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## SALIK COMPANY PJSC ANNOUNCES INTENTION TO FLOAT ON THE DUBAI FINANCIAL MARKET

- **1.5 billion shares, representing 20% of Salik's share capital, to be made available in the Offering**
- **Offering comprises Individual Subscribers, Professional Investors, and Eligible Employees**
- **Subscription will open on September 13<sup>th</sup> and end on the 20<sup>th</sup> for UAE Retail Investors and the 21<sup>st</sup> for Qualified Investors**
- **The Government of Dubai, represented by the Department of Finance, reserves the right to amend the size of the Offering at any time prior to the end of the subscription period at its sole discretion, subject to applicable laws and the approval of the Securities & Commodities Authority (the "SCA")**

**Dubai, UAE, 5 September 2022:** Salik Company PJSC ("Salik" or the "Company"), Dubai's exclusive toll gate operator, today announces its intention to proceed with an initial public offering (the "IPO" or the "Offering") and to list its ordinary shares (the "Shares") for trading on the Dubai Financial Market ("DFM").

### KEY HIGHLIGHTS OF THE OFFERING

- One billion five hundred million (1,500,000,000) Shares each with a nominal value of AED 0.01 will be made available in the Offering, representing 20% of Salik's total issued share capital
- The Offering comprises Individual Subscribers (first tranche), Professional Investors (second tranche), and Eligible Employees (third tranche)
- The subscription period will open on 13 September 2022 and is expected to close on 20 September 2022 for UAE Retail Investors and on 21 September 2022 for Qualified Investors
- The Government of Dubai, represented by the Department of Finance, (the "Selling Shareholder"), reserves the right to amend the size of the Offering at any time prior to the end of the subscription period at its sole discretion, subject to applicable laws and the approval of the Securities & Commodities Authority (the "SCA")
- The Internal Sharia Supervision Committee of Emirates NBD Bank PJSC has issued a Shariah pronouncement confirming that, in its view, the Offering is compliant with Shariah principles. Investors should undertake their own due diligence to ensure that the Offering is Shariah compliant for their own purposes
- Admission is expected in September 2022

### CAPITAL STRUCTURE AND DIVIDEND POLICY

- The share capital of the Company, as at the date of the listing (the "Listing"), has been set at AED 75,000,000, divided into 7,500,000,000 Shares paid-in-full, with the value of each Share being AED 0.01
- Following the Offering, the Company intends to pay dividends twice, in April and October of each fiscal year
- The Company expects to pay a first dividend for the second half of 2022 by April 2023, and it expects to pay 100% of the net profit, after keeping aside the statutory reserves required by law (statutory reserves expected to amount to AED 37.5 million for the first dividend)



- From 2023 onwards, the Company expects to pay 100% of the net profit available for distribution as dividend
- This dividend policy is subject to consideration by the Board of Directors (the “Board”) of the cash management requirements of the Company’s business for operating expenses, interest expenses and anticipated capital expenditures and investments
- In addition, the Company expects that the Board will also consider market conditions, the then current operating environment in the Company’s markets, and the Board’s outlook for the Company’s business and growth opportunities

**His Excellency Mattar Al Tayer, Chairman of Salik’s Board of Directors said:**

*“Thanks to the wise leadership of His Highness, Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, Dubai has succeeded in laying a clear economic path and an ambitious growth plan that includes attracting direct strategic investments.”*

**He added:** *“This June, His Highness Sheikh Mohammed bin Rashid Al Maktoum issued Law No. (12) of 2022, establishing ‘Salik’ as a public joint stock company to operate the toll road system, and today’s announcement is a continuation of the privatization programme pursued by the Emirate of Dubai and of its plans to double the size of its financial market to three trillion dirhams and attract foreign investments. Salik has played a pivotal role in managing traffic in Dubai for 15 years and will continue to remain at the heart of expansion plans in the road and transport sector, in support of the Emirate’s economy.”*

The Chairman further stated that the Company is in a prime position to benefit from additional growth opportunities and is designed to ensure efficient operations. It is underpinned by an effective regulatory framework that supports future growth, and a business model that requires low capital expenditures. It also boasts cash conversion margins that are considered best-in-class.

