



SHUAA

**Earnings Presentation
Q2 2024**

14 August 2024

Executive Summary

Financial Measures

- Adjusted operating income for **H1 2024 was AED 5.5 million favourable compared to the previous year** after normalizing for one-off revenues from the prior year, driven by a significant reduction in operating expenses due to the cost efficiency measures implemented in 2023, which continued through H1 2024.
- H1 2024 revenues were **AED 13 million lower than the previous year** after normalizing for one-off revenues from the prior year.
- The Group reported a **net loss of AED 117 million** for the owners of the parent, primarily due to ongoing impairments of legacy investments.

Key Metrics

- In H1 2024, the operating margins for the business was (3%), reflecting an improvement compared to (11%) in prior year. The favourability is primarily attributed to the successful implementation of cost reduction initiatives across the business.
- The cost-income ratio of 103% in H1 2024 is lower than prior quarter mainly driven by cost optimization measures but deviating from management's medium-term target of 65%. Further efforts in cost optimization and revenue enhancing initiatives are planned in the near term once the capital optimization plan is enacted.

SHUAA Bonds/ Capital Optimization Process

Update on Capital Optimization Process

- To recap the Capital Optimization plan, consist of issuing 2 MCB offerings 1) to offer existing noteholders redemption of a portion of their notes at an 80% discount and convert the remaining notes to an MCB 2) raise new equity to fund the partial redemption of the existing notes at 20% of their original value.
- Initial application to SCA has been filed and valuation of the company to be finalized in the coming weeks.

Key Financial Highlights Q2 2024

Q2 2024 Financial Performance

Income Statement (AED Mn)	H1-24	H1-23	Y/Y Change	Q2-24	Q1-24	Q/Q Change
Fee and Commission Revenue	47.5	51.0	(3.5)	20.2	27.3	(7.0)
Other Revenue	2.6	11.9	(9.3)	(0.3)	2.9	(3.2)
Total Revenues	50.1	62.9	(12.7)	19.9	30.2	(10.3)
Operating Expenses (excl. one-off items)	(51.6)	(69.8)	18.2	(26.2)	(25.4)	(0.8)
Adjusted Net Operating Income ¹	(1.5)	(7.0)	5.5	(6.3)	4.8	(11.0)
One-off items	(3.8)	47.9	(51.7)	(1.7)	(2.0)	0.3
Net Operating Income/(Loss)	(5.3)	40.9	(46.2)	(8.0)	2.7	(10.7)
Finance Cost	(35.8)	(33.7)	(2.2)	(22.7)	(13.1)	(9.7)
Other Income/(Expenses)	(85.7)	1.8	(87.6)	(0.1)	(85.6)	85.5
Non-Controlling Interests	8.9	10.9	(2.0)	1.4	7.5	(6.1)
Income Tax Credit/(Expense)	1.2	-	1.2	-	1.2	(1.2)
Net Profit/(Loss) to Owners of the Parent ²	(116.7)	20.0	(136.7)	(29.5)	(87.2)	57.8
Key Metrics - Income Statement						
Operating Margin (%) excl. one-off items	(3%)	(11%)	8%	(31%)	16%	(47%)
CIR (%) excl. one-off items	103%	111%	(8%)	131%	84%	(47%)
Balance Sheet (AED Mn)						
Total Assets	1,375	3,134	(56%)	1,375	1,593	(14%)
Total Debt	1,041	1,346	(23%)	1,041	1,235	16%
Total Equity	203	1,533	(87%)	203	234	(13%)
Balance Sheet (AED Mn)						
Debt to Equity	5.12x	0.88x	(425%)	5.12x	5.28x	16%
Return on Equity - Parent	NMF	3.2%	-	NMF	NMF	-

Comments

Adjusted operating income is AED 5.5 million favourable compared to the previous year, after normalizing for one-off revenues of AED 35 million mainly from legacy real estate investments in the prior year.

- Revenues were AED 13 million lower after normalizing for prior year one-off revenues, primarily due to a decrease in management fees from private market funds.
- This decline was offset by AED 18 million of lower expenses in H1 2024, resulting from cost optimization measures implemented in 2023 and sustained through H1 2024.

Adjusted net operating income declined by AED 11 million quarter-over-quarter, driven by a 34% decrease in revenues.

- Revenues were AED 10 million lower than the previous quarter, primarily due to reduced performance fees from the ICC fund and a decline in trading income resulting from lower trading volumes and capital.

