

Attractive Valuations & LNG Expansion To Spark Re-Rating Of Qatari Stocks

We note the QSE has underperformed regional and global peers in the post-COVID era and, more specifically YTD, even as QSE earnings are set to grow this year according to our expectations. The latest QSE 1Q2024 results show an aggregate earnings growth of 5.8%/30.7% YoY/QoQ, a trend we expect to persist throughout 2024. **We remain constructive on local equities as we see two major themes supporting a positive outlook for the QSE.**

Theme 1: First, in the immediate horizon, there is a strong case for statistical arbitrage playing out, as the QSE is showing great value attributes due to short-term mispricing of the local market relative to peers and historically. Under the two regimes (post-GFC and post-COVID) we studied, we note the QSE Index has been highly correlated with the composite regional market (S&P GCC Composite LargeMid Cap Index) in both instances and we have confidence that this relationship should continue to hold. **We therefore hypothesize that the divergence in the relative prices should revert to their historical means in the foreseeable future. Historically, the QSE mispricing has remained below the 1std divergence mean only 24% of the time – currently it is ~1.5std below the divergence mean. Moreover, if we stress test assuming a “worst-case” 20% decline in earnings in the next 12 months, valuations remain compelling as they remain below the historical averages for many companies. On average, the market looks attractive with the stress-tested QSE Index TTM PE ratio at 13.3x, printing lower than the post-COVID average of 14.6x.**

Theme 2: Second, in the longer term, there is an undeniable fundamental/LNG story that is set to “lift all boats” directly and/or indirectly. The North Field LNG expansion should see the local economy growing relatively fast in the medium term, which should filter to local companies’ bottom-lines directly and/or indirectly. **We note that the QSE Index had a cumulative growth of 303.1% during the period 1997-2011, when the State of Qatar grew its LNG capacity from 4 MTPA to 77 MTPA, compared to a growth of 266.1% for the Saudi Tadawul Exchange Index, 177.5% for the MSCI Emerging Markets Index and 56.5% for the MSCI World Index. However, once this capacity of 77 MTPA was attained, the QSE Index recorded a lower cumulative growth of 36.0% during the period 2012-2023.** We would be the first to admit that this is a simplistic way of looking at market performance. **While there is no doubt that major events -- such as the opening up of the equity market to foreign investors, interest rates/inflation, the global financial crisis, COVID-19, the FIFA World Cup, the increase in FOLs, etc. -- did affect the QSE Index, we do note that there is precedence for the equity market to improve once Qatar’s LNG capacity starts to expand.**

Price Performance (Base=100, Rebased Post-COVID)

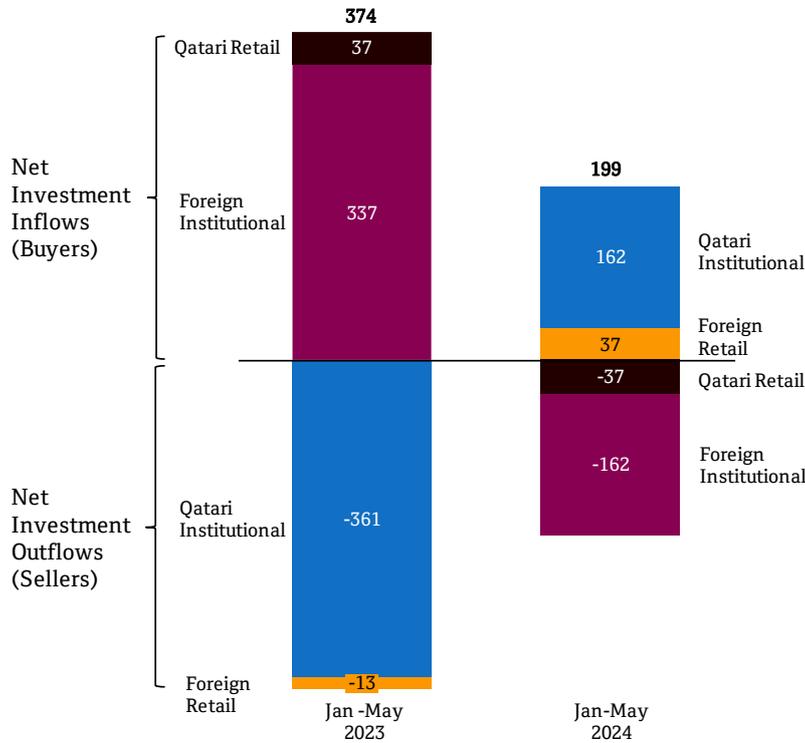


Source: Bloomberg, QNBFS Research

- **YTD until May, the global equity complex (ACWI) ended on a strong note, rising 8.1% (vs +7.8% in 1Q2024),** benefitting from currency dynamics/corporate reforms in Japan, the continuation of the AI/tech trade and expectations of synchronized global interest rate cuts. **Meanwhile, the QSE fell by 14.0% YTD until May (vs 1Q2024: -9.1%), while the regional index was also down by 6.5% (1Q2024: -1.0%), with the Tadawul (-3.9%), Dubai (-2.0%) and Abu Dhabi (-7.5%) all lower.**
- **Overall, there has been a shift in investment flows for the first five months (January-May) of 2024, with Qatari institutional investors turning net buyers of Qatari equities with a net long position of \$162mn for Jan-May 2024, compared to a net short position of \$361mn during the similar period of Jan-May 2023.** Qatari institutional activity has been buoyed by increased participation by local market making/liquidity provisioning programs. On the other hand, non-Qatari institutions were net short by \$162mn during Jan-May 2024, compared to a net long position of \$337mn during Jan-May 2023. **Overall, net investment inflows have slowed down during the first five months of 2024 to \$199mn, from \$374mn during Jan-May 2023.** While we expect the market to remain volatile from the ongoing regional geopolitical conflicts, we continue to remain positive longer-term on the Qatari market.

QSE Investment Flows

(\$ Million)



Source: Qatar Stock Exchange

Source: QSE; QNBFS Research

Thesis 1: Mean Reversion Possible With The QSE ~1.5 SD Below Divergence Mean (Vs. S&P GCC)

- We are of the view that statistical arbitrage could drive QSE's near-term returns – a contrarian investment strategy that exploits temporary deviations in prices with a focus on mean reversion. Under the two regimes (post-GFC and post-COVID) we studied, we note the QSE Index has been highly correlated with the composite regional market (S&P GCC Composite LargeMid Cap Index) in both instances – we have confidence that this relationship should continue to hold. We therefore hypothesize that the divergence in the relative prices should revert to their historical means in the foreseeable future. For Qatari stocks, this means equities are likely to go up to realign with their historical relative price ratios with peers.

Correlation Matrix: QSE Vs. Regional/Global Indices & Prices

Post-GFC/Low Inflation Regime

	Nat. Gas	Brent	QSE Index	Tadawul	S&P GCC	Dubai	Abu Dhabi	MSCI World
Brent	0.35							
QSE Index	(0.24)	(0.05)						
Tadawul	(0.11)	0.16	0.83					
S&P GCC	(0.06)	0.18	0.83	0.98				
Dubai	(0.18)	(0.35)	0.83	0.70	0.69			
Abu Dhabi	(0.34)	(0.43)	0.77	0.70	0.72	0.86		
MSCI World	(0.45)	(0.30)	0.62	0.62	0.64	0.65	0.90	
MSCI EM	(0.01)	0.47	0.24	0.45	0.49	0.09	0.20	0.46

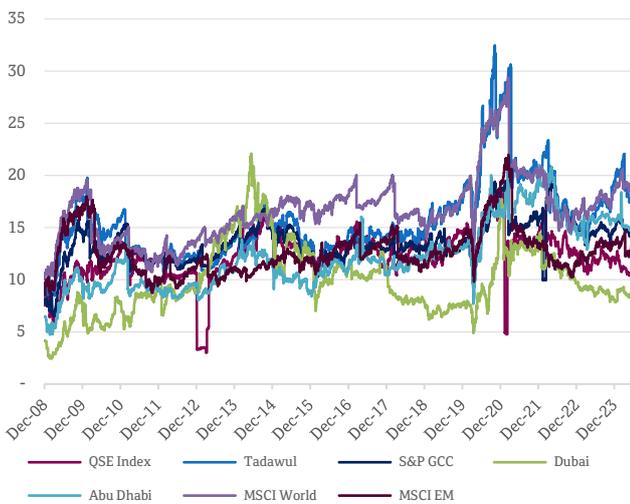
Post-COVID/High Inflation Regime

	Nat. Gas	Brent	QSE Index	Tadawul	S&P GCC	Dubai	Abu Dhabi	MSCI World
Brent	0.59							
QSE Index	0.80	0.75						
Tadawul	0.49	0.69	0.68					
S&P GCC	0.61	0.92	0.82	0.97				
Dubai	0.14	0.74	0.29	0.82	0.73			
Abu Dhabi	0.43	0.86	0.57	0.88	0.88	0.88		
MSCI World	0.10	0.56	0.29	0.79	0.67	0.71	0.59	
MSCI EM	0.03	(0.10)	0.12	(0.00)	(0.02)	(0.31)	(0.34)	0.36

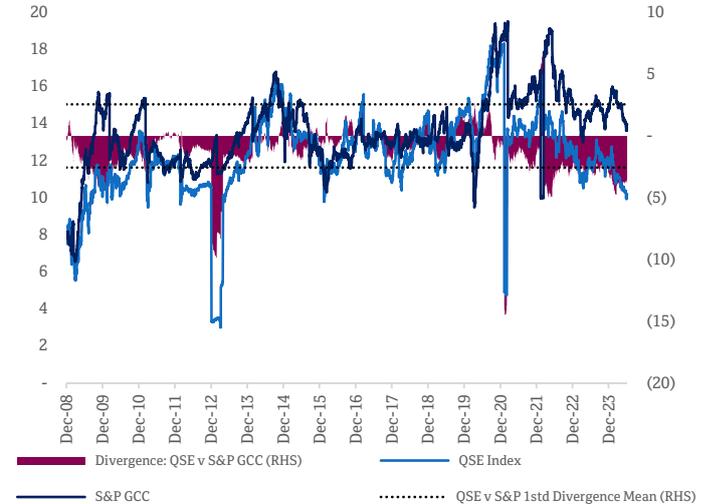
Source: Bloomberg, QNBFS Research

- We believe the reversion to mean thesis is well founded, supported by attractive valuations across the local market relative to the region and historically.

Forward PE: QSE Vs. Various Indices



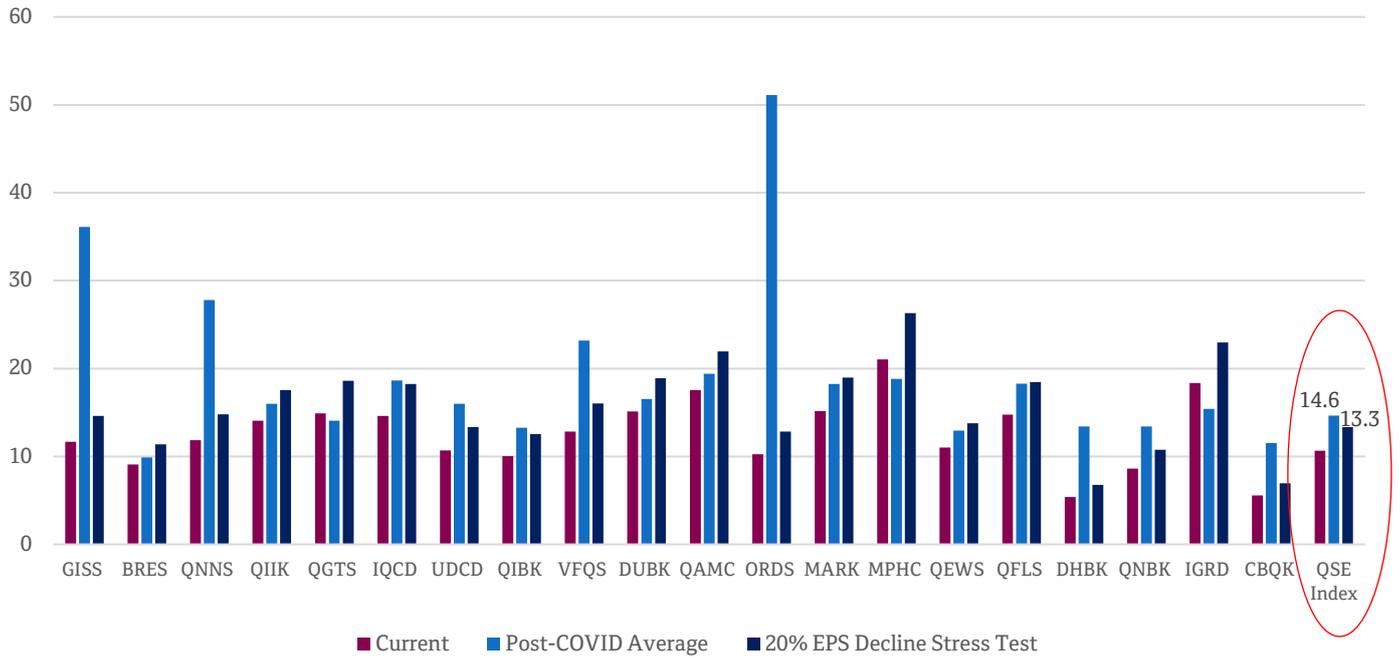
Forward PE: QSE Vs. S&P GCC



Source: Bloomberg, QNBFS Research

- Historically, the QSE mispricing has remained below the 1std divergence mean only 24% of the time – currently it is ~1.5std below the divergence mean. An analysis of the individual components of the QSE Index sheds more light on deep value attributes exhibited at a stock level. Even after assuming a “worst-case” 20% decline in earnings in the next 12 months, valuations remain compelling as they remain below the historical averages for many companies. On average, the market looks attractive with the stress-tested QSE Index PE ratio at 13.3x, printing lower than the post-COVID average of 14.6x.

Stress Testing: T12M Reported PE Analysis Of The QSE Index Constituents



Source: Bloomberg, QNBFS Research; Note: Post-COVID averages for ORDS, QNNS and GISS are negatively affected by one-offs, such as impairments

- Moreover, in the short term, business activity is picking up as the latest non-energy sector PMI shows the strongest improvement in business conditions since September. That should support businesses with significant local exposure. The PMI printed at 53.6 in May, up from 52 in April, as output and new orders increased at the fastest rates since the third quarter of 2023. Meanwhile, tourism activity remains robust as government efforts to boost arrivals are paying off.

Thesis 2: Significant LNG Expansion Could Boost Qatari Equities Just Like It Did During The Last Cycle

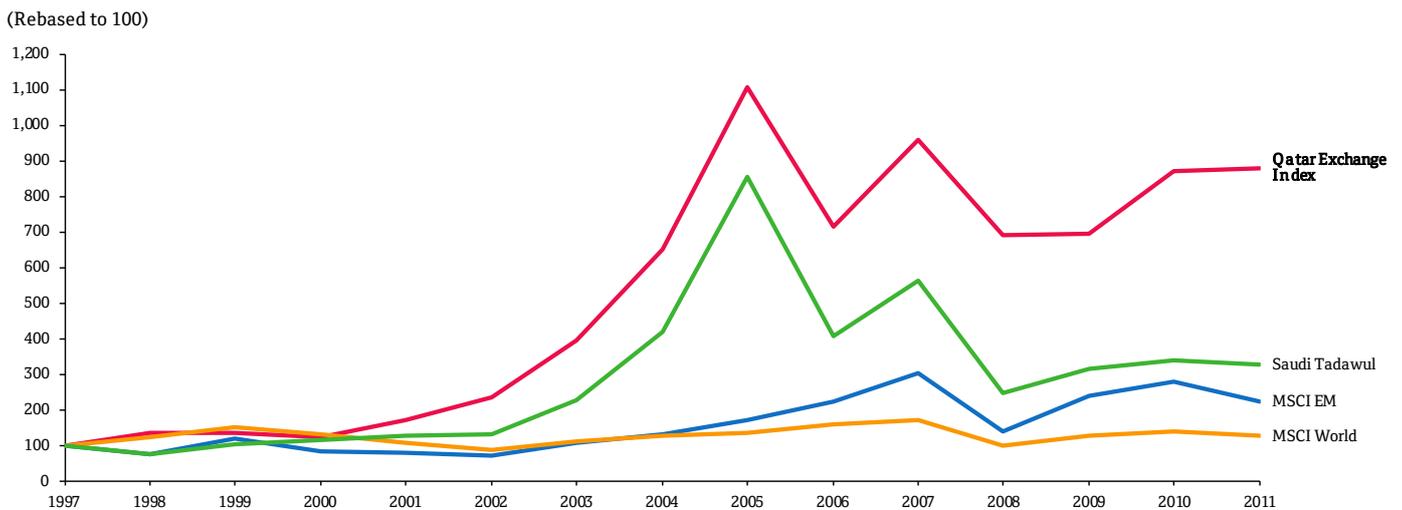
- Looking at the initial LNG development/growth phase from 1997-2011 wherein LNG output grew from 4 Million Tons Per Annum (MTPA) in 1997 to 77 MTPA in 2011, we see a significant growth in the QSE Index. The Qatar Exchange Index had a cumulative growth of 303.1% during the period 1997-2011, compared to a growth of 266.1% for the Saudi Tadawul Exchange Index, 177.5% for the MSCI Emerging Markets Index and 56.5% for the MSCI World Index. Although we do note that other major events such as the opening up of the equity market to foreign investors, high interest rates, high inflation, the global financial crisis and the FIFA World Cup bid win, among others, did occur during the period, our calculations take a somewhat simplistic approach during the review period from 1997-2011.

Qatar LNG Growth Phase 1997-2011



Source: QSE, QNBFS Research

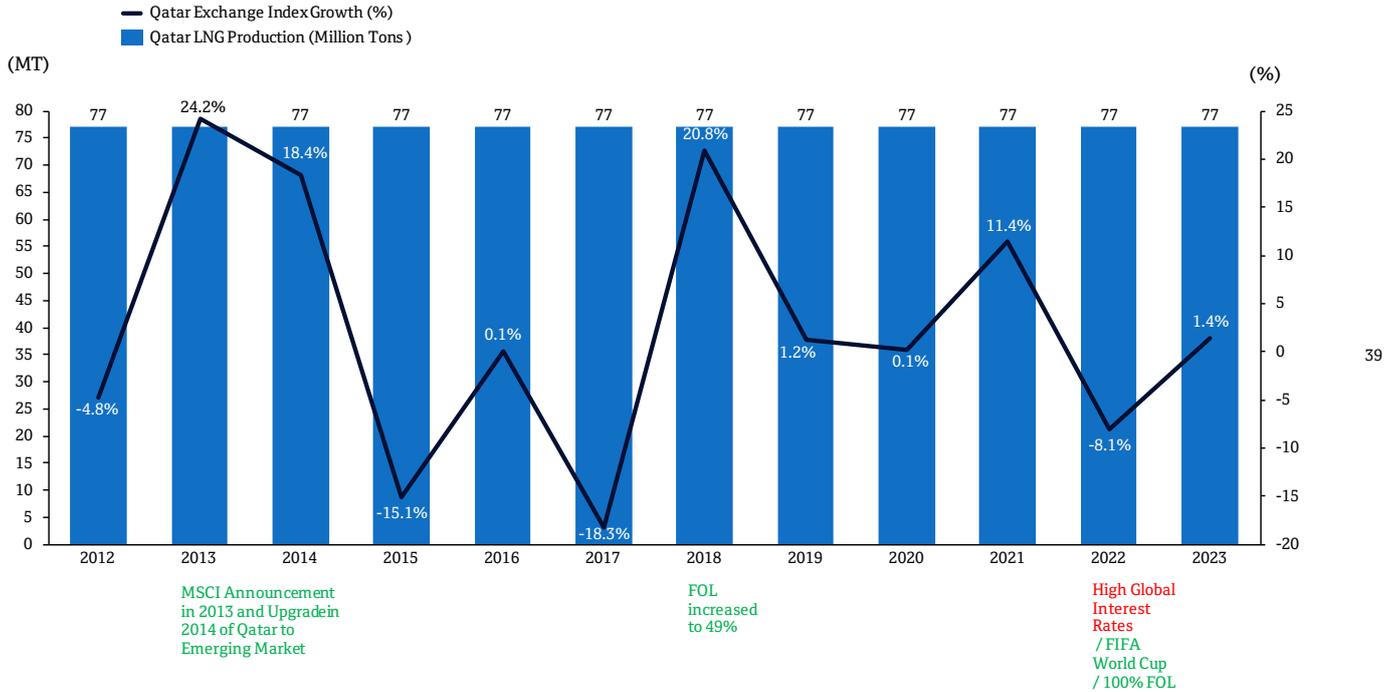
QE Index Growth Comparison During Qatar LNG Growth Phase



Source: QSE, QNBFS Research

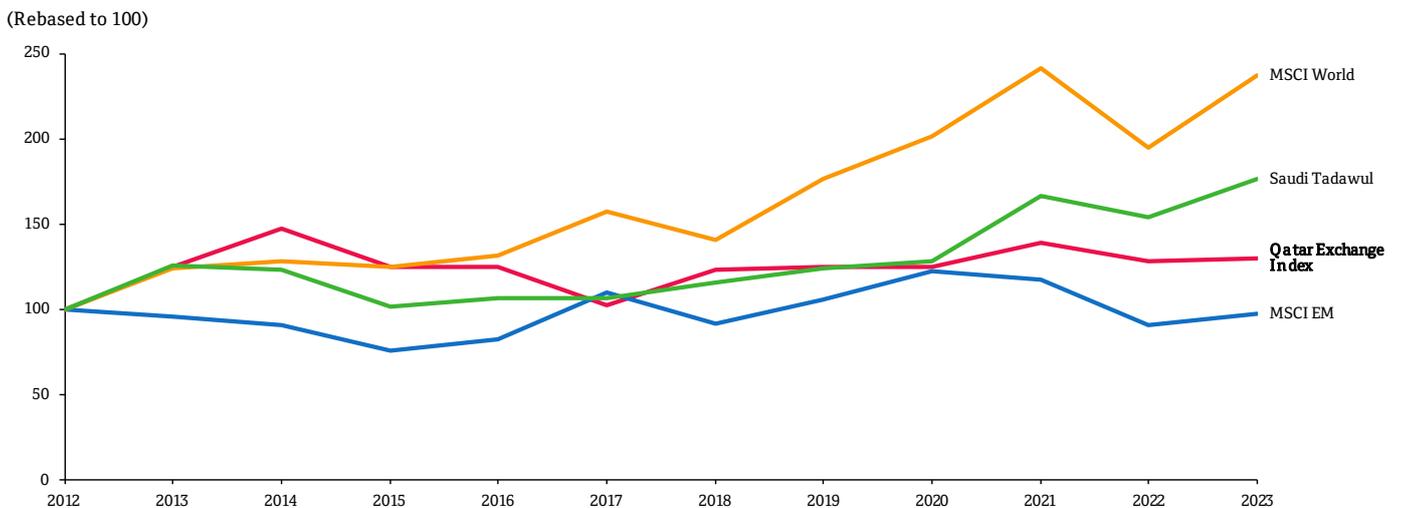
- During the LNG steady phase from 2012 to 2023 wherein LNG output stood at 77 MTPA, we do not see the high growth rates in the QSE Index as witnessed in the LNG growth phase. The Qatar Exchange Index had a cumulative growth of 36.0% during the period 2012-2023, compared to a growth of 66.6% for the Saudi Tadawul Exchange Index, 11.1% for the MSCI Emerging Markets Index and 101.0% for the MSCI World Index. Although we do note that other major events such as Qatar's MSCI upgrade to Emerging Markets status, increase in FOL limits, the FIFA World Cup and high global interest rates, among others, did occur during the period, our calculations take a somewhat simplistic approach during the review period from 2012-2023.

Qatar LNG Steady Phase 2012-2023



Source: QSE, QNBFS Research

QE Index Growth Comparison During Qatar LNG Steady Phase



Source: QSE, QNBFS Research

- **Just over half of Qatar's expected annual LNG capacity increase has already been signed-off in long-term supply contracts with an average contract length of 22.9 years.** The demand for Qatar's gas is expected to remain strong for the foreseeable future on the back of geopolitical developments, specifically in Europe, with demand for LNG expected to peak between mid-2030s and mid-2040s.

New LNG Supply Agreements between Qatar and Various Partners

Partner	MTPA	Term
CPC Corporation (Taiwan)	4.0	27 years
China Petroleum Corporation (Sinopec)	3.0	27 years
Eni - Italy	1.0	27 years
Shell - Netherlands	3.5	27 years
TotalEnergies - France	3.5	27 years
China National Petroleum Corporation (CNPC)	4.0	27 years
Bangladesh Oil, Gas and Mineral Corporation (Petrobangla)	1.8	15 years
Conocophillips - Germany	2.0	15 years
China Petroleum Corporation (Sinopec)	4.0	27 years
China Petroleum Corporation (Sinopec)	2.0	10 years
Total/Average	28.8	22.9 years

Source: QatarEnergy, QNBFS Research

Highlights & Top Picks

- **We stress our emphasis on the banking sector given its importance to the Qatari economy and the equity market:** So far, it has been a challenging 2024 and it could linger on for stocks under coverage (ex-QNB Group) as banks tread through a competitive environment and slow market activity post the infrastructure spend leading up to FIFA 2022. Banking stocks have underperformed because of asset quality issues arising from real estate/contracting that have significantly contributed to Stage 2 loans (domestic Stage 2 loans are one of the highest in the GCC). Moreover, another factor that contributed to the underperformance were talks regarding the QCB adopting enhanced Basel III, which would require banks to assign risk weights to net f/x positions, especially to the \$ position. Having said this, there is still no clarity surrounding this issue and it is possible that the QCB would forego the risk weights to \$ positions as the QR is pegged to the \$. **We estimate the sector's 2024 bottom-line growth to be driven by moderate margin expansion (rate cuts have not occurred as previously expected/scheduled), non-funded income (to a lesser degree), costs containment and flattish CoR vs. 2023. Regarding the sector's 2025 bottom-line, our growth forecast is mainly attributable to margin expansion (stronger margins vs. 2024) and flat- to slightly-lower credit provisions.** Loan growth so far (as of end-April) has increased by 1.8% vs. Dec-2023. Public sector loans are up by 3.2%. However, private sector loans remained flattish. **We expect low-single-digit loan growth in 2024, but expect activity to pick up in 2025 accompanied with mid-single-digit loan growth.** From a valuation perspective, Qatar banks are relatively attractive to GCC peers on a P/B to RoE basis with UAE being the exception. Qatari banks are trading at a P/B of 1.2x with a RoE of 11.3% vs. Kuwait (P/B: 1.4x, RoE: 8.9%), KSA (P/B: 1.8x, RoE: 14.4%) and UAE (P/B: 1.3x, RoE: 16.2%).
- **In the banking sector, excluding QNB Group, which we do not cover, we like CBQK (Rating: Outperform; TP: QR5.244), DHBK (Rating: Accumulate, TP: QR1.883) and QIBK (Rating: Accumulate; TP: QR22.45)**
 - **CBQK remains inexpensive and undervalued at a 26% discount to 2024e BV and we reiterate our Outperform rating.** We preserve 2023-28e earnings CAGR of 7.6%. As a result, we retain our QR5.244/sh. PT and Outperform rating. **The stock remains attractive with undemanding multiples.** CBQK is trading at a 2024/25e P/TB of 0.7x based on our estimates. The stock is also trading at a PEG of 0.7x (which is inexpensive) based on our 5-year earnings CAGR of 7.6%. Moreover, the market is pricing in a sustainable RoE of 11.0%, which is lower than our forecast and management's guidance of 13-15%.
 - **DHBK is trading at a 60% discount to its 2024e BV and we reiterate Accumulate rating at current levels.** We still expect earnings CAGR of 15.1% (2023-28e). We do not expect the bank to generate economic profits in our forecast horizon as RoE is still expected to be below CoE over 2024 to 2028. **The stock trades at a 60% discount to its 2024e BV due to asset quality issues; we do believe that there is limited downside to the stock.** Hence, we maintain our Accumulate rating and QR1.883 PT. We note that DHBK's beginning BVPS (2024) contributes 175% to our price target (as the present value of interim economic profits is negative). We are also of the view that it could take more than a year for the stock to reach our price target; our price target is still below BV/share. **DHBK has a new CEO and an executive team and has put forth a 5-year strategy plan to turn the bank around and make it economically profitable.**
 - **We stay Accumulate on QIBK given its solid outlook underpinned by attractive valuation.** We maintain our forecasts for 2024, 2025 and 2026. Hence, our expected 5-year earnings CAGR of 9.5% (2023-28e) remains unchanged. Moreover, our sustainable RoE remains at 15.5%. As such, we maintain our QR22.45 PT and Accumulate rating. We are still of the view that the stock is trading at undemanding levels. QIBK is trading at a low P/B of 1.5x on our 2024e estimates (30% discount to its 5-year average of 2.1x), which implies upside, in our view. We note that the stock's 5-year median P/B is also 2.1x (5-year high P/B of 2.9x). **Our thesis stays unchanged: QIBK's fundamentals continue to remain robust with strong RoE generation (2021: 18.2%, 2022: 18.1%, 2023: 17.3% and 24e/25e 17.2%/17.3%); moreover, the bank is cost efficient, has a strong Tier-1 position and a superior asset quality profile vs. its peers. As such, we believe the stock warrants a premium.**
- **As mentioned previously, Stage 2 loans are one of the highest in the GCC with low coverage.** As such, coverage needs to improve significantly. Majority of Stage 2 loans and NPLs are mainly from the real estate and contracting segments. **Within our coverage universe (ex-QNB Group that we do not cover but is considered by analysts to have no asset quality concerns), MARK, DHBK and CBQK faces asset quality headwinds (Stage 2 & 3 loans).**

MARK's Stage 2 & 3 Loans Are High With Low Coverage

1Q2024	Stage 1	Stage 2	Stage 3	Total
Gross Loans	71,501,537	33,528,879	6,541,552	111,571,968
ALLs	40,743	666,004	3,868,247	4,574,994
Stages % Loans	64.1%	30.1%	5.86%	
Coverage Ratio	0.06%	2.0%	59%	

Source: Company data

DHBK's Stage 2 & 3 Loans Are Also Significant

1Q2024	Stage 1	Stage 2	Stage 3	Total
Gross Loans	38,062,773	19,535,244	4,643,736	62,241,753
ECLs	97,774	1,107,142	2,882,217	4,087,133
Stages % of Loans	61.2%	31.4%	7.46%	
Stages % ECLs	2.4%	27.1%	70.5%	
Coverage Ratio	0.3%	5.7%	62.1%	

Source: Company data

CBQK's Stage 2 & 3 Loans Are High With Low Coverage

1Q2024	Stage 1	Stage 2	Stage 3	Total
Gross Loans	69,919,968	19,291,784	5,733,048	94,944,800
ECLs	223,971	1,811,079	4,101,568	6,136,618
Stages % of Loans	74%	20%	6.04%	
Stages % of ECLS	4%	30%	67%	
Coverage Ratio	0%	9%	72%	

Source: Company data

DUBK's Stage 2 Loans Are Acceptable; NPLs Are Legacy

1Q2024	Stage 1	Stage 2	Stage 3	Total
Gross Loans	68,265,173	11,946,173	4,311,666	84,523,012
ECLs	97,281	487,829	3,080,706	3,665,816
Staging of Loans (%)	80.8%	14.1%	5.10%	
Staging of ECLs (%)	2.7%	13.3%	84.0%	
Coverage Ratio	0.1%	4.1%	71.5%	

Source: Company data

QIBK Boasts Robust Asset Quality

1Q2024	Stage 1	Stage 2	Stage 3	Total
Gross Loans	105,688,400	24,185,757	2,164,825	132,038,982
ECLs	4,088,563	1,310,578	1,984,652	7,383,793
Stages % of Loans	80.04%	18.32%	1.64%	
Stages % ECLS	55.4%	17.7%	26.9%	
Coverage Ratio	4%	5%	92%	

Source: Company data

QIIK's Asset Quality Is Also Relatively Healthy

1Q2024	Stage 1	Stage 2	Stage 3	Total
Gross Loans	34,109,064	3,876,625	1,256,330	39,242,019
ECLs	188,687	401,500	1,086,570	1,676,757
Stages % Loans	86.9%	9.9%	3.20%	
Stages % ECLS	11.3%	23.9%	64.8%	
Coverage Ratio	0.6%	10.4%	86.5%	

Source: Company data

- In terms of our top-picks among the non-banks, we like QGTS (Rating: Outperform; TP: QR5.600), QNNS (Rating: Outperform; TP: QR13.40) and Meeza (Rating: Accumulate; TP: QR4.025)

- **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) recent contract win of 9 QC-Max LNG carriers adding another QR0.50/share.** We envision a roughly 60% annual boost to our earnings estimates after all announced expansion is factored in by 2030. We note that our earnings estimates do not currently factor in Nakilat's recent North Field expansion program-related contract wins, involving nine 9 QC-Max LNG (271,000 m3) carriers and 25 conventional LNG (174,000 m3) ships. Our estimates also do not account for the addition of two conventional LNG (174,000 m3)/four Very Large LPG/Ammonia Gas (88,000 m3) carriers (for delivery between 2026 and 2027) that are targeted at international customers. As vessels are added, we believe the expansion program will start contributing to earnings by 2026 and all new vessels should be working by 2030. **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 further value-enhancement.**
- **We remain bullish on Milaha, which retains upside given its 36.3% ownership in QGTS and its exposure to Qatar's growing offshore services market.** The stock, since we first started coverage in 2011, has usually traded at a significant discount to its sum-of-the-parts, sometimes worth only the value of its investment stake in Nakilat and its equity/bond portfolio. **This remains the case currently, with Milaha's "non-core" assets (Nakilat + Investment book), along with its net cash position, making up more than 100% of QNNS's market cap. This implies that investors continue to get Milaha's "core" or operating businesses for free.** Milaha's shares offer value and the company is enjoying a multi-year resurgence in its offshore segment (MO) that is leveraged to Qatar's massive North Field Expansion project. Moreover, while its maritime & logistics (MM&L) division is suffering from a drop in container shipping revenue (primarily because of a severe ratcheting down in container shipping rates along with a decline in volumes) and a moribund logistics unit, YoY comparisons could get easier. A lack of large impairments in the future should also help earnings trajectory and highlight Milaha's growth story to investors. **QNNS also has the ability to boost dividends given its strong balance sheet (1Q2024 net cash of QR305.8mn) and solid FCF profile (despite increased offshore capex needs).**
- **Meeza is one of our favorite stocks, tethered to the secular global tailwinds of the digital/cloud/AI economy.** This is reinforced by the latest global DC market trends – where demand continues to outstrip supply in primary and secondary markets as several hyperscalers announce audacious plans to erect/expand their DC capacities to meet AI needs – as well as positive policy signals by the government (Digital Agenda 2030). With the ever-growing ubiquitous need to create, store, and manipulate data, there is a strong case that demand for datacenters will continue outpacing supply, aided by the outmigration trend of leasing rather than owning DCs. This challenge has been further compounded by constrained power grids – a limitation Qatar is well-positioned to circumvent. That has put emerging markets, such as Qatar, in the spotlight as a new frontier for computing and data storage. **While Meeza already boasts about half of Qatar's DC inventory, it is on track to expand its DCs further by ~80% over the next ~2 ½ years, increasing it ~26MW IT load capacity by end-2026. Our base model expects 50MW IT load capacity in the terminal year of our model for Meeza's DC unit, as guided by management, which acknowledges that this is still on the conservative side. Consequently, we estimate Meeza's DC business contribution to continue to grow and account for about three-quarters of group value in the terminal period up from ~58% in 2022. We have a TP of QR4.025 on the stock and an Accumulate rating.**

- **Risks:** Estimates can be impacted by one-off events, greater or lower provisions for banks and investment income/capital gains. Oil and gas price volatility remain a substantial risk to regional equity prices and have a direct detrimental impact on stocks under coverage. Regional instability could also lead to significant volatility.

COMPANY UPDATES: BANKS

Ahli Bank (ABQK)

Recommendation	Market Perform	Risk Rating	R-4
Share Price	QR3.702	Target Price	QR3.573
Implied Upside	(3.5%)		

1Q2024 Earnings In-Line; Bottom-line Driven by NIM Expansion

ABQK reports in-line 1Q2024 earnings. Ahli Bank's (ABQK) net profit increased by 6.6% YoY (declined by 1.4% QoQ) to QR218.1mn, in-line with our estimate of QR211.9mn (variation of -2.9%). Net-net, the bottom-line was driven by margin expansion as non-funded income was weak and CoR was high.

Highlights

- The YoY increase in earnings was due to net interest income; however, fees and f/x income was weak.** Net interest income increased by 35.9%, while non-funded income dropped by 17.8% (fees: -13.7%; f/x: -15.5%), resulting in revenue to increase by 30.0% YoY. Sequentially, revenue increased by only 1.9% as net interest income increased by 6.8%, while non-funded income declined by 36.9%.
- Margins expanded YoY and sequentially.** NIM increased by 30/10bps YoY/QoQ to 3.03%.
- 1Q2024 annualized RoE improved.** RoE increased from 11.9% in 1Q2023 to 12.2% in 1Q2024.
- ABQK remains cost-efficient.** The bank's C/I ratio decreased from 24.3% in 1Q2023 to 20.6% in 1Q2024 (19.7% in 4Q2023). The YoY decrease in the C/I ratio was a result of double-digit growth in revenue.
- Asset quality remained healthy and manageable; majority of provisions were booked to Stage 2 loans.** NPLs receded by 1.1% QoQ, but the NPL ratio came in flat at 2.47% in 1Q2024. Coverage of Stage 3 loans is a healthy 83%. Moreover, ABQK increased its buffers for Stage 2 loans by 13.4% sequentially and Stage 2 ECLs contribute 52% to total provisions; coverage of Stage 2 loans is a significant 16%.
- 1Q2024 annualized CoR doubled.** ABQK's credit provisions in 1Q2024 surged by 102.1% YoY (+35.9% sequentially) to QR138.9mn. Moreover, 1Q2024 CoR doubled from 71bps in 1Q2023 to 152bps.
- Net loans declined, while deposits improved.** Net loans sequentially declined by 1.0% to QR34.4bn. On the other hand, deposits increased by 3.3% to QR30.6bn.
- Capitalization remains strong and well above the QCB limits.** ABQK ended 1Q2024 with CET1 & Tier-1 ratios of 18.2%/21.2%, respectively.

Catalysts

- 1) Improvement in the stock's trading liquidity.

Recommendation, Valuation and Risks

- Recommendation and valuation: we maintain our target price of QR3.573/sh. and our Market Perform rating.** ABQK trades at FY2024e P/B and P/E of 1.3x and 11.2x, respectively.
- Risks:** 1) Oil price volatility and 2) stale stock price due to lack of liquidity.

Key Financial Data and Estimates

(In QR mn)	2023	2024e	2025e	2026e
EPS Attributable (QR)	0.303	0.329	0.357	0.388
Growth (%)	8.9	8.8	8.5	8.7
P/E (x)	12.2	11.2	10.4	9.5
BVPS (QR)	2.8	2.9	3.0	3.1
P/B (x)	1.3	1.3	1.2	1.2
RoE (%)	11.2	11.7	12.4	13.0
DPS (QR)	0.250	0.250	0.275	0.300
Dividend Yield (%)	6.8	6.8	7.4	8.1

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

Key Data

Current Market Price (QR)	3.702
Dividend Yield (%)	6.8
Bloomberg Ticker	ABQK QD
ADR/GDR Ticker	N/A
Reuters Ticker	AABQ.QA
ISIN	QA0001200748
Sector	Banks & Fin. Svc
52wk High/52wk Low (QR)	4.176/3.333
3-m Average Volume ('000)	58.5
Mkt. Cap. (\$ bn/QR bn)	2.6/9.4
Shares Outstanding (mn)	2,551.15
FO Limit* (%)	49.0
Current FO* (%)	0.0
1-Year Total Return (%)	(1.4)
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign ownership

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Detailed Financial Statements

(In QR mn)	2022	2023	2024e	2025e	2026e
Net Interest Income	1,277	1,401	1,500	1,600	1,705
Fees & Commissions	167	147	157	149	162
FX Income	60	34	45	54	60
Other Income	(5)	7	30	36	38
Non-Interest Income	222	188	231	239	260
Total Revenue	1,498	1,589	1,731	1,839	1,965
Operating Expenses	(336)	(362)	(388)	(413)	(445)
Net Operating Income	1,162	1,227	1,343	1,425	1,521
Net Provisions & Impairments	(390)	(391)	(437)	(446)	(460)
Net Profit (Reported)	772	837	906	979	1,060
Interest Expense on AT1 Perp. Security	(44)	(44)	(44)	(44)	(44)
Social & Sports Contribution Fund	(19)	(21)	(23)	(24)	(27)
Net Profit (Attributable)	709	772	840	911	990
EPS (Attributable)	0.278	0.303	0.329	0.357	0.388

Source: Company data, QNB FS Research

(In QR mn)	2022	2023	2024e	2025e	2026e
Cash & Balances with Central Bank	1,807	1,855	1,966	2,279	2,438
Interbank Loans	3,768	14,760	4,017	3,837	4,484
Net Investments	8,339	8,382	9,010	9,905	10,009
Net Loans	34,032	34,754	36,520	38,369	40,764
Other Assets	398	490	473	491	515
Net PP&E	230	223	215	207	211
Total Assets	48,575	60,464	52,200	55,088	58,422
Liabilities					
Interbank Deposits	3,988	15,001	5,059	5,245	6,323
Customer Deposits	28,954	29,645	30,712	32,555	34,834
Term Loans	6,941	6,951	7,368	7,884	7,490
Other Liabilities	718	622	614	684	766
AT1 Perpetual Securities	1,092	1,092	1,092	1,092	1,092
Total Liabilities	41,693	53,311	44,845	47,459	50,505
Total Shareholders' Equity	6,883	7,153	7,355	7,628	7,917
Total Liabilities & Shareholders' Equity	48,575	60,464	52,200	55,088	58,422
RWAs	38,337	37,961	39,555	42,206	45,244
BVPS	2.70	2.80	2.88	2.99	3.10

Source: Company data, QNB FS Research

Ratios	2022	2023	2024e	2025e	2026e
Profitability (%)					
RoE	10.8	11.2	11.7	12.4	13.0
RoRWA	1.9	2.0	2.2	2.2	2.3
RoA	1.5	1.4	1.5	1.7	1.7
NIM (% of IEAs)	2.8	2.7	2.8	3.2	3.2
NIM (% of RWAs)	3.4	3.7	3.9	3.9	3.9
NIM (Risk-Adjusted)	1.7	1.7	1.8	2.1	2.2
Yield on IEAs	4.5	6.2	5.9	5.4	5.6
CoFs	2.1	4.9	4.5	3.1	3.2
Spread	2.4	1.3	1.4	2.4	2.4
NPM	31.1	22.7	24.9	30.5	30.6
JAWs	11.5	-1.5	1.7	-0.4	-0.7
Efficiency (%)					
Cost-to-Income (Headline)	22.4	22.8	22.4	22.5	22.6
Cost-to-Income (Core)	22.3	22.8	22.8	22.9	23.0
Liquidity (%)					
LDR (Headline)	118	117	119	118	117
LDR (Stable Sources of Funds)	95	95	96	95	96
Loans to Assets	70	57	70	70	70
Liquid Assets Ratio	20	34	20	20	20
Cash & Interbank Loans-to-Total Assets	11	27	11	11	12
Wholesale Funding to Loans	32	63	34	34	34
Asset Quality (%)					
NPL Ratio	2.55	2.48	2.45	2.48	2.45
Coverage Ratio	199	234	266	282	313
Cost of Risk	110	100	105	102	99
Capitalization (%)					
CET1 Ratio	16.0	16.7	16.5	16.1	15.7
AT1 Ratio	2.8	2.9	2.8	2.6	2.4
Tier-1 Ratio	18.8	19.6	19.3	18.7	18.1
CAR	20.0	20.8	20.5	19.9	19.3
Growth (%)					
Net Interest Income	18.3	9.7	7.0	6.7	6.6
Non-Interest Income	-17.4	-15.1	22.9	3.2	9.1
Revenue	11.2	6.1	8.9	6.2	6.9
OPEX	-0.3	7.6	7.2	6.6	7.6
Net Operating Income	15.0	5.6	9.4	6.1	6.7
Net Income (Attributable)	5.2	8.9	8.8	8.5	8.7
Loans	1.4	2.1	5.1	5.1	6.2
Deposits	3.7	2.4	3.6	6.0	7.0
Assets	1.0	24.5	-13.7	5.5	6.1
Net Investments	-3.2	0.5	7.5	9.9	1.1
RWAs	2.1	-1.0	4.2	6.7	7.2

Source: Company data, QNB FS Research

Commercial Bank of Qatar (CBQK)

Recommendation	OUTPERFORM	Risk Rating	R-3
Share Price	QR3.899	Target Price	QR5.244
Implied Upside	34.5%		

Undervalued at 26% Discount to 2024e BV; Stay Outperform

We recently changed our estimates: we maintain 2023-28e earnings CAGR of 7.6%. As a result, we retain our QR5.244/sh. PT and Outperform rating. The stock remains attractive with undemanding multiples. CBQK is trading at a 2024/25e P/TB of 0.7x based on our estimates. The stock is also trading at a PEG of 0.7x (which is inexpensive) based on our 5-year earnings CAGR of 7.6%. Moreover, the market is pricing in a sustainable RoE of 10.9%, which is lower than our forecast and management guidance.

Highlights

- CBQK restated 1Q2023 figures.** Management lowered net profit from QR751.3mn to QR577.3mn due to the restatement of fee income (from QR299mn to QR125mn) related to the underlying derivative on the share option performance scheme. Commercial Bank of Qatar (CBQK) reported a net profit of QR801.6mn in 1Q2024, in-line with our estimate of QR801.3mn. The bottom-line surged by 38.9% YoY.
- RoE is estimated to increase from 14.5% in 2023 to 15.4% in 2024e, but then decline to 14.3% in 2025e.** After a strong 2024, RoEs are expected to steadily decline to 13/14% levels. Management is targeting 13-15% during 2022-26. We maintain our sustainable RoE is at the lower end of management's guidance of 13.0%, mainly due to a smaller pick-up in margins than our previous estimates.
- NIMs are expected to improve with upcoming rate cuts.** We estimate NIMs to increase by 12bps from 2.72% in 2023 to 2.83% in 2024, 2.86% in 2025 and 2.94% in 2026.
- Legacy NPLs remain and are mainly real estate in nature; management is guiding for the NPL ratio to decrease to 2.5% by 2026.** NPL ratio increased from 5.85% in FY2023 to 6.04% in 1Q2024 (FY2022: 4.9%); NPL formation was positive sequentially, which is a negative. Coverage of Stage 3 loans slightly improved from 70% in FY2023 to 72% in 1Q2024. ECLs for Stage 2 loans increased by 1.8% vs. FY2023. Coverage was a low of 9%. Stage 2 loans as a % of total loans remained at 20%. Going forward, we expect asset quality to improve, driven by conservative underwriting and recoveries. Management will also gradually raise the coverage of Stage 3 loans to 100%.
- CoR in 2023 is expected at 120-135bps as per management's conservative guidance and should normalize at 120bps by 2026. 1Q2024 annualized CoR declined to 55bps from 65bps in 1Q2023.** It should be noted that quarterly annualized CoR is not an indicator for full year CoR. Having said this, management continues on being prudent/conservative by booking large provisions. We maintain our CoR of 101bps in 2024, 100bps in 2025 and 95bps in 2026. Our CoR estimates are lower than what management is guiding because we are of the view that they are being conservative.
- Diversification of loan book remains on track; management is guiding for 25%/16% public sector/real estate mix.** During 1Q2024, net loans sequentially decreased by 2.0% to QR89.7bn mainly due to a 14.3% decline in contracting loans (which is a positive) and other corporates (-4.9%). We maintain our net loan growth of +1.5%/+2.7% for 2024/25e. We also maintain our loan growth CAGR of 4.6% in 2023-28e.
- CET1 ratio is expected at 13.0%-14.0% by 2026 as per management's guidance; if the QCB implements enhanced Basel III risk weights to net open \$ positions, the effect would be very material for CBQK.** CET1 would drop to 8.02%, below the QCB's minimum 8.50% requirement and the bank may have to withhold dividends and/or raise capital. CBQK generated a CET1/Tier-1 ratio of 11.7%/15.0% in 1Q2024. However, it is possible that enhanced Basel III reform would not be implemented as the QR is pegged to the \$.

