

## Dubai Financial Market

# Investor Presentation

H 1 2 0 1 7



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## DFM at a Glance

### Leading Exchange in the MENA Region

- Established in 2000 as a government owned exchange.
- Provides investors and market participants with the best in class international platform that provides investors with innovative products and services in conducting trading, clearing and settlement in an efficient, transparent and liquid environment.
- First regional exchange to be publicly listed in 2007.
- Currently, Borse Dubai owns 80% of DFM with the remaining being public float.

|  |   |  |  |
|--|---|--|--|
| <b>Listings<br/>(H1 2017)</b>                    | <b>AED 354.5bn</b><br>Market Capitalization         | <b>63</b><br>Companies Listed on the DFM               | <b>83</b><br>Bonds/Sukuks Listed<br>on the DFM / Nasdaq Dubai<br>with a value of \$62.8 bn |
| <b>Volumes<br/>(H1 2017)</b>                     | <b>AED 558.8m</b><br>Average Daily Traded Value     | <b>AED 69.9bn</b><br>Value of Share Trading            | <b>39.4%</b><br>Market Velocity  |
| <b>Volume by<br/>Investor Type<br/>(H1 2017)</b> | <b>44.1%</b><br>Foreign Investors' Trading<br>Share | <b>21.3%</b><br>Foreign Ownership<br>(% of Market Cap) | <b>31.4%</b><br>Institutional Investors'<br>Trading Share                                  |
| <b>Consolidated<br/>Financials<br/>(H1 2017)</b> | <b>AED 244.2m</b><br>Revenue                        | <b>AED 179.8m</b><br>EBITDA                            | <b>AED 145.9m</b><br>Net Income  |

Source: Bloomberg, Zawya

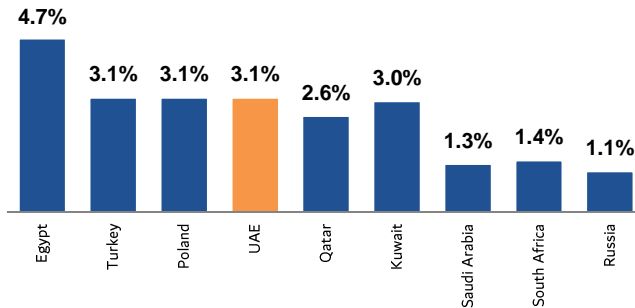
Note: Foreign investors defined as non-UAE investors. Financial information and trading statistics for DFM (excluding Nasdaq Dubai) for the year 2017

## The UAE Benefits from Strong Demographic & Macroeconomic Fundamentals

**1**

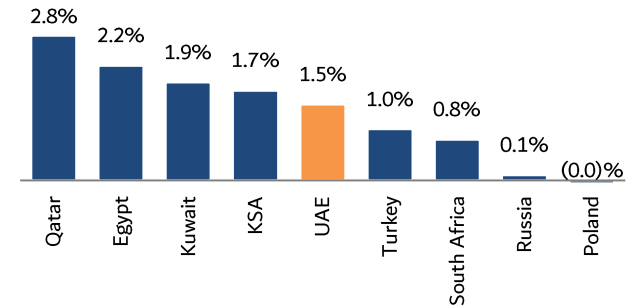
### Continued GDP Growth...

2015E-2020E Real GDP Growth (%)


**2**

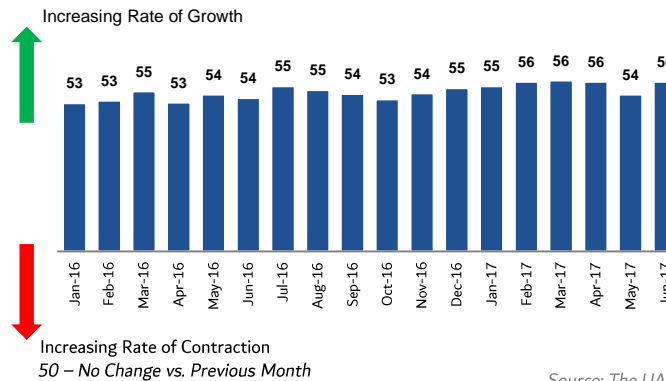
### Growing Population...

2015E-2020E Population Annual Growth (%)


**3**

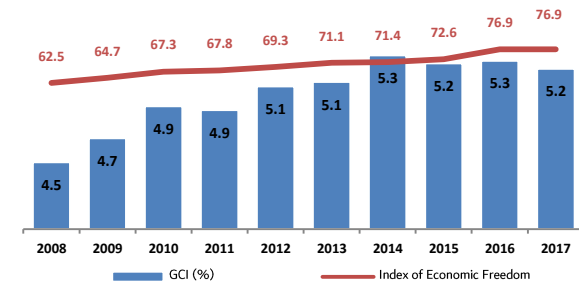
### Sustained Growth in Non-Oil Economy...

UAE Non-Oil Private Sector PMI


**4**

### ...Resulting in Stable Business Environment

Globally, UAE ranks 17th on the Global Competitiveness Index (GCI) &amp; 8th on the Index of Economic Freedom

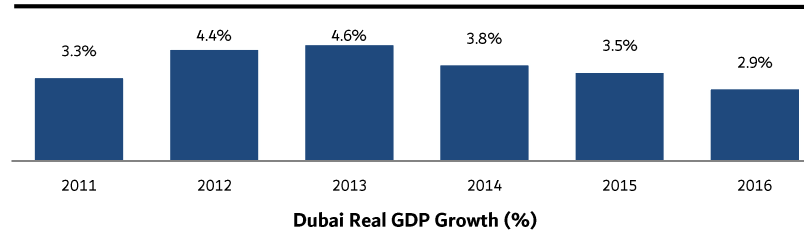


Source: The UAE National Bureau of Statistics, Euromonitor, Bloomberg, World Economic Forum, Emirates NBD, The Heritage Foundation, IMF

