

Gulf Warehousing Company (GWCS)

Recommendation	OUTPERFORM	Risk Rating	R-4
Share Price	QR53.20	Target Price	QR70.00
Implied Upside	31.6%		

Bu-Sulba Provides Value Accretion; Maintain Outperform

Gulf Warehousing Company (GWCS) has been awarded the right to develop the Bu-Sulba Logistics Hub. The project will serve small and medium enterprises (SMEs) in Qatar and will cost ~QR685mn. The total logistics hub area is 517,376 square meters (sqm) with the planned built-up area exceeding 40% (we have assumed 206,000 in our model). The project will take 24-months to complete and should contribute toward top-line and bottom-line from 2017 and onward. Based on our model, this project will lead to a 23.2% surge in 2017's bottom-line vs. our previous estimate of 9.0%. **Accordingly, our price target jumps to QR70.00 from QR62.00.**

Highlights

- **GWCS has been awarded a new project.** Recently, the State of Qatar has awarded four new warehousing facilities to be developed by Qatari firms. Of the 4 new awards, GWCS and Barwa Real Estate Company (BRES) were awarded one site each, while the other two sites went to unlisted Qatari firms. According to the details available, the sites have been leased for 25-years with development work to be finished in 24-months. The Bu-Sulba project will have ~194 warehousing units of different specs, container yard, staff accommodation and other amenities. The site is expected to cater to the needs of the FMCG sector, with geographical focus on South to Central Doha.
- **Financial impact:** In our model, we have assumed 75% and 85% occupancy level in 2017 and 2018, respectively, reaching 100% occupancy levels by 2020. Furthermore, we have assumed that GWCS will finance the project mostly through debt. However to maintain cash balances, we estimate GWCS could reduce cash dividends; we now assume QR2.00 per year for 2014e-2017e with a greater possibility of stock dividends.
- **Regional expansion still in the cards.** With LVQ phase 4 operational in 2014 and LVQ phase 5 to commence in 2015, the company was actively seeking new projects to maintain growth momentum post 2015. This project provides the much needed impetus to the GWCS medium-term growth story. However, longer term, we expect the firm to seek regional expansion to sustain its growth momentum.

Catalysts

- **Newsflow regarding the development of new warehousing facilities:** Status updates for this project and the imminent opening up of FOL headroom could act as stock price catalysts.

Recommendation, Valuation and Risks

- **Recommendation and valuation:** *We rate GWCS an Outperform with a price target of QR70.00.* GWCS trades at 2017 P/E of 13.2x
- **Risks:** Declining oil prices remain a substantial risk to regional equity prices. Company-specific risks include: 1) Low occupancy in new project and 2) Inability to expand regionally.

Key Financial Data and Estimates

	FY2014e	FY2015e	FY2016e	FY2017e
EPS (QR)	2.91	3.13	3.27	4.03
EPS Growth	36.4%	7.6%	4.4%	23.2%
P/E (x)	18.3	17.0	16.3	13.2
Dividend Yield	3.8%	3.8%	3.8%	3.8%

Source: Company data, QNBFS estimates; Note: All 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)	69.50/39.50
3-m Average Volume ('000)	270.9
Mkt. Cap. (\$ bn/QR bn)	0.7/2.5
Shares Outstanding (mn)	47.6
FO Limit* (%)	25.0
Current FO* (%)	24.9
1-Year Total Return (%)	33.5
Fiscal Year End	Dec. 31

Source: Bloomberg (as of December 15, 2014), *Qatar Exchange (as of December 15, 2014); Note: FO is foreign ownership

Abdullah Amin, CFA
 +974 4476 6569
 abdullah.amin@qnbfs.com.qa

Saugata Sarkar
 +974 4476 6534
 saugata.sarkar@qnbfs.com.qa

Detailed Financial Statements

Income Statement

Figures in QR mn	FY2013	FY2014e	FY2015e	FY2016e	FY2017e
Revenues	527	705	770	807	918
Direct Costs	(336)	(450)	(495)	(510)	(556)
Gross Profit	191	254	275	297	361
Other Income	1	1	0	0	0
Valuation Gains from Investment	9	0	0	0	0
Staff Costs	(35)	(40)	(44)	(49)	(58)
Net Impairment Loss on Trade	(6)	(2)	(1)	(0)	(0)
G&A Expenses	(35)	(37)	(38)	(40)	(48)
Finance Costs	(27)	(38)	(43)	(52)	(63)
Net Profit to Shareholders	102	139	149	156	192
EPS (QR)	2.14	2.91	3.13	3.27	4.03

Source: Company data, QNBFS estimates; Note: EPS based on current number of shares

Balance Sheet

Figures in QR mn	FY2013	FY2014e	FY2015e	FY2016e	FY2017e
Non-Current Assets					
PP&E (Inc. Projects in Progress)	1,188	1,439	1,698	1,946	2,261
Investment Properties	132	132	132	132	132
Intangible Assets	141	136	130	130	130
Available-for-Sale Investments	0	0	0	0	0
Total Non-Current Assets	1,461	1,707	1,960	2,208	2,523
Current Assets					
Inventories	9	7	5	5	6
Trade and Other Receivables	235	232	218	225	231
Bank Balances and cash	175	156	247	379	86
Total Current Assets	419	395	471	609	322
Total Assets	1,879	2,101	2,431	2,818	2,846
Equity					
Share Capital	476	476	476	476	476
Legal Reserves	232	232	232	232	232
Changes in Fair Value	0	0	0	0	0
Retained Earnings	100	167	221	282	378
Attributable to Owners (Parent)	807	874	928	989	1,085
Non-Controlling Interests	(4)	(4)	(4)	(4)	(4)
Total Equity	803	870	924	985	1,082
Non-Current Liabilities					
Loans and Borrowings	772	1,077	1,315	1,629	1,558
Employee Benefits	13	14	15	16	18
Total Non-Current Liabilities	785	1,090	1,330	1,645	1,576
Current Liabilities					
Trade Payables and Accruals	97	88	89	90	91
Loans and Borrowings	165	23	81	91	91
Retention Payable	29	30	6	6	6
Total Current Liabilities	291	141	176	187	188
Equity and Liabilities	1,879	2,101	2,431	2,818	2,846

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

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

Contacts

Saugata Sarkar

Head of Research

Tel: (+974) 4476 6534

saugata.sarkar@qnbfs.com.qa

Sahbi Kasraoui

Manager – HNW

Tel: (+974) 4476 6544

sahbi.alkasraoui@qnbfs.com.qa

Abdullah Amin, CFA

Senior Research Analyst

Tel: (+974) 4476 6569

abdullah.amin@qnbfs.com.qa

Ahmed Al-Khoudary

Head of Sales Trading – Institutional

Tel: (+974) 4476 6548

ahmed.alkhoudary@qnbfs.com.qa

Shahan Keushgerian

Senior Research Analyst

Tel: (+974) 4476 6509

shahan.keushgerian@qnbfs.com.qa

QNB Financial Services SPC

Contact Center: (+974) 4476 6666

PO Box 24025

Doha, Qatar

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