

# Mannai Corporation QSC

## 1H'14 Financial Summary



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- Future sales growth
- Market acceptance of our product and service offerings
- Our ability to secure adequate financing or equity capital to fund our operations
- Our ability to enter into strategic alliances or transactions
- Regulatory approval processes
- Changes in technology
- Price competition
- Other market conditions and associated risks

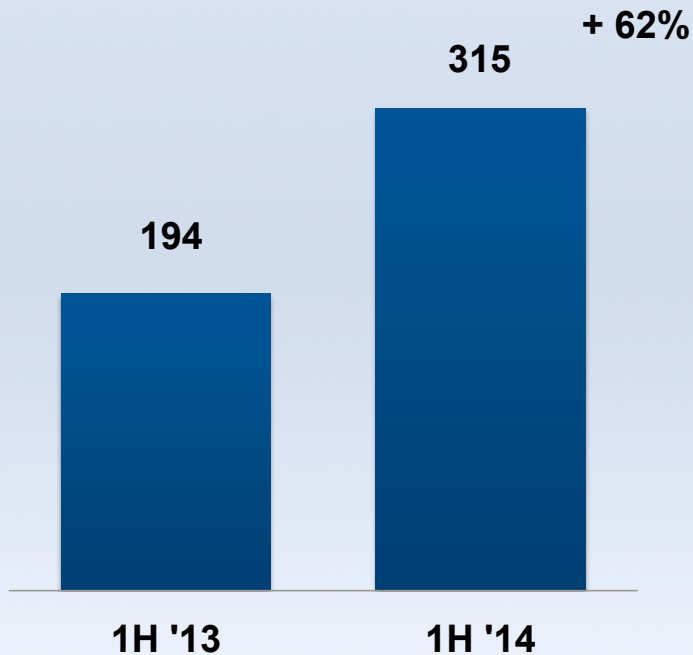
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## Strong Growth In 1H Net Profits; Up 62% To 315m

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### Net Profit



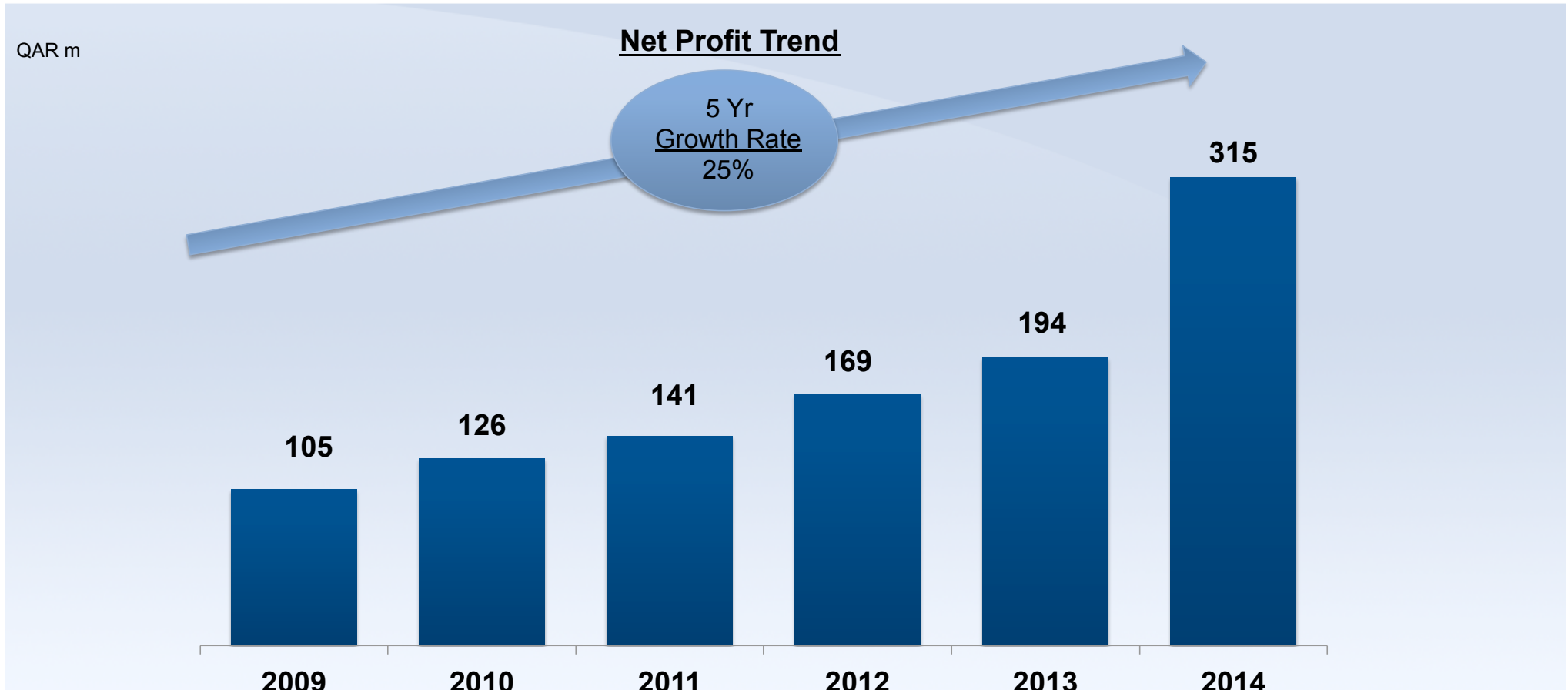
- Outstanding First Half Results Driven By Damas; Solid Underlying Growth and Strong Recoveries of Previously Provisions Receivables
- ICT Up 40% Driven By Four Core Pillars
- Heavy Equipment Division Up 87% As Qatar Construction Projects Gather Pace
- Provisions Made To Mitigate Short-term Risks And Strengthen Balance Sheet

