

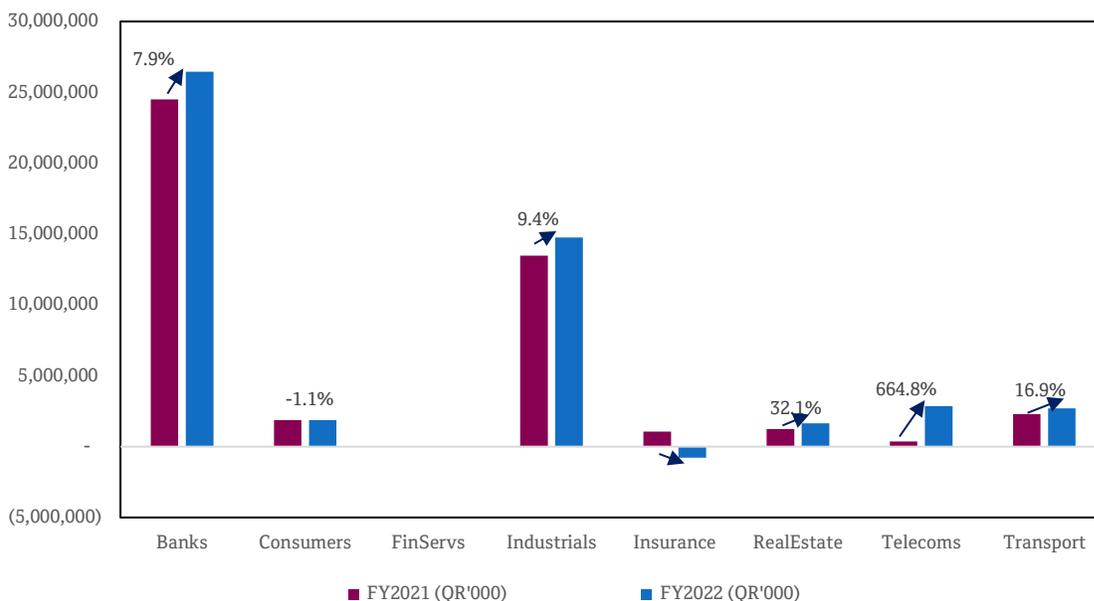
Robust Earnings and Dividend Growth in 2022 Despite a Subdued 4Q2022

QSE-listed companies reported double-digit revenue and earnings growth in FY2022 driven by strong performances by Telecoms, Banks and Industrials. Full-year earnings rose 10.3% to QR49.5bn, while 58% or QR28.5bn were paid out as dividends, a 13.3% jump from FY2021 (aided by MCCS's interim dividend). Aggregate revenue for FY2022 increased 12.3% to QR189.6bn. While the 4Q2022 aggregate bottom-line declined, failing to reflect the hive of activity that characterized Qatar during the World Cup, real estate emphatically bucked that trend. Real Estate significantly outperformed other sectors as its 4Q2022 earnings jumped almost threefold YoY, bolstered by strong demand for housing in November and December during the FIFA 2022 World Cup tournament. While banks enjoyed a decent 18.4% growth in earnings, accounting for a lion's share of 61.7% toward QSE's 4Q2022 aggregate earnings, insurance dragged down the market as it recorded a loss of QR1.0bn down from a profit of QR221.1mn in 4Q2021. Overall, aggregate 4Q2022 earnings fell 17.9% YoY to QR8.9bn, derived from an aggregate revenue pool of QR48.5bn, an increase of 4.9% on the year.

Snapshot Of The FY2022 Earnings Season

- Five out of the eight sectors exhibited positive earnings growth
- Stellar full-year for Telecoms and Real Estate; Insurance disappoints
- Banks contributed a lion's share of earnings
- Four companies from three sectors recorded losses
- 18 companies registered double-digit or more of earnings growth
- Two companies emerged from losses into the black
- Three companies fell into losses from profit
- Eight companies recorded earnings decline
- Only 12 out of the 50 QSE-listed companies did not pay a dividend

QSE Sector Earnings: FY2022 vs. FY2021

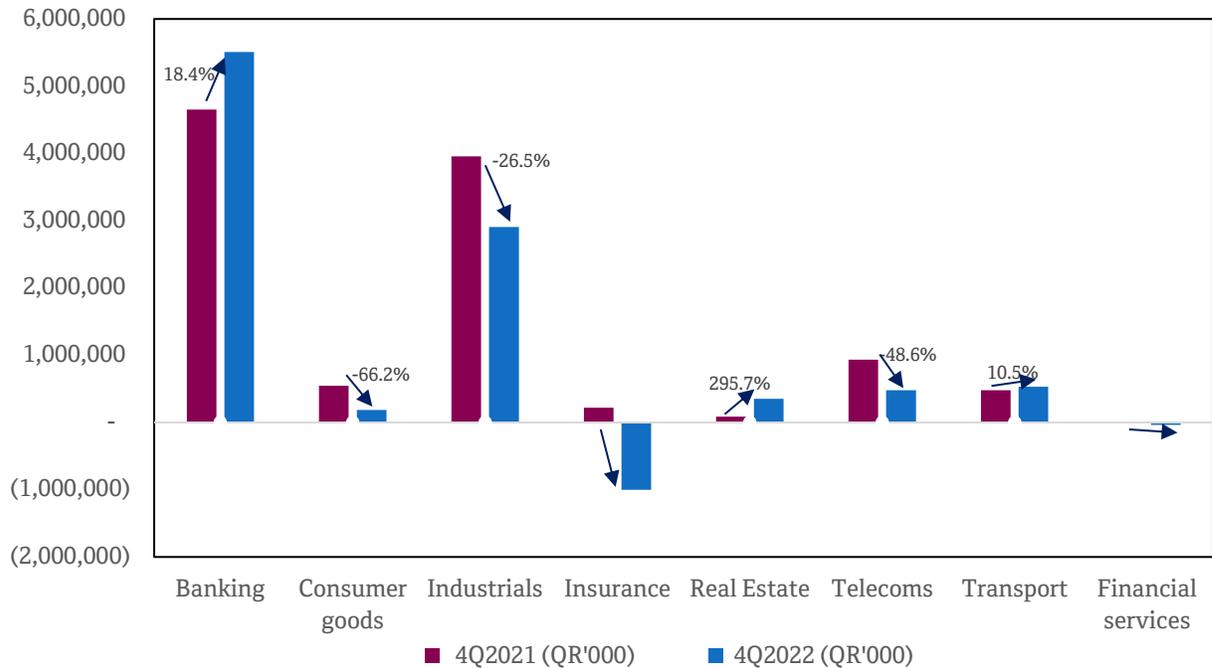


Source: QSE, QNBFS Research

Snapshot Of The 4Q2022 Earnings Season

- Only three out of the eight QSE sectors exhibited positive earnings growth YoY
- Stellar quarter for Real Estate; Insurance disappoints
- Banks contributed a lion's share of earnings
- 10 companies from five sectors recorded losses
- 12 companies registered double-digit or more of earnings growth YoY
- Three companies emerged from losses into the black and vice versa
- 16 companies recorded YoY earnings decline

QSE Sector Earnings: 4Q2022 vs. 4Q2021



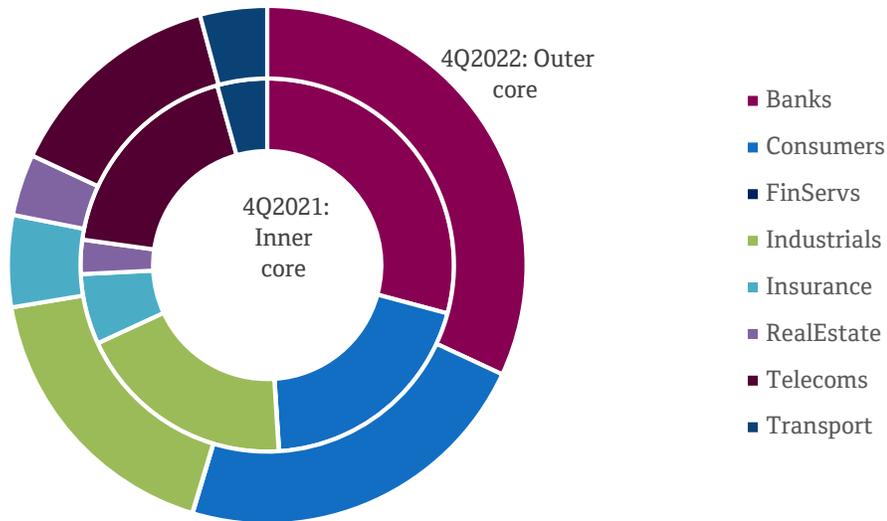
Source: QSE, QNBFS Research

- **The QSE remains attractive on strong fundamentals.** Although we expect the market to remain volatile, we continue to remain positive longer-term on the Qatari market due to the following reasons: **(1)** Sanctions by Western countries on Russia are still causing global oil and gas supply concerns, despite the Eurozone, most at risk, remaining fortuitously resilient than initially feared. While the recent banking crisis has increased recession fears with oil and gas prices teetering at their lows since late 2021, China's reopening negates some of these negative effects. Overall, still decent gas and oil prices should lead to higher government revenue/surplus for Qatar, enable flexibility in government expenditures and improve overall money supply (liquidity). **(2)** Furthermore, with the recent successful hosting of the World Cup, perceived as one of the best editions and putting Qatar on the global business map, we opine that the Qatari stock market should benefit from this success. Some of the impact has been immediate, with Qatar registering a record February and January visitor arrivals this year. **(3)** Over the medium- to long-term, the North Field Expansion, a nascent but growing tourism sector and 2030 Qatar National Vision investments will continue to be major growth drivers for local companies. **(4)** On top of Qatar's macro strengths, Qatari companies enjoy robust balance sheets backed with low leverage and decent RoEs, while Qatari banks stand out with their exceptional capital adequacy ratios, healthy NPLs, strong provision coverage and high profitability. This should help as global monetary conditions continue to tighten.
- **Valuations are looking cheaper historically:** We cannot rule out near-term volatility but stay bullish longer-term on Qatari stocks given their defensive characteristics backed by their strong fundamentals. The QSE's aggregate valuation metrics look attractive considering we do not see any marked near-term earnings

recession; even as the economy moderates, we note the QSE's current PE is lower than its historical median. Moreover, from a technical viewpoint, the QSE has not experienced two consecutive down years since 2001 – it has, on average, returned 19.6% the year following a negative annual performance, with a wide range of between 0.1% and 37.2%.

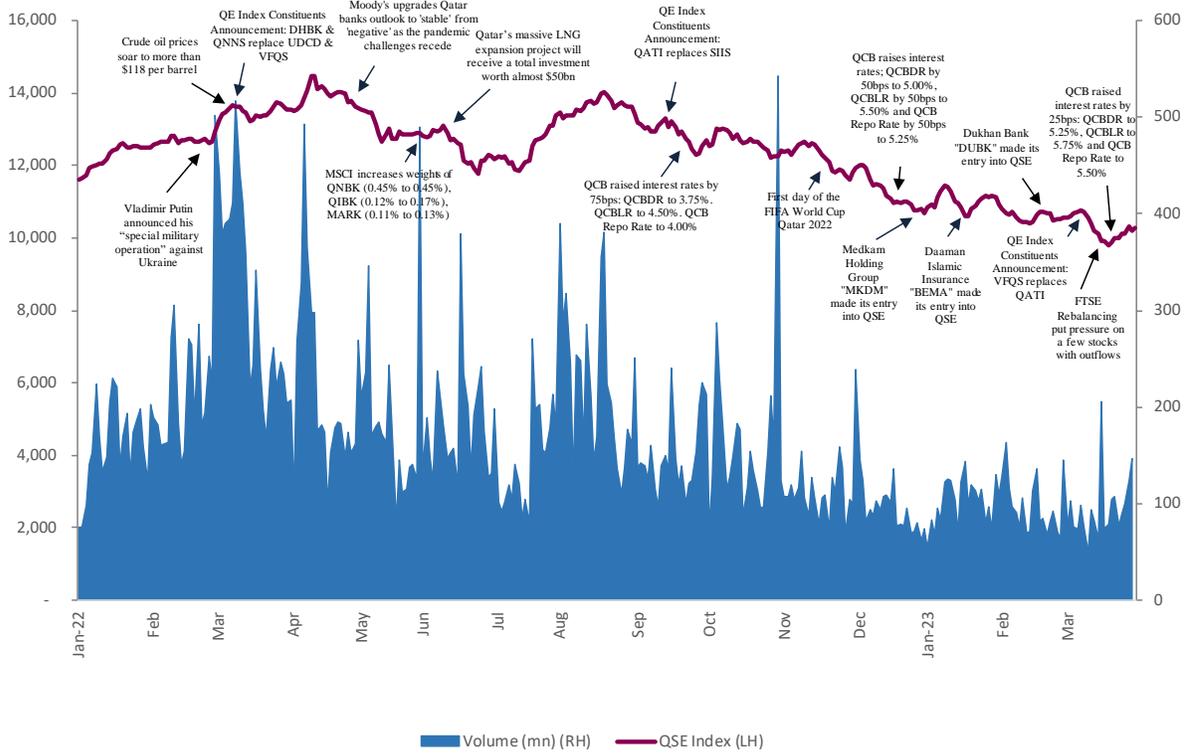
- **Risks:** Estimates can be impacted by one-off events, greater or lower provisions for banks and investment income/capital gains. Oil and gas price volatility remain a substantial risk to regional equity prices and have a direct detrimental impact on stocks under coverage.

QSE Sector Revenue Contribution: 4Q2022 vs. 4Q2021



Source: QSE, QNBFS Research

QSE Index Performance, Volume & Major Events (1 Year)



Source: Bloomberg, QNBFS Research

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Banking Sector

Qatar Banks Trade at Unjustified Discount to Regional Peers

Highlights:

- **The banking sector posted robust yearly earnings growth in 4Q2022 and 2022.** For 4Q2022, the sector posted an 18.4% YoY growth in net income. For FY2022, banks' aggregate net income grew by 7.9%.
- **The Banks & Financial Services Index dropped 16.6% (QSE Index: -15.9%) in 4Q2022.**
- **The banking sector is currently trading at a P/B multiple of 1.4x with an average RoE of 14.0% vs. 1.7x KSA (RoE: 11.2%), 1.2x UAE (RoE: 14.8%) and 1.4x Kuwait (RoE: 9.4%) which is attractive. The sector sports a dividend yield of 3.8% vs. the QSE's DY of 4.8%.**

Revenue:

- **Aggregate revenue gained by 14.8% YoY (up 0.61% QoQ) in 4Q2022.** The growth in revenue YoY was mainly attributable to strong growth in net interest income (margin improvement).
- **Aggregate revenue grew by 15.0% YoY in FY2022 with QNBK being the largest contributor (58.1%) of 2022 sector revenue.** Aggregate growth was a mixed bag as banks grew their revenue by margin expansion and/or non-funded income.
- **With the exception of DHBK, MARK & DUBK, margins improved across the banking sector.** In aggregate, net interest margin improved by ~15bps to 2.50% YoY vs. 4Q2021 (flat QoQ). QNBK's margins were robust YoY (flat QoQ). On the other hand, DHBK's and MARK's NIMs contracted by 53bps and 16bps YoY, respectively (NIMs also contracted sequentially).

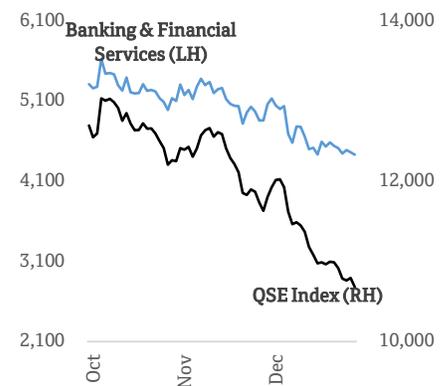
Earnings & Dividends:

- **Aggregate 4Q2022 net income jumped by 18.4% YoY to QR5.5bn, driven primarily by QNBK (up 14.0%) and CBQK (253.8%); MARK and DHBK generated losses.** Excluding MARK and DHBK, normalized net profit would have still increased by 17.7%. The bottom-line was generally driven by healthy growth in revenue and cost containment. Provisioning differed from one bank to another with some booking lower provisions, while others booked higher provisions.
- **Aggregate net income of banks grew by 7.9% YoY in FY2022.** Growth differed across the banks as some banks experienced growth through lower provisioning, cost containment or strong revenue generation.
- **Aggregate dividends increased by 5.5% as MARK contributed negatively to the sector; the sector enjoys a healthy yield of 3.8%.** QNBK and CBQK were the largest contributors to the sector as MARK slashed dividends by 41.2%. QNBK increased DPS from QR0.550 in 20221 to QR0.600 in 2022 (9.1% growth). CBQK increased its DPS by 56.3% from QR0.160 in 2021 to QR0.250 in 2022.

Balance Sheet:

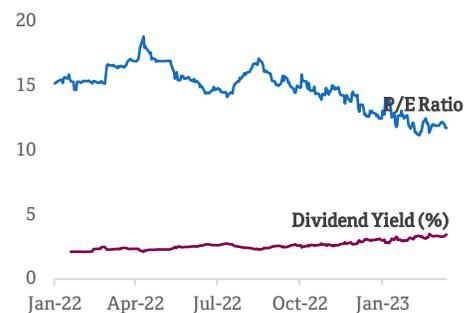
- **Loans experienced a 2.0% YoY increase (sequential increase of 3.5%).** The loan book came at QR1.35trn in 4Q2022 vs. QR1.32trn in 4Q2021 (QR1.30trn in 3Q2022). **Highest YoY growth was seen from QNBK as its loans expanded 5.8% YoY and sequentially, landing at QR807.6bn.** The rest of the banks' loan books shrank, for the most part, as the public sector continued on repaying credit facilities.
- **Most banks witnessed their deposits drop YoY with QNBK being the major exception.** Aggregate deposits increased by 2.8% YoY to QR1.34trn, driven mainly by QNBK. The bank's deposits expanded by 7.2% YoY (up 6.0% QoQ). MARK and QIBK incurred the largest drop. MARK's deposits dropped by 9.0% YoY (up 4.3% QoQ), while QIBK's declined by 6.7% (flat sequentially).
- **Capitalization levels of Qatar banks remained robust.** Sector average capital adequacy ratio came at 18.9%, registering a rise of 16bps during 4Q2022. All the banks generated strong CARs without any exceptions.

