9M 2018 Investor Presentation

November 2018



arabtec
BUILDING OUR FUTURE

Disclaimer

This document has been provided to you for information purposes only. This document does not constitute an offer of, or an invitation to invest or deal in, the securities of Arabtec Holding PJSC (the “Company”). The information set out in this document shall not form the basis of any contract and should not be relied upon in relation to any contract or commitment. The issue of this document shall not be taken as any form of commitment on the part of the Company to proceed with any negotiation or transaction.

Certain statements contained in this document constitute forward-looking statements relating to the Company, its business, markets, industry, financial condition, results of operations, business strategies, operating efficiencies, competitive position, growth opportunities, plans and objectives of management and other matters. These forward-looking statements are not guarantees of future performance. Rather, they are based on current plans, views, estimates, assumptions and projections and involve known and unknown risks, uncertainties and other factors, many of which are outside of the Company's control and are difficult to predict, that may cause actual results, performance or developments to differ materially from any future results, performance or developments expressed or implied from the forward-looking statements.

The Company does not make any representation or warranty as to the accuracy of the assumptions underlying any of the statements contained herein. The information contained herein is expressed as of the date hereof and may be subject to change. Neither the Company nor any of its controlling shareholders, directors or executive officers or anyone else has any duty or obligation to supplement, amend, update or revise any of the forward looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by applicable laws and regulations or by any appropriate regulatory authority.

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

Robust revenue growth and operational efficiency driving profitability

9M 2018 vs 9M 2017

Revenue ↑
AED 7,152 mn
+12.7% y-o-y compared to AED 6,346 mn for 9M'17

EBIT ↑
AED 271 mn
+109.5% y-o-y compared to AED 130 mn for 9M'17
Margin improved by 175 basis points to 3.8%

Net Profit[1] ↑
AED 181 mn
+139.8% y-o-y compared to AED 75 mn for 9M'17
Margin improved by 173 basis points to 2.6%

Backlog ↑
AED 16.4 bn
Solid pipeline of tender opportunities of AED 45.8 bn

SG&A ↑
3.3%
SG&A as a % of revenue declined by 63 basis points compared to 3.9% for 9M'17

Note:
1. Net profit attributable to parent

Q3 2018 Project Awards



Gas Development Expansion
(ADNOC LNG)
AED 3.2 billion



Public Realm in Concourses
(Expo 2020)
AED 311 million



Villas at AKOYA Oxygen
(DAMAC Properties)
AED 299 million



Sewerage Infrastructure
(Dubai Municipality)
AED 155 million

Strategic Roadmap

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

arabtec

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

Performance Highlights

On track to achieve strategic priorities for the year

arabtec

Contract Wins

Gas Development Expansion (ADNOC LNG), Public Realm in Concourses (EXPO 2020), Villas at AKOYA Oxygen (DAMAC properties), Sewerage Infrastructure (Dubai Municipality)

Market Presence

Strengthening regional footprint on select countries including UAE, KSA, Egypt & Bahrain as well as building presence in the infrastructure space

Productivity

SG&A has seen a consistent reduction to reach 3.3% of revenue compared to 3.9% for 9M 2017

Receivables

Improved receivables collection and debtor days reduced by 2 days from 168 in Q2 2018 to 166 in Q3 2018. Overall reduction of 18 days in 9M 2018.

Cashflow

Net cash from operating activities improved to AED 201 mn in 9M 2018 compared to net cash used in 9M 2017 of AED 1,505 mn

Balance Sheet

Net debt decreased by AED 146 mn from AED 1,602 mn in Q2 2018 to AED 1,456 mn in Q3 2018. Net debt to equity ratio decreased from 1.24 in Q2 2018 to 1.07 in Q3 2018

Emiritisation

Received awards in three categories and honored by H.E. Nasser Thani Al Hameli, the Minister of Human Resources in the Emiratisation Government Accelerator Program

Strategic Priorities 2018

Rebasing the business through a range of initiatives

arabtec

Productivity

- Measures to increase workforce productivity
- Implement short- term incentive plan

Efficiency

- Simplify and closely integrate the Group's operating structure
- Remove duplicated functions and activities through shared services and outsourcing
- Implement benchmark organisational spans and layers to create a lean and agile organisation

Innovation

- Implementation of innovative methods for construction
- Improve cost savings and benefits through integrated supply chain management
- Integrate of BIM and 3D modelling into new projects
- Explore opportunities to reduce waste through the modularisation of building design

