

## Qatar Gas Transport Co./Nakilat (QGTS)

Recommendation	OUTPERFORM	Risk Rating	R-3
Share Price	QR16.97	Current Target Price	QR21.00
Implied Upside	23.7%		

### Updating Model Post 2017; Upgrading to Outperform

We upgrade QGTS to an Outperform with an unchanged PT of QR21 given recent share price weakness. QGTS' reported 4Q2017 results beat our bottom-line forecast driven primarily by realized gains on investments. Operating results were a little soft on weakness in JV income. We have updated our model with our adjusted revenue/adjusted EBITDA estimates lower by an average of 1% and 2%, respectively, over 2018-2023, while our net income estimates fall by 4% over the same period. We continue to favor Nakilat, #1 owner/operator of LNG vessels globally, as a LT play geared to Qatari LNG's dominance & anticipated growth in the LNG market.

#### Highlights

- 4Q2017 review: Soft JV income but higher other income helped net income.** (1) Wholly-owned ship revenue/EBITDA was in line with our model. (2) JV income was softer-than-expected at QR62mn vs. our forecast of QR100mn. On an annual basis, the miss vs. our estimates was mainly due to the Maran JV, which has medium-term charter exposure on 9 LNG vessels (only vessels with 3<sup>rd</sup> party exposure to charterers other than Qatargas). The Maran JV reported lower-than-expected revenue and higher-than-expected finance charges. (3) 4Q earnings of QR240mn (QNBFS est.: QR210mn) was aided by QR65mn in realized gains on investments, boosting other income to QR74mn (for more details please see page 2). (4) DPS of QR1 (65.5% payout) was in line with our forecast.
- Adjusting forecasts to reflect 2017 and 2 additional vessels in Maran JV.** In early March, QGTS announced it added two conventional LNG ships increasing its fleet from 13 to 15 in 40%-owned Maran JV. We have updated our model to factor this in from March onward along with our estimates of resultant increase in debt and finance charges (at the JV level). These changes, along with other adjustments given 2017 results, have led to our estimates changes mentioned above.
- QGTS is a vital part of Qatar's LNG value chain and enjoys stable revenue/cash flow from LT (25 years/~15 years left) and fixed-rate time LNG charter contracts (take or pay)** with Qatargas and its affiliates. The availability-based take or pay contracts shields QGTS from end-demand volatility and delays in charterers' projects. 11 ships are on spot-to-medium-term charters; LPG is a spot business.
- High leverage but debt is mostly secured by watertight charter agreements; we do not foresee any challenges in debt servicing/repayments.** QGTS has \$5.7bn in debt on its books (2017 net debt-to-EBITDA: 7.8x; 3.5x debt-to-equity/2.4x debt-to-equity excluding hedging reserve and another \$3bn in debt in JVs (2017: net debt-to-EBITDA of 7.6x and 2.5x debt-to-equity). However, out of this, only \$500mn is corporate debt with the rest being non-recourse project financing backed by charter agreements of LNG vessels. A majority of this leverage will be amortized over the remaining life of charters with last of this debt (in form of bonds) paid off by 2033. 54 of the 65 LNG ships are chartered by Qatargas with charter payments to Nakilat mostly retaining higher priority than debt service in the charterer's cash waterfall. We see no major risk of default as ~QR2bn in interest plus repayments per annum is met easily by OCF with no major refinancing expected until 2025 with \$2.7bn in bank facility balloon payments. Interestingly, while QGTS will repay all debt by 2033, LNG ships will retain another 15 years of useful life (until 2048) and can be levered for fleet growth, etc.
- Stable profile with industry-leading EBITDA margins & attractive dividend/FCF yields.** Charter agreements result in stable revenue along with operating costs pass-through (a mixture of capped and uncapped inflation rates) leading to flattish absolute EBITDA. Nakilat's stable business profile is highlighted by its industry-leading margins (average adjusted EBITDA margin of 78.4% over 2010-2017 followed by 77.3% over 2018-2033). A significant majority of interest payments are locked at fixed rates via swaps over the length of the charters/debt at around 5.6%. Locked in charter rates with limited exposure to spot rates along with predictable and declining interest payments virtually guarantees the residual stream for shareholders as dividends. We model dividend yield of 6.2% in 2018, growing to 16.4% by 2033 with FCF yield of 14.0% growing to 30.9% over the same period.