Sector Index Performance for 4Q2022



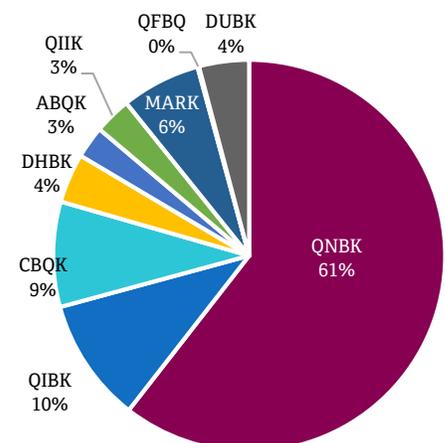
Source: Bloomberg

Sector P/E and DY Evolution



Source: Bloomberg

Sector Revenue Contribution for 4Q2022



Source: QSE

Net Income

Ticker	Company	4Q2021	3Q2022	4Q2022	YoY	QoQ	2021	2021	YoY
QNBK	Qatar National Bank	2,950,715	3,966,540	3,364,287	14.0%	(15.2%)	13,211,123	14,348,860	8.6%
QIBK	Qatar Islamic Bank	1,030,050	1,034,858	1,154,965	12.1%	11.6%	3,555,296	4,005,203	12.7%
CBQK	Commercial Bank of Qatar	172,362	768,977	609,782	253.8%	(20.7%)	2,304,253	2,811,108	22.0%
DHBK	Doha Bank	(188,033)	267,934	(167,538)	(10.9%)	N/M	703,774	765,375	8.8%
ABQK	Ahli Bank	188,928	236,141	204,887	8.4%	(13.2%)	713,466	771,788	8.2%
QIIK	Qatar International Islamic Bank	163,504	330,917	173,219	5.9%	(47.7%)	1,003,347	1,075,245	7.2%
MARK	Masraf Al Rayan	4,656	334,136	(15,676)	N/M	N/M	1,717,932	1,344,343	(21.7%)
QFBQ	Lesha Bank	38,363	21,503	11,920	(68.9%)	(44.6%)	100,370	75,470	(24.8%)
DUBK	Dukhan Bank	293,454	335,357	172,303	(41.3%)	(48.6%)	1,193,393	1,253,069	5.0%
	Total	4,653,999	7,296,363	5,508,149	18.4%	(24.5%)	24,502,954	26,450,461	7.9%

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

Dividend Per Share & Dividend Yield

Ticker	Company	2021		2022		YoY Change
		DPS	Yield	DPS	Yield	
QNBK	Qatar National Bank	0.550	3.4%	0.600	3.7%	9.1%
QIBK	Qatar Islamic Bank	0.575	3.2%	0.625	3.5%	8.7%
CBQK	Commercial Bank of Qatar	0.160	2.8%	0.250	4.4%	56.3%
DHBK	Doha Bank	0.075	4.6%	0.075	4.6%	0.0%
ABQK	Ahli Bank	0.143	3.6%	0.200	5.1%	40.0%
QIIK	Qatar International Islamic Bank	0.375	3.8%	0.400	4.1%	6.7%
MARK	Masraf Al Rayan	0.170	5.9%	0.100	3.5%	(41.2%)
QFBQ	Lesha Bank	0.000	0.0%	0.000		
DUBK	Dukhan Bank	0.140	4.1%	0.160	4.7%	14.3%
	Sector	0.275	3.6%	0.290	3.8%	5.5%

Source: Company data; Note: DPS is in QR

Company Results Review

- **QNB Group's (QNBK) annual net profit, before the impact of hyperinflation, for the year ended 31 December 2022 reached QR16.1bn, an increase of 22.0% compared to the same period last year.** QNB Group successfully managed the negative impact arising from hyperinflation in Turkey. Net profit after the impact of hyperinflation reached QR14.3bn, an increase of 8.6% compared to same period last year. Since the 2nd quarter of 2022, QNB's Turkey operations has been subject to hyperinflationary accounting requirements as per International Financial Reporting Standards due to which an accounting non-cash adjustment called "net monetary loss arising from hyperinflation" is reported in the Group's income statement amounting to QR1.7bn. This accounting adjustment remains neutral on the Group's total equity. **Operating income increased by ~24% to reach QR35.1bn, which reflects the Group's continued successful efforts in maintaining growth across a range of revenue sources.** QNB Group continues to drive operational efficiency to reap cost-savings and enhanced revenue sources helped **QNB Group to improve the efficiency (cost to income) ratio to 19.7% from 22.2%, which is considered one of the best ratios among large financial institutions in the MEA region.** Total Assets reached QR1,189bn, an increase of ~9% from 31 December 2021, **mainly driven by growth in loans and advances by ~6% to reach QR808bn.** Deposits increased by ~7% to reach QR842bn from 31 December 2021. The above helped to improve the loans to deposits ratio to 95.9% as at 31 December 2022 reflecting the improvement in QNB Group's liquidity. **Credit quality: the ratio of non-performing loans to gross loans reached 2.9% as at 31 December 2022, one of the lowest amongst financial institutions in the MEA region, reflecting the high quality of the Group's loan book and the effective management of credit risk.** Also during the year, QNB Group set aside QR8.8bn as a precaution for potential loan losses. This helped the Group to maintain its coverage ratio at 99%, which reflects the prudent approach adopted by the Group towards non-performing loans. **Capital strength: Group CAR as at 31 December 2022 amounted to 19.6%.** In addition, the hyperinflation accounting adjustments relating to Turkey operations had an incremental impact on Group's capital by about QR3.9bn. **QNB Group declared a DPS of QR0.600 for 2022 vs. QR0.550 in 2021, which translates into a yield of 3.7%.**
- **Qatar Islamic Bank (QIBK) reported 4Q2022 net profit broadly in-line with estimates; revenue & net operating income were also in-line.** Net profit increased by 12.1% YoY (+11.6% QoQ) to QR1,155.0mn. Revenue and net operating income were in-line with our estimates. QIBK reported revenue of QR1,588.5mn vs. our estimate of QR1,580.7mn. Moreover, net operating income came in at QR1,302.1mn vs. our estimate of QR1,300.7mn. **Strong revenue, cost containment and a drop in net provisions & impairments drove the bottom-line.** Total revenue grew 9.8% YoY due to strong net interest & investment income (up 9.7% YoY) and strong fees (increasing 12.7% YoY). In addition, a sharp drop in provisions & impairments (-21.0%) led to a 12.1% YoY increase in the bottom-line. Sequentially, a large drop in provisions & impairments (-34.2%) resulted in an 11.6% increase in the bottom-line as net operating income was flattish. **DPS came in slightly ahead of our estimate.** QIBK announced a DPS of QR0.625 vs. our estimate of QR0.600 (4.2% variation), which translated into a yield of 3.5% and a payout ratio of 40%. 2021 DPS was QR0.575. **FY2022 RoE came in at 18.2%, one of the highest both domestically and regionally.** The bank generated a C/I ratio of 18.0% and 17.4% in 4Q2022/FY2022, respectively. **Asset quality remains superior** as the NPL ratio declined from 1.8% in FY2021 to 1.5% in FY2022. Moreover, NPLs dropped by 19.5% on a YoY basis. Moreover, coverage of Stage 3 loans was a strong 91%. Net credit provisions sharply dropped by 39.3% YoY (-65.1% sequentially) to QR80.0mn. **FY2022 CoR improved from 104bps in FY2021 to 92bps in FY2022. Capitalization remains strong and well above the QCB minimum** as CET1 and Tier-1 ratios stood flat (vs. FY2022) at 15.7% and 18.4%, respectively. **Our thesis stays unchanged: QIBK's fundamentals continue to remain robust with strong RoE generation** (2021: 18.2%, 2022: 18.1%, 2023e: 17.9% 2024e: 18.0% & 2025e: 18.2%); moreover, the bank is cost efficient, has a strong Tier-1 position and a superior asset quality profile vs. its peers. **As such, we believe the stock warrants a premium.** QIBK is still expected to generate superior RoE/RoRWAs vs. peers (>17%/>2.0%) in the medium-term.
- **Commercial Bank of Qatar (CBQK) reported a net income of QR609.8mn in 4Q2022 (above our estimate of QR420.4mn), surging by 253.8% YoY (-20.7% sequentially).** Revenue came in at QR1.40bn vs. our estimate of QR1.48bn (variation of -5.5%). The beat in the bottom-line was mainly due to significantly lower provisions and lower expenses to a certain extent. **Non-cash net monetary loss from Turkish hyperinflation shaved off 13% and 6% from the bottom-line in 4Q2022 and FY2022, respectively.** CBQK booked non-cash net monetary loss of QR90.8mn in 4Q2022, shaving off 13.0% from the bottom-line. In FY2022, the bank booked QR189.4mn, deducting 6.3% from net profit. **Bottom-line was driven by a sharp drop in credit provisions & impairments; core banking income was weak as expected.** CBQK booked flattish revenue of QR1.40bn in 4Q2022 (+2.3% sequentially). When we exclude income from associates and investment income/losses, core revenue decreased by 5.6% YoY due to weak fees and f/x income. On the other hand, net interest income was robust. Core revenue also declined QoQ by 8.5% on tepid fees. **CBQK upped its DPS, which was slightly higher than our estimate.** The company recorded a DPS of QR0.250 vs. QR0.160 in FY2021, ahead of our estimate of QR0.200. This translated into a decent yield of 4.4% and a payout ratio of 31%. **Credit provisions significantly dropped in 4Q2022, which was a positive surprise.** Provisions declined YoY (-48.3%) to QR281.1mn (37.3% QoQ). FY2022 CoR improved to 96bps vs. 108bps in FY2021. **Legacy NPLs remain; NPL formation in**

FY2022 was negligible. NPLs increased YoY by 5.4% to QR5.0bn in FY2022. Moreover, the NPL ratio increased to 4.88% from 4.66% in FY2021. Coverage of Stage 3 loans improved to 71% vs. 62% in FY2021. **Gross loans remained flattish YoY as private sector loans increased, while public sector loans receded on government repayments of credit facilities.** Gross loans ticked up by 0.7% YoY to QR103.3bn. Private sector loans increased by 3.6%, while public sector loans declined by 15.3%. Moreover, deposits continued to decline; contracting by 3.6% QoQ (1.5% YoY) to QR83.2bn. **Capital position remained strong as the bank's CET1 and CAR came in at 11.6% and 17.3% in FY2022, respectively. CBQK's management has significantly improved the bank's fundamentals over the past 5 years. Hence, CBQK's stock remains attractive with undemanding multiples.** CBQK is trading at a 2023 P/TB of 1.1x based on our estimates. Moreover, the market is pricing in a sustainable RoE of 12.0%, which is lower than our forecast.

- Doha Bank (DHBK) reported 4Q2022 loss on NIM compression and large provisions.** DHBK reported a net loss of QR167.5mn in 4Q2022 vs. net loss of QR188.0mn in 4Q2021 (net profit of QR267.9mn in 3Q2022); we had estimated a 4Q2022 net profit of QR67.3mn. Net loss, on a YoY basis, was attributed to a sharp drop in net interest income (-25.8%) and provisions & impairments. On a sequential basis, a sharp drop in net interest income and increase in provisions & impairments (up 121.5%) also drove losses. **Fee income moved up by 21.2% YoY (up 0.9% sequentially), while f/x income surged by 28.9%/76.0% YoY/QoQ. DHBK's 4Q2022 (annualized) NIMs dropped by 57/51bps YoY/QoQ to 2.21% as a result of a large increase in CoFs.** In FY2022, NIMs dropped to 2.57bps from 2.80% in FY2021. **RoE continued to remain weak and significantly below CoE.** RoE came in at 5.4% in FY2022, in line with 2018-2021. **DPS remained flat and below our estimate.** 2022 DPS was flat at QR0.075 vs. our estimate of QR0.100, which translated into a yield of 4.6% and payout ratio of 41.8%. **FY2022 CoR receded to 154bps (212bps in FY2021), while credit provisions in 4Q2022 declined by 51.6% YoY to QR289.2mn vs. QR597.9mn in 4Q2021.** Sequentially, credit provisions increased by 18.4% (in-line with historical trends). **Asset quality remains a concern with majority of the NPLs being legacy.** DHBK's NPLs increased QoQ by 11.3% to QR4.0bn (up 3.4% YoY). Moreover, the NPL ratio increased from 5.95% in 3Q2022 to 6.43% in FY2022 (5.83% in FY2021). Further, the coverage ratio for Stage 3 loans declined to 60% vs. 64% in 3Q2022 (FY2021: 54%). DHBK has the largest share of Stage 2 loans as a % of total loans among domestic banks; stage 2 loans stood at 31% of total loans. **Net loans contracted YoY:** Net loans increased by 3.3% sequentially to QR58.1bn but dropped by 7.3% YoY because of repayments from the public sector. Moreover, deposits also increased by 2.1% QoQ (flat YoY) to QR50.1bn. **We expect the bank to generate economic profits from 2027 and onward. Hence, RoE is still expected to be below CoE over 2023 to 2027.** The stock trades at a 52% discount to its 2023e BV due to asset quality issues. As such, DHBK has significantly underperformed its peers.
- Masraf al Rayan (MARK) reported a loss in 4Q2022, missing our estimates due to lower-than-estimated revenue and higher-than-expected opex.** MARK reported a net loss of QR15.7mn in 4Q2022 vs. a profit of QR4.7mn in 4Q2021 and QR334.1mn in 3Q2022. **Provisions and impairments were on the high side but slightly lower vs. 4Q2021 (large increase vs. 3Q2022), which adversely impacted the bottom-line.** MARK booked provisions and impairments of QR620.3mn vs. QR674.7mn in 4Q2021 (QR428.1mn in 3Q2022). 2022 CoR increased to 127bps vs. 87bps in FY2021. **DPS for 2022 was lower than our estimates.** The bank recorded a DPS of QR0.100 vs. QR0.170 in 2021 (our estimate was QR0.150). This translated into a yield of 3.5%. **Asset quality remained under heavy pressure; MARK has allocated significant allowances for loans losses to Stage 2 and Stage 3 loans.** The bank's NPLs surged by 279.6% YoY to QR7.3bn vs. QR1.9bn in FY2021. Moreover, MARK's **NPL ratio moved up to 6.00% from 1.57% in FY2021.** Stage 2 and Stage 3 ECLs surged YoY. Stage 3 ECLs moved from QR1.0bn in FY2021 to QR3.4bn. Stage 2 loans jumped by 66.4%, representing 24% of total loans. Coverage of Stage 3 loans decreased from 53% in FY2021 to 46% in FY2022, while coverage of Stage 2 loans increased from 4.5% to 13% during the same period. **Loans and deposits moved up sequentially but dropped YoY.** Net loans increased by 1.1% QoQ (-2.5% YoY) to QR117.9bn. Moreover, deposits gained by 4.3% sequentially (-9.0% YoY) to QR97.3bn. **Capitalization remained robust and one of the highest among its peers; MARK ended FY2022 with a CET1/Tier-1 of 18.6%/19.5%. Given MARK's asset quality situation, the stock is trading at 2023e/24e P/B of 1.2x (lower than its historical 5-year median of 2.2x and high of 2.5x).** The stock has underperformed its peers and a 10-year analysis of MARK's valuation relative to peers and against its own historical performance shows that the stock is trading below normal levels. We note that while MARK's current relative valuation looks attractive, the stock needs a strong catalyst.
- Qatar International Islamic Bank's (QIIB) 4Q2022 bottom-line increased by 5.9% YoY (-47.7% QoQ) to QR173.2mn.** QIIB reported a net income of QR173.2mn in 4Q2022, bang in-line with our estimate of QR172.9mn. The YoY increase in profitability was mainly driven by margin expansion. Sequentially, earnings followed historical trends and dropped on the back of a 281.4% increase in provisions and impairments. Fees in 4Q2022 dropped by 8.8%/9.0% YoY/QoQ. On the other hand, f/x income was strong, surging by 160.1% YoY and 7.7% sequentially. **Net interest & investment income increased by 9.0%/3.4% YoY/QoQ to QR389.9mn, which was the main contributor to the bottom-line.** QIIB's C/I ratio moved down to 18.7% in 4Q2022 vs. 19.2% in 4Q2021 (3Q2022: 18.4%). The decline in the C/I ratio was due to revenue growth. **QIIB upped its DPS, which was in-line with our estimate.** The company recorded a DPS of QR0.400 vs. QR0.375 in FY2021, which translated into a yield of 4.1% and a payout ratio of 64%. **Asset quality continued to come under pressure as the NPL ratio increased from 2.57% in FY2021 (2.83% in 3Q2022) to 2.80% in 4Q2022.** However, coverage of Stage 3 loans improved from 75% in FY2021 to 93% in 3Q2022. QIIB booked net credit provisions of QR130.9mn in 4Q2022 vs. QR199.7mn in 4Q2021 and QR51.4mn in 3Q2022 (in-line with

historical trends, provisions surge sequentially in 4Q). FY2022 CoR dropped to 81bps from 95bps in FY2021. **Net loans and deposits declined sequentially and on a YoY basis**; gross loans in FY2022 receded by 3.8% YoY to QR38.2bn as a result of government repayment of financing facilities; excluding the public sector, private sector loans expanded by 7.2%. Deposits contracted by 0.8% QoQ (-5.0% YoY) to QR36.7bn in FY2022. As such, the bank's LDR (excluding stable sources of funds) was a healthy 95%. **QIHK maintains a healthy capital position with Tier-1 ratio at 16.3%**. CET1 ratio rested at 12.0%. **The stock is trading around its fair value. At these levels, it would imply that QIHK is trading at 25% premium to QIBK (2023e P/B 1.6x)** and it should be noted that QIBK has better profitability and asset quality indicators. Further, the market is pricing in a sustainable RoE of 17%, above our estimate of 16.0% (17% sustainable RoE is very challenging to achieve, in our view).

