# Qatar Fuel/Woqod (QFLS)

| | | | |
|---|---|---|---|
| Recommendation | ACCUMULATE | Risk Rating | R-3 |
| Share Price | QR15.08 | 12M Target Price | QR18.59 |
| Implied Upside | 23.3% | | |

## Sizeable Balance Sheet Horsepower Strengthens Value Proposition; Initiate with Accumulate

***Emanating from an exclusive distribution agreement with global energy giant QatarEnergy (QE), Woqod dominates the hydrocarbon distribution market in Qatar, boasting 86% (FY2023) local market share. Despite Woqod's local market dominance, the nature of the company's business as a "middleman" allows QFLS little in terms of bargaining power between its primary customer Qatar Airways (QA) and primary supplier QE.*** *This dynamic could partly explain the gradual erosion of its GP margin over the years, though its favorable working capital structure offsets this somewhat. Moreover, price controls on retail fuel sales further limit the advantages typically associated with market dominance. Structurally,* ***Woqod's core product lines — jet fuel, gasoline, and diesel — are vulnerable to global shifts away from fossil fuels.*** *However, a slowdown in adopting sustainable fuels due to a brewing e-mobility backlash, notably in the US & Europe, could extend the life cycle of hydrocarbons. Also, the recent reelection of Donald Trump as the next US president could be a boon for traditional fuels.* ***Meanwhile, Woqod's jet fuel sales are exhibiting decent growth, set to continue for the foreseeable future on the back of QA's expansion strategy, with ~250 aircraft on order. Gasoline demand has also continued to grow but diesel sales have been trending lower, reflecting broader structural declines in demand.*** *For diesel, the LNG expansion project could stem some of this decline – in 2023, bunkering diesel made up ~4% of total sales volume. As Woqod navigates this uncertainty, its balance sheet stands out with a significant cash/investments pile – we estimate that roughly half of the company's value is directly linked to that as it gives management significant leeway to extract more value for shareholders, including through special dividends, share buybacks and/or funding diversification internally.* ***Overall, we perceive Woqod's outlook as relatively neutral-to-bullish with its internal strengths providing it with the means to navigate uncertainty. We anticipate mid-single digit bottom-line growth for the foreseeable future but we see a decent dividend flow, with 6.3% FY2024 DY expectations built into our model. Consequently, we initiate coverage with an Accumulate rating and a PT of QR18.59/share.***

## Highlights

- **Jet and bunkering fuels are primed for growth.** During 1H2024, jet fuel contributed ~54% to overall group revenue, the single biggest revenue contributor, and accounted for ~55% of petroleum sales volume. We believe this is the primary growth area for the company's mainstay petroleum products. **The future growth of jet fuel is linked to the growth expected from QA, which is expanding its fleet size and destinations** – over 90% of Woqod's jet fuel sales go to QA. In turn, QA/HIA growth is underpinned by an upbeat global air travel and tourism outlook. Meanwhile, **the expected increase in Qatar's LNG production could be a growth driver for Woqod's bunkering business, as the number of LNG carriers servicing Qatar will increase significantly – new 100+ ship vessels are expected.** However, these vessels will likely be adopting "dual fuel" propulsion technologies that enable them to utilize gas as the primary, cleaner fuel with conventional bunkers relegated to a secondary status.
- **Diesel is a weak link**. We see auto fuel sales volume growing more slowly due to secular trends and regulatory developments, likely to be more pronounced for diesel. The amount of diesel sold by Woqod has fallen by ~30% over the last six years to its lowest since 2013, while gasoline sales volume rose by ~18% in the same period. However, gasoline CAGR has slowed, to 2.8% between 2017 and 2023 compared with CAGR of 7.7% in the preceding comparable period. While diesel's recovery is hard to see given the gradual adoption of cleaner fuels as well as the evolving regulatory framework, the LNG expansion project can potentially offset some of this decline.
- **Woqod has considerable horsepower on its balance sheet**. We estimate more than half of the group's value comes from what we consider to be non-operating items – cash pile, financial investments, and investment properties. **More importantly, this horsepower on the balance sheet provides a platform for growth and value-creation options for management – dividends, buybacks and diversification**. Relative to peers, Woqod exhibits more value-play attributes that can potentially be traced back to its balance sheet structure.
- **Mid-single digit earnings growth rate**. We see Woqod's attributable profit growing by a CAGR of 6.5% between 2023 and 2026, while we expect revenue to grow at 4.5% CAGR in the same period.

## Catalysts

- **(1)** The business lacks notable catalysts but Woqod's balance sheet contains enough fuel for various corporate actions including buybacks, special dividends and acquisitions. However, there is little visibility on if or when this happens. It was one of the only 10 QSE-listed companies to initiate interim dividends and could, again, follow QNBK's lead on share buybacks. **(2)** Re-negotiate better terms with QE and QA. **(3)** QA aircraft and LNG vessel fleets expansion. **(4)** Sustained rollback of EV targets by auto manufacturers.

## Recommendation, Valuation and Risks

- **Recommendation and Valuation**: ***We launch coverage with an "Accumulate" rating and a 12-month PT of QR18.59, implying 23.3% upside.*** Our TP is a weighted average of various valuation models: DCF, EBITDA Exit Multiple and Relative-Valuation. Our primary thesis is that Woqod's petroleum business still has select pockets (jet fuel and LNG expansion-linked bunkering) of potential growth in the short to medium term helped by its dominant market position in Qatar. Plus, we believe more value could be unlocked from optimizing its balance sheet.
- **Risks: (1)** Customer (QA) & supplier (QE) concentration risk and continued margin-erosion **(2)** Price controls & other regulatory/public policy risks **(3)** Commodity price volatility & trading stock price volatility **(4)** Adoption of EVs by consumers **(5)** Geopolitics

*Key Financial Data and Estimates*

| GROUP | 2023 | 2024e | 2025e | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|---|
| EPS (QR) | 0.99 | 1.10 | 1.18 | 1.19 | 1.23 | 1.29 |
| P/E (x) | 15.24 | 13.74 | 12.82 | 12.62 | 12.25 | 11.68 |
| EV/EBITDA (x) | 15.10 | 13.01 | 12.15 | 11.36 | 10.51 | 9.73 |
| DPS (QR) | 0.90 | 0.95 | 1.00 | 1.00 | 1.05 | 1.10 |
| DY (%) | 6.0% | 6.3% | 6.6% | 6.6% | 7.0% | 7.3% |

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

*Key Data*

| | |
|---|---|
| Current Market Price (QR) | 15.08 |
| Dividend Yield FY2023 (%) | 6.0 |
| Bloomberg Ticker | QFLS QD |
| ADR/GDR Ticker | N/A |
| Reuters Ticker | QFLS.QA |
| ISIN | QA0001200771 |
| Sector* | Consumer Goods |
| 52wk High/Low (QR) | 16.90/13.45 |
| 3-m Average Vol. | 474,602 |
| Mkt. Cap. ($ bn/QR bn) | 4.1/15.0 |
| EV ($ bn/QR bn) | 2.2/8.2 |
| Shares O/S (mn) | 994.3 |
| FO Limit* (%) | 100% |
| FO (Institutional)* (%) | 13.2 |
| 1-Year Total Return (%) | 0.9 |
| Fiscal Year-End | December 31 |

*Source:* Bloomberg (as of November 13, 2024), *Qatar Exchange (as of November 13, 2024); Note: FO is foreign ownership

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## Valuation

- **We value Woqod shares at 12M PT of QR18.59 with a 23.3% upside potential; ours is a weighted target price using a combination of DCF, EEM and international & domestic multiples.** We assign the biggest weight to DCF (cash flows to firm) as it captures the longer-term potential of the company. The EEM and international comparison methodologies utilize regional and international, rather than local peer multiples, to capture industry- or sector-specific pricing and valuation signals.
- **We note that Woqod looks relatively cheaper than industry peers (international), but its market valuation relative to the local market falls within a fair value range, as its attractive DY is offset by its rich P/E relative to the local market;** Woqod has subdued earnings growth outlook in its core operations. An encapsulating valuation metric, PEG ratio at 3x-plus, implies that the market is willing to pay a premium for the stock, justified somewhat by its generous DY as well as Woqod's extremely conservative/defensive balance sheet, which presents considerable optionality. This also explains the disconnect between our rating and the implied upside potential. Typical such an upside aligns with an "Outperform" rating, but given the uncertainty surrounding growth visibility we believe an "Accumulate" rating is more warranted.
- **While Woqod looks undervalued relative to international peers, it is offset somewhat by the domestic market that projects a fully-valued stock. The DCF-implied intrinsic value also shows the stock as undervalued but we note more than half of the DCF value is coming from non-core operations (financial investments and cash pile).** We hypothesize the valuation could improve intrinsically by optimizing the balance sheet, where more than half of the company's EV emanates from cash and financial investments on the balance sheet. These are safe and low-yielding investments, implying a more ambitious capital allocation could extract more value for shareholders. This also explains why an EV/EBITDA relative valuation, which excludes non-core operations, points to a rich valuation. So, the strong balance sheet, in a way, justifies a high valuation. With interim dividends now in play, next could be buybacks, another low-hanging fruit for value extraction.

### *Valuation Summary*

| Method | Weight in Overall Woqod's Valuation | Woqod's Upside Potential |
|---|---|---|
| **DCF** | **60%** | **29.4%** |
| **EEM** | **10%** | **18.5%** |
| **International Comparison** | **15%** | **18.2%** |
| P/E, 2024E | 3.8% | 12.2% |
| DY, 2024E | 3.8% | 25.1% |
| P/E, 2025E | 3.8% | 9.5% |
| DY, 2025E | 3.8% | 25.9% |
| **Local Comparison** | **15%** | **7.0%** |
| DSM All Share Index Dividend Yield 2024E | 7.5% | 30.9% |
| DSM All Share Index P/E, 2024E | 7.5% | -16.8% |
| **Weighted Average Upside Potential for Woqod Shares** | | **23.3%** |

