

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

Earnings Presentation

H1 2019



Asset Management | Investment Banking

Discussion Agenda

H1 2019 Performance Highlights	3
Markaz Overview	6
Business and Financial Highlights.....	9
Shareholders Information	19

H1 2019 Performance Highlights

Markaz Assets Under Management of KD 1.11 billion

Profit and Loss Highlights

KD 12.47 mn
Growth: 42.0%
Total Revenue

KD 8.47 mn
Growth: 87.8%
Return on Principal Investments

KD 4.00 mn
Growth: (6.0)%
Management Fees & Commission

KD 3.68 mn
Growth: 1.0 %
Asset Management

KD 0.32 mn
Growth: (46.9)%
Investment Banking

KD 4.82 mn
Margin: 38.6%
Net Profit¹

10 Fils
Growth: 100%
EPS

Balance Sheet Highlights

Total AUM
KD 1.11 billion - Growth: 9% y-o-y

Net Debt/ Total Equity of 0.50x

Return on Equity² of 4.8%

Asset Management Fees Return of 0.63%

Return on Principal Investments of 9.3%

2018 Cash dividend of 5 Fils per share; payout of 100.0%
2017 Cash dividend of 7 Fils per share; payout of 77.8%

H1 2019 Performance Highlights

Commenting on the performance, Mr. Manaf A. Alhajeri, CEO of Markaz said:

"I am pleased to announce that Markaz has delivered 42% growth in Total Revenue along with a 9% increase in Asset Under Management on a year on year basis. This growth was primarily driven by gains from investments measured at fair value through profit or loss amounting to KD 6.67 million.

Markaz continues to drive growth across its investment businesses with income from total investments up by 87.8% to KD 8.47 million. Furthermore, return on total investments approached 9.35% on an annualized basis. Given the transactional nature of mergers and acquisitions, our Investment Banking fees were KD 0.32 million, lower compared to same period last year but our pipeline remains robust. AUM at the end of the period was KD 1.11 billion, registering a growth of 9% y-o-y.

During H1 2019, GCC markets delivered strong YTD performances driven by international capital inflows despite heightened geopolitical tensions, the US-China trade war and broader concerns over global economic growth. During Q2 2019, the S&P GCC benchmark delivered a positive performance of 2.27% with Kuwait being the best performing market in the region. On a year to date basis, the Kuwait All Share price Index gained 14.8% being supported by the much awaited upgrade of Kuwait's status from Frontier Market to Emerging Market by MSCI. Saudi Arabia was the second best performing market in the region as Tadawul All Share Index (TASI) recorded gain of 12.7%. In the UAE, DFM General Index and Abu Dhabi Securities Exchange General (Main) Index recorded gains of 5.1% and 1.3% respectively."

Markaz Fund for Excellent Yields (MUMTAZ) provided investors with returns of 15.0% YTD outperforming the Kuwait All Share Index. Markaz's other equity funds also delivered strong growth with Forsa Fund, MIDAF, Markaz Islamic Fund generating gains of 17.7%, 14.5%, and 12.5% respectively.

On YTD basis, Markaz Fixed Income return outperformed the benchmark return.

In contrast to the equity market, real estate across the region particularly in the UAE remains relatively weak with lower real estate rental rates and sale values. Despite these challenging market conditions, Markaz MENA real estate team was able to maintain occupancy levels of 95% across its portfolio in Kuwait, UAE and KSA. Markaz real estate fund (MREF) delivered positive returns of 1.9% on a YTD basis. Looking forward, the real estate sector is expected to remain under pressure due to the overall soft economic environment. With this backdrop in mind, the Markaz MENA real estate team continues to actively manage our portfolios and implement cost saving initiatives such as in-house property management to enhance operational efficiency and improve profitability. The team is also evaluating the launch of a program focused on identifying and acquiring select distressed assets.

International commercial real estate continued its positive trend in Q2 2019 with property prices marginally increasing by approximately 0.5% (CPPI) and the NAREIT index increasing by 1.8% during the quarter. The industrial sector was the best performing asset class with property values increasing by 5% underpinned by higher rentals. Our international real estate team has started construction of two new industrial development projects in the Ridgefield (US) and Wroclaw (Poland), both of which are progressing in line with our expectations. We continue to seek new development transactions however we are becoming increasingly selective given the demand and supply dynamics and the resulting pricing environment.

H1 2019 Performance Highlights (cont'd)

From an investment banking perspective, the Kuwait market started Q2 2019 with the announcement of several transactions across various industry sectors. Our advisory team has developed a strong pipeline of corporate transactions reflecting the quality of our advice and execution capabilities. We expect some of these existing mandates to close in second half of this year. Our capital markets team successfully completed a rights issue for KD 18 million for United Projects Company for Aviation Services (“UPAC”) and are currently working on the two debt issuances, which are likely to be completed in the coming quarters.

