

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR16.64	Target Price	QR19.5
Implied Upside	17%		

Weak 1Q2012 Results; Lowering Estimates and Target Price

Lowering target price to QR19.50; Maintain Accumulate rating. QGTS reported softer than expected 1Q2012 results, which was the 2nd straight quarter of sequential declines. While the company's revenue from wholly-owned vessels (under long-term charters) remained weaker-than-expected on a sequential basis, QGTS' share of operating profits from joint-venture ships (which operate under a mix of spot and charter rates) were unable see much benefit from strong spot day rates thus far. With an eye to the weak 1Q2012 results, we have adopted a more conservative stance and reduced our estimates. We have also lowered our price target to QR19.50 from QR20.50 previously but maintain our Accumulate rating. We continue to view Nakilat as a stable yield play albeit with limited top-line growth prospects in the medium-term. QGTS remains Qatar's primary LNG carrier and benefits from stable/visible revenue and cash flow through 25-year fixed (price and quantity) charter contracts with the state-controlled LNG producers, Qatargas and RasGas. With fleet expansion completed in 2010, we expect the company to generate QR2.3bn in free cash flow per year going forward. Strong FCF generation should allow the company to pay down its significant debt load (QR24.6bn as of 1Q2012) and lead to EPS accretion.

Financial Results and Key Takeaways

- **Reported 1Q2012 net revenue fell sequentially by 3.9%.** QGTS posted a net revenue figure of QR823mn for 1Q2011, which was around QR40mn shy of our modeled estimate. Net revenue posted a YoY growth of 3.2%. By segment: (1) Revenue from the company's 25 wholly-owned LNG vessels decreased 1.8% QoQ but increased 3.1% versus 1Q2011. (2) Share of operating profits from the company's 33 joint-venture ships fell 25.7% and 16.0% on a QoQ and YoY basis, respectively to QR49mn. (3) Finally, income from marine and agency services decreased by 23.1% QoQ (up 17.8% YoY) to QR9mn.
- **Net income also disappoints.** For 1Q2012, Nakilat posted a net income of QR177mn, down 15.0% QoQ and 6.3% YoY. Net income, on a quarterly basis, has declined to the lowest point since 4Q2010. Softer-than-expected top line growth along with somewhat sticky finance charges has impacted results, in our view.
- **Lowering estimates and target price given softer-than expected 1Q2012 results.** While we remain bullish on the company in the long-term, we have adjusted our estimates factoring in 1Q2012 results and forecasted softer top line growth going forward. We maintain our Accumulate rating with a revised target price of QR19.50.

Key Data:

Bloomberg ticker	QGTS QD
ADR/GDR ticker	N/A
Reuters ticker	QGTS.QA
ISIN	QA000A0KD6L1
Sector	Transportation
52wk high/52wk low (QR)	18.75/16.40
3-m average volume ('000)	922.2
Mkt. cap. (USD bn/QR bn)	2.6/9.3
Shares outstanding (mn)	560
FOL Limit* (%)	24.7
FOL Limit* (mn)	138
1-year total return (%)	(4.5)
Fiscal year end	Dec 31

Source: Bloomberg (as of April 22, 2012), *Qatar Exchange

Broker Recommendations

Recommendation	Number
Buy	6
Hold	0
Sell	1

Source: Bloomberg

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Key Financial Data and Estimates

QR mn ex. per share values	New				Previous		
	2011	2012e	2012e	% Change	2013e	2013e	% Change
Revenue (Net)	3,376	3,357	3,449	-2.7%	3,418	3,480	-1.8%
Adjusted EBITDA	2,798	2,780	2,852	-2.5%	2,827	2,868	-1.5%
Net Income	833	817	889	-8.0%	917	959	-4.4%
EPS	1.47	1.48	1.60	-8.0%	1.66	1.73	-4.4%
DPS	0.85	0.85	0.75	13.3%	0.85	0.75	13.3%

Source: Company Data, QNBFS Estimates

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

Risk Ratings	
<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
R-1	Significantly lower than average
R-2	Lower than average
R-3	Medium / In-line with the average
R-4	Above average
R-5	Significantly above average

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