

GCC Corporate Earnings Report : 2019

April - 2020

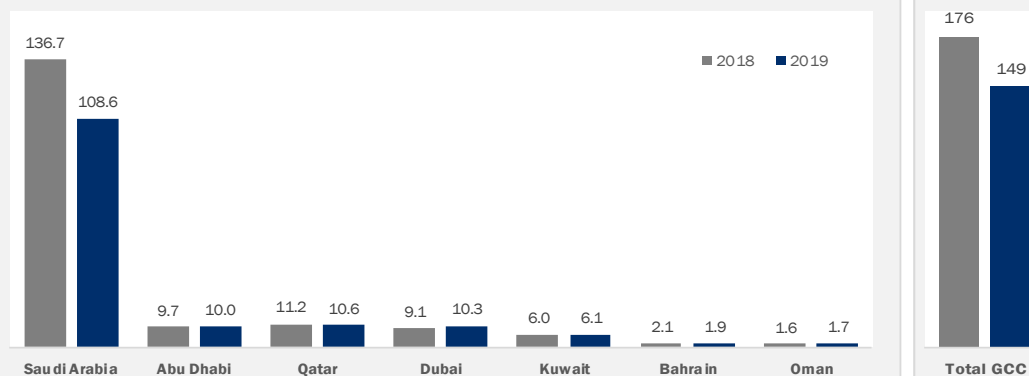
GCC net profits decline by 15.4% in 2019 led by Energy and Material stocks...

Total earnings for GCC-listed companies declined by 15.4% in 2019 to reach USD 149.3 Bn from USD 176.3 Bn in 2018. Aggregate earnings for Dubai-listed companies saw the biggest y-o-y increase at 13.5% to reach USD 10.3 Bn. On the other hand, Saudi Arabia, which made up 72.8% of the GCC's total 2019 net profits, reported the biggest decline in earnings by 20.5% during 2019 that reached USD 108.6 Bn led by an equivalent decline in profits for Aramco during 2019. Excluding Aramco's results, 2019 earnings for Saudi Arabia declined by 20.7%, whereas that for the overall GCC it declined by 6.6%. Bahraini and Qatari companies also reported fall in net profits during 2019 by 7.1% and 5.5%, respectively.

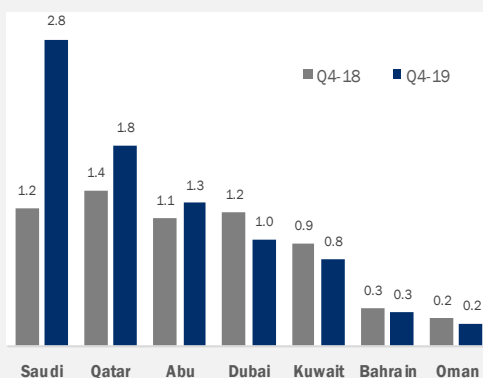
Large-cap sectors including Energy, Materials and Real Estate reported steep decline in earnings during 2019. Profits for the Energy sector dropped by 20.3% to USD 89.2 Bn in 2019. Energy stocks in Saudi Arabia posted a profit decline of USD 23.0 Bn that more than offset marginal gains in the sector in Abu Dhabi, Oman and Qatar. The Materials sector reported an even bigger decline of 68.6% or USD 6.9 Bn to reach USD 3.2 Bn in profits in 2019. Companies in the Materials sector in Saudi Arabia once again reported the biggest profit decline of USD 6.7 Bn or 73.1%. For the Real Estate sector, the decline was 20.0% during the year with profits reaching USD 4.5 Bn. This was also a broad-based decline like the Materials sector with Real Estate sector in almost all the GCC countries reporting aggregate decline in profits in 2019. These declines were partially offset by the resilience of the banking sector that reported a 10.0% increase in profits that reached USD 37.2 Bn in 2019 vs. USD 33.8 Bn during 2018.

Net profits for Q4-19 witnessed a y-o-y decline of 18.6% and total profit was the lowest in the past eight quarters at USD 31.0 Bn that came primarily on the back of a fall in earnings for key sectors. Companies in Saudi Arabia, Qatar and Kuwait reported decline in earnings during the quarter that was partially offset by higher profits in the rest of the GCC countries.

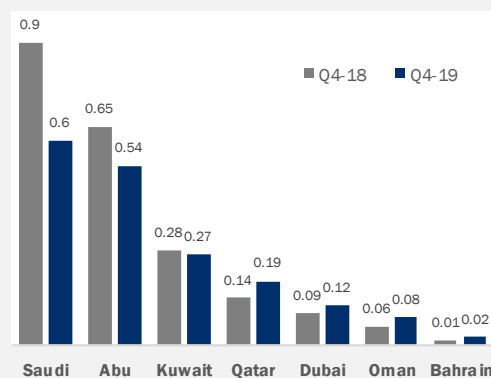
GCC Corporate Earnings : 2019 vs. 2018 (USD Bn)



GCC Banks: Q4-19 vs. Q4-18 (USD Bn)



GCC Telcos: Q4-19 vs. Q4-18 (USD Bn)



