

AI-Shall Report

Coverage percentage of 'North Al-Zour Al-Oula' Co scores 127% of 550m offered shares

# Real estate market liquidity during Nov increases

Public Subscription in the "North Al-Zour Al-Oula" and "Boursa Kuwait" companies

Citizens' subscription in the shares of "North Al-Zour Al-Oula" and "Boursa Kuwait" companies ended on 01/12/2019. Coverage percentage of "North Al-Zour Al-Oula" Company scored 127% of 550 million offered shares, which is 27% higher than required. While the coverage rate of Boursa Kuwait's subscription exceeded 850%, or about 8.5 times the offered amount of 100 million shares. The vast difference between the two companies subscription coverage is mostly due to financial justifications. The low coverage rate of the "North Al-Zour Al-Oula" Company is mostly due to the expectations of its financial performance. The first justification is the comparison with similar projects in the region most of which were unsuccessful in their financial performance. The second justification is that the client of the company is one and governmental and risks of relying on only one customer in light of the overall economic and political variables are high. The third justification is that it is a new company that has no activity on the ground or even reliable performance expectations says AI-Shall Economic Report prepared by AI-Shall Consulting Co headed by Jassem Al-Saadoun.

This means that it is an investment that needs time in order to bear fruit in an environment dominated by a preference for short-term investment. Finally, the size of the project and the required financial coverage is more than 5.5 times the size required for the "Boursa" Company. On the other hand, investing in "Boursa Kuwait" Company has all the financial incentives supporting the subscription decision. The first incentive is the vast difference of 137 fils between the cost of public subscribers and the cost of the main investor who bought the stock by bidding when the Boursa was privatized. The second incentive is that the Boursa has a financial performance record showing it achieved a 12 fils profit per share in 2018. This means that the subscriber may get a return on his investment for the current year within several months. Thirdly, the company's management made great efforts to develop it before its privatization. This increased its liquidity measured by the value of its daily trading for the last part of the year to the end of November by 85.2%. In addition, confidence in it was boosted by the increase in the level of foreign investments. Increasing liquidity and the level of confidence will automatically turn to a significant increase in profits for the current year. Finally, there is a great opportunity for a high capital gain for the subscriber resulting from the likelihood that some people might buy what the citizens have at a price that bridges the gap between the subscription price and the price of the main investor. The success of the public offering is a good thing as it is a long-term repatriation of the citizens' savings. What is lacking is linking any development project with the most important concerns of

the country; i.e. linking the project and determining its success with the number of citizen's sustainable job opportunities it creates and the possibilities of expanding in providing these opportunities. In Kuwait in accordance with PACI figures as of 30/06/2019, there are about 680 thousand citizens under the age of 21, more than 400 thousand of whom will enter the labor market within 15 years during which the public budget will not be able to add them to the masked unemployment numbers. The real danger is that they may turn into unveiled unemployment. Unless the rules of measuring what is developmental by linking it with job opportunities change, avoiding that risk is not possible.

Local Real Estate Market - November 2019

The latest released data by the Ministry of Justice - Real Estate Registration and Authentications Department - (after excluding the crafts activity and the coastal strip system) indicate an increase in real estate market liquidity during November 2019 versus October 2019 liquidity. Total value of contracts and agencies traded during November scored KD 238.7 million, 6.9% higher than its counterpart value in October 2019 which was at KD 223.4 million, but lower by -19% when compared with November 2018 liquidity that totalled KD 294.6 million.

