

Salik Company PJSC Achieves Q3 2022 Net Profit of AED 242 million

- *Revenue increases 15.8% YoY during the first nine months of 2022, reflecting strong growth in traffic in Dubai*
- *Q3 revenue increases 9.1% YoY to AED 445 million with travel activity fast-approaching pre-Covid level*
- *Q3 EBITDA and margin stood at a robust AED 291 mn and 65.4%, respectively*
- *Net profit reaches AED 242 mn translating to AED 0.03 per share in Q3*
- *Solid cash generation with Q3 free cash flow reaching AED 315 million, yielding a margin of 70.6%*
- *Appointments made in key departments and divisions, including the Chief Technology Officer and Support Services Director*
- *Toll gate rebranding complete; currently each of Salik's eight gates showcases the new brand identity*

Dubai, UAE – 10 November 2022: During its meeting presided by His Excellency Mattar Al Tayer, Chairman of the Board, the Board of Directors of Salik Company PJSC ("Salik" or the "Company") approved Salik's condensed interim financial results for the three-month and nine-month periods ended 30 September 2022, the first set of financial results for Salik, Dubai's exclusive toll gate operator, as a standalone entity following its admission to the Dubai Financial Market.

Salik achieved net profit of AED 242 million in Q3 2022 (AED 0.03 per share). Revenue increased 9.1% year-on-year (YoY) to AED 445 million on the back of solid operational performance reflecting positive economic activity and growth in traffic, while EBITDA reached AED 291 million, yielding a strong margin of 65.4%.

His Excellency Mattar Al Tayer, Chairman of the Board of Directors of Salik, expressed his pleasure with the robust set of results achieved by Salik over the last quarter. **He further highlighted:** "the results were reflective of the Company's strength as Dubai's exclusive road toll operator. Salik's strong business model positions it at the heart of the roads and transport sector's expansion plans in Dubai."

His Excellency added: "The outlook is positive as we stand in a pole position to benefit from Dubai's ambitious expansion plans and Salik's growth initiatives. We have full confidence in Salik's ability to deliver great value over the long term to all our shareholders."

Ibrahim Sultan Al Haddad, Chief Executive Officer of Salik, commented:

"I am delighted to share with you our first set of results, both as a standalone legal entity and as a DFM-listed company. Salik closed Q3 2022 with a strong financial performance that showcases our robust business model as the exclusive operator of the Emirate of Dubai's eight toll gates. This is demonstrated by our robust revenue and net profit, which reached AED 445 million and AED 242 million respectively, reflecting our strong operational performance during the quarter."

Al Haddad added: "During Q3 2022, we successfully completed our initial public offering on September 29 and began an exciting journey with our new shareholders as a DFM-listed company."

The overwhelming IPO demand with 49 times oversubscription is testament to the fundamentals underpinning Dubai's capital markets, as well as Salik's strong investment case."

He further commented: "We recently welcomed our Chief Technology Officer and Support Services Director, both of whom are nationals who bring significant experience in their fields to the company and its growth story."

Traffic Highlights

Q3 revenue-generating trips rise 10% YoY to c. 97 mn reflecting positive economic activity in Dubai during this period; traffic level in Q3 stood just 5% below pre-pandemic levels

The total number of trips made through Salik's eight toll gates increased c. 11% YoY to c. 128 million in Q3 2022 from c. 116 million a year earlier. Revenue-generating trips, in turn, increased in step with the growth in total trips, reaching c. 97 million trips in Q3.

Revenue-generating trips for Q3 2022 were c. 3% lower quarter-on-quarter (QoQ) due to seasonality, as activity tends to slow down during the third quarter due to summer holidays, before picking up in Q4.

In the first nine months of 2022, total trips grew c. 15% YoY reaching c. 395 million trips, compared to c. 343 million trips a year earlier, driven by rapid recovery from the impact of the Covid-19 pandemic, as well as the positive growth resulting from Expo 2020. Revenue-generating trips, in turn, increased c. 16% to c. 302 million trips from c. 260 million in the first nine months of 2021.

