

Amanat Holdings PJSC Announces FY-2020 Results

25 February 2021 | Dubai | Amanat Holdings PJSC (“Amanat” or the “Company”), the GCC’s largest healthcare and education investment company, announces its consolidated financial results for the year ended 31 December 2020. Amanat reported total income of AED 70.6 million in FY-2020, down by 36.8% y-o-y and income from investments of AED 56.1 million, down 22.3% y-o-y. Amanat reported a net profit of AED 10.1 million for the year, compared to AED 60.0 million last year.

Excluding one-off items, Amanat’s normalized total income recorded AED 87.5 million, down a mere 4.5% y-o-y, and AED 72.9 million in income from investments, up marginally versus last year. Normalized net profit recorded AED 26.9 million, down 32.5% y-o-y.

During 4Q-2020, Amanat’s portfolio witnessed a solid recovery showcasing a rebound in performance since the first wave of COVID-19 in Spring 2020. Income from Amanat’s education investments increased 67.0% y-o-y in 4Q-2020 while losses from healthcare investments narrowed by 24.6% during the same period. This resulted in income from investments of AED 39.2 million for the quarter, up 95.4% versus 4Q-2019.

Summary Financial Results

AED mn	FY-19	FY-20	Change
Income from Investments¹	72.2	56.1	-22.3%
Healthcare	-13.5	-46.9	High
Education ²	85.7	103.0	20.2%
Interest & Other Income³	39.5	14.6	-63.1%
Total Income⁴	111.7	70.6	-36.8%
Total Expenses	51.7	60.6	17.2%
Net Profit	60.0	10.1	-83.2%
Net Profit Margin	53.7%	14.3%	-39.4 pts
Adjusted Net Profit	39.9	26.9	-32.5%
Adjusted Net Profit Margin	43.5%	30.8	-12.7 pts

Commenting on the year’s results, **Amanat’s Chairman H.E. Hamad Abdulla Al Shamsi said:** “Reflecting on our financial results for FY-2020 we have witnessed a solid recovery across our portfolio in 4Q-2020, thanks to the operational agility and nimble strategic input from our management teams since the onset of COVID-19. Amanat’s balance sheet strength and capital structure managed to put us in a favorable position to achieve these results. 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.

FY-2020 Highlights

Total Income	AED 70.6 million	-36.8% y-o-y
Normalized Total Income	AED 87.5 million	-4.5% y-o-y
Income from Investments	AED 56.1 million	-22.3% y-o-y
Normalized Income from Invnt	AED 72.9 million	1.0% y-o-y
Net Profit (Loss)	AED 10.1 million	-83.2% y-o-y
Normalized Net Profit	AED 26.9 million	-32.5% y-o-y
Cash Balance	AED 456.6 million	Strong Liquidity Position

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

² Amanat’s consolidated results for the year ended 31 Dec. 20’ reflect 8-month results from the education platform’s fiscal year ended 31 August 20’, plus 4 months of operation from their current fiscal year ending on 31 August 21’.

³ Includes 20.1 mn MDX earnout. ⁴ Includes share of results from associates, net profit from subsidiaries, finance income, interest & other operating income excl. NCI.

In 2020 we focused 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 a series of restructuring, our team proactively addressed the challenges and remained focused on building value across our portfolio while ensuring our assets continued operating efficiently.

While the challenges we faced during the year did no doubt impact profitability at some of our assets, these strides were navigated adequately and have reversed into solid recovery and, in some cases, even growth, such as Abu Dhabi University Holding Company and Middlesex University Dubai.

With FY-2020 behind us, we will look 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. Additionally, Amanat still has cash at hand of AED 456.6 million."

Chief Executive Officer of Amanat, Dr. Mohamad Hamade added: "Looking back at 2020, our results reflect our proactive response strategy that was focused on mitigating short-term impacts and positioning us for long-term growth. We saw a particularly strong recovery in the fourth quarter with income from our education investments increasing 67.0% y-o-y supported by strong spring and summer enrollments and successful cost saving initiatives across our platform companies. 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."