#### Catalysts

- The expansion of Qatar's LNG output from 77 MTPA to 100 MTPA is a significant driver (potentially another 30 conventional vessels).** QGTS is also considering targeting the FSRU business. Vessels have 40-years of life vs. maximum debt life of 25 years (last debt maturing 2033), creating refinancing opportunities to increase fleet size. Medium-term, the shipyard business could improve.

#### Recommendation, Valuation and Risks

- Recommendation & valuation: Our 12-month target is QR21.** QGTS trades at fair-to-attractive multiples vs. peers, while sporting much better EBITDA margins and FCF yields.
- Risks: (1)** Blockade is an overhang but impact has been limited thus far. Shipping ultimately remains the charterers' concern and comprehensive insurance policies (including war insurance) cover QGTS for political stress events under force majeure clauses for 36 months (plus 6 months in many cases). Blockage of the Strait of Hormuz/Gulf of Suez is unlikely. Charterers will also bear any costs of potential rerouting. **(2)** There is a risk existing LNG contracts get renegotiated as they are at a premium to spot (for wholly-owned fleet and some JVs). We would not rule out potential contract restructuring, with QGTS accepting slightly lower charter rates in return for increasing their lengths from 25 to 35+ years. However, bargaining power rests with Qatargas and Nakilat may have no choice but to accept significantly worse contract terms. The likelihood of this is low given investment grade-rated bonds and contagion effects for other GRE-related bond issues.

#### Key Financial Data and Estimates

	FY2016	FY2017e	FY2018e	FY2019e
EPS (QR)	1.72	1.53	1.54	1.73
P/E (x)	9.9	11.1	11.0	9.8
DPS (QR)	1.00	1.00	1.05	1.10
Dividend Yield	5.9%	5.9%	6.2%	6.5%

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

#### Key Data

Current Market Price (QR)	16.97
Current Dividend Yield (%)	5.9
Bloomberg Ticker	QGTS QD
ADR/GDR Ticker	N/A
Reuters Ticker	QGTS.QA
ISIN	QA000A0KD6L1
Sector*	Transportation
52wk High/52wk Low (QR)	22.00/13.05
3-m Average Volume ('000)	330.6
Mkt. Cap. (\$ bn/QR bn)	2.6/9.4
Shares Outstanding (mn)	560.0
FO Limit* (%)	49.0
Current FO* (%)	16.0
1-Year Total Return (%)	(22.8)
Fiscal Year End	December 31

Source: Bloomberg (as of March 12, 2018), \*Qatar Exchange (as of March 12, 2018); Note: FO is foreign ownership

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## 4Q2017 and 2017 Review

**Soft JV income but higher other income helped net income.** (1) Wholly-owned ship revenue/EBITDA was in line with our model. (2) JV income was softer-than-expected at QR62mn vs. our forecast of QR100mn. On an annual basis, the miss vs. our estimates was mainly due to the Maran JV, which has medium-term charter exposure on 9 LNG vessels (only vessels with 3rd party exposure to charterers other than Qatargas). The Maran JV reported lower-than-expected revenue and higher-than-expected finance charges. (3) 4Q earnings of QR240mn (QNBFS est.: QR210mn) was aided by QR65mn in realized gains on investments, boosting other income to QR74mn. (4) DPS of QR1 (65.5% payout) was in line with our forecast.