- **Dukhan Bank's (DUBK) 4Q2022 bottom-line drops YoY on the back of margin compression.** DUBK reported a net income of QR172.3mn in 4Q2022, declining by 41.3% YoY. The YoY decrease in profitability was mainly attributed to margin compression. Sequentially, the bottom-line dropped by 48.6% because of a surge in provisions. **Net interest & investment income receded by 19.6% YoY (up 4.4% QoQ) because of ~38bps contraction in net interest margin (2.07%) caused by a sharp increase in CoFs.** On the non-funded income side, fees displayed strong performance, growing by 15.5% YoY (15.8% sequentially). **DUBK recorded QR0.160 in DPS (DY: 4.7%) for 2022, up from 0.140 in 2021. Credit provisions increased by 7.8% YoY to QR281.9mn vs. QR261.5mn in 4Q2021 (3Q2022: QR68.4mn).** However, **FY2022 credit provisions declined by 22.3% and CoR materially improved from 125bps to 85bps.** On the other hand, the **NPL ratio increased from FY2021's 4.20% to 5.15% in FY2022.** On a positive note, coverage of Stage 3 loans moved from 65% in FY2021 to 83% by the end of FY2022. **Net loans increased both YoY and sequentially, while deposits contracted.** Net loans went up by 0.8% sequentially (up 0.6% YoY) to QR75.7bn. On the other hand, deposits receded by 2.1% QoQ (-3.7% YoY) to QR74.5bn. **Capital position remained strong as DUBK ended 2022 with CET1/Tier-1 ratios of 14.7%/17.2%.**
- **Ahli Bank's (ABQK) 4Q2022 earnings slightly missed our estimates; net profit increased by 8.4% YoY (-13.2% QoQ) to QR204.9mn,** short of our estimate of QR217.6mn (variation of -5.8%). The sequential drop in the bottom-line is consistent with ABQK's historical trends. **The YoY increase in earnings was due to a large expansion in NIMs.** NIM expanded by ~90bps to 3.38%. The repricing of loans outpaced the repricing of liabilities. Hence, net interest income increased by 52.1% YoY and 6.5% QoQ. However, the surge in credit provisions capped further gains in the bottom-line. **DPS came in ahead of our estimates.** The bank recorded a DPS of QR0.200 vs. QR0.143 in 2021, which translated into a yield of 5.1% and payout of 72.0%. **The bank's C/I ratio improved to 20.1% in 4Q2022 vs. 25.0% in 4Q2021 (20.2% in 3Q2022).** The YoY improvement in the C/I ratio was a result of strong growth in revenue (driven by NIM expansion). **Asset quality improved in FY2022 as management reclassified Stage 3 loans to Stage 2.** NPLs dropped by 29.5% to QR915.6mn vs. QR1.3bn in FY2021 (remained flat vs. 3Q2022/2Q2022). At the same time, the NPL ratio declined from 3.71% in FY2021 to 2.55% in FY2022. Coverage of Stage 3 loans improved to 87% vs. 84% in 3Q2022 (61% in FY2021). ABQK booked provisions of QR122.0mn in 4Q2022 vs. QR57.6mn in 4Q2021 (QR105.5mn in 3Q2022). **Moreover, CoR elevated from 88bps in FY2021 to 110bps in FY2022. Net loans remained flat QoQ, while deposits gained.** Net loans remained flat sequentially (up 1.4% YoY) at QR34.0bn. Deposits increased sequentially by 5.7% (3.7% YoY) to QR28.9bn. **ABQK ended FY2022 with a CET1 & Tier-1 of 16.7%/19.4%, respectively.** ABQK trades at a 1.4x P/B and a 13.3% P/E based on our 2023 estimates, which expensive given a sustainable RoE 12.9% (market is pricing RoE of 14.3%). **It should be noted that the stock is thinly traded, which can see elevated volatility in ABQK's stock price.**
- **Lesha Bank (QFBQ) reported a net profit of QR11.9mn in 4Q2022, dropping by 68.9% YoY and 44.6% sequentially.** The YoY drop was mainly attributed to a lack of gains from the disposal of equity investments and higher opex. The bank reported gains from investments of QR49.0mn in 4Q2021 vs. nil in 4Q2022. Operating expenses increased by 28.0% YoY (up 52.2% sequentially). Moreover the efficiency ratio increased from 4Q2021's 42% to 73% in 4Q2022. The sequential drop in earnings was due to a 52.2% rise in expenses and as revenue increased by 116.1%. Moreover, a lack of recoveries/provisions reversal dented the bottom-line. **The bank did not announce dividends in FY2021 and FY2022.**

Industrials Sector

Strong 2022 Performance but Near-Term Outlook a Challenge

Highlights:

- After a relatively robust FY2022, we see moderating near-term growth for the diversified industrials complex primarily due to base effects created by hosting of the FIFA World Cup and weakness seen in energy & commodity prices. As credit markets tighten, overall strength in Qatari industrial companies' balance sheets should minimize both operating and financial risks.
- Sector valuation has fallen since April 2022, with a current P/E multiple of 10.3x (vs. QSE Index's P/E of 12.0x) and a dividend yield of 6.9% (vs. QSE's 4.8%). The sector exhibited a median P/E of 13.5x (QSE: 15.4x) in 2022 and 11.7x (QSE: 13.2) in 4Q2022.
- The Industrials Index dropped 16.1% (QE Index: -15.9%) in 4Q2022 after it grew by 13.6% in 3Q2022.
- Total traded value of QR8.1bn in 4Q2022 is a marked 28.9% decline compared with value traded in 3Q2022.

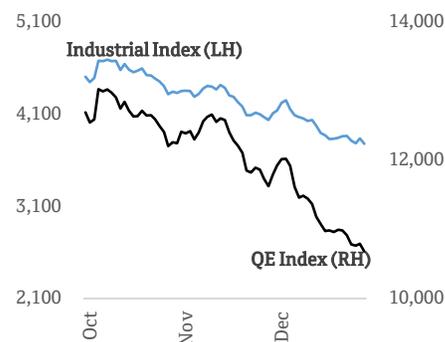
Revenue:

- Sector revenue declined 2.8% YoY in 4Q2022 to QR8.6bn, weighed down by IQCD's revenue, which fell 11.7%; IQCD accounted for 48.5% of sector revenue.
- Sequentially, revenue edged lower by 0.8% in 4Q as revenue declines by MPHIC and QAMC outweighed strong growth by QEWS and GISS.
- For FY2022, sector revenue climbed 23.7% to QR36.2bn.

Earnings & Dividends:

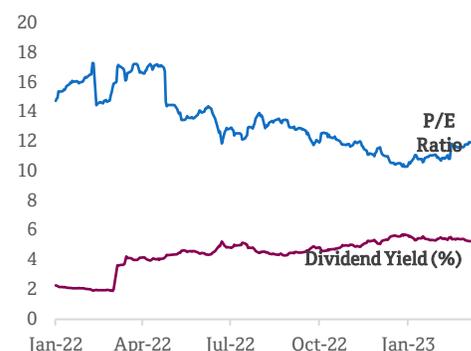
- The sector's 4Q2022 net profit fell 26.5% YoY to QR2.9bn while the full-year bottom-line rose 9.4% to QR14.8bn.
- Sequentially, sectoral bottom-line declined 10.5% in 4Q2022, weighed down by MPHIC and QAMC.
- In FY2022, total dividends increased 11.4%. Total dividends paid out for FY2022 of QR10.5bn translates to a sector payout ratio of 71.3%.

Sector Index Performance for 4Q2022



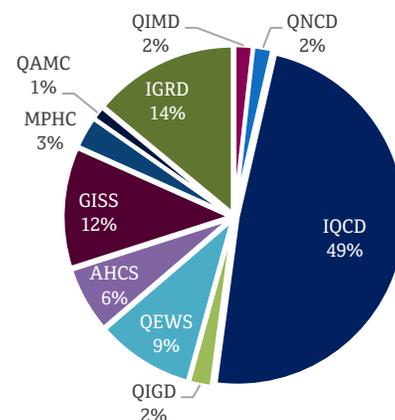
Source: Bloomberg

Sector P/E and DY Evolution



Source: Bloomberg

4Q2022 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	4Q2021	3Q2022	4Q2022	YoY	QoQ	FY2021	FY2022	YoY
QIMD	Qatar Industrial Manufacturing Co.	42,452	45,563	16,096	(62.1%)	(64.7%)	139,209	152,131	9.3%
QNCD	Qatar National Cement Co.	57,353	59,537	56,371	(1.7%)	(5.3%)	224,530	227,103	1.1%
IQCD	Industries Qatar	2,579,546	1,613,788	1,768,615	(31.4%)	9.6%	8,088,978	8,814,654	9.0%
QIGD	Qatari Investors Holding	88,371	32,625	39,984	(54.8%)	22.6%	188,119	192,167	2.2%
QEWS	Qatar Electricity & Water Co.	291,919	565,398	460,836	57.9%	(18.5%)	1,467,865	1,710,809	16.6%
AHCS	Aamal Co.	97,771	99,601	91,786	(6.1%)	(7.8%)	304,928	347,820	14.1%
GISS	Gulf International Services	12,917	98,390	23,970	85.6%	(75.6%)	54,182	290,164	435.5%
MPHC	Mesaieed Petrochemical Holding Co.	423,238	432,857	296,279	(30.0%)	(31.6%)	1,861,550	1,767,148	(5.1%)
QAMC	Qatar Aluminium Manufacturing Co.	313,086	191,980	116,047	(62.9%)	(39.6%)	834,544	919,086	10.1%
IGRD	Estithmar Holding Group	52,371	107,653	37,990	(27.5%)	(64.7%)	321,933	338,178	5.0%
	Total	3,959,024	3,247,391	2,907,974	(26.5%)	(10.5%)	13,485,838	14,759,261	9.4%

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

Dividend Per Share & Dividend Yield

Ticker	Company	2021		2022		YoY Change
		DPS	Yield	DPS	Yield	
QIMD	Qatar Industrial Manufacturing Co.	0.120	4.4%	0.130	4.7%	8.3%
QNCD	Qatar National Cement Co.	0.300	7.1%	0.300	7.1%	0.0%
IQCD	Industries Qatar	1.000	7.7%	1.100	8.5%	10.0%
QIGD	Qatari Investors Holding	0.100	5.9%	0.150	8.9%	50.0%
QEWS	Qatar Electricity & Water Co.	0.800	4.7%	0.950	5.6%	18.8%
AHCS	Aamal Co.	0.050	6.1%	0.050	6.1%	0.0%
GISS	Gulf International Services	-	0.0%	0.100	5.6%	N/M
MPHC	Mesaieed Petrochemical Holding Co.	0.110	5.7%	0.110	5.7%	0.0%
IGRD	Estithmar Holding Group	-	0.0%	-	0.0%	N/M
QAMC	Qatar Aluminium Manufacturing Co.	0.080	5.2%	0.090	5.8%	12.5%
	Sector	0.241	6.2%	0.268	6.9%	11.4%

Source: Company data; Note: DPS is in QR

Company Results Review

- Industries Qatar (IQCD) reported QR1.8bn in 4Q2022 earnings (-31.4% YoY/9.6% QoQ).** IQCD's 4Q2022 earnings also handily beat our QR1.5bn estimate by 21.6%. We note 4Q2021 figures have been modestly restated, which leads to a roughly ~28% YoY earnings decline. IQCD's 4Q2022 urea price realization of \$579/MT (up ~9% QoQ vs. \$531/MT in 3Q2022) bucked the sequential decline of roughly 6% exhibited by the ME urea price index. **For FY2022, IQCD posted its highest-ever net profit of QR8.8bn (EPS: QR1.46) up 9.0% YoY as compared to QR8.1bn (EPS: QR1.34) in 2021.** We were expecting QR8.5bn (EPS: QR1.41), which implies a divergence of 3.7%. Improvement in pricing (up ~18% YoY) helped boost earnings by QR3.7bn, while sales volumes gained ~8% YoY contributing QR2.1bn to the earnings change. This was offset by an increase in opex of QR5.8bn, with others (including steel associate income and higher net finance income) of QR0.7bn responsible for boosting net income. Sales volumes received a boost as PE was under a commercial shutdown in 4Q2021 and steel DR-2 was restarted in 1Q2022 (swapping it for the smaller DR-1). The company also reported record-high proportionate revenue of ~QR25.8bn, up ~28% YoY. Overall EBITDA grew ~7% from QR10.2bn (EBITDA margin: 50.9%) to QR11.0bn (43%). IQCD, on a proportionate basis, generated operating cash flow of QR9.9bn and free cash flow of QR8.8bn in 2022. **DPS of QR1.10 was right in-line with our estimate and implies an attractive yield of 8.5%.** DPS tied with 2013 as being the highest on record and represents a dividend payout of 75.5% of IQCD's 2022 EPS of QR1.46. IQCD's balance sheet remains solid with QR19.2bn in cash/bank balances & zero long-term debt. **Net-net, given IQCD's strong balance sheet, we expect the company to withstand difficult market conditions, when they arise, while retaining dry powder to take advantage of potential acquisition opportunities in the future.** IQCD's strong FCF generating ability, along with its large cash balances, also provide investors with lower DPS volatility.

- Qatar Electricity & Water Company (QEWS) reported 4Q2022 net income of QR460.8mn (EPS: QR0.42), up 57.9% YoY but down 18.5% QoQ, which was significantly above our estimate of QR302.2mn (EPS: QR0.27).** Total revenue for 4Q2022 jumped up to QR810.0mn, up 27.7% YoY and 13.9% QoQ and also 28.9% ahead of our estimate of QR628.4mn; most of the upside in revenue came from water revenue, which shot up to QR404.5mn in 4Q2022 (25.6% YoY, 32.8% QoQ) vs. our estimate of QR294.0mn. We did not anticipate this sequential uptick in water revenue relative to our model, especially given that the fourth quarter is usually seasonally weak. Several other one-offs during the quarter muddled up the picture, including (1) an additional QR24.5mn in non-cash gains for Nebras (bargain-purchase gain and step-acquisition gain), (2) a QR83.1mn impairment loss recorded in SG&A (QR63.4mn for RAF B1 which should get a revised PPA until end-2029 and QR19.7mn for the Dukhan plant, which is a small 2MIGD desalination plant that has been written-off completely) and (3) QR113.6mn in operating margin for Umm Al Houf (recorded in JV income) for K-factor-related revenue that had been previously deferred. Finally, (4) QEWS also recorded a small QR3.2mn in gain from discontinued operations (Nebras' subsidiary Carthage Power). If we adjust for these one-offs, QEWS recorded ~QR303mn in 4Q2022 earnings, which is right in-line with our estimate. **DPS of QR0.95 was stronger than our estimate of QR0.80 and implies a dividend yield of 5.6%.** DPS also grew 18.8% YoY vs. QR0.80 in 2021. **We continue to like the company as a long-term play with a relatively defensive business model, especially in light of current market conditions. QEWS still enjoys decent EBITDA margins and dividend/FCF yields. LT catalysts (which are not in our model) abound, including additional domestic expansions (like Facility E in 2025-2026, which is currently in the bidding stage, etc.). Nebras remains on the hunt for growth and has plans to increase its capacity significantly.**
- Gulf International Services (GISS) posted a net profit of QR24.0mn in 4Q2022, up 85.6% vs. QR13.0mn in 4Q2021 but down 75.6% from QR98.4mn in 3Q2022.** Reported earnings for 4Q2022 were, however, 62.7% short of our forecast of QR64.2mn. Overall top-line of QR1.0bn was around 5.3% higher than our estimate of QR950.2mn with upside in insurance/catering/drilling offsetting lower-than-expected aviation revenue; drilling top-line moderately exceeded our estimates but drilling gross profit slipped into the negative territory for the first time in 2022 (-0.2% gross margin) due to higher cost accruals, which should be a one-time impact. Also, as far as GISS' 50%-owned GulfDrill JV is concerned, GISS recorded only about QR2.3mn in earnings net to GISS in 4Q2022 due to mobilization costs/regular rig maintenance expenses. On the other hand, insurance and catering helped 4Q2022 earnings. Aviation was a negative surprise with GISS reporting a QR19.1mn net monetary loss from hyperinflation in 4Q2022 (a reversal, as the company had actually recorded a net gain from hyperinflation of QR7.7mn in 2Q2022); helicopters also recorded a small impairment of QR2.2mn. If we exclude these two items, net income for 4Q2022 came in at QR45.3mn. **FY2022 revenue and earnings showed traction.** While 2022 top-line grew 18.6% YoY, the company grew earnings 5x from QR54.2mn in 2021 to QR290.2mn in 2022. **In a positive surprise, GISS announced a cash DPS of QR0.10 (dividend yield of 5.6%), which was its first dividend since 2016. We continue to envision an acceleration in momentum in the drilling segment – one onshore rig is yet to be deployed and is expected to come on-line in 1H2023. Other segments should also contribute positively, while continued progress in costs reduction should help boost earnings.** Interest expenses do remain a challenge given the company's significant debt load of QR4.3bn (most of which is related to drilling) and 4Q2022's quarterly finance charges' run-rate of QR58.8mn (up 79.6% YoY and 10.3% QoQ; 245.5% of 4Q2022 net income). **Favorable updates on debt restructuring, which was put on the back burner due to COVID-19, could please equity investors and we expect to hear something on this front this year.** Moreover, progress on the potential merger of Amwaj (catering) with Shaqab, should help drive sentiment. **Finally, although GDI's offshore rigs are under 2-5 year contracts, current market rates are significantly higher. Thus, if the company is able to renegotiate these contract rates, that could be a major positive for the stock.**
- Estithmar Holding Group's (IGRD) 4Q2022 results were significantly better than our expectations both at the top- and the bottom-line.** Revenue climbed 38.5% YoY to QR1.2bn vs. our estimate of QR874.5mn, while net profit fell 27.5% YoY to QR38.0mn vs estimate of QR10.2mn. Sequentially, net profit declined 64.7% while revenue edged up by 1.7%. While World Cup related activities bolstered sales, we note that these results were also significantly ahead of management's guidance, specifically within services and contracting & industries segments. IGRD's net margin improved YoY to 8.0% from 6.0% but weakened sequentially from 9.1%. **No dividend was declared as we had expected. While its FY2022 net profit came in at QR338.2mn, up 5.0% from last year, the company's leverage levels and capital needs have been growing since the beginning of 2022 which likely compelled management to conserve cash.** All divisions experienced revenue growth as the two new divisions started operations. The tourism division, which began operations in November, registered revenue of QR103.9mn in 4Q2022. In the healthcare division, The View hospital delayed its opening until the last two weeks of the 4Q2022, and revenue for the division came in at QR10.2mn, growing from QR2.2mn in 4Q2021 – base year revenue came from a military hospital management contract that Estithmar has with the Qatari government. Traditional businesses were robust with the contracting & industries segment registering a 45.1% YoY revenue growth to QR622.9mn in 4Q2022, while the services segment revenue rose 54.8% YoY to QR742.6mn. **Our thesis is that in the medium-term, higher margin divisions – healthcare, tourism and services – should offset some of the weakness that we see in its traditional business of contracting & industries. Overall, we like IGRD as its future growth is geared toward higher-margin sectors.**

