

## GCC Corporate Earnings Report : Q1-2021

June-2021

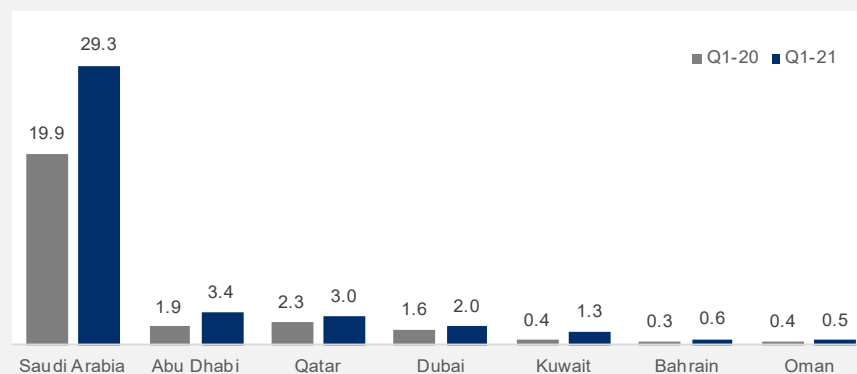
**Profits reach pre-Covid levels led by a broad-based recovery across sectors...**

**Earnings reported by GCC-listed companies witnessed a faster-than-expected recovery during Q1-2021 backed by healthy growth seen in almost all sectors.** The recovery was led by a resumption in economic activity in the region despite controlled restrictions as Covid-19 cases remerged at the start of the year resulting in partial-lockdowns. **Business sentiments have remained upbeat as a result of one of the fastest vaccine administration in the world achieved by the GCC countries.** This was also reflected in the monthly PMI, which indicates trends in manufacturing activity, for Saudi Arabia and UAE. According to Markit, Saudi Arabia's PMI in January-2021 was at 57.1, the highest since November-19 and remained elevated above the 50 mark during February-2021 and March-2021. Similarly, the PMI for UAE also remained above 50 during the first three months of this year. A PMI of above 50 indicates growth in manufacturing activity.

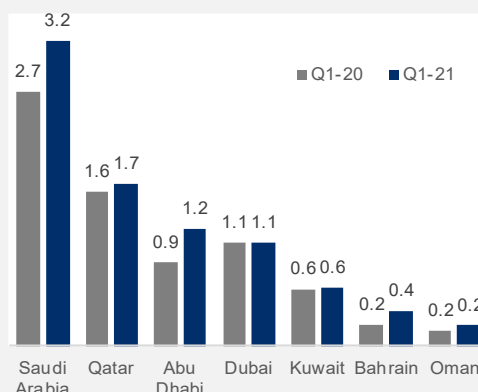
Quarterly net profits reached USD 40.0 Bn during Q1-2021, up 49.2% or USD 13.2 Bn as compared to USD 26.8 Bn reported in Q1-2020. Earnings during the quarter also surpassed Q1-2019 level by 4.4%. The q-o-q growth as compared to Q4-2020 was even stronger at 59.9%. **Out of the 21 sectors on the exchange, 17 sectors reported y-o-y as well as q-o-q growth in profits during Q1-2021. Moreover, the top 5 sectors in the region reported a y-o-y profit growth of 42% with the bulk of the growth coming from the Materials sector.**

**On the other hand, the three sectors that reported y-o-y decline in profits included Consumer Services, Food & Staples Retailing and Software & Services.** Companies in the Food & Staples Retailing and Software & Services sectors reported smaller profits due to a higher base in Q1-2020 that resulted in a decline in Q1-2021, whereas the decline in the Consumer Services sector was mainly led by losses reported by companies that continue to be affected by Covid-19 restrictions, including airlines and related industries.

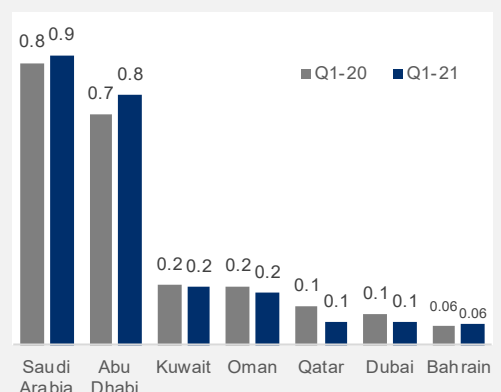
GCC Corporate Earnings : Q1-20 vs. Q1-21 (USD Bn)



GCC Banks: Q1-20 vs. Q1-21 (USD Bn)



GCC Telcos: Q1-20 vs. Q1-21 (USD Bn)



