

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Al Anwar Holdings SAOG (Al Anwar) was incorporated on 20th December, 1994 as a publicly listed company on Muscat Securities Market (MSM). Over the last twenty-five years, we have built successful companies and exited some of them through stake sales or flotation.

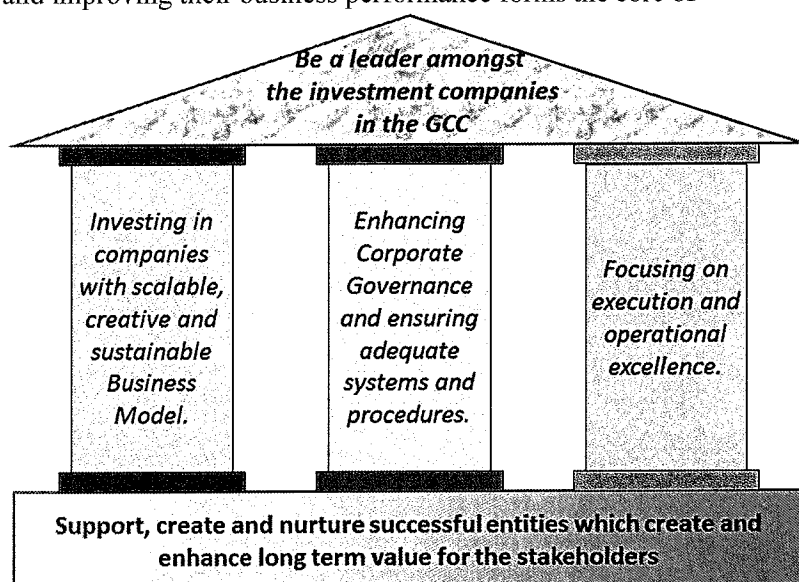
### INVESTMENT STRATEGY: CLEAR, DIFFERENTIATED AND PROVEN

Private-Equity & Private Investment in Public Enterprises (PIPE) model of owning and investing in private companies with the intention of growing them and improving their business performance forms the core of Al Anwar's investing framework.

At Al Anwar, we crave for efficiency. And to achieve our goals, we follow an approach emphasizing investing in businesses run by cost-conscious and efficient managers.

After the investment, our role is to create an environment in which our entrusted CEOs can maximize both their managerial effectiveness and generate value for shareholders.

Our flexibility in capital allocation and willingness to carry out bolt on acquisitions, gives us a significant edge in the market. We are judicious in having ownership stakes with respect to getting a controlling/non-controlling/significant minority stakes in businesses, depending on the nature of opportunity at hand.



### GULF CO-OPERATION COUNCIL (GCC) ECONOMIC LANDSCAPE:

- The year 2018 has been a mixed year for the GCC markets in terms of macro-economic factors and geo-political events. Overall impact has been that the GCC markets ended the year 2018 as one of the better performing market among the global markets.
- The oil prices also witnessed volatility in 2018. Brent prices ended at \$ 54 and after scaling a high of \$ 85 per barrel during 2018.
- The market performance of the regional markets for 2018 was as follows;

Abu Dhabi	Bahrain	Dubai	Kuwait	Oman	Qatar	Saudi Arabia
11.7%	0.4%	-24.9%	5.2%	-15.2%	20.8%	8.3%

- Volumes across GCC remained buoyant during the last quarter, especially during its initial half as local institutions supported the market.

- The key markets such as Saudi Arabia, Kuwait, Abu Dhabi and Qatar witnessed sizable inflows from the foreign investors especially during the first nine months of 2018. This along with relaxation of foreign ownership limits in Qatar and inclusion of Kuwait and Saudi Arabia into the global indices such as MSCI and FTSE benefited the markets.
- The earnings growth for the GCC companies showed improvement with profit growth of 11% compared to the previous year earnings. This was supported by the growth in banking and petrochemical sector while consumer, healthcare and industrial sector remain under pressure.
- Governments in the region have shifted their strategy to expansionary budgets after exercising belt tightening in last couple of years. Majority of the budgets announced amongst GCC nations have shown an expansionary policy, suggesting the confidence in tackling the twin deficits faced by them over the past few years. Further, Value Added Tax (VAT) has been introduced in select countries, which could spike inflation by few notches, but not alarmingly enough to cut back on capex plans amongst the listed entities.
- Further economic reforms are expected as we move ahead in 2019 as the countries rationalize spending and make sincere attempts to diversify the economy away from the oil sector and build a sustainable non-oil economy.

