

# L'AZURDE



Presentation Results Q2 2018

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# Agenda

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Pages

1. Executive Summary	4
2. Business Model	5-7
3. Results	8-14
4. Group Key Initiatives	15-16
5. Conclusion	17

# Executive Summary

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**Q2 Revenues were 12.9% higher than same quarter of LY:** Egypt's revenues continued to recover strongly with a growth in the wholesale business by 85.7% due to a successful advertising campaign and a positive recovery in the economy. Retail revenues in Egypt increased by 123.9% for the same reasons in addition to opening new shops. In KSA, both wholesale and retail businesses have declined by 10.9% and 11.3% respectively compared to same quarter of last year due to the impact of full Saudization of the sector on some of our customers and reduction in consumer spending.

**Net income for Q2 2018 came at SAR 4.8 Million, 24.5% below same quarter LY.** The decrease vs. same quarter of LY was mainly due to higher marketing investments, rent increase with retail Egypt expansion and one-off expenses linked to the commercial, legal and financial due diligences for a potential acquisition. Excluding the one-off expense the net income for 2nd quarter would have been at SAR5.2 Million, a decrease of 18.5% vs. LY.

**We are very focused on growing the business through organic initiatives and perfectly integrating our new acquisition, the Tous franchisee in KSA**

- Launch new premium differentiated collections across all markets
- Raise prices in Egypt to cover the impact of devaluation
- Leverage technology and 3D printing to reduce operating expenses
- Open our subsidiary in Oman to strengthen GCC wholesale and increase exports
- Perfect Integration of the acquired Tous franchisee in KSA
- Expand our L'azurde retail business in Egypt

# L'azurde Business Model Evolution

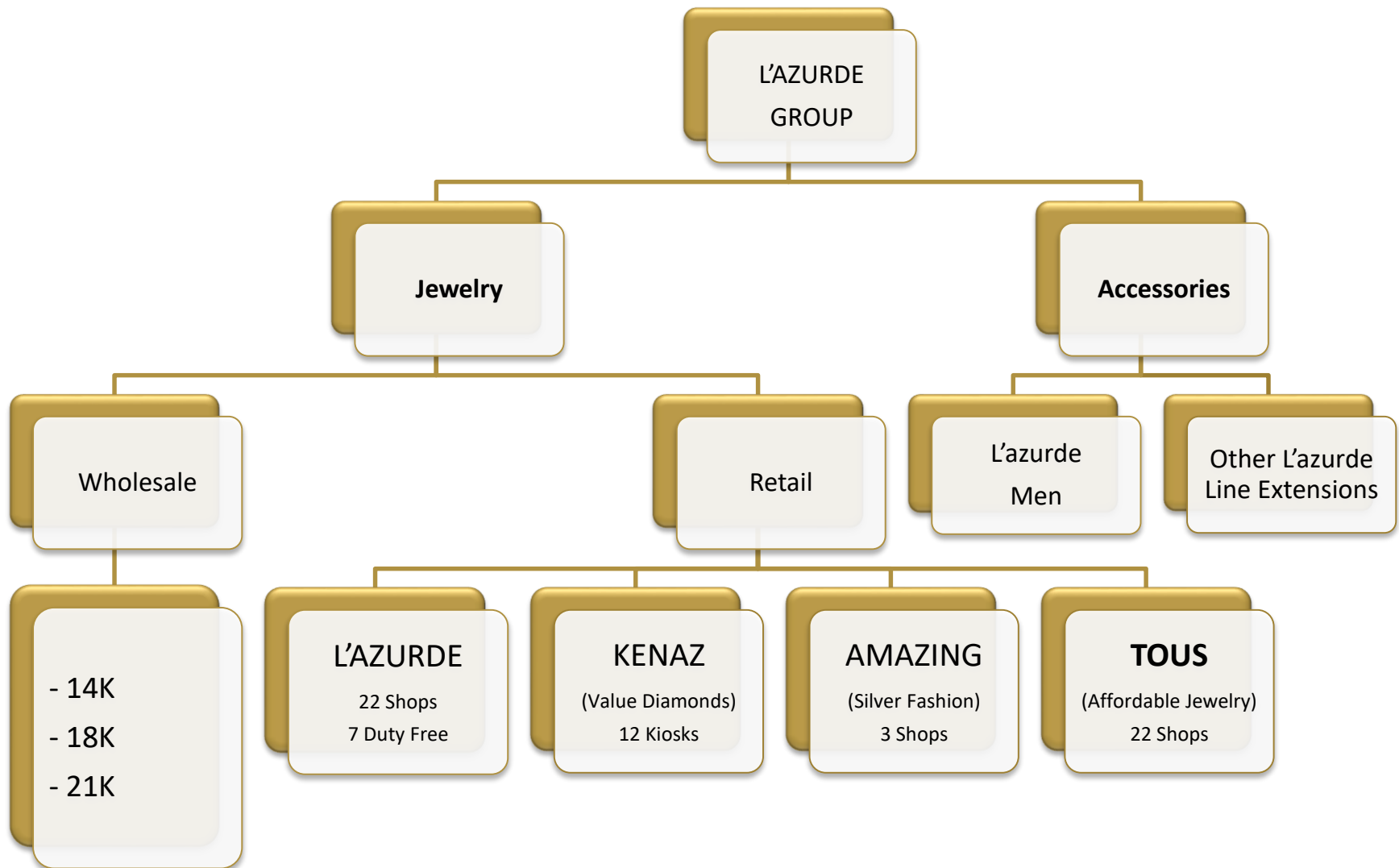
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# L'azurde Business Model Evolution

