

Depa PLC H1 2020 Financial Results



26 August 2020

Global Interior Solutions



- Group-wide strategic review completed assessing synergies between key business units, geographic footprint, market outlook and suitability of business strategies
- Development of a two phase strategy
 1. Transformational restructuring and returning to profitability
 2. Focus on profitable expansion and growth
- The Group has set up a transformation office and embarked on the execution of an 18 month transformation plan which will pivot the Group to a much more agile business model, involving:
 1. Significant rightsizing across the group and further cost saving measures
 2. Sales of non-core assets and scaling down of non-core businesses
 3. Redefining the role of the Group's head office and support functions
 4. Organic growth into selective attractive markets
- The benefits of the transformation plan will see Depa as a group:
 - Pivot to a much more agile business model with a much higher variable cost base than fixed
 - A much reduced cost base overall
 - Streamlined from an organisational perspective
 - Reduction in management layering allowing faster decision making
 - Improved liquidity position and more sustainable capital structure following asset sales

Summary income statement

AED mn	H1 2020	H1 2019	Change
Revenue	536.2	648.1	(111.9)
Expenses	(570.5)	(712.7)	142.2
Net provision for doubtful debts and due from construction contract customers	(24.2)	(118.1)	93.9
Impairment of goodwill and intangibles	(86.7)	(10.2)	(76.5)
Changes in fair value of investment properties	(11.0)	0.1	(11.1)
Share of profit /(loss) from associates	1.4	(2.9)	4.3
Profit/(loss) before interest and tax	(154.8)	(195.7)	40.9
Net - finance cost	(8.0)	(5.1)	(2.9)
Profit/(loss) before tax	(162.8)	(200.8)	38.0
Income tax expense	(4.8)	(5.6)	0.8
Profit/(loss) for the period	(167.6)	(206.4)	38.8
Non-controlling interests	2.8	3.6	(0.8)
Profit/(loss) for the period after NCI	(164.8)	(202.8)	38.0

- Revenue decreased versus H1 2019 due to impact of covid-19 and slowdown in DSG operations as a result of ongoing restructuring process
- Non-cash non-recurring write down of goodwill (AED 72.6mn) and intangibles (AED 14.1mn)

Summary balance sheet

AED mn	H1 2020	FY2019	Change
Cash and bank balances	213.9	217.0	(3.1)
Trade and other receivables	571.6	605.5	(33.9)
Due from constuction contract customers	457.8	535.6	(77.8)
Inventories	45.3	40.1	5.2
Total current assets	1,288.6	1,398.2	(109.6)
Contract retentions	109.8	157.7	(47.9)
Property, plant and equipment	176.8	194.3	(17.5)
Goodwill	32.3	104.9	(72.6)
Other non-current assets	62.0	89.7	(27.7)
Total non current assets	380.9	546.6	(165.7)
Total assets	1,669.5	1,944.8	(275.3)
Trade and other payables	850.7	955.1	(104.4)
Borrowings	169.0	169.1	(0.1)
Income tax payable	18.6	18.8	(0.2)
Current liabilities	1,038.3	1,143.0	(104.7)
Employees' end of service benefits	70.8	74.6	(3.8)
Borrowings	22.3	23.4	(1.1)
Other non-current liabilities	37.7	40.8	(3.1)
Non current liabilities	130.8	138.8	(8.0)
Total liabilities	1,169.1	1,281.8	(112.7)
Total equity including minorities	500.4	663.0	(162.6)

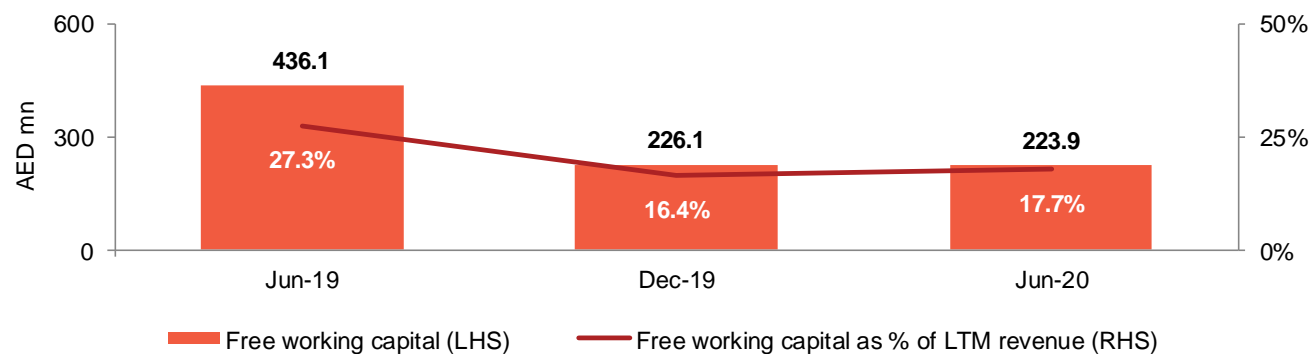
- Cash balance of AED 213.9mn
- Goodwill reduced due to write down of AED 72.6mn
- Net asset value per share AED 0.82 and net tangible asset value per share of AED 0.75

