



Q2 2018 Earnings Presentation

August 9, 2018



شركة ميزان القابضة
MEZZAN HOLDING CO.



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Agenda

- Tailwinds & Headwinds
- H1 2018 Highlights
- Historical Performance
- Financial Review



By Families
For Families



Mezzan Today: H1 '18 Tailwinds

- Capacities added:
 - New chips and snacks capacities are online towards end of Q2 in UAE
 - New chips and snacks capacities online in beginning of Q3 in Qatar (due to regulatory reasons)
 - PET projects in Kuwait and Qatar online within Q2
- Continued double digit growth in Kuwait, propelled by healthy performance in core food and FMCG segments.
- Another strong performing quarter from Food Catering where the trends should continue for the remainder of the year.
- Water sales continue to grow in Kuwait as we continue to ramp-up utilization of the new line



Mezzan Today: H1 '18 Headwinds

- Slow macro-economic scene in UAE adds pressure to operations, non-stoppage of grey market of energy drinks, forcing new measures of cost cutting initiatives effective Q4 2018.
- Saudi sales drop due to lack of supply of potato chips, options being assessed.
- Qatar recovery slow, but with new investment in chips lines – supply is now sourced locally.
- Delay in power for Kuwait Warehouse, now a Q3 event. Construction and racking done!



Mezzan Today: Q2'18 Highlights

KD Millions

	●	●				●	●			
	H1'18 (Reported)	H1'17 (Reported)	% <i>Change</i>	H1'17 (Pro-forma)*	% <i>Change</i>	Q2'18 (Reported)	Q2'17 (Reported)	% <i>Change</i>	Q2'17 (Pro-forma)*	% <i>Change</i>
Revenue	109.4	107.8	+1.5%	105.0	+4.2%	50.6	50.2	+1.0%	49.2	+3.0%
Gross Profit	24.7	27.8	-11.5%	25.1	-1.7%	11.3	12.7	-11.0%	11.7	-3.0%
EBITDA	11.2	11.3	-1.1%	11.0	+0.7%	4.0	4.0	+0.2%	4.0	-0.6%
Net Profit	6.8	7.3	-6.9%	7.1	-4.3%	1.8	2.0	-8.5%	2.0	-9.8%

*Attributable to Equity
Holders of Parent
Company*

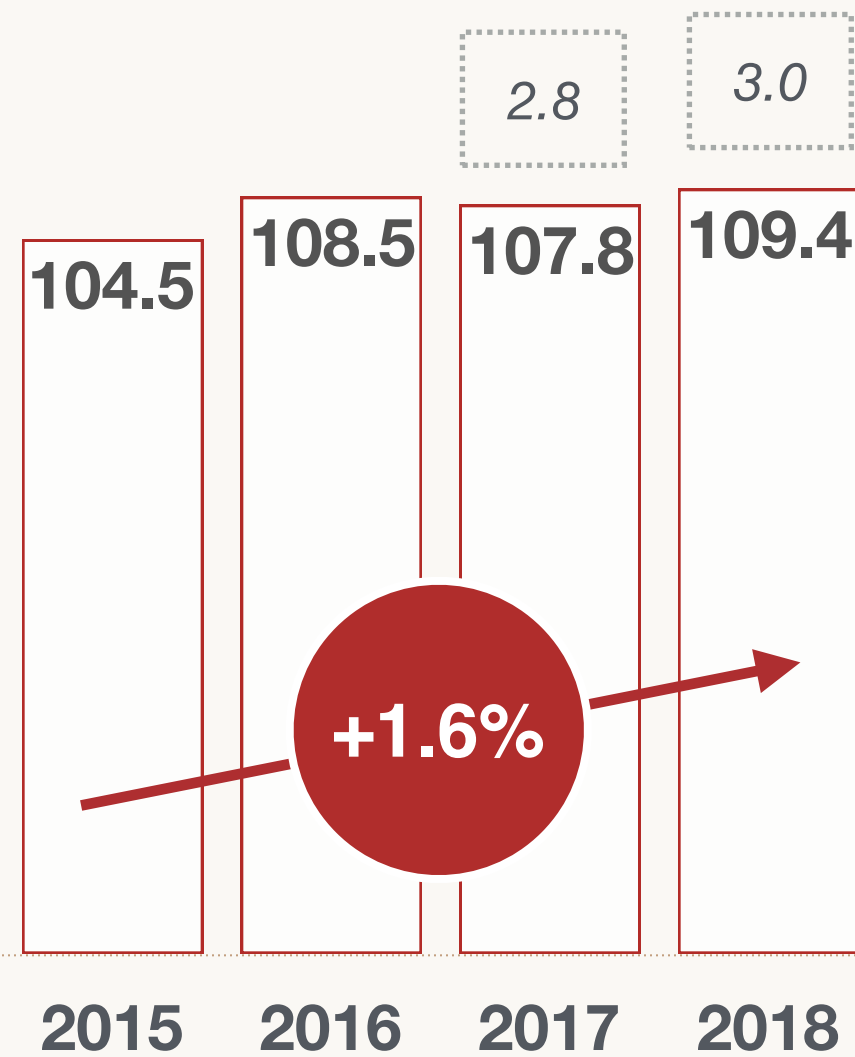
- Effective 1 January 2018, New IFRS standards 15 and 9 for revenue and investments resulted in changes in accounting treatment of sales returns, selling and distribution expenses relating to customers and investments and trade receivables.
- In H1-2017, selling and distribution expenses of KWD2.6 m and sales returns of KD 0.2 m would have been netted off against sales had the IFRS changes been implemented then. The Q1-2018 reported numbers include these changes.