## L'azurde Group: House of Brands

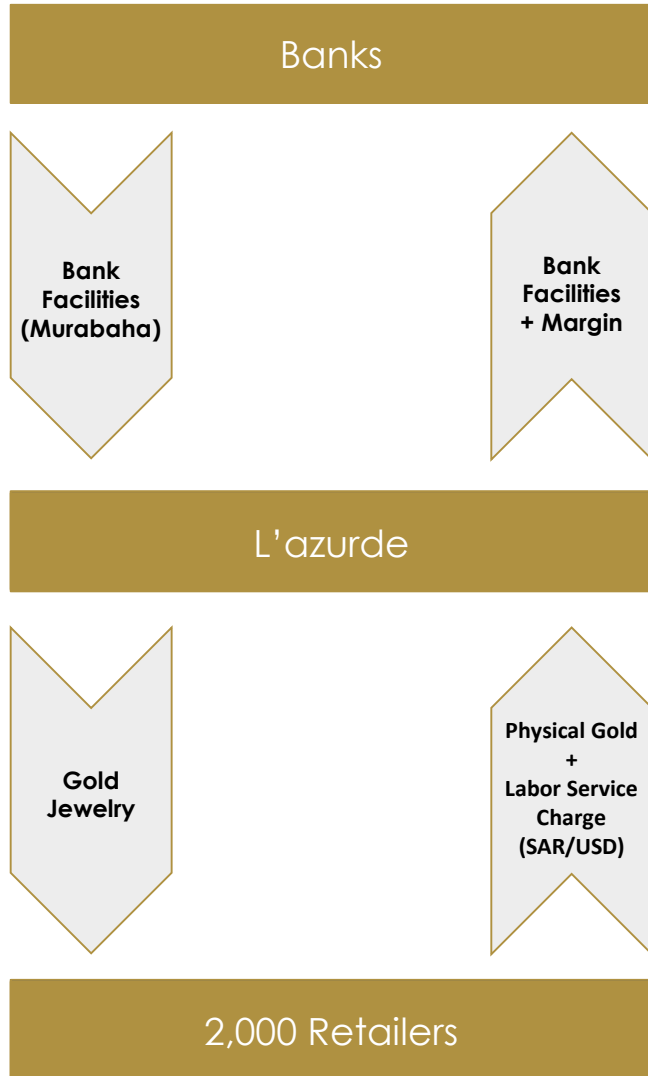
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# Wholesale Business Model

## Gold Jewelry Wholesale Business Model

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### Value Creation at L'azurde:

- Creating great Gold jewelry products (Design, technology, value offering, innovation,...)
- Brand marketing
- Revenues = LSC (Labor Service Charge ) + Stones Profits

