

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

# Earnings Presentation 2020



Asset Management | Investment Banking

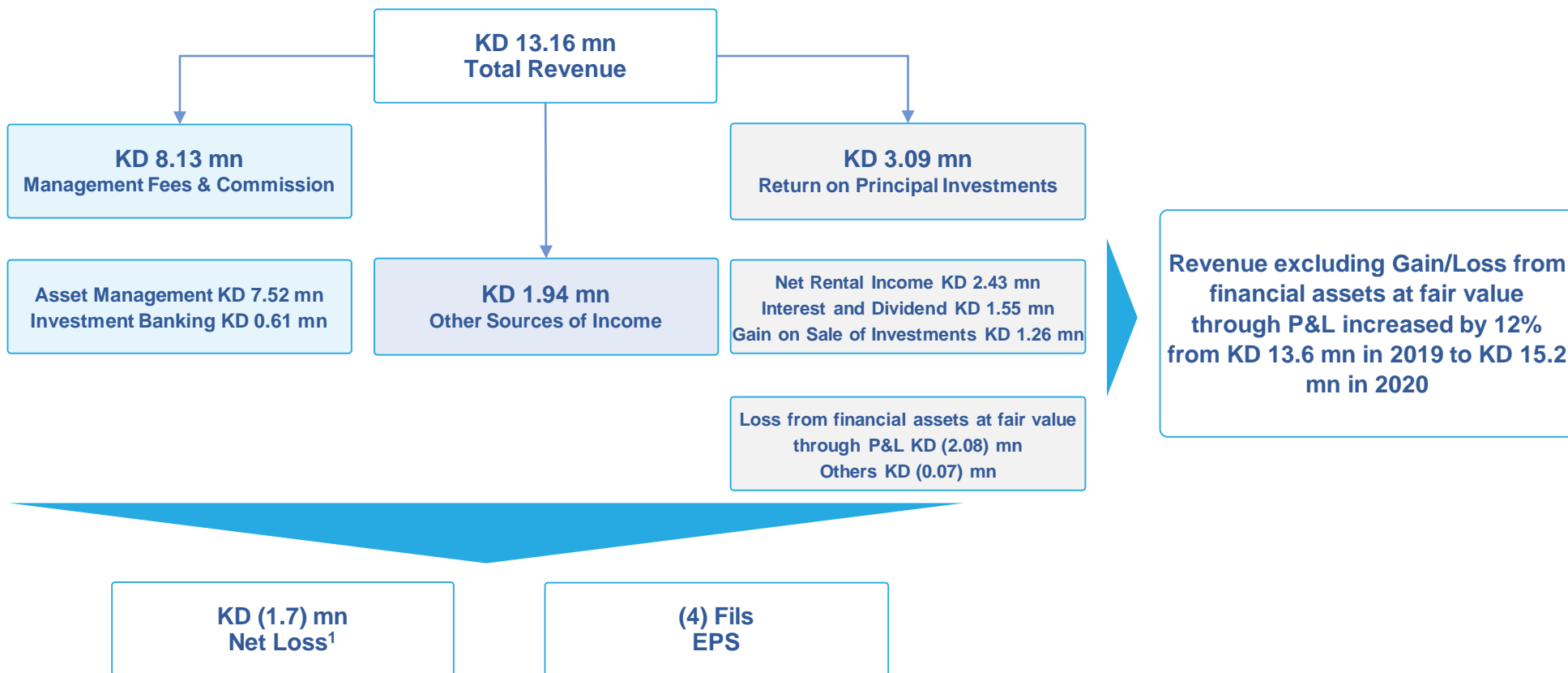
# Discussion Agenda

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# 2020 Performance Highlights

*Markaz Assets Under Management of KD 979 million*

## Profit and Loss Highlights



# 2020 Performance Highlights

*Markaz reduces net loss to KD 1.72 million for 2020, after achieving net profit of KD 4.3 million for Q4 ending December 2020*

Kuwait Financial Centre “Markaz” (KSE: Markaz, Reuters: MARKZ.KW, Bloomberg: MARKAZ:KK) reported its financial performance with a net profit of KD 4.3 million for the quarter ending December 31, 2020, reducing the net loss attributable to shareholders for the year 2020 to KD (1.72) million, as compared to a net profit of KD 6.96 million for 2019. The Earnings per Share (EPS) was accordingly negative 4 fils for the year 2020 as compared to 15 fils for 2019.

Mr. Diraar Yusuf Alghanim, Chairman stated: “2020 was clearly the most challenging period in recent history with the onset of the global health crisis. The primary focus of Markaz in the first half of 2020 was to maintain the business stability and continuity, ensuring its clients’ objectives are being achieved, while protecting the health and safety of all its employees. The second half recovery started with the removal of the initial lockdown restrictions, even as the GCC continued to feel the impact of lower oil prices and demand. With this economic and market backdrop, Markaz was still able to deliver gradual improvement during the year on both operational and financial performance indicators.

