QNBFS Alert – QNNS 2Q2013 Net Income Up 45.8% YoY

- **Robust 2Q2013 net profit driven by improved profitability.** Milaha posted net profit of QR229mn for 2Q2013, a drop of 33.5% QoQ. Net income exceeded our forecast of QR212mn. As is generally the case, 2nd quarter numbers are sequentially weaker as the company usually realizes hefty investment income during the 1st quarter. However, on a YoY basis, the company's net profit surged 45.8% on the back of robust performance from 1) Offshore (+56.2% YoY; higher utilization at Halul & two new vessels), 2) Maritime & Logistics (+45.5% YoY; import/export volume growth) and 3) Capital (QR62mn vs. QR13mn in 2Q2012; likely driven by significant unrealized capital gains). It is worth noting that QNNS reduced its costs by 11.7% and 16.4% QoQ and YoY, respectively, which helped it achieve robust growth.

- **Milaha's business model is deeply linked to the Qatar growth story.** We continue to believe that QNNS' business is levered to Qatar's economic growth through: 1) offshore oil & gas (26% of 2012 revenue), 2) the construction sector (22%), 3) import and export activities/logistics (33%), including the LNG and LPG markets (11% of revenue) and 4) the property market (8% of revenue).

- **Marine transport and port management to aid growth.** As a result of Milaha being awarded the contract to manage and operate the Doha Port, QNNS has enhanced operations and increased throughput capacity from 400k TEUs to 650k TEUs in 2012 (mid-2013: 750k TEUs). Moreover, volumes in Doha port are expected to increase by ~15% to 20% in 2013. Marine transport is the division that dominates the Doha-Jebel Ali route and is highly reliant on Qatar's imports. The IMF projects import volumes to increase by 12.2% in 2013, 8.3% in 2014 and 11.1% in 2015.

- **5% share buy back to boost stock further.** At current prices this buyback is worth ~QR440mn. We also expect the company to pay a cash dividend of QR4/share in 2013 (DY: 5.2%).

Recommendations *Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*	
OUTPERFORM	Greater than +20%
ACCUMULATE	Between +10% to +20%
MARKET PERFORM	Between -10% to +10%
REDUCE	Between -10% to -20%
UNDERPERFORM	Lower than -20%

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

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