#### OMAN ECONOMY AND OUTLOOK:

---

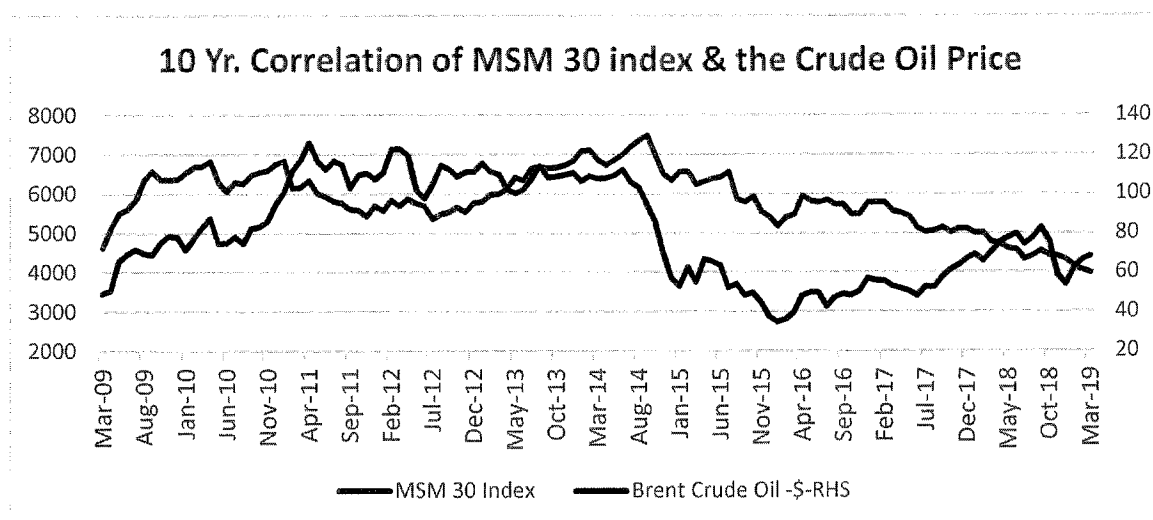
The year 2018 was characterized by Government's efforts to diversify the economy.

Oman faces an improved economic environment in 2019 with relatively higher oil prices prediction. The Oman Government has announced a Budget for 2019 with a fiscal deficit. In the 2019 budget, total income is estimated at OMR 10.1 billion and expenditure is budgeted at OMR12.9 billion, increase of 3% compared to last year, with the budgeted deficit estimated at OMR 2.8bn, which is 9% of Oman's estimated GDP for 2019. The budget is based on the oil price of \$58 per barrel. The deficit will be mainly financed through external borrowings.

Oman has introduced Excise tax on certain items and has plans to introduce VAT.

## PERFORMANCE OVERVIEW OF MUSCAT SECURITIES MARKET (MSM):

The MSM has performed negatively in 2018, it dropped 15.2% compared to the previous year. Historically MSM has a high co-relation to the oil prices, depicted as follows:



### Market Capitalization by Sector (OMR Billions)

Description	Mar-17	Mar-18	Mar-19
Banking and Investments	3.78	3.82	3.71
Services	3.39	2.80	2.14
Industry	1.43	1.14	0.85
<b>Total Market capitalization</b>	<b>8.60</b>	<b>7.76</b>	<b>6.70</b>

In last two years the total market capitalisation of MSM reduced by approximately OMR 1.9 billion

The trading activity on MSM Index witnessed a decrease of 23.2% in average daily traded value for the year 2018 at RO 3.1 million as compared to RO 4.0 million in 2017.

## OPPORTUNITIES

Al Anwar remains optimistic on the Oman economy and the potential to invest in our chosen sectors.