Mr. Ali H. Khalil, Chief Executive Officer stated: “In December 2020, Markaz successfully closed its KD 35 million 5-year bond issue through private placement. The bonds were oversubscribed, which supports the financial plan for the company on the mid and long terms.” He added: “Markaz reported Asset Management fees of KD 7.52 million in 2020, a decline of 7.3% y-o-y, which were most impacted in Q2 2020 as a direct result of equity market volatility. However, Asset Management fees recovered sequentially in Q3 and Q4 2020 to pre-pandemic levels. Investment Banking fees for 2020 were KD 0.61 million, a growth of 5.9 % y-o-y and a reflection of Markaz’s commitment to providing incomparable investment banking services.”

He pointed out: “Revenues for 2020 were supported by the positive results of Markaz real estate activities. On the other side, the annual performance was offset by the loss from financial assets at a fair value of KD (2.08) million out of which KD (0.26) were actually realized. Markaz also recognized an impairment of properties of KD (2.07) million due to subdued real estate market conditions. Markaz AUM at the end of the year closed at KD 979 million as compared to KD 1,143 million at the end of 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



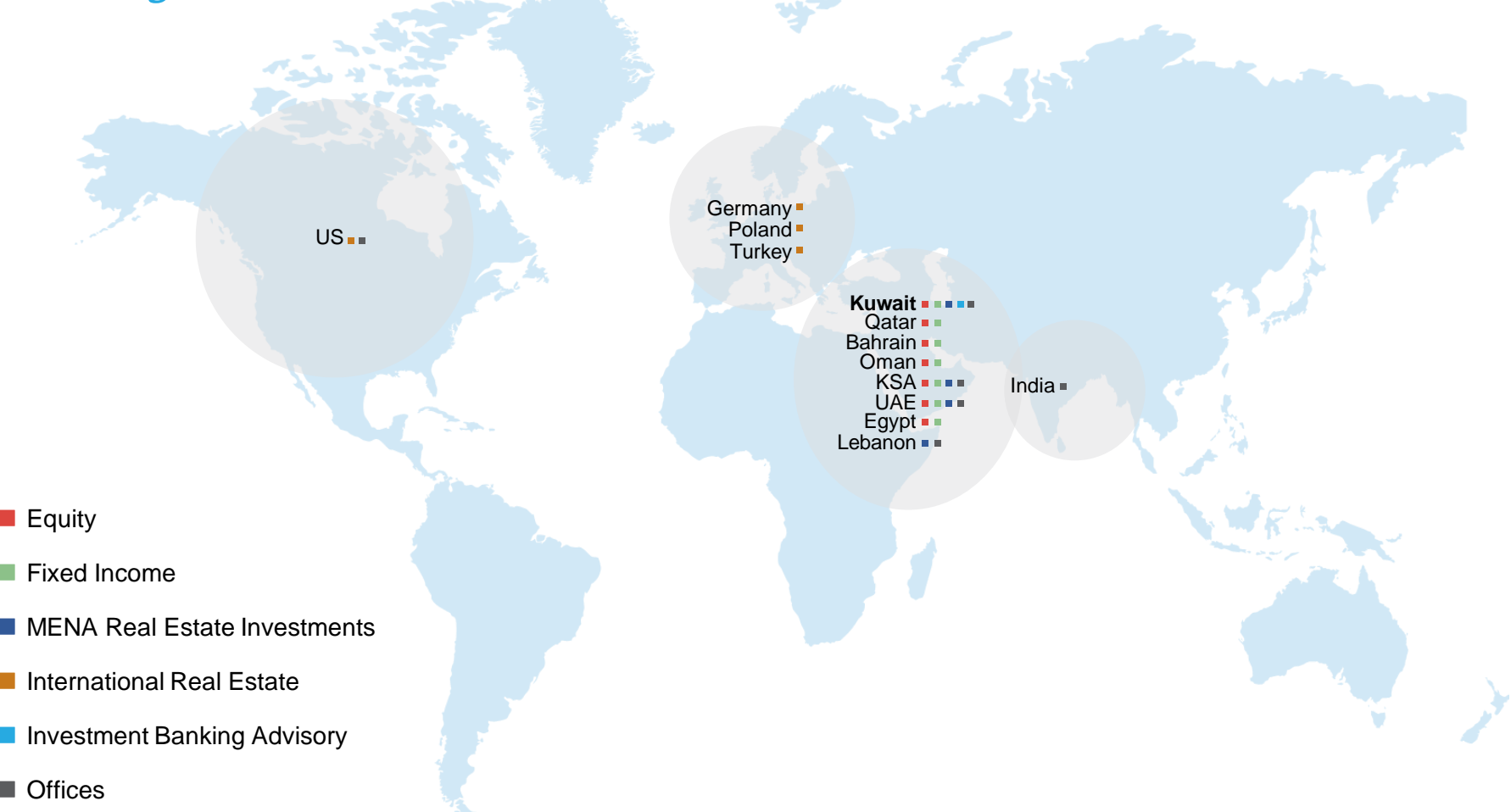
## Our Team, the cornerstone of our success

A team of 180+ employees spread over offices across Middle East, US and India

- Established in 1974 and listed on Bursa 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*

