

Attractive Fundamentals Bolstered by FOL Catalyst

- **After our [dividend thesis](#) for 2017 played out in the early part of 2018, FOL increases and fund-flows should support the QSE Index through mid-2018.** 2018 saw a slow start to the year for Qatari equities after a robust December 2017. Between January 1 and March 11 of this year, the QSE Index dropped marginally by ~3%. However, from that point on, the picture changed materially as buying ahead of ex-dividend dates was further bolstered by positive news regarding potential/implemented foreign ownership limit (FOL) increases to 49% for select QSE-listed equities. **QNB Group (QNBK)** was the first to announce on the morning of March 12 that it will propose an increase to the FOL to 49% at the company's AGM. From that point on, eight other companies announced plans to increase FOLs (**IQCD, QIBK, QEWS, BRES, MPHC, QFLS, GISS, and QIIK**). This led to a material rally in the Qatar All-Share Index driving it higher by ~12% through May 1 (YTD up ~9%), while the aforementioned nine names increased by ~16% over the same period (YTD up ~15%). We estimate that this will result in material inflows as part of the MSCI and FTSE rebalancing, which could drive ~QR7bn (~\$2bn) in passive funds into these QSE-listed names.
- **Longer-term, we remain optimistic on the Qatari equity market even after FOL impact as fundamentals remain attractive; play QEWS, GWCS and QGTS.** Within our coverage universe, we forecast a normalized 4.4% increase in aggregate earnings in 2018 followed by a more robust 2019 with 14.6%. Despite the issues related to the blockade, we highlight that we continue to expect Qatari equities to post ROE metrics for 2018 and 2019 that are in line with peers (~11.4/12.2% vs. regional peer averages at ~11.8/12.2%). Similarly, Qatari equities are expected to register dividend yields in line with peer average over the next 2 years at ~4.6/4.9% vs. ~4.7/5.0%. With that in mind, we compiled net income expectations of key Qatari equities that we cover. Our Qatari coverage list constituted a significant ~43% of the overall total market capitalization (ex. QNB Group) of the Qatar Exchange. Factors that can negatively impact our thesis include deceleration of global economic growth prospects, regional geo-political issues, significant deterioration in oil prices, increase in volatility, exit of hot money from emerging/frontier markets, etc. From our Qatari coverage universe, we favor **QEWS, GWCS** and **QGTS**.
 - **QEWS (ACCUMULATE; QR223.00 TP).** We like QEWS as a solid long-term play with a defensive business model. Essentially a capacity provider, QEWS takes on insignificant demand/costs/funding risks holding secure contracted assets with long-term (~25 years) fuel agreements/PWPAs and committed funding. This also leads to visible cash flows and a stable operating profile. The State of Qatar (through various entities) owns 60% of the company.
 - **GWCS (OUTPERFORM; QR51.00 TP).** GWCS has withstood the blockade well with freight forwarding bouncing back nicely and some after an initial hit. The company's logistics business has also picked up steam driven by contract logistics and increasing occupancy in Bu Sulba. GWCS stock is down 12%, on a total return basis, since the beginning of the blockade vs. 2%/5% declines in MSCI Qatar/QSE and we continue to think this underperformance is unwarranted. Growth post Bu Sulba (~100% occupancy later in 2018) will decline, but as we had flagged previously, GWCS should start generating substantial FCF from 2018 onward. With major capex already done, there could be upside to dividends medium-term.
 - **QGTS (OUTPERFORM; QR21.00 TP).** We continue to favor Nakilat, #1 owner/operator of LNG vessels globally, as a LT play geared to Qatari LNG's dominance & anticipated growth in the LNG market. We believe the stock is attractive at current levels. QGTS is a vital part of Qatar's LNG value chain and enjoys stable revenue/cash flow from LT (25 years/~15 years left) and fixed-rate time LNG charter contracts (take or pay) with Qatargas and its affiliates. The availability-based take or pay contracts shields QGTS from end-demand volatility and delays in charterers' projects. 11 ships are on spot-to-medium-term charters; LPG is a spot business. The company has high leverage but debt is mostly secured by watertight charter agreements; we do not foresee any challenges in debt servicing/repayments.
- **Qatari equities trading in line with regional peers as post-blockade recovery is sustained.** Valuations are attractive vs. the region's forward price-to-earnings multiples; the Qatar Stock Exchange Index (DSM) trades at a 2018 P/E of 12.5x, complemented by a dividend yield of 4.6%, while regional peer median is at a 11.5x P/E along with a dividend yield of 4.7%. While the bounce YTD was fueled by optimism regarding government spending and net buying interest in selected names by foreign/GCC investors, the way forward will depend on continued recovery in the macro operating environment. LT, attractive fundamentals and a significant spending program should provide tailwinds for growth.
- **Macro picture remains resilient as per our [economics & strategy](#) team.** The team revised up their GDP forecasts for 2018 for three main reasons. First, the impact of their increased forecast for oil prices from \$55/b to \$63/b, which will lead to higher incomes and spending in the non-hydrocarbon sector. Second, their expectation of a sharper rebound in hydrocarbon output. Third, the expectation of a reduced economic impact of the blockade on 2018 GDP. As a result, they are now forecasting overall real GDP growth of 2.8% in 2018 from 2.5% previously. In the longer term, Qatar's economy should benefit from a number of recent measures. Investment should be bolstered by new projects related to the expansion of LNG production and projects aimed at ensuring self-sufficiency and sustainability as well as an expected new law to allow 100% foreign ownership of new companies. Therefore, we expect the underlying growth rate of both the hydrocarbon and non-hydrocarbon sectors to continue rising into the medium term.

Key Qatari Stocks Under Coverage

Ticker	Analyst	Mkt. Cap. (QR mn)	Div. Yield	Prices (QR)		Recommendation	Implied Return	Investment Thesis
Banks & Financial Services		Last	Target					
ABQK	Shahan Keushgerian	6,311	3.3%	30.00	33.00	MARKET PERFORM	10.0%	Stock is fairly valued trading at a PEG of 0.9x based on a CAGR (2017-2022) of 10.5%. The only catalyst for the name is an increase in liquidity as the stock is closely held.
KCBK	Shahan Keushgerian	3,964	6.8%	11.01	15.00	ACCUMULATE	36.2%	The name trades at a 30% discount to its book value. A significant catalyst for the stock is further progress in management's strategy: 1) an expansion of attributable RoE beyond 12% (2018 and 2019e RoE: 8.0% and 10.7%, respectively) vs. its cost of equity of 12.6%. We expect KCBK to generate a RoE of 12.6% by 2022.
CBQK	Shahan Keushgerian	14,570	4.2%	36.00	35.00	MARKET PERFORM	(2.8%)	Stock price performance thus far has rewarded investors' optimism in the company's change in strategy and positive stewardship shown by its new CEO. The stock has re-rated from a steep 30% discount to book to almost at par with book. While positive 2018e and 2019e results could fuel more momentum in the name, the reality of negative residual value derived from on- going operations cannot be minimized. We believe while recent gains are not entirely unjustified, we do think that the stock is fairly valued.
DHBK	Shahan Keushgerian	8,371	9.3%	27.00	31.00	MARKET PERFORM	14.8%	DHBK remains a compelling dividend play given what we consider to be a safe payout of QR2.00-2.50/sh over the next 3-5 years, yielding 7 to 9%. We expect a cut in dividends as IFRS 9 significantly impacted the bank's equity and CET 1 ratio. CET1 ratio declined by 208bps to 10.2% from 12.3% at the end of 2017. Moreover, total Tier-1 ratio (includes AT1 capital) sequentially dropped by 195bps to 15.4% vs. 17.4% in FY2017.
MARK	Shahan Keushgerian	26,250	5.7%	35.00	34.00	MARKET PERFORM	(2.9%)	MARK has the best asset quality among Qatari banks with a NPL ratio of 0.50%, one of the highest RoEs of ~16% and robust capitalization at 18%. However, valuations remain overstretched, with the name trading at ~2x P/B.
QIIK	Shahan Keushgerian	8,328	7.3%	55.02	63.00	MARKET PERFORM	14.5%	We view QIIK as a value stock with an attractive dividend yield of 7.3%.
QIBK	Shahan Keushgerian	25,059	5.0%	106.05	104.00	MARKET PERFORM	(1.9%)	In our view, QIBK's turnaround/restructuring phase is already priced in the stock. The name is trading close to its fair value (PEG of 0.8x based on our estimates). The only catalyst we see: FOL increase to 49% is already implemented; weight to double to 0.06% in MSCI EM on May 31 attracting QR420mn in funds.
Industrials								
IQCD	Saugata Sarkar	67,760	4.5%	112.00	109.00	MARKET PERFORM	(2.7%)	Strong FCF generation support dividends despite high payout ratio vs. historicals. IQCD's FCF (OCF + Cash dividends from JVs-steel capex), should come in at QR3.5bn in 2018 and should average QR4.5bn over 2017 to 2026 with an average dividend cover of 1.3x. We forecast a DPS of QR5 for 2018, which is flat and could see upside. However, payouts will remain high at an average of around ~71% over 2018 to 2026 (91% payout in 2017).
QEWS	Saugata Sarkar	21,450	4.0%	195.00	223.00	ACCUMULATE	14.4%	We like QEWS as a solid long-term play with a defensive business model. Essentially a capacity provider, QEWS takes on insignificant demand/costs/funding risks holding secure contracted assets with long-term (~25 years) fuel agreements/PWPAs and committed funding. This also leads to visible cash flows and a stable operating profile. The State of Qatar (through various entities) owns 60% of the company.
Transportation								
QNNS	Shahan Keushgerian	6,413	6.2%	56.00	81.00	MARKET PERFORM	44.6%	We continue to believe that QNNS' business is levered to Qatar's economic growth through: 1) offshore oil & gas (22% of 2016 revenue); 2) the construction sector (14%); 3) import and export activities/logistics (35%); 4) the LNG and LPG shipping markets (18%); 5) the property market (6%) and 6) an investment portfolio invested in Qatari blue chip equities (5%).
GWCS	Saugata Sarkar	2,461	4.3%	42.00	51.00	OUTPERFORM	21.4%	GWCS has withstood the blockade well with freight forwarding bouncing back nicely and some after an initial hit. The company's logistics business has also picked up steam driven by contract logistics and increasing occupancy in Bu Sulba. GWCS stock is down 12%, on a total return basis, since the beginning of the blockade vs. 2%/5% declines in MSCI Qatar/QSE and we continue to think this underperformance is unwarranted. Growth post Bu Sulba (~100% occupancy later in 2018) will decline, but as we had flagged previously, GWCS should start generating substantial FCF from 2018 onward. With major capex already done, there could be upside to dividends medium-term.
QGTS	Saugata Sarkar	8,144	7.1%	14.70	21.00	OUTPERFORM	42.9%	We continue to favor Nakilat, #1 owner/operator of LNG vessels globally, as a LT play geared to Qatari LNG's dominance & anticipated growth in the LNG market. We believe the stock is attractive at current levels. QGTS is a vital part of Qatar's LNG value chain and enjoys stable revenue/cash flow from LT (25 years/~15 years left) and fixed-rate time LNG charter contracts (take or pay) with Qatargas and its affiliates. The availability-based take or pay contracts shields QGTS from end-demand volatility and delays in charterers' projects. 11 ships are on spot-to-medium-term charters; LPG is a spot business. Company has high leverage but debt is mostly secured by watertight charter agreements; we do not foresee any challenges in debt servicing/repayments.
Real Estate								
BRES	Mohamed Abo Daff	13,503	7.2%	34.70	39.00	ACCUMULATE	12.4%	We positively view BRES' operating assets and development pipeline especially its rental income segment. We expect top line/adj. EBITDA to experience a ~6/13% CAGR through 2020 as rental income strength more than offsets "normalized" Finance Lease/Consultancy operations while management efforts to cut operating expenses should drive rental gross margin expansion through the same period to ~80% from ~74% in 2017.
UDCD	Mohamed Abo Daff	5,113	8.7%	14.44	20.00	ACCUMULATE	38.5%	UDCD remains our preferred exposure to the real estate space in Qatar given current real estate weakness and is seen as a play on the Qatar long-term growth story. The company continues to enjoy a significant land bank from which it supplements its recurring earnings through land plot sales along with stable utility exposure through Qatar Cool. With a cleaner balance sheet vs. other peers, UDCD is positioned to effectively grow its earnings-generating asset portfolio while maintaining peer average leverage/debt service profiles.
Overall Average			6.0%				17.1%	
Overall Median			6.0%				14.4%	

Source: Bloomberg, QNBFS Research; Note: upside based on May 1, 2018 closing prices

Proposed and/or Implemented FOL Increases

STOCK	MSCI/FTSE Expected In/(Out)flow			FOL Increase Status	MSCI Inclusion		FTSE Inclusion	
	USD mn	QAR mn	Shares mn		Earliest	Realistic	Earliest	Realistic
FOL 49% Impact								
QNBK	922	3,356	22.5	Approved + Implemented	31-May-18	30-Aug-18	20-Sep-18	20-Sep-18
IQCD	197	717	6.4	Approved + Implemented	31-May-18	31-May-18	14-Jun-18	14-Jun-18
QIBK	181	658	6.2	Approved + Implemented	31-May-18	31-May-18	14-Jun-18	14-Jun-18
QEWS	118	429	2.2	Approved + Implemented	31-May-18	31-May-18	14-Jun-18	14-Jun-18
BRES	92	337	9.7	Pending EGM, Date TBA	30-Aug-18	30-Aug-18	14-Jun-18	20-Sep-18
MPHC	176	641	38.5	Approved + Implemented	29-Nov-18	29-May-19	14-Mar-19	14-Mar-19
QFLS	204	743	5.4	Pending EGM May 6	29-Nov-18	29-May-19	14-Mar-19	14-Mar-19
GISS	9	33	1.8	Approved + Implemented	31-May-18	30-Aug-18	14-Jun-18	20-Sep-18
QIIK	80	292	5.3	No Update on FOL Increase	30-Aug-18	NA	NA	NA
Total Flow	1,978	7,204	98.0					

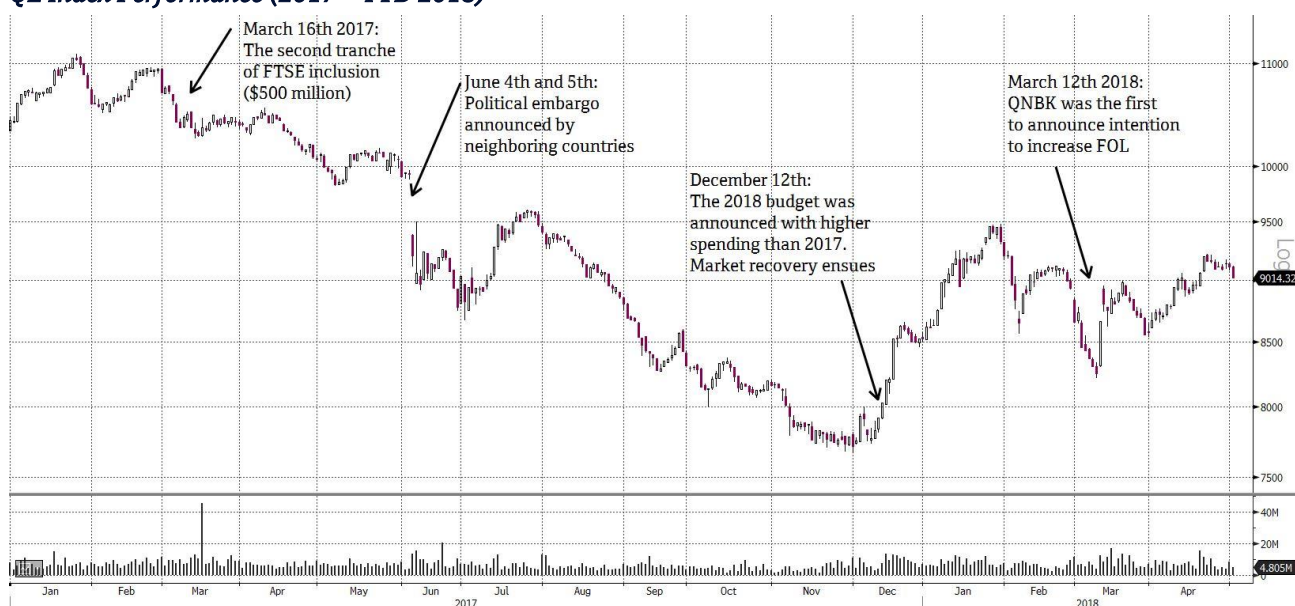
Source: Company press releases, QSE, QNBFS Research & Sales

Proposed and/or Implemented FOL Increases

	Close			Performance		
	Dec-31	Mar-11	May-01	31/12 - 03/11	03/11 - 05/1	31/12 - 05/01
All-Share Index	2,452.49	2,373.68	2,666.66	-3.2%	12.3%	8.7%
QSE Index	8,523.38	8,252.66	9,014.32	-3.2%	9.2%	5.8%
FOL 49% Impact						
QNBK	126.01	118.00	149.15	(6.4%)	26.4%	18.4%
IQCD	97.00	93.00	112.00	(4.1%)	20.4%	15.5%
QIBK	97.00	93.01	106.05	(4.1%)	14.0%	9.3%
QEWS	178.00	171.10	195.00	(3.9%)	14.0%	9.6%
BRES	32.00	31.86	34.70	(0.4%)	8.9%	8.4%
MPHC	12.59	13.00	16.64	3.3%	28.0%	32.2%
QFLS	102.06	113.30	137.50	11.0%	21.4%	34.7%
GISS	17.70	16.88	18.49	(4.6%)	9.5%	4.5%
QIIK	54.60	57.00	55.02	4.4%	(3.5%)	0.8%
Average				(0.5%)	15.5%	14.8%

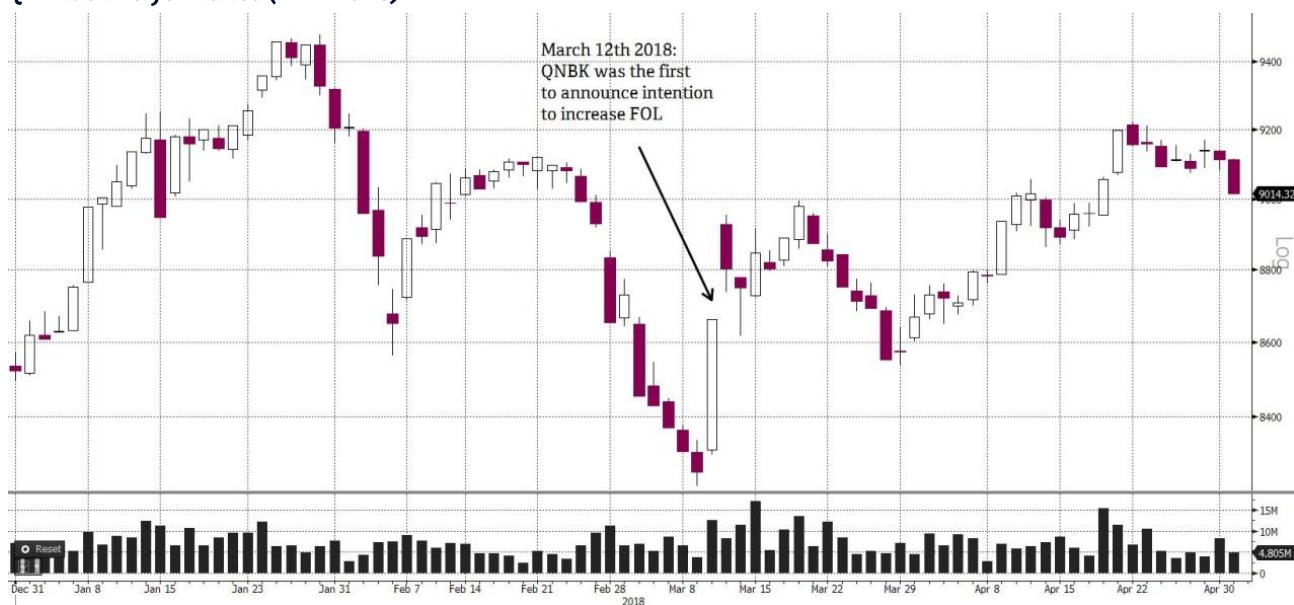
Source: Bloomberg, QNBFS Research

QE Index Performance (2017 – YTD 2018)



Source: Bloomberg, QNBFS Research

QE Index Performance (YTD 2018)



Source: Bloomberg, QNBFS Research

Key Financial Data and Estimates

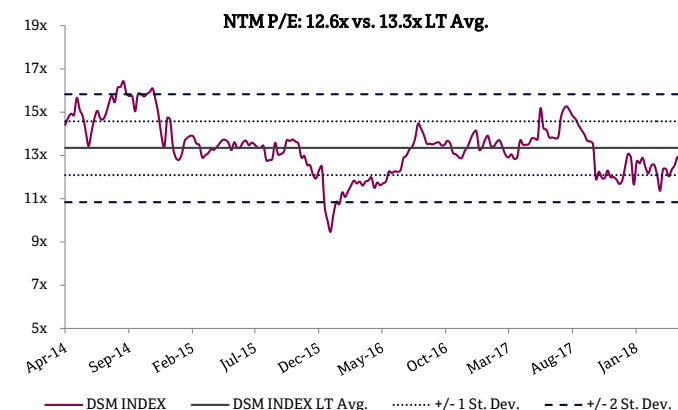
Ticker	Company	Div. Yield	EPS				Growth		
			2016a	2017a	2018e	2019e	2017a	2018e	2019e
ABQK	Ahli Bank QSC	3.3%	3.00	3.04	3.20	3.49	1.2%	5.2%	9.3%
KCBK	Al Khaliq Commercial Bank PQSC	6.8%	1.07	1.38	1.44	1.71	29.0%	4.0%	19.2%
CBQK	Commercial Bank PQSC/The	4.2%	0.82	0.90	2.87	3.69	9.9%	nmf	28.5%
DHBK	Doha Bank QPSC	9.3%	3.12	3.02	3.07	3.97	(3.2%)	1.6%	29.2%
GWCS	Gulf Warehousing Co	4.3%	3.54	3.68	3.93	4.26	4.0%	6.8%	8.4%
IQCD	Industries Qatar QSC	4.5%	4.88	5.48	6.46	7.07	12.3%	17.8%	9.6%
MARK	Masraf Al Rayan QSC	5.7%	2.77	2.70	2.82	3.25	(2.3%)	4.1%	15.5%
QEWS	Qatar Electricity & Water Co QSC	4.0%	14.02	14.69	13.32	14.36	4.8%	(9.3%)	7.8%
QIIK	Qatar International Islamic Bank QSC	7.3%	5.18	5.50	5.88	6.54	6.2%	6.8%	11.2%
QIBK	Qatar Islamic Bank SAQ	5.0%	8.55	9.31	10.12	11.52	8.9%	8.7%	13.9%
QNNS	Qatar Navigation QSC	6.2%	6.26	4.14	6.01	6.60	(33.9%)	nmf	9.7%
QGTS	Qatar Gas Transport Co Ltd	7.1%	1.72	1.53	1.54	1.73	(11.0%)	0.6%	12.3%
BRES	Barwa Real Estate Co	7.2%	1.96	2.01	2.13	2.56	2.7%	6.0%	19.9%
UDCD	United Development Co QSC	8.7%	1.91	1.55	1.56	1.70	(18.9%)	0.7%	9.4%
Average		6.0%					0.7%	4.4%	14.6%
Median		6.0%					3.3%	4.7%	11.7%

nmf: Not Meaningful

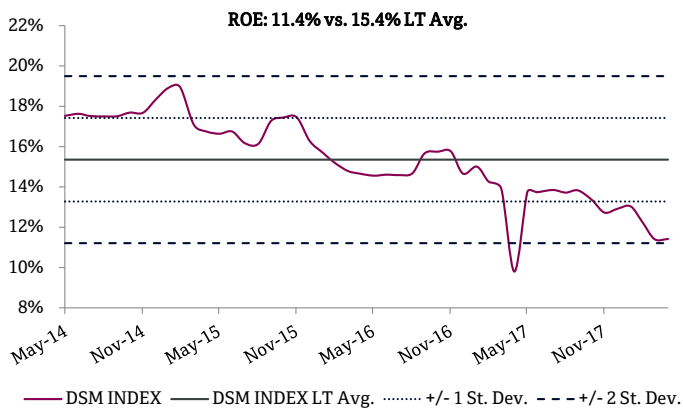
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Source: Company reports, QNBFS Research