### 4Q2017 and 2017 Key Metrics

In QR mn	4Q2017	4Q2017e	3Q2017	4Q2016	A vs. E	QoQ	YoY	2017	2017e	2016	A vs. E	YoY
Revenue from Wholly-Owned Vessels	769.3	774.6	770.9	766.3	-1%	0%	0%	3,057.1	3,062.4	3,068.6	0%	0%
Gross Profit	588.7	595.6	593.7	566.2	-1%	-1%	4%	2,359.6	2,366.4	2,350.6	0%	0%
EBITDA	573.8	575.5	571.5	540.6	0%	0%	6%	2,281.4	2,283.1	2,269.9	0%	1%
EBIT	381.2	381.3	377.8	297.8	0%	1%	28%	1,513.4	1,513.6	1,502.3	0%	1%
Share of Operating Profits from Joint Ventures	62.0	99.7	91.4	183.0	-38%	-32%	-66%	339.0	376.7	553.4	-10%	-39%
Net Income to Equity	239.8	209.7	198.1	206.4	14%	21%	16%	846.2	816.0	954.2	4%	-11%
DPS (QR)								1.00	1.00	1.00	0%	0%
Adjusted Revenue	845.6	887.9	876.4	961.4	-5%	-4%	-12%	3,451.3	3,493.7	3,677.2	-1%	-6%
Adjusted EBITDA	635.8	675.2	662.9	723.6	-6%	-4%	-12%	2,620.4	2,659.9	2,823.3	-1%	-7%
Gross Margin	76.5%	76.9%	77.0%	73.9%				77.2%	77.3%	76.6%		
EBITDA Margin	74.6%	74.3%	74.1%	70.5%				74.6%	74.6%	74.0%		
EBIT Margin	49.6%	49.2%	49.0%	38.9%				49.5%	49.4%	49.0%		
Net Margin	8.1%	12.9%	11.9%	23.9%				11.1%	12.3%	18.0%		
Adjusted EBITDA Margin	75.2%	76.0%	75.6%	75.3%				75.9%	76.1%	76.8%		

Source: Company data, QNBFS estimates

## Relative Valuation

**In terms of multiples, QGTS remains relatively cheaper/fairly valued vs. its peers along with substantially better EBITDA margins.** We also point to the company substantial FCF yield resulting from limited capex requirements and significant operating cash flow.

### Valuation Metrics

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033
<b>Valuation</b>												
EV/EBITDA-Adjusted	10.0	10.4	9.9	9.4	8.7	8.4	7.8	7.3	6.7	6.2	3.6	2.0
EV/EBIT	18.8	17.9	17.4	16.8	16.1	15.3	14.6	13.8	12.9	12.0	7.5	4.4
P/E	9.9	11.1	11.0	9.8	8.4	8.2	7.5	6.9	6.4	6.0	4.3	3.7
P/CF	8.4	7.2	6.7	6.3	5.7	5.5	5.2	5.0	4.7	4.5	3.6	3.1
P/B	1.8	1.6	1.5	1.4	1.2	1.1	1.0	0.9	0.9	0.8	0.6	0.5
Dividend Yield	5.9%	5.9%	6.2%	6.5%	6.8%	7.1%	7.4%	7.7%	8.0%	10.0%	13.9%	16.4%
FCF Yield	11.4%	14.0%	14.0%	15.1%	16.8%	17.2%	18.2%	19.2%	20.2%	21.3%	27.2%	30.9%

Source: Bloomberg, QNBFS estimates

### Relative Valuation Versus Peers

Shippers Company	Ticker	Div. Yield	EBITDA Margin		P/E		P/CFPS		EV/EBITDA		FCF Yield	
			FY2018e	FY2019e	FY2018e	FY2019e	FY2018e	FY2019e	FY2018e	FY2019e	FY2018e	FY2019e
COSCO SHIPPING Energy Transportation Co Ltd	1138	5.0%	36.7%	40.9%	9.3x	6.0x	3.8x	3.0x	8.7x	7.0x	3.4%	2.5%
National Shipping Co of Saudi Arabia/The	NSCSA	NA	35.5%	NA	11.5x	NA	NA	NA	9.0x	NA	NA	NA
GasLog Partners LP	GLOG	8.7%	71.6%	71.8%	12.2x	11.3x	5.5x	5.4x	9.4x	8.3x	(25.2%)	(22.5%)
GasLog Ltd	GLOG	3.1%	68.3%	69.1%	35.0x	14.8x	5.3x	4.3x	11.3x	9.7x	(12.6%)	(0.4%)
Dynagas LNG Partners LP	DLNG	16.3%	72.3%	72.8%	23.9x	17.9x	6.3x	6.0x	10.8x	9.7x	5.7%	14.9%
Ship Finance International Ltd	SFL	10.7%	71.3%	73.0%	16.6x	13.5x	9.5x	8.0x	9.7x	9.3x	13.4%	18.0%
Teekey LNG Partners LP	TGP	2.9%	72.4%	74.0%	11.3x	7.7x	6.0x	4.9x	11.5x	9.3x	NA	NA
Golar LNG Ltd	GLNG	0.7%	53.2%	64.6%	nmf	34.9x	20.4x	12.6x	27.4x	17.9x	7.2%	5.5%
Tsakos Energy Navigation Ltd	TNP	5.4%	50.5%	56.8%	53.8x	5.9x	2.0x	1.5x	8.0x	6.5x	57.0%	66.7%
<b>Average</b>		<b>6.6%</b>	<b>59.1%</b>	<b>65.4%</b>	<b>21.7x</b>	<b>14.0x</b>	<b>7.3x</b>	<b>5.7x</b>	<b>11.7x</b>	<b>9.7x</b>	<b>7.0%</b>	<b>12.1%</b>
<b>Median</b>		<b>5.2%</b>	<b>68.3%</b>	<b>70.4%</b>	<b>14.4x</b>	<b>12.4x</b>	<b>5.8x</b>	<b>5.2x</b>	<b>9.7x</b>	<b>9.3x</b>	<b>5.7%</b>	<b>5.5%</b>
<b>Qatar Gas Transport Co Ltd</b>	<b>QGTS</b>	<b>5.9%</b>	<b>76.0%</b>	<b>76.2%</b>	<b>11.0x</b>	<b>9.8x</b>	<b>6.7x</b>	<b>6.3x</b>	<b>9.9x</b>	<b>9.4x</b>	<b>14.0%</b>	<b>15.1%</b>

