

Qatar Fuel/Woqod (QFLS)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR15.05	12M Target Price	QR16.56
Implied Upside	10.1%	Old Target Price	QR18.59

1Q2025 Miss On Lower Revenue & Non-Core Income, Margins Expand; Accumulate & Changing PT
Woqod reported 1Q2025 net profit of QR230.5mn, down 5.3% YoY and below our expectations. The miss was primarily driven by lower-than-modeled non-core income. While revenue also missed estimates, falling 13.7% YoY, this had limited impact on the bottom-line miss, as the group achieved a higher GPM than modeled, which more than offset the mismatch, with gross profit growing and landing in line with expectations. GPM is a distinct bright spot in this set of results. Viewed alongside the 4Q/FY2024 financials, there are encouraging signs of margins bottoming out, a potential turning point after years of gradual compression. Revenue weakness emanates from sales volume declines across the board. Diesel continues its structural decline, while jet fuel saw an atypical pullback this quarter. Gasoline volumes remained relatively stable with only a mild dip. Based on multi-year trends, Woqod's jet fuel and gasoline volumes have shown consistent, albeit moderating, growth, whereas diesel has persistently contracted. 1Q2025 is now the third-consecutive quarter where revenue has declined YoY and missed estimates by a relatively wide range. Therefore, we revise our FY2025 forecasts: We now project NP declining by 10.5% to QR941.6mn in 2025 vs. QR1,144.3mn previously. Also, we adjust our 2025 DPS estimate downward, to QR0.93 from QR1.05. **This culminates in a PT change from QR18.59 to QR16.56. Meanwhile, Woqod's balance sheet remains a core strength.** The company holds a substantial cash and investment portfolio, providing both downside protection and optionality for capital deployment, including potential buybacks or inorganic initiatives. Despite earnings headwinds, **we maintain our Accumulate rating.** The combination of improving margin dynamics, a robust balance sheet, and a still-attractive dividend yield supports our neutral-to-bullish medium-term view on the stock, even as we adopt a more conservative valuation stance.

Highlights

- **QFLS's 1Q2025 earnings fell 5.3%/18.0% YoY/QoQ to QR230.5mn, behind our estimate of QR269.0mn.** While revenue fell considerably, it was not directly linked to the decline in the bottom-line as the GPM rose to 3.0% (from 2.7%/2.3% in 1Q/4Q2024), which saw the gross profit rising 3.6% YoY and 24.7% sequentially to QR192.7mn vs expectations of QR193.5mn. Management attributes this margin expansion to the trading stock price variance and transportation income within the B2B segment. Also, the EBIT margin improved to 1.8% (vs. 1.5% modeled) from 1.6% in 1Q2024, thanks to a decline in G&A expenses by 4.4% YoY to QR77.3mn (vs. QR80.9mn projected). The bottom-line hit came from lower-than-modeled "other income", with combined non-core income printing at QR121.5mn, down 19.1%/34.2% YoY/QoQ, and below expectations of QR167.4mn. Consequently, the NP margin declined to 3.6% from 4.2% in 1Q2024, and came in flattish vs. 4Q2024 levels.
- **Woqod's 1Q2025 revenue declined 7.4%/6.0% YoY/QoQ to QR6.32bn, markedly lower than our estimate of QR7.33bn,** as sales volume in all major product lines declined. Also, jet fuel prices were lower by 12% YoY. **Overall sales volumes declined by 3.1% to 2,620mn liters** vs. 2,953mn liters modeled. Only diesel came close to our forecasts: Jet fuel sales volume declined by 3.2% to 1,431mn liters vs. 1,710mn expected; gasoline edged lower by 0.5% to 748mn liters vs. 806mn modeled; and diesel fell by 7.2% to 441mn liters vs 436mn forecast.
- **Jet fuel, the single biggest revenue contributor** (~55% of overall sales volume during 1Q2025), will likely drive growth in petroleum products. **The future growth of jet fuel is linked to the growth expected from Qatar Airways (QA), which is expanding its fleet size and destinations** – over 90% of Woqod's jet fuel sales go to QA. Meanwhile, **the expected increase in Qatar's LNG production could be a growth lever for Woqod's bunkering business, and might stem diesel sales decline, as the number of LNG carriers servicing Qatar will increase significantly – new 100+ ship vessels are expected.** However, these vessels are set to adopt "dual fuel" propulsion technologies that enable them to utilize gas as the primary/cleaner fuel with conventional bunkers relegated to a secondary status.
- **Woqod has considerable horsepower on its balance sheet.** We estimate roughly half of the group's value comes from what we consider to be non-operating items – cash pile, financial investments, and investment properties. **More importantly, this horsepower on the balance sheet provides a platform for growth and value-creation options for management – dividends, buybacks and diversification.** Woqod remains a strong yield play relative to peers.

