

## Gulf Warehousing Company (GWCS)

Recommendation	ACCUMULATE	Risk Rating	R-4
Share Price	43.60	Current Target Price	QR53.00
Implied Upside	21.6%	Old Target Price	QR65.00

### 3Q Preview; Lower #s & TP; Maintain Accumulate Rating

We project 3Q2017 revenue/net income of QR204mn/QR50mn. Seasonality and the ongoing blockade should impact 3Q2017. We are revisiting our model in light of the current environment and are lowering estimates/target price. We note GWCS is on track to turn FCF positive on an annual basis; we maintain our Accumulate rating.

#### Highlights

- 3Q2017 preview: We forecast net income of QR50mn (-9% QoQ, +3% YoY).** Besides normal seasonality, the blockade could shave off ~2-3% off GWCS' quarterly net, primarily affecting its storage & freight forwarding. As for revenue, our forecast is QR204mn (-12% QoQ, +7% YoY). GWCS posted QR232mn/QR55mn in rev./profit for 2Q2017 (QR191mn/QR49mn in 3Q2016).
- 2017 forecasts lowered by 5% with a similar flow through for outer year estimates.** We now forecast QR893mn/QR210mn in top-line/net income vs. our previous forecast of QR939mn/QR222mn given current market conditions and slightly tempered expectations for LVQ/Bu Sulba. Beyond 2017, we lower our estimates on an average 6% for top line and 9% for net income.
- Bu-Sulba Logistics Hub drives growth for 2017 and 2018.** This QR840mn project, which is targeted toward SMEs, should add more than 200k sqm in net leasable area to GWCS' portfolio after 1Q2017. This project is currently running at ~70% utilization and we expect this to conservatively average around 80% for 2018. We also have another 15 sqm warehouse in our numbers in 2019 (the previous one was brought online mid-2016).
- FCF positive for the first time this year.** With the company's major capex cycle coming to an end, we expect 2017 FCF to turn positive (GWCS has already reported a small positive FCF for 1H2017). Our estimates call for a FCF yield of 5.0% in 2017, increasing to 10.7% next year and 13.5% in 2018.

#### Catalysts

- News flow on development of new warehousing facilities could drive GWCS.** (1) Corporate restructurings could create boost outsourced logistics solutions. (2) 4PL remains a growth area. (3) International expansion.

#### Recommendation, Valuation and Risks

- Recommendation and valuation: We rate GWCS an Accumulate with a PT of QR53.00.** Stock trades at P/E of 12.2x and 11.9x 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.

#### Key Financial Data and Estimates

	FY2015	FY2016	FY2017e	FY2018e
Revenue (QR mn)	788	850	893	934
Growth	20%	8%	5%	5%
EBITDA (QR mn)	290	323	350	374
Growth	28%	12%	8%	7%
Net Income (QR mn)	185	206	210	215
EPS (QR)	3.16	3.51	3.58	3.67
Growth	32%	11%	2%	3%
P/E (x)	13.8x	12.4x	12.2x	11.9x
DPS (QR)	1.50	1.60	1.70	1.80
Dividend Yield	3.4%	3.7%	3.9%	4.1%
ROE	16.2%	14.0%	13.3%	12.8%

Source: Company data, QNBFS estimates; Note: All per share data based on current number of shares