Catalysts

- Significant RoE expansion & robust bottom-line growth.

Recommendation, Valuation and Risks

- Recommendation and valuation: We retain our QR5.244 PT and Outperform rating.** CBQK is trading at a 2024/25e P/TB and P/E of 0.7x and 5.5x/5.1x, respectively.
- Risks:** 1) Weakness in Turkish Lira & Hyperinflation & 2) Higher than expected CoR.

Key Financial Data and Estimates

(In QR mn)	2023	2024e	2025e	2025e
EPS	0.655	0.703	0.764	0.828
EPS Growth (%)	7.9	7.3	8.8	8.4
P/E (x)	6.0	5.5	5.1	4.7
Tangible BVPS (QR)	4.6	5.3	5.9	6.5
P/TBV (x)	0.9	0.7	0.7	0.6
RoE (%)	14.5	15.4	14.4	14.1
DPS (QR)	0.250	0.200	0.250	0.275
Dividend Yield (%)	6.4	5.1	6.4	7.1

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

Key Data

Current Market Price (QR)	3.899
Dividend Yield (%)	6.4
Bloomberg Ticker	CBQK QD
ADR/GDR Ticker	-
Reuters Ticker	COMB.QA
ISIN	QA0007227752
Sector*	Banks & Fin Svcs.
52wk High/52wk Low (QR)	6.350/3.756
3-m Average Volume (mn)	3.7
Mkt. Cap. (\$ bn/QR bn)	4.3/15.8
Shares Outstanding (mn)	4,047.25
FO Limit* (%)	100.0
Current FO* (%)	25.8
1-Year Total Return (%)	(29.6)
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign institutional ownership

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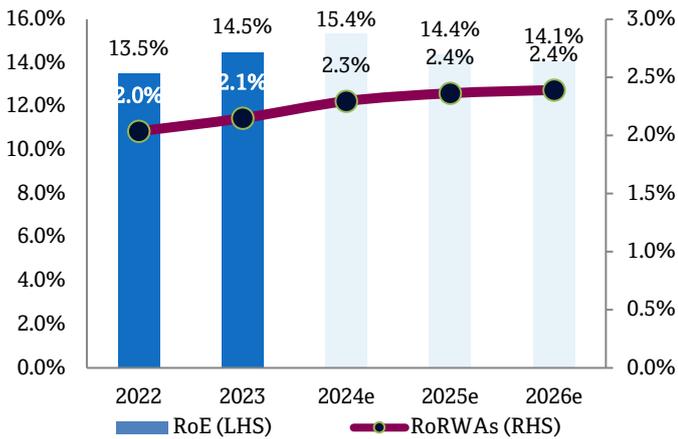
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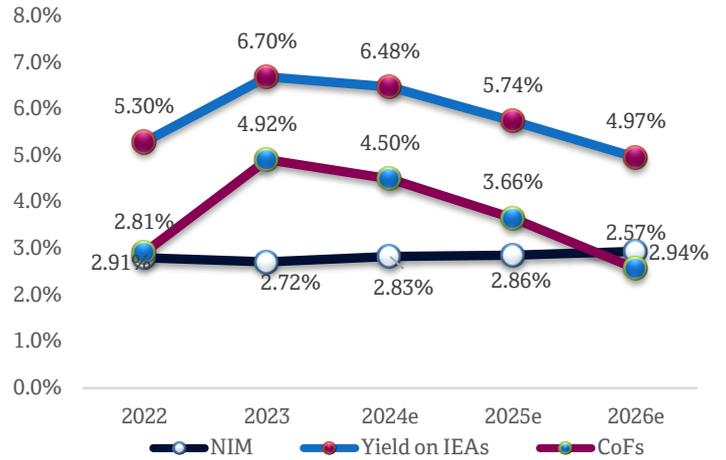
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RoE & RoRWAs Modeled to Increase in a Healthy Manner

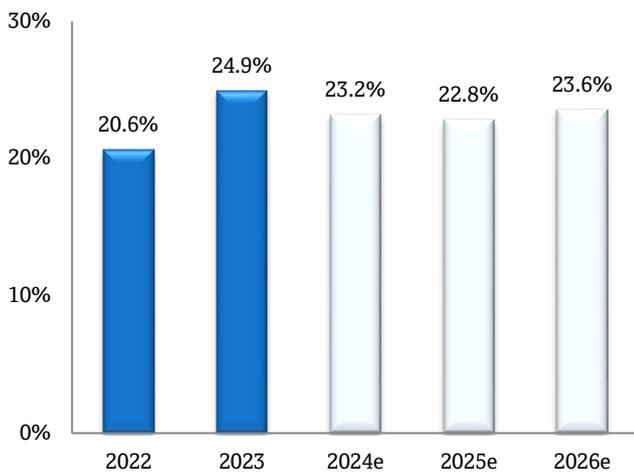


Source: Company data, QNB FS Research

While Margins to Gradually Improve

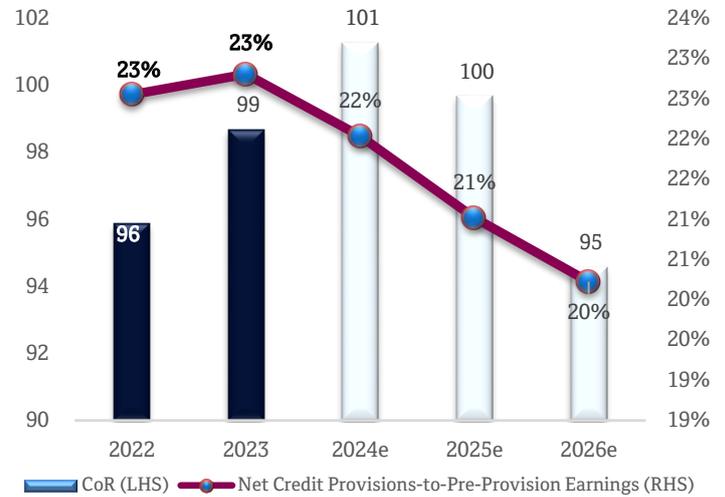


C/I Ratio to Remain Superior

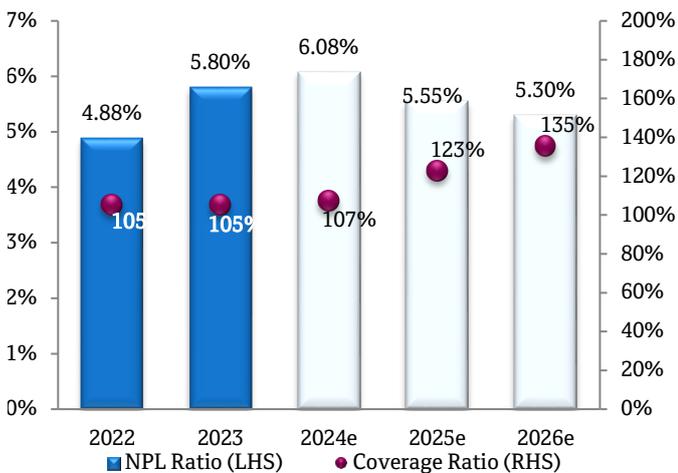


Source: Company data, QNB FS Research

CoR is Expected to Improve in the Medium-to-Long Term



NPLs are Legacy and Mainly RE Loans



Source: Company data, QNB FS Research

Coverage of Stage 3 Loans is Expected to Reach 100%

1Q2024	Stage 1	Stage 2	Stage 3	Total
Gross Loans	69,919,968	19,291,784	5,733,048	94,944,800
ECLs	223,971	1,811,079	4,101,568	6,136,618
Stages % of Loans	74%	20%	6.04%	
Stages % of ECLs	4%	30%	67%	
Coverage Ratio	0%	9%	72%	
Collateral	53,609,000	17,754,000	2,661,000	74,024,000

Detailed Financial Statements

Income Statement (In QR mn)	2022	2023	2024e	2025e	2026e
Net Interest Income	3,963	3,867	3,957	4,151	4,448
Fees & Commissions	1,152	805	854	973	866
FX Income	415	528	394	429	453
Other Income	(14)	583	681	642	683
Non-Interest Income	1,553	1,916	1,929	2,045	2,002
Total Revenue	5,516	5,784	5,886	6,196	6,450
Operating Expenses	(1,138)	(1,441)	(1,363)	(1,413)	(1,521)
Net Operating Income	4,378	4,343	4,523	4,783	4,929
Net Provisions & Impairments	(1,263)	(917)	(917)	(1,026)	(1,032)
Net Profit Before Taxes	3,115	3,425	3,606	3,758	3,897
Tax	(114)	(80)	(83)	(94)	(97)
Net Profit Before Minority Interest	3,000	3,345	3,523	3,664	3,800
Minority Interest	0	0	0	0	0
Non-Recurring Income/(Loss)	(189)	(335)	(315)	(200)	(70)
Net Profit (Headline/Reported)	2,811	3,010	3,208	3,464	3,730
Interest on Tier-1 Note	(284)	(284)	(284)	(284)	(284)
Social & Sports Contribution Fund	(70)	(75)	(80)	(87)	(93)
Net Profit (Attributable)	2,457	2,651	2,844	3,093	3,353
Attributable EPS	0.607	0.655	0.703	0.764	0.828

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024e	2025e	2026e
Cash & Balances with Central Bank	8,030	8,631	8,925	9,282	9,597
Interbank Loans	20,844	20,525	20,731	22,804	21,207
Net Investments	29,835	30,762	29,501	31,159	33,599
Net Loans	98,016	91,490	92,908	95,388	100,716
Investment In Associates	3,102	3,373	3,538	3,716	3,906
Other Assets	2,395	2,547	3,716	2,862	2,800
Net PP&E	3,050	3,063	3,109	3,207	3,309
OREO	3,564	3,921	3,921	3,921	3,921
Goodwill & Intangible Assets	66	62	57	3	3
Total Assets	168,902	164,376	166,405	172,340	179,058
Liabilities					
Interbank Deposits	24,054	18,805	15,272	17,117	19,509
Customer Deposits	83,167	76,541	81,134	84,379	89,695
Term Loans	27,786	34,166	34,508	31,057	28,883
Tier-1 Perpetual Notes	5,820	5,820	5,820	5,820	5,820
Other Liabilities	9,724	10,458	8,113	10,125	8,969
Total Liabilities	150,551	145,790	144,848	148,499	152,876
Total Shareholders' Equity	18,351	18,586	21,557	23,841	26,182
Total Liabilities & Shareholders' Equity	168,902	164,376	166,405	172,340	179,058
RWAs	125,475	121,274	126,468	135,287	145,037

Source: Company data, QNB FS Research

Ratios/Key Indicators	2022	2023	2024e	2025e	2026e
Profitability (%)					
RoTE (Attributable)	13.5	14.5	15.4	14.4	14.1
RoAA (Attributable)	1.5	1.6	1.7	1.8	1.9
RoRWA	2.0	2.1	2.3	2.4	2.4
NIM (% of IEAs)	2.81	2.72	2.83	2.86	2.94
NIM (% of RWAs)	3.28	3.13	3.19	3.17	3.17
NIM (% of AAs)	2.37	2.32	2.39	2.45	2.53
Spread	2.4	1.8	2.0	2.1	2.4
Efficiency (%)					
Cost-to-Income (Headline)	20.6	24.9	23.2	22.8	23.6
Cost-to-Income (Core)	20.6	27.7	26.2	25.4	26.4
Liquidity (%)					
LDR	118	120	115	113	112
LDR (Including Stable Source of Funding)	88	83	80	83	85
Loans/Assets	58	56	56	55	56
Cash & Interbank Loans-to-Total Assets	17.1	17.7	17.8	18.6	17.2
Deposits to Assets	49	47	49	49	50
Wholesale Funding to Loans	53	58	54	51	48
IEAs to IBLs (x)	1.26	1.21	1.25	1.28	1.26
Asset Quality (%)					
NPL Ratio	4.9	5.8	6.1	5.6	5.3
NPLs to Shareholders' Equity	27.5	30.4	28.0	23.8	22.0
NPL to Tier-1 Capital	25.9	33.1	33.4	29.3	27.9
Coverage Ratio	105	105	107	123	135
ALL/Average Loans	5.2	5.9	6.6	6.9	7.4
Cost of Risk (bps)	96	99	101	100	95
Capitalization (%)					
CET1 Ratio	11.6	10.7	11.0	11.2	11.3
Tier-1 Ratio	15.6	14.1	14.3	14.3	14.2
CAR	17.3	14.9	15.2	15.2	15.0
Leverage (x)	9.2	8.8	7.7	7.2	6.8
Growth (%)					
Net Interest Income	7.1	-2.4	2.3	4.9	7.1
Non-Interest Income	1.6	23.4	0.6	6.0	-2.1
Total Revenue	5.5	4.8	1.8	5.3	4.1
Operating Expenses	-23.1	26.6	-5.4	3.6	7.6
Net Operating Income	16.7	-0.8	4.1	5.8	3.1
Net Provisions & Impairments	-12.1	-27.4	-0.1	11.9	0.6
Net Income (Headline)	22.0	7.1	6.6	8.0	7.7
Net Income (Attributable)	23.9	7.9	7.3	8.8	8.4
Loans	0.0	-6.7	1.5	2.7	5.6
Deposits	1.5	-8.0	6.0	4.0	6.3
Assets	2.1	-2.7	1.2	3.6	3.9
RWAs	8.2	-3.3	4.3	7.0	7.2

Source: Company data, QNB FS Research

Doha Bank (DHBK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR1.395	Target Price	QR1.883
Implied Upside	40.0%		

Stock is Trading at 60% to BV; Stay Accumulate

We recently changed estimates: we maintain our 2024, 2025 and 2026 estimates. We still expect earnings CAGR of 15.1% (2023-28e). We do not expect the bank to generate economic profits in our forecast horizon as RoE is still expected to be below CoE over 2024 to 2028. The stock trades at a 60% discount to its 2024e BV due to asset quality issues; we do believe that there is limited downside to the stock. **Hence, we maintain our Accumulate rating and QR1.883 PT. We note that DHBK's beginning BVPS (2024) contributes 175% to our price target (as the present value of interim economic profits is negative).** We are also of the view that it could take more than a year for the stock to reach our price target; our price target is still below BV/share.

Highlights

- Doha Bank (DHBK) reported net profit of QR231.3mn in 1Q2024, growing by 10.9% YoY (+62.2% QoQ). Profitability fell short of our estimate of QR245.7mn (variation of -6.7%).** A drop in credit provisions and investment gains (vs. losses) drove YoY bottom-line. While net interest income was flat, a 16.5% growth in non-funded income (attributable to investment gains) and a 12.2% drop in credit provisions helped the bottom-line.
- We maintain our estimates of NIMs to contract by 12bps in 2024 to 2.24% and improving by 8/7bps to 2.32%/2.39% in 2025/26.** NIMs contracted by 10/40bps YoY/QoQ in 1Q2024 as growth in CoFs materially outpaced yields on IEAs.
- CoR to remain on the high side; management is targeting 120-130bps by 2027; we model management's guidance levels.** CoR for 2024 is expected to be around 2023's level at 146bps but should steadily drop to 132bps by 2028, which is still on the high side. CoRs remain high as management needs to build further provisions in order to: 1) raise coverage of Stage 3 loans from 59% in FY2023 to 85%/90%, 2) possibly raise coverage of stage 2 loans from 6% to 10% and 3) mitigate any unforeseen impairments.
- RoEs will remain weak and significantly below CoE; management is guiding a RoE range of 12%/14% during 2024-2027.** 1Q2024/FY2023 RoE came in at 8.9%/5.6% vs. 5.4% in FY2022. We maintain our RoE estimate to increase from 5.6% to 9.8% by 2028, lower than guidance as we take a conservative approach. We retain our forecast for 2024/25 RoEs of 5.8%/7.0%.
- C/I ratio is expected to remain around the mid-30%'s levels but to drop to 30% in 2028.** Going forward, we expect DHBK's C/I ratio to gradually decline to 30%. However, management is guiding to <25% by 2027.
- Asset quality remains a concern; NPLs still on the rise.** DHBK's NPLs increased 16.8%/2.1% to QR4.6bn in 1Q2024 vs. 1Q2023/FY2023. Moreover, the NPL ratio increased from 6.6%/7.4% in 1Q2023/4Q2023 to 7.5% in 1Q2024. On the other hand, the coverage ratio for Stage 3 loans sequentially remained flat at 71% in 1Q2024. Stage 2 loans contribute 31% to total loans (highest vs. its peers), which is concerning; coverage of Stage 2 loans is a low 6%. Management is guiding to a NPL ratio of ~7% for 2024 normalizing to 4.5%-5.0% by 2027.
- Net loans were sequentially flat, while deposits increased; we still expect single-digit growth going forward, in-line with management guidance.** Net loans remained flattish QoQ at QR58.1bn in 1Q2024. On the other hand, deposits moved up by 1.2% to QR52.2bn. We still maintain a loan book CAGR of 4.7% in 2023-28e, as the bank focuses on lending to high quality credit customers and joins syndication/club loans. DHBK has been reshaping its loan book; contracting loans (which proved to be highly problematic), as a % of total loans, dropped from 17.9% in 2013 to 9.4% as of 1Q2024, while retail loans dropped from 50% in 2005 to 12.0%.
- De-risking loan book along with optimization of RWAs is helping DHBK maintain its CET1 and Tier-1 positions; management guidance is to maintain a min. CAR of 17%; if the QCB implements enhanced Basel III risk weights to net open \$ positions, the impact on DHBK would be immaterial.** DHBK ended 1Q2024 with a CET1 ratio of 13.3% and a Tier-1 ratio of 18.6%.

Catalysts

- Future stock price gains depend on a resumption of confidence in the bank's performance and realization of the new management's goals & objectives.

Recommendation, Valuation and Risks

- Recommendation and valuation: We maintain our QR1.883 price target and Accumulate rating.** DHBK is trading at a 2024e/25e P/B and P/E of 0.4x and 7.1/5.7x, respectively.
- Risks:** 1) Asset quality. 2) Execution risks remain for management's new strategy.

Key Financial Data and Estimates

	2023	2024e	2025e	2026e
EPS (QR)	0.181	0.196	0.243	0.287
Growth	0.7	8.7	23.8	18.2
P/E (x)	7.7	7.1	5.7	4.9
BVPS (QR)	3.37	3.49	3.66	3.85
P/B (x)	0.4	0.4	0.4	0.4
RoE (%)	5.6	5.8	7.0	7.9
DPS (QR)	0.075	0.075	0.100	0.175
Dividend Yield (%)	5.4	5.4	7.2	12.5

Source: Company data, QNB FS Research

Key Data

Current Market Price (QR)	1.395
Dividend Yield (%)	5.4
Bloomberg Ticker	DHBK QD
ADR/GDR Ticker	N/A
Reuters Ticker	DOBK.QA
ISIN	QA0006929770
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low	1.865/1.333
3-m Average Volume (mn)	3.8
Mkt. Cap. (\$ bn/QR bn)	1.2/4.3
Shares Outstanding (mn)	3,100.47
FO Limit* (%)	100.0
Current FO* (%)	14.2
1-Year Total Return (%)	(10.8)
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign institutional ownership

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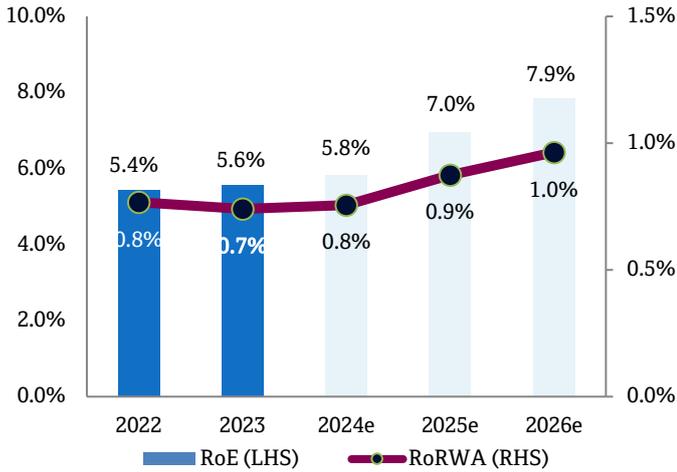
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RoE Remains <CoE During Forecast Horizon; RoRWAs are Weak

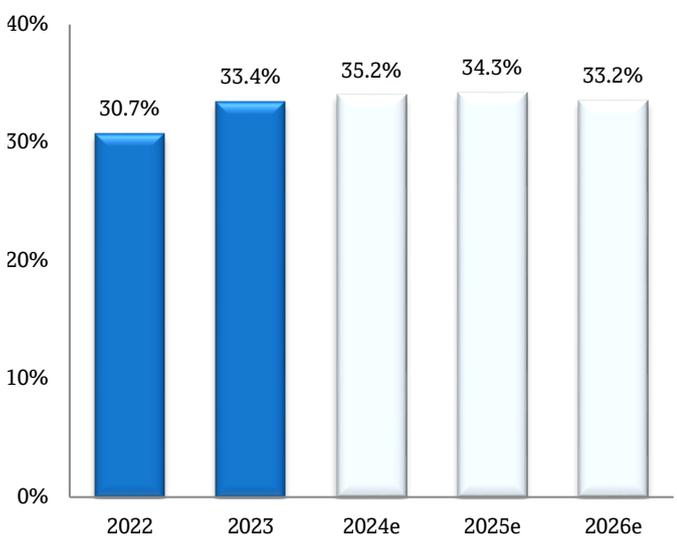


Source: Company data, QNB FS Research

While Margins to Steadily Improve

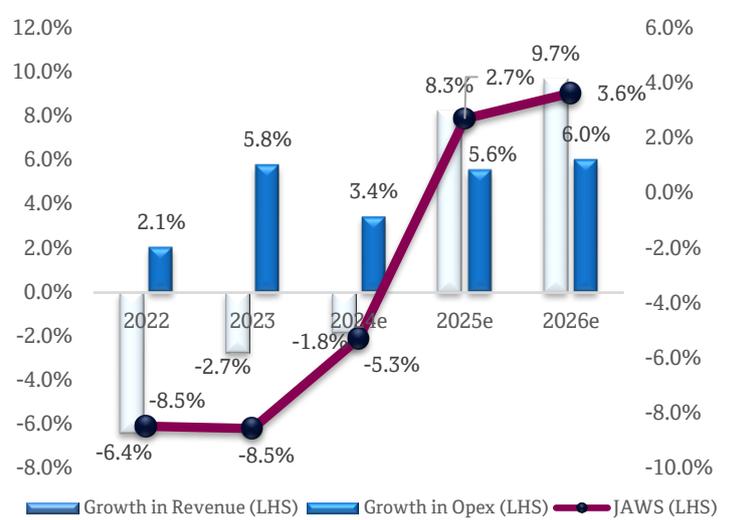


C/I Ratio to Hover @ Current Levels as Revenue & Opex Move in Lock Step

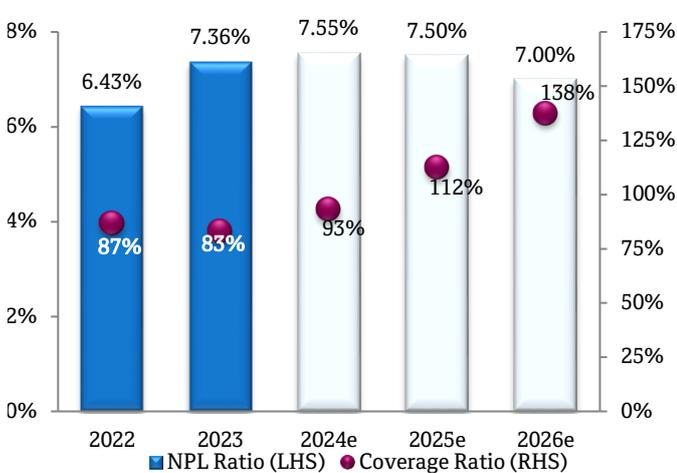


Source: Company data, QNB FS Research

While Generating Positive JAWS Post 2024



NPL Ratio Spiked; Contracting & RE Loans Remain Problematic



Source: Company data, QNB FS Research

Stage 2 Highest Domestically; Coverage of Stage 3 Loans Low

1Q2024	Stage 1	Stage 2	Stage 3	Total
Gross Loans	38,062,773	19,535,244	4,643,736	62,241,753
ECLs	97,774	1,107,142	2,882,217	4,087,133
Stages % of Loans	61.2%	31.4%	7.46%	
Stages % ECLs	2.4%	27.1%	70.5%	
Coverage Ratio	0.3%	5.7%	62.1%	

Detailed Financial Statements

Income Statement (In QR mn)	2021	2022	2023	2024e	2025e	2026e
Net Interest Income	2,585	2,322	2,148	2,133	2,349	2,575
Fees & Commissions	303	371	376	390	414	430
FX Income	154	153	105	120	126	137
Other Income	65	63	39	135	119	157
Non-Interest Income	522	587	520	645	659	724
Total Revenue	3,107	2,909	2,668	2,778	3,008	3,299
Operating Expenses	(876)	(894)	(946)	(978)	(1,033)	(1,095)
Net Operating Income	2,231	2,015	1,722	1,799	1,975	2,203
Net Provisions	(1,485)	(1,201)	(857)	(932)	(950)	(1,032)
Net Profit Before Tax	746	814	865	867	1,024	1,172
Tax	(43)	(48)	(95)	(48)	(56)	(63)
Net Profit (Reported/Headline)	704	765	769	820	968	1,108
Interest on Tier-1 Note	(197)	(190)	(190)	(190)	(190)	(190)
Social & Sports Contribution Fund	(18)	(19)	(19)	(20)	(24)	(28)
Attributable Net Profit	490	556	560	609	754	891
EPS	0.158	0.179	0.181	0.196	0.243	0.287

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2021	2022	2023	2024e	2025e	2026e
Cash & Balances with Central Bank	5,887	3,668	4,842	4,332	4,230	4,913
Interbank Loans	5,365	8,651	5,497	6,031	5,695	5,335
Net Investments	25,083	24,964	30,386	32,472	37,115	39,371
Net Loans	62,667	58,079	58,010	60,310	63,274	66,693
Other Assets	1,412	1,618	1,901	2,001	1,593	1,346
Net PP&E	689	665	619	578	584	589
Total Assets	101,103	97,645	101,255	105,723	112,491	118,249
Liabilities						
Interbank Deposits	22,511	19,239	23,908	23,313	24,548	24,259
Customer Deposits	50,356	50,130	51,573	54,151	57,942	61,419
Term Loans	11,629	11,408	8,517	10,731	12,341	14,192
Other Liabilities	2,351	2,790	2,813	2,708	2,318	2,457
Tier-1 Perpetual Notes	4,000	4,000	4,000	4,000	4,000	4,000
Total Liabilities	90,847	87,566	90,811	94,903	101,149	106,326
Total Shareholders' Equity	10,256	10,079	10,444	10,821	11,342	11,923
Total Liabilities & Shareholders' Equity	101,103	97,645	101,255	105,723	112,491	118,249
Risk Weighted Assets	71,898	73,175	78,094	82,993	89,430	95,427
IEAs	91,798	89,136	92,633	97,494	104,893	110,163
IBLs	74,665	71,990	72,806	77,132	84,736	89,800
Tangible BV/share	3.31	3.25	3.37	3.49	3.66	3.85

Source: Company data, QNB FS Research

Ratios/Financial Indicators	2021	2022	2023	2024e	2025e	2026e
Profitability (%)						
RoE (Attributable)	5.0	5.4	5.6	5.8	7.0	7.9
RoAA (Attributable)	0.7	0.8	0.8	0.8	0.9	1.0
RoRWA (Attributable)	0.7	0.8	0.7	0.8	0.9	1.0
NIM (% of IEAs)	2.80	2.57	2.36	2.24	2.32	2.39
NIM (% of RWAs)	3.60	3.20	2.84	2.65	2.72	2.79
NIM (% of AAs)	2.53	2.34	2.16	2.06	2.15	2.23
Spread	2.6	2.1	1.4	1.1	1.2	1.3
Efficiency (%)						
Cost-to-Income (Headline)	28.2	30.7	33.4	35.2	34.3	33.2
Cost-to-Income (Core)	28.4	31.0	35.7	36.7	35.5	34.6
Liquidity (%)						
LDR (stable sources of funds)	101	94	97	93	90	88
Loans/Assets	62.0	59.5	57.3	57.0	56.2	56.4
Cash & Interbank Loans-to-Total Assets	11.1	12.6	10.2	9.8	8.8	8.7
Deposits to Assets	49.8	51.3	50.9	51.2	51.5	51.9
Wholesale Funding to Loans	54.5	52.8	55.9	56.4	58.3	57.7
IEAs to IBLs	1.2	1.2	1.3	1.3	1.2	1.2
Asset Quality (%)						
NPL Ratio	5.83	6.43	7.36	7.55	7.50	7.00
NPL to Shareholders' Equity	37.3	39.3	43.6	45.3	45.7	43.3
NPL to Tier 1 Capital	39.5	40.6	44.9	46.7	47.1	44.6
Coverage Ratio	77.5	87.0	83.2	93.4	112.5	137.6
ALL/Average Loans	4.4	5.4	6.1	7.2	8.7	9.9
Cost of Risk (%)	211	153	145	146	140	135
Capitalization (%)						
CET1 Ratio	13.5	13.3	13.0	12.7	12.3	12.1
Tier-1 Ratio	19.0	18.8	18.1	17.5	16.8	16.3
CAR	20.2	19.9	19.2	18.6	17.9	17.5
Tier-1 Leverage (x)	13.5	14.1	14.0	13.7	13.3	13.2
Growth (%)						
Net Interest Income	11.4	-10.2	-7.5	-0.7	10.1	9.6
Non-Interest Income	-15.4	12.4	16.2	-5.4	2.2	9.9
Total Revenue	5.8	-6.4	-2.7	-1.8	8.3	9.7
Opex	1.0	2.1	5.8	3.4	5.6	6.0
Net Operating Income	7.8	-9.7	-6.5	-4.5	9.8	11.6
Net Income (Headline/Reported)	0.1	8.8	0.5	6.5	18.1	14.5
Net Income (Attributable)	1.5	13.6	0.7	8.7	23.8	18.2
Loans	-4.3	-7.3	-0.1	4.0	4.9	5.4
Deposits	-8.5	-0.4	2.9	5.0	7.0	6.0
Assets	-2.4	-3.4	3.7	4.4	6.4	5.1
RWAs	0.0	1.8	6.7	6.3	7.8	6.7

Source: Company data, QNB FS Research

Dukhan Bank (DUBK)

Recommendation	Market Perform	Risk Rating	R-3
Share Price	QR3.550	Target Price	QR3.810
Implied Upside/(Downside)	7.3%		

Stock is Trading at a Premium to Peers; Stay Market Perform

We recently changed our estimates: We maintain our earnings CAGR of 12.3% (2023-28e) and our estimates remain broadly unchanged. The stock is trading at a P/TB of 1.5x (in-line with the market) and the market is pricing in a sustainable RoE of 12.4%, below our forecast of 13.5%. As such, we retain our PT of QR3.810/share on DUBK and our Market Perform rating.

- DUBK's 1Q2024 net income was in-line with our estimates.** Dukhan Bank (DUBK) reported a net profit of QR423.0mn in 1Q2024, in-line with our estimate of QR428.0mn (variation of -1.2%). Overall, the results were broadly in-line with our model. The bottom-line increased by 2.2%/117.2% YoY/QoQ.
- NIMs expanded YoY in 1Q2024 as DUBK shed high interest-bearing deposits; we forecast a recovery of NIMs for 2024, 2025 and 2026 – as interest rates decline in 2H2024, margins should expand as deposits reprice downward ahead of loans.** NIMs expanded by 14bps to ~2.11% YoY. The growth in yields was larger than the CoFs. On the other hand, NIMs compressed sequentially by 22bps. We our NIMs of 2.01% (2024), 2.17% (2025) and 2.28% (2026).
- Annualized 1Q2024 tangible RoE come in at 14.0%, in-line with 1Q2023; RoE is modeled to make headway in 2025-28e.** Our estimates still leads us from 10% in 2023 to 11% in 2024, 12%/13% in 2025/26 and 14%/15% in 2027/28.
- We maintain our gross loan book CAGR (2023-28e) at 6.0% as business activity picks up post a 2023 lull after the 2022 World Cup; cut in interest rates should increase lending appetite for DUBK in 2H2024.** Net loans expanded by 4.2% sequentially to QR80.9bn. The support in loans was driven by the public sector (+4.7% YTD) and retail (+10.3% YTD); other segments also contributed positively to overall loan growth. Moreover, deposits inched up by 0.7% QoQ to QR78.5bn in 1Q2024.
- NPL ratio in 1Q2024 slightly improved sequentially, resulting in negative NPL formation.** The bank's NPLs receded sequentially by 1.3%, while the NPL ratio declined from 5.38% in FY2023 to 5.10% in 1Q2024. However, it should be noted that a decent chunk of the NPLs are legacy in nature with strong coverage. Coverage of Stage 3 loans remained flattish at 71% at the end of 1Q2024; including collateral, coverage stands at ~95%. Going forward, we still assume asset quality will improve through a combination of recoveries, reversals and prudent underwriting.
- CoR (annualized) was negligible in 1Q2024 due to a significant drop in gross credit provisions and an increase in recoveries YoY; we maintain our CoR assumptions.** DUBK booked net credit provisions of QR24.7mn vs. QR7.4mn in 1Q2023 (4Q2023: QR252.8mn). DUBK booked gross provisions of QR49.8mn vs. recoveries of QR25.1mn, netting out 50% of gross provisions. This resulted in a CoR of 12bps. We still maintain a CoR of 41bps, 45bps and 50bps in 2024, 25 and 26, respectively. We still estimate CoR to normalize at 50bps in 2026-28.
- We still expect the efficiency ratio to decline to 26% by 2028.** DUBK's C/I ratio remained flat 29.8% as revenue and opex moved in lock step. Sequentially, the C/I ratio improved to 35.0% in 4Q2023 as a result of a 20.1% drop in opex. We still expect the bank to generate single-to-mid-digit JAWs from 2024 and onward, driven by a pick-up in revenue and costs control.
- DUBK maintains healthy capitalization levels and we expect it to remain so. The QCB has not given any indications on whether it will apply enhanced Basel III on f/x positions on RWAs.** Management has managed its CET1/Tier-1 position in a steady manner. The bank ended 1Q2024 with CET1/Tier-1 ratios of 14.9%/17.2%.

Catalysts

- 1) Progress in delivering on growth objectives and earnings acceleration beyond our estimates could drive stock price gains & 2) continuation of recoveries.

Recommendation, Valuation and Risks

- Recommendation and valuation: We maintain our Price Target of QR3.810 and our Market Perform rating.** DUBK is trading at a 2024/25e P/TB and P/E of 1.5x/1.4x and 14.1x/12.2x, respectively. DUBK is trading at a premium to its peers on 2024e P/TB; QIBK (1.5x), MARK (1.0x) and DHBK (0.4x), CBQK (0.7x)
- Risks:** 1) Geo-political factors and 2) Unexpected asset quality deterioration.

Key Financial Data and Estimates

	2023	2024e	2025e	2026e
Attributable EPS (QR)	0.229	0.252	0.291	0.330
EPS Growth (%)	1.4	10.1	15.6	13.1
P/E (x)	15.5	14.1	12.2	10.8
Tangible BVPS (QR)	2.3	2.4	2.6	2.7
P/TBV (x)	1.5	1.5	1.4	1.3
RoE (%)	10.3	10.9	12.1	13.0
DPS (QR)	0.160	0.180	0.190	0.200
Dividend Yield (%)	4.5	5.1	5.4	5.6

Source: QNB FS Research, Company data; EPS is based on current shares outstanding including treasury shares

Key Data

Current Market Price (QR)	3.550
Dividend Yield (%)	4.5
Bloomberg Ticker	DUBK QD
ADR/GDR Ticker	N/A
Reuters Ticker	DUBK.QA
ISIN	QA000B982PM1
Sector	Banks
52wk High/52wk Low (QR)	4.35/3.51
3-Month Average Volume (mn)	12.8
Mkt. Cap. (\$ bn/QR bn)	5.1/18.6
Shares Outstanding (mn)	5,234.1
FOL Limit (%)	49.0
Current Institutional FO* (%)	5.6
12-Month Total Return (%)	(4.4)
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *QSE (as of June 05, 2024); Note: FO is foreign institutional ownership

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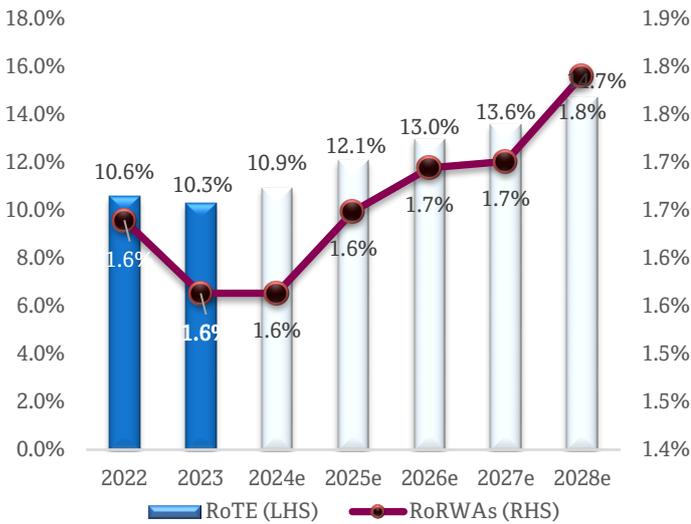
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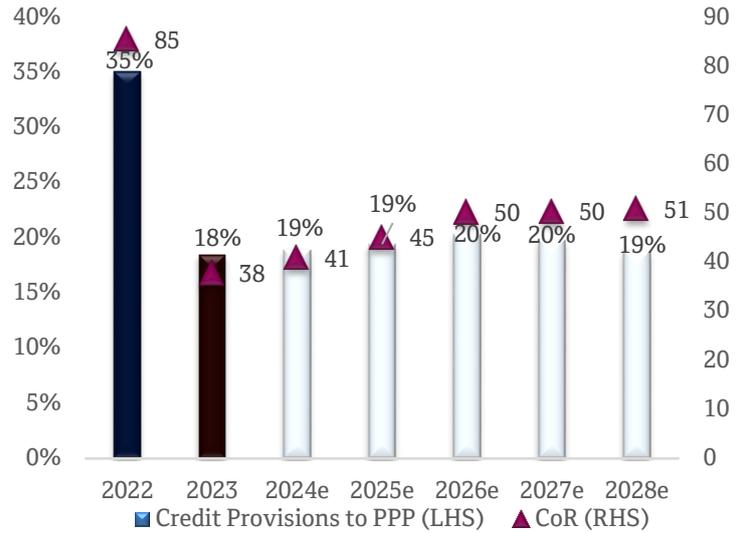
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RoE/RoRWAs to Steadily Improve...

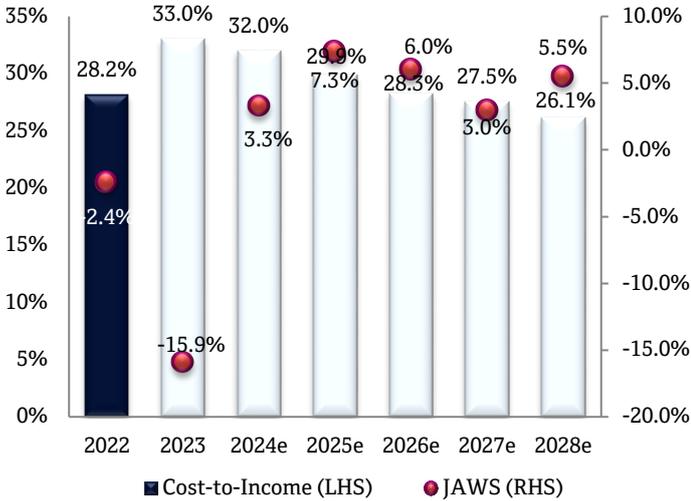


Source: Company data, QNB FS Research

CoR Normalizes at 50bps

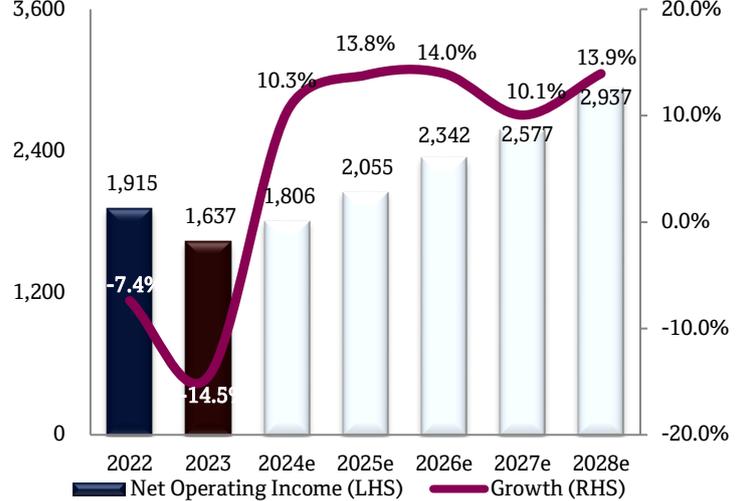


Efficiency to Markedly Improve With Positive JAWs

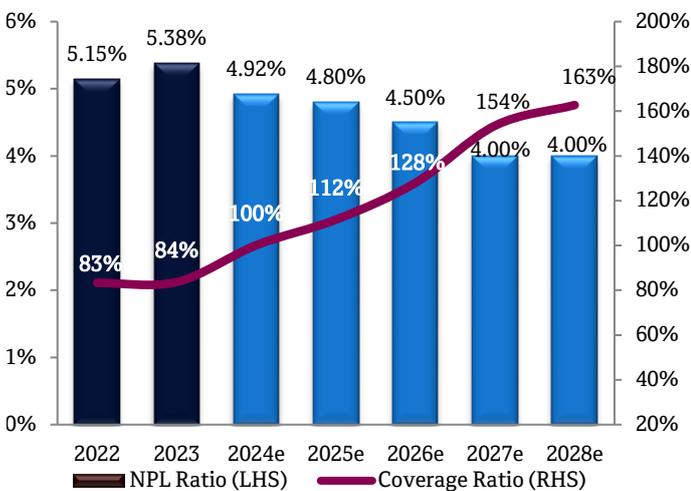


Source: Company data, QNB FS Research

Leading to Strong Net Operating Income



Majority of NPLs are Legacy (RE are 29% of Loans; 50% of Which GRE)



Source: Company data, QNB FS Research

Stage 3 Loans Coverage Improved (Coverage is 95% incl. Collateral)

1Q2024	Stage 1	Stage 2	Stage 3	Total
Gross Loans	68,265,173	11,946,173	4,311,666	84,523,012
ECLs	97,281	487,829	3,080,706	3,665,816
Staging of Loans (%)	80.8%	14.1%	5.10%	
Staging of ECLs (%)	2.7%	13.3%	84.0%	
Coverage Ratio	0.1%	4.1%	71.5%	

Detailed Financial Statements

Income Statement (In QR mn)	2021	2022	2023	2024e	2025e	2026e
Net Interest Income	2,345	2,143	1,926	2,147	2,383	2,635
Fees & Commissions	159	211	256	249	286	311
FX Income	170	223	131	147	173	211
Other Income	176	88	130	114	89	108
Non-Interest Income	505	522	518	509	548	630
Total Revenue	2,850	2,665	2,444	2,657	2,931	3,265
Operating Expenses	(782)	(750)	(807)	(851)	(876)	(923)
Net Operating Income	2,067	1,915	1,637	1,806	2,055	2,342
Net Provisions & Impairments	(872)	(660)	(333)	(377)	(414)	(495)
Net Profit Before Taxes and Non-Recurring	1,195	1,255	1,303	1,429	1,641	1,847
Taxes	(2)	(2)	(1)	(2)	(3)	(3)
Non-Recurring Items	-	-	-	-	-	-
Net Profit (Reported/Headline)	1,193	1,253	1,302	1,427	1,638	1,843
Payment on Tier-1 Sukuk	(33)	(72)	(72)	(72)	(72)	(72)
Social & Sports Contribution Fund	-	-	(33)	(36)	(41)	(46)
Net Profit (Attributable)	1,160	1,181	1,198	1,319	1,525	1,725
EPS (including treasury shares)	0.222	0.226	0.229	0.252	0.291	0.330

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2021	2022	2023	2024e	2025e	2026e
Cash & Balances with Central Bank	7,246	6,425	3,645	3,686	4,341	5,574
Interbank Loans	5,559	1,500	11,072	8,178	6,052	4,613
Net Investments	20,800	20,432	19,971	19,385	21,622	23,311
Net Loans	75,222	75,677	77,585	81,775	86,460	92,262
Investment In Associates	63	64	32	35	32	30
Other Assets	431	866	900	883	951	1,015
Net PP&E	280	264	242	215	193	180
Investments In Real Estate	135	135	135	135	135	135
Goodwill	443	443	443	443	443	443
Other Intangibles	549	471	392	314	235	157
Total Assets	110,727	106,276	114,417	115,048	120,465	127,719
Liabilities						
Interbank Deposits	16,755	14,871	19,582	15,488	15,861	16,179
Customer Deposits	77,426	74,545	78,002	81,902	86,816	92,893
Term Loans	-	-	-	-	-	-
Tier-1 Perpetual Sukuk	1,821	1,821	1,821	1,821	1,821	1,821
Other Liabilities	2,559	2,523	2,120	2,457	1,997	2,118
Total Liabilities	98,561	93,761	101,525	101,668	106,495	113,011
Total Shareholders' Equity	12,166	12,515	12,893	13,380	13,970	14,708
Total Liabilities & Shareholders' Equity	110,727	106,276	114,417	115,048	120,465	127,719
Risk Weighted Assets	70,985	73,065	80,139	88,587	96,372	107,284
Interest Earning Assets	96,962	94,321	106,016	106,839	111,312	117,182
Interest Bearing Liabilities	87,981	81,165	81,175	81,010	92,259	98,854

Source: Company data, QNB FS Research

Ratios/Financial Indicators	2021	2022	2023	2024e	2025e	2026e
Profitability (%)						
RoE	11.1	10.6	10.3	10.9	12.1	13.0
RoAA	1.2	1.1	1.1	1.1	1.3	1.4
RoRWAs	1.7	1.6	1.6	1.6	1.6	1.7
NIM (% of IEAs)	2.64	2.21	1.90	2.01	2.17	2.28
NIM (% of RWAs)	3.45	2.97	2.51	2.55	2.58	2.59
NIM (% of AAs)	2.38	1.97	1.75	1.87	2.02	2.12
Yield on IEAs	4.05	4.11	5.57	6.05	5.61	5.83
CoFs	1.56	2.11	4.50	5.29	4.31	4.22
Spread	2.42	1.95	1.02	0.73	1.27	1.56
Efficiency (%)						
Cost-to-Income (Headline)	27.5	28.2	33.0	32.0	29.9	28.3
Cost-to-Income (Core)	28.1	28.6	33.5	32.7	30.4	28.7
Liquidity (%)						
LDR	97	102	99	100	100	99
Loans/Assets	67.9	71.2	67.8	71.1	71.8	72.2
Liquid Assets-to-Total Assets	30.3	26.7	30.3	27.2	26.6	26.2
Deposits to Assets	69.9	70.1	68.2	71.2	72.1	72.7
Wholesale Funding to Loans	22.3	19.7	25.2	18.9	18.3	17.5
IEAs to IBLs	110	116	131	132	121	119
Asset Quality (%)						
NPL Ratio	4.2	5.1	5.4	4.9	4.8	4.5
NPLs to Shareholders' Equity	26.9	32.5	33.9	31.6	31.4	30.0
NPL to Tier-1 Capital	26.7	32.4	33.4	29.4	27.6	25.0
Coverage Ratio	84.3	83.3	83.7	100.2	111.6	128.0
ALL/Average Loans	3.6	4.0	4.2	4.7	5.2	5.6
Cost of Risk (bps)	125	85	38	41	45	50
Capitalization (%)						
CET1 Ratio	14.7	14.7	14.0	14.2	14.6	14.7
Tier-1 Ratio	17.3	17.2	16.3	16.2	16.5	16.4
CAR	18.4	18.3	17.2	17.2	17.5	17.4
Leverage (x)	9.1	8.5	8.9	8.6	8.6	8.7
Growth (%)						
Net Interest Income	-0.6	-8.6	-10.1	11.5	11.0	10.6
Non-Interest Income	38.7	3.4	-0.9	-1.6	7.6	15.0
OPEX	4.4	-4.1	7.6	5.4	3.0	5.4
Net Operating Income	4.8	-7.4	-14.5	10.3	13.8	14.0
Net Income (Attributable)	104.8	1.8	1.4	10.1	15.6	13.1
Loans	28.5	0.6	2.5	5.4	5.7	6.7
Deposits	43.7	-3.7	4.6	5.0	6.0	7.0
Assets	28.3	-4.0	7.7	0.6	4.7	6.0
RWAs	9.1	2.9	9.7	10.5	8.8	11.3

Source: Company data, QNB FS Research

Masraf Al Rayan (MARK)

Recommendation	Market Perform	Risk Rating	R-3
Share Price	QR2.322	Price Target	QR2.623
Implied Upside	13.0%		

CoR & RoE Remains a Crucial Factor in Re-Rating; Stay Market Perform

We recently changed our estimate: we maintain our overall average estimates for 2024, 2025 and 2026 by 2.9%. Hence, we maintain our QR2.623 PT and Market Perform rating. Given MARK's asset quality situation, the stock is trading at 2024e/25e P/B of 1.0x (lower than its 3-year average of 1.7x). The stock has outperformed its peers on an YTD basis and given MARK's weak asset quality and RoE erosion, we see limited upside in the near term.

