

GCC Corporate Earnings Report : Q2-2021

August-2021

GCC profits soar over 200% y-o-y in Q2-2021 led by Energy, Bank and Material sectors...

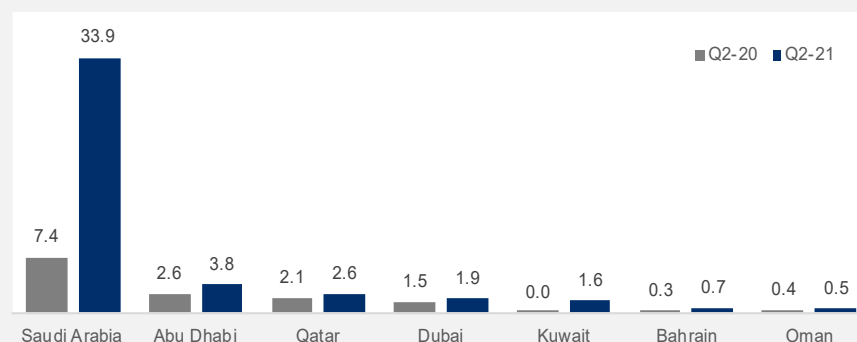
The resumption of economic activity in the GCC to almost full scale was reflected in corporate profits booked during Q2-2021. Aggregate profits during the quarter breached pre-Covid levels to reach USD 45.0 Bn during Q2-2021 vs. USD 14.2 Bn during Q2-2020. The sequential growth in net profit was also healthy at 17.6% as a majority of the sectors posted growth as compared to last year.

Saudi Arabian companies reported the biggest absolute increase in earnings that rose by USD 26.5 Bn or 356.6% y-o-y to reach USD 33.9 Bn during Q2-2021. Quarterly net profit of Saudi Aramco was up 258.3% y-o-y to reach USD 24.2 Bn mainly backed by higher oil and other commodity prices globally during the quarter. **Companies in Kuwait also reported multi-fold increase in quarterly profits from a record low profit last year, whereas Abu Dhabi-listed companies posted a profit growth of 49%. Omani companies reported the smallest y-o-y increase in earnings during the quarter at 22.3% to reach USD 0.52 Bn.**

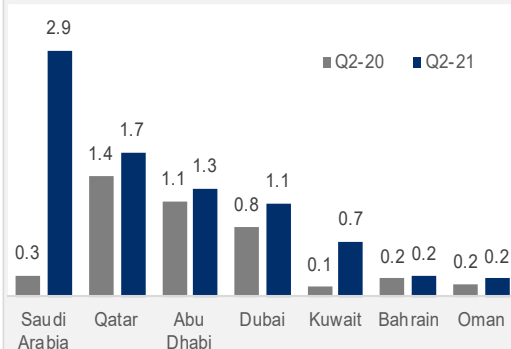
In terms of sector performance, the Energy sector once again led the y-o-y rise in earnings posting USD 24.5 Bn or 267.4% y-o-y jump in earnings up from USD 6.7 Bn in Q2-2020. Profits for the banking sector almost doubled y-o-y to USD 8.2 Bn during Q2-2021. Companies in the Materials sector posted profits during Q2-2021 to the tune of USD 4.3 Bn as compared to a net loss of USD 0.78 Bn during Q2-2020.

On the other hand, sectors that were resilient during the pandemic witnessed a y-o-y decline in profits. Telecom was the one of the four sectors that posted a y-o-y decline with profits reaching USD 1.64 Bn during Q2-2021, a decline of 11.6% y-o-y and 18.6% q-o-q. Insurance, Retailing and Food & Staples Retailing sectors also posted marginal y-o-y decline in profits during Q2-2021. Insurers in Saudi Arabia posted the biggest y-o-y decline in earnings during Q2-2021 with profits more than halved to USD 118 Mn during the quarter as compared to USD 253 Mn during Q2-2020.

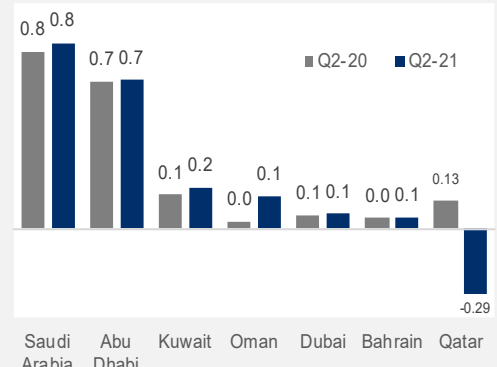
GCC Corporate Earnings : Q2-20 vs. Q2-21 (USD Bn)



GCC Banks: Q2-20 vs. Q2-21 (USD Bn)



GCC Telcos: Q2-20 vs. Q2-21 (USD Bn)



