

# Earnings Release

For immediate release

---

## SHUAA Capital reports results

- H1 2012 revenues up to AED 77.2 million from AED 62.8 million in the same period last year, a 23% improvement. The net loss reduced to AED 24.4 million, from a loss of AED 25.7 million
- Q2 2012 revenues are AED 22.2 million compared to AED 35.7 million for the same period last year. Net loss was AED 15.9 million compared to a profit of AED 0.6 million in the same period last year
- SHUAA's lending business, Gulf Finance, remains the revenue engine
- Monthly operating expenditure down 57% to AED 4.2 million from AED 10.2 from year-end 2011
- Restructuring measures starting to show real impact on results; most restructuring efforts, and one off costs, were taken in Q2 and the full impact will start to be more visible from Q3
- SHUAA retained its leading balance sheet position with total assets of AED 1.5 billion. Liabilities have been reduced to AED 329 million, a reduction of AED 77 million since 31 March 2012

**Dubai – 9 August 2012: SHUAA Capital ('SHUAA') today reported results for the second quarter and first half 2012. Q2 revenues were AED 22.2 million (Q2 2011: AED 35.7 million) again underpinned by returns from SHUAA's lending business and from investments in SHUAA managed funds. While SHUAA recorded an overall loss for the Q2 period of AED 15.9 million (Q2 2011: profit AED 0.6 million) the period saw better results in the Investment Banking and Brokerage divisions. H1 revenues were AED 77.2 million (H1 2011: AED 62.8 million) and the Company recorded a loss of AED 24.4 million (H1 2011: loss AED 25.7 million) principally due to the continued tightening of G&A expenses and the reduction in the loss from other investments.**

SHUAA's balance sheet remains strong with total assets of AED 1.5 billion. The Company retains a healthy cash balance of AED 272 million at the period end, down from AED 345 million at the 31 March 2012 reflecting the further repayment of loans. Net debt currently stands at AED 194.0 million as compared to AED 251.3 million at the end of June 2011. SHUAA retains a strong liquidity position going forward.

### Improvements in operating cash flow

Since the launch of SHUAA's systematic rightsizing programme in 2011 the Company has worked hard to cut costs and improve monthly operating expenditure. Core to this has been the reduction in staff numbers from 322 to 201, year-on-year. This achievement will start to show more clearly in the Q3 results when the full impact of the restructuring measures flow through. Together with non-staff cost savings SHUAA should achieve an annualised cost reduction of more than AED 60 million.

At the half year stage, general and administrative expenses have reduced significantly with the largest component being compensation and benefits down to AED 61.2 million from AED 77.2 million.

Monthly operating expenditure has been reduced down to AED 4.2 million from over AED 10 million during the year 2011. It is expected that with the final rightsizing measures in Q2 working through the system and planned operational streamlining, this will reduce further to an operational run rate of around AED 3.0 million per month. This reduced cost base will ensure SHUAA reaches its target of improving operating expenditure by over 70% and put the business on a solid foundation to capitalise on the expected increase in revenues.

**HH Sheikh Maktoum Hasher Al Maktoum, Executive Chairman of SHUAA Capital, said:**

“The implementation of our cost cutting measures together with many other important strategic decisions, are beginning to bear fruit. During the first half of the year, we have seen better results in both our Investment Banking and Brokerage divisions which is a significant moment as we start to see results of our turnaround strategy. For the brokerage division, in particular, we took rigorous cost cutting measures, including the exit from retail brokerage, allowing us to show improved results. We have significantly reduced the overall running costs to a rational level while maintaining our operational integrity. We look forward to sharing the next phase of our strategy by the end of the current quarter.”

## **Segmental Information**

### **Lending**

In Q2 SHUAA’s lending business (mainly Gulf Finance), recorded revenues of AED 18.1 million (Q2 2011: AED 13.8 million) and a loss of AED 0.8 million (Q2 2011: profit of AED 4.2 million). The drop in profitability accounted for the increased spending on resources ahead of the launch into Saudi Arabia. In the first half, revenues were AED 36.0 million (H1 2011: AED 26.2 million) and profits were AED 1.9 million (H1 2011: AED 7.4 million).

During the period SHUAA appointed Mr. Steffen Schubert and Mr. John Blanthorne to the Board of Directors of Gulf Finance. Both appointees bring significant international board room experience as well as a deep understanding of building out financial services businesses in both developed and emerging markets.

