



الأنصاري للخدمات المالية
ش.م.ع.
AL ANSARI FINANCIAL SERVICES
PJSC

Al Ansari Financial Services PJSC

Investor Presentation H1 2023

08 Aug 2023

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Today's Presenters



Rashed A. Al Ansari
Group Chief Executive Officer



Mohammad Bitar
Deputy Group Chief Executive
Officer








Faisal Anwar
Group Chief Financial Officer

H1 2023 Financial Highlights



الأنصاري للخدمات المالية
AL ANSARI FINANCIAL SERVICES
PJSC

H1 2023 Key Highlights

-  ROBUST GROWTH IN OPERATING INCOME, SUSTAINING HEALTHY PACE OF GROWTH UNDERPINNED BY FAVOURABLE MARKET CONDITIONS
-  EBITDA HOLDS STEADY DESPITE INCREASED OPERATING COST
-  BANK NOTES AND WPS ARE TOP PERFORMERS
-  CORPORATE BUSINESS CONTINUES TO GROW, IN LINE WITH EXPECTATIONS
-  DIGITAL CHANNELS ARE GAINING IN POPULARITY
-  PLANNING TO EXPAND INTO OMAN THROUGH THE ACQUISITION OF ONE OF THE LEADING EXCHANGES
-  EXCHANGE UNIT PROGRESSING NICELY WITH NETWORK EXPANSION PLANS
-  98% CUSTOMER SATISFACTION RATE

H1'23 Operating Income YoY

+5.0%

H1'23 No. of Transactions YoY

+10.7%

H1'23 EBITDA YoY

299 ^{AED} mn

H1'23 Net Profit

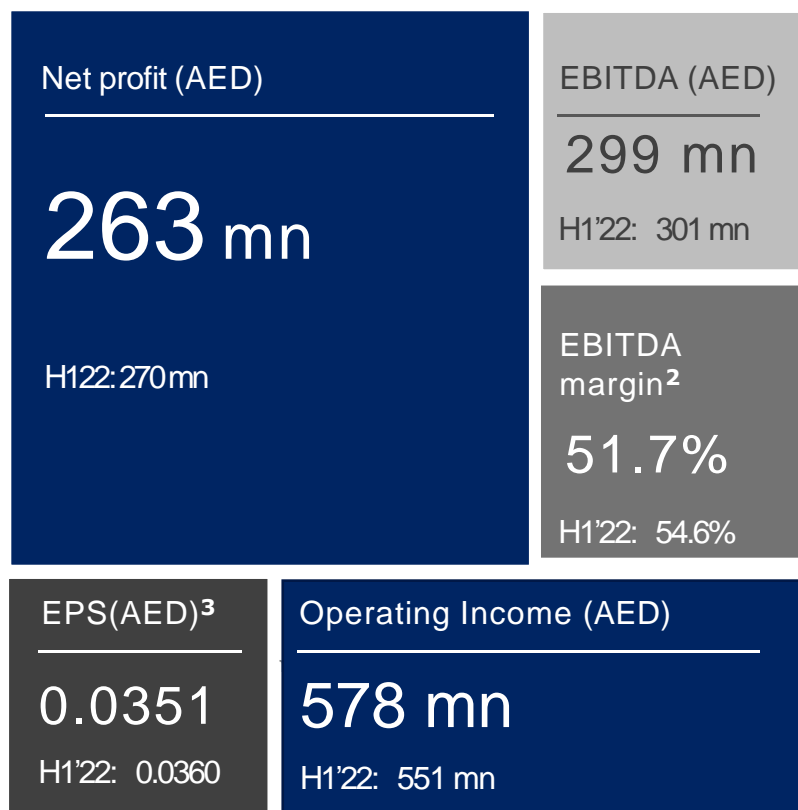
263 ^{AED} mn

- 1) Based on continued operations only (Excluding the comparative results from discontinued business)
- 2) B2B business or Corporate business includes business transacted by Corporate customers including Remittances, Banks Notes, WPS and Bill Collection
- 3) Digital business includes all transactions conducted through digital channels including Remittances, Travel Card, WPS and Bill Collection

