

GWCS Alert – 2Q2022 Results Meet Expectations; Maintain Outperform

- **GWCS posts in-line 2Q2022 earnings** – Gulf Warehousing Company's (GWCS) 2Q2022 net profit came in at QR57.0mn (5.6% YoY, -1.4% QoQ), which was right in-line with our estimate of QR57.3mn (divergence: -0.6%). The company's top-line came in at QR367.7mn in 2Q2022, up 13.1% YoY and 4.7% QoQ. Revenue was also in-line with our forecast of QR358.4mn (difference of 2.6%). Gross margins came in 27.8% vs. 30.7% in 2Q2021 and 29.5% in 1Q2022.
- **So far 2022 results have met expectations and we continue to expect roughly 5% earnings growth this year.** Going forward, with the Al Wukair Logistics Park project expected to start in earnest in 2022, along with the FIFA World Cup Qatar 2022 leading to growth in logistics/freight, we expect net income to resume its growth track increasing approximately 5% YoY. We note GWCS recorded ~5% YoY declines in earnings in 2020 and 2021, after posting uninterrupted growth from 2009 to 2019. With major capex for announced projects ending, we expect FCF yield to progressively increase going forward, growing from low-to-mid-single digits to low-teens by 2023/2024. While we are not forecasting a significant uptick in DPS, with major capex already done, there could be DPS upside medium-term.
- **We remain an Outperform on GWCS with a QR5.40 price target.** GWCS stock continues to underperform, down ~3% YTD vs. an almost 11% gain in the QSE Index. We continue to remain hopeful that GWCS' relative underperformance could reverse given earnings growth anticipated in 2022. 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.

Recommendations	
<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>	
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	
<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
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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