
Sarkhou: The diversified revenue streams is a key pillar in Kamco Invest's sustainability strategy

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Kamco Invest held its virtual investors' conference today for analysts and the Company's shareholders and bondholders to discuss the Company's performance during the nine months ended 30 September 2022.

Participating in the conference were Faisal Mansour Sarkhou, Chief Executive Officer, Hana'a Taha, Chief Financial Officer and Moustafa Zantout, Director of Marketing & Investor Relations who started by giving a brief introduction on the company, followed by an overview on the major events that took place in the world, as well as a recap of the market's performance during the period.

Oil prices remained below the USD 100/b mark since August 2022 mainly led by demand destruction due to recessionary pressure globally. This was also reflected in the minimal impact that the 2 mb/d cuts announced by OPEC+ had on the oil market. Brent futures witnessed its first quarterly decline this year during Q3-2022 as prices declined each month of the quarter. The lockdowns in China had a big impact on overall oil demand in addition to the release of inventories from strategic reserves.

Inflation continues to remain at decades high level globally. To tame inflation, world central banks are front loading their interest rate hike cycle after being late to recognize the severity of uncontrolled

price rises. The impact of inflation on economic growth expectation were apparent in the IMF's recently released world economic outlook that slashed 2022 real GDP growth expectations for key markets including India, China, and the US. Inflation in the GCC countries remain largely under control mainly led by internal policies that protect commodity price rise in addition to lower impact of rising energy bills as it being subsidized by most of the governments in the region.

Regarding the equity markets performance, Zantout indicated that global equity markets recorded one of the worst declines during the first nine months of the year. The year saw three consecutive quarters of declines resulting in 26.4% drop in the MSCI World Index during 9M 2022. The decline was broad-based across markets with emerging markets declining by 28.9%, while the US and European markets declined more than 20% and Asian markets showed a steep decline of 28.1%.

GCC equity markets declined for the second consecutive quarter during Q3 2022 by 1.1% that almost wiped-off gains since the start of the year. The quarterly decline was mainly led by decline in Kuwait (-4.1%) and Saudi Arabia (-1.0%) that more than offset gains in the rest of the GCC equity markets.

Sarkhou presented a detailed overview of the Company's business and financial performance for the period. The Company achieved numerous milestones leveraging on its business model that focuses on diverse income sources and quality revenue streams. The Company reported a net profit of KWD3.8mn (EPS: 11.2 fils) compared to KWD8.2mn during the same period in 2021 (EPS: 24 fils).

Total revenue reached KWD17.0mn (9M 2021: KWD21.9mn), positively impacted by the increase in fee and commission income as well as the performance of the Company's investment portfolio which grew at a slower pace in comparison to the same period in 2021. Fee & commission income increased by 2.6% in comparison to the same period in 2021 reaching KWD13.8mn, representing 81.1% of the total revenue.

During the third quarter, the Company reported losses of KWD0.8mn (EPS: -2.4 fils), as a result of unrealized losses on the Company's investments, which were impacted by challenging economic conditions and drop in equity capital markets especially Bourse Kuwait which reported the largest decline in the region.

Sarkhou highlighted the core business functions where Assets under management stood at USD12.9bn as of 30 September 2022 in portfolios and funds managed on behalf of clients. Equity funds and managed portfolios continued to outperform their respective benchmarks, whereas the Kamco Investment Fund and Kamco Premier Market Index Fund were the two best performing conventional Kuwait equity funds by achieving year-to-date returns of 8.13% and 6.31% respectively. The Al Durra Islamic Fund achieved a year-to-date return of 3.65%, positioning it as the top

performing Islamic equity fund in Kuwait during the nine-month period. Aside from the equity funds, the real estate assets under management grew to USD1.9bn with a total area of 4.31mn sq. ft and an average annual distribution of 7.7% to investors.

The Private Equity team continued to undergo plans to exit legacy assets held by the private equity funds. The team is building transactions pipeline for Private Equity deals, evaluating a healthy pipeline of deal flows as well as working on new initiatives and products.

The Investment Banking team continued to advise their clients with several transactions in the pipeline expected to close during the year across Equity Capital Markets, Debt Capital Markets, and Mergers & Acquisitions (M&A). During the period, the team managed to advise clients on four successful M&A deals, played the role as joint lead manager and joint bookrunner in a Sukuk issuance, and co-lead the private placement process for a family business in Kuwait. The First Securities Brokerage Company, Kamco Invest's brokerage arm, continued to strengthen its competitive position and attracted new clients through its online trading platforms.

Sarkhou mentioned that the first sustainability report was released by Kamco Invest in May 2022, showcasing the Company's continued commitment across environmental, social, economic, and governance aspects for the year ended 31 December 2021. The report was established in line with multiple frameworks including Global Reporting Initiative (GRI), UN Sustainable Development Goals (SDGs), the seven pillars of the UN's Women's Empowerment Principles (WEP), Boursa Kuwait ESG indicators, and the seven pillars of "New Kuwait" which fall under the Kuwait National Development Plan (KNDP).

Taha discussed the Company's financial position with total assets as of September-end reached KWD126.2mn (31 December 2021: KWD129.7mn), whereas shareholders' equity increased by 1.8% during the nine-months to reach KWD61.5mn as of 30 September 2022. Total liabilities dropped during the 9 months period by 6.7% to reach KWD61.1mn as of end of September. The net debt-to-equity ratio stood at 0.22x (31 December 2021: 0.16x).

She added that Kamco Invest maintained its "BBB" long-term credit rating and "A3" short-term rating with a stable outlook. The rating was issued by Capital Intelligence in its most recent review in May 2022.

Sarkhou concluded by emphasizing the quality of the Company's revenues thanks to its business model that focuses on diversifying sources of income, with fees and commission income representing the largest proportion of its total revenues. The diversified revenue streams is a key pillar in Kamco Invest's sustainability strategy.

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