

## GCC Corporate Earnings Report : FY-2020

April-2021

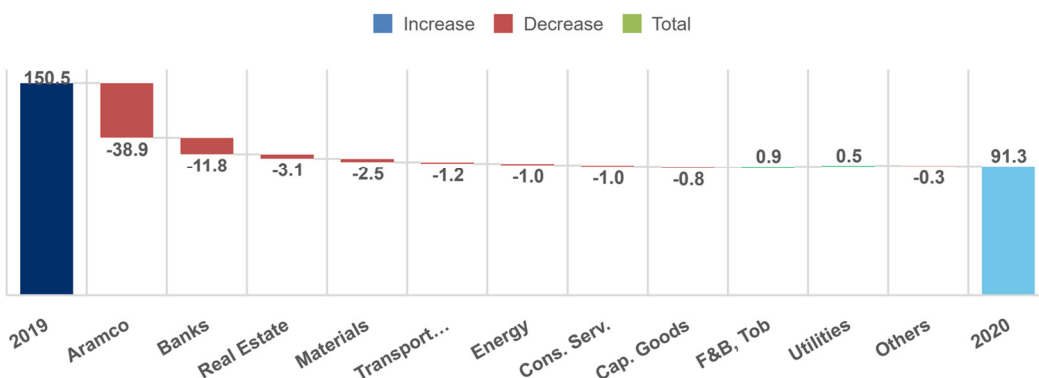
### GCC corporate profits reach 5-year low in FY-2020 on Energy, Banks and Real Estate...

The Covid-19 pandemic resulted in an unprecedented impact on the GCC economy that dented both corporate and government's coffers. **Earnings reported by GCC-listed companies declined to a 5-year low to USD 91.3 Bn in 2020 as compared to USD 150.5 Bn during 2019.** The 39.3% or USD 59.2 Bn decline came mainly on the back of decline in profits for Aramco (by USD 38.9 Bn or 44.1% y-o-y) followed by Banking, Real Estate and Materials sectors. The three sectors accounted for 85% of the decline in net profits for the year, when excluding net profits for Aramco. Excluding the oil giant's numbers, the decline in GCC net profits was relatively lower at 32.6%.

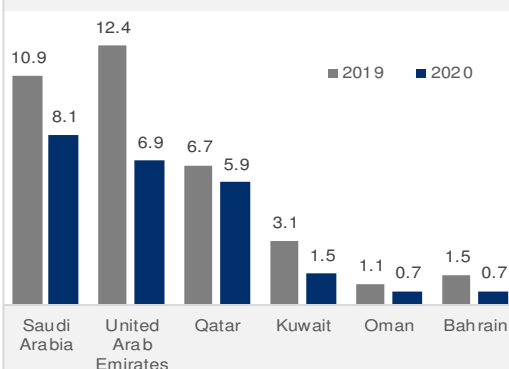
The only sectors that showed noticeable increase in net profits during the year were Utilities and Food, Beverage & Tobacco that remained resilient during the pandemic due to their defensive nature. Out of the 21 sectors on the exchange, 12 sectors witnessed y-o-y decline in profits whereas gainers only reported marginal growth. At the exchange level, Abu Dhabi reported the smallest decline in profits during the year at 7.4% followed by Oman and Qatar with declines of 18.6% and 20.5%, respectively.

In terms of quarterly performance, net profits during Q4-2020 declined by 21.6% y-o-y to USD 25.0 Bn as compared to USD 31.9 Bn during Q4-19. In terms of sequential performance, profits were down marginally by 1.3% as compared to Q3-2020. The y-o-y decline in profits during Q4-2020 came as companies on five out of seven exchanges in the region reported decline in profits whereas Abu Dhabi and Bahrain-listed companies reported 28.5% and 9.5% increase in profits, respectively. In terms of sectors, Energy sector once again reported the biggest decline of USD 6.2 Bn in net profits or 30.8% y-o-y followed by Banks and Real Estate with profits declines of 23.8% and 94.9%, respectively. On the other hand, the Utilities sector reported the biggest y-o-y growth in profits.

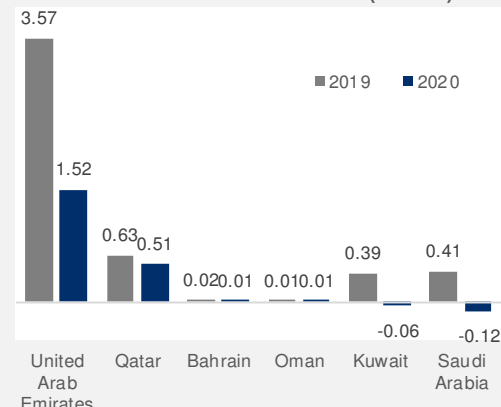
GCC Net Profit Change - 2019 vs. 2020 (USD Bn)



GCC Banks: 2019 vs. 2020 (USD Bn)



GCC Real Estate : 2019 vs. 2020 (USD Bn)



Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

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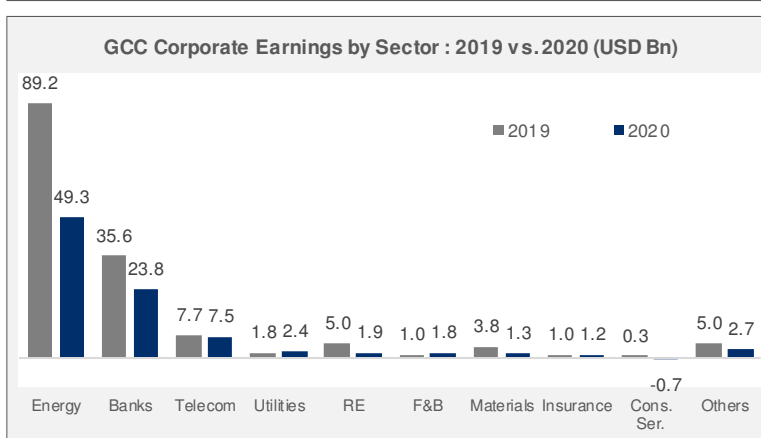
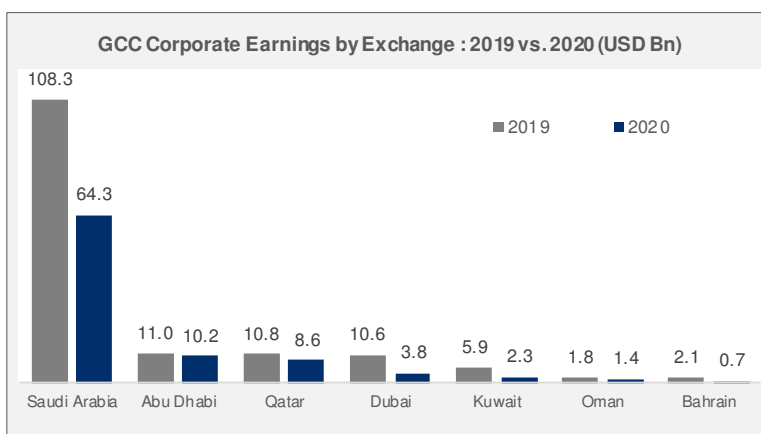
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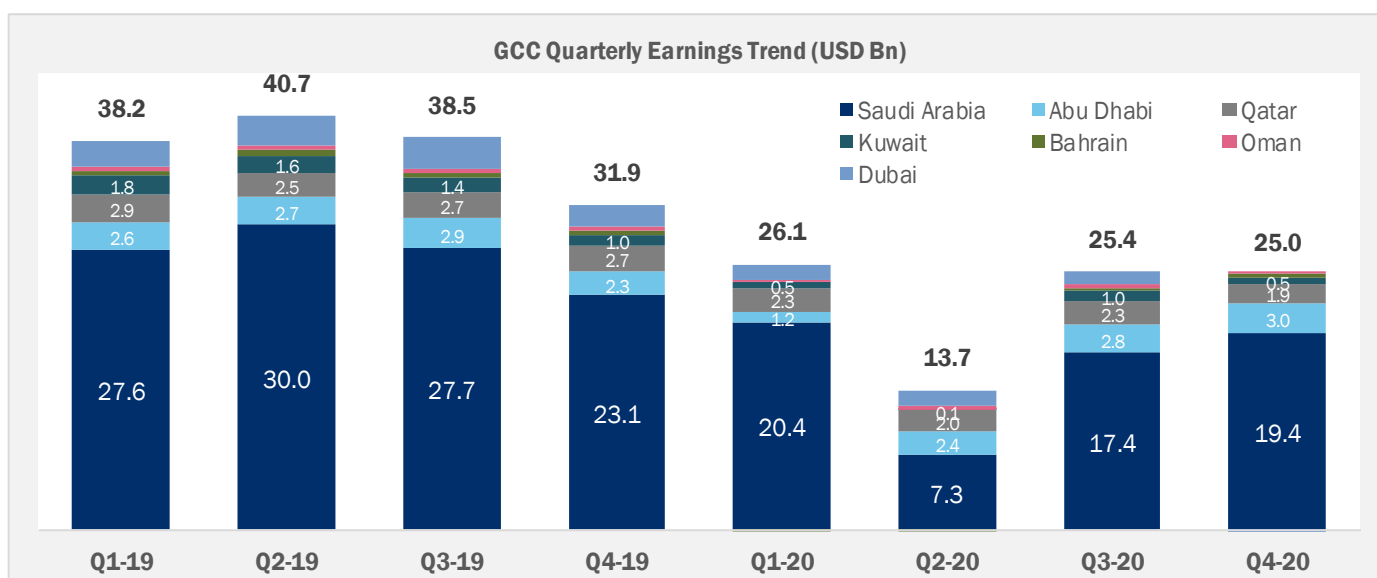
The Banking sector was amongst the biggest sectors that reported a decline in profits during 2020. The sectors USD 11.8 Bn fall in net profits was led by higher provisions booked by banks as bad loans increased during the year due to the pandemic. Loan loss provisions (LLP) booked during the year reached a record high of USD 20.3 Bn with increase seen across the board in all the six countries. Banks in the UAE booked the biggest spike in LLP during the year with an increase of USD 3.4 Bn or 71.6% to reach USD 8.2 Bn. On the other hand, Saudi Arabian banks booked the lowest percentage increase in LLP at 37.6% or USD 1.3 Bn to reach USD 4.6 Bn during the year. Banks in the region set aside USD 6.4 Bn for doubtful credit during Q4-2020, the highest for a quarter ever recorded in the region.

In the energy sector, the 44% drop in profits for Aramco was led by the historic decline in crude oil prices during 1H-2020 in addition to decline in volumes sold as well as weak refining and chemical margins. The trend was similar for the bulk of the companies in the sector with 14 out of 21 companies in the GCC energy sector reporting a decline in net profits during 2020. Similarly, the two-third decline in profits for the Materials sector was led by companies related to the energy industry. SABIC reported the biggest decline in profits in the sector after the company's profits shrunk by USD 1.4 Bn to USD 17.8 Mn in 2020 due to a decline in topline that was affected by a decline in demand for chemical products.