### Retailers pay L'azurde:

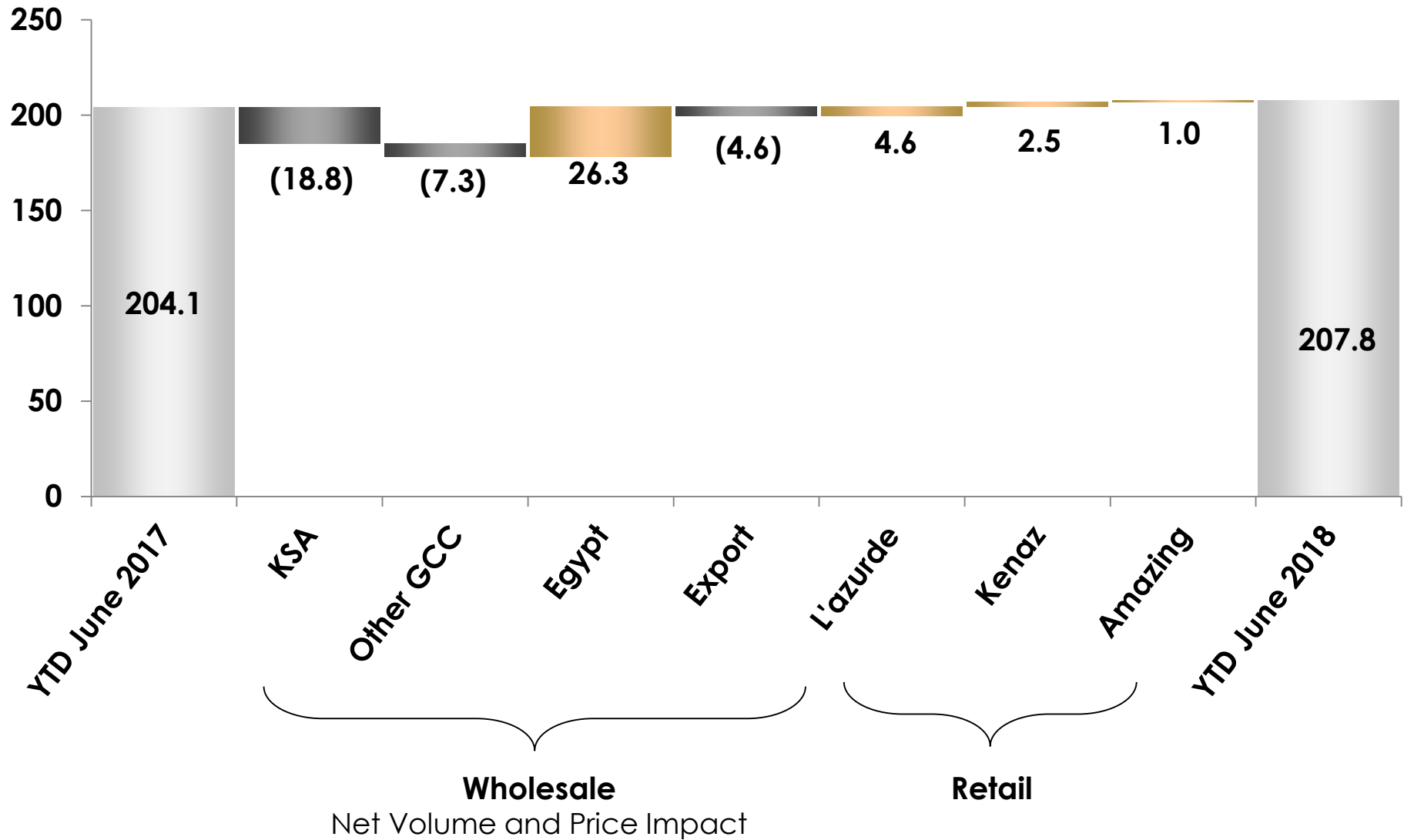
- Physical Gold + Labor Service Charge

**L'azurde takes no position on Gold**

# Revenue Variance – H1-2018

Million SAR

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