# Financial Highlights

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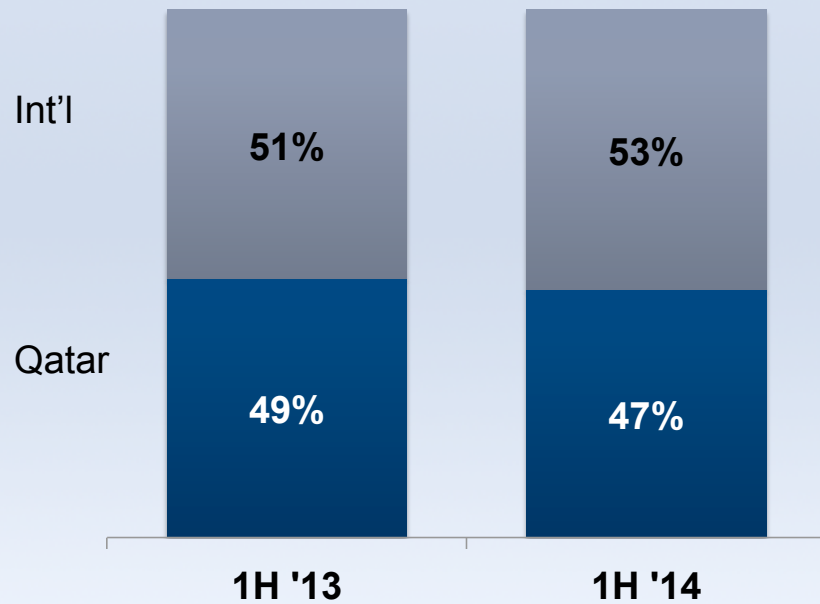
	<u>1H 2013</u>	<u>1H 2014</u>		
Net Profit	194m	315m	62%	▲
Revenues	2,946m	2,805m	(5)%	▼
Gross Profit %	18.8%	19.3%	0.5 pts	▲
Net Profit %	6.6%	11.2%	4.6 pts	▲
Capital Employed	4,424m	4,448m	0.5%	▲
Earnings Per Share	4.25	6.91	63%	▲
Return on Equity	18%	32%	14 pts	▲

# Continued Track Record of Solid Double Digit Growth



# Damas Driving Increase In International Profits

## Net Profit

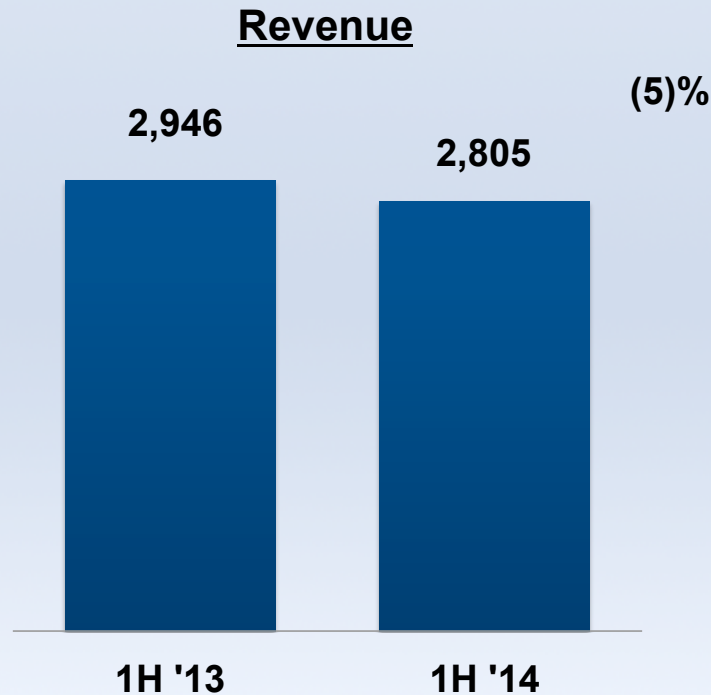


- 53% of profit derived overseas
- Core Growth in Damas is offsetting fall in Axiom Contribution