In the Real Estate sector, which reported the third biggest decline in profits during 2020, results were mainly affected by the loss in rental income as a result of the Covid-19 restrictions imposed by the governments across the region during the year. Profits for the sector declined by USD 3.1 Bn to reach USD 1.9 Bn in 2020 as compared to USD 5.0 Bn during 2019 mainly led by USD 2.1 Bn decline in profits for UAE-based real estate companies. The three Emaar companies, Emaar Properties, Emaar Malls and Emaar Development reported a combined net profit decline of USD 1.7 Bn while Damac Properties reported bigger losses of USD 283 Mn in 2020 as compared to a loss of USD 10.0 Mn in 2019.



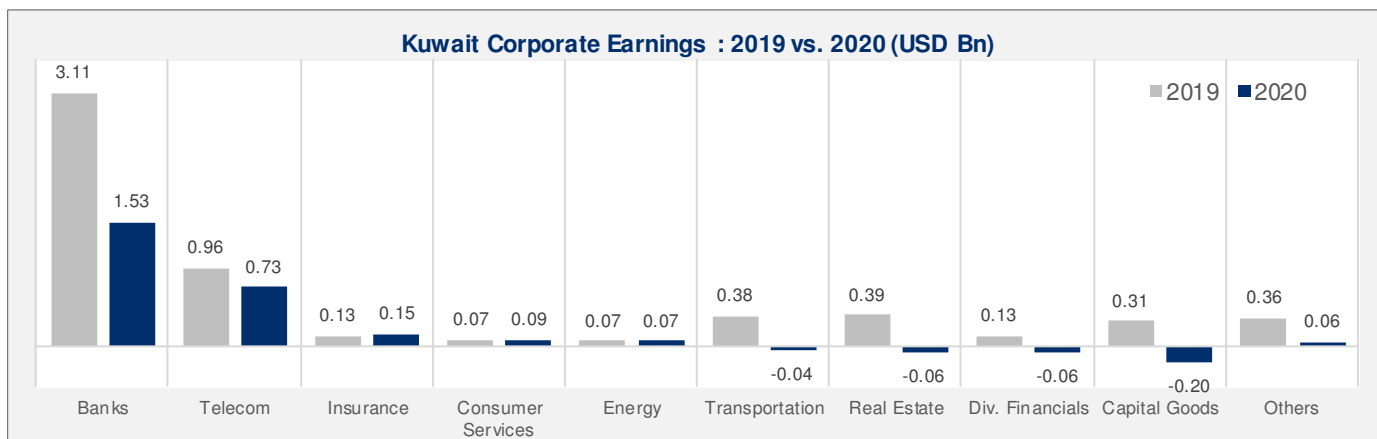
Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research



Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

## Kuwait

Boursa Kuwait-listed companies reported a y-o-y net profit decline of 46.6% during Q4-20 that reached USD 0.54 Bn compared to USD 1.0 Bn during Q4-19. The major sectors i.e., Banks, Telecommunication, Real Estate, and Capital Goods contributed to the y-o-y decline in aggregate profitability that was partially offset by higher profits reported by sectors like Energy, Insurance and Materials.



Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

In terms of FY-2020 profits, Kuwaiti-listed companies posted a decline of 61.6% during the year with profits reaching USD 2.3 Bn for the full year as compared to USD 5.9 Bn in 2019. Net profits for the Kuwaiti Banking sector plunged 51% to USD 1.5 Bn in FY-2020 against USD 3.1 Bn in FY-19 as all the banks posted a decline in the net profit led by higher Covid-19 led provision charges. NBK reported a FY-20 net profit of USD 811.1 Mn, a decline of 39% primarily due to higher provision charges of credit losses and impairment losses and higher operating expenses. Similarly, KFH reported a net profit of USD 489 Mn for FY-20 compared to a profit of USD 829 Mn in FY-19, a drop of 41%, led by decrease in investment income and increase in provisions for impairment to offset the negative effects of coronavirus pandemic. Ahli Bank of Kuwait posted a net loss of USD 229 Mn in FY-20 against a net profit of USD 95 Mn, due to benchmark interest rate cut and lower business volumes.

Profits for the Telecom sector declined by 24.3% to reach USD 726.5 Mn for FY-20 compared to USD 960 Mn for FY-19. Zain recorded a net profit of USD 610 Mn in FY-20 compared to USD 716 Mn in FY-19 down by 14.9%, mainly due to the pandemic impact across all the major operations of the Group. STC Kuwait and Ooredoo Kuwait also reported a decline in profits during 2020 that were relatively steeper at 26.6% and 88.8%, respectively.

The real estate sector posted a net loss of USD 56.4 Mn for FY-20 compared to a profit of USD 385 Mn in FY-19. This came as the sector witnessed one of the biggest impact of the Covid-19 restrictions, inline with the impact across the globe. In Kuwait, 10 real estate companies posted losses during FY-20 as compared to profits during FY-19 while an additional two continued to report losses during the year. Almost all the companies in the sector posted deteriorating financials during FY-20 vs. the previous year.

The Insurance sector recorded a profit growth of 14.8% that reached USD 148 Mn in FY-20 compared to USD 129 Mn in FY-19. Gulf Insurance Group reported the biggest increase in profits in the sector for FY-20 of USD 54 Mn compared to USD 44 Mn mainly due to the increase in net investment income and Gross Premium Written. AIAhleiah Insurance Co. posted a net profit of USD 40 Mn for FY-20 against USD 34 Mn up by 18.6% supported by the increase in operating revenues.

