

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

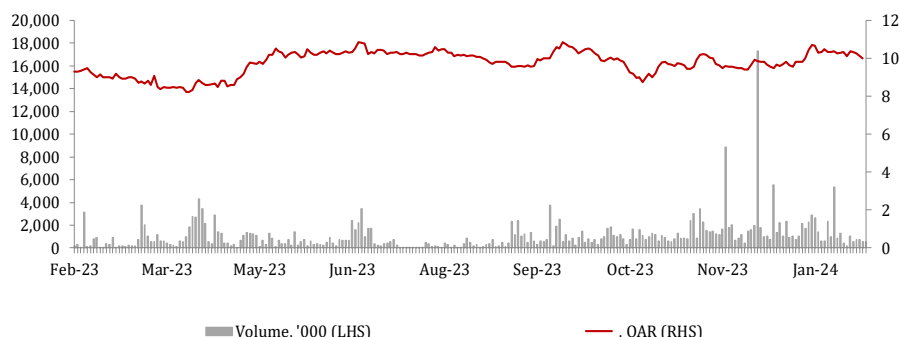
Analyst: Neetika Gupta

**Previous Recommendation:** Accumulate  
**Previous Reco. & Date:** TP: QAR 11.1 per share; Accumulate on 04-December-2023

**Target Price (QAR):** 11.10  
**Upside / (Downside):** 11%

Date: 06-02-2024

Bloomberg Ticker	QNNS QD
Current Market Price (QAR)	10.0
52wk High / Low (QAR)	11.43/8.1
12m Average Vol. (000)	1,053.9
Mkt. Cap. (USD/QAR mn)	3,121/11,362
Shares Outstanding (mn)	1,136.2
Free Float (%)	85%
3m Avg Daily Turnover (000)	17,881.7
6m Avg Daily Turnover (000)	13,185.9
P/E'24e (x)	9.3x
EV/EBITDA'24e (x)	11.6x
Dividend Yield '24e (%)	4.8%
Price Perf. (1m/3m) (%)	4.6%/2%



### Operating revenue for 4Q23 decreases 1% YoY.

In 4Q23, the company's operating revenue amounted to QAR 714mn (-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 210mn (-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 42mn (-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](#).

## Investment Research

Ubhar-Research@u-capital.net

## Head of Research


**Neetika Gupta**


 +968 2494 9036

 neetika@u-capital.net


## Research Team


**Ahlam Al-Harthi**

 +968 2494 9024


 ahlam.harathi@u-capital.net

**Said Ghawas**

 +968 2494 9034

 said.ghawas@u-capital.net


**Amira Al Alawi**


 +968 2494 9112

 amira.alalawi@u-capital.net

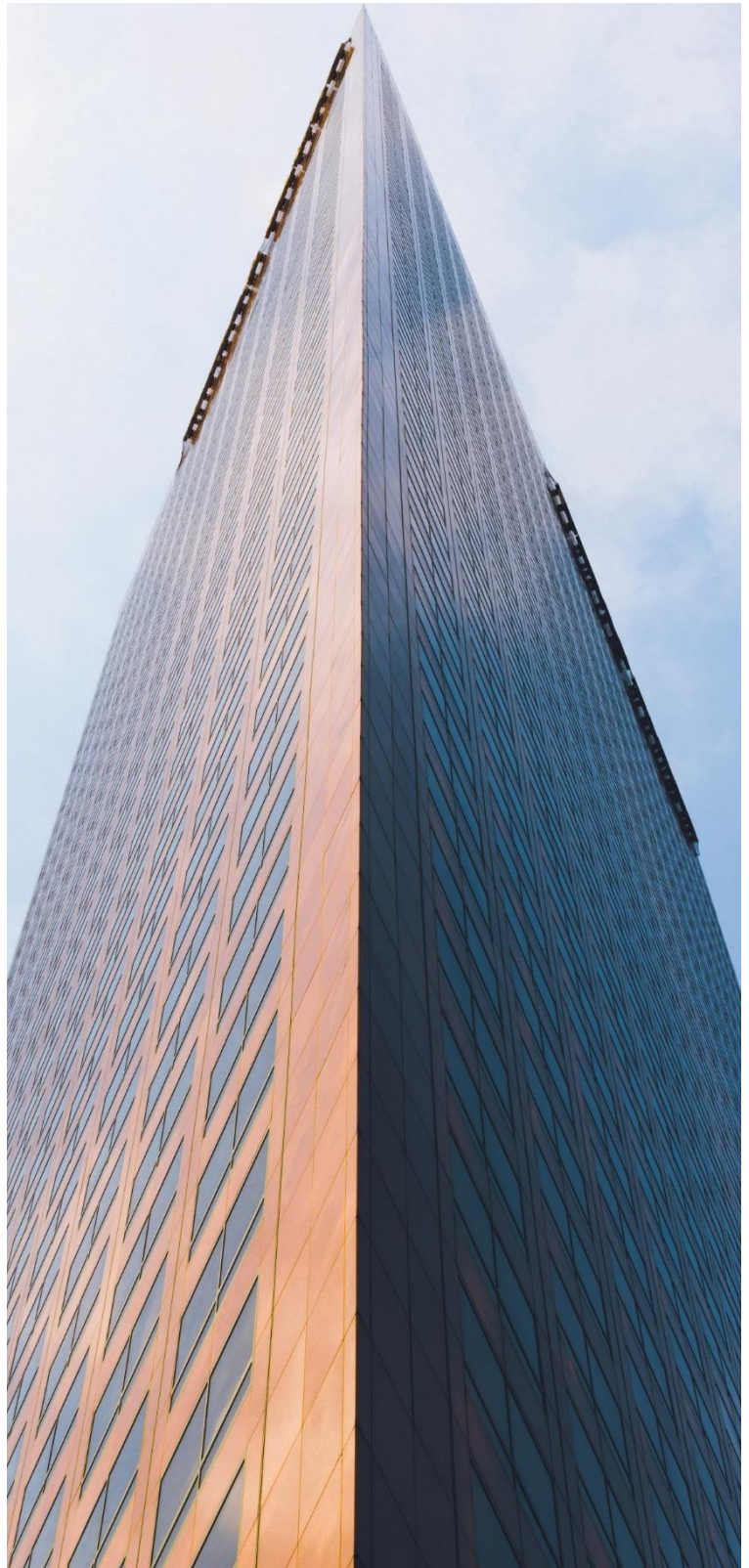
## Head of Brokerage

**Talal Al Balushi**

 +968 2494 9051

 talal@u-capital.net

Visit us at: **[www.u-capital.net](http://www.u-capital.net)**



## Recommendation

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