

H1 2017: Earnings call

Aug 2017



Principal Investments

Asset Management

H1 2017 Highlights

- **Recalibration of performance** in H1 2017 with net profit of AED 183 million compared to AED 306 million in H1 2016
- 6 month **Return on Average Equity** of 5.1% compared to H1 2016 RoAE 7.4%
- Strong **Balance sheet of AED 10.8 billion** in total assets, an increase of 8% 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



الواعة كابيتال
WAHA CAPITAL

H1 2017

Financial Highlights

H1 2017 Financial Highlights

- Net profit of AED 183.1 million, compared to AED 305.9 million in H1 2016
- EPS of AED 0.10 compared to AED 0.17 in H1 2016
- Assets of AED 10.8 billion as at 30 June 2017 vs. AED 10.0 billion as at FY 2016, an increase of 8%
- YTD RoAE stood at 5.1% vs 7.4% in H1 2016
- Investment activity in H1 2017 include:
 - AAH: net investment of AED 42.5 million
 - Waha Land: AED 100.4 million
 - MEA Energy: AED 21.2 million
- Capital Markets:
 - Third party funds raised AED 228.2 million;
 - Assets under management as at 30 June 2017 AED 1.8 billion, compared to AED 1.5 billion as at 31 December 2016
- 20% cash dividend of AED 367.7 million

H1 2017 TOTAL INCOME

▼ **11%**
vs. H1 2016

TOTAL AUM

AED 1.8bn
Up 20% from Dec 2016

TOTAL ASSETS

AED 10.8bn
▲ 8% from Dec 2016

DIVIDEND

AED 368mn
20% cash dividend

H1 2017 Financial Highlights

TOTAL INCOME

▼ **10.5%**

vs. H1 2016

NET PROFIT

▼ **40.2%**

vs. H1 2016

EQUITY

▼ **23.3%**

vs. H1 2016

AED MILLIONS	H1 2017	H1 2016
Total Income	557	622
Expenses - Parent	(154)	(125)
Expenses - Subsidiaries	(200)	(194)
Non Controlling interest	(20)	3
Net Profit attributable to shareholders	183	306
Equity attributable to shareholders	3,365	4,388

KEY PERFORMANCE INDICATOR

Earnings per Share (in AED)	0.10	0.17
RoAE	5.1%	7.4%

Q2 2017 Financial Highlights

TOTAL INCOME

IN LINE

with Q2 2016

NET PROFIT

▼ 26%

vs. Q2 2016

EQUITY

▼ 23%

vs. Q2 2016

AED MILLIONS	Q2 2017	Q2 2016
Total Income	288	289
Expenses - Parent	(81)	(62)
Expenses - Subsidiaries	(101)	(101)
Non Controlling interest	(10)	4
Net Profit attributable to shareholders	96	130
Equity attributable to shareholders	3,365	4,388

KEY PERFORMANCE INDICATOR		
Earnings per Share (in AED)	0.05	0.07
RoAE	2.9%	3.1%

H1 2017 Financial Highlights

TOTAL ASSETS

AED **10.8**bn

MARKET CAP⁽¹⁾

AED **3.4**bn

DEBT

AED **6.5**bn

CASH

AED **542**mn

AED MILLIONS	30 JUNE 2017	31 DEC 2016
Cash	542	572
Investment in equity-accounted investees	5,200	5,034
Investment Property	773	681
Other Investments ⁽²⁾	3,495	3,065
Other Assets	817	662
Total Assets	10,827	10,014
Borrowings	6,463	5,465
Other Liabilities and Non Controlling interests	999	678
Equity attributable to shareholders	3,365	3,871
<i>RoAA (Annualised)</i>	<i>3.5%</i>	<i>4.2%</i>

