

## GCC Corporate Earnings Report : Q2-2020

August - 2020

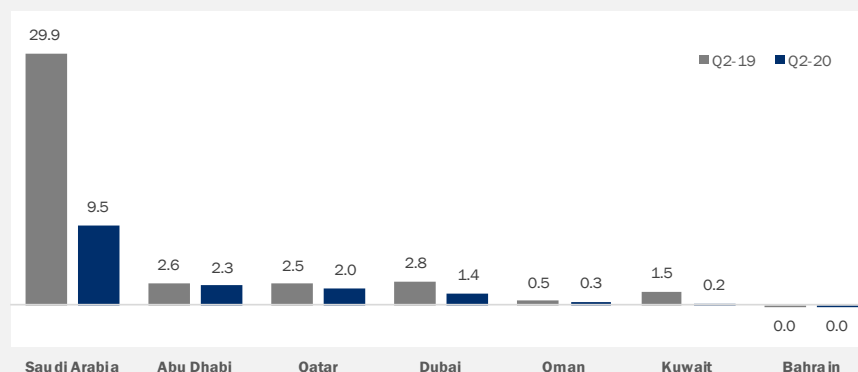
**GCC net profits decline by over 61% in Q2-20 led by Energy, Bank and Material stocks...**

Earnings reported by companies listed on GCC exchanges reflected the real impact of the Covid-19 lockdowns during Q2-2020 that affected all economic activity globally as well as in the region. Around 76% of the listed GCC companies reported Q2-2020 earnings by the time we compiled this report with 55% or 275 companies showing a y-o-y decline in net profits. Moreover, a bulk of the companies in Bahrain reported only 1H-2020 results and did not report the quarterly split. As a result, we have excluded such companies from our quarterly analysis and are only included in the analysis of 1H-2020 numbers.

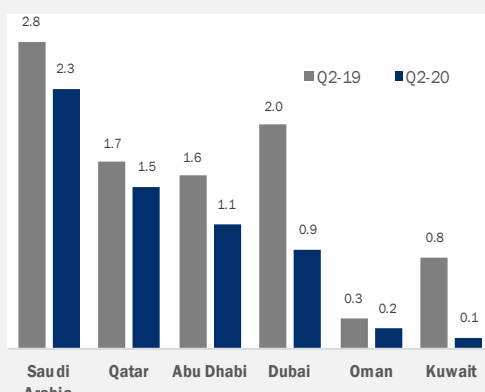
Aggregate profits for the GCC-listed companies that reported earnings plunged 60.7% y-o-y in Q2-20 to reach USD 15.7 Bn as compared to USD 39.9 Bn in Q2-19. In terms of q-o-q performance, earnings declined by 38.8% during the quarter. The decline in earnings was broad-based as all of the GCC exchanges reported a y-o-y decline during Q2-2020. Saudi Arabian companies reported the biggest absolute decline in earnings that fell by USD 20.4 Bn or 68.3% y-o-y to reach USD 9.5 Bn during Q2-2020. Excluding the quarterly net profit of Saudi Aramco that declined by 72.7%, aggregate profits for Saudi Arabia declined slightly less by 47.4% y-o-y during Q2-2020. Companies in Dubai and Kuwait were next with declines of USD 1.41 Bn and USD 1.37 Bn, corresponding to y-o-y percentage declines of 50.6% and 89.5%, respectively. Companies listed in Abu Dhabi reported the smallest y-o-y decline in earnings during the quarter at 12.7% reported at USD 2.29 Bn.

In terms of sector performance, Energy stocks once again led the y-o-y declines posting USD 18.2 Bn or 73.1% y-o-y fall in earnings that reached USD 6.7 Bn during Q2-2020. Banks were next with a decline of USD 2.99 Bn or 32.9% to reach USD 6.1 Bn whereas Material stocks reported an aggregate loss of USD 719.6 Mn during Q2-2020 as compared to a profit of USD 1.1 Bn during Q2-19.

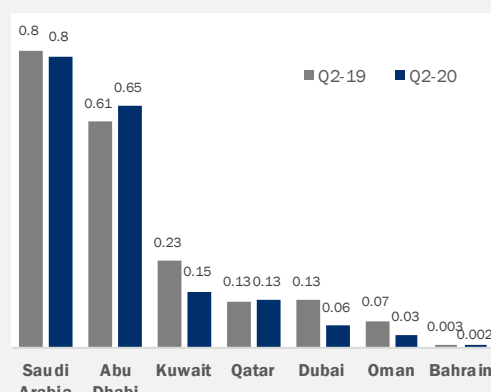
GCC Corporate Earnings : Q2-19 vs. Q2-20 (USD Bn)



GCC Banks: Q2-19 vs. Q2-20 (USD Bn)



GCC Telcos: Q2-19 vs. Q2-20 (USD Bn)



