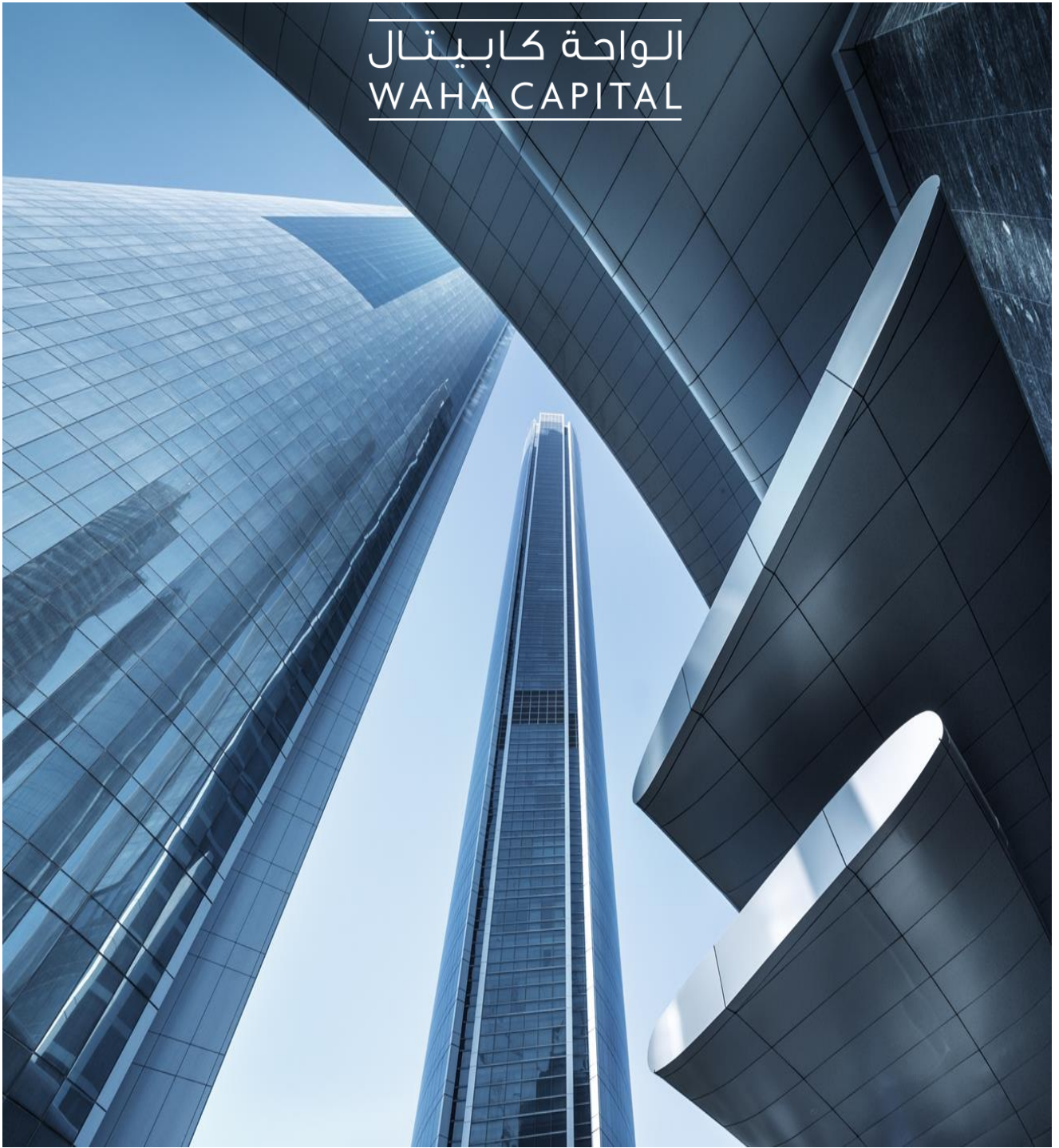


الواحة كابيتال  
WAHA CAPITAL



## Management discussion and analysis for the period ended 30 September 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 58.5 million for the nine-month period ended 30 September 2020 compared to net loss of AED (387.3) million for the corresponding period of 2019.

