

# L'AZURDE



Presentation Results Q1 2018

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# Agenda

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# Executive Summary

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**Q1 Revenues were 5.6% below same quarter of LY and 53% higher than last quarter:** Egypt's revenues recovered strongly vs. same quarter of LY with a growth in the wholesale business by 52.8%. This was due to a successful advertising campaign and a positive recovery in the economy and purchasing power. Egypt's Retail business also grew by 176.5% due to the same reasons mentioned above in addition to opening new shops. In KSA, Retail grew by 2.8% vs. same quarter of LY, due to expansion in KSA airport locations, while in the wholesale and despite growing by 55% vs. last quarter, revenues are still lagging behind the level of the same quarter of LY by 39.7%. This was due to the introduction of VAT as many consumers made their purchases ahead of its implementation and the impact of rapid change for full Saudization of the sector on some of our customers.

**Net income for Q1 2018 at SAR 9.0 Million came at 56% below same quarter LY and 243% higher than last quarter.** The decrease vs. same quarter of LY was due to lower gross profit and higher operating expenses in the first quarter of 2018 which included one-off cost of due diligence costs for the potential acquisition of the Tous franchise. The significant improvement in net income vs. the previous quarter was due to higher operating revenues due to the start of the new season.

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

- Raised prices in Egypt's wholesale business, supported with a successful advertising campaign (new celebrity Nelly Karim) to cover the impact of devaluation.
- We launch new premium differentiated lines in KSA and Egypt and leverage 3D printing technology to reduce operating expenses.
- Our first time ever export booth at international exhibitions generated orders from new countries
- We plan to open our subsidiary in Oman to strengthen GCC wholesale and increase exports.
- We grow our retail business successfully and profitably especially in Egypt and at KSA airports.
- We are making progress on the potential acquisition of the Tous franchise.
- Attractive young KSA/Regional demographics and confidence in KSA economy rebound with Government plans next to a positive turn-around in Egypt consumer demand.

