

## Gulf Warehousing Company (GWCS)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR3.378	Target Price	QR4.025
Implied Upside	19.2%	Old Target Price	QR4.855

### In-Line 1Q2024; Lowering Estimates & Price Target; Maintaining Accumulate

GWCS reported in-line revenue and earnings for 1Q2024. We are updating our model and lowering our estimates to reflect a more subdued top-line growth profile and higher finance charges going forward factoring in interest payments from Al Wukair phase 2. GWCS should enjoy growth going forward given new projects and an expected easing of its finance charges burden in 2H2024 given expected rate cuts. However, the stock continues to suffer from a lack of liquidity and a below-market dividend yield of 3.3%, which we feel needs to be addressed. We maintain our Accumulate rating.

#### Highlights

- 1Q2024 earnings comes bang in-line with our estimate** – Quarterly net profit came in at QR50.9mn (-17.2% YoY, 7.9% QoQ), which was at par with our estimate of QR50.8mn (0.2% differential).
- Top-line of QR375.7mn for 1Q2024 fell 9.0% YoY but increased 0.8% QoQ as freight forwarding continued to accelerate vs. 3Q2023's lows.** Overall revenue was also in-line (0.2% divergence) with our model of QR375.0mn.
- Logistics declined YoY but held the line sequentially with revenue of QR246.0mn (-9.4% YoY, 0.0% QoQ; 65% of total revenue) and was modestly (-2.4%) below our estimate of QR252.0mn.** YoY comparisons remain challenging in logistics due to the residual impact of the World Cup. CL/logistics parks remained soft, with warehouse management services declining 13.1% YoY and 2.1% QoQ to QR200.2mn (5.2% below our estimate of QR211.2mn). As of 4Q2023, GWCS reported a 91% occupancy in its logistics parks operations, with Al Wukair phase 2 at ~75%, which management expected to increase to ~90% by end of 1Q2024. The company continues to face some pricing pressure, especially at Bu Sulba, which is targeted at SMEs. We should receive more color on the market dynamics in logistics during the 1Q24 conference call.
- Freight forwarding top-line of QR127.5mn (-7.6% YoY, 2.7% QoQ; 34% of total revenue) exceeded our model of QR120.2mn by 6.0%.** The company continues to experience FF growth related to the North Field expansion project.
- 1Q2024 gross margin was 31.1% vs. 29.2% in 1Q2023 & 31.4% in 4Q2023.** GM came in above our model of 30.9%. 1Q2024 GP of QR117.0mn (-2.9% YoY, -0.2% QoQ) slightly beat our forecast of QR115.7mn by 1.1%.
- 1Q2024 EBITDA of QR148.0mn (6.1% YoY, 11.6% QoQ) exceeded our model of QR141.4mn by 4.7%.** GWCS also reported an EBITDA margin of 39.4% in 1Q2024 vs. 33.8% in 1Q2023 and 35.6% in 4Q2023; we were expecting an EBITDA margin of 37.7%.
- Finance charges continue to bite.** GWCS posted 1Q2024 finance charges of QR36.5mn (42.8% YoY/32.8% QoQ), which came in significantly above our model of QR28.6mn.
- We are adjusting our model and reducing our estimates.** Start-up of new projects, such as Al Wukair phase 2 (July 2023 handover), LVQ phase 6 (chemicals warehouse facility that started in Sep.; 10,000 pallet positions) and Flag Oman (opening announced Jan. 2024; as of 4Q2023 there were two customers and around 28% in occupancy levels; company expects ~70% occupancy by 4Q2024), add to the momentum in 2024. Management had previously guided to around 6-7% earnings growth for 2024 but we choose to be conservative and pencil in a 3% earnings growth for now. Our 2024 earnings estimate is now 19% below our previous estimate.

#### Catalysts

- For GWCS to rerate, we need a pickup in newsflow along with liquidity.** We note several projects not in our model: (1) **Al Wukair phase 3** – GWCS could move forward, assuming favorable demand for phase 2, which could lead to ~6% EPS acceleration. (2) **Newly-formed subsidiary, GWC Energy**, is targeting the offshore/onshore-integrated shipping, logistics & marine services market in Qatar/GCC and could benefit from increased NF activity as Qatar expands its LNG capacity from 77 MTPA to 142 MTPA by 2030. Management is expecting a pickup in 2024 given some vessel delays. GWCS has also bid on a tender with a decision expected 1Q2024. GWCS is also building a 15,000 m<sup>2</sup> facility in Ras Laffan (December 2024 completion) to serve EPC contractors for the North Field project. (3) **Expansion outside Qatar**, for e.g., FF in the KSA (with potential to expand into warehousing longer term). **The stock continues to suffer from a lack of liquidity, which needs to be addressed. An uptick in DPS could also be catalyst** given the below-market yield but a significant increase is unlikely.

