

Shaker Group reports FY18 results; optimization program gathers momentum

Riyadh, Saudi Arabia, 27 March 2019: Shaker Group (“Al Hassan Ghazi Ibrahim Shaker Co.”, the “Company” or the “Group”), Saudi Arabia’s leading importer, manufacturer and distributor of Air Conditioners and Home Appliances, has announced its financial results for the 12-month period ended 31 December 2018. The Company's net loss was SAR 196.5 million, including a SAR 30 million provision allocated to stock sell-off ahead of the introduction of new SASO regulation, which had a significant impact on the net result. Meanwhile, material optimization gains were made in employee and other costs; receivables; the Company’s debt position; and inventory rationalization. These measures were part of an efficiency program that was introduced as a pilot phase of the Company’s Breakthrough Program.

FY18 optimization highlights

- Total liabilities reduced by SAR 254.7 million
- Inventories were rationalized by SAR 243 million
- Selling and distribution expenses reduced by SAR 22.2 million
- Administrative expenses reduced by SAR 14.9 million

Eng. Azzam Saud Almudaiheem, Chief Executive Officer at Shaker Group, commented:

“After a challenging year in which we faced market headwinds, our top- and bottom-line results are not yet where we would like them to be. This is, in part, due to sustained pressure on sales, as well as the SAR 30 million provision we made for a stock sell-off to meet SASO regulation. We are, however, optimistic in light of the positive achievements by the Company during the pilot phase of our Breakthrough Program, which we hope will deliver improved financial performance as it progresses into its next phase.”

Breakthrough Program: 2018 pilot highlights

In 2018, Breakthrough Program pilot initiatives achieved the following outcomes:

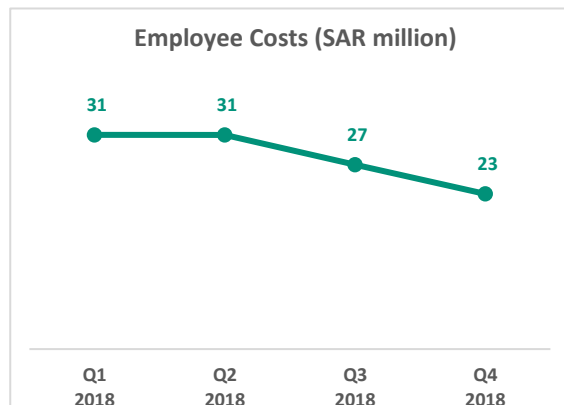
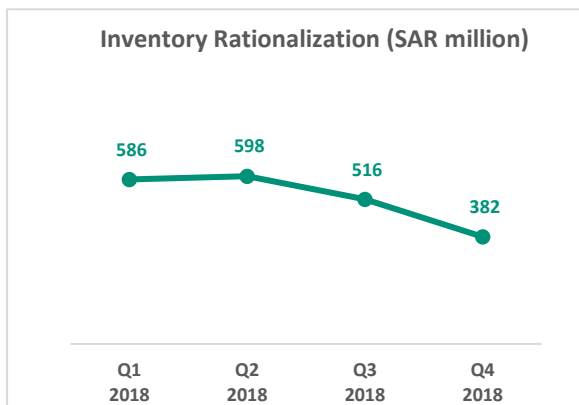
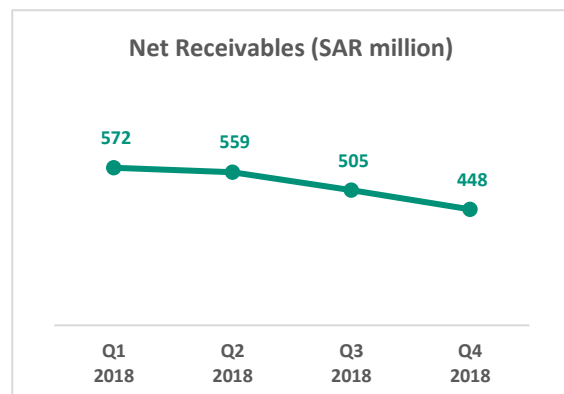
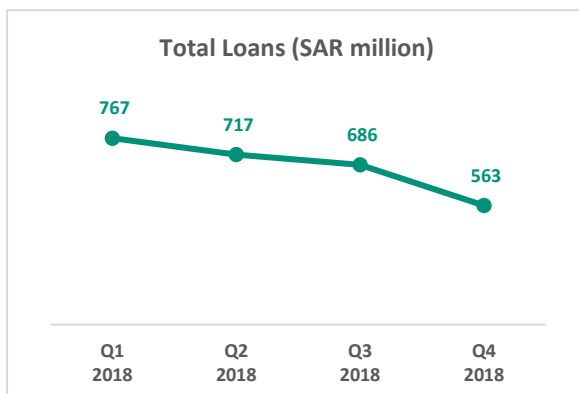
Core Business Turnaround	<ul style="list-style-type: none">• Rent and leasing cost savings of 20.6%• Growth in sales to strategic customers, including projects and retrofitting – e.g. 85% sell-out for the pilot allocated quantities of the SEEC initiative AC replacements• Headcount reduction of 27% (consolidated) in FY18
Talent Upgrade Plan	<ul style="list-style-type: none">• Appointment of new Sales and Marketing VPs• Attracted relevant professional competencies to key positions
Performance Infrastructure	<ul style="list-style-type: none">• Weekly sales performance meetings rolled out• Transformation Office meetings rolled out, to follow-up on implementation of the Program

