

SHUAA Reports Second Quarter Net Profit of AED 92 Million

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Dubai – 2 August 2009: SHUAA Capital, the leading financial services institution in the GCC, today reports results for the second quarter of 2009. Net profit for the quarter was AED 91.7 million, up 37 % from AED 67.1 million in the second quarter of 2008. Diluted earnings per share were AED 0.086, versus AED 0.067 for the same period last year.

Operating income during the second quarter was AED 169.1 million compared to AED 176.6 million in 2008. The current quarter operating income was affected by positive effects on net income from investment securities of AED 95.8 million compared to AED 17.4 million during the second quarter of last year, an increase of 450%. Fee businesses remained profitable, contributing AED 53.1 million to net operating income.

Operating Expenses recorded a drop of 27% year-on-year, from AED 110.4 million in 2008 to 80.6 million in the second quarter of 2009.

Mr. Majid Al Ghurair, Chairman of SHUAA Capital, commented: "This was a very important quarter for SHUAA. The positive performance clearly demonstrates the strength of our franchise and our management's ability to continue to operate successfully under the most difficult and demanding market conditions. To the background of the multitude of challenges we have faced, we are particularly heartened with this positive result."

Mr. Lyad Duwaji, Chief Executive Officer of SHUAA Capital said: "We are pleased that we have turned the corner after three very difficult quarters. The financial industry is a cyclical one and the downturn in this cycle has been the most severe in the past 80 years. Nonetheless, we remain positive on the outlook for our industry and SHUAA's position as a market leader. We also continue to believe in the market opportunity the GCC region represents - both in the short and in the long term."

Segmental Reporting First Half 2009 – Highlights

Asset Management

The division saw profits of AED 2.63 million (US\$ 0.72 million) in the second quarter of 2009, up 48 % as compared to profits of AED 1.77 million (US\$ 0.48 million) in first quarter of 2009, and down 95 % as compared to profits of AED 56.66 million (US\$ 15.43 million) in second quarter of 2008.

Driving these results was the change in sentiment across the global investor community from the extreme risk aversion which characterised much of 2008. In second quarter, investor sentiment gained momentum, stock markets rallied, light crude peaked at \$73 and at the same time the US dollar fell. Following a market correction in June, with oil dipping to the \$70 mark and we saw the start of some profit taking.

The first half of the year also saw a number of subscriptions into our funds, with all funds showing a positive return for the period. With the introduction of performance fee equalisation into the flagship Arab Gateway Fund, all new subscriptions can start accruing performance fees before the NAV per unit returns to its previous highs. This could potentially see an increase in performance fee payments to SHUAA in the second half which would not have been payable without fee equalisation. SHUAA Asset Management remains a manager of choice benefiting from the longest regional track record, a strong client services team and regional brand awareness.

Investment Banking

The division saw losses of AED 2.38 million (US\$ 0.65 million) in the second quarter of 2009, recording a reduction in losses by 56 % as compared to losses of AED 5.43 million (US\$ 1.48 million) in first quarter of 2009, and down 167 % as compared to profits of AED 3.55 million (US\$ 0.97 million) in second quarter of 2008. This reflects a very quiet period for primary issuance across equity markets the divisions' principal business line.

However, during the first half of this year, the team has been focusing on supporting its clients and helping them navigate the current markets. This has yielded a few additional mandates to those picked up earlier in the year and demonstrates there is appetite to raise equity amongst issuers, especially smaller industrial companies that have not been too adversely affected by the slow down. The team has also been continuing to work on older signed mandates which had been on hold, updating files in readiness for market recovery. This includes 4 mandates in Saudi Arabia which is an encouraging sign given that SHUAA's presence in the Kingdom is relatively new.

Early signs of renewed investor interest is emerging especially from investors who have a more structured approach to risk. Improved market confidence may see a window opening in the equity markets towards the end of this year and a resumption of fee generation for the business. There has been a significant increase in activity on the syndicate desk where strong orders for government and corporate credit for third party issues have come through. Whilst we have purposely kept our origination capability small we have continued to bid for mandates.

