



June 2025

Qatar Electricity and Water Company



Fair value QAR 17.05
Recommendation : Buy

The report suggests that the stock is trading roughly 10% lower than its fair value.

- A decrease in interest income has impacted the company's performance during the first quarter.
- The primary catalyst for the company's future growth prospects is external expansion and the acquisition of shares in firms within the same industry.
- The company's profitability is influenced by the prices of gas supplied to it by Qatar Energy.

Qatar Electricity and Water Company

Company Overview

The Qatar Electricity and Water Company (QEW) is a publicly traded entity, founded in 1990, and serves as a significant provider of electricity and desalinated water in Qatar, commanding a market share of 55% in electricity and 73% in water.

Production Capacity

Headquartered in Doha, QEW operates various power generation and water desalination facilities, boasting a total production capacity of 10,590 MW of electricity and 543 MIGD (million imperial gallons per day) of water.

Ownership Structure

The Qatari government holds a 55% stake in the company, while the remaining shares are distributed among public and private stakeholders.

Key Projects & Investments

QEW oversees essential facilities such as Ras Abu Fontas B2 and has interests in several local projects, including an 80% stake in Ras Laffan Power Company and a 55% stake in Qatar Power Company.

Additionally, QEW is investigating a project for a 500 MW peak power unit in Ras Abu Fontas in partnership with Kahramaa.



Company Overview

The company also holds shares in jointly controlled and associated entities, including Q Power QSC, Mesaieed Power Company Limited QSC, Ras Girtas Power Company Limited, AES Oasis Limited, Phoenix Power Company, and Phoenix Operating Company.



Ownership Structure

Approximately 90% of the company's capital is held by Qatari nationals, with institutional investors owning 76% and individual investors holding around 14%.



Institutional Appeal

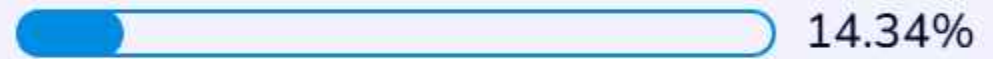
Due to its defensive nature and constant cash dividends, it is considered an institutional stock that attracts institutions and investment funds.

Main Shareholders



Qatar Holding LLC

Largest single shareholder



General Retirement & Pension Authority of
Qatar

Second largest shareholder



Government of Qatar

Direct government ownership



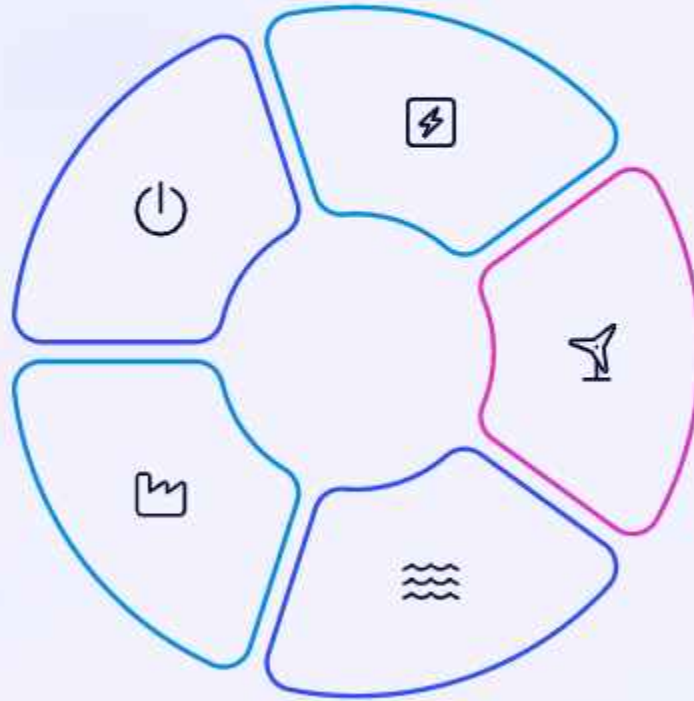
Qatar Navigation QPSC

Strategic corporate investor

QEWCC Subsidiary Companies

Um AL Houl Power
60% ownership

Mseaeed Power
40% ownership



Ras Girtas
45% ownership

Qatar Power
55% ownership

The RasLaffan Power
25% ownership

Key Financial Performance



16.7%

Revenue Growth

Projected from 2022 to 2027F

3,175M

Peak Revenue

Expected in 2027F

1,249M

Highest EBITDA

Achieved in 2023

The company shows steady revenue growth with projections indicating continued expansion through 2027, though net income has fluctuated in recent years.