\*Profit before significant items

## Top-Line Growth Impacted by Gold Price and Demand

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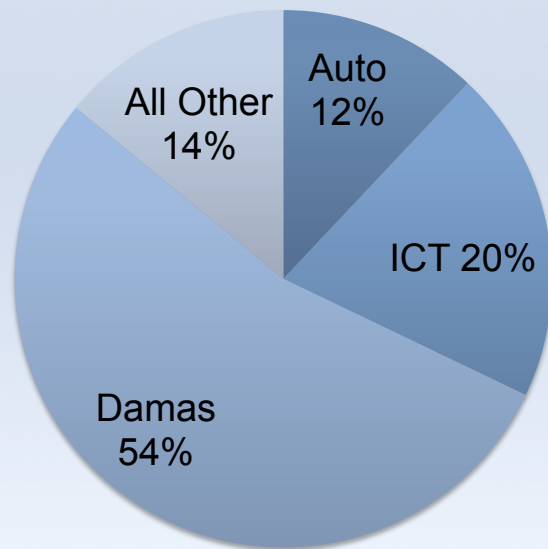


- Revenue impacted by Drop in Gold Price and Underlying Demand, lowering Damas Revenue by 410m (25%); Higher margins resulted in only (24)m loss to Gross Profit
- Excluding Gold; Revenues up 16%
- Qatar Revenues Up 14%; driven by business exposed to infrastructure investments; ICT up 22%; Heavy Equipment up 87% to 142m; Geotechnical up 42%

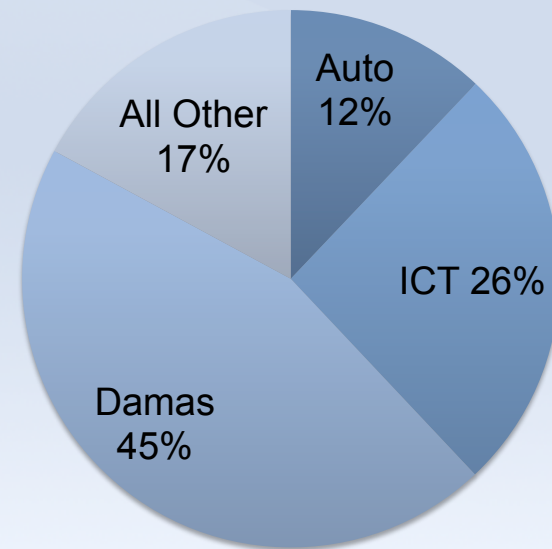
## Damas Revenue Contribution falls to 45% as a result of Gold

### Revenue Mix

1H '13



1H '14

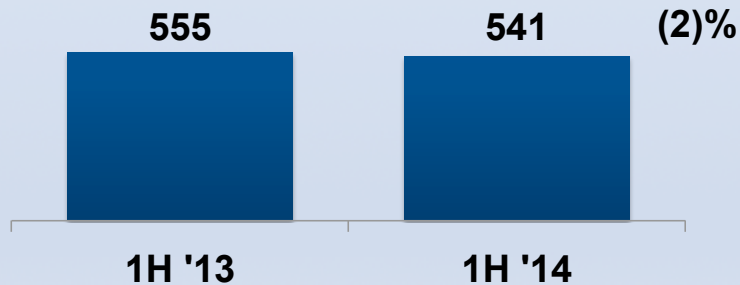




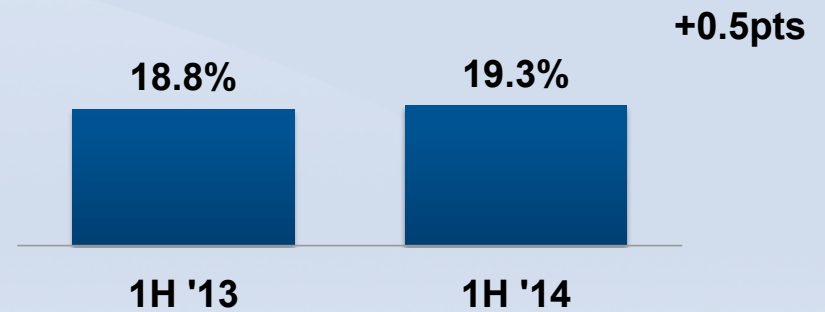
# Improvement in Gross Margin Across 3 Key Businesses

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## Gross Profit



## Gross Margin %



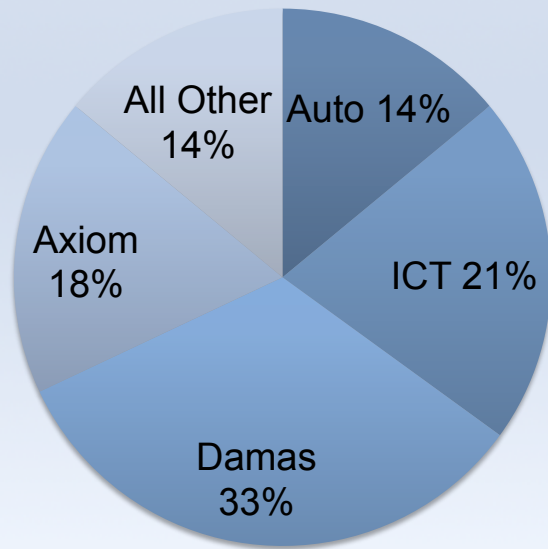
- Inventory Provisions in Damas reduce Gross Profit by 110m; Prior year impacted by loss on unhedged Gold of 40m
- Excluding significant items, Gross Profit up 10% and Gross Margin is 23%
- All Other Gross Profit impacted by drop in high margin Home Appliance Sales as a result of Warehouse Fire & Heavy Equipment Mix