Brokerage

The division saw profits of AED 7.22 million (US\$ 1.97 million) in the second quarter of 2009, up 643 % as compared to losses of AED 1.33 million (US\$ 0.36 million) in first quarter of 2009, and down 56 % as compared to profits of AED 16.38 million (US\$ 4.46 million) in second quarter of 2008.

The Brokerage unit has continued to show strong growth and has consolidated its market position as the second largest brokerage in the UAE in terms of market share, which it has maintained every month since February of this year. SHUAA Securities now has approximately 50,000 accounts and has total client holdings of AED 4.5 billion.

SHUAA Securities has continued to state its ambition by increasing its presence across the region, when it expanded its brokerage network into Jordan in May of this year and has since jumped up more than 30 positions in the brokerage rankings in the country.

2009 has been, and will continue to be a challenging year for all brokerage businesses, with market activity significantly down on last year and the lower price of shares seriously affecting revenue. Nonetheless, SHUAA Securities expects to continue to see profits and gain market share from smaller brokerages, especially those who over the last few years used margin and leverage to attract high net worth clients.

Private Equity

The division saw profits of AED 4.87 million (US\$ 1.33 million) in the second quarter of 2009, up 15 % as compared to profits of AED 4.23 million (US\$ 1.15 million) in first quarter of 2009, and up 115 % as compared to profits of AED 2.26 million (US\$ 0.62 million) in second quarter of 2008. From a top line perspective the unit has continued to perform strongly, in particular following the successful closing of the SHUAA Hospitality Fund I last year. There were no new investments or exits made by the unit in 2009 year to date. However, a number of new investment opportunities are in the advanced review stages and deal flow and valuations have become increasingly attractive over the course of the year. In general the various portfolio companies have been performing well, with strong balance sheets supported by positive net cash flows and healthy distribution of dividends.

Gulf Finance

The Company saw profits of AED 5.19 million (US\$ 1.41 million) in the second quarter of 2009, down by 43 % as compared to profits of AED 9.14 million (US\$ 2.49 million) in first quarter of 2009, and down by 55 % as compared to profits of AED 11.44 million (US\$ 3.11 million) in second quarter of 2008.

Despite it being a challenging first half of the year, Gulf Finance has successfully launched its Invoice Finance capability with 7.5m AED of sanctioned facilities. The division has also expanded its Asset Finance reach into new sectors including Oil " Gas " Healthcare and has seen an increase in Corporate Deposits of 50m AED.

The business continues to take a conservative approach given the more challenging economic environment. Overdues as a percentage of book exposure were 3.2% as of 30 June 2009 versus 2.5% as of 31 December 2008. The business continues to be well provided, with provisions as a percentage of non-performing loans of 250% as at 30.06.09 vs 180% as at 31.12.08. This comparison is distorted by 11m AED of write-offs in April which would otherwise have resulted in a 30.06.09 ratio of 174%.

The portfolio composition remains broadly comparable to the position at the end of 2008. The current composition is 40% transportation, 44% construction and 16% Other. The majority of new business is now in sectors outside of construction " transportation, e.g. Oil " Gas, Healthcare, IT, and Manufacturing.

SHUAA Capital Saudi Arabia

SHUAA Capital Saudi Arabia (SCSA) has continued to consolidate its strong position in the Saudi market throughout 2009. Despite the global financial crisis and local market volatility, SCSA has grown its business lines and expanded market share. SCSA continues to plan and implement the best internal and external management structures and systems across all business lines to improve service delivery.

Following the successful launch and ongoing development of its brokerage services, the company now ranks sixth in Saudi Arabia after the main commercial banks.

Investment Banking has a strong pipeline of potential engagements and mandates for both equity and debt whilst Asset management has launched discretionary portfolio management (DPM) services and finalized its structure for delivering total return swaps (TRS).

The imminent second closure of the Saudi Hospitality Fund marks another major milestone for the Real Estate Investment business line. Active negotiations are underway for a number of significant land acquisitions and joint ventures across the Kingdom. The

company is actively pursuing opportunities in the real estate sector whilst exploring other sectors in the Saudi market.