

GCC Corporate Earnings Report : Q3-19

December - 2019

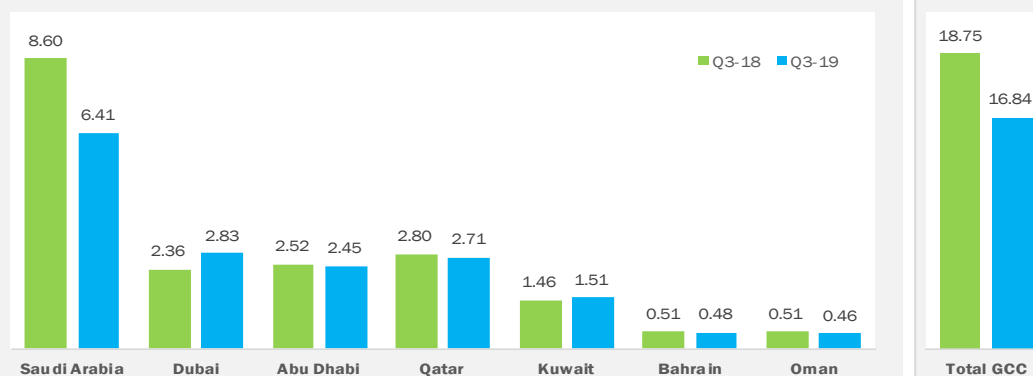
GCC net profits shrinks as Dubai and Kuwait fail to offset profit decline in other markets...

Total Q3-19 earnings for GCC-listed companies declined by 10.1% y-o-y to USD 16.8 Bn from USD 18.7 Bn in Q3-18. Four of the six GCC markets recorded a y-o-y decline in Q3-19 earnings, with Saudi Arabia seeing the biggest fall of 25.4%. On the other hand, Dubai and Kuwait reported higher earnings during the quarter with Dubai-listed stocks reporting a healthy growth as compared to Q3-18. In terms of 9M-19 earnings, the growth numbers were comparable to Q3-19 with Saudi Arabia reporting a y-o-y decline of almost a quarter whereas Dubai reported the strongest growth.

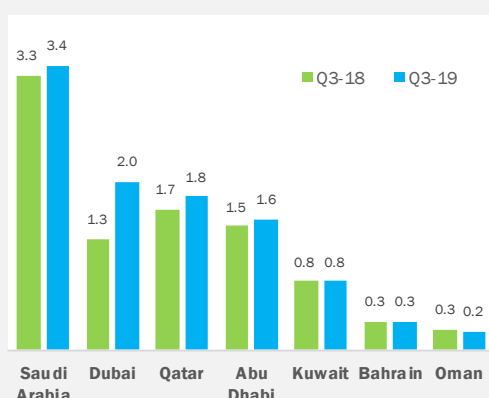
In terms of sectors at the GCC level, two of the top ten largest sectors by market cap namely the Materials Sector and the Utilities Sector recorded steep double-digit declines in their Q3-19 net profits resulting in an overall decline in aggregate quarterly profits for the GCC during Q3-19. On the other hand, the Banking and Telecom sectors' 11% and 3.4% growth in profits during Q3-19, respectively, partially offset the overall decline at the GCC level.

The Banking sector represented 61% of the GCC earnings in Q3-19, increasing marginally both as compared to Q3-18 as well as sequentially. Earnings for the sector improved 11% y-o-y to reach USD 10.2 Bn up from USD 9.2 Bn in Q3-18 led by higher y-o-y profits in all GCC banks, barring Omani banks. In terms of sequential growth, profits increased by 8.3%. The Saudi Banking Sector registered a profit growth of 3.7% y-o-y to reach USD 3.4 Bn in Q3-19. Dubai's banking sector represented 19.7% of the total GCC banking earnings. DFM-listed banks posted 51.0% rise in Q3-19 earnings that reached USD 2.0 Bn from USD 1.3 Bn in Q3-18. The steep increase came primarily on the back of higher profits reported by ENBD. The top three banks in the GCC in terms of Q3-19 net profit were ENBD (USD 1.4 Bn), QNB (USD 1.05 Bn) and First Abu Dhabi Bank (USD 0.85 Bn) in profits during the quarter. Profits for the top 10 banks in the GCC stood at USD 6.5 Bn or 64% of the total GCC banking sector profits.

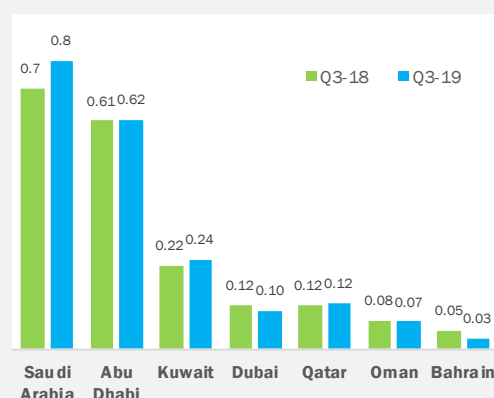
GCC Corporate Earnings : Q3-19 vs. Q3-18 (USD Bn)



GCC Banks: Q3-19 vs. Q3-18 (USD Bn)



GCC Telcos: Q3-19 vs. Q3-18 (USD Bn)



