

الواحة كابيتال  
WAHA CAPITAL



# FULL YEAR REPORT

Management discussion and analysis  
for the year ended 31 December 2017

## RECALIBRATION OF PERFORMANCE

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 425.9 million in 2017 compared to net profit of AED 407.2 million during the corresponding year 2016.

Total income for the year ended 31 December 2017 was driven by the following:

- Principal Investments of AED 461.8 million (40% of total income) compared to AED 513.0 million in 2016 (45% of total income), reflecting an adjustment of AED 244.7 million following a conservative reassessment of AerCap's recoverable amount.
- Asset Management – Capital Markets of AED 275.3 million (24% of total income) compared to AED 335.0 million in 2016 (29% of total income).
- Asset Management – Private Equity of AED 424.1 million (36% of total income) compared to AED 301.9 million in 2016 (26% of total income).

The Group's total income is reasonably balanced between the Principal Investments and Asset Management divisions in-line with its strategy of diversifying its revenue streams.

## Activities in 2017

### Principal investments

On 26 September 2017, the Group acquired a significant minority equity stake in Dubai-based Channel VAS Investments Limited (Channel VAS), for a total consideration of AED 200.5 million. Channel VAS is a business in the fintech sector, operating in over 25 emerging markets in the Middle East, Africa, Asia and Europe. Channel VAS provides micro finance lending solutions to over 500 million mobile network subscribers offering airtime credit services and mobile financial services.

On 12 November 2017, the Group agreed to sell its entire 20.62% equity stake in NPS Holdings Limited, an oil and gas company incorporated in United Arab Emirates, to a private group based in Saudi Arabia and a NASDAQ-listed entity, National Energy Services Reunited Corp. (NESR), in two stages. The first stage of the transaction involved a disposal of 4.68% stake, which was concluded during the current year. The second stage exit is expected to be completed after receiving the necessary regulatory approvals, during 2018.

### Private equity

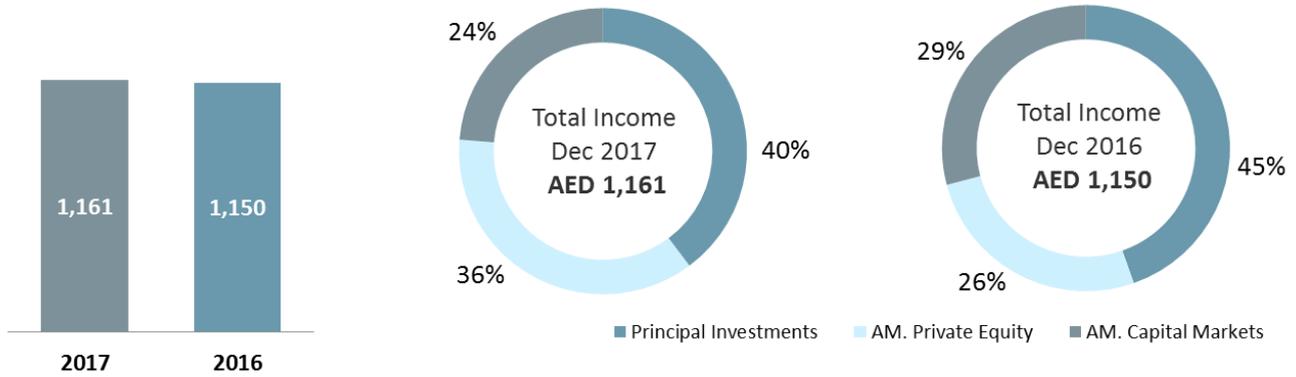
During Q3 2017, HealthBay Polyclinic, an asset owned by the Group's healthcare subsidiary, Anglo Arabian Healthcare (AAH), opened a new multispecialty medical complex in Dubai offering a wide range of specialized healthcare facilities. Such expansion allows AAH to capture the expected growth in healthcare segment and position itself to benefit from captive business using cross-referral within AAH.

On 15 February 2017, the Group through its UAE healthcare subsidiary, Anglo Arabian Healthcare Investment (AAH), has entered into a share purchase agreement with an unrelated company to sell its entire 93% equity stake in Proficiency Healthcare Diagnostic LLC (PHD), which was completed on 6 December 2017.

