



# Earnings Presentation

H1 2023

المركز  
MARKAZ

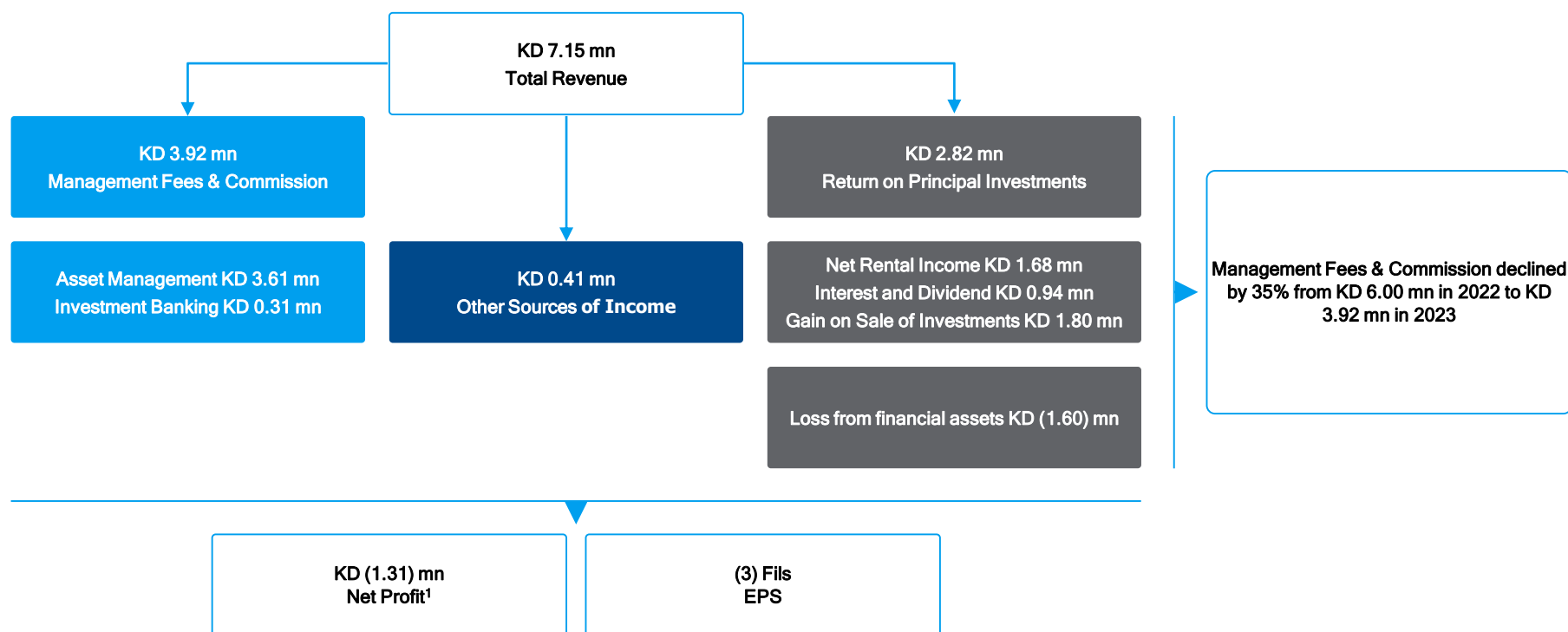
# Discussion Agenda

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# H1 2023 Performance Highlights

Markaz Assets Under Management of KD 1,173 million, an increase of 1% from June 2022

## Profit and Loss Highlights



1. Net loss attributable to the owners of the parent company

# H1 2023 Performance Highlights

*Markaz's AUM at KD 1.17 billion in H1 2023*

*Total Revenues for H1 2023 of KD 7.15 million*

*The management fees and commission have amounted to KD 3.92 million for H1 2023*

**Kuwait, 10 August 2023** - Kuwait Financial Centre “Markaz” (KSE: Markaz, Reuters: MARKZ.KW, Bloomberg: MARKAZ: KK) reported its financial results for H1-2023 ended 30 June 2023 with Total Revenues of KD 7.15 million, a net decline of 38% when compared to KD 9.88 million in H1-2022. The decline is primarily attributable to a loss from financial assets at the fair value of KD 1.59 million as compared to a gain of KD 1.83 million in H1-2022. Markaz reported a Net Profit attributable to shareholders of KD 1.9 million for Q2-2023, and a Net Loss attributable to shareholders of KD 1.31 million for H1-2023.

**Mr. Diraar Yusuf Alghanim, the Chairman stated:** “The outlook for the world economy appears challenged due to persistent inflation, rising interest rates, and continued geopolitical uncertainties. However, the global growth downturn in 2023 is expected to be less severe than originally anticipated, with a projected growth rate of 2.3%, up from the earlier forecast of 1.9% in January (According to UN DESA report issued on June 1, 2023). This is primarily due to improved household expenditure in the United States and the European Union and China's economic recovery. Despite this relatively better outlook, concerns remain around risk-adjusted investment returns, the servicing of corporate debt, and the escalating impact of climate change. Looking ahead, the world economy is expected to gain momentum, expanding by 2.5% in 2024 (according to the aforementioned report), with inflationary pressures gradually easing.

