

# L'AZURDE



Presentation Results Q3 2018

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# Agenda

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# Executive Summary

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**Q3 Revenues were 29.3% higher than same quarter of LY:** Egypt's revenues continued to increase strongly with a growth in the wholesale by 30.7% due to a successful advertising campaign and a positive recovery in the economy and purchasing power, and in the Retail by 170.0% due to the same reasons in addition to opening new shops. In KSA, wholesale and retail revenues have increased by 16.8% and 10.0% respectively compared to same quarter of last year due to successful promotional activities.

**Net income for Q3 2018 came at SAR 3.7 Million, 637.6% higher same quarter LY.** The increase vs. same quarter of LY was due to higher operating revenues. The solid Q3 performance improves the total net income year to date performance versus last year.

**We are very focused on growing the business through organic initiatives and inorganic potential acquisitions.**

- Wholesale Business:
  - 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
- Retail Business:
  - Perfectly Integrate the acquisition of the Tous franchisee in KSA
  - Expand our L'azurde retail business in Egypt
  - Train and develop our Saudi retail staff to enhance customer service, in-store experience and raise consumers' loyalty and purchases

# L'azurde Business Model Evolution

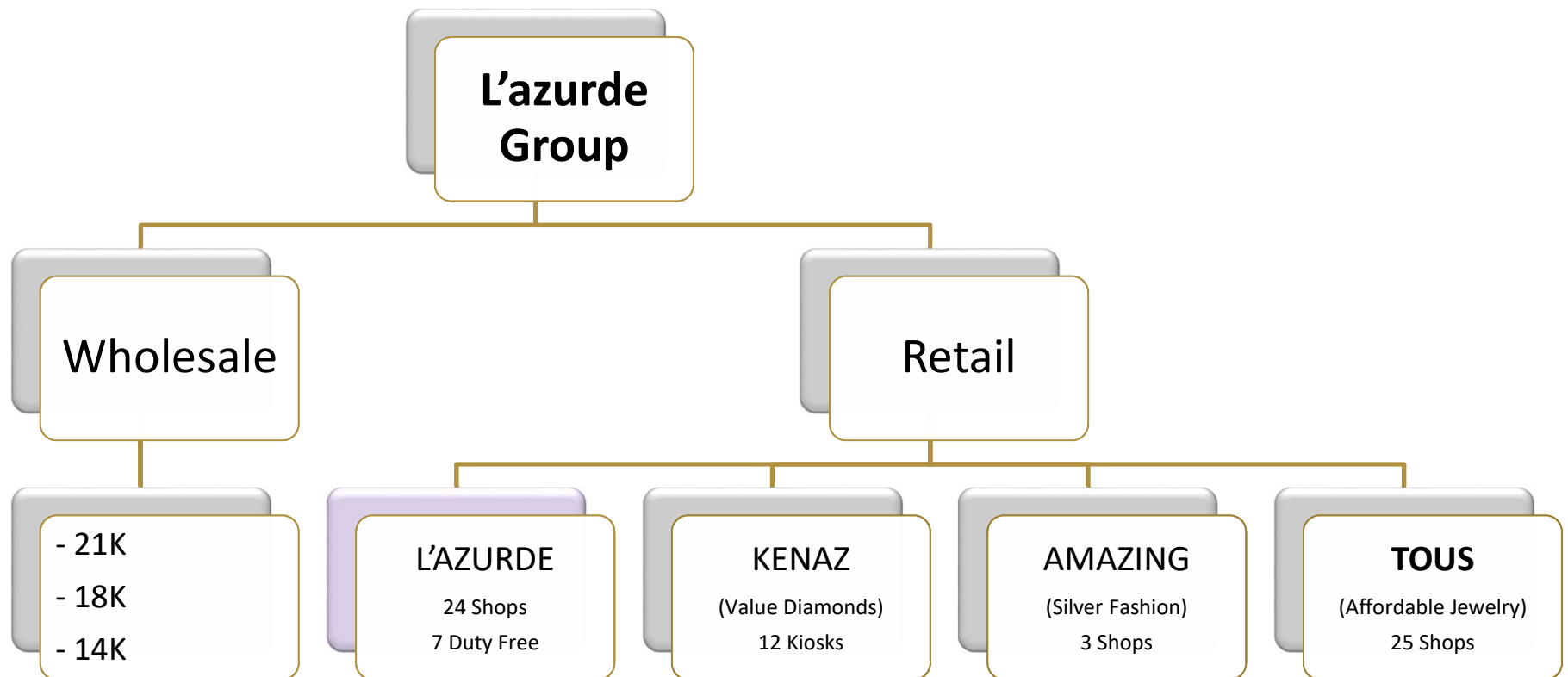
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# L'azurde Business Model Evolution

