



EFG Hermes One on One Conference Presentation

March 6-8th 2017

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2016 Financial Review

2016 Financial Highlights

Group Revenue

- 2016 AED2.8bn, -9.3% YoY
- Core Revenue -6.1% YoY
- Non Core Revenue -26.1% YoY

Gross Margins

- Csltd. 30.5%, +230bps YoY
- Core 30.5% +120bps YoY
- Non core 30.3% +770bps YoY

EBITDA

- AED485.7mn, -18.2% YoY
- EBITDA margin 17.4% - 190bps YoY

Like for Like Net profit

- AED216mn vs.343mn, -37.1% YoY

Total Provisions

- AED185mn vs 53 mn taken during the year for inventory, receivables and others

Reported Net Profit

- AED31mn, -90.1% YoY

CAPEX

- Continued investment of AED 215 vs AED 267 mn YoY

Working capital

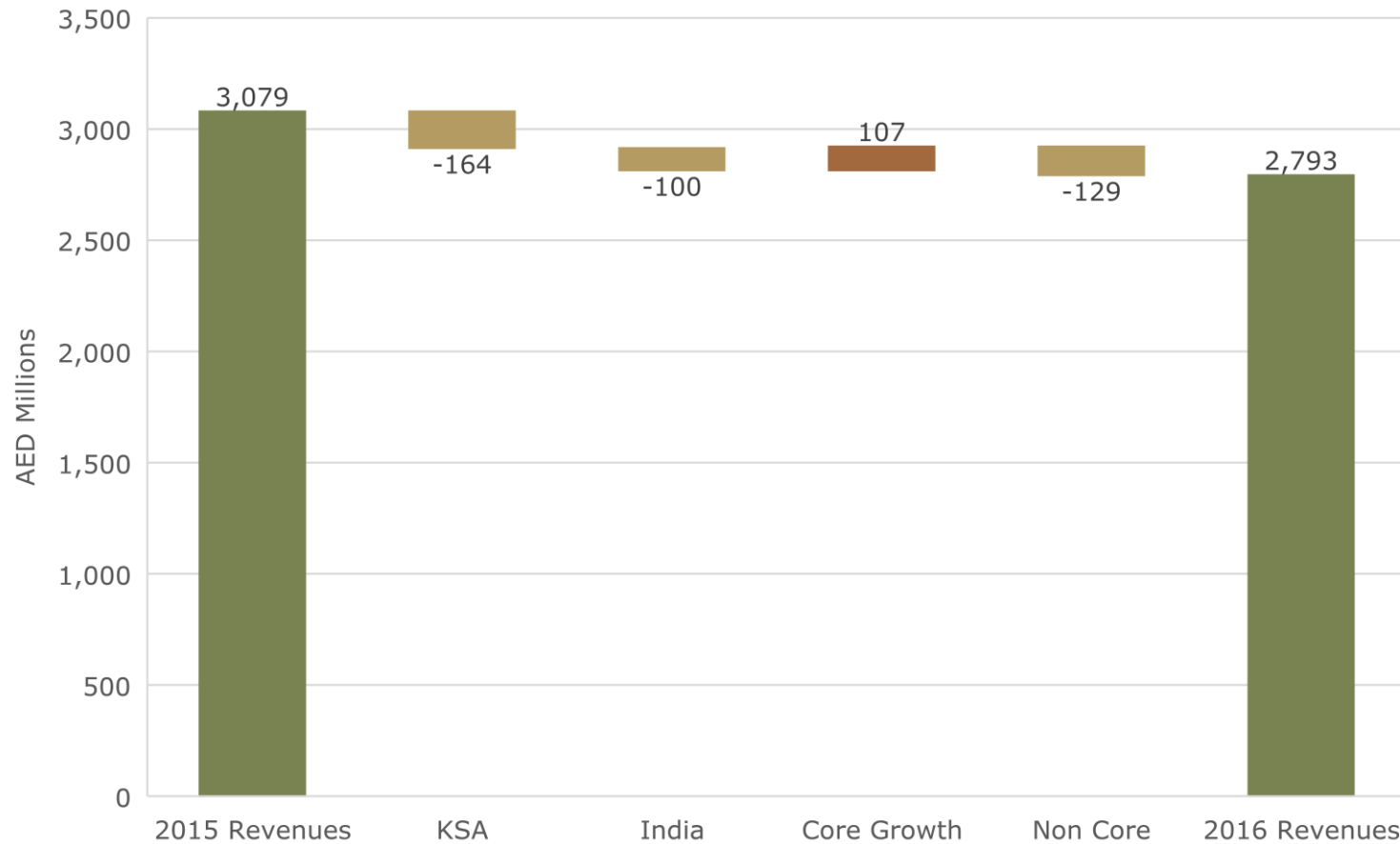
- Reduced AED 173 mn at 1.68 bn (234 days) vs 1.86 bn (228 days) in Dec'15

Gearing

- Net debt +3.0% YoY at 1.66 bn.
- Net Debt to EBITDA ratio at 3.42x vs 2.71x end 2015

