



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

Al Ansari Financial Services PJSC

Investor Presentation Q1 2023

11 May 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

Q1 2023 Financial Highlights



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Q1 2023 Key Highlights¹

7.2% Net Profit increase in Q1 2023 to AED 133 million driven by strong demand across all products

- Strong start to the year, with an 8.6% YoY increase in number of transactions driving 9.1% increase in **Operating Income** to AED 287 million
- EBITDA** increased by 7.9% YoY to AED 151 million with a steady EBITDA Margin near 53% on the back of strong top line growth, high margin contribution from increased digital transactions – and Group's CAPEX-light model
- Bank Notes** record strong performance on the back of tourism boom and significant contribution from wholesale business
- B2B business**² had a fantastic start to the year, in line with Group's strategy to grow offerings to that customer segment recording a 47.6% YOY increase
- Digital transactions**³ have surged by 32% YoY, indicating Group's efforts to increase contribution from digital channel is paying off, supporting EBITDA expansion
- Healthy cash flow, robust balance sheet and optimal capital structure**, supporting Group's commitment to dividend distribution and ability to fund expansion plans

Q1'23 Operating Income YoY

+9.1%



Q1'23 No. of Transactions YoY

+8.6%



Q1'23 EBITDA YoY

+7.9%



Q1'23 Net Profit

133 ^{AED} mn



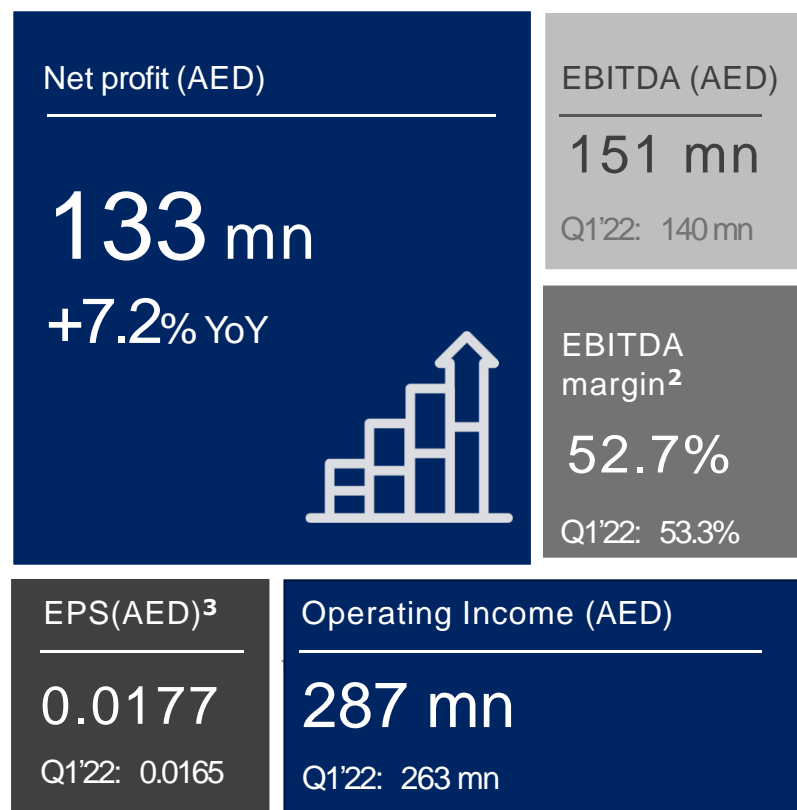
1) Based on continued operations only (Excluding the comparative results from discontinued business)

2) B2B business or Corporate business includes business transacted by Corporate customers including Remittances, Banks Notes, WPS and Bill Collection