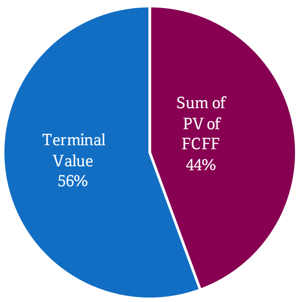
*Source*: QNBFS Research

### *DCF Model Output: Summary*

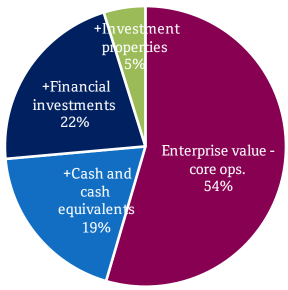
| GROUP | 2023 | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | Terminal |
|---|---|---|---|---|---|---|---|---|---|---|
| **NOPLAT** | **524,172** | **618,591** | **683,649** | **753,202** | **800,697** | **850,384** | **901,112** | **959,393** | **1,019,988** | **1,040,387** |
| EBIT | 524,172 | 618,591 | 683,649 | 753,202 | 800,697 | 850,384 | 901,112 | 959,393 | 1,019,988 | 1,040,387 |
| Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Reinvestment** | **271,537** | **224,802** | **(146,197)** | **(74,356)** | **(81,805)** | **(53,717)** | **(55,231)** | **(67,095)** | **(68,669)** | **(152,943)** |
| D&A | 250,788 | 243,959 | 228,602 | 207,342 | 217,265 | 227,388 | 237,720 | 249,762 | 262,030 | |
| Capital Expenditure | (200,278) | (91,030) | (464,442) | (374,038) | (415,393) | (399,333) | (413,548) | (457,454) | (473,909) | |
| Change in WC | 221,027 | 71,873 | 89,644 | 92,340 | 116,323 | 118,228 | 120,597 | 140,597 | 143,210 | |
| **Free cash flow to the firm (FCFF)** | **795,709** | **843,393** | **537,452** | **678,846** | **718,892** | **796,667** | **845,881** | **892,298** | **951,319** | **887,445** |
| WACC | | 9.6% | 9.6% | 9.6% | 9.6% | 9.6% | 9.6% | 9.6% | 9.6% | 9.6% |
| Discount Factor | | 1.05 | 1.15 | 1.26 | 1.38 | 1.51 | 1.66 | 1.82 | 1.99 | 2.18 |
| **PV of FFCF** | | **805,517** | **468,246** | **539,506** | **521,169** | **526,844** | **510,275** | **491,015** | **477,530** | **406,356** |

| | |
|---|---|
| **Sum of PV of FCFF** | **4,340,103** |
| **Terminal Value** | **5,435,767** |
| Terminal FCF | 414,483 |
| Terminal Growth Rate | 2.0% |
| Terminal WACC | 9.6% |
| **Enterprise value - core ops.** | **9,775,870** |
| +Cash and cash equivalents | 3,416,820 |
| +Financial investments | 3,877,865 |
| +Investment properties | 859,665 |
| -Debt (long + short term) | 122,094 |
| -Minority Interest | 112,363 |
| **Fair Value of Equity** | **17,695,763** |
| Shares o/s | 994,256 |
| **12M target price per share** | **19.511** |
| **12 Month Upside Potential** | **29.4%** |

**DCF Enterprise Value Breakdown**




**EV Attribution**




*Source*: QNBFS Research

### Target Share Price Sensitivity to WACC and Discount Rate

| | | Terminal Growth Rate | | | | |
|---|---|---|---|---|---|---|
| | | 1.00% | 1.50% | 2.0% | 2.50% | 3.00% |
| Terminal Discount | 7.6% | 20.48 | 20.84 | 21.25 | 21.73 | 22.31 |
| | 8.6% | 19.72 | 19.96 | 20.23 | 20.54 | 20.90 |
| | 9.6% | 19.16 | 19.33 | 19.511 | 19.72 | 19.95 |
| | 10.6% | 18.74 | 18.86 | 18.99 | 19.13 | 19.28 |
| | 11.6% | 18.43 | 18.51 | 18.60 | 18.69 | 18.79 |

| Upside Potential | | 1.0% | 1.5% | 2.0% | 2.5% | 3.0% |
|---|---|---|---|---|---|---|
| Terminal Discount | 8.6% | 35.8% | 38.2% | 40.9% | 44.1% | 47.9% |
| | 9.1% | 30.8% | 32.4% | 34.1% | 36.2% | 38.6% |
| | 9.6% | 27.1% | 28.2% | 29.4% | 30.7% | 32.3% |
| | 10.1% | 24.3% | 25.1% | 25.9% | 26.8% | 27.8% |
| | 10.6% | 22.2% | 22.8% | 23.3% | 24.0% | 24.6% |

*Source*: QNBFS Research

### Relative Valuation Metrics

| Company | Country | Mcap USDmn | P/E 2024e | P/E 2025e | EV/EBITDA 2024e | EV/EBITDA 2025e | Dividend Yield 2024e | Dividend Yield 2025e | P/B 2024e | P/B 2025e | ROE 2024e | ROE 2025e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ABU DHABI NATIONAL OIL CO FO | UAE | 12,115 | 17.68 | 16.39 | 12.7 | 12.0 | 5.85 | 5.85 | 14.02 | 13.48 | 74.4% | 87.6% |
| ALDREES PETROLEUM AND TRANSP | SAUDI ARABIA | 3,540 | 41.03 | 29.53 | 16.0 | 13.8 | 0.97 | 1.59 | 9.66 | 8.21 | 24.2% | 28.7% |
| PETRONAS DAGANGAN BHD | MALAYSIA | 4,028 | 18.09 | 17.66 | 8.9 | 8.8 | 4.76 | 4.83 | 3.01 | 2.94 | 16.7% | 16.5% |
| PTG ENERGY PCL | THAILAND | 427 | 13.13 | 11.59 | 6.8 | 6.4 | 3.54 | 3.94 | 1.57 | 1.44 | 13.2% | 13.6% |
| VIVA ENERGY GROUP LTD | AUSTRALIA | 2,653 | 12.19 | 11.69 | 10.9 | 9.9 | 5.31 | 5.70 | 1.57 | 1.62 | 12.5% | 15.0% |
| VIBRA ENERGIA SA | BRAZIL | 4,340 | 7.06 | 8.54 | 5.7 | 5.5 | 6.86 | 6.47 | 1.36 | 1.20 | 21.8% | 15.3% |
| | | Peer Group Mean | 18.2 | 15.9 | 10.2 | 9.4 | 4.5% | 4.7% | 5.20 | 4.81 | 27.1% | 29.5% |
| | | Peer Group Median | 15.4 | 14.0 | 9.9 | 9.3 | 5.0% | 5.3% | 2.29 | 2.28 | 19.3% | 15.9% |
| QATAR FUEL QSC | QATAR | 4,111 | 13.7 | 12.8 | 13.0 | 12.1 | 6.3% | 6.6% | 1.58 | 1.55 | 11.5% | 12.1% |

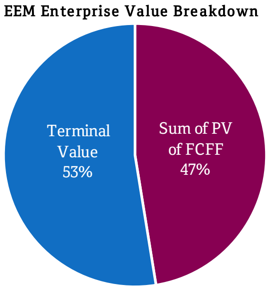
*Source*: Bloomberg, QNBFS Research

### EEM Model Output: Summary

| GROUP | 2023 | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | Terminal |
|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA | 774,960 | 862,550 | 912,250 | 960,545 | 1,017,962 | 1,077,772 | 1,138,832 | 1,209,155 | 1,282,017 | 1,040,387 |
| PV of EBITDA | | 823,814 | 794,784 | 763,383 | 737,983 | 712,741 | 686,997 | 665,376 | 643,530 | 476,387 |

| | |
|---|---|
| **Sum of PV of FCFF** | **4,340,103** |
| **Terminal Value** | **4,808,522** |
| Terminal EBITDA | 485,915 |
| EBITDA Multiple | 9.9 |
| **Enterprise value** | **9,148,626** |
| +Cash and cash equivalents | 3,416,820 |
| +FVTOCI | 3,877,865 |
| -Long- and Short-term Debt | 122,094 |
| -Minority Interest | 112,363 |
| **Fair Value of Equity** | **16,208,854** |
| Shares outstanding | 994,256 |
| **Fair Value Per Share** | **16.302** |
| **12M Target price per share** | **17.872** |
| **Upside Potential** | **18.5%** |

**EEM Enterprise Value Breakdown**




*Source*: QNBFS Research

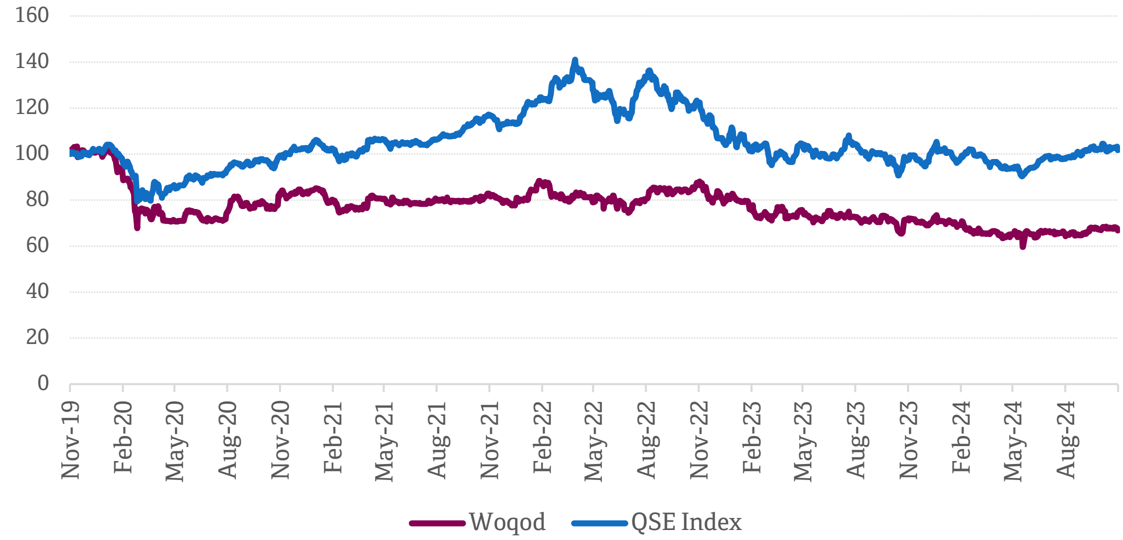
***Target Share Price Sensitivity to Exit Multiple and Discount Rate***

| | | Exit Multiple | | | | |
|---|---|---|---|---|---|---|
| | | 7.9 | 8.9 | 9.9 | 10.9 | 11.9 |
| Terminal Discount | 7.6% | 16.878 | 17.414 | 17.950 | 18.485 | 19.021 |
| | 8.6% | 16.838 | 17.373 | 17.909 | 18.445 | 18.981 |
| | 9.6% | 16.800 | 17.336 | 17.872 | 18.407 | 18.943 |
| | 10.6% | 16.765 | 17.301 | 17.837 | 18.373 | 18.908 |
| | 11.6% | 16.733 | 17.269 | 17.805 | 18.341 | 18.876 |

| | | 7.9 | 8.9 | 9.9 | 10.9 | 11.9 |
|---|---|---|---|---|---|---|
| Terminal Discount | 7.6% | 11.9% | 15.5% | 19.0% | 22.6% | 26.1% |
| | 8.6% | 11.7% | 15.2% | 18.8% | 22.3% | 25.9% |
| | 9.6% | 11.4% | 15.0% | 18.5% | 22.1% | 25.6% |
| | 10.6% | 11.2% | 14.7% | 18.3% | 21.8% | 25.4% |
| | 11.6% | 11.0% | 14.5% | 18.1% | 21.6% | 25.2% |

