

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

Earnings Presentation

H1 2020



Asset Management | Investment Banking

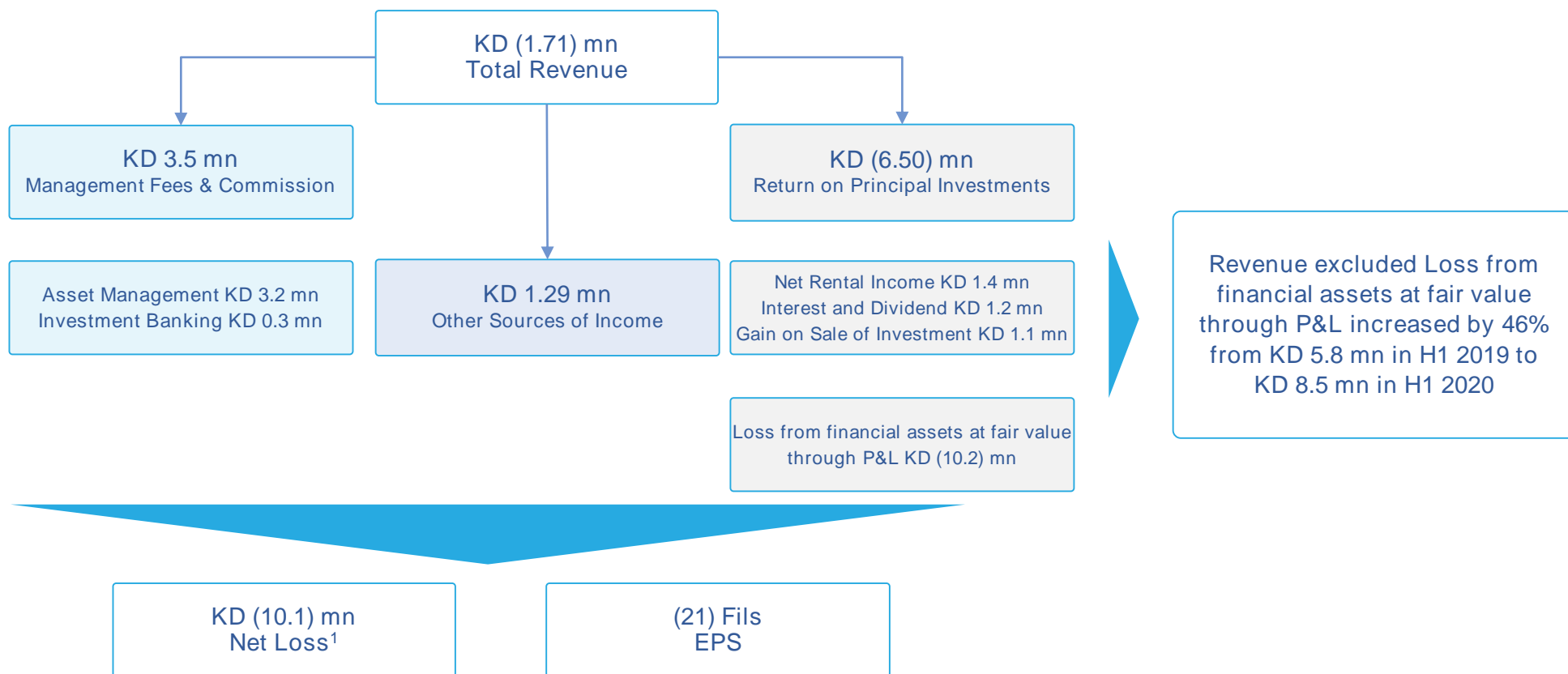
Discussion Agenda

H1 2020 Performance Highlights	3
Markaz Overview	5
Business and Financial Highlights.....	8
Shareholders Information	18

H1 2020 Performance Highlights

Markaz Assets Under Management of KD 1.03 billion

Profit and Loss Highlights



H1 2020 Performance Highlights

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

“Markaz reported its financial performance for the first half of 2020, with revenue of KD (1.71) million as compared to KD 12.47 million in H1 2019. Net Loss attributable to shareholders of Markaz was KD (10.05) million for H1 2020 reflecting an EPS of (21) Fils.

The decline in revenue and profits is attributable mainly to the unprecedented events witnessed during the first half of the year due to the spread of the COVID-19 pandemic across the world. The GCC equity market growth momentum that we saw last year dissipated in February 2020, with the rise in cases of COVID-19 adding further pressure on oil prices.

Markaz reported Asset Management fees of KD 3.25 million, a decline of 11.6% y-o-y and Investment Banking fees were KD 0.26 million, a decline of 20.6%. Due to the pandemic, the revaluation loss on financial assets during H1 2020 was KD 10.20 million. Markaz recognized an impairment of investment properties of KD 3.12 million due to the impact of COVID-19. Markaz AUM at the end of the period closed at KD 1.03 billion down by 7.7% compared to H1 2019.

