

Salik Reports Record Full-Year Revenues of AED 2.1bn, Unveils Strategy for Sustainable & Smart Mobility Solutions

- *Strong macroeconomic environment and positive tourism trends drive revenue to a record AED 2,109 million in 2023, up 11.4% from 2022*
- *Revenue-generating trips reached 461.4 million in 2023 and totalled 123.2 million in the fourth quarter, up 11.7% and 11.1% year-on-year*
- *Active registered accounts and vehicles increased 16.0% and 8.3% in 2023, to reach 2.4 million and 4.0 million, respectively*
- *Fourth quarter net profit grew 15.9% versus the prior quarter*
- *FY 2023 net profit of AED 1,098 million*
- *AED 550 million dividend equivalent to [7.3338] Fils per share, proposed for the second half of 2023, to be distributed to shareholders subject to approval at the AGM*
- *Salik announces its updated corporate strategy for becoming a global leader in sustainable and smart mobility solutions over the next five years. The strategy is built on four key pillars, including new strategic initiatives and ancillary revenues to supplement the core tolling business*

Dubai, UAE – 4 March 2024: The Board of Directors of Salik Company PJSC (“Salik” or the “Company”), Dubai’s exclusive toll gate operator, chaired by His Excellency Mattar Al Tayer, Chairman of the Board, have approved the Company’s financial results for the year ended December 31, 2023 (“FY23”).

Salik continued to deliver strong top-line performance in 2023, with 461.4 million revenue-generating trips and record total revenue of AED 2,109 million. Toll usage revenue, which represents 87.5% of total revenue, increased 11.7% YoY to AED 1,845 million, the strongest full year performance since Salik commenced operations in 2007, supported by continued strong growth in tourism and residency, with Dubai remaining an attractive destination both for visitors and individuals relocating to the city.

Revenue-generating trips grew strongly in the fourth quarter, up 11.1% YoY to 123.2 million, with toll usage revenue reaching AED 493 million in the fourth quarter, up 11.1% YoY and representing 87.5% of total revenue.

Commenting on the results, **His Excellency Mattar Al Tayer, Chairman of the Board of Directors of Salik**, said: “Salik has reported another strong year, with record top-line performance supported by continued strength in revenue generating trips. The achieved results for 2023 are a testament to our strategic vision and commitment to delivering long-term value to our shareholders, as well as to the positive macroeconomic environment in the UAE. GDP growth coupled with strong tourism inflow are evidence that the Government of Dubai’s initiatives to expand the economy, particularly focusing on population growth and maintaining the Emirate’s attractiveness to visitors, are bearing fruit.”

He added: “Meanwhile, Salik continues to emerge as a leading toll gate operator globally. Our updated corporate strategy will see the diversification of our revenue streams to supplement the expansion of our core tolling business, and we look forward to updating the market on our strategic progress in due course. In view of the strong performance in 2023, the Board is pleased to recommend a dividend of AED 550 million for the second half of the year.”

Ibrahim Sultan Al Haddad, Chief Executive Officer of Salik, commented: “Salik is continuing to make good progress on delivering its long-term objectives, in line with our ambition to become a global leader in mobility solutions. We are thriving in the tolling business and remain focused on strengthening our core business offering as we expand our footprint within Dubai. At the same time, we are committed to delivering sustainable growth, with our updated strategy purpose-built to widen the revenue generating opportunities that we pursue. In the

fourth quarter of 2023, we were delighted to announce our partnership with Emaar to provide technology solutions for barrier-free parking at the world-famous Dubai Mall, and we look forward to pursuing similar initiatives in the year ahead.”

Mobility Highlights

Salik posts 11.7% YoY growth in revenue-generating trips in 2023, setting new record of 461.4 million

The total number of trips, including discounted trips, made through Salik’s eight toll gates grew by 10% over the course of the year. Driven by Dubai’s continued attraction to tourists and business-as-usual commercial activities, the total number of trips grew 8.5% YoY in the fourth quarter. As a result, revenue-generating trips in 2023 reached new highs of 461.4 million, up 11.7% YoY and comfortably above the pre-pandemic peak of 434.7 million recorded in 2019. The fourth quarter alone saw revenue-generating trips of 123.2 million, up 11.1% YoY, also higher than the previous quarterly record of 113.8 million recorded in the second quarter of 2023.

