المراكز العربية
Arabian Centres

**Q3-FY2020 EARNINGS RELEASE**
Riyadh | 5 February 2020

# Arabian Centres Company Releases Results for the Third Quarter Ended 31 December 2019

**(Riyadh, 5 February 2020)** 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 third quarter ended 31 December 2019 (Q3-FY20), reporting a net profit of SAR 110.6 million on total revenues of SAR 557.5 million. On a year-to-date (YTD) basis, ACC booked a net profit of SAR 545.8 million on a top line of SAR 1,689.2 million for the nine-month period ended 31 December 2019 (9M-FY20).

| Summary Income Statement (SAR Mn) | Q3-FY20 IFRS | Q3-FY19 IFRS | % Change | 9M-FY20 IFRS | 9M-FY19 IFRS | % Change |
|---|---|---|---|---|---|---|
| **Total Revenue** | **557.5** | **530.1** | ***5.2%*** | **1,689.2** | **1,620.0** | ***4.3%*** |
| **Gross Profit** | **361.7** | **340.5** | ***6.2%*** | **1,120.8** | **1,023.3** | ***9.5%*** |
| *Gross Profit Margin* | *64.9%* | *64.2%* | *0.7 pts* | *66.4%* | *63.2%* | *3.2 pts* |
| **Net Profit** | **110.6** | **275.8** | ***-59.9%*** | **545.8** | **548.7** | ***-0.5%*** |
| *Net Profit Margin* | *19.8%* | *52.0%* | *-32.2 pts* | *32.3%* | *33.9%* | *-1.6 pts* |
| **Key Profitability Metrics** | | | | | | |
| **EBITDA** | **418.0** | **352.2** | ***18.7%*** | **1,290.2** | **1,064.3** | ***21.2%*** |
| *EBITDA Margin* | *75.0%* | *66.4%* | *8.5 pts* | *76.4%* | *65.7%* | *10.7 pts* |
| **EBITDAR**[1] | **418.0** | **406.5** | ***2.8%*** | **1,290.2** | **1,238.9** | ***4.1%*** |
| *EBITDAR Margin* | *75.0%* | *76.7%* | *-1.7 pts* | *76.4%* | *76.5%* | *-0.1 pts* |
| **FFO**[2] | **190.5** | **349.6** | ***-45.5%*** | **773.6** | **764.3** | ***1.2%*** |
| *FFO margin* | *34.2%* | *65.9%* | *-31.7 pts* | *45.8%* | *47.2%* | *-1.4 pts* |
| **Key Operational Metrics** | | | | | | |
| **Total GLA (Mn sqm)** | **1.205** | **1.079** | ***11.7%*** | **1.205** | **1.079** | ***11.7%*** |
| **Period-End Occupancy Rate LFL (across 19 malls only)** | **93.7%** | **94.0%** | ***-0.3 pts*** | **93.7%** | **94.0%** | ***-0.3 pts*** |
| **Average Footfall (Mn)** | **24.9** | **24.8** | ***0.3%*** | **84.6** | **81.7** | ***3.6%*** |

## Financial Highlights

- ***Total revenue recorded SAR 557.5 million for Q3-FY20, up by 5.2% y-o-y and by 0.1% on a like-for-like basis (LFL).*** Steady top-line growth was driven by an improvement in ACC's discount policies, indicating the continued success of management's yield optimization strategy, and helped offset a temporary contraction in occupancy rates as the Company allocated additional space to its new cinemas during the period. On a YTD basis, ACC recorded total revenues of SAR 1,689.2 million in 9M-FY20, an increase of 4.3% y-o-y and 2.3% in LFL terms.
- ***Gross profit booked SAR 361.7 million in Q3-FY20, up 6.2% y-o-y. ACC's gross profit margin (GPM)*** increased 0.7 percentage points to 64.9% for the period. ACC's cost optimization efforts allowed it to control outlays even as two new malls remained in ramp-up phase during the period. Gross profit climbed by 9.5% y-o-y to reach SAR 1,120.8 million in 9M-FY20, yielding a 3.2-percentage point increase in the GPM to 66.4%.
- ***EBITDA climbed by 18.7% y-o-y in Q3-FY20,*** with an 8.5-percentage-point increase in the EBITDA margin to 75.0%. Enhanced EBITDA profitability follows the adoption of IFRS 16 at the beginning of FY-20 and steady growth in gross profit. On a YTD basis, EBITDA grew by 21.2% y-o-y to yield a significantly enhanced margin of 76.4% for 9M-FY20.