Despite the above, revenues were supported by a step up in Net Rental Income by 295% y-o-y, contributing KD 1.44 million. This was driven by the addition of new properties launched last year in UAE and KSA. During the period, Markaz sold property located in Poland with realized gain of KD 1.07 million, and exited a project in Lebanon distributing USD 6 million to investors.

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



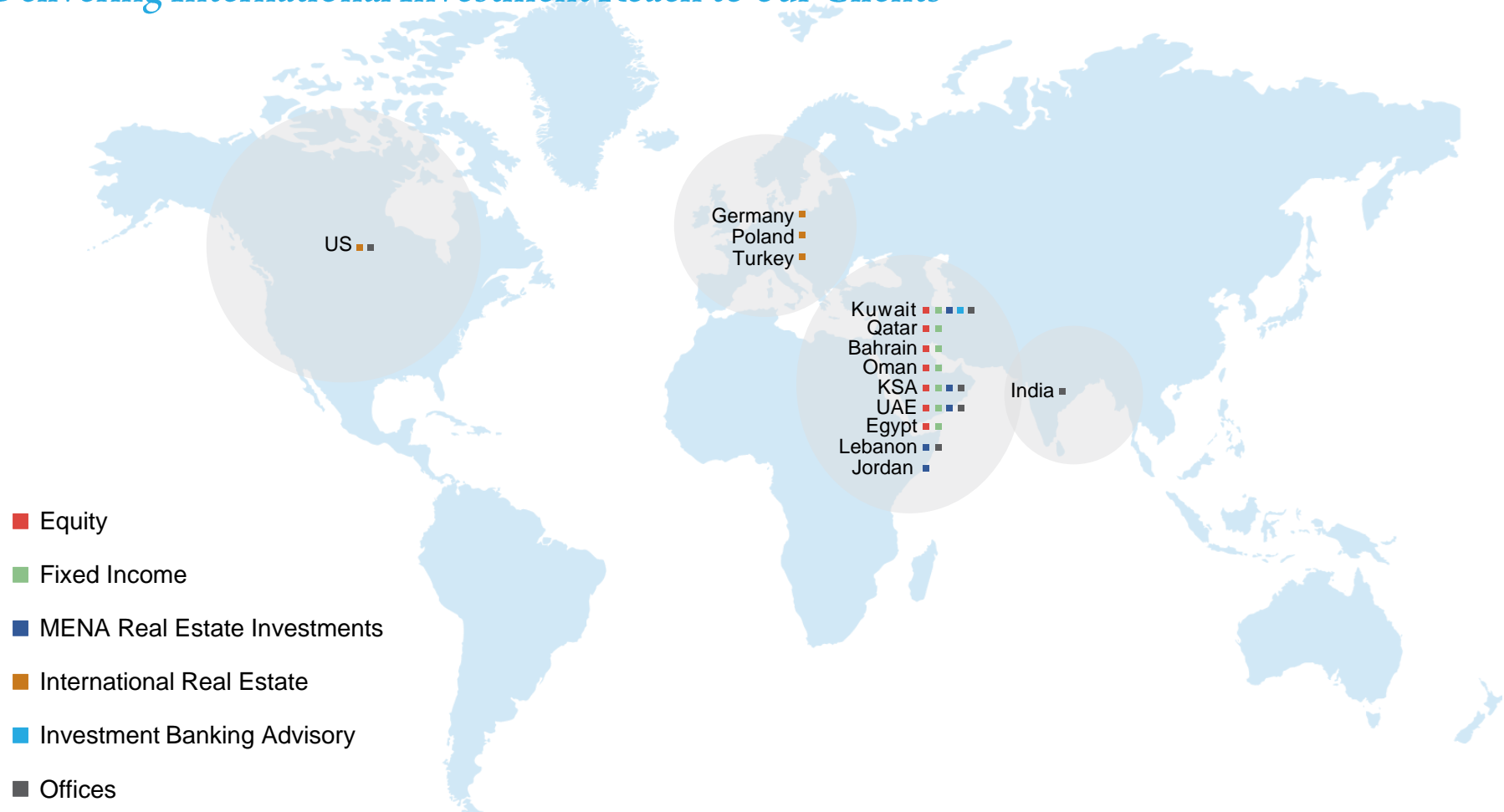
Our Team, the cornerstone of our success

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



globalist
MIDDLE EAST
AWARDS
2013

Kuwait Asset Manager
Markaz



Business Highlights

Total AUM of KD 1.03 billion, a decrease of 7.7% from June 2019



Asset Management

GCC Equity Funds, Fixed Income Fund, Others
Total AUM of KD 710.6 million

- Asset management continues to implement Markaz's long term bottom up investment approach along with active liquidity management
- GCC Equities AUM of **KD 491.6 million**
- Markaz Islamic Fund, MIDAF, MUMTAZ and FORSA recorded negative returns in line with overall market conditions. MIDAF and MUMTAZ both outperformed their respective benchmark indices
- 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 373.5 million

