



شركة الاستثمار الوطنية  
NATIONAL INVESTMENTS COMPANY

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# National Investments Company Analyst Conference 2020

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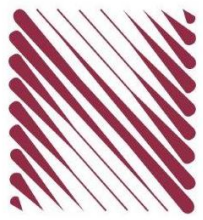
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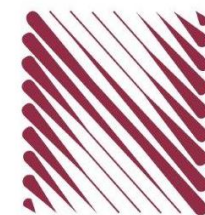
# AGENDA

| Content                              | Page |
|--------------------------------------|------|
| FINANCIAL HIGHLIGHTS                 | 5    |
| OUR STRATEGY FOR FUTURE              | 12   |
| Q&A                                  | 17   |
| APPENDIX: FINANCIAL PERFORMANCE 2020 | 19   |



# FINANCIAL HIGHLIGHTS

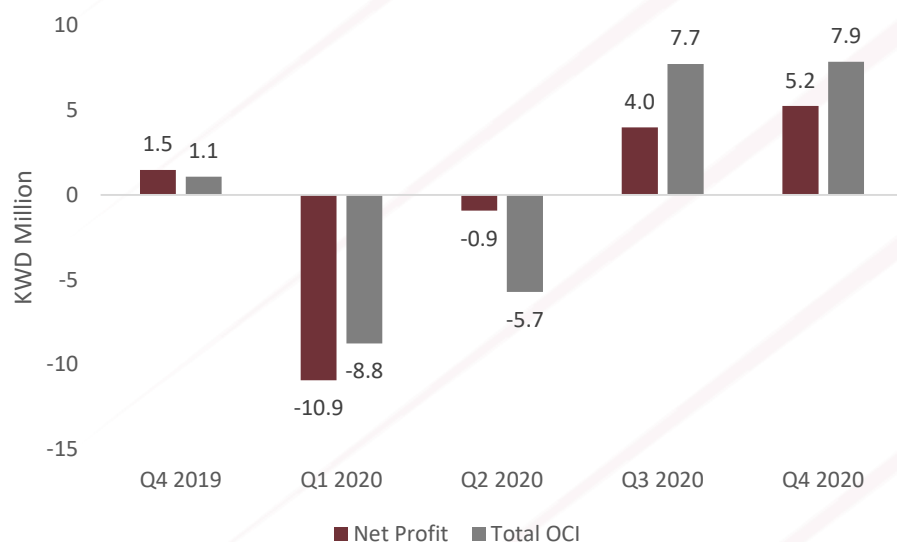




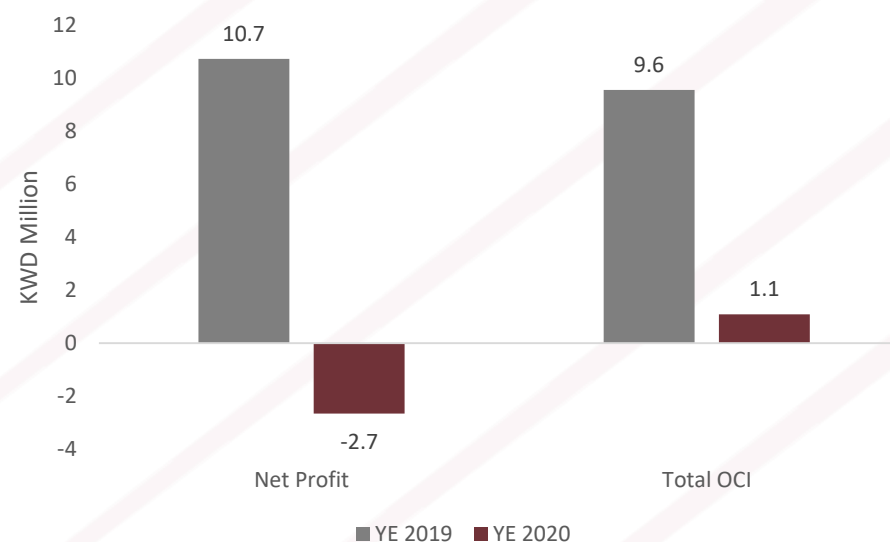
## 1. Net Loss of KWD 2.7 million and Total Comprehensive Income of KWD 1.1 million (down 89% from 2019)

- ❖ Strong recovery in the third and fourth quarters.
- ❖ Performance achieved despite headwinds related to COVID-19 and negative double digit performance of overall market.