## KEY PERFORMANCE MEASURES

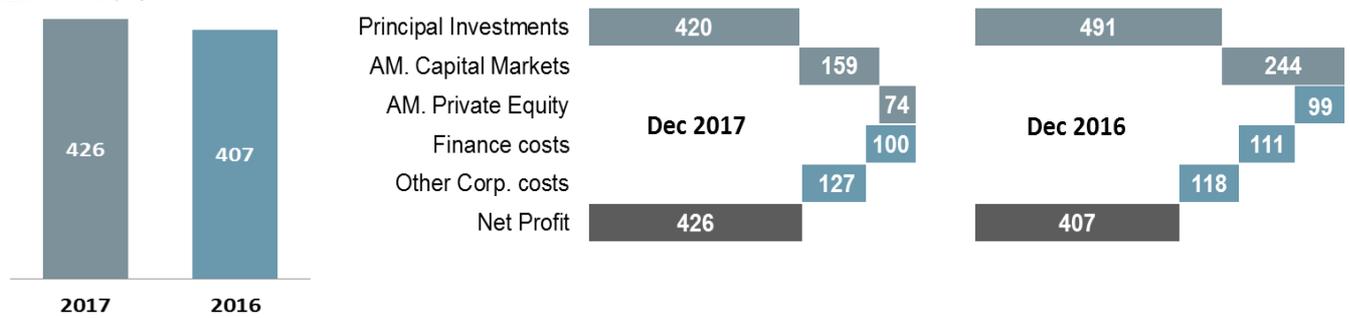
### Total income

AED in millions

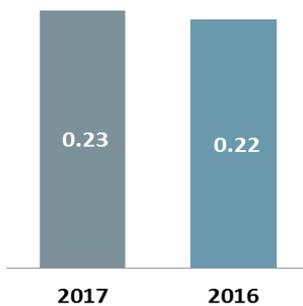


### Net profit (attributable to owners of the Company)

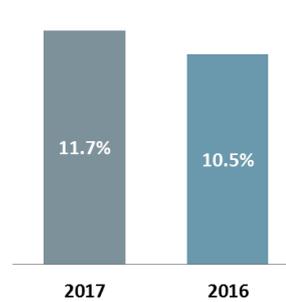
AED in millions



### Earnings per share (AED)

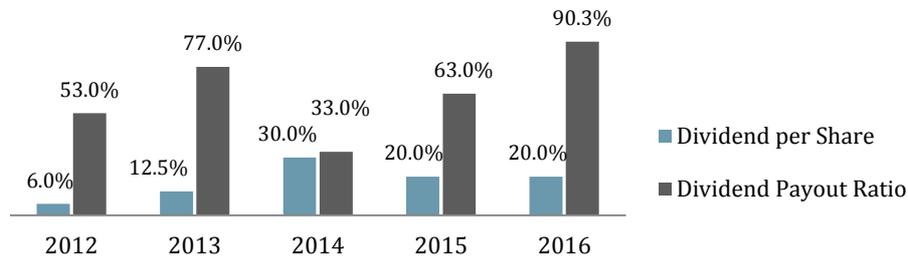


### Return on Average Equity (%)



## DIVIDEND PROFILE

The Group proposes a 2017 dividend of 15% which amounts to AED 275.8 million. This represents a dividend payout ratio of 64.7% of the Group's net profit. Historically the dividend trend has been as follows:



The Group concluded its share repurchase program in October 2016 acquiring 106.0 million shares, representing 5.45% of outstanding shares acquired at a cost of AED 267.2 million.

## KEY FINANCIAL HIGHLIGHTS

<b>Summary income statement for the year ended 31 December</b> <b>AED '000</b>	<b>2017</b>	<b>2016</b>
Revenue from sale of goods and services	318,372	327,112
Share of profit and gain on disposal of equity accounted associates and joint ventures, net	694,913	549,604
Impairment of associates and joint ventures	(257,348)	(76,894)
Income from financial investments	330,400	380,048
Gain on disposal of a subsidiary	124,477	-
Other expenses, net	(49,605)	(29,965)
<b>Total income</b>	<b>1,161,209</b>	<b>1,149,905</b>
Cost of sale of goods and services	(210,277)	(182,285)
General and administrative expenses - company	(170,342)	(158,895)
General and administrative expenses - subsidiaries	(199,488)	(271,779)
Finance cost, net	(127,141)	(134,185)
<b>Total expenses</b>	<b>(707,248)</b>	<b>(747,144)</b>
<b>Net profit for the year</b>	<b>453,961</b>	<b>402,761</b>
Non-controlling interests	(28,021)	4,408
<b>Net profit attributable to Owners of the Company</b>	<b>425,940</b>	<b>407,169</b>
<b>Basic and diluted earnings per share (AED)</b>	<b>0.23</b>	<b>0.22</b>

## TOTAL INCOME ANALYSIS

### Year ended 31 December 2017

Total income reported by the Group for the year ended 31 December 2017 was AED 1,161.2 million, compared to AED 1,149.9 million during the corresponding period in 2016, mainly comprised of:

- a) **Revenue from sale of goods and services**, amounting to AED 318.4 million (2016: AED 327.1 million) mainly represents revenue from the Group's healthcare subsidiary, Anglo Arabian Healthcare and rental income from Group's industrial real estate subsidiary, Waha Land. A reduction in laboratory fees of AED 38.7 million, partially offset by an increase in patient fees of AED 20.0 million and revenue from sale of pharmaceuticals of AED 11.1 million mainly resulted in a decrease in revenue of 3% compared to the corresponding period in 2016.
- b) **Share of profit from associates and joint ventures, net**, amounting to AED 694.9 million (2016: AED 549.6 million), includes:
  - AerCap Holdings NV: share of profit of AED 633.6 million (2016: AED 600.7 million);
  - NPS Holdings Limited:
    - Share of profit of AED 28.2 million (2016: loss of AED 16.3 million);
    - Gain on partial disposal of AED 50.2 million (2016: AED nil);
  - Channel VAS: share of profit of AED 2.1 million (2016: AED Nil); offset by
  - Dunia Group: share of loss of AED 20.4 million (2016: share of profit AED 17.7 million).
- c) **Impairment of associates and joint ventures**, amounting to AED 257.3 million (2016: AED 76.9 million), includes:
  - AerCap Holdings NV: AED 244.7 million (2016: AED nil) following a reassessment of the investment's recoverable amount due to its share price trading at lower multiples over a prolonged period, among other relevant factors.
- d) **Income from financial investments**, amounting to AED 330.4 million compared to AED 380.0 million in 2016, a decrease of 13%, mainly due to:
 

*Capital markets:*

  - Increase of AED 14.0 million due to better performance of the equity securities portfolio and higher assets under management;
  - Increase of AED 33.4 million due to better performance of the fixed income securities portfolio and higher assets under management; offset by
  - Decrease of AED 23.2 million due to higher losses on derivative contracts in the equity portfolio;
  - Lower income from private transactions by AED 81.2 million.

*Principal investments:*

  - Increase of AED 38.0 million due to better performance of equity securities, SDX Energy Inc.; offset by
  - No income due to recycling of hedge reserve on the extension of equity price collar, compared to AED 25.7 million in the prior period;
  - No dividend income from unquoted fund, compared to prior period of AED 4.9 million.
- d) **Gain on disposal of a subsidiary**, amounting to AED 124.5 million, represents the gain on disposal of a subsidiary (Proficiency Healthcare Diagnostics) within the Group's healthcare subsidiary, Anglo Arabian Healthcare.
- e) **Other expenses, net**, amounting to AED 49.6 million compared to AED 30.0 million in 2016, an increase of AED 19.6 million is mainly represents an increase in fair value loss on investment property of AED 17.8 million.

## TOTAL EXPENSE ANALYSIS

### Year ended 31 December 2017

Total expenses reported by the Group for the year ended 31 December 2017 was AED 707.2 million, compared to AED 747.1 million during the corresponding period in 2016, mainly comprised of:

- a) **Cost of sale of goods and services**, amounting to AED 210.3 million (2016: AED 182.3 million) mainly represents cost of sales of the Group's healthcare subsidiary, Anglo Arabian Healthcare. An increase of 15% from the corresponding period in 2016 was mainly driven by pre-operating expenses incurred on a) expansion of Health Bay Polyclinic and Amina Hospital, b) launch of the In-Vitro-Fertilization (IVF) business; and c) restructuring of Sharjah Corniche Hospital.
- b) **General and administrative expenses - company**, amounting to AED 170.3 million compared to AED 158.9 million in 2016, an increase of 7%, due to higher staff costs related to vested portion of prior year compensation plans; offset by a decrease in social contributions and legal and professional fees incurred on expansion of the asset management business and acquisition of new investments.
- c) **General and administrative expenses - subsidiaries**, amounting to AED 199.5 million compared to AED 271.8 million in 2016, a decrease of 27%, due to prior year cost saving initiatives taken across healthcare subsidiaries.
- d) **Finance costs - company**, amounting to AED 99.8 million, compared to AED 110.6 million in 2016, a decrease of 10%, mainly due to lower interest costs of AED 10.4 million on the partial replacement of equity price collar hedges in 2016, lower expense of AED 11.8 million on the corporate credit facility refinancing in 2016; offset by higher utilisation of AED 7.7 million on corporate credit facility and lower interest income of AED 3.5 million.
- e) **Finance costs - subsidiaries**, amounting to AED 27.4 million, compared to AED 23.6 million in 2016, an increase of 16%, mainly due higher utilisation of AED 4.8 million on repurchase liabilities.