Growth and Margin Trends: Historical Performance

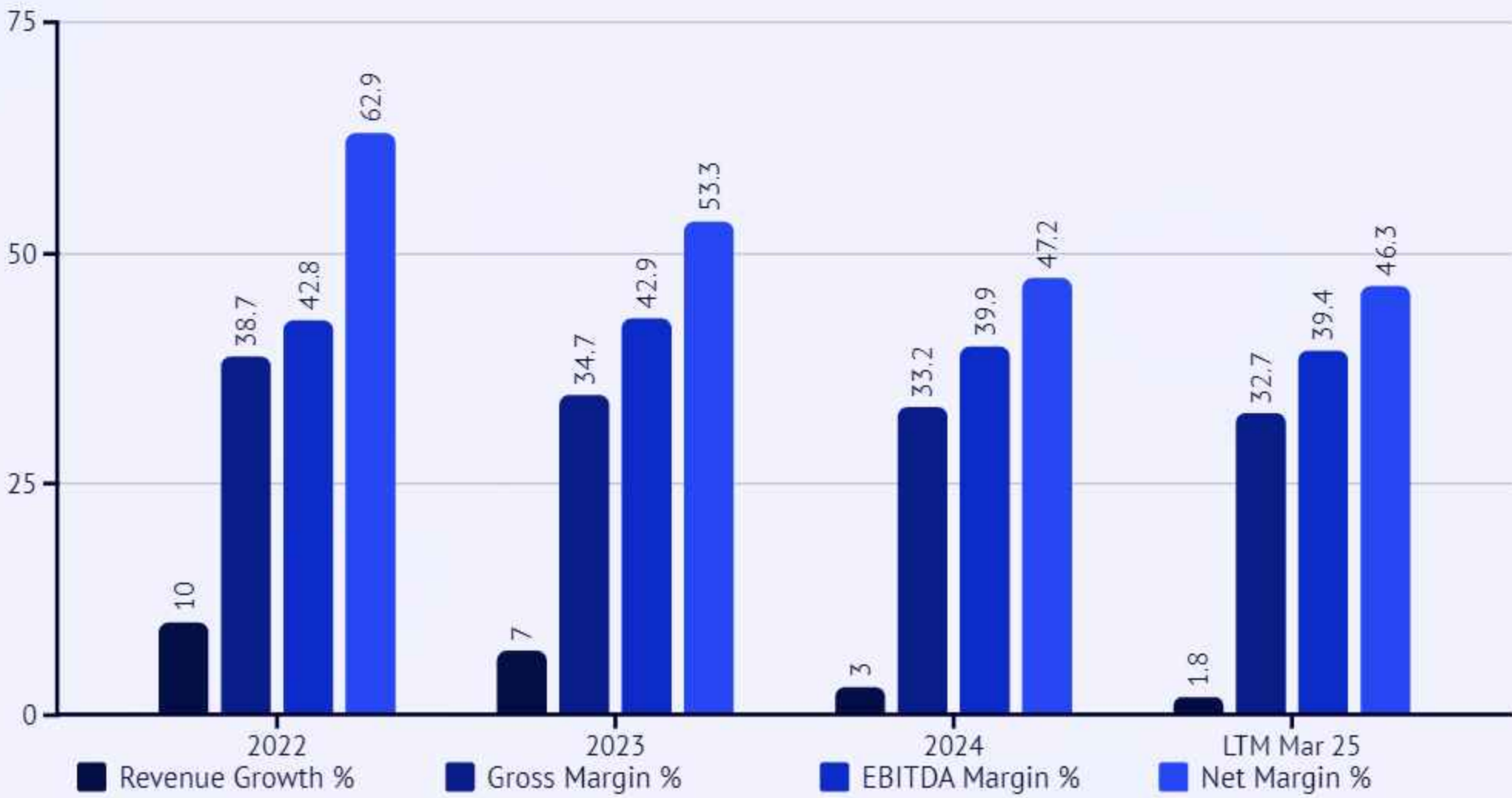
While revenue growth has been slowing, margins are expected to stabilize and slightly improve in the forecast period after recent declines.

Margin Outlook (2027 F)



Growth and Margin Trends: Historical Performance

Historical Performance (2022-2025)



While revenue growth has been slowing, margins are expected to stabilize and slightly improve in the forecast period after recent declines.

Executive Summary

1

Financial Performance

Q1 net profit decreased by 9.7% to 287.7 million compared to last year's 318.5 million due to reduced income and dividend earnings.

For fiscal year 2024, cash dividends reached 0.78 riyals (paid in two installments), down from 0.86 riyals in 2023.

2

Current Projects

QEWS secured a Power Purchase Agreement for 511 megawatt peak generation units at Ras Abu Fontas Plant, with construction costs of approximately 1.6 billion Qatari riyals. Operations are scheduled to begin in January 2027.

The company plans to increase its net power capacity by 28% and water capacity by 14% over the long term.

3

Strategic Acquisitions

In 2022, QEWS's subsidiary, Ras Laffan Operating Company (RLO), acquired the remaining 40% stake in Nebras Power from Qatar Holding for \$530 million, making Nebras fully owned by QEWS.

4

Investment Outlook

QEWS represents a strong long-term investment opportunity due to its stable business model. Key factors include a 55% stake in a facility beginning operations in early 2028 (2.4 GW power capacity, 110 MIGD water delivery); the RAF Peaking Power Generation Station (500 MW) starting construction in 2025; and Nebras Power's medium-term projects under development totaling 3.2 GW (gross) and 1.1 GW (net).