Global markets ended on a positive note at H1 2019 although concerns about earnings growth and geopolitical risks continue to impact investor sentiment. Central Bank policies across major economies will continue to play an important role in shaping capital flows. All of our business areas are attuned to these factors and have positioned themselves accordingly to deliver sustainable financial performance. Markaz is one of the leading wealth management and investment banking financial institutions in the region that has gained the trust and loyalty of its clients over the last 40 years.”

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



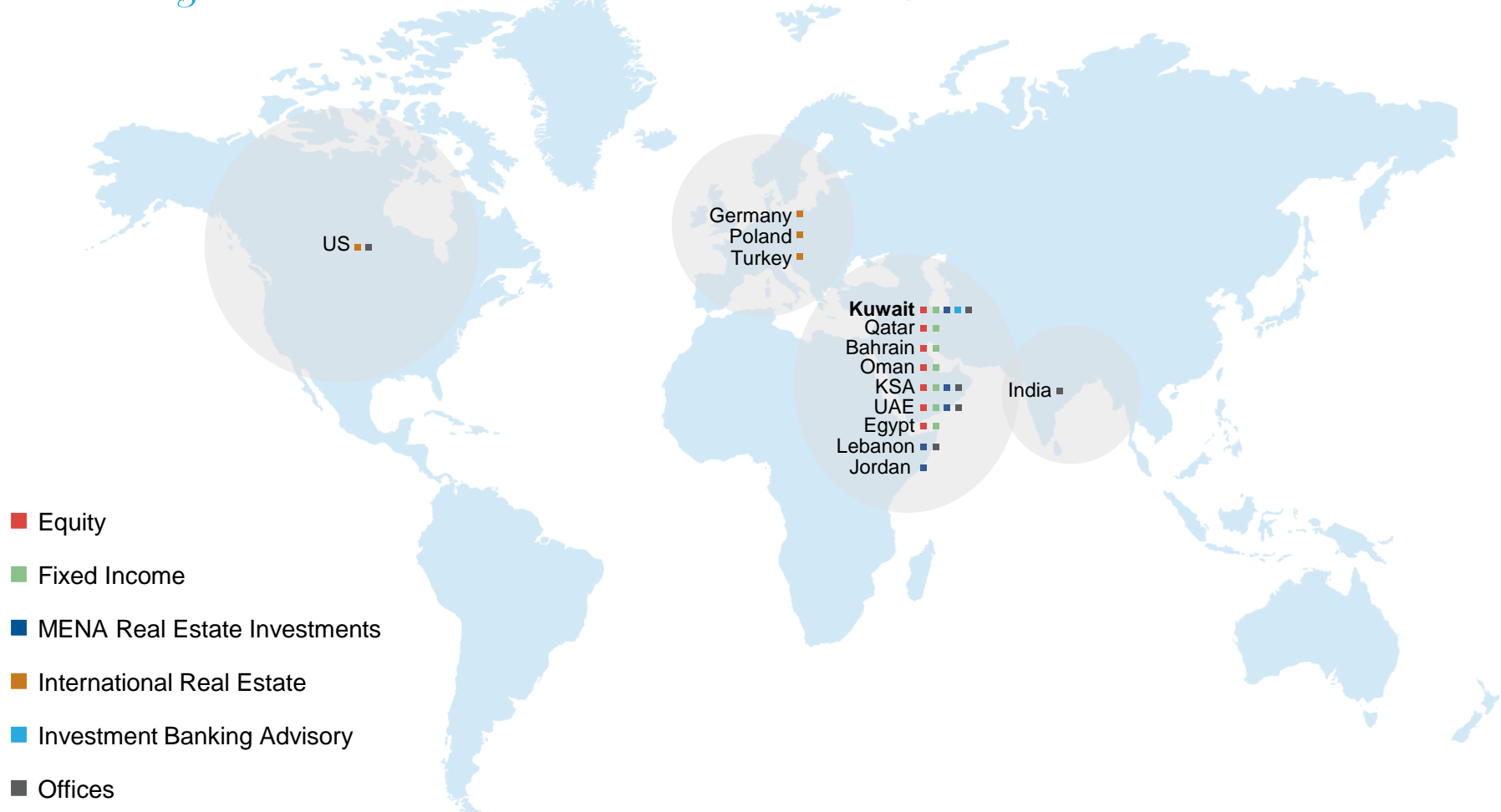
Our Team, the cornerstone of our success