"Towards the end of the year, we shifted our focus increasingly towards planning a post-COVID-19 Amanat. We outlined our strategic priorities to drive our next growth cycle as we look to leverage the opportunities presented by this unprecedented global crisis and generate further sustainable value in the coming years. We are optimistic about Amanat's prospects as we enter a new development phase steered by the key growth pillars we have formulated under the guidance of our Board of Directors. These pillars include strategic initiatives to improve our portfolios' performance and profitability, accelerate investments in high-yielding assets, and further optimizing our capital structure."

4Q-2020 Highlights

Total Income

AED **43.4** million

+18.5% y-o-y

Income from Investments

AED **39.2** million

+95.4% y-o-y

Net Profit (Loss)

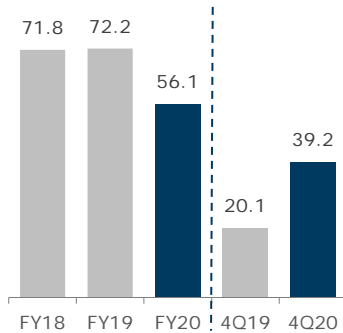
AED **22.0** million

+69.8% y-o-y

(FY-2019 excludes one-off of AED13.7mn)

Consolidated Financial Performance

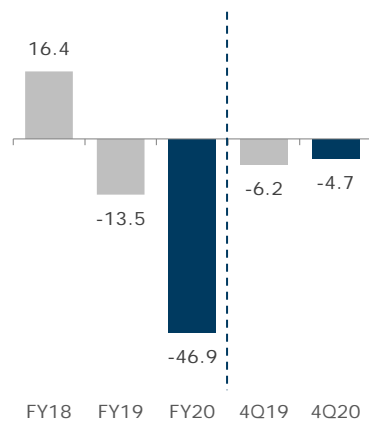
Income from Investments
(AED mn)



Normalized Income from Investments in FY-2020 recorded AED 72.9 million, up 1.0% versus last year. Excluding one-off items, income from investments declined 22.3% y-o-y to AED 56.1 million largely due to the impact of the COVID-19 pandemic and related restrictions in the first half of the year.

The impact of COVID-19-related restrictive measures was mostly felt across Amanat's healthcare investments following the temporary suspension of elective treatments and surgeries during the first wave of COVID-19 in Spring 2020. As such, Amanat's healthcare platforms recorded an adjusted loss from investments of AED 30.1 million in FY-2020, compared to a loss of AED 13.5 million last year. However, during the second half of the year, Amanat witnessed a robust financial and operational recovery across its healthcare platforms as International Medical Center ("IMC") returned to profitability, losses narrowed significantly at Sukoon, and RHWC successfully rolled out new services.

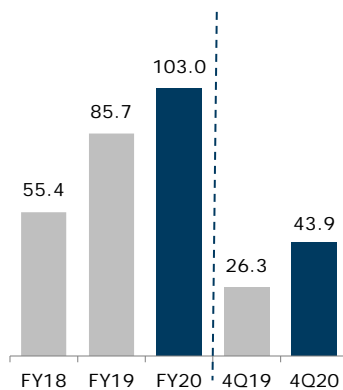
Total Healthcare Income from Investments
(AED mn)



At Jeddah-based IMC, income from investment recorded AED 2.6 million in FY-2020 compared to AED 14.2 million last year. The decline reflects lower revenues largely due to decreased volumes in the months of March, April and May, a rise in expenses related to management's proactive safety measures rolled out to mitigate the impacts of COVID-19, and higher bad debt provisioning for government related revenue to account for the COVID-19 economic climate. It is important to note that following the lifting of restrictive measures in the second half of the year, IMC witnessed record volumes at both its main hospital and First Clinic, with revenues returning to pre-COVID-19 levels and profitability exceeding expectations.