1. Based on share price as at 24 July 2017

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



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WAHA CAPITAL

H1 2017

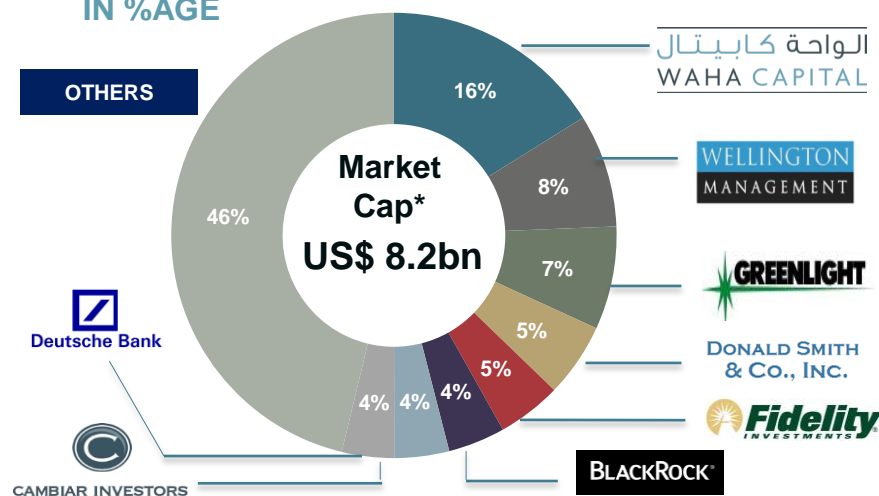
Business Highlights

H1 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 H1 2017, the Group recorded an impairment of AED 125.4 million against the share of income from its investment in AerCap of AED 306.3 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 33% of the Group's total income and represented 44% of the Group's assets with a carrying value of AED 4,731.0 million

IN %AGE



H1 2017 KEY HIGHLIGHTS

- Reported net profit of US\$ 544.1 million, compared to US\$ 456.4 million in 2016; and EPS of US\$ 3.27 compared to US\$ 2.37 in 2016
- US\$ 9 billion of available liquidity
- Adjusted debt/equity ratio of 2.7 to 1
- Repurchased 6.5 million shares for \$293 million
- Proceeds from the sale or disposal of assets amounted to US\$ 720.8 million, compared to US \$ 889.8 million in 2016
- Gain on disposal of US\$ 116.9 million, compared to US\$ 57.4 million in 2016
- 213 aircraft transactions executed, as follows:
 - ✓ Signed lease agreements for 134 aircraft
 - ✓ Purchased 22 aircraft
 - ✓ Executed sale transactions for 57 aircraft.
- Signed an agreement with Boeing for an order of 30 787-9 aircraft.
- The average age of owned fleet was 7.3 years and the average remaining contracted lease term was 6.4 years.
- Portfolio consisted of 1,539 aircraft that were owned, on order or managed

US\$ mn	H1 2017	H1 2016	Variance
Total Revenue	2,501	2,558	-2%
Total Expenses	1,881	2,038	-8%
Net Profit	544	456	19%
Assets	41,019	42,923	-4%
Debt	27,181	29,139	-7%
Equity	8,521	8,352	2%
RoAE	6%	5%	
RoAA	1%	1%	

H1 2017 Business Highlights

Principal Investments - Dunia

NET INTEREST INCOME

▼ **12%**

vs. H1 2016

DEPOSITS

▲ **5%**

vs. H1 2016

NET LOAN BOOK

▼ **9%**

vs. H1 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. 274,000 customers
- Loan book grew at a 34% CAGR over the 2009–2017
- Customer deposits grew to AED 1.3 billion as at 30 June 2017, an increase of 5.1% compared to 30 June 2016
- Non-performing loan cover of 1.3x and impairment reserve of 4.3% of total loans and advances
- Cost to income ratio is 23.5% in H1 2017
- Provisioning taken on the loan book reflecting the current economic downturn. Dunia applies a more conservative provisioning policy.
- Carrying value of AED 165.2 million as at 30 June 2017

H1 2017 KEY HIGHLIGHTS ⁽¹⁾

AED mn	H1 2017	H1 2016	Variance
Net Interest Income	255	291	-12%
Net Loan Book	1,878	2,072	-9%
Total Assets	2,204	2,337	-6%
Deposits	1,276	1,215	5%
Debt	180	195	-8%
Equity	635	799	-21%

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

H1 2017 Business Highlights

Principal Investments – NPS Holdings Limited

TOTAL REVENUE

▲ **19%**

vs. H1 2016

CONTRACTS IN PROGRESS

AED 2.1bn

As at 30 JUNE 2017

TOTAL ASSETS

IN LINE

With H1 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 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 289.4 million as of 30 June 2017

