Gulf Warehousing Company

Initiation of Coverage
Equities | Industrials | Qatar
Monday, 2 November 2015

MUBASHER TRADE
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Growth in the fast lane, fueled by solid expansion projects – Initiate with a BUY/LOW RISK

BUY
LOW RISK

Price Target: **QAR71.4**
Expected Total Return: **+18%**

- **Undisputed leader in logistics and supply chain services in Qatar**
- **A fully-integrated business model, with a one-stop-shop for logistics**
- **Offering the highest levels of profitability across the industry**
- **Boasts the largest transportation fleet in Qatar**
- **Expansions to keep leading robust revenue growth**
- **Beneficial long-term agreements locked in for the freight forwarding business**
- **Expected to benefit from the ongoing diversification strategy in Qatar**
- **Initiate with BUY/LOW RISK; PT of QAR71.4 (expected total return: +18%)**

Well positioned in a high-potential market: Gulf Warehousing Company (GWC) is well positioned as Qatar's market leader in the logistics business. Qatar is amongst the fastest growing economies in the world, with a huge investment plan in infrastructure—a direct positive for the logistics industry. GWC offers integrated logistics services, including warehousing, freight forwarding, transportation as well as record management services. The logistics line of business (LoB) is the main growth driver (c.71% of 2014 revenues). Since 2011, when GWC embarked on its ambitious expansion plan—which has been on track, revenues have jumped by an impressive 4-year (2010-2014) CAGR of c.67%.

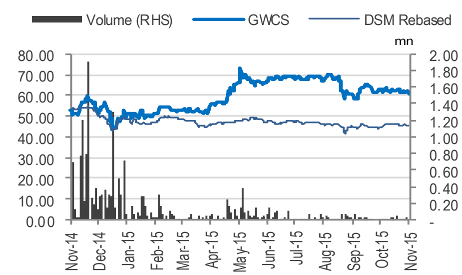
Further expansion is still the key catalyst: GWC has invested heavily on expansions, adding a lot of warehouses and transportation fleet units to its portfolio. The company is still implementing two major expansions by adding 54,000 sqm through Logistics Village Qatar (LVQ) Phase V on top of 65,000 sqm, including a built-up area of 15,000 sqm added through Ras Laffan expansion. Also, GWC will focus on providing logistics services to small- and medium-sized enterprises through its newly-initiated warehousing project "Bu Sulba", which is expected to add another 517,000 sqm, c.40% of which is built-up area. This will increase GWC's total built-up area by 60% to 679,650 sqm.

'Economies of scale' to boost profitability: We expect GWC's profitability to improve as expansions come online and utilization rates improve, thus benefiting from 'economies of scale'. This has been seen historically; GPM reached 46% in 2014, up from 35% in 2011—a 9pp improvement. We expect margin expansion to trickle down to the bottom line as GWC focuses more on operational efficiency and capital structure optimization.

Initiate with BUY/LOW RISK; PT of QAR71.4 (+18%): We initiate coverage on GWC with a BUY/LOW RISK rating and a one-year price target (PT) of QAR71.4/share, based on a two-stage DCF model. At our PT, which offers an 18% expected total return, GWC's relative valuation is trading well ahead its peers in terms of PER and EV/EBITDA, which we believe is justified given its above-average profitability and impressive growth. Key risks include overshooting investment in expansions resulting in 'below full utilization' and lower natural gas prices reducing demand for logistics services provided to producers.

Stock Performance & Details

GWCS (QAR) vs. DSM Rebased



Stock Details	
Last price (QAR)	60.70
52-W High (QAR)	78.04
52-W Low (QAR)	43.72
6M-ADVT (QARmn)	2.19
%Chg: MoM	-4.0
%Chg: YoY	14.66
%Chg: YTD	17.9
Mubasher Ticker	GWCS.DSM
Bloomberg Ticker	GWCS QD
Capital Details	
No. of Shares (mn)	59.5
Mkt Cap (QARmn)	3,608.7
Mkt. Cap (USDmn)	9914
Free Float (%)	47.5%
Foreign Ownership Limit	25.0%

Summary KPIs (QAR mn)	2012a	2013a	2014a	2015e	2016e	2017e
Total revenues	480	527	673	810	898	1,044
EBITDA	138	185	242	315	353	396
EBITDA margin	28.8%	35.1%	35.9%	38.9%	39.4%	37.9%
Net Attributable Income	85	102	140	195	211	252
Net profit margin	17.7%	19.3%	20.8%	24.0%	23.5%	24.1%
EPS*	1.79	2.14	2.95	3.27	3.55	4.24
DPS*	1.25	-	1.50	1.50	1.50	1.79
BVPS*	14.88	16.97	18.34	24.15	26.20	28.64
PER (x)	22.5x	19.4x	19.1x	18.5x	17.1x	14.3x
PBV (x)	2.7x	2.4x	3.1x	2.5x	2.3x	2.1x
EV/EBITDA (x)	18.5x	14.8x	14.8x	13.5x	12.6x	10.8x
Dividend Yield	3.1%	-	2.7%	2.5%	2.5%	3.0%
Net Debt (Cash)-to-Equity	90.4%	94.5%	101.7%	44.0%	54.9%	39.4%
Net Debt (Cash)-to-EBITDA	4.6x	4.1x	3.7x	2.0x	2.4x	1.7x

Source: Company reports, MubasherTrade Research estimates
*Per Share data are based on historical outstanding shares

Nour Eldeen Sherif
Equity Analyst
NourEldeen.Sherif@MubasherFS.com

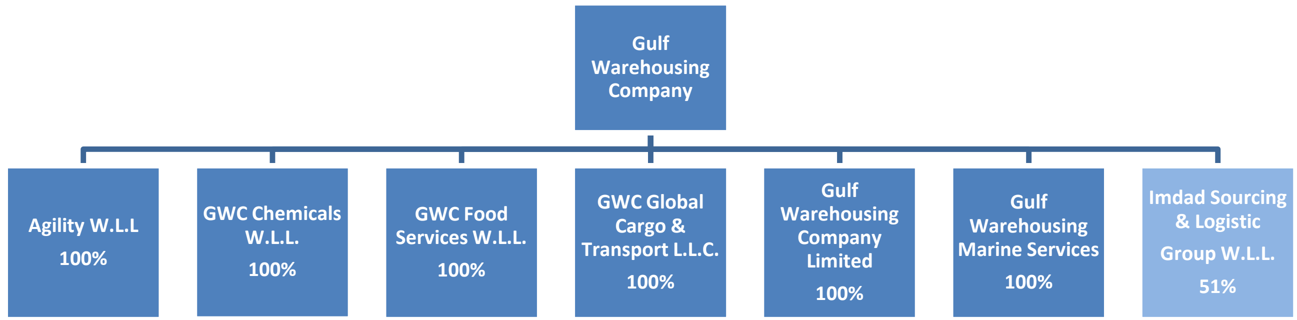
Company Profile

Gulf Warehousing Company (GWC) is the largest 'one-stop shop' logistics and supply chain service provider in Qatar, offering warehousing, freight forwarding and transportation. GWC provides logistics services to a lot of sectors, including oil and gas, chemicals, food and beverage, health care, industrial products, steel, electronics and automotive. This includes large corporates and SMEs (from both the public and private sectors) in addition to the retail segment.

