

GCC Projects Market Update

July-2022

GCC project awards rise in Q2-2022 thanks to Saudi Arabia...

GCC project awards improved during the second quarter of the year despite global economic challenges that was caused by supply chain problems and higher oil prices primarily driven by the Russia-Ukraine conflict. Higher crude oil price was the biggest contributor to inflation numbers across countries, including in the US where it contributed to around 200 bps to the 9.1% inflation during June-2022.

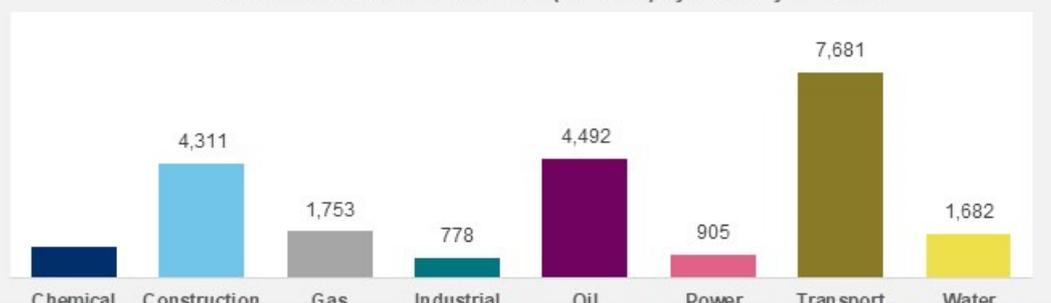
Total value of GCC contracts awarded increased by 11.7% y-o-y during Q2-2022 to USD 22.8 Bn against USD 20.4 Bn in Q2-2021. Saudi Arabia and Oman reported higher contract awards during the quarter that more than offset a dip in awards in Kuwait, Bahrain, Qatar, and the UAE.

Saudi Arabia, the GCC's largest projects market, recorded the biggest y-o-y increase in value of contracts awarded during Q2-2022 that reached USD 16.5 Bn in 2022 as compared to USD 9.3 Bn in Q2-2021. Contracts awarded as part of the USD 500 Bn Neom project boosted the kingdom's project awards during the quarter. According to MEED, three out of the ten biggest contracts awarded in the Kingdom during Q2-2022 were from the Neom project. Comparatively, the UAE recorded a 46.4% fall in y-o-y projects awarded in Q2-2022 which reached USD 3.1 Bn. Saudi Arabia represented 77.2% of GCC contract awards in Q2-2022. Total projects awarded in Kuwait during Q2-2022 declined by 67.9% to USD 521 Mn down from USD 1.6 Bn for Q2-2021.

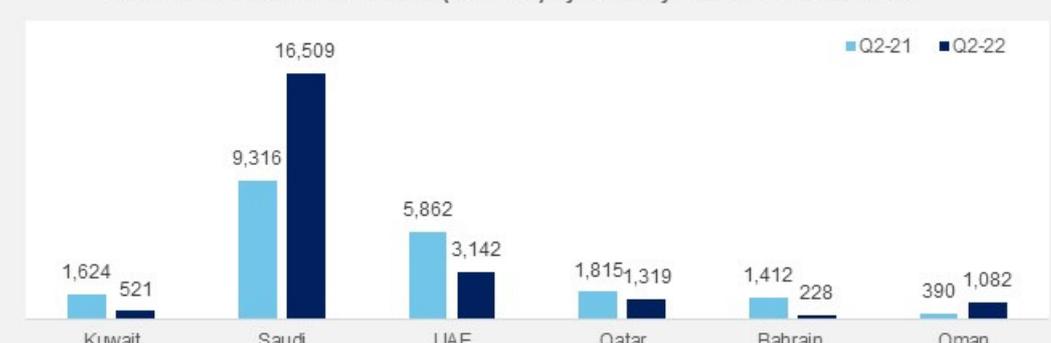
Oman witnessed Q2-2022 new projects awards jump almost three times to reach USD 1.1 Bn rising from USD 390 Mn in value of contracts awards in Q2-2021. On the other hand, the value of contracts awarded in Bahrain during Q2-2022 witnessed a steep decline of 83.9% to reach USD 228 Mn as compared with USD 1.4 Bn during Q2-2021.