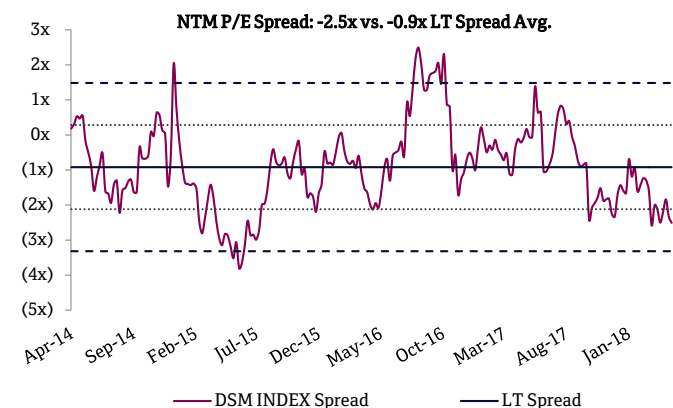
QE Index Forward P/E vs. ROE



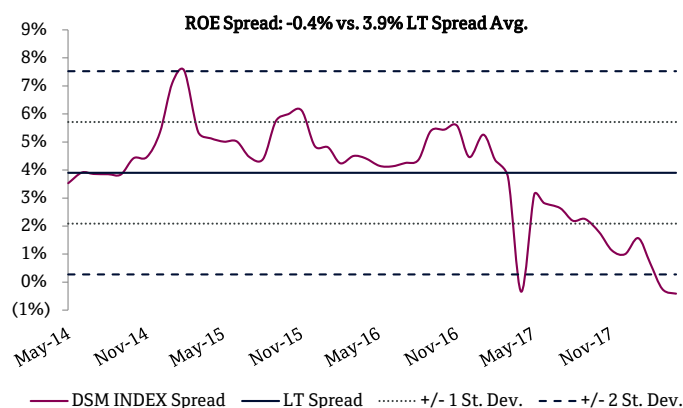
Source: Bloomberg, QNBFS Research



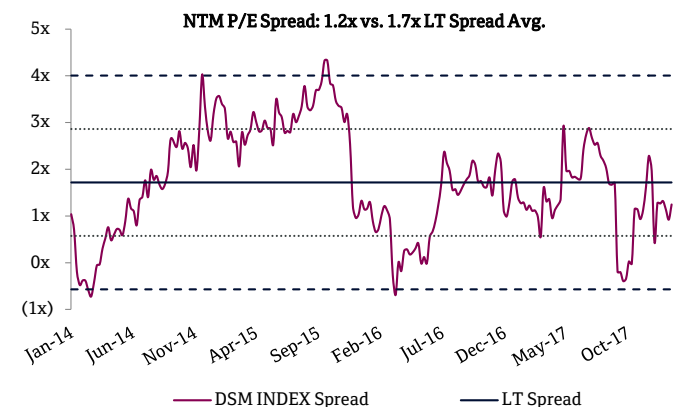
Forward P/E vs. ROE Spread between QE Index & Saudi Index



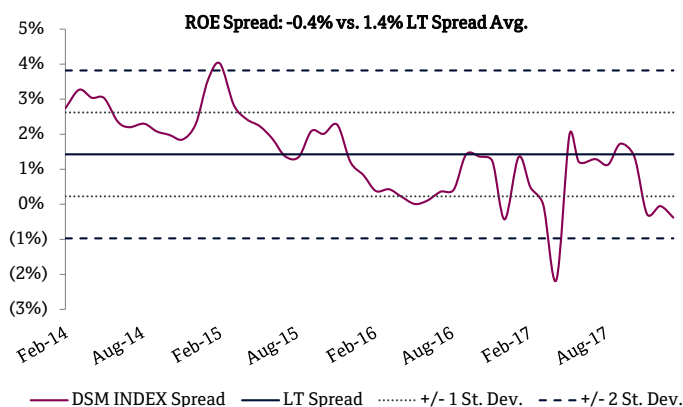
Source: Bloomberg, QNBFS Research



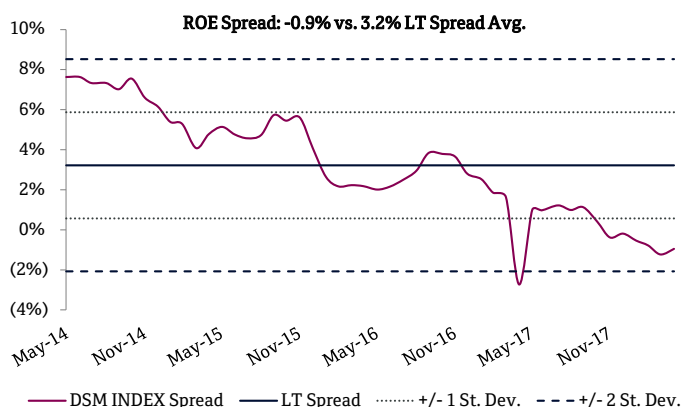
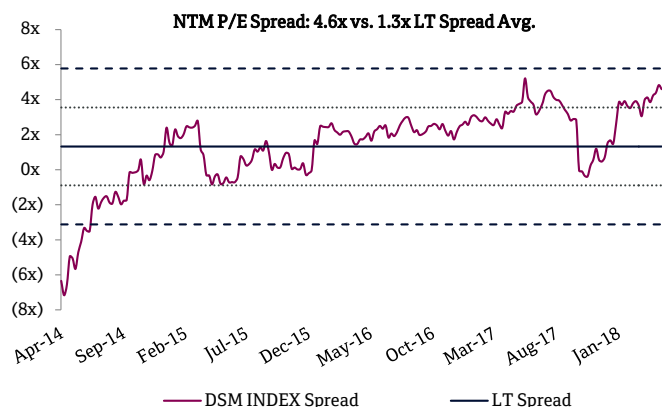
Forward P/E vs. ROE Spread between QE Index & Abu Dhabi Index



Source: Bloomberg, QNBFS Research

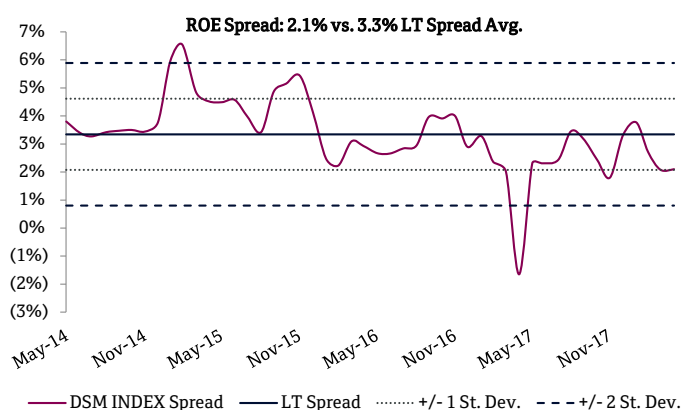
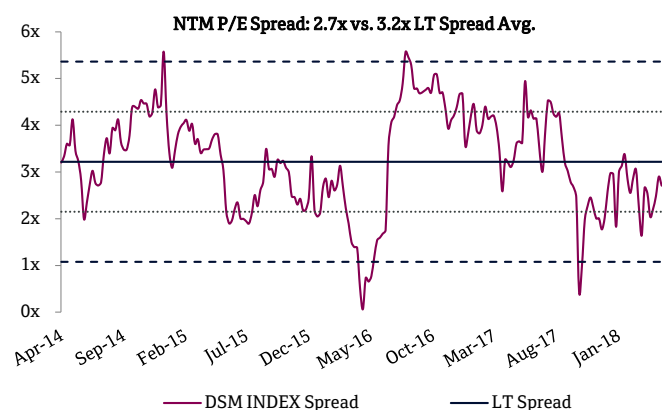


Forward P/E vs. ROE Spread between QE Index & Dubai Index



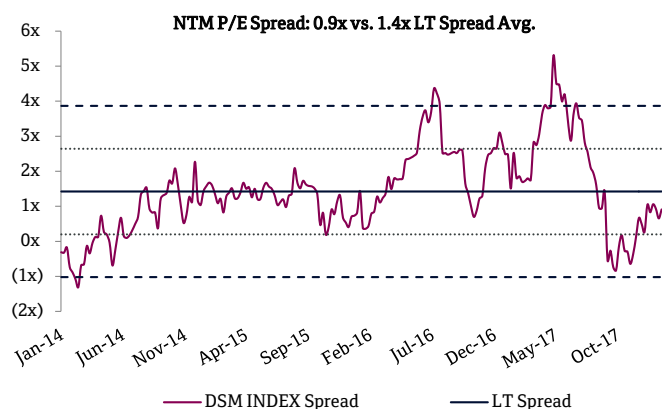
Source: Bloomberg, QNBFS Research

Forward P/E vs. ROE Spread between QE Index & Muscat Index



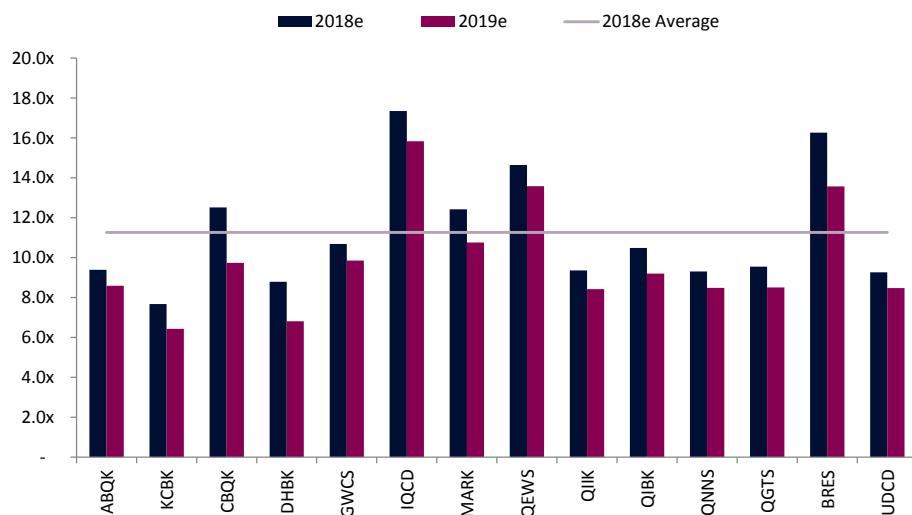
Source: Bloomberg, QNBFS Research

Forward P/E Spread between QE Index & Kuwait



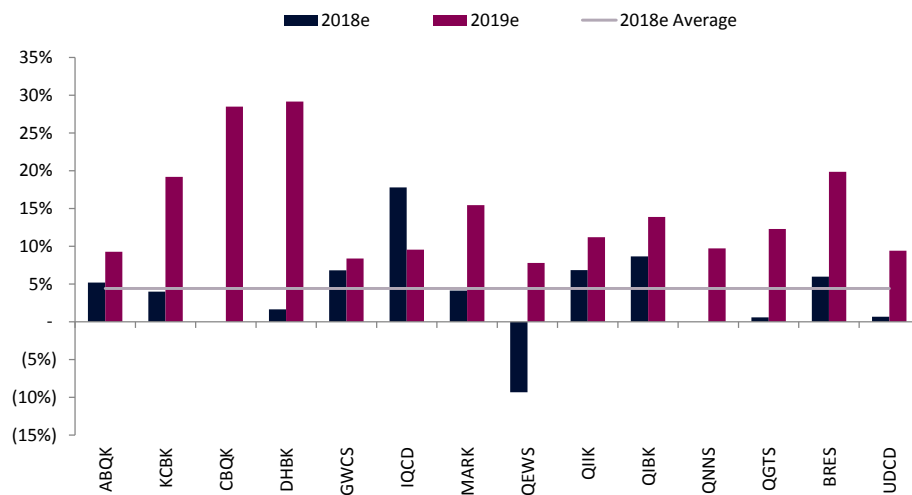
Source: Bloomberg, QNBFS Research

Forward P/E Multiples for our Qatari Coverage Universe



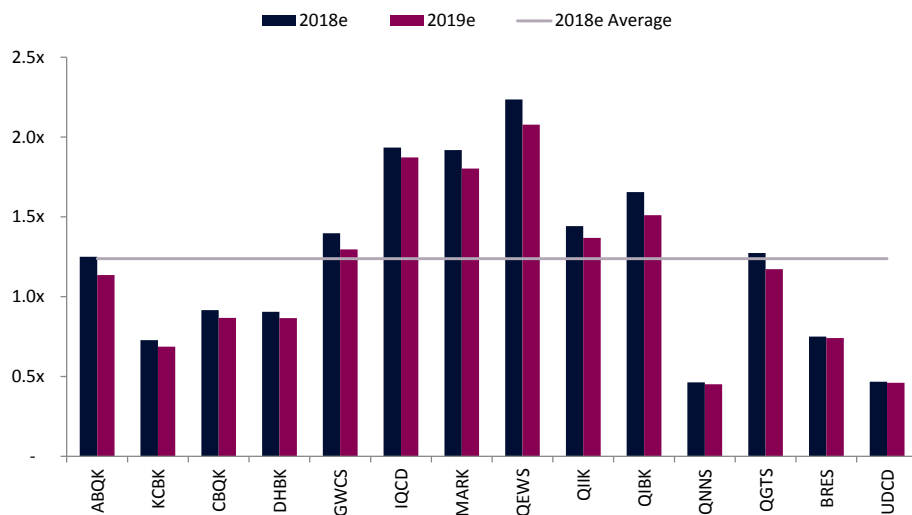
Source: Bloomberg, QNBFS Research

EPS Growth for our Qatari Coverage Universe



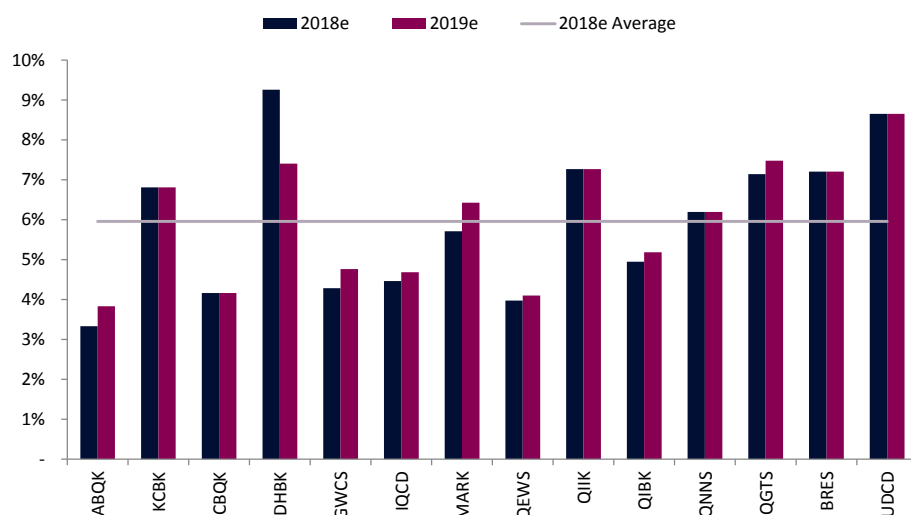
Source: Bloomberg, QNBFS Research

Forward P/B Multiples for our Qatari Coverage Universe



Source: Bloomberg, QNBFS Research

Dividend Yield for our Qatari Coverage Universe



Source: Source: Bloomberg, QNBFS Research

Forward Valuations and Profitability Metrics for Regional Indices

Index	P/E		Dividend Yield %		P/B		ROE (%)	
	2018	2019	2018	2019	2018	2019	2018	2019
Qatar Exchange Index	12.5x	11.2x	4.6%	4.9%	1.4x	1.3x	11.4%	12.2%
QE All Share Index	11.8x	10.7x	4.2%	4.4%	1.5x	1.4x	12.6%	13.2%
Tadawul All Share Index	15.0x	13.2x	3.3%	3.7%	1.7x	1.7x	11.8%	12.4%
Dubai Financial Market General Index	8.0x	7.1x	5.4%	5.6%	1.1x	1.0x	12.4%	12.7%
Abu Dhabi Securities Market General Index	11.7x	10.8x	5.5%	5.8%	1.6x	1.5x	13.0%	13.9%
Muscat Securities MSM 30 Index	9.9x	9.1x	5.2%	5.5%	0.8x	0.8x	9.3%	8.9%
Average	11.5x	10.3x	4.7%	5.0%	1.3x	1.3x	11.8%	12.2%
Median	11.8x	10.7x	4.9%	5.2%	1.4x	1.3x	12.1%	12.5%

nmf: Not Meaningful

NA: Not Applicable

Source: Bloomberg, QNBFS Research

COMPANY UPDATES

Ahli Bank (ABQK)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR30.00	Target Price	QR33.00
Implied Upside	10.0%		

In-Line 1Q2018; Spreads Compressed

Ahli Bank is one of Qatar's smallest lenders with a focus on the corporate and retail sectors. ABQK has a ~3% market share of loans and deposits (among listed banks). Focused on Qatar, along with a strategic shareholder (Qatar Foundation), ABQK's management has set forth a strategy targeting a 5% to 7% market share in loans and deposits.

Highlights

- **ABQK's 1Q2018 QoQ surge in bottom-line driven by a sharp drop in provisions coupled with a drop in opex.** ABQK posted a net profit of QR176.1mn (in-line with our estimate of QR171.8mn, +2.5% variation), surging by 44.9% QoQ. Net profit grew by 3.6% YoY mainly due to the lack of investment provisions.
- **Margins continued to compress.** Net interest income dropped by 2.7% QoQ (+1.8% YoY) to QR206.0mn (in-line with our estimate). NIM compressed by 10bps and 7bps QoQ and YoY to 2.21%, respectively. The contraction was attributed to CoFs rising more than yield on assets. CoFs moved up by 20bps QoQ (+49bps YoY) to 2.78%, while yield on assets increased by only 7bps QoQ (+31bps YoY) to 4.57%.
- **Efficiency ratio remained at acceptable levels, garnered JAWS.** Total revenue decreased by 2.2% while opex dropped by 19.4% QoQ, resulting in a reduction in the C/I ratio to 30.0% vs. 36.3% in 4Q2017. On a YoY basis revenue and opex grew in-line, resulting in a flat C/I ratio.
- **Asset quality remains healthy.** NPL ratio remained flat at 0.96% vs. 0.99% in 2017, while the coverage ratio came in at 103%. As per IFRS 9, stage 1 loans represent 96% of total loans, which is a positive indicator.
- **IFRS 9 impairments had a negligible impact on capitalization.** ABQK's CET1 ratio rested at 15.5% at the end of 1Q2018 vs. 15.8% in FY2017.
- **Loan growth outpaced deposits.** ABQ's net loans grew by 4.7% YTD, while deposits only increased by 2.3% in 1Q2018. Hence, the LDR moved to 124% vs. 121% in 2017.

Catalysts

- 1) Improvement in the stock's trading liquidity.

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain ABQK's price target at QR33.00 and Market Perform Rating.** ABQK trades at a FY2018e P/B and P/E of 1.2x and 9.4x, respectively. Moreover, the stock trades at PEG of 0.9x (based on a 2017-22e CAGR of 10.5%), indicating the stock is trading around its fair value.
- **Risks:** 1) Ahli Bank's market share gains do not materialize and 3) concentration risk and general risks rising from regional socio-political issues.

Key Financial Data and Estimates

(In QR mn)	2017	2018e	2019e	2020e
EPS (QR)	3.17	3.20	3.49	3.79
Growth (%)	0.6	0.8	9.3	8.6
P/E (x)	9.9	9.4	8.6	7.9
BVPS (QR)	25.2	24.0	26.4	29.0
P/B (x)	1.2	1.2	1.1	1.0
DPS (QR)	0.95	1.00	1.15	1.30
Dividend Yield (%)	3.2	3.3	3.8	4.3

Source: Company data, QNBFS Research; Note: All data based on current number of shares

Key Data

Current Market Price (QR)	30.00
Dividend Yield (%)	3.3
Bloomberg Ticker	ABQK QD EQUITY
Reuters Ticker	AABQ.QA
ISIN	QA0001200748
Sector	Banks & Financial Services
52wk High/52wk Low (QR)	42.37 / 24.29
3-m Average Volume ('000)	6.1
Mkt. Cap. (\$ bn/QR bn)	1.7 / 6.3
Shares Outstanding (mn)	210.4
FO Limit* (%)	25.0
Current FO* (%)	0.2
1-Year Total Return (%)	(4.9)
Fiscal Year End	December 31

Source: Bloomberg (as of May 1, 2018), *Qatar Exchange (as of May 1, 2018); Note: FO is foreign ownership

Relative Price Performance vs. Market Indices



Historical P/E Trends vs. Share Price



Source: Bloomberg, QNBFS Research

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Detailed Financial Statements

Key Ratios	2017	2018e	2019e	2020e
Profitability (%)				
RoAE (Attributable)	12.6	13.0	13.9	13.7
NIM	2.3	2.2	2.3	2.3
RoRWA (Attributable)	2.1	2.0	2.0	2.0
Efficiency (%)				
Cost-to-Income (Headline)	30.6	30.7	29.9	29.7
Cost-to-Income (Core)	30.8	30.9	30.0	29.9
Liquidity (%)				
LDR	120.6	121.2	117.5	115.9
Loans/Assets	72.6	74.2	72.6	72.8
Cash & Interbank Loans-to-Total Assets	19.7	18.1	19.9	19.4
Asset Quality (%)				
NPL Ratio	1.31	0.98	1.02	1.08
Coverage Ratio	108.4	156.8	147.6	145.7
Cost of Risk	24	19	19	22
Capitalization (%)				
Tier 1 Ratio	15.3	14.7	14.2	14.4
CAR	15.5	14.8	14.4	14.6
Growth (%)				
Net Interest Income	13.5	2.8	9.0	9.5
Net Operating Income	9.1	1.6	9.8	9.4
Net Income	1.3	5.1	9.3	8.6
Loans	7.7	7.5	8.6	8.5
Deposits	-12.0	7.0	12.0	10.0

Source: Company data, QNBFS Research

Income Statement (In QR mn)	2017	2018e	2019e	2020e
Net Interest Income	834	858	935	1,024
Fees & Commissions	174	166	177	199
FX Income	23	20	26	19
Other Income	13	20	16	17
Non-Interest Income	210	205	219	235
Total Revenue	1,044	1,063	1,154	1,259
Operating Expenses	(319)	(326)	(345)	(374)
Net Operating Income	725	736	809	885
Net Provisions & Investment Impairment	(85)	(64)	(74)	(88)
Net Profit (Headline/Reported)	640	672	735	798
Social & Sports Contribution Fund	(16)	(17)	(18)	(20)
Net Profit (Attributable)	624	655	716	778

Source: Company data, QNBFS Research

Balance Sheet (In QR mn)	2017	2018e	2019e	2020e
Assets				
Cash & Balances with Central Bank	1,980	1,899	2,357	2,530
Interbank Loans	2,202	1,898	2,702	2,565
Net Investments	6,100	6,316	6,945	7,761
Net Loans	28,936	31,109	33,780	36,642
Other Assets	407	467	507	550
Net PP&E	259	256	258	267
Total Assets	39,883	41,944	46,550	50,314
Liabilities				
Interbank Deposits	3,982	4,049	4,332	4,102
Customer Deposits	23,987	25,666	28,746	31,621
Term Loans & Other Borrowings	5,817	6,282	6,910	7,394
Other Liabilities	804	898	1,006	1,107
Total Liabilities	34,590	36,895	40,995	44,224
Total Shareholders' Equity	5,294	5,049	5,555	6,091
Total Liabilities & Shareholders' Equity	39,883	41,944	46,550	50,314

Source: Company data, QNBFS Research

Al Khalij Commercial Bank (KCBK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR11.01	Target Price	QR15.00
Implied Upside	36.2%		

In-Line 1Q2018; Margins Expand

Al Khalij Commercial Bank is one of the smallest banks domestically. In terms of loans (~4% market share as of 2017), KCBK is one of the smallest of the five-listed conventional banks (6th among the eight-listed banks). KCBK has one of the lowest RoEs (8.0% 2017) among listed banks and it is below its cost of equity of 12.58%. Based on average RoE of 12.41% within our forecast horizon vs. cost of equity of 12.58%, the bank is generating economic losses.

