

# H1 2019 Investor Presentation

August 2019



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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

Profitability maintained in a highly challenging market by improving segmental diversification



## H1 2019 vs H1 2018

### Revenue

AED **4,213** mn

(12.4)% y-o-y compared to AED 4,812 mn in H1'18

### EBIT

AED **104** mn

(42.0)% y-o-y compared to AED 179 mn in H1'18

### Net Profit<sup>1</sup>

AED **58** mn

(48.8)% y-o-y compared to AED 113 mn in H1'18

### Backlog

AED **14.0** bn

Solid pipeline of tender opportunities of AED 70 bn

Note:

1. Net profit attributable to parent

## H1 2019 Key Project Awards



**MEP for Bu Hasa Oil Project**  
(Tecnicas Reunidas)  
AED 315 million



**Construction of Navin Minar, India**  
(Raheja Developers)  
AED 219 million



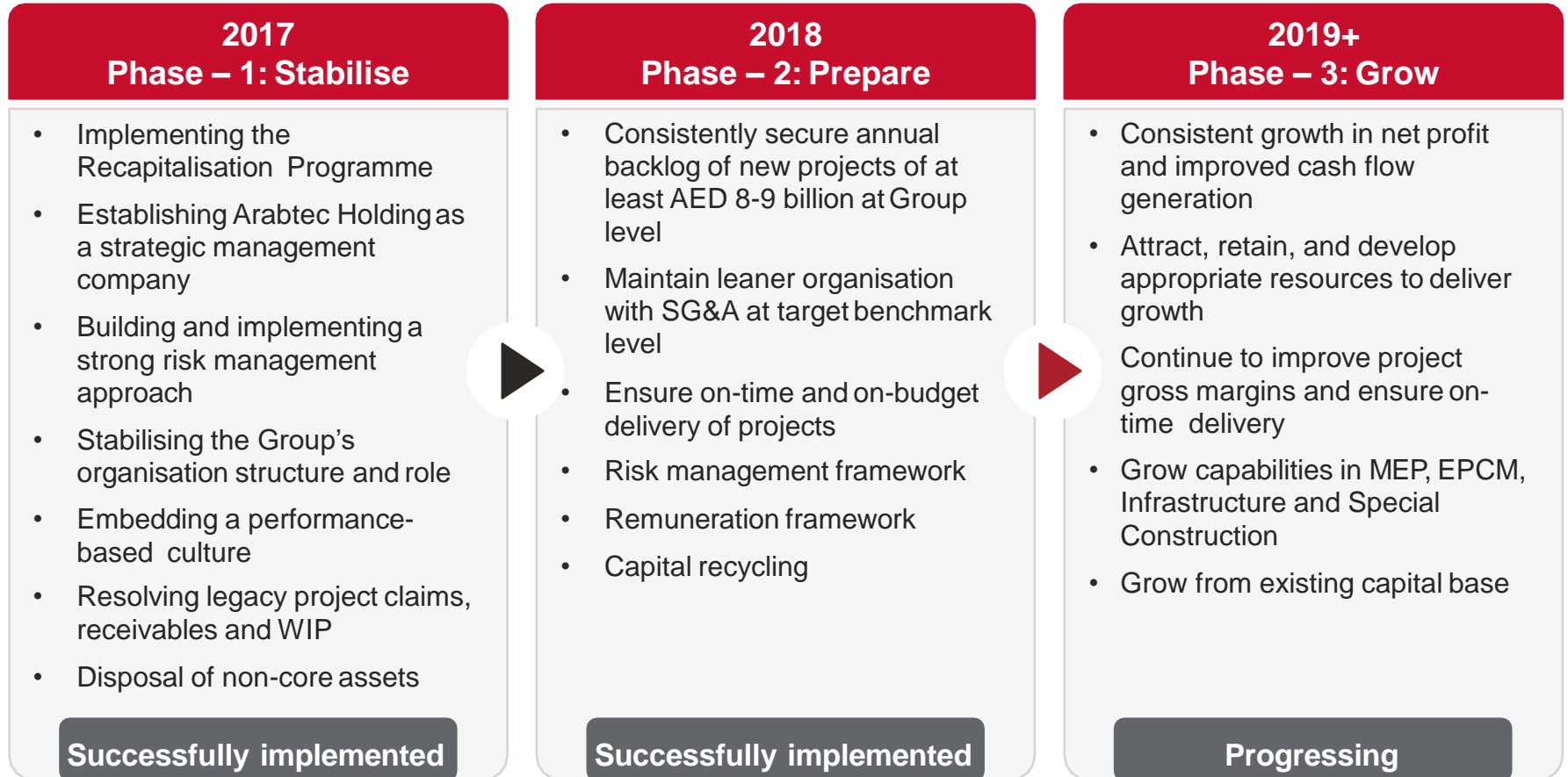
**Villas at Villanova, Dubai**  
(Dubai Properties)  
AED 207 million



