

Qatar Electricity & Water Company (QEWS)

Recommendation	ACCUMULATE	Risk Rating	R-2
Share Price	QR14.92	Target Price	QR20.00
Implied Upside	34.0%		

Higher Costs Dampen 1Q2025 Results; Stay Accumulate

QEWS posted soft 1Q2025 results with a moderate miss on the top-line along with lower-than-expected margins, JV & associate income and dividend/finance/miscellaneous income causing earnings to dip significantly below our model. The company posted 1Q2025 earnings of QR287.7mn (EPS: QR0.26), down 9.7% YoY but up 26.6% QoQ, significantly below our estimate of QR370.4mn (EPS: QR0.34). Overall reported figures for 1Q2025 were generally softer-than-expected across the board. We note that QEWS has reported lower net income figures for 2023 and 2024 despite acquiring the remaining 40% of Nebras back in July 2022. Given this subdued start to 2025, we will possibly have to revise our FY2025 earnings/eps estimate of QR1,501.9mn/QR1.37 downward. However, we remain optimistic about an earnings rebound in 2025 vs. 2024's QR1,416.0mn/QR1.29. QEWS enjoys significant catalysts that are currently not in our model – the company is planning to increase its net power & water capacity longer-term by 28% and 14%, respectively. We stay Accumulate with a QR20 price target.

Highlights

- **QEWS posted 1Q2025 profit of QR287.7mn (EPS: QR0.26), down 9.7% YoY but up 26.6% QoQ, significantly below our estimate of QR370.4mn (EPS: QR0.34).** A moderately weaker-than-expected top-line in conjunction with a lower-than-anticipated cash gross margin and higher-than-expected SG&A expenses crimped EBITDA. Moreover, negative comparisons in dividend/interest/miscellaneous income and income from JVs/associates conspired to subdue earnings relative to our model. The significant sequential jump in earnings could largely be attributed to a one-off ~QR48mn charge in 4Q2024 finance charges (due to F/X rates affecting a loan given to an associate by Nebras that lowered finance charges during 3Q2024 and was reversed in 4Q2024 boosting finance charges). Excluding this one-off, 1Q2025 earnings grew roughly 5% QoQ.
- **Top-line miss was moderate in a seasonally weak quarter: 1Q2025 top-line of QR681.2mn (-0.9% YoY, -7.1% QoQ) dipped below our forecast of QR697.9mn (-2.4% divergence).** Electricity revenue of QR329.2mn (-2.2% YoY, -14.4% QoQ) fell shy of our forecast of QR348.4mn by 5.5%. Water sales of QR333.6mn (1.7% YoY, 0.3% QoQ) was in-line with our model of QR334.6mn (-0.3% difference). *For more details, please see pages 2-3.*
- **We maintain our estimates for now.** Our 3-year earnings CAGR (2024-2027) is 5.3%. We expect top-line and EBITDA to grow at CAGRs of 2.6% and 1.6%, respectively, over the same period. Growth in income from JVs/associates (5.5%) and decline in finance charges (-10%) drives the acceleration in earnings. We maintain a dividend payout ratio of 60%, consistent with the payout that QEWS has maintained since 2019.
- **QEWS enjoys decent EBITDA margins & dividend/FCF yields.** Despite modeled compression, EBITDA margins could average ~36% (2024-27). Over 2024-27, dividend yields and FCF yields could average 5.6% and 9.5%, respectively.

Catalysts

- **We like QEWS as a LT play with a relatively defensive business model, especially given current market conditions. LT catalysts (not in our model) include Facility E** (55% stake; power: 2.4 GW & water: 110 MIGD) that should start operating, in phases, from 1H2028. Also, we are awaiting news on the **RAF Peaking Power Generation Station project** (100% stake; power 500 MW) that is anticipated to begin construction in early 2025, with commercial operations beginning in 1H2027. **Nebras also has medium-term projects in the pipeline with capacity under construction of 3.2 GW (gross)/1.1 GW (net).**

Recommendation, Valuation and Risks

- **Recommendation & valuation: We rate QEWS an Accumulate with a PT of QR20.00.** Dividend yield is 5.5% for 2025 and 5.7% for 2026.
- **Risks: Geopolitical risks** cannot be modeled. Besides **foreign expansion risks, domestic projects could also be delayed. Operational risks include availability of capacity below contracted levels**, which could lead to penalties.

