

AbdulAziz Al Balushi, Group CEO of Ominvest, has been named the 'CEO of the Year' at Oman Banking & Finance Awards 2019 co-located with New Age Banking Summit, held at Sheraton Oman Hotel on April 30. In an interview to OER, he talks about how long-term investment strategies helped the company weather challenging times

What does the OER's 'CEO of the Year' award mean to you?

It is a great honour for me to receive such a prestigious award. I would like to dedicate this award to our board for their great vision and strategic direction that has led Ominvest to becoming a premier investment company, to the management of Ominvest Group for their commitment and hard work through the years, and, to the esteemed regulators, for their continued guidance and support in our important transactions and activities. It is an award not just for me but for all our stakeholders. The award underpins the pursuit of excellence that we all continuously seek at Ominvest.

Please share your insights on Ominvest's investment philosophy and how it has been practiced over the last few years?

Our investment philosophy is to be a long-term value investor and not to engage in speculative trading in the stock markets. With a strategic perspective to buy and hold, we invest in high-quality businesses, run by smart management teams demonstrating highest professional integrity and alignment with the shareholders. Importantly, we adhere to strict valuation discipline while making our investments. Another major tenet of our investment philosophy is to be pro-active and hands-on at the boards of our subsidiaries and associate companies. Our approach is to effectively collaborate with other shareholders at the boards and add value to our portfolio companies by providing strategic guidance and support to the underlying management teams.

I am pleased to share with you a few examples of how we have been practicing our investment philosophy. During the last four years of weak market conditions, we have successfully accumulated a sizeable equity stake in Bank Muscat at attractive valuations. Starting it as a portfolio investment in late 2014, Bank Muscat has now become one of our key associates. And, we look forward to further strengthening our collaboration with Bank Muscat in various areas.

Similarly, after Ominvest's merger with ONIC Holding in 2015, National Life & General Insurance Company (NLGIC) became a part of Ominvest Group. In 2016, we more than doubled NLGIC's capital to enable it to grow in Oman and across the middle east. As a result of our capital injection and strategic oversight at the board level, NLGIC had a very successful IPO in 2018 and has more than tripled its net profits in the last four years. We remain committed to NLGIC and are supporting the company to realise its objectives of international growth and diversification.

Although Oman Arab Bank (OAB) has been our subsidiary for almost 35 years, we continue to work effectively with our partner, Arab Bank plc, to provide capital and strategic support to OAB. Consequently, in recent years, OAB has heavily invested in its human capital, upgraded its technology infrastructure, boosted its capital base and enhanced its core earnings. We believe that OAB is now well positioned to undertake strategic M&A transactions and embark on its next phase of growth.

Our investment philosophy also entails providing strategic transaction support to our portfolio companies to be able to enhance value. For instance, in 2018, we facilitated the merger between our associates in the leasing sector. National Finance Company merged with Oman ORIX Leasing Company, creating the largest and most efficient leasing company in Oman and with a potential to scale up its operations in the region. Similarly, we have been an effective partner with RSA Group regarding our investment in Al Ahlia Insurance Company. We played a key role in Al Ahlia's successful IPO in 2018, helped the

company enhance returns on its investment portfolio and enabled it to scale up its operations in Oman and become much more efficient and profitable.

**How has Ominvest's board shaped the company in the recent years?
What's been the board's role and its focus going forward?**

Ominvest's board comprises highly effective leaders from Oman's private and public sectors. Our board members bring diverse skill-set and broad perspectives across key disciplines. Their expertise encompasses financials services, industry, technology, services, planning, budgeting, and governance. Recently, the entire board attended a training programme at IMD, Switzerland. The programme titled 'high performance boards' was aimed at boosting effectiveness of board members as individuals and as a group.

Led by our chairman, the board has set a clear vision for the company and has provided strategic oversight in the areas of growth, diversification, corporate governance, social responsibility and delivering and sustaining superior performance. The board has been promoting the idea of having a larger purpose for the company than just the financial performance and thus having a bigger positive impact on the society. In this regard, the board wants Ominvest to be a catalyst for making Oman a highly competitive economy for the 21st century, creating employment opportunities by investing in key sectors, uplifting Oman's human capital and giving back to our country.

