

## Gulf Warehousing Company (GWCS)

<b>Recommendation</b>	<b>OUTPERFORM</b>	<b>Risk Rating</b>	<b>R-4</b>
<b>Share Price</b>	<b>QR40.95</b>	<b>Target Price</b>	<b>QR51.35</b>
<b>Implied Upside</b>	<b>25.4%</b>		

### Inline 4Q2013 Results; Upgrading to Outperform

**Gulf Warehousing (GWCS) reported a net profit of QR26.9mn for 4Q2013, up 18.2% QoQ from QR22.7mn in 3Q2013.** The firm booked other income of QR1mn in 4Q2013 vs. QR0.08mn in 2012, which was the primary difference versus our bottom-line estimate of QR25.3mn. For the full year (2013), profit to equity holders stood at QR101.6mn vs. QR84.9mn in 2012, up 19.7% YoY. The company announced a cash DPS of QR1.50 vs. a 20% stock dividend in 2012. Going forward, we expect better operating performance in 2014 & 2015 on the back of LVQ Phases 3 & 4 and expect EPS to grow by 20.9% and 44.8%, respectively.

### Highlights

- **Results' analysis:** Gulf Warehousing reported revenue of QR527.3mn in 2013 versus QR479.7mn in 2012, a growth of 9.9% YoY. The growth was on the back of LVQ Phase 3 coming online. Direct costs only increased by 4.0% YoY, as LVQ is a high-margin real estate rental business relative to other warehouses and freight forwarding. Staff costs came in at QR34.6mn vs. QR30.2mn in 2012, a growth of 14.4%. Net financial charges went up 125.6% YoY as LVQ Phase 3 came on line (were capitalized before). On the Imdad front, GWCS booked a provision of QR6.3mn (51% share leads to a hit of QR3.2mn). For 4Q2013, the major deviation from our estimates was other income of QR1mn vs. QR0.08mn in 2012.
- **Outlook for 2014 & 2015:** We expect better operating performance in 2014 & 2015 on the back of LVQ Phases 3 & 4. In 2014, we expect the full impact of Phase 3, along with incremental benefit of LVQ Phase 4. However, the full impact of Phase 4 will be visible in 2015. We expect GWCS' bottom-line to increase by 20.9% YoY in 2014 and 44.8%YoY in 2015.
- **We update our model and revise our estimates and target price to QR51.35 from QR45.75; changing rating to Outperform from Market Perform.** Given GWCS' major expansion is almost over, future capex requirement should decline. For capex, we estimate QR320mn in 2014 versus QR291mn in 2013. However, post 2014, we have assumed only maintenance capex of QR40mn. Lower capex along with a somewhat lower cost of capital is the primary driver behind our increased price target.

### Catalysts

- **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

	FY2012	FY2013	FY2014e	FY2015e
EPS (QR)	1.79	2.14	2.58	3.74
EPS Growth	37.6%	19.7%	20.9%	44.8%
P/E (x)	22.9	19.2	15.8	10.9
BVS (QR)	14.88	16.97	18.19	19.91
P/B (x)	2.8	2.4	2.3	2.1
DPS (QR)	-	1.50	2.00	3.00
Dividend Yield	0.0%	3.7%	4.9%	7.3%

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)	43.95/34.38
3-m Average Volume ('000)	25.9
Mkt. Cap. (\$ bn/QR bn)	0.5/2.0
Shares Outstanding (mn)	47..6
FO Limit* (%)	24.9
Current FO* (%)	22.3
1-Year Total Return (%)	17.0
Fiscal Year End	Dec. 31