Mezzan Today: Historical Performance

KD Millions

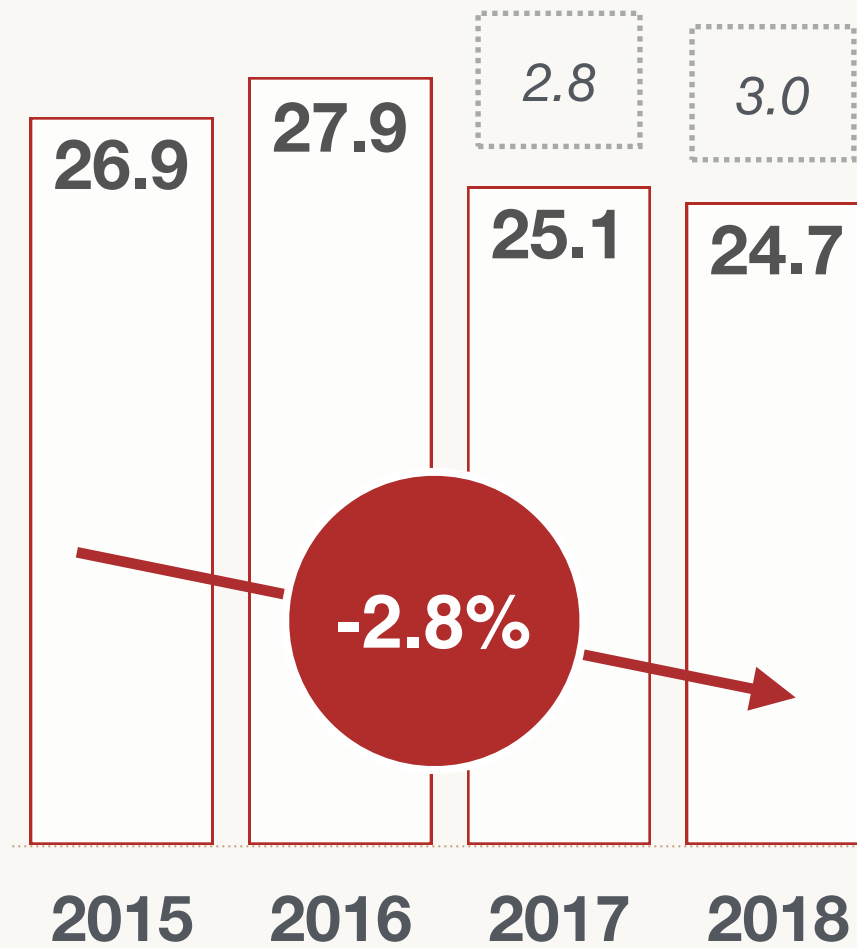
Revenue



Revenue improved slightly as food and FMCG continue to perform well except in the UAE, where macroeconomic changes continue to put pressures on performance.

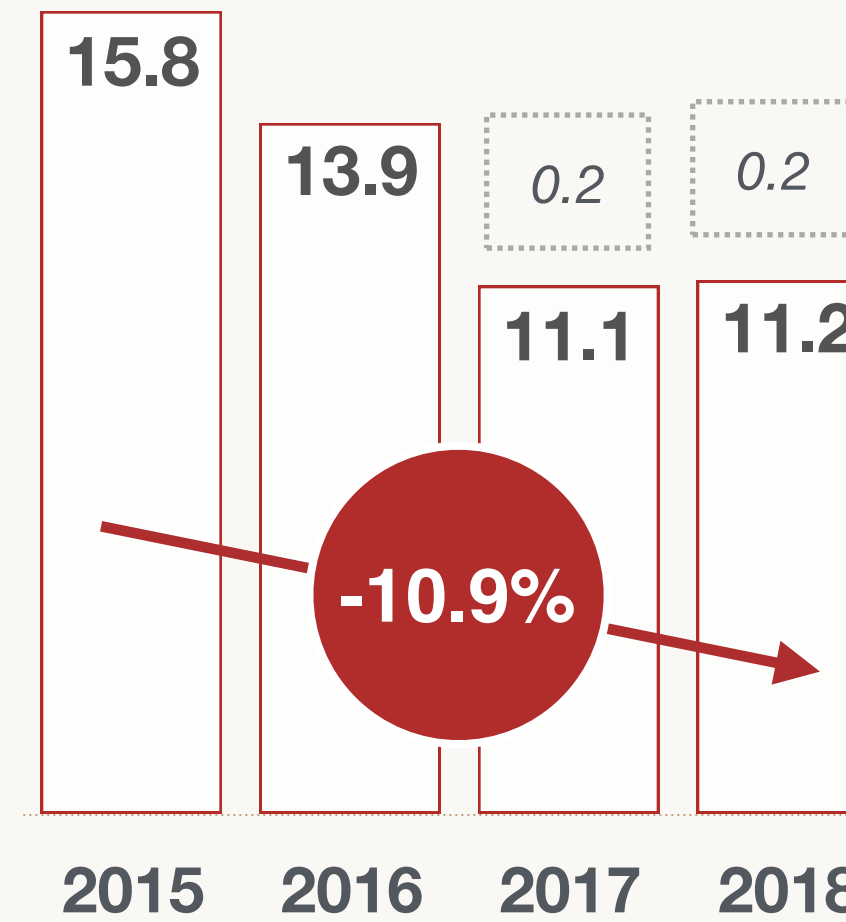
Losses sales in the UAE also contributed to a decline in margins. Gross Margins landed at 22.5% so far this year compared to 25.9% in the period before.