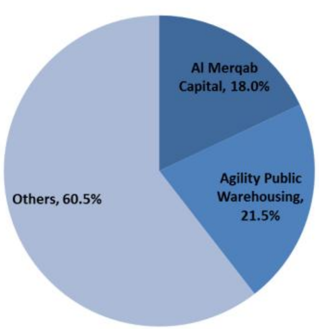
GWC provides logistics services with latest specifications in the international logistics industry, including temperature-controlled storage, ambient and bulk storage. GWC delivers this by leveraging on its global network and local insight; specialized logistics capabilities; high-quality information technology; a well-distributed and -equipped warehouse network; and a diversified fleet of road transportation assets.

From its early beginnings as a simple warehousing services company, GWC has evolved into a fully-integrated logistics solutions provider. The expansion of its business scope was meant to meet requirements of Qatari businesses and government entities.

GWC Subsidiaries

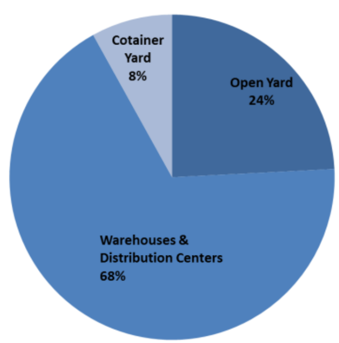


Shareholder Structure



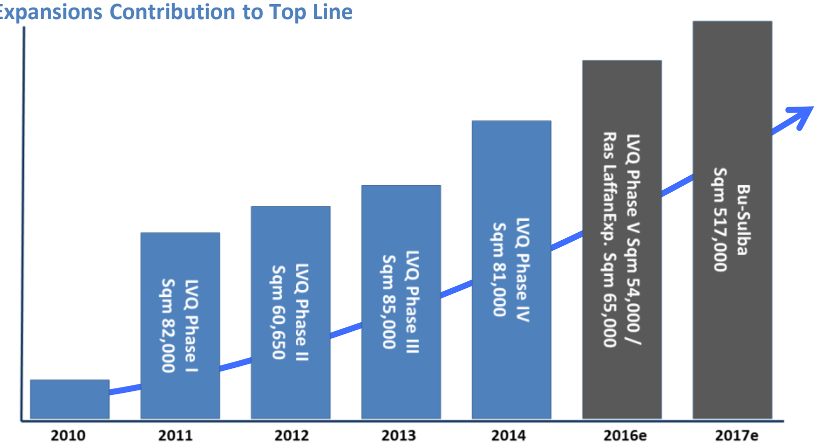
Source: Decypha

Total Area Structure



Source: Company Data

Expansions Contribution to Top Line



Source: Company Data

Valuation & Recommendation

DCF Valuation

DCF – QAR71.4/Share:

Our discounted cash flow (DCF) model discounts free cash flow to the firm (FCFF) based on a weighted average cost of capital (WACC) of 7.9%, derived as follows:

- Cost of equity (COE): 8.6% based on a build-up method, starting with:
  - 10-year US Treasury yield (UST10) of 2.08%.
  - Qatar's equity risk premium (ERP) of 6.54% .
  - GWC's adjusted beta of 0.927.
- After-tax cost of debt (COD): 4.0%.
- A terminal growth rate (TGR): 3.5%.

The DCF method yielded a one-year price target (PT) of QAR71.4/share, implying a total return of 18%.

At our PT, GWC would be valued at:

- 21.8x 2015e PER, implying a 31% premium compared to global peers median.
- 15.7x 2015e EV/EBITDA, implying a 82% premium compared to global peers median.
- It's very obvious that GWC is trading at high premium among its peers, due to couple of reasons: its above average profitability (GPM), its high debt to equity (120% in 2014) and its strong expansions having a positive effect on the stock price. This stock is define as a growth stock.
- 2016e dividend yield of 2.4%.

Investment Rationale & Key Risks

Investment Rationale

- Qatar's market leader in the logistics industry.
- A diversified logistics services provider.
- Strong operational performance.
- On-going improvements in profitability.
- Based in one of the fastest growing economies in the world, offering huge opportunities for the logistics sector, especially with the country hosting the FIFA World Cup 2022.
- Geographical expansions to boost the freight-forwarding business.
- Expansions are pre-reserved (LVQ Phase IV).
- The largest transportation fleet in Qatar.
- Strong ties with the Qatari government.

Key Risks

- Low natural gas prices might hinder infrastructure spending and economic activity.
- Regional geo-political instability.
- Any delay in execution of its expansion plans.
- Dependence on the chemicals and food industries in its logistics operations, potentially resulting in concentration risk.
- Lack of flexibility in the case of an economic downturn due to its heavy asset-based business model.

DCF Valuation

Economic Profit Analysis	2016e	2017e	2018e	2019e	2020e	TV
ROIC (excluding goodwill & intangibles)	*9.2%*	*10.3%*	*11.9%*	*12.0%*	*11.9%*	*11.9%*
WACC	*7.6%*	*7.7%*	*7.9%*	*8.0%*	*8.2%*	*8.2%*
Terminal growth rate						3.5%

QAR mn, except per-share figures	2016e	2017e	2018e	2019e	2020e	TV
EBIT	238	278	323	333	343	355
Non-Cash Items (D&A)	109	112	127	130	134	
Gross Cash Flow	***347***	***389***	***451***	***464***	***476***	
Change in Operating Working Capital	(29)	(38)	(47)	(11)	(10)	
Capital Expenditures	(435)	(52)	(60)	(61)	(63)	
Gross Investment	***(464)***	***(90)***	***(106)***	***(72)***	***(74)***	
Free Cash Flow to the Firm (FCFF)	**(117)**	**299**	**345**	**392**	**403**	**5,314**
Present Value of FCFF	**(114)**	**272**	**290**	**305**	**290**	**3,830**

DCF Enterprise Value	**4,873**
Net Debt/(Cash)	632
Minority Interest	(4)
DCF Equity Value	**4,245**
Number of Shares Outstanding	59
1-year Price Target (QAR)	**71.40**

Source: MubasherTrade Research estimates

PT Sensitivity to TGR and COE

	Cost of equity				
Growth	6.6%	7.6%	8.6%	9.6%	10.6%
2.5%	101.02	80.09	65.87	55.57	47.76
3.0%	109.65	84.62	68.39	57.00	48.55
3.5%	121.23	90.30	71.40	58.64	49.43
4.0%	137.61	97.64	75.09	60.57	50.43
4.5%	162.67	107.56	79.72	62.89	51.58

