

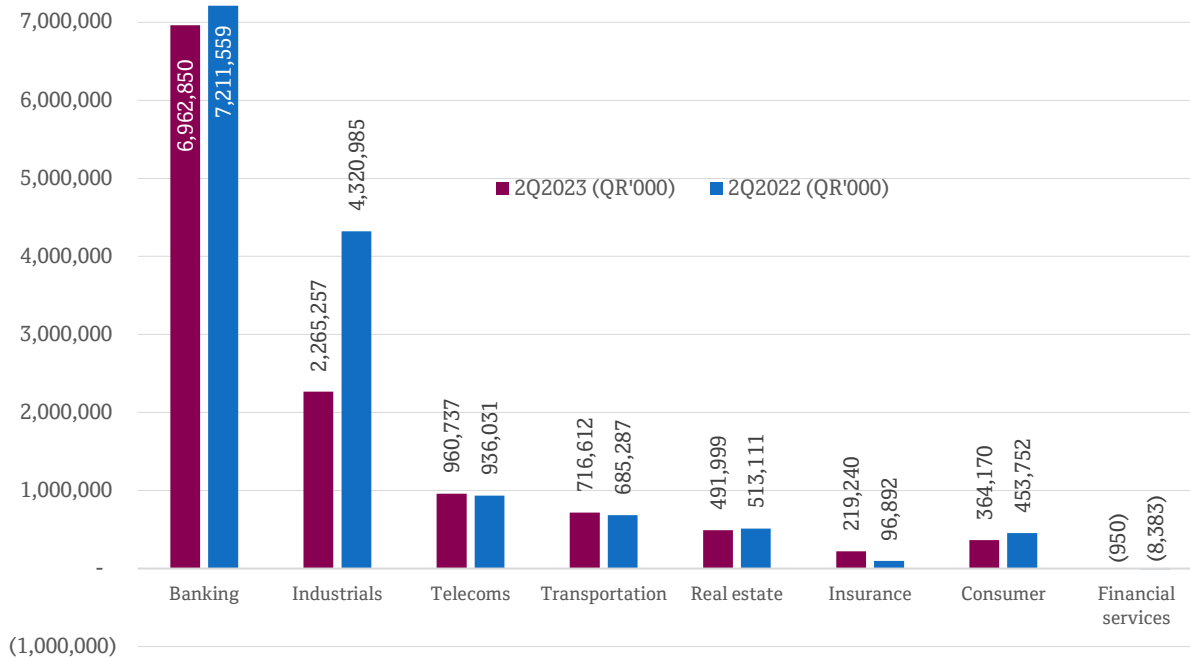
2Q2023 Profit Moderates as Industrials/IQCD Eclipse Strength in Insurance

Listed companies on the Qatar Stock Exchange reported a 15.7% YoY decline in earnings to QR11.98bn during 2Q2023 dragged down by Industrials (primarily Industries Qatar or IQCD). The Insurance sector was a notable outperformer as it grew earnings by 126.3% YoY. Sequentially, aggregate net profit decreased by 4.5%. All sector earnings slipped with the exception of the Real Estate and the Consumer Goods & Services sectors, registering 15.8% and 1.1% upticks, respectively. Insurance, telecoms and banks contributed to most of the decline. Aggregate revenue decreased 9.5%/2.9% YoY/QoQ to QR43.3bn with a deficit in Industrials partially offset by increases in Insurance and Telecoms. Revenue generally declined across the board sequentially. Aggregate NP margin came in at 27.7% compared with 29.7% in 2Q2022. Banks remained the biggest contributor to the QSE's aggregate earnings at 58.1% (2Q2022: 50.8%) followed by industrials (18.9% vs. 30.4% in 2Q2022) and telecoms (8.0% vs. 6.6% in 2Q2022). Similarly, banks recorded the strongest NP margin at 46.1% compared with 46.8% in 1Q2023 and 48.8% in 2Q2022.

Snapshot of 2Q2023 Earnings Season

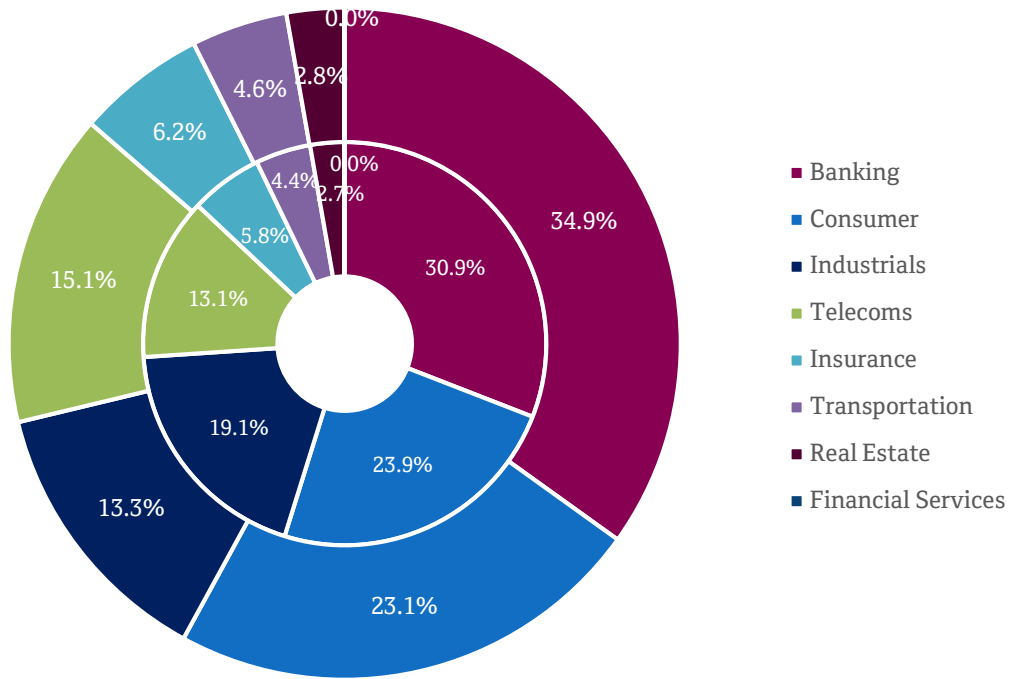
- Four of the eight sectors exhibited positive earnings growth YoY
- Banking sector earnings receded YoY and sequentially due to combination of margin pressure, tepid revenue and provisions
- Financial Services registered negative earnings in both years (2Q)
- Real Estate and Consumer Goods & Services are the only two sectors with sequential growth
- Industrials accounted for the bulk of the earnings decline
- Insurance earnings more than doubled YoY
- Only five companies out of the 50-listed recorded losses; three in 2Q2022
- 22 companies recorded YoY earnings decline