Highlights

- KCBK QoQ surge in net income driven by a significant drop in provisions & impairments; YoY growth in profitability was a result of better operating income (due to higher NII), lower opex and provisions.** KCBK reported net income of QR169.5mn (in-line with our estimate of QR160.1mn) surging by 74.8% QoQ (+5.3% YoY).
- Operating efficiency continued its positive trajectory which resulted in strong JAWS.** Revenue grew by 11.5% QoQ (+1.2% YoY) while opex moved up by 2.0% QoQ (declined by 3.2% YoY). As a result KCBK generated JAWS of 9.6% and 4.4% QoQ and YoY, respectively. Moreover, C/I ratio declined to 25.7% in 1Q2018 vs. 28.1% in 4Q2017 (26.8% in 1Q2017). Management has been delivering on its efficiency target. Going forward we expect further improvement in the C/I ratio mainly through topline growth.
- Margins improved sequentially and on a YoY basis.** Net interest income increased by 4.5% QoQ (+5.7% YoY) to QR244.0mn, in-line with our estimate of QR236.8mn (+3.0% variation). NIM expanded by 14bps QoQ and 21bps YoY to 1.86%. Yields moved up by 19bps QoQ (+43bps YoY) while CoFs remained flat (+15bps YoY), leading the expansion in margins.
- Gross loans remained flat while deposits dropped.** Gross loans remained flat QoQ at QR36.1bn while deposits receded by 3.8% to QR31.4bn. As such, LDR moved up to 109% vs. 107% in at the end of 2017. Including EMTN as a source of long-term funding, LDR works out to 98%.
- NPLs remained stable, CoR dropped.** The bank's NPLs remained stable QR703.3mn. As such, the NPL ratio also remained constant at 1.95% vs. 1.94% at the end of 2017. Moreover, the coverage ratio (coverage of stage 3 loans/NPLs) remained healthy at 106%. We expect the coverage ratio to continuously increase as management exercises prudent risk control. CoR improved, declining to 50bps vs. 84bps in 2017. Under IFRS 9, stage 1 loans represent 87% of total loans while stage 2 loans are 11%.
- IFRS 9 negatively impacted KCBK's equity base.** The bank disclosed ECLs of QR1bn which was netted against equity in 1Q2018. ECLs negatively impacted equity by 13%.
- Tier 1 capital negatively impacted by IFRS 9; however capital position remains strong.** KCBK ended 1Q2018 with a CET1 ratio of 12.8% and Tier-1 ratio of 16.6% (including AT1 capital) vs. 14.2% and 16.7% at the end of 2017, respectively. ECLs of QR1bn shaved off 129bps from CET1 ratio.

Catalysts

- Visible progress in management's strategy:** 1) an expansion of attributable RoE beyond 12% (2018 and 2019e RoE: 8.0% and 10.7%, respectively)

Recommendation, Valuation and Risks

- Recommendation and valuation: We maintain our Price Target at QR15.00.** KCBK trades at P/TB and P/E of 0.7x and 7.7x on our 2018 estimates, respectively.
- Risks:** 1) Geopolitical Factors/issues, 2) KCBK's market share gains do not materialize; 3) possible asset quality concerns and 4) concentration risk.

Key Financial Data and Estimates

(In QR mn)	2017	2018e	2019e	2020e
EPS (QR)	1.38	1.44	1.71	1.96
Growth (%)	28.8	4.3	19.2	14.9
P/E (x)	8.0	7.7	6.4	5.6
TBVPS (QR)	17.0	15.1	16.0	17.2
P/B (x)	0.6	0.7	0.7	0.6
DPS (QR)	0.75	0.75	0.75	1.00
Dividend Yield (%)	6.8	6.8	6.8	9.1

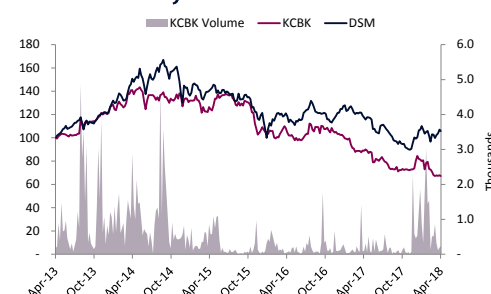
Source: Company data, QNBFS Research; Note: All data based on current number of shares

Key Data

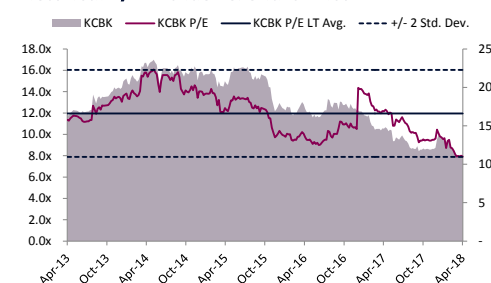
Current Market Price (QR)	11.01
Dividend Yield (%)	6.8
Bloomberg Ticker	KCBK QD EQUITY
Reuters Ticker	KCBK.QA
ISIN	QA000A0M6MD5
Sector	Banks & Financial Services
52wk High/52wk Low (QR)	15.20 / 10.81
3-m Average Volume ('000)	171.9
Mkt. Cap. (\$ bn/QR bn)	1.1 / 4.0
Shares Outstanding (mn)	360.0
FO Limit* (%)	49.0
Current FO* (%)	14.3
1-Year Total Return (%)	(21.0)
Fiscal Year End	December 31

Source: Bloomberg (as of May 1, 2018), *Qatar Exchange (as of May 1, 2018); Note: FO is foreign ownership

Relative Price Performance vs. Market Indices



Historical P/E Trends vs. Share Price



Source: Bloomberg, QNBFS Research

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Detailed Financial Statements

Ratios/Financial Indicators	FY2017	FY2018e	FY2019e	FY2020e
Profitability (%)				
RoAE (Attributable)	7.8	8.5	10.4	11.2
RoAA (Attributable)	0.8	0.9	1.0	1.1
RoRWA (Attributable)	0.9	1.0	1.1	1.2
NIM (% of IEAs)	1.8	1.9	2.0	2.1
NIM (% of RWAs)	2.4	2.6	2.7	2.7
NIM (% of AAs)	1.7	1.8	1.9	2.0
Spread	1.7	1.6	1.7	1.7
Efficiency (%)				
Cost-to-Income (Headline)	27.6	25.6	25.0	25.9
Cost-to-Income (Core)	27.8	25.8	25.2	26.1
Liquidity (%)				
LDR	107	100	97	98
Loans/Assets	60.6	61.6	66.9	68.8
Cash & Interbank Loans-to-Total Assets	15.9	15.6	11.7	13.4
Deposits to Assets	56.5	61.3	68.8	70.6
Wholesale Funding to Loans	46.3	39.5	24.9	22.0
IEAs to IBLs	117.6	117.1	117.5	118.5
Asset Quality (%)				
NPL Ratio	1.94	2.30	2.10	1.50
NPL to Shareholder's Equity	11.10	15.64	14.61	10.92
NPLs to Tier-1 Capital	10.49	14.15	13.30	10.10
Coverage Ratio	118	115	131	183
ALL/Average Loans	2.3	5.0	5.0	4.8
Cost of Risk	84	88	78	60
Capitalization (%)				
Tier-1 Ratio	16.7	15.6	15.5	14.5
CAR	16.7	15.6	15.5	14.5
Tier-1 Capital to Assets	11.5	10.5	11.1	10.7
Tier-1 Capital to Loans	19.0	17.1	16.6	15.6
Tier-1 Capital to Deposits	20.4	17.2	16.1	15.2
Leverage (x)	9.2	10.5	9.9	10.1
Growth (%)				
Net Interest Income	7.9	3.7	8.8	8.4
Non-Interest Income	-6.9	3.5	8.6	-4.2
OPEX	-1.9	-3.5	6.0	9.8
Net Operating Income	7.5	6.4	9.7	4.8
Net Income (Reported/Headline)	29.1	3.5	17.8	13.6
Loans	-0.2	2.9	8.5	12.3
Deposits	1.5	10.0	12.0	12.0
Assets	-4.5	1.3	-0.1	9.2
RWAs	-3.1	-0.6	5.8	12.4

Source: Company data, QNBFS Research

Income Statement (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Net Interest Income	984	1,021	1,110	1,204
Fees & Commissions	182	186	200	182
FX Income	39	43	46	52
Other Income	9	10	12	14
Non-Interest Income	231	239	259	248
Total Revenue	1,215	1,259	1,369	1,452
Operating Expenses	(335)	(323)	(342)	(376)
Net Operating Income	880	936	1,027	1,076
Net Provisions & Investment Impairments	(319)	(344)	(330)	(284)
Net Profit Before Taxes & Non-Recurring Items	562	592	697	792
Non-Recurring Income/(Loss)	-	-	-	-
Net Profit Before Taxes	562	592	697	792
Tax	(11)	(23)	(26)	(30)
Net Profit (Headline/Reported)	551	570	671	762
Interest Payment on AT1 Note	(55)	(55)	(55)	(55)
Social & Sports Contribution Fund	(14)	(14)	(17)	(19)
Net Profit (Attributable)	482	500	599	688

Source: Company data, QNBFS Research

Balance Sheet (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Assets				
Cash & Balances with Central Bank	2,587	2,696	2,013	2,706
Interbank Loans	6,617	6,471	4,832	5,863
Net Investments	12,506	12,393	11,553	10,383
Net Loans	35,094	36,119	39,177	43,982
Other Assets	689	542	588	616
Net PP&E	235	248	247	247
Goodwill & Intangible Assets	156	143	143	125
Total Assets	57,885	58,613	58,553	63,922
Liabilities				
Interbank Deposits	10,597	8,624	4,107	4,033
Customer Deposits	32,683	35,951	40,265	45,097
Term Loans & Other Borrowings	5,743	5,656	5,656	5,656
Other Liabilities	1,570	1,798	1,611	1,804
AT1 Perpetual Bonds	1,000	1,000	1,000	1,000
Total Liabilities	51,593	53,029	52,639	57,590
Shareholders' Equity	6,292	5,585	5,914	6,332
Total Liabilities & Shareholders' Equity	57,885	58,613	58,553	63,922

Source: Company data, QNBFS Research

Commercial Bank of Qatar (CBQK)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR36.00	Target Price	QR35.00
Implied Upside	(2.8%)		

1Q2018 Beats Estimates; CoR Normalizes

CBQK posted good results in 1Q2018, while continuously delivering on its objectives from its 5-year strategy. Stock price performance thus far has rewarded investors' optimism in the company's change in strategy and positive stewardship shown by its new CEO. The stock has re-rated from a steep 30% discount to book to almost at par with book. While positive 1Q2018 results could fuel more momentum in the name, the reality of negative residual value derived from on-going operations cannot be minimized. We believe while recent gains are not entirely unjustified, we do think that the stock is fairly valued at present levels. We remain Market Perform on the name and maintain our PT of QR35/sh. vs. PT QR29/sha. Previously on better expectations of RoE generation in the outer years.

Highlights

- **CBQK's 1Q2018 bottom-line soars QoQ and YoY driven by normalization of credit costs and lower opex.** CBQK reported net profit of QR404.7mn, gaining by 17.4% QoQ (+343.6% YoY). Earnings beat our estimates by 11.6% on the back of lower provisions as net interest income (QR665.0mn, -0.9% variation) was in-line and net operating income was broadly in-line (QR622.0mn, +4.7% variation).
- **Margins sequentially compressed.** NIM contracted by 18bps QoQ (+7bps YoY) to 2.17% due to a decline in yield on assets coupled with an increase in CoFs. Yield on assets receded by 13bps QoQ (+55bps YoY) while CoFs moved up by 7bps (+54bps YoY).
- **NPLs stable; CoR normalized.** NPLs remained stable at QR5.2bn, while the NPL ratio declined to 5.30% vs. 5.65% in 2017 (majority of NPLs are legacy). On the other hand, coverage ratio improved to 86% from 81% in 2017. Net provisions and impairments dropped by 7.7% (halved YoY) to QR235.9mn vs. QR255.6mn in 4Q2017 & QR484.8mn in 1Q2017. CoR improved to 92bps vs. 108bps in 4Q2017. *Management is guiding to a CoR of 100bps in 2018.* As per IFRS 9, stage 1 loans represents 80% of total loans while stage 2 is 15%.
- **Operating efficiency continued its positive trajectory, Generating Strong JAWs.** CBQK posted opex of QR311.5mn, dropping by 0.4% QoQ (-12.4% YoY). Hence the C/I ratio dropped to 32.4% vs. 34.5% in 4Q2017 (38% in 1Q2017). Moreover, the bank generated positive JAWs of 6.5% and 15.2% QoQ and YoY, respectively. *Improving efficiency is part of management's strategy by reducing C/I ratio to low-30% and they have been delivering.*
- **Loan growth outpaced deposit growth; LDR remains elevated, however.** Net loans expanded by 4.0% YTD to QR92.7bn, while customer deposits increased by 2.1% to QR79.3bn. As such, the bank's LDR remained at 117% vs. 115% at the end of 2017.
- **Tier-1 capital adversely impacted by IFRS 9.** As a result of one time impairment charges to the bank's equity, CET-1 ratio declined to 9.4% (11.2% in FY2017). CBQK's CAR also declined to 14.8% vs. 16.1% in FY2017.

Catalysts

- Delivering better profitability metrics than expected/estimated.

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our Price Target of QR35/sh. and maintain our Market Perform rating.** CBQK is trading at a 2018e P/TB and P/E of 0.9x and 12.5x, respectively.
- **Risks:** 1) Failing to achieve goals & objectives from 5-year plan & 2) Further deterioration in asset quality.

Key Financial Data and Estimates

(In QR mn)	2017	2018e	2019e	2020e
EPS	0.90	2.87	3.69	3.93
EPS Growth (%)	0.2	220.0	28.5	6.5
P/E (x)	40.1	12.5	9.7	9.2
Tangible BVPS (QR)	41.0	39.3	41.5	44.0
P/TBV (x)	0.9	0.9	0.9	0.8
DPS (QR)	1.00	1.50	1.50	2.00
Dividend Yield (%)	2.8	4.2	4.2	5.6

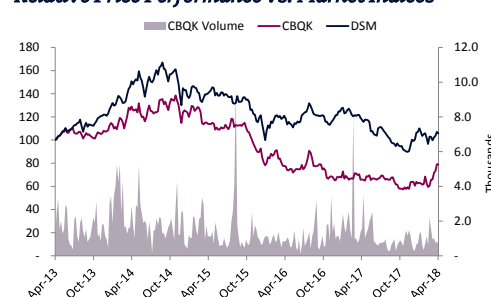
Source: Company data, QNBFS Research; Note: All data based on current number of shares

Key Data

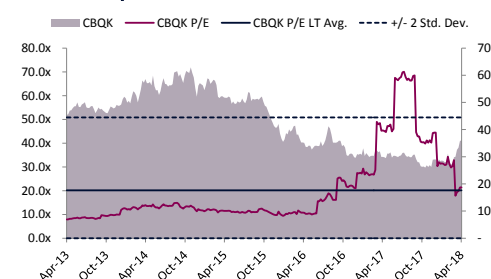
Current Market Price (QR)	36.00
Dividend Yield (%)	4.2
Bloomberg Ticker	CBQK QD EQUITY
Reuters Ticker	COMB.QA
ISIN	QA0007227752
Sector	Banks & Financial Services
52wk High/52wk Low (QR)	36.25 / 24.50
3-m Average Volume ('000)	194.5
Mkt. Cap. (\$ bn/QR bn)	4.0 / 14.6
Shares Outstanding (mn)	404.7
FO Limit* (%)	49.0
Current FO* (%)	14.2
1-Year Total Return (%)	24.9
Fiscal Year End	December 31

Source: Bloomberg (as of May 1, 2018), *Qatar Exchange (as of May 1, 2018); Note: FO is foreign ownership

Relative Price Performance vs. Market Indices



Historical P/E Trends vs. Share Price



Source: Bloomberg, QNBFS Research

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Detailed Financial Statements

Ratios	FY2017	FY2018e	FY2019e	FY2020e
Profitability (%)				
RoAE (Attributable)	2.2	6.8	8.7	8.8
RoAA (Attributable)	0.3	0.8	0.9	0.9
RoRWA (Attributable)	0.3	3.1	1.9	1.8
NIM (% of IEAs)	2.18	2.17	2.17	2.16
NIM (% of RWAs)	2.18	2.22	2.25	2.25
NIM (% of AAs)	1.87	1.88	1.91	1.91
Spread	1.8	1.7	1.7	1.7
Efficiency (%)				
Cost-to-Income (Headline)	36.0	33.4	31.4	31.0
Cost-to-Income (Core)	38.1	35.1	33.0	32.6
Liquidity (%)				
LDR	115	108	104	102
LDR (including CDs)	115	108	104	102
Loans/Assets	64	64	65	65
Cash & Interbank Loans-to-Total Assets	12.9	14.8	14.4	14.5
Deposits to Assets	56	59	62	63
Wholesale Funding to Loans	39	37	32	33
IEAs to IBLs	118	116	114	115
Asset Quality (%)				
NPL Ratio	5.6	5.8	5.9	5.0
NPLs to Shareholder's Equity	31.0	36.1	38.4	33.9
NPLs to Tier 1 Capital	31.0	33.6	35.9	32.2
Coverage Ratio	81.0	106.3	103.5	122.6
ALL/Average Loans	4.9	6.4	6.4	6.4
Cost of Risk	1.95	1.13	1.01	1.00
Capitalization (%)				
Tier 1 Ratio	14.5	13.9	13.3	12.6
CAR	16.1	15.6	15.0	14.3
Tier 1 Capital to Assets	12.3	11.8	11.3	10.7
Tier 1 Capital to Loans	19.1	18.4	17.5	16.5
Tier 1 Capital to Deposits	21.9	19.9	18.2	16.8
Leverage (x)	8.1	9.1	9.5	9.9
Growth (%)				
Net Interest Income	7.6	7.3	9.6	9.4
Non-Interest Income	-4.0	3.7	7.3	-2.3
Total Revenue	3.6	6.2	8.9	5.9
Operating Expenses	-22.1	-1.6	2.4	4.5
Net Operating Income	27.4	10.6	12.2	6.5
Net Provisions & Investment Impairments	29.7	-33.5	-2.1	8.0
Net Income (Headline/Reported)	20.5	132.5	23.6	5.6
Net Income (Attributable)	30.0	223.8	28.7	6.5
Loans	14.6	6.6	10.1	10.0
Deposits	9.5	13.0	15.0	12.0
Assets	6.2	7.4	8.9	10.0
RWAs	2.7	7.8	9.0	10.1

Source: Company data, QNBFS Research

Income Statement (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Net Interest Income	2,518	2,702	2,962	3,241
Fees & Commissions	720	742	816	800
FX Income	163	187	209	178
Other Income	276	273	264	282
Non-Interest Income	1,159	1,202	1,290	1,260
Total Revenue	3,677	3,904	4,251	4,501
Operating Expenses	(1,325)	(1,303)	(1,335)	(1,395)
Net Operating Income	2,352	2,600	2,917	3,107
Net Provisions & Impairments	(1,743)	(1,160)	(1,136)	(1,227)
Net Profit Before Taxes & Non-Recurring Items	609	1,440	1,781	1,880
Non-Recurring Income	0	0	0	0
Net Profit After Non-Recurring Income	609	1,440	1,781	1,880
Tax	(5)	(37)	(45)	(48)
Net Profit Before Minority Interest	604	1,404	1,735	1,832
Minority Interest	(0)	(0)	(0)	(0)
Net Profit (Headline/Reported)	604	1,404	1,735	1,832
Interest on Tier-1 Note	(240)	(240)	(240)	(240)
Social & Sports Contribution Fund	(15)	(35)	(43)	(46)
Net Profit (Attributable)	349	1,128	1,452	1,546

Source: Company data, QNBFS Research

Balance Sheet (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Assets				
Cash & Balances with Central Bank	7,374	8,422	9,382	10,169
Interbank Loans	10,499	13,649	13,949	15,623
Net Investments	19,629	21,942	24,061	26,906
Net Loans	89,122	94,997	104,566	114,995
Investment In Associates	2,088	2,166	2,248	2,337
Other Assets	6,715	4,560	4,810	5,175
Net PP&E	2,591	2,548	2,582	2,623
Goodwill & Other Intangibles	430	375	319	263
Total Assets	138,449	148,658	161,918	178,091
Liabilities				
Interbank Deposits	13,516	12,370	9,469	11,049
Certificate of Deposits	-	-	-	-
Customer Deposits	77,633	87,726	100,885	112,991
Term Loans	20,908	22,581	24,387	26,338
Tier-1 Perpetual Notes	4,000	4,000	4,000	4,000
Other Liabilities	5,370	5,702	6,053	5,650
Total Liabilities	121,428	132,379	144,794	160,027
Shareholders' Equity				
Total Shareholders' Equity	17,022	16,279	17,124	18,063
Total Liabilities & Shareholders' Equity	138,449	148,658	161,918	178,091

Source: Company data, QNBFS Research

Doha Bank (DHBK)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR27.00	Target Price	QR31.00
Implied Upside	14.8%		

1Q2018 Bottom-Line Driven by Lower Net Provisions

A compelling dividend play with improving fundamentals; maintain Market Perform for now. DHBK remains a compelling dividend play given what we consider to be a safe payout of QR2.00-2.50/sh over the next 3-5 years, yielding 7 to 9%. We expect a cut in dividends as IFRS 9 significantly impacted the bank's equity and CET 1 ratio. CET 1 ratio declined by 208bps to 10.2% from 12.3% at the end of 2017.

