

## Gulf Warehousing Company (GWCS)

| Recommendation | ACCUMULATE | Risk Rating          | R-4     |
|----------------|------------|----------------------|---------|
| Share Price    | QR59.60    | Current Target Price | QR68.00 |
| Implied Upside | 14.1%      | Old Target Price     | QR58.00 |

### Raising PT to QR68; Maintain Accumulate Rating

*We are updating our model and boosting our price target for GWCS to QR68. We have fine-tuned our model and updated our estimates for LVQ Phase V, the Ras Laffan warehouse expansion and the Bu-Sulba Logistics Hub project. We continue to believe that GWCS holds upside despite the stock rallying ~34% to touch almost QR65 since the opening up of its FOL. We continue to rate GWCS an Accumulate.*

#### Highlights

- **LVQ Phase V and a new 3PL warehouse in Ras Laffan should lead to growth this year.** The new phase (45,000 sqm with 50% to be used for clients) should begin contributing by July 2016, while income from the Ras Laffan warehouse (15,000 sqm) could start to trickle in by March. As a result, we have projected top-line growth of 9% to around QR860mn and net income growth of 4% to roughly QR193mn. For 1Q2016, we project QR207mn/QR45mn in revenue/earnings.
- **The start-up of the Bu-Sulba Logistics Hub project next year should add another leg of growth in 2017.** This QR840mn project, which is targeted toward SMEs, should add more than 200k sqm in net leasable area to GWCS' portfolio after 1Q2017. Consequently, we expect revenue to increase 12% in 2017 and another 9% in 2018. We do forecast a marginal decline in 2017 net income (primarily driven by higher finance charges related to the Bu-Sulba project that were being capitalized previously) but model an 18% growth in 2018 earnings.

#### Catalysts

- **Newsflow regarding the development of new warehousing facilities could drive the stock:** Status updates for the major Bu-Sulba Logistics Hub project could act as a catalyst for the stock.

#### Recommendation, Valuation and Risks

- **Recommendation and valuation:** *We rate GWCS an Accumulate with a price target of QR68.00. We use a Cost of Equity of 11.5% and an average WACC of 9.7%.*
- **Risks: Regional markets remain volatile given the volatility/decline in oil prices.** Company-specific risks include low occupancy levels in the new Bu Sulba project. Growth beyond 2017 also remains potentially capped given the upcoming mega logistics project (only open to Qatari individuals/100%-Qatari owned companies) in south Qatar.

#### Key Financial Data and Estimates

|                       | FY2015       | FY2016e      | FY2017e      | FY2018e      |
|-----------------------|--------------|--------------|--------------|--------------|
| Revenue (QR mn)       | 788          | 860          | 966          | 1,054        |
| <i>Growth</i>         | <i>20%</i>   | <i>9%</i>    | <i>12%</i>   | <i>9%</i>    |
| EBITDA (QR mn)        | 290          | 307          | 355          | 413          |
| <i>Growth</i>         | <i>28%</i>   | <i>6%</i>    | <i>16%</i>   | <i>16%</i>   |
| Net Income (QR mn)    | 185          | 193          | 188          | 223          |
| EPS (QR)              | 3.16         | 3.29         | 3.21         | 3.80         |
| <i>Growth</i>         | <i>32%</i>   | <i>4%</i>    | <i>-2%</i>   | <i>18%</i>   |
| P/E (x)               | 18.9x        | 18.1x        | 18.5x        | 15.7x        |
| DPS (QR)              | 1.22         | 1.50         | 1.75         | 2.00         |
| <i>Payout Ratio</i>   | <i>38.5%</i> | <i>45.5%</i> | <i>54.4%</i> | <i>52.6%</i> |
| <i>Dividend Yield</i> | <i>2.0%</i>  | <i>2.5%</i>  | <i>2.9%</i>  | <i>3.4%</i>  |
| <i>ROE</i>            | <i>16.2%</i> | <i>13.1%</i> | <i>12.0%</i> | <i>13.3%</i> |

Source: Company data, QNBFS estimates; Note: All per share 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)   | 78.04/40.05    |
| 3-m Average Volume ('000) | 49.2           |
| Mkt. Cap. (\$ bn/QR bn)   | 1.0/3.5        |
| Shares Outstanding (mn)   | 58.6           |
| FO Limit* (%)             | 49.0           |
| Current FO* (%)           | 25.6           |
| 1-Year Total Return (%)   | 12.5           |
| Fiscal Year End           | Dec. 31        |

