

Business

KAMCO GCC Corporate Earnings report

GCC net profits drop over 60% in Q2-20 led by energy, bank and material stocks

Boursa Kuwait-listed companies report steep declines

KUWAIT: 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 percent of the listed GCC companies reported Q2-2020 earnings by the time we compiled this report with 55 percent 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 percent y-o-y in Q2-20 to reach \$15.7 billion as compared to \$39.9 billion in Q2-19. In terms of q-o-q performance, earnings declined by 38.8 percent 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 \$20.4 billion or 68.3 percent y-o-y to reach \$9.5 billion during Q2-2020. Excluding the quarterly net profit of Saudi Aramco that declined by 72.7 percent, aggregate profits for Saudi Arabia declined slightly less



million during Q2-2020 as compared to a profit of \$1.1 billion during Q2-19.

In terms of 1H-2020 earnings performance, the aggregate for the GCC declined by 46.3 percent to reach \$41.9 billion as compared to \$78.1 billion during 1H-2019. Saudi Arabia once again reported the biggest decline in earnings with a fall of 48.7 percent or \$27.8 billion to reach \$29.3 billion. Kuwait was next with a decline of 77.8 percent or \$2.6 billion to reach \$0.7 billion in aggregate 1H-2020 earnings, whereas the two UAE exchanges reported an earnings decline of 40 percent. The smallest decline was reported by Qatar at 19.7 percent or \$1.1 billion to reach \$4.3 billion during 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 \$18.0 billion 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 \$592.9 million during Q2-2020 vs a profit of \$564.0 million 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 percent y-o-y to reach \$6.1 billion. 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 percent y-o-y and 4.6 percent q-o-q during Q2-2020 to reach \$1.81 billion. 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 \$67.7 million or 53.6 percent to reach \$58.6 million due to a lockdown-led decline in the telco's topline.

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 percent to \$161.5 million compared to \$1.54 billion 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 \$1.1 billion 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.

Net profits for the Kuwaiti Banking sector plunges 88 percent to \$102 million in Q2-2020 against \$817 million in Q2-19 as all the banks posted a decline in the net profit led by higher COVID-19 led provision charges.

The Diversified Financials sector reported the second biggest loss during the quarter at \$140 million

with Q2-2020 loss at \$75.9 million as compared to a profit of \$64.1 million 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 \$89 million in Q2-20 as compared to a net profit of \$45 million 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 \$60 million for Q2-20 compared to a profit of \$14 million in Q2-19. Meanwhile, Mabaneer reported a net loss of \$25.6 million for Q2-20 compared to a profit of \$46.3 million 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 \$38.5 million in Q2-20 compared to a net profit of \$5.3 million 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 \$6.2 million and \$15.9 million respectively.

In the Food, Beverage & Tobacco sector Mezzan Holding Co. posted a net profit growth of 55.2 percent in Q2-20 by achieving a net profit of \$11.5 million 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 percent and 13.6 percent, respectively. Livestock Transport & Trading Co. was the only company in the sector that reported a y-o-y growth in profits that reached \$4.2 million vs \$2.2 million in Q2-19.



Kuwait banks' profits slip on provision charges

by 47.4 percent y-o-y during Q2-2020. Companies in Dubai and Kuwait were next with declines of \$1.41 billion and \$1.37 billion, corresponding to y-o-y percentage declines of 50.6 percent and 89.5 percent, respectively. Companies listed in Abu Dhabi reported the smallest y-o-y decline in earnings during the quarter at 12.7 percent reported at \$2.29 billion.

In terms of sector performance, Energy stocks once again led the y-o-y declines posting \$18.2 billion or 73.1 percent y-o-y fall in earnings that reached \$6.7 billion during Q2-2020. Banks were next with a decline of \$2.99 billion or 32.9 percent to reach \$6.1 billion whereas Material stocks reported an aggregate loss of \$719.6

NBK reveals winner of KD 125,000 in Al-Jawhara Draw

KUWAIT: National Bank of Kuwait (NBK) continues to reward its customers with an outstanding array of draws, prizes and offers all year round. In this context, the bank announced Mohamed Abduljawad Ahmed Abduljawad as the winner of Al-Jawhara monthly prize worth KD 125,000 for August 2020.