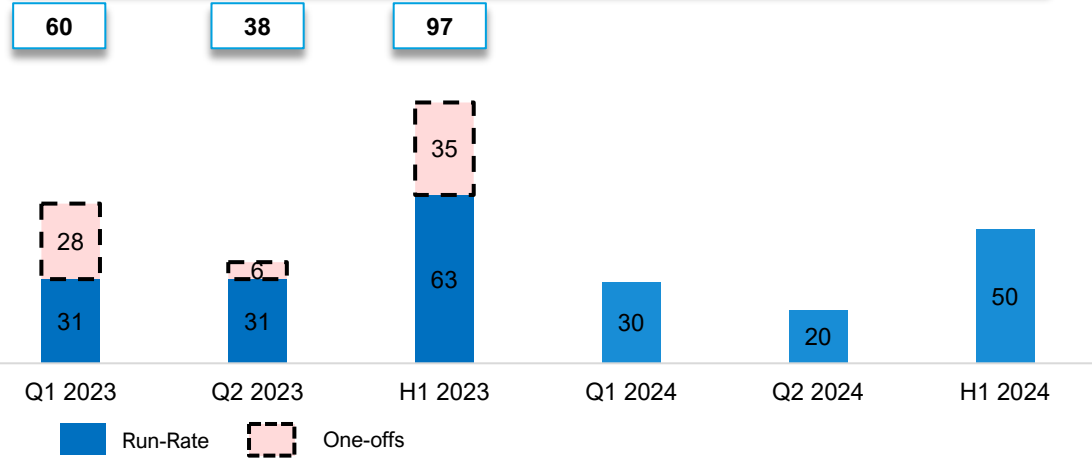
Balance sheet optimization continued in H1 2024, with impairments recognized to write-off legacy investments.

- Steps were taken to right-size the balance sheet, including the write-off of legacy real estate investments and the subsequent write-back of legacy liabilities, in order to achieve a leaner and more efficient capital structure.
- Management remains focused on deleveraging the balance sheet, and the agreement reached with bondholders will further support debt reduction and strengthen the company's equity base.

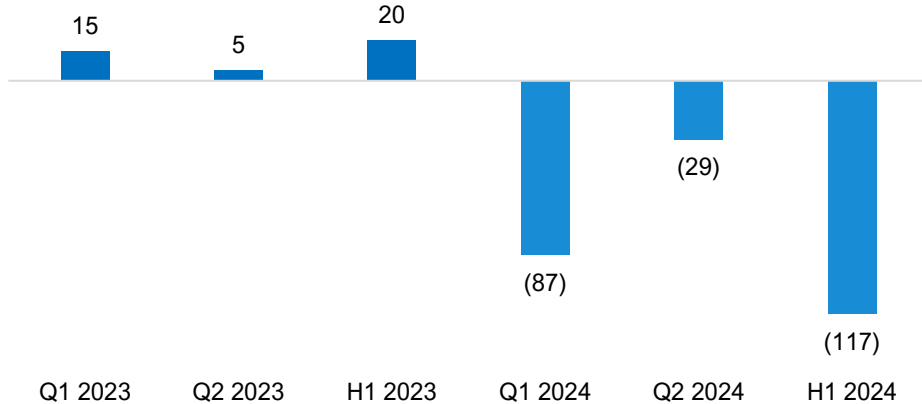
Key Financial Highlights

AED M

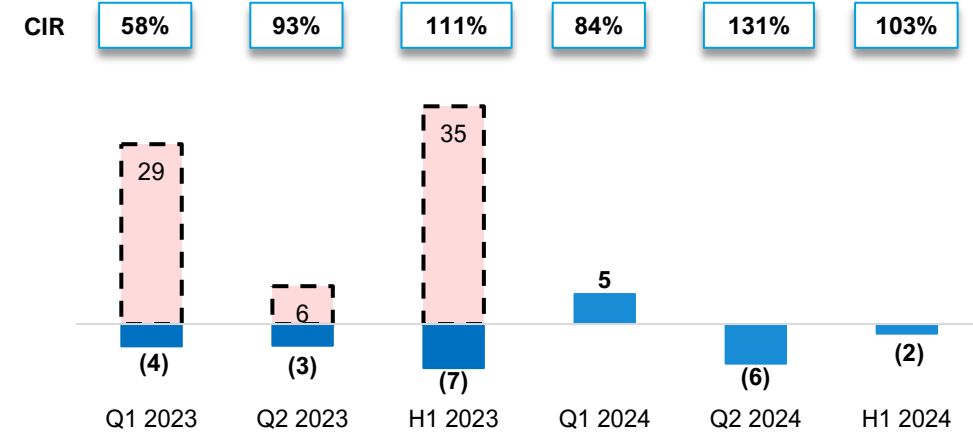
Revenue



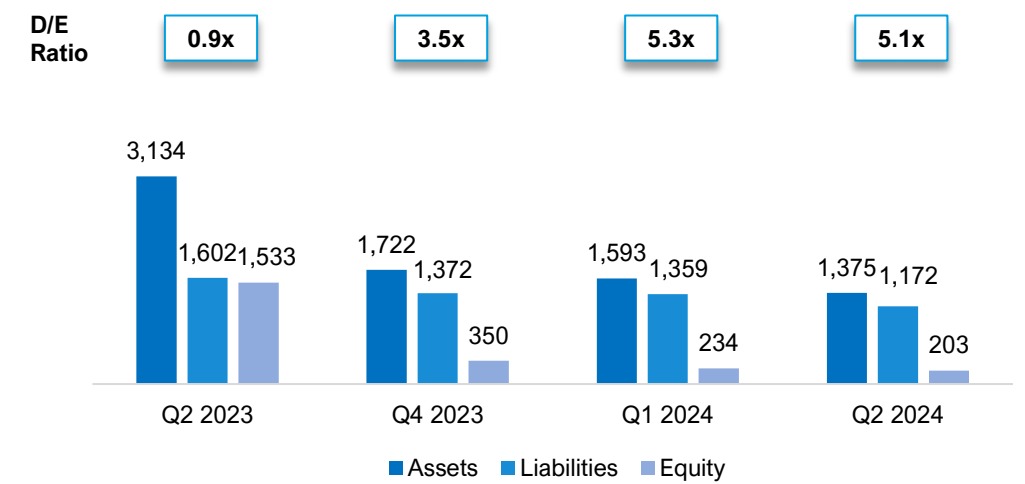
Net Profit (Loss) attributable to Owners of the Parent



