

## Gulf Warehousing Company (GWCS)

Recommendation	ACCUMULATE	Risk Rating	R-4
Share Price	56.60	Current Target Price	QR65.00
Implied Upside	14.8%		

### Qatar's Logistics Pureplay; Maintain Accumulate Rating

*We are adjusting our estimates factoring in 2016 results and retain our Accumulate rating on GWCS with a price target of QR65. GWCS should continue to benefit from positive near-to-medium-term catalysts driven by the start-up of Bu-Sulba in 2017.*

#### Highlights

- 4Q2016 and 2016 earnings in-line with estimates.** GWCS reported a net profit of QR55.6mn in 4Q2016, in-line with our expectations of QR52.8mn (5% divergence). Net income increased by 14% and 11% QoQ and YoY, respectively. Revenue for the quarter at QR228.2mn (+19% QoQ and YoY) was 8% ahead of our estimate. However, direct costs were higher than our model leading to a gross profit of QR81.4mn vs. our forecast of QR79.6mn (a differential of 2%). 2016 net income of QR205.7mn was up 11% for the year and right in line with our estimate of QR203.0mn (a differential of 1%). Dividends per share were proposed at QR1.60 (DY: 2.8%) vs. our estimate of QR1.50. The company paid a DPS of QR1.50 for 2015.
- 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.
- Tweaking model to reflect recent results:** With Bu-Sulba kicking in this year, we expect revenue to increase 11% in 2017, followed by another 5% in 2018. Our overall revenue estimates are now QR939mn and QR984mn for 2017 and 2018, respectively; our current top-line figures are around 1% higher than our previously disclosed estimates. We are also upping our EBITDA estimates by roughly 5% from QR368mn and QR401mn, respectively for 2017 and 2018, to QR388mn and QR422mn. We now expect the company to post around 8% net income growth for both 2017 and 2018.

#### 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 an Accumulate with a price target of QR65.00.* P/E remains elevated at 15.0x and 13.8x for 2017 and 2018, respectively, which is indicative of the company's mostly secure earnings medium-term earnings growth prospects.
- Risks: Regional markets remain suspect to oil-price driven volatility.** Company-specific risks include low occupancy levels in the new Bu Sulba project, which is targeted 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	FY2016	FY2017e	FY2018e
Revenue (QR mn)	788	850	939	984
Growth	20%	8%	11%	5%
EBITDA (QR mn)	290	323	388	422
Growth	28%	12%	20%	9%
Net Income (QR mn)	185	206	222	240
EPS (QR)	3.16	3.51	3.78	4.09
Growth	32%	11%	8%	8%
P/E (x)	17.9x	16.1x	15.0x	13.8x
DPS (QR)	1.50	1.60	1.75	2.00
Payout Ratio	47.5%	45.6%	46.3%	48.9%
Dividend Yield	2.7%	2.8%	3.1%	3.5%
ROE	16.2%	14.0%	14.0%	14.0%

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)	66.10/41.30
3-m Average Volume ('000)	51.9
Mkt. Cap. (\$ bn/QR bn)	0.9/3.3
Shares Outstanding (mn)	58.6
FO Limit* (%)	49.0
Current FO* (%)	28.2
1-Year Total Return (%)	34.5
Fiscal Year End	Dec. 31

Source: Bloomberg (as of February 19, 2017), \*Qatar Exchange (as of February 16, 2017); Note: FO is foreign ownership

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## Detailed Financial Statements