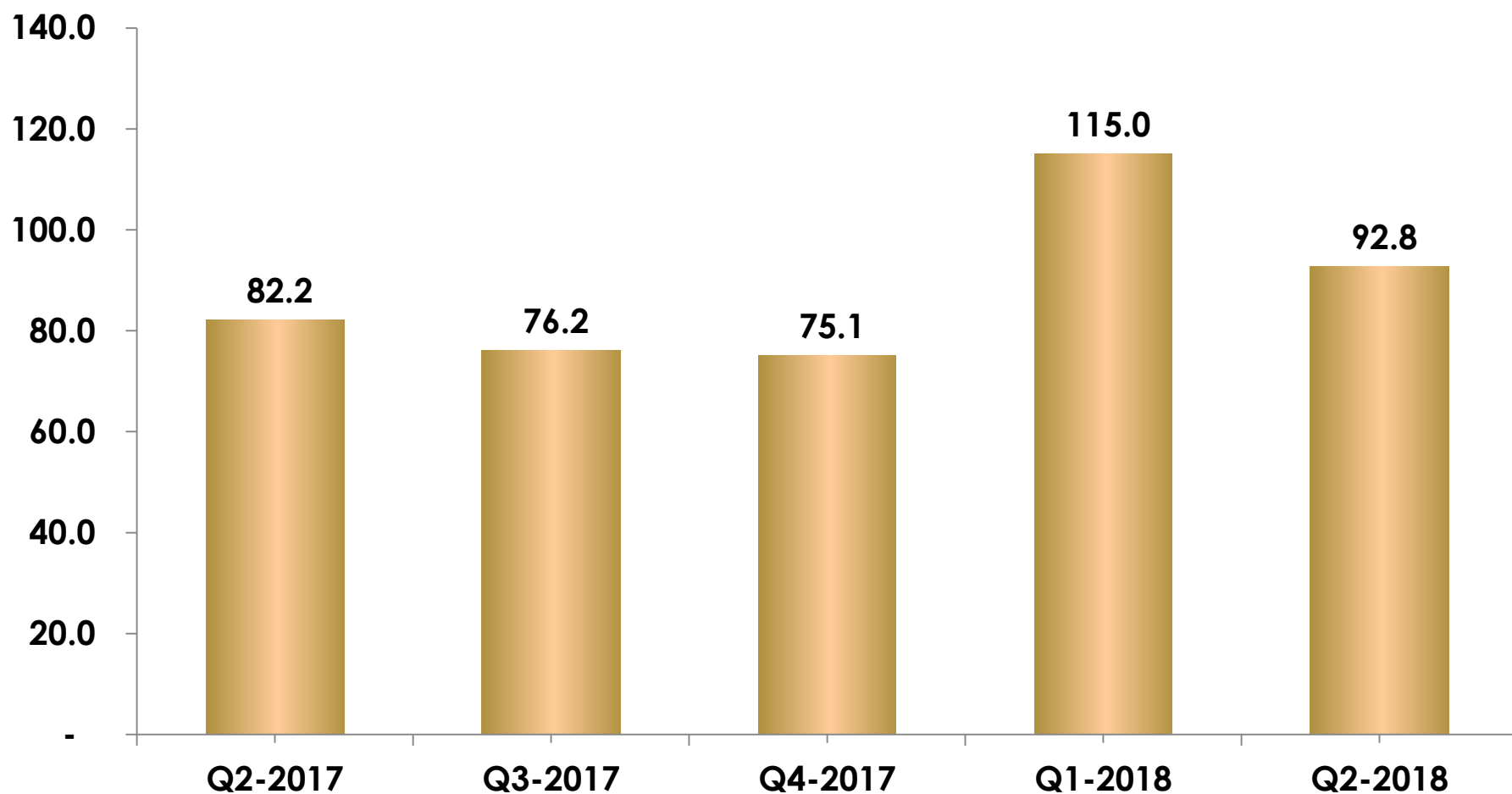




# Group's Quarterly Revenues

Million SAR

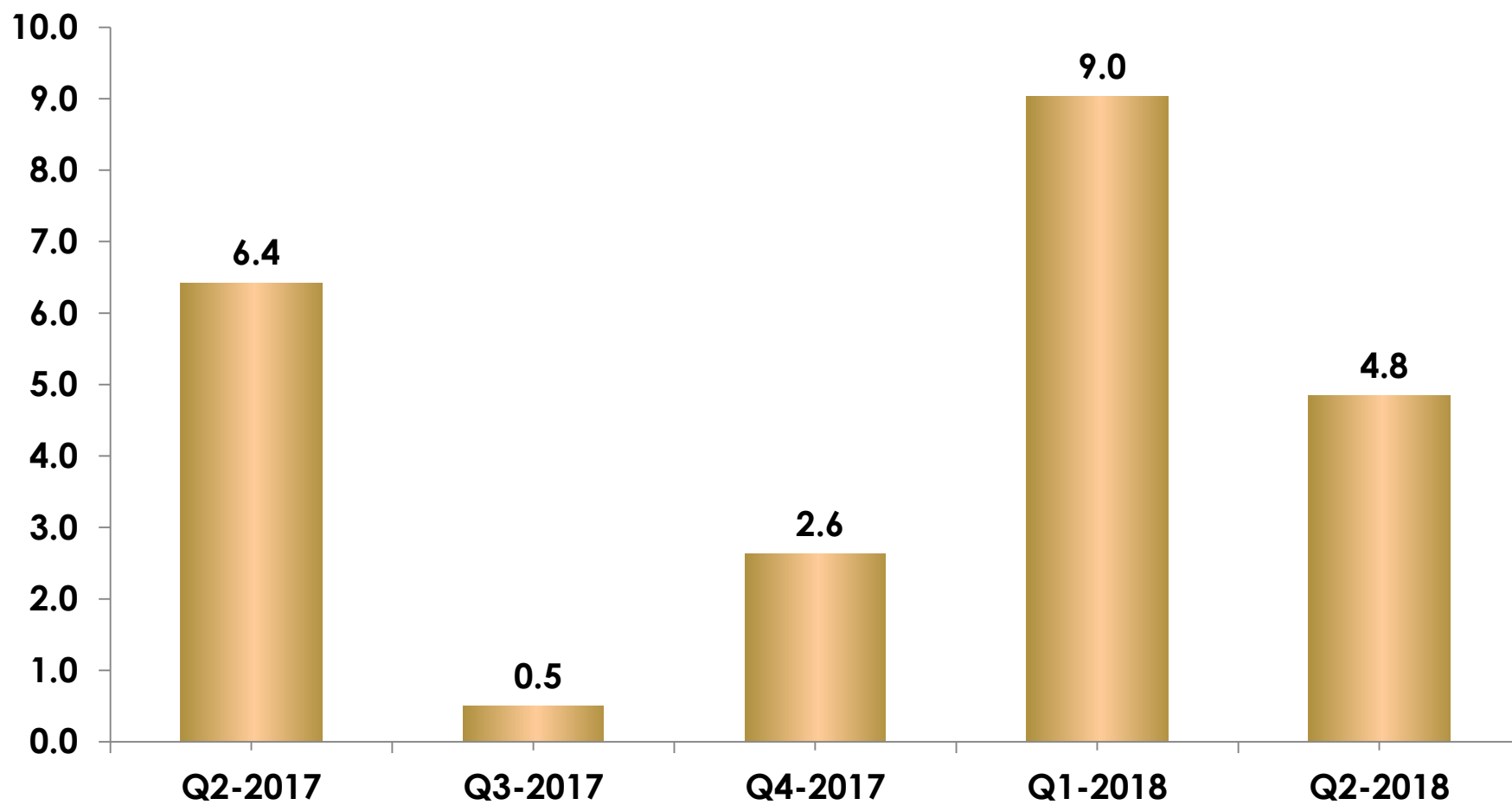
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# Group's Quarterly Net Income