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

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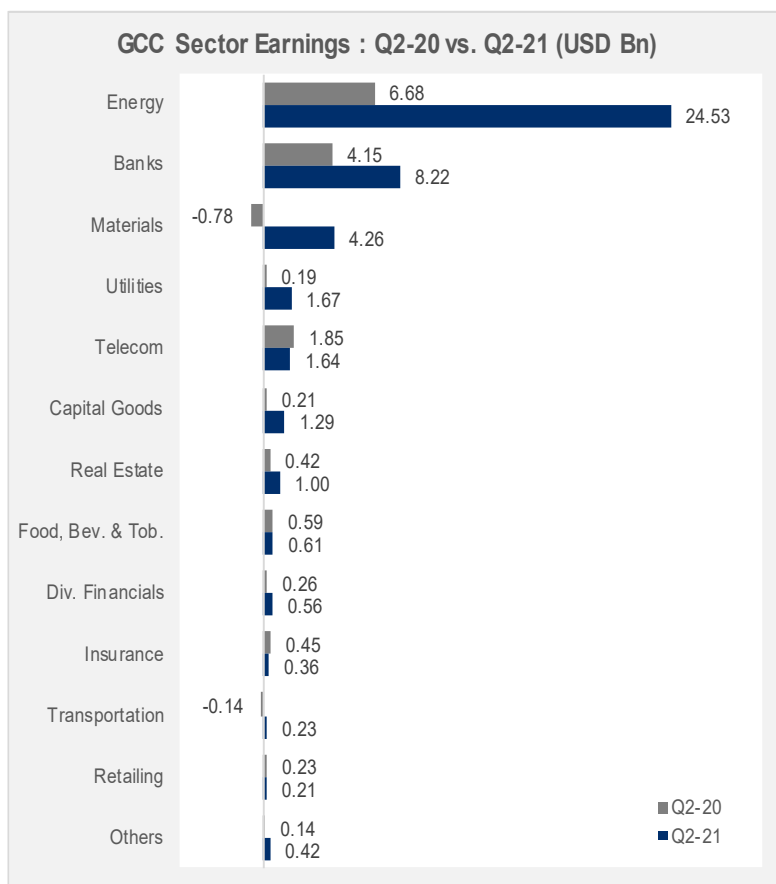
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The Energy sector reported the biggest absolute profits that reached USD 24.5 Bn, up almost four fold y-o-y and 14.8% q-o-q. Profits for Saudi Aramco was up 258.3% y-o-y during Q2-2021 at USD 24.2 Bn, whereas the rest of the companies in the sector reported profits of USD 292.5 Mn in Q2-2021 as compared to a loss of USD 87.4 Mn in Q2-2020. Profits for Aramco was supported by higher crude oil prices led by recovery in oil demand globally. In terms of segments, results were supported by improved downstream margins and the consolidation of SABIC's results, partially offset by lower crude oil volumes sold and higher crude oil production royalties, according to the company.

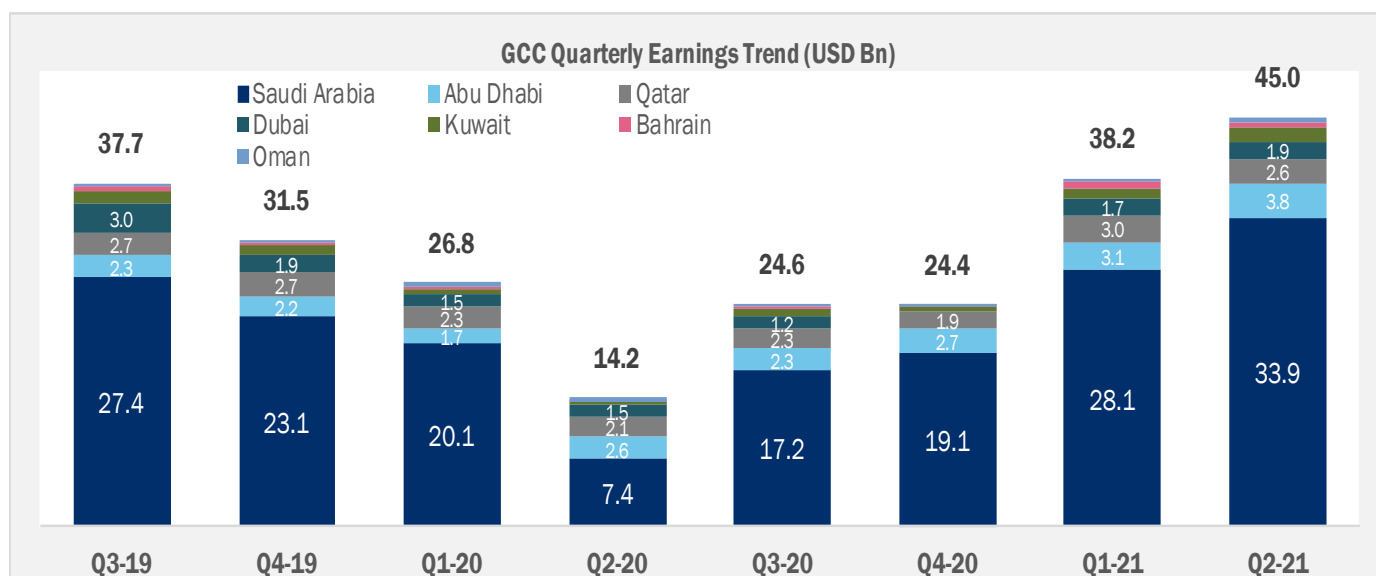
The Banking sector also reported higher profits during Q2-2021 that reached USD 8.2 Bn, almost double y-o-y and 1.9% q-o-q. The y-o-y growth in profits was seen across the region after record low profits reported last year. UAE-based banks reported the biggest increase in profits during the quarter, registering a growth of 22.3% after 9 out of 16 listed banks in the UAE reported an increase in net profits.

Profits for the Materials sector stood at USD 4.26 Bn during Q2-2021 as compared to a loss of USD 0.78 Bn in Q2-2020. The q-o-q growth was also impressive at 49.4%. The turnaround in SABIC's bottom-line from a loss of USD 0.6 Bn in Q2-2020 to a profit of USD 2.0 Bn was the biggest factor for the y-o-y growth in profits for the Materials sector. This was further supported by healthy profits reported by Maaden and Aluminium Bahrain during Q2-2021.

