



Depa  
Limited

Results for the year  
ended 31 December 2016



## 2016 highlights

### Robust revenue growth

- Robust revenue growth
- Revenue of AED 1,730.3mn
- Up 89.7mn, 5% on 2015

### 4 quarters of profitability

- Gross margin of 19%
- Full year audited profit of AED 52.0mn, up AED 324.7mn on 2015
- Four quarters of profit, generating earnings per share AED 0.07

### Strong liquidity position

- Continued cash generation and robust balance sheet
- Net cash at year end of AED 278.1mn, up 123% on 2015
- Working capital facilities in place for Group needs

### Backlog of more than 1.1x

- Backlog of AED 1,927mn
- More than 110% of 2016 revenue

### Shareholder returns

- Balance sheet restructure proposed, enabling dividend payments
- Potential to pay dividend following 2017 audited results
- Adoption of dividend policy: to pay out 25%-50% of earnings



depa

# Financial review



## Summary income statement

Depra's 2016 audited results reflect a hugely successful year

AED mn	FY 2016	FY 2015	Variance	
			Amount	%
Revenue	1,730.3	1,640.6	89.7	5%
Direct cost	(1,406.2)	(1,487.9)	81.7	5%
<b>Gross profit</b>	<b>324.1</b>	<b>152.7</b>	<b>171.4</b>	<b>112%</b>
<i>Gross profit margin</i>	<i>19%</i>	<i>9%</i>	<i>9%</i>	<i>101%</i>
General and administrative expenses	(258.9)	(332.5)	73.6	22%
<b>Operating Profit/ (loss)</b>	<b>65.2</b>	<b>(179.8)</b>	<b>245.0</b>	<b>136%</b>
Share of profit/ (loss) from associates	5.3	(1.5)	6.8	453%
Net - other income/ (expenses)	5.5	(75.6)	81.1	107%
Finance cost- net	(4.3)	(2.8)	(1.5)	(54%)
Income tax	(19.7)	(13.0)	(6.7)	(52%)
<b>Profit/ (loss) for the year</b>	<b>52.0</b>	<b>(272.7)</b>	<b>324.7</b>	<b>119%</b>
Non-controlling interests	(6.5)	7.2	(13.7)	(190%)
<b>Profit/ (loss) after NCI</b>	<b>45.5</b>	<b>(265.5)</b>	<b>311.0</b>	<b>117%</b>

- Revenue up 5%
- Strong gross profit generation, gross margin of 19%
- G&A reduced whilst growing revenue (2015 impacted by doubtful debt provision)
- No goodwill impairment in 2016
- Profit of AED 52.0mn

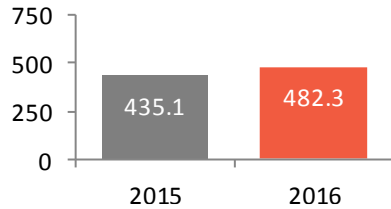
# Key business unit performance

Strong performance shown in all four key business units

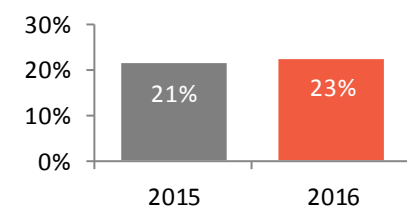
All figures in (AEDmn)

## Revenue

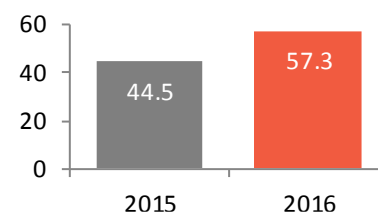
### Design studio



## Gross margin

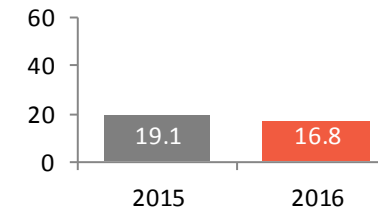
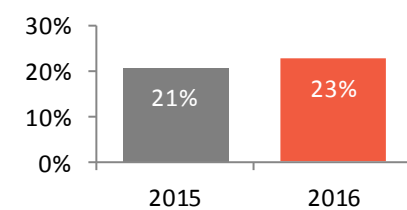
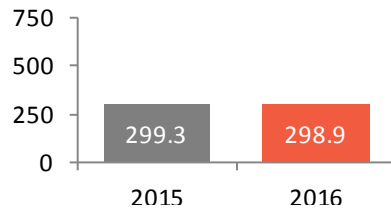