	<u>2014%</u>	<u>V pts</u>
Auto	21.2%	1.8 pts
ICT	13.6%	0.8 pts
Damas	20.5%	1.3 pts
All Other	23.3%	(1.7) pts

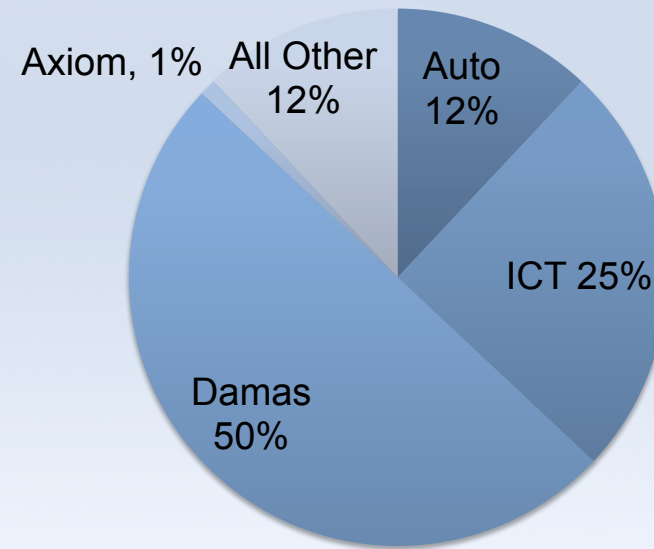
# Strong Damas result increases share to half of group profits

## Net Profit Mix

1H '13



1H '14

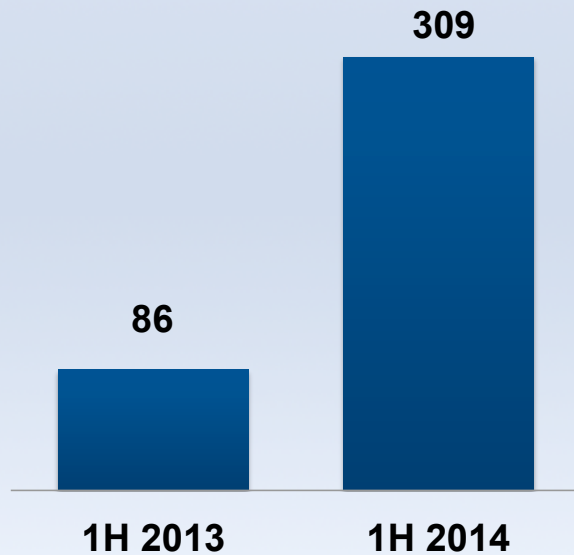


\*Profit before significant items and directors fees

# Other Income Increases Due to Continued Damas Recoveries

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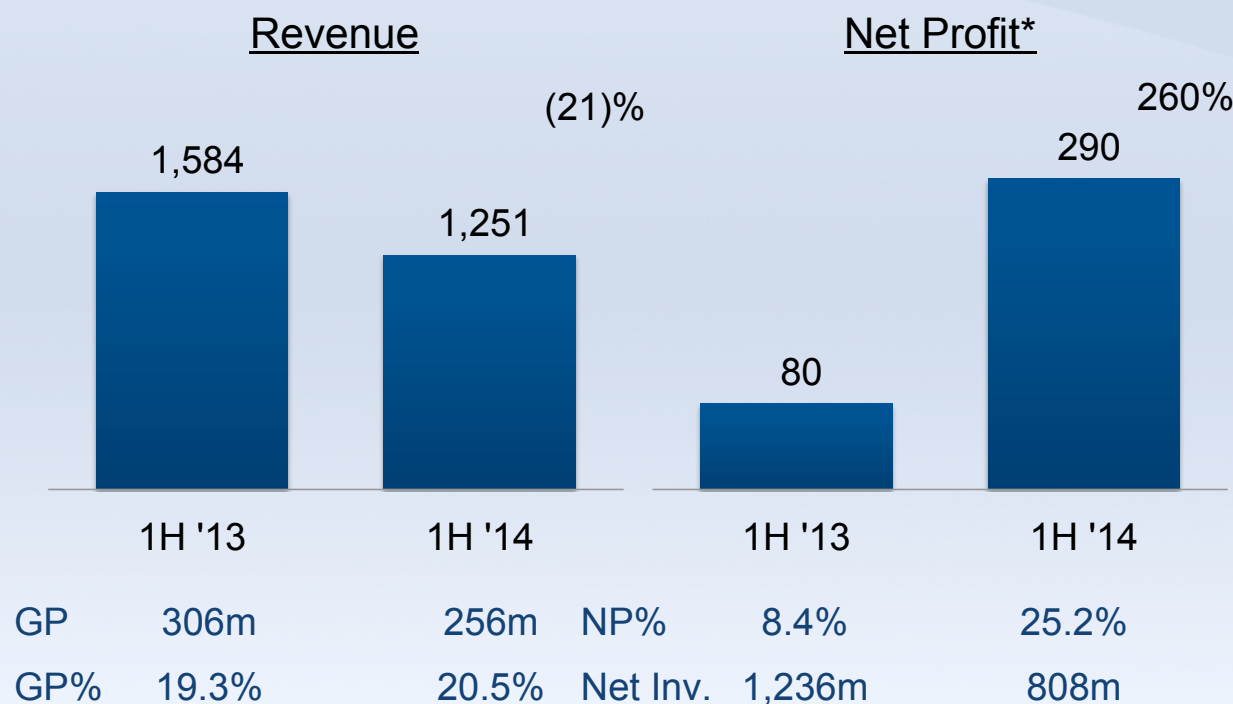
## Other Income