Source: MubasherTrade Research estimates

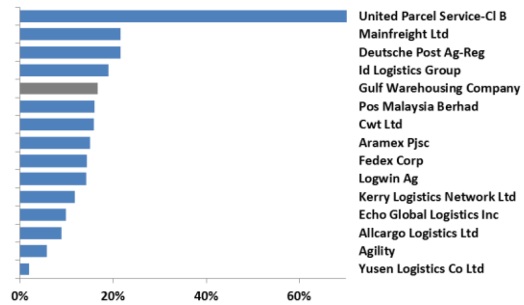
Comparable Valuation

Peers' Analysis

Company Name	Ticker	Country	PER 2014a	PER 2015e	EV/EBITDA 2014a	EV/EBITDA 2015e	PBV 2014a	PBV 2015e
Id Logistics Group	IDL FP Equity	France	20.8	21.8	8.4	10.5	3.6	3.6
Deutsche Post Ag-Reg	DPW GR Equity	Germany	15.8	13.9	8.0	7.4	3.5	3.5
Kerry Logistics Network Ltd	636 HK Equity	Hong Kong	12.6	14.8	12.0	9.3	1.4	1.4
Allcargo Logistics Ltd	AGLL IN Equity	India	13.0	14.6	6.6	8.7	1.1	2.1
Yusen Logistics Co Ltd	9370 JP Equity	Japan	41.8	25.4	7.1	5.7	0.8	0.8
Agility	AGLTY KK Equity	Kuwait	15.9	15.2	8.4	7.0	0.9	0.9
Logwin Ag	TGH GR Equity	Luxembourg	13.3	15.1	3.8	6.8	1.7	1.7
Pos Malaysia Berhad	POSM MK Equity	Malaysia	16.1	14.3	7.3	5.8	2.5	2.5
Mainfreight Ltd	MFT NZ Equity	New Zealand	14.6	17.1	10.7	10.5	3.0	3.0
Cwt Ltd	CWT SP Equity	Singapore	8.5	10.1	9.7	13.9	1.3	1.3
Aramex Pjsc	ARMX UH Equity	Uae	14.3	11.8	8.9	7.8	2.1	2.1
United Parcel Service-Cl B	UPS US Equity	United States	23.4	18.1	15.7	9.5	47.0	47.0
Fedex Corp	FDX US Equity	United States	19.2	16.6	6.8	6.6	2.7	3.3
Echo Global Logistics Inc	ECHO US Equity	United States	36.2	22.1	15.6	13.8	3.7	3.7
Median			**15.9**	**16.7**	**8.4**	**8.7**	**2.3**	**2.3**
Average			19.0	17.3	9.2	9.1	5.4	5.5
GWCS (Market price)	**GWCS QD Equity**		**19.1**	**18.5**	**14.8**	**13.5**	**3.1**	**2.5**
Premium/(Discount)			20%	11%	76%	55%	34%	9%
GWCS (Price Target)	**GWCS QD Equity**		**24.2**	**21.8**	**21.7**	**15.7**	**3.9**	**3.0**
Premium/(Discount)			52%	31%	158%	82%	70%	28%

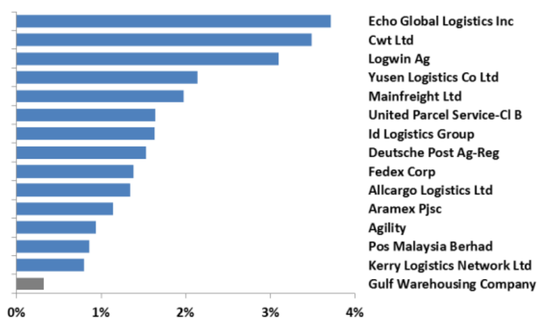
Source: Bloomberg, MubasherTrade Research

Return on Equity



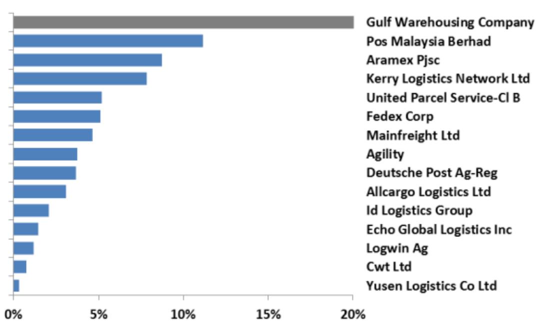
Source: Bloomberg

Asset Turnover Ratio



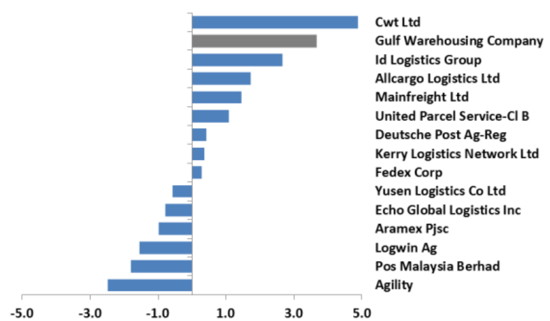
Source: Bloomberg

Net Profit Margin



Source: Bloomberg

Net Debt-to-EBITDA (x)



Source: Bloomberg

Financial Summary

Balance Sheet (QAR mn)						
FY End: December	2012a	2013a	2014a	2015e	2016e	2017e
Total cash & short-term investments	117	175	160	192	144	155
Accounts receivable, net	228	235	250	331	366	426
Inventories	10	9	8	12	13	16
Total current assets	**355**	**419**	**417**	**535**	**523**	**596**
Net property, plant and equipment	625	931	1,126	1,354	1,680	1,621
Goodwill	98	98	98	98	98	98
Net PPE + goodwill	**723**	**1,030**	**1,224**	**1,452**	**1,779**	**1,719**
Net intangible assets	50	43	36	43	36	30
Equity and other investments	99	132	173	185	197	210
Projects in progress	352	256	251	251	251	251
Total assets	**1,580**	**1,879**	**2,102**	**2,466**	**2,786**	**2,806**
CPLTD	89	165	68	108	108	108
Trade accounts payable	79	126	168	186	204	244
Due to related parties	25	-	-	-	-	-
Total current liabilities	**194**	**291**	**236**	**293**	**311**	**351**
Long-term debt	667	772	979	717	891	718
Minority Interest	(1)	(4)	(4)	(4)	(4)	(4)
Other non-current liabilities	11	13	18	24	30	38
Total long term liabilities	**678**	**781**	**993**	**737**	**917**	**752**
Paid in capital	396	476	476	595	595	595
Legal Reserves	221	232	238	577	577	577
Retained Earnings	90	100	159	264	386	532
Shareholder's equity	**708**	**807**	**872**	**1,436**	**1,557**	**1,703**

Income Statement (QAR mn)						
FY End: December	2012a	2013a	2014a	2015e	2016e	2017e
Total revenues	**480**	**527**	**673**	**810**	**898**	**1,044**
EBITDA	**138**	**185**	**242**	**315**	**353**	**396**
Depreciation	(39)	(57)	(73)	(87)	(109)	(112)
EBIT	**93**	**122**	**162**	**222**	**238**	**278**
Net interest income/(expense)	(12)	(27)	(36)	(39)	(39)	(39)
Other non-operating income/(expense	(4)	(5)	(0)	-	-	-
NPBT/Net Profit before taxes	**77**	**89**	**126**	**183**	**199**	**239**
Capital Gains	4	9	15	12	12	13
Net Attributable Income	**85**	**102**	**140**	**195**	**211**	**252**

Cash Flow Statement (QAR mn)						
FY End: December	2012a	2013a	2014a	2015e	2016e	2017e
Net Cash From Operating Activities	128	140	240	284	331	365
Net Cash used in Investing Activities	(351)	(300)	(304)	(340)	(447)	(65)
Net Cash used in Financing Activities	263	154	14	119	58	(305)
Net Change in Excess Cash	**39**	**(5)**	**(50)**	**63**	**(58)**	**(5)**
CAPEX	**(349)**	**(268)**	**(263)**	**(315)**	**(435)**	**(52)**

Source: Company data, MubasherTrade Research estimates

Per-Share Data						
FY End: December	2012a	2013a	2014a	2015e	2016e	2017e
Price	40.2	41.5	56.4	60.7	60.7	60.7
# Shares (mn)	47.6	47.6	47.6	59.5	59.5	59.5
EPS	1.8	2.1	2.9	3.3	3.5	4.2
DPS	1.2	-	1.5	1.5	1.5	1.8
BVPS	14.9	17.0	18.3	24.1	26.2	28.6

Valuation Indicators						
FY End: December	2012a	2013a	2014a	2015e	2016e	2017e
PER (x)	22.5x	19.4x	19.1x	18.5x	17.1x	14.3x
PBV (x)	2.7x	2.4x	3.1x	2.5x	2.3x	2.1x
EV/Sales (x)	5.3x	5.2x	5.3x	5.2x	5.0x	4.1x
EV/EBITDA (x)	18.5x	14.8x	14.8x	13.5x	12.6x	10.8x
Dividend Payout Ratio	70.0%	0.0%	50.9%	45.8%	42.3%	42.3%
Dividend Yield	3.1%	0.0%	2.7%	2.5%	2.5%	3.0%