Summary cash flow

AED mn	H1 2020	H1 2019	Change
Operating activities	(11.7)	(46.9)	35.2
Working capital changes	16.2	(42.9)	59.1
Other movements	(13.3)	(7.7)	(5.6)
Net cash flows from/(used in) operating activities	(8.8)	(97.5)	88.7
Investing activities			
Net capex	(0.1)	(9.3)	9.2
Long term deposits	(2.2)	(2.0)	(0.2)
Disposal of TPC and LME (net of cash disposed)	0.0	25.7	(25.7)
Dividends received from associates	0.5	0.9	(0.4)
Other movements	0.7	0.2	0.5
Net cash flows from/(used in) investing activities	(1.1)	15.5	(16.6)
Financing activities			
Movement in borrowings	(0.1)	14.3	(14.4)
Dividends paid to non-controlling interests	0.0	(1.8)	1.8
Interest paid	(7.8)	(5.6)	(2.2)
Finance lease payments	(4.2)	0.0	(4.2)
Net cash flows from/(used in) financing activities	(12.1)	6.9	(19.0)
Net movement in cash and cash equivalents	(22.0)	(75.1)	53.1
Cash and cash equivalents at the period end	68.0	80.8	(12.8)

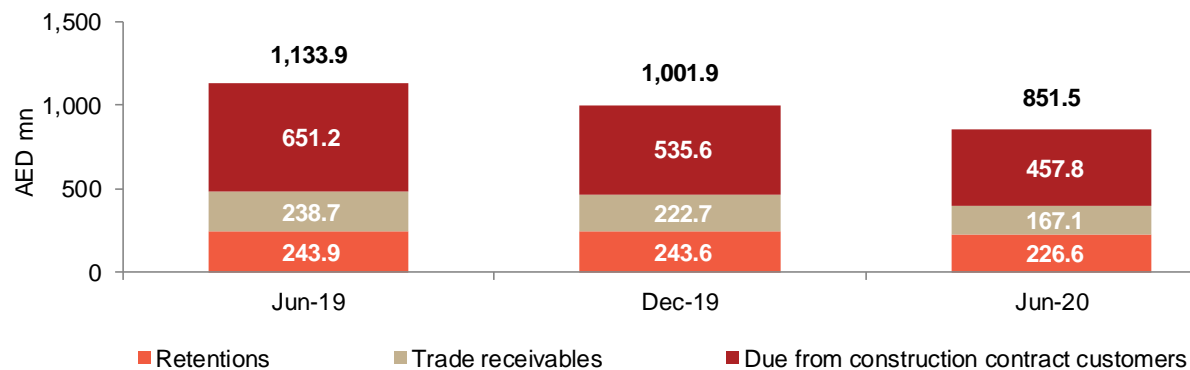
- AED 16.2mn working capital inflows generated in H1 2020 following some large project related receipts
- Net cash outflows from operating activities AED 8.8mn (H1 2019 net cash outflows: AED 97.5mn)
- Disposal of TPC and LME generated AED 25.7mn net of cash disposed in H1 2019
- Cash and cash equivalents AED 68.0mn (H1 2019: AED 80.8mn)

Working capital balance



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

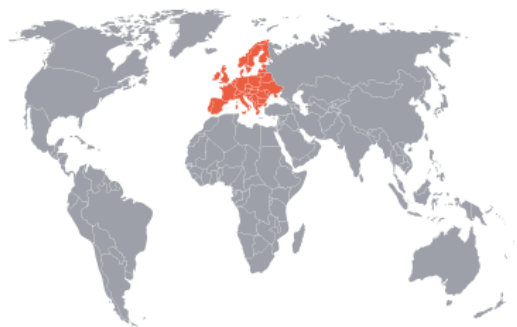
Receivables movement



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



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



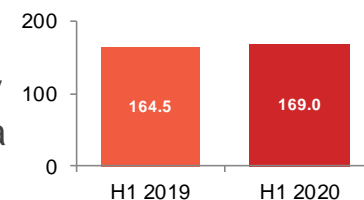
Financial highlights

- Revenue: AED 169.0mn
- EBIT: AED 16.2mn
- H1 2019 results impacted by non-recurring warranty expenses, redundancy costs and the settlement of a legal case

