

depa.com

Depa PLC H1 2019 Financial Results



depa

29 August 2019

Global Interior Solutions

H1 2019 highlights



Backlog
AED **2,088**mn

Backlog of AED 2,088

- Up AED 198mn or 10% on H1 2018
- Supported by strong pipeline of opportunities
- Secured significant commercial fit-out and social infrastructure projects in the Middle East and an interior fit-out for a new-build superyacht project

Revenue
AED **648.1**mn

Revenue of AED 648.1mn

- Down AED 204.1mn on H1 2018
- H1 2019 negatively impacted by lower revenue recognition in DSG and Depa Interiors

Net cash
AED **19.8**mn

Net cash position

- Positive net cash position excluding restricted cash of AED 19.8mn

Operational review complete

Group Chief Executive Officer's operational review complete

- In light of the current trading environment, a number of exposures have been addressed in the de-risking of the balance sheet impacting the financial results in H1 2019
- Relocation of corporate function, consolidation of management functions, headcount reductions, travel expense savings and service provider fee savings
- Year to date net head count reductions have reduced staff employees by more than 115, AED 17.5mn of annual savings

Depa PLC
H1 2019 Financial Results

Financial Review



Summary income statement



AED mn	H1 2019	H1 2018	Change
Revenue	648.1	852.2	(204.1)
Expenses	(722.8)	(800.2)	77.4
Net (provisions)/reversal of allowance for doubtful debts and due from construction contract customers	(118.1)	0.7	(118.8)
Share of profit from associates	(2.9)	(2.8)	(0.1)
Profit before interest and tax	(195.7)	49.9	(245.6)
Net - finance cost	(5.1)	(5.1)	(0.0)
(Loss)/profit before tax	(200.8)	44.8	(245.6)
Income tax expense	(5.6)	(9.0)	3.4
(Loss)/profit for the period	(206.4)	35.8	(242.2)
Non-controlling interests	3.6	(4.9)	8.5
(Loss)/profit after NCI	(202.8)	30.9	(233.7)

- Revenue of AED 648.1mn, down AED 204.1mn year-on-year; negatively impacted by increases to cost to complete on four major delayed UAE and KSA based projects
- Non-cash non-recurring write down of goodwill (AED 6.2mn) and intangibles (AED 4.0mn) relating to DSG
- Non-recurring expenses of AED 5.5mn in Vedder relating to legal case settlement, warranty expense and redundancy costs
- Net provisions for doubtful debts primarily relates to DSG and Depa Interiors with AED 16.1mn in relation to the revision of expected credit loss model

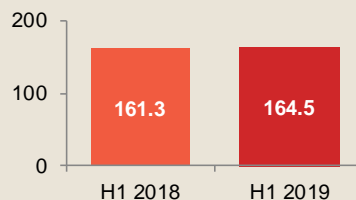
Key operating group performance

All figures in (AEDmn)

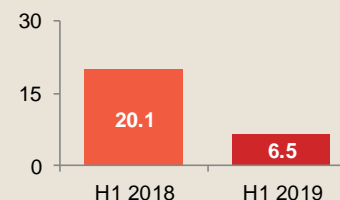
Vedder

- Revenue growth: up 2% on H1 2018 to AED 164.5mn
- EBIT impacted by non-recurring warranty expense, redundancy costs and legal case settlement of AED 5.5mn
- New-build superyacht fit-out package worth over AED 116mn secured

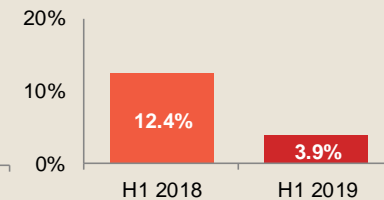
Revenue



EBIT

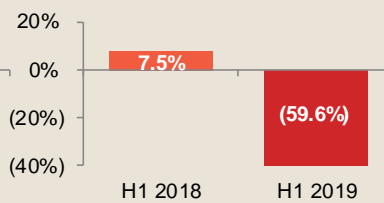
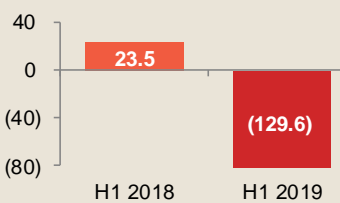
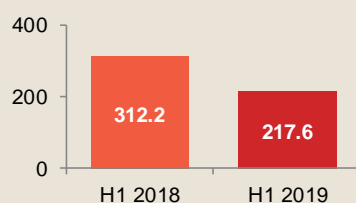