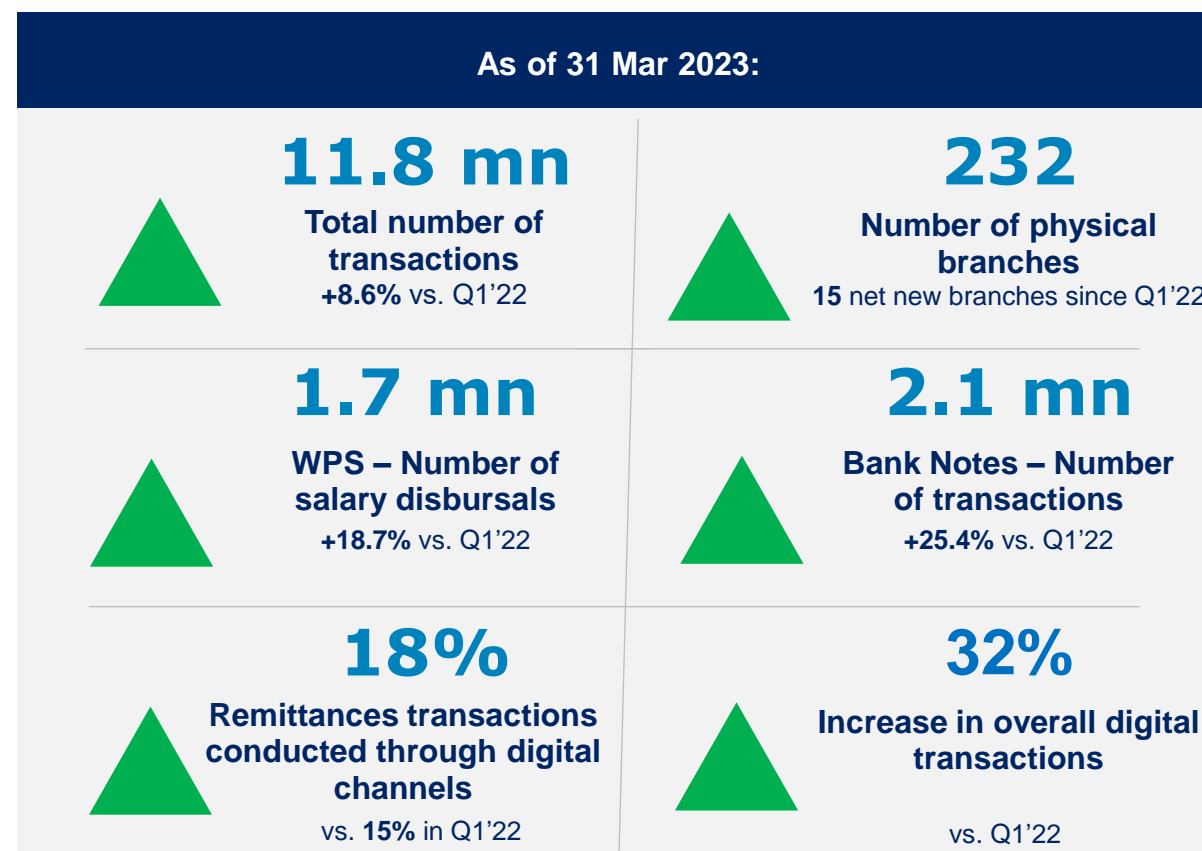
3) Digital business includes all transactions conducted through digital channels including Remittances, Travel Card, WPS and Bill Collection

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	Q1 '23	Q1 '22	% change
Net gain on currency exchange	149,634	136,387	9.7
Net commission income	137,388	126,729	8.4
Operating income	287,022	263,116	9.1
Interest and other income	5,977	857	597.4
Salaries and benefits	107,422	96,412	11.4
Other operating expenses	47,480	43,070	10.2
Finance cost	5,088	378	1,246.0
Profit from continued operations	133,009	124,113	7.2
Profit from discontinued operations	-	1,892	(100.0)
EBITDA ¹	151,382	140,334	7.9
EBITDA Margin ¹	52.7%	53.3%	(1.1)