- Other Income driven by significant items in Damas; recoveries of previously provisioned receivables in Damas of 273m, up from 69m in 1H'13
- Gain on sale of land and properties contributed 20m in 1H'14
- Resolution and collection of legacy receivables continues

## Damas Jewellery

QAR m



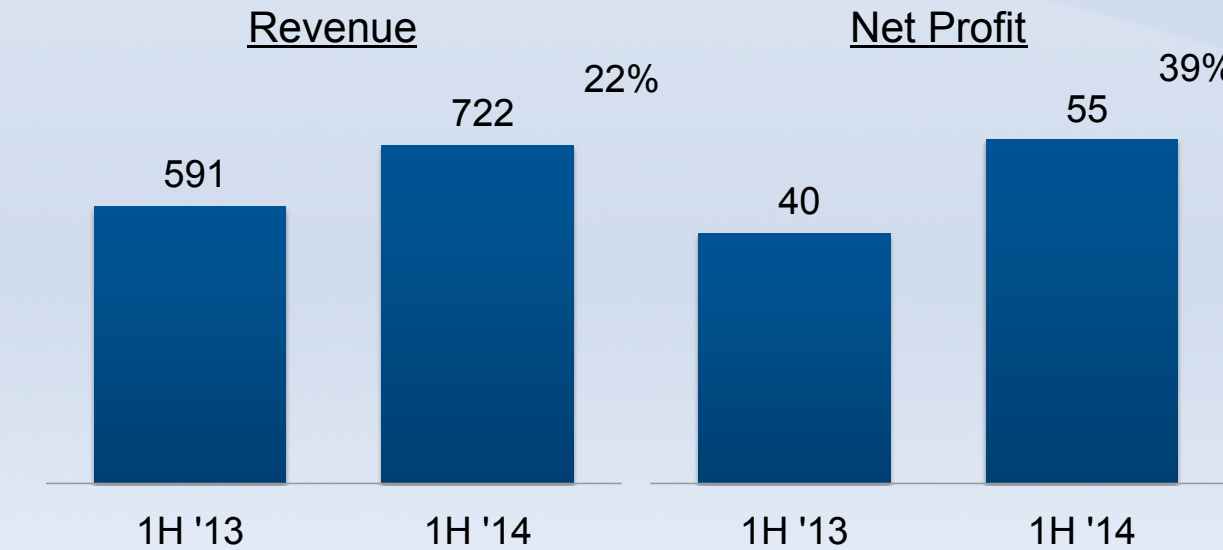
- Drop in Gold price and macro factors reducing demand lowers Gold Revenues by 39% or 410m to 643m
- Non-Gold Revenues up 11% in line with strategy of increasing non-gold mix and gross margin
- 16 new shops opened in 1H'14 driving growth in group in Selling & Distribution Expenses
- Gross Profits up 24m & GP% of 29%, after adjusting for one-off 110m provision for slow-moving inventories & 40m for Gold Losses in 2013
- Acquisition of remaining minority interest in Jan 2014 increases 1H net profit contribution; 3.4m of one-off acquisition expenses
- Double digit growth in core earnings

\*after non-controlling interest

# Information & Communication Technology Group



QAR m



GP	76m	98m	NP%	6.7%	7.7%
GP%	12.8%	13.6%	Net Inv.	171m	96m

- Growth across all 4 Pillar Product Lines; CISCO Networking, HP, Oracle and Hardware. 852m of Orders YTD across major product lines.
- Outstanding growth in networking driven by Qatar project development
- Growing margins in competitive market through management of direct costs
- Good Cost Management resulting 1pt. improvement to Net Profit margins