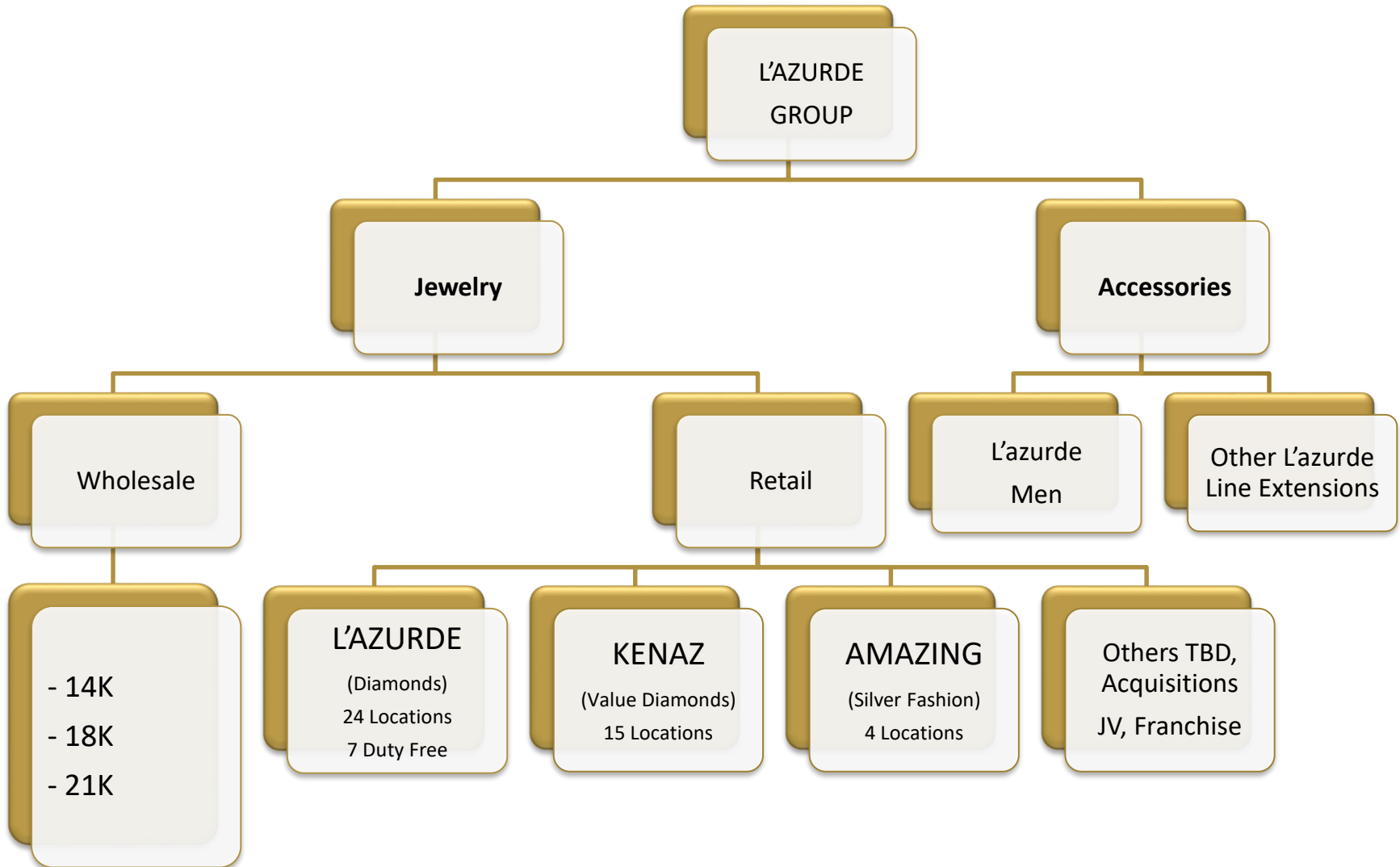
# L'azurde Business Model Evolution



# L'azurde Business Model Evolution

## L'azurde Group: House of Brands

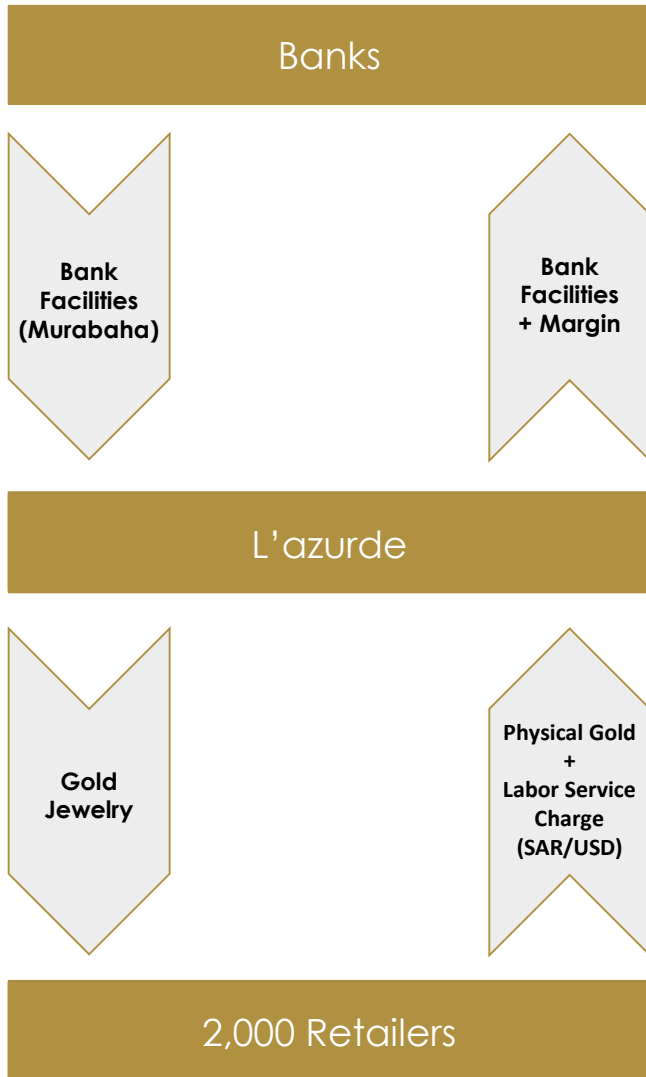
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# Wholesale Business Model

