

Kuwait Financial Centre K.P.S.C. "Markaz"
(Boursa Kuwait: MARKAZ)

Earnings Presentation

9M 2020



Asset Management | Investment Banking

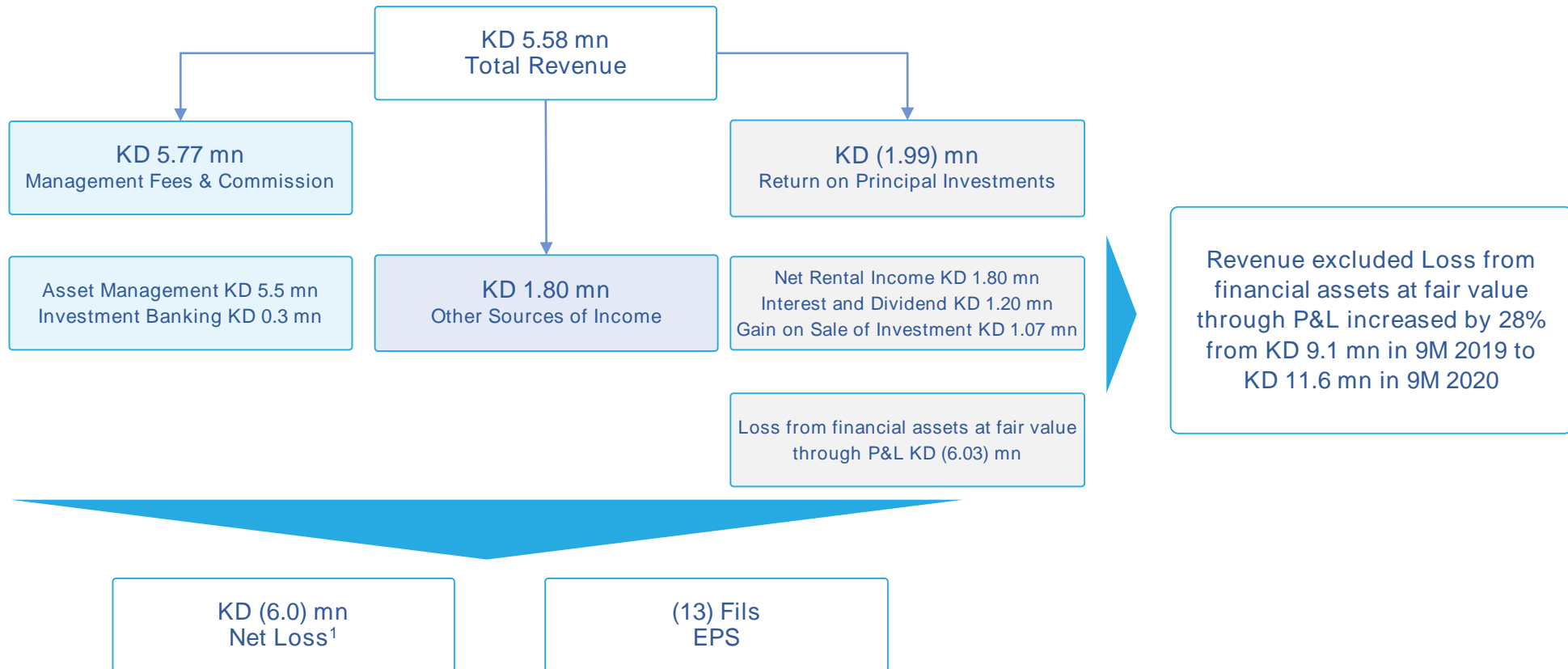
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9M 2020 Performance Highlights

Markaz Assets Under Management of KD 1.03 billion

Profit and Loss Highlights



9M 2020 Performance Highlights

Markaz announces the reduction of net loss to KD 6.02 for the first 9M of 2020, after achieving net profit of KD 4 million for Q3 ending September 30, 2020,

Markaz reported its financial performance for the nine months of 2020, with a net profit of KD 4 million for the third quarter ending September 30, 2020, reducing the net loss attributable to shareholders of Markaz to KD (6.02) million for 9M 2020. The decline is primarily attributable to a non-cash loss from fair value of financial assets through profit & loss of KD (5.22) million as compared to gain of KD 3.99 million in 9M 2019.

Economic activity started to recover in the third quarter after facing a major setback in the first half of the year due to the ongoing pandemic. However, this initial stage of recovery is slow paced as the GCC economy continues to experience other pressures in the form of subdued oil prices and overall business sentiment. Amidst these challenges, Markaz's business has been uninterrupted, ensuring its clients' objectives are being achieved, while focusing on protecting the health and safety of its employees.

Markaz reported Asset Management fees of KD 5.45 million in 9M 2020, a marginal decline of 1.6% y-o-y, however in Q3 2020 Asset Management fees were KD 2.2 million, a sharp growth of 68% compared to our previous quarter. Investment Banking fees for the nine months were KD 0.32 million, a decline of 31% y-o-y.

Revenues were supported by a step up in Net Rental Income by 124% y-o-y, contributing KD 1.80 million. This was driven by the completion of rental properties launched last year in the UAE and KSA. Loss from financial assets at a fair value reached KD (6.03) million out of which KD (0.81) were actual realized. Markaz recognized an impairment of properties of KD (3.12) million due to the current weak regional real estate market. Markaz AUM at the end of the period closed at KD 1.03 billion down by 5.7% compared to 9M 2019.