Gross Profit



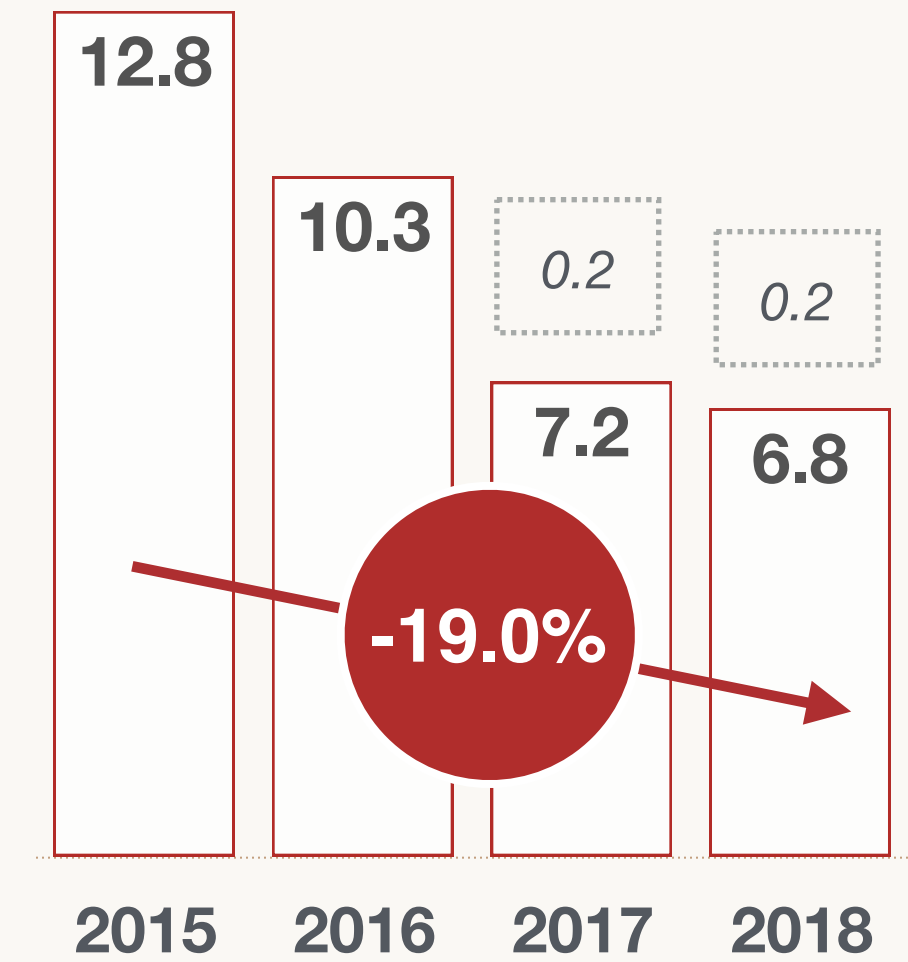
Gross Profit under pressure given reclassification of IFRS treatment and drop in sales in the UAE.

EBITDA



Remained flat for the period as the group continues to rationalize costs and weak performers. On a pro forma basis, EBITDA was up by 0.7% in H1 2018 supported by strong performance in Kuwait and constrained by UAE operations

Net Profit



Mezzan Net Income reached KD6.8 m in H1 2018, a decrease of 4.3% vs.pro-forma H1'17 – resulting from pressure of profitability in UAE operations and increasing financing costs.