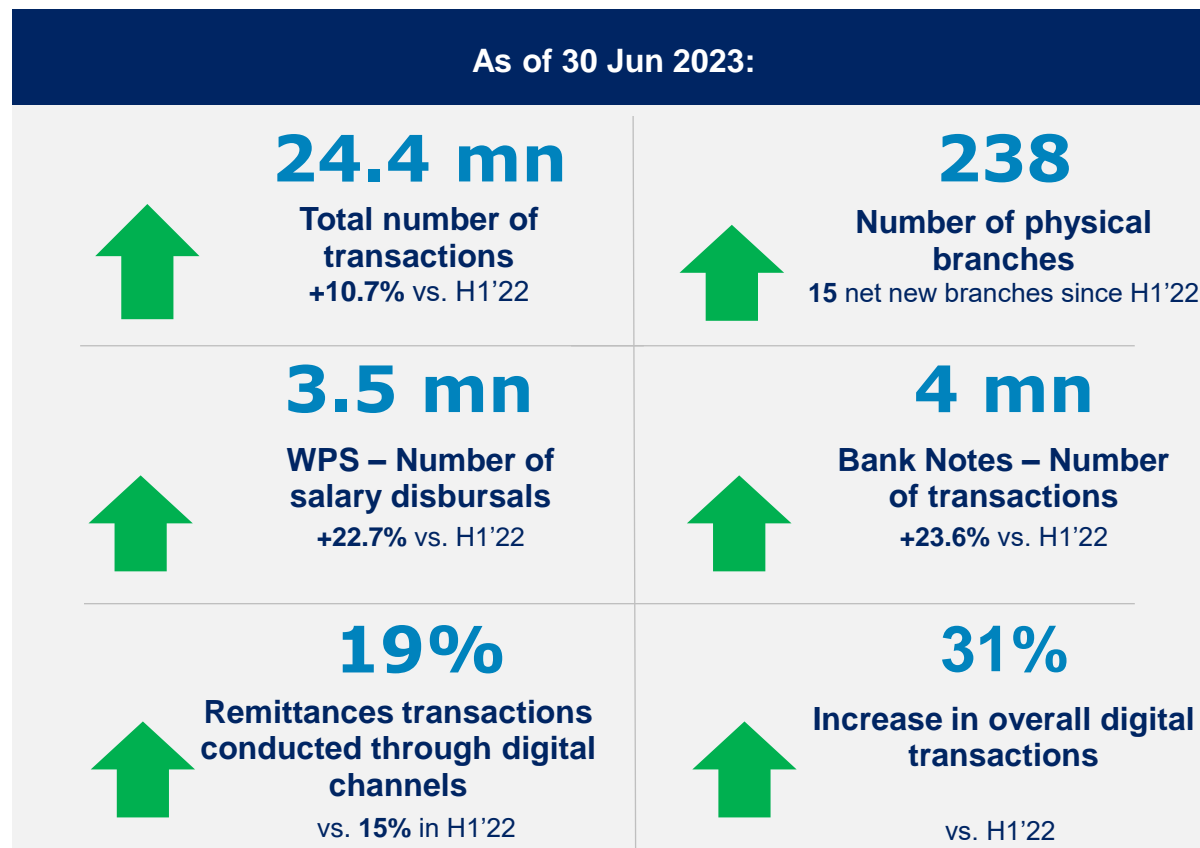


H1 Financial & Operating Performance¹ Snapshot

Financial Performance



Operating Performance



(All figures in AED millions, unless otherwise stated)

- 1) Based on continued operations only (Excluding the comparative results from discontinued business)
- 2) EBITDA Margin is defined as EBITDA divided by operating income
- 3) Earnings per share

Income Statement Overview

Income Statement (in AED m)	Q2 '23	Q2 '22	% change	H1 '23	H1 '22	% change
Net gain on currency exchange	131	153	(14.6)%	281	290	(3.1)%
Net commission income	160	134	19.1%	297	261	13.9%
Operating income	291	288	1.2%	578	551	5.0%
Interest and other income	6	2	263.7%	12	3	373.6%
Salaries and benefits	112	101	11.9%	220	197	11.7%
Other operating expenses	52	42	22.6%	100	86	16.4%
Finance cost	3	0.6	357.7%	8	0.9	718.4%
Profit from continued operations	130	146	(10.7)%	263	270	(2.5)%
Profit from discontinued operations	-	2		-	4	
EBITDA¹	147	161	(8.3)%	299	301	(0.8)%
EBITDA Margin	50.6%	55.8%	(5.2)%	51.7%	54.6%	(2.9)%

1) Based on continued operations only (Excluding the comparative results from discontinued business)

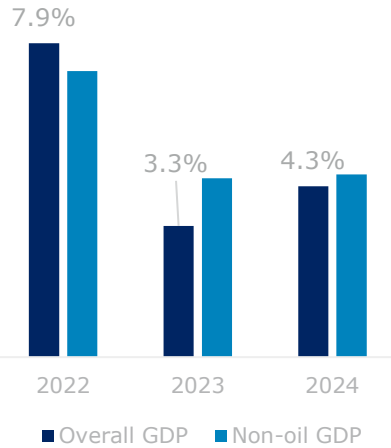
Commentary

- **Net gain on currency exchange** saw a dip of 3.1% year on year (YoY) due to a decrease of 12% in remittance volumes. During H1 2023, the retail Bank Notes, wholesale Bank Notes and Prepaid Card volumes have grown by 20%, 44% and 43% respectively, offsetting the softness seen in the Remittance business.
- The increase in the **net commission income** came in line with the overall transaction growth on all products, increasing by 13.9%.
- **Interest income** saw a sharp growth driven by interest earned on overnight call accounts placed with CBUAE as interest rates have increased to 5.15% during Q2 2023 compared to 1% p.a. during same period last year.+
- **The increase in salaries and benefits** was due to 19.2% rise in the number of employees directly related to the opening of 15 new branches since H1 2022 and 105% increase in number of Emirati Nationals to support of the Government's Emiratisation initiative.
- The rise in **Finance Cost** was driven by the interest paid on the AED 300 mn term loan drawdown on 29 December 2022.
- **Profit from discontinued operations** relates to profits from Al Ansari Real Estate LLC and Al Ansari Financial Brokerage LLC which were carved out last year as part of the Group restructuring, pre IPO.
- **EBITDA** decreased by 0.8% YoY to AED 299 million with a steady **EBITDA Margin** near 52% despite notable increase in the cost base.

