

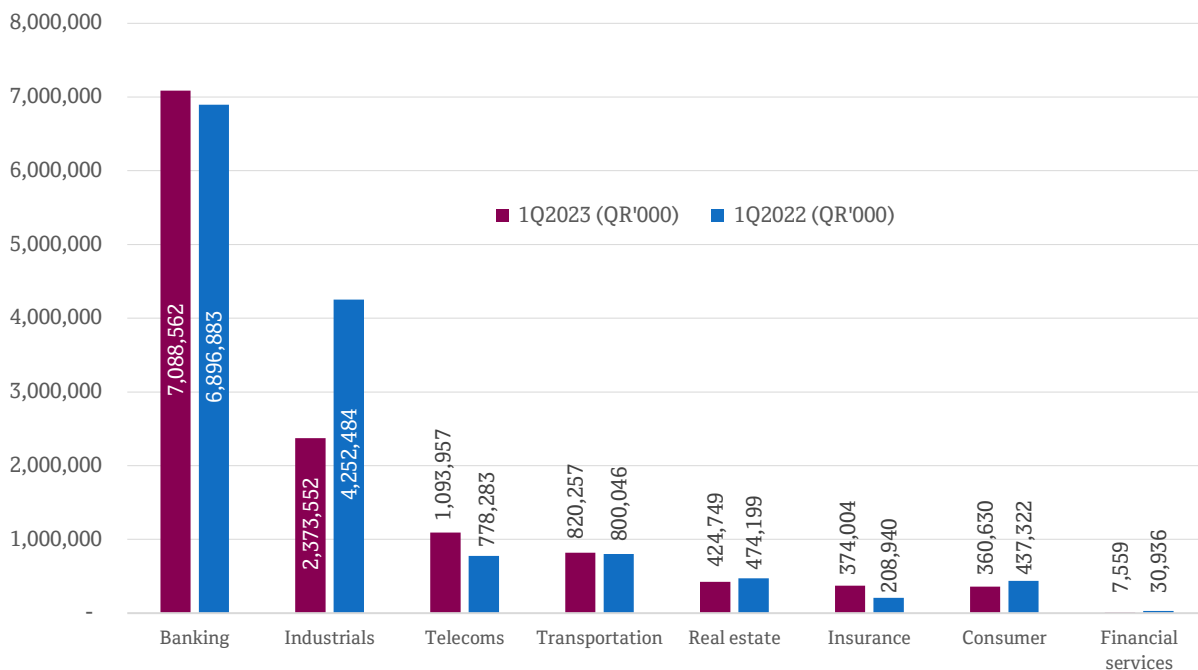
1Q2023 Profits Fall YoY Due to IQCD Offsetting Pockets of Strength in Telcos/Banks

Listed companies on the Qatar Stock Exchange reported a 9.6% YoY decline in earnings to QR12.5bn during 1Q2023 dragged down by Industrials (primarily Industries Qatar or IQCD), while adjusted QoQ net profit surged 28.7% to QR12.1bn driven by a strong performance from the banking sector. Excluding the significant YoY decline in IQCD's earnings, we note aggregate earnings actually ticked up 1.8% YoY driven by telecoms, banks, insurance and transportation. Aggregate revenue edged lower by 0.3% YoY to QR44.6bn with a deficit in industrials largely offset by banks and consumers. Adjusted QoQ revenue decreased by 7.6% weighed down by industrials and consumers; revenue generally declined across the board sequentially except for modest increases in transportation and financial services. Aggregate NP margin came in at 28.2% compared with 31.0% in 1Q2022. Banks remained the biggest contributor to the QSE's aggregate earnings at 56.5% (1Q2022: 49.7%) followed by industrials (18.9% vs. 30.6% in 1Q2022) and telecoms (8.7% vs. 5.6% in 1Q2022). Similarly, banks recorded the strongest NP margin at 46.8% compared with 32.4% in 4Q2022 and 49.7% in 1Q2022.

Snapshot of the 1Q2023 Earnings Season

- Half (4Q2022: five) of the eight sectors exhibited negative earnings growth YoY
- As expected, like the previous quarter, Banks account for bulk of the earnings
- Telecoms maintain strong growth momentum; Insurance recovers
- Industrials accounted for most of the earnings decline
- 12 companies registered double-digit or more of earnings growth YoY
- Only two companies out of the 50-listed recorded losses; one in 1Q2022
- 22 companies recorded YoY earnings decline