# Auto Division



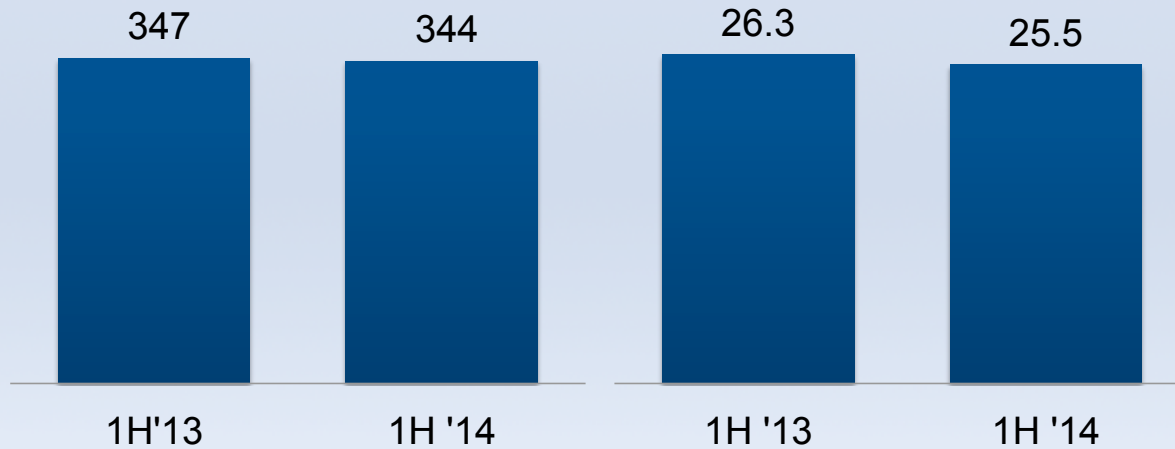
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## Revenue

(1)%

## Net Profit

(3)%

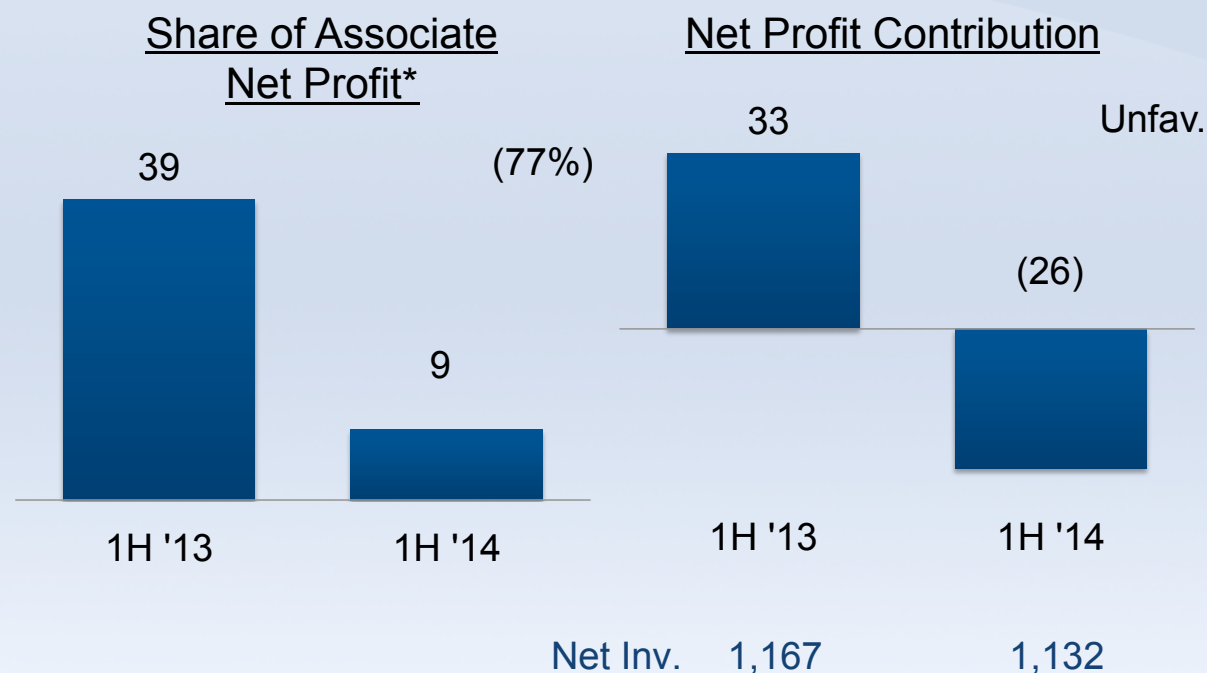


- Auto sales down (1)% due to reduced demand for Yukon/ Escalade pending new model in Q3'14
- Solid sales in Pick-ups, assisted by new Sierra model in 2H'13
- Double digit growth in after-sales divisions, parts and service as car fleet grows

