

# Q1 2017: Earnings call

May 2017



Principal Investments

Asset Management

## Q1 2017 Highlights

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- **Recalibration of performance** in Q1 2017 with net profit of AED 88 million compared to AED 176 million in Q1 2016
- 3 month **Return on Average Equity** of 2.4% compared to Q1 2016 RoAE 4.5%
- Strong **Balance sheet of AED 10.5 billion** in total assets, an increase of 5% over total assets of AED 10.0 billion as at Dec 31, 2016
- **Cash dividend** of 20% amounting to AED 368 million, approved at the Annual General meeting on March 22, 2017



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الواعة كابيتال  
WAHA CAPITAL

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**Q1 2017**

**Financial Highlights**

# Q1 2017 Financial Highlights

- Net profit of AED 87.6 million, compared to AED 175.8 million in Q1 2016
- EPS of AED 0.05 compared to AED 0.10 in Q1 2016
- Assets of AED 10.5 billion as at 31 March 2017 vs. AED 10.0 billion as at 31 December 2016, an increase of 5%
- YTD RoAE stood at 2.4% vs 4.5% in Q1 2016
- Investment activity in Q1 2017 include:
  - AAH: net investment of AED 34.1 million
  - Waha Land: AED 43.4 million
- Capital Markets:
  - Third party funds raised AED 93.2 million;
  - Assets under management as at 31 March 2017 AED 1.6 billion, compared to AED 1.5 billion as at 31 December 2016
- 20% cash dividend of AED 368 million

## Q1 2017 TOTAL INCOME

▼ **19.3%**  
vs. Q1 2016

## TOTAL AUMS

**AED 1.6bn**  
Up 11% from Dec 2016

## TOTAL ASSETS

**AED 10.5bn**  
▲ 5% from Dec 2016

## DIVIDEND

**AED 368mn**  
20% cash dividend

# Q1 2017 Financial Highlights

## TOTAL INCOME

▼ **19%**

vs. Q1 2016

## NET PROFIT

▼ **50%**

vs. Q1 2016

## EQUITY

▼ **17%**

vs. Q1 2016

AED MILLIONS	Q1 2017	Q1 2016
Total Income	269	333
Expenses - Parent	(72)	(64)
Expenses - Subsidiaries	(99)	(93)
Non Controlling interest	(10)	-
<b>Net Profit attributable to shareholders</b>	<b>88</b>	<b>176</b>
<b>Equity attributable to shareholders</b>	<b>3,312</b>	<b>3,992</b>

KEY PERFORMANCE INDICATOR		
Earnings per Share (in AED)	0.05	0.10
RoAE	2.4%	4.5%

# Q1 2017 Financial Highlights

## TOTAL ASSETS

AED **10.5**bn

## MARKET CAP<sup>(1)</sup>

AED **3.5**bn

## DEBT

AED **6.2**bn

## CASH

AED **415**mn

AED MILLIONS	31 MARCH 2017	31 DEC 2016
Cash	415	572
Investment in equity-accounted investees	5,101	5,034
Investment Property	737	681
Other Investments <sup>(2)</sup>	3,370	3,065
Other Assets	878	662
<b>Total Assets</b>	<b>10,501</b>	<b>10,014</b>
<b>Borrowings</b>	<b>6,208</b>	<b>5,465</b>
<b>Other Liabilities and Non Controlling interests</b>	<b>981</b>	<b>678</b>
<b>Equity attributable to shareholders</b>	<b>3,312</b>	<b>3,871</b>
<i>RoAA (Annualised)</i>	<i>3.4%</i>	<i>4.2%</i>