Operating Income



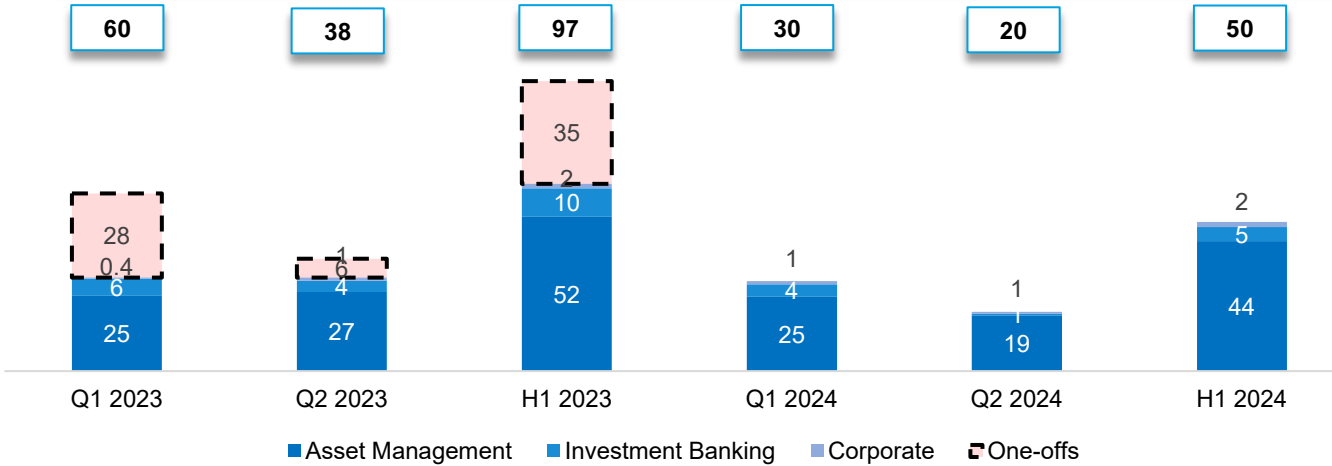
Balance Sheet



Revenue Snapshot

AED M

Total Revenues



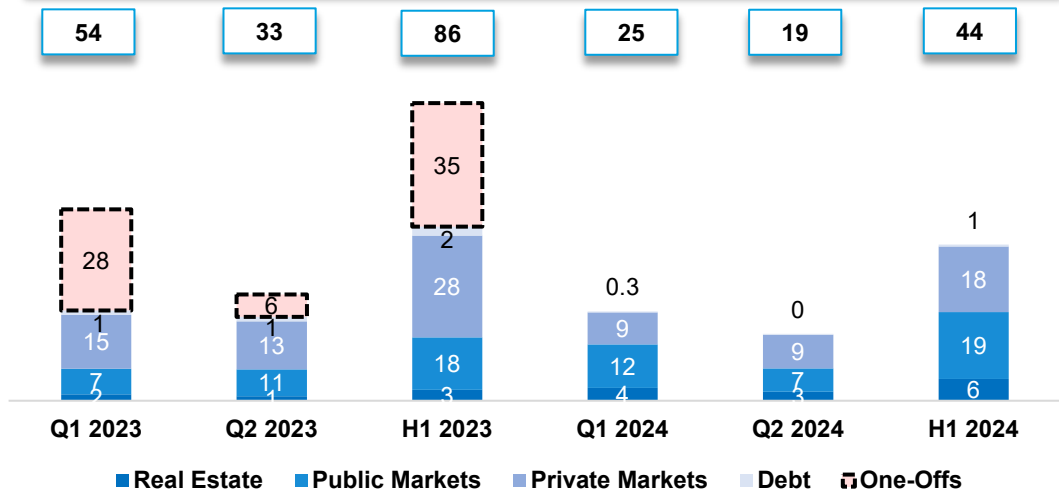
Year-over-Year

- H1 23 revenues normalized excluding one-offs were AED 63m compared to AED 50m for H1 24.
- Lower revenues booked in current year due to lower management fees from Goldilocks and other managed funds 8m. Drop in trading and advisory income AED 5m due to a 32% reduction in trading volume and lack of retainer fees or mandates closing for Advisory.