Strengthen Balance Sheet

- Improve net debt to equity ratio
- Continue to divest or develop non-core assets and investments

Market and Growth

- Achieve target work winning rate
- Pursue opportunities in the infrastructure sector to secure sustainable growth of the Group
- Develop framework & competency to offer other funding solutions for Government projects

Governance

- Complete roll-out of Business Standards across the Group
- Roll out 4-gate work winning tools across OpCo's
- Implement standardised processes and tools across the Group

Income Statement

Strong revenue growth coupled with consistent margin enhancement

AED (mn)	Q3 2018	Q3 2017	Variance	9M 2018	9M 2017	Variance
Revenue	2,340	2,100	11.5%	7,152	6,346	12.7%
EBIT	93	41	123.9%	271	130	109.5%
Margin (%)	4.0%	2.0%		3.8%	2.0%	
Net Profit for the period	67	10	553.2%	183	52	249.9%
Margin (%)	2.9%	0.5%		2.6%	0.8%	
Net Profit attributable to the owners of the parent	67	18	277.6%	181	75	139.8%

9M 2018:

- ✓ SG&A improved by 63 basis points to 3.3% compared to 3.9% for 9M 2017
- ✓ EBIT margin improved by 175 basis points to 3.8%
- ✓ Net Profit Margin improved by 173 basis points to 2.6%

Balance Sheet

Net debt decreased by AED 146 mn in Q3 2018 compared to Q2 2018

Balance Sheet (AED mn)	Q3FY18	FY17
ASSETS		
Non-current assets		
Property, plant and equipment	668	754
Goodwill	249	249
Investment properties	595	596
Trade and other receivables	692	752
Advances paid to suppliers and subcontractors	289	291
Investment in associates	212	224
Other non-current assets	38	38
Total non-current assets	**2,742**	**2,904**
Current assets		
Trade and other receivables	5,264	5,289
Advances paid to suppliers & subcontractors	1,057	1,258
Other financial assets	203	182
Due from related parties	682	714
Inventories	134	117
Other current assets	394	335
Cash and bank balances	667	1,144
Total current assets	**8,400**	**9,039**
Total Assets	**11,143**	**11,943**

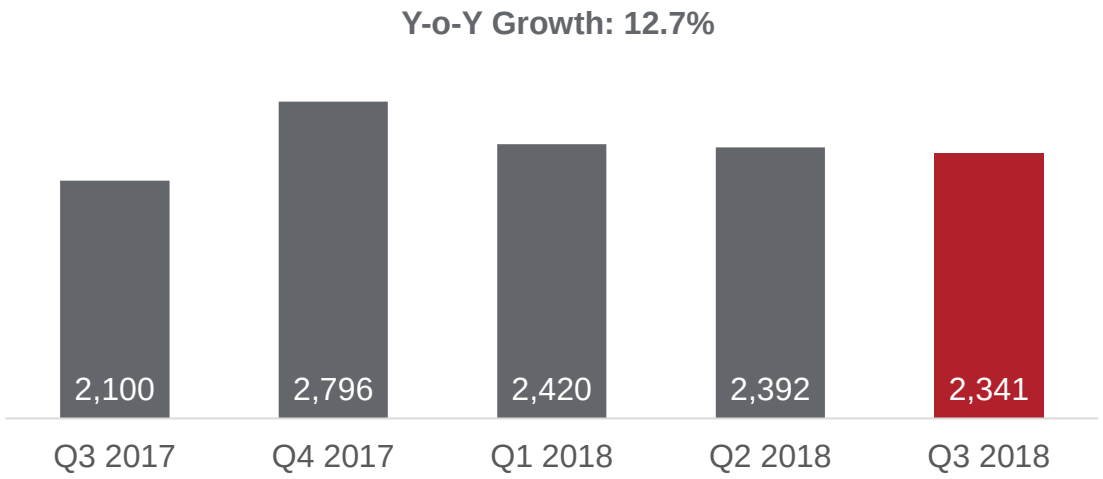
	Q3FY18	FY17
EQUITY AND LIABILITIES		
Equity		
Share capital	1,500	1,500
Other reserves	(42)	(35)
Retained earnings (accumulated losses)	159	120
Equity attributable to equity holders of the Parent	**1,618**	**1,585**
Non-controlling interests	(261)	(244)
Total equity	**1,357**	**1,340**
Non-current liabilities		
Bank borrowings	680	790
Provision for employees' end of service indemnity	197	201
Retention payable	398	386
Total non-current liabilities	**1,275**	**1,377**
Current liabilities		
Bank borrowings	1,443	1,843
Trade and other payables	4,603	4,815
Adv. received from customers for contract work	1,835	2,010
Due to related parties	618	536
Income tax payable	12	20
Total current liabilities	**8,511**	**9,225**
Total liabilities	**9,786**	**10,602**
Total Equities and Liabilities	**11,143**	**11,943**

