

GWCS Alert – In Line 4Q & 2020 Earnings but 50% DPS Cut; Stay Market Perform

- **GWCS' 4Q2020 net profit decreases 3.9% YoY but grows 5.7% QoQ and comes in-line with our estimate** – Gulf Warehousing Co. (GWCS) reported earnings of QR64.9mn in 4Q2020, consistent with our estimate of QR66.3mn (variation of -2.1%). Overall 4Q2020 top-line came in at QR307.7mn, which represents a flattish (0.4%) YoY performance and a sequential decline of 6.0% (again, in-line with our estimate of QR315.9mn or a divergence of -2.6%). Overall margins were in-line with our model – gross margin came in 34.0% vs. 29.5% in 4Q2019 and 31.1% in 3Q2020. EPS of QR0.11 for the quarter was also consistent with our estimate.
- **Overall 2020 results are also consistent with our estimates:** 2020 EPS of QR0.40 was again in-line with our forecast of QR0.40. Overall EPS declined by 5.4% for 2020. Our current forecast of QR0.41 for 2021 implies flattish growth but we could adjust our model after the company's conference call.
- **Proposed DPS cut by 50% to QR0.10 for 2020 from QR0.20 for 2019.** We had been expecting a flattish DPS especially considering our flattish EPS expectation. However, management has likely adopted a conservative stance in light of the pandemic. The dividend cut is consistent with the overall trend of dividend reductions we have seen across the board in Qatari companies that have reported thus far. Nevertheless, GWCS' proposed dividend cut could act as a negative catalyst in the near-term.
- **Longer-term, we retain our bullish thesis and with the easing of blockade restrictions, we expect GWCS to benefit.** GWCS has withstood the blockade well with its freight-forwarding segment showing significant growth (up 37% in 2020 from 2017); GWCS' logistics business also remains robust driven by contract logistics and increasing occupancy in Bu Sulba and is also up 18% over the same period. Growth post Bu Sulba (93% occupancy) could decline, but as we have flagged previously, GWCS generates substantial FCF and remains on the hunt for expansion avenues. Management has stated that GWCS will expand beyond its over 3mn square meters of logistic footprint and 250,000 pallet locations to meet increasing demand. **For now, we stay Market Perform on GWCS with a price target of QR5.10.**

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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