2 August 2018, Dubai UAE

# Depa Limited

## Results Announcement

# Solid revenue growth, improved backlog and increased interim dividend in H1 2018

Depa Limited ("Depa"), the leading global interior solutions group, announces its results for the six month period ended 30 June 2018.

## Summary Financial Results

| (AEDmn) | H1 2018 | H1 2017 |
|---|---|---|
| **Revenue** | 852.2 | 834.6 |
| **EBIT Margin** | 6% | 15% |
| **Net profit** | 35.8 | 113.3 |
| **Earnings per share (UAE fils)** | 5 | 19 |
| **Dividend per share (UAE fils)** | 2.6 | 2.5 |
| **Backlog** | 1,890 | 1,794* |

**Note: Historical comparison to 31 December 2017*

## Highlights

- **Solid revenue growth: revenue of AED 852.2mn**
  - Up AED 17.6mn or 2% on H1 2017

- **EBIT margin of 6%, net profit of AED 35.8mn and EPS of UAE 5 fils**
  - H1 2017 positively impacted by the resolution of two major long outstanding receivables

- **Robust balance sheet**
  - AED 140.8mn net cash (ex-restricted) at period end following AED 79.3mn of dividend payments

- **Backlog of AED 1,890mn, up AED 96mn or 5% on 31 December 2017**
  - Supported by a strong pipeline of opportunities across the Group's addressable market

- **Interim dividend per share of UAE 2.6 fils**
  - Up 4% on H1 2017 (UAE 2.5 fils)

**Hamish Tyrwhitt, Group Chief Executive Officer, commented:** *"Depa has continued to deliver both sound financial and operational performance in the first half of 2018. The Group has announced several project awards in recent months, demonstrating the progress the Group is making in building its backlog. These project wins, with repeat clients, are further testimony to the reputation and market-leading position that the Group's key business units command.*

*"The Group continues to focus on driving efficiencies, productivity and encouraging innovation and harmonisation across the Group's key business units, along with winning projects capable of generating a cash-backed profit in our addressable market. With this positive result and our stated ten-driver strategy in place, we are now well on the path to achieving our goal of maximising long-term sustainable shareholder value."*

## Highlights

**Revenue growth: up 2% on H1 2017**

**Margins: EBIT margin of 6%**

**Net profit of AED 35.8mn**

**Robust balance sheet**

**Interim dividend: up 4%**

# Group Chief Executive Officer's Operational Review

Depa Group has continued its positive momentum into the first half of 2018, delivering a sound financial performance and securing several projects in the Group's addressable market.

Depa's key business units continue to achieve strong project execution, notably completing the interior fit-out of the Holiday Inn, Dubai Festival City, several luxury retail projects in the new Dubai Mall Fashion Avenue extension including the Dior and Valentino boutiques.

The Group's backlog remains healthy and diverse, with key projects secured across a wide range of sectors in Depa's global addressable market. Vedder, the Group's European key business unit, recently announced the award of two superyacht projects. Depa Interiors has recently secured a package of work on a transport project in Riyadh, worth more than AED 80.0mn. Deco continues to secure both luxury retail and commercial projects in its key UAE market; and in Asia, DSG has made considerable improvements to its backlog, securing work in Singapore and Malaysia, as well as the Middle East, Thailand and China.

In the first half of 2018, Depa continued to make improvements to its share listing in a bid to enhanced share liquidity, including the appointment of Shuaa Capital as the Group's liquidity provider, terminating its Global Depository Receipt programme and converting its listing currency from US dollars to UAE dirhams, becoming the first company with a local currency listing on the Nasdaq Dubai.

As part of Depa's mission to maximise long-term, sustainable shareholder value, the Group is moving ahead with disposal plans for non-core assets identified during the 2017 Group-wide strategic review; with a disposal with AED 7.0mn completed in H1 2018.

Over the coming six months, Depa will continue to make efficiency and productivity improvements, encouraging collaboration and innovation across the Group's operations. The Group will also continue to pursue the recovery of its remaining long-outstanding receivable balances and de-risk its balance sheet. The outlook for the Group remains positive with Depa continuing to invest in organic growth, while evaluating opportunities for inorganic growth through value-accretive acquisitions.

**Revenue of AED 161.3mn up 5% on H1 2017**

**EBIT margin of 12%**

**Profit of AED 14.2mn, up 21% on H1 2017**

**2 major superyacht project secured**

## Vedder

Vedder, the Group's European key business unit, specialising in the superyacht, private jet and residence fit-out market, generated revenue of AED 161.3mn and profit of AED 14.2mn, an increase in revenue of AED 8.4mn or 5% on H1 2017 (AED 152.9mn) and an increase in profit of AED 2.5mn or 21% on H1 2017 (AED 11.7mn).

Vedder delivered an EBIT margin of 12%, up on H1 2017 (11%).

