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SPEAKER

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CALL TRANSCRIPT

Dana Tamimi: [00:00:00] [00:01:00] [00:02:00] Hello, Derek.

Derek Nicholson: Hi. Good afternoon.

Dana Tamimi: Good afternoon. We'll just wait a couple of more minutes to have more attendees join, and then we can start the call.

Derek Nicholson: Okay.

Dana Tamimi: Perfect.[00:03:00] [00:04:00] [00:05:00]

Good afternoon. Welcome everyone to the earnings and strategy update conference call of Alpha Dhabi Holding. My name is Dana and I will be moderating this conference on behalf of Alramz Capital. Joining us today is the Chief Strategy and Investor Relations Officer, Mr. Derek Nicholson. The call will start with a short introduction, followed by a presentation.

Participants will be able to ask their questions at the end of the presentation. To ask a question, you can type it in the Q& A box. Over to you, Mr. Derek.

Derek Nicholson: Thank you. Good afternoon, everyone. Thank you for joining our investor relations call today. My name is Derek Nicholson, and I'm the Chief Strategy and Information and Investor Relations Officer at Alpha Dhabi Holding. We appreciate your time and interest in our company.

Alpha Dhabi is one of the MENA regions. largest and fastest growing listed investment platforms with a portfolio of more than 250 companies and 95,000 employees. It offers a unique opportunity to invest in Abu Dhabi based companies that are market leaders in the UAE and have the potential to grow internationally.

Our strong financial position And track record of revenue and profit growth [00:07:00] deliver significant value to our investors.

Our managing director and group CEO engineer, Hamad Salam Alameri has emphasized the power of strategic investments across diverse. High growth

industries. And 2024, we achieve significant growth and completed several strategic acquisitions.

Our board of directors is composed of experienced individuals who are prominent members of the Abu Dhabi business community that are extremely well connected across all levels of Abu Dhabi business and investment community. And they also have extensive networks at a global level. Which is beneficial to Alpha Dhabi as a group,

our executive management team led by a managing [00:08:00] director and CEO, bring a wealth of experience and expertise to alpha W holding with decades of experience in the UAE and internationally and from diverse sectors, including financial services, real estate, construction. Industry, hospitality and health care.

The leadership has been instrumental in driving the growth and success of the group today. They have also developed a strong global network that provides Alpha Dhabi with proprietary access to business investment. and M& A opportunities across the globe.

Our portfolio is diverse, with many leading companies. Some of [00:09:00] those companies in Alpha Dhabi's portfolio, to name but a few, include NMDC Group, Mawarit Holding, Trojan Construction, WIO, Pure Health, Aldar, Modon, Innosol, and NCTH. Within our portfolio, there are seven companies that are listed on ADX. In Abu Dhabi, Alpha Dhabi holding is an active investor. We engage with our portfolio companies, both public and private. We share our expectations with those portfolio companies to deliver sustainable returns over the long-term.

Our sources and uses of funds, our funds include. divestments from sale of [00:10:00] companies, dividends from our portfolio companies and bank borrowing. We use these funds to pay our lenders, invest in growth opportunities via both investment as well as M& A and also to distribute dividends. To our shareholders of particular note, in 2024 Alpha DBE distributed its first dividend of 2 billion Durhams.

A timeline of the history of the group includes the milestone event on June, 2021, where we completed our IPO. On ADX and on this slide, you can see that we have been an active investor during the period following our IPO. [00:11:00] This demonstrates the capability of our leadership team to source M& A and investment opportunities, and also to execute at scale to highlight some.

Of the key milestone events during the last few years, I would highlight the merger of Pure Health and Seha to create the largest healthcare group in the MENA region, which also IPO'd in 2023. We were a founding shareholder of weo Bank in 2022, of which Alpha DBE is the largest shareholder.

Some other notable events include the establishment of a joint venture with Mubadala to invest in private credit in January 2023. This was followed in [00:12:00] November of the same year where we established a joint venture with AdNot Drilling called Enersol. In April 2024, We also announced a divestment of a stake in our construction holding group to ADQ the Sovereign Wealth Fund.

This highlights another key milestone in the group's journey since IPO, where we've demonstrated our ability to recycle capital and partially exit one of our portfolio companies.