Strategic Acquisitions

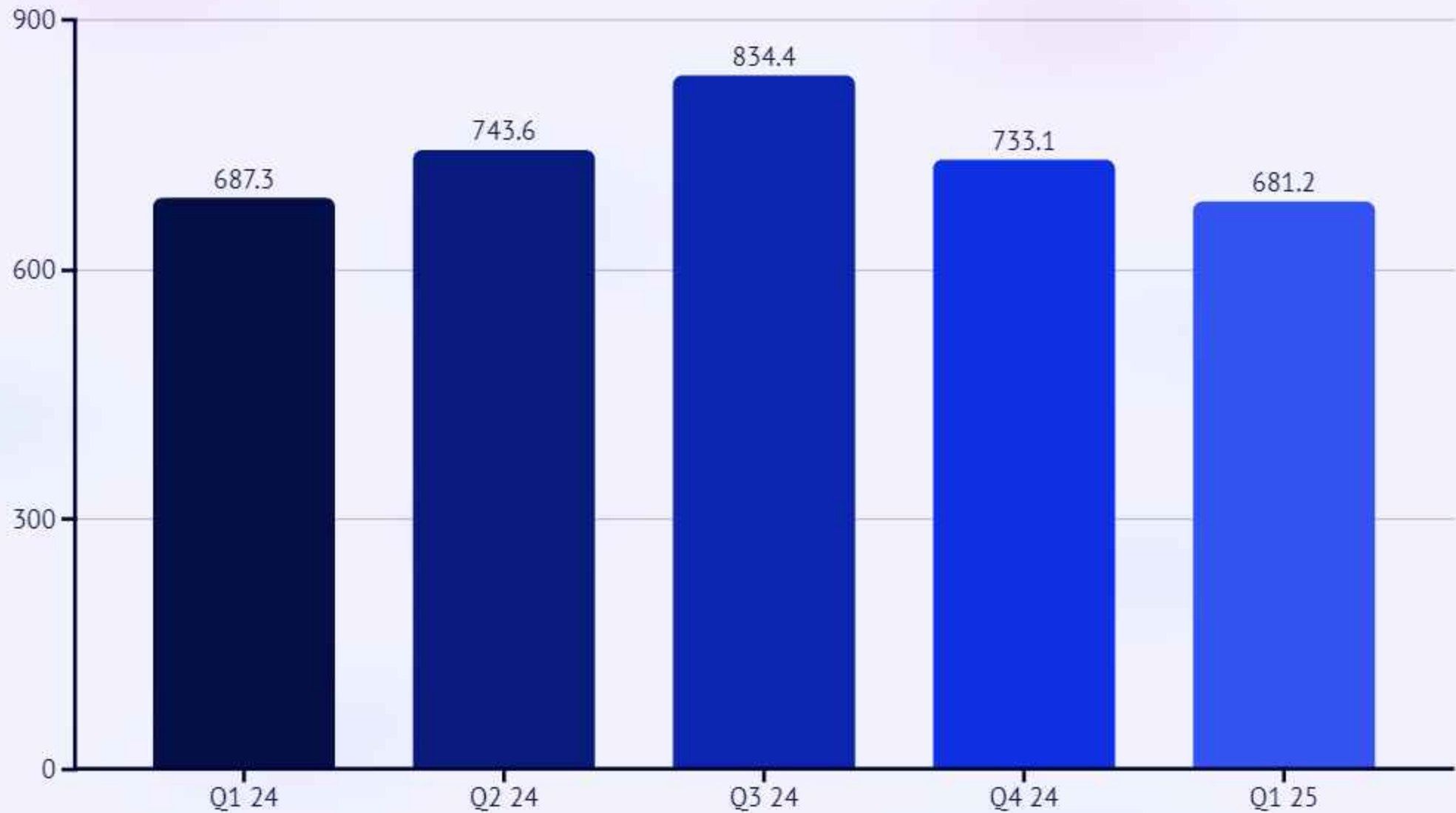
In 2022, Qatar Electricity and Water Company (QEWS) declared that its fully owned subsidiary, Ras Laffan Operating Company (RLO), had finalized the acquisition of a 40 percent stake in Nebras Power (Nebras) from Qatar Holding at a total cost of \$530 million. As a result of this transaction, Nebras is now entirely owned by QEWS.

Long-Term Investment Outlook

We view QEWS as a strong long-term investment due to its dependable business model. Key factors include QEWS's 55% stake in a facility set to begin phased operations in early 2028, with a power capacity of 2.4 GW and a water delivery rate of 110 MIGD.



Quarterly Revenue Performance (QAR M)



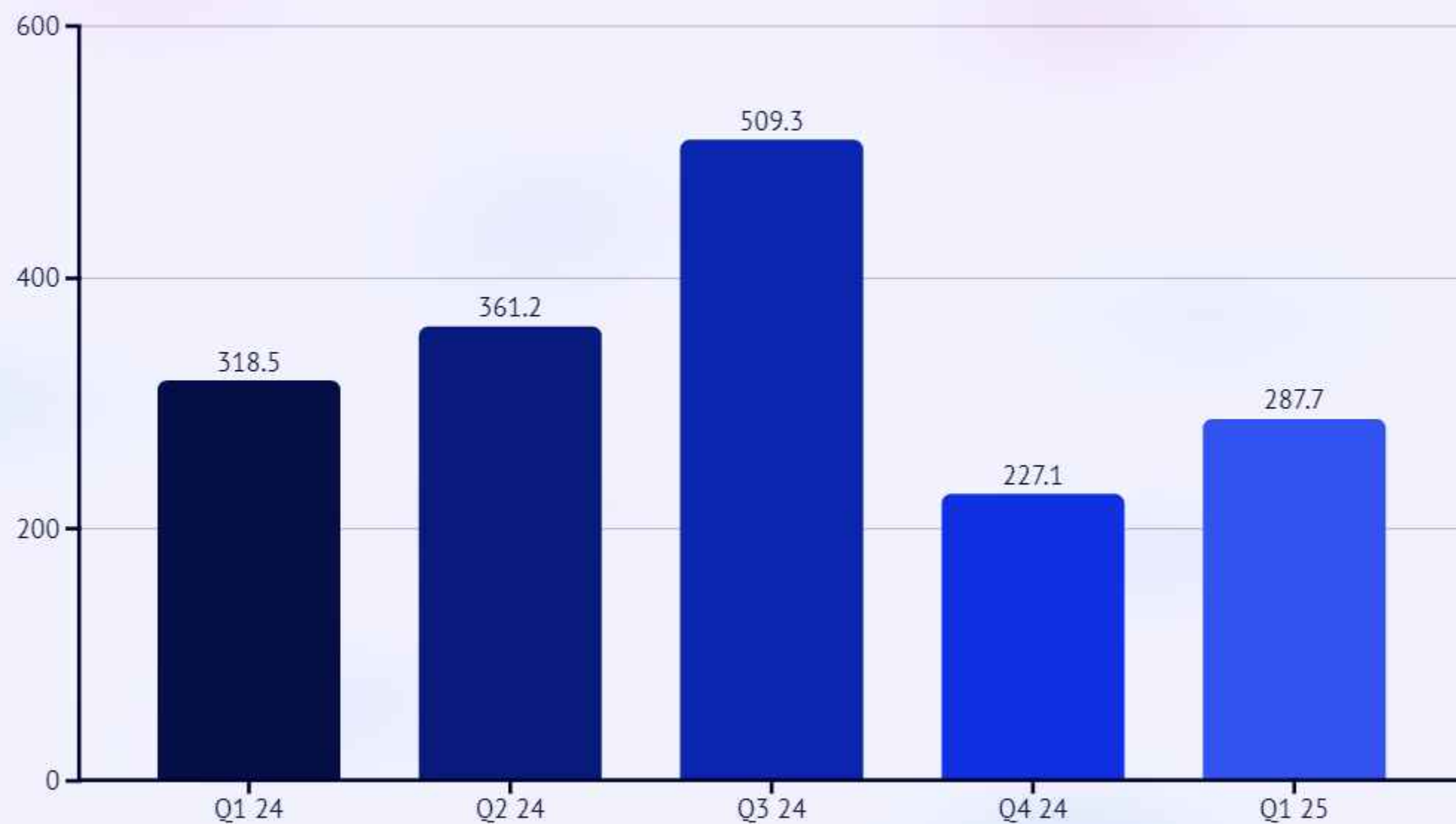
Revenue shows seasonal patterns, with Q3 typically being the strongest quarter, while Q1 2025 shows a slight decline compared to Q1 2024.