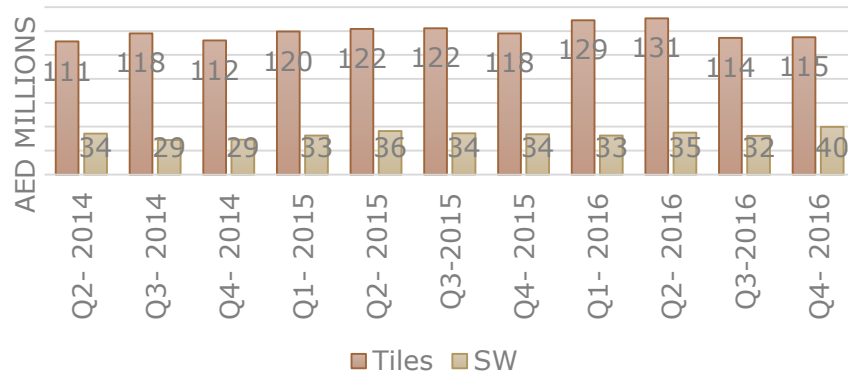
2016 Revenue Breakdown

Key 2016 Revenue Drivers

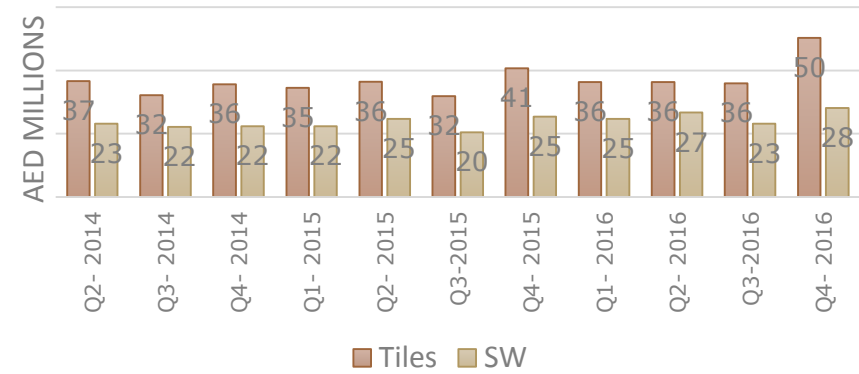


Focus Markets – Quarterly Sales Trends

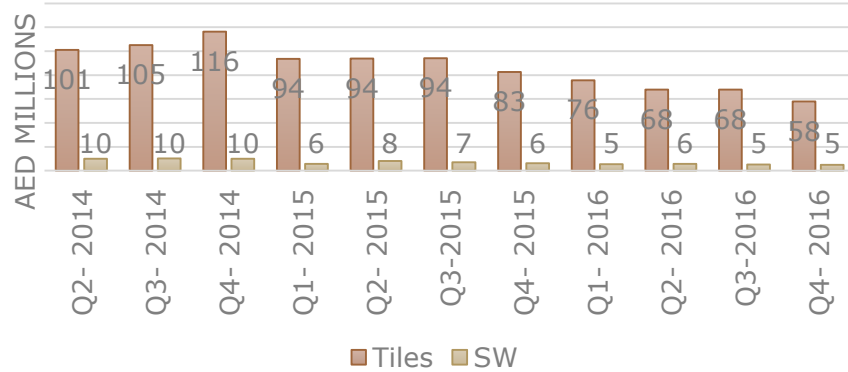
UAE



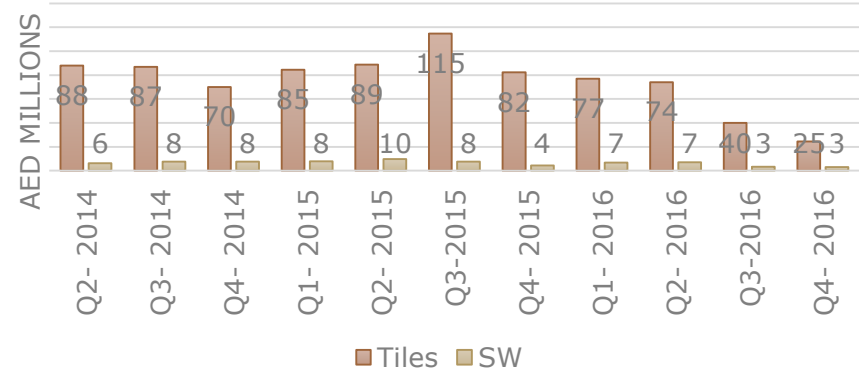
Bangladesh



India



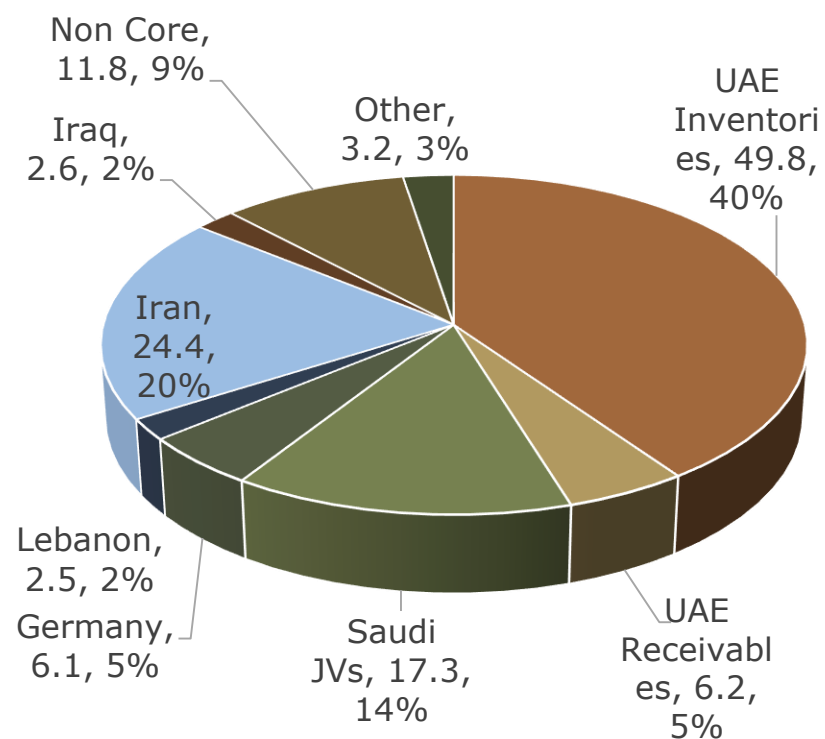
Saudi Arabia



Provisions Breakdown

Items	Amount – AED Mns
In COGS	
Provision for slow moving or obsolete inventory	70.7
Write Off of Inventories	18.0
In G&A	
Provision for impairment loss on trade receivables / amounts due from related parties	61.7
Impairment charge on goodwill	12.9
In Share in Results of Equity Accounted Investees	
Provision for impairment in shares in results	21.7
Total	185.0
Of Which is Extraordinary	132.0

Extraordinary Breakdown by Geography



2016 Operating Review

2016 Operational Highlights

Capacity Expansions in Growth Segments

- 20% increase in SW Capacity in UAE
- 42% increase in Tile Capacity in Bangladesh

Integration of European Distribution

- Sales teams reorganized
- New Frankfurt showroom and office
- Italy as main distribution hub

Raw Material Savings

- AED30mn saved in raw materials, packing and shipping.

Capacity & headcount right sizing

- Some production lines halted over H2/16.
- UAE headcount lower to match capacity reduction

UAE Tile Production Mix Revamp

- One Ceramic plant converted to GP in Q3. Ceramic/GP production mix now 63/37 from 74/26 at end Q3/16.