Sukoon's results for the year reflect a one-off non-cash provision of AED 16.8 million related to ageing receivables and an additional AED 1.3 million related to leave provision of previous years. Excluding these one-off items, Sukoon's loss from investment in FY-2020 would stand at AED 7.6 million, compared to a net loss of 7.3 in FY-2019. It is worth highlighting that significant cost savings on patient expenses, staff costs and SG&A during the year helped offset the decrease in revenues. This further solidifies the success of Sukoon's ongoing turnaround. In the final quarter of the year, Sukoon continued to record higher volumes supported by increased MOH referrals and the company's business development initiatives. Sukoon posted a loss from investment of AED 1.9 million in 4Q-2020, of which included the employee leave provision of AED 1.3 million, compared to a loss of AED 5.0 million in the same quarter last year, indicative of management's successful ongoing turnaround of the business.

Total Education Income from Investments
(AED mn)



Finally, the successful ramp up and activation of the majority of RHWC's service offering combined with increased volumes and utilization rates, saw the hospital record revenues of AED 12.7 million in FY-2020, up from AED 3.9 million last year. On this front, RHWC continued to widen its service offering in the final months of the year, officially adding IVF and cosmetology to its roster. Despite the significant progress, the hospital remains in the ramp-up phase with increased costs related to the hiring of physicians and set up of departments. This was further impacted by COVID-19 restrictions and only partially offset by cost saving initiatives implemented by RHWC's management. Consequently, RHWC recorded a loss from investment of AED 23.8 million in FY-2020 compared to a loss of AED 20.4 million in FY-2019.

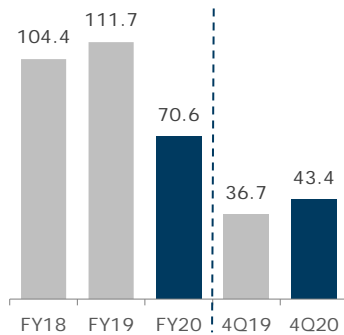
At Amanat's education platform, the impact of COVID-19 was less significant thanks to its seamless transition to online and distance learning during the spring semester of 2020 and solid enrollment rates for the new academic year demonstrating the resilience of Amanat's portfolio companies. The education segment recorded income from investments of AED 103.0 million for the year, up 20.2% y-o-y from the AED 85.7 million in FY-2019. The robust results for the year were supported by strong student enrolments coupled with successful cost management initiatives across Amanat's education investments.

Amanat's higher education provider Abu Dhabi University Holding Company ("ADUHC") recorded income from investments of AED 36.7 million in FY-2020, up 75.5% y-o-y. Strong growth came on the back of robust enrolment rates during the spring, summer and fall semesters as well as higher revenues generated from the university's vocational and corporate training services. Increased recruitment was supported by multiple initiatives implemented throughout the year including launch of an enrolment taskforce for the summer, an enhanced website, as well virtual events, and community work. Finally, good satisfaction ratings for distance learning helped support the university's top-line throughout the year. Profitability was further bolstered by efficiencies and cost optimization initiatives introduced throughout 2020.

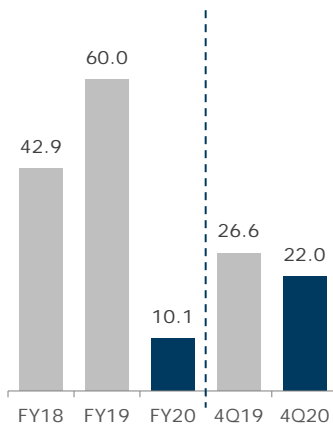
Amanat's fully owned Middlesex University Dubai (MDX) recorded an income from investments of AED 26.6 million, a 12.8% increase versus last year. The year-on-year growth was driven by higher enrolments combined with prudent cost management. This more than offset lower ancillary revenue for the year and higher COVID-19-related costs including a rise in bad debt provisions.

