

July 2010

# GCC Equity Research Statistics

## Equity Coverage from April – June 2010

### Research Highlights:

Review of broker coverage statistics in 2Q10

2Q10 witnessed 270 research notes on 110 companies by 27 brokers. The coverage represents 16% coverage in terms of number of companies and 68% in terms of market cap. Saudi Arabia topped the list both in terms of research notes (43%) and number of companies (38%). Out of the total 270 research notes published during the period, the majority (145) were "Buy" calls, followed by 97 "Hold", and 28 "Sell" recommendations indicating renewed optimism following the depressed valuations seen in May/June.

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### Number of Research notes by country and type of recommendation

Country	Buy	Sell	Hold	Total
Saudi Arabia	53	14	50	117
UAE	52	6	21	79
Qatar	19	0	6	25
Oman	14	4	8	26
Kuwait	4	3	10	17
Bahrain	3	1	2	6
<b>TOTAL</b>	<b>145</b>	<b>28</b>	<b>97</b>	<b>270</b>

Source: Reuters 3000Xtra, Zawya Investor

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In terms of market capitalization, the companies covered in the period accounted for 68% of the total market capitalization of the GCC. Saudi researched companies accounted for 85% of the local market capitalization followed by Oman at 66%. However, Bahrain had the lowest coverage at 38%.

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Qatar had the maximum proportion (76%) of research notes with "Buy" ratings and no "Sell" calls. This was followed by the UAE with (66%). The proportion of Buy ratings in Saudi Arabia fell to 45% during the period compared to 58% in the previous quarter. In Kuwait, 18% of research notes were rated as "Sell" while 59% were "Hold" calls, highlighting the lingering uncertainty and caution among investors towards the local market.

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Top picks for the period included Etihad Etisalat Co, Savola Group and Abu Dhabi Commercial Bank with the highest coverage of 7 research notes each, followed by Saudi Telecom Co, National Bank of Abu Dhabi (with 6 notes each). Furthermore, all of Etihad Etisalat Co.'s research notes advocated a "Buy" recommendation. Air Arabia, First Gulf Bank and National Bank of Abu Dhabi each had 5 "Buy" recommendations as well.

Sector-wise, banking had the highest number of research notes (90 notes with 48 "Buy", 8 "Sell" and 34 "Hold" recommendations) followed by Chemicals and Integrated Telecommunication Services with 20 notes each. The majority of "Sell" recommendations were in the banking industry, reflecting the high level of uncertainty in the sector.

## Equity Research Coverage

Coverage of GCC countries declined as the quarter wound to a close; from 68 GCC firms covered in April 2010 to 53 in the last month of the quarter (Table 1). In terms of number of companies, the GCC coverage was at 16% in Q2 while market cap coverage was at 68%.

Kuwait continues to be one of the most under-researched countries in proportion to its size with only 3 companies covered in April and June; additionally, the companies which were covered in Q2 represent less than half of the country's market cap.

**Table 1: Summary of Research Coverage across GCC**

Country Summary	Number of Companies Covered			Aggregate Market Cap (USD Bn) of companies covered April – June 2010	Total Market Cap (USD Bn)
	Apr	May	June		
Saudi Arabia	30	22	25	270	318
UAE	21	17	10	74	125
Kuwait	3	7	3	47	105
Qatar	7	6	6	58	100
Oman	6	10	6	11	17
Bahrain	1	2	3	8	20
<b>Total</b>	<b>68</b>	<b>64</b>	<b>53</b>	<b>469</b>	<b>685</b>

Source: Reuters 3000Xtra, Zawya Investor

Coverage of GCC countries declined as the quarter wound down; from 68 GCC firms covered in April 2010 to 53 in the last month of the quarter

The most researched country, both in terms of number of companies and market cap, was Saudi Arabia at 30% and 85%, respectively (Table 2). This was followed by Qatar, despite it being the fourth GCC market in terms of size, 24% of total companies were covered in the quarter, representing almost 60% of market cap.

**Table 2: Research coverage as a % of total listed companies and aggregate market cap**

Country	Number of Companies Covered (%)	Market Cap Contribution (%) Apr-June-10
Saudi Arabia	30	85
Qatar	24	58
UAE	23	59
Bahrain	13	38
Oman	9	66
Kuwait	7	45
<b>Total</b>	<b>16</b>	<b>68</b>

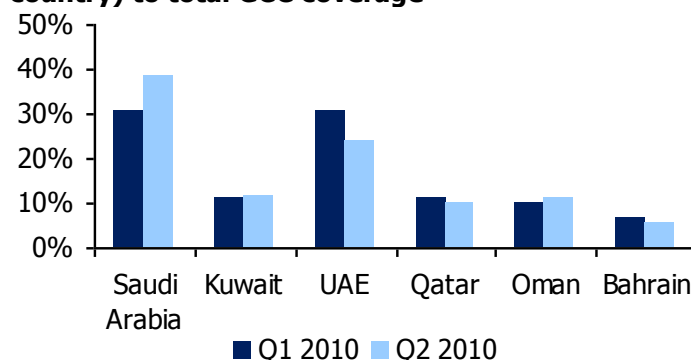
Source: Reuters 3000Xtra, Zawya Investor