Projects and Retail Channels

- UAE Project sales team strengthened resulting in sales +6% YoY. Showroom renovations to pay off 2017.

B'desh & Tableware

- B'desh tile GM +240bps through lower COP & product mix
- Tableware growth on new product introductions. US market tapped for growth

Product Design

- Fewer tile collections launched (53 vs 160 in '15) to enhance brand image & product positioning. SW collection in process to launch at ISH fair.

Rebranding

- Launch across UAE, Europe, India and Australia. Common look and feel to enhance brand perception

2016 Operational Lowlights

Reduced sales volume

Tiles volume was low at 77 mn vs 86 mn sqm
KSA revenue -41.0% YoY.

Sanitaryware Margins

GM fell from 43.5% to 41.3% due to declining ASP & change in product mix

Relative Gas Costs

UAE gas costs higher by 7.7 mn YoY as mix of Dolphin supply increased to 53% vs.47%. Spread we pay vs. gas in Europe is near record

Continued poor performance of India

Loss after tax in 2016 AED 3.4 mn vs. profit after tax 2.3 mn YoY

Iran

Delays in Govt clearances, poor project planning, delays in installing machinery and building up management team

Italian logistics shift

Poor execution of shift to Italy as main distribution hub led to lost sales and reputational hit in Q3/16

Inventory Mgmt

26mn SQM of tile inventory at year end in UAE, 32.2 mn total vs 28.4mn sqm

Delay in sale of Non Core assets

Warehouse Leasing, Electro RAK & Acacia Hotel. Electro RAK sale concluded in Jan '17 for AED45mn

IT

Delay in SAP enhancements
Implementation issues in Bangladesh & Italy

2017 Outlook

2017 Group Initiatives and Outlook

UAE local market

- Grow market share, pursue project channel penetration and grow retail channel. Flagship showroom in Dubai in planning stage.

India

- Morbi JV expected 2017
- Strategic tie up under discussions
- Planning projects team as additional sales channel

Iran

- Ramp up production near 65% capacity and develop regional sales.
- New integrated ERP

Product Differentiation

- Further enhance tile product range, launch new strategic
- SW collection and build on Tableware success with new products and cutlery

Branding

- Rolling out branding to Bangladesh and KSA.
- Continue investing in Brand image in UAE & India

Supply Chain Mgmt

- Restructure current setup with clear responsibilities to improve operational efficiency & improve working capital

Cost efficiencies

- Energy (Co Generation)
- Productivity initiatives
- Overhead cost control

Dealers

- Strengthen the vertical
- Increase sales/marketing support
- Attract new customers
- Re-evaluate KSA setup

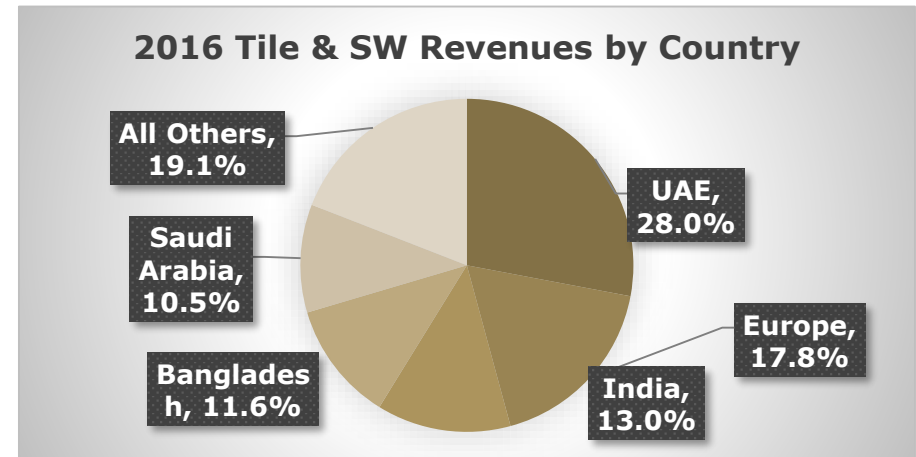
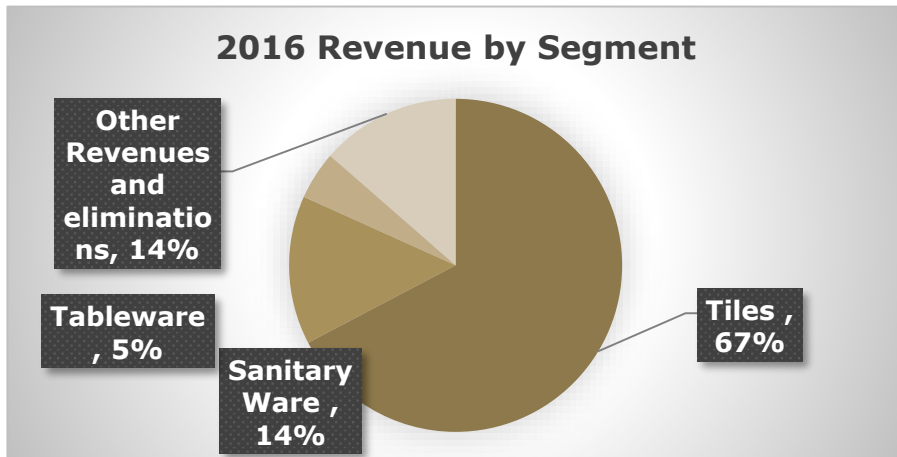
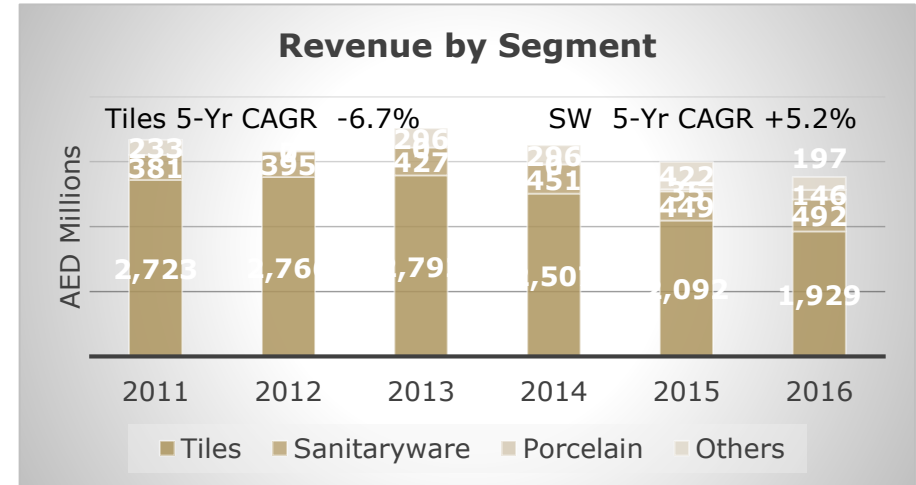
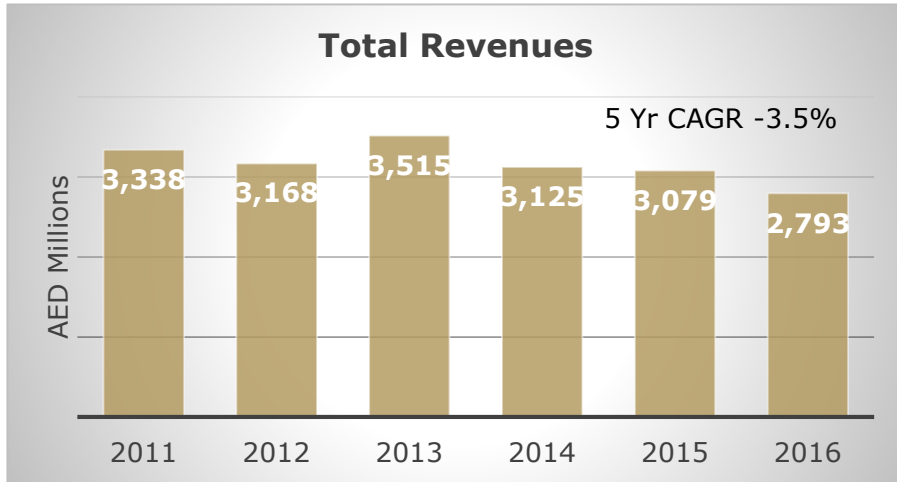
Acquisitions