## Balance sheet highlights

AED `000	As at 31-Dec-17	As at 31-Dec-16
Investments in associates and joint ventures	5,321,224	5,033,561
Investment property	758,666	680,569
Financial investments	3,575,184	2,823,016
Investments in finance leases and loans	242,893	244,351
Other assets	717,269	657,752
Cash and cash equivalents	519,626	571,262
Asset classified as held for sale	219,480	-
<b>Total assets</b>	<b>11,354,342</b>	<b>10,010,511</b>
Borrowings	6,584,012	5,464,877
End of service benefit provision	32,608	29,268
Derivative liabilities	123,263	29,761
Trade and other liabilities	444,609	306,574
<b>Total liabilities</b>	<b>7,184,492</b>	<b>5,830,480</b>
<b>Total equity</b>	<b>4,169,850</b>	<b>4,180,031</b>
<b>Total liabilities and equity</b>	<b>11,354,342</b>	<b>10,010,511</b>

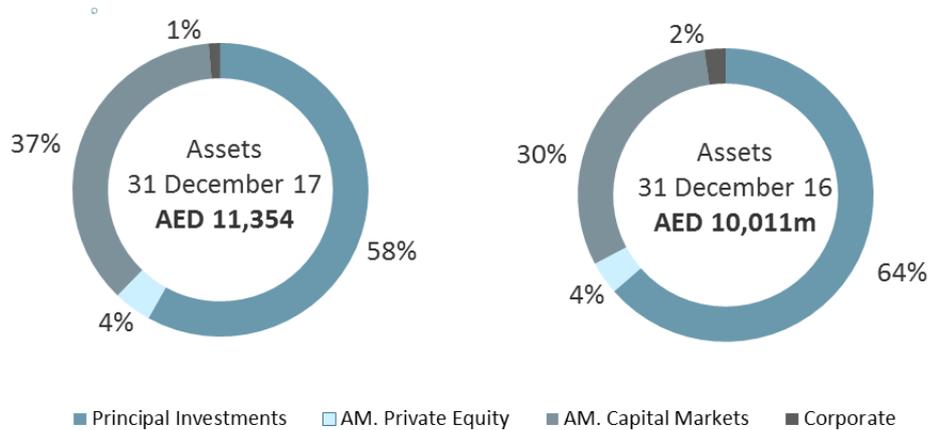
The Group's total assets of AED 11,354.3 million as at 31 December 2017, compared to AED 10,010.5 million as at 31 December 2016, an increase of AED 1,343.8 million, comprised of:

- Investments in associates and joint ventures**, of AED 5,321.2 million compared to AED 5,033.6 million in 2016, an increase of AED 287.7 million; mainly representing the net share of profit net of impairment of AED 387.4 million, mainly from AerCap, NPS Holdings Limited and Dunia Group; acquisition of 20% stake in Channel VAS of AED 200.5 million; and the reclassification of NPS Holdings Limited to asset classified as held for sale of AED 283.6 million.
- Investment property**, of AED 758.7 million compared to AED 680.6 million in 2016, an increase of AED 78.1 million; mainly representing additional investments of AED 144.2 million during the year in Waha Land on account of additional construction of small industrial units on Stage 2A of Phase 1 of industrial real estate; offset by a fair value loss of AED 58.4 million.
- Financial investments**, of AED 3,575.2 million compared to AED 2,823.0 million in 2016, an increase of AED 752.2 million; mainly representing an increase of AED 1,099.8 million in Capital Market funds; AED 86.0 million in Principal Investments, mainly in SDX Energy Inc.; offset by a revaluation reduction of AED 433.6 million in fair value of equity price collars in AerCap, reducing the asset value to nil. A further reduction in fair value of equity price collars in AerCap of AED 109.1 million was recognised as a derivative liability.
- Other assets**, of AED 717.3 million compared to AED 657.8 million in 2016, a net increase of AED 59.5 million; mainly represents increase in receivables of NPS Holdings disposal amounting to AED 114.2 million; offset by a decrease of intangible assets of AED 33.6 million due to the disposal of a subsidiary (Proficiency Healthcare Diagnostics).
- Cash and cash equivalents**, of AED 519.6 million compared to AED 571.2 million in 2016, decrease of AED 51.6 million; mainly includes the following investing and financing cash flows:
  - Corporate: payments of AED 367.7 million for 2016 dividends offset by loan drawdown of AED 735.6 million.
  - Capital markets: investments of AED 813.6 million; funded by repurchase liabilities of AED 238.5 million and net contributions from non-controlling interest holders of AED 431.6 million.
  - Principal Investments: investment of AED 143.7 million in Waha Land funded by a loan of AED 103.6 million; newly acquired investment in Channel VAS of AED 200.5 million and other equity securities of AED 48.3 million; and
  - Private equity: proceeds of disposal of a subsidiary (Proficiency Healthcare Diagnostics) amounting to AED 170.0 million.
- Assets classified as held for sale**, of AED 219.5 million represents the Group's remaining stake in NPS Holdings Limited which is expected to be disposed during 2018.