Million SAR

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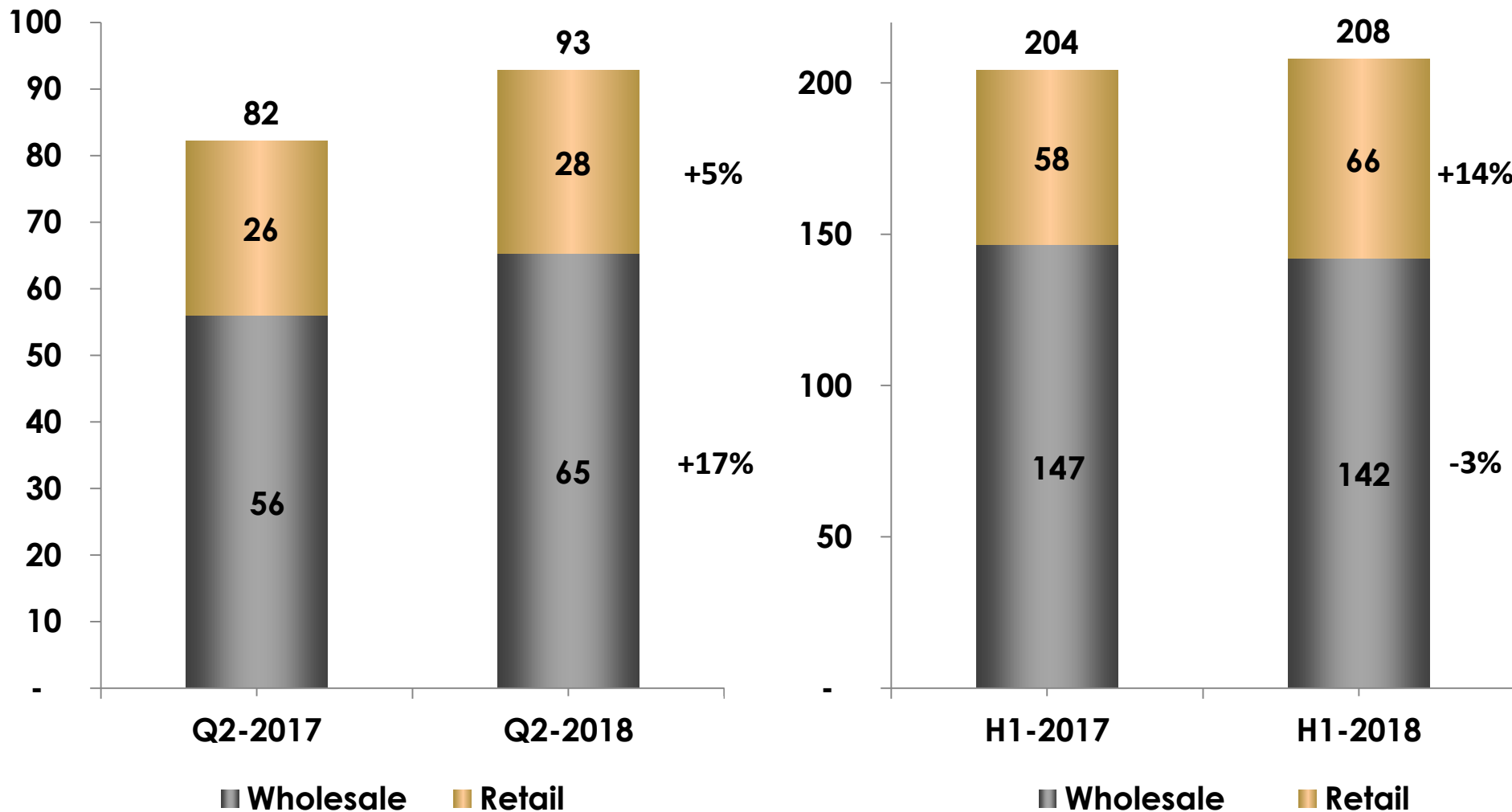


