KIPCO announces 6% increase in net profit to KD 30 million for 2019

Company monitoring developments brought on by COVID-19: Vice Chairman

KUWAIT: KIPCO – the Kuwait Projects Company (Holding) – has announced a net profit of KD 30 million ($99 million) for the year ended 31 December 2019, an increase of 6 per cent on the KD 28.3 million ($93.4 million) reported in 2018.

Earnings per share for 2019 came to 10.1 fils ($3.3 cents), compared to 14.8 fils ($4.9 cents) per share reported at the end of 2018. This is owed mainly to the company's capital increase, as well as the one time increase in interest and other payments on perpetual capital securities held by a Group bank.

KIPCO's Board of Directors is recommending a cash dividend of 10 per cent (10 fils per share) subject to approval by the company's General Assembly and regulatory authorities.

> Consolidated assets stood at KD 10.3bn

Total revenue from continuing operations in 2019 came to KD 766 million ($2.53 billion) compared to the KD 774 million ($2.55 billion) reported in 2018.

As a result of changes in KIPCO's ownership of OSN over 2019 and Q1 2020, and in accordance with IFRS requirements, the pay-TV company has become a subsidiary of the Group. The details and impact are available in 2019 financial statements.

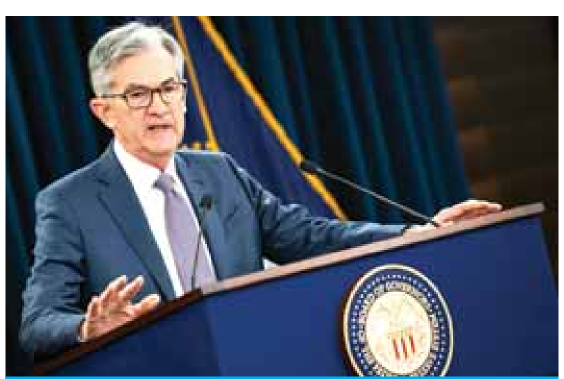
KIPCO's consolidated assets stood at KD 10.3 billion ($34 billion), compared to KD 10.4 billion ($34 billion) reported at year-end 2018.

Faisal Al-Ayyar, KIPCO's Vice Chairman (Executive), said that 2019 was a year of relative growth because of the rise in local public spending and the stability of oil prices:

"Our 2019 results reflect the positive performance our core companies achieved during the year, despite the geopolitical tension and economic struggles that our region is facing. This performance has exceeded our expectations in some areas, which is evident in the results that our banking and insurance sectors achieved."

He added: "In 2019, our banking operations reported positive growth in revenue and profits, while our insurance activities increased in profit and gross written premiums. We remain cautious about 2020, as we closely monitor the developments brought on by the COVID-19 pandemic. Our businesses are carefully evaluating the situation and taking measures to minimize its impact, while putting in place courses of action in order to ensure readiness once the pandemic has subsided."


Faisal Al-Ayyar


WASHINGTON, DC: US Federal Reserve Chairman Jerome Powell gives a press briefing after the surprise announcement the FED will cut interest rates in Washington, DC. – AFP

Small business lending program near launch: Fed

WASHINGTON: The US central bank's program to help smaller businesses will roll out its first loans in coming days aimed at preserving jobs, Federal Reserve Chair Jerome Powell said Friday. Soon after the COVID-19 pandemic hit the world's largest economy, the Fed unveiled the Main Street Lending Program along with a host of other facilities to help support businesses.

But since early April, the central bank has expanded and modified the terms after receiving thousands of letters from lenders and potential borrowers. The facility aims to help ease financial strains of companies too big for the government's Paycheck Protection Program, which is targeted at firms with under 500 employers, but not big enough to have ready access to financial markets.

"This was for the companies that are in the middle," Powell said during an online forum. "It is very challenging because it's an extraordinarily diverse space, the credit needs of different kinds of companies in different industries are extraordinarily diverse." But after the modifications, "We're days away from making our first loans in Main Street," he said in the event hosted by Princeton University. He said the key aim is to help prevent more Americans from losing their jobs. "Everything we do is focused on creating an environment in which those people will have their best chance to keep their job or get a new job," Powell said. "That is the point of this exercise."

Government data on jobless benefits show more than 40 million workers have lost their jobs at least temporarily since mid-March when the lockdowns were imposed to slow the spread of the coronavirus. The unemployment rate spiked to 14.7 percent in April, and is expected to move higher still. The Main Street program offers four-year loans ranging from $500,000 to $200 million or more for the larger firms. – AFP

S Africa allows air travel for businesses

JOHANNESBURG: South Africa will allow domestic air travel for business purposes only from June 1 as the country further eases coronavirus lockdown regulations, the transport minister said on Saturday.

The country has been largely shut since a nationwide lockdown began in late March. South Africa has reported 29,240 cases of the new coronavirus, with 611 deaths. From next month, Africa's most industrialized economy will allow most economic sectors including mining and manufacturing to fully resume operations and has also allowed the sale of alcohol but for home consumption.