Markaz Asset Management Fees were KD 3.61 million, a decrease of 37.1% compared to H1-2022, while Investment Banking and Advisory fees increased by 19.0%, reaching KD 0.31 million.

During H1- 2023, Markaz launched real estate mezzanine debt investment products. In addition, Markaz substantially sold the residential projects in the UAE. The Net Rental Income for H1-2023 was KD 1.68 million, compared to KD 1.85 million for the same period in the previous year. As of June 30, 2023, Markaz’s Assets under Management (AUM) increased to KD 1,173 million, compared to June 30, 2022.

Despite prevailing economic uncertainties, we maintain an optimistic outlook due to the resilience of our well-diversified portfolio, sustained favorable performance across our investment products, and a robust risk management culture. We remain committed to delivering value to all our stakeholders.”

# Markaz Overview

*One of the leading financial institutions in the region delivering consistent shareholders returns*



## **Leading market position**

As one of the region's leading asset management and investment banking firm, 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 - cornerstone of our success**

A team of 150+ 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 arm - Marmore

**At Markaz, our reputation is our biggest asset. We have been voluntarily operating under strict guidelines long before corporate governance was the norm**









# 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>MENA Investment Bank of the Year/Excellence in Real Estate Investment</b><br/>By: MEED</p> |  <p><b>Best Investment Bank in Kuwait/Best Private Bank in Kuwait</b><br/>By: Global Finance</p> |  <p><b>Best Asset Manager / Best Investment Bank in Kuwait</b><br/>By: EMEA Finance</p> |  <p><b>Best Private Bank In Kuwait</b><br/>By: WealthBriefing</p> |
|  <p><b>Kuwait Wealth Manager of the Year</b><br/>By: Global Investor</p>                          |  <p><b>Middle East's Best for Investment Research</b><br/>By: Euromoney</p>                      |  <p><b>Best Domestic Private Bank</b><br/>By: Euromoney</p>                             |  <p><b>2022 Market Leader</b><br/>By: Euromoney</p>               |



The collage includes the following award logos and certificates:

- MENA Banking Excellence Awards 2023 (twice)
- Best Private Bank Award 2023 (twice)
- ameafinance Middle East Banking Awards 2022
- Euromoney 2022 Market Leaders (four categories: Digital Solutions, Investment Banking, Diversity & Inclusion, CSR)
- WealthBriefing Awards 2022 (MENA Winner: Kuwait Financial Centre "Markaz")
- Best Investment Bank Award 2022
- Global Investor MENA Awards 2022 (Kuwait Wealth Manager of the Year)
- Euromoney Private Banking Kuwait 2023 (Best Domestic Private Bank)
- Euromoney Private Banking Middle East 2023 (Best for Investment Research)
- MENA Performance Awards (Winner: Kuwait Equity)
- Business Achievement Awards Kuwait 2023
- Global Finance Best Investment Bank Award 2023
- SRP Capital IQ Gold Fund Grading
- Lipper Fund Awards 2012 (Gulf)
- Euromoney Awards for Excellence 2014

# Business Highlights

*Total AUM of KD 1,173 million, an increase of 1% from June 2022*



## Asset Management

GCC Equity Funds, Fixed Income Fund, Others:

### Total AUM of KD 812 million

- Asset management continues to implement Markaz's long term bottom up investment approach along with active liquidity management

### GCC Equities AUM of KD 650 million

- Markaz Investment & Development Fund (MIDAF), Markaz Forsa, Markaz Fund for Excellent Yields (MUMTAZ) and GCC Momentum Fund recorded yearly returns of (4.4)%, (3.6)%, (4.9)% and (5.6)% respectively
- 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 361 million

#### MENA Real Estate - AUM of KD 261 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 71 million across 17 properties
- Occupancies and rent growth have been healthy in KSA Riyadh, and recovered greatly in the Eastern province where in H1 2023 first rent increase happened since 2015

#### National Real Estate Portfolio - Real Estate Fund

#### International Real Estate - AUM of KD 100 million

- Markaz has successfully exited from one project during the period, generating strong returns
- In H1 2023, Markaz made its first investment development financing through mezzanine debt, partnering with a well-known international real estate developer

*Note: The difference between total AUM and sum of individual departmental AUM is due to exclusion of certain Group's proprietary assets*



