

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

Earnings Presentation

9M 2019



Asset Management | Investment Banking

Discussion Agenda

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9M 2019 Performance Highlights

Markaz Assets Under Management of KD 1.10 billion

Profit and Loss Highlights

KD 14.07 mn
Growth: (6.9%)
Total Revenue

KD 8.18 mn
Growth: 0.2%
Return on Principal Investments

KD 6 mn
Growth: (13.6%)
Management Fees &
Commission

KD 5.54 mn
Growth: 7.5%
Asset Management Fees

KD 0.46 mn
Growth: (74%)
Investment Banking Fees

KD 3.45 mn
Margin: 24.5%
Net Profit¹

7 Fils
Growth: (22%)
EPS

Balance Sheet Highlights

Total AUM
KD 1.10 billion - Growth: 3% y-o-y

Net Debt / Total Equity of 0.51x

Return on Equity² of 1.7%

Annualized Asset Management Fees Return of 0.68%

Annualized Return on Principal Investments of 6.32%

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

9M 2019 Performance Highlights

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

“For the period ended September 2019, Markaz registered a strong performance with a light decline due to the markets volatility during August and September, where GCC markets were under pressure as geopolitical uncertainties and risk reached new levels, negatively impacting investor sentiment in the region. Markaz delivered Total Revenue of KD 14.07 million, a decline of 6.9% compared to the same period in 2018. This was primarily due to equity market conditions resulting in a loss in the third quarter of KD 1.67 million from Investments at Fair Value through P&L as compared to a Q3 2018 gain of KD 2.87 million. Furthermore, the 3Q 2018 financials also benefitted from exceptionally strong investment banking fee income of KD 1.08 million. Earnings per Share were impacted by the costs that were previously capitalized that have now been expensed on completed real estate projects. All these factors impacted our profit and loss account but not cash flows as our Net Debt remained flat compared to the end of 2Q 2019.

At a business unit level, our income from Principal Investments was up marginally to KD 8.2 million, contributing 58% to Total Revenue and generating an annualized return of 6.32% on total investments. Investment Banking fees were KD 0.46 million, lower compared to same period last year and a reflection of the strategic nature of mergers and acquisitions. Asset Management fees for the 9 month period were up by 7.5% to KD 5.53 million and the AUM at the end of the period closed at KD 1.10 billion with a 3% y-o-y growth.

Due to the geopolitical volatility in the GCC, the KSA market, with the highest weighting in the S&P Pan Arab benchmark, declined most by 4.3%, followed by the Kuwait and Qatar indices which declined by 3.8% and 2.0% respectively during the quarter. In contrast, the UAE benchmark registered a slight increase of 0.32% in the quarter.

With these challenging market conditions in mind, performance of our funds were impacted but generally in line with benchmark indices. Markaz Investment and Development Fund (MIDAF) and Markaz Islamic Fund (MIF) had negative returns of 4.33% and 4.22% respectively during the quarter. Forsa Fund and Markaz Mumtaz Fund posted negative returns of 4.25% and 4.22% respectively during the quarter. Our Asset Management strategy continues to actively manage capital in order to mitigate market risks and as a result, on a year to date basis, Forsa, Mumtaz, MIDAF and Islamic fund have delivered positive results of 12.69%, 10.11%, 9.51% and 7.58% respectively.

With the weakening global economy, the US Federal Reserve lowered its interest rates by 25bps twice during the quarter. Markaz offers private placement funds for its qualified and professional clients, which cover a variety of asset classes such as fixed income, international equities and real estate.

The real estate market continues to remain relatively weak in the UAE region with both real estate rental rates and sale values under continuous pressure. Despite these market conditions, Markaz’s 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 2.9% on a YTD basis with a monthly cash distribution of 5% p.a.

During the last quarter, Markaz started the property management activity with two completed residential properties, Business Bay in Dubai and Shams in Abu Dhabi. Markaz team has started to rent units in both locations and as occupancy improves, the contribution to Net Rental Income is expected to increase steadily. 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 continues to evaluate various strategic initiatives to create shareholder value.

9M 2019 Performance Highlights (cont'd)

International commercial real estate registered another quarter of growth with property prices increasing by 0.5% (CPPI) and the NAREIT index by 6.1%. The reduction in US interest rates resulted in lower short term borrowing rates thereby providing strong tailwinds for the commercial real estate sector. Underlying real estate fundamentals have remained robust with all sectors experiencing rent growth, except for the retail sector which has lower absorption levels. During the quarter, we successfully exited the Royal 10 office development project in Dallas, TX which generated a net investor internal rate of return of 13.27%. Furthermore, we delivered another profitable exit for our investors at the Chandler Shopping Centre in Arizona USA delivering a gain of KD 0.82 million. We continue to evaluate select development properties, in both US and European markets with strong demand and supply dynamics which give Markaz a competitive advantage.

