

Shaker Group

Investor Presentation FY 2021

As at 31 December 2021

21 March 2022



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Content

- Key Performance Highlights
- Operational Review
- Financial Review
- Q&A Session
- Appendix



**FY 2021
Key Performance
Highlights**

Financial Overview

- Successful growth strategy execution delivers sustained revenue increase
- Profitability maintained for second consecutive year
- Brand and product portfolio expansion combined with enhanced distribution channels drive sales growth

Total Revenue
SAR 1.1 billion
up 16.5%

Gross Profit
SAR 235.5 million
up 20.4%

Net Profit
SAR 28 million
up 248.4%

Gross Profit Margin
up to 21.7%

Net Profit Margin
up to 2.6%

Earnings per share
EPS 0.44 up from 0.12
in FY20



Strategic Highlights



Growth strategy
successfully executed



Vision 2030 support &
growth drivers



Optimized **brand and**
product portfolio mix



Sustained & grew **core**
segments market share



Robotics and AI introduced
at the
LG-Shaker factory
in Riyadh



IT Framework and Security
Infrastructure upgraded



Supply Chain Ongoing
enhancement



Significant **B2B** and
ESCO sales growth

A photograph of a business meeting. Two people are seated at a desk, looking at a document. One person's hand is pointing at a bar chart on the document. On the desk, there is a laptop, a calculator, a pen, and a notebook. The image is overlaid with a large, semi-transparent white triangle pointing downwards, and a teal triangle pointing upwards from the bottom right corner. The text 'FY 2021 Operational Review' is written in white on the teal triangle.

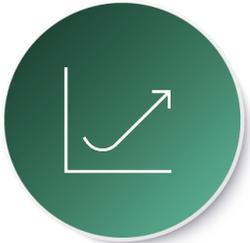
**FY 2021
Operational Review**

Growth strategy successfully executed



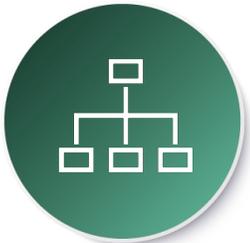
Grow market share and product mix

- Goal to become one of the top 3 suppliers in existing business segments & expand brand & product portfolio
- B2B and after sales revamp – increase presales and capture mega project opportunities
- Boost e-commerce sales



Operational efficiency

- Increase brand awareness and marketing activities
- Organic growth enhanced by efficient distribution channels, solid partnerships and dynamic sales strategy
- Optimize supply chain function and inventory management
- Control operational costs



Organization & Talent

- Digitize and enhance reporting structures
- Improve controls, processes and procedures
- Develop and retain talent

2023 targets

- High single digit percentage **profit increase**
- Adjusted **EBITDA increase**
- Average annual **FCF increase**
- Product portfolio growth

Positioned to benefit from mega projects in Saudi



Saudi air conditioner market forecast to reach \$1.3bn by 2024 ¹



Household appliances revenue in KSA **expected to grow at CAGR of 25.5%** (2022 to 2025) ²



Mega projects in Saudi will see investment of \$3bn over next decade ³



Government commitment of approx. **SAR 2bn for retrofit**

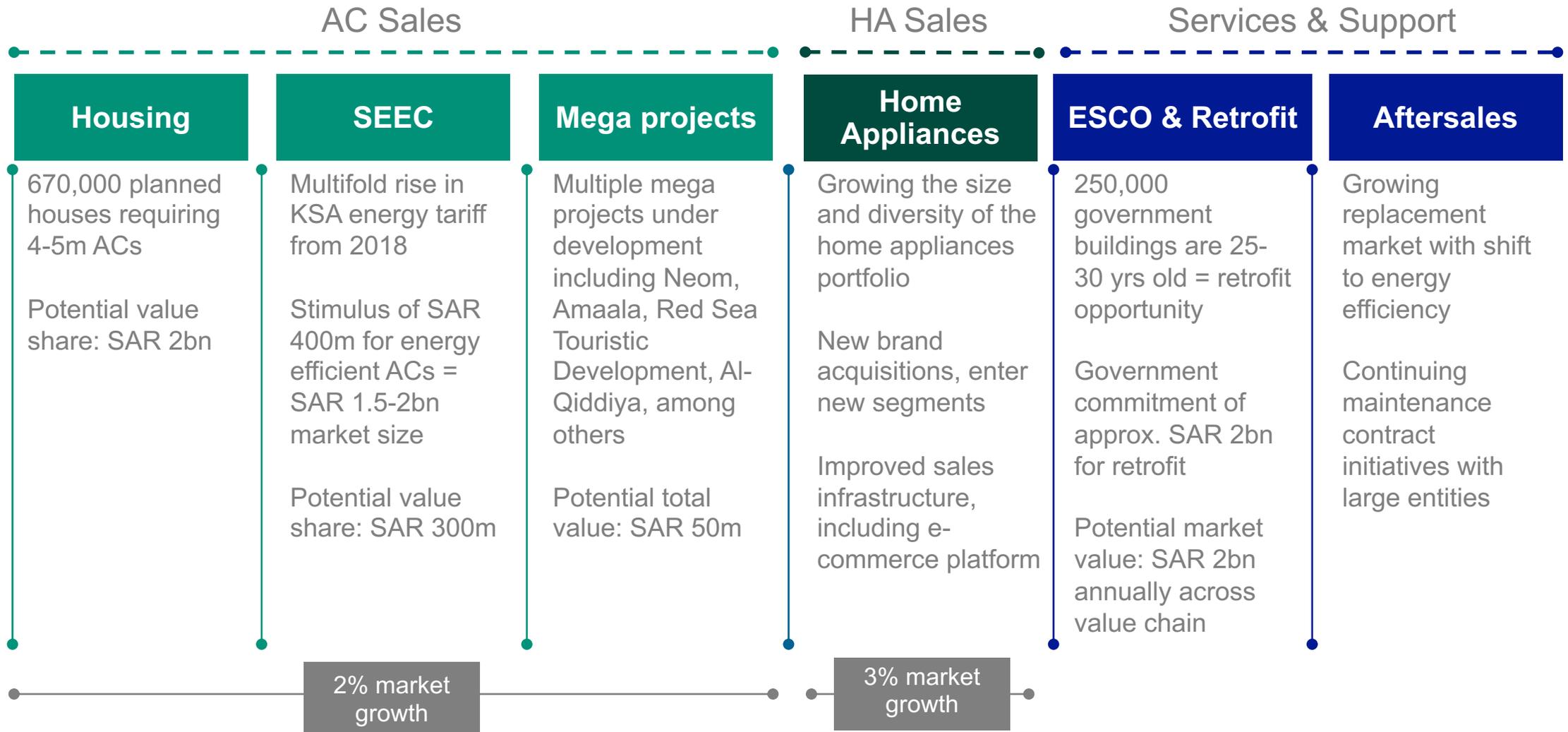


Alignment with socioeconomic objectives of **Vision 2030** in key areas:

- Superior technology for the Saudi market
- Creation of new sectors and domestic projects
- Nationwide energy efficiency consultancy and retrofitting services

1. Saudi Arabia Air Conditioner Market (2018-2024) – 6W Research
2. Saudi Arabia Household Appliances Outlook – Statista
3. WEF, 2021

Identified new growth drivers across segments & services



Invested successfully in LG-Shaker manufacturing facility



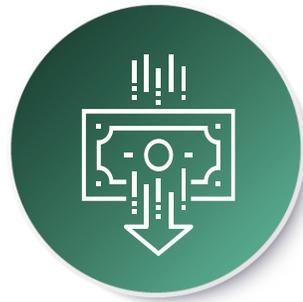
Integration of **robotics and AI** to improve manufacturing