#### Recommendation, Valuation and Risks

- We rate GWCS as an Accumulate with a price target of QR4.025.** GWCS trades at P/Es of 8.9x and 8.4x for 2024 & 2025, respectively, which is attractive relative to its historical mean of ~11x.
- Risks:** LT growth in warehousing demand in Qatar remains uncertain. Receivable collections have been subdued. Geopolitical risks cannot be modeled.

#### Key Financial Data and Estimates

	FY2022	FY2023	FY2024e	FY2025e
Revenue (QR mn)	1,519	1,508	1,554	1,618
Growth	16%	-1%	3%	2%
EPS (QR)	0.41	0.37	0.38	0.40
Growth	7%	-10%	3%	7%
P/E (x)	8.3x	9.2x	8.9x	8.4x
DPS (QR)	0.10	0.11	0.11	0.12

Source: Company data, QNB FS estimates; Note: All data based on current number of shares

#### Key Data

Current Market Price (QR)	3.378
Dividend Yield (%)	3.3
Bloomberg Ticker	GWCS QD
ADR/GDR Ticker	N/A
Reuters Ticker	GWCS.QA
ISIN	QA000A0KD6H9
Sector*	Transportation
52wk High/52wk Low (QR)	3.890/2.890
3-m Average Volume (mn)	1.1
Mkt. Cap. (\$ bn/QR bn)	0.5/2.0
EV (\$ bn/QR bn)	1.0/3.8
Shares Outstanding (mn)	586.0
FO Limit* (%)	100.0
Current Institutional FO* (%)	4.4
1-Year Total Return (%)	(2.2)
Fiscal Year End	December 31

Source: Bloomberg (as of April 24, 2024), \*Qatar Exchange (as of April 23, 2024); Note: FO is foreign ownership

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

## QNB FS 1Q2024 Estimates and Comparisons

Income Statement (QR 000)	1Q2023	4Q2023	1Q2024	1Q2024e	A Vs. E	YoY	QoQ
<b>Revenue</b>	<b>412,719.981</b>	<b>372,774.459</b>	<b>375,731.349</b>	<b>375,016.324</b>	<b>0.2%</b>	<b>-9.0%</b>	<b>0.8%</b>
YoY	17.5%	-8.9%	-9.0%	-9.1%			
QoQ	0.9%	6.6%	0.8%	0.6%			
Logistics	271,627.605	245,909.801	246,007.432	251,956.166	-2.4%	-9.4%	0.0%
Warehouse Management Services	230,381.108	204,482.385	200,207.069	211,189.407	-5.2%	-13.1%	-2.1%
Transport Services	8,616.460	10,028.883	11,831.347	10,143.212	16.6%	37.3%	18.0%
Relocation Services (IMRS)	14,262.353	13,966.547	17,393.278	13,296.153	30.8%	22.0%	24.5%
Records Management Services	18,367.684	17,431.986	16,575.738	17,327.394	-4.3%	-9.8%	-4.9%
Freight Forwarding	138,002.387	124,063.272	127,452.243	120,240.857	6.0%	-7.6%	2.7%
Freight Forwarding Services	123,963.129	113,187.208	118,318.445	109,112.469	8.4%	-4.6%	4.5%
Courier Services	14,039.258	10,876.064	9,133.798	11,128.389	-17.9%	-34.9%	-16.0%
Rental Income From Investment Property	2,452.849	2,452.848	1,441.498	2,452.848	-41.2%	-41.2%	-41.2%
Others	637.140	348.538	830.176	366.453	126.5%	30.3%	138.2%
<b>Direct Costs</b>	<b>(292,232.848)</b>	<b>(255,538.001)</b>	<b>(258,720.911)</b>	<b>(259,323.788)</b>	<b>-0.2%</b>	<b>-11.5%</b>	<b>1.2%</b>
<b>Gross Profit</b>	<b>120,487.133</b>	<b>117,236.458</b>	<b>117,010.438</b>	<b>115,692.536</b>	<b>1.1%</b>	<b>-2.9%</b>	<b>-0.2%</b>
General & Administration expenses	(30,693.211)	(40,243.946)	(29,079.779)	(34,126.486)	-14.8%	-5.3%	-27.7%
Amortization of Intangible Assets							
<b>Operating Profit</b>	<b>89,793.922</b>	<b>76,992.512</b>	<b>87,930.659</b>	<b>81,566.051</b>	<b>7.8%</b>	<b>-2.1%</b>	<b>14.2%</b>
Finance Income		1,344.972	690.341	145.161	375.6%	N/M	-48.7%
Finance Costs	(25,545.882)	(27,458.047)	(36,469.575)	(28,564.282)	27.7%	42.8%	32.8%
Other Income	92.723	399.303	127.309	93.756	35.8%	37.3%	-68.1%
Net Impairment Loss On Trade Receivables	(865.000)	(1,873.144)	(575.000)	(901.330)	-36.2%	-33.5%	-69.3%
<b>EBT</b>	<b>63,475.763</b>	<b>49,405.596</b>	<b>51,703.734</b>	<b>52,339.356</b>	<b>-1.2%</b>	<b>-18.5%</b>	<b>4.7%</b>
Taxes	(463.295)	(681.730)	(314.589)	(382.243)	-17.7%	-32.1%	-53.9%
<b>Net Income</b>	<b>63,012.468</b>	<b>48,723.866</b>	<b>51,389.145</b>	<b>51,957.112</b>	<b>-1.1%</b>	<b>-18.4%</b>	<b>5.5%</b>
YoY	5.1%	-28.3%	-18.4%	-17.5%			
QoQ	-7.2%	-9.5%	5.5%	6.6%			
Non-Controlling Interest	1,528.404	1,553.167	510.065	1,203.265	-57.6%	-66.6%	-67.2%
<b>Net Income to Equity</b>	<b>61,484.064</b>	<b>47,170.699</b>	<b>50,879.080</b>	<b>50,753.848</b>	<b>0.2%</b>	<b>-17.2%</b>	<b>7.9%</b>
YoY	6.4%	-27.9%	-17.2%	-17.5%			
QoQ	-6.0%	-11.1%	7.9%	7.6%			
NM	14.9%	12.7%	13.5%	13.5%			
<b>EPS (QR)</b>	<b>0.105</b>	<b>0.080</b>	<b>0.087</b>	<b>0.087</b>	<b>0.2%</b>	<b>-17.2%</b>	<b>7.9%</b>
Provision for Impairment of Trade Receivables	865.000	1,873.144	575.000	901.330	-36.2%	-33.5%	-69.3%
Depreciation & Amortization	49,735.378	55,566.076	60,051.620	59,837.250	0.4%	20.7%	8.1%
<b>EBITDA</b>	<b>139,529.300</b>	<b>132,558.588</b>	<b>147,982.279</b>	<b>141,403.300</b>	<b>4.7%</b>	<b>6.1%</b>	<b>11.6%</b>
GM	29.2%	31.4%	31.1%	30.9%			
G&A	7.4%	10.8%	7.7%	9.1%			
EBIT	21.8%	20.7%	23.4%	21.8%			
EBITDA	33.8%	35.6%	39.4%	37.7%			

