

Amanat Holdings PJSC Announces 1H-2020 Results

10 August 2020 | Dubai | Amanat Holdings PJSC (“Amanat” or the “Company”), the GCC’s largest healthcare and education investment company, announces its consolidated financial results for the first half ended 30 June 2020 reporting a total income of AED 27.1 million, down 57.6% y-o-y and an income from investments of AED 21.4 million down 60.7% y-o-y. Net profit was AED 0.6 million in 1H2020 compared to AED 35.1 million in the same period last year. Amanat’s results include a one-off non-cash provision of AED 15.9 million related to aged receivables attributable to Sukoon. Amanat’s adjusted net profit excluding the one-off item was AED 16.5 million in 1H2020 down 53.0% y-o-y, with bottom-line profitability having been impacted by lower contributions to income from investments by the healthcare portfolio companies on account of the restrictions imposed due to the COVID-19 pandemic.

Summary Financial Results

AED mn	1H-19	1H-20	Change
Income from Investments¹	54.5	21.4	-60.7%
Healthcare	-2.6	-38.7	High
Education ²	57.0	60.1	+5.4%
Interest & Other Income	9.4	5.7	-39.3%
Total Income³	63.8	27.1	-57.6%
Total Expenses	28.7	26.5	-7.7%
Net Profit	35.1	0.6	-98.3%
Net Profit Margin	55.0%	2.2%	-52.8 pts
Adjusted Net Profit	35.1	16.5	-53.0%
Adjusted Net Profit Margin	55.0%	38.4%	-16.6 pts

Commenting on the period’s results, Amanat’s Chairman H.E. Hamad Alshamsi said: “Favorable fundamentals along with the defensive nature of the education and healthcare sectors allowed Amanat to continue delivering profitability to our shareholders despite the transient challenges brought about by the COVID-19 pandemic. Throughout this challenging period our main priority continues to be protecting the health and safety of our staff, students, patients and the communities where we operate, while fully supporting the mitigation and containment efforts implemented by governments across our geographic footprint.

“We have also taken this as an opportunity not only to drive key cost cutting and efficiency measures across Amanat’s portfolio, but also pivot into alternative mitigants to utilize various revenue streams and offset the financial impact over the six-month period. These measures will not only enable our assets to weather the repercussions but will also unlock stronger profitability down the line when business returns to pre-COVID-19 levels.”

¹ Includes share of results from associates, net profit from subsidiaries excluding NCI and Finance Lease income.

² Assets under Amanat’s education platform have a fiscal year ending on the 31st of August and thus Amanat’s consolidated results for the six months ended 30 June 2020 reflect six-month results from the education platform’s fiscal year ended 31 August 2020.

³ Includes share of results from associates, net profit from subsidiaries excluding NCI, finance income, interest and other operating income.

Highlights

Total Income

AED **27.1** million

-57.6% y-o-y

Adjusted Total Income

AED **43.0** million

- 32.6% y-o-y

Income from Investments

AED **21.4** million

- 60.7% y-o-y

Adjusted Income from Invt

AED **37.4** million

- 31.4% y-o-y

Net Profit

AED **0.6** million

- 98.3% y-o-y

Adjusted Net Profit

AED **16.5** million

- 53.0% y-o-y

Cash Balance

AED **471.9** million

Strong Liquidity Position

"While we are cognizant of the short-term challenges facing global economies and our businesses, management remains confident in the strong underlying fundamentals driving our sectors. Amanat's competitive market positioning, robust balance sheet and funding capacity, as well as its strong team of investment professionals will enable the company to weather these transitory headwinds. We are confident in our ability to adapt to an increasingly competitive environment and also explore the newly presented opportunities for further market consolidation. In parallel, the prevailing conditions will present exciting new avenues to grow our existing platforms and deliver long-term sustainable value to shareholders."

Chief Executive Officer of Amanat, Dr. Mohamad Hamade added: "Across our organization, we have rolled out health, safety and business continuity measures to effectively mitigate and combat the impact of COVID-19. We have also been working closely with management teams across our portfolio companies to assess the risks and adjust strategies accordingly."

