

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

# Earnings Presentation

## 2018



Asset Management | Investment Banking

# Discussion Agenda

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# 2018 Performance Highlights

*MARKAZ ASSETS UNDER MANAGEMENT FIVE YEAR HIGH OF KD 1.09 BILLION*

## Profit and Loss Highlights

**KD 15.30 mn**  
Growth: (0.6)%  
Total Revenue<sup>1</sup>

**KD 6.43 mn**  
Growth: (20.2)%  
Return on Principal Investments

**KD 8.93 mn**  
Growth: 22.3%  
Management Fees & Commission

**KD 7.21 mn**  
Growth: 9.5%  
Asset Management

**KD 1.72 mn**  
Growth: 140%  
Investment Banking

**KD 2.29 mn**  
Margin: 14.9%  
Net Profit<sup>2</sup>

**5 Fils**  
Growth: (44.4)%  
EPS

## Balance Sheet Highlights

**2018 Cash dividend<sup>3</sup> of 4 Fils per share; payout of 80.0%**  
**2017 Cash dividend of 7 Fils per share; payout of 77.8%**

**Total AUM**  
**KD 1.09 billion - Growth: 6.4%**

**Net Debt / Total Equity of 0.35x**

**Adjusted Return on Equity<sup>4</sup> of 5.1%**

**Asset Management Fees Return of 0.66%**

**Return on Principal Investments of 4%**

1. Total Revenue includes other revenues of KD (0.06) mn

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

3. Dividend per share proposed by the Board of Directors. The shareholders at the Annual General Meeting held on 02 April 2019 approved to pay dividend of 5 Fils per share representing 100% pay out ratio.

4. Return on Equity is adjusted for Impairment of Investment Properties of KD 2.34 mn

# 2018 Performance Highlights

## *COMMENTING ON THE PERFORMANCE, MR. DIRAAR YUSUF ALGHANIM, CHAIRMAN OF MARKAZ SAID:*



“With unprecedented GCC geopolitical risk in 2018, Markaz delivered a relatively excellent performance across its equities and investment banking business. The difficult environment most impacted GCC real estate excluding Kuwait which Markaz counteracted with operating efficiency initiatives across its real estate portfolio to preserve invested capital.

With this backdrop, I am pleased to announce that during 2018 Markaz was named ‘Best Asset Manager in Kuwait’ by EMEA Finance Awards. This is a testament of our asset management teams’ expertise in successfully managing portfolios in recent volatile market conditions internationally and across the GCC region. In addition, Markaz was named ‘Best Investment Bank in Kuwait’ and ‘The Most Innovative Financial Institution in Middle East’ by EMEA Finance Awards. Markaz was also named ‘Best Investment Bank in Kuwait’ by Global Finance. These award recognitions affirm the quality of our investment banking services across mergers and acquisitions, capital restructurings, in addition to equity and debt issuances and listing advisory. Furthermore, our published research subsidiary, Marmore, was awarded ‘Research Provider of the Year’ by Euromoney.

During 2018, Markaz was able to achieve sustainable financial performance as a result of its diversification across both products and geographies. Asset Management fees of KD 7.21 million, increased by 9.5% and Investment Banking fees increased to KD 1.72 million up by 140% compared with 2017. Income from Principal Investments in 2018 was KD 6.43 million, a decrease of 20.2% from last year. This was primarily attributable to the less than expected gain from funds,

marketable securities and equity participation. Markaz assets under management at the end of December 2018 increased by 6.4% to KD 1.09 billion.

The end of the year was marked with turmoil in the global equity markets, with a 6.2% decline in the S&P 500 and emerging markets also experienced significant declines compared to the highs of 2017. However, GCC equity markets delivered relative gains during 2018 with the MSCI GCC index up 12% for the year. This performance was primarily on the back of 20% returns for Qatar, followed by Abu Dhabi and Saudi Arabia with returns of 11.7% and 8.3% respectively. The overall regional return was offset by the performance of Dubai and Oman, which declined by 24.9% and 15.2% respectively. In the Kuwait market, the Premier Market Index increased by 9.9% whereas the Main Market Index declined by 1.9%, resulting in 5.2% overall gains for the All Share Index. In most cases, Q4 2018 eroded the higher gains which had accrued in the first nine months of 2018. Global equity markets were clearly impacted by global trade tensions with the US – China trade war, rising US interest rates and capital outflows from developing markets. With these market conditions in mind, most of our active equity funds ended the year with moderate gains. Markaz Investment & Development Fund (MIDAF) and Markaz Fund for Excellent Yields (MUMTAZ) recorded yearly returns of 9.3% and 9.0% respectively. Markaz Islamic Fund (MIF), a Sharia compliant fund, recorded a 7.8 % yearly yield.

The S&P MENA Bonds and Sukuk Index total return increased on a year to date basis, with the index up by 0.39%. The Markaz Fixed Income fund AUM remained stable despite other asset classes delivering stronger relative returns. I am delighted that the fund was the best performing fund among regional peers of the same weighted credit rating.