- **Qatar Industrial Manufacturing Company's (QIMD) bottom-line contracted YoY and QoQ to QR16.1mn in 4Q2022.** Net profit declined 62.1% YoY from QR42.5mn and QoQ by 64.7% from QR45.6mn to QR16.1mn. Net income margin trimmed by about two-thirds to 10.6% in 4Q2022 from 30.7% in 4Q2021 as operating expenses almost tripled YoY. The increase finance charges coupled with a sizeable drop in other income weighed on the bottom line further. **Overall, FY2022 net profit increased 9.3% from QR139.2mn to QR152.1mn driven by strong topline growth; EPS increased to QR0.32 in 2022, up from QR0.29. DPS for FY2022 was QR0.13 translating to a dividend yield of 4.7% vs. QR0.12 in 2021.** Sales in 4Q2022 rose 9.5% to QR151.5mn while full year revenue rose 25.4% to QR627.2mn
- **Qatar National Cement Company's (QNCD) net profit declined 1.7% YoY and 5.3% QoQ to QR56.4mn in 4Q2022.** EPS amounted to QR0.086 in 4Q2022 compared to QR0.088 in 4Q2021 and QR0.091 in 3Q2022. While 4Q2022 and FY2022 revenue fell 27.6% and 14.0%, respectively, the bottom-line was cushioned somewhat by base effects and legal and impairment expense in the base period did not recur in 2022. **FY2022 net profit edged up by 1.1% to QR227.1mn translating to an EPS of QR0.35 vs. QR0.34 in 2021. QNCD kept its DPS flat at QR0.30 for FY2022.**
- **Qatari Investors Group (QIGD) posted a 54.8% YoY decrease but 22.6% QoQ increase in net profit to QR40.0mn in 4Q2022.** The company's revenue came in at QR187.6mn in 4Q2022, a decrease of 3.4% YoY. On QoQ basis, revenue rose 13.4%. EPS amounted to QR0.03 in 4Q2022 as compared to QR0.07 in 4Q2021. While FY2022 revenue rose 7.5% to QR743.6mn, the growth did not quite filter through to the bottom-line as margins shrank due to big jumps in G&A and tax expenses. **Net profit for FY2022 increased marginally by 2.2% to QR192.2mn, with EPS coming in at QR0.155 from QR0.151. The group recorded a cash dividend distribution of QR0.15/share for FY2022.**
- **Aamal Company's (AHCS) net profit declined 6.1% YoY and 7.8% QoQ to QR91.8mn in 4Q2022.** The company's revenue came in at QR545.8mn in 4Q2022, which represents an increase of 10.6% YoY (1.3% QoQ). EPS amounted to QR0.015 in 4Q2022 as compared to QR0.016 in 4Q2021 and QR0.016 in 3Q2022. While its FY2022 revenue rose 29.2% to QR2.1bn, the spike in cost of inventories and direct staff & operating costs trimmed margins considerably. **Both FY2022 net profit and EPS rose 14.1% to QR347.8mn and QR0.06, respectively. Consequently, Aamal paid a cash dividend of QR0.05/share for FY2022.**
- **Mesaieed Petrochemical Holding Company's (MPHC) net profit declined 30.0% YoY and 31.6% QoQ to QR296.3mn in 4Q2022.** The company's share of profit from joint ventures came in at QR261.3mn in 4Q2022, which represents a decrease of 37.1% YoY (-37.3% QoQ). EPS amounted to QR0.024 in 4Q2022 as compared to QR0.034 in 4Q2021 and QR0.034 in 3Q2022. **FY2022 net profit declined 5.1% to QR1.8bn, with the EPS decreasing by the same magnitude to QR0.141.** MPHC's interest income climbed 1.4x, which helped margins and softened the decline in the bottom-line. **MPHC recorded a cash dividend distribution of QR0.11/share for FY2022, translating to a payout ratio of 78.2%.**
- **Qatar Aluminium Manufacturing Company's (QAMC) net profit declined 62.9% YoY and 39.6% QoQ to QR116.0mn in 4Q2022.** The company's share of results of its investment in a joint venture came in at QR110.1mn in 4Q2022, which represents a decrease of 64.7% YoY (-41.6% QoQ). EPS amounted to QR0.021 in 4Q2022 as compared to QR0.056 in 4Q2021 and QR0.034 in 3Q2022. For FY2022, the share of results of its investment in a joint venture rose 8.2% to QR899.8mn. **Helped by lower G&A expenses and higher finance income, MPHC's net profit and EPS rose 10.1% to QR919.1mn and QR0.165 in FY2022, respectively. The company recorded a cash dividend distribution QR0.09/share, which is a payout ratio of 54.6%.**

Consumer Goods & Services Sector

Strong Top-Line Growth Weighed Down by Expenses

Highlights:

- Mekdam Holding Group (MKDM) transferred its listing to the QSE main market in the first couple of days of 2023, increasing the constituents of the consumer goods & services sector to 11. MKDM added revenue of QR163.9mn in 4Q2022, a contribution of 1.5% towards aggregate sector revenue.
- In the medium term, government policies – augmented by a strong government fiscal performance – aimed at diversifying the economy away from hydrocarbons should provide a platform for both top- and bottom-line growth for the sector. Notably, some pockets of the sector are set to benefit from government/Qatar Tourism (QT) efforts in actively promoting Qatar as an ideal tourist destination for families on the back of successfully hosting the FIFA World Cup 2022. Some of these efforts are already paying off as Qatar welcomed 730,000 visitors in first two months of 2023, a 347% YoY increase.
- Consumer goods & services sector is currently trading at a P/E multiple of 17.6x (vs. QSE Index's P/E of 12.0x) with a dividend yield of 8.4% (vs. QSE's 4.8%).
- The consumer goods & services sector index dropped 8.9% (QSE Index: -15.9%) in 4Q2022. Sector traded value in 4Q2022 declined by 24.6% to QR2.7bn vs. QR3.5bn in 3Q2022.

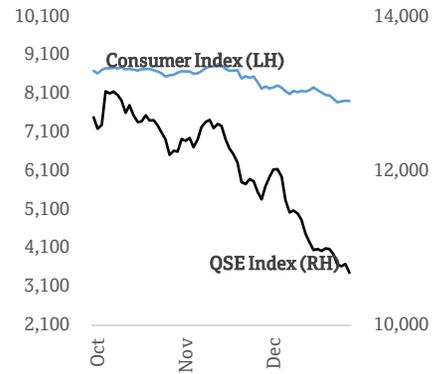
Revenue:

- Sector revenue in 4Q2022 grew by 20.2% YoY to QR11.0bn from QR9.2bn, driven by a huge boost in Qatar Fuel's revenue (+25.5%), while sector revenue rose 36.3% to QR43.6bn for the full FY2022.
- Sequentially, revenue slipped 7.8% in 4Q primarily due to a 16.8% drop in Qatar Fuel's revenue, which outweighed the growth exhibited by all the other companies, since QFLS is the sector heavyweight.

Earnings & Dividends:

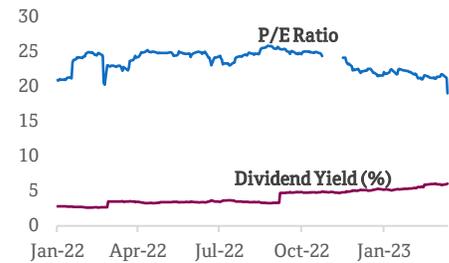
- The sector's 4Q2022 net profit declined 66.2% YoY to QR185.2mn from QR547.6mn while the full-year bottom line inched down 1.1% to QR1.9bn.
- Sequentially, sectoral bottom-line fell significantly by 76.2% in 4Q primarily due to Mannai Corporation recording a large loss of QR309.5mn and Widam Holding Group sinking deeper into losses to QR39.8mn. Sector earnings in FY2022 edged down by 1.1%, while total dividends increased by 90.9% for FY2022 primarily because of the interim dividend paid by MCCS.

Sector Index Performance for 4Q2022



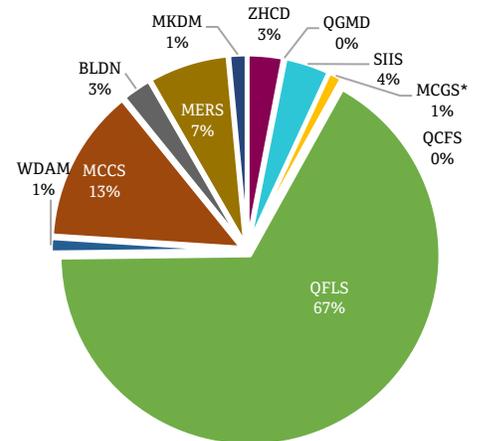
Source: Bloomberg

Sector P/E & DY Evolution



Source: Bloomberg

4Q2022 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	4Q2021	3Q2022	4Q2022	YoY	QoQ	2021	2022	YoY
ZHCD	Zad Holding	59,103	35,238	62,879	6.4%	78.4%	193,944	194,218	0.1%
QGMD	Qatari German for Medical Devices	(396)	136	(399)	0.7%	N/M	1,181	1,244	5.4%
SIIS	Salam International	24,253	1,134	27,755	14.4%	2347.9%	61,792	60,233	(2.5%)
MCGS	Medicare Group	25,476	20,586	23,124	(9.2%)	12.3%	79,061	79,165	0.1%
QCFS	Qatar Cinema & Film Distribution	261	491	466	78.7%	(5.3%)	2,156	2,777	28.8%
QFLS	Qatar Fuel	283,226	261,531	307,216	8.5%	17.5%	974,026	1,070,065	9.9%
WDAM	Widam Food Company	(41,726)	(9,925)	(39,794)	(4.6%)	300.9%	(66,215)	(61,615)	(6.9%)
MCCS	Mannai Corporation	86,241	421,732	(309,510)	N/M	N/M	276,076	202,460	(26.7%)
BLDN	Baladna	31,940	8,019	24,997	(21.7%)	211.7%	133,836	80,612	(39.8%)
MERS	Al Meera Consumer Goods & Services	69,007	31,938	75,412	9.3%	136.1%	196,258	196,605	0.2%
MKDM	Mekdam Holding Group	10,185	6,563	13,071	28.3%	99.2%	28,556	34,254	20.0%
	Total	547,569	777,443	185,217	(66.2%)	(76.2%)	1,880,671	1,860,018	(1.1%)

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

Dividend Per Share & Dividend Yield

Ticker	Company	2021		2022		YoY Change
		DPS	Yield	DPS	Yield	
ZHCD	Zad Holding Co.	0.619	3.8%	0.620	3.8%	0.2%
QGMD	Qatari German Co. for Medical Devices	0.000	0.0%	0.000	0.0%	0.0%
SIIS	Salam International Investment Co.	0.000	0.0%	0.000	0.0%	0.0%
MCGS	Medicare Group	0.250	4.2%	0.263	4.4%	5.0%
QCFS	Qatar Cinema & Film Distribution Co.	0.060	1.8%	0.060	1.8%	0.0%
QFLS	Qatar Fuel Co.	0.760	4.5%	0.900	5.3%	18.4%
WDAM	Widam Food Company	0.000	0.0%	0.000	0.0%	0.0%
MCCS	Mannai Corp.	0.300	5.3%	3.250	57.5%	983.3%
BLDN	Baladna	0.053	4.0%	0.000	0.0%	-100%
MERS	Al Meera Consumer Goods Co.	0.900	6.0%	0.450	3.0%	(50.0%)
MKDM	Mekdam Holding Group	0.233	3.8%	0.317	5.1%	36.0%
	Sector	0.252	4.4%	0.482	8.4%	90.9%

Source: Company data; Note: DPS is in QR

Company Results Review

- Medicare Group's (MCGS) 4Q2022 net profit declined 9.2% YoY to QR23.1mn (vs. our estimate of QR27.8mn) but it rose 12.3% QoQ due to the usual seasonal effects.** The poor performance at the bottom-line was largely due to an uncharacteristic disappointment at the top-line. Revenue failed to benefit from the World Cup and came in marginally weaker by 0.6% YoY at QR127.5mn compared with QR128.3mn in 4Q2021, and below our estimate of QR132.1mn. The decline in revenue is surprising in our view given the increase tourist influx. However, reports show that most visitors opted for the free government hospitals. In addition, competition increased during 4Q2022 as one public and two private hospitals began operations. **We note some small variations due the restatement of FY2021 revenue (QR483.6mn vs. QR481.7mn previously), COGS, other income, and**

G&A expenses. However, this did not have any impact on the bottom-line. Without the restatement, 4Q2022 revenue would have been largely flat YoY – certain components of “other income” and G&A expenses were reclassified as revenue and COGS, respectively. **While COGS and G&A expenses came in line with expectations, margins came under pressure primarily due to MCGS’s significant fixed-cost base.** This then meant the revenue miss of QR5.2mn passed straight through and culminated in a similar bottom-line miss of QR5.1mn. Since FY2020, 4Q is the only quarter where revenues have sustained a downtrend YoY. COGS inched up by 0.9% to QR77.6mn YoY, bang in-line with our estimates, but the gross profit margin faltered to 39.2% from 40.1%. Meanwhile, G&A costs increased 6.5% YoY to QR27.8mn (vs. our estimate of QR27.6mn) with the operating margin dropping to 17.4% from 19.7%. **MCGS reported a generous dividend of QR0.263/share for FY2022, right in line with our expectations, which translated to a payout ratio of 93.8%.** DPS grew 5.0% YoY. The declared dividend translates to a DY of 4.4%. However, we expect MCGS to get a cash windfall after the Court of Appeal upheld a judgement in its favor of QR130.7mn against the National Health Insurance Company in January. Previously, management had indicated that this likely would be distributed to shareholders as dividends. Overall, **we see several macro and micro themes canceling out each other to render a relatively neutral verdict on MCGS’s near-term outlook.** In the short- to medium-term, we see the following variables driving the outlook: muted bed growth due to delayed bed-expansion plans, superior service level & product quality, public health policy, increased healthcare spend, low beta, tariff controls and increasing competition from both the private and public players. **In the medium- to longer-term, things are encouraging with some of the following factors expected to become more dominant in shaping prospects: an above-average population growth, disease burden and expected change in the composition of expats (to a more white-collar workforce).**

