

GCC Corporate Earnings Report : Q4-2023

April-2024

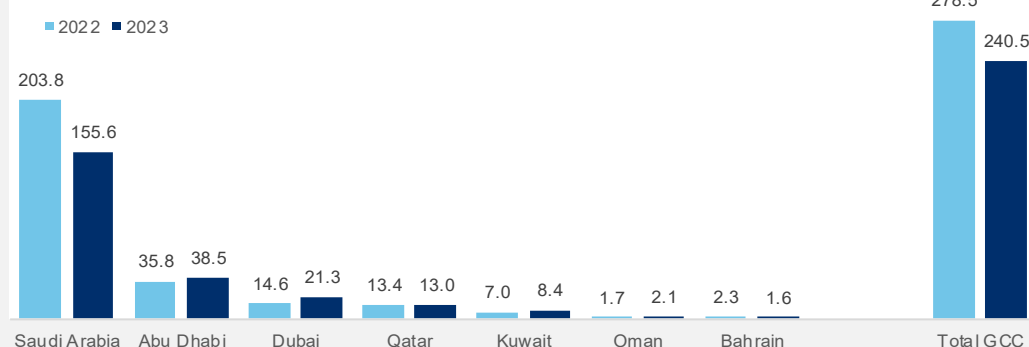
GCC Profits for 2023 dragged down, Energy, Materials & Cap. Goods sectors...

After registering record profits during 2022, net profits reported by listed companies in the GCC declined by 13.7% or USD 38.0 Bn to reach USD 240.5 Bn in 2023 mainly led by fall in profits for some of the key large-cap sectors. The biggest decline was reported by companies in the Energy sector with aggregate profits down by almost a quarter or USD 39.1 Bn to reach USD 127.1 Bn in 2023. The Materials sector was next with a profit decline of 78.3% or USD 12.85 Bn to reach USD 3.6 Bn followed by Capital Goods and Diversified Financials sectors with profit declines of USD 5.1 Bn (-48.0%) and USD 1.9 Bn (-55.2%), respectively. These declines were partially offset by higher full year profits reported by companies mainly in the Banking, Real Estate and F&B sectors.

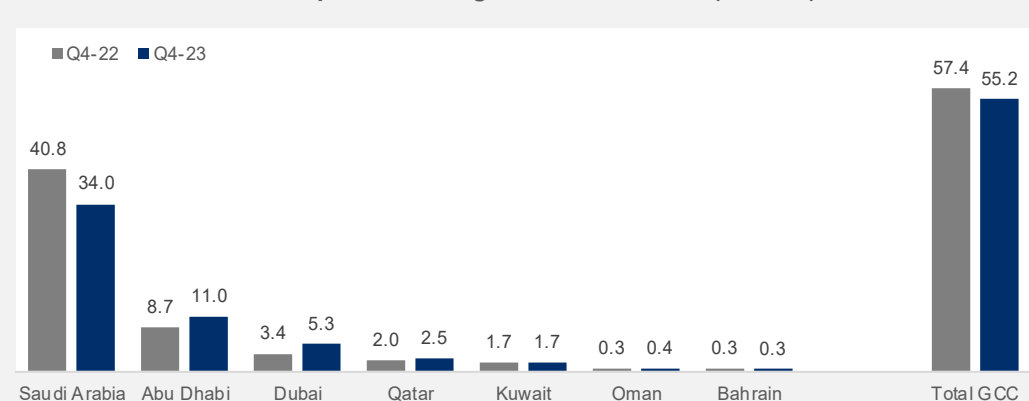
The decline in profits reflected a general decline in global commodity prices during the year that can be gauged using the Bloomberg Commodity index that tracks commodities futures price movements. The index was down by 12.6% during the year mainly due to fall in prices of crude oil, natural gas, nickel and other commodities. Price of crude oil was down by 10.3% while natural gas prices were down more than 40%. In addition, there was a significant drop in volume of sales, especially for petrochemical and crude oil companies that affected the topline performance of these companies. That said, economic growth in the region remained positive with healthy manufacturing activity. The PMI figures for the Saudi Arabia and UAE showed healthy trends averaging above the 56 mark while for Qatar, it was slightly lower but still well above the growth mark.

In terms of quarterly trends, aggregate net profits declined by 11.3% q-o-q and 3.7% y-o-y to reach USD 55.2 Bn during Q4-2023. The y-o-y decline was once again led by fall in profits for Energy, Capital Goods and Materials companies, while in terms of q-o-q performance, the decline reflected fall in profits for companies in the Energy, Utilities, Banks and Telecom sectors. These declines were partially offset by higher profits mainly for the F&B sector.

GCC Corporate Earnings - FY-2023 vs. FY-2022 - USD Bn



GCC Corporate Earnings : Q4-23 vs. Q4-22 (USD Bn)