# 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:
- During H1 2023, the investment banking team successfully concluded the first KD denominated Convertible Bonds of total size of KD 9.6 million for Sultan Center Food Products Company (K.S.C.P.)
  - The Investment Banking team has been advising on the merger of two professional services firms, the valuation and potential sale of a prominent healthcare provider, the feasibility of a higher education opportunity for a prominent group and managing the asset structuring and financial restructuring of a leading building materials company amongst others.
  - GCC Investment Banking activity exhibited a favorable trajectory throughout the year and maintained its positive momentum in H1 of 2023. GCC M&A market is observing a transformation in the governance of family-owned private enterprises, potentially involving valuation of different group companies, divestments and overall shift in strategy.
  - The Investment Banking team continues to closely work with our corporate clients and is building a strong deal pipeline for the coming quarters, whether by assisting clients in mergers and acquisitions, restructuring, valuations, or obtaining financing from the capital markets or preparing to go public



## Research

Mena focused Research, Consulting Services:

- Publishes MENA focused research reports and bespoke consulting services for over a decade
- Operates through Marmore, the research arm of Markaz
- Established in 2010, with offices in India
- Reports published in H1 2023 include 'Global & GCC Capital Markets Review', 'Real Estate Outlook reports', 'Impact of Increasing Interest Rates on GCC Banks', 'GCC - An Attractive Emerging Markets Allocation Play'
- In H1 2023, Marmore published over 15 insights and reports on its research web portal providing timely, comprehensive coverage on topics of interest in the GCC region

**Research Themes:** Industry, Economic, Infrastructure, Capital Market and Regulatory research

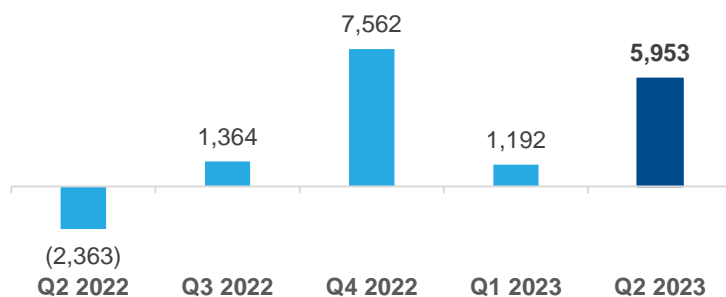
**Consulting Focus:** Industry Market Assessment, White Label Reports, Company Valuation, Due Diligence, C-Suite Support at CXO Level, and Directors Intelligence Support

# Financials Trend

## H1 2023 Revenues growth on y-o-y basis

- Total Revenue decline was primarily due to the reduction of 187% in the Gain from Investments at Fair Value through P/L comparing to H1 2022, further the decline in other source of income of 178%
- Management Fees & Commissions decline by 35% on y-o-y basis
- Income from Principal Investments decreased on y-o-y basis primarily due to the change in fair value of financial assets at fair value through P&L of KD (1.6) mn as compared to gain of 1.8 mn in H1 2022
- Net rental income declined by 9% to KD 1.68 mn

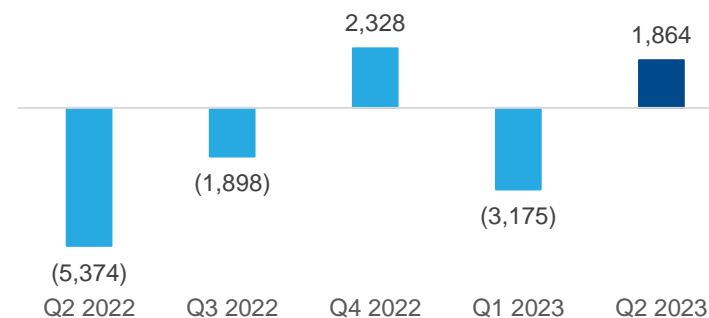
## Total Revenue (KD 000's)



## H1 2023 Net Profit (KD 000's)

- The net profit declined due to decrease in revenues and negative fair value adjustment of financial assets
- H1 2023 profitability is driven due to an increase in Interest Income, Gain from Investments at Fair Value through P/L and Other Sources of Income during Q2 2023

