

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

# Earnings Presentation

2019



Asset Management | Investment Banking

# Discussion Agenda

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# 2019 Performance Highlights

*Markaz Assets Under Management of KD 1.14 billion*

## Profit and Loss Highlights

**KD 23.49 mn**  
Growth: 53.5%  
**Total Revenue<sup>1</sup>**

**KD 14.71 mn**  
Growth: 129%  
**Return on Principal Investments**

**KD 8.69 mn**  
Growth: (2.7%)  
**Management Fees & Commission**

**KD 8.11 mn**  
Growth: 12.6%  
**Asset Management Fees**

**KD 0.58 mn**  
Growth: (66%)  
**Investment Banking Fees**

**KD 6.96 mn**  
Margin: 30%  
**Net Profit<sup>2</sup>**

**15 Fils**  
Growth: 200%  
**EPS**

## Balance Sheet Highlights

**Total AUM**  
**KD 1.14 billion - Growth: 4.6% y-o-y**

**Net Debt / Total Equity of 0.51x**

**Return on Equity of 7.3%**

**Asset Management Fees Return of 0.71%**

**Return on Principal Investments of 8.4%**

**2019 Cash dividend of 10 Fils per share; payout of 66.7%**  
**2018 Cash dividend of 5 Fils per share; payout of 100.0%**

# 2019 Performance Highlights

*Commenting on the performance, Mr. Diraar Yusuf Alghanim, Chairman of Markaz said:*

“The global equity market continued its growth momentum from the second half of 2018 into 2019, with all major equity markets delivering strong returns. This robust performance was underpinned by a low interest rate environment across major economies. Kuwait equities also benefited from MSCI’s decision to upgrade the State to an Emerging Market and became the best performer in the MENA region. However, the overall economic growth was held back by a combination of factors including slower global economic activity, volatile oil prices and heightened geopolitical tensions. With these market conditions in mind, I am proud to announce that Markaz was granted with prestigious awards during the year including “Best Investment Bank in Kuwait 2019” by Global Finance, “Kuwait Asset Manager of the Year” by Global Investor Magazine and one of our fund MIDAF was named the “Best Equity Fund in Kuwait” by MENA Fund Manager.

During the year, we continued to implement our core strategy of actively managing our funds, private portfolios and real estate investments on behalf of clients along with our proprietary investments. Revenue was primarily driven by the Asset Management division, which delivered growth of 12.6% year on year to KD 8.11 million. Net Rental Income was further supported by rental income from new properties added by Markaz during the year contributing KD 1.33 million, more than double as compared to last year and Gain from Investments at Fair Value through Profit or Loss contributed KD 9.9 million to our revenues as compared to KD 3.5 million in 2018.

Income from Principal Investments increased by 129% to KD 14.71 million, contributing 63% to Total Revenue and generating an annual return of 8.4% on total investments. Our Management Fees and Commission, which include asset management revenues of KD 8.11 million, declined by 2.7% as investment banking reduced its contribution to KD 0.58 million. Markaz AUM at the end of the period closed at KD 1.14 billion up 4.6% compared to 2018.

Global equity markets delivered outstanding returns in 2019 with a 25.2% gain in the MSCI World index. The GCC equity market continued to deliver growth for the fourth consecutive year with the MSCI GCC index increased by 5.9%. However, GCC equity markets relatively underperformed their global peers due to lower investor confidence in the political stability of the region. The Kuwait equity market was the best performing market in the MENA region with the All-Share Total Return Index achieving 23.7% in 2019. This performance was driven by large caps after MSCI’s decision to upgrade Kuwait to an Emerging Market and was also consistent with Markaz’s investment thesis for 2019. Forsa Financial Fund, Markaz Fund for Excellent Yields (MUMTAZ), Markaz Islamic Fund and Markaz Investment and Development Fund (MIDAF) recorded their highest annual returns in last 5 years with returns of 27.2%, 22.6%, 21.7% and 21.5% respectively.

A record year was set in 2019 for GCC Bonds and Sukuk markets where total value of primary issuances increased by 24% to USD 114 billion. The largest primary issuance market was the UAE, followed by Saudi Arabia and all time high issuances clearly demonstrating the growing importance of debt capital markets within the region. Overall S&P MENA Bonds and Sukuk Index delivered total return of 13.5%. The Markaz Fixed Income fund is a privately placed fund with investments in GCC fixed income instruments.

The real estate market in the GCC region started to show signs of recovery in 2019 with rents stabilizing across Kuwait, Saudi Arabia and UAE and valuations stable in Kuwait and Saudi Arabia. After 5 years of declining real estate values, investor confidence in the asset class started to return in the region. During 2019, Markaz was able to maintain occupancy levels of 95% across its portfolio in Kuwait, Saudi Arabia and UAE. Markaz Real Estate fund (MREF) was able to withstand market conditions and deliver positive total returns of 4.1%. The fund continued its monthly cash distribution of 5% per annum. Markaz Gulf Real Estate Fund (MGREF) is a privately placed income generating real estate fund with investments across the GCC.

# 2019 Performance Highlights (cont'd)

In addition, we successfully manage a significant part of the National Real Estate Portfolio for Kuwait Investment Authority (KIA) with a focus on driving operational efficiencies. During the second half of 2019, Markaz took over the property management activity of the completed four projects, one each in Dubai and Kuwait and two in Abu Dhabi. These properties have started to yield rental income, which is expected to increase as occupancy levels continue to improve every month. ~~Markaz launched property management services during the year with the initial inclusion of all Markaz properties in Saudi Arabia with the intention to also consolidate its UAE portfolios.~~ In collaboration with the Advisory team, real estate team is working on the development of a master plan feasibility and design of a 300,000 sqm prime land plot in Kuwait. Overall, Markaz will continue to focus on enhancing operational efficiency and improve profitability.