H1 2017 KEY HIGHLIGHTS

- Secured and extended contracts worth of AED 138.5 million, taking the remaining value of contracts in progress to AED 2,088.0 million.
- Total revenue of AED 452.6 million (2016: AED 379.5 million)
- Invested AED 50.7 million in capital expenditure (2016: AED 147.9 million)
- Gross book value of property, plant and equipment as at 30 June 2017 of AED 1,631.5 million (2016: AED 1,525.2 million)

AED mn	H1 2017	H1 2016	Variance
Revenue	453	380	19%
Total Assets	2,146	2,182	-2%

H1 2017 Business Highlights

Principal Investments – Waha Land

NET REVENUE

IN LINE

vs. H1 2016

NET OPERATING PROFIT

▲ 13%

vs. H1 2016

FUNDING SECURED

AED 426mn

for stage 2

OVERVIEW

- Waha Capital received 6 km² 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 km² each) to allow for flexibility in terms of scale and funding
- Construction of Phase I infrastructure and 90,000 m² 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 m² of new SIUs by early 2018.
- Carrying value of AED 735.5 million as of 30 June 2017

H1 2017 KEY HIGHLIGHTS

- Development of Stage 2(a) is underway (92,500 m² 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 AED 19.3 million (2016: AED 19.3 million)
- Net operating profit of AED 12.9 million (2016: AED 11.4 million)

AED mn	H1 2017	H1 2016	Variance
Net Revenue	19.3	19.3	-
Net operating profit	12.9	11.4	13%
Investment Properties	773.3	696.0	
Carrying value	735.5	705.0	

H1 2017 Business Highlights

Asset Management – Funds

CEEMEA FIXED INCOME RETURN

▲ **9.6%**

H1 2017

CEEMEA FIXED INCOME RETURN

▲ **112.1%**

Since inception Jan 2012

MENA EQUITY RETURN

▲ **9.4%**

H1 2017

MENA EQUITY RETURN

▲ **91.4%**

Since inception Jan 2014

CEEMEA FIXED INCOME FUND

- 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)
- In June 2015 the fund was first 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

- The fund focuses on investing in equity securities in the large MENA region
- Initial seed capital of AED 368 million (\$100m)
- In July 2015 the fund was first 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

H1 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 27.54% since inception and 9.5% in H1 2017

CREDIT OPPORTUNITIES FUND

- Establishing Credit Opportunities Fund by committing AED 184 million (\$50 million) seed capital.
- The Fund will employ a cash-flow based approach to lending, providing financing and lending solutions tailored to the specific needs and requirements of borrowers and their respective business plans
- The Private Debt team will structure its financing into a broad spectrum of instruments which include secured loans, uni-tranche and multiple tranche loans, mezzanine debt, bonds, preferred shares, convertible loans and bonds, convertible preferred shares, equity, warrants and profit participations

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

* offered to third parties

H1 2017 Business Highlights

Asset Management – Private Equity – Anglo Arabian Healthcare

TOTAL REVENUE

▼ 4%

vs. H1 2016

TOTAL ASSETS

▲ 4%

vs. H1 2016

EQUITY

▼ 2%

H1 2016

OVERVIEW

- UAE healthcare company, with an initial focus on hospitals, clinics, diagnostics, laboratories and pharmacies
- 34 healthcare assets in the Northern Emirates, Abu Dhabi and Dubai
 - Network of 1 day-hospital, 17 clinics, 6 pharmacies, 8 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 1,000 people and serves over 540,000 registered outpatients.
- Carrying value of AED 201.3 million as of 30 June 2017

H1 2017 KEY HIGHLIGHTS

- Revenue of AED 152.1 million is comprised of AED 61.2 million (2016: AED 89.2 million) from laboratory services, AED 72.7 million (2016: AED 57.4 million) from patient fees and AED 18.2 million (2016: AED 12.4 million) from sale of pharmaceuticals

AED mn	H1 2017	H1 2016	Variance
Revenue	152	159	-4%
Expenses & NCI	(180)	(175)	3%
Net loss attributable to owners	(28)	(16)	75%
Total Assets	395	378	4%
Total Liabilities	126	100	26%
Total Equity	247	251	-2%

Summary & Outlook

- **Recalibration of performance across all segments** in H1 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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