

GWCS Alert – Decent Beat in 4Q2018 As Expected; Maintain Outperform

- **GWCS posts 4Q2018 revenue/EBITDA/EPS of QR311.4mn/QR126.2mn/QR1.09 vs. our estimates of QR295.1mn/QR115.7mn/QR1.00:** Revenue grew 8.8% YoY/4.2% QoQ (+5.5% vs. QNB FS est.); EBITDA increased 20.8% YoY/9.0% QoQ (+9.1% vs. QNB FS est.); EPS rose 9.3% YoY/10.6% QoQ (+8.3% vs. QNB FS est.) The company's gross revenue reached QR1.23bn in end-2018 in comparison with QR981.4mn in FY2017, while EPS increased to QR4.04 in FY2018 from QR3.68 in FY2017. In FY2018, GWCS posted net profit of QR236.8mn, up 9.9% YoY. The revenue beat, along with higher margins as the mix shifted away from freight forwarding to the higher margin logistics segment, helped drive the growth in the bottom-line. Overall, GWCS reported modest upside to our estimates, something we had anticipated in our [preview](#). *For more details, please see page 2.*
- **GWCS' board also recommended a 12% increase to QR1.90 DPS for 2018 vs. QR1.70 in 2017.** While we were modeling QR1.80 DPS for 2018, we had alluded to the fact that QR1.90 was also possible in our [preview](#). This translates into a DY of 4.3% based on yesterday's close.
- **Decent set of results/dividend increase could boost stock; we await color on 2019 growth.** GWCS stock has been range-bound in the high-30s-low 40s since early 2018 and was in search of a catalyst. We do note GWCS has withstood the blockade well with its freight forwarding segment showing significant growth; the company's logistics business also remains robust driven by contract logistics and increasing Bu Sulba occupancy. While 2018 results were solid and should help the stock, growth prospects in 2019 will be key and we await color on the company's conference call. The upcoming market-wide 10-for-1 stock split could help impart some liquidity into the name, which has historically faced thin trading volumes. We retain our Outperform rating on GWCS.

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| | 4Q2018 | 4Q2018e | 4Q2017 | 3Q2018 | A Vs. E | YoY | QoQ | 2018 | 2018e | 2017 | A Vs. E | YoY |
|----------------------|--------|---------|--------|--------|---------|-------|-------|----------|----------|--------|---------|-------|
| Revenue | 311.37 | 295.14 | 286.24 | 298.77 | 5.5% | 8.8% | 4.2% | 1,232.20 | 1,215.98 | 981.36 | 1.3% | 25.6% |
| Gross Profit | 114.33 | 101.63 | 111.70 | 100.95 | 12.5% | 2.4% | 13.3% | 417.96 | 405.27 | 364.36 | 3.1% | 14.7% |
| EBITDA | 126.21 | 115.68 | 104.50 | 115.84 | 9.1% | 20.8% | 9.0% | 471.05 | 460.51 | 373.42 | 2.3% | 26.1% |
| Net Income to Equity | 63.60 | 58.74 | 58.20 | 57.49 | 8.3% | 9.3% | 10.6% | 236.76 | 231.89 | 215.46 | 2.1% | 9.9% |
| EPS | 1.09 | 1.00 | 0.99 | 0.98 | 8.3% | 9.3% | 10.6% | 4.04 | 3.96 | 3.68 | 2.1% | 9.9% |
| DPS | | | | | | | | 1.90 | 1.80 | 1.70 | 5.6% | 11.8% |
| Gross Margin | 36.7% | 34.4% | 39.0% | 33.8% | | | | 33.9% | 33.3% | 37.1% | | |
| EBITDA Margin | 40.5% | 39.2% | 36.5% | 38.8% | | | | 38.2% | 37.9% | 38.1% | | |
| Net Margin | 20.4% | 19.9% | 20.3% | 19.2% | | | | 19.2% | 19.1% | 22.0% | | |

Recommendations

Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price

| | |
|-----------------------|----------------------|
| 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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