QSE Sector Earnings: 2Q2023 vs. 2Q2022



Source: QSE, QNBFS Research

QSE Sector Revenue Contribution: 2Q2023 (Outer Core) vs. 2Q2022 (Inner Core)



Source: QSE, QNBFS Research

2Q2023 Net Profit for QSE-listed Companies (QR'000)

Sector	Company	2Q2022	2Q2023
Banking	Qatar National Bank	3,890,488	3,723,231
	Qatar Islamic Bank	960,233	1,049,992
	The Commercial Bank	795,270	803,019
	Masraf Al Rayan	512,186	379,687
	Dukhan Bank	353,268	346,596
	Qatar International Islamic Bank	276,247	299,167
	Doha Bank	263,534	183,413
	Al Ahli Bank	139,308	155,142
	Qatar First Bank	21,025	22,603
Banking Total		7,211,559	6,962,850
Consumer Goods & Services	Qatar Fuel Co.	238,515	216,963
	Zad Holding Co.	53,265	48,289
	Al Meera Consumer Goods Co.	46,050	45,171
	Mannai Corp	58,459	25,792
	Baladna	21,700	22,280
	Medicare Group	18,261	17,534
	Mekdam Holding Group	5,142	6,389
	Qatari German Co. for Medical Devices	982	1,293
	Qatar Cinema & Film Distribution Co.	281	1,165
	Salam International Investment Co.	15,944	(2,399)
	Widam Food Company	(4,848)	(18,306)
Consumer Total		453,752	364,170
Financial Services	National Leasing	3,786	4,540
	Inma Holding	859	2,068
	Dlala Brokerage & Investment Holding	(13,291)	(521)
	Qatar Oman Investment Co.	263	(7,037)
Financial Services Total		(8,383)	(950)
Industrials	Industries Qatar	2,728,633	922,162
	Qatar Electricity & Water	295,881	367,917
	Mesaieed Petrochemical Holding Co.	595,103	316,228
	Gulf International Services	25,233	190,735
	Qatar Aluminium Manufacturing Co.	371,455	147,220
	Investment Holding Group (IGRD)	100,689	98,410
	Aamal Holding	82,815	79,273
	Qatar Industrial Manufacturing Co.	49,705	59,009
	Qatari Investors Group	37,630	47,133
	Qatar National Cement Co.	33,841	37,171
Industrials Total		4,320,985	2,265,257
Insurance	Qatar Insurance	18,076	117,150
	Qatar Islamic Insurance	25,634	34,934
	QLM Life & Medical Insurance	8,151	26,686
	Damaan Islamic Insurance	18,335	19,672
	Doha Insurance	26,615	15,871
	Alkhaleej Takaful Insurance	12,460	14,802
	Qatar General Insurance & Reinsurance	(12,379)	(9,875)
Insurance Total		96,892	219,240
Real Estate	Barwa Real Estate Co.	307,935	317,444
	United Development Co.	87,312	99,568
	Ezdan Holding Group Co.	108,791	70,301
	Mazaya Real Estate Development	9,073	4,686
Real Estate Total		513,111	491,999
Telecoms	Ooredoo (ORDS)	827,071	834,286
	Vodafone Qatar (VFQS)	108,960	126,451
Telecoms Total		936,031	960,737
Transportation	Nakilat	347,806	378,896
	Qatar Navigation/ Milaha	280,492	284,382
	Gulf Warehousing Co.	56,989	53,334
Transportation Total		685,287	716,612
Grand Total		14,209,233	11,979,916

Source: QSE, QNBFS Research

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Banking Sector

2Q2023 Earnings Weighed Down by Margin Pressure

Highlights:

- **The banking sector posted mixed results in 2Q2023.** For 2Q2023, the banking sector posted a 3.4% YoY decline in aggregate headline net income. However, on a normalized basis (excluding DHBK & MARK), earnings receded by only 0.6%.
- **The Banks & Financial Services Index underperformed the QSE Index and declined by 3.2% (QSE Index: -1.4%) in 2Q2023.**
- **The banking sector is currently trading at a P/B multiple of 1.6x with an average RoE of 12.7% vs. 1.8x KSA (RoE: 13.6%), 1.2x UAE (RoE: 14.4%) and 1.2x Kuwait (RoE: 8.7%) which is attractive. The sector offers a dividend yield of 3.9% vs. the QSE's DY of 4.7%.**

Revenue:

- **Aggregate revenue gained by 2.3% YoY in 2Q2023 to QR15.1bn, driven mainly by QNB Group (being the sector's largest contributor).** Aggregate growth was a mixed bag as banks grew their revenue by margin expansion and/or non-funded income (combination f/x income, fees & investment income). MARK and DUBK witnessed their revenue drop by 23.7% and 16.4%, respectively on the back of margin pressure and weak non-funded income. On the other hand, the rest of the other banks experienced flat to high single-digit revenue growth.
- **Aggregate revenue receded by 0.4% QoQ in 1Q2023.** Aggregate decline was mainly attributable to margin compression and to some extent, weak non-funded income.
- **NIMs, on a YoY basis on average, compressed, while it remained flat on a sequential basis.** In aggregate, net interest margin compressed by ~10bps to 2.35% YoY vs. flat QoQ. The YoY decline was due to the repricing of CoFs faster than yields following interest rate hikes that began early-2022. QIIK's margins were robust YoY (down QoQ). Moreover, QIBK's margins expanded by 23bps YoY/QoQ to 3.03%. However, MARK's and DUBK's NIMs contracted by 47bps and 39bps YoY, respectively. Meanwhile, NIMs remained flat sequentially.