- GCC & Europe on opportunistic basis

Appendix

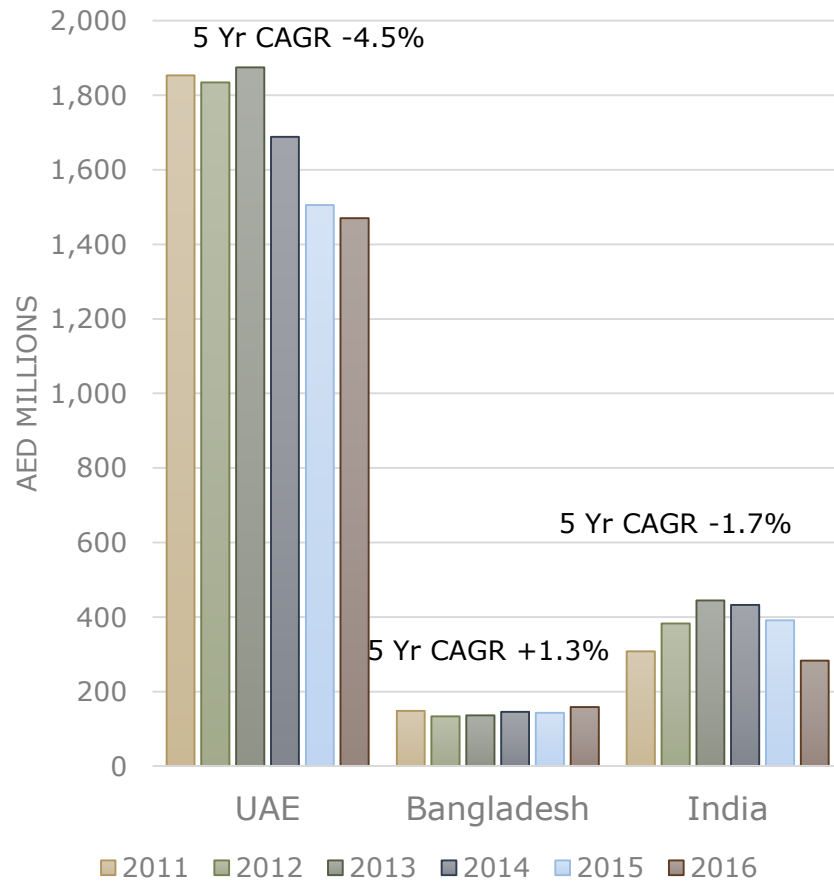
2011-2016 Financial Highlights

Revenue Growth and Composition

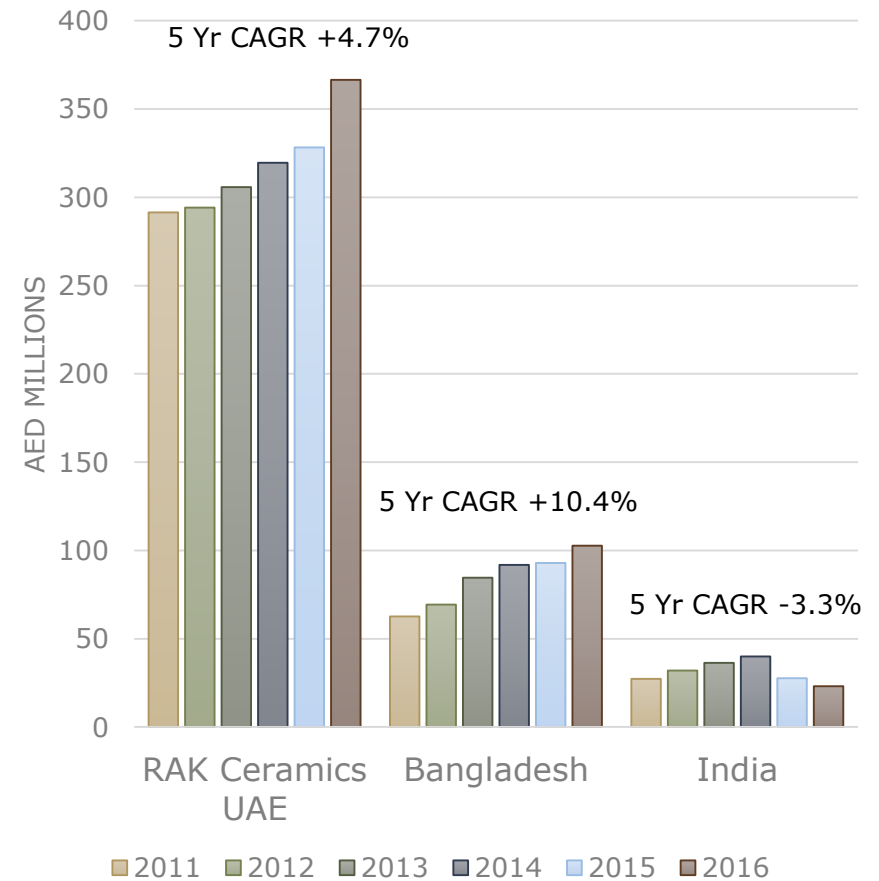


Performance by Segment

Tile Revenues by Location