## Profit



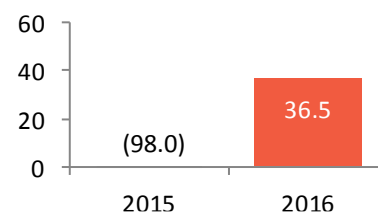
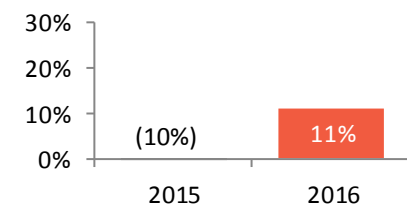
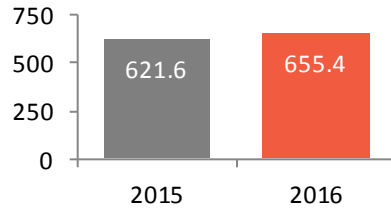
- Revenue up 11% driven by Hospitality and Commercial sector
- Improvement in gross margin to 23%
- Profit up 29%

## Vedder



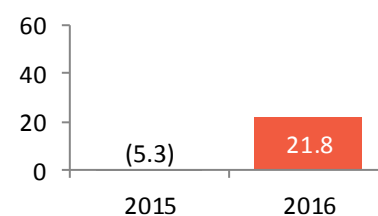
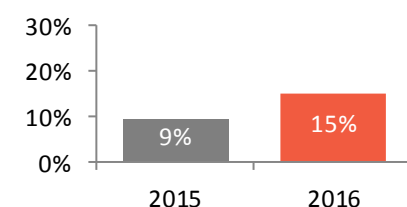
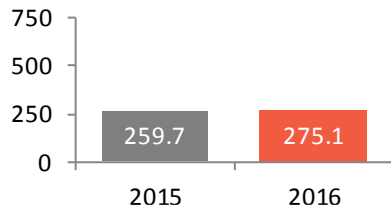
- Stable revenue
- Improvement in gross margin to 23%
- Profit down due to a number of non-recurring G&A costs

## Depa Interiors Group



- Revenue up by 5% with significant improvement in margins
- Profit of AED 36.5mn, adjusted for non-operating entities

## Deco Group



- Revenue up 6%
- Strong improvement in gross margin
- Pleasing profit result

## Summary balance sheet

Strong financial position and proposed share premium transfer to allow future dividends

AED mn	Dec -16	Dec -15	Variance	
			Amount	%
Property, plant and equipment	211.7	299.0	(87.3)	(29%)
Goodwill	297.3	297.3	0.0	0%
Contract retentions	109.7	89.9	19.8	22%
Other non-current assets	142.6	124.0	18.6	15%
<b>Non current assets</b>	<b>761.3</b>	<b>810.2</b>	<b>(48.9)</b>	<b>(6%)</b>
Trade and other receivables	829.0	773.4	55.6	7%
Due from constuction contracts	489.9	451.4	38.5	9%
Cash and bank balances	481.2	382.9	98.3	26%
Other current assets	63.7	72.0	(8.3)	(12%)
<b>Current assets</b>	<b>1,863.8</b>	<b>1,679.7</b>	<b>184.1</b>	<b>11%</b>
<b>Total assets</b>	<b>2,625.1</b>	<b>2,489.9</b>	<b>135.2</b>	<b>5%</b>
Borrowings	45.6	43.9	1.7	4%
Others	82.4	80.4	2.0	2%
<b>Non current liabilities</b>	<b>128.0</b>	<b>124.3</b>	<b>3.7</b>	<b>3%</b>
Trade and other payables	1,099.2	956.1	143.1	15%
Borrowings	157.5	214.2	(56.7)	(26%)
Income tax payable	19.3	22.5	(3.2)	(14%)
<b>Current liabilities</b>	<b>1,276.0</b>	<b>1,192.8</b>	<b>83.2</b>	<b>7%</b>
<b>Total liabilities</b>	<b>1,404.0</b>	<b>1,317.1</b>	<b>86.9</b>	<b>7%</b>
<b>Total equity</b>	<b>1,221.1</b>	<b>1,172.8</b>	<b>48.3</b>	<b>4%</b>

- Reduction in PP&E caused, in part, due to reclassification of two assets to investment properties
- Trade receivables increase due to strong progress in H2, partially offset by payables
- Cash balance up AED 98.3mn
- Bank borrowing substantially reduced
- Equity of AED 1,221.1mn