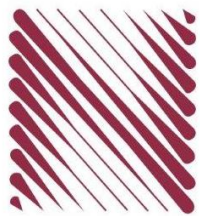
### Quarterly Performance (KWD Million)



### Annual Performance (KWD Million)



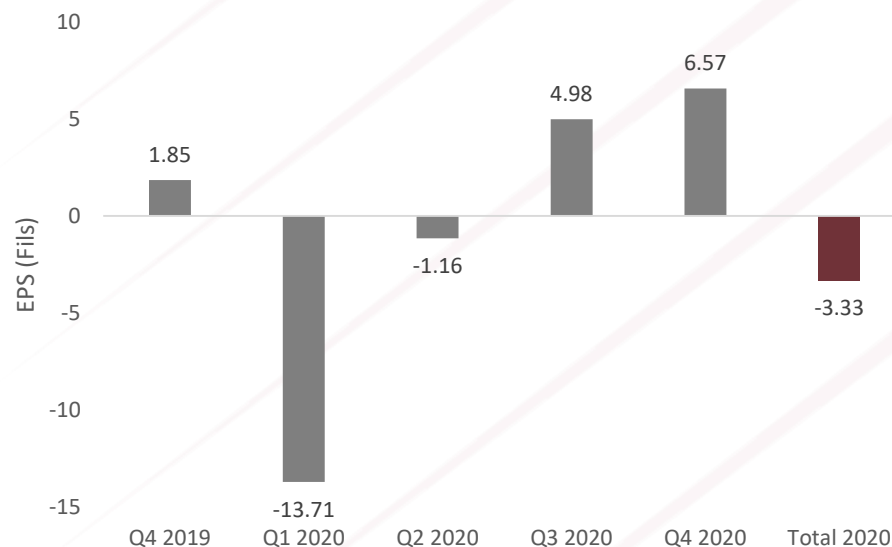
# EARNINGS AND DIVIDENDS



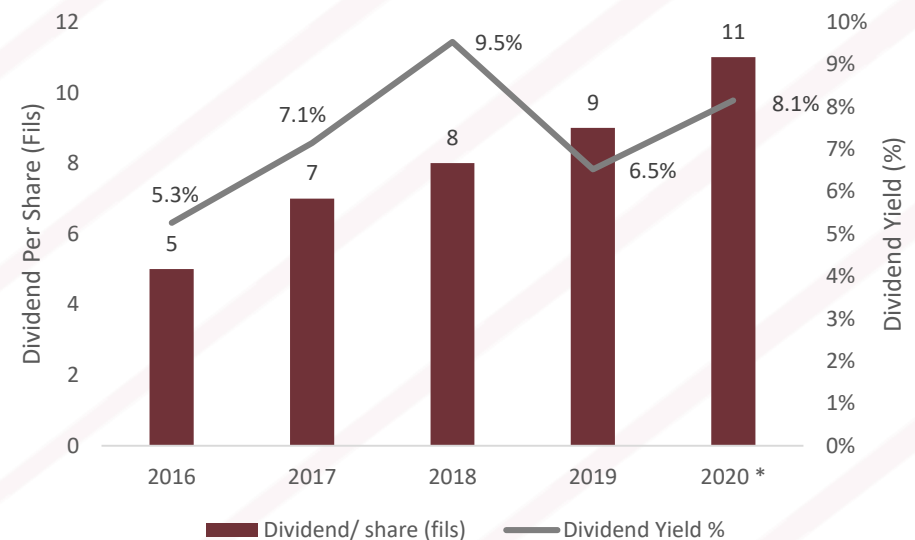
## 2. Earnings Per Share of -3.33 fils per share. Board is recommending a cash dividend of 11 fils per share.

- ❖ NIC has a strong and consistent history of dividend payouts for the past five years with an annualized dividend growth rate of 22%. NIC has paid out dividends ranging from 5 fils per share for 2016 to 11 fils per share proposed for 2020.
- ❖ Dividend yield for the past five years increased from 5.3% in 2016 to 8.1% in 2020.
- ❖ NIC's dividend yield has exceeded the yield of Boursa Kuwait and of the financial services sector.

### Earnings/(Loss) Per Share (Fils)

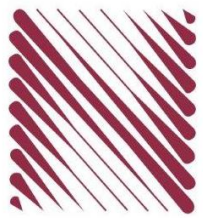


### Annual Dividends and Yield (last 5 years)



\* For 2020, a dividend per share of 11 fils is being proposed by BOD subject to the approval of AGM

