

## GWCS Alert – In-Line 2017 Results and Dividends; Maintain Accumulate

- **GWCS reports QR58.2mn net profit in 4Q2017, in-line with our estimate** – Gulf Warehousing Company (GWCS) reported net profit of QR58.2mn in 4Q2017 (as compared to QR52.0mn in 3Q2017), in line with our estimate of QR56.4mn (+3% variance). 4Q2017 net income grew 12% QoQ and 5% YoY. Net income for 2017 came in at QR215.5mn (QNBFS estimate: QR213.6mn) compared to QR205.7mn for 2016, a growth of 5%. EPS rose to QR3.68 in 2017 from QR3.51 in 2016.
- **Total revenue reached QR966.9mn for 2017, representing an increase of 14% from QR849.5mn in 2016.** GWCS posted strong growth in freight forwarding, which increased 21% YoY to QR314.1mn. Logistics revenue for 2017 also gained 11% to QR652.8mn. Freight forwarding was up a very strong 40% sequentially in 4Q2017 (+52% YoY) to QR94.5mn driven by the company's event-based business. We note freight forwarding is a low-margin segment, with cash gross margins of 28.7% for 2017. Logistics revenue for 4Q2017 increased 3% QoQ/7% YoY to QR177.2mn benefiting from growth in contract logistics and increased occupancy in Bu Sulba (77% occupancy). The logistics segment remains value accretive with high cash gross margins of 93%.
- **Overall margins remained flattish with GM/EBIT of 36%/27% for 2017.** GWCS recorded similar 36% in GM (including depreciation) and 28% in EBIT margins for 2016.
- **Company recommends cash dividend of QR1.70 per share for 2017, matching our estimate.** DPS increased 6% YoY from QR1.6 in 2016 and represents a payout ratio of 46%.
- **No significant impact of blockade.** Indeed GWCS' performance implies the company has more than made up any lost ground.
- **We rate the stock an Accumulate with a QR53 price target.** We see moderate upside to our current estimate of QR215mn in net income for 2018. GWCS stock is trading at 12-13x our forward EPS estimate.
- **Risks:** with Bu Sulba expected to contribute fully from 2018 onward, GWCS has no major projects in the pipeline. We await further color on the company's medium-term growth trajectory.

### 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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