- ✓ Net debt decreased by AED 146 mn in Q3 2018 compared to Q2 2018
- ✓ A total debt repayment of AED 511 mn during 9M 2018 including long term debt of AED 110 mn and current debt of AED 401 mn

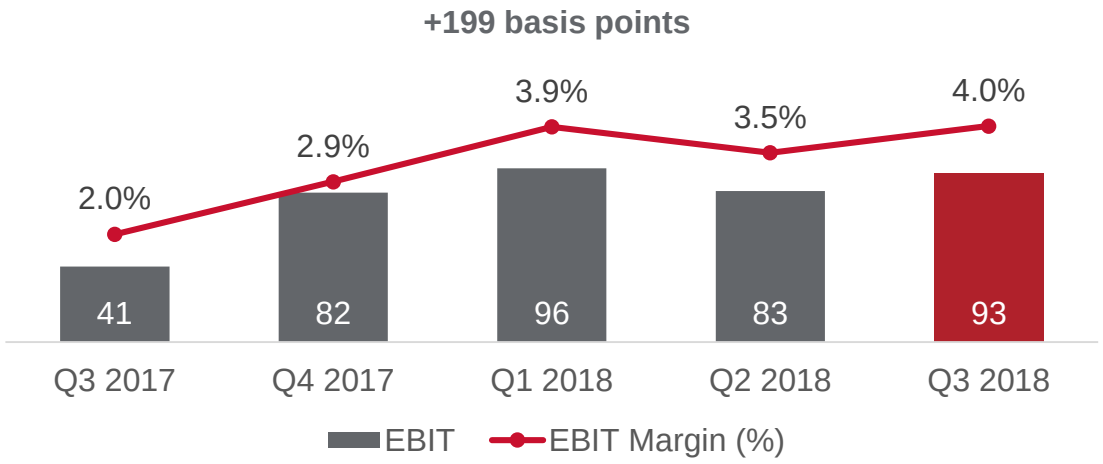
Financial Performance Trend

Consistent margin enhancement driven by change in contract mix and SG&A improvement

Revenue (AED mn)



EBIT (AED mn)



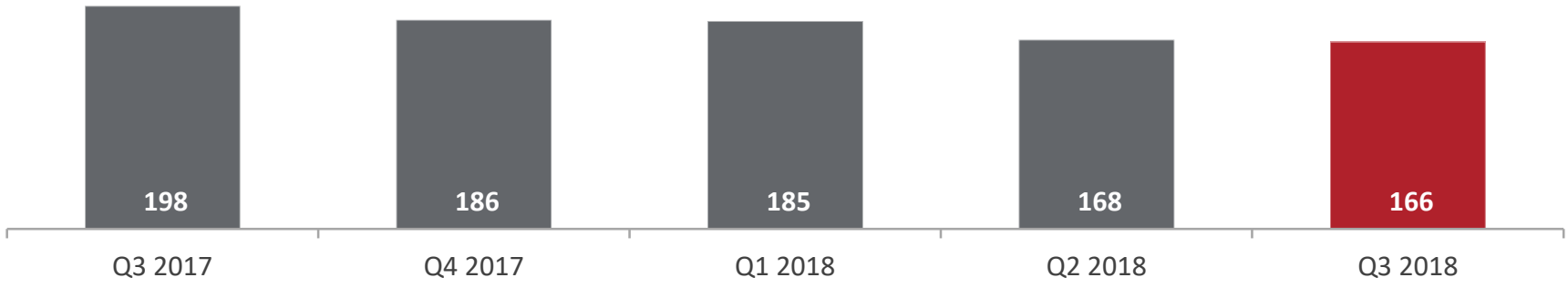
- Revenue increased to AED 7.2 bn in Q3 2018 compared to AED 6.3 bn in Q3 2017; up 12.7% y-o-y
- Q3 2018 EBIT margins have improved by 199 basis points compared to Q3 2017 and 9M 2018 increased by 175 basis points vs. 9M 2017
- Margin enhancement driven by a combination of higher contribution from new contracts and reduction in SGA cost (% of sales)