Markaz Overview

A leading financial institution in the region delivering consistent shareholder returns



Leading market position

As one of the region's leading asset management and investment banking firms, Markaz offers custom investment solutions with exceptional track record



Sustainable long-term shareholder returns

Generates sustainable long-term returns driven by robust operations and consistent dividend payouts



Building a sustainable economy in Kuwait

Endeavors to actively participate in community service and contribute to building a sustainable economy in Kuwait



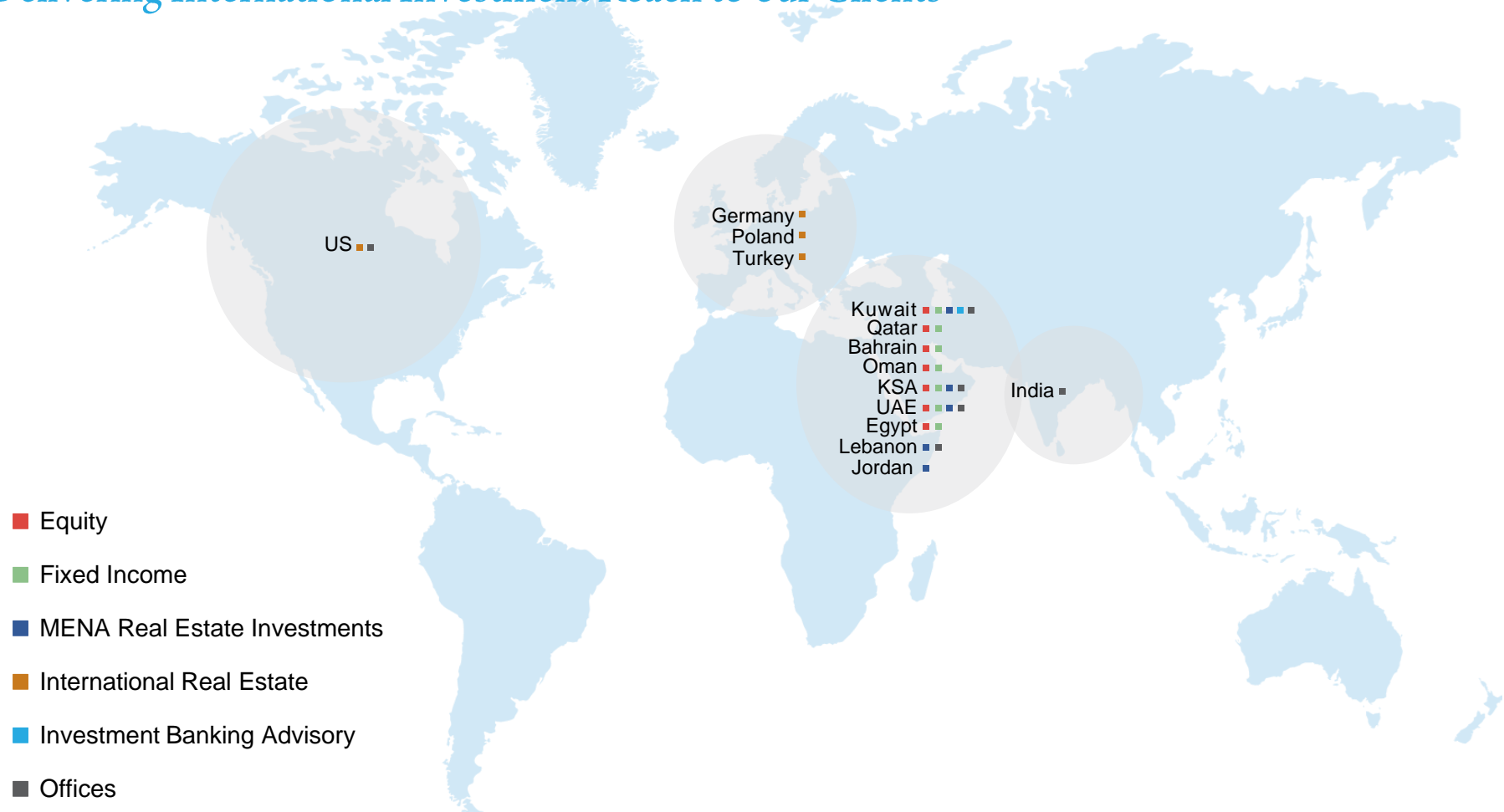
Our Team, the cornerstone of our success

A team of 190 employees spread over offices across Middle East, US and India

- Established in 1974 and listed on Boursa Kuwait in 1997, is an asset management and investment banking institution
- Consistently outperformed the relevant benchmarks on its equity funds and managed portfolios
- Real estate investments across MENA and International, with a key focus on income generating assets
- Efficiently delivering MENA focused research reports, and consulting through its research subsidiary – Marmore
- Multi award-winning investment banking service consisting of dedicated and experienced professionals

Markaz Overview (cont'd)

Delivering International Investment Reach to our Clients



Markaz Overview (cont'd)