[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.

- ***EBITDAR[1] growth of 2.8% y-o-y*** on the back of solid operational performance, with a slight 1.7 percentage-point reduction in the EBITDAR margin in Q3-FY20. EBITDAR rose by 4.1% y-o-y in 9M-FY20, with the margin remaining largely stable at 76.4%.
- ***Net profit declined by 59.9% y-o-y in Q3-FY20, while net profit margin (NPM)*** **contracted to 19.8% from 52.0% over the period.** Bottom-line profitability was affected by a significant increase in financial charges during Q3-FY20 as the Company wrote off one-time transaction costs amounting to SAR 63.5 million following the completion of the refinancing operation in November 2019, which embedded a lengthened tenor and improved pricing conditions into ACC's financing structure. For more details on the refinancing transaction completed during Q3-FY20 please see the **Finance Charges** section below. Additionally, Q3-FY19 had included a zakat provision reversal of SAR 75.1 million, inflating the comparative period's bottom-line. On a YTD basis, ACC's net profit and NPM were largely stable at the levels recorded one year previously.
- ***Funds from operations (FFO)[3] declined by 45.5% y-o-y to SAR 190.5 million*** in Q3-FY20, also affected by the one-time transaction costs and the zakat provision reversal, with the FFO margin decreasing to 34.2%. FFO climbed by 1.2% y-o-y to SAR 773.6 million on a YTD basis, yielding a margin of 45.8% in 9M-FY20 against 47.2% in 9M-FY19.
- ***Total CAPEX outlays*** on malls in ACC's construction pipeline during Q3-FY20 and 9M-FY20 reached SAR 41.0 million and SAR 141.0 million, respectively.
- As part of its capital optimization strategy, ***in Q3-FY20 ACC successfully carried out a comprehensive debt refinancing transaction*** comprising (i) a senior unsecured Shari'ah compliant Sukuk offering of USD 500 million (equivalent to SAR 1.9 billion) and (ii) senior secured Ijara and Murabaha dual currency term facilities of USD 1.2 billion (SAR 4.5 billion ) and a senior secured dual currency revolving Murabaha facility of USD 200 million (SAR 0.75 billion ) with a lengthened tenor and improved pricing conditions.
- ***Net debt at SAR 6,090.0 million as at 9M-FY20 (31 December 2019) versus SAR 5,719.3 million as at H1-FY20 (30 September 2019) and SAR 6,283.4 million as at FY19 (31 March 2019).***

## Operational Highlights

- With the launch of U-Walk Riyadh and Nakheel Dammam during the previous quarter, ***ACC's portfolio stands at 21 malls***, ***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 80%, respectively in 9M-FY20.
- ***ACC's like-for-like period-end occupancy rate*** (across 19 malls only) rose to 93.7% as at 31 December 2019 from the level of 93.2% attained during the previous quarter ended on 30 September 2019.
- ***Approximately 84.6 million visitors during 9M-FY20,*** *up from 81.7 million for 9M-FY19 as ACC's malls continue to enjoy a leading market position.*
- ***Sustained momentum on the leasing front,*** with 1,777 leases renewed during 9M-FY20 and 89.4% of leases expiring in FY-2020 had been renewed as of 31 December 2019.