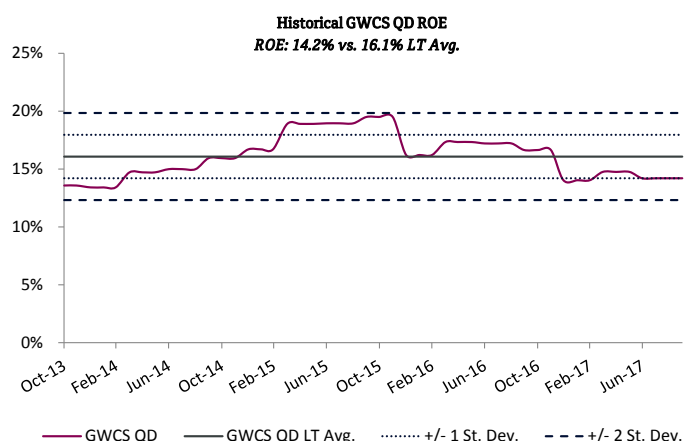
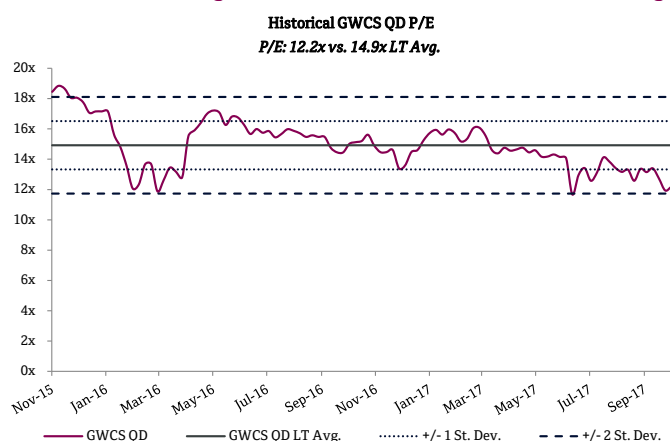
#### Key Data

Bloomberg Ticker	GWCS QD
ADR/GDR Ticker	N/A
ISIN	QA000A0KD6H9
Sector*	Transportation
52wk High/52wk Low (QR)	58.40/38.50
3-m Average Volume ('000)	41.2
Mkt. Cap. (\$ bn/QR bn)	0.7/2.6
Shares Outstanding (mn)	58.6
FO Limit* (%)	49.0
Current FO* (%)	26.9
1-Year Total Return (%)	(19.3)
Fiscal Year End	Dec. 31

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

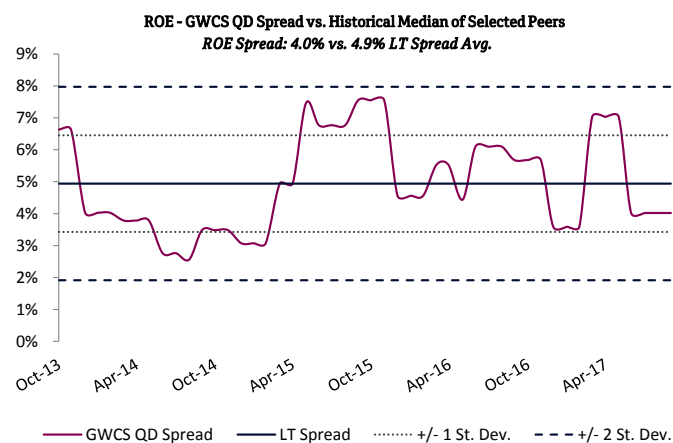
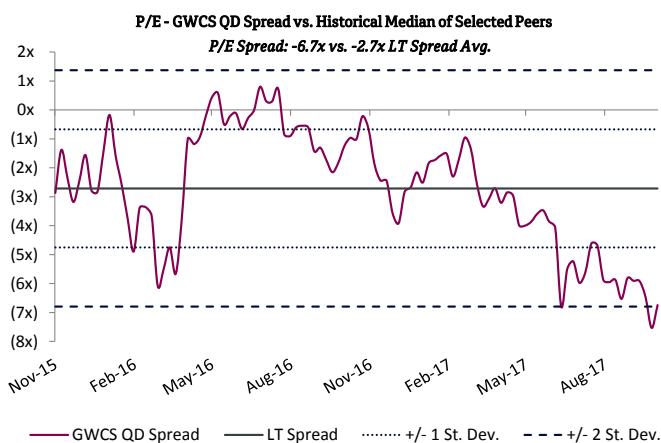
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## GWCS is Trading Below its Historical P/E Average



