

Salik Achieves Highest Quarterly Toll Usage Revenue Since Commencement of Operations with AED 275 million Net Profit in Q1 2023

- *Salik reports the highest quarterly toll usage revenue in Q1 2023, since start of operations; toll usage revenue rose c. 8% YoY, reaching a record AED 454 million and contributing 87% to total revenue*
- *Revenue-generating trips of 113.6 million exceed pre-pandemic peak level, thanks to a complete reversion to business-as-usual economic and tourist activity and mobility*
- *Active accounts and vehicle registrations increase c. 4% and c. 7% YoY, respectively, reaching approximately 2.1 million and 3.9 million at the end of the first quarter*
- *Q1 2023 EBITDA and net profit margins of 66.8% and 52.9%, respectively, continue to reflect Salik's streamlined business and robust concession framework*
- *Salik achieves robust net profit and free cash flow of AED 275 million and AED 325 million, respectively in Q1 2023*

Dubai, UAE – 12 May 2023: 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"), Dubai's exclusive toll gate operator, approved the Company's condensed interim financial results for the first quarter of 2023 (three-month period ended March 31, 2023), in which Salik recorded the highest level of quarterly revenue-generating trips and toll usage revenue since the start of operations in 2007, at 113.6 million trips and c. AED 454 million, respectively. Toll usage revenue, which contributed 87% to total revenue, increased 7.9% YoY on the back of a return to business-as-usual in Dubai following the complete lifting of Covid-19 restrictions, as well as solid organic growth in commercial and tourist activity. Salik achieved net profit of c. AED 275 million during the quarter, with a net profit margin of 52.9%.

His Excellency Mattar Al Tayer, Chairman of the Board of Directors of Salik, expressed satisfaction with the Company's strong results during the first quarter of 2023. He emphasized "Salik's position as Dubai's exclusive road toll operator and its contribution to the transportation sector's expansion" expressing confidence in the Company's ability to provide long-term value to shareholders.

His Excellency also recognized Dubai's economic resilience and ongoing efforts to attract a diverse population. He said: "As a key player in Dubai's economy, Salik intends to persist in collaborating with stakeholders to establish fresh opportunities for the Emirate of Dubai's residents and visitors, confirming that the Company's unwavering commitment to advancing capital market growth and supporting the Emirate's wider economic development plans was exemplified by Salik's pivotal role in Dubai's initial public offering program through its momentous listing last September."

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

"We are delighted to announce Salik's financial and operational performance for the first quarter of 2023, following our successful listing on the Dubai Financial Market last September. The results we achieved demonstrated our ability to attain the desired level of success, driven by Dubai's economic resilience and record usage of our toll roads. In addition, our robust business model contributed significantly to the Company's success. Salik achieved remarkable profitability in the first quarter of 2023, with an impressive EBITDA margin of 66.8%, reflecting our commitment to deliver exceptional results for Salik and unlock greater value for our shareholders. We are continuing to invest in our

human capital, recognizing the importance of a diverse and inclusive workforce that reflects the communities we serve. We will continue to prioritize employee development and advancement as we strive to achieve our objectives and make a positive impact on the economy and society."

Mobility Highlights

Highest quarterly revenue-generating trips since start of operations; Salik posts 7.9% YoY growth in revenue-generating trips to 113.6 million in Q1 2023

The total number of trips, including discounted trips, made through Salik's eight toll gates in the first quarter of 2023 witnessed growth upon comparison against both the first quarter of 2022 and the fourth quarter of 2022 by 7.6% and 1.8% respectively. This was driven by Dubai resuming business-as-usual commercial and tourist activities, marking the ongoing recovery from the pandemic. As a result, revenue-generating trips increased 7.9% to 113.6 million trips in the first quarter of 2023 compared to 105.3 million trips in the first quarter of 2022, exceeding the previous peak level of 113.5 million trips recorded in the first quarter of 2019.

Million	Q1 2023	Q1 2022	% Δ YoY
Total trips⁽¹⁾	146.9	136.5	7.6%
Discounted trips⁽²⁾	31.7	29.8	6.3%
<i>as a % of total trips</i>	<i>21.5%</i>	<i>21.8%</i>	<i>-0.3%</i>
Net toll traffic⁽³⁾	115.2	106.8	7.9%
<i>as a % of total trips</i>	<i>78.5%</i>	<i>78.2%</i>	<i>0.3%</i>
Revenue-generating trips⁽⁴⁾	113.6	105.3	7.9%
<i>as a % of net toll traffic</i>	<i>98.5%</i>	<i>98.6%</i>	<i>-0.1%</i>
<i>As a % of total trips</i>	<i>0.67%</i>	<i>0.72%</i>	<i>-0.1%</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 6.9% YoY to c. 3.9 million

The number of vehicles registered with Salik increased 6.9% YoY and 5.5% QoQ to 3.9 million as of March 31, 2023, reflecting the Emirate of Dubai's ongoing successful efforts to attract tourists and talent. Further, registered active accounts increased 4.2% YoY to 2.1 million by March 31, 2023. Tag activations reached c. 215,000 tags in the first quarter of 2023, a 12% increase from last year whereas deactivations decreased c. 5% YoY to c. 138,000 tags.