SW Revenues by Location

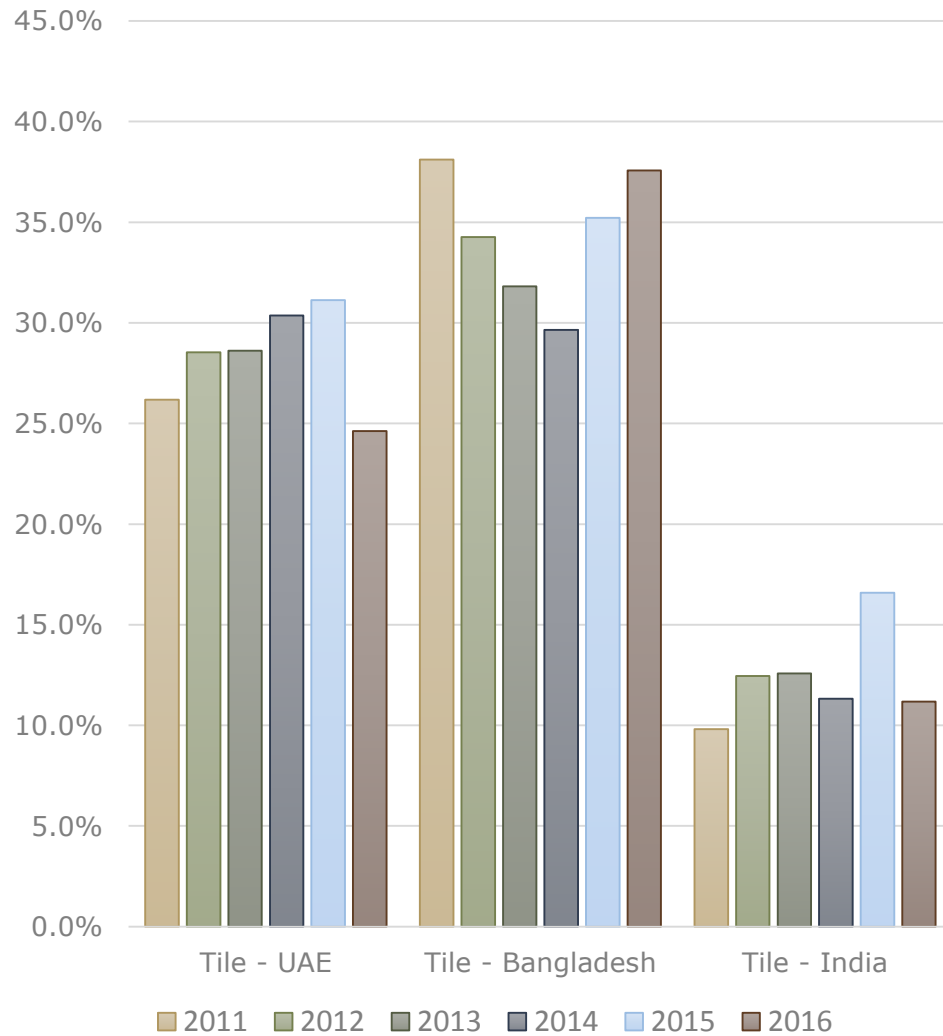


Figures above based on gross revenues before eliminations

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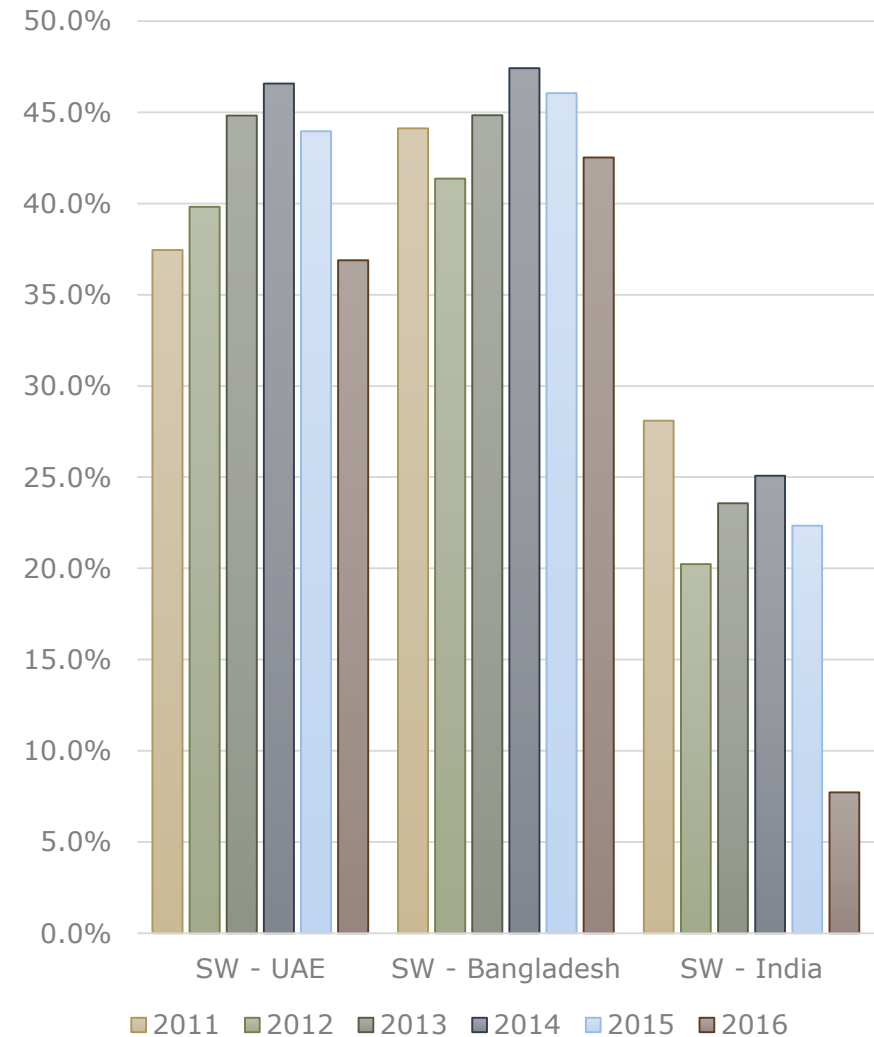
Gross Margins by Location