EBIT Margin



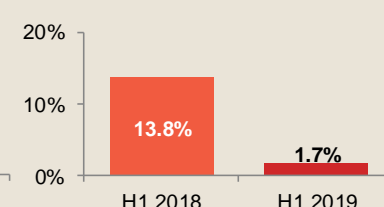
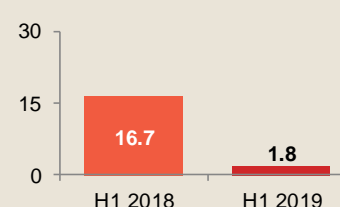
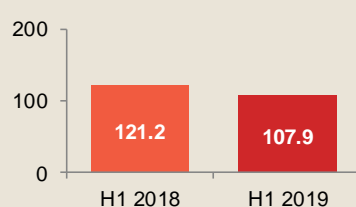
Depa Interiors

- Revenue of AED 217.6mn
- Project delays, receivable provisions and revision of expected credit loss model have negatively impacted H1 2019 financial results
- Secured large commercial fit-out worth AED 100mn



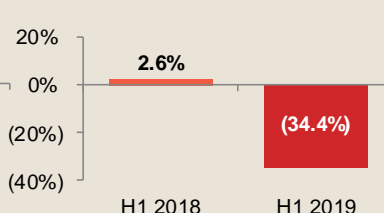
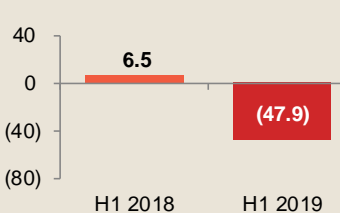
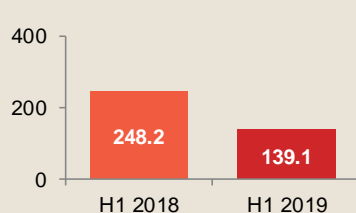
Deco Group

- Revenue of AED 107.9mn
- EBIT margin of 1.7%
- H1 2019 EBIT negatively impacted by delays on a select number of Eldiar projects, H1 2018 EBIT positively impacted by AED 4.4mn profit on sale of leasing rights

