

WAHA CAPITAL

Management discussion and analysis for the
year ended 31 December 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 440.1 million for the year ended 31 December 2023 compared to AED 344.4 million for the corresponding year of 2022.

KEY ACTIVITIES DURING THE YEAR

The following key activities occurred during the year:

- Public Markets total assets under management reached AED 8.8 billion (USD 2.4 billion) as at 31 December 2023 compared to AED 4.8 billion (USD 1.3 billion) as at 31 December 2022, an increase of 83%. Within this figure, assets under management attributable to Owners of the Company were AED 3.3 billion as at 31 December 2023 compared to AED 3.0 billion as at 31 December 2022.
- The year 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 9.5% (net), Waha MENA Equity Fund SP of 24.3% (net) and Waha Islamic Income Fund SP of 9.93% (gross).
- Private Investment assets under management (including Waha Land) stood at AED 1.6 billion as at 31 December 2023 as compared to AED 1.7 billion as at 31 December 2022.

Summary income statement for the year ended 31 December 2023 (AED '000)

	2023	2022
Revenue from sale of goods and services	140,433	111,519
Cost of sale of goods and services	(107,456)	(90,368)
Share of profit from equity-accounted associates and joint ventures, net	5,059	13,410
Gain on disposal of equity-accounted associates and joint ventures	5,021	160,742
Income from financial investments, net	1,089,438	466,718
Income from investment property, net	59,790	45,570
Other income, net	30,116	12,728
Net operating income	1,222,401	720,319
General and administrative expenses – company	(197,872)	(119,262)
General and administrative expenses – subsidiaries	(61,778)	(55,151)
Finance cost, net	(139,311)	(119,885)
Total expenses	(398,961)	(294,298)
Profit before tax from continuing operations	823,440	426,021
Deferred tax	(3,286)	-
Discontinued operations		
Loss from discontinued operations	-	(9,887)
Gain on disposal of subsidiary	-	32,653
Profit for the year from discontinued operations	-	22,766
Profit for the year	820,154	448,787
Non-controlling interests	(380,052)	104,415
Profit attributable to owners of the Company	440,102	344,372
Basic and diluted earnings per share (AED)	0.234	0.184
Basic and diluted earnings per share from continuing operations attributable to the Owners of the Company (AED)	0.234	0.168

NET OPERATING INCOME

Year ended 31 December 2023

Net operating income of AED 1,222.4 million for the year ended 31 December 2023, compared to AED 720.3 million for the corresponding year of 2022, was driven by the following:

- Public Markets income of AED 1,162.6 million compared to AED 496.6 million in 2022 showing strong performance driven by fee income and increase in assets under management.
- Private Investments loss of AED 1.2 million compared to income of AED 168.8 million in 2022 mainly due
 - Gross Profit from healthcare business of AED 33.0 million (YTD 2022: AED 21.2 million);
 - Gain on disposal of AED 5.0 million (YTD 2022: AED 160.7 million) from partial disposal of stake in Channel VAS Investment Limited (Optasia);
 - Income from equity accounted investment of AED 5.1 million (YTD 2022: AED 13.4 million); offset by
 - Loss from financial investments of AED 44.9 million (YTD 2022: AED 28.4 million).
- Waha Land income of AED 61.0 million compared to AED 46.5 million in 2022 higher due to fair value adjustment of AED 15.1 million in 2023.

TOTAL EXPENSE ANALYSIS

Year ended 31 December 2023

Total expenses for the year ended 31 December 2023 was AED 399.0 million compared to AED 294.3 million in 2022, mainly comprised of:

- General and administrative expenses - company, amounting to AED 197.9 million compared to AED 119.3 million for the corresponding year of 2022, an increase of AED 78.6 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 61.8 million compared with AED 55.2 million for the corresponding year of 2022 an increase of AED 6.6 million due to higher staff related expenses;
- Finance costs, net - company, amounting to AED 118.3 million, compared to AED 83.7 million in the corresponding year of 2022, an increase of AED 34.6 million, mainly due to increase in interest rates; and
- Finance costs, net - subsidiaries, amounting to AED 21.0 million, compared to AED 36.2 million in the corresponding year of 2022, a decrease of AED 15.2 million, mainly due to higher interest income generated in the public markets business.