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

Commentary

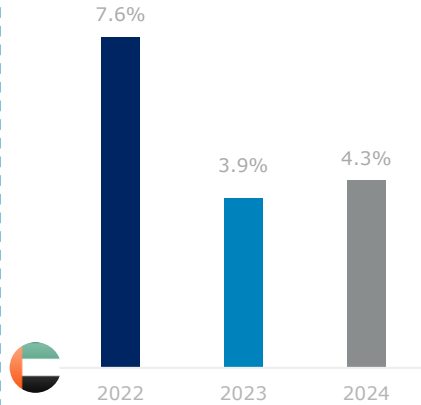
- **Net gain on currency exchange** saw a growth of 9.7% year on year (YOY) driven by a strong increase in the Bank Notes and Prepaid Cards business on the back of the UAE's tourism boom. During Q1 2023, the retail bank notes, wholesale bank notes and prepaid card volumes have grown by 20%, 77% and 44% respectively.
- The increase in the **net commission income** came in line with the overall transaction growth on all products by 9%.
- **Interest income** saw a sharp growth driven by interest earned on overnight call accounts placed with CBUAE as interest rates have increased to 4.75% during Q1 2023 compared to 1% p.a. during same period last year.
- **The increase in salaries and benefits** was due to 21% rise in the number of employees directly relatable to the opening of 15 new branches since Q1 2022. Accordingly, the other **operating expenses** have witnessed the same increase.
- The rise in **Finance Cost** was driven by the interest paid on the AED 300M 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.
- **EBITDA** increased by 7.9% YoY to AED 151 million with a steady **EBITDA Margin** near 53% on the back of strong top line growth, high margin contribution from increased digital transactions and Group's CAPEX-light model.



Our home market, the UAE, is a growing and stable economy

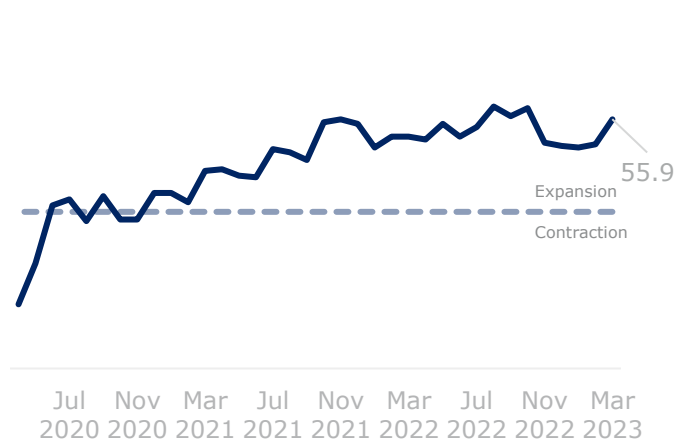
UAE's economy remains resilient

GDP Growth Forecast



Source: Central Bank of the UAE (CBUAE)

UAE PMI



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

Encouraging performance across all key economic drivers

Non-oil sector growth expected to continue supporting economic expansion & diversification CBUAE projects real non-oil GDP to expand by 4.2% in 2023

Tourism sector continues to boom, with Dubai welcoming 4.67 mn tourists in Q1 2023 up 17% from Q1 2022. (Source: DET Report)

UAE employment levels rise at fastest rate since July 2016
(Source: S&P Global, PMI Survey March 2023)

SMEs in UAE are growing. In 2022 there was 557k SMEs (vs. 350k in mid 2020)

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

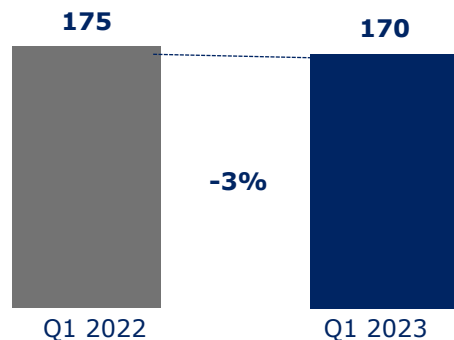


Operation 300bn

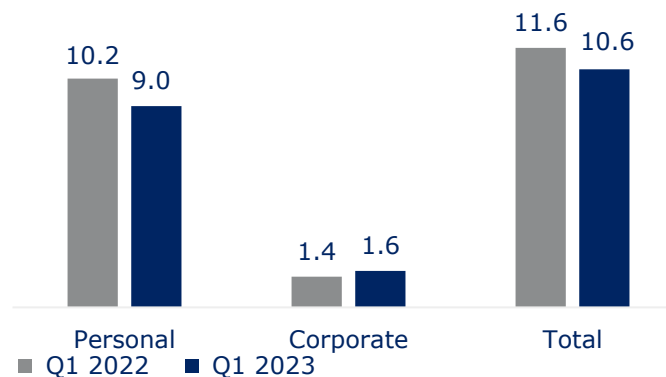
Aims to raise the industrials sector's contribution to the GDP to AED 300 bn by 2031