Highlights

- Masraf Al Rayan (MARK) reported in-line earnings in 1Q2024.** MARK reported 1Q2024 bottom-line of QR406.1mn vs. our estimate of QR397.2mn (variation of +2.2%). Net income grew by 5.5% YoY (surged by 89.7% sequentially).
- 1Q2024 annualized RoE came in at 7.4% vs. 7.2% in 1Q2023 (FY2023 RoE came in at 6.4% vs. 5.8% in FY2022); RoE is significantly below pre-merger levels and remains well below its CoE of 11.7%.** RoE declined from 11.3% in 2021 to 5.8% in 2022. Pre-merger MARK's standalone RoEs hovered around the 16% level. It will be a long road to recovery for RoEs to pick up despite double-digit growth in earnings; we maintain our RoE estimates for 2025 at 7.1% (we maintain our 2024 RoE at 6.8%). Finally, we expect RoE to reach 9.5% by 2028e.
- Annualized NIMs in 1Q2024 increased by 15bps (+28bps sequentially) to ~1.95%; NIMs compressed by 52bps to 1.79% in FY2023 on the back of CoFs increasing more than yields on IEAs following rate hikes.** We still model in a 9bps improvement in NIMs in 2024 as benchmark rates are expected to decline.
- Although MARK's primary exposure is to the public sector (1Q2024: 49%), asset quality has faced headwinds with NPLs spiking; the bulk/majority of NPLs is attributed to the construction and real estate segments.** NPLs increased by 1.8% sequentially in 1Q2024 from QR6.4bn to QR6.5bn in 1Q2024. As such, the NPL ratio increased from 5.71% in FY2023 to 5.86% in 1Q2024. Moreover, Stage 2 loans as a % of total loans remains one of the highest domestically at 30% with negligible coverage (coverage of 10-15% would be prudent in our view). At the same time, coverage of Stage 3 loans is a low of 59%. (Including eligible collateral, coverage would be around 90%).
- CoR to stay on the high side in the near-to-medium term as MARK builds buffers to reach a coverage ratio of 70% to 80% for Stage 3 loans.** We maintain our CoR estimate at ~100bps in 2024-2026e before normalizing to 90bps 2027/28e.
- Loans continued its negative trajectory as MARK is de-risking its loan book; we maintain our gross loan growth estimates in 2023-28e at 5.0% as the bank's lending appetite increases after cleaning up its books.** Net loans contracted by 1.1% sequentially to QR107.0bn (-8.2% YoY) in 1Q2024. The drop in loans was attributable to the retail (48.5% QoQ), corporate (10.9%) and contracting (26.2%) segments. On the other hand, real estate loans surged by 31.7% QoQ. Deposits improved significantly, growing by 13.6% QoQ to QR105.3bn. As such, MARK's LDR improved to 102% vs. 117% in FY2023.
- CET1 to remain robust and highest among its peers; however, if changes to RWAs regarding open f/x positions is implemented as per Basel III, it could have an impact on capital.** We cannot quantify the effect, as MARK does not disclose its US \$ position. MARK ended 1Q2024 with CET1/Tier-1 ratios of 21.6%/22.6%.

Catalysts

- 1) Normalizing CoR, which results in stronger RoE generation ahead of our expectations.

Recommendation, Valuation and Risks

- Recommendation and valuation: We maintain our QR2.623 PT and Market Perform rating.** MARK is trading at 2024e/25e P/TB of 1.0/0.9x and P/E of 14.5x/13.5x.
- Risks:** 1) Geopolitical factors & 2) Greater-than-expected increase in credit costs.

Key Financial Data and Estimates

	2023	2024e	2025e	2026e
EPS Attributable (QR)	0.147	0.161	0.172	0.207
EPS Growth (%)	8.5	9.0	7.3	20.3
P/E (x)	15.8	14.5	13.5	11.2
Tangible BVPS (QR)	2.37	2.44	2.52	2.62
P/TBV (x)	1.0	1.0	0.9	0.9
RoE (%)	6.4	6.8	7.1	8.2
DPS (QR)	0.100	0.100	0.125	0.150
Dividend Yield (%)	4.3	4.3	5.4	6.5

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

Key Data

Current Market Price (QR)	2.322
Dividend Yield (%)	4.3
Bloomberg Ticker	MARK QD
ADR/GDR Ticker	N/A
Reuters Ticker	MARK.QA
ISIN	QA000A0M8VM3
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	2.705/1.890
3-m Average Volume (mn)	11.2
Mkt. Cap. (\$ bn/QR bn)	5.9/21.6
Shares Outstanding (mn)	9,300
FO Limit* (%)	100.0
Current FO* (%)	14.0
1-Year Total Return (%)	(10.2)
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign institutional ownership

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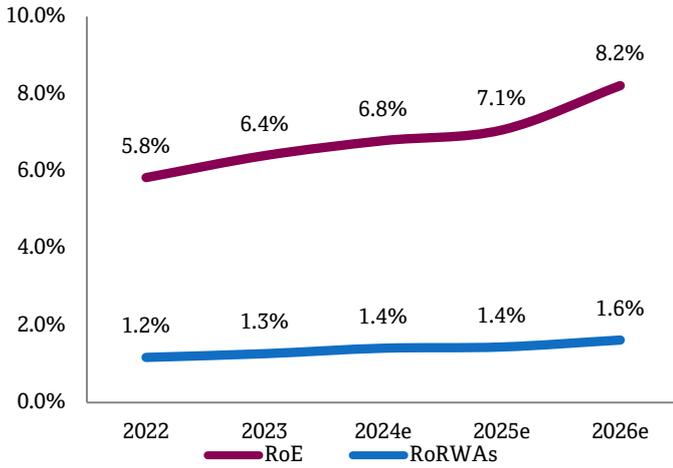
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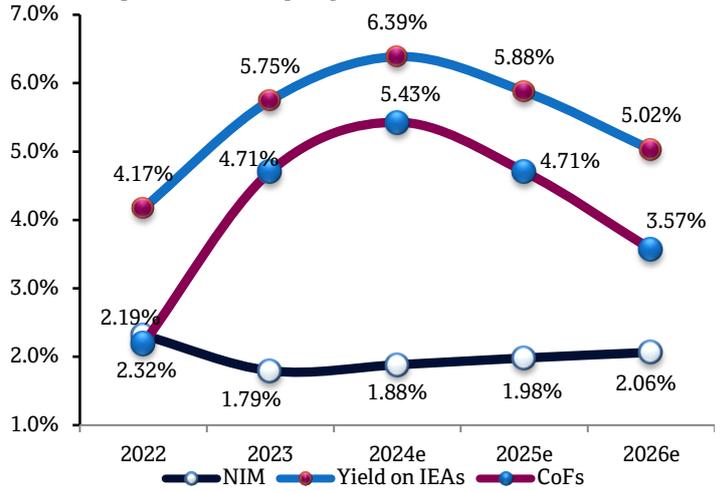
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RoE & RoRWAs to Steadily Improve; RoE to Remain < CoE

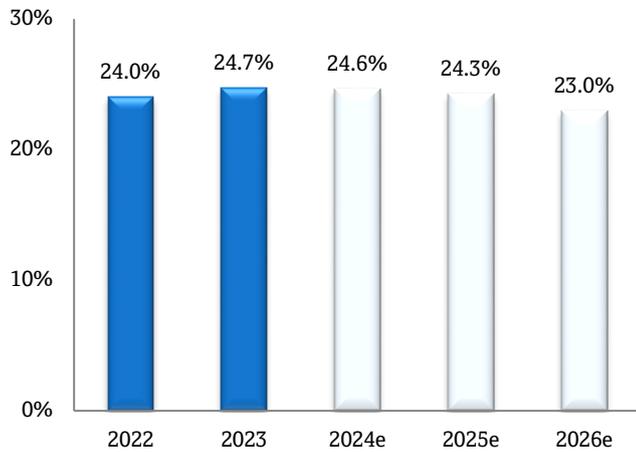


Source: Company data, QNB FS Research

While Margins to Gradually Improve

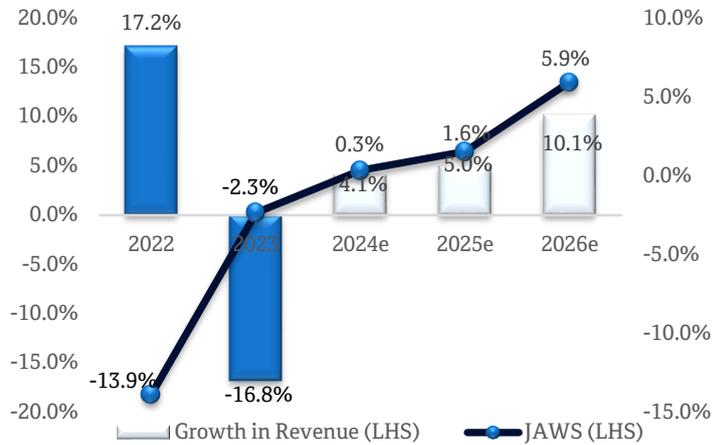


C/I Ratio to Improve Due to Cost Containment

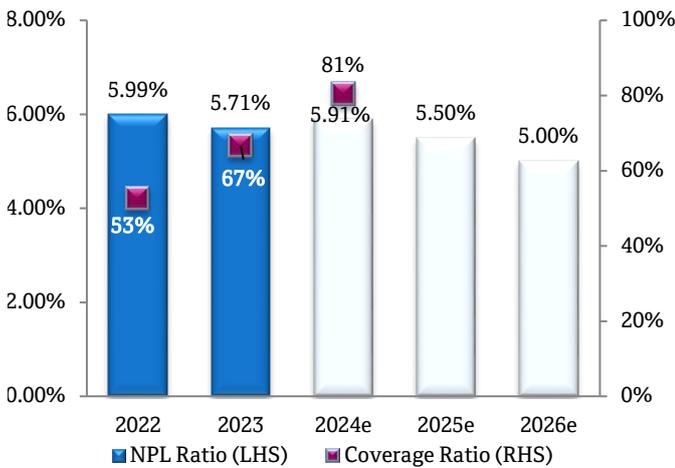


Source: Company data, QNB FS Research; 2021 & 2022 C/I excludes one-time integration costs

While Generating Single-Digit JAWS



NPL Ratio Remains High on the Back of Contracting & Real Estate Loans



Source: Company data, QNB FS Research

Stage 2 Loans on the High Side, Contributing 30% to Total Loans

1Q2024	Stage 1	Stage 2	Stage 3
Gross Loans	71,501,537	33,528,879	6,541,552
ALLs	40,743	666,004	3,868,247
Stages % Loans	64.1%	30.1%	5.86%
Coverage Ratio	0.06%	2.0%	59%

Detailed Financial Statements

Income Statement (In QR mn)	2022	2023	2024e	2025e	2026e
Net Interest Income	3,607	2,727	2,836	3,073	3,369
Fees & Commissions	328	319	341	365	401
FX Income	271	197	248	271	298
Other Income	46	295	257	158	190
Non-Interest Income	645	810	846	794	889
Total Revenue	4,251	3,537	3,682	3,866	4,259
Operating Expenses	(1,022)	(874)	(907)	(938)	(978)
Net Operating Income	3,229	2,663	2,775	2,928	3,281
Net Provisions & Impairments	(1,710)	(1,165)	(1,129)	(1,177)	(1,184)
Net Profit Before Taxes & Minority Interest	1,519	1,498	1,646	1,751	2,097
Tax	(22)	(35)	(35)	(26)	(31)
Net Profit Before Minority Interest	1,497	1,463	1,611	1,725	2,066
Minority Interest	(19)	(28)	(33)	(35)	(42)
Non-Recurring Items	(134)	17	-	-	-
Net Profit (Reported/Headline)	1,344	1,452	1,578	1,690	2,023
Interest Expense on AT1 Bond	(46)	(46)	(46)	(46)	(46)
Social & Sports Contribution Fund	(36)	(36)	(39)	(42)	(51)
Net Profit (Attributable)	1,263	1,369	1,493	1,601	1,927
EPS	0.140	0.151	0.165	0.177	0.213

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024e	2025e	2026e
Assets					
Cash & Balances with Central Bank	5,088	4,993	5,308	5,786	5,338
Interbank Loans	6,300	5,663	4,894	5,654	6,161
Net Investments	31,477	38,599	37,902	42,390	43,268
Net Loans	117,859	108,228	108,745	113,077	118,477
Investment In Associates	346	349	372	397	417
Other Assets	3,869	3,835	3,852	3,896	3,960
Net PP&E	915	969	999	1,031	1,063
Goodwill & Intangibles	1,679	1,565	1,451	1,337	1,223
Total Assets	167,533	164,200	163,523	173,567	179,908
Liabilities					
Interbank Deposits	29,316	32,204	21,591	24,510	23,423
Customer Deposits	97,292	92,724	100,142	107,152	113,581
Sukuks & Borrowings	11,525	9,821	10,411	10,411	10,411
Other Liabilities	5,118	4,644	5,976	5,386	5,579
AT1 Notes	1,000	1,000	1,000	1,000	1,000
Total Liabilities	144,251	140,393	139,120	148,458	153,993
Minority Interest	198	237	270	306	348
Total Shareholders' Equity	23,084	23,569	24,132	24,803	25,568
Total Liabilities & Shareholders' Equity	167,533	164,200	163,523	173,567	179,908
Risk Weighted Assets	111,079	105,187	106,780	115,596	122,338
TBVPs	2.30	2.37	2.44	2.52	2.62

Source: Company data, QNB FS Research

Ratios/KPIs	2022	2023	2024e	2025e	2026e
Profitability (%)					
RoE	5.8	6.4	6.8	7.1	8.2
RoAA	0.7	0.8	0.9	1.0	1.1
RoRWA	1.2	1.3	1.4	1.4	1.6
NIM (% of IEAs)	2.32	1.79	1.88	1.98	2.06
NIM (% of RWAs)	3.34	2.52	2.68	2.76	2.83
NIM (% of AAs)	2.11	1.64	1.73	1.82	1.91
Spread	2.0	1.0	1.0	1.2	1.5
Efficiency (%)					
Cost-to-Income (Headline)	24.0	24.7	24.6	24.3	23.0
Cost-to-Income (Core)	24.2	26.3	26.0	24.8	23.4
Liquidity (%)					
LDR (Loans to Stable Sources of Funds)	108	106	98	96	96
Loans/Assets	70.3	65.9	66.5	65.1	65.9
Cash & Interbank Loans-to-Total Assets	6.8	6.5	6.2	6.6	6.4
Deposits to Assets	58.1	56.5	61.2	61.7	63.1
Wholesale Funding to Loans	34.7	38.8	29.4	30.9	28.6
IEAs to IBLs	118.6	119.6	121.4	120.2	120.8
Asset Quality (%)					
NPL Ratio	5.99	5.71	5.91	5.50	5.00
NPL to Shareholders' Equity	31.60	27.26	28.08	26.65	24.79
NPL to Tier 1 Capital	33.71	28.86	28.17	25.62	22.85
Coverage Ratio	52.7	66.6	80.6	100.4	123.4
ALL/Average Loans	2.6	3.0	4.4	5.2	5.8
Cost of Risk (bps)	127	108	104	100	96
Capitalization (%)					
CET1 Ratio	18.6	20.2	21.6	21.5	21.9
Tier-1 Ratio	19.5	21.2	22.5	22.3	22.7
CAR	20.3	22.1	23.4	23.2	23.6
Leverage (x)	7.3	7.0	6.8	7.0	7.0
Growth (%)					
Net Interest Income	15.9	-24.4	4.0	8.3	9.7
Non-Interest Income	25.0	25.7	4.4	-6.2	12.1
Opex	31.0	-14.5	3.7	3.5	4.2
Net Operating Income	13.4	-17.5	4.2	5.5	12.1
Net Provisions & Impairments	55.9	-31.9	-3.1	4.2	0.6
Net Income (Reported)	-21.7	8.0	8.7	7.1	19.8
Net Income (Attributable)					
Loans	-2.5	-8.2	0.5	4.0	4.8
Deposits	-9.0	-4.7	8.0	7.0	6.0
Assets	-3.8	-2.0	-0.4	6.1	3.7
RWAs	6.1	-5.3	1.5	8.3	5.8

Source: Company data, QNB FS Research

Qatar International Islamic Bank (QIIB)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR10.07	Target Price	QR10.44
Implied Upside	3.7%		

Trading at a Premium to Peers; Maintain MP & QR10.44 TP

We recently changed our estimates: we still maintain our expected 5-year earnings CAGR of 10.8% (2023-28e) for Qatar International Islamic Bank (QIIB) after its FY2023/1Q2024 results. We also retain our Market Perform rating and our TP of QR10.44 as growth in earnings is already priced-in. The stock is now trading at 2024 P/B of 1.9x, close to its 5-year median of 2.2x. As a result, we see limited upside. At these levels, it would imply that QIIB is trading at a 40% premium to QIBK (2024e P/TB 1.4x) and it should be noted that QIBK has better profitability and asset quality indicators. Further, the market is pricing in a sustainable RoE of 18%, above our estimate of 16% (18% sustainable RoE is very challenging to achieve, in our view).

Highlights

- **QIIB's 1Q2024 comes in-line with our estimates. For the time being, our estimates broadly remain unchanged.** Qatar International Islamic Bank reported a net income of QR335.2mn in 1Q2024 vs. our estimate of QR336.4mn (-0.3% variation), increasing by 6.1% YoY (+78.5% QoQ). Reversals in other impairments mainly drove the YoY increase in profitability as net operating income decreased by 2.5% as a result of margin pressure. Sequentially, earnings followed historical trends and surged on the back of a significant drop in provisions and impairments.
- **Healthy RoE generator (>CoE); strong RoRWAs:** QIIB generated an annualized 1Q2024 RoE of 18.2%, flat with 1Q2023 (annualized RoE is not indicative of fiscal year end-RoE). We maintain our RoE forecast to reach 16.2% by 2025e from 14.9% in 2023 (FY2022: 14.3%). Moreover, we still maintain RoRWAs to increase from 2.0% in 2023 (1.9% in 2022) to a strong 2.3% by 2026e.
- **We model margins to moderately increase on strong competition.** We still expect NIMs to increase from 2.90% in 2023 to 2.99% (2024), 3.02% (2025) and 3.14% (2026).
- **The bank remains cost efficient and has one of the lowest C/I ratios domestically and in the GCC, consistently generating positive JAWs.** QIIB posted a cost-to-income ratio of 19.2% in 1Q2024 vs. 18.0% in 1Q2023 (4Q2023: 18.5%) and 17.9% in FY2023. We still expect the C/I ratio to hover around ~17/18.0% levels.
- **We maintain our net loans 5-year CAGR (2023-28e) of 6.1%.** Net loans increased by 2.6% sequentially to QR37.5bn. The QoQ growth in loans was driven by the public sector. Deposits increased by 2.0% QoQ to QR39.7bn in 1Q2024. Thus, QIIB's LDR (excluding wholesale stable sources of funds) was a healthy 94%. We still expect the LDR to hover around these levels.
- **1Q2024 CoR was flattish vs. 1Q2023.** QIIB booked net credit provisions of QR52.2mn in 1Q2024 vs. QR53.7mn in 1Q2023 (4Q2023: QR179.0mn). 1Q2024 CoR decreased to 53bps from 59bps in 1Q2023. We retain our 2024 CoR estimate of 109bps, but continue to expect CoR to improve to 80bps by 2027/2028e; management plans to increase coverage of Stage 2 and Stage 3 loans.
- **Asset quality remains manageable for now; NPLs on the rise.** NPL ratio increased from 2.88% in FY2023 to 3.20% in 1Q2024 (3Q2023: 3.16%; FY2021: 2.56%). At the same time, NPLs increased by 14.4% QoQ. On the other hand, coverage of Stage 3 loans remained 87% (still strong). It seems management allocated the majority of ECLS to stage 3 loans. Stage 2 loans comprise 10% of total loans, which is relatively healthy..
- **Capitalization remains healthy and above QCB minimum; if the QCB implements enhanced Basel III risk weights to net open \$ positions, QIIB would not be affected.** QIIB ended 1Q2024 with a CET1/Tier-1 ratio of 13.4%/17.4%.

Catalysts

- 1) We need to see increasing momentum in reported results, in our view (historical 5-year earnings CAGR was only 5.2%).

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our Market Perform rating and price target of QR10.44.** QIIB is trading at a 2024/25e P/TB and P/E of 1.9x/1.8x and 13.5x/12.0x, respectively.
- **Risks:** 1) Exposure to the real estate and consumer segments creates concentration risk, which could result in further impairments and 2) Geopolitical risks.

Key Financial Data and Estimates

	2023	2024e	2025e	2026e
Attributable EPS (QR)	0.685	0.748	0.841	0.940
EPS Growth (%)	10.2	9.3	12.3	11.8
P/E (x)	14.7	13.5	12.0	10.7
Tangible BVPS (QR)	4.9	5.2	5.6	6.0
P/TBV (x)	2.1	1.9	1.8	1.7
RoE (%)	14.9	15.3	16.2	16.9
DPS (QR)	0.450	0.475	0.500	0.550
Dividend Yield (%)	4.5	4.7	5.0	5.5

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

Key Data

Current Market Price (QR)	10.07
Dividend Yield (%)	4.5
Bloomberg Ticker	QIIB QD
ADR/GDR Ticker	N/A
Reuters Ticker	QIIB.QA
ISIN	QA0006929879
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	11.44/8.66
3-m Average Volume (mn)	1.0
Mkt. Cap. (\$ bn/QR bn)	4.2/15.2
Shares Outstanding (000's)	1,513.7
FO Limit* (%)	100.0
Current FO* (%)	19.7
1-Year Total Return (%)	+3.0
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign institutional ownership

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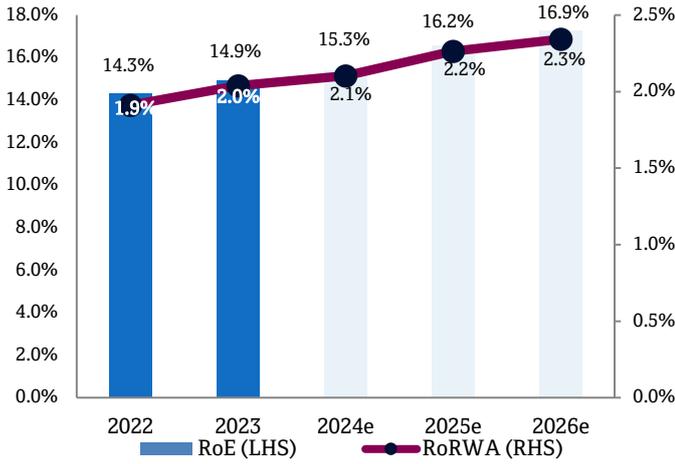
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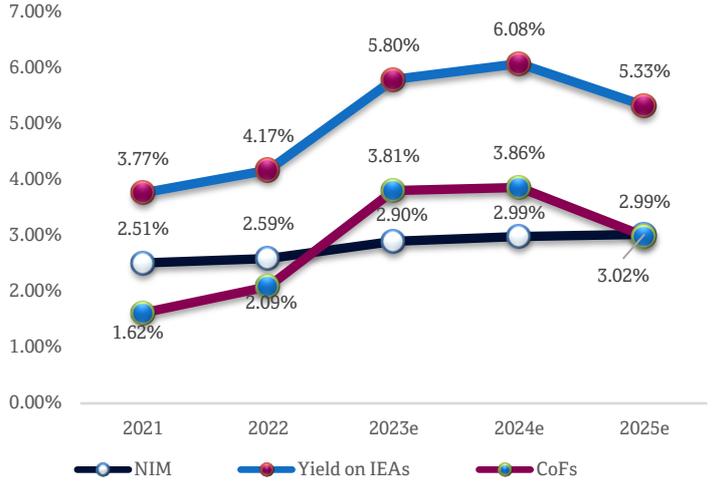
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RoE & RoRWAs to Steadily Improve & Remain Healthy; RoE > CoE

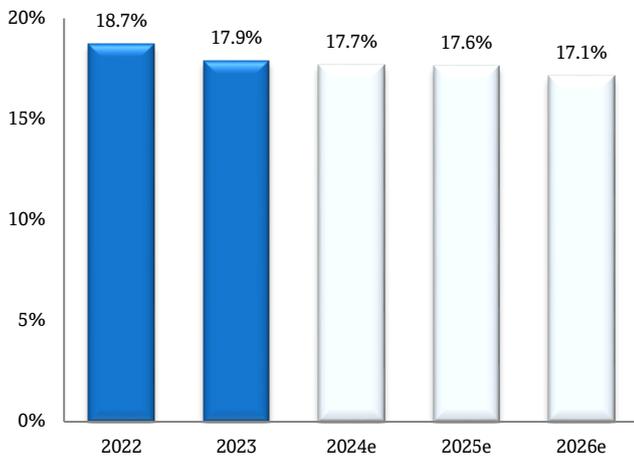


Source: Company data, QNB FS Research

While Margins to Steadily Increase

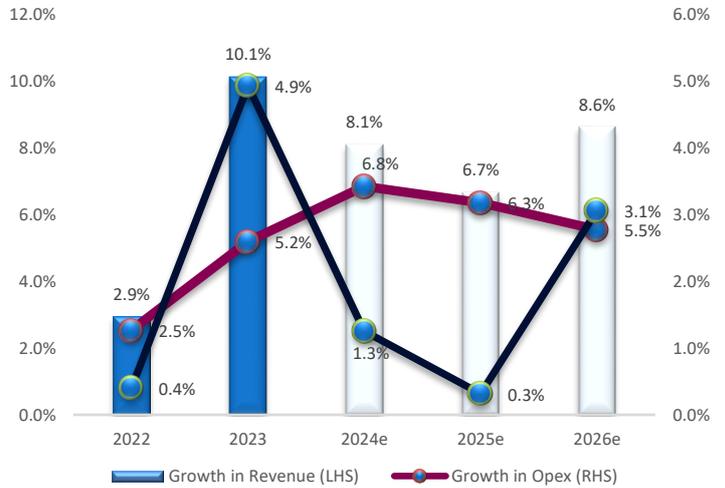


C/I Ratio is One of The Lowest Domestically & Regionally

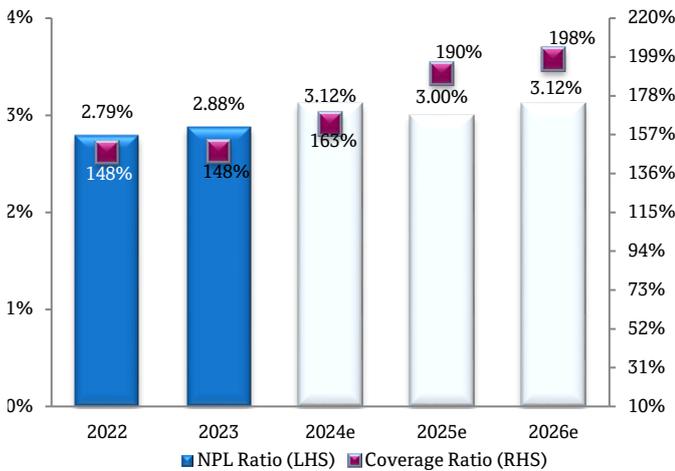


Source: Company data, QNB FS Research

While Generating Positive JAWS



NPL Ratio Spiked Mainly on the Back of a Few SME Loans



Source: Company data, QNB FS Research

Coverage of Stage 3 Loans is 87%; >100% With Collateral

1Q2024	Stage 1	Stage 2	Stage 3	Total
Gross Loans	34,109,064	3,876,625	1,256,330	39,242,019
ECLs	188,687	401,500	1,086,570	1,676,757
Stages % Loans	86.9%	9.9%	3.20%	
Stages % ECLs	11.3%	23.9%	64.8%	
Coverage Ratio	0.6%	10.4%	86.5%	

Detailed Financial Statements

Income Statement (In QR mn)	2021	2022	2023	2024e	2025e	2026e
Net Interest Income	1,434	1,423	1,578	1,723	1,853	1,999
Fees & Commissions	250	298	292	298	322	361
FX Income	42	85	87	90	87	94
Other Income	16	(13)	17	22	14	19
Non-Interest Income	308	370	396	411	424	473
Total Revenue	1,742	1,793	1,974	2,134	2,276	2,472
Operating Expenses	(328)	(336)	(353)	(378)	(401)	(424)
Net Operating Income	1,414	1,457	1,621	1,757	1,875	2,048
Net Provisions & Impairments	(411)	(382)	(456)	(493)	(468)	(488)
Net Profit (Headline/Reported)	1,003	1,075	1,165	1,264	1,407	1,561
Payment on Tier-1 Sukuk	(108)	(108)	(99)	(99)	(99)	(99)
Social & Sports Contribution Fund	(25)	(27)	(29)	(32)	(35)	(39)
Net Profit (Attributable)	870	940	1,036	1,133	1,272	1,422
EPS	0.575	0.621	0.685	0.748	0.841	0.940

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2021	2022	2023	2024e	2025e	2026e
Cash & Balances with Central Bank	2,670	2,491	3,624	3,384	3,483	3,006
Interbank Loans	13,426	9,760	12,465	14,545	10,973	11,955
Net Investments	7,220	7,752	7,809	8,256	8,845	9,477
Net Loans	37,031	35,022	36,499	38,276	40,642	43,473
Investment In Associates	264	192	154	154	150	148
Other Assets	252	275	207	248	208	252
Net PP&E	231	231	226	238	254	276
Investments In Real Estate	697	669	642	642	642	642
Total Assets	61,792	56,393	61,626	65,742	65,198	69,228
Liabilities						
Interbank Deposits	9,922	5,679	9,468	10,773	7,374	7,986
Customer Deposits	38,646	37,945	38,934	41,270	43,540	46,239
Term Loans	3,543	2,794	2,772	2,772	2,772	2,772
Tier-1 Perpetual Sukuk	2,092	2,092	2,092	2,092	2,092	2,092
Other Liabilities	979	900	947	970	1,001	1,054
Total Liabilities	55,182	49,411	54,213	57,877	56,779	60,144
Total Shareholders' Equity	6,610	6,983	7,414	7,865	8,419	9,084
Total Liabilities & Shareholders' Equity	61,792	56,393	61,626	65,742	65,198	69,228
Risk Weighted Assets	49,250	49,109	52,598	55,881	57,375	63,690
TBVPS	4.34	4.59	4.88	5.18	5.56	6.00

Source: Company data, QNB FS Research

Ratios/Indicators	2021	2022	2023	2024e	2025e	2026e
Profitability (%)						
RoE	14.0	14.3	14.9	15.3	16.2	16.9
RoAA	1.4	1.6	1.8	1.8	1.9	2.1
RoRWA	1.8	1.9	2.0	2.1	2.2	2.3
NIM (% of IEAs)	2.51	2.59	2.90	2.99	3.02	3.14
NIM (% of RWAs)	2.97	2.89	3.10	3.18	3.27	3.30
NIM (% of AAs)	2.33	2.41	2.67	2.71	2.83	2.97
Spread	2.15	2.08	1.99	2.22	2.33	2.31
Efficiency (%)						
Cost-to-Income (Headline)	18.8	18.7	17.9	17.7	17.6	17.1
Cost-to-Income (Core)	19.1	18.7	18.1	17.9	17.8	17.3
Liquidity (%)						
LDR	88	86	88	87	88	89
Loans/Assets	59.9	62.1	59.2	58.2	62.3	62.8
Cash & Interbank Loans-to-Total Assets	26.0	21.7	26.1	27.3	22.2	21.6
Deposits to Assets	62.5	67.3	63.2	62.8	66.8	66.8
Wholesale Funding to Loans	36.4	24.2	33.5	35.4	25.0	24.7
IEAs to IBLs	129	136	127	123	137	129
Asset Quality (%)						
NPL Ratio	2.6	2.8	2.9	3.1	3.0	3.1
NPL to Shareholders' Equity	14.8	14.6	14.8	16.0	15.4	15.9
NPL to Tier-1 Capital	12.8	12.8	13.2	14.3	13.9	14.5
Coverage Ratio	123.1	147.7	147.8	162.9	190.2	197.9
ALL/Average Loans	2.9	3.9	4.2	5.0	5.6	6.1
Cost of Risk (bps)	95	81	113	109	98	90
Capitalization (%)						
CET1 Ratio	11.3	12.0	11.9	12.0	12.6	12.4
Tier-1 Ratio	15.6	16.3	15.9	15.7	16.3	15.7
CAR	16.7	17.7	17.0	16.9	17.4	16.9
Leverage (x)	9.3	8.1	8.3	8.4	7.7	7.6
Growth (%)						
Net Interest Income	0.8	-0.8	11.0	9.2	7.5	7.9
Non-Interest Income	21.5	20.2	6.9	3.7	3.2	11.7
OPEX	-3.9	2.5	5.2	6.8	6.3	5.5
Net Operating Income	6.0	3.0	11.3	8.4	6.7	9.3
Net Income (Attributable)	7.9	8.1	10.2	9.3	12.3	11.8
Loans	-8.6	-5.4	4.2	4.9	6.2	7.0
Deposits	6.3	-1.8	2.6	6.0	5.5	6.2
Assets	0.8	-8.7	9.3	6.7	-0.8	6.2
RWAs	4.5	-0.3	7.1	6.2	2.7	11.0

Source: Company data, QNB FS Research

Qatar Islamic Bank (QIBK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR17.55	Target Price	QR22.45
Implied Upside	27.9%		

Valuation Remains Attractive; Catalyst Needed

We recently updated our estimates: we maintain our forecasts for 2024, 2025 and 2026. Hence, our expected 5-year earnings CAGR of 9.5% (2023-28e) remains unchanged. Moreover, our sustainable RoE remains at 15.5%. As such, we maintain our QR22.45 PT and Accumulate rating. We are still of the view that the stock is trading at undemanding levels. QIBK is trading at a low P/B of 1.5x on our 2024e estimates (30% discount to its 5-year average of 2.1x), which implies upside, in our view. We note that the stock's 5-year median P/B is also 2.1x (5-year high P/B of 2.9x). Our thesis stays unchanged: QIBK's fundamentals continue to remain robust with strong RoE generation (2021: 18.2%, 2022: 18.1%, 2023: 17.3% and 24e/25e 17.2%/17.3%); moreover, the bank is cost efficient, has a strong Tier-1 position and a superior asset quality profile vs. its peers. As such, we believe the stock still warrants a premium.

Highlights

- **QIBK's 1Q2024 earnings come in slightly below our model:** Qatar Islamic Bank (QIBK) reported earnings of QR955.1mn in 1Q2024, moderately below our estimate of QR987.1mn (variation of -3.3%). Bottom-line increased by 5.5% YoY (-23.6% sequentially).
- **Robust RoE trajectory continued; 1Q2024 RoE (annualized) came in at 15.2%, while RoRWAs was a strong 2.9%:** QIBK boasts one of the highest RoEs & RoRWAs among its domestic and regional peers. Moreover, RoRWAs was an impressive 2.9%. The bank's RoTE jumped from 15.2% in FY2016 to 17.3% in FY2023, despite conservative/prudent provisioning. QIBK also has superior RoRWAs, which are well above 2.0%. QIBK generated RoRWAs of 2.8%/2.9% in 2022/2023 and we still expect this metric to increase to 3.2% by 2027/2028.
- **We estimate NIMs to moderately increase; QIBK has consistently expanded its margins.** We expect NIMs to increase from 2023's 2.97% to 3.14% in 2024, 3.26% (2025) and 3.31% (2026)
- **QIBK remains one of the most cost-efficient banks in the GCC & continues to generate positive JAWs.** The bank's C/I ratio continuously dropped from 30.8% in 2015 to 17.1% in 2023 (1Q2024: 17.8%). Moreover, QIBK generated robust JAWs of 8.4% on average (2018-2023) and 5.4% in 1Q2024 YoY. Our C/I ratios of 16.3%/15.7% in 2024/2025 remain unchanged.
- **Growth in net loans improved, driven by the corporate segment (ex. RE and contracting); loans to the public sector decreased as the government continued repaying credit facilities.** Net loans increased by 1.9% to QR124.7bn. Moreover, deposits followed suit and moved up by 1.8% QoQ to QR123.1bn. We maintain our growth forecast for net loans of 5.2% in 2024 and our 6.5% CAGR (2023-2028e).
- **CoR to remain elevated given management's conservative risk management nature but we do not expect it to be > ~100bps levels.** Our estimate of flat CoR in 2024e remains unchanged. We still expect CoR to normalize to ~70bps by 2027e/28e. A decent chunk of CoR is coming from Stages 1 & 2 loans as management is upping its buffers. 73% of ECLs is attributed to Stages 1 and 2 loans.
- **Asset quality remains healthy and manageable.** NPL ratio decreased to 1.64% in 1Q2024 vs 1.67% in FY2023. During the same time, NPLs remained flat sequentially. Moreover, Stage 2 ECLS increased by 6.8% QoQ. Further, coverage of Stage 3 loans increased from 88% in FY2023 to 92% in 1Q2024.
- **Capitalization remains strong;** QIBK ended 1Q2024 with robust CET1 and CAR ratios at 16.8% and 20.7%, respectively. If the QCB implements enhanced Basel III risk weights to net open \$ position, the effect would be negligible. Hence, QIBK could still increase DPS without any stress on Tier-1 capital.

Catalysts

- For QIBK shares to regain momentum, we need to see dividend upside.

Recommendation, Valuation and Risks

- **Recommendation and valuation:** We maintain our QR22.45 PT and Accumulate rating. QIBK is trading at a 2024e/25e P/TB of 1.5/1.3x.
- **Risks:** 1) Increase in credit costs and 2) Exposure to the real estate segment.

