

# GWCS Alert – In-Line 1Q2021 Performance; Market Perform

- **GWCS posts 7.8% YoY increase but 16.3% QoQ decline in net profit in 1Q2021, bang in-line with our estimate** – Gulf Warehousing Company's (GWCS) net profit came in at QR54.4mn in 1Q2021, right in-line with our estimate of QR53.8mn (variation of 1.1%). The company's revenue came in at QR298.9mn in 1Q2021, which represents an increase of 0.9% YoY. However, on QoQ basis revenue fell 2.9%. Revenue was also in-line with our forecast of QR293.3mn (divergence of 1.9%). Overall margins were in-line with our model – gross margin came in 32.1% vs. 33.3% in 1Q2020 and 34.0% in 4Q2020. EPS of QR0.09 for the quarter was also consistent with our estimate.
- **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 (92% 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

**Saugata Sarkar, CFA, CAIA**  
Head of Research  
+974 4476 6534  
saugata.sarkar@qnbfs.com.qa

**Mehmet Aksoy, PhD**  
Senior Research Analyst  
+974 4476 6589  
mehmet.aksoy@qnbfs.com.qa

**Shahan Keushgerian**  
Senior Research Analyst  
+974 4476 6509  
shahan.keushgerian@qnbfs.com.qa

**Zaid Al Nafsoosi, CMT, CFTe**  
Senior Research Analyst  
+974 4476 6535  
zaid.alnafsoosi@qnbfs.com.qa

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