



Company: Dubai Parks and Resorts
Conference Title: Q3 2015 Results
Presenter: Marwa Gouda
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Operator: Good day and welcome to the Dubai Parks and Resorts Third Quarter 2015 Financial Results Investor Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Marwa Gouda, Head of Investor Relations. Please go ahead.

Marwa Gouda: Hello and thank you for joining this call. As mentioned, my name is Marwa Gouda and I head Investor Relations for Dubai Parks and Resorts. I am joined today on this call by Raed Al Nuaimi, our CEO; Sandesh Pandhare, our Chief Financial and Investment Officer; as well as Paul La France, our Chief Project Officer. In this call we're going to provide you an overview of the third quarter of 2015, the key operational achievements as well as discuss how our project is tracking against our strategy and plan. We will then open the call for Q&A. If you did not yet receive the presentation it is available on our website.

Before we begin, I would like to point you to page 2 to the important disclaimer. In the course of today's discussion we may make some forward-looking statements. These will be based on information available to us as of today.

So, to speak to you about the highlights of the quarter, I will now handover to Raed.

Raed Al Nuaimi: Thank you Marwa and thank you everybody for attending our third quarter results call, the fourth since we listed in December last year. Let's start on slide 4. We are now less than 12 months away from opening, signalling a crucial milestone in the construction of the

region's largest integrated theme park. We made significant progress this quarter and from our headquarters at Jebel Ali, we can really see the results coming to life. 73% of the project's structural works were completed at the end of the third quarter, up from 57% in the previous quarter. We have now completed 85% of procurement and 50% of the resort-wide infrastructure development. Paul will take you through more details and construction highlights shortly.

Our cumulative project expenditure was AED 4.8 billion and our construction is tracking as stated in our plans. Sandesh will speak more about financials later in the call. On the corporate side, we have been particularly impressed by the response from leasing at Riverland™ Dubai having secured eight additional lease proposals in this quarter, bringing the total number of signed proposals to 12. This accounts for 19% of total available leasable space. If we continue to see this level of interest for the remainder of the outlets, we are likely to see the original expectations for lease revenue in our first full year of operations. Ahead of the World Travel Market, we revised our indicative theme park and annual pass ticket prices. We commenced drawdown of our bank facility during this quarter with the first drawdown amounting to AED 585 million.

Moving on to slide 5, I would like to give you some updated figures on tourist numbers to demonstrate the robust long term outlook for Dubai tourism. In the last few weeks, we have seen positive announcements such as an increase of 12.4% in arrivals into Dubai International Airports (*in the first eight months*), Emirates low-cost carrier FlyDubai has also announced its commitment to operate 70 flights per week out of Al Maktoum International Airport starting 2017. In terms of tourism arrivals, the first six months continues to show the resilience of Dubai as an international tourist destination, despite the halving of Russian tourists in the first six months of the year, we've seen a 25% increase in the number of visitors from India and China and a substantial increase from Saudi Arabia and the UK. While the average length of guest stay in Dubai has decreased slightly, there has been an increase in the number of occupied room nights overall.

The GCC and MENA together account for 34% of visitors to Dubai while visitors from Western Europe and South Asia provide nearly 40%. These figures demonstrate the clear opportunity for Dubai Parks and Resorts with the outlook for Dubai tourism still very strong.

I will now hand over to Paul who will take you through some project updates.

Paul La France: Thanks Raed. I will go through the snapshot, generally if you see the slide we are doing well against our targets at the end of 2015 with a couple of exceptions. I will talk about that a little later. The thing is that we've just about finished with design, 96%, a little bit of landscape left to do. We also – procurement is in good shape at 85% and we should get very close to our targets at the end of 2015. If you look at the ride engineering and manufacturing, we are in really good shape there with 63% done. We have seven rides delivered. We have rides going in right now and that's in good shape.

If you look at the next one, resort-wide development. We have made some real substantial progress here. The substation is operational and it is under the control of DEWA, so we are virtually at our target for the end of the year, so that's a little bit ahead. District cooling is on track as well. As we go forward, we look at the next thing is project infrastructure. Here is what we have. We've had a few problems with manpower for MEP works. We are going to achieve about 50% at the end of this year with recovery to that 77% we had before, a month later or a couple of months later. Overall that means that the target for the end for all facilities will be 60% at the end of the year. All of this still supports a 2016 opening and we feel very comfortable about that. Another issue is show production, we haven't got the progress we wanted over the last quarter but we are working very hard to achieve our targets. We expect to be at 70% at the end of the year. This should not have an impact to the overall opening date. What it means is basically some of the work is overlapped a little bit more.

