MULTIPLY
GROUP

INVESTORS' UPDATE

JANUARY 2024 | ISSUE 25

Contents:

OUR UPDATES

Multiply Group more than doubled Net Profit excluding fair value changes in FY 2023, reaching AED 1.1 billion.

Multiply Group reported full-year 2023 results with a net profit excluding fair value changes of AED 1.1 billion, 2.4x last year. Robust underlying profit growth was led by strong operational performance, higher investment income and increased share of profit from Kalyon JV. The reported net profit, including unrealized fair value changes on the market volatility backdrop, came in at AED 552 million.

Group revenue increased by 15% YoY to AED 1.3 billion, reflecting the strength of our vertical building strategy, driven by organic growth across the four verticals (+5% YoY) and the consolidation of Media 247 under the Media vertical and each of Fisio and The Juice Spa and Salon under Beauty & Wellness vertical. Blended gross profit margin improved to 51.3%, reflecting an improvement of 70 basis points YoY as a result of enhanced profitability across core verticals.

Group net profit growth (excluding unrealized fair value changes) which more than doubled YoY was driven by strong vertical performance (19% YoY blended growth) and was reinforced by increased share of profit from Kalyon JV with the commencement of solar power project (capacity of 1,350 MW) in early 2023 coupled with tripling of investment & other income on higher dividends received from the Group's public portfolio.

Macro Outlook 2024

A softening global outlook in 2024 follows a year of stronger than expected growth and market performance as tailwinds to the consumer fade and monetary policy tightening lags catches up. A soft-landing consensus has taken precedent over last years recession fears, although we can't discount the possibility completely yet. Inflation is steadily coming down to central bank target levels, but there remains headwinds to core levels. With inflation seemingly on track, markets and central bankers are now as close to agreeing on the policy path since the start of the cycle. Roughly 100bps of cuts are likely coming in most major markets, however, in the medium term will still be comparatively elevated to the ultra-low levels we became accustomed to post global financial crisis. Additionally, geopolitical tensions remain highly elevated and a continued risk to the outlook.

The UAE economy continues to be a global bright spot, while ADX lagged an otherwise fantastic year for global equity markets (including DFM), the local macro environment appears conducive of positive corporate performances. Dealmaking activity should cautiously re-emerge as pressure builds to deploy accumulated dry powder and the valuation gap narrows. However, tighter credit conditions in the medium term will require adaptation with an emphasis on operational improvements to current holdings and less leverage. Sluggish deal flow and IPO recoveries will weigh on exits, extending liquidity issues and increasing demand for carveouts.

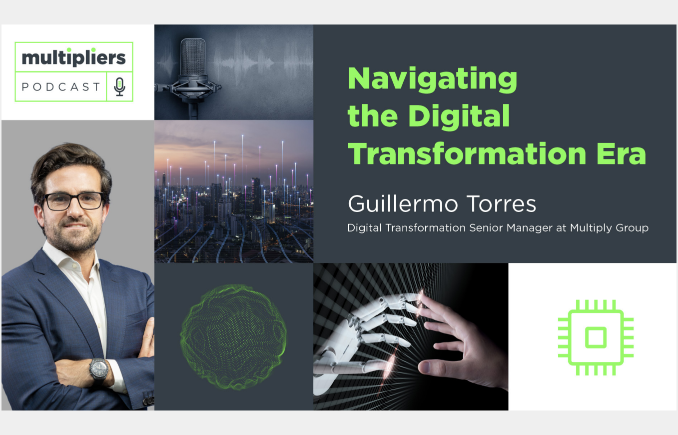
Investors will need to roll up their sleeves to weed through a dispersed landscape as divergences emerge in growth, earnings and valuations across regions and sectors. Conditions call for increased selectivity and a premium on quality. Caution should be placed on cyclical areas of the market that benefited most from post-pandemic volatility and stimulus as those forces fade. Identifying mega forces (persisting structural themes causing current and long-term shifts in economies, sectors and profitability) can allow investors to cut through macro cycles and market volatility.

Read more: Full Report

Navigating the Digital Transformation Era

In this episode of Multipliers, we explored the ever-evolving landscape of digital transformation with Guillermo Torres, Digital Transformation Senior Manager at Multiply Group.