MENA Real Estate – AUM of KD 314.9 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 76.8 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 58.6 million

- 6 ongoing US based projects managed through the Mar-Gulf subsidiary
- 2 Europe based projects in Poland and Germany
- Expected to have several successful exits in the second half of 2020 driven by the strong demand for industrial assets post Covid-19
- Assessing several projects across the US and Europe with a strong focus on the industrial sector

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
- Markaz successfully executed a 5 year KD 30 million bond issuance for the National Industries Group Holdings Company
- 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 2019, Marmore published over 60 reports on its research web portal and executed 27 bespoke engagements with entities across the GCC region

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

Financials Trend

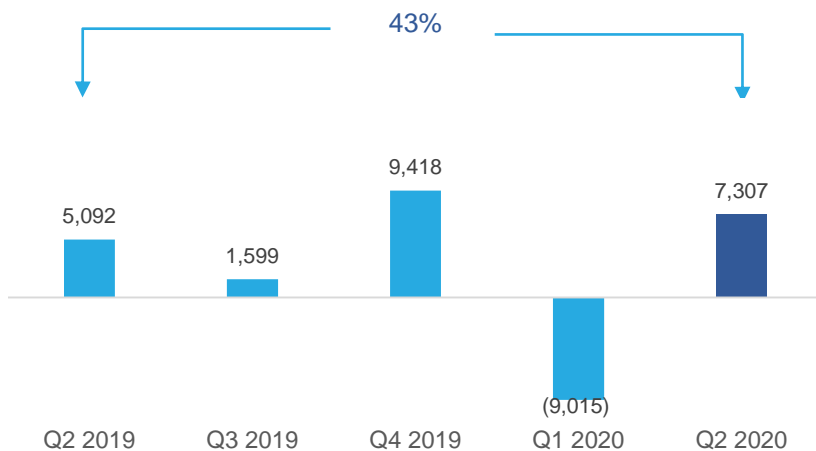
H1 2020 Revenues growth on y-o-y basis

- H1 2020 Total Revenue declined primarily due to the Covid-19 pandemic and its impact on the business and on the fair value of investments
- Management Fees & Commissions have declined by 12.4% to KD 3.5 mn as compared to KD 4.0 mn in H1 2019
- Income from Principal Investments declined primarily due to loss arising from financial assets at fair value through P&L of KD (10.2) mn. However, net rental income increased by 295% to KD 1.4 mn

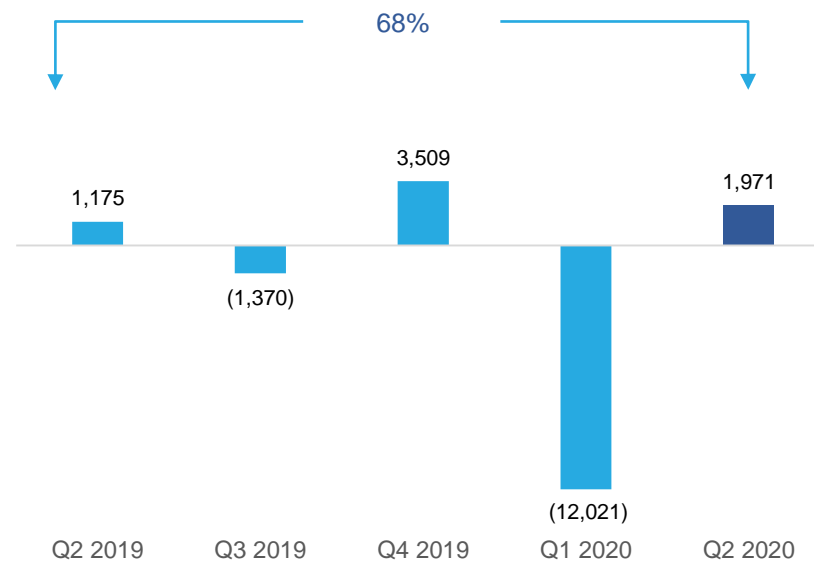
Net Profit (KD 000's)

- The net profit declined due to decline in revenues which is primarily attributable to 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 19% y-o-y in Q2 2020 and 3% y-o-y in H1 2020

Total Revenue (KD 000's)