Receivables Analysis

Continued emphasis on cash collection and gradual improvement in debtor days

Current Receivables AED mn	Q1FY18 31Mar	Q2FY18 30Jun	Q3FY18 30Sep	Change (vs. Q2 FY18)
Contract receivables (1)	1,869	1,822	1,762	(60)
Amounts due from customers for contract work (2)	3,199	2,969	3,058	89
Trade and other receivables	55	50	51	0
Provision for doubtful debts	(377)	(371)	(338)	32
Total (excluding retentions)	**4,745**	**4,471**	**4,532**	**62**
Retentions receivable	701	753	731	(21)
Trade & other receivables - Current	**5,446**	**5,223**	**5,264**	**40**
Advances paid to suppliers and sub contractors	**1,284**	**1,022**	**1,057**	**34**

Debtor Days



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

Notes:

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

Cashflow Statement

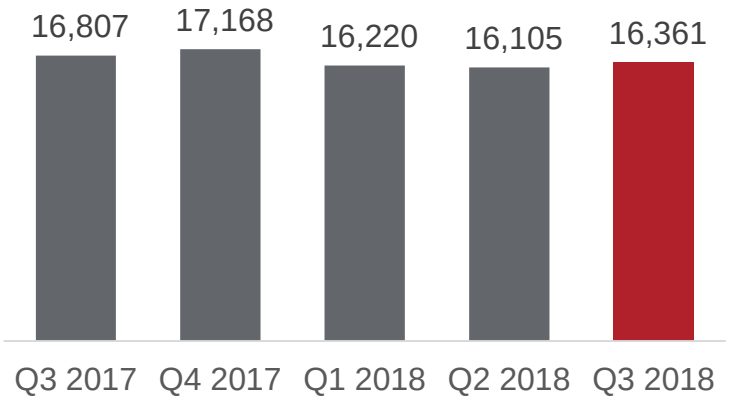
Efficient working capital management driving improvement in cashflow generation

(AED mn)	Nine Months Ended 2018	2017	Variance
Cash flow from operations before working capital changes	416	275	141
Change in working capital	(170)	(1,737)	1,567
Others	(45)	(43)	(3)
Cash from (used) in operating activities	**201**	**(1,505)**	**1,706**
Cash used in investing activities	(55)	(54)	(1)
Cash from (used) financing activities	(448)	1,377	(1,825)
Net decrease in cash	**(302)**	**(181)**	**(120)**
Cash at the beginning of the period	501	543	(43)
Net foreign exchange difference	(8)	(3)	(5)
Cash at the end of the period	**191**	**359**	**(168)**

Backlog

Strong backlog supported by project wins across Infrastructure, Industrial and Building

Backlog (AED mn)

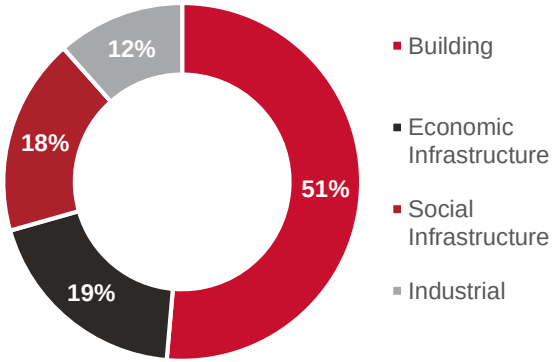


Major Wins (YTD 2018)

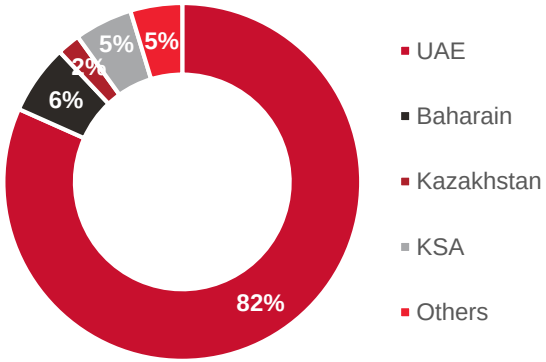
Project Name	Value (AED mn)	From	Description
Gas Development*	3,160	ADNOC LNG	Expansion of Phase II (IGD-E2)
Infrastructure Project	433	Dubai Municipality	Industrial sewerage and drainage system
AKOYA Oxygen	424	DAMAC Properties	916 Villas
Public Realm	311	Expo 2020	Concourses and Arrivals Plazas
AKOYA Oxygen	299	DAMAC Properties	478 luxury villas
Uptown Cairo	157	Emaar Misr	Phase III and IV of Village E "Levana"
Infrastructure Project	155	Dubai Municipality	Sewerage and drainage system
Creekside Horizon	117	Emaar properties	MEP works of the Creek Horizon