Net profits during 1H-2021 more than doubled to USD 83.2 Bn as compared to USD 41.0 Bn during 1H-2020. Profits were once again up across the board as compared to the peak of the pandemic period last year. Saudi Arabian companies posted a profit growth of 125% y-o-y during 1H-2021 with Aramco posting a profit growth of 90.7%. Excluding Aramco, profit for Saudi-listed stocks increased more than four-fold to USD 16.8 Bn during 1H-2021. In terms of sector performance, profits for the Energy sector almost doubled while Banks posted an increase of 47.2% during 1H-2021. Materials and Utilities companies also posted healthy profits during 1H-2021 as compared to losses during 1H-2020 for both the sectors.



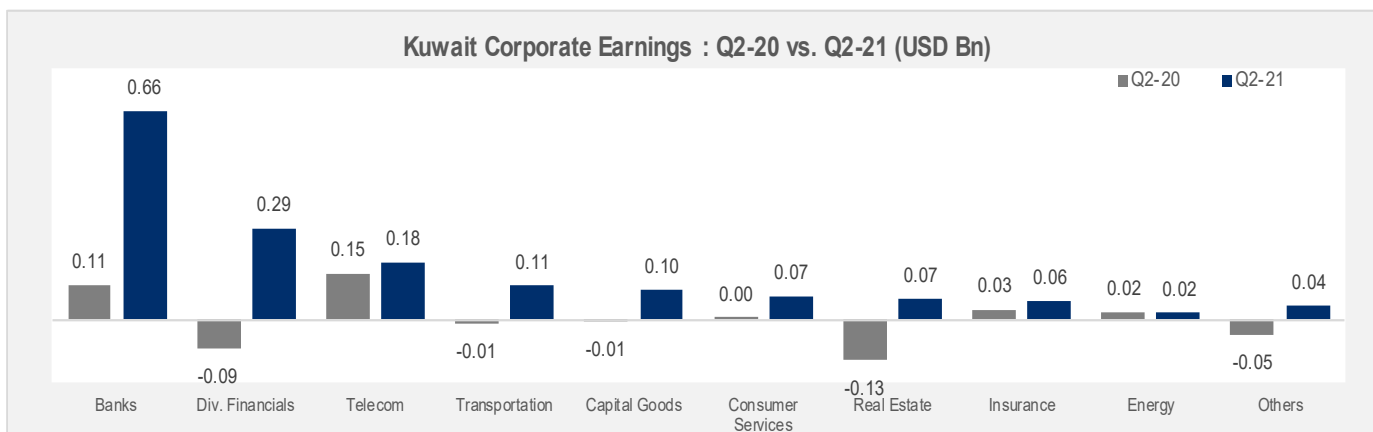
Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research



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 Q2-2021 from a record-low profits reported at the peak of the pandemic during Q2-2020. Net profits during the quarter reached USD 1.60 Bn as compared to USD 0.44 Bn during Q2-2020 while q-o-q growth stood at 24.3%. The y-o-y increase in net profits was mainly driven by Banks, Diversified Financials, Real Estate, Transportation and Capital Goods sector partially offset by a decline in profits for Energy and Food, Beverage & Tobacco sectors.



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

Kuwaiti Banking sector posted a net profit of USD 661.9 Mn for Q2-2021 against USD 111.2 Mn in Q2-2020. NBK reported a Q2-2021 net profit of USD 253.8 Mn compared to a net profit of USD 109.1 Mn primarily due to higher net income from Islamic financing, partially offset by higher operating expenses. Similarly, KFH reported a net profit of USD 173.2 Mn for Q2-2021 compared to a profit of USD 41.3 Mn in Q2-2020, led by decrease of provisions and impairment. CBK posted a net profit of USD 63.3 Mn in Q2-2021 from a net profit of USD 1.1 Mn in Q2-2020, mainly led by lower provisions.

Profits for the Telecom sector increased by 24.3% y-o-y to reach USD 184.6 Mn for Q2-2021 compared to USD 148.5 Mn for Q2-2020. Zain recorded a net profit of USD 137.3 Mn in Q2-2021 compared to USD 118 Mn in Q2-2020 up by 16.4% mainly due to cost optimization initiatives and the loan restructuring across the group that led to significant savings in finance cost. STC Kuwait recorded a net profit of USD 28.1 Mn in Q2-2021 vs USD 30.5 Mn in Q2-2020, down by 7.8%.

Profit for the Real Estate reached USD 67.4 Mn in Q2-2021 compared to a net loss of USD 128.1 Mn in Q2-2020. Mabaneer posted a net profit of USD 44.3 Mn for Q2-2021 against a loss of USD 25.3 Mn led by lower discounts offered to the investors of the units of the Avenues as compared to the same period last year. Tamdeen Real Estate Co. also reported an increase in quarterly net profits that reached USD 5.6 Mn against a net loss of USD 38.1 Mn mainly led by an increase in net operating revenue. On the other hand, Salhia Real Estate Co. recorded a net profit of USD 4.4 Mn for Q2-2021 compared to a net profit of USD 59.0 Mn in Q2-2020 led by decrease in operating revenue.

Profits for the Insurance sector increased by 71.7% y-o-y to USD 58.5 Mn in Q2-2021 compared to USD 34.1 Mn in Q2-2020 after a majority of the companies in the sector posted higher profits during the quarter. Net profits reported by Kuwait Insurance increased by 65% y-o-y to USD 13.7 Mn while profits for Warba Insurance reached USD 2.2 Mn as compared to USD 0.5 Mn during Q2-2020. On the other hand, Gulf Insurance Group posted a marginal decline of 5.8% in net profit that reached USD 20.9 Mn for Q1-2021, although the insurer posted the biggest absolute profits in the sector during the quarter.