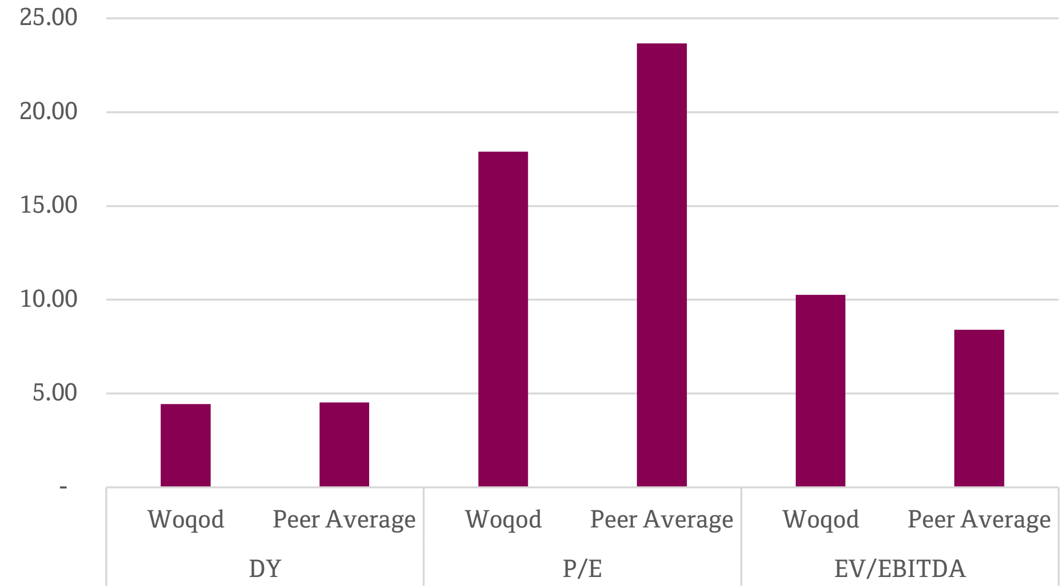
*Source*: QNBFS Research

***5-YR Woqod Share Price Performance vs. QSE (Base = 100)***




*Source*: Bloomberg, QNBFS Research

***Fundamentals: Woqod vs. Peers Average Since 2021***

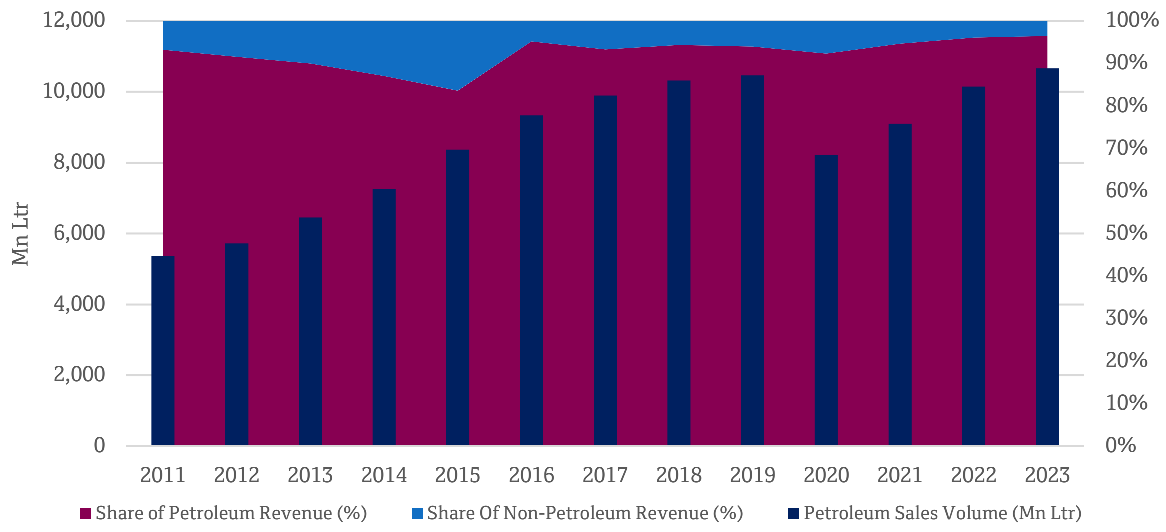



Source: Bloomberg, QNBFS Research

## Investment Thesis Analysis

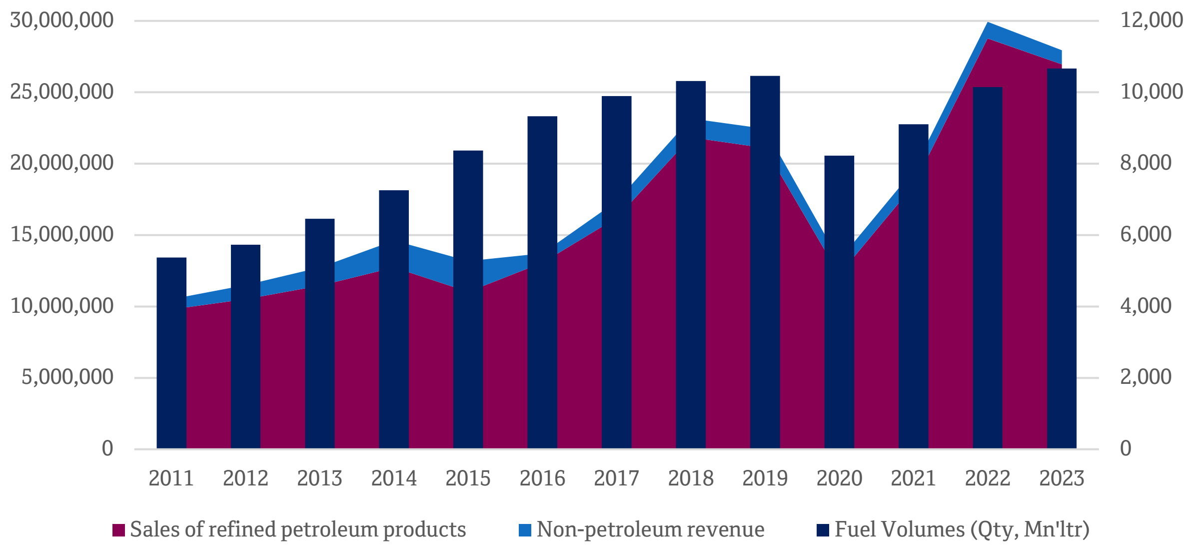
In this section, we expand on Woqod's investment thesis. Most of Woqod's revenue (96% in FY2023) comes from the sale of petroleum products (diesel, gasoline and jet fuel), and this share has actually increased over time (e.g. from 93% in 2011). This means the value of the company is still very much tied to the outlook of these three main petroleum products. In this section, for the most part, we delve into the outlook of these three hydrocarbon fuels. We also explore other potential sources of value, specifically, we analyze Woqod's "strong" balance sheet and the highly "potent fuel" it carries.

***Total Fuel Sales Volume vs. Relative Revenue Contributions (Petroleum vs. Non-Petroleum)***




*Source:* Company data, QNBFS Research

***Total Fuel Sales Volume (RHS) Vs. Revenue Contributions in QR'000 (Petroleum vs. Non-Petroleum)***




*Source:* Company data, QNBFS Research

***Some of the major themes covered in this section include:***

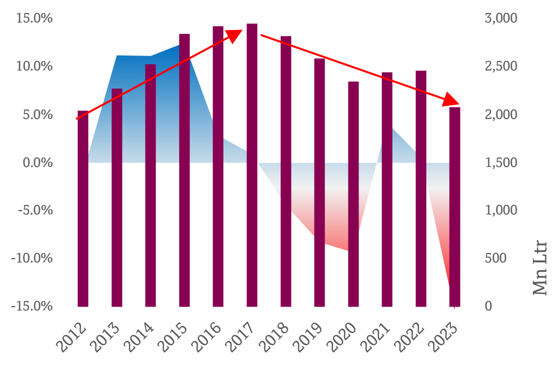
a) Slowdown in auto fuel demand; diesel in decline
b) Jet fuels set to plug the decline in diesel
c) North Field LNG expansion project to provide the potential for recovery in bulk fuels
d) Shrinking margins from core operations
e) Strong balance sheet with considerable horsepower to drive value

We expand on each of these themes below:

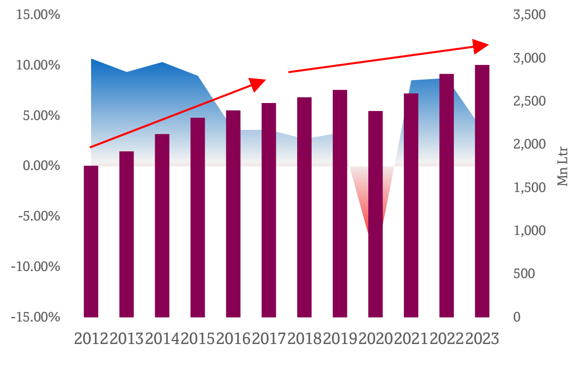
### *Theme 1: Slowdown in Auto Fuel Demand*

- **We see auto fuel sales volume growing more slowly due to secular trend and regulatory developments, likely to be more pronounced for diesel**. Compared with jet fuel, auto fuel has grown more slowly which has seen its share of sales volume fall to ~47% in 2023 from ~55% in 2017. Specifically, the amount of diesel sold to by Woqod has fallen by ~30% over the last six years to the lowest it has been since 2013, while the growth in gasoline volume sold rose by ~18% in the same period. Gasoline slowed to a CAGR of 2.8% between 2017 and 2023 compared with CAGR of 7.7% in the preceding comparable period. Overall, auto fuels growth slowed to a CAGR of 1.3% between 2017 and 2023 vs. CAGR of 10.7% in the preceding comparable period.

***Diesel in Decline***



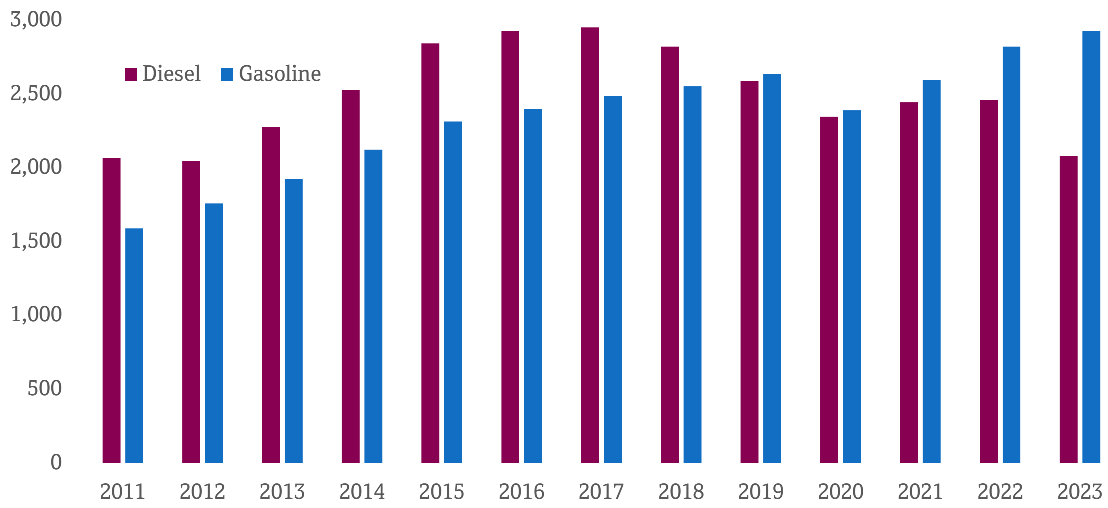

***Gasoline Demand Slowdown***




■ Sales Volume (Mn Ltr) ■ Volume Growth (%)