# 2018 Performance Highlights

The prevailing sentiment in the real estate market across the GCC region continues to remain weak, reducing rental rates and sale values by 15% during 2018 in the UAE and Saudi Arabia. However, market conditions remained relatively stable in Kuwait. The headwinds in macroeconomic growth are expected to continue to negatively impact the real estate sector in the near term. Despite these market conditions, the Markaz real estate team was able to maintain high occupancy levels across its established portfolio of income generating assets, exceeding 95% in Kuwait, UAE and Saudi Arabia. Recently launched assets such as Al Maha in Kuwait and Boardwalk in UAE have reached occupancy levels during 2018 of 85% and 100% respectively.

With this real estate market backdrop, MREF, the flagship Markaz real estate fund, delivered positive returns of 3.4% to investors in 2018. We also continue to focus on enhancing the operational model in our real estate business, particularly using technology platforms, and are well positioned to capture new opportunities in the market. The real estate team is currently assessing the possibility of launching several products which include a listed REIT and a portfolio focused on acquiring distressed assets.

The international commercial real estate sector saw muted growth this year with property prices increasing by 2% as per the Green Street commercial property price index (CPPI). During 2018, we started construction on four new industrial development projects in the U.S. and Europe. We have been very selective in focusing on projects with strong anticipated fundamentals such as attractive supply and demand dynamics, rental growth prospects and stable occupancy rates. Markaz has also realized its investments in three development projects within the U.S. consisting of two industrial facilities and one self-storage facility, achieving a weighted average Return on Investment of 27%. Our international real estate team continues to expand its investment program

designed to capitalize on value-add opportunities in the U.S. and a selected European markets.

The main 2018 corporate transaction drivers were consolidation in the financial sector, strategic moves toward defensive sectors like education and healthcare and investing in technology ventures. During the course of the year, our Investment Banking division continued to successfully execute and advise on high profile transactions across corporate advisory, M&A, restructuring and equity capital markets. The debt restructuring of The Sultan Center and M&A advisory to ACICO in connection with its sale of a minority position in a subsidiary were two landmark transactions in 2018. In addition, Capital Markets team successfully raised KD20 million for United Projects for Aviation Services Company (UPAC) through a rights' issue in addition to closing an ECM advisory services and DCM advisory services for two prominent corporate clients. As we look forward, our Investment Banking team continues to deepen its advisory dialogue with corporate clients and family offices offering a combination of sector experience and execution excellence.

Global capital markets continue to face significant pressure due to escalating geopolitical tensions and the rise of protectionist trade policies. This is further amplified by leading economists signaling a reduction in GDP growth rates across many developed and emerging markets. During this period of economic volatility, the Markaz management team continues to remain attentive to the needs of core corporate and investor clients, providing them with unbiased and insightful advice. We are focused on increasing shareholder value as we continue to streamline our business operations by refining internal procedures and lowering costs without compromising quality. Markaz is one of the leading wealth management and investment banking financial institutions in the region that 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



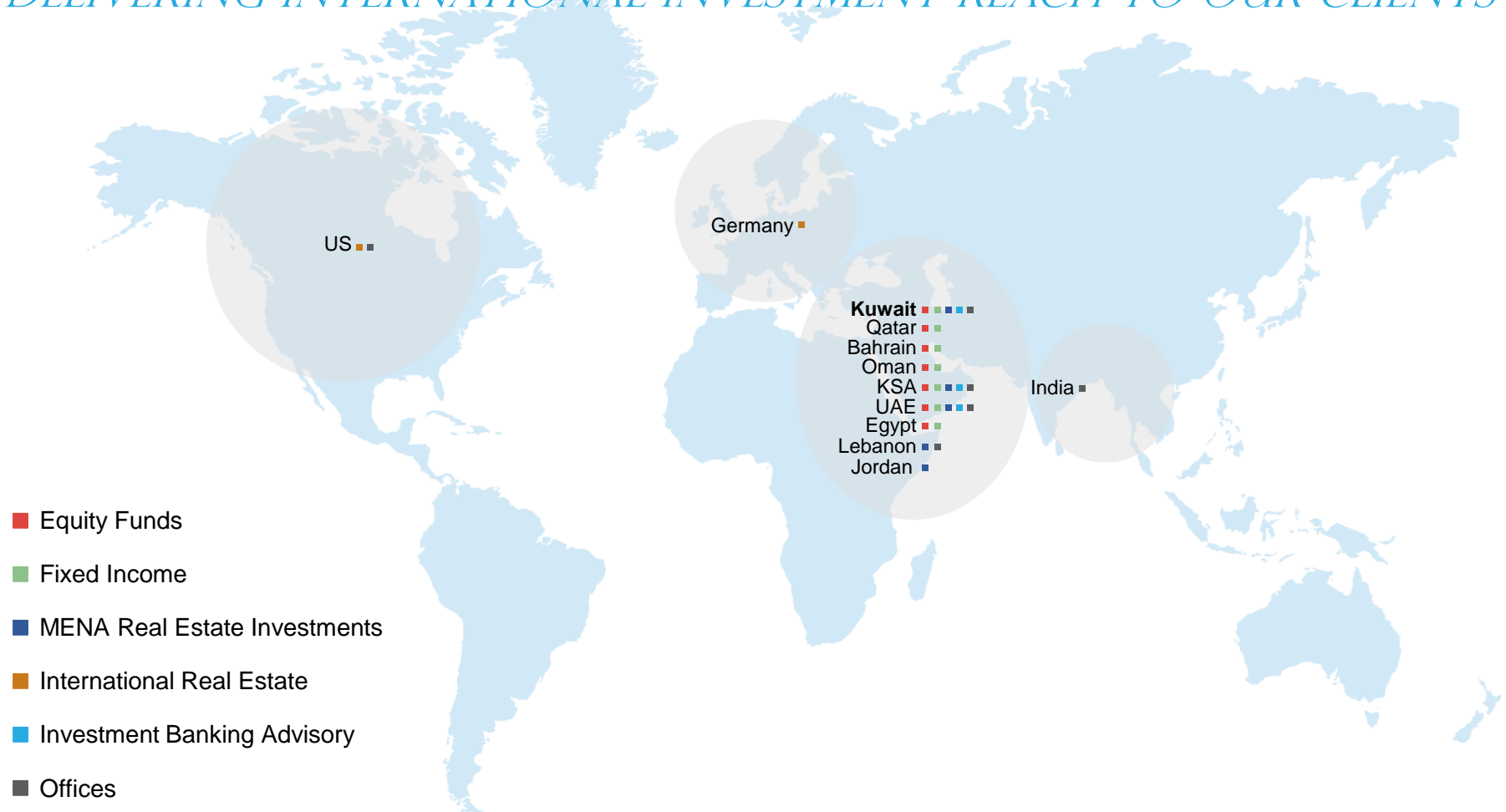
## Our Team, the cornerstone of our success

