GWCS Alert – In-Line 4Q/2022; Flat /In-Line DPS of QR0.10 (DY: 2.6%); Shifting to Accumulate & QR5.10 PT

- **Another in-line quarter with decent growth metrics –** Gulf Warehousing Company's (GWCS) 4Q2022 net profit came in at QR65.4mn (8.2% YoY, 10.1% QoQ), which was in-line with our estimate of QR67.2mn (divergence: -2.7%). The company's 4Q2022 top-line came in at QR409.2mn, up 14.9% YoY and 4.8% QoQ. Revenue was softer than our forecast of QR438.2mn (difference of -6.6%). The reported gross margin for 4Q2022 was 29.5% vs. 29.6% in 4Q2021 and 28.2% in 3Q2022.
- **As expected, 2022 EPS rose 6.5% YoY from QR0.38 to QR0.41; DPS of QR0.10 is flat and also in-line with our expectations.** Net income for FY2022 came in at QR239.6mn, which was in-line with our estimate of QR241.4mn (-0.7% divergence). For 2021, GWCS reported QR224.9mn in net income. The dividend payout for 2022 is 24.5%, which implies a below-market dividend yield of 2.6%.
- **2023 should be a down year but we expect earnings growth to perk up in 2024.** With construction of phase 2 of Al Wukair expected to be completed by end-2023, we continue to expect earnings growth in 2024 (after an expected lull in 2023). Our previous forecasts had called for an EPS decline of ~6% in 2023, followed by a resurgence of ~11% in 2024. In addition, GWCS could venture into two new projects (in Oman and the UAE), which we have not included in our model presently given their lack of details. We believe that these projects could also serve as positive catalysts in the future.
- **We change our rating from Outperform to Accumulate and revise our price target from QR6.10 to QR5.10 for now; we will tweak our earnings estimates in the future.** GWCS stock continues to underperform and is trading roughly 4% above its 52-week low. *While the stock price could present compelling entry points, we expect more of a sustained momentum in 2H2023 as details of Al Wukair Logistics Park phase 2 and other/overseas expansion comes into focus. We also believe a potential increase in dividends could make the stock more compelling especially for retail investors and await color from management in this regard as capex-intensive projects wind down potentially this year.* In terms of fundamental drivers, corporate restructurings could boost outsourced logistics solutions and 4PL remains a growth area.

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Recommendations *Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*		Risk Ratings *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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