

WAHA CAPITAL

Management discussion and analysis for the
period ended 30 September 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 222.5 million for the nine-month period ended 30 September 2023 compared to AED 187.0 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 8.1 billion (USD 2.2 billion) as of 30 September 2023 compared to AED 4.8 billion (USD 1.3 billion) as of 31 December 2022, an increase of 67%. Within this figure, assets under management attributable to Owners of the Company were AED 3.2 billion as of 30 September 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 4.3% (net), Waha MENA Equity Fund SP of 13.5% (net) and Waha Islamic Income Fund SP of 3.93% (gross).
- Private Investment assets under management (including Waha Land) stood at AED 1.7 billion as of 30 September 2023 in line with 31 December 2022.

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

	YTD 2023	YTD 2022	Q3 2023	Q3 2022
Revenue from sale of goods and services	101,592	79,847	29,676	24,472
Cost of sale of goods and services	(79,100)	(65,412)	(25,595)	(21,045)
Share of profit from equity-accounted associates and joint ventures, net	3,639	7,106	2,041	2,120
Gain on disposal of equity-accounted associates and joint ventures	5,021	31,263	-	-
Income from financial investments, net	601,002	339,708	155,208	189,855
Income from investment property, net	32,218	36,549	8,750	11,977
Other income, net	15,079	11,487	9,031	9,169
Net operating income	679,451	440,548	179,111	216,548
General and administrative expenses – company	(136,454)	(81,866)	(43,081)	(42,685)
General and administrative expenses – subsidiaries	(42,499)	(40,553)	(15,175)	(15,141)
Finance cost, net	(93,280)	(82,221)	(31,783)	(27,937)
Total expenses	(272,233)	(204,640)	(90,039)	(85,763)
Profit for the period from continued operations	407,218	235,908	89,072	130,785
Discontinued operations				
Loss from discontinued operations	-	(9,887)	-	(3,457)
Gain on disposal of subsidiary	-	32,653	-	32,653
Loss for the period from discontinued operations	-	22,766	-	29,196
Profit for the period	407,218	258,674	89,072	159,981
Non-controlling interests	(184,732)	(71,708)	(35,442)	(60,297)
Profit attributable to owners of the Company	222,486	186,966	53,630	99,684
Basic and diluted earnings per share (AED)	0.118	0.100	0.028	0.053
Basic and diluted earnings per share from continuing operations attributable to the Owners of the Company (AED)	0.118	0.084	0.028	0.037

NET OPERATING INCOME

Nine-month period ended 30 September 2023

Net operating income of AED 679.5 million for the nine-month period ended 30 September 2023, compared to AED 440.5 million for the corresponding period of 2022, was driven by the following:

- Public Markets income of AED 619.1 million compared to AED 359.7 million in 2022 showing strong performance driven by fee income and increase in assets under management.
- Private Investments income of AED 27.9 million compared to income of AED 35.1 million in 2022 mainly due
 - Gross Profit from healthcare business of AED 22.5 million (YTD 2022: AED 14.4 million)
 - Gain on disposal of AED 5.0 million (YTD 2022: AED 31.3 million)
 - Income from equity accounted investment of AED 3.6 million (YTD 2022: AED 7.1 million); offset by
 - Loss from financial investments of AED 3.8 million (YTD 2022: AED 19.5 million)
- Waha Land income of AED 32.5 million compared to AED 37.4 million in 2022

Three-month period ended 30 September 2023

Net operating income of AED 179.1 million for the three-month period ended 30 September 2023, compared to a income of AED 216.5 million for the corresponding period of 2022, was driven by the following:

- Public Markets income of AED 138.0 million compared to an income of AED 208.2 million in Q3 2022
- Private Investments income of AED 32.2 million compared to loss of AED 12.0 million in Q3 2022 mainly due to:
 - Gross Profit from healthcare business of AED 4.1 million (Q3 2022: AED 3.4 million)
 - Gain from financial investments of AED 25.9 million (Q3 2022: Loss of AED 18.0 million)
- Waha Land income of AED 8.9 million compared to AED 12.1 million in Q3 2022