L'azurde Group: House of Brands

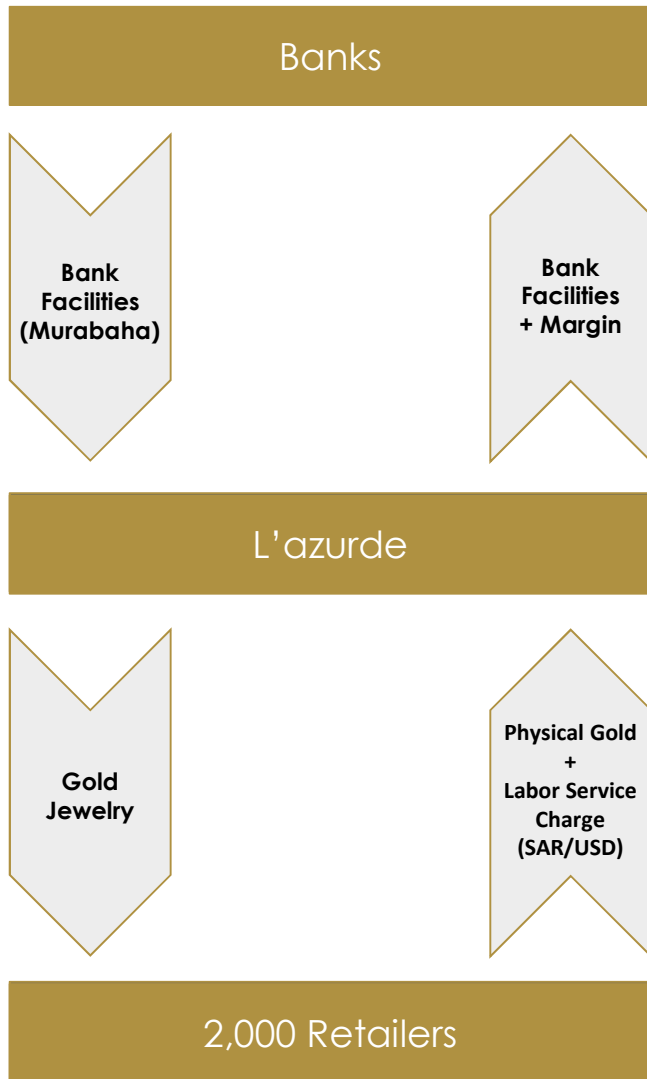
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# Wholesale Business Model

## 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

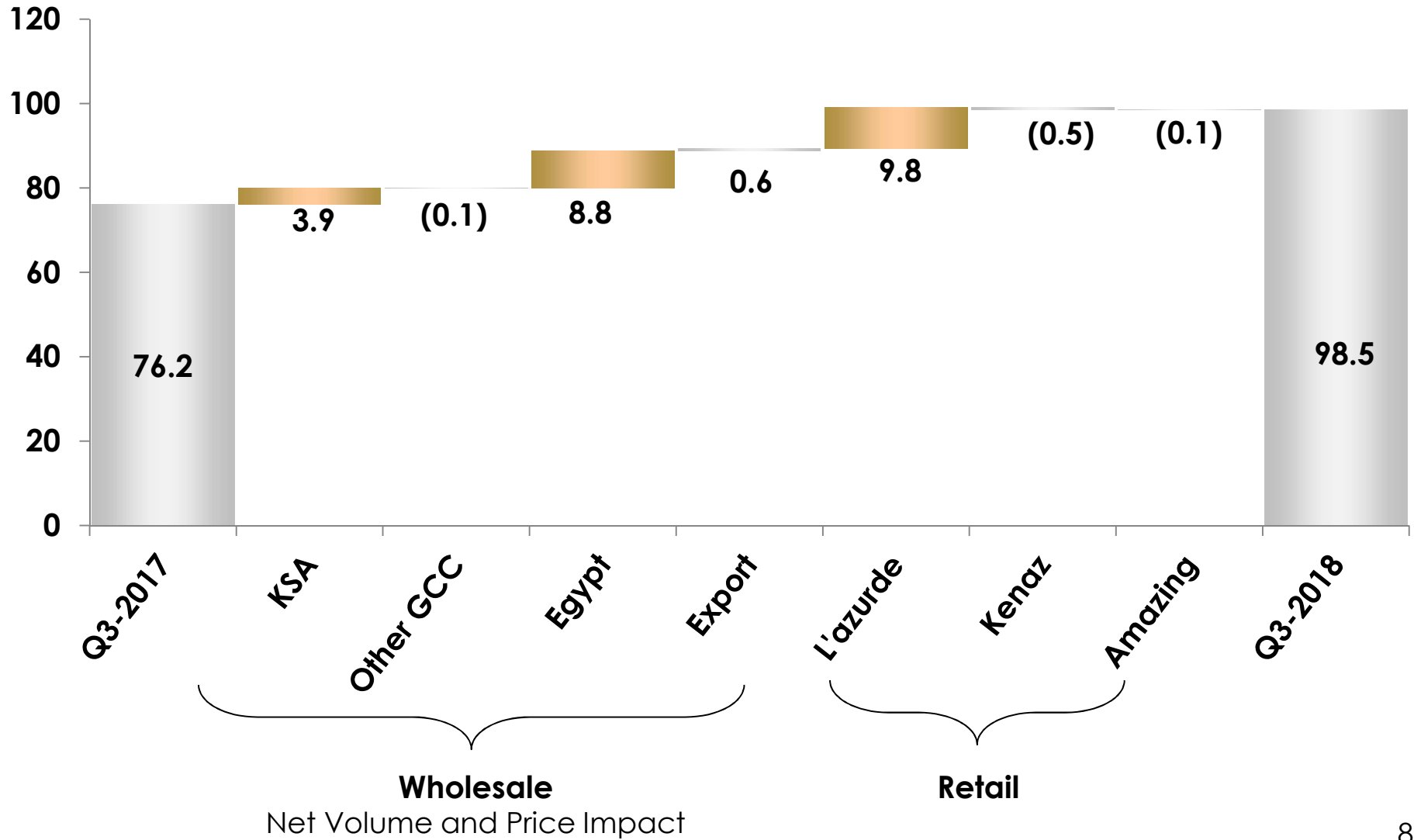
### Retailers pay L'azurde:

- Physical Gold + Labor Service Charge

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

# Revenues Variance – Q3 2018 (Million SAR)

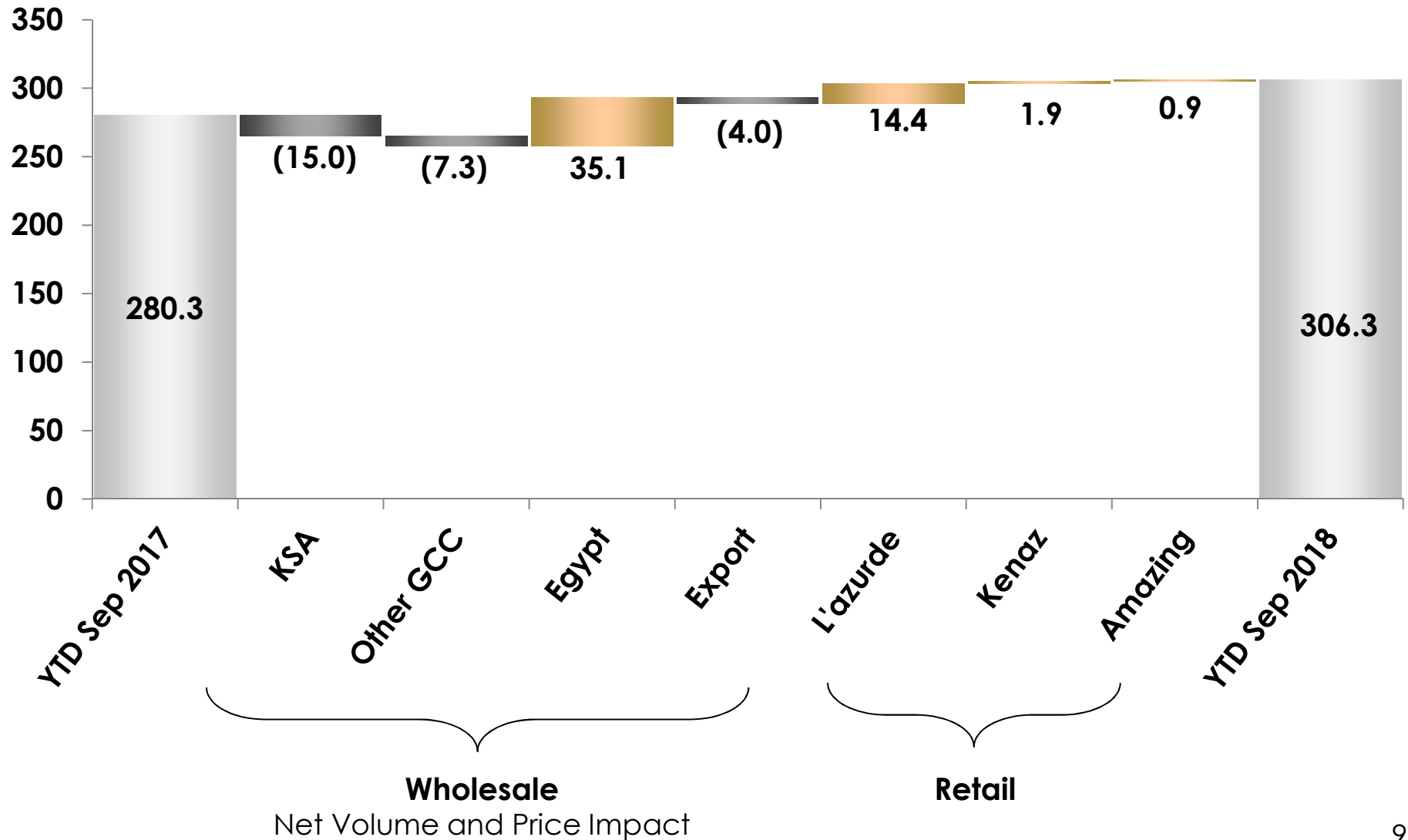