Tile Gross Margins by Location



Figures above based on gross revenues before eliminations

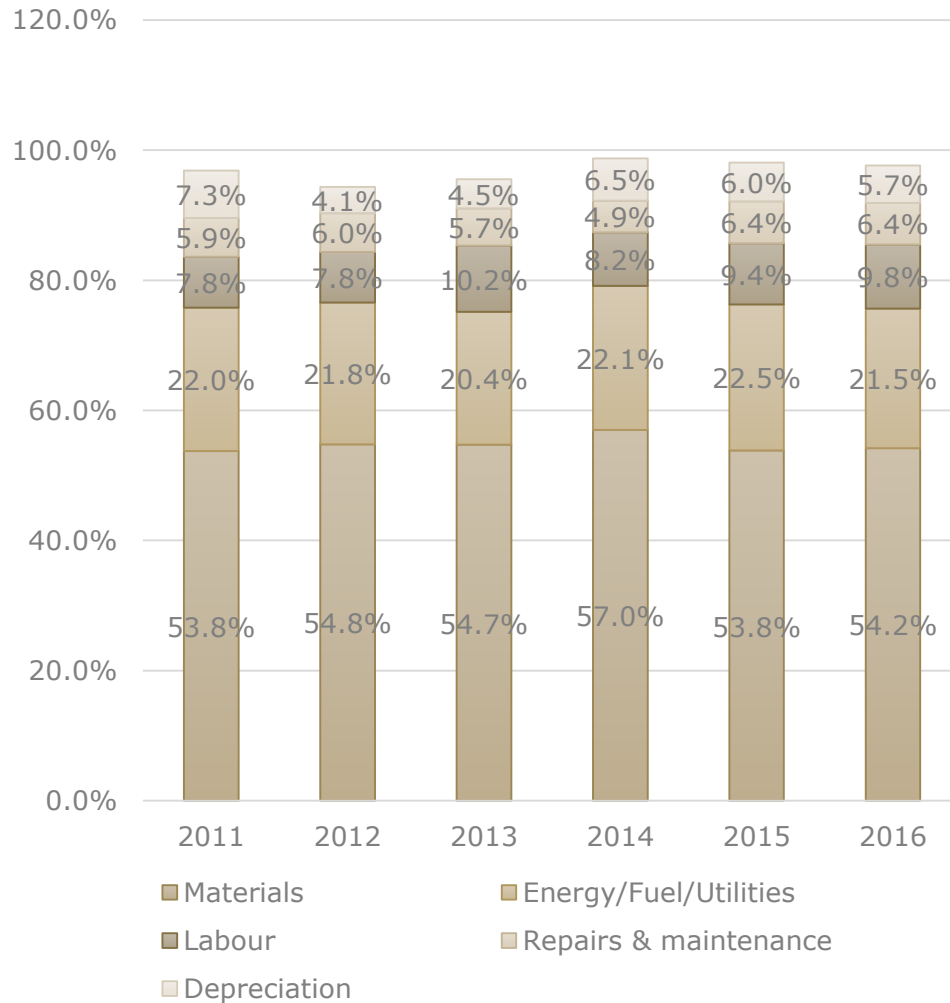
SW Gross Margins by Location



Figures above based on gross revenues before eliminations

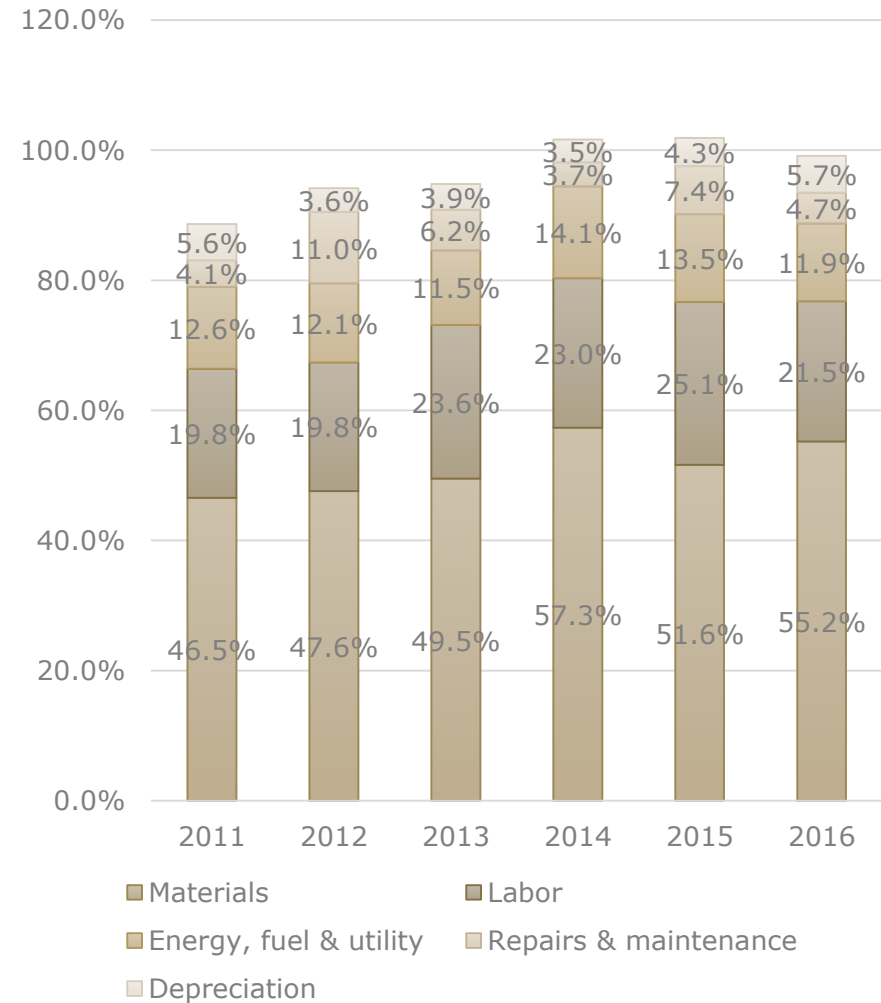
