Arabian Centres Company Releases Results for the First Quarter Ended 30 June 2019

(Riyadh, 20 August 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 first quarter ended 30 June 2019 (Q1-FY2020), reporting revenues of SAR 572.5 million, up 2.5% y-o-y. Net profit for the quarter was up almost threefold to SAR 227.0 million in Q1-FY2020 versus SAR 81.0 million in the same quarter last year.

Summary Income Statement (SAR mn)	Q1-FY20 IFRS	Q1-FY19 IFRS	*% Change*
Total Revenue	**572.5**	**558.3**	***2.5%***
Gross Profit	**391.7**	**355.8**	***10.1%***
Gross Profit Margin	*68.4%*	*63.7%*	*4.7 pts*
Net Profit	**227.0**	**81.0**	**180.4%**
Net Profit Margin	*39.6%*	*14.5%*	*25.1 pts*
Key Profitability Metrics			
EBITDA	**445.5**	**365.8**	***21.8%***
EBITDA Margin	*77.8%*	*65.5%*	*12.3 pts*
EBITDAR	**445.5**	**431.9**	***3.2%***
EBITDAR Margin	*77.8%*	*77.4%*	*0.5 pts*
FFO[1]	**300.1**	**149.2**	***101.1%***
FFO margin	*52.4%*	*26.7%*	*25.7 pts*
Key Operational Metrics			
Total GLA (mn sqm)	**1.083**	**1.074**	***1.0%***
Period-End Occupancy Rate	**93.2%**	**92.4%**	***0.8 pts***
Average Footfall (mn)	**31.4**	**30.2**	***4.0%***

Financial Highlights

- ***Total revenue growth and like-for-like (LFL) growth of 2.5% y-o-y in Q1-FY2020*** driven by lower average discounts and increased media sales revenue. LFL net rental revenue growth was 3.7% y-o-y in Q1-FY2020.
- ***Gross profit increased by 10.1% y-o-y to SAR 391.7 million. Gross profit margin expansion by 4.7 percentage points to 68.4%*** due to cost-control initiatives as well as lower rent expenses following the adoption of IFRS 16.
- ***EBITDA growth of 21.8% y-o-y*** and EBITDA margin expansion to 77.8% in Q1-FY2020. Strong performance was driven by improved gross profitability as well as the effect of IFRS 16 on rent expense.
- ***EBITDAR growth of 3.2% y-o-y*** and EBITDAR margin expansion to 77.8% in Q1-FY2020 which represents the growth in comparison with Q1-FY2019 following the adoption of IFRS 16 starting from 1 April 2019 (which excludes the rent expense).
- ***Net profit up 180.4% y-o-y*** *and strong NPM expansion on account of lower finance charges.*
- ***FFO up 101.1% y-o-y to SAR 300.1 million*** in Q1-FY2020; with FFO margin at 52.4% versus 26.7% in Q1-FY2019 mainly driven by lower finance charges.
- ***Total CAPEX outlays*** on malls in the pipeline during the quarter reached SAR 82 million.
- ***Net debt at SAR 5,712.2 million in Q1-FY2020 versus SAR 6,283.3 million in FY2019***.

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

Operational Highlights

- ACC operated a ***portfolio of 19 malls*** as of 30 June 2019 with an aggregate gross leasable area ***(GLA) of 1.1 million sqm***, a 1% increase y-o-y.
- ***Period-end and like-for-like occupancy rate of 93.2% across all malls***, compared to 92.4% in Q1-FY2019.
- ***Strong leasing momentum*** with over 801 leases renewed with a positive releasing spread.
- ACC inaugurated its ***first cinema theater*** at Mall of Arabia in August 2019.

Commenting on the quarter's results, ACC's Chief Executive Officer, Mr. Olivier Nougarou said: "I am very pleased with our first quarter results which set the tune for the rest of the year and mark the return to robust like-for-like growth and strengthened profitability. As the retail segment in KSA gains steam, we are pressing ahead with our portfolio optimization strategies and are successfully renewing lease contracts with a positive spread and more favorable discount policies. I am also glad to report that the quarter just ended saw us inaugurate ACC's first cinema theater in August 2019, a key growth avenue for our business going forward which will generate incremental footfall as additional theaters come online. Our efforts are already bearing fruit with growing profitability and strong margin expansion across our income statement."

"We thereby maintain our guidance for full-year like-for-like growth of 6-8%. We are also pressing ahead with our expansion strategy that will see us bring online c.172 thousand sqm in new GLA by the end of 2019 and a further c.129 by April 2020 as part of near-term investment strategy. These new developments alongside an additional c. 358 thousand sqm in medium-term projects will help cement ACC's leading market position and will lay the foundation for continued value creation well into the future," Nougaru concluded.