**Commenting on the period's results, ACC's Chief Executive Officer, Mr. Olivier Nougarou said:** "With most of FY-2020 now behind us, Arabian Centres continues to meet management's expectations of operational efficiency and sustainable value creation. Despite a slight decline in period-end LFL occupancy rates on a year to date basis, the Company generated year-on-year revenue growth of 4.3% during the nine-month period ended 31 December 2019. ACC is making rapid progress in expanding the cinema offering across our portfolio, a key component of our strategy for differentiating the Company's lifestyle destinations and leveraging rapid growth in the Kingdom's entertainment industry. December 2019 saw the inauguration of Muvi Cinemas' second ACC location, at Riyadh's Al Hamra Mall. Muvi's first ACC location at Jeddah's Mall of Arabia has welcomed approximately 1.08 million moviegoers since its inauguration in August, while nearly 76,500 moviegoers visited Al Hamra's smaller cinema since its opening in mid-December. Meanwhile, our continuous

[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.

introduction of innovative lifestyle destinations such as U-Walk in Riyadh are redefining the Saudi shopper's mall experience, drawing ever more visitors to our various locations, as demonstrated by healthy footfall growth for the period. Core profitability remains strong, as reflected by a sustained double-digit expansion in EBITDA and robust progression in EBITDAR, which normalizes for the effects of IFRS 16."

"Beyond the operational front, the third quarter of 2019 marked a major milestone for ACC. In November we made our debut on global debt capital markets with the issuance of USD 500 million in Sukuk, part of a successful USD 1.9 billion refinancing package comprising both the Sukuk and the new bank debt. ACC received inaugural ratings of BB+ from Fitch and Ba1 from Moody's, while the issuance was four times oversubscribed. The success of the transaction was key to our efforts at optimizing our funding mix, and demonstrated global investors' confidence in the Company's unique business proposition. In other developments, amounts due to ACC from related parties fell from SAR 811.7 million at the close of the previous quarter on 30 September 2019 to SAR 633.4 million as at 31 December 2019, with the Company making a collection of SAR 322.0 million during the period. We now move forward with expanding our portfolio of leisure destinations with increasingly optimized cash resources, credit terms and debt maturity profile, placing the Company in prime position to leverage the impressive development seen in Saudi Arabia's leisure and entertainment sectors and solidify our dominant market position."

Financial and operational review of ACC's Q3-FY20 results follows. Complete financials are available for download on ir.arabiancentres.com.

## 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 31 December 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

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## Analyst Call and Investor Presentation

ACC will host an analyst call on the Company's third quarter results on 05th February 2020 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

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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.

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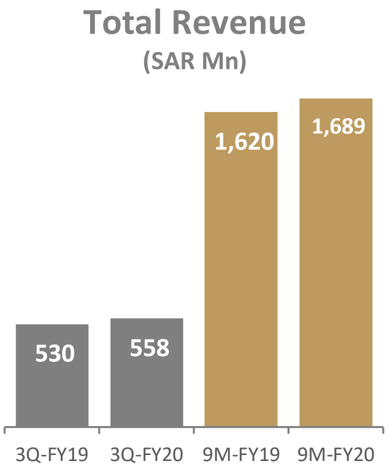
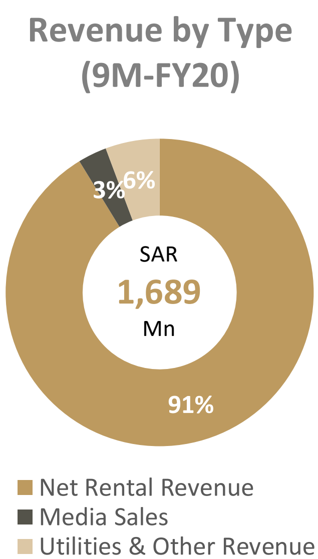