His Excellency Mattar Al Tayer stressed that the infrastructure of the road and transportation network in the Emirate of Dubai, which is supported by advanced technology, is one of the best in the world, and the road network has maintained the first position in terms of road quality globally for several years.

**Ibrahim Sultan Al Haddad, Chief Executive Officer of Salik**, added: *“As the exclusive toll gate operator in Dubai, Salik is a truly iconic brand which provides investors with a unique opportunity to access Dubai’s exciting growth story through exposure to a high-quality infrastructure asset. Salik’s custom-built technology facilitates the frictionless and affordable movement of residents and tourists between Dubai’s many landmark destinations.”*

He added: *“The initial public offering represents an important milestone in the journey of Salik as it provides the Company with an opportunity to consolidate its success as an exclusive operator of toll gates in Dubai, currently operating eight gates distributed in strategic locations across the busiest corridors of the Emirate. The Company’s long-term principles and values are centered around customers, the environment, human capital, and modern technologies. At the community level, Salik provides exemptions and subsidies for vehicles of determination, public transportation, and school buses. Salik’s focus on people extends to improving customer experience and developing human capital, with a focus on the values of equality and inclusion.”*

## **DETAILS OF THE OFFERING**



The Government of Dubai, represented by the Department of Finance, expects to sell 20% of the total issued share capital of Salik (equivalent to a total of 1,500,000,000 number of Shares), with the Selling Shareholder retaining the right to amend the size of the Offering at any time prior to the end of the subscription period at its sole discretion, subject to applicable laws and the approval of the SCA.

The Offering will comprise of:

- A public offering (the “UAE Retail Offering”) to:
  - Individual and other investors in the UAE (as defined in the UAE prospectus and referred to as “First Tranche” subscribers) and;
  - Certain eligible employees (the “Eligible Employees”) (as defined in the UAE prospectus and referred to as “Third Tranche” subscribers)
- An offering to professional investors and other investors in a number of countries, including in the UAE, outside the United States of America in reliance on Regulation S (the “Qualified Investor Offering” and referred to as “Second Tranche” subscribers)

Further, as part of the Qualified Investor Offering, and in accordance with both the Companies Law and the Dubai Law, the following will apply:

- Five percent of the Offering will be reserved for offer to the Emirates Investment Authority (the “EIA”), and;
- Five percent of the Offering will be reserved for offer to the Pensions and Social Security Fund of Local Military Personnel (the “Fund”).

The UAE Retail Offering subscription period is expected to run from 13 September 2022 to 20 September 2022, with the Qualified Investor Offering subscription period expected to run from 13 September 2022 to 21 September 2022.

The offer price per Share (the “Offer Price”) will be determined through, and following, a book building process. Investors participating in the UAE Retail Offering will subscribe for the Shares at the Offer Price.

The completion of the Offering and Admission is currently expected to take place in September 2022, subject to market conditions and obtaining relevant regulatory approvals in the UAE, including approval of Admission to Listing and trading on the DFM.

Pursuant to an Underwriting Agreement to be entered into between the Company, the Selling Shareholder and the Joint Bookrunners prior to the date of Listing (the “**Underwriting Agreement**”), the Shares held by the Selling Shareholder shall be subject to a lock-up from the date of the Underwriting Agreement up to and including 180 (one hundred and eighty) calendar days from Listing (the “**Lock-up Period**”), subject to certain permitted transfers as set out in the prospectus. The Company shall be subject as well to a Lock-up Period as set out in the prospectus. The details of the Offering will be included in an Arabic-language prospectus (the “UAE Prospectus”) and public subscription announcement (the “Public Announcement”) with respect to the UAE Retail Offering, and in an English-language International Offering Memorandum with respect to the Qualified Investor Offering. The UAE Prospectus and the Public Announcement will be published today, and the International Offering Memorandum is expected to be published in due course. The UAE prospectus and the International Offering Memorandum will be available at <http://ipo.salik.ae/>.



