

Shaker Group narrows Q1 losses; Improved sales and cost optimization reduce net loss by 88.5%

Riyadh, Saudi Arabia, 18th June 2020: 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 3-month period ended 31 March 2020. Revenue of SAR 221 million improved by 12% from Q1 2019 and 20% from Q4 2019. The Group recorded a first quarter net loss of SAR 3.3 million, decreasing by 88.5% year-on-year. The Group’s operating loss for the quarter was SAR 3.9 million, improving by 80.1% compared to a loss of SAR 19.6 million in Q1 2019.

Operational efficiencies continued to be introduced across the business, in line with the Breakthrough Program strategy that was launched in Q1 2019. First quarter performance was largely unaffected by the impact of the Covid-19 pandemic, although the Group expects to see a material impact on performance in future quarters.

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

“The results for the first quarter are an achievement that we are proud of, as the business continues to reduce losses and improve efficiency following the roll-out of our Breakthrough Program strategy. A net loss reduction of 88% and an 80% reduction in operational losses are significant milestones that reflect our efforts to improve efficiency across the business. Moreover, a significant year-on-year improvement in revenues demonstrates that our optimized sales structure is bearing fruit. This, coupled with a more efficient cost structure, mean that Shaker Group is achieving the objectives set out by the program.”

Q1 2020 financial performance highlights

- Total revenue of SAR 221 million improved by 20% on Q4 2019 and by 12% on Q1 2019
- Gross profit of SAR 49.3 million improved by 39.9% on Q4 2019 and by 49.5% on Q1 2019
- Operating loss of SAR 3.9 million decreased by 43.2 % on Q4 2019 and by 80.1% on Q1 2019
- Net loss of SAR 3.3 million decreased by 40.2% on Q4 2019 and by 88.5% on Q1 2019

Almudaiheem continued:

“This quarter, we welcomed a new brand, Bompani, to our Home Appliances segment, which complements the other brands and products we represent – as we look to deepen and broaden our portfolio. We are now facing the adverse effects of the Covid-19 pandemic, including business disruption as a result of containment measures implemented across the Kingdom, although we are cautiously optimistic on the gradual easing of certain restrictions. Both the Board and management are working hard to mitigate the effects by introducing contingency plans to maintain resilience in the supply chain and manage our distribution network, in light of disruption in the retail and construction sectors.”

Q1 2020 Breakthrough Program highlights

Breakthrough Program initiatives in Q1 2020 have achieved the following year-on-year outcomes:

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| Core Business Turnaround | <ul style="list-style-type: none">• Sales revenue in Saudi Arabia continued to achieve positive growth momentum, with a 14.6% increase compared to Q1 2019 and 24.5% increase compared to Q1 2018. Growth was achieved across all business lines (ACs, Home Appliances and Others).• Employee costs in Saudi Arabia were further optimized, decreasing by 7.4% compared to Q1 2019 |
| Talent Upgrade Plan | <ul style="list-style-type: none">• Completed roll-out of the talent upgrade plan at senior level and restructuring of the sales organization model |
| Performance Infrastructure | <ul style="list-style-type: none">• Performance Management System rolled-out and now operating across the business• Execution and tracking of key turnaround initiatives conducted on an ongoing basis• Creation and roll-out of new initiatives subject to business need and market dynamics |
| Strategic Moves | <ul style="list-style-type: none">• Extension of dealer agreements with key principals• Joint collaboration with principals on strategic initiatives |

Mohammed Ibrahim Abunayyan, Chief Strategy & Transformation Officer at Shaker Group, commented:

“The results for Q1 reflect our strict commitment to the principles and targets of the Breakthrough Program. We are therefore pleased to report significantly reduced net losses for the quarter, along with other material improvements directly linked to Breakthrough initiatives. Sales revenue has improved considerably, a result of our enhanced organizational structure, while a relentless focus on efficiencies has brought down costs, optimized working capital and increased productivity across the business. Aggressive and agile cost control measures are taking on a new importance as we address the challenges created by the Covid-19 pandemic, with the achievements of the program to date providing us with a solid platform to navigate headwinds.”

Covid-19 impact and response

The Board has continued to assess the effect of the Covid-19 pandemic and put in place contingency plans to mitigate its impact. A number of the Group’s dealers had to temporarily close showrooms and stores in line with government measures to prevent the spread of the virus, but the financial implications for future periods cannot yet be determined. Some of the Group’s projects also faced delays as a result of a complete curfew across the Kingdom. Management is working closely with the relevant authorities to identify the availability of support packages, is actively managing down fixed and variable costs, and shoring up working

Earnings Release Q1 2020

capital to maintain operations at optimal capacity. Further updates regarding material developments in relation to Covid-19 will be provided by the Company, as required.

Outlook for 2020

Having launched its e-commerce platform in 2019, the Group will build on the offer provided by its extensive portfolio of international Home Appliance brands, taking advantage of emerging retail channels that will better serve customers while achieving efficiencies across the sales and distribution process.

Long-term growth avenues include the Saudi Energy Efficiency Center's (SEEC) high-efficiency AC units initiative, which is supportive of revenues with the Company having secured a competitive share of the program. Further opportunity is provided by the development of the Saudi housing strategy, and private sector support initiatives, which reflect positively on marketing opportunities. The Group is exploiting its market share of the Multi V product range to bid for projects throughout the year.

An attractive opportunity is presented by Tarshid, the Saudi government's National Energy Services Company, which is 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 bidding for a healthy portion of these 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, Bompani 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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