The Group's total liabilities of AED 7,184.5 million as at 31 December 2017 compared to AED 5,830.5 million as at 31 December 2016, an increase of AED 1,354.0 million, comprised of:

- Borrowings**, of AED 6,584.0 million compared to AED 5,464.9 million in 2016, an increase of AED 1,119.1 million mainly represents loan drawdowns from Corporate, Capital markets and Principal Investments amounting to AED 735.6 million, AED 238.5 million and AED 103.6 million respectively.
- Derivative liabilities**, of AED 123.3 million compared to AED 29.8 million in 2016, an increase of AED 93.5 million; mainly represents an increase of AED 109.1 million due to the recognition of the fair value of the equity price collars in AerCap as a derivative liability.
- Trade and other liabilities**, of AED 444.6 million compared to AED 306.6 million in 2016, an increase of AED 138.0 million; mainly represents increase in payables of Capital Markets due to brokers on settlement of trades and interest accrued on borrowings.

## Total assets composition



## BUSINESS AND PORTFOLIO COMPANIES ANALYSIS

The Group's business comprises two primary divisions: Principal Investments and Asset Management.

The Principal Investments division comprises the Group's direct investments. The Asset Management division comprises the Group's Capital Markets and Private Equity businesses.

### Principal Investments

Waha Capital's Principal Investments business includes direct equity and loan investments in public and private companies. The Principal Investments portfolio holds six core investments: (a) AerCap Holdings NV (AerCap), (b) Waha Land, (c) NPS Holdings Limited, (d) Dunia Group, (e) MENA Infrastructure Fund, and (f) Channel VAS.

Principal Investments reported total income of AED 461.8 million and net profit of AED 419.9 million for the year ended 31 December 2017, compared to total income of AED 513.0 million and net profit of AED 491.0 million during the corresponding period in 2016. Total income from Principal Investments represented 40% of the Group's total income for year ended 31 December 2017 compared to 45% during the corresponding period in 2016.

### AerCap

AerCap, a NYSE listed company, is a global aircraft leasing company. It acquires aircraft from manufacturers, airline operators, other aircraft-leasing companies and financial investors to lease to commercial airlines and cargo operators.

During the year ended 31 December 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 17.55%.

Waha Capital continues to retain two seats on AerCap's Board of Directors, as well as representations on the various Board sub-committees.

The key highlights of AerCap for the year ended 31 December 2017 were as follows:

- 402 aircraft transactions executed, as follows:
  - Signed lease agreements for 230 aircraft;
  - Purchased 58 aircraft;
  - Executed sale transactions for 114 aircraft;
- Signed an agreement with Boeing for an order of 30 787-9 aircraft;
- Exercised options with Airbus to purchase 50 A320neo Family aircraft; and
- Signed financing transactions for USD 12.6 billion.

As of 31 December 2017, AerCap's portfolio consisted of 1,531 aircraft that were owned, on order or managed. The average age of owned fleet was 6.8 years and the average remaining contracted lease term was 6.9 years.

For the year ended 31 December 2017, AerCap has contributed 33.6% of the Group's total income and its carrying value of AED 4,938.9 million represents 43.5% of the Group's total assets.

## Waha Land

Waha Land, a wholly owned subsidiary of Waha Capital, is currently engaged in developing ALMARKAZ, an integrated mixed-use industrial development with Grade "A" industrial/logistics facilities and first class infrastructure. The project is located in Al Dhafra, approximately 35 km from central Abu Dhabi, and is well located to access the multi-modal industrial and logistics infrastructure (land, sea, air, and future rail) of the U.A.E. The ALMARKAZ development is on a 6 km<sup>2</sup> area of land, which was granted by the Government of Abu Dhabi.

Phase 1 of the project occupies 25% of the total land area (1.5 km<sup>2</sup>). Stage 1 of Phase 1 involved the construction of roads and services infrastructure for the 1.5 km<sup>2</sup> of land and 90,000 m<sup>2</sup> of small industrial units (SIU's). The SIU's are fully leased out with a range of tenants from diverse industry segments in the SME space such as plastics, paper manufacturing, steel works, f&b preparation, oil & gas, defence and logistics.

In June 2016, Waha Land signed a AED 426 million financing with a local bank for further development of Phase 1 within ALMARKAZ, following the successful leasing of existing facilities. This expansion, called Stage 2, will add 187,000 m<sup>2</sup> of premium industrial and logistics facilities and will also include retail and commercial amenities to enhance the business park experience of ALMARKAZ. Stage 2 is being constructed in two packages (2a & 2b), with the initial Stage 2a consisting of 92,500 m<sup>2</sup> of built up area.

