

Depa PLC

Results Announcement



Results for the six months ended 30 June 2022

Depa PLC (“Depa”), the leading global interior solutions group, announces its results for the six months ended 30 June 2022.

Summary highlights include:

- **Revenue of AED 403.1mn (H1 2021: AED 391.2mn)¹**
- **Net profit of AED 23.1mn (H1 2021: AED 13.5mn)¹**
- **EPS of UAE 1 fils (H1 2021: UAE 2 fils)¹**
- **Backlog of AED 1,105mn (H1 2021: AED 1,008mn)¹**
- **Cash and cash equivalents of AED 270.3mn (H1 2021: AED 91.9mn)**

¹ Note the above figures represent continuing operations only

Following a successful year in 2021, Depa’s financial performance remained solid during the first half of 2022 with Depa Interiors, Deco Group and Vedder all generating a net profit for H1 2022. H1 2021 was negatively impacted by a significant loss from discontinued operations relating to DSG which was subsequently deconsolidated during H2 2021.

During H1 2022 Depa completed a transaction with the Public Investment Fund (“PIF”) whereby PIF made a cash investment of AED 150mn in Depa in return for the allotment of 750mn new Class A shares. This investment has provided increased liquidity and has allowed Depa to actively increase its presence in Saudi Arabia during the period.

The Group continues to focus on its non-core asset disposal programme and as at 30 June 2022 Eldiar is classified as held for sale with the disposal expected to be completed during H2 2022.

Difficult banking conditions within the Middle Eastern construction market continue to present challenges despite the solid performance achieved during the first half of 2022.

Kevin Lewis, Group Chief Executive Officer, commented: *“Depa has delivered a solid financial performance during the first half of 2022, on the back of a successful year in 2021. This marks the best H1 for Depa PLC since 2018. The completion of the PIF transaction has strengthened the Group’s balance sheet and has provided a boost to Depa’s continued expansion in Saudi Arabia, with a number of the Group’s businesses securing new work in Saudi Arabia during the period.”*

While trading conditions for the Group remain challenging with banking conditions in the Middle East continuing to present difficulties, management are pleased with the Group’s performance for the period and look forward to continuing to build on this positive momentum going forward.”

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Operational Review



Vedder

Vedder, the Group's European key business unit, specialising in the superyacht, residence fit-out and private jet market, generated revenue of AED 205.7mn, an increase of AED 2.5mn or 1% on H1 2021 (AED: 203.2) and profit of AED 12.4mn, an increase of AED 4.4mn or 55% on H1 2021 (AED 8.0mn).

During H1 2022 Vedder successfully delivered two large interior packages for new build superyachts worth in excess of AED 110mn. Vedder completed a number of smaller refit projects with strong profit margins which contributed to the significant increase in profit during H1 2022.

Vedder secured a large interior package worth more than AED 75mn during the period and has been working on a number of new build superyacht opportunities with the related awards expected during H2 2022. Additionally, Vedder secured a large residential package in the United States worth in excess of AED 30mn which comes as a result of its continued focus on diversification.

Depa Interiors

Depa Interiors is the Group's Middle Eastern business providing fit-out services to the hospitality, residential, commercial, transport, and civil infrastructure sectors. Depa Interiors generated revenue of AED 113.9mn, a decrease of AED 18.1mn or 16% on H1 2021 (AED 132.0mn) and a profit of AED 19.4mn, an increase of AED 10.3mn or 113% on H1 2021 (AED 9.1mn).

While a number of awards were secured during the latter part of 2021 and H1 2022, these are still in the early stages and are yet to contribute significantly towards Depa Interiors' revenue and profit. Depa Interiors' results were positively impacted by the collection of a legacy project receivable in Abu Dhabi during the period, in addition to a positive movement in its expected credit loss provision due to the evolution of its working capital position, while H1 2021 was boosted by the collection of a long outstanding receivable.

Depa Interiors' continues to increase its focus on the Saudi Arabian market. Towards the latter part of H1 2022 a hospitality package worth more than AED 110mn was secured within a development in the Red Sea region, making it the second significant hospitality package awarded to Depa within this development.

Deco Group

Middle East-based Deco Group comprises Deco, which is focused on the retail and commercial fit-out sector; and Carrara, which supplies and installs premium marble, stone and granite. Deco Group's carpentry and joinery business unit Eldiar is classified as held for sale at the period end with the sale of this business expected to be completed during H2 2022.

In H1 2022 Deco Group generated revenue of AED 85.0mn, an increase of AED 29.0mn or 52% on H1 2021 (AED 56.0mn) and a profit of AED 2.2mn, an increase of AED 1.0mn or 83% on H1 2021 (AED 1.2mn). Deco Group achieved a significant increase in revenue and profit compared to H1 2021 which had been impacted by the lagging effect of covid-19.

Deco continues to secure new projects from repeat clients within the luxury retail market, winning projects for Louis Vuitton and Chanel in the UAE and two packages for Dior in Qatar during the period. Deco successfully delivered a number of projects for its long-standing clients, including Versace, Cartier, Dior and Louis Vuitton.