Key Financial Data and Estimates

	FY2024	FY2025e	FY2026e	FY2027e
Revenue (QR mn)	2,999	3,112	3,175	3,236
Revenue Growth	3.0%	3.8%	2.0%	1.9%
EPS (QR)	1.29	1.37	1.44	1.50
EPS Growth	-8.7%	6.1%	5.2%	4.7%
P/E (x)	11.6	10.9	10.4	9.9
DPS (QR)	0.78	0.82	0.85	0.90
ROE	9.2%	9.4%	9.5%	9.5%

Source: Company data, QNB FS estimates; Note: All data based on current number of shares

Key Data

Current Market Price (QR)	14.92
DY 2024 (%)	5.2
Bloomberg Ticker	QEWS QD
ADR/GDR Ticker	N/A
Reuters Ticker	QEWQ.QA
ISIN	QA0006929812
Sector*	Industrials
52wk High/52wk Low (QR)	16.30/14.30
3-m Average Volume ('000)	449
Mkt. Cap. (\$ bn/QR bn)	4.5/16.4
EV (\$ bn/QR bn)	5.5/20.0
Shares Outstanding (bn)	1.10
FO Limit* (%)	100.0
Institutional FO* (%)	8.8
1-Year Total Return (%)	(5.3)
Fiscal Year End	December 31

Source: Bloomberg (as of April 20, 2025), *Qatar Exchange (as of April 20, 2025); Note: FO is foreign ownership

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1Q2025 Review

QEWS posted 1Q2025 profit of QR287.7mn (EPS: QR0.26), down 9.7% YoY but up 26.6% QoQ, significantly below our estimate of QR370.4mn (EPS: QR0.34). A moderately weaker-than-expected top-line in conjunction with a lower-than-anticipated cash gross margin and higher-than-expected SG&A expenses crimped EBITDA. Moreover, negative comparisons in dividend/interest/miscellaneous income and income from JVs/associates conspired to subdue earnings relative to our model. The significant sequential jump in earnings could largely be attributed to a one-off ~QR48mn charge in 4Q2024 finance charges (due to F/X rates affecting a loan given to an associate by Nebras that lowered finance charges during 3Q2024 and was reversed in 4Q2024 boosting finance charges). Excluding this one-off, 1Q2025 earnings grew roughly 5% QoQ.

- **Top-line miss was moderate in a seasonally weak quarter: 1Q2025 top-line of QR681.2mn (-0.9% YoY, -7.1% QoQ) dipped below our forecast of QR697.9mn (-2.4% divergence).** Electricity revenue of QR329.2mn (-2.2% YoY, -14.4% QoQ) fell shy of our forecast of QR348.4mn by 5.5%. Water sales of QR333.6mn (1.7% YoY, 0.3% QoQ) was in-line with our model of QR334.6mn (-0.3% difference).
- **Weakness in revenue, along with higher-than-expected cash costs and G&A expenses, conspired to lower EBITDA margin below our model.** Cash gross margin came in at 42.3% in 1Q2025 vs. 44.4% in 1Q2024 and 49.6% in 4Q2024; we were modeling a GM of 45.5%. Overall, 1Q2025 gross profit of QR288.0mn (-5.7% YoY, -20.8% QoQ) was 9.3% below our forecast of QR317.5mn given the revenue/direct costs miss. Cost of gas consumed came in at QR278.5mn (70.8% of cost of sales) vs. QR264.9mn (69.4%) in 1Q2024 and QR231.8mn (62.7%) in 4Q2024. As sent out power/water likely increased YoY/sequentially in 1Q2025, cost of gas consumed grew 5.1% YoY/20.2% QoQ. G&A expenses of QR65.3mn (8.1% YoY, -18.0% QoQ) was 11.4% above our estimate of QR58.6mn. As a result, EBITDA margin came in at 32.7% in 1Q2025 vs. 35.7% in 1Q2024 and 38.7% in 4Q2024; we were expecting an EBITDA margin of 37.1%. EBITDA of QR222.6mn (-9.1% YoY, -21.6% QoQ) was 14.0% below our model of QR258.9mn.
- **Fall in finance costs a positive; however, negative comparisons in dividend/interest/miscellaneous income and income from JVs/associates conspired to subdue earnings relative to our model.** Finance costs of QR92.2mn (-18.9% YoY, -36.1% QoQ) came in below our estimate of QR98.2mn by 6.0% with quarterly comparison being skewed by the above-mentioned one-off; excluding that item, finance charges were roughly down 4% QoQ. JV/associate income of QR152.2mn (5.9% YoY, 101.9% QoQ) fell short of our model of QR162.6mn by 6.4%; quarterly comparisons were impacted given a mix of outages and maintenance-related costs in Qatari and international operations, such as Paiton in Indonesia in 4Q2024. Finally, dividend/finance/other & miscellaneous income came in at QR98.4mn (-27.9% YoY, 24.0% QoQ) missed our modeled estimate of QR142.4mn by 30.9%.

