



منذ
1950
SINCE

Shaker Group

Investor Presentation FY 2019

as at 31 December 2019

Attractive industry experiencing growth



Saudi air conditioner market
forecast to reach **\$1.3bn**
by 2024 ¹



Household appliances
revenue in KSA shows
annual growth of **10%**



Government commitment of approx.
SAR 2bn for retrofit



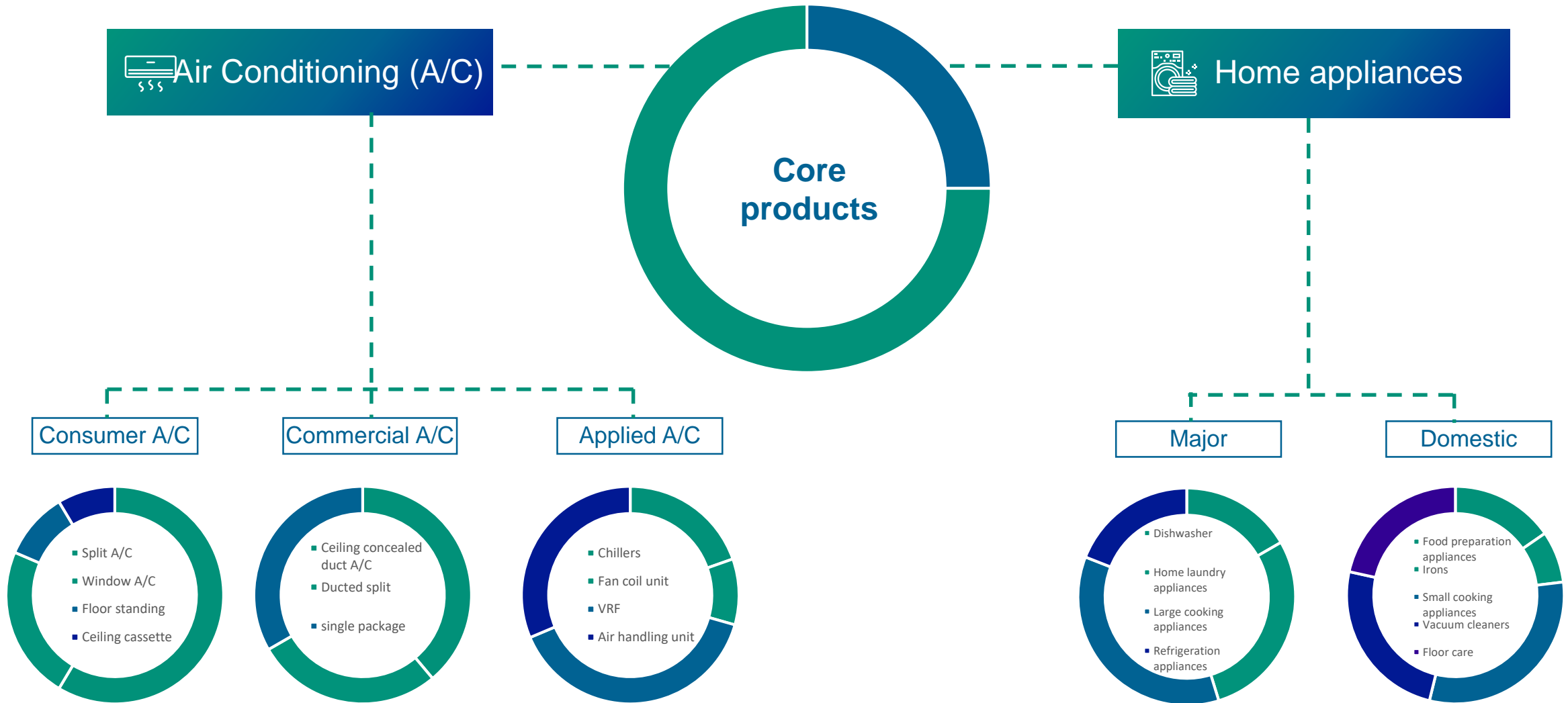
Alignment with socioeconomic objectives
of **Vision 2030** in two key areas:

Superior technology for the
Saudi market

Nationwide energy efficiency
consultancy and retrofitting
services



Core products

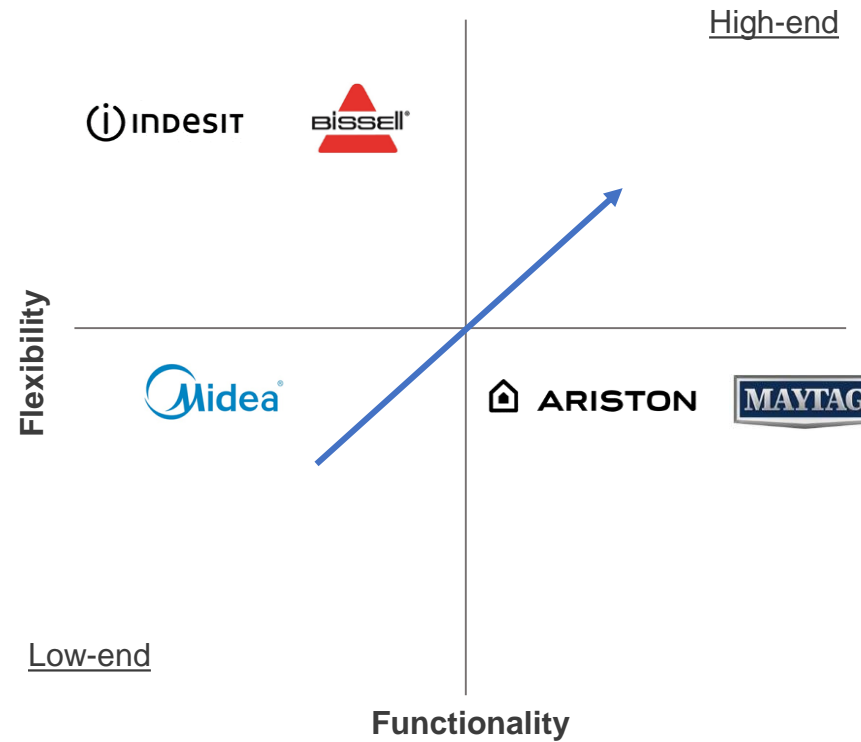


Brand portfolio

Air conditioners

Home appliances

Competitive positioning



Brand portfolio
targets most
consumer
segments

Highlights: FY 2019



Senior appointments
program complete



18%
reduction in employee costs



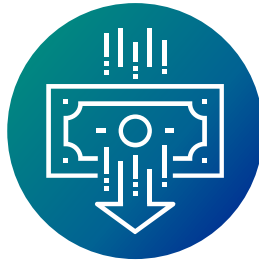
74.7% reduction
in FY net loss



14% growth
in FY revenue



Ongoing roll-out of
Breakthrough Program



Working capital
substantially optimized and reduced



65.8%
FY gross profit increase



49%
YTD reduction in Saudi rent and leasing costs



BUSINESS PROFILE

Four pillars

Strategic Moves (STR)

- Strengthen relationships with principals and business partners
- Explore new opportunities beyond core operations

Performance Infrastructure (PI)