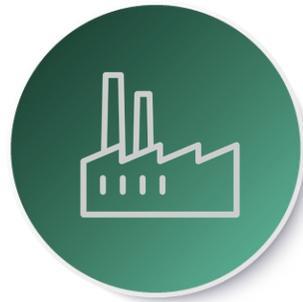
900K units manufacturing capacity



Alignment with **Vision 2030** National Industrial Program



Strong investment in technology



Facility expansion in 2019

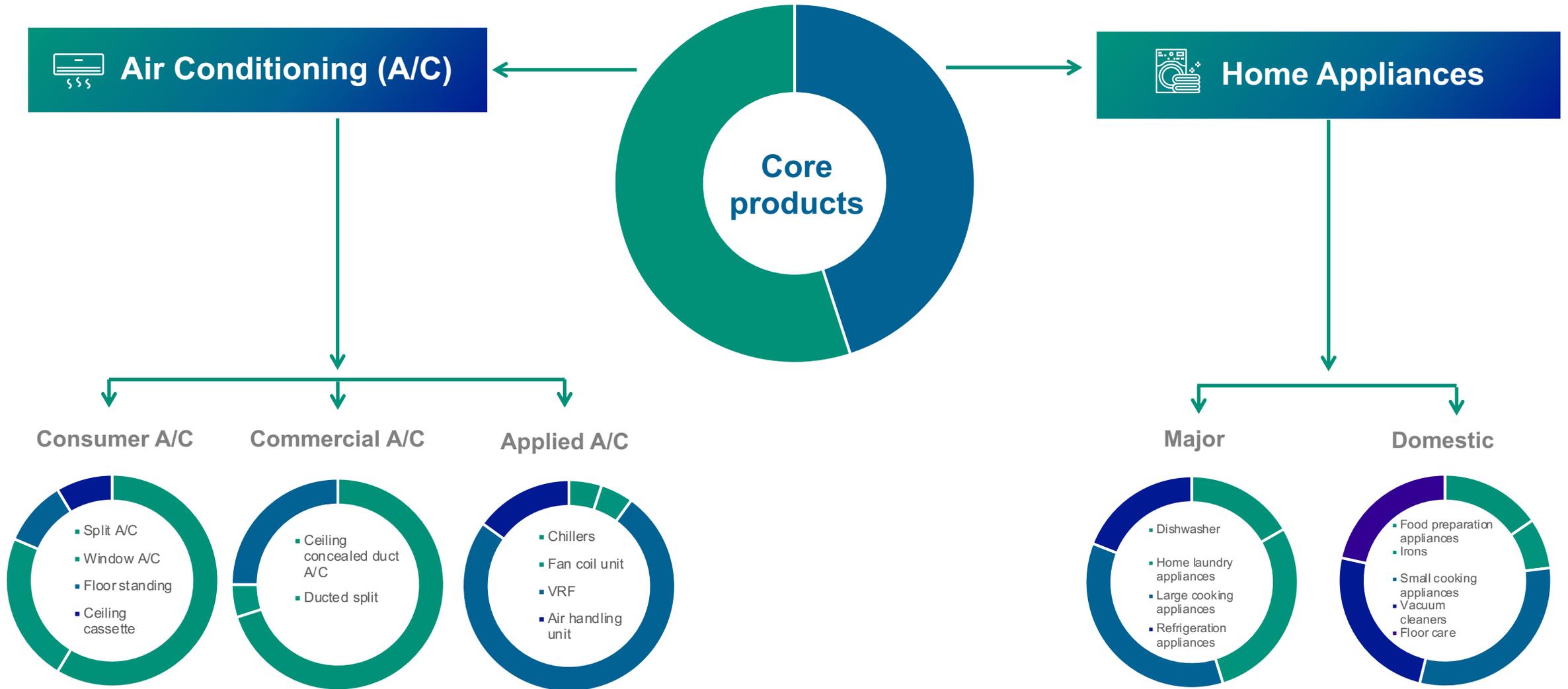


Cost efficient manufacturing

- **Current products:** Window, Wall mounted split units, Concealed units, Cassette units, Free standing units, Single Package units, Air Handling Units
- **Year opened:** 2008
- **Site size:** 75,000 square meters

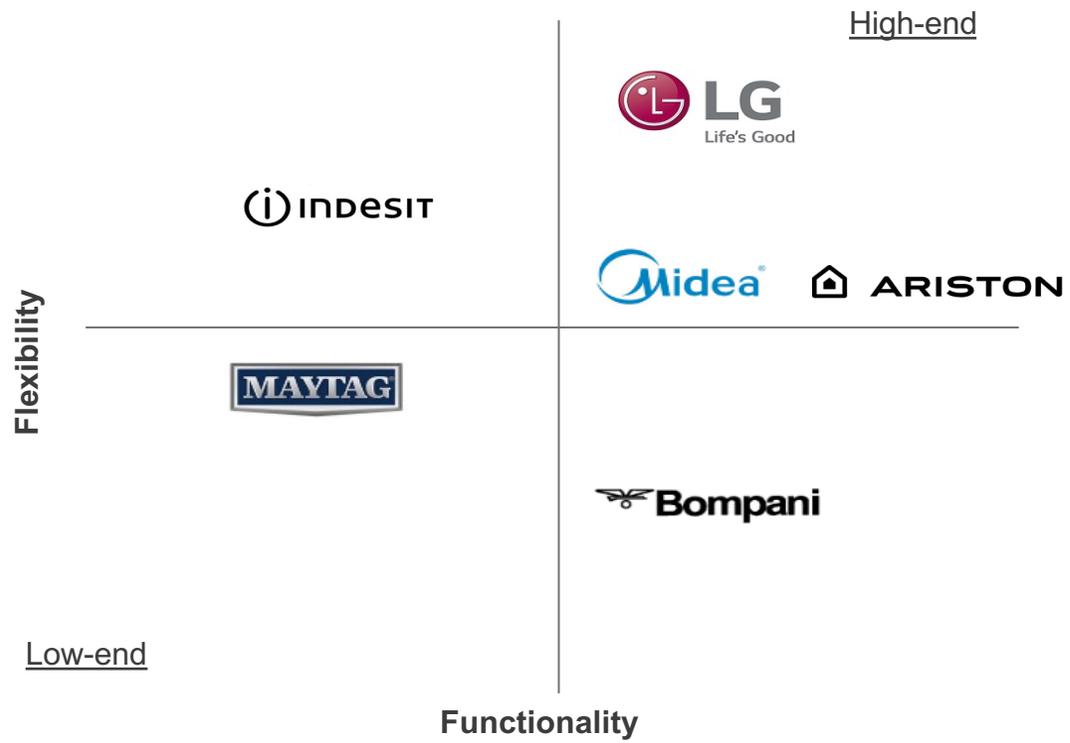


Optimised product portfolio to target more diverse segments



Expanded brand portfolio to cater to broad customer base

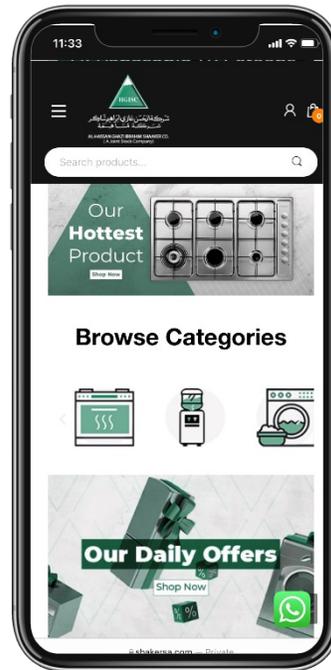
Air Conditioners	Home Appliances	Competitive positioning
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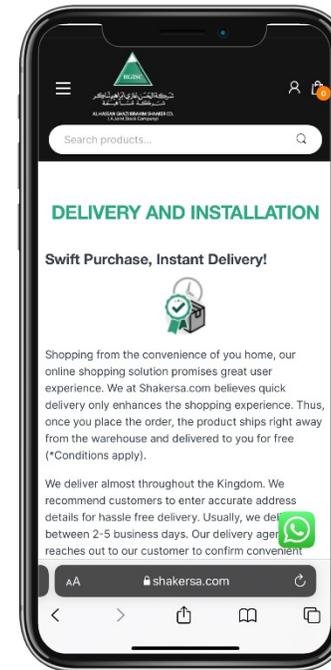
Differentiated e-commerce & after-sales retail solutions