The most researched country, both in terms of number of companies and market cap, was Saudi Arabia

## Quarter-by-quarter coverage

The number of research notes on Saudi firms (as a % of total GCC coverage) increased from 30% in Q1 to 38% in Q2, while the same for the UAE decreased from 30% to 24% in the same period. The rest of the GCC countries saw negligible changes to the proportion of coverage.

**Figure 1: Proportion of number of companies researched (by country) to total GCC coverage**



Source: Reuters 3000Xtra, Zawya Investor

Over half (54%) of broker researches in 2Q10 pushed a "Buy" recommendation while only 10% advocated a "Sell" call

### Buy, Sell, or Hold?

Over half (54%) of broker researches in 2Q10 pushed a "Buy" recommendation while only 10% advocated a "Sell" call, this could be due to the poor market performance seen in May and June which pushed down prices, making them more attractive.

The highest proportion of "Buy" recommendations was in Qatar at 76% (Table 3) with the remaining composed of "Hold" calls. No "Sell" recommendations were given during the quarter as Qatar continues to have one of the most positive economic and corporate environments. The second highest was in the UAE with 66% of calls being for Buying indicating renewed optimistic sentiment in the Emirates despite continued debt issues.

The highest proportion of "Sell" calls was given in Kuwait at 18% while the majority (59%) was "Hold" recommendations indicating heightened caution in the market amid continued economic and corporate uncertainty.

The number of "Buy" calls for Saudi companies increased from 40 in Q1 to 53 in Q2

**Table 3: Proportion of type of recommendation as a percentage of total number of research notes (%)**

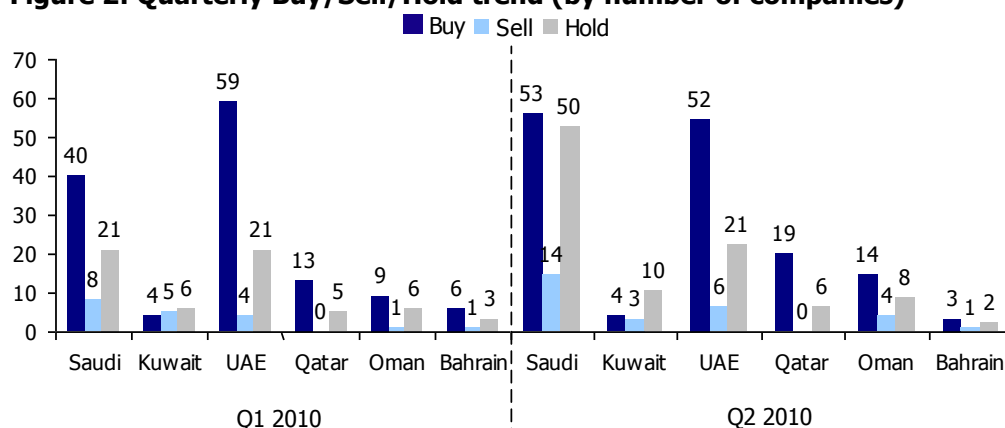
Country	Buy	Sell	Hold
Saudi Arabia	45	12	43
UAE	66	8	27
Qatar	76	0	24
Oman	54	15	31
Kuwait	24	18	59
Bahrain	50	17	33
<b>TOTAL</b>	<b>54</b>	<b>10</b>	<b>36</b>

Source: Reuters 3000Xtra, Zawya Investor

### Quarter-by-quarter

The number of "Buy" calls for Saudi companies increased from 40 in Q1 to 53 in Q2 while the number of "Hold" calls jumped from 21 to 50 in the same period (Figure 2). Qatar companies have had no "Sell" recommendations in the last two quarters.

**Figure 2: Quarterly Buy/Sell/Hold trend (by number of companies)**



Source: Reuters 3000Xtra, Zawya Investor

The most researched notes were in the banking sector with 90 notes, 48 of which were "Buy" calls while 34 were "Hold"

### Sector-wise Recommendations

The most researched notes were in the banking sector with 90 notes, 48 of which were "Buy" calls while 34 were "Hold". The Chemicals and Telecom sectors followed with 20 notes each. The majority of "Sell" recommendations were in the banking industry, reflecting the high level of uncertainty in the sector. Telecoms (both integrated and wireless) had a combined 23 "Buy" recommendations with only 3 "Sell" calls.