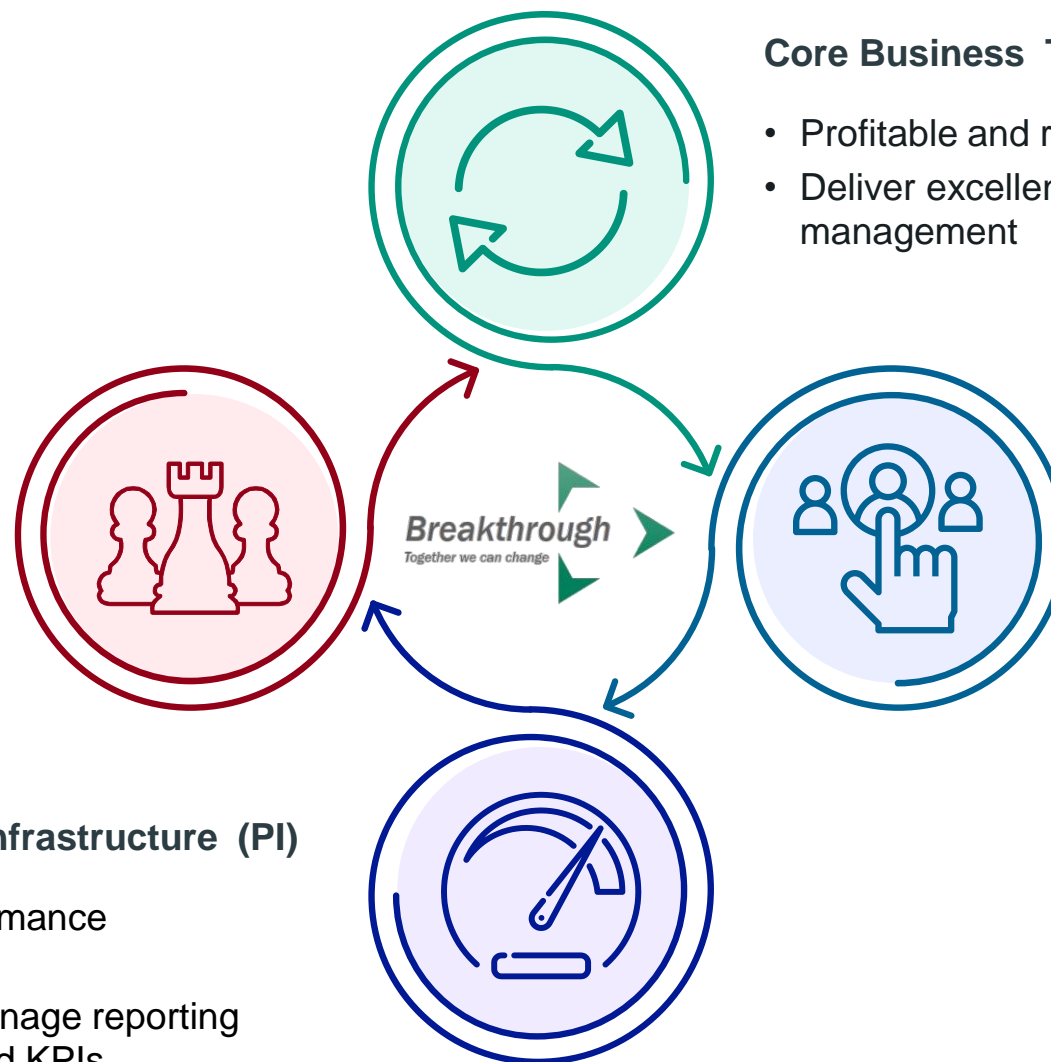
- Set up performance infrastructure
- Unify and manage reporting standards and KPIs

Core Business Turnaround (CBT)

- Profitable and responsible sales
- Deliver excellence in cost management

Talent Upgrade Plan (TUP)

- Attract and develop talent
- Organization restructuring



As at 31 December 2019

Progress highlights



Core Business Turnaround

- **FY sales in Saudi Arabia increased 18.4%** compared to 2018 with momentum achieved across business segments
- **Working capital optimized and reduced**
- **Employee costs in Saudi Arabia decreased by 14%** from 2018
- **YTD rent and leasing expenses in Saudi Arabia decreased by 49%** year-on-year



Talent Upgrade Plan

- **All critical senior hires appointed**
- **50+** positions reallocated



Performance Infrastructure

- **Performance Management Systems** are rolled-out
- **Execution and tracking of key initiatives** is conducted on a weekly basis

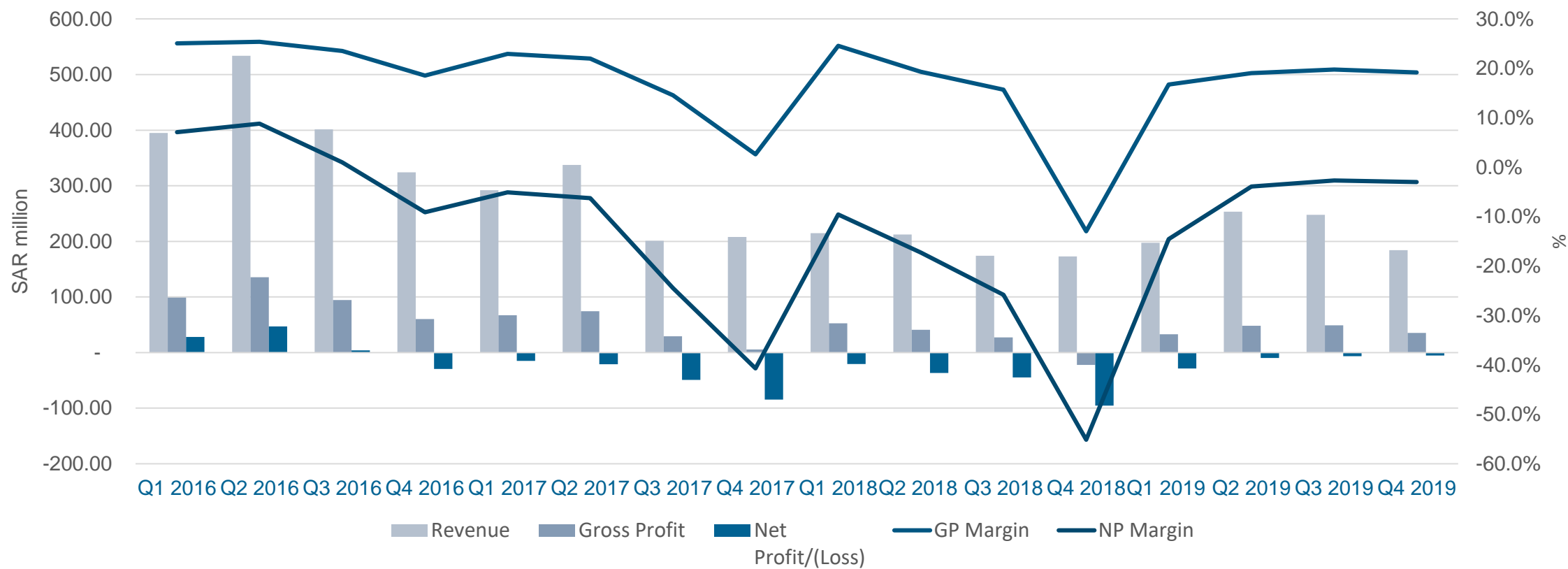


Strategic Choices

- **Engagement with key principals** is ongoing, to identify additional avenues for growth
- **Joint collaboration** is delivered with principals on strategic initiatives