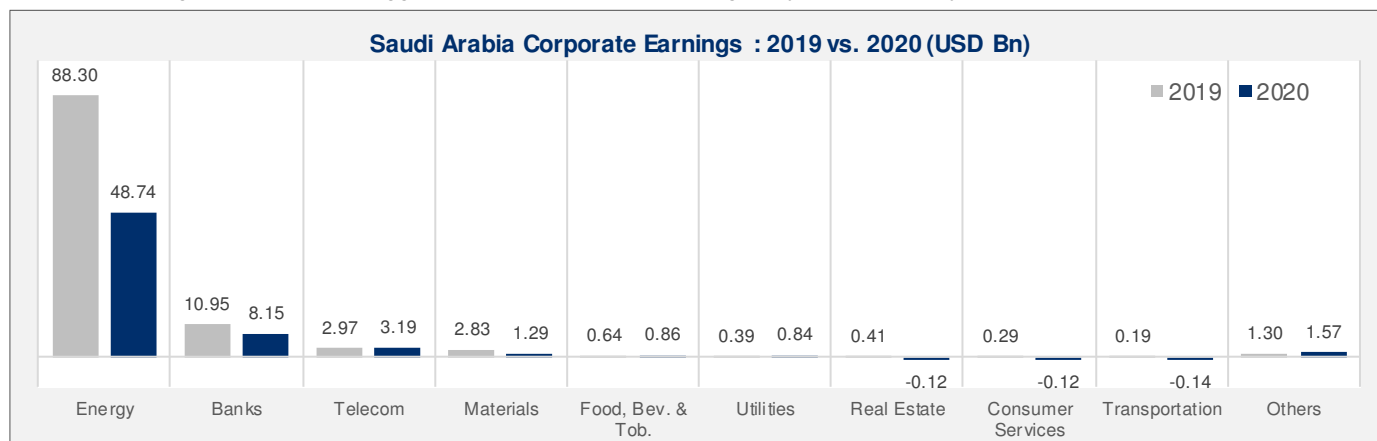
## Saudi Arabia

Aggregate net profits for Saudi Arabian listed companies witnessed a steep y-o-y decline of 16.1% to USD 19.4 Bn in Q4-20 against USD 23.1 Bn in Q4-19. Out of the top three sectors of the exchange, the Banking Sector and Telecom sectors reported a y-o-y increase in profitability during the quarter. The overall decline in Q4-20 earnings was mainly driven by a plunge in profits for the Energy Sector that declined by 30.4% to USD 13.8 Bn as compared to USD 19.9 Bn during Q4-19. Profits for the other key sectors like Utilities, Insurance and Diversified Financials also declined during the quarter. On the other hand, the Materials, Media & Entertainment, Food, Beverage & Tobacco and Food & Staples Retailing reported a growth in profits during the quarter that partially offset the overall decline.

Oil giant Aramco reported a net profit decline of 44.1% during Q4-20 led by declining oil prices sales volumes, and reduced refining and chemicals margins. The rest of the companies in the Energy sector also reported y-o-y decline in earnings barring

Bahri that reported double-fold y-o-y increase in earnings backed by increase in revenue from several operating segments. The company reported growth in oil transport sector due to the rise of transportation rates in addition to the increase in number of voyages during the period.

For the full year 2020, net profits for Saudi-listed companies declined by USD 44.0 Bn or 40.6% to USD 64.3 Bn. Energy stocks once again reported the biggest decline in net profits during the year followed by Banks and Materials stocks with profit



Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

decline of 25.6% and 54.3%, respectively. Telecom sector, on the other hand, reported 7.5% increase in net profits followed by Pharma sector that reported profits of USD 34.5 Mn during 2020 as against a loss of USD 115.6 Mn during 2019.

In the Banking Sector, Al Rajhi Bank recorded a profit of USD 2.8 Bn for FY-20 against a profit of USD 2.7 Mn for FY-19 up by 4.3% driven by higher total operating income and increased commission income. SAIB reported a net profit of USD 261.1 Mn for the FY-20, more than four-fold increase, compared to USD 63.8 Mn for FY-19 on the back of decrease in total operating expenses and rent- premises-related expenses. Meanwhile, Bank Albilad reported 8.4% y-o-y increase in net profit to USD 359 Mn in FY-20 as compared to USD 332 Mn in FY-19 was driven by an 8% increase in operating income and net exchange income.

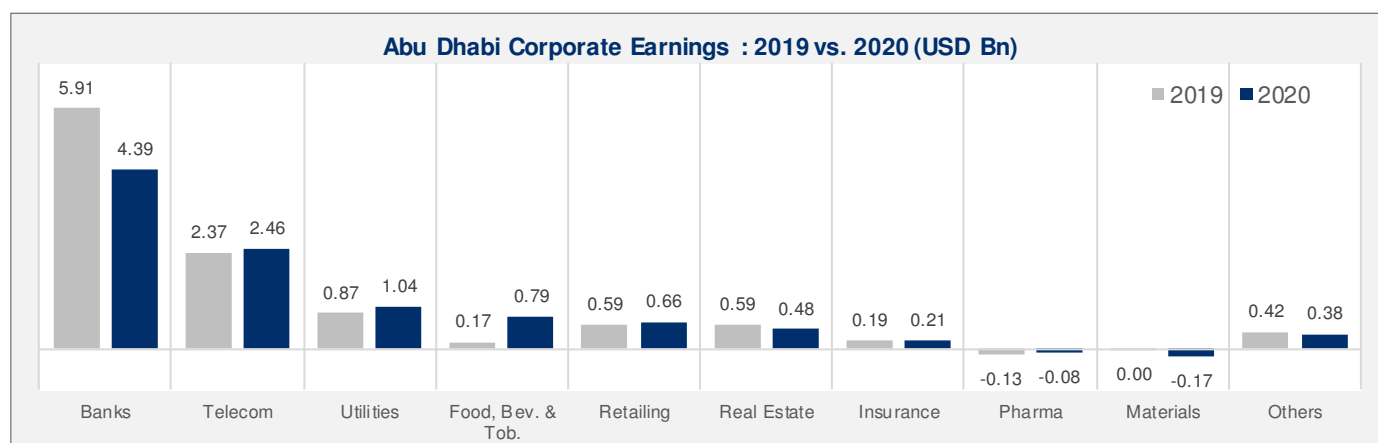
Net profit for the Telecom sector grew 7.5% y-o-y to USD 3.2 Bn in FY-20 as compared to USD 3.0 Bn during FY-19. STC reported a 3.1% y-o-y increase in net profits that reached USD 2.9 Bn. Mobily registered a net profit of USD 209 Mn for FY-20 compared to USD 8.3 Mn in FY-19, driven by a 4.4% y-o-y increase in revenue led by growth in subscriber base and a rise in data revenues further supported by lower non-operating expenses. Zain KSA profits tumbled 46.6% to reach USD 69.3 Mn for FY-20 versus a profit of USD 129.3 Mn in FY-19. The profit drop was attributed to a 5.6% y-o-y fall in revenue due to the impact of the pandemic, which led to a minimal number of visitors for Umrah, in addition to the reduction of mobile termination rate in the second half of 2020.

