

# Qatar Navigation Q.P.S.C. (MILAHA) - 3Q23 Result Review

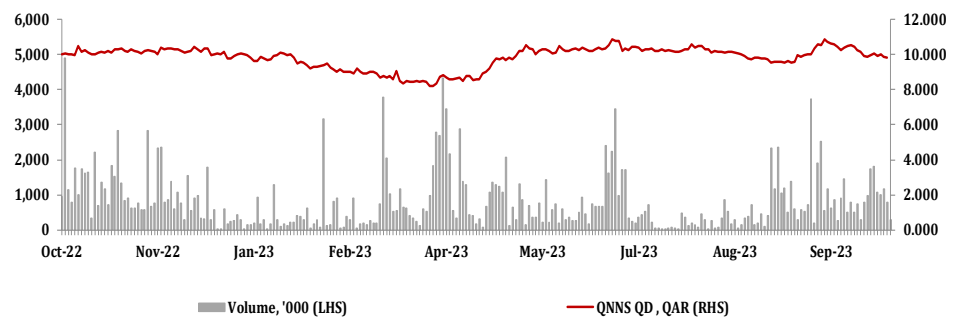
Analyst: Neetika Gupta

**Previous Recommendation:** Hold  
**Previous Reco. & Date:** TP: QAR 11.41 per share; Hold on 07-August-2023

**Target Price (QAR):** 11.41  
**Upside / (Downside):** 16%

**Date:** 19-10-2023

Bloomberg Ticker	QNNS QD
Current Market Price (QAR)	9.809
52wk High / Low (QAR)	11/8.1
12m Average Vol. (000)	804.4
Mkt. Cap. (USD/QAR mn)	11,145/11,145
Shares Outstanding (mn)	1,136.2
Free Float (%)	85%
3m Avg Daily Turnover (000)	7,087.4
6m Avg Daily Turnover (000)	7,175.9
P/E'23e (x)	7.6x
EV/EBITDA'23e (x)	10.9x
Dividend Yield '23e (%)	4.2%
Price Perf. (1m/3m) (%)	-7.4%/-3.9%



## Operating revenue decreases 9% YoY, misses estimates.

The company reported operating revenue of QAR 717mn (-9% YoY, -4% QoQ) for Q3'23, which missed our estimated QAR 864mn. The deviation was likely due to lower-than-expected revenue contribution from the Maritime & Logistics segment, which witnessed revenue drop of 68% in Q3'23 compared to previous year and dropped 57% compared to Q2'23 amid the drop-in container shipping rates from record high.

## Operating profit declines 47% YoY and 55% QoQ, missed estimates.

The company reported an operating profit of QAR 60mn, missing our estimated QAR 199mn for Q3'23. On a YoY basis, operating profit declined by 47% and it declined by 55% on a QoQ basis. This can be primarily attributed to higher-than-expected operating supplies and expenses and lower-than-expected revenue.

## Net profit increased marginally, missed estimate.

Despite the significant decline in operating profit, the company's net income increased marginally by 6% on a YoY basis, primarily due to no impairment on property, vessels, and intangible assets which the group incurred in Q3'22. However, on a QoQ basis, the group witnessed a 22% decline primarily due to lower-than-expected operating margins compared to Q2'23. (Operating margin 8.4% in Q3'23 vs 17.9% in Q2'23).

## Maintain Target Price.

We are maintaining our Hold rating on the stock amid the global economic concerns, which include the potential for a recession, prolonged higher interest rates, a slow recovery in China, and the ongoing conflict in West Asia. Nonetheless, we anticipate earnings stability beyond the first half of 2024, amid the group's long-term contracts. As a result, we are keeping our target price at QAR 11.41 and continuing to recommend a Hold rating for the stock.

## Valuation.

Qatar Navigation is trading at 2023e P/E of 7.6x – a 22% discount to the historical average 1-year forward P/E of 9.7x. Similarly, the stock trades at a discount of 12% on EV/EBITDA of 10.9x, based on our FY23 estimate, vs historical average of 12.3x.