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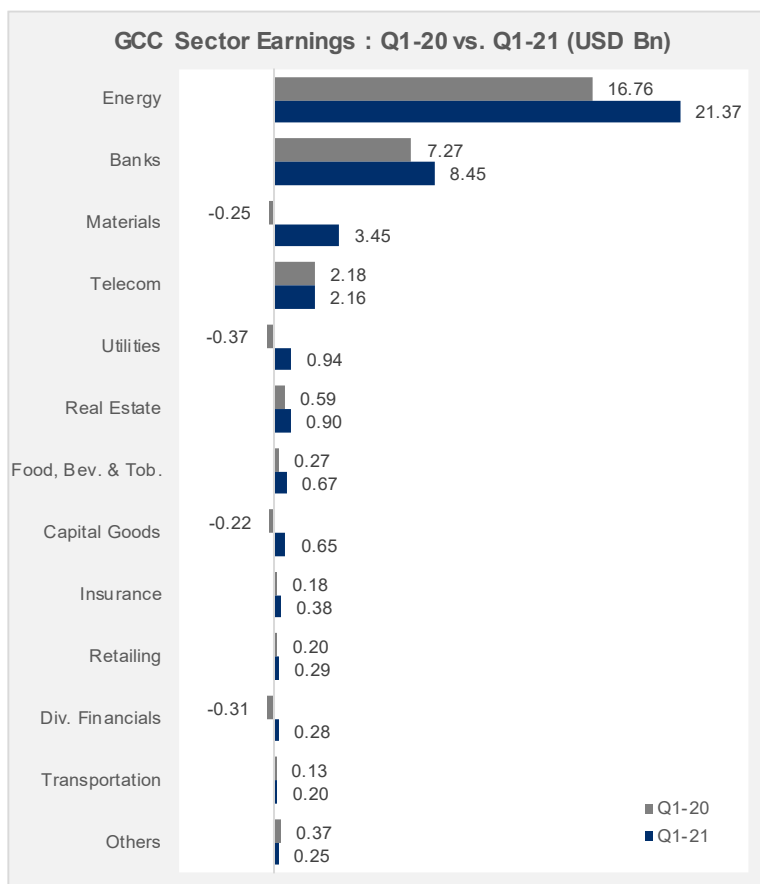
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Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

Profits were up across the seven exchanges in the GCC with Kuwait's listed stocks reporting the biggest increase of almost two fold during Q1-2021, whereas Dubai reported the smallest y-o-y increase of 23.1%. Bahrain and Abu Dhabi were next with reported quarterly profits up 102.5% and 82.2%, respectively.

The Energy sector reported the biggest profits in the region that reached USD 21.4 Bn, up 27.5% y-o-y and 53.8% q-o-q. Profits for Saudi Aramco was up 23.7% y-o-y during Q1-2021 at USD 21.0 Bn, whereas the rest of the companies in the sector reported profits of USD 590.7 Mn in Q1-2021 as compared to a loss of USD 181.2 Mn in Q1-2020. Profits for Aramco was supported by higher crude oil prices and better margins for the company's downstream chemical and refining business that was partially offset by a 12% y-o-y decline in crude oil volumes sold during the quarter. A similar impact was seen in profits for Rabigh Refining which reported profits of USD 173.2 Mn in Q1-2021 as compared to a loss of USD 479 Mn during Q1-2020.

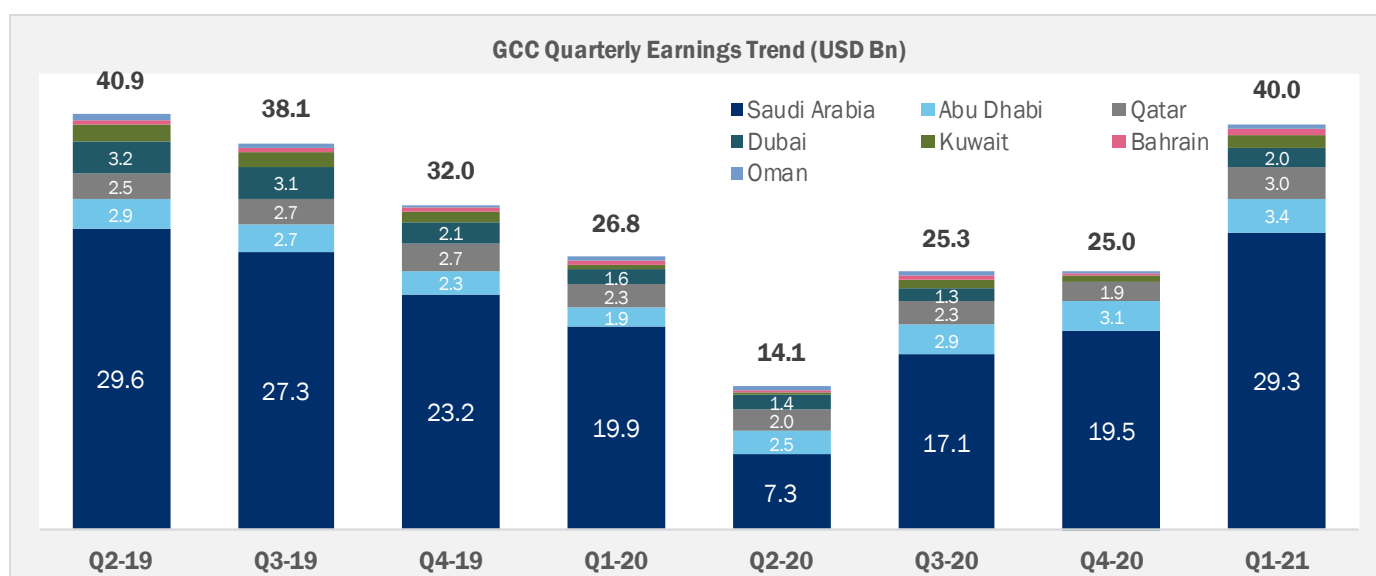
The Banking sector also reported higher profits during Q1-2021 that reached USD 8.4 Bn recording a growth of 16.2% y-o-y and 66.0% q-o-q. The sequential growth reflected higher provision led decline in profits in Q4-2020. Out of the 64 banks in the region, 46 banks reported a growth in profits as compared to Q1-2020.