QNB FS 1Q2025 Estimates and Comparisons

Income Statement (QR mn)							
Particulars	1Q2024	4Q2024	1Q2025	1Q2025e	A Vs. E	YoY	QoQ
Revenue	687.335	733.143	681.233	697.904	-2.4%	-0.9%	-7.1%
Electricity	336.601	384.409	329.173	348.432	-5.5%	-2.2%	-14.4%
Water	328.146	332.547	333.562	334.591	-0.3%	1.7%	0.3%
Lease Income from JVs and Associates	22.588	16.187	18.498	14.881	24.3%	-18.1%	14.3%
Cost of Sales (Ex. Depreciation)	(381.827)	(369.603)	(393.254)	(380.357)	3.4%	3.0%	6.4%
Gross Profit	305.508	363.540	287.979	317.546	-9.3%	-5.7%	-20.8%
General and Administrative Expenses	(60.465)	(79.712)	(65.335)	(58.624)	11.4%	8.1%	-18.0%
EBITDA	245.043	283.828	222.644	258.922	-14.0%	-9.1%	-21.6%
Depreciation (CoS)	(80.846)	(85.056)	(79.443)	(82.059)	-3.2%	-1.7%	-6.6%
Depreciation (G&A)	(3.303)	(1.562)	(3.426)	(3.487)	-1.7%	3.7%	119.3%
Amortization	(1.912)	(1.991)	(1.916)	(1.912)	0.2%	0.2%	-3.8%
Depreciation & Amortization	(86.061)	(88.609)	(84.785)	(87.458)	-3.1%	-1.5%	-4.3%
EBIT	158.982	195.219	137.859	171.465	-19.6%	-13.3%	-29.4%
Finance Costs	(113.777)	(144.287)	(92.235)	(98.164)	-6.0%	-18.9%	-36.1%
Interest income	59.183	60.803	47.736	61.891	-22.9%	-19.3%	-21.5%
Finance Costs, Net	(54.594)	(83.484)	(44.499)	(36.273)	22.7%	-18.5%	-46.7%
Dividend Income	74.140	(0.361)	40.633	57.748	-29.6%	-45.2%	N/M
Other & Misc. Income / Exp.	3.016	18.909	9.987	22.737	-56.1%	231.1%	-47.2%
JV/Associate Income	143.744	75.355	152.174	162.621	-6.4%	5.9%	101.9%
Profit from Discontinued Operations	0.114	0.036	-	(0.055)	-100.0%	-100.0%	-100.0%
Profit Before Tax	325.402	205.674	296.154	378.242	-21.7%	-9.0%	44.0%
Tax	(2.262)	25.439	(5.944)	(2.376)	150.1%	162.8%	N/M
Profit after Tax	323.140	231.113	290.210	375.866	-22.8%	-10.2%	25.6%
Minority Interest	(4.648)	(3.991)	(2.560)	(5.422)	-52.8%	-44.9%	-35.9%
Net Income	318.492	227.122	287.650	370.444	-22.3%	-9.7%	26.6%
<i>Net Margin</i>	<i>46.3%</i>	<i>31.0%</i>	<i>42.2%</i>	<i>53.1%</i>			
EPS (QR)	0.29	0.21	0.26	0.34	-22.3%	-9.7%	26.6%
	1Q2024	4Q2024	1Q2025	1Q2025e			
Cost of Sales	55.6%	50.4%	57.7%	54.5%			
SG&A	8.8%	10.9%	9.6%	8.4%			
Depreciation/Sales	11.8%	11.6%	11.7%	11.8%			
EBITDA margin	35.7%	38.7%	32.7%	37.1%			
Operating Margin	23.1%	26.6%	20.2%	24.6%			
Min Interest (as a % of NI)	1.5%	1.8%	0.9%	1.5%			
Net Margin	46.3%	31.0%	42.2%	53.1%			
GM	44.4%	49.6%	42.3%	45.5%			