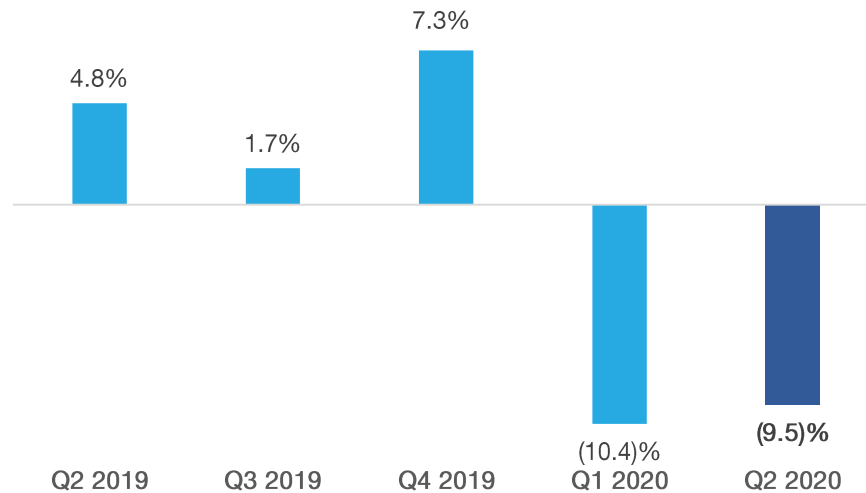
Net Profit¹ (KD 000's)



Financials Trend (cont'd)

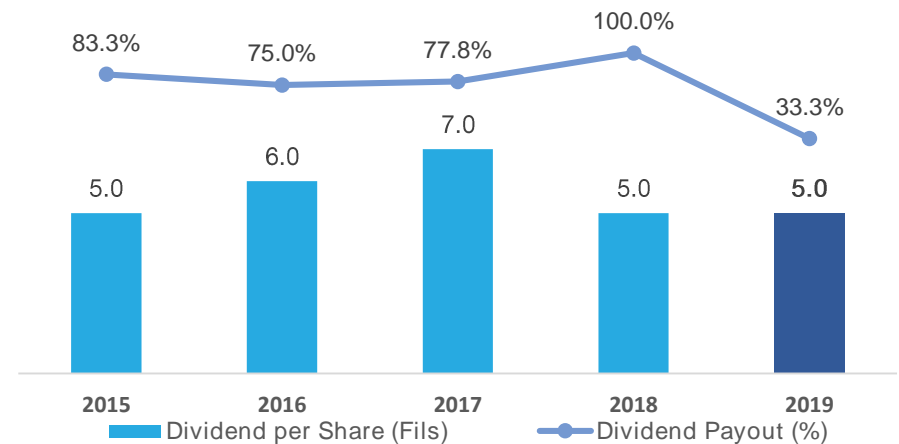
LTM Return on Equity¹

- Return on Equity of (9.5)% on LTM basis as it was impacted due to a significant loss arising from financial assets at fair value through P&L in H1 2020 that amounted to KD (10.2) million



Dividend per Share and Payout

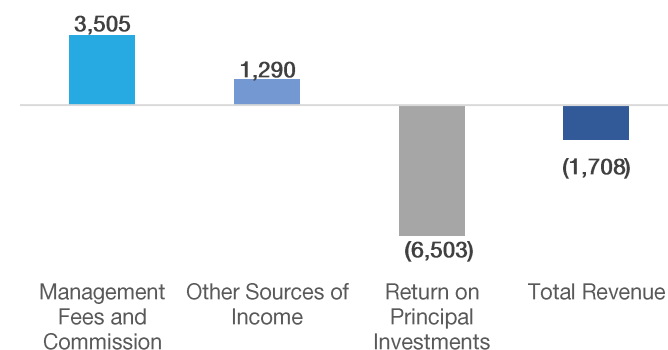
- Consistent dividend payouts with an incremental 66.7% decrease in 2019 payout ratio over last year



Profit & Loss Key Metrics

(KWD 000's)	Q2 (Three Months)		Y-o-Y	6M (Six Months)		Y-o-Y
	2020	2019	Growth (%)	2020	2019	Growth (%)
Management Fees and Commission	1,496	2,089	(28.4%)	3,505	4,000	(12.4%)
Interest Income	283	155	83%	572	307	86%
Dividend Income	258	475	(46%)	630	883	(29%)
(Loss) / Gain from Investments at Fair Value through P/L	3,757	2,314	62%	(10,204)	6,670	(253%)
Share of results of associate and joint venture	(19)	(20)	(5%)	(5)	(52)	(90%)
Gain on redemption/Sale investments	0	0	-	1,066	0	-
Gain on sale of investment properties	0	0	-	0	299	(100%)
Net Rental Income	829	190	336%	1,438	364	295%
Other Sources of (Loss) / Income	703	(111)	-	1,290	3	-
Total Revenue	7,307	5,092	43%	(1,708)	12,474	(114%)
Operational Expenses	2,400	2,967	(19%)	5,469	5,622	(3%)
EBIT	4,907	2,125	131%	(7,177)	6,852	(205%)
Margin (%)	67%	42%		420%	55%	
Impairment of Investment Properties	3,121	(37)	-	3,121	(37)	-
Finance Costs	631	729	(13%)	1,470	1,222	20%
Contribution to KFAS, NLST, Zakat	0	57	(100%)	0	228	(100%)
Net (Loss) / Profit	1,155	1,376	(16%)	(11,768)	5,438	(316%)
Margin (%)	16%	27%		689%	44%	
Net (Loss) / Profit attributable to the owners of Parent Company	1,971	1,174	68%	(10,050)	4,817	(309%)
Net (Loss) / Profit attributable to Non-Controlling Interests	(816.0)	201.0		(1,718)	621	
(Loss) / Earnings Per Share (Fils)	4	2	68%	(21)	10	(310%)

