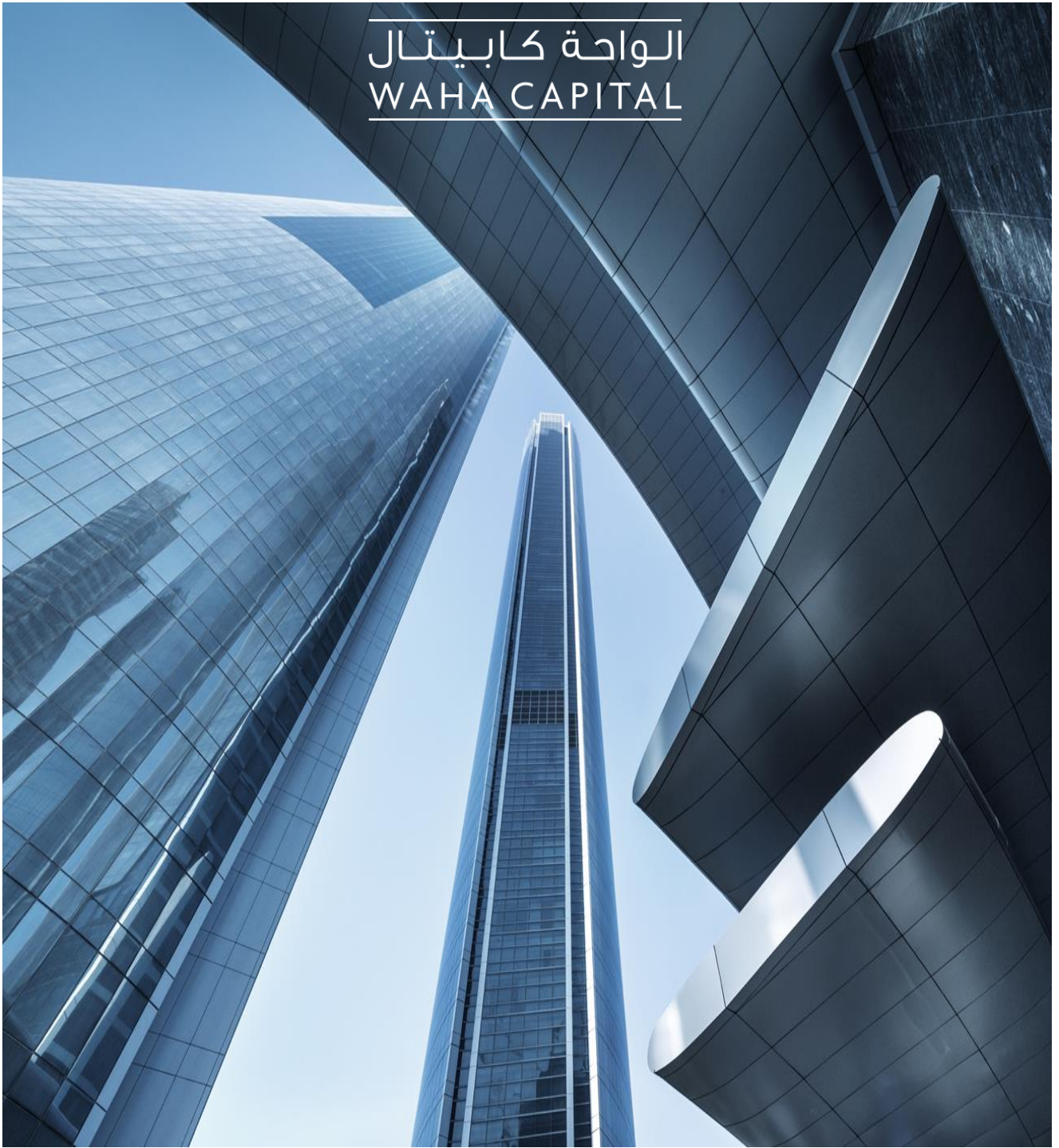


الواحة كابيتال  
WAHA CAPITAL



## Management discussion and analysis for the year ended 31 December 2020

Al Waha Capital PJSC ("the Company") and its subsidiaries (together referred to as "the Group") reported net profit attributable to Owners of the Company of AED 231.0 million for the year ended 31 December 2020 compared to net loss of AED (616.3) million for the corresponding year of 2019.