## Financial & Operational Review

**Revenues**

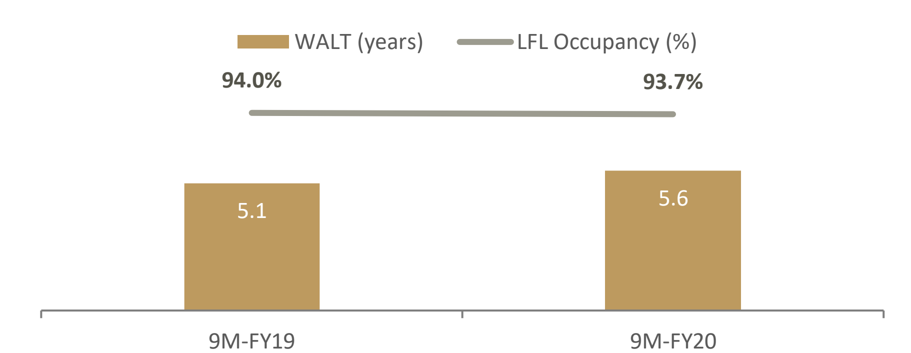
ACC booked total revenues of SAR 557.5 million in Q3-FY20, an increase of 5.2% on the SAR 530.1 million booked one year previously. Total revenues for the quarter were up by 0.1% y-o-y on a LFL basis. Net rental revenues, the primary component of ACC's top line, rose at a healthy 6.8% y-o-y to book SAR 516.8 million for Q3-FY20. Media sales declined by 10.0% y-o-y to register SAR 14.2 million for the quarter, while receipts from utilities and other revenues were down by 13.2% y-o-y to record SAR 26.5 million for Q3-FY20. Net rental revenue's share of ACC's top line was steady at 92.7% during the quarter, while utilities and other revenue and media sales composed 4.8% and 2.6%, respectively.

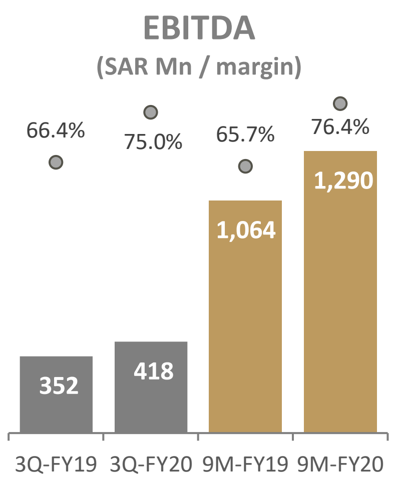
On a YTD basis, ACC booked total revenues of SAR 1,689.2 million in 9M-FY20, an increase of 4.3% from the SAR 1,620.0 booked in 9M-FY19. On a LFL basis, total revenues were up by 2.3% y-o-y in 9M-FY20. Net rental revenue grew by 4.6% y-o-y to reach SAR 1,541.8 million, composing 91.3% of the Company's top line and contributing approximately 99.0% of total revenue growth for the period. Revenue from media sales was up by 11.7% y-o-y, recording SAR 51.2 million and contributing 3.0% of total revenues for 9M-FY20. Utilities and other revenues were down by 4.6% y-o-y, booking SAR 96.2 million (approximately 5.7% of ACC's top line for the period).

ACC's weighted average discount rate across internal and external tenants stood at 4.7% (SAR 25.5 million) in Q3-FY20 against 9.7% (SAR 53.6 million) in Q3-FY19. Declining discount rates exhibit the success of yield and space optimization measures implemented during the period, including the introduction of improved discount policies. This pattern of improvement has been sustained over a period of several quarters: on a YTD basis, ACC's average discount rate was 5.0% (SAR 81.3 million) as of 9M-FY20, down from the rate of 8.0% (SAR 134.7 million) recorded in 9M-FY19.

Like-for-like period-end occupancy rates (across 19 malls only) recorded 93.7% as of 9M-FY20, down from the 94.0% registered in 9M-FY19. This slight decline was driven primarily by the allocation of additional space to cinemas during the period. Furthermore, an additional 118,000 sqm of GLA were inaugurated during Q2-FY20 with the launch of U-Walk Riyadh and Nakheel Mall Dammam. These two malls continue to undergo a ramp-up phase in leasing, reaching respective pre-letting rates of 96% and 80% as of 9M-FY20. For more details, please see the Company's Investor Presentation.