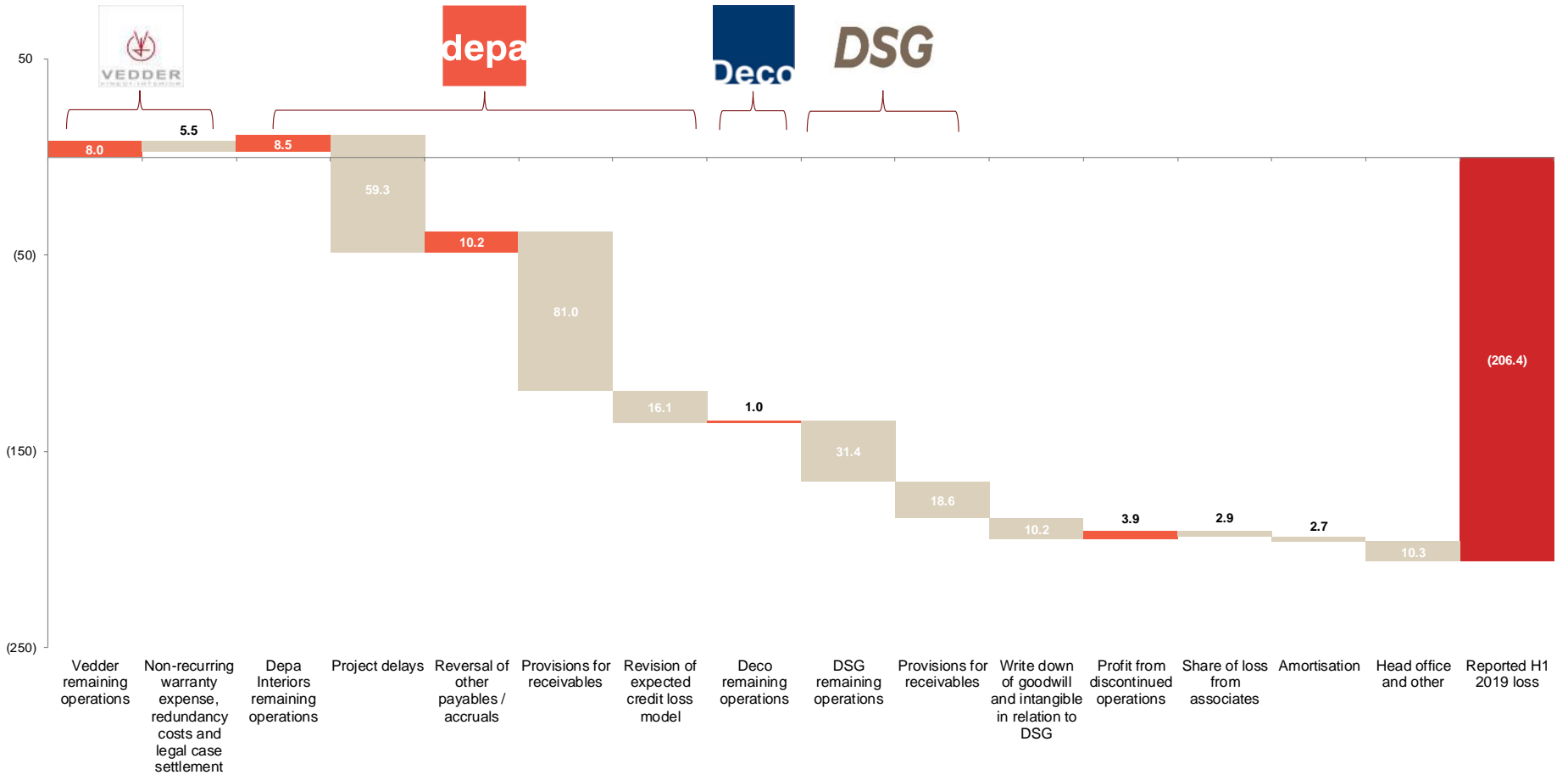


DSG

- Revenue of AED 139.1mn
- H1 2019 EBIT impacted by both provisions for receivables and decreased revenue from Singapore, Malaysia and manufacturing business units
- Significant backlog improvement during H1 2019
- Secured first project in Myanmar



Profit bridge



Summary balance sheet

AED mn	H1 2019	FY 2018	Change
Cash and bank balances	186.2	381.6	(195.4)
Trade and other receivables	683.8	730.1	(46.3)
Due from construction contract customers	651.2	627.4	23.8
Inventories	50.9	41.1	9.8
Total current assets	1,572.1	1,780.2	(208.1)
Contract retentions	124.9	137.9	(13.0)
Property, plant and equipment	188.1	195.2	(7.1)
Goodwill	128.0	167.7	(39.7)
Other non-current assets	125.3	111.1	14.2
Total non current assets	566.3	611.9	(45.6)
Total assets	2,138.4	2,392.1	(253.7)
Trade and other payables	949.8	1,074.0	(124.2)
Borrowings	124.7	60.5	64.2
Income tax payable	22.0	20.2	1.8
Current liabilities	1,096.5	1,154.7	(58.2)
Employees' end of service benefits	76.5	75.5	1.0
Borrowings	25.8	22.8	3.0
Other non-current liabilities	34.5	11.4	23.1
Non current liabilities	136.8	109.7	27.1
Total liabilities	1,233.3	1,264.4	(31.1)
Total equity including minorities	905.1	1,127.7	(222.6)

