

WAHA CAPITAL

Management discussion and analysis for the
period ended 30 June 2023

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 168.9 million for the six-month period ended 30 June 2023 compared to AED 87.3 million for the corresponding period of 2022.

KEY ACTIVITIES DURING THE PERIOD

The following key activities occurred during the period:

- Public Markets total assets under management reached AED 7.3 billion (USD 2.0 billion) as of 30 June 2023 compared to AED 4.8 billion (USD 1.3 billion) as of 31 December 2022, an increase of 51%. Within this figure, assets under management attributable to Owners of the Company were AED 3.1 billion as of 30 June 2023 compared to AED 3.0 billion as at 31 December 2022.
- The period to date returns from funds managed by the Group were: Waha Emerging Markets Credit Fund SP (previously referred to as the Waha CEEMEA Credit Fund SP) of 3.8% (net), Waha MENA Equity Fund SP of 10.5% (net) and Waha Islamic Income Fund SP of 3.78% (gross).
- Private Investment assets under management (including Waha Land) stood at AED 1.6 billion as of 30 June 2023 compared to AED 1.7 billion as at 31 December 2022.

Summary income statement for the period ended 30 June (AED ‘000)

	H1 2023	H1 2022	Q2 2023	Q2 2022
Revenue from sale of goods and services	71,916	55,375	35,880	28,695
Cost of sale of goods and services	(53,505)	(44,367)	(26,875)	(22,931)
Share of profit from equity-accounted associates and joint ventures, net	1,598	4,986	1,170	2,303
Gain on disposal of equity-accounted associates and joint ventures	5,021	31,263	5,021	31,263
Income / (loss) from financial investments, net	445,794	149,853	226,254	(107,815)
Income from investment property, net	23,468	24,572	11,782	12,430
Other income, net	6,048	2,318	5,353	1,827
Net operating income / (loss)	500,340	224,000	258,585	(54,228)
General and administrative expenses – company	(93,373)	(39,181)	(44,790)	(4,358)
General and administrative expenses – subsidiaries	(27,324)	(25,412)	(13,758)	(13,255)
Finance cost, net	(61,497)	(54,284)	(29,578)	(28,547)
Total expenses	(182,194)	(118,877)	(88,126)	(46,160)
Profit / (loss) for the period from continued operations	318,146	105,123	170,459	(100,388)
Discontinued operations				
Loss from discontinued operations	-	(6,430)	-	(1,008)
Loss for the period from discontinued operations	-	(6,430)	-	(1,008)
Profit / (loss) for the period	318,146	98,693	170,459	(101,396)
Non-controlling interests	(149,290)	(11,411)	(76,558)	42,054
Profit / (loss) attributable to owners of the Company	168,856	87,282	93,901	(59,342)
Basic and diluted earnings per share (AED)	0.090	0.046	0.050	(0.032)
Basic and diluted earnings / (loss) per share from continuing operations attributable to the Owners of the Company (AED)	0.090	0.043	0.050	(0.032)

NET OPERATING INCOME

Six-month period ended 30 June 2023

Net operating income of AED 500.3 million for the six-month period ended 30 June 2023, compared to AED 224.0 million for the corresponding period of 2022, was driven by the following:

- Public Markets income of AED 481.1 million compared to AED 151.5 million in 2022 showing strong performance driven by fee income and increase in assets under management.
- Private Investments loss of AED 4.4 million compared to income of AED 47.1 million in H1 2022 mainly due
 - Gross Profit from healthcare business of AED 18.4 million (H1 2022: AED 11.0 million)
 - Gain on disposal of AED 5.0 million (H1 2022: AED 31.3 million) offset by
 - Loss from financial investments of AED 29.7 million (H1 2022: AED 1.6 million)
- Waha Land income of AED 23.6 million compared to AED 25.4 million in H1 2022

Three-month period ended 30 June 2023

Net operating income of AED 258.6 million for the three-month period ended 30 June 2023, compared to a loss of AED 54.2 million for the corresponding period of 2022, was driven by the following:

