

Arabian Centres Company Releases Results for the Second Quarter Ended 30 September 2019

(Riyadh, 27 October 2019) Arabian Centres Company (“ACC” or the “Company”), the leading owner, developer and operator of lifestyle shopping centres in Saudi Arabia, announces its financial results for the second quarter ended 30 September 2019 (Q2-FY20), reporting a net profit of SAR 208.2 million on total revenues of SAR 559.1 million. On a year-to-date (YTD) basis, ACC booked a net profit of SAR 435.1 million on a top line of 1,131.6 million for the first half ended 30 September 2019 (H1-FY20).

| Summary Income Statement (SAR Mn) | Q2-FY20 IFRS | Q2-FY19 IFRS | % Change | H1-FY20 IFRS | H1-FY19 IFRS | % Change |
|---|-----------------|-----------------|----------------|-----------------|-----------------|----------------|
| Total Revenue | 559.1 | 531.6 | 5.2% | 1,131.6 | 1,089.9 | 3.8% |
| Gross Profit | 366.3 | 326.9 | 12.1% | 759.1 | 682.8 | 11.2% |
| <i>Gross Profit Margin</i> | 65.5% | 61.5% | 4.0 pts | 67.1% | 62.6% | 4.5 pts |
| Net Profit | 208.2 | 191.9 | 8.5% | 435.1 | 272.9 | 59.5% |
| <i>Net Profit Margin</i> | 37.2% | 36.1% | 1.1 pts | 38.5% | 25.0% | 13.4 pts |
| Key Profitability Metrics | | | | | | |
| EBITDA | 426.7 | 346.3 | 23.2% | 872.3 | 712.1 | 22.5% |
| <i>EBITDA Margin</i> | 76.3% | 65.1% | 11.2 pts | 77.1% | 65.3% | 11.7 pts |
| EBITDAR¹ | 426.7 | 400.4 | 6.6% | 872.3 | 832.2 | 4.8% |
| <i>EBITDAR Margin</i> | 76.3% | 75.3% | 1.0 pts | 77.1% | 76.4% | 0.7 pts |
| FFO² | 283.0 | 265.5 | 6.6% | 583.1 | 414.7 | 40.6% |
| <i>FFO margin</i> | 50.6% | 50.0% | 0.6 pts | 51.5% | 38.0% | 13.5 pts |
| Key Operational Metrics | | | | | | |
| Total GLA (Mn sqm) | 1.202 | 1.074 | 11.9% | 1.202 | 1.074 | 11.9% |
| Period-End Occupancy Rate LFL (across 19 malls only) | 93.2% | 92.3% | 0.9 pts | 93.2% | 92.3% | 0.9 pts |
| Average Footfall (Mn) | 28.3 | 26.7 | 6.0% | 59.7 | 56.8 | 5.1% |

Financial Highlights

- **Total revenue growth of 5.2% y-o-y in Q2-FY20, with like-for-like (LFL) growth reaching 4.2% y-o-y.** Top-line expansion driven by management’s yield optimization strategy, higher occupancy rates as well as growth across auxiliary segments. On a YTD basis, H1-FY20 saw total revenue growth and LFL growth of 3.8% y-o-y and 3.4% y-o-y, respectively to record SAR 1,131.6 million.
- **Gross profit recorded SAR 366.3 million for Q2-FY20, up by 12.1% y-o-y** and yielding a 4-point expansion in the **gross profit margin (GPM)** to 65.5%. Improved gross profitability came as efficient cost-control measures saw ACC make significant savings on cleaning and security expenses. Gross profit was up by 11.2% y-o-y to SAR 759.1 million in H1-FY20, yielding an improved GPM of 67.1% - an increase of 4.5 points.
- **EBITDA expansion of 23.2% y-o-y in Q2-FY20** and 11.2-point climb in EBITDA margin to 76.3% on the back of enhanced gross profitability following the adoption of IFRS 16 as well as successful cost control measures. EBITDA rose by 22.5% y-o-y on a YTD basis, recording a similarly enhanced margin of 77.1% for H1-FY20.
- **EBITDAR¹ growth of 6.6% y-o-y** and EBITDAR margin up to 76.3% in Q2-FY20. EBITDAR climbed 4.8% y-o-y in H1-FY20, with the margin standing at 77.1%.

¹ Earnings before interest, taxes, depreciation, amortisation and rent. EBITDAR is a measure of profitability which normalizes for the effects of the adoption of IFRS16 and the consequent recognition of a depreciation expense on right-of-use assets as opposed to a rent expense.