**Table 4: Sector-Wise number of Research Notes by Recommendation**

Industry	Buy	Sell	Hold	Total
Diversified Banks	48	8	34	90
Commodity Chemicals	10	4	6	20
Integrated Telecommunication Services	14	1	5	20
Wireless Telecommunication Services	9	2	7	18
Construction Materials	5	2	10	17
Packaged Foods & Meats	6	0	7	13
Construction & Engineering	6	2	4	12
Diversified Real Estate Activities	2	4	5	11
Industrial Conglomerates	7	0	1	8
Electric Utilities	3	0	3	6
Fertilizers & Agricultural Chemicals	0	2	4	6
Airlines	5	0	0	5
Oil & Gas Storage & Transportation	4	0	1	5
Integrated Oil & Gas	4	0	0	4
Real Estate Development	3	0	1	4
Specialized Finance	0	1	2	3
Steel	3	0	0	3
Apparel Retail	1	0	1	2
Others	15	2	6	23
<b>Total</b>	<b>145</b>	<b>28</b>	<b>97</b>	<b>270</b>

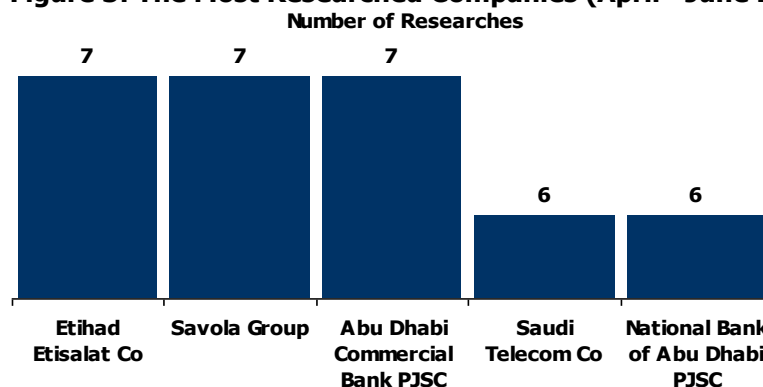
Source: Reuters 3000Xtra, Zawya Investor

### The Top Picks

The most researched companies for the quarter were Saudi and UAE based with two telecoms and two banks represented

The most researched companies for the quarter were Saudi and UAE based with two telecoms and two banks represented. Etihad Etisalat, Savola, and ADCB topped the list with 7 researches each followed by Saudi Telecom and NBAD with 6 each. Etihad Etisalat and NBAD were also favored as "Buy" recommendations (Figure 3).

**Figure 3: The Most Researched Companies (April –June 2010)**



Source: Reuters 3000Xtra, Zawya Investor

All of the researches on Etihad Etisalat gave a "Buy" call while 5 out of NBAD's 6 reports gave the bank a "Buy" recommendation. Other top buy picks were Air Arabia and First Gulf Bank (5 each) and Industries Qatar (4).

**Figure 4: Companies with most "Buy" calls (April –June 2010)**



Source: Reuters 3000Xtra, Zawya Investor

All of the researches on Etihad Etisalat gave a "Buy" call

### Best "Buys" and Worst "Buys"

Some of the "Buy" calls made during the quarter were right on the money while other calls wound up losing during the period. The top 4 "Buy" calls were on Saudi companies led by Abdullah Al Othaim Markets Co., which had 2 buy recommendations (Table 5) during the period and saw a 21% return for the period. Qatar Telecom, the only non-Saudi firm in the list, had 4 "Buy" calls and gained 9% during the period.

**Table 5: Top Buy Recommendations (2Q10)**

Name of company	Number of buy recommendations	Gain since the first recommendation (%)	Date of First Recommendation
Abdullah Al Othaim Markets Co	2	21.18	21-Apr-10
Saudi International Petrochemical Co	4	11.5	25-May-10
Jarir Marketing Company	2	9.62	07-Apr-10
Saudi Electricity Co.	3	9.58	07-Jun-10
Qatar Telecom QSC	4	9.37	01-Jun-10

Source: Reuters 3000Xtra, Zawya Investor

First Gulf Bank received 5 "Buy" recommendations and saw its stock price decline 24% for the period

The worst "Buy" call was on Kipco, which lost 27% in the period; First Gulf Bank received 5 "Buy" recommendations and saw its stock price decline 24% for the period.

**Table 6: Worst Buy Recommendations (2Q10)**

Name of company	Number of buy recommendations	Loss since the first recommendation (%)	Date of First Recommendation
Kuwait Projects Company Holdings KSCC	1	-27.06	23-Apr-10
Sorouh Real Estate PJSC	1	-26.14	08-Apr-10
First Gulf Bank PJSC	5	-24.41	21-Apr-10
National Industrialization Co. (TASNEE)	3	-23.95	01-May-10
DP World Limited	1	-21.88	14-Apr-10

Source: Reuters 3000Xtra, Zawya Investor

Given the losses sustained in the previous period, the 5 worst "Buy" calls (Table 6) offer up high potential for return in the coming period. The top 3 worst "Buy" recommendations have the potential for over 100% returns should they hit their target prices (Table 7).