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

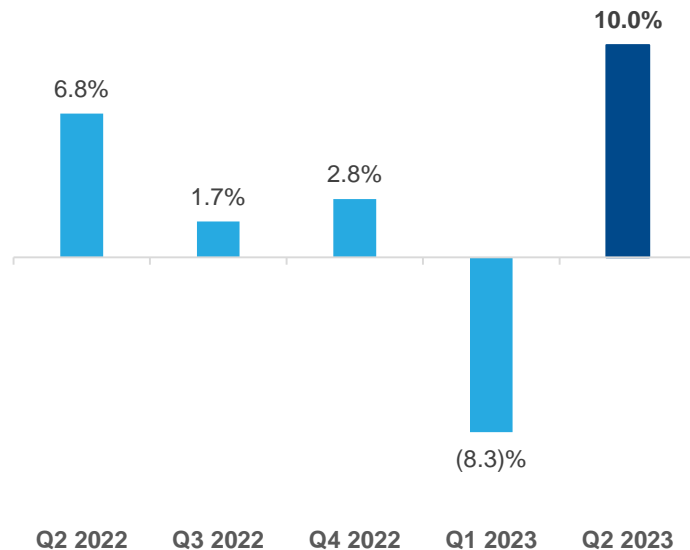


1. Net Profit attributable to the owners of the parent company

# Financials Trend (Cont'd)

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

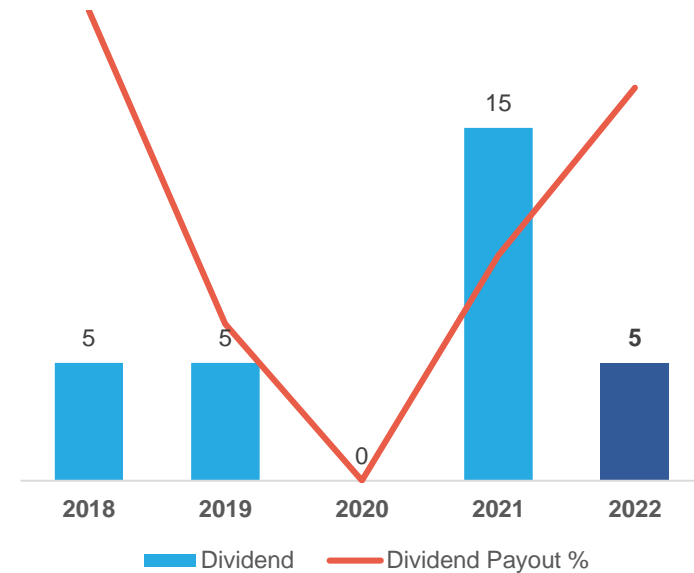
- Return on Equity of 10.0% on LTM basis as it was improved due to an increase in Interest Income, Gain from Investments at Fair Value through P/L and Other Sources of Income during Q2 2023



1. Return on Equity % = LTM Net Profit attributable to the owners of the parent company / shareholder's equity

## Dividend Per Share and Payout

- Board of Directors approved a cash dividend of 5 Fils per share a payout of 83% on the EPS
- In 2023, the AGM had decided a cash dividend of 5 Fils per share for the financial year ended 2022

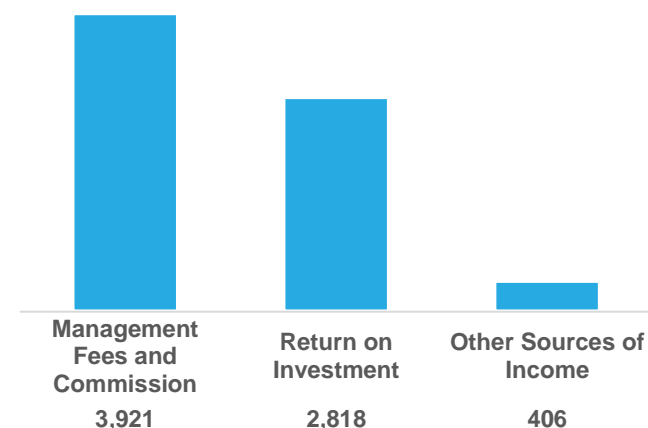


# Profit & Loss Key Metrics

(KWD 000's)

|   | Period Ended   |              | Y-o-Y         |
|---|----------------|--------------|---------------|
|   | H1 2023        | H1 2022      | Growth (%)    |
| Management Fees and Commission  | 3,921          | 6,000        | (35%)         |
| Interest income   | 446            | 203          | 120%          |
| Dividend income   | 495            | 452          | 10%           |
| (Loss)/ Gain from financial assets at fair value through P/L          | (1,594)        | 1,826        | (187%)        |
| (Loss)/ Gain from Investments at Fair Value through OCI               | (8)            | 11           | (173%)        |
| Share of results of associate and joint venture                       | (116)          | (57)         | 104%          |
| Gain on sale of investment properties                                 | 863            | 119          | 625%          |
| Gain on derecognition of subsidiary                                   | 1,057          | -            | N/A           |
| Net rental income   | 1,675          | 1,846        | (9%)          |
| Other sources of income/(loss)  | 406            | (523)        | 178%          |
| <b>Total revenue</b>  | <b>7,145</b>   | <b>9,877</b> | <b>(28%)</b>  |
| <b>Operational expenses</b>   | <b>5,944</b>   | <b>5,814</b> | <b>0%</b>     |
| <b>EBIT</b>   | <b>1,201</b>   | <b>4,063</b> | <b>(68%)</b>  |
| Margin (%)  | 18%            | 41%          |               |
| Finance costs   | 1,840          | 1,155        | 59%           |
| Contribution to KFAS, NLST, Zakat                                     | -              | (127)        | N/A           |
| <b>Net (loss) /profit</b>   | <b>(639)</b>   | <b>2,781</b> | <b>(123%)</b> |
| Margin (%)  | (9)%           | 28%          |               |
| <b>(Loss)/profit attributable to the owners of the parent company</b> | <b>(1,311)</b> | <b>2,431</b> | <b>(154%)</b> |
| <b>Profit attributable to Non-Controlling Interests</b>               | <b>672</b>     | <b>350</b>   | <b>92%</b>    |
| <b>(Loss)/Earnings per share (Fils)</b>                               | <b>(3)</b>     | <b>5</b>     | <b>(154%)</b> |