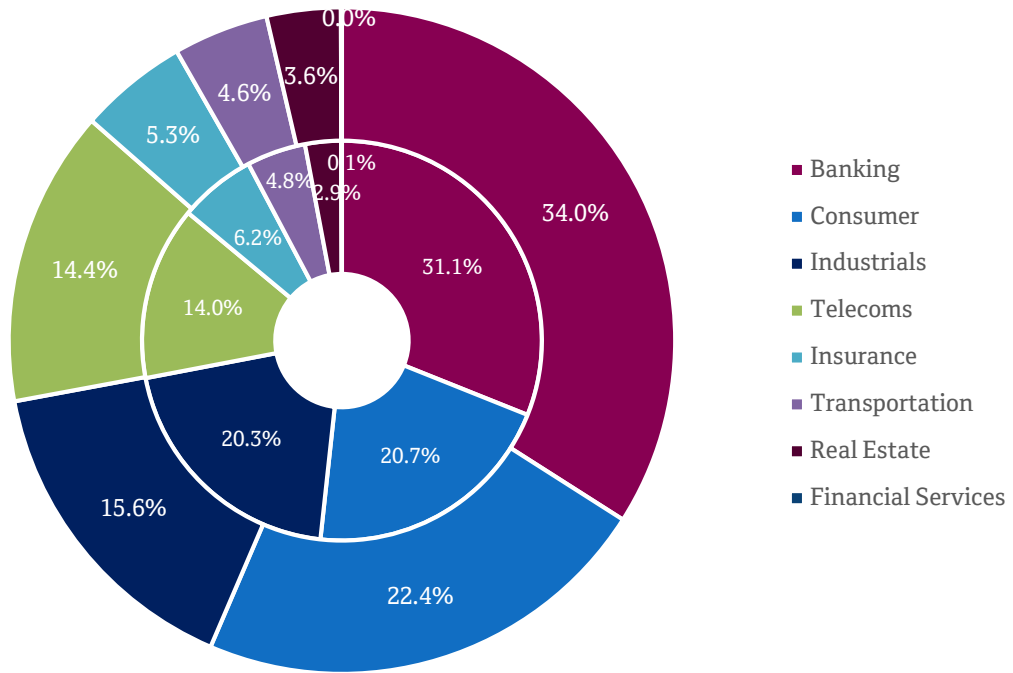
QSE Sector Earnings: 1Q2023 vs. 1Q2022



Source: QSE, QNBFS Research

- **The near-term macro environment remains challenging but a rate-hiking pause seems palpable.** Despite a combination of several macro headwinds – including a continuation of the global monetary tightening that began early last year and an unfolding US banking crisis that started in March – the global equity complex (ACWI) surprisingly closed the first quarter of 2023 in the black, up 6.8%, mostly driven by large-cap tech. With the rate-tightening cycle possibly coming to an end as disinflation continues, it is worth noting that the market and the US Fed have marked diverging views on the rates path with recession and credit risk probabilities ratcheting up. The Fed has intimated a pause but it does not see any near-term rate cuts. Meanwhile, the Fed Fund Futures market is largely pricing in a pause in June as well as up to 75-100bps in cuts by January 2024. Meanwhile, the QSE (-4.4% in 1Q2023) and regional peers were weighed down by softening oil and gas prices, with the QSE hitting its two-year low on March 20th although it has staged a strong recovery in the past few weeks. Overall, foreign institutions were \$17.5mn net buyers of Qatari equities in 1Q2023 vs. \$2.2bn in 1Q2022.
- **The QSE remains attractive on strong fundamentals.** While 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 (although recent OPEC+ cuts have bolstered oil prices somewhat), 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 spotlight, we are of the view that pockets of Qatari stock market should benefit from this success. Some of the impact has been immediate, with Qatar registering a record 1Q2023 visitor arrivals this year. **(3)** Over the medium- to-long-term, the North Field Expansion, a nascent but growing tourism sector and Qatar National Vision 2030 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 longer-term on Qatari equities 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, though 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: 1Q2023 (outer core) vs. 1Q2022 (inner core)



Source: QSE, QNBFS Research

1Q2023 Net Profit for QSE-listed Companies (QR'000)

Sector	Company	1Q2023	1Q2022
Banking	Qatar National Bank	3,881,745	3,616,015
	Qatar Islamic Bank	905,341	855,147
	The Commercial Bank	751,297	637,079
	Dukhan Bank	413,961	392,141
	Masraf Al Rayan	384,954	487,720
	Qatar International Islamic Bank	315,916	294,862
	Doha Bank	208,634	401,445
	Al Ahli Bank	204,596	191,452
	Qatar First Bank	22,118	21,022
Banking Total		7,088,562	6,896,883
Consumer	Qatar Fuel	223,214	262,803
	Al Meera Consumer Goods	43,189	43,205
	Zad Holding	41,729	42,835
	Baladna	20,018	25,896
	Medicare Group	18,810	17,194
	Mannai Corp	12,153	31,779
	Mekdam Holding Group	9,679	9,478
	Salam International Investment	6,946	9,116
	Qatar Cinema & Film Distribution	1,995	1,538
	Qatari German Co. for Medical Devices	270	525
	Widam Food Company	(17,373)	(7,047)
Consumer Total		360,630	437,322
Financial services	Qatar Oman Investment	4,553	3,301
	National Leasing	4,095	2,950
	Inma Holding	1,288	6,403
	Dlala Brokerage & Investment Holding	(2,376)	18,282
Financial services Total		7,559	30,936
Industrials	Industries Qatar	1,165,925	2,703,618
	Qatar Electricity & Water	400,663	388,694
	Mesaieed Petrochemical Holding	268,624	442,909
	Estithmar Holding	101,214	91,847
	Qatar Aluminium Manufacturing	92,624	239,604
	Gulf International Services	90,235	112,144
	Aamal Holding	87,495	73,618
	Qatar National Cement	64,102	77,354
	Qatari Investors Group	54,474	81,928
	Qatar Industrial Manufacturing	48,197	40,767
Industrials Total		2,373,552	4,252,484
Insurance	Qatar Insurance	173,153	24,344
	Doha Insurance	65,585	34,597
	Qatar General Insurance & Reinsurance	44,990	59,474
	Qatar Islamic Insurance	29,297	27,338
	Al Khaleej Takaful Insurance	27,280	20,487
	QLM Life & Medical Insurance	20,029	29,126
	Damaan Islamic Insurance	13,670	13,574
Insurance Total		374,004	208,940
Real estate	Barwa Real Estate	235,486	228,937
	Ezdan Holding Group	91,042	153,601
	United Development	88,022	80,288
	Mazaya Real Estate Development	10,199	11,373
Real estate Total		424,749	474,199
Telecoms	Ooredoo	960,566	670,900
	Vodafone Qatar	133,391	107,383
Telecoms Total		1,093,957	778,283
Transportation	Nakilat	395,488	381,835
	Qatar Navigation/Milaha	363,285	360,410
	Gulf Warehousing	61,484	57,801
Transportation Total		820,257	800,046
Grand Total		12,543,270	13,879,092