Some key highlights from our financial results from 2024. We reached a record revenue of 63.4 billion. This was a 40 percent increase on the previous year of 2023. Our [00:13:00] group net profit Reached 13.5 billion Durham's and our net profit from operations was 10 billion Durham's. This reflected an 82 percent increase year over year.

Our diversified portfolio and strategic investments have been a driver of this growth. And you can see that we are diversified in both the revenue by segment and also the profit by segment.

The journey of Alpha Dhabi from the year of Pre IPO through to 2024 is one that is demonstrated by exceptional growth over this period with revenues and profits growing at a compound annual growth rate of 102% [00:14:00] and 187% respectively since 2020. Key drivers of this growth include the real estate sector, industrial sector, and the construction sector.

This track record of growth has created the foundation for future growth. And together with a low level of debt provides capacity to deploy additional capital and continue to deliver growth going forward. This will come from a combination of organic growth, as well as M& A. Key companies Aldar, NMDC Group and Trojan Construction all had record backlogs at the end of 2024.

We have a robust balance sheet. [00:15:00] Our balance sheet has grown significantly since our IPO. The consolidation of Aldar in 2022 was one of the key contributors to this growth. And on our borrowings position, despite

increased borrowings, we have maintained a conservative net debt to cash position with a net cash position achieved in four out of the last five years, ensuring both financial stability and flexibility for future growth.

If we look at the key financial metrics of gross profit margin, net profit margin, return on equity, and net debt to EBITDA, all of these financial metrics reflect a strong performance and growth [00:16:00] and consistency to be able to deliver against each of these. We continue. To focus on delivering value to our shareholders for strategic investments, as well as prudent financial management.

Alpha Dhabi is pleased to provide both short term and medium term guidance for the first time to the market in this slide. We highlight the key strategic metrics, which we focus on to measure the performance of the group, as well as to ensure stable growth as we focus on execution of our strategy. Adjusted EBITDA, which is our preferred method of measuring EBITDA, includes profits from our subsidiaries and associates.[00:17:00]

as well as dividend income. However, it excludes non recurring fair value gains and IFRS accounting adjustments for such items as deconsolidation of a subsidiary. Our guidance For adjusted ebitda and 2025 is in the range of 17 billion Durhams to 17.5 billion Durhams versus the same metric of 13.6 billion Durhams achieved in 2024.

Our targeted future growth for EBITDA for the period 2026. Through to 2029 is based on a, a CER growth rate of 15 to 20%.

A EBITDA margin target for the period [00:18:00] from 2025 to 2029, sorry, is in the low twenties percentage range, which is in line with what we've achieved in prior years. In 2025, we are targeting to deploy 6 billion DURs in capital. This is an increase from the actual amount deployed in both 2023 and 24, and reflects non-existing commitments as well as additional m and a that the group is targeting to achieve.

The actual amount that we will deploy is, of course, subject to the actual timing. and completion of M& A and we will continue to provide updates to the Marg market and our progress during this year ahead on that deployment. We therefore then plan to deploy between 25 billion and 30 billion [00:19:00] dirhams between 2026 To 2029.

We do have the flexibility to increase our capital allocation in any single year, if we identify suitable M& A or investment opportunities that are in line with our

strategy, as well as ensuring that we stay within our net debt to EBITDA, uh, levels. Our targeted minimum return on equity for the group for all new M& A.

is a minimum of 15%. Um, we obviously want to achieve higher rates than this, and we'll endeavour to source transactions through a screening process, and deal flow, and connectivity across the globe that will allow us to exceed these targets. We aim to maintain a net debt to EBITDA ratio of less than three X, which as you can see, given the [00:20:00] historically low level percentage that we actually achieved in 2023 and 24 provides us with significant headroom to support the future growth by our increasing our leverage position from where it is today.

Alpha Dhabi's growth strategy. is inspired by Abu Dhabi economic vision. 2030, a forward-looking strategic initiatives include priority capital allocation for sectors, including financial services, hospitality, and the energy sector. These are sectors that we are already part of our portfolio. And we see these sectors as ones that provide significant opportunities to add to our existing portfolio and deliver significant growth for [00:21:00] our shareholders.

Going forward. Alpha Dhabi has a proprietary network, which provided with exceptional access to deal flow from across the globe. This allows us to select the best opportunities that meet up, meet our strict cry investment criteria, criteria, and the eight sectors that are already part of our existing portfolio today.