Our investment banking team continued to closely track potential transactions, particularly in the financial services sector, and focused on closing existing mandates. Markaz is also currently working as part of a consortium to submit a bid for a PPP project released by the Kuwait Authority for Partnership Projects (KAPP). Our capital markets team successfully acquired CMA approval for two potential bond issuances on behalf of corporate clients.

Global markets remained positive after the Federal Reserve rate cuts and US China trade war showed early signs of stabilizing. However, GCC markets remained volatile due to recent geopolitical risks, which are clearly impacting investor sentiment. Our management teams remain fully committed and disciplined as we steer ourselves in this challenging environment with an aim 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 45 years.”

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



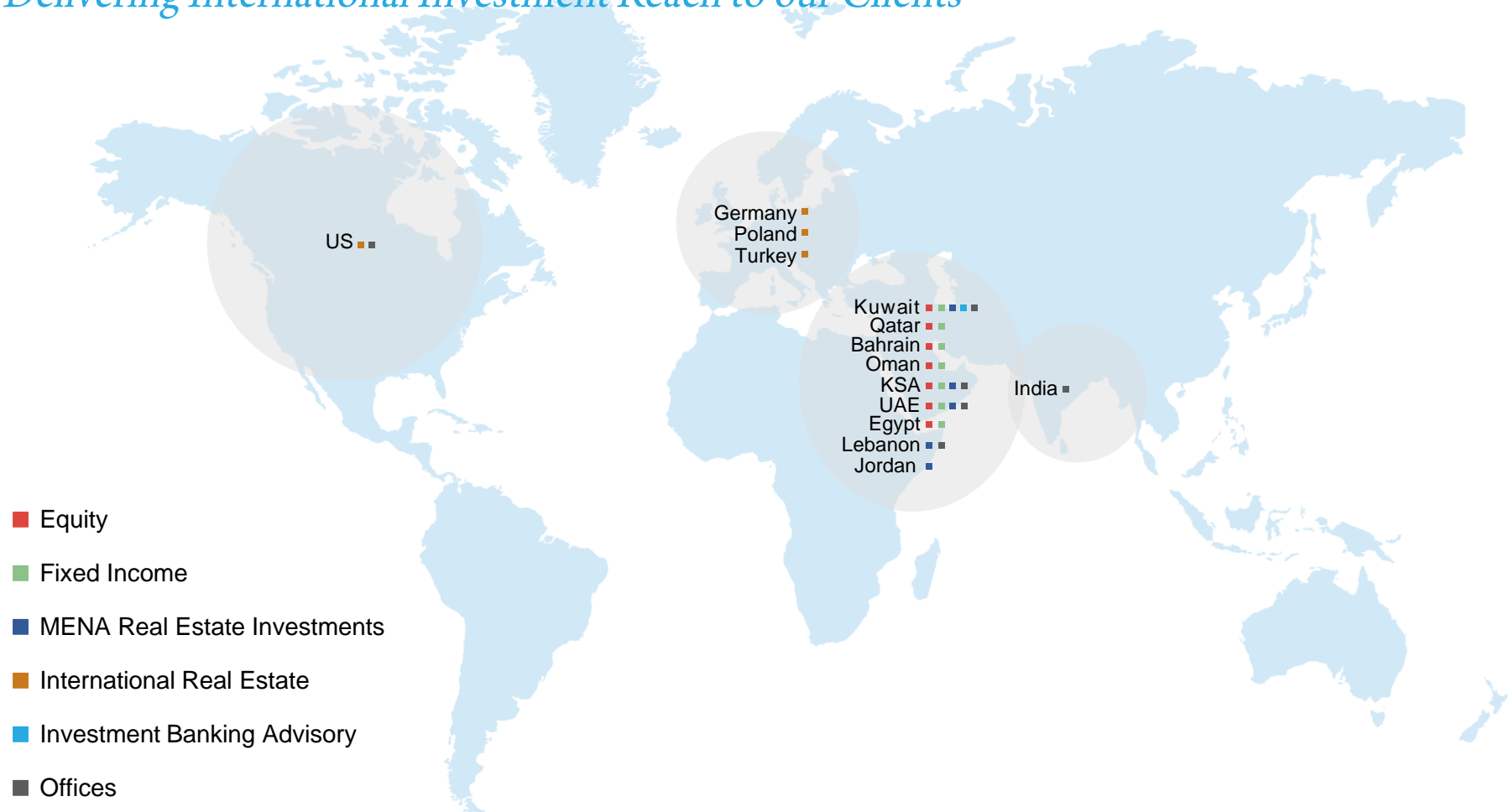
Our Team, the cornerstone of our success