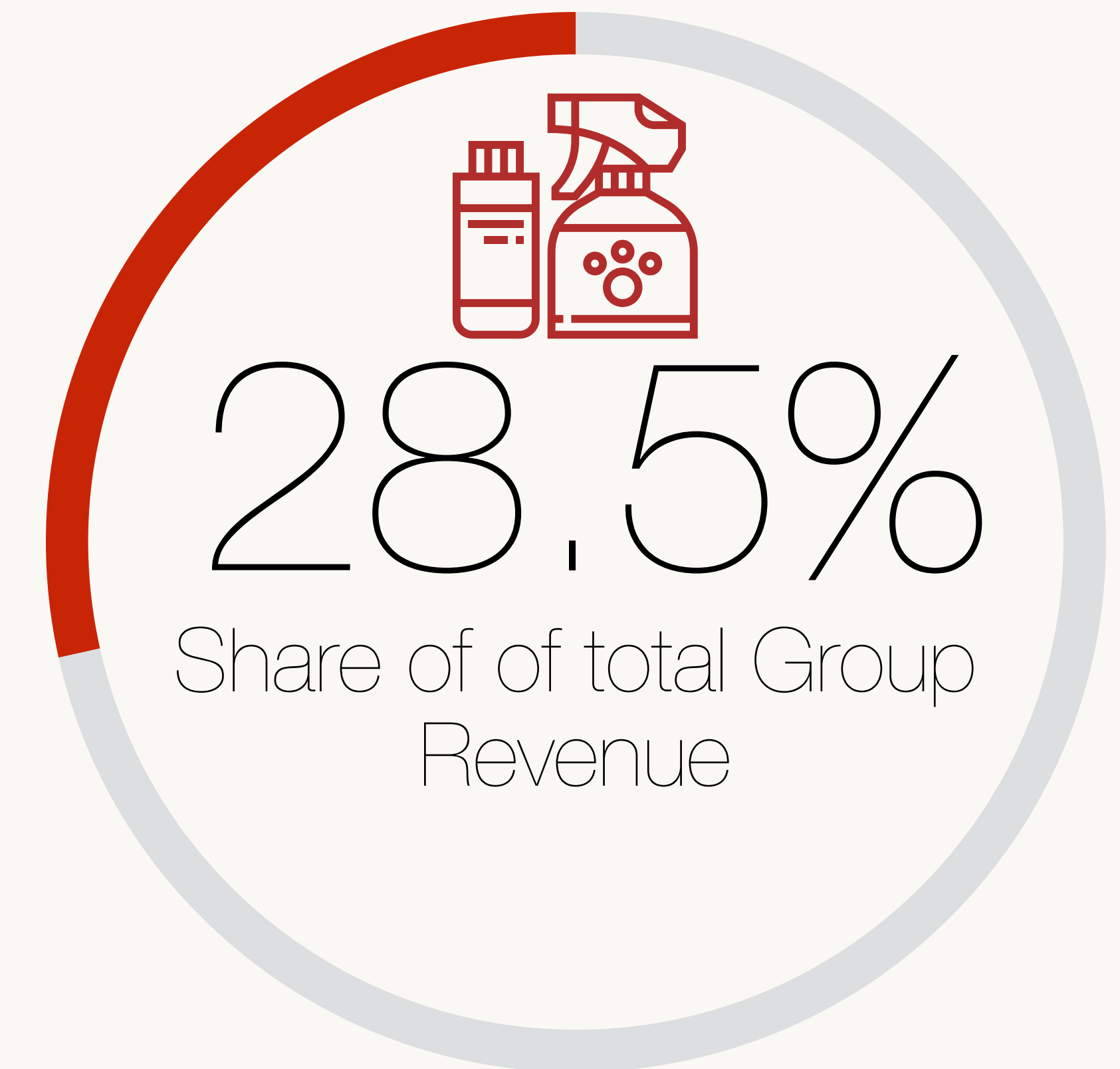
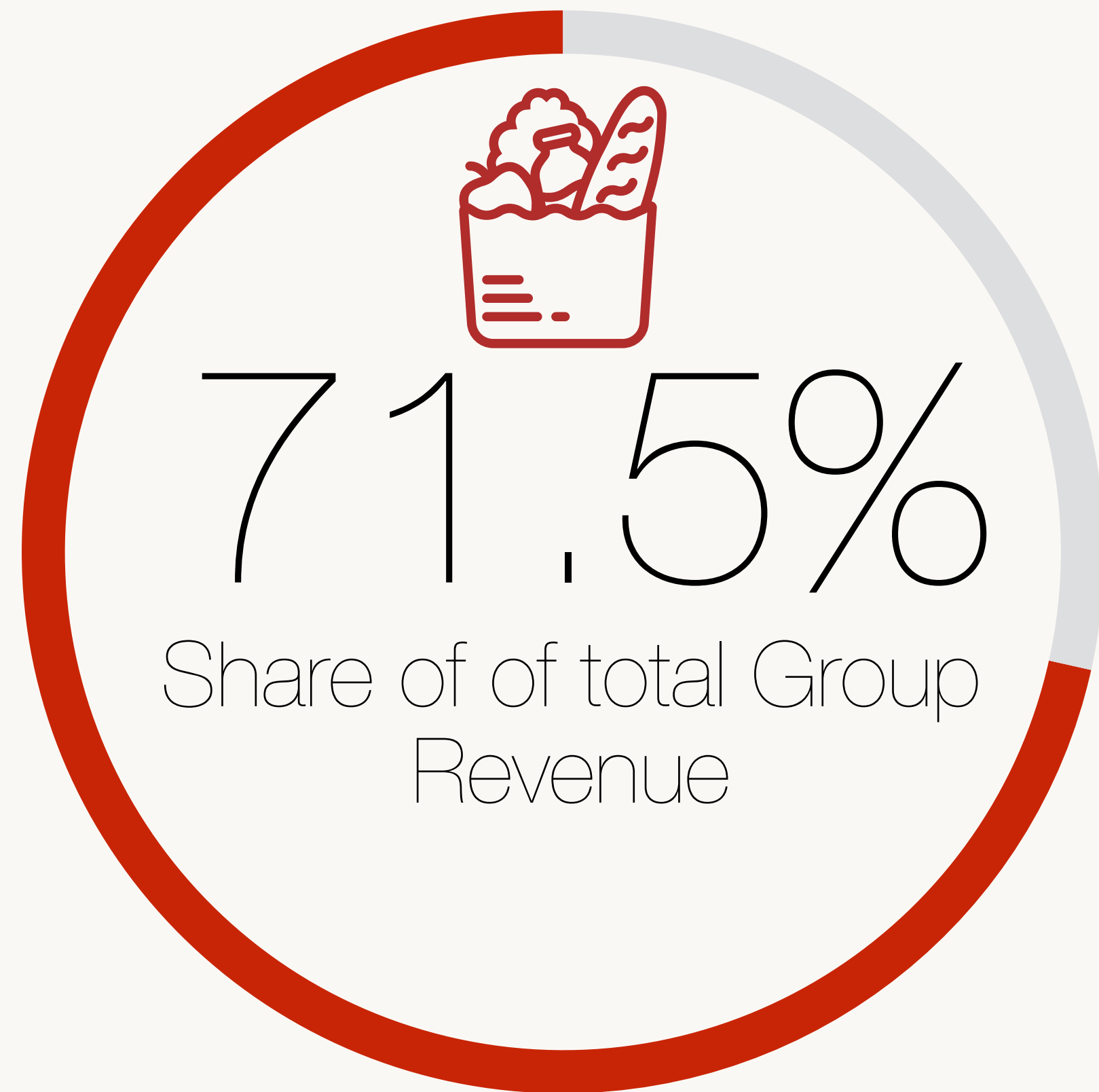


