

QNBFS Alert – QEWS 3Q2013 Net Income Down 4.3% QoQ

- **QEWS net profit declines 4.3% QoQ in 3Q2013.** Qatar Electricity & Water Company (QEWS) reported a net profit of QR417.3mn in 3Q2013, indicating a decline of 4.3% QoQ (+22.8% YoY). Bloomberg consensus for net income was QR402.3mn. Basic earnings per share amounted to QR10.54 for the nine months period ended on September 30, 2013 as compared to QR9.76 for the corresponding period in 2012. The company's sales rose by 2.8% QoQ (+4.6% YoY) to QR806.4mn.
- **We maintain our annual estimates.** For 2013 and 2014 revenue, we pencil in QR2,856mn and QR2,903mn, respectively. Our 2013 and 2014 EPS estimates are QR13.61 and QR14.44, respectively.
- **Low-risk play deeply linked to Qatar's growth story.** Despite a lack of significant near-to-medium-term growth catalysts, 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.
- **We rate QEWS an Accumulate with a price target of QR184.04.** Valuation remains reasonable with the stock trading at a 2014 P/E of 10.7x vs. Saudi Electricity Co.'s 16.4x. Over the longer term, significant catalysts abound. QEWS continues to seek regional expansion opportunities and has set up a \$1bn JV (60% stake) with QPI and QH to achieve this goal. Potential announcements of successful regional bids could act as catalysts. The stock, on a total return basis, is up 22.7% YTD vs. a 21.8% appreciation in the QE Total Return Index.

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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