Source : Company Financials, Reuters, Bloomberg, KAMCO Research

Junaid Ansari

Vice President

+(965) 2233 6912

jansari@kamcoinvest.com

Mohamed Ali Omar

Analyst

+(965) 2233 6906

momar@kamcoinvest.com

Vineetha K. Yeluri

Analyst

+(965) 2233 6913

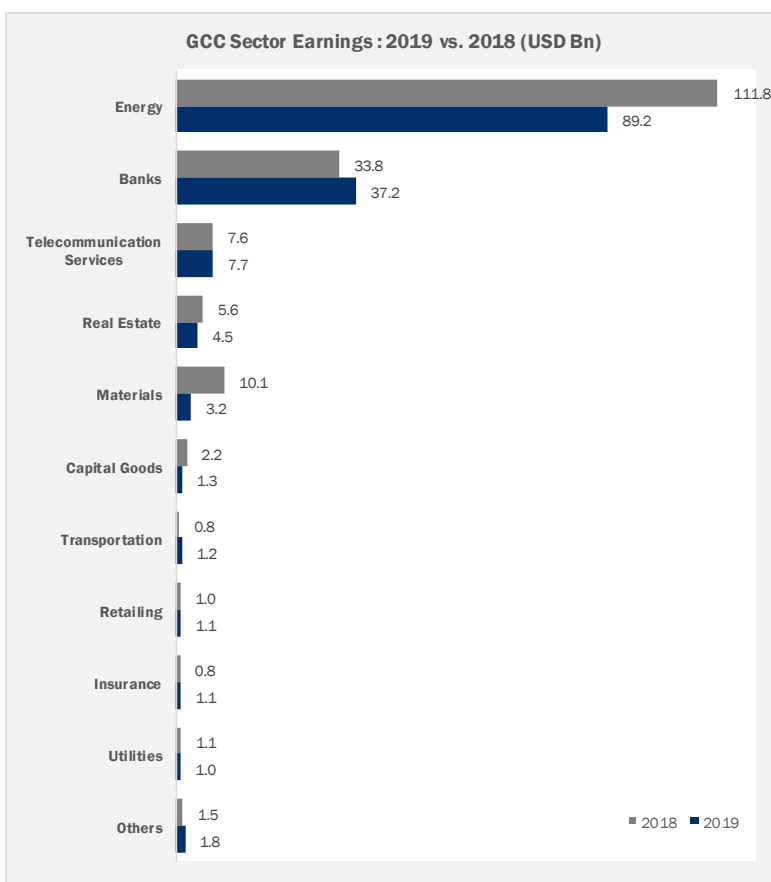
vyeluri@kamcoinvest.com

The Energy sector in the GCC and particularly in Saudi Arabia saw the listing of Aramco in December-2019 which increased the market cap and the earnings for the listed companies in the sector multifold. That said, the sector has seen consistent decline in profitability due to the fall in oil price that has particularly affected oil exploration and marketing companies in the region, whereas most of the oil transport and refining companies reported higher profits during the year. Total profit for the sector declined by 20.3% in 2019 that came primarily on the back of an equivalent decline in profits of Aramco. Excluding Aramco's full year results from the group showed a profit growth for the sector of around 13.1%.

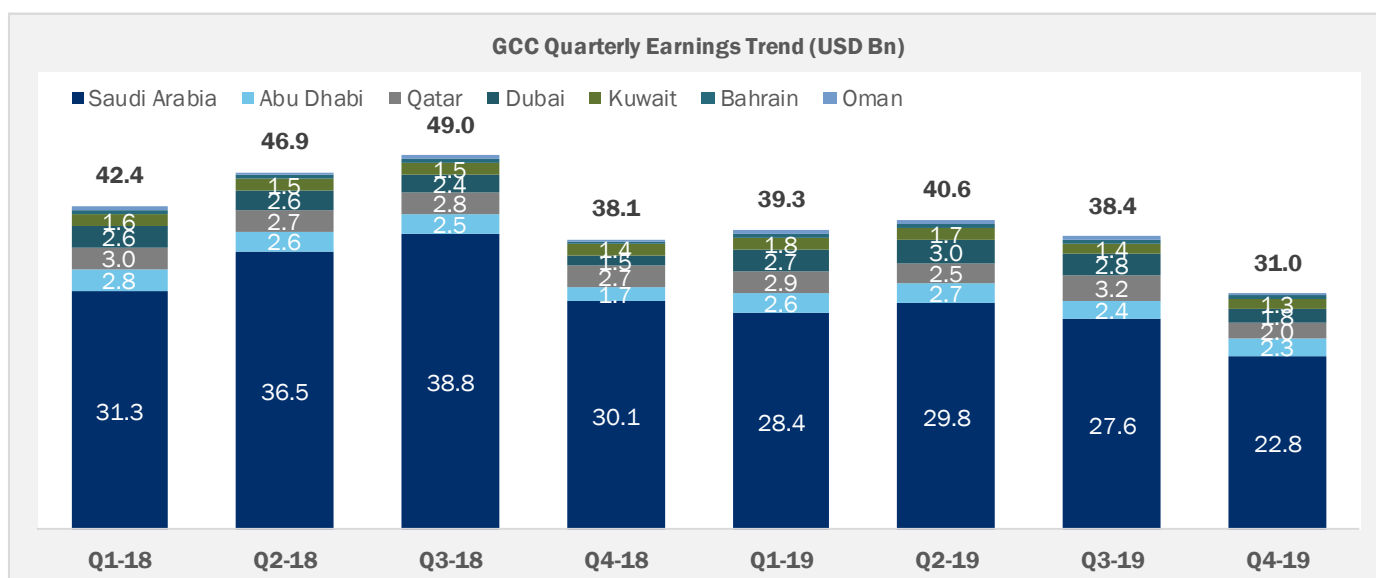
The y-o-y profit growth for the Telecom sector was marginal at 1.3% in 2019 reaching USD 7.7 Bn. Qatari telcos reported the biggest increase in earnings at 11% after both Ooredoo and Vodafone Qatar reported double-digit growth in net profits during the year. Kuwaiti telcos were next with a profit growth of 5.5% followed by telcos in Oman and Bahrain with profit growth of 4.7% and 4.3%, respectively. This growth in sector profits was partially offset by a decline in profits for UAE-listed telcos.