## Summary cash flow

Solid operating results contributing to significant cash generation

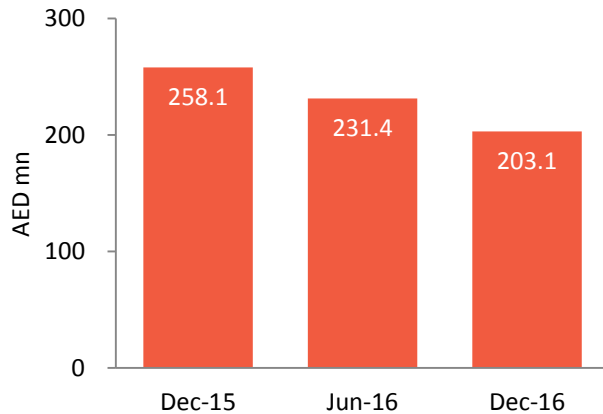
AED mn	FY 2016	FY 2015	Variance	%
<b>Operating cash flow before working capital changes</b>	<b>143.6</b>	<b>(23.4)</b>	<b>167.0</b>	<b>714%</b>
Working capital changes	(28.2)	88.3	(116.5)	(132%)
Other movements	(33.1)	(22.1)	(11.0)	(50%)
<b>Cash flows generated from operating activities</b>	<b>82.3</b>	<b>42.8</b>	<b>39.5</b>	<b>92%</b>
<b>Investing Activities</b>				
Net capex	4.6	(7.0)	11.6	166%
Long term deposits	8.5	(23.0)	31.5	137%
Other movements	15.6	2.3	13.3	578%
<b>Net cash flows from /(used in) investing activities</b>	<b>28.7</b>	<b>(27.7)</b>	<b>56.4</b>	<b>204%</b>
<b>Financing activities</b>				
Movement in borrowings	(72.1)	(21.5)	(50.6)	(235%)
Other movements	(14.3)	(10.0)	(4.3)	(43%)
<b>Net cash flows used in financing activities</b>	<b>(86.4)</b>	<b>(31.5)</b>	<b>(54.9)</b>	<b>(174%)</b>
<b>Net Movement in cash and cash equivalents</b>	<b>24.6</b>	<b>(16.4)</b>	<b>41.0</b>	<b>250%</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>297.5</b>	<b>262.5</b>	<b>35.0</b>	<b>13%</b>

- Net cash from operations of AED 82.3mn due to positive operating results
- Net capex generated cash of AED 4.6mn (2015: net spend AED 7.0mn)
- Investing cash flows benefit from term deposits movements
- Term loan and trust receipt repayments of AED 72.1mn on top of AED 21.5mn in 2015

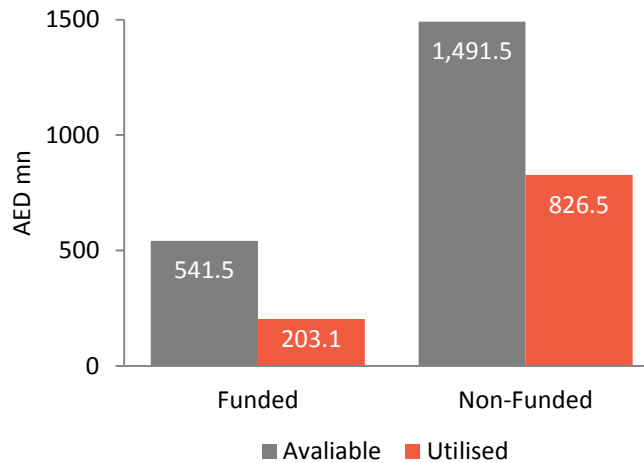
## Bank facilities and debt maturity profile

Strong cash generation and reduced borrowings provides the Group with a healthy liquidity profile

### Borrowings

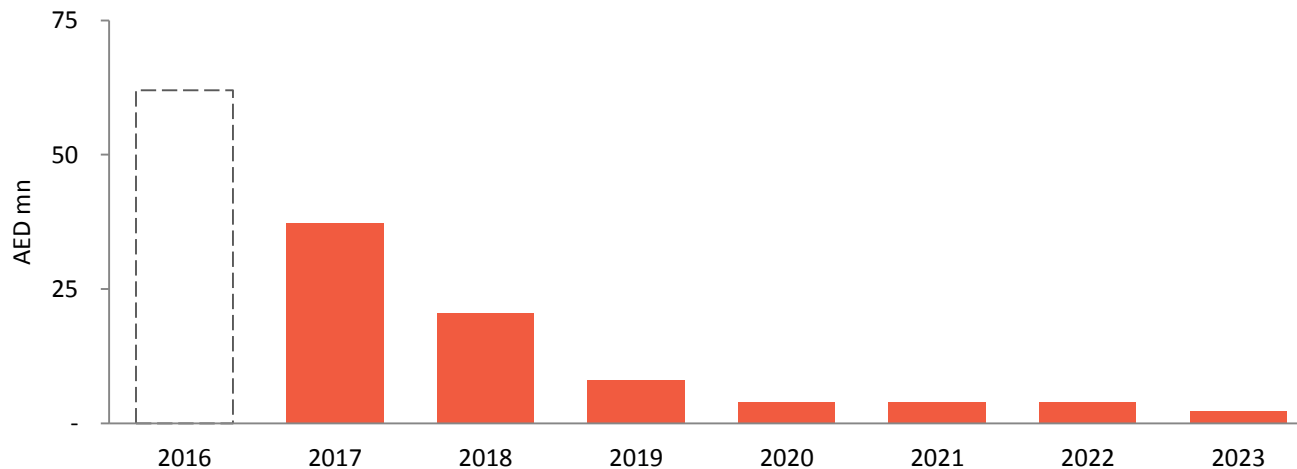


### Bank facilities



- Group continues to deleverage the balance sheet
- Sufficient facilities to meet Group needs