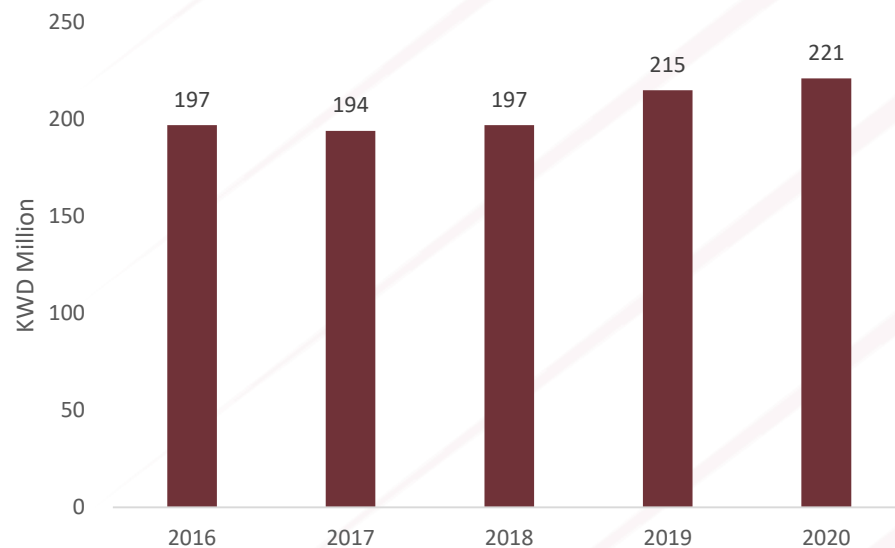




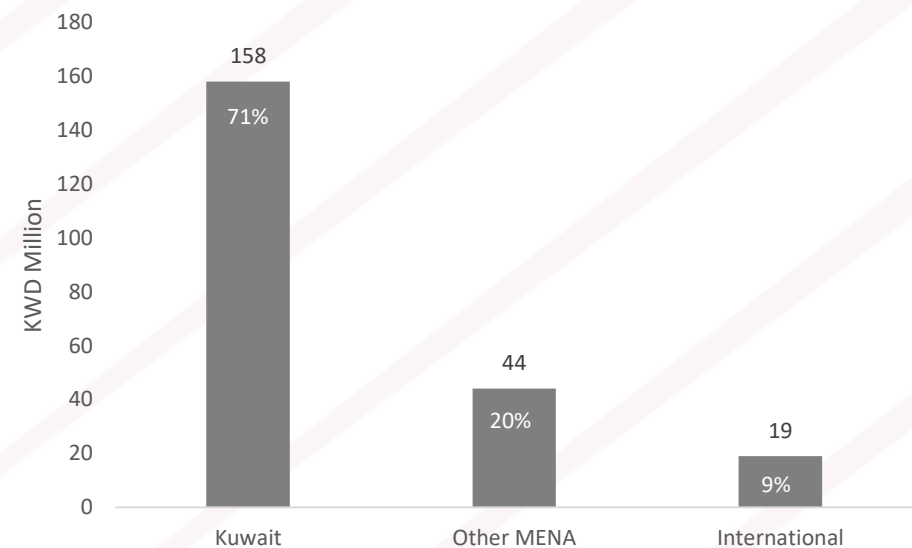
## 3. Profile of Assets

- ❖ Total assets witnessed a year-on-year growth of 3.0% in 2020 mainly on account of increased investments in FVTPL (Fair Value Through Profit or Loss) portfolio.
- ❖ During the past two years we have increased our exposure to non-GCC countries, which is in line with the strategy of the company to geographically diversify our asset base.

