

QNBFS Alert – QGTS' 2013 Operating Results and Dividends In Line

- **4Q2013 results in-line on an operating basis.** Nakilat reported 4Q2013 results with: (1) Revenue from wholly-owned vessels in line vs. our estimate at QR763mn (flat QoQ and YoY). (2) Share of operating profits from JVs falling to QR72mn (-11% QoQ, +35% YoY) and was 7% below our estimate due to possible sequential softness of LPG shipping rates beyond our expectations. EBITDA of QR579mn (flat QoQ and YoY) was only 1% ahead of our estimate mostly driven by better-than-expected operating costs for the quarter. (3) Adjusted EBITDA of QR661mn (-2% QoQ and YoY) was also just 1% below our estimate of QR671mn driven primarily by interest, vessel sub-chartering and other income. (4) Net income, before appropriations, of QR177mn (-9% QoQ, -13% YoY) was also impacted by QR6mn in losses from derivative instruments in JVs, which we do not model. Excluding this, net income was 9% softer than our estimate of QR201mn. Items such as depreciation & amortization and finance costs also impacted earnings vs. our estimate.
- **DPS of QR1.10 a share is in line with our estimate.** This represents an annual growth of 10% and represents a payout of almost 84%. We continue to expect QR1.20 in DPS for 2014.
- **We continue to remain positive on Nakilat over the long term given its steady operating model and solid dividend yield.** 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 QGTS to meet its debt repayments (2013 net debt: QR21.2bn) comfortably and lead to EPS accretion. Moreover, the shipyard business could surprise positively later in 2014/2015. QGTS also trades at decent 2014 dividend yield of 5.4%.
- **We maintain our Market Perform rating with a price target of QR22.89.**

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

Abdullah Amin, CFA
Senior Research Analyst
+974 4476 6569
abdullah.amin@qnbfs.com.qa

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

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