



# FY 2019 Earnings Presentation

April 9, 2020



شركة ميزان القابضة  
MEZZAN HOLDING CO.



# Disclaimer

---

This confidential document is provided for informational purposes only. THE INFORMATION SET OUT IN THIS PRESENTATION AND PROVIDED IN THE DISCUSSION SUBSEQUENT THERETO DOES NOT CONSTITUTE AN OFFER OR SOLICITATION OF AN OFFER TO BUY OR SELL SECURITIES IN ANY JURISDICTION. IT IS SOLELY FOR USE AT AN INVESTOR PRESENTATION AND IS PROVIDED AS INFORMATION ONLY. THIS PRESENTATION DOES NOT CONTAIN ALL THE INFORMATION THAT IS MATERIAL TO AN INVESTOR. THIS PRESENTATION HAS BEEN PREPARED BY AND IS THE SOLE RESPONSIBILITY OF MEZZAN HOLDING COMPANY (“MEZZAN” OR THE “COMPANY”).

Investors should make decisions to acquire investments solely on the basis of the information contained in the offering document published in connection with the offer of investments.

The information contained in this document is proprietary and confidential to Mezzan Holding Company (“Mezzan”). You must only use such information for the purposes of discussions with Mezzan and you must hold such information in strict confidence and not reproduce it or disclose it to any person, except as may be required by law.

You must not place any reliance for any purpose whatsoever on the information contained in this document. No representation or warranty, express or implied, is given by or on behalf of Mezzan or any other person as to the accuracy or completeness of the information or opinions contained in this document and no liability whatsoever is accepted by Mezzan or any other person for any loss howsoever arising, directly or indirectly, from any use of such information or opinions or otherwise arising in connection therewith.

The information contained in this document has been obtained from sources prepared by other parties and it may not have been independently verified.

The supply of this document does not imply that the information within is correct at any time subsequent to the date of this document.

The information herein may be amended and supplemented and may not as such be relied upon for the purpose of entering into any transaction. This presentation may not be reproduced in whole or in part, distributed or transmitted to any other person without the Company's prior written consent. The information in this presentation and the views reflected there in are those of the Company and are subject to change without notice. All projections, valuations and statistical analyses are provided to assist the recipient in the evaluation of matters described herein. They may be based on subjective assessments and assumptions and may use one among alternative methodologies that produce different results and to the extent that they are based on historical information, they should not be relied upon as an accurate prediction of future performance. These materials are not intended to provide the basis for any recommendation that any investor should subscribe for or purchase any securities. This presentation does not disclose all the risks and other significant issues related to an investment in any securities / transaction. Past performance is not indicative of future results. The Company is under no obligation to update or keep current the information contained herein. No person shall have any right of action against the Company or any other person in relation to the accuracy or completeness of the information contained in this presentation. No person is authorized to give any information or to make any representation not contained in and not consistent with this presentation and if given or made such information or representation must not be relied upon as having been authorized by or on behalf of the Company. This presentation does not constitute an offer or an agreement, or a solicitation of an offer or an agreement, to enter into any transaction (including the provision of any services). No assurance is given that any such transaction can or will be arranged or agreed. Certain statements in this presentation may constitute forward-looking statements. These statements reflect the company's expectation and are subject to risk and uncertainties that may cause actual results to differ materially and may adversely affect the outcome and financial effects of the plan described herein. You are cautioned not to rely on such forward-looking statements. The Company does not assume any obligation to update its view of such risk and uncertainties or to publicly announce the result of any revision to the forward-looking statements made herein.

This document may contain forward-looking statements which, by their nature, involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by these statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described within this document. In particular, actual results may be adversely affected by future developments affecting inflation, interest rates, taxation, social instability or other economic, political or diplomatic or other matters. Forward-looking statements contained in this document that reference past trends or activities should not be taken as a representation that such trends or activities will continue.



# Agenda

---

- Tailwinds & Headwinds
- 2019 Highlights
- Historical Performance
- Financial Review
- Q&A



## Mezzan Today: Tailwinds

---

- 2019 witnessed the start of recovery of operational results, driven by organic and inorganic initiatives
- UAE market returned to profitability, following restructuring, pickup in energy drink sales, and ramp up of new manufacturing lines
- New lines of snacks contributed positively to the group, in Qatar and UAE and KSA.
- Catering segment began to rebound with profitability



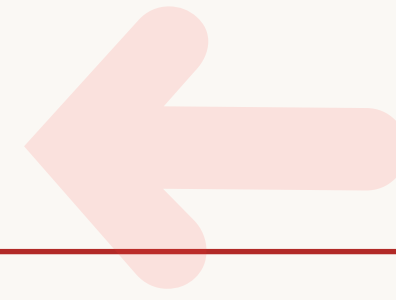
## Mezzan Today: Tailwinds (cont.)

---

- Completed strategic goal of enhancing scope and scale of Healthcare segment, with
  - Acquisition of majority stake in KSPICO
  - Distribution rights of Medtronics and Covidien
  - Strong results from expansion in healthcare business within FMCG segment
- Expansion of KSA fleet and warehousing capacities, new regions covered directly



## Mezzan Today: Headwinds



- KSA performance weighed-in on operating results driven by widening spend of marketing and listing fees, and enhanced investing behind in-house distribution and listing fees
- Pressure continued in the Qatari bottled water market given capacity surplus, albeit countered by chips production
- Increased finance costs given recent healthcare acquisition and investing in working capital
- Profitability weighed-in on by non cash and one-off impairments:
  - Goodwill in KSA investment
  - Property in Kuwait (reclassified triggered by IFRS 16 which commenced in 2019)



## Board Recommendation

---

**The Board has recommended the distribution of 15 fils per share for the year**

---



# Mezzan Today: Highlights

KD Millions

	<b>FY19</b>	<b>FY18</b>	<i>Change</i>
<b>Revenue</b>	222.5	207.5	<b>+7.2%</b>
<b>Gross Profit</b>	48.7	44.0	<b>+10.7%</b>
<b>EBITDA</b>	18.5	15.6	<b>+18.5%</b>
<b>Net Profit</b> <i>Attributable to Equity Holders of Parent Company</i>	5.6	7.0	<b>-19.0%</b>

FY2019 Results include impairment of goodwill of value of KWD1.2 mn and impairment of key money of KWD1.2 mn. When excluding these 2 one-offs:

Net Profit would have reached KWD8.5 mn, or +28% compared to restated 2018 results.