Gross Margins by Product

Tile COGS Breakdown



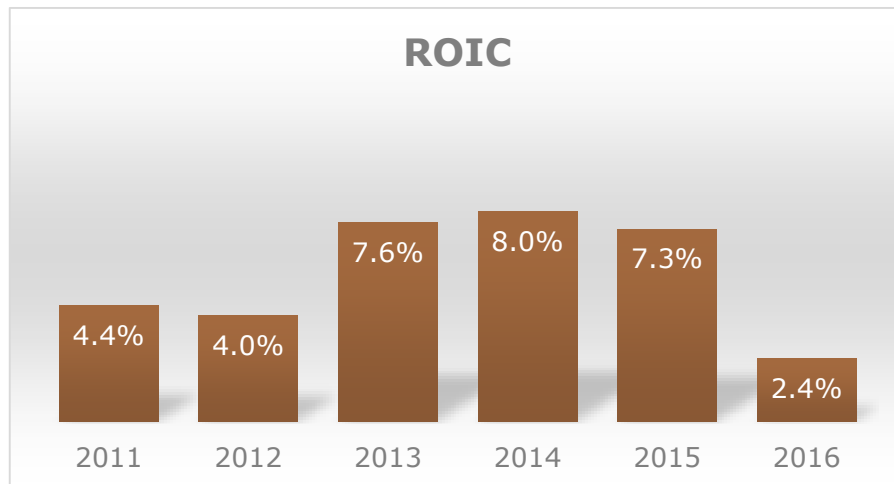
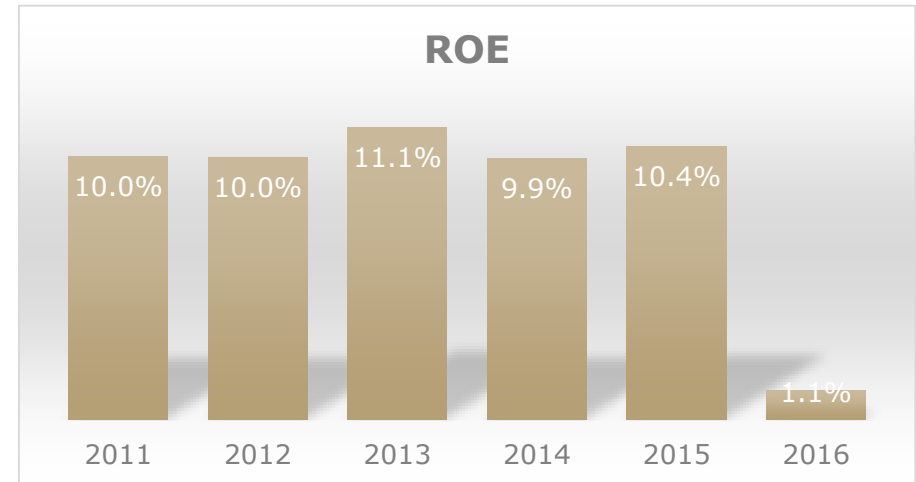
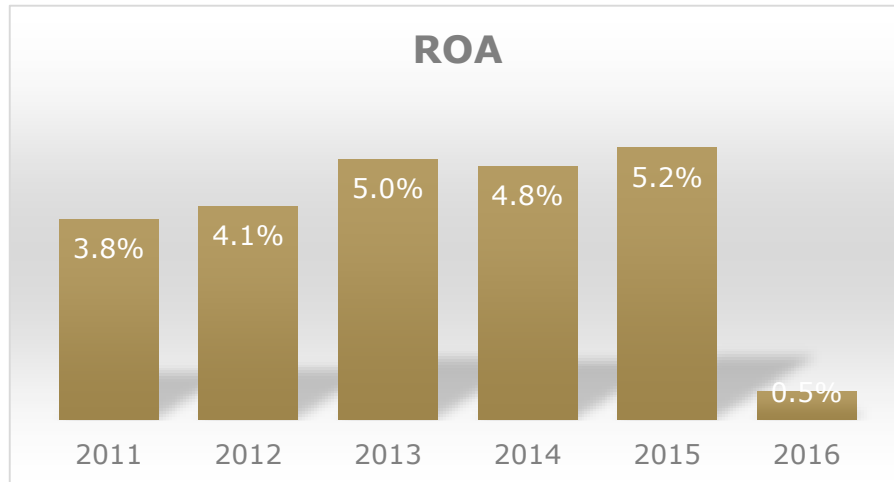
Figures above based on gross COGS before eliminations