Our home market, the UAE, continues to perform exceptionally

UAE's economy remains resilient

GDP Growth Forecast



Source: Central Bank of the UAE (CBUAE)

UAE PMI



Source: S&P Global, UAE PMI Survey June 2023

Performing exceptionally on all economic fronts

Q1 2023 GDP expanded 3.8% YoY, with non oil GDP increasing by 4.5% YoY

Tourism sector continues to boom, with Dubai welcoming 8.5 mn tourists till June 2023 highest H1 on record (Source: DET Report)

Strong rise in employment supporting increase in domestic consumption

Increase in Dubai's population to all time high, surpassing 3.6 million.

Underpinned by pro-growth and diversification government-led initiatives



UAE Tourism Strategy 2031

Raise tourism contribution of GDP to AED 450bn by 2031



National SME Programme

Support the development of the SME sector, targeting 1 mn SMEs by 2030



Operation 300bn

Aims to raise the industrials sector's contribution to the GDP to AED 300 bn by 2031

Update on Exchange business in UAE

Overview of Exchange Business (2022)

84

Licensed exchange houses the UAE (vs. 82 in 2021)

2nd

UAE ranks globally for personal outward remittances

Spotlight on Remittance Market Trends

- Outward remittances through exchange houses continued to moderate for the third consecutive year, recording a decline of 1.4% to AED 145.7 billion.
- Outward remittances consisted mainly of personal remittances at AED 105.9 billion, followed by trade remittances at AED 28.5 billion, other remittances at AED 10.6 billion, and investment remittances at AED 0.7 billion.
- The top three countries for outward remittances were India with 30.5% of the total, Pakistan 12.2%, and the Philippines 8.4%

Financial Performance of Exchange Houses vs. AAFS (2022)

AED 2.9 bn

Total **core income** of exchange houses
+19.7% YoY

40%

AAFS' contribution to core income in 2022

AED 0.8 bn

Total net profit of exchange houses
+19.7% YoY

74%

AAFS' contribution to net income

AED 1.0 bn

Income from foreign currency exchange business

32%

AAFS' contribution to foreign currency exchange business

AED 1.6 bn

Income from remittance business

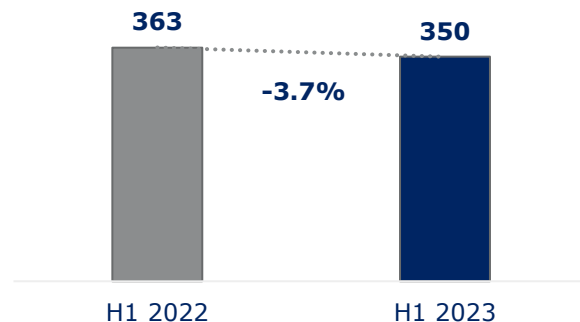
46%

AAFS' contribution to remittance business

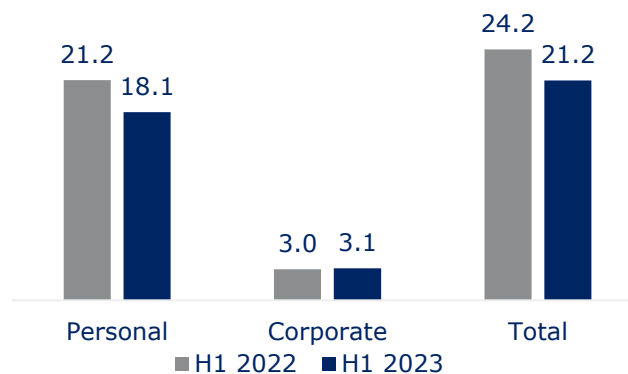
Source: Central Bank of the UAE (CBUAE) Financial Stability Report 2022

Remittances: H1 2023

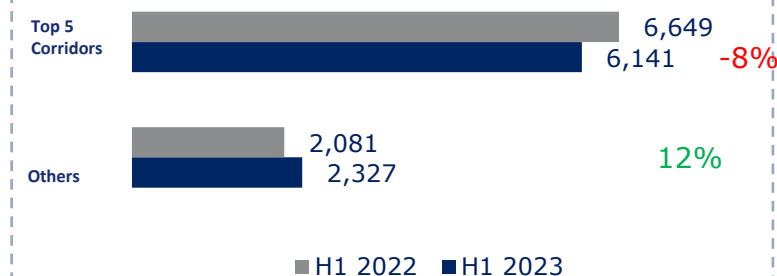
Operating Income (AED mn)