² Fund from operations: net profit for the year plus depreciation of investment properties and PP&E minus write-off of investment properties, if applicable.

- **Net profit up by 8.5% y-o-y in Q2-FY20** on an expanding top line, with Net Profit Margin (NPM) rising to 37.2%. On a YTD basis, ACC recorded net profit growth of 59.5% y-o-y, reflecting reduced financial charges due to one-time transaction costs recorded in Q1-FY19, while the NPM climbed by 13.4 percentage points to 38.5% in H1-FY20.
- **Funds from operations (FFO)³ up 6.6% y-o-y to SAR 283.0 million** in Q2-FY20, with FFO margin expanding to 50.6% from 50.0%. FFO grew 40.6% y-o-y to record SAR 583.1 million on a YTD basis, yielding a FFO margin of 51.5% in H1-FY20 against 38.0% in H1-FY19.
- **Total CAPEX outlays** on malls in the pipeline during Q2-FY20 and H1-FY20 reached SAR 20 million and SAR 100 million, respectively.
- **Net debt at SAR 5,719.3 million as at H1-FY20 (30 September 2019) versus SAR 6,283.0 million as at FY19 (31 March 2019).**

Operational Highlights

- **ACC's portfolio now stands at 21 malls** with the launch of U-Walk Riyadh and Nakheel Dammam during Q2-FY20, which added 118,000 in new Gross Leasable Area (GLA), **bringing total GLA to 1.2 million sqm**, up 12% y-o-y. Pre-letting rates at U-Walk Riyadh and Nakheel Dammam reached 96% and 76%, respectively in H1-FY20.
- **ACC's like-for-like period-end occupancy rate** (across 19 malls only) increased to 93.2% in H1-FY20 versus 92.3% in H1-FY19.
- **Approximately 59.7 million visitors during H1-FY20**, up from 56.8 million for H1-FY19 as ACC's malls continue to enjoy a leading market position.
- **Continued leasing strength** with 1,325 leases renewed during H1-FY20.

Commenting on the period's results, ACC's Chief Executive Officer, Mr. Olivier Nougrou said: "Halfway through FY-2020, ACC's targeted growth strategy continues to show results as management utilizes several means for unlocking maximum value from the Company's operating portfolio. ACC saw its top line climb at a healthy 3.8% year-on-year during the first half ended 30 September 2019, with LFL growth recording 3.4%. Our performance was driven by management's yield and space optimization strategies, as well as improving LFL occupancy rates, and supported by an improving macroeconomic environment. Profitability continues to exhibit a healthy and encouraging trend, with gross and EBITDA margins remaining strong even after normalizing for the IFRS 16 effect."

"Looking forward to the second half of FY20, we expect the Company's continued expansion of its portfolio to further solidify ACC's commanding market position. During the second quarter of the fiscal year, we inaugurated two new malls ahead of schedule, U-Walk Riyadh and Nakheel Mall Dammam. Besides deepening our exposure to the Kingdom's key urban geographies, the additions took our portfolio's GLA to approximately 1.2 million square metres. As we continue to invest in ACC's near and medium-term project pipeline, we are also exploring multiple avenues to provide differentiated and integrated lifestyle offerings. Having launched our first cinema theatre in August, we have reached an agreement with our partners at Muvi to open multiplexes at further ACC locations, including U-Walk. Being fully committed to the Kingdom's efforts to promote cultural and entertainment activities under Vision 2030, we will work to leverage this support in our efforts to generate increasing footfall and ensure sustainable growth."

Financial and operational review of ACC's Q2-FY20 results follows. Complete financials are available for download on ir.arabiancentres.com.

³ Fund from operations: net profit for the year plus depreciation of investment properties and PP&E minus write-off of investment properties, if applicable.