Remittances: Q1 2023

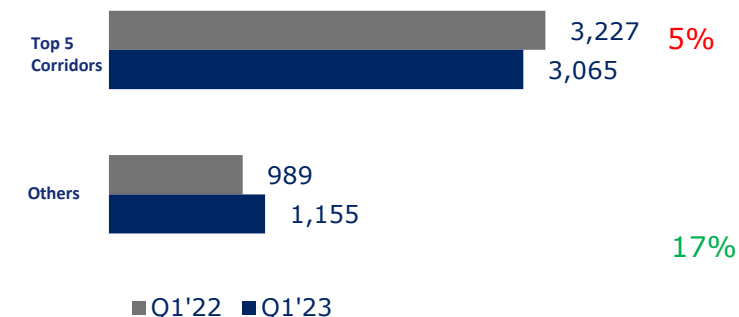
Operating Income (AED mn)



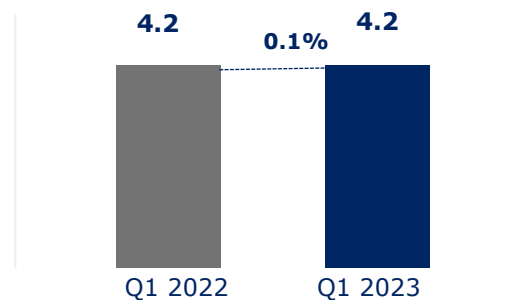
Value of Transactions (AED bn)



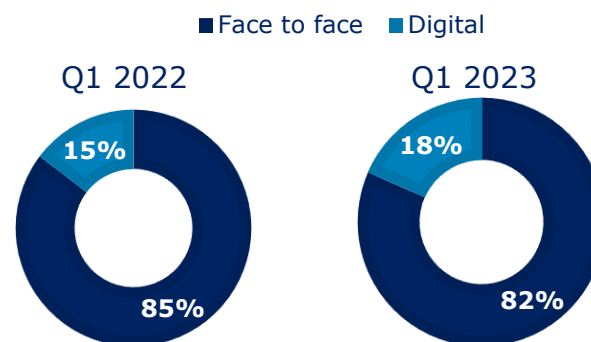
Outward Personal Remittances-Transactions ('000)



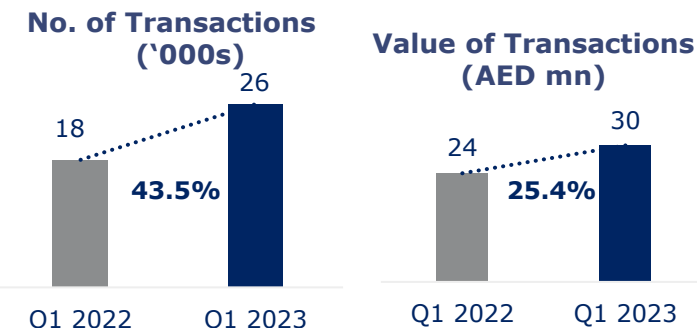
Outward Personal No. of Transactions (mn)



Digital vs. Face to Face



Worldwide Cash Express (WWCE)



Outward personal remittances remained resilient. Q1 2022 included positive impact from Expo 2020.

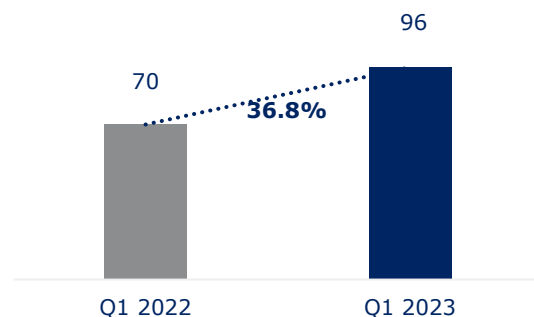
Increase in number of digital remittance transactions, in line with Group's strategy to boost digital channels

Encouraging growth in Corporate remittances, with strong growth of WWCE, in line with Group's strategy to increase the B2B business

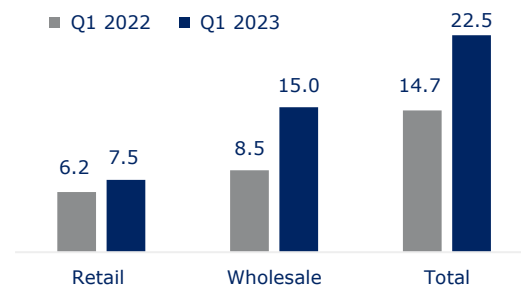
Source: Company data. Notes: (1) Digital remittance transactions calculated on outward remittances.