Financial performance highlights

Revenue and Income vs. Margins 2016 – FY 2019





GROWTH AVENUES

Growth avenue highlights

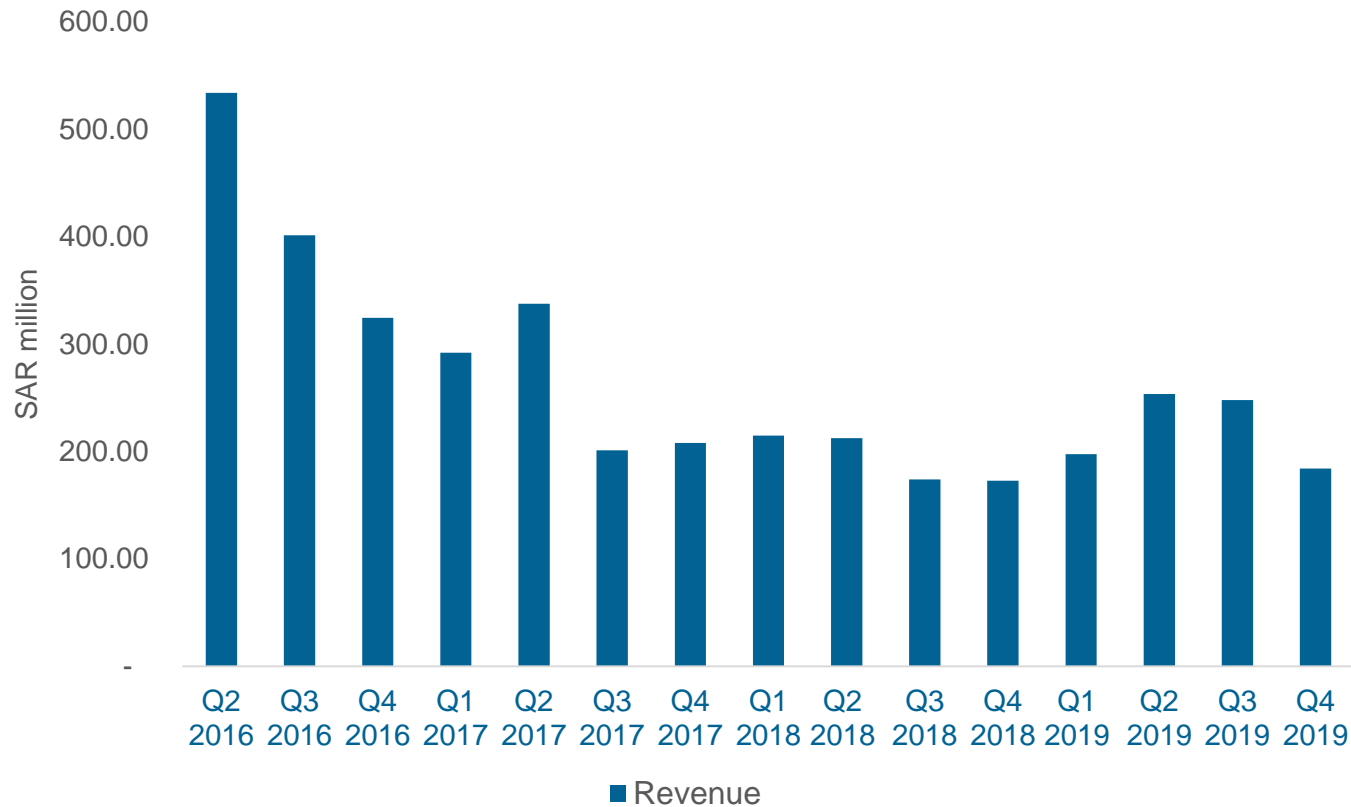
Housing	SEEC	Multi V	ESCO & Retrofit	Aftersales
<p>670,000 planned houses requiring 4-5m ACs</p> <p>Potential value share: SAR 2bn</p>	<p>Multifold rise in KSA energy tariff from 2018</p> <p>Stimulus of SAR 400m for energy efficient ACs = SAR 1.5-2bn market size</p> <p>Potential value share: SAR 300m</p>	<p>Shaker Group product already has 55% market share, increasing demand</p> <p>Projects worth SAR 113m already captured</p> <p>Potential total value: SAR 175m</p>	<p>250,000 government buildings 25-30 yrs old = retrofit opportunity</p> <p>Government commitment of approx. SAR 2bn for retrofit</p> <p>Potential market value: SAR 2bn annually across value chain</p>	<p>Growing replacement market with shift to energy efficiency</p> <p>Potential project pipeline: SAR 30m</p>

FINANCIALS



Sales recovery

Revenue growth driven by transformation initiatives



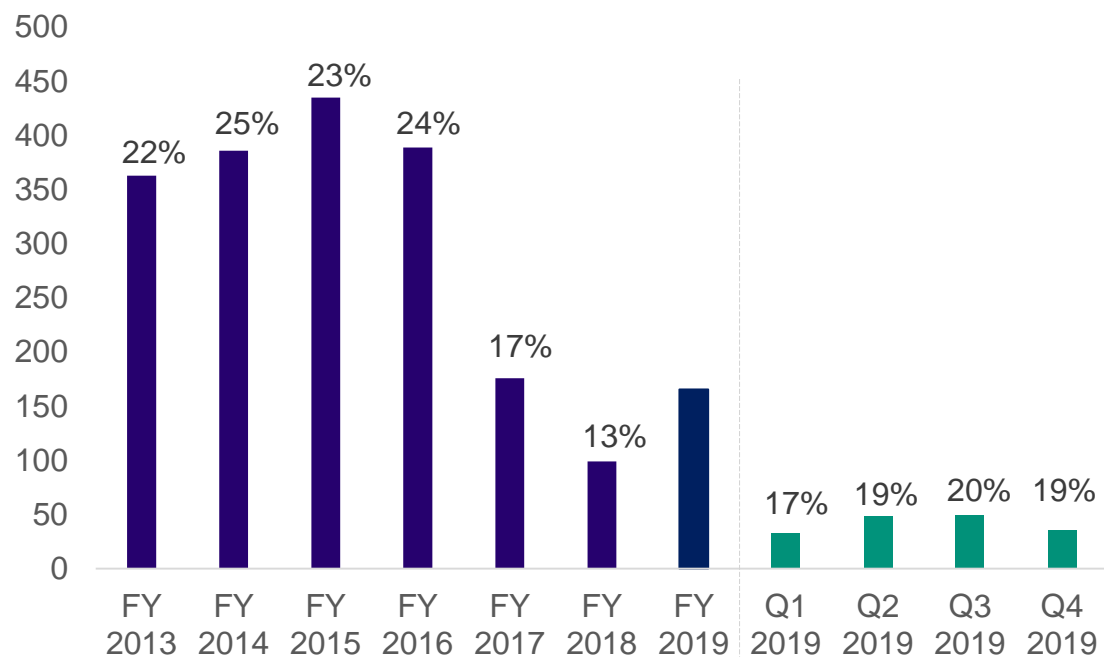
Revenue increase from Q4 2018 driven by outcomes of Breakthrough Program

- Enhanced distribution network, sales processes and training
- Investment in technology to manage inventory
- 1500+ containers moved in 2019
- Strategic seasonal sales
- Growth of services offer, SEEC program and ESCO

Profitability

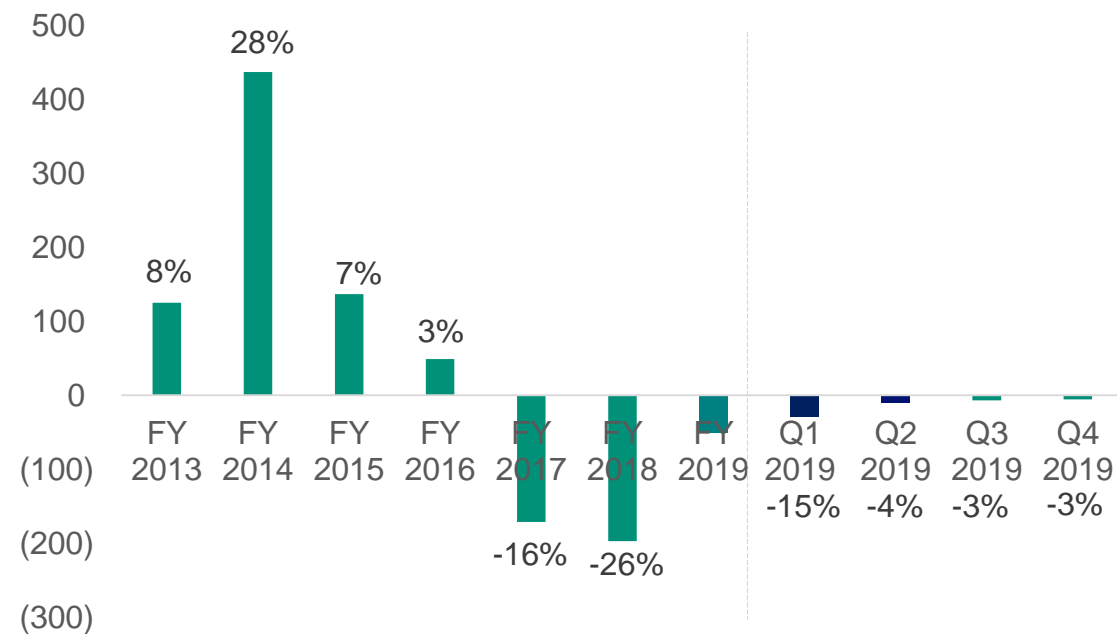
Gross Profit (SAR million)

