

Gulf Warehousing Company (GWCS)

Recommendation	MARKET PERFORM	Risk Rating	R-4
Share Price	QR41.50	Target Price	QR45.57
Implied Upside	9.8%		

Inline 4Q2012 Results; Revising Estimates & Target Price Slightly

Gulf Warehousing reported a net profit of QR84.9mn for 2012, up 37.6% YoY from QR61.7mn in 2011. For 4Q2012, GWCS reported a net profit of QR24.9mn for 4Q2012, up 26.9% QoQ from QR19.6mn in 3Q2012. The 4Q2012 results were slightly above our forecast of QR22.8mn on the back of valuation gains from investment properties (QR4.1mn) and higher staff and G&A expenses. The company skipped cash DPS and instead opted for a 20% stock dividend for 2012. We have revised our estimates for 2013 and 2014 and recommend a Market Perform stance on the stock with a target of QR45.57.

Highlights

- Results analysis:** Gulf Warehousing reported revenue of QR479.7mn in 2012 vs. QR419.6mn in 2011, a growth of 14.3% YoY. The growth was on the back of LVQ Phase 2 coming online. Direct costs only increased by 5.8% YoY, as LVQ is a high-margin real estate rental business relative to other warehouses and freight forwarding. Staff costs came in at QR30.2mn vs. QR21.7mn in 2011, a growth of 39.3%. Financial charges went up 169.7% YoY as LVQ Phase 2 came on line (were capitalized before). Overall, LVQ's Phase 2 led to a growth of 37.6% YoY in net profit to shareholders for 2012. For 4Q2012, the major deviation from our estimates was a valuation gain from investment properties (QR4.1mn) and higher staff and G&A expenses.
- Outlook for 2013 & 2014:** In mid-2013, Phase 3 will come on line improving the bottom-line by another 12.4% YoY. In 2014, Phase 4, along with the full impact of Phase 3, will result in the bottom-line increasing by 38.5% YoY.
- Increased preference for stock dividends vs. cash dividends going forward should lead to slower ROE growth:** GWCS opted for a stock dividend to preserve capital for the ongoing LVQ expansion as well as future expansions (Africa). Hence, we have also revised our cash DPS estimates down and expect GWCS to post a payout ratio of ~45% for the next three years complemented by some stock dividends (10% to 20%). This change has reduced our ROE estimate to 14.3% in 2014 vs. our earlier estimate of 15.8%.

Catalysts

- Preserving cash for regional expansions.** The company is trying to expand into thinly penetrated markets in Africa. If these plans materialize, they could provide another growth trigger for the bottom-line.

Key Financial Data and Estimates

	FY2010	FY2011	FY2012	FY2013e	FY2014e
EPS (QR)	1.29	1.56	2.14	2.41	3.33
EPS Growth	419.1%	21.0%	37.6%	12.4%	38.5%
P/E (x)	32.2	26.6	19.4	17.2	12.5
BVS (QR)	8.80	17.33	17.84	20.22	22.52
P/B (x)	4.7	2.4	2.3	2.1	1.8
DPS (QR)	0.63	1.50	0.00	1.00	1.50
Dividend Yield	49.0%	96.3%	0.0%	41.5%	45.0%

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

Key Data

Bloomberg Ticker	GWCS QD
ADR/GDR Ticker	N/A
ISIN	QA000A0KD6H9
Sector*	Transportation
52wk High/52wk Low (QR)	44.75/33.50
3-m Average Volume ('000)	53.6
Mkt. Cap. (\$ bn/QR bn)	0.5/1.6
Shares Outstanding (mn)	39.6
FO Limit* (%)	24.9
Current FO* (%)	22.6
1-Year Total Return (%)	19.2
Fiscal Year End	Dec. 31

Source: Bloomberg (as of January 16, 2013), *Qatar Exchange (as of January 16, 2013); Note: FO is foreign ownership

Abdullah Amin, CFA
 +974 4476 6569
 abdullah.amin@qnbfs.com.qa

Saugata Sarkar
 +974 4476 6534
 saugata.sarkar@qnbfs.com.qa

Detailed Financial Statements

Income Statement

Figures in QR mn	FY2010	FY2011	FY2012	FY2013e	FY2014e	FY2015e
Revenues	88	420	480	564	650	768
Direct Costs	(55)	(305)	(323)	(389)	(431)	(492)
Gross Profit	33	114	157	175	220	276
Other Income	6	2	0	0	0	0
Valuation Gains from Investment	36	4	3	3	3	3
Staff Costs	(8)	(22)	(30)	(33)	(37)	(38)
Net Impairment Loss on Trade	(1)	(1)	(3)	(1)	(1)	(1)
G&A Expenses	(10)	(30)	(34)	(35)	(37)	(39)
Finance Costs	(4)	(6)	(12)	(17)	(21)	(30)
Net Profit to Shareholders	51	62	85	95	132	175
EPS (QR)	1.29	1.56	2.14	2.41	3.33	4.42

Source: Company data, QNBFS estimates; Note: EPS based on current number of shares

Balance Sheet

Figures in QR mn	FY2010	FY2011	FY2012	FY2013e	FY2014e	FY2015e
Non-Current Assets						
PP&E (Inc. Projects in Progress)	419	666	977	978	1076	1083
Investment Properties	42	95	99	95	95	95
Intangible Assets	0	155	148	143	137	131
Available-for-Sale Investments	3	2	0	0	0	0
Total Non-Current Assets	463	918	1,224	1,216	1,308	1,310
Current Assets						
Inventories	1	10	10	21	22	23
Trade and Other Receivables	48	240	228	277	291	305
Bank Balances and cash	97	81	117	225	260	314
Total Current Assets	146	331	355	522	573	642
Total Assets	609	1,249	1,580	1,738	1,881	1,952
Equity						
Share Capital	250	396	396	476	476	476
Legal Reserves	68	221	221	221	221	221
Changes in Fair Value	(0)	(1)	0	0	0	0
Retained Earnings	31	67	90	102	190	302
Attributable to Owners (Parent)	349	683	708	803	894	1,009
Non-Controlling Interests	0	3	(1)	(2)	(2)	(1)
Total Equity	349	687	707	801	893	1,007
Non-Current Liabilities						
Loans and Borrowings	189	346	667	718	758	751
Employee Benefits	2	8	11	12	14	15
Total Non-Current Liabilities	191	354	679	730	772	765
Current Liabilities						
Trade Payables and Accruals	22	108	79	87	88	89
Loans and Borrowings	30	75	89	92	115	88
Retention Payable	17	25	25	27	14	3
Total Current Liabilities	69	208	194	206	217	179
Equity and Liabilities	609	1,249	1,580	1,738	1,881	1,952

Source: Company data, QNBFS estimates

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

Contacts

Ahmed M. Shehada

Head of Trading

Tel: (+974) 4476 6535

ahmed.shehada@qnbfs.com.qa

Keith Whitney

Head of Sales

Tel: (+974) 4476 6533

keith.whitney@qnbfs.com.qa

Saugata Sarkar

Head of Research

Tel: (+974) 4476 6534

saugata.sarkar@qnbfs.com.qa

Sahbi Kasraoui

Manager - HNWI

Tel: (+974) 4476 6544

sahbi.alkasraoui@qnbfs.com.qa

QNB Financial Services SPC

Contact Center: (+974) 4476 6666

PO Box 24025

Doha, Qatar

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