

## QNBFS Alert – GWCS 3Q2013 Results Hit by Higher Expenses and Provisions

- **3Q2013 results lower by 27.8% QoQ on increased expenses and provisions.** Gulf Warehousing reported a net profit of QR22.7mn vs. QR31.4mn in 2Q2013 (Bloomberg consensus was QR28.6mn). However, for the nine months of 2013, the bottom-line is up 24.5% YoY.
- **Increased cost/expenses and provisions for Imdad.** Overall revenue came in line. However, direct costs increased 11.9% QoQ, which was above our estimates and we await management feedback for the reasons for this significant increase. Furthermore, general and administrative (G&A) expenses increased by 201.6% QoQ to QR8.2mn vs. QR2.7mn in 2Q2013 (this line item has been volatile in the past as well). On the Imdad front, the company booked a provision of QR2.4mn vs. QR0.2mn in 2Q2013 (we do not forecast provisions).
- **We maintain our estimates with a price target of QR40.53.** For now, we maintain our estimates and recommend a Market Perform stance on the stock with a target of QR40.53. However, we await management feedback on the variances and will update clients accordingly.
- **Market leader in Qatar.** Our overall thesis on the company remains unchanged, GWCS is the market leader and the only recognized player in the Qatari logistics market. It benefits from the Qatar growth story and has embarked on aggressive debt-financed expansions that will almost double its bottom-line and ROE over the next four years.
- **GWCS to remain at a premium to peers.** The company trades at a premium to its regional and global peers. On a YTD basis, the stock is up 20.9% (total return) vs. the QE All Share Transportation Index, which is also up 34.0%.

### 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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