CEO MONTHLY

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In my August monthly letter, I share my perspectives on Amanat's performance during the first six months of 2020. Key highlights:

- **How we maintained profitability in the period**
- **The transitionary challenges we faced and their impact on our portfolio**
- **Our outlook across our sectors and future prospects**

Friends,

This month investors across the world watched closely as companies reported their half-year financial results. Some of the big questions on everyone's mind were – which economic shifts caused by COVID-19 were transitory, which would have a lasting and permanent **impact**, and what can we expect over the rest of the year?

The half-year reporting period, which investors hope has captured the initial shock of the pandemic as well as the transition out of the strictest phases of lockdown is expected to deliver clarity on the lasting effects of COVID-19. Over the first quarter, Amanat, like all investment firms, adapted to the changes brought about by the pandemic, and a few days ago we issued our half-year financial results.

I believe we proved resilient during this tough period as we emerged **profitable** and with a strong balance sheet in spite of a one-off provision at one of our portfolio companies. Despite the full impact of a global pandemic that saw restrictions put a halt across most business operations we reported an adjusted total income and adjusted income from investments of AED 43.0 million and AED 37.4 million respectively. We were able to generate an adjusted net profit of AED 16.5 million, which excludes the AED 15.9 million one-off.

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We experienced robust **growth** in our education platform, with income up 5.4% to AED 60 million thanks to our ability to swiftly pivot to home learning and streamline costs while increasing student enrollment. Our healthcare platform on the other hand underperformed due to the restrictions on elective surgeries and movement restrictions, which resulted in a decline of outpatient volumes, similarly to our regional peers. However, the decline was short-term in nature, with demand deemed deferred rather than cancelled. In fact, our portfolio has seen a significant uptick in activity since restrictions have eased in June and July, a trajectory we are hopeful will continue. Nonetheless this resulted in a net loss of AED 23 million, which was unfortunately accentuated by a one-off provision bringing our net profit for the period just under AED 600,000.

The majority of the obstacles that our portfolio companies faced were **transitionary** in nature but many of these challenges helped strengthen operations for the future. For example, the management team at Taaleem took the strategic decision to introduce tuition discounts for the third school-year term, of which 50% is applied for term-three fees and the other 50% is issued in the form of a credit note that can be used in the first-term of the next academic year. While the discounts had a one-time financial impact on **profitability**, their structure will encourage students to re-enroll at Taaleem schools and is expected to support September enrollment. Furthermore, we have identified areas for permanent cost savings to streamline operations, which we expect will allow us to offset any potential drop in student numbers. A positively surprising impact was seeing our income improve significantly from our investment in Abu Dhabi University Holding Company (ADUHC), which was driven by strong enrollments, higher credit hours sold and the successful implementation of cost management initiatives.

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At our healthcare platform, despite the transitionary challenges, our front liners in KSA and Bahrain stepped up to support the national healthcare systems and partake in the fight against COVID-19, a commendable achievement to acknowledge. In parallel, our portfolio companies accelerated the roll-out of new services such as telemedicine and homecare in addition to the implementation of cost rightsizing initiatives. As a result, IMC returned to profitability and Sukoon recorded positive EBITDA in the month of June providing an encouraging indication of both companies speedy and healthy recovery.

Looking ahead, we are more prepared and have been quick to adapt and optimize our strategies to navigate the recent transient shifts. We are working with our portfolio management teams to identify which trends look set to impact performance throughout the rest of the year. Across our education companies, September enrollments will be a key precursor and we are cautiously optimistic. That said, we have managed to implement cost controls in anticipation for any potential drop in student numbers and have the digital platforms and technological support to continue to deliver on the quality education we have been providing to the families across our network.

Hospitals are announcing new operating hours and protocols to accommodate the healthcare needs of patients, reduce the risk of transmission and elevate the overall patient experience. We anticipate there will be even further advancement on the digitization of healthcare provision, which should enable our portfolio companies to increase efficiency and continue to optimize on their cost structure.

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It is clear that the healthcare and education sectors proved their defensive nature in both adaptability and in their immediate return to normality after one of the most abrupt pauses in contemporary history and as soon as restrictions were lifted. What really differentiates Amanat is the balance sheet **strength** of our portfolio companies that enabled us to weather the headwinds without cash flow pressures, allowing the management teams to focus on fighting the virus and adapting, rather than fighting to survive.

From Amanat’s standpoint, our solid balance sheet enables us to navigate economic shocks and provides confidence to our portfolio companies if ever required. Additionally, our strong market positioning and track record allows us to play a key role in market consolidation. We are actively looking at opportunities in both sectors, in addition to an even broader investment landscape where our sectors intersect with digitization and special situation opportunities, which are expected to surface towards the end of 2020 and early 2021.

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Our H1 reporting was an important moment for Amanat as we were able to provide clarity on the financial impact COVID-19 had on our business and differentiate between short-term transitionary shifts and powerful longer-term drivers of growth. The road ahead is by no means free of challenges, so we will continue providing clarity to our shareholders and investors as to how our portfolio companies are adapting and growing over the months ahead.