About Arabian Centres Company

Arabian Centres is the leading owner, operator and developer of contemporary lifestyle centres in Saudi Arabia. For over a decade, the Company has provided customers with a complete range of high-quality lifestyle centres up to international standards, located in the most attractive areas of the country to satisfy all shopping needs and market requirements. As of 30 September 2019, Arabian Centres operates a portfolio of 21 assets strategically located in 10 major Saudi cities. The Company's developments include several iconic lifestyle centres, such as Mall of Arabia Jeddah, Mall of Dhahran, and Nakheel Mall Riyadh – which was recognized at the Arab Luxury World Forum in 2017 as being consumers' favourite shopping mall in Riyadh. The Company's lifestyle centres have more than 4,100 stores and hosted 109 million visitors in FY2019. For more information about Arabian Centres Company, please visit www.arabiancentres.com

Contact

Investor Relations Department

Email: ir@arabiancentres.com

Tel: +966-11-825-2080

Analyst Call and Investor Presentation

ACC will host an analyst call on the Company's first half-year results on 28 October 2019 at 15:30 KSA. For conference call details, please email

ir@arabiancentres.com. The Company's full Investor Presentation is available for download at ir.arabiancentres.com

Forward-Looking Statements

The information, statements and opinions contained in this Presentation do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments. Information in this Presentation relating to the price at which investments have been bought or sold in the past, or the yield on such investments, cannot be relied upon as a guide to the future performance of such investments.

This Presentation contains forward-looking statements. Such forward-looking statements contain known and unknown risks, uncertainties and other important factors, which may cause actual results, performance or achievements of Arabian Centres Company (the "Company") to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

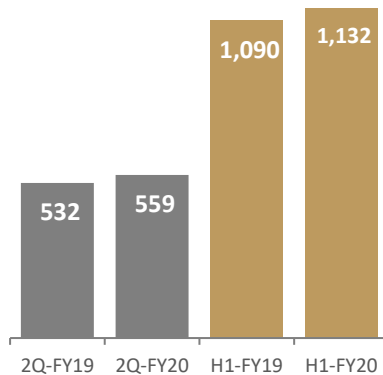
None of the future projections, expectations, estimates or prospects in this Presentation should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects are based are accurate or exhaustive or, in the case of the assumptions, entirely covered in the Presentation. These forward-looking statements speak only as of the date they are made and, subject to compliance with applicable law and regulation, the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in the Presentation to reflect actual results, changes in assumptions or changes in factors affecting those statements.

The information and opinions contained in this Presentation are provided as of the date of the Presentation, are based on general information gathered at such date and are subject to changes without notice. The Company relies on information obtained from sources believed to be reliable but does not guarantee its accuracy or completeness. Subject to compliance with applicable law and regulation, neither the Company, nor any of its respective agents, employees or advisers intends or has any duty or obligation to provide the recipient with access to any additional information, to amend, update or revise this Presentation or any information contained in the Presentation.

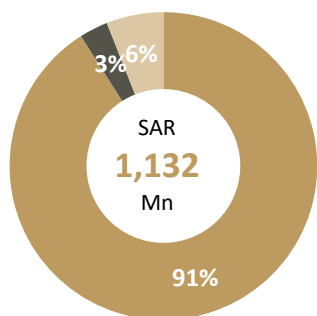
Certain financial information contained in this presentation has been extracted from the Company's unaudited management accounts and financial statements. The areas in which management accounts might differ from International Financial Reporting Standards and/or U.S. generally accepted accounting principles could be significant and you should consult your own professional advisors and/or conduct your own due diligence for complete and detailed understanding of such differences and any implications they might have on the relevant financial information contained in this presentation. Some numerical figures included in this Presentation have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables might not be an arithmetic aggregation of the figures that preceded them.

Total Revenue

(SAR Mn)



Revenue by Type (H1-FY20)



- Net Rental Revenue
- Media Sales
- Utilities & Other Revenue

Financial & Operational Review

Revenues

Total revenue for Q2-FY20 came in at SAR 559.1 million, up 5.2% from the SAR 531.6 million booked in Q2-FY19 and delivering LFL growth of 4.2% y-o-y. Net rental revenue climbed 3.4% y-o-y during the period, booking SAR 501.7 million in Q2-FY20. Meanwhile, media sales rose by 5.7% y-o-y to reach SAR 17.7 million, while utilities and other revenue grew at a rapid 33.5% y-o-y to book SAR 39.8 million for Q2-FY20. At 90%, net rental revenue continued to claim the largest share of total revenues, followed by utilities and other revenue and media sales at 7% and 3%, respectively in Q2-FY20. Net rental revenue accounted for c.60% of revenue growth in Q2-FY20, with utilities and other revenue generating 36% and media sales accounting for the remainder.

