First Look Note | 2Q26

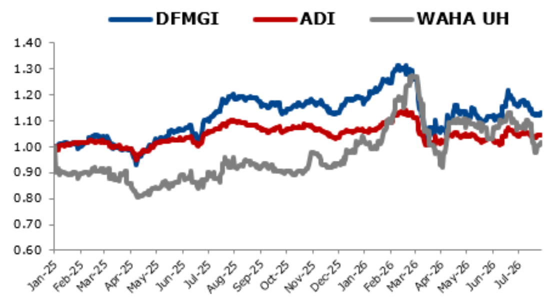
UAE Equity Research | Sector: Financials | Market: ADX

Waha Capital Company

Accounting of lower expenses and derecognition of subsidiaries supported income growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.75	AED 2.20	+26%	BUY

- Effective 1 October 2025, Waha Capital updated its financial reporting framework to better align with its investment-led structure, presenting investments at fair value instead of consolidating them line by line.
- Total AUM stood at c. AED 13.9 Bn as of 2Q26, including third party AUM of c. AED 8.5 Bn (USD 2.3 Bn), following net inflows of over USD 300 Mn during 1H26.
- launched Stage 3A of ALMARKAZ in 2Q26, adding c. 125K sq.m. of GFA at a capex of AED 230 Mn and targeted for completion in late 2027, while Stage 3B will add a further c. 100K sq.m. of GFA at a capex of AED 200 Mn, targeted for early 2028.
- Company paid dividends of AED 188 Mn during 1H26, representing the 10 fils per share cash dividend proposed for 2025.



Stock Information	
Market Cap (AED, Mn)	3,296.15
Paid Up Capital (Mn)	1,883.51
52 Week High	2.25
52 Week Low	1.53
3M Avg. daily value (AED)	2,801,499

2Q26 Result Review (AED, Mn)	
Total Assets	5,669
Total Liabilities	727
Total Equity	4,942
Total Income	366
Net Profit	281

Financial Ratios	
Dividend Yield (12m)	5.68
Dividend Pay-out (%)	18.52
Price-Earnings Ratio(x)	2.87
Price-to-Book Ratio (x)	0.66
Book Value (AED)	2.65
Return-on Equity (%)	25.62

Stock Performance	
5 Days	0.57%
1 Months	-6.91%
3 Months	-6.42%
6 Months	-7.89%
1 Year	4.79%
Month to Date (MTD%)	-6.91%
Quarter to Date (QTD%)	-6.91%
Year to Date (YTD%)	-1.69%

2Q26 Net Profit higher than our estimate

Waha Capital Company (the company/Waha) net profit rose substantially from AED 281 Mn in 2Q25 to AED 128 Mn in 2Q26, higher than our estimate of AED 27 Mn. The rise in net profit was driven by lower expenditure and finance cost, coupled with nil taxation and no share of profit attributable to NCI, partially offset by decline in total income.

P&L Highlights

Waha's total income decreased 4.0% YOY to AED 366 Mn in 2Q26. Effective 1 October 2025, the Company adopted investment entity accounting, deconsolidating operating subsidiaries and removing the line-by-line consolidation of public market funds. Investments in subsidiaries were added at fair value, while non-controlling interests were derecognized. As a result, Waha did not reported revenue from sales of goods and services in 4Q25. However, the Company reported Public Markets income of AED 337 Mn in 2Q26, compared to AED 223 Mn in 2Q25, driven by fee income of AED 105 Mn in 2Q26 compared to nil in 2Q25, as fee income was eliminated on consolidation, and a net mark-to-market gain of AED 231 Mn on Public Market fund investments compared to nil in 2Q25. These gains more than offset the absence of income from the consolidation of Public Market funds, which contributed nil in 2Q26 compared to AED 223 Mn in 2Q25. While, Private Investments income declined to AED 29 Mn in 2Q26 from AED 66 Mn in 2Q25, primarily due to the absence of revenue from the healthcare business, which contributed nil in 2Q26 compared to AED 47 Mn in 2Q25. The decline was partially offset by higher income from financial investments, which increased to AED 27 Mn in 2Q26 from AED 13 Mn in 2Q25. Meanwhile, Waha Land income was reported at nil in 2Q26 compared to AED 93 Mn in 2Q25, mainly due to the absence of operating income, at nil in 2Q26 compared to AED

19 Mn in 2Q25, nil fair value gain on disposal of assets held for sale in 2Q26, compared to AED 61 Mn in 2Q25, and no fair value gain on investment property in 2Q26, compared to AED 13 Mn in 2Q25. Total expenses decreased from AED 167 Mn in 2Q25 to AED 85 Mn in 2Q26, comprising of expenditure which reduced 34.9% YOY to AED 75 Mn and finance cost which reduced from AED 52 Mn in 2Q25 to AED 10 Mn in 2Q26. Waha recorded nil taxation in 2Q26 compared to tax expenses of AED 4 Mn in 2Q25. The share of profit attributable to non-controlling interest stood at nil in 2Q26 compared to AED 83 Mn in 2Q25, due to derecognition of NCIs.