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

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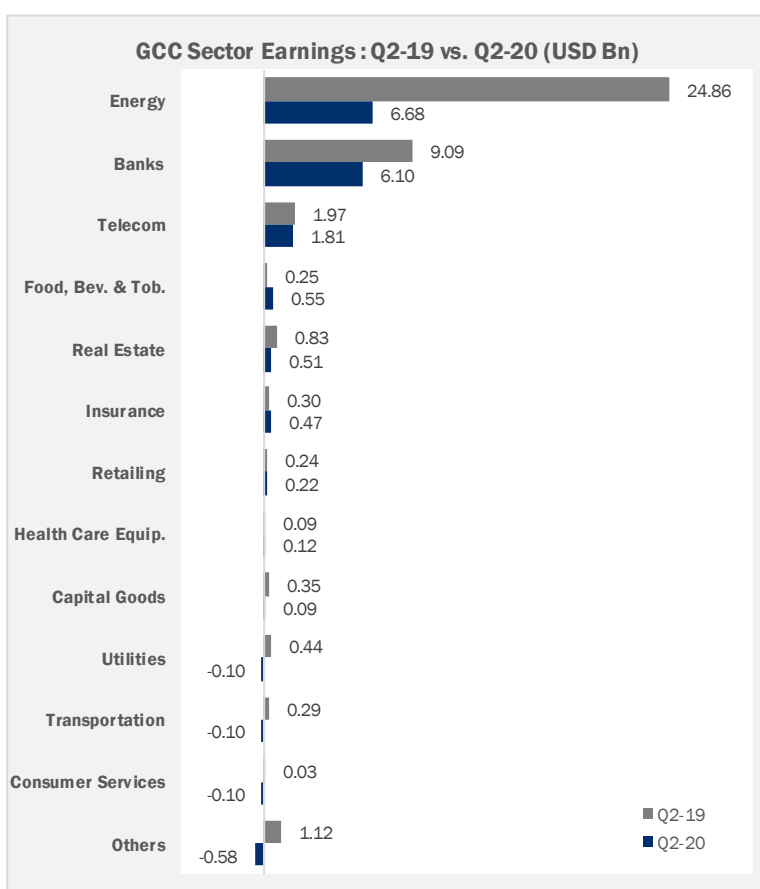
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In terms of 1H-2020 earnings performance, the aggregate for the GCC declined by 46.3% to reach USD 41.9 Bn as compared to USD 78.1 Bn during 1H-2019. Saudi Arabia once again reported the biggest absolute decline in earnings with a fall of USD 27.8 Bn or 48.7% to reach USD 29.3 Bn. Kuwait was next with a decline of USD 2.6 Bn or 77.8% to reach USD 0.7 Bn in aggregate 1H-2020 earnings, whereas the two UAE exchanges reported an earnings decline of 40%. The smallest percentage decline was reported by Qatar at 19.7% or USD 1.1 Bn to reach USD 4.3 Bn in 1H-2020.

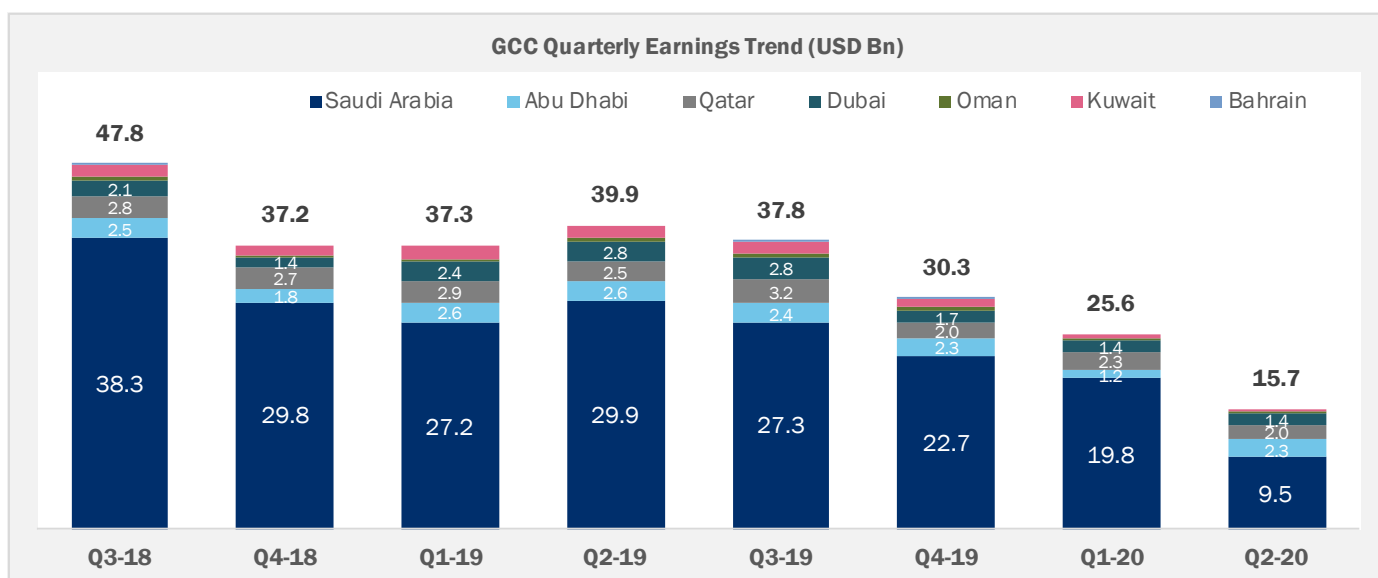
The decline in quarterly earnings for the Energy sector came primarily on the back of the historic decline in oil prices during the quarter that pushed down earnings across the board for the sector. Both crude oil and natural gas prices remained low during the quarter and touched decades low. Aramco's earnings declined by USD 18.0 Bn y-o-y and reflected the rout in oil prices due to a Covid-19 led demand slowdown. Around 11 out of 17 energy companies reported y-o-y decline in earnings during the quarter. In the Materials sector, SABIC reported the biggest drop in earnings to report a loss of USD 592.9 Mn during Q2-2020 vs. a profit of USD 564.0 Mn during Q2-19 reflecting a fall in volume and selling prices.

