

GWCS Alert – Al Wukair Logistics Park Contract Could Add to LT Growth

- **Announces new QR1.5bn Al Wukair Logistics Park contract adding to longer-term growth story.** As expected, GWCS announced a new growth initiative that could boost future revenue and earnings.
- **What happened?** Manateq, the national initiative working to diversify Qatar's economy by providing premium infrastructure within strategic economic zones, awarded Al Wukair Logistics Park BOT project to GWCS. Under this agreement, GWCS will build, operate and transfer (BOT) the development of this 1.48 km² project in a public-private-partnership deal with 30-year lease term. The contract, which was obtained via a competitive bidding process, will allow GWCS to design, finance, develop, operate and maintain the project. This park will eventually consist of dry, cold, frozen and chemical storage facilities, along with light workshops and warehousing open yards. The park will also feature retail outlets, workers' accommodation, first air clinic and a mosque. This is the second such PPP that GWCS has entered with Manateq, with its Bu Sulba Warehousing Park completed on schedule in end-2016.
- **Financial impact: too early to quantify but total area 3x as large as Bu Sulba.** Capital spending of QR1.5bn is about 1.5x the capex of Bu Sulba. Targeted toward ultra-small businesses (unlike Bu Sulba, which caters to SMEs), the financial impact of Al Wukair Logistics Park will be likely be lower on a proportional basis (relative to size) vs. Bu Sulba. We note Bu Sulba generates around QR100mn in revenue, QR70mn in EBITDA and less than QR20mn in annual net income. As announced, work on the park is set to begin right away with a first phase representing ~40% of the park due for completion within two years, with the remainder due to be developed within five years.
- **We remain Market Perform on GWCS shares for now.** But as mentioned in our recent detailed [report](#), we note GWCS management remains on the hunt for growth opportunities and announcements of new projects could provide some momentum to this stock. The stock has been trading water since mid-2019 and we believe expansion-related newsflow and/or anticipation of 2019 dividends (we expect 5.3% growth in DPS to QR0.20) to provide a lift to GWCS shares. We expect this announcement to add some positive momentum to GWCS shares.

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

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