The GCC Real Estate Sector, the fifth largest sector by market-cap, witnessed a 20.0% decline in yearly profits that reached USD 4.5 Bn in 2019. The decline came after a broad-based decline in profits across the key real estate markets in the GCC. The decline in profits for Dubai-listed real estate companies was the biggest in absolute terms at USD 724 Mn or 20% followed by Saudi Arabia with a decline of USD 200 Mn or 87.1%. Qatar and Kuwaiti real estate aggregates also showed a decline during the year.

GCC Materials sector witnessed a 68.6% yearly decline in profits in 2019 that reached USD 3.2 Bn vs. USD 10.1 Bn in 2018. Out of the 78 companies in the sector in the GCC, 50 companies recorded a decline in profits during 2019. The biggest profit decliners in the sector included SABIC, Tasnee and Maaden with the combined profits declining by USD 5.8 Bn. On the other hand, cement companies showed significant improvement in profits during the year.



Source : Company Financials, Reuters, Bloomberg, KAMCO Research



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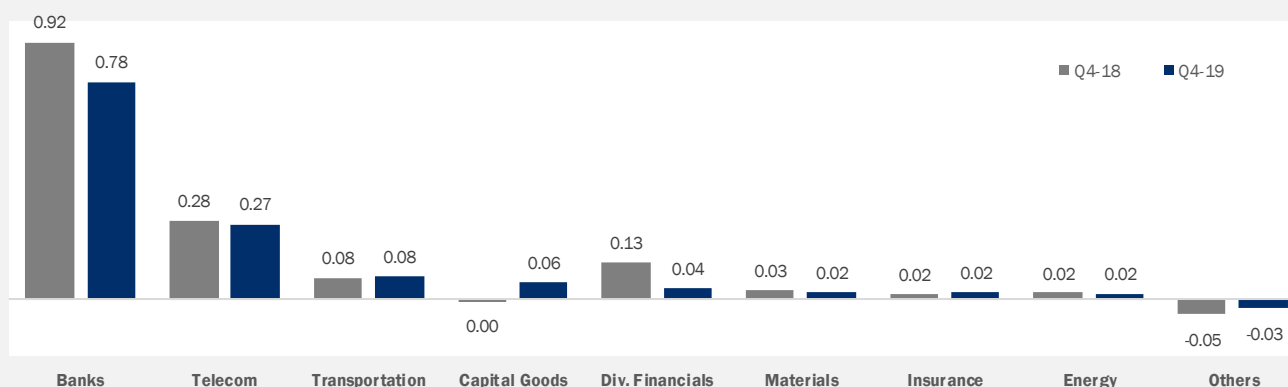
The GCC banking sector once again outperformed other large-cap sectors in the region by reporting a 10% increase in net profits during 2019. This helped partially offset the overall decline in profits in the GCC. Dubai-listed banks reported the biggest profit growth during the year at 25.3% but a large part of it came from the inorganic route following the acquisition of DenizBank by ENBD. On the other hand, Saudi Arabia's profit growth of 13.3% during the year were largely organic. Net interest margins (NIM) remained largely flat across the GCC countries during 2019 resulting in flat NIM at the GCC level at 3.1%. Saudi Arabia recorded the highest NIMs in the GCC at 3.7% led by a relatively higher loan-to-deposit ratio as well as a vibrant lending activity due to the active project market in the Kingdom. Meanwhile, non-interest income declined in four out of the six GCC markets. Saudi Arabia and UAE reported double digit q-o-q declines of 12.9% and 11.9%, respectively, in Q4-19, whereas Bahrain and Omani banks reported growth of 27.2% and 10.4%, respectively.

Kuwait

Boursa Kuwait-listed companies reported a net profit decline of 11.9% during Q4-19 that reached USD 1.26 Bn compared to USD 1.43 Bn during Q4-18. The major sectors i.e. Banks, Real Estate, Telecommunication and Diversified Financials contributed to the decline of profitability of the exchange. Transportation was the only sector that reported marginal improvement in profits of 3.9% y-o-y during Q4-19, while the smaller insurance sector posted a much stronger profit growth of 24% y-o-y.