Profitability & Growth Ratios						
FY End: December	2012a	2013a	2014a	2015e	2016e	2017e
Revenue Growth	14.3%	9.9%	27.7%	20.3%	10.9%	16.2%
EBITDA Growth	35.4%	33.9%	30.5%	30.5%	12.1%	12.0%
EPS Growth	37.6%	19.7%	38.0%	38.8%	8.4%	19.4%
EBITDA Margin	28.8%	35.1%	35.9%	38.9%	39.4%	37.9%
Net Profit Margin	17.7%	19.3%	20.8%	24.0%	23.5%	24.1%
ROAE	12.2%	13.4%	16.7%	16.9%	14.1%	15.5%
ROAA	6.0%	5.9%	7.0%	8.5%	8.0%	9.0%

Liquidity & Solvency Multiples						
FY End: December	2012a	2013a	2014a	2015e	2016e	2017e
Net Debt/(Cash)	640	762	887	632	854	670
Net Debt (Cash)-to-Equity	90.4%	94.5%	101.7%	44.0%	54.9%	39.4%
Net Debt (Cash)-to-EBITDA	4.6x	4.1x	3.7x	2.0x	2.4x	1.7x
Debt-to-Assets	47.9%	49.9%	49.8%	33.4%	35.8%	29.4%
Current Ratio	1.8x	1.4x	1.8x	1.8x	1.7x	1.7x

Consensus Estimates			
FY End: December	2015e	2016e	2017e
Revenues	**776**	**848**	**963**
MubasherTrade Research vs. Consensus	4.4%	5.9%	8.4%
Net Income	**169**	**192**	**237**
MubasherTrade Research vs. Consensus	15.2%	9.9%	6.3%
Fwd PER (x), MTR Price Target	21.8x	20.1x	16.9x
Fwd PBV (x), MTR Price Target	3.0x	2.7x	2.5x
Fwd EV/EBITDA (x), MTR Price Target	15.7x	14.7x	12.7x

a = Actual; e = Estimate

Industry Overview

Better outlook expected for international trade: The WTO prospects for world trade in 2015 and 2016 are better than they were in previous years. They expect volume growth of world merchandise trade to pick up over the next two years, rising from 2.8% in 2014 to 3.3% in 2015 to eventually reach 4.0% in 2016. Such growth is expected to be led by developing and Commonwealth of Independent States (CIS) economies trade advancing by 3.6% in 2015. However, world trade growth in 2016 is expected to be driven by developed economies trade advancing by 4.4%. We note that the 2.8% rise in world trade in 2014 barely exceeded the increase in world GDP for the year, and forecasts for trade growth in 2015 and 2016 only surpass expected output growth by a small margin.

Logistics in the GCC: Evidence shows the logistics industry in the GCC region is booming and is on the path for an even greater performance in the future. As indicated in the Agility Logistics Emerging Markets Index 2014, Saudi Arabia, the UAE, Qatar, Oman and Jordan are listed as some of the best locations in the world for business and trade. In this year's index, the Gulf countries ranked as follows: Saudi Arabia in the 3rd place and the UAE 6th followed by Qatar in the 12th place.

The logistics sector boomed across the Middle East between 2007 and 2012. Qatar, Saudi Arabia, Oman, Bahrain, and the UAE all saw the industry growing faster than the economy as a whole, leading logistics to account for a higher share of GDP. Logistics output in Qatar more than doubled over the five years to 2012, growing by 157% in real terms, according to a report by Agility, ranking Qatar at the top of the list of markets in terms of compatibility. Meanwhile, Saudi Arabia saw the sector expand by 90% over the same period.

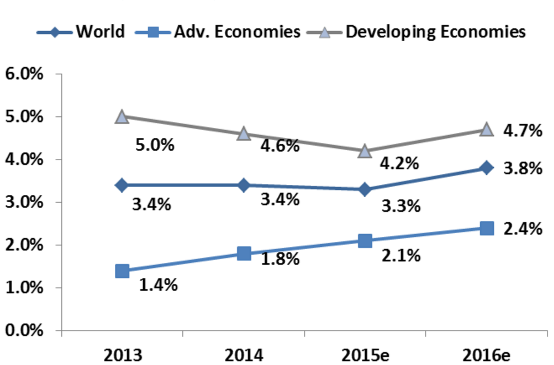
Falling oil prices ensure the urgency for economic diversification: As GCC countries attempt to diversify their investments away from hydrocarbons, the logistics industry seems to be the perfect choice for such an investment. Already with estimated investments of USD35bn, if combined with the necessary infrastructure developments, the Gulf region could top the industry on a global level. Yet, the GCC states face a challenge as trade demand is higher than what available facilities can handle. Hence, investment plans worth hundreds of billions of US dollars spanning over the next decade are already underway to accommodate for this expected growth in trade levels. A major game changer in planning is the GCC rail network which will link all GCC states together.

Qatar is among the fastest growing economies: Qatar's real GDP growth has been stable at about 6% over the past three years, mostly driven by a double-digit expansion of the non-hydrocarbon sector, accounting for 46% of total GDP in 2013. This rapid growth rate has in turn translated into large public investments to diversify the economy and prepare for the FIFA World Cup in 2022. At the same time, the budget continues to post large surpluses, as the central government budget surplus reached 16% of GDP in fiscal year 2014 despite the decline in oil and gas prices.

Non-hydrocarbons to keep driving growth: According to the IMF, non-hydrocarbon growth is expected to remain in double digits in 2015 as the path of public expenditures is unlikely to be affected by oil market developments in the near term. However, overall growth could slow to about 4% over the medium term as public investment growth weakens and the private sector offsets only some of the decline. Non-hydrocarbons are expected to represent 68% of total GDP by 2018, up from 46% in 2013, reflecting the ongoing diversification strategy.

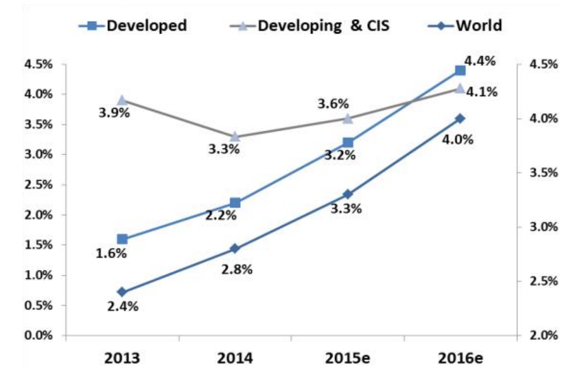
Huge investment program to fuel growth: Qatar is implementing an ambitious diversification strategy, while retaining its key role in the global natural gas market. The Qatari Ministry of Finance has been empowered to manage public investments, and established an approximately QAR600bn 10-year spending budget on new investment projects with yearly indicative targets.