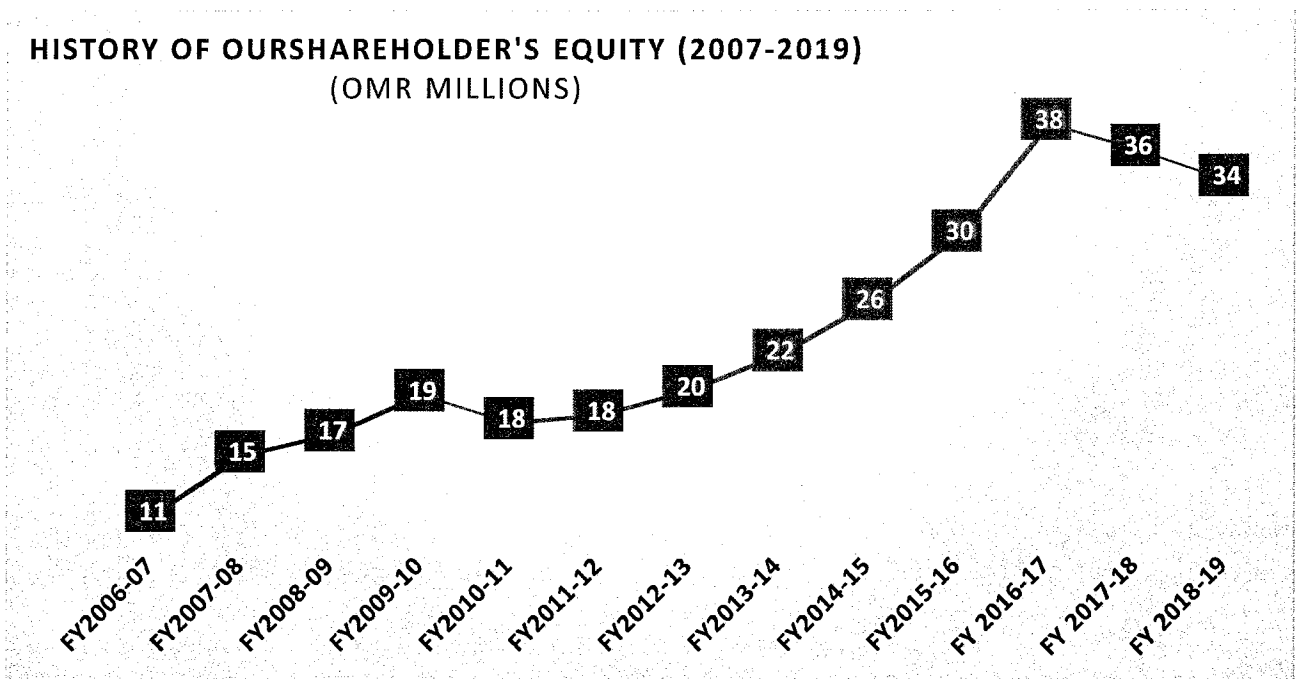
We are aware that the current economic environment represents an opportune time to acquire businesses which has synergy with our associates. As a nimble company with a strong balance sheet, we believe that Al Anwar is in an excellent position to take advantage of attractive opportunities.

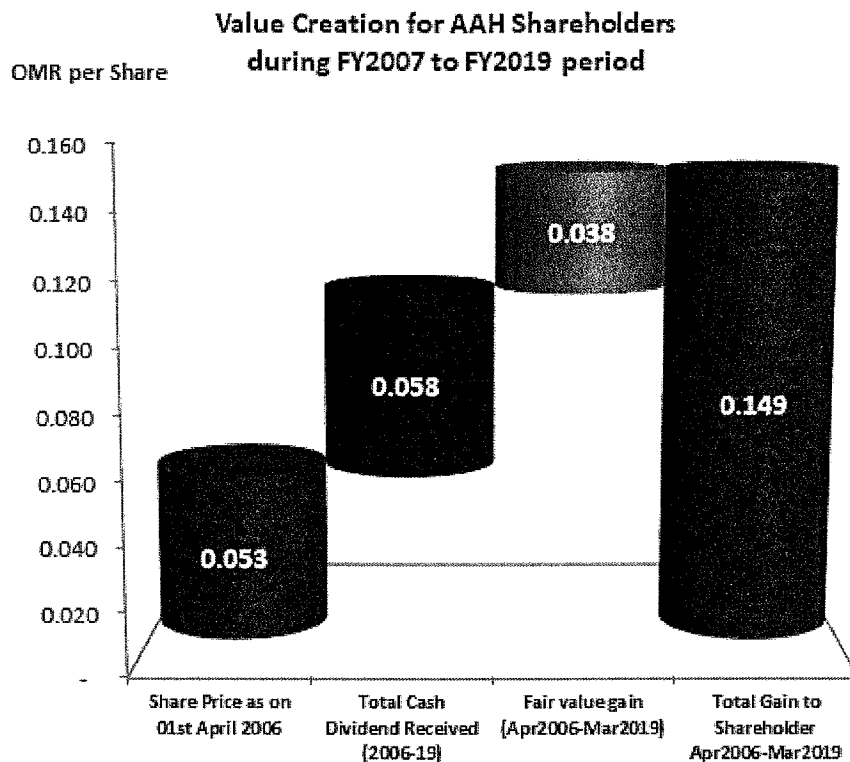
We as an Investment holding company have always looked for growth businesses with a penchant for value investments.