- Public Markets gain of AED 242.7 million compared to loss of AED 72.2 million in Q2 2022
- Private Investments profit of AED 4.1 million compared to loss of AED 5.2 million in Q2 2022 mainly due to:
 - Loss from financial investments of AED 11.4 million (Q2 2022: AED 1.6 million) offset by
 - Gain on disposal of AED 5.0 million (Q2 2022: AED 31.3 million)
- Waha Land income of AED 11.8 million compared to AED 12.8 million in Q2 2022

TOTAL EXPENSE ANALYSIS

Six-month period ended 30 June 2023

Total expenses for the six-month period ended 30 June 2023 was AED 182.2 million compared to AED 118.9 million in 2022, mainly comprised of:

- General and administrative expenses - company, amounting to AED 93.4 million compared to AED 39.2 million for the corresponding period of 2022, an increase of AED 54.2 million mainly due to a prior year reversal of AED 23.7 million in 2022 and higher performance-based incentive compensation accrued in 2023
- General and administrative expenses – subsidiaries, amounting to AED 27.3 million compared with AED 25.4 million for the corresponding period of 2022
- Finance costs, net - company, amounting to AED 56.6 million, compared to AED 32.9 million in the corresponding period of 2022, an increase of AED 23.7 million, mainly due to increase in interest rates
- Finance costs, net - subsidiaries, amounting to AED 4.9 million, compared to AED 21.4 million in the corresponding period of 2022, a decrease of AED 16.5 million, mainly due to higher interest income generated in the public markets business.

Three-month period ended 30 June 2023

Total expenses for the three-month period ended 30 June 2023 was AED 88.1 million, compared to AED 46.2 million in 2022, mainly comprised of:

- General and administrative expenses - company, amounting to AED 44.8 million compared to AED 4.4 million for the corresponding period of 2022, an increase of AED 40.4 million, mainly due to a prior year reversal of AED 10.4 million in 2022 and higher performance-based incentive compensation accrued in 2023
- General and administrative expenses – subsidiaries, amounting to AED 13.7 million compared to AED 13.3 million for the corresponding period of 2022
- Finance costs, net - company, amounting to AED 29.1 million, compared to AED 17.8 million in the corresponding period of 2022, an increase of AED 11.3 million, mainly due to higher interest rates
- Finance costs, net - subsidiaries, amounting to AED 0.5 million, compared to AED 10.7 million in the corresponding period of 2022, a decrease of AED 10.2 million, mainly due to higher interest income generated in the public markets business.

NET PROFIT / (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

Six month period ended 30 June 2023

Net profit attributable to owners of the Company of AED 168.9 million for the six-month period ended 30 June 2023, compared to a net profit of AED 87.3 million for the corresponding period of 2022, was mainly driven by the following:

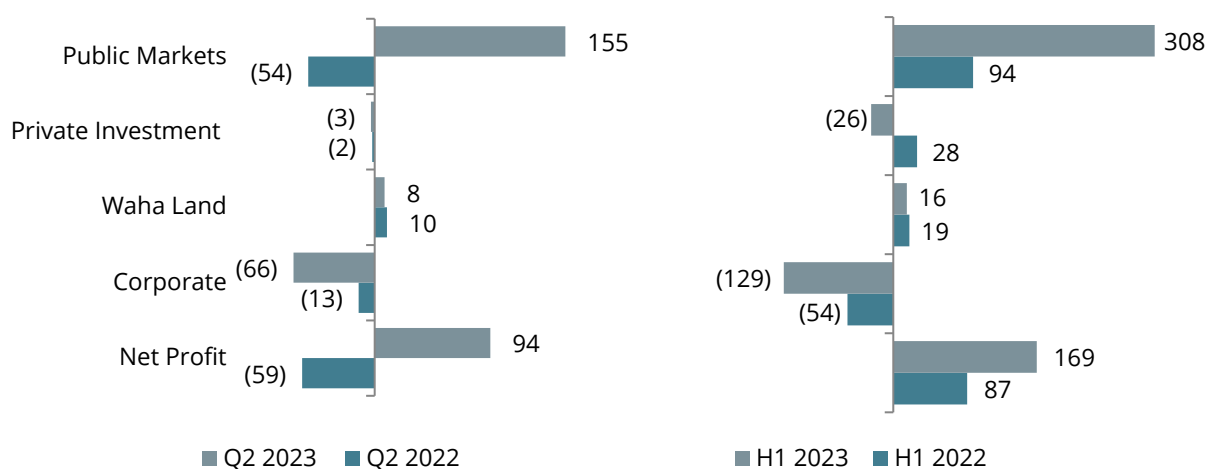
- Public Markets profit of AED 308.1 million compared to AED 93.8 million in 2022;
- Private Investments loss of AED 26.2 million compared to profit of AED 27.6 million in 2022;
- Waha Land profit of AED 16.0 million compared to AED 19.5 million in 2022; and
- Finance and other corporate costs of AED 129.0 million compared to AED 53.6 million in 2022.