Bank Notes & Prepaid Cards: Q1 2023

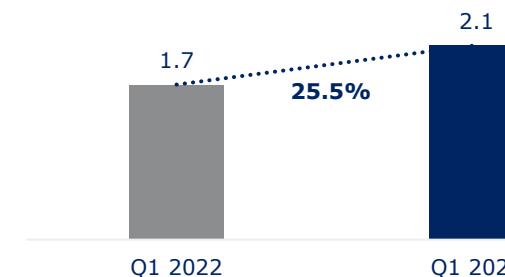
**Operating Income
(AED mn)**



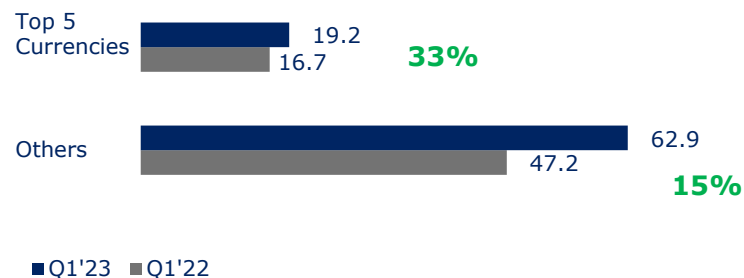
**Bank Notes Value of Transactions
(AED bn)**



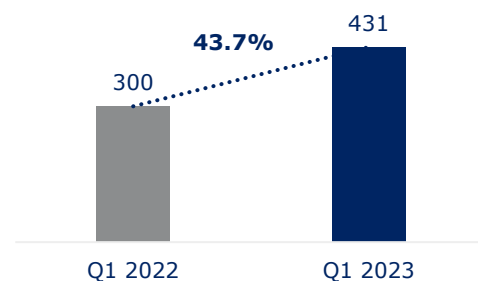
**Bank Notes No. of Transaction
(mn)**



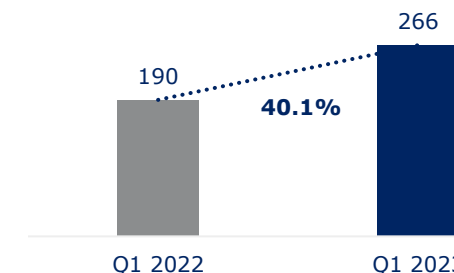
**No. of Transactions for Major
Currencies in Bank Notes
(mn)**



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



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



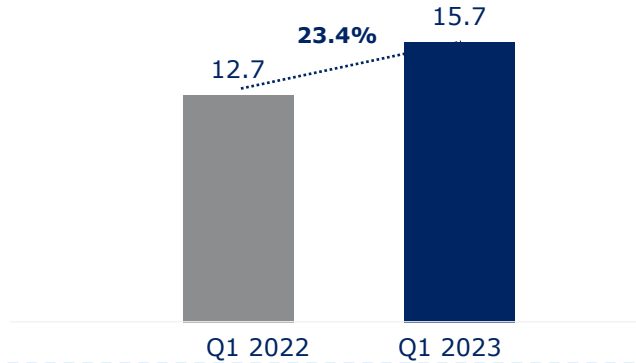
Strong growth in operating income underpinned by booming tourism and exceptional growth in the wholesale business.

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

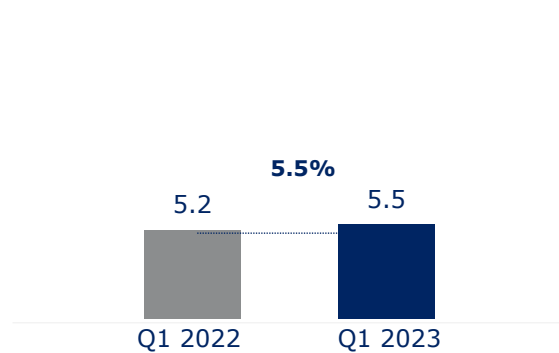
Accelerated growth in prepaid cards, on the back of strong demand and increase in outbound tourism.