"As the country moves to level 3, with more industries resuming operations, learners returning to school, the transport sector must be responsive to enable mobility of both workers and learners," Minister of Transport Fikile Mbalula said in a televised briefing.

"In doing so, we must maintain a delicate balance between enabling mobility and arresting the spread of the virus." The resumption of domestic flights will be rolled out in three phases, with only four airports allowed to be opened under phase one, he added.

Separately, in an earlier briefing, the Minister of Sport, Arts and Culture Nathi Mthethwa said professional teams and individual athletes who participate in contact and non-contact sport, including rugby and football can start training from Monday under strict social distancing rules.

He said it was important for all training to resume so that athletes could stay in shape for when contact sports resume matches. The regulations will also allow professional non-contact sports to host sports events without spectators. —Reuters

Tesla performance opens door to Musk payday

NEW YORK: Tesla has hit financial marks that let its colorful chief executive Elon Musk reap the first portion of a multi-billion dollar compensation package, the electric car maker said.

Musk has foregone a base salary in exchange for a shot at a fortune in deeply discounted Tesla shares, and is eligible for the first batch based on company performance, according to a filing with the US Securities and Exchange Commission. "In particular, 2019 was a record-setting year for Tesla's annual revenues, year-end cash balance, vehicle production and deliveries, and energy storage deployment," Tesla's board said in the filing.

Tesla shareholders will be asked to endorse the compensation at an annual meeting of investors in early July. "One of the 12 tranches under this award has vested and become exercisable," the board said.

Musk's compensation package announced two years ago promises to reward him with 20.3 million Tesla shares, equivalent to some $56 billion, over the course of a decade if the company reaches certain financial and market performance goals.

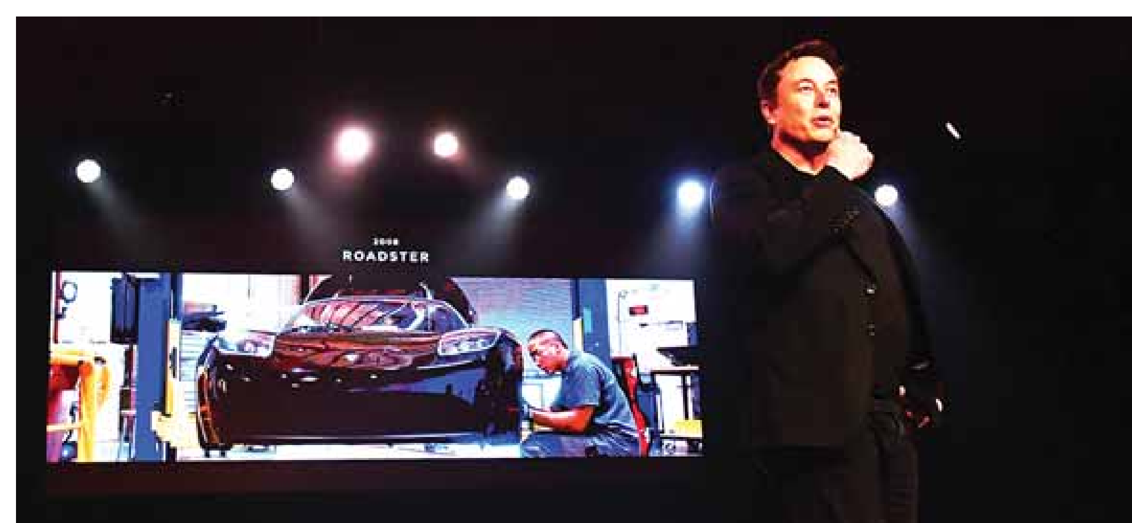
There are twelve market capitalization thresholds to be crossed, the highest being a company value of $650 billion by the year 2028. Tesla has passed the first threshold of reaching $20 billion in revenue and a market value of $100 billion, according to the filing.

Musk is therefore eligible to buy 1.69 million Tesla shares for $350.02 each, according to the compensation scheme. Tesla shares were trading at $805.81 at the close of market on Thursday, meaning the discount would amount to nearly $775 million.

Musk would have to hold onto any shares for at least five years, according to the filing. The compensation package for Musk, who founded Tesla and built it into the leading electric car maker, is being challenged in court by a shareholder who accuses the board of having failed in its duties.

Musk already owns 18.5 percent of Tesla, a stake valued at more than $24 billion, according to FactSet.

Musk recently got the Tesla auto assembly plant near San Francisco back in operation after a clash over the shutdown of businesses in the state due to the pandemic. On Wednesday, the SpaceX company created by Musk scrubbed a landmark launch to the International Space Station due to fears of a lightning strike. With NASA astronauts Bob Behnken and Doug Hurley strapped into the Crew Dragon capsule, the launch pad platform retracted and rocket fueling underway, SpaceX made the call to abort. – AFP



HAWTHORNE: Tesla CEO Elon Musk speaks during the unveiling of the new Tesla Model Y in Hawthorne, California.—AFP

Investors eye discretionary companies

NEW YORK: Investors are taking a closer look at the market's consumer discretionary companies as a reopening US economy fuels hopes of a turnaround for some of the sector's hardest-hit names.