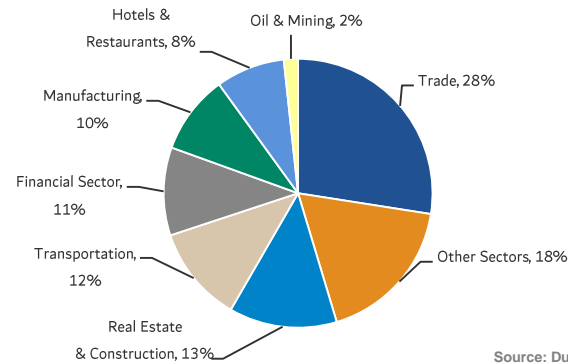


## Dubai Growth is Driven by a Well- Diversified Economy

### Continuous Dubai GDP Growth ...

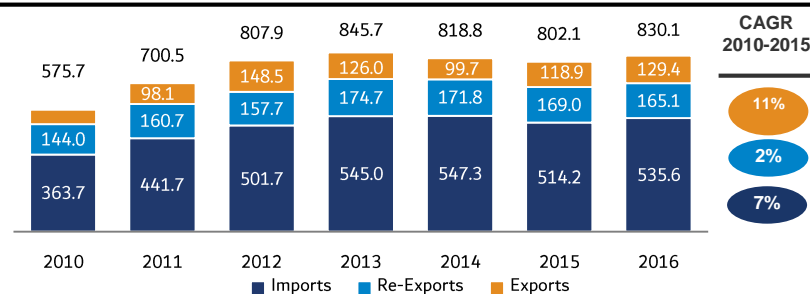


### ...Driven by a Diversified Economy...



Source: Dubai Statistics Centre

### ...Supported by Strong Trade Activity



Dubai Direct Foreign Trade Breakdown

### Commentary

#### Main highlights of Dubai economy:

- Well diversified based on international trade, banking and finance, tourism, information technology.
- Strong growth in the non-hydrocarbon sector with regional wealth and liquidity backed by oil and fiscal reserves.
- Fiscal discipline with an increase in investment spending
  - The Emirate of Dubai has increased its budgeted expenses by 2.6 % for 2017 to AED47.3 bn
- Dubai is in the top 5 global destinations for travellers, as such it serves as the main hub in the Arab world, benefitting from increasing global trade, rising tourism and stabilizing real estate.
- Dubai recorded AED29bn of foreign direct investment in 2015 (4th globally in terms of the number of new investment projects and 6th place in terms of attracting foreign money), and expects to invest another AED25bn in infrastructure-related projects during EXPO 2020.
- Dubai is the 1<sup>st</sup> regionally and the 18<sup>th</sup> globally in the Global Financial Centres Index.
- Dubai has moved the historical focus on Real estate and Trade to attract more knowledge intensive projects with a greater focus on Technology.
- HH Sheikh Mohammed established the Dubai Security Centre which seeks to ensure the proper implementation of international best practices in Dubai's financial markets.
- Dubai is placed at the forefront of the global Islamic economy, where the total number of Sukuk listed amounted to AED185.7 bn – end of H1 2017.

## DFM Diversified Product Offering

**Diversified product offering including trading of equity and debt instruments, and financial services to investors and market participants**

### Listing

- Equities
- Sukuks/ Bonds
- ETFs
- Mutual Funds
- REITs
- Right Issues
- “Second Market”

### Trading

- Membership (Access and use of DFM trading platform)
- Equity Instruments (Primary, Dual and Foreign entity listing)
- Debt Instruments (Sukuks and Bonds)
- Equity Derivatives (Traded through Nasdaq Dubai only)

### Post Trading

- Settlement
- Custody
- Clearing

### Market Data

- Real-time data
- Delayed data
- Historical data
- Indices

### Investor and Issuers Services

- Securities Lending and Borrowing
- iVESTOR
- Dividend Payment Services
- IPO / rights issue service through electronic subscription platform
- AGM / EGM Services
- Voting Services

**Note: DFM has recently launched its first ETF : June 2016**

Nasdaq Dubai has launched derivative trading- September 2016

## Post Trade Infrastructure to Increase Liquidity and Revenue

### ALLOCATION ACCOUNT



Will enable execution of bulk trades

Benefits fund managers who seek a single price for their managed funds

### REGULATED SHORT SELLING



Investors will be able to go short in a downward market

Investors can execute RSS with a locate confirmation

### CCP (CENTRAL COUNTERPARTY)

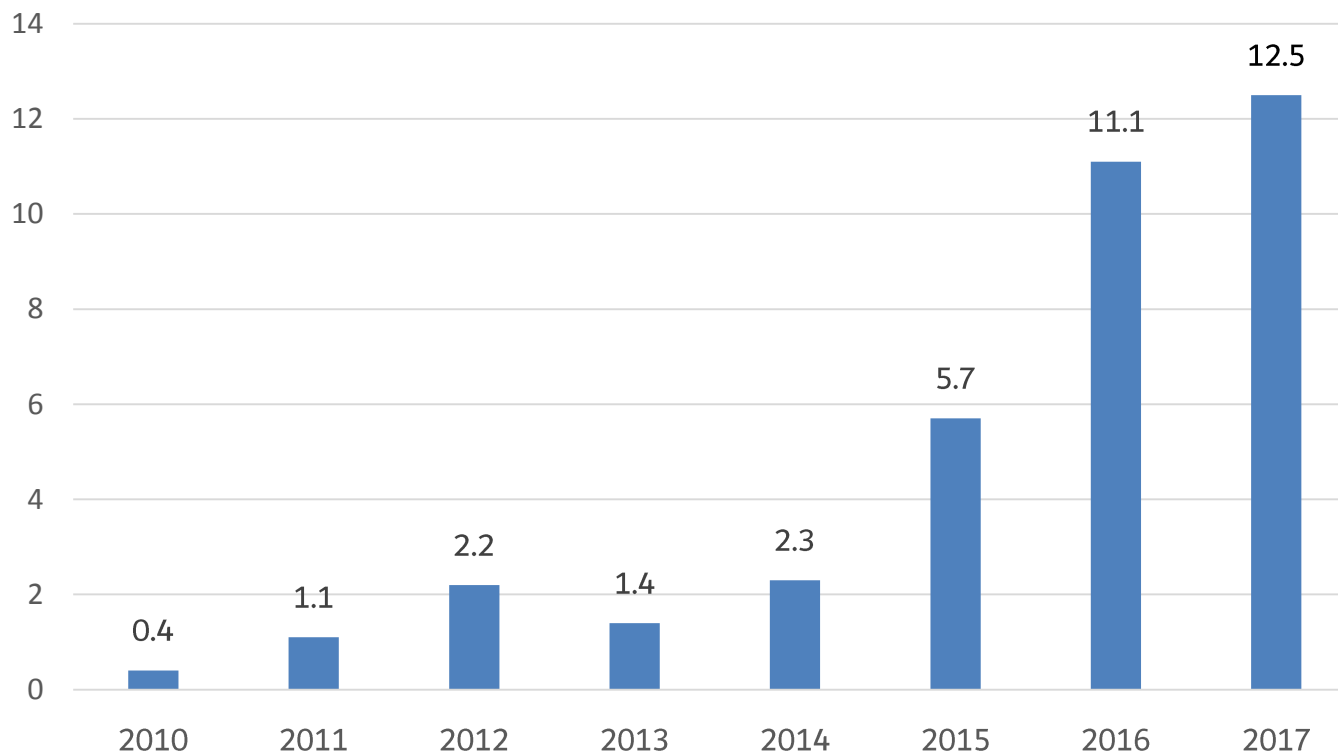


More efficient use for clearing members

Better ring fence into separate legal entities

CCP may become a regional CCP to clear and settle trades

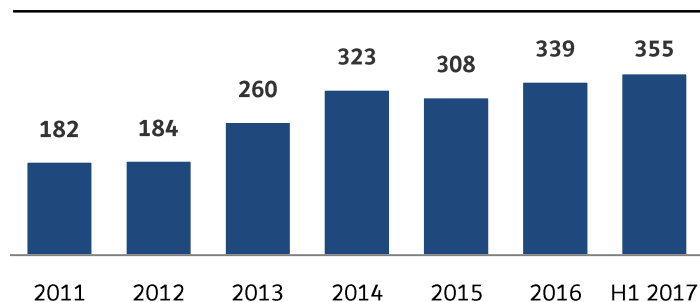
## Strong Track Record Of Issuers Dividend Management



