

# GWCS Alert – In-Line 1Q2022 Results; Maintain Outperform

- **GWCS 1Q2022 earnings increase 6.3% YoY but decline 4.4% QoQ, in-line with our estimate** – Gulf Warehousing Company's (GWCS) 1Q2022 net profit came in at QR57.8mn, which was right in-line with our estimate of QR56.6mn (divergence: 2.0%). The company's top-line came in at QR351.4mn in 1Q2022, up 17.6% YoY but down 1.3% QoQ. Revenue was also bang in-line with our forecast of QR350.7mn (difference of 0.2%). Gross margins came in 29.5% vs. 32.1% in 1Q2021 and 29.6% in 4Q2021.
- **2022 should be an up year in terms of earnings growth.** 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 remain an Outperform on GWCS with a QR5.40 price target.** GWCS stock continues to underperform, down ~6% YTD vs. a more than 18% gain in the QSE Index. We are hopeful that GWCS' 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	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>	
<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	
<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
<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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