Saudi Arabia

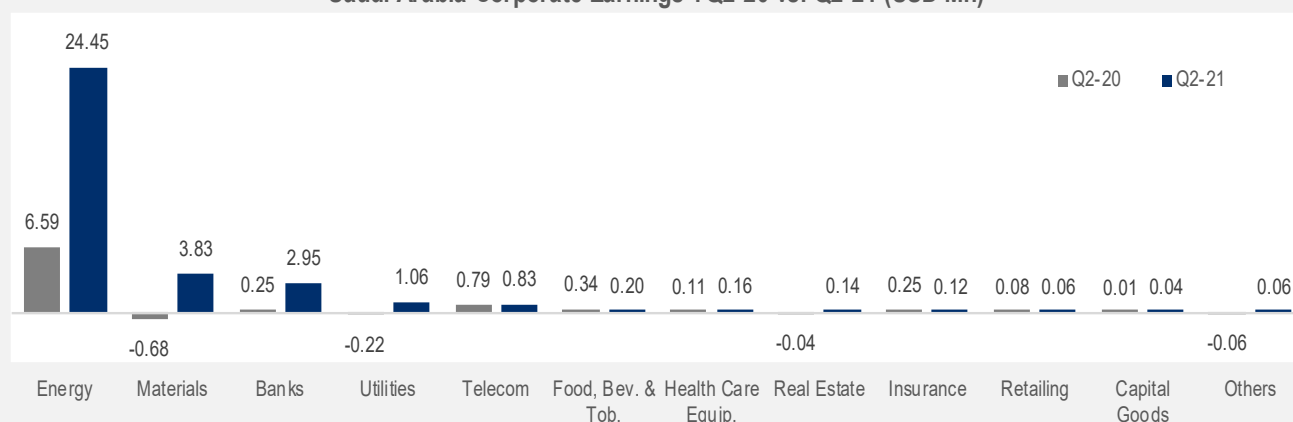
Aggregate net profits for Saudi Arabian listed companies witnessed a y-o-y increase of more than 350% in Q2-2021 to reach USD 33.9 Bn against USD 7.4 Bn in Q2-2020. The increase in profits were backed by higher profits for the Energy, Materials, Banks and Utilities sectors that was partially offset by a decline in profits for Insurance and Food, Beverage & Tobacco sectors.

Aramco tripled its net profit during the quarter to USD 24.2 Bn compared to net profit of USD 6.8 Bn in Q2-2020. The increase in profit was led by higher crude oil prices, strong downstream earnings and the consolidation of SABIC's results, partially offset by a decrease in crude oil sales volumes. On the other hand, Bahr's net profit tumbled 95% to USD 10.4 Mn in Q2 2021 from USD 202.8 Mn in Q2-2020. The profit drop was mainly attributed to lower revenues from several segments, mainly the oil business, whose revenue fell by 74% y-o-y.

Aggregate profits for the Banking sector increased multi-fold to USD 2.9 Bn during Q2-2021 as compared to USD 0.25 Bn during Q2-2020. Within the sector, Al Rajhi Bank's net profit jumped 48% to USD 961 Mn in Q2-2021 against a profit of USD 649.5 Mn for Q2-2020 driven by higher total operating income due to a rise in net financing and investment income. Saudi National Bank, that merged with Samba Financial Group during the quarter, posted a net profit of USD 564.4 Mn for Q2-2021, a marginal increase of 1.4%, compared to a net profit of USD 556.6 Mn in the previous year driven by higher operating income. Riyadh Bank's net profit climbed 42.2% to USD 403 Mn in Q2-2021 compared to a net profit of USD 283.4 Mn in the prior year period backed by a 9.9% rise y-o-y in total operating income and a 16.4% y-o-y drop in total operating expenses.

Net profit for the Telecom sector grew 5% y-o-y to USD 825 Mn in Q2-2021 as compared to USD 785.7 Mn during Q2-2020. Mobily's net profit increased by 32% y-o-y to USD 65 Mn in Q2-2021 from USD 49.3 Mn in prior-year mainly backed by 4.75% revenue growth. STC's net profit, on the other hand, was up by 4% to USD 752 Mn in Q2-2021 from USD 726 Mn in Q2-2020 driven by higher revenue, along with a decline in operating expenses. Zain KSA reported a net profit of USD 11 Mn in Q2-2021, a fall of 29%, from a net profit of USD 16 Mn a year earlier. The decline in earnings was attributed to 2% fall in revenue.

Saudi Arabia Corporate Earnings : Q2-20 vs. Q2-21 (USD Mn)