## H1 2023 Revenue Analysis



### Notes:

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

# Balance Sheet Key Metrics

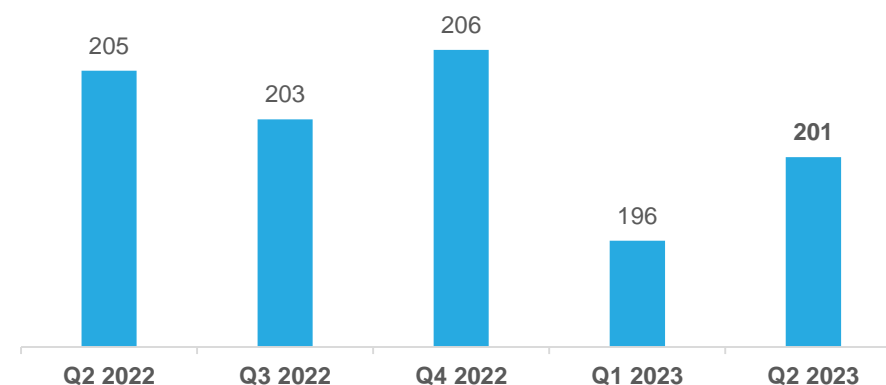
| (KWD 000's)   | June 2023      | Dec 2022       | June 2022      |
|---|----------------|----------------|----------------|
| <b>ASSETS</b>   |                |                |                |
| Cash and bank balances                                  | 8,709          | 15,112         | 7,713          |
| Time deposits   | 1,258          | 2,104          | 2,110          |
| Investments at fair value through profit or loss        | 102,135        | 105,069        | 113,205        |
| Assets held for sale                                    | 27,525         | -              | -              |
| Investments carried at amortized cost                   | 4,042          | 1,976          | 1,146          |
| Investment properties                                   | 25,555         | 72,631         | 75,634         |
| Accounts receivable and other assets                    | 5,322          | 6,136          | 6,643          |
| Loans to customers                                      | 2,642          | 2,709          | 760            |
| Investments in associate and joint venture              | 17,502         | 4,148          | 2,434          |
| Right of use assets                                     | 2,625          | 994            | 1,132          |
| Equipment   | 502            | 587            | 608            |
| <b>Total Assets</b>                                     | <b>197,817</b> | <b>211,466</b> | <b>211,385</b> |
| <b>LIABILITIES and EQUITY</b>                           |                |                |                |
| <b>Liabilities</b>                                      |                |                |                |
| Accounts payable and other liabilities                  | 13,485         | 14,178         | 14,207         |
| Bank borrowings   | 33,156         | 29,015         | 28,767         |
| Bonds issued  | 35,000         | 35,000         | 35,000         |
| <b>Total Liabilities</b>                                | <b>81,641</b>  | <b>78,193</b>  | <b>77,974</b>  |
| <b>EQUITY</b>   |                |                |                |
| Equity attributable to the owners of the Parent Company | 100,608        | 103,593        | 103,015        |
| Non-controlling interests                               | 15,568         | 29,680         | 30,396         |
| <b>Total Equity</b>                                     | <b>116,176</b> | <b>133,273</b> | <b>133,411</b> |
| <b>Total Liabilities and Equity</b>                     | <b>197,817</b> | <b>211,466</b> | <b>211,385</b> |

## Asset Under Management

H1 2023 AUM  
KD 1,173 million

H1 2022 AUM  
KD 1,161 million

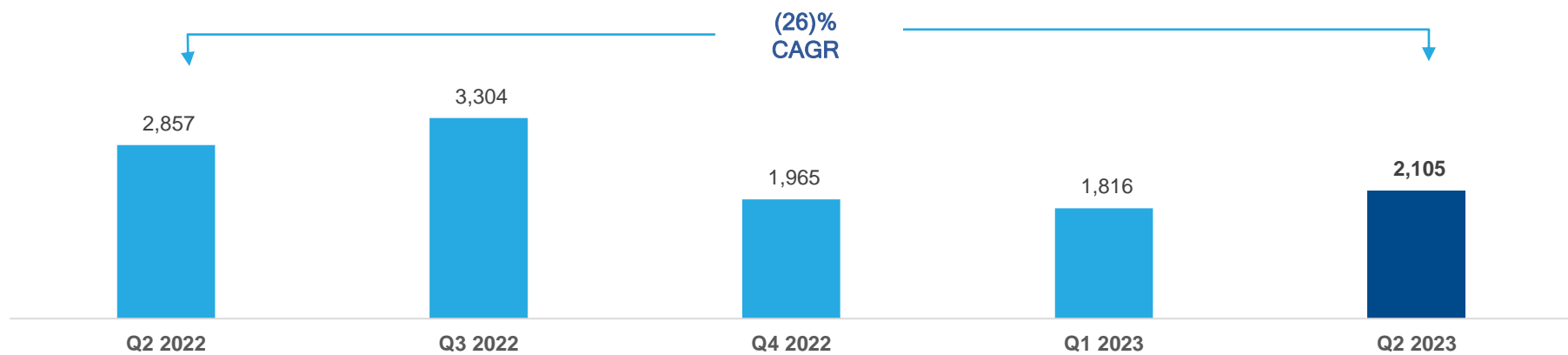
## Book Value per Share (Fils)