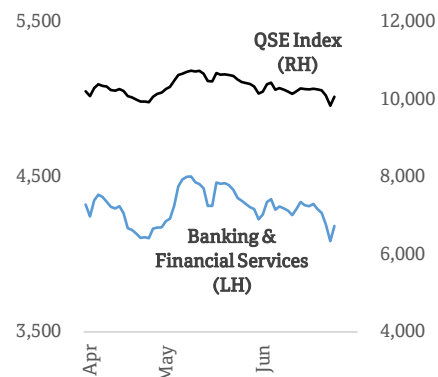
Earnings:

- **Aggregate 2Q2023 net income decreased by 3.4% YoY to QR7.0bn due to large drops from DHBK (30.4%) and MARK (25.9%).** Excluding MARK and DHBK, normalized net profit would have declined by only 0.6%. Earnings on a YoY basis was mainly weighed down by margin pressure.
- **Aggregate net income of banks declined by 1.8% QoQ in 2Q2023.** All banks witnessed their earnings drop with QIBK and CBQK being the exceptions. The decline in the bottom-line was mainly due to an increase in provisions and impairments. On the Other hand, the drop in DUBK's and QIIK's net profit was due to a combination of tepid revenue and an increase in provisions and impairments.

Balance Sheet:

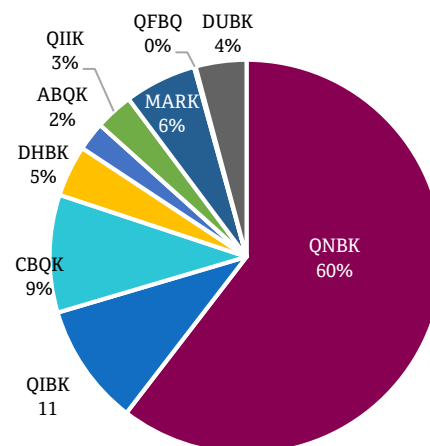
- **Loans experienced flat performance QoQ and YTD.** The loan book remained flat at QR1.34trn in 2Q2023 vs. 1Q2023 (FY2022: QR1.35trn). **Highest QoQ & YTD growth was seen from QIIK (+2.5%/+2.3%) and QNBK which witnessed its loan book climb up by 1.1%/1.4%, sequentially and YTD to QR818.5bn.** The rest of the banks' loan books shrank or remained flat as the public sector continued repaying credit facilities but at a slower pace.
- **All banks witnessed their deposits drop YTD with ABQK (up 5.4%) being the exception.** Aggregate deposits decreased by 2.8% YTD to reach QR1.30trn, driven by all banks with ABQK being the exception. DHBK (-12.1%), MARK (-8.7%) and CBQK (-8.5%) incurred the largest drop. However, aggregate deposits remained flat sequentially.

Sector Index Performance for 2Q2023



Source: Bloomberg

2Q2023 Sector Revenue Contribution



Source: QSE

- **Capitalization levels of Qatar banks remained robust.** Sector average capital adequacy ratio came in at a robust 19.0% with all banks generating strong CARs.

Net Income

Ticker	Company	2Q2022	1Q2023	2Q2023	YoY	QoQ
QNBK	Qatar National Bank	3,890,488	3,881,745	3,723,231	-4.3%	-4.1%
QIBK	Qatar Islamic Bank	960,233	905,341	1,049,992	9.3%	16.0%
CBQK	Commercial Bank of Qatar	795,270	751,297	803,019	1.0%	6.9%
DHBK	Doha Bank	263,534	208,634	183,413	-30.4%	-12.1%
ABQK	Al Ahli Bank	139,308	204,596	155,142	11.4%	-24.2%
QIIB	Qatar International Islamic Bank	276,247	315,916	299,167	8.3%	-5.3%
MARK	Masraf Al Rayan	512,186	384,954	379,687	-25.9%	-1.4%
QFBQ	Lesha Bank	21,025	22,118	22,603	7.5%	2.2%
DUBK	Dukhan Bank	353,268	413,961	346,596	-1.9%	-16.3%
	Total	7,211,559	7,088,562	6,962,850	-3.4%	-1.8%
	Total (Excluding DHBK & MARK)	6,435,839	6,494,974	6,399,750	-0.6%	-1.5%

Source: Company data; Note: Net Income is in QR'000 and are headline net income figures

Industrials Sector

Revenue and Earnings Moderation Continues in 2Q2023

Highlights:

- Similar to the previous quarter, sector top- and bottom-line were lower in 2Q2023 YoY/QoQ. We see continued earnings moderation in the foreseeable future for the diversified industrials complex primarily due to base effects created by hosting of the FIFA World Cup and relatively lower energy & commodity prices. Meanwhile, credit markets continue to tighten, but the overall strength of balance sheets in the sector should help contain some of the subsequent risks.
- The Industrials Index shrunk by 7.8% (QE Index: -1.4%) in 2Q2023 after increasing by 5.7% in 1Q2023.
- Total traded value of QR7.9bn in 2Q2023 is a 13.0% decrease from QR9.1bn traded in 1Q2023.
- Sector valuation has fallen since April 2022, with a current P/E multiple of 13.5x (vs. QSE Index's P/E of 12.0x) and a dividend yield of 7.1% (vs. QSE's 4.7%). The sector trading at a P/E of 13.5x (QSE: 12.0x) in 4Q2022.

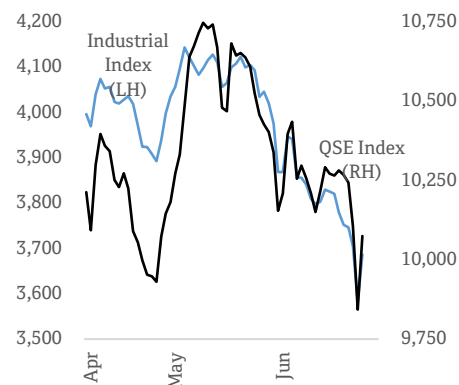
Revenue:

- Sector revenue dropped 37.1% YoY in 2Q2023 to QR5.7bn, weighed down by IQCD's revenue, which fell 48.7%; IQCD accounted for 45.8% of sector revenue. Following the sector giant's dip was MPHC, where revenue shrunk 50.3% from QR586.0mn to QR291.1mn in 2Q2023 – contributions from Q-Chem, Q-Chem II and QVC all declined 24.8%, 39.2% and 92.0%, respectively YoY.
- **Sequentially, revenue slipped 17.5% pulled down by IQCD and GISS.** IQCD registered a QR832.6mn fall in revenue (-24.0%), while GISS's top-line contracted 61.0% from QR836.6mn to QR326.5mn.