Million	9M 2021	9M 2022	% Δ YoY	Q3 2021	Q3 2022	% Δ YoY
Total trips ⁽¹⁾	343.0	394.8	15.1%	115.8	128.0	10.6%
Discounted trips ⁽²⁾	80.2	88.3	10.1%	27.0	30.1	11.4%
<i>as a % of total trips</i>	<i>23.4%</i>	<i>22.4%</i>	<i>-1.0%</i>	<i>23.3%</i>	<i>23.5%</i>	<i>0.2%</i>
Net toll traffic ⁽³⁾	262.8	306.6	16.6%	88.8	97.9	10.3%
<i>as a % of total trips</i>	<i>76.6%</i>	<i>77.6%</i>	<i>1.0%</i>	<i>76.7%</i>	<i>76.5%</i>	<i>-0.2%</i>
Revenue-generating trips ⁽⁴⁾	260.0	302.0	16.1%	87.9	96.6	9.9%
<i>as a % of net toll traffic</i>	<i>98.9%</i>	<i>98.5%</i>	<i>-0.4%</i>	<i>99.0%</i>	<i>98.7%</i>	<i>-0.4%</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 account for the majority of Salik's revenue

Registered vehicles increase 0.7% YoY

The number of vehicles registered with Salik increased 0.7% YoY to c. 3.65 million as of 30 September 2022, from c. 3.63 million a year earlier.

The number of electric vehicles with free-issue tags registered with Salik reached 1,866 as of 30 September 2022, increasing from 1,566 on 30 June and 994 a year earlier.

Financial Highlights

Note on the financial statements:

Prior to July 2022, Salik, previously as part of the Roads and Transport Authority, was not operating as a standalone legal entity and its financial statements were prepared on a carve-out basis. Some of the cost elements recorded prior to Q3 2022 are no longer applicable, such as corporate allocation expense, while others are now in place, such as concession fee expense, finance cost, rent expense, amortization expense, and transitional service expense. Annual comparison of profitability, as a result, is not necessarily indicative of business performance on a like-for-like basis. For further details, please refer to the notes to the Company's condensed interim financial statements.

Salik's Q3 revenue grows c. 9% YoY, mostly led by solid traffic performance

In Q3 2022, Salik's revenue increased 9.1% YoY to AED 445 million, primarily driven by the following:

- **Toll usage fees:** strong growth in revenue-generating trips drove a 9.9% YoY growth in revenue from toll usage fees, reaching AED 386 million from AED 352 million a year earlier. Toll usage fees contributed 87% to total revenue in Q3.
- **Fines and penalties:** revenue from fines and penalties increased 6.8% YoY to AED 49 million, from AED 46 million a year earlier, in line with growth in traffic during the same period, resulting in a c.12% growth in the number of violations (0.6 million in Q3 2022 from 0.5 million a year earlier). The number of violations remained broadly unchanged as a fraction of net toll traffic, and revenue from fines and penalties contributed 11% to total revenue.
- **Tag activation fees:** despite a 14% YoY increase in Salik's tag sales from AED 8.4 million in Q3 2021 to AED 9.6 million in Q3 2022, Salik recorded revenue of AED 7.7 million in Q3 2022 from tag activation fees, a c. 16% YoY decrease from AED 9.2 million a year earlier, as revenue from tag activation fees is recognized over the estimated customer life of 5 years, and recognized revenue is affected by tag sales during the current financial period as well as previous years. Tag activation fees contributed 2% to total revenue.

Solid operating performance yielding an EBITDA margin of 65.4% in Q3

Salik's EBITDA for Q3 2022 reached AED 291 million, yielding a margin of 65.4%. Key cost elements include:

- **Concession fee expense** amounted to AED 97 million, which represented 25% of revenue from toll usage fees, as per the concession agreement, and 21.7% of total revenue
- **Toll operations & maintenance expense** amounted to AED 21 million, covering operation and maintenance of the tolling system, account management, customer service, issuance of violations, back-office support, maintaining and replacing equipment, and mobile application maintenance
- **Cost of Salik tags and recharge cards** reached AED 5 million, representing 63.3% of tag activation fees, in line with the normal range of 60-65%
- **Impairment loss on receivables** of AED 10 million, representing 19.6% of revenue from fines and penalties, in line with the normal range of 18-22%
- **Other expenses** reached AED 19 million, mainly including AED 9 million in commissions on card and tag sales, and commissions for banks and other Emirates, which represented c. 2.0% of total revenue

Salik's net earnings reach AED 242 million

The Company achieved net profit of AED 242 million in Q3 2022, with a net profit margin of 54.3%. Salik recorded depreciation and amortization expense of AED 20 million, predominantly reflecting an amortization expense related to Salik's AED 4.0 billion upfront concession payment which was recorded as an intangible on the Company's balance sheet. The Company additionally recorded AED 29 million in finance costs related to its AED 4.2 billion credit facility agreement with Emirates NBD Bank. During the quarter, Salik made an AED 200 million Islamic time deposit for a fixed term of two months.

