

Gulf Warehousing Company (GWCS)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR3.157	Target Price	QR3.800
Implied Upside	20.4%	Old Target Price	QR3.900

Softer-Than-Expected 4Q2024; Revising Estimates/TP; Maintain Accumulate

GWCS printed a weaker-than-expected 4Q2024 net income/EPS of QR24.9mn/QR0.042, down 47.3%/46.7% YoY/QoQ & 23.9% below our Street Low estimate of QR32.7mn/QR0.056. The miss vs. our model was primarily due to a lower-than-expected top-line on the logistics side, along with higher-than-expected G&A. For 2024, GWCS reported profits/EPS of QR171.9mn/QR0.293, down 20.1% YoY and 4.3% shy of our estimate of QR179.7mn/QR0.307. DPS of QR0.10 is down 9.1% vs. FY2023/our estimate of QR0.11. With 2024 results in the bag and in view of the overall pricing/occupancy weakness ongoing in Bu Sulba, we are lowering our forward estimates. Our 2025 earnings/EPS estimate of QR188.2mn/QR0.321 is 1.2% lower than our previous estimate and implies a YoY earnings increase of 9.5%. 2025 should see a resumption in earnings growth, aided by top-line growth, a modest improvement in margins (after some one-off provisions/reserves were taken in 4Q2024) and lower finance charges (for more details, see page 4). **GWCS is facing near-term challenges but we remain optimistic regarding the company's longer-term prospects.** The company's longstanding GCEO Ranjeev Menon resigned from his position recently and has been replaced by Acting GCEO Matthew Kearns who was, most recently, the Country Manager of UAE Amazon - Logistics. Going forward, GWCS could benefit from several projects. We note that GWC Energy is targeting the offshore/onshore-integrated shipping, logistics and marine services market in Qatar/GCC and could benefit from increased NF activity as Qatar expands its LNG capacity from 77 MTPA to 142 MTPA by 2030. GWCS is also building a 15,000 m² facility in Ras Laffan (December 2024 completion) to serve EPC contractors for the NF project. Having already entered the FF market in Saudi Arabia, GWCS is expanding its logistics operations - GWCS plans to develop 100,000 m² of Grade A logistics facilities at the Ras Al Khair Industrial Port and 200,000 m² of Grade A logistics infrastructure in Riyadh, Jeddah and Dammam. GWCS's FLAG Oman operations also aims to serve as a vital hub for trade and supply chain solutions across the GCC and beyond. **We further note that GWCS is looking to implement a QR2bn Sukuk program and is also looking into options to reduce its overall debt burden (could be through a convertible Sukuk).** While these initiatives could well be earnings dilutive in the near term, they could help shore up the company's longer-term prospects. We do note that the stock continues to suffer from a lack of liquidity and sports a below-market dividend yield of 3.2%, which we feel needs to be addressed. **We maintain our Accumulate rating but lower our target price from QR3900 to QR3.800. With 2025 likely to be a year of transition, we believe investors would be interested in learning more about the company's regional expansion plans and the new Acting GCEO's vision and strategy.**