1. Based on share price as at 25 April 2017

2. Include Equity Price Collar, Financial investments, Loan investments and Finance leases

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**Q1 2017**

**Business Highlights**

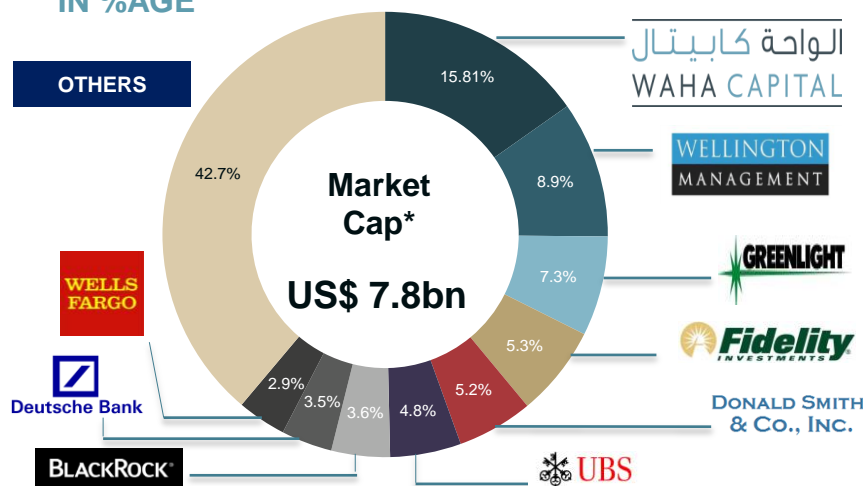


# Q1 2017 Business Highlights

## Principal Investments - AerCap

- During Q1 2017, AerCap carried out a share buyback program, which the Group did not participate in. Consequently, the Group's beneficial ownership increased from 15.23% to 15.81%.
- Waha Capital is currently the largest beneficial shareholder in AerCap, retaining 2 board seats and representation on various Board Committees
- During Q1 2017, the Group recorded an impairment of AED 58.8 million against the share of income from its investment in AerCap of AED 138.3 million, following a reassessment of the investment's recoverable amount due to evidence of a prolonged period of its share price trading at reducing multiple over its book value, among other relevant factors.
- AerCap contributed 30% of the Group's total income and represented 45% of the Group's assets with a carrying value of AED 4,628.7 million

### IN %AGE



## Q1 2017 KEY HIGHLIGHTS

- Reported net profit of US\$ 261.2 million, compared to US\$ 223.1 million in 2016; and EPS of US\$ 1.54 compared to US\$ 1.14 in 2016
- US\$ 9.5 billion of available liquidity
- Adjusted debt/equity ratio of 2.7 to 1
- Repurchased 6.6 million shares for \$293 million
- Proceeds from the sale or disposal of assets amounted to US\$ 400.6 million, compared to US \$ 341.9 million in 2016
- Gain on disposal of US\$ 47.3 million, compared to US\$ 19.0 million in 2016
- 105 aircraft transactions executed, as follows:
  - ✓ Signed lease agreements for 69 aircraft.
  - ✓ Purchased 11 aircraft.
  - ✓ Executed sale transactions for 25 aircraft
- Signed financing transactions for \$7.2 billion
- 99.7% fleet utilization rate, with 7.3 years average age of owned fleet and 6.5 years average remaining lease term.
- AerCap's portfolio consisted of approximately 1,541 aircraft that were either owned, managed, or under contract to purchase

US\$ mn	Q1 2017	Q1 2016	Variance
Total Revenue	1,237	1,318	-6%
Total Expenses	(940)	(1,063)	-12%
Net Profit	261	223	17%
Assets	41,443	43,718	-5%
Debt	27,521	29,813	-8%
Equity	8,520	8,459	1%
RoAE	12%	10%	
RoAA	3%	2%	



# Q1 2017 Business Highlights

## Principal Investments - Dunia

### NET INTEREST INCOME

▼ **10%**

vs. Q1 2016

### DEPOSITS

▲ **4%**

vs. Q1 2016

### NET LOAN BOOK

▼ **8%**

vs. Q1 2016

### OVERVIEW

- Abu Dhabi-based consumer finance company established in 2008 with initial paid up capital of AED 585 million
- Operates 19 branches, has more than 2,000 employees and serves c. 265,000 customers
- Loan book grew at a 33.3% CAGR over the 2009–2017
- Customer deposits grew to AED 1.3 billion as at 31 March 2017, an increase of 4.2% compared to 31 March 2016
- Non-performing loan cover of 1.0x and impairment reserve of 3.7% of total loans and advances
- Cost to income ratio is 23.3% in Q1 2017
- Provisioning taken on the loan book reflecting the current economic downturn.
- Carrying value of AED 174.7 million as at Q1 2017