Highlights

- 1Q2018 net income driven by lower provisions & impairments both sequentially and YoY.** DHBK reported net profit of QR381.4mn (in-line with our estimate of QR371.3mn; variation of +2.7%) vs. QR61.4mn in 4Q2017 & QR364.4mn in 1Q2017 (+4.7% growth). The bottom-line was driven by a sharp in provisions as revenue and net operating income receded QoQ and YoY. The bank booked net provisions of QR60.5mn vs. QR400.3mn in 4Q2017 (QR86.4mn in 1Q2017).
- Spreads compressed sequentially.** Net interest income decreased by 7.3% QoQ (+7.5% YoY) to QR560.1mn. DHBK's net interest margin contracted by 22bps QoQ (+13bps YoY) to 2.64%. The compression in the spread was due to CoFs gaining by 19bps while yield on assets remaining flat. *The margin pressure in 1Q2018 was possibly due to deposits flows at the end of 4Q2017 and the interest expense associated with it may not have impacted the income statement in 4Q2017.*
- Efficiency ratio remained unchanged; still on the high side.** Opex and revenue declined by similar percentages. Thus, C/I ratio remained at 37% vs. 38% in 4Q2017 and 1Q2017.
- Provisioning as per IFRS 9 wiped out risk reserves.** DHBK's expected net credit losses & impairments sat at QR1.5bn. After netting it out against risk reserves, the remaining charge of QR134.3mn was applied to retained earnings. These charges reduced shareholders' equity by 14.7% YTD.
- CoR dropped, which is a positive.** CoR came in at 28bps in 1Q2018 vs. 232bps in 4Q2017 (35bps in 1Q2017).
- Asset quality remained under pressure.** DHBK's asset quality worsened with the bank's NPLs gaining by 13.3% QoQ to QR2.6bn. Moreover, The NPL ratio moved to 3.99% from 3.61% in 2017. However, the coverage ratio remains healthy at 109%.
- Net Loans and deposits exhibited flat performance.** Net loans and deposits remained flat at QR59.9bn and QR59.3bn, respectively. Hence the LDR remained unchanged at 101%. On the other hand, loans to stable sources of funds rested at 92%.
- CET1 ratio declined as a result of impairments arising from IFRS 9.** DHBK's CET1 ratio declined by 208bps to 10.2% from 12.3% at the end of 2017. Moreover, total Tier-1 ratio (includes AT1 capital) sequentially dropped by 195bps to 15.4% vs. 17.4% in FY2017.

Catalysts

- 1) Better execution of the bank's strategy and 2) improvement in asset quality

Recommendation, Valuation and Risks

- Recommendation and valuation:** DHBK is trading at a 2018e P/B and P/E of 0.9x and 8.8x, respectively.
- Risks:** 1) Geopolitical factors and 3) Exposure real estate & contracting segments

Key Financial Data and Estimates

	2017	2018e	2019e	2020e
EPS	3.02	3.07	3.97	4.55
Growth	-3.2	1.6	29.2	14.8
P/E (x)	9.4	8.8	6.8	5.9
BVPS (QR)	34.9	29.8	31.2	33.6
P/B (x)	0.8	0.9	0.9	0.8
DPS (QR)	3.00	2.50	2.00	2.50
Dividend Yield (%)	11.1	9.3	7.4	9.3

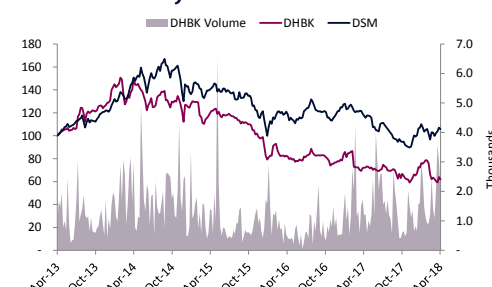
Source: Company data, QNBFS Research; Note: All data based on current number of shares

Key Data

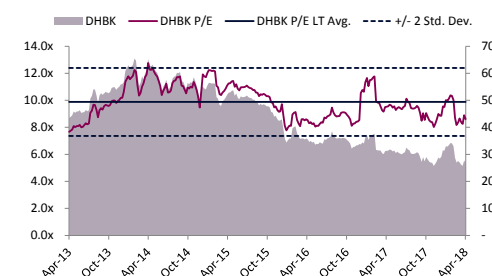
Current Market Price (QR)	27.00
Dividend Yield (%)	9.3
Bloomberg Ticker	DHBK QD EQUITY
Reuters Ticker	DOBK.QA
ISIN	QA0006929770
Sector	Banks & Financial Services
52wk High/52wk Low (QR)	34.98 / 25.20
3-m Average Volume ('000)	354.3
Mkt. Cap. (\$ bn/QR bn)	2.3 / 8.4
Shares Outstanding (mn)	310.0
FO Limit* (%)	49.0
Current FO* (%)	13.5
1-Year Total Return (%)	(5.6)
Fiscal Year End	December 31

Source: Bloomberg (as of May 1, 2018), *Qatar Exchange (as of May 1, 2018); Note: FO is foreign ownership

Relative Price Performance vs. Market Indices



Historical P/E Trends vs. Share Price



Source: Bloomberg, QNBFS Research

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Company Description

Doha Bank is Qatar's 3rd largest conventional bank with a market share of ~8% in loans and deposits, respectively (5th largest among all listed banks). DHBK was known for solely being a retail bank with retail loans representing ~42% of its loan book in 2008. However, the bank has shifted its strategy by tapping other sectors of the economy such as contracting and real estate. As of FY2017, loans to contractors made up ~17% of its loan portfolio vs. ~10% in 2008. During the same period, retail loans dropped from ~42% to ~14%.

Detailed Financial Statements

Ratios	FY2017	FY2018e	FY2019e	FY2020e
Profitability (%)				
RoAE (Attributable)	8.5	9.2	12.6	13.7
RoAA (Attributable)	1.2	1.2	1.4	1.5
RoRWA (Attributable)	1.1	1.1	1.4	1.4
NIM (% of IEAs)	2.71	2.81	2.83	2.87
NIM (% of RWAs)	2.85	3.00	3.00	2.95
NIM (% of AAs)	2.45	2.54	2.60	2.63
Spread	2.5	2.6	2.6	2.6
Efficiency (%)				
Cost-to-Income (Headline)	37.4	36.2	35.1	35.6
Cost-to-Income (Core)	38.1	36.8	35.6	36.4
Liquidity (%)				
LDR	100.6	98.4	96.1	97.0
Loans/Assets	64.0	63.5	62.2	64.0
Cash & Interbank Loans-to-Total Assets	15.5	14.0	15.2	13.0
Deposits to Assets	63.6	64.5	64.7	66.0
Wholesale Funding to Loans	28.6	30.6	31.9	28.7
IEAs to IBLs	109.3	109.7	108.2	109.1
Asset Quality (%)				
NPL Ratio	3.61	3.95	4.06	4.30
NPLs to Shareholders' Equity	20.9	28.2	29.7	31.5
NPLs to Tier 1 Capital	23.3	30.9	31.7	34.1
Coverage Ratio	124.8	124.5	130.0	126.3
ALL/Average Loans	4.5	7.2	7.5	7.6
Cost of Risk	95	106	89	77
Capitalization (%)				
Tier 1 Ratio	17.4	15.1	14.1	13.7
CAR	17.5	15.3	14.2	13.9
Tier 1 Capital to Assets	14.7	12.9	12.4	12.3
Tier 1 Capital to Loans	22.9	20.3	19.9	19.3
Tier 1 Capital to Deposits	23.0	20.0	19.1	18.7
Leverage (x)	8.7	10.5	10.9	10.6
Growth (%)				
Net Interest Income	8.8	7.3	8.3	8.0
Non-Interest Income	2.1	1.4	6.2	1.1
Total Revenue	7.1	5.9	7.8	6.4
Opex	2.3	2.5	4.6	8.0
Net Operating Income	10.3	8.0	9.6	5.6
Net Income (Headline/Reported)	5.3	5.5	23.7	12.5
Net Income (Attributable)	6.8	7.0	29.4	14.9
Loans	1.0	2.7	6.5	8.0
Deposits	6.7	5.0	9.0	7.0
Assets	3.5	3.5	8.7	5.0
RWAs	-0.7	4.3	12.5	7.4

Source: Company data, QNBFS Research

Income Statement (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Net Interest Income	2,255	2,421	2,621	2,830
Fees & Commissions	465	476	505	507
FX Income	107	111	117	109
Other Income	119	113	122	136
Non-Interest Income	691	700	744	752
Total Revenue	2,946	3,121	3,365	3,582
Operating Expenses	(1,103)	(1,130)	(1,182)	(1,276)
Net Operating income	1,843	1,991	2,183	2,306
Net Provisions & Investment Impairment	(735)	(814)	(728)	(667)
Net Profit Before Taxes	1,109	1,177	1,456	1,639
Tax	1	(5)	(7)	(7)
Net Profit (Headline/Reported)	1,110	1,172	1,449	1,631
Interest on Tier-1 Note	(220)	(220)	(220)	(220)
Social & Sports Contribution Fund	(28)	(29)	(36)	(41)
Attributable Net Profit	862	922	1,193	1,370

Source: Company data, QNBFS Research

Balance Sheet (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Assets				
Cash & Balances with Central Bank	6,670	4,995	6,126	5,826
Interbank Loans	7,822	8,599	9,816	8,480
Net Investments	17,513	20,109	22,176	23,768
Net Loans	59,804	61,423	65,440	70,671
Other Assets	978	994	993	1,072
Net PP&E	709	643	614	587
Total Assets	93,495	96,764	105,166	110,404
Liabilities				
Interbank Deposits	11,005	12,068	13,352	11,623
Customer Deposits	59,468	62,442	68,061	72,826
Term Loans	6,091	6,700	7,504	8,629
Other Liabilities	2,124	2,310	2,586	2,913
Tier 1 Perpetual Note	4,000	4,000	4,000	4,000
Total Liabilities	82,688	87,519	95,503	99,991
Total Shareholders' Equity	10,807	9,245	9,663	10,413
Total Liabilities & Shareholders' Equity	93,495	96,764	105,166	110,404

Source: Company data, QNBFS Research

Gulf Warehousing Company (GWCS)

Recommendation	OUTPERFORM	Risk Rating	R-4
Share Price	QR42.00	Target Price	QR51.00
Implied Upside	21.4%		

Solid Start to the Year; Maintain Outperform

GWCS posted solid 1Q2018 numbers with in-line earnings. While gross margins declined as revenue exceeded our forecasts in lower-margin 4PL and freight forwarding businesses, earnings came in-line with our model boosted by the revenue uplift. We have updated our forward expectations reflecting higher revenue from these aforementioned segments along with mostly unchanged EPS estimates. We remain bullish on GWCS and retain our price target of QR51/Outperform rating. GWCS has withstood the blockade well with freight forwarding bouncing back nicely and some after an initial hit. The company's logistics business has also picked up steam driven by contract logistics and increasing occupancy in Bu Sulba. GWCS stock is down 12%, on a total return basis, since the beginning of the blockade vs. 2%/5% declines in MSCI Qatar/QSE and we continue to think this underperformance is unwarranted. Growth post Bu Sulba (~100% occupancy later in 2018) will decline, but as we had flagged previously, GWCS should start generating substantial FCF with FCF yield increasing from 1.8% in 2017 to 13.3% in 2018, reaching 19.1% in 2023. Dividend yield of 4.3% for 2018 should grow to 6.2% by 2023. With major capex already done, there could be upside to dividends medium-term.

Highlights

- 1Q2018 net income came in line with our estimate.** GWCS reported net profit of QR56.7mn (-3% QoQ/+12% YoY) in 1Q2018, in line with our estimate of QR57.4mn (-1% variance).
- Total revenue jumped 15%/40% QoQ/YoY exceeding our forecasts with strong growth in both logistics and freight forwarding.** Logistics is reaching a ~QR200mn quarterly run rate, up 12% QoQ and 35% YoY, benefiting from 4PL contract logistics and increased occupancy in Bu Sulba (94% full). The logistics segment remains value accretive with high cash gross margins of rental business (LVQ: 91%; Bu Sulba: 88%) and 32% for the remaining logistics operations (contract logistics, records management, transport, moving & relocation, etc.). GWCS also posted strong growth in freight forwarding, up 21% QoQ/48% YoY to QR114.0mn driven by its oil & gas customers. However, FF is a low-margin segment, with cash GMs of 27% (2018).
- Reported gross margins contracted to 32% vs. 35.8% in 4Q2017 and 35.6% a year ago.** As discussed before, higher mix of lower margin segments contributed to this decline.
- Model impact: Revenue estimates upped as we factor in improved traction in 4PL & freight forwarding but margin compression leads to only slight earnings increase.** We recently increased our 2018 revenue forecast by 13% from QR1.1bn to QR1.2bn but our net income forecast went up 1% from QR227.1mn to QR230.3mn. Similarly, our overall revenue/EPS increased by an average of 12% and 1%, respectively, over 2018-2023.

Catalysts

- Newsflow on projects:** (1) The Al Asmakh logistics park management agreement could add to LT revenue; Ras Abu Fontas could add 8k SQM to warehouse space by 3Q2019. (2) Corporate restructurings could create boost outsourced logistics solutions. (3) 4PL remains a growth area. (4) International/regional projects could diversify operations.

Recommendation, Valuation and Risks

- Recommendation and valuation:** We rate GWCS an Outperform with a price target of QR51. Stock trades at P/E of 10.7x and 9.9x for 2018 & 2019, respectively.
- Risks:** include low occupancy in Bu Sulba and customer retention challenges in LVQ/Bu Sulba. Top-line growth post 2018 potentially capped given the upcoming mega logistics project (only open to Qatari individuals/100%-Qatari owned firms) in south Qatar.

Key Financial Data and Estimates

	FY2017	FY2018e	FY2019e	FY2020e
Revenue (QR mn)	967	1,200	1,270	1,316
<i>Growth</i>	<i>14%</i>	<i>24%</i>	<i>6%</i>	<i>4%</i>
EBITDA (QR mn)	373	443	464	475
<i>Growth</i>	<i>16%</i>	<i>19%</i>	<i>5%</i>	<i>2%</i>
Net Income (QR mn)	215	230	250	269
EPS (QR)	3.68	3.93	4.26	4.59
<i>Growth</i>	<i>5%</i>	<i>7%</i>	<i>8%</i>	<i>8%</i>
P/E (x)	11.4x	10.7x	9.9x	9.1x
DPS (QR)	1.70	1.80	2.00	2.10
<i>Dividend Yield</i>	<i>4.0%</i>	<i>4.3%</i>	<i>4.8%</i>	<i>5.0%</i>
ROE	13.7%	13.6%	13.6%	13.7%

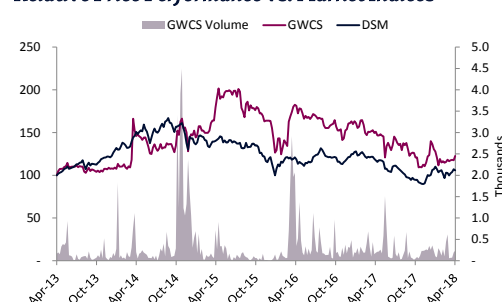
Source: Company data, QNBFS estimates; Note: All per share data based on current number of shares

Key Data

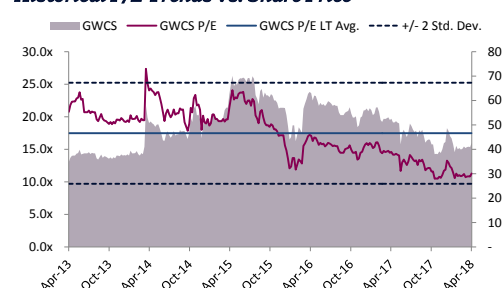
Current Market Price (QR)	42.00
Dividend Yield (%)	4.3
Bloomberg Ticker	GWCS QD EQUITY
Reuters Ticker	GWCS.QA
ISIN	QA000AOKD6H9
Sector	Transport
52wk High/52wk Low (QR)	53.50 / 36.66
3-m Average Volume ('000)	44.5
Mkt. Cap. (\$ bn/QR bn)	0.7 / 2.5
Shares Outstanding (mn)	58.6
FO Limit* (%)	49.0
Current FO* (%)	26.4
1-Year Total Return (%)	(15.7)
Fiscal Year End	December 31

Source: Bloomberg (as of May 1, 2018), *Qatar Exchange (as of May 1, 2018); Note: FO is foreign ownership

Relative Price Performance vs. Market Indices



Historical P/E Trends vs. Share Price



Source: Bloomberg, QNBFS Research

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Valuation Metrics

	2016	2017	2018e	2019e	2020e	2021e	2022e	2023e
Valuation								
EV/EBITDA	11.9x	10.4x	8.3x	7.5x	6.8x	5.9x	5.2x	4.5x
P/E	12.0x	11.4x	10.7x	9.9x	9.1x	8.3x	7.8x	7.4x
P/CF	5.5x	7.3x	5.5x	6.2x	5.7x	5.5x	5.0x	4.8x
P/BV	1.6x	1.5x	1.4x	1.3x	1.2x	1.1x	1.0x	1.0x
Dividend Yield	3.8%	4.0%	4.3%	4.8%	5.0%	5.5%	5.8%	6.2%
FCF Yield	-20.5%	1.8%	13.3%	11.2%	15.5%	16.4%	18.1%	19.1%

Source: Bloomberg, QNBFS estimates

Ratio Analysis

	2016	2017	2018e	2019e	2020e	2021e	2022e	2023e
Growth (%)								
Revenue	7.8%	13.8%	24.1%	5.8%	3.7%	6.8%	2.9%	2.1%
Cash Gross Profit	8.6%	15.4%	15.8%	4.4%	2.5%	4.8%	2.0%	1.4%
EBITDA	11.5%	15.6%	18.7%	4.7%	2.4%	5.2%	1.8%	1.1%
EBIT	11.1%	13.6%	13.2%	4.7%	1.8%	5.0%	1.5%	0.6%
Net Profit	11.1%	4.8%	6.9%	8.4%	7.8%	10.8%	6.4%	5.2%
Cash Flow Per Share	1033.7%	-25.6%	34.6%	-12.0%	8.2%	4.9%	9.4%	4.9%
Free Cash Flow Per Share	nmf	nmf	643.8%	-16.4%	39.2%	5.5%	10.5%	5.4%
Profitability (%)								
Gross Margin	46.9%	47.5%	44.3%	43.7%	43.2%	42.5%	42.1%	41.8%
EBITDA Margin	38.0%	38.6%	36.9%	36.6%	36.1%	35.6%	35.2%	34.8%
EBIT Margin	25.4%	25.4%	23.2%	22.9%	22.5%	22.1%	21.8%	21.5%
Net Margin	24.2%	22.3%	19.2%	19.7%	20.5%	21.2%	21.9%	22.6%
RoAE	14.0%	13.7%	13.6%	13.6%	13.7%	14.0%	13.8%	13.5%
RoAA	6.1%	5.7%	6.2%	6.9%	7.7%	8.8%	9.6%	10.4%
BEP	6.4%	6.5%	7.5%	8.0%	8.5%	9.2%	9.6%	9.9%
RoAIC	6.0%	7.3%	9.1%	9.7%	10.8%	11.9%	12.7%	13.4%
RoACE	7.0%	7.2%	8.2%	8.9%	9.4%	10.3%	10.8%	11.2%

Liquidity								
Current Ratio	2.0x	1.5x	1.4x	1.3x	1.3x	1.4x	1.5x	2.1x
Quick Ratio	2.0x	1.5x	1.4x	1.3x	1.3x	1.4x	1.4x	2.1x
Cash Ratio	0.9x	0.6x	0.6x	0.4x	0.4x	0.5x	0.5x	0.8x

Debt Ratios								
Debt-to-Equity	1.2x	1.1x	0.9x	0.7x	0.5x	0.3x	0.2x	0.1x
Long-Term Debt-to-Equity	1.1x	0.9x	0.7x	0.5x	0.4x	0.2x	0.1x	0.0x
EBITDA Interest Coverage	8.4x	6.9x	5.5x	6.8x	8.6x	11.8x	17.3x	31.2x
Net Debt-to-EBITDA	4.3x	3.8x	2.7x	2.2x	1.6x	1.0x	0.4x	-0.3x
Debt-to-Capital	0.6x	0.5x	0.5x	0.4x	0.3x	0.3x	0.2x	0.1x

Source: Company data, QNBFS estimates

Detailed Financial Statements

Income Statement (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e	FY2021e	FY2022e
Revenue	967	1,200	1,270	1,316	1,406	1,447
<i>YoY Growth</i>	14%	24%	6%	4%	7%	3%
Direct Costs	(507)	(668)	(714)	(747)	(809)	(838)
Gross Profit	459	532	555	569	597	609
<i>Gross Margin</i>	48%	44%	44%	43%	42%	42%
General and Administrative Expenses	(86)	(89)	(91)	(94)	(97)	(100)
EBITDA	373	443	464	475	500	509
<i>YoY Growth</i>	16%	19%	5%	2%	5%	2%
<i>EBITDA Margin</i>	39%	37%	37%	36%	36%	35%
Depreciation and Amortization	(128)	(166)	(173)	(179)	(189)	(194)
EBIT	246	278	291	296	311	316
<i>YoY Growth</i>	14%	13%	5%	2%	5%	1%
<i>EBIT Margin</i>	25%	23%	23%	23%	22%	22%
Net Finance Costs and Other Income	(30)	(48)	(41)	(27)	(13)	2
Net Income to Equity	215	230	250	269	298	317
<i>YoY Growth</i>	5%	7%	8%	8%	11%	6%
<i>Net Margin</i>	22%	19%	20%	20%	21%	22%
EPS (QR)	3.68	3.93	4.26	4.59	5.09	5.41
DPS (QR)	1.70	1.80	2.00	2.10	2.30	2.45
<i>Payout Ratio</i>	46%	46%	47%	46%	45%	45%

Source: Company data, QNBFS estimates

Balance Sheet (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e	FY2021e	FY2022e
Non-Current Assets						
PP&E and Projects in Progress	2,729	2,694	2,651	2,527	2,394	2,255
Investment Properties	37	38	38	38	39	39
Intangible Assets	119	112	104	97	90	82
Total Non-Current Assets	2,886	2,843	2,793	2,663	2,522	2,376
Current Assets						
Inventories	11	13	14	15	16	16
Trade and Other Receivables	525	460	487	503	538	553
Bank Balances and Cash	352	365	264	259	270	310
Total Current Assets	888	839	765	777	823	880
Total Assets	3,774	3,682	3,559	3,440	3,345	3,257
Equity & Liabilities						
Total Shareholders' Equity	1,636	1,761	1,898	2,044	2,211	2,386
Non-Controlling interests	(4)	(4)	(4)	(4)	(4)	(4)
Non-Current Liabilities						
Loans and Borrowings	1,525	1,301	1,031	761	492	222
Employee Benefits	31	35	40	44	48	53
Total Non-Current Liabilities	1,556	1,337	1,071	806	540	275
Current Liabilities						
Trade Payables	53	66	68	69	71	71
Loans and Borrowings	261	270	270	270	270	270
Accruals, Provisions & Other Payables	203	253	254	255	256	259
Retention Payable	68	-	-	-	-	-
Total Current Liabilities	585	588	593	594	597	600
Total Liabilities	2,142	1,925	1,664	1,400	1,137	874
Total Equity & Liabilities	3,774	3,682	3,559	3,440	3,345	3,257

Source: Company data, QNBFS estimates

Industries Qatar (IQCD)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR112.00	Target Price	QR109.00
Implied Upside	(2.7%)		

Steel Segment Strength Boosts 1Q2018; MSCI/FTSE in Focus

IQCD reported a strong set of numbers buoyed by revenue/margin expansion in steel; stock could see further upside given impending MSCI/FTSE weight increases. IQCD shares have jumped 20% from mid-March driven by expectation of near-doubling of its FOL and the resultant \$200mn or so in flows from passive trackers. We expect some remaining upside as implementation days approach (May 31/June 14 for MSCI/FTSE). Such gains could, however, be short-lived as they have historically and we maintain our 12-month price target of QR109 for now. While 1Q2018 numbers beat expectations, 2Q could be more challenging especially in the steel segment. We will adjust our model after 1H2018 results.