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*

  <p><b>Best Asset Manager in Kuwait</b> By: EMEA Finance</p>	  <p><b>Best Investment Bank in Kuwait</b> By: Global Finance &amp; EMEA Finance</p>	  <p><b>Research Provider of the Year</b> By: Euromoney Awards</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 "Mumtaz"</b> By: MENA Fund Manager Awards</p>	 <p><b>Best Islamic Fund</b> By: Zawya Awards</p>	 <p><b>Most Innovative Investment Bank</b> By: Global Finance</p>



Kuwait Asset Manager Markaz





# Business Highlights

*TOTAL AUM OF KD 1.09 BILLION, AN INCREASE OF 6.4% FROM DECEMBER 2017*



## Asset Management

GCC Equity Funds, Fixed Income Fund, Others  
Total AUM of KD 712.8 million

- Asset management continues to implement Markaz's long term bottom up investment approach along with active liquidity management
- GCC Equities AUM decreased slightly by 3.6% to KD 642.4 million.
- MENA Equity Local Funds outperformed their peer group in 2018. With returns varying between 7% and 9%
- Markaz Fixed Income Fund was the best performing fund among regional peers of the same weighted credit rating

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



## Real Estate Investments

Middle East and North Africa, International  
Total AUM KD 380.1 million

### MENA Real Estate – AUM of KD 288.7 million

- Managing part of the National Real Estate Portfolio with a value up to KD 250 million
- 9 income generating and 3 development properties across Kuwait, KSA and UAE
- Continued difficult market conditions across the GCC impacting transaction volumes and values
- Markaz Real Estate fund with AUM of KD 80 million across 18 properties

### National Real Estate Portfolio – 12 Properties - Real Estate Fund

### International Real Estate – AUM of KD 91.4 million

- 6 ongoing US based projects managed through the Mar-Gulf subsidiary
- 3 Europe based on going project
- Three exits achieved during 2018 and continued focus on development and value-add transactions in high-growth and supply constrained metros
- 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, Restructuring

- Total transaction value executed up to Dec 2018 of over KD 1.24 billion across the GCC market
- Markaz investment banking team successfully executed and advised on high profile transactions during 2018
- Flagship assignments year-to-date included the acquisition of 29.5% of HEISCO on behalf of clients, another transaction for acquisition of 15% of HEISCO on behalf of clients
- Key transactions also included the acquisition of 23.3% of ACICO construction on behalf of clients, a debt settlement for an Emirati bank, debt restructuring of the Sultan Centre and another ongoing high-profile restructuring transaction
- Capital Market team successfully raised KD20 million for United Projects for Aviation Services Company (UPAC) through a rights' issue in addition to closing an ECM advisory services and DCM advisory services for two prominent corporate clients.



### 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

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

# Financials Trend

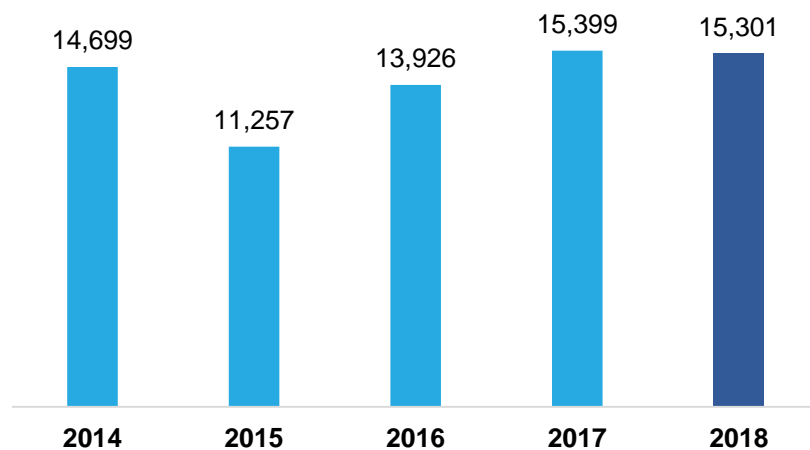
## Stable Revenues in 2018

- Management Fees & Commissions contributed 58.4% of Total Revenue and increased by 22.3%
  - Investment Banking Fees increased by 140%
  - Asset Management Fees increased by 9.5%
- Income from Principal Investments contributed 42% of Total Revenue and decreased by 20%