A team of 195 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 1.10 billion, an increase of 3% from September 2018



Asset Management

GCC Equity Funds, Fixed Income Fund, Others
Total AUM of KD 776.2 million

- Asset management continues to implement Markaz's long term bottom up investment approach along with active liquidity management
- GCC Equities AUM of KD 555.1 million.
- FORSA, MUMTAZ, MIDAF, and Markaz Islamic Fund outperformed their peers with returns of 12.7%, 10.1%, 9.5% and 7.6% on YTD basis respectively
- Markaz Fixed Income Fund is a privately placed fund with investments in GCC fixed income instruments.

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 369.2 million

MENA Real Estate – AUM of KD 315.7 million

- Markaz Real Estate Fund, AUM KD 77 m, distributing monthly cash dividend of 5% p.a., delivering total returns of 2.9% on a YTD basis
- Managing upto 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

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

International Real Estate – AUM of KD 53.5 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 up to September 2019 of over KD 1.3 billion 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 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

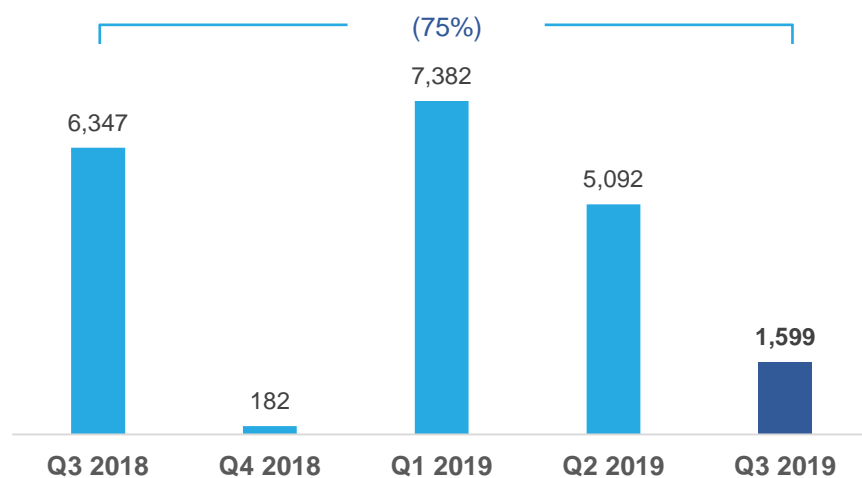
Research Themes: Capital Markets, Industry, Policy, Economic, Infrastructure, Regulatory, Periodic Consulting Services

Financials Trend

9M 2019 Revenues growth on y-o-y basis

- Management Fees & Commissions have declined by 14% compared to 9M 2018, however, it has contributed 43 % of Total Revenue
- Income from Principal Investments have contributed 58.1% of Total Revenue that have been generated from different sources of income mainly equity investments and real estate investments

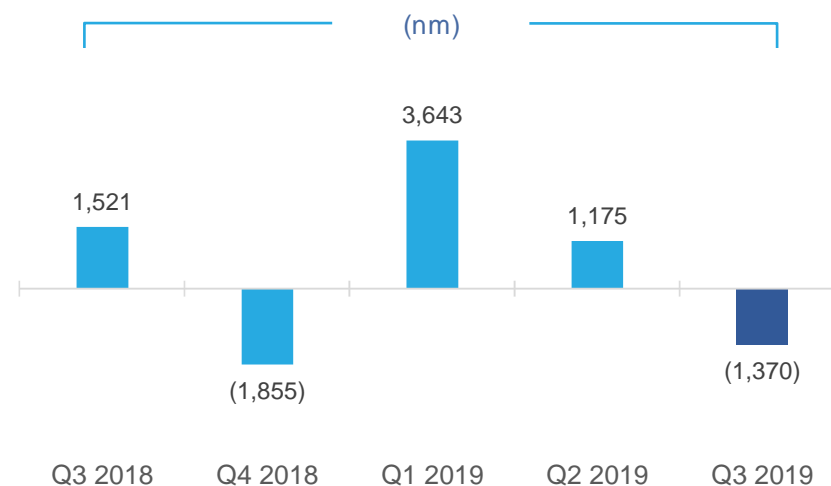
Total Revenue (KD 000's)



9M 2019 EBIT (KD 000's)

- There was a significant decline of 24.8% in EBIT on y-o-y basis The EBIT margin at the end of the third quarter reached to 43%
- Quarter net profit was impacted due to a loss in the third quarter of KD 1.67 million from Investments at Fair Value through P&L as compared to a gain of KD 2.87 million in Q3 2018