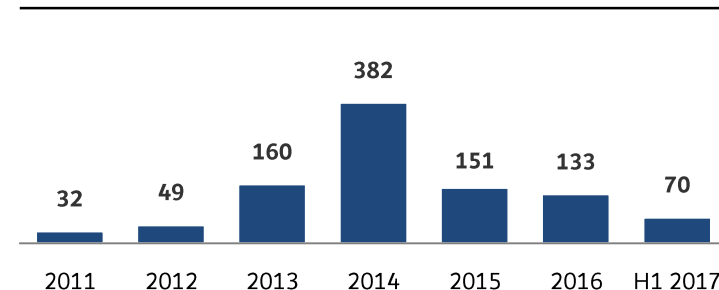
DFM managed 100% of issuers dividends which were mostly paid through electronic channels

## Operational Highlights

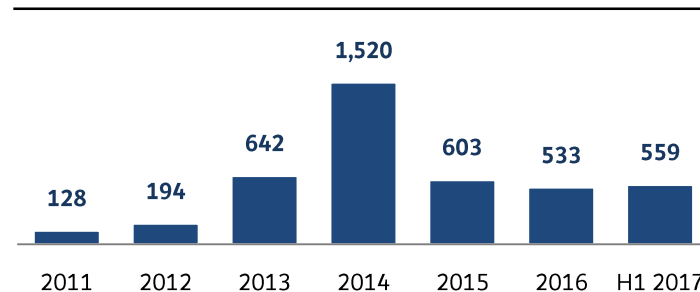
**Market Capitalization (AEDbn)**



**Total Traded Value (AEDbn)**

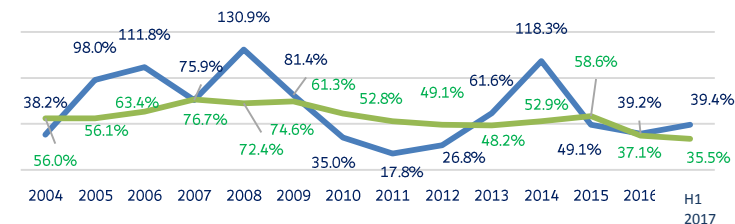


**ADTV (AEDm)**



**Market Velocity<sup>1</sup> (%)**

**DFM Market Velocity and Average Velocity for Global Exchanges**



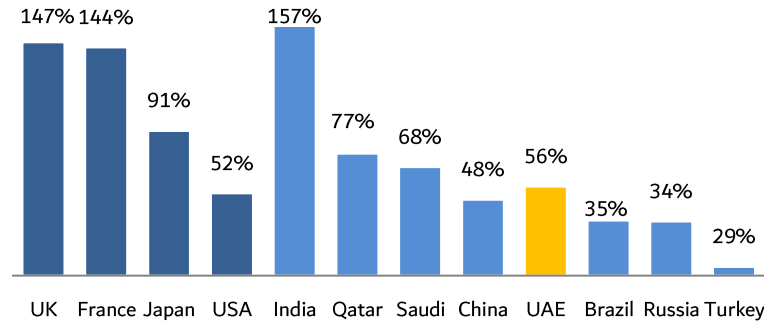
Note: Figures exclude Nasdaq Dubai

<sup>1</sup> Defined as annual traded value end of year / market capitalization.

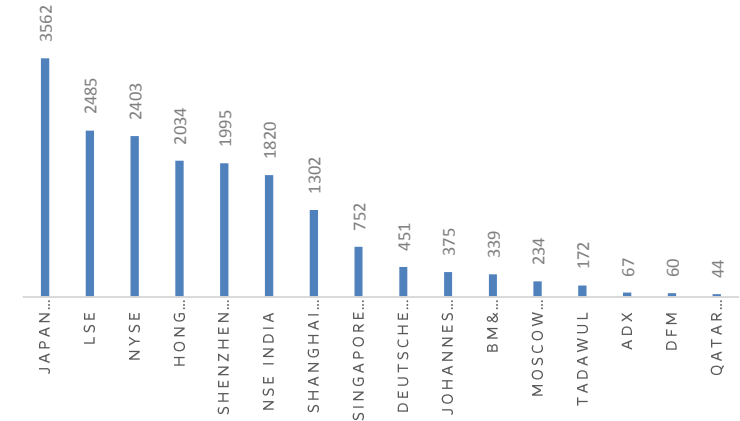


## DFM Presents Significant Growth Opportunities

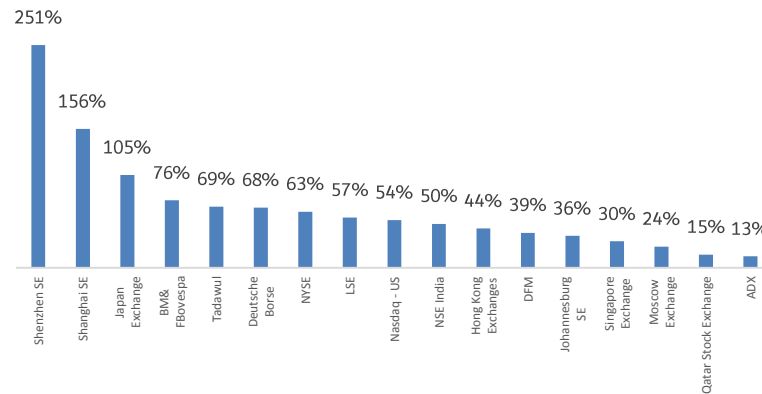
### Equity Market Capitalisation to GDP<sup>1</sup>



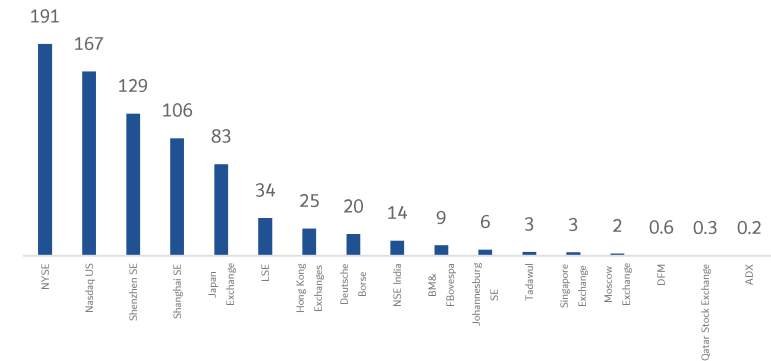
### Number of Listed Companies



### Equity Market Velocity as of end of June 2017<sup>2</sup>



### ADTV (AEDbn)



Source: Euromonitor, World Bank, World Federation of Exchanges  
 Note: Statistics as of Dec-2016; Number of listed companies as of 31-Jan-2016  
<sup>1</sup> Based on market capitalization over 2016 real GDP (constant prices in 2010)  
<sup>2</sup> Calculated as annualized trade value / end of period market capitalization.