One of the most recognized and well awarded brands across the MENA region



Best Asset Manager
in Kuwait

By: EMEA Finance



Best Investment Bank in
Kuwait

By: Global Finance



Research Provider of the
Year

By: Euromoney Awards



Most Innovative Financial
Institution in the
Middle East

By: EMEA Finance



Best Investment Bank

By: Euromoney Awards



Best Equity Fund in Kuwait
"Midaf"

By: MENA Fund Manager Awards



Best Islamic Fund

By: Zawya Awards



Most Innovative
Investment Bank

By: Global Finance



Kuwait Asset Manager
Markaz



Note –

** denotes awards won in 2020

* denotes awards won in 2019

Business Highlights

Total AUM of KD 1.03 billion, a decrease of 5.7% from Sep 2019



Asset Management

GCC Equity Funds, Fixed Income Fund, Others
Total AUM of KD 725.6 million

- Asset management continues to implement Markaz's long term bottom up investment approach along with active liquidity management
- GCC Equities AUM of **KD 515.9 million**
- Markaz Islamic Fund, MIDAF, MUMTAZ and FORSA recorded positive returns in Q3 2020. However, returns remain negative on a year to date basis in line with equity market. MIDAF and MUMTAZ both outperformed their respective benchmark indices
- Markaz continues to offer its clients access to the GCC fixed income market through the Markaz Fixed Income Fund (Private Placement)

MIDAF - MUMTAZ - Forsa Financial – Markaz Arabian Fund – Markaz Islamic Fund - Markaz Fixed Income - Private Portfolios - Oil & Gas / PE



Real Estate Investments

Middle East and North Africa, International
Total AUM of KD 52.8 million

MENA Real Estate – AUM of KD 306.5 million

- Managing part of the National Real Estate Portfolio with a value up to KD 250 million
- Strong operational performance across the income generating portfolio despite the market conditions
- Markaz Real Estate fund with AUM of KD 69.7 million across 18 properties
- Continued difficult market conditions across the GCC impacting transaction volumes and values

National Real Estate Portfolio – Real Estate Fund

International Real Estate – AUM of KD 52.8 million

- 6 ongoing US based projects managed through the Mar-Gulf subsidiary
- 2 Europe based projects in Poland and Germany
- Expected to have several successful exits in the second half of 2020 driven by the strong demand for industrial assets post Covid-19
- Assessing several projects across the US and Europe with a strong focus on the industrial sector

Business Highlights (cont'd)

Adding significant value to clients through high quality advisory services and research



Investment Banking

M&A, Advisory, Equity & Debt Capital Markets, IPOs and restructuring

- GCC IPO and M&A activity remained expectedly subdued due to the Covid-19 pandemic
- Markaz successfully executed a 5 year KD 30 million bond issuance for the National Industries Group Holdings Company
- Currently working as part of a consortium to submit a bid for a PPP project released by the Kuwait Authority for Partnership Projects (KAPP)
- Investment banking team continues to closely work with our corporate clients and is building a strong deal pipeline for the coming quarters



Research

Mena focused Research, Consulting Services

- Publishes MENA focused research reports and bespoke consulting services for over a decade
- Operates through Marmore, a subsidiary of Markaz
- Established in 2010, with offices in India and Kuwait
- Marmore has partnered with several thought leaders and leading policy research institutions to generate Economic & Policy Research studies
- In 2019, Marmore published over 60 reports on its research web portal and executed 27 bespoke engagements with entities across the GCC region

Research Themes: Capital Markets, Industry, Policy, Economic, Infrastructure, Regulatory, Periodic Consulting Services

Financials Trend

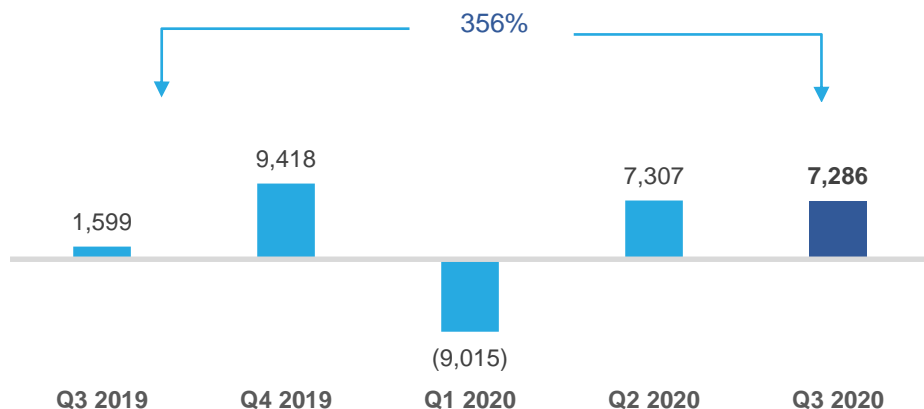
Nine months of 2020 Revenues growth on y-o-y basis

- Nine months of 2020 Total Revenue declined primarily due to the Covid-19 pandemic and its impact on the business and on the fair value of investments
- Management Fees & Commissions have declined by 3.9% on y-o-y basis, however in Q3 2020 registered a strong recovery of 12.7% on q-o-q basis
- Income from Principal Investments declined primarily due to loss arising from financial assets at fair value through P&L of KD (6.0) mn. However, net rental income increased by 124% to KD 1.8 mn

