

QNBFS Alert – GWCS Posts In-Line 2016 W/ Dividend Upside; Retain Accumulate

- **4Q2016 and 2016 earnings in-line with estimates.** Gulf Warehousing Co. (GWCS) reported a net profit of QR55.6mn in 4Q2016, in-line with our expectations of QR52.8mn (5% divergence). Net income increased by 14% and 11% QoQ and YoY, respectively. Revenue for the quarter at QR228.2mn (+19% QoQ and YoY) was 8% ahead of our estimate. However, direct costs were higher than our model leading to a gross profit of QR81.4mn vs. our forecast of QR79.6mn (a differential of 2%). 2016 net income of QR205.7mn was up 11% for the year and right in line with our estimate of QR203.0mn (a differential of 1%).
- **Dividends per share proposed at QR1.60 (DY: 2.8%) vs. our estimate of QR1.50.** The company paid a DPS of QR1.50 for 2015 (QR1.22 after adjusting for the rights issue).
- **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.
- **Recommendation and valuation: We rate GWCS an Accumulate with a price target of QR65.00.** 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. GWCS is trading at a P/E of 15.8x and 15.1x for 2017 and 2018, respectively.

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Income Statement (QR 000)	4Q2015	2015	3Q2016	4Q2016	2016	4Q2016e	A	V	QoQ	YoY	2016e	A	V	YoY	
Income:															
Revenue	191,659.385	787,944.114	191,231.641	228,151.891	849,530.566	211,608.355	8%	19%	19%		832,987.030	2.0%		7.8%	
Logistics	139,330.177	535,443.532	135,016.948	166,040.472	589,296.733	154,705.181	7.3%	23.0%	19.2%		577,961.442	2.0%		10.1%	
Freight Forwarding	52,329.208	252,500.582	56,214.693	62,111.419	260,233.833	56,903.174	9.2%	10.5%	18.7%		255,025.588	2.0%		3.1%	
Others															
Direct Costs	(121,977.068)	(501,462.357)	(118,849.152)	(146,713.984)	(541,160.933)	(132,055.304)	11.1%	23.4%	20.3%		(526,502.254)	2.8%		7.9%	
Gross Profit	69,682.317	286,481.757	72,382.489	81,437.907	308,369.633	79,553.050	2%	12.5%	16.9%		306,484.776	0.6%		7.6%	
Other Income	7,428.509	19,173.609	4,379.775	5,198.823	18,251.933	4,225.237	23.0%	18.7%	-30.0%		17,278.347	5.6%		-4.8%	
Increase in fair value of investment properties	12,528.410	12,528.410		357.761	357.761	15,000.000	-97.6%	N/M	-97.1%		15,000.000	-97.6%		-97.1%	
Gain on disposal of property, plant and equipment															
Staff costs															
General and administration expenses	(31,482.597)	(98,152.246)	(21,526.558)	(24,073.602)	(93,541.620)	(39,153.765)	-38.5%	11.8%	-23.5%		(108,621.783)	-13.9%		-4.7%	
Amortization of intangible assets															
Net impairment loss on trade receivables															
OPERATING PROFIT	58,156.639	220,031.530	55,235.706	62,920.889	233,437.707	59,624.523	5.5%	13.9%	8.2%		230,141.341	1.4%		6.1%	
Finance income	40.006	231.449	3,041.216	2,832.273	10,451.513	3,239.747	-12.6%	-6.9%	N/M		10,858.987	-3.8%		N/M	
Finance costs	(8,122.722)	(35,105.832)	(9,481.267)	(10,200.092)	(38,223.287)	(10,067.844)	1.3%	7.6%	25.6%		(38,091.039)	0.3%		8.9%	
Loss on disposal of available for sale investments															
Profit For the period	50,073.923	185,157.147	48,795.655	55,553.070	205,665.933	52,796.426	5.2%	13.8%	10.9%		202,909.289	1.4%		11.1%	
NM	26%	23%	26%	24%	24%	25%	-2.4%	-4.6%	-6.8%		24%	-0.6%		3.0%	
Attributable to:															
Owners of the parent	50,073.923	185,157.147	48,795.655	55,553.070	205,665.933	52,796.426	5%	14%	11%		202,909.289	1.4%		11.1%	
Non-controlling Interest															
Profit For the period	50,073.923	185,157.147	48,795.655	55,553.070	205,665.933	52,796.426	5.2%	13.8%	10.9%		202,909.289	1%		11.1%	
EPS (QR)	0.85	3.16	0.83	0.95	3.51	0.90	5.2%	13.8%	10.9%		3.46	1.4%		11.1%	

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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