**MEP for Wilton Park Residence**  
(Ellington Properties)  
AED 192 million

# Strategic Roadmap

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



# Strategic Priorities 2019

Rebasing the business through a range of initiatives



## Productivity

- Measures to increase workforce productivity
- Implement group level solution for manpower planning
- Increase internal subcontracting of workforce

## Culture

- Improve safety measure
- Improve communication across stakeholders
- Focus on increasing UAE nationals in workforce

## Efficiency

- Remove duplicated functions and activities through shared services and outsourcing
- Simplify and closely integrate the Group's operating structure
- Support international OPCOs through single support center

## Responsible Supply Chain

- Procurement of raw materials using Group's strategic procurement platform
- Develop approved supplier list by evaluating existing and new suppliers
- Improve debtor days and creditors days

## Sustainability

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

## Market and Growth

- Achieve target work winning rate
- Pursue opportunities in the infra sector
- Diversify revenue through international projects
- Develop framework & competency to offer other funding solutions for Government projects

## 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

## Governance

- Complete roll-out of Business Standards across the Group
- Roll-out of policies and procedures to support business standards
- Continue harmonisation of internal control systems
- Establish risk management processes
- Establish group-wide compliance framework
- Implement Oracle Fusion across the group

# Income Statement



Lower revenue impacted by legacy projects scheduled to complete in 2019

Income Statement Summary (AED mn)	June 2019 6 months	June 2018 6 months	Variance
Revenue	4,213	4,812	(12.4)%
EBIT	104	179	(42.0)%
Margin (%)	2.5%	3.7%	(125) bps
Net Profit for the period	49	115	(57.5)%
Margin (%)	1.2%	2.4%	(123) bps
Net Profit attributable to the owners of the parent	58	113	(48.8)%
Margin (%)	1.4%	2.3%	(98) bps

\* bps: basis points

## H1 2019

- Slowdown in new contract wins
- Completion of a number of legacy projects also impacted performance

# Balance Sheet

Total debt decreased by AED 124 mn in Q2 2019 compared to Q1 2019

Balance Sheet AED mn	June 2019	December 2018		June 2019	December 2018
<b>ASSETS</b>			<b>EQUITY AND LIABILITIES</b>		
<b>Non-current assets</b>			<b>Equity</b>		
Property, plant and equipment	559	639	Share capital	1,500	1,500
Right to Use Assets	127	-	Other reserves	(38)	(29)
Goodwill	249	249	Retained earnings	173	190
Investment properties	594	595	<b>Equity attributable to equity holders of the Parent</b>	<b>1,635</b>	<b>1,661</b>
Trade and other receivables	372	537	Non-controlling interests	(274)	(258)
Adv. paid to suppliers & subcontractors	92	280	<b>Total equity</b>	<b>1,360</b>	<b>1,402</b>
Investment in associates	202	209	<b>Non-current liabilities</b>		
Other non-current assets	36	39	Bank borrowings	624	560
<b>Total non-current assets</b>	<b>2,231</b>	<b>2,548</b>	Other non-current Liabilities	307	216
			Retention payable	448	361
<b>Current assets</b>			<b>Total non-current liabilities</b>	<b>1,379</b>	<b>1,137</b>
Inventories	138	131	<b>Current liabilities</b>		
Trade and other receivables	2,465	2,396	Bank borrowings	1,060	1,497
Due from customers on construction contracts	2,727	2,642	Trade and other payables	4,673	4,675
Adv. paid to suppliers & subcontractors	964	978	Due to customers on construction contracts	40	66
Other financial assets	156	206	Adv. received from customers for contract work	1,434	1,757
Due from related parties	573	576	Due to related parties	498	487
Other current assets	291	289	Other current liabilities	19	13
Cash and bank balances	919	1,270	<b>Total current liabilities</b>	<b>7,725</b>	<b>8,496</b>
<b>Total current assets</b>	<b>8,234</b>	<b>8,487</b>	<b>Total liabilities</b>	<b>9,104</b>	<b>9,633</b>
<b>Total Assets</b>	<b>10,465</b>	<b>11,035</b>	<b>Total Equities and Liabilities</b>	<b>10,465</b>	<b>11,035</b>

