

Earnings Release

06 May 2018

SHUAA Capital reports 1Q 2018 results, maintains profitable trajectory amid expansion activities

- Group revenues AED 33.2 million (Q1 2017: AED 31.8 million)
- Group profits AED 11.7 million (Q1 2017: AED 24.8 million)
- Real estate asset management profitability more than doubles
- As at 31 March 2018, Assets Under Management increased to AED 4.2 billion

SHUAA Capital today announces its 1Q 2018 financial results, with the firm maintaining profitability. While Group total revenues increased slightly by 4% to settle at AED 33.2 million (Q1 2017: AED 31.8 million), profits retreated to the AED 11.7 million mark (Q1 2017: AED 24.8 million) primarily as a result of lower interest income from its lending arm, as a result of aggressive de-leveraging in bank debt in SHUAA's lending subsidiary Gulf Finance Corporation. Year-on-year bank debt has reduced by AED 159m to AED 87m today (Q1 2017: AED 246m) and with term debt due to be fully re-paid during Q2 2018, demonstrating strong operating cash flows. During the quarter, SHUAA had also invested in growing the business, particularly its Capital Markets division including the brokerage presence in the UAE and Egypt.

The quarter saw SHUAA's Asset Management unit recording AED 8.9 million in revenues (Q1 2017: AED 5.7 million) an increase of 56%, with the division's profits up 204% to reach AED 4.1 million (Q1 2017: AED 1.4 million). The unit, which manages and identifies the development of prime real estate opportunities in both the Kingdom of Saudi Arabia and the United Arab Emirates, is in the process of completing construction of a third project in Saudi Arabia in the city of Dammam. The division had also initiated construction works on a new mixed-use residential compound in Riyadh known as 'Wadi Al Hada' worth approximately the SR 1.4 billion, with works on the AED 1.7 billion 'Dubawi' project adjacent to Sheikh Zayed road set to commence soon.

The Investment Banking division's revenues stood ground at AED 0.7 million (Q1 2017: AED 0.7 million) with a loss of AED 0.6 million (Q1 2017: loss AED 0.8 million) for the period. The division is currently working on several regional buy and sell-side advisory mandates. The Capital Markets division, having undergone a period of expansion to support the consolidation efforts with the new full-fledged brokerage business in Egypt, the integration of the newly acquired subsidiary 'Integrated Securities', overall investments in technology and human capital, and specifically, capital deployment towards growing the Market Making and Liquidity Provision services further, reported an increase in revenues to AED 5.1 million (Q1 2017: AED 4.2 million). The division recorded a loss of AED 1.7 million (Q1 2017: loss AED 1.0 million). SHUAA continues to be the largest and most active Market Maker and Liquidity Provision provider in the UAE, actively working with the three local exchanges, with plans to roll out this niche service across regional markets soon. The Credit division, comprising Gulf Finance Corporation UAE and its Shari'ah compliant financing sister company Gulf Finance Saudi Arabia, remained profitable at AED 2.2 million (Q1 2017: 8.7 million).

The corporate division which is the central business line responsible for the Group's client facing operations, business development and principal investments reported profits of AED 7.7 million (Q1 2017: AED 16.5 million). With the Group investing in growing its various teams including investments in enhancing its regional Capital Markets' technological infrastructure to accommodate network expansion from the UAE to Egypt and soon Kuwait, the Group's General and Administrative expenses increased to AED 27.7 million (Q1 2017: AED 22.8 million).

Fawad Tariq-Khan, Chief Executive of SHUAA Capital, said: *"The last 12 months has seen aggressive de-leveraging of our business with AED 159m bank term debt repaid from internally generated cash flows. Our core operations are welding well under the long-term strategy set last year and we are seeing positive results by expanding our portfolio of service offerings including our recent launch in Egypt for securities brokerage where SHUAA is now a top 15 broker. During Q2 we will also begin consolidating the operations of both Integrated Securities and Integrated Capital as well as other acquisitions in the pipeline that will allow SHUAA to continue its path towards sustainable profitability."*

As of March 31, 2018, SHUAA's balance sheet and total assets was AED 1.3 billion (2017: AED 1.2 billion). Net assets stood at AED 869.2 million and the Group's liquidity position was healthy with AED 94.1 million in cash and cash equivalents. SHUAA's Bank Debt-to-equity ratio fell to just 10% (Q1 2017: 29%) providing leverage opportunities.

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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*
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Any forward-looking statement made by us in this document and presentation is based only on information currently available to us and speaks only as of the date on which it is made. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. We undertake no obligation to publicly update any forward-looking statement whether as a result of new information, future developments or otherwise.

About SHUAA Capital psc: Established in 1979, and often considered to be the most recognized financial advisory and investment firm in the Middle East, **SHUAA Capital psc** ('SHUAA') is an integrated financial services firm headquartered in the United Arab Emirates. The firm services corporate and institutional clients, governments, family businesses and high-net-worth-individuals with expertise in the areas of Asset Management, Investment Banking, Capital Markets and Credit. SHUAA is a public shareholding company with its shares listed on the Dubai Financial Market. The firm is regulated as a financial investment company by the UAE Central Bank and the Emirates Securities and Commodities Authority.

The firm owns and operates subsidiaries based in the Kingdom of Saudi Arabia and the Arab Republic of Egypt. They are SHUAA Capital - Saudi Arabia which operates as a real estate asset and investment manager, Gulf Finance Saudi Arabia its Shari'ah-compliant lending arm, and SHUAA Securities – Egypt, the newest addition to the Group,



specializing in brokerage services for institutional, corporate and retail clients with seamless access to regional markets. www.shuua.com

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