

SHUAA Capital Reports Third Quarter Results

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Dubai, 1 November 2009 – SHUAA Capital, the region's leading financial services institution, today reports results for the third quarter ended 30 September 2009. The profit from operations was AED 32.3 million (USD \$8.8m) in the quarter before investment impairment charges of AED 259 million (USD \$70.6m) and provisions of AED 42.5 million (USD \$11.6m). Third quarter 2009 operating income was negative AED 164.3 million, compared to a negative operating income of AED 332.1 million for the same period last year. Third quarter 2009 loss was AED 269.3 million compared to a loss of AED 438.2 million during the third quarter last year. The results reflect prudent provisioning as the firm reduces risks and recalibrates for 2010.

Mr. Majid Al Ghurair, Chairman of SHUAA Capital said:

"While challenging market conditions persisted and reduced business activity over the summer months weighed on our results this quarter, we are seeing improved performance across our fee generating businesses. The brokerage business has managed to augment its market leading position, our finance business remains highly profitable, our private equity business has turned in solid results and our asset management business continues to generate returns despite negative industry trends."

"During the quarter, we issued 515 million shares to Dubai Banking Group, following the resolution of the dispute with the convertible bond. This has removed the uncertainty curtailing our ability to conduct business as usual and we have now left behind the 'distress' scenario."

Sameer Al Ansari, the new Chief Executive Officer of SHUAA Capital commented:

"In order to sharpen SHUAA's quality of earnings going forward, we have taken decisive steps to improve the balance sheet, significantly increase liquidity and eliminate further downside risks emanating from non-fee-generating businesses, as evidenced by the prudent approach to recognize impairment charges on associates, available for sale investments and investments held to maturity. This move has a short-term negative impact on the financial results of the quarter but will have a long-term positive impact on the future of the firm. We are re-focusing the firm's efforts on the fee generating businesses and have engaged Bain & Company to help us formulate our future strategy against a changed regional landscape and new realities."

Cash Flow

Cash flow from operating activities year to date totals AED 885m (USD \$241m). The Group continues to respond strongly within the prevailing market conditions adding AED 242m (USD \$66m) in cash from operations in the third quarter, of which AED 136m (USD \$37m) was from collection of receivables and AED 135m (USD \$37m) was from sales of investment securities.

Year to date cash generated from operations has been used largely to repay bank borrowings AED 806m (USD \$219m), further deleveraging the Group's balance sheet, and to add to accumulated cash surpluses AED 75m (USD \$20m).

Cash on hand equals AED 465m (USD \$126m) as at the end of the third quarter and provides a robust platform from which the Group can maintain its ongoing activities.

Balance Sheet

During the third quarter of 2009, 515 million shares were issued to Dubai Banking Group in satisfaction of the bond which was issued in the third quarter of 2007. This resulted in additional share capital of AED 515 million. The associated share premium of AED 1,161 million was applied to the statutory reserve in accordance with article 203 of the UAE Commercial Companies Law.

As at 30 September 2009 total assets are AED 3,303 million (US\$ 899 million) compared to AED 3,578 million (US\$ 974 million) in June 2009 and AED 5,849 million (US\$ 1,592 million) in September 2008. Impairment charges of AED 259 million (US\$ 70 million) were the primary driver of change quarter to quarter.

As at 30 September 2009 total liabilities are AED 1,427 million (US\$ 389 million) compared to AED 1,412 million (US\$ 384 million) in June 2009 and AED 2,884 million (US\$ 785 million) in September 2008. Due to banks and medium term debt reduced further this quarter by AED 100 million (US\$ 27 million), reflecting the continuation of this positive trend reported over the last 5 quarters. A provision on a contingent liability of AED 99.2 million (US\$ 27.0 million) was another significant item this quarter.

Segmental Reporting 3Q 2009 – Highlights

Asset Management

During third quarter 2009, the Asset Management division saw a profit of AED 2.6 million (US\$ 0.7 million) as compared to AED 2.6 million (US\$ 0.7 million) in the second quarter 2009 and a loss of AED 2.8 million (US\$ 0.8 million) in third quarter 2008. The division's performance was largely affected by wider market conditions and fund redemptions.