Highlights

- 4Q2024 earnings miss the mark vs. Bloomberg consensus of QR41.2mn. The miss vs. our model was due to a lower-than-expected top-line on the logistics side, along with higher-than-expected G&A expenses.
- Top-line of QR391.1mn grew 4.9% YoY but fell 11.7% QoQ, with yearly growth driven by freight forwarding. Overall revenue was 4.0% below our model of QR407.6mn.
- Logistics revenue of QR220.2mn (-12.3% YoY, -12.7% QoQ; 56% of total revenue) was 5.1% below our estimate (QR232.1mn). Warehouse management services fell 10.4% YoY/14.4% QoQ to QR183.1mn (6.6% below our forecast of QR196.0mn). Our sense is that logistics' hubs remain soft with Bu Sulba (targeted at SMEs) facing pricing/occupancy issues, especially on smaller units (Bu Sulba had 78,000 m² vacant in 3Q2024 and while occupancy likely improved modestly QoQ, pricing pressure is the norm). Overall logistics hubs' occupancy levels probably remained under pressure and below the 82% posted in 3Q2024.
- FF top-line of QR169.0mn (42.0% YoY, -10.6% QoQ; 43% of total revenue) fell shy of our model of QR173.6mn by 2.6%. Despite the moderate miss, FF remains strong with 2H2024 revenue up 37.4% vs. 1H2024 and 2024 revenue growing 26.4% YoY; GWCS continues to enjoy growth related to the NF project.
- Gross margins keep softening given the higher mix of lower-margin FF and pricing pressure in logistics' hubs. 4Q2024 GM was 24.4% vs. 31.4% in 4Q2023 & 24.9% (3Q2024). GM came in above our model of 23.4% given the miss in FF revenue. GP of QR95.6mn (-18.5% YoY, -13.2% QoQ) was in-line with our forecast of QR95.3mn. GWCS recorded some one-off reserves/provisions related mostly to FF (and some logistics) of ~QR32mn, which pressured margins but should assist future profitability.
- 4Q2024 EBITDA of QR115.9mn (-12.6% YoY, -16.0 QoQ) missed our QR124.8mn forecast by 7.1% as G&A expenses of QR39.1mn (-2.9% YoY, 22.4% QoQ) exceed our forecast of QR30.6mn by 27.8%. EBITDA margin of 29.6% in 4Q2024 fell below 35.6% (4Q2023)/31.1% (3Q2024); we were expecting a 30.6% margin.
- Finance charges are reflecting progress made by management in lowering funding costs. GWCS posted 4Q2024 finance charges (including finance costs on lease liabilities) of QR29.0mn (5.7% YoY/-8.4% QoQ), which came in 6.2% below our model of QR30.9mn. In 2H2024, GWCS negotiated a reduction in the cost of funding by ~75 bps. Debt fell 7.7% to QR1.86bn from QR2.02bn (2023) due to scheduled repayment of loans.

Catalysts

- Stability/pickup in domestic operations along with growth on the regional front could help the stock.

Recommendation, Valuation and Risks

- We rate GWCS an Accumulate with a price target of QR3.800. GWCS trades at P/Es of 9.8x and 9.1x for 2025 & 2026, respectively, which is attractive relative to its historical mean of ~11x.
- Risks: LT warehousing demand growth in Qatar is uncertain. Regional expansion could present execution challenges. Receivable collections have been subdued. Geopolitical risks cannot be modeled.

Key Financial Data and Estimates

	FY2023	FY2024	FY2025e	FY2026e
Revenue (QR mn)	1,508	1,583	1,657	1,709
EPS (QR)	0.367	0.293	0.321	0.347
Growth	-10.2%	-20.1%	9.5%	8.0%
P/E (x)	8.6x	10.8x	9.8x	9.1x

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

Key Data

Current Market Price (QR)	3.157
Dividend Yield (%)	3.2
Bloomberg Ticker	GWCS QD
ADR/GDR Ticker	N/A
Reuters Ticker	GWCS.QA
ISIN	QA000A0KD6H9
Sector*	Transportation
52wk High/52wk Low (QR)	3.785/3.070
3-m Average Volume (mn)	0.9
Mkt. Cap. (\$ bn/QR bn)	0.5/1.9
EV (\$ bn/QR bn)	1.0/3.8
Shares Outstanding (mn)	586.0
FO Limit* (%)	100.0
Current Institutional FO* (%)	7.1
1-Year Total Return (%)	(3.6)
Fiscal Year End	December 31

Source: Bloomberg (as of January 22, 2025), *Qatar Exchange (as of January 21, 2025); Note: FO is foreign ownership

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QNB FS 4Q2024 Estimates and Comparisons