International commercial real estate continued its positive trend in last quarter of 2019 and property prices increased by 2.5% as per CPPI and NAREIT index, resulting in an annual increase of 28%. The US Federal Reserve cut interest rates three times during the year and the lower short term rates provided strong tailwinds for commercial real estate valuations. During 2019, Markaz successfully exited two development projects in Dallas, Texas and Arizona, delivering outstanding returns to our co-investors. Furthermore, as a part of our real estate development projects, we started construction of four different developments in 2019, including two industrial projects in Europe, one residential and one industrial project in the United States. We continue to seek select development opportunities with strong fundamentals and expand our new investment program designed to capitalize on value add opportunities in the United States as well as in selective European markets.

Markaz reviewed several M&A proposals and advisory assignments during the year and executed transactions of total value of \$580 million.

Sectors such as education, healthcare, food and beverage continue to attract strong interest from potential buyers and we expect more transactions going forward as valuations converge. Markaz is currently part of a consortium to submit a bid for a PPP project for the Kuwait Authority for Partnership Projects (KAPP). During the year, Markaz executed several key assignments including the listing of Al-Manar Financing and Leasing Company on Bursa Kuwait. Markaz also acted as a lead manager and subscription agent for United Projects Aviation Company to raise KD18 mn by way of a rights issue. Our investment banking team continues to closely work with various corporates on M&A and Equity and debt Capital Market Transactions, resulting in a strong pipeline for the year ahead.

International equity markets started 2020 on a positive note reflecting the US and China “phase one” trade agreement which has eased trade tensions between the two nations. Global growth is projected at 3.3% in 2020 and 3.4% for 2021 based on the downward revision to economic activity in certain emerging market economies. The GCC economy is expected to remain subdued during 2020 against a backdrop of weak global oil market, rising geopolitical tension and lower investor confidence. Under such challenging economic conditions, Markaz will continue to remain vigilant and formulate investment strategies to deliver returns while managing risks for our clients. In parallel, we endeavor to optimize internal control systems to manage costs, assess critical risks and improve overall efficiency. Investor relations at Markaz is focused on clear and insightful communication, liquidity in the trading of our shares and creating wealth for our shareholders. It is with great honour we are celebrating the 45th anniversary of the foundation of the firm in 1974. Markaz’s relentless and professional commitment to clients is, and always will remain, our highest priority.

# Markaz Overview

*A leading financial institution in the region delivering consistent shareholders 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



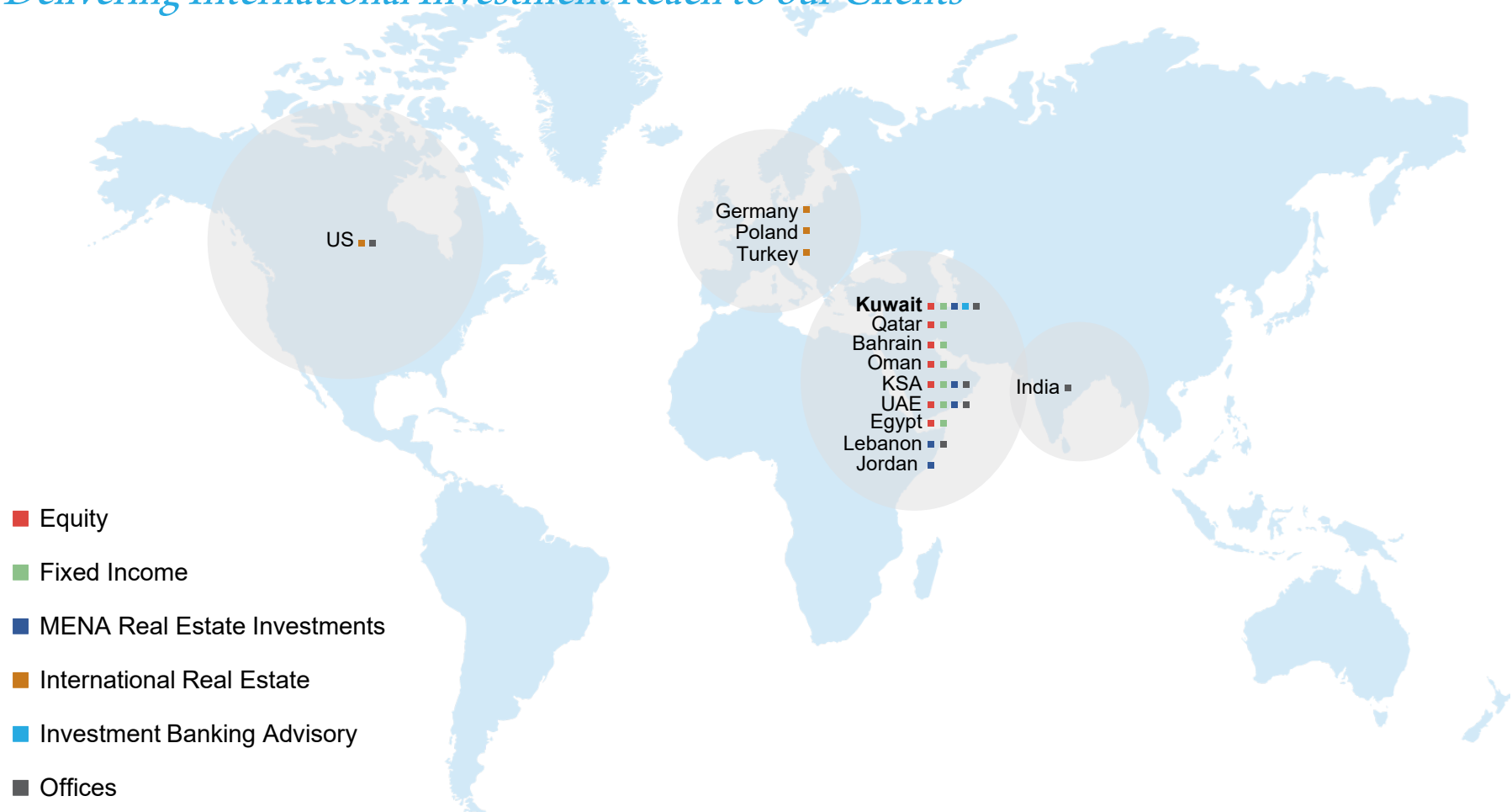
## Our Team, the cornerstone of our success