We have a fully engaged board, an exceptional management team and a strong corporate culture. Challenges still exist, and there's always room for improvement, but as we head into our financial year ending 31<sup>st</sup> March 2020, we remain proud of these accomplishments and are optimistic about the future.

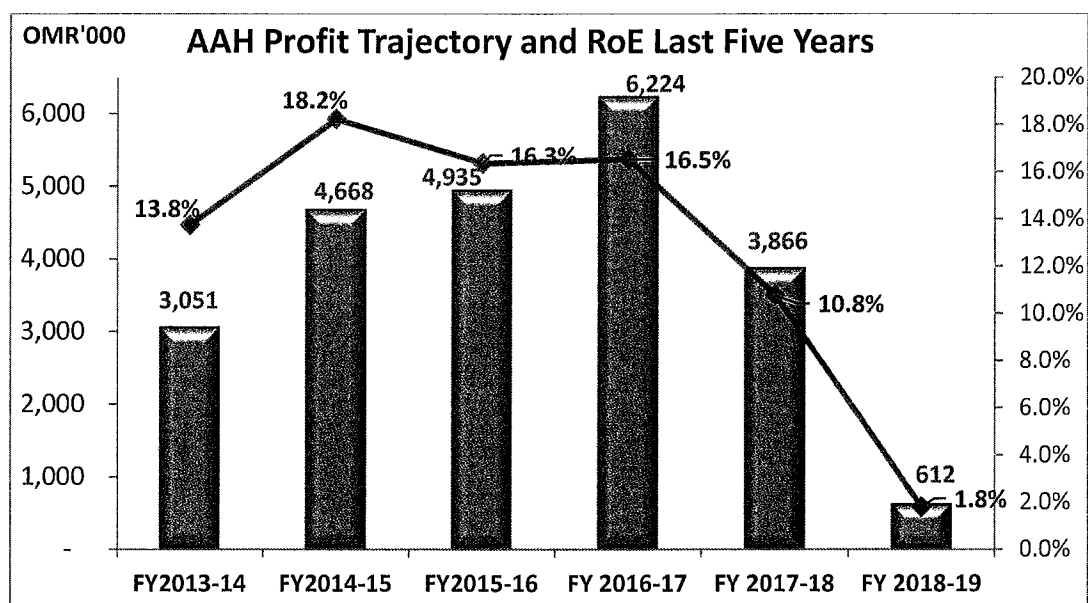
## PERFORMANCE ANALYSIS

---





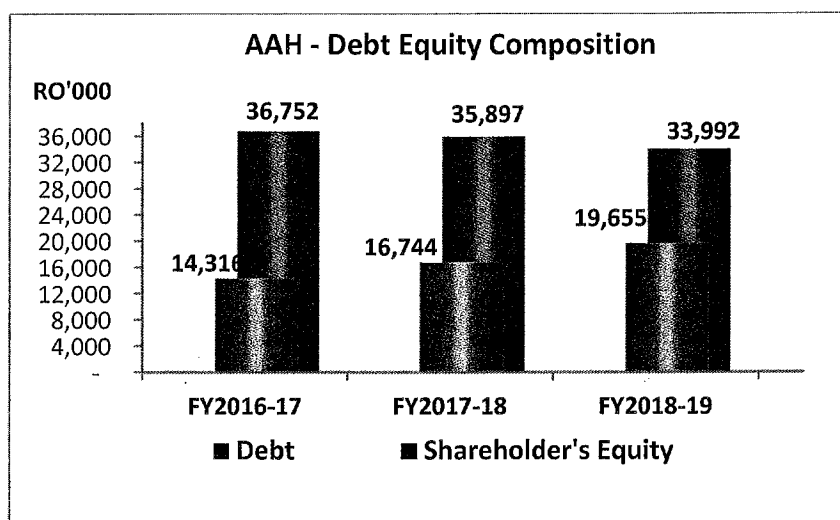
Value of One share of AAH which was at 53bz in April 2006 (adjusted for historical stock dividends) has increased to 149bz in March 2019 (including the total cash dividends distributed of 58bz over the period). A total gain of 181% over April 2006 to March 2019. Thus, OMR 1.000 invested in AAH shares in April 2006 has turned into OMR 2.810 as of 31st March 2019 including the cash dividends received over the period. This translates to an annualized return of 13% over the fourteen-year period.