Trading during November 2019 was distributed between KD 233.4 million to contracts and about KD 5.4 million to agencies. Number of real estate deals in this month were 490 deals, of which 474 contracts and 16 agencies. The highest share in real estate deals went to Al Ahmadi Governorate by 160 deals representing about 32.7% of the total number of real estate deals. Mubarak Al Kabere Governorate came second with 120 deals representing 24.5%. While the lowest share went to Al Jahra Governorate by 33 deals, representing about 6.7% of the total. Value of private residential activity scored KD 119.6 million, rising by 6.4% compared with KD 112.4 million in October 2019. While its contribution percentage decreased slightly to 50.1% of the total real estate trading versus 50.3% in October 2019. The monthly average value for private residence trading in the last 12 months scored KD 129.8 million. This means that November trading value was lower by -7.9% than the average. The number of deals for this activity was at 363 deals versus 335 deals in October 2019. Accordingly, the average value of private residence activity deal registered at KD 330 thousand versus KD 336 thousand in October 2019, a decrease by -1.8%. Value of investment housing activity scored KD 58.5 million, lower by -47.1% from KD 110.6 million in October 2019. Its contribution to total liquidity decreased to 24.5% versus 49.5% in October 2019. Monthly trading average value of investment housing activity during the last 12 months scored KD 109.2 million. This means that trading value during November 2019 was lower by -46.5% compared with the last

12 months' average. Moreover, its deals increased to 114 deals compared with 98 deals in October 2019. Therefore, the average value per deal for investment housing scored KD 513 thousand versus KD 1.1 million in October 2019, representing a decrease by -54.5%. Commercial activity trading value increased greatly to KD 59.2 million or by 15,687.8%, compared with KD 375 thousand in October 2019. Its percentage out of total real estate trading value rose to 24.8% in November versus 0.2% in October 2019. Average value of commercial activity trading in 12 months scored about KD 58.6 million. This means that total trading value in November was higher by 1% than the last 12 months' average. However, its deals scored 12 deals compared with 8 deals for October 2019. The average value per deal for November 2019 scored KD 4.9 million versus KD 47 thousand average for October 2019, a 10,425.2% increase. When comparing total November 2019 trading with November 2018, we note that real estate markets liquidity decreased from KD 294.6 million to KD 238.7 million, a -19% decline as mentioned previously. The decline included the investment housing activity by -67.5%, while the commercial activity rose by 497.3% and the private residence by 14.4% compared to their levels in November 2018. If we compare total real estate trading value since the beginning of the current year until November 2019 with its 2018 counterpart, we note a drop in total real estate market liquidity from KD 3.110 billion to KD 3.062 billion, a -1.5% decline. If we assume that market liquidity will continue at the same level for the remainder of the year (1 month), market trading value would amount to KD 3.340 billion, which is KD 291.2 million lower than the total for last year, representing a -8% decline below 2018 level which scored KD 3.631 billion.

