



INTERNATIONAL HOLDING COMPANY PJSC AND THE NEW GROWTH MILESTONES: A MANAGEMENT DISCUSSION AND AN ANALYSIS REPORT FOR H1 2021

Despite global headwinds, the growth journey continued with a stellar consolidated Revenue at AED 9.93 billion and Net Profit at AED 4.36 billion for the first six months period ended June 30, 2021

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Executive Summary and Group Overview

Positivity is in the UAE's air despite the global economic gloom owing to the pandemic. The strengthening of the global oil prices, coupled with the forecast by International Monetary Fund (IMF) of healthy GDP growth for the UAE in 2021 bodes well for the country. As an emirate, Abu Dhabi also has a positive fiscal outlook for 2021. IHC has played a pivotal role in helping the UAE economy to achieve growth. (IHC: ADX).

The IHC has continued to deliver stellar growth performance despite the challenging global market conditions, and the achievements in the first six months of 2021 only got better from the previous period.

Pragmatic business combinations, tactical acquisitions, strategic investments, rational decision-making along with the rapid growth jointly contributed to the strong growth of the diversified company in H1 2021. Consolidated revenue for H1 2021 was AED 9.93 billion and net profit stood at AED 4.36 billion, making the IHC the most valuable company listed on the Abu Dhabi Securities Exchange (ADX) in the second quarter of 2021.

The Company also appeared on the Forbes' 2020 list of *The Middle East's Top 100 Companies*. These achievements are a testament to the focus and commitment of the IHC's leadership,



inherent resilience and agility of its business models along with the strong dedication of the conglomerate's employees.

Headquartered in the UAE capital Abu Dhabi, the IHC is one of the fastest growing diversified holding companies in the region with a global presence extending across the Middle East, Europe and the Americas.

While the conglomerate is on board with the UAE's development plans for the next 50 years, the IHC is also closely aligned with the country's Vision 2030 with an intent of not only supporting the UAE's path towards growth but also actively participating and contributing to the nation's growth in a multitude of industries through innovation, astute decision-making creativity, perseverance, resilience, and adoption of new technologies.

The diversified IHC family includes more than 180 entities, a north of 48,000 employees and operates in seven primary business segments such as Real Estate, Healthcare, Food, Utilities, Industrials, Digital, and Capital.

Major Takeaways from H1 2021

- Revenue was AED 9.93 billion, with 304% jump YoY for the first six months, while Q2 2021 revenue was AED 7.65 billion - a 339% increase YoY.
- Gross Margin was at 40.9% and Expansion was 4.98% YoY.
- The H1 2021 Net Profit was AED 4.36 billion, with 436% increase YoY, while the Q2 2021 Net Profit was AED 2.87 billion witnessing an increase of 309% YoY.
- For the H1 2021, Net Margin was at 43.9% and the company witnessed an Expansion of 10.82% YoY.
- Earnings Per Share (EPS) jumped 235% in H1 2021 YoY to AED 1.44.
- Total assets were at AED 58.32 billion, an increase of AED 44.30 billion from December 31, 2020.
- The strategic acquisition of 45% in Alpha Dhabi Holding LLC (formerly Trojan Holding LLC; now Alpha Dhabi Holding PJSC), a company brought under common control, through business combination effective April 1, 2021. Alpha Dhabi reported revenue of AED 4.48 billion and Net Profit of AED 1.63 billion in Q2 2021. The acquisition also resulted in Alpha Dhabi adding AED 34.26 billion to the total assets of the IHC as of June 30, 2021.

Strategic Updates for H1 2021

Significant Acquisitions During the Period

- The Group, through its Capital vertical, acquired 45% controlling stake in Alpha Dhabi Holding LLC (formerly Trojan Holding LLC; now Alpha Dhabi Holding PJSC), a company brought under common control, through business combination on April 1, 2021. The

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acquisition has been accounted using the pooling of interest method. An additional 0.72% was acquired for a consideration during Q2 2021 taking the total controlling stake to 45.72%.