Aggregate net income for listed banks reached one of the lowest on record during Q2-2020 after declining by 32.9% y-o-y to reach USD 6.1 Bn. The decline was broad-based with the banking sector in all of the six exchanges (excluding Bahrain) reported double-digit drop in net profits during Q2-2020 led by provisions charges related to Covid-19.

Telecom sector earnings declined by 8.2% y-o-y and 4.6% q-o-q during Q2-2020 to reach USD 1.81 Bn. The decline came after 12 out of 15 listed telcos reported a y-o-y fall in earnings. The biggest absolute y-o-y decline in earnings was reported by UAE's Du with its net profits declining by USD 67.7 Mn or 53.6% to reach USD 58.6 Mn due to a lockdown-led decline in the telco's topline. Zain and STC were next with declines of USD 46.4 Mn (-28%) and USD 33.0 Mn (-4.3%). Etisalat and Ooredoo were the only regional operators that reported a y-o-y earnings growth of 7% and 2.6%, respectively, during Q2-2020.



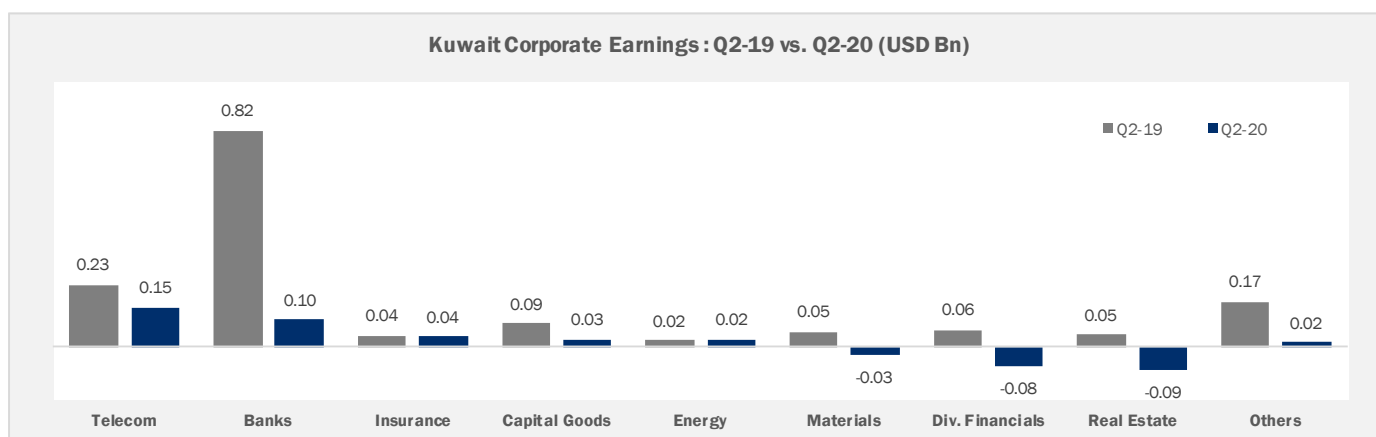
Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research



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

## Kuwait

Aggregate net profits for Q2-2020 for Boursa Kuwait-listed companies witnessed one of the biggest declines in the GCC shrinking by almost 90% to USD 161.5 Mn compared to USD 1.54 Bn during Q2-19. The biggest absolute y-o-y decline in earnings were reported by Banks, Diversified Financials, Real Estate, and Transportation sectors with net profits for these sectors falling by USD 1.1 Bn during the quarter. On the other hand, smaller sectors like Food & Beverage and Healthcare Equipment Services reported y-o-y increase in profits during Q2-2020 due to the non-cyclical nature of spending in these sectors.



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

Net profits for the Kuwaiti Banking sector plunges 88% to USD 102 Mn in Q2-2020 against USD 817 Mn in Q2-19 as all the banks posted a decline in the net profit led by higher Covid-19 led provision charges. NBK reported a Q2-20 net profit of USD 110.3 Mn, a decline of 67% primarily due to higher provision charges of credit losses and impairment losses and higher operating expenses. Similarly, KFH reported a net profit of USD 41.7 Mn for Q2-20 compared to a profit of USD 185 Mn in Q2-19, a drop of 77.5%, driven by increase in provisions for impairment to offset the negative effects of coronavirus pandemic. Ahli Bank of Kuwait posted a net loss of USD 35.3 Mn in Q2-20 against a net profit of USD 33.5 Mn, due to benchmark interest rate cut and lower business volumes. Warba Bank reported the biggest loss for the sector at USD 56.0 Mn during Q2-2020 as compared to a profit of USD 8.8 Mn during Q2-19.

