

Building
Our Future

# FY 2017
# Investor Presentation

March 2018

arabtec

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Backlog and new contract awards are non-IFRS metrics based on management's estimates of awarded, signed and ongoing contracts which have not yet been completed, and serve as an indication of total size of contracts to be executed. These figures and classifications are unaudited, have not been verified by a third party, and are based solely on management's estimates.

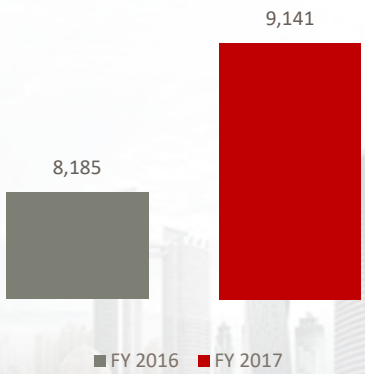
# Performance Highlights

## FY 2017 vs FY 2016

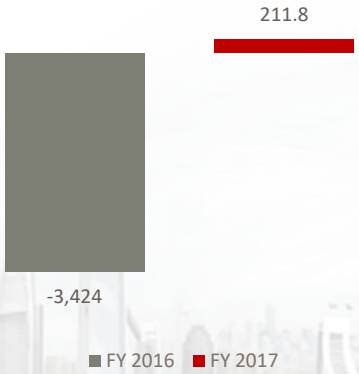
| Revenue ↑ | EBIT ↑ | Net Profit ↑ | Backlog | Dividend |
|---|---|---|---|---|
| AED 9,141 mn | AED 212 mn | AED 123 mn | AED 17.2 bn | 2.05 fils/share |
| Revenue increased to AED 9,141 million in FY17 compared to AED 8,185 million in FY16; up 12% | EBIT increased to AED 212 million in FY17 compared to a loss of AED 3,424 million in FY16 | Net profit attributable to Parent was AED 123 million compared to a net loss of AED 3,409 million in FY16 | Backlog steady at AED 17.2 billion with a solid pipeline of tender opportunities going forward | Final ordinary dividend of 2.05 fils per share proposed (subject to shareholder approval at the AGM) |