ACC renewed 1,777 lease contracts in 9M-FY20, maintaining the leasing momentum established through FY-2020. Approximately 89.4% of leases expiring in FY-2020 had been renewed as of 31 December 2019, preserving the Company's positive leasing spread for the period. ACC registered a Weighted Average Lease Term (WALT) of 5.6 for 9M-FY20, up from 5.1 in 9M-FY19.




**EBITDA**

EBITDA came in at SAR 418.0 million for Q3-FY20, up by 18.7% y-o-y to yield an 8.5 percentage-point climb in the EBITDA margin to 75.0%. Enhanced profitability at the EBITDA level stems from a sustained improvement in gross profitability, itself boosted by the adoption of IFRS 16 beginning in Q1-FY20. Under IFRS 16, the Company currently records a depreciation expense on right-of-use assets amounting to SAR 41.4 million as of Q3-FY20, in addition to an interest expense on lease liabilities amounting to SAR 31.1 million. Normalizing for the effects of IFRS 16, ACC's EBITDAR was up 2.8% y-o-y versus Q3-FY19 figure of SAR 406.5 million, reflecting progressive improvement in the Company's operational performance during the period. The EBITDAR margin declined by a slight 1.7 percentage points.

On a YTD basis, ACC recorded an EBITDA of SAR 1,290.2 million in 9M-FY20, up by 21.2% y-o-y on the back of improved profitability on the gross level. ACC's EBITDA margin rose by 10.7 percentage points y-o-y to book 76.4% in 9M-FY20. Meanwhile, ACC's EBITDAR rose by 4.1% y-o-y to SAR 1,290.2 million from SAR 1,238.9 million in 9M-FY19, with EBITDAR margin remaining stable.

**Depreciation Expense**

Depreciation of investment properties recorded SAR 71.8 million in Q3-FY20, representing a y-o-y increase of 9.8% for the period. The Company booked two new major investment properties beginning in Q2-FY20, with the launch of U-Walk and Nakheel Mall Dammam. Depreciation of right-of-use assets amounted to SAR 41.4 million in Q3-FY20, bringing total depreciation charges for the quarter to SAR 113.3 million.

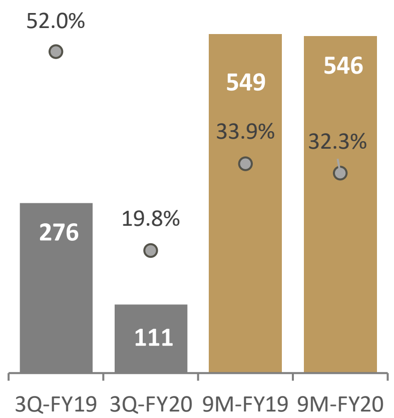
On a YTD basis, depreciation of investment properties recorded SAR 203.8 million, up 6.6% from 9M-FY19, while depreciation of right-of-use assets amounted to SAR 118.4 million for the period. ACC booked a total depreciation expense including the depreciation of right-of-use assets of SAR 322.2 million in 9M-FY20.

**Finance Charges**

Financial charges came in at SAR 147.2 million for Q3-FY20, nearly double the SAR 75.4 million booked during the same quarter of the previous year. This large increase was due to the write-off of transaction costs amounting to SAR 63.5 million relating to ACC's comprehensive debt refinancing and capital structure optimization strategy. In November 2019, ACC successfully completed a Shari'ah compliant Sukuk offering valued at USD 500 million (SAR 1.9 billion), Ijara/Murabaha term facilities of USD 1.2 billion (SAR 4.5 billion) and a revolving Murabaha facility of USD 0.2 billion (SAR 0.75 billion), embedding a lengthened tenor and improved pricing conditions into ACC's debt structure. Proceeds from the transaction were utilized in refinancing ACC's SAR 7.2 billion facility. Enhanced credit terms and the reduction in secured debt as a proportion of overall borrowing facilitate the optimization of ACC's capital structure, while the extended maturity profile better enable the Company to pursue operational expansion over the following quarters. On a YTD basis, ACC booked finance charges of SAR 288.7 million, down by 20.2% from the SAR 361.8 booked in 9M-FY19. This decrease reflects the one-time transaction costs of SAR 125.2 million booked during 9M-FY19 following a previous refinancing operation completed in April 2018. ACC recorded a total debt balance of SAR 6.3 billion as at 31 December 2019, down from SAR 6.7 billion as at 31 March 2019.