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



Business Highlights

Total AUM of KD 1.11 billion, an increase of 9% from June 2018



Asset Management

GCC Equity Funds, Fixed Income Fund, Others
Total AUM of KD 733.7 million

- Asset management continues to implement Markaz's long term bottom up investment approach along with active liquidity management
- GCC Equities AUM of KD 578.3 million.
- MUMTAZ, MIDAF, FORSA and Markaz Islamic Fund outperformed their peers with returns of 15.0%, 14.5%, 17.7% and 12.5% on YTD basis respectively
- Markaz Fixed Income Fund outperformed the benchmark index on YTD basis

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 378.4 million

MENA Real Estate – AUM of KD 320.5 million

- Markaz Real Estate Fund, AUM KD 77 m, distributing monthly cash dividend of 5.2% on NAV, achieving 7.2% annual return since inception in 2003
- Managing a KD 250 million part of the National Real Estate Portfolio
- Private development portfolios in Dubai, Abu Dhabi, Riyadh, Khobar
- Private income generating fund across the GCC

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

International Real Estate – AUM of KD 57.9 million

- 6 ongoing US based projects managed through the Mar-Gulf subsidiary
- 3 Europe based on going projects
- During the last quarter, invested in two new industrial development projects located in Ridgefield, WA (USA) and Wroclaw, PL (Poland)
- 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 up to June 2019 of over KD 1.38 billion across the GCC market
- Markaz investment banking team continues to successfully execute and advise on high profile transactions
- Markaz Capital Markets team completed the first listing of the year on Bursa Kuwait for Al-Manar Finance and Leasing Company during February 2019
- The team successfully completed United Projects Company for Aviation Services ("UPAC") rights issue with total of KD 18 mn
- Capital Markets team is working on two debt issuances, the projects are estimated to be completed by Q4 2019



Research

Mena focused Research, Consulting Services

- Markaz" launched a special publication titled "Souq Al-Manakh and Five Other GCC Crises last month". 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

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

Financials Trend

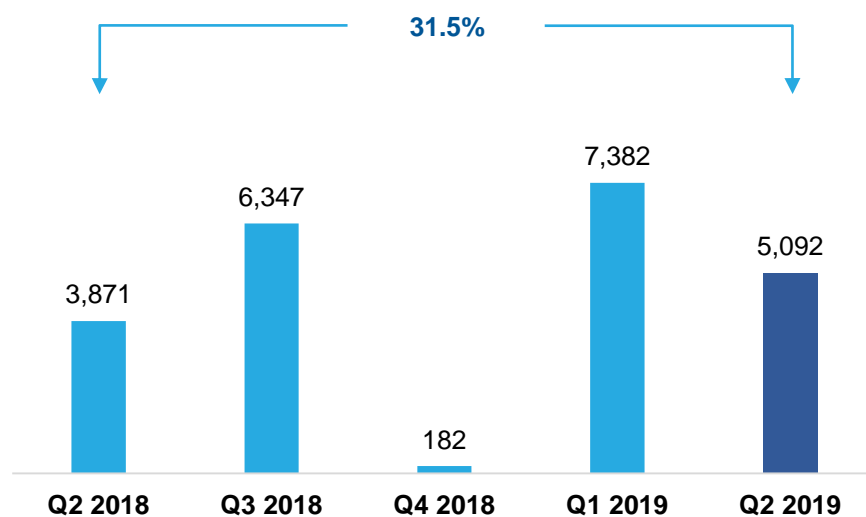
H1 2019 Revenues growth on y-o-y basis

- Driven by a growth of 121% from Gain on Investments at Fair Value through P&L
- Management Fees & Commissions contributed 32.1 % of Total Revenue
- Income from Principal Investments contributed 67.9 % of Total Revenue and increased by 87.8%

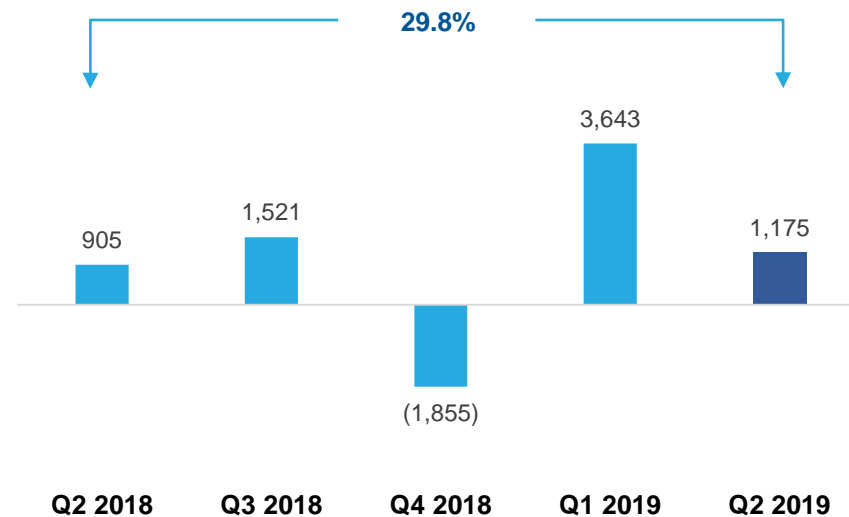
H1 2019 EBIT (KD 000's)