The profitability for the year ended 31<sup>st</sup> March 2019 was impacted mainly due to absence of any major transaction in our investment portfolio, reduction of profits in some of our Associates, and the negative impact of all our marked to market investments in MSM. In addition, we have not recognised accrued interest on the OMVS Perpetual Bonds in the amount of approximately OMR 323,000. The amount will be recoded on receipt in June 2019 in accordance with the terms of the Bonds.

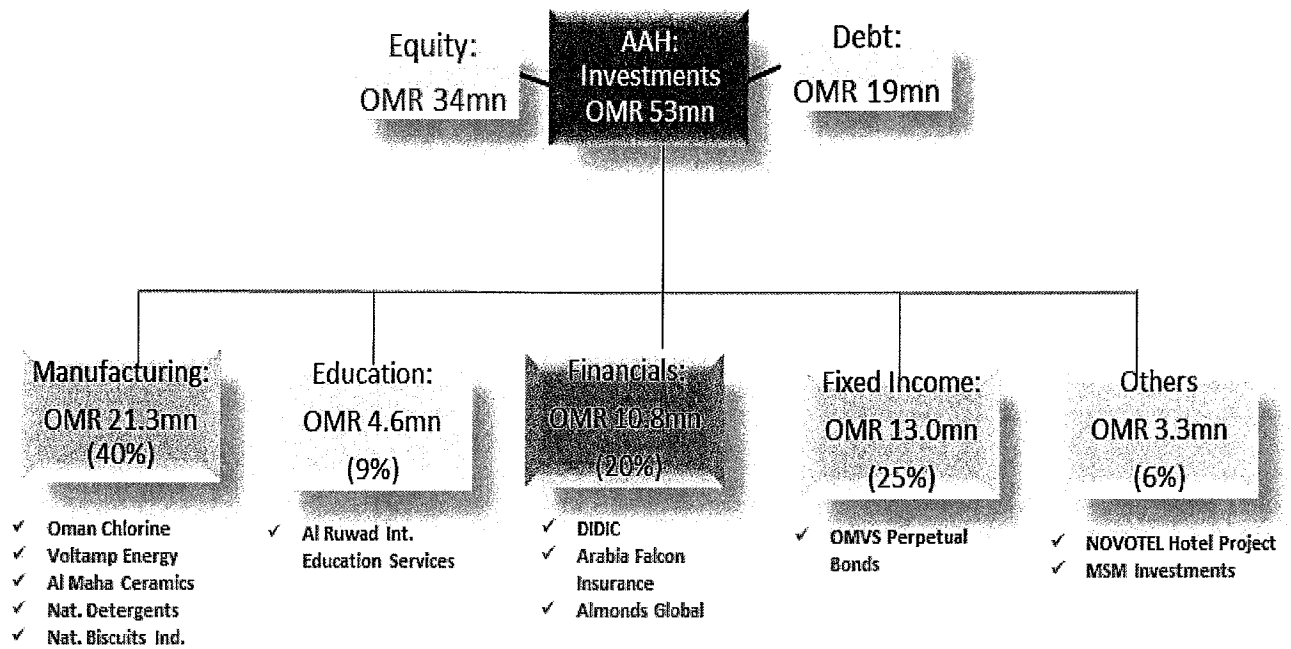
Al Anwar maintains a cautiously optimistic approach with the core focus on financial services and industrials and continue to deliver on business simplification, regulatory requirements, controls, expense discipline and capital requirements. Going forward, in continuance of prudent policy framework, we will align the growth strategies accordingly.

