

FAQs

1. Why are you doing this deal?

This is a natural next step in ADFG and SHUAA's successful partnership, enabling ADFG and SHUAA to accelerate their growth ambitions by fully integrating the two businesses. It follows on from ADFG's initial investment in SHUAA in November 2016, which has seen SHUAA making continued progress towards long-term sustainable profitability.

There is a significant and exciting opportunity in bringing together the unique strengths that ADFG and SHUAA each offer to create the leading Asset Management and Investment Banking platform in the region.

ADFG brings a unique track record of innovative client solutions and expertise managing multiple asset classes, having established a strong and sustainable platform with over US\$11.5 billion assets under management since inception in 2011, excluding certain assets ringfenced within ADCM, ADFG's parent company. In addition, ADFG's focus on value creation has delivered superior returns for its clients, as demonstrated by its Goldilocks fund, the first constructive activist investor in the MENA region, with 210% total returns since inception, as well as delivering profits every year since inception for its own shareholders.

Meanwhile SHUAA is one of the leading brands in its markets across the GCC, with a long-standing presence in six countries, deep local and regional relationships and a broad product suite, along with market-leading regional expertise in investment banking and capital markets.

The combined entity is expected to benefit from significant potential for synergies and cross-selling opportunities across the unified platform. This represents a strategic consolidation which makes clear and compelling sense, with potential to create significant added-value and returns for shareholders.

2. What are the benefits of this deal to clients and investors?

Combining ADFG's unmatched expertise in pioneering investment services and innovative products with SHUAA's complementary capabilities, broad product suite and client base represents a compelling opportunity to create significant value for all stakeholders.

It would offer clients a unique full-service product proposition for the region - a 'one-stop financial services platform', with a track record of creating added-value for clients.

Investors will benefit from a combined entity with significant potential for revenue synergies, driven by cross-selling to a significantly enlarged customer base and geographical expansion, as well as additional cost synergies. All of this will help further improve the business performance, creating shareholder value through enhanced quality and visibility of earnings.

3. Is this a merger or is ADFG acquiring SHUAA?

This deal structure has been designed so as to maximise value for all shareholders, enabling the businesses to be combined and allowing the combined entity to benefit from the unique strengths which each business brings.

ADFG's parent company Abu Dhabi Capital Management (ADCM) is undertaking to transfer its entire shareholding in ADFG to SHUAA in return for 1,470,720,000 new shares in SHUAA. This implies the Strategic Investor will own 58%, with SHUAA's existing shareholders¹ owning 42%. As demonstration of the Strategic Investor's commitment to the Transaction, the new SHUAA shares will be subject to a 12-month lock-up from the date of admission. The agreed valuation represents a premium of over 60% to the share price as at 21 March 2019 (being the last trading day prior to the announcement of discussions in relation to a possible transaction) (the undisturbed share price).²

4. How would the financial profile of SHUAA be impacted by this combination?

The combined entity would benefit from a stronger financial profile, with diversified income streams and improved earnings and cash flow visibility, supporting ongoing investment and improving shareholder returns.

As a result, pro forma revenue for SHUAA would increase by 176% in FY18 and pro forma FY18 EBITDA margins would improve from 34% to 38%.

5. What will the name of the enlarged company be?

The parent company is expected to be renamed ADFG. That said, management is fully aware that SHUAA is a well-established and recognized brand. We will review our brand strategy in the course of the next months and will update the market on our new brand strategy once this process has been completed.

6. Will there be any changes to the management structure?

Both companies enjoy a deep pool of talent and the new management structure will bring all of these together to create a best in class management. The enlarged team would include: Jassim Alseddigi, CEO; Mustafa Kheriba, Deputy CEO and Head of Asset and Wealth Management; Bechara Raad, Chief Operating Officer; Joachim Mueller, Chief Financial Officer; Fawad Tariq-Khan, Head of Investment Banking; Bachir Nawar, Chief Legal Officer; Ajit Joshi, Head of Private Markets and Debt; and Natasha Hannoun, Head of Wealth Management.