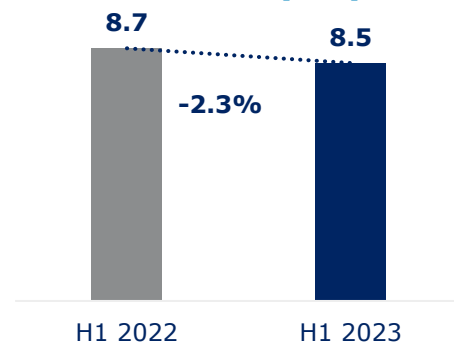
Value of Transactions (AED bn)



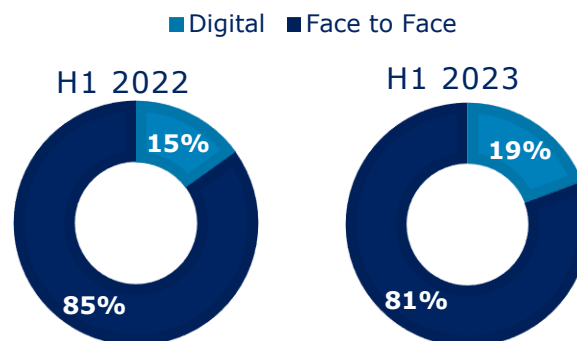
Outward Personal Remittances-Transactions ('000)



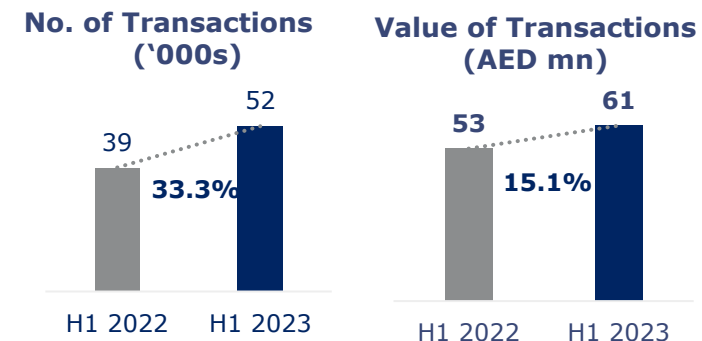
Outward Personal No. of Transactions (mn)



Digital vs. Face to Face



Worldwide Cash Express (WWCE)



Moderate decline in operating income predominately driven by a slight decline in outward personal transactions

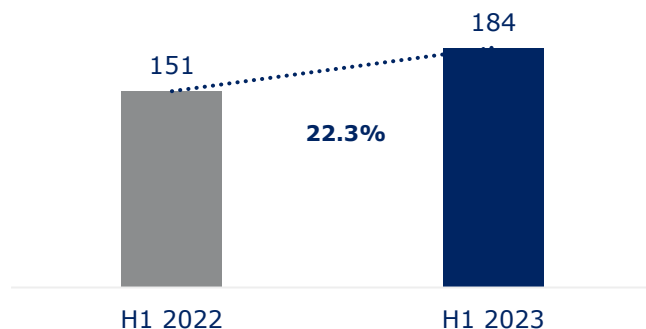
Top corridors witnessed a decline, owed to the rise of parallel currency markets in some countries, partially offset by an increase in other corridors

Continued expansion B2B business, with strong growth of WWCE, in line with Group's strategy

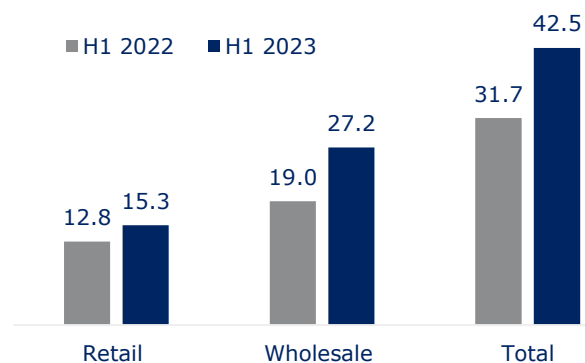
Source: Company data. Notes: (1) Digital remittance transactions calculated on outward remittances.

Bank Notes & Prepaid Cards: H1 2023

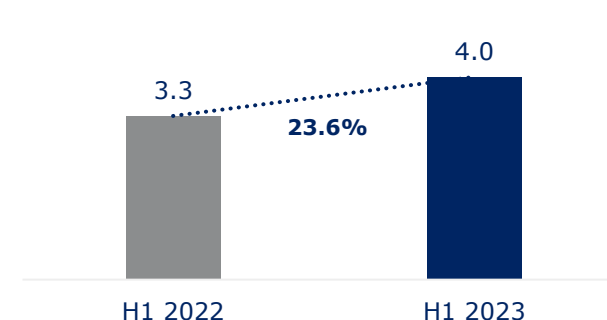
**Operating Income
(AED mn)**



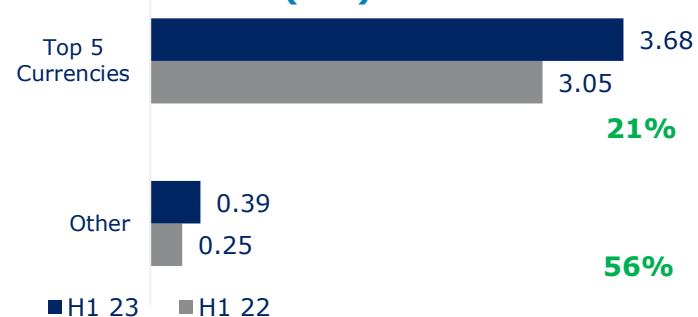
**Bank Notes Value of Transactions
(AED bn)**