**Net Profit**

(SAR Mn / margin)

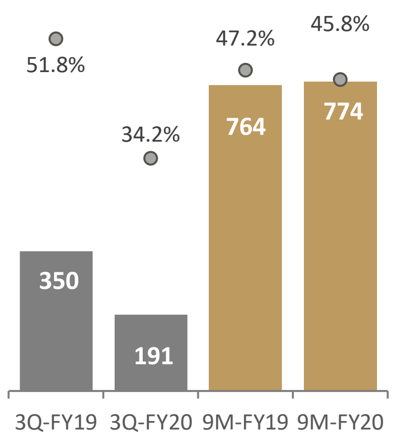



**Net Profit**

Net profit came in at SAR 110.6 million in Q3-FY20, down by 59.9% y-o-y, with ACC's net profit margin contracting during the period to book 19.8%. This decrease in bottom-line profitability was primarily attributable elevated financial charges for Q3-FY20, amounting to SAR 63.5 million. Furthermore, the decrease in net profit for Q3-FY20 reflects an unfavourable base effect, stemming from the reversal of a SAR 75.1 million zakat provision in Q3-FY19. Meanwhile, on a YTD basis ACC recorded a net profit of SAR 545.8 million for 9M-FY20 compared to SAR 548.7 million booked one year previously. The Company's net profit margin recorded 32.3% in 9M-FY20 versus 33.9% in 9M-FY19.

**FFO**

(SAR Mn / margin)



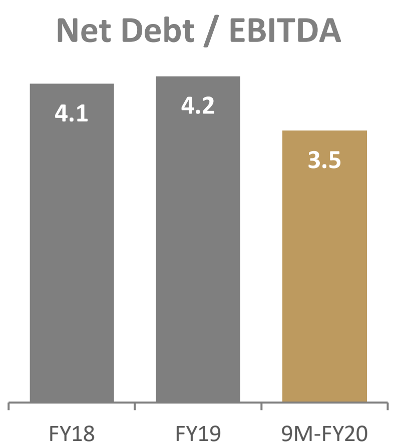

**FFO**

FFO fell by 45.5% y-o-y to SAR 190.5 million in Q3-FY20, with the FFO margin recording 34.2% against the 65.9% booked in Q3-FY19. ACC's FFO for the period was similarly affected by the booking of one-time transaction costs associated with the refinancing transaction, in addition to the comparable period's reversal of the zakat provision. On a YTD basis, FFO climbed 1.2% y-o-y to SAR 773.6 million, with the FFO margin contracting by 1.4-percentage points to 45.8% for 9M-FY20.

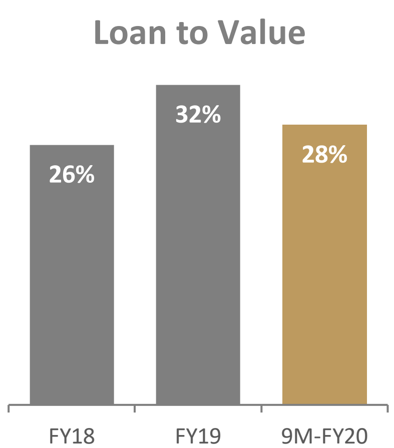
**Operating & Pipeline Assets**

ACC's book value of total investment properties, representing its investment in 21 operating mall developments, was SAR 11.2 billion as of 31 December 2019 compared to SAR 11.0 billion at the close of FY19 on 31 March 2019. Advances paid to contractors, representing the Company's projects under construction, stands at SAR 636.9 million as of 31 December 2019, up from SAR 604.9 million as of 31 March 2019.