 <p><b>Best Asset Manager in Kuwait</b> By: EMEA Finance</p>	 <p><b>Best Investment Bank in Kuwait</b> By: Global Finance</p>	 <p><b>Corporate Social Responsibility Award in the Middle East</b> By: EMEA Finance</p>	 <p><b>Most Innovative Financial Institution in the Middle East</b> By: EMEA Finance</p>
 <p><b>Best Investment Bank</b> By: Euromoney Awards</p>	 <p><b>Best Equity Fund in Kuwait "Midaf"</b> By: MENA Fund Manager Awards</p>	 <p><b>Research Provider of the Year</b> By: Euromoney Awards</p>	 <p><b>Most Innovative Investment Bank</b> By: Global Finance</p>



# Business Highlights

*Total AUM of KD 979 million at the end 2020*



## Asset Management

GCC Equity Funds, Fixed Income Fund, Others  
**Total AUM of KD 696.6 million**

- Asset management continues to implement Markaz's long term bottom up investment approach along with active liquidity management
- GCC Equities AUM of **KD 503.7 million**
- Markaz Islamic Fund, MIDAF, MUMTAZ and FORSA recorded positive returns in Q3 and Q4 2020. However, returns remain negative on a year to date basis in line with equity market.
- 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 359.4 million**

### MENA Real Estate – AUM of KD 295.0 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 65.7 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 64.4 million

- 6 ongoing US based projects managed through the Mar-Gulf subsidiary
- 6 Europe based projects in Poland, Germany & the Netherlands
- Successfully exited from the six real estate properties out of which five were industrial and one was multifamily apartments, delivering better than expected return to investors
- Invested in five industrial development projects, four in Europe and one in the US



# 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
- Successfully executed a 5 year KD 30 million bond issuance for the National Industries Group Holdings Company
- Successfully executed a 10-year non-callable 5-year KWD 150 million bond issuance for the National Bank of Kuwait
- 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 2020, Marmore published over 50 reports on its research web portal and also published 52 articles on regional economies and businesses

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

# Financials Trend

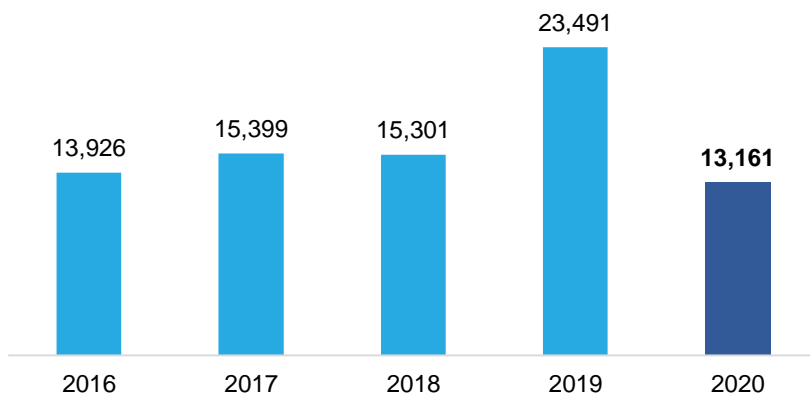
## 2020 Revenues growth on y-o-y basis

- 2020 Total Revenue declined primarily due to the Covid-19 pandemic and its impact on the business especially in the first half of the year and resulting impact on the fair value of investments
- Management Fees & Commissions have declined by 6.5% on y-o-y basis
- Income from Principal Investments declined on y-o-y basis primarily due to loss arising from financial assets at fair value through P&L of KD (2.08) mn as compared to gain of 9.93 mn in 2020
- Net rental income increased by 83% to KD 2.4 mn

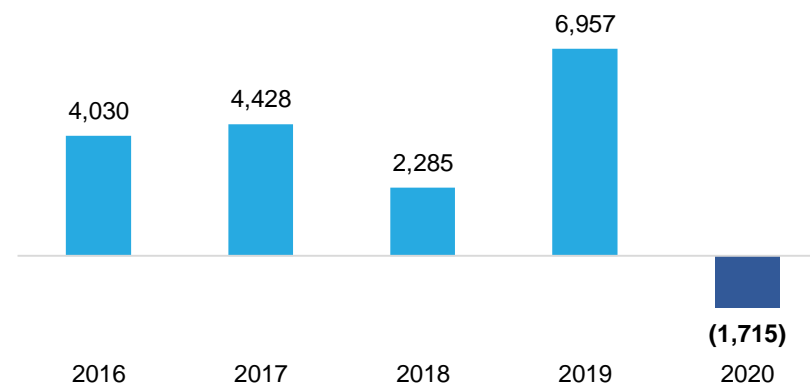
## Net Profit (KD 000's)

- The net profit declined due to decline in revenues and 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 by 11% on y-o-y basis
- 2020 Profitability was impacted due to Loss from fair value of investments of KD (2.08) mn and impairment of investment properties amounting to KD (2.07) mn