*Source:* Company data, QNBFS Research

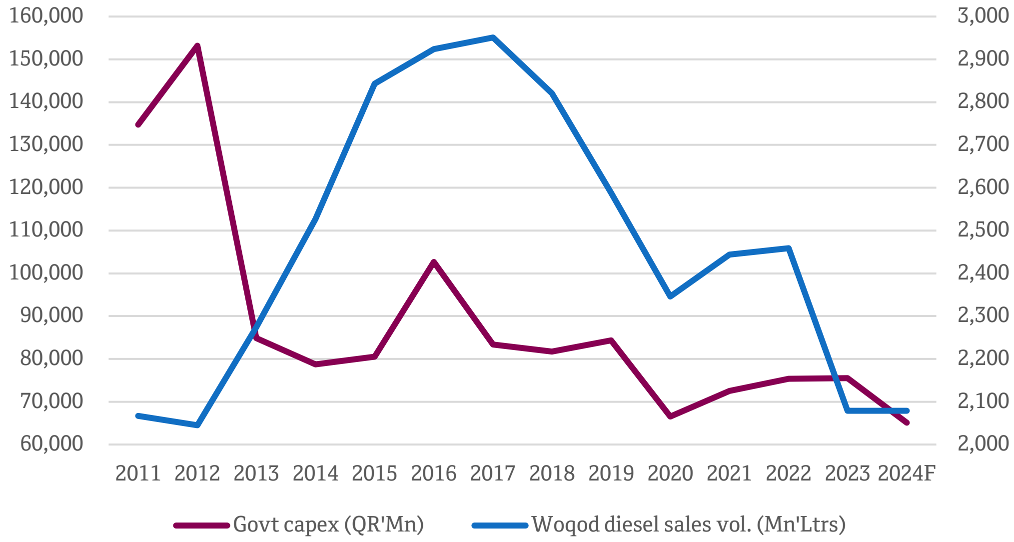
***Woqod Diesel vs. Gasoline Sales Volume in Million Liters***




*Source:* Company data, QNBFS Research

- **Since 2017, diesel consumption has been in decline** except in 2021/22 likely due to a combination of COVID-19 base-effects coupled with the ramping up of infrastructure/activity building up to Qatar's hosting of the 2022 World Cup. The decline in diesel usage is a global trend, however, and it is difficult to make a case for the recovery of diesel given the gradual adoption of EVs/cleaner fuels by consumers as well as the evolving regulatory framework – led by Europe, which has plans to eliminate the sale of $CO_2$-emitting cars i.e. combustion engines by 2035. Qatar has ambitious e-mobility targets including 25% EV public transportation by 2022 with 100% expected by 2030, 15K public charging stations by 2030 (current EV charging is free), and 10% EV sales by 2030 as a share of all sales. In September 2024, Qatar had electrified almost three-quarters of its public bus fleet according to the Minister of Transport. Norway and China are case studies showing incentives can quicken the adoption curve.
- **Diesel could still recover through bulk sales to the government and bunkering**. There is some correlation between, albeit weak, between government expenditure and diesel demand. While there is no evidence of immediate plans by the government to spend as it did in the years building up to the 2022 World Cup, it remains an upside risk. Meanwhile, bunkering could see an uptick linked to the North Field's LNG output expansion.

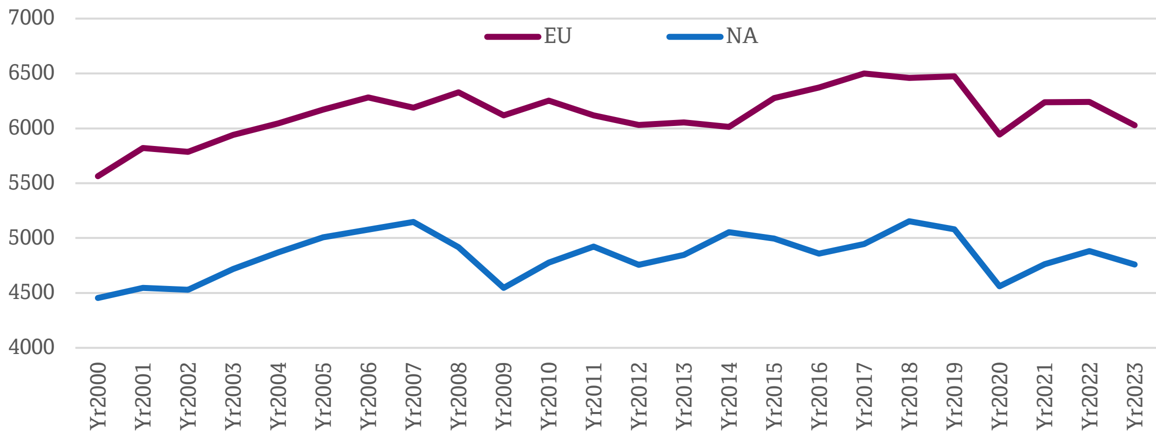
***Government Capex (LHS) Vs. Woqod Diesel Sales Volume (RHS)***




*Source:* Company data, QNBFS Research, QCB

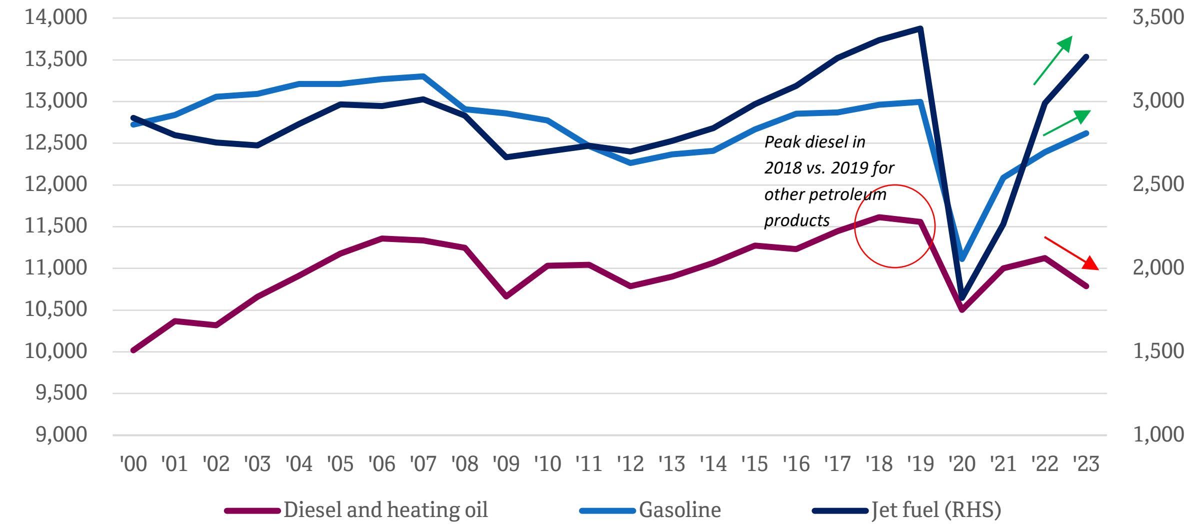
- **Globally, the decline in diesel demand is evident, with the EU and North America reaching their respective peaks in 2017 and 2018, closely aligning with trends observed in Qatar.** The number of diesel-powered engines sold dropped significantly from 13.7mn in 2017 to approximately 9mn by 2023. Meanwhile, the production of EVs and HEVs surged. In 2023, global sales of EVs alone reached nearly 14mn, compared to about 1.2mn units in 2017. EVs are forecasted to account for 18% of total vehicle sales globally in 2023, up from 14% in 2022, according to IEA. These figures reflect the accelerating global transition towards electric mobility, supported by policy changes and growing consumer demand for EVs, especially in regions like China, some parts of Europe, and the US. For instance, electric cars now outnumber petrol vehicles in Norway, according to data published by its Road Federation. The country boosted its electric-car sales with tax breaks and other incentives that were supported by its sovereign wealth fund. Norway aims to sell only zero-emissions vehicles by 2025 – ten years ahead of the EU's target to do the same.

***Diesel Consumption in the EU and North America (Barrels in Thousands)***




*Source:* theglobaleconomy.com

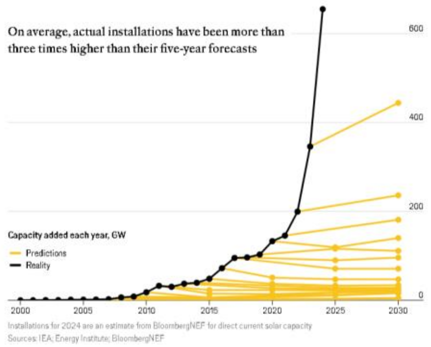
*North America and EU Petroleum Consumption per Day in Barrels (000)*




*Source:* theglobaleconomy.com

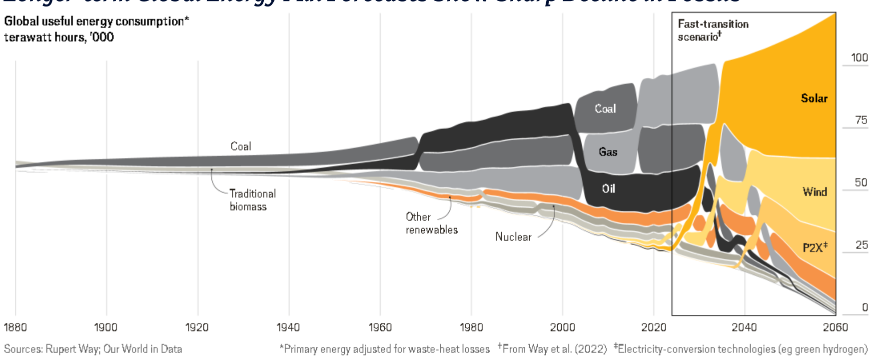
- **NA and EU data (most complete among regions we looked at) show that diesel is exhibiting relative weakness compared with its other petroleum peers**. Overall, IEA projects that demand for oil in road transport, including diesel, will peak around 2025 due to the increasing adoption of EVs and more stringent emission regulations. By 2030, the IEA projects that 35% of new car sales will be electric under the Stated Policies Scenario (STEPS). This growth will displace around 5mbpd of oil demand by 2030. The adoption of solar PVs is one to note, where adoption has been way faster than most predictions since the early 2000s.

*Solar Adoption Has Outgrown Expectations – Might Be A Lesson for EVs Adoption*




*Extracted from:* theeconomist.com

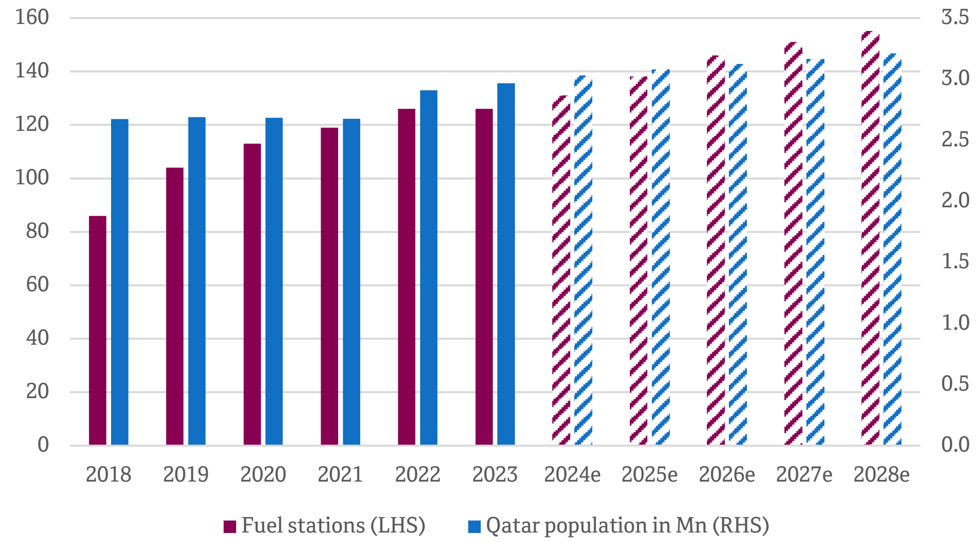
*Longer-term Global Energy Mix Forecasts Show Sharp Decline in Fossils*




*Extracted from:* theeconomist.com

- **Specifically for Qatar, an affluent society, an argument can be made that it could see faster adoption of EVs.** Its ambitions to become a knowledge economy – attracting highly skilled migrants, and replacing blue-collar workers – could drive that trend further. We are of the view that Qatar's auto fuels environment is only supportive of pedestrian growth. Woqod's growth in fuels stations flat-lined in 2022 at 126, but its goal is to grow the number of fuel stations to 155 by 2028, according to its FY2023 Annual Report. That projection is at a faster rate than expected population growth.