Key Financial Data and Estimates

(In QR mn)	2023	2024e	2025e	2026e
EPS (QR)	1.68	1.83	2.03	2.18
EPS Growth (%)	7.0	8.9	10.8	7.4
P/E (x)	10.4	9.6	8.6	8.0
Tangible BVPS (QR)	10.7	11.8	13.0	14.4
P/TBV (x)	1.6	1.5	1.3	1.2
RoE (%)	17.3	17.2	17.3	16.7
DPS (QR)	0.725	0.750	0.800	0.925
Dividend Yield (%)	4.1	4.3	4.6	5.3

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

Key Data

Current Market Price (QR)	17.55
Dividend Yield (%)	4.1
Bloomberg Ticker	QIBK QD
ADR/GDR Ticker	N/A
Reuters Ticker	QISB.QA
ISIN	QA0006929853
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	22.09/16.81
3-m Average Volume (mn)	1.6
Mkt. Cap. (\$ bn/QR bn)	11.4/41.5
Shares Outstanding (mn)	2,362.93
FO Limit* (%)	100.0
Current FO* (%)	15.6
1-Year Total Return (%)	(0.8)
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 50, 2024); Note: FO is foreign institutional ownership

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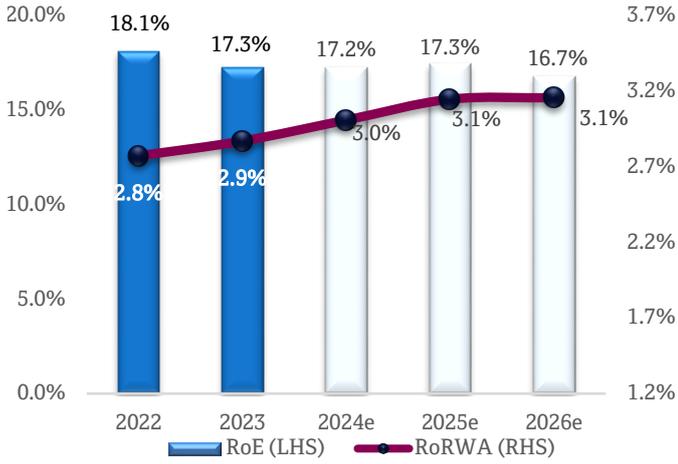
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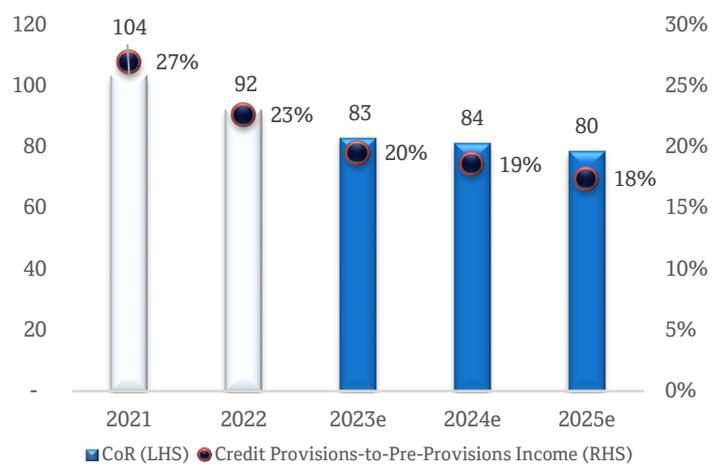
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Robust RoE and RoRWAs Generator

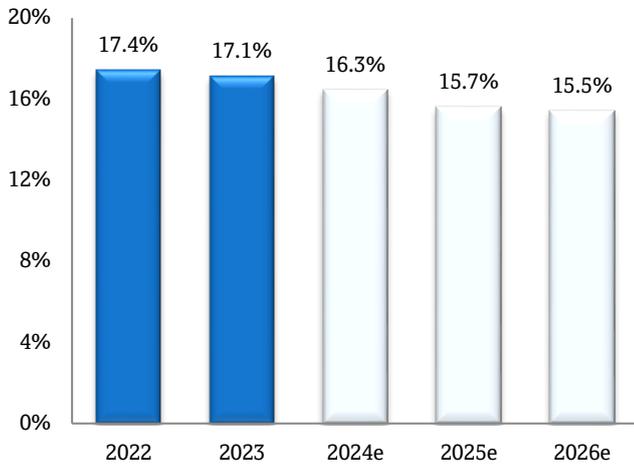


Source: Company data, QNB FS Research

With Healthy CoR Levels

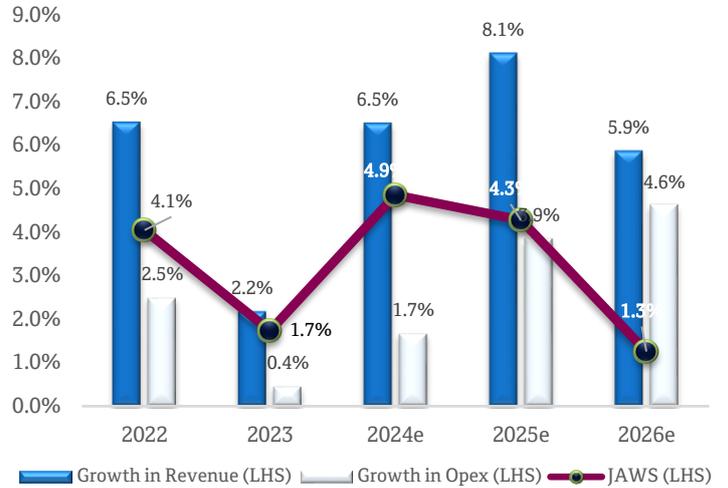


Efficiently Managed Bank

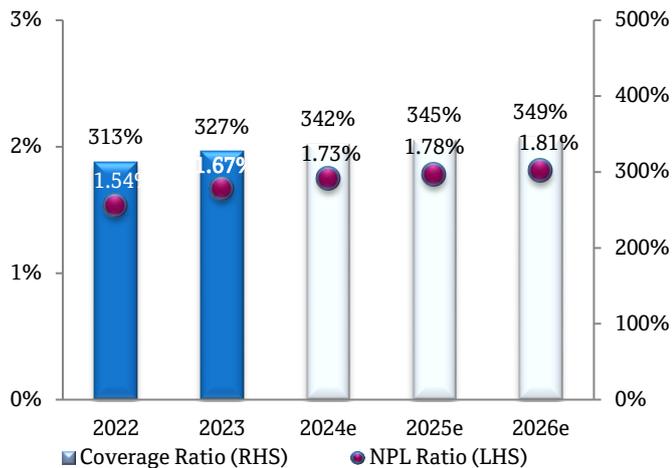


Source: Company data, QNB FS Research

While Generating Strong Revenue Growth and Healthy JAWs



Superior Asset Quality



Source: Company data, QNB FS Research

Strong Coverage of Stage 3 Loans & Manageable Stage 2 Loans

1Q2024	Stage 1	Stage 2	Stage 3	Total
Gross Loans	105,688,400	24,185,757	2,164,825	132,038,982
ECLs	4,088,563	1,310,578	1,984,652	7,383,793
Stages % of Loans	80.04%	18.32%	1.64%	
Stages % ECLS	55.4%	17.7%	26.9%	
Coverage Ratio	4%	5%	92%	

Detailed Financial Statements

Income Statement (In QR mn)	2021	2022	2023	2024e	2025e	2026e
Net Interest Income	4,774	4,999	5,214	5,531	5,964	6,417
Fees & Commissions	726	810	889	978	1,073	1,024
FX Income	200	122	50	71	85	97
Other Income	289	451	367	368	391	417
Non-Interest Income	1,215	1,383	1,307	1,416	1,549	1,538
Total Revenue	5,990	6,382	6,521	6,947	7,513	7,955
Operating Expenses	(1,085)	(1,112)	(1,117)	(1,136)	(1,180)	(1,234)
Net Operating Income	4,904	5,270	5,404	5,811	6,333	6,721
Net Provisions & Impairments	(1,342)	(1,235)	(1,103)	(1,124)	(1,164)	(1,185)
Net Profit Before Taxes & Non-Recurring Items	3,563	4,034	4,301	4,687	5,169	5,536
Tax	(10)	(11)	(13)	(14)	(16)	(17)
Net Profit Before Minority Interest	3,553	4,023	4,288	4,673	5,154	5,519
Minority Interest	2	(18)	17	(3)	(4)	(4)
Non-Recurring/Unusual Gains/(Losses)	0	0	0	0	0	0
Net Profit (Headline)	3,555	4,005	4,305	4,670	5,150	5,515
Interest On Tier-1 Sukuk	(196)	(188)	(219)	(219)	(219)	(219)
Social & Sports Contribution Fund	(89)	(100)	(108)	(117)	(129)	(138)
Net Profit (Attributable)	3,270	3,717	3,979	4,335	4,802	5,158
EPS	1.38	1.57	1.68	1.83	2.03	2.18

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2021	2022	2023	2024e	2025e	2026e
Assets						
Cash & Balances with Central Bank	7,177	7,951	8,037	8,628	7,874	8,797
Interbank Loans	7,461	3,188	3,262	3,588	4,104	3,665
Net Investments	44,380	45,774	48,013	50,536	52,185	55,831
Net Loans	128,409	119,285	122,381	128,151	136,787	146,582
Investment In Associates	1,140	1,130	1,128	1,160	1,195	1,232
Other Assets	1,709	2,576	2,297	2,455	2,589	2,491
Net PP&E	570	558	516	513	508	505
Investment In Real Estate	2,854	3,321	3,306	2,990	2,941	2,892
Goodwill & Intangible Assets	218	218	218	218	218	218
Total Assets	193,916	184,001	189,157	198,239	208,400	222,214
Liabilities						
Interbank Deposits	19,856	17,382	20,434	22,467	21,251	20,631
Customer Deposits	131,095	122,371	120,835	126,876	135,758	146,618
Sukuk Financing	14,063	12,453	14,668	12,321	12,321	12,321
Other Liabilities	3,491	3,868	3,203	3,933	3,394	3,695
Tier-1 Sukuk	4,000	4,000	4,000	4,000	4,000	4,000
Total Liabilities	172,504	160,075	163,140	169,597	176,724	187,265
Minority Interest	676	669	625	628	632	637
Total Shareholders' Equity	20,736	23,257	25,392	28,014	31,044	34,312
Total Liabilities & Shareholders' Equity	193,916	184,001	189,157	198,239	208,400	222,214
Risk Weighted Assets	134,045	138,570	144,463	156,212	165,678	179,993
BVPS	8.78	9.84	10.75	11.86	13.14	14.52

Source: Company data, QNB FS Research

Key Indicators/KPIs	2021	2022	2023	2024e	2025e	2026e
Profitability (%)						
RoE (Tangible)	18.2	18.1	17.3	17.2	17.3	16.7
RoAA	1.8	2.0	2.1	2.2	2.4	2.4
RoRWA	2.7	2.8	2.9	3.0	3.1	3.1
NIM (% of IEAs)	2.90	2.97	3.14	3.19	3.26	3.31
NIM (% of RWAs)	3.74	3.67	3.68	3.68	3.71	3.71
NIM (% of AAs)	2.59	2.65	2.79	2.86	2.93	2.98
Spread	2.66	2.67	2.56	2.54	2.46	2.31
Efficiency (%)						
Cost-to-Income (Headline)	18.1	17.4	17.1	16.3	15.7	15.5
Cost-to-Income (Core)	18.9	18.7	18.2	17.3	16.6	16.4
Liquidity (%)						
LDR	98.0	97.5	101.3	101.0	100.8	100.0
Loans/Assets	66.2	64.8	64.7	64.6	65.6	66.0
Cash & Interbank Loans-to-Total Assets	7.5	6.1	6.0	6.2	5.7	5.6
Deposits to Assets	67.6	66.5	63.9	64.0	65.1	66.0
Wholesale Funding to Loans	26.4	25.0	28.7	27.1	24.5	22.5
IEAs to IBLs	117.1	122.2	119.7	120.2	121.7	122.6
Asset Quality (%)						
NPL Ratio	1.8	1.5	1.7	1.7	1.8	1.8
NPL to Shareholder's Equity	11.5	8.3	8.5	8.4	8.4	8.3
NPL to Tier 1 Capital	10.1	7.4	7.8	8.0	8.3	8.5
Coverage Ratio	202	313	327	342	345	349
ALL/Average Loans	3.5	4.2	4.8	5.1	5.3	5.5
Cost of Risk	104	92	83	84	80	78
Capitalization (%)						
CET1 Ratio	14.7	15.8	16.4	16.2	16.5	16.4
Tier-1 Ratio	17.7	18.7	19.2	18.8	18.9	18.6
CAR	18.9	19.9	20.4	20.0	20.1	19.8
Leverage (x)	9.4	7.9	7.4	7.1	6.7	6.5
Growth (%)						
Net Interest Income	9.8	4.7	4.3	6.1	7.8	7.6
Non-Interest Income	11.5	13.8	-5.5	8.4	9.4	-0.7
Total Revenue	10.1	6.5	2.2	6.5	8.1	5.9
OPEX	-0.6	2.5	0.4	1.7	3.9	4.6
Net Operating Income	12.8	7.4	2.6	7.5	9.0	6.1
Net Income (Attributable)	17.5	13.7	7.0	8.9	10.8	7.4
Loans	7.8	-7.1	2.6	4.7	6.7	7.2
Deposits	11.0	-6.7	-1.3	5.0	7.0	8.0
Assets	11.2	-5.1	2.8	4.8	5.1	6.6
RWAs	10.3	3.4	4.3	8.1	6.1	8.6

Source: Company data, QNB FS Research



COMPANY UPDATES: DIVERSIFIED

Baladna (BLDN)

Recommendation	OUTPERFORM	Risk Rating	R-3
Share Price	QR1.302	Target Price	QR1.767
Implied Upside	35.7%		

Strong Volume Growth & Margin Recovery to Anchor Valuation; Maintain Outperform

We have an Outperform rating on Baladna as we see it creating value from strong sales volume growth and declining commodity prices in the near term, while in the medium term, margin expansion from product value engineering, increased capacity utilization and cost-optimization should bolster its valuation further. Cash flows from operations should also continue to improve partly emanating from recycling of working capital. Furthermore, we see a gradual decline in finance costs as the group steadily pays down its debt while capex normalization boosts FCF, this is on top of the recently re-negotiated finance terms. Baladna has been on a heavy investment cycle since it expanded operations in 2017, but we see capex requirements subsiding, which bodes well for its valuation and investor perception as distributions to shareholders increase.

Highlights

- In its latest results, **Baladna's 1Q2024 attributable profit matched our estimates, driven by strong volume growth in all product categories and across all sales channels, and further bolstered by margin recovery and expansion.** Baladna's 1Q2024 attributable profit jumped 141.0%/7.1% YoY/QoQ to QR48.3mn, in line with our estimate of QR47.9mn. While a good chunk of earnings growth filtered directly from the top-line, a theme of strong operational efficiency is palpable in the latest set of results as margins recovered both YoY and sequentially.
- We expected this trend of earnings growth to continue for the foreseeable future, particularly this year.** Therefore, we maintain both our Outperform rating and TP of QR1.767/share. While we note Baladna's recent share price resurgence, we believe there is still more room for the stock to run, buttressed by a relatively attractive DY on growing operating cash flows as well as strong earnings momentum in the near term as management focuses on operational efficiency.
- We expect strong revenue and bottom-line growth in the short- to medium-term, which slows down as market shares in new products (primarily evaporated milk and juice) approach the 50% mark.** We see revenue growing 19.7% in FY2024, and 3.9% in FY2025 and FY2026. Most of the growth should be driven by the newly-launched evaporated milk product as well as continued market share gains of juice and cheese products. A considerable part of evaporated milk sales is expected to come from multi-year contracts with the government and other B2B customers (incl. HORECA), ensuring a steady revenue flow. Volume growth is also expected to come from increased marketing focus on HORECA customers. This top-line growth coupled with product engineering should see net profit rising 72.5% in FY2024, followed by a 13.4% jump in FY2025, and 15.4% in FY2026. We also expect the continuation of dividend distributions, which pleasantly surprised investors this year after skipping in 2023.
- Longer term, Baladna has a promising international expansion strategy as the company has signed MoUs with several parties in different countries to export its model which has been remarkable at home.** Prima facie, the pay-off for exporting the "Baladna Model" mimics that of private equity. This is not in our base model. Negotiations with the Algerian government are advanced and other countries that have shown interest include Malaysia, the Philippines, Uzbekistan, Kazakhstan and Indonesia. In addition, the group is building an associate/strategic stake in Egypt's listed food producer Juhayna – it now holds more than 15% of Juhayna's public equity. Locally, it has acquired E-life Detergent, and management says it is still actively seeking other investment opportunities. Further, Baladna is pursuing a backward integration strategy to secure and control the production of its animal feed by setting up offshore companies to grow animal feed in Romania and Algeria.

Catalysts

- Catalysts: (1) Market share gains (2) New product launches (3) Moderating feed costs (4) Advanced manufacturing capabilities (5) Fruition of international expansion plans, including exporting the "Baladna Model."**

Recommendation, Valuation and Risks

- Recommendation and Valuation: We maintain our Outperform rating on the name and our 12-month TP of QR1.767, implying a 35.7% upside potential.** Our TP is a weighted average of various valuation models: DCF, EBITDA Exit Multiple & Relative-Valuation methodologies. Our primary thesis is that, internally, the headway for volume growth is supported by ample manufacturing capacity and low market shares in select product lines. That will be complemented by considerable scope for margin expansion. Inorganically, the scope to export its model creates PE-like payoff optionality. We also note that while Baladna's capital return ratios are relatively low, they should continue to gradually improve as plant utilization increases and capex normalizes.
- Key risks: (1) Price controls (2) Volatile soft commodity prices (3) Cessation of government support (4) High and sticky interest rates on elevated debt burden (5) Animal disease outbreak (6) Dairy alternatives, i.e., plant-based substitutes.**

Key Financial Data and Estimates

Group	2023a	2024e	2025e	2026e	2027e
EPS (QR)	0.058	0.099	0.112	0.129	0.151
P/E (x)	22.58	13.16	11.61	10.06	8.62
EV/EBITDA (x)	15.81	12.20	11.18	10.10	8.97
DPS (QR)	0.07	0.07	0.08	0.10	0.11
DY (%)	5.3%	5.7%	6.5%	7.5%	8.7%

Source: Company data, QNBFS Research; Note: All data based on current number of shares; These estimates may not reflect the most recent quarter

Key Data

Current Market Price	QR1.302
Dividend Yield (%)	5.3
Bloomberg Ticker	BLDN QD
ADR/GDR Ticker	N/A
Reuters Ticker	BLDN.QA
ISIN	QA000T98R9J4
Sector*	Consumer Goods
52wk High/Low (QR)	1.570/1.050
3-m Average Vol. (mn)	9.0
Mkt. Cap. (\$ bn/QR bn)	0.7/2.5
EV (\$ bn/QR bn)	1.2/4.3
Shares O/S (mn)	1,901.0
FO Limit* (%)	49.0
FO (Institutional)* (%)	3.4
1-Year Total Return (%)	-8.9
Fiscal Year-End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign ownership

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Estithmar Holding (IGRD)

Recommendation	ACCUMULATE	Risk Rating	R-4
Share Price	QR1.930	Target Price	QR2.310
Implied Upside	19.7%		

Ramping-Up of Higher Margin Business Bodes Well for Prospects; Stay Accumulate

We note Estithmar Holding's results have been surprisingly resilient at group level than we had expected since the beginning of last year. Notwithstanding, we continue to expect IGRD's results to remain unusually volatile for the foreseeable horizon, especially at divisional level, a feature synonymous with new business launches (healthcare and ventures/tourism units) that are still ramping up. Moreover, IGRD's traditional businesses (services and contracting & industries segments) have also seen considerable volatility as they are still trying to establish a new equilibrium since the end of elevated business activity in the build-up to the 2022 World Cup. The group has also seen several senior management changes in a very short space of time which adds another unpredictability dimension to an already volatile earnings profile. Consequently, we maintain our Accumulate rating and TP on the name until we are more confident with the durability of its earnings and margins trend.

Highlights

- IGRD's latest 1Q2024 attributable profit printed above our estimates.** Earnings rose 10.4%/147.5% YoY/QoQ to QR111.7mn (vs. estimate of QR86.3mn) as both the top-line and margins came in above our estimates. We estimate that ~22% of the beat is due to lower ratio of inter-segment/corporate revenue adjustments and ~63% can be attributed to higher margins than modeled – about ~2ppts stronger. GP margin improved to 24.6% from 22.2% in 1Q2023 but lower sequentially from 33.8%. Meanwhile, the operating margin rose to 17.9% from 16.9% in 1Q2023 and 12.1% in 4Q2023 on mostly lower depreciation & amortization charges and a reversal in impairment of financial assets. NP margin improved to 14.1% from 13.4% in 1Q2023 and 6.6% in the previous quarter.
- In January IGRD announced the launch of a QR3.4bn sukuk program to fund its international expansion.** We believe the announcement spotlights (i) Maldives (hospitality) and (ii) HAQA (healthcare/Algerian hospital) projects with a combined capex requirement of ~QR2.5bn. These two projects are not yet in our base model as details are still elusive but we estimate, given the available data, they could potentially add ~QR0.37 to IGRD's share price.
- Potential for significant top- and bottom-line growth in the medium term:** We expect revenue to grow 15.5% this year, 18.8% in FY2025 and 13.6% in FY2026. The double-digit growth in revenue between FY2024 and FY2026 is on the back of healthcare and tourism units ramping up. As a consequence of increased contribution from these higher-margin businesses, we estimate net profit to decrease marginally by -3.3% in FY2024, but jump by 31.1% in FY2025 and 28.5% in FY2026. Due to higher earnings growth, PEG ratio should remain <1 for the foreseeable future, which allays concerns about the high PE.

Catalysts

- Significant catalysts:** (1) Positive sales & operation updates of new healthcare/tourism businesses (2) Opening of Korean Medical Center (KMC) (3) New product launches/offshore expansion (4) Dividend distribution launch

Recommendation, Valuation and Risks

- Recommendation and Valuation:** We maintain our Accumulate rating and our 12-month TP of QR2.310 implying 19.7% upside potential, using a SoTP weighted-average of the DCF and EBITDA Exit Multiple valuation methods. We continue to like the IGRD model where future growth is geared towards higher margin sectors of healthcare, tourism and services, which are set to more than offset the slowdown in construction and industries. These growth areas are supported by the macro backdrop where Qatar is striving to reach "advanced economy" status by 2030. However, the potential dilution due to additional debt raise could affect the share price adversely.
- Key risks:** (1) Dilution risk (2) Execution risk and slow ramping up of new projects (3) Elevated debt levels (4) Conglomerate discount.

Key Financial Data and Estimates

Group	2023	2024E	2025E	2026E	2027E
EPS (QR)	0.102	0.099	0.130	0.166	0.202
P/E (x)	21.24	19.53	14.90	11.60	9.57
EV/EBITDA (x)	15.77	18.41	14.78	11.86	9.69
DPS (QR)	-	0.05	0.06	0.10	0.17
DY (%)	0.0%	0.0%	3.4%	5.2%	8.9%

Source: Company data, QNB FS Research; Note: All data based on current number of shares; These estimates may not reflect the most recent quarter

Key Data

Current Market Price (QR)	1.930
Dividend Yield (%)	0.0
Bloomberg Ticker	IGRD QD
ADR/GDR Ticker	N/A
Reuters Ticker	IGRD.QA
ISIN	QA0006UVF886
Sector*	Industrials
52wk High/52wk Low (QR)	2.414/1.800
3m Average Vol. ('mn)	2.7
Mkt. Cap. (\$'bn/QR'bn)	1.8/6.5
EV (\$'bn/QR'bn)	2.4/8.8
Shares Outstanding (mn)	3,404.0
FO Limit* (%)	49.0
Current Institutional FO* (%)	1.6
1-Year Total Return (%)	-12.7
Fiscal Year-End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign ownership

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Gulf International Services (GISS)

Recommendation	OUTPERFORM	Risk Rating	R-4
Share Price	QR3.121	Target Price	QR3.900
Implied Upside	25.0%		

On Track to Deliver Significant Earnings Growth; Reiterate Outperform

We have recently updated our model, factoring in the recent purchase of three offshore rigs targeted at the massive North Field Expansion Project. Overall, we expect earnings/EPS to grow at a CAGR of 18.3% over 2023-2030. GISS stock has benefited from a turnaround in its drilling unit, appreciating 13% in 2024 and handily outperforming a sluggish Qatari market. Going forward, with major initiatives, including [restructuring of GDI's debt](#) and [purchase of three offshore rigs from Seadrill](#), completed, GISS is on track to deliver significant earnings growth. We also expect DPS of QR0.175 and QR0.200 for 2024 and 2025, which translates into attractive dividend yields of 5.6% and 6.4%. We note that while GISS is generally able to secure rig-rate increases as contracts are renewed for its existing fleet, it is not totally implausible to expect a one-shot renegotiation of its offshore rig rates given that market rates remain higher than GISS's current blended offshore rig rate of ~\$80k/d (as shown recently by ADES Holdings' [contract announcement in Qatar](#)). Moreover, GISS could potentially look to undertake a spin-off/listing for its insurance subsidiary (Al Koot) as it has contemplated in the past (most recently via an attempted [merger](#)). We rate GISS an Outperform with a QR3.900 target price.

Highlights

- We expect earnings from the drilling segment to flip from a loss of QR37.9mn in 2023 to a profit of QR496.2mn in 2030 and contribute 61% to the overall earnings growth. From 3Q2024, this segment should include contribution from Gulf Jackup (three former Seadrill offshore rigs) and GulfDrill (two Chinese offshore rigs under a bare boat structure), along with GDI's existing fleet of seven offshore rigs, seven onshore rigs, an accommodation jackup and two barges. Our model assumes current offshore/onshore rig rates of ~\$80k/d and ~\$20k/d, with 10-15% increases when contracts are renewed (for offshore, this includes one rig in end-2024, three rigs in mid-2025, two rigs in end-2026 and one rig in mid-2027). Currently, our model shows that the blended average offshore rig rate for the seven existing rigs reaches almost \$100k/d by 2030 from ~\$80k/d. We note that the North Field Expansion Project-related rigs, including the three rigs recently purchased from Seadrill and the two Chinese rigs, are being deployed at day rates in excess of \$100k/d currently. Segment top-line should grow at a CAGR of 6.5% over 2023 to 2030 and contribute 42% to the overall revenue growth. Finally, drilling EBITDA should grow at a CAGR of 14.6% over 2023 to 2030 and contribute 63% to the overall increase in EBITDA.
- Aviation and insurance should continue to grow, generating earnings' CAGRs of 4.7% and 13.7% over 2023-2030. Aviation should contribute 14% to aggregate earnings growth over our forecast period, while insurance should contribute 17%. We expect the company to expand its helicopter fleet (on a net basis, including replacements) by two choppers in 2024, two each in 2026/2027 and one in 2028. Overall, we expect the helicopter fleet to expand from 62 in 1Q2024 to 69 by 2028. For insurance, we expect the segment to benefit from its recent foray into the motor segment.

Catalysts

- Continued profitable growth, along with a potential uptick in rig rates/accretive transaction in insurance, could help the stock. We stay longer-term positive on GISS shares.

Recommendation, Valuation and Risks

- Recommendation and valuation: We rate GISS an Outperform with a TP of QR3.900.
- Risks: Geopolitical risks cannot be modeled. Oil price volatility can hurt operations and rig rate renegotiation efforts. Debt levels are high and will increase given the recent purchase of three offshore rigs from Seadrill (2024e total debt: QR5.5bn/3.3x net-debt-to-EBITDA) but manageable in light of 1.8x/2.2x interest coverage (2024e/2025e) by the drilling segment. The recent restructuring of drilling debt (QR4.1bn restructured in March 2023 with repayments in 18 unequal annual installments beginning only in 2026, along with a 35% balloon payment in 2048) should also ease pressure. Decline in rig rates/utilizations could pressure shares. GISS also faces concentration risk given its exposure to QatarEnergy/affiliates.

Key Financial Data and Estimates

	2023	2024e	2025e	2026e
Revenue (QR mn)	3,538	4,044	4,436	4,632
EPS (QR)	0.211	0.355	0.427	0.481
P/E	14.8	8.8	7.3	6.5
DPS	0.150	0.175	0.200	0.225
Dividend Yield	4.8%	5.6%	6.4%	7.2%

Source: Company data, QNB FS Research

Key Data

Current Market Price (QR)	3.121
Dividend Yield (%)	4.8
Bloomberg Ticker	GISS QD
ADR/GDR Ticker	N/A
Reuters Ticker	GISS.QA
ISIN	QA000A0Q6LH4
Sector*	Industrials
52wk High/52wk Low (QR)	3.232/1.740
3-m Average Volume ('mn)	5.4
Mkt. Cap. (\$ bn/QR bn)	1.6/5.8
EV (\$ bn/QR bn)	2.4/8.6
Shares Outstanding (bn)	1.9
FO Limit* (%)	49.0
Institutional FO* (%)	12.7
1-Year Total Return (%)	74.2
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign ownership

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Valuation – Our Price Target Implies a 25.0% Appreciation Potential

Our target price of QR3.900/share implies an upside of 25.0% from the current market price. We value GISS using a Sum-Of-The-Parts (SOTP) methodology, which comprises of separate DFC-based models for its drilling and aviation segments. We value the insurance segment and the company’s 30% stake in Amwaj’s catering operations using P/E multiples.

Valuation Summary

Segment	Methodology	Equity Value	EV/Share	TP/Share	% Of TP
Drilling	DCF	4,053	2.181	2.403	62%
Aviation	DCF	3,565	1.918	2.185	56%
Insurance	P/E - 10x 2024 EPS	1,422	0.765	0.765	20%
Catering	P/E - 8x 2024 EPS	329	0.177	0.177	5%
Conglomerate Discount @ 30%		(2,811)	(1.512)	(1.659)	
GISS		6,558	3.500	3.900	100%

Source: Company data, QNB FS Research

Rig Rate/Utilization Assumptions

	2024	2025	2026	2027	2028	2029	2030
Existing Fleet - GDI							
7 Offshore Rigs - Blended Rate \$k/d	78	81	84	90	92	98	99
7 Offshore Rigs - Average Utilization	96%	94%	96%	92%	96%	92%	96%
New Fleet - Gulf Jackup							
3 Offshore Rigs - Blended Rate \$k/d	120	120	120	120	120	120	120
3 Offshore Rigs - Average Utilization	48%	96%	96%	96%	95%	93%	96%
Total Fleet							
10 Offshore Rigs - Blended Rate \$k/d	86	93	94	100	101	105	105
10 Offshore Rigs - Average Utilization	82%	95%	96%	93%	96%	92%	96%
7 Onshore Rigs - Blended Rate \$k/d	21	22	22	23	23	24	24
7 Onshore Rigs - Average Utilization	84%	84%	84%	84%	84%	84%	84%

Source: QNB FS Research; Note: Gulf Jackup rigs are assumed fully-consolidated in 3Q2024

Ratio Analysis

Key Ratios & Valuation Metrics

Particulars	2020	2021	2022	2022*	2023	2024	2025	2026	2027	2028	2029	2030
Growth Rates												
Revenue	(0.4%)	3.1%	18.6%	(1.9%)	16.6%	14.3%	9.7%	4.4%	4.3%	3.9%	2.2%	3.1%
Gross Profit	(18.2%)	4.3%	94.1%	78.0%	9.0%	34.3%	21.4%	8.8%	7.8%	7.5%	3.2%	7.2%
EBITDA	(20.5%)	(7.8%)	53.3%	58.6%	8.0%	30.6%	20.3%	8.1%	7.3%	7.4%	4.3%	6.4%
EBIT	(47.0%)	14.0%	177.9%	190.9%	20.5%	34.1%	21.3%	9.7%	8.4%	8.2%	3.3%	7.9%
PAT/EPS	N/M	N/M	435.5%	458.0%	29.6%	68.3%	20.3%	12.7%	10.7%	10.5%	5.5%	10.2%
DPS	N/A	N/A	N/M	N/M	50.0%	16.7%	14.3%	12.5%	11.1%	10.0%	9.1%	8.3%
CFPS	(48.5%)	19.4%	66.0%	66.0%	14.9%	23.7%	21.8%	7.8%	7.3%	7.0%	4.3%	6.0%
FCFPS	(57.7%)	19.5%	72.0%	72.0%	11.9%	N/M	N/M	16.1%	9.0%	10.6%	6.6%	10.8%
Operating Ratios												
Gross Margin	11.1%	11.2%	18.4%	20.3%	19.0%	22.3%	24.7%	25.7%	26.6%	27.5%	27.8%	28.9%
Gross Margin, Excluding Depreciation & Amortization	25.3%	22.8%	28.2%	31.8%	28.9%	32.7%	36.0%	37.1%	38.1%	39.2%	40.0%	41.2%
EBITDA Margin	19.2%	17.2%	22.2%	27.7%	25.7%	29.3%	32.2%	33.3%	34.3%	35.4%	36.2%	37.3%
EBIT Margin	4.6%	5.1%	12.0%	15.2%	15.7%	18.5%	20.4%	21.5%	22.3%	23.2%	23.5%	24.6%
Net Margin	(10.6%)	1.8%	7.9%	10.0%	11.1%	16.3%	17.9%	19.3%	20.5%	21.8%	22.5%	24.0%
Working Capital Ratios												
Inventory Days	32.7	37.8	47.9	59.4	56.1	56.5	56.5	56.5	56.5	56.5	56.5	56.5
Average Collection Period	75.8	82.1	79.6	43.1	24.1	26.5	26.5	26.5	26.5	26.5	26.5	26.5
Payable Days	96.3	104.1	109.0	86.7	66.9	58.3	56.3	55.2	54.6	53.8	53.6	52.7
Finance Ratios												
Debt-Equity Ratio	1.4	1.3	1.2	1.2	1.1	1.3	1.2	1.0	0.9	0.7	0.6	0.5
Net Debt-Equity Ratio	1.2	1.1	0.9	0.9	0.8	0.9	0.7	0.5	0.4	0.2	0.1	(0.1)
Net Debt-to-Capital	0.5	0.5	0.5	0.5	0.4	0.5	0.4	0.3	0.3	0.2	0.1	(0.1)
Debt-to-EBITDA	7.7	8.2	5.3	5.2	4.9	4.7	3.8	3.4	3.0	2.6	2.3	2.0
Net Debt-to-EBITDA	6.5	6.8	3.9	3.8	3.4	3.3	2.4	1.8	1.3	0.7	0.2	(0.3)
Interest Coverage	0.9	1.2	2.4	2.6	2.7	4.1	4.3	4.9	5.7	6.5	7.4	8.9
Return Ratios												
ROIC	1.8%	2.1%	5.6%	5.8%	6.8%	7.7%	8.9%	9.5%	10.0%	10.5%	10.6%	11.1%
ROE	-9.8%	1.7%	8.1%	8.3%	10.2%	15.6%	16.9%	17.2%	17.1%	17.1%	16.4%	16.4%
ROA	-3.2%	0.5%	2.7%	3.0%	3.8%	5.5%	6.3%	6.9%	7.4%	8.0%	8.2%	8.8%
FCF Yield	4.6%	5.5%	9.5%	9.5%	10.6%	-7.8%	16.8%	19.5%	21.2%	23.5%	25.0%	27.8%
Liquidity Ratios												
Current Ratio	1.2	1.3	1.0	1.1	1.8	2.0	2.2	2.3	2.4	2.5	2.7	2.9
Quick Ratio	1.1	1.2	0.9	0.9	1.6	1.8	1.9	2.1	2.2	2.3	2.4	2.7
Valuation												
EV/Sales	2.9	2.8	2.2	2.7	2.3	2.2	1.9	1.7	1.4	1.2	1.0	0.8
EV/EBITDA	15.3	16.2	10.1	9.8	8.9	7.5	5.8	5.0	4.2	3.4	2.8	2.1
EV/EBIT	63.3	54.1	18.6	17.9	14.5	11.9	9.2	7.7	6.4	5.2	4.3	3.2
P/E	N/M	107.0	20.0	19.2	14.8	8.8	7.3	6.5	5.9	5.3	5.0	4.6
P/CF	13.9	11.6	7.0	7.0	6.1	4.9	4.0	3.8	3.5	3.3	3.1	3.0
P/BV	1.8	1.8	1.6	1.6	1.5	1.4	1.2	1.1	1.0	0.9	0.8	0.7
Dividend Yield	0.0%	0.0%	3.2%	3.2%	4.8%	5.6%	6.4%	7.2%	8.0%	8.8%	9.6%	10.4%
FCF Yield	4.6%	5.5%	9.5%	9.5%	10.6%	(7.8%)	16.8%	19.5%	21.2%	23.5%	25.0%	27.8%

Source: Company data, QNB FS Research

Detailed Financial Statements

Income Statement

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue	3,034	3,538	4,044	4,436	4,632	4,830	5,018	5,130	5,287
Drilling	1,232	1,329	1,660	1,865	1,910	1,942	1,992	1,999	2,069
Aviation	914	1,035	1,109	1,183	1,251	1,338	1,411	1,458	1,493
Insurance	888	1,174	1,276	1,388	1,471	1,549	1,615	1,673	1,725
COGS	2,417	2,867	3,142	3,340	3,440	3,544	3,636	3,703	3,757
Drilling	1,138	1,126	1,262	1,330	1,328	1,327	1,326	1,324	1,323
Aviation	541	628	702	743	782	834	875	901	919
Insurance	782	1,104	1,169	1,258	1,319	1,373	1,424	1,466	1,503
Corporate/Other	(44)	9	10	10	10	11	11	11	11
Gross Profit	617	672	902	1,096	1,192	1,285	1,382	1,427	1,530
Gross Margin	20.3%	19.0%	22.3%	24.7%	25.7%	26.6%	27.5%	27.8%	28.9%
Drilling	94	203	398	536	582	615	666	674	746
Gross Margin	8%	15%	24%	29%	30%	32%	33%	34%	36%
Aviation	373	407	407	440	469	505	535	557	574
Gross Margin	41%	39%	37%	37%	37%	38%	38%	38%	38%
Insurance	106	70	107	130	152	176	192	207	222
Gross Margin	12%	6%	8%	9%	10%	11%	12%	12%	13%
SG&A	166	193	226	257	268	280	290	298	307
Net Insurance Finance Income/Expense	(11)	10	12	13	14	14	15	16	16
Total Other Income	3	46	53	50	51	53	54	55	55
Net Finance Income(Expense)	(145)	(135)	(116)	(149)	(138)	(127)	(113)	(94)	(72)
Net Finance Income (Expense) - Subsidiaries Ex. Drilling	23	42	33	28	25	24	24	27	32
Net Finance Income (Expense) - Unallocated	10	27	27	23	21	20	20	23	26
Finance Income - Drilling	1	0	0	0	0	0	0	0	0
Finance Expense - Drilling	(179)	(204)	(177)	(201)	(184)	(171)	(157)	(144)	(130)
Taxes	(14)	(9)	(13)	(14)	(15)	(17)	(18)	(19)	(20)
Discontinued Operations, Non-Recurring Items & Mino:	1	(24)	0						
Income from JVs	18	25	47	55	58	61	64	66	69
Net Income	302	392	659	793	894	990	1,094	1,153	1,271
Net Margin	10%	11%	16%	18%	19%	20%	22%	22%	24%
Drilling	(90)	(38)	143	233	293	337	398	417	496
Net Margin	-7%	-3%	9%	13%	15%	17%	20%	21%	24%
Aviation	296	337	331	351	371	399	424	446	464
Net Margin	32%	33%	30%	30%	30%	30%	30%	31%	31%
Insurance	70	100	132	155	177	201	216	231	246
Net Margin	8%	9%	10%	11%	12%	13%	13%	14%	14%
Corporate/Other	26	(7)	53	54	53	54	55	60	65
EBITDA	841	908	1,186	1,428	1,543	1,656	1,778	1,856	1,974
EBITDA Margin	28%	26%	29%	32%	33%	34%	35%	36%	37%
Drilling	369	418	641	816	870	911	978	1,010	1,089
EBITDA Margin	30%	31%	39%	44%	46%	47%	49%	51%	53%
Aviation	388	415	436	484	525	573	614	645	671
EBITDA Margin	43%	40%	39%	41%	42%	43%	44%	44%	45%
Insurance	57	75	110	132	154	177	192	207	222
EBITDA Margin	6%	6%	9%	9%	10%	11%	12%	12%	13%
Corporate/Other	26	(0)	(0)	(4)	(5)	(6)	(6)	(6)	(7)
EBIT	462	557	747	906	994	1,078	1,166	1,205	1,300
EBIT Margin	15%	16%	18%	20%	21%	22%	23%	23%	25%
Drilling	88	168	320	434	477	507	555	560	626
EBIT Margin	7%	13%	19%	23%	25%	26%	28%	28%	30%
Aviation	306	333	338	365	390	421	448	468	483
EBIT Margin	34%	32%	30%	31%	31%	31%	32%	32%	32%
Insurance	53	71	105	127	148	171	186	201	215
EBIT Margin	6%	6%	8%	9%	10%	11%	12%	12%	12%
Corporate/Other	14	(15)	(16)	(20)	(21)	(22)	(23)	(23)	(24)
EPS	0.163	0.211	0.355	0.427	0.481	0.532	0.588	0.621	0.684
DPS	0.100	0.150	0.175	0.200	0.225	0.250	0.275	0.300	0.325

Source: Company data, QNB FS Research

Balance Sheet

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Current Assets									
Cash & Cash Equivalents	1,143	1,296	1,584	2,064	2,450	2,897	3,400	3,917	4,580
Financial Investments	438	469	494	519	546	573	601	629	658
Insurance Contract/Accounts Receivables & Prepayments	1,026	1,010	1,136	1,239	1,308	1,374	1,431	1,478	1,524
Due From Related Parties	671	637	566	566	566	566	566	566	566
Inventories & Contract Assets	514	590	635	667	682	698	711	723	731
Total Current Assets	3,792	4,001	4,414	5,055	5,552	6,108	6,708	7,313	8,059
Non-Current Assets									
Financial Investments	307	368	366	366	366	366	366	366	366
Equity-Accounted Investees & Joint Ventures	28	390	400	410	422	434	447	460	474
Goodwill & Intangibles	304	-	-	-	-	-	-	-	-
Right of Use & Contract Assets	63	41	40	40	40	40	40	40	40
Property, Plant & Equipment	5,561	5,507	6,694	6,631	6,495	6,342	6,140	5,886	5,562
Non-Current Assets	6,262	6,306	7,499	7,447	7,323	7,181	6,992	6,752	6,441
Total Assets	10,054	10,308	11,913	12,502	12,875	13,289	13,700	14,065	14,501
Current Liabilities									
Short-Term Debt & Bank Overdraft	1,734	268	136	136	136	139	189	178	169
Insurance Payables, Accounts Payable & Accruals	1,800	1,901	2,005	2,163	2,269	2,373	2,460	2,538	2,603
Contract Liabilities & Lease Liabilities	49	5	5	5	5	5	5	5	5
Due to Related Parties	21	37	37	37	37	37	37	37	37
Current Liabilities	3,604	2,211	2,181	2,340	2,446	2,554	2,691	2,758	2,814
Non-Current Liabilities									
Employees EoS Benefits & Provision for Decommissioning Costs	158	81	86	86	86	86	86	86	86
Contract Liabilities, Lease Liabilities & Deferred Tax Liabilities	30	41	40	40	40	40	40	40	40
Long-Term Debt	2,634	4,139	5,386	5,348	5,094	4,829	4,475	4,131	3,796
Non-Current Liabilities	2,821	4,260	5,511	5,474	5,220	4,955	4,600	4,256	3,922
Total Liabilities	6,426	6,471	7,693	7,814	7,666	7,509	7,291	7,014	6,736
Shareholders' Equity									
Total Shareholder's Equity	3,629	3,837	4,220	4,688	5,210	5,782	6,411	7,053	7,767
Non-Controlling Interest	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(2)	(2)
Total Shareholders' Equity	3,629	3,837	4,220	4,687	5,209	5,780	6,409	7,051	7,765
Liabilities & Shareholder's Equity	10,054	10,308	11,913	12,502	12,875	13,289	13,700	14,065	14,501

Source: Company data, QNB FS Research

Gulf Warehousing Company (GWCS)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR3.280	Target Price	QR4.025
Implied Upside	22.7%		

Attractive Valuation But Needs A Catalyst; Stay Accumulate

We rate GWCS an Accumulate. GWCS reported in-line revenue and earnings for 1Q2024. We expect the company to grow its top- and bottom-line by 3.0% in 2024, while its EBITDA should expand at a much faster 12.5% clip. In our view, the company should enjoy growth going forward given new projects and an expected easing of its finance charges burden in 2H2024 given expected rate cuts. However, the stock continues to suffer from a lack of liquidity and a below-market dividend yield of 3.4%, which we feel needs to be addressed.

Highlights

- 1Q2024 earnings comes bang in-line with our estimate** – Quarterly net profit came in at QR50.9mn (-17.2% YoY, 7.9% QoQ), which was at par with our estimate of QR50.8mn (0.2% differential). Top-line of QR375.7mn for 1Q2024 fell 9.0% YoY but increased 0.8% QoQ as freight forwarding continued to accelerate vs. 3Q2023's lows. Overall revenue was also in-line (0.2% divergence) with our model of QR375.0mn. For more details, see our [report](#).
- We expect earnings to increase 3.0% in 2024 tracking top-line growth; EBITDA is expected to increase 12.5% YoY.** The company's top-line and earnings fell 0.7% and 10.2%, respectively, in 2023. Start-up of new projects, such as Al Wukair phase 2 (July 2023 handover), LVQ phase 6 (chemicals warehouse facility that started in Sep.; 10,000 pallet positions) and Flag Oman (opening announced Jan. 2024; as of 4Q2023 there were two customers and around 28% in occupancy levels; company expects ~70% occupancy by 4Q2024), add to the momentum in 2024. Management had previously guided to around 6-7% earnings growth for 2024 but we choose to be conservative and pencil in a 3% earnings growth for now. Our top-line growth estimate is also a similar 3.0% for 2024. EBITDA should expand at a much faster clip of 12.5% as finance charges are expected to grow 43% in 2024 on back of a near doubling in 2023.
- We are modeling in an earnings CAGR of 6.0% over 2023-2027.** GWCS reported an earnings decline of 10.2% in 2023 and an overall earnings average decline of 1.1% over 2018-2023. EBITDA, however, grew 10.5% in 2023 with the earnings decline primarily attributable to increased finance charges that took a significant bite out of the bottom-line. EBITDA grew at a CAGR of 1.6% over 2018-2023 and we expect a further acceleration to 3.3% over 2023-2027. Gulf Warehousing's revenue expanded at a CAGR of 4.1% over 2018-2023 and we expect a CAGR of 3.7% over 2023-2027.

Catalysts

- For GWCS to appreciate, we need a pickup in newsflow along with liquidity.** We note several projects not in our model: **(1) Al Wukair phase 3** – GWCS could move forward, assuming favorable demand for phase 2, which could lead to ~6% EPS acceleration. However, there is no certainty that this project will get the green signal with management pointing to reduced consumption/lower occupancy levels for logistics hubs, coupled with increased competition from single-owner warehouses. **(2) Newly-formed subsidiary, GWC Energy**, is targeting the offshore/onshore-integrated shipping, logistics & marine services market in Qatar/GCC and **could benefit from increased NF activity as Qatar expands its LNG capacity from 77 MTPA to 142 MTPA by 2030.** Management is expecting a pickup in 2024 given some vessel delays. GWCS has also bid on a tender with a decision expected 1H2024. GWCS is also building a 15,000 m² facility in Ras Laffan (December 2024 completion) to serve EPC contractors for the North Field project. **(3) Expansion outside Qatar**, for e.g., FF in the KSA (with potential to expand into warehousing longer term). **The stock continues to suffer from a lack of liquidity, which needs to be addressed. An uptick in DPS could also be catalyst** given the below-market yield but a significant increase is unlikely.

Recommendation, Valuation and Risks

- We rate GWCS as an Accumulate with a price target of QR4.025.** GWCS trades at P/Es of 8.7x and 8.1x for 2024 & 2025, respectively, which is attractive relative to its historical (10-year) mean of ~13x.
- Risks: (1) LT growth in warehousing demand in Qatar remains uncertain.** While demand from EPC contractors involved in the massive North Field project could benefit freight forwarding/logistics, the company is facing some challenges regarding existing occupancy levels. We note that overall 1Q2024 logistics hubs' occupancy was 83% (excluding occupancies under renewal of 6%) vs. 87% in 1Q2023 and the company expects this to go up to ~88%-90% by YE2024 vs. historical precedence of mid-to-high-90% occupancy levels. As of 1Q2024, 70 units or 42,000 m² in Bu Sulba remained unoccupied. **(2) Receivable collections have been subdued.** **(3) Geopolitical risks** cannot be modeled.

Key Financial Data and Estimates

	FY2022	FY2023	FY2024e	FY2025e
Revenue (QR mn)	1,519	1,508	1,554	1,618
Growth	16%	-1%	3%	4%
EPS (QR)	0.41	0.37	0.38	0.40
Growth	7%	-10%	3%	7%
P/E (x)	8.0x	8.9x	8.7x	8.1x
DPS (QR)	0.10	0.11	0.11	0.12

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

Key Data

Current Market Price (QR)	3.280
Dividend Yield (%)	3.4
Bloomberg Ticker	GWCS QD
ADR/GDR Ticker	N/A
Reuters Ticker	GWCS.QA
ISIN	QA000A0KD6H9
Sector*	Transportation
52wk High/52wk Low (QR)	3.590/2.890
3-m Average Volume (mn)	1.0
Mkt. Cap. (\$ bn/QR bn)	0.5/1.9
EV (\$ bn/QR bn)	1.0/3.7
Shares Outstanding (mn)	586.0
FO Limit* (%)	100.0
Current Institutional FO* (%)	5.5
1-Year Total Return (%)	(3.9)
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign ownership

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1Q2024 Review: In-Line Quarter With Continued Strength In Freight Forwarding

1Q2024 earnings comes bang in-line with our estimate – Quarterly net profit came in at QR50.9mn (-17.2% YoY, 7.9% QoQ), which was at par with our estimate of QR50.8mn (0.2% differential).

- **Top-line of QR375.7mn for 1Q2024 fell 9.0% YoY but increased 0.8% QoQ as freight forwarding continued to accelerate vs. 3Q2023's lows.** Overall revenue was also in-line (0.2% divergence) with our model of QR375.0mn.
- **Logistics declined YoY but held the line sequentially with revenue of QR246.0mn (-9.4% YoY, 0.0% QoQ; 65% of total revenue) and was modestly (-2.4%) below our estimate of QR252.0mn.** YoY comparisons remain challenging in logistics due to the residual impact of the World Cup. CL/logistics parks remained soft, with warehouse management services declining 13.1% YoY and 2.1% QoQ to QR200.2mn (5.2% below our estimate of QR211.2mn). The company continues to face some pricing pressure, especially at Bu Sulba, which is targeted at SMEs.
- **Freight forwarding top-line of QR127.5mn (-7.6% YoY, 2.7% QoQ; 34% of total revenue) exceeded our model of QR120.2mn by 6.0%.** The company continues to experience FF growth related to the North Field expansion project.
- **1Q2024 gross margin was 31.1% vs. 29.2% in 1Q2023 & 31.4% in 4Q2023.** GM came in above our model of 30.9%. 1Q2024 GP of QR117.0mn (-2.9% YoY, -0.2% QoQ) slightly beat our forecast of QR115.7mn by 1.1%.
- **1Q2024 EBITDA of QR148.0mn (6.1% YoY, 11.6% QoQ) exceeded our model of QR141.4mn by 4.7%.** GWCS also reported an EBITDA margin of 39.4% in 1Q2024 vs. 33.8% in 1Q2023 and 35.6% in 4Q2023; we were expecting an EBITDA margin of 37.7%.
- **Finance charges continue to bite.** GWCS posted 1Q2024 finance charges of QR36.5mn (42.8% YoY/32.8% QoQ), which came in significantly above our model of QR28.6mn.

