

QNBFS Alert –1Q2013 Income Hit by Maintenance/Outages

- **1Q2013 earnings significantly impacted by plant maintenance/outages.** QEWS reported QR201mn in net income for 1Q2013 (-30.6% YoY) and well below our estimate of QR314mn. Overall the first quarter net income was impacted by ~QR108mn in one-offs, including: (1) QR45mn in mostly maintenance related impact at Q-Power/M-Power/Ras Girtas; (2) QR28mn impact due to major maintenance at RLPC; (3) QR18mn and QR17mn hits to G&A expenses and finance costs, respectively, from a final settlement due to EPC contractors (related to an arbitration decision concerning RAF A-1). Revenue of QR621mn inched up close to 1% from 1Q2012. We are unable to fully analyze QEWS' operating performance on a sequential basis given that the company has adopted IFRS 11 (switching to the equity method from proportionate consolidation for JVs) from 2013 onward.
- **2Q2013 results should benefit from seasonality; estimates under review.** However, 2Q2013 operating performance would be further impacted as RLPC is expected to remain under major maintenance for another month or so. We expect to update our model once we meet management to get a better sense of the maintenance schedule going forward.
- **Low-risk play deeply linked to Qatar's growth story; maintain Accumulate.** Despite a lack of significant near-to-medium-term catalysts and disappointing 1Q2013 financial performance, we continue to remain bullish longer term on QEWS. The company is Qatar's leading listed electricity/desalinated water producer and possesses a low-risk business model (minimal demand/cost risk), with secure and visible earnings and cash flows.

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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