

Qatar Gas Transport Company/Nakilat (QGTS)

Recommendation	Outperform	Risk Rating	R-3
Share Price	QR4.583	Target Price	QR5.600
Implied Upside	22.2%		

Strong Start With A Broad-Based 1Q2025 Earnings Beat; Stay Outperform

QGTS reported 1Q2025 earnings that came in above our expectations driven by upside in wholly owned vessels, margins and finance charges offsetting a miss on the JV income line. Overall results continue to remain reassuring with Nakilat delivering on its growth metrics. We remain comfortable with our 2025 earnings/EPS estimate of QR1,846.5mn/QR0.333 (up 12.8% YoY) and continue to reiterate QGTS as our top pick. Nakilat stands out as a true growth story, leveraged to the massive anticipated growth expected from Qatar's North Field Expansion project, with its: (1) current operations valued at QR4.100 a share; (2) upcoming fleet expansion of 27 conventional LNG vessels/4 VLGCs adding a QR1/share; and (3) contract win of 9 QC-Max LNG carriers adding another QR0.50/share. Nakilat is presently involved in 75-80% of Qatar's current LNG exports. As QatarEnergy looks to increase LNG capacity from 77 MTPA to 142 MTPA, it has awarded contracts for 128 LNG ships (104 conventional & 24 QC-Max vessels). QGTS has secured contracts for 25 conventional LNG ships and 9 QC-Max vessels (27% of total fleet expansion). We estimate these new conventional/QC-Max vessels should add QR1/QR0.50 to our target price and thus raised Nakilat's TP from QR4.10 to QR5.60 when these deals were announced in February/May of 2024. We envision a roughly 60% boost to our earnings estimates over 2026-2031 once all expansion is factored in. We stay bullish on Nakilat – irrespective of the volatility of the LNG shipping market, QGTS's business should remain relatively unaffected given the LT nature of its charters. Moreover, the 40-year life of existing vessels vs. maximum debt life of 25 years, could allow for value-enhancement. QGTS is trading at P/E's of 13.8x/12.9x for 2025/2026.

Highlights

- Nakilat's net profit/EPS rose 3.2% YoY and 19.7% QoQ to QR433.2mn/QR0.078 in 1Q2025, besting our estimate of QR403.3mn/QR0.073 by 7.4%. For more details, please see page 2.
- Wholly owned ship revenue of QR908.6mn (1.5% YoY, 0.5% QoQ) was modestly above our estimate of QR895.6mn (1.4% divergence). EBITDA of QR721.3mn (3.7% YoY, 7.4% QoQ) was 4.0% above our forecast of QR693.2mn buoyed by lower-than-expected cash operating costs of the wholly owned fleet (cash gross margins increased to 79.7% vs. our model of 78.4%; GMs improved YoY/QoQ vs. 78.6%/78.3% in 1Q2024/4Q2024. G&A of QR18.8mn (-10.5% YoY, -61.6% QoQ) was better than our estimate of QR21.0mn (-10.6% difference) due to timing variation of costs and expense optimization.
- Depreciation of QR212.1mn (3.5% YoY, -2.8% QoQ) was in-line with our forecast of QR211.3mn (0.4% difference). We continue to remind investors 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 account for these dry-dock days ensuring a stable and consistent revenue stream.
- JV income of QR156.6mn (-5.2% YoY, 10.5% QoQ) was 4.0% below our estimate of QR163.0mn as lower spot rates affected some jointly held LNG/LPG operations. We note that Nakilat's exposure to spot rates is limited to only a few JV vessels. Moreover, management remains confident that the shipyard will bounce back despite a subdued performance in 2024. QGTS's shipyard business should benefit from a steady pickup in dry-docking activity toward end-2025, picking up steam in 2026-27. We note that dry-docking does not affect wholly owned fleet utilization given they operate under LT contracts and continue to receive charter revenue even when the vessels undergo dry-docking.
- Finance costs of QR258.0mn (-12.9% YoY, -2.7% QoQ) was 4.8% below our model of QR271.0mn. Interest costs fell due to scheduled loan repayments/refinancing at lower rates, while interest associated with the fleet expansion is currently being capitalized. Debt of QR19.4bn was flat (-0.3%) vs. 2024 as QGTS took on new debt to finance its new build program, offset by scheduled repayments. Interest, dividend & other income of QR34.0mn (-43.6% YoY, 5.0% QoQ) was 15.2% above our model of QR29.5mn; YoY decline was due to lower interest income given fleet expansion & dividend outlays.
- We envision a roughly 60% boost to our earnings estimates over 2026-2031 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. According to information released in Nakilat's presentation, the lion-share of payments/deliveries will be in 2027. For payments, QGTS expects to expend 10% in 2024, 5-10% in 2025, 10-20% in 2026, 25-35% in 2027 and 10% p.a. over 2028-2031. As far as vessel deliveries are concerned, QGTS expects to receive 5-10% of the new fleet in 2026, 35-45% in 2027, 15-20% in 2028 and 10% p.a. over 2029-2031. We will update our model once more details, including capex, leverage and charter economics, 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 think Nakilat is the best avenue for equity investors to participate in Qatar's LNG sector's LT growth.
- Risks:** Execution risks remain given the magnitude of the expansion.