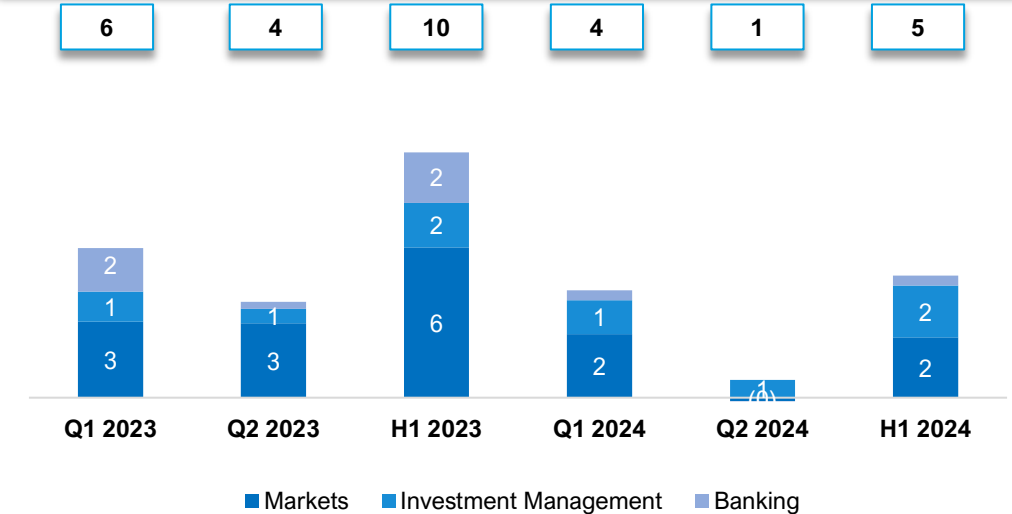
Quarter-over-Quarter

- Q2 24 revenues dropped by 34% compared to Q1 2024.
- Lower revenues due to a drop in ICC fund performance fees and loss of Salama risk DPM AED 6m.
- Trading and Advisory income came in lower by AED 4m.

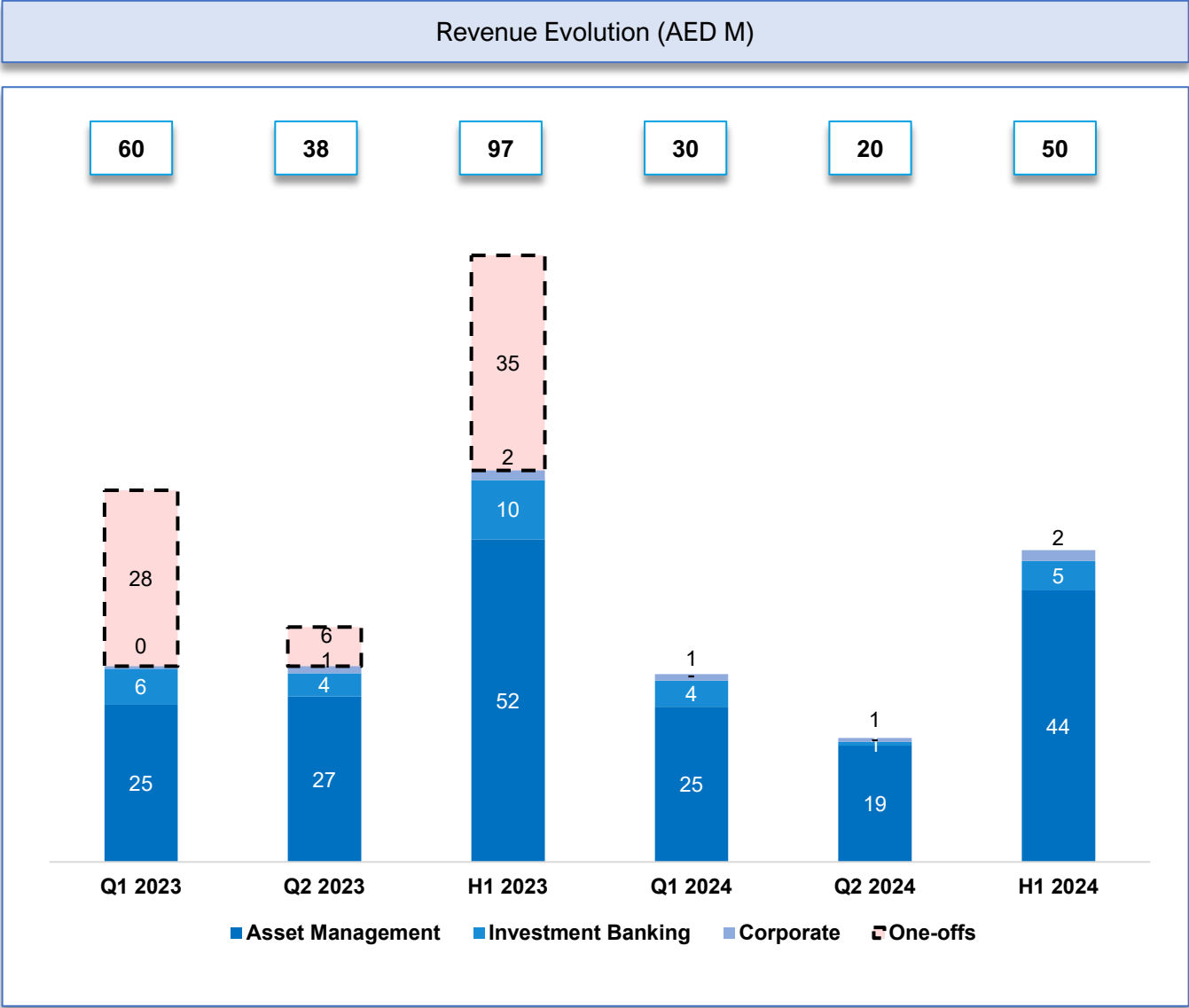
Asset Management



Investment Banking



Revenue Breakdown



Comments

Revenues in current year were AED 13m lower than prior year when excluding one-off revenues from prior year.