Established in 2013, Alpha Dhabi Holding PJSC is one of the fastest-growing construction group of companies in the Middle East. Its development and construction projects are spread across various mixed-use, high rise, affordable housing, healthcare, infrastructure, hospitality and transportation projects including many marquee projects such as Waters Edge, Palm Tower, Deira Waterfront, Nation Towers, Jabal Hafeet Emirati housing and Etihad Rail. With more than 40,000 employees, the group has been focused on real estate interests and assets that support the infrastructure of the country. Alpha Dhabi has recently embarked on building a diversified portfolio that manages, deploys, and organises a variety of entities within its five major verticals - Industrial, Healthcare, Capital, Construction, and Hospitality.

Following the acquisition, Alpha Dhabi, along with its subsidiaries, has significantly contributed to the Group's consolidated financial statements:

Particulars	AED Million
Balance Sheet - June'21	
Total Assets	34,255
Total Liabilities	20,224
Revenue & Net Profit - Q2'21	
Revenue	4,484
Net Profit (NP)	1,626
NP%	36%

- Alpha Dhabi Holding LLC (now Alpha Dhabi Holding PJSC) acquired the following companies under common control during Q2 2021:
 - 100% equity in Murban Energy Limited which is a leading diversified investment company based in Abu Dhabi with substantial assets under management in the hospitality sector. Its principal activities also extend to facility management services and oil and gas service sectors
 - 65.1% equity in National Marine Dredging Company PJSC (NMDC) by acquiring 100% equity in Sogno Commercial Investment Sole Proprietorship LLC and WAS Two Commercial Investment Sole Proprietorship LLC - companies created to hold shares of NMDC. The total equity stake of the Group in NMDC is at 65.74%. NMDC provides dredging, reclamation and marine construction services to clients in the energy, environment, maritime, tourism and urban development sectors. NMDC holds 100% stake in NPCC – the largest state-of-the-art Engineering, Procurement and Construction entity in the region for the oil and gas sector.
 - 70% equity in Mawarid Holding Investment LLC which is engaged in providing services across different industries including forest management, landscaping, research and development, animal feed production, finance and tourism industries.





- 100% equity in Sublime Commercial Investment – Sole Proprietorship LLC which is an investment holding company. It holds 12.2% stake in Aldar Properties PJSC.
- 31.5% equity in Pure Health Medical LLC, taking the total ownership to 63% at the IHC Group level. Pure Health manages a network of hospitals, medical visa screening services, laboratories, and healthcare informatics, making it one of the largest healthcare organisations in the UAE.
- The Group, through its Industrial vertical, acquired 60% stake in Afkar Financial and Property Investments LLC, a company brought under common control, through business combination effective January 1, 2021. The acquisition has been accounted using the pooling of interest method. Afkar is engaged in commercial enterprise investment, institution and management, companies' representation, real estate enterprises investment and development.
- The Group, through its Digital vertical, acquired 48% shares in Emirates Driving Company PJSC ("DRIVE"), a company brought under common control, through business combination effective June 30, 2021. The acquisition has been through Multiply Group which acquired directly 11.25% in DRIVE and then acquired 100% shares in Spranza Commercial Investment – Sole Proprietorship LLC which in turn holds 36.75% in DRIVE. The acquisition has been accounted using the pooling of interest method. The company is involved in the management and development of motor vehicles driving training and management of investment properties.
- During H1 2021 Apex Catering, which was restructured into Apex Holding LLC conducted external acquisition and as a result the following companies joined the ever-expanding IHC family:
 - Apex National Investment – Sole Proprietorship (Commercial Enterprises Investment, Institution and Management, Real Estate Enterprises Investment, Development, Institution and Management, Industrial Enterprises Investment, Institution and Management)
 - The Central Tents Company LLC (Retail Sale of Tents and Shade, Tailoring and Producing Tents and Pavilions, Parties and Events Organization, Importing)
 - Boudoir Interiors LLC (Interior Design Implementation works, Retail sale of House Furniture and Cabinet work)
 - RR Facility Management LLC (Buildings Maintenance, Camps and Labour Accommodation Management, Facility Management Services).
- The Group, through its Food vertical, acquired 60% interest in Royal Horizon Holding LLC ("Royal Horizon") and its subsidiaries effective January 1, 2021, using the acquisition method. The Group is engaged in importing and wholesale of canned and preserved foodstuff trading, general trading, retail and wholesale consumer stores, packaging and wrapping of foodstuff, retail sale of computer system and software, and retail sale of wood products.