Al-Jawhara Account gives customers the opportunity to enter draws and win prizes of KD 5,000 weekly, KD 125,000 monthly as well as the grand prize of KD 250,000 quarterly. Every KD 50 deposited into Al-Jawhara Account gives the customer a chance to be one the next lucky winners, and if no withdrawal or transfers occur on the account during the holding period, customers will receive an additional chance to enter the draw for every KD 50 held in the account, doubling their chance to win.

Commenting on Al-Jawhara monthly draw, Hisham Al-Nusif, Deputy General Manager of Consumer Banking, National Bank of Kuwait, said: "Al-Jawhara Account is an outstanding means for customers to save and get a chance to win prizes, and we stress our keenness to reward our customers through weekly, monthly and quarterly draws. Additionally, we continue to offer our customers more exceptional rewards and campaigns to consolidate their distinction benefits from NBK's excellence and leadership."

Al-Nusif added: "We are continuously in touch with our customers to identify their needs, and also work on measuring their satisfaction with provided



Hisham Al-Nusif

products, which shows noticeable increase in customer satisfaction with the services and benefits offered by the bank, which come as part of our commitment to enrich their banking experience." Al-Nusif affirmed: "NBK is keen on making the process of Al-Jawhara Account opening quick and easy by visiting the nearest NBK Branch, or simply through NBK

Mobile Banking or NBK Online Banking, as part of our Digital Transformation Strategy that provides our customers with integrated banking experience by enabling them to make all their banking transactions without visiting branches."

On the other hand, NBK announced the names of the winners of Al-Jawhara weekly draws including: Bashayer Fareid Abdulmajeid Abdul Sayed, Dana Ali Sayed Hashem, Moham-mad Abdul-samad Abd Alnabi Abdulkaareem. The draw was held live on NBK Instagram page in the presence of a representative from the Ministry of Commerce and Industry, as well as representatives from NBK, noting that Al-Jawhara monthly and quarterly draws are conducted in the presence of a representative from Deloitte. Since 2012, National Bank of Kuwait has rewarded loyal customers with a total worth of prizes amounting KD 2,200,000 in Al-Jawhara weekly, monthly and quarterly draws.

In addition to providing top-notch, cutting-edge and highly secure banking services, NBK is keen to give customers a variety of offers, rewards and prizes that suit their expectations all year round.

CBK announces Najma draw winners

KUWAIT: The Commercial Bank of Kuwait (CBK) recently announced the names of the Najma Account weekly and the 'Your Salary & More' winners after draw which was held at CBK headquarters in the presence of MOCI representative, Ahmed Al-Basman. The winner of Al-Najma account weekly draw was Mansour Nasser Al-Hajri, who won KD 5,000 cash and the winner of the Your Salary & More campaign was Saad Salem Al-Azmi.

In addition, CBK explained that Al-Najma account offers the largest daily award in Kuwait of KD 5000, a monthly KD 20,000 award, a biannual KD 500,000 award then the Guinness world record largest annual award of KD 1.5 million.

CBK statement added that participants could open the account by depositing the minimum of KD 500 to enter all draws and that each KD 25 entitles account holder to an entry in daily draws after a week as of deposit and in mega draws after 3 months of deposit. "The more sums deposited, the bigger chances account holders will have to win one of the awards", the statement underlined. Further, CBK statement explained that the 'Your Salary & More' campaign is open to Kuwaiti employees with minimum KD 500 salaries who would enjoy getting instant cash gifts of up to KD 500 or interest free loans up to KD 10,000 in addition to entering weekly draws to win amounts equal to holders monthly salaries. Participants will also get 5-year valid Visa Signature cards free of charge with up to 3 percent cash back, E-gov. cards as well as enjoy CBK's creative payment and transfer solutions using T-Pay service.