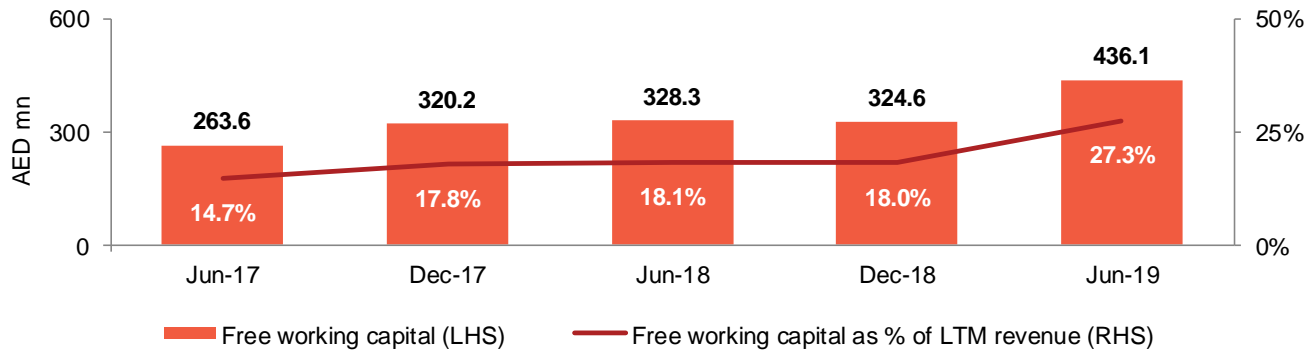
- Cash balance of AED 186.2mn and positive net cash (ex-restricted) of AED 19.8mn
- Goodwill reduced due to both disposal of TPC and LME amounting to AED 33.6mn and write down relating to DSG of AED 6.2mn
- Short term bank borrowings increased to AED 124.7mn
- Net asset value per share AED 1.47 and tangible net asset value per share of AED 1.22

Summary cash flow

AED mn	H1 2019	H1 2018	Change
Operating activities	(46.9)	64.1	(111.0)
Working capital changes	(42.9)	(80.9)	38.0
Other movements	(7.7)	(15.6)	7.9
Net cash flows from/(used in) operating activities	(97.5)	(32.4)	(65.1)
Investing activities			
Net capex	(9.3)	(10.0)	0.7
Long term deposits	(2.0)	(1.1)	(0.9)
Disposal of TPC and LME (net of cash disposed)	25.7	0.0	25.7
Disposal of investment in associates	0.0	7.0	(7.0)
Dividends received from associates	0.9	3.1	(2.2)
Other movements	0.2	0.4	(0.2)
Net cash flows from/(used in) investing activities	15.5	(0.6)	16.1
Financing activities			
Movement in borrowings	14.3	(8.7)	23.0
Dividend paid to shareholders	0.0	(79.3)	79.3
Dividends paid to non-controlling interests	(1.8)	(3.2)	1.4
Interest paid	(5.6)	(5.5)	(0.1)
Net cash flows from/(used in) financing activities	6.9	(96.7)	103.6
Net movement in cash and cash equivalents	(75.1)	(129.7)	54.6
Cash and cash equivalents at the period end	80.8	178.1	(97.3)

- Operating activities impacted by DSG and Depa Interiors operating losses
- Net cash outflows from operating activities AED 97.5 mn (H1 2018: AED 32.4mn)
- Disposal of TPC and LME generated AED 25.7mn net of cash disposed and deferred proceeds
- Borrowings excluding overdrafts increased by AED 14.3mn
- Cash and cash equivalents AED 80.8mn (H1 2018: AED 178.1mn)

