

GWCS Alert – 2Q2021 Earnings Dips Below Estimate; Stay Market Perform

- **GWCS records 8.8% YoY decline but flattish QoQ (-0.7%) 2Q2021 earnings performance, below our estimate** – Gulf Warehousing Company's (GWCS) net profit came in at QR54.0mn in 2Q2021, 10.1% below our estimate of QR60.1mn. The company's revenue came in at QR325.1mn in 2Q2021, which represent increases of 7.5% YoY and 8.8% QoQ. Revenue was 6.3% above our forecast of QR306.0mn. Overall margins were below our modeled estimates – gross margin came in 30.7% vs. 34.0% in 2Q2020 and 32.1% in 1Q2021.
- **Longer-term, we retain our bullish thesis and with the easing of blockade restrictions, we expect GWCS to benefit.** GWCS has withstood the blockade well with its freight-forwarding segment showing significant growth (up 37% in 2020 from 2017); GWCS' logistics business also remains robust driven by contract logistics and increasing occupancy in Bu Sulba and is also up 18% over the same period. Growth post Bu Sulba (92% occupancy as of YE2020) could decline, but as we have flagged previously, GWCS generates substantial FCF and remains on the hunt for expansion avenues. **For now, we stay Market Perform on GWCS with a price target of QR5.10.**

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%

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

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

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

Mehmet Aksoy, PhD
Senior Research Analyst
+974 4476 6589
mehmet.aksoy@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.