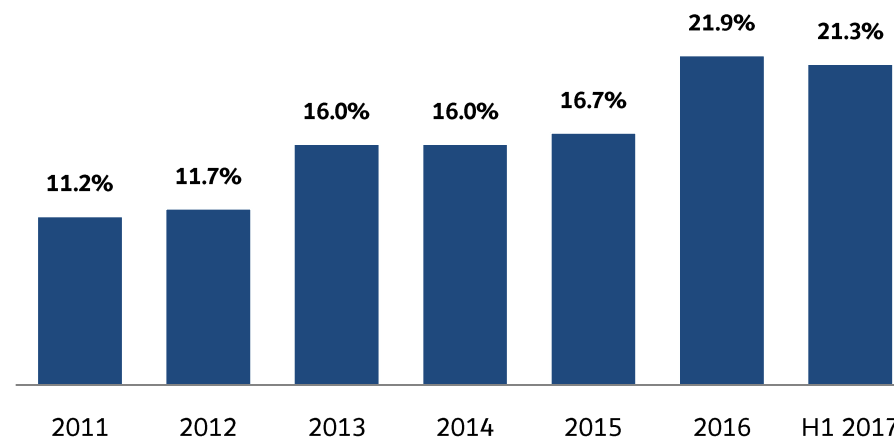
## Strong and Growing Foreign Investor Base

- DFM continues its efforts, in co-operation with issuers and investment banks, to attract foreign investors' interest in DFM listed companies
- UAE was classified as a global emerging market in 2014 by MSCI and S&P Dow Jones
- Net foreign investment flowing to the DFM market during 2014 was AED 4 billion (excluding Arabs and GCC nationals)
- Foreign investors interest continued in 2017 as they were net buyers of AED 1.2 billion (excluding Arab and GCC nationals) in H1 2017
- Foreign investors continue to show confidence in the quality and diversity of investment opportunities that the DFM offers

### Foreign Investors' Trading Share



### Foreign Ownership (% of Market Cap)



Source: DFM Analytics

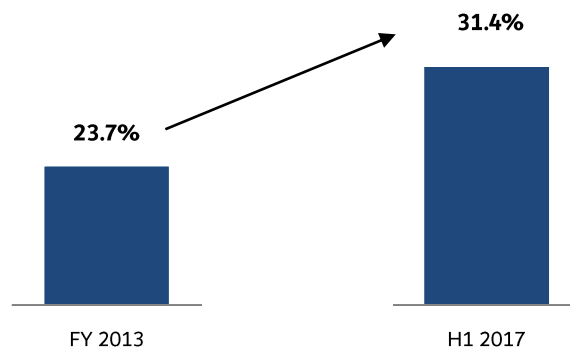
Note: Foreign investors defined as non-UAE investors. Figures excluding Nasdaq Dubai

## Commentary

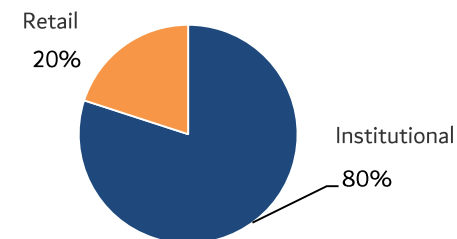
- The DFM has attracted increasing institutions investor base, in light of the sound national economy and the continuous improvement of listed companies' performance
- Institutional investors own 80% of the stock listed on the DFM as of the end of H1 2017.

## Increasing Institutional Investor Base

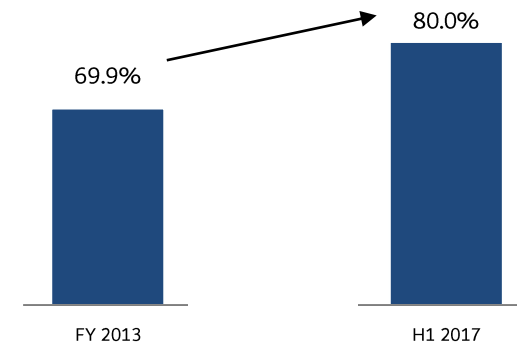
### Institutional Trading Share (%)



## Share Ownership Split



### Institutional Ownership (% of Market Cap)

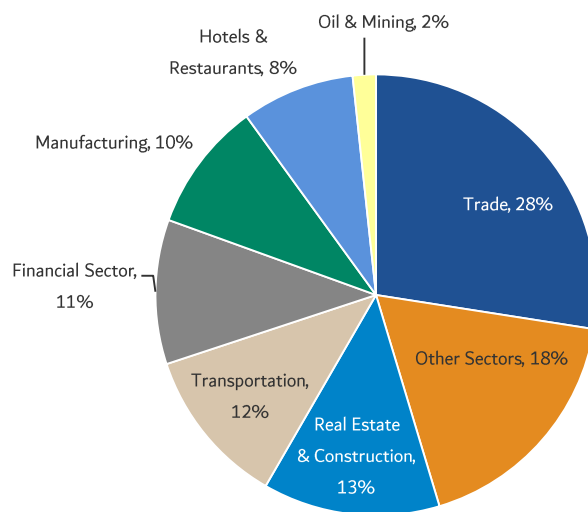


Source: DFM Analytics  
 Note: Figures excluding Nasdaq Dubai

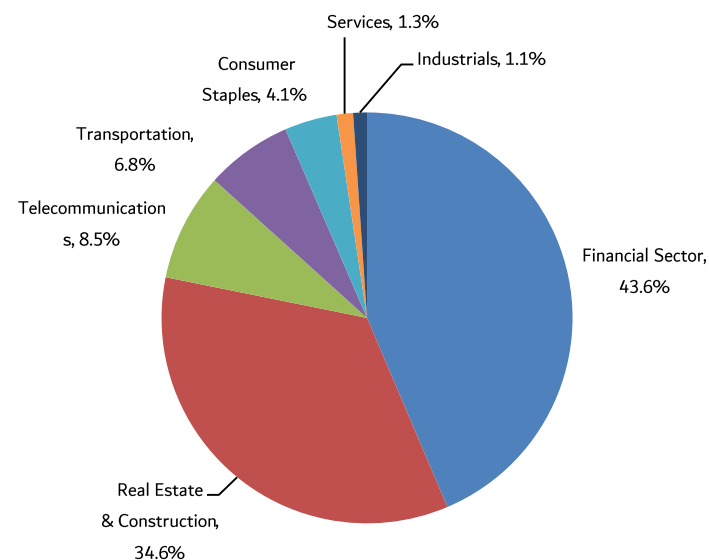
- Trade, manufacturing, construction, transport and real estate are the biggest contributors of Dubai's economy.
- Unlike the economy, the DFM market is concentrated, on financials, real estate and construction. These sectors collectively represent 24% of the economy but over 80% of the market capitalisation by year end 2016.
- This, represents significant opportunities for DFM as there is a diversified pool of sectors and companies to be listed in the future.

