

# Q2 2016 Earnings Presentation

August 7, 2016







# Today's Agenda

- Q2 Highlights
- Financial Review
- KSA Transaction
- 2016 Outlook
- Q&A







# Q2 Highlights

## Q2 Headwinds

- Catering in Kuwait still a challenge
- Discretionary products in UAE
- Macro environment still challenging

## Q2 Tailwinds

- Catering contract with KOC started mid-May
- Core Food business performed well
- Distribution gains in key product lines
- Continued growth in market share
- Double digit growth in water in Qatar
- Strong start to Danone business
- Sequential improvement in UAE trends





# Financial Review



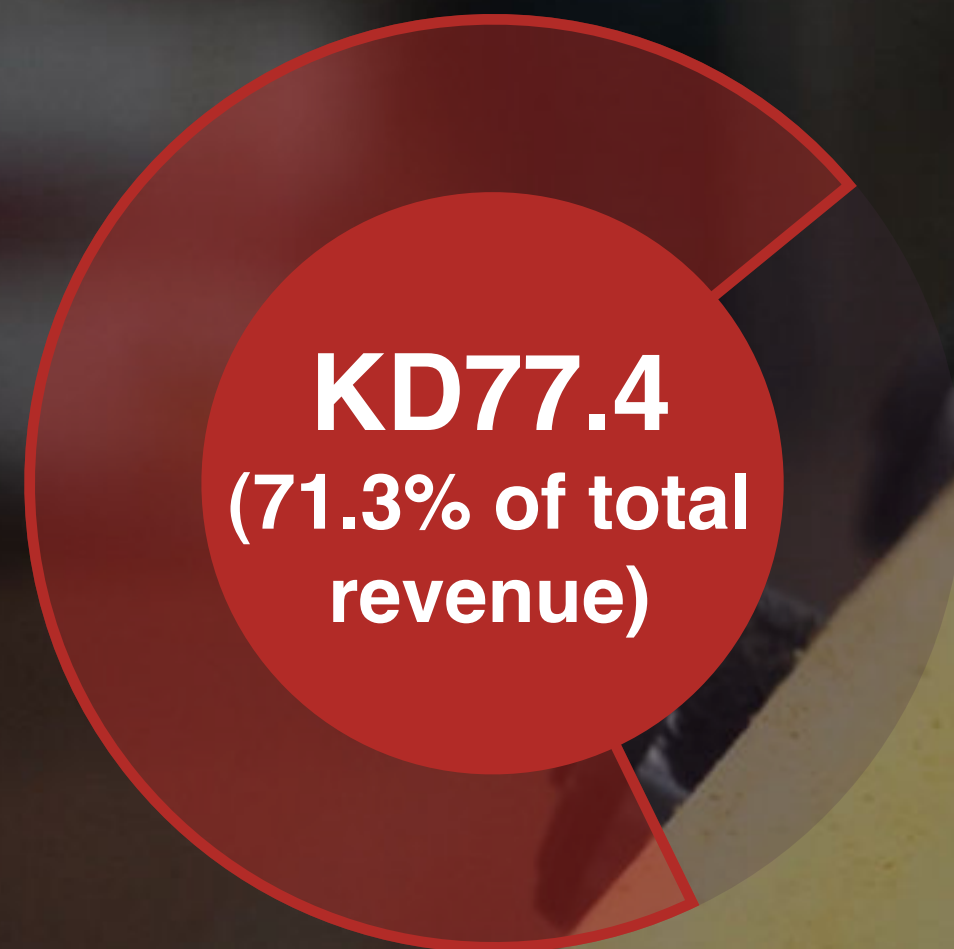


# YTD Revenue Segmentation and Discussion

**Red**: Revenue contribution to total Group revenue in H1 2016.

**White**: Revenue growth in H1 2016.

**Food Business Line**  
↑ 2.9%



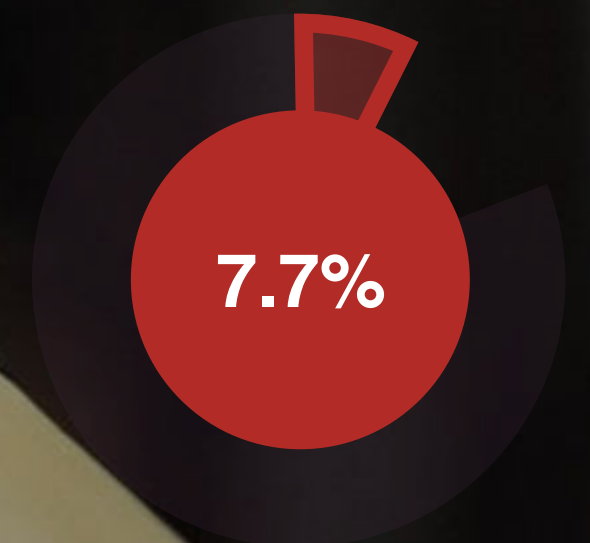
**Catering**  
↓ -13.0%



**Manufacturing Distribution**  
↑ 8.2%



**Services**  
↓ -1.9%



## YTD commentary

**Manufacturing and Distribution :** YTD Revenue increased by 8.2% driven by broad based growth across most of our key operating units. Revenues were largely driven by growth in company owned brands, rather than partner brands, while the Danone business got off to a strong start in Q2.

**Catering:** YTD Revenue decreased by 13.0% in line with expectations, due to completion of long term contracts in Kuwait. KOC contract started in mid-May and our catering business in Qatar continued to perform well.

**Services:** YTD Revenue decreased by -1.9%, with growth in Jordan offset by declines in Iraq and Afghanistan.





# YTD Revenue Segmentation and Discussion

**Red:** Revenue contribution to total Group revenue in H1 2016.

**White:** Revenue growth in H1 2016.

## Non Food Business Line

↑ 5.6%

**KD30.9 m**  
(28.5% of total revenue)

## FMCG and Pharma

↑ 7.2%

25.7%

## Industrials

↓ -7.0%

2.8%

## Commentary

**FMCG and Pharma:** YTD Revenue grew by 7.2% as our key agencies in Kuwait started the year strongly. This was offset by declines in our Pharmacy business as consumers cut back on discretionary spending.