- **Salam International Investment Limited (SIIS) reported a substantial rise in 4Q2022 net profit QoQ and by 14.4% YoY to QR27.8mn. However, for FY2022 there was a slight decline in net profit by 2.5% to QR60.2mn from QR61.8mn in FY2021.** Net profit was the highest this quarter than in any of the previous quarters for the year, on account of increase in net fair value of investment properties of QR56.5mn. Operating profits came in at QR53.1mn during 4Q2022 vs. QR33.6mn in 4Q2021 (up 58.3%) and vs. QR34.6mn in 3Q2022 (53.3%). **The company did not pay dividends in 2021 and 2022.**
- **Mannai Corporation (MCCS) recorded a huge net loss in 4Q2022 of QR309.5mn, stemming mainly from significant impairment loss on accounts and other receivables.** Net loss was reported at QR309.5mn in 4Q2022 vs. a net profit of QR86.2mn in 4Q2021 and QR421.7mn in 3Q2022. The top-line grew by 21.0% QoQ to QR1.5bn in 4Q2022 and direct costs expanded by 33.8% to QR1.3bn. The company's Information Technology segment provides IT infrastructure for small and medium enterprises, government, defence and service-provider customers. During FY2022, this segment expanded by 14.5% and being the main source of revenue (weight in revenue as of FY2022: 53.8%) it contributed largely to increasing revenue from QR4.9bn in FY2021 to QR5.3bn in FY2022. **Operating expenses (general & administrative and selling & distribution expenses) expanded to the highest recorded for any quarter in 2022 at QR215.2mn during 4Q2022 from QR276.0mn in 4Q2021 (-22.0%) and from QR132.7mn in 3Q2022 (62.2%).** During the 3Q2022, MCCS sold its subsidiary "Inetum" at a profit of QR570.1mn, which was adjusted to a revised profit of QR476.7mn during 4Q2022, resulting in a negative QR93.4mn hit to the bottom-line. Mannai Corporation reported losses from net impairment of financial & contract assets and impairment loss from joint ventures & associate companies of QR227.6mn in 4Q2022 as a consequence of provisions for impairment of trade receivables & others and contract assets, while in 4Q2021; the company gained a return of QR6.6mn. As a result, the company reported a loss for 4Q2022. **However, MCCS recorded a net profit of QR202.5mn for FY2022 vs. QR276.1mn for FY2021 (-26.7%). EPS was recorded at QR0.44 for FY2022 vs. QR0.61 for FY2021. The company declared an interim cash dividend of QR3.15 and a year-end cash dividend of QR0.10, resulting in a total cash dividend of QR3.25 for the year 2022, compared to QR0.30 distributed in 2021.**
- **Qatar Fuel/ Woqod (QFLS) revenue grew by more than QR10bn in FY2022 (53.3%) to reach QR29.9bn.** Sale of fuel products increased substantially by 55.7% in FY2022 to reach QR28.8bn, while sale of non-fuel products grew to QR995.6mn from QR879.9mn (up 13.1%). Revenue from services shrunk slightly by 1.4% to QR169.7mn, compared to QR172.1mn in FY2021. **Furthermore, 4Q2022 revenue increased by 25.5% YoY from QR5.9bn to QR7.4bn but it contracted on a QoQ basis by 16.8% from QR8.8bn.** Cost of sales grew YoY by 25.7% from QR5.7bn but dropped QoQ by 16.3% from QR8.6bn to land at QR7.2bn in 4Q2022. The company reported higher general & administrative expenses (up 127.2% YoY) from QR8.9mn to QR20.1mn but since other income (up 41.9% YoY) and finance income (up 18.0% YoY) also expanded, this led to a 8.5% YoY increase in net profit in 4Q2022 to QR307.2mn. **EPS for FY2022 was QR1.08 vs. QR0.98 in for FY2021 and DPS grew to QR0.90 during 2022 vs. QR0.76 during 2021 (up 18.4%).**
- **Baladna’s (BLDN) top-line expansion led to YoY and sequential bottom-line growth in 4Q2022.** 4Q2022 net profit declined to QR25.0mn from QR31.9mn in 4Q2021 (-21.7%) but grew from QR8.0mn in 3Q2022 (211.7%) on account of the expansion in revenue by 31.7% from QR210.3mn in 4Q2021 (23.3% QoQ from QR224.7mn) to a total revenue figure of QR277.0mn in 4Q2022. Baladna’s main source of revenue is its sales from dairy products (weight as of 4Q2022: 88.7%), which went up 35.7% YoY (up 25.6% QoQ) to QR250.4mn in 4Q2022. Consequently, excessive cost of revenue was reported at QR204.7mn from

QR163.9mn in 4Q2021 (up 24.9%) and from QR186.6mn in 3Q2021 (up 9.7%), but growth in revenue more than offset growth in cost of revenue and gross profit grew to QR72.3mn in 4Q2022 (55.7% YoY, 89.5% QoQ). BLDN finance costs and bank charges increased substantially during 4Q2022 as compared to the previous quarters in 2022; however, this did not have an adverse impact on the bottom-line figure since operating profits were strong at QR47.6mn in 4Q2022 (12.0% YoY/101.5% QoQ). **On the other hand, during FY2022 the company exhibited lower profits of QR80.6mn as compared to QR133.8mn in FY2021 despite high total revenue of QR985.6mn in FY2022 vs. QR773.0mn in FY2021 (up 27.5%).** Unrealized loss on investment at FVTPL of QR23.3mn vs. a gain of QR10.8mn in FY2021 and a surge in interest expense dented the bottom-line. **The company did not declare a DPS for 2022 vs. QR0.053 in 2021.**

- Zad Holding Company's (ZHCD) bottom-line grew 6.4% YoY and 78.4% QoQ to land at a net profit of QR62.9mn in 4Q2022 vs. QR59.1mn in 4Q2021 (QR35.2mn in 3Q2022).** Net profit grew as a result of the growth in operating revenue despite higher operating expenses of QR46.5mn vs. QR40.1mn in 4Q2021 and QR37.3mn in 3Q2022 (15.9% YoY/24.7% QoQ). Other income was also down 66.5% YoY but up 425.0% QoQ to QR15.9mn in 4Q2022 (contributing 25.2% to the bottom-line). **The company's main source of operating revenue is trading, manufacturing distribution & services, which represented more than 70% of revenue as of FY2022.** This revenue item contracted slightly during FY2022 from QR995.8mn to QR990.7mn (-0.5%). However, the second source of operating revenue, which is contracting, real estate & others shot up 91.5% from QR201.9mn in FY2021 to QR386.7mn in FY2022, which compensated and led to a total operating revenue growth of 15.0% from QR1.2bn in FY2021 to QR1.4bn in FY2022. Other income (mainly gain on sale of investment commodities) declined by 37.0%, impacting net profit for FY2022. EPS amounted to QR0.71 in FY2022 as compared to QR0.71 in FY2021. **The company paid a DPS of QR0.62 and 5% bonus shares for 2022 vs. a DPS QR0.62 in 2021.**
- Qatari German Company for Medical Devices (QGMD) posted a net loss of QR0.399mn in 4Q2022 vs. a similar loss of QR0.396mn in 4Q2021 (profit of QR0.14mn in 3Q2022).** Revenue increased by 14.6% YoY from QR10.1mn in 4Q2021, up by 46.1% from QR7.9mn in 3Q2022 to land at QR11.6mn in 4Q2022 (5.2% FY22 vs. FY21). **The company's primary contributor to revenue is the sale of syringes (accounting for 89.5% of total revenue as of FY2022),** which grew to QR38.2mn in FY2022 vs. QR33.1mn in FY2021 (up 15.3%). The second largest source of revenue is the sale of IV cannula and others and it more than tripled from FY2021 at QR0.8mn to QR2.8mn in FY2022. **Geographically, sales made outside of Qatar increased by 36.3% in FY2022 to reach QR36.8mn and accounted for 86.3% of overall revenue,** while sales made inside of Qatar declined by 56.9% in FY2022 to QR5.8mn and accounted for 13.7% of overall revenues. Cost of revenue declined slightly by 4.1% in FY2022, resulting in a 33.7% rise in gross profit in FY2022. Operating expenses (general & administrative expenses and selling and distribution expenses) grew YoY by 41.8% from QR1.52mn and by 111.9% QoQ from QR1.02mn to land at QR2.15mn in 4Q2022. For FY2022, operating expenses lessened slightly by 2.0% from QR6.19mn to QR6.06mn as a result of the decline in some constituents of G&A; the largest source of G&A expenses is staff costs, which declined by 3.7% from QR2.75mn to QR2.65mn. Other Income declined 62.2% in FY2022 to QR2.5mn, from QR6.7mn in FY 2021, negatively impacting the overall bottom-line for FY2022. **EPS FY2022 came in at QR0.011 vs. EPS of QR0.010 in FY2021.**
- Qatar Cinema & Film Distribution (QCFS) reported a net profit of QR0.5mn in 4Q2022 vs. QR0.3mn in 4Q2021, jumping by 78.7% (-5.3% QoQ).** Operating revenue dropped by 6.4% YoY from QR1.2mn and by 7.0% QoQ from QR1.1mn to land at an operating income of QR1.1mn in 4Q2022. Direct costs were up YoY/QoQ by 8.9%/13.8% to QR1.5mn. General and administrative expenses were down 44.0% YoY (sequentially down by 42.4%). On the other hand, depreciation expense grew 13.8% YoY/14.4% QoQ from QR1.2mn in 4Q2021 to QR1.4mn in 4Q2022. **During FY2022, operating income surged by 86.4% YoY from QR2.2mn in FY2021 to QR4.1mn in FY2022, while net profit was also up from QR2.2mn in FY2021 to QR2.8mn in FY2022 (28.8%).** EPS amounted to QR0.04 in FY2022 as compared to QR0.03 in FY2021. **DPS was flat at QR0.06 in 2022.**
- Al Meera Consumer Goods Company (MERS) recorded an impressive net profit in 4Q2022 of QR75.4mn up by 9.3% YoY and 136.1% QoQ (Earnings increased 0.2% in FY2022 vs. FY2021).** Sales in 4Q2022 was up 9.0% YoY (15.9% QoQ) to QR751.6mn. Cost of sales was also up 9.5% YoY (up 11.3% QoQ) to QR586.9mn. Other income in FY2022 grew 39.9% to QR21.2mn from QR15.2mn because of growth in dividend income (up 46.7%). **The company slashed its DPS by 50.0% from 2021's QR0.900 to QR0.450 in 2022.**
- Widam Food Company (WDAM) posted a sizeable net loss of QR39.8mn in 4Q2022 despite growth in top-line figures of 37.0% YoY from QR97.9mn and 13.6% QoQ from QR118.1mn to QR134.1mn in 4Q2022.** Lower net losses were reported in 4Q2022 on a YoY basis as losses dropped 4.6%; however, losses multiplied QoQ (up 300.9%) from a net loss of QR9.9mn to a net loss of QR39.8mn in 4Q2022. Revenue during FY2022 summed up to QR483.8mn from QR420.6mn in FY2021 (up 15.0%) stemming from the growth in frozen produce (up 102.7%), produced items (up 38.5%), slaughter & cutting services (up 31.1%), livestock (up 13.1%) and finally feeds (8.7%). Other income shrunk largely from QR6.2mn in 3Q2021 to QR0.6mn in 4Q2022 while general and administrative expenses deepened to QR12.4mn in 4Q2022 from QR12.0mn in 3Q2022. **Loss per share accumulated to QR0.34 in FY2022 vs. a loss per share of QR0.37 in FY2021.**
- Mekdam Holding Group (MKDM) bottom-line surged by 28.3% YoY (up 99.2% sequentially).** MKDM posted a net profit of QR13.1mn in 4Q2022 vs. QR10.2mn in 4Q2021 (up QR6.5mn QoQ). **During FY2022, the company recorded a net profit of**

QR34.3mn from QR28.6mn in 2021 (up 20.0%). Technology services is the company's main source of revenue as it accounted for 61.2% of total revenue as of FY2022; this segment surged by 60.3% YoY to QR322.4mn. Moreover, manpower supply services is the second primary source of revenue accounting for 32.1% of total revenue as of FY2022; this segment also surged by 176.4% from QR61.4mn in FY2021 to QR169.0mn. **Cost of operations also increased to QR448.3mn in FY2022 from QR225.0mn in FY2021 (up m99.3%) due to growth in all of its constituents;** cost of labor went up by 115.5% to QR149.4mn in FY2022 from QR69.3mn and cost of materials and subcontractors jumped by 61.3% to QR227.3mn from QR140.9mn in FY2021. **The company increased its DPS from QR0.23 in 2021 to QR0.32 (36.0% YoY). The company also declared bonus shares of 10%.**

Insurance Sector

Conventional Insurance Players Propel Sector Into Losses

Highlights:

- **BEEMA** successfully listed its shares on QSE's main market on 16 January 2023 through a direct listing where it closed at QR4.295/share on its first trading day.
- Conventional insurance companies' QGRI and QATI accumulated significant losses during 4Q2022, hiking overall losses for the insurance sector during the last quarter. The other conventional insurance companies DOHI and QLMI performed well during 4Q2022, while Islamic insurance companies (AKHI, QISI and BEMA) witnessed a drop in net profit by 9.1% during the last quarter of 2022.
- Overall net earned premiums for the insurance sector grew by a substantial 16.6% during 4Q2022 to reach QR2,778mn from QR2,384mn during 3Q2022. Conventional insurance companies accounted for 93.1% of overall net earned premiums, while Islamic insurance companies accounted for only 6.9%.
- The Ministry of Public Health (MoPH) announced in January 2023 the implementation of the first phase of the mandatory health insurance for visitors to Qatar, which started from February 1, 2023. This is in accordance with the Law No. (22) of 2021 regarding the regulation of health care services in Qatar. The MoPH explained that the mandatory health insurance for all visitors covers emergency and accident services only, with a premium of QR50 per month on initial issuance and upon extension of the visa.
- The insurance sector did not have positive aggregate earnings for 2022; the sector has a dividend yield of 2.2% (vs. the QSE's 4.8%).
- The Insurance Index dropped 15.5% (QSE Index: -15.9%) in 4Q2022 after it shrunk by 2.1% in 3Q2022.
- Trading interest in the sector plunged as traded value declined 18.7% QoQ in 4Q2022.

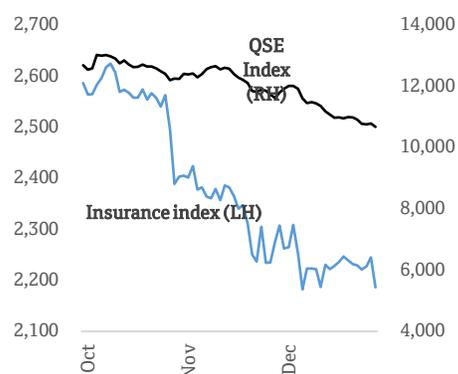
Revenue:

- The insurance sector's net earned premiums in 4Q2022 declined 1.8% YoY to QR2.78bn from QR2.83bn, driven mainly by a drop in QATI's net earned premium (-5.5%), while it increased 2.6% to reach QR10.37bn for FY2022.
- However, the insurance sector's net earned premiums shot up 16.6% QoQ in 4Q2022 primarily due to an 19.4% spike in QATI's net earned premiums, with DOHI being the next highest growth contributor (up 22.0%).

Earnings & Dividends:

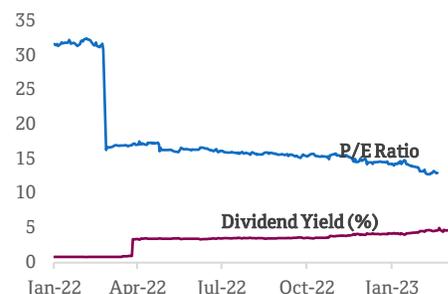
- The sector's 4Q2022 net loss increased substantially YoY to QR1,001.0mn while the full-year bottom-line loss reached QR789.6mn, compared to a net profit of QR1,068.1mn achieved for the full-year 2021.
- Sequentially, sectoral bottom-line recorded a significant loss in 4Q2022 primarily due to substantial losses from fair value of investment properties for QGRI and a loss from discontinued operations of Gibraltar-based subsidiaries underwriting UK motor insurance for QATI.
- The sector recorded a loss per share of 0.141 for FY2022, compared to an EPS of 0.191 for FY2021.
- Total dividends declined by 56.7% for FY2022. QATI and QGRI did not announce any dividends for FY2022 after recording significant losses.