Source: Bloomberg (as of January 20, 2014), \*Qatar Exchange (as of January 20, 2014); 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	FY2012	FY2013	FY2014e	FY2015e
<b>Revenues</b>	<b>480</b>	<b>527</b>	<b>608</b>	<b>722</b>
Direct Costs	(323)	(336)	(370)	(407)
<b>Gross Profit</b>	<b>157</b>	<b>191</b>	<b>238</b>	<b>315</b>
Other Income	0	1	1	0
Valuation Gains from Investment properties	3	9	9	0
Staff Costs	(30)	(35)	(38)	(40)
Net Impairment Loss on Trade receivables	(3)	(6)	(1)	(1)
G&A Expenses	(34)	(35)	(38)	(42)
Finance Costs	(12)	(27)	(49)	(55)
Net Profit to Firm	81	99	123	178
<b>Net Profit to Shareholders</b>	<b>85</b>	<b>102</b>	<b>123</b>	<b>178</b>

Source: Company data, QNBFS estimates

### Balance Sheet

Figures in QR mn	FY2012	FY2013	FY2014e	FY2015e
<b>Non-Current Assets</b>				
PP&E (Inc. Projects in Progress)	977	1188	1439	1410
Investment Properties	99	132	132	132
Intangible Assets	148	141	136	130
Available-for-Sale Investments	0	0	0	0
<b>Total Non-Current Assets</b>	<b>1,224</b>	<b>1,461</b>	<b>1,707</b>	<b>1,672</b>
<b>Current Assets</b>				
Inventories	10	9	10	10
Trade and Other Receivables	228	235	259	272
Bank Balances and cash	117	175	103	196
<b>Total Current Assets</b>	<b>355</b>	<b>419</b>	<b>372</b>	<b>478</b>
<b>Total Assets</b>	<b>1,580</b>	<b>1,879</b>	<b>2,078</b>	<b>2,150</b>
<b>Equity</b>				
Share Capital	396	476	476	476
Legal Reserves	221	232	232	232
Changes in Fair Value	0	0	0	0
Retained Earnings	90	100	151	234
<b>Attributable to Owners (Parent)</b>	<b>708</b>	<b>807</b>	<b>865</b>	<b>947</b>
Non-Controlling Interests	(1)	(4)	(1)	0
<b>Total Equity</b>	<b>707</b>	<b>803</b>	<b>864</b>	<b>947</b>
<b>Non-Current Liabilities</b>				
Loans and Borrowings	667	772	1077	1015
Employee Benefits	11	13	14	15
<b>Total Non-Current Liabilities</b>	<b>679</b>	<b>785</b>	<b>1090</b>	<b>1030</b>
<b>Current Liabilities</b>				
Trade Payables and Accruals	79	97	88	89
Loans and Borrowings	89	165	23	81
Retention Payable	25	29	14	3
<b>Total Current Liabilities</b>	<b>194</b>	<b>291</b>	<b>124</b>	<b>173</b>
<b>Equity and Liabilities</b>	<b>1,580</b>	<b>1,879</b>	<b>2,078</b>	<b>2,150</b>

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*

<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

### Risk Ratings

*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*

<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

### Contacts

**Saugata Sarkar**

Head of Research

Tel: (+974) 4476 6534

[saugata.sarkar@qnbfs.com.qa](mailto:saugata.sarkar@qnbfs.com.qa)**Ahmed M. Shehada**

Head of Trading

Tel: (+974) 4476 6535

[ahmed.shehada@qnbfs.com.qa](mailto:ahmed.shehada@qnbfs.com.qa)**Keith Whitney**

Head of Sales

Tel: (+974) 4476 6533

[keith.whitney@qnbfs.com.qa](mailto:keith.whitney@qnbfs.com.qa)**Sahbi Kasraoui**

Manager - HNWI

Tel: (+974) 4476 6544

[sahbi.alkasraoui@qnbfs.com.qa](mailto:sahbi.alkasraoui@qnbfs.com.qa)**QNB Financial Services SPC**

Contact Center: (+974) 4476 6666

PO Box 24025

Doha, Qatar

**DISCLAIMER:** This publication has been prepared by QNB Financial Services SPC ("QNBFS") a wholly-owned subsidiary of Qatar National Bank ("QNB"). QNBFS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange; QNB is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNBFS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNBFS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. While this publication has been prepared with the utmost degree of care by our analysts, QNBFS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. QNBFS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report.

**COPYRIGHT:** No part of this document may be reproduced without the explicit written permission of QNBFS.