- There was a significant growth of 69.6% in EBIT on y-o-y basis

Total Revenue (KD 000's)



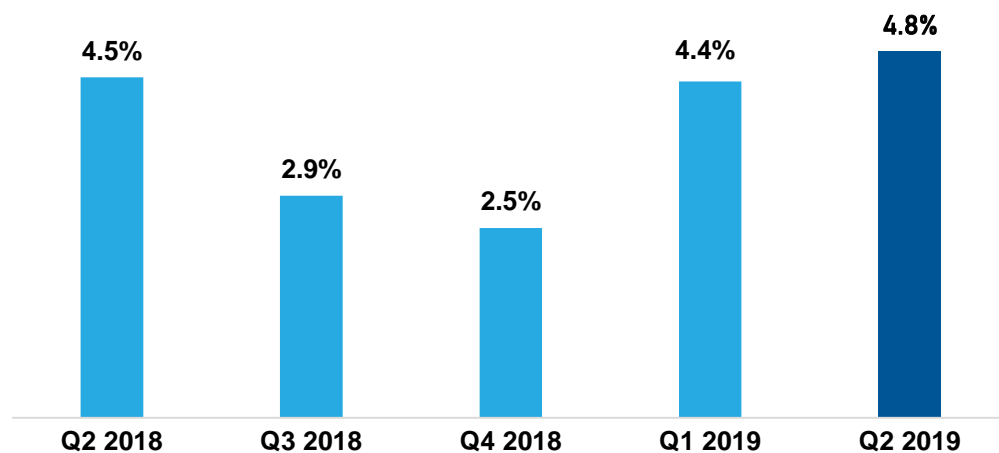
Net Profit¹ (KD 000's)



Financials Trend (cont'd)

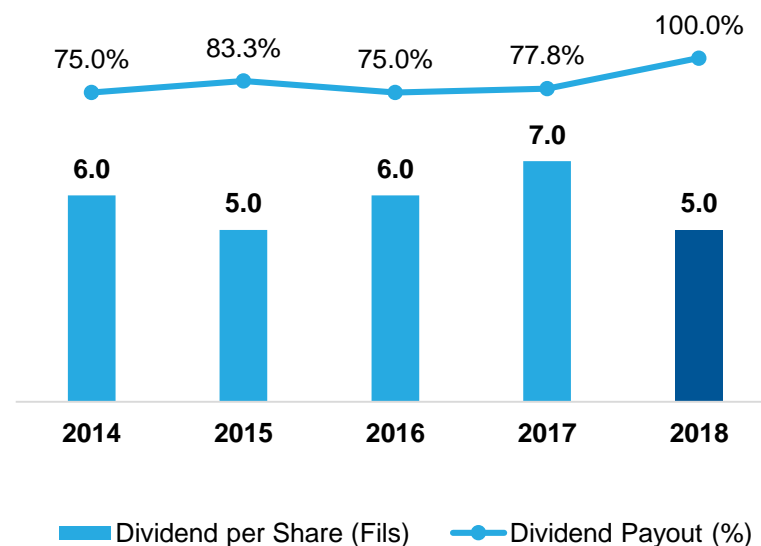
LTM Return on Equity¹

- Return on Equity of 4.8% on LTM basis increased by 7% comparing with Q2 2018



Dividend per Share and Payout

- Consistent dividend payouts with an incremental 22.2% increase in 2018 payout ratio over last year