World GDP growth to gain momentum in 2015-16



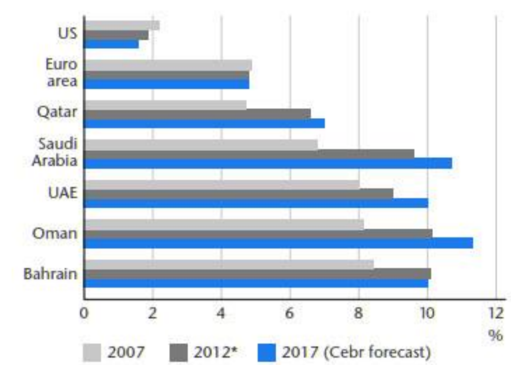
Source: IMF

World Trade growth to approach pre-crisis level



Source: IMF

Transport and Logistics as % of GDP



Source: The Centre for Economics and Business Research

Industry Overview *(Cont.'d)*

Logistics in Qatar's economy: According to the Qatari **Ministry of Development, Planning and Statistics,** the logistics industry's contribution to GDP was 6.5% in 2013 and with the trade growing, a number of new projects and investment plans in the country's infrastructure are underway to accommodate this growth and accelerate it.

One such project is Qatar's **New Port Project** which is located at the south of the capital, Doha. This new port is expected to be a cornerstone of the infrastructure development.

The USD7.4bn facility will have an initial capacity to handle 2mn containers and 2mn tons of general cargo annually. This capacity will be increased once the whole facility is ready, handling up to 6mn containers and 2.7mn tons of general and grain cargo annually.

Other development projects include the metro and rail network and the planned expansion of Hamad International Airport.

All these investment and development activities are expected to raise the logistics industry's share in GDP to 8.4% by 2018, as said by the Ministry of Development, Planning and Statistics.

According to Frost & Sullivan, the logistics market in Qatar is likely to witness around 10 to 11% of Compounded Annual Growth Rate for the next three to four years.

Estimations have set the potential market share for outsourcing of logistics and supply chain at 15% of the overall logistics market by the year 2016 in Qatar. This is in line with trends in Europe and the UAE, which sees the outsourcing needs are at projected rates of 35-40% and 25% respectively.

Industry trends to shape the future

1. Third Party Logistics (3PL)

Due in part to reduce cost, risk and manage growth strategically, many companies are choosing to outsource the logistics portion of their operations. This has resulted in the growth of **Third Party Logistics (3PL)**. Demand is rising for advanced logistics capabilities and industry-focused solutions, especially in emerging markets. 3PL players provide all of the logistics, transportation, and warehousing functions for companies. This eliminates or reduces the need for capital investment on behalf of the company and is providing an attractive alternative to in-house management.

3PLs within the logistics industry are also experiencing growth due to increase in the number of mergers and acquisitions leading to fewer and larger companies which are requiring larger sites with the best access to their markets and supply chain partners.

Also, the acceleration of the economic pendulum increases the need for 3PL as stockpile production is replaced by just-in-time responses, the compression of product cycles, time-based competition are all forces emphasizing on the need for 3PL.

2. Global business environment

Another key trend is the growing importance of a global business environment and its impact on the logistics industry. An increasing number of logistics operations interact not only with counterparts of the company in other countries, but also with global supply chain partners and customers. The expanding business environment requires companies to have a workforce that knows how to effectively utilize the technology to maximize benefits.

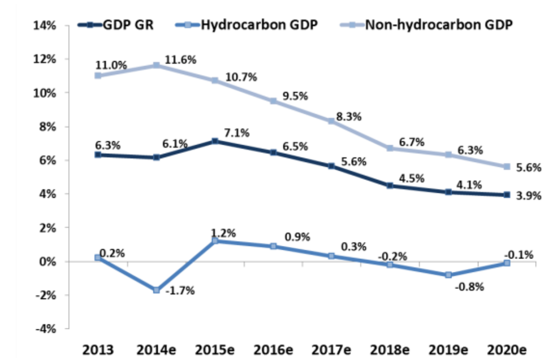
3. Cost Rationalization

The impact of financial pressures and the need to continually meet earnings growth projections is a constant factor impacting logistics companies. In order to develop and grow, companies need to increase productivity without marked increases in costs while still providing services and quality. Logistics companies need to maintain competitive advantages to strengthen their future growth and success.

4. Flexible business model

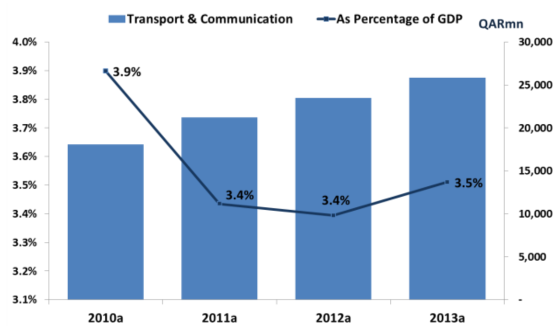
Time is critical in the logistics industry and companies must have the flexibility to respond with speed and agility to their customers' need for convenience. This need makes it more urgent to have multi modal transport systems, multichannel networks, and structuring ways to rapidly rebalance order management, production and warehousing in response to shifting conditions.

Non-hydrocarbon to lead overall growth



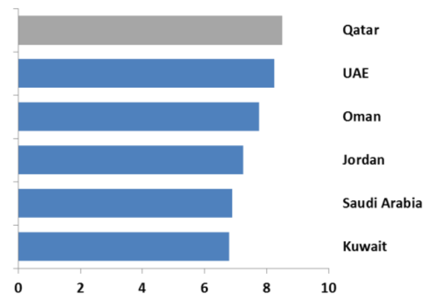
Source: IMF

Transport and communication continuously contribute to GDP growth



Source: Qatar Central Bank

Qatar, on the top of Market Compatibility Index (accessibility and business regulation & FDI)



Source: Transport Intelligence
Ranks: 0-10

Business Model

More than plain-vanilla warehousing: GWC's business model offers integrated, cost-efficient and sector-focused solutions for large and medium-size companies. All logistics-related businesses range from logistics, distribution, and forwarding to wide-ranging transport services and cutting-edge IT infrastructure.

A one-stop shop for logistics in Qatar:

1. Third-Party Logistics (3PL): The company is the market leader by far in third-party logistics in Qatar. By concentrating on certain sectors and niches, GWC has been able to attract a large market share as an outsourced logistics services provider. GWC is one of the very few companies in the region with the requisite assets and expertise to do so, having their own warehouses, a large transportation fleet, and warehouse management systems. The company has been able to optimize network capacity, offering services near or within their facilities enabling quick and flexible responses.

2. Hazmat Facilities: Strategically located in the two industrial cities of Ras Laffan and Mesaieed, GWC Hazmat facilities offer easily-accessible services for the secure storage of chemicals used in oil, gas, petrochemical industries and other sectors. GWC stores and distributes chemicals at a fraction of the cost of achieving the same with a company's own set-up. The company also began offering specialized services through the Hazmat LoB, including bulk chemical storage with ISO tanks and storage of large-volume tanks unavailable in Qatar.

3. Transport: GWC's extensive land fleet, combined with its expertise in road transportation analysis, optimization and implementation, allows the company to offer customized and cost-effective transportation solutions for almost any industry. By far, GWC is the leader in logistics transport solutions in Qatar, having one of the region's biggest fleet with a strength that exceeds 700 operational vehicles. GWC Transport operates both inland and cross-border with operations extending to Jordan and Iraq. Container Repairs & Maintenance is a new line of business that GWC has embarked on, conveniently located at LVQ's Container Yard; this new service will contribute to the business growth in 2015.

Undisputed leader in freight forwarding within Qatar:

1. Forwarding: GWC offers fully-integrated business solutions to its clients. Being an asset-based freight forwarding solutions player, with its own warehousing and transportation, GWC services include air, sea, and ground freight. GWC is confident in establishing a long-term and profitable presence from its operations in the GCC, including its recent move into Bahrain.