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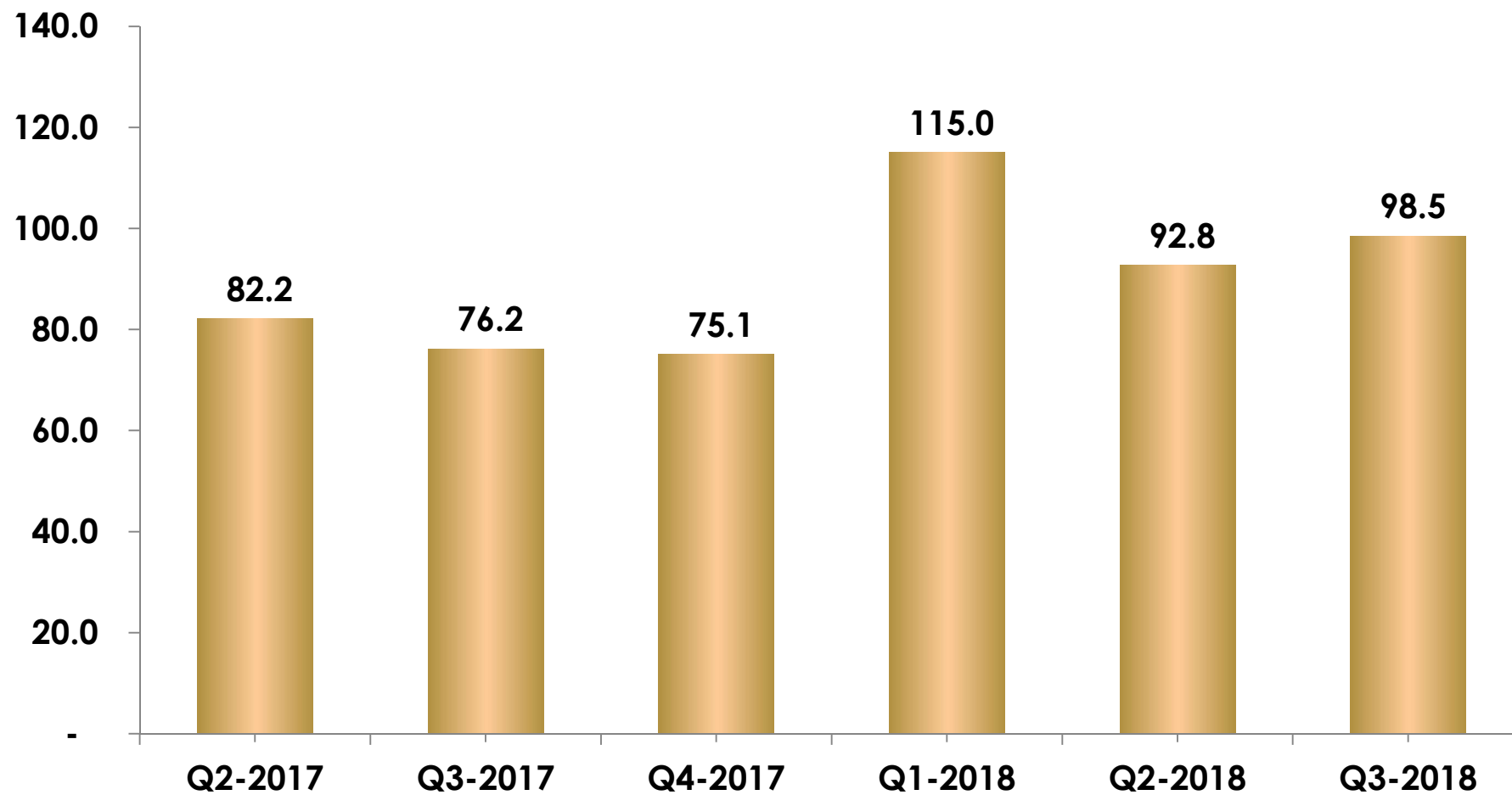
# Revenues Variance – YTD 2018 (Million SAR)