Income Statement (QR 000)	4Q2023	3Q2024	4Q2024	4Q2024e	A Vs. E	YoY	QoQ
Revenue	372,774.459	443,155.174	391,135.542	407,590.567	-4.0%	4.9%	-11.7%
YoY	-8.9%	26.8%	4.9%	9.3%			
QoQ	6.6%	18.9%	-11.7%	-8.0%			
Logistics	251,016.317	252,216.783	220,171.032	232,101.316	-5.1%	-12.3%	-12.7%
Warehouse Management Services	204,482.385	214,015.947	183,144.628	196,038.607	-6.6%	-10.4%	-14.4%
Transport Services	10,028.883	9,051.755	10,409.324	8,671.581	20.0%	3.8%	15.0%
Fine Arts	13,273.901	12,811.330	13,385.160	11,760.801	13.8%	0.8%	4.5%
Records Management Services	17,431.986	16,337.751	13,231.920	15,630.326	-15.3%	-24.1%	-19.0%
Freight Forwarding	118,956.756	189,000.999	168,955.631	173,551.859	-2.6%	42.0%	-10.6%
Freight Forwarding Services	113,879.854	179,294.355	158,567.829	164,054.335	-3.3%	39.2%	-11.6%
Courier Services	10,876.064	9,706.644	10,387.802	9,497.524	9.4%	-4.5%	7.0%
Rental Income From Investment Property	2,452.848	1,441.497	1,458.997	1,441.497	1.2%	-40.5%	1.2%
Others	348.538	495.895	549.882	495.895	10.9%	57.8%	10.9%
Direct Costs	(255,538.001)	(333,002.658)	(295,564.302)	(312,255.573)	-5.3%	15.7%	-11.2%
Gross Profit	117,236.458	110,152.516	95,571.240	95,334.994	0.2%	-18.5%	-13.2%
General & Administration expenses	(40,243.946)	(31,916.747)	(39,077.622)	(30,569.293)	27.8%	-2.9%	22.4%
Amortization of Intangible Assets							
Operating Profit	76,992.512	78,235.769	56,493.618	64,765.702	-12.8%	-26.6%	-27.8%
Finance Income	1,344.972	720.448	1,010.627	729.518	38.5%	-24.9%	40.3%
Finance Costs	(27,458.047)	(31,675.578)	(29,026.461)	(30,934.000)	-6.2%	5.7%	-8.4%
Other Income	399.303	1,449.548	92.208	1,103.251	-91.6%	-76.9%	-93.6%
Net Impairment Loss On Trade Receivables	(1,873.144)	(465.000)	(3,075.000)	(1,874.249)	64.1%	64.2%	561.3%
EBT	49,405.596	48,265.187	25,494.992	33,790.222	-24.5%	-48.4%	-47.2%
Taxes	(681.730)	(764.965)	120.497	(535.629)	N/M	N/M	N/M
Net Income	48,723.866	47,500.222	25,615.489	33,254.593	-23.0%	-47.4%	-46.1%
YoY	-28.3%	-11.8%	-47.4%	-31.7%			
QoQ	-9.5%	-5.0%	-46.1%	-30.0%			
Non-Controlling Interest	1,553.167	832.000	744.378	582.603	27.8%	-52.1%	-10.5%
Net Income to Equity	47,170.699	46,668.222	24,871.111	32,671.990	-23.9%	-47.3%	-46.7%
YoY	-27.9%	-12.0%	-47.3%	-30.7%			
QoQ	-11.1%	-5.7%	-46.7%	-30.0%			
NM	12.7%	10.5%	6.4%	8.0%			
EPS (QR)	0.080	0.080	0.042	0.056	-23.9%	-47.3%	-46.7%
Provision for Impairment of Trade Receivables	1,873.144	465.000	3,075.000	1,874.249	64.1%	64.2%	561.3%
Depreciation & Amortization	55,566.076	59,666.520	59,367.964	59,988.063	-1.0%	6.8%	-0.5%
EBITDA	132,558.588	137,902.289	115,861.582	124,753.765	-7.1%	-12.6%	-16.0%
GM	31.4%	24.9% [▲]	24.4%	23.4%			
G&A	10.8%	7.2%	10.0%	7.5%			
EBIT	20.7%	17.7%	14.4%	15.9%			
EBITDA	35.6%	31.1%	29.6%	30.6%			