Source: QSE, QNBFS Research

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Banking Sector

Valuation Remains Attractive

Highlights:

- **The banking sector posted mixed results in 1Q2023.** For 1Q2023, the banking sector posted a 2.8% YoY growth in aggregate headline net income. However, on a normalized basis (excluding DHBK & MARK), earnings grew by 8.1%.
- **The Banks & Financial Services Index fared better than the QSE Index and dipped by only 1.5% (QSE Index: -4.4%) in 1Q2023.**
- **The banking sector is currently trading at a P/B multiple of 1.5x with an average RoE of 12.7% vs. 1.9x KSA (RoE: 14.8%), 1.3x UAE (RoE: 14.4%) and 1.4x Kuwait (RoE: 10.7%) which is attractive. The sector offers a dividend yield of 3.8% vs. the QSE's DY of 4.7%.**

Revenue:

- **Aggregate revenue gained by 9.2% YoY in 1Q2023 to QR15.2bn, driven mainly by QNB Group (being the sector's largest contributor).** Aggregate growth was a mixed bag as banks grew their revenue by margin expansion and/or non-funded income. DHBK, MARK and DUBK experienced significant margin pressure.
- **Aggregate revenue declined by 2.2% QoQ in 1Q2023.** Aggregate decline was mainly attributable to margin compression and to some extent, weak non-funded income.
- **NIMs, on a YoY basis on average, improved, while it contracted on a sequential basis.** In aggregate, net interest margin improved by ~19bps to 2.41% YoY vs. a compression of ~25bps QoQ. The YoY expansion was due to the repricing of assets following interest rate hikes that began early-2022. QNBK's margins were robust YoY (flat QoQ). However, DHBK's and MARK's NIMs contracted by 51bps and 46bps YoY, respectively. Meanwhile, NIMs contracted sequentially due to continuous rate hikes in the second half of 2022 – banks reprice their assets with a lag whereas funding costs move largely in lockstep with rate hikes.

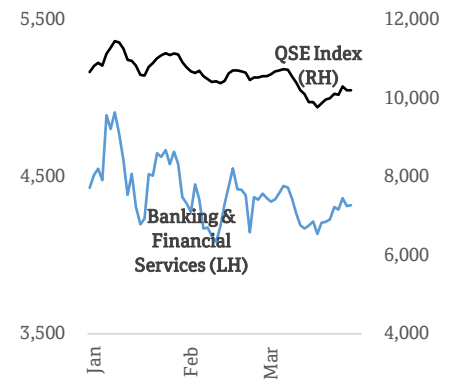
Earnings:

- **Aggregate 1Q2023 net income edged up by 2.8% YoY to QR7.1bn due to large drops from DHBK (48.0%) and MARK (21.1%).** Excluding MARK and DHBK, normalized net profit would have increased by a strong 8.1%. The normalized bottom-line drivers were mixed. Some banks booked flat to lower provisions while others generated healthy net operating income. It is important to note that CBQK reported significantly lower hyperinflation losses. On the other hand, DHBK and MARK experienced weak net operating income due to margin compression
- **Aggregate net income of banks surged by 41.2% QoQ in 1Q2023.** This was partially due to losses generated from DHBK and MARK in 4Q2022. Excluding DHBK and MARK, earnings increased by 24.8%, mainly due to a sharp drop in provisions & impairments (generally in-line with historical trends).

Balance Sheet:

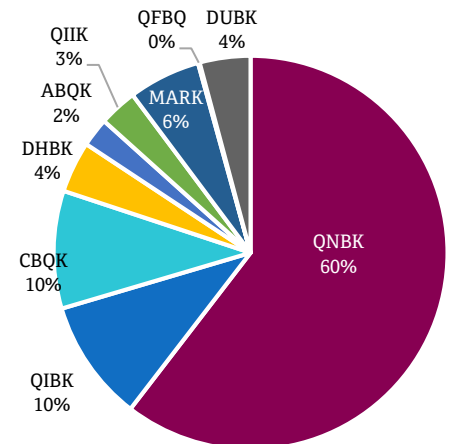
- **Loans experienced a decrease of 0.4% YTD.** The loan book came at QR1.34trn in 1Q2023 vs. QR1.35trn in FY2022. **Highest YTD growth was seen from ABQK (up 7.9%) and QNBK that witnessed its loan book inching up by 0.3% landing at QR809.8bn.** The rest of the banks' loan books shrank as the public sector continued repaying credit facilities.
- **All banks witnessed their deposits drop YTD with ABQK (up 5.9%) being the exception.** Aggregate deposits decreased by 2.6% YTD to reach QR1.30trn, driven mainly by QNBK as it has the largest deposit book domestically (~63% market share). The bank's deposits receded by 1.8% YTD. CBQK/DUBK incurred the largest drop by 8.5%/6.1%.
- **Capitalization levels of Qatar banks remained robust.** Sector average capital adequacy ratio came in at a robust 19.2%. All the banks generated strong CARs.