In terms of sector classification, the Transportation sector witnessed the biggest increase in terms of absolute value during the quarter with an increase of USD 4.8 Bn in new contracts to reach a total of USD 7.7 Bn during Q2-2022. Similarly, value of new contracts in the GCC Oil Sector increased almost three folds to reach USD 4.5 Bn during Q2-2022 rising from USD 1.6 Bn during Q2-2021. On the other hand, the Gas, Construction and Power sectors witnessed y-o-y decline in awards. Project awards in the Construction sector contracted 36% y-o-y to USD 4.3 Bn during the quarter.

Value of GCC Contract Awards (USD Mn) by Industry - Q2-2022



Value of GCC Contract Awards (USD Mn) by Country - Q2-2021 Vs Q2-2022



Sources : MEED Projects, Kamco Invest Research

Mohamed Ali Omar

Analyst

+(965) 2233 6906

momar@kamcoinvest.com

Junaid Ansari

Head of Investment Strategy
and Research

+(965) 2233 6912

jansari@kamcoinvest.com

Saudi Arabia

Saudi Arabia has enjoyed the best Q2 contract awards since 2014 mainly reflecting elevated oil prices, although the Kingdom has clearly stated that it wants to separate project awards and oil market performance. Total Saudi project awards in Q2-2014 stood USD 19.5 Bn as compared to USD 16.5 Bn during Q2-2022. The value of contracts awarded in the Kingdom during Q2-2022 witnessed a q-o-q increase of 106.7% or 8.5 Bn from USD 8.0 Bn in Q1-2022.

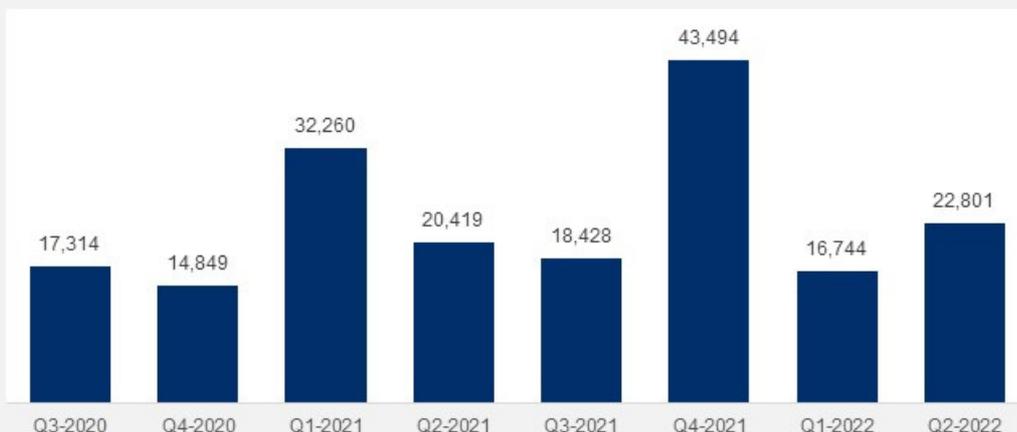
In terms of sectors, the Transportation sector leapt into the lead as the largest sector by value of awarded projects among the sectors accounting 36.1% of the total projects awarded in the Kingdom during Q2-2022 mainly due to Neom awards of transport and utility infrastructure during the quarter. The USD 500 Bn Neom project has awarded two key contracts to build two 28 KM long tunnels for high-speed transport and freight services. Moreover, in another major transportation contract DP World and the Saudi Ports Authority (Mawani) have agreed to a 30-year USD 133 Mn deal to build a large-scale logistic park at the Jeddah Islamic Port. The agreement includes the construction of a 415'000 square meter area, which has an in-land container depot with capacity of 250,000 twenty-foot equivalent units (TEU's).

Total value of projects awarded in the Saudi Oil sector jumped nearly five times to reach USD 4.2 Bn during Q2-2022 up from USD 882 Mn during the similar period of the past year. Taking advantage from record high oil prices the Kingdoms state energy enterprise Aramco, has undertaken its commitment to increase its capital expenditure from USD 39.1 Bn in 2021 to up to USD 50 Bn in 2022. The oil giant has indicated that it is diverting significant portion of capital expenditure to projects. The company awarded several significant contracts during Q2-2022 such as two Zuluf onshore contracts worth up to USD 3.5 Bn to Japan's JGC Holdings. Aramco has also awarded nine offshore engineering, procurement, construction, and installation (EPCI) projects with an estimated total value of USD 1.6 Bn during the quarter.