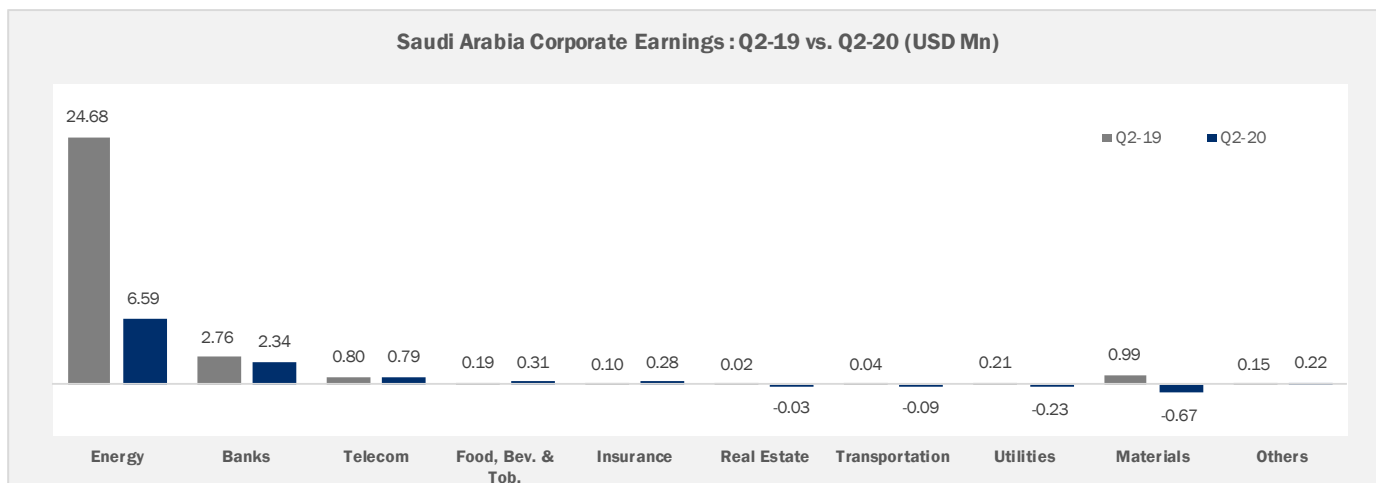
Profits for the Telecom sector declined by 35.4% to reach USD 150 Mn for Q2-20 compared to USD 232.6 Mn for Q2-19. Zain recorded a net profit of USD 119.2 Mn in Q2-20 compared to USD 166 Mn in Q2-19 down by 28% due to the lockdown led closure of retail stores and travel restrictions that resulted in a decline in roaming revenues. STC Kuwait logged a profit of USD 31 Mn in Q2-20 versus USD 34 Mn in Q2-19, the smallest decline in for telcos in Kuwait whereas Ooredoo Kuwait reported a net loss of USD 0.2 Mn during the quarter vs. a profit of USD 28.1 Mn during Q1-19.

The Diversified Financials sector reported the second biggest loss during the quarter at USD 140 Mn with Q2-2020 loss at USD 75.9 Mn as compared to a profit of USD 64.1 Mn during Q2-19. The Real estate sector was one of the biggest contributors for dragging the profitability of the exchange. The sector reported a net loss of USD 89 Mn in Q2-20 as compared to a net profit of USD 45 Mn in Q2-19. 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 60 Mn for Q2-20 compared to a profit of USD 14 Mn in Q2-19. Meanwhile, Mabanee reported a net loss of USD 25.6 Mn for Q2-20 compared to a profit of USD 46.3 Mn during Q2-19 due to the loss of the revenues as the management gave relief to tenants through rent waivers. Tamdeen Real Estate Co. posted a loss of USD 38.5 Mn in Q2-20 compared to a net profit of USD 5.3 Mn in the previous year primarily due to decrease of operating revenue and net income from investments. Munshaat Real Estate and Al-Arabiya Real Estate also reported significant losses during the quarter at USD 16.2 Mn and USD 15.9 Mn, respectively.

In the Food, Beverage & Tobacco sector Mezzan Holding Co. posted a net profit growth of 55.2% in Q2-20 by achieving a net profit of USD 11.5 Mn on the back of increased scale of operations during the pandemic. However, in the Food & Staples Retailing sector, Sultan Center and Al Eid Food Co. reported decline in profits by 35% and 13.6%, respectively. Livestock Transport & Trading Co. was the only company in the sector that reported a y-o-y growth in profits that reached USD 4.2 Mn vs. USD 2.2 Mn in Q2-19.

## Saudi Arabia

Aggregate net profits for Saudi Arabian listed companies witnessed a steep decline of 68.3% to reach USD 9.5 Bn in Q2-20 against USD 29.9 Bn in Q2-19. In absolute terms, the quarterly earnings dropped by USD 20.4 Bn and out of this USD 18.1 Bn was accounted by the drop in earnings for the Energy sector. Other key sectors that reported y-o-y decline in earnings included Materials, Utilities, Banks and Transportation. On the other hand, the Insurance sector reported a healthy growth in profits that increased almost 3x to reach USD 281.6 Mn. Consumer non-cyclical sectors like Food & Beverage, Food & Staples retailing and Healthcare also reported higher earnings during Q2-2020, partially offsetting the overall decline during the quarter.