Net profits for the Kuwaiti Banking sector declined by 15.7% y-o-y during Q4-19 as losses reported by CBK and a decline in profits for KIB, ABK and Warba Bank more than offset growth in profits for the rest of the banks in the country. Notably, NBK reported a Q4-19 net profit of USD 327.03 Mn, a marginal growth of 0.8% primarily due to higher non-interest income and lower provisions charges for credit losses and impairment losses. Similarly, GBK reported a net profit of USD 87.5 Mn for Q4-19 compared to a profit of USD 46.4 Mn in Q4-18 driven by higher net interest and non-interest income which were partially offset by the increasing operating expenses. The net profit of Burgan Bank surged by 48.3% for Q4-19 to reach USD 56.8 Mn compared to USD 38.3 Mn for Q4-18, due to lower operating expenses and provision charges for credit losses. Islamic lender, KFH, recorded a net profit of USD 199.7 Mn in Q4-19 against USD 192.4 Mn for Q4-18 up by 3.8%. CBK posted a loss of USD 54.6 Mn, against a profit of KWD 160.1 Mn in the same period a year earlier, due to increase impairment and other provisions, which were partially offset by higher net interest and non-interest income.

Kuwait Corporate Earnings : Q4-19 vs. Q4-18 (USD Bn)



Source : Company Financials, Reuters, Bloomberg, KAMCO Research

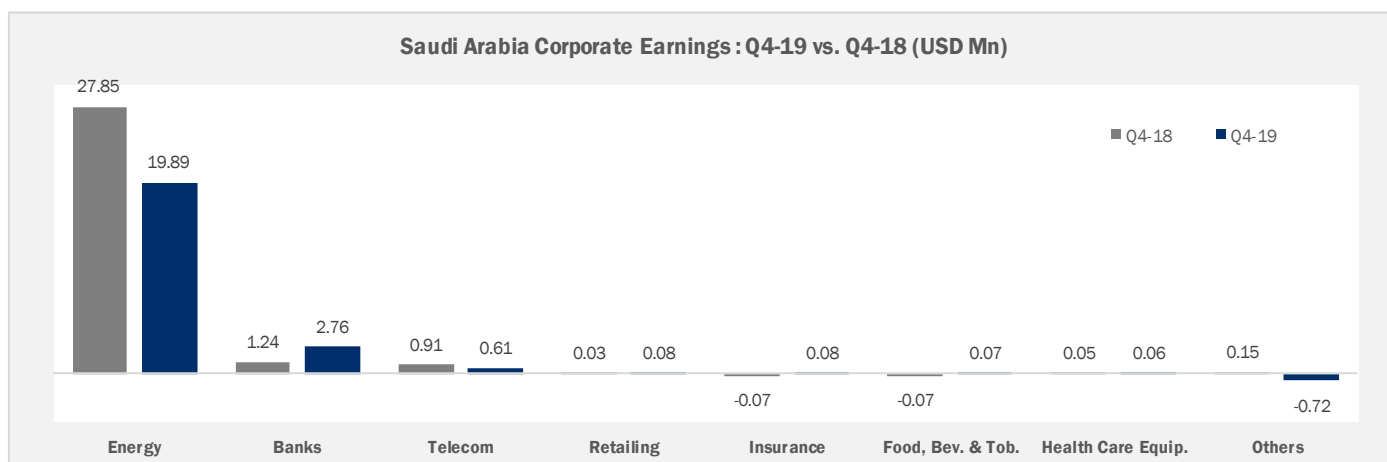
Profits for the Telecom sector declined by 4.5% to reach USD 270.3 Mn for Q4-19 compared to USD 283 Mn for Q4-18. Zain recorded a net profit of USD 211 Mn in Q4-19 compared to USD 196.06 Mn in Q4-18 supported by increase of 26% in revenues. On the other hand, OOREDOO, Viva and AAN Digital reported a decline in profits during Q4-19.

The Insurance sector recorded a profit growth of 24% that reached USD 22.2 Mn in Q4-19 compared to USD 17.9 Mn in Q4-18. Gulf Insurance Group reported the biggest increase in profits in the sector for Q4-19 of USD 8.7 Mn compared to USD 4.3 Mn for Q4-18 mainly due to the increase in net operating income and Gross Premium written. Moreover, Ahleiah Insurance Co. posted a net profit of USD 7.9 Mn for Q4-19 against USD 5.8 Mn up by 36% supported by the increase in operating revenues.

Among the top three real estate names in Kuwait, Salhia Real Estate Co. posted the biggest increase in absolute profits in the sector that reached USD 33.03 Mn for Q4-19 compared to a profit of USD 10.43 Mn in Q4-18. Meanwhile, Mabanee reported 6% increase in the profit for Q4-19 that reached USD 46.5 Mn and Arab Real Estate posted USD 9.5 Mn for Q4-19.

Saudi Arabia

Aggregate net profits for Saudi Arabian listed companies witnessed a steep decline of 24.1% to USD 22.8 Bn in Q4-19 against USD 30.1 Bn in Q4-18. Out of the top three sectors of the exchange namely Energy, Banks, and Telecommunication Services, only the Banking Sector reported an increase in profitability during the quarter. The decline in Q4-19 earnings was mainly driven by a plunge in profits for the Energy Sector that declined by 28.6% to USD 20 Bn as compared to USD 28 Bn during Q4-18. Profits for the other key sectors like Utilities, Insurance and Diversified Financials also declined during the quarter. On the other hand, the Retailing, Consumer Services, and Health Care Equipment & Services reported a growth in profits during the quarter that partially offset the overall decline. Oil giant Aramco reported a net profit decline of 28.2% during Q4-19 led by declining oil prices and production volumes, coupled with declining refining and chemical margins and a USD 1.6 Bn impairment charge associated with Sadara ChemicalCo. Excluding the profits of Aramco from the aggregate profits of Saudi Arabia showed a significant y-o-y increase in profits of around 26.6% for the rest of the listed companies primarily led by growth in profits for the Banking and Retailing sectors.