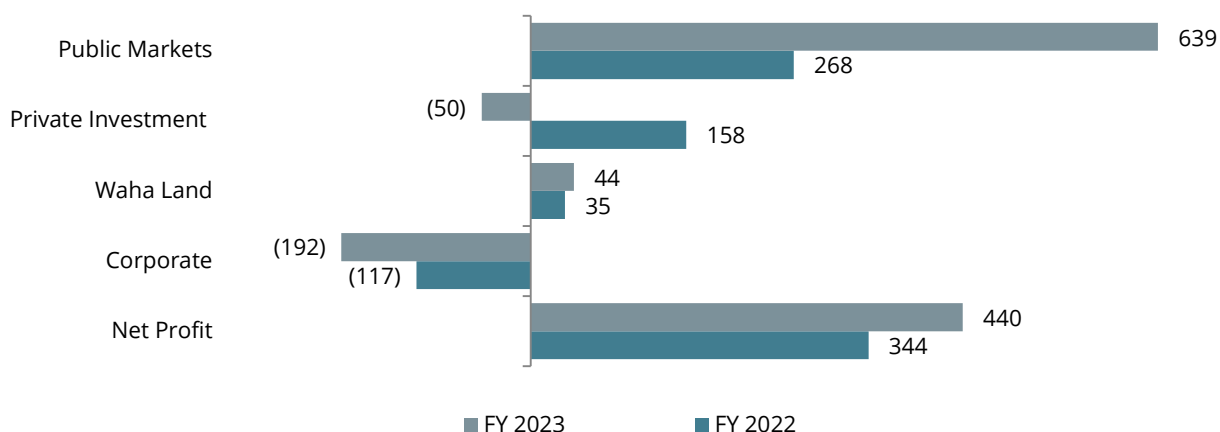
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Year ended 31 December 2023

Net profit attributable to owners of the Company of AED 440.1 million for the year ended 31 December 2023, compared to a net profit of AED 344.4 million for the corresponding year of 2022, was mainly driven by the following:

- Public Markets profit of AED 639.1 million compared to AED 267.8 million in 2022;
- Private Investments loss of AED 50.3 million compared to profit of AED 158.4 million in 2022;
- Waha Land profit of AED 43.6 million compared to AED 34.8 million in 2022; and
- Finance and other corporate costs of AED 192.3 million compared to AED 116.6 million in 2022.

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



Summary Balance Sheet (AED '000)

	As at 31-Dec-23	As at 31-Dec-22
Investments in equity accounted associates and joint ventures	88,313	95,505
Right-of-use assets	23,431	35,245
Investment property	413,450	282,232
Financial investments	8,652,900	6,873,932
Loan investments	46,340	40,749
Other assets	2,980,991	905,489
Cash and bank balances	866,942	797,349
Assets Held For Sale	468,515	466,940
Total assets	13,540,882	9,497,441
Borrowings	5,955,844	3,585,715
Financial liabilities	218,866	72,644
Deferred tax liability	3,286	-
Lease liabilities	21,420	34,368
Trade and other liabilities	672,351	475,768
Total liabilities	6,871,767	4,168,495
Total equity	6,669,115	5,328,946
Total liabilities and equity	13,540,882	9,497,441

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 2023, Waha Investment received additional third-party investments into its funds of AED 0.8 billion (US\$ 220 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 8.8 billion (US\$ 2.4 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' year to date returns on invested capital were:

- Waha Emerging Markets Credit Fund SP (previously referred to as the Waha CEEMEA Credit Fund SP) of 9.5% (net) on a fund size of AED 2.46 billion (US\$ 669 million)
- Waha MENA Equity Fund SP of 24.3% (net) on a fund size of AED 3.55 billion (US\$ 966 million)
- Waha Islamic Income Fund SP of 9.93% (gross) on a fund size of AED 0.18 billion (US\$ 48 million)

Private Investments

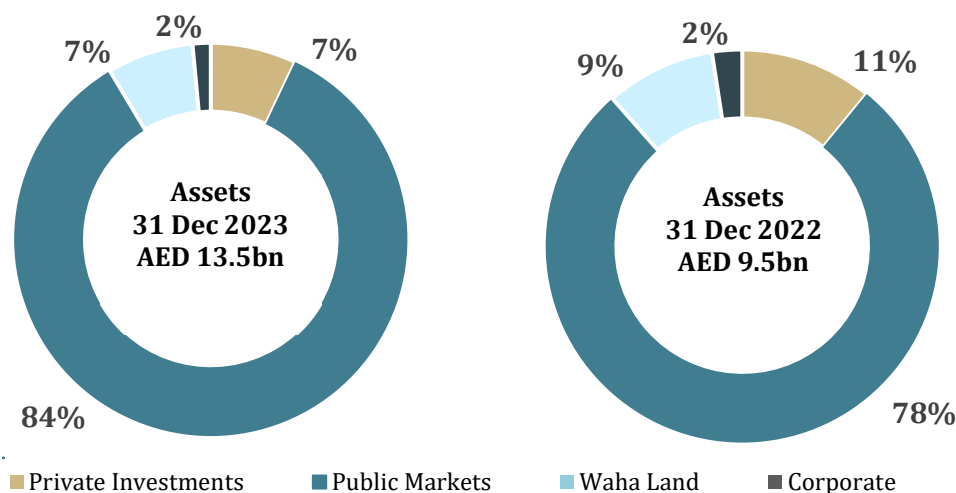
The Private Investments business commenced a multi-asset investment strategy in the last quarter of 2021. This included the launch of two new investment portfolios – Global Opportunities and Core.