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

Profits for the Materials sector stood at USD 3.45 Bn during Q1-2021 as compared to a loss of USD 0.25 Bn in Q1-2020 and USD 1.6 Bn in Q4-2020. The turnaround in SABIC's bottom-line from a loss of USD 0.3 Bn in Q1-2020 to a profit of USD 1.9 Bn was the biggest factor for the growth in profits for the Materials sector. The ongoing commodity super-cycle with price growth across the board also led to higher profits for Maaden and Saudi Kayan during Q1-2021.

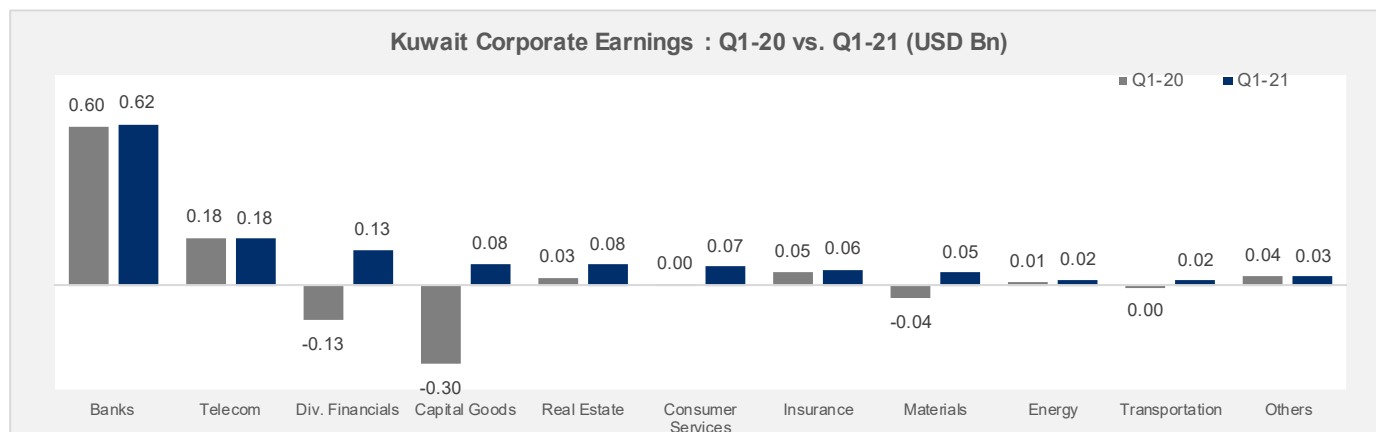
The Telecom sector, which reported limited impact from the lockdowns reported a marginal y-o-y net profit decline of 0.8% with profits at USD 2.2 Bn in Q1-2021, although q-o-q growth was strong at 34.4%. Out of 16 listed telcos in the GCC, 8 reported a y-o-y decline in profits that were partially offset by healthy growth in profits for Etisalat and Mobily.



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

## Kuwait

Boursa Kuwait-listed companies reported the biggest y-o-y percentage increase in net profits during Q1-2021 with an increase of three folds during the quarter. Net profits during the quarter reached USD 1.34 Bn as compared to USD 0.45 Bn during Q1-2020. The q-o-q growth was equally strong with a growth of 160% as compared to Q4-2020. The major sectors i.e. Capital Goods, Diversified Financials, and Materials contributed to the y-o-y increase of aggregate profitability, whereas q-o-q growth was mainly driven by Banking and Real Estate sectors.



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

Kuwaiti Banking sector posted a net profit of USD 615 Mn for Q1-2021 against USD 604 Mn in Q1-20. NBK reported a Q1-21 net profit of USD 279 Mn up by 10% compared to a net profit of USD 253.5 Mn primarily due to higher non-interest income that more than offset a steep y-o-y increase in provisions from USD 77.9 Mn in Q1-2020 to USD 141.4 Mn in Q1-2021. Similarly, KFH reported a net profit of USD 165.3 Mn for Q1-21 compared to a profit of USD 144.5 Mn in Q1-20, an increase of 14.4%, led by increase of net financing income by 5.3% and decrease of provisions and impairment. Burgan Bank posted a net profit of USD 16.7 Mn in Q1-2021 from a net profit of USD 56.4 Mn in Q1-2020, the decline in the net profit was led by decrease in the net interest income coupled with an increase in provisions.

Profits for the Telecom sector declined by 2.5% to reach USD 177.2 Mn for Q1-2021 compared to USD 182 Mn for Q1-2020. Zain recorded a net profit of USD 147.3 Mn in Q1-21 compared to USD 155.3 Mn in Q1-20 down by 5.1% mainly due to one-time gains from the sale and lease back of towers in Kuwait in Q1-2020. STC Kuwait recorded a net profit of USD 26.5 Mn in Q1-2021 vs USD 21.4 Mn in Q1-2020 up by 24.2%.