### Q1 2017 KEY HIGHLIGHTS <sup>(1)</sup>

AED mn	Q1 2017	Q1 2016	Variance
Net Interest Income	128	143	-10%
Expenses (net of fees & com.)	(172)	(88)	95%
Net Profit/loss	(44)	55	-180%
Net Loan Book	1,898	2,062	-8%
Total Assets	2,252	2,323	-3%
Deposits	1,282	1,230	4%
Debt	168	110	53%
Equity	673	839	-20%

1. Figures represent the combined results of Dunia Finance LLC and Dunia Services FZ LLC; both have a common ownership structure

# Q1 2017 Business Highlights

## Principal Investments – NPS Holdings Limited

### TOTAL REVENUE

▲ **7%**

vs. Q1 2016

### CONTRACTS IN PROGRESS

**AED 2.3bn**

As at 31 Mar 2017

### TOTAL ASSETS

▼ **5%**

vs. Q1 2016

### OVERVIEW

- Regional leading provider of oilfield services
- In 2014, Waha Capital acquired a 20.15% stake as part of a consortium of regional co-investors which together acquired a majority stake in the company
- In Q1 2016, Waha Capital acquired an additional stake of 0.57% which resulted in effective ownership of 20.72%
- Operations include well services (such as cementing, coiled tubing, stimulation and other), drilling and workover, well testing and wireline services
- Employs around 1,500 people and operates in 13 countries
- Carrying value AED 282.1 million as of 31 March 2017

### Q1 2017 KEY HIGHLIGHTS

- Secured and extended contracts worth of AED 105.9 million, taking the remaining value of contracts in progress to AED 2,281 million.
- Total revenue of AED 201 million (Q1 2016: AED 188 million)
- Invested AED 15 million in capital expenditure
- Gross book value of property, plant and equipment as at 31 March 2017 of AED 1,607 million (31 December 2016: AED 1,575.6 million)

AED mn	Q1 2017	Q1 2016	Variance
Revenue	201	188	7%
Total Assets	2,108	2,208	-5%

# Q1 2017 Business Highlights

## Principal Investments – Waha Land

### NET REVENUE

▼ **5%**

vs. Q1 2016

### NET OPERATING PROFIT

▼ **13%**

vs. Q1 2016

### FUNDING SECURED

**AED 426mn**

for stage 2

### OVERVIEW

- Waha Capital received 6 km<sup>2</sup> of land grant from the Government of Abu Dhabi in 2007 for a mixed use industrial development
- The project was divided into four equal phases (1.5 km<sup>2</sup> each) to allow for flexibility in terms of scale and funding
- Construction of Phase I infrastructure and 90,000 m<sup>2</sup> of leasable industrial space was completed in Dec 2012
- Leasing activity commenced in Q1 2013; achieved full occupancy by the end of Q1 2015 for Small Industrial Units (SIUs)
- Commenced the development of additional SIUs (Stage 2); target delivery of 92,500 m<sup>2</sup> of new SIUs by YE 2017.
- Carrying value of AED 727.3 million as of 31 March 2017

### Q1 2017 KEY HIGHLIGHTS

- Development of Stage 2(a) is underway (92,500 m<sup>2</sup> of SIUs);; construction contracts worth AED 159 million awarded
- Secured AED 426 million of funding for Stage 2 with a local bank
- Rental revenue and other income of AED9.0 million (Q1 2016: AED 9.5million)
- Net operating profit of AED 5.6 million (Q1 2016: AED 6.4 million)

AED mn	Q1 2017	Q1 2016	Variance
Net Revenue	9.0	9.5	-5%
Net operating profit	5.6	6.4	-12.5%
Investment Properties	739	696	
Carrying value	727	728	

# Q1 2017 Business Highlights

## Asset Management – Funds

### CEEMEA FIXED INCOME RETURN

▲ **6%**

Q1 2017

### CEEMEA FIXED INCOME RETURN

▲ **105%**

Since inception

### MENA EQUITY RETURN

▲ **5%**

Q1 2017

### MENA EQUITY RETURN

▲ **84%**

Since inception

### CEEMEA FIXED INCOME FUND (JUNE 2015\*)

- The fund focuses on investing in:
  - Capital market securities (bonds, sukuk and convertibles)
  - US Dollar denominated sovereign and corporate bonds
- Initial seed capital of AED 368 million (\$100m)
- Offered to third-party institutional, family office and high-net-worth investors
- The CEEMEA Fixed Income Fund won the “Best Fixed Income Fund Manager UAE 2016” from the Global Banking & Finance review and was ranked #1 fund in the Emerging Markets Eastern Europe by Barclay-Hedge
- Returns reflect identification of thematic trades as well as individual mispriced securities and successful risk management
- Focus on relative value of securities resulting in low volatility of returns