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 at 31 December 2023 was AED 441 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 at 31 December 2023 was AED 52 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 at 31 December 2023 was AED 383 million.

Total assets composition (AED million)



The Group's total assets of AED 13,540.9 million as at 31 December 2023, compared to AED 9,497.4 million as at 31 December 2022, an increase of 43% and mainly comprised of:

- a) **Financial investments** of AED 8,652.9 million compared to AED 6,873.9 million in 2022, an increase of AED 1,779.0 million, mainly due to net increase of AED 1,823.3 million in public market funds offset by net decrease of AED 62.4 million from private investments.
- b) **Cash and bank balances** of AED 866.9 million compared to AED 797.3 million in 2022, an increase of AED 69.6 million mainly due to:
 - Contributions from non-controlling interest holders of AED 708.1 million from new investments in Public Market funds and increase in repurchase liabilities related to public market funds of AED 2,305.4 million; offset by
 - Dividends paid of AED 150.7 million, payments for development of properties of AED 117.7 million, investment into financial assets AED 543.3 million, increase in receivables of AED 2,080.0 million mainly due from brokers on settlement of trades in the from public market funds.
- c) **Other assets** of AED 2,981.0 million as at 31 December 2023 compared to AED 905.5 million as at 31 December 2022, an increase of AED 2,075.5 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 6,871.8 million as at 31 December 2023 compared to AED 4,168.5 million as at 31 December 2022, an increase of AED 2,703.3 million, comprised of:

- a) **Borrowings** of AED 5,955.8 million compared to AED 3,585.7 million as at 31 December 2022, an increase of AED 2,370.1 million:
 - Corporate: RCF outstanding stood at AED 1,297.9 million as at 31 December 2023 compared to AED 1,291.3 million as at 31 December 2022
 - Subsidiaries: Outstanding borrowings of AED 4,657.9 million as at 31 December 2023 compared to AED 2,294.4 million mainly represents increase in repurchase liabilities related to public market funds of AED 2,305.4 million.
- b) **Trade and other liabilities** of AED 672.4 million compared to AED 475.8 million as at 31 December 2022, an increase of AED 196.6 million; mainly represents increase in payables of public market funds due to brokers on settlement of trades and employee related payments offset by settlement of unclaimed dividends prior to 2015 in line with regulatory directives.

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, which adds circa 75,000 m² of premium industrial/logistics leasable footprint to the asset portfolio was completed in Q4 2023 and leasing has commenced. 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 supports 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 UAE’s Industrial/Logistics market, while exploring opportunities to optimise value by re-cycling capital from existing stabilized assets through appropriate partnerships and instruments for monetization.

During the year ended 31 December 2023, Waha Land reported total income of AED 61.0 million (2022: AED 46.5 million).

The carrying value of investment property was AED 882.0 million as of 31 December 2023, including AED 468.5 million classified as held for sale.

OUTLOOK

Waha Capital delivered one of its best annual performances in 2023, marking a significant milestone as one of the strongest performances in the past 7 years. Waha Capital’s public markets division, operated by Waha Investment, the wholly-owned asset management subsidiary of the company, exhibited robust results, notably with the MENA Equity Fund significantly outperforming its benchmark index. The Private Investments business strategy continues to offer diversification on the proprietary balance sheet, options for realizing value from mature investments, and potential for growth from the Global Opportunities and Core Portfolio.

Despite an uncertain macroeconomic environment marked by slow growth, high inflation, and geopolitical risks, Waha Capital remains cautiously optimistic about the future. Investment results from proprietary assets and third-party client contributions have led to substantial additional mandates in 2023. This momentum is expected to persist, driving growth in our asset management activities and translating to increased net income and shareholder value.

Key priorities for the Private Investments business include assessing and investing in a diverse pipeline of high-growth investments for the Global Opportunities and Core Portfolio, as well as evaluating opportunities for value crystallization of mature assets.

Waha Land will continue executing its long-term strategy to develop, lease, stabilise and monetize land and built assets at ALMARKAZ.

The Company's outlook is underpinned by a continued focus on maintaining strong corporate governance, protecting both shareholder and client assets, growing the asset base, and achieving economies of scale across the balance sheet.



Mohamed Al Nowais

Managing Director, Al Waha Capital PJSC
13 February 2024