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

Junaid Ansari

Head of Investment Strategy & Research

+(965) 2233 6912

jansari@kamcoinvest.com

Mohamed Ali Omar

Associate

+(965) 2233 6906

momar@kamcoinvest.com

Vineetha K. Yeluri

Analyst

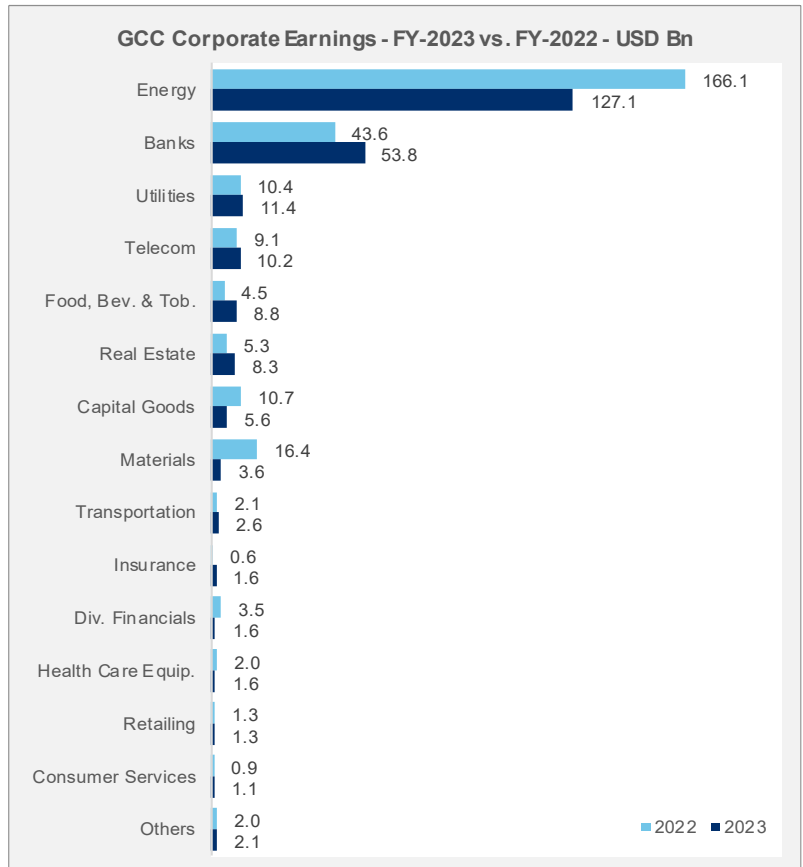
+(965) 2233 6913

vyeluri@kamcoinvest.com

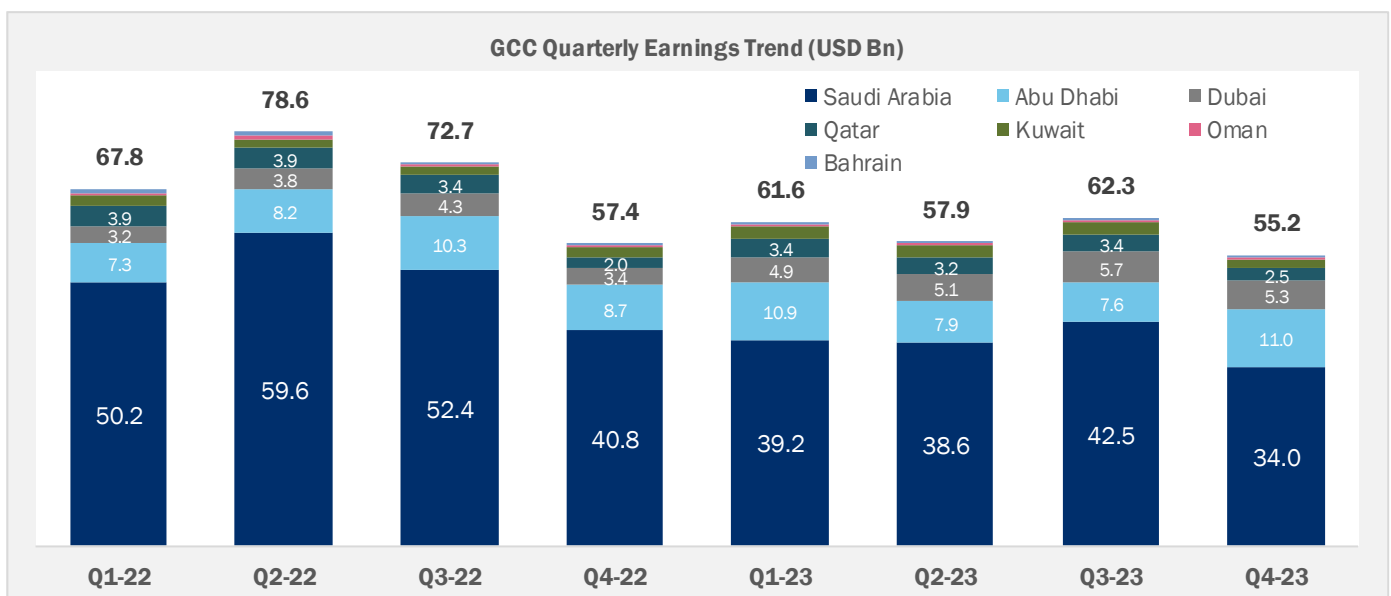
At the country level, the biggest absolute decline in profits during 2023 was seen in Saudi Arabia with a fall of 23.7% or USD 48.2 Bn during the year, followed by Bahrain and Qatar with profit declines of 30.8% and 2.5%, respectively. On the other hand, companies listed on Dubai recorded the biggest y-o-y growth in net profits with an increase of USD 6.7 Bn or 24.7% followed by Abu Dhabi and Kuwait with profit growth of USD 2.7 Bn (+7.5%) and USD 1.5 Bn (+21.0%). In terms of quarterly performance, Saudi Arabia once again reported the biggest decline in profits during Q4-2023, both in terms of q-o-q and y-o-y change, while Abu Dhabi reported the biggest growth during Q4-2023 and was the only market that recorded a growth as compared to Q3-2023 whereas the rest of the GCC aggregates declined.

The Energy sector reported the biggest absolute quarterly profits in the GCC that reached USD 29.6 Bn, down 15.8% y-o-y and 15.1% q-o-q. The q-o-q decline came after average crude oil prices declined by almost 20% q-o-q during Q4-2023 to close the year at USD 77.7/b (Brent crude spot prices). Net profits for 11 out of the 26 companies in the sector declined q-o-q during Q4-2023 with Saudi Aramco's profit declining by 16.7% to reach USD 27.4 Bn. On the other hand, profits for ADNOC Gas was up by 20.6% q-o-q to reach USD 1.3 Bn.

Profitability for the GCC banking sector breached the pre-pandemic levels and reached another record level during 2023. Aggregate profits during 2023 increased by 16.8% to reach USD 53.8 Bn. The y-o-y increase in 2023 was broad-based across the GCC with double-digit growth in profits for most markets in the GCC. Saudi-listed banks reported the biggest absolute increase in profits during the year by USD 2.0 Bn or 11.7% to reach USD 18.7 Bn, the highest in the GCC. The growth in profits during the year was led by an increase in total bank revenue that was partially offset by a small increase in loan loss provisions. Total bank revenue increased by a strong 16.3% to reach USD 122.2 Bn during 2023, the highest on record mainly led by a increase in both net interest income and a steep increase in non-interest income.