Sector Index Performance for 1Q2023



Source: Bloomberg

1Q2023 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2022	4Q2022	1Q2023	YoY	QoQ
QNBK*	Qatar National Bank	3,616,015	2,875,817	3,881,745	7.3%	35.0%
QIBK	Qatar Islamic Bank	855,147	1,154,965	905,341	5.9%	-21.6%
CBQK*	Commercial Bank of Qatar	637,079	609,782	751,297	17.9%	23.2%
DHBK	Doha Bank	401,445	(167,538)	208,634	-48.0%	N/M
ABQK	Al Ahli Bank	191,452	204,887	204,596	6.9%	-0.1%
QIIK	Qatar International Islamic Bank	294,862	173,219	315,916	7.1%	82.4%
MARK	Masraf Al Rayan	487,720	(15,676)	384,954	-21.1%	N/M
QFBQ	Lesha Bank	21,022	11,920	22,118	5.2%	85.6%
DUBK	Dukhan Bank	392,141	172,303	413,961	5.6%	140.3%
	Total	6,896,883	5,019,679	7,088,562	2.8%	41.2%
	Total (Excluding DHBK & MARK)	6,007,718	5,202,893	6,494,974	8.1%	24.8%

Source: Company data; Note: Net Income is in QR'000 and are headline net income figures; *QNBK & CBQK 1Q2022 adjusted for hyperinflation monetary loss

Industrials Sector

Skewed High Base-effects Overshadow 1Q2023 Performance

Highlights:

- The sector top- and bottom-line have both started the year on the back foot in 1Q2023. Overall, we see earnings moderation 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.
- The Industrials Index recovered by 5.7% (QE Index: -4.4%) in 1Q2023 after falling by 16.1% in 4Q2022.
- Total traded value of QR9.1bn in 1Q2023 is a 12.2% increase on QR8.1bn traded in 4Q2022.
- Currently at a P/E ratio of 14.9x, Industrials are trading below their five-year median of 16.4x.

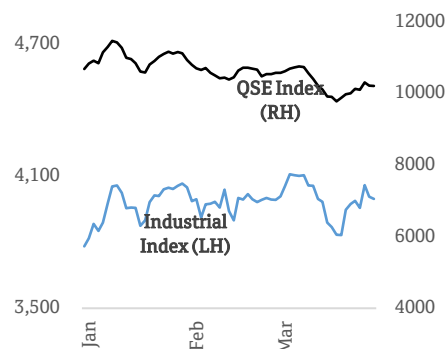
Revenue:

- Sector revenue declined 23.1% YoY in 1Q2023 to QR7.0bn, weighed down by IQCD's revenue, which fell 34.3%; IQCD accounted for 49.8% of sector revenue.
- Sequentially, comparable revenue fell by 19.3% in 1Q2023 (excluding GISS). All companies recorded lower revenue with IQCD and IGRD contributing to most of the sector decline.

Earnings:

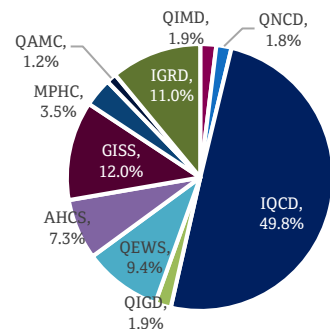
- The sector's comparable 1Q2023 net profit fell 44.2%/20.8% YoY/QoQ with IQCD accounting for bulk of the decline in line with the drop in its top-line as well as weaker margins – GISS is excluded from the QoQ analysis. IQCD also propelled QoQ earnings comparisons downward.

Sector Index Performance for 1Q2023



Source: Bloomberg

1Q2023 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2022	4Q2022	1Q2023	YoY	QoQ*
QIMD	Qatar Industrial Manufacturing Co.	40,767	16,096	48,197	18.2%	199.4%
QNCD	Qatar National Cement Co.	77,354	56,371	64,102	-17.1%	13.7%
IQCD	Industries Qatar	2,703,618	1,768,615	1,165,925	-56.9%	-34.1%
QIGD	Qatari Investors Holding	81,928	39,984	54,474	-33.5%	36.2%
QEWS	Qatar Electricity & Water Co.	388,694	460,836	400,663	3.1%	-13.1%
AHCS	Aamal Co.	73,618	91,786	87,495	18.8%	-4.7%
GISS*	Gulf International Services	112,144	23,970	90,235	-19.5%	N/A
MPHC	Mesaieed Petrochemical Holding Co.	442,909	296,279	268,624	-39.4%	-9.3%
QAMC	Qatar Aluminium Manufacturing Co.	239,604	116,047	92,624	-61.3%	-20.2%
IGRD	Estithmar Holding Group	91,847	37,990	101,214	10.2%	166.4%
Total		4,252,484	2,907,974	2,373,552	-44.2%	-20.8%

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

*QoQ comparison excludes GISS as 4Q2022 results are not comparable

Consumer Goods & Services Sector

Broadly Weaker Margins See Yearly Sector Earnings Decline

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. In 1Q2023, overall sector revenue growth was positive/negative YoY/QoQ but bottom-line growth was weaker/stronger YoY/QoQ.
- While the sector is likely to moderate in line with the GDP this year, 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 QR1.16mn visitors in 1Q2023, a 267% YoY increase.
- **The Consumer Goods & Services Index inched down 0.6% (QSE Index: -4.4%) in 1Q2023.** Sector traded value in 1Q2023 dropped by 7.1% to QR2.5bn vs. QR2.7bn in 4Q2022.
- **The consumer goods & services sector has a median P/E ratio of 18.7x over the last five years but it is currently trading at 23.1x.**