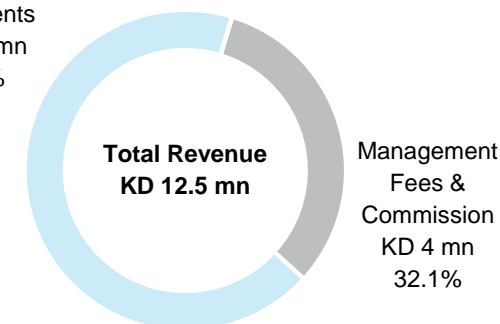


Profit & Loss Key Metrics

(KWD 000's)	Q 2		Y-o-Y	H 1		Y-o-Y
	2019	2018	Growth (%)	2019	2018	Growth (%)
Management Fees and Commission	2,089	2,163	(3%)	4000	4,264	(6%)
Interest Income	155	134	16%	306	282	9%
Dividend Income	475	312	52%	883	688	28%
Gain from Investments at Fair Value through P/L	2,314	668	246%	6,670	3,018	121%
Gain from Investments at Fair Value through OCI	0	0	nm	-	5	(100%)
Share of results of associate and joint venture	(20)	3	nm	(52)	(32)	63%
Gain on liquidation of Subsidiaries	0	309	nm	0	309	nm
Gain on sale of investment properties	0	0	nm	299	-	nm
Net Rental Income	190	119	60%	365	215	70%
Other Sources of Income/(Loss)	(111)	163	nm	3	23	(87%)
Total Revenue	5,092	3,871	32%	12,474	8,772	42%
Operational Expenses	2,967	2,327	28%	5,622	4,733	19%
EBIT	2,125	1,544	38%	6,852	4,039	70%
Margin (%)	42%	40%		55%	46%	
Financial Cost	729	434	68%	1,222	866	41%
Contribution to KFAS, NLST, Zakat	57	45	27%	228	126	81%
Net Profit	1,376	1,065	29%	5,439	3,047	78%
Margin (%)	27%	28%		44%	35%	
Net Profit attributable to the owners of Parent Company	1,175	905	30%	4,818	2,619	84%
Net Profit attributable to Non-Controlling Interests	201	160.0		621	428	
Earnings Per Share (Fils)	2	2	-	10	5	100%

H1 2019 Income Analysis

Return on Principal Investments
KD 8.5 mn
67.9%



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

Return on Principal Investments

Balance Sheet Key Metrics

(KWD 000's)	Jun 2019	Mar 2019	Dec 2018	Sep 2018
ASSETS				
Cash and Bank balances	7,319	7,466	4,691	6,036
Time Deposits	1,387	1,662	2,565	1,768
Investments at fair value through profit or loss	108,304	97,541	92,674	96,051
Debt instruments at fair value through profit or loss	422	427	427	428
Investments carried at amortized cost	4,951	4,967	6,998	5,000
Investment Properties	63,518	61,794	56,830	53,666
Accounts receivable and other assets	5,100	4,874	3,503	4,230
Loans to Customers	301	278	304	304
Investments in Associate and Joint Venture	3,679	3,696	3,651	3,569
Right of Use Assets	739	807	0	0
Equipment	1,033	856	878	538
Total Assets	196,753	184,368	172,521	171,590
LIABILITIES and EQUITY				
Liabilities				
Due to bank and other financial institutions	996	0	0	0
Accounts Payable and other liabilities	12,257	15,420	10,904	9,940
Bank Borrowings	41,246	25,708	22,565	20,483
Bonds Issued	25,000	25,000	25,000	25,000
Total Liabilities	79,499	66,128	58,469	55,423
EQUITY				
Equity attributable to the owners of the Parent Company	93,454	94,803	91,050	93,243
Non-controlling Interests	23,800	23,437	23,002	22,924
Total Equity	117,254	118,240	114,052	116,167
Total Liabilities and Equity	196,753	184,368	172,521	171,590