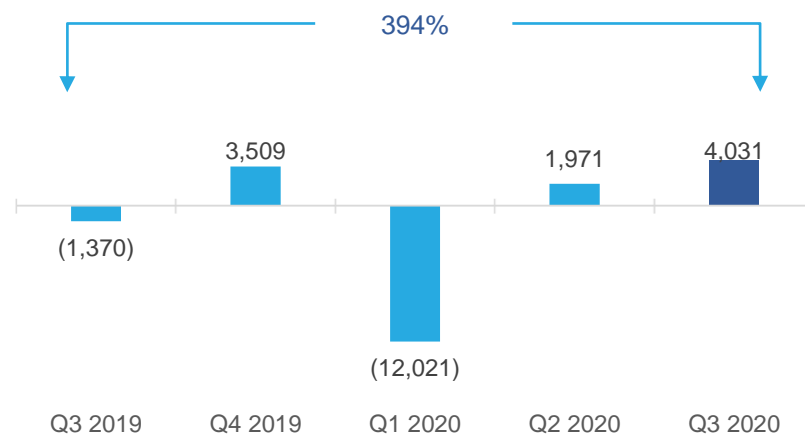
Net Profit (KD 000's)

- The net profit declined due to decline in revenues which is primarily attributable to fair value adjustment of financial assets amidst the Covid-19 pandemic
- The Company continues to focus on cost rationalization initiatives resulting in a decline in operational expenses

Total Revenue (KD 000's)



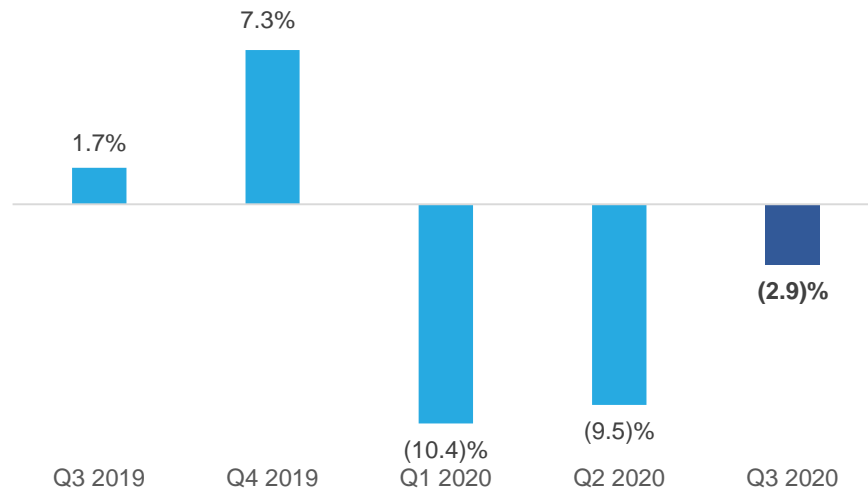
Net Profit¹ (KD 000's)



Financials Trend (cont'd)

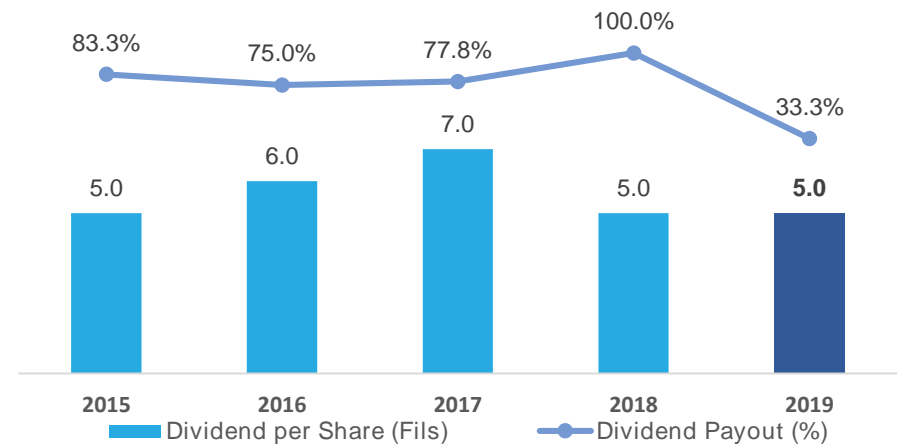
LTM Return on Equity¹

- Return on Equity of (2.9)% on LTM basis as it was impacted due to a significant loss arising from financial assets at fair value through P&L in 9M 2020 that amounted to KD (6.0) million



Dividend per Share and Payout

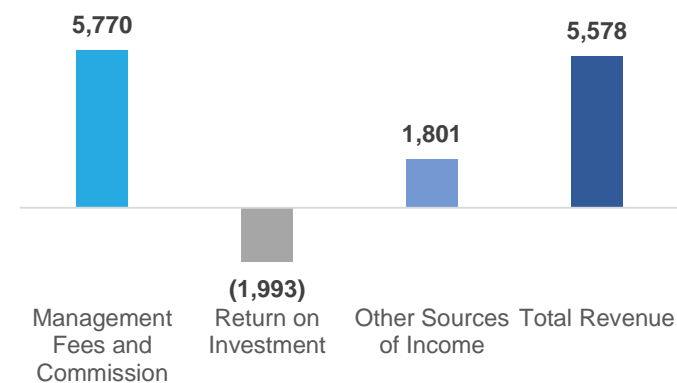
- Consistent dividend payouts with an incremental 66.7% decrease in 2019 payout ratio over last year