## KEY ACTIVITIES DURING THE YEAR

Total assets under management was AED 3.4 billion as at 31 December 2020 compared to AED 3.3 billion as at 31 December 2019, a increase of 4%. The assets under management attributable to Owners of the Company were AED 2.3 billion as at 31 December 2020 compared to AED 1.9 billion as at 31 December 2019. The funds' year to date returns were; Waha CEEMEA Credit Fund SP of 14.9%, Waha MENA Equity Fund SP of 14.3%, Waha MENA Value Fund SP of -7.1% and Waha Islamic Income Fund SP of 4.3%.

The Group launched new income-focused Islamic fund, adding to its three existing funds within its asset management business. The new fund with seed capital of AED 92 million to be called "Waha Islamic Income Fund SP", will invest in Sharia compliant assets across the Sukuk and equity markets, and will have a global outreach for investments.

On 20 August 2020, the Group, entered into a subscription agreement with Despegar.com, NYSE-listed online travel company in Latin America to acquire 50,000 Series B Preferred Shares, without par value for an aggregate purchase price of \$50 million. The terms of the transaction include option to convert each Series B Preferred Shares into 108.1081 common shares of Despegar. Series B Preferred Shares carries dividend of 4% payable quarterly. The Group paid net cash consideration of AED 180 million for the transaction and was closed on 21<sup>st</sup> September 2020.

As part of portfolio diversification, the Company invested AED 103.8 million in US Securites during the year and will continue to focus on new oppurtunities for investment in the US market.

## KEY FINANCIAL HIGHLIGHTS

### Summary income statement for the year ended 31 December AED '000

	2020	2019
Revenue from sale of goods and services	301,589	297,692
Share of (loss) / profit from equity-accounted associates and joint ventures, net	(24,356)	234,066
Gain on disposal of equity-accounted associates and joint ventures	-	46,478
Impairment of equity-accounted associates and joint ventures, net	(9,915)	(516,803)
Income from financial investments	605,024	202,746
Gain on settlement of loan investments	11,244	-
Income / (loss) from investment property, net	39,578	(24,415)
Other (expense) / income, net	(28,401)	3,457
<b>Total income</b>	<b>894,763</b>	<b>243,221</b>
Cost of sale of goods and services	(232,514)	(238,372)
General and administrative expenses - company	(118,905)	(111,590)
General and administrative expenses - subsidiaries	(97,773)	(145,888)
Finance cost, net	(105,674)	(195,272)
<b>Total expenses</b>	<b>(554,866)</b>	<b>(691,122)</b>
<b>Profit / (loss) for the year</b>	<b>339,897</b>	<b>(447,901)</b>
Non-controlling interests	(108,928)	(168,385)
<b>Profit / (loss) attributable to owners of the Company</b>	<b>230,969</b>	<b>(616,286)</b>
<b>Basic and diluted earnings / (loss) per share (AED)</b>	<b>0.126</b>	<b>(0.335)</b>

### Total income

#### Year ended 31 December 2020

Total income of AED 894.8 million for the year ended 31 December 2020, compared to AED 243.2 million in 2019, was driven by the following:

- Asset Management – Capital Markets income of AED 516.6 million compared to AED 660.5 million in 2019 mainly driven by global economic condition due to pandemic COVID-19
- Private Investments income of AED 378.1 million compared to loss of AED (417.4) million in 2019 mainly reflecting
  - Revenue from sale of good and services from Health care subsidiaries of AED 301.6m (2019: income of AED 297.7 million)
  - Loss from equity accounted investment of AED 24.4 million (2019: income of AED 234.1 million) lower mainly due to exit from AerCap in 2019
  - Lower impairment of AED 9.9 million (2019: AED 516.8 million) following a reassessment of specific equity accounted investments recoverable amounts;
  - Income from financial investments of AED 88.8 million compared to loss of AED 456.6 million in FY 2019;
  - Gain on disposal of AED nil (2019: AED 46.5 million) on account of sale of AerCap shares in 2019;
  - Impairment of investment property of AED nil (2019: AED 49.9 million)
  - Gain on settlement of loan investment of AED 11.2 million (2019: AED nil).