## KEY ACTIVITIES DURING THE PERIOD

Total assets under management was AED 3.2 billion as at 30 September 2020 compared to AED 3.3 billion as at 31 December 2019, a decrease of 3%. The assets under management attributable to Owners of the Company were AED 2.1 billion as at 30 September 2020 compared to AED 1.9 billion as at 31 December 2019. The funds' period to date returns on invested capital at the beginning of the period, attributable to Owners of the Company were; Waha CEEMEA Credit Fund SP of 13.46%, Waha MENA Equity Fund SP of 6.02% and Waha MENA Value Fund SP of -9.62%.

The Company 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 180,222 thousand for the transaction and was closed on 21st September 2020."

## KEY FINANCIAL HIGHLIGHTS

### Summary income statement for the period ended 30 September AED '000

	YTD 2020	YTD 2019	Q3 2020	Q3 2019
Revenue from sale of goods and services	226,278	221,618	79,817	68,002
Share of (loss) / profit from equity-accounted associates and joint ventures, net	(13,145)	257,350	(2,992)	78,462
(Loss) / gain on disposal of equity-accounted associates and joint ventures	-	(142,967)	-	10,638
Impairment of equity-accounted associates and joint ventures	(26,966)	(326,762)	(16,966)	(117,397)
Income / (loss) from financial investments	270,972	257,148	211,593	(10,088)
Gain on settlement of loan investments	11,244	-	-	-
Income / (loss) from investment property, net	28,104	(14,226)	8,582	(25,932)
Other income, net	6,356	1,743	1,432	1,060
<b>Total income</b>	<b>502,843</b>	<b>253,904</b>	<b>281,466</b>	<b>4,745</b>
Cost of sale of goods and services	(173,997)	(176,393)	(60,059)	(56,249)
General and administrative expenses - company	(83,592)	(62,945)	(26,460)	(20,455)
General and administrative expenses - subsidiaries	(68,955)	(113,126)	(27,771)	(48,439)
Finance cost, net	(82,835)	(144,237)	(23,944)	(44,829)
<b>Total expenses</b>	<b>(409,379)</b>	<b>(496,701)</b>	<b>(138,234)</b>	<b>(169,972)</b>
<b>Profit / (loss) for the period</b>	<b>93,464</b>	<b>(242,797)</b>	<b>143,232</b>	<b>(165,227)</b>
Non-controlling interests	(34,957)	(144,456)	(57,517)	(39,795)
<b>Profit / (loss) attributable to owners of the Company</b>	<b>58,507</b>	<b>(387,253)</b>	<b>85,715</b>	<b>(205,022)</b>
<b>Basic and diluted earnings / (loss) per share (AED)</b>	<b>0.03</b>	<b>(0.21)</b>	<b>0.04</b>	<b>(0.11)</b>

## Total income

### Nine month period ended 30 September 2020

Total income of AED 502.8 million for the nine-month period ended 30 September 2020, compared to AED 253.9 million for the corresponding period of 2019, was driven by the following:

- Asset Management – Capital Markets income of AED 236.7 million compared to AED 551.0 million in 2019 mainly driven by global economic condition due to pandemic COVID-19;
- Private Investments income of AED 266.1 million compared to loss of AED 297.1 million in 2019 mainly reflecting
  - Loss from equity accounted investment by AED 13.1 million (YTD Sep 2019: income of AED 257.4 million) mainly due to exit from AerCap;
  - Loss of disposal of AED nil (YTD Sep 2019: AED 143.0 million) on sale of AerCap shares;
  - Lower impairment of AED 27.0 million (YTD Sep 2019: AED 326.8 million) following a reassessment of specific equity accounted investments recoverable amounts;
  - Impairment of investment property of AED nil (YTD Sep 2019: AED 33.0 million)
  - Gain on settlement of loan investment of AED 11.2 million (YTD Sep 2019: AED nil).