Asset Management

- Revenues in current year were lower compared to prior due to the impact of revaluation of underlying assets of managed funds.
- Revaluation of assets reduced AuM which resulted in lower fee generation from existing funds.

Investment Banking

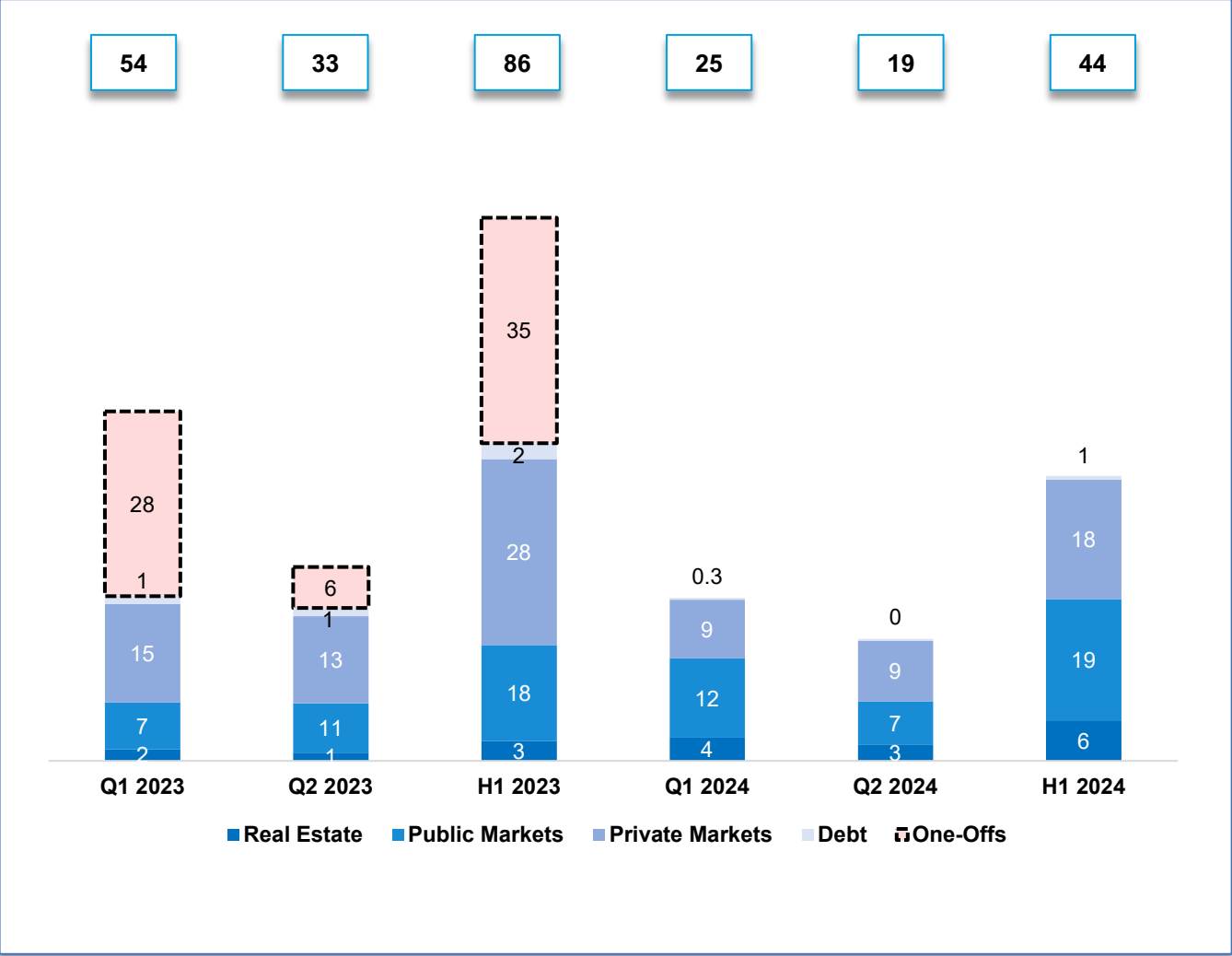
- Lower revenues in current year compared to prior year were driven by lower trading income as a result of lower trading volume.
- Advisory income came in lower as well compared to prior year due to lack of mandates closing during the year.

Non-Recurring

- One-off revenues of AED 35m generated in prior year were mainly from exiting legacy real estate investments.

Asset Management Segment Performance

Revenues Evolution (AED M)



Comments

Asset Management for H1 2024 was AED 44m compared to AED 51m H1 2023 when normalized by excluding one-off revenues earned in prior year. Reduction of AED 7m was mainly associated with the performance of the managed private market funds.

Real Estate

- Revenues came in higher by AED 3m compared to prior year on the back of a new project win in the 2nd half of prior year.