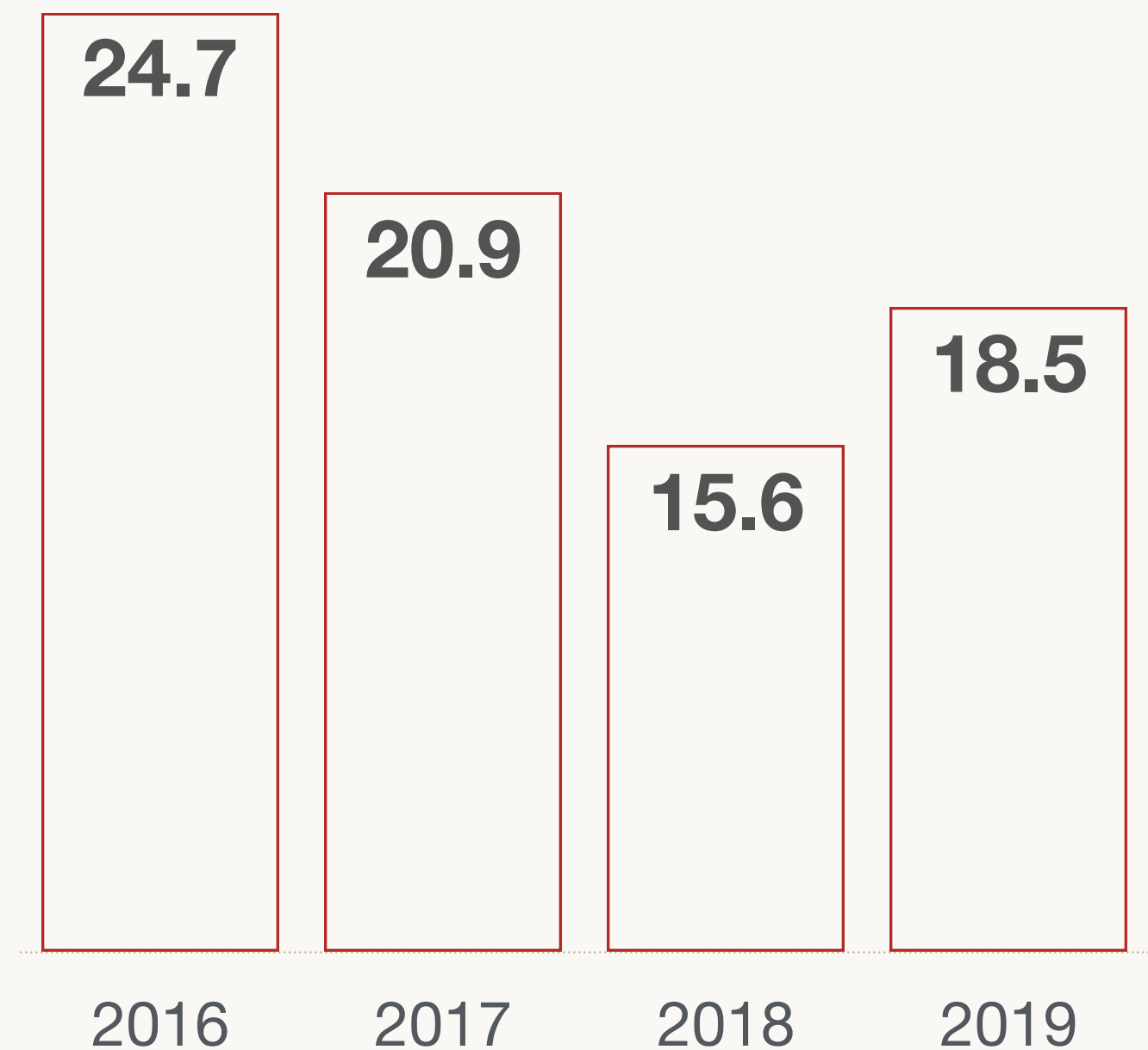
Net Profit to equity-holders of parent company would have been KWD7.9 mn or +12% up from restated 2018 performance.

FY2018 financial statement were restated with an impairment of KWD748k relating to assets in Jordan.

The reported numbers include the impact of IFRS 16 of KD1.4 mn that became effective from Jan 1, 2019. Apart from that, impairment of land value of KWD1.2 mn was triggered.

## EBITDA (2016-2019)

KD Millions



EBITDA improvement (+18.5%) driven by turnaround in UAE operations (cost cutting and top-line recovery), and performance of Catering and Services, as well as new acquisitions