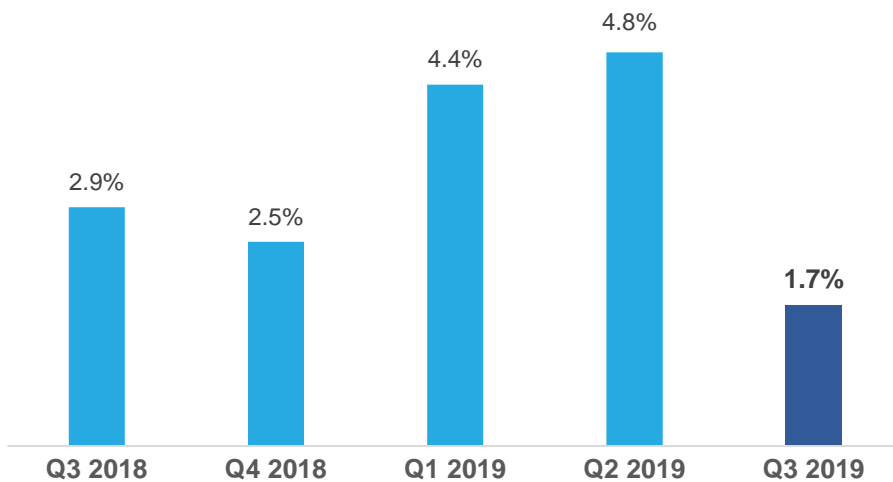
Net Profit¹ (KD 000's)



Financials Trend (cont'd)

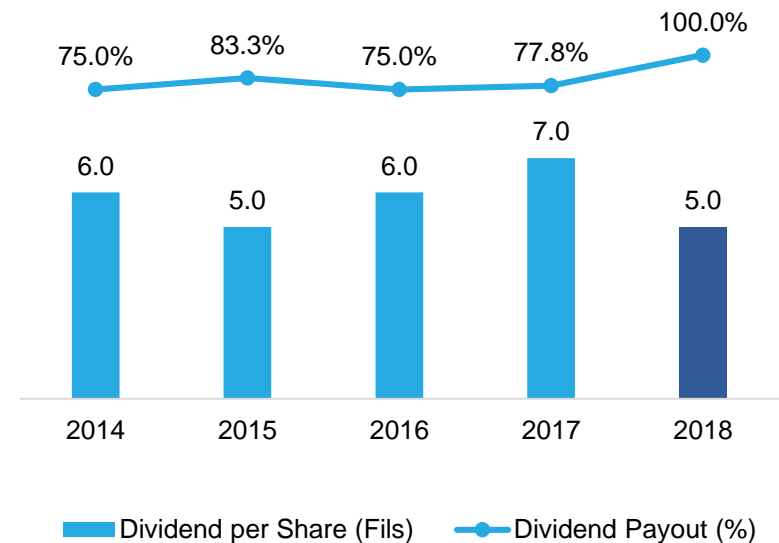
LTM Return on Equity¹

- Return on Equity of 1.7% on LTM basis decreased by 41% comparing with 9M 2018



Dividend per Share and Payout

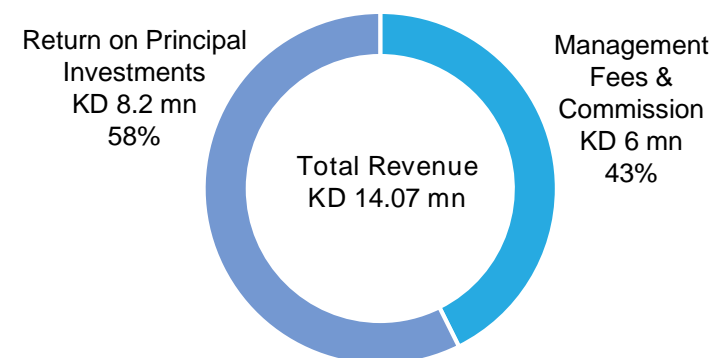
- Consistent dividend payouts with an incremental 22.2% increase in 2018 payout ratio over last year