H1'18 Revenue: Contribution by Business Line

Vs. H1'17 (Pro-Forma)

FOOD REVENUE +3.4%

NON-FOOD REVENUE +6.3%



Growth results vs. H1-2017 have been calculated based on pro-forma H1-2017 assuming IFRS 15+9 changes were done then, to enable a like for like comparison. Growth in Food Business Line in H1'18 "reported" vs. H1'17 "reported" results are -0.1% and +5.8% for the Non-Food Business Line.



H1'18 Revenue Growth by Business Division

Vs. H1'17 (Pro-Forma)

FOOD



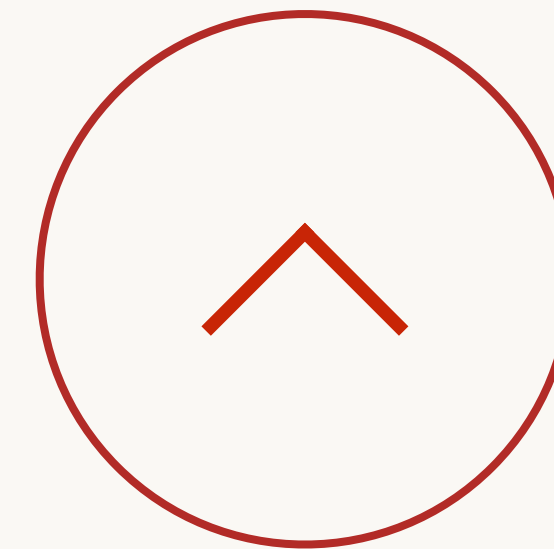
Manufacturing & Distribution

Contributed 48.5% to H1'18 Revenues



-2.1%
vs. H1'18 (Pro-forma)

Catering
Contributed 16.5% to H1'18 Revenues



+26.2%
vs. H1'18 (Pro-forma)

Services
Contributed 6.4% to H1'18 Revenues



-1.1%
vs. H1'18 (Pro-forma)

Growth results vs. H1-2017 have been calculated based on pro-forma H1-2017 assuming IFRS 15+9 changes were done then, to enable a like for like comparison. Compared to reported H1'17 results, M&D declined by 6.7%, Catering grew by +26.2% and Services declined by -1.1%.



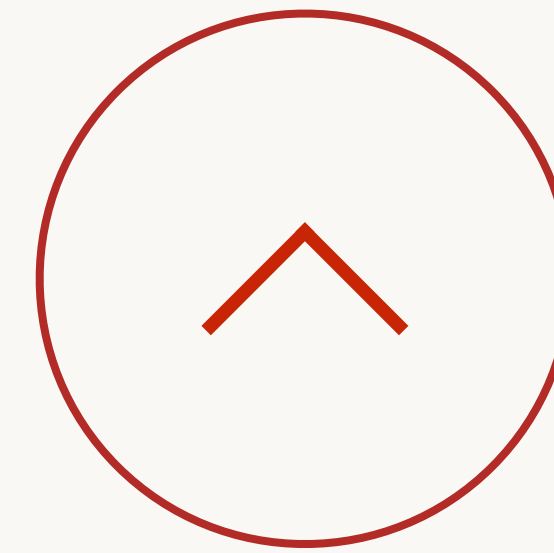
H1'18 Revenue Growth by Business Division

Vs. H1'17 (Pro-Forma)

NON-FOOD



FMCG &
Pharma
Contributed 26.1%
to H1'18 Revenues



+7.7%
vs. H1'18 (Pro-forma)

