CEO MONTHLY

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Reflecting on FY-2020 we faced a series of operational challenges, witnessed a solid recovery across our portfolio in 4Q-2020 and shifted our focus increasingly towards planning a post-COVID-19 Amanat towards the end of the year. We have a defined strategic roadmap for the coming years and have already started delivering on our objectives. In my letter this month I will talk through:

- The highlights from our financial and operational performance in FY-2020
- How Amanat is shaping up for the years ahead, and
- How we are already delivering on our strategic objectives in 2021

Friends,

Looking back at 2020, our results reflect our proactive response strategy that was focused on mitigating short-term impact and positioning us for long-term growth. We focused our efforts on building stronger foundations operationally at the corporate and portfolio level. While this did result in a series of one-off items as a result of our restructuring efforts, the team proactively addressed the challenges and remained focused on building value across our portfolio while ensuring our assets continued operating efficiently. I believe **we navigated these strides adequately and have reversed into solid recovery and, in some cases, even growth**, such as that seen across Abu Dhabi University Holding Company and Middlesex University Dubai.

We saw a particularly strong recovery in the fourth quarter of the year showcasing a rebound in performance since the first wave of COVID-19 in Spring 2020. Income from our education investments increased 67.0% y-o-y supported by strong enrollments and successful cost saving initiatives. We also managed to narrow losses from our healthcare investments by 24.6% y-o-y supported by record volumes at IMC, resumption of our services ramp-up efforts at RHWC as well as growing volumes and the successful restructuring at Sukoon. Together, **this resulted in an increase of 95.4% y-o-y in income from investments in 4Q-2020 compared with 4Q-2019**.

Excluding one-off items, Amanat's normalized total income recorded 88 million dirhams, a slight decline of 5% y-o-y, and 73 million dirhams in income from investments, up marginally versus last year. Normalized net profit recorded 27 million dirhams, down 33% y-o-y. Our strong market positioning enabled us to tackle the economic headwinds, to deliver solid performance and to report reasonable financial results despite the challenging external factors.

Having concluded a strong fourth quarter, we are looking closely at improving our earnings further to **ensure adequate and above market dividend returns to our shareholders**. We have built a clear pathway to achieve this through potential divestments, transforming minority stakes into majority investments to consolidate the 'platform model' more coherently and investing in assets that have the potential to grow earnings whether through recycled cash or through raising debt. Collectively these objectives will help us to improve our portfolio's performance and profitability, **accelerate investments in high-yielding assets**, and further optimize our capital structure and we have already started delivering on them.

As some of you may already be aware, Amanat acquired 100% of Cambridge Medical and Rehabilitation Center ("CMRC") at the end of February 2021. Not only was this the largest transaction in healthcare in the region over the last few years, it was also the largest investment for Amanat and the first wholly owned investment in Healthcare in the UAE.

We truly emerged as winners of a competitive bidding process and acquired an asset at an attractive valuation, significantly below average valuations across MENA in the healthcare space.

We acquired 100% of CMRC at an enterprise value of 232 million dollars or the equivalent of 851 million dirhams. This implies an **EV/ EBITDA FY-2020 multiple of roughly 7.5x for the UAE business** and the KSA business at replacement cost. It is worth noting that the KSA facility opened its doors in 2020 and is incurring the expected ramp up costs which we anticipate will continue for a cycle of 12-24 months. We financed the deal through a combination of cash on hand, representing 18% of Amanat's invested capital, and leverage, of which constitutes a Sharia compliant loan of AED 405 million, with repayment over 7 years at the level of CMRC. With this transaction we have now fully deployed our 2.5 billion dirhams of paid-up capital with nearly 3 billion dirhams of assets under management.

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To give you some context, CMRC is a leading post-acute care and rehabilitation provider in the UAE and Saudi Arabia with more than 250 beds across 3 facilities. Not to mention, CMRC revenues are more diversified to other service offerings including outpatient rehab and care for congenital diseases. It is genuinely a unique and established provider with a leading market position. In 2020, CMRC's UAE operations recorded revenues of 265 million dirhams, an EBITDA of 104 million dirhams and a net income of 76.3 million dirhams, an increase of more than four-fold since 2017. CMRC integrates into Amanat a profitable and scalable business.

CMRC key success factors include its financial strength, track record and accreditations as well as a strong management team with extensive senior healthcare management experience from across the US, the Middle East, and Asia, collectively meeting our investment criteria.

Taking FY-2020 as an example of CMRC's contribution to Amanat's bottom line, **CMRC would have increased earnings per share more than five-folds to AED 0.022 per share. The return on equity invested in the deal is expected to top 10% in the first year and grow thereafter**. This compares to c. 1.6% return on capital in 2019 (adjusted for a one-off gain, recurring net income of Amanat was AED 40mn). Moving forward we expect the UAE to grow and losses from KSA to decline which in turn will translate into further growth in earnings per share.

Post-acute care and rehabilitation has proven to be one of the most resilient subsectors during the pandemic and we are now well-positioned and have the right levers to accelerate organic growth and pursue expansion across the GCC. The acquisition of CMRC has enabled us to create the largest post-acute care platform in the GCC with nearly 500 beds across Abu Dhabi, Al Ain, Jeddah and Dhahran.

With that, we plan to make the most of its growth potential by creating demand through an even broader service line offering, by expanding into new markets in the region as well as growing CMRC's existing operations through organic growth in demand. This sub-sector of healthcare is also ripe for PPPs in the region and we look forward to playing a leading role in facilitating the expected demand.

We have concluded one of the toughest years in business history and emerged stronger having rebuilt solid foundations across Amanat and its portfolio companies. We have driven optimization at a financial and operational level, and we know how prudent it is to deliver value to our shareholders, now more than ever. **We will continue to work towards our shareholders expectations of earnings growth in order to steer closer to the returns that both of us as management and our stakeholders are adamant to realize**.

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