### Growth in Assets (KWD Million)

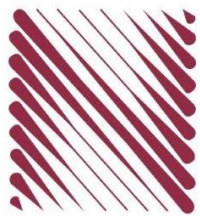


### Geographic Profile of Assets (KWD Million, %)





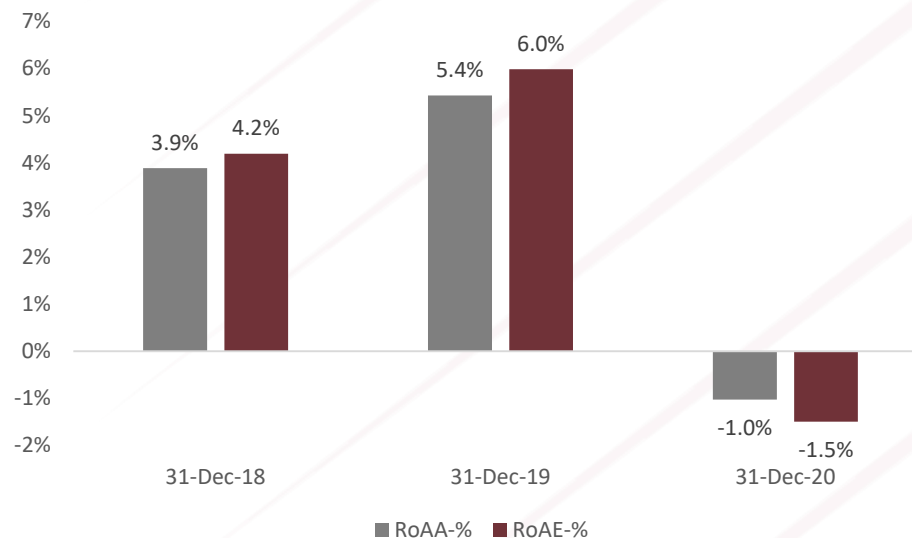
# KEY RATIOS



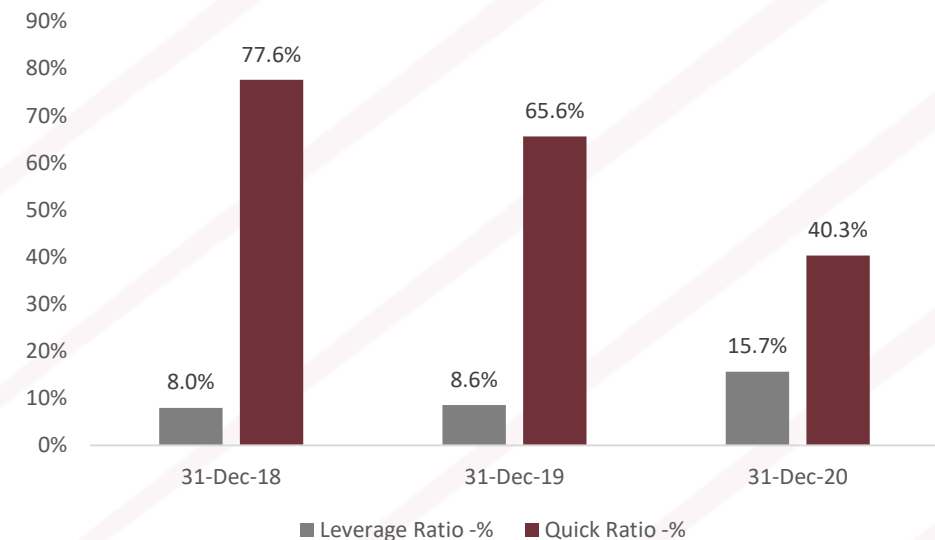
## 4. Summary of Key Ratios

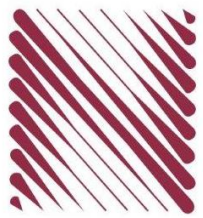
- ❖ Return on Average Equity of -1.5% (compared with a significant market decline of 11.7% in Kuwait All Share Index).
- ❖ Low levels of overall leverage, with Debt to Equity of 10.2%.
- ❖ Strong overall levels of liquidity, with Quick Ratio of 40.3%.
- ❖ Adequately capitalized with a Capital Adequacy Ratio of 1.8x regulatory capital.

### Return on Assets and Return on Equity (%)



### Leverage and Liquidity (%)



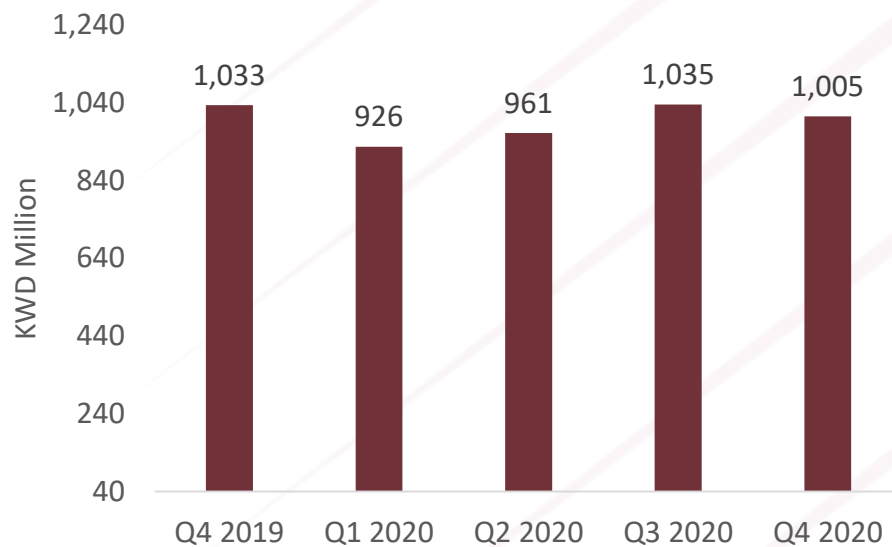


# AUM AND FEE INCOME

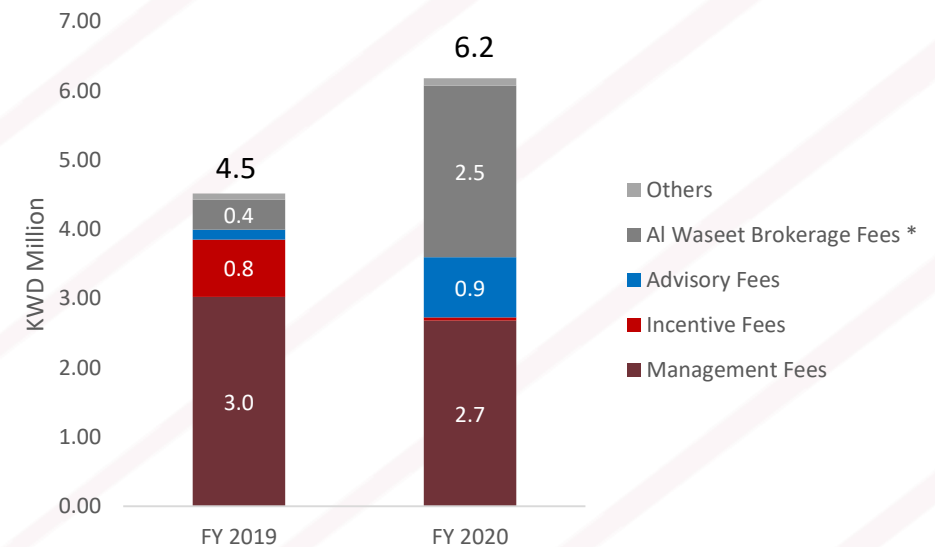
## 5. Performance supported by:

- ❖ Uplift in value of key direct investments (especially Boursa Kuwait).
- ❖ Resilience of our Assets Under Management (despite decline in overall market).
- ❖ Growth in our fee income from increased number of sources.
- ❖ Despite taking considerable write-downs on our existing assets.

