

GWCS Alert – 3Q2017 Net Income Comes In-Line with Estimates; Reiterate Accumulate

- **GWCS' net profit declines 5% QoQ in 3Q2017, in-line with our estimate.** Gulf Warehousing Company's (GWCS) net profit declined 5% QoQ to QR51.99mn in 3Q2017, in line with our estimate of QR50.06mn (variation of +3.8%). However, on a YoY basis, net profit rose 6.5%. EPS amounted to QR0.89 in 3Q2017 as compared to QR0.93 in 2Q2017.
- **Revenue growth exceeded our expectations.** The company's revenue came in at QR240.14mn in 3Q2017, which represents an increase of 3.4% QoQ (+25.6% YoY). Top-line was a positive surprise driven by better-than-expected performance from the continued ramp-up of the Bu Sulba logistics project and some 4PL revenue growth in the quarter.
- **Margins slightly softer relative to our expectations.** Gross margins came in sequentially flattish at 37% vs. our forecast of 38%, which was in-line with GMs recorded in 3Q2016. Slightly higher-than-expected G&A and higher finance charges also reduced net income, which came in-line with our estimate.
- **We retain our Accumulate rating with a QR53/share price target.** Stock trades at P/E of 12.3x and 12.0x for 2017 & 2018, respectively.
- **Risks:** include low occupancy in Bu Sulba. Growth after 2018 is potentially capped given the upcoming mega logistics project (only open to Qatari individuals/100%-Qatari owned companies) in south Qatar.

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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