



الأنصاري للخدمات المالية
ش.م.ع.
AL ANSARI FINANCIAL SERVICES
P.J.S.C.



H1 and Q2 2023 Financial Results

10 August 2023

2023
H1 / Q2



Al Ansari Financial Services Reports 5% Increase in Operating Income to AED 578 Million in H1 2023 as it Makes Significant Progress on Growth Strategy

KEY H1 2023 HIGHLIGHTS

ROBUST GROWTH IN OPERATING INCOME

- Operating Income rose 5% year on year (YoY) to AED 578 million driven by a 10.7% YoY increase in total transactions across the Group's offerings.

Operating Income

AED 578 million
↑ 5% YoY

EBITDA HOLDS STEADY DESPITE INCREASED OPERATING COST

- EBITDA came in at AED 299 million, little changed from a year ago despite a rising operating cost environment.

EBITDA

AED 299 million

BANK NOTES AND WPS ARE TOP PERFORMERS

- Strong growth in Bank Notes business driven by the tourism boom and peak travel period.
- Wage Protection System (WPS) supported by strong growth in the number of wage disbursements on the back of strong customer retention and acquisition.

Corporate Business

↑ 33.9% YoY

CORPORATE BUSINESS CONTINUES TO GROW, IN LINE WITH EXPECTATIONS

- 33.9% YoY surge in the value of transactions to corporate customers, in line with Group's efforts to boost offering to an underserved but promising segment.

Digital Channels

↑ 31% YoY

DIGITAL CHANNELS ARE GAINING IN POPULARITY

- 31% YoY growth in number of transactions conducted across Group's digital channels, supporting efforts to enhance customer journey and lower costs to serve.

No of Transactions

24.4 million
↑ 10.7% YoY

PLANNING TO EXPAND INTO OMAN THROUGH THE ACQUISITION OF ONE OF THE LEADING EXCHANGES

- Group secures approval to acquire controlling stake in leading exchange company in Oman, in line with strategy to expand in GCC region.

Branches

+15
since H1 2022

EXCHANGE UNIT PROGRESSING NICELY WITH NETWORK EXPANSION PLANS

- 15 new Al Ansari Exchange branches opened across the UAE since H1 2022, in line with Group's ambitions to further cement its domestic leadership position.

REAFFIRMING COMMITMENT TO DIVIDEND IN OCTOBER 2023

- Board reaffirms commitment to distributing a minimum of AED 600 million to shareholders, with the first interim payment expected in October 2023.

Dubai, UAE - 10 August 2023 - Al Ansari Financial Services PJSC (DFM: ALANSARI), (the “Group”), one of the leading integrated financial services groups in the UAE and the parent of Al Ansari Exchange, today announced its financial results for the fiscal first half (“H1”) and second quarter (“Q2”) 2023, ended 30 June 2023. Operating income for the Group increased by 5% year on year (YoY) in H1 2023, on robust demand across all products with significant contribution from offerings and services to corporate customers.

Financial Highlights

<i>In AED thousands (unless otherwise stated)</i>	H1 2023	H1 2022	% change (YoY)	Q2 2023	Q2 2022	% change (YoY)
Operating Income	578,026	550,761	5.0%	291,004	287,645	1.2%
EBITDA	298,620	300,932	(0.8)%	147,238	160,598	(8.3)%
EBITDA Margin (%)	51.66%	54.64%	(2.9)%	50.60%	55.83%	(5.2)%
Net Profit	263,293	269,969	(2.5)%	130,284	145,856	(10.7)%
Earnings per Share	0.0351	0.0360	(2.5)%	0.0174	0.0195	(10.7)%
Free Cash Flow(FCF)	278,130	287,917	(3.4)%	137,415	151,238	(9.14)%

H1 2023 Operational Highlights

	H1 2023	H1 2022	Change (unit)
No. of physical branches in UAE	238	223	Net 15 new branches
Total No. of transactions	24.4 mn	22.0 mn	10.7% YoY
Corporate business - value of transactions	AED 54.3 bn	AED 40.5 bn	33.9% YoY
Digital Channels - No. of transactions	1.9 mn	1.4 mn	31%

H1 2023 Financial Performance Commentary

- H1 2023 Operating Income increased 5.0% YoY to AED 578 million driven by a 10.7% YoY increase in the total number of transactions. This marks the highest six-month period operating income to date.
- The increase in the number of transactions was predominantly driven by very strong demand from the Corporate business segment underpinned by expansionary economic conditions in the UAE. It was also owed to a strong increase in the Bank Notes business including multi-currency Prepaid Cards on the back of the tourism boom and the peak holiday season. These increases were partly offset by a marginal reduction in the number of Remittance transactions.