Three month period ended 30 June 2023

Net profit attributable to owners of the Company of AED 93.9 million for the three-month period ended 30 June 2023, compared to a loss of AED 59.3 million for the corresponding period of 2022, was mainly driven by the following

- Public markets profit of AED 155.0 million compared to a loss of AED 53.7 million in 2022;
- Private Investments loss of AED 3.3 million compared to AED 2.2 million in 2022;
- Waha Land Profit of AED 8.3 million compared to AED 9.4 million in 2022; and
- Finance and other corporate costs of AED 66.1 million compared to AED 12.8 million in 2022.

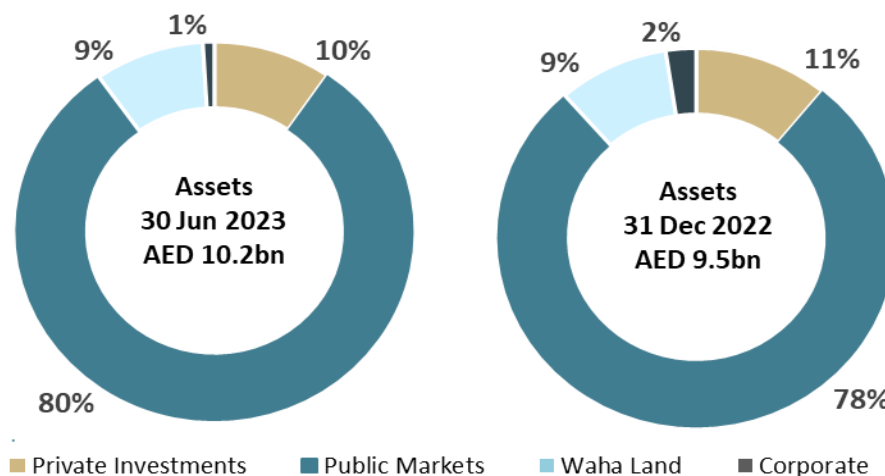
Net profit / (loss) by segment attributable to owners of the Company (AED million)



Summary Balance Sheet (AED '000)

	As at 30-Jun-23	As at 31-Dec-22
Investments in equity accounted associates and joint ventures	92,257	95,505
Right-of-use assets	29,350	35,245
Investment property	351,841	282,232
Financial investments	7,668,093	6,873,932
Loan investments	43,459	40,749
Other assets	1,008,353	905,489
Cash and bank balances	552,276	797,349
Assets Held For Sale	466,940	466,940
Total assets	10,212,569	9,497,441
Borrowings	3,971,481	3,585,715
Derivative liabilities	97,218	72,644
Lease liabilities	29,377	34,368
Trade and other liabilities	359,793	475,768
Total liabilities	4,457,869	4,168,495
Total equity	3,515,585	3,501,123
Total liabilities and equity	10,212,569	9,497,441

Total assets composition (AED million)



The Group's total assets of AED 10,212.6 million as at 30 June 2023, compared to AED 9,497.4 million as at 31 December 2022, an increase of 7.5% and mainly comprised of:

- a) **Financial investments** of AED 7,668.1 million compared to AED 6,873.9 million in 2022, an increase of AED 794.2 million, mainly due to net increase of AED 840.1 million in public market funds offset by net decrease of AED 45.9 million from private investments.
- b) **Cash and bank balances** of AED 552.3 million compared to AED 797.3 million in 2022, a decrease of AED 245.0 million mainly due to:
 - Dividends paid of AED 150.7 million, payments for development of properties of AED 69.6 million, decrease in working capital of public market funds AED 183.1 million and settlement of unclaimed dividends prior to 2015 in line with regulatory directives of AED 22.0 million; offset by
 - Contributions from non-controlling interest holders of AED 263.6 million from new investments in Public Market funds
- c) **Other assets** of AED 1,008.4 million as at 30 June 2023 compared to AED 905.5 million as at 31 December 2022, an increase of AED 102.9 million mainly due to increase in receivables of public market funds due from brokers on settlement of trades offset by settlement of unclaimed dividends prior to 2015 in line with regulatory directives of AED 22.0 million.

The Group's total liabilities of AED 4,457.9 million as at 30 June 2023 compared to AED 4,168.5 million as at 31 December 2022, an increase of AED 289.4 million, comprised of:

- a) **Borrowings** of AED 3,971.5 million compared to AED 3,585.7 million as at 31 December 2022, an increase of AED 385.8 million:
 - Corporate: RCF outstanding stood at AED 1,294.6 million as of 30 June 2023 compared to AED 1,291.3 million as at 31 December 2022
 - Subsidiaries: Outstanding borrowings of AED 2,676.9 million as of 30 June 2023 compared to AED 2,294.4 million mainly represents increase in repurchase liabilities related to public market funds of AED 331.1 million.
- b) **Trade and other liabilities** of AED 359.8 million compared to AED 475.8 million as at 31 December 2022, a decrease of AED 116.0 million; mainly represents decrease in payables of public market funds due to brokers on settlement of trades, employee related payments and settlement of unclaimed dividends prior to 2015 in line with regulatory directives.

BUSINESS AND PORTFOLIO COMPANIES ANALYSIS

The Group's business comprises three primary divisions: Public Markets, Private Investments and Waha Land.

Public Markets

The Public Markets business (operated by Waha Investments PrJSC, a wholly owned subsidiary) focuses on applying rigorous analysis to emerging markets to deliver solid returns over a market cycle on behalf of the Group and external investors. All the funds under Waha Investment's management continue to perform well, despite the challenging macro-economic conditions impacting markets around the world.

Since inception of Waha Investment's business in 2012, two flagship funds were established: the Waha Emerging Markets Credit Fund SP (previously referred to as the Waha CEEMEA Credit Fund SP) and the Waha MENA Equity Fund. Time, and initial seed capital of AED 368m (US\$100m) in each, has been invested to build the team, infrastructure, and track record before looking to raise third party capital.

The Waha Islamic Income Fund SP with seed capital of AED 92 million (US\$ 25 million) was launched in Q3 2020 to invest in Sharia compliant assets across the Sukuk and equity markets.

During H1 2023, Waha Investment was mandated to manage an AED 1.8 billion (US\$ 500 million) fund for an institutional client, bringing total AUM to AED 7.3 billion (US\$ 2.0 billion).

The key strategic focus of Waha Investment is to continue to actively manage client assets, while generating market leading performance and attracting third party institutional and high net worth investors.

Waha Investment's managed funds' period to date returns on invested capital were:

- Waha Emerging Markets Credit Fund SP (previously referred to as the Waha CEEMEA Credit Fund SP) of 3.8% (net) on a fund size of AED 2.18 billion (US\$ 593.6 million)
- Waha MENA Equity Fund SP of 10.5% (net) on a fund size of AED 3.02 billion (US\$ 821.5 million)
- Waha Islamic Income Fund SP of 3.78% (gross) on a fund size of AED 0.17 billion (US\$ 46.3 million)

Private Investments

The Private Investments business commenced a multi-asset investment strategy in the last quarter of 2021. This included the launch of two new investment portfolios – Global Opportunities and Core.