Catalysts

- (1) The business lacks notable catalysts but Woqod's balance sheet contains enough fuel for various corporate actions including buybacks, special dividends and acquisitions. However, there is little visibility on if or when this happens. It was one of the only 10 QSE-listed companies to initiate interim dividends and could, again, follow others on share buybacks. (2) Re-negotiate better terms with Qatar Energy (QE) and QA. (3) QA aircraft and LNG vessel fleets expansion. (4) Sustained rollback of EV targets by auto manufacturers.

Recommendation, Valuation and Risks

- **Recommendation and Valuation: We maintain an "Accumulate" rating and change our 12M PT to QR16.56 from QR18.59, implying 10.1% upside.** Our TP is a weighted average of various valuation models: DCF, EBITDA Exit Multiple and Relative-Valuation. Our primary thesis is that Woqod's petroleum business still has select pockets (jet fuel and LNG expansion-linked bunkering) of potential growth in the short- to- medium-term helped by its dominant market position in Qatar. Plus, more value could be unlocked from optimizing the balance sheet.
- **Risks: (1) Customer (QA) & supplier (QE) concentration risk & margin-erosion (2) Price controls & other regulatory/policy risks (3) Commodity price/stock price volatility (4) Consumer adoption of EVs (5) Geopolitics**

Key Financial Data and Estimates

GROUP	2024	2025e	2026e	2027e	2028e	2029e
EPS (QR)	1.06	0.95	0.93	0.98	1.05	1.10
P/E (x)	14.22	15.89	16.11	15.41	14.32	13.74
EV/EBITDA (x)	16.25	17.71	16.96	15.67	14.96	13.96
DPS (QR)	1.00	0.93	0.90	0.95	1.00	1.05
DY (%)	6.6%	6.2%	6.0%	6.3%	6.6%	7.0%

Source: Company data, QNBFS Research; Note: All data based on current number of shares

Key Data

Current Market Price (QR)	15.05
Dividend Yield (%)	6.6
Bloomberg Ticker	QFLS QD
ADR/GDR Ticker	N/A
Reuters Ticker	QFLS.QA
ISIN	QA0001200771
Sector*	Consumer Goods
52wk High/Low (QR)	15.57/13.37
3-m Average Vol.	654,478
Mkt. Cap. (\$ bn/QR bn)	4.1/15.0
EV (\$ bn/QR bn)	2.4/8.6
Shares O/S (mn)	994.3
FO Limit* (%)	100%
FO (Institutional)* (%)	13.4
1-Year Total Return (%)	10.7
Fiscal Year-End	December 31

Source: Bloomberg (as of April 23, 2025), *Qatar Exchange (as of April 23, 2025); Note: FO is foreign ownership

