

Gulf Warehousing Company (GWCS)

Recommendation	ACCUMULATE	Risk Rating	R-4
Share Price	56.70	Current Target Price	QR65.00
Implied Upside	14.6%	Old Target Price	QR68.00

Expecting 10% YoY Earnings Growth in 2016; Accumulate

We are adjusting our estimates factoring in 9M2016 reported results and move to an Accumulate rating with a price target of QR65. GWCS should continue to benefit from positive near-to-medium-term catalysts considering its LVQ Phase V/Ras Laffan warehouse projects in mid-2016 leading up to growth driven by Bu-Sulba in 2017. We remain constructive on the name.

Highlights

- 4Q2016 preview:** We expect around QR53mn in net income for 4Q2016 (+8% QoQ, +5% YoY) on the back of revenue of QR212mn (+11% QoQ, +10% YoY). The sequential boost should be driven by LVQ Phase V (45,000 sqm; 50% for clients). Our EPS projection for 4Q2016 is QR0.90.
- 2016 results expectations call for 10% YoY net income growth to ~QR203mn.** We also expect GWCS' top-line to grow around 6% to QR833mn. We are expecting the company to recommend a DPS of QR1.50 (flat with 2015 on an unadjusted basis).
- The start-up of the Bu-Sulba Logistics Hub project should add another leg of growth in 2017.** This QR840mn project, which is targeted toward SMEs, should add more than 200k sqm in net leasable area to GWCS' portfolio after 1Q2017.
- Model changes beyond 2016:** With Bu-Sulba kicking in this year, we expect revenue to increase 12% in 2017 and another 5% in 2018. We have lowered our 2017 and 2018 revenue forecasts QR930mn and QR977mn, respectively, vs. QR966mn and QR1,054mn previously on account of softness expected in the freight forwarding segment. We are, however, increasing our net income estimates to QR210mn and QR220mn for 2017 and 2018, respectively, vs. our previous estimates of QR181mn and QR216mn. We were probably slightly conservative on margins previously and have adjusted some costs.

Catalysts

- Newsflow on development of new warehousing facilities could drive the stock:** Status updates for the Bu-Sulba Logistics Hub project could act as a catalyst.

Recommendation, Valuation and Risks

- Recommendation and valuation:** We rate GWCS an Accumulate with a price target of QR65.00. Our previous price target was QR68.
- Risks: Regional markets could become volatile given the volatility in oil prices.** Company-specific risks include low occupancy levels in the new Bu Sulba project, which is target toward SMEs. Growth beyond 2017 also remains potentially capped given the upcoming mega logistics project (only open to Qatari individuals/100%-Qatari owned companies) in south Qatar.

Key Financial Data and Estimates

	FY2015	FY2016e	FY2017e	FY2018e
Revenue (QR mn)	788	833	930	977
Growth	20%	6%	12%	5%
EBITDA (QR mn)	290	305	368	401
Growth	28%	5%	21%	9%
Net Income (QR mn)	185	203	210	220
EPS (QR)	3.16	3.46	3.59	3.76
Growth	32%	10%	4%	5%
P/E (x)	17.9x	16.4x	15.8x	15.1x
DPS (QR)	1.22	1.50	1.65	1.80
Payout Ratio	38.5%	43.3%	46.0%	47.9%
Dividend Yield	2.1%	2.6%	2.9%	3.2%
ROE	16.2%	13.8%	13.2%	12.9%

Source: Company data, QNBFS estimates; Note: All per share 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)	66.10/40.05
3-m Average Volume ('000)	56.2
Mkt. Cap. (\$ bn/QR bn)	0.9/3.3
Shares Outstanding (mn)	58.6
FO Limit* (%)	49.0
Current FO* (%)	27.9
1-Year Total Return (%)	6.4
Fiscal Year End	Dec. 31

Source: Bloomberg (as of January 5, 2017), *Qatar Exchange (as of January 4, 2017); Note: FO is foreign ownership

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Detailed Financial Statements

Income Statement (In QR mn)	FY2015	FY2016e	FY2017e	FY2018e	FY2019e	FY2020e
Revenue	788	833	930	977	1,050	1,071
<i>YoY Growth</i>	20%	6%	12%	5%	7%	2%
Direct Costs	(421)	(437)	(465)	(475)	(516)	(532)
Gross Profit	367	396	465	502	534	539
<i>Gross Margin</i>	47%	48%	50%	51%	51%	50%
General and Administrative Expenses	(77)	(91)	(97)	(102)	(107)	(112)
EBITDA	290	305	368	401	427	427
<i>YoY Growth</i>	28%	5%	21%	9%	7%	0%
<i>EBITDA Margin</i>	37%	37%	40%	41%	41%	40%
Depreciation and Amortization	(95)	(105)	(135)	(156)	(161)	(161)
EBIT	194	200	233	244	266	266
<i>YoY Growth</i>	32%	3%	17%	5%	9%	0%
<i>EBIT Margin</i>	25%	24%	25%	25%	25%	25%
Finance Costs	(35)	(38)	(65)	(68)	(62)	(53)
Other Income	19	28	30	31	33	34
Other Gains and Impairments	6	13	13	13	13	13
Net Income	185	203	210	220	249	260
Minority Interest	0	0	0	0	0	0
Net Income to Equity	185	203	210	220	249	260
<i>YoY Growth</i>	32%	10%	4%	5%	13%	5%
<i>Net Margin</i>	23%	24%	23%	23%	24%	24%
EPS (QR)	3.16	3.46	3.59	3.76	4.25	4.44
DPS (QR)	1.22	1.50	1.65	1.80	2.00	2.15
<i>Payout Ratio</i>	39%	43%	46%	48%	47%	48%

Source: Company data, QNBFS estimates

Balance Sheet (In QR mn)	FY2015	FY2016e	FY2017e	FY2018e	FY2019e	FY2020e
Non-Current Assets						
PP&E and Projects in Progress	1,557	2,495	2,588	2,540	2,437	2,334
Investment Properties	186	52	67	82	97	112
Leasehold Property & Associates	-	-	-	-	-	-
Intangible Assets	129	123	117	110	104	98
Available-for-Sale Investments	-	-	-	-	-	-
Total Non-Current Assets	1,872	2,669	2,771	2,732	2,638	2,544
Current Assets						
Inventories	9	9	9	9	10	11
Trade and Other Receivables	513	482	509	535	575	585
Bank Balances and Cash	586	544	585	653	627	613
Total Current Assets	1,109	1,035	1,103	1,198	1,212	1,208
Total Assets	2,981	3,704	3,874	3,930	3,850	3,753
Equity & Liabilities						
Total Shareholders' Equity	1,411	1,533	1,650	1,768	1,905	2,042
Non-Controlling interests	(4)	(4)	(4)	(4)	(4)	(4)
Non-Current Liabilities						
Loans and Borrowings	1,232	1,655	1,681	1,614	1,392	1,169
Employee Benefits	23	28	34	39	46	52
Total Non-Current Liabilities	1,254	1,683	1,715	1,654	1,437	1,221
Current Liabilities						
Trade Payables	16	24	25	26	28	29
Loans and Borrowings	142	205	208	200	172	145
Accruals, Provisions & Other Payables	141	239	255	260	282	290
Retention Payable	20	24	25	26	28	29
Total Current Liabilities	319	491	513	512	511	493
Total Liabilities	1,573	2,175	2,228	2,165	1,948	1,714
Total Equity & Liabilities	2,981	3,704	3,874	3,930	3,850	3,753

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

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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