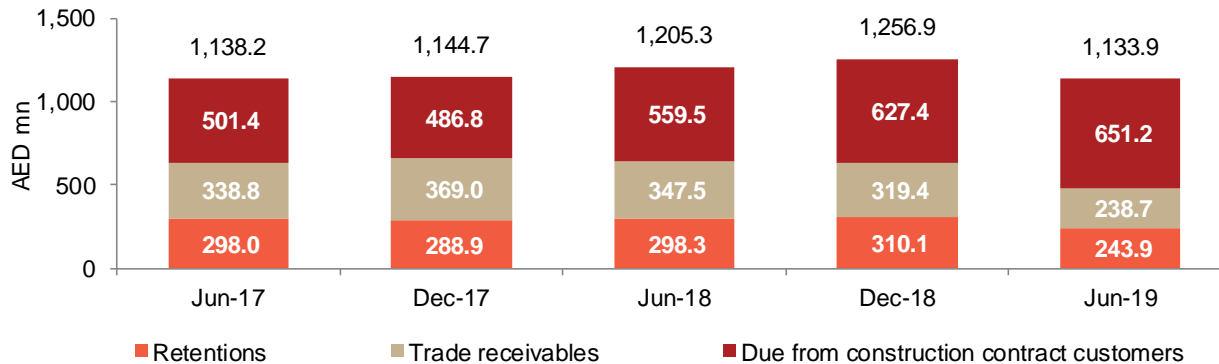
Working capital balance



- Increase primarily due to deconsolidation of TPC and LME which had working capital balances of negative AED 154.4mn at Dec-18

Note: Free working capital: non interest bearing current assets less non interest bearing current liabilities, excluding income tax payable

Receivables movement

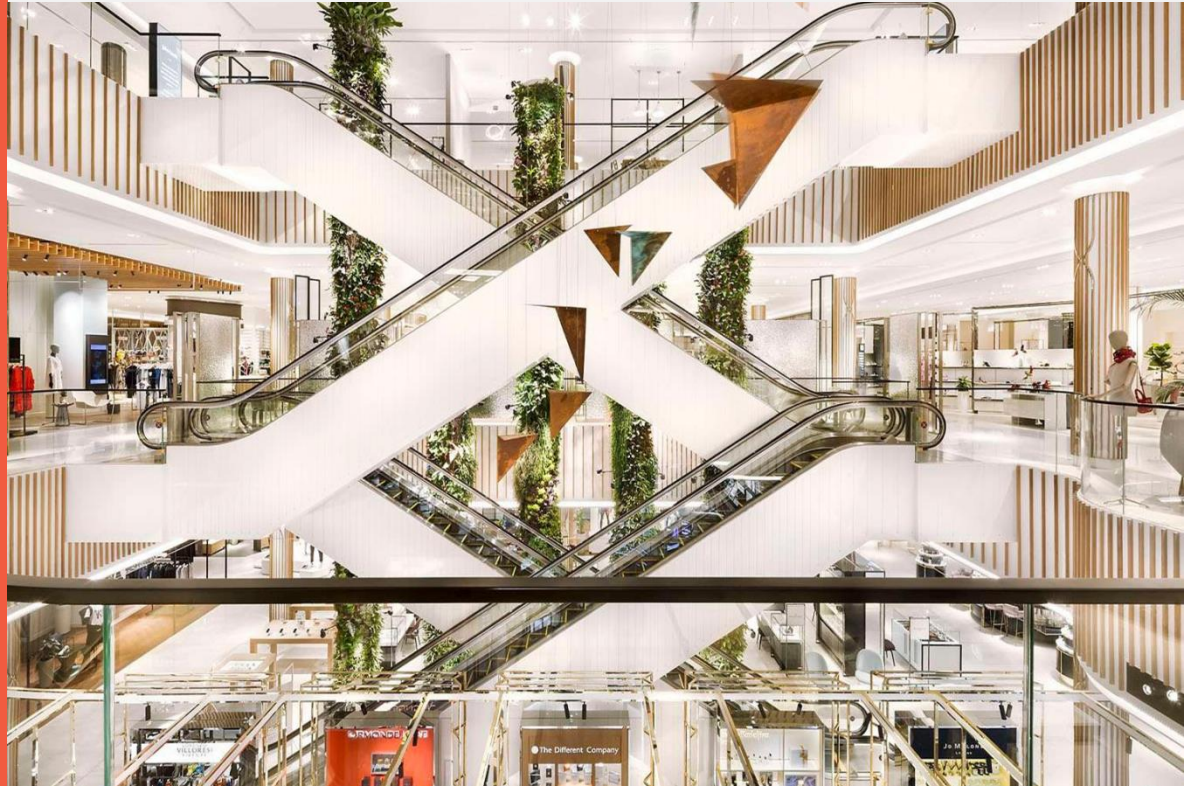


- Cash collection a key focus across the Group
- Reduction includes impact of receivable provisions