The Real Estate sector posted a net profit of USD 77.6 Mn for Q1-2021 compared to a profit of USD 30.2 Mn in Q1-2020. Mabane recorded a net profit of USD 43.3 Mn vs USD 30.5 Mn up by 42.2% led by lower discounts offered to the investors of the units of the Avenues as compared to the same period last year. Meanwhile Salhia Real Estate Co. recorded a net profit of USD 6.2 Mn for Q1-2021 down by 15.6% led by decrease in operating revenue. Tamdeen Real Estate Co. also reported a decline in quarterly net profits that reached USD 7.5 Mn against USD 18.2 Mn mainly led by a decline in income from investments.

The Insurance sector recorded a profit growth of 20.9% that reached USD 61 Mn in Q1-21 compared to USD 50.2 Mn in Q1-20. Gulf Insurance Group reported the biggest increase in profits in the sector for Q1-21 of USD 18.1 Mn compared to USD 10 Mn mainly due to the increase in net investment income and Gross Premium Written. AIAhleiah Insurance Co. posted a net profit of USD 12.1 Mn for Q1-21 against USD 11 Mn up by 13% supported by the increase in operating profit.

## Saudi Arabia

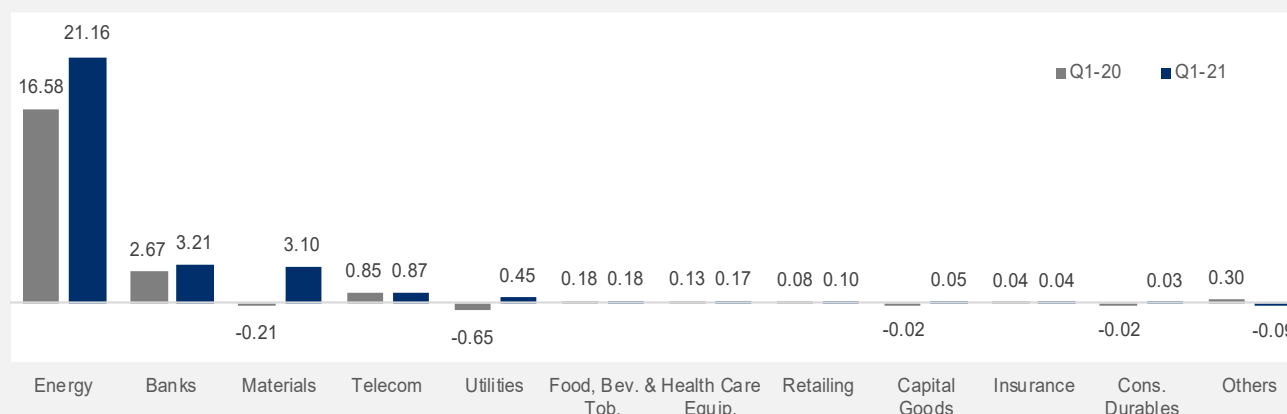
Aggregate net profits for Saudi Arabian listed companies witnessed a y-o-y increase of 47% to reach USD 29.3 Bn in Q1-2021 against USD 19.9 Bn in Q1-2020. The top sectors of the exchange including Energy, Materials and Utilities reported a strong y-o-y growth in profitability during the quarter, whereas Consumer Services and Food & Staples Retailing sectors led profit declines during the quarter. In terms of q-o-q performance, earnings growth stood at 50.5% or USD 9.8 Bn mainly backed by higher profits for Energy, Materials, Banks and Consumer Services sectors that was partially offset by a decline in profits for Utilities.

Oil giant Aramco, Saudi Arabian Oil Co. posted a 24% rise in net profit to reach USD 21.0 Bn for the first quarter, compared to net profit of USD 16.9 Bn in Q1-2020. The increase in profit was led by higher crude oil prices, improved downstream margins

and the consolidation of SABIC's results, partly offset by lower crude oil volumes. Bahri's net profit tumbled 90% to USD 11.6 Mn in Q1 2021 from USD 111.7 Mn in Q1-2020. The profit drop was mainly attributed to a steep decline in oil segment revenues, amid lower transportation rates and volumes.

Materials and Utilities sectors were next with healthy absolute growth in profits during the quarter. Telecom sector, on the other hand, reported only a marginal increase of 2.6% y-o-y. In the Banking Sector, which reported a profit growth of 20.1%, Al Rajhi Bank's net profit jumped 40% to USD 889.6 Mn in Q1-2021 against a profit of USD 634.5 Mn for Q1-2020 driven by a 19.7% y-o-y increase in total operating income and a rise in net special commission income. Saudi National Bank posted a net profit of USD 913.5 Mn for Q1-2021, an increase of 19.4%, compared to a net profit of USD 765.4 Mn in the previous year mainly led by a decline in provisions coupled with a healthy growth in non-interest income. Riyadh Bank's net profit dropped 8% to USD 360.9 Mn in Q1-2021 compared to a net profit of USD 393.5 Mn in the prior year period mainly due to a decline in non-interest income during the quarter that more than offset higher net interest income as well as a drop in loan loss provisions.

**Saudi Arabia Corporate Earnings : Q1-20 vs. Q1-21 (USD Mn)**



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

Net profit for the Telecom sector grew 2.6% y-o-y to USD 871.2 Mn in Q1-2021 as compared to USD 849.6 Mn during Q1-2020. Mobily's net profit rises 73.4% to USD 60.2 Mn in Q1-2021 from USD 34.7 Mn in prior-year period was mainly led by a decline in operating expenses. STC net profit was up by 1.7% to USD 800.1 Mn in Q1-2021 from USD 786.8 Mn in Q1-2020. The telco reported flattish net profits y-o-y despite higher revenues that were offset by higher non-operating expenses during the quarter. Zain KSA reported a net profit of USD 10.9 Mn in Q1-2021, a fall of 61.1%, from a net profit of USD 28.1 Mn a year earlier. The decline in earnings was driven by a 5% fall in revenue as well as higher reported operating expenses.