Interest Income Trends (QAR M)

Interest Income is the lowest since Q2 OF 2022 (Declining interest levels have affected the company)

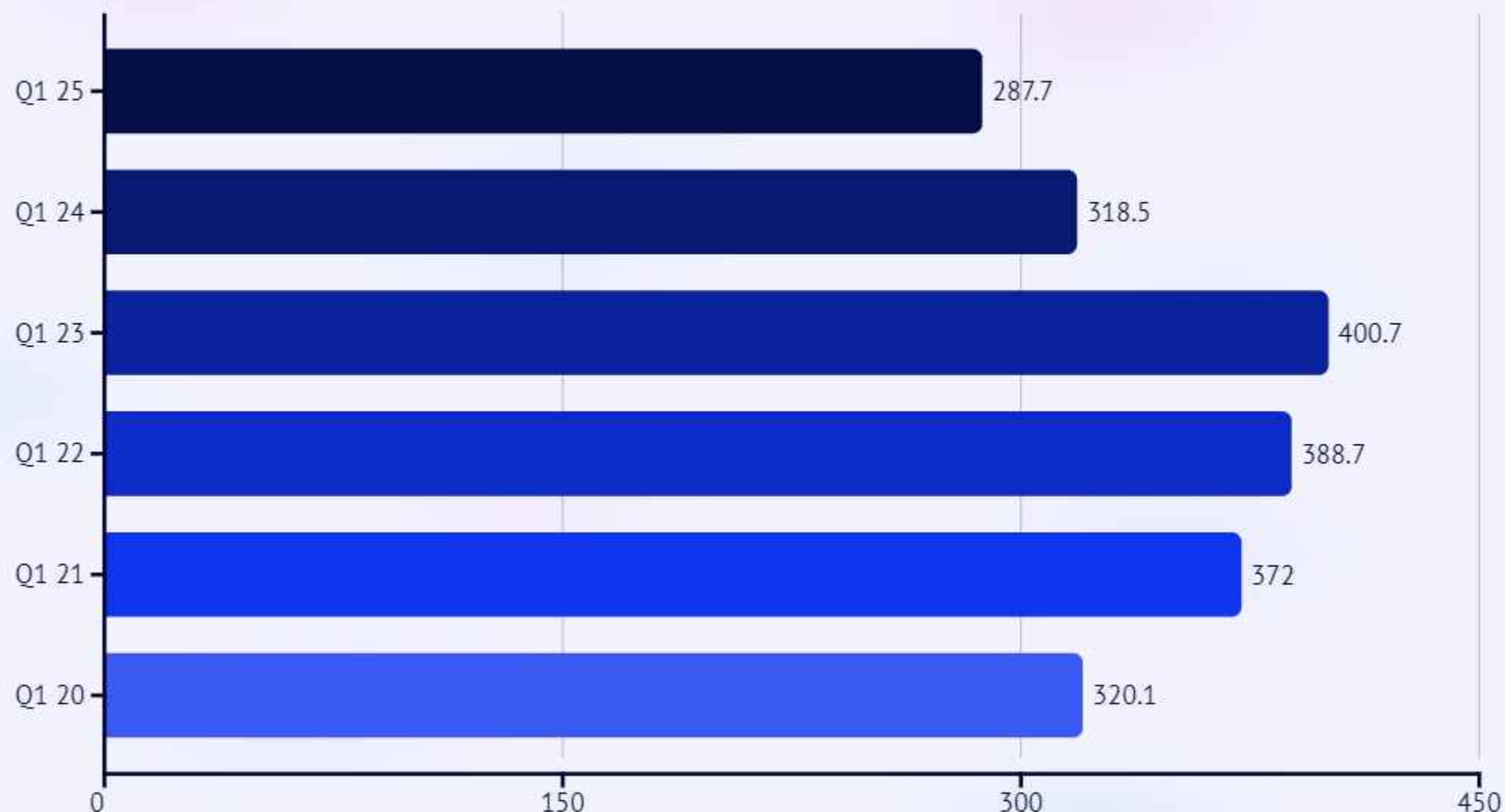


Quarterly Net Income (QAR M)



