Gulf Warehousing Company (GWCS)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR3.021	Target Price	QR3.800
Implied Upside	25.8%		

In-Line 1Q2025 With Bright Spots Despite Challenges; Maintain Accumulate

GWCS reported an in-line earnings figure for 1Q2025, with higher-than-expected margins offsetting a miss on the top-line. *On the positive side, gross/EBITDA margins of 28.4%/34.9%, after declining QoQ over 2Q-4Q2024, grew sequentially in 1Q2025 and warehouse management services (contract logistics + logistics parks) top-line stabilized sequentially (up 1.3%) after declining by 14.4% QoQ (4Q2024). We believe that 2025 should see a resumption in earnings growth, aided by top-line growth, an improvement in margins (after some one-off provisions/reserves were taken in 4Q2024) and lower finance charges.* ***We maintain our 2025 earnings estimates, which is below management guidance. GWCS is facing near-term challenges but we remain optimistic regarding the company's longer-term prospects.*** *Going forward, GWCS could benefit from several projects. We note that GWC Energy is targeting the offshore/onshore-integrated shipping, logistics and marine services market in Qatar/GCC and could benefit from increased NF activity as Qatar expands its LNG capacity from 77 MTPA to 142 MTPA by 2030. GWCS is also building a 15,000 m2 facility in Ras Laffan (December 2024 completion/launched in February 2025) to serve EPC contractors for the NF project. Having already entered the FF market in Saudi Arabia, GWCS is expanding its logistics operations - GWCS plans to develop 100,000 m2 of Grade A logistics facilities at the Ras Al Khair Industrial Port and 200,000 m2 of Grade A logistics infrastructure in Riyadh, Jeddah and Dammam. GWCS's FLAG Oman operations also aims to serve as a vital hub for trade and supply chain solutions across the GCC and beyond.* ***We further note that GWCS is looking to implement a QR2bn convertible Sukuk program aiming to reduce its overall debt burden.*** *While some of these initiatives could well be earnings dilutive in the near term, they could help shore up the company's longer-term prospects. We do note that the stock continues to suffer from a lack of liquidity with a below-market dividend yield of 3.3%, which we feel needs to be addressed.* ***We maintain our Accumulate rating with our TP of QR3.800. With 2025 likely to be a year of transition, we believe investors will be focused on green shoots of recovery in GWCS's domestic operations, further updates on regional expansion plans and the new Acting GCEO's vision and strategy.***

Highlights

- **1Q2025 earnings comes bang in-line with QNB FS model: GWCS posts 25.9% YoY decrease but 51.6% QoQ increase in net profit to QR37.7mn in 1Q2025, in-line with our estimate of QR37.6mn.** While the company's top-line missed our estimate, higher margins made up for the divergence, leading to in-line earnings.
- **Top-line of QR367.7mn declined 2.1% YoY/6.0% QoQ, with freight forwarding cushioning the YoY decline.** Overall revenue was 3.3% below our model of QR380.2mn.
- **Logistics revenue of QR224.7mn (-8.7% YoY, 2.1% QoQ; 61% of total revenue) was 6.0% above our estimate (QR212.1mn) with the beat driven by a welcome uptick in warehouse management services.** Warehouse management services fell 7.3% YoY but increased 1.3% QoQ to QR185.6mn (6.2% above our forecast of QR174.7mn). While we await details from management regarding the stable sequential performance, our sense is that logistics' parks (that achieved 86% occupancy levels in 4Q2024, its highest level since 3Q2023, through some pricing changes/rollovers) held the line in 1Q2025. We do note that Bu Sulba (targeted at SMEs) continues to face pricing/occupancy issues. In terms of contract logistics, management did allude to some improvement especially on the 3PL front and a potential positive Ramadan benefit during the company's 4Q2024 call and that could have impacted performance positively in 1Q.
- **FF top-line of QR142.7mn (12.0% YoY, -15.5% QoQ; 39% of total revenue) fell shy of our model of QR166.1mn by 14.1%.** While volumes have been strong, with sea/air volumes up 10%/20% YoY in 4Q2024, revenue has been impacted by margin pressure. GWCS continues to enjoy growth related to the NF project.
- **Gross margin improved QoQ given the higher mix of logistics business relative to lower-margin FF.** 1Q2025 GM was 28.4% vs. 31.1% in 1Q2024 & 24.4% (4Q2024); GM improved sequentially after falling QoQ since 4Q2023. GM came in above our model of 25.0%. GP of QR104.5mn (-10.7% YoY, 9.3% QoQ) was 9.8% above our forecast of QR95.1mn. We note that GWCS recorded some one-off reserves/provisions related mostly to FF (and some logistics) of QR32mn in 4Q2024, which pressured margins but assisted future profitability.
- **1Q2025 EBITDA of QR128.4mn (-13.2% YoY, 10.8 QoQ) beat our QR125.3mn forecast by 2.5% driven by the GM upside that offset G&A expenses of QR36.6mn (25.8% YoY, -6.4% QoQ, up 23.9% vs. our QR29.5mn forecast).** EBITDA margin of 34.9% in 1Q2025 fell below 39.4% (1Q2024) but exceeded 4Q2024's 29.6%.
- **Finance charges continue to reflect progress made by management in lowering funding costs.** GWCS posted 1Q2025 finance charges (including finance costs on lease liabilities) of QR28.6mn (-21.5% YoY/-1.3% QoQ), which came in 1.4% above our model of QR28.2mn. In 2H2024, GWCS negotiated a reduction in the cost of funding by ~75 bps and 1Q2025 is the first full quarter that has benefitted from these lower rates. Debt fell 2.8% to QR1.81bn from QR1.86bn (2024) due to scheduled repayment of loans.