**DFM is Not  
Yet Reflecting  
the Diversity  
in Dubai's  
Economy**

**FY 2016 Dubai Real GDP Breakdown**



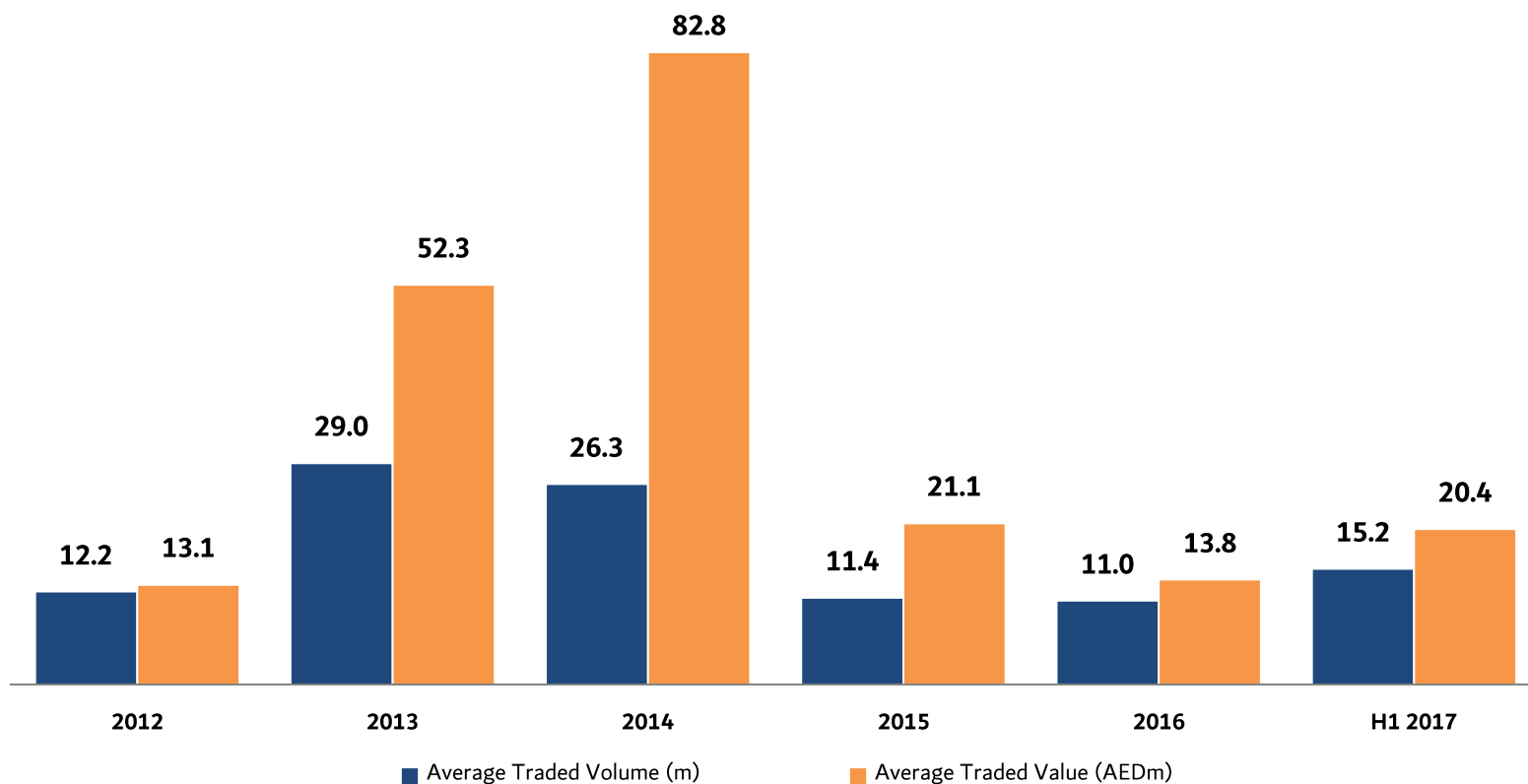
**DFM Sector Breakdown Yr end 2016**



Source: Dubai Statistics Centre, DFM Analytics

## DFM Stock Trading Activity

DFM is One of the Most Liquid Stocks on the Exchange



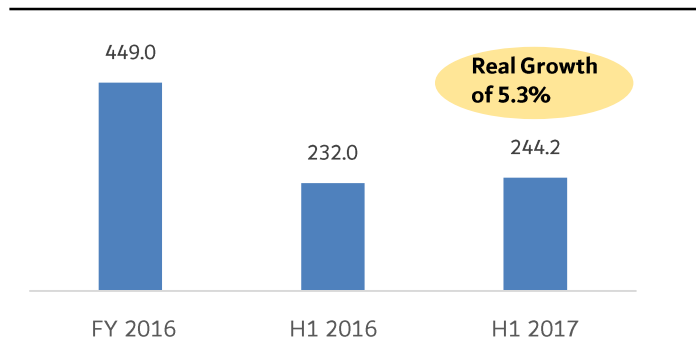
Source : DFM Analytics



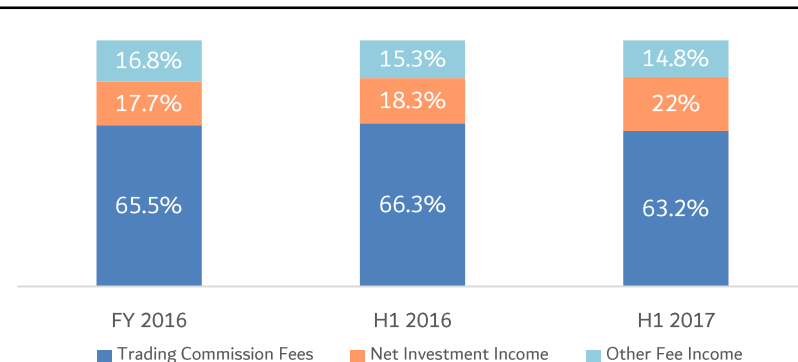
- DFM continues to provide advanced and innovative products/services as part of its strategy targeting the diversification of revenue streams and increase in non-trading commission income

## Financial Highlights

### Total Revenue (AEDm)

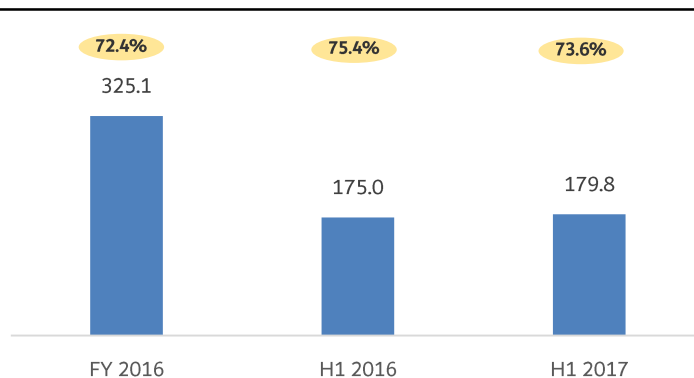


### Total Revenue Mix (%)

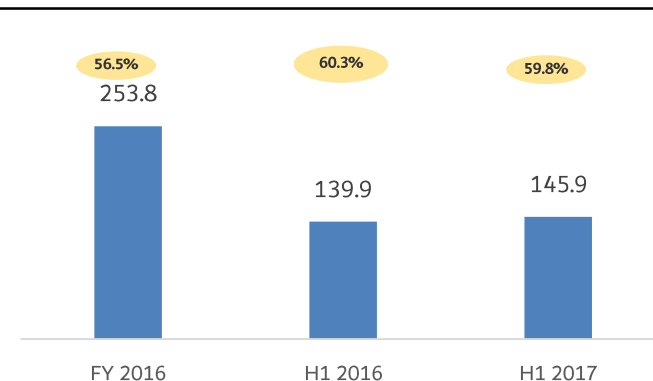


\* 2016 revenue is adjusted to exclude the one off additional revenue due to gifted land in the amount of AED 231.3mn, thereby reflecting only operations related revenue mix and margins.