In the Utilities sector, Saudi Electricity Co. reported net profit of USD 806 Mn in FY-20 compared to a net profit of USD 370 Mn in FY-19 driven by higher operating revenues, due to the implementation of the Minimum Service Operating Cost Model to regulate SEC's revenue, in addition to a growth in subscriber base. In the Food, Beverage & Tobacco sector, Savola net profit surges 91% to USD 243 Mn y-o-y in FY-20 due to higher gross profit from associates and lower operating expenses. On the quarterly basis, Q4-20 net profit dropped 67.4% due to low gross profit led by lower sales and margins.

## Abu Dhabi

Abu Dhabi-listed companies saw aggregate net profit y-o-y increase of 28.5% in Q4-20 that reached USD 3.0 Bn compared with USD 2.3 Bn in Q4-19, marking the biggest quarterly rise in net profits in the GCC countries during the quarter. Only one out of the five top largest sectors of the exchange by market-cap registered a decline in Q4-20 net profits. The Banking Sector recorded a 5.3% decline in total Q4-20 profits that reached USD 1.1 Bn down from USD 1.2 Bn in Q4-19. The Telecom sector followed the Banking Sector as the second largest absolute earnings contributor in the exchange with 4.4% increase in profits in Q4-20 to reach USD 557.6 Mn up from USD 534.3 Mn in Q4-19. However, the Utilities Sector posted the largest percentage increase as well as the largest growth in Q4-20 profits in absolute terms to the exchange. The sector which comprises only one company (Taqa) saw its Q4-20 profits jump 213% to USD 435 Mn up from USD 138.9 Mn in Q4-19.

In terms of FY-20, Abu Dhabi-listed companies reported the smallest decline in net profits in the GCC despite the disruption caused by the restrictions imposed to combat the spread of COVID-19. Aggregate FY-20 net profits stood at USD 10.15 Bn down from USD 10.96 Bn in FY-19, registering a y-o-y decline of 7.4%.



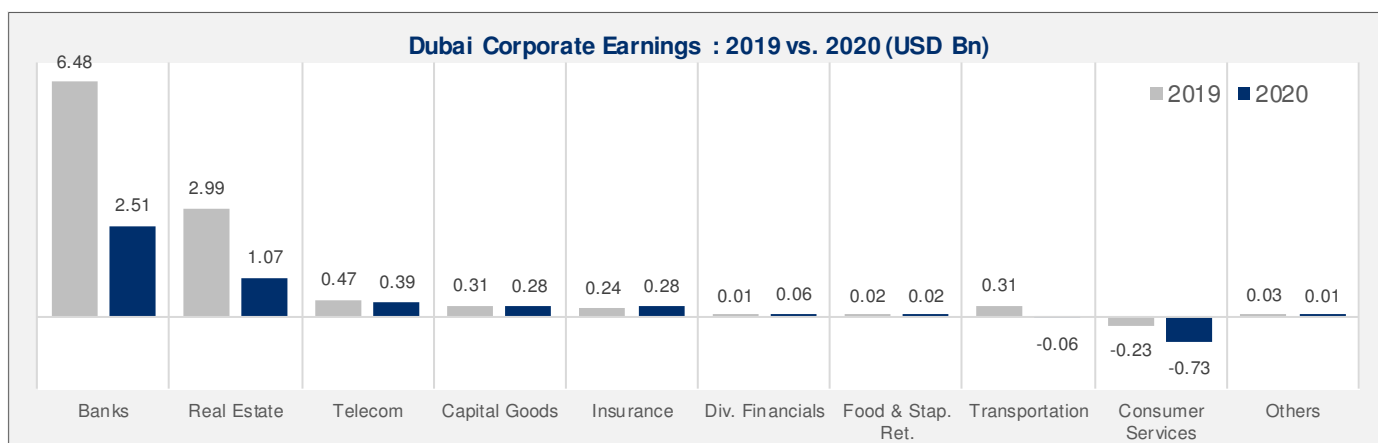
Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

FY-20 net profits in the Banking Sector, the largest sector in terms of market cap in the exchange, declined by 25.6% to USD 4.4 Bn down from USD 5.9 Bn in FY-19. Three out of the ten banks in the sector posted a loss in their FY-20 net profits. United Arab Bank posted the largest net losses among the banks in the sector with a loss of USD 181.7 Mn for the 2020 financial year compared with USD 128.2 Mn during the 2019 financial year. The bank attributed its accumulated losses to the COVID-19 impact and the NMC exposure. First Abu Dhabi Bank, the largest bank in the UAE, reported a 16% fall in FY-20 profits which reached USD 2.9 Bn compared with USD 3.4 Bn for FY-19. FAB's fall in profits were ascribed to extraordinary disruption and the challenging business environment induced by the coronavirus pandemic.