QNB FS 1Q2024 Estimates and Comparisons

Income Statement (QR 000)	1Q2023	4Q2023	1Q2024	1Q2024e	A Vs. E	YoY	QoQ
Revenue	412,719.981	372,774.459	375,731.349	375,016.324	0.2%	-9.0%	0.8%
YoY	17.5%	-8.9%	-9.0%	-9.1%			
QoQ	0.9%	6.6%	0.8%	0.6%			
Logistics	271,627.605	245,909.801	246,007.432	251,956.166	-2.4%	-9.4%	0.0%
Warehouse Management Services	230,381.108	204,482.385	200,207.069	211,189.407	-5.2%	-13.1%	-2.1%
Transport Services	8,616.460	10,028.883	11,831.347	10,143.212	16.6%	37.3%	18.0%
Relocation Services (IMRS)	14,262.353	13,966.547	17,393.278	13,296.153	30.8%	22.0%	24.5%
Records Management Services	18,367.684	17,431.986	16,575.738	17,327.394	-4.3%	-9.8%	-4.9%
Freight Forwarding	138,002.387	124,063.272	127,452.243	120,240.857	6.0%	-7.6%	2.7%
Freight Forwarding Services	123,963.129	113,187.208	118,318.445	109,112.469	8.4%	-4.6%	4.5%
Courier Services	14,039.258	10,876.064	9,133.798	11,128.389	-17.9%	-34.9%	-16.0%
Rental Income From Investment Property	2,452.849	2,452.848	1,441.498	2,452.848	-41.2%	-41.2%	-41.2%
Others	637.140	348.538	830.176	366.453	126.5%	30.3%	138.2%
Direct Costs	(292,232.848)	(255,538.001)	(258,720.911)	(259,323.788)	-0.2%	-11.5%	1.2%
Gross Profit	120,487.133	117,236.458	117,010.438	115,692.536	1.1%	-2.9%	-0.2%
General & Administration expenses	(30,693.211)	(40,243.946)	(29,079.779)	(34,126.486)	-14.8%	-5.3%	-27.7%
Amortization of Intangible Assets							
Operating Profit	89,793.922	76,992.512	87,930.659	81,566.051	7.8%	-2.1%	14.2%
Finance Income		1,344.972	690.341	145.161	375.6%	N/M	-48.7%
Finance Costs	(25,545.882)	(27,458.047)	(36,469.575)	(28,564.282)	27.7%	42.8%	32.8%
Other Income	92.723	399.303	127.309	93.756	35.8%	37.3%	-68.1%
Net Impairment Loss On Trade Receivables	(865.000)	(1,873.144)	(575.000)	(901.330)	-36.2%	-33.5%	-69.3%
EBT	63,475.763	49,405.596	51,703.734	52,339.356	-1.2%	-18.5%	4.7%
Taxes	(463.295)	(681.730)	(314.589)	(382.243)	-17.7%	-32.1%	-53.9%
Net Income	63,012.468	48,723.866	51,389.145	51,957.112	-1.1%	-18.4%	5.5%
YoY	5.1%	-28.3%	-18.4%	-17.5%			
QoQ	-7.2%	-9.5%	5.5%	6.6%			
Non-Controlling Interest	1,528.404	1,553.167	510.065	1,203.265	-57.6%	-66.6%	-67.2%
Net Income to Equity	61,484.064	47,170.699	50,879.080	50,753.848	0.2%	-17.2%	7.9%
YoY	6.4%	-27.9%	-17.2%	-17.5%			
QoQ	-6.0%	-11.1%	7.9%	7.6%			
NM	14.9%	12.7%	13.5%	13.5%			
EPS (QR)	0.105	0.080	0.087	0.087	0.2%	-17.2%	7.9%
Provision for Impairment of Trade Receivables	865.000	1,873.144	575.000	901.330	-36.2%	-33.5%	-69.3%
Depreciation & Amortization	49,735.378	55,566.076	60,051.620	59,837.250	0.4%	20.7%	8.1%
EBITDA	139,529.300	132,558.588	147,982.279	141,403.300	4.7%	6.1%	11.6%
GM	29.2%	31.4%	31.1%	30.9%			
G&A	7.4%	10.8%	7.7%	9.1%			
EBIT	21.8%	20.7%	23.4%	21.8%			
EBITDA	33.8%	35.6%	39.4%	37.7%			

Source: Company data, QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	FY2022	FY2023	FY2024e	FY2025e	FY2026e	FY2027e
Revenue	1,519	1,508	1,554	1,618	1,678	1,743
<i>YoY Growth</i>	16%	-1%	3%	4%	4%	4%
Direct Costs, Excluding D&A	(919)	(850)	(835)	(898)	(954)	(1,003)
Gross Profit	600	658	718	720	723	740
<i>Gross Margin</i>	39%	44%	46%	45%	43%	42%
General & Admin. Expenses, Excl. D&A	(119)	(127)	(121)	(125)	(129)	(135)
EBITDA	481	531	598	595	594	606
<i>YoY Growth</i>	6%	11%	12%	0%	0%	2%
<i>EBITDA Margin</i>	32%	35%	38%	37%	35%	35%
Depreciation and Amortization	(172)	(207)	(233)	(236)	(238)	(240)
EBIT	309	324	364	360	356	365
<i>YoY Growth</i>	7%	5%	12%	-1%	-1%	3%
<i>EBIT Margin</i>	20%	21%	23%	22%	21%	21%
Net Finance Costs and Other Income	(57)	(102)	(139)	(118)	(98)	(88)
PBT	252	222	226	242	258	277
Taxes	(2)	(2)	(2)	(2)	(2)	(2)
Net Income	249	220	224	240	256	275
Minority Interest	10	5	3	3	3	3
Net Income to Equity	240	215	222	237	253	272
<i>YoY Growth</i>	7%	-10%	3%	7%	7%	7%
<i>Net Margin</i>	16%	14%	14%	15%	15%	16%
EPS (QR)	0.41	0.37	0.38	0.40	0.43	0.46
DPS (QR)	0.10	0.11	0.11	0.12	0.13	0.14
<i>Payout Ratio</i>	24%	30%	29%	30%	30%	30%

Source: Company data, QNB FS estimates

Detailed Financial Statements

Balance Sheet (In QR mn)	FY2022	FY2023	FY2024e	FY2025e	FY2026e	FY2027e
Non-Current Assets						
PP&E, WIP & Right of Use Assets	3,596	4,066	3,899	3,774	3,645	3,511
Investment Properties	41	41	41	41	41	41
Intangible Assets & Goodwill	117	121	116	116	116	115
Available-for-Sale Investments/Other	18	18	18	18	18	18
Total Non-Current Assets	3,772	4,247	4,075	3,950	3,820	3,686
Current Assets						
Inventories	16	11	14	15	16	17
Trade and Other Receivables	748	659	722	753	781	812
Bank Balances and Cash	238	280	215	185	239	380
Total Current Assets	1,002	950	951	954	1,037	1,209
Total Assets	4,774	5,197	5,026	4,903	4,857	4,895
Total Shareholders' Equity						
Non-Controlling interests	12	20	23	25	28	32
Non-Current Liabilities						
Lease Liabilities & Others	208	227	251	281	309	336
Loans and Borrowings	1,269	1,453	1,367	1,071	840	763
Employee Benefits & Others	58	60	67	71	76	80
Total Non-Current Liabilities	1,535	1,741	1,684	1,423	1,225	1,179
Current Liabilities						
Trade Payables	95	87	83	90	95	100
Loans and Borrowings	523	564	315	253	197	66
Accruals, Provisions & Other Payables	351	348	331	357	379	398
Lease Liabilities	11	16	16	15	15	15
Retention Payable	15	39	39	39	39	39
Total Current Liabilities	996	1,053	784	754	726	618
Total Liabilities	2,531	2,794	2,469	2,177	1,951	1,797
Total Equity & Liabilities	4,774	5,197	5,026	4,903	4,857	4,895

Source: Company data, QNB FS estimates

Meeza QSTP LLC (MEZA)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR3.619	Target Price	QR4.025
Implied Upside	11.2%		

Well-Positioned in the Digital/Cloud/AI Economy; Maintain Accumulate

Meeza is one of our favorite stocks, tethered to the secular global tailwinds of the digital/cloud/AI economy. This is reinforced by the latest global DC market trends – where demand continues to outstrip supply in primary and secondary markets as several hyperscalers announce audacious plans to erect/expand their DC capacities to meet AI needs – as well as positive policy signals by the government (Digital Agenda 2030). With the ever-growing ubiquitous need to create, store, and manipulate data, there is a strong case that demand for datacenters will continue outpacing supply, aided by the outmigration trend of leasing rather than owning DCs. This challenge has been further compounded by constrained power grids – a limitation Qatar is well-positioned to circumvent. That has put emerging markets, such as Qatar, in the spotlight as a new frontier for computing and data storage. While Meeza already boasts about half of Qatar’s DC inventory, it is on track to expand its DCs further by ~80% over the next ~2 ½ years, increasing it ~26MW IT load capacity by end-2026. Our base model expects 50MW IT load capacity in the terminal year of our model for Meeza’s DC unit, as guided by management, which acknowledges that this is still on the conservative side. Consequently, we estimate Meeza’s DC business contribution to continue to grow and account for about three-quarters of group value in the terminal period up from ~58% in 2022. **We have a TP of QR4.025 on the stock and an Accumulate rating.**

Accumulate rating.

Highlights

- We see Meeza’s datacenter (DC) unit as the primary driver of company value in future.** We estimate Meeza’s DC business contribution to continue to grow and account for about three-quarters of group value in the terminal period up from ~58% in 2022. While the cloud segment is also set to continue experiencing a relatively larger growth rate, its overall contribution to the group will likely remain low. Managed and solution services should exhibit mature business growth levels.
- While Meeza already boasts about half of Qatar’s DC inventory, it is on track to expand its DCs further by ~80% over the next ~2 ½ years, increasing it ~26MW IT load capacity by end-2026. In the Digital Agenda 2030, the government is prioritizing cutting-edge digital infrastructure that make Qatar a more attractive digital destination. Over the years, Meeza had relied on a steady colocation business flow from local corporates and GREs, while the sudden interest from hyperscalers such as Microsoft and social media giants (e.g. Meta) has been accompanied by a spike in utilization rates of Meeza’s DCs. Average utilization rate was 85% in FY2023/1Q2024 and is expected to jump to the 90s range this year.
- Latest 1Q2024 earnings missed our estimates:** Meeza’s NP rose 7.1% YoY but declined 17.9% QoQ to QR11.7mn vs. our estimate of QR13.8mn. The YoY NP growth was driven primarily by a strong GP margin which printed at 31.0% from 26.3% in 1Q2023 and 27.6% in 4Q2023. We had estimated a GP margin of 30.0%. The revenue mix changed in favor of the higher margin datacenter unit, while the solutions services segment saw a base effects-related decline. Solutions services unit is expected to taper off this year following a bumper 2023. The NP margin expanded to 13.9% from 11.6% in 1Q2023 and 12.7% in 4Q2023, compared with an estimate of 13.4%. Meeza’s 1Q2024 revenue declined by 10.1%/24.6% YoY/QoQ to QR84.2mn compared with QR102.8mn forecasted.
- In the short- to medium-term, we see group revenue edging lower by 2.0% in 2024, picking up in 2025/26 by 21.4%/19.5%.** The flat revenue expectation in 2024 is due to the normalizing of solutions services activity from 2023’s high base. We forecast NP growth of 3.4% in 2024, 32.6% in 2025 and 42.2% in 2026. The relatively higher bottom-line growth stems from the gradual change in revenue composition to higher-margin DC business. This should, in turn, translate to a generous and secure dividend flow helped by its long-term contracts with premium customers.
- Catalysts: (1)** Successful execution of planned expansion plans **(2)** Announcement of new contracts (including emanating from smart cities) to increase utilization of spare capacity **(3)** Entry into Saudi **(4)** Margin expansion to close in on global peers **(5)** Global companies/hyperscalers selecting Qatar as a DC regional host **(6)** AI adoption still in nascent stage portending future acceleration **(7)** Momentum and/or growth trade.

Recommendation, Valuation and Risks

- Recommendation and Valuation:** We have an Accumulate rating and a 12-month TP of QR4.025 on the name, implying 11.2% upside. Our TP is a weighted average of various valuation models: DCF (80%), EBITDA Exit Multiple (5%) and Relative-Valuation (15%). Our primary thesis is that Meeza’s yesteryear as well as imminent investments into its DC business are intersecting with a secular opportunity in the data economy. Qatar’s nascent DC economy is set to benefit from favorable global supply-demand dynamics that have put emerging DC markets in the spotlight as primary & secondary DC markets globally struggle to cope with natural supply chain constraints (e.g. power availability). Locally, Meeza’s unique strong market positioning in the DC market (#1 market share) puts it in a prime position to benefit from the demand expected from hyperscalers, global social media giants, corporates (including GREs) and smart cities.
- Risks:** (1) Execution risk (2) Perennial tail risks related to tech of either incurring exorbitant costs to stay ahead of the technology curve or, on the other extreme, the costs of trailing the technology curve (3) High capex (4) Customer concentration risk & margin-squeeze by hyperscalers (5) Electricity availability/cost/renewables requirements (6) Cyber-attacks (7) National data sovereignty laws mandating in-country data storage (8) Geopolitics.

Key Financial Data and Estimates

GROUP	FY2023	FY2024E	FY2025E	FY2026E	FY2027E
EPS (QR)	0.09	0.10	0.13	0.18	0.22
P/E (x)	38.98	37.70	28.43	19.99	16.11
EV/EBITDA (x)	19.37	17.06	13.56	10.82	9.00
DPS (QR)	0.08	0.08	0.11	0.16	0.20
DY (%)	2.2%	2.3%	3.1%	4.4%	5.4%

Source: Company data, QNBFS Research; Note: All data based on current number of shares; These estimates may not reflect the most recent quarter

Key Data

Current Market Price	QR3.619
Dividend Yield (%)	2.2
Bloomberg Ticker	MEZA QD
ADR/GDR Ticker	N/A
Reuters Ticker	MEZA.QA
ISIN	QA000PK2KD10
Sector*	Consumer Goods
52wk High/Low (QR)	3.844/2.220
3-m Average Vol. (mn)	1.3
Mkt. Cap. (\$ bn/QR bn)	0.6/2.3
EV (\$ bn/QR bn)	0.7/2.4
Shares O/S (mn)	649.0
FO Limit* (%)	49.0
FO (Institutional)* (%)	5.4
Return vs. Listing Price (%)	66.8
Fiscal Year-End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign ownership

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Medicare Group (MCGS)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR4.327	Target Price	QR5.524
Implied Upside	27.7%		

Latest Court Ruling Could Revive Investor Interest; Maintain Market Perform

We have a **Market Perform** rating on MCGS as prevailing tailwinds and headwinds combine for a balanced/neutral outlook in the short- to medium-term for Medicare. In the medium- to longer-term, it is likely that tailwinds, primarily due to positive demographics, become dominant. While Medicare has proven to be an attractive dividend play over the years, this yield allure is being weighed down by attractive cross-asset yields. Nonetheless, MCGS is a cash-cow, with a high cash conversion ratio. The board and management have been generous, with most of the bottom-line paid to shareholders as dividends. We also like its lower risk profile owing to its product offering and strong balance sheet, which in turn, supports a continued stable dividend flow. However, the forecast period looks rather pedestrian due to competition dynamics and limited fruition of previously announced expansion plans.

Highlights

- During the most recent quarter (1Q2024), Medicare Group's net profit rose 5.1%/29.1% to QR19.8mn, beating our estimate of QR17.0mn.** The bottom-line outperformance was driven primarily by the top line growth and impressive recovery in the GP margin. The GP margin came in higher at 35.9% vs. 34.7% expected, and greater both sequentially (33.0%) and compared with 1Q2023 (35.3%). The 1Q2024 top line was driven by strong inpatient volume growth as revenue edged up by 1.6%/0.6% YoY/QoQ to QR 130.1mn, higher than our estimate of QR125.9mn. While this growth is impressive in the context of a high base in 1Q2023, the highly competitive environment due to new entrants lends itself to price competition. For now, we maintain our estimates for the full year while we observe the durability of the group's revenue trend in the coming quarters. Also, we may update our bottom-line estimates once there is more clarity on the receipt of the Court of Appeal latest compensation award to MCGS.
- We see pedestrian growth for both revenue and earnings in the short- to medium-term.** We expect group revenue to grow by 2.7% in 2024 and 2025, picking up in 2026 by 4.8%. We forecast NP growth of 2.2% in 2024, 7.7% in 2025 and 11.8% in 2026.
- MCGS also recently announced the closure of Al-Wakra Clinics, which should bode well for its GP margin,** driven by a decline in direct staff costs. Double-digit growth in staff costs in the previous quarter had driven the GP margin to its lowest level in at least three years and management seems to be addressing that – hopefully, this is not at the expense of service quality down the road. We also note that the closure of Al Wakra Clinics bodes well for Medicare's capital return metrics that are relatively low.
- Hopefully, the latest Court of Appeal ruling brings the back-and-forth between Medicare Group (MCGS) and the National Health Insurance Company (Seha) to an end following the award of QR109.1mn in compensation to the former.** We have written on several occasions, including in our recent coverage of Medicare, about the potential implications of the court ruling on MCGS's stock price. With this latest ruling we revise the positive impact to QR0.25/share down from our earlier estimate of QR0.33/share. The downward revision emanates from the fact that the new award of QR109.1mn is lower than the previously QR130.7mn awarded. Finer details of the new ruling are yet to come to light.

Catalysts

- Catalysts: (1)** Special dividend announcement related to the latest court ruling **(2)** Phased rollout of the “new” health insurance policy **(3)** Cost-cutting initiatives including the closure of Al-Wakra Clinics **(4)** Contingent receivable cash windfall from Medicare's court case (vs. the government on “old” Seha).

Recommendation, Valuation and Risks

- Recommendation and Valuation: We maintain our Market Perform rating and our weighted 12-month TP of QR5.524, which implies a 27.7% upside potential.** Our TP is a weighted average of various valuation models: DCF, EBITDA Exit Multiple and Relative-Valuation methodologies. Several macro and micro themes cancel out each other to render a relatively neutral prognosis on MCGS's near-term outlook. In the short- to medium-term, we see the following variables driving the outlook: limited bed capacity & occupancy levels growth, service level & product quality, public health policy, increased healthcare spend, low beta, tariff controls and competition from both the private and public players. In the medium- to longer-term, above-average population growth, disease burden & expected change in the composition of expats, will become more dominant in shaping prospects.
- Key risks: (1)** Further delays to planned bed-expansion plans **(2)** Further write-downs/offers of the Seha receivable **(3)** Escalating competitive pressure as both private and public bed-count increases **(4)** Low stock liquidity **(5)** Rising global/local yields **(6)** Global disease outbreak.

Key Financial Data and Estimates

Medicare Group	2023A	2024E	2025E	2026E	2027E
EPS (QR)	0.23	0.24	0.26	0.29	0.34
DPS (QR)	0.22	0.22	0.24	0.27	0.32
P/E (x)	18.5	18.1	16.8	15.1	12.8
EV/EBITDA (x)	16.5	14.7	13.7	12.5	10.7
DY (%)	5.1%	5.2%	5.6%	6.2%	7.3%

Source: Company data, QNB FS Research; Note: All data based on current number of shares; These estimates may not reflect the most recent quarter

Key Data

Current Market Price	QR4.327
Dividend Yield (%)	5.1
P/E Ratio	18.7
Bloomberg Ticker	MCGS QD
ADR/GDR Ticker	N/A
Reuters Ticker	MCGS.QA
ISIN	QA0006929754
Sector*	Healthcare
52wk High/52wk Low (QR)	6.838/3.950
3-m Average Vol. (mn)	1.9
Mkt. Cap. (\$ bn/QR bn)	0.3/1.2
EV (\$ bn/QR bn)	0.4/1.3
Shares O/S (mn)	281.4
FO Limit* (%)	100.0
FO (Institutional)* (%)	16.5
1-Year Total Return (%)	-33.9
Fiscal Year-End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign ownership

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Industries Qatar (IQCD)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR11.88	Target Price	QR14.00
Implied Upside	17.6%		

Reiterate Accumulate On Medium-Term Growth Prospects

We retain our Accumulate rating along with our price target of QR14.00. IQCD posted an impressive set of results in 1Q2024, handily beating our estimates across segments based on higher-than-expected volumes and margins. While IQCD shares have had a sluggish start this year and the stock has not been immune from the overall malaise experienced in Qatari equities, we remain bullish longer term. We expect IQCD to post a 14.4% growth in 2024 earnings on a normalized basis (flattish reported earnings growth), followed by a 6.5% growth in 2025. Over 2023-2028, we expect a 5-year normalized earnings CAGR of 5.2%. IQCD should benefit from several catalysts, which are not in our model, including stake buyouts in QAFAC/QAPCO and new projects such as Blue Ammonia (Ammonia-7)/PVC, which could lead to ~35% earnings acceleration even under conservative assumptions. Moreover, Qatar's ongoing expansion of its North Field aimed at increasing the State's LNG capacity from 77 MTPA to 142 MTPA by 2030 could allow for gas availability for downstream projects for IQCD. We believe our model is quite conservative, which could create upside risks to our forecasts. IQCD is trading at 15.3x its 2024 EPS, below its historical median of 16.6x, implying limited downside. Investors should accumulate IQCD given its favorable risk-reward characteristics and attractive dividend yield (6.6%/7.0% for 2024/2025).

Highlights

- IQCD reported QR1,280.5mn in 1Q2024 earnings (9.8% YoY/-10.3% QoQ), 15.7% ahead of our estimate of QR1,106.8mn and 24.4% ahead of Bloomberg consensus. Normalized earnings, excluding a QR550mn-impairment reversal in steel, were up 46.0%. Performance was better-than-expected across segments, led by fertilizers, and accompanied by the steel and petchems segments. For more details, see our [report](#).
- We project flattish 2024 earnings/EPS growth (up 14.4% YoY normalized) to QR4.7bn/QR0.78, followed by a 6.5% uptick in 2025 to QR5.0bn/QR0.83. 2023 earnings were boosted by QR610mn (QR0.10/sh.) in impairments reversals in steel. Group EBITDA could grow 11.0% from QR6.2bn in 2023 to QR6.9bn in 2024, before gaining another 5.8% to QR7.3bn (2025). We expect prices to strengthen moderately (although the 2Q2024 decline in urea prices is a concern) and volumes to recover in 2024/2025 after maintenance-shutdowns in QAFAC/QAFCO-5 in 2023, along with higher sales from the Al Qataria steel acquisition.
- DPS should track EPS; we project flat DPS at QR0.78 (DY: 6.6%) in 2024, before increasing to QR0.83 (7.0%) in 2025. This translates to an average payout of ~100% (flat with 2023), which we believe could be the norm until EPS recovers beyond the QR1 mark. While payouts are high, IQCD retains a strong balance sheet with 1Q2024 cash/share of ~QR2 supporting dividends.
- Bulletproof balance sheet with QR12.1bn in cash/equivalents (after QR4.7bn in 2023 dividend payments) & zero long-term debt. We note that IQCD has sufficient cash to fund its entire capex outlay of QR10.8bn over 2024-2028. IQCD, on a proportionate basis, generated OCF of QR915mn and FCF of QR400mn in 1Q2024. Net-net, given IQCD's strong balance sheet, we expect the company to withstand difficult market conditions, while retaining dry powder to take advantage of opportunities. IQCD's strong FCF generating ability (QR0.79/share on average over 2023-28, with an average yield of 6.7%), along with its large cash balances, also helps lower DPS volatility.

Catalysts

- New projects/buyouts, not in our model, could lead to ~35% earnings acceleration: (1) acquisition of the remaining 50% stake in QAFAC after the current JV agreement expires in June could lead to a ~10% annualized EPS acceleration, (2) Startup of a new 350 KTPA PVC plant (QR455mn net cost) in mid-2025, along with an increase in effective stake in its QVC JV (to 44.8% from its current indirect stake [via QAPCO] of 25.52%) from May 2026, could also lead to a ~3% increase in earnings. (3) The QR4.4bn/1.2 MTPA Ammonia-7 project, which is also the world's largest Blue ammonia train, could add ~15% to EPS by 2026 if IQCD retains the older A-1/A-2 trains. The A-7 project should also boost IQCD's ESG credentials. (4) Moreover, similar to the QAFAC deal, IQCD could look to acquire Total's 20% stake in QAPCO when its JV agreement expires in 2029, which could add ~5% to EPS. (5) Given Qatar's ongoing LNG expansion, it is possible that incremental gas is released for downstream projects. We do note that the recently announced \$6bn-Ras Laffan Petchem Complex (1.7 MTPA of HDPE) is 70/30 owned by QatarEnergy/Chevron Phillips. However, it is always possible that QatarEnergy transfers a part of this project, when completed, to listed downstream entities, IQCD & MPHIC, as has been the case in the past. However, it is yet to be seen if this would indeed be the case for future deals.

Recommendation, Valuation and Risks

- Recommendation and valuation: We rate IQCD an Accumulate with a SOTP-derived PT of QR14.00. The stock trades at P/Es of 15.3x/14.4x, along with dividend yields of 6.6%/7.0% (2024/2025).
- Risks: Oil/urea prices influence IQCD's operations & investor sentiment. Geopolitical risks remain and cannot be modeled.

Key Financial Data and Estimates

	2022	2023	2024e	2025e	2026e
Revenue (QR mn)	18,794	11,744	12,266	12,985	13,829
Reported EPS (QR)	1.46	0.78	0.78	0.83	0.83
P/E	8.2	15.2	15.3	14.4	14.3
EV/EBITDA	8.0	17.9	16.9	16.0	14.1
Dividend Yield	9.3%	6.6%	6.6%	7.0%	7.0%

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

Key Data

Current Market Price (QR)	11.88
Dividend Yield (%)	6.6
Bloomberg Ticker	IQCD QD
ADR/GDR Ticker	N/A
Reuters Ticker	IQCD.QA
ISIN	QA000A0KD6K3
Sector*	Industrials
52wk High/52wk Low (QR)	14.33/10.80
3-m Average Volume ('mn)	2.6
Mkt. Cap. (\$ bn/QR bn)	19.7/71.9
EV (\$ bn/QR bn)	16.7/60.8
Shares Outstanding (mn)	6,050.0
FO Limit* (%)	100.0
Institutional FO* (%)	7.2
1-Year Total Return (%)	6.8
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign ownership

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Valuation – Our Price Target Implies a 17.6% Appreciation Potential

Our target price of QR14.00/share implies an upside of 17.6% from the current market price. We value IQCD using a Sum-Of-The-Parts (SOTP) methodology, which comprises of separate DFC-based models for its segments:

Valuation Summary

Segment	Methodology	Equity Value	EV/Share	P/Share	% Of TP
Fertilizers	DCF	37,798	6.2	6.9	50%
Petrochemicals & Fuel Additives	DCF	28,164	4.7	5.2	37%
Steel	DCF	9,491	1.6	1.7	12%
Corporate/Others	DCF	776	0.1	0.1	1%
IQCD		76,229	12.6	14.0	100%

Source: Company data, QNB FS Research

IQCD is Trading Below Historical Median Suggesting Limited Downside



Source: Bloomberg

1Q2024 Results Review: Broad-Based Beat Sets The Stage For A Positive 2024

IQCD reported QR1,280.5mn in 1Q2024 earnings (9.8% YoY/-10.3% QoQ), 15.7% ahead of our estimate of QR1,106.8mn and 24.4% ahead of Bloomberg consensus. Normalized earnings, excluding a QR550mn impairment reversal in steel, were up 46.0%. Performance was better-than-expected across segments, led by fertilizers, and accompanied by the steel and petchems segments.

- As expected, 1Q2024 price realizations generally continued to fall moderately across key product lines YoY but recovered sequentially; sales volumes followed a similar trend. 1Q2024 overall sales volumes fell ~8% YoY (driven by steel/fertilizers and timing of shipments) but gained ~10% QoQ on broad-based increases. Production volumes eked out a 1% YoY increase but roared back with 10% sequential increase. We remind investors that IQCD underwent maintenance-related shutdowns in fuel additives, QAFCO-5 and steel in 4Q2023, while 1Q2024 only faced shutdowns in QAPCO. Overall price realizations (blended across all product lines) were down moderately (-4% YoY/-2% QoQ).

1Q2024 Price & Sales Volumes Comparisons

Wtd Average Selling Prices (\$/MT)	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E	YoY	QoQ
Petrochemicals & Fuel Additives							
LDPE	1,123	1,017	1,038	1,088	-5%	-8%	2%
LLDPE	1,005	950	964	977	-1%	-4%	1%
Methanol	280	254	254	265	-4%	-9%	0%
MTBE	891	870	884	945	-6%	-1%	2%
Fertilizer							
Ammonia	637	508	378	359	5%	-41%	-26%
Urea	352	342	343	326	5%	-3%	0%
Steel							
Rebar	647	610	623	612	2%	-4%	2%
DRI/HBI	368	371	384	360	7%	4%	4%
Billets	556	-	-	562	-100%	-100%	
Sales Volume (MT' 000)	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E	YoY	QoQ
Petrochemicals & Fuel Additives							
LDPE	159	144	146	143	2%	-8%	1%
LLDPE	63	66	84	66	27%	33%	27%
Methanol	104	46	103	100	3%	-1%	124%
MTBE	89	62	82	75	9%	-8%	32%
Fertilizer							
Ammonia	110	124	105	120	-13%	-5%	-15%
Urea	1,542	1,254	1,375	1,368	1%	-11%	10%
Steel							
Steel Bar	319	348	317	325	-3%	-1%	-9%
DRI/HBI	139	122	182	120	51%	31%	49%
Billets	107	-	-	26	-100%	-100%	

Source: Company data, QNB FS Research

- Petchems, outperformed in 1Q2024, with top-line and profitability exceeding our forecasts driven by volume upside offsetting lower-than-expected pricing.** 1Q2024 revenue of ~QR1.4bn (flattish YoY, ~-19% QoQ) was ~9% above our model on broadly higher-than-expected volumes for PE & FA offsetting moderately softer-than-forecasted prices. Earnings of QR354.0mn fell 7.5% YoY but grew 66.8% QoQ, and was 4.2% above our model. EBITDA margins came in at ~38% for 1Q2024 vs. around 40% in 1Q2023 and 23% in 4Q2023. Product prices, while down moderately YoY across the board, exhibited slight growth/stability QoQ on the back of better fundamentals. Sales volumes fell ~7% YoY, with decreases across the board, except for LLDPE, and grew ~25% QoQ. 1Q2024 production volumes rose roughly 1% YoY and grew 3% QoQ as 4Q2023 faced extensive maintenance-related shutdowns in QAFAAC.
- Fertilizer EBITDA margin shot up to ~49% in 1Q2024, its highest level in two years as IQCD benefited from lower operating costs.** Revenue of QR1.9bn decreased 16.2% YoY on lower prices/sales volumes but segment earnings of QR639.0mn increased 25.0%; IQCD reported a 28% YoY decline in operating costs as variable costs improved, aided by lower feedstock costs, boosting profitability. Sequentially, segment revenue was up 3.8% as sales volumes grew due to demand from the Indian subcontinent and higher production. Earnings increased 21.1% QoQ aided by higher sales and lower operating costs. Fertilizer EBITDA margin beat our estimate of 45% and improved nicely vs. 35% posted in 1Q2023 (which faced higher inventory costs) and 46% reported in 4Q2023. Segment top-line and earnings were 4.0% and 35.2% ahead of our model, respectively. IQCD's production volumes were down ~1% YoY but up ~10% QoQ; similarly sales volumes declined ~10% YoY due to supply challenges and lower demand but gained ~7% QoQ. We note QAFCO-5 went through a maintenance-related shutdown in 4Q2023 that helped boost sequential volumes.
- Steel top-line exceeded our forecast moderately but profitability was significantly better than our model.** Steel revenue came in at QR1.0bn (-15.5% YoY, 3.6% QoQ), which was 2.9% ahead of our model. YoY, rebar prices and sales volumes fell modestly leading to the revenue decline; IQCD also sold billets in 1Q2023, which it did not in 1Q2024. However, sequentially, improved sales volumes (on higher production as Doha facilities were under maintenance in 4Q2023) and higher contribution from the Al Qataria acquisition, along with modest improvement in prices, aided revenue growth. Income of QR156.4mn (16.7% YoY, -74.7% QoQ) was 37.7% ahead of our forecast of QR113.6mn. We note that 4Q2023 income included QR550mn in impairment reversals related to the 1,500 KTPA-DR-2 facility (that was previously mothballed and restarted in 2022, replacing the 800 KTPA-DR-1 facility). If we strip out this reversal, 1Q2024 segment earnings were actually up 127.0% QoQ. We note that income from associates, primarily from Foulath that produces/sell iron oxide pellets, came in at QR76.1mn (18.7% YoY, 48.1% QoQ and 42.7% above our forecast of QR55.3mn). Steel also enjoyed lower operating expenses (down 19% YoY) given YoY improvement in raw material costs. EBITDA margins rose to ~21% in 1Q2024 vs. ~15% in 1Q2023 and ~12% in 4Q2023.

Management commentary indicated a subdued outlook, both globally and in Qatar, with sluggish construction activity given the high-interest rate environment; steel prices were also impacted by a sharp decline in raw material (iron ore/scrap) prices. According to the company, blended steel realizations dipped by ~4% YoY/~2% QoQ. Sales volumes for 1Q2024 fell ~12% YoY but gained ~6% QoQ. Production volumes were up roughly up 7% YoY/14% QoQ. Production volumes, since the beginning of 2022 for DRI/HBI, have been aided by the re-startup of the DR-2 facility in 1Q2022 that has 1,700 KTPA of capacity (as opposed to the 800 KTPA-DR-1 facility it replaced).

QNB FS 1Q2024 Estimates and Comparisons

Income Statement (QR Million)	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E	YoY	QoQ
Revenue	3,467.196	2,808.313	2,913.384	2,812.496	3.6%	-16.0%	3.7%
Cost of Sales (Ex. D & A)	(2,425.194)	(1,740.936)	(1,710.216)	(1,717.376)	-0.4%	-29.5%	-1.8%
Gross Profit	1,042.002	1,067.377	1,203.168	1,095.120	9.9%	15.5%	12.7%
General & Admin. Expenses	(166.532)	(186.368)	(153.534)	(191.531)	-19.8%	-7.8%	-17.6%
Selling & Distribution Costs	(13.767)	(21.447)	(14.735)	(19.687)	-25.2%	7.0%	-31.3%
EBITDA	861.703	859.562	1,034.899	883.901	17.1%	20.1%	20.4%
Depreciation & Amortization	(329.378)	(453.252)	(362.439)	(365.624)	-0.9%	10.0%	-20.0%
EBIT	532.325	406.310	672.460	518.277	29.7%	26.3%	65.5%
Finance Costs	(7.253)	(6.938)	(6.888)	(7.042)	-2.2%	-5.0%	-0.7%
Share of Results from Associates	64.128	51.387	76.101	53.314	42.7%	18.7%	48.1%
Share of Results of JVs	382.473	212.193	353.960	339.688	4.2%	-7.5%	66.8%
Other Income	195.318	215.260	186.079	203.521	-8.6%	-4.7%	-13.6%
Impairments, Reversals & Others		550.000		-			-100.0%
Profit Before Tax	1,166.991	1,428.212	1,281.712	1,107.758	15.7%	9.8%	-10.3%
Tax	(0.384)	(0.580)	(0.453)	(0.386)	17.2%	18.0%	-21.9%
Profit After Tax - Continuing Operations	1,166.607	1,427.632	1,281.259	1,107.372	15.7%	9.8%	-10.3%
Profit From Discontinued Operations							
Profit	1,166.607	1,427.632	1,281.259	1,107.372	15.7%	9.8%	-10.3%
Minority Interest	(0.682)	(0.785)	(0.755)	(0.621)	21.5%	10.7%	-3.8%
Profit for Equity Holders	1,165.925	1,426.847	1,280.504	1,106.750	15.7%	9.8%	-10.3%
Net Margin	33.6%	50.8%	44.0%	39.5%			
EPS (in QR)	0.19	0.24	0.21	0.18	15.7%	9.8%	-10.3%
Cost of Sales	69.9%	62.0%	58.7%	61.1%			
Gross Margin %	30.1%	38.0%	41.3%	38.9%			
G&A % Sales	4.8%	6.6%	5.3%	6.8%			
Selling Expenses % Sales	0.4%	0.8%	0.5%	0.7%			
EBITDA %	24.9%	30.6%	35.5%	31.4%			
D&A % Sales	9.5%	16.1%	12.4%	13.0%			
EBIT %	15.4%	14.5%	23.1%	18.4%			
Net Margin %	33.6%	50.8%	44.0%	39.4%			

Source: Company data, QNB FS Research

QNB FS 1Q2024 Segment Estimates and Comparisons

In QR Millions

Steel	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E
Revenue	1,228.299	1,002.158	1,037.817	1,008.643	2.9%
Profit Before Tax	133.986	618.911	156.415	113.573	37.7%
NM %	10.91%	61.76%	15.07%	11.26%	
Revenue QoQ	64%	11%	4%	1%	
Profit Before Tax QoQ	16%	376%	-75%	-82%	
Revenue YoY	-6%	34%	-16%	-18%	
Profit Before Tax YoY	-49%	438%	17%	-15%	
Petrochemicals & Fuel Additives	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E
Revenue	1,362.000	1,150.000	1,364.000	1,251.613	9.0%
Profit Before Tax	382.473	212.193	353.960	339.688	4.2%
NM %	28.08%	18.45%	25.95%	27.14%	
Revenue QoQ	-8%	-7%	19%	9%	
Profit Before Tax QoQ	-2%	-34%	67%	60%	
Revenue YoY	-26%	-22%	0%	-8%	
Profit Before Tax YoY	-43%	-45%	-7%	-11%	
Fertilizers	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E
Revenue	2,238.897	1,806.155	1,875.567	1,803.853	4.0%
Profit Before Tax	511.093	527.774	639.039	472.790	35.2%
NM %	22.83%	29.22%	34.07%	26.21%	
Revenue QoQ	-35%	-7%	3.8%	-0.1%	
Profit Before Tax QoQ	-57%	-17%	21.1%	-10.4%	
Revenue YoY	-44%	-47%	-16.2%	-19.4%	
Profit Before Tax YoY	-71%	-55%	25.0%	-7.5%	
Total Revenue	4,829.196	3,958.313	4,277.384	4,064.109	5.2%
YoY Growth	-32%	-30%	-11%	-16%	
QoQ Growth	-15%	-3%	8%	3%	
Steel	25%	25%	24%	25%	
Petrochemicals & Fuel Additives	28%	29%	32%	31%	
Fertilizers	46%	46%	44%	44%	
Total Profit Before Tax (Ex. Unallocated)	1,027.552	1,358.878	1,149.414	926.051	24.1%
Steel	13%	46%	14%	12%	
Petrochemicals & Fuel Additives	37%	16%	31%	37%	
Fertilizers	50%	39%	56%	51%	
Group Net Income	1,165.925	1,426.847	1,280.504	1,106.750	15.7%
Segment Profit Before Tax/Group NI	88%	95%	90%	84%	
Unallocated Net Income	138.373	67.969	131.090	180.699	-27.5%

Source: Company data, QNB FS Research

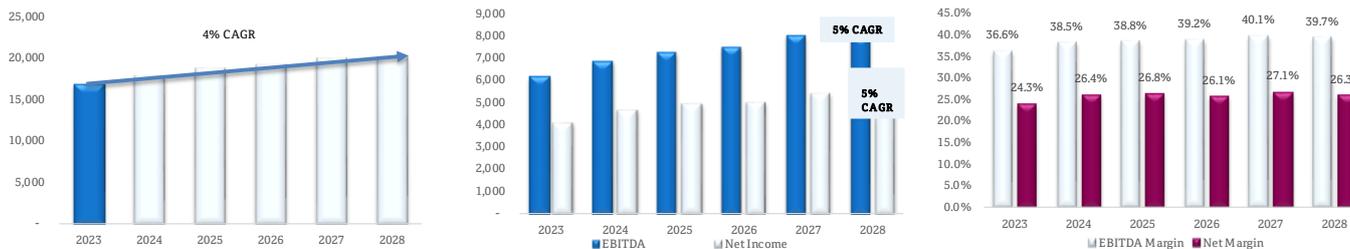
Key Metrics

Segment Revenue, EBITDA, Net Income, Pricing and Sales Volumes

Revenue (QR Million) - Group	2021	2022	2023	2024	2025	2026	2027	2028
Total Group	20,150	25,769	16,919	17,837	18,713	19,242	20,104	20,163
Petrochemicals & Fuel Additives	5,981	6,975	5,175	5,571	5,728	5,413	5,961	5,896
Fertilizer	10,283	14,532	7,480	7,657	7,911	8,411	8,645	8,731
Steel	3,886	4,262	4,264	4,609	5,074	5,418	5,498	5,536
EBITDA (QR Million) - Group	2021	2022	2023	2024	2025	2026	2027	2028
Total Group	10,142	10,960	6,185	6,865	7,262	7,538	8,063	7,995
Petrochemicals & Fuel Additives	3,055	3,083	1,898	2,205	2,320	2,055	2,493	2,425
Fertilizer	6,122	6,402	3,001	3,215	3,347	3,789	3,862	3,858
Steel	882	1,086	687	817	955	1,049	1,061	1,061
Net Income (QR Million) - Group	2021	2022	2023	2024	2025	2026	2027	2028
Total Group	8,089	8,815	4,720	4,701	5,008	5,015	5,446	5,295
Petrochemicals & Fuel Additives	2,479	2,460	1,360	1,622	1,715	1,445	1,861	1,788
Fertilizer	5,106	5,347	1,882	2,035	2,103	2,286	2,286	2,208
Steel	716	889	1,027	546	680	771	782	780
Corporate/Unallocated	(212)	118	451	498	510	513	516	520
Revenue (QR Million)	2021	2022	2023	2024	2025	2026	2027	2028
Petrochemicals & Fuel Additives								
LDPE	3,058	3,161	2,364	2,490	2,544	2,287	2,615	2,631
LLDPE	1,076	1,256	983	1,023	1,048	918	1,081	1,088
Methanol	609	471	315	440	466	485	499	424
MTBE	629	1,319	1,051	1,143	1,190	1,236	1,274	1,258
Petrochemical & Fuel Additives Revenue	5,980	6,974	5,176	5,571	5,728	5,413	5,961	5,896
Fertilizer								
Ammonia	1,154	1,742	834	628	639	1,015	1,161	1,186
Urea	8,994	12,821	6,635	6,971	7,214	7,337	7,426	7,486
Melamine	448	420	244	291	291	291	291	291
Fertilizer Revenue	10,283	14,532	7,480	7,657	7,911	8,411	8,645	8,731
Steel								
Rebar	2,844	2,966	2,964	3,339	3,758	4,077	4,138	4,167
DRI/HBI	147	901	746	743	771	786	797	802
Billets	543	81	272	249	260	265	268	270
Coils	359	353	289	285	291	296	300	303
Steel Revenue	3,886	4,262	4,264	4,609	5,074	5,418	5,498	5,536
Wtd Average Selling Prices (\$/MT)	2021	2022	2023	2024	2025	2026	2027	2028
Petrochemicals & Fuel Additives								
LDPE	1,508	1,378	1,041	1,089	1,113	1,132	1,144	1,151
LLDPE	1,202	1,139	972	986	1,010	1,029	1,042	1,049
Methanol	351	307	247	266	281	293	301	306
MTBE	736	1,007	911	951	990	1,029	1,061	1,083
Fertilizer								
Ammonia	542	922	402	352	358	362	366	369
Urea	463	618	335	343	351	356	359	362
Steel								
Rebar	698	728	631	629	647	661	671	675
DRI/HBI	416	450	516	379	389	396	402	404
Billets	491	621	562	579	594	606	614	617
Sales Volume (MT' 000)	2021	2022	2023	2024	2025	2026	2027	2028
Petrochemicals & Fuel Additives								
LDPE	557	630	624	628	628	555	628	628
LLDPE	246	303	278	285	285	245	285	285
Methanol	477	421	351	455	455	455	455	380
MTBE	235	360	317	330	330	330	330	319
Fertilizer								
Ammonia	585	519	569	491	491	771	871	883
Urea	5,333	5,698	5,449	5,581	5,651	5,668	5,680	5,686
Steel								
Rebar	1,119	1,119	1,290	1,458	1,597	1,695	1,695	1,695
DRI/HBI	97	550	397	539	545	545	545	545
Billets	304	36	133	118	120	120	120	120

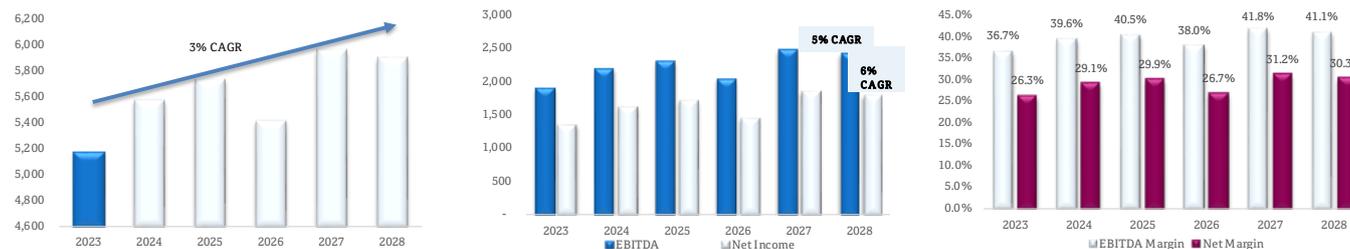
Source: Company data, QNB FS Research

Group – Revenue, Group EBITDA, Normalized Net Income, Margins & Growth (In QR Mn & Percentages)



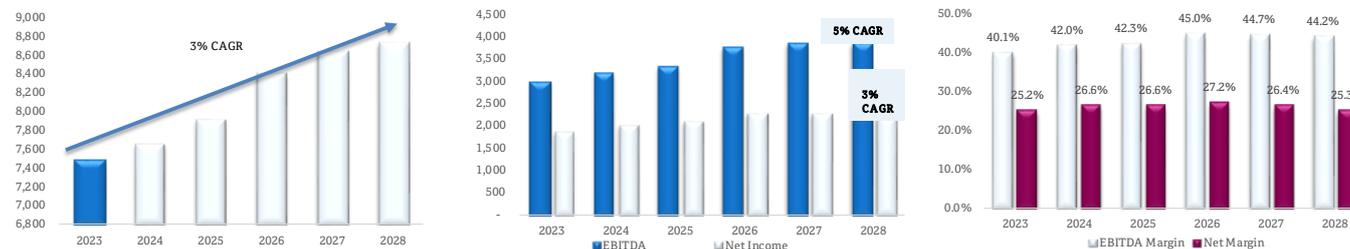
Source: Company data, QNB FS Research

Petrochemicals & Fuel Additives – Revenue, EBITDA, Normalized Net Income, Margins & Growth (In QR Mn & Percentages)



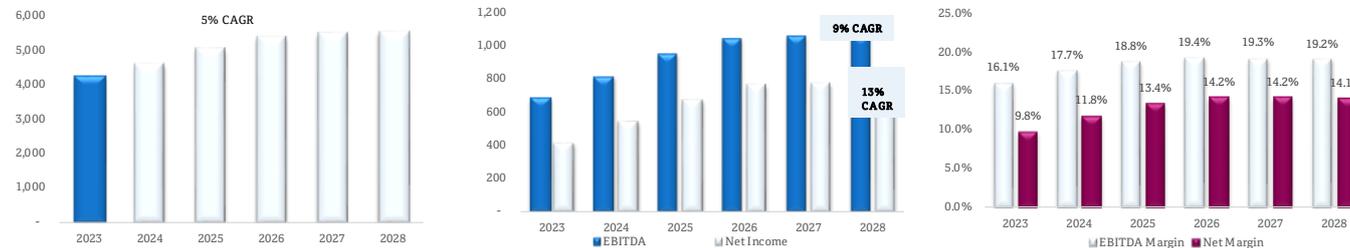
Source: Company data, QNB FS Research

Fertilizers – Revenue, EBITDA, Normalized Net Income, Margins & Growth (In QR Mn & Percentages)