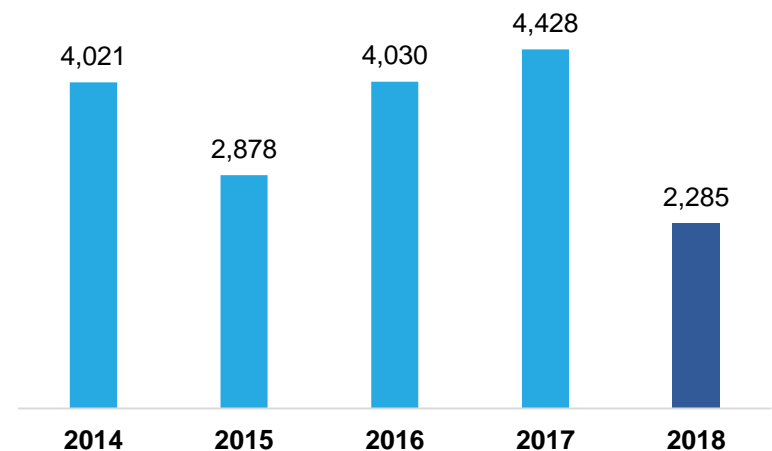
## Lower profitability in 2018

- Profitability was impacted due to Impairment of Investment Properties of KD 2.34 million

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



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



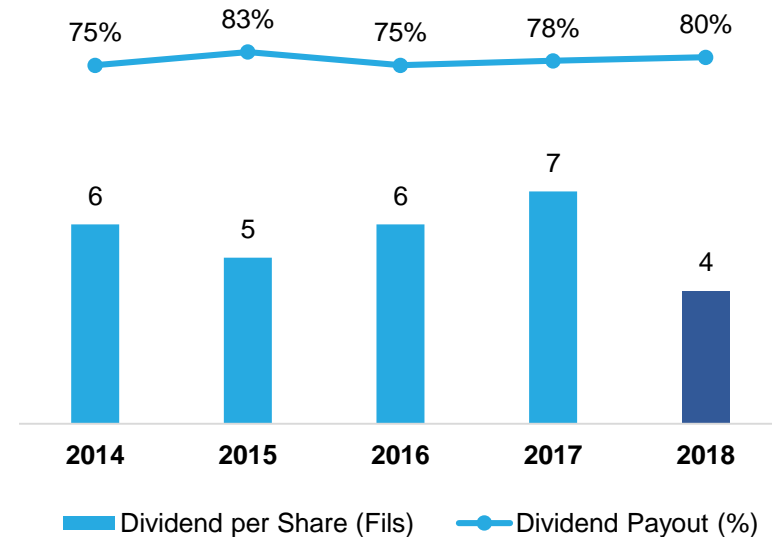
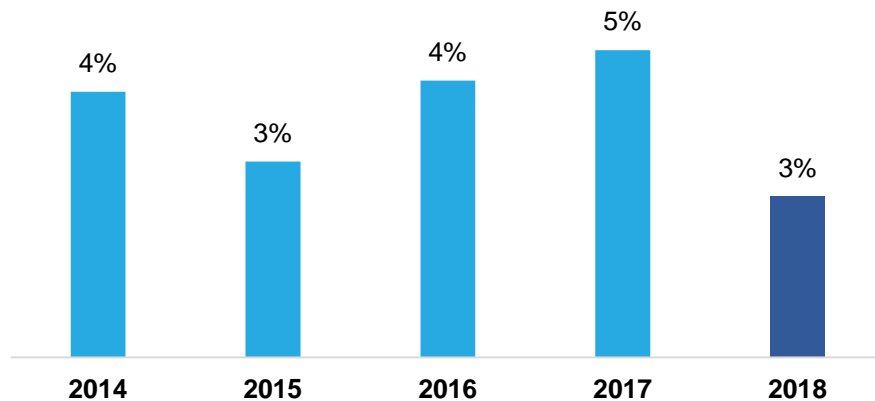
# Financials Trend (cont'd)

## Return on shareholder's Equity<sup>1</sup>

- Return on shareholder's Equity of 3% is lower in 2018 due to Impairment of Investment Properties of KD 2.34 million
- Return on shareholder's Equity adjusted for Impairment of Investment Properties is 4.3%