Check out the full episode on Spotify, Apple Podcasts, Google Podcasts, and our YouTube channel

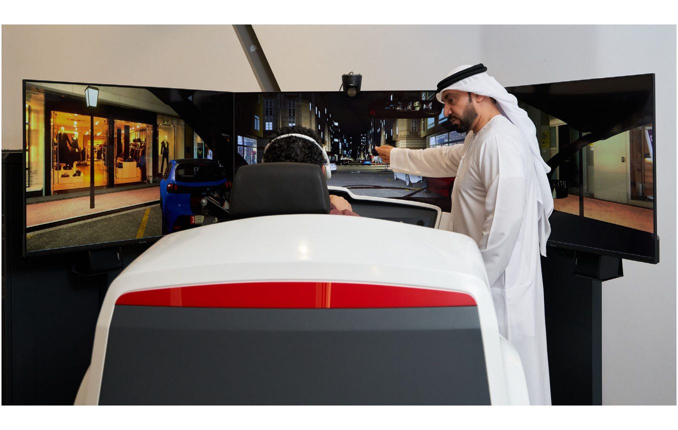


SUBSIDIARIES' NEWS

Emirates Driving Company Introduces New Training Simulators

Emirates Driving Company has introduced its new training simulators, featuring the latest computer technology. The training driving simulators are designed to offer a realistic and immersive environment for individuals learning to drive or improving their driving skills. The simulators provide ultra-high-definition graphics, an advanced eye-tracking system for realistic training, physiological sensors, co-simulation options, and local sceneries.

By consistently embracing the latest technology, EDC's simulators stay at the forefront, providing trainees with cutting-edge tools to deliver the highest standard in driving education and realistic experiences.



Kalyon Enerji completes Nigde-Bor SPP

Kalyon Enerji, one of our investments under International Energy Holding- a leading clean and renewable energy company based in Turkey, launched its latest development in Nigde-Bor. The Nigde-Bor Solar Power Plant (SPP) is a significant addition to Kalyon Enerji's portfolio, with a capacity of 130MWDC/100MWAC. It is the second-largest SPP in Turkey, following Kalyon's 1.3 GW Karapinar Project, which is recognized as the largest SPP in Europe. The Nigde-Bor SPP is estimated to reduce 180 thousand tonnes of carbon dioxide emissions annually, contributing to a greener future. Additionally, this project will generate enough electricity to meet the needs of approximately 75,000 households, benefiting around 300,000 people across the country.

Viola Communications manages Abu Dhabi ECA's WED Innovation Lab

Viola's integrated business units, PR and Producers supported the Abu Dhabi Early Childhood Authority at the WED Innovation Lab, bringing together global experts and partners to shape positive outcomes for the lives of young children in Abu Dhabi and beyond.

The team assisted with media engagement to maximise awareness, audience reach and in developing video highlights throughout the 5-day event.

MARKET MONITOR

Global Markets

The ACWI inched up 0.5% in January, a third consecutive monthly equity rise, on the back of bifurcated global equity gains propelled by DMs, weighed down by EMs. However, equity volatility rose. While the US 10-year yield increased, interest rate/bond volatility declined. Across assets, brent (+4.7%), dollar (+2.2%), and bitcoin (+1.2%) climbed; while gold (-1.2%), natural gas (-9.1%), and iron (-4.6%) declined. The following are some of the overriding themes during January: **(1)** 4Q GDP growth exceeds expectations in the US while Eurozone surprisingly escaped a technical recession that was anticipated to have happened; **(2)** More disinflation and no rate policy change in the US, the eurozone and the UK; **(3)** Mixed earnings season for the S&P500 with below-average earnings beat by the 25% of companies that have reported; and **(4)** Despite various confidence-building moves/stimulus by Beijing, Chinese equities hit multi-year lows as international outflows continue. Here are some of the notable bull and bear factors during January:

Bull Factors

- **US economy grew at a +3.3% annualized rate in 4Q,** handily beating expectations of +2.0%.
- **Eurozone GDP printed at 0.0% q/q and +0.1% y/y in the fourth quarter, stronger than expectations** of -0.1% q/q and 0.0% y/y, thus avoiding a technical recession.
- **US S&P Global manufacturing PMI unexpectedly rose to a 15-month high of 50.3** in January, stronger than expectations of 47.9. The S&P Global services PMI climbed to 52.9, stronger than expectations of 51.0.
- **PCE price index – the Fed's preferred inflation gauge – rose 0.2% m/m in December, matching the consensus figure.** On an annual basis, it rose 2.9%, easing from the +3.2% y/y reading in November and below the anticipated number of +3.0%.
- **The Fed left its benchmark interest rate unchanged in a range of 5.25-5.5%.** However, the S&P 500 share index suffered its biggest single-day drop in more than four months after the Federal Reserve suggested that interest rate cuts would not come down until after the next meeting in March.
- **The ECB, as expected, kept its main refinancing rate unchanged on Thursday** but provided no indication that it is considering the initiation of easing.
- **The inaugural Bitcoin ETFs commenced trading early January following approval from the SEC.**
- **Germany's trade surplus widened to €20.4bn in November 2023, ahead of the €17.9bn expected** and up from a slightly revised €17.7bn in the previous month.
- **India seems to offer outsized opportunities within EMs,** with a 10% CAGR in nominal GDP growth over the past 20 years. India's economy is expected to comfortably surpass the government's growth estimate of 6.5% in 2024.
- **China's central bank governor, Pan Gongsheng, announced that the PBOC would implement a 50bps reduction in the reserve requirement ratio for all banks from February 5th.**

