

Qatar Electricity & Water (QEWS) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation:

Accumulate

Target Price (QAR): **20.50**

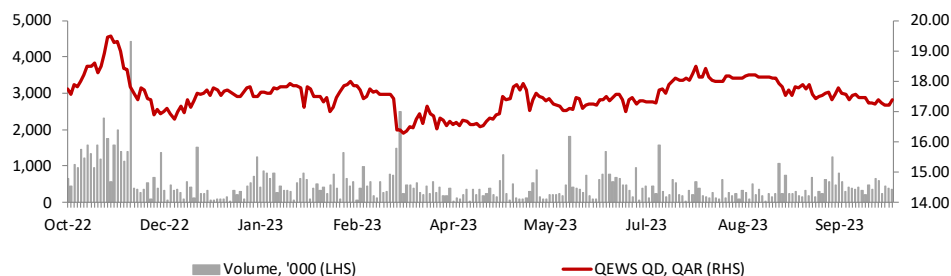
Previous TP & Date:

TP: QAR 20.50 per share on 26-Sep-2023

Upside / (Downside): **19.5%**

Date: **10/23/2023**

Bloomberg Ticker	QEWS QD
Current Market Price (QAR)	17.15
52wk High / Low (QAR)	19.68/16
12m Average Vol. (000)	495.2
Mkt. Cap. (USD/QAR mn)	5,171/18,865
Shares Outstanding (mn)	1,100.0
Free Float (%)	38%
3m Avg Daily Turnover (000)	6,269.1
6m Avg Daily Turnover (000)	6,809.0
P/E'23e (x)	12.7
P/Bv'23e (x)	1.2
Dividend Yield '23e (%)	5.5%
Price Perf. (1m/3m) (%)	-2.8/-4.8



QEWS beats our estimate on revenue which climbs 21% YoY

QEWS registered a 21.0% YoY increase in its revenue during 3Q 2023 (+18.0% beat). We had estimated 3% YoY growth in revenue in 3Q 2023. We expect the company's consolidated capacity to have remained flat in the last quarter.

Net profit falls sharply by ~40%; comes in line with our estimate

Despite strong revenue growth, net profit declined 39.8% YoY to QAR 340.4mn, which was on the expected lines (+2.2% variance). In our opinion, the decline in profit was partially due to ~QAR 230mn one-off gains booked by QEWS in 3Q 2022 upon consolidation of Nebras.

Maintain target price

Given the healthy top-line growth and an in-line net profit, we maintain our QAR 20.50 target price on the stock as of now. However, we await the availability of detailed financials to gauge the reasoning behind the weaker-than-estimated net margin.

Valuation

At the current market price, the stock is trading at 12.7x P/E and 8.1x EV/EBITDA, based on our FY'23 estimates, similar to its 3-year blended daily average forward P/E of 12.7x, but well below its 3-year daily forward EV/EBITDA of 21.4x.

Income Statement												
(QAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M 22	9M 23	YoY (%)
Sales/Revenue	691.8	790.7	639.0	702.0	837.1	709.5	21.0%	19.2%	18.0%	1,911.0	2,178.0	14.0%
Gross Profit (Loss)	250.1	339.2	203.9	229.4	NA	238.1	NM	NM	NM	NA	NA	NM
Operating Profit (Loss)	244.9	317.1	262.8	229.3	NA	207.3	NM	NM	NM	NA	NA	NM
Net Profit (Loss) after Zakat and tax	565.4	460.8	400.7	367.9	340.4	333.2	-39.8%	-7.5%	2.2%	1,250.0	1,109.0	-11.3%
Balance Sheet												
(QAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	14,637.9	15,123.8	14,086.6	14,644.3	14,984.7	14,977.5	2.4%	2.3%	0.0%			
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Gross Profit Margin	36.1%	42.9%	31.9%	32.7%	NM	33.6%						
Operating Profit Margin	35.4%	40.1%	41.1%	32.7%	NM	29.2%						
Net Profit Margin	81.7%	58.3%	62.7%	52.4%	40.7%	47.0%						
Return on Equity (RoE)	15.5%	12.2%	11.4%	10.0%	9.1%	8.9%						
Annualized EPS (QAR)	2.056	1.676	1.457	1.338	1.238	1.212						
BVPS (QAR)					13.622	13.616						
TTM P/E (x)					12.0							
Current P/BV (x)					1.3							