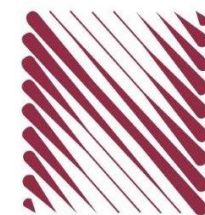
### Assets Under Management (KWD Million)



### Fee Income (KWD Million)



\* 2020 includes 12 months consolidated income for Al Waseet, but 2019 includes only 2 months. NIC increased its investment in Al Waseet Finance & Business Co., a leading securities brokerage company in Kuwait, as a key strategic investment.



## 6. Highlights for key sectors

### MENA Securities

- ❖ We opportunistically deployed our own capital, which supported out-performance when the market rebounded.
- ❖ We were at the forefront of trades involving the MSCI Upgrade to support several clients in strategically disposing positions.
- ❖ We responded to several major RFPs from sovereign and quasi-sovereign institutions (expected in 2021).
- ❖ We are launching our market maker function, aiming to add a new source of revenue.
- ❖ We developed comprehensive databases and in-house analytical systems to provide strategic insights and timely recommendations on all aspects of the local and regional markets.

### Investment Banking

#### Advisory

- ❖ We embarked on the project of re-starting our advisory practice in 2019.
- ❖ In 2020 (our first full year), we established ourselves as a key player reaching KWD 0.9 million in advisory fee income.
- ❖ Our flagship deals included:
  - Sale of Al Faysal Bakery,
  - Listing of Boursa Kuwait on the Premier Market,
  - Assisting Boursa Kuwait in acquiring a controlling stake in Kuwait Clearing Company.
- ❖ We have developed a strong pipeline for 2021, including IPO mandates (2), M&A buy-side mandates (4), sell-side (4), restructuring (1) and general advisory (2).

#### Alternatives

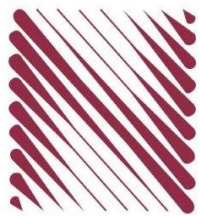
- ❖ We opportunistically invested in global REITs in May 2020, generating a 42% return in less than one month.
- ❖ We continued to increase our stakes in our strategic investments (in financial services and real estate).
- ❖ We made five new investments in VC, infrastructure and credit funds, which are expected to deliver blended returns of 15%+ per year.
- ❖ We exited two legacy investments.

### Real Estate

- Despite the challenges posed by COVID-19, we:
- ❖ Increased the size of our Real Estate Management portfolio by adding 17 new properties to the 67 existing ones and adding two new clients to our client list.
  - ❖ We reduced expenses by 17% through reevaluating maintenance contracts and reducing staff.
  - ❖ Restructured the departments by combining the maintenance and engineering dept. and by changing the customer service dept. into facility management dept. And finally by introducing a new dept. called follow-up and supervision to optimize costs and increase efficiency.

# OUR STRATEGY FOR THE FUTURE





# MARKET BACKDROP: PERFORMANCE IN 2020

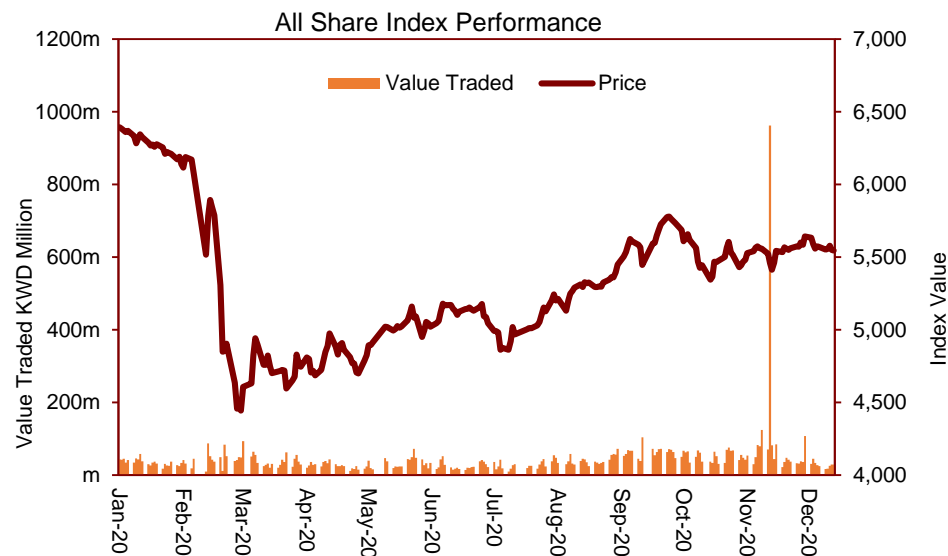
## Performance of our core market: Boursa Kuwait

- ❖ Boursa Kuwait delivered a negative performance in 2020, with the All Share Index declining by -11.7% during the year.
- ❖ This is after a strong performance in 2019, where the index had increased by 23.7%.