Source: Company data, QNB FS Research

## Detailed Financial Statements

Income Statement (In QR mn)	FY2022	FY2023	FY2024e	FY2025e	FY2026e	FY2027e
<b>Revenue</b>	<b>1,519</b>	<b>1,508</b>	<b>1,554</b>	<b>1,618</b>	<b>1,678</b>	<b>1,743</b>
<i>YoY Growth</i>	16%	-1%	3%	4%	4%	4%
Direct Costs, Excluding D&A	(919)	(850)	(835)	(898)	(954)	(1,003)
<b>Gross Profit</b>	<b>600</b>	<b>658</b>	<b>718</b>	<b>720</b>	<b>723</b>	<b>740</b>
<i>Gross Margin</i>	39%	44%	46%	45%	43%	42%
General & Admin. Expenses, Excl. D&A	(119)	(127)	(121)	(125)	(129)	(135)
<b>EBITDA</b>	<b>481</b>	<b>531</b>	<b>598</b>	<b>595</b>	<b>594</b>	<b>606</b>
<i>YoY Growth</i>	6%	11%	12%	0%	0%	2%
<i>EBITDA Margin</i>	32%	35%	38%	37%	35%	35%
Depreciation and Amortization	(172)	(207)	(233)	(236)	(238)	(240)
<b>EBIT</b>	<b>309</b>	<b>324</b>	<b>364</b>	<b>360</b>	<b>356</b>	<b>365</b>
<i>YoY Growth</i>	7%	5%	12%	-1%	-1%	3%
<i>EBIT Margin</i>	20%	21%	23%	22%	21%	21%
Net Finance Costs and Other Income	(57)	(102)	(139)	(118)	(98)	(88)
<b>PBT</b>	<b>252</b>	<b>222</b>	<b>226</b>	<b>242</b>	<b>258</b>	<b>277</b>
Taxes	(2)	(2)	(2)	(2)	(2)	(2)
<b>Net Income</b>	<b>249</b>	<b>220</b>	<b>224</b>	<b>240</b>	<b>256</b>	<b>275</b>
Minority Interest	10	5	3	3	3	3
<b>Net Income to Equity</b>	<b>240</b>	<b>215</b>	<b>222</b>	<b>237</b>	<b>253</b>	<b>272</b>
<i>YoY Growth</i>	7%	-10%	3%	7%	7%	7%
<i>Net Margin</i>	16%	14%	14%	15%	15%	16%
<b>EPS (QR)</b>	<b>0.41</b>	<b>0.37</b>	<b>0.38</b>	<b>0.40</b>	<b>0.43</b>	<b>0.46</b>
<b>DPS (QR)</b>	<b>0.10</b>	<b>0.11</b>	<b>0.11</b>	<b>0.12</b>	<b>0.13</b>	<b>0.14</b>
<i>Payout Ratio</i>	24%	30%	29%	30%	30%	30%

