

# Earnings Release

11 May 2014

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## **SHUAA reports 77% revenue increase and strong profit in first quarter 2014**

- **Total revenues were AED 64m**; a 77% increase on Q1 2013's AED 36m
- **Net profit of AED 8.2m**; continuous quarterly improvement in profitability since Q2 2013
- **Investments in SHUAA managed funds** saw gains of AED 17.8m
- **Net assets rose to AED 1.13bn** from AED 1.11bn at 31 December 2013

SHUAA Capital today announced financial results for the first quarter 2014, reporting the fourth consecutive quarterly profit. Total revenues reached AED 64 million, a 77% increase on Q1 2013 of AED 36 million. The significant jump in year-on-year quarterly numbers was due to improved client activity across all core divisions with growth in interest income as well as fees and commissions. Interest income increased by 37% to AED 30.7 million from AED 22.4 million in Q1 2013 and net fees and commissions rose 135% to AED 15.8 million from AED 6.7 million a year earlier. Investments in SHUAA managed funds saw gains of AED 17.8 million as compared to AED 7.0 million in Q1 2013.

Overall net profit was AED 8.2 million representing a significant positive result from a net loss of AED 5.9 million in Q1 2013 and a 118% increase on the profit of AED 3.8 million generated in Q4 2013. This solid result reflected contributions from all income generating businesses.

As at 31 March 2014, SHUAA had total assets of AED 1.49 billion, fractionally down on the 2013 year-end figure. Net assets rose to AED 1.13 billion from AED 1.11 billion at 31 December 2013 due to a drop in bank debt and payables. SHUAA's leverage ratio at the end of Q1 2014 was 0.22x.

HH Sheikh Maktoum Hasher Al Maktoum, Executive Chairman of SHUAA Capital, commented: *"We have generated a robust first quarter financial performance, with all income generating business divisions posting a net profit. We have further expanded our loan portfolio, completed a number of significant investment banking transactions, improved asset quality while ensuring that we build out our competitive market position. We also installed a new sales and trading technology platform.*

*We are seeing an improved investment banking pipeline and a larger pool of companies wanting to go public, improving the possibility of more transactions being executed by*

*SHUAA. We anticipate increased demand for lending following the recent decree in UAE requiring 10% of all government contracts to be awarded to SMEs.*

## **Segmental Information**

### **Lending**

The Lending division posted a 47% year-on-year quarterly increase in revenues to AED 30.8 million (Q1 2013: AED 20.9 m) and almost tripled profits to AED 7.4 million (Q1 2013: AED 2.6 m). Provisions increased to AED 7.8 million (Q1 2013: AED 4.3 m) but were down compared to AED13.2 million in Q4 2013.

The loan book increased by AED 9.7 million to AED 823.8 million as of 31 March 2014 as SHUAA's SME financing subsidiaries, the UAE's Gulf Finance and Saudi Arabia's Gulf Installments, continued to build out their portfolios.

At the end of the first quarter 2014, the loan portfolio consisted of: Manufacturing 21.8%, Power, Oil, Gas & Water 16.0%, Logistics 14.7%, Infrastructure 7.0%, Printing & Media 6.0%, Marine 5.0%, Wholesale 4.9%, Sport, Leisure & Hospitality 4.1%, Healthcare 2.7%, Construction 2.5% and other 15.3%. Geographically, 86% of the loan book was in the UAE and the balance of 14% in Saudi Arabia.

### **Asset Management**

The Asset Management unit increased revenues by 16% and booked quarterly revenues of AED 4.8 million (Q1 2013: AED 4.1m). Net profit increased by 65% to AED3.1 million (Q1 2013: AED 1.9m) as net fees increased and G&A expenses dropped on a year-on-year comparative basis.

SHUAA's Emirates Gateway Fund generated 17.3% over the first quarter, outperforming its benchmark. The Arab Gateway Fund returned 9.6% over the first quarter in line with its benchmark as regional equities continue to outpace their international counterparts on strong macro-economic data.

The Emirates Gateway Fund was also named the best UAE Equity Fund for the third year running by MENA FM magazine, posting an annual return of 87.4% in 2013.

### **Investment Banking**

The Investment Banking division recorded strong revenue growth. During the first quarter the division posted revenues of AED 6.4 million, up from AED 0.1 million in Q1 2013, and a net profit of AED 8.0 million (Q1 2013: loss of AED 0.9m) after reversal of some provisions.

During the quarter, the investment banking team worked as financial and sell-side advisor to the shareholders of CSEH Investment (the holding company for CosmeSurge and Emirates Hospital). It was also engaged for the execution and placement of the IPO of Emirates REIT.

## Capital Markets

The Capital Markets team saw revenues of AED 3.3 million (Q1 2013: AED 2.1m) and net profits of AED1.5 million (Q1 2013: AED1.9m). In the first quarter, the division carried on investing in its technical capability implementing SunGard's Front Arena, an advanced sales and trading system that provides a transparent and reliable platform with fully-integrated access to regional and global markets. SunGard Front Arena enables SHUAA to offer global institutional standard DVP, DMA and Market Making. This will increase net fees and commissions in the long term and will help offset higher G&A costs.

## Corporate

The Corporate unit reported revenues of AED 18.9 million (Q1 2013: AED 8.9m), with gains from investments in SHUAA managed funds totalling AED 17.8 million (Q1 2013: AED 7.0m) making up the bulk of the income. Net losses for the quarter were AED 11.8 million (Q1 2013: AED 11.4m) in line with budget.

## 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*
- *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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**-Ends-**

**SHUAA Capital psc** ('SHUAA') offers client-centric, fully integrated financial services. SHUAA, headquartered in Dubai, United Arab Emirates, services corporate and institutional clients as well as family businesses and high-net-worth-individuals with expertise in the areas of asset management, investment banking advisory services, capital markets and credit. SHUAA was established in 1979 by Emiri decree No. 6. SHUAA is a public shareholding company, regulated as a financial investment company by the UAE Central Bank, and its stocks are listed on the Dubai Financial Market. [www.shuaa.com](http://www.shuaa.com)

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