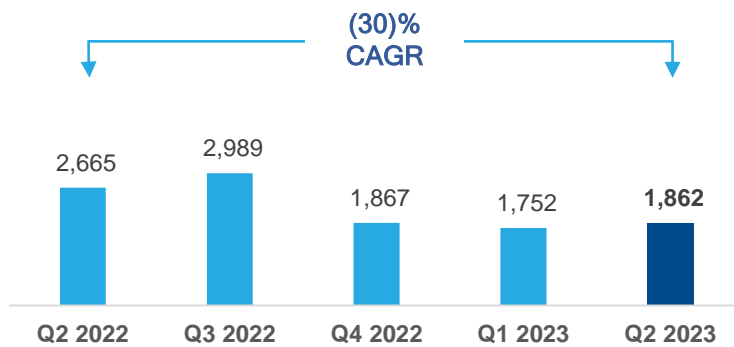
- Book value decrease due to attributable 2022 cash dividend distribution KD 2.51 million and net loss KD 1.31 million sustained during the period

# Asset Management & Investment Banking

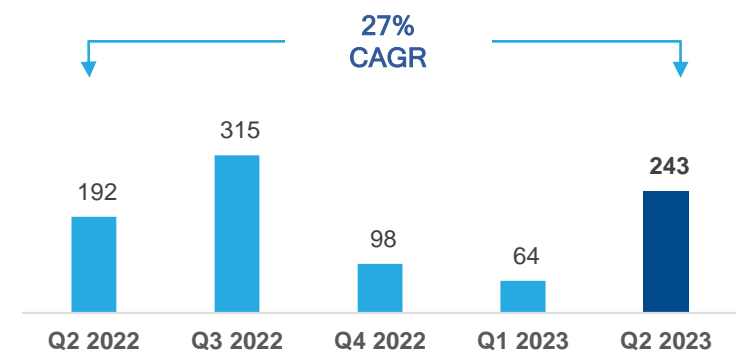
Management Fees & Commission (KD 000's)