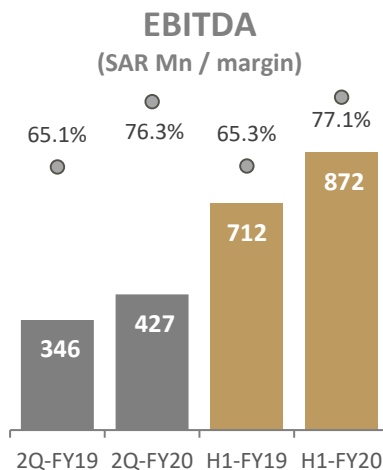
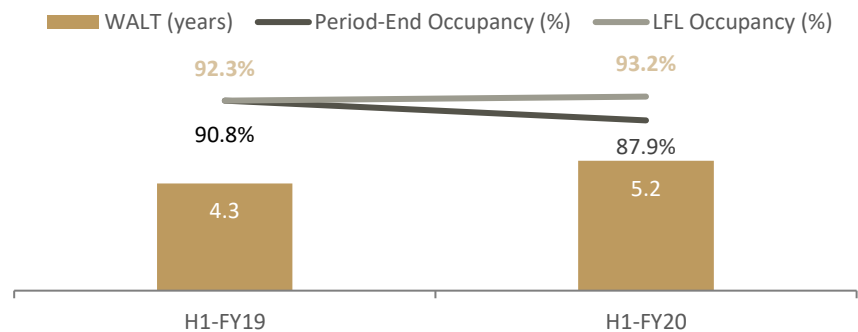
On a YTD basis, ACC recorded revenues of SAR 1,131.6 million in H1-FY20, up 3.8% from the SAR 1,089.9 million booked in H1-FY19, with an LFL growth rate of 3.4% y-o-y. Net rental revenue contributed the largest share to total revenue at 91%, recording a 3.6% y-o-y increase to SAR 1,025.0 million in H1-FY20. Revenue from media sales grew 23.1% y-o-y to SAR 37.0 million and contributed 3% to total revenue. Finally, revenue from utilities and other revenue declined at a slight 0.9% y-o-y to SAR 69.7 million and saw its contribution remain at 6% in H1-FY20.

ACC continued to benefit from space and yield optimization measures during the period. Improved discount policies delivered a weighted average discount rate across internal and external tenants of 5.1% (SAR 55.8 million) in H1-FY20, down from 7.1% (SAR 81.1 million) in H1-FY19. The decline in weighted average discount rate comes despite the typical seasonality in the leasing cycle during Q2 of the fiscal year, where leasing activity increases and more discounts are offered to secure renewals.

Like-for-like period-end occupancy rates (across 19 malls only) came in at 93.2% as of H1-FY20, up from 92.3% recorded in H1-FY19. Meanwhile, an additional 118,000 sqm GLA came online in Q2-FY20 following the inauguration of U-Walk Riyadh and Nakheel Mall Dammam. The two new malls are currently undergoing a ramp-up phase in leasing and reached a pre-letting rates of 96% and 76%, respectively in H1-FY20. For more details, please see the Company's [Investor Presentation](#).

ACC saw continued strength on the leasing front, with 1,325 renewed contracts during H1-FY20. The Company's leasing spread remained positive during the quarter, while c.86.6% of leases expiring in calendar year 2019 have already been renewed as at 30 September 2019. ACC recorded a Weighted Average Lease Term (WALT) of 5.2 for H1-FY20, up from 4.3 in H1-FY19.

Occupancy Rates vs. WALT



EBITDA

EBITDA for Q2-FY20 recorded SAR 426.7 million, an increase of 23.2% y-o-y yielding an 11.2 percentage-point expansion in the EBITDA margin to 76.3%. ACC continues to enjoy enhanced profitability due to cost-optimization measures, including an improvement in the terms of third-party contracts for services such as cleaning. Moreover, successful efforts at energy efficiency have seen the Company decrease its utility expenses by 6.3% in Q2-FY20.

Meanwhile, profitability has been further enhanced by the adoption of IFRS 16 during the previous quarter. ACC now recognizes a depreciation expense on right-of-use assets amounting to SAR 39.1 million and interest expense on lease liabilities amounting to SAR 26.9 million in Q2-FY20. Normalizing for the effects of IFRS 16, ACC recorded an EBITDAR of SAR 426.7 million in Q2-FY20, up by 6.6% y-o-y, and an improved EBITDAR margin of 76.3%.