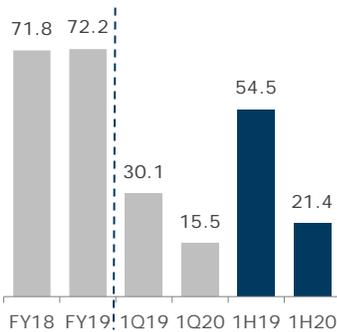
"At our education platform, a seamless shift to distance and online learning for the remainder of the 2020 academic year allowed us to deliver a 5.4% growth in total income from education investments. This comes despite having introduced tuition discounts and recorded lower ancillary revenue due to COVID-19, with performance being supported by strong student enrolment growth and cost optimization initiatives."

"Meanwhile at our healthcare platform, government directives in Saudi Arabia and Bahrain to temporarily suspend all elective treatments and surgeries on account of COVID-19 took a toll on our healthcare assets' income from investments. Consequently, our healthcare platform incurred a consolidated adjusted net loss before one-off items of AED 22.7 million for the six-month period, driving down Amanat's total income from investments. However, these restrictions were short-term in nature, with elective procedures deemed deferred rather than cancelled. This is particularly evident with the growth in patient numbers starting June at our Jeddah-based International Medical Center and Bahrain's Royal Hospital for Women and Children. This was further accentuated by a one-off provision of AED 15.9 million related to aged receivables attributable to Sukoon. And as with our education platform, the prevailing circumstances have also pushed forward the addition and expansion of new healthcare solutions such telemedicine and homecare that will serve as a key differentiator amongst healthcare providers post COVID-19."

"Finally, at the corporate level, we have pushed forward increased efficiency and cost cutting initiatives, including digitizing our workflows and implementing a series of staff restructuring measures while maintaining a tight rein on administrative, travel and marketing costs. This saw us drive down our total expenses for the six-month period by 7.7% and allowed to deliver positive adjusted returns to shareholders, with the full benefit of these initiatives yet to be reflected in our year-end figures."

"During the second half of the year we will continue to work closely with our portfolio companies to manage the anticipated recovery post COVID-19, which we have already begun witnessing across all our portfolio companies. We are also actively building resilience and adaptability through the adoption of new technologies to improve their digital capabilities. With over AED 470 million in cash ready to deploy along with several fund-raising avenues we are ready to seize special situation opportunities that arise as well as potential to tap further into the digital space, continuing our track record of driving integration, synergy extraction and enhancement of shareholder returns." **Hamade concluded.**

Income from Investments
(AED mn)



Consolidated Financial Performance

Income from Investments recorded AED 21.4 million in 1H-2020, down by 60.7% y-o-y on account of the Covid-19 outbreak.

Amanat's healthcare assets were particularly impacted by the precautionary measures to contain the spread of COVID-19 in our markets.

Particularly, the impact was more pronounced in our acute care portfolio, as government directives in Saudi Arabia and Bahrain temporarily suspended elective treatments and surgeries, which constitute key revenue sources for the Jeddah-based International Medical Center ("IMC") and Bahrain's Royal Hospital for Women and Children ("RHWC").

At Amanat's healthcare platform, IMC booked a loss from investment of AED 4.5 million in 1H-2020 versus an income from investments of AED 6.1 million in the same period last year. IMC's performance was impacted by restrictions on elective surgeries as well as overall lower patient volumes on account of imposed curfews and avoidance of hospital settings for non-critical visits by patients.

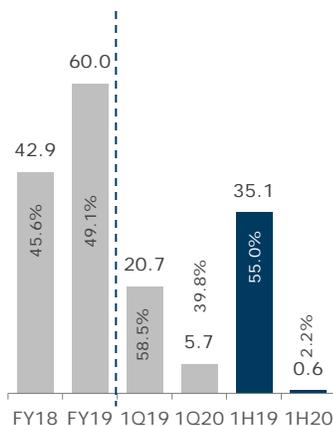
Meanwhile, RHWC continued to ramp-up operations with significant growth in top-line that reflects a full six months of operations in 1H-2020, versus only three months last year since the hospital's launch in March 2019. However, the women and children's hospital was impacted by Covid-19 which restricted elective procedures with only essential services being allowed (OBGYN, Pediatrics and Urgent Care), while on the other hand ramp-up costs and the hiring of physicians and set up of departments applied pressure on profitability resulting in a net loss of AED 12.0 million for the six-month period.

Finally, Sukoon's revenues proved to be resilient during the pandemic given the long-term nature of its patients. Performance was mainly impacted by a one-off non-cash provision of AED 15.9 million attributable to aged receivables. Sukoon reported a net loss of AED 22.2 million (AED 6.2 million excluding one-off item) as the ongoing refurbishment resulted in temporary reduction in capacity. This was offset by the successful implementation of major cost rightsizing initiatives.