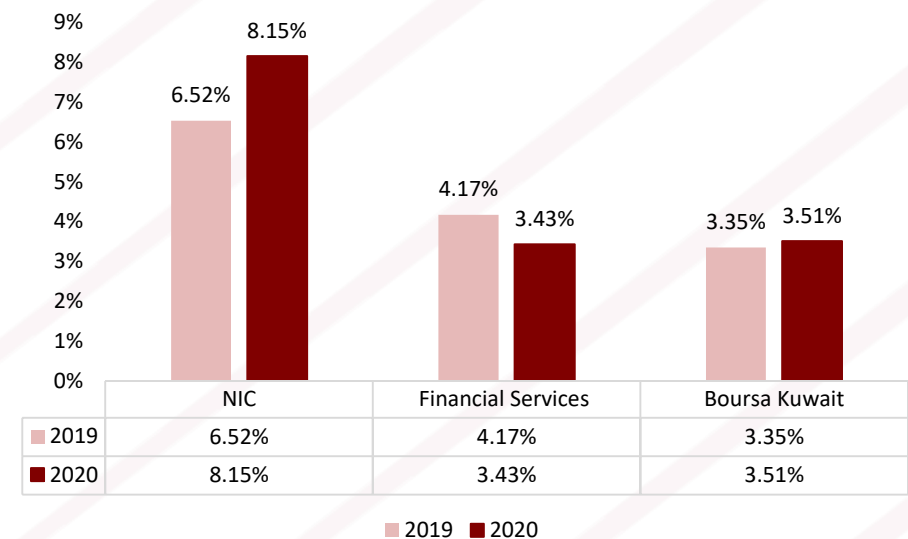
## MSCI Upgrade

- ❖ Boursa Kuwait's inclusion in the MSCI Emerging Market Index represents an important milestone in advancing the capital markets and placing Kuwait on the worldwide investment map.
- ❖ Kuwait market witnessed inflow of KWD 962 million on the inclusion day of 30-Nov-2020.

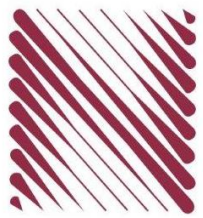
## Boursa Kuwait: Market Performance Chart



## Dividend Yield by Sector (%)



# COVID-19: CHALLENGES AND OPPORTUNITIES



## The Challenges

- ❖ Lock-downs and curfews impacted the ability of our staff to physically attend work.
- ❖ The correction in regional stock markets and asset values globally forced us to re-assess and revalue our investments.
- ❖ Some of the tenants in our real estate portfolio suffered adverse business conditions, delaying rent collections.
- ❖ Weak investor sentiment made it increasingly challenging to attract AUM.

## Our Reaction and Pro-Active Measures

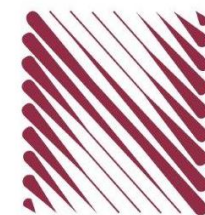
- ❖ We responded early to the crisis by activating the digital workplace environment, which allowed secure work-from-home and ensured business operations continue uninterrupted.
- ❖ We increased client touchpoints and access through newly introduced chatting service (WhatsApp) and web-based facilities.
- ❖ We put in place procedures to conduct KYC and client on-boarding through new methods, ex: through mobile apps.
- ❖ We also took the opportunity to upgrade our systems, IT infrastructure and digitize.
- ❖ We proactively worked with our portfolio companies and relationships to ensure proper actions were taken to preserve values of underlying investments.
- ❖ We actively sought opportunities arising from market dislocation (ex: REITs).
- ❖ We took aggressive write-downs, where appropriate, to properly reflect our financial exposures.

## The Impact

- ❖ The enhancement to our mobility and virtualization has had a positive long-term impact on our productivity, sustainability and future crises management.
- ❖ Our international real estate products continued to maintain dividends to investors.
- ❖ Our core investments continued to increase in value through strong organic growth (ex: Boursa Kuwait, Al Waseet, and Kuwait Foundry).
- ❖ We embarked on numerous opportunities to capture market share as evidenced by growth in our advisory fee income and our assets under management.
- ❖ We captured a significant share of the international brokerage market.
- ❖ Our opportunistic investments during the year delivered considerable risk-adjusted returns (ex: REITs portfolio).



