

Qatar Navigation Q.P.S.C. (MILAHA) - 2Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: Hold

Previous Reco. & Date:

TP: QAR 11.41 per share; Hold on 19-April-2023

Target Price (QAR): 11.41

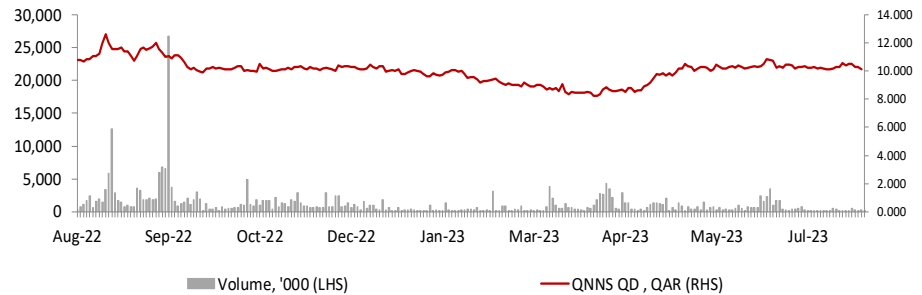
Upside / (Downside): 13%

11.41

13%

Date: 07-08-2023

Bloomberg Ticker	QNNS QD
Current Market Price (QAR)	10.130
52wk High / Low (QAR)	12.66/8.1
12m Average Vol. (000)	1,147.1
Mkt. Cap. (USD/QAR mn)	3,158/11,509
Shares Outstanding (mn)	1,136.2
Free Float (%)	84%
3m Avg Daily Turnover (000)	5,845.2
6m Avg Daily Turnover (000)	7,139.5
P/E'23e (x)	10.7x
EV/EBITDA'23e (x)	16.3x
Dividend Yield '23e (%)	3.8%
Price Perf. (1m/3m) (%)	-0.8/4.4



Operating revenue decreases 14% YoY, misses estimates.

The company reported operating revenue of QR 745mn (-14% YoY, -3% QoQ) for Q2'23, which missed our estimated QR 840mn. The deviation was likely a result of a lower-than-expected revenue contribution from the Maritime & Logistics segment, which witnessed revenue drop of 35% in Q2'23 due to a drop in container shipping rates from record high.

Operating profit grows 15% YoY, beats estimate.

The company reported an operating profit of QR 134mn, surpassing our estimated QR 115mn for Q2'23. This outperformance is likely attributed to lower-than-anticipated operating supplies and expenses. On a YoY basis, operating profit increased by 15%, primarily fuelled by the introduction of Milaha's inaugural Floating Storage & Offloading (FSO) unit within the Gas & Petchem division, alongside enhanced operating efficiency across the remaining units.

Net profit increased marginally, missed estimate.

Despite beat at operating profit level, the company's net income of QR 284mn fell short of our projected QR 310mn. The variance can be attributed to lower-than-anticipated contributions from associates and joint ventures.

Maintain Target Price.

We maintain the target price on the company as the group expects stability in earnings going forward considering the long-term contracts even after a decline in revenue for Q2'23. Furthermore, favourable market conditions are expected with the reopening of the Chinese economy. Thus, we maintain our target price at QAR 11.41 and uphold our Hold rating on the stock.

Valuation.

Qatar Navigation is trading at 2023e P/E of 10.7x – a 6% premium to the historical average 1-year forward P/E of 10.1x. Similarly, the stock trades at a premium of 2% on EV/EBITDA of 16.3x, based on our FY23 estimate, vs historical average of 16.0x.

Income Statement											
(QR mn)	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)	1H22	1H23	YoY (%)
Operating Revenue	789	722	766	745	840	-14%	-3%	-11%	1,774	1,511	-14.8%
Operating Profit	114	63	210	134	115	15%	-36%	17%	310	344	10.7%
Net Profit	210	164	363	284	310	1%	-22%	-8%	641	648	1.1%
Balance Sheet											
(SAR mn)	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)	1H22	1H23	YoY (%)
Shareholders' Equity	15,607	16,012	15,851	16,206	16,160	5%	2%	0%	15,463	16,206	4.8%
Key Ratios											
	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)	1H22	1H23	YoY (%)
Operating Profit Margin	14.4%	8.7%	27.4%	17.9%	13.6%						
Net Profit Margin	26.6%	22.7%	47.4%	38.2%	36.8%						
Return on Equity (RoE)	5.4%	4.1%	9.2%	7.0%	7.7%						

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

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

Recommendation

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

Ubhar Capital SAOC (U Capital)

Website: www.u-capital.net

PO Box 1137

PC 111, Sultanate of Oman

Tel: +968 2494 9000

Fax: +968 2494 9099

Email: research@u-capital.net

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