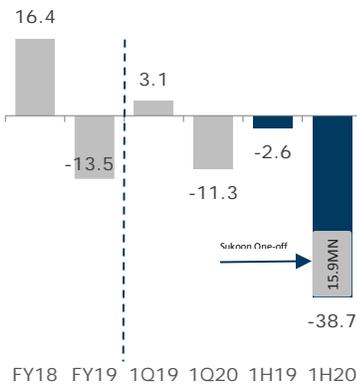
It is important to stress that the drop in the acute care hospitals is temporary as the majority of surgeries and procedures restricted during Covid-19 are deemed only deferred rather than cancelled. This further highlights the defensive and resilient nature of the sector.

On the other hand, Amanat's education assets were less impacted thanks to their ability to seamlessly shift to online and distance learning, with total income from education investment up 5.4% y-o-y as strong student enrolment and cost optimization initiatives offset covid19-related tuition fee discounts and the impact of lower ancillary revenue as education provision shifted online.

Net Profit
(AED mn / margin)



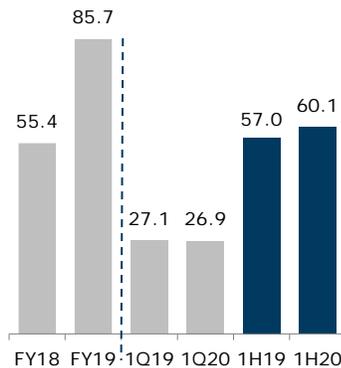
Total Healthcare Income from Investments (AED mn)



At Taaleem, Amanat's K12 and early education platform, management took the strategic decision to introduce discounts for the third school-year term ranging from 20-25% to support the parents and the community during Covid-19 and to encourage re-enrollment for the next academic year. The impact of the discounts on revenues was partially offset by cost savings. Overall, Taaleem's income from investments declined -47.3% y-o-y to AED 4.9 million. We note that the impact of the discounts is transitory and one-time in nature, however, management identified areas for permanent cost savings to streamline the operations going forward.

Meanwhile, the fully owned Middlesex University Dubai (MDX) contributed AED 27.8 million to Amanat's income from investments in 1H-2020, flat y-o-y as growth in student enrolments offset declines in ancillary revenue on account of Covid-19. Profitability was supported by cost saving initiatives, including optimization of marketing spend and benchmarking of HR policies to market norms. It is worth noting that total enrollments had increased by c. 6% y-o-y year-to-date following the introduction of new programs.

Total Education Income from Investments (AED mn)



Amanat's higher education provider Abu Dhabi University Holding Company ("ADUHC") income from investments increased more than twofold to AED 12.6 million year-to-date. ADUHC delivered on planned cost optimization initiatives identified last year, resulting in significantly improved profitability margins versus the same period last year. Revenue increased y-o-y at Abu Dhabi University bolstered by strong enrolments, driven by new program introductions and successful marketing initiatives including an enhanced website and virtual events.

Finance lease income generated by the North London Collegiate School ("NLSC") recorded AED 14.8 million in 1H-2020, up 7.2% y-o-y.

Interest and other income in 1H-2020 reached AED 5.7 million compared with AED 9.3 million in 1H-2019. Interest income recorded AED 5.7 million in 1H-2020, a 39.3% y-o-y decline on account of a significant decline in interest rates y-o-y.

Amanat's total income, which includes share of results from associates, net profit from subsidiaries excluding non-controlling Interest, finance income, interest and other operating income recorded AED 27.1 million in 1H-2020, down by 57.6% compared to the AED 63.8 million booked in the same period last year. Adjusted for the one-off total income recorded was AED 43.0 million down 32.6% y-o-y.

Total expenses recorded AED 26.5 million in 1H-2020, down by 7.7% y-o-y versus the AED 28.7 million recorded in 1H-2019. Lower expenses came as Amanat recorded an 19.7% decline in staff costs to AED 13.0 million, with a 2.9% decrease in G&A expenses to AED 8.2 million. Project expenses also increased 31.2% to AED 5.2 million from AED 4.0 for the same period last year accounting for a series of investment and exit opportunities in the 6-month period. It is worth noting that further cost reduction initiatives taken by

management at the Holding level have not yet been fully recognized in this reporting period, however, will be reflected further in Q3 and Q4 2020.

Amanat recorded a net profit for 1H-2020 of AED 0.6 million compared to a net profit of AED 35.1 million in the same period last year. Bottom-line profitability was impacted by lower contributions to income from investments by the healthcare platform companies on account of Covid-19 and was further compounded by a one-off provision of AED 15.9 million related to Sukoon. Excluding this one-off provision, Amanat would have turned a net profit of AED 16.5 million in 1H-2020.

Total cash and bank balances stood at AED 471.9 million as at 30 June 2020, down from AED 522.7 million at year-end 2019 at the holding level ready to be deployed on new investment opportunities. The decline in cash and bank balances was mainly attributed to the AED 13 million draw-down from NLCS for the campus expansion as well as the distribution of dividends for the year 2019.

Healthcare Platform Operational Review

Amanat's healthcare investments include International Medical Center (IMC), a 300-bed multi-disciplinary hospital based in Jeddah, Saudi Arabia; Sukoon, a provider of acute extended care, critical care and home care medical services in Jeddah, Saudi Arabia; and the Royal Hospital for Women and Children (RHWC), a world-class hospital for women and children located in the Kingdom of Bahrain.

International Medical Center (IMC)

During the period, on account of Covid-19, IMC rolled out new services such as homecare, telemedicine, and expanded ER services to offset lower patient volumes. The hospital has also enhanced its call center capabilities to promote a backlog of future appointments for surgeries and other deferred medical procedures. IMC also successfully begun capitalizing on its bolt-on acquisition of First Clinic in July 2019 – on which Amanat played an instrumental role – transferring same day surgeries to the clinic to increase day-time utilization. Furthermore, management has executed various cost-reduction measures.

Sukoon

Sukoon's new management assumed responsibility of the turnaround strategy toward the end of 2019. The strategy aims to (i) renovate its facility, (ii) reduce its cost base and (iii) develop new revenue streams. With the refurbishment effort fully underway, Sukoon's operational capacity has been scaled down temporarily from 130 beds to 120 beds in addition to the adoption of a new price list from the Ministry of Health. Once completed, the upgraded facility has the potential to improve patient flow and increase the hospital's capacity to c.180 beds while improving efficiency. Going forward, the team will continue to identify new revenue streams and diversify the hospital's client base across remove patient management and homecare. The strategy also includes continued efforts on cost-savings as well as improving collections. Additionally, Sukoon's new management has completed a comprehensive reconciliation of accounts receivables identifying c. SAR 50 million in aged receivables which were provided for during 1H-2020.

Royal Hospital for Women and Children (RHWC)

RHWC successfully commenced operations ahead of schedule in March 2019 and has since completed its funding requirements, recruited its full clinical team and established 90% of its service portfolio including obstetrics, pediatrics, emergency care, bariatric, urology, orthopedics and In Vitro Fertilization (IVF) amongst others. During the period, restrictions on elective surgeries due to Covid-19 led management to focus on OBGYN, pediatrics and ER services, while simultaneously implementing cost cutting measures and tapping into government support schemes. Management is also exploring partnerships with visiting surgeons to offset a shortage in physicians in the local market. The hospital continues to work towards enabling its full-service portfolio by year-end 2020, hiring vacant position and setting up departments.

Education Platform Operational Review

Amanat's education investments include Taaleem, a leading provider of K12 and early education in the UAE; Abu Dhabi University Holding Company (ADUHC), a leading provider of higher education, including undergraduate and post graduate studies, vocational training and corporate training with campuses in Abu Dhabi, Dubai and Al Ain; and Middlesex University Dubai (MDX), the first overseas campus of the internationally renowned Middlesex University in London. Amanat also owns the real estate assets of the North London Collegiate School in Dubai (NLCS).

Taaleem

Key developments during the period included a successful shift to e-learning across Taaleem's schools and nurseries to ensure the continuation of the academic provision in response to Covid19. In support of the community and to provide relief to parents facing financial challenges due to the coronavirus outbreak, Taaleem launched a support package that included 20-25% discounts on fees for term three of the academic year. The reception from parents was very positive and we believe the decision will enhance Taaleem's position in the market. In order to partly offset lower revenue from the offered discounts, management has begun implementation of identified cost savings across the group. On the expansion front, the management team along with Amanat have completed the development of an expansion strategy, which was initiated by commencing the construction of a second branch for Al Raha International School in Abu Dhabi. Phase 1 of the fully funded branch school is expected to become operational in September 2020, with the launch of early-education grades FS1 and FS2. Moving forward, Taaleem will continue to implement its expansion strategy by assessing potential add-on acquisitions, which combined with the cost-optimization initiatives, are expected to drive medium and long-term value creation. In parallel, Amanat will support Taaleem in optimizing its capital structure and exploring options to fund its growth. Moreover, Taaleem will maintain its commitment to academic excellence, which should translate into high school ratings by the regulator and enhances the group's reputation in the market.

Middlesex University Dubai (MDX)

MDX witnessed a c. 6% increase in student enrollments year-to-date driven by the launch of 9 new programs, including two LLM programs, a MSc in Robotics and a MSc in Investment Management. With the onset of Covid-19, the university has swiftly and successfully shifted to distance learning. Student recruitment activities became increasingly digital as key in-person events have not been taking place. Numerous new initiatives have been launched to promote the university to prospective students, including: MDX Virtual Experience, MDX Dubai Schools Week, programme-specific virtual open days, parent Q&A sessions, Bespoke Campus Tours, etc. Flexible payments plans and relaxed missed payment protocols have been launched to encourage re-enrollment and support students in temporary financial distress. Management remains particularly focused on domestic student recruitment and student conversion from IFP (Foundation Program) to Undergraduate programs. Over the course of 2020, Amanat will continue assessing opportunities to optimize the university's capital structure, develop the business through new higher education opportunities and establish best-in-class corporate governance frameworks.

Abu Dhabi University Holding Company (ADUHC)

In 1H-2020 and in response to Covid-19, ADUHC launched a seamless transition to e-learning, utilizing virtual tools. The university is focusing on providing a comprehensive e-learning experience to students, with focus on both social as well as academic aspects, which resulted in high rates of engagement and positive feedback from students. This has driven a strong intake for the Summer semester that was significantly above the same period last year. ADUHC does not anticipate any funding needs as a result of Covid-19 as the university maintains sufficient cash balances and untapped overdraft facilities. ADUHC's relocation of the university's campus in Al Ain to a brand-new purpose-built facility is on track, with launch expected in September 2020. On the operational front, Amanat continues working with its partners at ADUHC on the implementation of cost rightsizing initiatives and the assessment of program

profitability per campus to help maximize returns. Moving forward, ADUHC will continue to introduce new programs to meet the demands of the employment market, while focusing efforts on executing its international student recruitment strategy. As at 30 June 2020, ADUHC operated five campuses across Abu Dhabi, Al Ain and Dubai, with over 7,500 enrolled students.

North London Collegiate School Dubai (NLCS)

During the past two years, NLCS witnessed a significant ramp-up, with enrolments reaching almost 800 students as of September 2019. To accommodate such growth, NLCS Dubai has approached Amanat to expand the school's capacity in a phased approach. The first phase of the expansion is expected to bring total student capacity from c. 1,000 students to c. 1,700 students. As per previously agreed terms, Amanat is funding the project, with a total value of c. AED 32 million of which AED 23 million has already been committed as at 1H-2020.

Amanat acquired the real estate assets of NLCS in March 2018 as an investment in a stable asset class than can generate attractive yields and recurring income for the Company. NLCS is a premium International Baccalaureate ("IB") curriculum K-12 school located in the MBR City area of Dubai, with a total land area of 38,217 sqm and a built-up area of 41,143 sqm.

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About Amanat Holdings PJSC

Amanat Holdings PJSC is the region's largest integrated healthcare and education investment company with paid-up capital of AED2.5 billion. Listed on the Dubai Financial Market (DFM) since 2014, Amanat has a mandate to establish, acquire and incorporate companies working in the healthcare and education sectors, and develop, manage and operate these companies within the GCC and beyond. Amanat's healthcare platform includes International Medical Center (IMC), a 300-bed multi-disciplinary hospital based in Jeddah, Saudi Arabia; Sukoon, a provider of acute extended care, critical care and home care medical services in Jeddah, Saudi Arabia; and the Royal Hospital for Women and Children (RHWC), a world-class hospital for women and children located in the Kingdom of Bahrain. Amanat's education platform includes Taaleem, a leading provider of K12 and early education in the UAE; Abu Dhabi University Holding Company, a leading provider of higher education; and Middlesex University Dubai, the first overseas campus of the internationally renowned Middlesex University in London. Amanat also owns the real estate assets of the North London Collegiate School in Dubai, UAE.

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