2. Projects: GWC Projects' planning, procurement and logistics experience has made it the front-runner in the turnkey management of project logistics. From integrated multi-modal transport systems to transport-adequate packaging, GWC Projects' logistics provide global and on-site management for the most complex, stringent and time-sensitive cargo movements. Currently, the division's services include project management, heavy lift, oversize cargo transportation and project logistics for oil & gas. GWC Projects offers solutions for coordinating the flow of materials, handling restrictions in difficult or remote areas, managing site operations.

Niche services for integrated model:

1. Record Retention: GWC, as a leader in records management in Qatar, continues to set the pace, delivering expertise, service and value with adequate physical and digital archiving solutions. GWC has over 100 clients who have almost 1.5bn documents to date. Two of Qatar's premier organizations, Aspire Zone and Qatar Foundation, have re-contracted for three additional years. A significant accomplishment in 2014 was expanding into the health care sector with major contracts signed with Hamad Medical Corporation (HMC) and Primary Health Care Corporation (PHCC).

2. Fine Art Handling: GWC offers care, discretion, security and efficiency for any move or installation request for a wide variety of fine art logistics requirements. The company has frequent contracts from some of Qatar's most renowned museums, galleries and art collectors. One of the most important developments was the partnership formed with Constantine, the UK premier fine art packing. GWC plans to add installation services to the division's comprehensive offerings of fine art logistics.

Business Model *(Cont.'d)*

Logistics business expansions spark revenue growth: Being the market leader in Qatar, the segment witnessed enormous growth driven by expansions of warehouses, mainly Logistics Village Qatar (LVQ) and Mesaieed. The segment grew by a 4-year CAGR (2010-2014) of 55%. Since 2011, the company focused on expansions, as it successfully added new warehouses and new complex services to reach its customized clients.

GWC invested heavily in Qatar's largest and most modern logistics village which became operational in Q1 2011. Designed as an integrated and self-contained full-service. LVQ is a 1mn sqm logistics warehouse, executed in four phases. The fourth phase was added in 2014 with a total area of 81,000 sqm.

We expect this LoB to sustain its growth due to two major expansions and a warehouse construction. First, GWC is adding 54,000 sqm capacity from LVQ Phase V expansion which is considered LVQ's last phase. Second, the Ras Laffan facility is projected to expand by 65,000 sqm to accommodate more bulk, palletized storage and general cargo. The project is set to be made operational by Q1 2016 as it reached 90% completion rate.

Third, Bu-Sulba Logistics Hub is planned to serve small- and medium-sized enterprises (SMEs) in Qatar. Total area of the project is 517,376 sqm, with a built-up plan exceeding 40% of the total area with construction on the site is set to be operational by Q1 2017. Also, container repairs and maintenance, the newly offered service, is expected contribute to this LoB's top line.

For 2015, we expect this LoB to grow by 17%, driven by full utilization of LVQ Phase IV. As for 2016, we expect it to grow by 13%, driven by LVQ Phase V and Ras laffan expansion. We expect the logistics business to grow significantly by 21% in 2017, driven by the addition of Bu Sulba warehouse to the company's portfolio. We expect a 4-year CAGR (2014-2018) of 17% for the logistics business.

Strong operational performance keeps earnings quality high: Profitability of the logistics segment has been improving as LVQ became fully-functional and revenue-generating. We note that GPM of logistics had been improving from 29% in 2011 until it reached 53% in 2014. We expect GPM to keep on its track for better margins to 58% in 2015 and 2016, then slowing down to stabilize at 55% going forward given business stability, cost efficiency and expansions maturation. This segment is profitable as it requires massive investments at initiation then it fruits its profits later as the business grows.

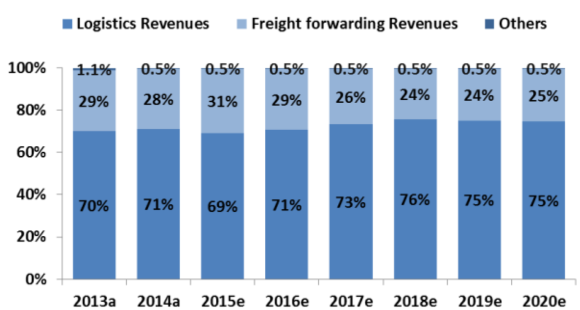
A solid business model to support freight forwarding growth: Taking into consideration its massive fleet and asset rich model, freight forwarding had been growing at a 4-year CAGR (2010-2014) of 151%, beating the market performance led by expansions in Dubai and Bahrain, in addition to business and fleet growth.

Freight forwarding is expected to grow at a favorable rate of 29% in 2015 based on the uptrend on Dubai's economic climate and the freight clearance and delivery for all logistical requirements for the 24th World Men's Handball Championship that took place early 2015 and contracts signed for the 2015 AIBA World Boxing Championship Doha as well. In the future, we assume that growth will slow down to 5% in 2016 and going forward as forwarding LoB is highly competitive and challenging.

We expect a 4-year CAGR (2014-2018) of 11% for freight forwarding business revenue, as new contracts signed with RasGas, Woqod and QAFCO, some of which are for 5-year periods.

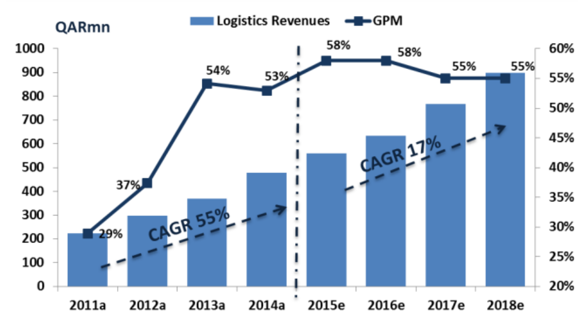
Profitability to be sustained at preferable rates: GWC has preferential rates with many air carriers owing to the huge volumes that it handles to and from Qatar. GPM for freight forwarding has ranged between 24-32% over the past four years. We expect margins to stay at high level of average of last three years at 31%, reflecting GWC's cost advantages, trucking assets, specialized knowledge, warehousing capabilities and top service levels.

Logistics segment continues as the major contributor to Rev.



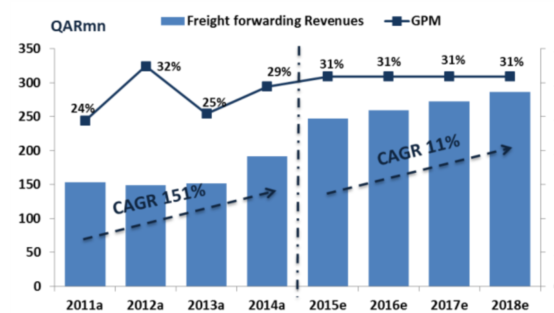
Source: Company reports, MubasherTrade Research estimates

Logistics (c.71% of total revenues)



Source: Company reports, MubasherTrade Research estimates

Freight forwarding (c.28% of total revenues)



Source: Company reports, MubasherTrade Research estimates

Business Model *(Cont.'d)*

Overall, revenues are expected to grow at a 4-year CAGR of 15%: On the top line level, GWC reported very strong growth, recording a 4-year CAGR (2010-2014) of 67%. The main reasons for this acceleration were:

- The expansions of warehouses at superior locations.
- Operating within the fastest growing economies globally, which is a direct positive for the logistics business.
- The vast investments spent on infrastructure.

We see expansions still taking the lead in GWC's growth story, in addition to being a well-organized business ready to grow with anticipated GDP growth. We expect revenues to grow at a 4-year CAGR of 15%.