During the fourth quarter of 2023, the Al Maktoum Bridge gate saw the number of revenue-generating trips – excluding paid taxi trips – increase 53.6% YoY, due to the ongoing closure of the nearby Floating Bridge and diversion of traffic through the gate. Al Garhoud Bridge, similarly, saw the number of revenue-generating trips, excluding taxi trips, increase 12.2% YoY. Excluding both Al Maktoum and Al Garhoud Bridges, Salik’s revenue-generating trips increased 7.9% YoY in the fourth quarter and 9.3% for the year as compared to 2022. Several gates saw YoY growth exceed 10% in the fourth quarter, including Jebel Ali (+c. 16%) and Airport Tunnel (+c. 13%) with other gates growing in the high-single digit range, including Al Mamzar North (+c. 9%); Al Barsha (+c. 7%); Al Safa (+c. 7%).

Million	Q4 2023	Q4 2022	% Δ YoY	Q3 2023	% Δ QoQ	FY 2023	FY 2022	% Δ YoY
Total trips⁽¹⁾	156.4	144.2	8.5%	143.7	8.9%	593.1	539.1	10.0%
Discounted trips⁽²⁾	31.9	31.8	0.3%	31.5	1.3%	125.9	120.1	4.8%
<i>% of total trips</i>	<i>20.4%</i>	<i>22.1%</i>	<i>-</i>	<i>21.9%</i>	<i>-</i>	<i>21.2%</i>	<i>22.3%</i>	<i>-</i>
Net toll traffic⁽³⁾	124.5	112.4	10.7%	112.2	11.0%	467.2	419.0	11.5%
<i>% of total trips</i>	<i>79.6%</i>	<i>77.9%</i>	<i>1.6%</i>	<i>78.1%</i>	<i>1.5%</i>	<i>78.8%</i>	<i>77.7%</i>	<i>1.1%</i>
Revenue-generating trips⁽⁴⁾	123.2	110.9	11.1%	110.8	11.1%	461.4	412.9	11.7%
<i>% of net toll traffic</i>	<i>98.9%</i>	<i>98.7%</i>	<i>0.2%</i>	<i>98.7%</i>	<i>0.1%</i>	<i>98.7%</i>	<i>98.6%</i>	<i>0.2%</i>
<i>% of total trips</i>	<i>78.7%</i>	<i>76.9%</i>	<i>1.8%</i>	<i>77.1%</i>	<i>1.6%</i>	<i>77.8%</i>	<i>76.6%</i>	<i>1.2%</i>

(1) Total vehicle trips through Salik toll gates
(2) Discounted trips include taxis without passengers, Al Mamzar and Al Maktoum gates free time and discounts, vehicles exempted by law, and multiple violations and other. Multiple violations refer to drivers that repeatedly drive through the toll gates without paying in 24 hours. In this case, the fine is paid only once
(3) Net toll traffic is total trips minus discounted trips
(4) Revenue-generating trips is net toll traffic minus fines & penalties and unreconciled trips. Revenue-generating trips is the driver for Salik’s toll usage fees revenue, which accounts for the majority of Salik’s revenue

Registered vehicles increase 9% YoY to 4 million; growth in active accounts exceeds 15% in 2023

The number of vehicles registered with Salik in 2023 increased 8.3% YoY, reflecting the Government of Dubai’s ongoing success in expanding the economy and ensuring the Emirate remains a key destination for tourism and new residents. In addition, registered active accounts increased 16.0% YoY to approximately 2.4 million at the end of 2023. Tag activations reached c. 253,000 tags in the fourth quarter, an 18.1% increase from last year.