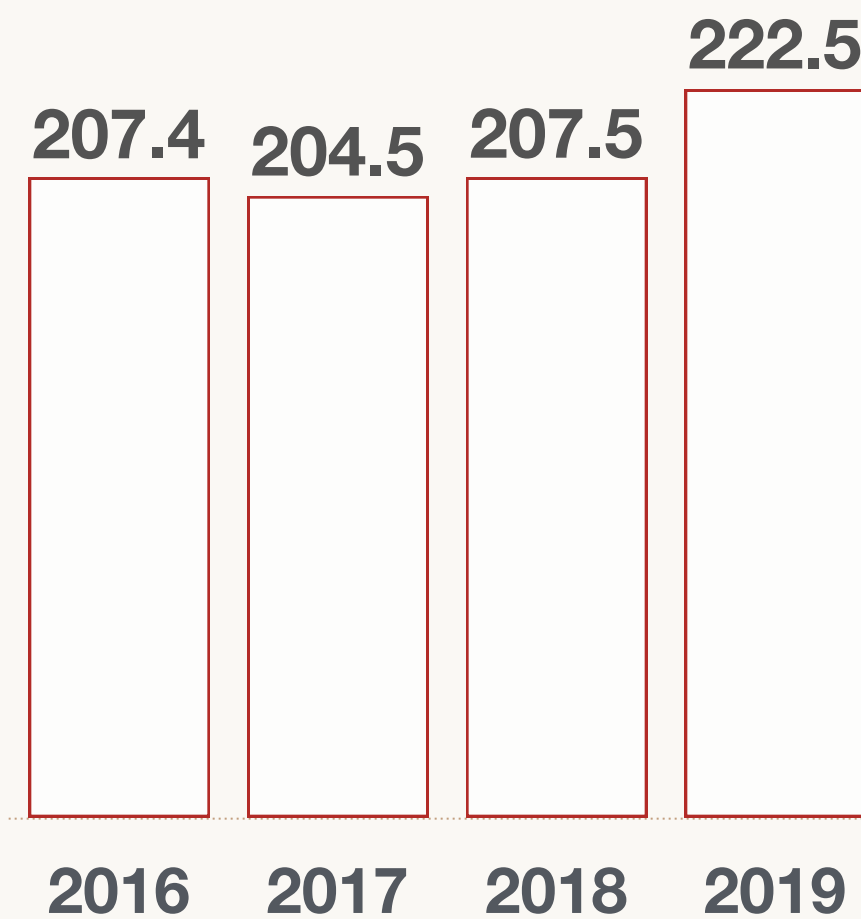




# Mezzan Today: Historical Performance

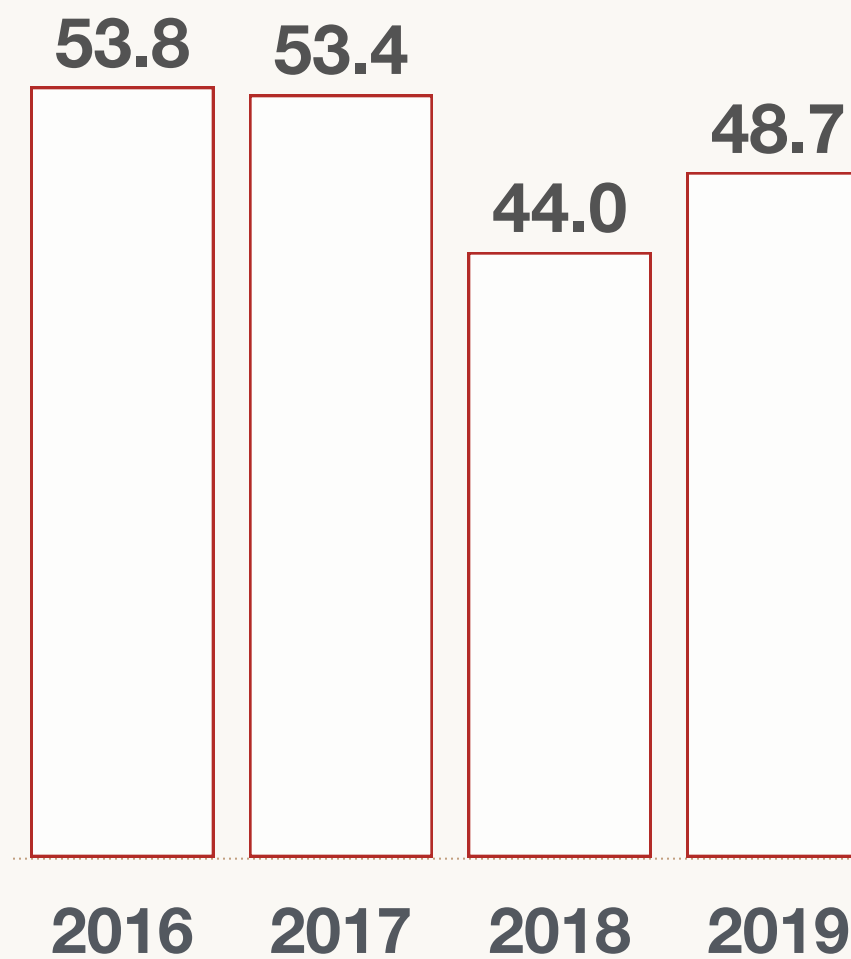
KD Millions

## Revenue



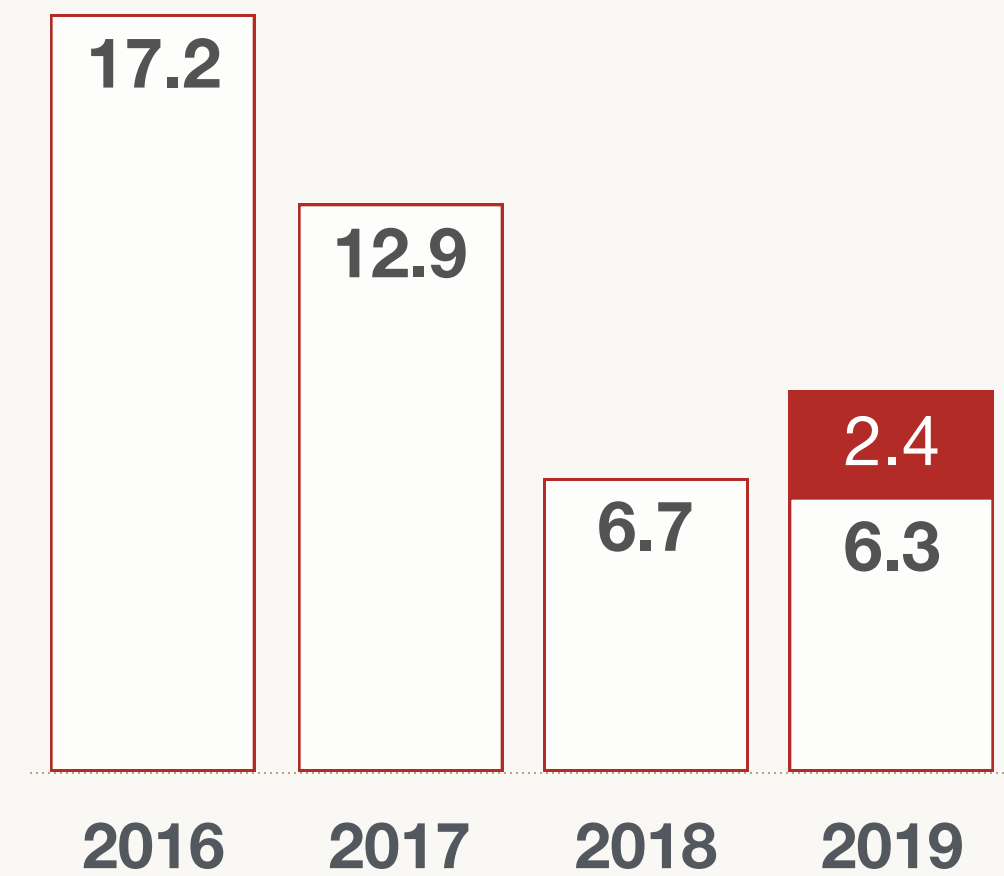
Revenue driven by acquisitions into healthcare as well as organic growth in most business segments.