Enhanced margins: GWC's profitability will remain strong as expansions start to generate profits and operations mature. Historically, EBITDA margin had been improving over the past four years to reach a record high of 36% in 2014. The business mix is shifting more towards logistics which is more profitable than freight forwarding. This is why we estimate EBITDA margin to improve even further to reach 38% by 2018, taking into consideration that GWC is well positioned as the market leader in Qatar—its main market.

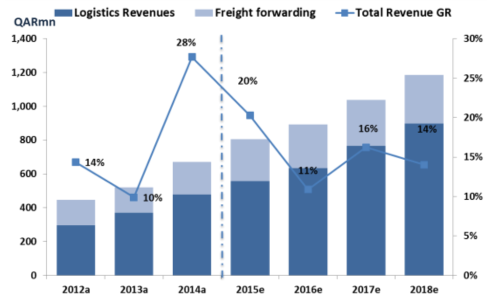
GWC offers high profits in addition to growth: Historically, GWC's net profit margin (NPM) expanded from 14% in 2011 to 21% in 2014, reflecting the positive impact of the company's expansions, which enabled it to benefit from economies of scale, coupled with more cost-efficient policies. We expect that the company will remain on track with net income boosted significantly on the back of declining in interest expense (mainly due to capital restructuring) and improving operational margins. We assume NPM to keep improving, to reach 26% by 2018.

Capital structure: GWC is highly leveraged with a debt-to-equity ratio of 120% in 2014. The has relied on debt to finance its massive expansions. However, we can see that the company is undergoing a capital restructuring; it is issuing additional equity to keep growing and relying less on debt. GWC shareholders approved the proposed capital increase by 25% through a rights issue implying an addition 11mn shares issued at QAR38.5/share (a par value of QAR10/share + an issuance premium of QAR28.5/share). We assumed that the capital increase will be concluded by the end of 2015, thus reducing the debt-to-equity ratio to 35% by 2018—according to our estimates.

Capex: Historically, GWC has been investing in expansions massively over the past four years, which explains the high capex-to-revenues ratio reaching a peak in 2012 at 73%. We expect this ratio to stay at high levels due to expansions in LVQ , Ras Laffan and Bu Sulba, thus keeping it at 39% and 48% in 2015 and 2016, respectively. However, capex-to-revenues will ease back to include maintenance capex only thereafter, averaging 5%.

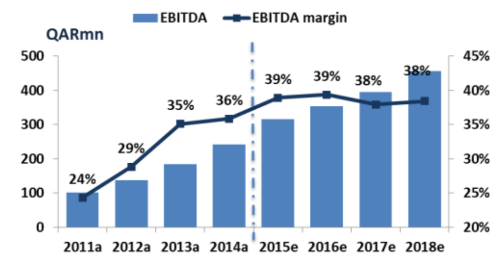
Dividends policy: Based on management guidance, GWC is planning to keep its distribution policy of QAR1.5 for 2015 and 2016, despite the ongoing expansions executed and capex required. We expect the payout ratio to stabilize at 42% going forward. This implies an expected dividend distribution of QAR1.79 by 2017, absent major new capex.