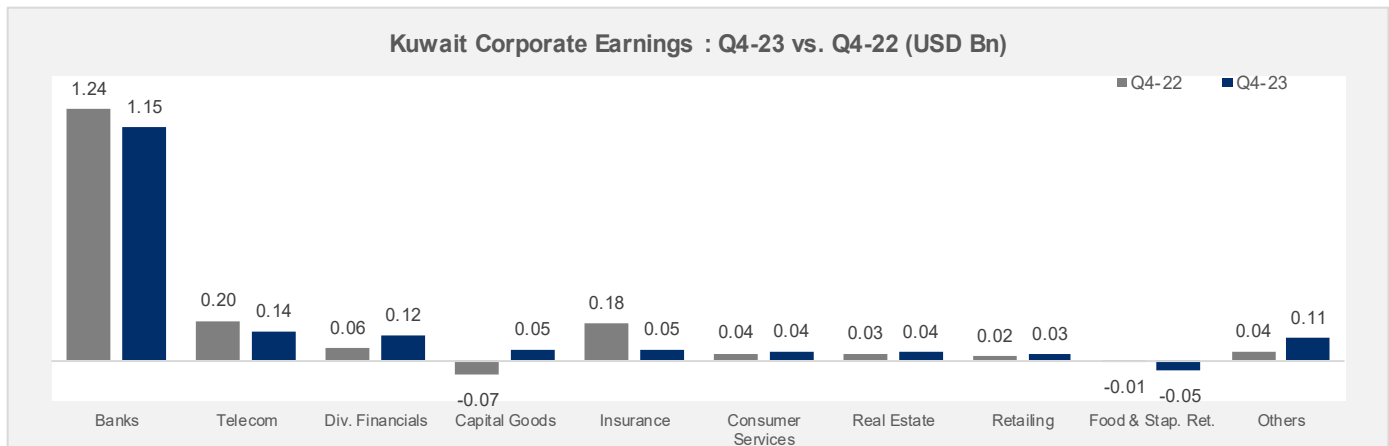
Source : Company Financials, Reuters, Bloomberg, Kamco Invest Research



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

Kuwait

Boursa Kuwait-listed companies reported a y-o-y net profit decline of 2.6% during Q4-2023 that reached USD 1.69 Bn compared to USD 1.73 Bn during Q4-2022. The major sectors i.e., Banks, Telecommunication, Insurance and Transportation contributed to the y-o-y decline in aggregate profitability that was partially offset by higher profits reported by sectors like Diversified Financials, Retailing and Media & Entertainment. In terms of FY-2023 profits, Kuwaiti-listed companies posted a gain of 21.0% during the year with profits reaching USD 8.4 Bn for the full year as compared to USD 7.0 Bn in 2022. Net profits for the Kuwaiti Banking sector surged 29.6% to USD 5.1 Bn in FY-2023 against USD 4.0 Bn in FY-2022, while the Q4-2023 earnings declined by 7.1% to USD 1.15 Bn in FY-2023 against USD 1.24 Bn in FY-2022.



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

Among the banks, NBK reported a net profit of USD 1.8 Bn for FY-2023 up by 10.1% vs. USD 1.7 Bn in FY-2022 mainly led by higher net operating income which was up 15.6% to USD 3.8 Bn led by significant rise in net interest income and net income from Islamic financing. KFH reported a net profit of USD 1.9 Bn for FY-2023 up by 63.4% vs. USD 1.2 Bn in FY-2022 due to the strong growth in net finance income as well as a decline in provisions booked during the quarter. The increase was also due to inclusion of earnings from AUB after the acquisition was completed in 2022. However, net profit for Q4-2023 declined by 19.5% to USD 399.7 Mn compared to USD 496.4 Mn in Q4-2022. Meanwhile, Burgan Bank reported a net profit of USD 141.7 Mn during FY-2023 as compared to a profit of USD 170.2 Mn during the FY-2022 down by 16.5%. The decrease was primarily attributed to the increase in net monetary loss on account of hyperinflation.

Net Profits for the Telecom sector increased by 19.1% y-o-y to reach USD 1.04 Bn for FY-2023 compared to USD 876.9 Mn for FY-2022. Sequentially, Q4-2023 earnings declined by 28.0% to USD 140.4 Mn vs. USD 195.0 Mn in Q4-2022. Zain recorded a net profit of USD 701.0 Mn in FY-2023 compared to USD 639.7 Mn in FY-2022 an increase of 9.6%. The telco reported revenues of USD 6.2 Bn, up by 10% y-o-y and an EBITDA margin of 37%. EBITDA for the quarter reached USD 565 Mn, up 8% y-o-y, resulting in an EBITDA margin of 35%. OOREDOO recorded a net profit of USD 236.9 Mn in FY-2023 vs USD 128.5 Mn in FY-2022, up by 83.9% mainly led by higher topline. Meanwhile, STC posted a decline of 1.9% in net profit that reached USD 106.3 Mn for FY-2023 compared to USD 108.4 Mn during the FY-2022.

Net Profits for the Capital Goods sector reached USD 195.1 Mn in FY-2023 compared to a net loss of USD 33.7 Mn in FY-2022. In terms of quarterly performance, Q4-2023 profits for the sector reached 54.7 Mn compared to a loss of USD 66.1 Mn in Q4-2022 mainly led by a relatively higher loss of USD 30.0 Mn reported by Arabi Holding vs. a loss of USD 24.6 Mn during FY-2022. Higher profits for the Gulf Cable & Electrical Ind. that reached USD 68.4 Mn in FY-2023 vs. USD 42.3 Mn in FY-2022 also added to the sector's profits. The increase in profits was driven by the increase in the dividend income.

Profits for the Insurance sector declined by 32.5% y-o-y to USD 244.7 Mn in FY-2023 compared to USD 362.4 Mn in FY-2022. Kuwait Insurance reported the biggest decrease in profits in the sector that reached USD 39.4 Mn in FY-2023 compared to USD 144.0 Mn in FY-2022 mainly due to the application of IFRS 9. Meanwhile, Al Ahleiah Insurance posted a net profit of USD 65.1 Mn for FY-2023 against USD 56.4 Mn up by 15.4% supported by the increase in investment income.