Financial and operational review of ACC's Q1-FY2020 results follows. Complete financials are available for download on ir.arabiancenters.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 30 June 2019, Arabian Centres operated a portfolio of 19 assets strategically located in 10 major Saudi cities. The Company's developments include several iconic lifestyle centres, including Mall of Arabia, Mall of Dhahran, and Nakheel Mall, which was recognized at the Arab Luxury World Forum in 2017 as being consumers' favorite 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

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Analyst Call and Investor Presentation

ACC will host an analyst call on the Company's first quarter results on 21 August 2019 at 16:00 KSA. For conference call details, please email ir@arabiancentres.com. The Company's full Investor Presentation is available for download at ir.arabiancenters.com

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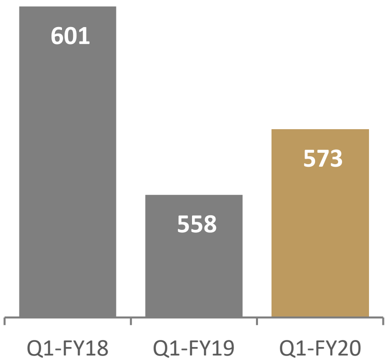
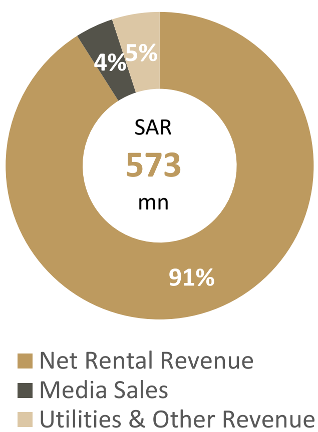
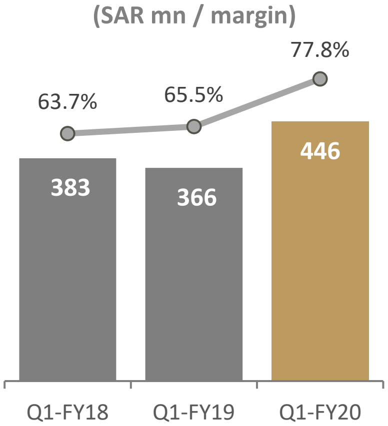
Total Revenue
(SAR mn)



Revenue by Type



EBITDA
(SAR mn / margin)



Financial & Operational Review

Revenues

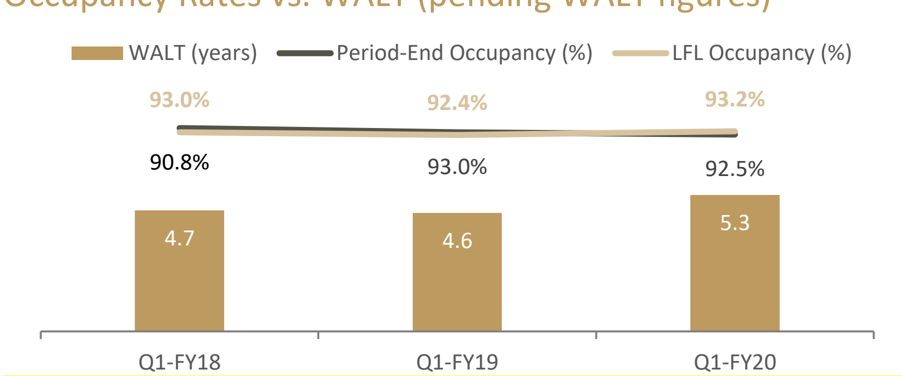
Total revenue for the quarter recorded SAR 572.5 million in Q1-FY2020, up 2.5% compared to Q1-FY2019 revenue of SAR 558.3 million. Net rental revenue contributed the largest share to total revenue at 91%, recording a 3.7% y-o-y increase to SAR 523.3 million in Q1-FY2020. Revenue from media sales was up a strong 44.9% y-o-y to SAR 19.3 million and contributed 4% to total revenue versus 2% in the same quarter last year. Finally, revenue from utilities and other revenue was down 26.1% y-o-y to SAR 29.9 million and saw its contribution decrease from 7% in Q1-FY2019 to 5% in Q1-FY2020.

The increase in net rental revenue was the largest driver of total revenue growth during the quarter, with the improved performance delivered primarily by improved discount policies particularly for internal tenants. ACC's weighted average discount rate across internal and external tenants was 2.9% in Q1-FY2020 (SAR 15.1 million) versus 6.5% in Q1-FY2019 (SAR 37.9 million).