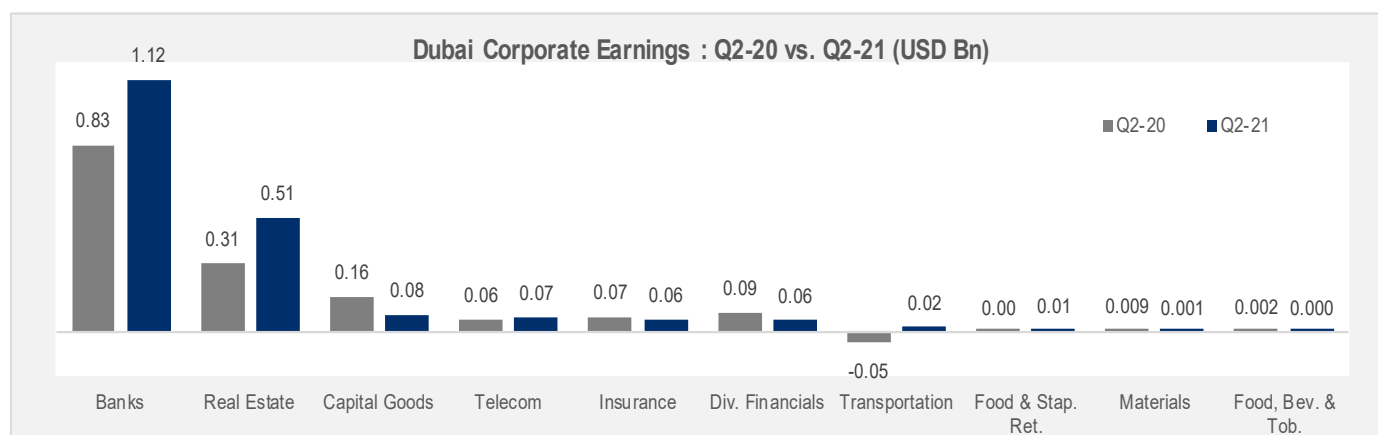
Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

The turnaround in profits for the Materials sector from a loss of USD 680.3 Mn in Q2-2020 to a profit of USD 3.8 Bn in Q2-2021 was mainly led by higher profits for SABIC. The company reported a net profit of USD 2 Bn during the quarter as compared to a loss of USD 592.9 Mn in Q2-2020. The increase in profits was driven by a rise in average selling prices and in SABIC's profit share from joint ventures and associates. Meanwhile, in the Utilities sector Saudi Electricity Co. reported profits during Q2-2021 to the tune of USD 1.04 Bn as compared to a loss of USD 231.6 Mn in Q2-2020. This was driven by the enactment of regulatory and financial reforms in the electricity sector in November 2020, which boosted operating revenue and lowered financing costs.

Dubai

Net profits for Dubai-listed companies jumped 29.7% y-o-y to USD 1.9 Bn in Q2-2021 against USD 1.5 Bn in Q2-2020. The increase in earnings came primarily from the easing of economic restrictions that were in place during the first half of 2020. Earnings growth during the quarter were mainly driven by Banks and Real Estate companies. The two sector accounted for the biggest share of corporate profits in Q2-2021 with y-o-y increases of 34.5% and 65.7%, respectively. It is noteworthy that out of Dubai Stock Exchange's ten sectors only four have witnessed a y-o-y increase in profits during Q2-2021 while the remaining six sectors including the Insurance and Transportation sectors recorded a decline.

Total Net profits for the Banking Sector rose USD 287.7 Mn in Q2-2021 to reach UD 1.1 Bn up from USD 834.4 Mn in Q2-2020. The sector's rise in total earnings was primarily driven by Emirates Islamic Bank's return to profits during 2021. The bank's Q2-2021 profits stood at USD 97.2 Mn compared with a loss of USD 39 Mn during the corresponding period of 2020, driven by stronger top line growth and declining impairment charges. Furthermore, Emirates NBD has also witnessed a y-o-y profit increase of 23% to USD 622 Mn during Q2-2021 contributing to the total earnings improvement in the sector during the quarter. Effective cost management and significant reduction of the cost of risk has been attributed to the banks improved Q2-2021 net profits. Meanwhile, Commercial Bank of Dubai registered a 63% increase in Q2-2021 earnings which reached USD 95.6 Mn up from USD 58.6 Mn in net profits during Q2-2020.