## FY 2017 vs FY 2016

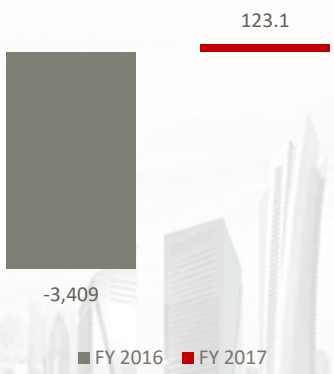
**Revenue (AED, mn)**



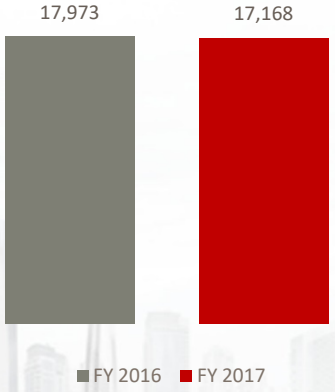

**EBIT (AED, mn)**




**Net Profit (AED, mn)**




**Backlog (AED, mn)**



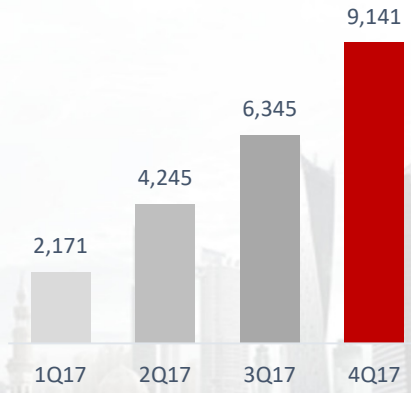
# Quarterly Performance

## 4Q17 vs 4Q16

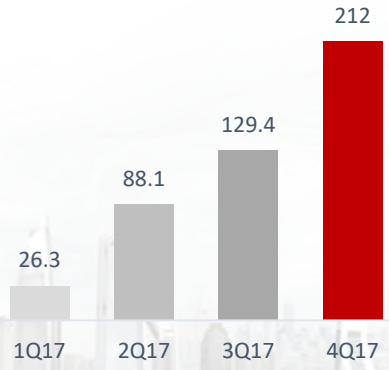
| Revenue | EBIT | Net Profit | SG&A |
|---|---|---|---|
| AED 2,796 mn | AED 83 mn | AED 48 mn | 2.6 (%) |
| Revenue increased to AED 2,796 million in 4Q17 compared to AED 2,010 million in 4Q16; up 39.1% | EBIT increased to AED 83 million in 4Q17 compared to a loss of AED 2,960 million in 4Q16 | Net profit attributable to Parent was AED 48 million compared to a net loss of AED 2,951 million in 4Q16 | SG&A as a % of revenue declined by 50% from 5.2% in 4Q16 to 2.6% in 4Q17 |

## FY 2017 Cumulative by Quarter

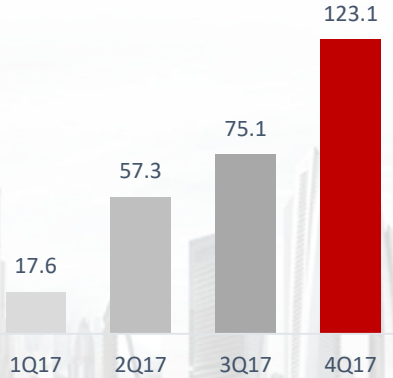
**Revenue (AED, mn)**




**EBIT (AED, mn)**




**Net Profit (AED, mn)**




**SG&A Ratio (% of revenue)**



# New Project Awards

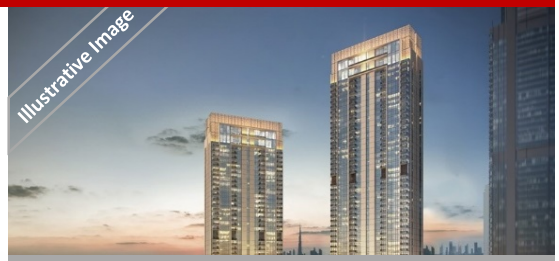
## 2017 Project Awards




**wasl Tower**
**AED 1.46 billion**




**UAE Pavilion**
**AED 353 million**




**Dubai Creek Harbour**
**AED 113 million**




**Villas at AKOYA Oxygen**
**AED 628 million**




**Phase 1&2 Forte Downtown Dubai**
**AED 1.15 billion**




**Opera District Project**
**AED 250 million**




**Dubai South Mall**
**AED 363 million**




**Villanova**
**AED 1.03 billion**

# Strategic Roadmap

**Key focus on strategic alignment of the Group to its vision, mission and values…**

## 2017
## Phase – 1: Stabilise

- Implementing the Recapitalisation Programme
- Establishing Arabtec Holding as a strategic management company
- Building and implementing a strong risk management approach
- Stabilising the Group's organisation structure and role
- Embedding a performance-based culture
- Resolving legacy project claims, receivables and WIP
- Disposal of non-core assets

**Successfully implemented**

## 2018
## Phase – 2: Prepare

- Consistently secure annual backlog of new projects of at least AED 8-9 billion at Group level
- Maintain leaner organisation with SG&A at target benchmark level
- Ensure on-time and on-budget delivery of projects
- Risk management framework
- Remuneration framework
- Capital recycling

**Progressing**

## 2019+
## Phase – 3: Grow

- Consistent growth in net profit and improved cash flow generation
- Attract, retain, and develop appropriate resources to deliver growth
- Continue to improve project gross margins and ensure on-time delivery

  Grow capabilities in MEP, EPCM, Infrastructure and Special Construction
- Grow from existing capital base