We also intend to increase our geographic expansion, and we have a global mindset. In terms of country allocation, we do not have any single countries that we are targeting as part of this growth. Today, across our portfolio, we have a presence in over 45 countries, a lot of which has been driven by acquisitions that the company has completed since its IPO.

IPOs of existing assets. are also part of our [00:22:00] growth strategy. The companies and timings of any such IPO's will be announced at the relevant time in the future and are subject to multiple factors before deciding to proceed. As an active investor, we work closely with our portfolio companies to identify and implement synergies across our portfolio that we believe will be a value accretive to the group going forward.

Alpha Dhabi is committed to drive growth. And creating long term shareholder value, as was confirmed in the guidance that we provided on the previous slide. Thank you for your attention. We're excited about the future of Alphabet Abbey Holding and look forward to continuing our journey of growth and success.

And sharing more information with you going forward in the future. [00:23:00]
Thank you.

Dana Tamimi: Thank you, Mr. Derek. We will now open the floor to questions. As a reminder, if you have a question, please type it in the Q& A box. We have a question from Mr. Raed. Alpha Dhabi is one of the companies that focus on the hospitality sector. Are there any thoughts about building more hotels in the UAE?

Derek Nicholson: At present, we've just recently concluded the transaction where we merged our private assets with the public, uh, shareholding that we had in NCTH. Our focus was therefore in concluding that transaction. And once we've combined those two assets, we will consider, uh, the strategy and capital allocation from an OpCo perspective, as well as ProcCo.

Separately, We also have a lifestyle platform called. Uh, lifestyle holdings, uh, within [00:24:00] this, we've already, um, established one hotel, uh, under the Namos brand. So that was a Mykonos. Uh, we have, uh, another hotel under development in the Maldives. And there's another one that is also in development where we're not providing the CAPEX, which is in the Red Sea, uh, resort area.

And we're also considering future, uh, development of hotels in the future. So we are active. In the host hotel sector directly for N. C. T. H. as well as Admiral Lifestyle platform and indirectly. We also have exposure to the hotel side through our shareholding and Alda.

Dana Tamimi: Thank you, Mr. Derek. What is your outlook for Mudan?

Derek Nicholson: Mudan is, uh, an investment. For us. So we own around about 8 percent for this group. Obviously, we expect it to grow. [00:25:00] It has the projects which it's announced in the market. It has Ream Hills. It has Huderia Island. And obviously, in the future, there is an exciting project that's announced which is going to lead the development.

Razal Hekma. In Egypt. So that is a, uh, portfolio company that we would expect to grow in the years ahead.

Dana Tamimi: We have a follow up question. Alpha Dhabi has delivered its year end results, showing strong operational performance. However, the share price has not fully reflected this growth, which is a concern for investors.

Can you provide insights into what management sees as the key factor behind this market reaction?

Derek Nicholson: Um, for Alpha Dhabi and our leadership team, as well as the board, we've been prioritizing to grow the company. And I think for the results that we've demonstrated today, we've executed on this growth. I think the Kiger growth that we've delivered since the IPO [00:26:00] has been exceptional and that is a priority.

If you look at the results or the guidance that we're giving, we're going to continue to grow this, obviously we would. Hope that the share price would reflect this growth that we have going forward. You know, the market is the one that will determine the share price. But for us, we're very focused on delivering long term returns and value for our shareholders.

And we believe that the portfolio of companies that we have today, our ability to deliver future growth through M& A and investment will provide Returns for all shareholders going forward.

Dana Tamimi: Thank you, Mr. Derek. Financial services and energy are two of the most significant economic sectors in the region, yet they remain relatively underweight in Alfa W's portfolio compared to other industries.

Is this a deliberate strategic decision based on your assessment of [00:27:00] regional competition and leadership in these sectors? Or should investors expect a more active approach towards scaling these segments in the future?

Derek Nicholson: I think if you look at this slide that's on the screen just now, we've earmarked these as priority sectors.

If I select the energy sector first, we've established the joint venture. With, uh, AdNoc Drilling, which was an active investor in 2024, we concluded on four transactions and we've roughly deployed just over half of the capital of 1.5 billion that we announced to the market. So there is more allocation to come.

In addition, within the energy sector, we are the largest private sector investor. In the disease industrial petrochemical zone, which has been led by AdNoc and ADQ. So we are allocating more capital and we'll continue to monitor for additional [00:28:00] opportunities within the energy sector. So we are long on this sector.