Balance Sheet Highlights

Total assets declined from AED 14.7 Bn in 2Q25 to AED 5.7 Bn in 2Q26, due to deconsolidation of operating subsidiaries. As a result, investment in subsidiaries measured at FVTPL were recorded at AED 5.0 Bn in 2Q26, compared to nil in 2Q25. Borrowings declined to AED 545 Mn in 2Q26 from AED 4.8 Bn in 2Q25. Total equity reduced from AED 8.7 Bn in 2Q25 to AED 4.9 Bn in 2Q26, mainly due to derecognition of NCI. Cash and bank balances stood at AED 291 Mn in 2Q26, compared to AED 1.9 Bn in 2Q25.

Target Price and Rating

We maintain our rating at BUY on Waha Capital with a target price of AED 2.20. Effective 1 October 2025, Waha Capital updated its financial reporting framework to better align with its investment-led structure, presenting investments at fair value instead of consolidating them line by line. As a result, certain subsidiaries were deconsolidated and are now recognized at fair value through profit or loss (FVTPL), while entities providing investment management services remain consolidated, rendering prior period comparatives not directly comparable. Public Markets, managed by Waha Investments Ltd, previously Waha Investment PrJSC, reported AUM of AED 12.5 Bn (USD 3.4 Bn) as of 2Q26, up from AED 10.8 Bn (USD 2.9 Bn) as of 4Q25, reflecting a 16% increase on a YTD basis. Within this, AUM attributable to equity holders of the parent stood at AED 3.9 Bn as of 2Q26, compared to AED 3.7 Bn in 4Q25. The growth in AUM supports higher fee income potential, strengthens recurring revenue streams, and reinforces Waha Capital's position in the public markets segment, contributing positively to overall earnings visibility. The Funds managed by Waha Capital generated net returns of 5.6% for the Waha Emerging Markets Credit Fund SP on a fund size of AED 5.81 Bn (USD 1.58 Bn), 5.6% for the Waha MENA Equity Fund SP on a fund size of AED 3.61 Bn (USD 980 Mn), and 2.1% for the Waha Islamic Income Fund SP on a fund size of AED 0.29 Bn (USD 78 Mn) in 1H26. Since 2012, the Waha Emerging Markets Credit Fund has delivered a cumulative net return of 330.4%. Since 2014, the Waha MENA Equity Fund delivered a cumulative net return of 439.1%. Since 2020, the Waha Islamic Income Fund, targeting global sukuk and Shariah-compliant equities, achieved a cumulative return of 40.5%, while emphasizing capital preservation and consistent income. Total AUM stood at c. AED 13.9 Bn as of 2Q26, including third party AUM of c. AED 8.5 Bn (USD 2.3 Bn), following net inflows of over USD 300 Mn during 1H26, driven by ongoing inflows from regional and global institutional investors across credit, equity, and Islamic strategies. Private Investments AUM reached c. AED 800 Mn as of 2Q26, up from AED 717 Mn in 4Q25. Waha Land has shifted from asset optimization to executing its largest development programme to date. The Company stake in Waha Land was valued at AED 466 Mn as of 2Q26, up from AED 448 Mn as of 4Q25, reflecting capital deployed into the Stage 3A development, with no fair value gain recognized during the period. The current leasable GLA of ALMARKAZ stood at c. 75K sq.m. comprising Stage 2B, following the disposal of the stabilized Stage 1 and 2A assets totaling 180K sq.m. in 2Q25 for AED 530 Mn in cash proceeds and an AED 61 Mn fair value gain. The Company launched Stage 3A of ALMARKAZ in 2Q26, adding c. 125K sq.m. of GFA at a capex of AED 230 Mn and targeted for completion in late 2027, while Stage 3B will add a further c. 100K sq.m. of GFA at a capex of AED 200 Mn, targeted for early 2028, together taking the development programme to 225K sq.m. of GFA, which Company expects to almost double the leasable portfolio over the medium term. Waha Capital's presence in Abu Dhabi Global Market, including a number of fund platforms established within ADGM, underpinned a nil tax expense in 1H26 compared to AED 6 Mn in 1H25. Waha Capital continued to execute its approved buyback of up to 10% of share capital, signaling confidence in the company's outlook and valuation, while supporting shareholder returns alongside continued growth investment. Waha Capital has AED 1.47 Bn (USD 400 Mn) revolving credit facility, extended through 2028, of which c. USD 250 Mn remained undrawn as of 2Q26, offering significant liquidity and the flexibility to strategically allocate capital across key sectors. The Company paid dividends of AED 188 Mn during 1H26, representing the 10 fils per share cash dividend proposed for 2025. Thus, we assign a BUY rating on the stock.