A team of 150+ 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*

★ 

**Kuwait Asset Manager of the Year**

By: Global Investor

★ 

**Best Investment Bank in Kuwait**

By: Global Finance

★ 

**Best Equity Fund in Kuwait "Midaf"**

By: MENA Fund Manager Awards



**Most Innovative Financial Institution in the Middle East**

By: EMEA Finance



**Best Investment Bank**

By: Euromoney Awards



**Most Innovative Investment Bank**

By: Global Finance



**Best Islamic Fund**

By: Zawya Awards



**Research Provider of the Year**

By: Euromoney Awards



Kuwait Asset Manager Markaz





# Business Highlights

*Total AUM of KD 1.14 billion, an increase of 4.6% from December 2018*



## Asset Management

GCC Equity Funds, Fixed Income Fund, Others

**Total AUM of KD 830.9 million**

- Asset management continues to implement Markaz's long term bottom up investment approach along with active liquidity management
- GCC Equities AUM of KD 611.8 million.
- FORSA, MUMTAZ, Markaz Islamic Fund and MIDAF outperformed their peers with returns of 27.2%, 22.6%, 21.7% and 21.5% in 2019 respectively
- Markaz Fixed Income Fund is a privately placed fund with investments in GCC fixed income instruments.
- Successfully launched two new products, the Opportunistic Portfolio and the Dividend Yield Portfolio with AUM above KD 7 million

**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 403.3 million**

**MENA Real Estate – AUM of KD 344.1 million**

- Markaz Real Estate Fund, AUM KD 79 m, distributing monthly cash dividend of 5% p.a., delivering total returns of 2.9% on a YTD basis
- Managing up to a KD 250 million part of the National Real Estate Portfolio
- Private development portfolios in Dubai, Abu Dhabi, Riyadh, Khobar
- Markaz Gulf Real Estate Fund is a privately placed income generating real estate fund with investments across the GCC
- Markaz took over the property management activity for all KSA and UAE properties, adding property management to its services.
- Markaz is carrying a feasibility study and participating in the master planning of a 750m USD prime 300,000 sqm land

**National Real Estate Portfolio, Markaz Real Estate Fund MREF, Private portfolios**

**International Real Estate – AUM of KD 59.2 million**

- During the quarter, exited the two properties, Royal 10 office in Dallas, Texas and Chandler Shopping Center in Arizona, delivering IRR of 13.3% and gain of KD 0.82 million respectively
- 6 ongoing US based projects managed through the Mar-Gulf subsidiary
- 3 Europe based on going projects
- Evaluating value-add and opportunistic projects in Europe .

**US Distressed Debt Portfolio - US Development Portfolio VI - US Value Add Portfolio VII**

# 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

- Total transaction value executed in 2019 was over \$ 582 million across the GCC market
- Currently working as part of a consortium to submit a bid for a PPP project released by the Kuwait Authority for Partnership Projects (KAPP).
- Markaz investment banking team continues to successfully execute and advise on high profile transactions
- Markaz Capital Markets team completed the only listing of the year on Boursa Kuwait for Al-Manar Finance and Leasing Company during February 2019
- The Capital Markets team also successfully completed United Projects Company for Aviation Services (“UPAC”) rights issue with total of KD 18 mn, and acted as structuring and placement agent for a Convertible Loan for a corporate client.



## Research

Mena focused Research, Consulting Services

- In 2019, Marmore published over 60 reports on its research web portal and executed 27 bespoke engagements with entities across the GCC region
- Popular research published during the year were “Saudi Aramco Valuation”, “Crowdfunding in the GCC – A New and Faster Source of Funding”, “FinTech – Future of Financial Services”, “Kuwait Index Inclusion – How will it redefine Kuwait’s economic prospects?” and “GCC Asset Management – 2019”
- Markaz” launched a special publication titled “Souq Al-Manakh and Five Other GCC Crises”. The publication was prepared by Marmore MENA Intelligence, the research arm of Markaz, as part of the ongoing efforts of providing thought leadership on the most critical issues that have shaped the current economic situations in the GCC region
- 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

# Financials Trend

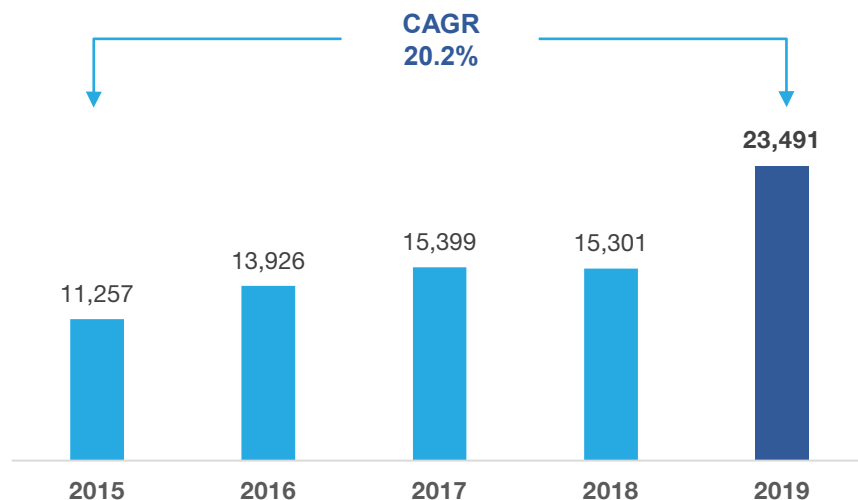
## 2019 Revenues growth on y-o-y basis

- Management Fees & Commissions have declined marginally by 2.7% compared to 2018, however, it has contributed 37% of Total Revenue
  - Asset Management Fees increased by 12.6%
  - Investment Banking Fees decreased 66% due to transactional nature of the business
- Income from Principal Investments have contributed 63% of Total Revenue. The growth is primarily driven by Gain from Investments at Fair Value through P&L, Gain on Sale of Investment Properties and increase in Net Rental Income from new properties