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Strategic Moves

- Extension of dealer agreements with key principals
- Identification of growth opportunities: focus on key business partners; energy services and retrofitting; government and private sector construction projects

Group operating efficiencies included a reduction in the Company's total debt, a substantial reduction in net receivables, significant inventory rationalization and a reduction of employee costs driven by improved headcount efficiency.



FY18 financial performance highlights

- Total revenues of SAR 774 million compared to SAR 1,039 million in 2017
- Gross profit of SAR 98.7 million compared to 175.9 million in 2017
- Operating loss of SAR 155.2 million compared to SAR 153.5 million in 2017
- Net loss of SAR 196.5 million compared to SAR 171.0 million in 2017

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Outlook 2019

Shaker Group will maintain progress toward its 2019 objectives by strengthening its operating model through the Breakthrough Program, built on four pillars for improving performance: Core Business Turnaround (CBT), which focuses on achieving profitable sales while delivering excellence in cost management; Talent Upgrade Plan (TUP), which seeks to attract and develop talent at the Company while improving organisational structure and rationalising headcount; Performance Infrastructure (PI), which will drive improvements to the processes and architecture of the business, as well as enhancing reporting methods; and Strategic Moves (STR), strengthening relationships with principals and business partners and exploring opportunities beyond core operations, to ensure an unparalleled value proposition to customers.

Growth avenues

Key growth avenues for the Group include the development of the Saudi housing strategy, and private sector support initiatives adopted by the government, which will reflect positively on marketing opportunities for the Company's products; in addition to the government's recent Saudi Energy Efficiency Center (SEEC) program, which will stimulate a rise in energy tariffs, along with an AC replacement project for the adoption of more efficient units, which will positively support Shaker Group's product market share.

The Group will exploit its dominant market share of the Multi V product range to bid for projects during the year, in light of the current real estate strategy adopted by the Saudi government, in addition to private sector projects, which are expected to achieve a recovery bolstered by government support for the national economy. In this regard, a major opportunity is presented by Tarshid, the Saudi government's National Energy Services Company, which has been tasked with retrofitting assets owned by public or government entities – among them 2 million street lights, 110,000 government buildings, 35,000 schools, 100,000 mosques and 2,500 hospitals and clinics. Shaker Group is well-placed to bid for, and win, a healthy portion of these retrofitting projects.

Shaker Group, which is listed on Tadawul (symbol: SHAKER), is a leader in the Saudi market as both a distributor for international electrical brands and a local manufacturer of LG Air Conditioners. The Company's portfolio brands include LG Air Conditioners, as well as Indesit, Ariston, Maytag, Midea and Bissell in the home appliances segment. In 2015, the Group increased its stake in the UAE's Emirates Energy Management Services (EMS) from 20% to 74%, and in establishing ESCO, as a business unit of Shaker Group, took an important strategic step towards diversifying operations and revenue streams.

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About: Shaker Group

Shaker Group was founded in 1950 and was amongst the first in Saudi Arabia to introduce Air Conditioning & Home Appliances for Saudi consumers. Shaker Group is the exclusive importer and distributor of several leading international brands; including Maytag, Ariston, Indesit, Midea and Bissell in Saudi Arabia, and the sole distributor of LG Air Conditioners in Saudi Arabia. ESCO, as a business unit of Shaker Group, provides Energy Solutions. Shaker Group has been a publicly listed company on the Saudi Stock Exchange (Tadawul) since 2010. Throughout the years, Shaker Group has positioned its name within the top Saudi companies, providing a range of integrated solutions in terms of Air Conditioners and Home Appliances in the Saudi market and the region. For more information, visit: <http://www.shaker.com.sa/>

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