Highlights

- **Driven by outperformance in steel, IQCD's bottom line rises 32% QoQ in 1Q2018, exceeding our estimate.** Earnings were up 37% YoY to QR1.27bn in 1Q2018, exceeding our forecast of QR1.15bn (variation of +10%). For more details, please see page 2.
- **Steel revenue bests our forecast with strong GMs.** IQCD's revenue (representing its 100%-owned steel segment) came in at QR1.38bn in 1Q2018, which represents a decrease of 5% QoQ; steel revenue exceeded our forecast of QR1.24bn. On a YoY basis revenue rose 24%. Majority of the earnings beat was due to better-than-expected GMs at the wholly-owned steel segment – cash GMs expanded to 28.2% from 19.3% in 4Q2017 (28.0% in 1Q2017) vs. our estimate of 23%. According to the company, sales improved due to changes in geographical mix; steel prices increased significantly QoQ and YoY due to an increase in iron ore costs and short supply of electrodes, which are consumables. We note that during the quarter, IQCD signed an offtake agreement with Muntajat for its steel products.
- **Income from JVs (that represent IQCD's 75% stake in QAFCO, 80% share in QAPCO and 50% ownership of QAFAC) came in-line with our estimates.** According to IQCD, PE sales benefited from higher volumes given lack of extended unplanned shutdowns faced during 1Q2017. PE prices have improved and began stabilizing while fuel additive prices have increased significantly YoY as crude continues its march higher. Moreover, fertilizer prices as well have shown a modest rise driven by tightening of supplies, and a general recovery in demand.
- **Balance sheet remains strong (group debt of QR0.4bn vs. cash of QR8.8bn).** Capex needs remain minimal. Strategic deployment of this cash remains a key question.
- **No estimate changes; 2Q2018 earnings could fall sequentially especially due to the steel segment.** While our QR3.9bn 2018 earnings estimate appears conservative in light of 1Q results, we maintain our estimates for now. For 2Q2018, we note: **(1)** 1Q2018 strength in steel pricing was driven by shortage of electrodes and increase in iron ore prices, which have largely reversed. Moreover, summer/Ramadan remains a seasonally soft period for construction and some large projects in Qatar are coming to a close. We note Qatar Steel supplies almost all domestic demand. **(2)** Fertilizers should see stable performance given higher QoQ volumes and price stability. Medium-term, expected lower Chinese exports as smaller inefficient plants are shut down bodes well for urea price realizations. **(3)** PE should see largely flattish volumes, while prices could continue to strengthen QoQ as oil goes up.
- **Strong FCF generation support dividends despite high payout ratio vs. historical.** IQCD's FCF (OCF + Cash dividends from JVs-steel capex), should come in at QR3.5bn in 2018 and should average QR4.5bn over 2017 to 2026 with an average dividend cover of 1.3x. We forecast a DPS of QR5 for 2018, which is flat and could see upside. However, payouts will remain high at an average of around ~71% over 2018 to 2026 (91% payout in 2017).

Catalysts

- **FOL increase from 25% to 49% acts a near-term catalyst driven by MSCI & FTSE inflows.** However, these gains could prove to be short-lived as they have been historically once implementation days approach (May 31/June 14 for MSCI/FTSE).

Recommendation, Valuation and Risks

- **Recommendation & valuation: We rate IQCD a Market Perform with a PT of QR109.** IQCD is fully valued-to-expensive @ 17.3x and 15.8x P/E for 2018 and 2019, respectively.
- **Risks:** Weakness in oil prices remain a substantial risk to equity prices and have a direct detrimental impact on IQCD's operations. Geopolitical risks remain and cannot be modeled.

Key Financial Data and Estimates

	FY2016	FY2017	FY2018e	FY2019e
Group Revenue (QR mn)	13,800	14,300	14,773	15,050
EPS (QR)	4.88	5.48	6.46	7.07
DPS (QR)	4.00	5.00	5.00	5.25
RoE (%)	8.8	9.7	11.2	11.8
P/E (x)	22.9	20.4	17.3	15.8
EV/EBITDA (x)	19.2	17.3	14.8	13.6
Dividend Yield %	3.6	4.5	4.5	4.7

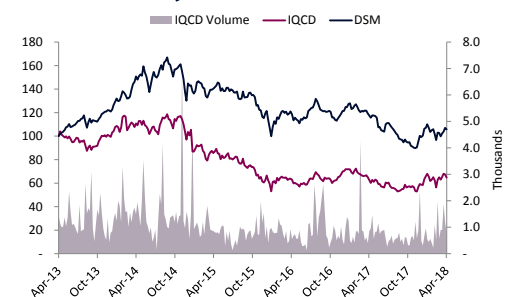
Source: Company data, QNBFS estimates; Note: All data based on current number of shares

Key Data

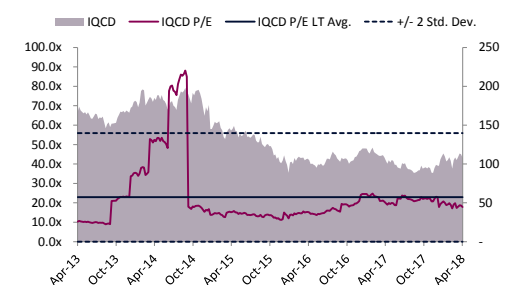
Current Market Price (QR)	112.00
Dividend Yield (%)	4.5
Bloomberg Ticker	IQCD QD EQUITY
Reuters Ticker	IQCD.QA
ISIN	QA000A0KD6K3
Sector	Industrials
52wk High/52wk Low (QR)	115.00 / 85.00
3-m Average Volume ('000)	188.8
Mkt. Cap. (\$ bn/QR bn)	18.6 / 67.8
Shares Outstanding (mn)	605.0
FO Limit* (%)	49.0
Current FO* (%)	6.8
1-Year Total Return (%)	13.6
Fiscal Year End	December 31

Source: Bloomberg (as of May 1, 2018), *Qatar Exchange (as of May 1, 2018); Note: FO is foreign ownership

Relative Price Performance vs. Market Indices



Historical P/E Trends vs. Share Price



Source: Bloomberg, QNBFS Research

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1Q2018 Review

Driven by outperformance in steel, IQCD's bottom line rises 32% QoQ in 1Q2018, exceeding our estimate. Earnings were up 37% YoY to QR1.27bn in 1Q2018, exceeding our forecast of QR1.15bn (variation of +10%).

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Income from JVs (that represent IQCD's 75% stake in QAFCO, 80% share in QAPCO and 50% ownership of QAFAC) came in-line with our estimates. According to IQCD, PE sales benefited from higher volumes given lack of extended unplanned shutdowns faced during 1Q2017. PE prices have improved and began stabilizing while fuel additive prices have increased significantly YoY as crude continues its march higher. Moreover, fertilizer prices as well have shown a modest rise driven by tightening of supplies, and a general recovery in demand.

1Q2018 Actual Vs. Estimates and Comparisons

In QR mn	1Q2018	1Q2018e	4Q2017	1Q2017	A vs. E	QoQ	YoY	2018e	2017	YoY	2016	YoY
Revenue	1,377.8	1,236.4	1,454.6	1,107.3	11%	-5%	24%	4,859.9	4,628.5	5%	4,674.3	-1%
Gross Profit	388.2	284.4	281.3	310.4	37%	38%	25%	1,069.2	935.0	14%	1,370.3	-32%
EBITDA	335.1	222.6	213.7	214.3	51%	57%	56%	767.8	678.0	13%	1,101.0	-38%
EBIT	276.1	164.4	155.8	158.8	68%	77%	74%	542.3	452.5	20%	875.7	-48%
Share of Results of JVs	858.7	856.9	818.5	642.5	0%	5%	34%	2,999.5	2,606.6	15%	1,716.3	52%
Profit for Equity Holders	1,267.9	1,149.9	957.7	927.9	10%	32%	37%	3,905.9	3,315.4	18%	2,955.0	12%
DPS								5.00	5.00	0%	4.00	25%
Group EBITDA (IQ)	1,327.7	1,210.1	1,058.4	986.0	10%	25%	35%	4,134.8	3,652.1	13%	3,193.5	14%
Group EBIT (IQ)	1,268.7	1,152.0	1,000.5	930.6	10%	27%	36%	3,909.3	3,426.7	14%	2,968.1	15%
Gross Margin	28.2%	23.0%	19.3%	28.0%				22.0%	20.2%		29.3%	
EBITDA Margin	24.3%	18.0%	14.7%	19.4%				15.8%	14.6%		23.6%	
EBIT Margin	20.0%	13.3%	10.7%	14.3%				11.2%	9.8%		18.7%	

Source: Company data, QNBFS estimates

Comparative Multiples

Fertilizers		Div. Yield	P/E		P/CFPS		EV/EBITDA		FCF Yield	
Company	Ticker		FY2018e	FY2019e	FY2018e	FY2019e	FY2018e	FY2019e	FY2018e	FY2019e
Saudi Arabian Fertilizer Co	SAFCO	2.7%	20.7x	18.9x	16.1x	14.6x	15.2x	13.7x	4.2%	NA
Yara International ASA	YAR	3.0%	17.1x	11.7x	8.7x	7.1x	1.1x	0.9x	(0.1%)	0.1%
Mosaic Co/The	MOS	1.3%	18.7x	15.2x	8.2x	7.2x	8.2x	7.4x	3.5%	5.4%
Average		2.3%	18.8x	13.5x	11.0x	8.7x	8.2x	4.1x	2.5%	NA
Median		2.7%	18.7x	15.2x	8.7x	7.2x	8.2x	7.4x	3.5%	NA
Industries Qatar QSC	IQCD	4.5%	17.3x	15.8x	17.4x	15.9x	14.8x	13.6x	5.6%	6.1%

Note: Where coverage is not available, estimates are based on Bloomberg consensus, if available

Mean/Median calculated if more than 2 observations are present

NA: Not Applicable

nmf: Not Meaningful (typically refers to negative or exceedingly large values)

Source: Bloomberg, QNBFS Research

Petrochemicals		Div. Yield	P/E		P/CFPS		EV/EBITDA		FCF Yield	
Company	Ticker		FY2018e	FY2019e	FY2018e	FY2019e	FY2018e	FY2019e	FY2018e	FY2019e
Yanbu National Petrochemical Co	YANSAB	4.7%	14.0x	14.4x	9.6x	12.5x	9.1x	9.4x	8.6%	8.7%
Saudi Kayan Petrochemical Co	KAYAN	NA	15.4x	13.3x	7.4x	6.1x	8.6x	8.3x	0.1%	0.3%
Saudi Basic Industries Corp	SABIC	3.7%	15.7x	14.8x	7.9x	9.8x	8.1x	7.7x	7.9%	8.3%
Rabigh Refining & Petrochemical Co	PETRO	1.8%	16.6x	12.4x	4.9x	4.4x	13.8x	10.9x	11.4%	14.2%
Saudi International Petrochemical Co	SIPCHEM	2.4%	12.9x	13.0x	4.8x	4.5x	7.7x	7.4x	NA	NA
Average		3.1%	14.9x	14.5x	6.9x	9.5x	9.5x	8.1x	7.0%	8.1%
Median		3.0%	15.4x	13.3x	7.4x	6.1x	8.6x	8.3x	8.2%	8.5%
Industries Qatar QSC	IQCD	4.5%	17.3x	15.8x	17.4x	15.9x	14.8x	13.6x	5.6%	6.1%

Note: Where coverage is not available, estimates are based on Bloomberg consensus, if available

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Source: Bloomberg, QNBFS Research

Steel		Div. Yield	P/E		P/CFPS		EV/EBITDA		FCF Yield	
Company	Ticker		FY2018e	FY2019e	FY2018e	FY2019e	FY2018e	FY2019e	FY2018e	FY2019e
ArcelorMittal	MT	NA	8.7x	9.0x	5.0x	4.8x	5.1x	5.2x	8.9%	10.5%
thyssenkrupp AG	TKA	0.7%	13.7x	11.3x	7.0x	6.5x	5.8x	5.5x	3.1%	4.8%
Nucor Corp	NUE	2.4%	10.3x	11.0x	7.6x	7.3x	6.6x	7.1x	6.8%	9.9%
United States Steel Corp	X	0.6%	6.3x	6.1x	4.8x	4.0x	4.1x	4.1x	5.0%	11.6%
JFE Holdings Inc	5411	3.5%	11.1x	7.9x	4.7x	4.6x	6.5x	6.3x	4.5%	7.5%
Steel Authority of India Ltd	SAIL	NA	26.0x	12.5x	9.4x	7.4x	9.8x	7.4x	2.4%	11.8%
JSW Steel Ltd	JSTL	0.7%	12.4x	12.9x	8.4x	8.0x	7.8x	7.2x	4.0%	5.0%
Average		1.6%	12.6x	10.1x	6.7x	6.0x	6.5x	6.7x	5.0%	7.3%
Median		0.7%	11.1x	11.0x	7.0x	6.5x	6.5x	6.3x	4.5%	9.9%
Industries Qatar QSC	IQCD	4.5%	17.3x	15.8x	17.4x	15.9x	14.8x	13.6x	5.6%	6.1%

Note: Where coverage is not available, estimates are based on Bloomberg consensus, if available

Mean/Median calculated if more than 2 observations are present

NA: Not Applicable

nmf: Not Meaningful (typically refers to negative or exceedingly large values)

Source: Bloomberg, QNBFS Research

Detailed Financial Statements

Income Statement (In QR mn)	FY2016	FY2017	FY2018e	FY2019e
Revenue	4,674	4,628	4,860	4,909
Cost of Sales, Excluding D&A	(3,304)	(3,694)	(3,791)	(3,780)
Gross Profit	1,370	935	1,069	1,129
G&A Expenses	(231)	(199)	(204)	(209)
Selling Expenses	(39)	(58)	(97)	(98)
EBITDA	1,101	678	768	822
Depreciation & Amortization	(225)	(225)	(226)	(226)
EBIT	876	453	542	596
Finance Costs	(13)	(10)	(3)	-
Share of Results of Joint Ventures	1,716	2,607	2,999	3,316
Other Income/Expenses	376	266	368	368
Profit for Shareholders	2,955	3,315	3,906	4,279
EPS (QR)	4.88	5.48	6.46	7.07
Group Revenue	13,800	14,300	14,773	15,050
Group EBIT	2,968	3,325	3,909	4,279
Group EBITDA	3,193	3,551	4,135	4,505

Source: Company data, QNBFS estimates

Balance Sheet (In QR mn)	FY2016	FY2017	FY2018e	FY2019e
Non-Current Assets				
PP&E and Projects Under Development	3,671	3,520	3,395	3,269
Investment Properties	-	-	-	-
Investment in Associates	1,451	1,439	1,467	1,495
Investment in Joint Ventures	18,343	18,848	18,948	19,048
Available-for-Sale Investments	674	534	534	534
Catalysts & Others	-	-	-	-
Total Non-Current Assets	24,139	24,341	24,343	24,346
Current Assets				
Inventories	1,244	1,444	1,454	1,450
Accounts Receivables & Prepayments	1,054	1,253	1,265	1,278
Due from Related Parties	674	650	656	663
Held for Trading Investments, Assets Held for Sale and Others	4	4	4	4
Cash and Bank Balances	8,072	7,789	8,321	9,449
Total Current Assets	11,047	11,140	11,700	12,843
Total Assets	35,186	35,481	36,043	37,188
Equity	27,070	27,862	28,645	29,792
Total Equity	33,514	34,239	35,022	36,169
Non-Current Liabilities				
Loans and Borrowings	226	-	-	-
End of Service Benefits & Others	215	199	199	199
Total Non-Current Liabilities	441	199	199	199
Current Liabilities				
Accounts Payables & Accruals	674	776	779	777
Due to Related Parties & Others	106	41	43	44
Loans and Borrowings	451	226	-	-
Total Current Liabilities	1,231	1,043	822	820
Equity and Liabilities	35,186	35,481	36,043	37,188

Source: Company data, QNBFS estimates

Masraf Al Rayan (MARK)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR35.00	Target Price	QR34.00
Implied Upside	(2.9%)		

Valuations Remain Rich; Spreads Continued to Contract

Masraf Al Rayan (MARK) is the second largest Shari'ah compliant bank among listed banks. It is currently in negotiations (due diligence process is over) with Barwa Bank and International Bank of Qatar (IBQ) regarding the pricing of the three-way merger. Incorporated in 2006, MARK is focused on the public sector, which dominates its loan portfolio. Public sector loans grew by a CAGR (2010-2017) of 22% and represents 56% (December 2017) of MARK's loan portfolio. Notably, MARK has the best asset quality among Qatari banks with a NPL ratio of 0.50%, one of the highest RoEs of ~16% and robust capitalization at 18%.

Highlights

- MARK's 1Q2018 bottom-line increased due to a sharp drop in provisions & impairments.** MARK reported net income of QR531.1mn (in-line with our estimate QR517.7mn; +2.6% variation), increasing by 13.3% QoQ (+4.1% YoY). The growth was due to a sharp drop in provisions & impairments where the bank booked QR16.5mn vs. 115.8mn in 4Q2017. On the other hand total revenue receded by 1.2% QoQ (+9.1% YoY) to QR713.8mn due to a drop in investment income and fees while net interest income exhibited flattish performance. On a YoY basis, figures were generally positive across the board with net operating income growing by 7.7%. However, provisions vs. net reversals in 1Q2017 limited earnings growth to 4.1%.
- Margins remained under pressure.** Net interest margin decreased by 10bps QoQ (-9bps YoY) to 2.34%. Tightening of the NIM was led by a rise in cost of funds exceeding the increase in yield on assets. Cost of funds increased by 30bps QoQ to 2.56% (+50bps YoY), whereas yield on assets increased by only 16bps to 4.47% (+38bps YoY). *The drop in margins is in-line with our expectations.*
- Asset quality risks still remain negligible, IFRS 9 impact not material.** NPL ratio remained unchanged at 0.50% while absolute NPLs remained stable at QR386mn. Coverage ratio of stage 3 loans (impaired or non-performing) remained unchanged at 44% vs. 43% at the end of 2017. MARK's stage one loans (credit risk has not increased significantly since initial recognition) represent 93.4% of total loans while stage two loans (past due but not impaired; credit risk has increased significantly since initial recognition) represent 6.1%.
- Net Loans and deposits experienced flat performance YTD.** Net loans came in QR72.3bn vs. QR72.1bn in FY2017, while deposits moved to QR62.7bn vs. QR62.5bn at the end of 2017. Thus, MARK's LDR remained elevated and unchanged at 115%. *We are still of the opinion that the bank may increase its borrowings in order to enhance its liquidity profile/lower LDR.*

Catalysts

- News flow about the upcoming merger could act as a catalyst.

Recommendation, Valuation and Risks

- Recommendation and valuation: We maintain our Price Target of QR34 and Market Perform recommendation.** MARK is trading at P/B and P/E of 1.9x and 12.4x on our 2018 estimates, respectively. *The market is pricing a fundamental P/B (1.9x) and a sustainable RoE (17.9%) vs. our estimates (P/B: 1.9x & RoE: 17.0%).* The name trades at a PEG of 1.6x based on 7.8% CAGR (2017-23e)
- Risks:** 1) Geopolitical factors, 2) More than expected increase in credit costs and 3) losing market share in the government segment.