The Global Opportunities portfolio has a broad and flexible investment mandate enabling Waha Capital to invest across geographies, industries, capital structures and asset classes, in an opportunistic manner. This diversified portfolio, which was launched in November 2021, targets investments in the alternatives space with high risk-adjusted returns. The net carrying value of the Global opportunities portfolio as of 30 June 2023 was AED 511 million.

The Core portfolio seeks to take controlling or significant minority stakes in businesses in the MENA region with established track records, strong management teams and robust governance frameworks. Such companies would typically demonstrate stable capital growth prospects, whilst providing recurrent and reliable cash yields. The net carrying value of the Core portfolio as of 30 June 2023 was AED 58 million.

The Legacy portfolio consists of the Company's existing mature investments with the goal of assessing potential monetisation options. In 2022, the business commenced the implementation of the multi-year strategy to maximize shareholder value across this portfolio. During H1 2023, the legacy portfolio has incurred mark to market losses of AED 16m. The net carrying value of the legacy portfolio as of 30 June 2023 was AED 329 million.

Waha Land

Waha Land, a wholly owned subsidiary of Waha Capital, is developing “ALMARKAZ”, an integrated industrial development with Grade “A” industrial/logistics facilities and first-class infrastructure. The development is in Al Dhafra, approximately 15 minutes from Mussafah, Abu Dhabi, and is well located to access the multi-modal industrial and logistics infrastructure (land, sea, air, and rail) of the UAE. The development is on a 6 km² land, granted by the Government of Abu Dhabi.

The development is envisioned to be completed in four phases with multiple stages in each phase. Phase 1, which comprises of 25% of the total land area (1.5 km²), will be completed in three Stages. In Stage 1 and Stage 2A, circa 180,000 m² of multi-use industrial/logistics units were completed along with the associated infrastructure like roads, utilities, and telecom. The existing units are fully leased out, home to more than 85 tenants, both local and international entities, from diverse industry segments such as Oil & Gas, Manufacturing, Defence, Logistics, IT, Contracting and F&B.

An expansion, “Stage 2B”, is currently under construction, which will add circa 75,000 m² of premium industrial/logistics facilities, with an expected close by Q3 2023. This expansion is in line with the Waha Land’s underlying ethos to execute a consistent, disciplined investment approach with emphasis on institutional quality assets flexible to suit a variety of uses and support a diverse range of tenants from different industry segments. Waha Land’s growth strategy is focused on continuing to grow the leasable portfolio, developing new products and services for the UAE’s Industrial/Logistics market, in line with dynamically evolving regional and global market dynamics.

During the period ended 30 June 2023, Waha Land reported total income of AED 23.6 million (2022: AED 25.4 million).

The carrying value of investment property was AED 818.8 million as at 30 June 2023, including AED 466.8 million classified as held for sale.

OUTLOOK

Waha Capital remains committed to delivering strong and sustained returns for its shareholders and investors, as demonstrated by another profitable quarter. Despite the increased economic and market uncertainty globally, the Company has shown resilience and reported positive returns to-date thanks to its prudent approach. The Public Markets business has continued to deliver robust results since inception, with the flagship funds continuing to outperform their benchmark indices in 2023. The growth strategy for the Private Investments business has begun to yield results, with investments made and growth achieved in the Global Opportunities and Core Portfolio, and the opportunistic monetization of mature assets under the Legacy Portfolio.

Despite an anticipated uncertain macroeconomic environment ahead, driven by the combination of slow growth, high inflation, and geopolitical risks, Waha Capital remains cautiously optimistic about the future. Active management of the funds, growing the investor base, and preserving and scaling third party capital remain a priority for the Public Markets business for 2023. Assessing and investing in a diverse pipeline of investments for the Global Opportunities and Core Portfolio and evaluating opportunities for value crystallization of mature assets will remain priorities for the Private Investments business. Waha Land will also maintain and continue executing its long-term strategy to develop, lease and monetize land and built assets at ALMARKAZ. Underpinning this outlook is the Company’s continued focus on maintaining strong corporate governance, protecting both shareholder and client assets, growing the asset base and achieving economies of scale across our balance sheet.



Mohamed Al Nowais

Managing Director, Al Waha Capital PJSC
28 July 2023