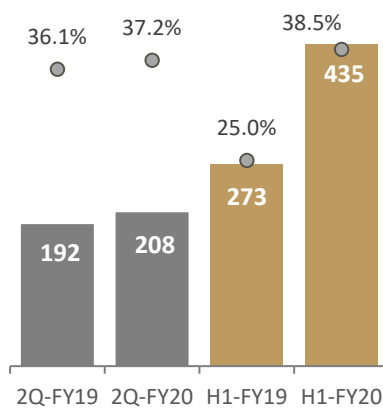
On a YTD basis, ACC booked an EBITDA of SAR 872.3 million in H1-FY20, an increase of 22.5% y-o-y. ACC's EBITDA margin climbed by 11.7 percentage points y-o-y to reach 77.1% in H1-FY20. Meanwhile, ACC's EBITDAR recorded SAR 872.3 million in H1-FY20, up by 4.8% compared with SAR 832.3 million in H1-FY19.

Depreciation Expense

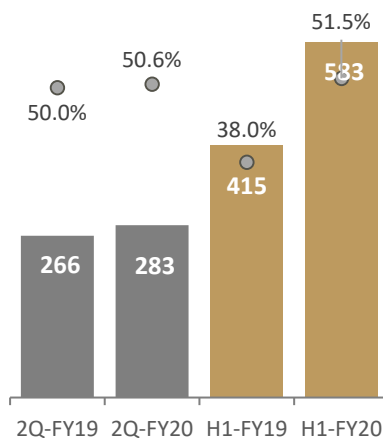
Depreciation of investment properties came in at SAR 67.2 million in Q2-FY20, up 2.6% y-o-y as the Company booked major investment properties during the quarter with the inauguration of U-Walk and Nakheel Mall Dammam. ACC booked a further SAR 39.1 million in depreciation of right-of-use assets. Total depreciation expense stood at SAR 106.2 million in Q2-FY20.

YTD, ACC recorded depreciation of investment properties amounting to SAR 132.0 million, up 5.0% from H1-FY19, with depreciation of right-of-use assets recording SAR 77.0 million. ACC booked a total depreciation expense of SAR 208.9 million for H1-FY20.

Net Profit
(SAR Mn / margin)



FFO
(SAR Mn / margin)



Finance Charges

ACC booked finance charges of SAR 67.6 million in Q2-FY20, down 10.6% against SAR 75.6 million in Q2-FY19. On a YTD basis, ACC's finance charges for H1-FY20 recorded SAR 141.5 million, a decline of 50.6% y-o-y from the SAR 286.4 million in H1-FY19. This decrease reflects one-time transaction costs amounting to SAR 125.2 million recorded in H1-FY19 related to the refinancing of ACC's debt facility. ACC had secured a new SAR 7.2 billion debt refinancing facility in April 2018 to optimize its capital structure and finance the Company's expansion costs. As at 30 September 2019, ACC recorded a total debt balance of SAR 6.1 billion, down from SAR 6.7 billion as at 31 March 2019 and SAR 6.6 billion as at 30 September 2018.

Net Profit

ACC booked a net profit of SAR 208.2 million for Q2-FY20, an increase of 8.5% y-o-y, while the net profit margin rose by 1.1 percentage points to record 37.2% for Q2-FY20. Improved bottom-line profitability reflects growing revenues, stronger gross profit and a reduction in finance charges.

H1-FY20 saw ACC record a net profit of SAR 435.1 million, up 59.5% from the figure booked in H1-FY19. ACC's net profit margin climbed 13.4 percentage points during the period to record 38.5%. The strong improvement in bottom-line profitability in the YTD is similarly attributable to higher revenues, improved gross profitability and a significant decline in finance charges.

FFO

FFO was up 6.6% y-o-y to SAR 283.0 million in Q2-FY20, while the FFO margin booked 50.6%, up from the 50.0% recorded in Q2-FY19. On a YTD basis, FFO rose 40.6% y-o-y to reach SAR 533.1 million, yielding a 13.5-point expansion in the FFO margin to 51.5% for H1-FY20.

Operating & Pipeline Assets

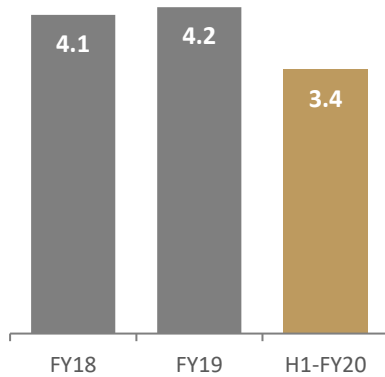
ACC's book value of total investment properties, representing its investment in 21 operating mall developments, was SAR 11,172.1 million as of 30 September 2019 compared to SAR 10,983.8 million at the close of FY19 ended at 31 March 2019. Advances paid to contractors, representing the Company's projects under construction, stands at SAR 603.9 million as of 30 September 2019, stable at their level as of 31 March 2019.