### Three month period ended 30 September 2020

Total income of AED 281.5 million for the three-month period ended 30 September 2020, compared to AED 4.7 million for the corresponding period of 2019, was driven by the following:

- Asset Management – Capital Markets income of AED 209.7 million compared to AED 156.0 million in 2019 reflecting strong market recovery post severe impact in Q1 2020 due to COVID-19
- Private Investments income of AED 71.8 million compared to loss of AED 151.3 million in 2019 mainly reflecting
  - Loss from equity accounted investment by AED 3.0 million (Q3 2019: income of AED 78.5 million) mainly due to exit from AerCap;
  - Gain on disposal of AED nil (Q3 2019: AED 10.6 million) on sale of AerCap shares; and
  - Impairment of AED 17.0 (Q3 2019: AED 117.4 million) following a reassessment of AerCap's recoverable amounts
  - Impairment of investment property of AED nil (Q3 2019: AED 33.0 million)

## TOTAL EXPENSE ANALYSIS

### Nine-month period ended 30 September 2020

**Total expenses** for the nine-month period ended 30 September 2020 was AED 409.4 million, compared to AED 496.7 million in 2019, mainly comprised of:

- General and administrative expenses - company, amounting to AED 83.6 million compared to AED 62.9 million for the corresponding period of 2019, a increase of AED 20.7 million, mainly due to prior year reversal of staff related costs and increase in legal and other professional expenses.
- General and administrative expenses – subsidiaries, amounting to AED 69.0 million compared to AED 113.1 million for the corresponding period of 2019, a decrease of AED 44.1 million, mainly due to cost optimisation and lower provision for expected credit losses.
- Finance costs, net - company, amounting to AED 31.0 million, compared to AED 60.8 million in the corresponding period of 2019, a decrease of AED 29.8 million, mainly due to lower interest rates.
- Finance costs, net - subsidiaries, amounting to AED 51.8 million, compared to AED 83.4 million in the corresponding period of 2019, a decrease of AED 31.6 million, mainly due to no interest expense on AerCap and lower utilisation of repurchase liabilities for public market funds.

### Three-month period ended 30 September 2020

**Total expenses** for the three-month period ended 30 September 2020 was AED 138.2 million, compared to AED 170.0 million in 2019, mainly comprised of:

- General and administrative expenses - company, amounting to AED 26.5 million compared to AED 20.4 million for the corresponding period of 2019, a increase of AED 6.1 million, mainly due to prior year reversal of staff related costs.
- General and administrative expenses – subsidiaries, amounting to AED 27.8 million compared to AED 48.4 million for the corresponding period of 2019, a decrease of AED 20.6 million, mainly due to cost optimisation and lower provision for expected credit losses.
- Finance costs, net - company, amounting to AED 9.7 million, compared to AED 20.3 million in the corresponding period of 2019, a decrease of AED 10.6 million, mainly due to lower interest rates.
- Finance costs, net - subsidiaries, amounting to AED 14.2 million, compared to AED 24.5 million in the corresponding period of 2019, a decrease of AED 10.3 million, mainly due to no interest expense on AerCap and lower utilisation of repurchase liabilities for public market funds.

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

### Nine month period ended 30 September 2020

**Net profit / (loss) attributable to owners of the Company:** Net Profit of AED 58.5 million for the nine-month period ended 30 September 2020, compared to a net loss of AED 387.3 million for the corresponding period of 2019, was mainly driven by the following:

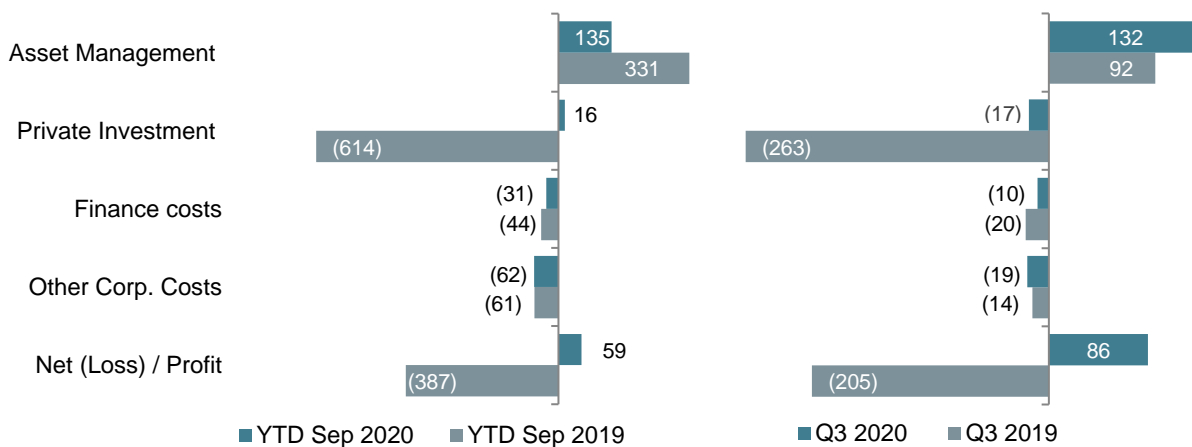
- Asset Management – Capital Markets profit of AED 134.9 million compared to AED 331.4 million in 2019;
- Private Investments profit of AED 16.4 million compared to loss of AED 614.3 million in 2019.

### Three month period ended 30 September 2020

**Net profit / (loss) attributable to owners of the Company:** Net profit of AED 85.7 million for the three-month period ended 30 September 2020, compared to a net loss of AED 205.0 million for the corresponding period of 2019, was mainly driven by the following

- Asset Management – Capital Markets profit of AED 132.0 million compared to AED 92.2 million in 2019;
- Private Investments loss of AED 17.2 million compared to AED 262.5 million in 2019.

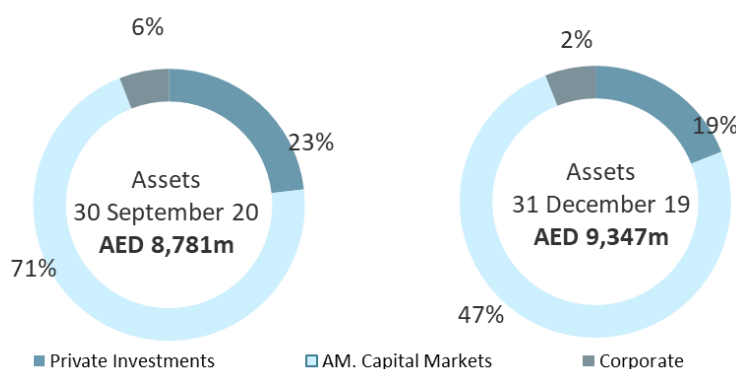
## Net profit / (loss) by segment (AED million)



## Balance sheet highlights

AED `000	As at 30-Sep-20	As at 31-Dec-19
Investments in equity accounted associates and joint ventures	474,667	524,552
Right-of-use assets	115,715	129,140
Investment property	711,834	717,140
Financial investments	5,776,362	6,085,448
Loan investments	45,975	232,963
Other assets	660,489	857,659
Cash and bank balances	995,931	800,344
<b>Total assets</b>	<b>8,780,973</b>	<b>9,347,246</b>
Borrowings	4,229,173	4,443,657
End of service benefit provision	26,372	29,900
Derivative liabilities	50,910	38,949
Lease liabilities	127,636	136,510
Trade and other liabilities	371,370	539,486
<b>Total liabilities</b>	<b>4,805,461</b>	<b>5,188,502</b>
<b>Total equity</b>	<b>3,975,512</b>	<b>4,158,744</b>
<b>Total liabilities and equity</b>	<b>8,780,973</b>	<b>9,347,246</b>

## Total assets composition (AED million)



The Group's total assets of AED 8,781.0 million as at 30 September 2020, compared to AED 9,347.2 million as at 31 December 2019, an decrease of 6% and mainly comprised of:

- Investments in equity accounted associates and joint ventures** of AED 474.7 million compared to AED 524.6 million in 2019, a decrease of AED 49.9 million mainly due to share of loss of AED 13.1 million, impairment of AED 27million and dividends received of AED 9.6 million.
- Financial investments** of AED 5,776.4 million compared to AED 6,085.5 million for the corresponding period of 2019, a decrease of AED 309.1 million, mainly due to decrease of AED 102.4 million of shorted reverse repurchase contracts and by lower fair value of equity securities of AED 503.5 million, offset by an increase of AED 81.8 million in fixed income securities and AED 180.2 million in Despegar.
- Loan investments** of AED 45.9 million compared to AED 232.9 million for the corresponding period of 2019, a decrease of AED 187.0 million, mainly due to termination and settlement of loan of AED 220.6 million and providing new loan of AED 45.9 million to an investee company.
- Cash and bank balances** of AED 995.9 million compared to AED 800.3 million in 2019, an increase of AED 195.6 million; mainly includes the following cash flows:
  - Corporate: net drawdown of revolving corporate facility of AED 397.2 million;
  - Capital Markets: net disposal of AED 602.3 million offset by redemptions from non-controlling interest holders of AED 276.5 million;
  - Private Investments: Investment in Despegar AED 180.2 and equity securities AED 53.7 million offset by proceeds from settlement of Loan investment of AED 23.5 million.

The Group's total liabilities of AED 4,805.5 million as at 30 September 2020 compared to AED 5,188.5 million as at 31 December 2019, an decrease of AED 383.0 million, comprised of:

- a) **Borrowings** of AED 4,229.2 million compared to AED 4,443.7 million in 31 December 2019, an decrease of AED 214.5 million mainly represents net drawdown of revolving corporate facility of AED 397.2 million and loan settlement of AED 372.5 million.
- b) **Trade and other liabilities** of AED 371.4 million compared to AED 539.5 million in 2019, a decrease of AED 168.1 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 during Q2 and Q3 2020.

Over the last 8 years, two flagship funds have been developed: the Waha CEEMEA Credit Fund and the Waha MENA Equity Fund. Time and capital (\$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' period to date returns on invested capital at the beginning of the period were:

- Waha CEEMEA Credit Fund SP of 13.46% on a fund size of US\$ 411.1 million;
- Waha MENA Equity Fund SP of 6.02% on a fund size of US\$ 377.4 million; and
- Waha MENA Value Fund SP of -9.62% on a fund size of US\$ 53.8 million.

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

### Private Investments

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

#### 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 nine-month period ended 30 September 2020, Waha Land reported Rental revenue and other income of AED 28.8 million (YTD Sep 2019: AED 22.9 million).

The carrying value of investment property was AED 711.8 million as at 30 September 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 six-month period ended 30 June 2020, NESR Corp reported revenue of US\$ 402.5 million, comprised of US\$ 272.2 million from Production Services, US\$ 130.3 million from Drilling & Evaluation Services.

The carrying value of NESR Corp was AED 184.9 million as at 30 September 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 nine-month period ended 30 September 2020, the Petronash Group Limited reported revenue of US\$ 130.3 million compared to US\$ 83.3 million for the corresponding period of 2019.

The carrying value of Petronash was AED 110.4 million as at 30 September 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 nine month period ended 30 September 2020, Channel VAS reported revenue of AED 204.8 million, compared to AED 174.3 million for the corresponding period of 2019.

The carrying value of Channel VAS was AED 168.0 million as at 30 September 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 for the corresponding period of 2019.

The carrying value of SDX Energy was AED 27.3 million as at 30 September 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 nine-month period ended 30 September 2020, AAH reported consolidated revenue of AED 226.3 million, compared to AED 221.6 million for the corresponding period of 2019.

The Group's carrying value of AAH's net assets was AED 154.7 million as at 30 September 2020.

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

## OUTLOOK

Global economy remains uncertain, but on recovery mode with stimulus packages moving through global markets leading to market recovery post historical lows. COVID-19 resurgence still remains a challenge and concern leading to market volatility and global asset prices that will inevitably have an impact on Waha Capital's performance.

Our continuing focus will be to

- invest in our asset management business to broaden the product range, grow asset under management and continuing the existing strong track record performance
- achieve maximum value from all our assets, and continue capitalising on new opportunities to enhance returns.

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 November 2020