Profit & Loss Key Metrics

(KWD 000's)	Q3 (Three Months)		Y-o-Y	9M (Nine Months)		Y-o-Y
	2020	2019	Growth (%)	2020	2019	Growth (%)
Management Fees and Commission	2,265	2,002	13.1%	5,770	6,002	(3.9%)
Interest Income	(146)	169	(186%)	426	476	(11%)
Dividend Income	139	276	(50%)	769	1,159	(34%)
(Loss) / Gain from Investments at Fair Value through P/L	4,177	(1,678)	(349%)	(6,027)	4,992	(221%)
Share of results of associate and joint venture	(24)	(18)	33%	(29)	(70)	-
Gain on redemption/Sale investments	0	0	-	1,066	0	-
Gain on sale of investment properties	0	521	-	0	820	(100%)
Net Rental Income	364	439	(17%)	1,802	803	124%
Other Sources of (Loss) / Income	511	(112)	-	1,801	(109)	-
Total Revenue	7,286	1,599	356%	5,578	14,073	(60%)
Operational Expenses	2,374	2,409	(1%)	7,843	8,031	(2%)
EBIT	4,912	(810)	-	(2,265)	6,042	-
Margin (%)	67%	-		-	43%	
Impairment of Investment Properties	0	0	-	3,121	(37)	-
Finance Costs	601	769	(22%)	2,071	1,991	4%
Contribution to KFAS, NLST, Zakat	0	(59)	-	0	169	(100%)
Net (Loss) / Profit	4,311	(1,520)	-	(7,457)	3,919	-
Margin (%)	59%	-		-	28%	
Net (Loss) / Profit attributable to the owners of Parent Company	4,031	(1,369)	-	(6,019)	3,448	-
Net (Loss) / Profit attributable to Non-Controlling Interests	280.0	(150.0)		(1,438)	471	
(Loss) / Earnings Per Share (Fils)	8	(3)	-	(13)	7	-

9M 2020 Income Analysis



Notes:

1. Management Fees & Commissions include Asset Management and Investment Banking Fees
2. Other sources of income include foreign currency transaction and other income
3. Return on principal investments include investments in GCC & International Equities, Fixed Income, Real Estate, International Investments and Private Equity

Balance Sheet Key Metrics

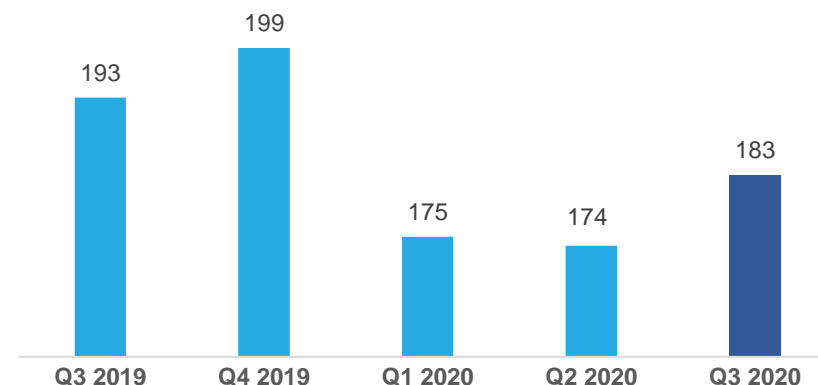
(KWD 000's)	Sep 2020	Jun 2020	Dec 2019	Sep 2019
ASSETS				
Cash and bank balances	8,634	10,399	4,937	7,632
Time deposits	2,134	127	1,332	1,982
Investments at fair value through profit or loss	96,044	95,773	106,646	105,045
Investments at fair value through OCI	415	2,071	2,735	422
Investments carried at amortized cost	5,255	9,401	9,099	5,070
Investment properties	56,616	52,659	55,256	64,923
Accounts receivable and other assets	7,576	4,778	7,430	5,019
Loans to customers	450	390	405	384
Investments in associate and joint venture	3,551	3,562	3,594	3,645
Asset held for sale	-	-	7,819	-
Right of use assets	396	464	600	668
Equipment	967	1,033	1,084	1,098
Total Assets	182,038	180,657	200,937	195,888
LIABILITIES and EQUITY				
Liabilities				
Accounts payable and other liabilities	11,453	12,894	15,307	12,018
Bank borrowings	34,096	37,425	41,632	43,104
Bonds issued	25,000	25,000	25,000	25,000
Total Liabilities	70,549	75,319	81,939	80,122
EQUITY				
Equity attributable to the owners of the Parent Company	87,501	83,227	95,195	92,193
Non-controlling interests	23,988	22,111	23,803	23,573
Total Equity	111,489	105,338	118,998	115,766
Total Liabilities and Equity	182,038	180,657	200,937	195,888