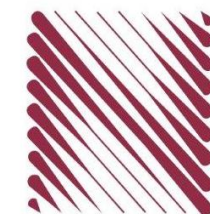
# KEY ELEMENTS OF OUR GROWTH STRATEGY






| Key Element                                 |   |
|---|---|
| <b>Build AUM</b>                            | <ul style="list-style-type: none"> <li>❖ <b>Drive product development:</b> The objective is to add AUM going forward. Key product areas include Venture Capital (VC) and International Real Estate products.</li> <li>❖ <b>Build strong placement team:</b> Add highly capable private bankers to support Asset Management and Investment Banking (IB) activities.</li> <li>❖ <b>Offer unique co-investment opportunities</b> to our clients by leveraging our own balance sheet and sourcing networks, ex: Boursa Kuwait, Kuwait Foundry, etc.</li> </ul>  |
| <b>Enable Technologies and Efficiencies</b> | <ul style="list-style-type: none"> <li>❖ <b>Digital Resilience:</b> NIC continued to invest and work diligently to embrace digital business technology to fast forward productivity, drive efficiency and agility to secure sustainable business growth.</li> <li>❖ <b>Business Continuity:</b> The accelerated adoption of cutting edge digital technologies granted NIC a competitive advantage in future crises management.</li> <li>❖ <b>Drive other operating efficiencies in other areas,</b> including outsourcing processes and working with co-advisors to leverage their capabilities and know-how, while continuously review and optimize operating expenses on year to year basis.</li> </ul> |
| <b>Enhance Governance</b>                   | <ul style="list-style-type: none"> <li>❖ <b>Upgrade to Premier Market</b> on Boursa Kuwait and committed to related governance.</li> <li>❖ <b>Risk management framework:</b> Updated our risk management framework incorporating quantitative and qualitative measures in line with global best practices.</li> </ul>   |
| <b>Mid-market IB Leadership</b>             | <ul style="list-style-type: none"> <li>❖ <b>Build capabilities:</b> We continue to build strong capabilities, expertise and track-record by engaging in a large number of small mandates in order to create repeat business with our client base.</li> <li>❖ <b>Grow IB team</b> and develop functional leaders for ECM, DCM and VC.</li> </ul>   |



# CASE STUDIES: CO-INVESTMENT OPPORTUNITIES



| Case Study                 | Boursa Kuwait  | Kuwait Foundry  | VINCO  |
|----------------------------|--|---|--|
|                            |    |    |   |
| Investment Thesis          | Acquisition of a strategically important asset with sustainable long-term cash flows based on market leadership position and improving long-term growth prospects. | Acquisition of a mispriced asset with intrinsic / liquidation value considerably greater than the prevailing market value (with a clear path to realization). | Acquisition of a property tenanted by Tesco supermarket in Manchester, UK, targeting to deliver a cash-on-cash yield of 9%-10% per year. |
| Investment Date            | February 2019  | January 2019  | March 2019   |
| Initial Stake Acquired     | 14.4%  | 20.4%   | 11.4%  |
| Acquisition Value          | KWD 6.5 million<br>(237 fils / share)  | KWD 7.9 million<br>(250 fils / share)   | £ 2.3 million  |
| Value Realized To Date     | KWD 0.7 million  | KWD 5.4 million   | £ 0.4 million  |
| Market Value (31-Dec-2020) | KWD 31.8 million*  | KWD 3.9 million**   | £ 2.6 million*   |
| Return on Investment (x)   | 4.98x  | 1.18x   | 1.29x  |

\*Actual carrying value differs from market values based on accounting treatment.

\*\* There is considerable upside based on monetization of existing leasehold assets.