Earnings:

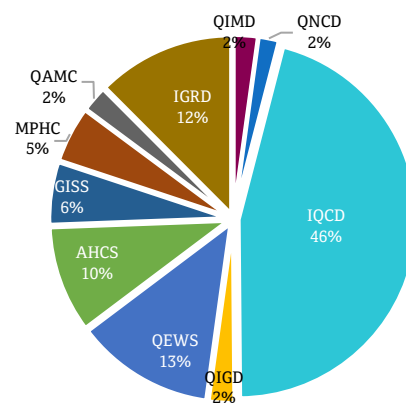
- The sector's comparable 2Q2022 net profit fell 47.6% dragged by IQCD, MPHC and QAMC. Share of results of investments in joint ventures for IQCD fell 60.2% while MPHC reported a 46.9% drop stemming from the decline in its top-line figure.
- On a QoQ basis, sectoral bottom-line inched down 4.6% as IQCD and QEWS registered a 20.9% and 8.2% fall, respectively. IQCD's fertilizer segment was down 58.3% due to facility maintenance. Furthermore, urea prices have come down 19.9% to \$286/MT vs. \$352 recorded in 1Q2023. For QEWS, a spike in depreciation and amortization by 25.6% to QR110.3mn forced earnings down despite an 82.8% growth in JV income.

Sector Index Performance for 2Q2023



Source: Bloomberg

2Q2023 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	2Q2022	1Q2023	2Q2023	YoY	QoQ
QIMD	Qatar Industrial Manufacturing Co.	49,705	48,197	59,009	18.7%	22.4%
QNCD	Qatar National Cement Co.	33,841	64,102	37,171	9.8%	(42.0%)
IQCD	Industries Qatar	2,728,633	1,165,925	922,162	(66.2%)	(20.9%)
QIGD	Qatari Investors Holding	37,630	54,474	47,133	25.3%	(13.5%)
QEWS	Qatar Electricity & Water Co.	295,881	400,663	367,917	24.3%	(8.2%)
AHCS	Aamal Co.	82,815	87,495	79,273	(4.3%)	(9.4%)
GISS	Gulf International Services	25,233	90,235	190,735	655.9%	111.4%
MPHC	Mesaieed Petrochemical Holding Co.	595,103	268,624	316,228	(46.9%)	17.7%
QAMC	Qatar Aluminium Manufacturing Co.	371,455	92,624	147,220	(60.4%)	58.9%
IGRD	Estithmar Holding Group	100,689	101,214	98,410	(2.3%)	(2.8%)
Total		4,320,985	2,373,552	2,265,257	(47.6%)	(4.6%)

Source: Company data; Note: Net Income is in QR'000

Consumer Goods & Services Sector

Sector Bottom-line Falls YoY Following Top-line Decline

Highlights:

- **The sector is set to benefit from the expected easing in global commodity prices, bringing down inflation in the medium-term, with the CPI down to 105.71 (-0.10% QoQ) in June 2023.** The economy will get a growth catalyst from Qatar’s North Field Liquefied natural gas expansion that is expected to start production in 2025, bolstering the surpluses on the fiscal and external accounts. Qatar greeted more than 2mn visitors during the first half of 2023 with the peak months being May and June registering 567,000 visitors, the highest ever recorded for these two months in the last 10 years.
- The consumer goods & services sector index inched up 0.3% (QSE Index: -1.4%) in 2Q2023. Sector traded value in 2Q2023 jumped up 70.2% to QR4.3bn vs. QR2.5bn in 1Q2023.
- Consumer goods & services sector is currently trading at a P/E multiple of 20.8x (vs. QSE Index’s P/E of 12.0x) with a dividend yield of 4.9% (vs. QSE’s 4.7%).

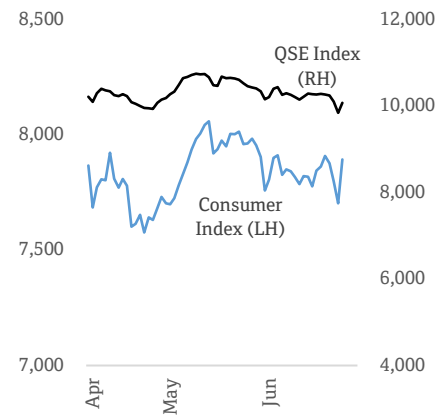
Revenue:

- **Sector revenue shrunk by 12.7% YoY to QR9.98bn from QR11.43bn as the sector giant QFLS reported a drop in revenues.** QFLS recorded a 17.7% drop in its top-line down to QR6.5bn from QR7.9bn in 2Q2022. Since QFLS contributes largely to the sector, it had the greatest effect on the sectoral top-line contraction. Furthermore, MCCS’s (the company with the second largest revenue drop) revenues went down by 5.0%. Of the total 11 companies, five were able to improve their revenues; however, their growth was no match to the other six larger companies that reported a fall.
- **Sequentially, revenue inched down 0.1% from QR9.99bn achieved in 1Q2023.** As revenues of QFLS (-2.2%), MERS (-3.2%), MCGS (-7.2%), SIIS (-0.6%) and MKDM (-7.5%) all dipped, sectoral top-line was slightly affected.

Earnings:

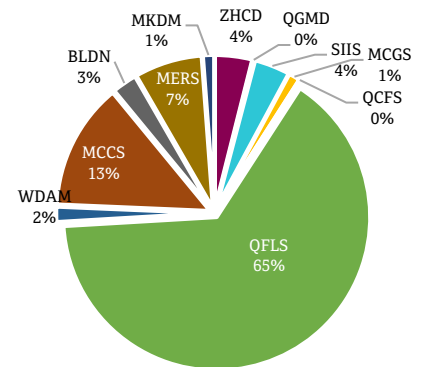
- **The sector’s 2Q2023 net profit declined 19.7% YoY to QR364.0mn with MCCS and QFLS contributing to the bulk of the decline, while WDAM and SIIS reported a net loss.** Even though QFLS witnessed a 59.1% drop in its general & administrative expenses, its revenues dropped significantly and the company was unable to maintain its earnings. MCCS was faced with a loss from its share in associates and JV’s of QR6.7mn, compared to a gain of QR1.0mn in 2Q2022. MERS reported higher net finance costs which was up 10.3%. SIIS suffered a loss in its bottom-line resulting from a lower revenue value and a higher net finance cost of QR41.0mn (+59.0%).
- **The sectors bottom-line moved up 1.1% sequentially mainly due to MCCS, ZHCD and BLDN growing their earnings.** MCCS’s earnings more than doubled supported by an expansion in revenues despite an impairment loss on accounts and other receivables of QR0.8mn and a loss from associates and JV’s of QR6.7mn. ZHCD obtained a 15.7% growth in earnings because of the increase in its top-line, despite cost of sales doubling. BLDN’s revenue increase aided in its bottom-line growth with its two main sources of revenue – dairy and juice sales up 3.8% and 12.2%.

