

QGTS Alert – QP Signs Major LNG Shipbuilding Capacity Agreements; LT Positive For Nakilat

- **Qatar Petroleum entered into three agreements with South Korean shipbuilders to reserve ship construction capacity as part of its program to potentially build 100+ LNG ships worth in excess of QR70bn** – Under these agreements, the “Big 3” Korean shipyards owned by Daewoo, Hyundai and Samsung will reserve a major portion of their LNG ship construction capacity for QP through 2027. These agreements follow on the heel of another major agreement announced in April, in which QP signed a similar deal potentially worth in excess of QR11bn to reserve LNG ship building capacity with the state-owned shipbuilding company in China. These deals with South Korean/Chinese shipbuilders mean that QP has now secured roughly 60% of the global LNG shipbuilding capacity through 2027. This will constitute the largest LNG shipbuilding program in history, potentially reaching 100+ vessels worth in excess of QR70bn. QP plans to use these vessels to primarily cater to Qatar’s expansion of its LNG capacity from 77 MTPA currently to 126 MTPA by 2027, along with other growth opportunities in the US and to replace existing ships as required.
- **Nakilat to significantly benefit from Qatar’s LNG expansion program.** With 70 LNG vessels (including 29 wholly-owned ships), QGTS forms a vital link in Qatar’s LNG value chain. **We remain bullish on QGTS and consider it as the best avenue for equity investors to participate in the long-term growth expected in Qatar’s LNG sector.** While the ongoing downturn has influenced the global LNG shipping market, Nakilat’s business should remain relatively unaffected given the LT nature of its charters. Going forward, in terms of catalysts, we continue to believe expansion of Qatar’s LNG output from 77 MTPA to 126 MTPA is a significant driver. *Currently our model does not assume any fleet expansion and we will incorporate such expansion once more details are revealed.* We foresee significant upward revision to our estimates and price target once we factor in this expansion. **For now, we maintain our Accumulate rating and price target of QR2.60.**

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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