In the Telecom Sector, Etisalat's FY-20 net profit improved by 3.8% to USD 2.5 Bn up from USD 2.4 Bn during FY-19. The improved earnings performance was attributed to an increase in subscribers and better management of the impact of the pandemic.

## Dubai

Aggregate net profits for Dubai-listed companies moved into the red recording a net loss of USD 0.4 Bn in Q4-20 down from a profit of USD 2.2 Bn in Q4-19. Among the GCC countries DFM was the only exchange which recorded total aggregate loss in earning during Q4-20. Three out of the eleven sectors in the exchange posted aggregate losses during the quarter including the Banking Sector, the largest sector of the exchange by market cap. Total Q4-20 losses in the Banking Sector stood at USD 74.2 Mn down from USD 956.3 Mn in Q4-19 net profits. Four out of the seven banks in the sector posted losses during the quarter. Mashreq Bank posted the largest loss among the banks with USD 443.74 Mn followed Amlak Finance which recorded USD 64.3 Mn loss during the similar period. However, the aggregate loss of the exchange came primarily on the back of Consumer Services Sector with a Q4-20 net loss of USD 435.3 Mn in comparison with a net Q4-19 loss of USD 38 Mn. DXB Entertainment's Q4-20 net loss of USD 434.9 Mn contributed mainly resulted in the decline. The company's Q4-20 losses was attributed to rise in impairment charges related to property and equipment mainly led by the impact of the pandemic.



Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

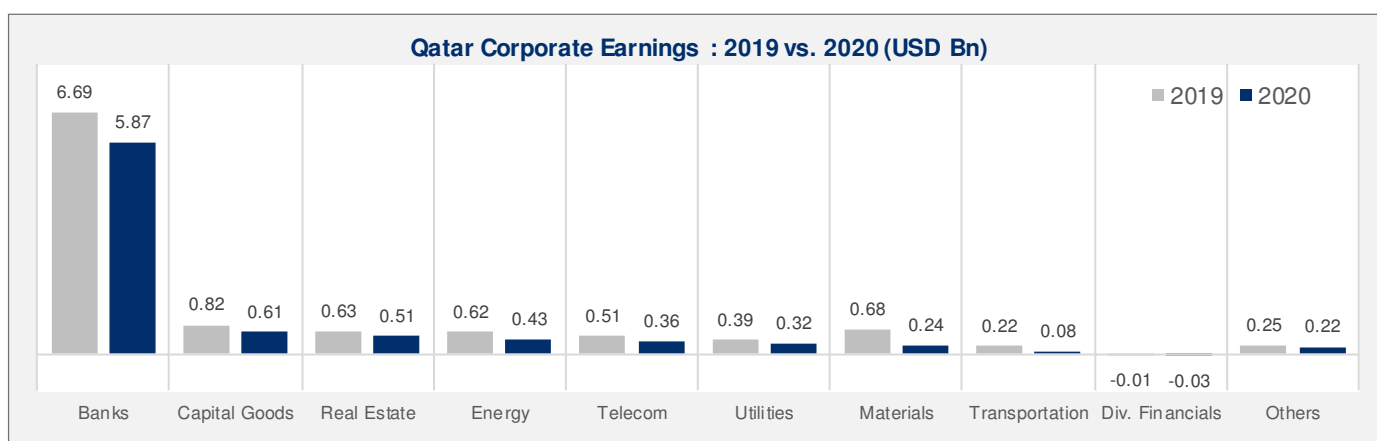
For FY-2020, Dubai-listed companies recorded a net profit of USD 3.8 Bn, a 63.9% decline from the 2019 net profits of USD 10.6 Bn. Full year profits for the Banking Sector fell 61.3% to reach USD 2.5 Bn. Mashreq Bank reported a net loss of USD 347.9 Mn in FY-20 compared with a net profit USD 562.3 Mn in FY-19. Losses came mainly on the back of higher provisions during the year. FY-20 profits for Emirates NBD fell by more than 50% to USD 1.9 Bn down from USD 3.9 Bn in FY-19. The bank attributed the fall in profits to the challenging economic environment and the one off the sale of Network International shares in 2019 that was not reflected in 2020 financials.

The Consumer Services Sector continued its loss-making streak recording the largest FY-20 loss among the three loss-making sectors of the exchange at USD 725.8 Mn compared with a loss of USD 234.6 Mn in FY-19. DXB Entertainment and Al Firdous Holding reported net losses of USD 723.7 Mn and USD 2.1 Mn during the year, respectively.

Real Estate Sector net profits declined by 64.3% y-o-y in FY-20 to USD 1.1 Bn from USD 3.0 Bn in FY-19. Two of the six companies in the sector, namely Damac Properties and Deyaar Development, recorded FY-20 losses of USD 283 Mn and USD 59 Mn, respectively. Damac Properties losses were ascribed mainly to the disruption caused by the pandemic which was mainly responsible for the fall in tourism in Dubai. On the other hand, profits for Emaar Properties decreased nearly 58% to USD 712.5 Mn in FY-20, while profits for Emaar Development fell 38.6 % to USD 451.2 Mn in the same period. On the other hand, Union Properties came back to profitability reporting a FY-20 net profit of USD 54.7 Mn in comparison with a loss of USD 61 Mn during FY-19.