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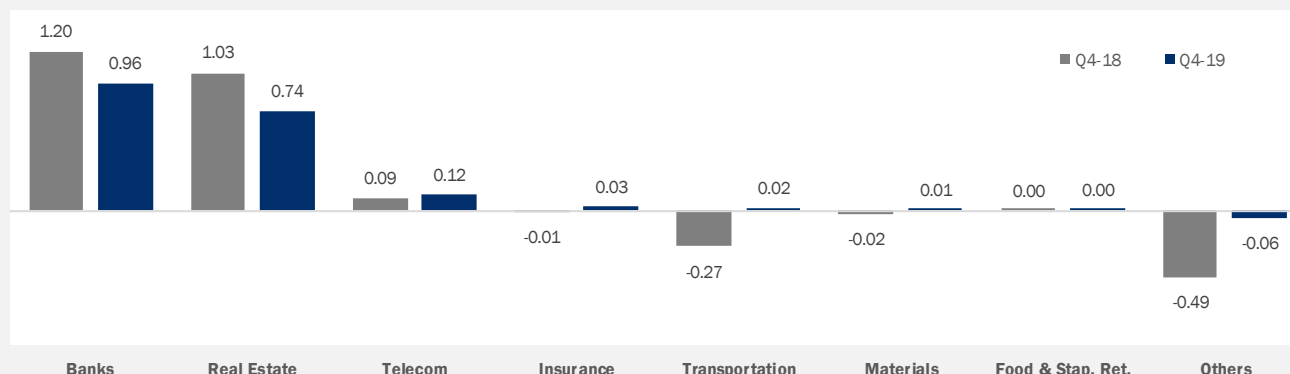
Profits for the banking sector more than doubled y-o-y during Q4-19 to reach USD 2.8 Bn. Al Rajhi Bank recorded a profit of USD 573.8 Mn for Q4-19 against a loss of USD 940.7 Mn for Q4-18 driven by higher gross operating income, and increased commission income. Riyadh Bank reported a 186.4% increase in the net profit that reached USD 296.2 Mn in Q4-19 compared to USD 103.4 Mn in Q4-18 on the back of high fee and commission income. Meanwhile, NCB reported a 28% y-o-y increase in net profit to USD 903.7 Mn in Q4-19 as compared to USD 705.8 Mn in Q4-18.

Net profit for the Telecom sector declined by 32.5% y-o-y to USD 612.04 Mn in Q4-19 as compared to USD 906.8 Mn during Q4-18. STC reported a 25.3% y-o-y decline in net profits that reached USD 619 Mn. On the other hand, Mobily reported losses during Q4-19 as against profits during Q4-18. Zain KSA profits tumbled 74% to reach USD 28.8 Mn for Q4-19 versus a profit of USD 106.4 Mn in Q4-18.

Dubai

Net profits for Dubai-listed companies jumped 19% to USD 1.8 Bn in Q4-19 up from USD 1.5 Bn in Q4-18. The increase came primarily on the back of higher y-o-y profits for the Telecom sector (+25.8%) further supported by lower reported losses for the Consumer Services sector (loss of USD 38.1 Mn in Q4-19 vs. loss of USD 488.5 Mn in Q4-18) as well profits of USD 19.7 Mn for the Transportation sector during Q4-19 as compared to losses of USD 268.4 Mn during Q4-18.

The Banking sector's Q4-19 net profits fell 20%, the second largest percentage fall among the GCC Banking Sectors, to reach USD 956.3 Mn down from USD 1.2 Bn during Q4-18. The decline in profits for the sector was broad based as all the listed banks in Dubai, barring Commercial Bank of Dubai, reported y-o-y decline in net profits during the quarter. Profits for ENBD declined by 15.3% y-o-y to reach USD 550.1 Mn, whereas Dubai Islamic Bank reported a 19.5% drop in net profits that reached USD 279.8 Mn.

Dubai Corporate Earnings : Q4-19 vs. Q4-18 (USD Bn)