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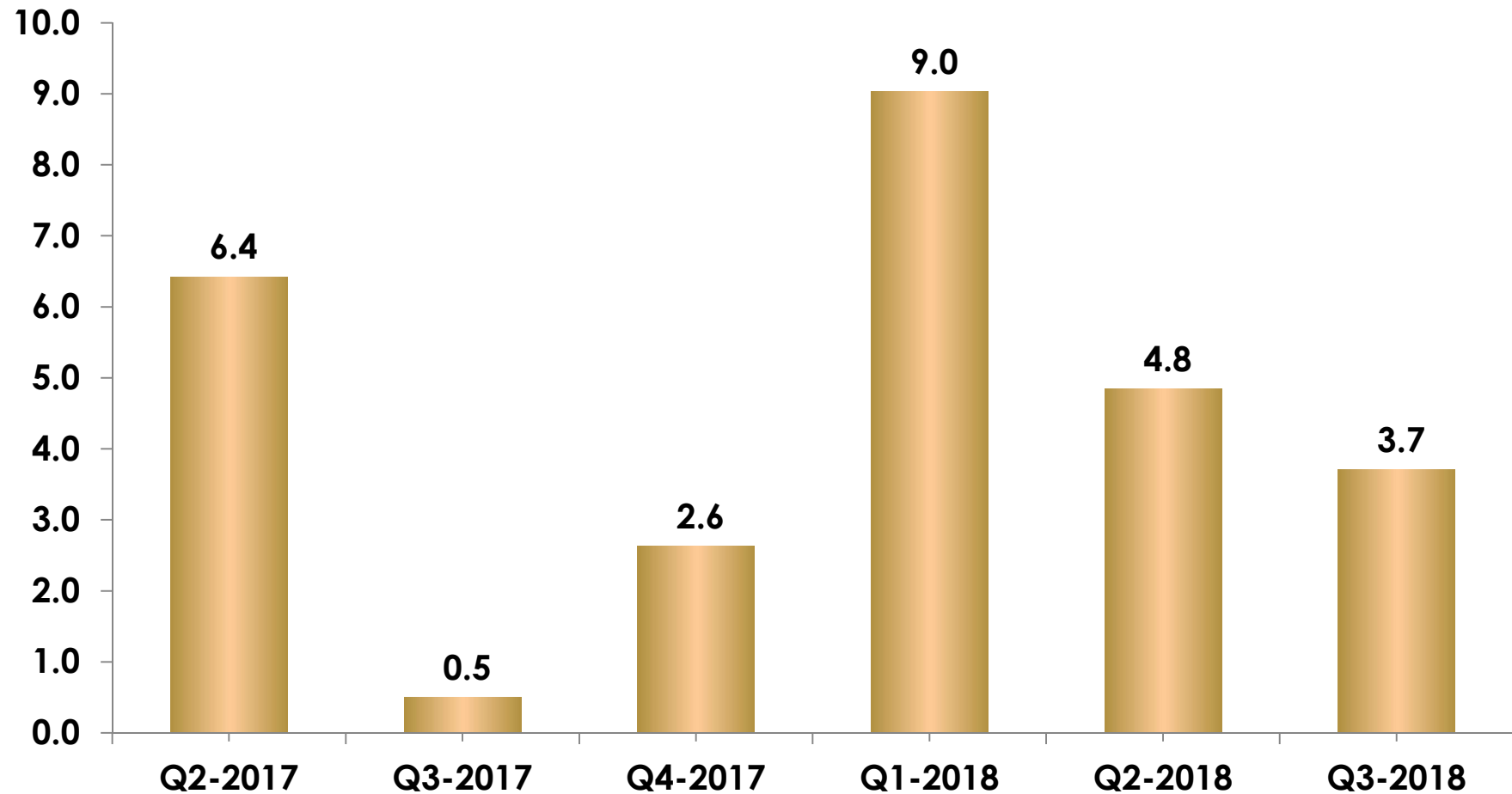
# Group Quarterly Revenues (Million SAR)

