

Gulf Warehousing Company (GWCS)

Recommendation	ACCUMULATE	Risk Rating	R-4
Share Price	52.30	Current Target Price	QR65.00
Implied Upside	24.3%		

In-Line 1Q2017; Maintaining Estimates

1Q2017 results in-line with our estimates; maintaining estimates and price target. We are not changing our model and continue to believe GWCS will benefit from positive near-to-medium-term catalysts driven due to start-up of Bu-Sulba. Growth beyond 2018 remains uncertain but we remain comfortable with our 8% EPS growth for 2017.

Highlights

- **GWCS posts net income of QR50.5mn in 1Q2017; in-line with our estimates** – Gulf Warehousing Co. (GWCS) reported in-line net profit of QR50.5mn (-9% QoQ, 9% YoY) vs. our estimate of QR49.2mn. The company reported a top-line of QR222.8mn (-2% QoQ, +1% YoY) vs. our forecast of QR212.2mn (+5% divergence). GWCS is facing a dip in storage and handling contract logistics due to the tepid economic environment but this will be more than offset by Bu-Sulba going forward along with some new deals in April/May.
- **The start-up of the Bu-Sulba Logistics Hub project should add another leg of growth in 2017.** This QR840mn project, which is targeted toward SMEs, should add more than 200k sqm in net leasable area to GWCS' portfolio after 1Q2017. This project is currently running at ~65% utilization and we expect this to conservatively grow to 85% by year-end and reach 100% by 2Q2018.
- **Maintaining estimates:** With Bu-Sulba kicking in this year, we expect revenue to increase 11% in 2017, followed by 5% in 2018. Our overall revenue estimates remain at QR939mn and QR984mn for 2017 and 2018, respectively. We continue to expect EBITDA for 2017 and 2018 to come in at QR388mn and QR422mn, respectively. Our bottom-line forecasts remain unchanged with growth of around 8% net income growth for both 2017 and 2018.

Catalysts

- **Newsflow on development of new warehousing facilities could drive the stock:** Status updates for Bu-Sulba Logistics could act as catalysts.

Recommendation, Valuation and Risks

- **Recommendation and valuation:** We rate GWCS an Accumulate with a PT of QR65.00. Stock trades at P/E of 13.8x and 12.8x for 2017 & 2018, respectively.
- **Risks: Regional markets remain suspect to oil-price driven volatility.** Company-specific risks include low occupancy levels in the new Bu Sulba project, which is targeted toward SMEs. Growth beyond 2018 also remains potentially capped given the upcoming mega logistics project (only open to Qatari individuals/100%-Qatari owned companies) in south Qatar.

Key Financial Data and Estimates

	FY2015	FY2016	FY2017e	FY2018e
Revenue (QR mn)	788	850	939	984
<i>Growth</i>	20%	8%	11%	5%
EBITDA (QR mn)	290	323	388	422
<i>Growth</i>	28%	12%	20%	9%
Net Income (QR mn)	185	206	222	240
EPS (QR)	3.16	3.51	3.78	4.09
<i>Growth</i>	32%	11%	8%	8%
P/E (x)	16.6x	14.9x	13.8x	12.8x
DPS (QR)	1.50	1.60	1.75	2.00
<i>Payout Ratio</i>	47.5%	45.6%	46.3%	48.9%
<i>Dividend Yield</i>	2.9%	3.1%	3.3%	3.8%
<i>ROE</i>	16.2%	14.0%	14.0%	14.0%

Source: Company data. ONBFS estimates; Note: All per share 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)	65.80/48.90
3-m Average Volume ('000)	59.1
Mkt. Cap. (\$ bn/QR bn)	0.9/3.3
Shares Outstanding (mn)	58.6
FO Limit* (%)	49.0
Current FO* (%)	28.2
1-Year Total Return (%)	(16.6)
Fiscal Year End	Dec. 31

Source: Bloomberg (as of April 19, 2017), *Qatar Exchange (as of April 19, 2017); Note: FO is foreign ownership

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Detailed Financial Statements

Income Statement (In QR mn)	FY2015	FY2016	FY2017e	FY2018e	FY2019e	FY2020e
Revenue	788	850	939	984	1,055	1,079
<i>YoY Growth</i>	20%	8%	11%	5%	7%	2%
Direct Costs	(421)	(451)	(474)	(484)	(525)	(543)
Gross Profit	367	399	465	501	530	536
<i>Gross Margin</i>	47%	47%	50%	51%	50%	50%
General and Administrative Expenses	(77)	(76)	(77)	(79)	(79)	(79)
EBITDA	290	323	388	422	451	456
<i>YoY Growth</i>	28%	12%	20%	9%	7%	1%
<i>EBITDA Margin</i>	37%	38%	41%	43%	43%	42%
Depreciation and Amortization	(95)	(107)	(135)	(151)	(167)	(167)
EBIT	194	216	253	271	284	289
<i>YoY Growth</i>	32%	11%	17%	7%	5%	2%
<i>EBIT Margin</i>	25%	25%	27%	28%	27%	27%
Finance Costs	(35)	(38)	(61)	(62)	(57)	(48)
Other Income	19	29	30	32	33	35
Other Gains and Impairments	6	(1)	(1)	(1)	(1)	(1)
Net Income	185	206	222	240	260	275
Minority Interest	0	0	0	0	0	0
Net Income to Equity	185	206	222	240	260	275
<i>YoY Growth</i>	32%	11%	8%	8%	8%	6%
<i>Net Margin</i>	23%	24%	24%	24%	25%	26%
EPS (QR)	3.16	3.51	3.78	4.09	4.43	4.70
DPS (QR)	1.50	1.60	1.75	2.00	2.25	2.50
<i>Payout Ratio</i>	47%	46%	46%	49%	51%	53%

Source: Company data, QNBFS estimates

Balance Sheet (In QR mn)	FY2015	FY2016	FY2017e	FY2018e	FY2019e	FY2020e
Non-Current Assets						
PP&E and Projects in Progress	1,557	2,559	2,566	2,504	2,376	2,249
Investment Properties	186	37	37	38	38	39
Leasehold Property & Associates	-	-	-	-	-	-
Intangible Assets	129	126	120	114	108	102
Available-for-Sale Investments	-	-	-	-	-	-
Total Non-Current Assets	1,872	2,723	2,724	2,656	2,522	2,389
Current Assets						
Inventories	9	9	9	9	10	11
Trade and Other Receivables	513	521	438	458	491	501
Bank Balances and Cash	586	489	671	784	802	827
Total Current Assets	1,109	1,019	1,118	1,252	1,303	1,338
Total Assets	2,981	3,741	3,841	3,908	3,826	3,727
Equity & Liabilities						
Total Shareholders' Equity	1,411	1,519	1,641	1,773	1,909	2,045
Non-Controlling interests	(4)	(4)	(4)	(4)	(4)	(4)
Non-Current Liabilities						
Loans and Borrowings	1,232	1,682	1,637	1,571	1,350	1,129
Employee Benefits	23	27	30	34	38	42
Total Non-Current Liabilities	1,254	1,708	1,668	1,605	1,388	1,171
Current Liabilities						
Trade Payables	16	42	43	44	47	49
Loans and Borrowings	142	194	213	205	176	147
Accruals, Provisions & Other Payables	141	184	183	187	203	209
Retention Payable	20	97	96	98	107	110
Total Current Liabilities	319	517	536	533	533	515
Total Liabilities	1,573	2,226	2,203	2,139	1,921	1,686
Total Equity & Liabilities	2,981	3,741	3,841	3,908	3,826	3,727

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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