- Total debt reduction of AED 373 mn in H1 2019
- Total debt to equity ratio improved from 1.1x in Q1 2019 to 1.0x in Q2 2019
- Net debt to equity ratio improved from 0.58x in Q1 2019 to 0.56x in Q2 2019
- Current ratio improves from 1.00x in Q4 2018 to 1.07x in Q2 2019 as balance sheet strengthens

# Receivables Analysis

Continued emphasis on cash collection and optimizing of payment cycles

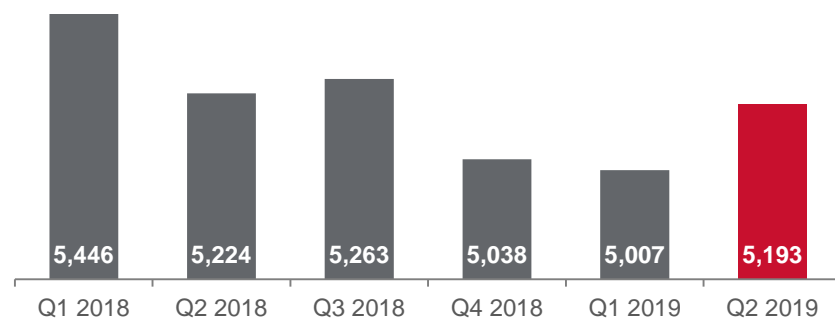


Current Receivables (AED mn)	Q1 2018 31 Mar	Q2 2018 30 Jun	Q3 2018 30 Sep	Q4 2018 31 Dec	Q1 2019 31 Mar	Q2 2019 30 Jun	Change (vs Q1 2019)
Contract receivables <sup>(1)</sup>	1,869	1,822	1,762	1,831	1,710	1,887	177
Amounts due from customers for contractwork <sup>(2)</sup>	3,199	2,969	3,058	2,642	2,775	2,727	(48)
Trade and other receivables	55	50	51	55	98	192	94
Provision for doubtful debts	(377)	(371)	(338)	(334)	(418)	(425)	(7)
<b>Total (excluding retentions)</b>	<b>4,745</b>	<b>4,471</b>	<b>4,532</b>	<b>4,194</b>	<b>4,165</b>	<b>4,381</b>	<b>216</b>
Retentions receivable	701	753	731	844	843	812	(31)
<b>Trade &amp; other receivables - Current</b>	<b>5,446</b>	<b>5,223</b>	<b>5,263</b>	<b>5,038</b>	<b>5,007</b>	<b>5,193</b>	<b>186</b>
<b>Advances paid to suppliers &amp; sub contractors</b>	<b>1,284</b>	<b>1,022</b>	<b>1,057</b>	<b>978</b>	<b>1,090</b>	<b>964</b>	<b>(126)</b>

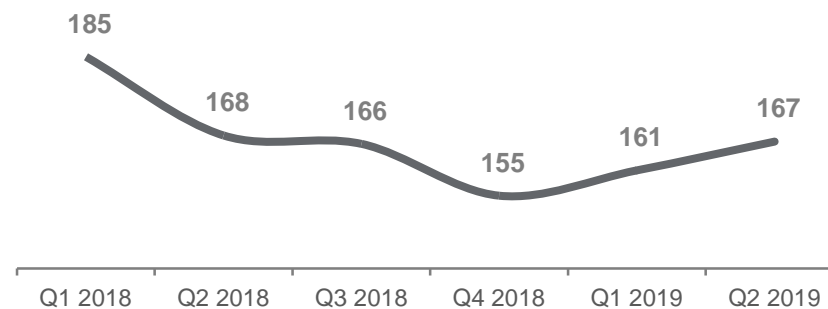
Notes:

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

## Current Receivables (AED mn)



## Debtor Days\*



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



# Cashflow Statement

Efficient working capital management driving improvement in cashflow generation



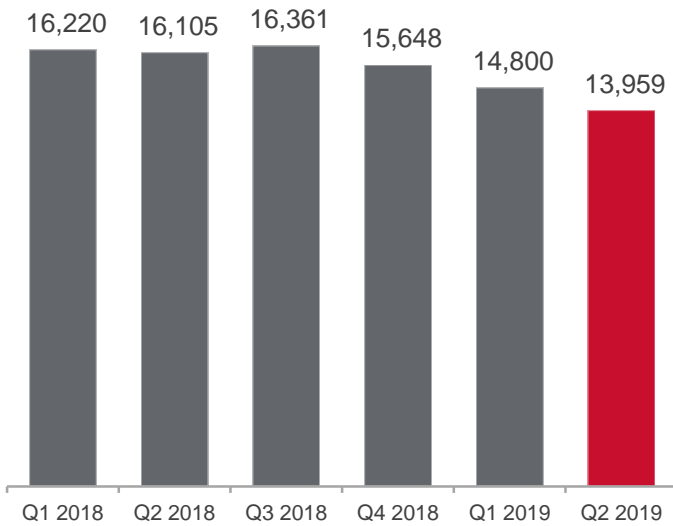
<b>Cash Flow Statement Summary</b> (AED mn)	<b>June 2019</b> 6 months	<b>June 2018</b> 6 months	<b>Variance</b>
Cash flow from operations before working capital changes	162	260	(98)
Change in working capital	(82)	(217)	136
Others	(22)	(34)	12
<b>Cash from (used in) operating activities</b>	<b>59</b>	<b>8</b>	<b>50</b>
<b>Cash from (used in) investing activities</b>	<b>115</b>	<b>(19)</b>	<b>133</b>
<b>Cash from (used in) financing activities</b>	<b>(367)</b>	<b>(252)</b>	<b>(115)</b>
<b>Net decrease in cash</b>	<b>(194)</b>	<b>(262)</b>	<b>69</b>
Cash at the beginning of the period	875	501	374
Net foreign exchange difference	(14)	(6)	(8)
<b>Cash at the end of the period</b>	<b>667</b>	<b>232</b>	<b>435</b>

- Cash utilization for working capital substantially reduced

# Backlog

Strong backlog supported by high profile project wins

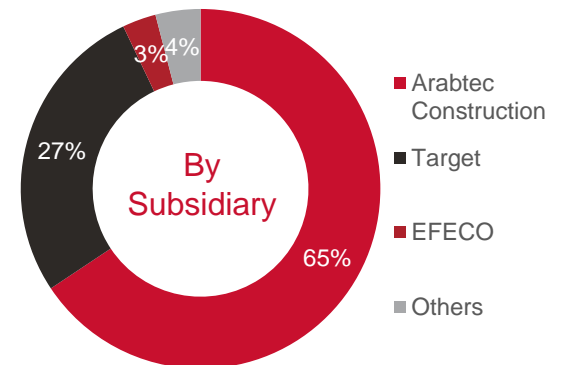
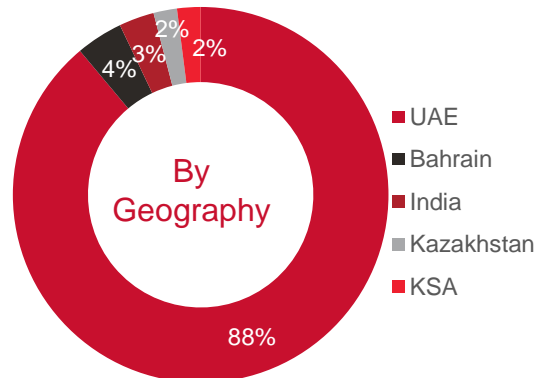
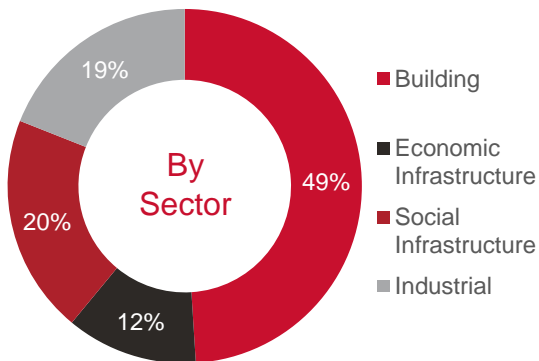
## Backlog (AED mn)