Key Financial Data and Estimates

	FY2022	FY2023	FY2024	FY2025e
EPS (QR)	0.26	0.28	0.30	0.33
P/E (x)	17.6	16.3	15.5	13.8
DPS (QR)	0.13	0.14	0.14	0.15
Dividend Yield	2.8%	3.1%	3.1%	3.3%

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

Key Data

Current Market Price (QR)	4.583
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)	4.949/3.912
3-m Average Volume ('mn)	3.9
Mkt. Cap. (\$ bn/QR bn)	7.0/25.4
EV (\$ bn/QR bn)	11.5/42.0
Shares Outstanding (mn)	5,540.0
FO Limit* (%)	100.0
Current Institutional FO* (%)	14.7
1-Year Total Return (%)	18.6
Fiscal Year End	December 31

Source: Bloomberg (as of April 29, 2025), *Qatar Exchange (as of April 29, 2025); Note: FO is foreign ownership

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

1Q2025 Results

QNB FS 1Q2025 Estimates and Comparisons

Income Statement							
In QR mn Except Otherwise Noted	1Q2024	4Q2024	1Q2025	1Q2025e	A Vs. E	YoY	QoQ
Revenue from Wholly-Owned Vessels	895.071	904.413	908.610	895.646	1.4%	1.5%	0.5%
Operating Costs	(191.557)	(196.194)	(184.331)	(193.460)	-4.7%	-3.8%	-6.0%
Gross Profit	703.514	708.219	724.279	702.187	3.1%	3.0%	2.3%
Gross Margin	78.6%	78.3%	79.7%	78.4%			
Income from Marine and Agency Services	12.992	12.044	15.782	12.042	31.1%	21.5%	31.0%
General and Administrative Expenses	(21.026)	(48.922)	(18.810)	(21.040)	-10.6%	-10.5%	-61.6%
EBITDA	695.480	671.341	721.251	693.189	4.0%	3.7%	7.4%
Depreciation of Property and Equipment	(204.912)	(218.186)	(212.134)	(211.285)	0.4%	3.5%	-2.8%
EBIT	490.568	453.155	509.117	481.905	5.6%	3.8%	12.3%
EBIT Margin	54.8%	50.1%	56.0%	53.8%			
Income from Joint Ventures	165.083	141.683	156.560	163.011	-4.0%	-5.2%	10.5%
Finance Costs	(296.113)	(265.125)	(257.962)	(270.996)	-4.8%	-12.9%	-2.7%
Interest, Dividend income & Profit from Islamic Banks	60.325	32.407	34.028	29.528	15.2%	-43.6%	5.0%
Profit Before Tax	419.863	362.120	441.743	403.448	9.5%	5.2%	22.0%
Taxes			(8.288)	-			
Tax Rate			1.9%	0.0%			
Profit After Tax	419.863	362.120	433.455	403.448	7.4%	3.2%	19.7%
Minority Interest	(0.106)	(0.172)	(0.252)	(0.102)	147.4%	137.7%	46.5%
Net Income to Equity	419.757	361.948	433.203	403.346	7.4%	3.2%	19.7%
Net Profit Margin	46.9%	40.0%	47.7%	45.0%			
EPS (QR)	0.076	0.065	0.078	0.073	7.4%	3.2%	19.7%
Adjusted EBITDA	860.563	813.024	877.811	856.201	2.5%	2.0%	8.0%
Adjusted Revenue	1,073.146	1,058.140	1,080.952	1,070.700	1.0%	0.7%	2.2%

Particulars	1Q2024	4Q2024	1Q2025	1Q2025e
Adj. EBITDA Margin	80.2%	76.8%	81.2%	80.0%
Gross Margin	78.6%	78.3%	79.7%	78.4%
EBIT Margin	54.8%	50.1%	56.0%	53.8%
G & A % of Sales	2.3%	5.4%	2.1%	2.3%
Depreciation & Amortization % of Sales	22.9%	24.1%	23.3%	23.6%

Source: Company data, QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	FY2023	FY2024	FY2025e	FY2026e
Revenue – Wholly-Owned Ships	3,565	3,614	3,623	3,627
Direct Costs	(795)	(809)	(819)	(822)
Gross Profit	2,770	2,805	2,803	2,805
Income from Marine & Agency Services	60	55	61	63
General and Administrative Expenses	(114)	(113)	(106)	(109)
EBITDA	2,716	2,748	2,759	2,759
Depreciation	(935)	(839)	(835)	(838)
EBIT	1,781	1,909	1,924	1,921
Share of Profits from Joint Ventures	785	675	792	835
Finance Costs	(1,249)	(1,130)	(1,031)	(941)
Interest, Dividend & Profit from Islamic Banks	242	184	163	150
Profit Before Tax	1,559	1,638	1,847	1,965
Income Tax Expense	0	0	0	0
Profit After Tax	1,559	1,638	1,847	1,965
Minority Interest	(1)	(1)	(1)	(1)
Profit for Equity Shareholders	1,558	1,637	1,847	1,964
EPS (QR)	0.28	0.30	0.33	0.35
Adjusted Revenue	4,410	4,345	4,475	4,525
Adjusted EBITDA	3,501	3,423	3,550	3,594

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

Contacts

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

Saugata Sarkar, CFA, CAIA
Head of Research
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
Senior Research Analyst
shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
Senior Research Analyst
phibion.makuwerere@qnbfs.com.qa

Disclaimer and Copyright Notice: This publication has been prepared by QNB Financial Services WLL ("QNB FS") a wholly-owned subsidiary of QNB Q.P.S.C ("QNB"). QNB FS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange QNB Q.P.S.C. is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNB FS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. QNB FS accepts no liability whatsoever for any direct or indirect losses arising from use of this report. Any investment decision should depend on the individual circumstances of the investor and be based on specifically engaged investment advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNB FS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. QNB FS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. For reports dealing with Technical Analysis, expressed opinions and/or recommendations may be different or contrary to the opinions/recommendations of QNB FS Fundamental Research as a result of depending solely on the historical technical data (price and volume). QNB FS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report. This report may not be reproduced in whole or in part without permission from QNB FS

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNB FS.