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

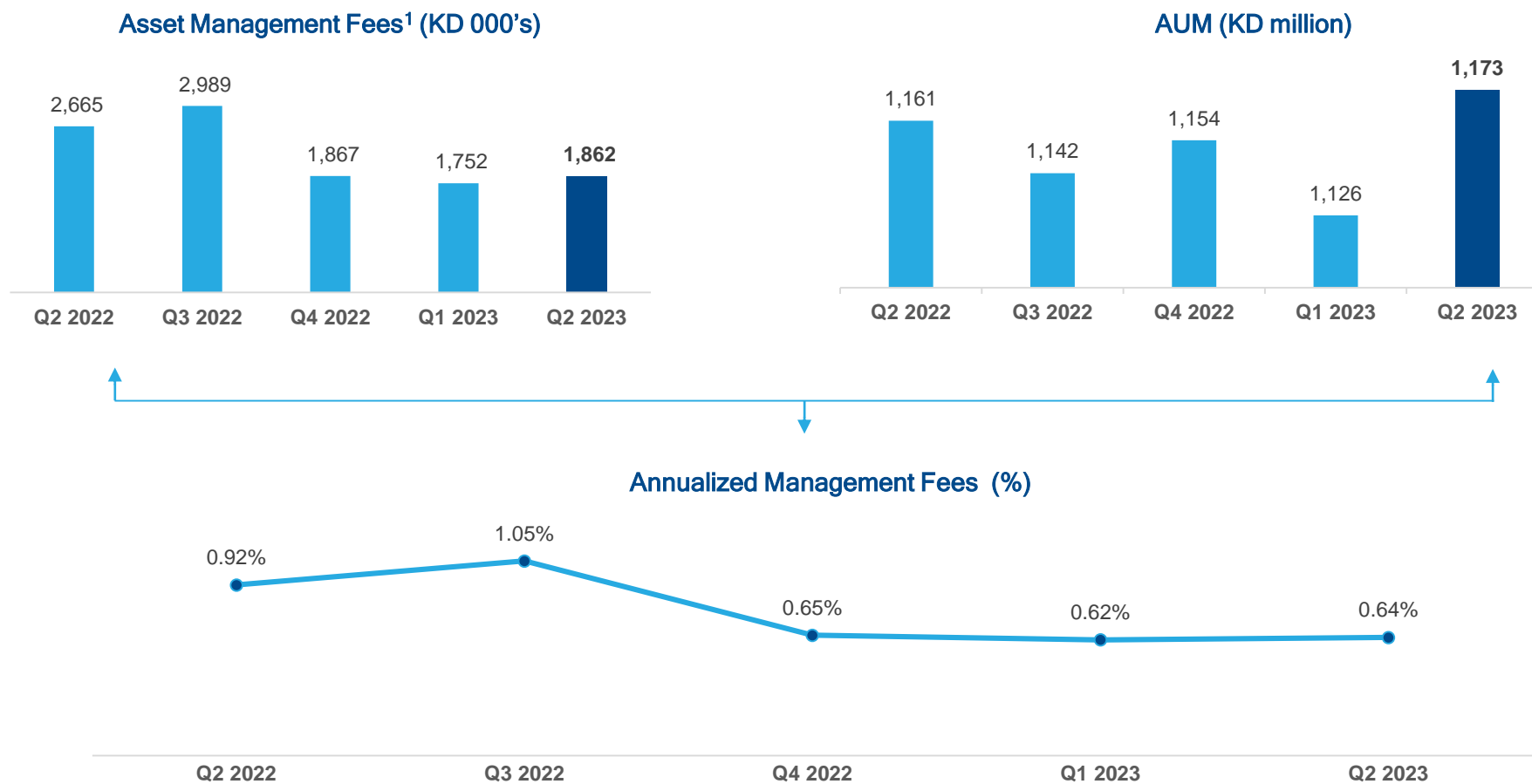


Investment Banking Fees (KD 000's)



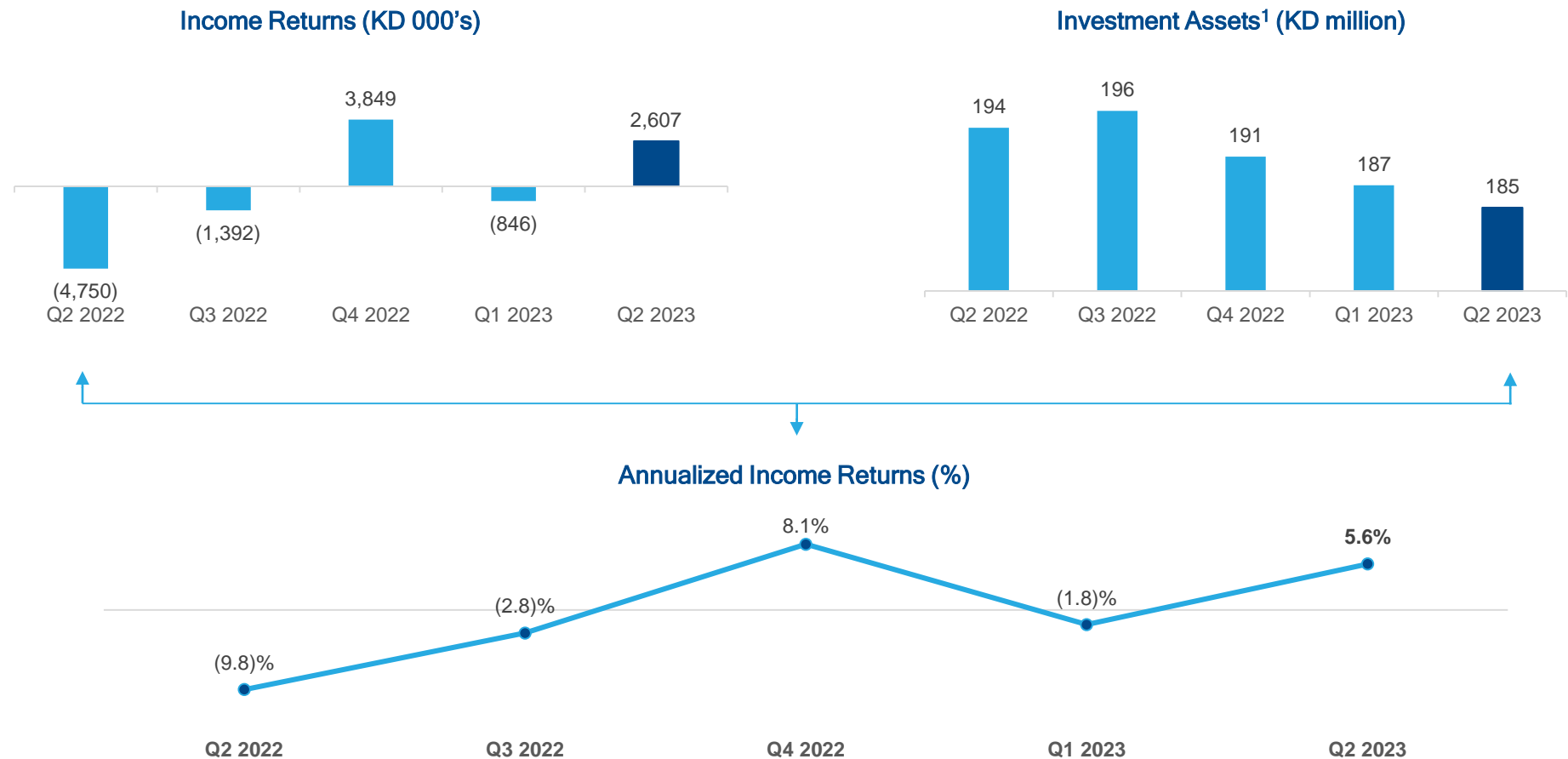
1. Asset Management includes GCC Equity & Fixed Income Funds, Real Estate, International Investments and Private Equity