# FY 2017 Highlights

| 2017 Phase-1: Stabilise | |
|---|---|
| Implemented the Recapitalisation Programme | ✓ |
| Established Arabtec Holding as a strategic management company | ✓ |
| Stabilised the Group's organisation structure and role | ✓ |
| Built and Implemented a strong risk management approach | ✓ |
| Embedded a performance-based culture | ✓ |
| Resolved legacy project claims, receivables and WIP | Ongoing |
| Disposed of non-core assets | Ongoing |

" In 2017 we delivered Phase – 1 of our Strategic Roadmap, to 'Stabilise' the Business"

# Strategic Priorities 2018

| | |
|---|---|
| **Productivity** | ▪ Measures to increase workforce productivity<br>▪ Implement short- term incentive plan |
| **Efficiency** | ▪ Simplify and closely integrate the Group's operating structure<br>▪ Remove duplicated functions and activities through shared services and outsourcing<br>▪ Implement benchmark organisational spans and layers to create a lean and agile organisation |
| **Innovation** | ▪ Implementation of innovative methods for construction<br>▪ Improve cost savings and benefits through integrated supply chain management<br>▪ Integrate of BIM and 3D modelling into new projects<br>▪ Explore opportunities to reduce waste through the modularisation of building design |
| **Strengthen Balance Sheet** | ▪ Improve net debt to equity ratio<br>▪ Re-profile short- term debt to achieve sustainable debt structure<br>▪ Continue to divest or develop non-core assets and investments |
| **Market & Growth** | ▪ Achieve target work winning rate<br>▪ Pursue opportunities in the infrastructure sector to secure sustainable growth of the Group<br>▪ Develop framework & competency to offer other funding solutions for Government projects |
| **Governance** | ▪ Complete roll-out of Business Standards across the Group<br>▪ Roll out 4-gate work winning tools across OpCo's<br>▪ Implement standardised processes and tools across the Group |

**"In 2018 we move to rebasing the business through a range of initiatives "**

# Income Statement

| AED (mn) | 1Q17 | 2Q17 | 3Q17 | 4Q17 | FY 2017 | FY 2016 |
|---|---|---|---|---|---|---|
| Revenue | 2,171 | 2,074 | 2,100 | 2,796 | 9,141 | 8,185 |
| **EBIT** | **26.3** | **61.8** | **41.3** | **82.6** | **211.8** | **(3,424)** |
| *EBIT margin (%)* | *1.2%* | *3.0%* | *2.0%* | *3.0%* | *2.3%* | *nm* |
| **Net Profit/ (Loss) for the period** | **1.0** | **40.7** | **10.3** | **45.0** | **97.0** | **(3,511)** |
| *Net margin (%)* | *0.05%* | *1.98%* | *0.49%* | *1.61%* | *1.06%* | *nm* |
| **Net Profit (Loss) attributable to equity holders of the parent** | **17.6** | **39.7** | **17.8** | **48.0** | **123.1** | **(3,409)** |

**" 4Q17 increase in EBIT due to increase in revenue from the ramp up in projects in the quarter."**

# Balance Sheet

| AED mn | FY17 | FY16 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 754 | 848 |
| Goodwill | 249 | 249 |
| Investment properties | 596 | 596 |
| Trade and other receivables | 750 | 590 |
| Advances paid to suppliers and subcontractors | 291 | 312 |
| Investment in associates | 224 | 192 |
| Other non-current assets | 38 | 43 |
| **Total non-current assets** | **2,902** | **2,830** |
| | | |
| **Current assets** | | |
| Inventory | 117 | 115 |
| Trade and other receivables | 5,290 | 4,286 |
| Advances paid to suppliers and subcontractors | 1,258 | 822 |
| Other financial assets | 182 | 115 |
| Due from related parties | 714 | 306 |
| Other current assets | 335 | 396 |
| Cash and bank balances | 1,144 | 1,054 |
| **Total current assets** | **9,040** | **7,094** |
| | | |
| **Total assets** | **11,942** | **9,924** |