Source : Company Financials, Reuters, Bloomberg, KAMCO Research

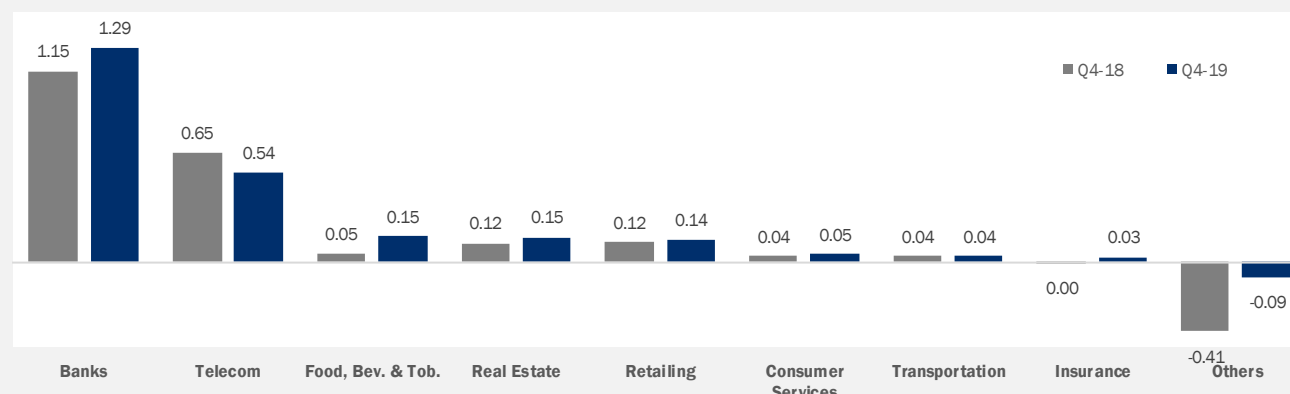
Real Estate Sector net profits declined by 28.1% y-o-y in Q4-19 to USD 743.6 Mn from USD 1.03 Bn in Q4-18. Two of the six companies in the sector, namely Damac Properties and Union Properties, recorded Q4-19 losses of USD 46.1 Mn and USD 16.4 Mn, respectively. Damac Properties losses were ascribed to decline in revenues while Union properties loss incurred was due to lower revenues and a loss incurred during revaluation of the company's assets. On the other hand, profits for Emaar Malls Group decreased 6.2% to USD 150.9 Mn in Q4-19, while profits for Emaar Development fell 55.1 % to USD 171.6 Mn in the same period. Emaar Properties reported a y-o-y profit decline of 1.9% in Q4-19 that reached USD 478.7 Mn.

Abu Dhabi

Abu Dhabi-listed companies saw an overall increase of 31.4% in their Q4-19 net profits recorded at USD 2.3 Bn compared with USD 1.7 Bn in Q4-18, the biggest increase in profits in the GCC. Only one out of the five top largest sectors of the exchange by market-cap registered a decline in Q4-19 net profits. The Banking Sector registered a 12.1% rise in Q4-19 profits to reach USD 1.3 Bn from USD 1.1 Bn in Q4-18. The Food, Beverage & Tobacco sector followed the Banking Sector as the second largest absolute earnings contributor in the exchange with 188.3% increase in profits in the quarter to reach USD 154.3 Mn.

In the Banking Sector, FAB saw its Q4-19 net profits rise 5.1% to USD 838.9 Mn from USD 798.5 Mn in Q4-18. The profits increase was due to an increase in non-interest income. On the other hand, ADCB reported a 20.5% y-o-y decline in net profits during Q4-19 led by lower operating income. Of the eleven banks listed on the exchange, only two declared losses in Q4-19. United Arab Bank registered a loss of USD 111 Mn in Q4-19 due its recognition of over USD 46 Mn provisions including legacy issues. Moreover, Invest Bank posted a Q4-19 loss of USD 95.5 Mn compared with a loss of USD 351.3 Mn in Q4-18. Invest Bank's decrease in net losses was attributed to a fall in operating expenses and impairment provisions.

Profits for the Food, Beverage & Tobacco sector increased to USD 154.4 Mn in Q4-19 vs. USD 53.5 Mn in Q4-18 mainly due to record profits reported by International Holdings Company. IHC's Q4-19 net profits reached USD 130.5 Mn up from USD 0.1 Mn in Q4-18 attributed to sales increase in the quarter.

Abu Dhabi Corporate Earnings : Q4-19 vs. Q4-18 (USD Bn)


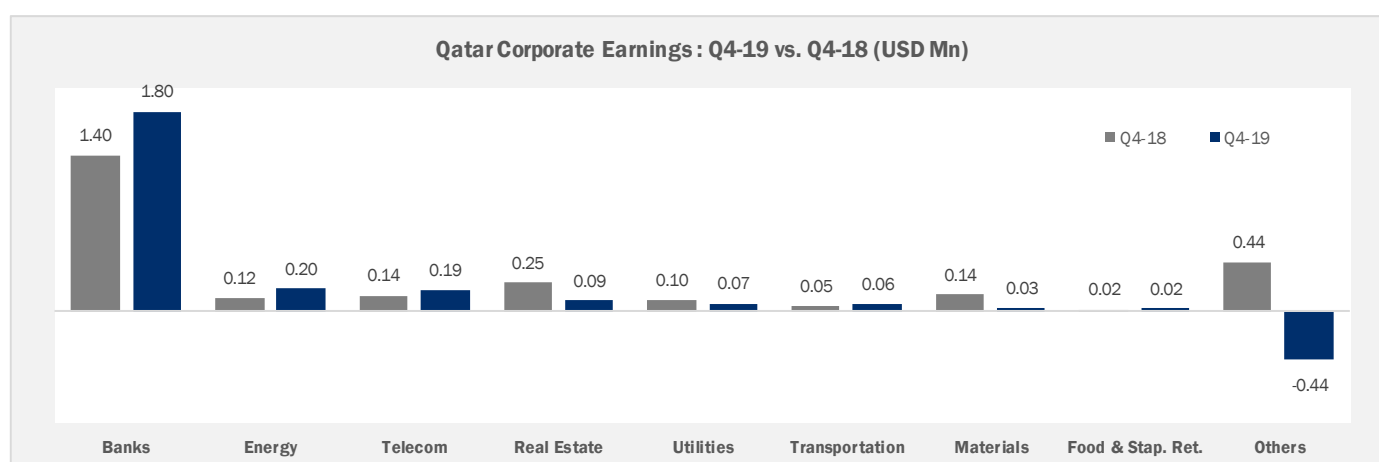
Source : Company Financials, Reuters, Bloomberg, KAMCO Research