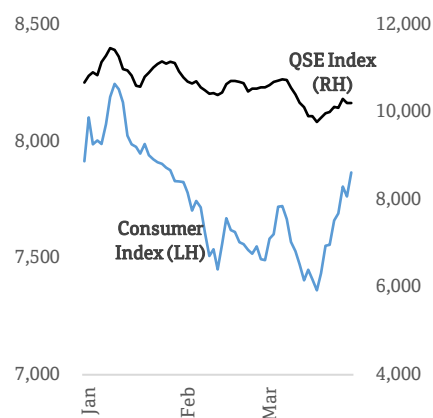
Revenue:

- **Sector revenue grew by 8.2% YoY to QR10.0bn in 1Q2023, while declining 9.5% QoQ.** In both instances, Qatar Fuel was a big influence given its outsized weight within the sector. Eight out of the 11 companies in the sector saw growth YoY but on the flipside, nine companies registered a decline QoQ due to seasonality coupled with the World Cup-related high base.

Earnings:

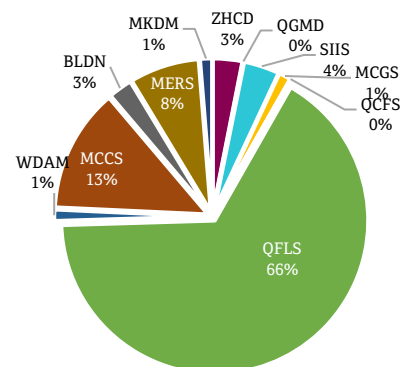
- **The sector's 1Q2023 net profit declined 17.5% YoY to QR360.6mn with QFLS, MCCS and WDAM contributing the bulk of the decline.** Only three out of the 11 companies in the sector registered an earnings increase. Sequentially, sectoral bottom-line climbed 94.7% primarily due to MCCS turning a significant loss of QR309.5mn in 4Q2022 into a profit of QR12.2mn in 1Q2023.

Sector Index Performance for 1Q2023



Source: Bloomberg

1Q2023 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2022	4Q2022	1Q2023	YoY	QoQ
ZHCD	Zad Holding	42,835	62,879	41,729	-2.58%	-33.64%
QGMD	Qatari German Co. for Medical Devices	525	-399	270	-48.62%	N/M
SIIS	Salam International Investment	9,116	27,755	6,946	-23.81%	-74.98%
MCGS	Medicare Group	17,194	23,124	18,810	9.40%	-18.66%
QCFS	Qatar Cinema & Film Distribution	1,538	466	1,995	29.67%	328.47%
QFLS	Qatar Fuel	262,803	307,216	223,214	-15.06%	-27.34%
WDAM	Widam Food Company	-7,047	-39,794	-17,373	146.51%	-56.34%
MCCS	Mannai Corporation	31,779	-309,510	12,153	-61.76%	N/M
BLDN	Baladna	25,896	24,997	20,018	-22.70%	-19.92%
MERS	Al Meera Consumer Goods & Services	43,205	75,412	43,189	-0.04%	-42.73%
MKDM	Mekdam Holding Group	9,478	13,034	9,679	27.98%	97.51%
Total		437,322	185,181	360,630	-17.54%	94.74%

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

Insurance Sector

Conventional Names Drive Profitability Even as Revenue Falls

Highlights:

- Conventional insurance companies' drive overall sector profitability with industry heavyweight QATI accounting for bulk of net profit during 1Q2023. Overall conventional insurance companies (QATI, DOHI, QLMI and QGRI) net profit soared by 105.9% YoY, while Islamic insurance companies (AKHI, QISI and BEMA) witnessed a yearly rise in net profit by 14.4% during 1Q2023.
- Mandatory health insurance is being implemented in a phased manner. However, 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 Index dropped 14.2% (QSE Index: -4.4%) in 1Q2023 after it fell by 15.5% in 4Q2022.
- Trading interest in the sector skyrocketed as traded volume shot up 94.9% QoQ in 1Q2023.

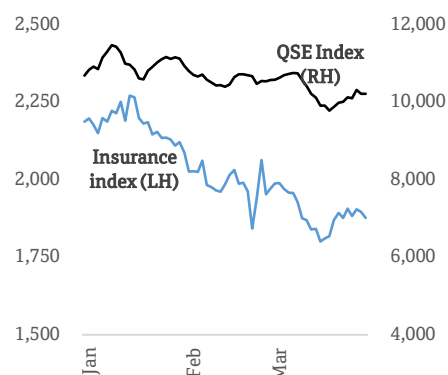
Revenue:

- The insurance sector's revenue in 1Q2023 went down 15.5% YoY to QR2.35bn from QR2.78bn, driven mainly by a fall in QATI's insurance revenue (-27.0%). Conventional insurance companies accounted for 91.5% of overall insurance revenue during 1Q2023, while Islamic insurance companies accounted for only 8.5%.
- Conventional insurance companies' revenue moved down 17.3% YoY to QR2.15bn from QR2.60bn, while Islamic insurance companies' revenue increased by 9.1% (AKHI up 24.1%) during 1Q2023 to reach QR200.6mn from QR183.9mn achieved during 1Q2022.