We see it as an area of growth, um, and want to participate in that growth. Financial services, we're the largest investor. And we owe digital bank that has grown significantly from the time of launch and achieve profitability already. So we were very happy with the progress of that, and we want to allocate additional capital.

to financial services. We see a lot of opportunity coming both here in Abu Dhabi and the UAE, where there's a lot of wealth coming into the region, which we want to be a part of. We see more capital being allocated here in the UAE. As well as internationally, as I highlighted earlier, we see a lot of deal flow.

We see some great opportunities coming. Have a look at financial services, be it in digital banking, be it in [00:29:00] payments. And then in addition, we've also allocated capital. to private credit. We have two strategies here. We have one where we establish the joint venture with Mubadala called MyCAD that has transactions that are sourced by Apollo.

So there's a very strong proprietary deal flow that comes there. And we have another strategy with AlphaWave. Private credit. So we see this as being a growing sector. We moved early into the sector. We partnered who we think are best in class partners to grow this. And in the future, if we decide to, we can allocate additional capital to both of these strategies beyond our existing commitments.

Financial services for us is one, um, It's got a lot of tailwinds behind it, particularly here in this region, and we want to be a leading investor in this sector. [00:30:00]

Dana Tamimi: Thank you, Mr. Derek. We have a question from Mr. Mohammed Haidar. Congrats on the solid results. Does the guidance on capital allocation include the CAPEX to be deployed by AlphaW's listed subsidiary?

Derek Nicholson: No, this is capital to be applied by Alpha Dhabi only. I think if you want to look at capital allocation for the listed companies, uh, you should engage with those. Some of the companies have already given their own guidance, but what I've highlighted on that, uh, Previous slide is the capital that will be deployed for alpha Debbie holding a company level.

So we already have some legacy commitments. Uh, so alpha wave ventures too is large venture capital fund. We've already deployed about 1.4 billion today. We have additional about 1 billion to go with that. Um, we have capital commitments for private credit, both with my card. And, [00:31:00] um, alpha

wave, and we have the remaining capital that we announced that we will commit to Enersol joint venture, and there isn't then additional capital that we want to allocate as we build our program of deployment on financial services and also hospitality and as well as any other.

opportunities that come through our deal flow that we think are going to give long term sustainable returns to our shareholders.

Dana Tamimi: Thank you. We have a follow up question. Given AlphaW's growth trajectory and increasing market presence, has management considered pursuing MSCI index inclusion? Beyond attracting passive fund inflows, such an inclusive inclusion would also place the company on the radar of active institutional investors, potentially enhancing liquidity and valuation.

Can you share any insights into whether this is a strategic priority and what are the steps, if [00:32:00] any?

Derek Nicholson: Yes. So obviously, uh, participating on the index is a longer term aspiration. Uh, the index itself has criteria that, that we need to meet in terms of liquidity. And that would be a decision for the ultimate shareholder, uh, of the group.

Um, there's already been, uh, some transactions in terms of, uh, a partial sale that was announced last year, but I think going forward, we. Acknowledge the passive flows that can come. And this would be something that is a longer term ambition. The timing of which is something that would be decided by the shareholders.

Dana Tamimi: Thank you, Mr. Derek. Another question was, it's great to have this opportunity to hear directly from you. And we truly appreciate the transparency and engagement. Putting faces to the company adds credibility and strengthens investor confidence. Do you plan to [00:33:00] continue engaging with the market in this manner going forward?

Should investors expect more regular updates and interactions to enhance, to enhance communication and visibility?

Derek Nicholson: Yes. We, our aim is to become more transparent, to engage more with the investment community. This was, uh, the first step on the journey that we want to go on to engage with the investment community, to provide more insights into our investors and to provide more regular updates on the groups, activity, financial results.

And then as we do M& A in the future to provide. More transparency to help people understand why we executed on particular transactions.

Dana Tamimi: Thank you, Mr. Derek. We have a question from Mr. Mohammed Zarzour. We have seen a huge growth in revenue and operation profit while we see a [00:34:00] decrease in net profit. Can you please elaborate on this?

Derek Nicholson: I think you need to look at the underlying, uh, position of the group. Um, we have the preferred metric, which is adjusted EBITDA. I think if you look at the, the last few years of history, there's been some changes in the group's composition of its portfolio, where we've had a company that has gone from a subsidiary to an associate.