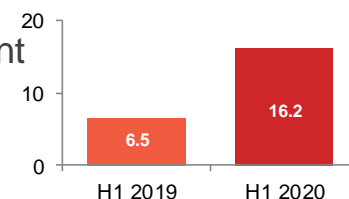
Operational highlights

- Secured two exterior packages during H1 2020 as a result of increased focus on exterior and refit sectors
- Secured two significant new build projects subsequent to H1 2020
- Successfully delivered an interior and an exterior project totalling approximately AED 160mn

Revenue



EBIT





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



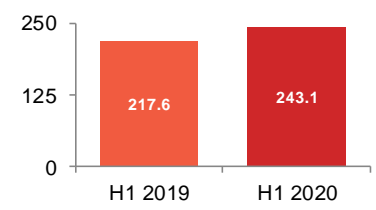
Financial highlights

- Revenue: AED 243.1mn
- EBIT: AED (44.6mn)
- Delays on a number of projects and provisions for receivables negatively impacted H1 2019 results with H1 2020 impacted by covid-19 delays and provisions for doubtful debt receivables

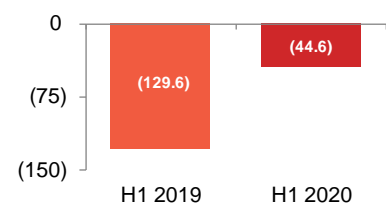
Operational highlights

- Secured a number of cinema projects in the Kingdom of Saudi Arabia
- Successfully delivered three commercial projects in Dubai during H1 2020
- Cost saving initiatives currently under implementation with a more flexible cost base targeted by early 2021

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



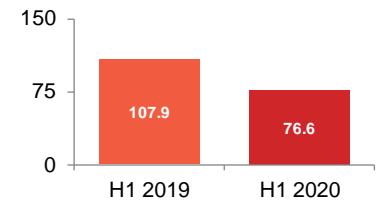
Financial highlights

- Revenue: AED 76.6mn
- EBIT: AED (5.2mn)
- H1 2020 results negatively impact by covid-19

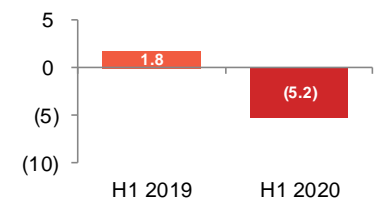
Operational highlights

- Strong relationships with long-term clients securing projects for Versace, Dior, Louis Vuitton and Dolce & Gabbana.
- Deco delivered a number of projects in Dubai and Kuwait for repeat clients
- Carrara successfully handed over its Dubai Metro expansion project

Revenue



EBIT





Based out of Singapore, one of Asia's leading premium fit-out providers and joinery specialists



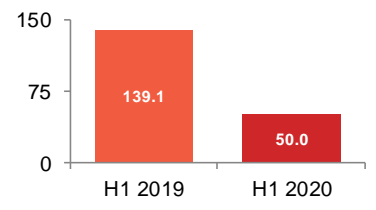
Financial highlights

- Revenue: AED 50.0mn
- EBIT: AED (24.7mn)
- H1 2020 revenue down on H1 2019 due to both the impact of covid-19 and a slowdown in operations as a result of the ongoing restructuring process

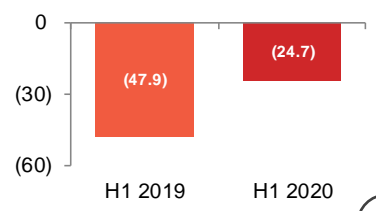
Operational highlights

- Significant cost saving initiatives have been implemented across the group
- Court supervised creditor moratorium continues
- Bank and shareholder led restructuring package negotiated
- Creditor scheme structure under finalisation