Growth in our investment portfolio over the years has been achieved whilst maintaining a manageable leverage position. As of 31<sup>st</sup> March 2019, our Debt/ Equity ratio was 0.58.



Al Anwar has a very focussed approach to its investments. We have a very strong manufacturing cluster which has constantly produced good returns. Our other clusters are financial services which is a mature sector and has growth potential. Our education has very high growth potential and should expand rapidly. Our investments are mostly strategic and we have a very small amount of trading investments. Our objective is to ensure that we increase the profitability and consequently the value of each of our investment.

Our investment portfolio as of 31<sup>st</sup> March 2019 by clusters is as follows:



<b>AAH Investment Portfolio as at 31st March 2019 (OMR'000)</b>	<b>Carrying Value</b>	<b>Market/Fair Value</b>	<b>NAV Share</b>
Oman Chlorine SAOG	7,985	6,035	5,341
Voltamp Energy SAOG	4,966	3,796	5,303
Arabia Falcon Insurance SAOG	4,245	2,617	4,066
National Detergents SAOG	4,568	3,005	3,550
Al Maha Ceramics SAOG	2,613	2,415	2,206
Al Ruwad Int. Edu Services SAOC	4,638	4,638	1,984
NABIL SAOG	1,804	1,145	1,664
Hormuz Al Anwar Cement SAOC	40	40	-30
<b>Associates</b>	<b>30,858</b>	<b>23,693</b>	<b>24,086</b>
OMVS Perpetual Bonds	13,000	13,000	13,000
DIDIC SAOG	6,227	6,227	5,849
NOVOTEL Hotel Project -Land value	2,085	2,085	2,085
Almondz Global Securities Ltd.	417	417	914
Sun Packagin Co. SAOC	376	376	56
Other MSM Trading Investments	206	206	206
<b>Other Investments</b>	<b>22,311</b>	<b>22,311</b>	<b>22,110</b>
<b>Total Investments</b>	<b>53,169</b>	<b>46,004</b>	<b>46,196</b>
<b>Other Assets</b>	<b>1,090</b>	<b>1,090</b>	<b>1,090</b>
<b>TOTAL ASSETS</b>	<b>54,259</b>	<b>47,094</b>	<b>47,286</b>
<b>Less: Total Liabilities</b>	<b>(19,655)</b>	<b>(19,655)</b>	<b>(19,655)</b>
<b>NET ASSETS (E - F)</b>	<b>34,604</b>	<b>27,439</b>	<b>27,631</b>
<b>Net Assets (Bz per Share)</b>	<b>173</b>	<b>137</b>	<b>138</b>

<b>Comparison of AAH Market Value with Intrinsic Value as of 31st March 2019</b>	<b>Bz per Share</b>
AAH Share Price on the MSM	90
AAH NAV per Share - As reported	173
AAH NAV per Share - Market Value based	137

The cornerstones of our next three-year investment strategy are:

1. Sustainable Operational Improvement of investee companies
2. Opportune Monetization and acquisition of investments
3. Effective cash management by prioritizing investment opportunities



## RISKS AND CONCERNS

---

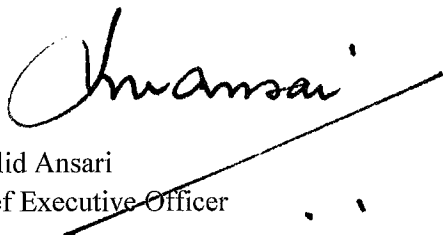
Al Anwar has a robust Board-approved Risk Management framework in place that adheres to industry best practices. Risk Management is embedded in all core business functions and is an integral part of the business strategy. Al Anwar follows a proactive Risk Management approach in remediating internal and external risks through conducting regular risk assessment of its portfolio companies, operating environment and taking proactive action to mitigate emerging risks.

Risk issues impacting portfolio companies are proactively managed through close working relationships with investee companies and the prudent oversight of our Board representatives. Broadly, these risks take the form of increasing costs/ decreasing margins, competition from other sources of supply and shifts in customer preference for other solutions. Also, each of the investee companies have their own risk management process in place.

## ACKNOWLEDGMENTS

---

We acknowledge the contribution of our Board Members for their wisdom and valuable guidance which has helped us in successful implementation of our strategy. Further, we appreciate the confidence entrusted by our shareholders.



Khalid Ansari  
Chief Executive Officer