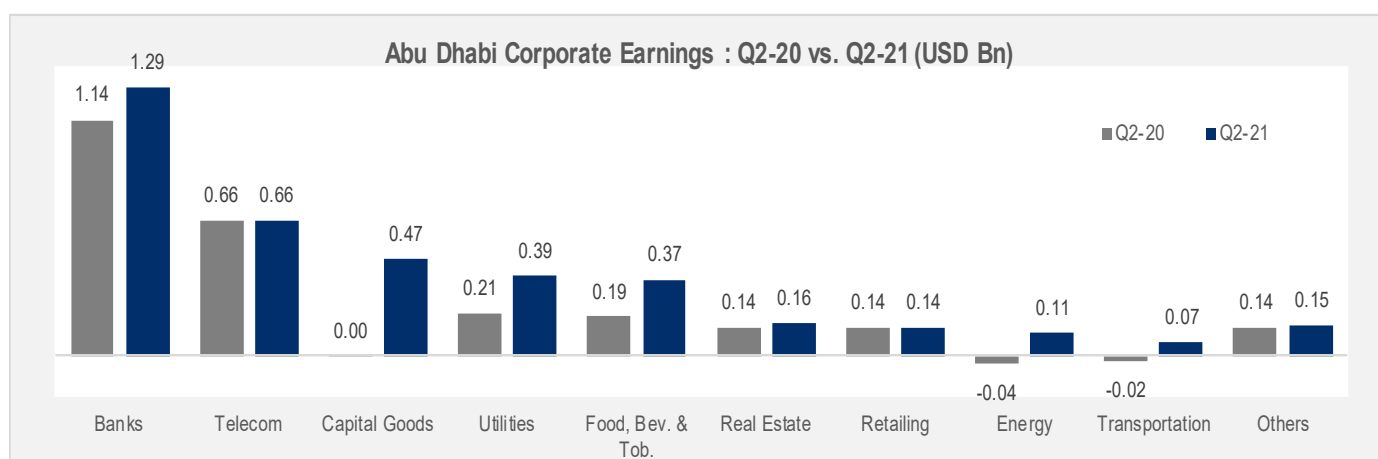


Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

Aggregate profits for the Real Estate Sector rose by 65.7% y-o-y in Q2-2021 to reach USD 509.6 Mn up from USD 307.5 Mn in Q2-2020. Union Properties and Emaar Malls Group that posted losses during Q2-2020 have both returned to profits in Q2-2021 posting USD 7.3 Mn and USD 82.6 Mn in net profits, respectively, contributing to the total rise in profits of the sector. Union properties returned to profits on the back of higher revenues as the UAE Real Estate sector recovers from the pandemic. On the other hand, Emaar Malls Group return to profits was underpinned by its acquisition of the e-commerce fashion and lifestyle platform, Namshi, which recorded a 65% increase in sales in Q2-2021 compared with Q1-21.

Abu Dhabi

Listed companies in Abu Dhabi witnessed a 49% rise in net profits during Q2-2021 to reach USD 3.8 Bn compared with USD 2.6 Bn during Q2-2020. In line with the rest of the GCC markets, the Banking sector in Abu Dhabi witnessed an increase net profits with aggregate sector profit of USD 1.3 Bn as compared to USD 1.1 Bn during Q2-2020, a y-o-y rise of USD 153 Mn or 13.4%. The Telecom sector posted the second-largest net profits in sector during Q2-2021, although the y-o-y increase in profit was marginal at 0.5% to reach USD 658.2 Mn compared with USD 655.1 Mn during Q2-2020. Utilities, Real Estate, and Capital Goods sectors were some of the other sectors that reported rise in net profits during the quarter. On the other hand, Energy, Transportation, and Insurance sectors reported decline in profits during the quarter.



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

In the Banking Sector, First Abu Dhabi Bank, the UAE's biggest lender, lead the way posting the largest absolute increase in Q2-2021 net profits among the banks with a y-o-y increase of 20.4% to reach USD 766.7 Mn compared with a net profit of USD 636.9 Mn during Q2-2020. FAB attributed the increase in profits to sharp gains in its investments and derivatives coupled with higher fee income. Abu Dhabi Commercial Bank posted the second largest Q2-2021 net profits among the banks that reached USD 381.7 Mn for the quarter, a 14.1% y-o-y increase. ADCB attributed the growth in Q2-2021 net profits to the rise in diversified revenue streams, disciplined cost control and sensible management of risk. On the other hand, Bank of Sharjah declared the largest loss in net profits among the banks in Q2-2021 posting a loss of USD 93.8 Mn down from a net profit of USD 49.4 Mn in Q2-2020.

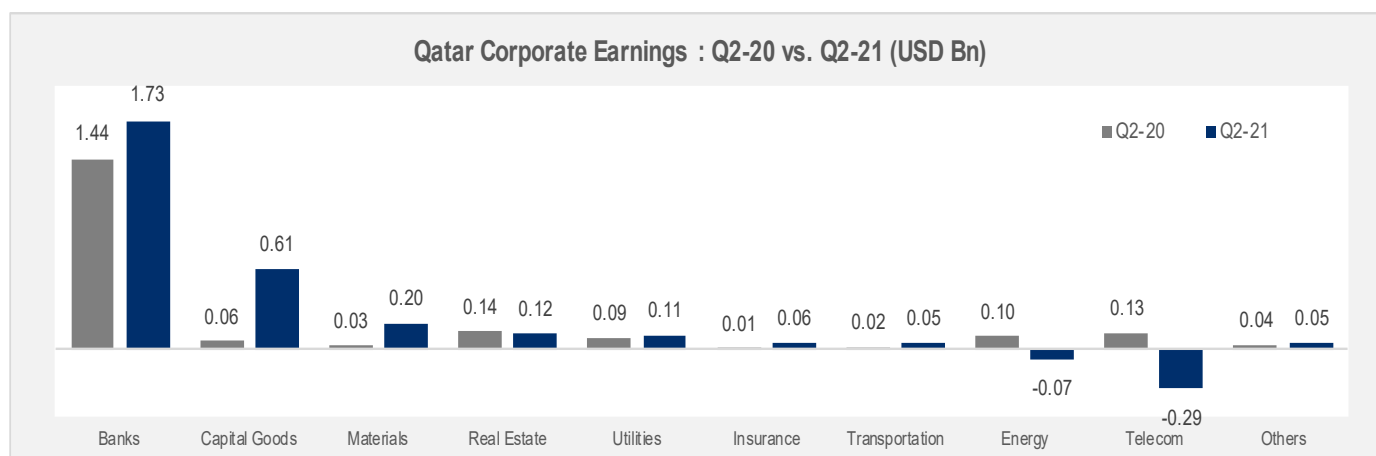
The Capital Goods sector reported the biggest absolute increase in net profits during Q2-2021 among the sectors, witnessing a net profit jump from USD 0.276 Mn in Q2-2020 to reach USD 468.1 Mn in Q2-2021. The newly listed Alpha Dhabi Holdings Company has been the primary driver in the sectors earning increase recording Q2-2021 net profit of USD 442.7 Mn up from USD 7.6 Mn during the corresponding period of 2020. The company attributed the sharp rise in its profitability to the impact of transformative change during the year. The other two companies in the sector, Ras Al Khaimah Ceramics and Abu Dhabi Ship Building returned to profits during the quarter at USD 23.9 Mn and USD 1.5 Mn, respectively.

