Global Interior Solutions

Press Release

DEPA ANNOUNCES FULL YEAR 2014 FINANCIAL RESULTS

29 April 2015; Dubai, UAE: Depa Limited (Nasdaq Dubai: Depa) ("Depa" / "the Company" / "the Group"), one of the world's leading interior contracting solutions providers, today reported results for the full year ended 31 December 2014.

FINANCIAL HIGHLIGHTS

- AED 44m net profit after NCI (FY2013: net loss after NCI AED 131m)
- AED 1,940m revenue (FY2013: AED 2,318m)
- 13% gross margin (FY2013: 8%)
- AED 13m relating to provisions for doubtful debts (FY2013: AED 94m)
- AED 2,083m backlog (FY2013: AED 2,534m)

LIQUIDITY AND CAPITAL RESOURCES

- AED 138m net cash balance (FY2013: AED 7m)
- AED 2,981m total assets (FY2013: AED 3,209m)
- AED 674m working capital (FY2013: AED 604m)
- AED 147m operating cash generated (FY2013: AED 58m)

OPERATIONAL HIGHLIGHTS

- Best performing units in FY2014:
    - *Design Studio Group:* AED 549m revenue; backlog AED 653m; net profit margin 12%
    - *Vedder:* AED 310m revenue; backlog AED 345m; net profit margin 6%
    - *Depa Abu Dhabi:* AED 290m revenue; backlog AED 335m; net profit margin 7%

- Highest backlog by sector:
    - Hospitality: 52% - AED 1,090m
    - Yacht: 17% - AED 354m
    - Residential: 14% - AED 301m

- Emphasis on cash collection resulting in highest net cash level in five years
- New Chairman appointed along-with two new Independent Directors
- Subsequent event: Nadim Akhras appointed as Group Chief Executive Officer

Mohamed Al Fahim, Chairman and Non-Executive Director of Depa Ltd, commented:

"We have just completed another year of transition, led by a number of changes on the Board. Despite the strong competition and challenging conditions within the industry, we have remained committed to our strategy of keeping a superior price point in line with the high quality of products we offer. As a result, our revenue and backlog have decreased on an annual basis. However, our decision to be more selective has ensured healthier margins, improved receivables collection and a profitable year with Depa returning to profits after posting significant losses previously.

Our geographical diversification and operational consolidation strategy has remained unchanged over the course of the year. We have continued to expand in Europe, making strong gains with our yacht division, Vedder; and with Design Studio Group in Asia. As we look ahead, we are engaged in further streamlining and consolidating our headquarters. Our objective is to reduce uncertainty and costs whilst concentrating on securing new global contracts that meet our requirements. We are in the right shape to capitalise on future growth and investment opportunities that will arise as markets improve."

RETURN TO PROFITABILITY

FY2014 marked the return to profitability for Depa, following significant losses reported in FY2012 and FY2013. The Group succeeded in recording AED 44 million net profit after NCI in FY2014, compared to net loss after NCI of AED 131 million in FY2013. This came as a result of Depa's selective approach to signing new contracts that carry higher margins and lower risk profiles. The one drawback of this approach is a drop in revenue, which has declined 16% to AED 1,940 million in FY2014, compared to AED 2,318 million in FY2013.

The general and administration expenses, excluding any provisions, stood at AED 194 million (FY2013: AED 195 million), in line with the Company's efforts to maintain tight control on costs despite the increase in expenses arising from the acquisition of Loher in July 2013. Provisions for bad debts have dropped significantly, coming in at AED 13 million for FY2014 (FY2013: AED 94 million).

STRONG GROWTH IN ASIA AND EUROPE

For Design Studio, FY2014 was another year of robust performance with the subsidiary building on its track record of consistent profitability, posting its ninth year of positive earnings and achieving its best quarter (Q4-2014) ever since its IPO in 2003. The company was able to slightly increase its revenue base from last year but improved its gross margin from 17% to 22% and net margin from 7% to 12% mainly due to the cost efficiencies achieved by its production facility in China. As a result, the net profit of Design Studio increased by 83% to AED 64 million in FY2014 (FY2013: AED 35 million).