Sector Index Performance for 2Q2023



Source: Bloomberg

2Q2023 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	2Q2022	1Q2023	2Q2023	YoY	QoQ
ZHCD	Zad Holding	53,265	41,729	48,289	(9.3%)	15.7%
QGMD	Qatari German Co. for Medical Devices	982	270	1,293	31.6%	379.5%
SIIS	Salam International Investment	15,944	6,946	(2,399)	N/M	N/M
MCGS	Medicare Group	18,261	18,810	17,534	(4.0%)	(6.8%)
QCFS	Qatar Cinema & Film Distribution	281	1,995	1,165	314.0%	(41.6%)
QFLS	Qatar Fuel	238,515	223,214	216,963	(9.0%)	(2.8%)
WDAM	Widam Food Company	(4,848)	(17,373)	(18,306)	277.6%	5.4%
MCCS	Mannai Corporation	58,459	12,153	25,792	(55.9%)	112.2%
BLDN	Baladna	21,700	20,018	22,280	1.9%	10.4%
MERS	Al Meera Consumer Goods & Services	46,050	43,189	45,171	(1.9%)	4.6%
MKDM	Mekdam Holding Group	5,142	9,274	6,389	24.2%	(31.1%)
	Total	453,752	360,225	364,170	(19.7%)	1.1%

Source: Company data; Note: Net Income is in QR'000

Insurance Sector

Recovery in Industry Heavyweight QATI Drives Overall Profitability

Highlights:

- A recovery in industry heavyweight QATI drove overall profitability YoY for 2Q2023 for the insurance sector. Conventional Insurance companies continue to significantly outperform Islamic Insurance companies. Overall, conventional insurance companies (QATI, DOHI, QLMI and QGRI) net profit shot up by 270.3% YoY, while Islamic insurance companies (AKHI, QISI and BEMA) witnessed a yearly rise in net profit by 30.6% during 2Q2023.
- The first phase of mandatory health insurance covering visitors, which started from February 1, 2023 is increasingly linked to longer stay visitors and its impact on the top line and bottom line for insurance companies is far less than initially anticipated. The second phase of the mandatory health insurance covering residents has been postponed according to industry sources.
- Higher interest rates have impacted insurance firms both in the form of higher borrowing costs and also increased investment income from corporate deposits.
- The Insurance Index jumped 25.9% (QSE Index: -1.4%) in 2Q2023 after it fell by 14.2% in 1Q2023.
- Traded value in the sector inched up 1.2% to QR374.3mn in 2Q2023 from QR384.7mn in 1Q2023.

Revenue:

- The insurance sector's revenue in 2Q2023 edged down 3.3% YoY to QR2.69bn from QR2.78bn, driven mainly by a fall in QATI's insurance revenue (-12.8%). Conventional insurance companies accounted for 92.2% of overall insurance revenue during 2Q2023, while Islamic insurance companies accounted for only 7.8%.
- Conventional insurance companies' revenue declined 4.2% YoY to QR2.48bn from QR2.58bn, while Islamic insurance companies' revenue increased by 9.1% (QISI up 20.7%) during 2Q2023 to reach QR210.9mn from QR193.3mn achieved during 2Q2022.

Earnings:

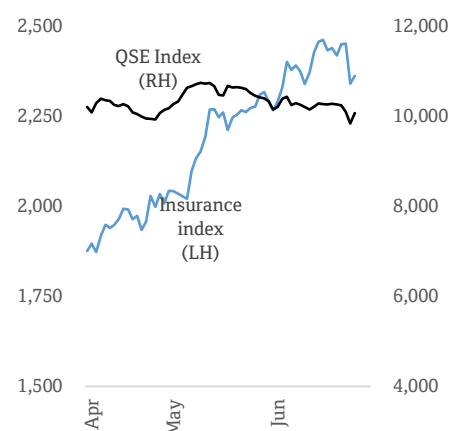
- The sector's 2Q2023 net profit increased significantly by 126.3% YoY to reach QR219.2mn, compared to a net profit of QR96.9mn for 2Q2022.
- QATI, QLMI and QISI were the main contributors to the overall rise in sector bottom-line. QATI net profit shot up by 548.1% YoY, while QLMI net profit jumped by 227.4% YoY and QISI grew net profit by 36.3% YoY. QATI's net profit growth was driven mainly by a 27.4% rise in investment income, even as insurance revenue declined and a loss on discontinued operations (of Gibraltar-based subsidiaries underwriting UK motor insurance) was a drag on the bottom-line.

Net Income

Ticker	Company	2Q2022	1Q2023	2Q2023	YoY	QoQ
QATI	Qatar Insurance	18,076	173,153	117,150	548.1%	(32.3%)
DOHI	Doha Insurance	26,615	65,585	15,871	(40.4%)	(75.8%)
QGRI	Qatar General Insurance & Reinsurance	(12,379)	44,990	(9,875)	(20.2%)	(121.9%)
AKHI	Al Khaleej Takaful Group	12,460	27,280	14,802	18.8%	(45.7%)
QISI	Qatar Islamic Insurance	25,634	29,297	34,934	36.3%	19.2%
QLMI	Qatar Life & Medical Insurance	8,151	20,029	26,686	227.4%	33.2%
BEMA	Damaan Islamic Insurance Company	18,335	13,670	19,672	7.3%	43.9%
Total		96,892	374,004	219,240	126.3%	(41.4%)