Source : Company Financials, Reuters, Bloomberg, KAMCO Research

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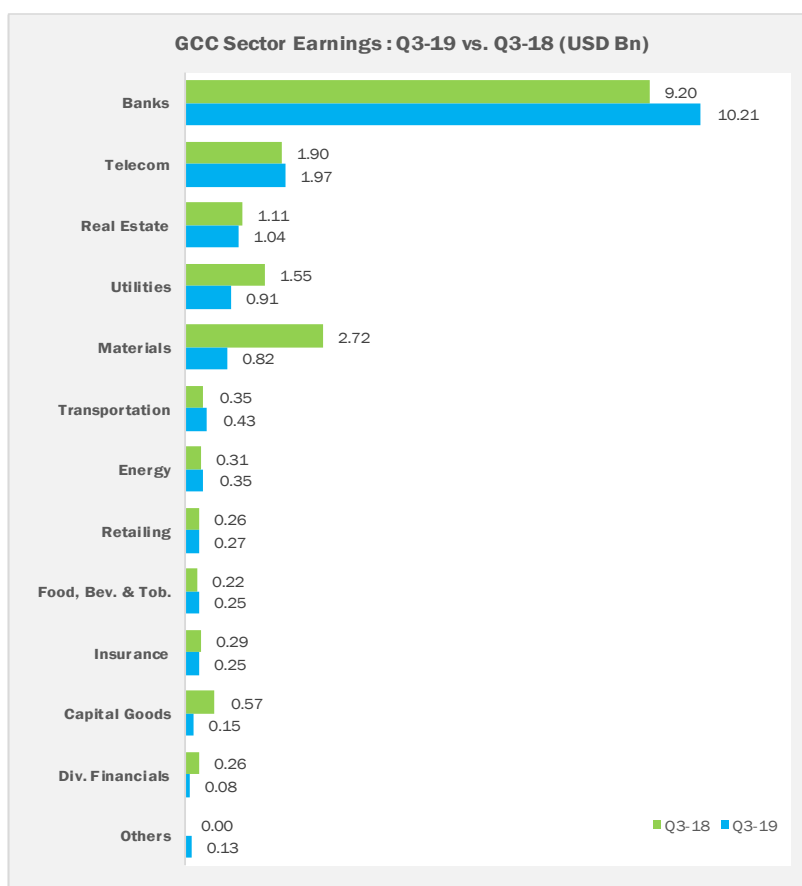
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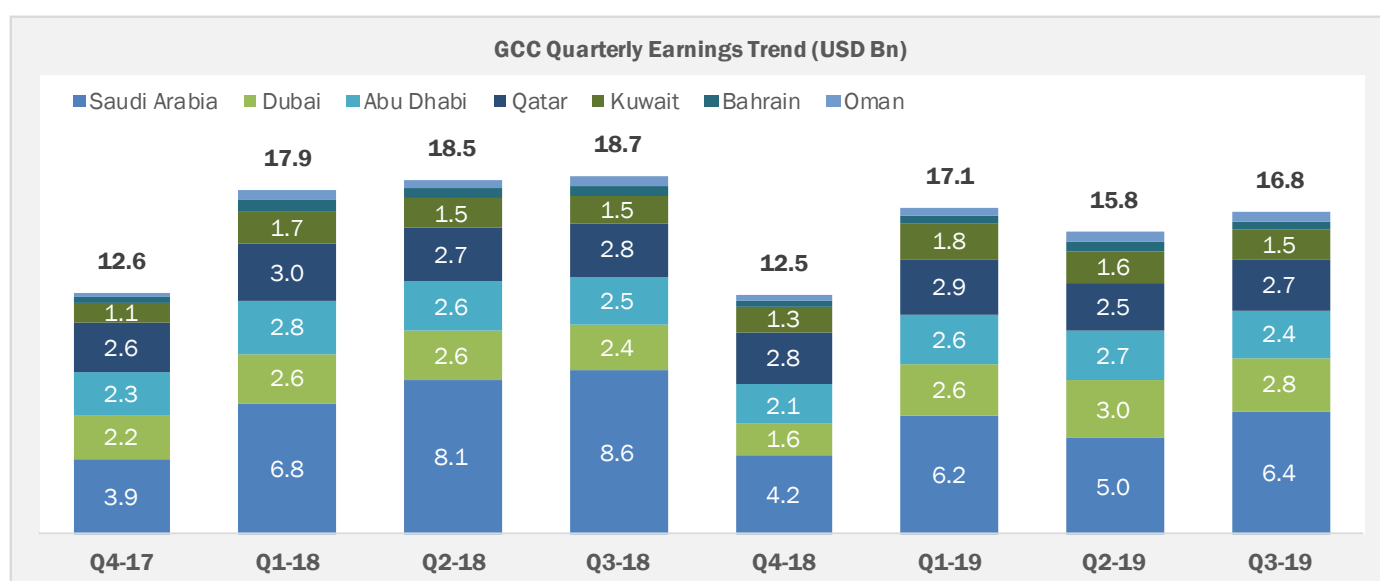
The y-o-y profit growth for the Telecom sector was marginal at 3.4% to reach USD 2.0 Bn. Saudi Arabian telcos reported the biggest increase in y-o-y net profits in the GCC recording a 10.6% rise to reach USD 774.5 Mn from USD 700 Mn during Q3-18. Telecommunication companies in Kuwait also witnessed profit growth during Q3-19 by 7.9% to reach USD 241.7 Mn primarily on the back of higher profits for Zain and Ooredoo Kuwait. On the other hand, telcos in Bahrain and Dubai reported double digit declines of 38.1% and 13.5%, respectively.