## Dividend per Share<sup>2</sup> and Payout

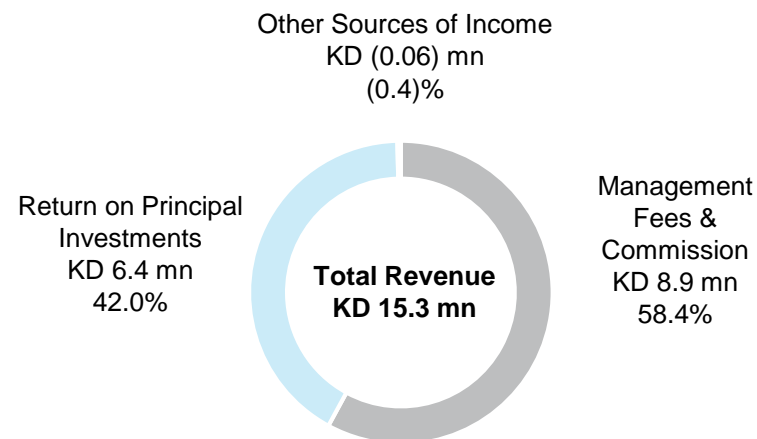
- Consistent dividend payouts with 200 bps increase in 2018 payout ratio over last year



# Profit & Loss Key Metrics

(KWD 000's)	Full Year		Y-o-Y
	2018	2017	Growth (%)
Management Fees and Commission	8,930	7,302	22%
Interest Income	679	722	(6%)
Dividend Income	1,493	1,283	16%
Gain from Investments at Fair Value through P/L	3,477	3,340	4%
Gain from Investments at Fair Value through OCI	5	0	nm
Gain on redemption/Sale investments	0	2,733	nm
Gain on liquidation of Subsidiaries	334	48	596%
Share of results of associate and joint venture	(77)	(153)	(50%)
Loss on sale of investment properties	0	(405)	nm
Net Rental Income	517	490	6%
Other Sources of (Loss)/Income	(57)	39	nm
<b>Total Revenue</b>	<b>15,301</b>	<b>15,399</b>	<b>(1%)</b>
<b>Operational Expenses</b>	<b>9,368</b>	<b>8,293</b>	<b>13%</b>
<b>EBIT</b>	<b>5,933</b>	<b>7,106</b>	<b>(17%)</b>
<i>Margin (%)</i>	<i>39%</i>	<i>46%</i>	
Impairments	2,335	1,292	81%
Financial Cost	1,747	1,502	16%
Contribution to KFAS, NLST, Zakat	204	335	
<b>Net Profit</b>	<b>1,647</b>	<b>3,977</b>	<b>(59%)</b>
<i>Margin (%)</i>	<i>11%</i>	<i>26%</i>	
<b>Net Profit attributable to Parent Company</b>	<b>2,285</b>	<b>4,428</b>	<b>(48%)</b>
Net Loss attributable to Non-Controlling Interest	(638)	(451)	
<b>Earnings Per Share (Fils)</b>	<b>5</b>	<b>9</b>	<b>(44%)</b>

## 2018 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
3. Operational expenses had increased during 2018. This was mainly because of starting operational lease in some of income generating properties.

# Balance Sheet Key Metrics

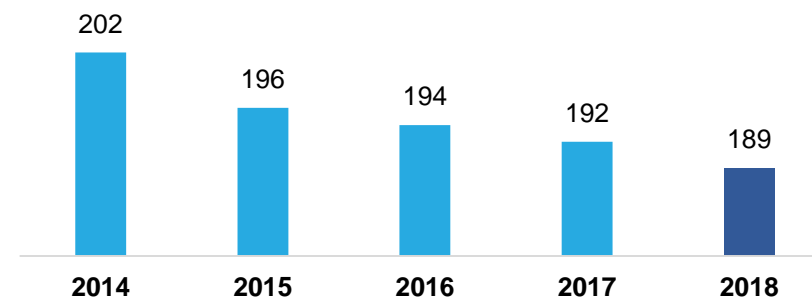
(KWD 000's)	Dec 2018	Dec 2017
<b>ASSETS</b>		
Cash and Bank balances	4,691	7,622
Time Deposits	2,565	1,430
Investments at fair value through profit or loss	92,674	49,498
Available for sale Investments	0	49,842
Debt instruments at fair value through other comprehensive income	427	0
Investments carried at amortized cost	6,998	0
Investment Properties	56,830	46,450
Accounts receivable and other assets	3,503	7,131
Loans to Customers	304	272
Investments in Associate and Joint Venture	3,651	3,231
Equipment	878	631
<b>Total Assets</b>	<b>172,521</b>	<b>166,107</b>
<b>LIABILITIES and EQUITY</b>		
<b>Liabilities</b>		
Accounts Payable and other liabilities	10,904	10,309
Bank Borrowings	22,565	17,516
Bonds Issued	25,000	25,000
<b>Total Liabilities</b>	<b>58,469</b>	<b>52,825</b>
<b>EQUITY</b>		
<b>Equity attributable to the owners of the Parent Company</b>	<b>91,050</b>	<b>92,418</b>
Non-controlling Interests	23,002	20,864
<b>Total Equity</b>	<b>114,052</b>	<b>113,282</b>
<b>Total Liabilities and Equity</b>	<b>172,521</b>	<b>166,107</b>