Moelis & Company UK LLP DIFC Branch has been appointed as the Independent Financial Advisor and Emirates NBD Capital PSC has been appointed as Financial Advisor to Salik.

Emirates NBD Capital PSC, Goldman Sachs International, and Merrill Lynch International have been appointed as Joint Global Coordinators and Joint Bookrunners.

Citigroup Global Markets Limited, EFG Hermes UAE Limited (acting jointly with EFG Hermes UAE LLC), and HSBC Bank Middle East Limited have been appointed as Joint Bookrunners.

Emirates NBD Bank PJSC has been appointed as the Lead Receiving Bank. Abu Dhabi Commercial Bank PJSC, Abu Dhabi Islamic Bank PJSC, Ajman Bank, Commercial Bank of Dubai, Dubai Islamic Bank, Emirates Islamic Bank, First Abu Dhabi Bank, Mashreq Bank, MBank and Sharjah Islamic Bank have also been appointed as Receiving Banks.

The Internal Sharia Supervision Committee of Emirates NBD Bank PJSC has issued a Shariah pronouncement confirming that, in its view, the Offering is compliant with Shariah principles. Investors should undertake their own due diligence to ensure that the Offering is Shariah compliant for their own purposes.

## OVERVIEW OF SALIK

Salik, meaning “open” or “clear” in Arabic, is Dubai’s exclusive toll gate operator and currently operates eight automatic toll gates utilising Radio Frequency Identification (“RFID”) technology throughout Dubai.

Salik’s toll gates are located at strategic junctures and in high traffic areas throughout Dubai, especially on Sheikh Zayed Road which is considered Dubai’s main road. All but two of the Company’s existing toll gates are located on Sheikh Zayed Road in the Emirate.

Under a 49-year concession agreement (ending in 2071) with the RTA (the “Concession Agreement”), Salik holds the exclusive right to operate current and future toll gates across the Emirate of Dubai.

## INVESTMENT HIGHLIGHTS

- **The Company is the Sole Toll Gate Operator for Dubai’s Road Network**
  - Salik is the sole toll gate operator in Dubai, exclusively operating the existing eight toll gates as well as any new gates in Dubai through a 49-year Concession Agreement
  - Toll gates are located at strategic junctures, bridges and in other high traffic areas throughout Dubai, meaningfully reducing commute time which encourages commuters to take toll roads
  - Running several live algorithms based on a typical trip between Dubai Media City and Downtown / Dubai International Airport, two of Dubai’s most populated business centres, showed that the toll roads help save on average 44% of journey time compared to toll free roads<sup>1</sup>
  - Salik is a critical asset for the Emirate, in a City where the car is the preferred mobility mode, with more than 60% of Dubai’s commuters using private cars<sup>2</sup>, thereby not competing with but complementing other public transport infrastructure

<sup>1</sup> Source: Industry Report. Time savings based on data from Google Maps for a trip from Dubai Media City to Downtown Dubai at 4:51pm on 2 May 2022, and for a trip from Dubai Media City to Dubai International Airport at 4:58pm on 2 May 2022.

<sup>2</sup> Public Transportation includes taxis. Source: Industry Report.