H1 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

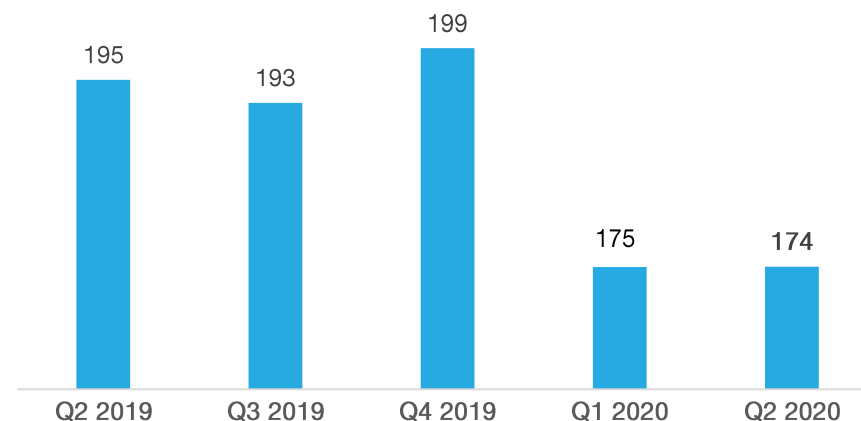
(KWD 000's)	Jun 2020	Mar 2020	Dec 2019	Jun 2019
ASSETS				
Cash and bank balances	10,399	13,748	4,937	7,319
Time deposits	127	86	1,332	1,387
Investments at fair value through profit or loss	95,773	94,225	106,646	108,304
Investments at fair value through OCI	2,071	2,586	2,735	422
Investments carried at amortized cost	9,401	9,158	9,099	4,951
Investment properties	52,659	56,027	55,256	63,518
Accounts receivable and other assets	4,778	5,453	7,430	5,100
Loans to customers	390	430	405	301
Investments in associate and joint venture	3,562	3,594	3,594	3,679
Asset held for sale	0	0	7819	0
Right of use assets	464	532	600	739
Equipment	1,033	1,084	1,084	1,033
Total Assets	180,657	186,923	200,937	196,753
LIABILITIES and EQUITY				
Liabilities				
Due to bank and other financial institutions	495	1,000	-	996
Accounts payable and other liabilities	12,399	15,900	15,307	12,257
Bank borrowings	37,425	38,210	41,632	41,246
Bonds issued	25,000	25,000	25,000	25,000
Total Liabilities	75,319	80,110	81,939	79,499
EQUITY				
Equity attributable to the owners of the Parent Company	83,227	83,208	95,195	93,454
Non-controlling interests	22,111	23,605	23,803	23,800
Total Equity	105,338	106,813	118,998	117,254
Total Liabilities and Equity	180,657	186,923	200,937	196,753

Asset Under Management

Q2 2020 AUM
KD 1.03 billion

Q2 2019 AUM
KD 1.11 billion

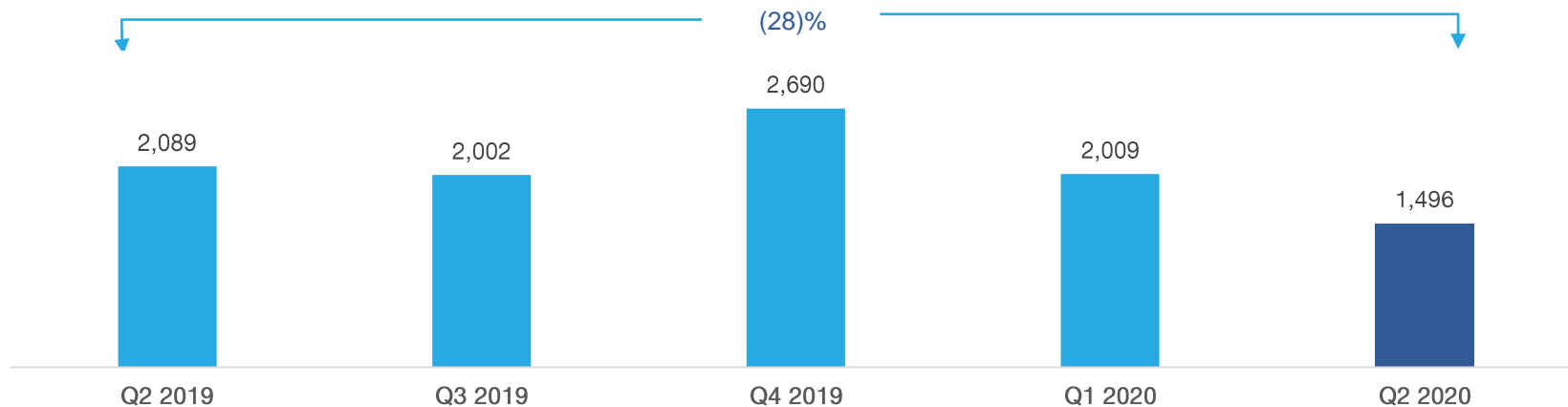
Book Value per Share (Fils)