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

Oil giant Aramco reported a net profit decline of 73% during Q2-20 primarily led by lower crude oil prices, coupled with declining refining and chemical margins. The rest of the companies in the Energy sector also reported y-o-y decline in earnings barring Bahri that reported multi-fold y-o-y increase in earnings backed by higher topline growth across business units.

In the Banking Sector, Riyadh Bank reported a fall of 29% in the net profit that reached USD 283.4 Mn in Q2-20 compared to USD 400 Mn in Q2-19 on the back of higher operating expenses. National Commercial Bank posts 22.3% y-o-y profit decline to report USD 557 Mn in Q2-20 as compared to USD 716 Mn in Q2-19, due to lower operating income, a decline in commission income and investment related income. Notably, net profits for Samba Financial Group increased by 2.1% to reach USD 254 Mn in Q2-20 attributed to increase of an 8.6% increase in operating income and higher gains on FVOCI debt.

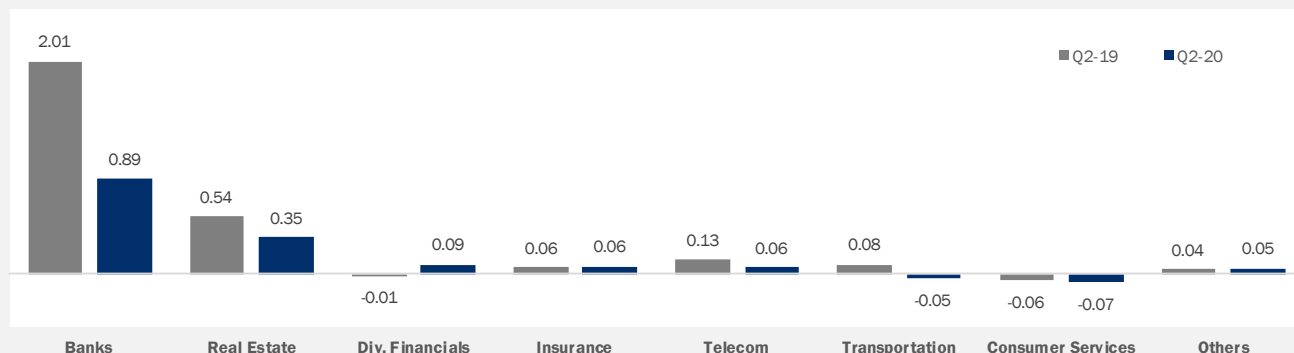
Net profit for the Telecom sector declined by 1.8% y-o-y to reach USD 786 Mn in Q2-20 as compared to USD 800 Mn during Q2-19. STC reported a 4.3% y-o-y decline in net profits that reached USD 726.3 Mn. Zain KSA profits tumbled 55% to reach USD 15.6 Mn for Q2-20 versus a profit of USD 34.7 Mn in Q2-19. On the other hand, Mobily posted a fourfold rise in Q2-20 net profit that reached USD 49.4 Mn against a profit of USD 10.1 Mn in Q2-19 backed by increased revenue from business and wholesale units.

In the Food & Beverages sector, Savola Group reported a net profit of USD 109.2 Mn for the Q2-20 compared to USD 40 Mn in Q2-19. The rise in profit is driven by higher sales and improved profit margins in retail and frozen foods segments. Al-Marai Co's net profit increased by 10.5% y-o-y to USD 172 Mn in Q2-20 driven by revenue growth from foods, long-life dairy and poultry and that resulted in higher gross profits.

## Dubai

Net profits for Dubai-listed companies declined 50.6% to USD 1.4 Bn in Q2-20 against USD 2.8 Bn in Q2-19. The decline came primarily from the steep drop in profits for the Banking, Real Estate, Transportation and Telecom sectors that was partially offset by higher profits primarily for the Diversified Financials sector.

Net profits for the Banking Sector declined by 55.6% y-o-y to USD 891.9 Mn down from USD 2 Bn in Q2-19. Emirates NBD incurred the largest Q2-20 decline among the banks declaring Q2-20 net profits of USD 546.9 Mn against USD 1.29 Bn in Q2-19. The decline in profit was mainly ascribed to adverse effects of the Covid-19 lockdowns. Dubai Islamic Bank posted the second largest Q2-20 net profits among the banks with USD 274.7 Mn in Q2-20 against USD 376.5 Mn in Q2-19, while Emirates Islamic Bank was the only bank which declared a loss of USD 39 Mn in Q2-20.