### Total expenses

#### Year ended 31 December 2020

Total expenses for the year ended 31 December 2020 was AED 554.9 million, compared to AED 691.1 million in 2019, mainly comprised of:

- General and administrative expenses - company, amounting to AED 118.9 million compared to AED 111.6 million in 2019, a increase of AED 7.3 million, mainly due to prior year reversal of staff related costs in FY 2019.
- General and administrative expenses – subsidiaries, amounting to AED 97.8 million compared to AED 145.9 million in 2019, a decrease of AED 48.1 million, mainly due to cost optimisation and lower provision for expected credit losses.
- Finance costs, net - company, amounting to AED 40.7 million, compared to AED 87.1 million in 2019, a decrease of AED 46.4 million, mainly due to lower interest rates.
- Finance costs, net - subsidiaries, amounting to AED 65.0 million, compared to AED 108.2 million in 2019, a decrease of AED 43.2 million, mainly due to no interest expense on AerCap borrowing and lower utilisation of repurchase liabilities for public market funds.

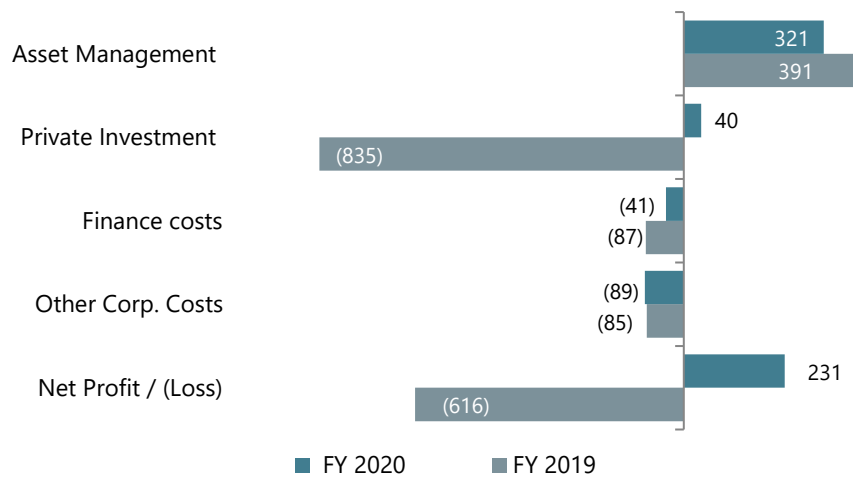
### Net profit / (loss) attributable to owners of the Company

#### Year ended 31 December 2020

**Net profit / (loss) attributable to owners of the Company:** Net Profit of AED 231.0 million for the year ended 31 December 2020, compared to a net loss of AED (616.3) million in 2019, was mainly driven by the following:

- Asset Management – Capital Markets profit of AED 321.4 million compared to AED 391.2 million in 2019;
- Private Investments profit of AED 40.2 million compared to loss of AED (835.4) million in 2019.

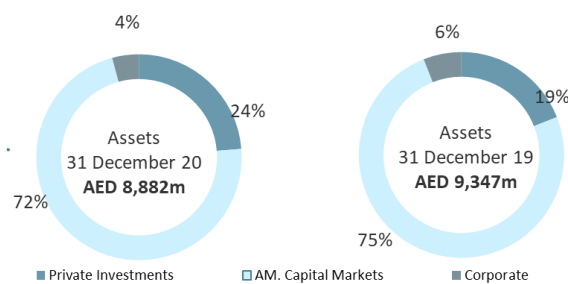
### Net profit / (loss) by segment (AED million)



### Balance sheet highlights

AED `000	As at 31-Dec-20	As at 31-Dec-19
Investments in equity accounted associates and joint ventures	472,076	524,552
Right-of-use assets	113,550	129,140
Investment property	715,989	717,140
Financial investments	6,163,043	6,085,448
Loan investments	45,003	232,963
Other assets	667,468	857,659
Cash and bank balances	704,684	800,344
<b>Total assets</b>	<b>8,881,813</b>	<b>9,347,246</b>
Borrowings	4,211,842	4,443,657
End of service benefit provision	26,058	29,900
Derivative liabilities	29,907	38,949
Lease liabilities	126,383	136,510
Trade and other liabilities	338,028	539,486
<b>Total liabilities</b>	<b>4,732,218</b>	<b>5,188,502</b>
<b>Total equity</b>	<b>4,149,595</b>	<b>4,158,744</b>
<b>Total liabilities and equity</b>	<b>8,881,813</b>	<b>9,347,246</b>