Source: Bloomberg (as of March 30, 2016), \*Qatar Exchange (as of March 30, 2016); Note: FO is foreign ownership

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## Detailed Financial Statements

| Income Statement (In QR mn)         | FY2015      | FY2016e     | FY2017e     | FY2018e      | FY2019e      | FY2020e      |
|-------------------------------------|-------------|-------------|-------------|--------------|--------------|--------------|
| <b>Revenue</b>                      | <b>788</b>  | <b>860</b>  | <b>966</b>  | <b>1,054</b> | <b>1,132</b> | <b>1,157</b> |
| <i>YoY Growth</i>                   | <i>20%</i>  | <i>9%</i>   | <i>12%</i>  | <i>9%</i>    | <i>7%</i>    | <i>2%</i>    |
| Direct Costs                        | (417)       | (464)       | (517)       | (542)        | (587)        | (606)        |
| <b>Gross Profit</b>                 | <b>371</b>  | <b>395</b>  | <b>450</b>  | <b>512</b>   | <b>545</b>   | <b>551</b>   |
| <i>Gross Margin</i>                 | <i>47%</i>  | <i>46%</i>  | <i>47%</i>  | <i>49%</i>   | <i>48%</i>   | <i>48%</i>   |
| Staff Costs                         | 0           | 0           | 0           | 0            | 0            | 0            |
| General and Administrative Expenses | (81)        | (89)        | (95)        | (100)        | (105)        | (110)        |
| <b>EBITDA</b>                       | <b>290</b>  | <b>307</b>  | <b>355</b>  | <b>413</b>   | <b>440</b>   | <b>442</b>   |
| <i>YoY Growth</i>                   | <i>28%</i>  | <i>6%</i>   | <i>16%</i>  | <i>16%</i>   | <i>7%</i>    | <i>0%</i>    |
| <i>EBITDA Margin</i>                | <i>37%</i>  | <i>36%</i>  | <i>37%</i>  | <i>39%</i>   | <i>39%</i>   | <i>38%</i>   |
| Depreciation and Amortization       | (95)        | (102)       | (127)       | (149)        | (154)        | (154)        |
| <b>EBIT</b>                         | <b>194</b>  | <b>205</b>  | <b>227</b>  | <b>264</b>   | <b>286</b>   | <b>287</b>   |
| <i>YoY Growth</i>                   | <i>32%</i>  | <i>5%</i>   | <i>11%</i>  | <i>16%</i>   | <i>9%</i>    | <i>0%</i>    |
| <i>EBIT Margin</i>                  | <i>25%</i>  | <i>24%</i>  | <i>24%</i>  | <i>25%</i>   | <i>25%</i>   | <i>25%</i>   |
| Finance Costs                       | (35)        | (38)        | (65)        | (68)         | (62)         | (53)         |
| Other Income                        | 19          | 21          | 22          | 24           | 25           | 26           |
| Other Gains and Impairments         | 6           | 5           | 4           | 4            | 3            | 3            |
| <b>Net Income</b>                   | <b>185</b>  | <b>193</b>  | <b>188</b>  | <b>223</b>   | <b>252</b>   | <b>263</b>   |
| Minority Interest                   | 0           | 0           | 0           | 0            | 0            | 0            |
| <b>Net Income to Equity</b>         | <b>185</b>  | <b>193</b>  | <b>188</b>  | <b>223</b>   | <b>252</b>   | <b>263</b>   |
| <i>YoY Growth</i>                   | <i>32%</i>  | <i>4%</i>   | <i>-2%</i>  | <i>18%</i>   | <i>13%</i>   | <i>5%</i>    |
| <i>Net Margin</i>                   | <i>23%</i>  | <i>22%</i>  | <i>19%</i>  | <i>21%</i>   | <i>22%</i>   | <i>23%</i>   |
| <b>EPS (QR)</b>                     | <b>3.16</b> | <b>3.29</b> | <b>3.21</b> | <b>3.80</b>  | <b>4.30</b>  | <b>4.50</b>  |
| <b>DPS (QR)</b>                     | <b>1.22</b> | <b>1.50</b> | <b>1.75</b> | <b>2.00</b>  | <b>2.25</b>  | <b>2.50</b>  |
| <i>Payout Ratio</i>                 | <i>39%</i>  | <i>46%</i>  | <i>54%</i>  | <i>53%</i>   | <i>52%</i>   | <i>56%</i>   |

