



### Qatar Navigation Q.P.S.C. (MILAHA) - 4Q23 Result Review

Analyst: Neetika Gupta

| Previous Recommendation:<br>Previous Reco. & Date: | Accumulate TP: QAR 11.1 per sha | Target Price ( re; Accumulate on 04-December-2023  Upside / (Downs | • •              |
|--|---------------------------------|--|------------------|
|  |                                 |  | Date: 06-02-2024 |
| Bloomberg Ticker                                   | QNNS QD                         |  |                  |
| Current Market Price (QAR)                         | 10.0                            | 20,000 ¬   | ┌ 12             |
| 52wk High / Low (QAR)                              | 11.43/8.1                       | 18,000 -   | n 10             |
| 12m Average Vol. (000)                             | 1,053.9                         | 16,000   | 10               |
| Mkt. Cap. (USD/QAR mn)                             | 3,121/11,362                    | 14,000 -   | - 8              |
| Shares Outstanding (mn)                            | 1,136.2                         | 10,000 -   | - 6              |
| Free Float (%)                                     | 85%                             | 8,000 -  | - 4              |
| 3m Avg Daily Turnover (000)                        | 17,881.7                        | 6,000 -<br>4,000 -   |                  |
| 6m Avg Daily Turnover (000)                        | 13,185.9                        | 2,000  | - 2              |
| P/E'24e (x)  | 9.3x                            |  | 0                |
| EV/EBITDA'24e (x)                                  | 11.6x                           | Feb-23 Mar-23 May-23 Jun-23 Aug-23 Sep-23 Oct-23 Nov-23            | Jan-24           |
| Dividend Yield '24e (%)                            | 4.8%                            |  |                  |
| Price Perf. (1m/3m) (%)                            | 4.6%/2%                         | Volume, '000 (LHS) —, QAR (RHS)                                    |                  |

#### Operating revenue for 4023 decreases 1% YoY.

In 4Q23, the company's operating revenue amounted to QAR 714mm (-1% YoY), in line with Bloomberg consensus estimate of QAR 726m. The reported 4Q23 revenue is 8% below U Capital estimate of QAR 780mn. The deviation in the estimates for 4Q23 is attributed to lower-than-expected revenue contributions from the Capital and Maritime & Logistics segments. Maritime & Logistics segment's 4Q23 operating revenue stood at QAR 210mm (-32% YoY and -2% QoQ). The decline in the Maritime and Logistics segment is due to the consistent decline in container shipping rates throughout 2023. Capital segment operating revenue for 4Q23 stood at QAR 42mm (-64% YoY and -54% QoQ) due to a 62% YoY decrease in the sale of quarries and building materials. For FY23, operating revenue stood at QAR 2,942mn, reflecting a 10.5% YoY decrease.

#### Operating profit for 4Q23 declines 48% YoY and 46% QoQ.

The company's operating profit for 4Q23 stood at QAR 33m, below Bloomberg consensus of QAR 89.8m and U Capital estimate of QAR 119m. The notable decline in 4Q23 performance is due to lower operating revenue and higher salary expenses (+13% YoY). For FY23, operating profit stood at QAR 436m (-10.4% YoY).

### Net profit for 4Q23 decreases 2% YoY and 28% QoQ - below Bloomberg consensus and U Capital estimate.

Net profit for 4Q23 stood at QAR 160mn (-2% YoY and -28% QoQ), below Bloomberg consensus of QAR 220mn and U Capital estimate of QAR 302m. The shortfall in net profit against consensus expectations is a result of lower operating margins (4.6% vs 8.7% in 4Q22), reduction in contributions from joint venture (-46% YoY) and associates (-10% YoY) and increase in Zakat expenses in 4Q23.

#### **Maintain Target Price.**

The shipping rates experienced a decline in the latter part of 2023 which led to a decline in Maritime & Logistics revenue in FY23. We expect a normalization of the situation in FY24e, with shipping rates steadily increasing and consequently boosting the revenue contribution from Maritime & Logistics. Given the stability in shipping rates and the global and local expansion of the transport and logistics sector, we are maintaining an **Accumulate** rating on the stock with a target price of QAR 11.1 per share.

#### Valuation.

Qatar Navigation is trading at 2024e P/E of 9.3x compared to its historical average 1-year forward P/E of 9.5x. Similarly, the stock trades at an EV/EBITDA of 11.6x, based on our FY24 estimate, vs historical average of 13.3x.

| Income Statement        |        |        |        |        |        |        |         |         |         |        |        |         |
|-------------------------|--------|--------|--------|--------|--------|--------|---------|---------|---------|--------|--------|---------|
| (QAR mn)                | 4Q22   | 1Q23   | 2Q23   | 3Q23   | 4Q23   | 4Q23e  | YoY (%) | QoQ (%) | Var (%) | FY22   | FY23   | YoY (%) |
| Operating Revenue       | 722    | 766    | 745    | 717    | 714    | 780    | -1%     | 0%      | -8%     | 3,285  | 2,942  | -10.5%  |
| Operating Profit        | 63     | 210    | 133    | 60     | 33     | 119    | -48%    | -46%    | -73%    | 487    | 436    | -10.4%  |
| Net Profit              | 164    | 363    | 284    | 222    | 160    | 302    | -2%     | -28%    | -47%    | 1,013  | 1,030  | 1.7%    |
| Balance Sheet           |        |        |        |        |        |        |         |         |         |        |        |         |
| (QAR mn)                | 4Q22   | 1Q23   | 2Q23   | 3Q23   | 4Q23   | 4Q23e  | YoY (%) | QoQ (%) | Var (%) | FY22   | FY23   | YoY (%) |
| Shareholders' Equity    | 16,012 | 15,851 | 16,206 | 16,681 | 16,681 | 16,749 | 4%      | 0%      | 0%      | 16,042 | 16,681 | 4.0%    |
| Key Ratios              |        |        |        |        |        |        |         |         |         |        |        |         |
|                         | 4Q22   | 1Q23   | 2Q23   | 3Q23   | 4Q23   | 4Q23e  | YoY (%) | QoQ (%) | Var (%) | FY22   | FY23   | YoY (%) |
| Operating Profit Margin | 8.7%   | 27.4%  | 17.9%  | 8.4%   | 4.6%   | 15.3%  |         |         |         | 14.8%  | 14.8%  |         |
| Net Profit Margin       | 22.7%  | 47.4%  | 38.2%  | 31.0%  | 22.5%  | 38.7%  |         |         |         | 30.8%  | 35.0%  |         |
| Return on Equity (RoE)  | 4.1%   | 9.2%   | 7.0%   | 5.3%   | 3.8%   | 7.2%   |         |         |         | 25.3%  | 24.7%  |         |

Source: Financials, Bloomberg, U Capital Research

For our earlier report, please click here.





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### Recommendation

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



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