## 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:

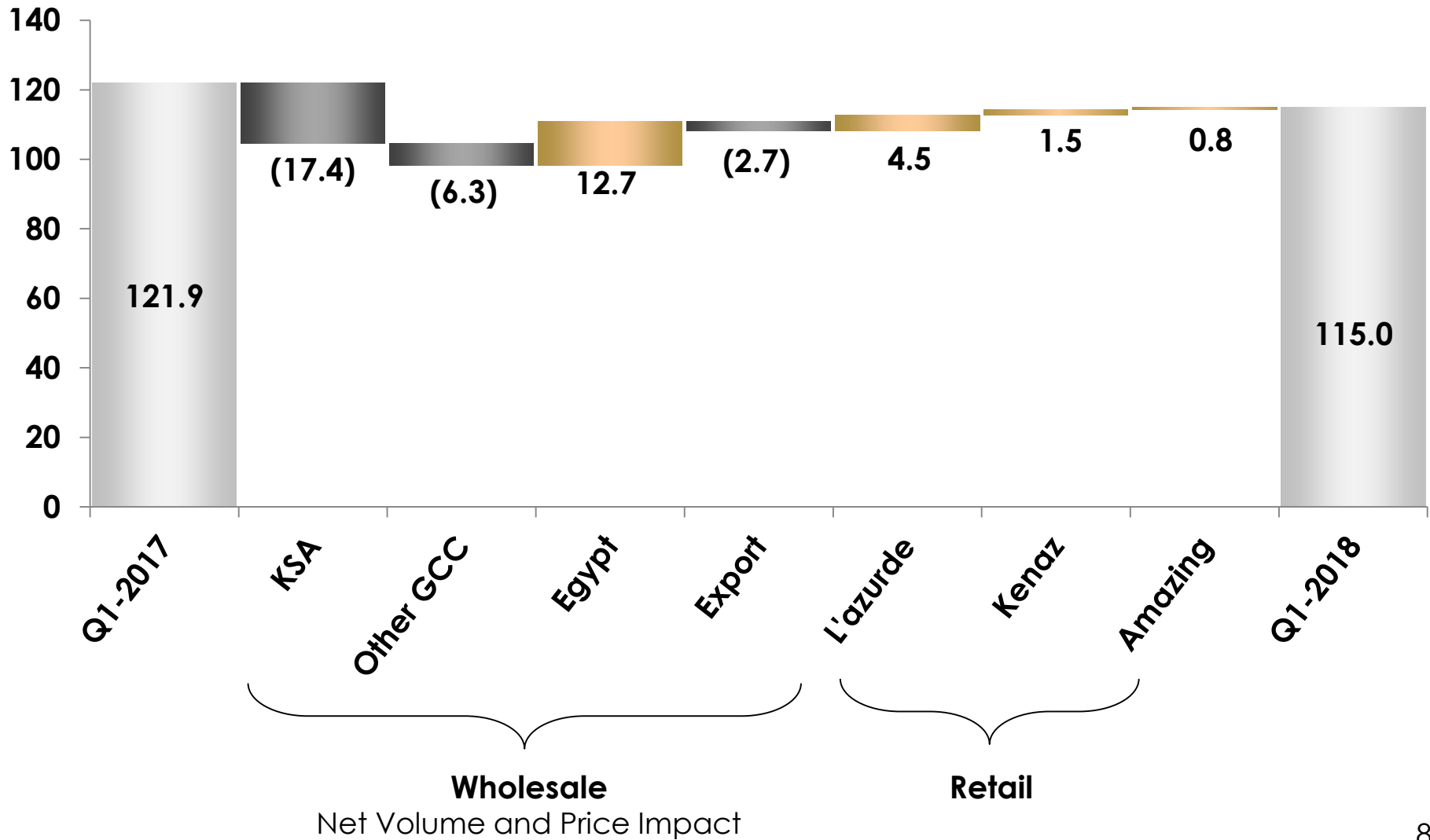
- Physical Gold + Labor Service Charge

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

# Revenue Variance – Q1-2018

Million SAR