The turnaround in profits for the Materials sector from a loss of USD 214 Mn in Q1-2020 to a profit of USD 3.1 Bn in Q1-2021 was mainly led by higher profits for SABIC. The company reported a net profit of USD 1.3 Bn during the quarter as compared to a loss of USD 278.8 Mn in Q1-2020. The increase in profits was led by a 24.4% increase in revenues during the quarter that reached USD 10.0 Bn in Q1-2021 as compared to USD 8.0 Bn in Q1-2020 backed by higher average selling prices. Meanwhile, in the Utilities sector Saudi Electricity Co. reported profits during Q1-2021 to the tune of USD 450.3 Mn as compared to a loss of USD 650.7 Mn in Q1-2020. The turnaround was led by a steep decline in cost of revenue coupled with higher revenues during the quarter that was supported by regulatory reforms.

## Dubai

Companies listed on DFM reported the smallest y-o-y increase in net profits during Q1-2021. Aggregate net profits for the exchange reached USD 2.0 Bn, registering a y-o-y increase of 23.1% or USD 366 Mn. However, in terms of sequential performance, the performance was significantly better after witnessing losses during Q4-2020 to the tune of USD 329.0 Mn. The q-o-q improvement came as a result of smaller losses for the Consumer Services sector that reached USD 98.0 Mn in Q1-2021 as compared to a loss of USD 434.9 Mn in Q4-2020. In addition, the Banking and Transportation sectors reported profits during Q1-2021 as compared to losses during Q4-2020.

The banking sector reported total profits of USD 1.1 Bn in Q1-2021 as compared to a loss of USD 96.9 Mn in Q4-2020 and USD 1.1 Bn in Q1-2020. Five out of eight banks had reported losses in Q4-2020 mainly led by higher provisions for Covid-19 related bad loans. Mashreq Bank's USD 440.2 Mn loss in Q4-2020 was the biggest in the previous quarter which along with losses of Emirates Islamic Bank and Commercial Bank of Dubai pushed the sector into losses. During Q1-2021, all the listed banks reported growth in profits vs. Q4-2020. In terms of y-o-y performance, the flattish net profits came after y-o-y decline in profits for Mashreq Bank (-86.3%) and Dubai Islamic Bank (-23.3%) were completely offset by increase in profits reported by the rest of the banks on the exchange.

The Real Estate sector reported the biggest y-o-y growth in profits during Q1-2021. Profits for the sector reached USD 663.6 Mn during Q1-2021, a growth of 32.6% or USD 163 Mn vs. Q1-2020 and a five-fold increase as compared to Q4-2020. Out of the six companies in the sector, four companies reported higher net profits during Q1-2021 vs. Q1-2020 whereas Emaar Malls Group reported a decline in profits. Damac Properties also reported higher losses during Q1-2021 at USD 51.6 Mn as



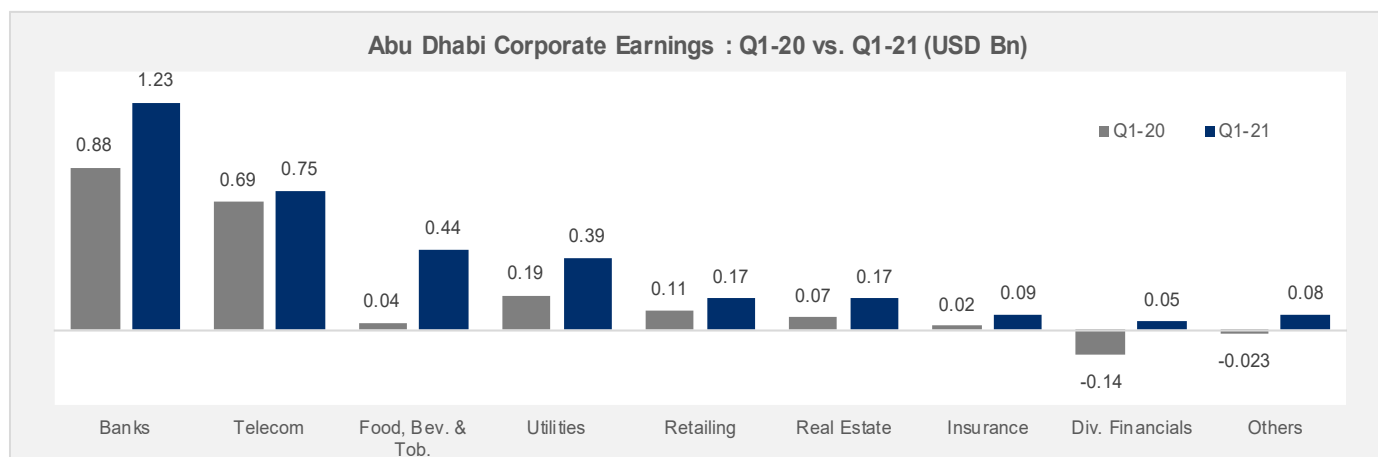
Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

compared to a loss of USD 28.9 Mn during Q1-2020. On the other hand Emaar Properties and Emaar Development reported increase in net profits during the quarter.