### Maturity profile – long-term loans



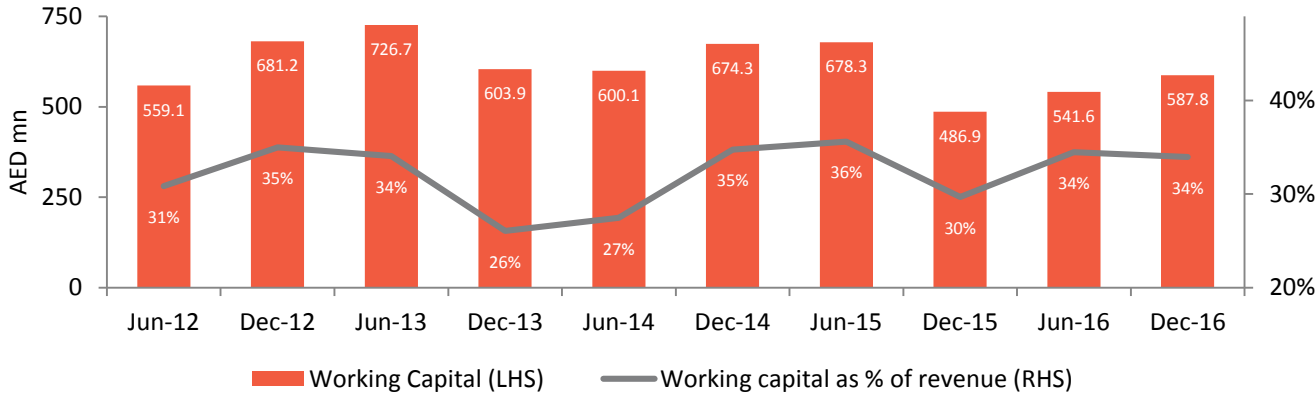
- AED 62.0mn of term loan repayments in 2016
- Much smaller maturities scheduled for 2017 (AED 37.3mn) and 2018 (AED 20.6mn)
- Comfortable debt maturity profile



# Working capital

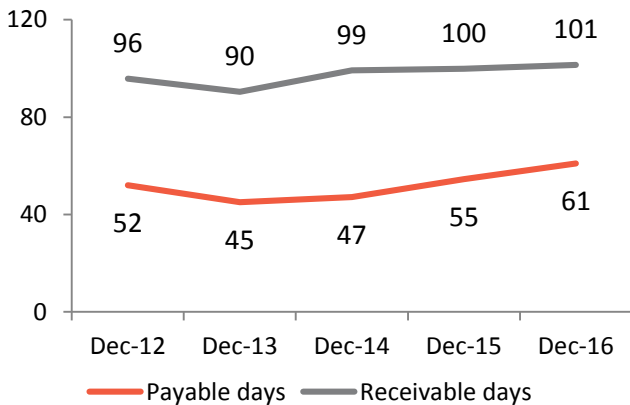
Group remains in line with long term working capital position

## Working capital balance

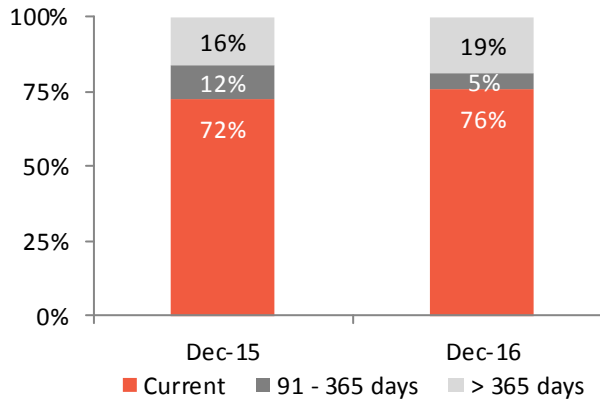


- Group remains in line with long term working capital levels

## Receivable & payable days



## Ageing of receivables



- Receivable days increased marginally, with payable days markedly higher
- Whilst receivables have increased the increase is primarily not yet due

Note: receivable days: gross trade receivables and last twelve months' revenue; payable days: trade payables and last twelve months' direct costs; ageing of receivables: includes current retention net of provision

## Capital restructure and dividend policy

### Use of share premium account to offset accumulated losses

- Depa recognises the importance of dividends as a component of shareholder returns and value creation
- Accordingly, Depa proposes the use of part of its share premium account to offset its accumulated losses in full
- The Board of Directors is recommending that the shareholders approve the adjustment at the company's upcoming general meeting in May 2017
- This will improve the Group's financial position
- Potential to pay a dividend following 2017 audited results

### Dividend policy

- Depa has adopted a dividend policy to pay-out between 25% and 50% of yearly earnings
- Policy equates to a dividend cover of 2 to 4 times.