# Retail Revenues at +14% in H1-2018 vs. LY

## Operating Revenues by Distribution Channel

Million SAR

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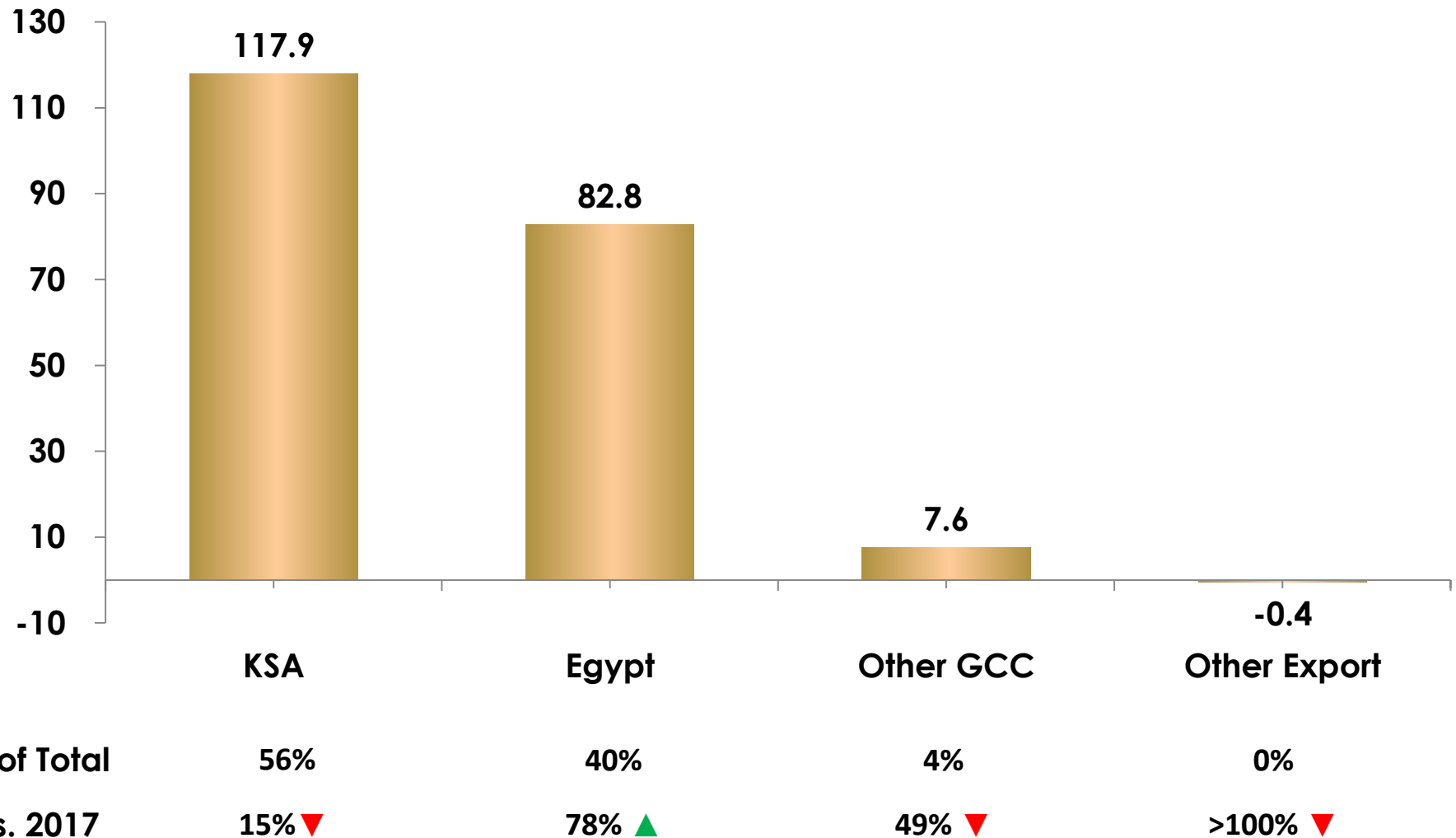


