

GWCS Alert – In-Line 3Q2021; Maintain Market Perform

- **GWCS 3Q2021 earnings falls 8.5% YoY but increases 4.0% QoQ, in-line with our estimate** – Gulf Warehousing Company's (GWCS) net profit came in at QR56.2mn in 3Q2021, which was right in-line with our estimate of QR55.1mn (divergence of 2.0%). The company's revenue came in at QR323.8mn in 3Q2021, which represent declines of 1.1% YoY and 0.4% QoQ. Revenue was also bang in-line with our forecast of QR327.7mn (difference of -1.2%). Overall margins were also in-line our modeled estimates – gross margin came in 31.3% vs. 31.1% in 3Q2020 and 30.7% in 2Q2021. For 9M2021, GWCS reported QR164.5mn in net income.
- **Overall, we continue to project a ~7% decline in earnings to QR220.2mn in 2021.** Our 2021 DPS estimate remains flat at QR0.10 but yield remains a below-market 2.0%. 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 7% YoY to QR236.3mn in 2022. With major capex for announced projects ending, we expect FCF yield to increase from 1.4% in 2020 to 3% in 2021 and 11.6% in 2022. While we are not forecasting a significant uptick in DPS, with major capex already done, there could be upside to dividends medium-term.
- **We rate GWCS a Market Perform with a QR5.40 price target.** 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

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%

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

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

Shahan Keushgerian
Senior Research Analyst
+974 4476 6509
shahan.keushgerian@qnbfs.com.qa

DISCLAIMER: This publication has been prepared by QNB Financial Services Co. WLL ("QNB FS") a wholly-owned subsidiary of Qatar National Bank ("Q.P.S.C."). QNB FS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange; QNB is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNB FS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNB FS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. While this publication has been prepared with the utmost degree of care by our analysts, QNB FS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. QNB FS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report.

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNB FS.