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# Operational review

## Our Vision

Global Interior Solutions

## Our Mission

To deliver sustainability, profitability and performance for our clients, shareholders and employees.

## Our Values

### — Transparency

We will encourage and practice open communication by sharing relevant information and ideas. We will trust and respect each other by promoting inclusive communication.

### — Integrity

We will act honestly and respect ourselves, our colleagues and all company stakeholders.

### — Accountability

We will take ownership and responsibility for our actions with a positive attitude. We will each commit to what we are responsible for. Take a can do approach to all of our tasks.

### — Professionalism

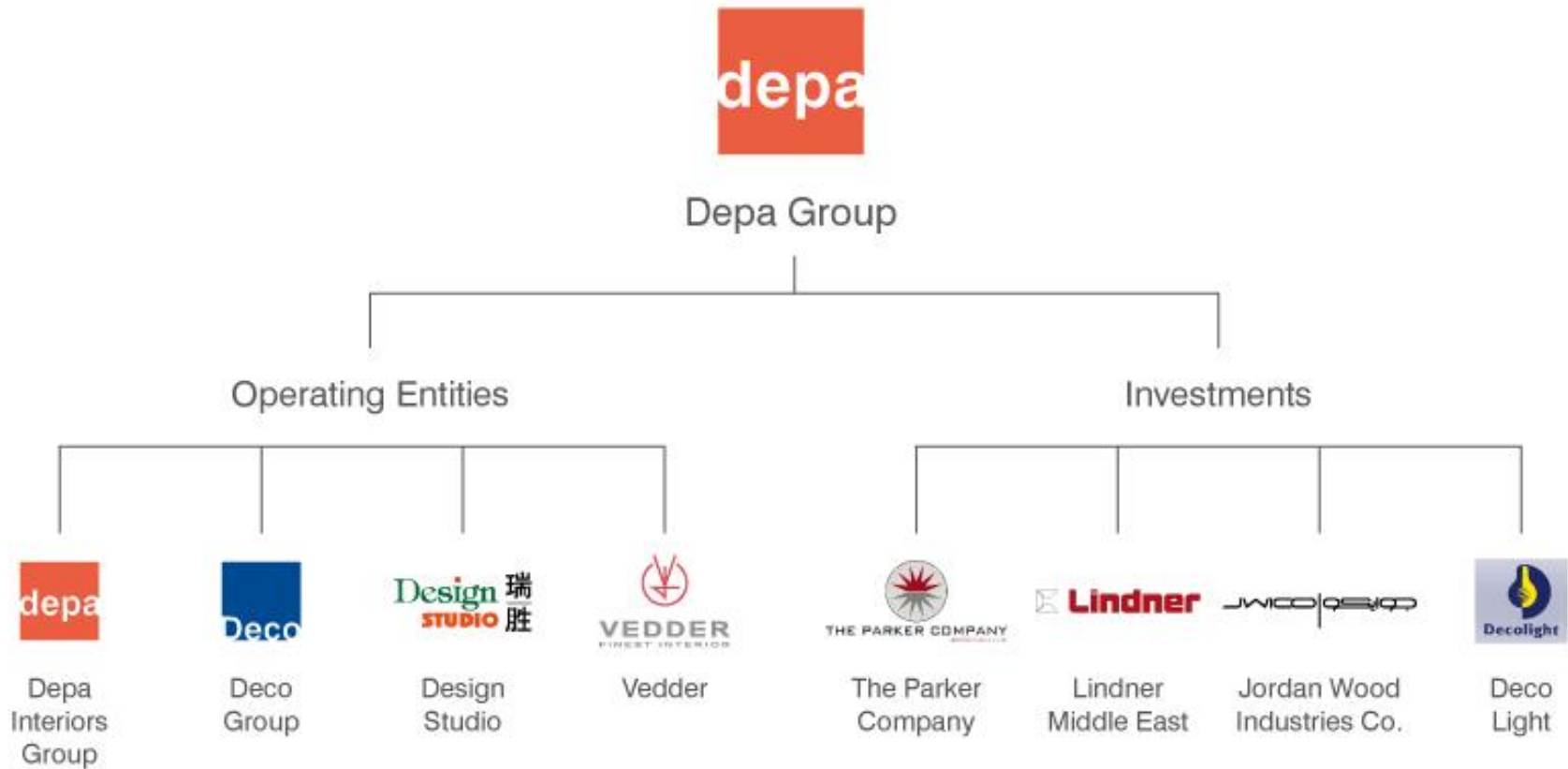
We will be consistently productive by working together as a team, sharing knowledge, innovating, collaborating, inspiring and enhancing the overall business. We will embrace and welcome change as a catalyst for creating opportunities. We will work to identify and eliminate risks.

