

Gulf Warehousing Company (GWCS)

Recommendation	ACCUMULATE	Risk Rating	R-4
Share Price	QR36.70	Target Price	QR40.53
Implied Upside	10.4%		

Inline 1Q2013 Results; Revising Estimates Slightly & Changing Recommendation to Accumulate

Gulf Warehousing reported a net profit of QR20.6mn vs. our estimate of QR20.5mn for 1Q2013 (Bloomberg consensus was QR19.5mn). The results imply a QoQ decline of 17.0% due to absence of valuation gains from investment properties (QR4.1mn). However, on a YoY basis, the bottom-line is up 12.8%. We are revising our estimates for 2013 and 2014 slightly and change our rating to Accumulate (due to stock's price correction) with a target of QR40.53.

Highlights

- **Results analysis:** Gulf Warehousing reported revenue of QR129.7mn in 1Q2013 vs. QR124.3mn in 4Q2012, a growth of 4.3% QoQ. The growth was on the back of LVQ Phase 2B contributing for the full quarter vs. partial contribution in 4Q2012. Direct costs increased by 19.0% QoQ (higher cost on freight forwarding business).
- **Revising our financial charges estimate for 2013:** Financial charges went down 10.0% QoQ as the jump in 4Q2012 was one-off. However, this line item expense was still higher than our estimate and we have revised our estimate upward to QR22mn vs. QR17mn (earlier estimate for 2013). The new assumption leads to a decline in net income for equity holders to QR105mn vs. QR110mn.
- **Outlook for 2013 & 2014 & change in recommendation:** Phase 3 is expected to be partially online in 2Q2013. This will improve the bottom-line by 23.7% YoY. In 2014, Phase 4 along with the full impact of Phase 3, will result in the bottom-line increasing by 19.8% YoY. Furthermore, as previously mentioned in our 1Q2013 Earnings Preview, GWCS opted for a stock dividend to preserve capital for the ongoing LVQ expansion as well as future expansions (Africa). The stock has declined by 3.29% QTD and hence we revise our rating to Accumulate on the stock (implied upside of 10.4%)

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

	2011	2012	2013e	2014e
EPS (QR)	1.56	1.79	2.21	2.65
EPS Growth	21.0%	14.6%	23.7%	19.8%
P/E (x)	23.6	20.6	16.6	13.9
BVS (QR)	14.37	14.88	17.09	18.74
P/B (x)	2.6	2.5	2.1	2.0
DPS (QR)	1.50	0.00	1.00	1.50
Dividend Yield	4.1%	0.0%	2.7%	4.1%

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)	39.95/30.33
3-m Average Volume ('000)	53.6
Mkt. Cap. (\$ bn/QR bn)	0.5/1.7
Shares Outstanding (mn)	47.6
FO Limit* (%)	24.9
Current FO* (%)	22.4
1-Year Total Return (%)	15.4
Fiscal Year End	Dec. 31

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

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Detailed Financial Statements

Income Statement

Figures in QR mn	2011	2012	2013e	2014e
Revenue	420	480	542	608
Direct Costs	(305)	(323)	(349)	(388)
Gross Profit	114	157	193	220
Other Income	2	0	0	0
Valuation Gains from Investment properties	4	3	3	3
Staff Costs	(22)	(30)	(33)	(37)
Net Impairment Loss on Trade receivables	(1)	(3)	(1)	(1)
G&A Expenses	(30)	(34)	(35)	(37)
Finance Costs	(6)	(12)	(22)	(23)
Net Profit to Shareholders	62	85	105	126
EPS (QR)	1.56	1.79	2.21	2.65

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

Balance Sheet

Figures in QR mn	2011	2012	2013e	2014e
Non-Current Assets				
PP&E (Inc. Projects in Progress)	666	977	978	1076
Investment Properties	95	99	95	95
Intangible Assets	155	148	143	137
Available-for-Sale Investments	2	0	0	0
Total Non-Current Assets	918	1,224	1,216	1,308
Current Assets				
Inventories	10	10	21	22
Trade and Other Receivables	240	228	277	291
Bank Balances and cash	81	117	238	264
Total Current Assets	331	355	535	576
Total Assets	1,249	1,580	1,751	1,885
Equity				
Share Capital	396	396	476	476
Legal Reserves	221	221	221	221
Changes in Fair Value	(1)	0	0	0
Retained Earnings	67	90	116	194
Attributable to Owners (Parent)	683	708	817	898
Non-Controlling Interests	3	(1)	(2)	(2)
Total Equity	687	707	815	896
Non-Current Liabilities				
Loans and Borrowings	346	667	718	758
Employee Benefits	8	11	12	14
Total Non-Current Liabilities	354	679	730	772
Current Liabilities				
Trade Payables and Accruals	108	79	87	88
Loans and Borrowings	75	89	92	115
Retention Payable	25	25	27	14
Total Current Liabilities	208	194	206	217
Equity and Liabilities	1,249	1,580	1,751	1,885

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

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