

Qatar Electricity & Water (QEWS) - 2Q23 Result Review

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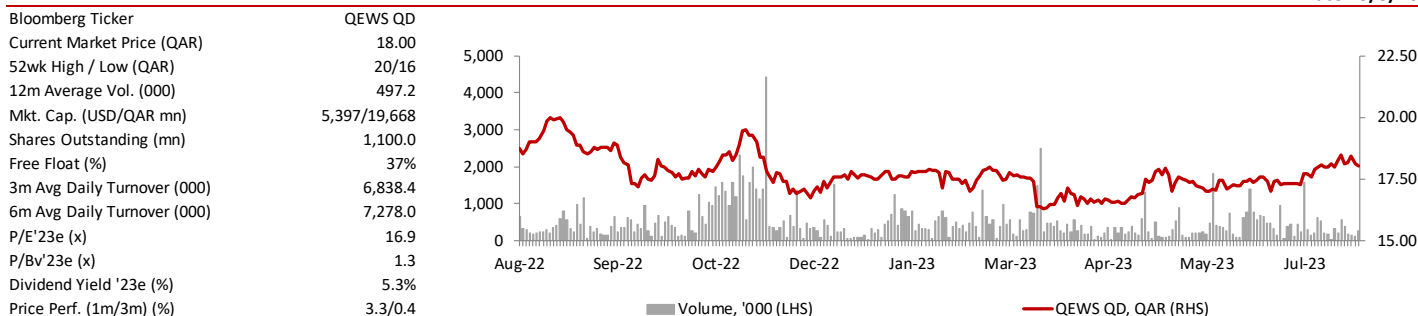
Previous Recommendation: **Accumulate**

Previous TP & Date: TP: QAR 19.90 per share on 17-Apr-2023

Target Price (QAR): **19.90**

Upside / (Downside): **11%**

Date: 8/8/2023



QEWS' revenue rises at a faster than estimated pace in 2Q 2023

QEWS' revenue increased 20% YoY during the last quarter to QAR 741.0mn, beating our estimate by 14%. However, the revenue in 2Q 2023 is not strictly comparable with that of 2Q 2022 since QEWS started consolidating Nebras' operations from 2H 2022.

Net profit climbed 24% YoY, beating our estimate by 36%

Driven by strong revenue growth, net profit climbed 24% YoY to QAR 368.3mn, exceeding our forecast by 36%. The bottom-line growth was also accompanied by a slightly over 180 bp YoY expansion in net profit margin to 49.7% (our estimate: 41.7%).

Maintain target price

Considering the strong earnings growth coupled with the improvement in profitability, we stick with our QAR 19.90 target price on the stock.

Valuation

At the current market price, the stock trades at 16.9x on our FY 2023e EPS and 1.3x FY 2023e BVPS, above its 3-year daily average 12-month forward P/E of 12.2x, but lower than its 3-year daily average 12-month forward P/B of 1.5x.

Income Statement												
(QAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)	1H 22	1H 23	YoY (%)
Sales/Revenue	617.9	691.8	790.7	639.0	741.0	652.0	20%	16%	14%	1,200.0	1,380.0	15.0%
Gross Profit (Loss)	258.6	250.1	339.2	203.9	NA	256.4	NM	NM	NM	NA	NA	NM
Operating Profit (Loss)	354.1	244.9	292.7	262.8	NA	277.3	NM	NM	NM	NA	NA	NM
Net Profit (Loss) after Zakat and tax	295.9	565.4	460.8	400.7	368.3	271.6	24%	-8%	36%	685.0	769.0	12.3%
Balance Sheet												
(QAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	13,339.1	14,637.9	15,123.8	14,086.6	14,455.0	14,358.2	8%	3%	1%			
Key Ratios												
	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e						
Gross Profit Margin	41.8%	36.1%	42.9%	31.9%	NM	39.3%						
Operating Profit Margin	57.3%	35.4%	37.0%	41.1%	NM	42.5%						
Net Profit Margin	47.9%	81.7%	58.3%	62.7%	49.7%	41.7%						
Return on Equity (RoE)	8.9%	15.5%	12.2%	11.4%	10.2%	7.6%						
Annualized EPS (QAR)	1.076	2.056	1.676	1.457	1.339	0.988						
BVPS (QAR)					13.141	13.053						
TTM P/E (x)					11.0							
Current P/BV (x)					1.4							

Source: Financials, QSE, Bloomberg, U Capital Research; NA - Not available, NM - Not meaningful

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

Recommendation

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