- H1 2023 EBITDA held steady at AED 299 million compared to H1 2022 despite an increase in costs.
 - Increase in costs during the period is directly related to the opening of 15 new branches since H1 2022, in line with Group's organic expansion plans.
 - Costs have also increased as a result of the rising cost environment, a factor impacting the exchange industry across the UAE.
- H1 2023 Net profit was AED 263 million, registering a 2.5% decline compared to H1 2022. The drop in net profit was predominantly driven by lowering remittance margins, higher costs as well as an increase in financing costs related to interest paid on a loan drawn in December 2022.
- CAPEX increased by 62% YoY to AED 20 million as the Group continues to invest in scaling its business, in line with its growth strategy.
- The Group sustained a healthy FCF of AED 278 million, supported by strong cash conversion.

Q2 2023 Financial Performance Commentary

- Q2 2023 Operating Income increased 1.2% YoY to AED 291 million mainly attributed to strong growth in the Bank Notes, WPS and Other services, while we saw a slight decline in the income from Remittance business.
- Q2 2023 EBITDA income declined 8.3% to AED 147 million, on the back of higher operating costs, driven predominantly by Group's network expansion as well as generally rising costs, an industry-wide phenomenon and lower margin on the Remittance business.
- Net profit for the three-month period declined 10.7% to AED 130 million, on the back of higher depreciation charge as a result of an expansion in the branch network and increasing finance costs due to interest payment on an AED 300 million term loan drawn in December 2022.

Performance of other offerings

- **Worldwide Cash Express**, the Group's money transfer operator, saw a strong 32% YoY growth in the number of transactions in H1 2023, a reflection of the strong demand for this service from corporate customers.
- The **Wage Protection Services (WPS)** business saw a strong increase in Operating Income, up 18.5% in H1 2023 versus H1 2022. This is predominantly driven by growth in the number of newly acquired corporate customers and the increase in the number of wage disbursements.
- **CashTrans**, the Group's end-to-end cash management solution, is gaining remarkable momentum, with the number of trips increasing by 32.4% YoY. The Group expects the growth momentum to continue as it ramps up operating and sales efforts within this product line and as its state-of-the-art cash center in Dubai commences operations in Q3 2023.

Dividend

- Given the Group's strong financial and liquidity position, the Board reaffirms its commitment to distributing a minimum amount of AED 600 million as announced during

the IPO, and outlined in the Prospectus, for FY 2023 to be paid out semi-annually with the first half expected to be distributed in October 2023 and the second payment to be disbursed in April 2024.

Commenting on the results Rashed A. Al Ansari, Group CEO of Al Ansari Financial Services, said:

“Our focus since the start of the year has been on executing our growth strategy while continuing to produce robust financial results. I am pleased to say that we have delivered on both fronts. As the UAE economy continues to grow at a very healthy pace, our diverse offerings served us well, with strong demand from different customer segments, notably SMEs, and inbound and outbound tourism. This has contributed to sustained top-line growth. Moreover, thanks to our leading market position, the quality of our services and value-added products, the efforts of our teams, and our well-recognised brand, we grew and further diversified our customer base during the period. Our efforts to diversify the sources of revenue are contributing towards further enhancing the resilience of our business model.



We are firing on all cylinders across our businesses. We are investing in our domestic expansion while also expanding our footprint in other promising GCC markets. Subject to regulatory approvals and other completion related processes, we are poised to enter the Oman market, our second foray outside UAE, following Kuwait, by acquiring a controlling stake in one of the leading exchanges in the Sultanate. We are also investing in further scaling our end-to-end cash management business, CashTrans, which has so far performed tremendously, and is showing promising growth potential as we invest in ramping up operations. We are also investing in our digital channels to ensure we maintain a competitive edge while also optimising costs to serve customers.

We are well funded for our growth plans, have ample liquidity and a very comfortable leverage position. Given our robust financial position and our confidence in further unlocking shareholder value as we boldly execute our growth agenda, the Board is confirming the distribution of the promised minimum AED 600 million in cash dividends to our shareholders.”



Mohammad Bitar, Deputy Group CEO of Al Ansari Financial Service, said: “It has been a very busy and exciting period. We are seeing strong demand for our relatively new offerings, while we continue to sustain our market leadership position in our core offerings, Remittances and Bank Notes.

The Bank Notes business performed exceptionally on the back of the strong demand from inbound tourists, high footfall in prime locations, including malls, as well as an increase in the number of people travelling abroad. We are very pleased with the exceptionally strong performance of the Travel Card product, a testament to our success in launching and continuously enhancing our products to satisfy customer needs. WPS has also delivered a strong performance, driven by an increase in the number of customers as well as wage disbursements.

Our effort to grow our B2B business is paying off. The value of transactions surpassed AED 54 billion driven by strong demand from corporate customers for remittances, WPS, bills collection,

and end-to-end cash management. We anticipate the robust growth momentum to continue for the remainder of the year.