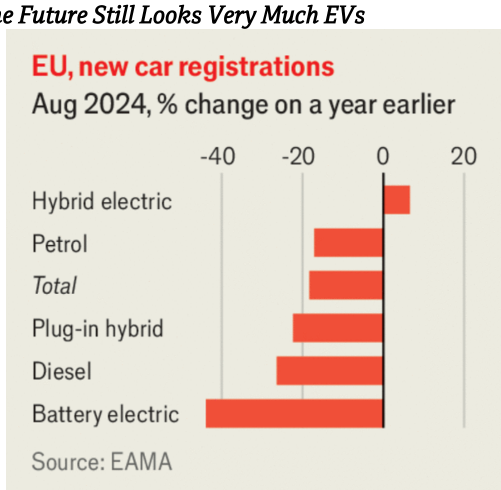
*Number of Petrol Stations to Hit 155 by 2028 from 126 in 2023*

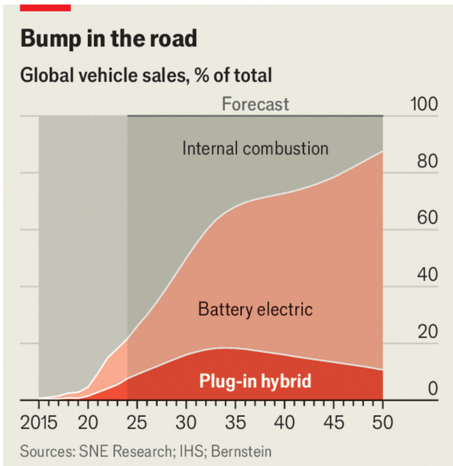



*Source:* Company data, World Bank

- **The Push Back. The rate of decline in the sales of combustion engine vehicles could slow down given the recent pushback by manufacturers on EVs citing slow consumer uptake.** For instance, Volvo has suspended its plans to make only EVs by 2030. It now says up to 10% of its vehicles could be "mild hybrids" by that time and its EV goal is now more long-term. It blamed the change on an industry slowdown but insisted that its future is electric. Other carmakers, such as General Motors and Ford, have also rolled back EV plans recently. In August, Ford announced that it was abandoning plans to make a large fully-electric SUV, opting instead for hybrid power. Hyundai is doubling its range of hybrids from seven to 14 models. Volkswagen, too, has pledged to increase investments in hybrids as it rethinks its plans for BEVs. **That could prolong the life of hydrocarbon fuels. EVs are relatively expensive, but that may not remain so in future as more investments and R&D go in battery technology. While this might provide a short- to medium-term reprieve for petroleum demand, longer term it looks like the future lies in EVs.**

*The Future Still Looks Very Much EVs*



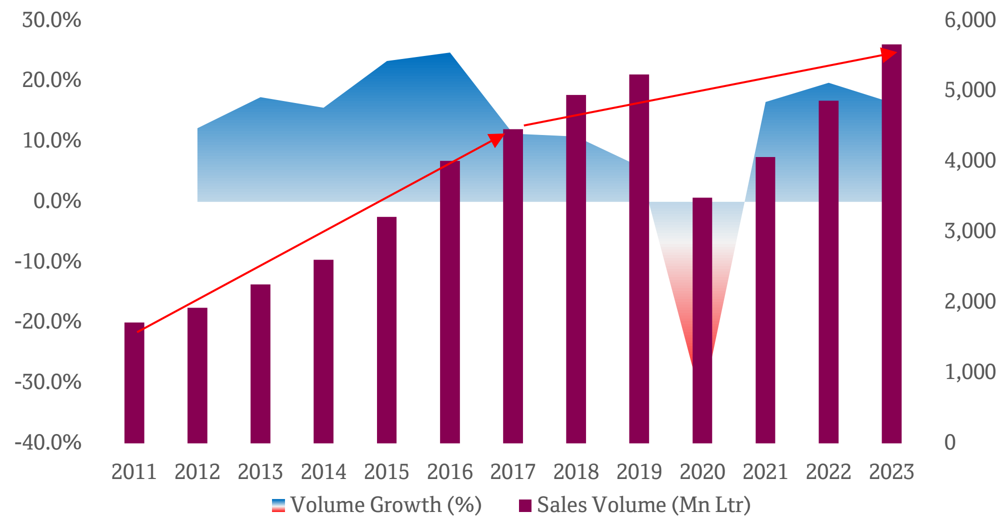

*Extracted from:* theeconomist.com

- **Not a Complete U-turn:** As far as pivoting is concerned, you could call this a partial pivot, as manufacturers are opting for hybrids rather than a complete abandonment of the e-mobility strategy. This implies the impact on hydrocarbon fuel demand will not be as acute as may have been initially feared, but more gradual as hybrids still use less fuel than traditional combustion engines.

### *Theme 2: Jet Fuel to Plug Autos Decline for the Foreseeable Future*

- **We believe jet fuel is the most promising growth area for the company's mainstay petroleum products**. We infer from the latest 1H2024 results and IR presentation that jet fuel contributed ~54% to overall group revenue and accounted for ~55% of petroleum sales volume. While, like gasoline, jet fuel sales growth has slowed in recent years, it is still growing faster than both diesel and gasoline. Between 2011 and 2017 jet fuel sales volume grew at a CAGR of 17.3%, and the rate decelerated to 4.0% in the last six years (as COVID-19 crimped demand) to end-2023.

*Jet Fuels Sales Volume – Fastest Growing Hydrocarbon Fuel Segment*

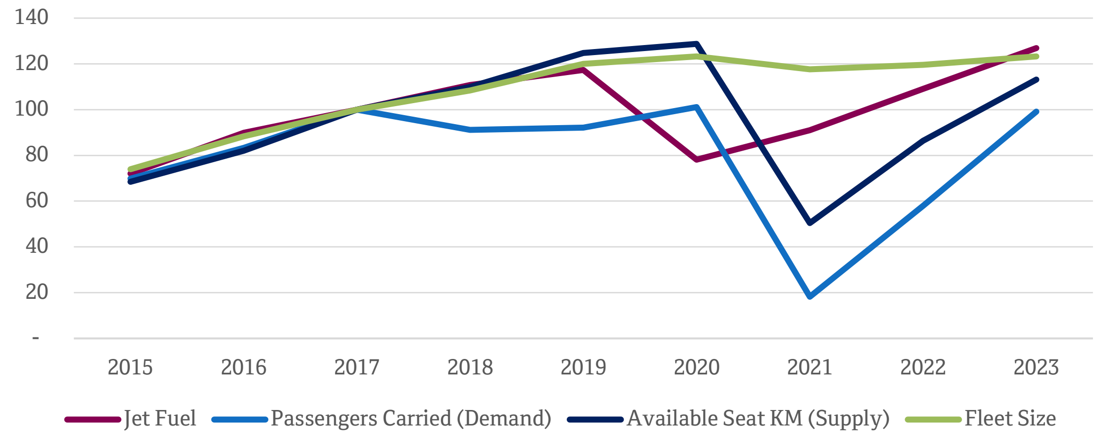



*Source:* Company data, QNBFS Research

- **The future growth of jet fuel is primarily linked to the growth expected by QA, which is expanding its fleet size and opening up new destinations**. More than 90% of Woqod's jet fuel sales go to QA and balance to other airlines. We have already established that more than half of Woqod's revenue comes from jet fuel sales, which makes QA a critical success factor for Woqod. QA's growth is underpinned by the upbeat global air travel and tourism:
    - IATA projects that air passenger traffic will fully recover to pre-pandemic levels in 2024, reaching about 4 billion passengers, which is 103% of 2019 levels. This recovery has been driven by the lifting of travel restrictions, with North American and European markets showing robust growth. However, recovery in the Asia-Pacific region is expected to lag due to slower reopening, particularly in China. **Overall, global passenger numbers are forecast to continue growing beyond 2024 at around 3% annually**.
    - The **world tourism outlook** for 2024 is positive, with international tourism expected to fully recover to pre-pandemic levels. **The UNWTO projects that international arrivals will reach approximately 1.3 billion tourists, surpassing 2019 levels by about 2%.** The recovery is being driven by strong pent-up demand, improved air connectivity, and a resurgence in the Asia-Pacific region, particularly following the reopening of key markets like China.
        - The long-term outlook for global tourism is optimistic, with significant growth expected over the next decade. According to the UNWTO and other industry sources, **international tourism is projected to grow at an average annual rate of 3% to 4%, with international tourist arrivals reaching 1.8 billion by 2030.**
        - The World Travel and Tourism Council (WTTC) projects that **by 2033, the travel and tourism industry will contribute $15.5trn to global GDP, up from $9.6trn in 2023**, driven by rising middle classes in emerging markets and the continued expansion of global connectivity.

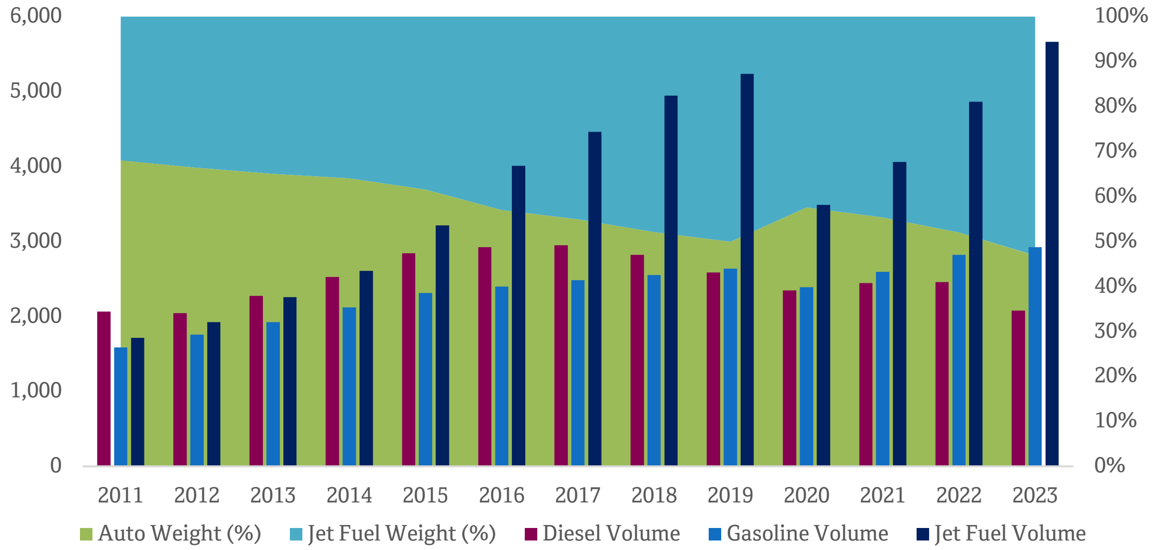
**Over the years, Qatar Airways has grown its fleet size from 159 in 2015 to 280 in 2023, which has seen its capacity (supply) as well as the number of passengers (demand) increase**. Both passengers carried and capacity remain below the pre-pandemic peak, which implies there's still room for more growth. QA has more than 200 aircrafts on order which means it still expects decent growth for the foreseeable period. We note both demand and supply are still below pre-pandemic levels, which supports an upbeat outlook. However, its growth path will likely be primarily influenced by demand – at the moment QA has excess capacity. Coupled with the fact that, unlike auto fuels, there has not been a substantive substitute for jet fuels, that bodes well for Woqod, at least for the foreseeable future. Of course, the downside is customer concentration and the ever-present risk of being squeezed on margins.

