

## Gulf Warehousing Company (GWCS)

Recommendation	<b>OUTPERFORM</b>	Risk Rating	<b>R-4</b>
Share Price	<b>QR48.00</b>	Target Price	<b>QR62.00</b>
Implied Upside	<b>29.2%</b>		

### 3Q2014 Results Review; Upgrading to Outperform

*Gulf Warehousing reported a net profit of QR34.7mn for 3Q2014, down 6.2% QoQ from QR38.8mn in 2Q2014. The 3Q2014 results were slightly above our forecast of QR34.2mn on the back of higher gross margin as LVQ Phase 4 positively impacted GWCS' operating performance. Given recent results and our discussions with management, we are revising our 2014 and 2015 estimates upward. We are also raising the 12-month target price to QR62.00 from QR60.40 and changing our recommendation to Outperform from Accumulate.*

#### Highlights

- Results analysis:** Gulf Warehousing reported a net profit of QR34.7mn vs. our estimate of QR34.2mn and net income of QR38.8mn in 2Q2014. Seasonal factors (Ramadan and the summer lull) led to a 6.2% QoQ decline in overall revenue. Logistics operations (including LVQ) contributed QR118.6mn (QR131.0mn in 2Q2014) while freight forwarding contributed QR51.8mn (QR50.7mn in 2Q2014). In our view, the QoQ decline in logistics was limited by the growth seen from LVQ Phase 4 greater occupancy levels. Direct costs were QR106.6mn (QR117.5mn in 2Q2014), while interest charges were QR9.1mn (QR8.7mn in 2Q2014) for the quarter.
- Outlook for 2014 & 2015:** We expect better operating performance in 2014 & 2015 on the back of LVQ Phase 4. Hence, we have revised our net income estimates. We now expect net income to grow by 39.0% (previously 21.3%) and 22.6% (previously 25.7%) in 2014 and 2015, respectively. In 4Q2014, we expect greater impact from LVQ Phase 4. However, the full impact of Phase 4 should be visible in 2015.

#### Catalysts

- Bidding for new warehousing facilities in Qatar.** The company is bidding for new large warehousing facilities in Qatar. If these plans materialize, they could provide another growth trigger for the bottom-line.
- Potential opening of foreign ownership headroom.** Implementation of the announced change reclassifying GCC investors as local investors should open up the foreign ownership space currently held by Agility (~20%). Moreover, a potential raising of FOL from 25% to 49% could act as a further catalyst.

#### Recommendation, Valuation and Risks

- Recommendation and valuation:** *We rate GWCS an Outperform with a price target of QR62.00.* Our previous recommendation and target price were Accumulate and QR60.40, respectively. The company continues to trade at a premium to its regional and global peers.
- Risks:** 1) Inability to expand beyond LVQ and 2) Entry of new players.

#### Key Financial Data and Estimates

	FY2012	FY2013	FY2014e	FY2015e
EPS (QR)	1.79	2.14	2.97	3.64
EPS Growth	37.6%	19.7%	39.0%	22.6%
P/E (x)	26.9	22.5	16.2	13.2
Dividend Yield	0.0%	3.1%	4.2%	6.3%

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)	69.50/39.50
3-m Average Volume ('000)	43.3
Mkt. Cap. (\$ bn/QR bn)	0.6/2.3
Shares Outstanding (mn)	47.6
FO Limit* (%)	25.0
Current FO* (%)	24.5
1-Year Total Return (%)	23.0
Fiscal Year End	Dec. 31

Source: Bloomberg (as of October 20, 2014), \*Qatar Exchange (as of October 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	FY2013e	FY2014e	FY2015e
<b>Revenues</b>	<b>480</b>	<b>527</b>	<b>707</b>	<b>795</b>
Direct Costs	(323)	(336)	(450)	(495)
<b>Gross Profit</b>	<b>157</b>	<b>191</b>	<b>257</b>	<b>299</b>
Other Income	0	1	1	0
Valuation Gains from Investment	3	9	0	0
Staff Costs	(30)	(35)	(40)	(44)
Net Impairment Loss on Trade	(3)	(6)	(2)	(1)
G&A Expenses	(34)	(35)	(37)	(38)
Finance Costs	(12)	(27)	(38)	(43)
<b>Net Profit to Shareholders</b>	<b>85</b>	<b>102</b>	<b>141</b>	<b>173</b>
<b>EPS (QR)</b>	<b>1.79</b>	<b>2.14</b>	<b>2.97</b>	<b>3.64</b>

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

### Balance Sheet

Figures in QR mn	FY2012	FY2013e	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	7	5
Trade and Other Receivables	228	235	232	218
Bank Balances and cash	117	175	159	262
<b>Total Current Assets</b>	<b>355</b>	<b>419</b>	<b>397</b>	<b>486</b>
<b>Total Assets</b>	<b>1,580</b>	<b>1,879</b>	<b>2,104</b>	<b>2,158</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	170	248
<b>Attributable to Owners (Parent)</b>	<b>708</b>	<b>807</b>	<b>877</b>	<b>951</b>
Non-Controlling Interests	(1)	(4)	(4)	0
<b>Total Equity</b>	<b>707</b>	<b>803</b>	<b>873</b>	<b>951</b>
<b>Non-Current Liabilities</b>				
Loans and Borrowings	667	772	1,077	1,015
Employee Benefits	11	13	14	15
<b>Total Non-Current Liabilities</b>	<b>679</b>	<b>785</b>	<b>1,090</b>	<b>1,030</b>
<b>Current Liabilities</b>				
Trade Payables and Accruals	79	97	88	89
Loans and Borrowings	89	165	23	81
Retention Payable	25	29	30	6
<b>Total Current Liabilities</b>	<b>194</b>	<b>291</b>	<b>141</b>	<b>176</b>
<b>Equity and Liabilities</b>	<b>1,580</b>	<b>1,879</b>	<b>2,104</b>	<b>2,158</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)

#### Sahbi Kasraoui

Manager – HNWI

Tel: (+974) 4476 6544

[sahbi.alkasraoui@qnbfs.com.qa](mailto:sahbi.alkasraoui@qnbfs.com.qa)

#### Abdullah Amin, CFA

Senior Research Analyst

Tel: (+974) 4476 6569

[abdullah.amin@qnbfs.com.qa](mailto:abdullah.amin@qnbfs.com.qa)

#### Ahmed Al-Khoudary

Head of Sales Trading – Institutional

Tel: (+974) 4476 6548

[ahmed.alkhoudary@qnbfs.com.qa](mailto:ahmed.alkhoudary@qnbfs.com.qa)

#### Shahan Keushgerian

Senior Research Analyst

Tel: (+974) 4476 6509

[shahan.keushgerian@qnbfs.com.qa](mailto:shahan.keushgerian@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.**