Saudi Arabia

Aggregate net profits for Saudi Arabian listed companies witnessed a steep decline of 23.7% to reach USD 155.6 Bn in FY-2023 against USD 203.8 Bn in FY-2022. Out of the top three sectors by net profits, Bank and Telecom Sector reported an increase in profitability during the year while the Energy sector reported a steep decline to more than offset higher profits for most of the other sectors on the exchange. For Q4-2023, net profits declined by 16.6% y-o-y and 19.8% q-o-q to reach USD 34.0 Bn mainly led by a drop in profits for the Energy Sector which declined by 17.7% y-o-y and 16.8% q-o-q to USD 27.3 Bn during Q4-2023. Profits for other key sectors like Utilities, Materials and Diversified Financials also declined during the quarter. On the other hand, Food & Beverages and the Retailing Sector reported a growth in profits during the quarter that partially offset the overall decline.

Oil giant Aramco reported a net profit decline of 24.1% during FY-2023 primarily led by lower crude oil prices and lower volumes sold as well as weakening refining and chemicals margins. This was partially offset by a decline in production royalties. In Q4-2023, net profit for the company declined by 18% to USD 27.4 Bn from USD 33.4 Bn in Q4-2022.

Profits for the Banking sector increased by 11.7% to USD 18.7 Bn in FY-2023 vs. USD 16.7 in FY-2022. In terms of Q4-2023 performance, the banking sector recorded a net profit of USD 4.6 Bn v. USD 4.3 Bn Q4-2022. SNB reported higher profits that reached USD 5.3 Bn in FY-2023 vs USD 4.9 Bn a year earlier led by higher operating income as the financing and investment portfolios. Profits for Saudi Awwal Bank surged 45% to reach USD 1.9 Bn for FY-2023 against a profit of USD 1.3 Bn for FY-2022 driven by an increase in special commission income and total operating income. Q4-2023 profits for the bank jumped 51% y-o-y and 1.5% q-o-q to reach USD 495.2 Mn. Alinma Bank reported a 35% increase in the net profit that reached USD 1.3 Bn in FY-2023 compared to USD 958.5 Bn in FY-2022 led by higher net Income from investments and financial activities which increased 26.2% to reach USD 2.04 Bn. Meanwhile, Al Rajhi Bank reported a decline in profits from USD 4.6 Bn in FY-

Saudi Arabia Corporate Earnings : Q4-23 vs. Q4-22 (USD Mn)



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

2022 to USD 4.4 Bn in FY-2023 mainly led by lower net financing and investment income, and fees from banking services. The fourth-quarter net profit declined 5% to USD 1.11 Bn from USD 1.17 Bn in Q4-2022.

Net profit for the Telecom sector grew 17.5% y-o-y to USD 4.5 Bn in FY-2023 as compared to USD 3.8 Bn during FY-2022. The Q4-2023 net profit fell by 8.1% y-o-y to USD 884.0 Mn. STC reported a 9.3% y-o-y increase in net profits that reached USD 3.5 Bn in 2023 mainly driven by higher revenues during the year. The Q4-2023 net profit for STC fell 17.5% y-o-y to USD 606.3 Mn. Meanwhile, Mobily registered a net profit of USD 594.9 Mn for FY-2023 compared to USD 441.2 Mn in FY-2022, up by 34.8%. The increase was driven by a 6.7% y-o-y increase in revenue coupled with higher EBITDA. Net profits for Zain KSA more than doubled to USD 337.7 Mn up from USD 146.4 Mn in FY-2022 driven by 8.9% increase in revenues that reached an all-time high of USD 2.6 Bn in 2023 supported by a growth in B2B, 5G, digital products, wholesale and Tamam services.

Profits for the Real Estate sector more than tripled y-o-y during FY-2023 to reach USD 760.0 Mn up from USD 202.0 Mn in FY-2022. Arabian Centres posted a net profit of USD 403.8 Mn for FY-2023 compared to USD 286.3 Mn for the previous year. The profit growth was driven by the rise in net rental revenue and media sales. Jabal Omar Development Co. reported profits of USD 10.0 Mn in FY-2023 vs. a loss of USD 93.8 Mn in FY-2022 led by a 56% y-o-y rise in revenue, supported by strong improvement in hotel occupancy and average room rates, in addition to growth in commercial centers revenue. The company gained USD 104.2 Mn from the sale of land in Jabal Omar project. Meanwhile, Retal Urban Development posted a net profit of USD 53.9 Mn in FY-2023 against a net profit of USD 65.4 Mn in FY-2022 down by 17.6%. The annual net profit was affected by a drop of 84% y-o-y in revenues from sale of real estate units/land at USD 15.8 Mn.

Dubai

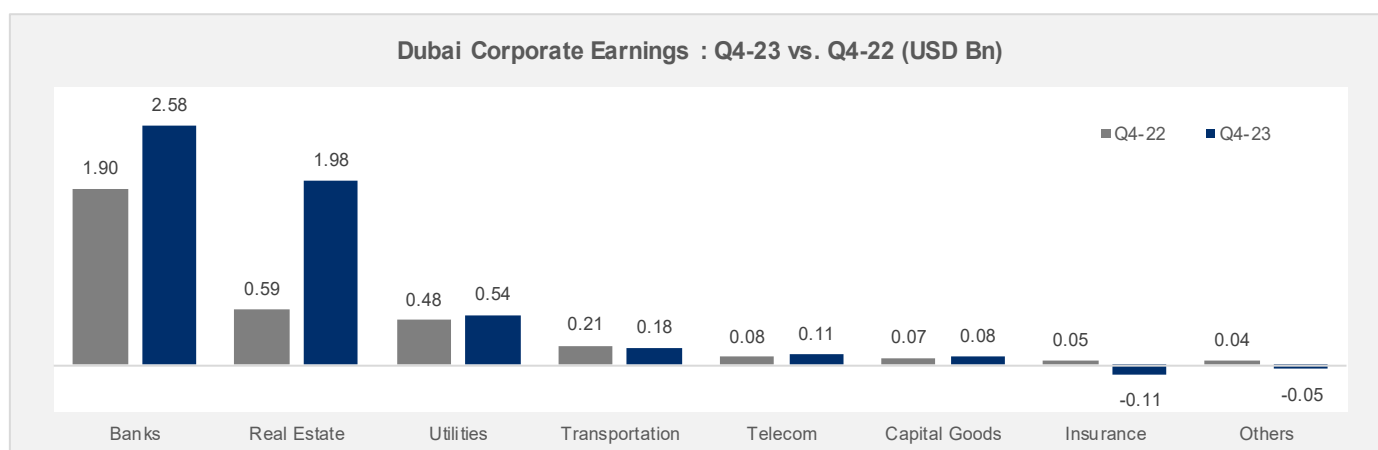
Net profits for Dubai-listed companies increased by 45.9% y-o-y to USD 21.3 Bn in FY-2023 against USD 14.6 Bn in FY-2022. Earnings growth during the year was heavily concentrated on three sectors, namely the Banking, Real Estate and Transport sectors. These sectors alone represented 90.1% of the total net profits reported by the exchange during FY-2023 as compared to 86.2% of the total net profits during FY-2022. In context eight out of the twelve sectors of the exchange reported y-o-y net profit growth during 2023 while the remaining four sectors reported y-o-y declines during the year.