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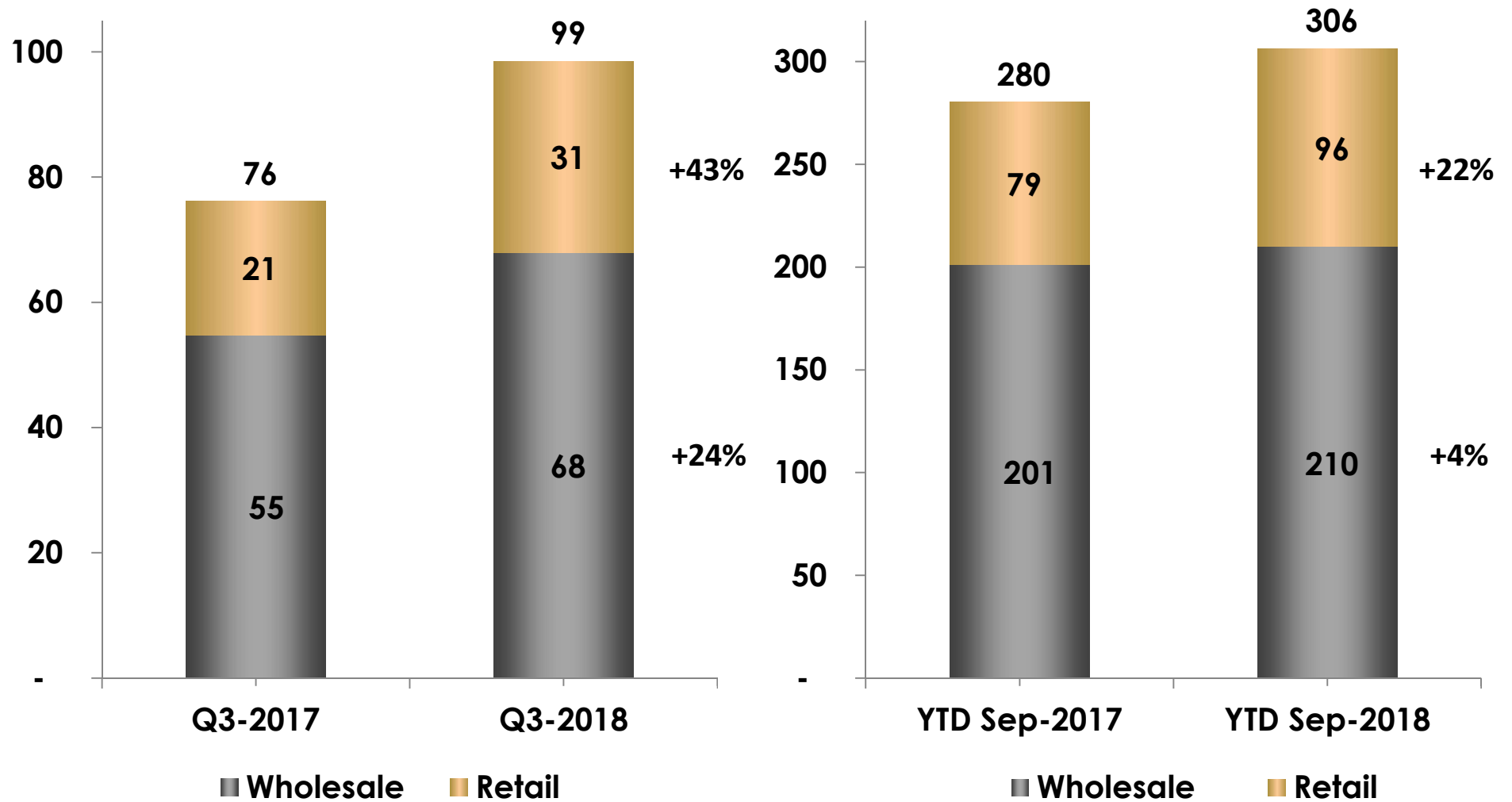
# Group Quarterly Net Income (Million SAR)

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# Retail Revenues at +22% YTD Sep-2018 vs. LY

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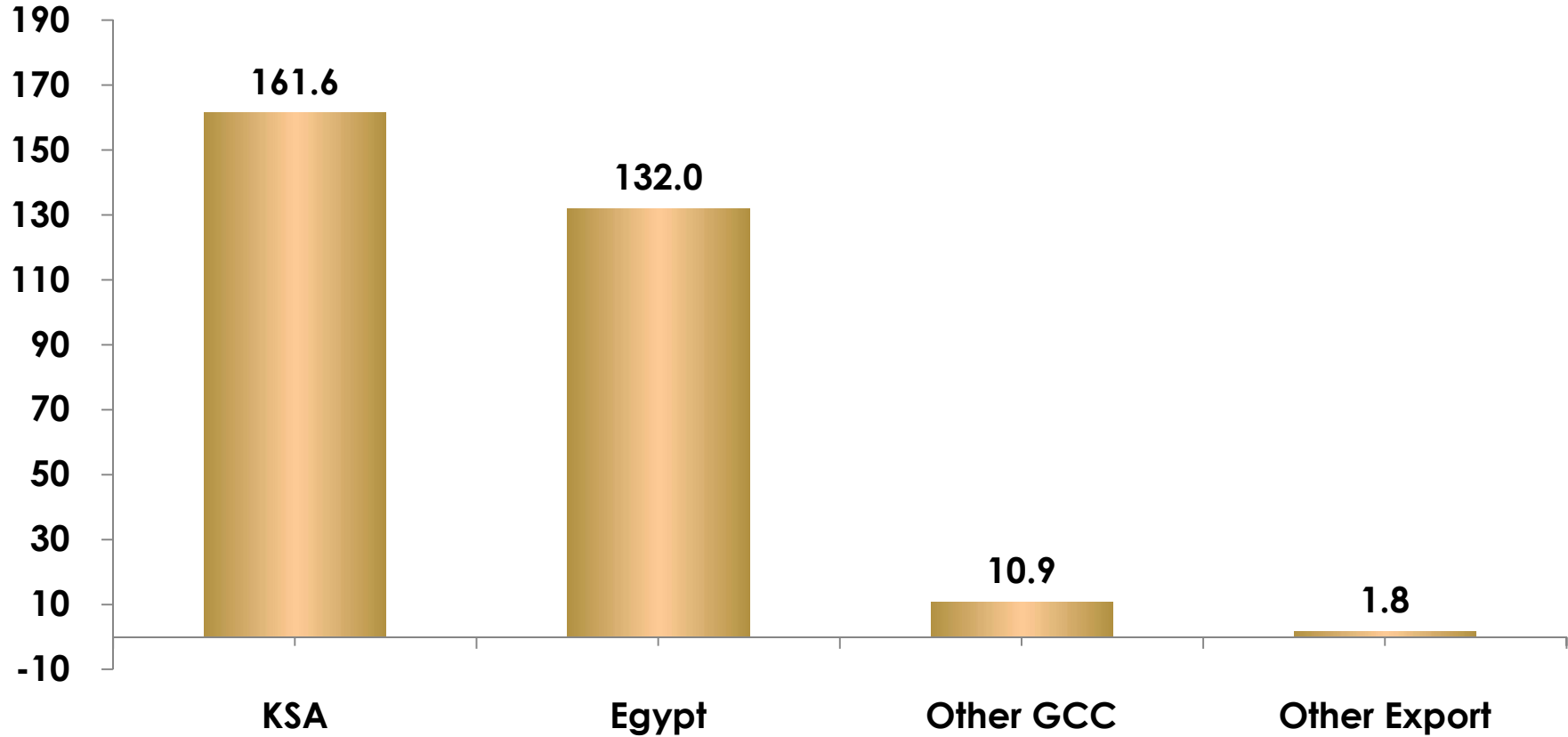