Earnings:

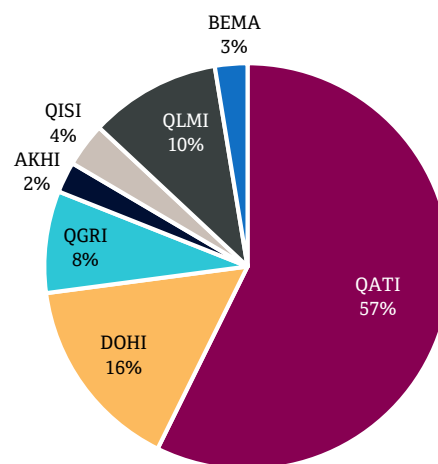
- The sector's 1Q2023 net profit increased substantially by 79.0% YoY to reach QR374.0mn, compared to a net profit of QR208.9mn for 1Q2022.
- QATI and DOHI were the main contributors to the overall rise in sector bottom-line. QATI net profit shot up by 611.3% YoY, while the other star performer for 1Q2023 DOHI grew net profit by 89.6% YoY. QATI net profit growth was driven mainly by a significant upside in investment income, even as insurance revenue declined and a loss on discontinued operations (of Gibraltar-based subsidiaries underwriting UK motor insurance) was a drag on the bottom-line.

Sector Index Performance for 1Q2023



Source: Bloomberg

1Q2023 Sector Insurance Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2022	1Q2023	YoY
QATI	Qatar Insurance	24,344	173,153	611.3%
DOHI	Doha Insurance	34,597	65,585	89.6%
QGRI	Qatar General Insurance & Reinsurance	59,474	44,990	(24.4%)
AKHI	Al Khaleej Takaful Group	20,487	27,280	33.2%
QISI	Qatar Islamic Insurance	27,338	29,297	7.2%
QLMI	Qatar Life & Medical Insurance	29,126	20,029	(31.2%)
BEMA	Damaan Islamic Insurance Company	13,574	13,670	0.7%
Total		208,940	374,004	79.0%

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

Telecoms Sector

Earnings Growth Despite 4Q2022 World Cup Boost

Highlights:

- The telecoms sector aggregate top-line grew YoY but declined sequentially, as expected, post the FIFA World Cup with Ooredoo and Vodafone Qatar both recording their highest-ever quarterly revenue from Qatar in 4Q2022.
- The telecoms sector was able to sustain its earnings with profitability increasing on a yearly basis. Sequential earnings growth also benefited from one-offs at ORDS.
- The Telecoms Index jumped 9.1% from 4Q2022 to 1Q2023 outpacing its 4Q2022 growth of 3.2% and outshining the QSE Index that experienced a fall of 4.4%.
- Total traded value for the sector grew to QR1.25bn in 1Q2023, a 1.8% growth vs. 4Q2022, which stood at QR1.23bn.
- Currently at a P/E ratio of 13.8x, the telecoms sector is trading below its five-year median of 20.4x.

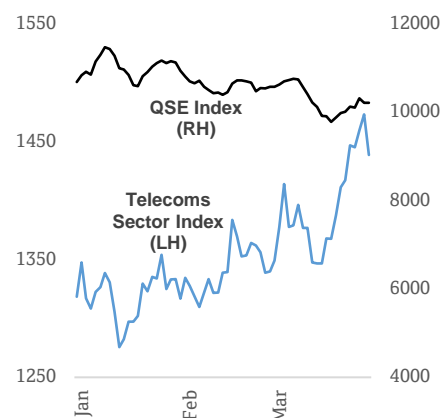
Revenue:

- For 1Q2023, aggregate sector revenue grew 2.2% YoY to QR6.4bn driven by growth in the sector giant Ooredoo's revenue (up 1.6%) to QR5.6bn and supported by Vodafone Qatar's 6.2% YoY increase to QR775.9mn. Ooredoo reported higher revenue from services and sale of telecommunications equipment, leading to its revenue growth. ORDS management pointed to local currency revenue growth across majority of their markets. Vodafone Qatar's revenue was mainly backed by continued growth in postpaid and fixed broadband (GigaHome), managed services, IoT and equipment & related services.
- Sequentially, revenue dropped 4.8% in 1Q2023 due to a 3.6% lower revenue QoQ exhibited by ORDS and a 12.8% decline in revenue seen by VFQS. Both the sector players, as expected, faced sequential revenue decline from Qatar post the World Cup.

Earnings:

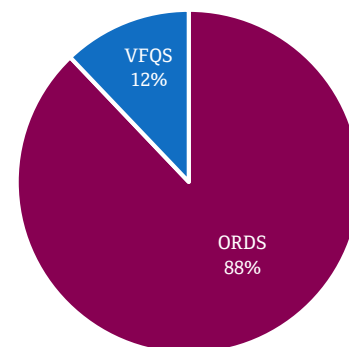
- The sector's 1Q2023 aggregate net profit rose 40.6% YoY to QR1.1bn. The YoY increase in earnings was mostly driven by ORDS, which benefited from several one-offs including a ~QR446mn benefit from a positive outcome from NMTC's legal case. However, Ooredoo's normalized earnings grew from ~QR689mn in 1Q2022 to ~QR795mn in 1Q2023.
- Sequentially, sectoral bottom-line surged 128.1% in 1Q2023 as Ooredoo more than tripled its earnings from 4Q2022 that faced higher impairment charges, whereas Vodafone's earnings dropped 20.6% following the contraction seen by its top-line.