Trading Features at Boursa Kuwait - November 2019

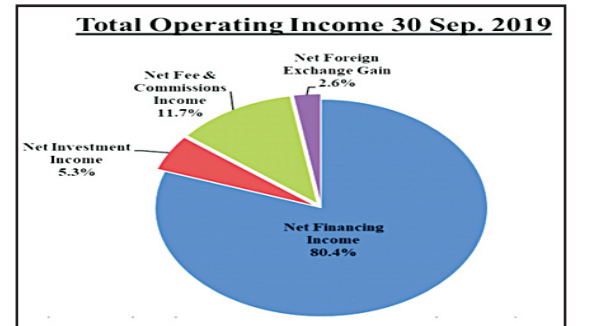
Kuwait Clearing Company issued its report regarding "Trading Volume according to Nationality and Category" for the period from 01/01/2019 to 30/11/2019 which is published on the official website of Boursa Kuwait. The report indicated that individual still form the largest trading group and their contribution is rising in terms of selling and purchasing shares. They acquired 44.5% of total value of sold shares (37.4% for the first 11 months of 2018) and 40.6% of total value of purchased shares (36.7% for the first 11 months of 2018). Individual investors sold shares in the amount of KD 3.229 billion and purchased shares in the amount of KD 2.951 billion with a net trading of most selling by KD 278.565 million. The second large contributor to market liquidity is the institutions and companies sector and their purchases declined alongside their sold shares. It acquired 30% of total value of purchased shares (34.1% for the same period of 2018) and 22.1% of total value of sold shares (27.4% for the same period of 2018). The sector purchased shares worth KD 2.182 billion and sold shares worth KD 1.606 billion, becoming the only sector with net trading of buying by KD 576.232 million. The third contributor is the clients' accounts (portfolios) and their contribution is rising, which captured 26.4% of total value of sold shares (23.5% for the same period of 2018) and 23.1% of total value of purchased shares (20.9% for the same period of 2018). This sector sold shares worth KD 1.914 billion and purchased shares worth KD 1.679 billion, with a net trading balance of sold shares by KD 234.997 million. The last contributor to liquidity is the investment funds sector and their contribution is declining, which acquired 7.1% of total value of sold shares (11.7% for the same period of 2018) and 6.2% of total value of purchased shares (8.3% for the same period of 2018). The sector sold shares worth KD 514.642 million and purchased shares worth KD 451.972 million, with a net trading of selling by KD 62.670 million. Boursa Kuwait still continues to be a local Boursa with Kuwaiti traders forming the largest trading group. They sold shares worth KD 6.114 billion capturing 84.2% of total sold shares (81.2% for the same period of 2018), and purchased shares worth KD 5.599 billion acquiring 77.1% of total value of purchased shares (75.6% for the same period of 2018). As such, their net trading balance was - most selling - by KD 515.550 million. Percentage share of other foreign investors, out of the total purchased stocks value scored 18.2% (19.1% for the same period of 2018). Purchasing stocks worth KD 1.325 billion and sold shares worth KD 787.262 million, 10.8% of total sold shares (12.9% for the same period of 2018); thus their net trading value was - the only purchasing - by KD 537.615 million. This means that the other foreign investors' confidence in the local Boursa is higher and increasing. GCC Investors' share out of total value of sold shares scored 5% (5.8% for the same period of 2018) worth KD 362.454 million, while value of their purchased shares scored 4.7% (5.3% in the same period of 2018), worth KD 340.389 million. Their net trading was selling by KD 22.065 million. Relative distribution among nationalities changed from its predecessor and was at 80.6% for Kuwaitis, 14.5% for traders from other nationalities and 4.8% for GCC traders, compared with 78.4%, 16% and 5.6% for Kuwaitis, other nationalities and GCC traders respectively, for the same period in 2018. This means Boursa Kuwait remained local with the major share for the local investors and their share is increasing. Still, turnout from traders from outside the GCC region than their GCC counterparts, and the

majority of the trading is still for individuals. Number of active accounts between the end of December 2018 and the end of November 2019 rose by 14.6%, compared with a decline of -23.4% between end of December 2017 and end of November 2018. Number of active trading accounts in the end of November 2019 was at 16,689 or 4.2% of total accounts, compared to 16,022 accounts in the end of October 2019, i.e. 4.1% of total accounts for the same month, a rise by 4.2% during November 2019.

Boubyan Bank Financial Results - 30 September 2019

Boubyan Bank announced results of its operations for the first 9 months of the current year 2019 which indicate that the bank's net profits (after tax deductions) were at KD 45.25 million, a rise by KD 4.84 million or by 12% compared with KD 40.41 million for the same period of 2018. The rise in net profits is attributed to the absolute rise in total operating income by a higher value than the rise in total operating expenses, accompanied by the decrease in total provisions by KD 3.23 million or by 15.3%. Therefore, the bank's operating profit (prior to provisions deductions) increased by KD 1.82 million or by 2.9%, reaching KD 65.22 million versus KD 63.40 million during the same period of last year.