In the Utilities sector, the sole stock Abu Dhabi National Energy (TAQA) reported a net profit of USD 386.9 Mn registering 86.2% jump from its Q2-2020 earnings which stood at USD 207.7 Mn. the company attributed its strong performance to its stable contracted and regulated businesses which were boosted by improved commodity prices in the oil and gas sector.

Meanwhile, profits for the Food & Beverage sector almost doubled y-o-y during Q2-2021 to reach USD 370.6 Mn. The increase came mainly on the back of higher profits for International Holdings Co. and Ras Al Khaimah Poultry & Feeding Company. Q2-2021 net profits for IHC rose 92% to USD 350.4 Mn while Ras Al Khaimah Poultry and Feeding Co's net profits soared 279% to USD 15.2 Mn during the similar period.

Qatar

Total Earnings for Qatari-listed companies increased by 25% during Q2-2021 to reach USD 2.6 Bn as compared to USD 2.1 Bn in Q2-2020. Profit growth during the quarter was mainly led by key sectors on the exchange including Banks, Capital Goods and Materials that was partially offset by a decline in profits mainly for the Telecom and Energy sectors.



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

The Qatari Banking sector reported a profit growth of 20.2% in Q2-2021 that reached USD 1.7 Bn accounting for 67.3% of the overall exchange profits during the quarter. QNB reported a net profit of 21.6% in Q2-2021 reaching USD 934 Mn compared to a net profit of USD 768 Mn. Commercial Bank of Qatar registered a net profit growth of 44% to reach USD 195.3 Mn in Q2-2021 compared to USD 135.7 Mn in Q2-2020. The results reflected higher net operating income by 9.9% y-o-y while net loans and advances were up by 15.6%.

The Capital Goods sector reported the biggest absolute increase in net profits during the quarter that reached USD 608.9 Mn as compared to USD 62.2 Mn in Q2-2020. Industries Qatar recorded a net profit of USD 559.1 Mn in Q2-2021 compared to USD 122.1 Mn in Q1-2020 driven by increase in average selling prices as well as volumes.

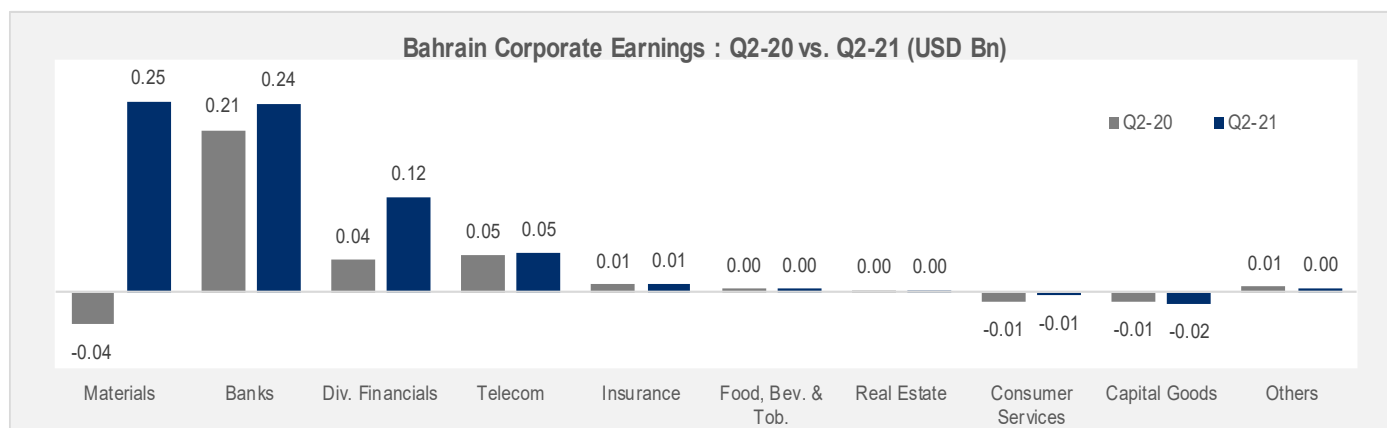
Profits for the Materials sector reached USD 202.1 Mn in Q2-2021 compared to a net profit of USD 29.3 Mn in Q2-2020. The increase was mainly driven by MPHC and QAMCO quarterly results. Notably, QAMCO posted the highest half-yearly net profit since incorporation, driven by growth in global aluminum prices linked to macro-economic recovery and supply constraints. QAMCO recorded a net profit of USD 44.4 Mn in Q2-2021 compared to net profit of USD 1 Mn mainly led by higher average realized selling prices. MPHC's net profit also witnessed a strong growth to USD 143 Mn in Q2-2021 compared to a profit of USD 21.2 Mn. The growth was led by increase in production volumes as well as price improvements.

In the Telecom sector, Ooredoo's consolidated net profits turned negative reporting a loss of USD 309.9 Mn in Q2-2021 compared to USD 117 Mn in Q2-2020. Losses were mainly driven by impairments related to Ooredoo Myanmar operations that were partially offset by profit from the sale and leaseback of Indosat Ooredoo's tower assets. Notably, topline for the telco increased y-o-y during Q2-2021, driven by growth in post-paid services, and higher sales of devices. Meanwhile, net profits for Vodafone Qatar stood at USD 18.4 Mn compared to USD 9 Mn in Q2-2020 attributed by higher total revenues which increased by 8.5% y-o-y. The increase in revenue was driven by continued growth in the company's postpaid revenue and fixed broadband services in addition to higher handset sales.