The construction of Stage 2a is almost complete with ongoing final finishing works. The units are expected to be available for occupancy by end of Q1 2018, with marketing of these units currently ongoing. The Stage 2 development will include flexible industrial buildings, as well as ready to occupy industrial units, warehouse and storage facilities, commercial office and retail units to serve the growing working population at ALMARKAZ. This expansion is in line with the Waha Land's underlying ethos to execute a consistent and disciplined investment approach with emphasis on flexible assets to suit a variety of uses and support a diverse range of tenants and industry segments.

Waha Land's growth strategy with respect to ALMARKAZ is focused on continuing to grow and diversify its tenant base, developing new products and services for its existing and prospective tenants, and providing exceptional services with the ultimate aim of meeting the needs of UAE SMEs as well as manufacturing and logistics players.

During the year ended 31 December 2017, Waha Land reported:

- Rental revenue and other income of AED 37.6 million (2016: AED 39.2 million) (prior to fair value adjustment);
- Cumulative development cost of AED 176.3 million (2016: AED 20.9 million) incurred for the construction of Stage 2A;
- Profit before fair value adjustment of AED 17.1 million (2016: AED 26.5 million).

The carrying value of investment property was AED 758.7 million as at 31 December 2017 including a fair value reduction of AED 58.4 million for the year.

## NPS Holdings Limited

The Group acquired a 20.15% stake in NPS Holdings Limited in June 2014, as part of a consortium, including Fajr Capital and APICORP. During first quarter of 2016, the Group acquired an additional stake equivalent to 0.57% which increased the Group's total ownership to 20.72%; which was subsequently diluted to 20.62% on issuance of new shares.

NPS Holdings Limited, through its various subsidiaries and joint ventures, has presence in Saudi Arabia, Qatar, United Arab Emirates, Brunei, India, Libya, Bahrain, Iraq, Algeria and Malaysia. Its principal activities include well services (such as cementing, coiled tubing, stimulation and other), drilling and workover, well testing and wireline services.

On 12 November 2017, the Group agreed to sell the entire investment to a private group based in Saudi Arabia and a NASDAQ-listed entity, National Energy Services Reunited Corp. (NESR), in two stages; which resulted in reclassifying the investment as held for sale. Subsequently, the first stage exit of 4.68% was completed and a gain on partial disposal amounting to AED 50.2 million was recognised.

During the year ended 31 December 2017, NPS Holdings Limited reported the following:

- Secured & extended contracts worth AED 642.9 million (31 December 2016: AED 1,920.5 million), taking current contracts-in-progress to AED 2,007.7 million (31 December 2016: AED 2,458.4 million) – the remaining value as of 31 December 2017;
- Invested AED 168.4 million in capital expenditure (31 December 2016: AED 228.4 million);
- Available banking facilities with regional banks for a limit of AED 734.0 million bearing a competitive interest. The undrawn balance of the facility was AED 175.9 million as at 31 December 2017 (31 December 2016: AED 119.4 million);
- Reported revenue of AED 994.8 million (31 December 2016: AED 822.5 million); and
- Reported a gross book value of property, plant and equipment as at 31 December 2017 of AED 1,747.3 million (31 December 2016: AED 1,592.4 million).

The Group's carrying value of NPS Holdings Limited was AED 219.5 million as at 31 December 2017.

### Dunia Group

The Group owns a 25% stake in Dunia Finance and a 25% stake in Dunia Services (together "Dunia Group").

**Dunia Finance** is a finance company regulated by the Central Bank of the U.A.E. and offers a range of financial solutions including personal loans, auto loans, credit cards, guarantees and deposits to its customers in the U.A.E. Dunia Finance has demonstrated impressive growth, stable net interest margins and healthy profits over the last few years. The company serves predominantly the salaried mass market and mass affluent segments in the UAE and has successfully grown its loan book at a 36% CAGR over 2009 to 2017.

During the year ended 31 December 2017, Dunia Finance reported the following:

- Net interest income of AED 514.0 million;
- Customer base expanded to 293,500 customers, an increase of 15% compared to 31 December 2016;
- The net customer receivables was prudently kept flat at AED 2.02 billion due to macro stress environment (31 December 2016: AED 2.0 billion);
- Cost to income ratio of 25.2%;
- Customer deposits grew to AED 1.28 billion as at 31 December 2017, an increase of 1.6% compared to 31 December 2016.
- Customer deposits comprise a mix of deposits pledged for the issue of guarantees, interbank sources, regular time deposits and deposits without pre-termination ability;
- Impairment reserve maintained at 3.3% of total loans and advances, providing an improved non-performing loan cover of 1.0x; compared to an impairment reserve of 3.5% of total loans and advances with a non-performing loan cover of 0.9x on 31 December 2016
- Healthy liquidity position with bank facilities at AED 415 million and bank placements & cash equivalents of AED 168 million.