Carrara has also increased its focus on the Saudi Arabian market and was recently awarded a large package within a prominent mall in Riyadh.

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Backlog

All of Depa's key business units have continued to secure projects during the first half of 2022. Depa has continued to focus on diversifying its backlog with an award in the United States and a number of awards in Saudi Arabia resulting from these efforts. Depa's backlog of AED 1,105 at 30 June 2022 remains at more than 1 times annual revenue.

Outlook

The recent transaction with the Public Investment Fund enhances Depa's long-term strategic prospects in the Middle East and its expansion plans for the Kingdom of Saudi Arabia. The overall market conditions in the Middle Eastern construction sector remain challenging, with the banking of the construction sector continuing to be a strong headwind.

The Group's European business continues to benefit from its leading market position in its historically strong market; however, at this stage the long term consequences of the Ukraine war and related Russian sanctions on the global economy are uncertain.

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Financial Review



Financial performance

During the six months to 30 June 2022, Depa's continuing operations generated revenue of AED 403.1mn, an increase of AED 11.9mn or 3% on H1 2021 (AED 391.2mn). H1 2022 revenue was positively impacted by increased revenue generation in Deco and Carrara offsetting the decrease in Depa Interiors.

Expenses in H1 2022 decreased by AED 1.0mn to AED 401.5mn (H1 2021: AED 402.5mn).

Net reversals for doubtful debts of AED 30.9mn and AED 32.5mn in H1 2022 and H1 2021 respectively, primarily relate to major legacy receivable collections by Depa Interiors, with H1 2022 further impacted by a positive movement in the expected credit loss provision due to the evolution of the working capital position.

In the six months to 30 June 2022, associates generated a loss of AED 0.4mn (H1 2021: nil).

Net finance expense decreased by AED 0.6mn to AED 3.6mn (H1 2021: AED 4.2mn) and the Group recognised an income tax expense of AED 5.4mn in H1 2022 (H1 2021: AED 3.5mn).

The Group generated a net profit for the period from continuing operations of AED 23.1mn (H1 2021: AED 13.5mn).

H1 2021 discontinued operations loss of AED 53.3mn relates to DSG with DSG subsequently deconsolidated following a winding-up order issued by the Singapore High Court and the appointment of liquidators.

Consequently, the Group generated a profit for the period of AED 23.1mn (H1 2021: loss 39.8mn) and a net profit after non-controlling interests of AED 23.1mn (H1 2021: loss AED 35.7mn).

Cash flow

Net cash inflow from operating activities amounted to AED 26.9mn (H1 2021: AED 15.2mn). Both H1 2022 and H1 2021 were boosted by the legacy receivable collections of Depa Interiors.

Net cash inflows from investing activities for H1 2022 amounted to AED 2.2mn (H1 2021: AED 66.0mn). H1 2021 cashflows from investing activities were positively impacted by the reclassification of Vedder as part of the Group's continuing operations (AED 57.6mn) and the sale of a financial asset.

Net cash inflows from financing activities for the period were AED 122.2mn (H1 2021: 1.8mn) due to the AED 150mn PIF investment.

Foreign exchange differences resulted in an AED 6.5mn negative movement (H1 2021: AED 0.1mn positive) in the reported cash and cash equivalents.

As a result of the above, the Group ended the first half of 2022 with cash and cash equivalents of AED 270.3mn (H1 2021: 91.9mn).

Financial position

While the PIF investment has strengthened the Group's balance sheet, the banking conditions within the construction sector in the Middle East remain challenging.

Cash and bank balances as at the 30 June 2022 stood at AED 319.0mn (H1 2021: AED 160.3mn), with net cash excluding restricted cash of AED 235.1mn (H1 2021: 68.6mn).

At period end, equity attributable to equity holders of the parent equated to AED 434.2mn (H1 2021: AED 269.4mn), following the AED 150mn increase resulting from the PIF transaction.

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The Group's outstanding ordinary shares and Class A shares at end of H1 2021 amounted to 1,364,145,794 (issued ordinary shares and Class A shares of 1,368,452,753 less 4,306,959 treasury shares).

Change of Group Chief Financial Officer

After 6 years of service, Steven Salo has confirmed he will be stepping down from the position of Group Chief Financial Officer to pursue other opportunities. Depa PLC has appointed Nader Mardini to succeed Steven. Nader is an experienced financial officer who has held several significant construction-related roles in the region. Nader's experience, specifically in Saudi Arabia, will be invaluable as the Group seeks to execute its growth ambitions.

The Board of Directors would like to thank Steven for his service. His experience has been instrumental in managing the Depa Group through a very difficult period and he has proven invaluable in ensuring that Depa is now in a strong position to execute its growth plans following the completion of the transaction with PIF.

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For further information, please contact:

Depa PLC

Tel: + 971 4 821 6666

Kevin Lewis, Group Chief Executive Officer

Steven Salo, Group Chief Financial Officer

For more information, please refer to the corporate website:

Notes to editors:

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

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

Cautionary statement:

This document may contain 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 any such forward looking statements.

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