If you look at the next slides, you can look at some of the progress, it is pretty dramatic. The DreamWorks building is all closed, and that's the biggest project we have. If you look at the



slide right to the right, that's the overheads and that's all the MEP that's done. The building is now ready to start putting in rides and shows and ensure it finishes. Down on Rajmahal Theatre, you can see themes going in, our domes and our turrets are all there. We are well advanced in this project, the second biggest individual building in the overall project.

If you look at the slide below, what you are looking at is, you are in the downstage and you are looking down, there's the pitfall for the lifts, we are moving scenery around and if you look forward, you can see the actual theatre.

Turning the page or looking at the next slide, you see LEGOLAND® Dubai. That's Castle Coaster, that's installed. You have – okay, I'm looking at different ones. Okay sorry, okay Riverland™ Dubai, you can see if you see that water body, you can see the lagoon is being formed right now plus all the buildings or pretty much structures are done on all of Riverland™ Dubai.

LEGOLAND® Dubai, you can see the buildings coming up there as well. In the Lapita™ Hotel, you can see all the clusters which are the Polynesian Village and that building is going well, that project is going is going well also.

Sandesh Pandhare: So thank you Paul. If you skip to slide #10, I will quickly give you an overview of the project expenditure and where the monies are being spent. So here, you will see our cumulative project expenditure deployed across various components of the project. As at the end of third quarter, we had a total of AED 4.8 billion of cumulative project expenditure and if you see the various components, you will see the larger spend has basically been in motiongate and infrastructure. Obviously these are the larger of the components. There has been significant progress on the other components of the resort as well which are tracking well against our plan. And we are in line to achieve cumulative project expenditure of AED 5.9 billion by the end of the year.



If you look at the pie chart, over half of our expenditure is on the hard costs, which is to be expected. I will now hand over back to Raed who will discuss our key operational achievements.

Raed Al Nuaimi: Thanks Sandesh. Moving away from construction now and the financial review, I will give you some more details and the key highlights for the third quarter and some positive achievements. Please turn to slide 12. As we continue to attract talent from the region and abroad and now over 200 employees at Dubai Parks headquarters, we drove recruitment with a new career video and I've been really impressed with the number of applications we continue to receive from people wanting to be part of the team. As far as the recruitment drive, we launched an Emiratization campaign to attract 1,000 Emiratis to Dubai Parks. We also named the first 10 Emirati graduates who received full scholarship to the University of Central Florida in Orlando primarily to study theme park management which we hope will help to develop a new generation of Emirati talent to develop and manage our parks for decades to come. We are very proud to be able to offer this certification and we will be bringing some of the university faculties to Dubai to train additional Emiratis.

On another subject, we are also excited now to start revealing different aspects of the resort and in this quarter, motiongate™ Dubai held its first media event unveiling the park to the public for the very first time. This coincided with the premier of Hotel Transylvania 2, the Transylvania Castle which soars 42 metres high invites guests to experience a five minute trackless ride set within Sony Pictures Studios and as we approach our opening, our theme parks would start their individual marketing campaigns. This quarter, motiongate™ Dubai and Bollywood Parks™ Dubai launched their dedicated websites showcasing individual park maps, zones and overview of rides and attractions and as I mentioned previously, we are well on the way with Riverland™ Dubai leasing with 19% of the total space leased and 40% of projected revenue already signed. With the overwhelming response we have received from the market, we have taken a strategic decision to lease out up to half of the space by year end versus our original 75% target in order to capitalise on higher lease rates for the remaining units as we approach opening.

So moving to slide 13, Dubai Parks and Resorts started negotiation with travel operators at last week's World Travel Market in London and we will over the next few months sign agreements with third parties to help us meet our target of 6.7 million visits in 2017. We received interest from operators and destination management companies at the event and our first formal push to sign contracts to allow third party promotion of DPR. We also have indicative headline prices for single park tickets which have been adjusted in line with regional ticket price and are subject to change as we near the opening of the park.

As you can see, we have made a few changes primarily for Bollywood Parks™ Dubai where we have revised the price from the initial IPO figure of AED 240 to AED 285 to be more in line with the regional offerings. We have also revised the price for LEGOLAND® Water Park from the initial AED 200 to AED 240 to be more in line with water park ticket prices. The price for motiongate™ Dubai remains the same and for LEGOLAND® Dubai, we have only decreased the price slightly to make it more appealing for families. We will continue to benchmark the prices against other regional attractions as we approach the opening. I will handover now to Sandesh for more detailed overview of our financials.