## Asset Under Management

**2018 AUM**  
KD 1.09 billion

**2017 AUM**  
KD 1.03 billion

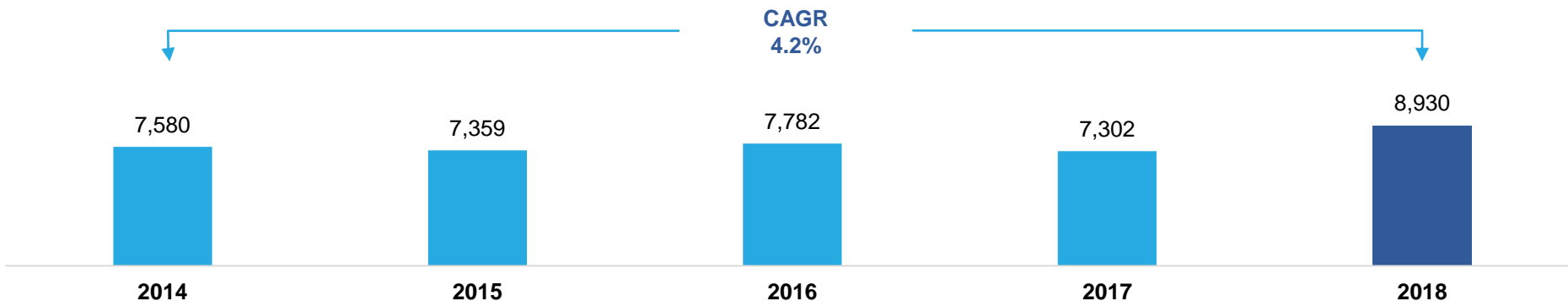
## Book Value per Share (Fils)



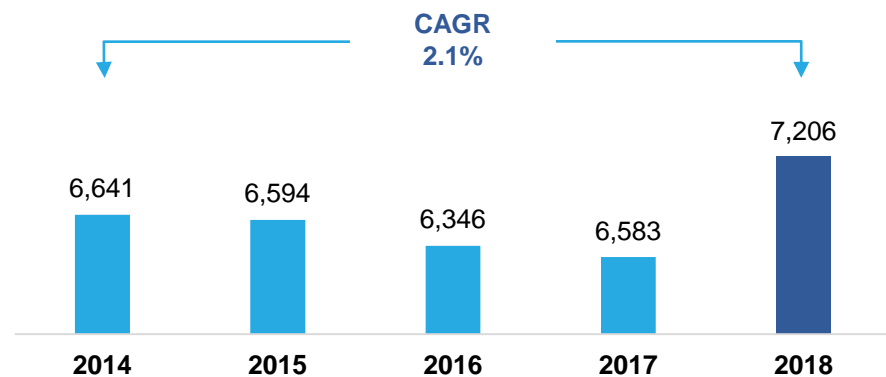
- Book value decreased 3 Fils per share due to payment of cash dividends in excess of total comprehensive income for the year 2018.

# Asset Management & Investment Banking

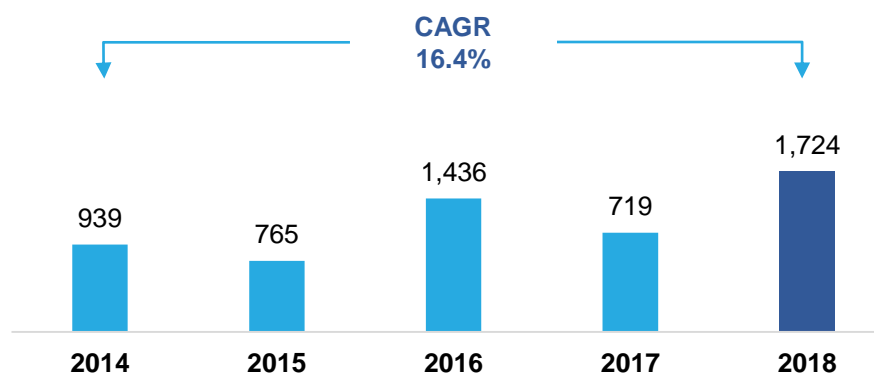
Management Fees & Commission (KD 000's)