Source: Company data, QNBFS Research

## GWCS is Relatively Attractive (P/E) Vs. Selected Peers Despite Better ROEs



Source: Company data, QNBFS Research

## GWCS is Relatively Attractive Based on P/E & P/CF With Higher FCF Yields

Company	Ticker	Div. Yield	P/E		P/CFPS		EV/EBITDA		FCF Yield	
			FY2017e	FY2018e	FY2017e	FY2018e	FY2017e	FY2018e	FY2017e	FY2018e
Aramex PJSC	ARMX	3.2%	16.4x	14.4x	NA	NA	11.0x	9.8x	5.4%	6.5%
Agility Public Warehousing Co KSC	AGLTY	1.5%	NA	NA	NA	NA	NA	NA	NA	NA
Sinotrans Ltd	598	3.4%	NA	NA	NA	NA	NA	NA	NA	NA
Singapore Post Ltd	SPOST	2.0%	NA	NA	NA	NA	NA	NA	NA	NA
Nippon Express Co Ltd	9062	1.7%	17.9x	15.3x	6.7x	6.5x	7.9x	7.5x	1.8%	4.0%
Nippon Yusen KK	9101	NA	nmf	22.8x	5.2x	4.0x	12.2x	10.9x	(9.9%)	3.2%
Expedia Inc	EXPE	0.8%	29.2x	22.3x	16.3x	13.3x	12.7x	10.5x	4.3%	5.6%
United Parcel Service Inc	UPS	2.8%	19.6x	18.1x	12.6x	11.7x	10.8x	10.2x	3.5%	4.4%
FedEx Corp	FDX	0.8%	18.1x	15.5x	11.9x	9.7x	7.0x	7.5x	0.1%	2.1%
Deutsche Post AG	DPW	2.8%	16.5x	15.4x	12.0x	11.1x	9.4x	8.8x	3.5%	4.2%
Panalpina Welttransport Holding AG	PWTN	2.7%	39.2x	29.4x	24.3x	19.8x	18.9x	15.1x	2.7%	3.8%
<b>Average</b>		<b>2.2%</b>	<b>22.4x</b>	<b>19.2x</b>	<b>12.7x</b>	<b>10.9x</b>	<b>11.2x</b>	<b>10.0x</b>	<b>1.4%</b>	<b>4.2%</b>
<b>Median</b>		<b>2.4%</b>	<b>18.1x</b>	<b>16.8x</b>	<b>12.0x</b>	<b>11.1x</b>	<b>10.9x</b>	<b>10.0x</b>	<b>3.1%</b>	<b>4.1%</b>
<b>Gulf Warehousing Co</b>	<b>GWCS</b>	<b>3.7%</b>	<b>12.2x</b>	<b>11.9x</b>	<b>7.0x</b>	<b>7.5x</b>	<b>11.2x</b>	<b>10.0x</b>	<b>5.0%</b>	<b>10.7%</b>

Note: Where coverage is not available, estimates are based on Bloomberg consensus, if available  
Mean/Median calculated if more than 3 observations are present

NA: Not Applicable

nmf: Not Meaningful (typically refers to negative or exceedingly large values)