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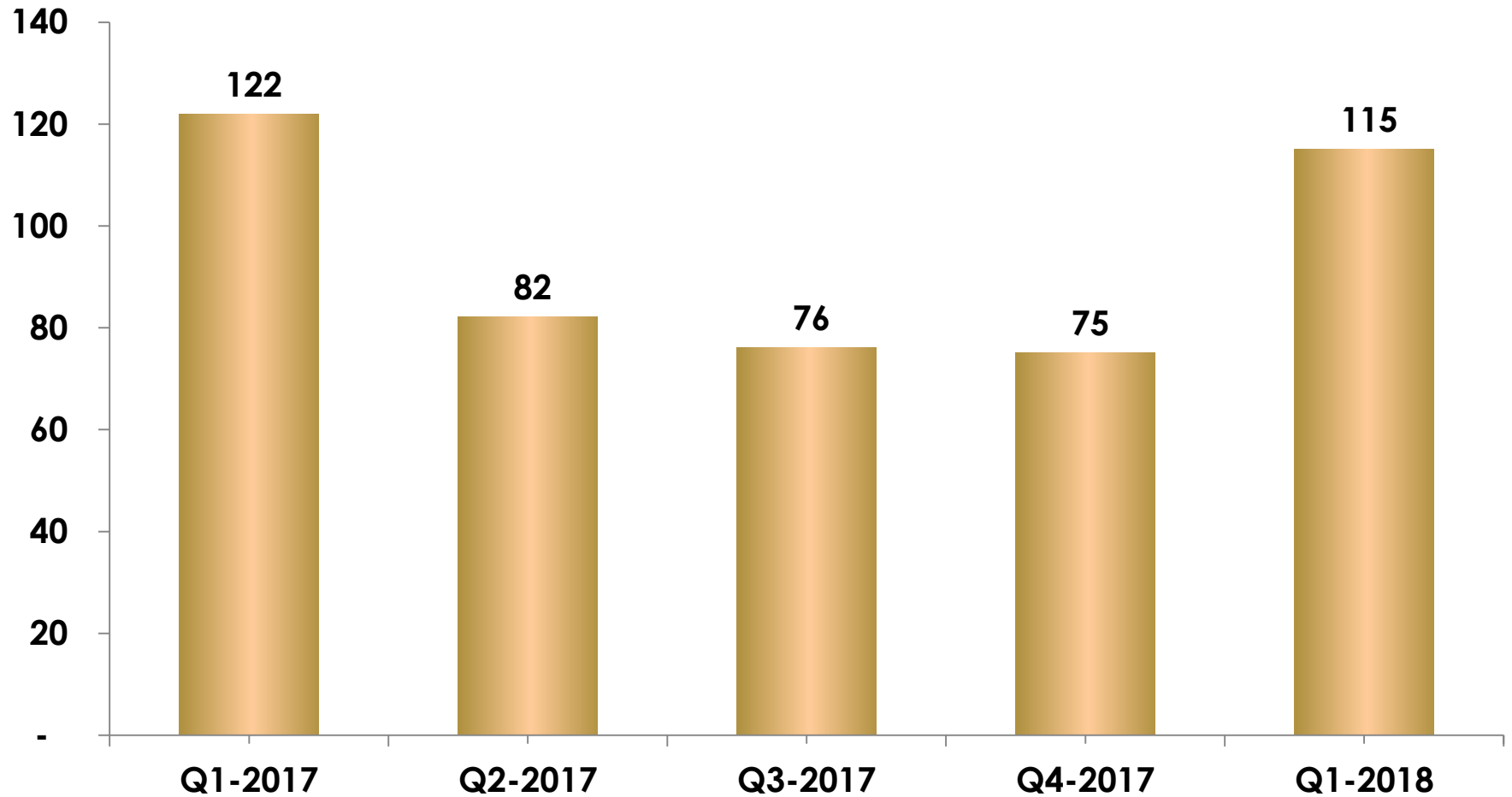




# Group's Quarterly Revenues

Million SAR

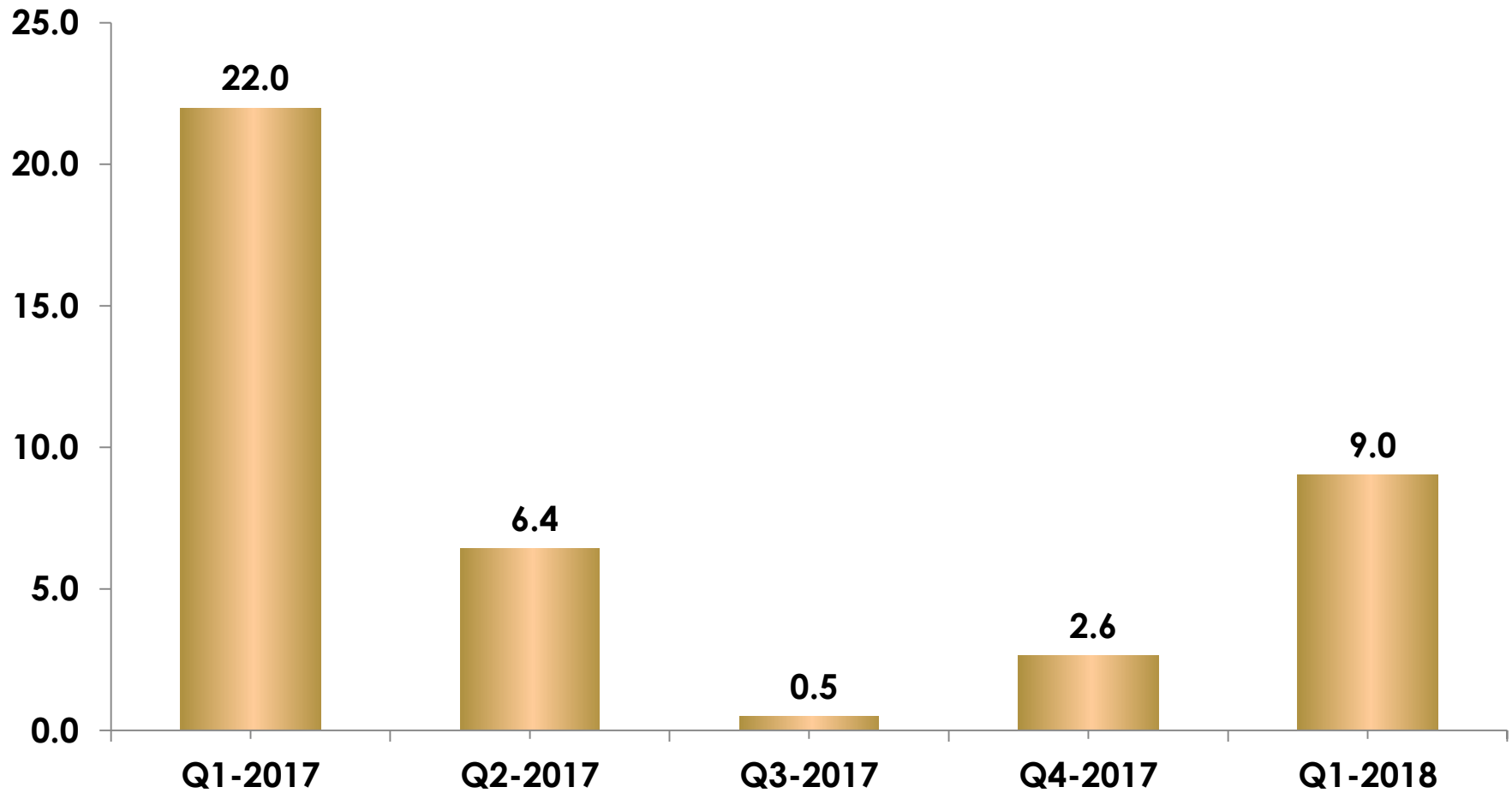
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# Group's Quarterly Net Income