In June Gulf Finance was awarded the ‘Best SME Finance Company’ at the 2012 Banker Middle East Industry Awards. Gulf Finance was also short-listed in the ‘Best Business Finance Company’ category.

### **Investment Banking**

The Investment Banking business returned to profit during the period principally due to the recognition of fees in the second quarter from the successful initial public offering and admission of NMC Health, for which SHUAA was joint lead manager.

The Division recorded revenues of AED 5.7 million in the second quarter (Q2 2011: AED 1.5 million) and a profit of AED 2.6 million (Q2 2011: loss of AED 2.5 million). In H1 revenues were AED 8.1 million (H1 2011: AED 5.6 million) and profits were AED 0.6 million (H1 2011: loss of AED 2.7 million).

### **Brokerage**

The Division recorded revenues of AED 1.7 million (Q2 2011: AED 6.3 million). Q2 loss was AED 4.2 million (Q2 2011: loss AED 3.7 million). In the first half, revenues were AED 6.7 million (H1 2011: AED 13.6 million) and profits were AED 2.7 million (H1 2011: loss of AED 6.4 million) supported by AED 7.7 million reversal of provisions mainly related to margin clients.

The Division has completed its restructuring and is fully focused on high net worth and institutional business. Trading from clients has been encouraging despite muted markets and the Division is well placed to continue this forward momentum.

## Asset Management

The Asset Management business, which manages SHUAA's private equity funds, conventional equity and debt as well as Shariah compliant portfolios and investment funds recorded revenues of AED 4.5 million in Q2 (Q2 2011: AED 6.5 million). Revenues fell mainly due to the exit of SHUAA Partners Fund 1 and a drop in NAVs in funds and discretionary mandates to AED700 million, partially due to market conditions and net outflows as international investors pulled investments out of the region after the first quarter market rally. Overall the business booked a loss of AED 0.1 million (Q2 2011: profit AED 3.7 million). In H1 revenues were AED 9.1 million (H1 2011: AED 12.8 million) and losses were AED 2.7 million (H1 2011: profit of AED 1.7 million).

SHUAA's flagship funds the Emirates Gateway Fund and Arab Gateway Fund continued to outperform peers and benchmarks, the latter retaining its top ranked position.

At the end of the period SHUAA successfully closed its SHUAA Partners Fund 1, yielding significant returns despite the tough market conditions. During the Fund's vintage period, from 2005 to 2012, public equity markets in the UAE (MSCI UAE Index) posted a decline of 78%. Following the sale of two remaining investments, SHUAA Partners Fund I has generated an IRR of 7.6% over its vintage period.

## Corporate

The corporate division recorded revenues of AED 3.5 million (Q2 2011: AED 4.9 million) before losses on investments in SHUAA managed funds of AED 11.3 million (Q2 2011: gains of AED 2.7 million). Overall the division recorded a loss of AED 13.5 million (Q2 2011: AED 1.1 million). In H1 revenues were AED 7.1 million (H1 2011: AED 10.1 million) before gains on investments in SHUAA managed funds of AED 10.2 million (H1 2011: losses of AED 5.3 million). Overall losses for H1 were AED 26.9 million (H1 2011: AED 25.7 million). Corporate revenues were principally from interest income, the sale of investments and returns from SHUAA managed funds. Whilst G&A expenses fell significantly, the Company took provisions of AED 6.5 million (H1 2011: AED 1.5 million).

## Cautionary Statement Regarding Forward-Looking Information

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

- ENDS -

**About SHUAA Capital psc:** Since 1979, SHUAA Capital has played a prominent role in shaping the financial services landscape of the GCC and will continue to be at the vanguard of regional integration into global financial markets. SHUAA Capital maintains leadership positions in Investment Banking, Asset Management, Brokerage, Private Equity and Lending. Headquartered in Dubai, in the United Arab Emirates, SHUAA Capital has a regional presence with offices in Abu Dhabi, Riyadh, and Doha. Embedded in the dynamic economic environment of the Gulf Cooperation Council, SHUAA Capital provides a broad range of financial services to corporations, governments, institutional clients, and high net worth individuals. [www.shuaacapital.com](http://www.shuaacapital.com)

---

For further information please contact:

**Oliver Schutzmann**

Head of Investor Relations & Corporate Communications

Tel: +971 4 319 9872

Mobile: +971 50 640 5722

[oschutzmann@shuaacapital.com](mailto:oschutzmann@shuaacapital.com)