*Woqod Jet Fuel Sales Volume vs. QA Demand, Supply & Fleet Size (Still Below Pre-Pandemic)*




*Source:* Company data, QNBFS Research; Note: Base 2017 = 100

*Share of Jet Fuel Has Been Increasing Vs. Auto Fuels (Diesel + Gasoline)*



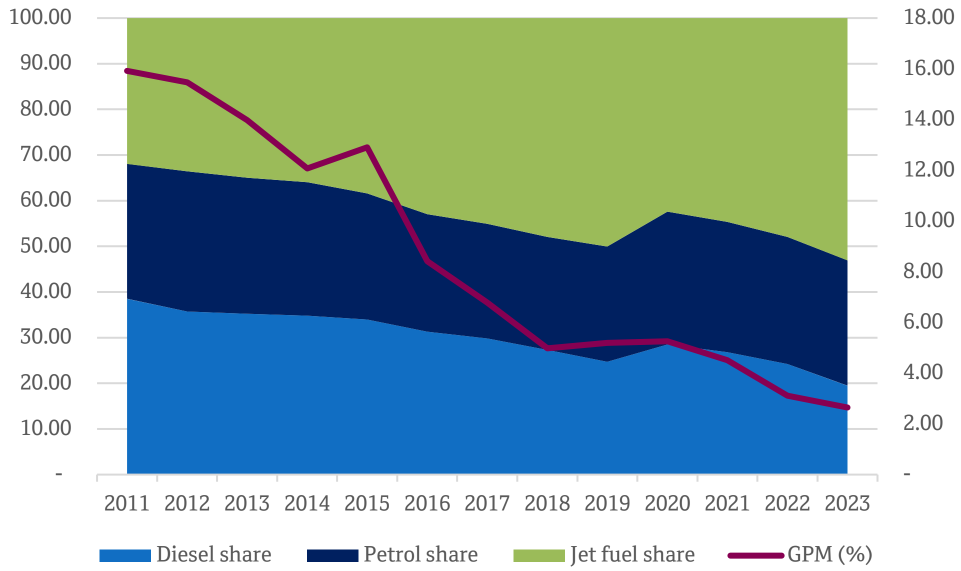

*Source:* Company data, QNBFS Research

- **Overall, we expect slower petroleum sales volume growth for the foreseeable future**, as jet fuel plugs the gap left by waning auto fuels.

### *Theme 3: Shrinking Margins & Weak Position in the Value Chain*

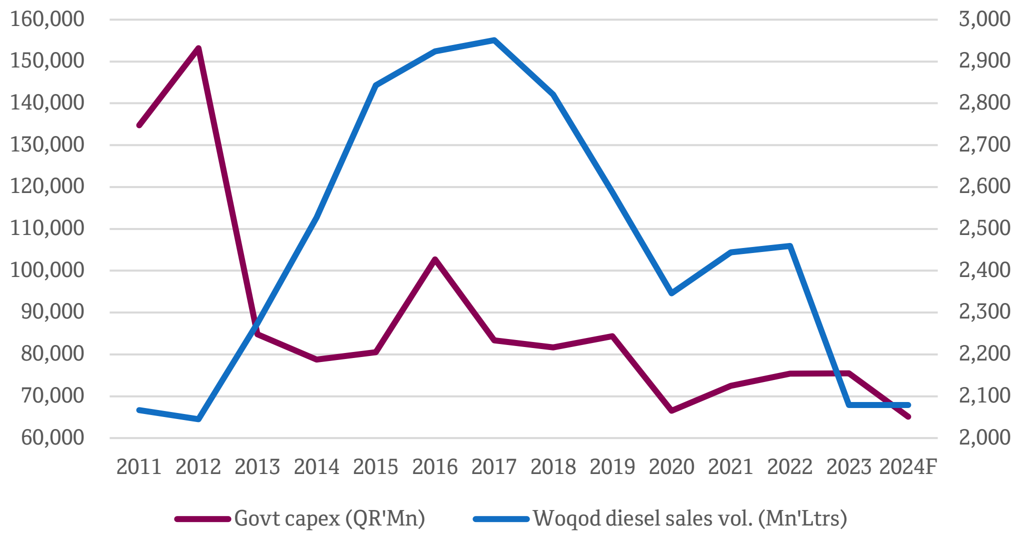
- **We identify what we believe to be three main causes of the margin decay. (1)** Woqod acquires its fuel from a monopoly (QE), while one of its main markets – jet fuel, now constituting more than half of its fuel sales volume – is dominated by a monopsony (QA). Woqod enters into finite contracts with both QE and QA to enable this relationship and is renewed occasionally, the latest was signed last year and expires in 2028. While we are not privy to the contract details, we have noticed that, over the years, GP margins have shrunk even as the volume of petroleum sold has increased. **(2)** We have also observed an increase in the share of jet fuel volumes while diesel volumes have declined. We note that bulk diesel sales, which have accounted for most of the volume decline, usually attract better margins. With the government as one of the primary buyers of bulk diesel, the sales volume has fallen along with the declining/peaking/flattening of government expenditures. The correlation is not very strong, however. **(3)** The third factor is that retail auto fuels are price-controlled. Consequently, the GP margin has fallen from 15.9% to just 2.6% between 2011 and 2023.

***Share of Fuel Sales Volume vs. GPM***




*Source:* Company data, QNBFS Research

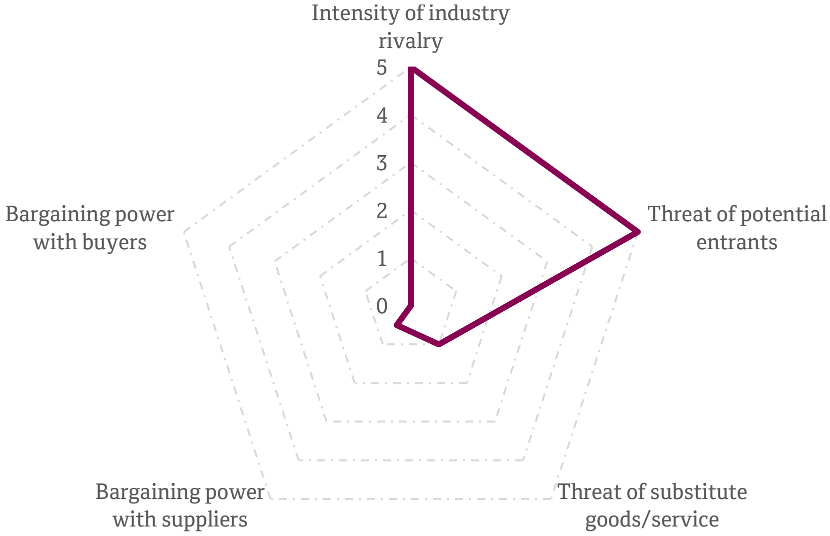
***Government expenditure Vs. Woqod's Diesel Sales Volume***




*Source:* Company data, QNBFS Research

***Woqod's Subjective Competitive Strength Analysis Map (Rating 1-5)***

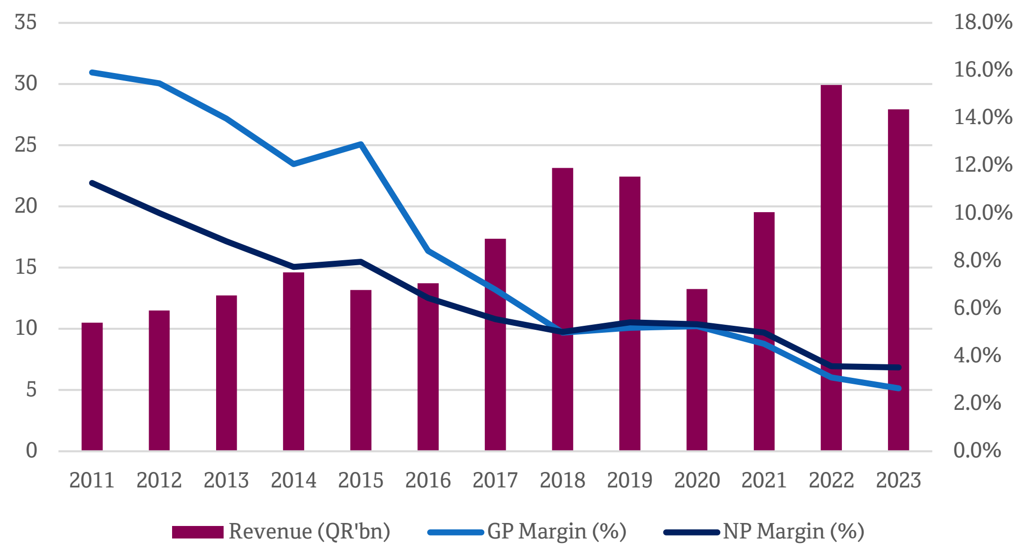
- Based on our own proprietary subjective qualitative scoring of Porter's five competitive forces, **we think Woqod is strongest on "intensity of industry rivalry" and weakest on "bargaining power with suppliers and customers". The threat of substitutes is also a real concern.** We believe the main implication is that, on one hand, Woqod should not struggle to maintain or expand its market share – it is a shrinking market overall, however. On the other hand, its margins could remain under pressure. To fix some of these challenges Woqod is sitting on a significant war chest to deploy.




*Source:* QNBFS Research; Note: Ranked from perceived weakest (1) to strongest (5) quality

- The three margin shrinkers (mentioned above) when combined with the adoption of alternative energy sources (substitutes) within the auto fuel market imply the overall positioning of Woqod in the value chain is weakening.

***Revenue (QR'bn) Vs. GP & NP Margin***



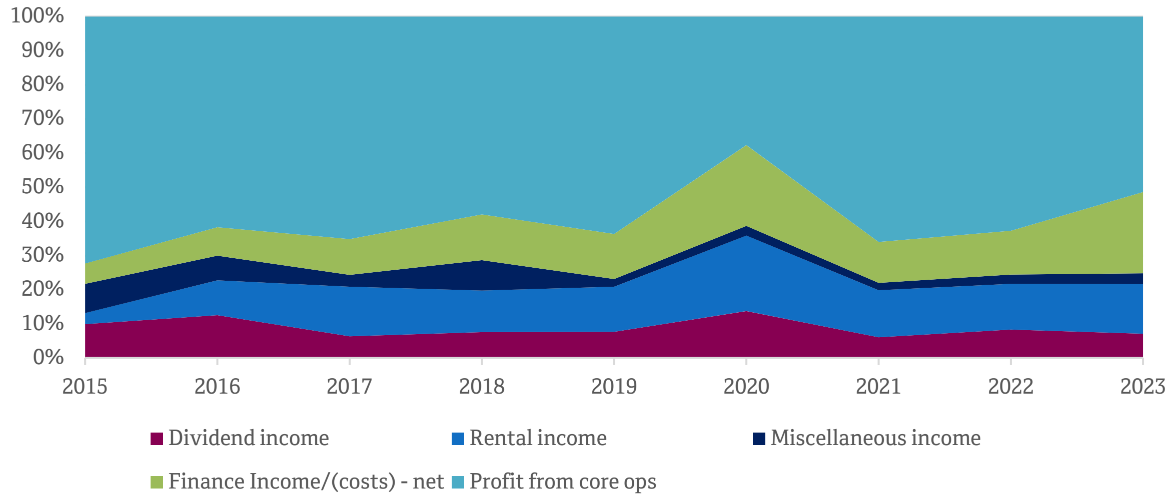

*Source:* Company data, QNBFS Research

- **Any growth in the top-line (CAGR of 8.5%) during 2011 and 2023 did not translate into any meaningful bottom-line growth**. Both GP and NP have fallen during this period, with respective CAGRs of -6.6% and -1.5%. The relative outperformance of NP, which became more apparent from 2018 (NP>GP), is explained by "other income" that does not come directly from main operations, including rental income and interest and dividend income from its huge cash pile/financial investments on the balance sheet.