Summary of statement of profit or loss

AED million ⁽¹⁾	9M 2021	9M 2022	% Δ YoY	Q3 2021	Q3 2022	% Δ YoY
Revenue	1,201	1,390	15.8%	408	445	9.1%
<i>Toll usage fees</i>	<i>1,040</i>	<i>1,208</i>	<i>16.1%</i>	<i>352</i>	<i>386</i>	<i>9.9%</i>
<i>Fines and penalties</i>	<i>134</i>	<i>153</i>	<i>14.7%</i>	<i>46</i>	<i>49</i>	<i>6.8%</i>
<i>Tag activation fees</i>	<i>23</i>	<i>24</i>	<i>5.7%</i>	<i>9</i>	<i>8</i>	<i>-16.3%</i>
<i>Other revenue</i>	<i>4</i>	<i>5</i>	<i>17.9%</i>	<i>1</i>	<i>2</i>	<i>54.0%</i>
EBITDA ⁽²⁾	970	1,091	12.5%	333	291	-12.5%
EBITDA margin	80.8%	78.5%	-2.3%	81.5%	65.4%	-16.1%
Finance costs, net	-	(29)	N/M	-	(29)	N/M
Profit for the period	966	1,039	7.6%	331	242	-26.9%
No. of shares outstanding (million)	7,500	7,500		7,500	7,500	
Earnings per share (AED)	0.13	0.14	7.6%	0.04	0.03	-26.9%

(1) Annual comparison of profitability is not necessarily indicative of business performance on a like-for-like basis. For further details, please refer to the notes to the Company's condensed interim financial statements.

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

Efficient capital structure

The Company closed the quarter with a net debt of c. AED 3.5 billion, equivalent to a healthy annualized Q3 2022 EBITDA of 3.0x. On 30 June 2022, Salik entered into an AED 4.2 billion credit facility agreement with Emirates NBD Bank, including a revolving facility of AED 200 million, to make the upfront concession payment, as well as for general corporate purposes.

Contract liabilities, which are balances paid in advance by customers relating to recharges and tag activation fees, increased by 1.7% QoQ and 2.8% year-to-date, to AED 322 million, reflecting higher recharges than actual usage during the period.

The Company recorded a negative net working capital balance of AED 124 million as of 30 September 2022, excluding VAT. Net working capital included:

- **Due from related parties** of AED 141 million including receivables from the Roads and Transport Authority (RTA) related to fines and penalties, and receivables from the Emirate of Dubai's E-Government related to payments made online by customers via ePay gateway, as well as receivables from Dubai Taxi Corporation
- **Trade and other receivables** of AED 154 million (excluding 5% VAT on the AED 4.0 billion upfront concession fee), mostly comprising fines and penalties. Trade and other receivables decreased from AED 198 million on 1 July 2022 due mostly to reclassification of fines and penalties receivable from the RTA separately

- **Due to a related party** of AED 99 million (excluding 5% VAT on the AED 4.0 billion upfront concession fee), reflecting concession fees and transitional service expenses recorded during the quarter and payable to RTA
- **Trade and other payables** of AED 46 million including AED 21 million in payables to the operations & maintenance service provider as well as AED 20 million predominantly comprising commissions
- **Current portion of contract liabilities** of AED 281 million

Summary of financial position

	30 Sep 2022	1 Jul 2022	% Δ QoQ	31 Dec 2021	% Δ Ytd
Total assets	4,971	8,609	-42.3%	315	1476.5%
Total liabilities	4,654	8,550	-45.6%	325	1330.2%
Total equity	317	59	441.6%	(10)	N/M
Borrowings	3,985	4,002	-0.4%	-	N/M
Cash and cash equivalent	490	4,205	-88.4%	-	N/M
Net debt	3,495	(203)	N/M	-	N/M
Contract liabilities ⁽¹⁾	322	317	1.7%	313	2.8%
Net working capital ⁽²⁾	(124)	(104)	19.9%	(78)	58.5%
<i>Inventories</i>	6	5	12.2%	16	-63.4%
<i>Trade and other receivables</i> ⁽³⁾	154	198	-22.3%	192	-19.9%
<i>Due from related parties</i>	141	-	N/M	-	N/M
<i>Due to a related party</i> ⁽⁴⁾	(99)	-	N/M	-	N/M
<i>Trade and other payables</i>	(46)	(30)	52.8%	(9)	374.1%
<i>Contract liabilities, current portion</i>	(281)	(277)	1.4%	(277)	1.4%