Catalysts

- **Stability/pickup in domestic operations along with growth on the regional front could help the stock.**

Recommendation, Valuation and Risks

- ***We rate GWCS an Accumulate with a price target of QR3.800.*** GWCS trades at P/Es of 9.4x and 8.7x for 2025 & 2026, respectively, which is attractive relative to its historical mean of ~11x.
- **Risks:** LT warehousing demand growth in Qatar is uncertain. Regional expansion could present execution challenges. Receivable collections have been subdued previously. Geopolitical risks cannot be modeled.

Key Financial Data and Estimates

	FY2023	FY2024	FY2025e	FY2026e
Revenue (QR mn)	**1,508**	**1,583**	**1,657**	**1,709**
EPS (QR)	**0.367**	**0.293**	**0.321**	**0.347**
Growth	*-10.2%*	*-20.1%*	*9.5%*	*8.0%*
P/E (x)	8.2x	10.3x	9.4x	8.7x

Source: Company data, QNB FS estimates; Note: All data based on current number of shares

Key Data

Current Market Price (QR)	3.021
Dividend Yield (%)	3.3
Bloomberg Ticker	GWCS QD
ADR/GDR Ticker	N/A
Reuters Ticker	GWCS.QA
ISIN	QA000A0KD6H9
Sector*	Transportation
52wk High/52wk Low (QR)	3.785/2.856
3-m Average Volume (mn)	0.7
Mkt. Cap. ($ bn/QR bn)	0.5/1.8
EV ($ bn/QR bn)	1.0/3.6
Shares Outstanding (mn)	586.0
FO Limit* (%)	100.0
Current Institutional FO* (%)	7.1
1-Year Total Return (%)	(8.0)
Fiscal Year End	December 31

Source: Bloomberg (as of April 22, 2025), *Qatar Exchange (as of April 22, 2025); Note: FO is foreign ownership

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QNB FS 1Q2025 Estimates and Comparisons