Sandesh Pandhare: Thank you Raed. So if you flip to slide 15, you can see here our financial statements reflect the continued deployment of funds into the construction of Dubai Parks and Resorts. Our total assets stood at AED 7.6 billion primarily comprising AED 3.9 billion in property equipment and investment properties and we have about AED 3.3 billion in cash and other financial assets to be deployed into the project. As Raed mentioned earlier, we had the first drawdown of our banking facility. This amounted to about AED 585 million during this quarter.

On the next slide 16, you will see a more detailed break up of our assets and liabilities, advances to contractors and other receivables increased to AED 460 million from AED 370 million as at the end of 2014. Other financial assets which primarily comprise of deposits

placed with the banks have reduced to about AED 2.8 billion from AED 4.1 billion as at the end of last year which reflects the usage of funds for project construction.

Moving on to the liabilities, our total liabilities which primarily comprise trade and other payables increased to AED 1.4 billion as we continue to engage with an increasing number of contractors. You now have 34 contractors on site with a total of about 11,000 workers working together to create the region's largest leisure and entertainment destination.

If you move on to slide 17, you will see a statement of our comprehensive income. Total loss for the nine months period ending September 2015 was AED 58 million compared to AED 21 million for the full year of 2014. This reflects our continued expenditure on the pre-opening aspects of our overall project. We will not generate any revenue until we open the park to the public in October 2016.

Next slide 18 shows you our consolidated statement of cash flows for the period including the proceeds that we received from our bank facility and the key takeaway here is you will see that there is an increase in other financial assets of about AED 1.3 billion which is primarily the utilization of our funds. Additions to property and equipment and investment properties amounted to about AED 1.6 billion and as at the end of the period, we had total cash of AED 482 million primarily reflecting the drawdown from the bank facility which we had towards the end of the quarter.

So that brings us to the end of the update for third quarter of 2015. I will now handover to Marwa.

Marwa Gouda: Thank you Sandesh and thank you Paul and Raed for the update. I will now handover to the operator who will inform you how to ask questions should you have any.



Operator: Thank you. We will now begin the question and answer session. If you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press * followed by 2. We would pause for just a moment to allow everyone to signal. We will now take a first question from Tammam El Barbir from ROC Capital, Dubai. Please go ahead.

Tammam El Barbir: Hi, good afternoon gentlemen. Based on what you just said, changes in pricing etc., do you see the need to update numbers and figures provided by any perspectives, the forecast? Thanks.

Sandesh Pandhare: Yeah we still have lots of moving parts you know. What we've announced is only one aspect of the overall ticket packaging. It's still too premature we believe for us to update our forecast as a lot of moving pieces basically settle down, we should be able to come back to the market and update.

Raed Al Nuaimi: But having said that in the projections, the revenue – total revenue remained the same. So what we did is that we changed the single ticket price of each of the parks to be more appealing and based on the benchmark that we did, but the overall total revenue projected is basically the same.

Sandesh Pandhare: Yeah exactly and just to add to that, if you look at the annual pass pricing for example, you know this is slightly lower than what we've projected in the IPO prospectus with a view to bring people more often to the parks. So overall as Raed said before, we are looking at same revenues.

Tammam El Barbir: Okay thanks.



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Operator: Again, as a reminder, to ask a question today, please press *1. There are no questions at this time. We will now take our next question from Mehdi Kaoukabi from Duet Group. Please go ahead.

Mehdi Kaoukabi: Hello, this is Mehdi from Duet Group. First of all guys, congrats on the achievements and the progress in the project and thank you for hosting the call. I just have one quick question concerning the leases that you secured. I just want to maybe get a little bit more details since in the presentation, it still says that 19% of the space was leased but for 40% of the total revenue. So just want to understand the factor between the two, have you leased like the most expensive space or are you reviewing the leasing revenue up. I just want to understand what it means basically?

Sandesh Pandhare: Thank you. You are right and I am glad you picked it up. It's a combination of both the factors you mentioned.

Mehdi Kaoukabi: Okay thank you very much.

Operator: We will now take our next question from Mohamad Haidar from Arqaam Capital, please go ahead.

Mohamad Haidar: Good afternoon everyone. Got a question on the ticket prices. Should we expect also a growth of 3% in the coming 3 years beyond 2017 similar to the IPO projections or did you adjust on that too?

Sandesh Pandhare: Sorry, just so that we get it correct. Are you talking of the increase in the prices as in the inflation which is projected in the IPO?

Mohamad Haidar: Yes.