Financial Highlights

Note on the financial statements

Comparing Salik's profitability between FY 2022 and FY 2023 may not accurately reflect the company's performance on a like-for-like basis, due to changes in its operating structure and cost profile. Since July 2022, Salik operates as a separate legal entity from the RTA through a 49-year concession agreement. As a result, Salik incurs new costs, such as concession fees, rent, amortization, and transitional service expenses, as well as finance costs.

Continued strong performance drives revenue to a record AED 2,109 million for FY 2023, up 11.4% YoY

- **Toll usage fees:** revenue continued to increase during the full year and fourth quarter of 2023, supported by the inflow of tourists and movement of individuals across Dubai. As a result, toll usage fee revenues increased 11.7% YoY to AED 1,845 million for the full year. Toll usage fee revenues increased by 11.1% YoY to AED 493 million for the fourth quarter of 2023.
- **Fines:** performed strongly during both the full year and fourth quarter periods, with full year 2023 revenue from fines up 7.5% YoY to AED 217 million. Revenue for fines in the fourth quarter of 2023 also increased, up 12.7% YoY to AED 54 million. The number of net violations (accepted minus dismissed violations) grew 9.2% YoY in 2023, having reached 2.6 million. Net violations during the fourth quarter represented 0.4% of net toll traffic, a marginal improvement on the third quarter, with revenue from fines contributing 9.6% to total revenue.
- **Tag activation fees:** grew strongly on both an annual and a quarterly basis. Revenue from tag activation fees increased 18.7% YoY to AED 38 million in 2023, having reached AED 14 million in the fourth quarter alone, up 65% YoY. Tag activation fees contributed 1.8% of total revenues in 2023.

Salik maintained strong profitability in the fourth quarter, with EBITDA up 5.0% YoY

Salik generated EBITDA of AED 366 million in the fourth quarter of 2023, up 5.0% YoY, from AED 349 million in the prior year with EBITDA margin of 65.0% in the fourth quarter on a full year 2023 basis, EBITDA reached AED 1,390 million, with margins of 65.9%, in line with management expectations and the 66%-67% guided range. EBITDA was down compared to the AED 1,440 million reported in 2022. Net profit reached AED 1,098 million in 2023, down 17.2% YoY, however it is worth noting that comparing Salik's profitability between FY 2022 and FY 2023 does not accurately reflect the Company's performance on a like-for-like basis, due to changes in its operating structure and cost profile. Since July 2022, Salik has operated as a separate legal entity from the RTA through a 49-year concession agreement. As a result, Salik incurs new costs, such as concession fees, rent, amortization, and transitional service expenses, as well as finance costs which were not present before July 2022.

Summary of statement of profit or loss

AED million ⁽¹⁾	Q4 2023	Q4 2022	% Δ YoY	Q3 2023	% Δ QoQ	FY 2023	FY 2022	% Δ YoY
Revenue	563	502	12.2%	509	10.6%	2,109	1,892	11.4%
<i>Toll usage fees</i>	493	444	11.1%	443	11.2%	1,845	1,652	11.7%
<i>Fines and penalties</i>	54.2	48.1	12.7%	54	-0.3%	217	202	7.5%
<i>Tag activation fees</i>	13.8	8.4	65.0%	9	48.7%	38	32	18.7%
<i>Other revenue</i>	2	2	18.9%	2	2.9%	8	7	17.0%
EBITDA⁽²⁾	366	349	5.0%	330	10.8%	1,390	1,440	-
EBITDA margin	65.0%	69.5%	-4.4%	64.9%	0.1%	65.9%	76.1%	-
Finance costs, net	(50)	(41)	20.7%	(55)	-9.0%	(209)	(70)	-
Profit for the period	295	287	2.9%	255	15.9%	1,098	1,326	-
Earnings per share (AED)	0.039	0.038	2.9%	0.034	15.9%	0.146	0.177	-
Dividends declared⁽³⁾	-	-	-	-	-	1,098	491	
Dividends per share (Fils) ⁽³⁾	-	-	-	-	-	0.146	0.066	

(1) Comparing Salik's profitability between FY 2022 and FY 2023 may not accurately reflect the company's performance on a like-for-like basis, due to changes in its operating structure and cost profile. Since July 2022, Salik operates as a separate legal entity from the RTA through a 49-year concession agreement. As a result, Salik incurs new costs, such as concession fees, rent, amortization, and transitional service expenses, as well as finance costs.