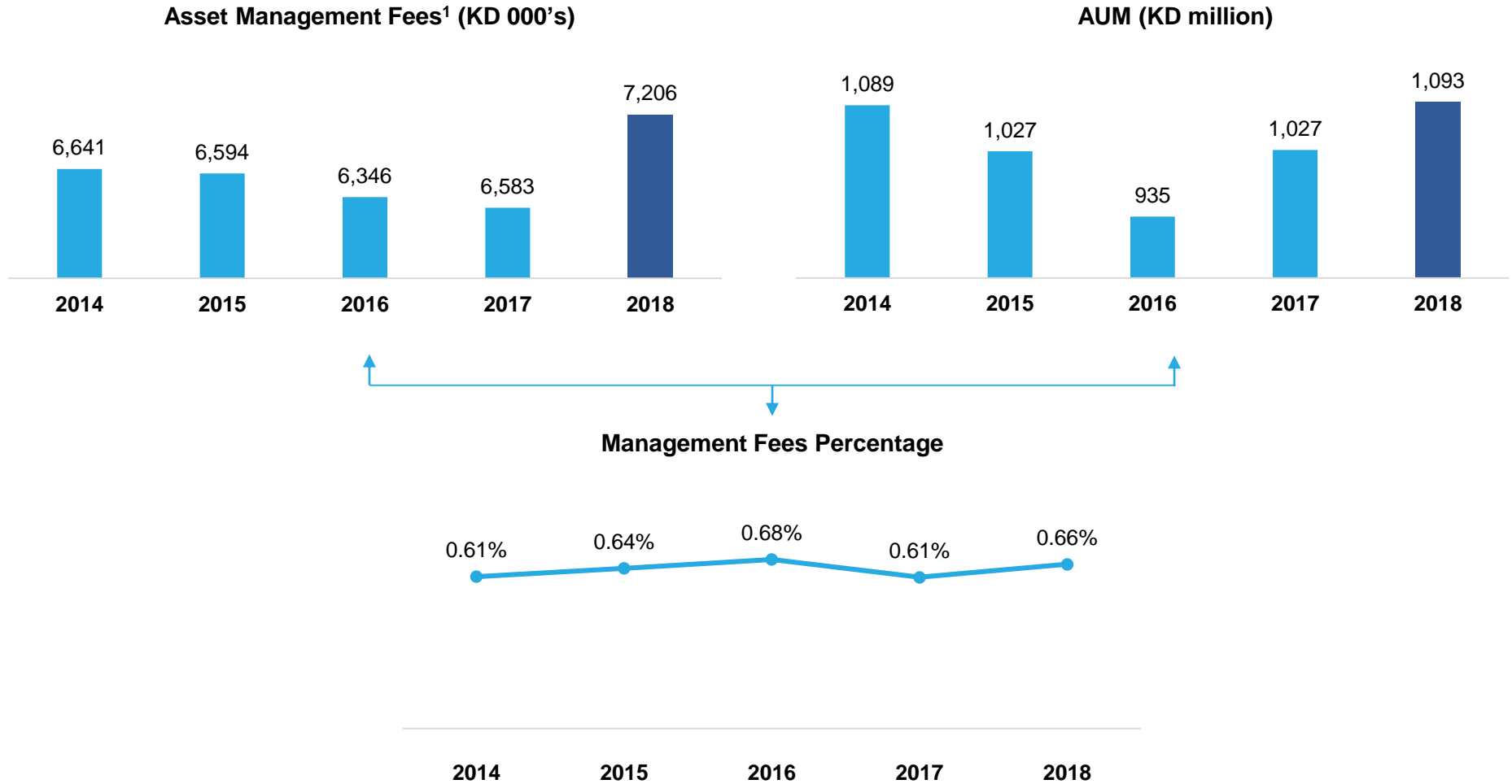
Asset Management Fees<sup>1</sup> (KD 000's)



Investment Banking Fees (KD 000's)