### *Theme 4: Strong Balance Sheet Has Considerable Horsepower to Drive Value*

- **Woqod has considerable horsepower on its balance sheet**. We estimate that the return on cash & financial investments on the balance sheet was ~5% in FY2023. This yield has become an important driver of Woqod's bottom-line (almost half in FY2023). The main upside is that this source of income has proved more stable than income from core operations. **Furthermore, we estimate that more than half of the group's market value comes from non-operating items – cash, financial investments and investment properties.** While this setup, in some ways, mirrors Woqod's large related-party payables, the net excess of cash & investments over this payable is still quite considerable. While Woqod, and nine other QSE-listed firms, initiated an interim dividend for the just-ended 1H/2Q 2024, it is not outside the realms of possibility that it follows QNB Group's lead to institute a share buyback program. However, management says that is not on the cards yet. The size of its current assets plus investments to current liabilities was 2.1x in FY2023 from 2.0x in FY2022. **Therefore, the horsepower on the balance sheet provides a platform for growth or value-creation options for management – dividends, buybacks and diversification (organically or through acquisition)**.

*NP Contribution from Core Operations Vs. Other Income*




*Source:* Company data, QNBFS Research

- **Woqod's unique working capital structure offsets some of the margin-squeeze and supports cash generation and valuation.** Primarily thanks to its major supplier QE (related party payable), Woqod has managed to increase its payables over the years without adversely affecting its liquidity ratios. Unlike the general or normal case where a business invests in its working capital, Woqod actually generates cash from its working capital, that is, it has negative net-working capital days despite growing sales volumes. This is also a nice offset to the margin-squeeze we alluded to earlier, related to its "middleman" role in the value chain, which bodes well for overall valuation.
- **Investment properties illustrate what we mean by a "strong balance sheet": The difference between the book value and market value of investment properties translates to a hidden asset value of QR846mn.** At the end of FY2023, Woqod's investment properties portfolio book value was QR860mn, comprising several commercial and residential properties that are leased out. The company records these assets at cost (less accumulated depreciation) and does not recognize changes in their fair values. However, Woqod's independent external valuers utilize the income earning approach that capitalizes the net operating income of relevant property using market yield to estimate fair value. These fair values are provided as balance sheet footnotes: at end-FY2023 the fair value of Woqod's property portfolio was QR1.7bn. That translates to a hidden asset of QR QR846mn, equivalent to ~9.0% of the company's shareholders' equity and ~6% of its market capitalization. In our valuation model, we also recognize investment properties at their book value, which increases the margin of safety built in our PT.

### *Theme 5: LNG Presents a New Growth Lever – Bunkering*

- **Qatar's LNG capacity is undergoing a substantial expansion through the North Field expansion project, now set to increase from 77 MTPA to 142 MTPA by 2030**, an 84% jump in output. This will occur in three phases: the first phase will boost capacity to 110 MTPA by end-2025/early 2026, followed by the second phase reaching 126 MTPA by end-2027, and the newly announced third phase, which will raise production to 142 MTPA by 2030.
- **The expected massive increase in Qatar's LNG production could be a key growth driver for Woqod's bunkering business, as the number of LNG carriers servicing Qatar will increase significantly**. QatarEnergy's shipbuilding program, which initially planned for 60 new LNG carriers, has now expanded to over 100 vessels, with the potential to exceed this figure to support the expansion of LNG capacity to 142mtpa by 2030 from 77mtpa. This could increase demand for marine fuel, bolstering Woqod's position in the bunkering sector. However, these vessels will likely be adopting "dual fuel" propulsion technologies that enable them to utilize gas as the primary, cleaner fuel with conventional bunkers relegated to a secondary status. **Overall while expansion in LNG shipping could bolster diesel volumes, investors should remain mindful of competition and global decarbonization trends, which could alter the landscape for traditional marine fuels.** Diesel bunkering volumes rose 8% to 394mn liters in 2023, accounting for 19% of diesel sales and 4% of total sales volume.

## Sustainability and ESG: An Important Cog to Overall Strategy

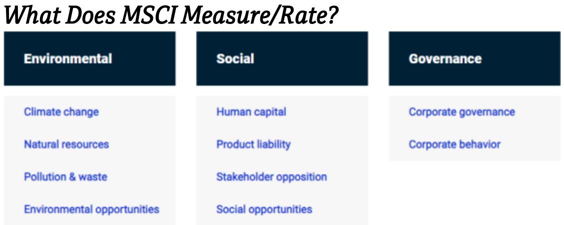
- **While ESG is three-dimensional, the "Environment" dimension is what has captured the attention of most stakeholders, but that does not mean "Social" and "Governance" dimensions are any less important.** More so for Woqod, hydrocarbons are at the center of global warming or environmental debate.
- **Woqod has the following ESG ratings:** MSCI (BBB) and Sustainalytics (26.65, medium risk). It also voluntarily makes submissions to the QSE's Sustainability and ESG Dashboard. Comparatively, the QSE average/modal MSCI rating, based on our proprietary assessment, is BB. Woqod's regional peer, ADNOC Distribution has a BB rating in the MSCI ESG Ratings and 31.71 & high risk in Sustainalytics assessment.

### *Condensed MSCI ESG Framework*

- **MSCI is currently the most widely followed global ESG rater, enhanced by the fact that most funds track its system of indices.** The MSCI QSE 20 ESG Index mimics the performance of an investment strategy that increases exposure to free-float market cap weights of QSE-listed companies demonstrating both a robust ESG profile as well as a positive trend in improving that profile, subject to a cap on the weight of individual constituents. Some fund managers use it for exclusionary reasons (screening), and others use it for responsible investing criteria (impact). While there has been some pushback against ESG due to "greenwashing" we believe the world is embracing sustainability principles, and a good rating has or will become imperative.

*MSCI Ratings Continuum*


*What Does MSCI Measure/Rate?*




*Source of Extract:* MSCI

### *What is Woqod doing or has done to enhance ESG credentials?*

- **It complies with Governance Rules and Corporate Discipline Standards** applicable to public joint stock companies listed on the QSE.
  - **Woqod has sustained its certification in ISO 14001 Environmental Management Systems.** This certification helps organizations improve their environmental performance through more efficient use of resources and reduces waste.
- **Due to the nature of QFLS's operations, proper waste management is critical.** Woqod has measures in place to manage, store and dispose of hazardous and non-hazardous waste in accordance with both company guidelines and the regulations established by the Ministry of Environment and Climate Change (MoECC).
- **Woqod has installed charging equipment for EVs at some of its fuel stations.** Woqod installed 25 Electric Vehicle Charging units at 19 fuel stations, in conjunction with Kahramaa.
  - **Woqod and its subsidiaries completed the ISO re-certification Audit for five standards in 2023** that prove the company meets global standards for businesses and the ISO certificates guarantee credibility and trust with customers and stakeholders.

## Company Overview

- **QFLS holds the exclusive rights for the storage and distribution of fuel (including diesel, gasoline and jet fuel) in Qatar**. Woqod also builds and operates branded fuel stations across Qatar and all future fuel stations in the State of Qatar can only be established by QFLS. Moreover, the company provides bunkering within Qatari waters, engages in bitumen (mainly used in building new roads) imports/distribution as well as the distribution of LPG, NG and CNG.
- **Woqod has non-petroleum businesses** that are involved in marketing a range of lubricants (engine oil and grease), auto-care and maintenance services (including car wash, repairs, oil, tire and battery change services), vehicle inspection (Fahes), operating retail stores (Sidra), and leasing rental properties.

### *Overview of Main Businesses*

- **Retail fuel distribution**: Woqod started with two retail fuel stations in 2003 and its network has grown to 125 stations by 9M2024, where is distributes diesel, gasoline and LPG. As part of its sustainability strategy, EV charging units are installed at 19 of its fuel stations, in collaboration with Kahramaa. Woqod distributes LPG through 95 petrol stations.
- **Jet fueling**: Woqod sells jet fuel directly and through its 60% subsidiary Qatar Jet Fuel Company (QJet). Established in 1990, QJet supplies fuel at Hamad International Airport. Woqod's main jet fuel client is Qatar Airways but serves other airlines too.
- **Bunkering/Marine Fueling**: Woqod's 100%-owned subsidiary Woqod Marine is responsible for the sale and delivery of fuel oil via shore-to-ship and ship-to-ship fuel transfer operations.
- **Bitumen:** Woqod entered the bitumen business in 2004 and now has four import vessels bringing bitumen to Qatar. Bitumen operations are run from Mesaieed Industrial City (MIC) port area, south-east Qatar. The core activities include onshore storage tanks, and plants for the production of quality bituminous products such as Polymer Modified Bitumen (PMB), Cutbacks, and Emulsions, which are used mainly for pavement construction**.**
- **It has several activities that contribute to its non-petroleum revenue**. The company operates its retail fuel stations together with Sidra convenience retail stores, auto-care and maintenance services: It had 101 convenience Sidra stores situated within its petrol stations and five standalone locations at end-FY2023. It operated auto-care services at 74 petrol stations at the end of 2023. Woqod also leases out shop space at its fuel stations, with 520 shops out of 577 available under lease by the end of 2023; Tenants include fast food international chains, local restaurants and coffee shops, laundries, car accessories and servicing.
- **Auto inspection**: Established in 2002, Woqod Vehicles Inspection (Fahes) is the sole company licensed in Qatar to conduct inspection of light vehicles, heavy vehicles and heavy equipment in Qatar. It had a total of eight permanent inspection centers and five mobile inspection centers throughout Qatar by the end of 2023, where it carries out technical inspection of the vehicles in compliance with standards mutually agreed upon with the Traffic Department under the Ministry of Interior and the General Committee of Standardization and Metrology.

## Management

### *Board Members*

CHAIRMAN

Mr. Ahmad Saif Al-Sulaiti, Mechanical Engineering Graduate, has extensive management experience of large oil and gas fields operations in Qatar Petroleum. He has 32 years of extensive experience in oil and gas fields operations and petrochemicals, re-development of existing fields, major projects commissioning, organizational restructuring, manpower management, and economic evaluations and acquisitions.

Mr. Ahmad Saif Al-Sulaiti is currently Executive Vice President – Operations in Qatar Petroleum. He is the Chairman of the Board of Directors of the Mesaieed Petrochemical Holding Company – MPHC as well as represents Qatar Petroleum in several joint ventures in their Board of Directors.

Managing Director and CEO

Saad Rashid Al-Muhannadi obtained BSC in Industrial & Systems Engineering from the University of Southern California [USC], LA. USA 1990.