Public Markets

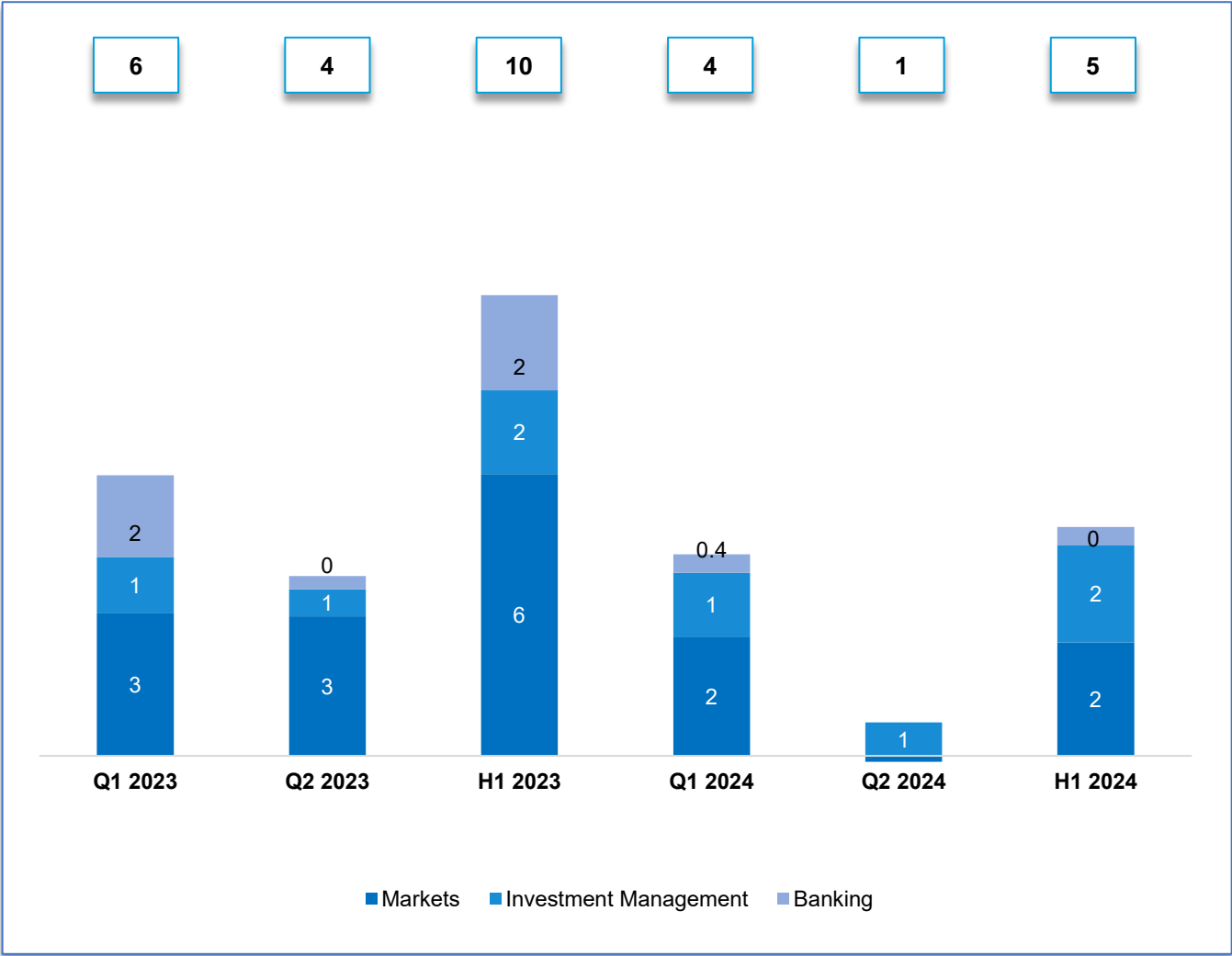
- Higher revenues reported in H1 2024 compared to prior year due to the outperformance of the ICC Fund umbrella.

Private Markets

- Revenues reported in H1 2024 were lower compared to prior year mainly due to the revaluation of underlying assets of the private market funds reducing AuM and thus resulting in lower management fees in the current year.

Investment Banking Segment Performance

Revenues Evolution (AED M)



Comments

Investment banking revenues came in AED 5m lower compared to prior year on the back of lower trading income and advisory fees.

Markets

- Trading income came in lower in current year due to a reduction in trading volume.