Key Financial Data and Estimates

(In QR mn)	2017	2018e	2019e	2020e
EPS (QR)	2.70	2.82	3.25	3.48
EPS Growth (%)	-2.3	4.1	15.5	6.9
P/E (x)	12.9	12.4	10.8	10.1
Tangible BVPS (QR)	17.6	18.2	19.4	0.0
P/TBV (x)	2.0	1.9	1.8	1.7
DPS (QR)	2.00	2.00	2.25	2.50
Dividend Yield (%)	5.7	5.7	6.4	7.1

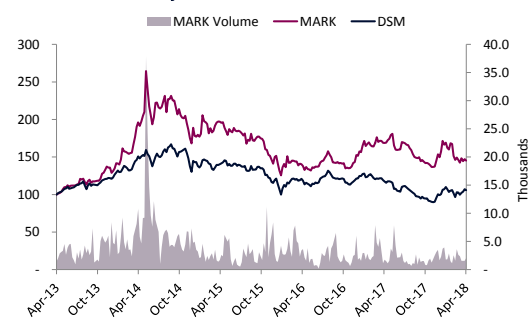
Source: Company data, QNBFS Research; Note: All data based on current number of shares

Key Data

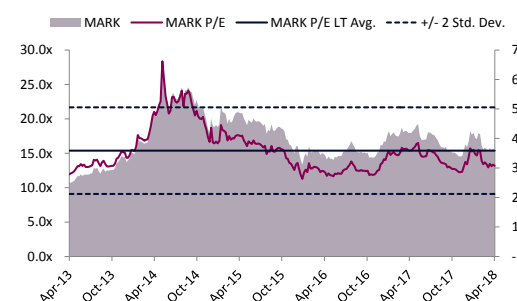
Current Market Price (QR)	35.00
Dividend Yield (%)	5.7
Bloomberg Ticker	MARK QD EQUITY
Reuters Ticker	MARK.QA
ISIN	QA000A0M8VM3
Sector	Banks & Financial Services
52wk High/52wk Low (QR)	45.40 / 33.32
3-m Average Volume ('000)	429.7
Mkt. Cap. (\$ bn/QR bn)	7.2 / 26.3
Shares Outstanding (mn)	750.0
FO Limit* (%)	49.0
Current FO* (%)	17.9
1-Year Total Return (%)	(11.9)
Fiscal Year End	December 31

Source: Bloomberg (as of May 1, 2018), *Qatar Exchange (as of May 1, 2018); Note: FO is foreign ownership

Relative Price Performance vs. Market Indices



Historical P/E Trends vs. Share Price



Source: Bloomberg, QNBFS Research

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Detailed Financial Statements

Ratios	FY2017	FY2018e	FY2019e	FY2020e
Profitability (%)				
RoAE (Attributable)	15.9	15.3	16.8	17.0
RoAA (Attributable)	2.1	1.9	2.1	2.1
RoRWA (Attributable)	3.4	3.2	3.4	3.1
NIM (% of IEAs)	2.43	2.39	2.50	2.51
NIM (% of RWAs)	3.58	3.75	3.79	3.60
NIM (% of AAs)	2.27	2.27	2.38	2.39
Spread	2.0	2.0	2.0	2.0
Efficiency (%)				
Cost-to-Income (Headline)	21.1	21.8	21.5	21.2
Cost-to-Income (Core)	21.9	22.2	22.0	21.8
Liquidity (%)				
LDR	113.7	114.7	112.0	109.0
Loans/Assets	68.3	70.1	72.1	72.6
Cash & Interbank Loans-to-Total Assets	6.7	6.1	6.1	6.8
Deposits to Assets	60.1	61.1	64.4	66.7
Wholesale Funding to Loans	36.4	34.5	29.0	26.5
IEAs to IBLs	124.3	119.3	116.6	116.3
Asset Quality (%)				
NPL Ratio	0.14	0.56	0.80	1.00
NPLs to Shareholder's Equity	0.77	3.37	4.92	6.50
NPLs to Tier 1 Capital	0.91	3.95	5.79	7.70
Coverage Ratio	50.5	66.0	54.1	55.5
ALL/Average Loans	0.1	0.9	0.9	1.0
Cost of Risk	0.00	0.18	0.10	0.18
Capitalization (%)				
Tier 1 Ratio	18.2	17.6	16.7	14.9
CAR	18.2	17.6	16.7	14.9
Tier 1 Capital to Assets	11.1	10.8	10.7	10.1
Tier 1 Capital to Loans	16.2	15.4	14.8	14.0
Tier 1 Capital to Deposits	18.5	17.6	16.6	15.2
Leverage (x)	7.6	7.9	7.9	8.3
Growth (%)				
Net Interest Income	14.0	6.3	10.9	9.2
Non-Interest Income	-0.2	6.7	12.8	11.9
OPEX	23.5	10.1	9.3	8.5
Net Operating Income	8.0	5.3	11.7	10.0
Net Income (Attributable)	2.2	4.1	15.5	6.9
Loans	2.4	5.6	9.4	11.9
Deposits	5.0	6.2	12.0	15.0
Assets	10.8	5.5	6.3	11.2
RWAs	2.4	7.7	11.7	17.7

Source: Company data, QNBFS Research

Income Statement (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Net Interest Income	2,264	2,405	2,666	2,912
Fees & Commissions	274	291	326	349
FX Income	143	153	168	188
Other Income	56	60	75	99
Non-Interest Income	473	504	569	637
Total Revenue	2,736	2,909	3,235	3,549
Operating Expenses	(577)	(636)	(695)	(754)
Net Operating Income	2,159	2,274	2,541	2,795
Net Provisions	(113)	(146)	(84)	(170)
Net Profit Before Taxes & Non-Recurring Items	2,045	2,128	2,456	2,626
Non-Recurring Income	0	0	0	0
Net Profit After Non-Recurring Income	2,045	2,128	2,456	2,626
Tax	(5)	(3)	(3)	(3)
Net Profit Before Minority Interest	2,041	2,125	2,454	2,622
Minority Interest	(13)	(13)	(15)	(16)
Net Profit (Headline/Reported)	2,028	2,112	2,438	2,606
Social & Sports Contribution Fund	(51)	(53)	(61)	(65)
Net Profit (Attributable)	1,977	2,059	2,377	2,541

Source: Company data, QNBFS Research

Balance Sheet (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Assets				
Cash & Balances with Central Bank	2,800	3,188	3,719	4,106
Interbank Loans	3,312	3,427	3,331	4,660
Net Investments	23,423	24,466	23,830	25,044
Net Loans	72,097	76,156	83,280	93,203
Investment In Associates	520	536	558	578
Other Assets	636	685	541	559
Net PP&E	160	168	167	167
Total Assets	102,949	108,626	115,426	128,316
Liabilities				
Interbank Deposits	25,123	24,092	21,541	21,564
Customer Deposits	62,531	66,408	74,377	85,534
Other Liabilities	1,905	4,232	4,723	5,563
Total Liabilities	89,559	94,733	100,640	112,661
Total Shareholders' Equity	13,191	13,683	14,561	15,414
Total Liabilities & Shareholders' Equity	102,949	108,626	115,426	128,316

Source: Company data, QNBFS Research

Qatar Electricity & Water Company (QEWS)

Recommendation	ACCUMULATE	Risk Rating	R-2
Share Price	QR195.00	Target Price	QR223.00
Implied Upside	14.4%		

1Q2018 Exceeds Expectations; Accumulate

1Q2018 beat reinforces our long-term view; maintain our target price of QR223. Quarterly results exceeded our estimates both on the top-and bottom-lines along with margin expansion given limited maintenance-related shutdowns vs. our model. We maintain our annual 2018 forecasts for now but see upside to numbers if results trend higher. The mega Um Al Houl project also seems to be getting ready for an October commissioning and should act as a catalyst for the stock. QEWS stock is up 4% since our [January 17th upgrade](#) vs. a 2% decline in the QSE Index and we reiterate our bullish stance on the name. We maintain our Accumulate rating.

Highlights

- **QEWS reported net profit of QR394mn in 1Q2018 as compared to QR305mn in 4Q2017/QR350mn in 1Q2017**, beating our estimate of QR351mn (variation of +12%). The company's reported revenue of QR660mn came in 9% stronger than our estimate, contributing to the earnings beat. JV income at QR131mn was in-line with our estimate. EBITDA margins expanded to 52.2% vs. 47.8% in 1Q2017/52.8% in 1Q2016. YoY comparisons were aided by major maintenance at RLPC (QR30mn net income impact), 59% growth in dividend income and higher tariffs at a key project.
- **We like QEWS as a solid long-term play with a defensive business model.** Essentially a capacity provider, QEWS takes on insignificant demand/costs/funding risks holding secure contracted assets with long-term (~25 years) fuel agreements/PWPAs and committed funding. This also leads to visible cash flows and a stable operating profile. The State of Qatar (through various entities) owns 60% of the company.
- **Market leader in Qatar with international expansion gathering steam.** Essentially a monopoly, QEWS owns stakes in all domestic IWPPs/PPPs/IWPs. Moreover, the company has diversified internationally with close to 15% of its net income expected to be driven by 60%-owned international JV (Nebras) in 2018. Nebras has operations in Indonesia, Jordan and Oman and is actively seeking opportunities in MENA and SE Asia.
- **Solid growth profile with industry leading EBITDA margins and attractive dividend/FCF yields.** We expect EBITDA CAGR of ~2% over 2019-2023 and FCF to grow around 5% over the same period driven by Facility D (Um Al Houl) and inflation-driven capacity charge increases. Despite modeled compression, QEWS should maintain above-average EBITDA margins (avg.: ~48%). We expect dividend yield to average 4.1% over 2018-2023 and FCF yield to average 7.4% over the same period (despite a dip in 2018 given an expected \$250mn equity infusion into the Facility D JV). ROEs remain healthy.

Catalysts

- **New opportunities currently not in our model:** Besides Um Al Houl, our model does not account for additional expansions domestically (like Facility E; a solar project called Siraj, etc.) which will lead to LT upside. Beyond Paiton in Indonesia, we do not have color on other Nebras projects, which could lead to growth relative to our model.

Recommendation, Valuation and Risks

- **Recommendation & valuation:** *Our 12-month target is QR223.* Shares have generated 81% in total returns over five years, handily outpacing the DSM Index (28%), the MSCI Qatar Index (15%) and the MSCI EM Index (29%).
- **Risks:** Geopolitical risks cannot be modeled. Besides risks inherent in international expansion, there is always a chance domestic projects get delayed or shelved. It is possible Kahramaa renegotiates the terms of existing contracts; however, this is not an imminent risk. Operational risks include availability of capacity below contracted levels, which could lead to penalties.

Key Financial Data and Estimates

	FY2017	FY2018e	FY2019e	FY2020e
Revenue (QR mn)	3,071	2,493	2,637	2,697
<i>Revenue Growth</i>	<i>(1.0%)</i>	<i>(18.8%)</i>	<i>5.8%</i>	<i>2.2%</i>
EPS (QR)	14.69	13.32	14.36	14.88
<i>EPS Growth</i>	<i>4.8%</i>	<i>(9.3%)</i>	<i>7.8%</i>	<i>3.6%</i>
P/E (x)	13.9	15.3	14.2	13.7
DPS (QR)	7.75	7.75	8.00	8.25
<i>Dividend Payout</i>	<i>52.7%</i>	<i>58.2%</i>	<i>55.7%</i>	<i>55.5%</i>
ROE	18.0%	15.3%	15.3%	14.8%

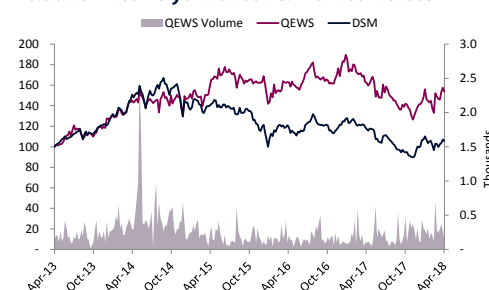
Source: Company data, QNBFS estimates; Note: All data based on current number of shares

Key Data

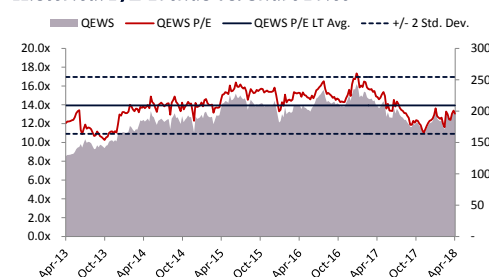
Current Market Price (QR)	195.00
Dividend Yield (%)	4.0
Bloomberg Ticker	QEWS QD EQUITY
Reuters Ticker	QEWC.QA
ISIN	QA0006929812
Sector	Industrials
52wk High/52wk Low (QR)	217.70 / 161.99
3-m Average Volume ('000)	57.7
Mkt. Cap. (\$ bn/QR bn)	5.9 / 21.5
Shares Outstanding (mn)	110.0
FO Limit* (%)	49.0
Current FO* (%)	11.3
1-Year Total Return (%)	(2.4)
Fiscal Year End	December 31

Source: Bloomberg (as of May 1, 2018), *Qatar Exchange (as of May 1, 2018); Note: FO is foreign ownership

Relative Price Performance vs. Market Indices



Historical P/E Trends vs. Share Price



Source: Bloomberg, QNBFS Research

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Detailed Financial Statements

Income Statement (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Revenue	3,071	2,493	2,637	2,697
Cost of Sales, Excluding Depreciation	(1,312)	(1,071)	(1,140)	(1,172)
Gross Profit	1,759	1,422	1,498	1,525
General & Administrative Expenses	(210)	(214)	(219)	(223)
EBITDA	1,549	1,207	1,279	1,302
Deferred Income	0	0	0	0
Depreciation & Amortization	(453)	(319)	(323)	(327)
EBIT	1,096	888	956	974
Finance Costs, Net	(164)	(157)	(144)	(132)
Dividend Income & Gain on Sale of AFS	95	95	79	90
Other & Miscellaneous Income/Expense & Share of Profits from JVs	613	663	713	729
Share of Associates	0	0	0	0
Profit Before Tax	1,639	1,489	1,604	1,662
Income Tax Expense	0	0	0	0
Profit After Tax (Continuing Operations)	1,639	1,489	1,604	1,662
Discontinued Operations				
Minority Interest	(23)	(24)	(24)	(25)
Profit for Shareholders	1,616	1,465	1,579	1,637
EPS (QR)	14.69	13.32	14.36	14.88

Source: Company data, QNBFS Research

Balance Sheet (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Non-Current Assets				
Property, Plant and Equipment	5,745	5,533	5,318	5,099
Available-for-Sale Investments	702	702	702	702
Finance Lease Receivables	1,249	1,141	1,043	954
JV Loans and Investments in JVs	3,136	4,246	4,526	4,709
Other Non-Current assets	330	322	314	306
Total Non-Current Assets	11,161	11,945	11,904	11,769
Current Assets				
Finance Lease Receivables & Others	120	120	120	120
Inventories	231	232	240	241
Accounts Receivables & Prepayments	852	854	860	864
Cash and Short-Term Deposits	3,436	2,862	3,265	3,835
Total Current Assets	4,639	4,067	4,485	5,060
Total Assets	15,800	16,012	16,388	16,829
Equity				
Equity to the Parent	8,982	9,595	10,321	11,078
Minority Interest	250	274	299	324
Total Equity	9,232	9,869	10,620	11,402
Non-Current Liabilities				
Loans and Borrowings	4,442	3,998	3,598	3,238
Employees' End of Service Benefits	74	92	111	129
Derivatives	27	27	27	27
Total Non-Current Liabilities	4,543	4,117	3,736	3,394
Current Liabilities				
Accounts Payables & Others	585	587	593	594
Loans and Borrowings	1,424	1,424	1,424	1,424
Derivatives	15	15	15	15
Total Current Liabilities	2,025	2,026	2,033	2,034
Equity and Liabilities	15,800	16,012	16,388	16,829

Source: Company data, QNBFS Research

Qatar Gas Transport Co./Nakilat (QGTS)

Recommendation	OUTPERFORM	Risk Rating	R-3
Share Price	QR14.70	Target Price	QR21.00
Implied Upside	42.9%		

1Q2018 Exceeds Estimates; Maintain Outperform/QR21 TP

We maintain our estimates on QGTS post better-than-expected 1Q2018 results. Stock price has been fairly weak since mid-March as focus has shifted to several other QSE-listed names benefiting from the FOL upside catalyst. Moreover, QGTS is running the risk of being removed from the MSCI EM Index with a decision expected May 14. Nevertheless, we continue to favor Nakilat, #1 owner/operator of LNG vessels globally, as a LT play geared to Qatari LNG's dominance & anticipated growth in the LNG market. We believe the stock is attractive at current levels and reiterate our rating.

Highlights

- QGTS' net profit declines 10% QoQ in 1Q2018, exceeding our estimate by 8%.** Nakilat reported a bottom-line figure of QR216mn in 1Q2018, which was above our forecast of QR201mn. On a YoY basis, net profit rose 13.2%. **Operating results were fairly in-line with our expectations with modestly higher gross margins and lower D&A expenses contributing to the earnings beat.** The QoQ decline in earnings was primarily due to lower other income (which had QR65mn in realized gains on investments in 4Q2017). **Operating results were actually better sequentially with adjusted EBITDA growing 4% QoQ.** YoY results were positive, aided by higher gross profits and interest/dividend and other income. (More details on Page 2).
- Maintaining our modeled estimates which already include 2 additional conventional LNG vessels in the Maran JV.** We are comfortable with our 2018 forecasts for now. In early March, QGTS announced it added two conventional LNG ships increasing its fleet from 13 to 15 in 40%-owned Maran JV. Our estimates reflect these additional ships from March onward along with our estimates of resultant increase in debt and finance charges (at the JV level).
- QGTS is a vital part of Qatar's LNG value chain and enjoys stable revenue/cash flow from LT (25 years/~15 years left) and fixed-rate time LNG charter contracts (take or pay) with Qatargas and its affiliates.** The availability-based take or pay contracts shields QGTS from end-demand volatility and delays in charterers' projects. 11 ships are on spot-to-medium-term charters; LPG is a spot business.
- High leverage but debt is mostly secured by watertight charter agreements; we do not foresee any challenges in debt servicing/repayments.** QGTS has \$5.7bn in debt on its books (2017 net debt-to-EBITDA: 7.8x; 3.5x debt-to-equity/2.4x debt-to-equity excluding hedging reserve and another \$3bn in debt in JVs (2017: net debt-to-EBITDA of 7.6x and 2.5x debt-to-equity). However, out of this, only \$500mn is corporate debt with the rest being non-recourse project financing backed by charter agreements of LNG vessels. A majority of this leverage will be amortized over the remaining life of charters with last of this debt (in form of bonds) paid off by 2033. 54 of the 65 LNG ships are chartered by Qatargas with charter payments to Nakilat mostly retaining higher priority than debt service in the charterer's cash waterfall. We see no major risk of default as ~QR2bn in interest plus repayments per annum is met easily by OCF with no major refinancing expected until 2025 with \$2.7bn in bank facility balloon payments. Interestingly, while QGTS will repay all debt by 2033, LNG ships will retain another 15 years of useful life (until 2048) and can be re-levered for fleet growth, etc.
- Stable profile with industry-leading EBITDA margins & attractive dividend/FCF yields.** Charter agreements result in stable revenue along with operating costs pass-through (a mixture of capped and uncapped inflation rates) leading to flattish absolute EBITDA. Nakilat's stable business profile is highlighted by its industry-leading margins (average adjusted EBITDA margin of 78.4% over 2010-2017 followed by 77.3% over 2018-2033). A significant majority of interest payments are locked at fixed rates via swaps over the length of the charters/debt at around 5.6%. Locked in charter rates with limited exposure to spot rates along with predictable and declining interest payments virtually guarantees the residual stream for shareholders as dividends. We model dividend yield of 7.1% in 2018, growing to 18.9% by 2033 with FCF yield of 16.2% growing to 35.7% over the same period.

Catalysts

- The expansion of Qatar's LNG output from 77 MTPA to 100 MTPA is a significant driver (potentially another 30 conventional vessels).** QGTS is also considering targeting the FSRU business. Vessels have 40-years of life vs. maximum debt life of 25 years (last debt maturing 2033), creating refinancing opportunities to increase fleet size. Medium-term, the shipyard business could improve.

Recommendation, Valuation and Risks

- Recommendation & valuation: Our 12-month target is QR21.** QGTS trades at attractive multiples vs. peers, while sporting much better EBITDA margins and FCF yields.
- Risks: (1)** Blockade is an overhang but business impact has been limited thus far. Shipping ultimately remains the charterers' concern and comprehensive insurance policies (including war insurance) cover QGTS for political stress events under force majeure clauses for 36 months (plus 6 months in many cases). Blockage of the Strait of Hormuz/Gulf of Suez is unlikely. Charterers will also bear any costs of potential rerouting. **(2)** There is a risk existing LNG contracts get renegotiated as they are at a premium to spot (for wholly-owned fleet and some JVs). We would not rule out potential contract restructuring, with QGTS accepting slightly lower charter rates in return for increasing their lengths from 25 to 35+ years. However, bargaining power rests with Qatargas and Nakilat may have no choice but to accept significantly worse contract terms. The likelihood of this is low given investment grade-rated bonds and contagion effects for other GRE-related bond issues.

Key Financial Data and Estimates

	FY2016	FY2017	FY2018e	FY2019e
EPS (QR)	1.72	1.53	1.54	1.73
P/E (x)	8.5	9.6	9.6	8.5
DPS (QR)	1.00	1.00	1.05	1.10
Dividend Yield	6.8%	6.8%	7.1%	7.5%

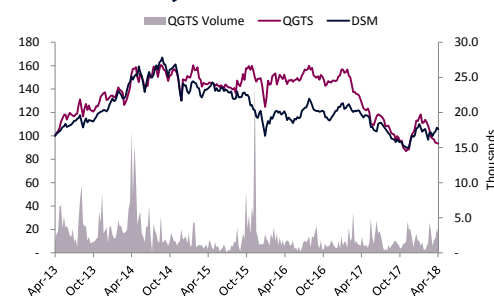
Source: Company data, QNBFS estimates; Note: All data based on current number of shares

Key Data

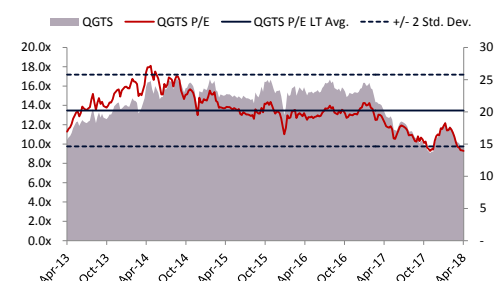
Current Market Price (QR)	14.70
Dividend Yield (%)	7.1
Bloomberg Ticker	QGTS QD EQUITY
Reuters Ticker	QGTS.QA
ISIN	QA000A0KD6L1
Sector	Transport
52wk High/52wk Low (QR)	19.99 / 13.05
3-m Average Volume ('000)	428.6
Mkt. Cap. (\$ bn/QR bn)	2.2 / 8.1
Shares Outstanding (mn)	554.0
FO Limit* (%)	49.0
Current FO* (%)	17.2
1-Year Total Return (%)	(20.8)
Fiscal Year End	December 31

Source: Bloomberg (as of May 1, 2018), *Qatar Exchange (as of May 1, 2018); Note: FO is foreign ownership

Relative Price Performance vs. Market Indices



Historical P/E Trends vs. Share Price



Source: Bloomberg, QNBFS Research

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1Q2018 Review

QGT'S net profit declines 10% QoQ in 1Q2018, exceeding our estimate by 8%. Nakilat reported a bottom-line figure of QR216mn in 1Q2018, which was above our forecast of QR201mn. On a YoY basis, net profit rose 13.2%. Operating results were fairly in-line with our expectations with modestly higher gross margins and lower D&A expenses contributing to the earnings beat. The QoQ decline in earnings was primarily due to lower other income (which had QR65mn in realized gains on investments in 4Q2017). Operating results were actually better sequentially with adjusted EBITDA growing 4% QoQ. YoY results were positive, aided by higher gross profits and interest/dividend and other income.

1Q2018 Actual Vs. Estimates and Comparisons

In QR mn	1Q2018	1Q2018e	4Q2017	1Q2017	A vs. E	QoQ	YoY	2018e	2017	YoY	2016	YoY
Revenue from Wholly-Owned Vessels	757.6	752.5	769.3	752.6	1%	-2%	1%	3,059.9	3,057.1	0%	3,068.6	0%
Gross Profit	593.0	581.7	588.7	581.8	2%	1%	2%	2,355.4	2,359.6	0%	2,350.6	0%
EBITDA	575.8	563.5	573.8	562.4	2%	0%	2%	2,278.2	2,281.4	0%	2,269.9	1%
EBIT	387.2	370.8	381.2	372.8	4%	2%	4%	1,508.0	1,513.4	0%	1,502.3	1%
Share of Operating Profits from Joint Ventures	84.9	83.1	62.0	83.8	2%	37%	1%	369.1	339.0	9%	553.4	-39%
Net Income to Equity	216.4	201.0	239.8	191.1	8%	-10%	13%	852.5	846.2	1%	954.2	-11%
DPS (QR)								1.05	1.00	5%	1.00	0%
Adjusted Revenue	857.4	850.2	845.6	849.7	1%	1%	1%	3,485.4	3,451.3	1%	3,677.2	-6%
Adjusted EBITDA	660.8	646.6	635.8	646.2	2%	4%	2%	2,647.3	2,620.4	1%	2,823.3	-7%
Gross Margin	78.3%	77.3%	76.5%	77.3%				77.0%	77.2%		76.6%	
EBITDA Margin	76.0%	74.9%	74.6%	74.7%				74.5%	74.6%		74.0%	
EBIT Margin	51.1%	49.3%	49.6%	49.5%				49.3%	49.5%		49.0%	
Net Margin	11.2%	11.0%	8.1%	11.1%				12.1%	11.1%		18.0%	
Adjusted EBITDA Margin	77.1%	76.0%	75.2%	76.0%				76.0%	75.9%		76.8%	

Source: Company data, QNBFS estimates

Relative Valuation

In terms of multiples, QGT'S remains relatively cheaper vs. its peers along with substantially better EBITDA margins. We also point to the company substantial FCF yield resulting from limited capex requirements and significant operating cash flow.