Income Statement (QR 000)	1Q2024	4Q2024	1Q2025	1Q2025E	A Vs. E	YoY	QoQ
Revenue	**375,731.349**	**391,135.542**	**367,653.317**	**380,183.747**	**-3.3%**	**-2.1%**	**-6.0%**
YoY	*-9.0%*	*4.9%*	*-2.1%*	*1.2%*			
QoQ	*0.8%*	*-11.7%*	*-6.0%*	*-2.8%*			
Logistics	**246,007.432**	**220,171.032**	**224,725.437**	**212,072.556**	**6.0%**	**-8.7%**	**2.1%**
Warehouse Management Services	*200,207.069*	*183,144.628*	*185,583.539*	*174,719.975*	6.2%	-7.3%	1.3%
Transport Services	*11,831.347*	*10,409.324*	*13,022.972*	*10,563.382*	23.3%	10.1%	25.1%
Fine Arts	*16,575.738*	*13,385.160*	*11,351.179*	*13,406.435*	-15.3%	-31.5%	-15.2%
Records Management Services	*17,393.278*	*13,231.920*	*14,767.747*	*13,382.764*	10.3%	-15.1%	11.6%
Freight Forwarding	**127,452.243**	**168,955.631**	**142,731.719**	**166,119.812**	**-14.1%**	**12.0%**	**-15.5%**
Freight Forwarding Services	*118,318.445*	*158,567.829*	*133,034.844*	*155,169.803*	-14.3%	12.4%	-16.1%
Courier Services	*9,133.798*	*10,387.802*	*9,696.875*	*10,950.008*	-11.4%	6.2%	-6.7%
Rental Income From Investment Property	**1,441.498**	**1,458.997**	**-**	**1,441.497**	**-100.0%**	**-100.0%**	**-100.0%**
Others	**830.176**	**549.882**	**196.161**	**549.882**	**-64.3%**	**-76.4%**	**-64.3%**
Direct Costs	**(258,720.911)**	**(295,564.302)**	**(263,178.205)**	**(285,061.773)**	**-7.7%**	**1.7%**	**-11.0%**
Gross Profit	117,010.438	95,571.240	104,475.112	95,121.973	9.8%	-10.7%	9.3%
General & Administration expenses	(29,079.779)	(39,077.622)	(36,569.881)	(29,510.160)	23.9%	25.8%	-6.4%
Amortization of Intangible Assets							
Operating Profit	87,930.659	56,493.618	67,905.231	65,611.814	3.5%	-22.8%	20.2%
Finance Income	690.341	1,010.627	460.212	988.393	-53.4%	-33.3%	-54.5%
Finance Costs	(36,469.575)	(29,026.461)	(28,635.331)	(28,245.103)	1.4%	-21.5%	-1.3%
Other Income	127.309	92.208	188.447	153.206	23.0%	48.0%	104.4%
Net Impairment Loss On Trade Receivables	(575.000)	(3,075.000)	(225.000)	(380.000)	-40.8%	-60.9%	-92.7%
EBT	51,703.734	25,494.992	39,693.559	38,128.310	4.1%	-23.2%	55.7%
Taxes	(314.589)	120.497	(586.115)	(188.840)	210.4%	86.3%	N/M
Net Income	51,389.145	25,615.489	39,107.444	37,939.470	3.1%	-23.9%	52.7%
YoY	*-18.4%*	*-47.4%*	*-23.9%*	*-26.2%*			
QoQ	*5.5%*	*-46.1%*	*52.7%*	*48.1%*			
Non-Controlling Interest	510.065	744.378	1,411.413	389.102	262.7%	176.7%	89.6%
Net Income to Equity	50,879.080	24,871.111	37,696.031	37,550.368	0.4%	-25.9%	51.6%
YoY	*-17.2%*	*-47.3%*	*-25.9%*	*-26.2%*			
QoQ	*7.9%*	*-46.7%*	*51.6%*	*51.0%*			
NM	*13.5%*	*6.4%*	*10.3%*	*9.9%*			
EPS (QR)	0.087	0.042	0.064	0.064	0.4%	-25.9%	51.6%
Provision for Impairment of Trade Receivables	575.000	3,075.000	225.000	380.000	-40.8%	-60.9%	-92.7%
Depreciation & Amortization	60,051.620	59,367.964	60,482.668	59,693.300	1.3%	0.7%	1.9%
EBITDA	147,982.279	115,861.582	128,387.899	125,305.114	2.5%	-13.2%	10.8%
GM	*31.1%*	*24.4%*	*28.4%*	*25.0%*			
G&A	*7.7%*	*10.0%*	*9.9%*	*7.8%*			
EBIT	*23.4%*	*14.4%*	*18.5%*	*17.3%*			
EBITDA	*39.4%*	*29.6%*	*34.9%*	*33.0%*			