Profit & Loss Key Metrics

(KWD 000's)	Q3 (Three Months)		Y-o-Y	9M (Nine Months)		Y-o-Y
	2019	2018	Growth (%)	2019	2018	Growth (%)
Management Fees and Commission	2,002	2,680	(25%)	6,002	6,944	(14%)
Interest Income	169	235	(28%)	476	517	(8%)
Dividend Income	275	450	(39)%	1,158	1,138	2%
(Loss) / Gain from Investments at Fair Value through P/L	(1,678)	2,865	(159)%	4,992	5,883	(15%)
Share of results of associate and joint venture	(18)	(11)	(64)	(70)	(43)	(63%)
Gain on liquidation of Subsidiaries	0	19	(100%)	0	328	(100%)
Gain on sale of investment properties	521	0	nm	820	-	nm
Net Rental Income	439	122	122%	803	337	138%
Other Sources of (Loss) / Income	(111)	(13)	(754)%	(108)	9	(1253)%
Total Revenue	1,599	6,347	(75)%	14,073	15,119	(7%)
Operational Expenses	2,409	2,353	2%	8,031	7,086	13%
EBIT	(810)	3,994	(120%)	6,042	8,033	(25%)
Margin (%)	(51%)	63%		43%	53%	
Finance Costs	769	439	75%	1,991	1,305	53%
Contribution to KFAS, NLST, Zakat	(59)	160	160%	169	286	(41%)
Net (Loss) / Profit	(1,520)	649	(334)%	3,919	3,696	6%
Margin (%)	(95%)	10%		28%	24%	
Net (Loss) / Profit attributable to the owners of Parent Company	(1,370)	1,521	(190)%	3,448	4,140	(17%)
Net (Loss) / Profit attributable to Non-Controlling Interests	(150)	(872)	83%	471	(440)	206%
(Loss) / Earnings Per Share (Fils)	(3)	3	(200%)	7	9	(22%)

9M 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

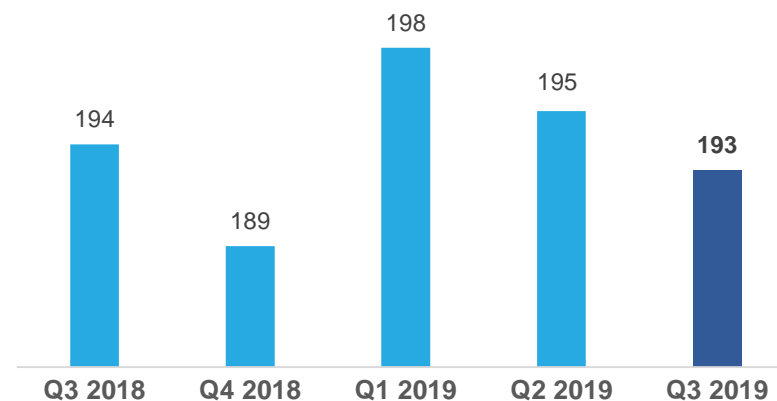
(KWD 000's)	Sep 2019	Jun 2019	Mar 2019	Dec 2018
ASSETS				
Cash and Bank balances	7,632	7,319	7,466	4,691
Time Deposits	1,982	1,387	1,662	2,565
Investments at fair value through profit or loss	105,045	108,304	97,541	92,674
Debt instruments at fair value through profit or loss	422	422	427	427
Investments carried at amortized cost	5,070	4,951	4,967	6,998
Investment Properties	64,923	63,518	61,794	56,830
Accounts receivable and other assets	5,019	5,100	4,874	3,503
Loans to Customers	384	301	278	304
Investments in Associate and Joint Venture	3,645	3,679	3,696	3,651
Right of Use Assets	668	739	807	0
Equipment	1,098	1,033	856	878
Total Assets	195,888	196,753	184,368	172,521
LIABILITIES and EQUITY				
Liabilities				
Due to bank and other financial institutions	0	996	0	0
Accounts Payable and other liabilities	12,018	12,257	15,420	10,904
Borrowings	43,104	41,246	25,708	22,565
Bonds Issued	25,000	25,000	25,000	25,000
Total Liabilities	80,122	79,499	66,128	58,469
EQUITY				
Equity attributable to the owners of the Parent Company	92,193	93,454	94,803	91,050
Non-Controlling Interests	23,573	23,800	23,437	23,002
Total Equity	115,766	117,254	118,240	114,052
Total Liabilities and Equity	195,888	196,753	184,368	172,521

