

## Gulf Warehousing Company (GWCS)

Recommendation	MARKET PERFORM	Risk Rating	R-4
Share Price	QR63.00	Current Target Price	QR68.00
Implied Upside	7.9%		

### In-Line 1Q2016; Moving to Market Perform With Unchanged PT

*We keep our estimates mostly unchanged given in-line 1Q2016 results; our price target remains at QR68. GWCS should continue to benefit from positive near-to-medium-term catalysts considering its LVQ Phase V/Ras Laffan warehouse projects this year leading up to growth driven by Bu-Sulba in 2017. GWCS shares have appreciated 30% since the opening up of its FOL on March 22 in conjunction with our Accumulate rating. We remain constructive on the name but shift to a Market Perform rating.*

#### Highlights

- **LVQ Phase V and a new 3PL warehouse in Ras Laffan should lead to 2016 growth.** The new phase (45,000 sqm; 50% for clients) should begin by July 2016, while income from the Ras Laffan facility (15,000 sqm) could trickle in by March.
- **The start-up of the Bu-Sulba Logistics Hub project 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.
- **GWCS' 1Q2016 net profit declined 7% QoQ, earnings in-line with our estimate –** The company reported a net profit of QR46.6mn, declining 7% QoQ in 1Q2016. However, on YoY basis, net profit increased 15%. Reported net income was in-line with our estimate of QR45.2mn (variation +3%).
- **Minor model changes:** Our overall revenue/EBITDA estimates remain unchanged but we have slightly lowered our net income forecasts factoring in higher depreciation. For 2016, we continue to project a top-line growth of 9% to around QR860mn and net income growth of 2% to roughly QR189mn (QR193mn previously). With Bu-Sulba kicking in next year we expect revenue to increase 12% in 2017 and another 9% in 2018. We do forecast a marginal decline in 2017 net income (primarily due to higher finance charges related to Bu-Sulba that were being capitalized previously) but model an 19% growth in 2018 earnings.

#### Catalysts

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

#### Recommendation, Valuation and Risks

- **Recommendation and valuation:** *We rate GWCS a Market Perform with an unchanged price target of QR68.00.*
- **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, which is target toward SMEs. 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	189	181	216
EPS (QR)	3.16	3.23	3.09	3.68
<i>Growth</i>	<i>32%</i>	<i>2%</i>	<i>-4%</i>	<i>19%</i>
P/E (x)	19.9x	19.5x	20.4x	17.1x
DPS (QR)	1.22	1.50	1.75	2.00
<i>Payout Ratio</i>	<i>38.5%</i>	<i>46.4%</i>	<i>56.7%</i>	<i>54.4%</i>
<i>Dividend Yield</i>	<i>1.9%</i>	<i>2.4%</i>	<i>2.8%</i>	<i>3.2%</i>
<i>ROE</i>	<i>16.2%</i>	<i>12.9%</i>	<i>11.6%</i>	<i>13.0%</i>

Source: Company data, QNBFS estimates; Note: All per share data based on current number of shares

#### Key Data

	GWCS QD
Bloomberg Ticker	QA000A0KD6H9
ADR/GDR Ticker	N/A
ISIN	QA000A0KD6H9
Sector*	Transportation
52wk High/52wk Low (QR)	78.04/40.05
3-m Average Volume ('000)	165.2
Mkt. Cap. (\$ bn/QR bn)	1.0/3.7
Shares Outstanding (mn)	58.6
FO Limit* (%)	49.0
Current FO* (%)	26.4
1-Year Total Return (%)	(2.5)
Fiscal Year End	Dec. 31

Source: Bloomberg (as of April 28, 2016), \*Qatar Exchange (as of April 28, 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>
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)	(105)	(135)	(156)	(161)	(161)
<b>EBIT</b>	<b>194</b>	<b>201</b>	<b>220</b>	<b>256</b>	<b>279</b>	<b>280</b>
<i>YoY Growth</i>	<i>32%</i>	<i>4%</i>	<i>9%</i>	<i>16%</i>	<i>9%</i>	<i>1%</i>
<i>EBIT Margin</i>	<i>25%</i>	<i>23%</i>	<i>23%</i>	<i>24%</i>	<i>25%</i>	<i>24%</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
Net Income	185	189	181	216	245	257
Minority Interest	0	0	0	0	0	0
<b>Net Income to Equity</b>	<b>185</b>	<b>189</b>	<b>181</b>	<b>216</b>	<b>245</b>	<b>257</b>
<i>YoY Growth</i>	<i>32%</i>	<i>2%</i>	<i>-4%</i>	<i>19%</i>	<i>14%</i>	<i>5%</i>
<i>Net Margin</i>	<i>23%</i>	<i>22%</i>	<i>19%</i>	<i>20%</i>	<i>22%</i>	<i>22%</i>
<b>EPS (QR)</b>	<b>3.16</b>	<b>3.23</b>	<b>3.09</b>	<b>3.68</b>	<b>4.18</b>	<b>4.38</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>57%</i>	<i>54%</i>	<i>54%</i>	<i>57%</i>

Source: Company data, QNBFS estimates

Balance Sheet (In QR mn)	FY2015	FY2016e	FY2017e	FY2018e	FY2019e	FY2020e
<b>Non-Current Assets</b>						
PP&E and Projects in Progress	1,557	2,495	2,588	2,540	2,437	2,334
Investment Properties	186	47	57	67	77	87
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>2,664</b>	<b>2,761</b>	<b>2,717</b>	<b>2,618</b>	<b>2,519</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	584	586	641	602	571
<b>Total Current Assets</b>	<b>1,109</b>	<b>922</b>	<b>967</b>	<b>1,056</b>	<b>1,048</b>	<b>1,025</b>
<b>Total Assets</b>	<b>2,981</b>	<b>3,586</b>	<b>3,728</b>	<b>3,773</b>	<b>3,666</b>	<b>3,544</b>
<b>Equity &amp; Liabilities</b>						
<b>Total Shareholders' Equity</b>	<b>1,411</b>	<b>1,520</b>	<b>1,608</b>	<b>1,716</b>	<b>1,838</b>	<b>1,956</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	25	28	31	34	37
<b>Total Non-Current Liabilities</b>	<b>1,254</b>	<b>1,681</b>	<b>1,709</b>	<b>1,645</b>	<b>1,426</b>	<b>1,207</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>2,070</b>	<b>2,123</b>	<b>2,061</b>	<b>1,832</b>	<b>1,592</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,981</b>	<b>3,586</b>	<b>3,728</b>	<b>3,773</b>	<b>3,666</b>	<b>3,544</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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