- **E-commerce** shop launched in 2019 to complement distribution strategy
- We bring together **partner brands and consumers**, and provide value-added services to customers
- We provide **support to customers** at each step of the purchasing journey
- **Insight-led marketing** grows our customer base

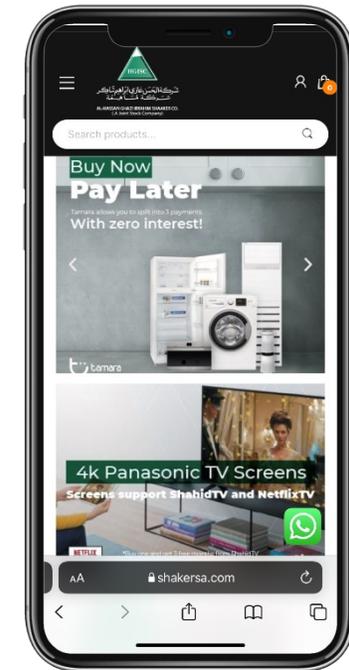
Shaker offers customers a one-stop shop for all appliances shopping for the home



Tailored delivery and customer service provided for bulky products that require installation support



Collaboration with payment platform partners to drive sales



ESG framework set up in progress



Environment

- ESCO granted energy efficiency project management qualification by Saudi Energy Efficiency Center (SEEC) & delivering energy efficient systems
- Riyadh HQ upgraded with energy efficient AC systems and with a central printing system to reduce paper usage
- Utilizing fuel-efficient vehicles and monitoring consumption to ensure cost and emissions efficiencies



Social

- Aligned with 2030 Vision for great workplaces
- Green & Platinum Saudization ratings
- Continued investment in talent attraction
- Launched technical training for 30 students with Ministry of Labor and a local Technical College
- On-the-job training at manufacturing facility
- Set world class health and safety protocols at all facilities & project sites
- Launched Tawuniya Vitality & rewards to promote staff healthy lifestyle
- Community support including blood donation drives, Charity Committee for Orphans Care (Insan) and Mosques free maintenance



Governance

- Committed to strong corporate governance for shareholders' best interests
- Board processes & committees to foster effectiveness of oversight
- Governance framework compliant with CMA regulations

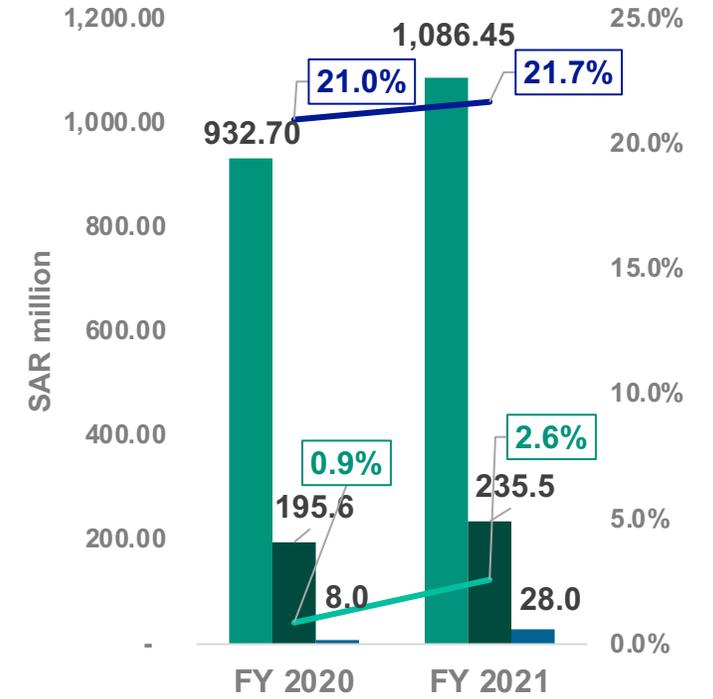
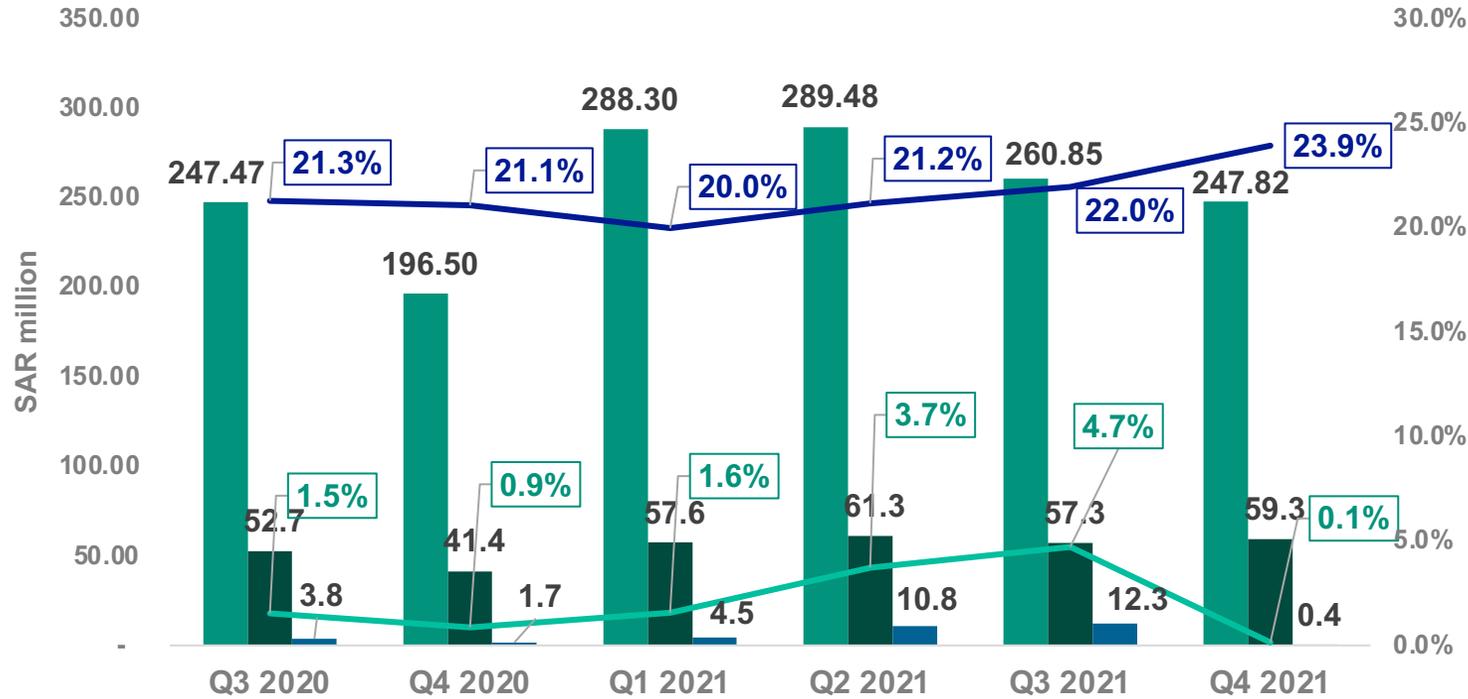
Three key focus areas :

- **Energy efficiency & assessment of consumption levels**
- **Empowering our people to grow in a healthy working environment**
- **Establish a fit for purpose corporate governance framework**

A photograph of two people in business attire sitting at a desk, reviewing financial documents. The scene is overlaid with a semi-transparent blue geometric shape. The text 'FY 2021 FINANCIAL REVIEW' is positioned in the bottom left corner.