Relative Valuation Versus Peers

Shippers Company	Ticker	Div. Yield	EBITDA Margin		P/E		P/CFPS		EV/EBITDA		FCF Yield	
			FY2018e	FY2019e	FY2018e	FY2019e	FY2018e	FY2019e	FY2018e	FY2019e	FY2018e	FY2019e
COSCO SHIPPING Energy Transportation Co Ltd	1138	5.7%	36.1%	40.4%	9.6x	6.8x	3.2x	2.7x	9.0x	7.4x	3.7%	2.6%
National Shipping Co of Saudi Arabia/The	NSCSA	5.2%	34.5%	33.2%	12.5x	11.4x	NA	NA	9.2x	8.7x	NA	NA
GasLog Partners LP	GLOP	8.6%	72.2%	72.0%	12.4x	11.7x	5.5x	5.3x	9.4x	8.7x	(25.8%)	(15.0%)
GasLog Ltd	GLOG	3.4%	70.4%	73.1%	41.8x	15.1x	4.3x	3.6x	11.2x	9.5x	(20.7%)	1.1%
Dynagas LNG Partners LP	DLNG	19.7%	72.9%	75.0%	19.7x	13.5x	4.9x	4.8x	10.5x	9.3x	(2.9%)	NA
Ship Finance International Ltd	SFL	10.5%	66.1%	68.6%	15.9x	13.5x	9.2x	8.1x	10.4x	9.9x	8.0%	21.4%
Teekay LNG Partners LP	TGP	3.1%	73.7%	76.5%	10.7x	7.3x	5.7x	4.8x	10.6x	8.4x	NA	NA
Golar LNG Ltd	GLNG	0.6%	52.1%	59.8%	nmf	44.7x	18.4x	12.1x	27.6x	18.6x	7.8%	6.1%
Tsakos Energy Navigation Ltd	TNP	5.6%	52.0%	54.1%	nmf	10.8x	2.4x	1.6x	10.0x	8.5x	45.2%	53.5%
Average		6.9%	58.9%	61.4%	17.5x	15.0x	6.7x	5.4x	12.0x	9.9x	2.2%	11.6%
Median		5.6%	66.1%	68.6%	12.5x	11.7x	5.2x	4.8x	10.4x	8.7x	3.7%	4.3%
Qatar Gas Transport Co Ltd	QGT'S	6.8%	76.0%	76.2%	9.6x	8.5x	5.8x	5.4x	9.4x	8.9x	16.2%	17.4%

Note: Where coverage is not available, estimates are based on Bloomberg consensus, if available

Mean/Median calculated if more than 3 observations are present

NA: Not Applicable

nmf: Not Meaningful (typically refers to negative or exceedingly large values)

Source: Bloomberg, QNBFS Research

Detailed Financial Statements

Income Statement

Income Statement (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Revenue – Wholly-Owned Ships	3,057	3,060	3,063	3,066
Direct Costs	(697)	(704)	(708)	(712)
Gross Profit	2,360	2,355	2,355	2,354
Income from Marine & Agency Services	55	56	57	59
General and Administrative Expenses	(133)	(134)	(134)	(134)
EBITDA	2,281	2,278	2,279	2,279
Depreciation	(768)	(770)	(771)	(772)
EBIT	1,513	1,508	1,508	1,507
Share of Profits from Joint Ventures	339	369	419	517
Finance Costs	(1,172)	(1,127)	(1,071)	(1,006)
Interest, Dividend & Profit from Islamic Banks	64	64	64	64
Vessels Sub-Chartering & Other Income	103	39	39	39
Profit Before Tax	847	854	959	1,121
Income Tax Expense	0	0	0	0
Profit After Tax	847	854	959	1,121
Minority Interest	(1)	(1)	(1)	(2)
Profit for Equity Shareholders	846	852	957	1,120
EPS (QR)	1.53	1.54	1.73	2.02
Adjusted Net Revenue	3,451	3,485	3,539	3,641
Adjusted EBITDA	2,620	2,647	2,698	2,796

Source: Company data, QNBFS estimates

Balance Sheet

Balance Sheet (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Non-Current Assets				
Property, Plant and Equipment	22,392	21,708	21,023	20,337
Investment in Joint Venture Companies	4,144	4,268	4,394	4,523
Loans to Joint Venture Companies	99	99	99	99
Available-for-Sale Investments	109	109	109	109
Total Non-Current Assets	26,744	26,184	25,624	25,068
Current Assets				
Receivables, Inventories and Due from Joint Ventures	400	400	400	401
Cash and Bank Balances	2,775	2,835	2,634	2,536
Total Current Assets	3,175	3,235	3,035	2,937
Total Assets	29,919	29,418	28,659	28,004
Equity				
Equity Attributable to the Parent	5,922	6,393	6,941	7,625
Minority Interest	4	5	7	8
Total Equity	5,926	6,398	6,948	7,633
Non-Current Liabilities				
Borrowings	19,789	18,638	17,450	16,337
Fair Value of Interest Rate Swaps	2,478	2,323	2,168	2,014
Provision for End of Service Benefits	148	148	148	148
Total Non-Current Liabilities	22,416	21,109	19,766	18,498
Current Liabilities				
Borrowings	832	1,158	1,189	1,113
Accounts Payables/Accruals & Due to Related Parties	746	753	756	760
Total Current Liabilities	1,578	1,911	1,945	1,873
Equity and Liabilities	29,919	29,418	28,659	28,004

Source: Company data, QNBFS estimates

United Development Company (UDCD)

Recommendation	ACCUMULATE	Risk Rating	R-4
Share Price	QR14.44	Target Price	QR20.00
Implied Upside	38.5%		

Updating Model Following 1Q2018 Results

Remain long-term bullish given growth potential – UDCD remains our preferred exposure to the real estate space in Qatar given current real estate weakness and is seen as a play on the Qatar long-term growth story. 2017 was a challenging year for all real estate plays in Qatar with lease rates seeing significant drop of ~10-20% over 2016. Inside the Pearl, prices have experienced similar trajectory with lease rates down +10% if one factors in landlord offers (e.g. 1-2 months free; Qatar Cool included, etc.) We view this as a sign of landlord emphasis on increasing occupancy rates (not just UDCD); something we have been calling for over the past year. The company continues to enjoy a significant land bank from which it supplements its recurring earnings through land plot sales along with stable utility exposure through Qatar Cool. With a cleaner balance sheet vs. other peers, UDCD is positioned to effectively grow its earnings-generating asset portfolio while maintaining peer average leverage/debt service profiles. We retain our Accumulate recommendation and QR20.00 TP.

Highlights

- **UDCD posts strong numbers in 1Q2018 despite challenging times** – United Development Company (UDCD) reported net profit of QR214.5mn in 1Q2018 and adj. profit of QR203.4mn (+12.6% beat to our estimate of QR182.3mn). The beat came on the back of stronger revenue recognition during the quarter (QR528.5mn), which we assume contributed to the majority of the beat despite higher-than-expected costs that drove gross margins lower.
- **Are results indicative of better occupancy rates?** We expect the this performance was reflective of higher occupancy rates within the Pearl and less-than-expected land plot sales (which tend to garner significantly higher margins). We would consider this as a positive as it reinforces our thesis of the company's emphasis on improving recurring revenue. As a result, headline/adj. EPS of QR0.61/0.57 was higher than our estimate of QR0.51. Adj. net income was ~9% lower y/y, which was not a surprise given 1Q2017's inclusion of partial recognition from the sale of Abraj Quartier Office Tower 1 (closed in 4Q2016 for QR1.25bn).
- **Long-term catalysts should drive long-term value** – We expect UDCD to continue to focus advancing several development projects through the design and/or construction phases including school/medical facility, 04 Mall, and Gewan Island project, a mixed-use residential and commercial project.
- **Gewan Island in our model at ~QR825mn value on a price/SqM basis.** Recently, management announced that they awarded 3 contracts worth ~QR334mn for the development of Gewan Island (400,000SqM) with construction expected to begin in May 2018. Overall, UDCD expects to spend ~QR2.5bn for total development of the project. Without specificity on project economics, we elect to include the project in our valuation on a price/SqM basis which added ~QR825mn to our valuation. On the other hand, we now apply a ~0.8x multiple of the company's undeveloped land bank reflecting the current investor sentiment towards real estate in Qatar.

Catalysts

- Development of a school/medical facility on the Pearl – unknown. Commercial/full operations at the third Qatar Cool plant in West Bay – 1Q2018. Al Muthaida Towers – YE2019. Mall 04 and Gewan Island construction/commercial operations – 2021.

Recommendation, Valuation and Risks

- **Maintaining Accumulate recommendation and QR20.00 TP** – We continue to rate the shares as Accumulate on an attractive dividend yield (~8.7%) and valuation upside. UDCD is currently trading at ~6.4x our FY2018 CFPS (peers at ~6.8x).
- **Risks to our thesis.** Economic weakness, interest rate and project finance risk.

Key Financial Data and Estimates

	FY2016	FY2017	FY2018e	FY2019e
Reported EPS (QR/sh)	1.76	1.52	1.59	1.70
Adj. EPS (QR/sh)	1.91	1.55	1.56	1.70
P/E (x)	7.7x	8.4x	7.9x	7.5x
CFPS (QR/sh)	2.22	1.96	1.97	2.22
P/CFPS (x)	6.6x	7.2x	6.4x	6.0x
Adj. EBITDA (QR mn)	896.2	815.7	812.6	878.7
EV/EBITDA (x)	9.0x	9.2x	8.7x	8.3x

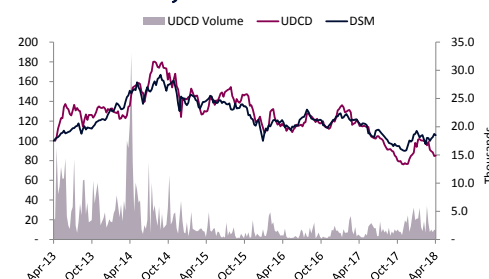
Source: Company data, QNBFS Research

Key Data

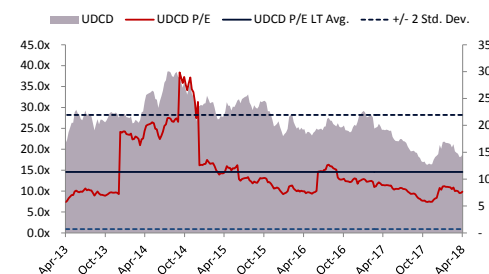
Current Market Price (QR)	14.44
Dividend Yield (%)	8.7
Bloomberg Ticker	UDCD QD EQUITY
Reuters Ticker	UDCD.QA
ISIN	QA000A0KD6M9
Sector	Real Estate
52wk High/52wk Low (QR)	19.26 / 12.50
3-m Average Volume ('000)	521.0
Mkt. Cap. (\$ bn/QR bn)	1.4 / 5.1
Shares Outstanding (mn)	354.1
FO Limit* (%)	49.0
Current FO* (%)	17.5
1-Year Total Return (%)	(18.6)
Fiscal Year End	December 31

Source: Bloomberg (as of May 1, 2018), *Qatar Exchange (as of May 1, 2018); Note: FO is foreign ownership

Relative Price Performance vs. Market Indices



Historical P/E Trends vs. Share Price



Source: Bloomberg, QNBFS Research

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Income Statement		Unit	2013	2014	2015	2016	2017	2018	2019
Revenue	QR mn		2,081	1,906	1,441	2,391	2,032	1,621	1,667
COGS	QR mn		(1,148)	(731)	(566)	(1,275)	(1,004)	(590)	(555)
Gross Profit	QR mn		933	1,175	875	1,116	1,028	1,031	1,112
Gross Margin %	%		44.8%	61.6%	60.7%	46.7%	50.6%	63.6%	66.7%
G&A	QR mn		(230)	(287)	(312)	(303)	(261)	(265)	(265)
Total Operating Expenses	QR mn		(35)	(262)	(114)	(220)	(212)	(218)	(233)
Adj. EBITDA	QR mn		898	913	761	896	816	813	879
Adj. EBITDA Margin %	%		43.2%	47.9%	52.8%	37.5%	40.1%	50.1%	52.7%
D&A	QR mn		(112)	(84)	(75)	(102)	(93)	(109)	(120)
Adj. EBIT	QR mn		553	855	709	819	748	724	779
Adj. EBIT Margin %	%		26.5%	44.9%	49.2%	34.3%	36.8%	44.7%	46.8%
Interest Income	QR mn		22	23	35	37	52	28	10
Interest Expense	QR mn		(84)	(148)	(131)	(123)	(182)	(136)	(102)
Net Interest Expense	QR mn		(62)	(125)	(96)	(86)	(130)	(108)	(93)
Earnings Before Taxes	QR mn		490	730	613	733	617	616	687
Adj. Net Income	QR mn		404	679	570	675	548	552	603
Adj. Profit Margin %	%		19.4%	35.6%	39.6%	28.2%	27.0%	34.0%	36.2%
WA Basic Shares Outstanding	mn		354.1	354.1	354.1	354.1	354.1	354.1	354.1
WA FD Shares Outstanding	mn		354.1	354.1	354.1	354.1	354.1	354.1	354.1
FD EoP Shares Outstanding	mn		337.2	354.1	354.1	354.1	354.1	354.1	354.1
Adj. EPS - FD	QR/sh		1.14	1.92	1.61	1.91	1.55	1.56	1.70
CFPS (ex. WC)	QR/sh		2.27	2.15	1.78	2.22	1.96	1.97	2.22
CFPS	QR/sh		3.16	4.45	2.06	0.83	2.64	1.43	2.22
Balance Sheet			2013	2014	2015	2016	2017	2018	2019
Cash/Equiv	QR mn		2,002	2,823	2,277	1,566	1,734	969	264
A/R	QR mn		1,729	1,464	1,386	2,265	2,125	2,376	2,376
Inventories	QR mn		3,096	1,665	1,370	2,018	1,509	1,429	1,429
Total Current Assets	QR mn		6,848	5,970	5,033	5,849	5,368	4,775	4,070
PP&E	QR mn		3,824	4,001	4,499	3,231	3,053	3,278	3,448
Total Long-Term Assets	QR mn		11,917	13,244	14,106	12,875	12,973	13,171	13,341
TOTAL ASSETS	QR mn		18,765	19,214	19,138	18,723	18,341	17,946	17,411
A/P	QR mn		2,313	2,671	2,664	2,589	2,328	2,063	2,063
Total Current Liabilities	QR mn		3,775	3,472	4,215	4,000	3,030	2,980	2,980
Total LT Liabilities	QR mn		4,243	4,622	3,637	3,413	3,776	3,706	2,947
TOTAL LIABILITIES	QR mn		8,018	8,094	7,852	7,413	6,806	6,685	5,927
Non-Controlling Interest	QR mn		315	347	373	412	460	308	391
Issued Capital	QR mn		3,372	3,541	3,541	3,541	3,541	3,541	3,541
Retained Earnings	QR mn		4,057	4,099	4,258	4,498	4,674	4,509	4,580
TOTAL OWNERS EQUITY	QR mn		10,432	10,772	10,914	10,898	11,076	10,953	11,093
Cash Flow Statement			2013	2014	2015	2016	2017	2018	2019
Operating Cash Flow	QR mn		803	761	632	786	695	696	785
Non-Cash Change in WC	QR mn		317	816	97	(491)	240	(189)	-
CFO	QR mn		1,120	1,577	729	294	935	507	785
Capex	QR mn		(494)	(316)	(607)	(450)	(40)	(336)	(290)
CFI	QR mn		(455)	(510)	(1,395)	584	(331)	288	(289)
Net Change in Debt	QR mn		(2,519)	(1,075)	(1,938)	(293)	(355)	(545)	(758)
Dividends	QR mn		(345)	(346)	(458)	(544)	(461)	(421)	(443)
CFF	QR mn		(1,040)	(524)	(716)	(837)	(816)	(967)	(1,201)
FX Translation	QR mn		-	-	-	-	-	-	-
Net Change in Cash	QR mn		(375)	544	(1,381)	41	(211)	(171)	(705)

Source: Company reports, QNBFS Research

Barwa Real Estate Company (BRES)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR34.70	Target Price	QR39.00
Implied Upside	12.4%		

Earnings Miss on Higher Costs; Expect to Normalize

Maintaining our long-term positive bias on BRES. We positively view BRES' operating assets and development pipeline especially its rental income segment. We expect top line/adj. EBITDA to experience a ~6/13% CAGR through 2020 as rental income strength more than offsets "normalized" Finance Lease/Consultancy operations while management efforts to cut operating expenses should drive rental gross margin expansion through the same period to ~80% from ~74% in 2017. We also note that we view the land bank valuation implied by the current share price is, in our view, overly conservative as it reflects a ~46% discount to the cost of the land bank. While BRES' ~QR973mn annual dividend program could be at risk should material growth capex initiatives be undertaken requiring significant cash flows, we could potentially see BRES supplement its earnings through unit sales (especially in Lusail) and/or land sales to help fund growth and help sustain dividends. We estimate the shares to trade at ~17/14x 2018/2019 adj. EPS (peers ~14/12x) a reflection of higher growth vs. peers.

Highlights

- 1Q2018 show resilient rental income segment (~88% of total gross profit) but cost of sales higher than anticipated.** We note that rental revenue was in line at ~QR339mn (~4% below our estimate) with overall revenue only 2% higher than our ~QR424mn estimate. Rental and consultancy segments; however experienced higher cost of sales and as a result posted 5% in gross margin compression (~65% vs. our estimate of ~70%). Also, income from equity-accounted associates was a significant miss at a loss of ~QR0.5mn vs. a profit ~QR18.8mn 1 year ago.
- 1Q2018 results slightly miss but we are not worried.** As a result of operations, reported EPS came in at QR1.04; ~16% lower y/y. However, we note that this includes several line items we consider as 1-time or non-recurring. On a normalized basis, while adj. EPS was still down (reflecting weaker real estate market, which we believe is priced into the shares) it came in at QR0.45 vs. our estimate of QR0.56. Despite that, we are happy to see resilient rental income operations despite weaker real estate conditions. We note that higher rental/consultancy cost of sales (which we expect to normalize during the year) accounted for ~QR0.04 of the adj. EPS miss while the lower income from associates accounted for another ~QR0.05 of the miss. Absent those, adj. EPS would have been largely in line with our estimates.
- Our estimates reflect quarterly results and continue to expect earnings growth to keep up with peers.** We expect top line growth in rental income of 12% CAGR through 2020 (1% CAGR 2014-17) as a result of the contribution of various projects. We expect adj. EBITDA growth of 13% CAGR through 2020 (flat CAGR 2014-2017) as gross margins improve due to slower total cost of sales growth (73% average gross margins through 2020 vs. 65% from 2015-2017).
- BRES's position within Qatari real estate supports growth.** BRES targets the low-to-mid end of the market but is transitioning into the mid-to-higher end with Lusail Dara B-F (design phase). This fits into our view of higher demand for that segment given our outlook on the Qatari economy by 2022. Note that BRES is 45% owned by Qatari Diar, which could prove a backstop in case of need to refinance/fund growth.

Catalysts

- Mawater phase II (3Q18); Lusail Dara A (3Q18); Barwa Village expansion (3Q18); and Barwa Al Baraha warehouses (2Q19); Salwa Labor City (2Q19).

Recommendation, Valuation and Risks

- Accumulate with a QR39.00 12-month TP.** Our valuation implies that BRES shares are currently trading at a slight discount to our total NAV estimate (~0.9x).
- Risks to thesis.** Dividend sustainability. Ability to re-profile debt at comparable cost. Ability to secure funding for organic/acquisitive growth.

Key Financial Data and Estimates

	2016	2017	2018e	2019e
Adj. EPS (QR/sh)	1.96	2.01	2.13	2.56
P/E (x)	18.0x	17.6x	16.6x	13.8x
CFPS (QR/sh)	1.82	2.38	2.28	2.75
P/CFPS (x)	19.4x	14.9x	15.5x	12.8x
Adj. EBITDA (QR mn)	921.7	941.7	1,019.0	1,203.6
EV/EBITDA (x)	20.5x	20.1x	18.6x	15.7x

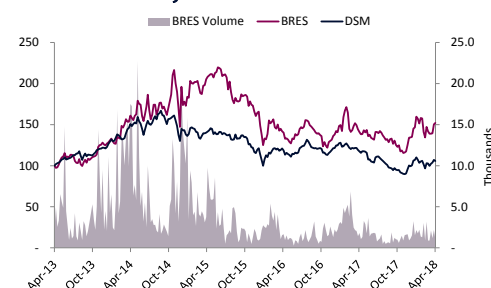
Source: Company data, QNBFS Research

Key Data

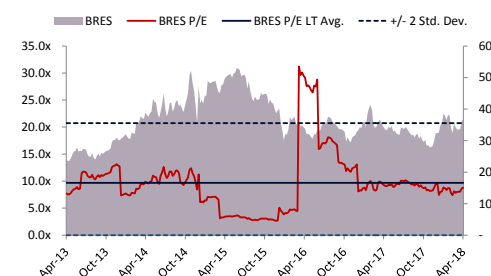
Current Market Price (QR)	34.70
Dividend Yield (%)	7.2
Bloomberg Ticker	BRES QD EQUITY
Reuters Ticker	BRES.QA
ISIN	QA000A0KD6J5
Sector	Real Estate
52wk High/52wk Low (QR)	38.79 / 27.36
3-m Average Volume ('000)	336.1
Mkt. Cap. (\$ bn/QR bn)	3.7 / 13.5
Shares Outstanding (mn)	389.1
FO Limit* (%)	25.0
Current FO* (%)	9.6
1-Year Total Return (%)	8.7
Fiscal Year End	December 31

Source: Bloomberg (as of May 1, 2018), *Qatar Exchange (as of May 1, 2018); Note: FO is foreign ownership

Relative Price Performance vs. Market Indices



Historical P/E Trends vs. Share Price



Source: Bloomberg, QNBFS Research

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Income Statement		Unit	2013	2014	2015	2016	2017	2018	2019
Revenue	QR mn		1,822	1,960	1,792	1,737	1,705	1,702	1,883
COGS	QR mn		(544)	(575)	(648)	(582)	(593)	(512)	(508)
Gross Profit	QR mn		1,278	1,385	1,144	1,154	1,112	1,190	1,375
Gross Margin %	%		70.2%	70.6%	63.8%	66.5%	65.2%	69.9%	73.0%
G&A	QR mn		(430)	(335)	(262)	(241)	(261)	(260)	(260)
Total Operating Expenses	QR mn		(339)	(442)	(225)	(233)	(171)	(171)	(171)
Adj. EBITDA	QR mn		939	943	919	922	942	1,019	1,204
Adj. EBITDA Margin %	%		51.6%	48.1%	51.2%	53.1%	55.2%	59.9%	63.9%
D&A	QR mn		(94)	(93)	(67)	(57)	(43)	(51)	(55)
Adj. EBIT	QR mn		846	850	852	865	899	968	1,148
Adj. EBIT Margin %	%		46.4%	43.4%	47.5%	49.8%	52.7%	56.9%	61.0%
Interest Income	QR mn		116	271	78	78	95	95	84
Interest Expense	QR mn		(1,090)	(748)	(166)	(159)	(197)	(218)	(223)
Net Interest Expense	QR mn		(974)	(477)	(88)	(81)	(102)	(123)	(139)
Earnings Before Taxes	QR mn		(128)	373	764	784	797	845	1,009
Adj. Net Income	QR mn		(129)	361	747	763	783	830	995
Adj. Profit Margin %	%		(7.1%)	18.4%	41.7%	43.9%	45.9%	48.8%	52.8%
WA Basic Shares Outstanding	mn		389.1	389.1	389.1	389.1	389.1	389.1	389.1
WA FD Shares Outstanding	mn		389.1	389.1	389.1	389.1	389.1	389.1	389.1
FD EoP Shares Outstanding	mn		389.1	389.1	389.1	389.1	389.1	389.1	389.1
Adj. EPS - FD	QR/sh		(0.33)	0.93	1.92	1.96	2.01	2.13	2.56
CFPS (ex. WC)	QR/sh		0.02	8.39	8.57	1.82	2.38	2.28	2.75
CFPS	QR/sh		(2.64)	13.21	9.25	0.04	5.69	2.02	2.33
Balance Sheet			2013	2014	2015	2016	2017	2018	2019
Cash/Equiv	QR mn		966	1,781	3,834	2,875	3,239	2,238	1,866
A/R	QR mn		842	867	1,028	1,103	1,164	1,049	1,217
Inventories	QR mn		19,712	3,566	3,793	3,202	1,621	1,848	2,143
Total Current Assets	QR mn		24,826	7,117	9,405	8,001	6,465	5,400	5,490
PP&E	QR mn		417	694	651	592	566	1,442	1,807
Total Long-Term Assets	QR mn		22,303	21,852	19,032	21,202	23,228	24,634	24,998
TOTAL ASSETS	QR mn		47,129	28,969	28,437	29,203	29,693	30,034	30,488
A/P	QR mn		3,660	3,735	1,469	1,357	1,725	1,860	2,157
Total Current Liabilities	QR mn		6,579	5,025	8,784	1,739	2,290	3,181	4,042
Total LT Liabilities	QR mn		26,234	8,025	1,935	9,104	8,262	8,640	7,977
TOTAL LIABILITIES	QR mn		32,813	13,050	10,719	10,843	10,552	11,820	12,019
Non-Controlling Interest	QR mn		504	159	147	131	217	228	239
Issued Capital	QR mn		3,887	3,887	3,887	3,887	3,891	3,891	3,891
Retained Earnings	QR mn		4,479	6,213	7,855	8,515	9,113	8,109	8,255
TOTAL OWNERS EQUITY	QR mn		13,811	15,759	17,571	18,229	18,923	17,986	18,231
Cash Flow Statement			2013	2014	2015	2016	2017	2018	2019
Operating Cash Flow	QR mn		7	3,266	3,334	709	924	887	1,070
Non-Cash Change in WC	QR mn		(1,033)	1,872	264	(694)	1,288	(101)	(165)
CFO	QR mn		(1,026)	5,138	3,598	15	2,212	786	905
Capex	QR mn		(67)	(18)	(10)	(8)	(15)	(928)	(420)
CFI	QR mn		1,131	17,101	(2,352)	933	(63)	(571)	(247)
Net Change in Debt	QR mn		1,127	(18,373)	(227)	508	-	685	(98)
Dividends	QR mn		(321)	(419)	(848)	(841)	(964)	(1,457)	(973)
CFF	QR mn		107	(21,903)	(1,411)	(598)	(1,303)	(850)	(1,031)
FX Translation	QR mn		-	-	(7)	(6)	7	(0)	-
Net Change in Cash	QR mn		212	336	(172)	343	854	(636)	(373)

Qatar International Islamic Bank (QIIK)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR55.02	Target Price	QR63.00
Implied Upside	14.5%		

Strong 1Q2018; Maintain Market Perform Rating

Qatar International Islamic Bank (QIIK) is the smallest Shari'ah compliant bank among listed banks. The bank has a market share of 3% and 14% among listed banks and Shari'ah compliant banks, respectively. QIIK is focused on the real estate and retail segments which collectively make up 66% of the bank's loan book. The bank recently expanded into Morocco.