GP	67m	73m	NP%	7.6%	7.3%
GP%	19.4%	21.2%	Net Inv.	219m	322m

# Axiom Telecom

QAR m



- Axiom profits impacted by significant mix shift from higher margin Blackberry to lower margin handset sales
- One-off impairment of 29m to acquisition-related intangibles within investment
- Actions being taken by management to improve profitability of core retail business
- Active in approval process for third MVNO licence in KSA

\*35% of Axiom profits before impairment of acquisition-related intangibles

# Heavy Equipment Division

GROVE



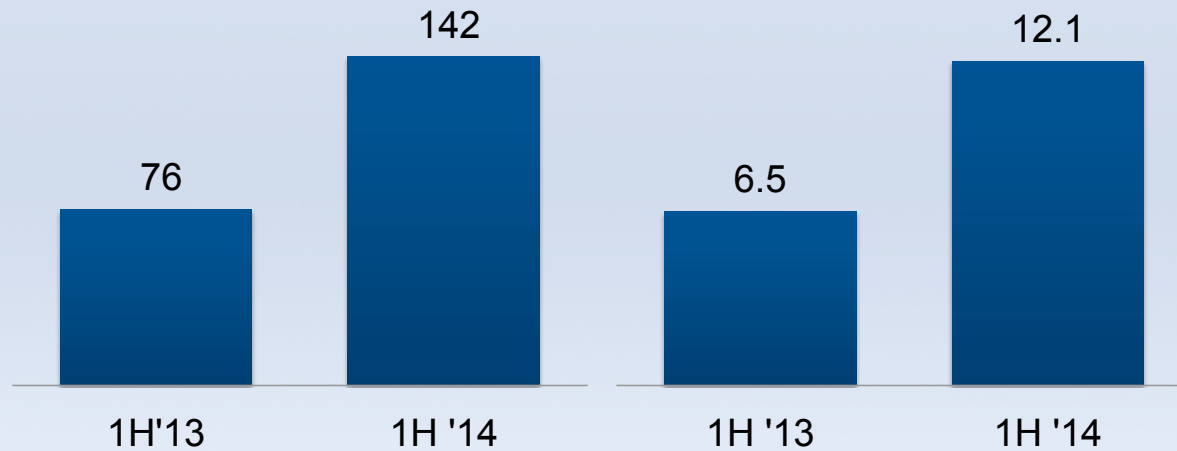
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Revenue

87%

Net Profit

86%



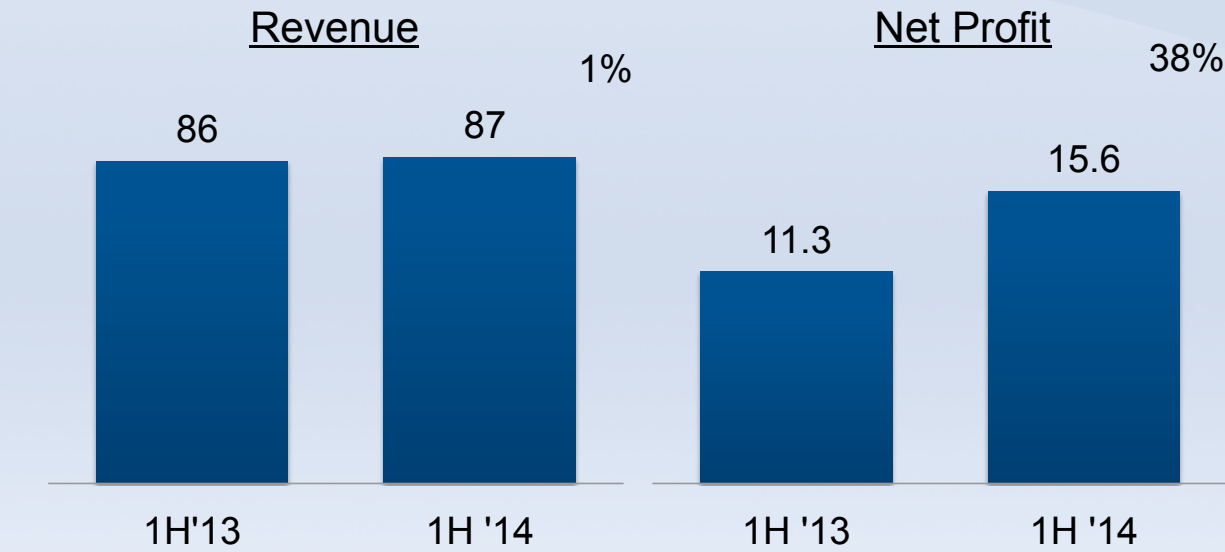
- Heavy Equipment growth driven by recent award of contracts for Qatar infrastructure projects
- Competitive tender process and product mix impacting gross margins
- Managing costs well to maintain net profit margins