In terms of quarters, net profits increased by 55.4% y-o-y to USD 5.3 Bn in Q4-2023 against USD 3.4 Bn in Q4-2022. Earnings growth during the quarter was broad-based and was mainly driven by Banks, Real Estate, and Utilities companies with the three sectors accounting for 96.0% of the aggregate earnings in the exchange during the quarter. Aggregate net earnings for the Banking sector improved 35.9% y-o-y to reach USD 2.6 Bn during Q4-2023 while total net profits for the Real Estate sector jumped 3.3 times to USD 2 Bn during the similar period. It is noteworthy that out of Dubai Stock Exchange's twelve sectors, seven have witnessed a y-o-y increase in profits during Q4-2023 while the remaining five sectors, including the Transportation Sectors, witnessed declines.

Total net profits for the Banking Sector rose by USD 4.2 Bn in FY-2023 to reach USD 11.3 Bn up from USD 7.1 Bn in FY-2022. In terms of q-o-q performance, the sector registered a 35.9% increase in total profits in Q4-2023 which reached USD 2.6 Bn as compared to USD 1.9 Bn in Q4-2022. The sector's growth in total earnings was primarily driven by Emirates NBD's 52.7% y-o-y profits growth that reached USD 5.7 Bn during FY-2023 as compared to USD 3.4 Bn in FY-2022 as well as Mashreq Banks net profits FY-2023 net profits which reached USD 2.3 Bn. Emirates NBD's robust profits growth was attributed to a combination of asset growth, stable low-cost funding base, increased transaction volumes and substantial impaired loan recoveries. On the other hand, Mashreq Bank's strong net profits growth was mainly due to an increase in operating income and net interest income which increased by 69% year-on-year, as well significant business growth with robust client margins and the continuation of the prevailing high-interest rate environment.

Aggregate net profits for the Real Estate sector witnessed 78.6% y-o-y growth during FY-2023 to reach USD 5.6 Bn up from USD 3.1 Bn in FY-2022. Emaar Properties posted USD 3.2 Bn in FY-2023 net earnings recording 70.2% y-o-y growth up from USD 1.9 Bn net profit in FY-2022. Emaar's healthy profit growth was credited to growth in tourism, a continued upward trend in retail sales, and a consistent increase in real estate demand. The company also achieved a 63% increase in EBITDA which reached USD 4.4 Bn during FY-2023. Furthermore, FY-2023 net profits for Union Properties witnessed multifold increase to reach USD 228.1 Mn up from USD 8.2 Mn during FY-2022. The company credited the remarkable growth of FY-2023 net earnings to the improvement of the performance of its subsidiaries and the ongoing expansion of the Real Sector in the UAE.

Total net profits for the Transport Sector rose by 27.4% y-o-y in FY-2023 to reach USD 556.3 Mn up from USD 436.7 Mn in FY



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

-2022. Air Arabia drove most of the earnings growth in the sector after the airline posted 26.6% y-o-y net profit growth in FY-2023 which reached USD 421.3 Mn as compared to USD 332.7 Mn in FY-2022. Air Arabia robust net earnings growth was achieved despite numerous geopolitical and economic challenges faced by the global aviation industry during the year. The airline credited the FY-2023 strong performance to the increase of operating capacity and the addition of new routes across its global network from all its hubs among other things.

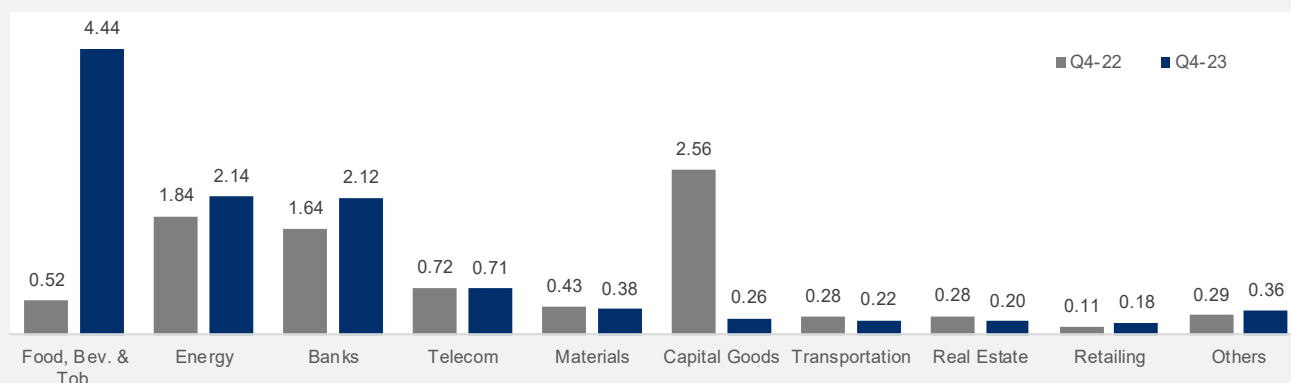
Abu Dhabi

FY-2023 net profits for Abu Dhabi-listed companies increased by 7.5% to reach USD 38.5 Bn as compared to USD 35.8 Bn in FY-2022. The growth in the aggregate net profits was mainly led by 27.8% jump in total profits for the Banking sector that reached USD 8.9 Bn during FY-2023 as compared to USD 6.9 Bn in FY-2022. The F&B sector followed with total FY-2023 net profits that reached USD 7.6 Bn as compared to USD 3.5 Bn in FY-2022. The sectors profits growth was driven mainly by International Holding Company (IHC) which witnessed its Q4-2023 profits jump 789% y-o-y to reach USD 4.4 Bn as compared to USD 496.3 Mn in Q4-2022. IHC's results were underpinned by a strong performance of its multi-sector subsidiaries that operate across a diverse range of sectors including Real Estate & Construction, Utilities, Healthcare, Food & Agriculture, Marine & Dredging, and Services.

