SHUAA

Press Release

SHUAA Capital announces 2023 full-year preliminary financial results

Impairment of legacy assets – necessary step in SHUAA's capital optimisation

United Arab Emirates, 13 February 2024: SHUAA Capital psc (DFM: SHUAA) today announces its preliminary financial results for the full year ended 31 December 2023.

SHUAA Capital reported full-year revenues of AED 165 million, up 34% year-on-year on a pro forma basis, and adjusted net operating income of AED 24 million, up 128% year-on-year, together with an 11% drop in cost to income ratio, demonstrating the strength and resilience of SHUAA's core operations.

The net profitability in the fourth quarter continued to be challenged by significant non-cash impairment of legacy assets amounting to AED 128 million and one-off charges of AED 124 million, including deferred tax liabilities associated with the implementation of UAE Corporate Tax Law, leading to a net loss of AED 296 million for the three months ending 31 December 2023, and AED 866 million for the full year ending 31 December 2023.

The impairment of legacy assets was a necessary step in SHUAA's capital optimisation journey as the board continues to take decisive actions to reposition the business for growth and value creation. Currently, the company is negotiating agreements with its creditors and securing essential regulatory approvals to convene a shareholders' General Assembly over the coming few weeks. The agenda for this assembly includes seeking approval for a reduction in SHUAA's share capital and a subsequent capital increase, aimed at reducing leverage and bolstering its capital base. The company aims to complete this process by June 2024.

SHUAA has also started the transformation of its business model, with recently announced changes in key senior roles. Its new, integrated model will focus on Asset Management and Investment Banking, both supported by a strong Sales and Distribution platform. On Asset Management, SHUAA intends to take strategic initiatives to grow and diversify its AuM base. On Investment Banking, the company intends to proceed with strategic hires to expand its capabilities and product offerings. It will also accelerate its cost rationalisation programme, the winding down of non-core assets and its rebranding efforts.

The company believe these actions will lead to a more stable performance and generate lasting value for its shareholders.

Wafik Ben Mansour, Acting CEO of SHUAA Capital, said: "SHUAA's recent performance linked to past legacy issues has been disappointing for its stakeholders, but we firmly believe that our business has strong fundamentals and value to be unlocked. We are taking a series of decisive actions to re-focus SHUAA around the needs of our clients and stakeholders and we will continue to provide regular progress updates as we look to radically restructure our balance sheet, transform our business model, and enhance our corporate culture."

Group financial highlights (preliminary)

Key Metrics	FY 2023	FY 2022	% YoY
Revenues*	**AED 165m**	**AED 123m**	**34%▲**
Adjusted Net Operating Income**	**AED 24m**	**AED 11m**	**128%▲**
Cost-Income Ratio	**85%**	**96%**	**11%▲**
One-off non-cash charges	**(AED 794m)**	**(AED 83m)**	**853%▼**
Net Profit (Loss)	**(AED 866m)**	**(AED 135m)**	**541%▼**

* Excluding discontinued operations in 2022
** excluding one-off items

Key financial review

- **Total operating revenues** reached AED 165 million for full-year 2023, driven by growth within core business areas, particularly in Asset Management, which continues to grow its fee-earning AuM.
- **Net Operating income** of AED 24 million for full-year 2023, driven by revenue growth and cost-saving measures.
- **A net loss** of AED 866 million for full-year 2023, primarily due to non-cash impairments related to legacy assets and goodwill.
- **Cost to income ratio** improved to 85% for full-year 2023, reflecting an improvement from the 96% recorded in 2022.

Segmental review

- **Asset Management**, reported full-year 2023 revenues of AED 146 million, reflecting strong performance in fund management and performance fees, growing Real Estate advisory fees, and continued growth in fee-earning AuM.
- **Investment Banking** reported full-year 2023 revenues of AED 13 million, a modest decline compared to prior year due to delays in closing transactions. The advisory and capital markets business secured new client mandates, providing a stronger deal pipeline and additional revenue generation in the short term. The sales and trading business posted robust trading volumes, ensuring consistent revenue streams.
- **Corporate segment** streamlined its operations, with full-year 2023 revenues forming a smaller part of the overall revenue mix. This shift is largely due to the company's intentional move to wind down its non-core assets, a decision that aligns with SHUAA's long-term strategy to solidify its financial standing.

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About SHUAA Capital psc

SHUAA Capital psc (DFM: SHUAA), established in 1979, is a leading asset management and investment banking platform. SHUAA Capital psc is recognized for its strong track record and pioneering approach to investing through a differentiated, innovative, and global product offering focused on public and private markets, debt, and real estate.

The asset management segment, one of the region’s largest, manages real estate funds and projects, investment portfolios and funds in the regional equities, fixed income, and credit markets; it also provides investment solutions to clients, with a focus on alternative investment strategies. The investment banking segment offers corporate finance advisory, transaction services, private placement, public offerings of equity and debt securities, while also creating market liquidity on OTC fixed-income products. The firm is regulated as a financial investment company by the Securities and Commodities Authority.

To learn more about SHUAA Capital, please visit:

- Website: www.shuaa.com
- Twitter: https://twitter.com/SHUAA_Capital
- LinkedIn: https://www.linkedin.com/company/shuaa-capital

Cautionary Statement Regarding Forward-Looking Information:

This document contains forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Forward-looking statements can be identified by words such as: "anticipate," "aspire," "intend," "plan," "goal," "objective," "seek," "believe," "project," "estimate," "expect," "forecast," "strategy," "target," "trend," "future," "likely," "may," "should," "will" and similar references to future periods.

Examples of forward-looking statements include, among others, statements we make regarding:
- *Expected operating results, such as revenue growth and earnings.*
- *Anticipated levels of expenditures and uses of capital.*
- *Ability to identify and merge with a target and access to capital markets.*
- *Current or future volatility in the capital and credit markets and future market conditions.*

Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: Our ability to maintain adequate revenue levels and cost control; economic and financial conditions in the global markets and regional markets in which we operate, including volatility in interest rates, commodity and equity prices and the value of assets; the implementation of our strategic initiatives, including our ability to effectively manage the redeployment of our balance sheet and the expansion of our strategic businesses; the reliability of our risk management policies, procedures and methods; continued volatility in the capital or credit markets; geopolitical events; developments and changes in laws and regulations, including increased regulation of the financial services industry through legislative action and revised rules and standards applied by our regulators.

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