### — Exceptional Service

By building strong, sustainable and healthy relationships we will deliver on our promise and enhance our reputation and credibility. We will stay motivated and focused to provide competitive solutions tailored for our clients.

## Group structure

Group organised into Key Business Units and Investments & Others







## Design Studio

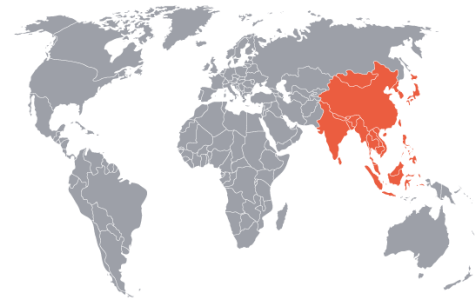
*Based in Singapore, focused on high-end hospitality, residential and commercial fit out and luxury furniture manufacturing*

### Financial highlights

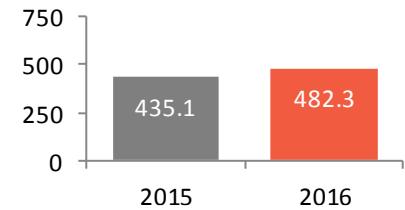
- Revenue up 11% driven by Hospitality & Commercial sector
- Improvement in gross margin to 23%
- Profit up 29%

### Operational highlights

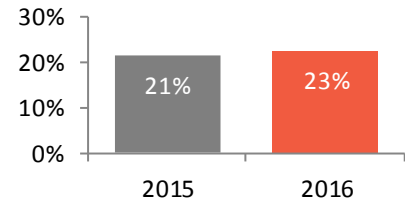
- Secured the JW Marriott Singapore South Beach, the Yotel Hotel at Changi International Airport, and the Botanique at Bartley and Visionaire residential projects in Singapore
- Key project wins in Malaysia included a luxury resort in Langkawi, the Ritz Carlton Residences in Kuala Lumpur, and an integrated commercial centre in Nusajaya.
- Other new projects secured in China, (including Shanghai Bao Shan and Hanking Peak Boulevard residential projects), the United Arab Emirates, and Thailand during the year
- Continue to seek opportunities outside its key markets of Singapore and Malaysia
- New Chief Executive Officer, Edgar Ramani, appointed in February 2017 - focused on growing the business across Asia



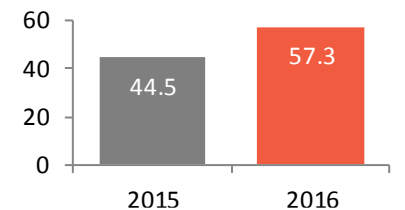
### Revenue



### Gross margin



### Profit



## Vedder

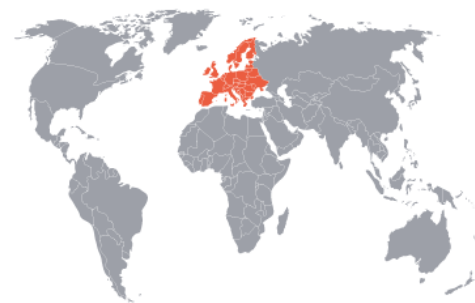
*Based in Germany, Vedder is the world's leading provider of fitout solutions for the global superyacht and private aircraft market*

### Financial highlights

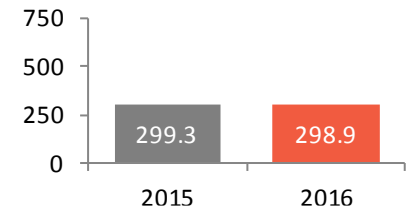
- Stable revenue
- Improvement in gross margin to 23%
- Profit down due to a number of non-recurring G&A costs

### Operational highlights

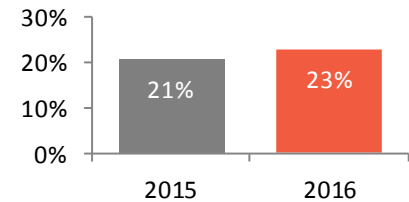
- Completed merger, combining functions between its two factories in Ludinghausen and Haidfling, which will help drive efficiencies in 2017
- Celebrated its 125<sup>th</sup> anniversary during the year
- Secured a number of major projects from leading European shipyards in 2016
- Healthy backlog of work and a number of significant prospects