** Group share is 40% to 50%*

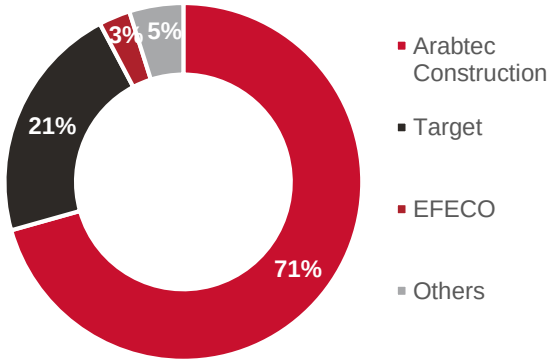
By Sector (Sep 2018)



By Geography (Sep 2018)

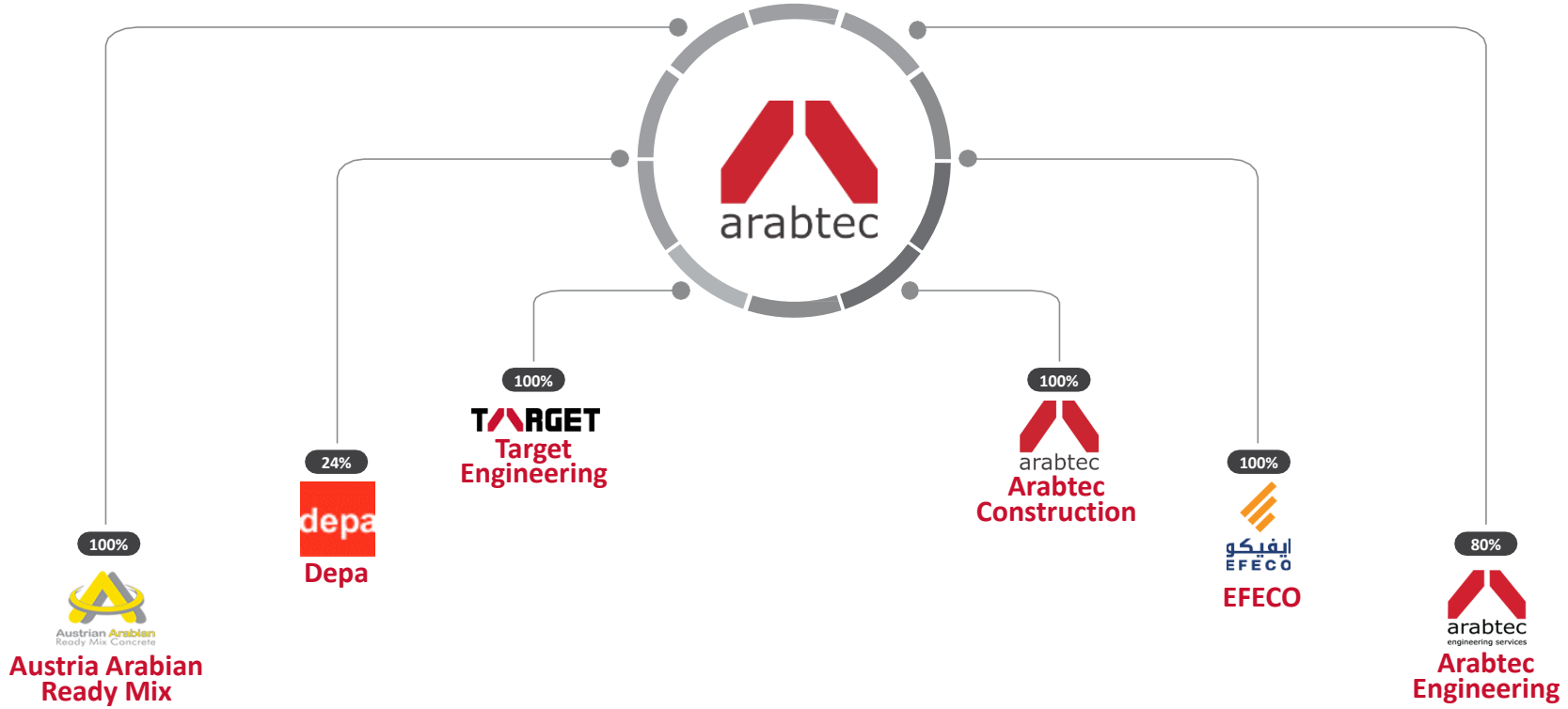


By Subsidiary (Sep 2018)