# Egypt Revenues increased by 66%

## Operating Revenues by Country – YTD Sep 2018

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Million SAR



% of Total

52%

43%

4%

1%

Vs. 2017

9% ▼

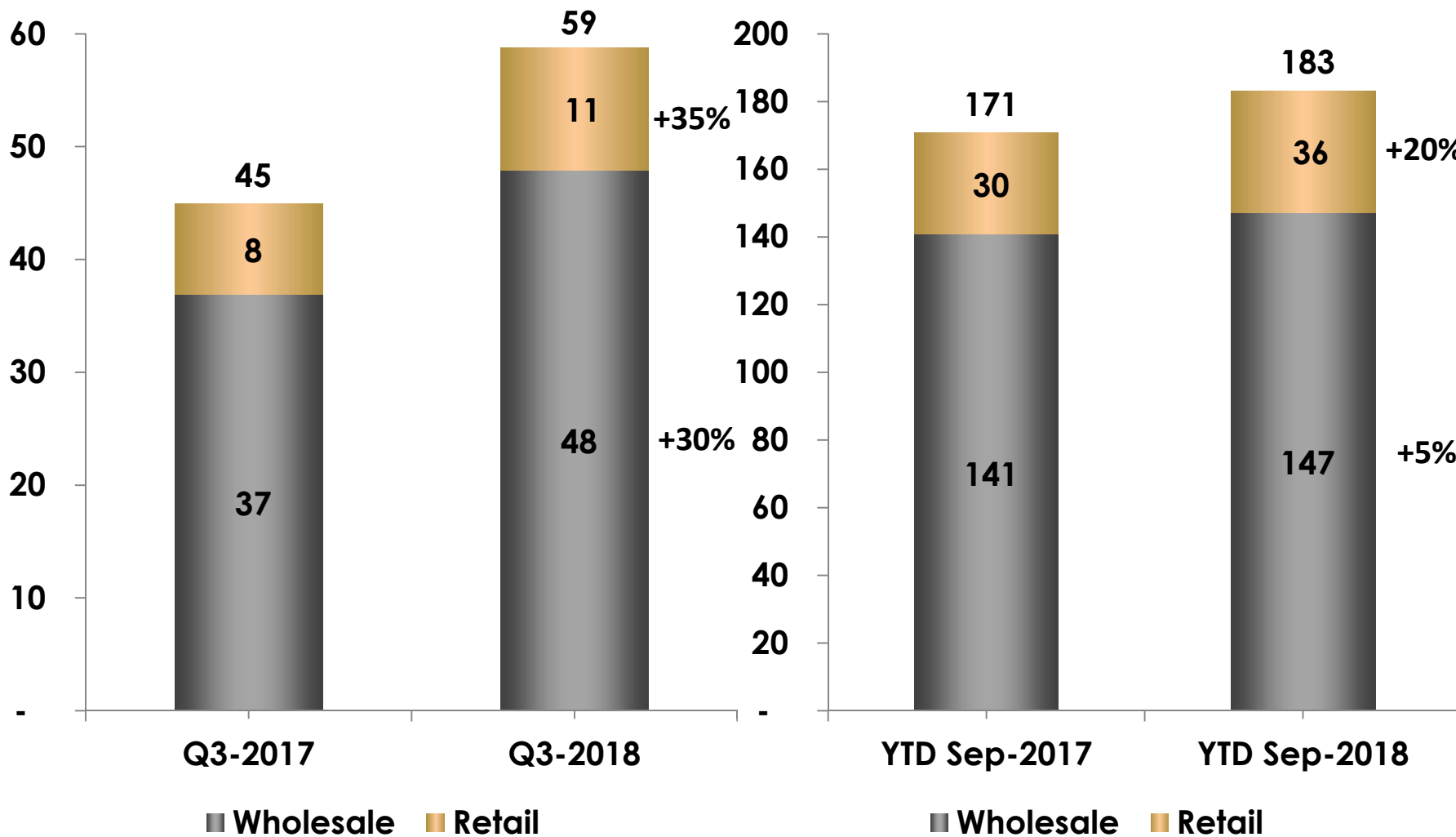
66% ▲

40% ▼

69% ▼

# Group Gross Margin +31% in Q3 -2018 vs. LY (Million SAR)

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# Group Consolidated Income Statements (Million SAR)