Asset Under Management

Q3 2020 AUM
KD 1.03 billion

Q3 2019 AUM
KD 1.11 billion

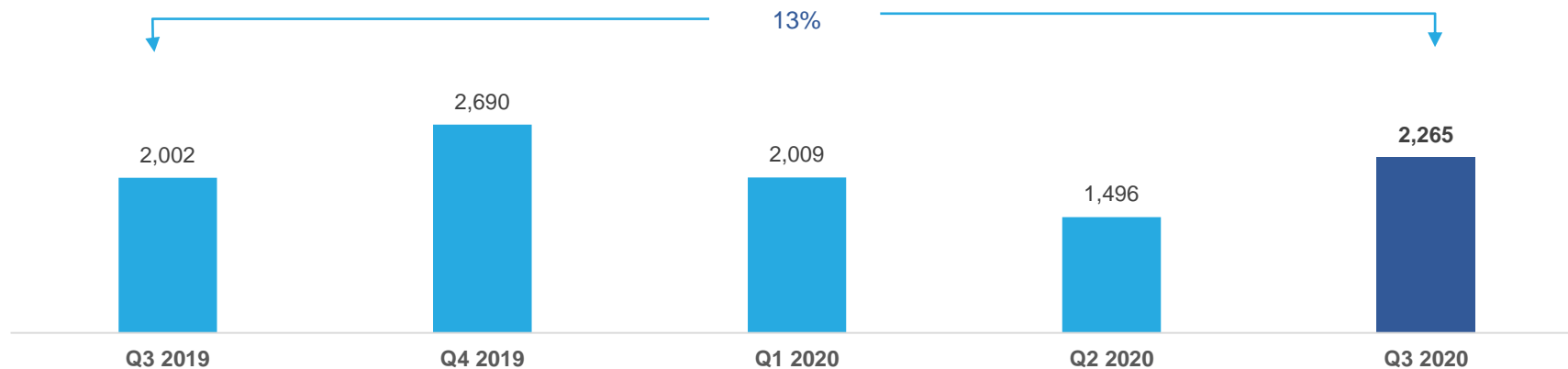
Book Value per Share (Fils)



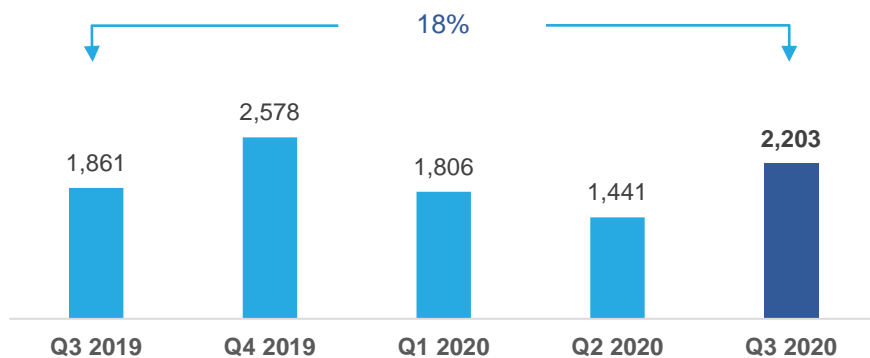
- Book value decreased by 10 Fils per share due to the net decrease in Retained Earnings by KD 6.37 million compared to the same period of Q3 2019 and that mainly due to dividends payments and the losses incurred in Q1 2020 due to Covid-19 pandemic

Asset Management & Investment Banking

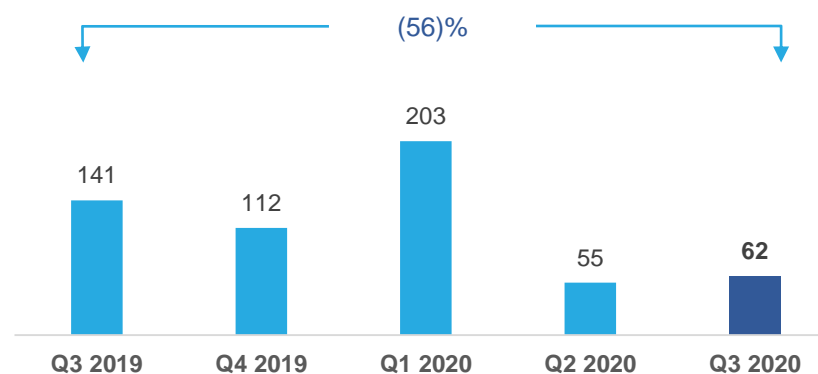
Management Fees & Commission (KD 000's)