% = GP margin



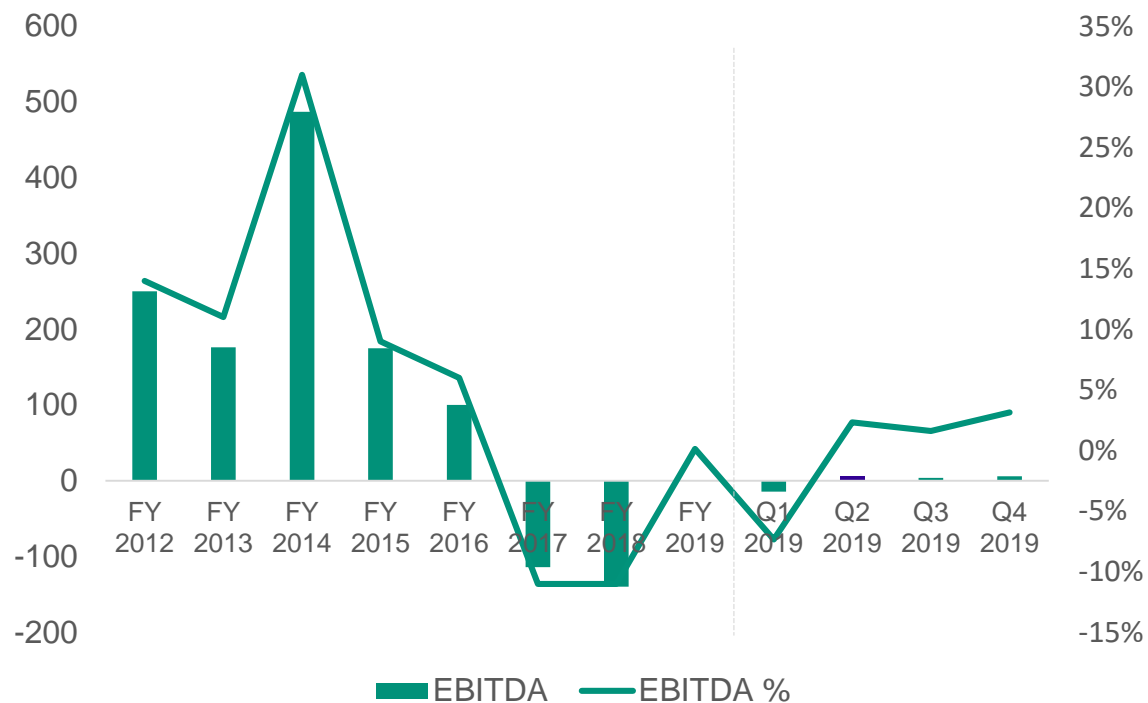
Net profit/(loss) (SAR million)

% = NP margin

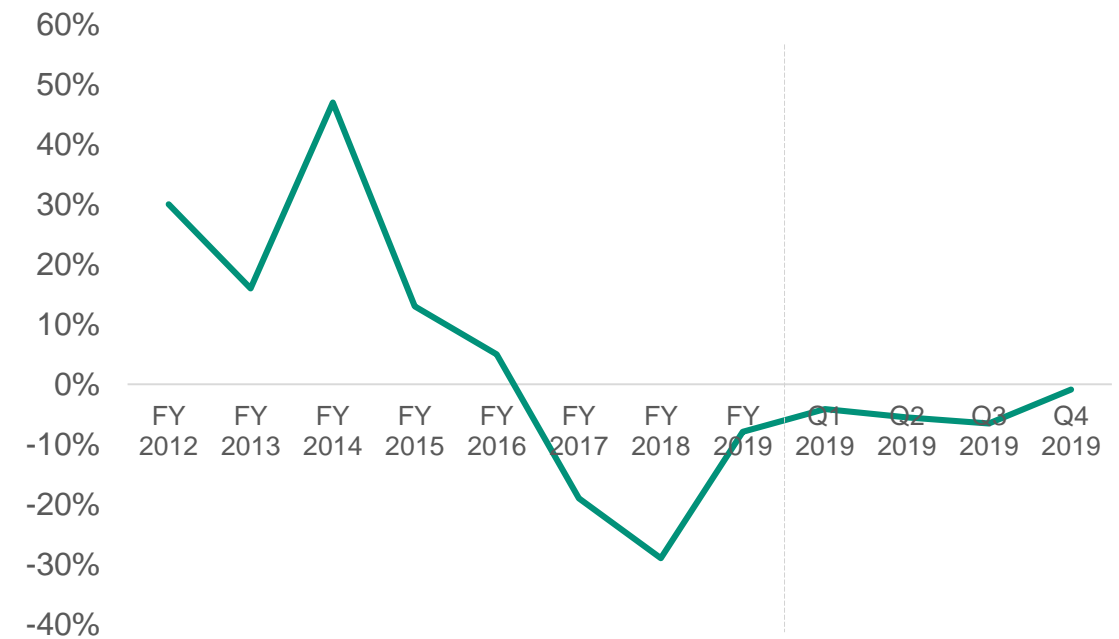


EBITDA and RoE

EBITDA (SAR million)

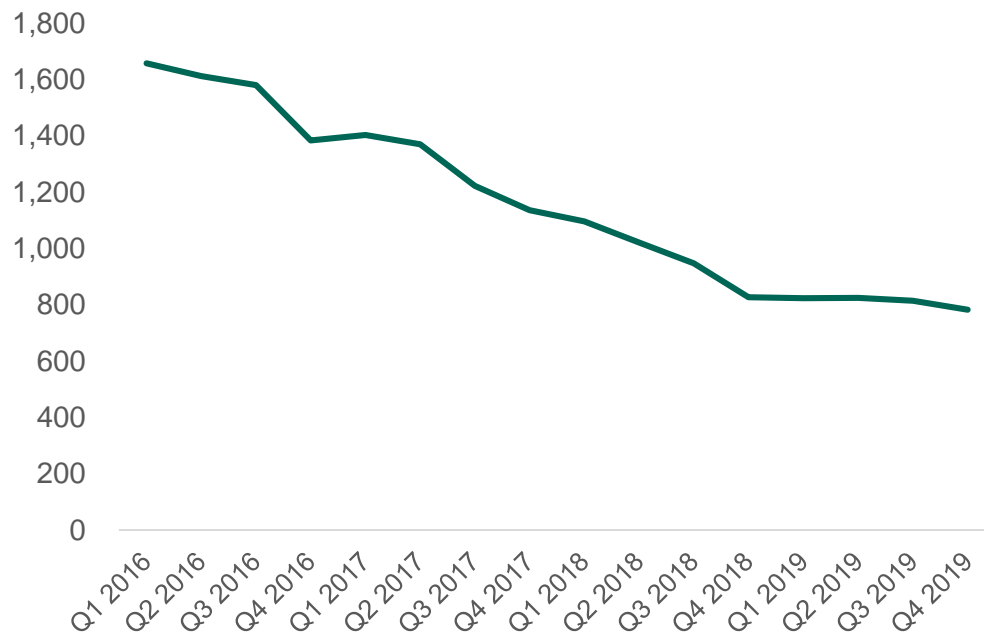


Return on Equity (%)