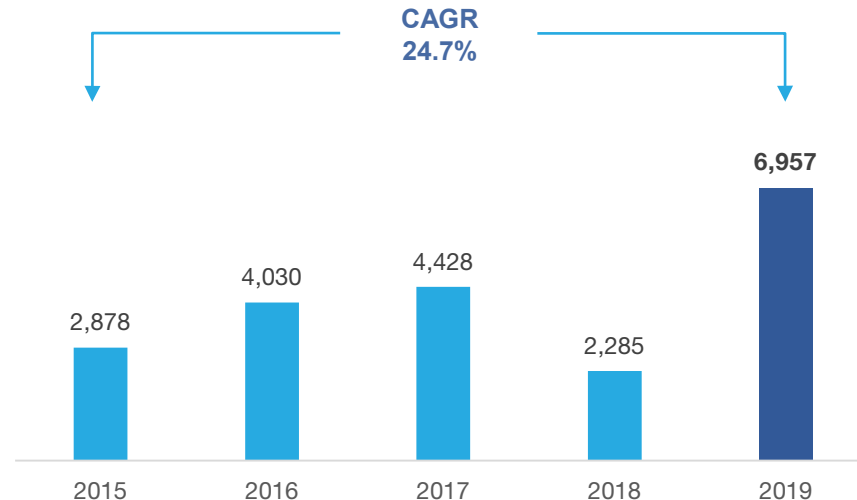
## 2019 Profitability (KD 000's)

- There was a significant improvement of 90.5% in EBIT on y-o-y basis The EBIT margin improved from 39% in 2018 to 48% in 2019
- Net profit increased by 204% to KD 6.96 million, primarily driven by increase in Net Rental Income and Interest Income as a part of business whereas Gain from Investments at Fair Value through P&L also contributed KD 9.9 million to the profits as compared to KD 3.5 million in 2018

### Total Revenue<sup>1</sup> (KD 000's)



### Net Profit<sup>2</sup> (KD 000's)



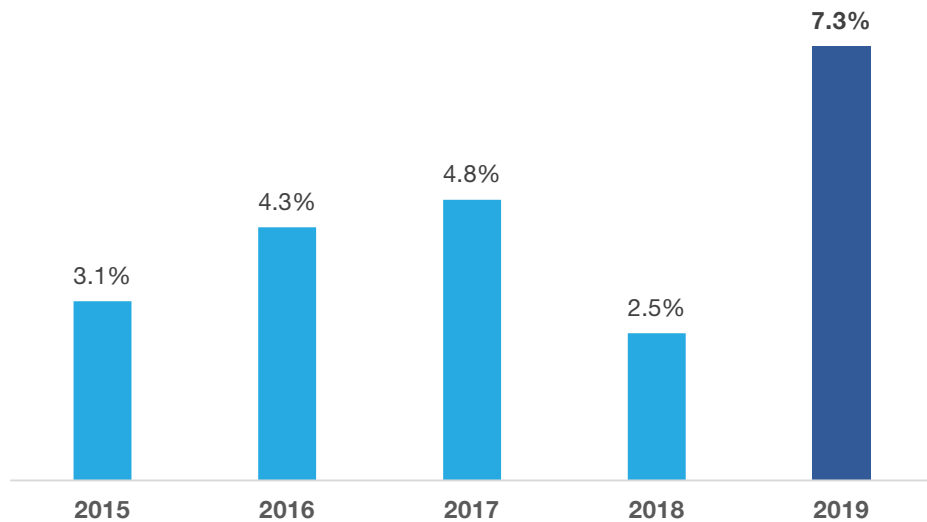
1. Total Revenue includes other revenues of KD (0.09) mn

2. Net Profit attributable to the owners of the parent company excluding non-controlling interest

# Financials Trend (cont'd)

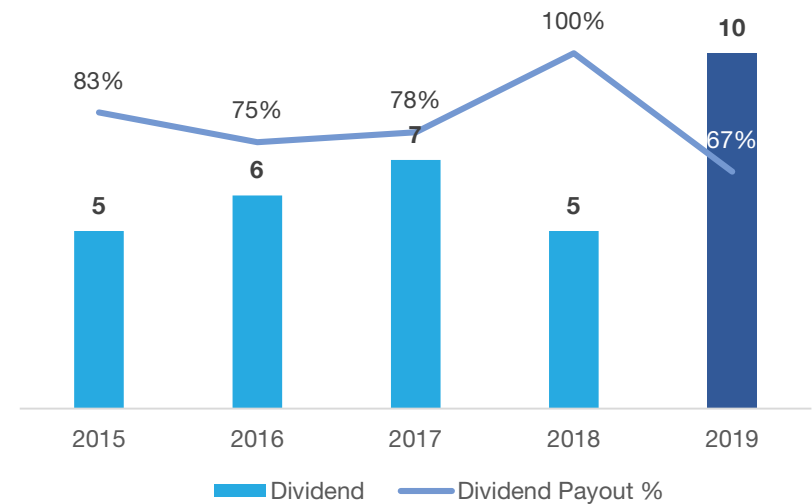
## Return on Equity<sup>1</sup>

- Return on Equity of 7.3% in 2019 increased by 191% y-o-y
- Return on Equity adjusted for Impairment of Investment Properties is 8.4% in 2019