At Taaleem, Amanat's K12 and early education platform, income from investment was AED 8.8 million for FY-2020, a 39.2% y-o-y decline. The fall is largely attributable to approximately AED 30 million in discounts offered during the third school-year term (ranging from 20-25%) to support the parents and the community during COVID-19, as well as lower revenue from ancillary activities as a result of the lockdowns in the first half of the year. When combined with a cost base geared for student growth, this weighed down on Taaleem's margins. Nonetheless, the platform witnessed strong enrolments in September and robust collections on the back of management's proactive initiatives. Taaleem also benefited from the implementation of an all-encompassing efficiency plan which helped drive increased cost savings during the new school year.

Total Income
(AED mn)



Net Profit
(AED mn)



Finance lease income generated by the North London Collegiate School ("NLCS") recorded AED 30.9 million in FY-2020, up 16.6% y-o-y on the back of the school expansion funded by Amanat. In addition, Amanat has funded NLCSs' expansion project with a total value of AED 32.7 million. The first phase of the expansion, which was completed in 2020, brought the total student capacity from c. 1,000 students to c. 1,700 students.

Interest and other income in FY-2020 recorded AED 14.6 million compared with AED 39.5 million last year of which includes AED 20.1 million from the MDX earnout. Interest income recorded AED 11.1 million in FY-2020, down 30.4% y-o-y on account of a significant decline in interest rates, with the last six-month average rates standing at 1% in 2020 compared to 3% last year.

Normalized Total Income, recorded AED 87.5 million, down just 4.5% versus last year which includes share of results from associates, net profit from subsidiaries excluding non-controlling Interest, finance income, interest and other operating income. Including one-off items, Amanat recorded AED 70.6 million in FY-2020, down 36.8% from the AED 111.7 million recorded in FY-2019.

Total expenses recorded AED 60.6 million, a 17.2% y-o-y increase. Total expenses were partially offset by decreased staff costs, which declined 20.4% to AED 23.2 versus FY-2019 due to a reduction in headcount and lower bonus provision. In parallel, management successfully controlled general and administrative expenses, which recorded AED 21.5 million (of which includes AED 6 million in one-offs & provisions) in FY-2020 versus AED 16.7 million last year. Excluding these one-offs & provisions, G&A recorded AED 15.6, a 6.5% decline y-o-y. Lower staff costs also helped offset an increase in project costs from AED 5.8 million in FY-2019 to AED 15.8 million in FY-2020 due to a series of investment and exit opportunities assessed in the period.

Normalized Net Profit FY-2020 was AED 26.9 million, down 32.5% y-o-y in FY-2020. Bottom-line profitability continued to be impacted by lower contributions from healthcare investments due to the impact COVID-19 which outweighed the strong performance of the education platforms. Amanat's bottom-line was also negatively impacted by a one-off non-cash provision of AED 16.8 million related to Sukoon's ageing receivables. Including one-off items, Amanat's net profit was AED 10.1 million in FY-2020 compared to the AED 60.0 million profit recorded in FY-2019.

Total cash and bank balances stood at AED 456.6 million as at year-end 2020 ready to be deployed on new investment opportunities. This reflects a decline from the AED 522.7 million recorded at year-end 2019, with AED 32.7 million utilized for NLCSs' campus expansion as well as the distribution of dividends for the year 2019 and the AED 18.4 million investment in BEGiN.

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)

To better manage the impact of COVID-19, IMC expanded 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. In the fourth quarter of 2020, both IMC's main facility and First Clinic served record number of patients, testament to the robust recovery experienced following the easing of restrictive measures and to the success of management's efforts to stimulate patient volumes. Throughout 2020, management also executed various cost-reduction measures and reactivated long-term growth plans to expand capacity via several expansion projects including the expansion of the existing facility tower, expansion of centers of excellence, growing mother & child offering and roll-out of additional medical centers across the western region in-line with its hub-and-spoke model.