WPS and Other Products & Services: Q1 2023

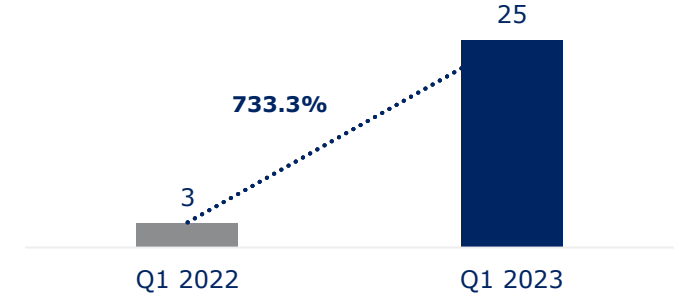
WPS Operating Income (AED mn)



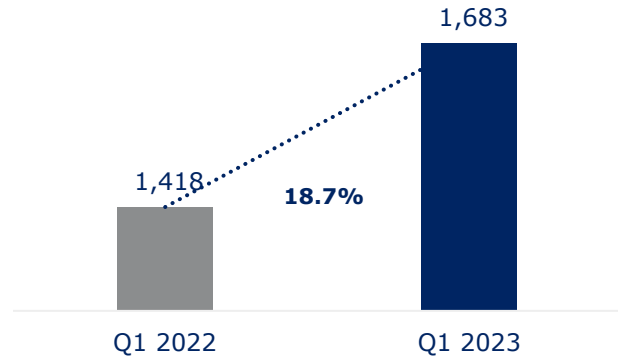
Other Products & Services (AED mn)



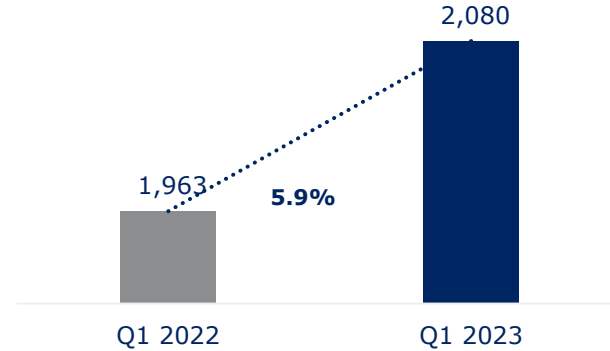
CashTrans
(End-to-end cash management)
No. of third-party customers



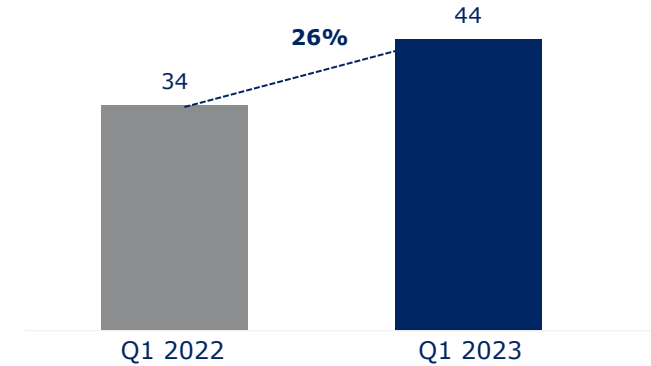
WPS Salary Disbursals ('000)



Bill Collection No. of Transactions
('000)



CashTrans No. of Trips ('000)



WPS operating income significant increase owed to a 19% increase in number of customers and disbursals

Bill collection transactions increase is due to onboarding of 7 new bill collection companies

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

Balance Sheet Overview

	Mar '23	Dec'22	% change
Right of use assets	94,659	67,235	40.8
Other non-current assets ¹	58,691	53,404	9.9
Cash in hand, Due from banks and exchange houses	2,702,387	2,548,593	6.0
Other assets ²	125,926	94,218	33.7
Total assets	2,981,663	2,763,450	7.9
Trade and other payables	731,534	657,492	11.3
Bank borrowings	298,960	348,750	(14.3)
Lease liabilities	81,582	57,623	41.6
Other liabilities ³	130,348	93,355	39.6
Total liabilities	1,242,424	1,157,220	7.4
Shareholder's equity	1,739,239	1,606,230	8.3