FY 2021 FINANCIAL REVIEW

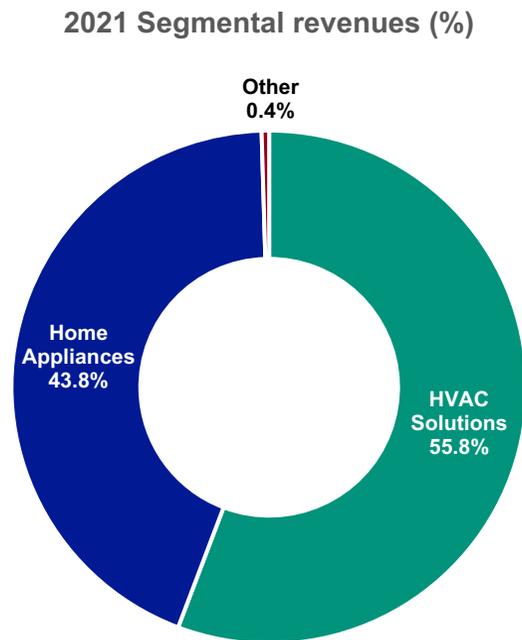
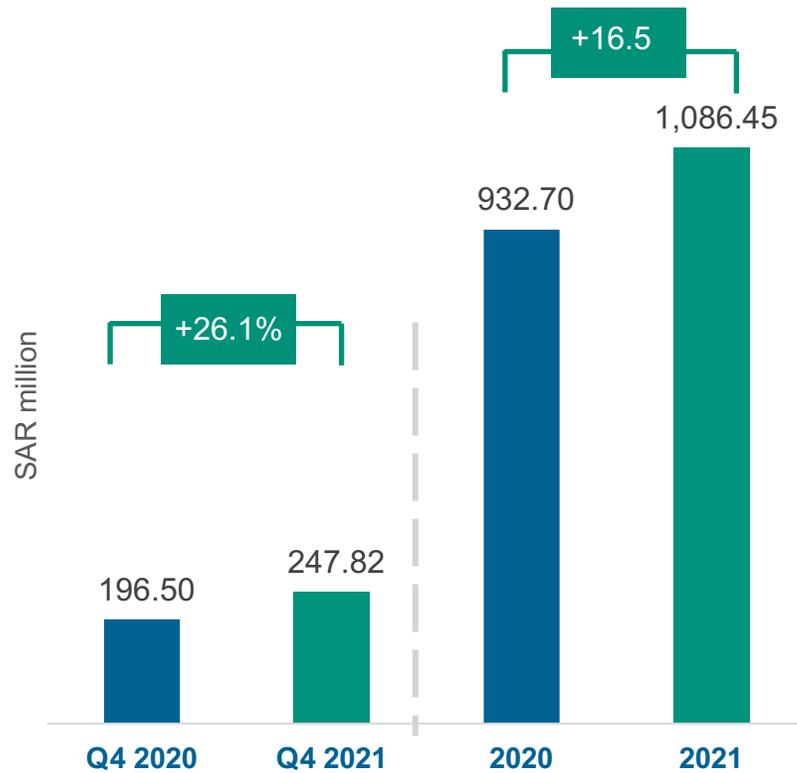
FY21 Key Financial Highlights



■ Revenue
 ■ Gross Profit
 ■ Net Profit/(Loss)
 — GP Margin
 — NP Margin

■ Revenue
 ■ Gross Profit
 ■ Net Profit/(Loss)
 — GP Margin
 — NP Margin

Sustained sales & revenue growth



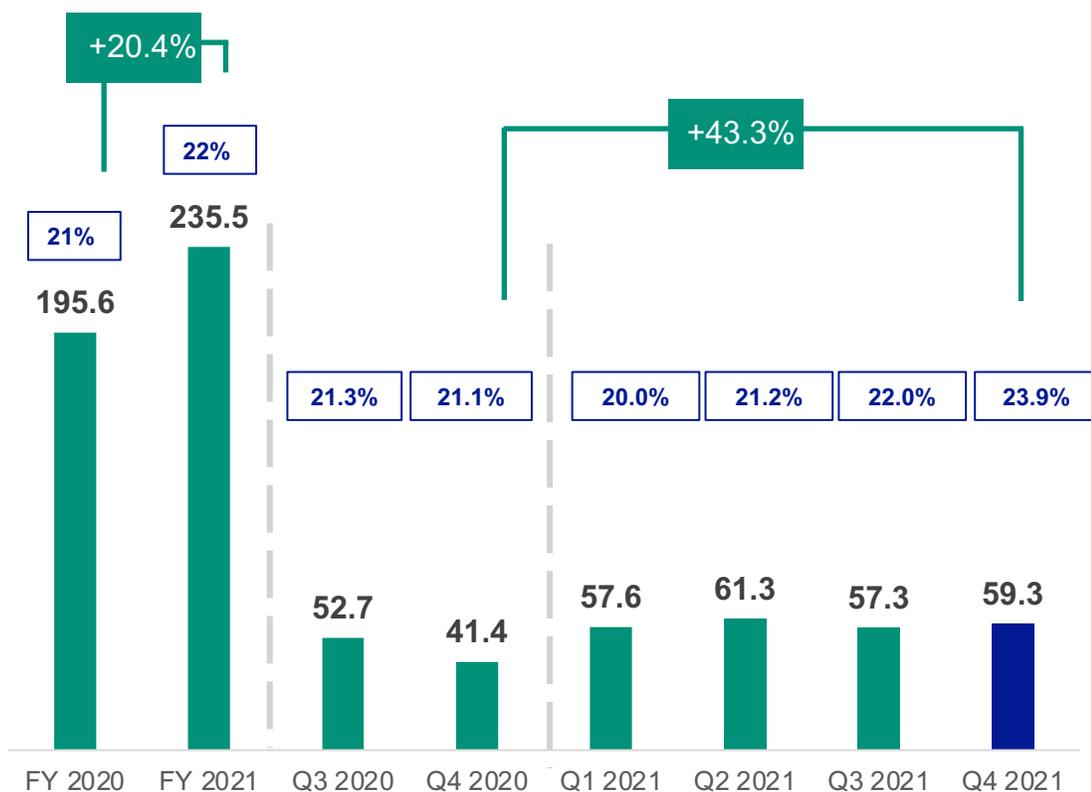
■ Q4 2020 ■ Q4 2021 ■ 2020 ■ 2021

Enhanced strategy drives revenue growth and positive sales outcomes:

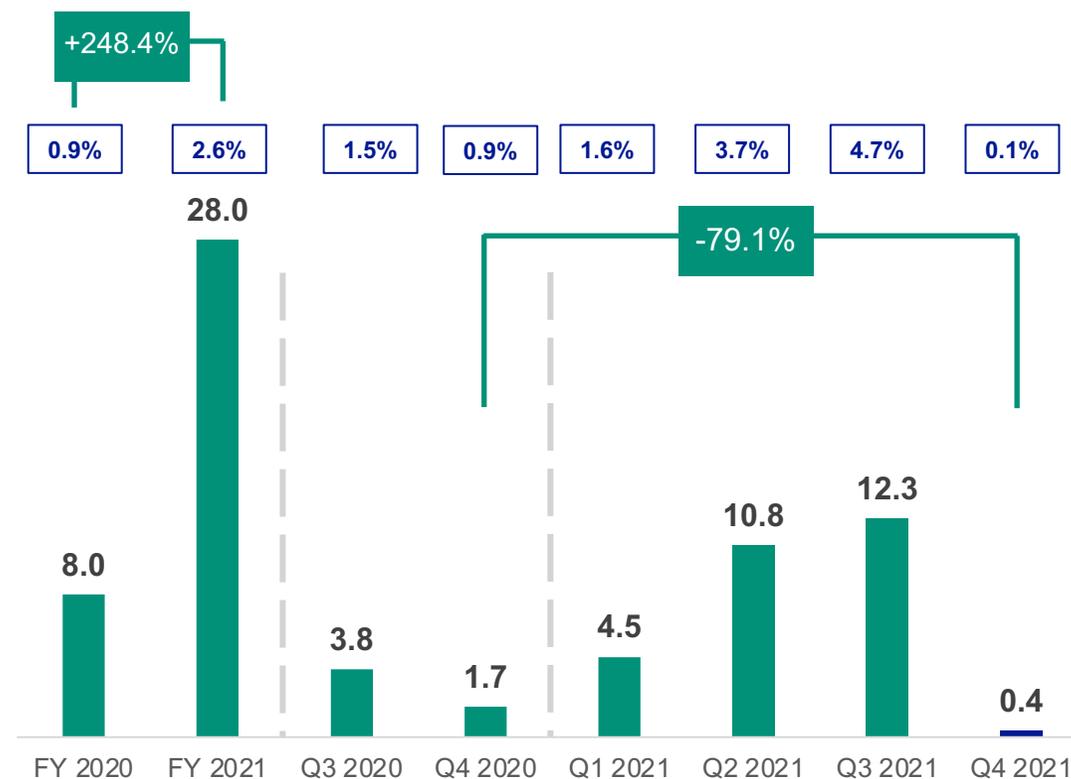
- Successful product and brand diversification strategy
- Optimization of supply chain efficiencies
- Seasonal promotions and strengthened relationship with distributors
- Significant B2B and ESCO sales growth
- 25% increase in Home Appliance sales; 6% increase in AC sales y-o-y

Profitability maintained for second consecutive year

Gross Profit up 20% y-o-y



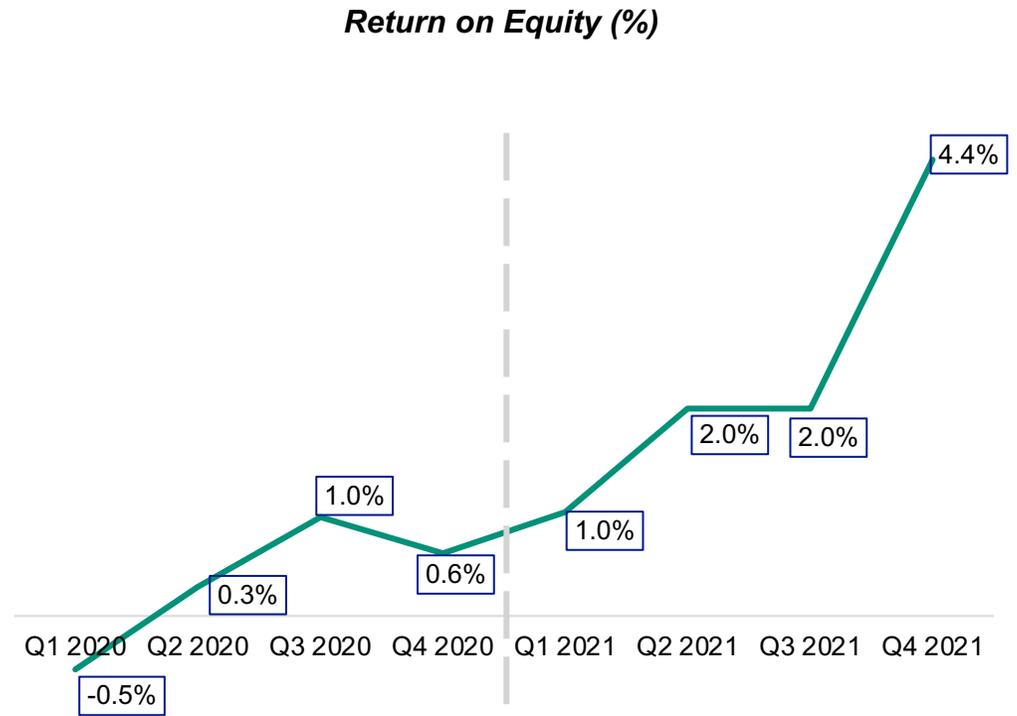
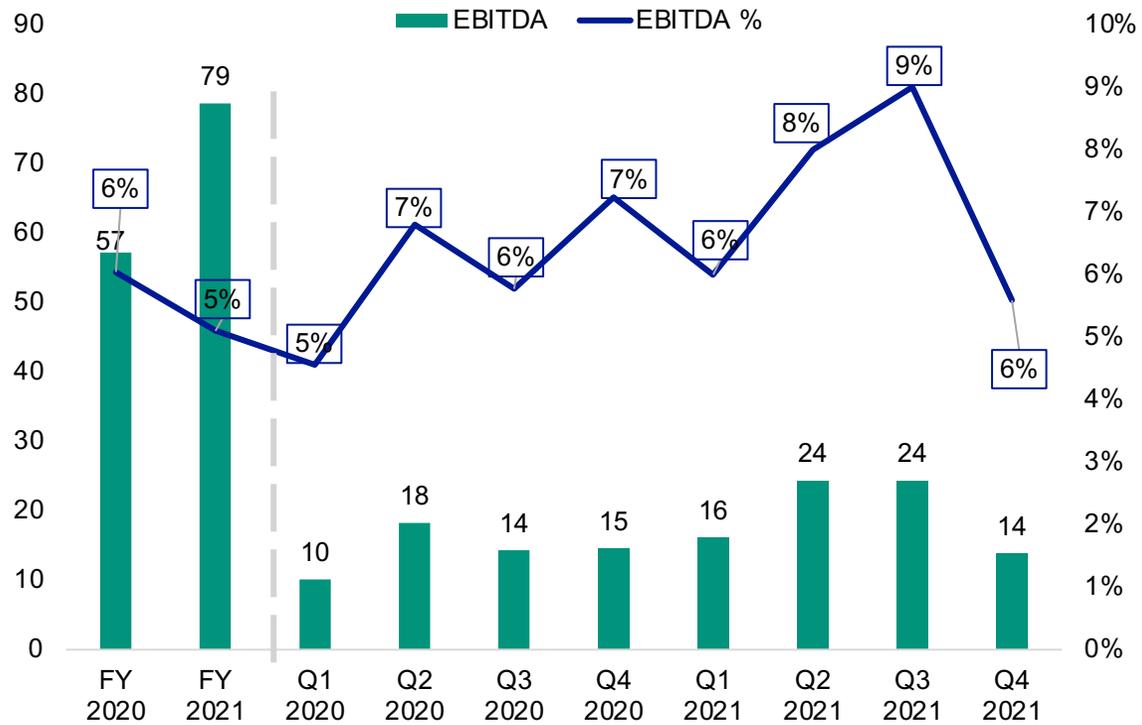
Net Profit up a significant 248% y-o-y