Other notable projects awarded during the quarter included the USD 800 Mn Shuaibah 3 plant conversion. A consortium of

companies lead by Acwa Power and Badeel has been given the contract to establish a new facility which transforms Shuaibah 3 IWPP into energy efficient reverse-osmosis desalination plant. In the Construction sector, the USD 1.3 Bn King Salman International Park contract was the largest project awarded during the quarter. The project includes the construction of museums, art academies as well as a national theatre and cinemas.

Value of GCC Project Awards by Quarter - USD Mn



Sources : MEED Projects, Kamco Invest Research

UAE

The UAE maintained its position as the second largest projects market in the GCC after Saudi Arabia during Q2-2022 despite witnessing a q-o-q decline of 25.4% to reach USD 3.1 Bn in awards during the quarter. In terms of y-o-y performance, the decline was steeper at 46.4%. As a result, the Emirate represented 13.8% of the total contracts awarded in the GCC during the quarter as compared to 25.2% during Q1-2022.

In terms of sectors, the Construction Sector once again topped the biggest pie of new project awards in the UAE representing 64.3% of total projects in Q2-2022. However, new projects awarded in the sector decreased 22.5% y-o-y to reach USD 2.0 Bn during the quarter down from USD 2.6 Bn in Q2-2021. On the other hand, the Transport sector witnessed the largest percentage growth in awards during the quarter. The sector recorded USD 423 Mn in new contracts during Q2-2022 as compared to USD 106 Mn it registered in Q2-2021. The Power sector witnessed the only other y-o-y growth registering 12.8% increase in value of new contracts that reached USD 379 Mn during Q2-2022 as compared to USD 336 Mn in Q2-2021.

Some notable projects that were awarded during Q2-2022 in the Emirate included the USD 173 Mn contract awarded by Adnoc Onshore to Greece's Archirodon Construction to open further production capacity at the Asab oil field. The project is expected to improve the handling capacity of the Asab central degassing station. This improvement is expected to boost Abu Dhabi's premium-grade Murban crude from the Asab oil field by 12%. Another notable project in the Emirate was the two contracts under the Masaar project awarded by Arada valued at USD 125 Mn to build its first residential district. The two packages were awarded to Kuwait's Mohamed Abdulmohsen Al-Kharafi & Sons (USD 62 Mn) and UAE's Intermass Engineering and Contracting (USD 63 Mn).

Kuwait

Total projects awarded in Kuwait reached USD 521 Mn in Q2-2022 witnessing a 67.9% decrease from USD 1.6 Bn in Q2-2021. Kuwait's Transportation sector recorded the biggest increase during the quarter with projects worth USD 377 Mn up from USD 18 Mn in Q2-2021. On the other hand, new projects awarded in the Construction sector fell 94% to USD 78 Mn during the quarter down from USD 1.2 Bn during Q2-2021 dragging down the projects markets total value of projects awarded during the quarter. Similarly, new projects awarded in the Power Sector fell 73% y-o-y to USD 55 Mn during Q2-2022 down from USD 207 Mn in Q2-2021.

In terms of significant contracts awarded during the quarter, Kuwaiti Public Authority for Industry has begun the development of Shadadiya Industrial Zone in Shadadiya, Kuwait. The Shadadiya contract includes the construction of 41KM roads, waste treatment plant, sewage facilities and storage rooms. Moreover, Spetco which has won the JPF-4 project during last quarter of 2021 has signed a USD 295 Mn financing deal with four banks to finance the USD 398 Mn Jurassic production facilities 4 (JPF-4). Kuwait Oil Company (KOC) has signed a USD 398 Mn deal with Spetco for the JPF-4 project and the USD 426 Mn JPF-5 project with Jereh during Q4-2021.

Despite the decline in the total value of new projects awarded in Kuwait during the quarter, the pipeline of project remains strong in the country. Kuwait Oil Company (KOC) is currently planning the tender of USD 700 Mn contract to improve the efficiency of four gathering centers in East Kuwait, according to MEED Projects. KOC is also under the process of planning the tender of USD 650 Mn project to expand two effluent water disposal plants (EWDP-1 and EWDP-2). Moreover, according to MEED, KOC is also planning to award its planned Project Management Consultancy contract to three companies namely KBR, Wood Group and Worley.