### EBITDA (AEDm) and EBITDA Margin (%)



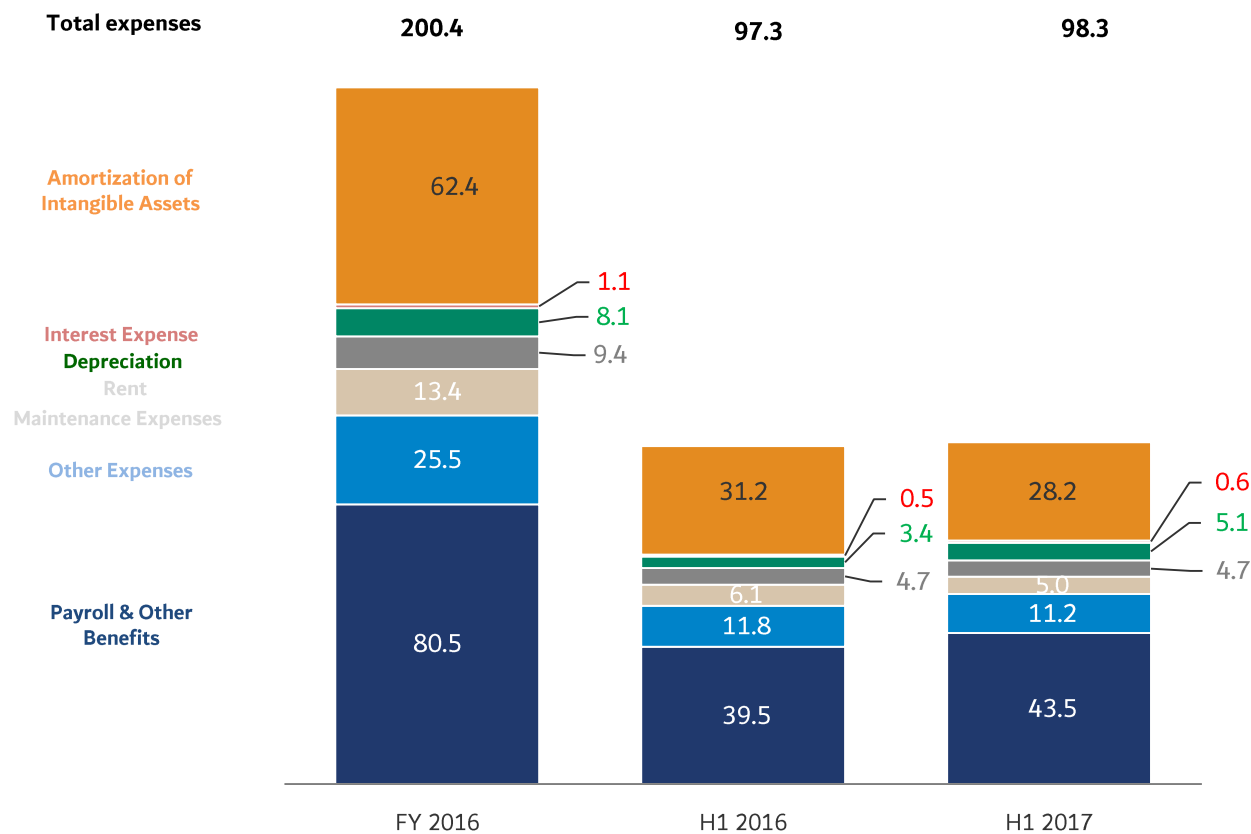
### Net Profit (AEDm) and Net Profit Margin (%)



Note: Consolidated financial statements; EBITDA includes investment income and other income

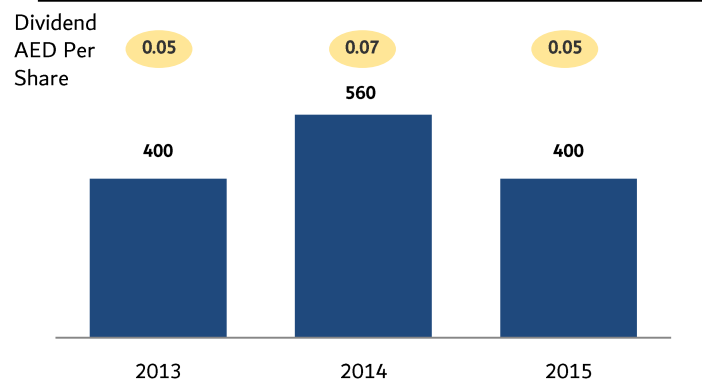
## Stable Expense Base

### Breakdown in AEDm

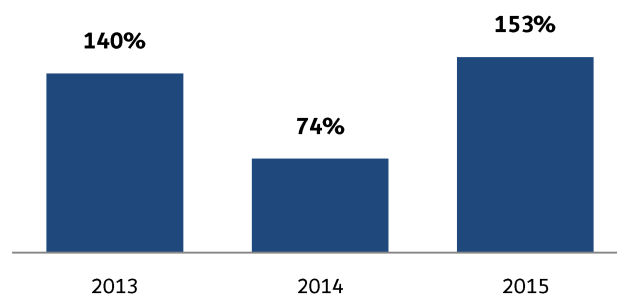


## Dividend Payout History

### Dividends (AEDm)



### Dividend Pay-out (% of Net Profit)<sup>1</sup>



### Selected Balance Sheet Items

| (AEDm)  | FY 2015 | FY 2016 | H1 2017 |
|---|---------|---------|---------|
| Investment Deposits                                       | 2,303   | 2,200   | 2,579   |
| Financial Assets Measured at Fair Value & amortised costs | 702     | 837     | 944     |
| Goodwill  | 2,879   | 2,879   | 2,879   |
| Other Intangible Assets                                   | 2,322   | 2,259   | 2,231   |
| Property and Equipment                                    | 21      | 263     | 264     |
| Total Assets  | 8,535   | 8,851   | 9,558   |
| Total Equity  | 8,046   | 7,920   | 8,061   |

Note: Consolidated financial statements

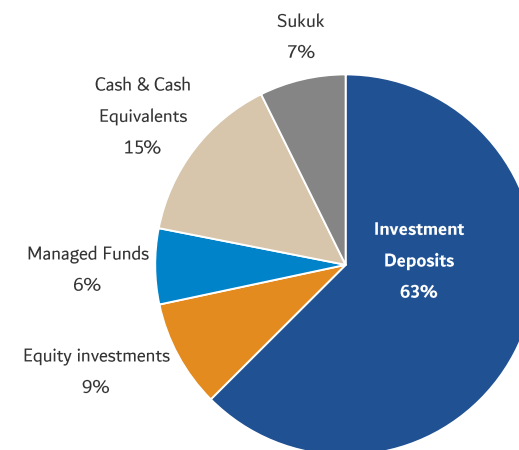
<sup>1</sup> Calculated as dividend (paid following year) divided by the net profit of the year.