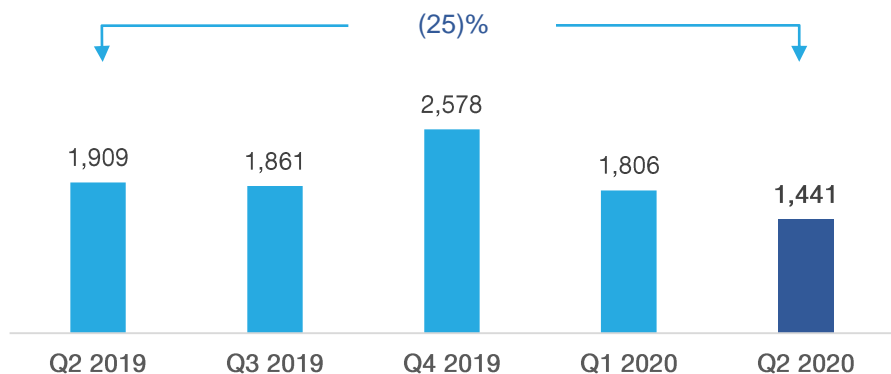
- Book value decreased by 21 Fils per share due to the net decrease in Retained Earnings by KD 11.660 million compared to the same period of Q2 2019 and that mainly due to dividends payments and the losses incurred in Q1 2020

Asset Management & Investment Banking

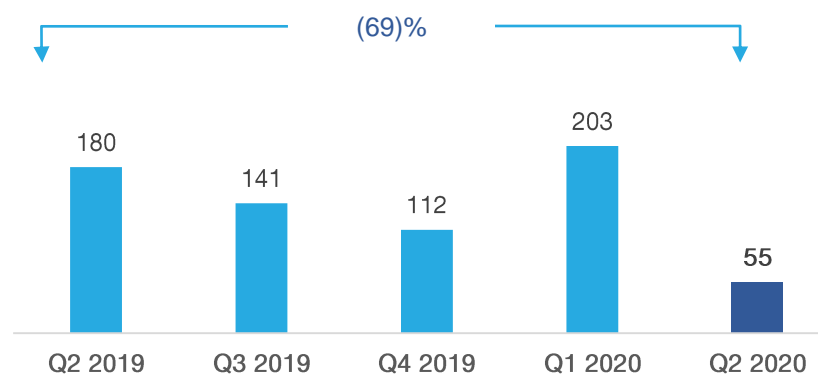
Management Fees & Commission (KD 000's)