There's obviously some IFRS accounting adjustments for that. Um, we have some fair value gains that we have from some of the portfolio companies that are in the market. We ensure that we, uh, account for things in line with IFRS. And one of the measures that we, we highlight within our quarterly results is the net profit from operations, which we believe shows the underlying performance [00:35:00] of the operations of the group.

And if you look at the results for last year, it increased to 10 billion was 82% year on year growth. And I think these are the real measures that you should focus on as you look at the results of Alpha Dhabi going forward. You can see the growth that is projected to come and, uh, the, our adjusted EBITDA, which takes out these, uh, non-recurring fluctuations.

So In 2025, we continue to see growth and our targeted growth beyond 2025 is in the range of 15 to 20%. So significant growth coming ahead. And this is despite the fact of the, you know, the revenue in profits growing significantly. So you have a very high base in which we need to continue to deliver the growth.

But we're very confident with the portfolio companies that we have, the M& A, the ability to allocate additional capital [00:36:00] that we continue to deliver on this growth.

Dana Tamimi: Thank you, Mr. Derek. As a reminder, if you have a question, please type it in the Q& A box. I have a question from Mr. Nakheel. What is your strategy to monetize non listed or private assets?

How do you identify potential candidates and preferred means of monetization? Which ones are most likely to be monetized among your existing assets? And if there is a potential timeline that we could be looking at?

Derek Nicholson: So we continuously evaluate various strategic options for our portfolio companies, and obviously IPOs is part of one of these options where we can create value for as part of our strategy.

If you look to recent years, uh, in 2023, we listed, uh, Pure Health, uh, and last year, one of our portfolio companies, NMDC Energy. Was also listed looking forward. [00:37:00] Any decision, uh, to IPO, uh, private assets or private companies will be based on various factors, including market conditions, the company's readiness and alignment with a long term strategy and investment objectives.

We have a disciplined approach to monetization strategies. We want to ensure that any public listing when pursued maxes, maximizes both value for us as a shareholder, shareholder, and Alpha Debbie shareholders, and also for the respective, uh, portfolio companies as well. So yes, we are remain open to IPO opportunities.

We'll assess them on a case by case basis and at the appropriate time. We will announce them.

Dana Tamimi: Thank you, Mr. Derek. We have our final question. Given global and regional economic landscape, what are the key risks or challenges that keep you up at night? [00:38:00]

Derek Nicholson: Um, I mean, I look now and say it's very positive where we are in Abu Dhabi.

There is growth, the strong micro economic growth, the, um, initiatives that the government is putting in to attract foreign direct investment, to see power agreements, to allow the market on Abu Dhabi to be. Access for both foreign direct investment, but also to allow this to be a base to grow. So what keeps me awake at night is to ensure that alpha W is well placed to capture this growth.

And I'm very confident on what I see for our portfolio companies that we have. The business plans that they have, some of the guidance that some of them have already announced to the market, that we look ahead positively. While we ensure that we we manage risks and mitigate those that we capture all the growth [00:39:00] that is there.

There is an endless amount of opportunity both here in the region and internationally. Alfa Dabi wants to play a leading role. And growing this, I think one of the key things that we've done as a leadership team is put us on the radar of other investors, for those that want to do IPOs, for those that want capital, for those that want to partner, that can help them grow.

Globally, we are one of those companies that they now think of. So we look ahead with a lot of confidence that we can continue to be that partner of choice and that Abu Dhabi being our home based really does support that future growth.

Dana Tamimi: Thank you, Mr. Derek. We have no more questions at this time. I would like to now hand it over to Mr.

Derek for some closing remarks.

Derek Nicholson: Okay. Thank you, everyone. It's a pleasure to have you all on this call for our [00:40:00] first of what we believe will be a continued dialogue with the investment community. I really do thank everyone for their insightful questions today. I will leave you these thoughts. We're committed to executing our strategy.

We want to drive sustainable growth and deliver long term value to our shareholders. We're confident in the strong fundamentals The discipline capital allocation and the resilience and growth of our portfolio. We appreciate your continued support and Al Fadabi and look forward to providing new updates and the coming quarters ahead.

And if you do have any follow up questions, then please reach out to our investor relations team, and we'll be happy to assist you going forward.

Thank you.

Dana Tamimi: Thank you, everyone.