On a like-for-like basis, net rental revenue increased 3.7% y-o-y in Q1-FY2020, driven by an improvement in average rental rates per sqm which increased 3.4% y-o-y to SAR 2,090 for the quarter as compared to SAR 2,022 in Q1-FY2019. Additionally, growth was also driven by an increase in LFL period-end occupancy rate to 93.2% in Q1-FY2020 compared to 92.4% in Q1-FY2019.

ACC maintained strong leasing momentum, renewing a total of 801 leases during Q1-FY2020 with a positive releasing spread and c.53% of leases expiring in the calendar year 2019 already renewed as of 30 June 2019. ACC's Weighted Average Unexpired Lease Term (WALT) stood at 5.3 years as of Q1-FY2020 versus 4.6 in Q1-FY2019.

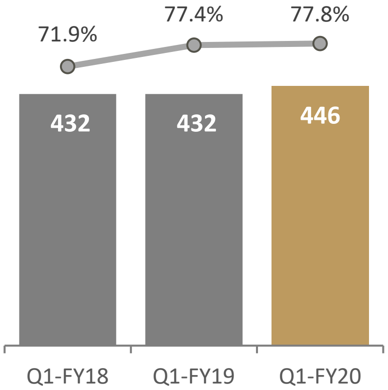
Occupancy Rates vs. WALT (pending WALT figures)



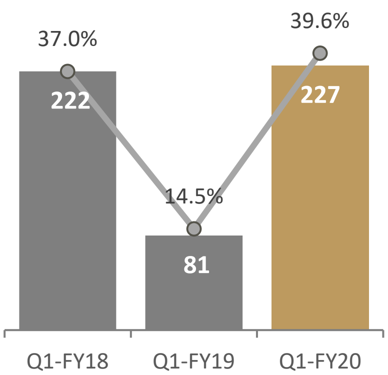
EBITDA

ACC recorded an EBITDA of SAR 445.5 million in Q1-FY2020, up by 21.8% y-o-y and with an EBITDA margin of 77.8% compared to 65.5% in the same quarter last year. EBITDA growth was driven by ACC's cost-control initiatives and the consequent improvement in gross profitability, with key efforts including

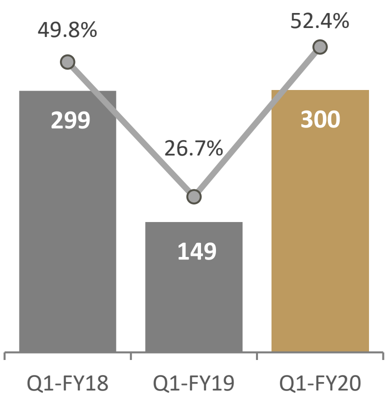
EBITDAR
(SAR mn / margin)



Net Profit
(SAR mn / margin)



FFO
(SAR mn / margin)



better terms with third-party service providers (cleaning and security) as well as improved energy efficiency.

EBITDA was also propelled by the effects of adopting IFRS 16, with the new accounting treatment leading to a SAR 65.1 million decrease in rental expense in Q1-FY2020 against SAR 38.8 million in new depreciation expense on right-of-use assets and SAR 25.0 million in interest expense on lease liabilities. Normalizing for the IFRS 16 effect, ACC's EBITDAR (excluding the rent expense in Q1-FY2019) would record SAR 445.5 million in Q1-FY2020 as compared to SAR 431.9 million, up 3.2% y-o-y and with an expanded margin of 77.8% reflecting purely operational efficiencies and higher-value extraction.

Depreciation Expense

Depreciation of investment properties was SAR 64.8 million in Q1-FY2020, up 7.5% compared to SAR 60.3 million in the same quarter last year. Meanwhile, the company also booked additional depreciation of SAR 38.8 million related to right-of-use assets to the company's balance sheet, bringing ACC's total depreciation expense during the quarter to SAR 103.6 million.

Finance Charges

Finance charges in Q1-FY2020 amounted to SAR 73.9 million, down by 65.0% compared to the SAR 210.8 million recorded in the same quarter last year. The decline in finance charges was due to lower debt levels recorded at the close of the quarter, standing at SAR 6.1 billion as at 30 June 2019 compared to SAR 6.7 billion as at 31 March 2019 and SAR 6.4 billion as at 30 June 2018. The decline also reflects transaction cost related to an old facility which were written-off during Q1-FY2019 and amounted to SAR 125.1 million. 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.

Additionally, ACC booked interest expenses on lease liabilities of SAR 25.0 million in Q1-FY2020 following the adoption of IFRS 16.

