

## **Act Financial S.A.E**

### ***“Letter to Shareholders”***

**To our valued shareholders and partners,**

This marks our first official communication with those who believe in our business model and decade-long track record. As an unconventional investment company, we decided to adopt a unique communication approach—one that highlights the qualitative aspects of our strategy and provides deeper insights into our financial performance.

### **Capital Increase & Recent Developments**

During the second half of 2024, we have successfully completed the capital increase through an IPO—an important step towards fortifying our position as a leading equity investment house in Egypt. This capital raise of over EGP 1 billion was swiftly deployed, coinciding with our exit from another major investment, El Sewedy Cables—our 6th exit out of 8 total investments.

This timely deployment, in addition to the successful divestment generated significant realized gains and consortium fees within a short period of time. In recognition of this achievement and our commitment to shareholder value, we are pleased to announce a dividend distribution of EGP 190 million.

### **Understanding Our Business Model**

To provide greater clarity to our business model, we would like to highlight key aspects of our investment approach:

#### **1. We are an investment company with a strong balance sheet.**

- Our well-capitalized position enables us to seize opportunities without the need for additional external funding.
- We deploy our own capital in financially strong, listed companies in Egypt, avoiding distressed and overvalued assets.
- We prioritize investments towards solid balance sheets and clear value-unlocking strategies tailored to each opportunity.
- Our core strategy is to identify hidden value in publicly traded companies, acquire significant minority stakes, and employ activist strategies to maximize value upon exit.

#### **2. We acquire investment positions through multiple tailored strategies.**

- Liquidity is key. Our strategy has proven its success in a challenging investment decade, while other investors have struggled with illiquidity.
- Our target ownership, alongside co-investments, is always an influential minority stake in listed companies.

**3. Exit strategy is always a priority.**

- We maintain a maximum target holding period of three years, while our liquid investment approach allows us to exit as soon as the opportunity arises.
- To date, our average exit period has been 3-4 years, with an average IRR of 54%.
- This communication coincides with our largest investment exit to date, executed through a consortium deal of nearly EGP 6 billion, realizing an IRR of 115%.

**4. Volatility in quarterly income statements is expected and should be viewed in context.**

- All our holdings are marked to market through the income statement, which may create short-term volatility.
- However, our track record shows that performance normalizes on a yearly basis.
- While some investors perceive this as a risk, they often overlook our strong liquidity position, which enables management to swiftly reallocate capital when necessary.
- Liquidity-adjusted volatility risk is effectively hedged through our agile investment approach.

**5. Sustainable Return on Equity (ROE) is a core performance metric.**

- Our equity is continuously repriced by the market, making ROE a true reflection of management's ability to generate value.
- Since inception, we have maintained an average ROE of 41%.

**6. We focus on a concentrated portfolio while maintaining flexibility.**

- Our strategy revolves around a maximum of three primary investments at any given time.
- We excel in timing both entries and exits for long-term positions, while managing short-term market exposure and volatility.

**7. Our financial statements are conservatively managed and well-provisioned.**

- Consortium fees, while an important contributor, are not reflected in our financials due to their unpredictable nature.
- Since inception, we have taken a conservative approach to provisioning potential liabilities, ensuring our audited financial statements remain prudent and transparent.

**8. We complement, rather than compete with, existing market participants.**

- We have built a strong network of success partners in Egypt, including legal counsels, banks, investment banks, lenders, brokers, and other key players.
- We continue to explore new collaborations and strategic partnerships to unlock more value.

**Looking Ahead**

We remain committed to innovation and value creation within the Egyptian market, which we believe remains undervalued and full of untapped potential. As we move forward, we will continue to explore innovative investment opportunities and creative funding solutions.

Our deep understanding of Egypt's market cycles has allowed us to refine our investment approach, focusing on both the right assets and the right timing. Over the past decade, our strategy has been centered on holding significant positions in listed equities (PIPEs)—a thesis that is now validated by the increasing inflows of tender offers and delistings on the Egyptian Exchange, which far exceed private market transactions.

Market conditions, including potential interest rate cuts, will have a positive impact on both our funding costs and revenue streams, which we continue to navigate strategically.

### **The Strength of Our People**

Last but certainly not least, we recognize that our greatest asset is our human capital and board members. We have carefully assembled a high-caliber team that continuously identifies and executes successful investment opportunities. Our strategy remains focused on quality over quantity, ensuring that we maintain an efficient and cost-effective operation while delivering superior returns.

We look forward to continuing this journey with our shareholders and partners, delivering long-term value while remaining agile and opportunistic in an evolving investment landscape.

**Best regards,**

**Act Financial**