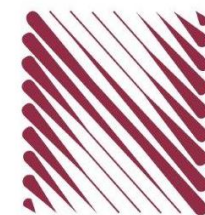


# Q&A



**Thank you**

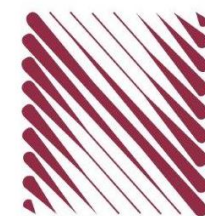




# APPENDIX

## CONSOLIDATED STATEMENT OF INCOME

| STATEMENT OF INCOME  | 2020<br>KWD'000 | 2019<br>KWD'000 | Change<br>%  |
|--|-----------------|-----------------|--------------|
| <b>INCOME</b>  |                 |                 |              |
| Realized gain (loss) on financial assets at Fair Value through P/L               | (1,725)         | 1,555           | -211 %       |
| Unrealized gain (loss) on financial assets at Fair Value through P/L             | (1,570)         | 3,507           | -145%        |
| Changes in fair value of investment properties                                   | (2,321)         | 59              | -4034%       |
| Rental income  | 1,721           | 1,777           | -3%          |
| Dividend income  | 3,222           | 5,651           | -43%         |
| Management, incentive, brokerage and advisory fees                               | 6,177           | 4,516           | 37%          |
| Interest income  | 51              | 97              | -47%         |
| Share of results of Associates & Joint Venture                                   | 1,727           | 1,834           | -6%          |
| Gain on foreign exchange trading   | 628             | 307             | 105%         |
| Other Income   | 1,085           | 1,026           | 6%           |
| <b>Total Income</b>  | <b>8,995</b>    | <b>20,329</b>   | <b>-56%</b>  |
| <b>EXPENSES</b>  |                 |                 |              |
| Finance costs  | 516             | 291             | 77%          |
| Administrative expenses  | 6,718           | 6,858           | -3%          |
| Impairment losses and other provisions   | 3,925           | 1,250           | 214%         |
| (Gain)/Loss on Foreign Currency Translation                                      | 74              | 32              | 131%         |
| <b>Total Expenses &amp; Provisions</b>   | <b>11,233</b>   | <b>8,431</b>    | <b>33%</b>   |
| <b>(Loss)/Profit for the year before Taxation and Non-Controlling interests</b>  | <b>(2,238)</b>  | <b>11,898</b>   | <b>-119%</b> |
| Directors' remuneration  | -               | (240)           |              |
| Taxation   | -               | (470)           |              |
| <b>Consolidated (Loss) Profit for the year</b>                                   | <b>(2,238)</b>  | <b>11,188</b>   | <b>-120%</b> |
| <i>Net (Loss) Profit for the period attributable to Parent Company</i>           | <i>(2,658)</i>  | <i>10,727</i>   | <i>-125%</i> |
| <i>Net Profit for the period attributable to Non-controlling Interests (NCI)</i> | <i>420</i>      | <i>461</i>      | <i>-9%</i>   |
| <b>Total</b>   | <b>(2,238)</b>  | <b>11,188</b>   | <b>-120%</b> |
| <b>(Loss)/Earning per share attributable to shareholders of Parent Company</b>   | <b>(3)</b>      | <b>13</b>       |              |

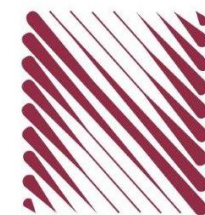


# APPENDIX

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|   | 2020                                  |                |                               | 2019                                  |                |                               |
|---|---------------------------------------|----------------|-------------------------------|---------------------------------------|----------------|-------------------------------|
|   | Attributable to Parent Co.<br>KWD'000 | NCI<br>KWD'000 | Total Consolidated<br>KWD'000 | Attributable to Parent Co.<br>KWD'000 | NCI<br>KWD'000 | Total Consolidated<br>KWD'000 |
| Net (Loss)/Profit for the year  | (2,658)                               | 420            | (2,238)                       | 10,727                                | 461            | 11,188                        |
| Other comprehensive income /(loss) for the year<br><i>(Includes Change in fair value of FVOCI investments, Share of OCI from Associates and Foreign currency translation reserve)</i> | 3,746                                 | (171)          | 3,575                         | (1,171)                               | 43             | (1,128)                       |
| <b>Total Comprehensive Income for the year</b>  | <b>1,088</b>                          | <b>249</b>     | <b>1,337</b>                  | <b>9,556</b>                          | <b>504</b>     | <b>10,060</b>                 |





# APPENDIX

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  | 31-Dec-20<br>KWD'000 | 31-Dec-19<br>KWD'000 | Change<br>% |
|--|----------------------|----------------------|-------------|
| <b>ASSETS</b>                                    |                      |                      |             |
| Bank balances and cash                           | 13,569               | 13,195               | 3%          |
| Investments at FVTPL                             | 89,238               | 78,840               | 13%         |
| Investments in properties held for Trading       | 284                  | 479                  | -41%        |
| Financial Assets at FVOCI                        | 58,478               | 56,997               | 3%          |
| Investment Properties                            | 32,054               | 34,370               | -7%         |
| Investment in Associates and Joint Ventures      | 21,065               | 22,579               | -7%         |
| Intangible Assets                                | 1,148                | 1,644                | -30%        |
| Other assets                                     | 5,556                | 6,797                | -18%        |
| <b>TOTAL ASSETS</b>                              | <b>221,392</b>       | <b>214,901</b>       | <b>3%</b>   |
| <b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>       |                      |                      |             |
| Bank Borrowings                                  | 19,521               | 6,529                | 199%        |
| Accounts payable and accruals                    | 10,446               | 10,456               | 0%          |
| <b>Total Liabilities</b>                         | <b>29,967</b>        | <b>16,985</b>        | <b>76%</b>  |
| Non-Controlling interest                         | 16,443               | 17,003               | -3%         |
| <b>SHAREHOLDERS' FUNDS:</b>                      |                      |                      |             |
| Issued and fully paid up capital                 | 79,786               | 79,786               | 0%          |
| Share premium                                    | 49,593               | 49,593               | 0%          |
| Statutory reserve                                | 7,709                | 7,709                | 0%          |
| Foreign currency translation reserve             | 494                  | 479                  | 3%          |
| Voluntary Reserve                                | 25,408               | 25,408               | 0%          |
| Retained earnings (deficit)                      | 6,061                | 17,753               | -66%        |
| Cum changes in F.V. of FVOCI Investments         | 5,512                | (72)                 | 7756%       |
| Other Reserves                                   | 419                  | 257                  | 63%         |
| <b>Total Shareholders Funds</b>                  | <b>174,982</b>       | <b>180,913</b>       | <b>-3%</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b> | <b>221,392</b>       | <b>214,901</b>       | <b>3%</b>   |