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.230 beds while improving efficiency. Going forward, the team will continue to identify new revenue streams and diversify the hospital's client base across remote patient management and homecare. The strategy also includes continued efforts on cost-savings as well as improving collections. Capacity enhancements are also proving particularly important in light of rising volumes resulting from referrals from private and government hospitals looking to free up space for COVID-19 patients. In parallel, we worked to optimize Sukoon's capital structure to utilize excess cash so that growth plans could be financed by internal funds, while overseeing improvements to the recovery of receivables. On this front, Sukoon's new management has completed a comprehensive reconciliation of accounts receivables identifying c. SAR 51 million (Amanat's share c. AED 16.8 million) in aged receivables which were already provided for during FY-2020. Finally, we also initiated a long-term business optimization plan which helped Sukoon turn EBITDA positive in 2H-2020.

Royal Hospital for Women and Children (RHWC)

Since its launch in March 2019, RHWC successfully commenced operations and has since completed its funding requirements, recruited its full clinical team, and activated 90% of its service portfolio including obstetrics, pediatrics, emergency care, bariatric, urology, orthopedics. In the final months of 2020, RHWC added In Vitro Fertilization (IVF) and cosmetology to its service offering. Earlier in the year, 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 international and regional surgeons to offset a shortage in physicians in the local market. Management's ramp-up and physician recruitment strategies are continuing to deliver results as the hospital recorded increased volumes and utilization across both inpatient and outpatient segments in the last quarter of the year.

Market Outlook

COVID-19 has placed restrictions on global travel, increasing the number of GCC patients who will receive treatment at home rather than abroad, but also limiting the level of inbound medical tourism into the GCC. Medical tourism proceeds in the UAE recorded AED12.1 billion in 2018, a growth rate of 5.5% compared to 2017, according to an analysis conducted by the Dubai Chamber of Commerce and Industry in mid-2019, which expects the continued growth of medical tourism proceeds in the UAE to AED19.5 billion by 2023, an average cumulative annual growth of 10.7% for the next five years.

However, we expect that healthcare expenditure in the GCC will continue to grow. Pre-COVID forecasts estimated health expenditure to reach approximately \$105 billion in 2022 from an estimated \$76 billion in 2017, implying a CAGR of 6.6%. The opportunities for Amanat will be in building integrated platforms which can develop sub-specialization to target complex cases and repatriate outbound medical demand. In healthcare, socio-economic demographics and an increasing specialization of services remains a key driver for growth, particularly for advanced-care platforms with best-in-class offerings. Amanat, with its focused approach to penetrate these GCC markets and develop platforms, is ideally positioned to capture this growing market potential.

Education Platform Operational Review

Amanat's education investments include Taaleem, a leading provider of K-12 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) and a stake in BEGiN, a US-based award-winning education technology company.

Taaleem

Taaleem's schools successfully shifted to e-learning during the 2019/20 academic year in-line with regulatory requirements due to COVID-19. The company delivered a strong September 2020/2021 intake thanks to effective recruiting and retention initiatives, managing to retain most of its students, while taking market share from competition. Robust enrolment rates came on the back of Taaleem's strong reputation in the market coupled with management's community and parent support efforts, which included 20-25% discounts on fees for term three of the previous academic year. The strong September intake was further bolstered by the successful inauguration of Phase 1 of the Raha Khalifa City school campus for the 2020/2021 academic year, welcoming nearly 300 new students and expanding Taaleem's footprint in Abu Dhabi. At the completion of Phase 2 in September 2021, the campus will have a capacity of over 3,000 students. Moving forward, Taaleem will continue to implement its expansion strategy by assessing potential add-on acquisitions, which combined with increasing utilization of existing schools and 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, with a target of bolstering its schools' ratings by the regulator further enhancing the group's reputation in the market. As of the 2020/2021 academic year, Taaleem is home to over 9,000 students across 8 schools and 1 pre-school.