Note: Receivables movement includes net amounts due from construction contract customers, net trade receivables and net current and non current retentions receivable

Depa PLC
H1 2019 Financial Results

Operational
Review



GCEO's Group-wide operational review



Observations:

Navigation of more difficult market conditions in 2 key markets

Stabilisation of DSG

Improvement of cash position

Reduction of costs

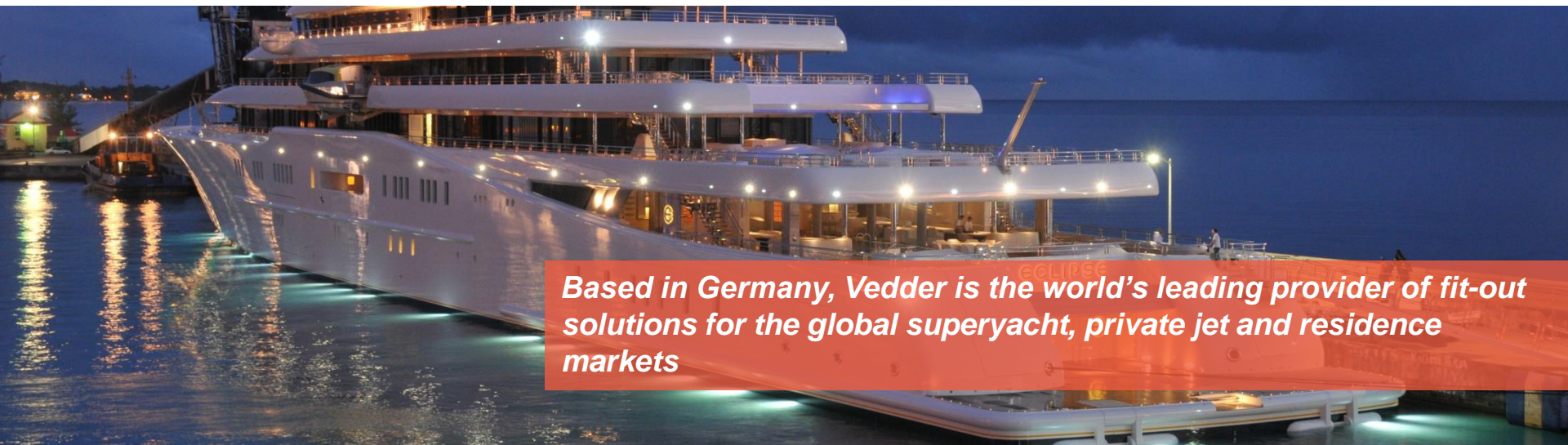
Initiatives:

- De-risked balance sheet
- Enhancement of contract disputes team
- Headcount reductions and cost saving initiatives

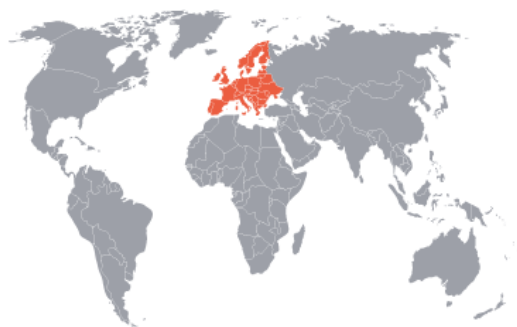
- Increased representation on DSG board with two Depa executives now present
- Increased engagement with DSG management

- Rigorous pursuit of contractual entitlement
- Formal proceedings being increasingly pursued
- Bank relationship management; core bank group established
- Dedicated receivable collection resource appointed
- Engaged with external debt collection agency
- Disposal of non-core assets including Lindner Middle East, The Parker Company and Moroccan office