### Total assets composition (AED million)



The Group's total assets of AED 8,881.8 million as at 31 December 2020, compared to AED 9,347.2 million as at 31 December 2019, an decrease of 5% and mainly comprised of:

- a) **Investments in equity accounted associates and joint ventures** of AED 472.1 million compared to AED 524.6 million in 2019, a decrease of AED 52.5 million mainly due to share of loss of AED 24.4 million, impairment of AED 9.9 million and dividends received of AED 13.9 million.
- b) **Financial investments** of AED 6,163.0 million compared to AED 6,085.5 million in 2019, an increase of AED 77.5 million, mainly due to an increase of AED 379.0 million in fixed income securities, AED 220.7 million in Despegar and net investment of AED 103.8 million in equity securities, offset by decrease of AED 161.4 million of shorted reverse repurchase contracts and lower fair value of equity securities of AED 491.0 million.
- c) **Loan investments** of AED 45.0 million compared to AED 233.0 million in 2019, a decrease of AED 188.0 million, mainly due to termination and settlement of loan of AED 220.7 million and providing new loan of AED 45.9 million to an investee company.
- d) **Cash and bank balances** of AED 704.7 million compared to AED 800.3 million in 2019, a decrease of AED 95.6 million; mainly includes the following cash flows:
  - Corporate: net drawdown of revolving corporate facility of AED 323.7 million;
  - Capital Markets: net disposal of AED 176.1 million offset by net redemptions from non-controlling interest holders of AED 334.0 million;
  - Private Investments: Investment in Despegar AED 180.2 and equity securities AED 103.8 million offset by proceeds from settlement of Loan investment of AED 23.5 million.

The Group's total liabilities of AED 4,732.2 million as at 31 December 2020 compared to AED 5,188.5 million as at 31 December 2019, an decrease of AED 456.3 million, comprised of:

- a) **Borrowings** of AED 4,211.8 million compared to AED 4,443.7 million in 31 December 2019, a decrease of AED 231.9 million mainly represents net drawdown of revolving corporate facility of AED 323.7 million offset by repayment of repurchase liabilities AED 302.7 million and loan settlement of AED 220.7 million.
- b) **Trade and other liabilities** of AED 338.0 million compared to AED 539.5 million in 31 December 2019, a decrease of AED 201.5 million; mainly represents decrease in payables of public market funds due to brokers on settlement of trades, the recycling of unearned income in derivatives related to equity accounted investee and decrease in interest payable due to the settlement of a loan.

## BUSINESS AND PORTFOLIO COMPANIES ANALYSIS

The Group's business comprises two primary divisions: Asset Management and Private Investments.

The Private Investments division comprises the Group's investments. The Asset Management division comprises the Group's Capital Markets business.

### Asset Management – Capital Markets

The Capital Markets division have focused on applying rigorous analysis to niche markets in order to deliver quality returns over the market cycle on behalf of the Group and external investors. The current global economic condition due to pandemic COVID-19 did severely impacted the performance in Q1 2020 however funds' recovered significantly from Q2 2020 onwards.

Over the last 9 years, two flagship funds have been developed: the Waha CEEMEA Credit Fund and the Waha MENA Equity Fund. Time and capital AED 368m (US\$100m) seed in each, has been invested to build the team, infrastructure and track record (5 years+) before looking to raise third party capital. New fund "Waha Islamic Income Fund SP" with seed capital of AED 92 million was launched in Q3 2020 to invest in Sharia compliant assets across the Sukuk and equity markets

The funds' year to date returns were:

- Waha CEEMEA Credit Fund SP of 14.9% on a fund size of AED 1.69bn (US\$ 460.2 million);
- Waha MENA Equity Fund SP of 14.3% on a fund size of AED 1.59bn (US\$ 433.2 million); and
- Waha Islamic Income Fund SP of 4.3% on a fund size of AED 92.0 (US\$ 25.0 million)

<http://www.wahacapital.ae/our-businesses/asset-management>

### Private Investments

Waha Capital's Private Investments business includes direct equity investments in public and private companies. The Private Investments portfolio holds nine core investments: (a) Waha Land, (b) National Energy Services Reunited Corp, (c) MENA Infrastructure Fund, (d) Channel VAS, (e) Petronash, (f) SDX Energy, (g) Anglo Arabian Healthcare (h) Despegar and (i) Equity securities portfolio.