## Total Revenue (KD 000's)



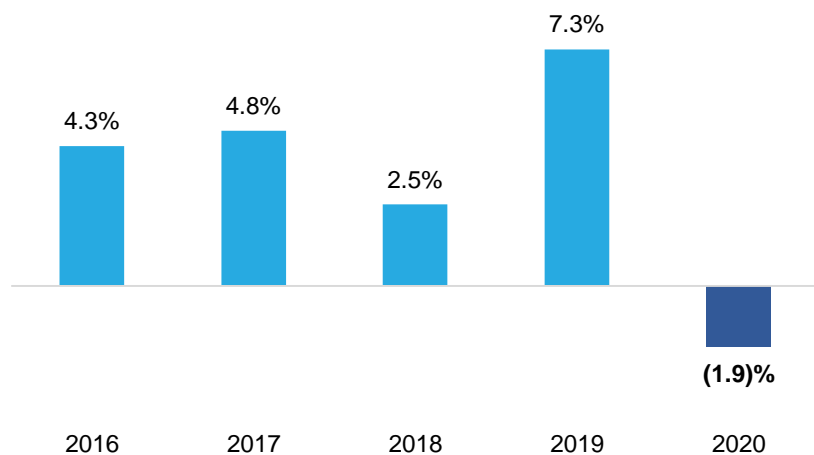
## Net Profit<sup>1</sup> (KD 000's)



# Financials Trend (cont'd)

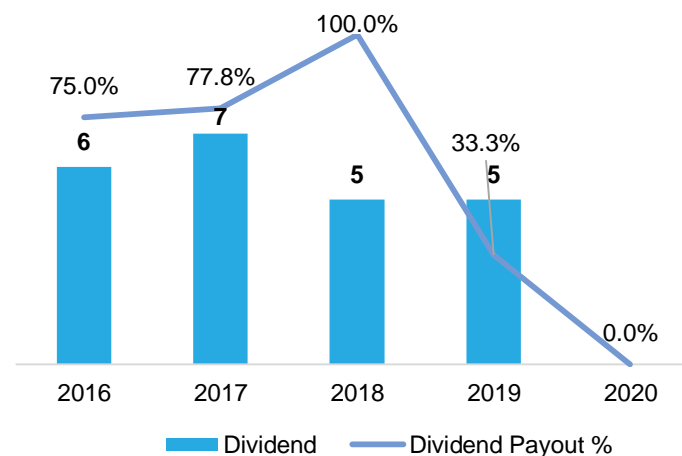
## Return on Equity<sup>1</sup>

- Return on Equity of (1.9)% in 2020 was primarily due to a loss arising from financial assets at fair value through P&L, impairment of investment properties amidst the Covid-19 pandemic



## Dividend per Share and Payout

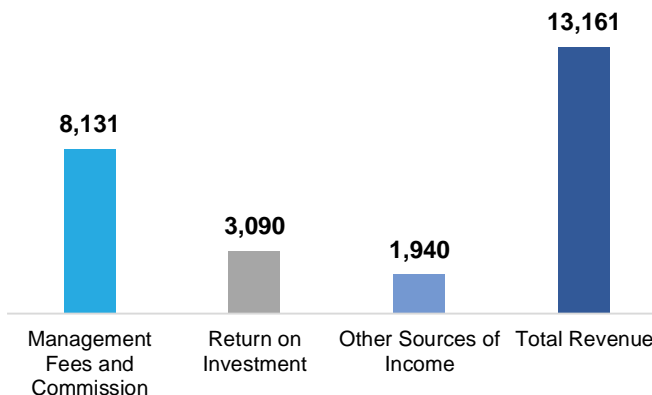
- In view of the ongoing pandemic, the Board of Directors did not propose dividend for the full year ended 31<sup>st</sup> December 2020



# Profit & Loss Key Metrics

(KWD 000's)	Year Ended		Y-o-Y
	2020	2019	Growth (%)
Management Fees and Commission	8,131	8,692	(6.5%)
Interest Income	552	1,022	(46%)
Dividend Income	1,002	1,595	(37%)
(Loss) / Gain from Investments at Fair Value through P/L	(2,077)	9,934	(121%)
Share of results of associate and joint venture	(93)	(141)	(34%)
Gain from investments at Fair Value through OCI	20	0	-
Gain on sale of investment properties	1,258	967	30%
Net Rental Income	2,428	1,329	83%
Other Sources of Income	1,940	93	1,986%
<b>Total Revenue</b>	<b>13,161</b>	<b>23,491</b>	<b>(44%)</b>
<b>Operational Expenses</b>	<b>10,822</b>	<b>12,189</b>	<b>(11%)</b>
<b>EBIT</b>	<b>2,339</b>	<b>11,302</b>	<b>(79%)</b>
<i>Margin (%)</i>	<i>18%</i>	<i>48%</i>	
Impairment of Investment Properties	2,072	1,065	95%
Finance Costs	2,658	2,780	(4%)
Contribution to KFAS, NLST, Zakat	0	340	(100%)
<b>Net (Loss) / Profit</b>	<b>(2,391)</b>	<b>6,942</b>	<b>(134%)</b>
<i>Margin (%)</i>	<i>(18)%</i>	<i>30%</i>	
<b>Net (Loss) / Profit attributable to the owners of Parent Company</b>	<b>(1,715)</b>	<b>6,957</b>	<b>(125%)</b>
Net Loss attributable to Non-Controlling Interests	(676)	(15)	
<b>(Loss) / Earnings Per Share (Fils)</b>	<b>(4)</b>	<b>15</b>	<b>(125%)</b>