Many companies in the sector have been battered by the country-wide coronavirus-fueled lockdowns that have weighed on growth and damaged retail spending over the last several months, though the stocks of a few, like Amazon, have soared. A gradual lifting of lockdowns in some states has stirred hopes for a bounce back for the retailers that make up much of the sector.

Some investors, however, say it may be months before consumers return to their previous shopping habits, making it unlikely that the companies will see a pickup in revenues in the near term.

Firms ranging from middle-income retailers such as Gap Inc and American Eagle Outfitters Inc to high-end destinations like Tiffany & Co and Vail Resorts Inc are expected to report results in the week ahead.

"This particular group is full of landmines," said Jamie Cox, managing partner for Harris Financial Group. "There is not going to be a lot of investor follow-through until we get some certainty with what future revenue prospects are going to be."

Shares of the Gap, for instance, are down 43 percent for the year to date. A recession that persists through the fourth quarter of this year would reduce the company's revenues by 40 percent, according to a note by research firm Trefis.

Next Friday's US jobs report is expected to show that the unemployment rate rose to 19.8 percent in May, smashing April's record 14.7 percent, according to a Reuters poll. Non-farm payrolls are expected to drop by 7.4 million, adding to the 20.5 million jobs lost the previous month. Cox is focusing on dominant players such as Amazon.com Inc , Walmart Inc and Target Corp, which have a mix of essential items such as groceries as well as electronics and games that can appeal to customers who may face extended lockdowns during a potential second wave of the virus.

Overall, retail companies in the S&P 500 are up 12.9 percent for the year to date, a gain powered largely by Amazon's 31 percent rally. Apparel companies, by comparison, are down 16.2 percent over the same time.

Brian Jacobsen, senior investment strategist for the Wells Fargo Asset Management Multi-Asset Solutions team, says retail companies will likely show rising expenses over the next several quarters due to items like more frequent sanitation of stores and technology purchases aimed at increasing the productivity of employees working from home.

"It's really going to be a challenge to get a clear read of the direction for quite a while," he said. Despite those headwinds, investors may still gravitate toward companies that are able either to tap the capital markets for funds or draw from their financial reserves, said Randy Frederick, vice president of trading and derivatives with the Schwab Center for Financial Research.

Retailers such as J Crew and JC Penney have already filed for bankruptcy due in part to the coronavirus pandemic, leaving more opportunity for companies that are able to survive and grab market share, said Frederick. "You're getting set up for potential upside surprises," he said. "You may take a step back and look at this and say, 'No matter how awful these numbers may be, at least they're still in business.'" – Reuters

In this file photo a man passes the building before the opening bell at the New York Stock Exchange (NYSE) on Wall Street in New York City. – AFP

Chile and Peru secure credit lines from IMF

WASHINGTON: The IMF approved a two-year $24 billion credit line for Chile on Friday as the South American nation battles the growing impact of the coronavirus pandemic.

The announcement came a day after Peru secured a two-year, $11 billion credit line, and as Latin America becomes a growing hotspot for COVID-19. The Flexible Credit Line is a renewable funding mechanism granted to countries with strong economic policy track records, and Chile is only the fifth country to receive one. Along with Peru, Mexico and Colombia currently have FCLs in place.

IMF Managing Director Kristalina Georgieva praised Chile for its "very strong fundamentals ... and track record of implementing prudent macroeconomic policies" that have helped the country to weather the economic shocks so far. However, "Chile's open economy is exposed to substantial external risks as a result of the ongoing COVID-19 outbreak, including a significant deterioration in global demand for Chilean exports, a sharp decline or reversal of capital inflows toward emerging markets, and an abrupt tightening of global financial conditions," she said in a statement.

The IMF has ramped up lending and rolled out a series of new financing tools to help countries deal with the pandemic, which is expected to cause the worst global economic slowdown since the Great Depression.

The backstop should help to boost market confidence and Santiago intends to treat the credit line as "precautionary and temporary," and exit the backstop after 24 months, Georgieva said. Peru likewise sees the program as precautionary and will consider exiting once the crisis has passed and "the insurance provided by an FCL arrangement would no longer be necessary."

The IMF chief also praised Lima's "very strong policy and institutional frameworks" which, she said, "have helped it achieve impressive macroeconomic outcomes and reduce vulnerabilities." However, "The COVID-19 shock poses an extraordinary challenge, which is pushing the Peruvian economy into a recession," she said in a statement. "The authorities have responded decisively by putting in place stringent containment measures and a large policy package to limit the socio-economic fallout."

The country has seen a surge in cases this week, with the death toll topping 4,000. – AFP