- Group-wide restructuring programme and consolidation of head office functions
- Change in travel policy and service providers: annual savings of AED 2.5mn
- YTD net staff reduction of more than 115, resulting in annual savings of AED 17.5mn



Based in Germany, Vedder is the world's leading provider of fit-out solutions for the global superyacht, private jet and residence markets



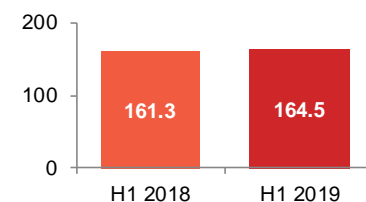
Financial highlights

- Revenue: AED 164.5mn
- EBIT: AED 6.4mn
- EBIT margin of 3.9%
- Results impacted by non-recurring warranty expenses, redundancy costs and the settlement of a legal case

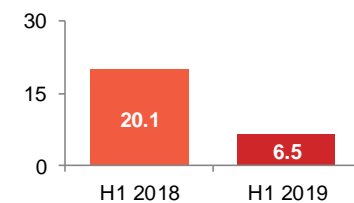
Operational highlights

- Secured new-build superyacht worth over AED 116mn
- Actively working on strengthening backlog, additional awards expected in second half of 2019

Revenue



EBIT





The Middle East's leading provider of interior solutions for the hospitality, residential, commercial, transport and civil infrastructure markets



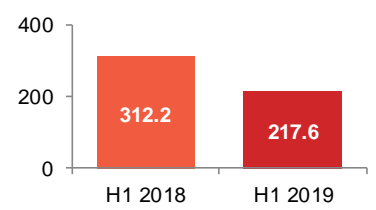
Financial highlights

- Revenue: AED 217.6mn
- EBIT: AED (129.6mn)
- Delays on a number of projects and provisions for receivables negatively impacted H1 2019 results

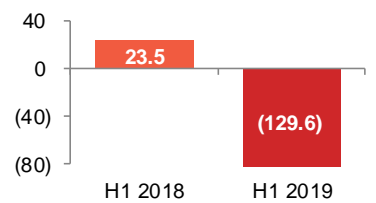
Operational highlights

- Secured major commercial and social infrastructure projects in the UAE
- Delivered significant hospitality project in Dubai

Revenue



EBIT





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



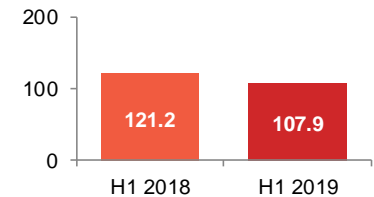
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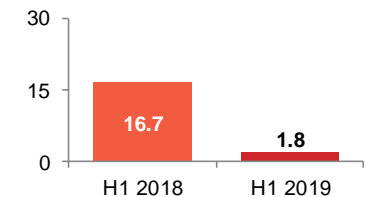
Operational highlights

- Strong relationships with long-term clients securing Chanel, Dolce and Gabbana, Dior and Louis Vuitton projects during H1 2019

Revenue



EBIT





Singapore's leading interior fit-out solutions provider and one of Asia's fastest growing providers of joinery solutions



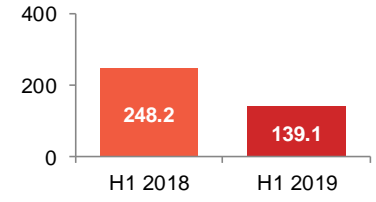
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- H1 2019 EBIT impacted by both provisions for receivables and decreased revenue from Singapore, Malaysia and manufacturing business units

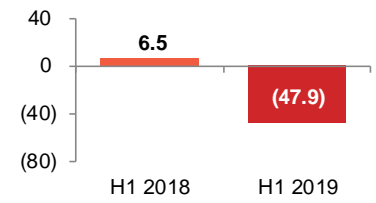
Operational highlights

- Significant backlog improvement
- Continues to win opportunities across Singapore, Thailand and China
- Secured first project in Myanmar