Note: Where coverage is not available, estimates are based on Bloomberg consensus, if available

Mean/Median calculated if more than 3 observations are present

NA: Not Applicable

nmf: Not Meaningful (typically refers to negative or exceedingly large values)

Source: Bloomberg, QNBFS Research

## Key Growth Rates/CAGRs

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033	CAGR '17-'33
<b>Growth Ratios (In %)</b>													
Revenue - Wholly Owned	0.7%	(0.4%)	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Revenue - Adjusted	2.0%	(6.1%)	1.0%	1.5%	2.9%	(0.7%)	1.2%	1.1%	1.1%	1.2%	1.2%	1.2%	1.2%
Gross Profit	0.1%	0.4%	(0.2%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	0.0%
EBITDA	(1.1%)	0.5%	(0.1%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA - Adjusted	1.1%	(7.2%)	1.0%	1.9%	3.6%	(1.1%)	1.5%	1.3%	1.3%	1.4%	1.5%	1.5%	1.4%
EBIT	(6.5%)	0.7%	(0.4%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.1%)
EPS	(2.9%)	(11.3%)	0.7%	12.3%	17.0%	2.9%	8.9%	8.0%	7.6%	7.8%	6.0%	5.3%	7.2%
CFPS	(9.9%)	16.7%	6.9%	7.1%	10.6%	2.5%	5.4%	5.1%	5.0%	5.2%	4.5%	4.1%	5.3%
FCFPS	(4.9%)	22.0%	0.3%	7.6%	11.3%	2.6%	5.7%	5.3%	5.2%	5.5%	4.6%	4.2%	5.1%
DPS	(20.0%)	0.0%	5.0%	4.8%	4.5%	4.3%	4.2%	4.0%	3.8%	26.1%	6.0%	5.3%	6.6%

Source: Bloomberg, QNBFS estimates

## Key Forecasts: Revenue and Income

**100% of QGTS' top-line is driven by revenue from its 25 wholly-owned LNG vessels, which are under long-term charters with Qatargas.** Below we show the net income split by major segments. The JV businesses drop as a proportion of net income in 2017 because of a one-time hedging gain posted in 2016 and weak performance in 4Q2017. However, JV income receives a boost in 2018 because of fleet expansion in Nakilat's Maran JV. Other income drops off in 2018 given one-time realized gains on sales of investments in 2017. Income contribution from the wholly-owned fleet accelerates in 2021 as we assume lower charter rates for Nakilat's 40%-owned Maran JV (15 conventional ships), which is the only joint venture with exposure to non-Qatari charterers.

### Net Income Split

Net Income Mix	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033
Wholly-Owned Fleet	33%	41%	45%	46%	45%	49%	50%	51%	52%	53%	55%	56%
JV Business	58%	40%	43%	44%	46%	42%	42%	42%	41%	41%	40%	39%
Marine & Agency Services	6%	7%	7%	6%	5%	5%	5%	5%	4%	4%	3%	3%
Vessel Sub-Chartering & Other Income	3%	12%	5%	4%	3%	3%	3%	3%	3%	3%	2%	2%

Source: Company data, QNBFS estimates

## Key Forecasts: Profitability and Growth Metrics

**ROIC should increase over time given pay down of debt, lower interest expenses and growth in JV income.** This is despite profitability margins for the wholly-owned operations coming down for Nakilat as we expect costs to outpace flattish top-line of wholly-owned vessels. Growth of operating metrics remains flattish, for the most part, with profitability already at elevated levels. ROE levels remain healthy. We note all return ratios calculated on Nakilat's equity (such as ROE, ROIC, ROCE, etc.) get "artificially" compressed because of ongoing reduction in the company's negative hedging reserves that boost its shareholders equity.