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

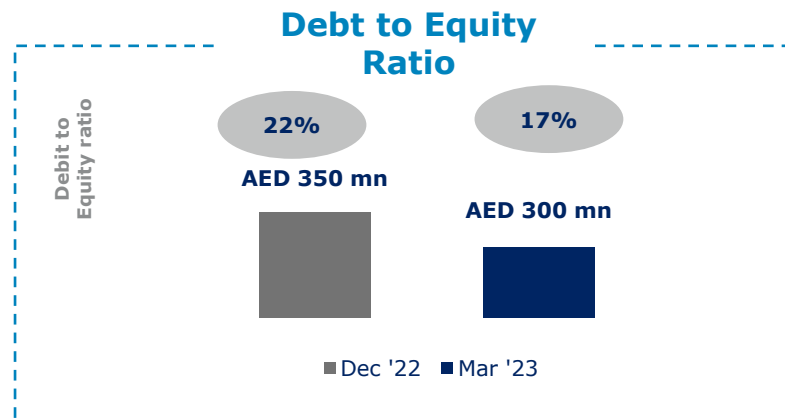
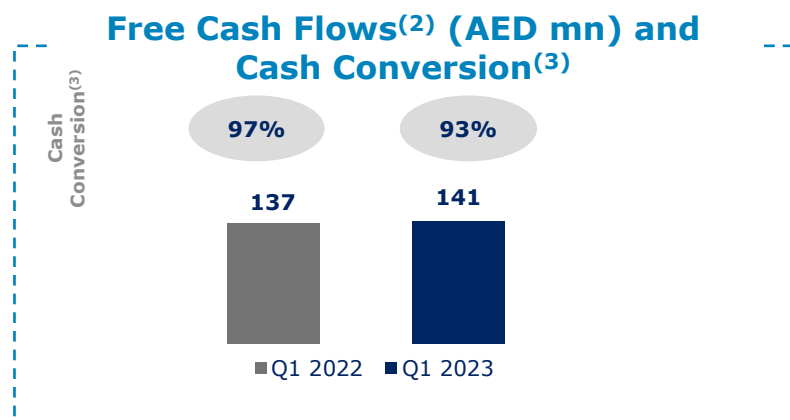
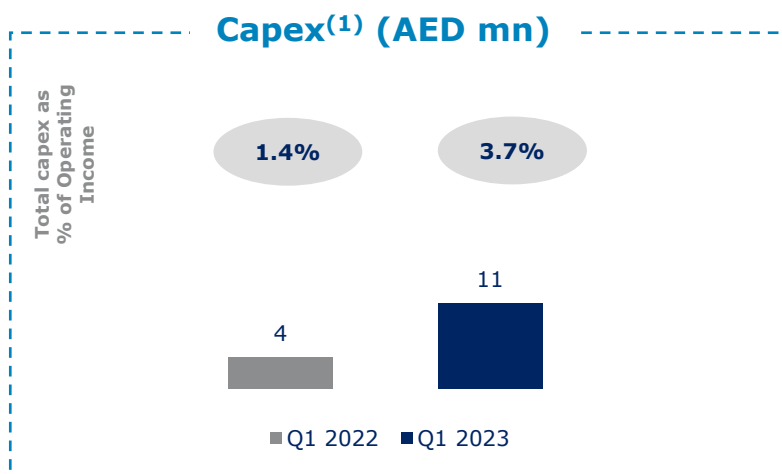
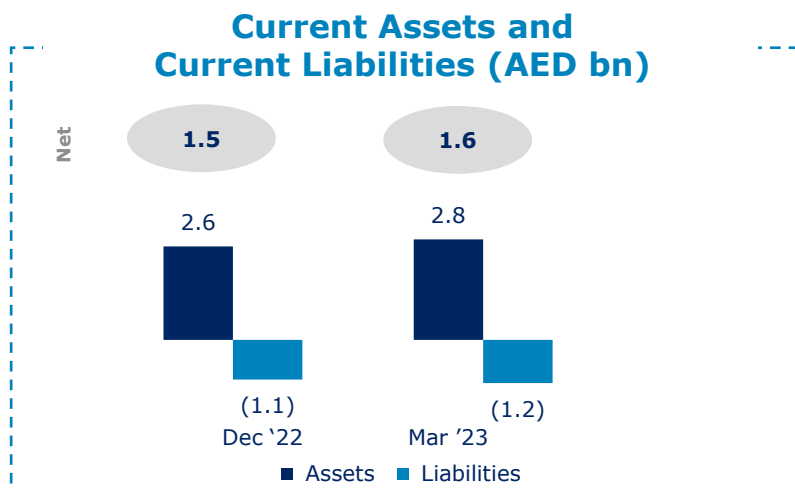
2) Other assets include due from related parties, and prepayments other receivables.