In the Energy sector, Qatar Fuel Co. (WOQOD) recorded a net profit of USD 56.1 Mn in Q2-2021 vs USD 12 Mn in Q2-2020. On the other hand, Nakilat recorded a net profit of USD 84.9 Mn in Q2-2021 vs USD 73.4 Mn in Q2-2020 mainly due to the commencement of the second phase of its fleet management transition from Shell International Trading and Shipping Company.

Bahrain

Total Q2-2021 net profits for Bahrain-listed companies increased by 164% y-o-y to USD 663 Mn after key sectors posted an increase in net profits during the quarter. The Materials sector reported profits during Q2-2021 at USD 246 Mn as compared to a loss of USD 42.6 Mn during Q2-2020. Aluminum Bahrain reported Q2-2021 net profits of USD 245.6 Mn bouncing back from a loss of USD 43.5 Mn in Q2-2020. ALBA attributed its better-than-expected performance to higher LME prices and strong rebound for global demand underpinned by economic recovery.



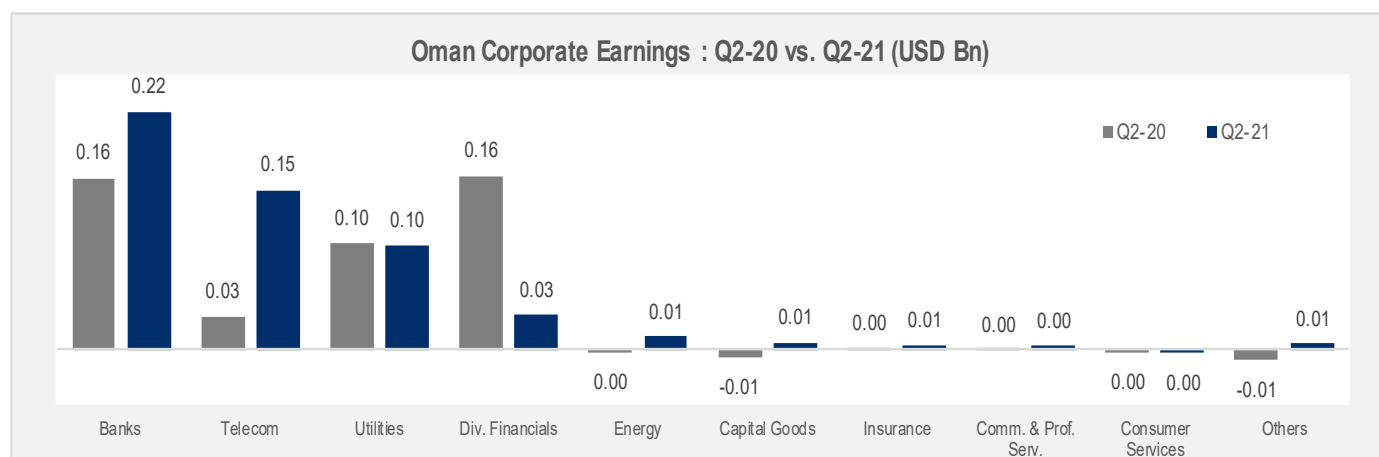
Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research

In the Banking Sector, Arab Banking Corporation and Ahli United Bank posted robust Q2-2021 net profits pulling up the total net profits of the sector during the quarter which witnessed a 16.2% overall increase to USD 244.7 Mn. Arab Banking Corporation reported a Q2-2021 net profit of USD 24.9 Mn as compared to a loss of USD 5 Mn during Q2-2020. Meanwhile, Ahli United Bank reported a net profit increase of USD 122.7 Mn, a 17.8% y-o-y rise from its Q2-2020 net profit of USD 104.1 Mn. AUB's improved profitability was driven by an increase in net interest income and lower provisioning.

Total Q2-2021 net profits of the Telecom sector improved by 5.2% y-o-y to reach USD 50.5 Mn. Profits for Batelco reached USD 47.2 Mn, as compared with USD 46 Mn in Q2-2020. Zain Bahrain posted a bigger profits increase of 61% y-o-y to reach USD 3.3 Mn up from USD 2.1 Mn during the similar period of 2020.

Oman

Total net profits for listed companies in Oman increased by 22.3% y-o-y to USD 520 Mn in Q2-2021 compared with USD 425.1 Mn in the corresponding quarter in 2020. This was the smallest profit growth recorded among the GCC markets. Q2-



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

2021 earnings of the Banking Sector, the biggest sector in the exchange by market cap, improved 38.4% to reach USD 216.2 Mn up from USD 156.2 Mn in Q2-2020. The Telecom sector followed with the second largest total net profits of USD 145.4 Mn during Q2-2021 up from USD 31 Mn in Q2-2020.

Bank Muscat posted the biggest increase in absolute profits within the banking sector during Q2-2021 with net profits of USD 123.4 Mn as compared to USD 94.3 Mn during Q2-2020. Profits for HSBC Bank Oman witnessed the biggest percentage increase among the banks recording 353% rise in Q2-2021 earnings which reached USD 15 Mn as compared to USD 3.3 Mn during Q2-2020. On the other hand, Oman Arab Bank and Bank Nizwa were the only two banks among the eight banks on the exchange to post a decline in Q2-2021 net profits. Oman Arab Bank reported a 26.5% fall in Q2-2021 net profits to USD 9 Mn while Bank Nizwa's profits dipped 2.2% to USD 7.9 Mn.

The profit growth for the Telecom sector came on the back higher profits reported by OmanTel that reached USD 136.5 Mn in Q2-2021 up from USD 20.7 Mn in Q2-2020. Comparatively, Ooredoo Oman reported a 13.6% decline in Q2-2021 net profits that reached USD 8.9 Mn.

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