GWCS Alert – In-Line 2Q2019 Results; Maintain Accumulate Rating

- **GWCS' bottom line rises 11.5% YoY and 5.8% QoQ in 2Q2019, in-line with our estimate** – Gulf Warehousing Co. (GWCS) reported net profit of QR63.0mn in 2Q2019, in line with our estimate of QR60.5mn (variation of +4.1%). For the first half of 2019, reported earnings came in at QR122.5mn, up 10.7% from QR110.7mn in 1H2018.

- **The company's revenue came in at QR295.9mn in 2Q2019, which represents a decrease of 5.8% YoY (-2.6% QoQ).** Reported revenue was modestly (3.2%) below our estimate of QR305.7mn.

- **No change to our estimates for now.** We remain comfortable with our QR247.7mn earnings estimate for 2019, which implies a slight 2.2% growth in 2H from 1H. For 2019, we continue to expect 4.6% YoY growth in earnings.

- **We continue to rate GWCS an Accumulate with a price target of QR5.10.** Stock trades at P/E of 11.6x and 10.6x for 2019 & 2020, respectively. The stock is up 33.4% YTD on a total return basis. We retain our bullish investment thesis on GWCS – the company has withstood the blockade well with its freight forwarding segment showing significant growth in 2018; the company's logistics business also remains robust driven by contract logistics and increasing occupancy in Bu Sulba. Growth post Bu Sulba (~90% occupancy) will decline, but as we had flagged previously, GWCS has started generating substantial FCF with FCF yield increasing from 1.5% in 2017 to 9.6% in 2018, reaching 16.3% in 2023. Dividend yield of 3.9% for 2018 should grow to 5.7% by 2023. With major capex already done, there could be upside to dividends medium-term.

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Recommendations		Risk Ratings	
Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price		*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*	
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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