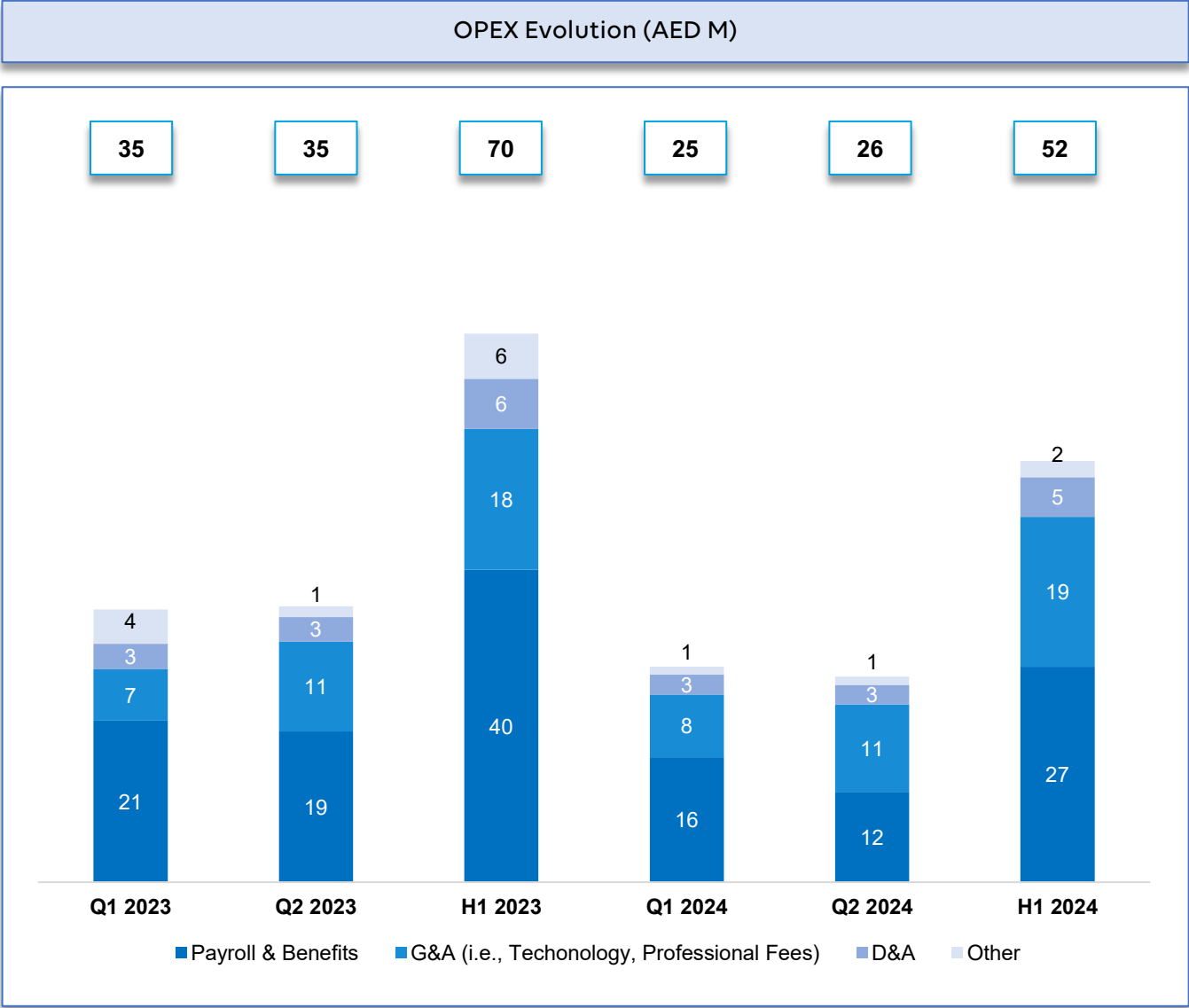
Banking

- Advisory fees came in lower due to lack of mandates closing in the year.

Investment Management

- Revenues reported in H1 2024 were consistent with prior year.

Operating Expense Breakdown



Comments

Firm cost discipline maintained across the Group in H1 2024 with continued decline in operating expenses due to cost optimization initiatives undertaken in 2023 and 2024.

- Staff costs in H1 2024 reduced significantly compared to prior year on the back of cost optimization measures first introduced in 2023 and continued to Q2 2024.
- D&A continued to decline in H1 2024 compared to prior year on the back of amortization of intangible assets.
- Other expenses favourable compared to prior year due to reversal of board fees from prior year.



Appendix

Quarterly P&L

AED '000	H1 2024	Q2 2024	Q1 2024	FY 2023	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Revenue	50,111	19,927	30,185	161,418	33,270	30,692	37,737	59,719
Total revenues	50,111	19,927	30,185	161,418	33,270	30,692	37,737	59,719
Staff costs	(29,202)	(13,273)	(15,930)	(60,857)	(19,015)	(15,355)	(19,210)	(7,277)
Employee carried interest	0	0	0	(11,644)	(3,441)	(3,336)	(1,784)	(3,082)
Fee and commission expense	(2,060)	(1,036)	(1,024)	(2,501)	(536)	(1,152)	337	(1,150)
General and administrative expenses	(19,110)	(11,108)	(8,003)	(43,266)	(15,516)	(9,757)	(11,471)	(6,522)
Depreciation and amortisation	(5,044)	(2,529)	(2,515)	(12,525)	(3,045)	(3,106)	(3,102)	(3,272)
Total expenses	(55,417)	(27,945)	(27,471)	(130,792)	(41,553)	(32,705)	(35,230)	(21,304)
Operating income/(loss)	(5,305)	(8,019)	2,714	30,625	(8,283)	(2,014)	2,506	38,415
Finance cost	(35,825)	(22,745)	(13,080)	(77,083)	(24,128)	(19,291)	(19,909)	(13,755)
Other income/(expense)	13,815	2,237	11,578	(41,996)	(27,199)	(60,216)	52,103	(6,683)
Net foreign exchange gain/(loss)	1,538	(818)	2,356	(9,941)	(9,582)	7,303	(4,556)	(3,107)
Change in fair value gains/(losses) from financial assets at FVTPL	(32,614)	(1,039)	(31,575)	(329,696)	(71,860)	(220,553)	(50,502)	13,218
Share of net profit /(loss) of investments in associates	(61,213)	992	(62,204)	(136,157)	(114,993)	(22,653)	9,689	(8,201)
Gain/(loss) on derivative financial liability	0	0	0	(207)	0	(84)	(52)	(71)
Interest income	481	241	241	3,598	3,598	0	0	0
Interest expense	0	0	0	0	0	0	0	0
Impairment of intangibles and other items	(4,214)	0	(4,214)	(384,072)	(19,320)	(364,743)	0	(9)
Provision for impairment losses on financial assets	(3,489)	(1,732)	(1,757)	(198,208)	(74,412)	(123,724)	72	(144)
Finance credit relating to unit holders	0	0	0	29,290	29,290	0	0	0
Pre-tax income	(126,825)	(30,883)	(95,943)	(1,113,845)	(316,889)	(805,974)	(10,648)	19,665
Income tax credit	1,213	0	1,213	(40,854)	(40,854)	0	0	0
Net income/(loss)	(125,612)	(30,883)	(94,730)	(1,154,699)	(357,743)	(805,974)	(10,648)	19,665
Non-controlling interests	8,935	1,402	7,533	248,055	21,059	215,979	15,969	(4,952)
Net income/(loss) attributable to shareholders	(116,677)	(29,481)	(87,196)	(906,644)	(336,684)	(589,995)	5,321	14,713

