

Gulf Warehousing Company (GWCS)

Recommendation	ACCUMULATE	Risk Rating	R-4
Share Price	QR58.00	Target Price	QR64.00
Implied Upside	10.3%		

Inline 4Q2014 Results; Incorporating Rights Issue & Revising Target Price to QR64.00 from QR70.00

Gulf Warehousing Company (GWCS) reported a net profit of QR140.3mn for 2014, up 38.0% YoY from QR101.6mn in 2013. In 4Q2014, GWCS reported a net profit of QR37.9mn, up 9.2% QoQ from QR34.7mn in 3Q2014; reported earnings were in line with our estimate of QR36.2mn. The company maintained its dividend payout of QR1.50/share, similar to last year. During 4Q2014, GWCS was awarded the right to develop the Bu-Sulba Logistics Hub. This project will serve small and medium enterprises (SMEs) in Qatar and will cost ~QR685mn. The Bu-Sulba Logistics Hub project will take 24-months to complete and should contribute toward the top-line and bottom-line from 2017 and onward. Based on our model, this project will lead to a 20.4% surge in 2017's bottom-line vs. our previous estimate of 9.0% (without the project). Further, we have also incorporated the proposed 25.0% rights issue and accordingly our price target is revised to QR64.00 from QR70.00.

Highlights

- Results analysis:** Gulf Warehousing reported revenue of QR673.3mn in 2014 vs. QR527.3mn in 2013, a growth of 27.7% YoY. Logistics operations, including LVQ, grew by 29.5% YoY to QR478.6mn. Freight forwarding business revenue grew by 26.1% YoY to QR191.6mn. On the cost front, direct costs increased by 28.4% YoY. Staff costs came in at QR40.1mn vs. QR34.6mn in 2013, a growth of 16.0% YoY. Financial charges went up 31.2% YoY as LVQ Phase 4 came on line (charges were capitalized previously) in 2014. Overall, LVQ's Phase 4 led to a growth of 38.0% YoY in net profits for 2014. Logistics operations (incl. LVQ) contributed 85.6% to the bottom-line.
- GWCS has been awarded a new project.** According to available details, the sites have been leased for 25 years. The Bu-Sulba project will have ~194 warehousing units of different specs and other amenities. In our model, we have assumed 75% and 85% occupancy levels in 2017 and 2018, respectively, reaching 100% occupancy levels by 2020. Furthermore, we have also incorporated the dilution from the proposed 25.0% rights issue (previously we had assumed debt and internal equity for the project). Hence, our revised target price comes to QR64.00 vs. QR70.00 previously and we change our recommendation to Accumulate from Outperform.

Catalysts

- Newsflow regarding the development of new warehousing facilities:** Status updates for this project and the imminent opening up of FOL headroom could act as stock price catalysts.

Recommendation, Valuation and Risks

- Recommendation and valuation:** *We rate GWCS an Accumulate with a price target of QR64.00.* GWCS trades at 2017 P/E of 11.9x
- Risks:** Declining oil prices remain a substantial risk to regional equity prices. Company-specific risks include low occupancy levels in the new project.

Key Financial Data and Estimates

	FY2014	FY2015e	FY2016e	FY2017e
EPS (QR)	2.95	3.63	4.05	4.88
EPS Growth	38.0%	23.0%	11.7%	20.4%
P/E (x)	19.7	16.0	14.3	11.9
Dividend Yield	2.6%	3.4%	4.3%	5.2%

Source: Company data, QNBFS estimates; Note: All 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)	69.50/39.50
3-m Average Volume ('000)	321.3
Mkt. Cap. (\$ bn/QR bn)	0.8/2.8
Shares Outstanding (mn)	47.6
FO Limit* (%)	25.0
Current FO* (%)	24.9
1-Year Total Return (%)	42.3
Fiscal Year End	Dec. 31

Source: Bloomberg (as of January 15, 2015), *Qatar Exchange (as of January 15, 2015); Note: FO is foreign ownership

Abdullah Amin, CFA
 +974 4476 6569
 abdullah.amin@qnbfs.com.qa

Saugata Sarkar
 +974 4476 6534
 saugata.sarkar@qnbfs.com.qa

Detailed Financial Statements

Income Statement

Figures in QR mn	FY2013	FY2014	FY2015e	FY2016e	FY2017e
Revenues	527	673	774	822	927
Direct Costs	(336)	(431)	(473)	(496)	(541)
Gross Profit	191	242	302	326	386
Other Income	1	(0)	-	-	-
Valuation Gains from Inv. Properties	9	15	-	-	-
Staff Costs	(35)	(40)	(44)	(49)	(58)
Net Impairments	(6)	-	-	-	-
G&A Expenses	(35)	(40)	(42)	(44)	(53)
Finance Costs	(27)	(36)	(43)	(40)	(43)
Net Profit to Shareholders	102	140	172	193	232
EPS (QR)	2.14	2.95	3.63	4.05	4.88

Source: Company data, QNBFS estimates; Note: EPS based on current number of shares

Balance Sheet

Figures in QR mn	FY2013	FY2014	FY2015e	FY2016e	FY2017e
Non-Current Assets					
PP&E (Inc. Projects in Progress)	1,188	1,377	1,698	1,946	2,261
Investment Properties	132	173	173	173	173
Intangible Assets	141	135	130	130	130
Available-for-Sale Investments	-	-	-	-	-
Total Non-Current Assets	1,461	1,685	2,001	2,249	2,564
Current Assets					
Inventories	9	8	8	8	8
Trade and Other Receivables	235	250	265	273	281
Bank Balances and cash	175	160	453	421	143
Total Current Assets	419	417	726	702	432
Total Assets	1,879	2,102	2,727	2,951	2,996
Equity					
Share Capital & Premium	476	476	951	951	951
Legal Reserves	232	238	238	238	238
Changes in Fair Value	-	-	-	-	-
Retained Earnings	100	159	260	358	471
Attributable to Owners (Parent)	807	872	1,449	1,547	1,660
Non-Controlling Interests	(4)	(4)	(4)	(4)	(4)
Total Equity	803	869	1,445	1,543	1,656
Non-Current Liabilities					
Loans and Borrowings	772	979	1,015	1,129	1,058
Employee Benefits	13	18	15	16	18
Total Non-Current Liabilities	785	997	1,030	1,145	1,076
Current Liabilities					
Trade Payables and Accruals	126	168	170	172	174
Loans and Borrowings	165	68	81	91	91
Retention Payable	-	-	-	-	-
Total Current Liabilities	291	236	252	263	264
Equity and Liabilities	1,879	2,102	2,727	2,951	2,996

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

Contacts

Saugata Sarkar

Head of Research

Tel: (+974) 4476 6534

saugata.sarkar@qnbfs.com.qa

Sahbi Kasraoui

Manager – HNW

Tel: (+974) 4476 6544

sahbi.alkasraoui@qnbfs.com.qa

Abdullah Amin, CFA

Senior Research Analyst

Tel: (+974) 4476 6569

abdullah.amin@qnbfs.com.qa

Ahmed Al-Khoudary

Head of Sales Trading – Institutional

Tel: (+974) 4476 6548

ahmed.alkhoudary@qnbfs.com.qa

Shahan Keushgerian

Senior Research Analyst

Tel: (+974) 4476 6509

shahan.keushgerian@qnbfs.com.qa

QNB Financial Services SPC

Contact Center: (+974) 4476 6666

PO Box 24025

Doha, Qatar

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