Highlights

- QIIK delivered a strong 1Q2018, exceeding our estimates (+7.0%) on the back of lower than expected provisions.** QIIK generated a net profit of QR253.2mn vs. QR132.1mn in 4Q2017 (+7.1% YoY) due to strong net interest & investment income, fees, and a sharp drop in opex and provisions. On the other hand, YoY growth was driven by net interest & investment income coupled with lower opex. The beat in the bottom-line was due to lower than expected provisions as net operating income was in-line at QR257.6mn (vs. our estimate of QR250.4mn). The bank booked provisions of QR4.4mn vs. our estimate of QR13.8mn.
- Margins expanded.** NIM gained by 22bps QoQ (+9bps) to 2.75% due to stronger yield on assets. Yield on assets increased by 23bps QoQ (+33bps YoY) while CoFs remained (+27bps YoY). Thus, net interest income grew by 8.2% (+9.7% YoY). However, we expect margin pressure in 2018 and 2019 as QIIK would have to raise expensive deposits and other sources of funds in order lower its LDR below 100% while maintaining loan growth.
- Bank remains efficient, generating positive JAWS.** Revenue grew by 13.2% QoQ (+5.7% YoY) while opex declined by 25.0% (flattish performance YoY), resulting in positive JAWS of 38% (6% YoY). Moreover, cost-to-income ratio improved QoQ to 23.9% vs. 36.1% in 4Q2017 (25.4% 1Q2017).
- Net loans increased while deposits slipped.** QIIK's loan book expanded by 3.2% YTD to QR33.6bn while deposits declined by 0.9% to QR32.2bn. Hence, LDR jumped to 104% vs. 100% at the end of 2017.
- NPL ratio remained stable; ECLs of QR239.5mn netted against equity.** QIIK's NPL ratio remained stable at 1.35% vs. 1.32% at the end of 2017. The company booked credit provisions of QR2.9mn vs. QR25.0mn in 4Q2017 (QR3.0mn in 1Q2017). Hence, CoR was insignificant. Moreover, the coverage ratio stood at 87.6%. Under IFRS 9, the bank reported ECLs of QR239.5mn which was netted against equity (4.7% of CET1 and 71bps of RWAs).
- IFRS 9 impact on CET1 ratio negligible, capitalization remains healthy.** QIIK's CET1 ratio receded by 74bps to 14.2% vs. 14.9% at the end of 2017.

Catalysts

- Limited catalysts.** 1) Significant increase in traded volumes.

Recommendation, Valuation and Risks

- Recommendation and valuation: We maintain our Price Target of QR63.00.** QIIK is trading at a 2018e P/B and P/E of 1.4x and 9.4x, respectively. The stock offers an attractive yield of 7.3%.
- Risks:** 1) Exposure to the real estate and consumer segments creates concentration risk which further results in impairments.

Key Financial Data and Estimates

(In QR mn)	2017	2018e	2019e	2020e
EPS (QR)	5.50	5.88	6.54	6.82
EPS Growth (%)	6.0	6.9	11.2	4.3
P/E (x)	10.0	9.4	8.4	8.1
Tangible BVPS (QR)	38.3	38.1	40.2	42.5
P/TBV (x)	1.4	1.4	1.4	1.3
DPS (QR)	4.00	4.00	4.00	4.00
Dividend Yield (%)	7.3	7.3	7.3	7.3

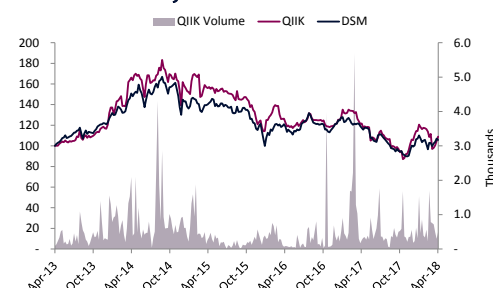
Source: Company data, QNBFS Research; Note: All data based on current number of shares

Key Data

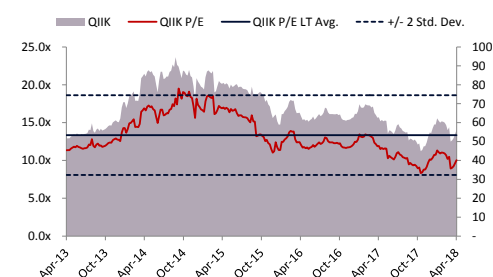
Current Market Price (QR)	55.02
Dividend Yield (%)	7.3
Bloomberg Ticker	QIIK QD EQUITY
Reuters Ticker	QIIB.QA
ISIN	QA0006929879
Sector	Banks & Financial Services
52wk High/52wk Low (QR)	63.22 / 43.40
3-m Average Volume ('000)	126.0
Mkt. Cap. (\$ bn/QR bn)	2.3 / 8.3
Shares Outstanding (mn)	151.4
FO Limit* (%)	25.0
Current FO* (%)	12.0
1-Year Total Return (%)	(4.1)
Fiscal Year End	December 31

Source: Bloomberg (as of May 1, 2018), *Qatar Exchange (as of May 1, 2018); Note: FO is foreign ownership

Relative Price Performance vs. Market Indices



Historical P/E Trends vs. Share Price



Source: Bloomberg, QNBFS Research

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Detailed Financial Statements

Ratios	FY2017	FY2018e	FY2019e	FY2020e
Profitability (%)				
RoAE (Attributable)	13.2	14.0	15.3	15.2
RoAA (Attributable)	1.7	1.7	1.7	1.7
RoRWA (Attributable)	2.4	2.3	2.4	2.3
NIM (% of IEAs)	2.7	2.7	2.6	2.7
NIM (% of RWAs)	3.3	3.2	3.2	3.3
NIM (% of AAs)	2.4	2.3	2.3	2.4
Spread	2.2	2.2	2.1	2.0
Efficiency (%)				
Cost-to-Income (Headline)	27.3	26.6	25.7	25.6
Cost-to-Income (Core)	27.5	26.8	26.5	26.4
Liquidity (%)				
LDR	100.1	102.2	103.9	104.4
Loans/Assets	69.7	68.7	71.6	72.3
Cash & Interbank Loans-to-Total Assets	12.2	16.3	12.3	13.9
Deposits to Assets	69.7	67.2	68.9	69.2
Wholesale Funding to Loans	20.3	26.1	22.4	22.6
IEAs to IBLs	129.5	118.5	129.6	123.8
Asset Quality (%)				
NPL Ratio	1.4	1.3	1.2	1.4
NPLs to Shareholder's Equity	7.8	7.8	7.3	9.4
NPLs to Tier 1 Capital	7.5	7.8	7.3	9.3
Coverage Ratio	58.3	59.2	61.6	51.9
ALL/Average Loans	0.8	1.4	1.3	1.2
Cost of Risk	0.1	0.2	0.2	0.3
Capitalization (%)				
Tier 1 Ratio	17.9	15.7	15.7	15.4
CAR	17.9	15.7	15.7	15.4
Tier 1 Capital to Assets	13.0	11.5	11.5	11.1
Tier 1 Capital to Loans	18.6	16.7	16.0	15.3
Tier 1 Capital to Deposits	18.6	17.0	16.6	16.0
Leverage (x)	8.0	8.8	8.8	9.1
Growth (%)				
Net Interest Income	4.8	6.6	7.4	10.7
Non-Interest Income	-12.2	6.4	18.9	11.3
OPEX	10.2	3.7	5.5	10.3
Net Operating Income	-0.7	7.6	10.3	11.0
Net Income (Attributable)	1.9	7.4	12.0	4.6
Loans	19.3	7.2	9.8	10.5
Deposits	21.9	5.0	8.0	10.0
Assets	9.6	8.9	5.3	9.5
RWAs	11.2	9.6	5.3	8.0

Source: Company data, QNBFS Research

Income Statement (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Net Interest Income	1,063	1,132	1,216	1,347
Fees & Commissions	119	125	127	140
FX Income	41	42	42	50
Other Income	9	13	45	49
Non-Interest Income	169	180	214	238
Total Revenue	1,232	1,312	1,430	1,585
Operating Expenses	(336)	(349)	(368)	(406)
Net Operating Income	896	964	1,063	1,180
Net Provisions	(63)	(74)	(74)	(148)
Net Profit Before Taxes, Non-Recurring Items & Minority Interest	832	890	989	1,032
Minority Interest	0	0	0	0
Net Profit (Headline/Reported)	832	890	989	1,032
Payment on Tier-1 Sukuk	(55)	(55)	(55)	(55)
Social & Sports Contribution Fund	(21)	(22)	(25)	(26)
Net Profit (Attributable)	756	812	909	951

Source: Company data, QNBFS Research

Balance Sheet (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Assets				
Cash & Balances with Central Bank	2,432	3,069	2,762	3,039
Interbank Loans	3,274	5,228	3,825	5,074
Net Investments	6,180	5,185	5,937	5,343
Net Loans	32,500	34,854	38,255	42,284
Investment In Associates	365	354	355	356
Other Assets	685	815	964	1,060
Net PP&E	757	828	908	941
Investment in Real Estate	427	422	418	414
Total Assets	46,619	50,756	53,424	58,511
Liabilities				
Interbank Deposits	6,606	6,026	4,914	5,879
Customer Deposits	32,479	34,103	36,831	40,514
Other Borrowings	0	3,057	3,669	3,669
Tier-1 Sukuk	1,000	1,000	1,000	1,000
Other Liabilities	718	784	921	1,013
Total Liabilities	40,802	44,970	47,334	52,075
Total Shareholders' Equity	5,817	5,786	6,090	6,436
Total Liabilities & Shareholders' Equity	46,619	50,756	53,424	58,511

Source: Company data, QNBFS Research

Qatar Islamic Bank (QIBK)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR106.05	Target Price	QR104.00
Implied Upside	(1.9%)		

Turnaround/Restructuring Priced in; MSCI/FTSE In Focus

QIBK is the largest Islamic bank with a market share of ~12% in both total loans and deposits. QIBK spent the past number of years regaining lost market share from conventional banks. The bank's loan book and net income grew by CAGR of 18.9% & 12.1% (2012-17), respectively.

Highlights

- **Headline net profit declined 0.8% QoQ; on an adjusted basis (before minorities) earnings were up 22.5%.** QIBK reported net profit of QR625.2mn in 1Q2018, receding by 0.8% QoQ (+12.6% YoY), exceeding our estimate by 8.6%. Net income on an adjusted basis (before minorities) increased by 22.5% (QoQ) to QR596.5mn, in-line with our estimate of QR575.6mn (+3.6% variation). Total revenue was also in-line at QR1.1bn. Total revenue grew by 18.4% QoQ (+8.3% YoY) on the back of net interest & investment income, driven by strong margins/spreads.
- **Margins significantly improved, CoFs dropped.** QIBK's net interest margin expanded by 21bps QoQ (+18bps YoY) to ~2.83%. This was a result of yield on assets gaining by 11bps while cost of funds dropping by 8bps. On a YoY basis, yield on assets jumped by 31bps while cost of funds moved up by 17bps.
- **QIBK's operating efficiency improved QoQ, generating positive JAWs.** The bank's C/I ratio receded to 26.5% from 30% in 4Q2017 (remained flat YoY). Moreover, QIBK generated robust JAWs of 12.6% as revenue grew by 18.4% QoQ while opex increased by 5.8%.
- **Net loans gained while deposits remained flattish.** Net loans increased by 2.0% YTD to QR104.6bn, while deposits inched up by 0.5% YTD to QR102.3bn. Hence, QIBK's LDR remained flattish QoQ at 102% vs. 101% in FY2017.
- **Asset quality remains stable as shown by stage 1 loans.** The bank's NPL ratio remained unchanged at 1.2% in 1Q2018. During the same time CoR doubled to 44bps vs. 22bps in 2016. QIBK's stage one loans (credit risk has not increased significantly since initial recognition) represent 85.7% of total loans while stage two loans (past due but not impaired; credit risk has increased significantly since initial recognition) represent 13.2%. Stage three loans (impaired loans) are only 1.1%.
- **Capitalization remains strong.** The bank's Tier-1 ratio remained strong at 16.2% in 1Q2018 vs. 16.9% in FY2017. Had the bank not implemented IFRS 9, CET-1 ratio would have been 13.4% vs. the current 12.5%.

Catalysts

- 1) Consistent improvement in NIMs and spreads

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our Price Target of QR104.00.** QIBK is trading at a 2018e P/B and P/E of 1.7x and 10.5x, respectively. The stock is trading close to its fair value (PEG of 0.8x).
- **Risks:** 1) Geopolitical factors/concerns, 2) Depressed oil prices, 3) Increase in credit costs and 4) Exposure to real estate segment.

Key Financial Data and Estimates

(In QR mn)	2017	2018e	2019e	2020e
EPS (QR)	9.31	10.12	11.52	12.26
EPS Growth (%)	8.9	8.6	13.9	6.4
P/E (x)	11.4	10.5	9.2	8.7
Tangible BVPS (QR)	63.0	64.1	70.2	76.8
P/TBV (x)	1.7	1.7	1.5	1.4
DPS (QR)	5.00	5.25	5.50	5.75
Dividend Yield (%)	4.7	5.0	5.2	5.4

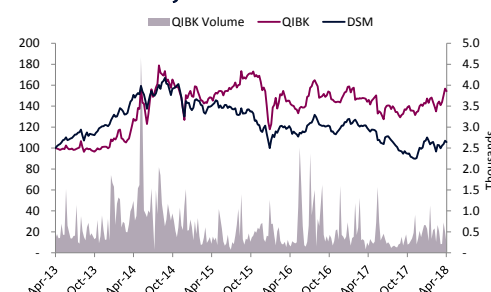
Source: Company data, QNBFS Research; Note: All data based on current number of shares

Key Data

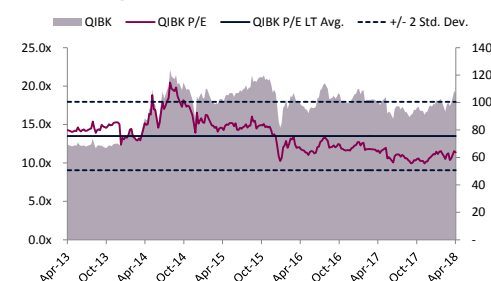
Current Market Price (QR)	106.05
Dividend Yield (%)	5.0
Bloomberg Ticker	QIBK QD EQUITY
Reuters Ticker	QIBK.QA
ISIN	QA0006929853
Sector	Banks & Financial Services
52wk High/52wk Low (QR)	109.00 / 86.90
3-m Average Volume ('000)	99.1
Mkt. Cap. (\$ bn/QR bn)	6.9 / 25.1
Shares Outstanding (mn)	236.3
FO Limit* (%)	49.0
Current FO* (%)	7.5
1-Year Total Return (%)	12.1
Fiscal Year End	December 31

Source: Bloomberg (as of May 1, 2018), *Qatar Exchange (as of May 1, 2018); Note: FO is foreign ownership

Relative Price Performance vs. Market Indices



Historical P/E Trends vs. Share Price



Source: Bloomberg, QNBFS Research

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Detailed Financial Statements

Ratios	FY2017	FY2018e	FY2019e	FY2020e
Profitability (%)				
RoAE (Attributable)	14.5	15.1	16.3	15.9
RoAA (Attributable)	1.5	1.5	1.6	1.6
RoRWA (Attributable)	2.0	2.1	2.2	2.1
NIM (% of IEAs)	2.60	2.62	2.71	2.82
NIM (% of RWAs)	3.16	3.30	3.43	3.39
NIM (% of AAs)	2.34	2.37	2.45	2.54
Spread	2.23	2.17	2.21	2.29
Efficiency (%)				
Cost-to-Income (Headline)	26.6	24.9	24.3	24.4
Cost-to-Income (Core)	27.0	25.9	25.3	25.4
Liquidity (%)				
LDR	100.8	98.4	99.0	97.9
Loans/Assets	68.2	67.1	67.1	70.0
Cash & Interbank Loans-to-Total Assets	6.9	7.4	7.4	7.1
Deposits to Assets	67.7	68.2	67.8	71.5
Wholesale Funding to Loans	23.6	24.9	25.5	18.8
IEAs to IBLs	123.8	121.3	119.0	117.5
Asset Quality (%)				
NPL Ratio	1.2	1.5	1.7	1.9
NPLs to Shareholder's Equity	7.9	10.4	12.0	13.5
NPLs to Tier 1 Capital	6.5	9.3	11.0	12.4
Coverage Ratio	99.1	110.7	115.8	124.0
ALL/Average Loans	1.1	2.2	2.5	2.8
Cost of Risk (bps)	44	51	55	62
Capitalization (%)				
Tier 1 Ratio	16.9	15.2	14.8	13.9
CAR	17.3	15.6	15.2	14.3
Tier 1 Capital to Assets	12.4	10.7	10.7	10.8
Tier 1 Capital to Loans	18.1	15.9	15.9	15.4
Tier 1 Capital to Deposits	18.3	15.6	15.8	15.1
Leverage (x)	9.8	10.4	10.3	10.1
Growth (%)				
Net Interest Income	27.5	8.4	11.2	11.6
Non-Interest Income	-22.7	19.9	9.1	2.9
OPEX	1.5	3.5	8.3	10.4
Net Operating Income	19.2	13.0	11.6	9.7
Net Income (Attributable)	8.9	8.7	13.9	6.4
Loans	4.5	5.4	7.7	11.7
Deposits	6.7	8.0	7.0	13.0
Assets	7.5	7.2	7.7	7.1
RWAs	4.7	3.0	10.9	15.0

Source: Company data, QNBFS Research

Income Statement (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Net Interest Income	3,400	3,685	4,096	4,572
Fees & Commissions	518	543	590	643
FX Income	139	152	170	153
Other Income	106	219	238	231
Non-Interest Income	763	914	998	1,027
Total Income	4,162	4,600	5,094	5,599
Operating Expenses	(1,106)	(1,145)	(1,239)	(1,368)
Net Operating Income	3,057	3,455	3,855	4,230
Net Provisions	(785)	(890)	(886)	(1,086)
Net Profit Before Taxes & Non-Recurring Items	2,271	2,565	2,969	3,145
Tax	(18)	(21)	(24)	(25)
Net Profit Before Minority Interest	2,253	2,544	2,945	3,120
Minority Interest	155	51	(18)	(19)
Non-Recurring/Unusual Gains/(Losses)	(2)	0	0	0
Net Profit (Headline/Reported)	2,405	2,595	2,927	3,101
Interest on Tier 1 Sukuk	(205)	(205)	(205)	(205)
Social & Sports Contribution Fund	(60)	(65)	(73)	(78)
Net Profit (Attributable)	2,140	2,325	2,649	2,818

Source: Company data, QNBFS Research

Balance Sheet (In QR mn)	FY2017	FY2018e	FY2019e	FY2020e
Assets				
Cash & Balances with Central Bank	5,546	5,498	5,883	6,648
Interbank Loans	4,876	6,492	6,989	6,506
Net Investments	30,402	34,429	37,194	35,213
Net Loans	102,613	108,196	116,484	130,124
Investment In Associates	669	681	695	709
Other Assets	3,156	3,440	3,972	4,443
Net PP&E	511	496	504	515
Investment in Real Estate	1,944	1,642	1,534	1,433
Assets of a Subsidiary Held for Sale	246			
Goodwill & Other Intangibles	411	368	324	281
Total Assets	150,375	161,241	173,579	185,871
Liabilities				
Interbank Deposits	17,191	19,883	22,631	17,468
Customer Deposits	101,815	109,960	117,657	132,952
Sukuk Financing	7,057	7,057	7,057	7,057
Other Liabilities	3,432	3,299	3,765	4,387
Liabilities of a Subsidiary Held for Sale	0	0	0	0
Tier-1 Sukuk	4,000	4,000	4,000	4,000
Total Liabilities	133,495	144,199	155,111	165,865
Total Shareholders' Equity	15,289	15,502	16,911	18,430
Total Liabilities & Shareholders' Equity	150,375	161,241	173,579	185,871

Source: Company data, QNBFS Research

Recommendation

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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