Sandesh Pandhare: Yeah. So as of now, we are sticking to the same 3% increase.

Mohamad Haidar: Okay good and again, why shouldn't we expect for the revenues to grow after your increases to the single ticket prices? Did you adjust on the footfall?

Sandesh Pandhare: No actually as Raed said before, we increased the prices on some of the single park tickets, but let's say for example if you look at the annual pass pricing, that pricing is lower than what we've projected in the prospectus and the reason is to be able to make it appealing and attractive enough for more and more people to come more often. So on the whole, we are looking at the same revenue at this point

Raed Al Nuaimi: At the very beginning when we also put all the pricing strategy in the IPO, we also said that we will have a close look at the benchmark around this whether it was the nearest international theme park destination such as Singapore or France and we always look into what they provide in terms of the annual passes and what not and accordingly we came up with this. Now that doesn't mean that we will stop here, so say three months before opening, we find that you know, talking about new offerings, talking about new shows and what not, we probably also can from a management perspective, we also look into adjusting that.

Mohamad Haidar: Okay, thank you.

Operator: We will now take our next question from Alok Nawani from Ghobash Trading and Investments. Please go ahead.

Alok Nawani: Good evening gentlemen and thank you very much for the call. Just one question from my side. I just wanted to get some feedback from you in terms of when you expect to



finally conclude the project in its totality. I mean I know we have an October '16 deadline but do you expect to kind of finish the majority of the works through sort of 2-3 months before the October deadline so that you kind of have time to deal with some of the teething issues? Also my line cut out a little bit so I wasn't able to quite catch some of the areas where you said you are probably falling a little bit behind in terms of your targets. Thank you.

Paul La France: Okay. Second part first. Our MEP work has fallen a little bit behind from what we had projected at the end of the year and we have a huge amount of effort going in to recover that. We have all our contractors increasing manpower across the board over the next few months. So we feel that we will recover that shortly after the New Year. Our projection is 50% at the end of the year, but we don't think that affects opening day at all. The plan is, you complete the work, you hand it over, you get certificate of occupancy, you cycle the rides, you hand it over to the operations and for an October opening, you will end up with a soft opening of September 1st and the hand-over process to operations actually starts next January and February, so you don't turn over the whole project to operational personnel at the end, you do it in phases. So we start to turn over pieces of the park next January, February timeframe and there's a sequence of handover, cycling and all those things throughout 2016 culminating in a soft opening on 1st September 2016. So that's how we do it.

Alok Nawani: Great, thank you.

Raed Al Nuaimi: And looking at the progress, the contract between us and the contractors are always aiming to June. So when you look at that timeframe, so if they are behind, they are behind because of June. So we still have that cushion that we keep to ourselves to be able to manage the contractor, but this will never affect the opening day.

Alok Nawani: Sure. Very clear, thank you.



Operator: We will now take our next question from Waruna Kumarage from SICO. Please go ahead.

Malik: Yeah hi, this is Malik from SICO. Similar to the revisions that you have done for the selling prices, is it fair to assume that there could be a new product from your end? Do you expect the margins that you forecast to remain the same for the next three years, because there is probability that the electricity prices might go up and the cost of labour maybe would also be higher than what you initially forecasted? So my question is do you expect the margins to be same as what you forecasted or do you think that the margins could compress...will be lower than what you initially guided?

Sandesh Pandhare: As of now, we are maintaining to hit the margins that we've projected. Obviously you know, we will have to battle several things on the way. You know so for example, if we see cost pressures on some of the items that you mentioned, you know given the fact that we have a world class team with over 500 years of theme park experience not only on the operational side but also on the project side, it places us in the situation where we can figure out you know whether there are ways to maximize little bit of revenue or whether we can save on some other costs.

Raed Al Nuaimi: Prior to that it was a projection and it's still a projection. We did not start operations but what we're trying to do is that we monitor the budgets to also come up with the operational budget of the first year, we will keep monitoring this and basically all our hires based on a grading system that we put in place, based on the budget that we also put in place. So we don't go beyond that.

Malik: Okay, thanks.



Operator: There are no questions from the audio at this time. Again, as a final reminder, to ask a question, please press *1. We will now take our next question from Tammam El Barbir from ROC Capital Dubai. Please go ahead.

Tammam El Barbir: Yes, just one or two more follow-up questions. When you look at your global peers, the model is basically to have a large number of part-time employees. Is this similar to your strategy? That's one. And two, as a substep, again your forecasted EBITDA margins are much lower than what your global peers achieved. Any reaction, any feedback on this please?