| | FY17 | FY16 |
|---|---|---|
| **Equity** | | |
| Share capital | 1,500 | 4,615 |
| Other reserves | (37) | (9) |
| Retained earnings (accumulated losses) | 120 | (4,645) |
| **Equity attributable to equity holders of the Parent** | **1,583** | **(40)** |
| Non-controlling interests | (243) | (211) |
| **Total equity** | **1,340** | **(251)** |
| **Non-current liabilities** | | |
| Bank borrowings | 790 | 140 |
| Loan from a related party | - | 178 |
| Provision for EOS | 201 | 384 |
| Retention payable | 386 | 208 |
| **Total non-current liabilities** | **1,377** | **910** |
| **Current liabilities** | | |
| Bank borrowings | 1,843 | 2,141 |
| Trade and other payables | 4,826 | 4,905 |
| Adv. received from customers for contract work | 2,010 | 1,834 |
| Due to related parties | 536 | 367 |
| Income tax payable | 10 | 17 |
| **Total current liabilities** | **9,225** | **9,264** |
| **Total liabilities** | **10,604** | **10,174** |
| **Total equity and liabilities** | **11,942** | **9,924** |

**"Non-current debt improved from 6% to 30%"**

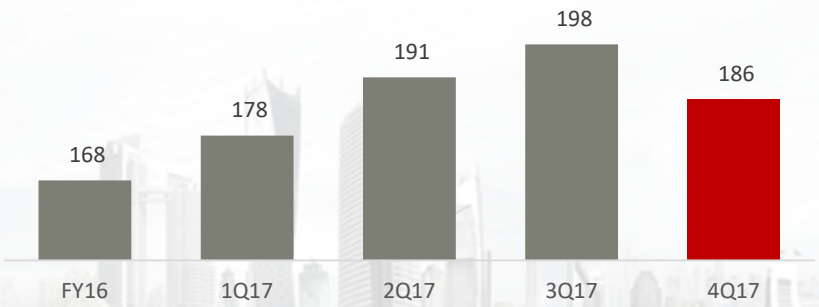

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# Receivables Analysis

| Current Receivables (AED mn) | FY16 31Dec | Q1FY17 31Mar | Q2FY17 30Jun | Q3FY17 30Sep | Q4FY17 31Dec |
|---|---|---|---|---|---|
| Trade and other receivables | 77 | 73 | 83 | 74 | 57 |
| Contract receivables (1) | 1,798 | 1,591 | 1,773 | 1,813 | 1,876 |
| Amounts due from customers for contract work (2) | 2,171 | 2,682 | 2,713 | 2,909 | 2,981 |
| Provision for doubtful debts | (297) | (267) | (266) | (266) | (264) |
| Retentions receivable | 536 | 541 | 520 | 579 | 640 |
| **Total** | **4,286** | **4,621** | **4,822** | **5,110** | **5,290** |
| **Advances paid to suppliers and sub contractors** | **822** | **1,020** | **1,185** | **1,351** | **1,258** |

Notes:
1. Revenue certified and payable by clients
2. Work completed including a. billed but not certified and b. unbilled