**Table 7: Top 15 Stocks with highest return potential**

Name of company	Number of buy recommendations	% Potential to achieve highest target price	Date of First Recommendation
Sorouh Real Estate PJSC	1	137	08-Apr-10
Dana Gas PJSC	4	132	13-May-10
Kuwait Projects Company Holding KSCC	1	131	23-Apr-10
First Gulf Bank PJSC	5	129	21-Apr-10
Emirates NBD PJSC	2	112	17-May-10
Emirates Integrated Telecommunications Co PJSC	3	93	20-Apr-10
Aldar Properties Company	1	88	03-Jun-10
Emaar Properties PJSC	2	75	08-Apr-10
Emirates Telecommunications Corporation	3	74	20-Apr-10
National Industrialization Co. (TASNEE)	3	69	20-Apr-10
National Petrochemical Co Petrochem	1	68	07-Apr-10
Saudi Telecom Co	3	68	20-Apr-10
Qatar Gas Transport Company Limited (Nakilat) QSC	2	67	03-May-10
DP World Limited	1	67	14-Apr-10
Doha Bank QSC	2	65	20-Apr-10

Source: Reuters 3000Xtra, Zawya Investor

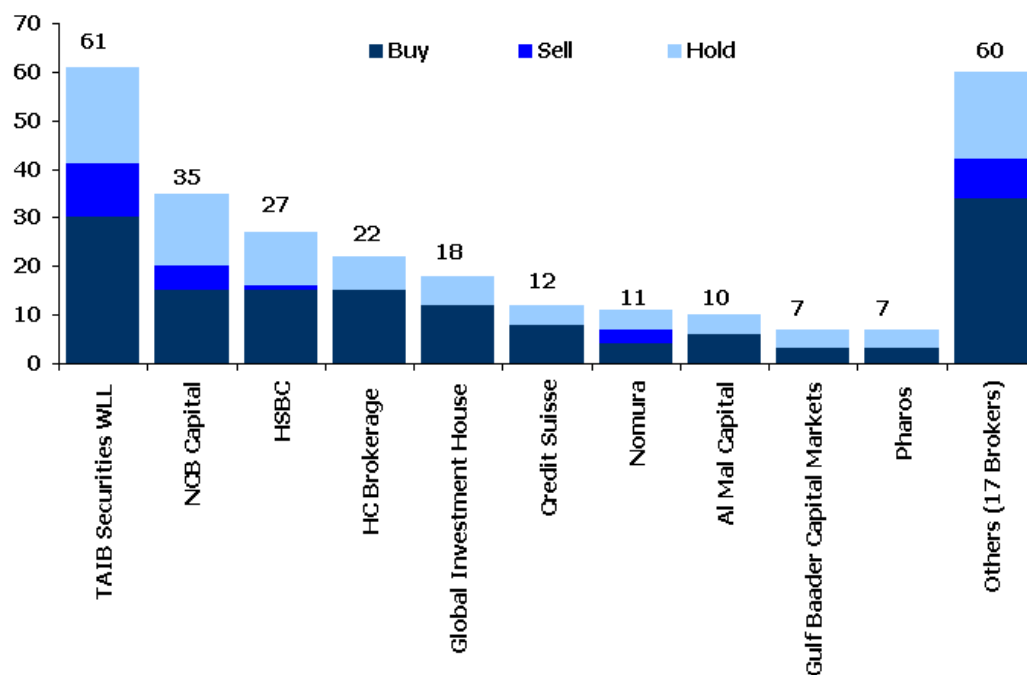
The top 3 worst "Buy" recommendations have the potential for over 100% returns

### What the Brokers said

The most notes were from  
Taib Securities

The most notes were from Taib Securities with 61 researches, 30 were "Buy" calls while 20 were "Hold". NCB Capital followed with 35 notes, with "Buy" and "Hold" calls numbering 15 each.

**Figure 5: Number of Notes per Broker (April-June 2010)**



Source: Reuters 3000Xtra, Zawya Investor

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- Makkah Construction (Apr-10)
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- Qatar Telecom (Jun-09)
- Industries Qatar (Apr-09)
- Qatar National Bank (Feb-09)
- United Development Co. (Feb-09)
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Saudi Arabia	60%	64%	78%
Kuwait	73%	80%	51%
Qatar	92%	90%	95%
UAE	79%	25%	58%
Bahrain	58%	74%	23%
Oman	63%	100%	50%
Egypt	60%	85%	40%
Jordan	39%	0%	32%
Morocco	50%	70%	24%
<b>MENA</b>	<b>78%</b>	<b>91%</b>	<b>62%</b>