(SAR million)



EBITDA & RoE



(SAR million)

Right-sizing the workforce



Employee headcount rationalization ongoing, productivity of workforce improving



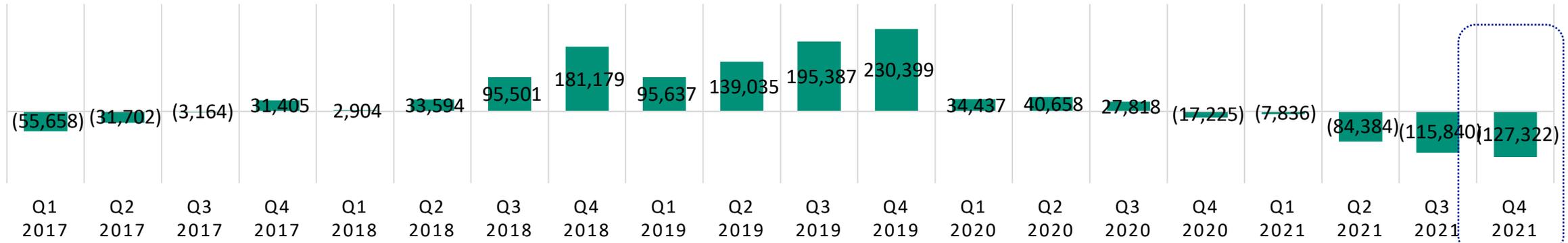
Employee costs in Saudi Arabia increased by 4% in 2021

Trade receivables vs. inventory trend

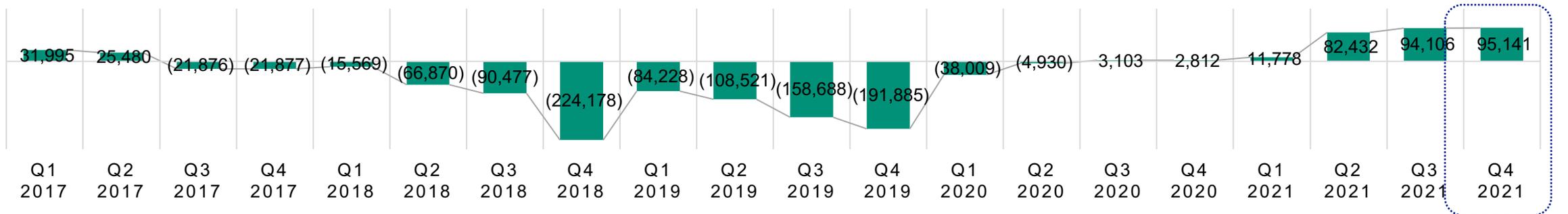


Cash flow: operating and financing

■ Cash Flow from Operations

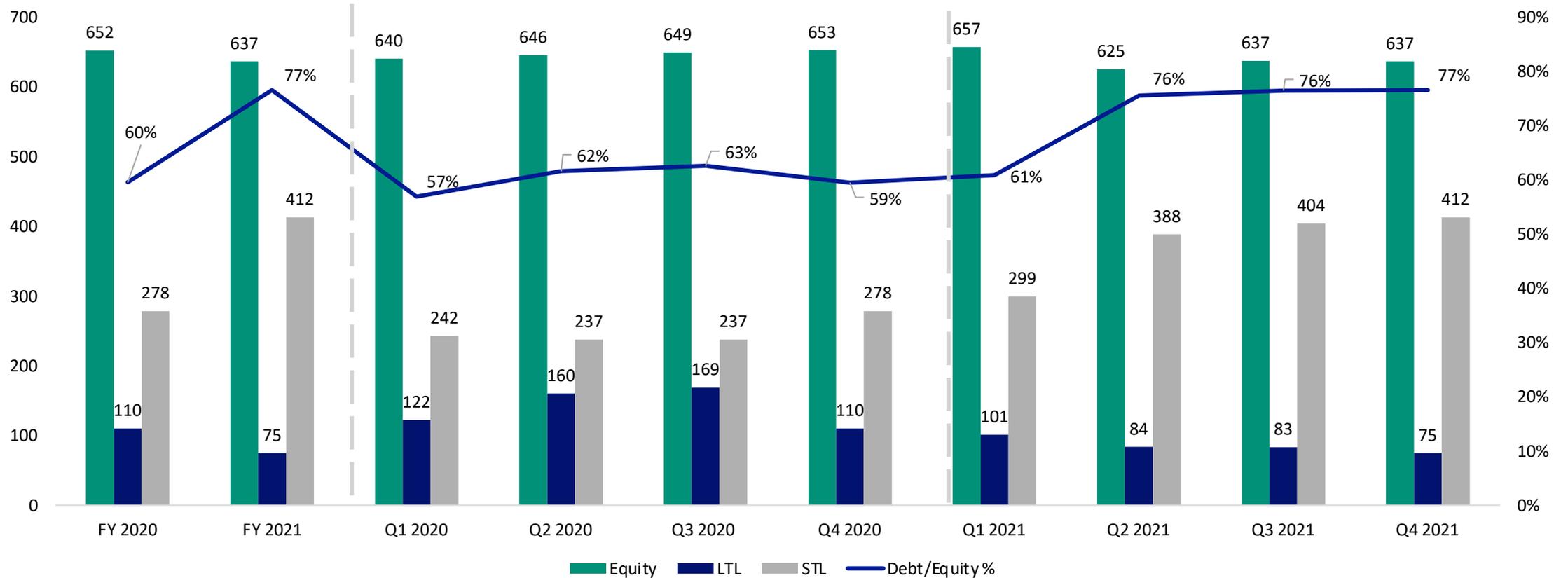


■ Cash Flow from Financing



(SAR '000)

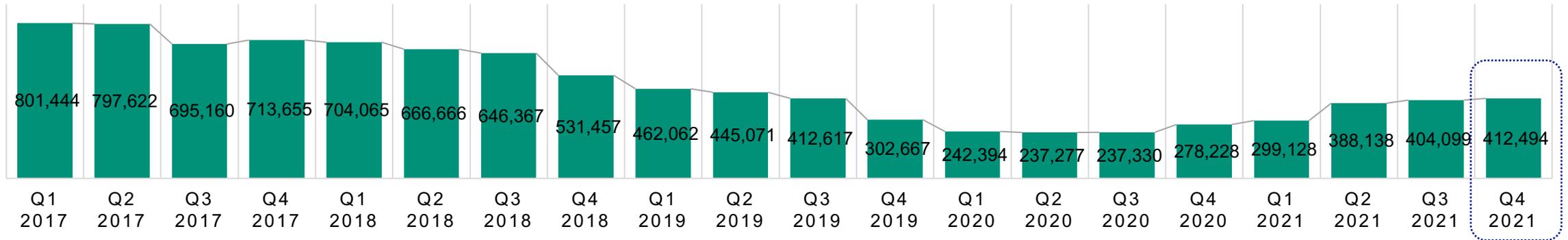
Capital structure



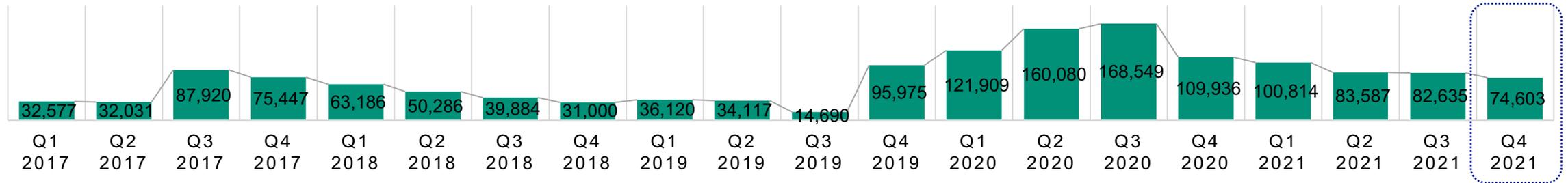
(SAR million / %)