TikTok sues over ban ordered by Trump

SAN FRANCISCO: Video app TikTok on Monday filed a lawsuit challenging the US government's crackdown on the popular Chinese-owned platform, which Washington accuses of being a national security threat. As tensions soared between the world's two biggest economies, President Donald Trump signed an executive order on August 6 giving Americans 45 days to stop doing business with TikTok's Chinese parent company ByteDance-effectively setting a deadline for a sale of the app to a US company.

TikTok argued in the suit that Trump's order was a misuse of the International Emergency Economic Powers Act because the platform-on which users share often playful short-form videos-is not "an unusual and extraordinary threat." The executive order "has the potential to strip the rights of that community without any evidence to justify such an extreme action," the suit contended.

"We believe the administration ignored our extensive efforts to address its concerns, which we conducted fully and in good faith even as we disagreed with the concerns themselves," TikTok said.

TikTok's kaleidoscopic feeds of clips feature everything from dance routines and hair-dye tutorials to jokes about daily life and politics. The app has been downloaded 175 million times in the US and more than a billion times around the world.

The Trump administration has separately given ByteDance a deadline to divest TikTok before the app is banned in the United States. Trump argues that TikTok could be used by China to track the locations of federal employees, build dossiers on people for blackmail, and conduct corporate espionage.

The company holds firm that it has never provided any US user data to the Chinese government, and Beijing has blasted Trump's crackdown as political. The US measures come ahead of November 3 elections in which Trump, behind his rival Joe Biden in the polls, is campaigning hard on an increasingly strident anti-Beijing message. "The administration failed to follow due process and act in good faith, neither providing evidence that TikTok was an actual threat, nor justification for its punitive actions," the company said. "We believe the administration's decisions were heavily politicized, and industry experts have said the same."

A lawsuit filed last week against Trump by a freshly-formed "WeChat Users Alliance" takes aim at a separate Aug 6 executive order banning the messaging app popular with Chinese speakers.

"The Executive Order singles out people of Chinese and Chinese-American ancestry and subjects them to disparate treatment on the basis of race, ethnicity, nationality, national origin, and alienage," the suit argued. The suit contends the order is illegal, and so vaguely worded that it is not clear whether people using the app to message friends or run businesses will be considered law-breakers. It also says no evidence has been shown that WeChat is a threat to US national security.

The alliance said it is not affiliated with WeChat owner Tencent, based in China.—AFP



An aerial view of a lake and forests in the vicinity of oil sands extraction facilities near the town of Fort McMurray in Alberta Province, Canada. The United States slammed a World Trade Organization ruling Monday that favored Canada in a longstanding battle over lumber imports, holding the case up as further justification for Washington's campaign to drastically reform the global trade body. — AFP

Dispute Settlement Body which arbitrates trade grievances among members.

The upheaval led to the resignation of WTO Director-General Roberto Azevedo. In a column last week, Lighthizer said the trade body and the dispute system needs major changes, and he blamed it for allowing "profound distortions to the world economy" caused by China. Returning to a strictly bilateral sys-

tem would be better than the current flawed structure, he wrote.

The WTO report upheld most of Ottawa's complaints against the US, saying Washington's claims the government was providing illegal subsidies to lumber producers were based on miscalculated prices and transactions like purchase of electricity that did not qualify as subsidies.—AFP

US blasts WTO ruling in Canada lumber dispute

WASHINGTON: The United States slammed a World Trade Organization ruling Monday that favored Canada in a longstanding battle over lumber imports, holding the case up as further justification for Washington's campaign to drastically reform the global trade body. The WTO's dispute settlement body-long a target of attacks by US Trade Representative (USTR) Robert Lighthizer-agreed with Canada's complaints that Washington had violated trade rules when imposing duties on lumber widely used in construction. Lighthizer called the findings "erroneous" and said they "prevent the United States from taking legitimate action in response to Canada's pervasive subsidies for its softwood lumber industry."

"This flawed report confirms what the United States has been saying for years: the WTO dispute settlement system is being used to shield non-market practices and harm US interests," he said in a statement. Under President Donald Trump, Lighthizer has led a campaign to reform the WTO, claiming it is unfair to the United States, and as a result the US has paralyzed the