## 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

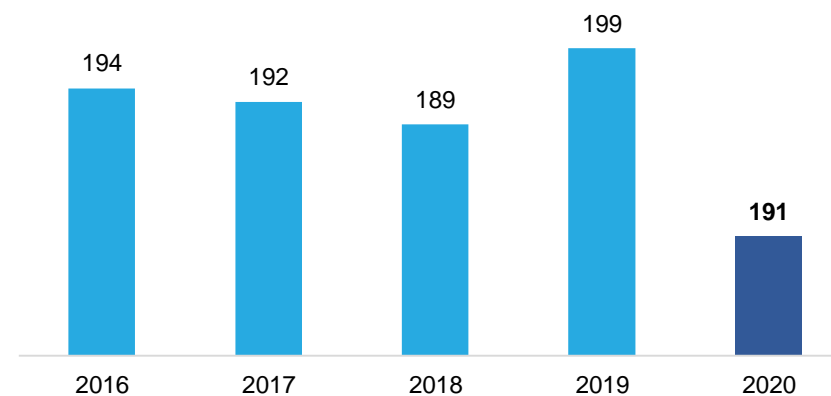
(KWD 000's)	Dec 2020	Sep 2020	Jun 2020	Dec 2019
<b>ASSETS</b>				
Cash and bank balances	9,951	8,634	10,399	4,937
Time deposits	9,483	2,134	127	1,332
Investments at fair value through profit or loss	90,101	96,044	95,773	106,646
Investments at fair value through OCI	410	415	2,071	2,735
Investments carried at amortized cost	4,988	5,255	9,401	9,099
Investment properties	75,401	56,616	52,659	55,256
Accounts receivable and other assets	6,663	7,576	4,778	7,430
Loans to customers	505	450	390	405
Investments in associate and joint venture	3,415	3,551	3,562	3,594
Asset held for sale	-	-	-	7,819
Right of use assets	328	396	464	600
Equipment	928	967	1,033	1,084
<b>Total Assets</b>	<b>202,173</b>	<b>182,038</b>	<b>180,657</b>	<b>200,937</b>
<b>LIABILITIES and EQUITY</b>				
<b>Liabilities</b>				
Due to banks	649	-	495	-
Accounts payable and other liabilities	10,299	11,453	12,399	15,307
Bank borrowings	21,081	34,096	37,425	41,632
Bonds issued	44,350	25,000	25,000	25,000
<b>Total Liabilities</b>	<b>76,379</b>	<b>70,549</b>	<b>75,319</b>	<b>81,939</b>
<b>EQUITY</b>				
Equity attributable to the owners of the Parent Company	91,226	87,501	83,227	95,195
Non-controlling interests	34,568	23,988	22,111	23,803
<b>Total Equity</b>	<b>125,794</b>	<b>111,489</b>	<b>105,338</b>	<b>118,998</b>
<b>Total Liabilities and Equity</b>	<b>202,173</b>	<b>182,038</b>	<b>180,657</b>	<b>200,937</b>

## Asset Under Management

**2020 AUM**  
KD 979 million

**2019 AUM**  
KD 1,143 million

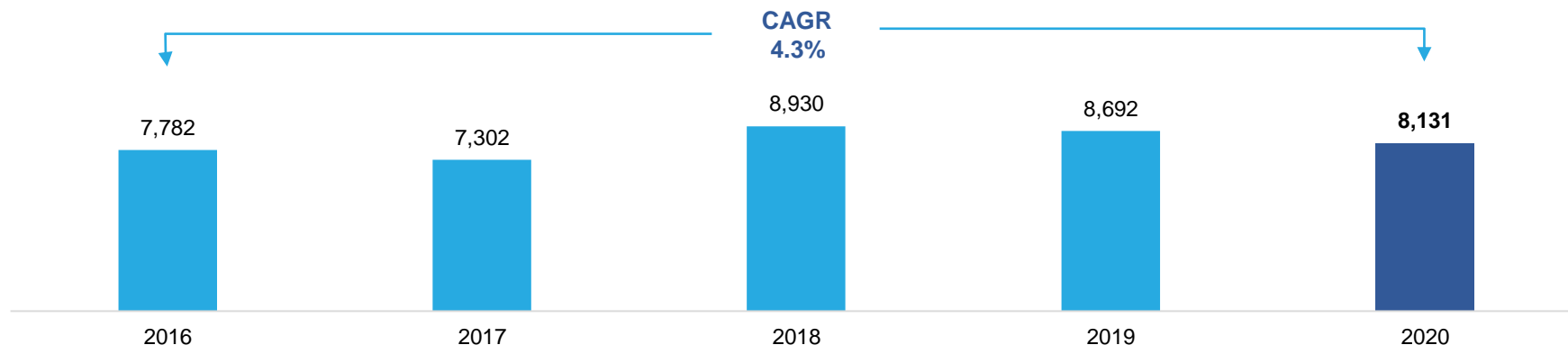
## Book Value per Share (Fils)