#### Waha Land

Waha Land, a wholly owned subsidiary of Waha Capital, is currently engaged in developing ALMARKAZ, an integrated mixed-use industrial development with Grade "A" industrial/logistics facilities and first class infrastructure.

During the year ended 31 December 2020, Waha Land reported Rental revenue and other income of AED 39.9 million (FY 2019: AED 28.8 million).

The carrying value of investment property was AED 716.0 million as at 31 December 2020.

<http://www.wahacapital.ae/our-businesses/principal-investments/industrial-real-estate>

#### National Energy Services Reunited

During June 2018, the Group acquired a 5.8% stake in a NASDAQ-listed entity, National Energy Services Reunited Corp. ("NESR Corp") as part of exit consideration of NPS Holdings Limited. Consequent to issuance of earn-out shares, the Group's ownership increased to 6.3% at reporting date.

During the nine-month period ended 30 September 2020, NESR Corp reported revenue of US\$ 621.0 million, comprised of US\$ 420.5 million from Production Services, US\$ 200.5 million from Drilling & Evaluation Services.

The carrying value of NESR Corp was AED 187.2 million as at 31 December 2020.

<https://www.nesr.com>

#### Petronash

During October 2018, the Group along with co-investors, entered acquired a 35% stake in Petronash, a leading provider of modular wellsite packages, chemical injection systems and wellhead control systems to the oil and gas industry. The transaction includes options, pursuant to which the Group can increase its ownership up to 50% in Petronash.

During the year ended 31 December 2020, the Petronash Group Limited reported revenue of US\$ 174.9 million compared to US\$ 78.5 million for the corresponding year of 2019.

The carrying value of Petronash was AED 108.3 million as at 31 December 2020.

<http://petronash.com>

### Channel VAS

The Group along with co-investors, owns a 20.0% stake in Dubai-based Channel VAS, premium provider of fintech solutions for mobile network operators and financial institutions.

During the year ended 31 December 2020, Channel VAS reported revenue of AED 281.4 million, compared to AED 242.7 million for the corresponding year in 2019.

The carrying value of Channel VAS was AED 163.8 million as at 31 December 2020.

<https://www.channelvas.com>

### SDX Energy

The Group owns 19.5% stake in SDX Energy, a company engaged in the exploration and production of oil and gas, predominantly in the North Africa region.

During the six-month period ended 30 June 2020, SDX Energy reported net revenue of US\$ 22.0 million, compared to US\$ 15.5 million in 2019.

The carrying value of SDX Energy was AED 36.1 million as at 31 December 2020.

<https://www.sdxenergy.com>

### Anglo Arabian Healthcare

The Group owns 97% stake in a UAE healthcare provider, Anglo Arabian Healthcare (AAH), that focuses on owning and operating hospitals, clinics and pharmacies.

During the year ended 31 December 2020, AAH reported consolidated revenue of AED 301.6 million, compared to AED 297.7 million for the corresponding year of 2019.

The Group's carrying value of AAH's net assets was AED 142.9 million as at 31 December 2020.

<http://www.wahacapital.ae/our-businesses/principal-investments/anglo-arabian-healthcare>

## OUTLOOK

Global economy on recovery mode with stimulus packages moving through global markets leading to market recovery post historical lows. COVID-19 mutation still remains a challenge and concern leading to restrictions on travels and economic activities that have an impact on the economy in general including Waha Capital's performance.

Our continuing focus will be to

- invest in our asset management business to broaden the product range, expand client reach, grow asset under management and continuing the existing strong track record performance achieve maximum value from all our private investment assets and invest in businesses with proven track record of strong cash generation capabilities through different economic cycles

Waha Capital is well positioned to build on its strong track record and financial strength in delivering attractive returns moving forward.



**Ahmed Khalifa Al Mehairi**

Chief Executive Officer, Al Waha Capital PJSC

11 February 2021