TOTAL EXPENSE ANALYSIS

Nine-month period ended 30 September 2023

Total expenses for the nine-month period ended 30 September 2023 was AED 272.2 million compared to AED 204.6 million in 2022, mainly comprised of:

- General and administrative expenses - company, amounting to AED 136.5 million compared to AED 81.9 million for the corresponding period of 2022, an increase of AED 54.6 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 42.5 million compared with AED 40.6 million for the corresponding period of 2022 due to higher provisions for credit losses
- Finance costs, net - company, amounting to AED 88.2 million, compared to AED 55.8 million in the corresponding period of 2022, an increase of AED 32.4 million, mainly due to increase in interest rates
- Finance costs, net - subsidiaries, amounting to AED 5.1 million, compared to AED 26.4 million in the corresponding period of 2022, a decrease of AED 21.3 million, mainly due to higher interest income generated in the public markets business.

Three-month period ended 30 September 2023

Total expenses for the three-month period ended 30 September 2023 was AED 90.0 million, compared to AED 85.8 million in 2022, mainly comprised of:

- General and administrative expenses - company, amounting to AED 43.1 million in line with AED 42.7 million for the corresponding period of 2022
- General and administrative expenses – subsidiaries, amounting to AED 15.2 million compared to AED 15.1 million for the corresponding period of 2022
- Finance costs, net - company, amounting to AED 31.6 million, compared to AED 22.9 million in the corresponding period of 2022, an increase of AED 8.7 million, mainly due to higher interest rates
- Finance costs, net - subsidiaries, amounting to AED 0.2 million, compared to AED 5.0 million in the corresponding period of 2022, a decrease of AED 4.8 million, mainly due to higher interest income generated in the public markets business.

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Nine month period ended 30 September 2023

Net profit attributable to owners of the Company of AED 222.5 million for the nine-month period ended 30 September 2023, compared to a net profit of AED 187.0 million for the corresponding period of 2022, was mainly driven by the following:

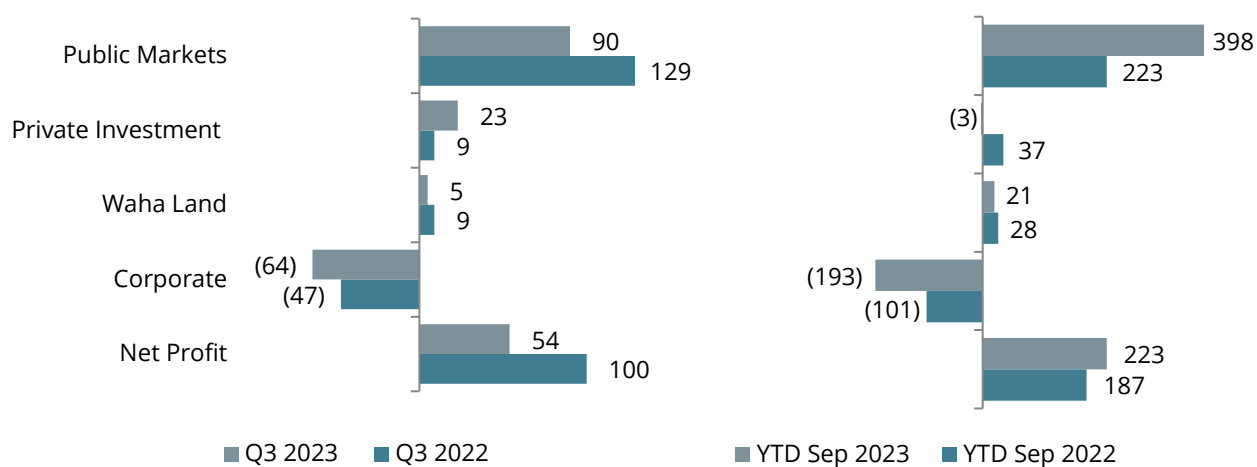
- Public Markets profit of AED 397.4 million compared to AED 223.2 million in 2022;
- Private Investments loss of AED 3.4 million compared to profit of AED 36.9 million in 2022;
- Waha Land profit of AED 21.2 million compared to AED 28.1 million in 2022; and
- Finance and other corporate costs of AED 192.7 million compared to AED 101.2 million in 2022.