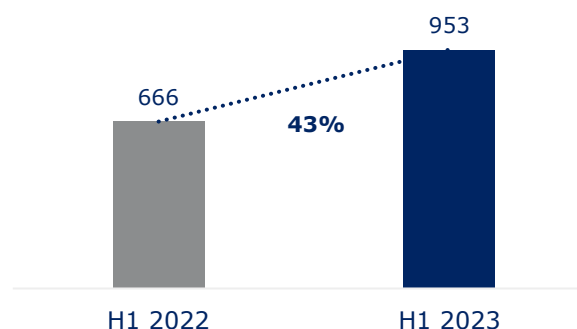
**Bank Notes No. of Transaction
(mn)**



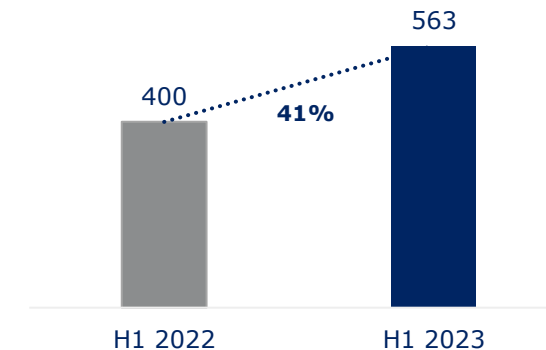
**No. of Transactions for Major
Currencies in Bank Notes
(mn)**



**Prepaid Cards Value of Transactions
(AED mn)**



**Prepaid Cards No. of Transactions
(`000)**



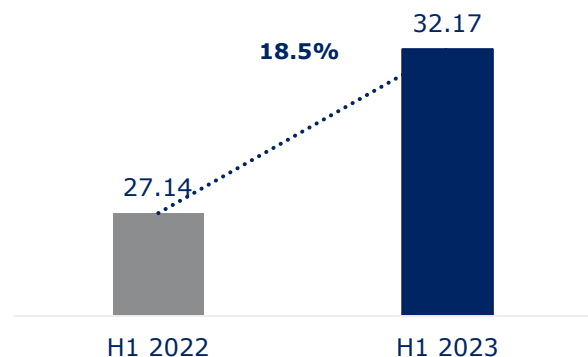
Strong growth in operating income underpinned by booming tourism and exceptional growth in the wholesale business.

Contribution from the wholesale business increasing driven by foreign and domestic sales.

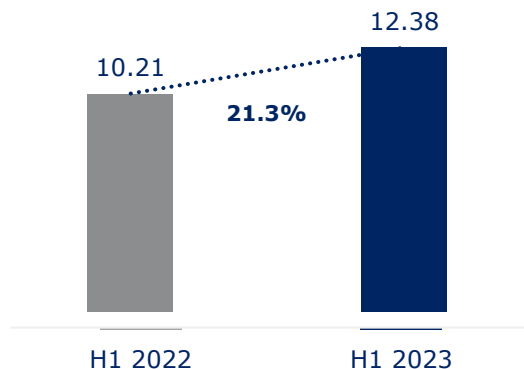
Accelerated growth in multi-currency Pre Paid cards, on the back of strong demand and increase in outbound tourism.

WPS and Other Products & Services: H1 2023

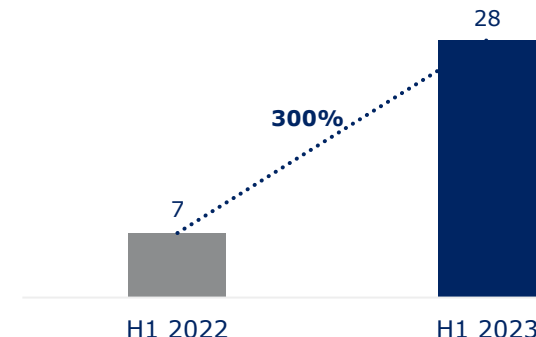
WPS Operating Income (AED mn)



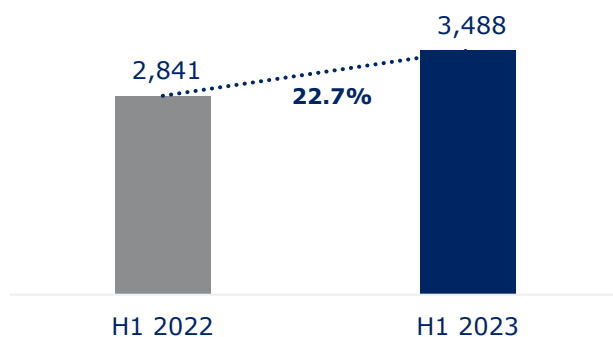
Other Products & Services (AED mn)