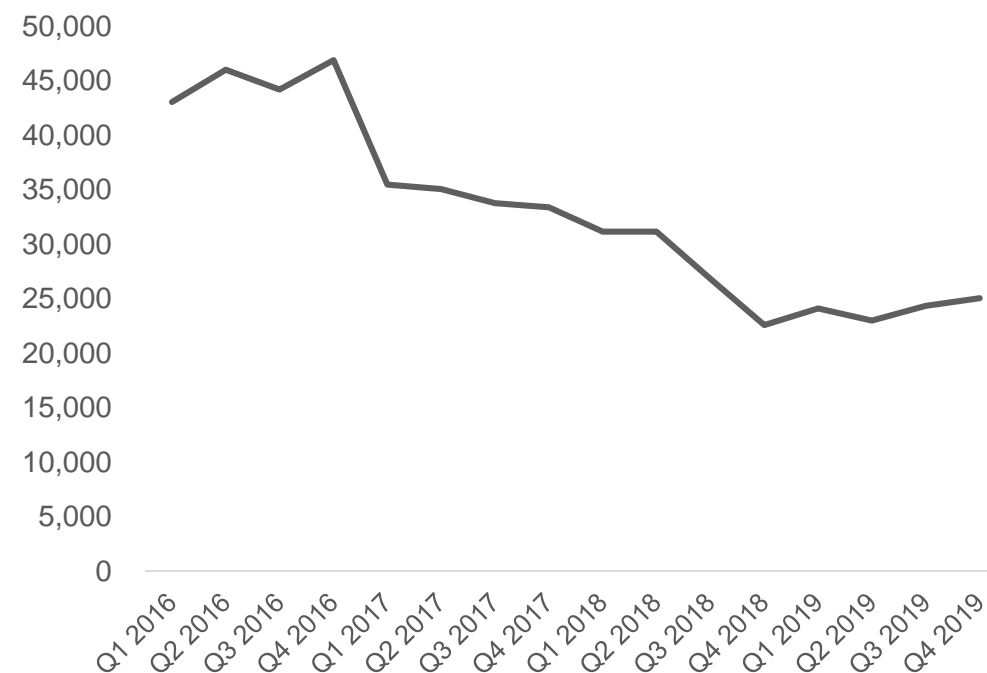
Spotlight: rationalizing the workforce

Rationalizing employee headcount



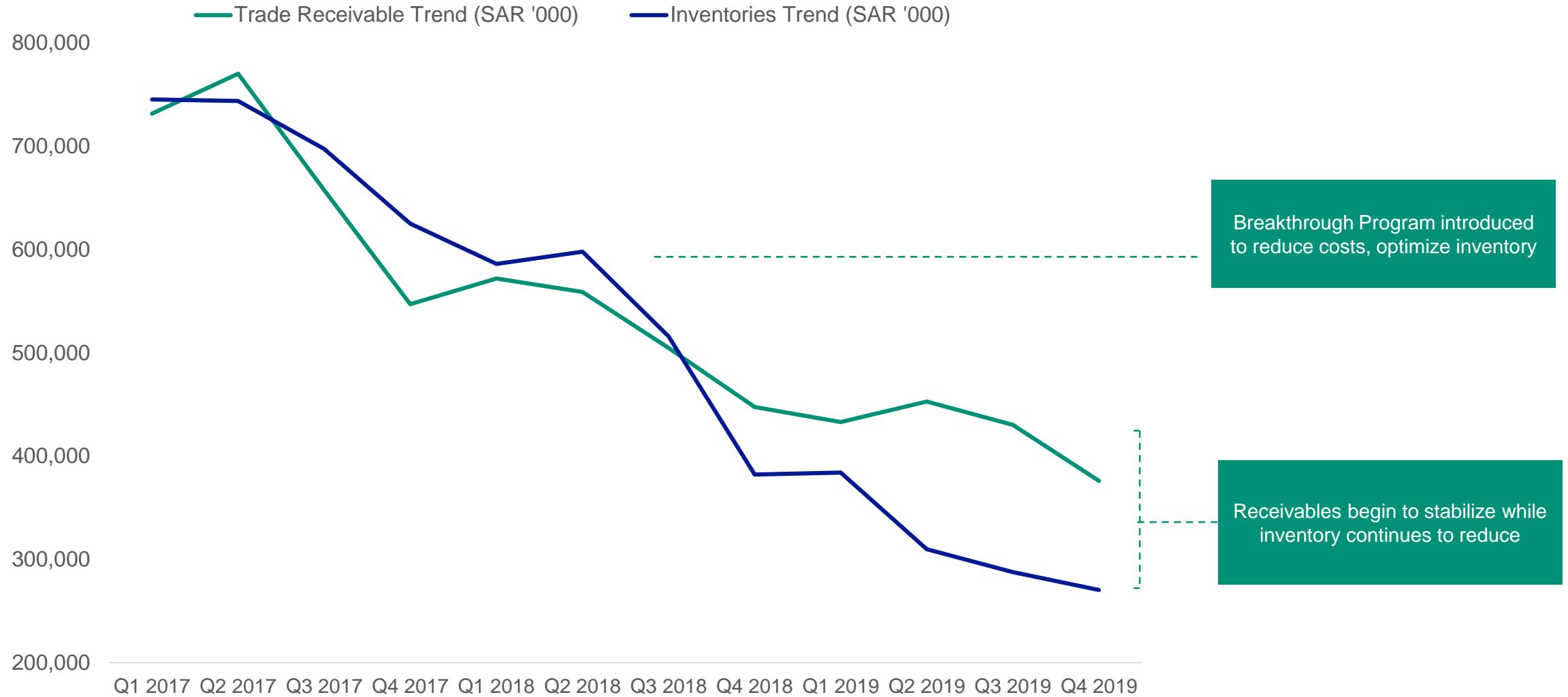
Employee headcount rationalization ongoing,
productivity of workforce improving

Rationalizing employee costs (SAR 000)



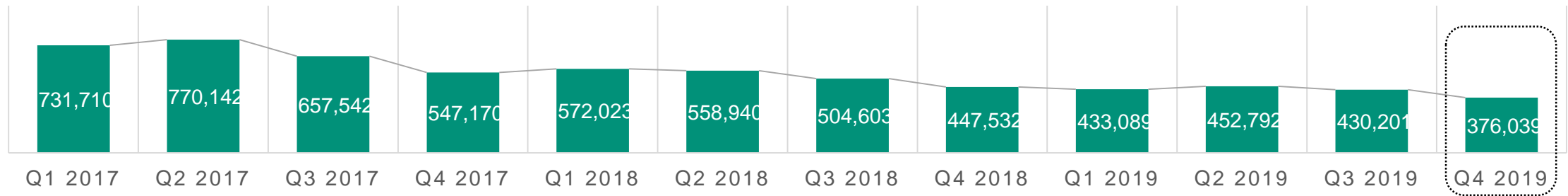
Employee costs decreased by 14%

Trade receivables vs. inventory trend

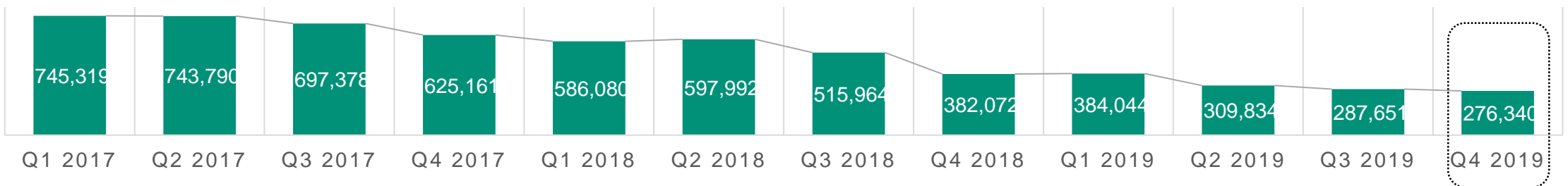


Trade receivables vs. inventory trend

Trade Receivable Trend (SAR '000)

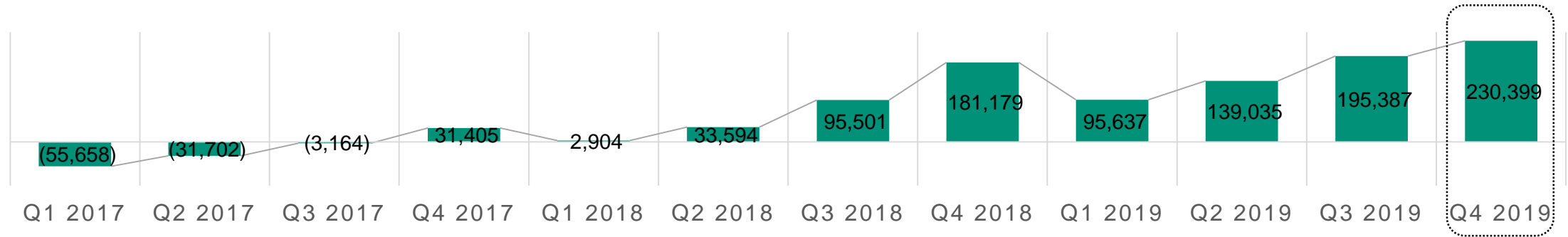


Inventories Trend (SAR '000)