Source: Company data, QNB FS Research

Steel – Revenue, EBITDA, Normalized Net Income, Margins & Growth (In QR Mn & Percentages)



Source: Company data, QNB FS Research

Ratio Analysis

Key Ratios & Valuation Metrics

Particulars	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Growth Ratios (In %)												
Revenue - Proportionate Group	3.6%	14.7%	(15.9%)	(17.4%)	77.4%	27.9%	(34.3%)	5.4%	4.9%	2.8%	4.5%	0.3%
Revenue - Reported	(1.0%)	25.1%	(12.0%)	45.2%	91.5%	32.6%	(37.5%)	4.4%	5.9%	6.5%	2.3%	0.9%
Gross Profit	(31.9%)	24.2%	(76.0%)	805.6%	195.6%	2.2%	(47.3%)	8.3%	6.6%	12.0%	2.1%	0.4%
EBITDA - Proportionate Group	(4.1%)	31.5%	(41.4%)	4.5%	168.1%	8.1%	(43.6%)	11.0%	5.8%	3.8%	7.0%	(0.8%)
EBITDA - Reported	(38.4%)	35.9%	(93.6%)	3326.4%	229.6%	2.8%	(53.3%)	9.5%	7.3%	14.0%	1.9%	(0.2%)
EBIT	(48.3%)	51.1%	N/M	N/M	1152.9%	2.7%	(68.2%)	15.0%	9.5%	12.3%	0.2%	(3.6%)
JV Income	51.9%	48.8%	(43.8%)	(51.1%)	132.7%	(0.8%)	(44.7%)	19.3%	5.7%	(15.7%)	28.8%	(3.9%)
PBT	12.2%	51.7%	(48.8%)	(28.3%)	338.4%	9.0%	(46.4%)	(0.4%)	6.5%	0.1%	8.6%	(2.8%)
PAT	12.2%	51.7%	(48.8%)	(28.4%)	338.8%	9.0%	(46.4%)	(0.4%)	6.5%	0.1%	8.6%	(2.8%)
Net Income - Reported	12.2%	51.7%	(48.8%)	(29.7%)	346.8%	9.0%	(46.5%)	(0.4%)	6.5%	0.1%	8.6%	(2.8%)
Net Income - Normalized	15.6%	48.7%	(51.3%)	(28.1%)	354.6%	9.0%	(53.4%)	14.4%	6.5%	0.1%	8.6%	(2.8%)
EPS - Reported	12.2%	51.7%	(48.8%)	(29.7%)	346.8%	9.0%	(46.5%)	(0.4%)	6.5%	0.1%	8.6%	(2.8%)
EPS - Normalized	15.6%	48.7%	(51.3%)	(28.1%)	354.6%	9.0%	(53.4%)	14.4%	6.5%	0.1%	8.6%	(2.8%)
DPS	25.0%	20.0%	(33.3%)	(17.5%)	203.0%	10.0%	(29.1%)	0.0%	6.4%	0.0%	8.4%	(2.2%)
Operating Ratios (In %)												
Gross Margin	20.1%	20.0%	5.4%	33.9%	52.4%	40.4%	34.0%	35.3%	35.5%	37.4%	37.3%	37.1%
EBITDA Margin - Proportionate Gr	33.0%	37.8%	26.3%	33.3%	50.3%	42.5%	36.6%	38.5%	38.8%	39.2%	40.1%	39.7%
EBITDA Margin - Reported	14.6%	15.9%	1.2%	27.4%	47.2%	36.6%	27.3%	28.7%	29.1%	31.1%	31.0%	30.7%
EBIT Margin	9.8%	11.8%	(4.3%)	5.6%	36.9%	28.6%	14.5%	16.0%	16.6%	17.5%	17.1%	16.4%
Net Margin	71.6%	86.9%	50.5%	24.5%	57.1%	46.9%	40.2%	38.3%	38.6%	36.3%	38.5%	37.1%
Working Capital Ratios (Days)												
Inventory days	142.6	135.2	140.3	145.6	108.5	101.1	133.5	133.5	133.5	133.5	133.5	133.5
Average collection period	98.8	63.3	64.3	78.5	79.6	37.7	53.4	53.4	53.4	53.4	53.4	53.4
Payable days	115.0	104.5	93.9	105.1	107.8	69.4	104.6	104.6	104.6	104.6	104.6	104.6
Finance Ratios												
Net Debt-Equity Ratio	(0.2)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Interest Coverage	45.1	351.1	-19.0	11.2	206.4	227.2	59.9	69.6	80.2	94.8	100.1	101.5
Return Ratios (In %)												
ROE	9.9%	14.2%	7.5%	5.4%	20.5%	21.0%	11.8%	11.8%	12.5%	12.6%	13.6%	13.3%
ROA	9.4%	13.6%	7.2%	5.0%	19.1%	19.6%	11.0%	10.9%	11.6%	11.6%	12.5%	12.2%
Liquidity Ratios												
Current Ratio	7.8	10.4	11.2	8.9	10.1	10.7	9.0	8.1	7.4	7.2	7.5	7.9
Quick Ratio	6.8	9.2	9.7	7.6	9.2	9.3	7.7	6.8	6.1	5.9	6.2	6.6
Valuation												
EV/Reported EBITDA	94.9	66.5	1,033.5	31.1	8.6	8.0	17.9	16.9	16.0	14.1	13.5	13.3
EV/EBIT	142.1	89.6	N/M	151.1	11.0	10.2	33.6	30.2	28.0	25.0	24.5	24.9
P/E	21.7	14.3	27.9	39.7	8.9	8.2	15.2	15.3	14.4	14.3	13.2	13.6
P/Normalized Earnings	21.0	14.2	29.0	40.4	8.9	8.2	17.5	15.3	14.4	14.3	13.2	13.6
P/BV	2.1	2.0	2.1	2.1	1.8	1.7	1.8	1.8	1.8	1.8	1.8	1.8
Dividend Yield	4.2%	5.1%	3.4%	2.8%	8.4%	9.3%	6.6%	6.6%	7.0%	7.0%	7.6%	7.4%
FCF Yield	3.8%	8.1%	5.2%	4.2%	10.3%	12.4%	6.2%	4.1%	5.2%	6.7%	8.6%	9.2%

Source: Company data, QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Revenue	14,169	18,794	11,744	12,266	12,985	13,829	14,143	14,267
Cost of Sales, Excluding D&A	(6,744)	(11,206)	(7,749)	(7,939)	(8,373)	(8,663)	(8,867)	(8,969)
Gross Profit	7,425	7,588	3,995	4,328	4,612	5,166	5,276	5,298
Cash G&A Expenses	(684)	(648)	(704)	(727)	(751)	(773)	(800)	(827)
Cash Selling Expenses	(59)	(68)	(79)	(84)	(87)	(90)	(93)	(97)
EBITDA	6,683	6,872	3,212	3,517	3,773	4,303	4,383	4,374
Depreciation & Amortization	(1,450)	(1,498)	(1,504)	(1,552)	(1,621)	(1,885)	(1,960)	(2,038)
EBIT	5,233	5,374	1,708	1,965	2,152	2,418	2,423	2,336
Finance Costs	(25)	(24)	(29)	(28)	(27)	(25)	(24)	(23)
Share of Results of Joint Ventures	2,479	2,460	1,360	1,622	1,715	1,445	1,861	1,788
Other Income, Expenses, Taxes & Minorities	402	1,004	1,680	1,142	1,168	1,178	1,186	1,194
Profit for Shareholders	8,089	8,815	4,720	4,701	5,008	5,015	5,446	5,295
EPS (QR)	1.34	1.46	0.78	0.78	0.83	0.83	0.90	0.88
DPS (QR)	1.00	1.10	0.78	0.78	0.83	0.83	0.90	0.88
Group Revenue	20,150	25,769	16,919	17,837	18,713	19,242	20,104	20,163
Group EBITDA	10,142	10,960	6,185	6,865	7,262	7,538	8,063	7,995

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Non-Current Assets								
PP&E & PUD	12,696	11,877	13,532	15,122	16,145	16,011	15,204	13,821
Investment Properties	0	0	0	0	0	0	0	0
Investment in Associates	1,577	1,890	1,811	2,134	2,472	2,817	3,168	3,523
Investment in Joint Ventures	6,823	7,097	6,783	6,412	6,021	5,690	5,265	4,857
Available-for-Sale Investments	0	0	0	0	0	0	0	0
Right-of Use Assets & Others	189	242	593	581	567	546	523	498
Total Non-Current Assets	21,284	21,106	22,719	24,250	25,205	25,065	24,161	22,700
Current Assets								
Inventories	2,004	3,105	2,833	2,895	3,061	3,168	3,242	3,279
Accounts Rec. & Prepayments	3,090	1,943	1,719	1,791	1,901	2,024	2,070	2,088
Due from Related Parties	1,494	1,535	946	988	1,046	1,114	1,140	1,150
Financial Assets at FVTPL	349	397	421	421	421	421	421	421
Cash and Bank Balances	14,086	16,919	14,414	12,623	11,631	11,428	12,536	13,682
Total Current Assets	21,023	23,899	20,334	18,718	18,061	18,156	19,409	20,620
Total Assets	42,308	45,005	43,053	42,968	43,266	43,220	43,570	43,320
Total Equity	39,510	42,020	39,976	39,843	40,011	39,882	40,173	39,894
Non-Current Liabilities								
Loans and Borrowings	0	0	0	0	0	0	0	0
EOS Benefits & Lease Liabilities	724	761	806	806	806	806	806	806
Total Non-Current Liabilities	724	761	806	806	806	806	806	806
Current Liabilities								
Accounts Payables & Accruals	1,991	2,132	2,220	2,268	2,399	2,482	2,540	2,570
Due to Related Parties, Lease Liabilities & Others	83	92	50	50	50	50	50	50
Loans and Borrowings	0	0	0	0	0	0	0	0
Total Current Liabilities	2,073	2,224	2,270	2,318	2,449	2,532	2,590	2,620
Equity and Liabilities	42,308	45,005	43,053	42,968	43,266	43,220	43,570	43,320

Source: Company data, QNB FS Research

Qatar Electricity & Water Company (QEWS)

Recommendation	ACCUMULATE	Risk Rating	R-2
Share Price	QR15.01	Target Price	QR19.00
Implied Upside	26.6%		

A Soft Start to 2024 Belies Attractive LT Growth Potential; Accumulate

We rate QEWS an Accumulate with a price target of QR19.00. The company posted a weaker-than-expected 1Q2024 operating performance, which had prompted us to reduce our estimates recently. While 2024 could be a subdued year and we do expect EPS/DPS to decline by 7.8%/7.0%, we do expect a pickup in growth next year and beyond. We continue to like QEWS as a long-term play with a relatively defensive business model, especially in light of current market conditions. QEWS enjoys decent EBITDA margins and dividend/FCF yields. LT catalysts (which are not in our model) include additional domestic expansions (like Facility E in 2027-2028, etc.). Nebras remains on the hunt for growth and has plans to increase its capacity (currently ~2.0 GW on an equity-adjusted basis) significantly.

Highlights

- QEWS posted 1Q2024 earnings of QR318.5mn (EPS: QR0.29), down 20.5% YoY/28.0% QoQ, which was 28.6% shy of our estimate of QR445.8mn (EPS: QR0.41). We do note that earnings on a normalized basis increased around 7% YoY/2% QoQ after we exclude one-offs, including a QR78mn profit from the sale of Siraj Energy and a ~QR26mn reversal of provisions in 1Q2023; 4Q2023 also included an ~QR80mn fuel gas provision reversal related to RAF B's take-or-pay agreement and a QR51mn Ukraine provision reversal. Net-net, QEWS missed our 1Q2024 earnings estimate on weaker-than-expected operating performance and a dip in interest/other income. For more details, see our [report](#).
- We expect a conservative EPS CAGR (2023-2027e) of 0.9%. While we expect earnings to fall this year by 7.8%, growth should resume in 2025 with profits up 4.7%.
- DPS could decline in 2024 given the projected earnings decline. DPS fell 9.5% from QR0.95 in 2022 to QR0.86 in 2023, in lock step with the 9.3% drop in EPS from QR1.56 in 2022 to QR1.41 in 2023. QEWS has maintained a roughly 60% dividend payout since 2019 and if that policy holds, we could see another 7.0% decline in 2024 DPS to QR0.80. We do note that QEWS has balance sheet strength to hike its payout with cash of QR2.48/share (1Q2024) and average FCF/share of QR1.46 over 2024-2027.
- Despite a subdued 2024, we continue to like QEWS as a solid long-term play with a defensive business model. Essentially a capacity provider, in Qatar, QEWS takes on insignificant demand/costs/funding risks holding secure contracted assets with long-term (~25 years) fuel agreements/PWPAs and committed funding. This also leads to visible cash flows and a stable operating profile. The State of Qatar (through various entities) owns ~55% of the company.
- QEWS enjoys decent EBITDA margins & dividend/FCF yields. Despite modeled compression, EBITDA margins average ~36% (2023-27). Over 2023-27, dividend yields and FCF yields could average 5.7% and 9.1%, respectively. ROEs average should average 9.5% for 2023-27.

Catalysts

- We like QEWS as a long-term play with a relatively defensive business model, especially given current market conditions. LT catalysts (not in our model) include Facility E (55% stake; power: 2,300 MW & water: 100 MIGD) that should be operational, in phases from, 2027. Nebras also has several medium-term projects in the pipeline. Investors could also perceive an increase in DPS positively.

Recommendation, Valuation and Risks

- Recommendation & valuation: We rate QEWS an Accumulate with a PT of QR19.00. Dividend yield is 5.3% for 2024 and 5.6% for 2025.
- Risks: Geopolitical risks cannot be modeled. Besides foreign expansion risks, domestic projects could also be delayed. Operational risks include availability of capacity below contracted levels, which could lead to penalties.

Key Financial Data and Estimates

	FY2023	FY2024e	FY2025e	FY2026e
Revenue (QR mn)	2,911	3,044	3,081	3,133
Revenue Growth	7.0%	4.6%	1.2%	1.7%
EPS (QR)	1.41	1.30	1.36	1.41
EPS Growth	-9.3%	-7.8%	4.7%	3.4%
P/E (x)	10.6	11.5	11.0	10.7
DPS (QR)	0.86	0.80	0.84	0.87
ROE	10.4%	9.3%	9.4%	9.3%

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

Key Data

Current Market Price (QR)	15.01
Dividend Yield (%)	5.7
Bloomberg Ticker	QEWS QD
ADR/GDR Ticker	N/A
Reuters Ticker	QEWC.QA
ISIN	QA0006929812
Sector*	Industrials
52wk High/52wk Low (QR)	18.80/14.50
3-m Average Volume ('000)	625.0
Mkt. Cap. (\$ bn/QR bn)	4.5/16.5
EV (\$ bn/QR bn)	5.7/20.8
Shares Outstanding (bn)	1.10
FO Limit* (%)	100.0
Institutional FO* (%)	9.7
1-Year Total Return (%)	(9.4)
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign ownership

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1Q2024 Review: Softer-Than-Expected Operating Performance

QEWS missed our 1Q2024 earnings estimate on weaker-than-expected operating performance and a dip in interest/other income. We are lowering our forecasts to reflect these results; our model changes lead to an average earnings decline of 8.0% over 2024-27 vs. our previous forecasts. **We also adjust our target price from QR22 to QR19 but stay Accumulate.**

- Top-line of QR687.3mn (4.5% YoY, -6.3% QoQ) came in moderately below our estimate of QR706.0mn (-2.6% divergence).** Electricity revenue of QR336.6mn (4.9% YoY, -9.4% QoQ) missed our forecast by 6.5%. Water sales of QR328.1mn (3.2% YoY, -4.7% QoQ) was in-line with our model (-0.4% difference). QEWS reported a 2% increase in sent out power and 4% increase in sent out water, helping top-line YoY.
- Gross margins dipped below our model.** Cash gross margin came in at 44.4% in 1Q2024 vs. 43.4% in 1Q2023 and 58.4% (boosted by ~QR80mn in reversals) in 4Q2023; we were modeling a GM of 47.6%, which was admittedly a bit on the optimistic side. Overall, 1Q2024 gross profit of QR305.5mn (7.1% YoY, -28.7% QoQ) fell below our estimate of QR335.9mn by 9.1%.
- Finance and other income also came in markedly below our expectations.** Finance income of QR59.2mn (-22.5% YoY, -25.3% QoQ) was also 34.3% below our estimate of QR90.1mn. Other/miscellaneous income came in at only QR3.0mn vs. QR106.9mn in 1Q2023 (which included a ~QR78mn in gain on Siraj sale) and QR77.2mn in 4Q2023; we were modeling QR39.9mn. Finally, JV income of QR143.7mn (27.5% YoY, -0.8% QoQ) fell 8.2% below our model of QR156.6mn.

QNB FS 1Q2024 Estimates and Comparisons

Income Statement (QR mn)							
Particulars	1Q2023	4Q2023	1Q2024	1Q2024e	A Vs. E	YoY	QoQ
Revenue	658.049	733.449	687.335	705.758	-2.6%	4.5%	-6.3%
Electricity	320.992	371.512	336.601	359.936	-6.5%	4.9%	-9.4%
Water	317.969	344.431	328.146	329.456	-0.4%	3.2%	-4.7%
Lease Income from JVs and Associates	19.088	17.506	22.588	16.365	38.0%	18.3%	29.0%
Cost of Sales (Ex. Depreciation)	(372.729)	(304.933)	(381.827)	(369.817)	3.2%	2.4%	25.2%
Gross Profit	285.320	428.516	305.508	335.941	-9.1%	7.1%	-28.7%
General and Administrative Expenses	(55.096)	(96.982)	(60.465)	(57.052)	6.0%	9.7%	-37.7%
EBITDA	230.224	331.534	245.043	278.889	-12.1%	6.4%	-26.1%
Depreciation (CoS)	(81.453)	(82.412)	(80.846)	(83.180)	-2.8%	-0.7%	-1.9%
Depreciation (G&A)	(4.475)	15.380	(3.303)	(3.564)	-7.3%	-26.2%	-121.5%
Amortization	(1.906)	(1.960)	(1.912)	(1.960)	-2.4%	0.3%	-2.4%
Depreciation & Amortization	(87.834)	(68.992)	(86.061)	(88.704)	-3.0%	-2.0%	24.7%
EBIT	142.390	262.542	158.982	190.185	-16.4%	11.7%	-39.4%
Finance Costs	(136.675)	(110.047)	(113.777)	(107.296)	6.0%	-16.8%	3.4%
Interest income	76.338	79.263	59.183	90.130	-34.3%	-22.5%	-25.3%
Finance Costs, Net	(60.337)	(30.784)	(54.594)	(17.166)	218.0%	-9.5%	77.3%
Dividend Income	91.247	-	74.140	83.143	-10.8%	-18.7%	N/M
Other & Misc. Income / Exp.	106.853	77.158	3.016	39.877	-92.4%	-97.2%	-96.1%
JV Income	112.766	144.881	143.744	156.632	-8.2%	27.5%	-0.8%
Profit from Discontinued Operations	19.019	(18.998)	0.114	(1.698)	N/M	-99.4%	N/M
Profit Before Tax	411.938	434.799	325.402	450.973	-27.8%	-21.0%	-25.2%
Tax	(2.385)	2.453	(2.262)	(2.611)	-13.4%	-5.2%	N/M
Profit after Tax	409.553	437.252	323.140	448.362	-27.9%	-21.1%	-26.1%
Minority Interest	(8.890)	5.173	(4.648)	(2.562)	81.4%	-47.7%	N/M
Net Income	400.663	442.425	318.492	445.800	-28.6%	-20.5%	-28.0%
<i>Net Margin</i>	<i>60.9%</i>	<i>60.3%</i>	<i>46.3%</i>	<i>63.2%</i>			
EPS (QR)	0.36	0.40	0.29	0.41	-28.6%	-20.5%	-28.0%

	1Q2023	4Q2023	1Q2024	1Q2024e
Cost of Sales	56.6%	41.6%	55.6%	52.4%
SG&A	8.4%	13.2%	8.8%	8.1%
Depreciation/Sales	12.4%	11.2%	11.8%	11.8%
EBITDA margin	35.0%	45.2%	35.7%	39.5%
Operating Margin	21.6%	35.8%	23.1%	26.9%
Min Interest (as a % of NI)	2.2%	-1.2%	1.5%	0.6%
Net Margin	60.9%	60.3%	46.3%	63.2%
GM	43.4%	58.4%	44.4%	47.6%

Source: Company data, QNB FS Research

Valuation and Key Ratios

Valuation Metrics

Particulars	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Valuation														
EV/EBITDA - Consolidated	13.1	12.4	11.8	11.9	13.7	18.5	19.1	14.1	16.5	16.5	15.5	14.9	14.3	13.6
EV/EBIT	18.8	17.4	15.9	16.9	17.6	26.3	28.5	19.1	23.2	24.7	22.7	21.7	20.6	19.4
P/E	10.8	11.0	10.7	10.2	10.7	11.7	14.3	11.2	9.7	10.6	11.5	11.0	10.7	10.3
P/CF	7.5	8.9	8.0	9.9	8.0	13.0	9.3	10.1	9.6	10.1	8.7	8.7	8.5	8.3
P/BV	2.4	2.2	2.0	1.8	1.6	1.7	1.7	1.4	1.1	1.1	1.1	1.0	1.0	1.0
Dividend Yield	5.0%	5.0%	5.0%	5.2%	5.2%	5.2%	4.2%	5.3%	6.3%	5.7%	5.3%	5.6%	5.8%	6.0%
FCF Yield	(2.9%)	4.9%	7.4%	9.7%	6.3%	6.2%	10.3%	8.4%	12.0%	6.7%	9.6%	9.5%	9.8%	10.1%

Source: Bloomberg, QNB FS Research

Key Growth Rates/CAGRs/Ratios

Particulars	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e	CAGR ('23-'27)
Growth Rates															
Revenue	(0.2%)	2.9%	4.0%	(1.0%)	(15.3%)	(8.2%)	8.3%	(4.3%)	10.0%	7.0%	4.6%	1.2%	1.7%	1.7%	2.3%
Gross Profit	(1.8%)	1.9%	3.6%	(3.3%)	(15.8%)	(23.6%)	4.2%	5.2%	7.6%	0.8%	3.6%	0.1%	0.3%	1.0%	1.3%
EBITDA - Consolidated	(2.5%)	5.4%	2.8%	(4.9%)	(15.8%)	(25.8%)	(8.2%)	24.4%	(4.3%)	2.0%	2.8%	(0.2%)	(0.0%)	0.8%	0.9%
EBIT	(3.5%)	7.3%	7.2%	(9.3%)	(7.2%)	(33.1%)	(12.5%)	37.2%	(7.7%)	(4.1%)	5.0%	0.4%	0.7%	1.9%	2.0%
JV Income	3.6%	4.1%	(8.9%)	52.3%	(4.4%)	48.7%	(31.7%)	3.5%	17.4%	0.4%	9.9%	4.1%	3.3%	2.8%	5.0%
PBT	11.0%	(2.0%)	2.5%	4.2%	(4.5%)	(8.0%)	(17.9%)	26.0%	17.6%	(11.3%)	(7.3%)	4.7%	3.4%	3.6%	1.0%
Net Income/EPS	10.5%	(1.9%)	2.8%	4.8%	(4.9%)	(8.0%)	(18.1%)	26.8%	16.6%	(9.3%)	(7.8%)	4.7%	3.4%	3.6%	0.9%
DPS	10.0%	0.0%	0.0%	3.3%	0.0%	0.0%	(18.7%)	27.0%	18.8%	(9.5%)	(7.0%)	5.0%	3.6%	3.4%	(1.1%)
CFPS	30.7%	(16.6%)	11.7%	(19.1%)	24.2%	(38.8%)	40.1%	(7.9%)	4.6%	(4.9%)	16.5%	(0.5%)	2.4%	2.3%	2.9%
FCFPS	N/M	N/M	50.5%	30.9%	(35.1%)	(1.7%)	65.2%	(18.2%)	42.9%	(43.7%)	42.0%	(0.6%)	2.9%	2.8%	(3.4%)
Operating Ratios															
Gross Margin	59.5%	58.9%	58.7%	57.3%	56.9%	47.3%	45.6%	50.1%	49.0%	46.2%	45.7%	45.2%	44.6%	44.3%	
EBITDA Margin - Consolidated	51.8%	53.1%	52.5%	50.4%	50.2%	40.5%	34.4%	44.6%	38.9%	37.1%	36.4%	35.9%	35.3%	35.0%	
EBIT Margin	36.3%	37.8%	38.9%	35.7%	39.1%	28.5%	23.0%	33.0%	27.7%	24.9%	25.0%	24.8%	24.5%	24.6%	
Net Margin	52.8%	50.3%	49.7%	52.6%	59.1%	59.2%	44.8%	59.3%	62.9%	53.3%	47.0%	48.6%	49.4%	50.4%	
Finance Ratios															
Debt-Equity Ratio	0.8	0.7	0.7	0.7	0.7	0.7	0.6	0.5	0.7	0.5	0.4	0.4	0.3	0.3	
Net Debt-Equity Ratio	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.0	
Interest Coverage	9.7	9.4	8.1	6.1	4.5	2.8	4.0	7.1	2.6	1.4	1.6	1.6	1.7	1.7	
Return Ratios															
ROIC	8.8%	9.2%	8.5%	7.4%	5.9%	4.1%	3.7%	4.7%	2.9%	3.3%	3.5%	3.5%	3.4%	3.4%	
ROE	22.6%	20.4%	18.6%	18.0%	14.7%	14.1%	11.9%	12.4%	11.3%	10.4%	9.3%	9.4%	9.3%	9.3%	
ROA	11.8%	11.2%	10.1%	10.2%	8.4%	8.1%	6.8%	7.9%	6.2%	6.7%	6.1%	6.4%	6.5%	6.6%	
FCF Yield	-2.9%	4.9%	7.4%	9.7%	6.3%	6.2%	10.3%	8.4%	12.0%	6.7%	9.6%	9.5%	9.8%	10.1%	
Liquidity Ratios															
Current Ratio	1.2	1.5	2.1	2.3	1.6	1.4	1.4	1.6	1.8	1.7	1.8	1.9	2.0	2.2	
Quick Ratio	1.1	1.4	1.9	2.2	1.6	1.4	1.4	1.6	1.8	1.7	1.8	1.8	2.0	2.1	
Valuation															
EV/EBITDA - Consolidated	13.1	12.4	11.8	11.9	13.7	18.5	19.1	14.1	16.5	16.5	15.5	14.9	14.3	13.6	
EV/EBIT	18.8	17.4	15.9	16.9	17.6	26.3	28.5	19.1	23.2	24.7	22.7	21.7	20.6	19.4	
P/E	10.8	11.0	10.7	10.2	10.7	11.7	14.3	11.2	9.7	10.6	11.5	11.0	10.7	10.3	
P/CF	7.5	8.9	8.0	9.9	8.0	13.0	9.3	10.1	9.6	10.1	8.7	8.7	8.5	8.3	
P/BV	2.4	2.2	2.0	1.8	1.6	1.7	1.7	1.4	1.1	1.1	1.1	1.0	1.0	1.0	
Dividend Yield	5.0%	5.0%	5.0%	5.2%	5.2%	5.2%	4.2%	5.3%	6.3%	5.7%	5.3%	5.6%	5.8%	6.0%	
FCF Yield	(2.9%)	4.9%	7.4%	9.7%	6.3%	6.2%	10.3%	8.4%	12.0%	6.7%	9.6%	9.5%	9.8%	10.1%	

Source: Bloomberg, QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	FY2023	FY2024e	FY2025e	FY2026e
Revenue	2,911	3,044	3,081	3,133
Cost of Sales, Excluding Depreciation	(1,567)	(1,652)	(1,687)	(1,734)
Gross Profit	1,344	1,393	1,394	1,399
General & Administrative Expenses, Excl. Depreciation & Amortization	(265)	(283)	(287)	(291)
EBITDA	1,079	1,110	1,107	1,107
Deferred Income	0	0	0	0
Depreciation & Amortization	(355)	(350)	(345)	(339)
EBIT	724	760	763	768
Finance Costs, Net	(195)	(183)	(156)	(141)
Dividend Income & Gain on Sale of AFS	114	93	99	103
Other & Miscellaneous Income/Expense & Income from JVs/Associates	919	771	802	828
Profit Before Tax	1,561	1,440	1,508	1,559
Income Tax Expense	6	(2)	(2)	(2)
Profit After Tax (Continuing Operations)	1,568	1,438	1,505	1,557
Discontinued Operations	(7)	1	1	1
Minority Interest	(9)	(8)	(9)	(9)
Profit for Shareholders	1,551	1,430	1,498	1,549
EPS (QR)	1.41	1.30	1.36	1.41

Source: Company data, QNB FS estimates

Balance Sheet (In QR mn)	FY2023	FY2024e	FY2025e	FY2026e
Non-Current Assets				
Property, Plant & Equipment	5,858	5,591	5,330	5,074
Available-for-Sale Investments	2,017	2,118	2,182	2,247
Finance Lease Receivables	595	496	397	297
JV Loans and Investments in JVs/Associates	8,305	8,622	8,942	9,265
Other Non-Current assets	1,406	1,388	1,370	1,352
Total Non-Current Assets	18,181	18,215	18,220	18,235
Current Assets				
Finance Lease Receivables & Others	369	298	298	298
Inventories	97	102	104	107
Accounts Receivables & Prepayments	856	893	906	921
Cash and Short-Term Deposits	3,787	3,941	4,006	4,369
Total Current Assets	5,109	5,233	5,314	5,695
Total Assets	23,290	23,448	23,534	23,930
Equity				
Total Equity	15,209	15,677	16,278	16,886
Non-Current Liabilities				
Loans and Borrowings	5,001	4,726	4,253	4,062
Employees' End of Service Benefits	92	94	95	96
Lease Liabilities	45	44	42	41
Derivatives	19	19	19	19
Total Non-Current Liabilities	5,157	4,882	4,409	4,218
Current Liabilities				
Accounts Payables & Others	916	963	986	1,014
Loans and Borrowings	1,818	1,736	1,670	1,621
Derivatives & Lease Liabilities	190	190	190	190
Total Current Liabilities	2,924	2,890	2,847	2,826
Equity and Liabilities	23,290	23,448	23,534	23,930

Source: Company data, QNB FS estimates

Qatar Gas Transport Company/Nakilat (QGTS)

Recommendation	OUTPERFORM	Risk Rating	R-3
Share Price	QR4.280	Target Price	QR5.600
Implied Upside	30.8%		

Qatar's LNG Shipping Pure Play Promises Significant Upside; Outperform

We continue to reiterate QGTS as our top pick and rate the stock as an Outperform with a QR5.600 price target. Nakilat stands out as a true growth story, 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) recent contract win of 9 QC-Max LNG carriers adding another QR0.50/share.

Highlights

- In-line revenue & progress in direct costs drive better-than-expected 1Q2024 EBITDA; earnings also beats our model with lower-than-anticipated depreciation and finance costs offsetting softer-than-modeled JV income.** QGTS reported 1Q2024 earnings ahead of our expectations on better costs control offsetting a softer-than-expected print on the JV income line. Nakilat's net profit/EPS rose 6.1% YoY and 14.0% QoQ to QR419.8mn/QR0.076 in 1Q2024, beating our estimate of QR390.2mn/QR0.070 by 7.6%. For more details, see our [report](#).
- Significant earnings growth on tap from existing fleet.** We project a 9.6% growth with net income/EPS growing from QR1,557.8mn/QR0.281 in 2023 to QR1,707.4mn/QR0.308 in 2024. Over 2023-2033, we expect a 7.2% CAGR in earnings, with the progressive reduction in finance charges (because of lower expected rates on the unhedged portion of Nakilat's debt/deleveraging) driving a majority of this earnings growth. Increased contribution from JV income, again primarily through interest rate reduction and deleveraging in Nakilat's joint ventures, helps drive earnings over our forecast horizon. Our current model – based on Nakilat's existing fleet of 69 LNG carriers (29 wholly owned), one jointly-held FSRU and four jointly-owned VLGCs – extends all the way up to 2043 until the last of Nakilat's debt is repaid.
- We envision a roughly 60% annual boost to our earnings estimates after all announced expansion is factored in by 2030.** We note that our earnings estimates do not currently factor in Nakilat's recent North Field expansion program-related contract wins, involving [nine 9 QC-Max LNG \(271,000 m3\) carriers](#) and [25 conventional LNG \(174,000 m3\) ships](#). Our estimates also do not account for the addition of two conventional LNG (174,000 m3)/four Very Large LPG/Ammonia Gas (88,000 m3) carriers (for delivery between 2026 and 2027) that are targeted at international customers. As vessels are added, we believe the expansion program will start contributing to earnings by 2026 and all new vessels should be working by 2030.
- What about the increase in leverage? Not a cause for concern plus Moody's upgraded debt rating in February 2024.** We have highlighted (most recently, in this [report](#)), that **fleet expansion should not be a cause for concern in terms of debt servicing or dividend payments**. Considering the price tag for LNG ship new builds, an increase of 34 LNG vessels related to the NF expansion and 2 LNG vessels targeted at international customers, QGTS will have to take on new debt of ~QR29bn (at 80% D/E, although QGTS could finance up to 90%). **This could potentially send Nakilat's 2026 net debt-to-equity ratio to 2.8x vs. an average of 1.9x (2020-2022) and 0.5x by 2026. However, this debt would also be secured by LT charters and hence, not a cause for concern for either debt servicing or dividend payments.** We also note that Moody's recently upgraded Nakilat Inc.'s and its senior secured notes to "Aa3" from "A1", and the subordinated debt to "A1" from "A2" with a stable outlook. This could help QGTS in raising debt at relatively attractive terms. **As a majority of the capex should be spent over 2027-2029, we expect QGTS to be opportunistic and hedge rates once they start to decline. We do note that given the scale of this program, it is possible that dividends may not grow in the future.**

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)	0.28	0.31	0.36	0.40
P/E (x)	15.2	13.9	11.9	10.8
DPS (QR)	0.14	0.15	0.16	0.17
Dividend Yield	3.3%	3.5%	3.7%	4.0%

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

Key Data

Current Market Price (QR)	4.280
Current Dividend Yield (%)	3.3
Bloomberg Ticker	QGTS QD
ADR/GDR Ticker	N/A
Reuters Ticker	QGTS.QA
ISIN	QA000A0KD6L1
Sector*	Transportation
52wk High/52wk Low (QR)	4.433/3.061
3-m Average Volume ('mn)	4.6
Mkt. Cap. (\$ bn/QR bn)	6.5/23.7
EV (\$ bn/QR bn)	10.2/37.1
Shares Outstanding (mn)	5,540.0
FO Limit* (%)	100.0
Current Institutional FO* (%)	15.8
1-Year Total Return (%)	9.8
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign ownership

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Valuation

Our DCF-derived target price of QR5.600 per share implies an upside of 30.8% from the current levels. We have used a weighted average cost of capital (WACC) of 7.5% based on a cost of equity of 10.7% and a risk-free rate of 5.0%.

DCF Valuation

Particulars	Fair Value Of Equity (QR mn)	Fair Value/Share (QR)
PV Of FCFF	37,416	6.754
PV Of Terminal Value	-	-
PV Of Cash Flows	37,416	6.754
Add:		
Cash & Equivalents (QGTS & JVs)	7,463	1.347
PV of Book/Salvage Value of Fleet (QGTS & JVs)	3,545	0.640
Loans to JVs	125	0.023
Less:		
Debt (QGTS & JVs)	27,886	5.033
Minority Interest	6	0.001
Fair Value Of Equity	20,658	3.729
Target Price (Per Share) - No Expansion		4.100
27 LNG Conventional Ships		1.000
9 QC-Max LNG Ships		0.500
Target Price Per Share (QR)		5.600

Source: Company data, QNB FS Research

1Q2024 Results Review: Margin Upside Leads to Earnings Beat

In-line revenue & progress in direct costs drive better-than-expected 1Q2024 EBITDA; earnings also beats our model with lower-than-anticipated depreciation and finance costs offsetting softer-than-modeled JV income. Nakilat's net profit/EPS rose 6.1% YoY and 14.0% QoQ to QR419.8mn/QR0.076 in 1Q2024, beating our estimate of QR390.2mn/QR0.070 by 7.6%.

- Wholly-owned ship revenue of QR895.1mn (1.9% YoY, -0.9% QoQ) was in-line with QNB FS estimate of QR893.6mn (0.2% divergence).
- Adjusted revenue (wholly-owned ships + marine & agency services + JV income) of QR1,073.1mn (0.9% YoY, -3.4% QoQ) was also in-line with our estimate of QR1,092.4mn (-1.8% variance) with in-line wholly-owned vessel top-line offset by weaker-than-modeled JV income.
- EBITDA of QR695.5mn (2.8% YoY, 1.8% QoQ) was 2.0% above our forecast of QR682.1mn given better-than-expected cash operating costs of the wholly-owned fleet (cash gross margins increased to 78.6% vs. our model of 77.4%; GMs gained YoY/QoQ vs. 77.9%/78.3% in 1Q2023/4Q2023. G&A of QR21.0mn (-2.1% YoY, -47.5% QoQ) was 9.4% below our estimate of QR23.2mn. Adjusted EBITDA (EBITDA + JV income) of QR860.6mn (1.5% YoY, -1.6% QoQ) was 0.8% below our estimate of QR867.2mn given the JV income miss.
- Depreciation of QR204.9mn (2.4% YoY, -19.9% QoQ) was below our forecast of QR229.3mn by 10.6%. We note that reported depreciation was in-line with management guidance of an annual run-rate of QR800-840mn. Management continues to attribute YoY depreciation growth to the completion of the 2023 dry-dock cycle increasing the company's asset base. 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 QR165.1mn (-3.8% YoY, -13.8% QoQ) was 10.8% below our estimate of QR185.0mn. JV income also fell below 2023's quarterly run rate of QR196mn. We will seek color from management regarding this drop. 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. A key driver of this growth is **improving shipyard performance** (which posted a net profit of QR134.4mn in 2023, up 47.3% from QR91.2mn in 2022 after posting net losses of QR36.2mn and QR25.5mn in 2021 and 2020, respectively). **Maran Nakilat (40% ownership in 15 conventional ships) also posted an impressive 51.2% YoY growth in earnings** from QR194.5mn in 2022 to QR294.0mn in 2023.
- Finally, finance costs of QR296.1mn (-4.0% YoY, -6.7% QoQ) was 7.4% below of our estimate of QR319.7mn. 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 9.8% from YE2023 levels of QR17.6bn as Nakilat took on a new facility to partly finance its new build program.** Interest, dividend & other income of QR60.3mn (7.0% YoY, -10.4% QoQ) was 16.5% below our model of QR72.3mn.

QNB FS 1Q2024 Estimates and Comparisons

Income Statement							
In QR mn Except Otherwise Noted	1Q2023	4Q2023	1Q2024	1Q2024e	A Vs. E	YoY	QoQ
Revenue from Wholly-Owned Vessels	878.760	903.554	895.071	893.643	0.2%	1.9%	-0.9%
Operating Costs	(194.195)	(196.135)	(191.557)	(201.963)	-5.2%	-1.4%	-2.3%
Gross Profit	684.565	707.419	703.514	691.680	1.7%	2.8%	-0.6%
<i>Gross Margin</i>	77.9%	78.3%	78.6%	77.4%			
Income from Marine and Agency Services	13.197	15.810	12.992	13.683	-5.0%	-1.6%	-17.8%
General and Administrative Expenses	(21.470)	(40.075)	(21.026)	(23.218)	-9.4%	-2.1%	-47.5%
EBITDA	676.292	683.154	695.480	682.145	2.0%	2.8%	1.8%
Depreciation of Property and Equipment	(200.170)	(255.919)	(204.912)	(229.303)	-10.6%	2.4%	-19.9%
EBIT	476.122	427.235	490.568	452.842	8.3%	3.0%	14.8%
<i>EBIT Margin</i>	54.2%	47.3%	54.8%	50.7%			
Income from Joint Ventures	171.582	191.444	165.083	185.034	-10.8%	-3.8%	-13.8%
Finance Costs	(308.343)	(317.379)	(296.113)	(319.710)	-7.4%	-4.0%	-6.7%
Interest, Dividend income & Profit from Islamic Banks	56.382	67.348	60.325	72.269	-16.5%	7.0%	-10.4%
Profit Before Tax	395.743	368.648	419.863	390.434	7.5%	6.1%	13.9%
Profit After Tax	395.743	368.648	419.863	390.434	7.5%	6.1%	13.9%
Minority Interest	(0.255)	(0.299)	(0.106)	(0.245)	-56.7%	-58.4%	-64.5%
Net Income to Equity	395.488	368.349	419.757	390.189	7.6%	6.1%	14.0%
<i>Net Profit Margin</i>	45.0%	40.8%	46.9%	43.7%			
EPS (QR)	0.071	0.066	0.076	0.070	7.6%	6.1%	14.0%
Adjusted EBITDA	847.874	874.598	860.563	867.179	-0.8%	1.5%	-1.6%
Adjusted Revenue	1,063.539	1,110.808	1,073.146	1,092.360	-1.8%	0.9%	-3.4%
Particulars							
	1Q2023	4Q2023	1Q2024	1Q2024e			
Adj. EBITDA Margin	79.7%	78.7%	80.2%	79.4%			
Gross Margin	77.9%	78.3%	78.6%	77.4%			
EBIT Margin	54.2%	47.3%	54.8%	50.7%			
G & A % of Sales	2.4%	4.4%	2.3%	2.6%			
Depreciation & Amortization % of Sales	22.8%	28.3%	22.9%	25.7%			

Source: Company data, QNB FS Research

Valuation and Key Ratios

Growth Metrics

Growth Ratios (In %)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033	CAGR 23-33
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%	0.6%	1.1%	0.9%	0.7%	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%	0.6%	1.3%	0.9%	0.7%	0.9%
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%	2.8%	6.3%	3.8%	2.7%	3.9%
Finance Charges/Interest Expense	(0.9%)	(1.3%)	0.0%	(0.1%)	(2.9%)	(7.8%)	8.6%	9.6%	(5.2%)	(12.8%)	(25.7%)	(64.2%)	(26.2%)
EPS	(2.9%)	(11.3%)	5.3%	12.4%	15.8%	16.7%	6.3%	8.3%	9.6%	17.0%	4.7%	5.0%	7.2%
CFPS	(9.9%)	16.7%	(6.4%)	15.9%	79.3%	(27.2%)	29.6%	(16.1%)	15.4%	1.5%	5.1%	3.7%	5.8%
FCFPS	(4.9%)	22.0%	(22.1%)	10.9%	114.9%	(24.3%)	25.3%	(39.2%)	59.0%	1.6%	5.6%	0.2%	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
Growth Ratios (In %)												
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%	0.6%	1.1%	0.9%	0.7%
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%	0.6%	1.3%	0.9%	0.7%
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%	2.8%	6.3%	3.8%	2.7%
Finance Charges/Interest Expense	(0.9%)	(1.3%)	0.0%	(0.1%)	(2.9%)	(7.8%)	8.6%	9.6%	(5.2%)	(12.8%)	(25.7%)	(64.2%)
EPS	(2.9%)	(11.3%)	5.3%	12.4%	15.8%	16.7%	6.3%	8.3%	9.6%	17.0%	4.7%	5.0%
CFPS	(9.9%)	16.7%	(6.4%)	15.9%	79.3%	(27.2%)	29.6%	(16.1%)	15.4%	1.5%	5.1%	3.7%
FCFPS	(4.9%)	22.0%	(22.1%)	10.9%	114.9%	(24.3%)	25.3%	(39.2%)	59.0%	1.6%	5.6%	0.2%
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%	79.7%	79.7%
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%	47.7%	55.8%	75.3%	86.1%
Finance Ratios												
Net Debt-to-EBITDA	8.3	7.8	7.5	7.9	6.6	6.0	5.2	4.9	4.4	3.7	0.5	-2.0
Debt-Equity Ratio	4.1	3.5	2.9	3.1	3.0	2.3	1.7	1.5	1.4	1.2	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%	59.0%	54.3%	21.8%	0.0%
Interest Coverage	1.3	1.3	1.3	1.3	1.6	1.8	1.6	1.4	1.6	1.8	5.0	30.1
EBITDA Interest Coverage	1.9	1.9	2.0	2.0	2.4	2.6	2.4	2.2	2.3	2.6	7.3	44.6
Return Ratios (In %)												
ROIC	5.6%	5.7%	5.8%	5.4%	6.6%	6.5%	5.9%	6.0%	5.9%	6.0%	6.6%	6.7%
ROAE	19.7%	15.1%	13.9%	14.5%	16.6%	17.1%	14.4%	13.4%	13.6%	14.7%	13.0%	12.0%
ROAA	3.1%	2.8%	3.0%	3.2%	3.6%	4.2%	4.5%	4.9%	5.2%	5.9%	9.1%	10.7%
Valuation												
EV/EBITDA-Adjusted	15.1	15.8	15.1	14.4	13.3	12.3	11.1	10.6	10.1	9.5	6.6	4.8
EV/EBIT	28.3	27.4	26.4	28.1	22.5	21.6	21.2	20.8	18.9	18.1	13.6	10.2
P/E	24.9	28.0	26.6	23.7	20.4	17.5	16.5	15.2	13.9	11.9	8.7	7.6
P/CF	21.1	18.1	19.3	16.7	9.3	12.8	9.8	11.7	10.2	10.0	7.5	6.7
P/B	4.5	4.0	3.4	3.5	3.3	2.7	2.1	2.0	1.8	1.7	1.1	0.9
Dividend Yield	2.3%	2.3%	2.3%	2.3%	2.6%	2.8%	3.0%	3.3%	3.5%	3.7%	4.9%	5.6%
FCF Yield	4.5%	5.5%	4.3%	4.8%	10.3%	7.8%	9.7%	5.9%	9.4%	9.6%	13.0%	14.0%

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
Revenue – Wholly-Owned Ships	3,565	3,578	3,582	3,586
Direct Costs	(795)	(800)	(803)	(806)
Gross Profit	2,770	2,778	2,779	2,780
Income from Marine & Agency Services	60	55	51	47
General and Administrative Expenses	(114)	(117)	(121)	(124)
EBITDA	2,716	2,715	2,709	2,704
Depreciation	(935)	(841)	(844)	(848)
EBIT	1,781	1,874	1,865	1,856
Share of Profits from Joint Ventures	785	807	857	919
Finance Costs	(1,249)	(1,184)	(1,032)	(851)
Interest, Dividend & Profit from Islamic Banks	242	211	309	279
Profit Before Tax	1,559	1,708	1,999	2,203
Income Tax Expense	0	0	0	0
Profit After Tax	1,559	1,708	1,999	2,203
Minority Interest	(1)	(1)	(1)	(1)
Profit for Equity Shareholders	1,558	1,707	1,997	2,202
EPS (QR)	0.28	0.31	0.36	0.40
Adjusted Revenue	4,410	4,439	4,490	4,552
Adjusted EBITDA	3,501	3,522	3,566	3,622

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	FY2023	FY2024e	FY2025e	FY2026e
Non-Current Assets				
Property, Plant and Equipment	21,002	20,261	19,516	18,767
Investment in Joint Venture Companies	5,681	5,905	6,138	6,384
Loans to Joint Venture Companies	90	90	90	90
Equity Investments	142	129	129	129
Total Non-Current Assets	26,915	26,385	25,872	25,369
Current Assets				
Receivables, Inventories, Due from Joint Ventures & Others	838	691	692	693
Cash and Bank Balances	4,224	6,916	6,769	6,524
Total Current Assets	5,062	7,607	7,461	7,217
Total Assets	31,977	33,992	33,334	32,586
Equity				
Equity Attributable to the Parent	12,084	13,037	14,225	15,562
Minority Interest	6	7	8	9
Total Equity	12,090	13,044	14,233	15,572
Non-Current Liabilities				
Borrowings	16,495	16,921	14,870	12,801
Lease Liability, Provision for End of Service Benefits and Other Liabilities	710	667	627	587
Total Non-Current Liabilities	17,205	17,589	15,497	13,388
Current Liabilities				
Borrowings	1,125	1,813	2,052	2,069
Accounts Payables/Accruals, Due to Joint Ventures & Others	1,556	1,546	1,552	1,558
Total Current Liabilities	2,681	3,359	3,603	3,626
Equity and Liabilities	31,977	33,992	33,334	32,586

Source: Bloomberg, QNB FS Research

Milaha/Qatar Navigation (QNNs)

Recommendation	OUTPERFORM	Risk Rating	R-4
Share Price	QR10.65	Target Price	QR13.30
Implied Upside	24.9%		

QGTS & Offshore To Drive Momentum; Reiterate Outperform

We remain bullish on QNNs. The stock, since we first started coverage in 2011, has usually traded at a significant discount to its sum-of-the-parts, sometimes worth only the value of its investment stake in Nakilat and its equity/bond portfolio. **This remains the case currently, with Milaha's "non-core" assets (Nakilat + Investment book), along with its net cash position, making up more than 100% of QNNs's market cap. This implies that investors continue to get Milaha's "core" or operating businesses for free.** Milaha's shares offer value and the company is enjoying a multi-year resurgence in its offshore segment (MO) that is leveraged to Qatar's massive North Field Expansion project. Moreover, while its maritime & logistics (MM&L) division is suffering from a drop in container shipping revenue (primarily because of a severe ratcheting down in container shipping rates along with a decline in volumes) and a moribund logistics unit, YoY comparisons could get easier. A lack of large impairments in the future should also help earnings trajectory and highlight Milaha's growth story to investors.