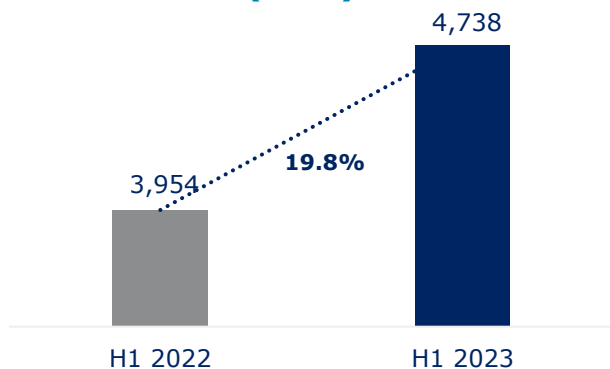
CashTrans
(End-to-end cash management)
No. of third-party customers



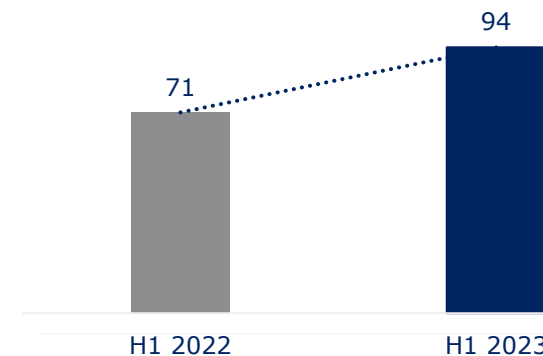
WPS Salary Disbursals ('000)



Bill Collection No. of Transactions
('000)



CashTrans No. of Trips ('000)



WPS operating income surged owed to 24% increase in number of customers and 23% increase in salary disbursals

Bill collection transactions increase is due to onboarding of 8 new bill collection companies

Other products and services are positively contributing, with CashTrans business expected to continue gathering pace

Balance Sheet Overview

(In AED m)	Jun '23	Dec'22	% change
Right of use assets	96	67	43.0%
Other non-current assets ¹	63	53	17.2%
Cash in hand, Due from banks and exchange houses	3,217	2,547	26.2%
Other assets ²	140	94	49.0%
Total assets	3,517	2,763	27.3%
Trade and other payables	936	657	42.3%
Bank borrowings	450	349	29.0%
Lease liabilities	84	58	45.7%
Other liabilities	1,78	93	90.2%
Total liabilities	1,647	1,157	42.3%
Retained earnings	1,795	1,531	17.2%
Shareholder's equity	1,870	1,606	16.4%

1) Other non-current assets include property and equipment, and capital work in progress.

2) Other assets include due from related parties, and prepayments other receivables.

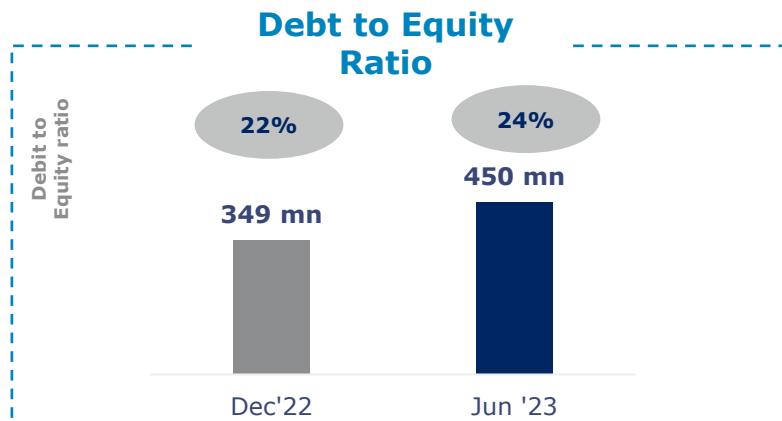
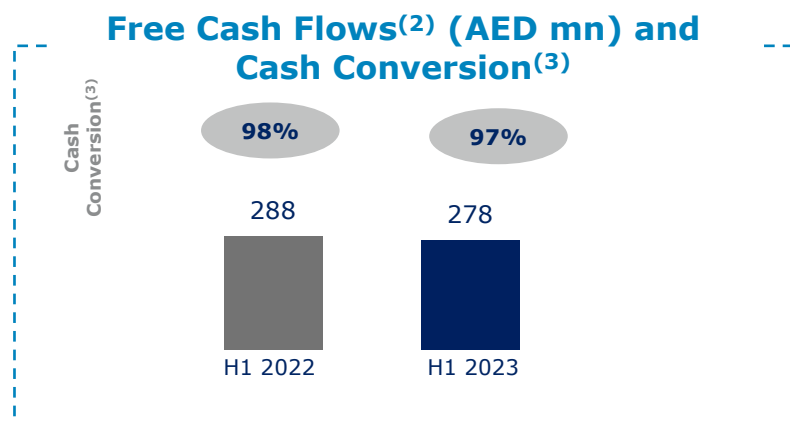
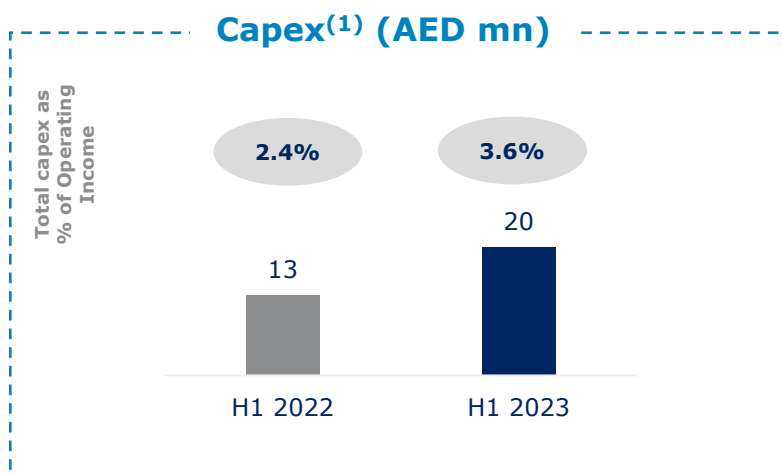
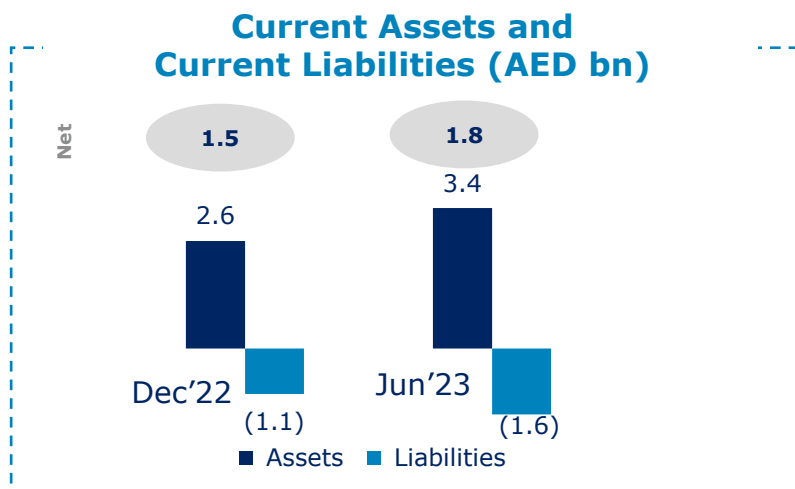
3) Other liabilities include due to banks, due to exchange houses, due to related parties and provision for employees' end-of-service benefits.