Sanitaryware COGS Breakdown

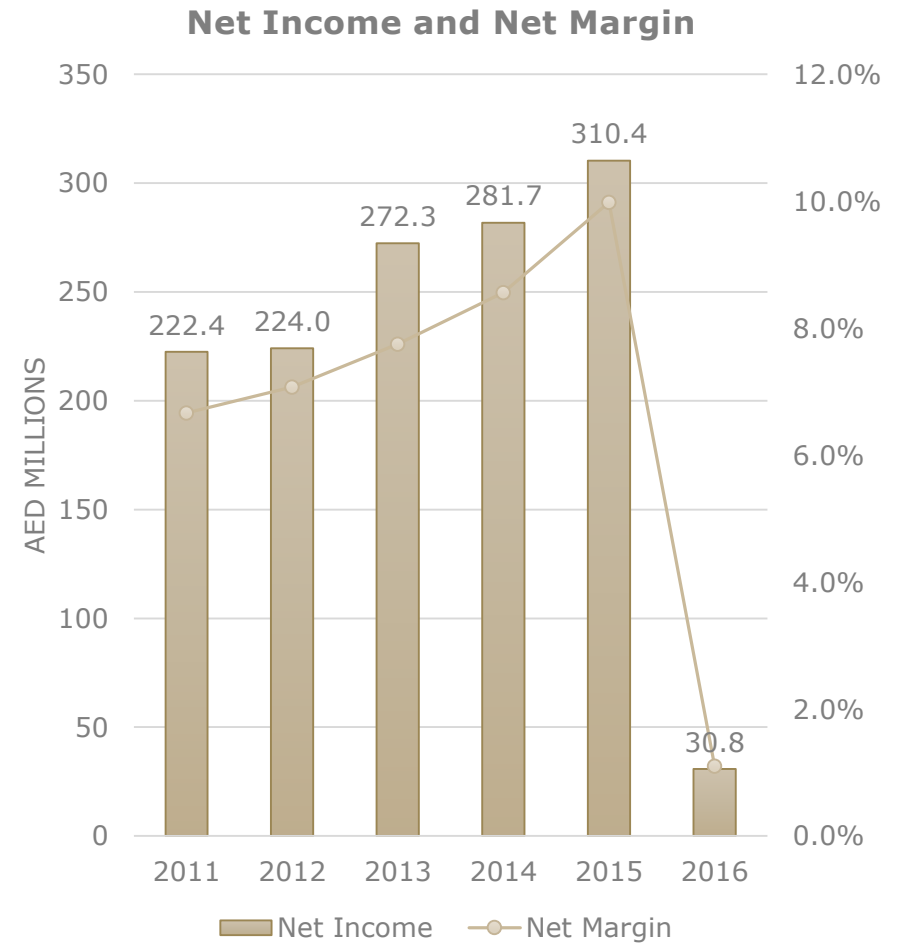
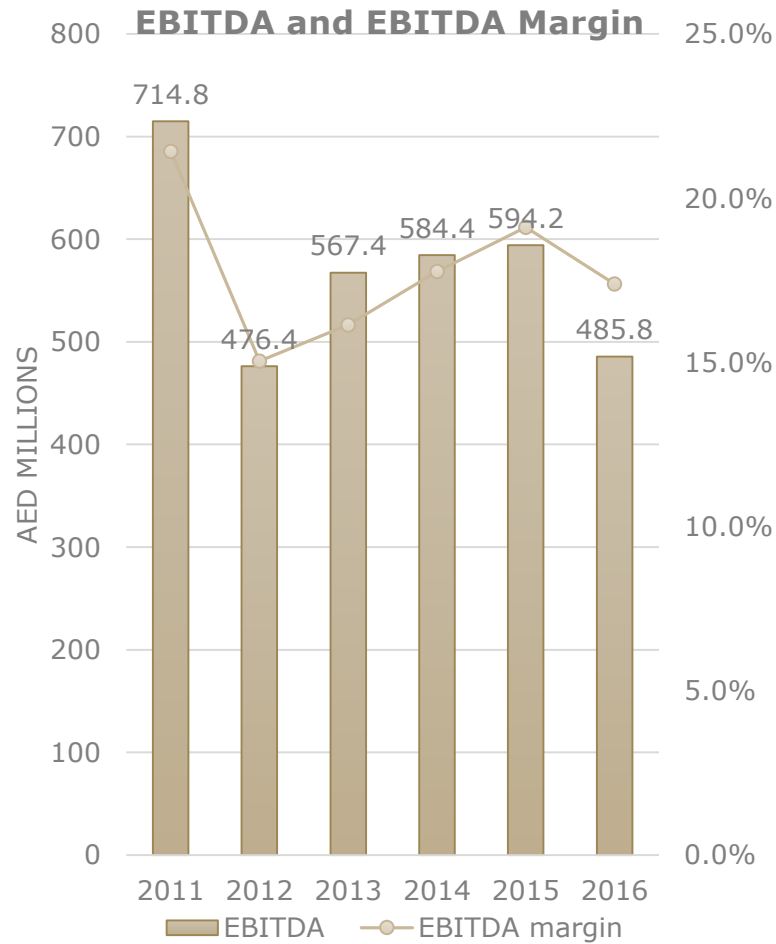


Figures above based on gross COGS before eliminations

Historical Returns

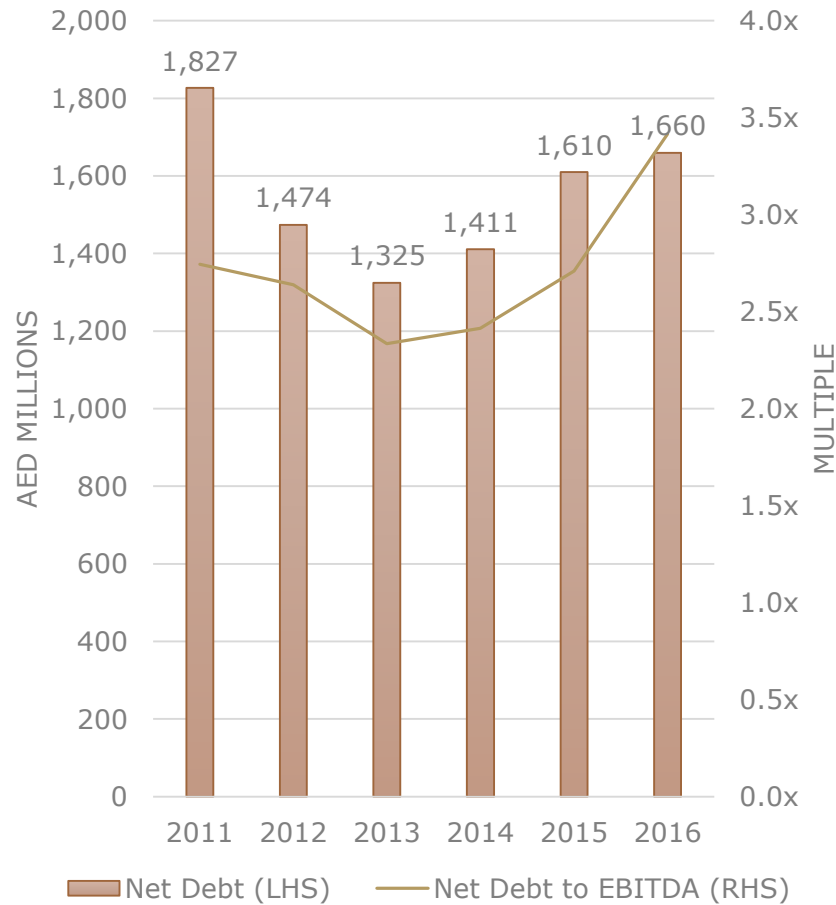


EBITDA and Net Margins



Gearing and Working Capital

Gearing



Working Capital Days