## Gross Profit



Profit margins increased by UAE recovery and new capacities, added Qatar chips line, and higher margin of new acquisitions.

## Net Profit



Operational profit recovery underway, but was underpinned by one-off impairment of goodwill in KSA of KWD1.2 mn and impairment of Key Money (IFRS 16 reclassification) of KWD1.2 mn. Excluding these two Profits would have reached KWD8.5 mn in FY2019. Finance increased by c. KWD1 mn to fund growth. In 2018, results included KWD1.0 mn one-off sale of land.

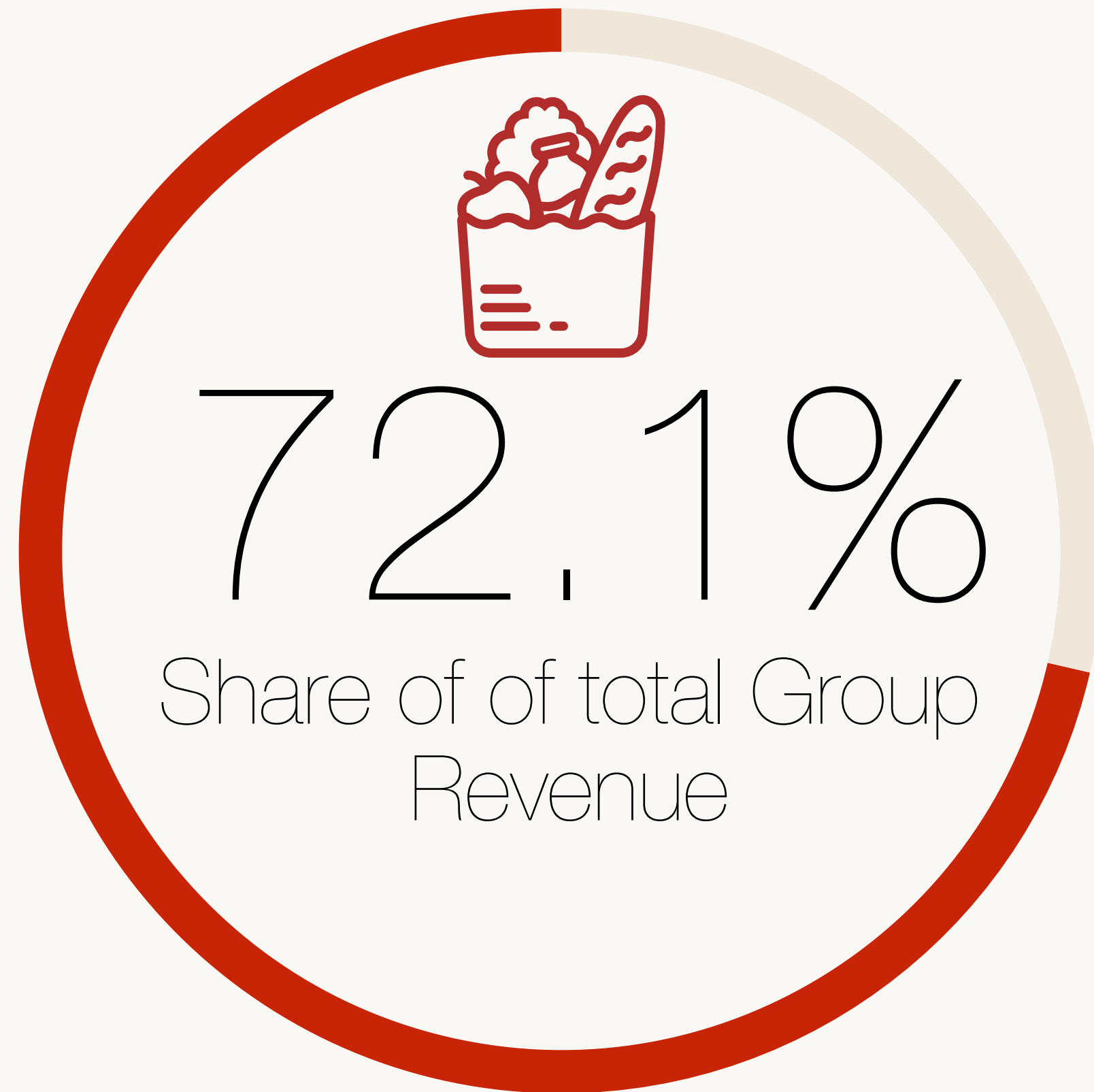
# Financial Review



# Revenue: Contribution by Business Line

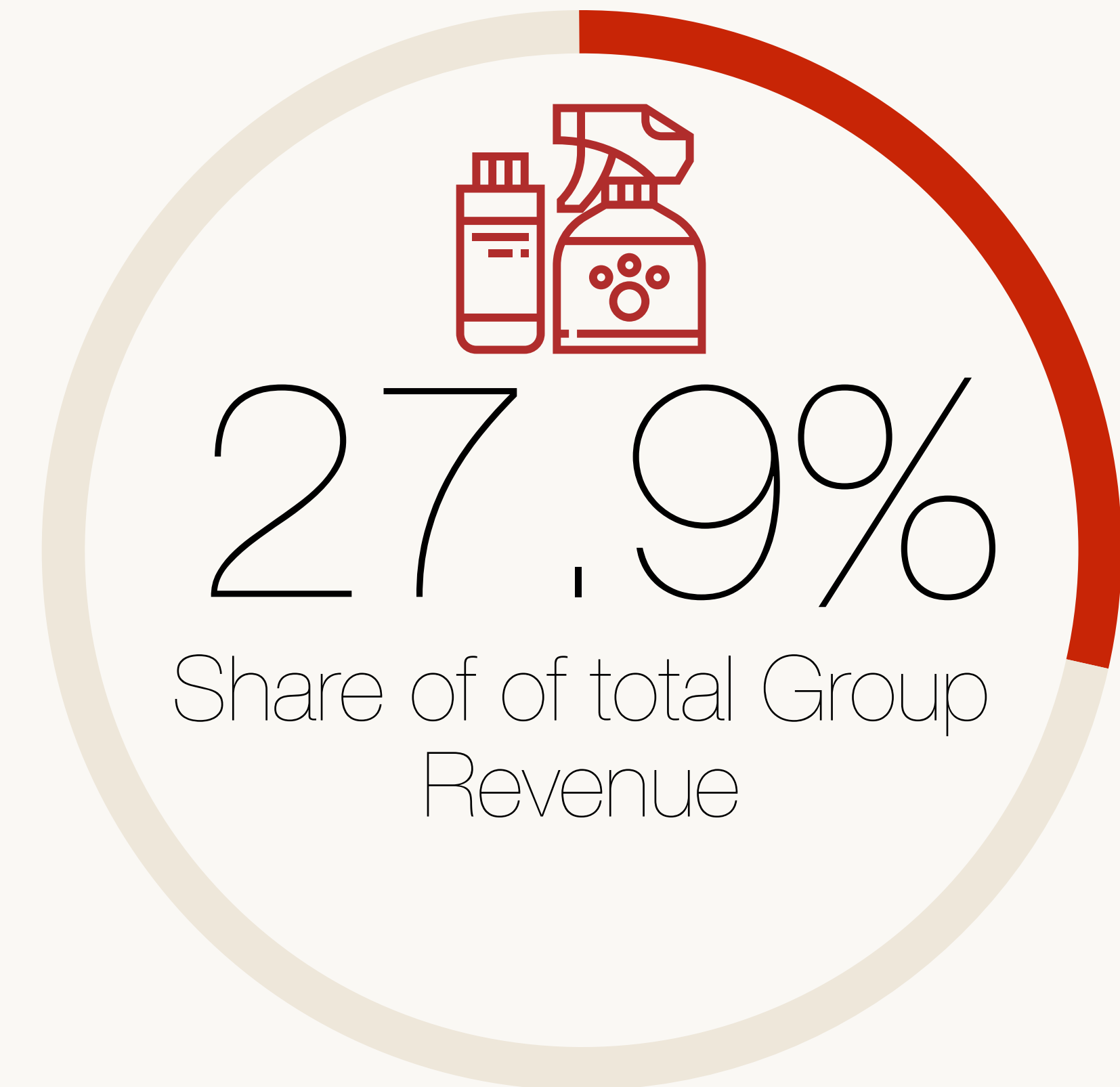
**FOOD REVENUE +3.4%**

Vs.FY18



**NON-FOOD REVENUE +18.9%**

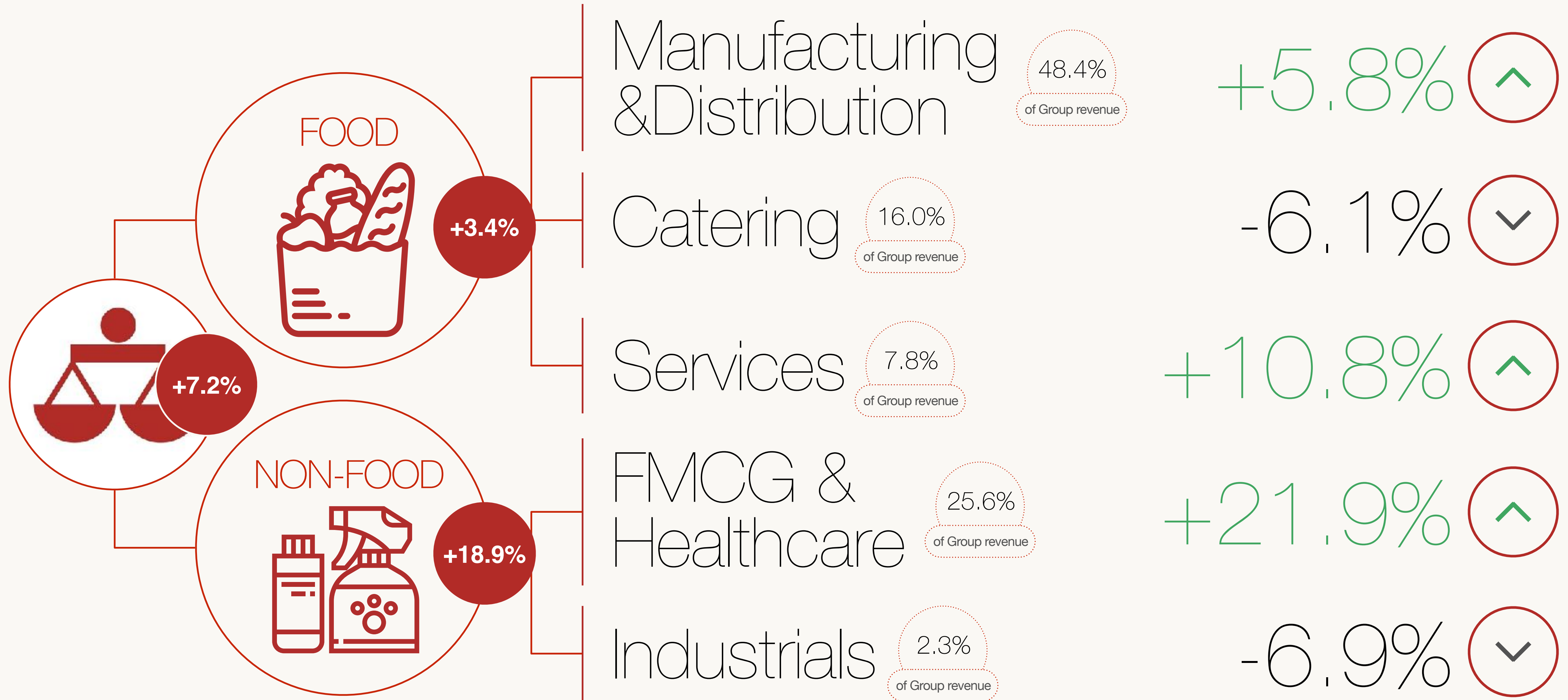
Vs.FY18