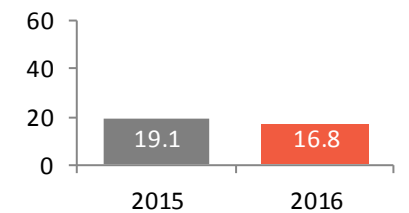
### Revenue



### Gross margin



### Profit



## Depa Interiors Group

*The Middle East's leading provider of interior solutions for the high-end hospitality, residential and commercial market*

### Financial highlights

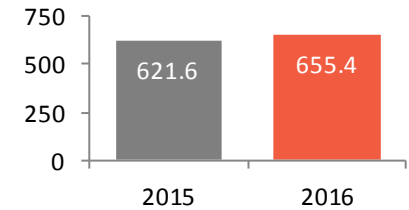
- Revenue up by 5% with significant improvement in margins
- Profit of AED 36.5mn, adjusted for non-operating entities
- Generated gross margin of 11%, a significant improvement on 2015

### Operational highlights

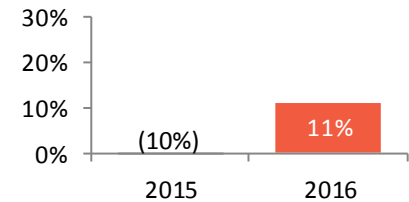
- Made significant progress on a number of legacy issues in the United Arab Emirates, Qatar and Azerbaijan
- Recently concluded a settlement in respect of Burj Khalifa project



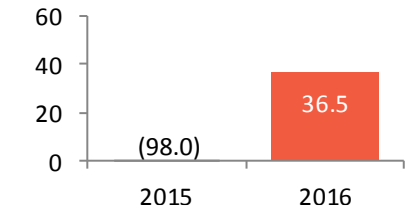
### Revenue



### Gross margin



### Profit





## Deco Group

*The Middle East's leading provider of interior solutions for the luxury retail market, premium marble supply and installation, and high-quality furniture and joinery works*

### Financial highlights

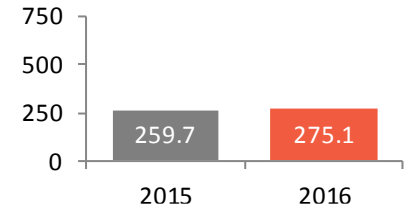
- Revenue up 6%
- Strong improvement in gross margin
- Pleasing profit result

### Operational highlights

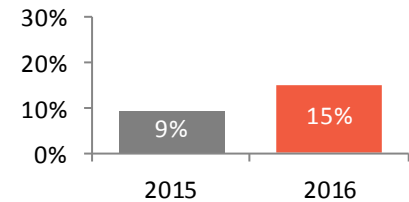
- Secured & materially completed Deco's largest contract to date, new Robinsons department store in Dubai
- Potential for further work with same client
- Also secured an additional retail fit-out project in the Dubai Mall, United Arab Emirates for a leading US-based global electronics brand, following their success on a similar project for the same client in 2015.
- Significant portion of Deco's backlog comes from repeat clients
- Eldiar and Carrara continue to make good progress:
- Eldiar expanding customer base
- Carrara finalising plans to consolidate its manufacturing facilities



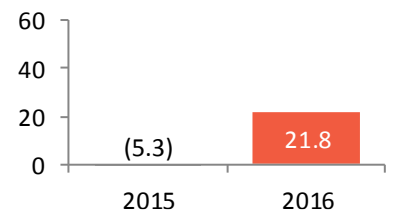
### Revenue



### Gross margin



### Profit



## Key priorities for 2017

- Sustainable growth
- Cash backed profit
- Return to dividends
- Resolution of remaining legacy projects
- Upgrading of management systems
- Embedding performance driven culture
- Improvement in approach to work winning
- Strategic review

- 
- > Return on equity
  - > Enhanced shareholder value creation
  - > Improved risk profile
  - > Delivery of projects
  - > Exceptional service for our clients