# Egypt Revenues increased by 78%

## Operating Revenues by Country – H1- 2018

Million SAR

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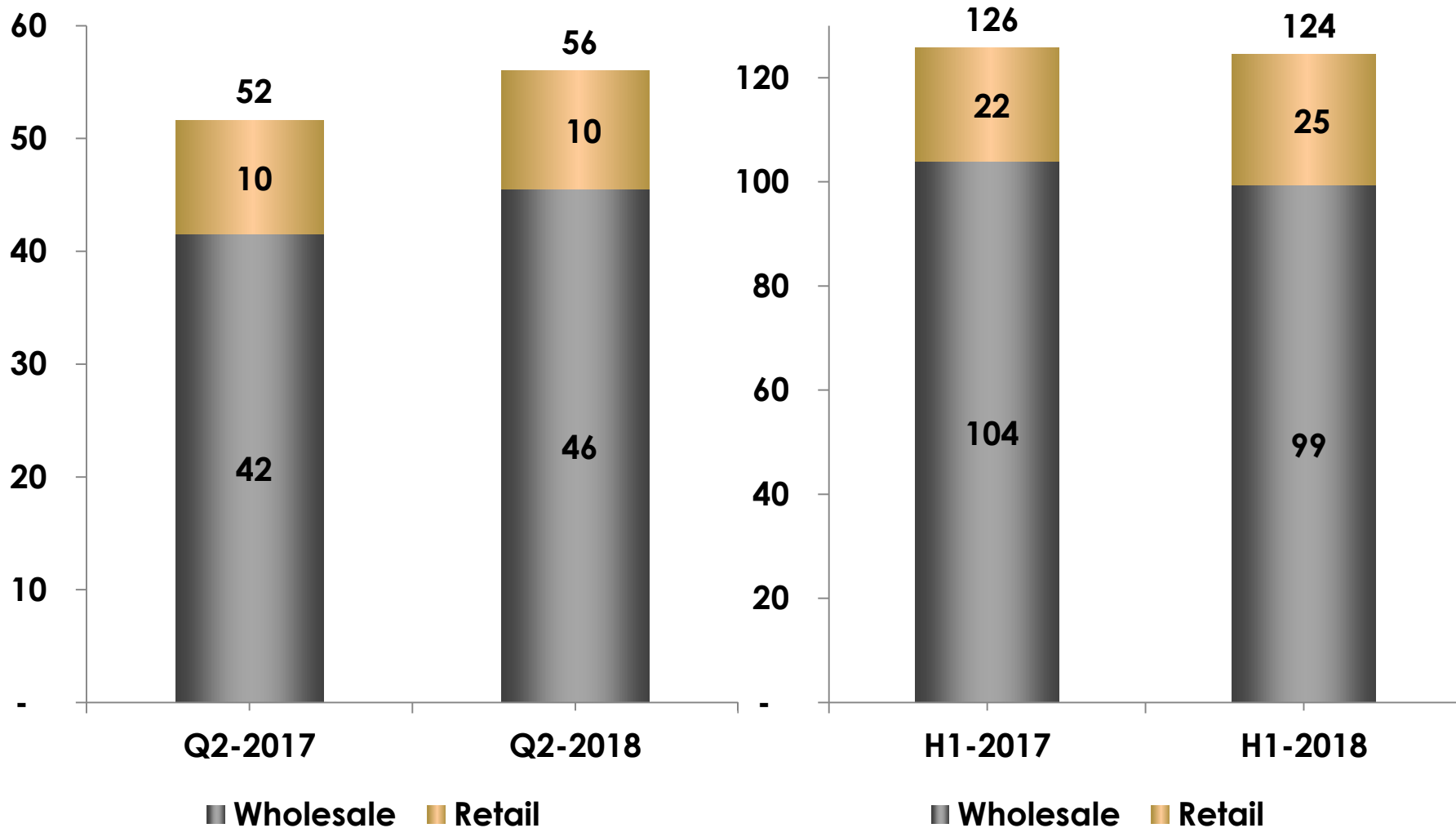


# Group Gross Margin +8% in Q2 -2018 vs. LY

## Gross Margin by Distribution Channel

Million SAR

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# Group Consolidated Income Statements