The Energy sector reported the third largest FY-2023 aggregate yearly profits with total FY-2023 net profits despite total net earnings witnessing a marginal increase of 0.5% to reach USD 5.9 Bn during FY-2023. Furthermore, the Utilities Sector, which only has one constituent, Abu Dhabi National Energy Co. (Taqa), reported USD 4.5 Bn in FY-2023 net profits up from USD 2.2 Bn in FY-2022. Taqa's profits growth was mainly attributed to the company's strategic positioning across its markets, especially in Abu Dhabi where it acts as a fully integrated local utility firm as well support from the recognition of value of Taqa's stake in ADNOC Gas.

In terms of quarterly performance, listed companies in Abu Dhabi witnessed a 26.8% y-o-y increase in total net profits during Q4-2023 to reach USD 11.0 Bn as compared to USD 8.7 Bn during Q4-2022. The Banking sector in Abu Dhabi witnessed a y-o-y increase of 29.3% in Q4-2023 net profits with aggregate sector profit of USD 2.1 Bn as compared to USD 1.6 Bn during Q4-2022. The Q4-2023 net profits for the Banking Sector remained stable recording a slight decline of 3.6% during the quarter. On the other hand, the F&B sector posted the largest net profits in the exchange during Q4-2023, recording a 754.4%

Abu Dhabi Corporate Earnings : Q4-23 vs. Q4-22 (USD Bn)



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

y-o-y jump in profit that reached USD 4.4 Bn compared with USD 0.52 Bn during Q4-2022. The Energy, Telecommunication and Diversified Financial sectors were some of the other sectors that reported y-o-y growth in net profits during the quarter contributing to the overall increase in total profits on the Abu Dhabi Exchange. On the other hand, the Real Estate and Transportation sectors reported a decline in profits during the quarter.

Growth in Abu Dhabi's aggregate Banking Sector FY-2023 net profits were mainly driven by robust profits by the leading banks including First Abu Dhabi Bank and Abu Dhabi Commercial Bank. FAB reported an 18% increase in its FY-2023 net earnings that reached a record USD 4.3 Bn or half of the aggregate net earnings of the entire Banking Sector profits during the period. FAB's net profit growth was attributed to its strategic moves during the year led by its focus on diversifying the bank's global franchise, products, funding sources as well as income streams. Similarly, FY-2023 net profits for ADCB increased by 27.5% to reach USD 2.2 Bn as compared to USD 1.8 Bn during FY-2022. ADCB attributed its robust yearly performance to the bank's continuing strategy focused on core earnings and forging progress on all fronts.

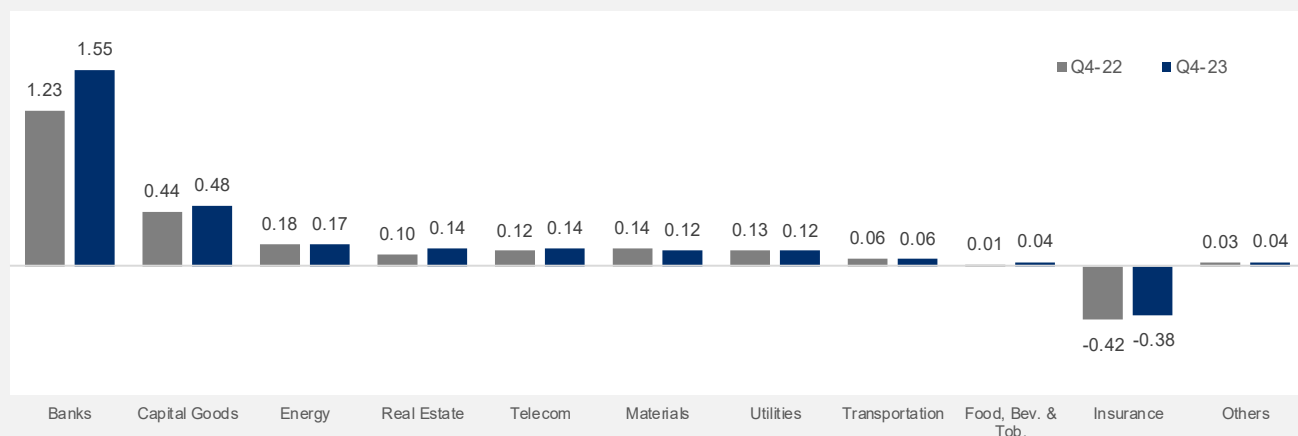
Qatar

Total earnings for Qatari-listed companies witnessed a gain of 23.0% y-o-y during Q4-2023 to reach USD 2.5 Bn as compared to USD 2.0 Bn in Q4-2022. The surge in earnings was primarily driven by earnings growth in the Banking, Telecommunication and Real Estate sectors. For FY-2023, Qatar-listed companies reported net profits of USD 13.0 Bn as compared to USD 13.4

Bn during 2022, registering a profit decline of 0.3%. The year witnessed higher profits for most of the sectors, however a decline in profits for the Capital Goods and Materials sectors more than offset the overall growth in net profits. Qatar's Banking sector reported a profit growth of 2.5% in FY-2023 that reached USD 7.8 Bn accounting for 59.9% of the overall exchange profits during the quarter. QNB's net profit reached USD 4.2 Bn in 2023, up 8.1% compared to 2022, driven by higher lending with 5.6% growth in loans and advances that reached QAR 853 Bn (USD 243.3 Bn) while customer deposits grew by 1.8% to reach QR 857 Bn (USD 235.4 Bn). Meanwhile, QIB's net profit surged 7.5% in 2023 to reach USD 1.2 Bn mainly led by higher net interest income and lower provisions. Net profits for Commercial Bank of Qatar increased by 7.1% to USD 824.7 Mn in FY-2023 from USD 766.5 Bn in FY-2022 mainly led by higher non-interest income from trading securities and commissions.