The board engages thoroughly and deeply on matters involving strategic transactions, major acquisitions, strategy formulation, business plan discussions, human capital decisions and overall future direction of the company.

Overall economic and business environment has been difficult in Oman and the GCC. How has Ominvest managed during such challenging times and particularly during 2018?

Over the last five years, the company has come a long way. Ominvest's net profit has more than doubled from RO14.5mn in fiscal year 2014 to RO30.5mn in 2018, and, its revenue mix has become much more diversified. For instance, banking sector investments accounted for 82 per cent of revenues in 2014. At the end of 2018, banking sector contribution stood at just 44 per cent due to higher contribution from other businesses, such as insurance and leasing. This is the result of the collective hard work of all the employees at Ominvest and the wise leadership of the board. In the following year in 2015, the big leap came through our landmark merger with ONIC Holding. The merger transformed Ominvest into a much bigger and a more diverse company. Subsequently, we took several initiatives to grow our portfolio organically by building large equity stakes in blue chip companies during the downturn and increasing allocation to our subsidiaries for growth opportunities in the Insurance, private equity and real estate sectors. Over the last five years, Ominvest has grown its profitability and added value for shareholders, amid low oil prices, a weak macro environment and tough business conditions.

For the year 2018, Ominvest reported a strong set of results. Total group revenues rose by 17 per cent to RO277.5mn and the net profit attributable to Ominvest's shareholders grew by 47 per cent to RO30.5mn from RO20.8mn in 2017. In view of the company's strong growth and robust profitability, we distributed a 25 per cent dividend (20 per cent cash and 5 per cent stock dividend) the highest cash per share distribution to shareholders since inception, adjusted for stock dividends. The strong overall performance in 2018 was attributable to the results of our major subsidiaries including Oman Arab Bank (OAB), National Life & General Insurance (NLGIC), Oman Real Estate Investment and Services (ORIS), Jabreen Capital and our key associates, including National Finance Company.

What were your key business and investment initiatives during the year 2018?

During 2018, our key initiatives included (i) completion of Ominvest Business Centre by our real estate subsidiary ORIS, (ii) increase in our equity stake in National Finance Company to 35 per cent to play a more active role on its board and provide strategic support, (iii) acquisition of additional stake of 6.5 per cent in Bank Muscat at an attractive valuation by Jabreen Capital and (iv) Jabreen Capital's growth of education platform through the acquisition of a 15 per cent stake in a K12 school in Dubai. During the year, Ominvest also successfully raised and secured total funding facilities of RO250mn at attractive terms from leading local and international banks and prominent Omani institutional investors. We used most of these funds to allocate capital to our key non-banking subsidiaries in growth sectors (insurance, private equity and real estate) with the highest ROI potential and to achieve our revenue diversification objectives. Buying high-quality businesses has been difficult due to a tough macro-economic environment and poor liquidity conditions in the market. However, the initiatives outlined above further strengthened Ominvest as a highly robust institutional investor, putting in place recurring income streams for 2019 and the years ahead.

How does Ominvest Group aim to contribute to the national agenda underpinning Oman Vision2040?

Ominvest is an active partner in government's journey to diversify the national economy through the distribution of investments and generation of employment across various economic sectors that contribute towards increasing national GDP and income. OMINVEST Group employs over 2,000 employees across its subsidiaries and associates in the banking, insurance and leasing sectors. Our subsidiaries and associates have appointed Omanis at senior leadership positions while giving young Omanis an opportunity to develop and nurture their skills. To contribute to the national agenda, we are working closely with the stakeholders of the Tanfeedh Programme and providing them with support. As Ominvest has risen to become one of the largest and highly successful investment firms in the region, we also have a strong commitment towards the development and growth of the Omani youth and society. Our Key partners in

CSR include Zubair Small Enterprises Centre (Zubair SEC) which supports Oman's SMEs, Injaz Oman which fosters young people's innovative and leadership abilities, and Environmental Society of Oman.