Revenue



EBIT



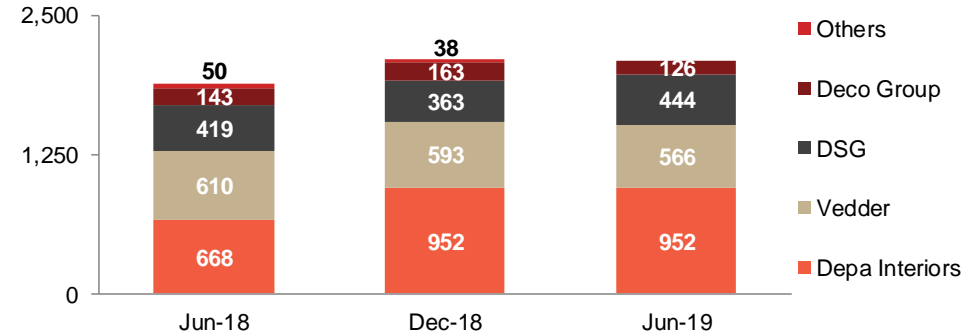
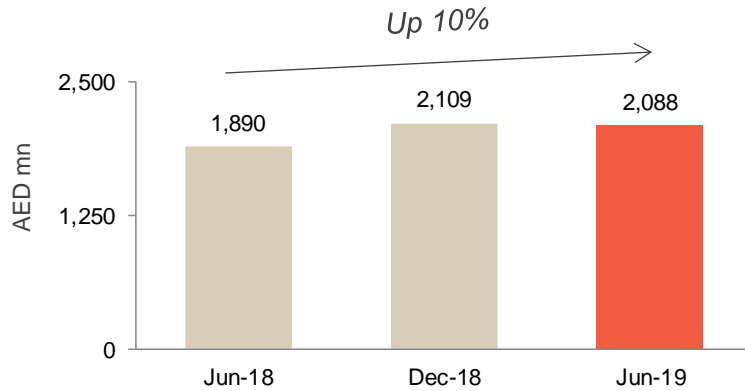
Depa PLC
H1 2019 Financial Results

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**Backlog and
Outlook**

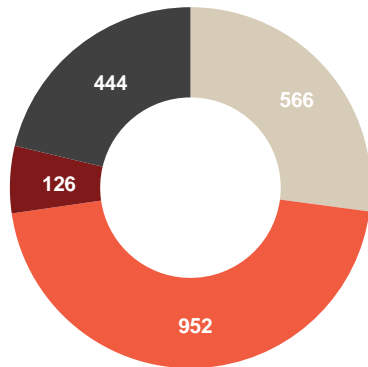
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Backlog

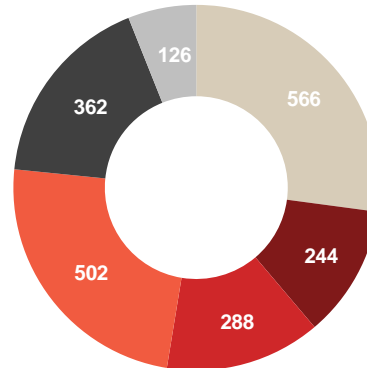


By key business unit



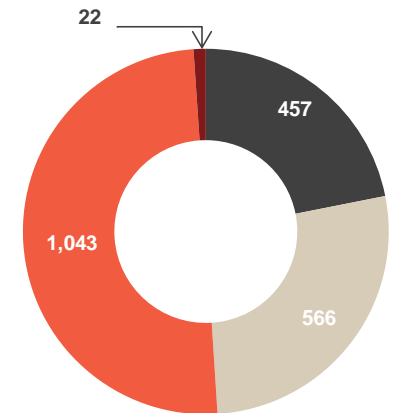
Vedder Depa Interiors Deco Group DSG

By project type



Yachts & marine Commercial
Economic infrastructure Hospitality
Residential Social infrastructure

By geography



Asia Europe Middle East Other

- The Group-wide outlook for the remainder of 2019 is mixed. Whilst Depa's European business continues to benefit from a strong market and its market leading position, the market in the Middle East holds both structural challenges as well as opportunities. Whilst in Asia significant market opportunities are presently identifiable, caution must be observed in new market expansion.



Cautionary statement

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