## Major Wins\* (YTD 2019)

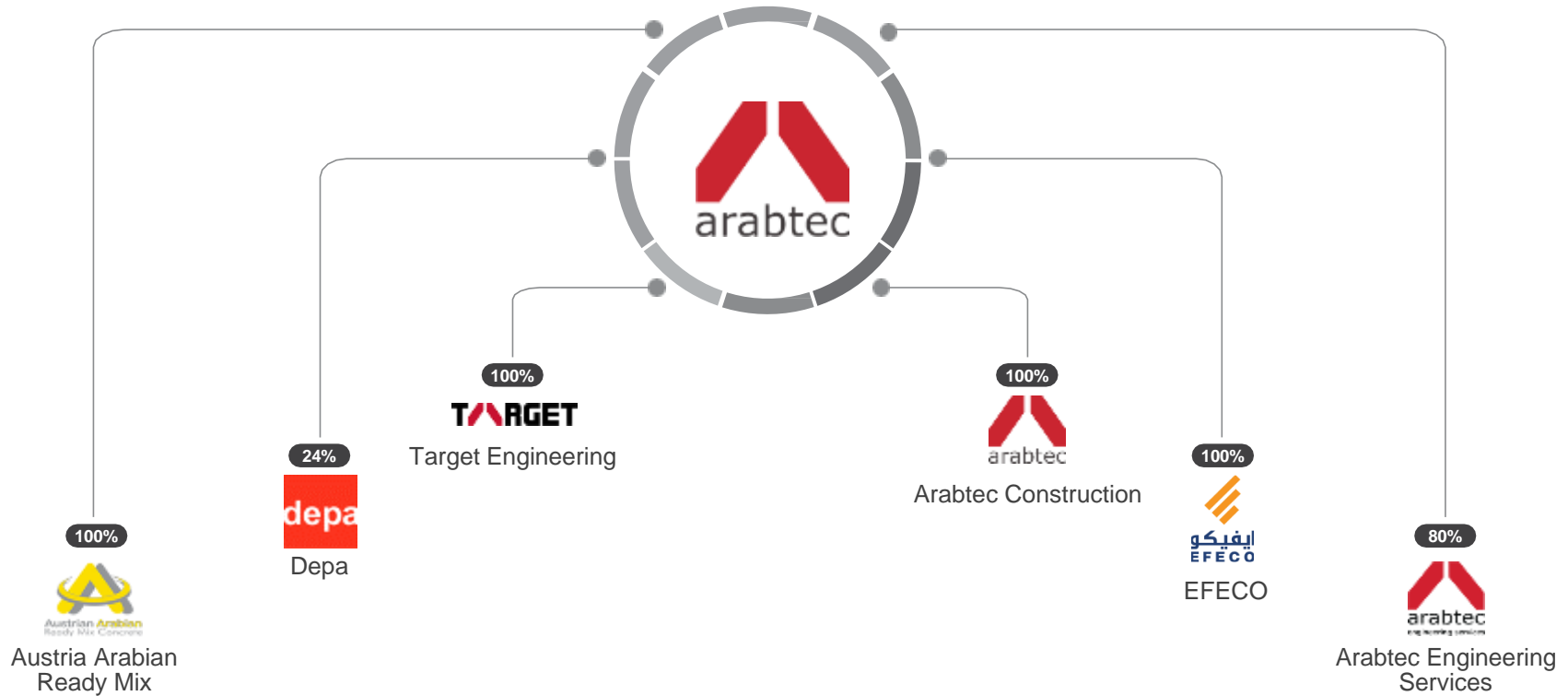
Major Wins	Subsidiary	Value (AED mn)	Client	Description
Bu-Hasa Integrated Field Development	Target	315	Tecnicas Reunidas	General construction and expansion of the existing Bu Hasa oil pad hubs, the gas lift phase II and the produced water re-injection phase I and II.
Wilton Park Residence project	Target	192	Ellington Properties	construction, MEP, landscaping and irrigation works for the 12 storey residential twin towers in Al Merkadh, Dubai.
Navin Minar development	ATC	219	Raheja Developers	Construction of 42 storey residential tower with 4 basements and landscaping, utilities, swimming pools, community facilities and 15 community housing towers in India.
Amaranta project in Villanova	ATC	207	Dubai Properties	Construction of 322 villas in its Amaranta project in Villanova, Dubai.
Public Realm Space in C38 District	ATC	169	Expo Dubai 2020 LLC	Construction of 29,000 m2of public spaces including a 5,000 m2 iconic water feature, restaurants and utilities with associated landscaping and water feature elements.

