

Ittihad announces Half Year 2024 Financial Results

Steady Growth and Resilience

Abu Dhabi – 04 September 2024: Ittihad International Investment LLC (“Ittihad”; the “Company”), the leading industrial conglomerate in the UAE, today announces its Half Year 2024 Financial Results.

Financial Highlights – H1 2024 vs H1 2023

- Group Revenue of \$1.6 billion (AED6.0 billion) vs \$1.5 billion (AED5.4 billion)
- Group Adjusted EBITDA* of \$73.6 million (AED270.4 million) vs \$67.9 million (AED249.4 million)
- Accelerated deleveraging towards short term leverage target, with gross debt leverage of 5.0x at H1 2024 (down from 5.3x as of December 31, 2023), and adjusted net leverage* 3.0x as of H1 2024, down from 3.4x as of December 31, 2023.
- Healthy H1 2024 free cash flow generation of \$49.4 million after funding \$17.0m of capital expenditure, out of which \$10.6 million was used towards growth capex and the balance towards maintenance capex.
- Stronger balance sheet with net cash and cash equivalents of \$146.8 million, and readily marketable inventories (RMI) of \$135.4 million as at half year 2024.
- On July 15th 2024, Ittihad successfully completed a \$100 million tap on its original \$350 million sukuk certificates. The proceeds from this new issuance were utilized to refinance existing debt, thereby extending the Company's debt maturity profile and enhancing its financial flexibility.

Operational Highlights

- **Consumer Goods Manufacturing (CGM):** Recovery in EBITDA margin resulted in a 11.4% increase in H1 2024 compared to H1 2023 and 33% increase compared to H2 2023 (\$34.3m vs \$25.8m). This improvement was driven by a favorable price-volume mix and a gradual improvement in market conditions, where inventory levels, particularly in paper and chemicals, became more balanced after the significant corrections in H2 2023. However, despite the significant EBITDA growth, margin recovery was still partially constrained by rising shipping costs in certain global markets due to geopolitical tensions in the Red Sea region. As these issues ease, there is potential for further margin improvement.
- **Infrastructure and Building Materials Manufacturing (IBMM):** Bolstered by strong market fundamentals and robust demand driven by the energy transition, as well as sustained investments in infrastructure and real estate development across the region, the Company successfully built on the 74% EBITDA growth achieved in H1 2023 compared to H1 2022. The positive outlook for this segment continued, with an additional 10% growth in H1 2024 compared to H1 2023, reaching \$22.8 million, up from \$20.7 million.
- Commercial operations started at the newly established copper upcycling facility. This strategic initiative is set to enhance the company's margins and operational efficiency. The manufacturing facility is aligned with Ittihad's commitment to sustainability by increasing the use of recycled materials in its copper rod production, contributing to a greener environment while simultaneously driving financial growth.
- **Business Services:** EBITDA grew by 8% in H1 2024 compared to the same period in 2023 (\$20.9 million vs. \$19.4 million). This increase was primarily driven from securing new long-

term contracts in infrastructure and operation and maintenance of the sewage network, totalling \$64 million.

- **Healthcare and other:** The Healthcare segment is navigating an increasingly competitive market, leading to pressures on margins across the board. However, the company is strategically adapting to this challenging landscape by shifting focus from capital equipment sales to a more sustainable revenue model centered around recurring healthcare consumables. This transition not only aligns with evolving industry demands but also enhances cash flow stability through shorter cash cycles, ensuring a more resilient business model in the future.
- As part of our ongoing commitment to not only achieving strong financial performance but also contributing positively to the environment and society, the company has made a significant progress in the implementation of its ESG program. Further details on this important initiative will be provided in our inaugural sustainability report, which is scheduled for release in the coming weeks

Outlook

- Organic growth and sustainability will remain the primary focus areas over the next five years.
- The Company has a short-term leverage target of 2.5x – 3.0x (net of bank balances and cash and RMI) and is focused on meeting this leverage target in the short to medium term.
- Ittihad is well-placed to capitalise on strategic M&A opportunities and is strategically positioned to expedite its investment plans while exploring additional avenues for raising capital.