Three month period ended 30 September 2023

Net profit attributable to owners of the Company of AED 53.6 million for the three-month period ended 30 September 2023, compared to a net profit of AED 99.7 million for the corresponding period of 2022, was mainly driven by the following:

- Public markets profit of AED 89.4 million compared to a profit of AED 129.4 million in 2022;
- Private Investments profit of AED 22.7 million compared to profit of AED 9.3 million in 2022;
- Waha Land Profit of AED 5.2 million compared to AED 8.6 million in 2022; and
- Finance and other corporate costs of AED 63.7 million compared to AED 47.6 million in 2022.

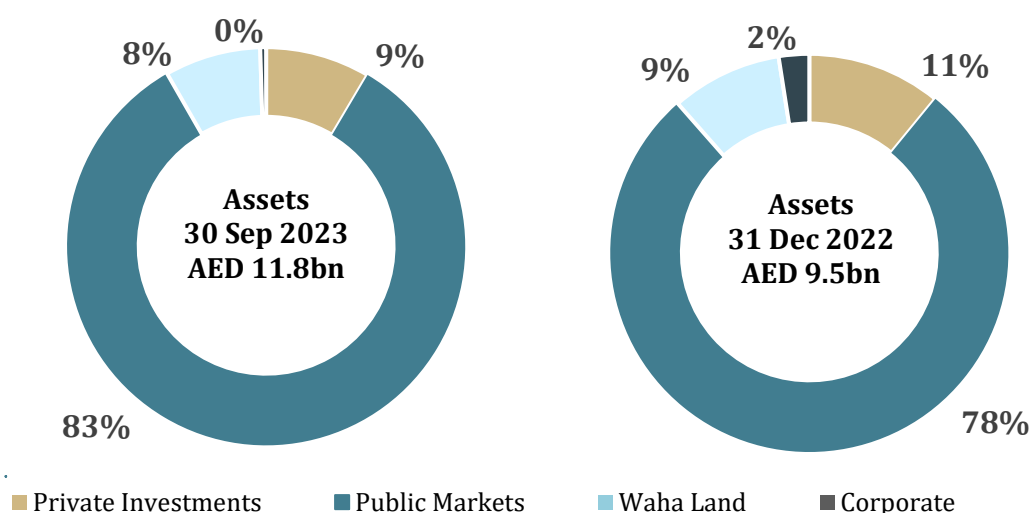
Net profit by segment attributable to owners of the Company (AED million)



Summary Balance Sheet (AED '000)

	As at 30-Sep-23	As at 31-Dec-22
Investments in equity accounted associates and joint ventures	94,298	95,505
Right-of-use assets	26,390	35,245
Investment property	365,845	282,232
Financial investments	7,983,747	6,873,932
Loan investments	44,878	40,749
Other assets	1,912,582	905,489
Cash and bank balances	870,163	797,349
Assets Held For Sale	466,940	466,940
Total assets	11,764,843	9,497,441
Borrowings	4,978,597	3,585,715
Derivative liabilities	124,296	72,644
Lease liabilities	24,728	34,368
Trade and other liabilities	615,560	475,768
Total liabilities	5,743,181	4,168,495
Total equity	6,021,662	5,328,946
Total liabilities and equity	11,764,843	9,497,441

Total assets composition (AED million)



The Group's total assets of AED 11,764.8 million as at 30 September 2023, compared to AED 9,497.4 million as at 31 December 2022, an increase of 24% and mainly comprised of:

- Financial investments** of AED 7,983.7 million compared to AED 6,873.9 million in 2022, an increase of AED 1,109.8 million, mainly due to net increase of AED 1,163.0 million in public market funds offset by net decrease of AED 53.2 million from private investments.
- Cash and bank balances** of AED 870.2 million compared to AED 797.3 million in 2022, an increase of AED 72.9 million mainly due to:
 - Contributions from non-controlling interest holders of AED 436.4 million from new investments in Public Market funds and increase in repurchase liabilities related to public market funds of AED 1,335.6 million; offset by
 - Dividends paid of AED 150.7 million, payments for development of properties of AED 83.6 million, increase in receivables of public market funds due from brokers on settlement of trades AED 1,184.4 million and AED 272.2 million in General and administrative expenses and Finance costs.
- Other assets** of AED 1,912.6 million as at 30 September 2023 compared to AED 905.5 million as at 31 December 2022, an increase of AED 1,007.1 million mainly due to increase in receivables of public market funds due from brokers on settlement of trades.

The Group's total liabilities of AED 5,743.2 million as at 30 September 2023 compared to AED 4,168.5 million as at 31 December 2022, an increase of AED 1,574.7 million, comprised of:

- a) **Borrowings** of AED 4,978.6 million compared to AED 3,585.7 million as at 31 December 2022, an increase of AED 1,392.9 million:
 - Corporate: RCF outstanding stood at AED 1,296.2 million as of 30 September 2023 compared to AED 1,291.3 million as at 31 December 2022
 - Subsidiaries: Outstanding borrowings of AED 3,682.4 million as of 30 September 2023 compared to AED 2,294.4 million mainly represents increase in repurchase liabilities related to public market funds of AED 1,335.6 million.

- b) **Trade and other liabilities** of AED 615.6 million compared to AED 475.8 million as at 31 December 2022, an increase of AED 139.8 million; mainly represents increase 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 YTD Sep 2023, Waha Investment received additional third-party investments into its funds of AED 0.5 billion (US\$ 138 million) and was separately mandated to manage AED 2.3 billion (US\$ 633 million) in managed accounts for institutional clients, bringing total AUM to AED 8.1 billion (US\$ 2.2 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 4.3% (net) on a fund size of AED 2.21 billion (US\$ 599.7 million)
- Waha MENA Equity Fund SP of 13.5% (net) on a fund size of AED 3.28 billion (US\$ 892 million)
- Waha Islamic Income Fund SP of 3.93% (gross) on a fund size of AED 0.17 billion (US\$ 46.1 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 September 2023 was AED 502 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 September 2023 was AED 55 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. The net carrying value of the legacy portfolio as of 30 September 2023 was AED 367 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.

Stage 2B expansion will be completed by Q4 2023 and will add circa 75,000 m² of premium industrial/logistics facilities to the asset portfolio. The expansion is in line with Waha Land’s underlying ethos to execute a consistent, disciplined investment approach with emphasis on developing 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 and value growth by re-cycling capital from existing stabilized assets through appropriate vehicles for monetization.

During the period ended 30 September 2023, Waha Land reported total income of AED 32.5 million (2022: AED 37.4 million).

The carrying value of investment property was AED 832.8 million as at 30 September 2023, including AED 466.9 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 year to date returns. The Public Markets business has continued to deliver robust results, with the flagship funds significantly outperforming their benchmark indices in 2023. The Private Investments business strategy continues to provide diversification on the proprietary balance sheet, options to realise value from mature investments, as well as potential for growth from the Global Opportunities Portfolio.

Despite an uncertain macroeconomic environment ahead, driven by the combination of slow growth, high inflation, and geopolitical risks, Waha Capital remains cautiously optimistic about the future. Its investment results from both proprietary assets and for third-party clients have contributed to significant additional mandates during 2023, momentum which is expected to continue and will drive growth in its asset management activities, translating to increasing net income and shareholder value.

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
2 November 2023