## Debtor Days*




**"Modest increase in receivables despite increase in Q4 revenue"**

* Calculated based on rolling 12 months actual revenue and excluding retentions

# Cashflow Statement

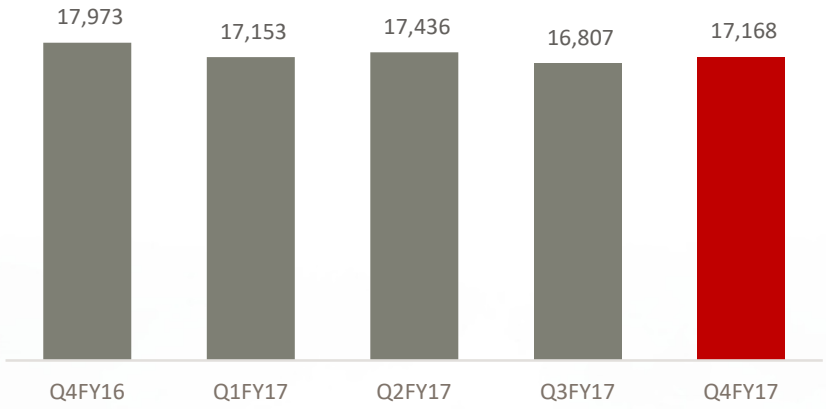
| (AED mn) | 1Q 2017 3 months | 2Q 2017 3 months | 3Q 2017 3 months | 4Q 2017 3 months | FY 2017 12 months | FY 2016 12 months |
|---|---|---|---|---|---|---|
| Cash flow from operations before working capital changes | 80 | 90 | 105 | 135 | **410** | **(1,009)** |
| Change in working capital | (368) | (768) | (601) | 72 | (1,665) | 1,114 |
| Others | (11) | (9) | (23) | (39) | (82) | (84) |
| **Cash from (used in) operating activities** | **(299)** | **(687)** | **(519)** | **168** | **(1,337)** | **23** |
| **Cash from (used in) investing activities** | **(42)** | **(6)** | **(5)** | **(127)** | **(180)** | **(131)** |
| **Cash from (used in) financing activities** | **132** | **1,494** | **(249)** | **102** | **1,479** | **570** |
| **Net increase/(decrease) in cash** | (209) | 801 | (773) | 143 | (38) | 463 |
| Cash at the beginning of the period | 543 | 335 | 1,136 | 359 | 543 | (481) |
| Change in cash due to de-consolidation of subsidiaries | - | - | - | - | - | 524 |
| Net foreign exchange difference | 1 | (1) | (3) | (1) | (4) | 37 |
| **Cash at the end of the period** | **335** | **1,135** | **360** | **501** | **501** | **543** |

**"Positive cash from operating activities of AED 168 million in Q4 2017"**


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# Backlog

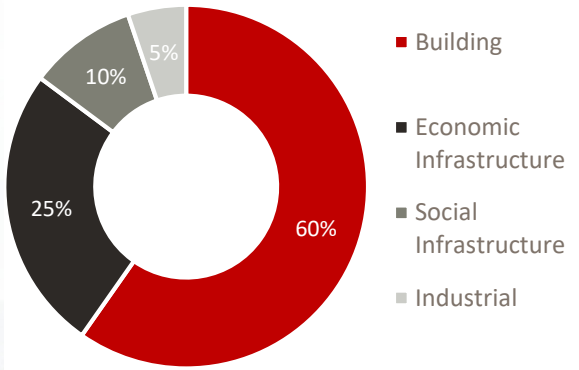
## Backlog (AED mn)



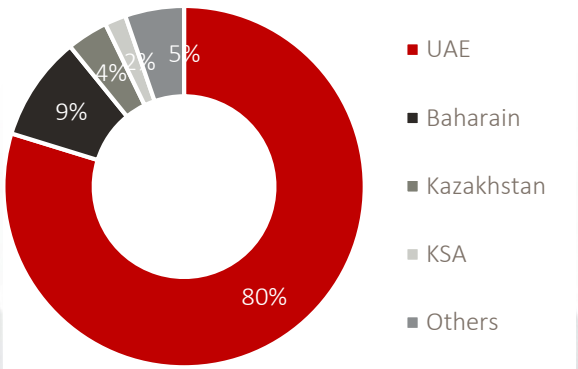

## Major New Wins (FY 2017)

- Al Wasl Tower: AED 1.46 billion
- UAE Pavilion: AED 353 million
- Dubai Creek Harbour Dev't: AED 113 million
- Target Engineering new wins: 488 million
- Villas at AKOYA Oxygen: AED 628 million
- Dubai South Mall by Emaar: AED 363 million
- Phase 1&2 of Forte Dubai : AED 1.15 billion
- Villanova by Dubai Properties: AED 1.03 billion
- Opera District Project: AED 250 million