## Dividend per Share and Payout

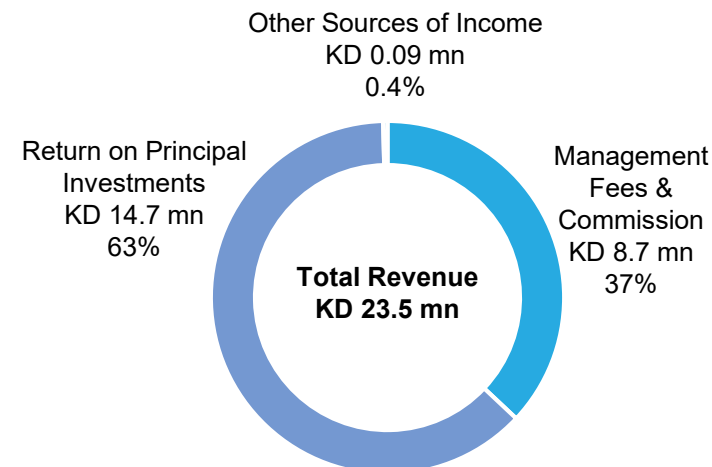
- Consistent dividend payouts; a dividend of 10 fils per share was recommended for 2019



# Profit & Loss Key Metrics

(KWD 000's)	Full Year Ended		Y-o-Y
	2019	2018	Growth (%)
Management Fees and Commission	8,692	8,930	(3%)
Interest Income	1,022	679	51%
Dividend Income	1,595	1,493	7%
Gain from Investments at Fair Value through P/L	9,934	3,477	186%
Share of results of associate and joint venture	(141)	(77)	83%
Gain on liquidation of Subsidiaries	0	334	(100%)
Gain on sale of investment properties	967	0	-
Net Rental Income	1,329	517	157%
Other Sources of Income/(Loss)	93	(57)	nm
<b>Total Revenue</b>	<b>23,491</b>	<b>15,301</b>	<b>54%</b>
<b>Operational Expenses</b>	<b>12,189</b>	<b>9,368</b>	<b>30%</b>
<b>EBIT</b>	<b>11,302</b>	<b>5,933</b>	<b>90.5%</b>
<i>Margin (%)</i>	<i>48%</i>	<i>39%</i>	
Impairment of Investment Properties	1,065	2,335	(54%)
Financial Cost	2,780	1,747	59%
Provision for Directors' Remuneration	175	0	-
Contribution to KFAS, NLST, Zakat	340	204	67%
<b>Net Profit</b>	<b>6,942</b>	<b>1,647</b>	<b>321%</b>
<i>Margin (%)</i>	<i>30%</i>	<i>11%</i>	
<b>Net Profit attributable to the owners of Parent Company</b>	<b>6,957</b>	<b>2,285</b>	<b>204%</b>
Net Loss attributable to Non-Controlling Interests	(15)	(638)	
<b>Earnings Per Share (Fils)</b>	<b>15</b>	<b>5</b>	<b>200%</b>

## 2019 Income Analysis



### Notes:

1. Management Fees & Commissions include Asset Management and Investment Banking Fees
2. Return on investments include investments in GCC & International Equities , Fixed Income, Real Estate, International Investments and Private Equity

# Balance Sheet Key Metrics

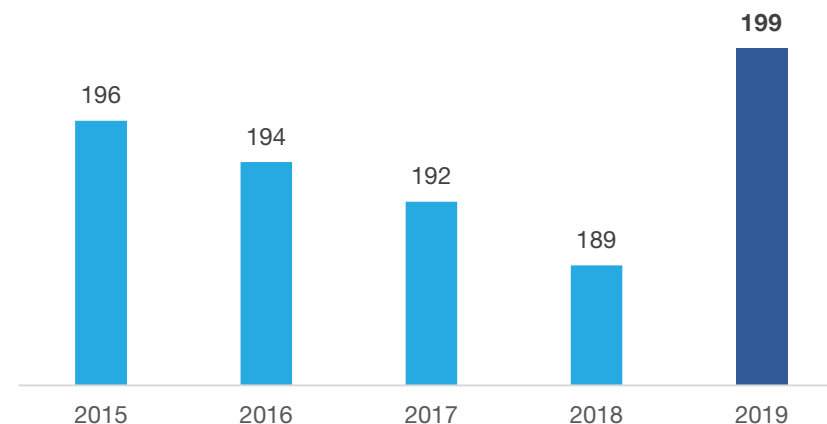
(KWD 000's)	Dec 2019	Dec 2018
<b>ASSETS</b>		
Cash and Bank balances	4,937	4,691
Time Deposits	1,332	2,565
Investments at fair value through profit or loss	106,646	92,674
Debt instruments at fair value through profit or loss	2,735	427
Investments carried at amortized cost	9,099	6,998
Assets for Sale	7819	-
Investment Properties	55,256	56,830
Accounts receivable and other assets	7,430	3,503
Loans to Customers	405	304
Investments in Associate and Joint Venture	3,594	3,651
Right of Use Assets	600	0
Equipment	1,084	878
<b>Total Assets</b>	<b>200,937</b>	<b>172,521</b>
<b>LIABILITIES and EQUITY</b>		
<b>Liabilities</b>		
Due to bank and other financial institutions	0	0
Accounts Payable and other liabilities	15,307	10,904
Borrowings	41,632	22,565
Bonds Issued	25,000	25,000
<b>Total Liabilities</b>	<b>81,939</b>	<b>58,469</b>
<b>EQUITY</b>		
<b>Equity attributable to the owners of the Parent Company</b>	<b>95,195</b>	<b>91,050</b>
Non-Controlling Interests	23,803	23,002
<b>Total Equity</b>	<b>118,998</b>	<b>114,052</b>
<b>Total Liabilities and Equity</b>	<b>200,937</b>	<b>172,521</b>

