



Shaker Group reports Q2 2019: Revenues increase 19.4%, Net Loss decreases 74.5% as Breakthrough Program takes hold

Riyadh, Saudi Arabia, 6 August 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 interim financial results for the 6-month period ended 30 June 2019. Second-quarter revenue of SAR 253.5 million improved by 19.4% year-on-year, and at SAR 450.9 million for the 6-month period improved by 5.5% on 2018. Gross profit of SAR 48.3 million in Q2 improved by 17.6% year-on-year. The Group’s Q2 net loss of SAR 9.9 million was reduced by 74.5% year-on-year, with an operating loss of SAR 5.8 million decreasing by 80.4%. The first-half net loss for 2019 was SAR 38.7 million, decreasing by 31.3% on the previous year.

The Company’s management accredits the robust increase in sales, and a significant reduction in net and operating losses, to the success of its ongoing Breakthrough Program. The Program is focused on strengthening and broadening revenue streams while improving operating efficiencies and rationalizing the Group’s organizational structure. Sales in Q2 increased by 28.5% from Q1 2019, while operating expenses decreased due mainly to a reduction in employee-related costs, lower rental costs and reductions in other expenses. Meanwhile, share of associate profits increased by SAR 5.4 million compared to the previous quarter.

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

“Having formally introduced our Breakthrough Program in January, it is pleasing to see that its results are already impacting performance. Sales momentum for Home Appliances has been particularly strong, with key brands over-achieving their Q2 targets. Similarly, the Commercial AC segment achieved very robust growth in sales to B2B customers, with a strong pipeline of purchase orders for major projects.”

Q2 2019 financial performance highlights

- Total revenue of SAR 253.5 million improved by 19.5% year-on-year and by 28.5% on the previous quarter
- Gross profit of SAR 48.3 million improved by 17.6% year-on-year and by 46.2% on the previous quarter
- Operating loss of SAR 5.8 million decreased by 80.4% year-on-year and by 70.2% on the previous quarter
- Net loss of SAR 9.9 million decreased by 74.5% year-on-year and by 65.4% on the previous quarter

Almudaiheem continued:

“The liquidation process for products impacted by recent SASO regulation is on schedule for completion in August. We can look forward to realizing the rewards of our revamped sales strategy, as well as the efficiencies that we have achieved by restructuring the organization.”



Breakthrough Program highlights

Breakthrough Program initiatives have achieved the following year-on-year outcomes as at 30 June 2019:

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| Core Business Turnaround | <ul style="list-style-type: none"> • Sales revenue in the Group’s core operating market of Saudi Arabia maintained robust growth in H1 2019, posting a 16% increase compared to H1 2018. Momentum in sales growth was achieved across all major business segments (Consumer, Projects, and Aftersales). • In H1 2019, the Company’s working capital was further optimized and reduced. A decline of 49% in value was achieved compared to H1 2018. • Cost efficiency highlights: <ul style="list-style-type: none"> ▪ First-half employee costs in Saudi Arabia decreased by 24% from 2018, with FTE headcount reduced by 17% since 30 June 2018 ▪ First-half rent and leasing expenses in Saudi Arabia decreased by 32% year-on-year |
| Talent Upgrade Plan | <ul style="list-style-type: none"> • All critical senior management positions are now hired and filled |
| Performance Infrastructure | <ul style="list-style-type: none"> • Performance Management Systems are rolled-out • Execution and tracking of key initiatives is conducted on a weekly basis |
| Strategic Moves | <ul style="list-style-type: none"> • Engagement with key principals is ongoing, to identify additional avenues for growth • Joint collaboration is delivered with principals on strategic initiatives |

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

“We’re already seeing tangible impact from the initiatives introduced as part of our Breakthrough Program turnaround strategy. Top and bottom line results have improved markedly on both a quarterly and a year-on-year basis. This has been driven by solid momentum in sales, which was achieved by initiatives including a thorough restructuring of our sales organization, enhancing our management of strategic accounts and efforts to boost their performance in the market, while expanding our product portfolio and sales of underserved brands across distribution channels.”

Abunayyan continued:

“Wide-ranging efficiencies have also been embedded across the business, by rationalizing costs and optimizing working capital management while improving organizational structure. By re-organizing headcount, we have improved the efficiency of our workforce while at the same time appointing highly-qualified professionals to critical roles to accelerate the execution of our turnaround. We have good reason to expect further achievements in relation to the Breakthrough during the second half of 2019.”



Outlook for 2019

Identified growth avenues include the Saudi Energy Efficiency Center's (SEEC) high-efficiency AC units initiative, which is positively supporting revenues with the Group already achieving a tangible boost in sales as a result of the program. Further opportunity is provided by 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.

The Group is exploiting its market share of the Multi V product range to bid for projects throughout the year, in light of the real estate strategy adopted by the Saudi government, in addition to private sector projects that are expected to achieve a recovery bolstered by government spending. 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 as they become available.

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/>

Media enquiries

George Allen, Instinctif Partners

George.Allen@instinctif.com

+971 55 104 3586