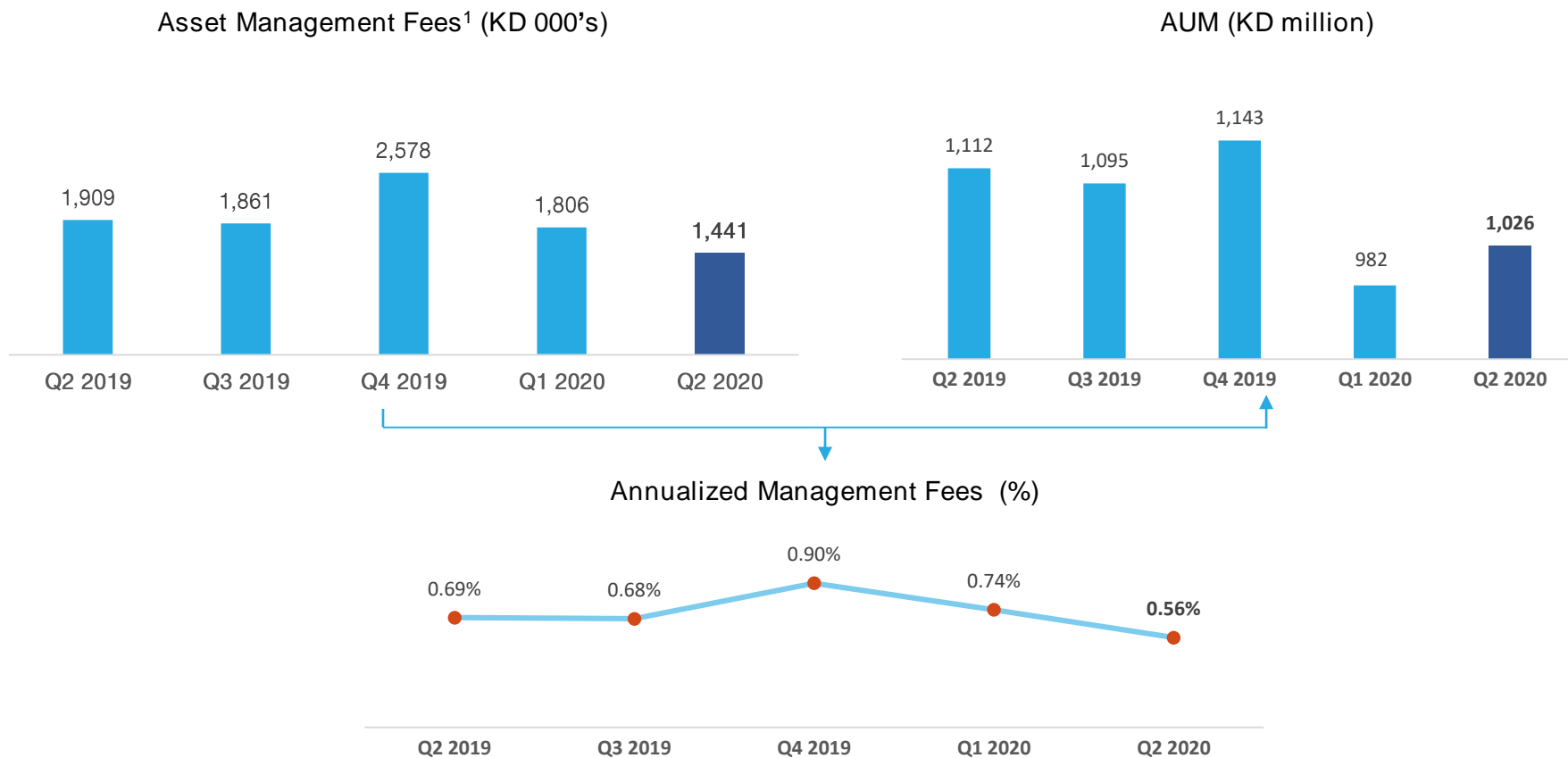
Asset Management Fees¹ (KD 000's)



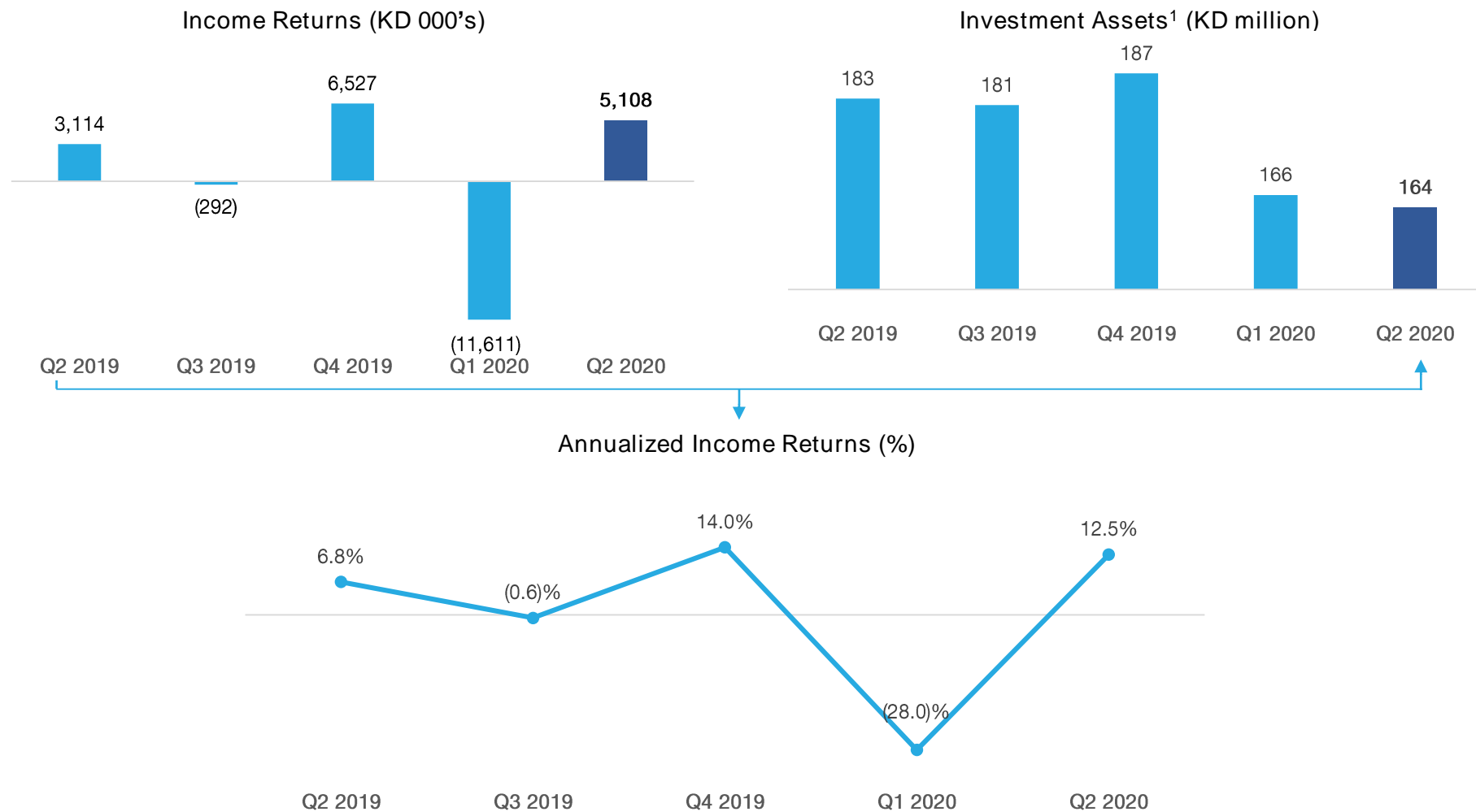
Investment Banking Fees (KD 000's)