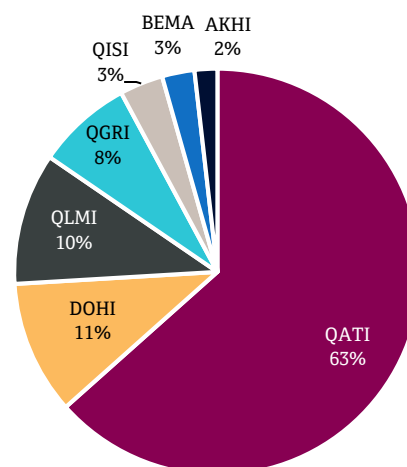
Source: Company data; Note: Net Income is in QR'000 and QATI earnings are headline net income figures

Sector Index Performance for 2Q2023



Source: Bloomberg

2Q2023 Sector Insurance Revenue Contribution



Source: QSE

Telecoms Sector

Growth in Top-line Regardless of a Dip in Population

Highlights:

- **The telecoms sector's aggregate top-line grew YoY and QoQ** since the sector is constantly exploring new grounds and introducing new and innovative features. Ooredoo launched the Aamali Bulk SMS Pay-as-You-Use plan. While Vodafone partnered with Microsoft to tap into the uncharted territory of Artificial Intelligence.
- **The sector is highly dependent on the population in Qatar**, which stood at 2.656mn as of June 2023 (a drop of 11.6% QoQ). Furthermore, the sector came under pressure from the aftermath of the FIFA World Cup 2022, both of which led to earnings dropping on a QoQ basis for Ooredoo and Vodafone Qatar.
- **The Telecoms Index jumped 14.0% from 1Q2023 to 2Q2023** outpacing its 1Q2023 growth of 9.1% and outshining the QSE Index that experienced a drop of 1.4%.
- **Total traded value for the sector rose to QR1.27bn in 2Q2023**, a 1.4% growth vs. 1Q2023, which stood at QR1.25bn.
- **The telecoms sector is currently trading at P/E multiple of 12.5x, which is at a premium to the QSE Index's P/E multiple of 12.0x**. The sector sports a dividend yield of 4.7% vs. the QSE Index's DY of 4.7%.

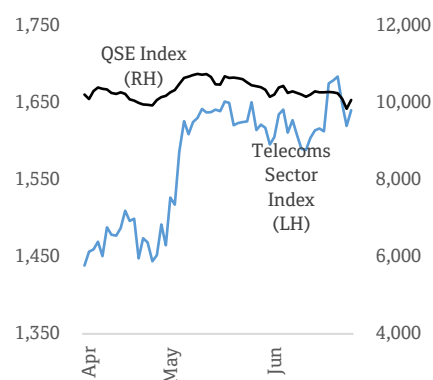
Revenue:

- **For 2Q2023, aggregate sector top-line expanded 4.8% YoY to QR6.5bn with Vodafone Qatar's revenue up to QR774.9mn (+9.9%) and Ooredoo up 4.2% to QR5.8bn.** Vodafone Qatar reported higher total revenue stemming from expansion in non-mobile service revenue, which includes managed services/ fixed services and other. While Ooredoo's increase in total revenue was a result of revenue from rendering of services (+4.4%) and sale of telecommunication equipment (+5.1%).
- **Sequentially, revenue inched up 2.1% in 2Q2023** backed by a 2.5% QoQ climb in Ooredoo's revenue even though Vodafone Qatar reported a flat revenue.

Earnings:

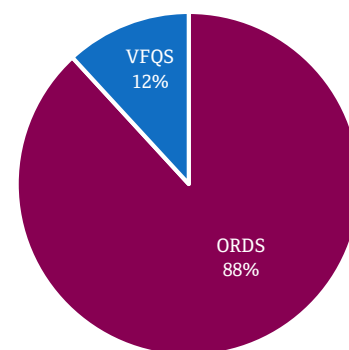
- **Earnings grew YoY but shrunk QoQ with Vodafone supporting the bulk of the YoY growth and growing 16.1%**, despite it being the smaller of the two companies.
- **The sector's 2Q2023 aggregate net profit rose 2.6% YoY to QR960.7mn.** Vodafone Qatar showed the greatest increase in earnings as it ascended 16.1% to QR126.5mn while Ooredoo grew modestly by 0.9%. For Vodafone Qatar, the high revenue figure was the main support for the bottom line growth and its operating profit remained resilient in spite of more hefty expenses.
- **Sequentially, sectoral bottom-line shrunk 12.2% in 2Q2023** from QR1.09bn. Ooredoo was faced with higher operating expenses that rose by 3.2% while also registering a lower other income figure of QR65.0mn (-88.3%).

Sector Index Performance for 2Q2023



Source: Bloomberg

2Q2023 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	2Q2022	1Q2023	2Q2023	YoY	QoQ
ORDS	Ooredoo	827,071	960,566	834,286	0.9%	(13.1%)
VFQS	Vodafone Qatar	108,960	133,391	126,451	16.1%	(5.2%)
	Total	936,031	1,093,957	960,737	2.6%	(12.2%)

Source: Company data; Note: Net Income is in QR'000

Real Estate Sector

Residential Supply Grows Even as Median Rental Rates Drop

Highlights:

- Apartment rents drop to pre-World Cup levels during the first half of the year as new apartment supply rises in recent months with an estimated 4,700 new apartments on the market during 2Q2023, increasing the residential stock to 341,140 units. In addition, median rental rates in residential, commercial and industrials segments declined to 2Q2022 levels. The country continued to host events even after the successful conclusion of the FIFA World Cup Qatar 2022, attracting a 144% YoY surge in international visitors.
- The Real Estate Index grew 4.5% (QSE Index: -1.4%) in 2Q2023 after it fell by 7.8% in 1Q2023.
- Trading activity in the sector grew as traded value rose 37.1% to QR2.54bn from QR1.86bn.
- The Real Estate sector is currently trading at a P/E multiple of 11.5x (vs. the QSE Index's P/E of 12.0x) with a dividend yield of 4.6% (vs. the QSE's 4.7%).

Revenue:

- The real estate sector's 2Q2023 revenue dropped 7.5% YoY to reach QR1.2bn from QR1.3bn, driven by drops from UDCD and BRES. UDCD registered a 32.2% contraction in revenue, while BRES's revenue fell by 9.1%, both of which influenced a YoY decline in revenue.
- Sequentially, all 4 companies recorded a reduction in their top-line figures leading to a sectoral top-line drop of 25.3% for 2Q2023. UDCD and BRES were the main contributors as they each fell by 43.4% and 26.9%, respectively. Further, MRDS dropped by 12.5% and ERES receded by 3.2%.