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


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


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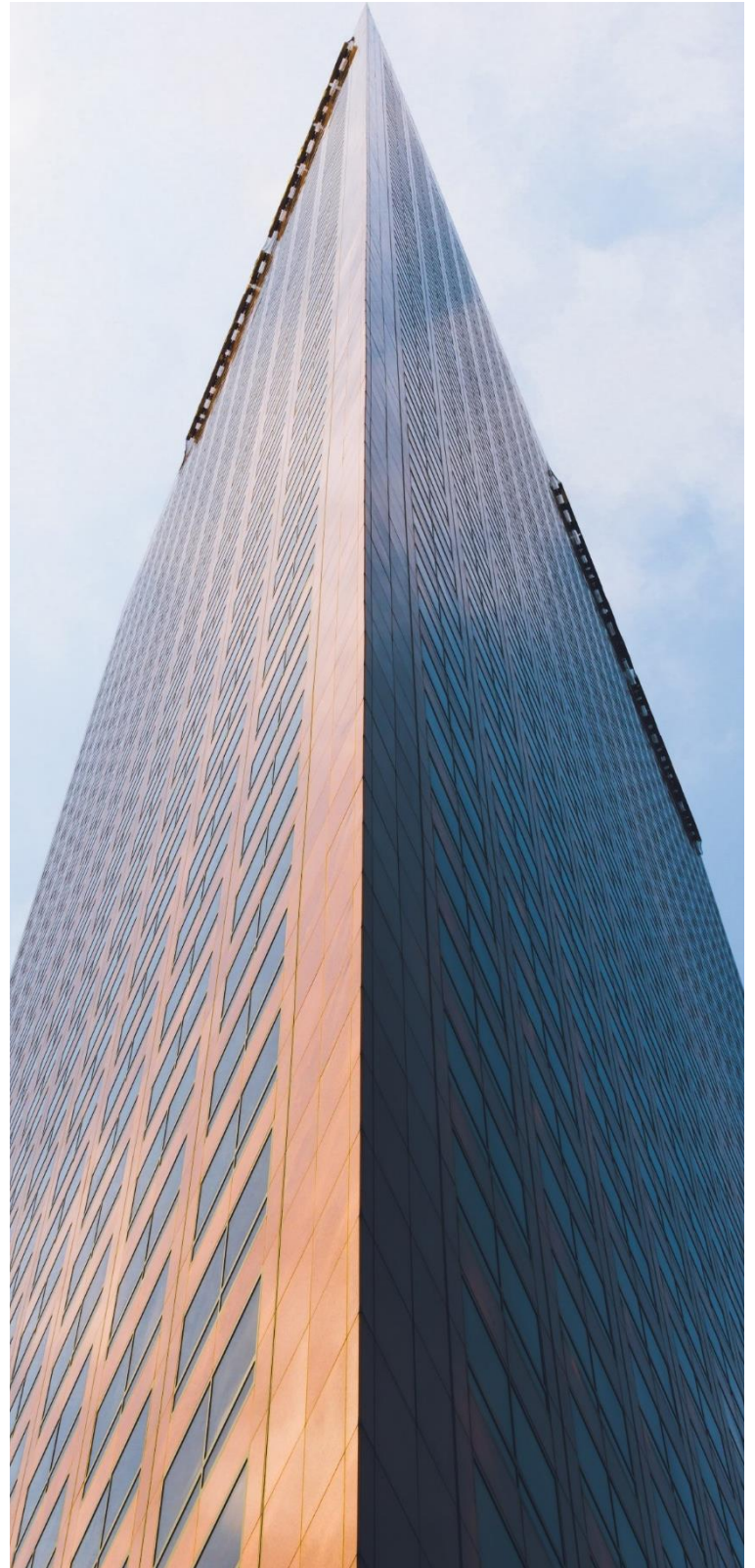
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Disclaimer

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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