Sector Index Performance for 4Q2022



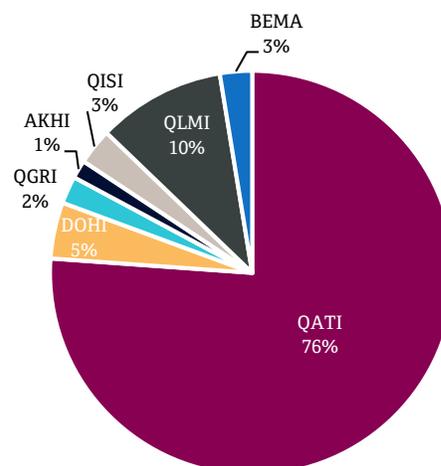
Source: Bloomberg

Sector P/E and DY Evolution



Source: Bloomberg

4Q2022 Sector Net Earned Premiums



Source: QSE

Net Income

Ticker	Company	4Q2021	3Q2022	4Q2022	YoY	QoQ	2021	2022	YoY
QATI	Qatar Insurance	117,643	(524,443)	(517,442)	N/M	(1.3%)	615,881	(648,143)	N/M
DOHI	Doha Insurance	18,468	12,705	13,941	(24.5%)	9.7%	73,270	102,106	39.4%
QGRI	Qatar General Insurance & Reinsurance	19,247	(2,986)	(575,403)	N/M	19170.0%	98,734	(535,331)	N/M
AKHI	Al Khaleej Takaful Group	(3,017)	13,058	4,790	N/M	(63.3%)	40,129	50,796	26.6%
QISI	Qatar Islamic Insurance	24,033	25,379	25,174	4.7%	(0.8%)	83,079	101,099	21.7%
QLMI	Qatar Life & Medical Insurance	31,883	5,095	33,539	5.2%	558.3%	106,173	83,290	(21.6%)
BEMA	Damaan Islamic Insurance Company	12,875	10,343	14,372	11.6%	39.0%	50,838	56,625	11.4%
	Total	221,131	(460,848)	(1,001,027)	N/M	117.2%	1,068,104	(789,559)	N/M

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

Dividend Per Share & Dividend Yield

Ticker	Company	2021		2022		YoY Change
		DPS	Yield	DPS	Yield	
QATI	Qatar Insurance	0.100	6.1%	0.000	0.0%	(100%)
DOHI	Doha Insurance	0.120	6.2%	0.150	7.7%	25.0%
QGRI	Qatar General Insurance & Reinsurance	0.000	0.0%	0.000	0.0%	0.0%
AKHI	Al Khaleej Takaful Group	0.075	3.7%	0.100	5.0%	33.3%
QISI	Qatar Islamic Insurance	0.400	4.8%	0.450	5.4%	12.5%
QLMI	Qatar Life & Medical Insurance	0.220	7.0%	0.125	4.0%	(43.2%)
BEMA	Damaan Islamic Insurance Company	0.100	2.5%	0.160	4.0%	60.0%
	Sector	0.101	5.1%	0.044	2.2%	(56.7%)

Source: Company data; Note: DPS is in QR

Company Results Review

- Qatar Insurance Company (QATI) recorded a net loss of QR517.4mn in 4Q2022.** QATI swung into a net loss from a net profit of QR117.6mn in 4Q2021 and a net loss of QR524.4mn in 3Q2022. The company's net earned premiums came in at QR2,115.3mn in 4Q2022, which represented a decrease of 5.5% YoY. However, on a QoQ basis, net earned premiums rose 19.4%. The loss per share amounted to QR0.169 in 4Q2022 as compared to QR0.171 in 3Q2022 and EPS of QR0.019 in 4Q2021. **The company did not provide any dividend payment for 2022.** QATI's net earned premiums for the FY2022 declined 1.1% to QR7,878.7mn, compared to QR7,968.5mn in FY2021. **QATI recorded a net loss of QR648.1mn for FY2022 vs. earnings of QR615.9mn in FY2021.** The main reason for the net loss in FY2022 was the underwriting results from its discontinued business of international operations that was severely impacted. This mainly involved the discontinued operations of Gibraltar-based subsidiaries underwriting UK motor insurance. The loss from discontinued operations amounted to QR858.9mn in FY2022. This resulted in a loss per share of QR0.242 in FY2022 as compared to an EPS of QR0.143 in FY2021.
- Doha Insurance Company's (DOHI) net profit shrunk YoY by 24.5% and increased 9.7% QoQ.** DOHI's bottom-line declined YoY from QR18.5mn in 4Q2021 and went up QoQ from QR12.7mn in 3Q2022 to land at a profit of QR13.9mn in 4Q2022. **FY2022 net income of QR102.1mn increased from QR73.3mn in 2021.** Earnings per share came in at QR0.03 for 4Q2022 and **DPS for FY2022 came in at QR0.15 translating to a dividend yield of 7.7%; DOHI posted a DPS of QR0.12 in FY2021.** The company reported a 7.5% increase in its net earned premiums in FY2022 to QR458.4mn from QR426.5mn in 2021. Gross premiums expanded by 32.6% to QR1,486.0mn in FY2022 vs. QR1,121.0mn in FY2021. Reinsurers' share of gross premiums expanded 54.4% to QR1,005.3mn in 2022 vs. QR651.3mn in 2021. Consequently, net premiums written rose by 2.4% in 2022 vs. FY2021.
- Qatar General Insurance & Reinsurance (QGRI) recorded a net loss of QR575.4mn in 4Q2022.** QGRI recorded a net loss of QR575.4mn in 4Q2022 as compared to a net profit of QR19.2mn in 4Q2021 and a net loss of QR3.0mn in 3Q2022. The company's net earned premiums came in at QR61.2mn in 4Q2022, which represents an increase of 1.4% YoY. Looking at a QoQ basis, net

earned premiums went up 4.6%. The loss per share amounted to QR0.658 in 4Q2022 as compared to QR0.003 in 3Q2022 (EPS was QR0.022 in 4Q2021). **QGRI did not provide any dividend payment.** QGRI's net earned premiums for the FY2022 contracted 1.7% to QR237.7mn, compared to QR241.8mn in FY2021. **The company recorded a net loss of QR535.3mn for the FY2022, compared to a net profit of QR98.7mn in FY2021.** The main reason for the loss in FY2022 was the fair value loss from investment properties that amounted to QR546.2mn. This resulted in a loss per share of QR0.612 in FY2022, compared to an EPS of QR0.113 in FY2021. Additionally, rental income dropped by 72.7% to QR23.3mn in FY2022, compared to QR85.5mn in FY2021.

- Al Khaleej Takaful Insurance Company's (AKHI) 4Q2022 bottom-line dipped YoY and QoQ by 258.8% and 63.3%, respectively.** AKHI reported a net profit of QR4.8mn in 4Q2022 vs. a net loss of QR3.0mn in 4Q2021 and net profit of QR13.1mn in 3Q2022. **AKHI realized a 26.6% increase in net profit for FY2022 (QR50.8mn)** compared to FY2021 (QR40.1mn). The company's net earned premiums came in at QR40.6mn in 4Q2022, which represented a rise by 15.7% YoY (up 4.2% QoQ). **Earnings per share accumulated to QR0.199 for FY2022 vs. QR0.157 for FY2021. DPS for FY2022 was at QR0.100 as compared to QR0.075 in FY2021.** AKHI's net earned premiums for the FY2022 glided up 19.6% to reach QR160.8mn, compared to QR134.4mn in FY2021. AKHI's net earned premiums are mainly from Motor and Takaful and Medical underwriting, with motor contributing 62.1% and takaful and medical contributing 26.8% to overall net earned premiums in FY2022. Net profit growth for FY2022 mainly came from a 15.1% increase in Wakala fees and a QR6.4mn additional income from share of profit from associates.
- Qatar Islamic Insurance's (QISI) 4Q2022 net profit increased YoY by 4.7% and declined by 0.8% QoQ.** QISI recorded a net profit of QR25.2mn in 4Q2022 as compared to a net profit of QR24.0mn in 4Q2021 and a net profit of QR25.4mn in 3Q2022. The company's net earned premiums came in at QR80.3mn in 4Q2022, which represented a drop by 1.2% YoY. Looking at a QoQ basis, net earned premiums went up 12.0%. EPS amounted to QR0.168 in 4Q2022 as compared to QR0.169 in 3Q2022 and QR0.160 in 4Q2021. **QISI recorded a cash dividend for FY2022 of 45% amounting to QR0.45 per share, compared to a cash dividend for FY2021 of 40% amounting to QR0.40 per share.** QISI's net earned premiums for the FY2022 increased 13.4% to reach QR306.6mn, compared to QR270.3mn in FY2021. QISI's net earned premiums are mainly from Motor and Takaful and health underwriting, with both segments contributing 46.4% each to overall net earned premiums in FY2022. **Net Profit increased 21.7% to reach QR101.1mn for FY2022 vs. earnings of QR83.1mn in FY2021.** The main reasons for the increase in earnings for FY2022 was a QR10.6mn upside in Wakala fees and a QR7.2mn gain from share of profit from associates, even as staff costs increased by 15.2% to reach QR27.8mn in FY2022. EPS for FY2022 was QR0.674, compared to an EPS of QR0.554 in FY2021.
- QLM Life & Medical Insurance Company (QLMI) posted a significant QoQ rise in net profit for 4Q2022.** QLMI witnessed a huge rise in its net profit for 4Q2022 to reach QR33.5mn, from QR5.1mn in 3Q2022. Net profit increased by 5.2% YoY. QLMI's net earned premiums went up by 26.0% YoY to reach QR284.3mn in 4Q2022, compared to QR225.6mn in 4Q2021. Looking on a QoQ basis, net earned premiums rose 3.7%. EPS amounted to QR0.10 in 4Q2022 as compared to QR0.01 in 3Q2022 and QR0.09 in 4Q2021. **QLMI paid a cash dividend for FY2022 of 12.5% amounting to QR0.125 per share, compared to a cash dividend for FY2021 of 22% amounting to QR0.22 per share.** QLMI's net earned premiums for the FY2022 increased 30.8% to QR1,063.5mn compared to QR813.2mn in FY2021. **However, earnings declined by 21.6% to QR83.3mn for FY2022, compared to a net profit of QR106.2mn in FY2021.** The main reasons for the decline in net profit was a 29.0% spike in gross claims paid and a negative movement in outstanding claims for FY2022. The resulting EPS was QR0.24 in FY2022, compared to an EPS of QR0.30 in FY2021.
- Damaan Islamic Insurance Company "BEEMA" (BEMA) posted 4Q2022 net profit growth of 11.6% YoY and 39.0% QoQ.** BEMA recorded a net profit of QR14.4mn in 4Q2022 as compared to net profit of QR12.9mn in 4Q2021 and net profit of QR10.3mn in 3Q2022. BEMA's net earned premiums went up by 5.8% YoY to reach QR71.5mn in 4Q2022, compared to QR67.6mn in 4Q2021. Looking on a QoQ basis, net earned premiums went up 8.5%. EPS amounted to QR0.07 in 4Q2022 as compared to QR0.05 in 3Q2022 and QR0.06 in 4Q2021. **BEMA recorded a cash dividend for FY2022 of 15.0% amounting to QR0.15 per share, compared to a cash dividend for FY2021 of 10% amounting to QR0.10 per share.** BEMA's net earned premiums for FY2022 moved up 5.1% to reach QR267.3mn vs. QR254.2mn in FY2021. **Net profit increased by 11.4% to reach QR56.6mn for FY2022, compared to earnings of QR50.8mn in FY2021.** The main reason for the increase in net profit was a 15.5% rise in wakala fees for FY2022. This resulted in an EPS of QR0.28 in FY2022, compared to an EPS of QR0.25 in FY2021.

Telecoms Sector

Solid 4Q2022/FY2022 Despite One-Offs at ORDS

Highlights:

- The telecoms sector benefitted from the FIFA World Cup as Ooredoo and Vodafone Qatar both recorded their highest-ever quarterly revenue from Qatar in 4Q2022.
- VFQS recorded an additional 419,000 Fan SIM cards for the FIFA World Cup, while ORDS (among the official sponsors of the World Cup) was estimated to have issued between 1.5mn to 2mn Hayya SIM cards.
- The Telecoms Index exhibited an increase of 3.2% from 3Q to 4Q of 2022, outshining the QSE Index that experienced a fall of 15.9%. ORDS went up 3.4%, while VFQS appreciated 2.5%.
- Total traded value for the sector grew to QR1.23bn in 4Q2022, a 37.9% rise vs. 3Q2022.
- The telecoms sector is trading at a 2022 P/E multiple of 13.4x, 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 4.8%.

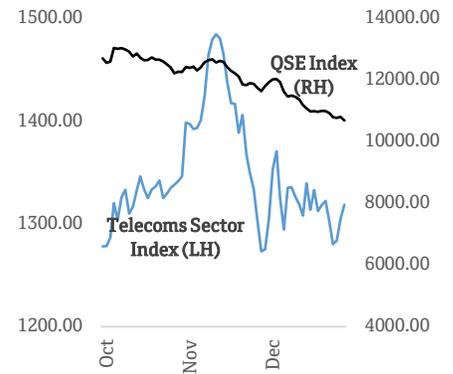
Revenue:

- For 4Q2022, aggregate sector revenue dropped 21.3% YoY to QR6.7bn driven by a drop in ORDS's revenue by 24.9%. Overall revenue also shrunk by 20.5% to QR25.8bn for FY2022. We note YoY comparisons are misleading as ORDS deconsolidated its Indonesian operations in 2022 following Indosat's merger with Hutchison's H3I.
- Sequentially, revenue grew 3.5% in 4Q2022 driven by revenue growth of 20.2% for VFQS and 1.3% for ORDS.

Earnings & Dividends:

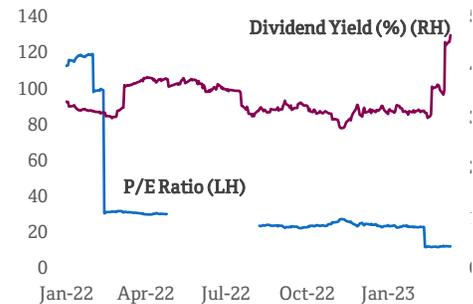
- The sector's 4Q2022 net profit fell 48.6% YoY to QR479.5mn, while the full-year bottom-line rose more than 7x to QR2.86bn. The YoY decrease in 4Q2022 earnings was driven by ORDS, which was impacted by lower EBITDA margins, along with F/X losses and impairments while VFQS posted net income growth. For 2022, the significant resurgence in earnings was due to Ooredoo as the company recorded substantial impairments in FY2021.
- Sequentially, sectoral bottom-line dropped significantly by 30.7% in 4Q2022 primarily due to Ooredoo which recorded lower EBITDA margins along with higher impairments and higher other losses.
- Aggregate EPS increased 664.8% in FY2022.
- Sector dividends increased by 48.2% YoY. Ooredoo's DPS came in at QR0.43 up 43.3%, while VFQS declared DPS of QR0.10, up 66.7% YoY.

Sector Index Performance for 4Q2022



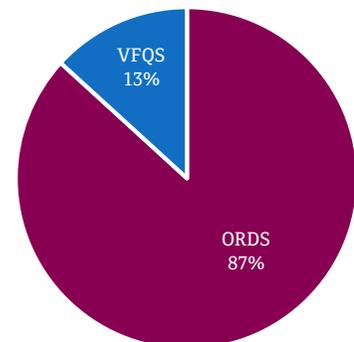
Source: Bloomberg

P/E & DY Evolution



Source: Bloomberg

4Q2022 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	4Q2021	3Q2022	4Q2022	YoY	QoQ	2021	2022	YoY
ORDS	Ooredoo	806,469	574,021	311,538	(61.4%)	(45.7%)	46,918	2,360,234	4930.6%
VFQS	Vodafone Qatar	126,979	118,065	167,972	32.3%	42.3%	327,397	502,380	53.4%
	Total	933,448	692,086	479,510	(48.6%)	(30.7%)	374,315	2,862,614	664.8%

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

Dividends Per Share & Dividend Yield

Ticker	Company	2021		2022		YoY Change
		DPS	Yield	DPS	Yield	
ORDS	Ooredoo	0.30	3.1%	0.43	4.4%	43.3%
VFQS	Vodafone Qatar	0.06	3.4%	0.10	5.7%	66.7%
	Sector	0.16	3.2%	0.24	4.7%	48.2%

Source: Company data; Note: DPS is in QR

Company Results Review

- Vodafone's (VFQS) 4Q2022 net profit jumps 32.3% YoY/42.3% QoQ and beats our estimate.** Net profit of QR168.0mn in 4Q2022 substantially beat our estimate of QR136.4mn. Quarterly revenue of QR889.7mn (14.0% YoY, 20.2% QoQ) also exceeded our top-line estimate of QR823.3mn by 8.1%. With mobile subs coming in at 2.106mn (up 8.9% YoY) vs. our estimate of 2.251mn, modest upside in mobile ARPU drove overall 4Q2022 mobile service revenue of QR499.1mn (10.7% YoY, 6.2% QoQ) moderately above our model. Thus, the majority of the beat in both earnings/revenue was driven by "other revenue" that includes fixed broadband, managed services, visitor roaming, wholesale and others; this segment benefited from the World Cup and continued traction in managed services. Moreover, "sale of equipment, related services and accessories," which includes hardware revenue associated with project build-outs, was also modestly ahead of our estimate. **FY2022 earnings grew 53.4% YoY to QR502.4mn, 6.7% ahead of our estimate of QR470.8mn.** Performance was helped by continued growth in postpaid and fixed broadband (GigaHome), managed services, IoT and equipment & related services. Total revenue jumped 21.4% YoY to reach QR3.07bn in 2022, about 2.2% ahead of our revenue estimate of QR3.0bn. Service revenue increased by 17.3% YoY to come in at QR2.62bn in 2022 and this metric was also aided by WC-related services. As noted previously, Vodafone Qatar reported mobile subs of ~2.1mn and the company also activated an additional 419k Fan SIM cards for the World Cup. Reported 4Q2022 EBITDA margin of 39.9% improved vs. 39.8% in 4Q2021 and 39.0% in 3Q2022. We were forecasting an EBITDA margin of 38.3% in 4Q2022. Quarterly EBITDA of QR354.9mn grew 14.3% YoY/23.0% QoQ and was above our estimate of QR315.3mn (12.6% divergence). Reported EBITDA margin declined from 40.8% in 2021 to 40.2% in 2022 given a higher mix of comparatively lower-margin projects revenue; normalized EBITDA, excluding equipment, projects and one-off benefits, grew 1.4 ppts YoY to reach 45.2%, however. **DPS of QR0.10 was 25% ahead of our estimate of QR0.08 (with an attractive dividend yield of 5.7%).** The company's BoD also approved a dividend policy for the 2-year period beginning FY2023 that aims for a DPS range of QR0.08-0.10. **While 2023 earnings is likely to show a decline in the mid-single digits, we believe but investors could choose to look beyond the company's near-term earnings decline and focus on its improving operating performance.** Longer-term, we also believe postpaid (68.6% of 2022 mobile service revenue), 5G, fixed, broadband, enterprise and bundled ICT solutions should boost growth. While capex levels were elevated due to 5G and coverage/capacity expansion because of the WC, dividend and FCF yields should improve going forward.
- Ooredoo's (ORDS) 4Q2022 net profit was down 61.4% YoY and 45.7% QoQ as one-offs and expenses overshadowed operational performance (despite some EBITDA margin erosion). For FY2022, the company recorded a net profit of QR2.36bn, a whopping increase from only QR46.9mn recorded in FY2021.** During 4Q2022, service revenue receded 25.1% YoY but rose 2.4% QoQ to QR5.5bn. We note the deconsolidation of Ooredoo's Indonesian operations led to the yearly decline in revenue. The other two, much smaller, constituents of total revenue are sale of telecommunication equipment and equipment rental revenue. For 4Q2022, sale of telecommunication equipment came in at QR323.7mn (-21.1% YoY, -11.6% QoQ), while equipment rental revenue was QR8.1mn (-43.9% YoY, -57.3% QoQ). Network, interconnect and other operating expenses increased by 6.7% QoQ to QR2.84bn in 4Q2022 from QR2.66bn in 3Q2022 (-21.8% YoY from QR3.6bn). Sequentially, growth in cost of equipment sold and other services, which went up by 6.0% QoQ to QR785.0mn, and marketing costs & sponsorship that increased 48.6% QoQ to QR199.2mn, helped drive the increase in network, interconnect & other operating expenses. 4Q2022 earnings declined YoY impacted by F/X losses and impairments, while sequentially earnings faced higher impairments and higher other losses. In terms of FY2022, we note that the merger between Indosat Ooredoo (IO) and PT Hutchinson 3 Indonesia was approved on 28 December 2021, but the remaining ministry approvals were finalized on 4 January 2022. As a result, the merger led to the

deconsolidation of IO under other income of QR2.6bn (recorded in 1Q2022). Moreover, the company received a further boost in 2022 as impairment losses decline from QR2.4bn in 2021 to just QR193.3mn. On the other hand, ORDS did report a gain from sale of its towers of QR1.6bn in 2021; the company also recorded an F/X loss of QR3.1bn for FY2022 (vs. a loss of only QR835.3mn in 2021). **According to ORDS management, after adjusting for these (and other one-offs) pro-forma normalized profit increased ~27% from QR2.2bn in 2021 to QR2.8bn in for FY2022.** Reported EPS came in at QR0.74 in FY2022 vs. EPS of QR0.01 for FY2021. **The company recorded cash dividends of QR0.43 for FY2022 vs. QR0.30 for FY2021.**

Real Estate Sector

FIFA World Cup Qatar 2022 Boosts 4Q2022 Revenue

Highlights:

- The real estate sector got a major boost from hosting the FIFA World Cup Qatar 2022 as housing demand grew across the country during 4Q2022.
- The Real Estate Index fell 14.4% (QSE Index: -15.9%) in 4Q2022 after it grew by 4.5% in 3Q2022.
- Trading interest in the sector plunged as traded value declined 27.8% to QR1.86bn from QR2.55bn.
- The Real Estate sector is currently trading at a P/E multiple of 23.0x (vs. the QSE Index's P/E of 12.0x) with a dividend yield of 2.3% (vs. the QSE's 4.8%).