The GCC Real Estate Sector, the fourth largest sector by market-cap, witnessed 6.4% y-o-y decline in Q3-19 net profits that reached USD 1.04 Bn down from USD 1.1 Bn in Q3-18. Two of the top three largest loss-making companies in the sector were Saudi Arabian lead by Emaar Economic city which posted a loss of USD 53.8 Mn, followed by Dubai's Union Properties with a loss of USD 22.2 Mn and Saudi Arabia's Jabal Omar Development with a loss of USD 21.5 Mn for Q3-19. Dubai continued to be the largest real estate market in the region with the sector contributing more than 60% of the aggregate sector profits.

GCC Materials sector, the second largest sector in the region by market cap, witnessed 70.7% y-o-y decline in Q3-19 net profits that reached USD 0.82 Bn down from USD 2.72 Bn in Q3-18. Saudi Arabian companies dominated the sector in terms of total earnings despite reporting a steep drop in Q3-19 vs. Q3-18. The decline in profits for the sector was the primarily reason that led to the decline in earnings for the aggregate GCC earnings for the second consecutive quarter. In Saudi Arabia, SABIC reported the biggest decline in earnings during the quarter. The company's profits fell 86.3% in Q3-19 to reach USD 222.4 Mn as compared to USD 1.6 Bn during Q3-18. The biggest three loss-making companies in the GCC Materials Sector were also in Saudi Arabia including Saudi Arabian Mining Co, Saudi Arabia's largest miner, that posted a loss of USD 24.5 Mn in Q3-19 against a profit of USD 110.6 Mn in Q3-18. Kuwait and Abu Dhabi were the only markets where Materials sector reported a growth in profits while the rest of the GCC countries reported a decline.



Source : Company Financials, Reuters, Bloomberg, KAMCO Research

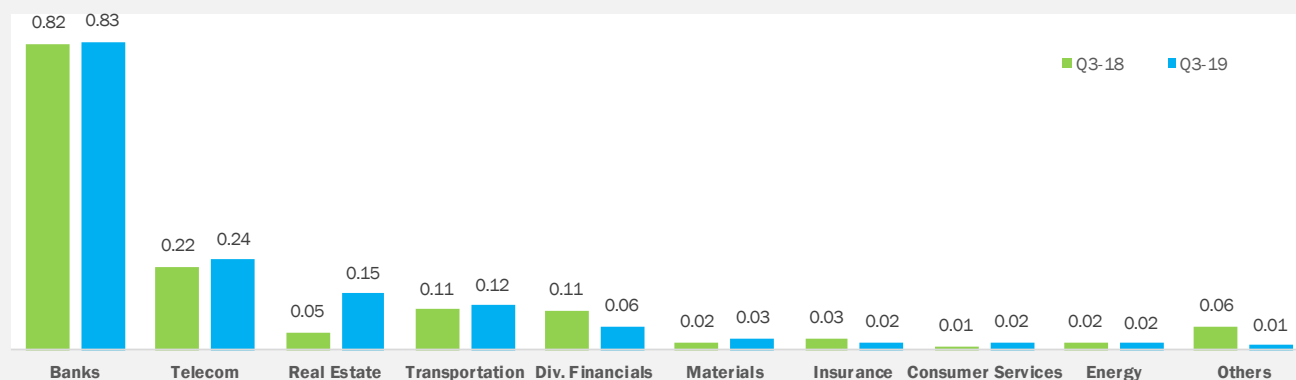


Source : Company Financials, Reuters, Bloomberg, KAMCO Research

Kuwait

Boursa Kuwait-listed companies reported a net profit increase of 3.9% during Q3-19 that reached USD 1.51 Bn compared to USD 1.46 Bn during Q3-18. The top four sectors on the exchange i.e. Banks, Real Estate, Telecommunication and Transportation reported rise in profitability that more than offset decline in sectors like Diversified Financials, Insurance Energy and Capital Goods. The Biggest impact on higher aggregate stock exchange profits came from the Real Estate sector which reported an almost four fold increase in profitability that reached USD 152.1 Mn in Q3-19 from USD 47.7 Mn in Q3-18.

Kuwait Corporate Earnings : Q3-19 vs. Q3-18 (USD Bn)



Source : Company Financials, Reuters, Bloomberg, KAMCO Research

In the Banking sector, NBK reported a net profit of USD 307.07 Mn during the third quarter, a growth of 7.6% primarily due to higher non-interest income and lower provisions for credit losses and impairment losses. Similarly, KFH reported a net profit of USD 273.3 Mn for Q3-19 compared to a profit of USD 243.8 Mn in Q3-18 driven by higher net operating income. Warba Bank's Q3-19 net profit almost doubled to USD 18.6 Mn.

In the Real Estate sector, Abyaar Real Estate reported a profit of USD 50.2 Mn in Q3-19 as compared to a loss of USD 4.6 Mn in Q3-18. Out of the top three real estate names in Kuwait, only Mabanee reported marginally higher y-o-y profits by 0.3%, while Al Tijaria and Salhia Real Estate reported profit declines of 1.3% and 31.4%, respectively. Mazaya Holding posted loss of USD 16.6 Mn in Q3-19 compared to a profit of USD 6.3 Mn in Q3-18 led by lower revenues and the impairment of properties that were held for trading.