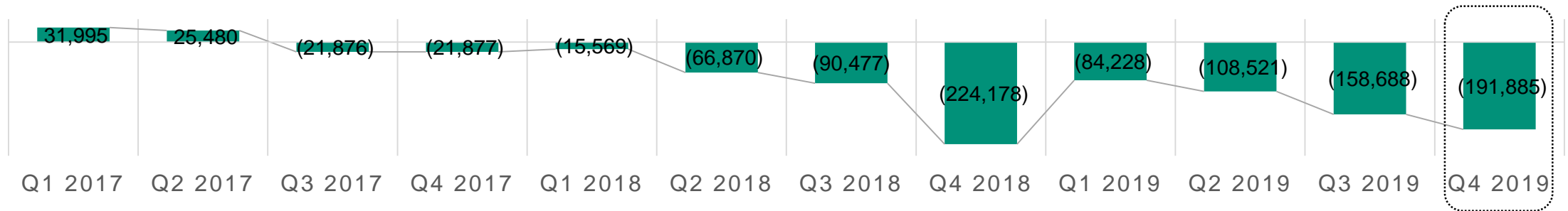


Cash flow: operational and financing

Cash Flow From Operations Trend (SAR '000)

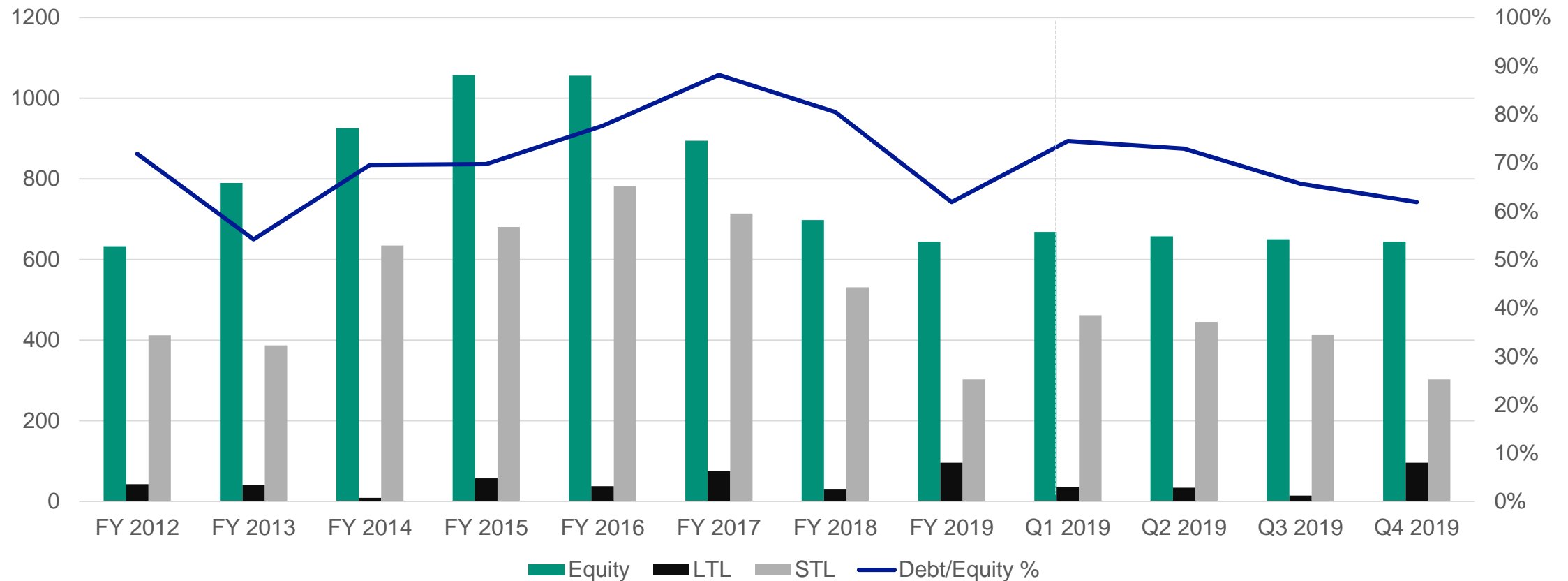


Cash Flow From Financing Trend (SAR '000)



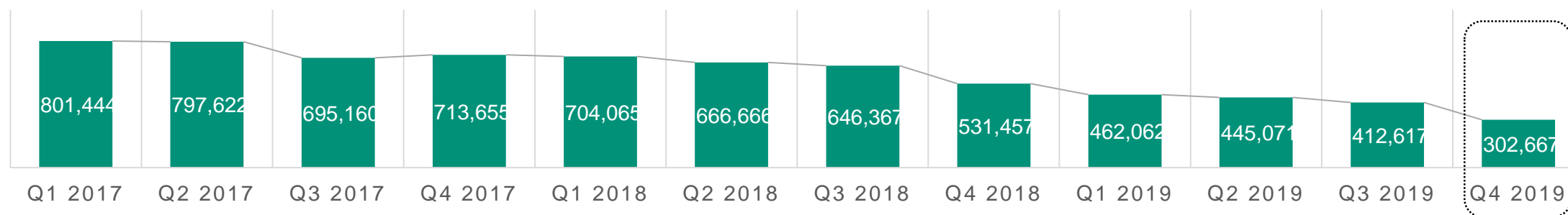
Capital structure

Capital Structure (SAR million / %)

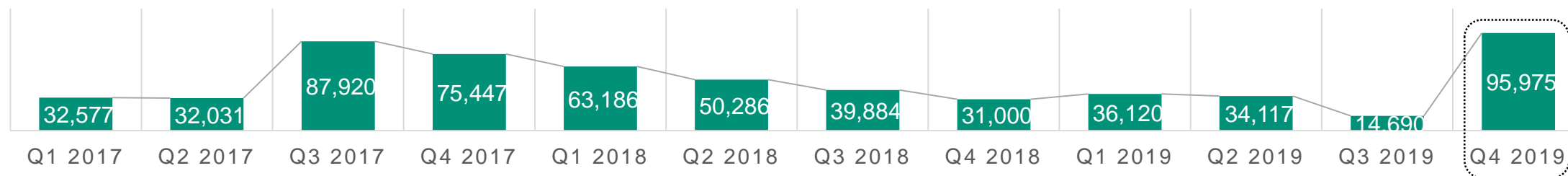


STLs and MTLs trend

Short Term Loans Trend (SAR '000)



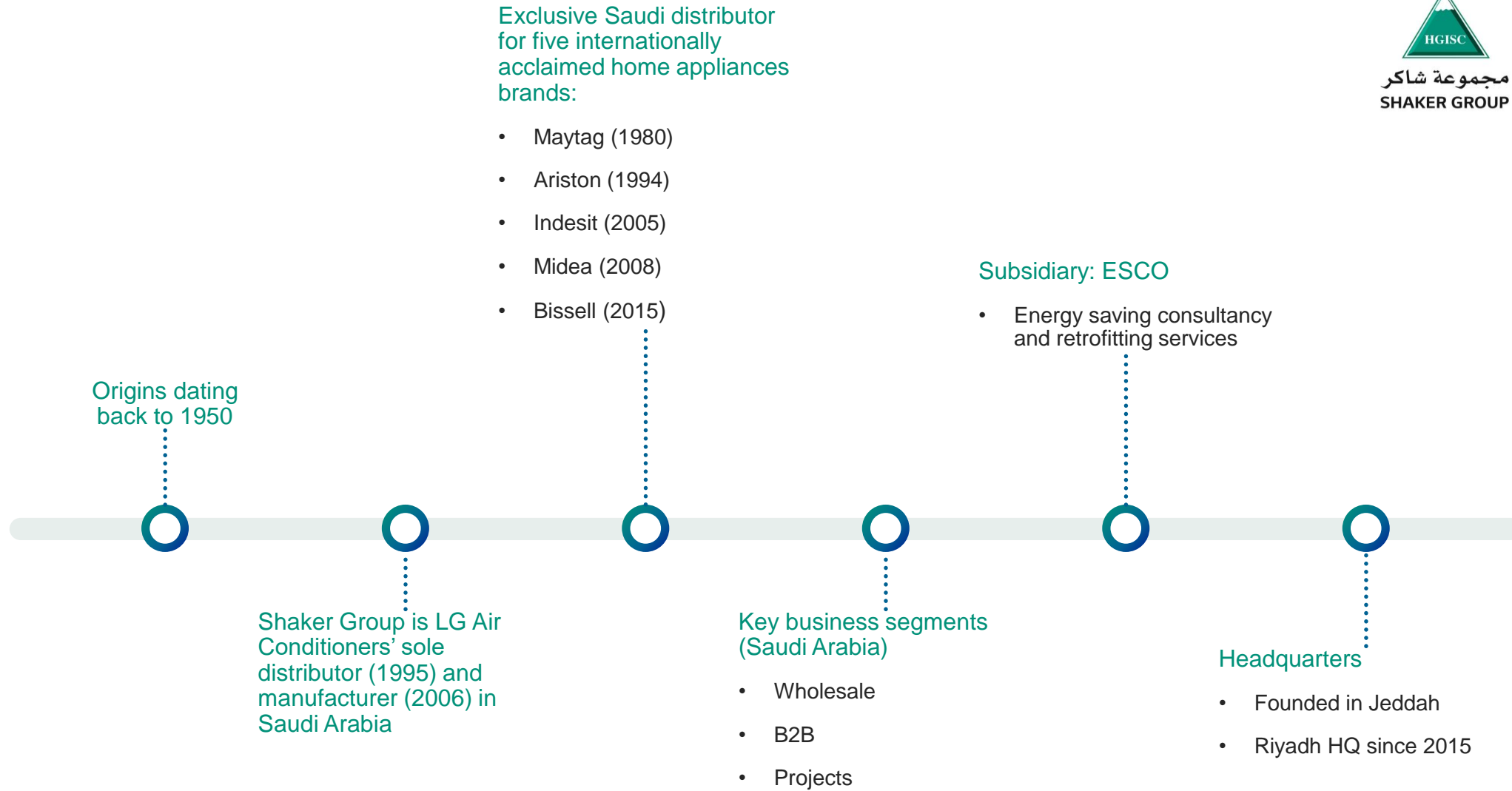
Medium Term Loans Trend (SAR '000)