Highlights

- **QNNs posted 1Q2024 earnings/EPS of QR365.2mn/QR0.32 (0.5% YoY, 127.6% QoQ), which was bang in-line with our estimate of QR365.0mn/QR0.32.** QNNs recorded an impairment charge of QR19.7mn in its offshore division in 4Q2023, which shaved off QR0.02/share from its 4Q2023 EPS. Excluding this charge, on a normalized basis, Milaha's 1Q2024 earnings/EPS grew by 102.7% QoQ. Relative to our model and on a normalized basis, earnings from Milaha Offshore, Milaha Capital and Milaha Gas & Petrochem came in ahead of our estimates making up for a significant miss in Milaha Maritime & Logistics. *For more details, see our report.*
- **Normalized earnings (excl. impairments/one-offs) should grow at a 6.9% CAGR (2022-2028e) vs. a CAGR of -0.2% (2015-2022).** About 22% of this six-year growth in "clean" earnings should be driven by operating businesses or "core", led by growth in offshore. MO (~33% of the six-year growth in earnings) should benefit from the strong growth in Qatar O&G activities and Milaha's focus on scaling up specialized subsea services and maintenance, modification & operations – we expect an earnings CAGR of 22.9%. The biggest drag on earnings growth could be MM&L (excl. QTerminals, which shows a CAGR of 1.0%), expected to flip from a 2022 profit of QR127.2mn to a loss of QR20.6mn in 2028 (**however, we do model segment losses to progressively decline from 2024**). MM&L has faced headwinds but we expect improving fundamentals longer term. **A whopping ~78% of the growth in future earnings is driven by "non-core" items, including Nakilat (9.2% CAGR), which propels almost 64% of Milaha's earnings growth.** The remaining ~15% is driven by MC based on stable real estate income and growing dividend income. **We note that we are yet to increase Nakilat's earnings (and consequently, Milaha's earnings) factoring in the significant NF contract announcements.**

Catalysts

- (1) **Milaha's exposure to Qatar's O&G sector**, primarily via MO, could help momentum. (2) **An improvement in MM&L's profitability** could also help. (3) **Nakilat remains the biggest value driver**, both through its earnings growth and through its exposure to the NF project. (4) **QNNs also has the ability to boost dividends** given its strong balance sheet (1Q2024 net cash of QR305.8mn) and solid FCF profile (despite increased offshore capex needs).

Recommendation, Valuation and Risks

- **Recommendation & valuation: We rate QNNs an Outperform.** We value Milaha using a SOTP methodology, which comprises of these major parts: **1)** Separate DCF-based values for the core businesses (MO, MM&L, MG&P and MT); **2)** A DCF-based value for QNNs' 36.3% stake in Nakilat (**QGTS: Outperform/QR5.600 TP**); **3)** A P/E-based value for Milaha's 49.0%-owned JV QTerminals; **4)** Investments (stocks & bonds) at a 10% discount to its value; and **5)** Real estate investment properties at a 30% haircut to 2023 FV. We also apply a 30% conglomerate haircut.
- **Risks: Milaha stock remains in a "show-me" mode – always optically undervalued relative to its SOTP.** For the stock to rerate, investors need to see earnings/EBITDA acceleration without large impairments muddling up the story. Other risks remain, including: **(1)** Weakness/volatility in oil prices; **(2)** Execution/integration issues with major fleet additions/acquisitions; **(3)** Fall in local equity/RE prices; **(3)** A slowdown in Qatar's economy; and **(4)** Geopolitical crisis in the MENA region.

Key Financial Data and Estimates

	2022	2023	2024e	2025e	2026e	2027e	2028e
EPS (Excluding Impairments & One-Offs)	1.04	0.92	1.13	1.25	1.36	1.46	1.55
EPS Growth (%)	35.2	(10.9)	22.4	10.4	8.9	7.1	6.2
P/E (x)	10.3	11.5	9.4	8.5	7.8	7.3	6.9
EV/EBITDA (x)	13.4	13.5	11.8	11.0	10.1	9.2	8.4
FCF Yield (%)	6.6	6.6	7.7	8.4	9.0	9.6	10.2
DPS (QR)	0.35	0.38	0.45	0.50	0.55	0.60	0.65
RoE (%)	7.7	6.4	7.5	7.9	8.2	8.3	8.4

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

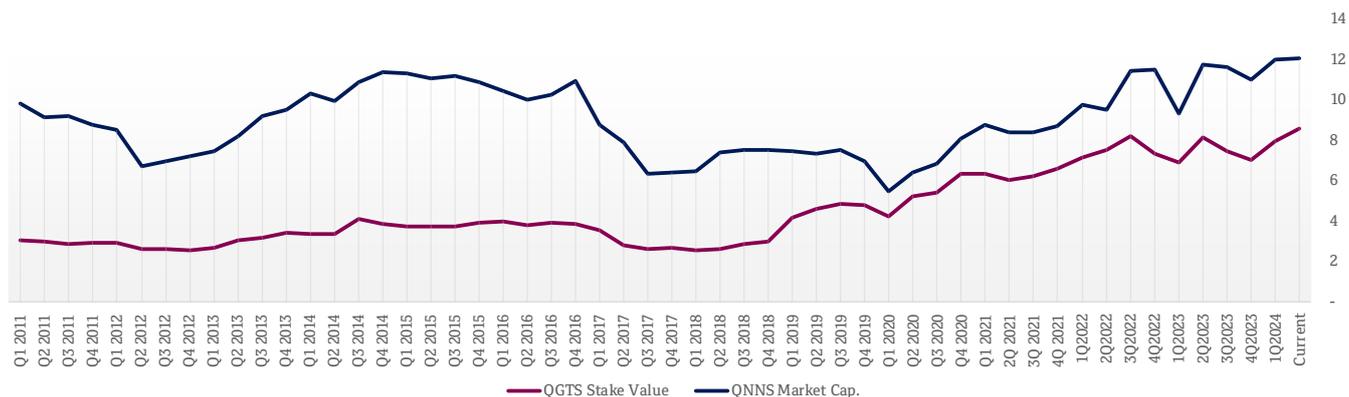
Key Data

Current Market Price (QR)	10.65
Current Dividend Yield (%)	3.5
Bloomberg Ticker	QNNs QD
ADR/GDR Ticker	N/A
Reuters Ticker	QNNC.QA
ISIN	QA0007227695
Sector*	Transportation
52wk High/52wk Low (QR)	11.64/8.759
3-m Average Volume (mn)	0.8
Mkt. Cap. (\$ bn/QR bn)	3.3/12.1
EV (\$ bn/QR bn)	3.1/11.4
Shares Outstanding (mn)	1,136.2
FO Limit* (%)	100.0
Current Institutional FO* (%)	17.1
1-Year Total Return (%)	6.3
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign ownership

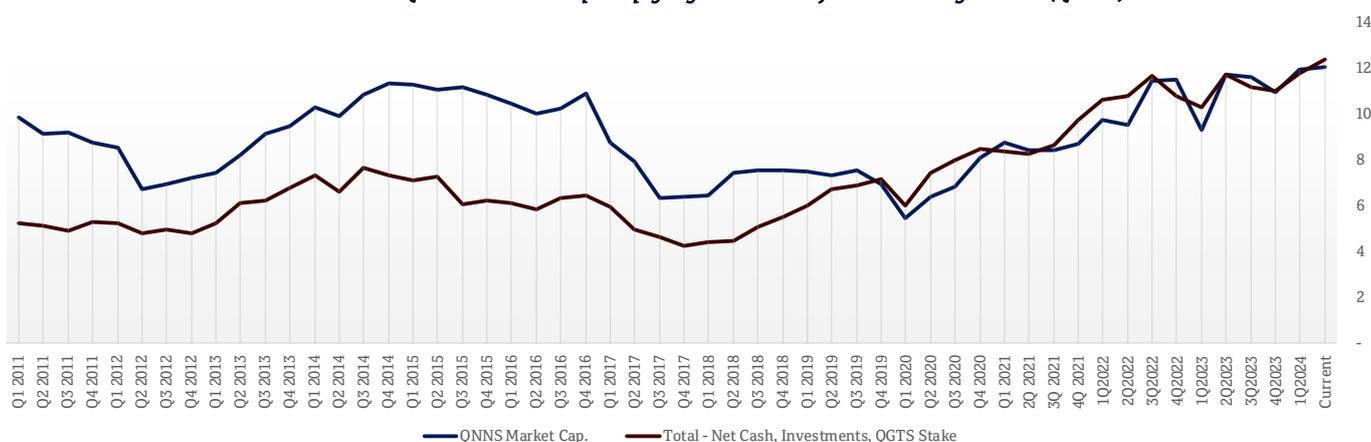
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QGTS Stake Alone is ~71% of Milaha's Market Cap. (QR bn)



Source: Bloomberg, QNB FS Research

QGTS+Investments+Net Cash is ~103% QNNS Market Cap. Implying Zero Value for Remaining Assets (QR bn)



Source: Bloomberg, QNB FS Research

1Q2024 Review: In-Line Earnings Buoyed By Offshore & Nakilat

Milaha posted in-line 1Q2024 earnings with its offshore and capital segments, along with continued robust growth from associate-Nakilat, offsetting a weak performance from its maritime & logistics business and JV operations.

- QNNS posted 1Q2024 earnings/EPS of QR365.2mn/QR0.32 (0.5% YoY, 127.6% QoQ), which was bang in-line with our estimate of QR365.0mn/QR0.32. We note that QNNS recorded an impairment charge of QR19.7mn in its offshore division in 4Q2023, which shaved off QR0.02/share from its 4Q2023 EPS. Excluding this charge, on a normalized basis, Milaha's 1Q2024 earnings/EPS grew by 102.7% QoQ. Relative to our model and on a normalized basis, earnings from Milaha Offshore, Milaha Capital and Milaha Gas & Petrochem came in ahead of our estimates making up for a significant miss in Milaha Maritime & Logistics. (See page 3 for detailed table).
- Offshore, capital and gas & petrochem (primarily due to [better-than-expected results](#) from associate Nakilat) shored up profitability. (1) **Milaha Offshore** – 1Q2024 gross revenue came in at a record high at QR372.8mn (9.6% YoY, 2.9% QoQ, and 2.1% higher vs. QNB FS estimate) on higher project income, increased chartering rates and growth in industrial logistics. Operating margins reached 19.0% in 1Q2024, down from 20.2% in 1Q2023 but up significantly from 10.7% in 4Q2023. Similarly, EBITDA margin came in at 34.4% in 1Q2024, down vs. 37.1% in 1Q2023 but up from 26.9% in 4Q2023 (QNB FS: 27.9%). Segment earnings of QR63.5mn (-4.8% YoY, 96.6% QoQ), came in ahead of our estimate of QR37.3mn by 70.1%. (2) **Milaha Capital** – recorded QR133.4mn (11.4% YoY, 247.6% QoQ) in 1Q2024 net income; segment earnings exceeded our model by 7.3%. Sequentially, the first quarter generally exhibits significant growth given most of Milaha Capital's investment/dividend income is recorded in 1Q. (3) **Milaha Gas & Petrochem** – a 1Q2024 [earnings beat](#) from its 36.3%-associate Nakilat was the primary contributor to segment earnings strength despite somewhat weaker-than-modeled revenue/operating performance. MG&P posted earnings of QR186.2mn (19.5% YoY, 11.2% QoQ), which came in 1.4% above our estimate of QR183.7mn. (4) **Milaha Maritime & Logistics** – a drop in container shipping rates, along with lower freight volumes and warehouse utilization, continue to impact this segment. MM&L top-line of QR165.4mn (-23.0% YoY, -21.3% QoQ) was the lowest quarterly gross revenue on record in at least the last four years and was 40.0% below our model. We had been

expecting an uplift in the top-line due to the Red Sea crisis but that has not come to pass in 1Q2024 as most of Milaha's shipping business is being routed through India, where the rates are down YoY 1Q2024 segment loss came in at QR13.9mn vs. a profit of QR18.7mn in 1Q2023 and a loss of QR5.9mn in 4Q2023. EBITDA margins came in at -6.6% in 1Q2024 vs. -2.2%/-30.1% in 1Q2024/4Q2023. **(5) Milaha Trading**—earnings continued to remain in the red for the 4th consecutive quarter. MT posted a loss of QR4.3mn vs. a profit of QR2.9mn (1Q2023) and a loss of QR2.3mn (4Q2023); we were expecting a loss of QR1.1mn in 1Q2024.

QNB FS 1Q2024 Estimates and Comparisons

Revenue (in QR '000)	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E	YoY	QoQ
MM&L - Gross	214,778	210,186	165,364	275,826	-40.0%	-23.0%	-21.3%
MO - Gross	340,129	362,482	372,839	365,129	2.1%	9.6%	2.9%
MG&P - Gross	57,370	64,581	62,948	63,879	-1.5%	9.7%	-2.5%
MC - Gross	172,003	80,396	168,730	179,630	-6.1%	-1.9%	109.9%
MT - Gross	57,926	82,523	47,156	50,502	-6.6%	-18.6%	-42.9%
Corporate Adjustments	2	0	0				
Total	842,208	800,168	817,037	934,965	-12.6%	-3.0%	2.1%
Eliminations	(75,960)	(85,759)	(69,994)	(84,326)	-17.0%	-7.9%	-18.4%
Total External Revenue - Net	766,248	714,409	747,043	850,639	-12.2%	-2.5%	4.6%

Net Income (in QR '000)	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E	YoY	QoQ
MM&L	18,680	(55,899)	(13,885)	21,222	N/M	N/M	-75.2%
MO	66,683	12,613	63,451	37,302	70.1%	-4.8%	403.1%
MG&P	155,865	167,497	186,214	183,702	1.4%	19.5%	11.2%
MC	119,743	38,365	133,374	124,315	7.3%	11.4%	247.6%
MT	2,940	(2,327)	(4,316)	(1,068)	304.3%	N/M	85.5%
Total	363,911	160,249	364,838	365,472	-0.2%	0.3%	127.7%
Minorities	(626)	213	342	(629)	N/M	N/M	60.6%
NI to Equity	363,285	160,462	365,180	364,843	0.1%	0.5%	127.6%
Impairment of PP&E/Vessels/Intangibles		(19,666)					-100.0%
NI to Equity, Ex. Impairment	363,285	180,128	365,180	364,843	0.1%	0.5%	102.7%
EPS	0.32	0.14	0.32	0.32	0.1%	0.5%	127.6%

Net Income (in QR '000)	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E	YoY	QoQ
MM&L Normalized	18,680	(55,899)	(13,885)	21,222	N/M	N/M	-75.2%
MO Normalized	66,683	32,279	63,451	37,302	70.1%	-4.8%	96.6%
MG&P Normalized	155,865	167,497	186,214	183,702	1.4%	19.5%	11.2%
MC Normalized	119,743	38,365	133,374	124,315	7.3%	11.4%	247.6%
MT Normalized	2,940	(2,327)	(4,316)	(1,068)	304.3%	N/M	85.5%
NI to Equity, Ex. Impairment	363,285	180,128	365,180	364,843	0.1%	0.5%	102.7%
EPS, Ex. Impairment	0.32	0.16	0.32	0.32	0.1%	0.5%	102.7%

EBITDA (in QR '000)	1Q2023	4Q2023	1Q2024	1Q2024E	A Vs. E	YoY	QoQ
MM&L	(4,685)	(63,313)	(10,891)	22,971	N/M	132.5%	-82.8%
MO	126,037	97,523	128,234	101,908	25.8%	1.7%	31.5%
MG&P	44,346	47,832	46,294	48,695	-4.9%	4.4%	-3.2%
MC	134,929	53,825	145,965	140,578	3.8%	8.2%	171.2%
MT	3,386	(1,980)	(3,886)	(657)	491.9%	N/M	96.3%
Corporate Adjustments	521	530	525	556	-5.6%	0.8%	-0.9%
Total	304,534	134,417	306,241	314,051	-2.5%	0.6%	127.8%

Source: Company data, QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	FY2022	FY2023	FY2024e	FY2025e
Revenue	3,285	2,942	3,120	3,248
COGS	(1,789)	(1,454)	(1,557)	(1,623)
Gross Profit	1,497	1,488	1,563	1,625
SG&A	(640)	(660)	(668)	(687)
EBITDA	857	828	895	938
Depreciation & Amortization	(370)	(391)	(409)	(421)
EBIT	487	436	487	517
Net Interest Income (Expense)	(44)	(31)	9	10
Share of Results From JVs	179	127	136	158
Share of Results From Associates	542	520	675	760
Impairments & Others	(146)	(10)	0	0
Net Profit Before Taxes & Minority Interest	1,017	1,043	1,307	1,445
Taxes	(1)	(14)	(24)	(28)
Net Profit Before Minority Interest	1,016	1,030	1,284	1,417
Minority Interest	(4)	1	1	1
Net Profit	1,013	1,030	1,285	1,418
Net Profit Excluding Impairments & One-Offs	1,178	1,050	1,285	1,418

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	FY2022	FY2023	FY2024e	FY2025e
Current Assets				
Cash & Cash Equivalents	1,467	1,047	1,414	1,669
Loan to a Related Party	0	0	0	0
Equity Investments at FVTPL	502	501	529	552
Trade & Other Receivables	1,036	971	1,040	1,086
Inventories	115	92	104	109
Total Current Assets	3,120	2,612	3,087	3,415
Non-Current Assets				
Other Assets	312	205	220	217
Investment Securities at FVOCI	2,567	2,914	2,570	2,678
Investment In Associates	7,548	7,819	8,221	8,679
Investments in JVs	1,025	1,022	1,077	1,109
Intangible Assets	16	13	13	12
Investment Property	884	856	836	818
Property, Vessels & Equipment	2,841	2,776	2,791	2,810
Total Non-Current Assets	15,193	15,605	15,728	16,323
Total Assets	18,313	18,216	18,815	19,738
Current Liabilities				
Trade & Other Payables	755	692	657	687
Loans, Borrowings & Lease Liabilities	838	498	99	99
Total Current Liabilities	1,593	1,191	756	787
Non-Current Liabilities				
Loans & Borrowings	299	64	248	234
Others	337	239	255	255
Total Non-Current Liabilities	637	303	503	489
Total Liabilities	2,229	1,494	1,259	1,276
Minority Interest	42	42	40	39
Shareholders' Equity	16,042	16,681	17,515	18,422
Total Liabilities & Shareholders' Equity	18,313	18,216	18,815	19,738

Source: Company data, QNB FS Research

Vodafone Qatar (VFQS)

Recommendation	OUTPERFORM	Risk Rating	R-4
Share Price	QR1.686	Target Price	QR2.220
Implied Upside	31.7%		

Solid Growth and Appealing Dividend Yield; Outperform

We maintain our price target of QR2.220 and reiterate our Outperform rating. VFQS continues to deliver impressive and profitable growth, posting CAGRs (2018-2023) of 8.2%, 17.1%, 35.6% and 17.1%, respectively, for revenue, EBITDA, EPS and DPS. Going forward, we are projecting CAGRs (2023-2028) of 2.7% (revenue), 3.6% (EBITDA), 8.2% (EPS) and 9.1% (DPS). We note over the previous five years or so, Vodafone Qatar's shares have rerated from nosebleed valuation territory to in-line-to-moderately expensive levels. **Thus, VFQS has grown into its valuation but this has meant that its significant operational and earnings improvements have largely not had much impact on the stock price.** The company's dividend yield also remains compelling - VFQS approved QR0.11 in DPS for 2023 (DY: 6.5%) - and we expect DPS to climb 13.6% YoY to QR0.125 (DY: 7.4%) this year. The company's longer-term growth prospects as a 2nd operator in a market of Qatar's size and dynamics (population size of 3.1mn in May 2024, along with a mobile penetration of 155% as of March 2024; VFQS already has revenue market share (RMS) of 30.7% and customer market share (CMS) of 43.6% as of 1Q2024, with postpaid and prepaid subscriber market shares of 40.5% and 44.9%, respectively) is more of an open question. We believe there is room for improvement (as of 1Q2024, VFQS has an EBITDA margin of 41.9% vs. ORDS's 52.2%, an ARPU of QR71.5 vs. ORDS's QR102.5, along with 569K high-ARPU/margin postpaid customers relative to Ooredoo's 836K postpaid subs). There also remains a significant 13pp differential between Vodafone Qatar's CMS and RMS. As VFQS demonstrates progress in closing this gap beyond our expectations, the stock could benefit. With FCF yields growing from 10.8% in 2023 to 13.4% in 2028, we think there could be DPS upside. The stock is already down ~11% YTD vs. the QSE Index decline of ~12% (ORDS is also down ~16%). **While we do concede that an improvement in Vodafone Qatar's stock price could hinge on an overall recovery in market sentiment and the QSE Index, we remain optimistic longer-term on the name.**

Highlights

- VFQS reported 1Q2024 net profit of QR150.1mn (12.5% YoY, 1.5% QoQ) that was right in-line with our estimate of QR151.0mn (-0.6% divergence). Results were in-line with our model with YoY and sequential growth in most major metrics other than total revenue, which was marginally down QoQ. For more details, see our [report](#).
- For 2024, we expect a 12.0% growth in earnings and a 13.6% growth in dividends. VFQS expects top-line growth for 2024 and we expect total revenue to grow 3.3% YoY to QR3.2bn. We model QR604.9mn in 2024 earnings, up 12.0% YoY from QR540.0mn in 2023, which is at the higher end of management's guidance range of 10%-12% growth. We expect EBITDA margin of 42.3% that is at the high-end of management's guidance range of 0.5-1pp increase from 2023's 41.3% EBITDA margin. Finally, we also pencil in a 14.0% capex intensity estimate in 2024 (QR450.0mn in capex, down 19.0% YoY), which is again at the high-end of management's guidance of 12%-14%.

Catalysts

- VFQS continues to deliver on its growth metrics. Longer-term, postpaid (70.9% of 1Q2024 mobile service revenue), 5G, managed services, fixed, broadband, enterprise, IoT and bundled ICT solutions should boost growth. While capex levels were elevated due to 5G and WC-related coverage/capacity expansion, dividend and FCF yields should improve.

Recommendation, Valuation and Risks

- **Recommendation and valuation: We rate VFQS an Outperform with a PT of QR2.220.** The stock is trading at EV/EBITDA multiples of 5.3x for 2024 and 5.0x for 2025.
- **Risks:** 1) Increased competition leading to ARPU erosion and/or market share loss; 2) Weakening of postpaid, broadband, fixed-line and managed services traction/stickiness and 3) Fall in population/industry growth rates.

Key Financial Data and Estimates

	CY2022	CY2023	CY2024e	CY2025e	CY2026e
Revenue (QR mn)	3,066	3,111	3,213	3,320	3,411
EPS (QR)	0.119	0.128	0.143	0.156	0.169
EV/EBITDA	6.2x	5.8x	5.3x	5.0x	4.7x
Dividend Yield	5.9%	6.5%	7.4%	8.2%	8.9%

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

Key Data

Current Market Price (QR)	1.686
Dividend Yield (%)	6.5
Bloomberg Ticker	VFQS QD
ADR/GDR Ticker	N/A
Reuters Ticker	VFQS.QA
ISIN	QA000A0Q5NE9
Sector*	Telecoms
52wk High/52wk Low (QR)	1.950/1.620
3-m Average Volume ('mn)	8.0
Mkt. Cap. (\$ bn/QR bn)	2.0/7.1
EV (\$ bn/QR bn)	2.1/7.7
Shares Outstanding (mn)	4,227.0
FO Limit* (%)	49.0
Institutional FO* (%)	8.2
1-Year Total Return (%)	(2.5)
Fiscal Year End	December 31

Source: Bloomberg (as of June 05, 2024), *Qatar Exchange (as of June 05, 2024); Note: FO is foreign ownership

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Valuation

Our DCF-derived target price of QR2.220 per share implies an upside of 31.7% from the current levels. We have used a weighted average cost of capital (WACC) of 13.0% based on a cost of equity of 13.5% and a risk-free rate of 5.0%.

DCF Valuation

Particulars	Fair Value Of Equity (QR mn)	Fair Value/Share (QR)
PV Of FCFE	3,327	0.787
PV Of Terminal Value	5,938	1.405
PV Of Cash Flows	9,264	2.192
Add:		
Cash & Equivalents	113	0.027
Less:		
Debt	656	0.155
Lease Liabilities	457	0.108
Fair Value Of Equity	8,265	1.955
Target Price Per Share (QR)		2.220

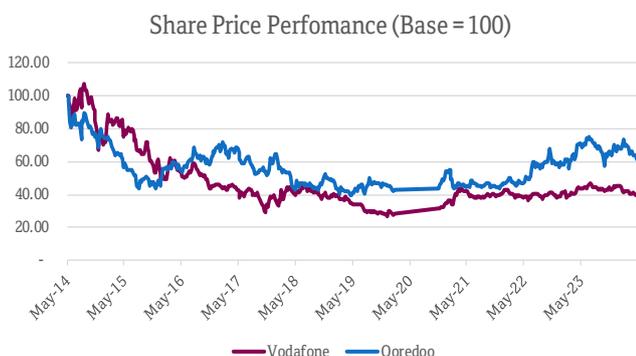
Source: Company data, QNB FS Research

Relative Multiples

Company	Country	Price	Mkt. Cap \$mn	P/E		EV/EBITDA		P/B		ROE		EBITDA Margin		Dividend Yield		
				2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e			
ORDS QD EQUITY	OOREDOO QPSC	Qatar	9,520	8,363	8.6	8.2	4.0	3.9	1.05	0.99	12.2%	12.2%	42.2%	42.6%	6.1	6.5
DU UH EQUITY	EMIRATES INTEGRATED TELECOMM	UAE	5,770	7,121	13.4	12.8	4.2	4.1	2.72	2.63	20.1%	20.6%	43.8%	43.7%	6.5	6.8
EAND UH EQUITY	EMIRATES TELECOM GROUP CO	UAE	15,840	37,505	13.0	12.3	6.0	6.0	2.78	2.61	22.0%	22.2%	48.4%	45.4%	5.3	5.6
ZAIN KK EQUITY	MOBILE TELECOMMUNICATIONS CO	Kuwait	451,000	6,370	9.4	7.6	5.4	5.1	0.35	0.33	13.3%	15.4%	36.1%	36.8%	N/A	N/A
OOREDOO KK EQUITY	NATIONAL MOBILE TELECOMMUNI	Kuwait	1,053,000	1,723	8.1	7.5	2.1	2.1	0.75	0.72	9.0%	9.7%	38.0%	38.1%	9.5	10.4
OTEL OM EQUITY	OMAN TELECOMMUNICATIONS CO	Oman	1,060	2,065	9.6	7.6	5.0	4.9	0.41	0.39	7.7%	9.9%	34.9%	33.8%	6.1	7.5
EEC AB EQUITY	ETIHAD ETISALAT CO	KSA	49,500	10,163	15.4	13.5	6.5	6.2	2.04	1.91	13.8%	14.4%	38.0%	38.0%	3.7	4.6
STC AB EQUITY	SAUDI TELECOM CO	KSA	36,500	48,660	13.9	12.9	6.8	6.5	2.23	2.10	16.0%	16.5%	33.9%	33.8%	5.1	5.3
ZAINKSA AB EQUITY	MOBILE TELECOMMUNICATIONS CO	KSA	11,340	2,717	20.3	16.2	5.8	5.6	0.95	0.94	5.4%	4.9%	30.4%	30.3%	4.2	4.3
Peer Group Average					12.4	11.0	5.1	4.9	1.5	1.4	13.3%	14.0%	38.4%	38.0%	5.8	6.4
Peer Group Median					13.0	12.3	5.4	5.1	1.1	1.0	13.3%	14.4%	38.0%	38.0%	5.7	6.0
VFQS QD EQUITY	VODAFONEQATAR	Qatar	1,686	1,957	11.8	10.8	5.3	5.0	1.4	1.4	12.0%	12.7%	42.3%	42.5%	7.4	8.2

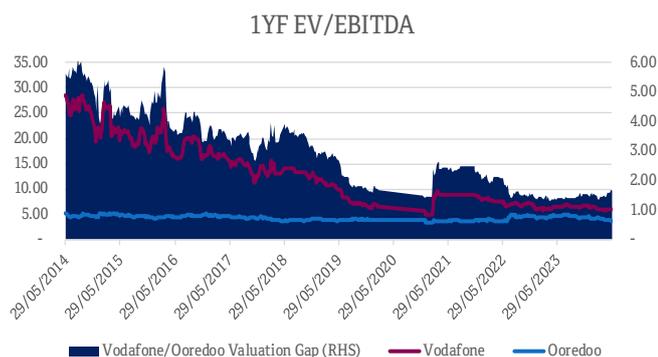
Source: Company data, QNB FS Research

ORDS Has Outperformed VFQS



Source: Bloomberg

Valuation Premium Relative to ORDS Has Narrowed



Source: Bloomberg

Key Metrics & Forecasts

Ratio Analysis

Growth Rates	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024E	CY2025E	CY2026E	CY2027E	CY2028E	CAGR	
													2018-23	2023-28
Revenue	-2.9%	5.1%	1.1%	3.5%	14.8%	21.4%	1.5%	3.3%	3.3%	2.7%	2.3%	1.9%	8.2%	2.7%
Gross Profit	1.3%	2.9%	0.3%	9.1%	14.0%	21.7%	1.8%	3.9%	3.4%	3.0%	2.5%	2.1%	9.1%	3.0%
EBIT	33.5%	N/M	38.6%	22.0%	49.7%	48.6%	9.5%	11.1%	6.5%	5.7%	4.8%	3.6%	32.7%	6.3%
EBITDA	16.0%	8.5%	21.4%	14.0%	27.5%	19.7%	4.2%	5.7%	3.8%	3.3%	2.9%	2.4%	17.1%	3.6%
Net Income	31.6%	N/M	22.0%	28.8%	76.9%	53.4%	7.5%	12.0%	8.7%	8.5%	6.7%	5.2%	35.6%	8.2%
Distributable Profit		37.9%	12.8%	18.1%	53.0%	43.1%	6.7%	9.6%	7.7%	7.5%	6.0%	4.7%	25.5%	7.1%
DPS			0.0%	0.0%	20.0%	66.7%	10.0%	13.6%	10.0%	9.1%	6.7%	6.3%	17.1%	9.1%
CFPS	29.6%	43.7%	2.7%	-7.6%	28.9%	20.1%	20.2%	-6.2%	6.9%	3.3%	2.9%	2.6%	12.1%	1.8%
FCPS	158.8%	80.7%	-19.3%	0.1%	138.7%	-19.8%	120.4%	-5.9%	12.4%	6.8%	5.8%	4.2%	27.8%	4.5%
Operating Ratios														
Gross Margin	64.0%	62.6%	62.1%	65.5%	65.0%	65.2%	65.4%	65.8%	65.9%	66.0%	66.1%	66.2%		
EBIT Margin	(11.2%)	7.6%	10.4%	12.2%	15.9%	19.5%	21.1%	22.7%	23.4%	24.0%	24.6%	25.0%		
EBITDA Margin	26.9%	27.8%	33.4%	36.7%	40.8%	40.2%	41.3%	42.3%	42.5%	42.7%	42.9%	43.1%		
Net Margin	(12.8%)	5.6%	6.8%	8.4%	13.0%	16.4%	17.4%	18.8%	19.8%	20.9%	21.8%	22.5%		
Capex Intensity	18.4%	23.3%	30.0%	18.7%	16.1%	21.5%	17.9%	14.0%	13.3%	12.5%	11.9%	11.6%		
Finance Ratios														
Debt - Equity Ratio	18.3%	17.9%	18.1%	18.3%	15.5%	14.9%	8.7%	10.2%	7.1%	4.5%	3.1%	1.6%		
Net Debt - Equity Ratio	13.9%	9.1%	11.4%	14.4%	11.4%	11.0%	6.1%	2.4%	(1.8%)	(6.2%)	(10.7%)	(15.2%)		
Net Debt-to-Capital	12.2%	8.4%	10.3%	12.6%	10.2%	9.9%	5.7%	2.4%	(1.8%)	(6.6%)	(12.0%)	(17.9%)		
Cash Interest Coverage	18.1x	16.7x	11.4x	12.5x	28.1x	25.5x	16.6x	19.2x	21.4x	28.5x	34.7x	40.5x		
Ave. Effective Borrowing rate %	3.6%	4.3%	7.6%	7.9%	5.1%	6.7%	18.1%	13.7%	18.0%	21.3%	26.2%	42.1%		
Return Ratios														
ROIC	(4.2%)	2.9%	3.8%	4.7%	6.8%	9.8%	11.3%	12.0%	12.8%	13.5%	14.0%	14.5%		
ROE	(5.7%)	2.6%	3.2%	4.1%	7.1%	10.4%	10.9%	12.0%	12.7%	13.5%	14.1%	14.6%		
ROA	(4.1%)	1.8%	2.0%	2.7%	4.8%	6.8%	7.4%	8.1%	8.8%	9.6%	10.1%	10.5%		
Dividend Payout %		179.4%	147.1%	114.2%	77.5%	84.1%	86.1%	87.4%	88.4%	88.9%	88.8%	89.7%		
Valuation														
EV/Sales	3.9x	3.6x	3.6x	3.5x	3.0x	2.5x	2.4x	2.3x	2.1x	2.0x	1.9x	1.8x		
EV/EBITDA	14.4x	12.9x	10.8x	9.6x	7.4x	6.2x	5.8x	5.3x	5.0x	4.7x	4.4x	4.1x		
EV/EBIT	N/M	47.4x	34.7x	28.9x	19.0x	12.8x	11.3x	10.0x	9.1x	8.3x	7.6x	7.1x		
P/E	N/M	60.5x	49.6x	38.5x	21.8x	14.2x	13.2x	11.8x	10.8x	10.0x	9.4x	8.9x		
P/BV	1.6x	1.6x	1.6x	1.6x	1.6x	1.5x	1.4x	1.4x	1.4x	1.3x	1.3x	1.3x		
Dividend Yield	0.0%	3.0%	3.0%	3.0%	3.6%	5.9%	6.5%	7.4%	8.2%	8.9%	9.5%	10.1%		
FCF Yield	1.7%	3.2%	2.6%	2.6%	6.1%	4.9%	10.8%	10.2%	11.4%	12.2%	12.9%	13.4%		
Liquidity Ratios														
Current Ratio	0.7x	0.4x	0.6x	0.4x	0.4x	0.5x	0.4x	0.6x	0.6x	0.7x	0.7x	0.8x		
Quick Ratio	0.6x	0.4x	0.6x	0.4x	0.4x	0.4x	0.4x	0.5x	0.6x	0.6x	0.7x	0.8x		

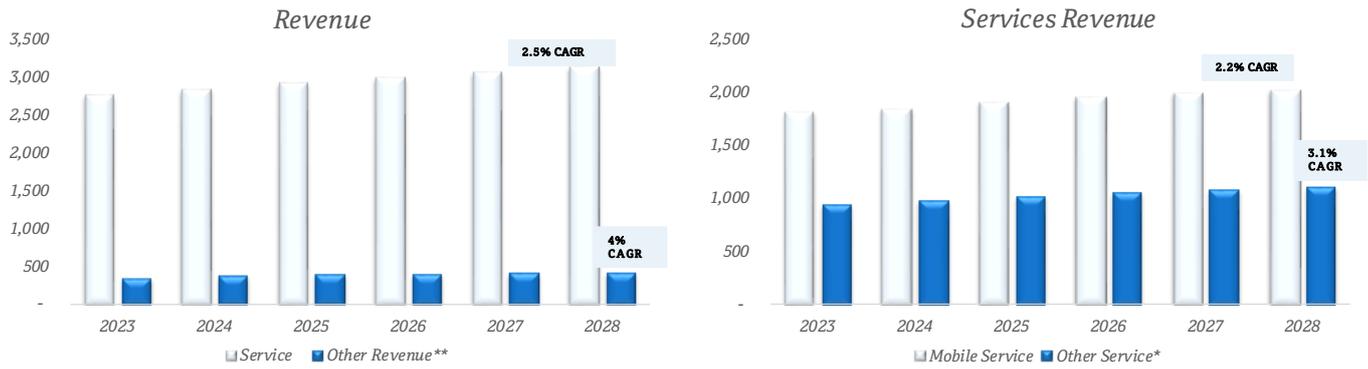
Source: Company data, QNB FS Research

Key Metrics

	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024E	CY2025E	CY2026E	CY2027E	CY2028E
Mobile Subscribers (000s)												
Pre-Paid Subs	1,071	1,325	1,243	1,208	1,412	1,537	1,582	1,580	1,605	1,623	1,641	1,658
YoY Growth	(11.9%)	23.7%	(6.1%)	(2.9%)	16.9%	8.9%	2.9%	(0.1%)	1.6%	1.2%	1.1%	1.0%
Post-Paid Subs	319	396	494	454	522	569	567	575	586	596	605	613
YoY Growth	24.6%	24.0%	24.8%	(8.0%)	14.9%	9.0%	(0.4%)	1.5%	1.8%	1.7%	1.5%	1.3%
Total Mobile Subs	1,390	1,720	1,737	1,662	1,934	2,106	2,149	2,155	2,190	2,219	2,245	2,270
YoY Growth	(5.6%)	23.7%	1.0%	(4.3%)	16.4%	8.9%	2.0%	0.3%	1.6%	1.3%	1.2%	1.1%
Mobile ARPU (QR)												
Pre-Paid ARPU	70	66	42	39	36	33	28	28	29	29	29	29
YoY Growth	(12.9%)	(5.8%)	(35.6%)	(8.7%)	(7.4%)	(7.7%)	(14.6%)	0.2%	0.8%	0.9%	0.7%	0.0%
Post-Paid ARPU	203	200	189	186	202	195	190	192	195	197	198	199
YoY Growth	0.4%	(1.3%)	(5.5%)	(1.6%)	8.6%	(3.5%)	(2.6%)	1.4%	1.3%	0.9%	0.7%	0.5%
Blended Mobile ARPU	100	100	84	84	81	77	72	72	73	74	74	75
YoY Growth	(2.8%)	0.6%	(16.1%)	(0.3%)	(3.9%)	(4.1%)	(7.0%)	0.3%	1.0%	1.1%	0.9%	0.5%
Mobile Service Revenue (QR mn)												
Pre-Paid Service Revenue	976	855	656	563	550	596	520	531	545	558	568	574
YoY Growth	(18.9%)	(12.4%)	(23.2%)	(14.1%)	(2.4%)	8.4%	(12.8%)	2.2%	2.7%	2.3%	1.8%	1.1%
Post-Paid Service Revenue	692	846	1,021	1,067	1,148	1,302	1,296	1,317	1,358	1,395	1,427	1,454
YoY Growth	19.8%	22.3%	20.6%	4.5%	7.6%	13.4%	(0.5%)	1.6%	3.1%	2.7%	2.3%	1.9%
Total Mobile Service Revenue	1,668	1,701	1,677	1,630	1,697	1,898	1,816	1,848	1,903	1,953	1,995	2,028
YoY Growth	(6.4%)	2.0%	(1.4%)	(2.8%)	4.1%	11.8%	(4.3%)	1.7%	3.0%	2.6%	2.2%	1.7%
Other Service Revenue*	184	202	272	391	533	719	948	989	1,024	1,054	1,082	1,106
YoY Growth	22.3%	9.8%	34.1%	43.8%	36.4%	34.9%	31.9%	4.4%	3.5%	3.0%	2.6%	2.3%
Total Service Revenue (QR mn)	1,852	1,904	1,949	2,021	2,230	2,617	2,764	2,837	2,927	3,007	3,076	3,134
YoY Growth	(4.1%)	2.8%	2.4%	3.7%	10.4%	17.3%	5.6%	2.6%	3.2%	2.7%	2.3%	1.9%
Other Revenue**	146	197	176	179	296	449	347	376	393	404	413	421
YoY Growth	16.7%	35.0%	(11.0%)	1.7%	65.4%	51.9%	(22.8%)	8.4%	4.6%	2.9%	2.1%	2.0%
Total Revenue (QR mn)	1,998	2,101	2,125	2,200	2,526	3,066	3,111	3,213	3,320	3,411	3,489	3,555
YoY Growth	(2.9%)	5.1%	1.1%	3.5%	14.8%	21.4%	1.5%	3.3%	3.3%	2.7%	2.3%	1.9%
EBITDA (QR mn)	538	584	709	808	1,031	1,234	1,286	1,359	1,410	1,457	1,498	1,534
EBITDA Margin	26.9%	27.8%	33.4%	36.7%	40.8%	40.2%	41.3%	42.3%	42.5%	42.7%	42.9%	43.1%
YoY Growth	16.0%	8.5%	21.4%	14.0%	27.5%	19.7%	4.2%	5.7%	3.8%	3.3%	2.9%	2.4%
Net Income (QR mn)	(256)	118	144	185	327	502	540	605	658	714	761	801
Net Margin	(12.8%)	5.6%	6.8%	8.4%	13.0%	16.4%	17.4%	18.8%	19.8%	20.9%	21.8%	22.5%
YoY Growth	(31.6%)	N/M	22.0%	28.8%	76.9%	53.4%	7.5%	12.0%	8.7%	8.5%	6.7%	5.2%
Distributable Profit (QR mn)	146	202	228	269	412	589	628	689	742	798	846	885
YoY Growth		37.9%	12.8%	18.1%	53.0%	43.1%	6.7%	9.6%	7.7%	7.5%	6.0%	4.7%
Capex (QR mn)	368	489	637	411	408	660	556	450	441	428	415	411
Capex Intensity	18.4%	23.3%	30.0%	18.7%	16.1%	21.5%	17.9%	14.0%	13.3%	12.5%	11.9%	11.6%
YoY Growth	10.9%	32.8%	30.3%	(35.5%)	(0.8%)	61.7%	(15.8%)	(19.0%)	(2.0%)	(3.0%)	(3.0%)	(1.0%)

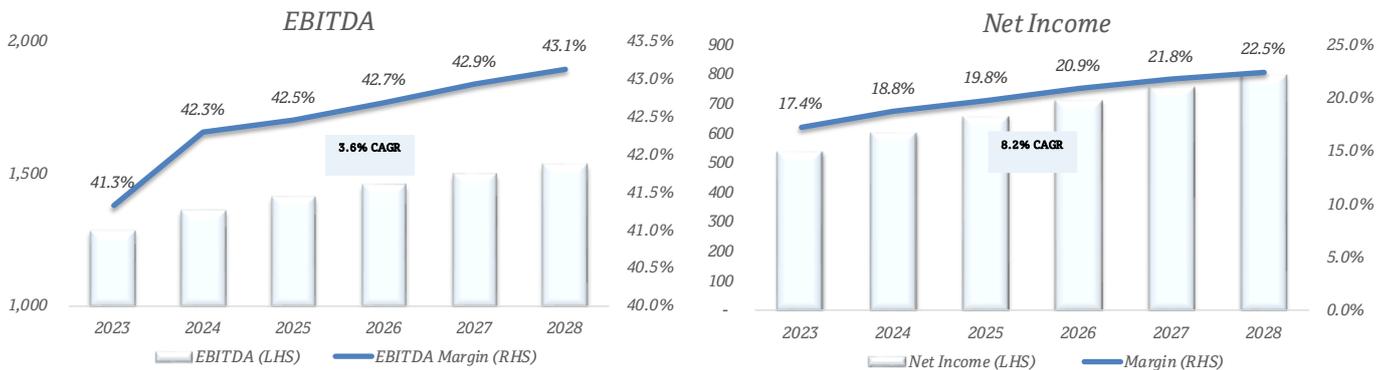
Source: Company data, QNB FS Research; Note: *Other service revenue, includes managed services, broadband, roaming, wholesale & others; **Other revenue includes handsets & hardware portion of projects/managed services revenue

Revenue & Services Revenue (In QR Mn & Percentages)



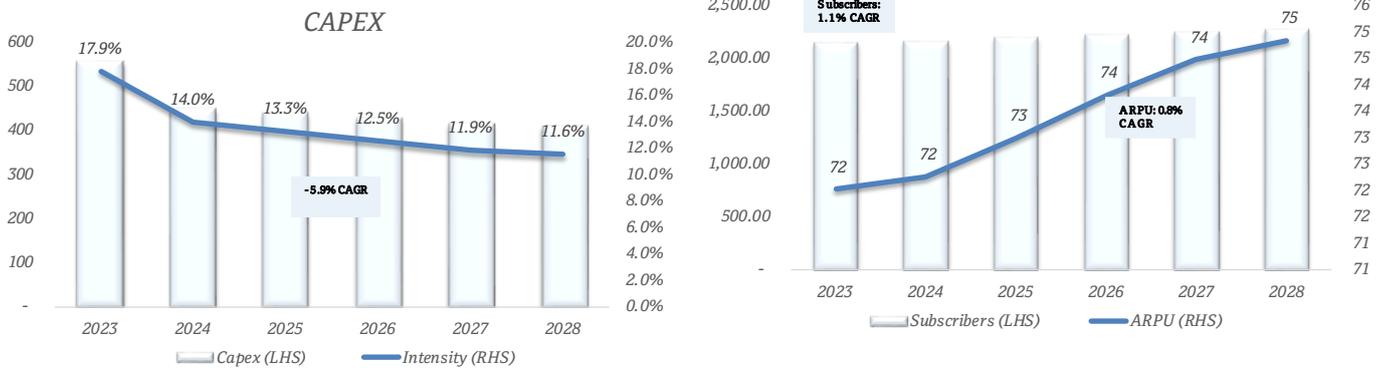
Source: Company data, QNB FS Research; Note: *Other service revenue, includes managed services, broadband, roaming, wholesale & others; **Other revenue includes handsets & hardware portion of projects/managed services revenue

EBITDA & Earnings (In QR Mn & Percentages)



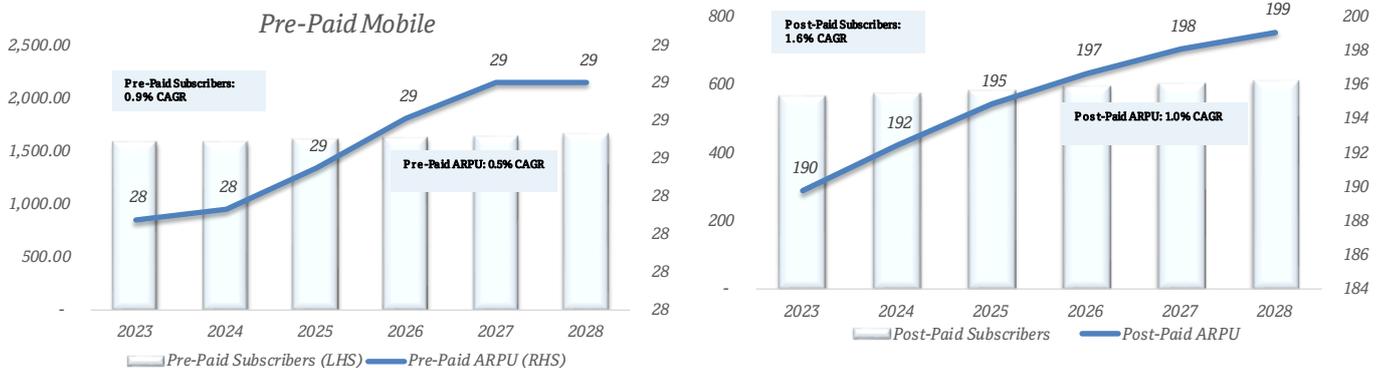
Source: Company data, QNB FS Research

Capex & ARPU/Total Subs (In QR Mn, '000s & Percentages)



Source: Company data, QNB FS Research

Pre/Post-Paid ARPU/Total Subs (In QR Mn, '000s & Percentages)



Source: Company data, QNB FS Research

1Q2024 Review: In-Line Quarter As Impressive Growth Trajectory Continues

VFQS reported 1Q2024 net profit of QR150.1mn (12.5% YoY, 1.5% QoQ) that was right in-line with our estimate of QR151.0mn (-0.6% divergence). Results were in-line with our model with YoY and sequential growth in most major metrics other than total revenue, which was marginally down QoQ.