Balance Sheet Summary

AED '000

	30-Jun 2024	31-Mar 2024	31-Dec 2023	30-Sep 2023	30-Jun 2023	31-Mar 2023	31-Dec 2022	30-Sep 2022	30-Jun 2022	31-Mar 2022
Assets										
Cash and deposits with banks	22,891	32,994	33,178	107,545	103,120	98,275	64,151	107,907	252,983	348,586
Receivables and other debit balances	167,152	175,646	151,408	239,808	309,732	437,398	407,061	397,757	201,808	234,801
Loans, advances and finance leases	101,934	106,743	108,110	230,464	340,372	388,118	274,503	470,329	373,053	383,531
Financial assets at fair value	72,946	259,914	337,813	419,389	643,336	687,624	668,602	674,474	724,940	764,559
Investments in associates	455,062	458,591	529,038	659,998	743,708	871,623	947,599	952,165	26,087	142,739
Investment Property	-	-	-	-	-	-	-	236,660	236,660	-
Property and equipment	16,425	20,084	20,515	21,299	20,297	21,168	25,693	5,660	20,604	35,624
Goodwill and other intangible assets	538,632	539,060	541,438	540,062	923,426	910,728	902,234	870,356	1,022,124	1,095,589
Assets of disposal groups classified as held for sale	-	-	-	13,127	50,488	50,488	186,130	50,488	2,098,555	2,234,137
Total Assets	1,375,042	1,593,032	1,721,500	2,231,693	3,134,479	3,465,422	3,475,973	3,765,796	4,956,814	5,239,566
Liabilities										
Payables and other credit balances	180,216	357,744	371,661	385,254	451,799	469,014	488,469	505,744	555,894	658,105
Other financial liabilities	141,963	139,682	137,156	142,600	156,925	162,437	163,808	167,528	141,809	130,077
Borrowings	849,619	861,606	862,972	969,774	963,652	1,259,870	1,206,206	1,497,008	1,490,763	1,474,920
Payables to unit holders	-	-	-	29,290	29,290	29,290	29,290	29,290	28,430	27,308
Liabilities of disposal groups classified as held for sale	-	-	-	-	-	-	68,019	-	1,178,190	1,242,589
Total Liabilities	1,171,798	1,359,032	1,371,789	1,526,918	1,601,666	1,920,611	1,955,792	2,199,570	3,395,087	3,532,999
Equity										
Share capital	2,535,720	2,535,720	2,535,720	2,535,720	2,535,720	2,535,720	2,535,720	2,535,720	2,535,720	2,535,720
Share premium	52,579	52,579	52,579	52,579	52,579	52,579	52,579	52,579	52,579	52,579
Statutory reserve	49,631	49,631	49,631	49,631	49,631	49,631	49,631	49,631	49,631	49,631
Other reserves	(1,482,938)	(1,483,013)	(1,465,136)	(1,466,199)	(1,455,744)	(1,464,024)	(1,467,476)	(1,486,227)	(1,451,223)	(1,430,841)
Retained earnings	(945,267)	(915,787)	(828,590)	(491,942)	88,986	87,804	76,579	67,416	60,899	235,521
Equity attributable to Owners	209,725	239,130	344,204	679,787	1,271,172	1,261,710	1,247,033	1,219,119	1,247,605	1,442,610
Non controlling interest	(6,481)	(5,130)	5,507	24,988	261,641	283,101	273,148	347,107	314,122	263,957
Total equity	203,244	234,000	349,711	704,775	1,532,813	1,544,811	1,520,181	1,566,226	1,561,727	1,706,567
Total Equity and Liabilities	1,375,042	1,593,032	1,721,500	2,231,693	3,134,479	3,465,422	3,475,973	3,765,796	4,956,814	5,239,566
Debt to Equity	512%	531%	352%	189%	88%	107%	105%	124%	123%	112%
Liabilities to Equity	577%	581%	392%	217%	104%	124%	129%	140%	217%	207%