

GISS Alert - GISS provides further details of North Field Expansion Project and its new JV; reiterate Outperform

- In a press release late last week, GISS announced that its 100%-owned subsidiary GDI has formed a 50/50 JV with SeaDrill Ltd. known as GulfDrill. GDI is not required to contribute any capital to the JV. Further, the firm disclosed the value of the initial well-based contracts at QR2.39 billion (bn). Moreover, the contracts include single individual well-based options that could potentially add another QR2.55bn. We feel this press release adds further validation to our bullish thesis on GISS. We maintain our Outperform rating.
- GulfDrill (the JV) is formed to service the Qatar Petroleum North Field Expansion drilling program and support the execution of the drilling contracts which have been awarded to GDI. The JV will subcontract GDI to mobilize and manage the rigs in line with the drilling contract requirements. While the JV will obtain rigs directly from SeaDrill, any additional rigs which may be required will be sourced from an unrelated third-party shipyards. The well-based contracts will be initiated in 2020 to be concluded in 2023-24. Total contract value is estimated at QR2.39bn including the mobilization income. However, the contracts include single well-based options which could add up to an estimated 13.7 cumulative years of term and an additional contract value of QR2.55bn.
- We rate GISS stock an Outperform. We believe positive newsflow on the drilling front and signs of stabilization in the other segments should continue to help the stock going forward.

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

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