## Asset Under Management

**2019 AUM**  
KD 1.14 billion

**2018 AUM**  
KD 1.10 billion

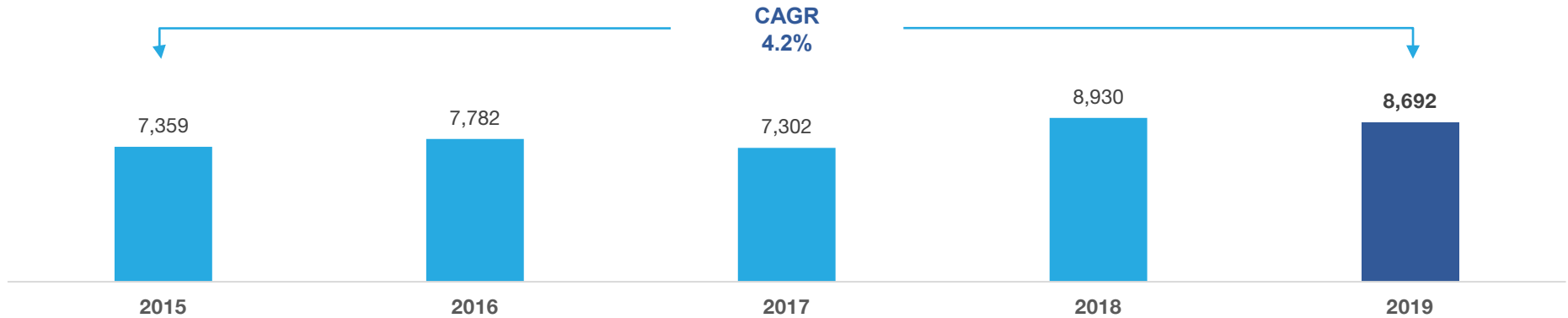
## Book Value per Share (Fills)



- Book value increased by 10 Fills per share as a result of increase in the net profit during the year primarily driven by the gain from investment at FVTPL and rental income recognition

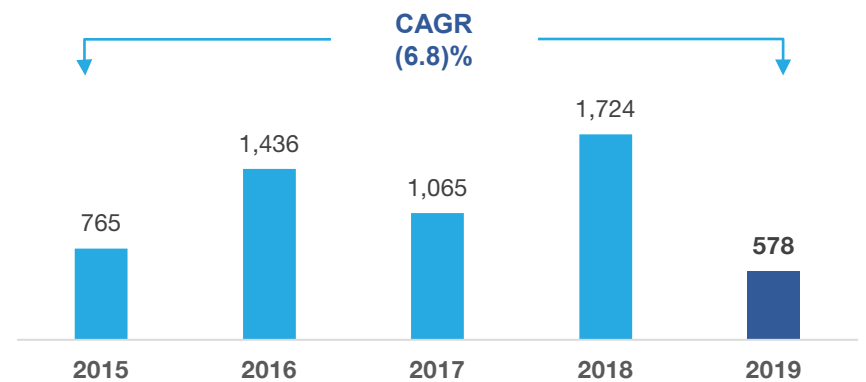
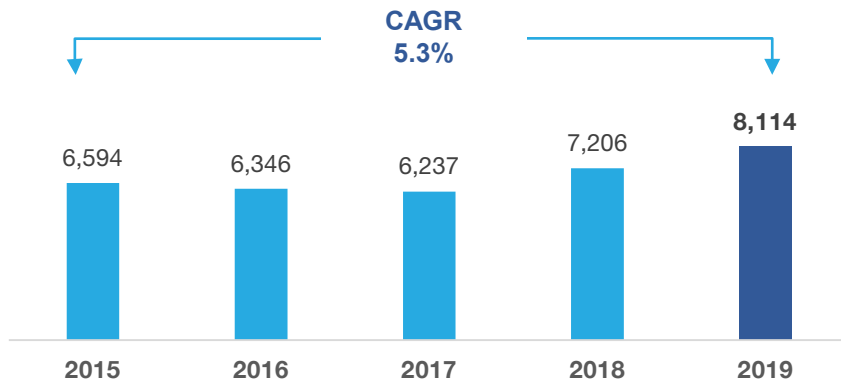
# Asset Management & Investment Banking

Management Fees & Commission (KD 000's)