**Dubai Corporate Earnings : Q2-19 vs. Q2-20 (USD Bn)**


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

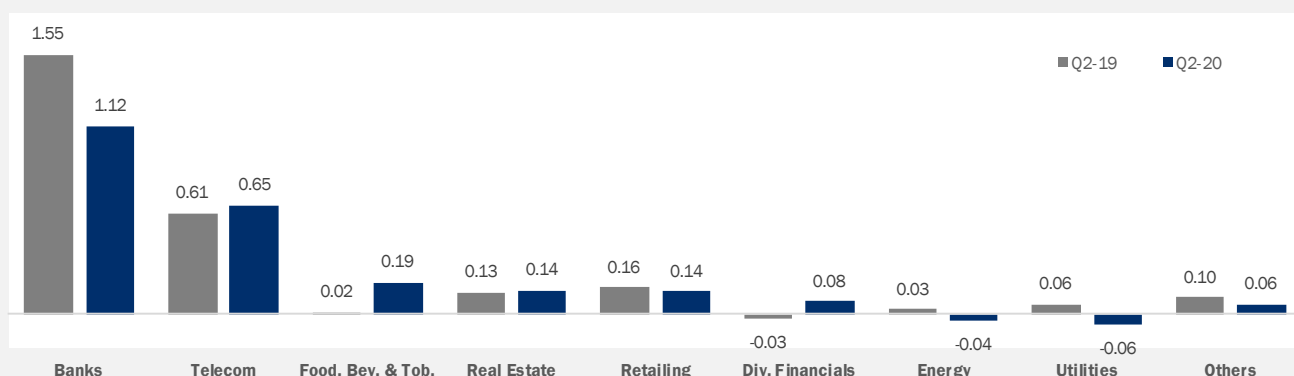
Aggregate profits for the Real Estate Sector declined by 36% y-o-y in Q2-2020 to reach USD 346.1 Mn down from USD 540.5 Mn in Q2-19. Damac Properties dragged down the sectors overall Q2-20 net profits declaring a USD 76.4 Mn loss in the quarter against a profit of USD 13.8 Mn in Q2-19. The company attributed the loss to the difficult conditions of the Covid-19 pandemic which has negatively impacted sales and business activity. Emaar Properties posted the largest Q2-20 net profits in the Real Estate sector with USD 326.1 Mn compared with USD 372.7 Mn during the similar period in 2019.

## Abu Dhabi

Listed companies in Abu Dhabi witnessed the smallest drop in net profits during Q2-2020 with a decline of 12.7% to reach USD 2.3 Bn compared with USD 2.6 Bn during Q2-19. In line with the rest of the GCC markets, the Banking sector in Abu Dhabi reported the biggest drop in net profits with an aggregate sector profit of USD 1.1 Bn as compared to USD 1.6 Bn during Q2-19, a y-o-y drop of USD 429 Mn or 27.6%. The Utilities sector was next with a profit decline of USD 112.4 Mn to report a loss of USD 55.8 Mn during Q2-2020. Energy, Materials, Consumer Services, Capital Goods and Pharma were some of the other sectors that reported losses during the quarter. On the other hand, Food & Beverage, Telecom, Diversified Financials and Insurance sectors reported healthy growth in profits during the quarter.

In the Banking Sector, of the ten banks that declared their Q2-20 net profits only Abu Dhabi Commercial Bank declared a y-o-y increase in Q2-20 earnings. First Abu Dhabi Bank posted the largest Q2-20 profits among the banks that declined 25% to reach USD 656.6 Mn in Q2-20 compared to USD 877 Mn during the same period of 2019. FAB attributed the decline in profits in the second quarter of 2020 to the economic impact induced by COVID-19 and historically low interest environment. Abu Dhabi Commercial Bank posted the second largest Q2-20 net profits among the banks registering USD 335.3 Mn for the quarter a 4.4% increase from net profits in Q2-19. United Arab Bank declared the largest loss in net profits among the banks in Q2-20 declaring USD 24.2 Mn.

In the Utilities sector, the sole stock Abu Dhabi National Energy reported a loss of USD 55.8 Mn due to the adverse impact of the Covid-19 pandemic. However, the company said that the decline in profits came on the back of lower energy prices globally during the quarter whereas its utilities business reported flat revenues during the quarter. Meanwhile, Dana Gas in the Energy sector also posted a loss of USD 36 Mn during Q2-2020 led by impairments charges and lower oil prices that affected revenues during the quarter.

**Abu Dhabi Corporate Earnings : Q2-19 vs. Q2-20 (USD Bn)**


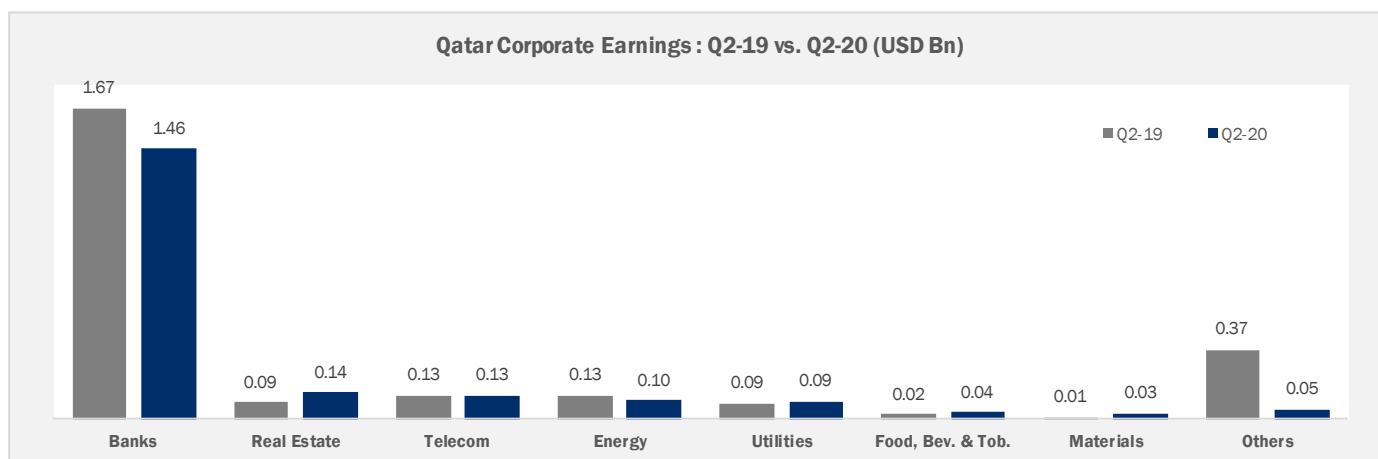
Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