Integrated Capabilities

Delivering a competitive advantage to the group



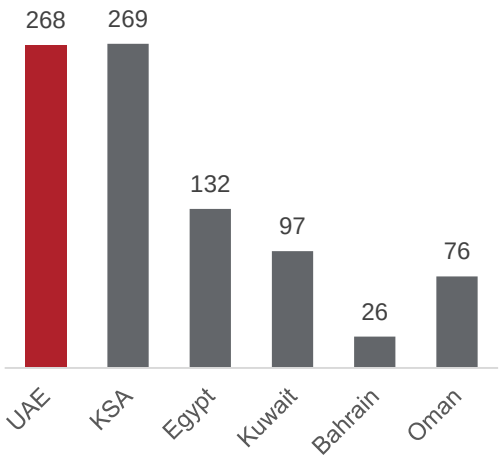
Core Competencies

- Economic Infrastructure
- Residential
- Hospitality
- Social Infrastructure
- Commercial
- Industrial

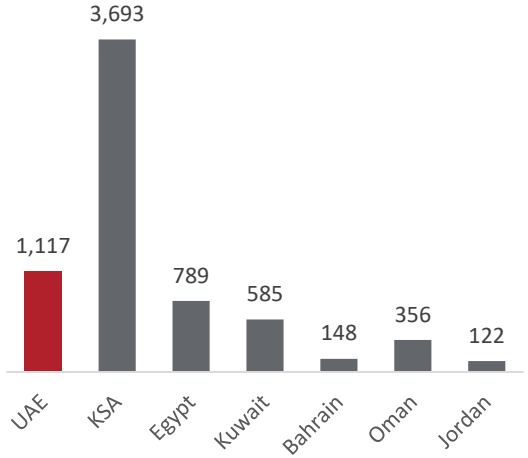
Market Outlook

The UAE construction market is estimated to grow at 6.8% CAGR (2018-23)

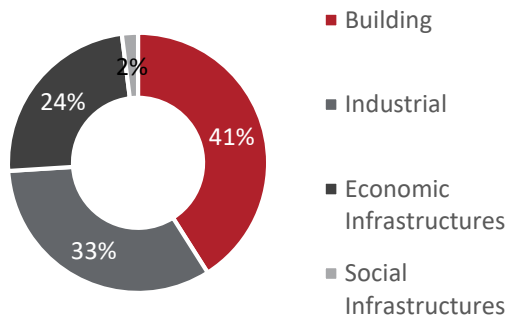
Construction Awards: MENA Region (2013-17, AED Bn)



Pre-Execution Construction Projects by Country (2018-2023)



Pre-Execution Construction Projects by Segment (2013-2017)



- UAE and KSA have seen maximum construction contracts awarded over the last five years
- The majority of the opportunities in GCC have been in 'Building' and 'Industrial' segments
- KSA continues to benefit from growing social stability as the government loosens control of social norms, with the country's short-term political risk score improving correspondingly
- Egypt is anticipated to be an attractive destination in the MENA region on the back of its ongoing implementation of IMF-backed reforms

- UAE construction is estimated at AED 155 Bn in 2018 and is anticipated to grow at 2018-23 CAGR of 6.8% to reach AED 216 Bn in 2023
- Growth in the UAE construction market is driven by a number of factors including: rising oil prices; Expo 2020 and government-supported infrastructure spending in transport and utilities
- The commercial buildings segment is expected to witness strong growth in the short term, driven by Expo 2020 and over the long term due to government efforts for revenue diversification into higher value add services

Source: Industry articles, MEED, BMI

Commitment | Integrity | Team Spirit | Professionalism | Accountability



arabtec
BUILDING OUR FUTURE

Investor Relations

Sara Shadid
Head of Investor Relations
ir@arabtecholding.com
+971 (0) 2 333 7798
www.arabtecholding.com