Industrials
Contributed 2.4% to
H1'18 Revenues

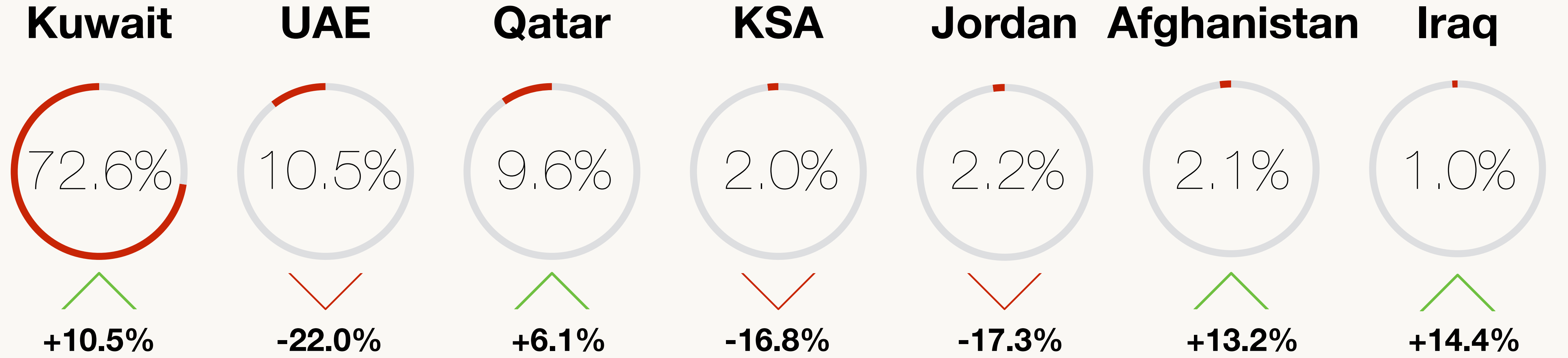


-6.5%
vs. H1'18 (Pro-forma)

*Growth results vs. H1-2017 have been calculated based on pro-forma H1-2017 assuming IFRS 15+9 changes were done then, to enable a like for like comparison.
Compared to reported H1'17 results FMCG & Pharma grew by 7.2% and Industrials declined by -6.7%*



Q2'18 Revenue by Contribution and Growth by Country



Strong performance in water product line, catering services, and FMCG, given new capacities now online.

Excise duty implementation coupled with an Emirates-wide market slow down, continues to weigh down performance.

Sales have grown given the strong performance of Catering. Mezzan continues to look for strategic alternatives following the ban on water exports.

Sales declined as KITCO products were rerouted to Qatar, this should stop as new 'Nice' capacity comes online in Qatar.

Stable performance. The loss in sales has not impacted profitability due to low margin nature of those lost sales.

Stable performance.

Stable performance.

Compared to reported Q2'17 numbers, Kuwait grew by 8.0%, UAE declined by 27.1%, Qatar grew by 5.9%, Saudi declined by 17.5%, Jordan declined by 18.0%, Afghanistan grew by 13.2% and Iraq grew by 14.4%.



H1'18 P&L

KD Millions

	● H1'18 (Reported)	● H1'17 (Reported)	% <i>Change</i>	H1'17 <small>Pro-forma With IFRS 15 +9 changes</small>	% <i>Change</i>
Revenue	109.4	107.8	+1.5%	105.0	+4.2%
Gross Profit	24.7	27.9	-11.5%	25.1	-1.7%
GM%	<i>22.5%</i>	<i>25.9%</i>		<i>23.9%</i>	
SG&A	(16.3)	(18.9)	+13.8%	(16.3)	+0.2%
Others	(1.3)	(1.3)	+1.8%	(1.3)	+1.8%
Underlying Profit (Pre-tax)	7.1	7.7	-7.5%	7.5	-5.0%
Tax	(0.3)	(0.3)	+7.9%	(0.3)	+7.9%
Net Profit	6.8	7.4	-7.4%	7.2	-4.9%
UNPM%	<i>6.2%</i>	<i>6.8%</i>		<i>6.8%</i>	
Net Profit	6.8	7.3	-6.9%	7.1	-4.3%

