

QNBFS Alert – Announcement Incrementally Positive; Accumulate with QR93 Price Target

- **Rig rates to be renegotiated 10-15% lower than previous rates.** In a press release, Gulf International Services (GISS) announced that it has taken steps to counter the negative effects from having 2 of its jack-up drilling rigs go off contract earlier this month. The Msheireb rig has secured new work that will commence later in June for one firm well with a client option to extend for additional wells. This same rig has also been shortlisted for a 1 year firm plus 1 year option contract scheduled to commence in 1Q2016. The second rig that went off contract, Al Rayyan, is also being considered for work that is scheduled to commence in early 2016. The company also announced that the daily operating rates reached by GDI after renegotiations with clients will be lower by 10% to 15% vs. its previous rates and these rates are considered adequate compared to currently prevailing prices in the global drilling market. GISS further pointed out that these new rates are being set in place with an understanding that they will be re-visited should crude oil prices start to rise. *We had been expecting a lowering of rates across the board and believe that a 10-15% drop in rates is better than what many investors were expecting and hence incrementally positive for the stock.*
- **Adjusting model and lowering price target to QR93; recommending an Accumulate rating on the stock.** We are lowering our offshore rates generally across the board by 15%. Making other model changes and factoring in 1Q2015 results, we are lowering our price target by 12% from QR106 to QR93. We rate GISS an Accumulate. We will publish our updated model shortly.

Recommendations

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

Saugata Sarkar

Head of Research

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

DISCLAIMER: This publication has been prepared by QNB Financial Services SPC ("QNBFS") a wholly-owned subsidiary of Qatar National Bank ("QNB"). QNBFS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange; QNB is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNBFS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNBFS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. While this publication has been prepared with the utmost degree of care by our analysts, QNBFS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. QNBFS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report.

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNBFS.