



INTERNATIONAL HOLDING COMPANY PJSC: MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE PERIOD ENDED SEPTEMBER 30, 2021

The growth journey of IHC continued with a stellar consolidated Revenue at AED 18.3 billion and Net Profit at AED 7.23 billion for the nine months period ended September 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 nine 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 for the period ended September 2021. Consolidated revenue for the period ended September 30, 2021, was AED 18.3 billion and net profit stood at AED 7.23 billion, making the IHC the most valuable company listed on the Abu Dhabi Securities Exchange (ADX) in the nine months 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.

Executive Summary and Group Overview *continued*

Headquartered in the UAE capital Abu Dhabi, 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 207 entities, a north of 48,000+ employees and operates in seven primary business segments being Real estate, Healthcare, Food, Utilities, Industrials, Digital, and Capital.

Major Takeaways from the three months period ended September 30, 2021

- Revenue was AED 8.39 billion, with 290% jump when compared with the three months period ended September 30, 2020.
- Gross profit margin was at 41.5% with increase of 7.6% when compared with the three months period ended September 30, 2020.
- Net profit for the three months period ended September 30, 2021, was AED 2.87 billion witnessing an increase of 200% when compared with the same period for 2020.
- During the three months period ended September 30, 2021, the Group acquired investments under common control from Aflaj Investments LLC amounting to AED 4.419 billion.
- The Group and a Strategic investor entered into an agreement where the Group gave 58.29% ownership in Multiply Group LLC, with a contribution of assets worth AED 5.5 billion.
- Disposal of 50% shareholding in Eltizam Assets Management LLC to ADQ for no consideration to the Group However, ADQ paid AED 102 million to Eltizam for future expansion plans (The Group share is AED 51 million). As of 30 Sep 2021, Eltizam is accounted for investment in associate.
- Acquisitions under common control:
 - Sandstrom Motor Vehicles Manufacturing LLC 65% (SMVM is involved in manufacturing of motor vehicles);
 - Emirates Gateway Security Services LLC 95% (EGSS is involved in security services); and
 - Support Services and Catering LLC (SSC) 100%. SSC is involved in building cleaning services.
- Acquisitions under IFRS 3 Business combination (external acquisitions)
 - Connect Outsourcing Temporary Employment Sole Proprietorship LLC 50% (Connect is engaged in the business of upon request employees provision services and onshore and offshore oil and gas fields and facilities services); and
 - Viola Communications LLC 50% (Viola is engaged in the business of advertisement, designing and production and other commercial publication printing).

Major Takeaways from the period ended September 30, 2021

- Revenue was AED 18.31 billion, with 297% jump YoY for the nine months.
- Gross profit margin was at 41.2% with increase of 6.23% when compared to September 30, 2020.
- As of September 30, 2021, YTD net profit was AED 7.23 billion, with 308% increase YoY.
- As of September 30, 2021, net margin was at 39.5% and the company witnessed an expansion of 1.04% YoY.
- As of September 30, 2021, total assets were at AED 64.39 billion, an increase of AED 50.38 billion when compared to December 31, 2020.
- Earnings Per Share (EPS) jumped 176% in the nine months of 2021 YoY to AED 2.6.

Strategic Updates for the period ended September 2021

Significant Acquisitions During the Period

- The Group, through its Capital vertical, acquired 45% controlling stake in Alpha Dhabi Holding PJSC (formerly “Trojan Holding LLC”), a company brought under common control, through business combination on April 1, 2021. The acquisition has been accounted using the pooling of interest method.

Alpha Dhabi Holding PJSC which was established in 2013, 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 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.

- 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 48.01% 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 LLC 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.



Strategic Updates for the period ended September 2021 *continued*

- During the period ended September 30, 2021, Apex Catering, which was restructured into Apex Holding LLC acquired the below entities 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.
 - Support Services and Catering LLC (cleaning the outside interface buildings, building cleaning services, onshore and offshore oil and gas fields and facilities services, and importing)
- 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. Royal Horizon 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.
- The Group, through its Digital vertical, acquired
 - 50 % shareholding in Connect Outsourcing Temporary Employment – Sole Proprietorship LLC (“Connect”), for no consideration. Connect is a limited liability company, registered and incorporated in the Emirate of Abu Dhabi and is engaged in the business of upon request employees provision services and onshore and offshore oil and gas fields and facilities services.
 - Effective 1 July 2021, Muliplay Group LLC, a subsidiary, acquired control over Viola Communications LLC (“Viola”), through the acquisition of an additional interest of 50% in Viola for a consideration of AED 73,000 thousand. Viola is a limited liability company, registered and incorporated in the Emirate of Abu Dhabi and is engaged in the business of advertisement, designing and production and other commercial publication printing.
- Effective 1 July 2021, the Group acquired 65% shares in Sandstorm Motor Vehicles Manufacturing LLC (“SMVM”) for nil consideration. SMVM is involved in manufacturing of motor vehicles.
- Effective 1 July 2021, the Group acquired 100% shares in Support Services and Catering LLC (“SSC”) for nil consideration. SSC is involved in building cleaning services.
- Effective 1 July 2021, the Group acquired 95% shares in Emirates Gateway Security Services LLC (“EGSS”) for nil consideration. EGSS is involved in security services.

Strategic Updates for the period ended September 2021 continued

Other Significant Investments

- The Group investment in associate companies during the period was mainly the 36% stake acquired for a consideration in Response Plus Medical Services PrJSC (previously “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. During the period, the group has increased its investment in this fund.
- The Group has increased their stake in Space X through their investment VY GP Limited’s fund.
- During the period ended September 30, 2021, the Group acquired investment in Alpha Wave fund amounting to AED 4.4 billion and Falcon amounting to AED 0.5 billion, the same was acquired through common control.

Key Listings

- During the period, the Group has listed three of its subsidiaries on the Abu Dhabi Securities Exchange (ADX) which are namely Alpha Dhabi Holding PJSC, Emirates Stallion Group PJSC and Al Seer Marine Supplies and Equipment Company PJSC. The listing has helped in unlocking shareholder value.
- Further, the Group initiated the listing process for its subsidiary, Multiply Group LLC, in the primary market of the Emirates of Abu Dhabi.

Financial Performance for the period ended September 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 nine months ended September 30, 2021, with consolidated Sep 2021 YTD Revenue of AED 18.31 billion and Net Profit of AED 7.23 billion.

The Alpha Dhabi acquisition has also resulted in significant strengthening of the Group’s Balance Sheet. Total assets of the Group as of September 30, 2021, stood at AED 64.39 billion compared to AED 14.01 billion as of December 31, 2020.

Financial Performance for the period ended September 2021 continued

Earnings Highlights

AED Million	Sep 2021 YTD	Sep 2020 YTD	Change	Change %
Revenue	18,314	4,608	13,706	297%
Cost of revenue	(10,776)	(2,999)	(7,777)	259%
Gross profit	7,538	1,609	5,929	368%
Operating expenses	(1,392)	(366)	(1,026)	280%
Investment and other income	715	43	672	1563%
Profit share from investment in Associates	437	509	(72)	-14%
Gain on acquisition of subsidiary	8	5	3	60%
Loss on disposal of subsidiary	35	-	35	100%
Finance costs	(117)	(28)	(89)	318%
Profit before tax	7,224	1,772	5,452	308%
Tax	10	-	10	100%
Net Profit (NP)	7,234	1,772	5,462	308%

Margin %	Sep 2021 YTD	Sep 2020 YTD	Change
GP %	41.2%	34.9%	6.2%
Operating expenses %	7.6%	7.9%	-0.3%
NP %	39.5%	38.5%	1.0%

Revenue on YoY basis increased by AED 13.7 billion to AED 18.3 billion. The increase was mainly derived from real estate, industrial and healthcare verticals with an increase of AED 10.7 billion out of the total increase of AED 13.7 billion representing 78% of the increase. Revenue increase is mainly on account of Alpha Dhabi revenue amounted to AED 6.5 billion. Further, the healthcare vertical (pure health, tamouh healthcare and quantlase) revenue increase 5.5 billion when compared to the same period of 2020.

Gross Profit (GP) in absolute terms increased by AED 5.93 billion, which is mainly derived from the increase in the healthcare vertical gross profit amounting to AED 4.3 billion. Furthermore, gross profit from capital vertical increased by AED 615 million.

Overall gross profit % improved by 6% which was mainly due to the healthy margins in the below mentioned subsidiaries. The same led to increase in the overall Group GP%.

Margin %	Sep 2021 Revenue	Sep 2020 GP%
Pure Health	3,907	68%
APEX	1,110	45%
Tamouh Health Care	2,661	62%



Financial Performance for the period ended September 2021 continued

Operating expenses increased by AED 1,392 million which is mainly derived from the increase in Tamouh Health care and quantlase expenses by AED 342 million and Alpha Dhabi expenses increased by AED 484 million from the date of acquisition (i.e. 1 April 2021).

Investment Income of AED 715 million was witnessed mainly on account of change in fair value of investments, interest & dividend income and foreign exchange gain.

Share of profit from Investment in associates and joint ventures garnered AED 437 million which was mainly contributed from Pure Health. From 1 April 2021, Alpha Dhabi acquired 31.5% of Pure Health, which resulted in an increase of the Group ownership to 63%. Hence, Pure Health was accounted for as a subsidiary from 1 April 2021.

Net Profit (NP) increase is in line with the increase in the revenue and gross profit.

Summary of Financial Position

AED Million	Sep-21	Dec-20	Change	Change %
Non-Current Assets	21,144	4,615	16,529	358%
Cash and Bank Balances	12,677	3,665	9,012	246%
Other Current Assets	30,572	5,732	24,840	433%
Total Assets	64,393	14,012	50,381	360%
Equity attributable to Owners of the Company	20,509	7,469	13,040	174%
Non-controlling interests	14,992	353	14,639	4146%
Total Equity	35,501	7,822	27,679	354%
Borrowings (current + non-current)	7,683	926	6,757	730%
Other Non-Current Liabilities	2,565	533	2,032	381%
Other Current Liabilities	18,644	4,731	13,913	294%
Total Liabilities	28,892	6,190	22,702	367%
Total Equity and Liabilities	64,393	14,012	50,381	360%

Total Assets: The steep increase of AED 50.4 billion in the total assets when compared to December 31, 2020, was primarily on account of the acquisitions during the year which contributed assets to the Group amounting to AED 35.2 billion. Further, the Group received investments in funds from Aflaj Investments LLC in regard to Falcon and Alpha Wave under common control amounting to AED 5 billion.

Non-Current Assets constitute property, plant and equipment amounting to AED 8.5 billion, investment in financial assets AED 6.4 billion, investment properties at AED 1.8 billion and intangible assets at AED 1.4 billion, among others.



Financial Performance for the period ended September 2021 continued

Summary of Financial Position continued

Working Capital is at AED 22.2 billion as compared to AED 4.5 billion as of December 31, 2020 (net increase of AED 17.7 billion). Working capital constitutes of the following:

- **Cash and bank balance** has increased by AED 9 billion. Excluding accounts for customers deposits, Cash and bank balances reported was AED 9 billion as compared to AED 2.5 billion. Management is closely monitoring the cash position of the Group to ensure sufficient funding to execute the Group's growth strategy.
- **Other-current assets** consist of AED 13.2 billion of trade and other receivables, AED 5.7 billion of contract assets, AED 7 billion of financial assets and AED 1 billion of inventories among others.
- **Current Liabilities** consist of AED 14 billion of trade and other payables, amounts due to related parties amounted to AED 1.63 billion, current portion of borrowings amounted to AED 2.42 billion and contract liabilities of AED 1.93 billion, among others.

Equity attributable to owners reported for the period ended September 30, 2021, amounting to AED 20.51 billion with an increase of AED 13 billion when compared to December 31, 2020. This increase was mainly derived from the increase in the merger reserve 10.1 billion because of acquisitions of entities under common control.

Bank borrowing stands at AED 7.7 billion at September 30, 2021, with an increase of AED 6,7 billion derived from Alpha Dhabi by AED 6.67 billion.

Highlights from the Segments

Capital

AED Million	Sep 2021 YTD	Sep 2020 YTD	Change	Change %
Revenue	1,317	69	1,249	1822%
Net Profit	1,329*	534	795	149%
Net Profit %	101%	779%		

**Net profit includes share of profit from associates and joint ventures amounting to 410 million, dividend income of AED 181, gain on change in fair value of investments of AED 313 million. These amounts are recorded below the line.*

The companies under the Capital vertical include brokerage services, capital construction and investments.

The main contributor to the net profit increase was Alpha Dhabi contributing AED 557 million followed by International Securities contributing AED 132 million, change in fair value of investments contributed AED 269 million.

Highlights from the Segments *continued*

Healthcare

AED Million	Sep 2021 YTD	Sep 2020 YTD	Change	Change %
Revenue	7,371	1,901	5,470	288%
Net Profit	4,648	877	3,771	430%
<i>Net Profit %</i>	63%	46%		

The growth in healthcare vertical was driven by the additional 31.5% ownership in Pure Health which resulted to consolidate the entity instead of accounting for the same under equity accounting. Hence, health care vertical performance improved significantly.

Healthcare vertical comprises of Tamouh Healthcare, Quant Lase Labs and Pure Health. Healthcare business continues to generate the higher margins among the Group.

Industrial

AED Million	Sep 2021 YTD	Sep 2020 YTD	Change	Change %
Revenue	3,729	732	2,997	409%
Net Profit	468	141	327	232%
<i>Net Profit %</i>	13%	19%		

The Industrial vertical includes sale of spare parts, furniture, oil and gas field services, marine and dredging services and repairs of heavy equipment's, among others.

Revenue increase is mainly due to contribution of AED 3.1 billion revenue of National Marine and Dredging Company PJSC.

Food

AED Million	Sep 2021 YTD	Sep 2020 YTD	Change	Change %
Revenue	1,914	734	1,180	161%
Net Profit	426	51	374	733%
<i>Net Profit %</i>	22%	7%		

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.

The main contributor of revenue and net profit of Food Vertical is Apex Holding with AED 1.1 billion of revenue and AED 426 million of net profit.

In addition, 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.



Highlights from the Segments *continued*

Real Estate

AED Million	Sep 2021 YTD	Sep 2020 YTD	Change	Change %
Revenue	2,731	521	2,209	424%
Net Profit	169	89	81	91%
<i>Net Profit %</i>	6%	17%		

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

The incremental growth of revenue and net profit is mainly contributed by Alpha Dhabi Construction vertical which reported revenue and net profit of AED 2.29 billion and AED 143 million, respectively.

Digital

AED Million	Sep 2021 YTD	Sep 2020 YTD	Change	Change %
Revenue	965	480	485	101%
Net Profit	148	47	101	213%
<i>Net Profit %</i>	15%	10%		

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

Utilities

AED Million	Sep 2021 YTD	Sep 2020 YTD	Change	Change %
Revenue	287	172	115	67%
Net Profit	89	61	28	46%
<i>Net Profit %</i>	31%	35%		

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

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 last quarter of 2021. Under the guidance of the company's astute and visionary leadership, 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