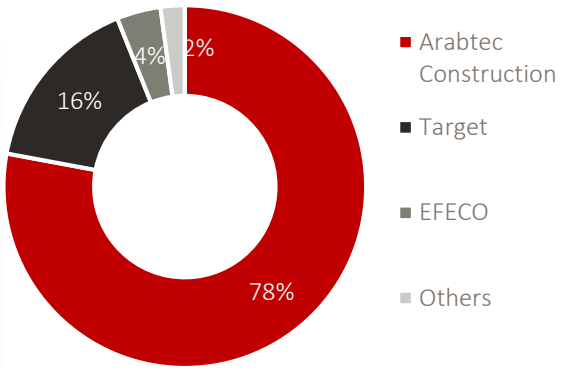
## By Sector (Dec. 2017)




## By Geography (Dec. 2017)

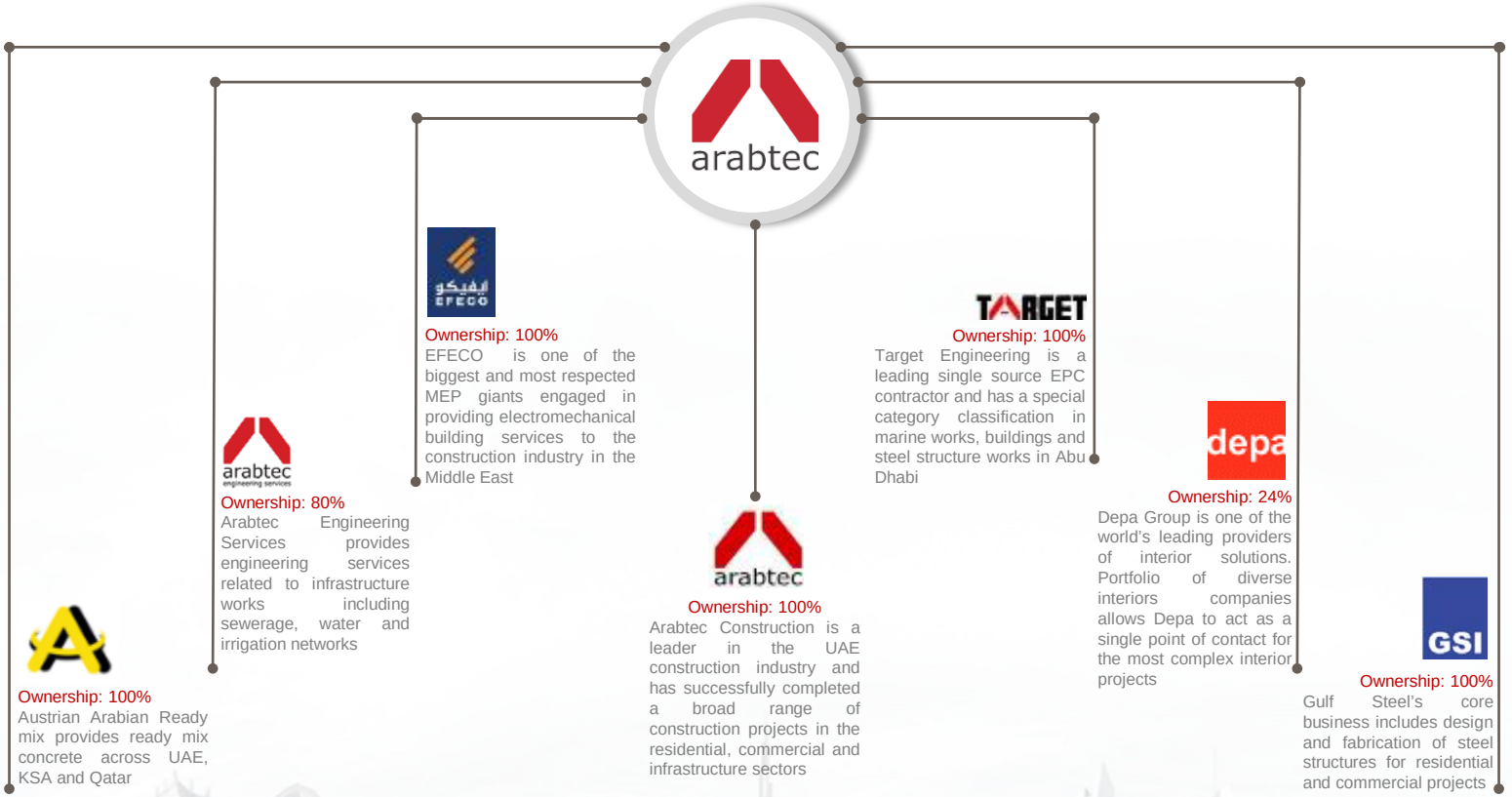



## By Subsidiary (Dec. 2017)



# Integrated Capabilities

## Delivering a competitive advantage to the group

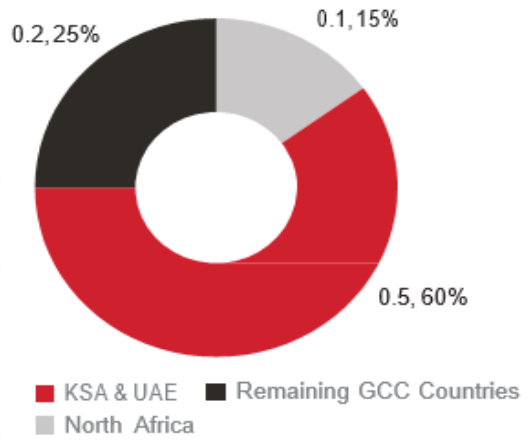



## Core Competencies

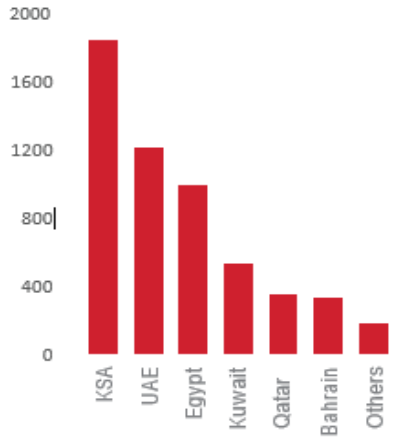


# Market Outlook

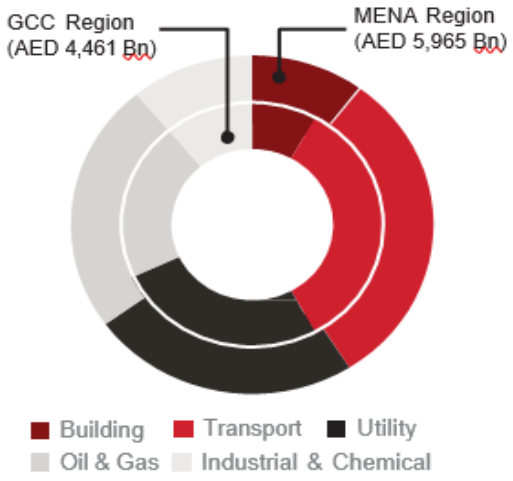
**The UAE construction market is estimated to grow at 9.1% CAGR**




**No. of Construction Contracts: MENA Region (2017, AED Tn, %)**




**Pre-Execution Construction Projects by Country (2018-2022)**




**Pre-Execution Construction Projects by Segment (2018-2022)**

- Over 25,000 live construction projects in the MENA region exceeding AED 0.9 Tn in 2017 (vs. AED 0.6 Tn in 2014) of which 60% are in the UAE & KSA.
- Investments in real estate and infrastructure are estimated be over AED 3.7 Tn and AED 3 Tn respectively, in 2016-22.

- The UAE construction market is estimated to grow at 9.1% Compound Annual Growth Rate (CAGR) in line with work ramping up on projects connected to Expo 2020 and the UAE Vision 2021.
- The UAE's construction industry project pipeline for pre-execution construction projects is estimated at AED 1.2 Tn.

Source: Industry articles, MEED, BMI



Commitment | Integrity | Team Spirit | Professionalism | Accountability

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