In the Telecom sector, Ooredoo reported net profits of USD 826.2 Mn in FY-2023 as compared USD 643.6 Mn in FY-2022. The Telco's revenue grew by 2% y-o-y to USD 6.4 Bn for FY-2023 driven by sustained growth in Iraq, Algeria, Kuwait, and Maldives. This was partially offset by a decline in revenue from Qatar, Tunisia, Myanmar and Palestine (due to foreign exchange depreciation). EBITDA increased by 4% to USD 2.7 Bn and the EBITDA margin expanded to 42%, supported by topline growth. Vodafone Qatar reported a net profit of USD 147.9 Mn for FY-2023, representing an increase of 8.0% y-o-y. Total revenue increased by 1.5% y-o-y to reach USD 0.85 Bn driven by continued growth in the company's fixed broadband

Qatar Corporate Earnings : Q4-23 vs. Q4-22 (USD Bn)



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

services, managed services, IoT and others. The total number of mobile customers reached 2.15 Mn, representing an increase of 2% y-o-y.

The performance of Qatari insurance companies remained mixed during the year resulting in a decline in net profits from USD 365.3 Mn in FY-2022 to a loss of USD 98.7 Mn in FY-2023. The decline was mainly led by losses reported by Qatar General Insurance & Reinsurance Co. to the tune of USD 401.6 Mn in FY-2023 as compared to a smaller loss of USD 145.1 Mn in FY-2022. QLM reported a marginally higher profit of USD 20.9 Mn in FY-2023 vs. a profit of USD 20.0 Mn in FY-2022.

Net profits for the Energy sector improved by 4.8% y-o-y to reach USD 803.7 Mn supported by the profits reported by Gulf International Services Co. and Qatar Fuel Co. Net profits for Gulf International Services Co. increased by 30.2% to reach USD 107.3 in FY-2023 vs USD 82.4 Mn for FY-2022. The company reported a revenue of USD 0.96 Bn for FY-2023, with an increase of 17%, compared to last year driven by higher revenues from aviation, drilling and insurance segments. Qatar Fuel Company posted a net profit decrease of 7.6% to reach USD 269.6 Mn in FY-2023 vs USD 291.8 Mn in FY-2022 mainly led by lower revenues that contracted by 6.2% to reach USD 7.7 Bn in FY-2023.

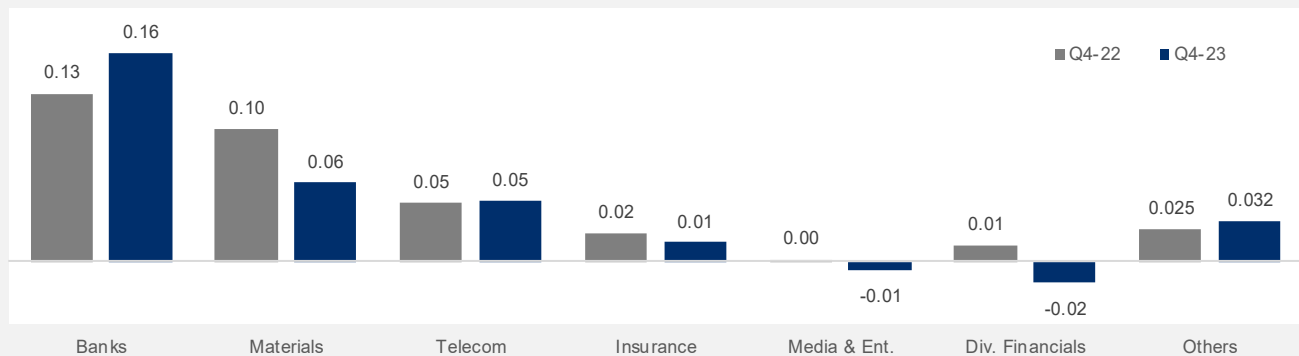
Bahrain

Total FY-2023 net profits for Bahrain-listed companies declined by 30.8% y-o-y to USD 1.7 Bn mainly driven by the Materials sector that recorded total net profit fall from USD 1.1 Bn in FY-2022 to USD 313.1 Mn. Aluminum Bahrain, the only constituent company in the sector, reported FY-2023 net earnings fall of y-o-y 71.6% due to lower LME prices (down by 5.8% YoY in Q4 2023 and down by 16.8% YoY for the 12 months of 2023) and lower premiums (down by 34.1% YoY in Q4 2023 and down by 35.3% YoY for the 12 months of 2023). The decline of ALBA's net earnings was explained by a combination of factors including the 6% y-o-y fall of Saudi Arabia's Aluminum consumption which dragged down the overall aluminum consumption in the Middle East by 7% y-o-y.

In terms of quarterly performance, total Q4-2023 net profits for Bahrain-listed companies declined by 14.2% y-o-y to USD 296.9 Mn. Aggregate profits were once again dragged down by Materials sector, with ALBA reporting a net profit of USD 62.0

Mn, down 40.7% y-o-y. Comparatively, Q4-2023 total net profits for the Banking Sector increased by 23.9% y-o-y to reach 164.5 Mn against USD 132.8 Mn during Q4-2022. Meanwhile, Q4-2023 aggregate earnings for the Telecom sector improved by 2.6% to reach USD 47.6 Mn.

Bahrain Corporate Earnings : Q4-23 vs. Q4-22 (USD Bn)



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

Similarly, the total FY-2023 net profits for Diversified Financial Sector witnessed 65.3% y-o-y decline to reach USD 39.1 Mn as compared to USD 112.8 Mn in FY-2022 contributing to the decline in aggregate net profits for companies on the exchange. Within the sector, Bahrain Commercial Facilities reported a loss of USD 81.7 Mn during the year as compared to a loss of USD 9.7 Mn in FY-2022. The company explained the loss as part of prudent provisions against expected losses arising from exposures related to customers impacted by the pandemic related economic restrictions. This impacted severely on a section of the customer loan portfolio resulting in delinquencies in loans in the banks portfolio. On the other hand, GFH Financial Group reported FY-2023 net earnings that reached USD 102.9 Mn as compared to USD 90.2 Mn last year.