Source: Bloomberg, QNBFS Research

## Detailed Financial Statements

Income Statement (In QR mn)	FY2015	FY2016	FY2017e	FY2018e	FY2019e	FY2020e
<b>Revenue</b>	<b>788</b>	<b>850</b>	<b>893</b>	<b>934</b>	<b>991</b>	<b>1,011</b>
<i>YoY Growth</i>	20%	8%	5%	5%	6%	2%
<i>Direct Costs</i>	(421)	(451)	(463)	(477)	(514)	(524)
<b>Gross Profit</b>	<b>367</b>	<b>399</b>	<b>430</b>	<b>457</b>	<b>477</b>	<b>487</b>
<i>Gross Margin</i>	47%	47%	48%	49%	48%	48%
General and Administrative Expenses	(77)	(76)	(81)	(83)	(84)	(85)
<b>EBITDA</b>	<b>290</b>	<b>323</b>	<b>350</b>	<b>374</b>	<b>393</b>	<b>402</b>
<i>YoY Growth</i>	28%	12%	8%	7%	5%	2%
<i>EBITDA Margin</i>	37%	38%	39%	40%	40%	40%
Depreciation and Amortization	(95)	(107)	(124)	(140)	(142)	(143)
<b>EBIT</b>	<b>194</b>	<b>216</b>	<b>226</b>	<b>234</b>	<b>251</b>	<b>259</b>
<i>YoY Growth</i>	32%	11%	4%	4%	7%	3%
<i>EBIT Margin</i>	25%	25%	25%	25%	25%	26%
Net Finance Costs and Other Income	(9)	(10)	(16)	(19)	(12)	(4)
<b>Net Income to Equity</b>	<b>185</b>	<b>206</b>	<b>210</b>	<b>215</b>	<b>239</b>	<b>255</b>
<i>YoY Growth</i>	32%	11%	2%	3%	11%	7%
<i>Net Margin</i>	23%	24%	23%	23%	24%	25%
<b>EPS (QR)</b>	<b>3.16</b>	<b>3.51</b>	<b>3.58</b>	<b>3.67</b>	<b>4.07</b>	<b>4.36</b>
<b>DPS (QR)</b>	<b>1.50</b>	<b>1.60</b>	<b>1.70</b>	<b>1.80</b>	<b>2.00</b>	<b>2.20</b>
<i>Payout Ratio</i>	47%	46%	47%	49%	49%	51%

Source: Company data, QNBFS estimates

Balance Sheet (In QR mn)	FY2015	FY2016	FY2017e	FY2018e	FY2019e	FY2020e
<b>Non-Current Assets</b>						
PP&E and Projects in Progress	1,557	2,559	2,693	2,643	2,541	2,439
Investment Properties	186	37	37	38	38	39
Leasehold Property & Associates	-	-	-	-	-	-
Intangible Assets	129	126	119	112	104	97
Available-for-Sale Investments	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>1,872</b>	<b>2,723</b>	<b>2,849</b>	<b>2,792</b>	<b>2,684</b>	<b>2,574</b>
<b>Current Assets</b>						
Inventories	9	9	10	10	11	11
Trade and Other Receivables	513	521	433	453	481	489
Bank Balances and Cash	586	489	486	570	553	545
<b>Total Current Assets</b>	<b>1,109</b>	<b>1,019</b>	<b>929</b>	<b>1,033</b>	<b>1,044</b>	<b>1,045</b>
<b>Total Assets</b>	<b>2,981</b>	<b>3,741</b>	<b>3,778</b>	<b>3,826</b>	<b>3,728</b>	<b>3,619</b>
<b>Equity &amp; Liabilities</b>						
<b>Total Shareholders' Equity</b>	<b>1,411</b>	<b>1,519</b>	<b>1,630</b>	<b>1,740</b>	<b>1,867</b>	<b>1,999</b>
Non-Controlling interests	(4)	(4)	(4)	(4)	(4)	(4)
<b>Non-Current Liabilities</b>						
Loans and Borrowings	1,232	1,682	1,620	1,554	1,335	1,116
Employee Benefits	23	27	30	34	39	43
<b>Total Non-Current Liabilities</b>	<b>1,254</b>	<b>1,708</b>	<b>1,650</b>	<b>1,588</b>	<b>1,374</b>	<b>1,159</b>
<b>Current Liabilities</b>						
Trade Payables	16	42	36	37	39	40
Loans and Borrowings	142	194	231	222	191	159
Accruals, Provisions & Other Payables	141	184	165	170	183	186
Retention Payable	20	97	70	72	77	79
<b>Total Current Liabilities</b>	<b>319</b>	<b>517</b>	<b>502</b>	<b>501</b>	<b>490</b>	<b>464</b>
<b>Total Liabilities</b>	<b>1,573</b>	<b>2,226</b>	<b>2,152</b>	<b>2,089</b>	<b>1,864</b>	<b>1,624</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,981</b>	<b>3,741</b>	<b>3,778</b>	<b>3,826</b>	<b>3,728</b>	<b>3,619</b>

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

<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

### Risk Ratings

Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals

<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

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