Income Statement (In QR mn)	FY2015	FY2016	FY2017e	FY2018e	FY2019e	FY2020e
<b>Revenue</b>	<b>788</b>	<b>850</b>	<b>939</b>	<b>984</b>	<b>1,055</b>	<b>1,079</b>
<i>YoY Growth</i>	<i>20%</i>	<i>8%</i>	<i>11%</i>	<i>5%</i>	<i>7%</i>	<i>2%</i>
Direct Costs	(421)	(451)	(474)	(484)	(525)	(543)
<b>Gross Profit</b>	<b>367</b>	<b>399</b>	<b>465</b>	<b>501</b>	<b>530</b>	<b>536</b>
<i>Gross Margin</i>	<i>47%</i>	<i>47%</i>	<i>50%</i>	<i>51%</i>	<i>50%</i>	<i>50%</i>
General and Administrative Expenses	(77)	(76)	(77)	(79)	(79)	(79)
<b>EBITDA</b>	<b>290</b>	<b>323</b>	<b>388</b>	<b>422</b>	<b>451</b>	<b>456</b>
<i>YoY Growth</i>	<i>28%</i>	<i>12%</i>	<i>20%</i>	<i>9%</i>	<i>7%</i>	<i>1%</i>
<i>EBITDA Margin</i>	<i>37%</i>	<i>38%</i>	<i>41%</i>	<i>43%</i>	<i>43%</i>	<i>42%</i>
Depreciation and Amortization	(95)	(107)	(135)	(151)	(167)	(167)
<b>EBIT</b>	<b>194</b>	<b>216</b>	<b>253</b>	<b>271</b>	<b>284</b>	<b>289</b>
<i>YoY Growth</i>	<i>32%</i>	<i>11%</i>	<i>17%</i>	<i>7%</i>	<i>5%</i>	<i>2%</i>
<i>EBIT Margin</i>	<i>25%</i>	<i>25%</i>	<i>27%</i>	<i>28%</i>	<i>27%</i>	<i>27%</i>
Finance Costs	(35)	(38)	(61)	(62)	(57)	(48)
Other Income	19	29	30	32	33	35
Other Gains and Impairments	6	(1)	(1)	(1)	(1)	(1)
<b>Net Income</b>	<b>185</b>	<b>206</b>	<b>222</b>	<b>240</b>	<b>260</b>	<b>275</b>
Minority Interest	0	0	0	0	0	0
<b>Net Income to Equity</b>	<b>185</b>	<b>206</b>	<b>222</b>	<b>240</b>	<b>260</b>	<b>275</b>
<i>YoY Growth</i>	<i>32%</i>	<i>11%</i>	<i>8%</i>	<i>8%</i>	<i>8%</i>	<i>6%</i>
<i>Net Margin</i>	<i>23%</i>	<i>24%</i>	<i>24%</i>	<i>24%</i>	<i>25%</i>	<i>26%</i>
<b>EPS (QR)</b>	<b>3.16</b>	<b>3.51</b>	<b>3.78</b>	<b>4.09</b>	<b>4.43</b>	<b>4.70</b>
<b>DPS (QR)</b>	<b>1.50</b>	<b>1.60</b>	<b>1.75</b>	<b>2.00</b>	<b>2.25</b>	<b>2.50</b>
<i>Payout Ratio</i>	<i>47%</i>	<i>46%</i>	<i>46%</i>	<i>49%</i>	<i>51%</i>	<i>53%</i>

Source: Company data, QNBFS estimates

Balance Sheet (In QR mn)	FY2015	FY2016	FY2017e	FY2018e	FY2019e	FY2020e
<b>Non-Current Assets</b>						
PP&E and Projects in Progress	1,557	2,559	2,566	2,504	2,376	2,249
Investment Properties	186	37	37	38	38	39
Leasehold Property & Associates	-	-	-	-	-	-
Intangible Assets	129	126	120	114	108	102
Available-for-Sale Investments	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>1,872</b>	<b>2,723</b>	<b>2,724</b>	<b>2,656</b>	<b>2,522</b>	<b>2,389</b>
<b>Current Assets</b>						
Inventories	9	9	9	9	10	11
Trade and Other Receivables	513	521	438	458	491	501
Bank Balances and Cash	586	489	671	784	802	827
<b>Total Current Assets</b>	<b>1,109</b>	<b>1,019</b>	<b>1,118</b>	<b>1,252</b>	<b>1,303</b>	<b>1,338</b>
<b>Total Assets</b>	<b>2,981</b>	<b>3,741</b>	<b>3,841</b>	<b>3,908</b>	<b>3,826</b>	<b>3,727</b>
<b>Equity &amp; Liabilities</b>						
<b>Total Shareholders' Equity</b>	<b>1,411</b>	<b>1,519</b>	<b>1,641</b>	<b>1,773</b>	<b>1,909</b>	<b>2,045</b>
Non-Controlling interests	(4)	(4)	(4)	(4)	(4)	(4)
<b>Non-Current Liabilities</b>						
Loans and Borrowings	1,232	1,682	1,637	1,571	1,350	1,129
Employee Benefits	23	27	30	34	38	42
<b>Total Non-Current Liabilities</b>	<b>1,254</b>	<b>1,708</b>	<b>1,668</b>	<b>1,605</b>	<b>1,388</b>	<b>1,171</b>
<b>Current Liabilities</b>						
Trade Payables	16	42	43	44	47	49
Loans and Borrowings	142	194	213	205	176	147
Accruals, Provisions & Other Payables	141	184	183	187	203	209
Retention Payable	20	97	96	98	107	110
<b>Total Current Liabilities</b>	<b>319</b>	<b>517</b>	<b>536</b>	<b>533</b>	<b>533</b>	<b>515</b>
<b>Total Liabilities</b>	<b>1,573</b>	<b>2,226</b>	<b>2,203</b>	<b>2,139</b>	<b>1,921</b>	<b>1,686</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,981</b>	<b>3,741</b>	<b>3,841</b>	<b>3,908</b>	<b>3,826</b>	<b>3,727</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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