## Qatar

Total Earnings for Qatari-listed companies witnessed a decline of 27% during Q4-20 to reach USD 1.9 Bn as compared to USD 2.7 Bn in Q4-2019. The decline in quarterly profits was primarily led by fall in profits mainly for the Banking, Energy, Materials, Telecom and Transportation sectors that was partially offset by growth in profits by Capital Goods, Insurance and Real Estate sectors during the quarter.



Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

For FY-2020, Qatar-listed companies reported net profits of USD 8.6 Bn as compared to USD 10.8 Bn during 2019, registering a decline of 20.5%, the third-lowest decline in the GCC during the year. Qatar's Banking sector reported a profit decline of 12.2% in FY-20 that reached USD 5.9 Bn accounting for 68.3% of the overall exchange profits during the quarter. QNB reported a net profit decline of 16.4% in FY-20 reaching USD 3.3 Bn after the bank set aside an additional USD 1.6 Bn in loan loss provisions. Meanwhile, Al Khalij Commercial Bank registered a net profit growth of 5.7% to reach USD 188 Mn in FY-20 compared to USD 178 Mn in FY-19, these results were achieved by increasing the net operating income by 22% y-o-y to USD 0.38 Bn. The bank's net loans and advances stood at USD 9.3 Bn, while deposits were at USD 8.43 Bn at the end of FY-20.

The performance of Qatari insurers remained mixed during the year resulting in a decline in net profits from USD 93 Mn in FY-19 to USD 64 Mn in FY-20. The decline was mainly led by losses reported by Al Khalij Takaful Insurance to the tune of USD 11.5 Mn in FY-20 as compared to a profit of USD 7.9 Mn in FY-19. In addition, Qatar Insurance reported a steep decline in profits during the year from FY 178.8 Mn in FY-19 to USD 0.8 Mn in FY-20. These declines were partially offset by mainly by profits reported by Qatar General Insurance at USD 37.0 Mn during FY-20 as compared to net loss of USD 127.0 Mn in FY-19 further supported by marginally higher profits reported Doha Insurance and Qatar Islamic Insurance during the year.

In the Telecom sector, Ooredoo's consolidated net profits declined by 34.7% to USD 309 Mn in FY-20 compared to USD 474 Mn in FY-19. The Telco's revenue declined by 4% y-o-y to USD 8 Bn in 2020, due to the COVID-19 pandemic impact, with a reduction in handset sales and roaming business as well as macroeconomic weakness in some of its markets although higher revenues from Indonesia, Myanmar and Palestine partially offset some of the overall decline. FY-20 net profits for Vodafone Qatar stood at USD 51 Mn compared to USD 39 Mn in FY-19 up by 28.8% y-o-y driven by 3.7% increase in Service revenues

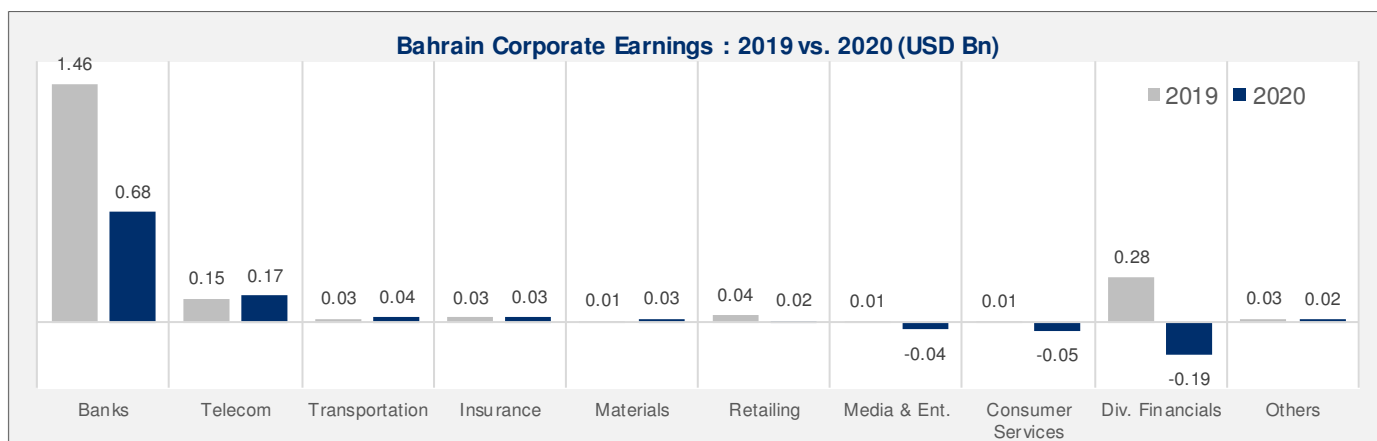


and higher EBITDA. The telco witnessed higher demand for its fixed broadband solutions (GigaHome) and continued growth in its Postpaid subscriber base.

Net profits for the Energy sector dropped by 31.5% y-o-y to reach USD 426 Mn. The decline came primarily on the back of 42% y-o-y decline in profits for Qatar Fuel Company (WOQOD) that reached USD 194 Mn in FY-20 partly attributed to the market slowdown prompted by Covid-19 and partly to supply and demand factors. On the other hand, Nakilat registered a net profit increase of 16% to reach USD 319 Mn for FY-20 vs USD 275 Mn for FY-19. The increase in the Net Profit was driven by higher revenue and EBITDA.