Telecoms also recorded positive earnings growth during Q3-19 with a y-o-y increase of 7.9% to reach USD 241.7 Mn. This surge was mainly attributable to Zain which recorded a net profit of USD 183.7 Mn in Q3-19 compared to USD 167 Mn in Q3-18 supported by increase of 35% in operational revenues, 44% in EBITDA, with a client base exceeding 49 Million subscribers. In addition, profits for Ooredoo was up by 54.8% reaching USD 20.3 Mn in Q3-19 as compared to USD 13.1 Mn supported by EBITDA which increased y-o-y to USD 574.2 Mn. On the other hand, Viva and AAN Digital reported a decline in profits during Q3-19.

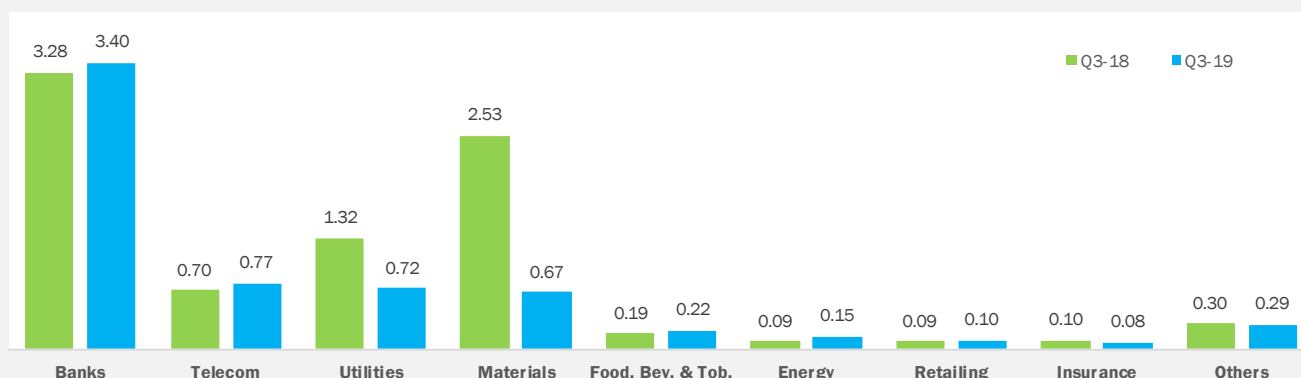
The Capital Goods sector was the main contributor for dragging the profitability of the exchange. The sector reported an 88% y-o-y drop in net income that reached USD 6.6 Mn in Q3-19 as compared to USD 55.8 Mn in Q3-18. In this sector, the biggest impact came from the decline in profits of National Industries Group that posted a loss of USD 24.4 Mn in Q3-19 against a profit of USD 24.3 Mn in Q3-18.

In the Diversified Financials sector, Kuwait Investment Co. posted one of the biggest drop in profitability reporting a loss of USD 1.01 Mn for Q3-19 compared to a profit of USD 16.5 Mn during Q3-18. The company attributed to the drop in profits mainly due to decrease in net investment income effected by the decline in equity markets compared to last period. In the Material sector, Kuwait Cement reported a steep drop in its Q3-19 profits that reached USD 0.24 Mn as compared to a profit of USD 3.34 Mn in Q3-18.

Saudi Arabia

Aggregate net profits for Saudi Arabian companies witnessed a steep decline of 25.4% to USD 6.4 Bn in Q3-19 against USD 8.6 Bn in Q3-18. The decline was primarily led by a plunge in profits for the Materials sector that declined by 73.4% to USD 672.6 Mn as compared to USD 2.5 Bn during Q3-18. Profits for the other key sectors like Utilities, Insurance and Diversified Financials also declined during the quarter. On the other hand, the Consumer Services, Energy, Telecom, and Food, Beverage & Tobacco sectors reported a growth in profits during the quarter that partially offset the overall decline.

Saudi Arabia Corporate Earnings : Q3-19 vs. Q3-18 (USD Mn)



Source : Company Financials, Reuters, Bloomberg, KAMCO Research

In the Banking sector, Riyadh Bank reported a 43.9 % increase in the net profit that reached USD 446.9 Mn in Q3-19 compared to USD 310.6 Mn in Q3-18 on the back of high fee and commission income. The Bank's Net Income were higher due to increase in total operating income by 21.1% and reduction of operating expenses by 2.4%. Al-Rajhi Bank reported a 10% increase in net profit that reached USD 754.3 Mn in Q3-19 compared to USD 685.9 Mn in Q3-18 driven by higher gross operating income, and increased commission income. Meanwhile, NCB reported a 4% y-o-y increase in net profit to USD 680.02 Mn in Q3-19 as compared to USD 654.15 Mn in Q3-18, whereas Alinma Bank reported a 9.1% increase in the profits which grew from USD 174.2 Mn in Q3-18 to USD 190.02 Mn in Q3-19 driven by increase in the total operating income by 15% in addition to higher income from financing and investments. On the other hand, Samba, SABB and Saudi Investment Bank reported double digit decline in net profits during the quarter, partially denting the overall sector profit performance.