STLs & MTLs trend

■ Short Term Loans Trend



■ Medium Term Loans Trend



(SAR '000)





APPENDIX I: About the Company

Shaker Group overview

The Middle East's leading A/C solutions company

Saudi's leading authorized importer & distributor of key international brands

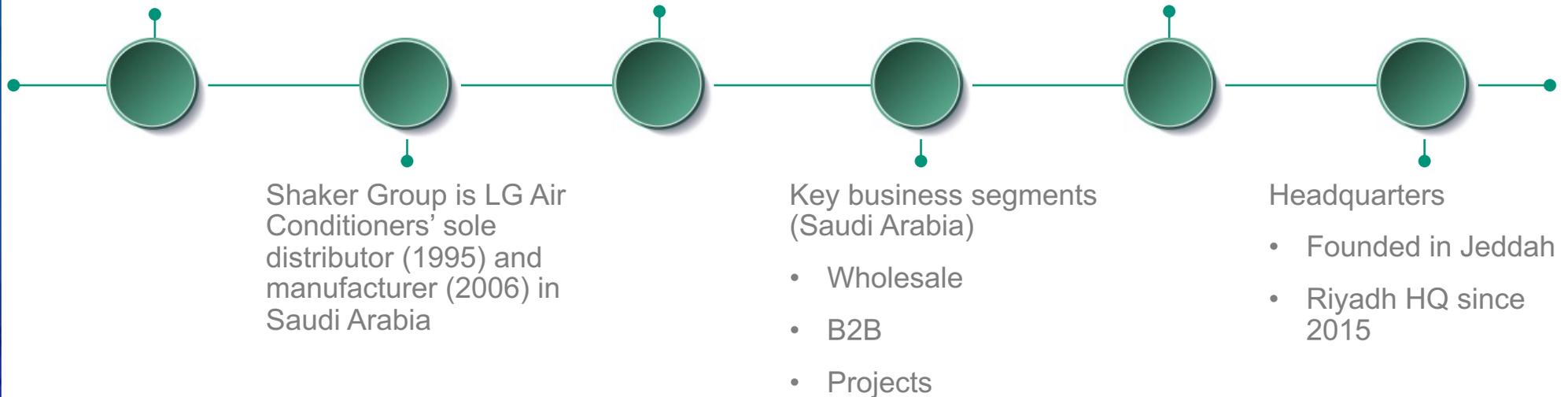
Exclusive Saudi distributor for internationally acclaimed home appliances brands:

- Maytag (1980)
- Ariston (1994)
- Indesit (2005)
- Midea (2008)
- Bissell (2015)
- Bompani (2020)
- Panasonic (2021)

Subsidiary: ESCO

- Energy saving consultancy and retrofitting services

Origins dating back to 1950



Shaker Group Key Differentiators

Products, brands & services



Market-leading products, internationally-renowned brands, high-quality after sales support and service offer

Distribution



Kingdom-wide distribution network for all products, servicing all customer types

Management



A robust management framework with senior executives offering a high level of maturity and sector expertise

Manufacturing capability



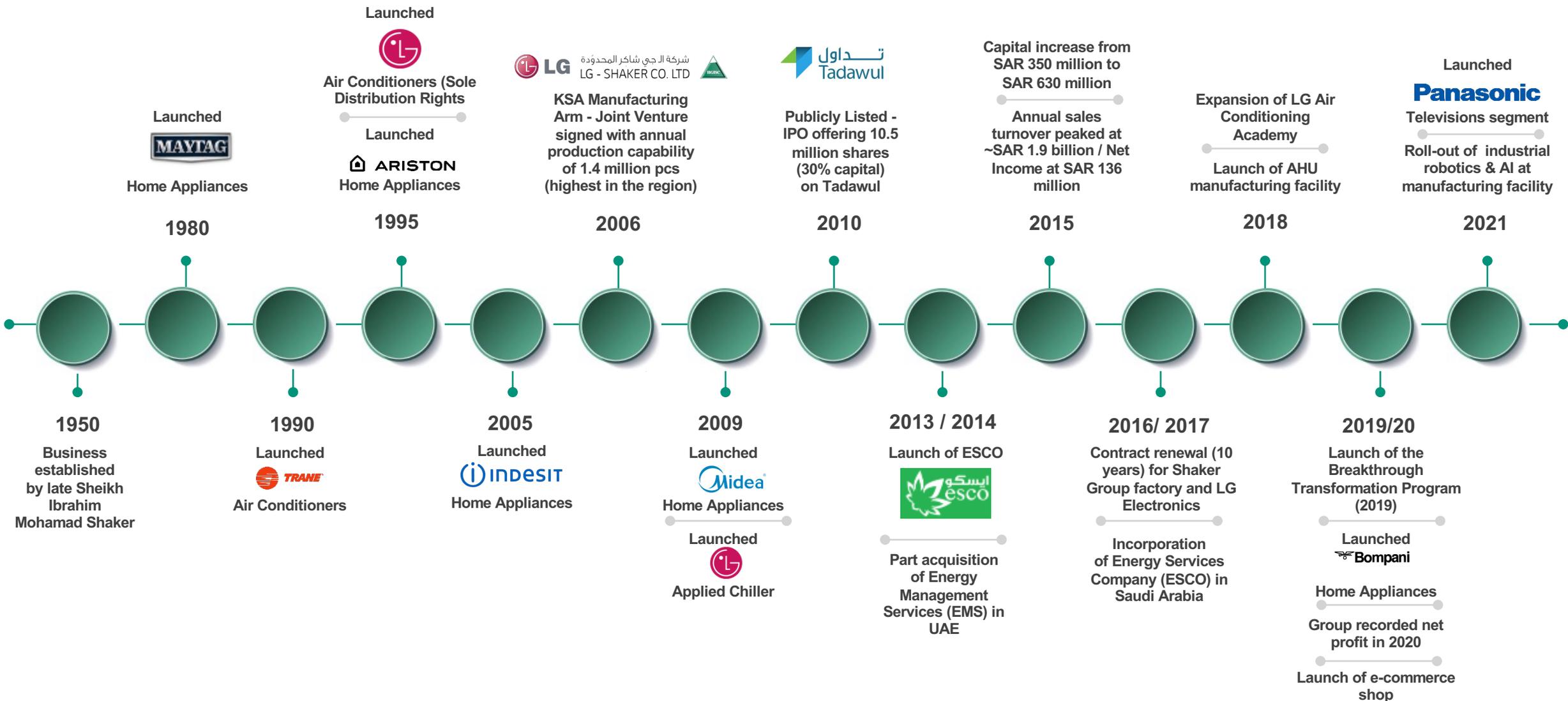
Joint Venture with LG Air Conditioning delivers benefit of cost-effective manufacturing and local distribution within the Saudi market