### Ratio Analysis

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033
<b>Growth Ratios (In %)</b>												
Revenue - Wholly Owned	0.7%	(0.4%)	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Revenue - Adjusted	2.0%	(6.1%)	1.0%	1.5%	2.9%	(0.7%)	1.2%	1.1%	1.1%	1.2%	1.2%	1.2%
Gross Profit	0.1%	0.4%	(0.2%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)
EBITDA	(1.1%)	0.5%	(0.1%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA - Adjusted	1.1%	(7.2%)	1.0%	1.9%	3.6%	(1.1%)	1.5%	1.3%	1.3%	1.4%	1.5%	1.5%
EBIT	(6.5%)	0.7%	(0.4%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)
EPS	(2.9%)	(11.3%)	0.7%	12.3%	17.0%	2.9%	8.9%	8.0%	7.6%	7.8%	6.0%	5.3%
CFPS	(9.9%)	16.7%	6.9%	7.1%	10.6%	2.5%	5.4%	5.1%	5.0%	5.2%	4.5%	4.1%
FCFPS	(4.9%)	22.0%	0.3%	7.6%	11.3%	2.6%	5.7%	5.3%	5.2%	5.5%	4.6%	4.2%
DPS	(20.0%)	0.0%	5.0%	4.8%	4.5%	4.3%	4.2%	4.0%	3.8%	26.1%	6.0%	5.3%
<b>Operating Ratios (In %)</b>												
Gross Margin	76.6%	77.2%	77.0%	76.9%	76.8%	76.7%	76.6%	76.5%	76.4%	76.3%	75.8%	75.5%
EBITDA Margin	74.0%	74.6%	74.5%	74.4%	74.3%	74.3%	74.2%	74.1%	74.1%	74.0%	73.7%	73.6%
Adj. EBITDA Margin	76.8%	75.9%	76.0%	76.2%	76.8%	76.5%	76.7%	76.8%	77.0%	77.2%	78.1%	78.6%
EBIT Margin	49.0%	49.5%	49.3%	49.2%	49.2%	49.1%	49.0%	49.0%	48.9%	48.8%	48.5%	48.4%
Net Margin	31.1%	27.7%	27.9%	31.3%	36.5%	37.6%	40.9%	44.1%	47.4%	51.0%	70.6%	82.6%
<b>Finance Ratios</b>												
Net Debt-to-EBITDA	8.3	7.8	7.4	7.0	6.5	6.1	5.5	5.0	4.4	3.8	0.8	-1.2
Debt-Equity Ratio	4.1	3.5	3.1	2.7	2.3	2.0	1.7	1.4	1.2	1.0	0.3	0.0
Net Debt-Equity Ratio	3.6	3.0	2.7	2.3	2.0	1.7	1.4	1.2	0.9	0.7	0.1	-0.1
Interest Coverage	1.3	1.3	1.3	1.4	1.5	1.6	1.7	1.8	2.0	2.2	5.3	36.0
EBITDA Interest Coverage	1.9	1.9	2.0	2.1	2.3	2.4	2.6	2.8	3.0	3.4	8.1	54.8
<b>Return Ratios (In %)</b>												
ROCE	5.6%	5.7%	5.8%	5.9%	6.0%	6.1%	6.2%	6.3%	6.4%	6.5%	7.0%	7.3%
ROIC	1.5%	1.1%	1.0%	1.4%	1.9%	2.0%	2.3%	2.6%	3.0%	2.7%	4.1%	5.0%
ROE	18.1%	14.3%	13.3%	13.8%	14.7%	13.9%	13.8%	13.7%	13.5%	13.3%	12.9%	12.4%
ROA	3.1%	2.8%	2.9%	3.3%	4.0%	4.2%	4.7%	5.1%	5.6%	6.2%	9.6%	11.9%
<b>Liquidity Ratios</b>												
Current Ratio	2.0	2.0	1.7	1.6	1.6	1.5	1.5	1.5	1.4	1.4	1.3	3.8
Quick Ratio	2.0	2.0	1.7	1.5	1.6	1.5	1.5	1.5	1.4	1.4	1.3	3.8

Source: Company data, QNBFS estimates

## Key Forecasts: Debt Schedule

We see no major risk of default as ~QR2bn in interest plus repayments per annum is met easily by OCF with no major refinancing expected until 2025 with \$2.7bn in bank facility balloon payments. Interestingly, while QGTS will repay all debt by 2033, LNG ships will retain another 15 years of useful life (until 2048) and can be re-levered for fleet growth, etc.