The Materials sector and the Utilities sector reported the biggest absolute decline in profits during the quarter with an aggregate absolute profit decline of USD 2.5 Bn. Within the Material sector, SABIC reported an 86.3% drop in profits due to low average selling price in addition to recording USD 399.9 Mn impairment provision in the investment in Clariant AG. Another petrochemical giant, Yanbu National Petrochemicals, reported a profit decline of 70.9% reaching USD 56.5 Mn as compared to USD 194.3Mn during Q3-18 due to lower selling prices and decreased sales volumes. Saudi Arabian Mining Co. (Maaden) reported a net loss of USD 24.5 Mn in Q3-19, compared to a net profit of USD 110.6 Mn a year earlier due to decline in average product prices, lower sales volumes of all products. The firm also reported a decrease in its profit share from the joint venture SAMAPCO.

Net profit for the Telecom sector increased by 10.6% y-o-y to USD 774.5 Mn in Q3-19 as compared to USD 700.3 Mn during Q3-18. STC's higher revenues resulted in 3.9% increase in net profits that reached USD 732.1 Mn for Q3-19 compared to USD 704.5 Mn in Q3-18. On the other hand, Mobily reported profits during Q3-19 as against losses during Q3-18. Zain KSA reported profits of USD 32.2 Mn for Q3-19 versus a profit of USD 12.8 Mn in Q3-18 backed by an 12.3% y-o-y rise in revenues as well as a decrease in cost as CITC royalty fees decreased from 15% to 10%.

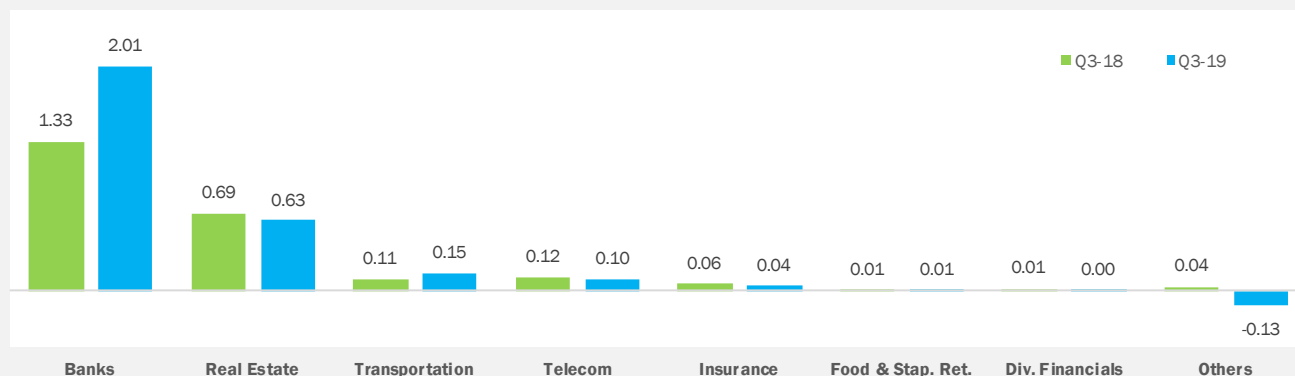
After the SABIC, Saudi Electricity Co. in the Utilities sector witnessed the steepest decline in profits on the exchange. Net profits for the company declined by 45.6% to reach USD 714.3 Mn in Q3-19 against USD 1.3 Bn in Q3-18.

Dubai

Net profits for Dubai-listed companies jumped 20% to USD 2.8 Bn in Q3-19 up from USD 2.3 Bn in Q3-18 recording the largest earnings increase among the GCC markets. In terms of sectors, the Banking Sector has been the primary contributor to the overall profits of the exchange representing over 71% of the total earnings. Comparatively, the Consumer Services Sector suffered the largest loss in Q3-19 earnings at USD 71.2 Mn.

The Banking sector's Q3-19 net profits rose 51%, the largest percentage increase among the GCC Banking Sector, to reach USD 2 Bn from USD 1.3 Bn during Q3-18, whereas sequential growth remained flat for the sector. Emirates NBD, Dubai's largest lender, led the Banking Sector in both in absolute profits and percentage increase of profits with 90% surge in Q3-19 profits that reached USD 1.4 Bn compared with USD 0.72 Bn in Q3-18. The main reason for the surge in the banks' earnings was higher-than-expected gains on the partial sale of the banks stake in Network International which was recently listed on the FTSE 250 Index. Similarly, Emirates Islamic Bank and Commercial Bank of Dubai improved their Q3-19 net profits by 54% and 28% to reach USD 71.9 Mn and USD 98.6 Mn, respectively.

Dubai Corporate Earnings : Q3-19 vs. Q3-18 (USD Bn)



Source : Company Financials, Reuters, Bloomberg, KAMCO Research

In the Real Estate Sector, the second largest sector of the exchange by market cap, Q3-19 net profits went down 8.5% to USD 628.6 Mn from USD 687 Mn in Q3-18. Of the six companies in the sector only Union Properties recorded a loss of USD 22.2 Mn in Q3-19 due to lower revenues and a loss incurred during revaluation of the company's assets. On the other hand, profits for Emaar Malls Group increased 12% to USD 163.8 Mn in Q3-19 while net profits for Emaar Development rose 1% to USD 187.3 Mn in the same period. Emaar Properties, the biggest real estate company in the GCC, reported a y-o-y profit decline of 6.1% in Q3-19.