**Dunia Services FZ LLC** was established in 2012 under the Dubai Technology and Media Free Zone Authority. Dunia Services' principal activity is to offer a range of services including strategy and management consulting and knowledge and business process outsourcing to a range of customers including commercial banks, finance companies and insurance companies.

During year ended 31 December 2017, Dunia Services recorded a revenue of AED 89 million.

The carrying value of Dunia Group was AED 165.4 million as at 31 December 2017.

### Channel VAS

In September 2017, Waha Capital acquired a 20% stake in Dubai-based fintech firm Channel VAS at a consideration of AED 200.5 million. Incorporated in 2012, Channel VAS is a premium fintech provider of financial services for mobile operators, offering a wide range of digital and mobile financial services, as well as content and marketing solutions. Company offerings include Airtime Credit Services, Mobile Financial Services, Handset Loans, Value Added Services, Micro Cash Loans, Data Loans, etc.

The company is present in over 25 countries and grown rapidly to provide over US\$1 billion nano loans in the fiscal year 2016. Channel VAS currently has access to over 500 million mobile subscribers, who utilize the company's credit services. The company sees high potential for growth in what is currently a US \$20 billion airtime credit industry as well as a much larger untapped market for newer Channel VAS product lines including micro cash loans and hand set finance loans.

Selected list of customers include MTN, Vodacom, Lyca Mobile, Reliance, Millicom, M-Cel, BSNL, DJEZZY, Umniah, Mobily, Mobilink, etc.

The carrying value of Channel VAS was AED 201.1 million as at 31 December 2017.

### MENA Infrastructure Fund

MENA Infrastructure Fund (the "Fund") was launched in 2007 as a private equity fund that invests in infrastructure development projects across MENA with a total capital commitment of AED 1,103.4 million (US\$ 300 million) from its Limited Partners (LP).

The Group originally committed to fund AED 197.7 million (17.9% of total commitment) as an LP and held a 33.3% stake in the GP (General Partner).

Since inception, the Fund has invested US\$ 223.6 million in four projects:

- a) Alexandria International Container Terminals (AICT): Held concession to operate and maintain two container terminals in Egypt. The Fund's ownership in the project was 30.3%. The investment was exited in first quarter of 2016.
- b) Qurayyah Independent Power Project (IPP): Owns and operates a 3.9GW gas-fired IPP in KSA in partnership with ACWA Power and Samsung C&T. The Fund's ownership in the project is 15%.
- c) United Power Company (UPC): Owned and operated a 270MW single-cycle gas-fired Manah IPP in Oman. The Fund's ownership in the project was 38.1%. The investment was exited in first quarter of 2016.
- d) Sohar Power Company: Owns and operates a 585MW of combined-cycle gas-fired power generation and 150,000m<sup>3</sup> of water desalination capacity in Oman. The Fund's ownership in the project is 20%.

In 2016, the Fund successfully exited from AICT and UPC for which Waha Capital received gross distributions of AED 81.8 million including dividend and capital repayment.

The Fund's dividend yield is c. 6.1%. The Group invested a total of AED 167 million (US\$ 45.5 million) for its LP (17.9%) and GP (33.3%) stakes, and received c. AED 162.2 million in distributions.

As at 31 December 2017, the Group carried its LP stake in the Fund at AED 63.8 million.

## Asset Management

The Asset Management division comprises the Group's Capital Markets and Private Equity businesses.

### Asset Management - Capital Markets

Total income from capital markets from private and public transactions was AED 275.3 million for the year ended 31 December 2017 (24% of total income) compared to AED 335.0 million during the corresponding period in 2016 (29% of total income). Capital Markets generated a net profit of AED 207.0 million during the year ended 31 December 2017 (AED 158.9 million attributable to the owners of the Group) compared to AED 270.9 million during the corresponding period in 2016 (AED 243.5 million attributable to the owners of the Group).

The Group's Capital Markets business primarily comprises investment in publicly traded securities. Capital Markets has achieved a solid six-plus-year track record of managing a portfolio of global credit market investments and four-plus-year track record of managing a portfolio of regional equities.

During the year, the Capital Markets business has outperformed its indices for all portfolios – fixed income and equities. The investment process is complemented by dedicated in-house research and robust risk management.

Capital Markets invest in securities such as bonds, sukuks, convertibles, equities, money market funds, hybrids, IPOs and pre-IPOs. Capital Markets manages three separate portfolios and focuses on credit investments primarily comprising US\$-denominated corporate bonds issued in the emerging markets with a focus on Central and Eastern Europe, Middle East and Africa (CEEMEA) and in local and Middle Eastern and North African (MENA) equities.