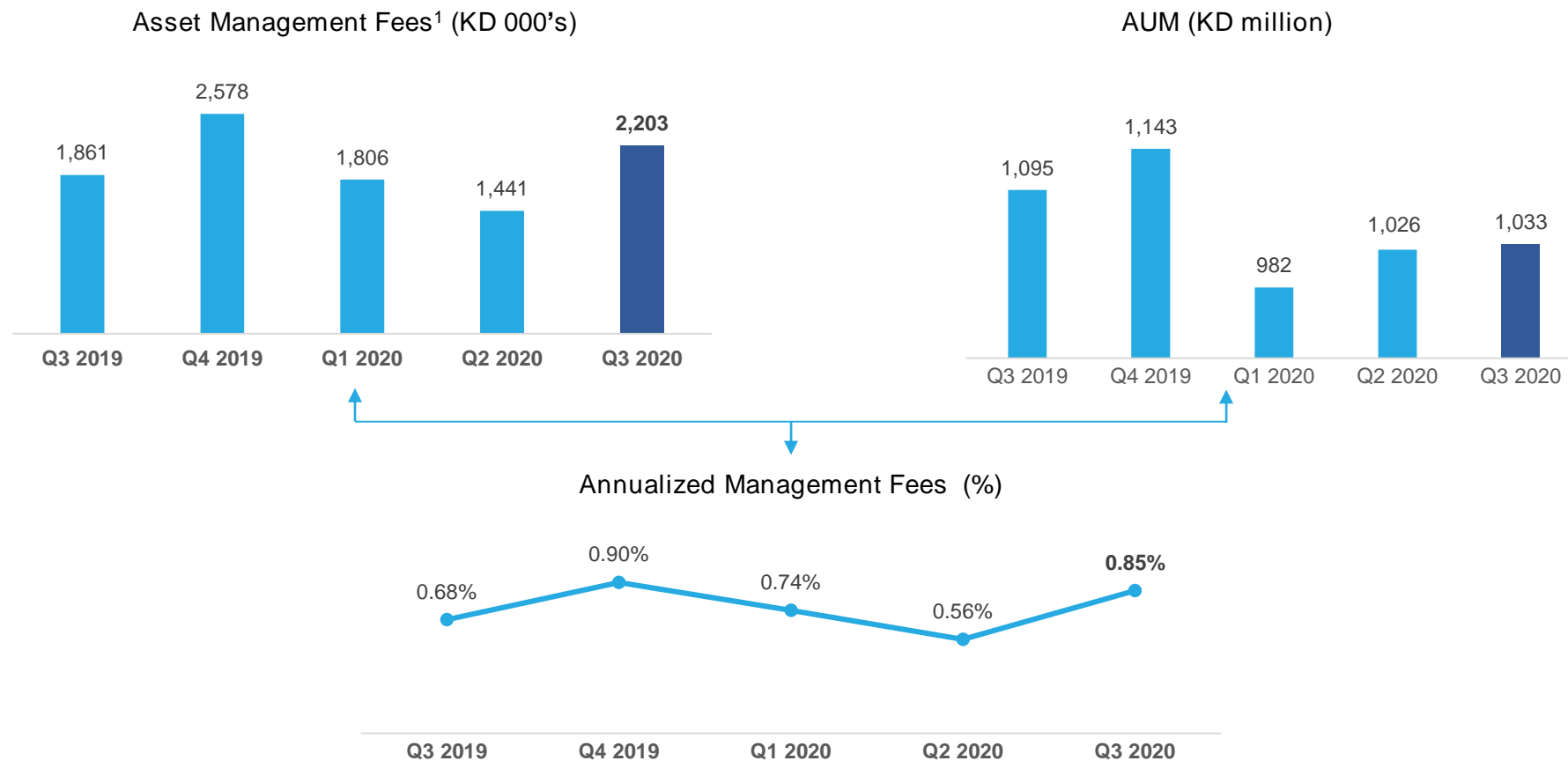
Asset Management Fees¹ (KD 000's)



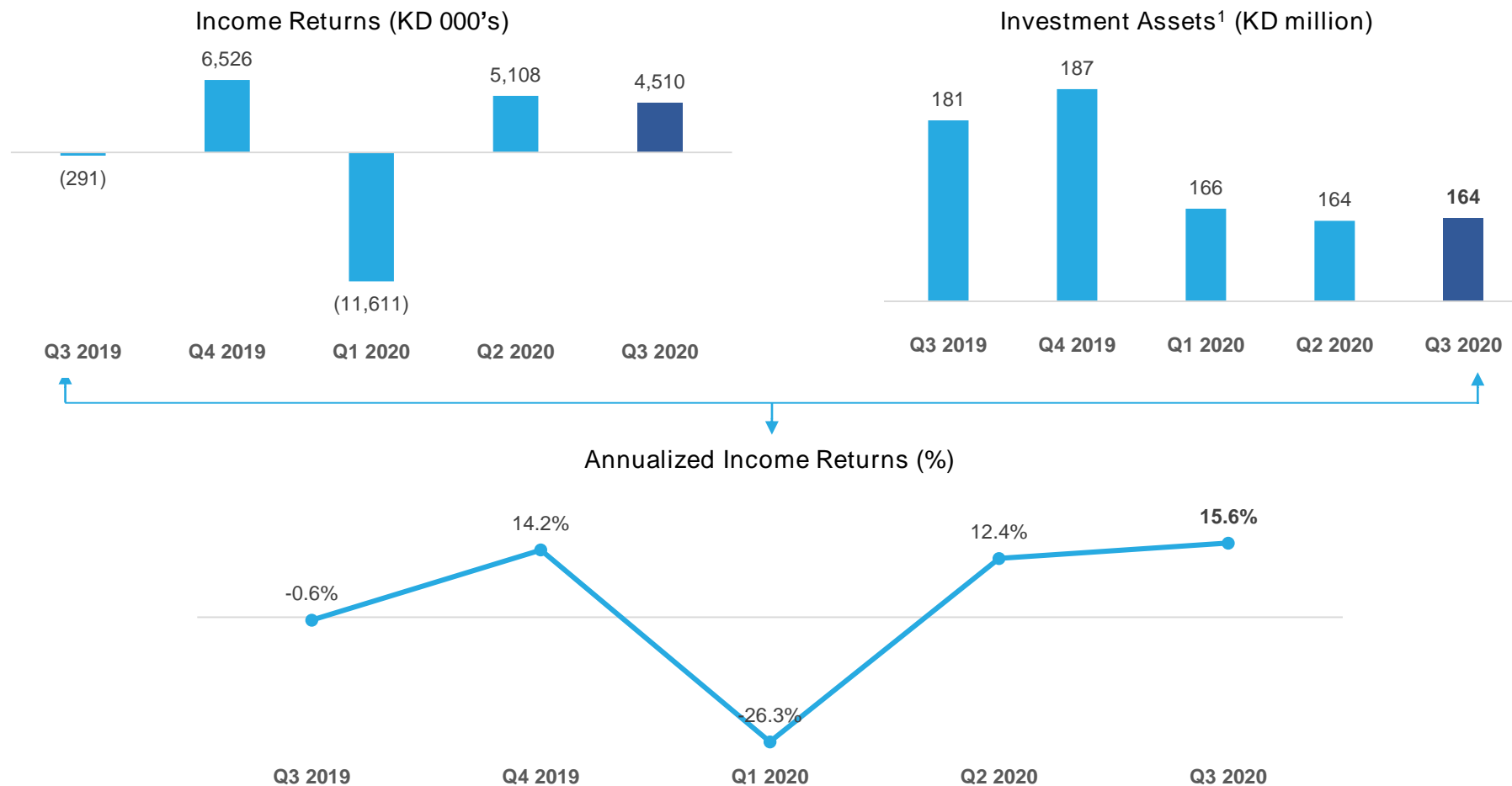
Investment Banking Fees (KD 000's)