Asset Under Management

9M 2019 AUM
KD 1.10 billion

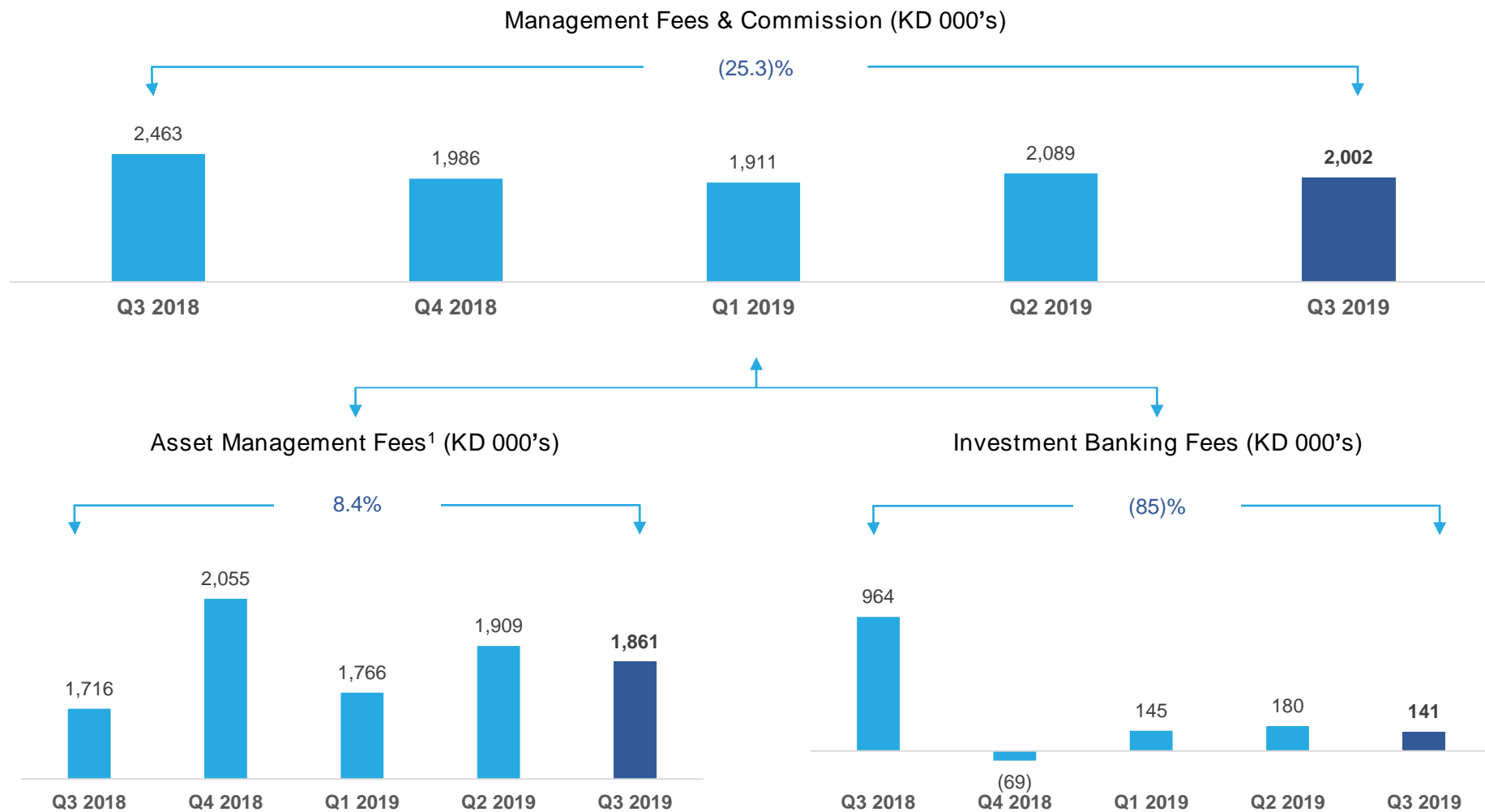
9M 2018 AUM
KD 1.06 billion

Book Value per Share (Fils)