Waha Capital- Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	8.32	9.61	7.55	8.60	3.27	5.44
PB	1.04	0.98	0.92	0.84	0.69	0.64
BVPS	1.703	1.801	1.932	2.099	2.548	2.771
EPS	0.213	0.184	0.234	0.206	0.542	0.326
DPS	0.071	0.077	0.100	0.100	0.100	0.100
Dividend Yield	4.0%	4.3%	5.6%	5.6%	5.6%	5.6%

FABS Estimates & Co Data

Waha Capital– P&L

AED Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue from sale of goods and services	47	0	0	0	NM	NM	NM	130	0	NM
Income from Property Investments	93	0	0	0	NM	NM	NM	114	0	NM
Income/ (loss) from financial investments	202	59	258	-10	NM	27.4%	NM	1,165	573	-50.8%
Fee Income	0	48	105	41	NM	NM	NM	115	293	NM
Share of results of asso/JV	3	0	0	0	NM	NM	NM	9	0	NM
Finance income	33	5	3	21	NM	NM	-35.2%	83	16	NM
Other Income, net	3	0	0	0	NM	NM	NM	1	0	NM
Gain on deconsolidation of subsidiaries	0	0	0	0	NM	NM	NM	259	0	NM
Impairment of associate / JV	0	0	0	0	NM	NM	NM	-8	0	NM
Gain on disposal of asso/JV	0	0	0	0	NM	NM	NM	29	0	NM
Total Income	**381**	**113**	**366**	**52**	**NM**	**-4.0%**	**224.0%**	**1,897**	**882**	**-53.5%**
Expenditures	-115	-46	-75	-19	NM	-34.9%	NM	-438	-234	-46.6%
Finance cost	-52	-10	-10	-6	NM	NM	-1.9%	-177	-40	-77.2%
Total Expenses	**-167**	**-56**	**-85**	**-25**	**NM**	**-49.2%**	**52.1%**	**-615**	**-274**	**-55.4%**
Profit before tax	**214**	**57**	**281**	**27**	**NM**	**31.3%**	**NM**	**1,282**	**608**	**-52.6%**
Tax expense	-4	0	0	0	NM	NM	NM	-5	0	NM
NCI	83	0	0	0	NM	NM	NM	265	0	NM
Profit for the period	**128**	**57**	**281**	**27**	**NM**	**NM**	**NM**	**1,012**	**608**	**-39.9%**

FABS estimate & Co Data

Waha Capital- Margins

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Cost-to-Income	66.9%	57.6%	79.3%	NM	NM	72.0%	73.0%	103
Net Profit	33.5%	50.5%	76.7%	NM	NM	53.4%	68.9%	NM

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF) and Dividend Discount Method (DDM) to value Waha Capital. We have assigned equal weight to DCF and DDM valuation methods.

Valuation Method	Target	Weight	Weighted Value
DCF Method	2.68	50.0%	1.34
DDM Method	1.72	50.0%	0.86
Weighted Average Valuation (AED)			**2.20**
Current market price (AED)			1.75
Upside/Downside (%)			+26%

1) DCF Method:

Waha Capital is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 9.2%. It arrived after using the cost of equity of 9.7% and after-tax cost of debt of 6.3%, with a debt-to-equity ratio of 0.14x. Cost of equity is calculated by using a 10-year government bond yield of 5.2%, a beta of 1.05 and an equity risk premium of 4.3%. Government bond yield is calculated after adding Abu Dhabi 10-year CDS spread over the 10-year US risk-free rate. We also assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	1,257
Terminal value (AED, Mn)	3,619
FV to Common shareholders (AED, Mn)	**4,875**
No. of shares (Mn)	1,888
Current Market Price (AED)	1.75
Fair Value per share (AED)	**2.68**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	323	341	364	388	415
D&A	9	10	12	13	2
Changes in working capital	53	-11	-9	-9	-9
(-) Capex	-22	-23	-25	-26	-28
Free Cash Flow to Firm (FCFF)	**323**	**341**	**364**	**388**	**415**
Discounting Factor	0.96	0.88	0.81	0.74	0.68
Discounted FCFF	**175**	**279**	**275**	**271**	**257**

Source: FAB Securities [1]Adjusted for Partial year

2) DDM Method:

Waha Capital has distributed dividends during the past five years. Over the last four years, the Company maintained an average dividend payout ratio of c. 39%. Looking ahead, we expect the payout ratio to average around 34% over the next five years. The dividend is discounted at the cost of equity of 9.7%.

Sum of PV (AED, Mn)	927
Terminal value (AED, Mn)	2,314
FV to Common shareholders (AED, Mn)	**3,240**
No. of shares (Mn)	1,888
Current Market Price (AED)	1.75
Fair Value per share (AED)	**1.72**

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid					
12 months	188	226	226	264	264
Total Dividend	**188**	**226**	**226**	**264**	**264**
Discounting Factor	*0.96*	*0.88*	*0.80*	*0.73*	*0.66*
Present Value of Dividend	**181**	**198**	**181**	**192**	**175**

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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