# Revenue: Growth by Business Division

Vs.FY18

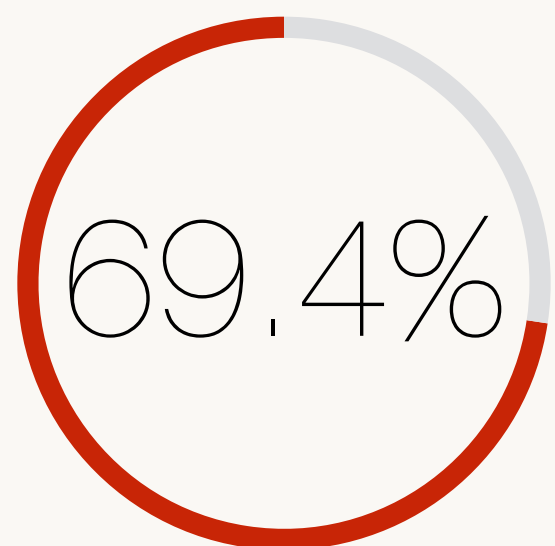




# Revenue: Contribution and Growth by Country

Vs.FY18

## Kuwait



+6.9%

Strong growth in Food and Non Food alike, hampered by catering revenue albeit no impact on profitability

## UAE



+8.4%

Start of Recovery of sales of energy drink and enhanced sales growth by new chips and snacks lines

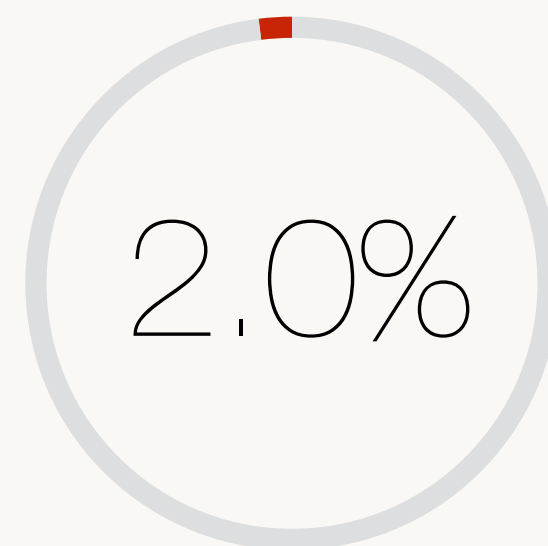
## Qatar



+5.1%

Strong performance in Catering and chips /snacks lines alike hampered by competitive landscape of Water segment

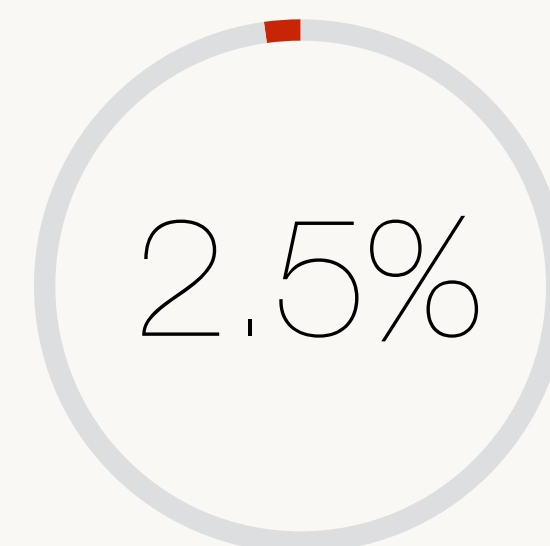
## KSA



+13.5%

In house investment in distribution, timely but long term beneficiary

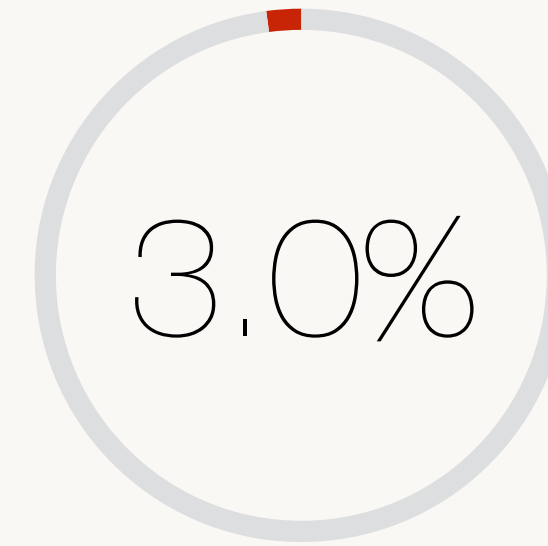
## Jordan



-3.3%

Decreased by service segment performance

## Afghanistan



+23.1%

Increased by service segment performance

## Iraq



+14.3%

Increased by service segment performance



# P&L

KD Millions

	<b>FY2019</b>	<b>FY2018</b>	<i>Change</i>
Revenue	222.5	207.5	+7.2%
Gross Margin	48.7	44.0	+10.7%
<i>GM%</i>	21.9%	21.2%	
SG&A	-36.1	-33.5	+7.7%
Others	-6.1	-3.5	+75.2%
Underlying profit before tax	6.6	7.0	-6.7%
Tax	-0.2	-0.4	+33.1%
Net Profit	6.3	6.7	-5.0%
<i>UNPM%</i>	2.8%	3.2%	
<b>Net Profit</b>	<b>5.6</b>	<b>7.0</b>	<b>-19.0%</b>

*Impairment of assets of KWD 2.4 mn in 2019*  
*Non-recurring gain on sale of PPE in 2018 of KWD 1.0 mn*  
*Increase in finance expenses funding growth of KWD 1.0 mn*



*Attributable to Equity Holders of Parent Company*

FY 2018 financial statement have been restated with an impairment of KWD750k relating to assets in Jordan.