Million SAR

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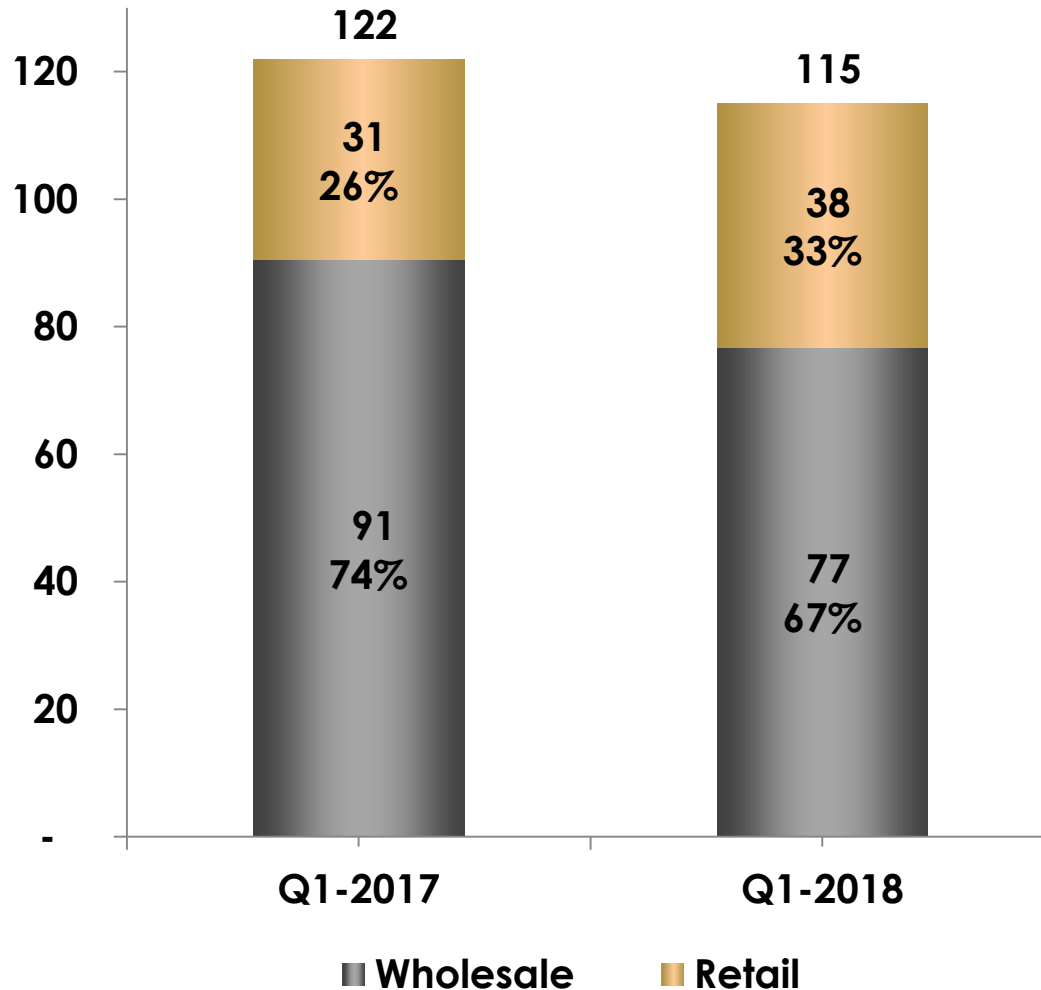