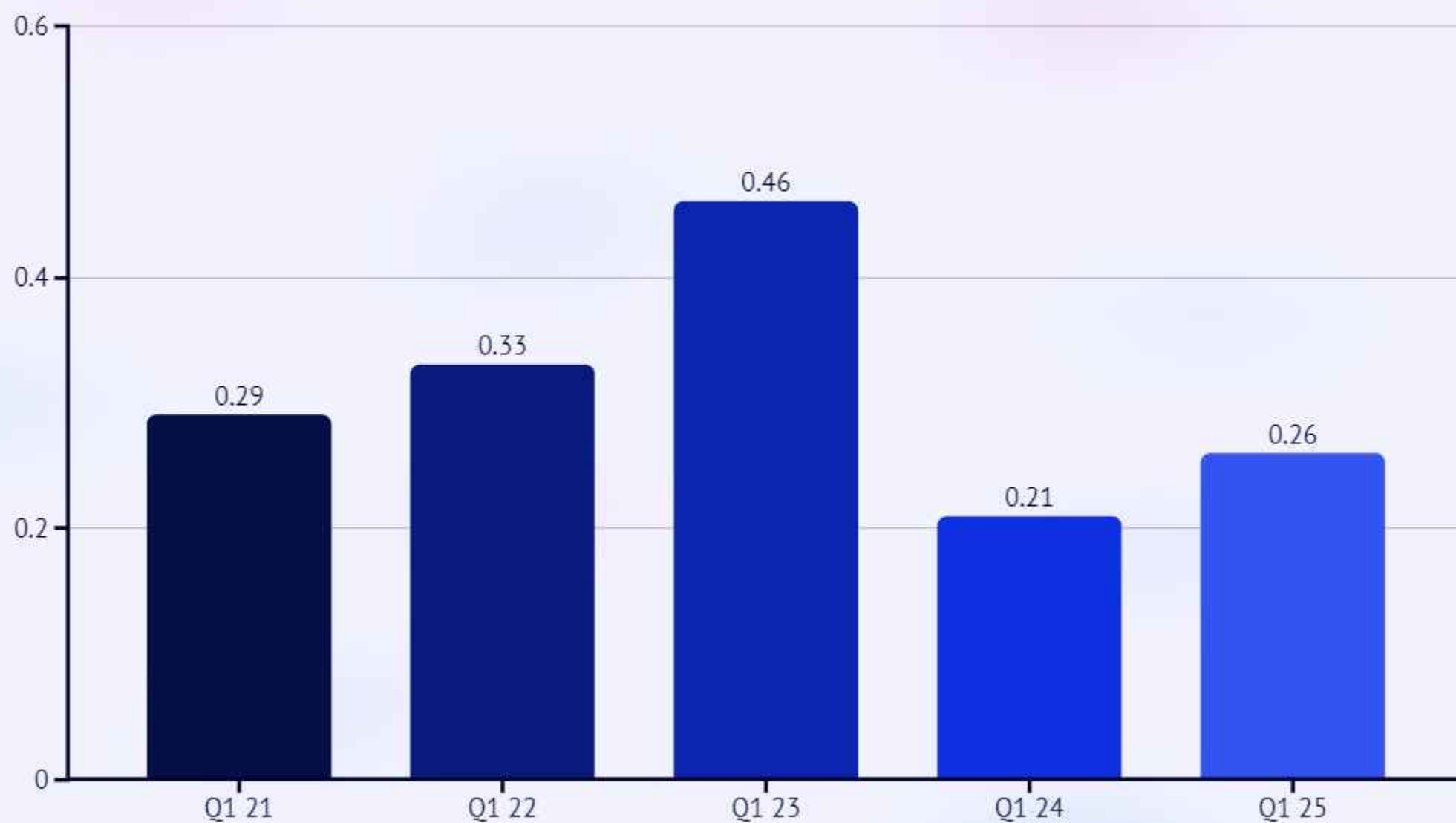
The third quarter of 2024 results included non-recurring earnings.

First Quarter Profit Trends (QAR M)



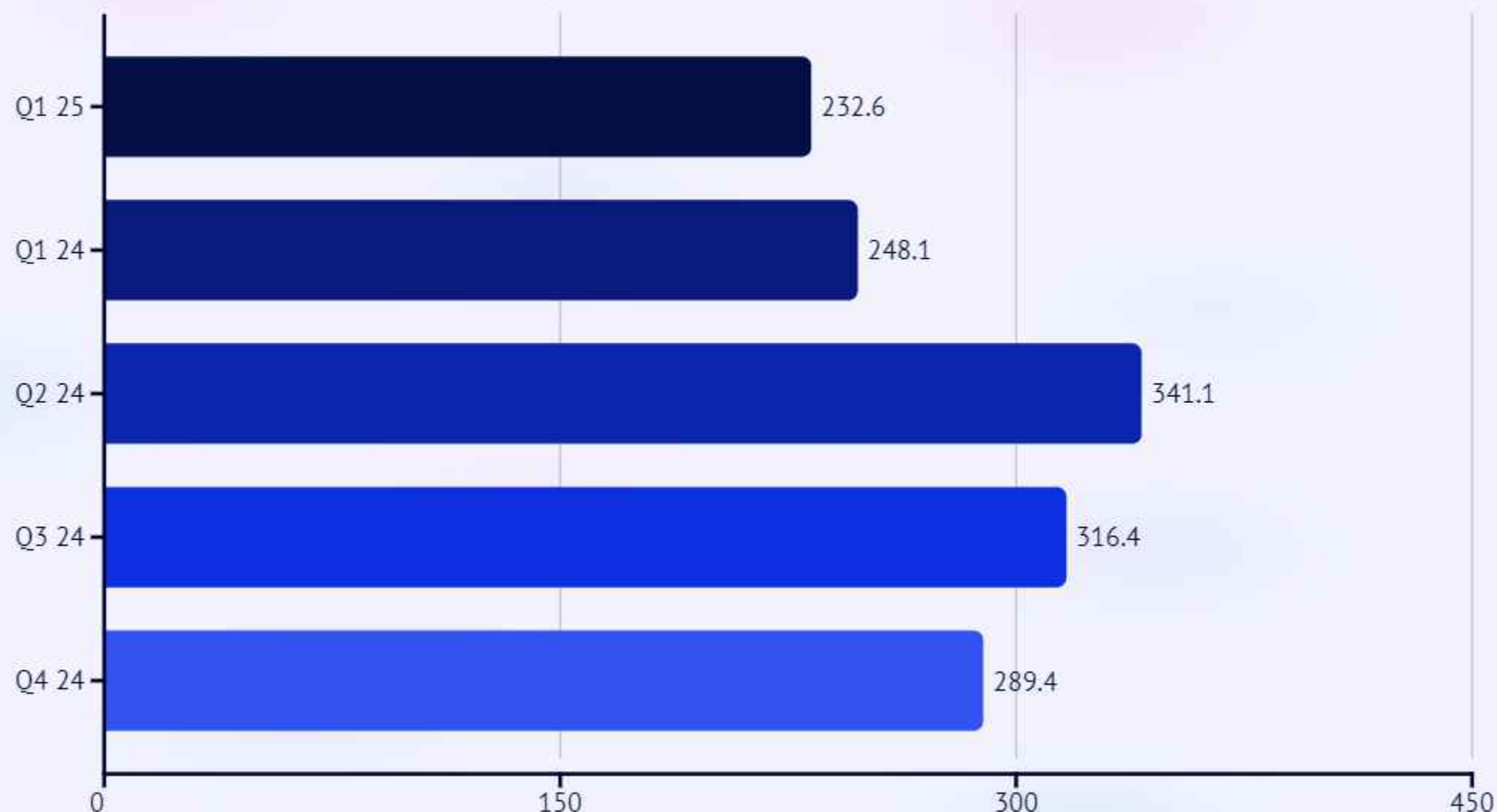
When comparing the first quarter results of each year, the earnings for Q1 2025 are the lowest recorded since Q1 2013.

