# GWCS Alert – 3Q2022 Results Meet Expectations; Retain Outperform For Now

- **Another in-line quarter with decent growth metrics –** Gulf Warehousing Company's (GWCS) 3Q2022 net profit came in at QR59.4mn (5.8% YoY, 4.2% QoQ), which was in-line with our estimate of QR60.2mn (divergence: -1.3%). The company's 3Q2022 top-line came in at QR390.6mn, up 20.6% YoY and 6.2% QoQ. Revenue was also in-line with our forecast of QR397.9mn (difference of -1.8%). The reported gross margin for 3Q2022 was 28.2% vs. 31.3% in 3Q2021 and 27.8% in 2Q2022.

- **So far, 2022 results have met expectations and we continue to expect around 7% earnings growth this year.** Near-term, with the Al Wukair Logistics Park project (phase 1) humming along (94% utilization), along with the FIFA World Cup Qatar 2022 leading to growth in logistics/freight, we expect net income grow ~7% in 2022. Moreover, phase 2 of Al Wukair has started in earnest with construction expected to be completed by end-2023 leading to earnings growth in 2024 (after an expected lull next year). In addition, GWCS is in the final stages of two projects (in Oman and the UAE), which should receive the go-ahead soon. While we are awaiting further details and have not included these two projects in our model presently, we do believe they will serve as positive catalysts in the future. Although we are not forecasting a significant uptick in DPS, there could be upside to dividends medium-term after the expected uptick in capex in 2022.

- **We remain an Outperform on GWCS with a QR6.10 price target for now; we could reassess our rating in the future.** GWCS stock continues to underperform, down ~7% YTD vs. a ~5% gain in the QSE Index. We expect a pickup in newsflow regarding Al Wukair Logistics Park, along with WC2022-related announcements, to act as positive catalysts. Future disclosures concerning new domestic and/or international expansions could also be perceived positively by investors. In terms of fundamental drivers, corporate restructurings could boost outsourced logistics solutions and 4PL remains a growth area. *These catalysts could be compelling, especially announcements regarding future expansions. However, near-term stock price performance could remain moribund, especially in context of the overall global macro picture and the stock's lack of trading liquidity. We could reassess our price target and rating in our next update report.*

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| Recommendations<br>*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<br>*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 |


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