Earnings:

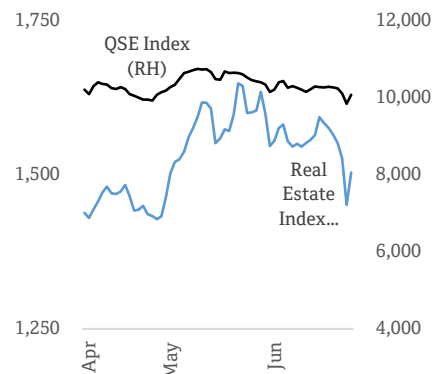
- During 2Q2023, sectoral bottom-line fell 4.1% YoY to QR492.0mn as compared to QR513.1mn in 2Q2022. BRES contributed QR317.4mn to sectoral earnings mainly because of the sale of a property valued at QR56.5mn. UDCD also contributed positively as its finance income grew to QR26.5mn (+74.6%) despite a top-line drop and a 161.2% increase in its depreciation expense. On the other hand, MRDS recorded a substantial drop in earnings as its general and administrative expenses multiplied by more than 10 times to QR28.5mn from QR2.7mn only. ERES's earnings also shrunk as its finance costs rose to QR313.0mn from QR177.9mn in 2Q2022 (+75.9%).
- Sequentially, sectoral earnings increased by 15.8% in 2Q2023. BRES put in a strong performance despite a contraction seen in its revenue, since it reported a net fair value gain of QR191.0mn (+58.7%) and a reversal on impairment losses of QR42.5mn from an impairment loss of QR52.4mn as a well as the sale of the property. Furthermore, UDCD also supported sectoral bottom line growth, recording other operating income at a value of QR212.5mn vs QR14.1mn, pushing company earnings up 3.1%. MRDS experienced a sequential decline in earnings as its revenue and other income fell.

Net Income

Ticker	Company	2Q2022	1Q2023	2Q2023	YoY	QoQ
UDCD	United Development Co.	87,312	88,022	99,568	14.0%	13.1%
BRES	Barwa Real Estate Co.	307,935	235,486	317,444	3.1%	34.8%
ERES	Ezdan Real Estate Co.	108,791	91,042	70,301	(35.4%)	(22.8%)
MRDS	Mazaya Qatar Real Estate Dev.	9,073	10,199	4,686	(48.4%)	(54.1%)
	Total	513,111	424,749	491,999	(4.1%)	15.8%

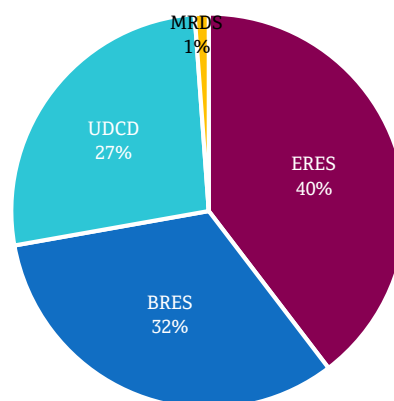
Source: Company data; Note: Net income is in QR'000

Sector Index Performance for 2Q2023



Source: Bloomberg

2Q2023 Sector Revenue Contribution



Source: QSE

Transportation Sector

LNG Expansion To Drive Significant Growth Potential

Highlights:

- **The transportation sector prospers as Qatar strikes major LNG deals in the first half of 2023.** Qatar Energy signed multiple long-term deals internationally signaling a growing sector and providing a potential positive catalyst for earnings growth. QGTS remains the best avenue for equity investors to participate in the long-term growth in Qatar's LNG sector since it could be selected as one of the ship owners involved in Qatar's massive LNG expansion program. GWCS is in line to start new projects around September/4Q2023 in both Qatar and the region. Finally, QNNS has several growth drivers, including its significant ownership stake in Nakilat and exposure to the Qatari O&G segment.
- **The Transportation Index grew 19.4% (QSE Index: -1.4%) in 2Q2023** after it dropped by 7.9% in 1Q2023.
- **Trading interest in the sector grew as traded value increased** by 5.9% QoQ to QR1.9bn from QR886.9mn.
- **The transportation sector is currently trading at a P/E multiple of 11.5x (vs. the QSE Index's P/E of 12.0x)** with a dividend yield of 3.4% (vs. the QSE's 4.7%).

Revenue:

- **The transportation sector's 2Q2023 revenue dropped 5.3% YoY to QR2.0bn, weighed down by a significant decline in Milaha's top-line** as the company reported lower segment revenue from maritime & logistics (-32.9%) and trading (-35.9%). Gulf Warehousing's revenue rose slightly by 1.5% driven by growth in logistics (8.2%), while Nakilat posted flat revenue.
- **Sequentially, revenue declined by 2.6% in 2Q2023 as both GWCS and QNNS exhibited a decrease in their top-lines.** A falloff in the FIFA World Cup 2022-related-business is a key driver of the large QoQ drop of 9.6% in Gulf Warehousing's revenue. While QNNS owes its drag in revenue to its capital segment since it fell 45.6% (which is normal, as 1Q is usually very strong), pulling total revenue down 2.8% to QR744.6mn. Nakilat's revenue, on the other hand, inched up by 0.9% to QR886.6mn.

Earnings:

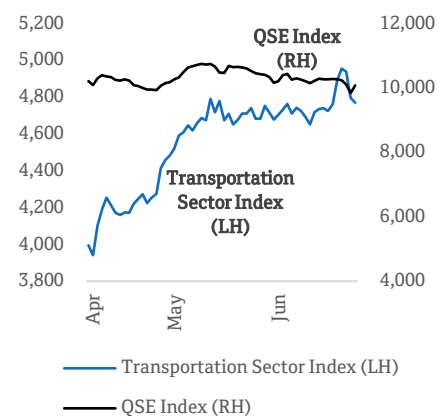
- **The sector's 2Q2023 bottom-line rose 4.6% YoY** to QR716.6mn from QR685.3mn, resulting mainly from growth in Nakilat's earnings, which was attributable to a hike in JV income to QR211.4mn (up 28.9%). Milaha's offshore and gas & petrochem segments accounted for the rise in earnings as they increased by 226.5% and 19.8%, respectively. GWCS contributed negatively to the sector, with its earnings slipped by 6.4% YoY.
- **Sequentially, 2Q2023 sectoral bottom-line fell 12.6%.** As mentioned previously, Milaha's capital segment generally tends to weaken sequentially as investment/dividend income usually hit their peaks in 1Q; QNNS also faced a decline in container-shipping rates/volumes in its maritime and logistics segment. QGTS followed with a fall of 4.2% as depreciation charges (related to its new dry-dock cycle) and general & administrative expenses weighed on its bottom-line. GWCS also dragged sectoral earnings with its net profit shrinking by 13.3%.