Commentary

- The increase in **Right of Use assets** by 43% can be attributed to two factors: the renewal of the Head Office lease for an additional six years (with a related party) and the inclusion of new branches (15).
- The rise in **Other non-current Assets** is a result of the capital expenditures for the development of new and upcoming branches.
- The primary reason for the 49% increase in **Other Assets** is due prefunding of large amounts in view of long public holidays in the last week of June and increase balance of Western Union France amounting to AED 314 million (received after the period end).
- Trade and other payables** increased by 42.3%, driven by cash payout remittances and WPS salary that remain undisbursed to the beneficiaries.
- Bank borrowings as of December 22** were fully repaid in Q2 2023 and were temporarily availed at period-end to fund the operations during long Eid holidays. Subsequently settled in July 2023.
- Lease Liabilities** witnessed a 45.7% increase inline with the right-of-use assets (see above)
- Other Liabilities** rose by 90.2% due to the increase in accounts payable to exchange houses and other agents regarding the settlement of remittances.



Capex-light Business Model, Easy to Scale and Able to Deliver Strong Growth and Value to the Shareholders



Commentary

- Majority of the **current assets** are composed by cash and cash-like item, a significant portion of which is used to run the business operations.
- During H1'23 the Group average cash requirements for remittances and bank notes ranged from 3-4 days and 3-7 days (already net of customer cash), respectively.
- Management also considers a buffer of 25% given the company's business has significant intra-month seasonality (e.g. holidays, weekends, salary payment days, etc.)
- Capex-light business model* able to generate strong growth with limited capex requirements (Expected to be 2.5%-3.6% of total revenues for YE 2023) .
- Slight decrease in cash generation in H1'23 due to nominal decrease in **EBITDA** of 0.8% with c. 97% cash conversion rate
- Debt to equity ratio increased to 24% on account of bank overdraft facilities utilized temporarily to fund the operations during long Eid holidays.

Notes: (1) Capex includes Purchase of PPE and Capital Work In Progress; (2) Calculated as EBITDA – Capex; (3) Calculated as (EBITDA – Capex) / EBITDA