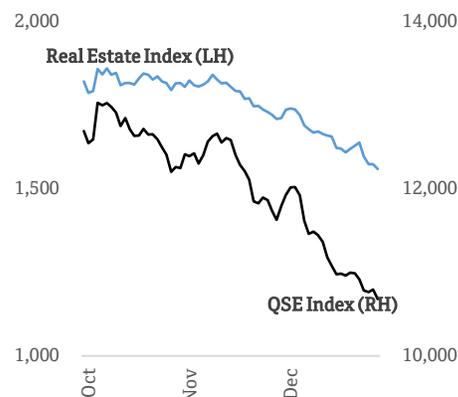
Revenue:

- The real estate sector's 4Q2022 revenue increased 36.0% YoY to QR1.9bn driven mainly by increases from ERES and UDCD. Aggregate revenue rose 2.4% to QR5.8bn for FY2022 aided primarily by ERES; UDCD and BRES faced YoY declines in revenue.
- Sequentially, revenue increased 39.6% in 4Q2022 mainly driven by UDCD, BRES and ERES.

Earnings & Dividends:

- The sector's 4Q2022 net profit increased 295.7% YoY to QR349.9mn while the full-year bottom line rose 32.1% to QR1.65bn.
- Sequentially, sectoral bottom-line went up by 10.5% in 4Q2022 driven by BRES and UDCD, which individually grew their earnings by 92.8% and 338.6%, respectively, for 4Q2022. MRDS also eked out a modest 10.5% earnings growth in 4Q2022. However, ERES recorded a significant net loss of QR234.3mn (mainly on FV losses on investment property) pulling back the sector's overall net profit.
- In FY2022, sector EPS increased to QR0.047, which is a 32.1% growth from QR0.036 in 2021.
- FY2022 sector total dividends remained the same at QR875.7mn. DPS remained flat for both UDCD and BRES at QR0.055 and 0.175 respectively, while ERES and MRDS did not declare dividends for both years.

Sector Index Performance for 4Q2022



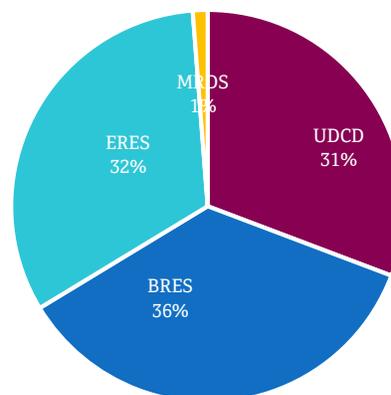
Source: Bloomberg

Sector DY Evolution



Source: Bloomberg

Sector Revenue Contribution in 4Q2022



Source: QSE

Net Income

Ticker	Company	4Q2021	3Q2022	4Q2022	YoY	QoQ	2021	2022	YoY
UDCD	United Development Co.	146,539	40,944	179,570	22.5%	338.6%	325,808	388,114	19.1%
BRES	Barwa Real Estate Co.	377,884	205,331	395,835	4.8%	92.8%	1,113,671	1,138,038	2.2%
ERES	Ezdan Real Estate Co.	(172,308)	58,632	(234,292)	36.0%	N/M	61,108	86,732	41.9%
MRDS	Mazaya Qatar Real Estate Dev.	(263,684)	11,747	8,816	N/M	(25.0%)	(248,748)	41,008	N/M
	Total	88,431	316,654	349,929	295.7%	10.5%	1,251,839	1,653,892	32.1%

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

Dividend Per Share & Dividend Yield

Ticker	Company	2021		2022		YoY Change
		DPS	Yield	DPS	Yield	
UDCD	United Development Co.	0.055	5.1%	0.055	5.1%	0.0%
BRES	Barwa Real Estate Co.	0.175	6.7%	0.175	6.7%	0.0%
ERES	Ezdan Real Estate Co.	-	-	-	-	-
MRDS	Mazaya Qatar Real Estate Development	-	-	-	-	-
	Sector	0.025	2.3%	0.025	2.3%	0.0%

Source: Company data; Note: DPS is in QR

Company Results Review

- Barwa Real Estate Company's (BRES) net profit shot up 92.8% QoQ for 4Q2022 and moved up 4.8% YoY.** Overall revenue grew by a significant 35.6% QoQ for 4Q2022 as rental income increased by 45.7% QoQ to QR547.6mn and consultancy & other services income rose 51.9% QoQ to QR114.9mn. Rental income for 4Q2022 benefited from Qatar hosting the FIFA World Cup during the last quarter of 2022. Further, BRES had a net fair value gain on investment properties of QR255.8mn during the fourth quarter that resulted in the significant uptick in net profit for 4Q2022. **However, BRES' net profit edged up by only 2.2% for FY2022 to reach QR1,138.0mn from QR1,113.7mn for FY2021.** Overall revenue for 2022 declined by 6.4% to QR2,082.8mn as rental income dropped by 7.4% to QR1,746.2mn for 2022, from QR1,884.8mn for 2021. Cost of sales declined by 12.3% leading to decrease of 3.0% in 2022 gross profit. Total operating expenses increased by 1.3% for 2022 to reach QR217.9mn. Interest expense increased by 77.9% for 2022 to reach QR491.7mn as overall debt went up. Net Fair Value Gain on investment properties increased significantly to QR677.1mn, while net impairment losses also went up noticeably to QR332.5mn. EPS amounted to QR0.292 for 2022 and QR0.286 for 2021. **BRES recorded a cash dividend for FY2022 of 17.5% amounting to QR0.175 per share, which was similar to that for FY2021.** Total assets increased by 6.6% YoY and by 1.4% QoQ to reach QR40.0bn as at 31 December 2022. Total debt increased by 17.2% YoY and by 1.1% QoQ to reach QR16.5bn as at 31 December 2022.
- United Development Company's (UDCD) net profit increased by 338.6% QoQ for 4Q2022 and by 22.5% YoY.** UDCD's overall 4Q2022 revenue rose 35.4% YoY and 49.7% QoQ to QR572.9mn. Real estate revenue and infrastructure and utilities revenue were the primary drivers of sequential growth in 4Q2022, with real estate revenue increasing by QR380.8mn or 54.9% QoQ, while infrastructure and utilities revenue gained by QR129.2mn or 35.7% for the fourth quarter. The revenue increase can be attributed to the high demand and rental prices during the fourth quarter of 2022 due to the FIFA World Cup Qatar 2022. High net profit growth for the fourth quarter was mainly due to an increase in other operating income by QR161.8mn. However, there was also a QR65.6mn in fair value loss during 4Q2022. **UDCD's earnings increased by 19.1% for FY2022 to reach QR388.1mn vs. QR325.8mn for FY2021.** Overall top-line for 2022 declined by 11.2% to QR1,810.7mn, from QR2,038.4mn in 2021. Cost of sales for 2022 dropped by 22.4% to QR1,002.3mn from QR1,291.5mn in 2021. Operating expenses increased by 12.7% to reach QR363.6mn, compared to QR322.6mn in 2021. Other operating income increased by 173.2% to reach QR226.3mn vs. QR82.8mn in 2021. Net negative change in fair value of Investment properties was QR65.6mn, compared to a positive QR15.5mn in 2021. EPS amounted to QR0.110 for FY2022, compared to QR0.092 for FY2021. **UDCD recorded a cash dividend for FY2022 of 5.5% amounting to QR0.055 per share, which was similar to that for FY2021.** Total assets increased by 4.5% YoY and went up by 2.4% QoQ to reach QR20.9bn as at 31 December 2022. The company's total debt increased by 18.5% YoY to reach QR5.4bn as of FY2022.
- Ezdan Holding Company's (ERES) continuing decline in fair value of investment properties in 4Q2022 resulted in a net loss for the quarter.** The company's 4Q2022 net loss of QR234.3mn was mainly due to the loss in fair value of investment properties of QR418.5mn for 4Q2022. Overall revenue increased by 32.9% QoQ/86.2% YoY for 4Q2022 to reach QR604.7mn, as rental income (residential and commercial property accounting for 89%, hotel and suites for 7% and malls for 4% of the total) increased by

QR568.1mn for 4Q2022. However, operating expenses increased by 55.0% for the quarter to QR179.8mn, which along with the loss in fair value of investment properties mainly caused the overall net loss for 4Q2022. **Net Profit increased by 41.9% for FY2022 to QR86.7mn, compared to QR61.1mn for FY2021.** Overall revenue for 2022 rose by 35.8% to reach QR1,839.5mn from QR1,354.9mn in 2021. Operating expenses increased by 31.8% to reach QR499.2mn from QR378.8mn in 2021. Other operating income (mainly disposal of subsidiaries) increased substantially to reach QR663.3mn vs. QR70.2mn in 2021. Net loss in fair value of investment properties was QR1,059.2mn in 2022, compared to a loss of QR200.5mn in 2021. EPS amounted to QR0.003 for FY2022 up from QR0.002 for FY2021. **ERES did not declare any dividend payment for 2022, similar to 2021.** Total assets declined by 6.3% YoY and down by 0.5% QoQ to QR47.0bn in 2022, while total debt contracted by 15.3% YoY to QR11.2bn as at 31 December 2022.

- **Mazaya Real Estate Development's (MRDS) net profit declined by 25.0% for 4Q2022 to QR8.8mn compared to QR11.7mn in 3Q2022 (MRDS posted a loss of QR263.7mn in 4Q2021).** Even as overall 4Q2022 revenue rose significantly by 179.2% for 4Q2022 to QR22.7mn from QR8.1mn for 3Q2022, the company's sequential decline in earnings was mainly due to an increase in cost of sales, operating expenses and interest expenses during the quarter. **MRDS recorded a net profit of QR41.0mn for FY2022, compared to a net loss of QR248.7mn for FY2021.** Overall revenues for 2022 grew by 58.8% to QR53.3mn from QR33.6mn in 2021. Cost of sales for 2022 declined by 11.0% to QR11.5mn from QR12.9mn in 2021. Operating expenses went down by 2.6% to QR24.7mn, compared to QR25.4mn in 2021. Interest expense moved lower by 5.2% to QR42.3mn vs. QR44.6mn in 2021. Net change in fair value of Investment properties was nil in 2022, compared to a loss of QR198.4mn in 2021. EPS amounted to QR0.04 for FY2022, up from a loss per share of QR0.21 for FY2021. **MRDS did not provide any dividend payment for 2022 and 2021.** Total assets increased by 1.4% YoY and edged down by 0.1% QoQ to QR2.1bn as at 31 December 2022. Total Debt declined by 1.7% YoY to QR935.4mn in FY2022.

Transportation Sector

Attractive Growth Drivers Along With YoY Earnings Growth

Highlights:

- Sector players are primed to benefit from macro tailwinds as well as various capex investments they have made to expand capacity.
- The logistics sector growth is expected to outpace the overall economy for the foreseeable future driven by Qatar’s major LNG expansion project, with capacity expected to expand from 77 MTPA to 126 MTPA by 2027. The sector should also benefit from the government’s deliberate policy to establish Qatar’s logistics sector as an international service provider as part of its goal to diversify from hydrocarbons.
- The Transportation Index dropped 6.1% (QSE Index: -15.9%) in 4Q2022 after it grew by 13.6% in 3Q2022.
- Trading interest in the sector plunged as traded value declined 49.9% to QR1.38bn from QR2.67bn.
- 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 3.8% (vs. the QSE’s 4.8%).

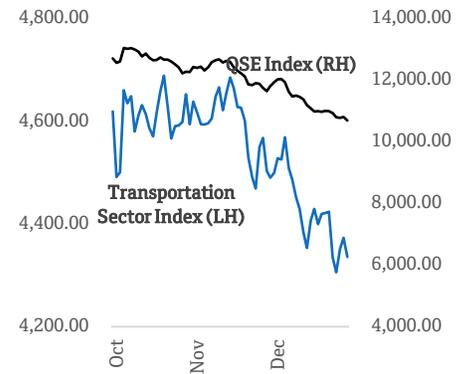
Revenue:

- The transportation sector’s 4Q2022 revenue edged up 1.5% YoY to QR2.0bn driven by a significant rise in Gulf Warehousing’s top-line (14.9%). Aggregate revenue rose 9.5% to QR8.4bn for FY2022 aided by Milaha (Qatar Navigation) and GWCS.
- Sequentially, revenue slipped 2.0% in 4Q primarily due to an 8.4% drop in Milaha’s revenue, which outweighed growth from both GWCS (4.8%) and QGTS (0.6%).

Earnings & Dividends:

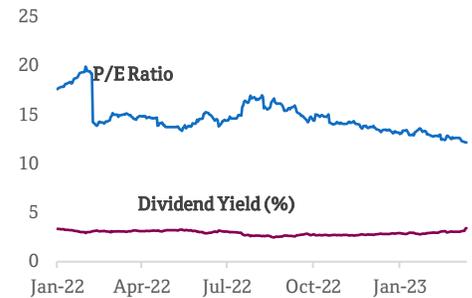
- The sector’s 4Q net profit increased 10.5% YoY to QR531.3mn while the full-year bottom line rose 16.9% to QR2.7bn.
- Sequentially, sectoral bottom-line dropped significantly by 21.2% in 4Q2022 primarily due to Milaha’s impairment charge.
- In FY2022, sector EPS increased 16.9% from 2021.
- FY2022 sector total dividends grew 10.5% to QR1.2bn. DPS remained flat for GWCS at QR0.10, while QGTS declared a record-high DPS of QR0.13, up 8.3% YoY. QNNS increased its dividend by 16.7% to QR0.35/share.