It was also a successful year for Vedder, the Company's wholly owned subsidiary in Germany, where the Group was able to witness strong growth in revenue and profitability after the successful integration of the newly acquired subsidiary in Munich in the middle of FY2013.

MENA REMAINS THE HIGHEST REVENUE GENERATING REGION

Notwithstanding the high growth in Asia and Europe, the MENA region remained the top geographical revenue contributor with just over 50% of the Group's revenue coming from UAE, Qatar, KSA, Morocco and other countries in the region. The Company's contracting division principally executed or completed on-going projects and engaged only with selected clients.

SIGNIFICANT IMPROVEMENT IN LIQUIDITY POSITION

Special emphasis was placed on the collection of receivables during the year and this has resulted in cash generation from operations of AED 147 million in FY2014 (FY2013: AED 58 million). Furthermore, the Company was able to settle bank loans according to the repayment plans and net cash stood at AED 138 million as at 31 December 2014, which represents the highest level in the last five years.

STRONG BALANCE SHEET

The financial position of the Company has significantly improved, with cash at bank of AED 441 million (FY2013: AED 399 million). Total assets as at 31 December 2014 amounted to AED 2,981 million (FY2013: AED 3,209 million). Total liabilities decreased to AED 1,492 million, compared to AED 1,753 million as at 31 December 2013. Working capital increased to AED 674 million (FY2013: AED 604 million) and current ratio improved to 1.51 compared to 1.39 last year. Total equity increased to AED 1,490 million from AED 1,457 million in the last year.

CURRENT BACKLOG FIGURES PROVIDES BETTER LONG-TERM PROSPECTS

The Company's backlog as at 31 December 2014 stood at AED 2,083 million (FY2013: AED 2,534 million). This figure represents a more stringent approach to business development as Depa targets low-risk projects with healthy returns. Consequently, net margins and liquidity position have improved on the back of a reduction in backlog numbers.

All three of the Company's best performing business units had double-digit gross margins: Design Studio was 22%, Vedder 11% and Depa Abu Dhabi 10%. In terms of sector distribution, hospitality has remained the key driver, with over half (52%) of all backlog. The yacht and residential sector came second and third with 17% and 14% respectively while infrastructure has dropped significantly as progress on mega-projects such as the Presidential Palace in Abu Dhabi and KAPSARC in Riyadh has driven down the contribution to 8%.

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BOARD APPOINTMENTS

There have been a few changes to the Board of Directors during FY2014. Former Chairman Hasan Ismaik and Independent Director Fahad Al Nabet stepped down. In their places, Mohamed Al Fahim was elected as Chairman, El Sayed Zakaria and Mohamed Idriss were appointed as Independent Directors and Roderick Maciver was promoted to Vice Chairman.

CONFIRMATION OF GROUP CEO

On 1 April 2015, the Board also confirmed Nadim Akhras as Group Chief Executive Officer. His tenure as Interim Group CEO since October 2013, and his expertise, knowledge-base and proven leadership skills made him the ideal candidate for this position.

OUTLOOK: CONFIDENCE IN LONG-TERM STRATEGIC APPROACH

Despite last year's encouraging performance, the Company's outlook for FY2015 remains cautious. Notwithstanding some positive sentiment, the global economy is still volatile and there is continued uncertainty over commodity prices, impacting both, public and private sector spending. However, the 5% year-on-year increase in gross margin is indicative that the right strategic approach has been implemented. Depa will continue to focus on quality, geographical diversification and operational efficiencies which will continue to deliver healthy margins and value to all stakeholders in FY2015 and beyond.

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For further inquiries, please contact:

Depa Ltd
Umar Saleem
Chief Financial Officer
T: +971 4 4462100
E: ir@depa.com

For more information, please refer to the corporate website: www.depa.com