### MENA EQUITY FUND (JULY 2015\*)

- The fund focuses on investing in equity securities in the large MENA region
- Initial seed capital of AED 368 million (\$100m)
- Offered to third-party institutional, family office and high-net-worth investors
- The MENA Equity Fund won the “Best GCC Equity Fund” at the Banker Middle East Awards and was awarded the “Best MENA Equity Fund > \$50m” at the recent MENA Fund Performance Awards.
- YTD returns reflect careful stock selection and avoidance of market sell offs
- Focus on bottom up stock selection and maintenance of healthy cash balance in case of an adverse tail risk event

\* offered to third parties

# Q1 2017 Business Highlights

## Asset Management – Funds

### MENA VALUE FUND\*

- Initial seed capital of AED 184 million (\$50 million) deployed
- Focuses on long-term capital appreciation by investing in equities and other securities in MENA.
- Investment criteria considers business quality and sustainability, effective capital allocation, balance sheet strength, management quality and valuation upside/limited downside risk of the underlying stock
- Returned 17.8% since inception and 1.2% in Q1 2017

### CREDIT OPPORTUNITIES FUND

- Establishing Credit Opportunities Fund by committing AED 184 million (\$50 million) seed capital.
- Focuses on income-generating private debt instruments such as senior debt, subordinated paper including loans, mezzanine facilities, notes, bonds and convertibles in the MENA region.

### PRIVATE EQUITY FUND

- Establishing Private Equity Fund including transfer of existing portfolio investment, Anglo Arabian Healthcare
- Mandate to deploy capital into high return investment opportunities across the Middle East and North Africa.
- PE platform target IRR's, value creation, capital appreciation and cash-on-cash returns
- Provides investors access to attractive growth opportunities in the MENA region

# Q1 2017 Business Highlights

## Asset Management – Private Equity – Anglo Arabian Healthcare

### TOTAL REVENUE

▼ **3%**

vs. Q1 2016

### TOTAL ASSETS

▲ **11%**

vs. Q1 2016

### EQUITY

▲ **18%**

Q1 2016

### OVERVIEW

- UAE healthcare company, with an initial focus on hospitals, clinics, diagnostics, laboratories and pharmacies
- 30 healthcare assets in the Northern Emirates, Abu Dhabi and Dubai
  - Network of 1 day-hospital, 15 clinics, 5 pharmacies, 7 diagnostics centers, and 1 continuing medical education provider.
  - 1 multi-specialty hospital opened in 2015 in Ajman, with an inpatient capacity of 23,400 per annum
- AAH employs more than 1000 people and serves over 540,000 registered outpatients.
- Carrying value of AED 205.1 as of 31 March 2017

### Q1 2017 KEY HIGHLIGHTS

- Revenue of AED 76.2 million is comprised of AED 31.3m (Q1 2016: AED 44.5m) from laboratory services, AED 35.8m (Q1 2016: AED 28.0m) from patient fees and AED 9.1m (Q1 2016: AED 6.0m) from sale of pharmaceuticals

AED mn	Q1 2017	Q1 2016	Variance
Revenue	76	78	-3%
Expenses & NCI	(90)	(85)	6%
Net loss attributable to owners	(14)	(7)	100%
Total Assets	389	352	11%
Total Liabilities	118	92	28%
Total Equity	271	230	18%

# Summary & Outlook

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- **Recalibration of performance across all segments** in Q1 2017, in line with the revenue diversification strategy.
- **Core Principal Investments** portfolio complemented by the **Asset Management Business** to accelerate revenue diversification
- **Investment strategy remains highly focused on pursuing quality investment opportunities** which meet both rigorous and stringent due diligence requirements in line with our priority to protect and generate optimal shareholder value
- **Current market conditions generating attractive valuations for potential investments**
- **Well positioned for steady and long term growth**



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