# Cash flow

KD Millions

	<b>FY2019</b>	<b>FY2018</b>	<i>Diff</i>
Operating Cash Flow <i>before WC changes</i>	<b>22.3</b>	<b>17.0</b>	5.3
Working Capital	<b>-11.4</b>	<b>-6.5</b>	-4.9
Operating Cash Flow	<b>10.9</b>	<b>10.5</b>	0.4
CAPEX / Other investing activities	<b>-28.8</b>	<b>-7.1</b>	-21.8
Cash Flow before financing	<b>-17.9</b>	<b>3.5</b>	-21.4
Dividends/Financing/Other	<b>-10.4</b>	<b>-14.3</b>	3.9
Increase in Net Debt	<b>-28.9</b>	<b>-10.8</b>	-18.1

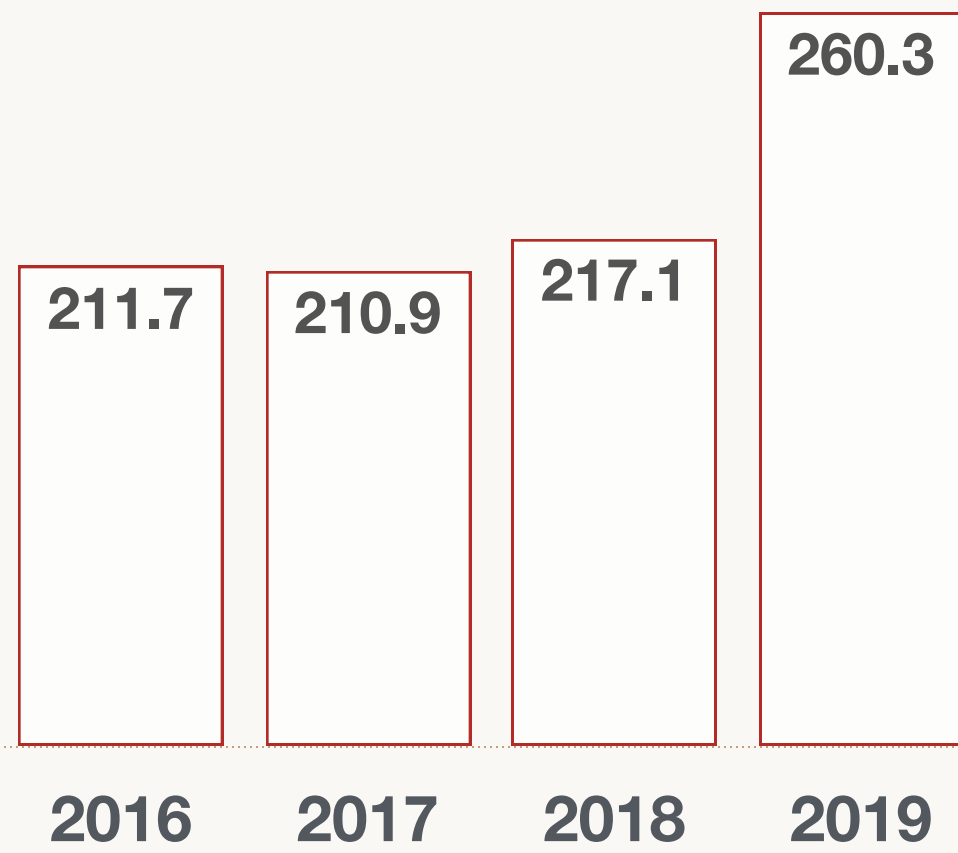


# Balance Sheet as of December 31

KD Millions

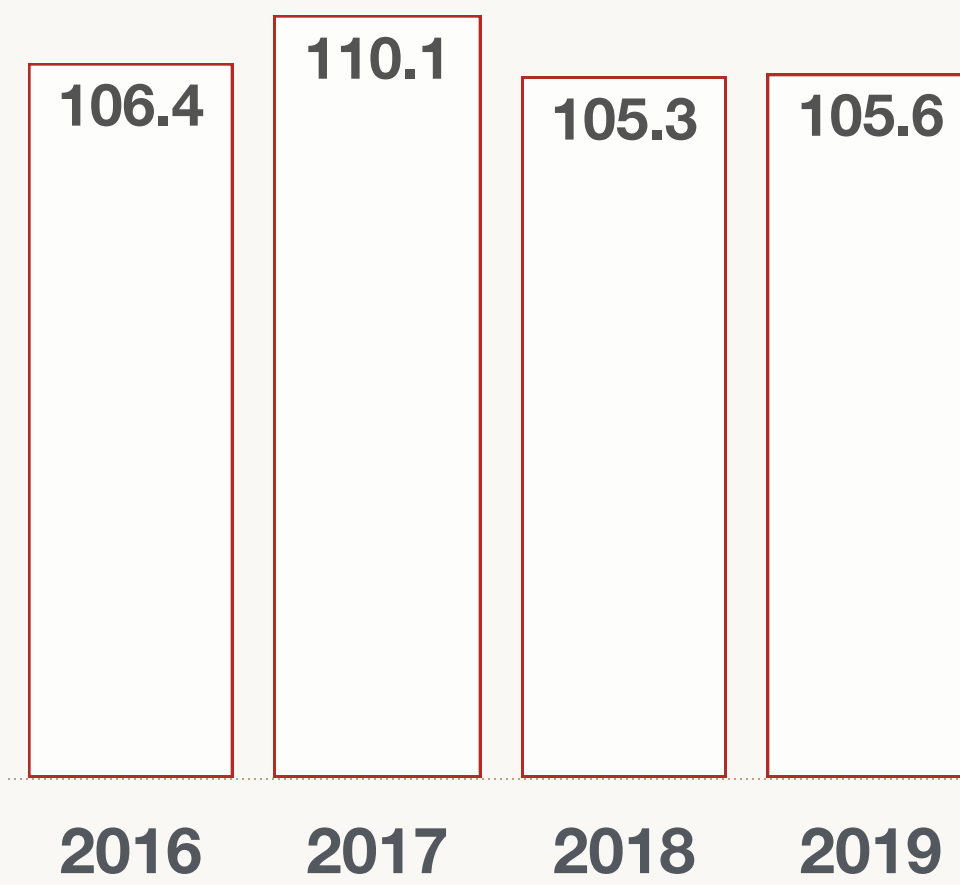