**Industrials:** Industrials declined by 7.0% driven by declines in KLOC and plastics.

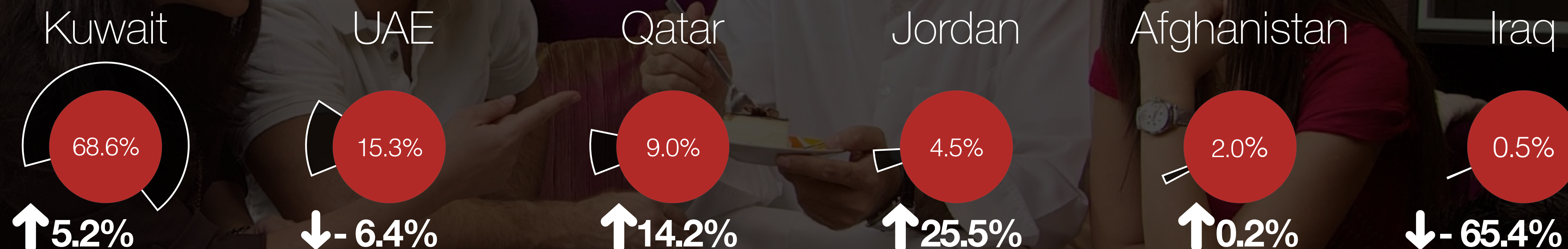




# YTD Revenue by country

**Red**: Revenue contribution to total Group revenue in Q2 2016.

**White**: Revenue growth in Q2 2016.



## Commentary

**Kuwait:** Strong growth Kuwait in Food - which was buoyed by Danone - and Non Food, offset by Catering declines

**UAE:** Declines driven by discretionary portfolio, although we saw sequential improvement in Q2 vs. Q1

**Qatar:** Strong start to the year with double digit growth in both our Water and Catering businesses

**Jordan:** Strong growth as we successfully tendered for new business with UN/WFP.

**Afghanistan:** New business offsetting troop withdrawals





# Q2 and YTD P&L (KD m)

	<u>Q2'16</u>		<u>YTD'16</u>		
Revenue	52.8	+2.4%	108.5	+3.9%	Growth in Food and Non Food
Gross Margin	13.6		27.9		
GM%	25.7%	-0.3	25.7%	0.0	
SG&A / Other	(8.0)	+1.1%	(16.4)	+5.7%	Primarily Marketing phasing and FX
Underlying Operating Profit	5.5	+1.3%	11.5	+1.4%	
Other	(0.3)	+34.5%	(0.7)	+43.8%	Finance Costs and BOD Fees
Underlying Profit before tax	5.2	-0.2%	10.8	-0.4%	
Tax	(0.2)	+26.5%	(0.4)	+68.8%	Driven by NLST absent in 2015, pre-listing
Underlying Net Profit	5.0	-1.1%	10.3	-2.2%	
UNP%	9.5%		9.5%		
Reported Net Profit	5.0	-31.6%	10.3	-19.3%	Q2 2015 includes impact of net insurance proceeds of KD2.2m
Net Profit to Shareholders	4.8	-31.6%	10.0	-19.9%	







# YTD Cash Flow & Balance Sheet (KD m)

<b>Operating Cash Flow before WC changes</b>	<b>14.1</b>	
Working Capital	<u>(6.6)</u>	Progress on base; investment in new business
<b>Operating Cash Flow</b>	<b>7.6</b>	
Capital / Other	<u>(3.3)</u>	Capex @ 3.1% of Revenue; will be higher in H2
<b>Cash Flow before financing</b>	<b>4.2</b>	
Dividends / Financing / Other	<u>(9.0)</u>	Includes dividends of KD 8.3 million
<b>Increase in Net Debt</b>	<b>(4.7)</b>	

## Balance Sheet Highlights

<b>Net Debt</b>	<b>36.2</b>	KD 2.3 million higher than last year
<b>Net Debt / Equity</b>	<b>35.5%</b>	90 bps higher than last year







# 2016 Commentary and Outlook





# KSA TRANSACTION UPDATE

- Mezzan is acquiring a 70% stake in Al Safi Food Company, currently owned by Saudi Arabia's Al Faisaliah Group, which will retain the remaining 30% stake, thereby establishing a JV in the Saudi food manufacturing and distribution sector with a strong local partner.
- The JV will enable Mezzan to manufacture, market and distribute food products in KSA as well as gaining exclusive rights to continue to manufacture, market and distribute Al Faisaliah's bakery and snack products. The JV will also have exclusive rights to import, manufacture, sell and distribute all Mezzan Holding's brands.
- The investment in the JV is expected to be in the range of KD7 million to KD7.7million.
- We expect the transaction to be finalized in the next 2-4 weeks, as we make good progress against satisfying the conditions precedent and obtaining regulatory approvals.



Underlying Net Profit: Net Profit attributable to equity shareholders of parent company of KD 14.3 m, less the impact of settlement income of KD 2.2 m





# 2016 Guidance - Unchanged.

	<u>2015</u>	<u>2016</u>
Revenue	KD 196.1 m	HSD to LDD Growth
Underlying Net Profit	KD 17.2 m	HSD to LDD Growth
Capital Investment	~ 3% of Revenue	~ 5% of Revenue

Excludes the impact of the KSA transaction



Underlying Net Profit: Net Profit attributable to equity shareholders of parent company of KD 17.2 m, less the impact of settlement income of KD 2.2 m





# Q&A







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