In March 2018, Vedder announced the award of their largest project to-date, securing an interior fit-out package for a private superyacht worth more than AED 130.0mn. In July 2018, Vedder announced another contract win of more than AED 74.0mn, demonstrating the strength of Vedder's reputation the client awarded the entire interior package to Vedder.

The potential expansion at Vedder's Ludinghausen facilities is currently under evaluation to enable Vedder to provide a higher volume of services to the growing superyacht market.

**Revenue of AED 312.2mn**

**EBIT margin of 10%**

**Profit of AED 24.8mn**

**Significant infrastructure project secured**

## Depa Interiors

Depa Interiors is the Group's Middle Eastern business providing fit-out services to the hospitality, residential, commercial, and transport and civil infrastructure sectors. Depa Interiors generated revenue of AED 312.2mn (H1 2017: AED 362.9mn) and profit of AED 24.8mn (H1 2017: 98.2mn). Depa Interiors delivered an EBIT margin of 10% (H1 2017: 31%).

The higher levels of revenue, profit and EBIT margin in H1 2017 is attributable to the recovery of two long outstanding receivables that positively impacted those results.

Following the appointment of Kevin Lewis as Managing Director of Depa Interiors in early 2018, operations have been restructured in order to increase efficiencies across its business, harmonise manufacturing processes and increase collaboration between locations. In addition to Kevin's appointment, Depa Interiors further strengthened its management team with several other key management appointments.

In June 2018, Depa Interiors announced the award of a significant package of work worth more than AED 80.0mn for a large-scale transport infrastructure project in Riyadh, the second package of work from the same client on a landmark project. Depa Interiors is positioning itself strongly to win and deliver multiple projects connected to the Expo 2020 development. Depa Interiors continues to diversify its offering and backlog by the recent award of an office fit-out in the Burj Khalifa District in Dubai.

Depa Interiors' growing backlog coupled with improvements in operations, estimation and the bidding and tendering process will ensure it is well placed to leverage the opportunities in the UAE and Middle Eastern markets over the coming years.

**Revenue of AED 121.2mn**

**EBIT margin of 14%**

**Profit of AED 15.7mn**

**Delivered 4 retail projects in H1 2018**

## Deco Group

Middle East-based Deco Group comprises Deco, which is focused on the retail and commercial fit-out sector; carpentry and joinery experts Eldiar; and Carrara, which supplies and installs premium marble, stone and granite.

In H1 2018 Deco Group generated revenue of AED 121.2mn (H1 2017: AED 142.0mn) and profit of AED 15.7mn an increase of 96% on H1 2017 (AED 8.0mn). Deco Group delivered an EBIT margin of 14%, a significant increase on H1 2017 (6%). The increase in profit and EBIT margin in H1 2018 was positively impacted by the sale of its leasing rights as part of Carrara's factory consolidation plan.

The first half of 2018 saw Deco deliver several projects, completing the interior fit-out works for the Dolce & Gabbana, Dior, Bottega Veneta (a new client) and Valentino boutiques for the new Dubai Mall Fashion Avenue extension.

Deco continues its long-term relationship with several major luxury retailers, winning the fit-out of the new Chanel boutique at Dubai Mall and the Gucci boutique at Mall of the Emirates. Deco has also secured the commercial fit-out works for a new government client.

During H1 2018, Carrara also continued to make good progress in its factory consolidation process.

**Revenue of AED 248.2mn**

**EBIT margin of 3%**

**Profit of AED 3.6mn**

**Significantly improved backlog up 19% on H1 2017**

## DSG

The Group's Asian business, DSG, delivered revenue of AED 248.2mn an increase of 39% on H1 2017 (AED 179.1mn) and profit of AED 3.6mn (H1 2017: AED 5.0mn). DSG operations generated an EBIT margin of 3% (H1 2017: 4%).

DSG significantly improved its backlog in H1 2018 and the business continues to secure opportunities both within its target markets of Singapore and Malaysia, as well as the Middle East, China and other international markets. As part of on-going business development activities, in May 2018, DSG established a joint venture in Thailand in a bid to capitalise on opportunities within the Thai market.

**Backlog of AED 1,890mn**

**Strong pipeline of opportunities**

## Backlog

In H1 2018, the Group's backlog grew to AED 1,890mn, up AED 96mn or 5% on 31 December 2017 (AED 1,794mn) following a number of quality awards including most recently a major infrastructure project in Riyadh; two superyacht projects in Germany and the Dubai Mall Chanel boutique and Gucci Boutique in the Mall of the Emirates.

**Ten-driver strategy in place to create sustainable long-term shareholder value**

**Outlook remains positive**

## Outlook

With the strategic agenda set, Depa is now focused on delivering sustainable long-term shareholder value creation through its ten-driver strategy.

The Group continues to win work with the ability to generate cash backed profits in its addressable markets. The outlook for the Group remains positive with opportunities to grow all four key business units.