Sector Index Performance for 1Q2023



Source: Bloomberg

1Q2023 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2022	4Q2022	1Q2023	YoY	QoQ
ORDS	Ooredoo	670,900	311,538	960,566	43.2%	208.3%
VFQS	Vodafone Qatar	107,383	167,972	133,391	24.2%	(20.6%)
	Total	778,283	479,510	1,093,957	40.6%	128.1%

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

Real Estate Sector

Higher Rentals Support Sector as WC Boom Starts to Fade

Highlights:

- Higher rentals resulting from the resurgence of housing demand from the FIFA World Cup Qatar 2022 supports the real estate sector in the short- to medium-term, even as occupancy rates and demand soften after the successful completion of this global sporting event.
- The Real Estate Index declined 7.8% (QSE Index: -4.4%) in 1Q2023 after it fell by 14.4% in 4Q2022.
- Trading activity in the sector dropped as traded value fell 25.1% to QR1.39bn from QR1.86bn.

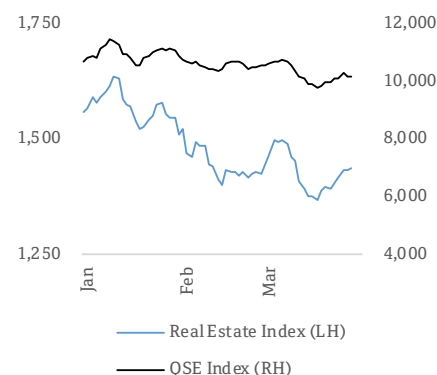
Revenue:

- The real estate sector's 1Q2023 revenue went up 23.3% YoY to reach QR1.6bn driven mainly by gains from UDCD and ERES. Sequentially, revenue went down 14.1% in 1Q2023 mainly driven by BRES and ERES.

Earnings:

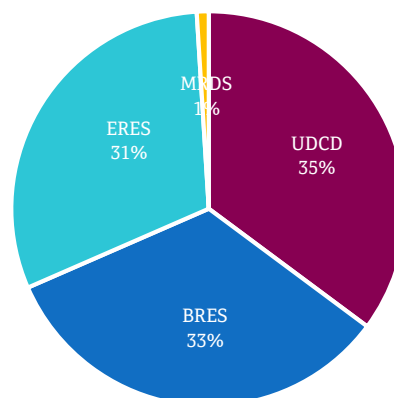
- The sector's 1Q2023 net profit declined 10.4% YoY to QR424.7mn weighed down by ERES and MRDS.
- Sequentially, sectoral bottom-line increased 21.4% in 1Q2023 driven mainly by ERES, which grew its earnings to a positive QR91.0mn, from a loss of QR234.3mn during 4Q2022. BRES and UDCD earnings dropped by 40.5% and 51.0%, respectively, in 1Q2023. However, MRDS recorded a 15.7% earnings growth in 1Q2023.

Sector Index Performance for 1Q2023



Source: Bloomberg

1Q2023 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2022	4Q2022	1Q2023	YoY	QoQ
UDCD	United Development Co.	80,288	179,570	88,022	9.63%	(50.98%)
BRES	Barwa Real Estate Co.	228,937	395,835	235,486	2.86%	(40.51%)
ERES	Ezdan Real Estate Co.	153,601	(234,292)	91,042	(40.73%)	N/M
MRDS	Mazaya Qatar Real Estate Dev.	11,373	8,816	10,199	(10.32%)	15.70%
Total		474,199	349,929	424,749	(10.43%)	21.38%

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

Transportation Sector

Attractive Growth Drivers Along With YoY Earnings Growth

Highlights:

- **The transportation sector should benefit from macro drivers as well as various capex investments providing a positive catalyst for earnings growth.** QGTS is a potential major player, on the shipping front, in the LNG expansion initiated by QatarEnergy (first production in 4Q2025), while GWCS is on track to commence Phase 2 of its Al Wukair logistics facility and start a new project in Oman later this year. Milaha should also benefit from its significant ownership of Nakilat, along with momentum from its offshore operations and stable growth elsewhere.
- **The Transportation Index dropped 7.9% (QSE Index: -4.4%) in 1Q2023** after it dropped by 6.1% in 4Q2022.
- **Traded value in the sector dropped considerably** by 35.5% QoQ to QR886.9mn from QR1.37bn.
- **The transportation sector is currently trading at a P/E multiple of 14.3x vs. a five-year median of 13.8x.**

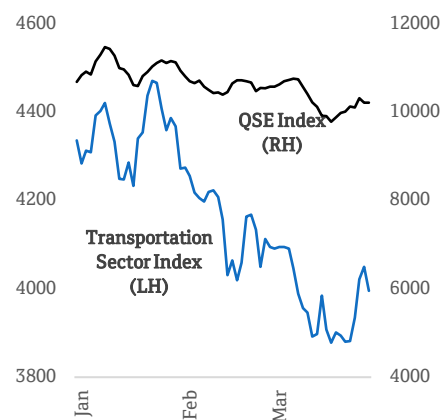
Revenue:

- **The transportation sector's 1Q2023 revenue dropped 3.8% YoY to QR2.1bn** weighed down by a significant decline in Milaha's top-line (-16.1%), which faced a lower 1Q in container shipping rates. Gulf Warehousing's revenue jumped up 17.5% driven by growth in both logistics and freight forwarding, while Nakilat's wholly-owned LNG shipping business remained stable as usual, with revenue up 0.6%.
- **Sequentially, revenue grew 1.4% in 1Q primarily due to a 6.1% increase in Milaha's revenue,** which enjoyed the usual sequential uptick in dividend income. Aggregate revenue growth was also supported by slight growth seen in GWCS (0.9%), which outweighed the drop seen by QGTS (-2.1%).