Source: Company data, QNB FS Research

QNB FS 2024 Estimates and Comparisons

Income Statement (QR 000)	2023	2024	2024e	A Vs. E	YoY
Revenue	1,508,304.846	1,582,628.392	1,599,083.417	-1.0%	4.9%
YoY	-0.7%	4.9%	6.0%		
QoQ					
Logistics	1,006,297.401	955,612.826	967,543.110	-1.2%	-5.0%
Warehouse Management Services	834,924.473	792,840.861	805,734.840	-1.6%	-5.0%
Transport Services	44,222.033	41,726.449	39,988.706	4.3%	-5.6%
Fine Arts	56,490.887	58,977.604	57,353.245	2.8%	4.4%
Records Management Services	64,860.846	62,067.912	64,466.318	-3.7%	-4.3%
Freight Forwarding	489,266.461	618,426.266	623,022.494	-0.7%	26.4%
Freight Forwarding Services	450,815.564	580,059.866	585,546.372	-0.9%	28.7%
Courier Services	44,250.059	38,366.400	37,476.122	2.4%	-13.3%
Rental Income From Investment Property	9,811.394	5,783.490	5,765.990	0.3%	-41.1%
Others	2,929.590	2,805.810	2,751.823	2.0%	-4.2%
Direct Costs	(1,045,308.674)	(1,149,571.110)	(1,166,262.381)	-1.4%	10.0%
Gross Profit	462,996.172	433,057.282	432,821.036	0.1%	-6.5%
General & Administration expenses	(138,804.804)	(132,689.445)	(124,181.116)	6.9%	-4.4%
Amortization of Intangible Assets					
Operating Profit	324,191.368	300,367.837	308,639.921	-2.7%	-7.3%
Finance Income	2,525.397	2,819.562	2,538.453	11.1%	11.6%
Finance Costs	(103,808.350)	(132,273.875)	(134,181.414)	-1.4%	27.4%
Other Income	2,764.301	10,288.211	11,299.254	-8.9%	272.2%
Net Impairment Loss On Trade Receivables	(3,912.144)	(4,490.000)	(3,289.249)	36.5%	14.8%
EBT	221,760.572	176,711.735	185,006.965	-4.5%	-20.3%
Taxes	(1,619.556)	(2,221.014)	(2,877.140)	-22.8%	37.1%
Net Income	220,141.016	174,490.721	182,129.825	-4.2%	-20.7%
YoY	-11.7%	-20.7%	-17.3%		
QoQ					
Non-Controlling Interest	5,098.203	2,600.179	2,438.404	6.6%	-49.0%
Net Income to Equity	215,042.813	171,890.542	179,691.421	-4.3%	-20.1%
YoY	-10.2%	-20.1%	-16.4%		
QoQ					
NM	14.3%	10.9%			
EPS (QR)	0.367	0.293	0.307	-4.3%	-20.1%
Provision for Impairment of Trade Receivables	3,912.144	4,490.000	3,289.249	36.5%	14.8%
Depreciation & Amortization	207,252.434	239,298.302	239,918.401	-0.3%	15.5%
EBITDA	531,443.802	539,666.139	548,558.322	-1.6%	1.5%
GM	30.7%	27.4%	27.1%		
G&A	9.2%	8.4%	7.8%		
EBIT	21.5%	19.0%	19.3%		
EBITDA	35.2%	34.1%	34.3%		

Source: Company data, QNB FS Research

Estimate Revisions

With 2024 results in the bag and in view of the overall pricing/occupancy weakness ongoing in Bu Sulba, we are lowering our forward estimates. Our 2025 earnings/EPS estimate of QR188.2mn/QR0.321 is 1.2% lower than our previous estimate and implies a YoY earnings increase of 9.5%. 2025 should see a resumption in earnings growth, aided by top-line growth, a modest improvement in margins (after some one-off provisions/reserves were taken in 4Q2024) and lower finance charges

QNB FS Estimates Revisions

In QR Millions	Actual	Current	Previous		Current	Previous		Current	Previous	
	2024	2025	2025	▲	2026	2026	▲	2027	2027	▲
Revenue	1,582.6	1,656.8	1,713.8	-3.3%	1,708.9	1,767.4	-3.3%	1,766.1	1,826.2	-3.3%
Gross Profit	660.4	672.8	659.8	2.0%	684.9	663.3	3.3%	706.4	677.8	4.2%
Gross Margin	41.7%	40.6%	38.5%		40.1%	37.5%		40.0%	37.1%	
EBITDA	539.7	553.6	543.8	1.8%	561.4	543.1	3.4%	578.6	553.5	4.6%
EBITDA Margin	34.1%	33.4%	31.7%		32.9%	30.7%		32.8%	30.3%	
Depreciation & Amortization	(239.3)	(253.5)	(240.4)	5.5%	(264.0)	(240.8)	9.6%	(272.3)	(241.3)	12.8%
EBIT	300.4	300.1	303.4	-1.1%	297.5	302.3	-1.6%	306.4	312.1	-1.9%
EBIT Margin	19.0%	18.1%	17.7%		17.4%	17.1%		17.3%	17.1%	
Interest Expense	(122.4)	(96.6)	(97.2)	-0.6%	(78.4)	(79.3)	-1.2%	(69.0)	(70.4)	-2.1%
Net Income	171.9	188.2	190.6	-1.2%	203.3	206.7	-1.7%	221.0	224.8	-1.7%
Net Margin	10.9%	11.4%	11.1%		11.9%	11.7%		12.5%	12.3%	
EPS	0.293	0.321	0.325	-1.2%	0.347	0.353	-1.7%	0.377	0.384	-1.7%
DPS	0.100	0.100	0.110	-9.1%	0.110	0.120	-8.3%	0.120	0.130	-7.7%