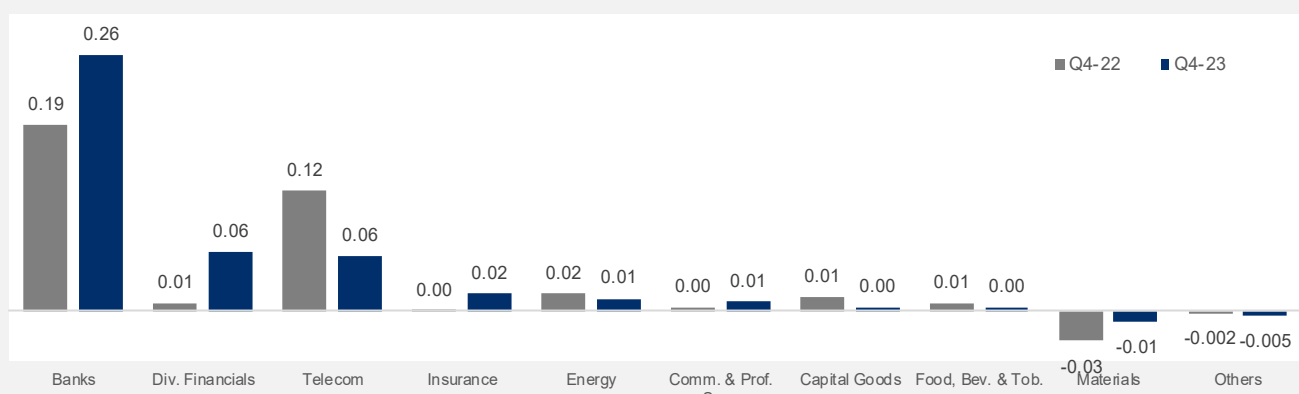
Aggregate FY-2023 net profits for the Banking Sector increased by 21.1% to reach USD 900.0 Mn as compared to USD 743.0 Mn. The growth in the Banking Sectors total net profits during the year was led by Arab Banking Corporation (USD 235.0 Mn) and National Bank of Bahrain (USD 209.8 Mn) which reported y-o-y net profit growth of 52.7% and 16.2%, respectively. ABC attributed its robust profit growth during the year to strong core business growth and a stable funding base combined with interest rate tailwinds and steady cost of credit.

Total FY-2023 net profits for the Telecom sector recorded a 2.4% y-o-y growth to reach USD 206.5 Mn as compared to USD 201.6 Mn during FY-2022 after both telecom companies in the sector reported profit increases during the year. FY-2023 net earnings for the Batelco (Beyon) improved 2.5% y-o-y reaching USD 191.1 Mn up from USD 186.5 Mn in FY-2022. Beyon was able to grow its overall customer base by 2% YoY with increases in mobile customers of 11% in Batelco Bahrain, 5% in Umniah in Jordan and 3% in Sure Group. Similarly, FY-2023 net profits for Zain Bahrain improved 1.7% y-o-y to reach USD 15.4 Mn against USD 15.1 Mn in FY-2022.

Oman

Total net profits for listed companies in Oman increased by 25.4% y-o-y to USD 2.1 Bn in FY-2023 as compared with USD 1.7 Bn in FY-2022. The rise in aggregate profits was driven by the Banking Sector which alone represented over 56.0% of the

Oman Corporate Earnings : Q4-23 vs. Q4-22 (USD Bn)



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

aggregate net profits in the exchange during the year. Moreover, sectors like Utilities and Energy also witnessed significant y-o-y absolute net profit gains during FY-2023 contributing to the overall net earnings increase. In terms of quarterly performance, total net profits increased by 23.4% y-o-y to USD 405.2 Mn in Q4-2023 compared with USD 328.4 Mn in the corresponding quarter in 2022. Total Q4-2023 earnings of the Banking Sector, the biggest sector in the exchange by market cap, increased by 37.8% to reach USD 258.8 Mn up from USD 187.7 Mn in Q4-2022. The Diversified Financial Sector followed with the second largest total net profits, reaching USD 59.6 Mn during Q4-2023 as compared to USD 8.2 Mn in Q4-2022 recording 627.3% y-o-y growth.

FY-2023 earnings of the Banking Sector, the biggest sector in the exchange by market cap, recorded an 18.6% gain to reach USD 1.2 Bn up from USD 993.1 Mn in FY-2022. The Telecom Sector followed with the second largest total net profits, reaching USD 222.0 Mn during FY-2023 despite witnessing 22.6% y-o-y decline from FY-2022 (USD 286.8 Mn).

In the Banking sector, net profits for Bank Muscat increased by 5.8% to reach USD 551.9 Mn in FY-2023 as compared to USD 521.5 Mn during FY-2022. Bank Muscat attributed its yearly earnings growth to its proactive customer-centric strategies, business growth and efficiency which was underpinned by improving economic and business conditions in Oman through an increase in oil prices, consecutive years as well as budget surpluses due to Government's progressive vision and fiscal, economic, and structural reforms.

In the Telecom sector, OmanTel led the way in terms of total profits that reached USD 194.3 Mn in FY-2023, down 18.1% y-o-y. Similarly, Oman Qatari Telecommunications Company posted FY-2023 net profits that reached USD 27.8 Mn as compared to USD 50.0 Mn in FY-2022. The decrease in net earnings was largely attributed to the absence of capital gain from the sale of towers, which was factored into the 2022 net profit. In context, excluding this gain, the net profit for 2023 reflects a notable 9.7% growth compared to the previous year, supported by stable EBITDA, and reduced financial costs.

Aggregate net profits for the Utilities Sector jumped 34.4% to USD 175.9 Mn during FY-2023 as compared to USD 130.9 Mn during FY-2022. The growth in total net earnings of the sector materialized after four out of the eight companies that comprise sector reported y-o-y growth in their net profits during the year led by Phoenix Power Company (USD 57 Mn) and Sembcorp Salalah (USD 53.3 Mn). ACWA Power Barka returned to profitability in FY-2023 to reach USD 0.9 Mn as compared to a net loss of USD 5.9 Mn in FY-2022.

The FY-2023 total net profit performance was mixed for the remaining sectors on the exchange. FY-2023 net earnings in the Diversified Financial Sector declined by 8.6% to reach USD 192.7 Mn as compared to USD 210.3 Mn during FY-2022. Comparatively, FY-2023 aggregate net earnings for the Energy Sector improved by 7.2% y-o-y to reach USD 212.4 Mn as against USD 198.0 Mn in FY-2022.

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") 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. 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 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 : research@kamcoinvest.com

Website : www.kamcoinvest.com