Net Income

Ticker	Company	2Q2022	1Q2023	2Q2023	YoY	QoQ
GWCS	Gulf Warehousing Co.	56,989	61,484	53,334	(6.4%)	(13.3%)
QGTS	Nakilat	347,806	385,488	378,896	8.9%	(4.2%)
QNNS	Qatar Navigation	280,492	363,285	284,382	1.4%	(21.7%)
	Total	685,287	820,257	716,612	4.6%	(12.6%)

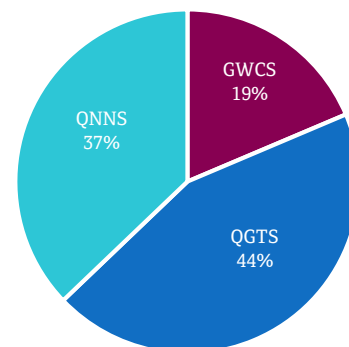
Source: Company data; Note: Net Income is in QR'000

Sector Index Performance for 2Q2023



Source: Bloomberg

2Q2023 Sector Revenue Contribution



Source: QSE

Financial Services Sector

Sector Flips Gains to Losses Pulled by a Single Player

Highlights:

- **The financial services sector performance results were varied in 2Q2023.** The sector experienced a fall in the top and bottom-line on a QoQ basis, but it reported fewer losses in 2Q2023 than it did in 2Q2022. Qatar & Oman Investment Company sustained huge blows to its top-line and bottom-line. Although Dlala Brokerage & Investment Company showed improvement to its earnings, it remained at a loss. Inma Holding and National Leasing Holding unsuccessfully attempted to push sectoral earnings growth up.
- **The Banks & Financial Services Index dropped 3.2% (QSE Index: -1.4%) in 2Q2023.**

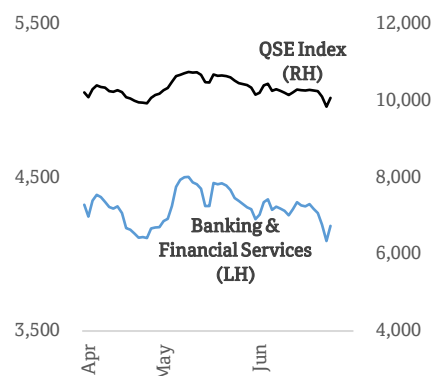
Revenue:

- **The financial services sector's revenue contracted by 52.1% YoY to QR10.9mn driven by a substantial drop from QOIS, IHGS and DBIS.** QOIS recorded a net investment and interest loss of QR6.1mn resulting from an adjustment to share of losses from associates for the period of QR7.4mn. IHGS's revenue fell due to a drop in contracts with customers, leading it to a revenue figure of QR2.8mn (significant drop of 60.6%). DBIS' revenue decreased by 37.5% to QR3.8mn while NLCS was the only company to report growth in its top-line to QR10.4mn (+25.3%).
- **Sequentially, revenue slipped by more than half, pulled by the same 3 companies; QOIS, IHGS and DBIS.** QOIS affected revenues the most as it went from a net investment and interest income of QR5.8mn to a net investment and interest loss of QR6.1mn. Although IHGS and DBIS' top-lines also fell by 8.6% and 4.4%, QOIS had the greatest impact on sectoral top-line's decline. NLCS earned a QoQ increase in revenues of 11.2% from QR9.3mn to QR10.4mn.

Earnings:

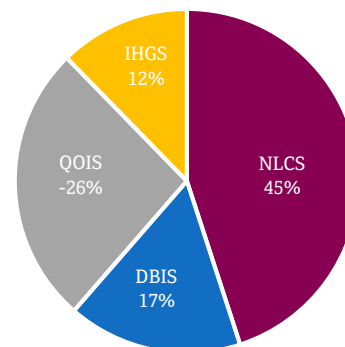
- **The sector reported a net loss of QR0.95mn in 2Q2023 vs. a net loss of QR8.4mn in 2Q2022.** The highest bottom-line loss came from QOIS as it started with a net investment and interest loss, which could not be resuscitated by any of the line items that followed. Despite DBIS' EBIT shifting in a positive direction to QR5.5mn from an operating loss of QR6.2mn, its bottom-line remained at a loss of QR0.5mn. On the other hand, IHGS achieved great progress in its earnings as its brokerage and commission expenses dropped by more than ~60% and its other income more than doubled. NLCS started with strong revenues and reported a gain from investments of QR3.7mn vs. a loss of QR4.8mn, supporting its growth in earnings.
- **Sequentially, sectoral earnings suffered a loss despite 3 out of 4 companies showing improvement.** NLCS and IHGS recorded greater earnings while DBIS showed improvement and QOIS suffered considerably. NLCS had to endure more general and administrative expenses (+41.8%) and lower other income (-98.0%), but it still managed to grow its earnings. IHGS was able to switch its net fair value loss on investment securities at FVTPL to gains and obtain a gain on sale of investment securities, both of which helped its bottom-line.

Sector Index Performance for 2Q2023



Source: Bloomberg

2Q2023 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	2Q2022	1Q2023	2Q2023	YoY	QoQ
NLCS	National Leasing Holding	3,786	4,095	4,540	19.9%	10.9%
DBIS	Dlala Brokerage & Investment Holding	(13,291)	(2,376)	(521)	(96.1%)	(78.1%)
QOIS	Qatar & Oman Investment	263	4,553	(7,037)	N/M	N/M
IHGS	Inma Holding	859	1,288	2,068	140.7%	60.5%
Total		(8,383)	7,559	(950)	(88.7%)	N/M

Source: Company data; Note: Net income is in QR'000

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

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