The Real Estate sector's Q4-19 earnings rose 29.9% to reach USD 151.4 Mn largely due to the robust performance of Aldar Properties Co. which saw its Q4-19 earnings jump 81% to USD 157.1 Mn up from USD 86.8 Mn in Q4-18. Aldar's surge in profits was largely credited to higher revenue and improving environment.

Qatar

Total Earnings for Qatari-listed companies declined by 23.9% during Q4-19 to reach USD 2.03 Bn primarily led by decline in profits reported by the Real Estate and Utilities sectors in addition to losses for the Capital Goods, Insurance and Diversified Financials sectors. Banks continued to outperform other sectors with an overall 28.7% surge in Q4-19 net profits that reached USD 1.8 Bn in Q4-19 accounting for 88.6% of the overall exchange profits during the quarter. QNB reported a 19% y-o-y increase in Q4-19 that reached USD 969.2 Mn due to 10% increase in loans and advances. Quarterly net profit for Commercial Bank of Qatar increased by 83.8% to USD 209.1 Mn in Q4-19 up compared to USD 113.8 Mn in Q4-18 on the back of higher operating income which grew 34% after loans and advances increased by 4.0%. Qatar Islamic Bank also saw strong growth in its net profit at 40% y-o-y to reach USD 288.4 Mn in Q4-19 compared to USD 206.01 Mn supported by income from financing and investing which registered a strong growth of 15.5%.

The Qatari Telecom sector also witnessed strong gains in net profit that grew 36.0% y-o-y in Q4-19 to USD 192.5 Mn compared to USD 141.5 Mn in the Q4-18. Ooredoo recorded a net profit of USD 173.8 Mn in Q4-19 compared to USD 129.9 Mn in Q4-18 up by 33.8%. Q4-19 net profit for Vodafone Qatar stood at USD 18.7 Mn in Q4-19 compared to USD 11.6 Mn in Q4-18 a rise of 61.1% y-o-y.



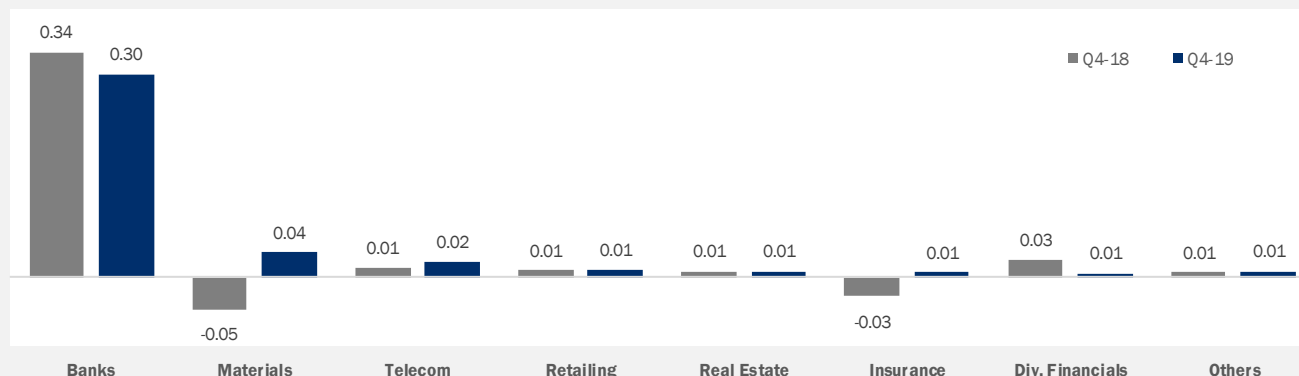
Source : Company Financials, Reuters, Bloomberg, KAMCO Research

In the Energy sector, Qatar Fuel Company (WOQOD) recorded a net profit of USD 107.3 Mn up by 16.8% y-o-y led by increase in retail sales supported by the opening of additional petrol stations further supported by a reduction in general and administrative expenses. Nakilat recorded a net profit growth of 47.6% in Q4-19 to reach USD 94.4 Mn led by the higher revenues generated from additional capacity as well as due to acquisition.

Bahrain

Total net profits for Bahraini companies increased 24.2% in Q4-19 to USD 411.5 Mn from USD 331.3 Mn in Q4-18. Among the largest three sectors by market cap only the Banking sector saw its Q4-19 net profits decrease. The Banking Sector's Q4-19 net profits fell 9.6% to USD 303.3 Mn from USD 335.6 Mn in Q4-18, whereas the Telecom sector registered 59.3% rise in profits to USD 23.5 Mn. The Materials sector also contributed to profit growth during the quarter with a profit of USD 37.4 Mn during Q4-19 as compared to a loss of USD 46.2 Mn during Q4-18.