## Abu Dhabi

Abu Dhabi listed corporates reported one of the best quarterly earnings performances in the GCC during Q1-2021 with a y-o-y growth of 82.2% or USD 1.5 Bn whereas q-o-q growth was reported at 9.6%. The y-o-y growth was broad-based with all of the 16 sectors on the exchange reporting an increase in net profits during the quarter. This growth was mainly by healthy increase in profits for Banks, Food Beverage and Tobacco and Utilities sectors. The three sectors collectively contributed to almost USD 1 Bn in growth in earnings during the quarter. The Diversified Financials and Real Estate sectors also reported healthy improvement in profitability with increases of USD 182.7 Mn and USD 100.6 Mn, respectively.

Profits for the Banking sector increased by 39.8% y-o-y or USD 350.7 Mn. The increase came mainly led by more than 400% increase in profits for ADCB that reached USD 308.2 Mn in Q1-2021 as compared to USD 61.5 Mn in Q1-2020. The growth in



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

profits came as a result of higher non-interest income and a decline in costs that were partially offset by a decline in net interest income. The bank said that its cost-to-income ratio declined by 180 bps to 36.3% led by realization of merger synergies and digital transformation. Profits for Abu Dhabi Islamic Bank also more than doubled to USD 165.4 Mn in Q1-2021 once again due to higher non-funding income and 7% decline in operating expenses that were partially offset by lower rates. On the other hand, Commercial Bank International posted a loss during Q1-2021 to the tune of USD 26.5 Mn as compared to a profit of USD 2.7 Mn during Q1-2020. The losses came as a result of lower net interest income and non-interest income coupled with an increase in operating expenses and higher provisions during the quarter.

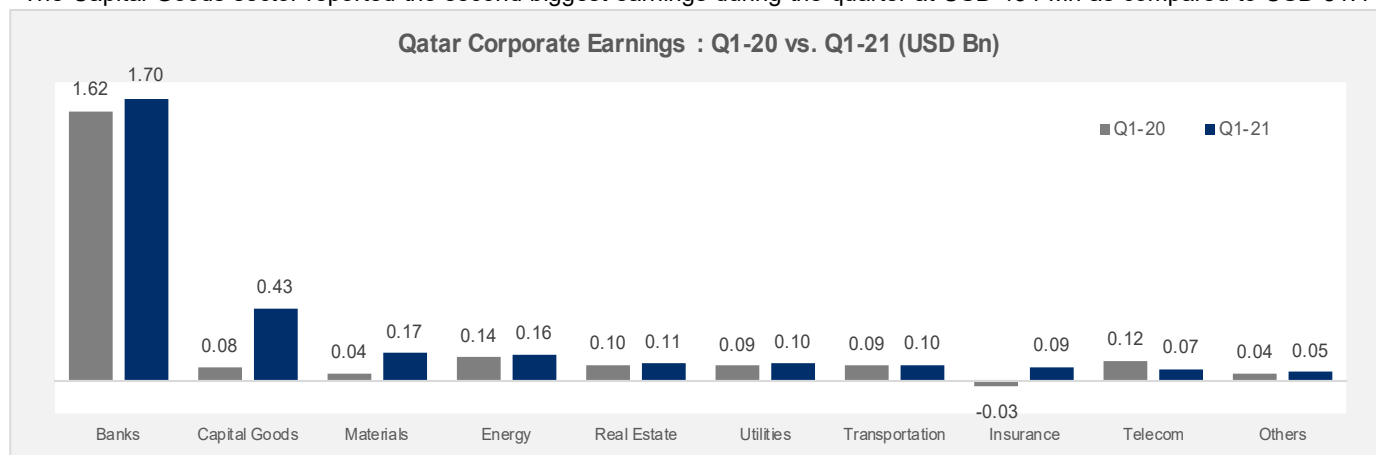
For the Food, Beverage & Tobacco sector, profits increased from USD 41.1 Mn in Q1-2020 to USD 438.3 Mn in Q1-2021. The

increase was mainly led by a steep increase in profits reported by IHC during the quarter. IHC's profits increased from USD 30.6 Mn in Q1-2020 to USD 407.2 Mn in Q1-2021 on the back of acquisitions and investments made last year. In the Utilities sector, Taqa's profits more than doubled to USD 389.9 Mn in Q1-2021 as compared to USD 191.7 Mn in Q1-2020. The company also reported proforma financials to highlight the impact of the Abu Dhabi Power Corp. transaction which would have resulted in a loss of USD 148 Mn in Q1-2020. Lastly, profits for the Real Estate sector more than doubled to USD 170.8 Mn during Q1-2021 as compared to USD 70.2 Mn during Q1-2020. The increase was mainly led by 79.9% increase in profits of Al Dar Properties further supported by y-o-y increase in profits for the remaining four real estate listed companies on ADX.