Other Significant Investments

- The IHC's investment in associate companies during the period was mainly the 40% stake acquired for a consideration in Response Plus Medical Services LLC, which is the UAE's largest provider of on-site healthcare management, pre-hospital care (both offshore and onshore) medivac, medical care in events and medical emergency transfers from remote sites. The investment was made by Alpha Dhabi.
- Sinovation Disrupt Fund, LP [Cayman Island (USA) based fund] investing primarily in equity and equity-linked securities of privately held companies focused on Artificial Intelligence (AI) or other advanced enabling technologies, or technology-infusion into non-AI businesses
- The Group has increased their stake in Space X through their investment VY GP Limited's fund.

Key Listings

- During the period, the Group has listed two of its subsidiaries on the Abu Dhabi Securities Exchange (ADX) which are namely Alpha Dhabi Holding PJSC and Emirates Stallion Group PJSC. The listing has helped in unlocking shareholder value.

Financial Performance for H1 2021

The Group's strategy of enhancing shareholder value through business combinations, acquisitions and strategic investments has resulted in IHC acquiring controlling stake of 45% through business combination in Alpha Dhabi during Q2 2021. This has resulted in IHC delivering record breaking performance for H1 2021 with consolidated Revenue of AED 9.93 billion and Net Profit of AED 4.36 billion.

The Alpha Dhabi acquisition has also resulted in significant strengthening of the Balance Sheet. The total assets of the IHC on June 30, 2021, stood at AED 58.32 billion compared to AED 14.01 billion as of December 31, 2020.

Earnings Highlights

AED Million	H1'21	H1'20	Change	Change %
Revenue	9,926	2,457	7,469	304%
Cost of revenue	(5,865)	(1,574)	(4,291)	273%
Gross profit (GP)	4,061	883	3,178	360%
Operating Expenses	(797)	(228)	(568)	249%
Investment Income & Other Income	701	25	676	2696%
Profit share from Investment in Associates	436	149	287	193%
Gains on acquisition/disposal of subsidiaries	12	-	12	0%
Finance costs	(56)	(15)	(41)	265%
Profit Before Tax	4,357	813	3,544	436%
Tax	4	0	4	1075%
Net Profit (NP)	4,361	814	3,548	436%

Margin %	H1'21	H1'20	Change (bps)
GP%	40.9	35.9	498
Operating Expense%	8.0	9.3	(126)
NP%	43.9	33.1	1,082

Revenue on YoY basis grew by a robust AED 7.47 billion or 304% to AED 9.93 billion. Capital and Healthcare verticals were the main contributors to the growth with Capital contributing AED 5.1 billion or 69% of the total growth. This was mainly on account of acquiring controlling stake in Alpha Dhabi which contributed AED 4.48 billion to the revenue.

In addition, Apex Holding contributed AED 661 million. Healthcare vertical growth was driven by increased requirement of medical equipment, supplies and services due to the global COVID-19 pandemic. This resulted in revenue growth of AED 1.86 billion, contributing 25% to the total revenue growth. The share of Capital and Healthcare verticals in the total revenue for the period was at 54% and 26%, respectively.

Gross Profit (GP) in absolute terms increased by AED 3.18 billion. The main contributors were Alpha Dhabi at AED 1.65 billion and Apex Holding at AED 304 million under Capital vertical and revenue growth and higher margins from Healthcare vertical generating incremental gross profit of AED 1.30 billion.

The GP percentage improved from 35.9% in H1 2020 to 40.9% in H1 2021, an expansion of 4.98%. The significant revenue share of 45% from Alpha Dhabi at gross profit of 36.8% and Healthcare vertical revenue share of 26% generating strong gross profit margin of 65% has resulted in the expansion of GP percentage. However, the increase has been partially impacted by a decline in GP% in some of the other verticals due to the prevailing market conditions.

Operating expenses at 8.0% of the revenue is in well under control and lower by 126 bps YoY.





Investment Income of AED 701 million was witnessed mainly on account of change in fair value of investments, interest & dividend income & foreign exchange gain.

Profit from Investment in Associates garnered AED 436 million and was mainly from 31.5% stake in Pure Health, an entity which was an associate company in Q1 2021.

Net Profit (NP) in absolute terms increased by AED 3.55 billion or 436% to AED 4.36 billion in H1 2021. This was mainly due to the increase in profit from Capital vertical by AED 2.55 billion on account of acquiring controlling stake in Alpha Dhabi and gains attributable to investments including share of profit from associates. Revenue growth in healthcare vertical contributed incremental profit of AED 1.16 billion. The increase was partly offset by reduction in Net Profit of Real Estate and Industrial verticals due to prevailing market conditions in the region. The share of Capital and Healthcare verticals in the total profit for the period was at 63% and 36%, respectively.

The NP percentage expanded by 10.8% to 43.9% mainly due to higher gross profit percentages, lower operating expenses percentage, and an increase in investment income (including profit from associates) as a percentage of revenue.

Summary of Financial Position

AED Million	Jun-21	Dec-20	Change	Change %
Non Current Assets	20,100	4,615	15,485	336%
Cash and Bank Balances	15,461	3,665	11,796	322%
Other Current Assets	22,754	5,732	17,023	297%
Total Assets	58,316	14,012	44,304	316%
Equity attributable to Owners of Company	15,946	7,469	8,477	113%
Non-controlling Interests	9,870	353	9,517	2695%
Total Equity	25,816	7,822	17,994	230%
Borrowings (Current+Non Current)	8,274	926	7,348	793%
Other Non Current Liabilities	2,561	533	2,028	380%
Other Current Liabilities	21,666	4,731	16,935	358%
Total Liabilities	32,500	6,190	26,310	425%
Total Equity and Liabilities	58,316	14,012	44,304	316%

Total Assets: The steep increase of AED 44.30 billion in the total assets of the Group from AED 14.01 billion at the end of December 31, 2020, to AED 58.31 billion at end June 30, 2021, was primarily on account of the acquisition of the controlling stake in Alpha Dhabi in Q2 2021. Alpha Dhabi contributed AED 34.3 billion to the total assets. The balance increase was mainly in trade receivables AED 2.2 billion and cash and bank balance. The share of Capital vertical in the total assets was 77%, followed by Real Estate 7%, Healthcare at 6% and Industrial 3%.

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Non-Current Assets constitute property, plant and equipment amounting to AED 8.46 billion, financial assets stand at AED 6.48 billion, investment properties at AED 1.82 billion and intangible assets at AED 1.30 billion, among others.

Working Capital is at AED 13.63 billion (as against AED 4.49 billion in December 2020) with the current ratio at a healthy 1.55. Below are the components of the Working Capital:

- **Cash and Bank Balance** has increased by AED 11.80 billion or 322% to AED 15.46 billion. Excluding the custodian money, the Cash & Bank balance is at AED 7.87 billion an increase of AED 5.36 billion which is mainly on account of cash generated from operating activities AED 3.23 billion and AED 3.16 billion from Business combinations of entities under common control. For repayment of borrowings, and amount of AED 1.2 billion has been used. The strong liquidity position is important for the IHC to execute its growth strategy.
- **Other-Current Assets** consist of AED 11.71 billion of trade and other receivables, AED 5.70 billion of contract assets, AED 1.73 billion of financial assets and AED 1.06 billion of inventories among others.
- **Current Liabilities** consist of AED 13.36 billion of trade and other payables, AED 6.37 billion of related party payables, AED 2.92 billion of current borrowings and contract liabilities of AED 1.86 billion, among others. This increase is primarily on account of the acquisition of the controlling stake in Alpha Dhabi and client liabilities (corresponding to custodian money).

Equity attributable to owners has amplified by AED 8.48 billion or 113% to AED 15.95 billion mainly due to higher merger reserves from business combinations of entities under common control and increase in retained earnings from profits generated during the period.

Bank borrowing of the IHC conglomerate stands at AED 8.27 billion at the end of June 2021 and is mainly originating from the controlling stake in Alpha Dhabi. Also, Debt Equity ratio of 0.3 is under control.

Highlights from the Segments

Capital

AED Million	H1'21	H1'20	Change	% Change
Revenue	5,311	167	5,144	3073%
Net Profit	2,747	195	2,552	1306%
Net Profit %	52%	117%		

The companies under the Capital vertical include brokerage services provided with respect to securities and investment in subsidiaries with diverse portfolio of assets and investments.

The acquisition of controlling stake in Alpha Dhabi during the quarter contributed AED 4.48 billion to the revenue which constitutes 87% of the increase and AED 661 million or 13% is contributed by Apex Holding (acquired in Q1 2021).

The main contributors to the net profit increase were Alpha Dhabi contributing AED 1.62 billion followed by Apex Holdings contributing AED 295 million, incremental share of profit



from associate company AED 284 million, change in fair value of investments contributed AED 271 million and incremental profits of AED 71 million from other subsidiaries.

Healthcare

AED Million	H1'21	H1'20	Change	% Change
Revenue	2,621	766	1,855	242%
Net Profit	1,552	397	1,155	291%
Net Profit %	59%	52%		

The Healthcare vertical includes sale of medical equipment and supplies.

The growth in Healthcare vertical was driven by increased requirement of medical equipment, supplies and services due to COVID-19 pandemic.

Tamouh Healthcare and Quant Lase Labs, the two entities under the Healthcare vertical are the contributors to the revenue and net profit increase. Healthcare business continues to generate higher margins.

Industrial

AED Million	H1'21	H1'20	Change	% Change
Revenue	383	521	(138)	-27%
Net Profit	33	135	(102)	-75%
Net Profit %	9%	26%		

The Industrial vertical includes sale of spare parts and repairs of military equipment, among others.

Revenue decline was mainly on account of reduction in the revenue of a subsidiary by AED 273 million, a one-off business opportunity in previous period, and sale of a subsidiary which contributed AED 26 million to revenue in H1 2020. The decline in revenue has been partially compensated by revenue from Afkar Financial and Property Investments (acquired in Q1 2021) and an increase in Al Seer Marine's revenue.

The decrease in net profit by 75% is mainly on account of lower net profit in one of the subsidiaries, partially compensated by profits from Afkar.

Food

AED Million	H1'21	H1'20	Change	% Change
Revenue	596	418	178	43%
Net Profit	(6)	7	(14)	-187%
Net Profit %	-1%	2%		

The Food vertical includes the trading of fresh and frozen seafood as well as trading in regional and global foodstuff. It also includes sourcing, processing and selling forage and animal feed to secure the food from milk, meat and poultry industry.

Zee Stores had a robust growth significantly to the total revenue growth. This is mainly due to the acquisition of Royal Horizon at the start of the period.



Apparently, the Vertical loss is due to businesses with other Verticals within the Group adjusted and eliminated at the IHC Group level. This demonstrates the business synergies within IHC itself.

Real Estate

AED Million	H1'21	H1'20	Change	% Change
Revenue	357	353	5	1%
Net Profit	18	72	(54)	-75%
<i>Net Profit %</i>	<i>5%</i>	<i>21%</i>		

The Real Estate vertical includes technical, commercial and contracting services specifically marine work contract, landscaping design and execution, labour camp management and sale of properties.

Due to the prevailing conditions, there is no significant movement in revenue and pressure on margins has resulted in reduction in net profit by AED 54 million

Digital

AED Million	H1'21	H1'20	Change	% Change
Revenue	446	130	315	243%
Net Profit	(20)	(11)	(9)	83%
<i>Net Profit %</i>	<i>-4%</i>	<i>-8%</i>		

The Digital vertical includes providing services with respect to sport enterprises investment, management services, sale of food and cafeteria items and cinema shows.

Revenue growth is mainly from outsourced business of the Group. Other subsidiaries have also contributed to the growth.

Apparently, the Vertical loss is due to businesses with other Verticals within the Group adjusted and eliminated at the IHC Group level. This demonstrates the business synergies within IHC itself.

Utilities

AED Million	H1'21	H1'20	Change	% Change
Revenue	212	101	111	109%
Net Profit	64	37	27	74%
<i>Net Profit %</i>	<i>30%</i>	<i>36%</i>		

The Utilities vertical includes installation of district cooling and air conditioning, installation of solar panel farms, repair district cooling and investment in infrastructure projects.

PAL Cooling Holding contributed 100% of the revenue and net profit.

Subsequent Events and Future Outlook

The International Holding Company has continued to supersede its own performance quarter after quarter and year after year, and this would be the trend for the rest of the 2021. Under the guidance of the company's astute and visionary leadership, the IHC will carry on its drive to identify assets and businesses to further expand its diversification strategy and at the same time it will also keep enhancing the performance of the existing business under the conglomerate's umbrella.


Syed Basar Shueb

Managing Director