7. Where will your headquarters be located?

We are working on an integration plan which involves reviewing the operational structure including headquarters, and decisions like this have yet to be finalized. That being said, ADFG and SHUAA are homegrown in Abu Dhabi and Dubai respectively, and both represent key markets for the combined entity.

¹ Existing shareholders includes Shine Investments in Commercial Projects, the vehicle which currently holds 48.4% of SHUAA

² SHUAA's agreed valuation is based on the issuance price of AED1.00 per share, and the undisturbed share price of AED0.622 per share calculated as of 21 March 2019

8. Are you confident SHUAA's shareholders will vote in favour of the deal?

SHUAA has put in place all measures to ensure a fair deal for all shareholders. It set up a working group of independent members of the Board of Director (the Independent Directors) to assess the deal and has also sought independent third-party advisors with regards the terms of the deal, with Deloitte and Linklaters conducting financial and legal due diligence on ADFG as well as UBS Investment Bank acting as the Financial Adviser to SHUAA.

Following this process, the Board of Directors is confident that the deal represents the best way for SHUAA to enhance its future prospects and create long-term sustainable growth and returns for all of its shareholders together with attractive terms for all shareholders. That is why the Independent Directors have now voted unanimously in favour of the deal.

9. As an investor, will I receive any money as part of the deal?

The deal has been structured in such a way as to maximise value for all shareholders. We are confident that this combination should prove to be attractive to all shareholders and hence why an all share deal has been considered for this transaction.

10. SHUAA recently returned to the dividend list after 10 years. What is the intention regarding dividends going forward?

We recognize the importance of dividends in terms of shareholder value creation. The combined entity would benefit from a stronger financial profile, with highly visible and diversified income streams, which should also help improve shareholder returns.

11. What could stop this deal from happening?

The deal requires a 75% majority of shareholders who are attending the General Meeting on July 11th to vote in favour in order to be approved. The transaction would only then be complete subject to any required regulatory approvals and other conditions to be satisfied.

Nevertheless, we are confident that there is a compelling strategic rationale to the deal which will prove attractive to shareholders. The teams have also been working closely with regulators in order to ensure all regulatory approvals and other conditions can be met.

12. ADFG already owns 48.36% of SHUAA, why does it want to increase that stake?

This deal is a natural strategic step by ADFG and SHUAA to create the leading Asset Management and Investment Banking platform in the region.

As a shareholder, ADFG has already proven its ability to turn around businesses, however in this case we're talking about a transformative deal where value is being unlocked by consolidating complementary businesses and optimizing business offerings.

13. What happens during the time between the announcement and closing the merger?

It is very much business as usual for both entities up until the deal is finalized and we remain committed to delivering the high standards of service our clients have come to expect from us.

14. When will we learn more details about the combined company?

We are working on a comprehensive integration plan as part of the deal workstreams. More details will be disclosed in due course as we move forward with the transaction and as the necessary approvals are obtained.

Client FAQs

1. How long should I expect for the transition to take?

Following the receipt of all necessary approvals from shareholders and regulators, the transaction is expected to complete in Q3 2019. For the time being, it is very much business as usual and there will be no immediate changes to the products and services offered by either SHUAA or ADFG.

We are working on an integration plan to be implemented following completion of the deal. This would include introducing the unique full-service product suite as well as consolidating common business functions over time.

2. As a client will I need to sign new investment agreements?

We intend to announce a more detailed roadmap following completion of the deal.

For the time being, it is very much business as usual: there will be no immediate changes to your dealings with us or the products and services offered by either SHUAA or ADFG.

3. Will any bank account details change with regards to making any payments?

Nothing changes until further notice. Clients can be assured that ADFG and SHUAA executives will communicate with each one of you ahead of time and keep you informed about any changes.

4. How will the deal affect the product lines and the services I am currently receiving?

There will be no immediate changes to the product lines and services up until the transaction is completed, following necessary approvals.

Subsequently, clients should benefit from the unique full-service platform that the combined entity represents, having access to a 'one-stop shop' across the financial services value chain.

5. I have investments with both firms. Is there anything I need to do?

At this stage there is nothing that needs to be done on your part. Both entities will continue to operate as they have been during this process and there will be no disruption to your investments and their management.

For further information: www.adfgshuaa.com