# Asset Management Fees Returns



1. Asset Management includes GCC Equity & Fixed Income Funds, Real Estate, International Investments and Private Equity

# 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

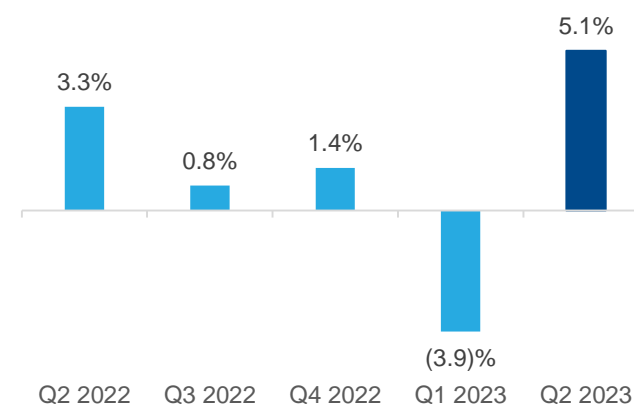


# Capital Structure and Returns

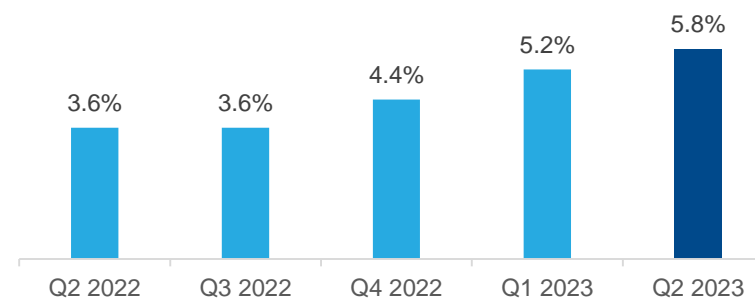
*Markaz Net Debt to Total Equity increased to 0.50x*

| (KD 000's)                         | June 2023      | Dec 2022       | June 2022      |
|------------------------------------|----------------|----------------|----------------|
| Bank borrowings                    | 33,156         | 29,015         | 28,767         |
| Bonds Issued                       | 35,000         | 35,000         | 35,000         |
| Total Debt                         | 68,156         | 64,015         | 63,767         |
| Cash and Bank Balance              | 8,709          | 15,112         | 7,713          |
| Time Deposits                      | 1,258          | 2,104          | 2,110          |
| Total Cash including Time Deposits | 9,967          | 17,216         | 9,823          |
| <b>Net Debt</b>                    | <b>58,189</b>  | <b>46,799</b>  | <b>53,944</b>  |
| <b>Shareholders Equity</b>         | <b>100,608</b> | <b>103,593</b> | <b>103,015</b> |
| <b>Total Equity</b>                | <b>116,176</b> | <b>133,273</b> | <b>133,411</b> |
| <b>Net Debt / Total Equity</b>     | <b>0.50x</b>   | <b>0.35x</b>   | <b>0.40x</b>   |

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



Interest / Total Debt (%)



1. Return on Assets (%) = LTM Net profit attributable to the owners of the parent company / Total Assets

# Shareholders Information

*Focused on sustainable value creation for shareholders*

## Major Shareholders

| Major Shareholders                      | Type   | % Holding |
|---|--------|-----------|
| Kuwait Pillars for Financial Investment | Direct | 29.70%    |
| Al Mubader Co                           | Direct | 5.13%     |

## Effective Governance Structure



## Corporate Information

|                           |  |
|---------------------------|--|
| Market Segment Listing    | Main Market - Boursa Kuwait (Sec Code: 213)                                    |
| 2022 Proposed Dividends   | Cash Dividend - 5 Fils Per Share   |
| Bonds Issued              | KD 35,000,000 unsecured debenture bonds  |
| No. of shares outstanding | 501,530,799 shares   |
| Authorized share capital  | KWD 60,000,000   |
| Issued share capital      | KWD 50,484,183.4   |
| Auditors                  | Grant Thornton (Al-Qatami, Al-Aiban & Partners) and Deloitte (Al-Wazzan & Co.) |
| Company website           | <a href="https://www.markaz.com/">https://www.markaz.com/</a>                  |

# Disclaimer

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# Thank you.



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