After the Banking Sector, the Transportation Sector was Dubai Stock Exchange's largest contributor in absolute profits in Q3-19. The sector's Q3-19 total profits rose 42.7% to USD 154.3 Mn led by 64% surge in Q3-19 earnings for Air Arabia that reached USD 128.3 Mn from USD 78.2 Mn in Q3-18. The airline's strong financial results were the result of solid growth in passenger demand combined with operational efficiency.

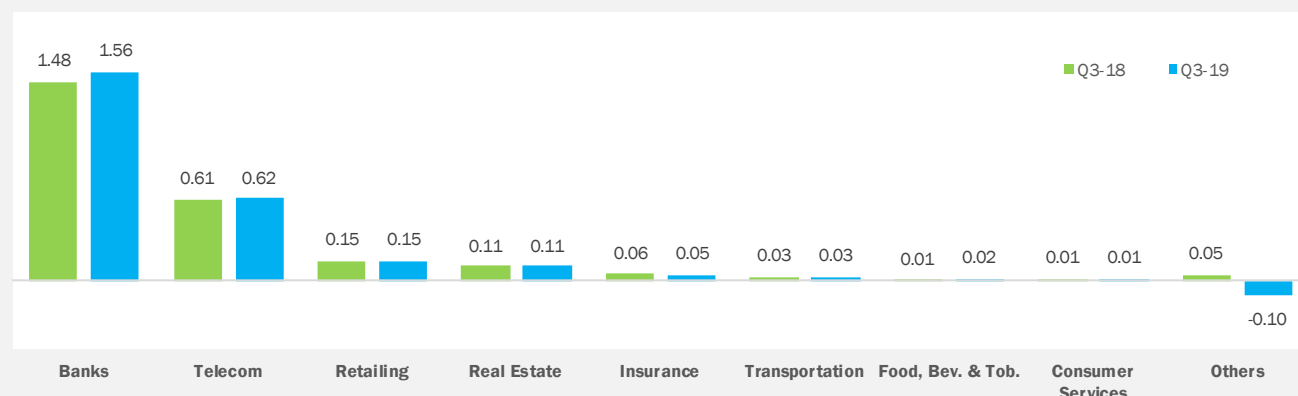
Abu Dhabi

Abu Dhabi-listed companies saw an overall decline of 2.7% in their Q3-19 net profits recorded at USD 2.4 Bn compared with USD 2.5 Bn in Q3-18. Two out of the five top largest sectors of the exchange by market-cap registered a decline in Q3-19 net profits. The Banking Sector recorded a 5.2% rise in Q3-19 profits to reach USD 1.6 Bn from USD 1.5 Bn in Q3-18 but was unable to offset overall profits decline in the exchange led by Diversified Financials Sector and the Pharmaceutical & Biotechnology Sector which recorded a loss of USD 54.4 Mn and USD 54.8 Mn, respectively.

In the Banking Sector, First Abu Dhabi Bank saw its Q3-19 net profits rise 3% to USD 847.1 Mn from USD 822.5 Mn in Q3-18. This was due to an increase of net interest income. Moreover, many banks in the sector such as Sharjah Islamic Bank, National Bank of Umm Al Qaiwain and National Bank of Ras Al Khaimah posted robust Q3-19 net profits in the exchange. National Bank of Ras Al Khaimah recorded a 19% increase in Q3-19 profits to USD 77.5 Mn from USD 65.1 Mn in Q3-18.

After the Banking and Telecommunication Sectors, the Retailing Sector was Abu Dhabi Stock Exchange's third largest contributor in terms of profits. ADNOC Distribution, the sectors only company and UAE's largest fuel and convenience retailer, saw its profits slip 1.6% to USD

Abu Dhabi Corporate Earnings : Q3-19 vs. Q3-18 (USD Bn)



Source : Company Financials, Reuters, Bloomberg, KAMCO Research

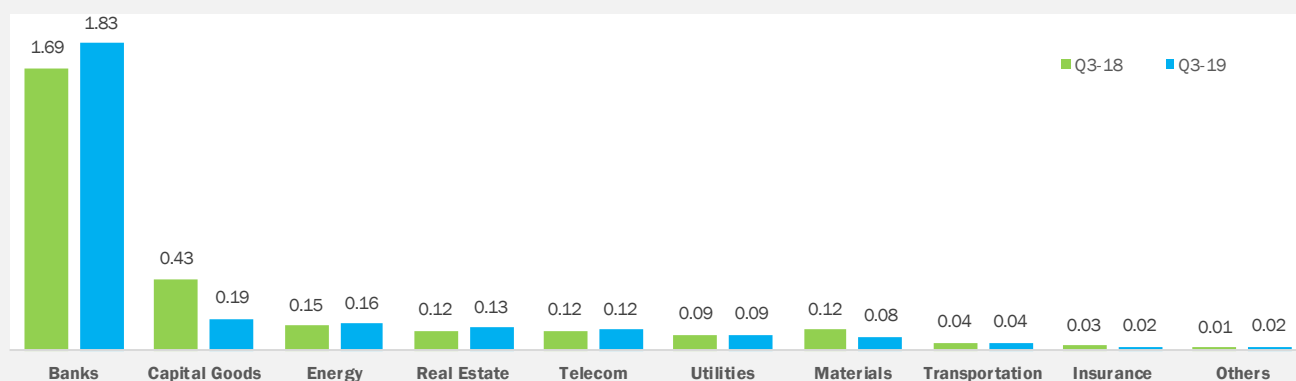
149.3 Mn in Q3-19 down from USD 151.8 Mn in Q3-18. The net profit slipped due the lack of non-operational inventory gains achieved in Q3-18.