## Qatar

Total Earnings for Qatari-listed companies increased by 30% during Q1-21 to reach USD 3.0 Bn as compared to USD 2.3 Bn in Q1-2020. Qatar's Banking sector reported a profit growth of 5.1% in Q1-2021 that reached USD 1.7 Bn accounting for 57.5% of the overall exchange profits during the quarter. QNB reported a net profit decline of 7.6% in Q1-21 reaching USD 897 Mn compared to a net profit of USD 971 Mn after the bank set aside higher loan loss provision of QAR 1.4 Bn during the quarter. Meanwhile, Commercial Bank of Qatar registered a net profit growth of 49.3% to reach USD 163 Mn in Q1-21 compared to USD 109 Mn in Q1-20. The results reflected higher net operating income by 8.8% y-o-y to USD 218 Mn while net loans and advances were up by 12% to reach USD 27.3 Bn.

The Capital Goods sector reported the second biggest earnings during the quarter at USD 434 Mn as compared to USD 81.4



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

Mn in Q1-2020. Industries Qatar recorded a net profit of USD 397 Mn in Q1-21 compared to USD 55 Mn in Q1-2020 driven by increased product prices, sales volumes and OPEX savings.

The Materials sector posted a net profit of USD 165 Mn in Q1-2021 compared to a net profit of USD 40.5 Mn driven by QAMCO and MPHC quarter results. Notably, QAMCO posted the best quarterly profit since incorporation, driven by growth in global aluminum prices on the back of improved macroeconomic dynamics. QAMCO recorded a net profit of USD 33.5 Mn in Q1-2021 compared to net profit of USD 2.9 Mn mainly led by higher average realized selling prices, which increased by 15% in Q1-21 versus Q1-20. MPHC net profit surges 561.3% to USD 103 Mn in Q1-2021 compared to a profit of USD 15.5 Mn, the key contributor towards the growth was the overall increase in average selling prices on the back of continued macroeconomic recovery and supply shortages.

In the Telecom sector, Ooredoo's consolidated net profits declined by 50.2% to USD 52 Mn in Q1-2021 compared to USD 105 Mn in Q1-2020. The Telco's revenue declined marginally by 1% y-o-y to USD 2.0 Bn in Q1-2021, due to a negative Foreign Exchange impact coming from Myanmar that resulted in a forex Loss in Q1-2021 vs an forex Gain in Q1-2020. Vodafone Qatar maintained its growth trajectory in Q1-21, reporting a net profit of USD 18.1 Mn for Q1-2021, representing an increase of 37.2% y-o-y. Total revenue increased by 8.3% y-o-y to reach USD 160.7 Mn driven by continued growth in the Company's postpaid revenue and fixed broadband services in addition to higher handset sales. EBITDA for the period increased by 17% to reach USD 64.3 Mn led by higher service revenue.

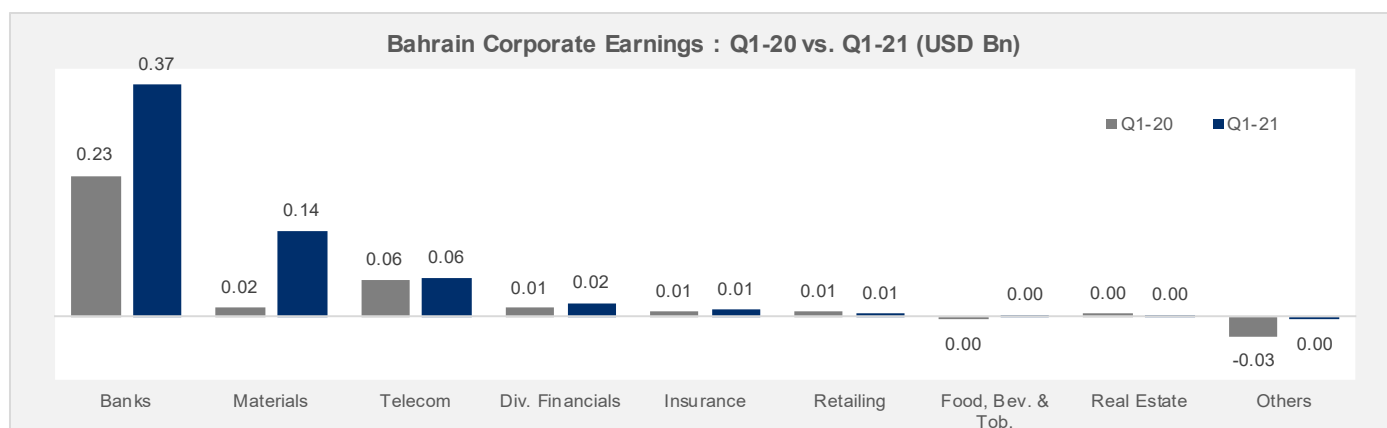
Net profits for the Energy sector improved by 13% y-o-y to reach USD 155.2 Mn supported by higher profits reported by Nakilat and Qatar Fuel Company (WOQOD). Nakilat registered a net profit increase of 14.2% to reach USD 87 Mn for Q1-21 vs USD 76 Mn for Q1-20. The company's operating expenses decreased by 4.1%, while general and administrative expenses decreased by 28.1%. Qatar Fuel Company (WOQOD) posted net profit increase of 11.5% to reach USD 69 Mn in Q1-2021 vs USD 61 Mn driven by higher sales volume of fuel and increase in fuel prices and also increase in non-fuel revenue supported the higher gross margins.