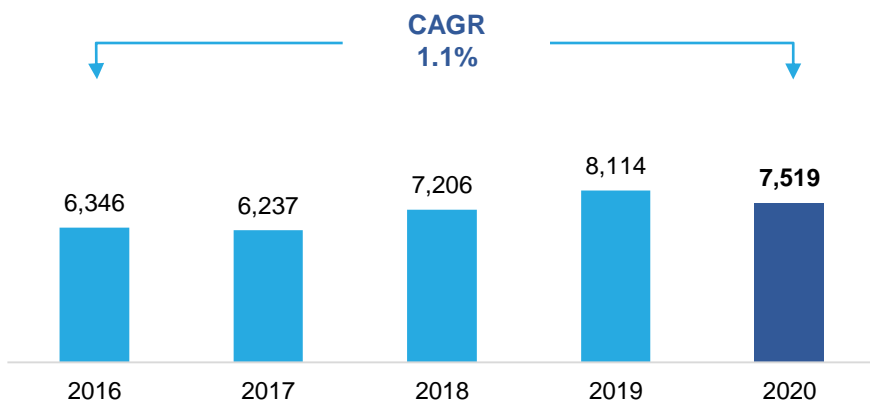
- Book value decreased due to the net decrease in Retained Earnings. Net loss during the year was primarily due to the losses incurred in Q1 2020 due to Covid-19 pandemic

# Asset Management & Investment Banking

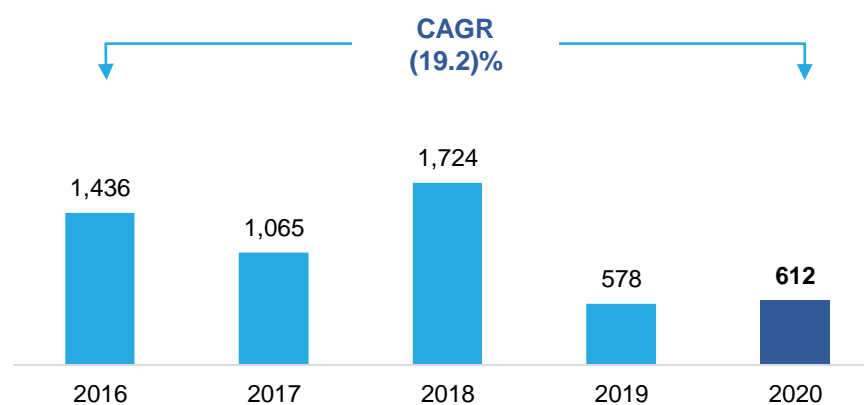
Management Fees & Commission (KD 000's)



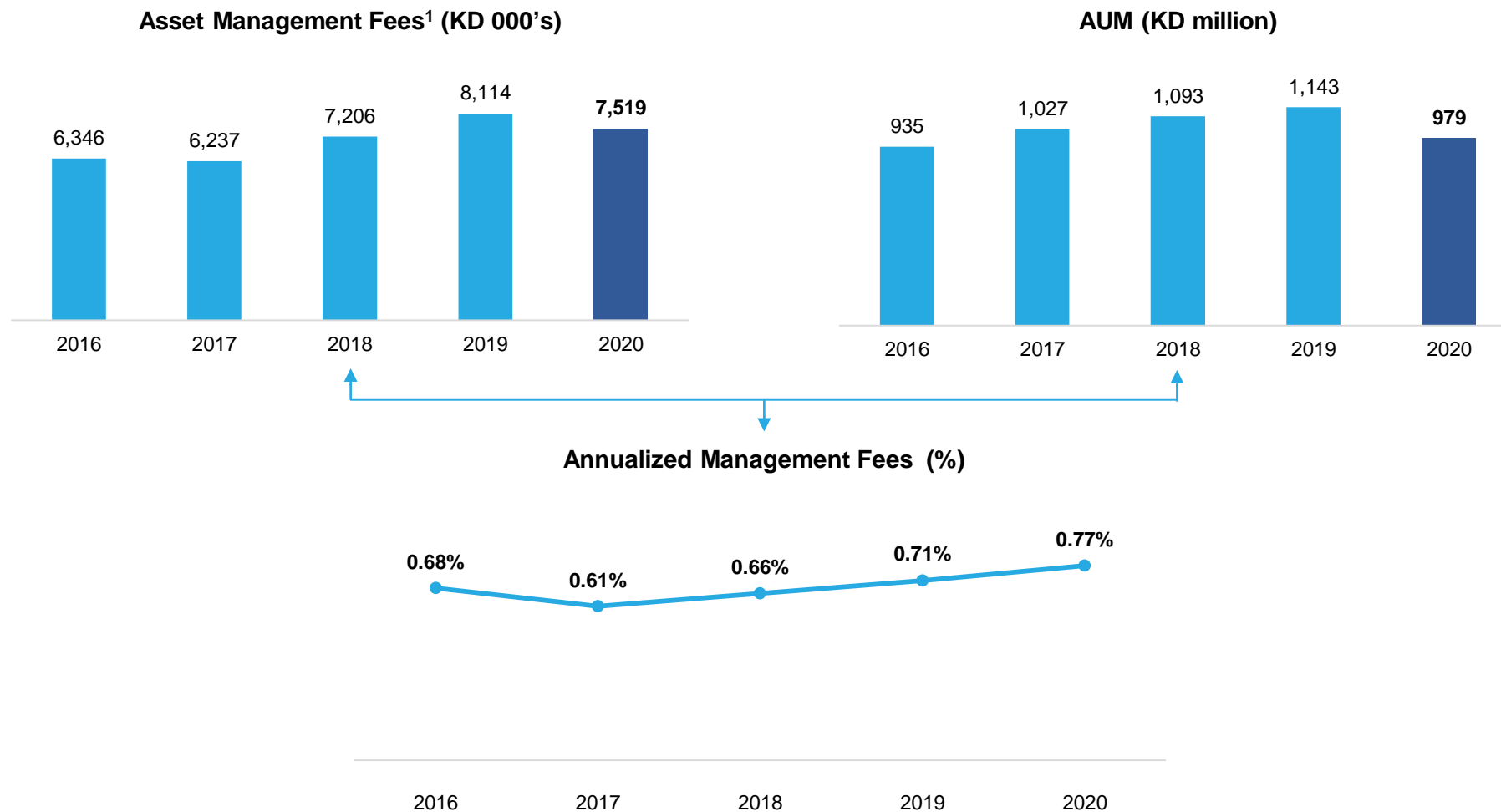
Asset Management Fees<sup>1</sup> (KD 000's)