# Financial Review

## Financial performance

Depa delivered a sound financial performance in the six months to 30 June 2018. Over H1 2018, Depa generated revenue of AED 852.2mn, an increase of AED 17.6mn or 2% on H1 2017 (AED 834.6mn).

Expenses increased in H1 2018 to 799.5mn (H1 2017: AED 704.9mn), primarily driven by the increase in revenue derived from ongoing projects. H1 2018 expenses included AED 3.7mn impairment loss for the associate which was disposed of.

In the six months to 30 June 2018, associates generated a loss of AED 2.8mn (H1 2017: AED 0.9mn).

Net finance expense amounted to AED 5.1mn in line with the prior year (H1 2017: AED 5.0mn).

The Group recognised an income tax expense of AED 9.0mn in the first six months of 2018 (H1 2017: AED 10.5mn).

Consequently, the Group generated profit for the period of AED 35.8mn (H1 2017: 113.3mn). H1 2017 was positively impacted by the recovery of two major long outstanding receivables.

Non-controlling interests amounted to AED 4.9mn (H1 2017: AED 0.8mn). The non-controlling interests primarily relate to the Group's ownership of Design Studio as well as The Parker Company.

As a result, the Group generated net profit after non-controlling interests of AED 30.9mn (H1 2017: AED 112.5mn): basic earnings per share of UAE 5 fils (H1 2017: UAE 19 fils).

## Cash flow

Net cash outflows from operating activities amounted to AED 32.4mn (H1 2017: inflow AED115.5mn). H1 2017 operating cash flows were positively impacted by the recovery of two major long outstanding receivables. Additionally, project payment timings resulted in an increase in working capital balances of AED 80.9m in H1 2018.

Net cash outflows from investing activities for H1 2018 amounted to AED 0.6mn (H1 2017: AED 0.1mn) with the group realising AED 7.0mn from the disposal of an associate during the period as part of its non-core asset disposal programme.

During H1 2018, the Group reduced its borrowings by AED 8.7mn excluding overdrafts (H1 2017: AED 24.5mn) and paid a dividend to shareholders of AED 79.3mn (H1 2017: nil). Consequently, net cash outflows from financing activities for the period were AED 96.7mn (H1 2017: AED 36.4mn).

Foreign exchange differences resulted in an AED 0.8mn negative movement (H1 2017: AED 18.0mn positive impact) in the reported cash and cash equivalents.

As a result of the above, the Group ended the first half of 2018 with net cash excluding restricted cash of AED 140.8mn (Q4 2017: 261.5mn).

## Financial position

The Group ensures that it maintains adequate liquidity to meet its requirements and appropriate working capital facilities for all of its needs via its strong bank relationships. Cash and cash equivalents at the 30 June 2018 stood at AED 178.1mn (H1 2017: AED 368.0mn).

At period end, equity attributable to equity holders of the parent equated to AED 1,322.4mn (Q4 2017: AED 1,397.0mn).

The Group's outstanding ordinary shares at end of H1 2018 amounted to 611,586,670, (issued ordinary shares of 618,452,753 less 6,866,083 treasury shares).

## Interim dividend

2017 saw Depa pay its first ordinary dividend since 2010 under its dividend policy of paying out between 25% and 50% of profits annually.

An ordinary interim dividend of UAE 2.6 fils per ordinary share has been declared by the Board of Directors for the six months ended 30 June 2018 (H1 2017: UAE 2.5 fils), an increase of 4%.

The interim dividend shall be paid on 21 October 2018 with a record date of 7 October 2018 and the shares trading ex-dividend on 4 October 2018.

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

**Notes to editors:**

Depa is a strategic management company specialising in global interior solutions. Depa's four key business units hold leading positions in their respective markets: Design Studio, Vedder, Depa Interiors and Deco Group. Employing thousands of people worldwide, the Group's operations are centred on three regional hubs: Asia, Europe and the Middle East.

# Depa Limited

## Results Announcement

Depa's mission, shared by each of its key business units, is to deliver sustainability, profitability and performance for its clients, shareholders and employees. The Group's five core values are integral to everything Depa does: transparency, integrity, accountability, professionalism and exceptional service.

Depa Limited is listed on the Nasdaq Dubai (DEPA: DU) and is headquartered in Dubai, United Arab Emirates.

**Unaudited trading statement:**

All figures contained in this trading statement are unaudited.

**Cautionary statement:**

This document contains certain 'forward looking statements' with respect to Depa's financial condition, results of operations and business and certain of Depa's plans and objectives with respect to these items. By their very nature, forward looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events, and depend on circumstances, which may occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward looking statements. All written or verbal forward looking statements, whether made in this document or made subsequently, which are attributable to Depa or any other member of the Group or persons acting on their behalf are expressly qualified on this basis. Depa does not intend to update these forward looking statements.

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