## Bahrain

Total net profits for Bahrain-listed companies fell by 65.9% in FY-20 to USD 700 Mn from USD 2.1 Bn in FY-19. Among the largest three sectors by market cap only the Banking sector saw its total FY-20 net profits decrease. The sector's FY-20 net profits fell 53.6% to USD 677.2 Mn from USD 1.5 Bn in FY-19, whereas the Telecom sector registered 9.2% rise in profits to USD 165 Mn. The Transportation sector also saw its aggregate profits grow during FY-20 registering total profit of USD 36.3 Mn as compared to a net profit USD 27 Mn during FY-19. Four out of fourteen sectors on the bourse recorded losses in FY-20. The Diversified Financials Sector registered the largest FY-20 aggregate loss with USD 193.8 Mn that dragged the total FY-20 net profit of the bourse.



Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

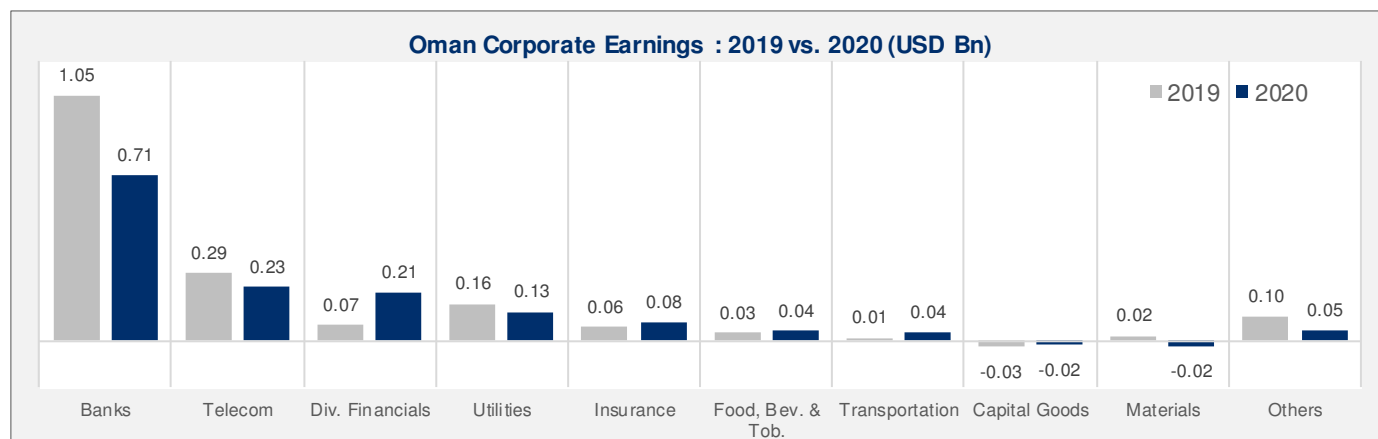
The decline in profits for the Banking sector was largely attributed to Arab Banking Corp's FY-20 loss of USD 89 Mn compared with USD 194 Mn profit in FY-19 led by higher provisions. On the other hand, Ahli United Bank posted the largest FY-20 net profit among the banks at USD 452.2 Mn marking a 38.1% decrease from FY-19 net profit of USD 730.5 Mn. AUB's fall in profits were attributed to primarily low net interest income and higher precautionary provisioning due to COVID-19 pandemic.

Aggregate profits for the Telecom sector improved by 9.2% in FY-20 to reach USD 165 Mn vs. USD 151.1 Mn in FY-19. Both the listed telcos on the exchange saw their FY-20 earnings rise during the past financial year. Batelco saw its FY-20 net profits rise 9.9% to reach USD 150.7 Mn while Zain Bahrain's FY-20 net profits grew 2.6% to USD 14.4 Mn.

## Oman

Total net profits for listed companies in Oman declined by 18.6% in FY-20 to USD 1.4 Bn compared with USD 1.8 Bn in 2019 after four out of the fifteen sectors in the exchange recorded net losses during the period. The Banking Sector, the biggest sector in the exchange by market cap, saw its FY-20 net profits decline 32.5% to USD 709.9 Mn down from USD 1.1 Bn in FY-19 while the second biggest sector in terms of earnings contribution, the Telecom Sector, saw its FY-20 profits slump by 20.9% to USD 229.8 Mn. In contrast, aggregate FY-20 for the Diversified Financial Sector, jumped 217.1% to reach USD 210.7 Mn.

In the Banking Sector, Bank Muscat posted the largest FY-20 net profits among the banks which reached USD 424.6 Mn after experiencing a drop of 11.9% as compared to FY-19 profits of USD 482.3 Mn. HSBC Bank Oman was the only bank that recorded a loss during FY which amounted to USD 21.3 Mn as compared to a profit of USD 76.1 Mn in FY-19.



Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

In the Telecom sector, OmanTel saw its FY-20 profits drop 13.9% to reach USD 174 Mn compared with a full year net profit of USD 202 Mn in 2019. On the other hand, Oman Qatari Telecommunications Co's full year earnings were steeper reporting a 37% decline in FY-20 profits to USD 55.9 Mn down from USD 88.7 Mn net profits recorded in FY-19.

FY-20 aggregate profit for Oman's Insurance Sector jumped 36.2% to USD 81 Mn. The growth in the sectors net earnings was mainly driven by the rise in FY-20 net profits of National Life and General Insurance which jumped 47.1% to reach 39 Mn up from USD 26.5 Mn in FY-19 profits. In contrast, total net profits of the Exchange's Utilities Sector fell 20.9% to USD 125.5 Mn. ACWA Power Barka posted FY-20 net losses of 27.4 Mn vs USD 1.5 Mn in profits in FY-19 contributing to the fall in full year total net profits for the sector.



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