Total revenues to grow at 4-Year CAGR of 15%

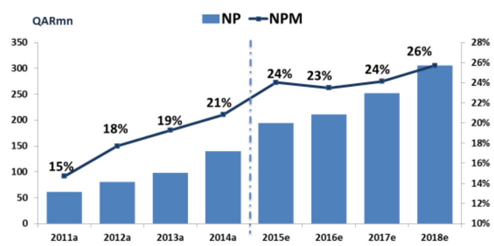


Source: Company reports, MubasherTrade Research estimates

EBITDA to improve as expansions stabilize

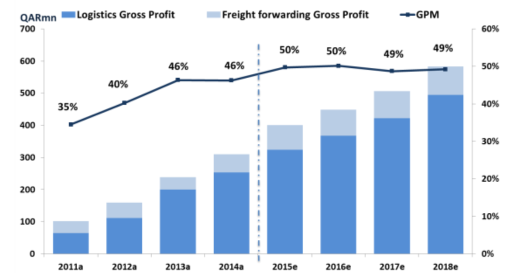


Margins to be reflected in the bottom line

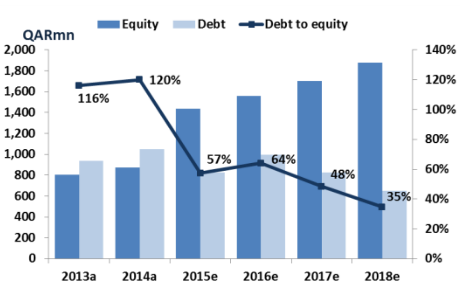


Source: Company reports, MubasherTrade Research estimates

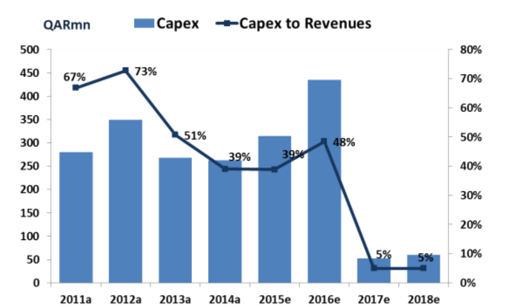
Gross profit by segment



Debt to Equity Ratio



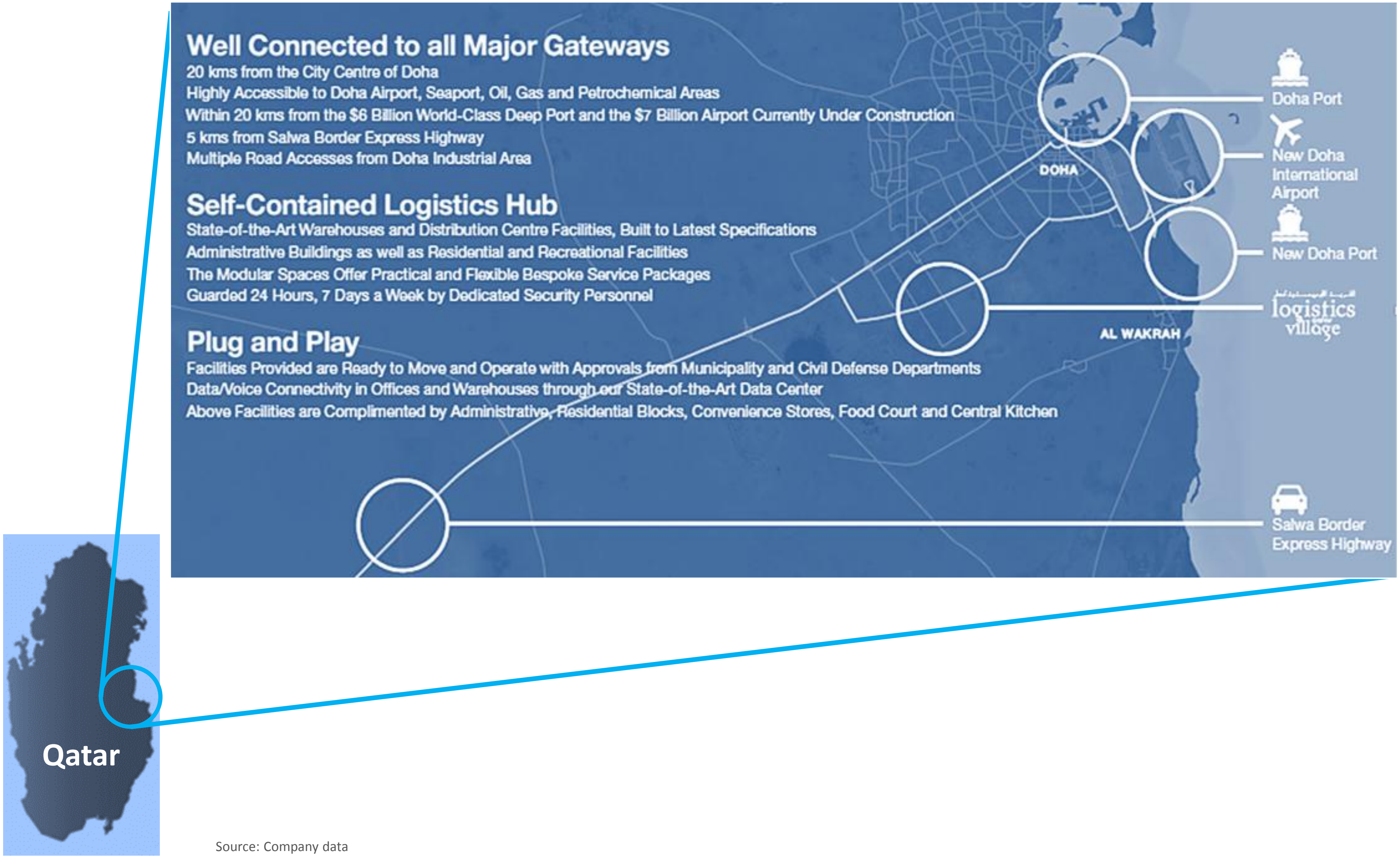
Capex to Revenues Ratio



Source: Company reports, MubasherTrade Research estimates

Business Model *(Cont.'d)*

Logistics Village Qatar



Source: Company data

Disclosure Appendix

Important Disclosures

METHODOLOGY: We strive to search for the best businesses that trade at the lowest valuation levels as measured by an issuer's intrinsic value on a per-share basis. In doing so, we follow both top-down and bottom-up approaches. Under the top-down approach, we attempt to study the most important quantitative and qualitative factors that we believe can affect a security's value, including macroeconomic, sector-specific, and company-specific factors. Under the bottom-up approach, we focus on the analysis of individual stocks by running our proprietary scoring model, including valuation, financial performance, sentiment, trading, risk, and value creation.

COUNTRY MACRO RATINGS: We analyze the four main sectors of a country's macroeconomics, then we assign ★★★, ★★, and ★ star for low risk, moderate risk, and high risk, respectively. We use different weights for each economic sector: (a) Real Sector (35% weight), (b) Monetary Sector (15% weight), (c) Fiscal Sector (25% weight), and (d) External Sector (25% weight).

STOCK MARKET RATINGS: We compare our year-end price targets for the subject market index on a total-return basis versus our calculated required rate of return (RRR). Taking into account our Country Macro Rating, we set the "Neutral" borderline (below which is "Underweight") as 20% of RRR for ★★★ Country Macro Rating, 40% of RRR for ★★ Country Macro Rating, and 60% of RRR for ★ Country Macro Rating. That said, our index price targets are based on the average of two models. **Model (1):** Estimated index levels based on consensus price targets of all index constituents. Stocks with no price targets are valued at market price. **Model (2):** Estimated index levels based on our expected re-pricing (whether re-rating, de-rating, or unchanged rating) of the forward price-earnings ratio (PER) of each index in addition to consensus earnings growth for the forward year.

SECTOR RATINGS: On the sectors level, we focus on six major sectors, namely (1) Consumer and Health Care, (2) Financials, (3) Industrials, Energy, & Utilities, (4) Materials, (5) Real Estate, and (6) Telecom Services & IT. To assess each sector, we use the SWOT analysis to list the strengths, weaknesses, opportunities, and threats in each country. We then translate our qualitative SWOT analysis into a quantitative model to evaluate all six sectors across countries. Each of the measures we used, although mostly subjective, is assigned a score as either +1 (high impact), 0 (medium impact), or -1 (low impact). At a later stage, when assigning the final rating – Overweight, Neutral, or Underweight – for each sector in each country, we realize that sometimes it is unfair to assign equal weights for the sub-sectors in each major sector assessed. Hence, some of the sub-sectors are given different weights for their significant profile in each country. Additionally, the final rating for each sector in each specific country is assigned based on a relative calculation comparing this sector to all other sectors in this country.

SECURITY INVESTMENT RATINGS: We combine intrinsic value, relative valuation, and market sentiment into a single rating. Our three-pronged methodology involves (1) discounted cash flows "DCF" valuation model(s), (2) relative valuation metrics, and (3) overall sentiment. Whenever possible we attempt to apply all three aspects on the issuers or securities under review. In certain cases where we do not have our own financial and valuation models, we attempt to scan the market for other analysts' value estimates and ratings (i.e. consensus view) on average. We compliment this with relative valuation and sentiment drivers, such as positive/neutral/negative news flows. For all issuers/securities covered, we have three investment ratings (Buy, Hold, or Sell), comparing the security's expected total return (including both price performance and expected cash dividend) over a 12-month period versus its Required Rate of Return "RRR" as calculated using the Capital Asset Pricing Model "CAPM" and adjusted for the Risk Rating we attach to each security. Our price targets are subjective and are estimates of the analysts where the securities covered will trade within the next 12 months. Price targets can be derived from earnings-based valuation models (e.g. Discounted Cash Flow "DCF"), asset-based valuation models (e.g. Net Asset Value "NAV"), relative valuation multiples (e.g. PER, PBV, EV/EBITDA, etc.), or a combination of them. In case we do not have our own valuation model, we use a weighted average of market consensus price targets and ratings. We review the investment ratings periodically or as the situation necessitates.

SECURITY RISK RATINGS: We assess the risk profile of each issuer/security covered and assign one of three risk ratings (High, Moderate, or Low). The risk rating is weighted to reflect different aspects specific to (1) the sector, (2) the issuer, (3) the security under review, and (4) volatility versus the market (as measure by beta) and versus the security's average annualized standard deviation. We review the risk ratings at least annually or as the situation necessitates.

	If Total Return is …	Risk Rating		
		Low (1)	Moderate (2)	High (3)
Investment Rating	Buy (B)	Higher than RRR	Higher than RRR	Higher than RRR
	Hold (H)	Between RRR and 20% of RRR	Between RRR and 40% of RRR	Between RRR and 60% of RRR
	Sell (S)	Lower than 20% of RRR	Lower than 40% of RRR	Lower than 60% of RRR
	Not Rated (NR)	We have decided not to publish a rating on the stock due to certain circumstances related to the company (i.e. special situations).		
	Not Covered (NC)	We do not currently cover this stock or we are restricted from coverage for regulatory reasons.		

Other Disclosures

MFS does not have any proprietary holding in any securities. Only as a nominee, MFS holds shares on behalf of its clients through Omnibus accounts. MFS is not currently a market maker for any listed securities.

Analyst Certification

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Website: www.MubasherTrade.com
E-mail: Research@MubasherTrade.com

Sales & Research Contact Details

INSTITUTIONAL SALES

MENA
Inst.Sales@MubasherFS.com
+971 4 321 1167 (UAE)
+965 97734334 (Kuwait)
+962 79 5538806 (Jordan)

Egypt
Institutions-Egy@Mubasher.net
+202 2262 3310

RETAIL SALES

Bahrain
Global@MubasherTrade.com
Call Center: +973 1730 0849

Egypt
Egypt@MubasherTrade.com
Call Center: 16699 / +202 2262 3230

Libya
Libya@MubasherTrade.com
+218923070350

UAE
UAE@MubasherTrade.com
Call Center: +971 800 567 000

RESEARCH

Research Team
Research@MubasherTrade.com