Total CAPEX outlays on new developments booked SAR 20 million in Q2-FY20. This expenditure has primarily been allocated to projects in ACC's near-term pipeline. These projects have been allocated a total estimated budget of SAR 1.8 billion, of which SAR 200 million remain to be budgeted for FY20. Having inaugurated U-Walk Riyadh and Nakheel Mall Dammam in Q2-FY20, bringing online an additional 118 thousand sqm in GLA, ACC's near-term pipeline now includes two new malls (Khaleej Mall and Jeddah Park) and an extension to its existing Nakheel Mall Riyadh. These developments are projected to add c.197

thousand sqm in new GLA by April 2020, of which c.129 thousand sqm relate to Jeddah Park, a key pillar of ACC's near-term pipeline

ACC continues to make progress with its medium-term project pipeline, which includes five additional developments that will add c.358 thousand sqm of GLA. ACC's medium-term pipeline is scheduled for completion by 2024 and carries a total development cost of SAR 6.6 billion, including land costs for Mall of Arabia Riyadh and Jawharat Jeddah, of which 3.4 billion were incurred as of H1-FY2020.

Net Debt / EBITDA

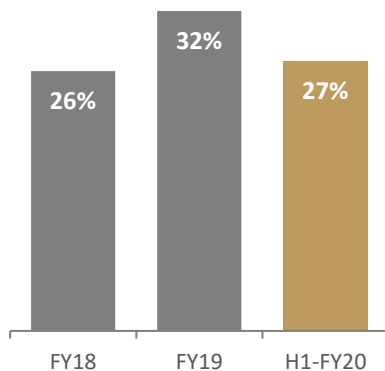


Net Debt

ACC's total interest-bearing debt reached SAR 6,142.1 million as of 30 September 2019, including a CPLTD⁴ of SAR 543.9 million, compared to SAR 6,741.0 million as of 31 March 2019. Lower balances reflect ACC's accelerated repayment schedule for its SAR 7.2 billion facility, which matures in 2029 but is expected to be settled one year ahead of schedule.

The Company has settled SAR 997 million up to H1-FY20, including SAR 500 million paid from IPO proceeds, as per the facility's instalment schedule. ACC's Loan-to-Value ratio was 27% as of 30 September 2019 compared to 32% as of 31 March 2019. Cash and Bank Balances stood at SAR 422.9 million as of 30 September 2019 against SAR 457.7 million as of 31 March 2019.

Loan to Value



Net debt recorded SAR 5,719.3 million in H1-FY20, down from SAR 6,283.4 million at the close of FY19. Meanwhile, ACC's proforma annualized net debt to EBITDA ratio registered c.3.3x versus 4.2X at end-FY19.

Equity

ACC's total shareholders' equity stood at SAR 6,200.6 million as of 30 September 2019 compared to SAR 5,064.8 as of 31 March 2019.

⁴ Current portion of long-term debt

Recent Corporate Developments

Establishment of Corporate Governance Committee (CGC)

The second quarter of Q2-FY2020 saw the Board of Directors establish a Corporate Governance Committee to act as the main resource on governance for the Board. Comprised of three Members, the Corporate Governance Committee will support the Board in the development and adoption of global best practice in governance standards and frameworks. The Committee will prepare regular reports for the Board of Directors with the aim of monitoring the effectiveness of the Board's operations, performance and governance policies.

Appointment of Two New Officers to Senior Management

- **Mohamed Balbaa – Chief Leasing Officer (CLO):** Mr. Balbaa brings more than 22 years of experience amongst diverse property markets in several regions, overseeing developments ranging from super-regional to community shopping centres. He was previously Senior Director of Leasing for New Developments at Majid Al Futtaim Properties, responsible for maximizing overall leasing revenue from new developments and ensuring the implementation of best practices as defined by the Shopping Mall business unit.
- **Jamil Karmoul – Chief Operation Officer (COO):** Mr. Karmoul enjoys more than 20 years of experience in strategic planning and the management of daily operational processes. Mr. Karmoul was previously Chief Operating Officer at Arabian Centres Company, responsible for leading operations, sales and marketing, financial management, and planning processes across all business units. He has also served as Chief Development and Operation Officer at Fawaz Al-Hokair Fashion Retail and several other brands, including Arab Food Catering Company – Pizza Hut.

–Ends–