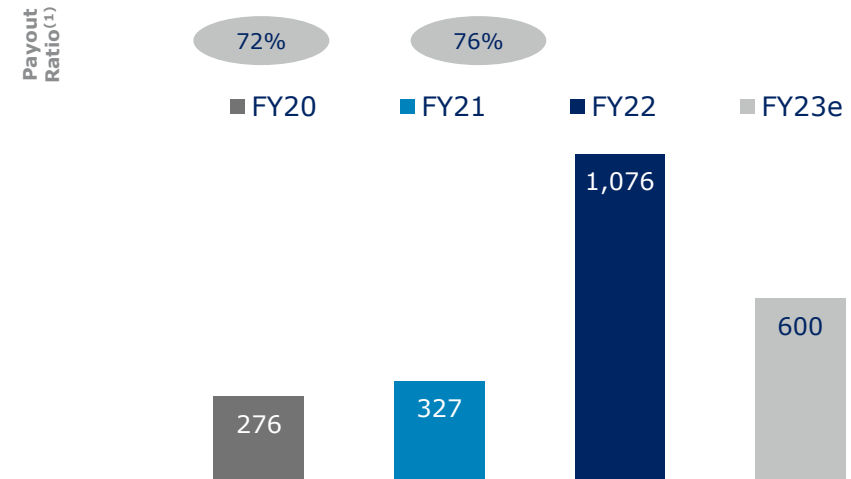


Dividend Policy

- **Minimum Annual Dividends:**

- **FY 2023:** The Group expects to pay a minimum dividend amount of AED 600 million for the 2023FY, to be paid in equal instalments in Oct. 2023 and Apr. 2024.
- **Beyond 2023:** Thereafter it expects to pay (on a semi-annual basis in Apr. and Oct. of each year) a minimum of 70% of the net profit generated.
- **Additional Annual Dividends:** The Company continues to evaluate accretive investment opportunities for growth. In the absence of suitable opportunities that meet the target investment criteria and returns, the Company will consider distributing higher dividends than the Minimum Annual Dividends stated above
- Implied dividend yield as of closing price of AED 1.19 per share on 31 July 2023 based on AED 600 million dividend payout is **6.7%**

Historical Dividends (AED mn)



During the year ended 31 December 2022, the Group declared a pre-IPO dividend of AED 1,075.8 million, of which AED 750 million was paid in cash and AED 325.8 million was offset against a payment from Al Ansari Holding LLC in respect of reorganisation of the Group. Pursuant to the reorganisation, Al Ansari Real Estate and Al Ansari Financial Brokerage LLC were divested by the Group and sold to Al Ansari Holding LLC in November 2022.

(1) Dividend payout calculated on "Profit for the year" of the same year

Growth Strategy & Guidance



Al Ansari Financial Services

Clear growth strategy centered on 6 pillars

1 Physical Network Expansion



80% of remittance market in 2027 is expected to still be face-to-face

Target to open **300 branches** in the mid term

2 Geographic Expansion



Growing market share in Kuwait and entering other attractive GCC markets
Secured regulatory Approval for the acquisition of majority stake in Oman based Exchange house



Expansion in other GCC countries (e.g. Saudi Arabia) through **WWCE**

3 Digital Innovation



Continued investment in **Al Ansari Exchange App**

Smart counters in branches



Further expanding **pre-paid cards offering**



Create a **digital marketplace** ecosystem



4 Margin Increases



Scope to **increase margins** given the quality of the services, market leadership position and growing digital capabilities

5 Corporate Cross-border remittances



c.370K

SMEs active in the UAE

160K

registered SME customers for WPS offers a valuable cross-selling tool

Big Market Opportunity

for SME cross-border remittances

6 CashTrans



Planned and ongoing investments for **central warehouses**, additional **vehicles** and dedicated **ERP system**

Growth strategy progress

1

Physical Network Expansion



Opened **15 new** branches since Q2' 22

Expected to open **10 additional** by year-end

2

Geographic Expansion



- Al Ansari Exchange in Kuwait (AAEK) integration with Oman Exchange is ongoing.
- AAEK to be consolidated into AAFS by Q4 2023, synergies to be realized Q1 2024



- Secured regulatory approval for the acquisition of majority stake in Oman based Exchange house.
- Expected to complete in Q1 2024

3

Digital Innovation

Total No. of Digital Transaction ('000)



Al Ansari Digital Pay

- Incorporation expected in Q3 2023
- Vision: Digital wallet creating a seamless marketplace ecosystem

4

Margin Increases



Scope to **increase margins** given the quality of the services, market leadership position and growing digital capabilities.

5

Corporate Cross-border remittances



Significant increase in the number of new customers driving higher transaction volume and value

Value of corporate remittances reached AED 3.0 bn, up **3%** YoY.

6

CashTrans

In Q3 2023, expecting to open a 10,300 Sq ft cash processing facility, with daily cash processing capacity of 2.4 mn notes (value appx. AED 720 mn).



36
Armored Vehicles



1
Cash Processing Facility



238
Cash Hubs

Short to Mid Term Guidance

Item	Target (annual growth rate unless otherwise stated)	Time Horizon
Branch Network	300 total no. of physical branches	Mid-term
Remittance Income	Single-digit	Short-term
	Low-teens	Mid-term
Bank Notes Income	High-teens	Short-term
WPS and other products	High-teens	Short-term
	High-teens (as a % of overall Operating Income) with CashTrans accounting for approx. 10% of Operating Income)	Mid-term
Operating Income	Low-to-mid teens (Annual growth rate)	Short-term
	Mid-to-high teens (Annual growth)	Medium-term
EBITDA Margin	Stabilising at current margin	Short-term
	Expanding in line with operating income	Mid-term
CAPEX	Low single digit (% of operating income)	Mid-term



AI Ansari Financial Services

Thank You