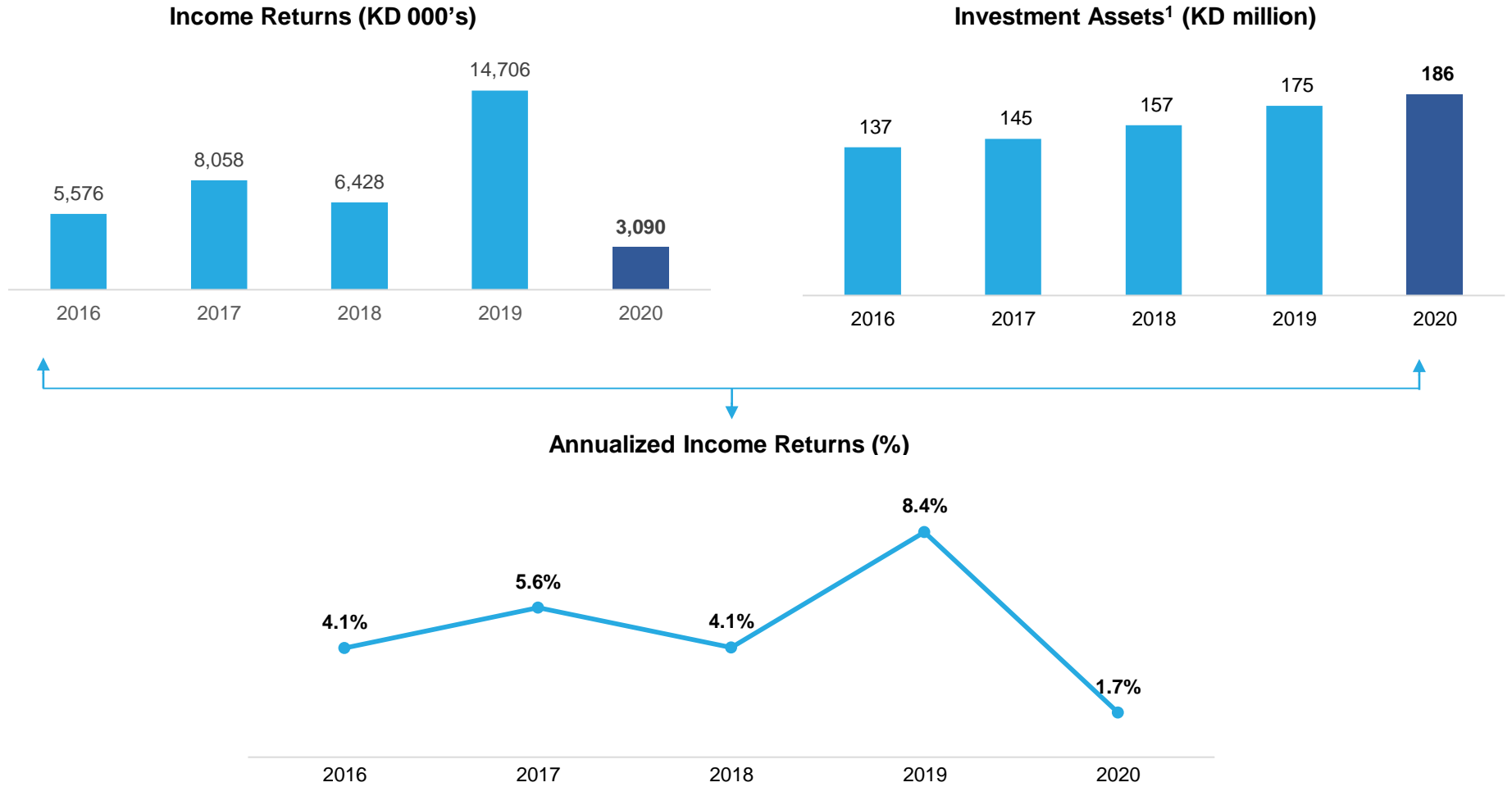
Investment Banking Fees (KD 000's)