- **Strong Growth Momentum, Benefiting from Dubai's Ambitious Expansion Plans and Salik's Organic Growth Initiatives**
  - Dubai is recognised as a hub for real-estate, tourism, and trade<sup>3</sup>. The UAE, particularly Dubai, has a track record of delivering long-term stable growth driven by its vibrant economy
  - UAE GDP increased by 4.1% compound annual growth rate ("CAGR") between 2015-2019, compared to developed countries' growth of 3.4%, with GDP per capita increasing by 2.6% CAGR during the same period
  - Dubai has achieved a unique fast-tracked development over a span of 50 years, with approximately 3.5 million permanent residents and 4.5 million total daytime population as of 31 December 2021, and is expected to achieve over 70% population growth from 2020 through 2040<sup>4</sup>
  - Dubai is also undertaking various initiatives to increase its population, including the Dubai 2040 Urban Master Plan which focuses on developing and investing in five interconnected urban centres, three of which are linked via Sheikh Zayed Road with existing toll gates in place
  - Salik's net toll traffic from 2013 through 2019 grew at 5.5% CAGR, driven by Dubai's robust economic growth and above Dubai's real GDP CAGR of 3.2% for the same period
- **Positioned to Benefit from Additional Growth Levers**
  - Salik's future performance is expected to be driven by multiple layers of additional growth, which represent an upside to the current business:
    - Addition of new toll gates, in line with the RTA's strategy
    - Advertising services, both on toll gates and in-app ads
    - Monetizing unique traffic data and insights
    - Consulting services to governments looking to either implement toll gates, or optimise existing operations
    - The potential to move to a dynamic pricing model in the future, subject to approval by the Executive Council of Dubai, which would result in increased revenue while reducing congestion
- **Well-invested and Technologically Advanced Core Infrastructure Asset**
  - Salik's free flow tolling system, enabled by a combination of RFID and OCR technologies, operates on highways with no toll collection booths or other traffic flow impediments
  - Salik's current technology is considered best-in-class, integrated and 'custom-built'. It is therefore fit-for-purpose and ensures superior operating performance
  - The Company will continue to prioritise investing in technology to ensure it is a pioneer of tech-enabled innovation in the sector. This will also help to improve the reliability of the Company's operations and enable potential future revenue streams
  - Salik expects to benefit from the Government of Dubai's focus on economic and population growth

<sup>3</sup> Source: Industry Report.

<sup>4</sup> Dubai is expected to achieve higher population growth compared to its peers with. Expected population growth for Australia and US, together is 11%, UK and France, together is (5%), France (4%) and Thailand (-1%). Source: Economist Intelligence Unit.



- The RTA intends to continue developing the Emirate's infrastructure to ensure that it is able to sustain the strong growth expected in Dubai. The RTA was allocated a budget of AED 5 billion<sup>5</sup> in the Government of Dubai's 2022-2024 budget in support of this goal
- A fee payable to the RTA under the terms of the Concession Agreement will contribute to the RTA's and the Government of Dubai's budget that is earmarked for the development of the overall infrastructure of Dubai. It is expected that the asset and supporting infrastructure (e.g. roads) are going to be maintained and managed by the RTA to ensure the asset's economics are maximised to achieve Dubai's growth agenda
- **Favourable Regulatory Framework Creating Significant Downside Protection While Enabling for Future Growth**
  - Salik's regulatory framework helps ensure alignment between its various stakeholders. While the RTA will seek to maintain the infrastructure required for the broader development of Dubai, the concession agreement incentivises the RTA's support of Salik's development and provides downside protection for Salik's stakeholders via various mechanisms
  - For Salik, improved certainty around future tariff rates encourages it to invest in the maintenance of a high-quality asset base, as well as future growth, in order to maximise its returns
- **Capex-light Business Model Resulting in High Cash Conversion Levels and Best-in-class Operating Margins**
  - Salik's business model is capex-light in nature, resulting in high cash conversion and superior margins compared to global infrastructure concessionaire peers who exhibit lower (i) adjusted margins pre concession fee and (ii) cash conversion
  - The capital expenditure required to develop the road networks and toll gates and the maintenance capital expenditure required for existing and new road networks are fully borne by the RTA
  - The Company benefits from favourable negative net working capital dynamics, as the majority of revenue is collected from prepaid accounts, which also contributes to Salik's high cash flow generation
  - Salik's capital structure has been optimised to be fit-for-purpose, providing the Company with the financial flexibility to optimise debt servicing costs, while ensuring an adequate and stable dividend stream that is resilient and maintained through potential economic slowdowns
  - Salik currently has the debt capacity and operational cash flow to fund the valuation amount of potential future gates
- **Forward Thinking Organisation with a Sustainable Agenda, Aligned with Dubai's ESG Goals**
  - Salik is aligned with Dubai's green energy transition, partly due to its free-flow toll gate system which reduces congestion by reducing starting and stopping, thereby helping to lower emissions