Bear Factors

- **China's economy expanded by 1.0% q/q and 5.2% y/y in 4Q,** slightly falling short of economists' y/y expectations.
- **While Eurozone and UK Manufacturing PMIs were stronger than feared, they remain in contraction.** While the Eurozone January Composite PMI printed at 47.9 vs. 48.0 expected, the Manufacturing PMI came in at 46.6, stronger than expectations of 44.8.
- **Chinese authorities are looking to mobilize roughly CY2trn ($278bn),** primarily from the offshore accounts of Chinese state-owned enterprises, as part of a stabilization fund to buy shares onshore through the Hong Kong exchange link
- **The BoJ kept its short-term rate at -0.1% and left its yield curve control parameters unchanged.** The central bank cut its inflation forecast for the fiscal year beginning in April to 2.4% from 2.8%, attributing the adjustment to recent declines in oil prices.
- **Minutes from the Fed's December meeting suggested rates could remain at restrictive levels "for some time"** until a durable move down in inflation can be seen.
- **UK retail sales fell much more than anticipated in December from November**
- **Globally, EV-related stocks were hit due to demand concerns**
- **China's new-home prices in 70 cities, excluding state-subsidized housing, fell the most** in almost nine years in December
- **Fed officials now expect to reduce the fed rate to 5.1% by year-end from a previous forecast of 4.6%,** last updated last June

MSCI All Country World Index	S&P 500	Euro Stoxx 600	FTSE 100	MSCI Emerging Markets Index
0.5%	1.6%	1.4%	-1.3%	-4.7%

US Dollar Index	Bitcoin	Crude Oil (Brent)	Gold
2.2%	1.2%	4.7%	-1.2%

Regional Markets

The GCC equity indicator edged lower by 0.6% in January (December: 5.9%), with most sub-indices closing lower led by the QSE. However, Brent ended the month higher by 4.7% fueled by strong US growth data, Chinese stimulus hopes, and continued Red Sea hostilities. **Meanwhile, Jan Friederich, head of EMEA Sovereign Ratings at Fitch Ratings, suggested that attacks on Red Sea ships will not impact the ratings of GCC states that have strong external buffers,** but that if they continue, will likely drain Egypt, a country already in a very difficult external situation.

Latest data from the PortWatch platform by the IMF revealed that transit volumes across the Suez Canal are down an estimated 37% y/y in the first two weeks of January as the Red Sea conflict escalates. A systemically important shipping lane that facilitates about 11% of global maritime trade volume and over 19,000 transit calls annually, accounting for $1trn annually.

Growth in the MENA economies is projected at 2.9% this year as the region battles the impacts of the Israel-Gaza conflict, lower oil production, and tight policy settings, the IMF said. The fund revised downwards its October outlook for 2024 growth projections by 0.5ppts with 2023 growth expected at 2%. The revisions are mainly attributable to Saudi Arabia and reflect temporary lower oil production in 2024, including from unilateral cuts and cuts in line with an agreement through Opec+, whereas non-oil growth is expected to remain robust.

Saudi Arabia's real GDP shrank 3.7% y/y in 4Q, as a decline in oil activities continued to weigh on overall growth. The kingdom's GDP had shrunk 4.4% in the third quarter of 2023, its first quarter of year-on-year contraction since the Covid pandemic, hurt by cuts to oil production and lower crude prices. Saudi Arabia is pumping around 9 mbpd, well below its around 12mbpd capacity after cutting production as part of an agreement with Opec+. The kingdom's economy contracted 0.9% in 2023, pulled lower by the oil sector, while non-oil activities grew by 4.6%.