# Asset Management Fees Returns



# Return on Principal Investments

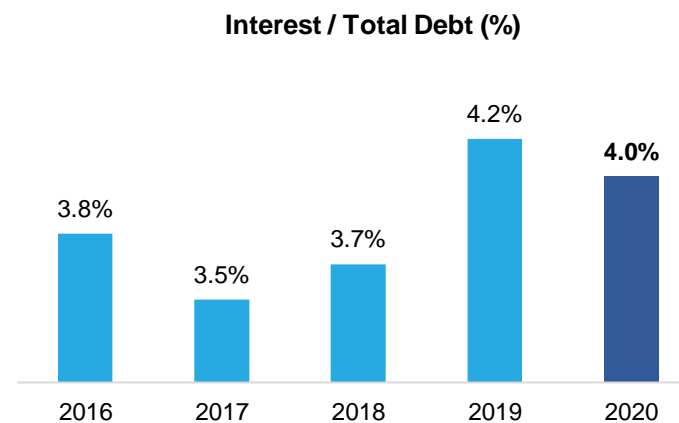
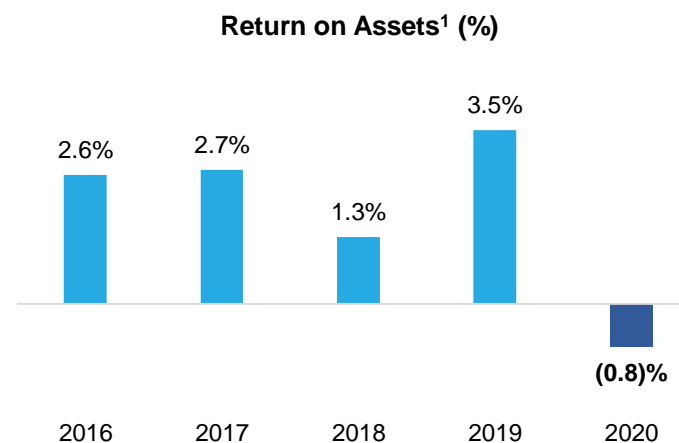




# Capital Structure and Returns

*Markaz Net Debt to Total Equity reduced to 0.37x*

(KD 000's)	Dec 2020	Dec 2019	Dec 2018
Bank borrowings	21,081	41,632	22,565
Due to Banks	649	-	-
Bonds Issued	44,350	25,000	25,000
Total Debt	66,080	66,632	47,565
Cash and Bank Balance	9,951	4,937	4,691
Time Deposits	9,483	1,332	2,565
Total Cash including Time Deposits	19,434	6,269	7,256
<b>Net Debt</b>	<b>46,646</b>	<b>60,363</b>	<b>40,309</b>
<b>Shareholders Equity</b>	<b>91,226</b>	<b>95,195</b>	<b>91,050</b>
<b>Total Equity</b>	<b>125,794</b>	<b>118,998</b>	<b>114,052</b>
<b>Net Debt / Total Equity</b>	<b>0.37x</b>	<b>0.51x</b>	<b>0.35x</b>



# Shareholders Information

*Focused on sustainable value creation for shareholders*

## Major Shareholders

Major Shareholders	Type	% Holding
Kuwait Pillars for Financial Investment	Direct	29.69%
Kuwait Financial Centre K.P.S.C / Clients	Direct	5.68%
Al Mubader Co	Direct	5.13%

## Effective Governance Structure



## Corporate Information

<b>Market Segment Listing</b>	Main Market – Boursa Kuwait (Sec Code: 213)
<b>2020 Dividends</b>	Cash Dividend – Nil
<b>Bonds Issued</b>	KD 44,350,000 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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## Investor Relations Contact



**Deena Yousef Al-Refai**  
SVP - Investor Relations, Wealth Management and Business Development

+965 2224 8000 (Ext. 2503)  
[drefai@markaz.com](mailto:drefai@markaz.com)



**Ravi Gothwal**  
Churchgate Partners

+971 4313 2432  
[markaz@churchgatepartners.com](mailto:markaz@churchgatepartners.com)



**Kuwait Financial Centre K.P.S.C. "Markaz"**

P.O. Box 23444, Safat 13095  
State of Kuwait

Tel: +965 2224 8000

Fax: +965 2242 5828

Email: [info@markaz.com](mailto:info@markaz.com)

[www.markaz.com](http://www.markaz.com)