The decline in profits for the Banking sector was largely attributed to Al Khaleeji Commercial Bank's quarterly loss of USD 25.8 Mn in Q4-19 compared with USD 2.9 Mn loss in Q4-18. On the other hand, National Bank of Bahrain increased its Q4-19 net profits by 21.3% to USD 48.3 Mn, the highest increase in absolute profits among the banks in the sector. NBB's robust performance was credited to a growth in operating income and lower provision charge.

Bahrain Corporate Earnings : Q4-19 vs. Q4-18 (USD Bn)


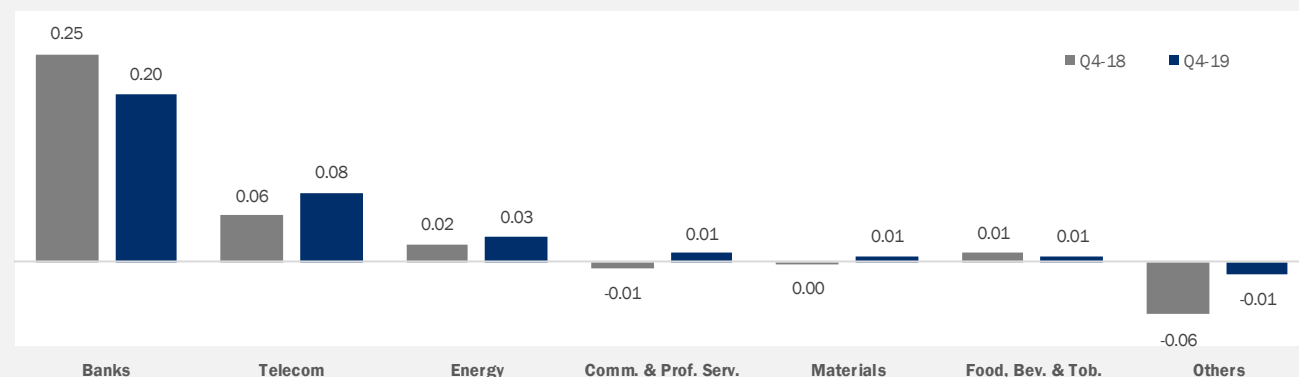
Source : Company Financials, Reuters, Bloomberg, KAMCO Research

The rise in total earnings of the Materials Sector was mainly due to Aluminum Bahrain return to profits in the quarter. Aluminum Bahrain posted Q4-19 net profits of USD 36.7 Mn compared with a loss of USD 46.7 Mn in Q4-18 led by higher sales and production over the quarter. The Telecom sector's Q4-19 net profits jumped 59.3% to USD 23.5 Mn compared with USD 14.8 Mn in Q4-18 thanks to a robust Q4-19 performance by Batelco which reported a 82% growth in net profits driven by strong revenue from fixed broadband, data communications and mobile services.

Oman

Total net profits for listed companies in Oman increased 22.6% to USD 323.3 Mn compared with USD 263.6 Mn in the corresponding quarter in 2018. The Banking Sector, the biggest sector in the exchange by market cap, saw its Q4-19 net profits decline 19.3% to USD 200.9 Mn down from USD 249 Mn in Q4-18 while the second biggest sector by market cap, the Telecom Sector, saw its Q4-19 profits jump by 50.4% to USD 83.2 Mn. The Energy sector, also saw its profits grow by 41.3% during Q4-19 to reach USD 30 Mn. Only three out of the fourteen sectors of the exchange saw increases in their total Q4-19 profits.

In the Banking Sector, Bank Muscat posted the largest Q4-19 net profits among the banks which reached USD 114.6 Mn after a slight drop of 2% as compared to Q4-18 profits of USD 116.7 Mn. Comparatively, Alizz Islamic Bank was the only bank that recorded a loss during Q4-19 amounting to USD 22 Mn as compared to a profit of USD 1.8 Mn in Q4-18. Sohar Bank witnessed 26% surge in Q4-19 profits to USD 24.3 Mn the biggest absolute profits increase among the banks during the quarter.

Oman Corporate Earnings : Q4-19 vs. Q4-18 (USD Bn)


Source : Company Financials, Reuters, Bloomberg, KAMCO Research

The Telecommunications Sector followed the Banking Sector as the second largest Q4-19 earnings contributor in the Exchange. OmanTel's strong Q4-19 performance mainly contributed to the sectors overall increase in profits. The telco increased its Q4-19 profits by 303.4% to reach USD 65 Mn compared with a net profit of only USD 16.1 Mn in Q4-18. On the other hand, Oman Qatari Telecommunications Co, reported Q4-19 earnings of USD 18.2 Mn down from USD 39.2 Mn in Q4-18.

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Kamco Investment Company - K.S.C. (Public)

Al-Shaheed Tower, Khalid Bin Al-Waleed Street- Sharq

P.O. BOX : 28873, Safat 13149, State of Kuwait

Tel: (+965) 2233 6600 Fax: (+965) 2249 2395

Email : kamcoird@kamcoinvest.com

Website : www.kamcoinvest.com