The Company made total CAPEX outlays of SAR 41.0 million on new developments in Q3-FY20. Near-term pipeline projects have been the primary focus of ACC's capex expenditure, with a total estimated budget of SAR 1.9 billion allocated to such projects, up from SAR 1.8 billion at the close of the previous quarter due to an increase in the total value of ACC's contract for Khaleej Mall. SAR 260 million remain to be budgeted for the remainder of FY20 and thereafter. Having inaugurated U-Walk Riyadh and Nakheel Mall Dammam during the previous quarter, 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 in the near term, of which c.129 thousand sqm relate to Jeddah Park, a key pillar of ACC's 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 carries a total development cost of SAR 6.6 billion, including land costs relating to Mall of Arabia Riyadh and Jawharat Jeddah, of which SAR 3.4 billion had been incurred as of 9M-FY2020.




**Net Debt**

ACC's total interest-bearing debt recorded SAR 6,090.0 million as of 31 December 2019, including a CPLTD[4] of SAR 45.0 million, compared to SAR 6,741.0 million as of 31 March 2019. The Company recorded a Loan-to-Value ratio of 28% as of 31 December 2019 compared to 32% as of 31 March 2019. Cash and Bank Balances stood at SAR 177.7 million as of 31 December 2019 against SAR 457.7 million as of 31 March 2019, reflecting an interim dividend distribution of SAR 427.5 million for the six-month period ended 30 September 2019 that was paid in December 2019.

Net debt recorded SAR 6,090.0 million in 9M-FY20 against SAR 6,283.4 million at the close of FY19. Meanwhile, ACC's proforma annualized net debt to EBITDA ratio registered 3.5x for 9M-FY20 versus 4.2X at end of FY-2019.

**Equity**

ACC's total shareholders' equity stood at SAR 5,884.5 million as of 31 December 2019 against SAR 5,064.8 as of 31 March 2019.

[4] *Current portion of long-term debt*

## Recent Corporate Developments

### Interim Cash Dividend Distribution for H1-FY20

ACC’s Board of Directors approved the distribution of an interim dividend of SAR 0.90 per share, or 9.0% of the shares’ par value, totaling SAR 427.5 million distributed over 475 million shares.

### Successfully Completed a USD 1.9 Billion Debt Refinancing Transaction

The refinancing transaction included the offering and pricing of a fixed-rate USD 500 million Sukuk issuance with a five-year tenor and a coupon rate of 5.375%. The issue represents a milestone capital raise for the private sector in Saudi Arabia and was four times oversubscribed, receiving inaugural ratings of BB+ from Fitch and Ba1 from Moody’s.

Additionally, the transaction also included a senior secured Ijara and Murabaha duel currency term facilities of USD 1.2 billion (SAR 4.5 billion) and a senior secured dual currency revolving Murabaha facility of USD 200 million (SAR 0.75 billion). In combination with the Sukuk proceeds, the new facilities were utilized to refinance ACC’s existing bank facilities, extending the company’s debt maturity profile, increasing flexibility to invest in the business and reducing secured debt as a proportion of the company’s overall borrowing.

### Appointment of Khalid Al Dubaie as Chief Commercial Officer

ACC has appointed Mr. Khalid Al Dubaie to the post of Chief Commercial Officer. Mr. Al Dubaie began his career at Arabian Centres in 2009, when he joined as Media Sales Manager. In that post he was responsible for all in-mall media and advertising. Mr. Al Dubaie was subsequently promoted to Head of Leasing and Sales.

### Renewal of Nakheel Plaza Leasehold Contract

On 25 December 2019, Arabian Centres renewed its leasehold contract at Nakheel Plaza Mall in Qassim. The contract has been renewed for an additional ten years and will see the Company pay an annual amount of SAR 15 million for the duration of the contract. Terms and conditions remained unchanged following the contracts renewal.

–Ends–