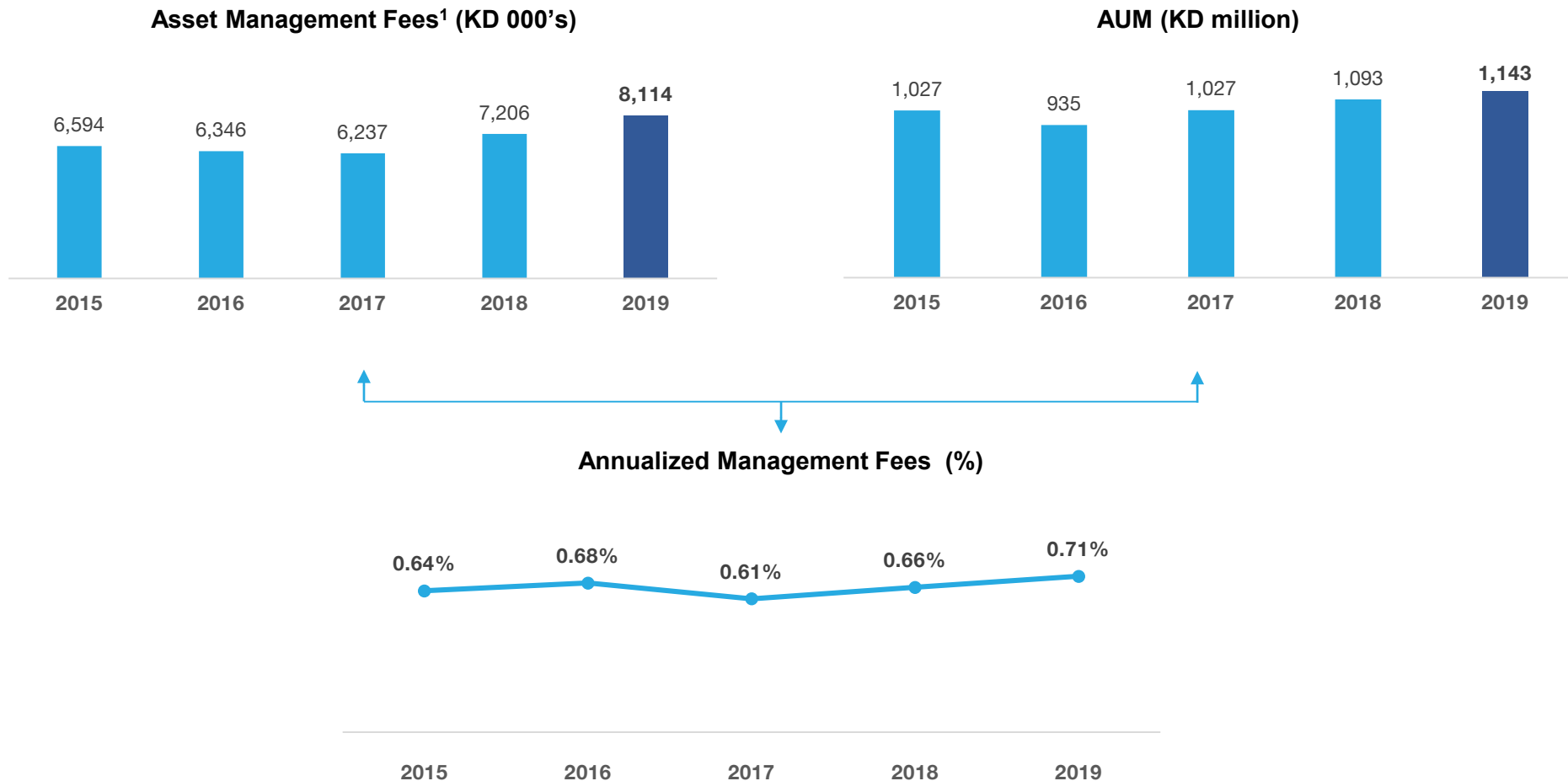


Asset Management Fees<sup>1</sup> (KD 000's)

Investment Banking Fees (KD 000's)

