

## QNBFS Alert – GWCS Posts In-Line 1Q2014 Results

- **1Q2014 bottom-line up by 7.7% QoQ.** Gulf Warehousing reported a net profit of QR28.9mn vs. our estimate of QR28.9mn and net income of QR26.8mn in 4Q2013. Overall revenue increased to QR152.9mn in 1Q2014 vs. QR127.9mn in 4Q2013, a growth of 19.6% QoQ. Logistics operations (including LVQ) contributed QR104.8mn while freight forwarding contributed QR48.1mn. In our view, the growth primarily came from LVQ Phase 3 greater occupancy levels. Direct costs were QR98.9mn, while interest charges were QR8.6mn for the quarter.
- **Outlook:** Going forward, we expect net income to grow by 20.9% and 44.8% in 2014 and 2015, respectively. We expect better operating performance in 2014 & 2015 on the back of LVQ Phases 3 & 4. In 2014, we expect the full impact of Phase 3, along with an incremental benefit of LVQ Phase 4. However, the full impact of Phase 4 will be visible in 2015. We expect GWCS' bottom-line to increase by 20.9% YoY in 2014 and 44.8% YoY in 2015.
- **We maintain our estimates with a price target of QR51.35 but change our rating to Reduce.** We expect better operating performance in 2014 & 2015 on the back of LVQ Phase 3 & 4. However, given the recent stock's appreciation (up 41.2% with a total return of 46.5% on a year-to-date), we change our rating to Reduce.
- **GWCS trades at a premium to peers.** The company trades at a premium to its regional and global peers. The stock trades at a P/E ratio of 22.7x on our 2014 estimates and offers a dividend yield of 3.4%.

### 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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