Revenues from our business lines, Fund Management, Discretionary Portfolio Management and Investment Management consisted of effectively 100% Management fees. Our Fund Management business line continues to dominate in terms of revenue contribution with a consistent 56% QoQ, Discretionary Portfolio Management carries 28% and the remainder is generated through Investment Management.

Net-inflows continue to witness negative pressure, leading to a decrease in funds under management and a fall in the average AUM for the period by 6.5%. It is worth noting, however, that our cost efficiency initiatives helped the Q3 margins remain healthy and well above market standards with net margin reaching 49%.

The impact of the financial crisis seemed to have affected investor confidence, although this was not reflected in stock market performance. Accordingly our asset management business faced difficulties in terms of placement and performance. We remain confident, however, that positive sentiment will return in 2010 attracting with it regional as well as international liquidity.

We believe SHUAA Asset Management is well positioned for future growth opportunities due to its track record, investment management team and innovative approach.

Investment Banking

The Investment Banking division saw losses of AED 1.0 million (US\$ 0.3 million) in the third quarter of 2009, as compared to losses of AED 2.3 million (US\$ 0.6 million) in second quarter 2009 and profits of AED 2.3 million (US\$ 0.6 million) in the third quarter 2008.

The limited activity during the period was felt across the markets due to the summer and Ramadan timings. The appetite for risk has increased globally but the division's performance continues to reflect a quiet period for primary issuance across the equity markets, its principal business line.

The bond markets have been active over the period as orders for government and corporate credit for third party issuances come through. This high level of activity on the syndicate desk has helped mitigate the low levels of primary issuance.

The Investment Banking team has restarted working on mandates that were signed but put on hold since the end of 2008 due to the crisis. The pipeline across IPOs, M&A and private placements remains healthy and we expect to see these materialise in the first half of next year.

The team is focused on preparing the pipeline for execution and also continues to sign new mandates across these areas. There are encouraging signs of renewed investor interest in the region and this increase in confidence should facilitate an opening up of the equity markets in the first half of 2010.

Brokerage

SHUAA Securities saw profits of AED 2.5 million (US\$ 0.7 million) in the third quarter, down 65% as compared to AED 7.2 million (US\$ 2.0 million) in second quarter 2009 and down 85% compared to profits of AED 16.7 million (US\$ 4.5 million) in third quarter of 2008.

Brokerage has clearly demonstrated its strong market positioning and growth capabilities. It is ranked 1st on the Dubai Financial Market with a market share of 5.88% for the third quarter 2009, and also ranks 1st on Dubai Financial Market for the first 9 months of 2009 with a market share of 5.11%. These outstanding results helped SHUAA Securities (UAE) to consolidate its market position as the second largest brokerage in the U.A.E. during the first 9 months of 2009 with an overall U.A.E. market share of 5.26%.

The division has benefited from the flight to quality that is taking place across the industry. Trading values increased in August and September and market indices rallied 15% during that time period. SHUAA Securities now has 50,000 accounts. With average daily trading values having crossed AED 1.5 billion, we believe that the last quarter of the year could be the strongest for 2009. We will continue to focus on maintaining our leading position in the market for the next quarter.

SHUAA Securities now has an enviable regional presence, having expanded its brokerage network into Jordan in May of this year. It has since jumped up more than 30 positions in the brokerage rankings in the country. SHUAA Securities has recently launched an advanced online trading portal, which is expected to serve as an additional channel for generating fee business.

Private Equity

The division saw profits of AED 3.7 million (US\$ 1.0 million) in the third quarter of 2009, down 23% as compared to profits of AED 4.8 million (US\$ 1.3 million) in second quarter of 2009, and down 90% as compared to profits of AED 37.3 million (US\$ 10.2 million) in third quarter of 2008.