(2) EBITDA is profit for the period, excluding the impact of finance cost, finance income, and depreciation and amortization expenses

(3) Dividends for 2023 totalled AED 1,098 million, including an AED 550 million dividend equivalent to [7.3338] Fils per share, proposed for the second half of 2023, to be distributed to shareholders subject to approval at the AGM

Balance sheet remains in solid position, net debt/EBITDA comfortably within Company's target leverage ratio

The Company recorded a favourable net working capital balance of AED -192 million as of 31 December 2023, compared to AED -164 million in the nine-month period, equating to c. 9.0% as a percentage of revenues. At the end 2023, net debt stood at AED 3.7 billion, from AED 3.8 billion for the nine-month period and AED 3.18 billion in 2022. This translates to a net debt/EBITDA ratio of 2.7x, significantly below the Company's debt covenant of 5.0x.

Summary of financial position

AED million	31-Dec-23	30-Sep-23	% Δ QoQ	31-Dec-22	% Δ YoY
Total assets, including:	5,224	4,895	6.7%	5,303	-1.5%
Cash and cash equivalents	266	167	59.3%	823	-67.6%
Short term deposit with bank ⁽¹⁾	750	500	-	-	-
Total liabilities, including:	4,561	4,528	0.7%	4,699	-2.9%
Borrowings	3,989	3,988	0.0%	3,986	0.1%
Contract liabilities ⁽²⁾	353	343	2.8%	338	4.6%
Total equity	663	367	80.4%	604	9.7%
Net debt	3,741	3,841	-2.6%	3,177	17.8%
Net working capital balance ⁽⁴⁾	(192)	(164)	17.5%	(147)	30.5%

(1) Represent Fixed deposit with original maturity of 3 to 12 months. Previously the term deposits had maturity less than 3 months and thus were classified as Cash

(2) Contract liabilities is the sum of current and non-current balances paid in advance by customers relating to recharges and too-ups and tag activation fees

(3) Net debt is total borrowings plus lease liabilities minus cash and cash equivalents

(4) Net working capital is the balance of inventories plus trade and other receivables (unadjusted for impairments) plus dues from related parties minus trade and other payables, minus due to a related party minus current portion of contract liabilities and current portion of lease liabilities

Solid free cash flow of AED 1,450 million, with a margin of 68.7%

Salik generated free cash flow of AED 1,450 million in full year 2023 and AED 409 million in the fourth quarter. The Company incurred AED 4.6 million of capital expenditure in full year 2023, mainly associated with IT and the fit-out for its office relocation, which occurred in the third quarter of the year. In the fourth quarter, Salik's free cash flow margin increased marginally from the previous quarter in 2023, reaching 72.6% versus 70.5%.

Summary of cash flow

AED million	Q4 2023	Q4 2022	% Δ YoY	Q3 2023	% Δ QoQ	FY 2023	FY 2022	% Δ YoY
Operating cash flow before changes in working capital	378	345	9.4%	338	11.6%	1,424	1,460	-
Changes in working capital	31	28	12.6%	25	25.2%	30	56	-
Net cash flow from operating activities	409	373	9.6%	363	12.5%	1,454	1,516	-
Net cash generated from / (used) in investing activities	1	3	-68.0%	(497)	-	(735)	(4,000)	-
Net cash (used in) / generated from financing activities	(61)	(43)	-	(610)	-90.1%	(1,275)	3,307	-
Free cash flow ⁽¹⁾	409	373	9.6%	359	13.9%	1,450	1,512	-
Free cash flow margin ⁽²⁾	72.6%	74.3%	-2.3%	70.5%	2.1%	68.7%	79.9%	-

(1) Free cash flow is net cash flows from operating activities less purchases of property and equipment plus proceeds from the sale of property and equipment

(2) Free cash flow margin is free cash flow divided by revenue

Board of Directors recommend distributing 100% of H2 2023 net profit as dividends to shareholders

In light of the strong set of results, the Board of Directors recommend distributing 100% of H2 2023 net profit as dividends to shareholders (c. AED 550 million, equivalent to [7.3338] Fils per share).