Growing market



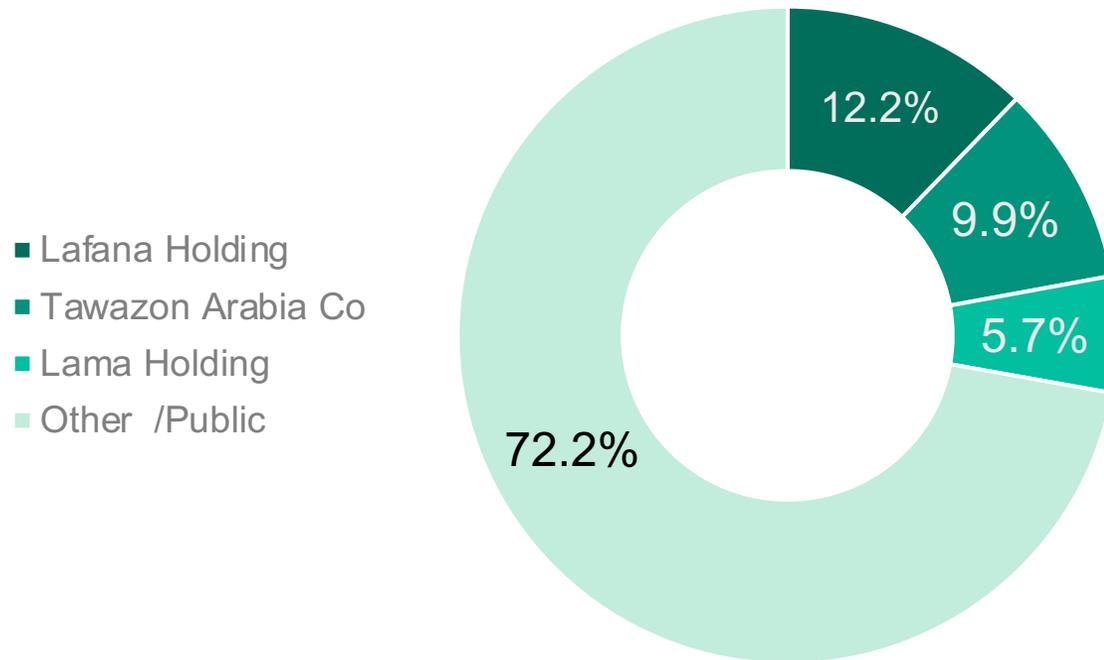
The market for AC solutions and Home Appliances is expanding, supported by a growing population, increased consumer spending and disposable income

Corporate milestones



Shareholding structure & information

Shareholding structure



Share information

Market	Tadawul, Saudi Arabia
Currency	SAR
Listing date	May 2010
Financial year-end	31 December
Authorized capital (SAR)	630,000,000
Issued shares	63,000,000
Paid capital (SAR)	630,000,000
Par value/share (SAR)	10
Paid up value/share (SAR)	10

As at 31st December 2021

Case study: A/C for Royal & VIP Lounges, Formula 1 Grand Prix



Jeddah Corniche Circuit, Saudi Arabia

GOAL

To supply the air-conditioning across the **Royal and VIP lounges** for Saudi Arabia's first ever **Formula One Grand Prix** in 2021.

The high-profile event would draw distinguished and well-known guests from around the world. Their comfort and the quality of their experience was in Shaker's hands.

SOLUTION

The best minds in Shaker's air-conditioning team meticulously planned the engineering, supply, installation, commissioning and operation of a first-class system.

The team selected the LG round cassette indoor units along with our state-of-the-art Variable Refrigerant Flow (VRF) solution; LG Multi V™ 5. The selected combo was energy efficient and provided high indoor air quality and comfort across multiple units

RESULTS

Recognizing that Shaker had gone the extra mile the client was extremely satisfied, and the foundation was laid for collaboration on future projects.

The guests enjoyed the hospitality of the lounges in perfect comfort and air quality as they watched Lewis Hamilton take the flag after a classic race.



Case study: Smart factory transformation



LG Shaker Factory, Tatweer Industrial City, Riyadh

GOAL

To transform the productivity and output capacity of our flagship joint venture air-conditioner manufacturing facility, cutting costs and reinforcing our dominant position in the Saudi air-conditioner market.

SOLUTION

In partnership with LG, we introduced cutting edge technology in the form of advanced AI and robotics.

Production area:

- Sophisticated robotics technology applied in the press line for production of steel parts

Materials delivery:

- Automated Guided Vehicles (AGVs) for rapid delivery of air-conditioner parts
- Packing area: Autonomous packing due to robotics technology
- Manufacturing of key component parts in-house

RESULTS

High quality enhancements across our range of air-conditioners and significant cost savings.

Shaker is now positioned to meet growing demand for years to come, while supporting Vision 2030's drive for manufacturing self-sufficiency and energy-saving products.



The background features a large, dark teal arrow pointing downwards from the top center. Behind the arrow is a faint, semi-transparent financial chart with a grid. The chart includes various data points and numerical values such as 87.270, 81.438, 79.609, 96.132, 71.007, 75.008, 92.490, 45.161, 22.248, 92.595, 3.244, 5.023, and 3.056. The overall color scheme is dominated by shades of teal and blue.

APPENDIX II: Financials

Income statement

SAR '000	2019	2020*	2021	
Sales	882,822	932,699	1,086,445	
Cost of sales	(717,176)	(737,139)	(850,923)	
Gross profit	165,646	195,560	235,522	
S&D expenses	(104,454)	(95,567)	(101,074)	
G&A expenses	(87,393)	(84,629)	(83,918)	
Impairment charge and other income	(12,246)	(3,273)	(13,283)	
Operating income	(38,447)	12,091	37,247	
Other expense	-	(2,906)	(1,789)	
Financial charges	(29,302)	(18,769)	(17,323)	
Re-measurement of equity accounted investees	(1,002)	-	-	
Share in net income of equity accounted investees	18,071	24,347	23,241	
Income before Zakat and non-controlling interests	(50,680)	14,763	41,376	
Zakat	(180)	(6,740)	(13,420)	
Net income before non-controlling interests	(49,785)	7,426	27,423	
Non-controlling interests in net loss of consolidates subsidiaries	(1,075)	597	533	
Net income	(50,860)	8,023	27,956	* Figures restated

Cash flow statement

SAR '000	2019	2020*	2021
<u>Cash flows from operating activities</u>			
Profit/(loss) before Zakat and Taxes	(50,680)	14,763	41,376
Adjustments:	59,903	49,834	36,019
<u>Changes in operating assets & liabilities</u>	262,739	(55,964)	(156,134)
Employees' end of service benefits paid	(7,428)	(4,028)	(5,308)
Financial charges paid	(32,719)	(17,986)	(16,828)
Zakat and income tax paid	(1,416)	(3,061)	(26,447)
Net cash from operating activities	230,399	(16,442)	(127,322)
Net cash used in investing activities	2,546	47,115	5,295
Net cash used in financing activities	(191,885)	2,029	95,141
Net increase/(decrease) in cash and cash equivalents	41,060	32,702	(26,886)
Cash and cash equivalents acquired during the year	-	-	-
Cash and cash equivalents at beginning of the year	6,144	47,204	79,906
Cash and cash equivalents at end of the period	47,204	79,906	53,020

* Figures restated

Balance sheet

SAR '000	2019	2020*	2021
<u>ASSETS</u>			
Non-current assets	705,769	667,419	673,514
Current assets	719,541	728,173	815,558
Total assets	1,425,310	1,395,592	1,489,072
<u>EQUITY</u>			
Total equity attributable to shareholders	589,497	595,381	622,935
Total equity	601,984	608,454	636,585
<u>LIABILITIES & EQUITY</u>			
Non-current liabilities	215,096	135,006	97,130
Current liabilities	608,230	652,132	755,357
Total liabilities	823,326	787,138	852,487
Total equity & liabilities	1,425,310	1,395,592	1,489,072

* Figures restated as at 31st Dec 2020

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