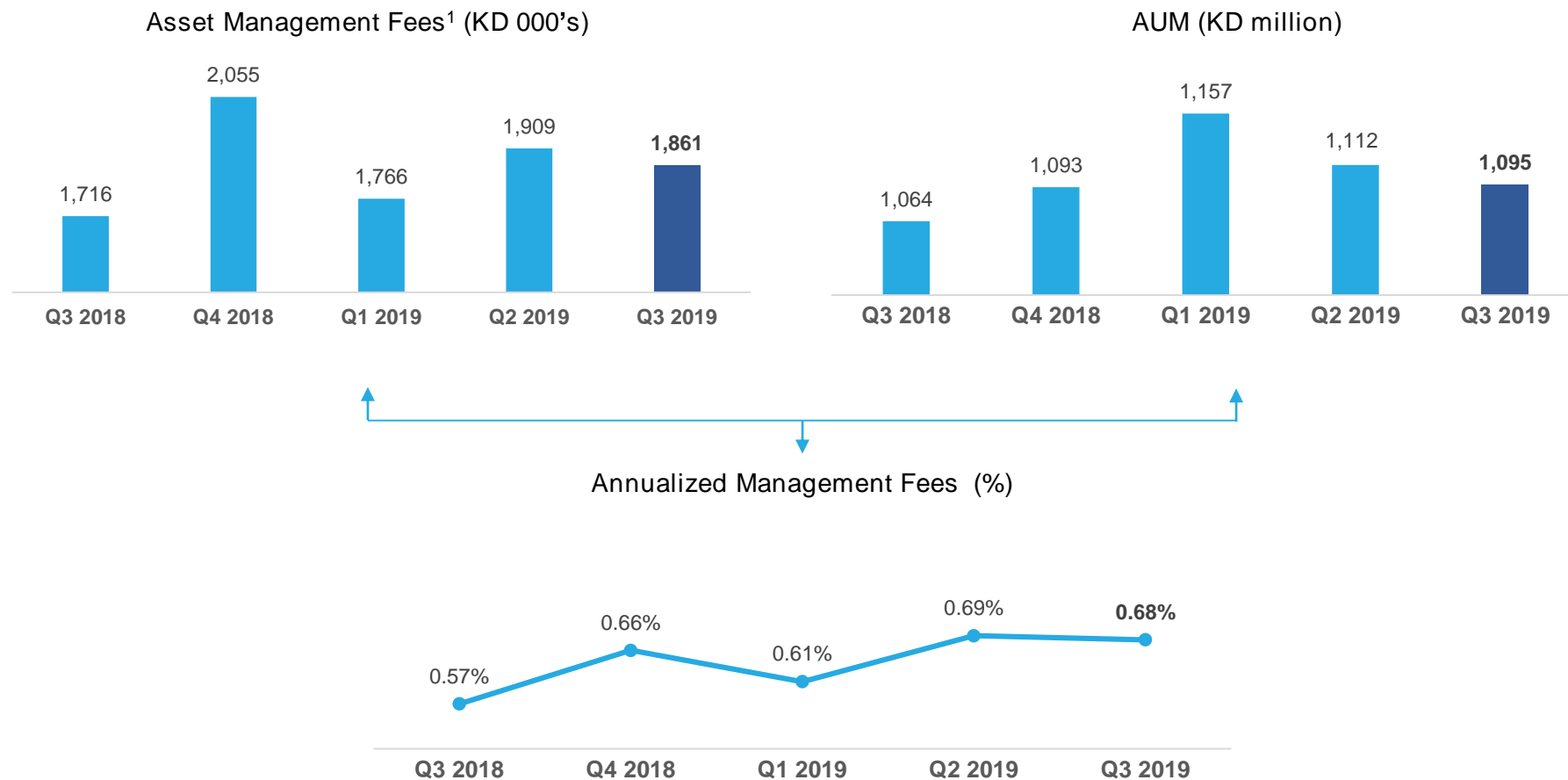


- Book value decreased by 2 Fils per share as a result of declining in the net results for the third quarter of 2019