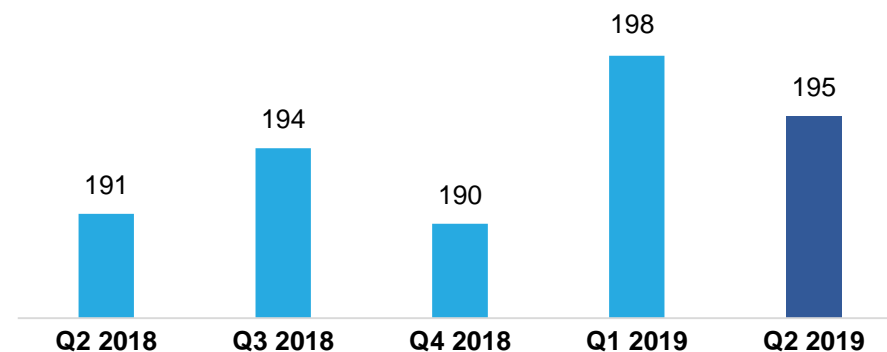
■ Investments

Asset Under Management

H1 2019 AUM
KD 1.11 billion

H1 2018 AUM
KD 1.02 billion

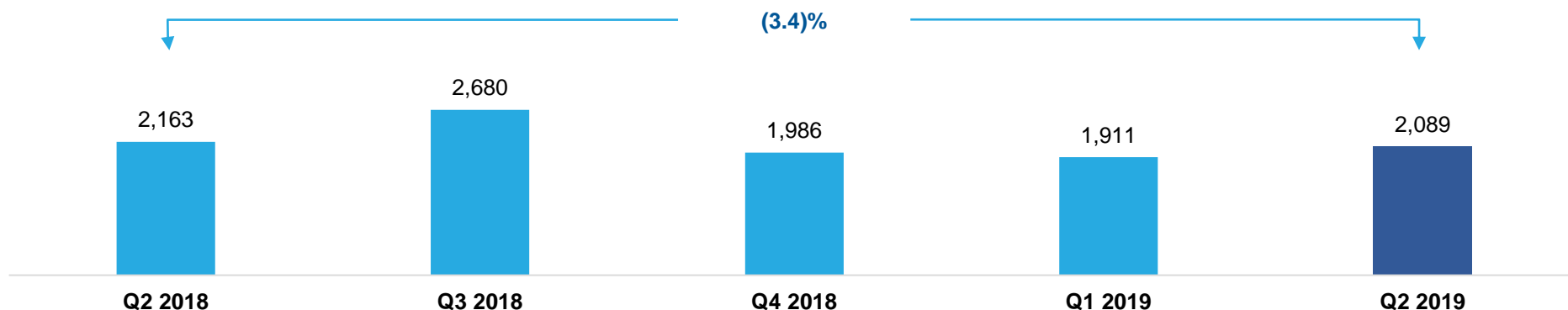
Book Value per Share (Fils)



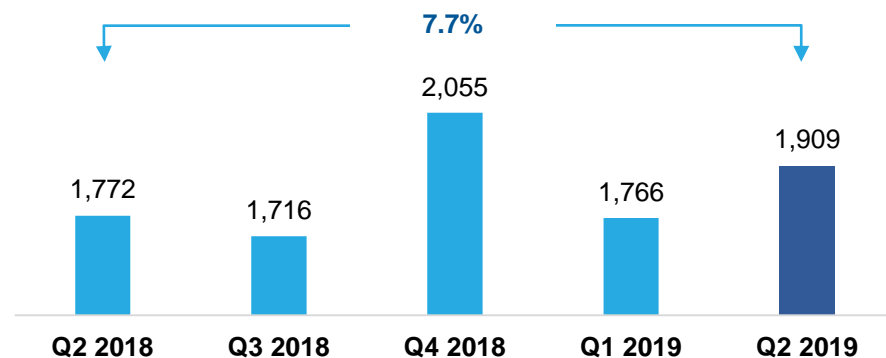
- Book value decreased by 3 Fils per share due to the net decrease in Retained Earnings by KD 1.02 mn from 31 Mar 2019 mainly due to dividends payments

Asset Management & Investment Banking

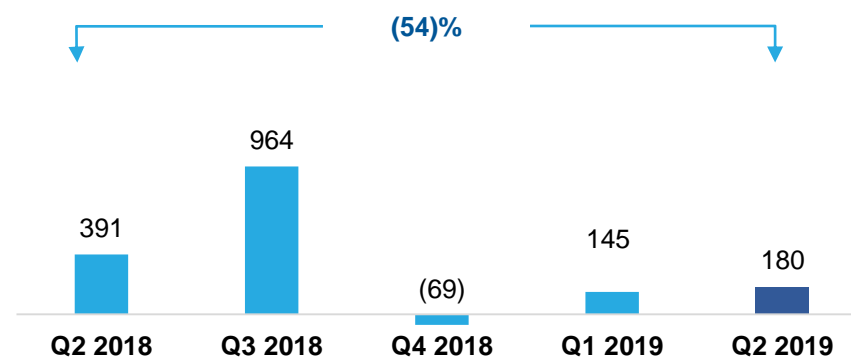
Management Fees & Commission (KD 000's)