Rest of the GCC

Total Q2-2022 contracts awarded in Qatar fell by 27.3% to reach USD 1.3 Bn as compared to USD 1.8 Bn during Q2-2021. Despite the fall in total contracts during the quarter, Qatar has managed to award notable contracts such as the USD 850 Mn contract to build four LNG carriers to South Korea's Daewoo. The LNG carrier vessels which are expected to be delivered by the first quarter of 2025 will carry LNG from Qatar's North Field expansion scheme. In Oman, total projects awarded during the quarter jumped almost three times to reach USD 1.1 Bn up from USD 390 Mn during Q2-2021. One notable project awarded in the Sultanate during Q2-2022 is the USD 195 Mn project to construct plaza, commercial and residential buildings as parts of the USD 1.6 Bn Yiti Sustainable City project. Project awards in Bahrain also showed a decline during the quarter to reach USD 228 Mn down from USD 1.4 Bn in Q2-2021.

Project Pipeline

Despite varying trends during Q2-2022, the projects pipeline in the GCC region continues to remain strong. Data from MEED Project showed around USD 2.65 Trillion worth of projects planned or underway in the GCC as of the end of June-2022 as compared to USD 2.59 Trillion at the end of March-2022. Data showed that around USD 77 Bn worth of construction and transport projects are at the tender stage and an additional USD 352 Bn at the design and study stage and these are mainly in the infrastructure schemes funded/initiated by the government including railways, highways, bridges, airports and sewerage systems.

Along with existing projects in the Oil & Gas sector, the pipeline also reflects new emerging trends in the project market. This includes a number of real estate projects, especially in the UAE, as supply remained constrained, projects that are aimed at energy transition, rail projects that back in the headlines in the GCC and projects in the metals and mining industry as the global hunt for new deposits picks up pace. Data showed that around 12% of projects underway in the transportation sector are related to railways in the GCC and the share increases to 32% of the sector in terms of future pipeline.

In the Oil & Gas sector, Qatar's North Field South onshore project is estimated to be worth around USD 10 Bn aimed at increasing Qatar's LNG capacity. Moreover, Aramco's increase in project spending will include a number of upcoming projects in the feed and study phase including the USD 2.5 Bn worth Shedgum & Uthmaniya gas compression plant: package 1 & 2 and an estimated aggregate USD 3 Bn in three projects namely Marjan field development: phase 3, Manifa offshore field expansion and Sanafiya field increment. Aramco's projects are aimed at increasing the Kingdom's oil production capacity to 13 mb/d by the end of 2027 and boost gas production capacity by 50% by the end of 2030.

Disclaimer & Important Disclosures

Kamco Invest is authorized and fully regulated by the Capital Markets Authority ("**CMA, Kuwait**") and partially regulated by the Central Bank of Kuwait ("**CBK**")

This document is provided for informational purposes only. Nothing contained in this document constitutes investment, an offer to invest, legal, tax or other advice or guidance and should be disregarded when considering or making investment decisions. In preparing this document, Kamco Invest did not take into account the investment objectives, financial situation and particular needs of any particular person. Accordingly, before acting on this document, investors should independently evaluate the investments and strategies referred to herein and make their own determination of whether it is appropriate in light of their own financial circumstances and objectives. The entire content of this document is subject to copyright with all rights reserved. This research and the information contained herein may not be reproduced, distributed or transmitted in Kuwait or in any other jurisdiction to any other person or incorporated in any way into another document or other material without our prior written consent.

Analyst Certification

Each of the analysts identified in this report, if any and where applicable, certifies, with respect to the sector, companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

Kamco Invest Ratings

Kamco Invest research is based on the analysis of regional and country economics, industries and company fundamentals. Kamco Invest company research reflects a long-term (12-month) target price for a company or stock. The ratings bands are:

- * **Outperform:** Target Price represents expected returns $\geq 10\%$ in the next 12 months
- * **Neutral:** Target Price represents expected returns between -10% and $+10\%$ in the next 12 months
- * **Underperform:** Target Price represents an expected return of $< -10\%$ in the next 12 months

In certain circumstances, ratings may differ from those implied by a fair value target using the criteria above. Kamco Invest policy is to maintain up-to-date fair value targets on the companies under its coverage, reflecting any material changes to the analyst's outlook on a company. Share price volatility may cause a stock to move outside the rating range implied by Kamco Invest's fair value target. Analysts may not necessarily change their ratings if this happens, but are expected to disclose the rationale behind their view to Kamco Invest clients.

Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Kamco Invest and shall be of no force or effect. The information contained in this document is based on current trade, statistical and other public information we consider reliable. We do not represent or warrant that such information is fair, accurate or complete and it should not be relied upon as such. Kamco Invest has no obligation to update, modify or amend this document or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The publication is provided for informational uses only and is not intended for trading purposes. The information on publications does not give rise to any legally binding obligation and/or agreement, including without limitation any obligation to update such information. You shall be responsible for conducting your own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this or other such document. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Kamco Invest is a party.

Nothing in this document should be construed as a solicitation or offer, or recommendation, to acquire or dispose of any investment or to engage in any other transaction, or to provide any investment advice or service. This document is directed at Professional Clients and not Retail Clients within the meaning of CMA rules. Any other persons in receipt of this document must not rely upon or otherwise act upon it. Entities and individuals into whose possession this document comes are required to inform themselves about, and observe such restrictions and should not rely upon or otherwise act upon this document where it is unlawful to make to such person such an offer or invitation or recommendation without compliance with any authorization, registration or other legal requirements.

'Kamco Investment Company (DIFC) Limited ("**Kamco Invest DIFC**")', Office 205, Level 2, Gate Village 1, Dubai International Financial Centre, a wholly owned subsidiary of Kamco Investment Company KSC (Public), is regulated by the Dubai Financial Services Authority (DFSA). Kamco Invest DIFC may only undertake the financial services activities that fall within the scope of its existing DFSA licence. The information in this document may be distributed by Kamco Invest DIFC on behalf of Kamco Investment Company KSC (Public). This document is intended for Professional Clients or Market Counterparties only as defined by the DFSA, and no other person should act upon it.

This document may not be distributed in Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. The recipients of this document hereby should conduct their own due diligence on the accuracy of the information relating to the contents of this document. If you do not understand the contents of this document you should consult an authorized financial advisor.

Risk Warnings

Any prices, valuations or forecasts are indicative and are not intended to predict actual results, which may differ substantially from those reflected. The value of an investment may go up as well as down. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including, without limitation, foreseeable or unforeseeable changes in interest rates, foreign exchange rates, default rates, prepayment rates, political or financial conditions, etc.).

Past performance is not indicative of future results. Any opinions, estimates, valuations or projections (target prices and ratings in particular) are inherently imprecise and a matter of judgment. They are statements of opinion and not of fact, based on current expectations, estimates and projections, and rely on beliefs and assumptions. Actual outcomes and returns may differ materially from what is expressed or forecasted. There are no guarantees of future performance. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. This document does not propose to identify or to suggest all of the risks (direct or indirect) which may be associated with the investments and strategies referred to herein.

Conflict of Interest

Kamco Invest and its affiliates provide full investment banking services, and they and their directors, officers and employees, may take positions which conflict with the views expressed in this document. Salespeople, traders, and other professionals of Kamco Invest may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this document. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this document. Kamco Invest may have or seek investment banking or other business relationships for which it will receive compensation from the companies that are the subject of this document. Facts and views presented in this document have not been reviewed by, and may not reflect information known to, professionals in other Kamco Invest business areas, including investment banking personnel. United Gulf Bank, Bahrain owns majority of Kamco Invest's shareholding and this ownership may create, or may create the appearance of, conflicts of interest.

No Liability & Warranty

Kamco Invest makes neither implied nor expressed representations or warranties and, to the fullest extent permitted by applicable law, we hereby expressly disclaim any and all express, implied and statutory representations and warranties of any kind, including, without limitation, any warranty as to accuracy, timeliness, completeness, and fitness for a particular purpose and/or non-infringement. Kamco Invest will accept no liability in any event including (without limitation) your reliance on the information contained in this document, any negligence for any damages or loss of any kind, including (without limitation) direct, indirect, incidental, special or consequential damages, expenses or losses arising out of, or in connection with your use or inability to use this document, or in connection with any error, omission, defect, computer virus or system failure, or loss of any profit, goodwill or reputation, even if expressly advised of the possibility of such loss or damages, arising out of or in connection with your use of this document. We do not exclude our duties or liabilities under binding applicable law.

KAMCO INVEST

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

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

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

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

Email : kamcoird@kamcoinvest.com

Website : www.kamcoinvest.com

Kamco Invest