Phibion Makuwerere, CFA

+974 4476 6589

phibion.makuwerere@qnbfs.com.qa

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

Financial Statements and Forecasts

QNB FS Estimates Revision

GROUP (QR'MN)	2024	2025e		Change	2026e		Change	2027e		Change
		Current	Previous		Current	Previous		Current	Previous	
REVENUE	28,003	26,065	28,950	-10.0%	27,453	30,450	-9.8%	29,177	31,995	-8.8%
GROSS PROFIT	758	702	809	-13.2%	742	882	-15.9%	792	927	-14.6%
EBITDA	768	707	796	-11.2%	737	837	-12.0%	793	888	-10.7%
OPERATING PROFIT	526	481	577	-16.6%	502	638	-21.3%	547	680	-19.6%
NET PROFIT	1,052	942	1,028	-8.4%	929	1,036	-10.4%	971	1,074	-9.6%

Source: Company data, QNBFS Research

Income statement

GROUP (QR'MN)	2024	2025e	2026e	2027e	2028e	2029e
REVENUE	28,003	26,065	27,453	29,177	30,042	31,852
GROSS PROFIT	758	702	742	792	861	912
EBITDA	768	707	737	793	824	880
OPERATING PROFIT	526	481	502	547	618	662
NET PROFIT	1,052	942	929	971	1,045	1,089

Source: Company data, QNBFS Research

Balance Sheet

GROUP (QR'MN)	2024	2025e	2026e	2027e	2028e	2029e
Non-current assets						
Property, plant & equipment	3,133	3,036	3,197	3,398	3,499	3,709
Right of use assets	142	98	53	9	9	9
Investment properties	845	829	813	797	781	765
Investment securities	4,429	4,429	4,429	4,429	4,429	4,429
Goodwill & intangibles	144	144	144	144	144	144
	8,693	8,535	8,636	8,776	8,861	9,056
Current assets						
Inventories	637	593	625	664	683	724
Due from related parties	277	258	272	289	297	315
Trade receivables	1,701	1,584	1,668	1,773	1,825	1,935
Prepayments/other receivables	145	145	145	145	145	145
Cash and bank balances	2,624	2,563	2,546	2,586	2,631	2,680
Total Current Assets	5,385	5,143	5,256	5,457	5,582	5,800
TOTAL ASSETS	14,078	13,678	13,892	14,233	14,443	14,856
EQUITY & LIABILITIES						
Equity						
Share capital	994	994	994	994	994	994
Legal reserve	499	499	499	499	499	499
Fair value reserve	23	23	23	23	23	23
Revaluations surplus	502	502	502	502	502	502
Retained earnings	6,940	6,863	6,844	6,896	6,970	7,038
Common equity	8,958	8,882	8,863	8,914	8,988	9,056
Non-controlling interest	107	142	179	219	258	299
Total equity	9,065	9,024	9,042	9,133	9,246	9,356
Non-current liabilities						
Employees benefits	127	127	127	127	127	127
Decommissioning Provision	37	37	37	37	37	37
Finance lease liability	115	88	60	31	0	0
Total non-current liabilities	278	252	224	195	164	164
Current liabilities						
Trade and other payables	1,172	1,091	1,149	1,221	1,256	1,331
Due to related parties	3,527	3,283	3,458	3,675	3,778	4,005
Finance lease liability	36	28	19	10	0	0
Total current liabilities	4,736	4,402	4,626	4,906	5,033	5,336
TOTAL EQUITY & LIABILITIES	14,078	13,678	13,892	14,233	14,443	14,856

Source: Company data, QNBFS Research

Cash flow Statement

GROUP (QR'MN)	2024	2025e	2026e	2027e	2028e	2029e
Cash flow from operations	879	722	998	1,076	1,035	1,165
Cash flow from investing activities	(294)	254	(48)	(98)	(2)	(122)
Cash flow from financing activities	(1,378)	(1,037)	(967)	(938)	(987)	(994)
(Decrease)/Increase in cash	(793)	(61)	(17)	40	45	48
Beginning cash	3,417	2,624	2,563	2,546	2,586	2,631
Closing cash	2,624	2,563	2,546	2,586	2,631	2,680