On the other hand, the Food & Beverage sector reported the biggest absolute increase in net profits during Q2-2020 at USD 190.7 Mn as compared to USD 15.4 Mn during Q2-19. The increase came mainly on the back of higher profits for International Holdings Co. and Ras Al Khaimah Poultry & Feeding Co. that were partially offset by a decline in profits reported by Agthia Group.

The Diversified Financials sector witnessed the second biggest increase in profits during Q2-2020 reaching a net profit of USD 79.4 Mn as compared to a loss of USD 31.5 Mn during Q2-19. Waha Capital's USD 72.8 Mn profit in Q2-2020 vs. a loss of USD 33.9 Mn in Q2-19 further supported by an increase in profits for Umm Al Qaiwan General Investments and Finance House pushed the sector profits higher. In the Telecom sector, Etisalat reported a profits growth of 7% during Q2-2020 reaching USD 650 Mn as compared to USD 607.7 Mn during Q2-19.

## Qatar

Total Earnings for Qatari-listed companies declined by 18.8% during Q2-20 to reach USD 2.04 Bn as compared to USD 2.51 Bn in Q2-2019. This was one of the smallest declines in quarterly profits in the GCC that was primarily led by fall in profits mainly for the Capital Goods, Banking and Insurance sectors that was partially offset by growth in profits for Real Estate, Materials and Food & Beverage sectors during the quarter.



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

Qatar's Banking sector reported a profit decline of 13% in Q2-20 that reached USD 1.46 Bn accounting for 72% of the overall exchange profits during the quarter. QNB reported a net profit decline of 25.8% y-o-y in Q2-20 reaching USD 775.8 Mn mainly due to increase in loan loss provisions as a precautionary measure in the light of Covid-19 pandemic. Qatar Islamic Bank posted a marginal decline of 0.1% with a quarterly net profit of USD 203 Mn. Al Khalij Commercial Bank saw a strong growth in its net profit at 4.8% y-o-y to reach USD 50.6 Mn in Q2-2020 compared to USD 48.3 Mn primarily due to 10.6% increase in loans and 12% increase in the net operating income. Quarterly net profit for Commercial Bank of Qatar declined by 1.9% to USD 137 Mn in Q2-20 compared to USD 140 Mn in Q2-19. Non-interest income for the Group decreased by 17.4% to USD 142.3 Mn for Q2-20 compared to USD 172.7 Mn achieved in the same period in 2019. The overall decrease in non-interest income was mainly due to the volatile global markets.

The Qatari Real Estate sector witnessed strong growth in net profits during Q2-2020 with an increase of 59.4% y-o-y to reach USD 141 Mn compared to USD 88.4 Mn in the Q2-19. Barwa Real Estate Co. net profit grew almost four times to USD 112.3 Mn in Q2-2020 against USD 26.2 Mn in Q2-2019 attributed by increase in the net rental income by 10% achieved by the start of sales activities in the Dara A project units in Lusail City, as well as the start of leasing activities in Al Khor Recreation Extension project. The Telecom sector also recorded a profit growth of 2.1% y-o-y in Q2-20 to reach USD 128 Mn compared to USD 125 Mn in the Q2-19. Ooredoo recorded a net profit of USD 119 Mn in Q2-20 compared to USD 115.6 Mn in Q2-19 up by 2.6%. Q2-20, net profit for Vodafone Qatar stood at USD 9.1 Mn compared to USD 9.5 Mn in Q2-19 down by 3.9% y-o-y.

Net profits for the Energy sector dropped 22.7% y-o-y during the quarter to reach USD 98.7 Mn. The decline came primarily on the back of 80% y-o-y decline in profits for Qatar Fuel Company (WOQOD) that reached USD 12.1 Mn in Q2-20 partly attributed to the market slowdown prompted by Covid-19 and partly to supply and demand factors. On the other hand, Nakilat recorded a net profit growth of 12.6% in Q2-20 to reach USD 74.1 Mn prominently due to the commencement of the second phase of its fleet management transition with two vessels transitioned in the last quarter. In addition, the company followed through its fleet expansion plans and took delivery of an LNG carrier newbuild, which will be commercially and technically managed in-house and chartered by Qatargas. Meanwhile, Industries Qatar posted a net profit of USD 77.3 Mn in Q2-2020 compared to a profit of USD 216 Mn in Q2-19 down by 64.2%. The decline in profitability was attributed to several external



factors including the global pandemic situation, significant weaker oil prices and a general decline in demand owing to slowdown in GDP growth and industrial activity.

