier and benefits from stable/visible revenue and cash flow through 25-year fixed (price and quantity) charter contracts with the state-controlled LNG producers, Qatargas and RasGas. With fleet expansion completed in 2010, we expect strong FCF generation to allow the company to meet its debt repayments (1Q2013 debt: QR23.9bn) comfortably and lead to EPS accretion. Moreover, the shipyard business could surprise positively later in 2013/2014. Our price target and estimates for QGTS remain unchanged.