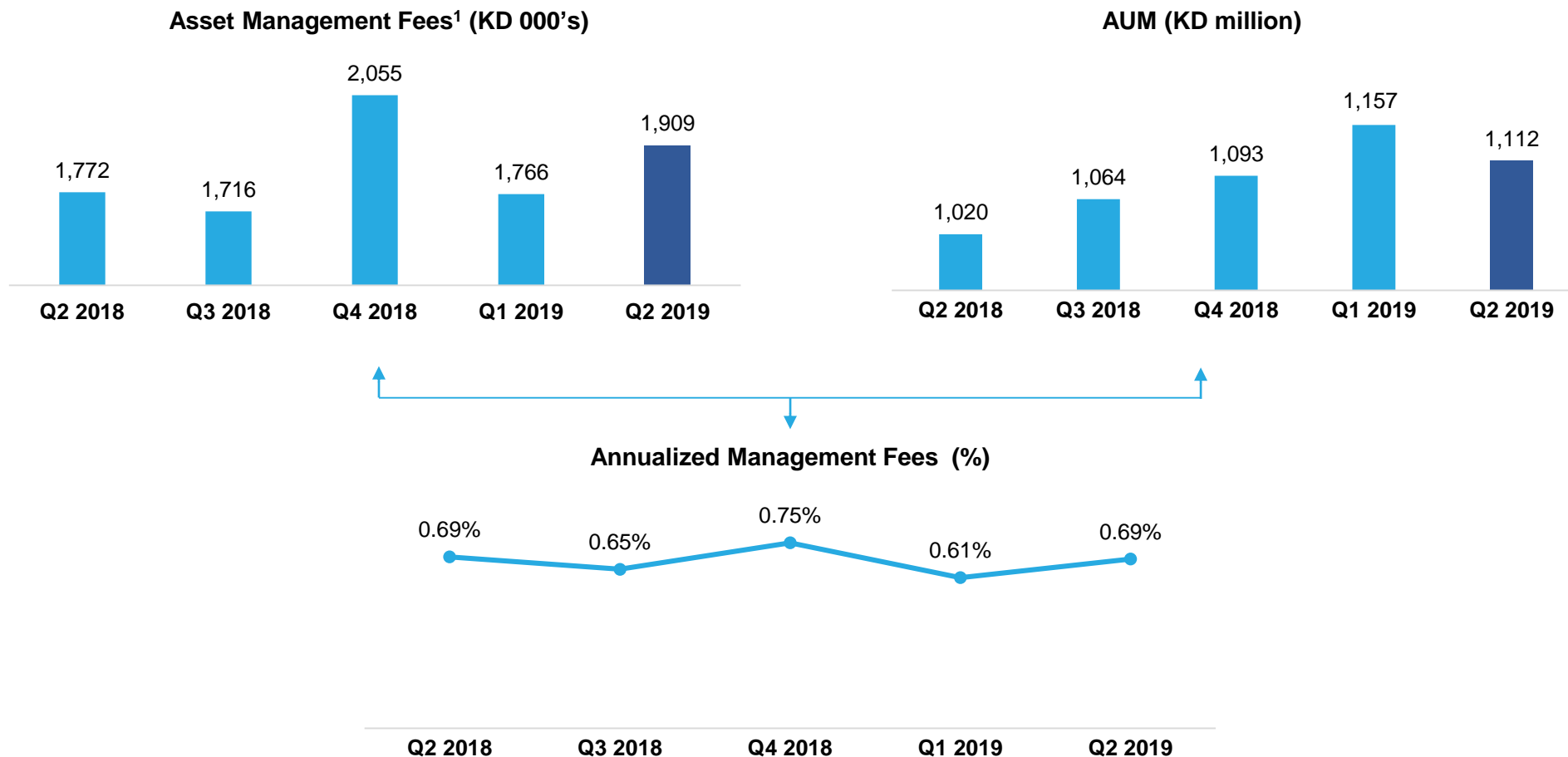
Asset Management Fees¹ (KD 000's)



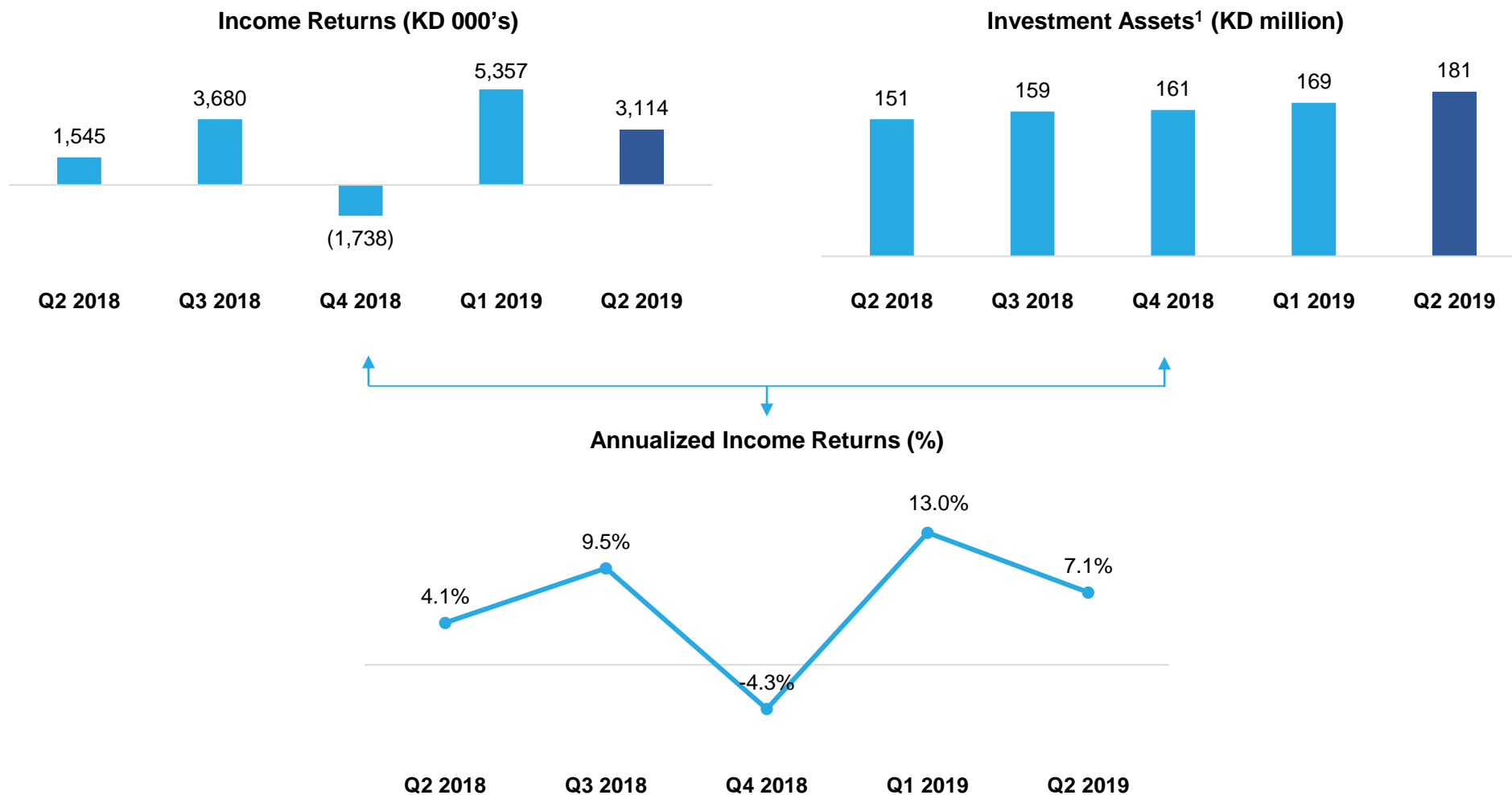
Investment Banking Fees (KD 000's)