In details, total operating income of the bank increased by KD 4.46 million or by 4.2%, and scored about KD 109.39 million versus KD 104.93 million for the same period of 2018. This resulted from the rise in all items of the operating income, except for the item of net financing income that decreased by KD 2.76 million, reaching KD 87.99 million compared to KD 90.66 million. Total operating expenses increased by a lesser value than the rise in total operating incomes, i.e. by KD 2.64 million or by 6.3%, to KD 44.17 million compared with KD 41.53 million in same period of 2018. The rise included items of staff costs and depreciation by a total of KD 4.40 million, while general & administrative expenses item decreased by KD 1.76 million. Percentage of total operating expenses to total operating income scored 40.4% versus 39.6%. Provision for impairment dropped by KD 3.23 million or by 15.3% as mentioned previously, to reach KD 17.92 million versus KD 21.15 million. The net profit margin scored 41.4% against 38.5% in same period of 2018. The bank's financial statements indicate that total assets increased by KD 688.2 million or by 15.8%, and scored KD 5.033 billion compared with KD 4.345 billion in the end of 2018. Total assets increased by KD 779.8 million or by 18.3%, when compared with the same period of 2018 when total assets scored KD 4.253 billion. Item of Islamic financing to customers increased by KD 374.9 million or by 11.5%, and scored KD 3.637 billion (72.3% of total assets) compared with KD 3.262 billion (75.1% of total assets) in the end of 2018. It increased by 13.9% or by KD 444.2 million, if compared with KD 3.193 billion in the same period of 2018



(75.1% of total assets). Percentage of Islamic financing to clients to total deposits and other balances scored 84.2% versus 85.5%. Also, item of cash & balances with banks increased by KD 127.8 or by 152.5%, scoring KD 211.6 million (4.2% of total assets) versus KD 83.8 million (1.9% of total assets) in the end of 2018. It also increased by KD 135 million or by 176.4%, when it scored KD 76.6 million (1.8% of total assets) in the same period of last year. Figures indicate that the Bank's liabilities (excluding total equity) increased by KD 529.1 million or by 13.7% and scored KD 4.388 billion compared with KD 3.859 billion in the end of 2018. If we compare total liabilities with the same period of 2018, it would have increased by KD 608.6 million or by 16.1%, when total liabilities scored KD 3.779 billion. Percentage of total liabilities to total assets scored about 87.2% versus 88.9%. Results of analyzing financial statements calculated on annual basis, indicate that the profitability ratios of the bank showed mixed performances compared with the same period 2018. The average return on shareholders' equity (ROE) dropped to 12.4% versus 13.9%. Likewise, the average return on capital (ROC) decreased to 22.9% versus 23.1%. The average return on assets (ROA) slightly decreased to 1.29% versus 1.31%. Earnings per share (EPS) rose to 15.25 Fils against 14.20 Fils. (P/E) scored 27.2 times compared with 29.7 times (improved), as a result of the EPS increasing by 7.4% above its level on 30 September 2018, against a decrease in the market share price by 1.4% below its price on 30 September 2018. (P/B) scored 2.5 times versus 2.8 times.

The Weekly Performance of Boursa Kuwait

The performance of Boursa Kuwait for last week was mixed, where the traded value, traded volume, number of transactions showed a decrease while the general index (AI-Shall Index) increased. AI-Shall Index (value weighted) closed at 540.8 points as of last Thursday, showing an increase by 10 points or by 1.9% compared with its level last week. While it remained higher by 111.8 points or by 26.1% compared with the end of 2018.

