

GWCS Alert – In-Line 2021 Results/DPS; Upgrade to Outperform

- **GWCS 4Q2021 earnings falls 6.9% YoY but increases 7.6% QoQ, in-line with our estimate** – Gulf Warehousing Company's (GWCS) 4Q2021 net profit came in at QR60.4mn, which was in-line with our estimate of QR58.1mn (divergence: 3.9%). The company's top-line came in at QR356.1mn in 4Q2021, which denote increases of 15.7% YoY and 10.0% QoQ. Revenue was ahead of our forecast of QR323.0mn (difference of 10.2%). Overall margins receded, both YoY and sequentially, and come in below our modeled estimates given higher contribution of the freight forwarding segment during 4Q2021. Gross margin came in 29.6% vs. 34.0% in 4Q2020 and 31.3% in 3Q2021.
- **As expected, 2021 EPS falls ~5% YoY from QR0.40 to QR0.38; DPS of QR0.10 is flat and also in-line with our expectations.** For 2021, GWCS reported QR225mn in net income. The dividend payout is a low 26.1%, which implies a below-market dividend yield of 2.2%.
- **2022 should be an up year.** Going forward, with the Al Wukair Logistics Park project expected to start in earnest in 2022, along with the FIFA World Cup Qatar 2022 leading to growth in logistics/freight, we expect net income to resume its growth track increasing approximately 5% YoY. With major capex for announced projects ending, we expect FCF yield to progressively increase going forward, growing from low-to-mid-single digits to low-teens by 2022/2023. While we are not forecasting a significant uptick in DPS, with major capex already done, there could be DPS upside medium-term.
- **We upgrade the stock to an Outperform with an unchanged QR5.40 price target.** Our previous recommendation was Market Perform. GWCS stock has underperformed, down 9% since September-end vs. a 9% gain in the QSE Index. While the stock could further ease somewhat given these reported results, we think its relative underperformance could reverse given earnings growth anticipated in 2022. We expect a pickup in newsflow regarding Al Wukair Logistics Park, along with WC2022-related announcements, to act as positive catalysts. Future disclosures concerning new domestic and/or international expansions could also be perceived positively by investors. In terms of fundamental drivers, corporate restructurings could boost outsourced logistics solutions and 4PL remains a growth area.

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%

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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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