

GISS Alert – Signs a Contract With North Oil Company; Maintain Accumulate

- In a press release, GISS announced that its drilling subsidiary, GDI, signed a three-year contract for its Dukhan rig with the North Oil Company (NOC). The contract was signed on March 11, 2019 and will see the Dukhan rig being deployed in NOC's ongoing development program in the Al-Shaheen oil field. Located in Qatari waters 80 km north of Ras Laffan, the Al-Shaheen field is Qatar's largest offshore oil field (and one of the largest offshore oil fields in the world) producing 300k b/d via a network of 33 platforms and 300+ wells. The NOC is a JV between QP (70%) and Total (30%) which is tasked with operating and further developing the Al-Shaheen oil field for 25 years.
- **Financial impact: No model changes as we were expecting the Dukhan rig to be picked up for a contract in 1Q2019.** This rig was previously being utilized by QP until December 20, 2018. At roughly \$75,000 a day rig rate, this contract with NOC could be worth around \$75mn over three years, which is roughly around 8% of our annual revenue estimate of QR1.2bn revenue for GDI in 2019 and 3% of our total revenue estimate of QR2.8bn for 2019.
- **GISS stock is up 11% (vs. 5% for the QSE Index) since we upgraded the stock to an Accumulate on March 24, 2019.** Our overall thesis on the stock remains the same – GISS' story consists of a sum of moving parts, not entirely predictable and fairly volatile. We do not expect this to change. However, we do expect the drilling segment to pull itself out of losses suffered during 2016-2019 by 2020 in light of increasing demand due to the proposed North Field expansion and given our assumption of high utilization of existing rigs and modest cost savings. **We rate GISS an Accumulate with a QR17 price target.**

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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