Accordingly, dividends for 2023 totalled AED 1,098 million, equivalent to 14.6395 Fils per share, noting that AED 548 million, equivalent to 7.3057 Fils per Share were distributed for H1 2023, following the Board of Directors' decision on 10 August 2023.

Corporate Strategy Update

Salik's strategic evolution for becoming a global leader

Salik started its journey as a public company in September 2022 as the Exclusive Dubai Toll Operator. Since then, it has been focused on two key strategic pillars, i) to thrive in the tolling business and ii) to build its ESG stewardship. As announced today, Salik is embarking on an evolutionary journey to become a global leader in providing sustainable and smart mobility solutions.

Over the next five years, Salik will continue to build on its expertise in the tolling business and on its strong ESG credentials, whilst focusing on two additional pillars to spur growth and resilience by diversifying the business. These include: i) achieving sustainable growth and ii) establishing itself as a future-proof company. The updated strategy will include pursuit of ancillary revenues to supplement Salik's core revenues in the tolling business, which includes the provision of a seamless parking experience, as announced through its recent agreement with Dubai Mall. In addition, Salik is also focusing on building a portfolio of vehicle-centred mobility services, including enriching offerings that are payable directly through Salik accounts. The sustainable growth pillar will also be supported by other ancillary revenue streams, including advertising and the potential monetisation of data with mobility players. Salik also plans to establish itself as a future-proof company by ensuring an efficient treasury management and funding system is in place, whilst developing internal capabilities to support the evolving business model and enhance overall resilience and operational excellence. This will be further supported by building Salik's brand identity with strong business ethics.

Salik remains committed to sustainable business practices and strives to be an ESG steward, reducing its environmental impact, contributing to the happiness and safety of its communities, and upholding world-class corporate governance standards. The Company continues to prioritize investing in its human resources and upholds its commitment to diversity and inclusivity. Salik expanded its full-time workforce from 30 personnel at the end of 2022 to 40 at the end of 2023, and saw a rise in the number of nationalities represented from 7 in December 2022 to 12 in December 2023. The Company also made strong progress on Emiratization, attaining a level of approximately 38% by the end of 2023 versus 35% in the first nine-months of the year.

Business Outlook

Salik expects full year 2024 revenue-generating trips to increase in the range of 4-6% YoY, a continuation of the strong growth momentum seen in 2023, with a robust EBITDA margin in the range of 65-66%.

The full year 2024 guidance is closely aligned with Salik's updated corporate strategy and long-term revenue ambitions, which will be supported by the growing contribution from new strategic initiatives and ancillary revenue as the Company diversifies its revenue generating capabilities.

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About Salik Company PJSC

The Company was established in its current form, as a public joint stock company in June 2022 pursuant to Law No. (12) of 2022. “Salik”, which means “seamless mobility” in Arabic, is Dubai’s exclusive toll gate operator and manages the Emirate of Dubai’s automatic toll gates utilising Radio-Frequency-Identification (RFID) and Automatic-Number-Plate-Recognition (ANPR) technologies. The Company currently operates 8 toll gates located at strategic junctures, especially on Sheikh Zayed Road, which is considered the main road in Dubai. In 2022, 539 million journeys were recorded through Salik’s toll gates, whether for residents commuting within the Emirate for their daily activities or for tourists visiting Dubai’s attractions. Under a 49-year concession agreement (ending in 2071), with the Roads and Transport Authority (RTA), Salik has the exclusive right to operate existing and any future toll gates in Dubai.

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