Income Statement												
(QR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Operating Revenue	789	722	766	745	717	864	-9%	-4%	-17%	2,563	2,227	-13.1%
Operating Profit	114	63	210	133	60	199	-47%	-55%	-70%	424	404	-4.8%
<b>Net Profit</b>	<b>210</b>	<b>164</b>	<b>363</b>	<b>284</b>	<b>222</b>	<b>422</b>	<b>6%</b>	<b>-22%</b>	<b>-47%</b>	<b>851</b>	<b>870</b>	<b>2.2%</b>

Balance Sheet												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Shareholders' Equity	15,607	16,012	15,851	16,206	16,517	16,628	6%	2%	-1%	15,463	16,517	6.8%

Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Operating Profit Margin	14.4%	8.7%	27.4%	17.9%	8.4%	23.1%						
Net Profit Margin	26.6%	22.7%	47.4%	38.2%	31.0%	48.9%						
Return on Equity (RoE)	5.4%	4.1%	9.2%	7.0%	5.4%	10.2%						

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research


For our earlier report, please [click here](#).


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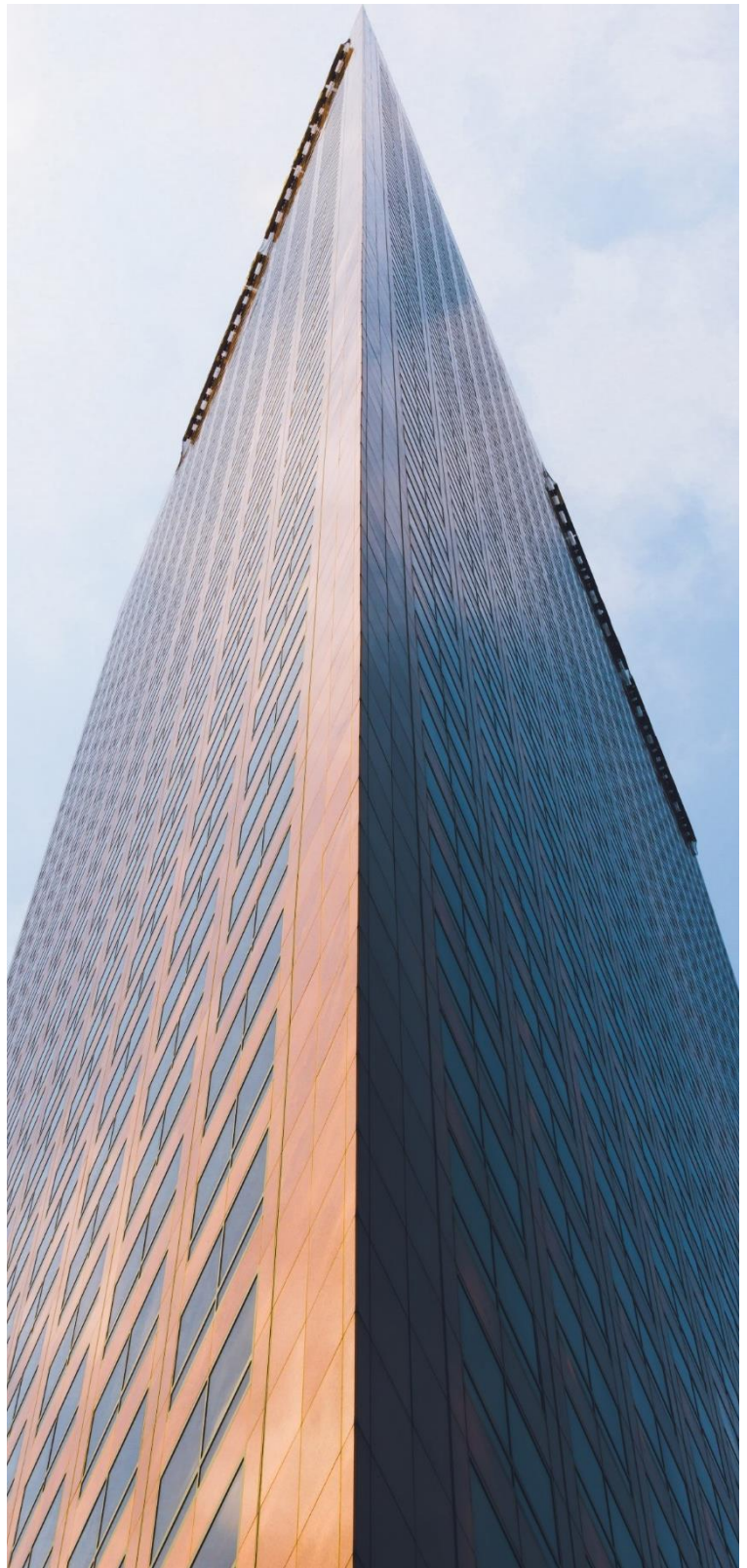
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## Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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