Attributable to Equity Holders of Parent Company



H1'18 Cash Flow

KD Millions

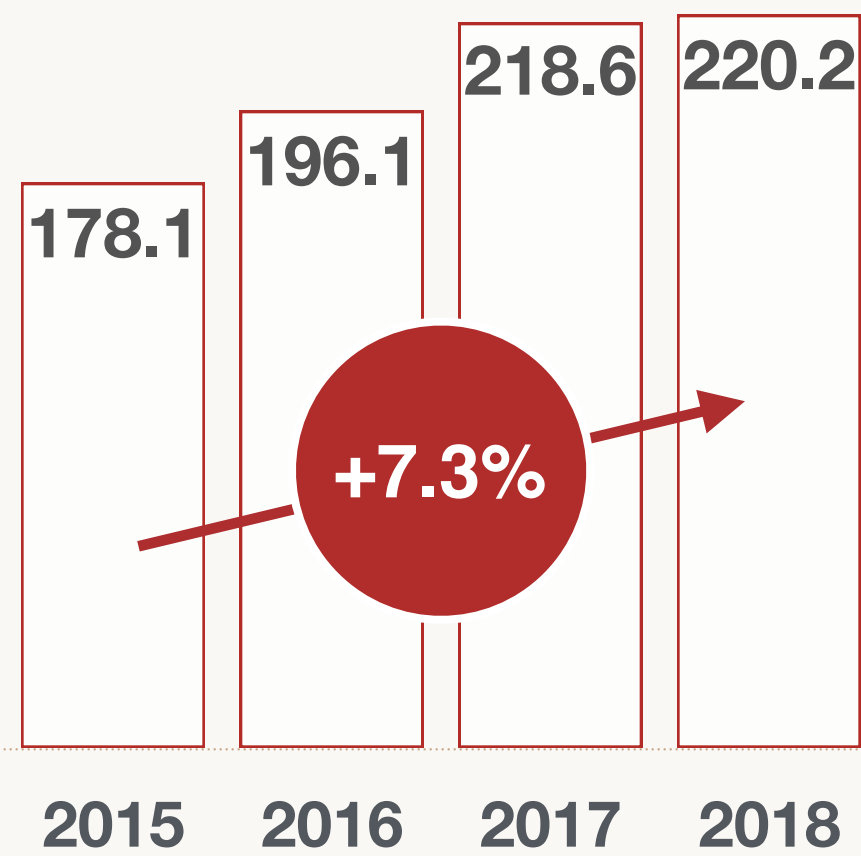
	● Q2'18 (Reported)	● Q2'17 (Reported)	Diff.	● H1'18 (Reported)	● H1'17 (Reported)	Diff.
Operating Cash Flow before WC Changes	5.3	4.8	0.4	11.9	12.3	-0.5
Working Capital	-2.9	-0.8	-2.1	-6.3	-8.3	2.0
Operating Cash Flow	2.3	4.0	-1.7	5.6	4.1	1.5
CAPEX/Other Investing Activities	-3.0	-2.8	-0.2	-6.5	-5.8	-0.8
Cash Flow Before Financing	-0.6	1.3	-1.9	-1.0	-1.7	0.7
Dividends/Financing/Other	-10.1	-9.3	-0.8	-10.5	-9.7	-0.7
Increase in Net Debt	-10.7	-8.0	-2.7	-11.4	-11.4	0.0