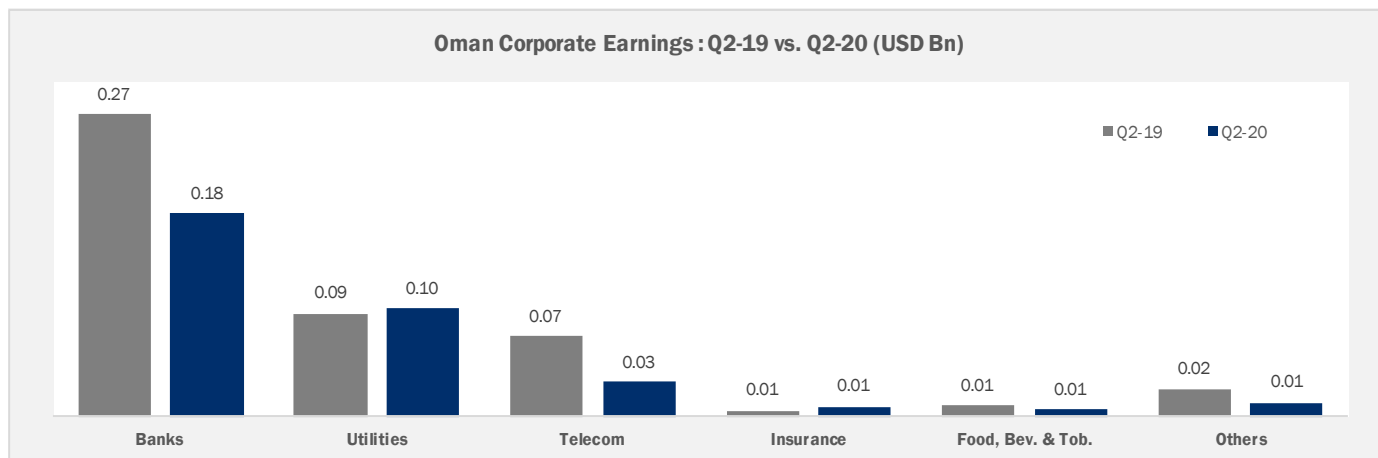
## Bahrain

Total 1H-2020 net profits for Bahrain-listed companies declined by a third to USD 581.1 Mn down from USD 854.4 Mn in 1H-2019 after all the sectors on the exchange reported a decline. 1H-2020 net profits for the Commercial Banks sector reached USD 488.3 Mn registering a y-o-y decline of 22.7% after five out of six banks reported a drop in earnings. Ahli United Bank posted the largest 1H-2020 net profits among the banks with USD 293.4 Mn representing a decrease of 22.3% as compared to USD 377.5 Mn in H1-2019. AUB attributed the decline in profits to the overall contraction of economic activity and a drop in fees and commission income.

Total 1H-2020 net profits of the Services Sector fell 56.1% to USD 61.5 Mn. Profits for Batelco reached USD 66.8 Mn, as compared with USD 91.3 Mn in 1H-19. Batelco attributed the decline in 1H-2020 net profits to a decrease in revenues and the impact of the sale of Qualitynet. The Investment sector's total 1H-20 net profits saw a 40.9% decline to reach USD 60 Mn down from USD 101.6 Mn during 1H-2019. Al Baraka Banking Group declared 1H-2020 net profits of USD 47.5 Mn compared with USD 56.2 Mn for the same period of 2019. The bank's decrease in profits came because of the challenges posed by the negative economic impact of the Covid-19 pandemic.

## Oman

Total net profits for listed companies in Oman in Q2-20 decreased 29.1% to USD 336.9 Mn compared with USD 475 Mn in the corresponding quarter in 2019. The Banking Sector, the biggest sector in the exchange by market cap, witnessed the biggest absolute drop in Q2-2020 net profits that reached USD 182.3 Mn down from USD 271.6 Mn in Q2-19. The Telecommunications Sector also saw its profits stumble by 57% during Q2-20 to reach USD 31 Mn. On the other hand, the second biggest sector by market cap, the Utilities Sector, saw its Q2-20 profits rise by 5.5% to USD 97.2 Mn.



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

Bank Muscat posted the biggest drop in absolute profits within the banking sector during Q2-20 reported at USD 94.4 Mn as compared to USD 124.3 Mn during Q2-19. Profits for HSBC Bank Oman witnessed biggest percentage decline of 88.5% reaching USD 3.3 Mn in Q2-2020 as compared to USD 28.9 Mn during Q2-19. Bank Nizwa was the only listed bank in Oman that reported a y-o-y growth in net profits that reached USD 8.1 Mn, a 42.6% increase as compared to Q2-19.

The profit growth in the Utilities sector came on the back of higher y-o-y profits for six out of eight listed companies in the sector. Net profits reported by Phoenix Power grew by 6.7% or USD 2.0 Mn to reach USD 32.7 Mn during Q2-2020. ACWA Power and Sembcorp Salalah also reported y-o-y increase in profits by 19.0% and 12.2%, respectively. Insurance companies also reported healthy growth in net profits during the quarter backed by higher profits for all the three listed insurance names on the exchange.

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