# Retail Revenues at +21% in 2018 vs. LY

## Operating Revenues by Distribution Channel

Million SAR

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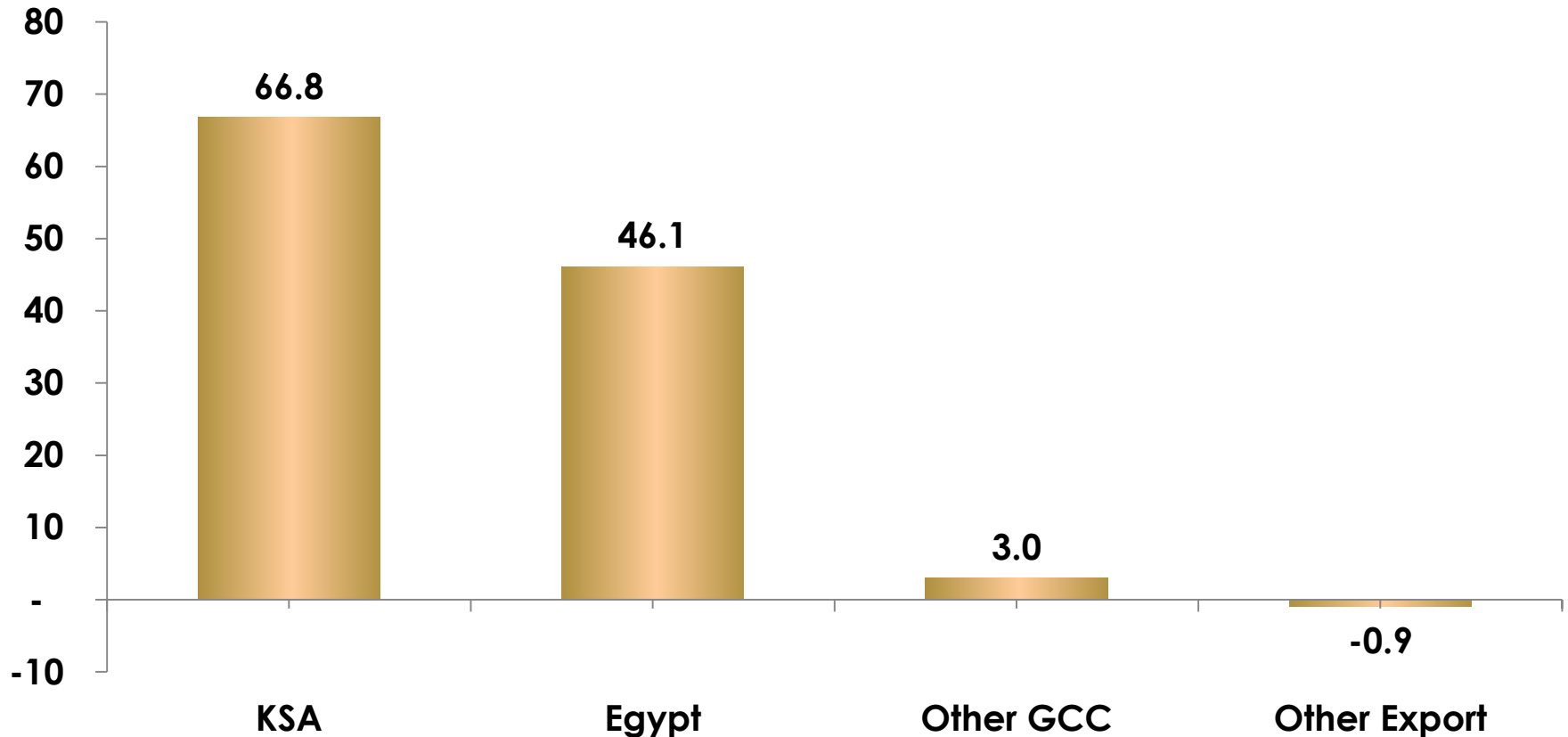