\* Excludes variations and contract wins less than AED 100 mn



# Integrated Capabilities

Delivering a competitive advantage to the group



## Core Competencies



Economic Infrastructure



Residential



Hospitality



Social Infrastructure



Commercial



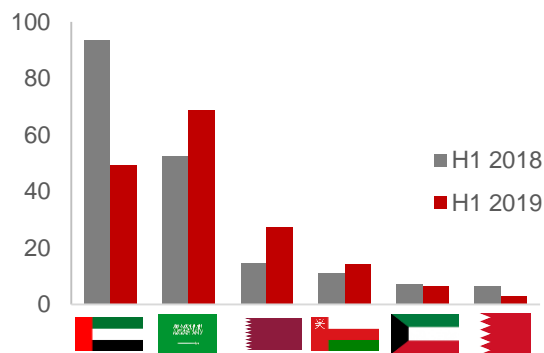
Industrial

# Market Outlook

The UAE construction market is estimated to grow at 4.2% CAGR (2019-24)

## MENA Contract Awards

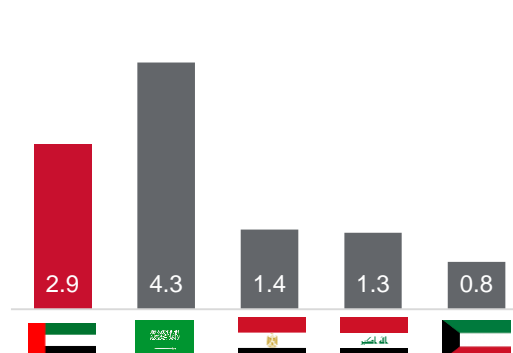
(H1 2019, AED Bn)\*



\* Fx rate used \$1 = AED 3.67

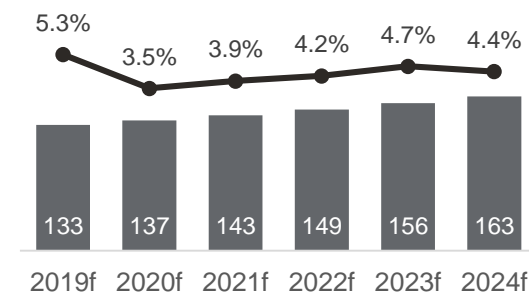
## MENA Planned and Unawarded

(AED Bn)\*



## UAE Contract Awards

(AED Bn)



- Contract awards dropped by more than 45% in UAE to AED 50 mn in the first half of 2019 compared to the first half of 2018.
- Geographically, Saudi Arabia, the UAE and Egypt offer markets with the most potential for growth. Iraq presents potential for growth, but also a significant degree of risk.
- Government-backed investment in downstream industrial clusters around steel, aluminum and petrochemicals is expected to continue.
- The energy sector will see a huge investment drive** over the coming years as governments seek to develop upstream oil and gas production capacity, and higher-value petrochemicals and refined oil products.
- Demand for power will continue to grow** as governments push ahead with industrial diversification programs, with increasing levels of renewable energy capacity to be installed.

- In H1 2019 UAE contracts declined by AED 44 bn to AED 50 bn compared to H1 2018
- The UAE construction market is estimated at AED 133 bn in 2019 and expected to grow at a CAGR of 4.2% over the coming 5 years
- Key opportunities for UAE includes:
  - The UAE is becoming a hub for renewables and green technologies, with Masdar spearheading new ventures.
  - The UAE is one of the best-insulated markets when it comes to government-financed infrastructure in a lower oil price environment.
  - Dubai's public-private partnership law passed in 2015 should gradually stimulate greater private sector involvement in its construction market.



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