## Bahrain

Bahrain-listed companies posted a net profit of USD 618.5 Mn in Q1-2021 up from USD 305.4 Mn in Q1-2020. The major sectors by market cap namely the Banking and Materials reported a y-o-y increase in net profits in Q1-2021 that was partially offset by profit declines reported mainly by Capital Goods, Retailing and Consumer Services sectors.

The Banking sector registered a net profit of USD 374.4 Mn for Q1-2021 compared to USD 228.4 Mn for Q1-2020. Arab Banking Corporation reported a net profit of USD 35.9 Mn during Q1-2021 as compared to a loss of USD 52.8 Mn during Q1-2020. The turnaround came despite a 10.9% decline in net interest income and mainly reflected a steep decline in provisions and higher non-interest income during Q1-2021. On the other hand, Ahli United Bank recorded a net profit of USD 159.6 Mn for Q1-2021 down from a net profit of 171 Mn for Q1-2020 primarily due to lower net interest income driven by low-key benchmark interest rates as well as non-interest income.

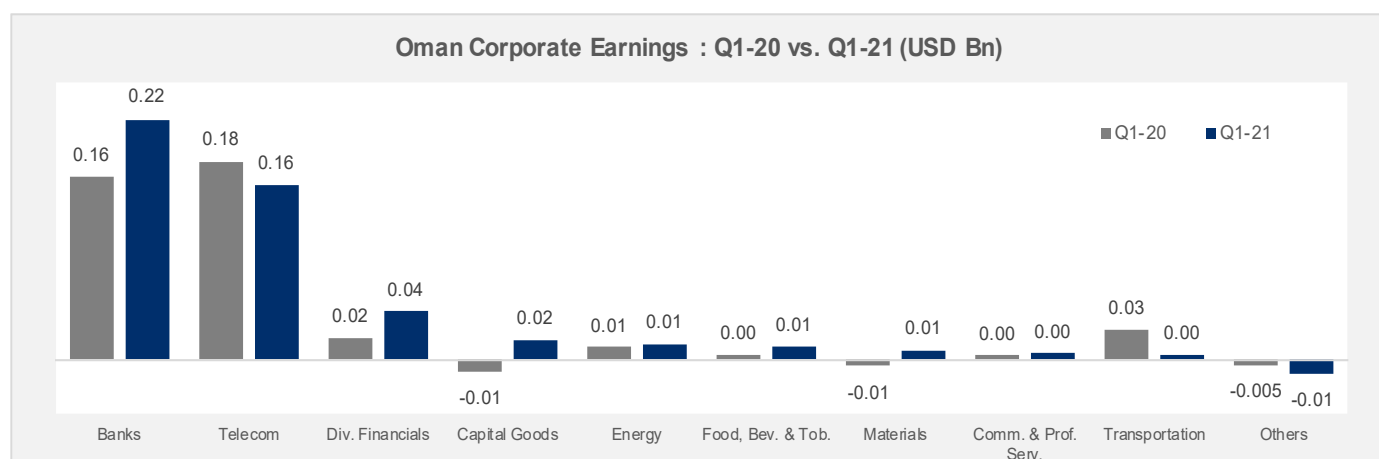


Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

Aggregate profits for the Telecom sector improved by 4.3% in Q1-21 to reach USD 62.8 Mn vs. USD 60.2 Mn in Q1-20. Both the listed telcos on the exchange saw their FY-20 earnings rise during the past financial year. Batelco Q1-2021 net profit jumps 4% to USD 52.3 Mn from USD 49.2 Mn in Q1-2020 attributed to improved revenues and effective control of costs. Gross revenues for the company increased by 2%, mainly driven by y-o-y increases in fixed broadband (up 19%), adjacent services (17%) and wholesale revenues (8%). Zain Bahrain's net profit increased to USD 4.1 Mn up by 10.6% from USD 3.7 Mn from the same period in 2020 led a decline in non-operating expenses coupled with a decline in interest expense.

## Oman

Total net profits for listed companies in Oman stood at USD 465.6 Mn in Q1-2021 as compared to USD 385.2 Mn in Q1-2020, registering an increase of 20.9%. The key sectors like Banks, Capital Goods and Diversified Financials mainly contributed to the growth in y-o-y profits that was partially offset by decline in profits mainly for the Telecom and Transportation sectors.



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

The Banking Sector, the biggest sector in the exchange by market cap, saw its Q1-2021 net profits increase by 32.1% to USD 217.2 Mn up from USD 164.4 Mn in Q1-2020. Bank Muscat posted the largest Q1-21 net profits among the banks which reached USD 122.4 Mn after recording a y-o-y increase of 41.8%. The increase in profit was mainly led by higher net-interest and non-interest income coupled with a steep decline in loan loss provisions during the quarter. Meanwhile, HSBC Bank Oman recorded a net profit during Q1-2021 that reached USD 11.1 Mn as compared to a loss of USD 11.6 Mn in Q1-2020. The profits came mainly on the back of reversal of impairments during the quarter that was partially offset by lower net interest and non interest income.

In the Telecom sector, OmanTel saw its Q1-2021 profits dropped 10.4% to reach USD 145 Mn compared with net profit of USD 162 Mn in Q1-2020 led by 7.4% decline in revenues. On the other hand, Oman Qatari Telecommunications Co's quarterly earnings reported a 27% decline in Q1-21 profits to USD 12 Mn down from USD 16.4 Mn net profits recorded in Q1-20.



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