# Egypt Revenues increased by 68%

## Operating Revenues by Country – 2018

Million SAR

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% of Total

58%

40%

3%

-1%

Vs. 2016

19.9% ▼

68.2% ▲

67.6% ▼

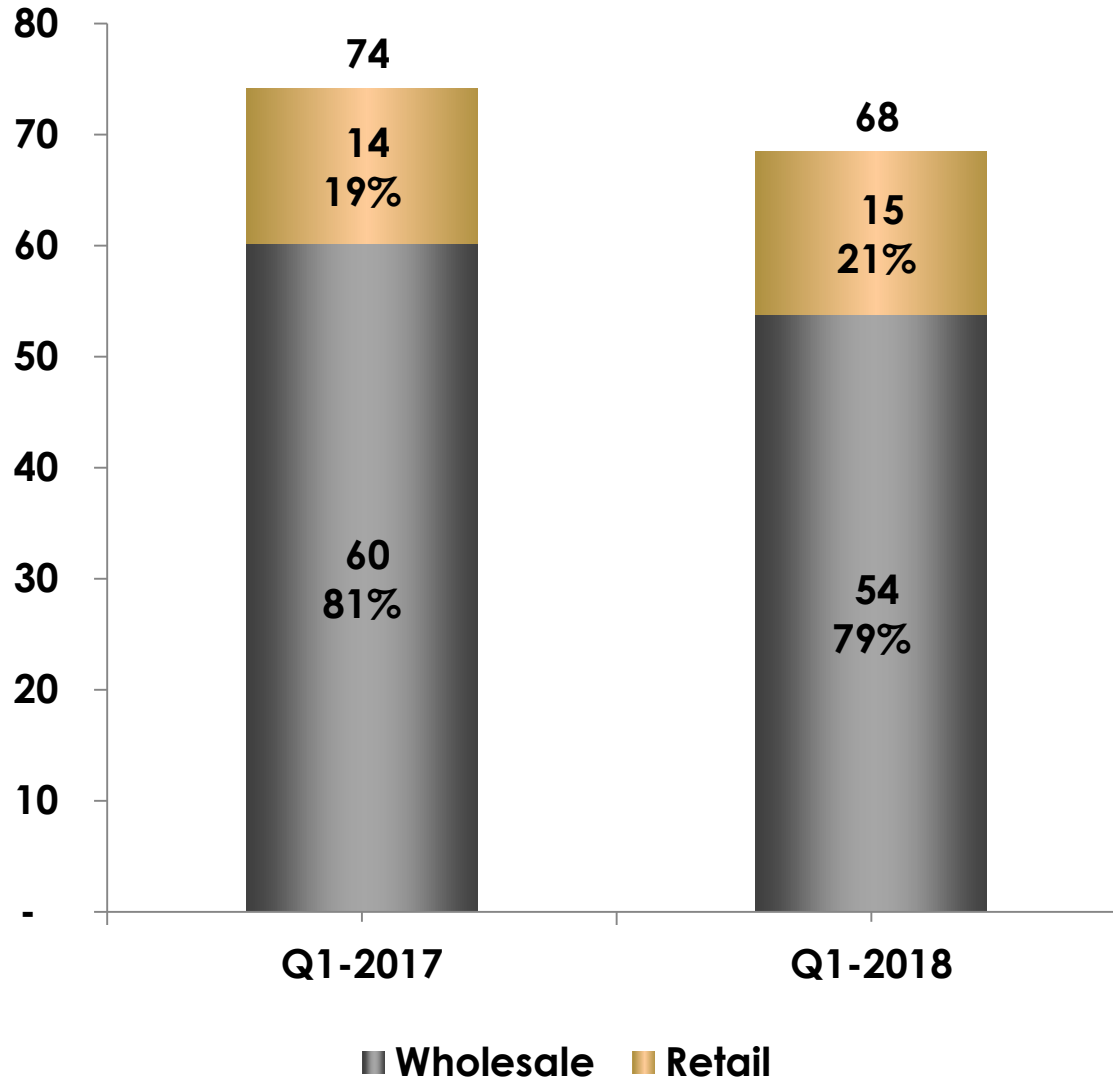
>100% ▼

# Retail Gross Margin +5% in 2018 vs. LY

## Gross Margin by Distribution Channel

Million SAR

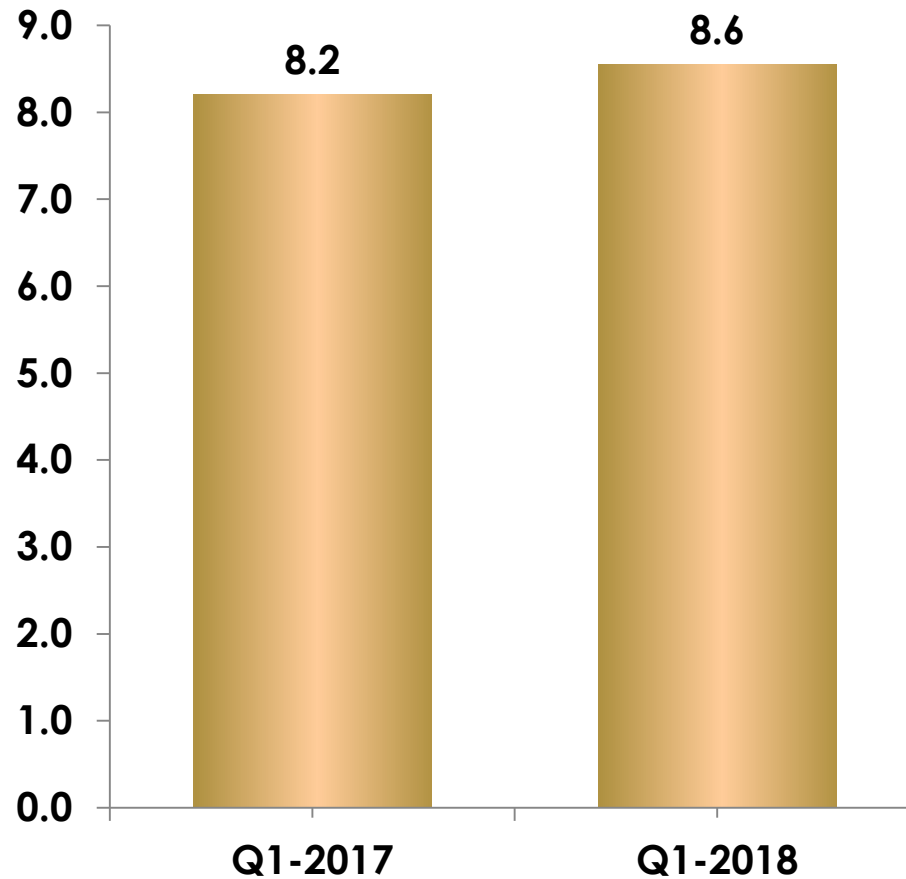
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# Finance Charges

Million SAR

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Finance charges increased by 4% due to higher gold price by 6%

# Group Consolidated Income Statements

Million SAR

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	Q1				
	2017A		2018A		Delta
Revenue	121.9	100.0%	115.0	100.0%	-5.6%
Cost of revenue	(47.8)	-39.2%	(46.6)	-40.5%	-2.5%
<b>Gross Profit</b>	<b>74.2</b>	<b>60.8%</b>	<b>68.5</b>	<b>59.5%</b>	<b>-7.7%</b>
Selling and marketing	(30.4)	-25.0%	(34.6)	-30.1%	13.9%
General and admin	(8.9)	-7.3%	(10.8)	-9.4%	21.0%
<b>Operating Income</b>	<b>34.8</b>	<b>28.6%</b>	<b>23.0</b>	<b>20.0%</b>	<b>-33.8%</b>
Other income – net	0.4	0.3%	(2.0)	-1.7%	>100%
Finance Charges – net	(8.2)	-6.7%	(8.6)	-7.4%	4%
<b>Net Profit before Zakat</b>	<b>27.0</b>	<b>22.1%</b>	<b>12.5</b>	<b>10.9%</b>	<b>-54%</b>
Zakat	(4.4)	-3.6%	(3.0)	-2.6%	-32%
Income Tax	(0.6)	-0.5%	(0.4)	-0.4%	-25%
<b>Net Income</b>	<b>22.0</b>	<b>18.0%</b>	<b>9.0</b>	<b>7.8%</b>	<b>-59%</b>
Earning per Share	0.51		0.21		-59%

