

QFLS Alert – 1Q2020 Miss Driven by lower Volumes; Maintain Market Perform

- **WOQOD posted 1Q2019 net income of QR226mn, down 31% YoY and 34% QoQ, below our net income estimate of QR270mn (variance: 16%). EPS amounted to QR0.23 in 1Q2020 as compared to QR0.33 in 1Q2019.**
- **Gross profit was below our estimate, which is attributable to lower than expected sales volumes:** The company recorded QR202.1mn gross profits in 1Q2020 with a 35.5% decline YoY, below our QR247.3mn forecast (variation: -18.3%). Gross margin also fell to 4.1% in 1Q2020 from 6.1% in 1Q2019. Jet fuel sales fell by 6.4% YoY as the company is experiencing lower demand from its major client, Qatar Airways, as flights are reduced because of Coronavirus-related counter measures. The company also stated that completion of many projects that consume fuel had brought in a pro rata decrease in the overall fuel demand; accordingly, diesel and super gasoline sales fell by 8.0% and 7.4%, respectively. On the positive side, WOQOD's retail non-fuel revenue and fuel retail sales increased by 5.8% and 3.5%, respectively, compared to 1Q2019 due to the opening of new stations and higher footfall in C-stores. HFO off take increased by 39.5% driven by market demand, while LPG and natural gas sales were higher by 3.1% and 22.8%, respectively, driven by market demand.
- **On the positive side, G&A was lower than our estimate, which partially mitigated lower gross profits.** QFLS recorded QR87.0mn in 1Q2020 G&A, which is below our QR94.8mn estimate (variation: -8.2%).
- **Other income was slightly better than expected as well.** QFLS recorded QR120.7mn in 1Q2020 other income, which is slightly above our QR112.4mn estimate (variation: 7.4%).
- **We will be revising our estimates and TP once we have a clearer understanding on QFLS' sales volumes.** In the medium- to long-term, Qatar Airways Group's planned expansion is likely to be the foremost long-term driver for Woqod's bottom line growth. Concurrently, the company's ongoing expansion of its retail fuel station network should support its fuel and non-fuel revenue growth gradually.

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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