On the other hand, the Pharmaceutical and Biotechnology Sector was the largest loss-making sector in the exchange. Gulph Pharmaceutical Industries Co, as the only company in the sector, recorded a Q3-19 loss of USD 54.8 Mn exceeding its Q3-18 loss of USD 20.8 Mn. Combined with unfavorable market conditions, temporary suspension of its exports to key markets such as Saudi Arabia, Kuwait and Oman contributed to the company loss for the quarter.

Qatar

Total Earnings for Qatari-listed companies declined by 3.4% during Q3-19 to reach USD 2.7 Bn primarily led by a fall in profits for the Capital Goods, Diversified Financials and Materials sectors. Banks continued to outperform other sectors with an 8.6% rise in the net profit that reached USD 1.83 Bn in Q3-19, accounting for 68% of the overall exchange profits during quarter. QNB reported a 3.0% y-o-y increase in Q3-19 that reached USD 1.05 Bn primarily due to 8% increase in loans and advances. Quarterly net profit for Commercial Bank of Qatar reported a net profit of USD 156.5 Mn in Q3-19 up by 40.9% compared to USD 111.1 Mn in Q3-18 on the back of higher operating income which grew 7.1% after loans and advances increased by 5.1%. Qatar Islamic Bank also saw strong growth in its net profit at 16.2% y-o-y to reach USD 217 Mn in Q3-19 compared to USD 186.8 Mn in Q3-18 supported by income from financing and investing activities which registered a strong growth of 12.9%.

Qatar Corporate Earnings : Q3-19 vs. Q3-18 (USD Mn)



Source : Company Financials, Reuters, Bloomberg, KAMCO Research

The Qatari Real Estate sector witnessed a profit growth of 16.3% y-o-y in Q3-19 to USD 135 Mn compared to USD 116 Mn in the Q3-18, contributing 5.0% of the overall net profitability in Q3-19. Ezdan Holding's net profit more than doubled to USD 24.3 Mn in Q3-19 whereas Mazaya Qatar Real Estate reported a profit of USD 1.3 Mn as compared to a loss of USD 6.6 Mn in Q3-18. The two listed telcos on the exchange recorded a profit growth of 5.7% y-o-y to reach a total profit of USD 124.8 Mn in Q3-19.

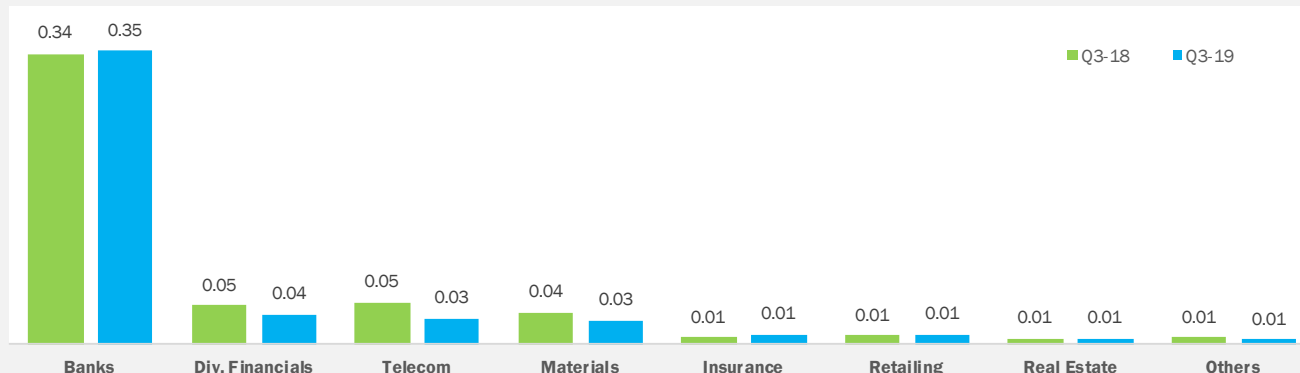
In the Energy sector, Qatar Fuel Company (WOQOD) recorded a net profit of USD 88.9 Mn up by 0.4% y-o-y compared to USD 88.5 Mn. The marginal increase in net profit levels is attributable to the increase in retail sales supported by the opening and operating of additional petrol stations and reduction of General and Administrative expenses. Nakilat recorded a net profit of growth of 17.7% in Q3-19 to reach USD 69.23 Mn mainly led by the higher revenues generated from the acquisition of two additional LNG carriers and one Floating Storage Regasification Unit (FSRU) in 2018, as well as higher LPG shipping rates worldwide. The company has managed to reduce operational expenses, leading to a significant increase in the share price of the company during this period

Meanwhile, Industries Qatar recorded the largest Q3-19 decline in profits on the Qatar stock exchange. The company posted Q3-19 net profits of USD 158.5 Mn compared with a profit of USD 361.6 Mn in Q3-18 down by 56.2%. The decline in profitability was attributed to lower sales volumes that led to a decline in the revenue by 26%. The company said that market prices for petrochemical products declined, while fertilizer prices remained stable.