The sovereign wealth funds in the GCC reached a historical peak of $4.1trn in 2023, investing $75.6bn in 2023, slightly lower than the previous year, Global SWF, which tracks the world's sovereign investment funds, said in its 2024 annual report. "Oil Five" sovereign wealth funds of the Gulf region – which include the UAE's Abu Dhabi Investment Authority (ADIA), Mubadala and ADQ; Saudi Arabia's Public Investment Fund (PIF) and Qatar Investment Authority (QIA) – were more active than any other group globally, investing $68bn in 2023. **PIF was the lead investor with $31.5bn deployed in 48 deals, 33% more than in 2022.** Mubadala was ranked third in the top 10 list of SWFs with investments of $17.5bn, followed by ADIA with investments of $13.2bn. QIA was ranked seventh with deployments worth$5.9bn. ADQ took the eighth spot with investments amounting to $5.8bn.

GCC S&P Index	FADG	DFM	TASI	QSE
-0.6%	-0.7%	2.7%	-1.4%	-6.8%

Other News

- **Indian economy is forecasted to expand 7.3% in the 2023-24 fiscal year ending in March, higher than 7.2% in the previous year,** according to preliminary government estimates, with state spending on infrastructure projects offering a boost. The figure is higher than a 7% growth forecasted by the Reserve Bank of India in December.
- **The G20 countries have set a target to bring down the cost of sending money to no more than 3% by 2030,** but as of the first quarter of 2023, some remittance corridors like Turkey to Bulgaria and Tanzania to Uganda are still charging fees of 34% and 52%, respectively, according to a new analysis by the International Monetary Fund (IMF).
- **Samsung Electronics, the world's biggest memory-chip maker, estimated that its operating profit tumbled by 35% to 2.8trn won ($2.1bn)** between October and December compared with a year earlier-its sixth consecutive quarter of decline. Revenue is expected to fall by 4.9% to 67trn won. Demand for tech gadgets slowed last year owing to high inflation, leading to the market's biggest slump in decades.
- **The world added 50% more renewable energy capacity in 2023 over last year,** the International Energy Agency said, reaching almost 510GW, with solar PV accounting for three-quarters of additions worldwide.
- **Gold prices are expected to dip in the near term before climbing to new highs later in the year, peaking at $2,300/ounce (oz) in 2025.** According to a report by JP Morgan Research, this would be driven by further interest rate cuts by the US Federal Reserve and falling US real yields. Following the first cut of the last three Fed cutting cycles in 2001, 2007 and 2019, gold prices have followed an upward trajectory.
- **The UAE's non-oil sector reported its second-best performance in nearly five years,** with 2023 closing on a strong note. Favourable economic trends, coupled with an upturn in new business intakes drove the UAE's PMI up from 57.0 in November to 57.4 in December, the second-highest reading since June 2019.
- **UAE's real GDP is expected to grow by 3.7% in 2024, up from from 3.4% last year,** according to the World Bank's Global Economic Prospects report. The GDP is forecast to rise to 3.8% in 2025. Meanwhile, the growth in GCC countries will rise to 3.6% in 2024 and 3.8% in 2025, supported by rebounding oil activity.
- **Dubai PMI for December rose to 57.7,** from November's 56.8, the highest reading since August 2022 and the second highest in more than four years. Strong demand and new business intakes gave a boost to Dubai's non-oil sector, while rapid improvements in sales and activity were further aided by softening cost pressures, which allowed firms to offer deeper discounts to customers, while further facilitating new order growth.
- **India and the United Arab Emirates (UAE) have signed a deal to explore establishing grid connectivity between the two countries.** The deal is part of four MoUs signed between New Delhi and Abu Dhabi at the Vibrant Gujarat Global Summit. One of the pacts is on renewable energy, which includes green hydrogen and solar energy.
- **UAE led the GCC in IPO proceeds, securing $5.5bn from seven flotations in 2023,** according to Kuwait Financial Centre (Markaz). Despite making 54% of the total GCC IPO proceeds, the figure represents a 55% fall in value compared to 2022.
- **Saudi Vision 2030 hopes to boost its air connectivity to more than 250 destinations worldwide, as well as attract $100bn in investments and 330 million travellers.** "We aim for only 10% of these 330 million passengers to be transit passengers, which emphasizes our focus on sustainable and integrated growth," according to Abdulaziz Al-Duailej, President of the General Authority of Civil Aviation (GACA).
- **The UAE jumped four places to rank fourth globally in infrastructure quality** in the World Economic Forum's (WEF) 2023 competitiveness report. The country has invested more than AED13bn in the past 10 years to develop and implement 258 vital projects, the UAE government media office said in a post on social messaging platform X. Another AED9bn ($2.45bn) will be invested to develop 127 projects over the next five years, it added.