Net Profit

ACC recorded a net profit of SAR 227.0 million in Q1-FY2020, up an impressive 180.4% y-o-y compared to the SAR 81.0 million recorded in the comparable quarter last year. The strong rise in bottom-line profitability was driven by higher revenue for the quarter, improved gross profitability and the significant decline in finance charges. Net profit margin expanded 25.1 percentage points to 39.6% in Q1-FY2020.

FFO

FFO was up more than twofold to SAR 300.1 million in Q1-FY2020 compared to SAR 149.2 million in Q1-FY2019, with an FFO margin expansion of 25.7 percentage points to 52.4%.

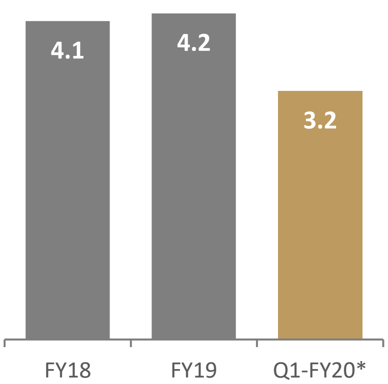
Operating & Pipeline Assets

ACC's book value of total investment properties, representing its investment in 19 operating mall developments, was SAR 11,018.7 million as of 30 June 2019, up from SAR 10,983.8 million as at the close of the financial year ended 31 March 2019. Advances paid to contractors, representing the Company's projects under construction, stood at SAR were SAR 647.1 million as at 30 June 2019, up from 604.9 million as at 31 March 2019.

Total CAPEX related to new developments recorded SAR 82 million in Q1-FY2020, primarily directed at near-term pipeline projects, which have a total estimated budget of SAR 1.8 billion of which SAR 0.22 remain and are budgeted for fiscal year FY2020. ACC's near-term pipeline includes three new malls (University Boulevard, Nakheel Dammam Mall, Khaleej Mall) and an extension to its existing Nakheel Mall. Altogether, the pipeline will add c.172 thousand sqm in new GLA. Additionally, the Company has completed the acquisition of Jeddah Park's leasehold interest, a key pillar of ACC's near-term pipeline which will add a further c.129 thousand sqm in GLA upon completion in April 2020.

ACC is also pushing forward with its medium-term 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 carried a total development cost of SAR 6.6 billion, including land costs for Mall of Arabia Riyadh and Jawharat Jeddah, of which SAR 3.4 billion were incurred as of Q1-FY2020.

Net Debt / EBITDA



** Net debt as of 30 June 2019 / annualized EBITDA (Q1-FY2020 X 4)*

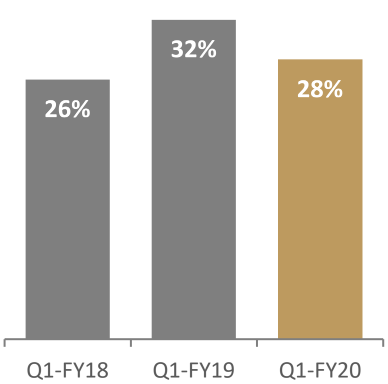
IPO Proceeds & Net Debt

ACC had raised primary proceeds from its IPO in May 2019 of SAR 780 million, of which SAR 500 million were utilized in an early loan repayment during Q1-FY2020. The early settlement has accelerated ACC's repayment schedule for its SAR 7.2 billion facility, which is now expected to be fully settled by 2028 instead of 2029.

Additionally, during Q1-FY2020 the company settled a further SAR 224.5 million in April 2019 as per the facility's installments schedule, bringing total debt settlements during the quarter to SAR 724.5 million (including the amount of SAR 500 paid from IPO proceeds). ACC's total interest-bearing debt stood at SAR 6,088.9 million as of 30 June 2019, including a CPLTD[2] of SAR 449.5 million, down from SAR 6,741.0 million recorded at the close of the fiscal year ended 31 March 2019. The Company's Loan-to-Value ratio was 28% as of 30 June 2019 compared to 32% as of 31 March 2019.

ACC's Cash and Cash Equivalents recorded SAR 376.7 million as at 30 June 2019 compared to SAR 457.7 million as of 31 March 2019.

Loan to Value



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

Net debt in Q1-FY2020 recorded SAR 5,712.2 million, down from SAR 6,283.3 million as of 31 March 2019. ACC's proforma annualized net debt to EBITDA ratio stood at c.3.2x (c. 3.6x pre IFRS 16), versus 4.2x as at 31 March 2019.

Equity
ACC's total shareholders' equity stood at SAR 6,001.9 million as of 30 June 2019, up from SAR 5,064.8 million as of 31 March 2019.

–Ends–