### Debt Schedule for Wholly-Owned Fleet

In QR Million	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033
Loan 1	1,821	1,821	1,821	1,517	1,214	910	607	303	-			
Repayment/Issuance	-	-	-	(303)	(303)	(303)	(303)	(303)	(303)			
Senior Bank Facilities	12,571	12,210	11,827	11,421	10,988	10,529	10,041	9,522	8,971	-		
Repayment/Issuance	(339)	(360)	(383)	(407)	(432)	(459)	(488)	(519)	(551)	(8,971)		
Subordinated Bank Facilities	1,430	1,391	1,349	1,305	1,257	1,207	1,153	1,096	1,035	-	-	-
Repayment/Issuance	(37)	(39)	(42)	(45)	(47)	(51)	(54)	(57)	(61)	(1,035)	-	-
Loan 2	-	-	-	-	-	-	-	-	-	-	-	-
Repayment/Issuance	-	-	-	-	-	-	-	-	-	-	-	-
Senior Bonds - Series "A"	3,095	3,095	3,095	3,095	3,095	2,974	2,731	2,488	2,246	2,003	789	-
Repayment/Issuance	-	-	-	-	-	(121)	(243)	(243)	(243)	(243)	(243)	(303)
Subordinated bonds Series "A"	927	895	861	825	787	746	703	656	607	555	239	-
Repayment/Issuance	(30)	(32)	(34)	(36)	(38)	(41)	(43)	(46)	(49)	(52)	(71)	(83)
KEXIM Facility	633	475	317	158	-	-	-	-	-	-	-	-
Repayment/Issuance	(158)	(158)	(158)	(158)	(158)	-	-	-	-	-	-	-
KSURE Covered Facility	997	784	570	356	142	-	-	-	-	-	-	-
Repayment/Issuance	(214)	(214)	(214)	(214)	(214)	(142)	-	-	-	-	-	-
New Loans/Refinancings										8,894	3,334	-
Issuance/repayment										(1,112)	(1,112)	(1,110)
Less: Insurance Costs of Bonds	(24)	(22)	(21)	(20)	(18)	(17)	(15)	(14)	(13)	(11)	(4)	-
Less: Costs of Islamic Financing	(10)	(9)	(7)	(6)	(5)	(3)	(2)	(0)	-	-	-	-
Less: Transaction Costs of Refinancing	(21)	(19)	(16)	(14)	(12)	(9)	(7)	(5)	(2)	-	-	-
<b>Total</b>	<b>21,420</b>	<b>20,622</b>	<b>19,796</b>	<b>18,638</b>	<b>17,450</b>	<b>16,337</b>	<b>15,210</b>	<b>14,047</b>	<b>12,844</b>	<b>11,441</b>	<b>4,358</b>	<b>-</b>
<b>Total Repayments/Issuances</b>	<b>(773)</b>	<b>(798)</b>	<b>(826)</b>	<b>(1,158)</b>	<b>(1,189)</b>	<b>(1,113)</b>	<b>(1,126)</b>	<b>(1,163)</b>	<b>(1,203)</b>	<b>(1,403)</b>	<b>(1,425)</b>	<b>(1,495)</b>
<b>Interest</b>	<b>(1,188)</b>	<b>(1,172)</b>	<b>(1,127)</b>	<b>(1,071)</b>	<b>(1,006)</b>	<b>(942)</b>	<b>(879)</b>	<b>(816)</b>	<b>(750)</b>	<b>(677)</b>	<b>(283)</b>	<b>(42)</b>
<b>Repayments + Interest Payments</b>	<b>(1,961)</b>	<b>(1,971)</b>	<b>(1,952)</b>	<b>(2,229)</b>	<b>(2,194)</b>	<b>(2,055)</b>	<b>(2,006)</b>	<b>(1,979)</b>	<b>(1,953)</b>	<b>(2,080)</b>	<b>(1,707)</b>	<b>(1,536)</b>