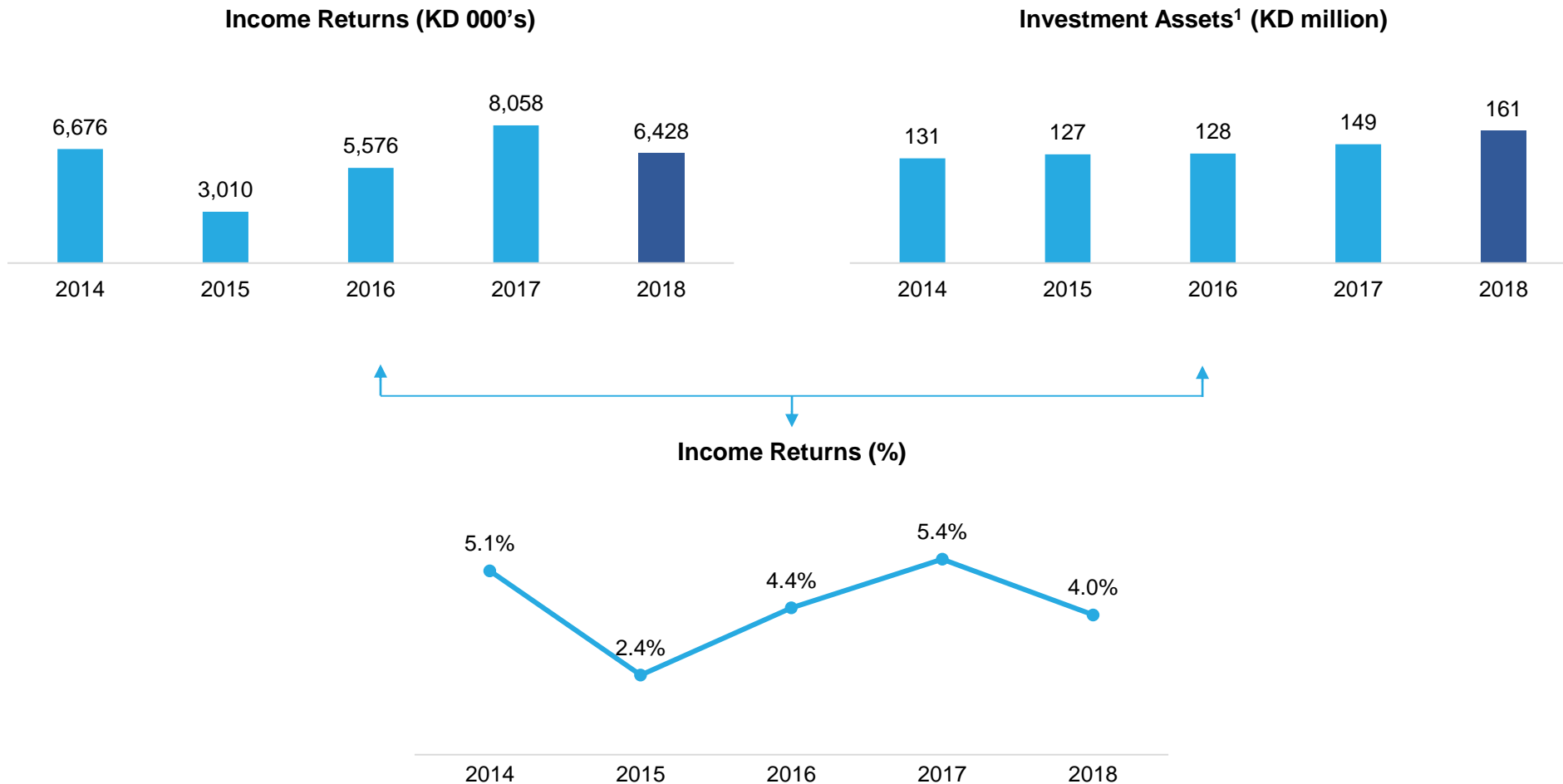


# Asset Management Fees Income





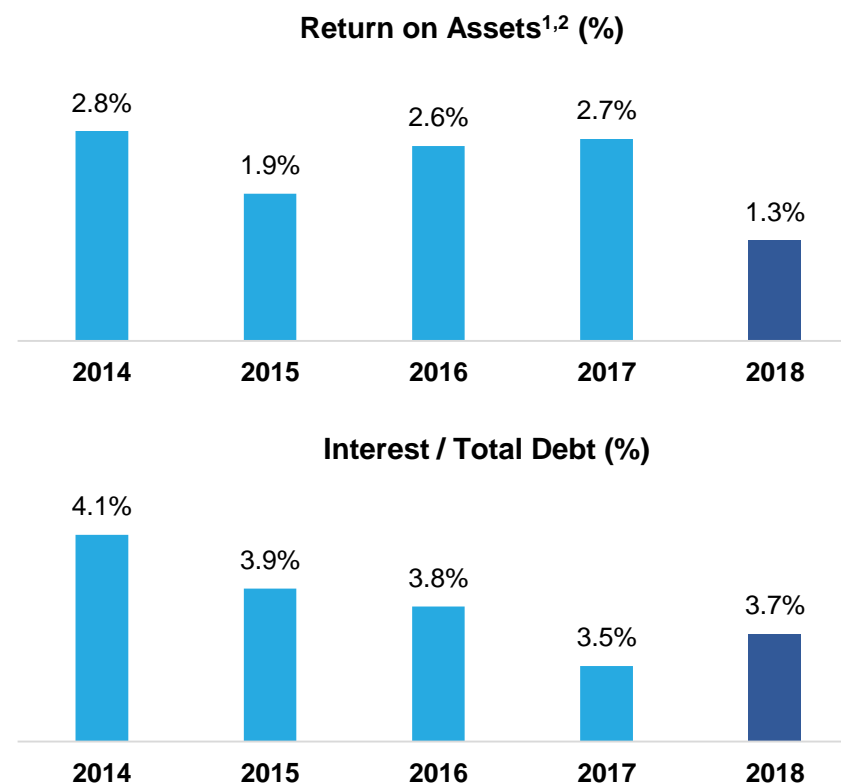
# Return on Principal Investments



# Capital Structure and Returns

*MARKAZ MAINTAINED NET DEBT TO TOTAL EQUITY OF 0.35X*

(KD 000's)	Dec 2018	Dec 2017	Dec 2016
Term Loan	22,565	17,516	8,146
Bonds Issued	25,000	25,000	25,000
Total Debt	47,565	42,516	33,146
Cash and Bank Balance	4,691	7,622	12,237
Time Deposits	2,565	1,430	9,857
Total Cash including Time Deposits	7,256	9,052	22,094
Net Debt	40,309	33,464	11,052
Shareholders Equity	91,050	92,418	93,275
Total Equity	114,052	113,282	115,275
Net Debt / Total Equity	0.35X	0.30X	0.10X



# Shareholders Information

## *FOCUSED ON SUSTAINABLE VALUE CREATION FOR SHAREHOLDERS*

### Major Shareholders

Major Shareholders	Type	% Holding
Kuwait Pillars for Financial Investment	Direct	28.483%
Al Khair National for Stocks and Real Estate & Group	Direct & Indirect	10.30%
Al Mubader Co	Direct	5.133%

### Effective Governance Structure



### Corporate Information

<b>Market Segment Listing</b>	Main Market – Boursa Kuwait (Sec Code: 213)
<b>2018 Dividends</b>	Proposed Cash Dividend – 4%
<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>

# Disclaimer

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## Investor Relations Contact



**Deena Yousef Al-Refai**  
VP - Investor Relations & Private Banking

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



**Ravi Gothwal / Samantha Francis**  
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)