Source: Company data, QNB FS Research

Valuation and Key Ratios

Key Growth Rates/CAGRs/Ratios

Particulars	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	CAGR ('24-'27)
Growth Rates															
Revenue	(0.2%)	2.9%	4.0%	(1.0%)	(15.3%)	(8.2%)	8.3%	(4.3%)	10.0%	7.0%	3.0%	3.8%	2.0%	1.9%	2.6%
Gross Profit	(1.8%)	1.9%	3.6%	(3.3%)	(15.8%)	(23.6%)	4.2%	5.2%	7.6%	0.8%	(1.3%)	2.6%	0.6%	1.2%	1.5%
EBITDA - Consolidated	(2.5%)	5.4%	2.8%	(4.9%)	(15.8%)	(25.8%)	(8.2%)	24.4%	(4.3%)	2.0%	1.0%	3.4%	0.3%	1.1%	1.6%
EBIT	(3.5%)	7.3%	7.2%	(9.3%)	(7.2%)	(33.1%)	(12.5%)	37.2%	(7.7%)	(4.1%)	1.7%	5.1%	0.7%	1.8%	2.5%
JV/Associate Income	3.6%	4.1%	(8.9%)	52.3%	(4.4%)	48.7%	(31.7%)	3.5%	17.4%	0.4%	1.2%	9.1%	3.6%	3.9%	5.5%
PBT	11.0%	(2.0%)	2.5%	4.2%	(4.5%)	(8.0%)	(17.9%)	26.0%	17.6%	(11.3%)	(7.3%)	6.4%	5.2%	4.7%	5.4%
Net Income/EPS	10.5%	(1.9%)	2.8%	4.8%	(4.9%)	(8.0%)	(18.1%)	26.8%	16.6%	(9.3%)	(8.7%)	6.1%	5.2%	4.7%	5.3%
DPS	10.0%	0.0%	0.0%	3.3%	0.0%	0.0%	(18.7%)	27.0%	18.8%	(9.5%)	(9.3%)	5.1%	3.7%	5.9%	4.9%
CFPS	30.7%	(16.6%)	11.7%	(19.1%)	24.2%	(38.8%)	40.1%	(7.9%)	4.6%	(4.9%)	9.2%	16.4%	2.4%	2.2%	6.8%
FCFPS	N/M	N/M	50.5%	30.9%	(35.1%)	(1.7%)	65.2%	(18.2%)	42.9%	(43.7%)	7.4%	36.4%	3.1%	2.8%	13.0%
Operating Ratios															
Gross Margin	59.5%	58.9%	58.7%	57.3%	56.9%	47.3%	45.6%	50.1%	49.0%	46.2%	44.2%	43.7%	43.1%	42.8%	
EBITDA Margin - Consolidated	51.8%	53.1%	52.5%	50.4%	50.2%	40.5%	34.4%	44.6%	38.9%	37.1%	36.4%	36.2%	35.6%	35.3%	
EBIT Margin	36.3%	37.8%	38.9%	35.7%	39.1%	28.5%	23.0%	33.0%	27.7%	24.9%	24.6%	24.9%	24.6%	24.5%	
Net Margin	52.8%	50.3%	49.7%	52.6%	59.1%	59.2%	44.8%	59.3%	62.9%	53.3%	47.2%	48.3%	49.8%	51.1%	
Finance Ratios															
Debt-Equity Ratio	0.8	0.7	0.7	0.7	0.7	0.7	0.6	0.5	0.7	0.5	0.4	0.3	0.3	0.3	
Net Debt-Equity Ratio	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	
Interest Coverage	9.7	9.4	8.1	6.1	4.5	2.8	4.0	7.1	2.6	1.4	1.7	2.1	2.3	2.4	
Return Ratios															
ROIC	8.8%	9.2%	8.5%	7.4%	5.9%	4.1%	3.7%	4.7%	2.9%	3.3%	3.5%	3.6%	3.6%	3.5%	
ROE	22.6%	20.4%	18.6%	18.0%	14.7%	14.1%	11.9%	12.4%	11.3%	10.4%	9.2%	9.4%	9.5%	9.5%	
ROA	11.8%	11.2%	10.1%	10.2%	8.4%	8.1%	6.8%	7.9%	6.2%	6.7%	6.2%	6.5%	6.7%	6.9%	
FCF Yield	-2.9%	5.0%	7.5%	9.8%	6.4%	6.2%	10.3%	8.4%	12.1%	6.8%	7.3%	9.9%	10.2%	10.5%	
Liquidity Ratios															
Current Ratio	1.2	1.5	2.1	2.3	1.6	1.4	1.4	1.6	1.8	1.7	1.9	2.1	2.3	2.5	
Quick Ratio	1.1	1.4	1.9	2.2	1.6	1.4	1.4	1.6	1.8	1.7	1.9	2.0	2.2	2.5	
Valuation															
EV/EBITDA - Consolidated	13.1	12.3	11.7	11.9	13.6	18.4	19.0	14.0	16.4	16.4	16.2	15.0	14.3	13.4	
EV/EBIT	18.7	17.3	15.8	16.8	17.5	26.1	28.3	18.9	23.0	24.5	24.0	21.8	20.7	19.4	
P/E	10.7	10.9	10.6	10.2	10.7	11.6	14.2	11.2	9.6	10.6	11.6	10.9	10.4	9.9	
P/CF	7.4	8.9	8.0	9.8	7.9	12.9	9.2	10.0	9.6	10.1	9.2	7.9	7.7	7.6	
P/BV	2.4	2.2	2.0	1.8	1.6	1.6	1.7	1.4	1.1	1.1	1.1	1.0	1.0	0.9	
Dividend Yield	5.0%	5.0%	5.0%	5.2%	5.2%	5.2%	4.2%	5.4%	6.4%	5.8%	5.2%	5.5%	5.7%	6.0%	
FCF Yield	(2.9%)	5.0%	7.5%	9.8%	6.4%	6.2%	10.3%	8.4%	12.1%	6.8%	7.3%	9.9%	10.2%	10.5%	