APPENDIX I: ABOUT THE COMPANY

What is Shaker Group?





Chief Executive Officer

Azzam Almudaiheem

Azzam was previously Purchasing Manager, Acting GM and GM at Masdar, having been Regional Sales Manager at Al Muhaidib Food. He has extensive sector experience, having begun his career as Manufacturing Engineer at Advanced Electronics Company.

Azzam also holds a position as Board member of Arabian Pipes Co., where he has had a central role in the company's turnaround strategy.

Azzam holds a Bachelor's degree in Mechanical Engineering with honors from King Saud University.



VP Finance

Hossam Al Akkad

Hossam has over 30 years of experience in finance. Prior to joining Shaker Group, he was CFO at Asla Holding co. leading financial and business development strategies at the company. He was also CFO at Automotive Casting Company in Egypt, Group Financial Director at Magrabi Hospitals and Centers, and Financial Director and Lundbeck.

Hossam is a fellow at the Egyptian Society of Taxation and gained his accounting certification in 1993.

Hossam completed an MBA in Corporate Finance, holds a CMA and BSc degree in Commerce (Accounting).



Chief Strategy & Transformation Officer

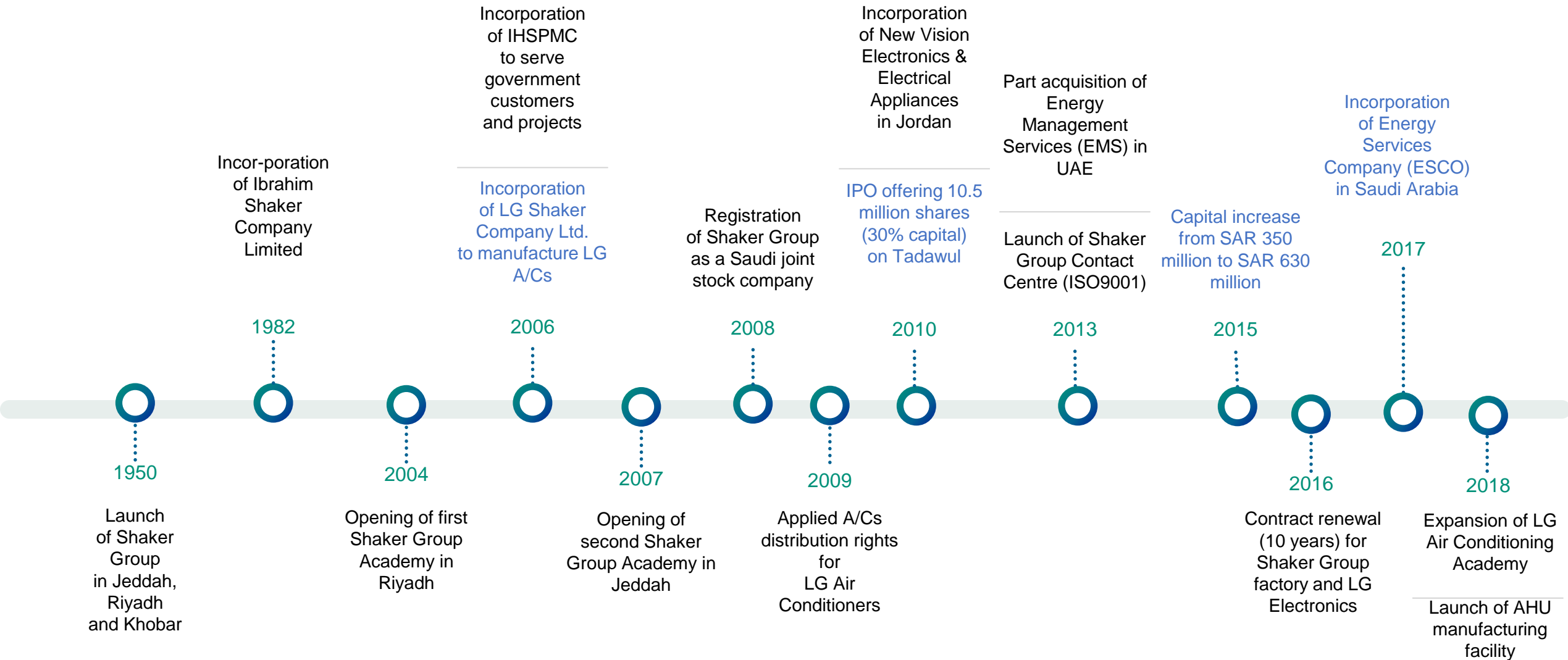
Mohammed Abunayyan

Prior to his current role, Mohammed has held the roles of Director of Quality Management, Director of Strategic Planning, General Manager for both retail and wholesale markets and Director of Project Management.

Mohammed holds a Bachelor's degree from Al Yamamah University, in addition to which he has completed professional courses including Strategic Planning at London Business School and Management Evaluation at Kaplan University.

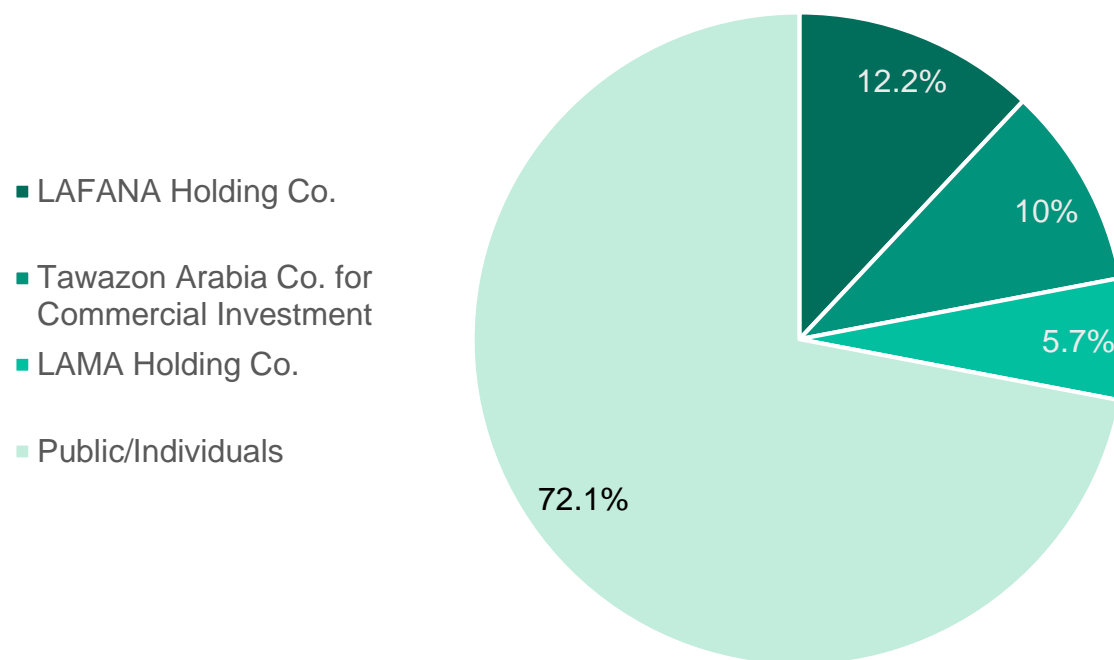
Senior management

Corporate milestones



Shareholding structure and information

Shareholding structure



Share information

Market	Tadawul, Saudi Arabia
Currency	SAR
Listing date	May 2010
Financial year-end	31 December
Authorized capital (SAR)	630,000,000
Issued shares	63,000,000
Paid capital (SAR)	630,000,000
Par value/share (SAR)	10
Paid up value/share (SAR)	10