Source: Company data, QNB FS estimates

## Detailed Financial Statements

Balance Sheet (In QR mn)	FY2022	FY2023	FY2024e	FY2025e	FY2026e	FY2027e
<b>Non-Current Assets</b>						
PP&E, WIP & Right of Use Assets	3,596	4,066	3,899	3,774	3,645	3,511
Investment Properties	41	41	41	41	41	41
Intangible Assets & Goodwill	117	121	116	116	116	115
Available-for-Sale Investments/Other	18	18	18	18	18	18
<b>Total Non-Current Assets</b>	<b>3,772</b>	<b>4,247</b>	<b>4,075</b>	<b>3,950</b>	<b>3,820</b>	<b>3,686</b>
<b>Current Assets</b>						
Inventories	16	11	14	15	16	17
Trade and Other Receivables	748	659	722	753	781	812
Bank Balances and Cash	238	280	215	185	239	380
<b>Total Current Assets</b>	<b>1,002</b>	<b>950</b>	<b>951</b>	<b>954</b>	<b>1,037</b>	<b>1,209</b>
<b>Total Assets</b>	<b>4,774</b>	<b>5,197</b>	<b>5,026</b>	<b>4,903</b>	<b>4,857</b>	<b>4,895</b>
<b>Total Shareholders' Equity</b>						
Non-Controlling interests	12	20	23	25	28	32
<b>Non-Current Liabilities</b>						
Lease Liabilities & Others	208	227	251	281	309	336
Loans and Borrowings	1,269	1,453	1,367	1,071	840	763
Employee Benefits & Others	58	60	67	71	76	80
<b>Total Non-Current Liabilities</b>	<b>1,535</b>	<b>1,741</b>	<b>1,684</b>	<b>1,423</b>	<b>1,225</b>	<b>1,179</b>
<b>Current Liabilities</b>						
Trade Payables	95	87	83	90	95	100
Loans and Borrowings	523	564	315	253	197	66
Accruals, Provisions & Other Payables	351	348	331	357	379	398
Lease Liabilities	11	16	16	15	15	15
Retention Payable	15	39	39	39	39	39
<b>Total Current Liabilities</b>	<b>996</b>	<b>1,053</b>	<b>784</b>	<b>754</b>	<b>726</b>	<b>618</b>
<b>Total Liabilities</b>	<b>2,531</b>	<b>2,794</b>	<b>2,469</b>	<b>2,177</b>	<b>1,951</b>	<b>1,797</b>
<b>Total Equity &amp; Liabilities</b>	<b>4,774</b>	<b>5,197</b>	<b>5,026</b>	<b>4,903</b>	<b>4,857</b>	<b>4,895</b>

Source: Company data, QNB FS estimates

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
<b>OUTPERFORM</b>	Greater than +20%	<b>R-1</b>	Significantly lower than average
<b>ACCUMULATE</b>	Between +10% to +20%	<b>R-2</b>	Lower than average
<b>MARKET PERFORM</b>	Between -10% to +10%	<b>R-3</b>	Medium / In-line with the average
<b>REDUCE</b>	Between -10% to -20%	<b>R-4</b>	Above average
<b>UNDERPERFORM</b>	Lower than -20%	<b>R-5</b>	Significantly above average

## Contacts

QNB Financial Services Co. W.L.L.  
 Contact Center: (+974) 4476 6666  
[info@qnbfs.com.qa](mailto:info@qnbfs.com.qa)  
 Doha, Qatar

Saugata Sarkar, CFA, CAIA  
 Head of Research  
[saugata.sarkar@qnbfs.com.qa](mailto:saugata.sarkar@qnbfs.com.qa)

Shahan Keushgerian  
 Senior Research Analyst  
[shahan.keushgerian@qnbfs.com.qa](mailto:shahan.keushgerian@qnbfs.com.qa)

Phibion Makuwerere, CFA  
 Senior Research Analyst  
[phibion.makuwerere@qnbfs.com.qa](mailto:phibion.makuwerere@qnbfs.com.qa)

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