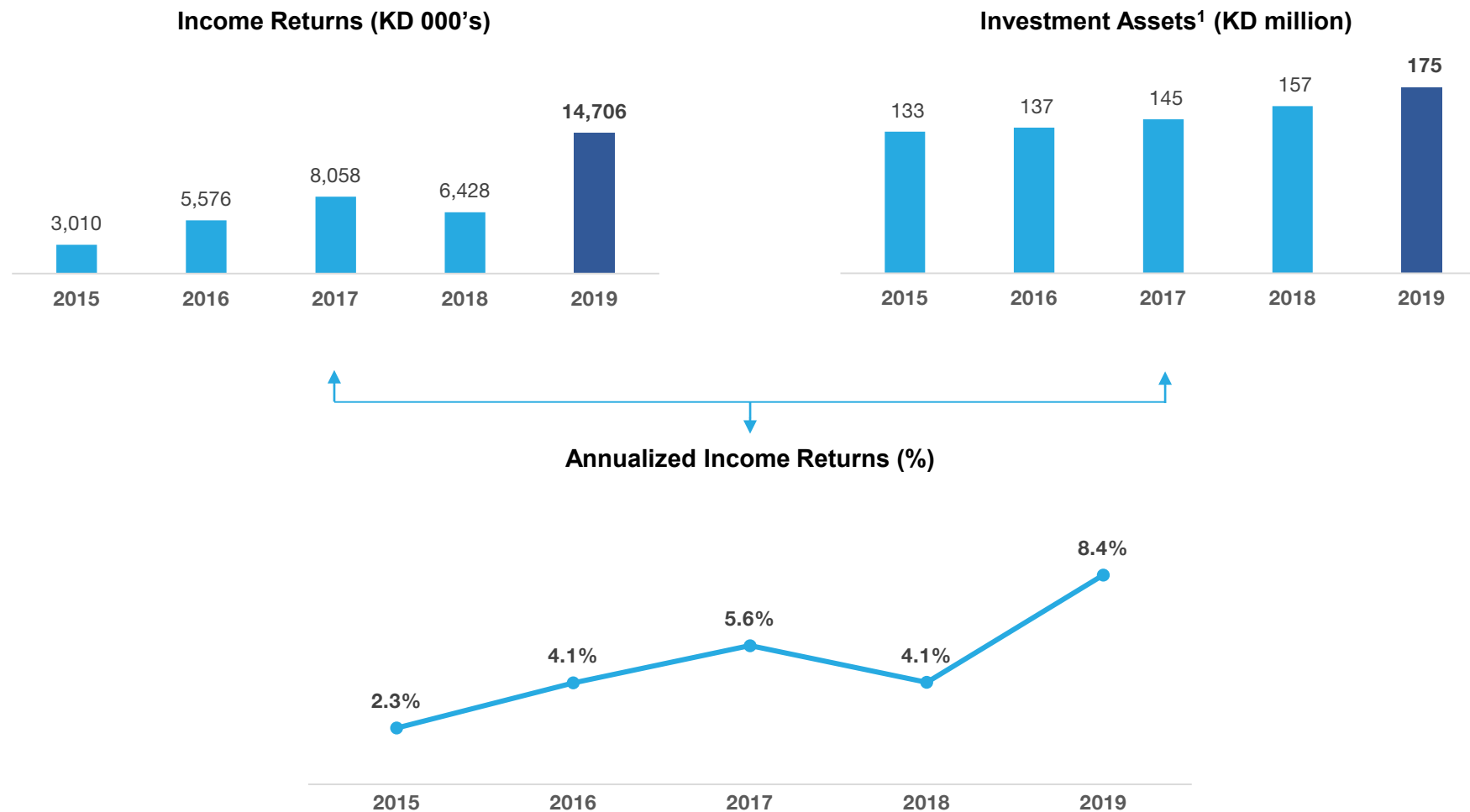


# Asset Management Fees Returns





# Return on Principal Investments



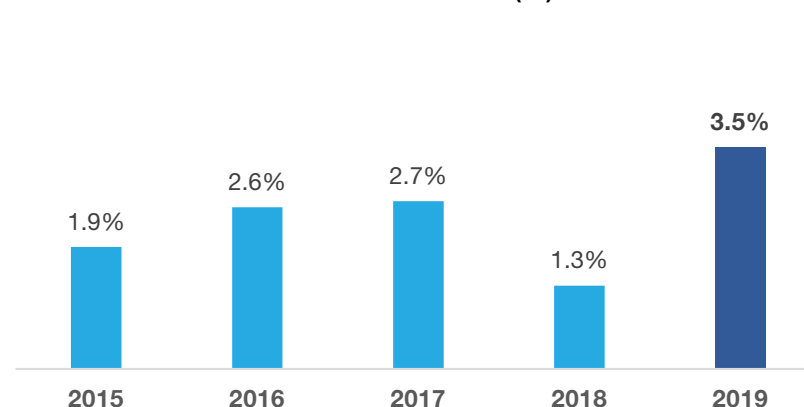
1. Investment Assets include Investments at Fair Value through P&L + Investment at Fair value through OCI+ Investments at amortised cost+ Investment in associates and JV + Investment Properties + Loans to Customers

# Capital Structure and Returns

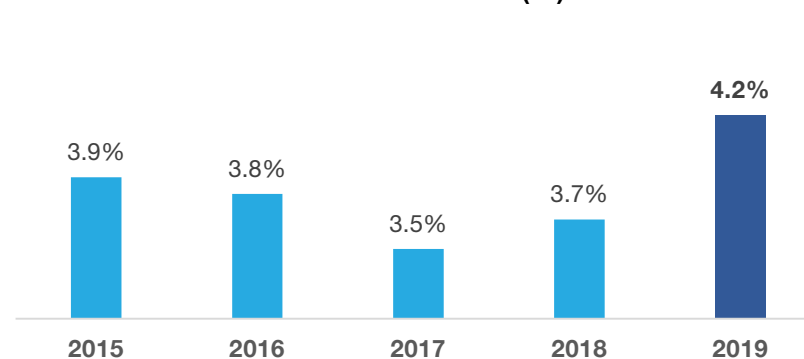
*Markaz Net Debt to Total Equity of 0.51x*

(KD 000's)	Dec 2019	Dec 2018	Dec 2017
Term Loans	41,632	22,565	17,516
Bonds Issued	25,000	25,000	25,000
Total Debt	66,632	47,565	42,516
Cash and Bank Balance	4,937	4,691	7,622
Time Deposits	1,332	2,565	1,430
Total Cash including Time Deposits	6,269	7,256	9,052
Net Debt	60,363	40,309	33,464
Shareholders' Equity	95,195	91,050	92,418
Total Equity	118,998	114,052	113,282
Net Debt / Total Equity	0.51x	0.35x	0.30x

Return on Assets<sup>1</sup> (%)



Interest / Total Debt (%)



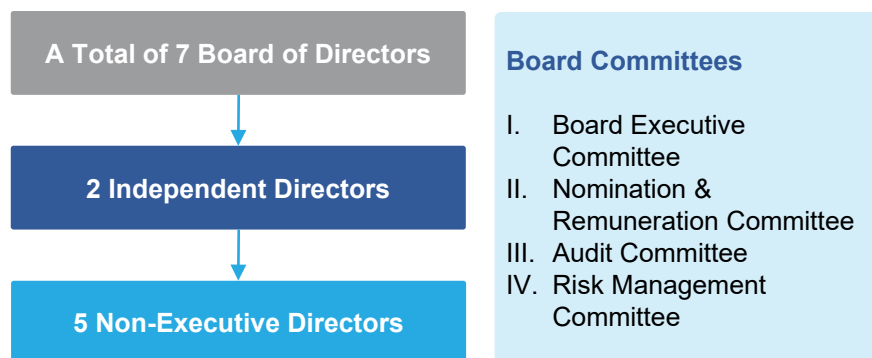
# Shareholders Information

*Focused on sustainable value creation for shareholders*

## Major Shareholders

Major Shareholders	Type	% Holding
Kuwait Pillars for Financial Investment	Direct	28.73%
Gulf Bank	Direct	5.47%
Al Mubader Co	Direct	5.13%

## Effective Governance Structure



## Corporate Information

<b>Market Segment Listing</b>	Main Market – Boursa Kuwait (Sec Code: 213)
<b>2019 Dividends</b>	Proposed Cash Dividend – 10 Fils per share
<b>Bonds Issued</b>	KD 25,000,000 unsecured debenture bonds
<b>No. of shares outstanding</b>	478,201,747 shares
<b>Authorized share capital</b>	KWD 48,080,174.700
<b>Issued share capital</b>	KWD 48,080,174.700
<b>Auditors</b>	Grant Thornton (Al-Qatami, Al-Aiban & Partners) and Deloitte (Al-Wazzan & Co.)
<b>Company website</b>	<a href="https://www.markaz.com/">https://www.markaz.com/</a>

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