Earnings:

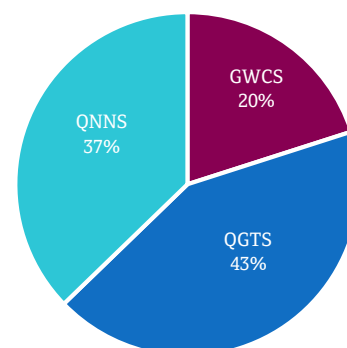
- **The sector's 1Q net profit increased 2.5% YoY** to QR820.3mn from QR800.0mn.
- **Sequentially, sectoral bottom-line surged by 54.4% in 1Q2023** since 4Q2022 reported significantly lower earnings of QR531.3mn, dragged down by impairments at Milaha and higher-than-expected dry-docking related depreciation charges at QGTS; 1Q2023 earnings also benefited from dividend income earned by Milaha.

Sector Index Performance for 1Q2023



Source: Bloomberg

1Q2023 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2022	4Q2022	1Q2023	YoY	QoQ
GWCS	Gulf Warehousing Co.	57,801	65,382	61,484	6.4%	(6.0%)
QGTS	Nakilat	381,835	303,801	395,488	3.6%	30.2%
QNNS	Qatar Navigation	360,410	162,127	363,285	0.8%	124.1%
Total		800,046	531,310	820,257	2.5%	54.4%

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

Financial Services Sector

Sector Moves Toward Recovery After Huge Losses in 4Q2022

Highlights:

- **The financial services sector shows great improvement from 4Q2022 as the sector's overall revenue and earnings expanded in 1Q2023.** Although the sector performed well sequentially, it experienced a decline in performance as compared to 1Q2022. DBIS is yet to fully recover from the provisions and impairments reported in the previous quarters while IHGS started the year on a subdued note as annualized revenue more than halved. Both lost market share YoY even as overall trading activity subsided on the Qatar Exchange.
- **The Banks & Financial Services Index dropped 2.5% (QSE Index: -4.4%) in 1Q2023.**

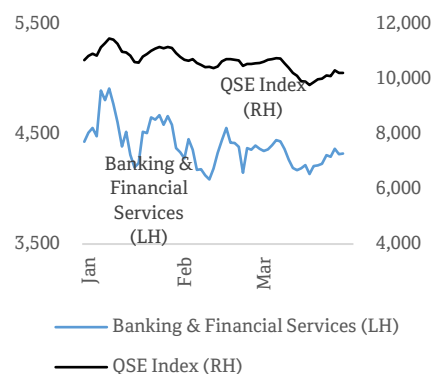
Revenue:

- **The financial services sector's revenue contracted by 23.5% YoY to QR22.1mn driven by a substantial drop from DBIS and IHGS.** DBIS reported revenue of QR3.9mn, which is a 50.5% decline from QR8.0mn seen in 1Q2022. IHGS's top-line fell by 67.0% to QR3.1mn from QR9.4mn of the same quarter last year. On the other hand, NLCS and QOIS both exhibited growth in their top-lines – NLCS up 29.2% to QR9.3mn and QOIS up 32.4% to QR5.8mn. Although two out of four companies showed an increase in their revenue, it was not enough to offset the sizeable drop seen by the other two.
- **Sequentially, revenue jumped 47.2% in 1Q2023 as NLCS, QOIS and IHGS posted growth while DBIS was the only company to register a drop.** NLCS grew its revenue by 18.6%, IHGS by 7.6% but DBIS's revenue shrunk 11.7%.

Earnings:

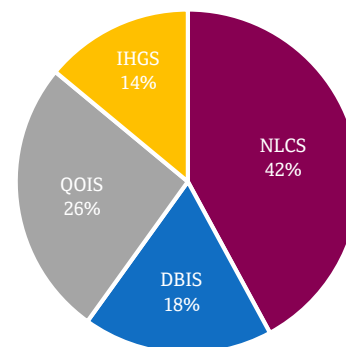
- **The sector reported a net profit of QR7.6mn in 1Q2023 vs. a net profit of QR30.9mn in 1Q2022 and a net loss of QR36.5mn in 4Q2022.** NLCS and QOIS recorded growth of 38.8% and 37.9%, respectively, because of higher revenue and lower expenses seen by both companies. However, IHGS saw its net profit shrink significantly by 79.9% as its revenue declined considerably.
- **Sequentially, sectoral bottom-line recovered from a loss as all companies displayed improvement.** IHGS saw its net profit grow by 219.5% and NLCS grew its earnings by 47.9%. Further, QOIS flipped losses to gains while DBIS shrunk its losses.

Sector Index Performance for 1Q2023



Source: Bloomberg

1Q2023 Sector Revenue Contribution



Source: QSE

Net Income

Ticker	Company	1Q2022	4Q2022	1Q2023	YoY	QoQ
NLCS	National Leasing Holding	2,950	2,768	4,095	38.8%	47.9%
DBIS	Dlala Brokerage & Investment Holding	18,282	(38,267)	(2,376)	N/M	(93.8%)
QOIS	Qatar & Oman Investment	3,301	(1,359)	4,553	37.9%	N/M
IHGS	Inma Holding	6,403	403	1,288	(79.9%)	219.5%
Total		30,936	(36,454)	7,559	(75.6%)	N/M

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

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

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