Quarterly EPS Performance (QAR)



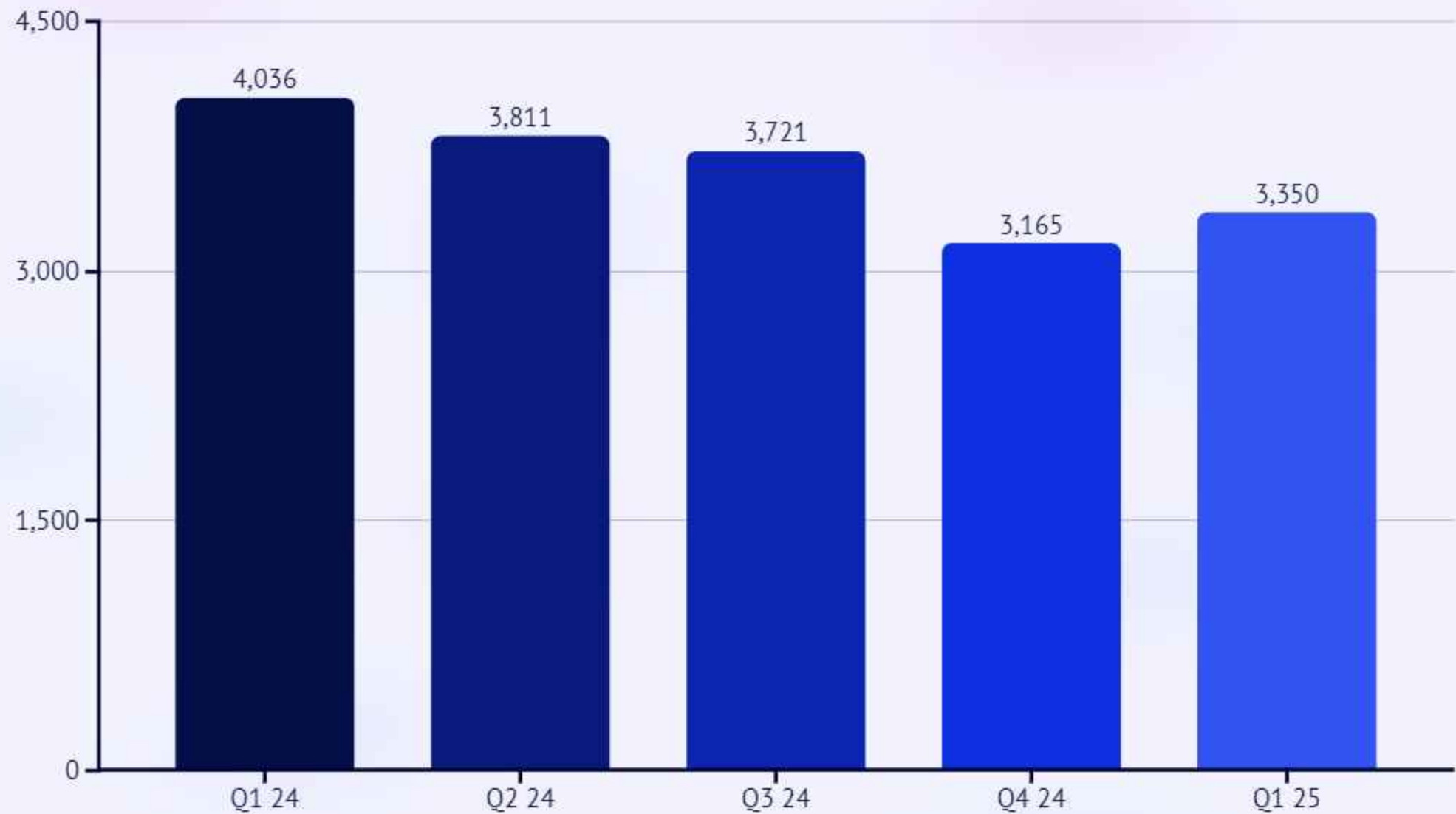
EPS has shown significant volatility in recent years, with a notable drop in Q1 24 followed by a slight recovery in Q1 25.

Quarterly EBITDA (QAR M)



EBITDA peaked in Q2 24 and has been on a declining trend since, with Q1 25 showing the lowest value in the period.

Net Debt Trends (QAR M)



The company has been successfully reducing its net debt position throughout 2024, though there was a slight increase in Q1 2025.