(1) 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

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

(3) Trade and other receivables exclude VAT receivable of 5% on the AED 4.0 upfront concession fee

(4) Due to a related party exclude payable of 5% of the AED 4.0 billion upfront concession fee, and additionally on 1 July 2022, it excludes the AED 4.0 billion upfront fee

Solid cash generation with a Q3 2022 free cash flow of AED 315 million and FCF margin of 70.6%

Salik's cash flow from operating activities reached AED 315 million in Q3 2022, thanks to the solid traffic performance. Capital expenditures were minimal and amounted AED 3 million in the first nine months of 2022, mostly related to assets that were retained under the RTA in the first six months of the year and were not carried forward to Salik. Salik did not incur capital expenditures in Q3 2022 and does not foresee to undertake any major capital expenditures for 2022.

Free cash flow reached AED 315 million with a free cash flow margin of 70.6%, which compares favourably to the Company's Q3 2022 EBITDA margin of 65.4%.

Summary of cash flow

AED million	9M 2021	9M 2022	% Δ YoY	Q3 2021	Q3 2022	% Δ YoY
Changes in working capital	(83)	28	N/M	(31)	13	N/M
Net cash flow from operating activities	929	1,143	22.9%	315	315	-0.1%
Net cash used in investing activities	(1)	(4,003)	N/M	(1)	(4,000)	N/M
Net cash used in financing activities	(928)	3,350	N/M	(314)	(30)	-90.4%
Free cash flow ⁽¹⁾	928	1,140	22.8%	314	315	0.2%
Free cash flow margin ⁽²⁾	77.3%	82.0%	4.7%	76.9%	70.6%	-6.3%

(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

Business Highlights

Salik completes landmark IPO

On September 29, Salik shares began trading on the Dubai Financial Market, culminating a successful IPO. The strong support for the issuance prompted the Government of Dubai as the Selling Shareholder, represented by the Department of Finance, to increase the offered shares from 1,500,000,000 to 1,867,500,000 shares representing 24.9% of the company's share capital, at a price of AED 2.0 per share. The offering was oversubscribed by more than 49 times as it drew orders with a total value exceeding AED 184 billion, which was a clear indication of the strong demand for Salik's shares by various investor categories.

Company makes key appointments to ensure seamless operation post carve-out

Salik's workforce increased from 12 full-time employees on 30 June 2022 to 19 employees as of 30 September 2022.

The Company made key appointments to ensure its ability to operate independently as a standalone legal entity following its carve-out of the RTA, led by the appointment of a Chief Technology Officer and Support Services Director. In addition, the Company hired key positions in strategy and growth, marketing and corporate communications, corporate IT, investor relations, enterprise risk management, compliance and internal audit, and the board secretary in preparation for listing on the DFM during the quarter.

Salik completes rebrand for toll gates and website

The Company recently underwent a brand refresh exercise as part of its journey to becoming a listed company. The new corporate identity was unveiled last September and Salik is pleased to share that today its eight toll gates as well as the website showcase the new brand identity.

Business Outlook

Traffic performance, as one indicator for economic activity, was quite solid through to September. Total trips in Q3 2022 stood just 5% below peak Q3 2019 level. Salik expects traffic performance to return to pre-pandemic peak levels recorded in 2019 by the first half of 2023.

The Company has started to explore growth initiatives and shall update the market on progress in due course.

Salik expects to pay the first dividend for the second half of 2022 by April 2023. The dividend payout will be in form of a 100% of net profit after setting aside the statutory reserves required by law. The Company expects to record a one-time statutory reserve of AED 37.5 million in H2 2022.

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About Salik Company PJSC

Salik Company PJSC has been established in its current form, as a public joint stock company in June 2022 pursuant to Law No. (12) of 2022. Salik, meaning "clear" in Arabic, is Dubai's exclusive toll gate operator and currently operates automatic toll gates utilising Radio Frequency Identification (RFID) technology throughout Dubai. Salik's current eight toll gates are located at strategic junctures throughout Dubai, especially on Sheikh Zayed Road which is considered the Emirate's main road. In 2021, 481 million journeys were made through the Salik toll gates, which includes tourists making their way to Dubai's many attractions, or residents efficiently travelling as part of daily life. Under a 49-year concession agreement (ending in 2071) with the Roads and Transport Authority (RTA), Salik holds the exclusive right to operate current and future toll gates across the Emirate of Dubai.

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