**Strong Balance Sheet with Significant Financial Assets**

### Main Financial Assets

| (AEDm)  | H1 2017      |
|---|--------------|
| Cash and Cash Equivalents   | 602          |
| Investment Deposits   | 2,579        |
| Less than 3 Months  | 520          |
| Up to 1 Year but More than 3 Months   | 1,765        |
| More than 1 Year <sup>1</sup>   | 294          |
| Other Financial Assets Measured at Fair Value – (FVTOCI) and amortized cost | 944          |
| Investment in Equity Securities   | 377          |
| Managed Funds   | 265          |
| Investment in Sukuk   | 302          |
| <b>Total</b>  | <b>4,125</b> |

### Main Financial Assets Breakdown H1 2017



### Commentary

- Investment deposits are placed with financial institutions in the UAE, with profit rates ranging from 2% to 3% per annum.
- 96% of the other financial assets are invested within the UAE.

Note: Consolidated financial statements

## DFM Strategic Programs 2021

**VISION: THE WORLD-CLASS REGIONAL MARKETPLACE**

**MISSION: TO PROVIDE STAKEHOLDERS WITH INNOVATIVE SERVICES IN CONDUCTING TRADING, SETTLEMENT AND DEPOSITORY OF SECURITIES, IN AN EFFICIENT, TRANSPARENT AND LIQUID ENVIRONMENT.**

### FIVE STRATEGIC PROGRAMS



**INCREASING TRADE  
VOLUMES PROGRAM  
VIA FULL TRADE TYPE  
OFFERINGS**



**ENHANCING EQUITY  
LISTING PROGRAM AND  
SUPERIOR SERVICES**



**MAXIMISING INVESTOR  
SERVICES TO MEET  
EVOLVING NEEDS**



**UPLIFTING CSD  
FUNCTION AND  
PROCESSES**



**ADVANCEMENT OF  
TECHNOLOGICAL  
SOLUTIONS**

**STAKEHOLDER VALUE**



## DFM 2021

This will enable us to truly embrace a **new mission for 2021** that will allow us to be a leader in our industry ...

**Bringing the highest possible value to the UAE's  
economic ecosystem, our stakeholders & our shareholders**

*Strengthening the core offerings  
& products to drive listings*

*Developing new capabilities  
across diverse revenue streams*

*Innovating through technology  
to maintain leadership*

Allowing us to play a leading local, regional  
and global role

### Globally

- Develop global best-in-class operations & offerings to raise exchange standing
- Uplift DFM brand recognition within specific sectors & areas of expertise

### Nationally in Dubai & UAE

- Become chief venue for financing local firms' growth & source of wealth creation
- Focus on developing Dubai & UAE's priority sectors to spur development

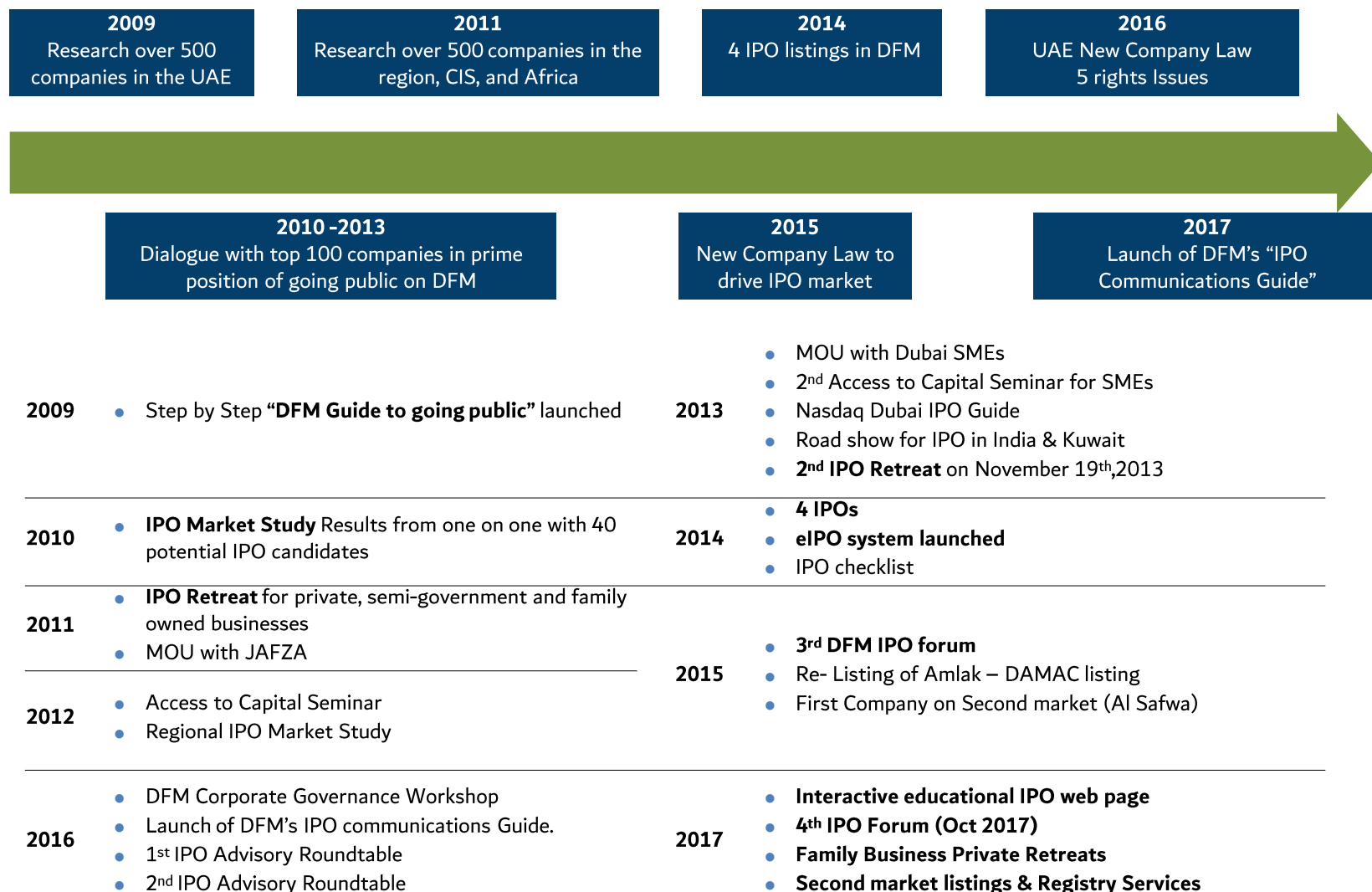
### Regionally in GCC & MENA

- Attract regional investments & position DFM as ideal platform for sourcing capital
- Position DFM as the gateway to the Arab world and Iran for exchange trading