Source: Company data, QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	FY2023	FY2024	FY2025e	FY2026e	FY2027e
Revenue	**1,508**	**1,583**	**1,657**	**1,709**	**1,766**
YoY Growth	*-1%*	*5%*	*5%*	*3%*	*3%*
Direct Costs, Excluding D&A	(850)	(922)	(984)	(1,024)	(1,060)
Gross Profit	**658**	**660**	**673**	**685**	**706**
Gross Margin	*44%*	*42%*	*41%*	*40%*	*40%*
General & Admin. Expenses, Excl. D&A	(127)	(121)	(119)	(123)	(128)
EBITDA	**531**	**540**	**554**	**561**	**579**
YoY Growth	*11%*	*2%*	*3%*	*1%*	*3%*
EBITDA Margin	*35%*	*34%*	*33%*	*33%*	*33%*
Depreciation and Amortization	(207)	(239)	(254)	(264)	(272)
EBIT	**324**	**300**	**300**	**297**	**306**
YoY Growth	*5%*	*-7%*	*0%*	*-1%*	*3%*
EBIT Margin	*21%*	*19%*	*18%*	*17%*	*17%*
Net Finance Costs and Other Income	(102)	(124)	(107)	(88)	(79)
PBT	**222**	**177**	**193**	**209**	**227**
Taxes	(2)	(2)	(2)	(3)	(3)
Net Income	**220**	**174**	**191**	**206**	**224**
Minority Interest	5	3	3	3	3
Net Income to Equity	**215**	**172**	**188**	**203**	**221**
YoY Growth	*-10%*	*-20%*	*9%*	*8%*	*9%*
Net Margin	*14%*	*11%*	*11%*	*12%*	*13%*
EPS (QR)	**0.37**	**0.29**	**0.32**	**0.35**	**0.38**
DPS (QR)	**0.11**	**0.10**	**0.10**	**0.11**	**0.12**
Payout Ratio	*30%*	*34%*	*31%*	*32%*	*32%*

Source: Company data, QNB FS estimates

Detailed Financial Statements

Balance Sheet (In QR mn)	FY2023	FY2024	FY2025e	FY2026e	FY2027e
Non-Current Assets					
PP&E, WIP & Right of Use Assets	4,066	4,035	3,812	3,629	3,439
Investment Properties	41	-	-	-	-
Intangible Assets & Goodwill	121	119	117	116	114
Available-for-Sale Investments/Other	18	18	18	18	18
Total Non-Current Assets	**4,247**	**4,172**	**3,947**	**3,763**	**3,571**
Current Assets					
Inventories	11	7	8	8	9
Trade and Other Receivables	659	653	685	707	731
Bank Balances and Cash	280	205	347	478	671
Total Current Assets	**950**	**865**	**1,041**	**1,193**	**1,411**
Total Assets	**5,197**	**5,037**	**4,988**	**4,956**	**4,982**
Total Shareholders' Equity	**2,383**	**2,483**	**2,608**	**2,748**	**2,899**
Non-Controlling interests	20	23	25	29	32
Non-Current Liabilities					
Lease Liabilities & Others	227	210	207	226	247
Loans and Borrowings	1,453	1,224	1,115	956	857
Employee Benefits & Others	60	60	62	64	66
Total Non-Current Liabilities	**1,741**	**1,494**	**1,385**	**1,247**	**1,170**
Current Liabilities					
Trade Payables	87	72	89	93	96
Loans and Borrowings	564	637	566	516	452
Accruals, Provisions & Other Payables	348	269	256	267	276
Lease Liabilities	16	21	21	20	19
Retention Payable	39	38	38	38	38
Total Current Liabilities	**1,053**	**1,037**	**970**	**934**	**881**
Total Liabilities	**2,794**	**2,531**	**2,354**	**2,180**	**2,052**
Total Equity & Liabilities	**5,197**	**5,037**	**4,988**	**4,956**	**4,982**

Source: Company data, QNB FS 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*		Risk Ratings *Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*	
OUTPERFORM	Greater than +20%	**R-1**	Significantly lower than average
ACCUMULATE	Between +10% to +20%	**R-2**	Lower than average
MARKET PERFORM	Between -10% to +10%	**R-3**	Medium / In-line with the average
REDUCE	Between -10% to -20%	**R-4**	Above average
UNDERPERFORM	Lower than -20%	**R-5**	Significantly above average

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