* *Note on adjustments:*

"Adjusted EBITDA" is defined as net profit (loss) for the year / period from continuing operations plus finance costs, tax, depreciation, amortisation, and changes in the fair value of derivative financial instruments

"Adjusted net leverage" is defined as gross debt minus cash balances and readily marketable inventories (RMI) to adjusted EBITDA

Amer Kakish, Chief Executive Officer of Ittihad, said:

"I am proud of our company's sustained growth and resilience as we continue to navigate a dynamic business environment. Our performance reflects not only the strength of our market position in key sectors, but also our commitment to seizing new opportunities that drive long-term value for our stakeholders.

We remain focused on delivering higher returns through expansions and innovation, while maintaining rigorous financial discipline. By balancing growth with a strong financial foundation, we ensure that our company is well-positioned to capitalize on future opportunities, creating lasting value for our shareholders and partners."

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Overview

The Company achieved a record revenue and an adjusted EBITDA of AED 11.0 billion and AED 530.6 million respectively for the twelve month period ending June 30, 2024, despite facing macroeconomic challenges, including geopolitical conflicts that disrupted supply chains. This success was driven by a recovery in CGM margins, supported by a favorable price-volume mix and lower input costs, as well as sustainable EBITDA in the IBMM and Business Services segments, thanks to strong market fundamentals and a solid market position.

Our ability to generate long-term recurring revenues, attract new customers, and diversify our sales globally without relying heavily on a single market enabled us to navigate challenging market conditions and consistently meet our financial targets.

Revenue increased by AED 561.4 million, or by 10.3 per cent., to AED 6.0 billion in the six months ended 30 June 2024 from AED 5.4 billion in the six months ended 30 June 2023, primarily due to increase in commodity prices including paper, copper, and chemicals.

Adjusted EBITDA increased by AED 21.0 million, or by 8.4 per cent., to AED 270.4 million in the six months ended 30 June 2024 from AED 249.4 million in the six months ended 30 June 2023, primarily due to recovery of EBITDA in the chemicals and paper businesses as a result of higher prices of finished goods.

Segmental Performance

Consumer Goods Manufacturing (CGM)

CGM comprises three product lines: Printing and writing paper, tissue, and chemicals used in detergents and personal care products. The nature of the products the Company manufactures are fast moving essential goods which enables its Consumer Goods margins to remain relatively resilient during economic downturns. In the six months ended 30 June 2024, the Company's three consumer goods products accounted for [15] per cent of the Company's revenue and 46.5 per cent of its adjusted EBITDA.

Revenue decreased by AED 96.3 million, or by 9.7 per cent., to AED 899.7 million in the six months ended 30 June 2024 from AED 996.0 million in the six months ended 30 June 2023, primarily due to lower prices of paper and tissue driven by a lower pulp price.

Adjusted EBITDA increased by AED 12.9 million, or by 11.4 per cent., to AED 125.8 million in the six months ended 30 June 2024 from AED 113.0 million in the six months ended 30 June 2023, primarily due to increased sales volumes as a result of recovery in demand from downstream sectors of chemicals following a period of destocking and significant correction in raw material prices in 2023.

Infrastructure and Building Materials Manufacturing

IBMM division comprises three product lines: Refined copper rods, steel bars, and cement. The copper business enjoys a positive outlook due to strong demand propelled by the increasing adoption of alternative energy sources and electric vehicles, aligned with global trends favoring energy transition initiatives. Similarly, the overall building materials segment has experienced a surge in sales and improved margins, fuelled by substantial infrastructure investments and heightened construction activity in key markets such as the UAE and Saudi Arabia. In the six months ended 30 June 2024, IBMM accounted for [77.5] per cent of the Company's revenue and 31 per cent of its adjusted EBITDA.