Financial Highlights

Note on the financial statements:

Comparing Salik's profitability between Q1 2022 and Q1 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. From July 2022 onwards, Salik operates as a separate legal entity from the RTA through a 49-year concession agreement. This has resulted in new costs, such as concession fees, rent, amortization, and transitional service expenses, as well as finance costs, that did not exist prior to July 2022.

Rise in toll road usage drives c. 7% YoY increase in Salik's revenue to c. AED 520 mn in Q1 2023

During the first quarter of 2023, Salik's revenue increased 6.5% YoY to AED 520 million, primarily driven by the following:

- **Toll usage fees:** strong growth in revenue-generating trips drove a 7.9% YoY growth in revenue from toll usage fees, reaching a record AED 454 million, the highest quarterly level recorded since the start of operations. This was driven by the resumption of and growth in commercial and tourist activities in Dubai amidst an ongoing recovery after the lifting of Covid-19 restrictions. Toll usage fees contributed c. 87% to total revenue during the quarter.
- **Fines and penalties:** revenue from fines and penalties increased 2.1% YoY to AED 55.3 million, from AED 54.2 million a year earlier, broadly in line with growth in the number of violations, net of violation dismissals (c. 631,000 in Q1 2023 compared to c. 620,000 a year earlier). The number of net violations remained mostly unchanged as a fraction of net toll traffic, and revenue from fines and penalties contributed c. 11% to total revenue.
- **Tag activation fees:** despite a 12% YoY increase in tag activations, the Company's revenue from tag activation fees decreased c. 25% YoY to AED 8.6 million, as revenue is recognized over the estimated average tag life of five years, and recognized revenue is affected by tag sales during the current financial period as well as previous periods which were impacted by the pandemic. Tag activation fees contributed c. 2% to total revenue.

Salik's revenue during the first quarter of 2023 increased 3.6% compared to the fourth quarter of 2022, mostly driven by a 2.4% increase in revenue from toll usage fees, as well as a 15% increase in revenue from fines and penalties. The sequential growth was mostly driven by positive seasonality effects as well as organic growth in the number of trips.

Strong profitability in Q1 2023 continues to highlight the strong business model

Salik achieved an EBITDA of c. AED 348 million in the first quarter of 2023, reflecting a solid margin of 66.8%. Compared to the fourth quarter of 2022, EBITDA came in flat despite the sequential growth in revenue during the first quarter, due mainly to absence of a one-time income from write-back of a liability no longer payable amounting to AED 8 million that was recorded in the comparable period.

Salik's net profit reached c. AED 275 million during the quarter, a decrease of 4.1% from the fourth quarter of 2022 mainly due to an increase in finance costs and the absence of the liability write-back. Salik's net profit margin reached an impressive 52.9% during the quarter.

Summary of statement of profit or loss

AED million ⁽¹⁾	Q1 2023	Q1 2022	% Δ YoY
Revenue	520	488	6.5%
<i>Toll usage fees</i>	<i>454</i>	<i>421</i>	<i>7.9%</i>
<i>Fines and penalties</i>	<i>55</i>	<i>54</i>	<i>2.1%</i>
<i>Tag activation fees</i>	<i>8.6</i>	<i>11.4</i>	<i>-24.5%</i>
<i>Other revenue</i>	<i>1.9</i>	<i>1.5</i>	<i>31.1%</i>
EBITDA⁽²⁾	348	405	-
EBITDA margin	66.8%	82.9%	-
Finance costs, net	(52)	-	-
Profit for the period	275	403	-
No. of shares outstanding (million)	7,500	7,500	-
Earnings per share (AED)	0.037	0.054	-

(1) Comparing Salik's profitability between Q1 2022 and Q1 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 the start of the concession agreement. For further details, please refer to the notes to the Company's financial statements.

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

Sound leverage with net debt-to-EBITDA at 2.1x highlights balance sheet strength

At the end of the quarter, the Company's net debt balance was approximately AED 2.9 billion, which is equal to a healthy EBITDA of 2.1x on an annualized basis for the first quarter of 2023. This ratio is significantly lower than the Company's debt covenant of 5.0x. To cover the upfront concession payment and for general corporate use, Salik secured an AED 4.2 billion credit facility agreement, which includes a revolving facility of AED 200 million, with Emirates NBD Bank on June 30, 2022.

The Company recorded a net working capital balance of AED -123 million as of March 31, 2023, decreasing from AED -147 million as of December 31, 2022. The decrease in the balance was mainly due to an increase in due from related parties from AED 144 million to AED 176 million, purely a timing matter in relation to collections from Dubai Taxi Corporation and Dubai E-Government.

Contract liabilities, which are balances paid in advance by customers relating to recharges and tag activation fees, increased 1.9% QoQ to AED 344 million as of March 31, 2023, reflecting higher recharges than actual usage during the period.