Net Debt to EBITDA Ratio %



The net debt to EBITDA ratio has improved significantly over the past year, indicating better financial health, despite a slight increase in Q1 25.

Current Ratio X



The current ratio has shown improvement during 2024, suggesting enhanced short-term liquidity; however, there was a minor decline in the first quarter of 2025.

Dividend History

Year	EPS	Div. Yield %
2024	0.78	4.19
2023	0.86	5.05
2022	0.95	4.51
2021	0.80	3.81
2020	0.63	4.35
2020	0.86	4.76

QEWS has maintained a consistent dividend policy, with yields typically ranging between 4% and 5%, making it attractive to income-focused investors.

SWOT analysis

Strengths

1

QEWS is Qatar's leading entity in electricity and desalinated water, with over 60% market share in electricity and nearly 80% in water desalination, establishing a strong foundation for the company.

2

2. The organization enjoys steady revenue and cash flow from long-term Power and Water Purchase Agreements (PWPAs) with Kahramaa, ensuring reliable income and stable margins, with fuel price increases typically passed on to Kahramaa.

3

The State of Qatar holds a significant stake in QEWS, approximately 43% directly and 11% indirectly, providing strong government support for stability and growth.

4

QEWS is expanding internationally through its subsidiary, Nebras Power, reducing geographical risk and creating opportunities for future earnings from utility projects worldwide.

5

QEWS has a strong track record of attractive dividend yields due to its reliable payout ratio and significant free cash flow, demonstrating its commitment to shareholder value.

Weaknesses

- Limited Renewable Energy Portfolio: QEWS's investments in renewable energy are currently a small part of its total capacity, which may be seen as a drawback amid global sustainability trends.
- Dependence on Natural Gas: QEWS's heavy reliance on natural gas for electricity makes it vulnerable to gas price fluctuations.

Opportunities

- QEWS is set to boost its capacity to meet the rising demand for electricity and desalinated water driven by Qatar's economic growth, population rise, and industrial expansion.
- Qatar seeks to diversify its energy portfolio and invest in renewable projects like the Siraj solar initiative, allowing QEWS to lead the transition to sustainable energy.

Threats

1

Planned domestic expansion initiatives may face delays or cancellations due to economic or political factors.

2

Fluctuations in fuel prices can affect the company's working capital and profitability, especially if price adjustments are delayed, even though fuel cost increases are usually passed on to consumers.

3

Increasing environmental regulations may necessitate investments in sustainable technologies, resulting in higher operational costs.

Valuation Metrics

Price-Based Ratios

P/E Current: 11.87

P/E (w/ extraordinary): 12.14

P/E (w/o extraordinary): 12.76

Price to Sales: 6.83

Asset-Based Ratios

Price to Book: 1.14

Price to Cash Flow: 12.06

Enterprise Value Ratios

EV to EBITDA: 17.89

EV to Sales: 6.67

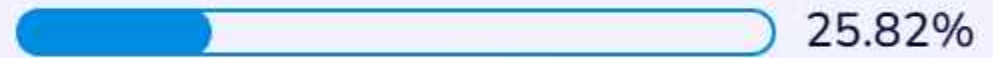
Profitability Metrics



34.02%

Gross Margin

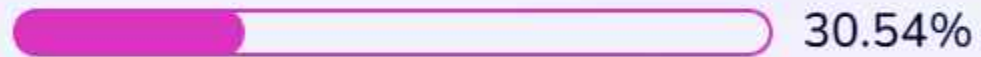
Percentage of revenue retained after direct costs



25.82%

Operating Margin

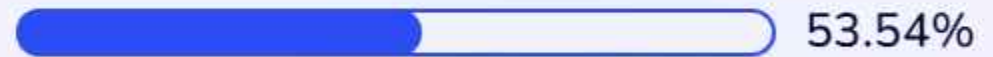
Profit from operations as percentage of revenue