Source: Company data, QNBFS estimates

## Detailed Financial Statements

### Income Statement

Income Statement (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Revenue – Wholly-Owned Ships	3,057	3,060	3,063	3,066
Direct Costs	(697)	(704)	(708)	(712)
<b>Gross Profit</b>	<b>2,360</b>	<b>2,355</b>	<b>2,355</b>	<b>2,354</b>
Income from Marine & Agency Services	55	56	57	59
General and Administrative Expenses	(133)	(134)	(134)	(134)
<b>EBITDA</b>	<b>2,281</b>	<b>2,278</b>	<b>2,279</b>	<b>2,279</b>
Depreciation	(768)	(770)	(771)	(772)
<b>EBIT</b>	<b>1,513</b>	<b>1,508</b>	<b>1,508</b>	<b>1,507</b>
Share of Profits from Joint Ventures	339	369	419	517
Finance Costs	(1,172)	(1,127)	(1,071)	(1,006)
Interest, Dividend & Profit from Islamic Banks	64	64	64	64
Vessels Sub-Chartering & Other Income	103	39	39	39
<b>Profit Before Tax</b>	<b>847</b>	<b>854</b>	<b>959</b>	<b>1,121</b>
Income Tax Expense	0	0	0	0
<b>Profit After Tax</b>	<b>847</b>	<b>854</b>	<b>959</b>	<b>1,121</b>
Minority Interest	(1)	(1)	(1)	(2)
<b>Profit for Equity Shareholders</b>	<b>846</b>	<b>852</b>	<b>957</b>	<b>1,120</b>
<b>EPS (QR)</b>	<b>1.53</b>	<b>1.54</b>	<b>1.73</b>	<b>2.02</b>
<b>Adjusted Net Revenue</b>	<b>3,451</b>	<b>3,485</b>	<b>3,539</b>	<b>3,641</b>
<b>Adjusted EBITDA</b>	<b>2,620</b>	<b>2,647</b>	<b>2,698</b>	<b>2,796</b>

Source: Company data, QNBFS estimates

### Balance Sheet

Balance Sheet (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
<b>Non-Current Assets</b>				
Property, Plant and Equipment	22,392	21,708	21,023	20,337
Investment in Joint Venture Companies	4,144	4,268	4,394	4,523
Loans to Joint Venture Companies	99	99	99	99
Available-for-Sale Investments	109	109	109	109
<b>Total Non-Current Assets</b>	<b>26,744</b>	<b>26,184</b>	<b>25,624</b>	<b>25,068</b>
<b>Current Assets</b>				
Receivables, Inventories and Due from Joint Ventures	400	400	400	401
Cash and Bank Balances	2,775	2,835	2,634	2,536
<b>Total Current Assets</b>	<b>3,175</b>	<b>3,235</b>	<b>3,035</b>	<b>2,937</b>
<b>Total Assets</b>	<b>29,919</b>	<b>29,418</b>	<b>28,659</b>	<b>28,004</b>
<b>Equity</b>				
Equity Attributable to the Parent	5,922	6,393	6,941	7,625
Minority Interest	4	5	7	8
<b>Total Equity</b>	<b>5,926</b>	<b>6,398</b>	<b>6,948</b>	<b>7,633</b>
<b>Non-Current Liabilities</b>				
Borrowings	19,789	18,638	17,450	16,337
Fair Value of Interest Rate Swaps	2,478	2,323	2,168	2,014
Provision for End of Service Benefits	148	148	148	148
<b>Total Non-Current Liabilities</b>	<b>22,416</b>	<b>21,109</b>	<b>19,766</b>	<b>18,498</b>
<b>Current Liabilities</b>				
Borrowings	832	1,158	1,189	1,113
Accounts Payables/Accruals & Due to Related Parties	746	753	756	760
<b>Total Current Liabilities</b>	<b>1,578</b>	<b>1,911</b>	<b>1,945</b>	<b>1,873</b>
<b>Equity and Liabilities</b>	<b>29,919</b>	<b>29,418</b>	<b>28,659</b>	<b>28,004</b>

Source: Company data, QNBFS estimates

### Recommendations

*Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*

<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

### Risk Ratings

*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*

<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

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