Sandesh Pandhare: Would you please repeat the first question? We didn't quite get it correct.

Tammam El Barbir: The first question, I am trying to understand your staffing policy, your global peers usually have to hire part time employees during peak sessions. I want to understand whether you will have a similar strategy or will all your employees be full time employees and whether you will take a break any time during the year? The second question is on your EBITDA margin, your projections for an EBITDA margin are kind of lower than what your global peers achieved, in fact much lower. So I'm trying to understand why is that?

Raed Al Nuaimi: Can you give us an example of what global peers you are talking about?

Tammam El Barbir: There is nothing less than 33% EBITDA margin. It can go up to 40%.

Raed Al Nuaimi: I will answer the first question. In terms of staffing strategy and placement of staff, what we are doing is that yes, of course we factor for seasonality but most of the employees will be permanent employees because this is a year round destination. So we are opening 365 days but when we talk about seasonality, we create a pool of operators to be shifted based on the attendance on each park. This is one aspect of how we manage it. So this pool of operators is not really factored under one individual park but we can move them



around. The other part is that some of the...we will have some outsourced company who provides operators who will be trained on operating some of the aspects. So those guys will be hired on season basis. Like if you know that here we have global village and global village operates only on five months basis. And they use the same companies and those guys have, you know, some experience of operating you know an entertainment location. So this is the first question.

Sandesh Pandhare: Yes, and on the second question, most of the peers have stabilized operations you know, over a period of several years. So obviously as we you know stabilize and mature, we do certainly expect to hit industry benchmark margins. One of the other things is you know, we have certain operator fee that we have to pay, which some of the other listed peers who operate their parks themselves don't have to pay. So there are certain nuances, but having said that, I think there is certainly I think scope to kind of improve the margins as we stabilize and mature.

Tammam El Barbir: Okay that's great to hear then. Thank you very much gentlemen.

Raed Al Nuaimi: Thank you.

Operator: We will now take our next question from Waruna Kumarage from SICO. Please go ahead.

Waruna Kumarage: Hi, I have just one question. Regarding the completion of the project, is it fair to assume that the structural work, construction, everything, will be completed by June 2016 for you to have a sufficient buffer to do the testing and do the necessary arrangements until the October opening?

Paul La France: The work is done in phases. Testing and commissioning will begin well before June on some projects. What Raed was saying is currently our facility contractors that we have in



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place have a completion date in their contract of June 2016. We don't expect every aspect of the project to be done in June 2016, we never did. Our soft opening date – our handover date is August 1st, our soft opening date is 1st September. So we have built in some float. Our first parts of the project are being turned over to operations in January and February of 2016 and for lack of a better way to say it, every other month, additional attraction will be turned over for operations to cycle and get familiar with and so it's a process for every park and the hotels as well to hand over partially.

Raed Al Nuaimi: Because if you look at it, it's a 25 million square feet of development with 3 parks and a hotel, we don't hand over all the pieces at once but we will hand it over in phases. So one example is the Rajmahal Theatre will be handed over early next year to the operators so that they can also rehearse and do rehearsals and they can utilise the building. Then we go with the other buildings as follows.

Waruna Kumaraage: Okay, thank you.

Operator: We will now take our next question from Mohamad Haidar from Arqaam Capital. Please go ahead.

Mohamad Haidar: Hi again. Quick question on SG&A costs. I can see that the difference between 9 month and 2015 costs projected in the IPO is huge. What's the reason behind that and should we expect in Q4 and 2016 also lower SG&A costs versus those projected in the IPO?

Sandesh Pandhare: Yes. So if you look at the composition of SG&A costs, a large proportion of that is staff costs and as of today, we have about 200 employees you know compared to much lower number that we had as of end of 2014 and going forward, you should expect this number to keep going up because we will ramp up our overall staff recruitments as Raed mentioned before.



Mohamad Haidar: So you are speaking to the IPO projections prospect?

Sandesh Pandhare: Yes.

Mohamad Haidar: Cool thank you.

Sandesh Pandhare: So there will also be continued or increased spend on marketing and other related aspects.

Mohamad Haidar: Understood, thank you.

Operator: As there are no further questions in the queue, I would now like to turn it back to the host for any additional closing remarks.

Marwa Gouda: Thank you and thank you everyone for attending the call and all of the questions and I hope this was an informative call for all of you. The transcript will be available shortly on our website and should you have any remaining questions, please address them to me. Thank you.

Operator: That will conclude today's conference call. Thank you for your participation ladies and gentlemen. You may now disconnect.