



Conference Call Notes

27 July 2011

Conference Call Details

Date: 26 July 2011
Time (UAE Local): 17:00
Host: Shuaa Capital
Speaker(s): Sameer Al Ansari, CEO
Paul Kelly, Finance Director
Oliver Schutzmann, Head of IR

Market Data, Last trade as of 26 July 2011

DFM Code:	SHUAA
Bloomberg Code:	SHUAA:UH
Reuters Code:	SHUA.DU
Sector	Finance
Price Close (AED)	1.00
Daily Price Change (%)	5.05
52w Average Daily Volume	556,029
52w High Price (AED)	1.39
52w Low Price (AED)	0.89
Market Capitalization (AEDmn)	1,062.87

Key Data (based on 26 July 2011)

Shares Outstanding (mn)	1,065
PE Ratio (x, 2011 Trailing)	NEG
Price to Book Ratio (x)	0.79
EPS (AED, 2011 Trailing)	(0.20)
Return on Equity (2011 Annualized, %)	0.17

Financial Summary— 2Q11

(AEDmn, except ratios)

Profit & Loss	2Q11	2Q10	% Change
Total Revenues	35.70	32.98	8.26
OPEX	58.67	65.47	(10.39)
Provisions	4.11	1.86	120.97
Net Income	0.63	(56.62)	Recovery
Balance Sheet	30 June 2011	31 Dec 2010	30 June 2010
Assets	1,877.19	1,922.36	2,367.96
Liabilities	422.27	447.56	701.89
Equity	1,454.93	1,474.80	1,666.67

Source:
Shuaa, Thomson Reuters, Zowya

SHUAA CAPITAL Conference Call Highlights

2Q11 Earnings Results

- Revenues increased by 8.26% to AED35.70mn, as gains from Shuaa's managed funds offset the decline in interest income and fees and commissions.
- The firm kept a lid on its spending as total opex was reduced by 10.39% to AED58.67mn. Most of the savings though came from 56.73% drop in financing costs to AED3.85mn as opposed to significant reduction in fixed costs. On the latter, the firm noted that general and administrative expenses have been significantly reduced since 2007/0,8, and so it will be difficult to see further significant reductions going forward.
- Provisions jumped more than two-fold to AED4.11mn. Shuaa has been shedding risky assets from its investment portfolio since Dubai's debt crisis and property bubble.
- Though Shuaa has broken even in 2Q11, the company remains to incur losses from its operating business. If not for gains from other investments, which included investments in third party associates and gains from held-to-maturity fixed income securities (about AED12mn), Shuaa would have recorded another loss. From losses of AED22.30mn in 2Q10, Shuaa recorded investment gains of AED27.69mn. Net profits for the quarter reached AED26K. Profits would have reached around AED3.7mn in 2Q11, had the firm not posted one-off cost related to the 10% job cuts (39 pax) announced in May.

2Q11 Segment Highlights

Asset Management	Assets under management (AUM) ↑48% to AED959mn from 2Q10, and ↑22% from 1Q11. Revenues reached AED4.6mn and profits AED2.6mn (vs. AED8.8mn loss in 2Q10). This huge improvement in AUM could very likely translate to improved fee-based income in the quarters ahead.
Private Equity	Revenues ↑ 3x to AED9.5mn and turned to profits amounting to AED8.7mn 9from loss of AED1.5mn in 2Q10).
Brokerage	Revenues ↓ to AED6.3mn from AED6.8mn in 2Q10. Losses mounted to AED1.6mn from AED0.5mn in 2Q10.
Investment Banking	An increase in syndication (following several bond issuances) supported a slight increase in revenues to AED1.5mn (from AED1.4mn). Losses dropped to AED2.5mn from AED2.8mn in 2Q10.
Finance	Despite generating AED138mn of business in 2Q11 (↑133% YoY, and 75% QoQ), revenues dropped to AED13.8mn from AED15.9mn in 2Q10. Profits more than halved at AED4.2mn.

Other Items

- The management feels that it will be difficult to see stock market trading volumes lower than they have been recently (fees and commission income should not get much lower than present levels), and so they are "cautiously optimistic" going into 4Q11.
- As the management sees that there could not be more significant reduction in costs, Shuaa is focusing on increasing revenues. The firm is slated to announce new products/services and initiatives in the weeks ahead. The firm is also looking at inorganic growth opportunities, some of which arose from the regional crisis.

Corporate Overview

Shuaa Capital is engaged in the provision of financial and investment services. Shuaa offers its services through four business lines: *Investment Banking*, *Asset Management*, *Regional Brokerage* and *Private Equity*. The Investment Banking division provides client-focused solutions, including Equity Capital Markets, Debt Capital Markets, Advisory, Syndicate, Structured Products, Track Record, Trading and Sales. The Asset Management division manages the Company's own funds, as well as funds and accounts of third parties, in both conventional and Sharia-compliant mandates. The Regional Brokerage division offers brokerage services to local and international institutions and investors. Its Private Equity unit operates three private equity funds, namely SHUAA Partners Fund I, LP; Frontier Opportunities Fund I, LP, and SHUAA Hospitality Fund I. Shuaa also offers financial services through its wholly owned subsidiary, Gulf Finance Corporation.

Notice:
In the interest of timeliness, this report has not been edited.

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