Source: Company data, QNB FS estimates

Detailed Financial Statements

Income Statement (In QR mn)	FY2023	FY2024	FY2025e	FY2026e	FY2027e
Revenue	1,508	1,583	1,657	1,709	1,766
YoY Growth	-1%	5%	5%	3%	3%
Direct Costs, Excluding D&A	(850)	(922)	(984)	(1,024)	(1,060)
Gross Profit	658	660	673	685	706
Gross Margin	44%	42%	41%	40%	40%
General & Admin. Expenses, Excl. D&A	(127)	(121)	(119)	(123)	(128)
EBITDA	531	540	554	561	579
YoY Growth	11%	2%	3%	1%	3%
EBITDA Margin	35%	34%	33%	33%	33%
Depreciation and Amortization	(207)	(239)	(254)	(264)	(272)
EBIT	324	300	300	297	306
YoY Growth	5%	-7%	0%	-1%	3%
EBIT Margin	21%	19%	18%	17%	17%
Net Finance Costs and Other Income	(102)	(124)	(107)	(88)	(79)
PBT	222	177	193	209	227
Taxes	(2)	(2)	(2)	(3)	(3)
Net Income	220	174	191	206	224
Minority Interest	5	3	3	3	3
Net Income to Equity	215	172	188	203	221
YoY Growth	-10%	-20%	9%	8%	9%
Net Margin	14%	11%	11%	12%	13%
EPS (QR)	0.37	0.29	0.32	0.35	0.38
DPS (QR)	0.11	0.10	0.10	0.11	0.12
Payout Ratio	30%	34%	31%	32%	32%

Source: Company data, QNB FS estimates

Detailed Financial Statements

Balance Sheet (In QR mn)	FY2023	FY2024	FY2025e	FY2026e	FY2027e
Non-Current Assets					
PP&E, WIP & Right of Use Assets	4,066	4,035	3,812	3,629	3,439
Investment Properties	41	-	-	-	-
Intangible Assets & Goodwill	121	119	117	116	114
Available-for-Sale Investments/Other	18	18	18	18	18
Total Non-Current Assets	4,247	4,172	3,947	3,763	3,571
Current Assets					
Inventories	11	7	8	8	9
Trade and Other Receivables	659	653	685	707	731
Bank Balances and Cash	280	205	347	478	671
Total Current Assets	950	865	1,041	1,193	1,411
Total Assets	5,197	5,037	4,988	4,956	4,982
Total Shareholders' Equity					
Non-Controlling interests	20	23	25	29	32
Non-Current Liabilities					
Lease Liabilities & Others	227	210	207	226	247
Loans and Borrowings	1,453	1,224	1,115	956	857
Employee Benefits & Others	60	60	62	64	66
Total Non-Current Liabilities	1,741	1,494	1,385	1,247	1,170
Current Liabilities					
Trade Payables	87	72	89	93	96
Loans and Borrowings	564	637	566	516	452
Accruals, Provisions & Other Payables	348	269	256	267	276
Lease Liabilities	16	21	21	20	19
Retention Payable	39	38	38	38	38
Total Current Liabilities	1,053	1,037	970	934	881
Total Liabilities	2,794	2,531	2,354	2,180	2,052
Total Equity & Liabilities	5,197	5,037	4,988	4,956	4,982

Source: Company data, QNB FS estimates

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

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