Summary of financial position

AED million	31 Mar 2023	31 Dec 2022	% Δ YtD
Total assets	5,379	5,303	1.4%
Total liabilities	4,500	4,699	-4.2%
Total equity	879	604	45.6%
Borrowings	3,986	3,986	0.0%
Cash and cash equivalent	1,097	823	33.3%
Net debt	2,890	3,163	-8.6%
Contract liabilities ⁽¹⁾	344	338	1.9%
Net working capital ⁽²⁾	(123)	(147)	-16.3%
<i>Inventories</i>	<i>2</i>	<i>12</i>	<i>-79.8%</i>
<i>Trade and other receivables ⁽³⁾</i>	<i>165</i>	<i>364</i>	<i>-54.8%</i>
<i>Due from related parties</i>	<i>176</i>	<i>144</i>	<i>22.1%</i>
<i>Due to a related party ⁽⁴⁾</i>	<i>(117)</i>	<i>(313)</i>	<i>-62.6%</i>

AED million	31 Mar 2023	31 Dec 2022	% Δ YtD
Trade and other payables	(50)	(60)	-16.7%
Contract liabilities, current portion	(299)	(294)	1.7%

(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 (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

(3) Trade and other receivables on December 31, 2022 included a one-time VAT receivable of AED 200 million, reflecting a 5% on the AED 4.0 upfront concession fee that was settled in Q1 2023

(4) Due to a related party on December 31, 2022 included a one-time payable of AED 200 million, reflecting a 5% VAT payable on the AED 4.0 billion upfront concession fee, settled in Q1 2023

Strong free cash flow of AED 325 million with a margin of 62.5% in Q1 2023

Salik's cash flow from operating activities and free cash flow each reached AED 325 million in the first quarter of 2023, thanks to the strong traffic performance. Salik did not incur any capital expenditures during the reported period and the Company's free cash flow margin reached 62.5%.

Summary of cash flow

AED million	Q1 2023	Q1 2022	% Δ YoY
Operating cash flow before changes in working capital	355	415	-14.4%
Changes in working capital	(30)	(3)	900%
Net cash flow from operating activities	325	412	-21%
Net cash used in investing activities	4	-	-
Net cash used in financing activities	(55)	(411)	-86.6%
Free cash flow ⁽¹⁾	325	411	-21%
Free cash flow margin ⁽²⁾	62.5%	84.3%	-21.8%

(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 signs lease to move to a new head office

Salik has signed a new lease agreement to relocate to a new headquarters during the fourth quarter of 2023, marking an important milestone in the evolution of Salik as it transitioned from a unit under the RTA to a standalone company. Salik's current office space has helped it grow over the years and moving to a new head office offers even more benefits, including more space for staff, improved infrastructure, and the capacity to draw top talent. A new office space provides new and modern design features and supports the mission and objectives of the company by fostering productivity and efficiency, which in turn will help the Company better serve customers and boost shareholder value.

As of January 2023, Salik has taken on several functions fully independent of the RTA, including finance, payroll, contracting and procurement. As of May 2023, Salik fully undertakes the functions of human resources in-house, after previously having these services provided by the RTA via a transitional service agreement to support Salik through its journey to becoming a standalone company.

Salik is making further progress in its efforts to promote sustainability

Salik remained committed to environmental sustainability by encouraging the use of electric vehicles and providing free Salik tags to their owners. As of March 31, 2023, the number of registered vehicles

with these tags doubled from a year earlier, and increased by 19% compared to the previous quarter, reaching 2,869 vehicles.

Salik continues to prioritize investing in its human resources and upholds its commitment to diversity and inclusivity. Between July 1, 2022, when its concession agreement with the RTA commenced, and March 31, 2023, Salik expanded its full-time workforce from 12 to 33 personnel and saw a rise in the number of nationalities represented from six to nine.

Furthermore, Salik continued to emphasize gender diversity, with females comprising 27% of the total workforce as of March 31, 2023. The company also achieved advancements in Emiratization, attaining a level of 42% by the end of the quarter.

Salik continued to offer tariff exemptions to vehicles used by charities, schools, people of determination, ambulances, and other public services. The number of free-of-charge trips made by exempted vehicles through Salik's eight toll gates increased 2.8% YoY to c. 2 million in the first quarter of 2023, at a rate of over 22,700 trips per day, on average. The increase was driven by an increase in the number of registered exempted vehicles by 9% YoY to reach 48,705 vehicles by the end of the quarter.

Business Outlook

Salik's performance during the first quarter of 2023 showed a persistent upward trend in the number of trips made through its eight toll gates. As a result, Salik reiterates its guidance of a 5-6% YoY increase in revenue-generating trips throughout 2023 and anticipates achieving an EBITDA margin towards the upper end of the previously guided 63-64% range. The Company expects to incur one-time costs in 2023 related to building fit-out and IT, professional fees, among other costs.

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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 any existing and future toll gates in Dubai.

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