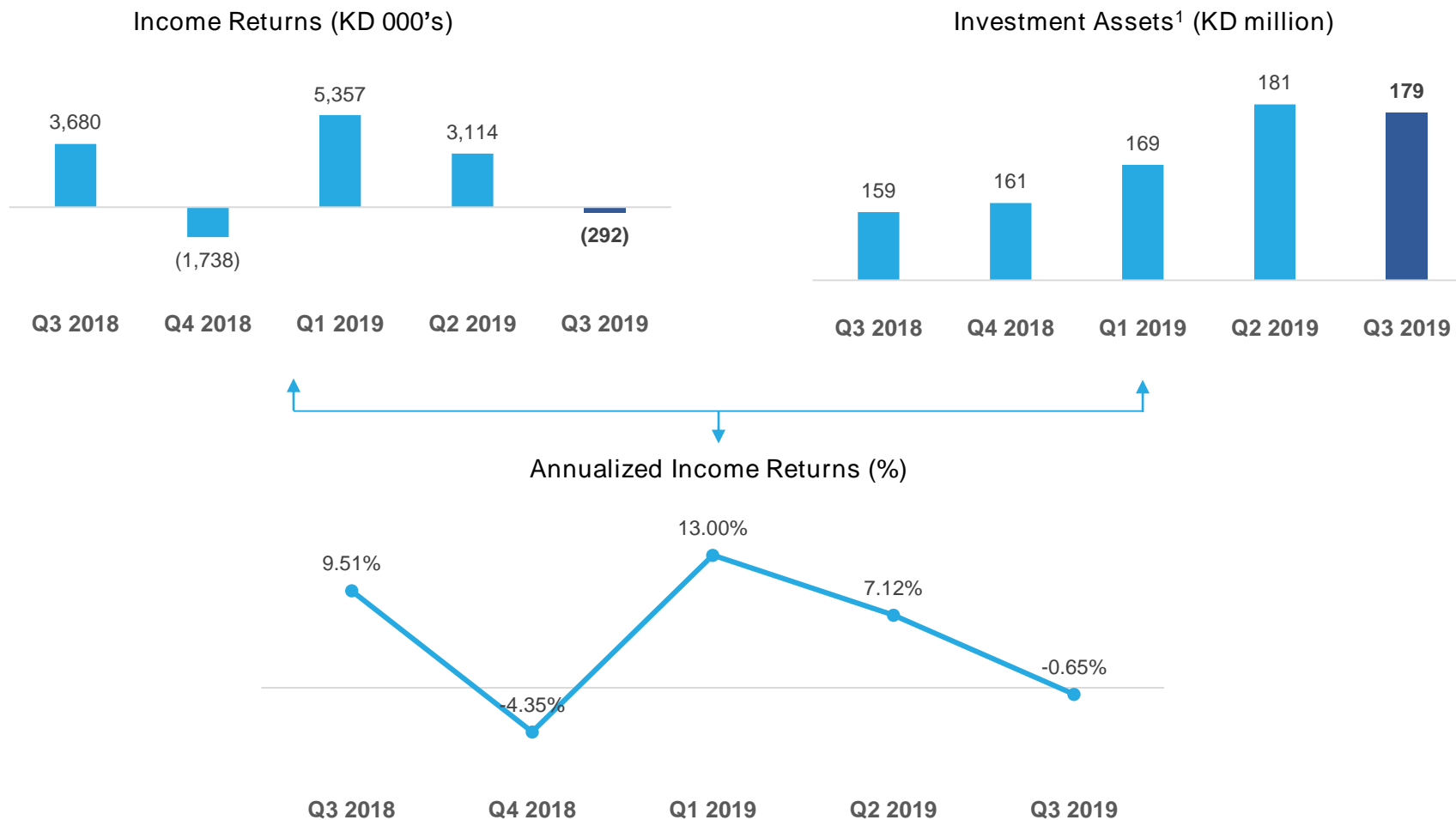
Asset Management & Investment Banking



Asset Management Fees Returns



Return on Principal Investments

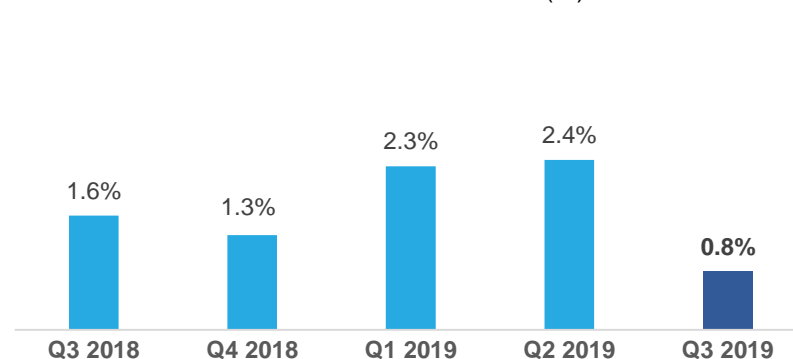


Capital Structure and Returns

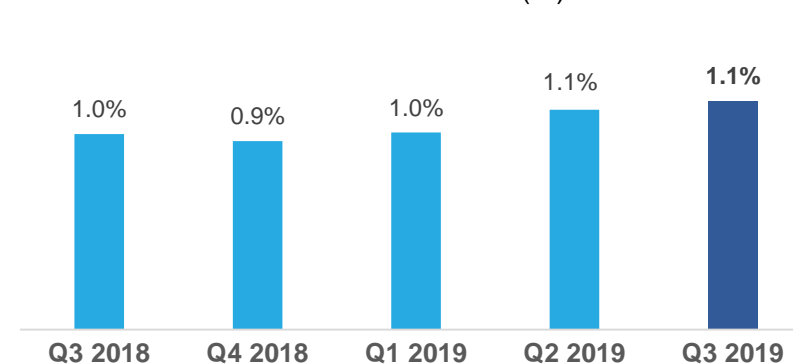
Markaz Net Debt to Total Equity of 0.51x

(KD 000's)	Sep 2019	Jun 2019	Mar 2019	Dec 2018
Due to financial institutions	-	996	-	-
Term Loans	43,104	41,246	25,708	22,565
Bonds Issued	25,000	25,000	25,000	25,000
Total Debt	68,104	67,242	50,708	47,565
Cash and Bank Balance	7,632	7,319	7,466	4,691
Time Deposits	1,982	1,387	1,662	2,565
Total Cash including Time Deposits	9,614	8,706	9,128	7,256
Net Debt	58,490	58,536	41,580	40,309
Shareholders' Equity	92,193	93,454	94,803	91,050
Total Equity	115,766	117,254	118,240	114,052
Net Debt / Total Equity	0.51X	0.50X	0.35X	0.35X

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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