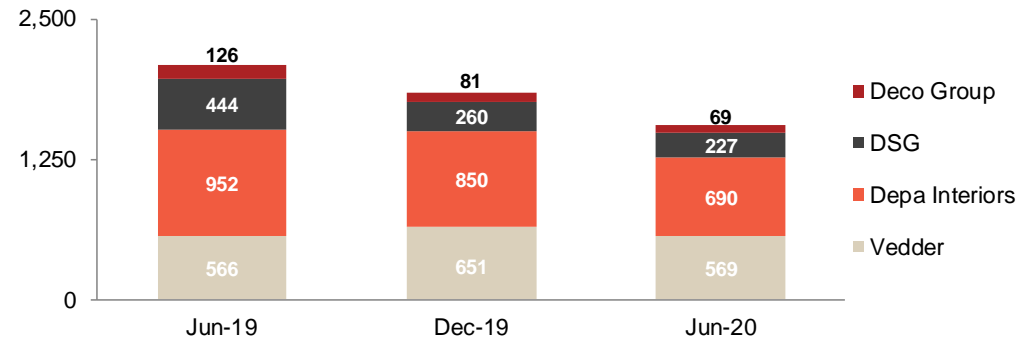
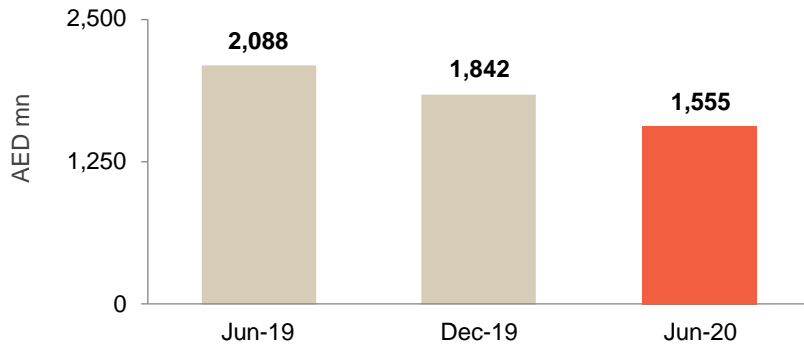
Revenue



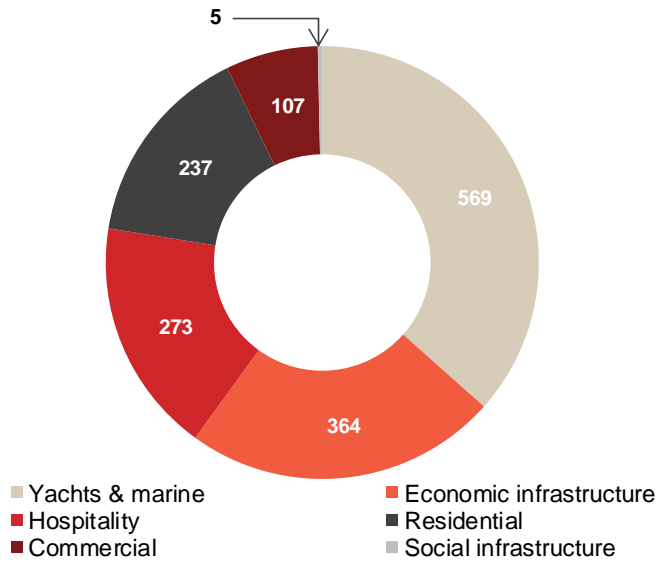
EBIT



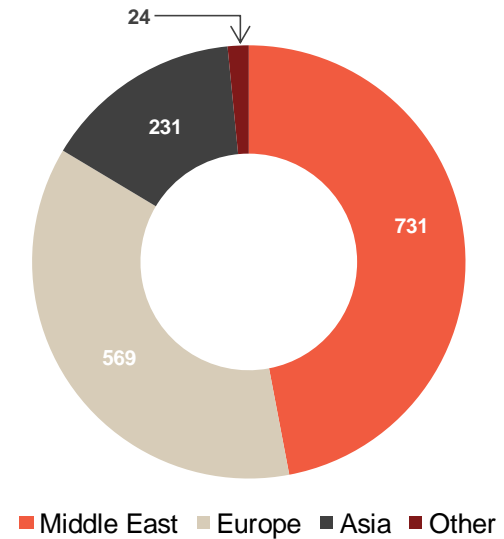
Backlog



By project type



By geography



Outlook



The Group-wide outlook for the remainder of 2020 is mixed but challenging overall. Whilst Depa's European business continues to perform strongly despite the uncertainty of covid-19, the Middle East based business units have been adversely affected in terms of delayed project awards and the ongoing liquidity issues in the market which are not expected to improve in the near future. Whilst in Asia DSG is currently focused on the execution of its restructuring plan.



Cautionary statement

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