## Equity Raise Track Record

| Year | Company Name                   | Size          | Deal Type                                     |
|------|--------------------------------|---------------|---|
|      |                                | (AED Million) |   |
| 2013 | EMIRATES ISLAMIC BANK          | 1,500         | Rights Issue                                  |
| 2014 | TABREED                        | 133           | Convertible bonds to shares                   |
|      | MARKA                          | 500           | Equities                                      |
|      | DXB ENTERTAINMENTS             | 6,321         | Equities                                      |
|      | AMANAT                         | 2,500         | Equities                                      |
|      | EMAAR Malls                    | 37,741        | Equities                                      |
|      | EMAAR PROPERTIES               | 1,800         | Convertible bonds to shares                   |
| 2015 | DAMAC PROPERTIES               | 6,050         | Conversion of GDRs Pursuant to Exchange Offer |
|      | AL SAFWA                       | 130           | PJSC Secondary Listing                        |
|      | TAKAFUL EMARAT                 | 50            | Rights Issue                                  |
| 2016 | DUBAI ISLAMIC BANK             | 3,163         | Rights Issue                                  |
|      | AJMAN BANK                     | 675           | Rights Issue                                  |
|      | DXB ENTERTAINMENTS             | 1,678         | Rights Issue                                  |
|      | AL RAMZ                        | 95            | Rights Issue                                  |
|      | EMIRATES ISLAMIC BANK          | 1,500         | Rights Issue                                  |
|      | AFKAR CAPITAL                  | 3.2           | Exchange Traded Fund                          |
|      | NATIONAL INTERNATIONAL HOLDING | 675           | Dual Listing                                  |

## Strategic Milestones Building Strong IPO Pipeline



## APPENDIX

## DFM Consolidated P&L

| (AEDm)  | FY 2016        | H1 2016       | H1 2017       |
|---|----------------|---------------|---------------|
| Trading Commission Fees                             | 294.6          | 153.8         | 154.4         |
| Brokerage Fees                                      | 20.6           | 10.4          | 10.2          |
| Clearing, Settlement and Depository Fees            | 39.7           | 17.5          | 16.6          |
| Listing and Market Data Fees                        | 9.1            | 4.5           | 5.1           |
| Other Fees  | 5.4            | 3.2           | 4.2           |
| <b>Operating Income</b>                             | <b>369.4</b>   | <b>189.3</b>  | <b>190.5</b>  |
| Investment Income                                   | 79.5           | 42.6          | 53.7          |
| Other Income  |                | 0.0           | 0.0           |
| <b>Total Income</b>                                 | <b>448.9</b>   | <b>231.9</b>  | <b>244.2</b>  |
| Payroll and Other Benefits                          | (80.5)         | (39.5)        | (43.5)        |
| Other General & Administrative Expenses             | (38.9)         | (18.0)        | (16.2)        |
| Rent  | (9.4)          | (4.7)         | (4.7)         |
| Depreciation  | (8.1)          | (3.4)         | (5.1)         |
| Amortization of Intangible Assets                   | (62.4)         | (31.2)        | (28.2)        |
| Interest Expense                                    | (1.1)          | (0.5)         | (0.6)         |
| <b>Total Expenses</b>                               | <b>(200.4)</b> | <b>(97.3)</b> | <b>(98.3)</b> |
| Provision for Impairment Against Investment Deposit | (226.0)        | (226.0)       | 0             |
| Change in Fair Value Gain on Gifted Land            | 231.3          | 231.3         | 0.0           |
| <b>Net Profit for the Year</b>                      | <b>253.8</b>   | <b>139.9</b>  | <b>145.9</b>  |
| Attributable to:                                    |                |               |               |
| Owners of the Company                               | 253.5          | 139.6         | 145.6         |
| Non-controlling Interest                            | 0.3            | 0.3           | 0.3           |
| <b>EPS (AED)</b>                                    | <b>0.032</b>   | <b>0.017</b>  | <b>0.018</b>  |

Note: Consolidated financial statements



## Relationship with Nasdaq Dubai & Regulatory Authority

Regulatory Authorities

SCA  
(UAE Regulations)

DFSA  
(International Regulations)

Stock Exchanges

ADX

ADX  
سوق أبوظبي للأوراق المالية  
ABU DHABI SECURITIES EXCHANGE

DFM

DFM  
سوق دبي المالي

Nasdaq Dubai

Nasdaq Dubai

Ownership Structure

حكومة أبوظبي  
THE GOVERNMENT OF ABU DHABI

100%

ADX  
سوق أبوظبي للأوراق المالية  
ABU DHABI SECURITIES EXCHANGE

Borse Dubai

79.62%

33.33%

20.38%

Public Stake

DFM  
سوق دبي المالي

66.67%

Nasdaq Dubai

## New Company Law Supporting IPO Market

| Requirements          | Old   | New   |
|-----------------------|---|---|
| Offer Size            | <ul style="list-style-type: none"> <li>Not be less than AED 10 million</li> </ul>   | <ul style="list-style-type: none"> <li>Not be less than AED 30 million</li> </ul>   |
| Founders              | <ul style="list-style-type: none"> <li>Minimum 10 founding shareholders</li> </ul>  | <ul style="list-style-type: none"> <li>Minimum 5 founding shareholders</li> </ul>   |
| Founders Hold         | <ul style="list-style-type: none"> <li>Founders hold not less than 20% and not more than 45% of the total authorized Share Capital</li> </ul> | <ul style="list-style-type: none"> <li>Founders hold not less than 30% and not more than 70% of the total authorized Share Capital</li> </ul> |
| Refund Days           | <ul style="list-style-type: none"> <li>Two weeks</li> </ul>   | <ul style="list-style-type: none"> <li>5 Days</li> </ul>  |
| Sell Down             | <ul style="list-style-type: none"> <li>Not allowed</li> </ul>   | <ul style="list-style-type: none"> <li>Max. 30% from the capital</li> </ul>   |
| Subscriptions Period  | <ul style="list-style-type: none"> <li>90 Days</li> </ul>   | <ul style="list-style-type: none"> <li>30 Days</li> </ul>   |
| Pricing               | <ul style="list-style-type: none"> <li>Fixed price only - Book building allowed by regulatory approval</li> </ul>                             | <ul style="list-style-type: none"> <li>Book Building is now available for the companies as an another option with fixed price</li> </ul>      |
| Underwriting          | <ul style="list-style-type: none"> <li>No underwriting or sponsor required</li> </ul>   | <ul style="list-style-type: none"> <li>Underwriting could be applied and will be regulated by a ministerial decree</li> </ul>                 |
| Employee Stock Option | <ul style="list-style-type: none"> <li>Not recognized</li> </ul>  | <ul style="list-style-type: none"> <li>Allowed</li> </ul>   |
| Foreign Ownership     | <ul style="list-style-type: none"> <li>49% maximum foreign ownership</li> </ul>   | <ul style="list-style-type: none"> <li>49% maximum foreign ownership but some exception can be granted upon ministerial decision</li> </ul>   |

- Only changes associated to IPO related matters are listed above
- The above excludes Government owned entities as they may have special exemptions
- The law is applicable on free zone (off shore) companies but only those that are allowed by regulations to operate onshore

## For Additional Investor Relations Information

### Investor Relations Website:

[www.dfm.ae/dfm-investor-relations](http://www.dfm.ae/dfm-investor-relations)

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