Asset Management Fees Returns



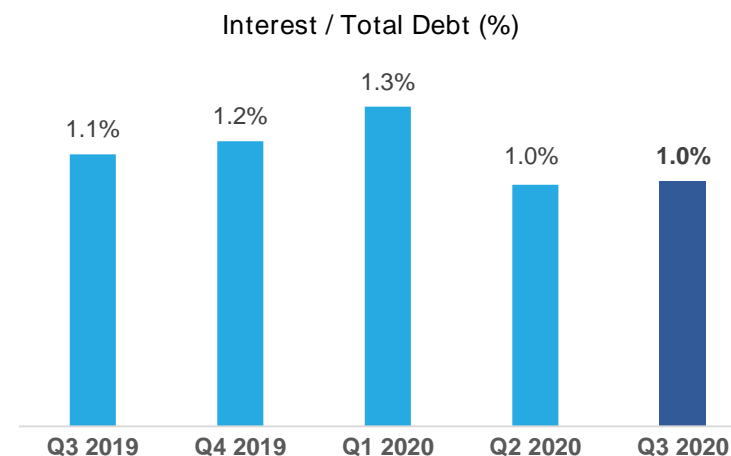
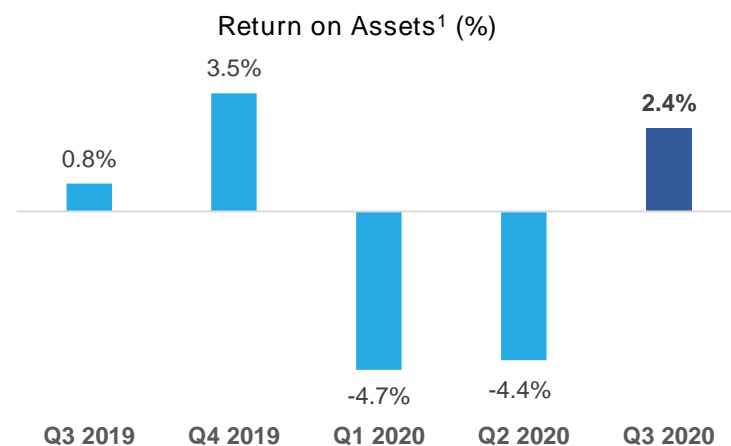
Return on Principal Investments



Capital Structure and Returns

Markaz Net Debt to Total Equity reduced to 0.43x

(KD 000's)	Sep 2020	Jun 2020	Dec 2019	Sep 2019
Loan Term	34,096	37,425	41,632	43,104
Bonds Issued	25,000	25,000	25,000	25,000
Total Debt	59,096	62,920	66,632	68,104
Cash and Bank Balance	8,634	10,399	4,937	7,632
Time Deposits	2,134	127	1,332	1,982
Total Cash including Time Deposits	10,768	10,526	6,269	9,614
Net Debt	48,328	52,394	60,363	58,490
Shareholders Equity	87,501	83,227	95,195	92,193
Total Equity	111,489	105,338	118,998	115,766
Net Debt / Total Equity	0.43X	0.50X	0.51X	0.51X



Shareholders Information

Focused on sustainable value creation for shareholders

Major Shareholders

Major Shareholders	Type	% Holding
Kuwait Pillars for Financial Investment	Direct	28.72%
Gulf Bank	Direct	5.47%
Al Mubader Co	Direct	5.13%

Effective Governance Structure



Corporate Information

Market Segment Listing	Main Market – Boursa Kuwait (Sec Code: 213)
2019 Dividends	Cash Dividend – 5%
Bonds Issued	KD 25,000,000 unsecured debenture bonds
No. of shares outstanding	478,201,747 shares
Authorized share capital	KWD 48,080,174.700
Issued share capital	KWD 48,080,174.700
Auditors	Grant Thornton (Al-Qatami, Al-Aiban & Partners) and Deloitte (Al-Wazzan & Co.)
Company website	https://www.markaz.com/

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