Saad joined Qatar General Petroleum Company [QGPC] Engineering Department as a Developee in 1990.

He held various positions within the Engineering Business Department before he was appointed as Engineering Business Manager in 2001 where he was responsible for a wide spectrum of duties.

Saad became the first Corporate Manager – Contracts in 2003, reporting to the Managing Director [MD] of Qatar Petroleum [QP], where a Centralized Contracts Department was established to serve all QP Departments. This included the development of Systems, Processes with a full suite of related procedures.

In June 2006 Saad was appointed to the post of Director Technical and was reporting to the Managing Director [MD] of Qatar Petroleum [QP].

Executive responsibility for planning, directing controlling and executing a diverse range of Oil and Gas related and Civil Infrastructure Capital Projects.

Saad was appointed as Chief Executive Officer of Qatar Chemical Company Limited [Q-Chem] in September 2015.

In April 2017, he was appointed as the Chief Executive Officer of WOQOD.

Mr. Abdulaziz Jassim Mohd Al-Muftah

Vice Chairman

SHK. Saoud Khalid Hamad Al-Thani

BOARD MEMBER

SHK. Ali Hamad A H Al-Thani

BOARD MEMBER

Mr. Nasser Sultan N Al-Hemaidi

BOARD MEMBER

Mr. Mohammed Abdulaziz Saad Rashed Al-Saad

BOARD MEMBER

Mr. Abdulrahman Saad Zaid Al-Shathri

BOARD MEMBER

Mr. Faisal Al-Hammadi

BOARD MEMBER

*Source:* Company data

***Executive Team***


Mr. Fahad Abdullah Al-Subaiey
Chief Commercial Officer


Mr. Saeed Rashid Al-Kaabi
Chief Administration Officer


Mr. Pradeep Kumar
Chief Financial Officer


Mr. Annas Ibrahim Eid
Chief Operations Officer


MR. Mubarak Ali Al-Briki
Chief Technical Officer

*Source:* Company data

## Financial Statements & Projections

*Income Statement*

| GROUP (QR'MN) | FY2023 | FY2024E | FY2025E | FY2026E | FY2027E | FY2028E |
|---|---|---|---|---|---|---|
| **REVENUE** | **27,933** | **29,170** | **30,515** | **31,892** | **33,551** | **35,244** |
| GROSS PROFIT | 739 | 860 | 925 | 997 | 1,049 | 1,102 |
| EBITDA | 775 | 863 | 912 | 961 | 1,018 | 1,078 |
| OPERATING PROFIT | 524 | 619 | 684 | 753 | 801 | 850 |
| **NET PROFIT (ATTRIBUTABLE)** | **984** | **1,092** | **1,169** | **1,188** | **1,224** | **1,284** |

*Source:* Company data, QNBFS Research

*Balance Sheet*

| GROUP (QR'MN) | FY2023 | FY2024E | FY2025E | FY2026E | FY2027E | FY2028E |
|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | |
| Property, plant & equipment | 3,261 | 3,147 | 3,399 | 3,553 | 3,737 | 3,926 |
| Right of use assets | 120 | 67 | 38 | 38 | 38 | 38 |
| Investment properties | 860 | 843 | 826 | 810 | 793 | 777 |
| Investment securities | 3,878 | 3,878 | 3,878 | 3,878 | 3,878 | 3,878 |
| Goodwill & intangibles | 140 | 140 | 140 | 140 | 140 | 140 |
| | **8,259** | **8,076** | **8,282** | **8,418** | **8,587** | **8,759** |
| **Current assets** | | | | | | |
| Inventories | 592 | 617 | 645 | 674 | 710 | 746 |
| Due from related parties | 206 | 215 | 225 | 235 | 247 | 260 |
| Trade receivables | 1,938 | 2,020 | 2,114 | 2,209 | 2,324 | 2,441 |
| Prepayments/other receivables | 147 | 147 | 147 | 147 | 147 | 147 |
| Cash and bank balances | 3,417 | 3,873 | 3,983 | 4,132 | 4,312 | 4,528 |
| **Total Current Assets** | **6,299** | **6,872** | **7,113** | **7,397** | **7,739** | **8,122** |
| **TOTAL ASSETS** | **14,558** | **14,948** | **15,395** | **15,815** | **16,326** | **16,880** |
| | | | | | | |
| **EQUITY & LIABILITIES** | | | | | | |
| **Equity** | | | | | | |
| Share capital | 994 | 994 | 994 | 994 | 994 | 994 |
| Legal reserve | 499 | 499 | 499 | 499 | 499 | 499 |
| Fair value reserve | 52 | 52 | 52 | 52 | 52 | 52 |
| Revaluations surplus | 502 | 502 | 502 | 502 | 502 | 502 |
| Retained earnings | 7,254 | 7,424 | 7,620 | 7,784 | 7,983 | 8,190 |
| **Common equity** | **9,301** | **9,471** | **9,666** | **9,830** | **10,030** | **10,237** |
| Non-controlling interest | 112 | 158 | 205 | 254 | 305 | 358 |
| **Total equity** | **9,414** | **9,629** | **9,871** | **10,085** | **10,335** | **10,596** |
| | | | | | | |
| **Non-current liabilities** | | | | | | |
| Employees benefits | 118 | 118 | 118 | 118 | 118 | 118 |
| Decommissioning Provision | 32 | 32 | 32 | 32 | 32 | 32 |
| Finance lease liability | 92 | 74 | 55 | 35 | 14 | 14 |
| **Total non-current liabilities** | **242** | **224** | **204** | **184** | **163** | **163** |
| | | | | | | |
| **Current liabilities** | | | | | | |
| Trade and other payables | 1,068 | 1,112 | 1,162 | 1,213 | 1,276 | 1,341 |
| Due to related parties | 3,804 | 3,960 | 4,139 | 4,322 | 4,547 | 4,776 |
| Finance lease liability | 30 | 24 | 18 | 11 | 4 | 4 |
| **Total current liabilities** | **4,902** | **5,096** | **5,319** | **5,547** | **5,828** | **6,121** |
| **TOTAL EQUITY & LIABILITIES** | **14,558** | **14,948** | **15,395** | **15,815** | **16,326** | **16,880** |

*Source:* Company data, QNBFS Research

*Cash flow Statement*

| GROUP (QR'MN) | FY2023 | FY2024E | FY2025E | FY2026E | FY2027E | FY2028E |
|---|---|---|---|---|---|---|
| Cash flow from operations | 1,137 | 1,093 | 1,171 | 1,222 | 1,307 | 1,369 |
| Cash flow from investing activities | 111 | 289 | (87) | (49) | (103) | (108) |
| Cash flow from financing activities | (996) | (925) | (974) | (1,024) | (1,024) | (1,044) |
| **(Decrease)/Increase in cash** | **252** | **457** | **110** | **149** | **179** | **217** |
| Beginning cash | 3,165 | 3,417 | 3,873 | 3,983 | 4,132 | 4,312 |
| **Closing cash** | **3,417** | **3,873** | **3,983** | **4,132** | **4,312** | **4,528** |

*Source:* Company data, QNBFS Research

## Ratios

| | 2023 | 2024e | 2025e | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|---|
| **Growth Rates** | | | | | | |
| Revenue | -6.7% | 4.4% | 4.6% | 4.5% | 5.2% | 5.0% |
| Gross Profit | -20.5% | 16.4% | 7.5% | 7.8% | 5.3% | 5.0% |
| EBITDA | -15.2% | 11.3% | 5.8% | 5.3% | 6.0% | 5.9% |
| EBIT | -24.1% | 18.0% | 10.5% | 10.2% | 6.3% | 6.2% |
| NP | -8.0% | 10.9% | 7.1% | 1.6% | 3.0% | 4.9% |
| EPS | -8.0% | 10.9% | 7.1% | 1.6% | 3.0% | 4.9% |
| DPS | 0.0% | 5.6% | 5.3% | 0.0% | 5.0% | 4.8% |
| CFPS | -41.6% | -5.9% | 7.3% | 4.4% | 6.8% | 4.7% |
| **Operating Ratios** | | | | | | |
| Gross Margin | 2.65% | 2.95% | 3.03% | 3.13% | 3.13% | 3.13% |
| EBITDA Margin | 2.77% | 2.96% | 2.99% | 3.01% | 3.03% | 3.06% |
| EBIT Margin | 1.9% | 2.1% | 2.2% | 2.4% | 2.4% | 2.4% |
| Net Margin | 3.5% | 3.7% | 3.8% | 3.7% | 3.6% | 3.6% |
| **Working Capital Ratios** | | | | | | |
| Inventory Days | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 |
| Average Collection Period | 29.7 | 29.7 | 29.7 | 29.7 | 29.7 | 29.7 |
| Payable Days | 65.4 | 65.4 | 65.4 | 65.4 | 65.4 | 65.4 |
| NWC days | -27.6 | -27.6 | -27.6 | -27.6 | -27.6 | -27.6 |
| **Finance Ratios** | | | | | | |
| Debt-Equity Ratio | 1.3% | 1.0% | 0.7% | 0.5% | 0.2% | 0.2% |
| Net Debt -Equity Ratio | -35.4% | -39.9% | -40.5% | -41.6% | -42.8% | -44.1% |
| Net Debt -to-Capital | -35.0% | -39.5% | -40.2% | -41.4% | -42.7% | -44.0% |
| Net Debt -to-EBITDA | -4.3 | -4.4 | -4.3 | -4.3 | -4.2 | -4.2 |
| Interest Coverage | N.M. | N.M. | N.M. | N.M. | N.M. | N.M. |
| **Return Ratios** | | | | | | |
| ROIC | 8.4% | 10.3% | 11.2% | 12.3% | 12.9% | 13.6% |
| ROE | 10.6% | 11.5% | 12.1% | 12.1% | 12.2% | 12.5% |
| ROA | 7.0% | 7.6% | 7.9% | 7.8% | 7.8% | 7.9% |
| **Liquidity Ratios** | | | | | | |
| Current Ratio | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| Quick Ratio | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Cash Ratio | 0.7 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| **Valuation Ratios** | | | | | | |
| EV/Sales | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 |
| EV/EBITDA | 15.1 | 13.0 | 12.1 | 11.4 | 10.5 | 9.7 |
| EV/EBIT | 15.1 | 13.0 | 12.1 | 11.4 | 10.5 | 9.7 |
| P/E | 15.2 | 13.7 | 12.8 | 12.6 | 12.2 | 11.7 |
| P/CFO | 12.6 | 13.4 | 12.5 | 12.0 | 11.2 | 10.7 |
| P/BV | 1.6 | 1.6 | 1.6 | 1.5 | 1.5 | 1.5 |
| Dividend Yield | 6.0% | 6.3% | 6.6% | 6.6% | 7.0% | 7.3% |
| FCF Yield | 8.8% | 7.9% | 10.9% | 10.6% | 11.5% | 12.0% |

*Source:* Company data, QNBFS Research

| Recommendations<br>*Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price* | | Risk Ratings<br>*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals* | |
|---|---|---|---|
| **OUTPERFORM** | Greater than +20% | **R-1** | Significantly lower than average |
| **ACCUMULATE** | Between +10% to +20% | **R-2** | Lower than average |
| **MARKET PERFORM** | Between -10% to +10% | **R-3** | Medium / In-line with the average |
| **REDUCE** | Between -10% to -20% | **R-4** | Above average |
| **UNDERPERFORM** | Lower than -20% | **R-5** | Significantly above average |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