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<sup>5</sup> Source: RTA. Includes all transportation infrastructure assets including public transportation.

- The Company has been incentivising sustainable mobility via subsidies, such as, as at the date of this Offering Memorandum, offering free Salik tags to owners of electric vehicles
- The Company has also committed to installing solar power capabilities in all existing gates over the next few years, with the Jebel Ali gate currently the first gate that utilises solar power for approximately 15% of its power requirements. The Company expects that any future gates built will also have solar power capabilities
- The Company enjoys a 92% customer satisfaction rate<sup>6</sup>, which is the result of the Company's strategy to ensure it continuously focuses on enhancing its brand image by providing top-notch customer service and a seamless experience across each customer's journey

## SUMMARY OF SALIK'S FINANCIAL AND OPERATING PERFORMANCE HIGHLIGHTS

Financial Performance Highlights	Units	FY 2021	H1 2022
Revenue	AED '000	1,693,207	944,905
EBITDA <sup>(1)</sup>	AED '000	1,386,575	800,065
EBITDA Margin	%	81.9%	84.7%
EBITDA (pro forma) <sup>(2)</sup>	AED '000	1,131,061	634,263
EBITDA margin	%	66.8%	67.1%
Cash Flow Conversion <sup>(3)</sup>	%	99.9%	99.6%
Free Cash Flow <sup>(4)</sup>	AED '000	1,232,739	824,975

(1) EBITDA is profit for the year/period, excluding the impact of interest, tax, depreciation, and amortisation expense. EBITDA Margin is EBITDA as a percentage of revenue.

(2) For details on pro forma figures, please refer to the Prospectus.

(3) Cash Flow Conversion is profit for the year/period plus loss on property and equipment disposal, depreciation and amortisation expense, minus purchase of property and equipment divided by EBITDA.

(4) Free Cash Flow is net cash flows from operating activities less purchases of property and equipment and plus proceeds from the sale of property and equipment.

Operational Highlights	Units	FY 2021	H1 2022
Total Trips <sup>(1)</sup>	Million	481	267
Discounted Trips <sup>(2)</sup>	Million	111	58
Net Toll Traffic <sup>(3)</sup>	Million	370	209
Revenue Generating Trips <sup>(4)</sup>	Million	367	205

(1) Total posted trips for period.

(2) Discounted trips include taxis without passengers, Al Mamzar and Al Maktoum gates-specific free time and discounts, vehicles exempted by law, and multiple violations and other. Multiple violations refer to drivers that repeatedly drive through the toll gates without paying in 24 hours. In this case, the fine is paid only once.

(3) Net toll traffic is total traffic minus discounted trips.

(4) Revenue Generating Trips is Net Toll Traffic minus fines (which account for most of the difference) and Unreconciled Transaction Trips. Revenue Generating Trips is the driver for Salik's tolling fees revenue, which account for the majority of Salik's revenue.



## Brand Refresh

The Company recently underwent a brand refresh exercise as part of its journey to becoming a Public Joint Stock Company. The new corporate identity was unveiled today at the ITF press conference. The Garhoud Gate now showcases the new brand identity, which will be rolled out across the remaining gates in due course.

## ABOUT SALIK COMPANY PJSC

Salik Company PJSC was established through the issuance of Law No. (12) of 2022. Managing Dubai's road toll system, which has been operating since 2007, Salik offers seamless connectivity between the Emirate's main roads. Salik operates under a 49-year concession agreement with the RTA as a strategic partner, and has a proven 15-year track record of seamless and sustainable mobility.