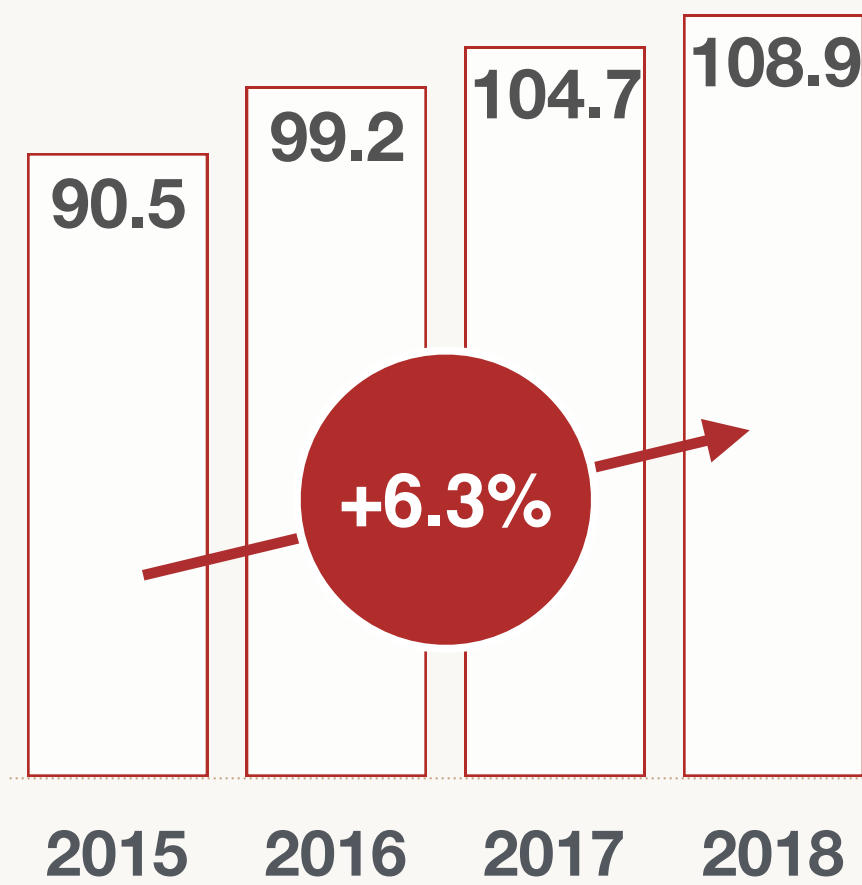
June 30 Balance Sheet

KD Millions

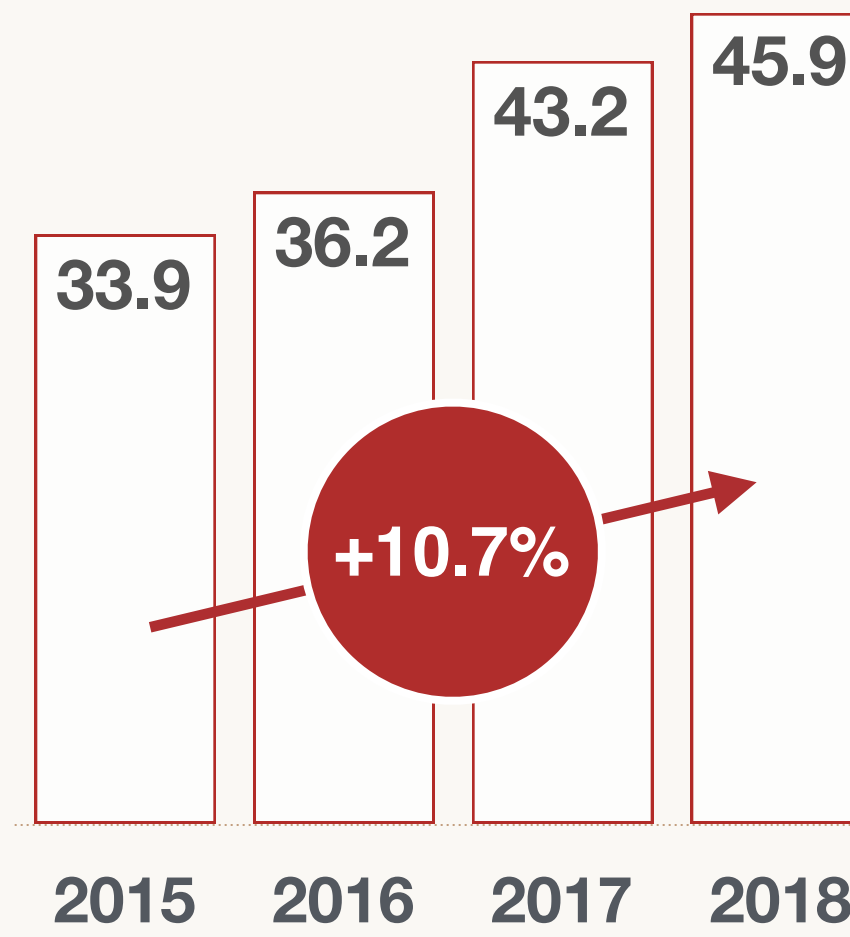
Total Assets



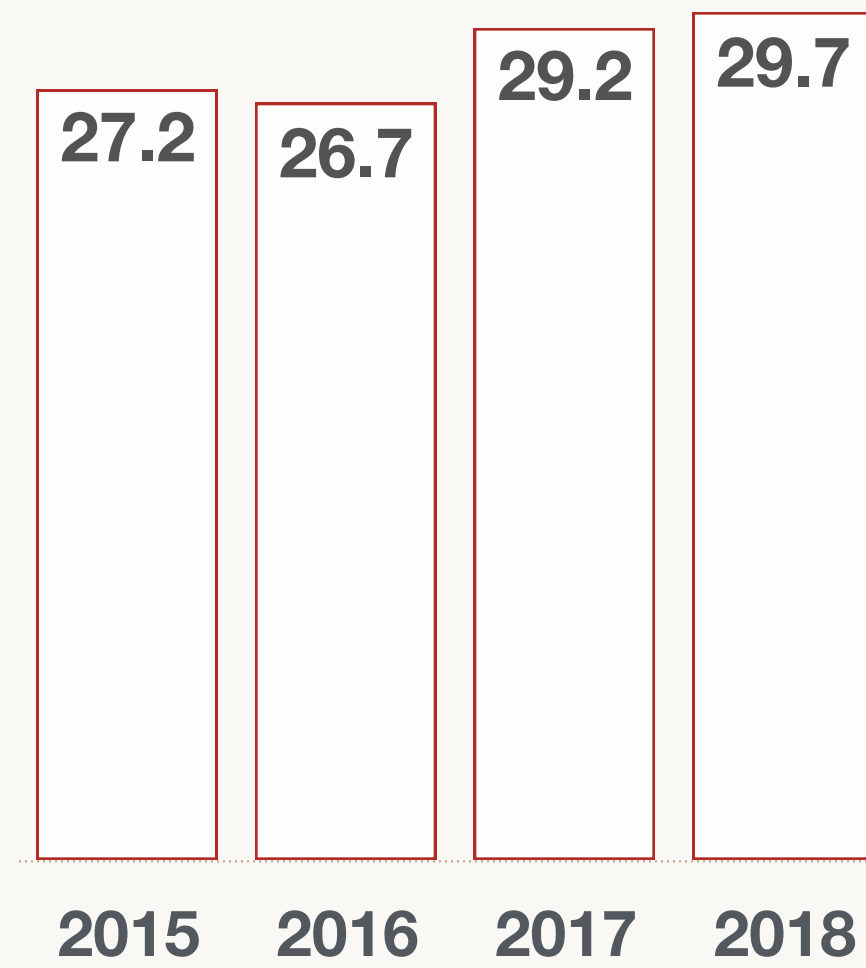
Equity



Net Debt



Net Debt to Equity (%)





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