

# GWCS Alert – Delivers 3Q2020 Earnings Upside; 2020 Estimates Remain Intact

- **GWCS' net profit increases 3.4% YoY and 4.2% QoQ and beats our estimate** – Gulf Warehousing Co.'s (GWCS) net profit came in at QR61.4mn in 3Q2020, above our estimate of QR54.5mn (variation of 12.7%). Top-line came in at QR327.4mn in 3Q2020, which represents increases of 3.7% YoY and 8.3% QoQ (8.8% higher than our estimate of QR300.9mn). Higher-than-expected revenue, relative to our model, along with modest costs upside lead to the earnings beat. Gross margin came in 31.1% vs. 35.5% in 3Q2019 and 34.0% in 2Q2020.
- **Overall 2020 results should be consistent with our estimates:** With QR0.29 reported in 9M2020 EPS, our 2020 EPS estimate of QR0.40 appears reasonable. As we had stated in our [preview](#), we had expected business trends in 3Q2020 to remain similar to 2Q with GWCS capitalizing on growth in logistics services as lockdown/travel restrictions have created additional demand for grocery/food-related logistics. Freight forwarding, contract logistics and warehouse rentals could be stable, along with some benefits from costs reductions/concessions. Reported results appear consistent with our views. We do note in 3Q2020, the company benefited from QR1.8mn in COVID-19-related rental concessions from two landlords in Ras Laffan and Mesaieed Industrial City.
- **Longer-term, we retain our bullish thesis on GWCS but near-term challenges remain.** GWCS has withstood the blockade well with freight-forwarding showing significant growth (up 39% in 2019 from 2017); GWCS' logistics business also remains robust driven by contract logistics and increasing occupancy in Bu Sulba. Growth post Bu Sulba (+95% occupancy) could decline, but as we had flagged previously, GWCS generates substantial FCF and remains on the hunt for expansion avenues. The Al Wukair Logistics Park contract serves as an example of such a growth opportunity. We do note 2020 could be a challenging year (given the dual headwinds of oil price weakness and economic softness due to the coronavirus). We stay Market Perform on GWCS with a QR5.10 price target.

### 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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