30.54%

Pretax Margin

Profit before tax as percentage of revenue



53.54%

Net Margin

Net profit as percentage of revenue

Return Metrics



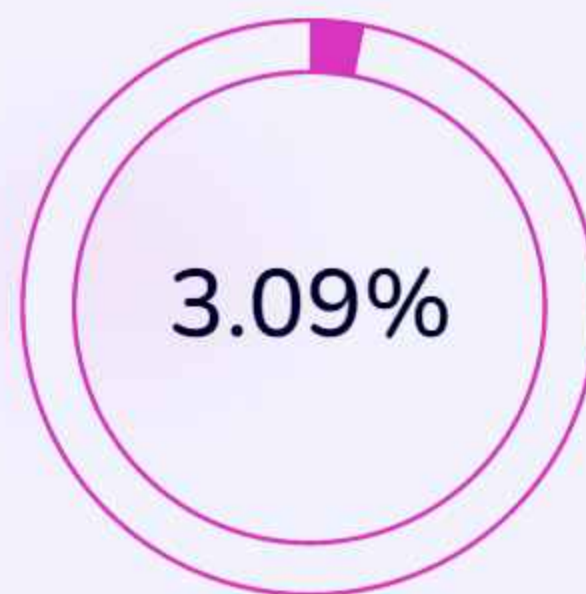
Return on Assets

Measures how efficiently company uses its assets



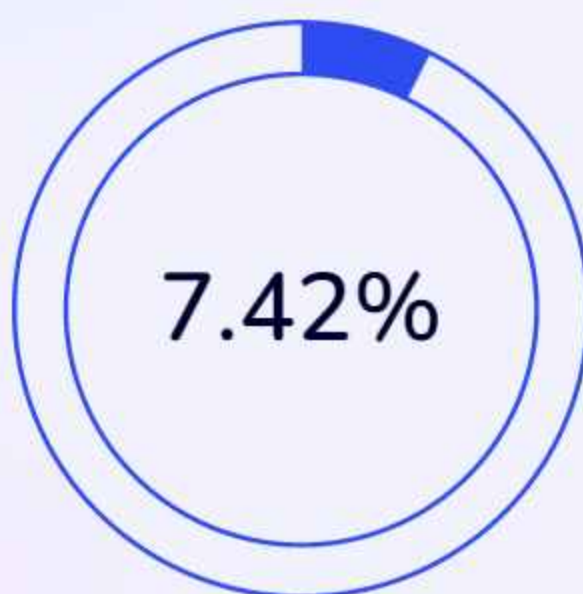
Return on Equity

Measures profitability relative to shareholders' equity



Return on Total Capital

Measures return on total capital employed



Return on Invested Capital

Measures efficiency at allocating capital to profitable investments

Comparative Valuation Metrics

Company	PE	P/BV	EV/EBITDA
QEWS	11.7	1.1	17.8
Abu Dhabi National Energy	43.7	3.6	20.4
ACWA Power (KSA)	96.4	8.2	48.8
Dubai Electricity & Water	17.8	1.5	9.98

Business Model



Core Business

QEWS's primary activity is owning and operating power generation and water desalination plants.

It utilizes natural gas (mainly supplied by QatarEnergy under long-term agreements) as the primary fuel source for its plants.

The company sells the generated electricity and desalinated water exclusively to the Qatar General Electricity & Water Corporation (Kahramaa) under long-term Power and Water Purchase Agreements (PWPAs).



Long-Term Off-Take Agreements (PWPAs)

These agreements with Kahramaa are the cornerstone of QEWS's revenue generation.

PWPAs are typically long-term (around 20-25 years) and guarantee the purchase of QEWS's contracted capacity.

These agreements ensure stable and predictable revenue streams for QEWS, minimizing demand risk.

Many PWPAs include clauses that allow QEWS to pass through fuel cost increases to Kahramaa, protecting its profit margins from fluctuations in gas prices.



Government Support & Cost Structure

Qatar, through various entities, is a major shareholder in QEWS, owning over 50% directly and indirectly. The government's strong support ensures financial stability, simplifies project approvals, and supports the long-term partnership with Kahramaa, which is also owned by the government.

The primary operating cost for QEWS is the purchase of natural gas from Qatar Energy. Other costs include operational expenses, maintenance, and depreciation of its power and water plants.

Historical Annual Performance



The stock has shown significant volatility over the years, with alternating periods of positive and negative performance.

Valuation Models

1. Dividend Discount Model

	2024	2025	2026	2027	2028	2029	TV
EPS	QAR 1.29	QAR 1.30	QAR 1.41	QAR 1.44	QAR 1.48	QAR 1.53	
Pay out	60%	62.5%	62.5%	62.5%	62.5%	62.5%	
DPS	QAR 0.78	QAR 0.81	QAR 0.88	QAR 0.90	QAR 0.93	QAR 0.96	QAR 0.96
Present Value (PV) of Dividend	QAR 0.78	QAR 0.78	QAR 0.78	QAR 0.74	QAR 0.70	QAR 0.67	QAR 18.24
Pay out ratio	62.5%						
rf	4.40%						
Beta	0.80						
rp	5.0%						
Cost of Equity	8.4%						
Growth rate	3.0%						
Pay out Versus Cost of Equity							
		57.5%	60.0%	62.5%	65.0%	67.5%	
	7.4%	18.38	19.18	19.98	20.78	21.58	
	7.9%	16.54	17.26	17.98	18.70	19.42	
	8.4%	15.04	15.69	16.35	17.00	17.66	
	8.9%	13.79	14.39	14.99	15.59	16.19	
Share Price Calculation							
Sum of PV	QAR 3.66						
PV of Terminal Value	QAR 12.69						
Value Per Share	QAR 16.35						

2. PE Ratio

Symbol	QEWS					
Paid in Capital	1,100,000,000	1,100,000,000				
Net Income 2025 (E)	1,430,000,000					
Current Price	15.30					
EPS	1.30					
Subscription	0					
Stock Div	0					
PE ratio	11.8					
(P/E)	Growth	9.0	11.0	13.0	15.0	17.0
Net Income	90%	1,287,000,000	1,287,000,000	1,287,000,000	1,287,000,000	1,287,000,000
EPS		1.170	1.170	1.170	1.170	1.170
Expected Price		10.53	12.87	15.21	17.55	19.89
Profit	95%	1,358,500,000	1,358,500,000	1,358,500,000	1,358,500,000	1,358,500,000
EPS		1.235	1.235	1.235	1.235	1.235
Expected Price		11.12	13.59	16.06	18.53	21.00
Net Income	100%	1,430,000,000	1,430,000,000	1,430,000,000	1,430,000,000	1,430,000,000
EPS		1.300	1.300	1.300	1.300	1.300
Expected Price		11.70	14.30	16.90	19.50	22.10
Net Income	105%	1,501,500,000	1,501,500,000	1,501,500,000	1,501,500,000	1,501,500,000
EPS		1.365	1.365	1.365	1.365	1.365
Expected Price		12.29	15.02	17.75	20.48	23.21
Net Income	110%	1,573,000,000	1,573,000,000	1,573,000,000	1,573,000,000	1,573,000,000
EPS		1.430	1.430	1.430	1.430	1.430
Expected Price		12.87	15.73	18.59	21.45	24.31

The Average Fair value is QAR 17.75

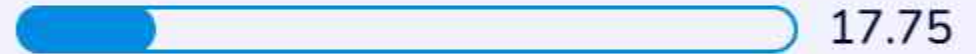
Summary of valuation

DDM



Fair value

P/E ratio



Fair value

Average Fair value



Average

Disclaimer



Qatar Securities Company has prepared this report to provide an unbiased analysis of the business's performance. It's important to note that the assessment is based on assumptions that may vary in interpretation and may not be entirely accurate. This document focuses on evaluating the company's financial status, not as a solicitation to buy or sell. There may be a conflict of interest since this stock is part of investment portfolios managed by Qatar Securities Company.

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