Our digital channels continue to gain in popularity, with a 31% increase in the number of transactions conducted through those channels across all offerings. Having said that, face-to-face remittances remain a preferred mode of transaction, with 81% of the remittances in the first six months of the year conducted in our branches. This further validates our strategic decision to gain market share by expanding the number of branches across the UAE.

While our cost base has increased compared to the year ago period, mainly attributed to our aggressive expansion plans, regulatory requirements to achieve Emiratisation targets, and an overall higher operating cost environment – an industry-wide trend- we believe that once those 15 new branches breakeven, they will contribute towards profitable growth and support EBITDA margin expansion in the mid-term.

The recently issued Financial Stability Report 2022 by the Central Bank of the UAE solidified our largest subsidiary's, Al Ansari Exchange, market leadership position in that it was reported as making up c.40% of combined Operating Income generated by all 84 operating Exchange Houses in the UAE during 2022. Al Ansari Exchange also contributed 74% of UAE based exchange houses' consolidated net profit for the same period. This is a testimonial to the Group's aggressive growth strategy in a cost-efficient manner."

Other Major Updates

AI ANSARI EXCHANGE KUWAIT ACQUISITION

The Group anticipates completing the 100% acquisition of Al Ansari Exchange Kuwait before the year-end and expects the impact from the consolidation to be reflected in Q1 2024 and for the revenue and cost synergies to be unlocked thereafter.

EMPLOYEES

The Group saw a 19.2% increase in the number of employees in H1 2023 compared to H1 2022 and an 8.3% increase compared to 31 December 2022. The consistent growth in the number of employees is in line with the Group's expansion strategy.

Emiratisation has experienced remarkable growth in H1 2023, compared to the same period in 2022 with a significant increase of 105%, in the number of Emirati nationals, in line with the Group's support of the Government's Emiratisation initiative. This growth can be attributed to various measures taken by the Group, including providing training and development programmes, and actively seeking out and recruiting Emirati talent at career events and in collaboration with top universities in the region.

POST H1 REPORTING PERIOD UPDATES

EXPANSION INTO OMAN THROUGH ACQUISITION

On 7 August the Group announced its plans to expand its geographic footprint into The Sultanate of Oman through the acquisition of a majority stake in one of the country's prominent exchange companies. The Group has received an initial approval subject to meeting the necessary regulatory conditions. The acquisition is still in its initial stage and is subject to the necessary regulatory approvals and due diligence. The anticipated completion date for the acquisition is set for Q1 2024.

Appendix 1 Description of Al Ansari Financial Services' Product Offerings

Remittances	The Group provides remittances at its retail branches and via its digital channels, offering domestic and global money transfers through its proprietary money remittance platforms, Cash Express, Global Fund Transfer and Worldwide Cash Express, as well as through its money transfer operator partners such as Western Union and its transfer payment network where transfers to bank accounts are executed via money transfer services such as SWIFT or Ripple. The Group offers remittances for its retail and corporate customers.
Bank Notes	The Group's retail and wholesale foreign currency exchange services primarily comprise the sale and purchase of foreign currency directly to and from retail and wholesale customers. The Group offers its bank notes services in over 70 currencies across all its branches. The Group also offers pre-paid cards as part of its retail foreign currency exchange services. Both the Group's Travelcard and FlexiblePay products are reloadable pre-paid cards that can store either single or multiple currencies and allow the conversion of such currencies into other currencies by the user. These pre-paid cards, where available, can be purchased or reloaded in the Group's branches, online or through the mobile app.
Wage Protection System ("WPS")	The Group offers corporate payroll solutions, executing wage payments on behalf of companies operating in the UAE in compliance with the directives of the UAE's Ministry of Human Resources & Emiratisation, under the WPS initiative.
Other Services	The Group's other offerings include, among others, bill payment and end-to-end cash management solutions.

Appendix 2: Glossary of Terms

Term	Definition
Corporate business or B2B business	Products and services offered to Corporate Customers, including WPS, Bill Collection, End to End cash management, Remittances, Bank Notes.
Digital business	All transactions conducted through digital channels across all products, including Remittances, Travel Card, Bill Collection and WPS.
Digital outward personal remittances	Outward personal remittances conducted through digital channels.
Operating Income	Operating Income is defined as “Income” excluding “Other income” and “Interest income – net”. In other words, it is income generated from the Group’s operations.
EBITDA	EBITDA is defined as “Profit for the year” excluding “Depreciation and Amortisation”, “Finance cost on lease liabilities” and “Interest income – net”.
EBITDA Margin	EBITDA margin is calculated as EBITDA divided by operating income.
Number of transactions	The number of transactions conducted by the Group per product (Remittances, Bank Notes, WPS) or by channel (in person, digital) or by customer segment (Retail, Corporate)
Value of transactions	The aggregate nominal value of executed transactions, which is calculated by: number of transactions x AED value per transaction.
Free Cash Flow	Free Cash Flow is calculated as “EBITDA” minus “CAPEX”