Sector Index Performance for 4Q2022



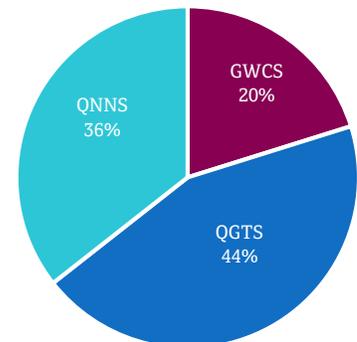
Source: Bloomberg

Sector P/E and DY Evolution



Source: Bloomberg

4Q2022 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	4Q2021	3Q2022	4Q2022	YoY	QoQ	2021	2022	YoY
GWCS	Gulf Warehousing Co.	60,435	59,411	65,382	8.2%	10.1%	224,943	239,583	6.5%
QGTS	Nakilat	350,536	405,476	303,801	(13.3%)	(25.1%)	1,353,469	1,438,918	6.3%
QNNS	Qatar Navigation	69,861	209,709	162,127	132.1%	(22.7%)	724,154	1,012,738	39.9%
	Total	480,832	674,596	531,310	10.5%	(21.2%)	2,302,566	2,691,239	16.9%

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

Dividends Per Share & Dividend Yield

Ticker	Company	2021		2022		YoY Change
		DPS	Yield	DPS	Yield	
GWCS	Gulf Warehousing Co.	0.100	2.7%	0.100	2.7%	0.0%
QGTS	Nakilat	0.120	3.4%	0.130	3.7%	8.3%
QNNS	Qatar Navigation	0.300	3.5%	0.350	4.1%	16.7%
	Sector	0.150	3.4%	0.160	3.8%	10.5%

Source: Company data; Note: DPS is in QR

Company Results Review

- Gulf Warehousing Company's (GWCS) 4Q2022 net profit came in at QR65.4mn (8.2% YoY, 10.1% QoQ), which was in-line with our estimate of QR67.2mn (divergence: -2.7%).** The company's 4Q2022 top-line came in at QR409.2mn, up 14.9% YoY and 4.8% QoQ. The reported gross margin for 4Q2022 was 29.5% vs. 29.6% in 4Q2021 and 28.2% in 3Q2022. **As expected, 2022 EPS rose 6.5% YoY from QR0.38 to QR0.41; DPS of QR0.10 was flat and also in-line with our expectations. Net income for FY2022 came in at QR239.6mn, which was in-line with our estimate of QR241.4mn (-0.7% divergence).** For 2021, GWCS reported QR224.9mn in net income. The dividend payout for 2022 was 24.5%, which implies a below-market dividend yield of 2.7%. With construction of phase 2 of Al Wukair expected to be completed by end-2023, we continue to expect earnings growth in 2024 (after an expected lull in 2023). Our previous forecasts had called for an EPS decline of ~6% in 2023, which is in-line/modestly above management's guidance of 8-10% EPS decline provided during the company's conference call, followed by a resurgence of ~11% in 2024. In addition, GWCS could venture into two new projects (in Oman and the UAE), which we have not included in our model presently given their lack of details. We believe that these projects could also serve as positive catalysts in the future. **While the stock price could present compelling entry points, we expect more of a sustained momentum in 2H2023 as details of Al Wukair Logistics Park phase 2 and other/overseas expansion comes into focus. We also believe a potential increase in dividends could make the stock more compelling especially for retail investors and await color from management in this regard as capex-intensive projects wind down potentially this year. In terms of fundamental drivers, corporate restructurings could boost outsourced logistics solutions and 4PL remains a growth area.**
- Nakilat (QGTS) missed our 4Q2022 estimates on higher-than-expected costs.** QGTS' 4Q2022 net income of QR303.8mn decreased 13.3% YoY and 25.1% QoQ, falling short of our estimate of QR392.4mn. (1) Revenue from wholly owned ships of QR897.2mn (0.4% YoY, 0.6% QoQ) was in-line with our estimate of QR894.1mn (variation of 0.4%). (2) Adjusted revenue (wholly-owned ships + marine & agency services + JV income) of QR1.09bn (3.6% YoY, 0.2% QoQ) was bang in-line with our estimate of QR1.09bn. (3) EBITDA of QR658.2mn (-3.0% YoY, -4.9% QoQ) was 4.5% shy of our forecast of QR689.0mn given higher-than-expected cash operating costs of the wholly-owned fleet and an uptick in G&A expenses; G&A expenses of QR44.2mn. Adjusted EBITDA of QR840.0mn (1.5% YoY, -4.2% QoQ) was 3.9% below our estimate of QR874.2mn, again due to the higher costs mentioned previously. (5) Depreciation & amortization expense of QR286.6mn (23.2% YoY, 30.0% QoQ) was 22.7% ahead of our modeled forecast of QR233.5mn given completion of a 5-year dry-dock cycle in 2022. (6) JV income of QR181.7mn (22.3% YoY, -1.6% QoQ) was 1.9% below our estimate of QR185.3mn. **For 2022, QGTS posted record-high EPS of QR0.26 and its DPS of QR0.13 (DY:3.7%) increased 8.3% and was in-line with our model. We stay bullish on Nakilat, which is the best avenue for equity investors to participate in the LT growth expected in Qatar's LNG sector.** Irrespective of the volatility of the LNG shipping market, Nakilat's business should remain relatively unaffected given the LT nature of its charters. Nakilat's fleet continues to provide QGTS with stable, contractually sustainable cash flow that allow for a healthy residual income stream for equity investors after providing for debt service. Moreover, the 40-year life of Nakilat's vessels vs. maximum debt life of 25 years (last debt maturing 2033), could allow for value-enhancement.

- Milaha (QNNS or Qatar Navigation) posted 4Q2022 earnings of QR162.1mn, up 132.1% YoY vs. QR69.9mn in 4Q2021 but down 22.7% QoQ as compared to QR209.7mn in 3Q2022.** Reported earnings/EPS of QR162.1mn/QR0.14 fell short of our estimate of QR265.3mn/QR0.23 (variation of -38.9%). We note reported 4Q2022 earnings included a large QR80.2mn impairment charge recorded by Milaha Gas & Petrochem (QR79.4mn, including a vessel for ~QR13mn and remaining for customer contracts) and Milaha Maritime & Logistics (QR0.8mn for software). Excluding these impairments, which shaved QR0.07 off Milaha's EPS, 4Q2022 earnings/EPS would have come in at QR242.3mn/QR0.21 (18.1% YoY, -17.9% QoQ), still 8.7% below our estimate. On a normalized basis (ex. impairments) and relative to our 4Q2022 model, better-than-expected performance from Milaha Gas & Petrochem and Milaha Trading, along with an in-line quarter from Milaha Capital, was more than offset by the other two segments. (1) Milaha Gas & Petrochem – despite a weaker-than-expected performance from its 36.3%-associate Nakilat, MG&P posted normalized earnings of QR175.9mn (32.7% YoY, 8.4% QoQ), which came in 15.1% higher than our estimate of QR152.8mn. (2) Milaha Trading – posted its first profitable quarter since 2Q2018 with earnings of QR1.3mn vs. losses of QR5.5mn in 4Q2021 and QR2.1mn in 3Q2022; we were expecting a loss of QR1.8mn for 4Q2022. (3) Milaha Capital – recorded QR24.6mn in 4Q2022 net income (12.7% YoY, -7.9% QoQ); earnings exceeded our model of QR23.9mn by 2.5%. (4) Milaha Maritime & Logistics – strong container shipping fundamentals from mid-2021 onward had helped propel segment earnings. Net income also came in 49.0% below our estimate of QR59.1mn. (5) Milaha Offshore – according to the company, increase in vessel chartering revenue (higher utilization plus employment of a lifeboat that was idle in 2021, along with an uptick in services revenue) helped boost 2022 results vs. persistent losses in 2Q2021-4Q2021; however, 4Q2022 net income did decline to QR12.3mn (profits fell 67.1% QoQ) and were well below our estimate of QR35.6mn; segment earnings did recover from a loss of QR13.4mn in 4Q2021. **FY2022 earnings, before impairments, grew 35.2% YoY, along with an in-line DPS of QR0.35 (yield of 4.1%) that grew 16.7% YoY.** Impairments increased from QR147.6mn in 2021 to QR165.7mn in 2022; however, impairments were still down significantly from QR868.0mn in 2020, pointing to the underlying health of the company's operations. Including impairments, FY2022 earnings still jumped significantly from QR724.2mn in 2021 to QR1.18bn (up 39.9% YoY). FY2022 revenue of QR3.29bn increased 18.0% YoY and was 1.1% shy of our estimate. **We remain bullish longer-term on the QNNS growth story and our investment thesis has been spot-on so far with the stock up 32.9% in 2022 (QSE Index down 8.1).** The stock, over 2011-2021, always traded at a significant discount to its sum-of-the-parts, sometimes worth only the value of its “non-core” assets (investment stake in Nakilat and its equity/bond portfolio). This implied that investors received Milaha's “core” or operating businesses for almost free. However, what has changed is that Milaha is enjoying several catalysts, which has helped in making progress toward the stock's rerating. We note strength in oil prices (despite volatility), recovery in sentiment and the massive North Field Expansion project, are all positive tailwinds. Lack of large impairments in the future should also help QNNS' earnings trajectory and highlight its growth story to investors.

Financial Services Sector

Weak Performance in 4Q2022/FY2022

Highlights:

- The financial services sector faced losses in 4Q2022 and FY2022 with weak performance across the board. NLCS, DBIS and IHGS were hit with sizeable expenses and QOIS recorded a net investment and interest loss in 4Q2022.
- The Banks & Financial Services Index dropped 16.6% (QSE Index: -15.9%) in 4Q2022.
- The financial services sector (excluding banks) did not have positive earnings for 2022 with a dividend yield of 2.1% (vs. the QSE's 4.8%).

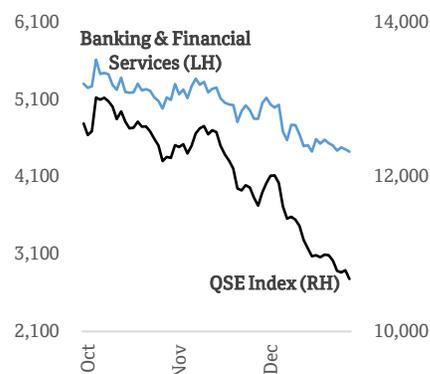
Revenue:

- The financial services sector's 4Q2022 revenue shrunk by 12.7% YoY to QR15.0mn driven by a drop in IHGS, QOIS and DBIS revenue. IHGS reported revenue of QR2.9mn, which experienced a steep decline of 39.0%. DBIS' top-line shrunk to QR4.5mn, while QOIS experienced a significant drop as its net investment & interest income became a loss of QR163,539, given losses in investments. NLCS, the only standout, exhibited a YoY growth in its revenue of 12.7%; however, this was not enough to offset the declines from the other three companies. For FY2022, aggregate sector revenue climbed 13.9% driven by IHGS, NLCS and DBIS.
- Sequentially, revenue slipped 33.3% in 4Q2022 as all four companies posted declines.

Earnings & Dividends:

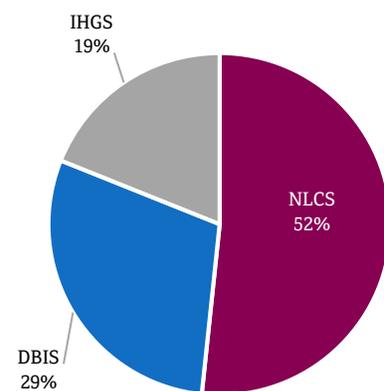
- The sector reported a net loss of QR36.5mn in 4Q2022 vs. a net loss of QR10.3mn in 4Q2021. The full-year bottom line also dipped into the red to the tune of QR5.7mn vs. a net profit of QR4.7mn in FY2021.
- Sequentially, sectoral bottom-line dropped significantly in 4Q2022 as all companies faced earnings declines. DBIS particularly stood out given its significant provisioning for legal cases and impairments.
- In FY2022, the sector recorded a loss per share of QR0.005.
- Total dividends in 2022 summed up to QR17.7mn. DPS remained flat for IHGS at QR0.05, while NLCS recorded DPS of QR0.03 as opposed to no DPS for FY2021. DBIS and QOIS did not distribute dividends for the year.

Sector Index Performance for 4Q2022



Source: Bloomberg

Sector Revenue for 4Q2022



Source: QSE

Net Income

Ticker	Company	4Q2021	3Q2022	4Q2022	YoY	QoQ	2021	2022	YoY
NLCS	National Leasing Holding	(7,086)	9,603	2,768	N/M	(71.2%)	(14,892)	19,107	N/M
DBIS	Dlala Brokerage & Investment Holding	(3,527)	(3,107)	(38,267)	985.0%	1,131.6%	8,493	(36,383)	N/M
QOIS	Qatar & Oman Investment	(1,450)	(429)	(1,359)	(6.3%)	216.6%	4,996	1,776	(64.5%)
IHGS	Inma Holding	1,735	2,145	433	(76.8%)	(81.2%)	6,076	9,824	61.7%
Total		(10,329)	8,212	(36,454)	252.9%	N/M	4,672	(5,675)	N/M

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

Dividend Per Share & Dividend Yield

Ticker	Company	2021		2022		YoY Change
		DPS	Yield	DPS	Yield	
NLCS	National Leasing Holding	0.000	0.0%	0.030	4.5%	N/A
DBIS	Dlala Brokerage & Investment	0.000	0.0%	0.000	0.0%	0.0%
QOIS	Qatar & Oman Investment	0.010	1.9%	0.000	0.0%	(100.0%)
IHGS	Inma Holding	0.050	1.4%	0.050	1.4%	0.0%
	Sector	0.006	0.7%	0.017	2.1%	10.5%

Source: Company data; Note: DPS is in QR

Company Results Review

- Qatar Oman Investment Company (QOIS) continued to post losses; the company reported a net loss of QR1.4mn in 4Q2022 compared to a net loss of QR1.5mn in 4Q2021 and a net loss of QR0.4mn in 3Q2022.** Net investment & interest income printed a loss of QR0.2mn in 4Q2022, down from an income of QR0.7mn in 4Q2021 and from an income of QR0.9mn in 3Q2022. **For FY2022, QOIS recorded a net income of QR1.8mn vs. a net profit of QR5.0mn (-64.5%) for FY2021.** In terms of EPS, this translated to QR0.006 for FY2022 as compared to QR0.016 for FY2021. In 2022, the company's total income dropped 38.8% from QR10.5mn in 2021 to QR6.4mn as investments income took a hit (due to lower realized gains/higher unrealized losses) and more than halved from QR8.9mn in 2021 to QR4.2mn in 2022. Gross profit dropped substantially to QR1.2mn for FY2022, which is a drop of 76.6% from QR5.1mn for FY2021. Gross margin for FY2022 came in at 18.8% vs. 49.1% for FY2021 as both net investment & interest income and gross profit fell. Moreover, operating income landed at QR1.8mn in 2022 vs. QR5.0mn in 2021. Net income margin was at 27.7% for FY2022 vs. 47.8% for FY2021.
- Alijarah Holding/National Leasing Company's (NLCS) bottom-line shrunk 71.2% QoQ in 4Q2022 but the company still eked out a modest profit vs. a loss in 4Q2021.** Net profit printed at QR2.8mn in 4Q2022 vs. a loss of QR7.1mn in 4Q2021 and earnings of QR9.6mn in 3Q2022. Revenue during 4Q2022 was QR7.9mn, an increase from QR7.0mn in 4Q2021 (up 12.7% YoY); revenue, however, declined 18.4% QoQ from QR9.6mn in 3Q2022. Loss from investments came in at QR2.2mn in 4Q2022 vs. gains of QR0.5mn in 4Q2021 and QR2.7mn in 3Q2022. Opex declined 28.2% YoY and 12.0% QoQ to QR4.1mn. Overall gross profit fell 7.8% YoY and 78.9% QoQ to QR1.6mn vs. QR1.8mn in 4Q2021 and QR7.8mn in 3Q2022. General and administrative expenses grew YoY by more than 5 times from QR3.5mn; this item also more than doubled sequentially from QR9.3mn to land at QR19.0mn in 4Q2022. Overall, NLCS posted operating losses of QR17.4mn in 4Q2022, which is the highest quarterly operating loss reported during 2021 and 2022. Finance income and other one-off items attempted to salvage profits as net finance income expanded significantly to QR3.7mn (vs. QR1.1mn/QR1.6mn in 4Q2021/3Q2022) while other income shot up to QR22.0mn during 4Q2022 (vs only QR2.1mn in 4Q2021 and QR9.5mn in 3Q2022). Moreover, loss on valuation of investment properties shrunk to QR5.4mn vs. QR8.1mn in 4Q2021 (no valuation loss in 3Q2022). **For 2022, EPS came at QR0.04 and DPS at QR0.03 resulting in a dividend yield of 4.5%; NLCS posted a loss per share of 0.03 in FY2021.** Top-line in FY2022 increased 12.7% to QR33.0mn vs. QR29.3mn for FY2021.
- Dlala Brokerage Company (DBIS) faced the brunt of FV losses, provisions for legal cases and impairments, which led to losses in 3 out of 4 quarters of 2022.** The company recorded net losses of QR38.3mn in 4Q2022 vs. a loss of QR3.5mn in 4Q2021 and a loss of QR3.1mn in 3Q2021. Quarterly, revenue contracted YoY from QR4.8mn (down 7.8%) and QoQ from QR7.2mn (-38.1%) to land at QR4.5mn in 4Q2022. Operating loss was QR5.4mn vs. operating profits of QR3.7mn and QR9.7mn in 4Q2021 and 3Q2022, respectively. The main drivers of this operating loss were the significant losses reported in net fair value loss on investment securities (QR5.6mn) and a realized loss on sale of investment securities (QR2.2mn). Moreover, provision for legal cases of QR20.9mn and an impairment of funds advanced to a supplier of QR7.8mn, also showed up in 4Q2022. **For 2022, the company dipped into a loss of QR36.4mn or QR0.19 per share vs. profits of QR8.5mn (EPS: QR0.04) in FY2021.**
- Inma Holding (IHGS) recorded the lowest top- and bottom-line for FY2022 during 4Q2022.** Brokerage and commission income came in at QR2.9mn during 4Q2022, which is a 39.0% YoY drop from QR4.7mn (down 39.6% QoQ from QR4.8mn in 3Q2022). Gross profit declined to QR1.9mn during 4Q2022 from QR3.2mn in 4Q2021 (down 39.9% YoY) and from QR3.2mn in 3Q2022 (a decline of 40.2% QoQ), even though brokerage and commission expenses declined as well (-37.1% YoY, -38.1% QoQ) to QR1.0mn in 4Q2022. The company reported greater losses and expenses during 4Q2022: a loss from sale of financial investments of QR0.2mn, general and administrative expenses of QR3.8mn (12.3% YoY, 22.7% QoQ), finance cost of QR0.3mn (40.7% YoY, 47.0% QoQ). In addition, BOD remuneration of QR0.4mn recorded more than a 100% increase from 4Q2021's (QR0.2mn). **FY2022 EPS accumulated to QR0.17 vs. QR0.11 for FY2021. DPS came in at QR0.05 (same as FY2021), translating to a yield of 1.4%.**

Recommendations

Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price

OUTPERFORM	Greater than +20%
ACCUMULATE	Between +10% to +20%
MARKET PERFORM	Between -10% to +10%
REDUCE	Between -10% to -20%
UNDERPERFORM	Lower than -20%

Risk Ratings

Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals

R-1	Significantly lower than average
R-2	Lower than average
R-3	Medium / In-line with the average
R-4	Above average
R-5	Significantly above average

Contacts

Saugata Sarkar, CFA, CAIA
Head of Research
+974 4476 6534
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
Senior Research Analyst
+974 4476 6509
shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
Senior Research Analyst
+974 4476 6589
phibion.makuwerere@qnbfs.com.qa

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