Middlesex University Dubai (MDX)

MDX witnessed c.3% growth in student enrolments, despite the challenging market environment, thanks to the new successful virtual initiatives and events launched for prospective students, a fully integrated multi-channel domestic marketing campaign, 3 newly launched bachelor's degree programs as well as a dynamic blended online-offline model for academic provision. The university also supported its students in a situation of temporary financial distress by offering flexible instalment plans and relaxing protocols for overdue payments; this has resulted in solid re-enrolment rates which more than offset any weakness in new student intake for the September 2020 semester. Starting from the 2020/21 academic year, MDX outsourced its student accommodation services to a modern and purpose-built student residence located in Dubai International Academic City. The decision falls in line with the long-term objective of continuously enhancing the student life experience. Amanat continues to assess opportunities to optimize the capital structure, support the management team in business development initiatives and establish best-in-class corporate governance frameworks.

Abu Dhabi University Holding Company (ADUHC)

With the onset of COVID-19, ADUHC launched a seamless transition to e-learning, utilizing virtual tools and focusing on providing a comprehensive e-learning experience to students. ADUHC developed an online platform for recruitment, enrolment and student support while maintaining academic support to enhance student performance and engagement, leading to very high levels of student satisfaction with distance learning. As such, ADUHC witnessed an unprecedentedly successful summer intake thanks to its internationally competitive programs and prestigious accreditations, which were further bolstered by the newly established College of Health Sciences. Amanat continues working with its partners at ADUHC on developing and implementing revenue growth initiatives, while ensuring an efficient cost base. 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. At the end of 2020, ADUHC operated five campuses across Abu Dhabi, Al Ain and Dubai, with c.8,000 enrolled students.

Additionally, ADUHC's relocation of the university's campus in Al Ain to a brand-new purpose-built facility for the 2020/21 academic year also paves way for further growth and an increase in capacity.

North London Collegiate School Dubai (NLCS)

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.

During the past three years, NLCS witnessed a significant ramp-up, with enrolments reaching almost 950 students as of September 2020. To accommodate such growth, Amanat has financially supported NLCS to expand the school's capacity in a phased approach. The first phase of the expansion, which was completed in 2020, brought the total student capacity from c. 1,000 students to c. 1,700 students. As per previously agreed terms, Amanat funded the project with a total value of AED 32.7 million.

BEGiN

Amanat completed its first venture capital investment in October 2020 with an AED 18.4 million investment in US-based leading education technology company, BEGiN. As part of the investment, Amanat becomes BEGiN's principal strategic partner in the MENA region, leveraging Amanat's deep industry expertise and unparalleled network to help drive growth in the region. The transaction demonstrates Amanat's commitment to playing a key role in the ongoing digitization of the education and healthcare sectors in the region, which have been further accelerated by the challenges presented by the ongoing COVID-19 pandemic.

BEGiN is behind the proven early learning program HOMER, an essential early learning program for young children. The HOMER Method — BEGiN's proprietary learning framework — delivers academic skills like literacy and math, in addition to personal skills like problem solving and social emotional awareness through content that is personalized to their interest, age, and learning level.

Market Outlook

The CAGR of the UAE education sectors was approximately 5% prior to COVID-19. This rate is moderate relative to previous years. At its peak, the industry was growing by 11% per annum. There are increasing worries of oversupply. Despite a growth in the number of students, new entrants to the education market are facing a highly competitive climate. However, the demand for "affordable, mid-market schools" remains. This trend is more likely to push low-performing schools out of the market or present opportunities for further consolidation.

- Ends -

About Amanat Holdings PJSC

Amanat Holdings PJSC is the region's largest integrated healthcare and education investment company with paid-up capital of AED 2.5 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 and BEGiN, a US-based award-winning education technology company. Amanat also owns the real estate assets of the North London Collegiate School in Dubai, UAE.

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