QNB FS 1Q2024 Estimates and Comparisons

INCOME STATEMENT <i>(In QR mn Unless Specified)</i>		1QCY23 A	4QCY23 A	1QCY24 A	1QCY24 E A	Vs. E	YoY	QoQ
Revenue		775.878	812.640	806.054	803.166	0.4%	3.9%	-0.8%
	<i>YoY Growth (%)</i>	6.2%	-8.7%	3.9%	3.5%			
Direct Costs (Interconnection & Other Opex)		(268.365)	(287.530)	(279.604)	(275.486)	1.5%	4.2%	-2.8%
Gross Profit (Loss)		507.513	525.110	526.450	527.680	-0.2%	3.7%	0.3%
	<i>Gross Margin (%)</i>	65.4%	64.6%	65.3%	65.7%			
Operating Expenses (Network, Employee & Other Expenses)		(187.294)	(189.568)	(188.926)	(185.531)	1.8%	0.9%	-0.3%
Depreciation and Amortization		(158.927)	(157.779)	(157.943)	(159.593)	-1.0%	-0.6%	0.1%
EBITDA		320.219	335.542	337.524	342.149	-1.4%	5.4%	0.6%
	<i>EBITDA Margin (%)</i>	41.3%	41.3%	41.9%	42.6%			
Operating Profit (Loss) - EBIT		161.292	177.763	179.581	182.555	-1.6%	11.3%	1.0%
	<i>EBIT Margin (%)</i>	20.8%	21.9%	22.3%	22.7%			
Interest Income		3.113	4.486	2.385	4.786	-50.2%	-23.4%	-46.8%
Interest Expense/Lease Interest Expense		(17.579)	(21.256)	(16.533)	(22.179)	-25.5%	-6.0%	-22.2%
Other Income/Expense		(13.435)	(13.073)	(15.326)	(14.157)	8.3%	14.1%	17.2%
Profit (Loss) Before Tax		133.391	147.920	150.107	151.006	-0.6%	12.5%	1.5%
Net Profit (loss) - Adjusted		133.391	147.920	150.107	151.006	-0.6%	12.5%	1.5%
	<i>Net Margin (%)</i>	17.2%	18.2%	18.6%	18.8%			
	<i>Net Profit YoY Growth</i>	24.2%	-11.9%	12.5%	13.2%			
EPS (QR)		0.032	0.035	0.036	0.036	-0.6%	12.5%	1.5%

Source: Company data, QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	CY2021	CY2022	CY2023	CY2024e	CY2025e	CY2026e	CY2027e	CY2028e
Revenue	2,526	3,066	3,111	3,213	3,320	3,411	3,489	3,555
Direct Costs	(885)	(1,068)	(1,077)	(1,099)	(1,133)	(1,160)	(1,181)	(1,200)
Gross Profit	1,641	1,998	2,034	2,114	2,187	2,252	2,308	2,355
Other Expenses, Excluding D&A	(611)	(764)	(748)	(755)	(777)	(795)	(809)	(821)
EBITDA	1,031	1,234	1,286	1,359	1,410	1,457	1,498	1,534
Depreciation & Amortization	(628)	(635)	(631)	(631)	(634)	(637)	(639)	(644)
EBIT	403	599	655	728	776	820	859	890
Interest Income	1	6	13	9	15	18	23	31
Interest Expense	(37)	(48)	(78)	(71)	(66)	(51)	(43)	(38)
Other Income/Expense	(40)	(54)	(51)	(62)	(67)	(73)	(78)	(82)
Profit Before Tax	327	502	540	605	658	714	761	801
Income Tax Expense								
Profit for Shareholders	327	502	540	605	658	714	761	801
EPS (QR)	0.077	0.119	0.128	0.143	0.156	0.169	0.180	0.189
DPS (QR)	0.060	0.100	0.110	0.125	0.138	0.150	0.160	0.170

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	CY2021	CY2022	CY2023	CY2024e	CY2025e	CY2026e	CY2027e	CY2028e
Non-Current Assets								
Property, Plant and Equipment	1,638	1,885	1,934	1,911	1,879	1,836	1,784	1,725
Intangible Assets	4,169	4,050	4,037	3,992	3,942	3,886	3,825	3,762
Rights of Use Assets	291	430	429	408	408	408	408	408
Trade and Other Receivables	92	298	267	221	228	234	240	244
Total Non-Current Assets	6,190	6,662	6,667	6,531	6,457	6,365	6,257	6,140
Current Assets								
Inventory	35	38	34	47	49	50	52	53
Contract Assets & Costs	42	52	62	68	68	68	68	68
Trade and Other Receivables	347	483	395	392	405	417	428	437
Cash and Cash Equivalents	190	187	130	392	456	569	742	924
Total Current Assets	613	760	621	899	978	1,104	1,290	1,482
Total Assets	6,803	7,422	7,288	7,431	7,435	7,469	7,547	7,621
Equity								
Total Equity	4,596	4,833	4,936	5,061	5,174	5,289	5,397	5,501
Non-Current Liabilities								
Trade and Other Payables	0	0	0	0	0	0	0	0
Lease Liabilities	197	315	315	284	255	230	207	186
Provisions	83	102	110	113	117	120	123	125
Long-Term Borrowings	506	512	325	365	240	165	90	15
Total Non-Current Liabilities	786	929	751	762	612	515	420	326
Current Liabilities								
Trade and Other Payables	1,099	1,311	1,340	1,281	1,323	1,363	1,397	1,427
Lease Liabilities	115	141	156	177	201	227	258	292
Short-Term Borrowings	206	207	105	150	125	75	75	75
Total Current Liabilities	1,420	1,660	1,601	1,608	1,649	1,665	1,730	1,794
Total Liabilities	2,207	2,589	2,352	2,369	2,261	2,180	2,150	2,120
Equity and Liabilities	6,803	7,422	7,288	7,431	7,435	7,469	7,547	7,621

Source: Company data, QNB FS Research

1Q2024 Earnings Review

QSE 1Q2024 Aggregate Profit YoY/QoQ Rise Sets Positive Tone For 2024

Listed companies on the Qatar Stock Exchange reported a 5.8%/30.7% YoY/QoQ growth in aggregate earnings to QR13.1bn during 1Q2024. Sectoral performances were mixed but banks, insurance and transportation are the only three sectors out of eight that saw positive earnings growth both YoY and sequentially. **Aggregate topline increased 4.2% YoY but saw a modest 2.3% sequential decline to QR42.8bn.** Aggregate NP margin came in at 30.6% compared with 30.1% in 1Q2023 and 22.9% in 4Q2023. Banks remained the biggest contributor to the QSE's aggregate earnings at 57.5% (1Q2023: 55.8%) followed by industrials (18.1% vs. 19.2% in 1Q2023) and telecoms (8.1% vs. 8.8% in 1Q2023).

Snapshot of the 1Q2024 Earnings Season

- Five (4Q2023: four) of the eight sectors exhibited positive earnings growth YoY
- As expected, like the previous quarter, Banks account for bulk of the bourse's earnings
- Consumer Goods & Services saw the strongest growth YoY driven by BLDN, MCCS & WDAM
- Insurance flips to a profit from a loss in 4Q2023
- 16 (1Q2023: 12) companies registered double-digit or more of earnings growth YoY
- Only one (1Q2023: two) companies out of the 52-listed recorded losses
- 15 (1Q2023: 22) companies recorded YoY earnings decline

QSE Sector Earnings Trend: 1Q2024 vs. 1Q2023 vs. 4Q2023



Source: QSE, QNBFS Research

1Q2024 Net Profit for QSE-listed Companies (QR'000)

Sector	Ticker	1Q2023	4Q2023	1Q2024	YoY	QoQ
Banks	QNBK	3,881,745	3,638,267	4,143,260	6.7%	13.9%
	QIBK	905,341	1,249,959	955,144	5.5%	-23.6%
	CBQK	577,253	644,785	801,623	38.9%	24.3%
	DUBK	413,961	194,796	423,002	2.2%	117.2%
	MARK	384,954	214,077	406,072	5.5%	89.7%
	QIIK	315,916	187,775	335,188	6.1%	78.5%
	DHBK	208,634	142,625	231,319	10.9%	62.2%
	ABQK	204,596	221,187	218,064	6.6%	-1.4%
	QFBQ	22,118	27,624	28,770	30.1%	4.1%
Banks Total		6,914,518	6,521,095	7,542,442	9.1%	15.7%
Consumer Goods & Services	QFLS	223,214	272,344	243,469	9.1%	-10.6%
	MERS	43,189	65,358	50,785	17.6%	-22.3%
	BLDN	20,018	45,073	48,251	141.0%	7.1%
	ZHCD	41,729	63,091	44,165	5.8%	-30.0%
	MCCS	12,153	127,000	28,033	130.7%	-77.9%
	MCGS	18,810	15,311	19,770	5.1%	29.1%
	MEZA	10,886	14,199	11,662	7.1%	-17.9%
	SIIS	6,965	28,536	11,332	62.7%	-60.3%
	WDAM	(17,373)	25,748	10,529	N.M.	-59.1%
	MKDM	9,679	13,351	10,513	8.6%	-21.3%
	FALH*	3,228	1,897	2,867	-11.2%	51.1%
	QCFS	1,995	327	2,349	17.7%	617.5%
	QGMD	270	1,162	284	5.5%	-75.5%
Consumer Goods & Services Total		374,764	673,398	484,009	29.2%	-28.1%
Financial Services	NLCS	4,095	3,554	4,768	16.4%	34.1%
	IHGS	1,288	4,244	3,636	182.3%	-14.3%
	QOIS	4,553	(6,570)	562	-87.6%	N.M.
	DBIS	(2,376)	6,702	(4,987)	N.M.	N.M.
Fin. Serv. Total		7,559	7,930	3,979	-47.4%	-49.8%
Industrials	IQCD	1,165,925	1,426,847	1,280,504	9.8%	-10.3%
	QEWS	400,663	442,425	318,492	-20.5%	-28.0%
	MPHC	268,624	233,853	194,016	-27.8%	-17.0%
	GISS	91,514	(22,872)	161,173	76.1%	N.M.
	IGRD	101,214	45,128	111,697	10.4%	147.5%
	AHCS	87,495	102,063	94,019	7.5%	-7.9%
	QAMC	92,624	92,481	85,587	-7.6%	-7.5%
	QNCD	64,102	53,472	51,372	-19.9%	-3.9%
	QIGD	54,474	63,621	43,456	-20.2%	-31.7%
	QIMD	48,197	19,813	36,469	-24.3%	84.1%
Industrials Total		2,374,831	2,456,830	2,376,785	0.1%	-3.3%
Insurance	QATI	173,153	154,880	194,563	12.4%	25.6%
	DOHI	65,585	17,173	71,401	8.9%	315.8%
	QISI	29,297	39,516	43,009	46.8%	8.8%
	AKHI	28,226	11,987	27,028	-4.2%	125.5%
	QGRI	44,990	(1,477,996)	17,985	-60.0%	N.M.
	QLMI	20,029	23,213	17,435	-13.0%	-24.9%
	BEMA	13,670	17,353	16,156	18.2%	-6.9%
Insurance Total		374,949	(1,213,873)	387,578	3.4%	N.M.
Real Estate	BRES	235,486	450,375	238,227	1.2%	-47.1%
	ERES	91,042	(120,015)	95,453	4.8%	N.M.
	UDCD	88,022	171,915	72,493	-17.6%	-57.8%
	MRDS	10,199	8,143	7,075	-30.6%	-13.1%
Real Estate Total		424,749	510,418	413,248	-2.7%	-19.0%
Telecoms	ORDS	960,566	351,634	912,931	-5.0%	159.6%
	VFQS	133,391	147,920	150,107	12.5%	1.5%
Telecoms Total		1,093,957	499,554	1,063,038	-2.8%	112.8%
Transportation	QGTS	395,488	368,349	419,757	6.1%	14.0%
	QNNS	363,285	160,462	365,180	0.5%	127.6%
	GWCS	61,484	47,171	50,879	-17.2%	7.9%
Transportation Total		820,257	575,982	835,816	1.9%	45.1%
Grand Total		12,385,584	10,031,333	13,106,894	5.8%	30.7%

Source: QSE, QNBFS Research; FALH* is based on its latest 2Q2024 results

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Banking Sector

Earnings Generally In-Line With Estimates as Expected

Highlights:

- The banking sector posted a large increase in 1Q2024 aggregate earnings, both YoY and sequentially. For 1Q2024, the banking sector posted a 9.1/15.7% YoY/QoQ growth in aggregate headline net income.
- The Banks & Financial Services Index underperformed the QSE Index and dropped by 10.6% (QSE Index: -9.1%) in 1Q2024.
- The banking sector is currently trading at a P/B multiple of 1.5x with an average RoE of 12.3% vs. 1.4x KSA (RoE: 13.5%), 1.2x UAE (RoE: 16.1%) and 1.2x Kuwait (RoE: 7.9%); Qatar banks appear to be expensive based on a P/B-to-RoE of 12.3x. The sector offers a 2024e dividend yield of 4.4% vs. the QSE's DY of 5.2%.

Revenue:

- Aggregate revenue gained by 9.9% YoY in 1Q2024 to QR12.7bn, driven mainly by margin expansion. Aggregate growth was attributable to QNB Group (QNBK), which is always the case (contributes 64% to aggregate revenue).
- Aggregate revenue declined by 1.6% QoQ in 1Q2024. Aggregate decline was mainly attributable to margin compression and to some extent, weak non-funded income.
- NIMs, on a YoY basis on average expanded, while compressing on a sequential basis. In aggregate, net interest margin expanded by 8bps to 2.44% YoY. On the other hand, NIMs contracted by 9bps sequentially.

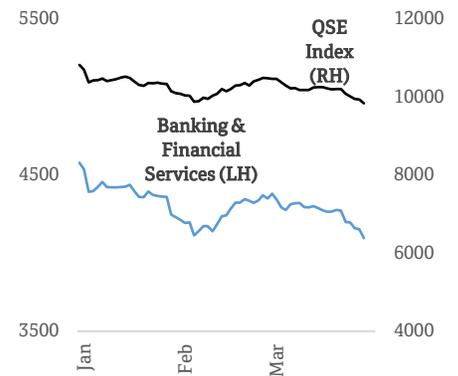
Earnings:

- Aggregate 1Q2024 net income jumped up by 9.1% YoY to QR7.5bn due to a combination of margin expansion and lower provisions and impairments. All banks witnessed their bottom-line increase. Commercial Bank of Qatar (CBQK) experienced the highest increase, growing by 38.9%, driven by a sharp drop in provisions & impairments as margins and f/x losses were an overhang. Doha Bank's (DHBK) net income grew by 10.9% on the back of a drop in credit provisions and investment gains (vs. losses).
- Aggregate net income of banks surged by 15.7% sequentially in 1Q2024, in-line with historical trends. This was due to sharp drop in provisions & impairments (generally in-line with historical trends). Dukhan Bank's (DUBK) profitability surged by 117.2%, followed by Masraf Al Rayan's (MARK) growth of 89.7%, Qatar International Islamic Bank's (QIIBK) of +78.5% and DHBK's 62.2%.

Balance Sheet:

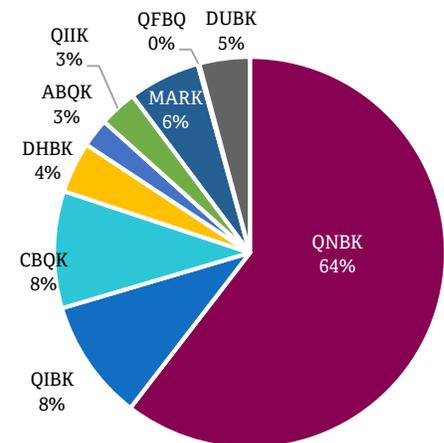
- Loans experienced an increase QoQ and YoY; loans performance was mixed. The loan book grew by 1.3% sequentially (+4.4% YoY) to QR1.40trn in 1Q2024. Some banks witnessed their loan books contract while others increased, both QoQ and YoY. DUBK's loan book expanded by 4.2% sequentially (+9.1% YoY) followed by QIIBK +2.6% (+7.2% YoY). Moreover, QNBK's loan portfolio grew by 1.7% QoQ (+7.1% YoY).
- Deposits also increased both sequentially and YoY. Aggregate deposits increased by 3.2% sequentially (+6.8% YoY) reaching QR1.39trn; MARK's deposits expanded the most, growing by 13.6% QoQ (+12.4% YoY). DUBK's Loans expanded by 12.1% YoY followed by QIIBK (+10.8%)
- Capitalization levels of Qatar banks remained robust. Sector average Tier-1 ratio came in at a robust 18.8%. All the banks generated strong Tier-1 ratios with CBQK improving the most.

Sector Index Performance for 1Q2024



Source: Bloomberg

1Q2024 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2023	4Q2023	1Q2024	YoY	QoQ
QNBK	Qatar National Bank	3,881.7	3,638.3	4,143.3	6.7%	13.9%
QIBK	Qatar Islamic Bank	905.3	1,250.0	955.1	5.5%	-23.6%
CBQK	Commercial Bank of Qatar	577.3	644.8	801.6	38.9%	24.3%
DUBK	Dukhan Bank	414.0	194.8	423.0	2.2%	117.2%
MARK	Masraf Al Rayan	385.0	214.1	406.1	5.5%	89.7%
QIIK	Qatar International Islamic Bank	315.9	187.8	335.2	6.1%	78.5%
DHBK	Doha Bank	208.6	142.6	231.3	10.9%	62.2%
ABQK	Ahli Bank	204.6	221.2	218.1	6.6%	-1.4%
QFBQ	Lesha Bank	22.12	27.62	28.77	30.1%	4.1%
Total		6,914.52	6,521.10	7,542.44	9.1%	15.7%

Source: Company data; Note: Net Income is in QRmn and are headline net income figures

Industrials Sector

Mixed Performances by Sector Constituents YoY/QoQ

Highlights:

- There is both top and bottom line sector recovery YoY following decline in 2023 due to high base effects by sector heavyweight IQCD. This could mark the beginning of earnings recovery/momentum for the sector for the rest of the year.
- The Industrials Index was down by 1.4% (QE Index: -9.1%) in 1Q2024.
- Total traded value was QR8.2bn in 1Q2024 vs. QR7.6bn in 4Q2023.

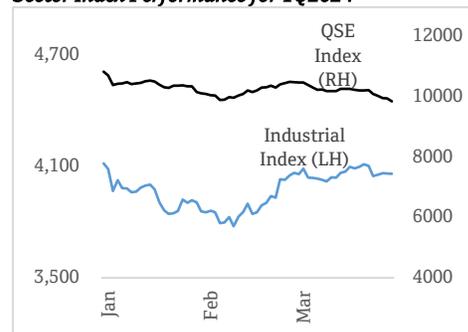
Revenue:

- Sector revenue declined 7.2% YoY in 1Q2024 to QR6.5bn, weighed down by six of the ten sector constituents including heavyweight IQCD's revenue, which fell 16.0%; IQCD accounted for 45.1% (1Q2023: 49.8%) of sector revenue.
- Sequentially, sector revenue rose marginally by 2.8% in 1Q2024. IQCD rose 3.7%. Notable growth came from IGRD (+15.4%), partially offset by MPHC's topline (-18.4%).

Earnings:

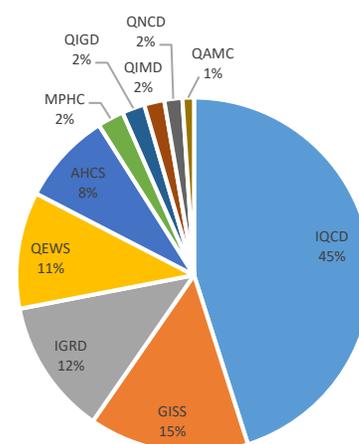
- The sector's 1Q2024 net profit edged up by 0.1% YoY with six out of 10 companies recording declines in earnings. Meanwhile, IQCD (+9.8%), GISS (+76.1%), IGRD (+10.4%) and AHCS (+7.5%) more than offset declines by peers.
- Sequentially, 1Q2024 sector profit declined modestly by 3.3%. Seven out of the 10 sector constituents recorded earnings declines QoQ including IQCD (-10.3%). However, IGRD (+147.5%) and QIMD (+84.1%) saw their earnings climb, while GISS flipped to profit of QR161.2mn from a loss of QR22.9mn.

Sector Index Performance for 1Q2024



Source: Bloomberg

1Q2024 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2023	4Q2023	1Q2024	YoY	QoQ
IQCD	Industries Qatar	1,165,925	1,426,847	1,280,504	9.8%	-10.3%
QEWS	Qatar Electricity & Water Co.	400,663	442,425	318,492	-20.5%	-28.0%
MPHC	Mesaieed Petrochemical Holding Co.	268,624	233,853	194,016	-27.8%	-17.0%
GISS	Gulf International Services	91,514	(22,872)	161,173	76.1%	N.M.
IGRD	Estithmar Holding Group	101,214	45,128	111,697	10.4%	147.5%
AHCS	Aamal Co.	87,495	102,063	94,019	7.5%	-7.9%
QAMC	Qatar Aluminium Manufacturing Co.	92,624	92,481	85,587	-7.6%	-7.5%
QNCN	Qatar National Cement Co.	64,102	53,472	51,372	-19.9%	-3.9%
QIGD	Qatari Investors Holding	54,474	63,621	43,456	-20.2%	-31.7%
QIMD	Qatar Industrial Manufacturing Co.	48,197	19,813	36,469	-24.3%	84.1%
Total		2,374,831	2,456,830	2,376,785	0.1%	-3.3%

Source: Company data; Note: Net Income is in QR'000

Consumer Goods & Services Sector

Revenue/bottom line increased YoY but declined QoQ

Highlights:

- Both sector revenue and bottom line increased YoY but declined QoQ.
- The sector saw a new entry, Al Faleh Educational Holding (FALH), at the beginning of the year, through a transfer of its listing from the venture market to the QSE mainboard. This increased sector constituents to 13, and the mainboard to 52 listings. However, FALH has a different reporting cycle than other companies as its financial year ends in August instead of December. Its latest set of results pertains to its 2Q2024, which we have aggregated with 1Q numbers for the rest of the market.
- The Consumer Goods & Services Index went down 5.1% (QSE Index: -9.1%) in 1Q2024. Sector traded value was QR2.9bn in 1Q2024 vs QR2.9bn in 4Q2023.

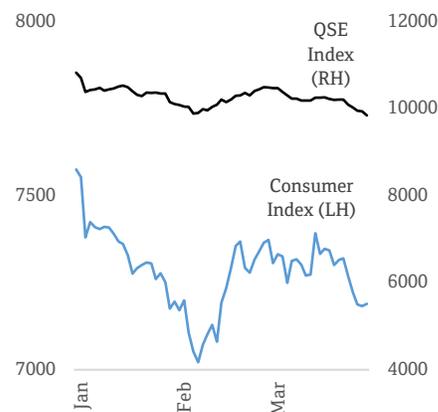
Revenue:

- Sector revenue grew by 5.9% YoY to QR10.7bn in 1Q2024, with 10 of the 13 sector constituents registering positive top line growth. Meanwhile, FALH (-17.1%), QGMD (-16.0) and MEZA (-10.1%) saw their revenues declining YoY.
- Sequentially, revenue for sector fell 7.1% as the sector's heavyweights, QFLS and MCCS, experienced revenue declines.

Earnings:

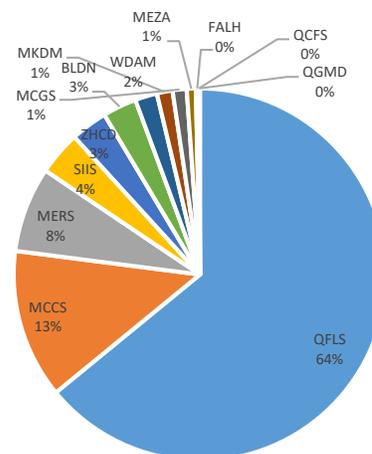
- The sector's 1Q2024 net profit climbed 29.2% as Baladna (+141.0%) and Mannai (+130.7%) more than doubled their bottom lines, while Widam emerged from a loss of QR17.4mn to a profit of QR10.5mn.
- Sequentially, sector bottom line declined 28.1%. Bar three of the 13 sector players, it was a broad-based sector earnings decline.

Sector Index Performance for 1Q2024



Source: Bloomberg

1Q2024 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2023	4Q2023	1Q2024	YoY	QoQ
QFLS	Qatar Fuel	223,214	272,344	243,469	9.1%	-10.6%
MCCS	Mannai Corporation	12,153	127,000	28,033	130.7%	-77.9%
MERS	Al Meera Consumer Goods & Services	43,189	65,358	50,785	17.6%	-22.3%
SIIS	Salam International Investment	6,965	28,536	11,332	62.7%	-60.3%
ZHCD	Zad Holding	41,729	63,091	44,165	5.8%	-30.0%
BLDN	Baladna	20,018	45,073	48,251	141.0%	7.1%
WDAM	Widam Food Company	(17,373)	25,748	10,529	N.M.	-59.1%
MKDM	Mekdam Holding Group	9,679	13,351	10,513	8.6%	-21.3%
MCGS	Medicare Group	18,810	15,311	19,770	5.1%	29.1%
MEZA	Meeza QSTP LLC	10,886	14,199	11,662	7.1%	-17.9%
FALH	Al Faleh Educational Holding	3,228	1,897	2,867	-11.2%	51.1%
QCFS	Qatar Cinema & Film Distribution	1,995	327	2,349	17.7%	617.5%
QGMD	Qatari German Co. for Medical Devices	270	1,162	284	5.5%	-75.5%
Total		374,764	673,398	484,009	29.2%	-28.1%

Source: Company data; Note: Net Income is in QR'000

Insurance Sector

Strong Performance from QISI and QATI Drive Overall Profitability

Highlights:

- **Strong performances from both Qatar Islamic Insurance and Qatar Insurance drove overall sector profitability, even as Qatar General Insurance & Reinsurance witnessed a significant YoY drop that caused a drag to the overall sector and to conventional insurance companies.** Overall conventional insurance companies (QATI, DOHI, QLMI and QGRI) net profit declined marginally by 0.8% YoY, while Islamic insurance companies (AKHI, QISI and BEMA) witnessed a yearly rise in net profit by 21.1% during 1Q2024.
- **Industry heavyweight QATI accounted for half of net profit during 1Q2024**, with gross written premiums by lines of business in recent years revealing a major shift from a high share in motor insurance and property, losing out to increasing shares from health and life and marine and aviation insurance. The introduction of mandatory health insurance being implemented in a phased manner for visitors to Qatar and resident expatriates have had a positive impact on the sectors premium income. Qatar's LNG fleet expansion and Qatar Airways new aircraft purchases have provided for additional premium growth.
- **The Insurance Index dropped 9.9% (QSE Index: -9.1%) in 1Q2024.**
- **Traded value during 1Q2024 was QR498.9mn.**

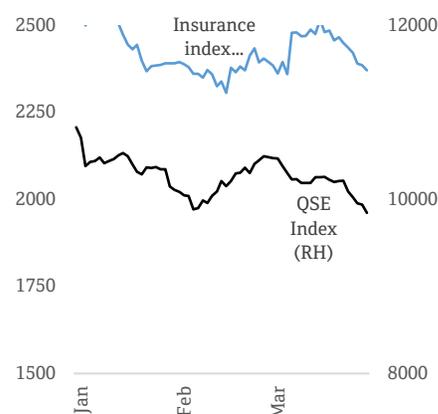
Revenue:

- **The insurance sector's revenue in 1Q2024 increased 18.9% YoY to QR2.96bn from QR2.48bn**, driven mainly by a growth in QATI's insurance revenue (21.4%). Conventional insurance companies accounted for 84.7% of overall insurance revenue during 1Q2024, while Islamic insurance companies accounted for only 15.3%.
- **Conventional insurance companies' revenue went up 16.6% YoY to QR2.50bn from QR2.15bn**, while **Islamic insurance companies' revenue surged by 34.2% (AKHI up 58.1%) during 1Q2024 to reach QR451.7mn from QR336.6mn achieved during 1Q2023.**

Earnings:

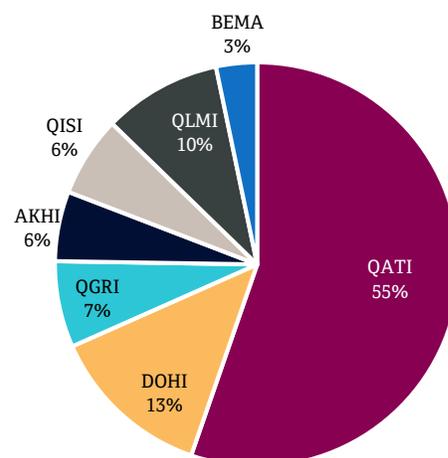
- **The sector's 1Q2024 net profit moved up by 3.4% YoY to reach QR387.6mn, compared to a net profit of QR374.9mn for 1Q2023.**
- **QATI and QISI were the main contributors to the overall rise in sector bottom-line. QATI net profit surged by 12.4% YoY, while the other star performer for 1Q2024 QISI had net profit shoot up by 46.8% YoY.** QISI net profit growth was driven mainly by a huge increase in gross written premiums from business line of takaful and health.

Sector Index Performance for 1Q2024



Source: Bloomberg

1Q2024 Sector Insurance Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2023	1Q2024	YoY
QATI	Qatar Insurance	173,153	194,563	12.4%
DOHI	Doha Insurance	65,585	71,401	8.9%
QGRI	Qatar General Insurance & Reinsurance	44,990	17,985	(60.0%)
AKHI	Al Khaleej Takaful Group	28,226	27,028	(4.2%)
QISI	Qatar Islamic Insurance	29,297	43,009	46.8%
QLMI	Qatar Life & Medical Insurance	20,029	17,435	(13.0%)
BEMA	Damaan Islamic Insurance Company	13,670	16,156	18.2%
	Total	374,949	387,577	3.4%

Source: Company data; Note: Net Income is in QR'000 and QATI earnings are headline net income figures

Telecoms Sector

Positive Momentum Continues

Highlights:

- The telecoms sector remained healthy with its aggregate top-line up YoY and down only marginally sequentially.
- Aggregate net income, while down modestly YoY, increased significantly vs. 4Q2023.
- The Telecoms Index was lower by 2.2% (QSE Index: -9.1%) in 1Q2024.
- Total traded value was QR1.9bn in 1Q2024 vs QR1.4bn during 4Q2023.

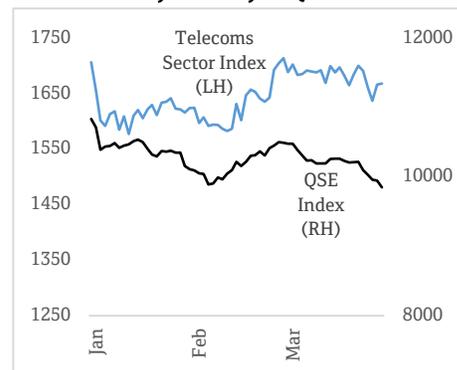
Revenue:

- For 1Q2024, aggregate sector revenue grew 4.0% YoY to QR6.7bn driven by growth in the sector giant Ooredoo's revenue (up 4.0%) to QR5.9bn and supported by Vodafone Qatar's 3.9% YoY increase to QR806.1mn. Ooredoo's revenue growth was driven by its service revenue and the company's performance for the quarter was underpinned by the strong operational performance in Iraq, Algeria, Maldives and Tunisia. Vodafone Qatar's revenue was mainly backed by continued growth in its service revenue that expanded 2.5% YoY.
- Sequentially, revenue dropped slightly by 1.0% in 1Q2024 due to a 1.0% lower revenue QoQ exhibited by ORDS and a 0.8% decline in revenue seen by VFQS.

Earnings:

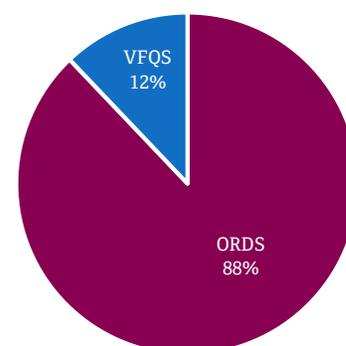
- The sector's 1Q2024 aggregate net profit declined 2.8% YoY to QR1.1bn. The YoY fall in sector earnings was driven by ORDS, which reported a 5.0% decline in profits. However, Ooredoo's normalized earnings grew ~26% YoY to QR1.0bn. VFQS, on the other hand, posted a 12.5% yearly increase in earnings, boosted by continued progress in costs optimization and margin expansion.
- Sequentially, sectoral bottom-line surged 112.8% in 1Q2024 as Ooredoo's earnings surged 159.6% from 4Q2023 that faced higher impairment charges, whereas Vodafone's earnings also increased 1.5% QoQ.

Sector Index Performance for 1Q2024



Source: Bloomberg

1Q2024 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2023	4Q2023	1Q2024	YoY	QoQ
ORDS	Ooredoo	960,566	351,634	912,931	-5.0%	159.6%
VFQS	Vodafone Qatar	133,391	147,920	150,107	12.5%	1.5%
	Total	1,093,957	499,554	1,063,038	-2.8%	112.8%

Source: Company data; Note: Net Income is in QR'000

Real Estate Sector

Lower Housing and Retail Demand Result in Dropping Rental Rates

Highlights:

- **Dropping rental rates due to lower demand from both the residential and retail market and oversupply has pushed the real estate sector profitability down. Freehold property ownership, huge ongoing increase in inbound tourism and government regulatory measures to support the Real Estate sector are expected to provide a major boost to the sector in the coming years.**
- **The Real Estate Index was up by 1.5% (QSE Index: -9.1%) in 1Q2024.**
- Trading value in the sector was QR2.0bn in 1Q2024 vs. QR2.2bn in 4Q2023.

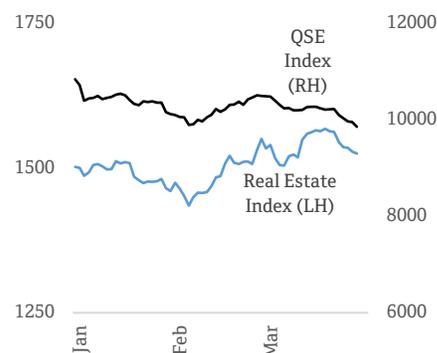
Revenue:

- **The real estate sector's 1Q2024 revenue declined 13.3% YoY to QR1.3bn pushed down mainly by the main three players UDCD, BRES and ERES. Sequentially, revenue dropped 19.2% in 1Q2024 mainly lowered by a 43.9% slide from UDCD.**

Earnings:

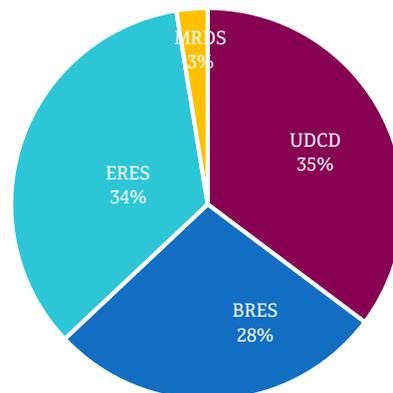
- **The sector's 1Q2024 net profit moved down by 2.7% YoY to QR413.2mn weighed down mainly by UDCD.**
- **Sequentially, sectoral bottom-line dropped 19.0% in 1Q2024** dragged lower mainly by BRES and UDCD. BRES and UDCD earnings dropped by 47.1% and 57.8%, respectively, in 1Q2024. However, ERES recorded a recovery in earnings for 1Q2024, after recording a loss during 4Q2023.

Sector Index Performance for 1Q2024



Source: Bloomberg

1Q2024 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2023	4Q2023	1Q2024	YoY	QoQ
UDCD	United Development Co.	88,022	171,915	72,493	(17.6%)	(57.8%)
BRES	Barwa Real Estate Co.	235,486	450,375	238,227	1.2%	(47.51%)
ERES	Ezdan Real Estate Co.	91,042	(120,015)	95,453	4.8%	N/M
MRDS	Mazaya Qatar Real Estate Dev.	10,199	8,143	7,075	(30.6%)	(13.1%)
Total		424,749	510,418	413,248	(2.7%)	(19.0%)

Source: Company data; Note: Net income is in QR'000

Transportation Sector

Leveraged to LNG Growth, Sector Remains Attractive

Highlights:

- In February 2024, QatarEnergy announced that it will further raise Qatar's LNG production capacity to 142 MTPA before the end of 2030. QatarEnergy has announced that it is proceeding with a new LNG expansion project, the North Field West project, to further raise Qatar's LNG production capacity by 16 MTPA to 142 MTPA before the end of this decade, representing an increase of almost 85% from current production levels. Concurrently, QatarEnergy also announced the discovery of additional gas quantities in the NF estimated at 240tn cubic feet, which raises Qatar's gas reserves to more than 2,000tn cubic feet from 1,760tn cubic feet and raises the condensates reserves to more than 80bn barrels from 70bn barrels. As a result, Qatar's total LNG production will reach about 142 MTPA when this new expansion is complete (~+85% compared to current production levels).
- In February 2024, as expected by QNB FS, QatarEnergy chose Nakilat as the owner and operator of up to 25 conventional LNG vessels tied to the massive 100+ vessels North Field expansion program. Further, in March, QatarEnergy and Nakilat signed long-term charter party agreements for 25 conventional LNG ship related to this agreement. QGTS will own 100% of the 25 LNG vessels, which will be chartered to affiliates of QatarEnergy. They are scheduled for construction in Korean shipyards as part of QatarEnergy's historic LNG Fleet Expansion Project, which is intended to cater for the LNG transportation requirements of QatarEnergy's LNG expansion projects as well as its fleet renewal requirements. **Milaha is also set to benefit from this deal given its 36.3% ownership in QGTS.**
- **The Transportation Index increased 14.5% (QSE Index: -9.1%) in 1Q2024.**
- Trading interest in the transportation sector expanded in 1Q2024 to QR2.9bn in traded value from QR2.6bn in 4Q2023.

Revenue:

- **The transportation sector's 1Q2024 revenue dropped 1.9% YoY to QR2.2bn weighed down by declines in Gulf Warehousing's (-9.0%) and Milaha's top-line (-2.5%), which continues to face a challenging container shipping rate environment.** For GWCS, YoY comparisons remain challenging in logistics due to the residual impact of the World Cup. Freight forwarding, while also down YoY, came in relatively stronger as the segment continued to accelerate vs. 3Q2023's lows. Finally, Nakilat's wholly-owned LNG shipping business remained stable as usual, with revenue up 1.9%.
- **Sequentially, revenue grew 1.4% in 1Q primarily due to a 4.6% increase in Milaha's revenue,** which enjoyed the usual sequential uptick in dividend income.

Earnings:

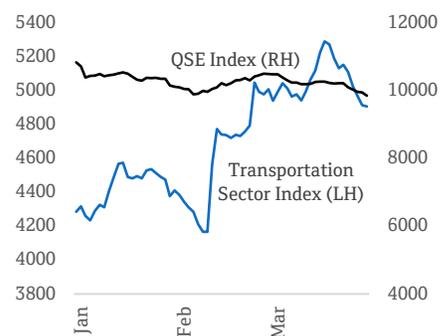
- **The sector's 1Q net profit increased 1.9% YoY to QR835.8mn from QR820.3mn.** QGTS benefited from higher revenue and cash margins, along with lower operating costs.
- **Sequentially, sectoral bottom-line surged by 45.1% in 1Q2024** since 4Q2023 aggregate earnings were only QR576.0mn, with Milaha, in 1Q2024, benefiting from dividend income, lack of impairments and higher profitability across all segments, except its trading division. QGTS, also benefitted from lower sequential depreciation, among other things.

Net Income

Ticker	Company	1Q2023	4Q2023	1Q2024	YoY	QoQ
GWCS	Gulf Warehousing Co.	61,484	47,171	50,879	-17.2%	7.9%
QGTS	Nakilat	395,488	368,349	419,757	6.1%	14.0%
QNNS	Qatar Navigation	363,285	160,462	365,180	0.5%	127.6%
	Total	820,257	575,982	835,816	1.9%	45.1%

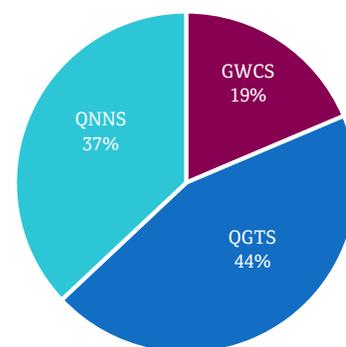
Source: Company data; Note: Net Income is in QR'000

Sector Index Performance for 1Q2024



Source: Bloomberg

1Q2024 Sector Revenue Contribution



Source: QSE

Financial Services Sector

Sector Displayed Lackluster Performance

Highlights:

- **The financial services sector shows weak performance.** Aggregate profitability dropped by 47.4% and 49.8% YoY and sequentially, respectively.
- **The Banks & Financial Services Index underperformed the QSE Index and dropped by 10.6% (QSE Index: -9.1%) in 1Q2024.**

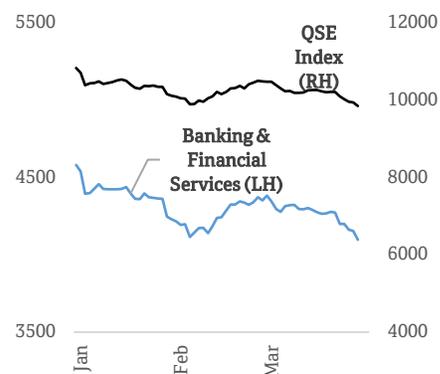
Revenue:

- **The financial services sector's revenue gained by 12.2% YoY to QR29.1mn driven by Inma Holding (IHGS).** IHGS's revenue surged by 212.0% to driven by higher brokerage and commission income. Moreover, **National Leasing Holding's (NLCS)** top-line increased by 4.9% to QR14.9mn, driven by higher core revenues (+8.3% YoY) and lower operating costs (-18.4% YoY).
- **Sequentially, revenue receded 4.4% in 1Q2024 as all the companies witnessed their top-line decline with QOIS, being the exception.** QOIS, reported revenue of QR1.2mn vs. a loss QR1.6mn in 4Q2023.

Earnings:

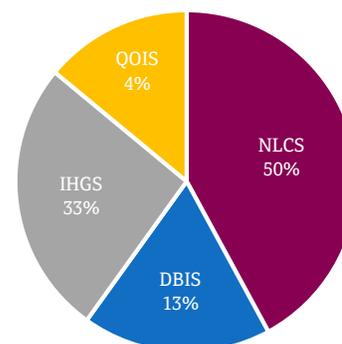
- **The sector reported a net profit of QR4.0mn in 1Q2024 vs. a net profit of QR7.6mn in 1Q2023 and a net profit of QR7.9mn in 4Q2023.** Aggregate net income dropped by 47.4/49.8% YoY/QoQ. The weak performance was attributable to Dlala (DBIS) and Qatar Oman Investment Co (QOIS). DBIS' losses widened from QR2.4mn in 1Q2023 to QR5.0mn in 1Q2024, while QOIS' bottom-line dropped by 87.6%
- **Sequentially, sectoral bottom-line also displayed weakness.** Aggregate bottom-line dropped by 49.8%, mainly attributable to DBIS. DBIS recorded a net loss of QR5mn in 1Q2024 vs. a profit of QR6.7mn in 4Q2023

Sector Index Performance for 1Q2024



Source: Bloomberg

1Q2024 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2023	4Q2023	1Q2024	YoY	QoQ
NLCS	National Leasing Holding	4.1	3.6	4.8	16.4%	34.1%
IHGS	Inma Holding	1.3	4.2	3.6	182.3%	(14.3%)
QOIS	Qatar & Oman Investment	4.6	(6.6)	0.6	(87.6%)	N/M
DBIS	Dlala	(2.4)	6.7	(5.0)	N/M	N/M
Total		7.6	7.9	4.0	(47.4%)	(49.8%)

Source: Company data; Note: Net income is in QRmn

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

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