Revenue increased by AED 626.2 million, or by 15.6 per cent., to AED 4,647.5 million in the six months ended 30 June 2024 from AED 4,021.3 million in the six months ended 30 June 2023, primarily due to higher price and demand for copper, cement and steel from global and regional markets on account of a strong push for energy transition, digitalisation, real estate and infrastructure projects.

Adjusted EBITDA increased by AED 7.6 million, or by 10.0 per cent., to AED 83.8 million in the six months ended 30 June 2024 from AED 76.2 million in the six months ended 30 June 2023, primarily due to higher sales volume in the copper and steel business, followed by improved margins across all division businesses.

Business Services

The Company's business services division provides: Long-term procurement, maintenance, and operation of radiology departments in Government-owned hospitals; Operation and maintenance services for infrastructure networks, wastewater treatment plants, sewage network and sewage treatment plants; and city cleaning and municipal waste collection. In the six months ended 30 June 2024, Business Services accounted for [5.6] per cent of the Company's revenue and 28.4 per cent of its adjusted EBITDA.

Revenue increased AED 41.2 million, or by 13.9 per cent., to AED 336.7 million in the six months ended 30 June 2024 from AED 295.5 million in the six months ended 30 June 2023, primarily due to an increase in work orders and O&M contracts across all businesses of the division.

Adjusted EBITDA increased by AED 5.7 million, or by 8.0 per cent., to AED 76.8 million in the six months ended 30 June 2024 from AED 71.1 million in the six months ended 30 June 2023, primarily due to newly set-up city cleaning and waste management operation in KSA and an increase in work orders in the operation and maintenance of sewage network and landscaping businesses.

Healthcare and other

The division comprises of healthcare, fund management, logistics and transportation, and interior design services for government and the private sector. These businesses, in alignment with our Business Services division, have minimal asset requirements and operate in sectors with

promising growth prospects. In the six months ended 30 June 2024, Healthcare and other accounted for [1.9] per cent of the Company's revenue and -1 per cent of its adjusted EBITDA.

Revenue decreased by AED 7.9 million, or by 6.7 per cent., to AED 111.4 million in the six months ended 30 June 2024 from AED 119.4 million in the six months ended 30 June 2023, primarily due to a softening in demand for medical lab equipment, operating theatres, hospital beds and office furniture.

Adjusted EBITDA reduced to a loss of AED 2.8 million in the six months ended 30 June 2024 from a gain of AED 3.9 million in the six months ended 30 June 2023, primarily due to softer demand for medical and lab equipment.

Outlook

Ittihad expects year-over-year EBITDA growth to be sustained throughout 2024. Moreover, further margin improvements can be anticipated in the Consumer Goods segment once geopolitical tensions ease and Red Sea shipping constraints are resolved.

From an operational standpoint, Ittihad anticipates further efficiencies in the value chain mainly driven from a capacity ramp up in the copper upcycling plant, and the revenue increase from additional contracts in the city cleaning and waste collection operation in Saudi Arabia.

Looking ahead, the Company's primary focus over the next five years will be on organic growth and sustainability. Expansion into Saudi Arabia will remain a key priority, alongside ongoing investments in human capital development and the advancement of our ESG program.

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About Ittihad

Ittihad is a privately owned business founded in 2008 and headquartered in the United Arab Emirates (UAE), with investments in the UAE, Saudi Arabia, and Egypt. The Company exports products and services to over 50 countries worldwide. It has a talented team of more than 8,000 members from over 57 nationalities with sector-wide expertise and a commitment to operational excellence.

Since 2015, Ittihad has pursued a strategy of investing in businesses with leading domestic positions in the UAE and the Gulf Cooperation Council (GCC), as well as strong international export potential. The Company focuses on long-term investments, all structured for business-to-business (B2B) export and designed to capture the unique value proposition offered by the UAE and the region.

Ittihad is committed to powering wealth creation through assets that balance profitability with sustainability and generate positive outcomes for stakeholders, society, and the planet.

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