## Total Assets

KD Millions



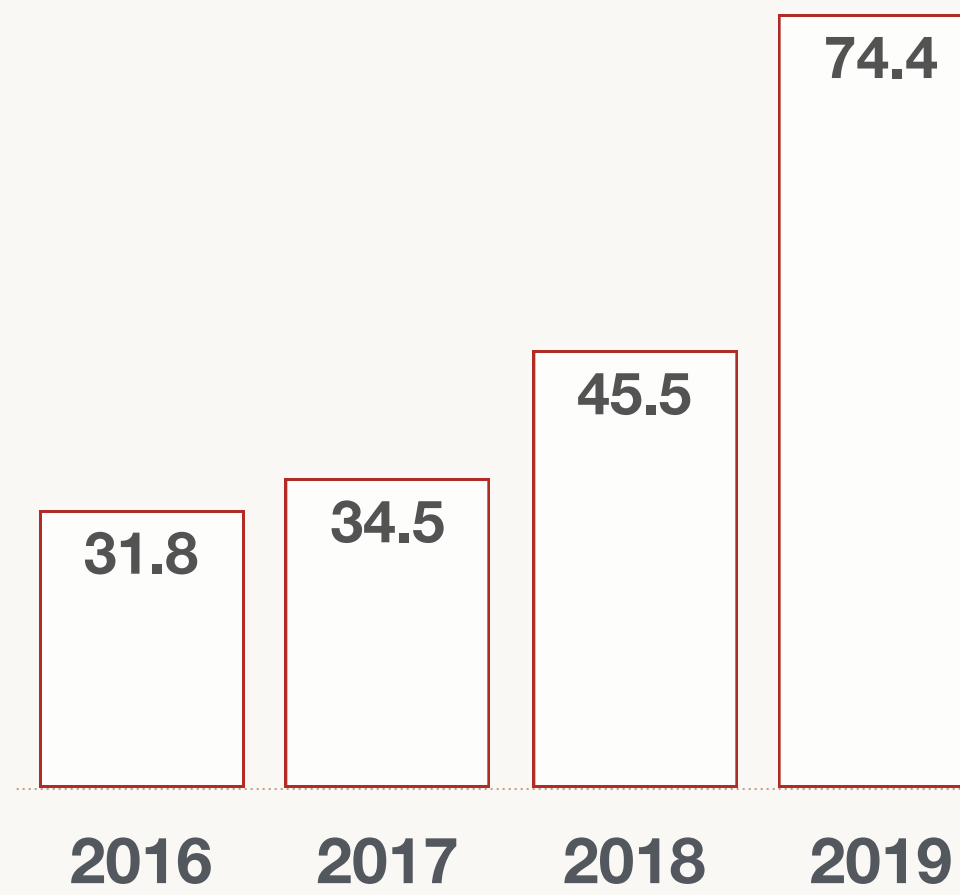
## Equity

KD Millions



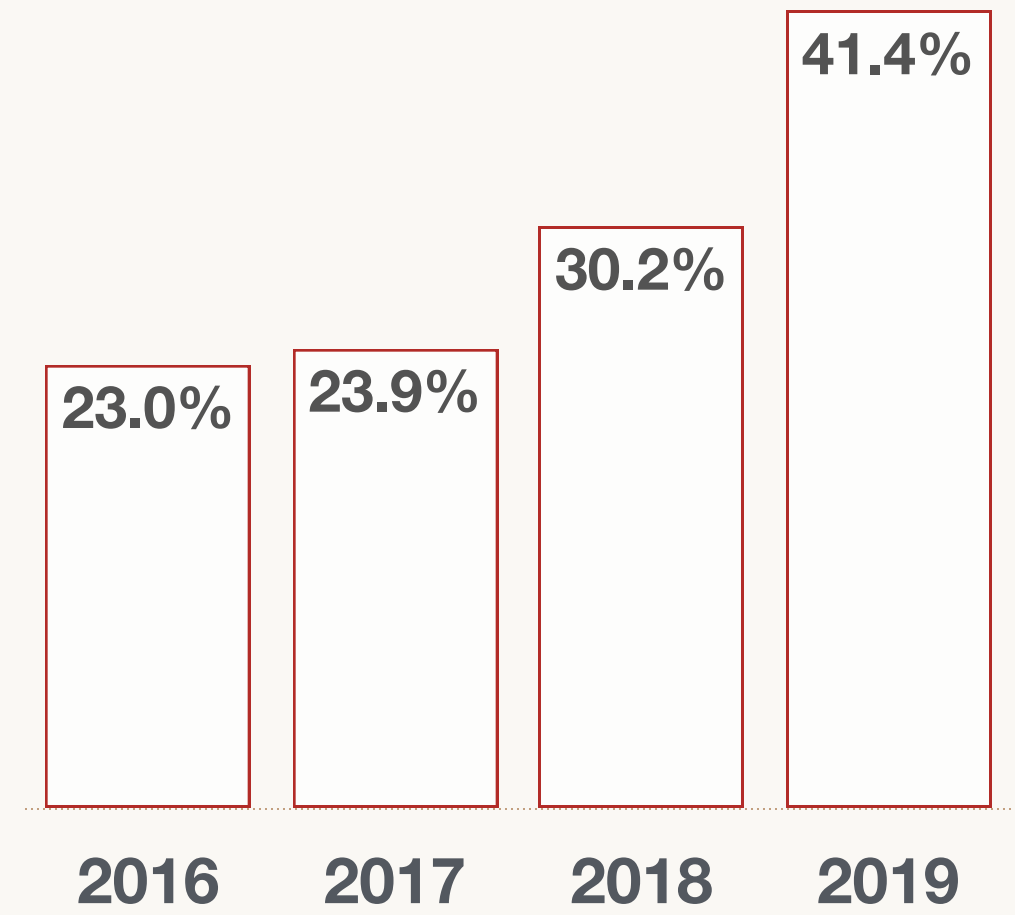
## Net Debt

KD Millions



## Net Debt to Capitalization

%



(a) FY 2018 financial statement have been restated with an impairment of KWD748k relating to assets in Jordan.





# 2020 Outlook

KD Millions

	<u>FY2019</u>	<u>F2020</u>
Sales	222.5	<b>DD</b>
EBITDA	18.5	<b>HDD</b>
Net Profit	6.3	<b>HDD</b>
Capex (% of sales)	c. 3%	<b>c. 4%</b>

(a) FY 2018 financial statement have been restated with an impairment of KWD750k relating to assets in Jordan.



Q & A