Asset Management Fees Returns



Return on Principal Investments

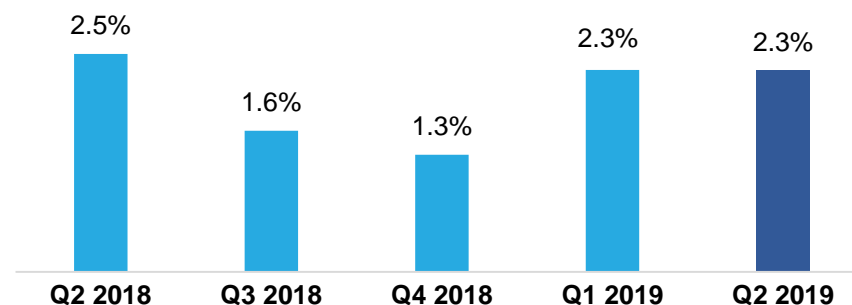


Capital Structure and Returns

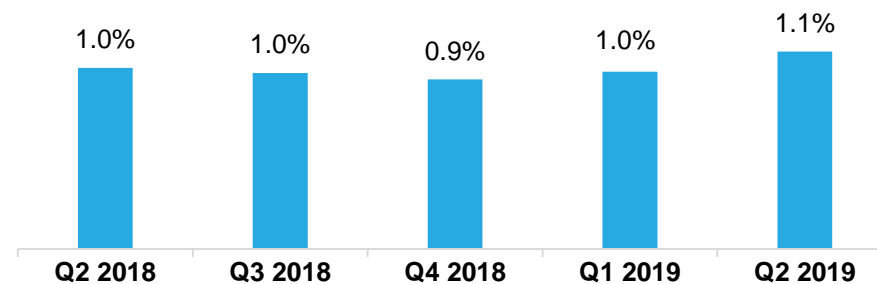
Markaz Net Debt to Total Equity of 0.5x

(KD 000's)	Jun 2019	Mar 2019	Dec 2018	Sep 2018
Due to financial institutions	996	0	0	0
Term Loan	41,246	25,708	22,565	20,483
Bonds Issued	25,000	25,000	25,000	25,000
Total Debt	67,242	50,708	47,565	45,483
Cash and Bank Balance	7,319	7,466	4,691	6,036
Time Deposits	1,387	1,662	2,565	1,768
Total Cash including Time Deposits	8,706	9,128	7,256	7,804
Net Debt	58,536	41,580	40,309	37,679
Shareholders Equity	93,454	94,803	91,050	93,243
Total Equity	117,254	118,240	114,052	116,167
Net Debt / Total Equity	0.50X	0.35X	0.35X	0.32X

LTM Return on Assets¹ (%)



Interest / Total Debt (%)



Shareholders Information

Focused on sustainable value creation for shareholders

Major Shareholders

Major Shareholders	Type	% Holding
Kuwait Pillars for Financial Investment	Direct	28.72%
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)
2018 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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