## MEDIA ENQUIRIES

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## INVESTOR RELATIONS ENQUIRIES

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## FINANCIAL ADVISOR

Emirates NBD Capital PSC

## INDEPENDENT FINANCIAL ADVISOR

Moelis & Company UK LLP DIFC Branch

## JOINT GLOBAL COORDINATORS

Emirates NBD Capital PSC

Goldman Sachs International

Merrill Lynch International

## JOINT BOOKRUNNERS

Citigroup Global Markets Limited

EFG-Hermes UAE Limited (acting jointly with EFG Hermes UAE LLC)

HSBC Bank Middle East Limited

**LEAD RECEIVING BANK**

Emirates NBD Bank PJSC

Dedicated IPO call center number 800 SALIK IPO

**RECEIVING BANKS**

Abu Dhabi Commercial Bank PJSC

Abu Dhabi Islamic Bank PJSC

Ajman Bank

Commercial Bank of Dubai

Dubai Islamic Bank

Emirates Islamic Bank

First Abu Dhabi Bank

Mashreq Bank

MBank

Sharjah Islamic Bank

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*In particular, this announcement does not contain or constitute an offer of, or the solicitation of an offer to buy or subscribe for, securities to any person in the United States of America, Canada, Japan, South Africa, the UAE, Australia, or in any jurisdiction to whom or in which such offer or solicitation is*



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*In the European Economic Area (the "EEA"), this announcement and this Offering are only addressed to and directed at persons in member states of the EEA who are "qualified investors" within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (as amended) ("EU Qualified Investors"). In the United Kingdom, this announcement and this Offering are only addressed to and directed at persons who are "qualified investors" within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (as amended), which forms part of UK law by virtue of the European Union (Withdrawal) Act 2018 ("UK Qualified Investors"). This announcement must not be acted or relied on (i) in any member state of the EEA, by persons who are not EU Qualified Investors and (ii) in the United Kingdom, by persons who are not UK Qualified Investors. Any securities, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities, and any investment activity, to which this announcement relates (i) in any member state of the EEA is available only to, and may be engaged in only with, EU Qualified Investors; and (ii) in the United Kingdom is available only to, and may be engaged only with, UK Qualified Investors.*

*In the United Kingdom, this document is for distribution only to (i) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); or (ii) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Order; (iii) persons outside of the United Kingdom or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated (all such persons together being "Relevant Persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.*

*This announcement has not been reviewed, verified, approved and/or licensed by the Central Bank of the UAE, the Securities and Commodities Authority of the UAE and/or any other relevant licensing authority in the UAE including any licensing authority incorporated under the laws and regulations of any of the free zones established and operating in the territory of the UAE, including the Financial Services Regulatory Authority, a regulatory authority of the Abu Dhabi Global Market (the "ADGM"), and the Dubai Financial Services Authority, a regulatory authority of the Dubai International Financial Centre (the "DIFC"), or any other authority in any other jurisdiction.*



*Exempt offer statement (DIFC): This announcement relates to a potential Exempt Offer which may be made in the DIFC in accordance with the Dubai Financial Services Authority's ("DFSA") Rulebook. It is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person.*

*The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this announcement nor taken steps to verify the information set out in it and has no responsibility for it. The securities to which this announcement relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers and subscribers of the securities referred to herein should conduct their own due diligence on the securities. If you do not understand the contents of this announcement, you should consult an authorised financial adviser.*

*This announcement is for distribution only to persons who (a) are outside the Dubai International Financial Centre, (b) are persons who meet the Professional Client criteria set out in Rule 2.3.4 of the DFSA Conduct of Business Module or (c) are persons to whom an invitation or inducement in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons" for the purposes of this paragraph). This announcement is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this announcement relates is available only to relevant persons and will be engaged in only with relevant persons.*

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