There were no exits or new investments made by the funds administered by the business in the third quarter of 2009. However, new investment opportunities are continually being reviewed on an opportunistic basis with an ongoing focus on SHUAA Hospitality Fund 1 and SHUAA Saudi Hospitality Fund 1, the latter working closely with SHUAA Capital Saudi Arabia.

Additionally, the various funds' portfolio companies continue to perform strongly while continuing to distribute healthy dividends.

Looking ahead the regional private equity industry seems to be more cautiously optimistic than last year potentially indicating a return to more active capital deployment levels even though the exit environment continues to remain challenging.

Finance

Gulf Finance saw profits of AED 6.5 million (US\$ 1.8 million) in the third quarter of 2009, a 25% rise on second quarter 2009 profits of AED 5.2 million (US\$ 1.4 million), and a 53% fall on third quarter 2008 profits of AED 13.7 million (US\$ 3.7 million). The year on year reduction in profits is reflective of higher funding costs, lower average assets as a consequence of lower new business appetite and an increase in customer delinquencies.

During the year the business has successfully launched into the Commercial Finance market with AED 35 million of facilities sanctioned up to the 30th September 2009. Going into the fourth quarter, the business continues to see good demand from the SME market for its offering, with a further AED 29 million of facilities in the pipeline across a variety of sectors.

The business maintains its conservative lending approach and continues to be well provided, with provisions as a percentage of non-performing loans of 261% as at 30 September 2009 vs. 180% as at 31 December 2008. The NPL rate as of 30 September 2009 was at 2.1%. In recognition of the quality of the lending portfolio, Capital Intelligence recently reaffirmed Gulf Finance's BB long-term rating with stable outlook.

The loan portfolio composition remains broadly comparable to the position as at 31 December 2008. The current composition is 39% transportation, 42% construction and 19% other. The portfolio is expected to diversify further over time as the Commercial Finance book grows in importance.

SHUAA Capital Saudi Arabia

The Company saw profits of AED 3.8 million (US\$ 1.0 million) in the third quarter of 2009, compared to a second quarter 2009 loss of AED 7.7 million (US\$ 2.1 million) and a third quarter 2008 profit of AED 0.7 million (US\$ 0.2 million).

With an improvement in overall sentiment throughout the region, SHUAA Capital Saudi Arabia (SCSA) is in an excellent position to capitalize on several opportunities in the Kingdom across all business lines including Investment Banking, Asset Management, Brokerage and Private Equity.

SCSA has made a strong start and currently has three Investment Banking mandates in the pipeline with several others under negotiations. While delivery has been affected by the financial crisis, we have started witnessing an increase in pipeline activity and we are particularly interested in the potential increase in Mergers and Acquisitions activity.

On the Private Equity front, we are especially excited about nearing the acquisition of several plots of land in the Kingdom for the Hospitality Fund.

As for Asset Management, we are awaiting approval by the Capital Market Authority for five funds which we expect to receive soon. Meanwhile, our Asset Management team is complete and currently providing advisory services to SHUAA's Asset Management team on their Saudi Gateway Fund.

Corporate

Corporate recorded a loss of AED 283.4 million (US\$ 77.2 million) in the third quarter of 2009, compared with the second quarter 2009 profit of AED 74.2 million (US\$ 20.2 million) and a third quarter 2008 loss of AED 505.4 million (US\$ 137.6 million).

Impairment charges were recognized in the quarter for: Associates AED 224.9 million (US\$ 61.2 million); Available for sale investments AED 22.4 million (US\$ 6.1 million) and Investments held to maturity AED 11.7 million (US\$ 3.2 million). Additionally, a provision of AED 99.2 million (US\$ 26.7 million) was made in the third quarter 2009 relating to a contingent liability third party bank guarantee.

Excluding the impact of movements in provisions, core expenses within Corporate were AED 26.6 million (US\$ 7.2 million) in the third quarter, down by 11% compared to the second quarter 2009 costs of AED 30.0 million (US\$ 8.1 million).

At AED 4.5 million (US\$ 1.2 million) restructuring related expenditure increased by AED 0.2 million (US\$ 0.05 million) in the third quarter of 2009 in comparison to quarter two 2009.