Source: Company data, QNBFS estimates

| <b>Balance Sheet (In QR mn)</b>       | <b>FY2015</b> | <b>FY2016e</b> | <b>FY2017e</b> | <b>FY2018e</b> | <b>FY2019e</b> | <b>FY2020e</b> |
|---------------------------------------|---------------|----------------|----------------|----------------|----------------|----------------|
| <b>Non-Current Assets</b>             |               |                |                |                |                |                |
| PP&E and Projects in Progress         | 1,557         | 2,298          | 2,399          | 2,358          | 2,262          | 2,166          |
| Investment Properties                 | 186           | 196            | 206            | 216            | 226            | 236            |
| Leasehold Property & Associates       | -             | -              | -              | -              | -              | -              |
| Intangible Assets                     | 129           | 123            | 117            | 110            | 104            | 98             |
| Available-for-Sale Investments        | -             | -              | -              | -              | -              | -              |
| <b>Total Non-Current Assets</b>       | <b>1,872</b>  | <b>2,617</b>   | <b>2,722</b>   | <b>2,685</b>   | <b>2,593</b>   | <b>2,501</b>   |
| <b>Current Assets</b>                 |               |                |                |                |                |                |
| Inventories                           | 9             | 9              | 10             | 11             | 11             | 12             |
| Trade and Other Receivables           | 513           | 329            | 371            | 404            | 434            | 443            |
| Bank Balances and Cash                | 586           | 642            | 646            | 705            | 669            | 640            |
| <b>Total Current Assets</b>           | <b>1,109</b>  | <b>979</b>     | <b>1,027</b>   | <b>1,119</b>   | <b>1,114</b>   | <b>1,095</b>   |
| <b>Total Assets</b>                   | <b>2,981</b>  | <b>3,597</b>   | <b>3,748</b>   | <b>3,804</b>   | <b>3,707</b>   | <b>3,596</b>   |
| <b>Equity &amp; Liabilities</b>       |               |                |                |                |                |                |
| <b>Total Shareholders' Equity</b>     | <b>1,411</b>  | <b>1,528</b>   | <b>1,623</b>   | <b>1,738</b>   | <b>1,867</b>   | <b>1,992</b>   |
| Non-Controlling interests             | (4)           | (4)            | (4)            | (4)            | (4)            | (4)            |
| <b>Non-Current Liabilities</b>        |               |                |                |                |                |                |
| Loans and Borrowings                  | 1,232         | 1,655          | 1,681          | 1,614          | 1,392          | 1,169          |
| Employee Benefits                     | 23            | 28             | 34             | 40             | 46             | 53             |
| <b>Total Non-Current Liabilities</b>  | <b>1,254</b>  | <b>1,684</b>   | <b>1,715</b>   | <b>1,654</b>   | <b>1,438</b>   | <b>1,222</b>   |
| <b>Current Liabilities</b>            |               |                |                |                |                |                |
| Trade Payables                        | 16            | 17             | 19             | 20             | 22             | 22             |
| Loans and Borrowings                  | 142           | 205            | 208            | 200            | 172            | 145            |
| Accruals, Provisions & Other Payables | 141           | 146            | 163            | 171            | 185            | 190            |
| Retention Payable                     | 20            | 22             | 24             | 25             | 27             | 28             |
| <b>Total Current Liabilities</b>      | <b>319</b>    | <b>389</b>     | <b>414</b>     | <b>415</b>     | <b>406</b>     | <b>385</b>     |
| <b>Total Liabilities</b>              | <b>1,573</b>  | <b>2,073</b>   | <b>2,129</b>   | <b>2,070</b>   | <b>1,844</b>   | <b>1,608</b>   |
| <b>Total Equity &amp; Liabilities</b> | <b>2,981</b>  | <b>3,597</b>   | <b>3,748</b>   | <b>3,804</b>   | <b>3,707</b>   | <b>3,596</b>   |

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*

|                       |                      |
|-----------------------|----------------------|
| <b>OUTPERFORM</b>     | Greater than +20%    |
| <b>ACCUMULATE</b>     | Between +10% to +20% |
| <b>MARKET PERFORM</b> | Between -10% to +10% |
| <b>REDUCE</b>         | Between -10% to -20% |
| <b>UNDERPERFORM</b>   | Lower than -20%      |

### Risk Ratings

*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*

|            |                                   |
|------------|-----------------------------------|
| <b>R-1</b> | Significantly lower than average  |
| <b>R-2</b> | Lower than average                |
| <b>R-3</b> | Medium / In-line with the average |
| <b>R-4</b> | Above average                     |
| <b>R-5</b> | Significantly above average       |

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