Million SAR

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	Q2					H1				
	2017A		2018A		Delta	2017A		2018A		Delta
Revenue	82.2	100.0%	92.8	100.0%	12.9%	204.1	100.0%	207.8	100.0%	1.8%
Cost of revenue	(30.6)	-37.2%	(36.8)	-39.7%	20.4%	(78.3)	-38.4%	(83.4)	-40.1%	6.4%
<b>Gross Profit</b>	<b>51.6</b>	<b>62.8%</b>	<b>56.0</b>	<b>60.3%</b>	<b>8.4%</b>	<b>125.8</b>	<b>61.6%</b>	<b>124.4</b>	<b>59.9%</b>	<b>-1.1%</b>
Selling and marketing	(27.2)	-33.1%	(29.4)	-31.6%	7.8%	(57.7)	-28.2%	(64.0)	-30.8%	11.0%
General and admin	(8.7)	-10.5%	(9.3)	-10.0%	6.9%	(17.6)	-8.6%	(20.0)	-9.6%	14.0%
<b>Operating Income</b>	<b>15.7</b>	<b>19.1%</b>	<b>17.4</b>	<b>18.7%</b>	<b>10.4%</b>	<b>50.5</b>	<b>24.8%</b>	<b>40.4</b>	<b>19.4%</b>	<b>-20.1%</b>
Other income – net	(0.3)	-0.4%	(1.1)	-1.2%	>100%	0.1	0.0%	(3.1)	-1.5%	>100%
Finance Charges – net	(7.8)	-9.5%	(8.7)	-9.3%	11.1%	(16.0)	-7.8%	(17.2)	-8.3%	7.6%
<b>Net Profit before Zakat</b>	<b>7.6</b>	<b>9.3%</b>	<b>7.6</b>	<b>8.2%</b>	<b>0%</b>	<b>34.6</b>	<b>17.0%</b>	<b>20.1</b>	<b>9.7%</b>	<b>-42%</b>
Zakat	(1.2)	-1.5%	(2.6)	-2.8%	>100%	(5.7)	-2.8%	(5.6)	-2.7%	-0.4%
Income Tax	0.0	0.0%	(0.2)	-0.2%	<100%	(0.5)	-0.3%	(0.6)	-0.3%	11.0%
<b>Net Income</b>	<b>6.4</b>	<b>7.8%</b>	<b>4.8</b>	<b>5.2%</b>	<b>-25%</b>	<b>28.4</b>	<b>13.9%</b>	<b>13.9</b>	<b>6.7%</b>	<b>-51.2%</b>
Earning per Share	0.15		0.11		-25%	0.66		0.32		-51%

# Group Wholesale Initiatives

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Celebrities Collaboration	Expand 3D Printing Technology	Expand 18K Market Share
<ul style="list-style-type: none"><li>• New Collections Campaign</li><li>• Nelly Karim, top celebrity in Egypt on board</li><li>• New opinion leaders</li></ul>	<ul style="list-style-type: none"><li>• Launch more lines using the 3D printing technology</li><li>• Reduce costs through production automation</li></ul>	<ul style="list-style-type: none"><li>• Raise number of SKUs for most profitable line</li><li>• Partnership with designers linked to royalty</li></ul>
New Subsidiary in Oman	Develop Exports Outside The Region	Reduce Receivables and Inventories To Enhance WC
<ul style="list-style-type: none"><li>• Set-up in Q3, 2018 a new subsidiary in Oman to strengthen wholesale and drive exports</li><li>• Results as of Q4, 2018</li></ul>	<ul style="list-style-type: none"><li>• Solid response from L'azurde stands at International Exhibitions</li><li>• Orders for new countries in Europe and the USA</li></ul>	<ul style="list-style-type: none"><li>• Focus on collection of receivables</li><li>• New volume incentive in place</li><li>• Reduction of inventories</li></ul>

# ACQUISITION OF TOUS FRANCHISE KSA

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## Acquisition Rationale

- Delivers our strategy to grow from a mono brand wholesaler to a house of brands retailer
- Fastest growing segment in jewelry, complementing our current assortment
- Very profitable business with low investments and high ROI
- Strong track record in KSA with solid potential to grow
- Successful, leading International brand with strong system and support. New innovative and attractive collections with global and local marketing
- We expect synergies and cost savings from integrating TOUS with L'azurde
- The Franchise agreement is for 10 years renewable
- We have an ambitious expansion plan to expand the TOUS network
- L'azurde will leverage its marketing experience and management capabilities to grow TOUS

## The Agreement

- The deal is financed by equity and debt at favourable terms
- The deal has deferred payments to improve our cashflow
- The deal is accretive to L'azurde on an EPS basis and PE multiple
- There is an earn-out of up to SAR 25m subject to achieving high targets in the year 2020. If this is achieved, it will be great for L'azurde and investors



**Egypt consumer spending is back**

**Many promising growth initiatives**

**Strong focus on perfect integration of Tous**

**Stabilizing and Recovering Markets**

Thank You

For investors relations matters please contact: [investors@lazurde.com](mailto:investors@lazurde.com)