As at 31 December 2019

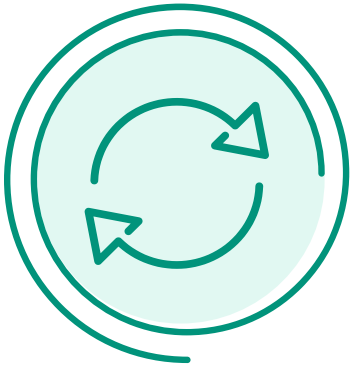
A photograph of a white Ariston front-loading washing machine in a laundry room. The machine is on the left, with a control panel at the top featuring a digital display and various buttons. To the right of the machine are white cabinets with drawers. A dark shirt is hanging on the wall to the right. The entire image has a blue tint.

APPENDIX II: ABOUT BREAKTHROUGH PROGRAM

Core Business Turnaround (CBT)

Profitable & responsible sales

Cost excellence



B2C, B2B and Aftersales

1. Recover sales from top key accounts and inactive accounts in LG AC market
2. Activate new channels and sales programs to capture additional market share
3. Increase the penetration of Shaker's brands within the market, through signing new dealer contracts
4. Expand coverage to remote and underserved areas
5. Strengthen commercial terms with strategic business partners to capture large-scale projects
6. Capture new Aftersales market opportunities (i.e. retrofits and annual maintenance contracts)

Cost efficiencies and working capital excellence

1. Reduce costs of FTEs
2. Cost-cut of rent and leasing expenses
3. Exit locations that can be served centrally and re-negotiate rental terms for remaining contracts
4. Optimise other costs (i.e. marketing, other expenses etc.)

Performance Infrastructure (PI)

Infrastructure



Built for transformation

1. Set-up cadence, tools to drive the Breakthrough Program
 - Transformation Office meetings
 - Sales war-rooms
 - Monthly sales meetings

Reporting

Measure progress

1. Measure progress of the Breakthrough Program
2. Establish reporting templates for
 - Transformation meetings
 - Management meetings
 - Board meetings

Talent Upgrade Plan (TUP)

Organization



Re-structure

1. Restructure the sales organization to channel-wise basis rather than regional basis, shifting from regional focused to customer focused setup
2. Consolidate positions and functions that can be managed through centralization

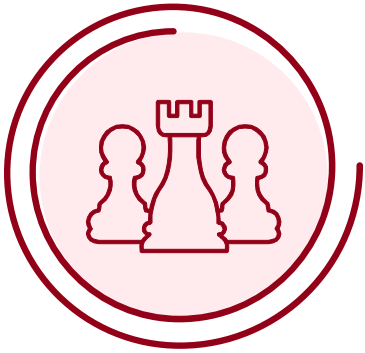
Talent

Completely upgrade

1. Hire and/or replace the necessary talents needed to implement the Breakthrough Program
2. Areas targeted:
 - A- Sales
 - B- Marketing
 - C- Other support functions

Strategic Moves (STR)

Principal relationships



Restructure relationships

1. Restructure relationships with principals and commercial partners – especially to address:
 - Joint collaboration on market challenges
 - Setting a win-win setup and framework

Strategic choices

Objectives

1. Explore strategic choices beyond fixing the core business (i.e. entering new segments, developing new products etc.)

APPENDIX III: FINANCIALS



Balance sheet

SAR '000	2015	2016	2017	2018	FY 2019
<u>ASSETS</u>					
Non-current assets	840,349	860,595	818,770	754,766	709,647
Current assets	1,578,631	1,525,842	1,267,065	879,935	757,624
Total assets	2,418,980	2,386,437	2,085,835	1,634,701	1,467,271
<u>EQUITY</u>					
Total equity attributable to shareholders	1,041,975	1,044,194	874,399	676,981	624,012
Total equity	1,057,599	1,056,309	894,639	698,180	643,945
<u>LIABILITIES & EQUITY</u>					
Non-current liabilities	101,201	81,114	107,901	56,751	215,096
Current liabilities	1,260,180	1,249,014	1,083,295	879,770	608,230
Total liabilities	1,361,381	1,330,128	1,191,196	936,521	823,326
Total equity & liabilities	2,418,980	2,386,437	2,085,835	1,634,701	1,467,271

Income statement

SAR '000	2015	2016	2017	2018	FY 2019
Sales	1,886,526	1,654,405	1,038,563	774,025	882,822
Cost of sales	(1,451,669)	(1,265,479)	(862,615)	(674,107)	(717,176)
Gross profit	434,857	388,926	175,948	99,918	165,646
S&D expenses	(184,598)	(181,536)	(162,530)	(140,336)	(104,454)
G&A expenses	(158,805)	(156,317)	(167,853)	(116,504)	(105,607)
Operating income/(Loss)	91,454	51,073	(154,435)	(155,221)	(44,415)
Other income, net	3,149	7,644	963	2,901	5,968
Financial charges	(16,615)	(30,298)	(34,044)	(32,862)	(29,302)
Re-measurement of equity accounted investees	(856)	-	-	-	-
Loss on disposal of equity accounted investees	-	-	-	-	(1,002)
Share in net income of equity accounted investees	57,072	22,099	18,449	(7,225)	18,071
Income/(Loss) before Zakat and non-controlling interests	134,204	50,517	(169,067)	(195,308)	(50,680)
Zakat and foreign income tax expense	(8,189)	(5,210)	(7,678)	(6,873)	(180)
Net income/(Loss) before non-controlling interests	126,015	45,308	(176,745)	(202,181)	(50,860)
Non-controlling interests in net loss of consolidated subsidiaries	10,521	3,509	5,706	5,639	(1,075)
Net income/(Loss)	136,536	48,817	(171,039)	(196,542)	(49,785)

Cash flow statement

SAR '000	2015	2016	2017	2018	FY 2019
<u>Cash flows from operating activities</u>					
Profit/(loss) for the period	126,015	45,308	(176,745)	(202,181)	(50,860)
Adjustments:	128,093	83,296	(69,357)	(102,641)	(5,480)
<u>Changes in operating assets & liabilities</u>	(30,236)	(18,128)	67,967	220,484	264,534
Employees' end of service benefits paid	(3,892)	-	-	(12,909)	(7,428)
Financial charges paid	(16,615)	(25,527)	(28,587)	(33,738)	(32,719)
Zakat and income tax paid	(6,549)	(6,878)	(7,975)	(5,567)	(1,416)
Net cash from operating activities	(57,292)	(50,533)	31,405	181,179	230,399
Net cash used in investing activities	(37,059)	(23,316)	(5,961)	(6,227)	(2,546)
Net cash used in financing activities	114,703	40,382	(21,877)	(224,178)	(191,885)
Net increase/(decrease) in cash and cash equivalents	20,352	(33,467)	3,567	(49,226)	(41,060)
Cash and cash equivalents acquired during the period	5	-	-	-	-
Cash and cash equivalents at beginning of the year	64,913	85,270	51,803	55,370	6,144
Cash and cash equivalents at end of the period	85,270	51,803	55,370	6,144	47,204



INVESTOR RELATIONS CONTACT

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