Bahrain

Total net profits for Bahraini companies declined 6.5% in Q3-19 to USD 477.6 Mn from USD 510.7 Mn in Q3-18. Among the largest three sectors by market cap only the Banking sector saw its Q3-19 net profits increase marginally by 1.1% to USD 348 Mn from USD 344 Mn in

Bahrain Corporate Earnings : Q3-19 vs. Q3-18 (USD Bn)



Source : Company Financials, Reuters, Bloomberg, KAMCO Research

Q3-18. Comparatively, the Telecommunications Sector, the Second largest sector in the Bourse by market cap, recorded a 38.1% y-o-y decline in Q3-19 net profits while the Diversified Financial Sector recorded a 24% fall in profits during the similar period.

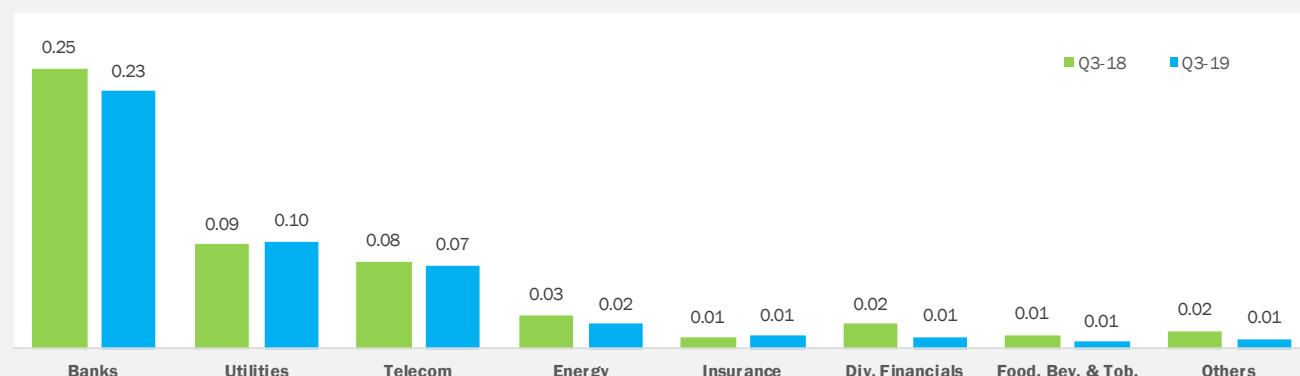
In the Banking Sector, Ahli United Bank lead the banks in terms of absolute profits in Q3-19 registering a 5.8% rise in profits to USD 180.9 Mn compared with USD 170.9 Mn in Q3-18. Ahli United Bank's improved performance was attributed to diversified business model and robust risk management. Comparatively, Al Khaleeji Commercial Bank was the only loss-making bank in Q3-19 recording USD 14.4 Mn loss in the period compared with USD 0.9 Mn in Q3-18. The banks losses were attributed to lower revenues which have fallen by 15.5%.

The Diversified Financial Sector followed the Banking Sector as the second largest sector in the Bourse in terms of earnings in Q3-19. Total earnings of the Diversified Financial Sector fell 24% to USD 35.2 Mn during Q3-19 compared with USD 46.3 Mn profit in Q3-18. All the four companies in the sector posted a fall in their profits during the quarter. GFH Financial Group registered the largest fall in absolute profits among the companies in the Diversified Financials Sector declaring 18% decline in Q3-19 profits to USD 24.4 Mn. The company's profits were dragged by increases in expenses.

Oman

Omani companies witnessed the biggest y-o-y decline in quarterly net profits during Q3-19 among the GCC markets after Saudi Arabia's Tadawul with a fall of 10% to reach USD 459.6 Mn compared with USD 510.7 Mn in Q3-18. The Banking Sector, the biggest sector in the exchange by market cap, saw its Q3-19 net profits decline 8.1% to USD 230.5 Mn down from USD 250.9 Mn in Q3-18 while the second biggest sector by market cap, the Telecom Sector, saw its Q3-19 profits decline by 3.9% to USD 74.6 Mn. The third biggest sector by market cap, the Utilities sector, saw its profits grow by 3.3% during Q3-19 to reach USD 96.2 Bn. Only three out of the fourteen sectors of the exchange saw increases in their total Q3-19 profits.

Oman Corporate Earnings : Q3-19 vs. Q3-18 (USD Bn)



Source : Company Financials, Reuters, Bloomberg, KAMCO Research

In the Banking Sector, Bank Muscat posted the largest Q3-19 net profits among the banks that reached USD 124.2 Mn after increasing by 6.1% as compared to Q3-18 profits of USD 117.1 Mn. The banks strong performance was attributed to rise in net interest income from conventional banking. Comparatively, Alizz Islamic Bank was the only bank that recorded a loss during Q3-19 amounting to USD 5 Mn as compared to a profit of USD 0.93 Mn in Q3-18. Bank Dhofar's Q3-19 net profits fell 46.2% to USD 16.1 Mn down from USD 30 Mn during

Q3-18 registering the largest fall in absolute profits in the sector.

The Utilities Sector followed the Banking Sector as the second largest Q3-19 earnings contributor in the Exchange. In terms of increases of absolute net profits, Sembcorp Salalah lead the way followed by Phoenix Power Co. Sembcorp Salalah witnessed 65.2% rise in Q3-19 earnings that reached USD 9 Mn up from USD 5.4 Mn in Q3-18, while Phoenix Power reported a 2.5% increase in Q3-19 profits that reached USD 32.9 Mn up from USD 32.1 Mn in Q3-18.

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