Asset Management Fees Returns



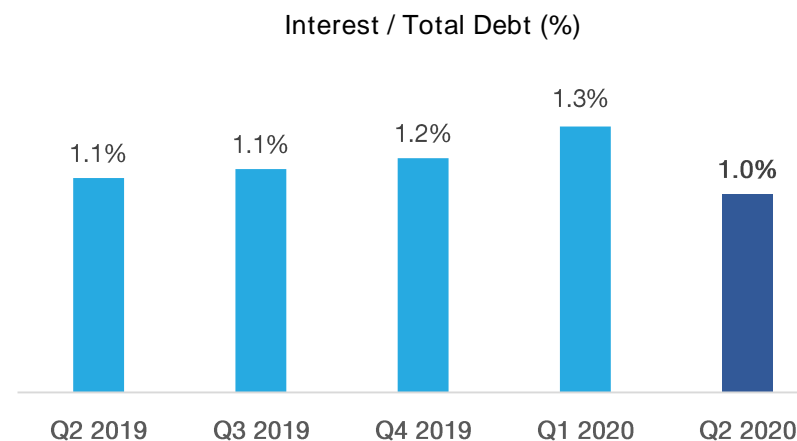
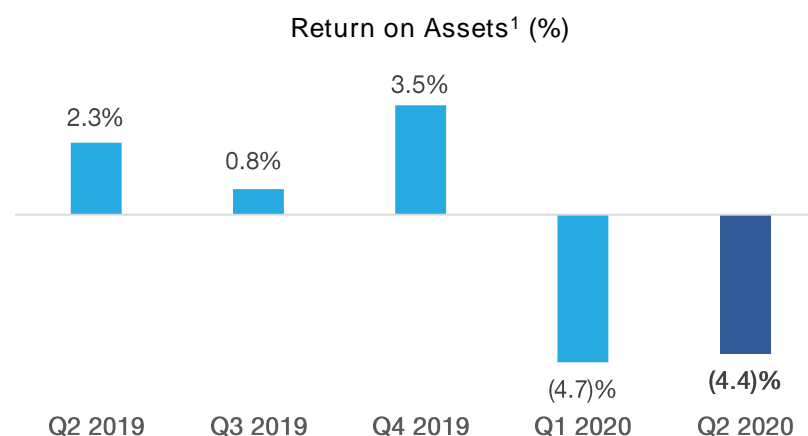
Return on Principal Investments



Capital Structure and Returns

Markaz maintained Net Debt to Total Equity of 0.5x

(KD 000's)	Jun 2020	Mar 2020	Dec 2019	Jun 2019
Due to financial institutions	495	1,000	-	996
Loan Term	37,425	38,210	41,632	41,246
Bonds Issued	25,000	25,000	25,000	25,000
Total Debt	62,920	64,210	66,632	67,212
Cash and Bank Balance	10,399	13,748	4,937	7,319
Time Deposits	127	86	1,332	1,387
Total Cash including Time Deposits	10,526	13,834	6,269	8,706
Net Debt	52,394	50,376	60,363	58,506
Shareholders Equity	83,227	83,208	95,195	93,454
Total Equity	105,338	106,813	118,998	117,254
Net Debt / Total Equity	0.50X	0.47X	0.51X	0.50X



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)
2019 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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