# Group Wholesale Initiatives

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<h3>Celebrities Collaboration</h3>	<h3>Expand 3D Printing Technology</h3>	<h3>Expand 18K Market Share</h3>
<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>• Reduces 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>
<h3>New Subsidiary in Oman</h3>	<h3>Develop Exports Outside The Region</h3>	<h3>Reduce Receivables and Inventories To Enhance WC</h3>
<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>



# Group Retail Initiatives

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## Selective L'azurde Retail Shops Expansion

- Focus top locations, top Malls



## Amazing Jewelry Franchise and Kenaz

- Build brand awareness
- Leverage Global best practice
- Profitable expansion

## Mergers & Acquisitions

- Inorganic growth, a strategic pillar
- Progress on acquisition of Tous franchise
- Other opportunities

## L'azurde Men Line Extension

- Expand products assortment and distribution



## Duty Free Vendor KSA Airports

- Fully leverage the distribution opportunity at key KSA Duty Free Airports

## E-Commerce, New CRM Program, B2B

- Building loyalty and driving repeat purchase
- E-commerce Omni-channel strategy
- B2B online platforms

# Conclusion

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**Egypt consumer spending is back**

**New potential export to Europe/USA**

**Progress with acquisition of Tous franchise in KSA**

**Many promising growth initiatives**

**An upbeat management team with a solid track record**

**Stabilizing and Recovering Markets**

Thank You

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