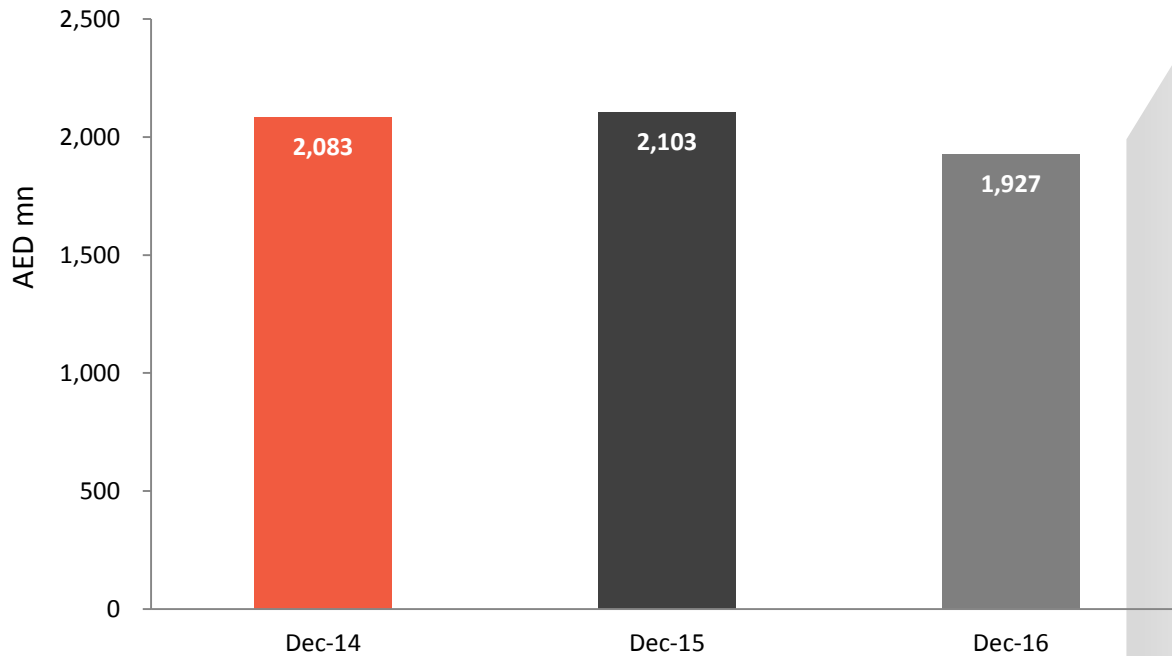
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# Backlog and outlook

# Backlog

Strong backlog of more than 1.1 times 2016 revenue and pipeline leaves Depa well placed

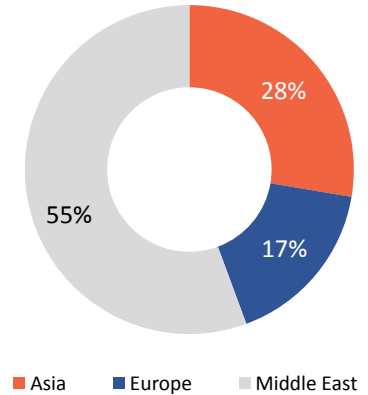
## Project backlog



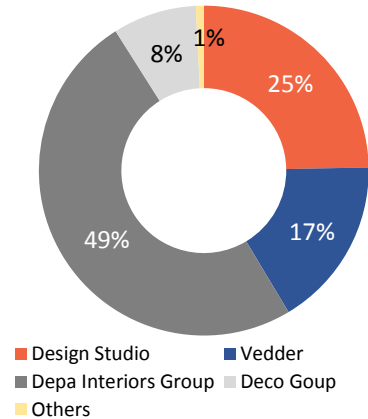
## Early 2017 wins

- Government ministry in Riyadh, Kingdom of Saudi Arabia
- Dolce & Gabbana, United Arab Emirates
- Luxury hotel, United Arab Emirates

### By geography



### By Key Business Unit



## Top 10 projects (by backlog)

Depa continues to be awarded and execute landmark projects worldwide

Projects	Country	AED mn
Infrastructure works, Riyadh	Kingdom of Saudi Arabia	204
W Hotel & Residences, Dubai	United Arab Emirates	142
Hotel, Saadiyat Island, Abu Dhabi	United Arab Emirates	108
Private yacht interior project	Germany	104
Mandarin Oriental, Kuala Lumpur	Malaysia	93
King Saud University, Riyadh	Kingdom of Saudi Arabia	89
Luxury Residences, Dubai	United Arab Emirates	88
Private yacht interior project	Germany	69
Private yacht interior project	Germany	60
Fairmont Hotel & Serviced Apartments, Abu Dhabi	United Arab Emirates	60
<b>Total</b>		<b>1,017</b>
<b>Percentage of total backlog projects</b>		<b>53%</b>

## Outlook

- A number of the Group's key markets remain challenging
- However, strong and high quality backlog provides level of certainty for 2017
- Robust net cash position will enable Group to exploit attractive opportunities
- Operational enhancements in 2016 leave the Group well placed to build on the market leading positions that all four key business units enjoy

## Cautionary statement

*This document contains certain 'forward looking statements' with respect to Depra's financial condition; results of operations and business; and certain of Depra'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 that 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, made in this document or made subsequently, which are attributable to Depra or any other member of the Group or persons acting on their behalf are expressly qualified on this basis. Depra does not intend to update these forward looking statements.*