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	Q3					YTD September				
	2017A		2018A		Delta	2017A		2018A		Delta
Revenue	76.2	100.0%	98.5	100.0%	29.3%	280.3	100.0%	306.3	100.0%	9.3%
Cost of revenue	(31.2)	-41.0%	(39.8)	-40.4%	27.2%	(109.6)	-39.1%	(123.1)	-40.2%	12.4%
<b>Gross Profit</b>	<b>44.9</b>	<b>59.0%</b>	<b>58.8</b>	<b>59.6%</b>	<b>30.8%</b>	<b>170.7</b>	<b>60.9%</b>	<b>183.2</b>	<b>59.8%</b>	<b>7.3%</b>
Selling and marketing	(24.8)	-32.5%	(32.6)	-33.1%	31.6%	(82.4)	-29.4%	(96.6)	-31.5%	17.2%
General and admin	(9.4)	-12.4%	(10.4)	-10.5%	10.1%	(27.0)	-9.6%	(30.4)	-9.9%	12.7%
<b>Operating Income</b>	<b>10.7</b>	<b>14.1%</b>	<b>15.8</b>	<b>16.0%</b>	<b>47.0%</b>	<b>61.3</b>	<b>21.9%</b>	<b>56.2</b>	<b>18.3%</b>	<b>-8.3%</b>
Other income – net	(0.3)	-0.4%	(0.4)	-0.4%	21.5%	(0.2)	-0.1%	(3.5)	-1.1%	1303.3%
Finance Charges – net	(7.4)	-9.7%	(9.0)	-9.1%	22.0%	(23.4)	-8.3%	(26.2)	-8.6%	12.1%
<b>Net Profit before Zakat</b>	<b>3.1</b>	<b>4.0%</b>	<b>6.4</b>	<b>6.5%</b>	<b>110.0%</b>	<b>37.7</b>	<b>13.4%</b>	<b>26.5</b>	<b>8.7%</b>	<b>-29.6%</b>
Zakat	(2.5)	-3.3%	(2.6)	-2.6%	4.2%	(8.1)	-2.9%	(8.2)	-2.7%	1.0%
Income Tax	(0.1)	-0.1%	(0.1)	-0.1%	97.5%	(0.6)	-0.2%	(0.7)	-0.2%	18.6%
<b>Net Income</b>	<b>0.5</b>	<b>0.7%</b>	<b>3.7</b>	<b>3.8%</b>	<b>637.6%</b>	<b>28.9</b>	<b>10.3%</b>	<b>17.6</b>	<b>5.7%</b>	<b>-39.2%</b>
Earning per Share	0.01		0.09		637.6%	0.67		0.41		-39.2%

# Group Initiatives

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<b>Celebrities Collaboration</b>	<b>Expand 3D Printing Technology</b>	<b>Grow 18K Market Share</b>
<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>
<b>Develop Exports Outside The Region</b>	<b>Perfect Integration Tous Franchisee Acquisition</b>	<b>Enhance Retail Performance</b>
<ul style="list-style-type: none"><li>• Solid response from International Exhibitions</li><li>• Orders for new countries in Europe and the USA</li><li>• New subsidiary Oman</li></ul>	<ul style="list-style-type: none"><li>• Train and develop team</li><li>• Stepchange marketing</li><li>• Enhance products assortment and VM</li><li>• Launch CRM</li></ul>	<ul style="list-style-type: none"><li>• Review performance of all locations and brands assortment</li><li>• Launch new 2019 collections</li></ul>



# TOUS Overview

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## Acquisition Rationale

- Delivers our strategy to grow from a mono brand wholesaler to a retailer house of brands
- 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
- We expect synergies and cost savings from integrating TOUS with L'azurde

## Acquisition Key facts

- **Acquisition value:** SAR 188m
- **Acquisition payment:** Split in a payment in 2018 and other payments in 2021 and 2022
- **Acquisition Financing:** 80% by acquisition finance and 20% from L'azurde operating cashflow
- **No. of shops:** 22 Shops in KSA end 2018
- **Net Sales 2017:** SAR 69.8m
- **Net income 2017:** SAR 18.8m
- **ROI:** 33.6% in 2017
- **Franchise agreement:** 10 years renewable
- **Consolidation date:** Q4 2018

L'azurde, a great history, a greater future

Thank You

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