Source: Company data, QNBFS Research

Ratios

	2024	2025e	2026e	2027e	2028e	2029e
Growth Rates						
Revenue	0.3%	-6.9%	5.3%	6.3%	3.0%	6.0%
Gross Profit	2.6%	-7.3%	5.6%	6.7%	8.7%	6.0%
EBITDA	-0.8%	-8.0%	4.3%	7.6%	4.0%	6.8%
EBIT	0.3%	-8.6%	4.5%	8.9%	12.9%	7.2%
NP	7.0%	-10.5%	-1.4%	4.6%	7.6%	4.3%
EPS	7.0%	-10.5%	-1.4%	4.6%	7.6%	4.3%
DPS	11.1%	-7.0%	-3.2%	5.6%	5.3%	5.0%
CFPS	-22.3%	-19.0%	36.5%	7.6%	-3.7%	12.4%
FCFF						
Operating Ratios						
Gross Margin	2.71%	2.69%	2.70%	2.71%	2.86%	2.86%
EBITDA Margin	2.74%	2.71%	2.68%	2.72%	2.74%	2.76%
EBIT Margin	1.9%	1.8%	1.8%	1.9%	2.1%	2.1%
Net Margin	3.8%	3.6%	3.4%	3.3%	3.5%	3.4%
Working Capital Ratios						
Inventory Days	8.6	8.6	8.6	8.6	8.6	8.6
Average Collection Period	27.5	27.5	27.5	27.5	27.5	27.5
Payable Days	63.0	63.0	63.0	63.0	63.0	63.0
NWC days	-26.9	-26.9	-26.9	-26.9	-26.9	-26.9
Finance Ratios						
Debt-Equity Ratio	1.7%	1.3%	0.9%	0.5%	0.0%	0.0%
Net Debt -Equity Ratio	-27.6%	-27.5%	-27.8%	-28.6%	-29.3%	-29.6%
Net Debt -to-Capital	-27.2%	-27.2%	-27.6%	-28.4%	-29.3%	-29.6%
Net Debt -to-EBITDA	-3.2	-3.5	-3.3	-3.2	-3.2	-3.0
Interest Coverage	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.
Return Ratios						
ROIC	7.8%	7.2%	7.5%	8.1%	9.1%	9.7%
ROE	11.7%	10.6%	10.5%	10.9%	11.6%	12.0%
ROA	7.8%	7.1%	7.0%	7.1%	7.5%	7.6%
Liquidity Ratios						
Current Ratio	1.1	1.2	1.1	1.1	1.1	1.1
Quick Ratio	1.0	1.0	1.0	1.0	1.0	1.0
Cash Ratio	0.6	0.6	0.6	0.5	0.5	0.5
Current Ratio (+investments)	2.1	2.2	2.1	2.0	2.0	1.9
Valuation Ratios						
EV/Sales	0.4	0.5	0.5	0.4	0.4	0.4
EV/EBITDA	16.3	17.7	17.0	15.7	15.0	14.0
EV/EBIT	16.3	17.7	17.0	15.7	15.0	14.0
P/E	14.2	15.9	16.1	15.4	14.3	13.7
P/CFO	16.2	20.0	14.6	13.6	14.1	12.6
P/BV	1.7	1.7	1.7	1.7	1.7	1.7
Dividend Yield	6.6%	6.2%	6.0%	6.3%	6.6%	7.0%
FCF Yield	6.6%	5.5%	9.1%	9.9%	9.0%	10.7%

Source: Company data, QNBFS Research

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

Contacts

QNB Financial Services Co. W.L.L.
Contact Center: (+974) 4476 6666
info@qnbfs.com.qa
Doha, Qatar

Saugata Sarkar, CFA, CAIA
Head of Research
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
Senior Research Analyst
shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
Senior Research Analyst
phibion.makuwerere@qnbfs.com.qa

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