Capital Markets manages the Waha CEEMEA Fixed Income Fund SP, Waha MENA Equity Fund SP, and MENA Value Fund SP, which are available for subscription by third party investors. The Funds are domiciled in the Cayman Islands and regulated and supervised by the Cayman Islands Monetary Authority. HSBC Bank Middle East Limited acts as Fund Administrator and Global Custodian for the underlying assets. The Funds are managed by Waha Investment PrJSC, an investment manager licensed by the UAE Central Bank and the Securities & Commodities Authority. Total assets managed by Waha Investment PrJSC, including third party subscriptions, amount to AED 2.1 billion as of 31 December 2017.

In addition to the above, since 2008, Capital Markets has also arranged several private transactions. These transactions include a range of financial instruments usually secured on an underlying asset. The financial instruments typically include secured debt, mezzanine debt, junior debt, structured debt and selected options and derivatives.

Capital Markets sales team is focused on actively marketing the funds to investors as well as focusing on continuing the growth of current Assets Under Management.

### Asset Management - Private Equity

Waha Capital's Asset Management – Private Equity business portfolio holds the Group's investment in Anglo Arabian Healthcare.

Total income from Private Equity was AED 424.1 million for the year ended 31 December 2017 (36% of total income) compared to AED 301.9 million during the corresponding period in 2016 (26% of total income). Private Equity segment recorded a net profit of AED 53.8 million during the year ended 31 December 2017 (AED 73.9 million attributable to the owners of the Group) compared to a net loss of AED 130.6 million during the corresponding period in 2016 (loss of AED 98.8 million attributable to the owners of the Group).

## Anglo Arabian Healthcare

In 2013, the Group made its first investment in the healthcare sector by acquiring Anglo Arabian Healthcare (AAH), a group established to deliver healthcare services throughout the United Arab Emirates. AAH owns and operates 29 business assets, employs more than 1,000 people and serves over 540,000 registered outpatients.

A portfolio of 29 operating assets consist of 18 clinics, 6 pharmacies, 2 diagnostics centres, 1 medical education provider, 1 day-hospital and 1 new hospital which opened in Q4 2015. Subsequent to the launch of the new hospital, the inpatient capacity of 1,872 per annum has increased to c. 23,400 per annum. The launch of the new hospital, which is offering inpatient and outpatient services, was a significant milestone in the history of AAH.

During Q3 2017, HealthBay Polyclinic, an asset owned by AAH, opened a new multispecialty medical complex in Dubai offering wide range of specialized healthcare facilities. Such expansion allows AAH to capture the expected growth in healthcare segment and position itself to benefit from captive business using cross-referral within the Group.

During Q4 2017, AAH has completed the sale of its full equity stake in Proficiency Healthcare Diagnostics (PHD) to Al Borg Medical Laboratories, the GCC's largest chain of private laboratories. The transaction involves an equity sale price of approximately AED 171.1 million for 93% of PHD, with the net impact on AAH being an accounting gain of approximately AED 124.5 million.

During the year ended 31 December 2017, AAH has achieved the following:

- Consolidated revenue of AED 287.5 million, a 2.6% decrease on AED 295.1 million in the corresponding period in 2016;
- Consolidated revenue is comprised of AED 112.2 million (2016: AED 150.9 million) from laboratory services, AED 139.2 million (2016: AED 119.2 million) from patient fees and AED 36.1 million (2016: AED 25.0 million) from sale of pharmaceuticals; and
- Shareholders' equity base attributable to owners of AED 355.3 million as at 31 December 2017 compared to AED 215.9 million as at 31 December 2016

The Group's carrying value of AAH's net assets was AED 320.5 million as at 31 December 2017.

## Outlook

Waha Capital's year end 2017 results show that the company continues to perform well and in-line with its strategy of diversifying its revenue streams. Earnings were driven by solid performance across the business and, in particular, by key assets in Waha Capital's Principal Investments division and a robust performance from the Company's capital markets portfolio.

The Company has successfully streamlined its divisional structure to enhance its recurring revenues and has invested in developing and growing new lines of fee-generating businesses. Waha Capital now offers its investment expertise to third-party investors and its funds have continued to outperform their benchmarks, having established an excellent track-record over the last four years. The Asset Management division is central to the Group's future growth strategy and the new structure enables Waha Capital to capitalise on a wider pool of potential investment opportunities.

With a strong balance sheet in place, Waha Capital remains well positioned to deliver steady and sustained growth that will add to shareholder value and generate attractive returns.



**Salem Rashid Al Noaimi**

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