The following tables summarize last week's performance of Boursa Kuwait

Description	Week 50 12/12/2019	Week 49 05/12/2019	Diff %
Working days	5	5	
AI-Shall Index (33 Companies)	540.8	530.8	1.9%
Boursa All Share Market Index	6,115.3	6,038.4	1.3%
Value Trade (KD)	168,557,080	204,071,698	
Daily average (KD)	33,711,412	40,814,340	17.4%
Volume Trade (Shares)	862,485,248	1,138,918,206	
Daily average (Shares)	172,493,050	227,783,641	-24.3%
Transactions	38,395	42,225	
Daily average (Transactions)	7,679	8,445	-8.1%

Description	Value Traded KD	% of Total Market
Companies		
Kuwait Finance House	33,698,367	20.0%
National Bank of Kuwait	19,169,414	11.4%
Ahl United Bank (B.S.C.)	17,652,455	10.5%
Zain Company	15,527,833	9.2%
Warba Bank	7,443,050	4.4%
Total	93,491,120	55.5%

Description	Value Traded KD	% of Total Market
Sectors		
Banks Sector	100,711,889	59.7%
Financial Services Sector	20,938,125	12.4%
Telecommunications Sector	15,790,572	9.2%
Industrials Sector	9,230,975	5.5%
Real Estate Sector	15,672,041	9.3%

AI Shall Index	Week 50 12/12/2019	Week 49 05/12/2019
Increased Value (# of Companies)	17	23
Decreased Value (# of Companies)	14	6
Unchanged Value (# of Companies)	2	4
Total Companies	33	33

AI-Shall Index		From Dec 05 to Dec 12, 2019	
Company Name	Thu 12/12/2019	Thu 05/12/2019	Diff %
1. National Bank of Kuwait	694.7	673.7	3.1
2. Gulf Bank	234.9	224.4	4.7
3. Commercial Bank of Kuwait	548.0	528.4	3.7
4. Al-Ahli Bank of Kuwait	169.6	175.5	(3.4)
5. Kuwait International Bank	301.3	299.1	0.7
6. Ahl United Bank	348.1	344.9	0.9
7. Burgan Bank	332.5	335.8	(1.0)
8. Kuwait Finance Bank	2,433.4	2,358.5	3.2
Banking Sector	657.2	640.1	2.7
9. Commercial Facilities Co.	153.7	151.6	1.4
10. International Financial Advisors	160.3	166.3	(3.6)
11. National Investments Co.	163.6	161.1	1.6
12. Kuwait Projects Co. (Holding)	571.3	576.5	(0.9)
13. Coast Investment & Development Co.	50.6	47.8	5.9
Investment Sector	220.4	220.1	0.1
14. Kuwait Insurance Co.	67.3	76.1	##
15. Gulf Insurance Co.	342.7	350.7	(2.3)
16. Al-Ahleia Insurance Co.	161.5	161.1	0.2
17. Warba Insurance Co.	52.4	49.2	6.5
Insurance Sector	136.4	141.9	(3.9)
18. Kuwait Real Estate Company	179.9	176.1	2.2
19. United Realty Company	123.0	125.0	(1.6)
20. National Real Estate Company	245.6	242.5	1.3
21. Sahihna Real Estate Company	1,619.2	1,590.9	1.8
Real Estate Sector	213.8	211.1	1.3
22. The National Industries	216.2	209.1	3.4
23. Refrigeration Industries Co	360.3	366.3	(1.6)
24. Gulf Cable & Electrical Industries	189.8	191.4	(0.8)
Industrial Sector	188.4	186.5	1.0
25. Kuwait National Cinemas	517.9	517.9	0.0
26. The Public Warehousing Co	3,982.8	3,977.7	0.1
27. Mobile Telecom Co (Zain)	1,065.6	1,078.1	(1.2)
28. Safat Energy Co	20.4	23.7	##
Services Sector	1,389.8	1,376.1	(0.9)
29. Lavestock Transport & Trading Co	152.5	145.8	4.6
30. Danah Alsfad Foodstuff Company	14.6	14.9	(2.0)
Food Sector	452.2	450.6	0.4
31. Sharjah Cement Co	216.6	216.0	0.0
32. Gulf Cement Co	229.8	233.1	(1.4)
33. Umm Al-Qaiwain Cement Industries	581.3	632.8	(8.1)
Non Kuwaiti Companies	193.0	196.2	(1.6)
General Index	540.8	530.8	1.9

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