Source: Bloomberg, QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	FY2024	FY2025e	FY2026e	FY2027e
Revenue	2,999	3,112	3,175	3,236
Cost of Sales, Excluding Depreciation	(1,672)	(1,751)	(1,806)	(1,850)
Gross Profit	1,326	1,361	1,370	1,386
General & Administrative Expenses, Excl. Depreciation & Amortization	(236)	(233)	(238)	(243)
EBITDA	1,090	1,128	1,131	1,143
Deferred Income	0	0	0	0
Depreciation & Amortization	(354)	(354)	(352)	(350)
EBIT	736	774	780	793
Finance Costs, Net	(207)	(163)	(123)	(98)
Dividend Income & Gain on Sale of AFS	127	116	120	125
Other & Miscellaneous Income/Expense & Income from JVs/Associates	785	807	836	868
Profit Before Tax	1,441	1,533	1,613	1,689
Income Tax Expense	(4)	(10)	(10)	(10)
Profit After Tax (Continuing Operations)	1,437	1,524	1,603	1,678
Discontinued Operations	(1)	(0)	0	0
Minority Interest	(20)	(22)	(23)	(24)
Profit for Shareholders	1,416	1,502	1,580	1,655
EPS (QR)	1.29	1.37	1.44	1.50
DPS (QR)	0.78	0.82	0.85	0.90

Source: Company data, QNB FS estimates

Balance Sheet (In QR mn)	FY2024	FY2025e	FY2026e	FY2027e
Non-Current Assets				
Property, Plant & Equipment	5,389	5,119	4,850	4,584
Available-for-Sale Investments	2,139	2,208	2,278	2,350
Finance Lease Receivables	411	284	196	135
JV Loans and Investments in JVs/Associates	8,901	9,183	9,462	9,738
Other Non-Current assets	1,557	1,538	1,520	1,501
Total Non-Current Assets	18,396	18,332	18,306	18,308
Current Assets				
Finance Lease Receivables & Others	264	279	295	313
Inventories	94	99	102	104
Accounts Receivables & Prepayments	1,145	1,188	1,212	1,236
Cash and Short-Term Deposits	2,844	3,062	3,519	4,022
Total Current Assets	4,348	4,628	5,128	5,674
Total Assets	22,744	22,960	23,435	23,982
Equity				
Total Equity	15,609	16,252	16,930	17,649
Non-Current Liabilities				
Loans and Borrowings	4,743	4,325	4,131	3,969
Employees' End of Service Benefits	94	95	96	98
Lease Liabilities	33	24	17	12
Derivatives	25	25	25	25
Total Non-Current Liabilities	4,894	4,469	4,269	4,105
Current Liabilities				
Accounts Payables & Others	948	993	1,023	1,049
Loans and Borrowings	1,224	1,177	1,143	1,111
Derivatives & Lease Liabilities	69	69	69	69
Total Current Liabilities	2,241	2,239	2,236	2,229
Equity and Liabilities	22,744	22,960	23,435	23,982

Source: Company data, QNB FS estimates

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

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