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 40.8% 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 33.7% increase in **Other Assets** is the rise in outstanding balance owed by a related party in a foreign currency parcel.
- **Trade and other payables** experienced an 11.3% rise, driven by cash payout remittances and WPS salary that remain undisbursed to the beneficiaries.
- The decrease of 14.3% in **Bank Borrowings** was a result of settling the balances on the overdraft accounts.
- **Lease Liabilities** witnessed a 41.6% increase inline with the right-of-use assets (see above)
- **Other Liabilities** rose by 39.6% 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 Q1'23 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 infra-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 2.9% of total revenues for YE 2023) .
- Increase in cash generation in Q1'23 driven by **EBITDA growth** of 7.9% with c. 93% cash conversion rate
- Debt to equity ratio declined to 17% on account of settlement of overdraft balance during Q1'23

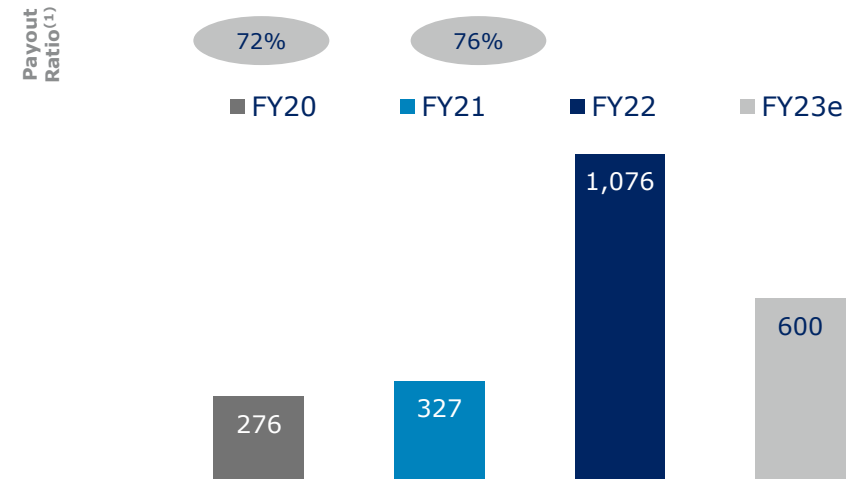
Notes: (1) Capex includes Purchase of PPE and Capital Work In Progress; (2) Calculated as EBITDA – Capex; (3) Calculated as (EBITDA – Capex) / EBITDA

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 28 April 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



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



Create a **digital marketplace** ecosystem

Further expanding **pre-paid cards** offering



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 18 new branches since Q1' 22

2 Geographic Expansion



Full acquisition of Oman Exchange Kuwait by Al Ansari Exchange Kuwait is completed and expected to be 4th largest player in Kuwait after completion of integration.

WWCE business expansion on track, supporting B2B growth. WWCE transactions volume reached AED 30 mn in Q1'23 up by **25%** YoY.



3 Digital Innovation

Total No. of Digital Transactions In '000



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



Making strong progress, with Corporate remittances. Value of corporate remittances reached AED 1.6 bn, up **19%** YoY.

6 CashTrans

In H1 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
Armoured Vehicles



1
Cash Processing Facility



225
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	Low-to-mid teens	Short-term
Bank Notes Income	High-teens	Short-term
WPS and other products	High single-digit (as a % of total Operating Income)	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

