

## Gulf Warehousing Company (GWCS)

Recommendation	OUTPERFORM	Risk Rating	R-4
Share Price	QR44.00	Target Price	QR58.00
Implied Upside	31.8%		

### In-Line 4Q2015; Increase of FOL to 49% to Act as a Catalyst

**GWCS reported in-line 4Q2015 results and dividends; imminent increase of FOL should help boost stock.** Gulf Warehousing Company (GWCS) reported net income of QR50.07mn in 4Q2015, up 5.8% from QR47.34mn in 3Q2015. Reported earnings came in-line with our estimate of QR47.32mn (+5.8% variation). Net profit for FY2015 surged 32.0% to QR185.16mn. The company's revenue declined 11.0% QoQ to QR180.03mn in 4Q2015. Revenue for FY2015 rose 19.9% to QR787.94mn. GWCS expects to pay a cash DPS of QR1.50, which was also in line with our estimate. As expected, GWCS will ask for shareholder approval to raise its FOL to 49% from 25% with a decision anticipated in February. We rate GWCS an Outperform with a target price of QR58.00.

#### Highlights

- **GWCS' reports 4Q2015 net income and 2015 DPS, which were in-line with our expectations.** GWCS net profit increased 5.8% QoQ (+32.1% YoY) to QR50.07mn in 4Q2015 from QR47.34mn in 3Q2015, in-line with our estimate of QR47.32mn (+5.8% variation). Net profit for FY2015 surged 32.0% to QR185.16mn. The company's revenue declined 11.0% QoQ to QR180.03mn in 4Q2015, which was below our estimate of QR202mn. LVQ's external revenue of QR45mn (flat vs. 3Q2015 and up relative to QR41mn in 4Q2014) was also bang in-line with our estimate. Revenue for FY2015 rose 19.9% to QR787.94mn. GWCS' board of directors (BoD) recommended a distribution of 15% cash dividend or QR1.50 a share, which was also as expected in our model.
- **Increase in FOL to 49% from 25% to be decided next month:** The board has approved a recommendation to increase the foreign ownership limit to 49% from the current level of 25% and this will be presented for approval in the AGM/EGM meeting on February 14, 2016 (2<sup>nd</sup> meeting scheduled for February 17 if quorum not met). The lack of available ownership headroom for foreign institutions (FO at the current maximum of 25%) has been a persistent issue with the stock and the increase of the FOL should allow FIIs to resume buying the stock.

#### Catalysts

- **Opening of the FOL headroom and newsflow regarding the development of new warehousing facilities:** Assuming shareholder approval, we could see the FOL lifted to 49% by as soon as end of next month. Moreover, status updates for the major Bu-Sulba Logistics Hub project could act as a catalyst for the stock.

#### Recommendation, Valuation and Risks

- **Recommendation and valuation:** *We rate GWCS an Outperform with a price target of QR58.00.*
- **Risks:** Regional markets remain very volatile given the decline in oil prices. Company-specific risks include low occupancy levels in the new project.

#### Key Financial Data and Estimates

	FY2014	FY2015	FY2016e	FY2017e
EPS (QR)	2.39	3.16	3.29	3.96
EPS Growth	38.0%	32.0%	4.1%	20.4%
P/E (x)	18.4	13.9	13.4	11.1
Dividend Yield	2.8%	3.4%	4.0%	4.5%

Source: Company data, QNBFS estimates; Note: All data based on expected number of shares after rights issue

#### Key Data

Bloomberg Ticker	GWCS QD
ADR/GDR Ticker	N/A
ISIN	QA000A0KD6H9
Sector*	Transportation
52wk High/52wk Low (QR)	78.04/40.05
3-m Average Volume ('000)	8.7
Mkt. Cap. (\$ bn/QR bn)	0.7/2.6
Shares Outstanding (mn)	47.6
FO Limit* (%)	25.0
Current FO* (%)	25.0
1-Year Total Return (%)	(12.7)
Fiscal Year End	Dec. 31

Source: Bloomberg (as of January 21, 2016), \*Qatar Exchange (as of January 21, 2016); Note: FO is foreign ownership

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### 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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