GP	15m	23m	NP%	8.5%	8.5%
GP%	19.3%	16.5%	Net Inv.	93.4m	88.1m



# Energy and Industrial Markets

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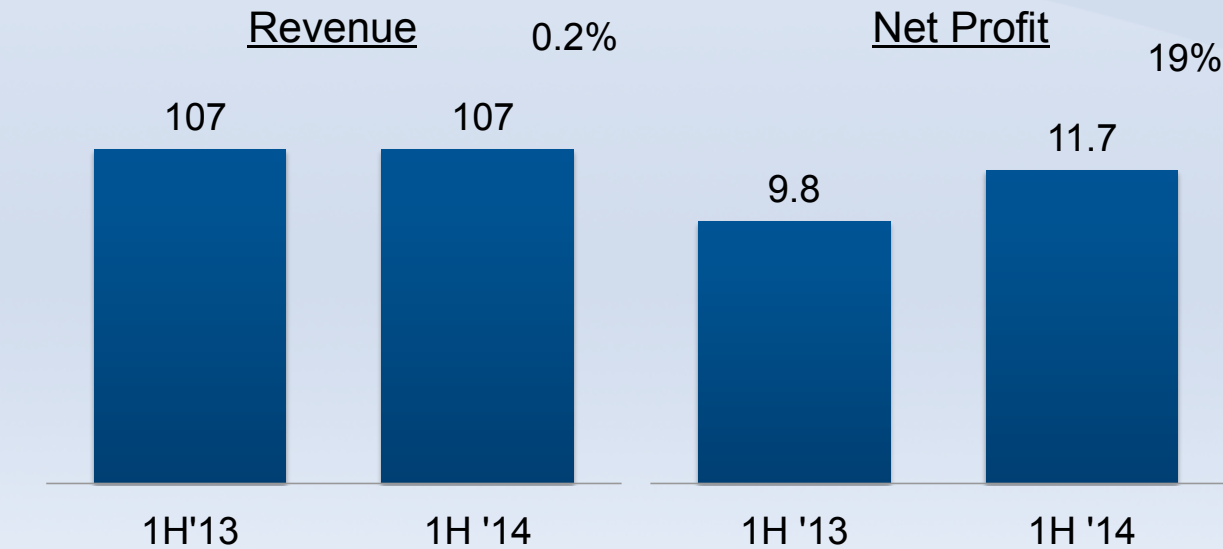


- Gross Profits up 31% driven by increased commission-based sales activity not reflected in revenue lines
- Strong orders and sales for Toshiba and SKM in HVAC division; growing Order backlog
- Strong partnership with Saint-Gobain; recent awards for infrastructure projects drive commission earning prospects

GP	17m	22m	NP%	13.3%	17.9%
GP%	19.6%	25.3%	Net Inv.	41m	51m

## Industrial Supplies and Building Materials

QAR m



- Flat revenue due to timing of Turbine repair services
- Strong double digit growth in Building and Waterproofing Materials and Industrial Tools
- Improvement in margins across all product lines

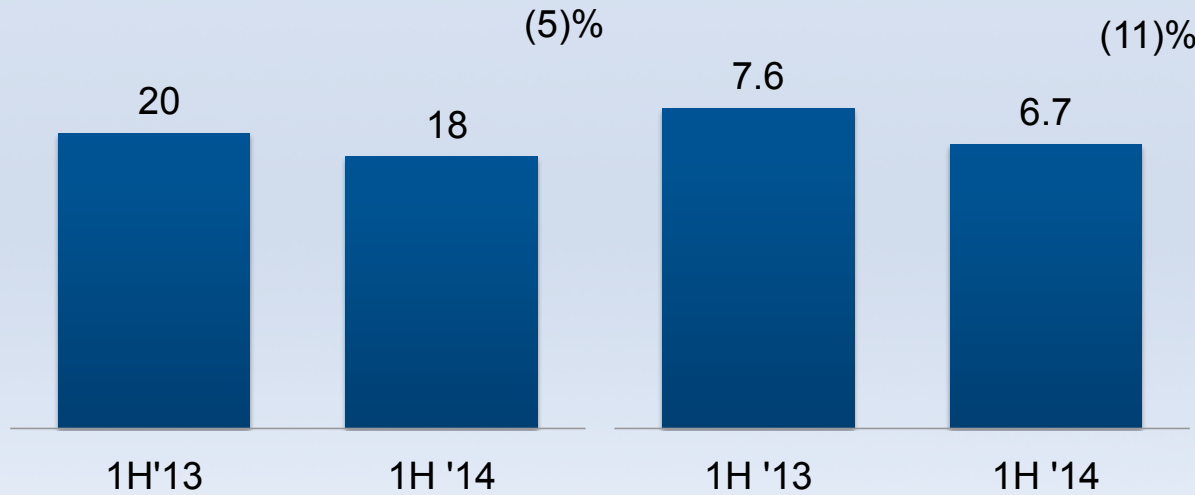
GP	16.3m	17.4m	NP%	9.2%	11.0%
GP%	15.3%	16.3%	Net Inv.	50m	44m

# Travel Division

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## Revenue

## Net Profit

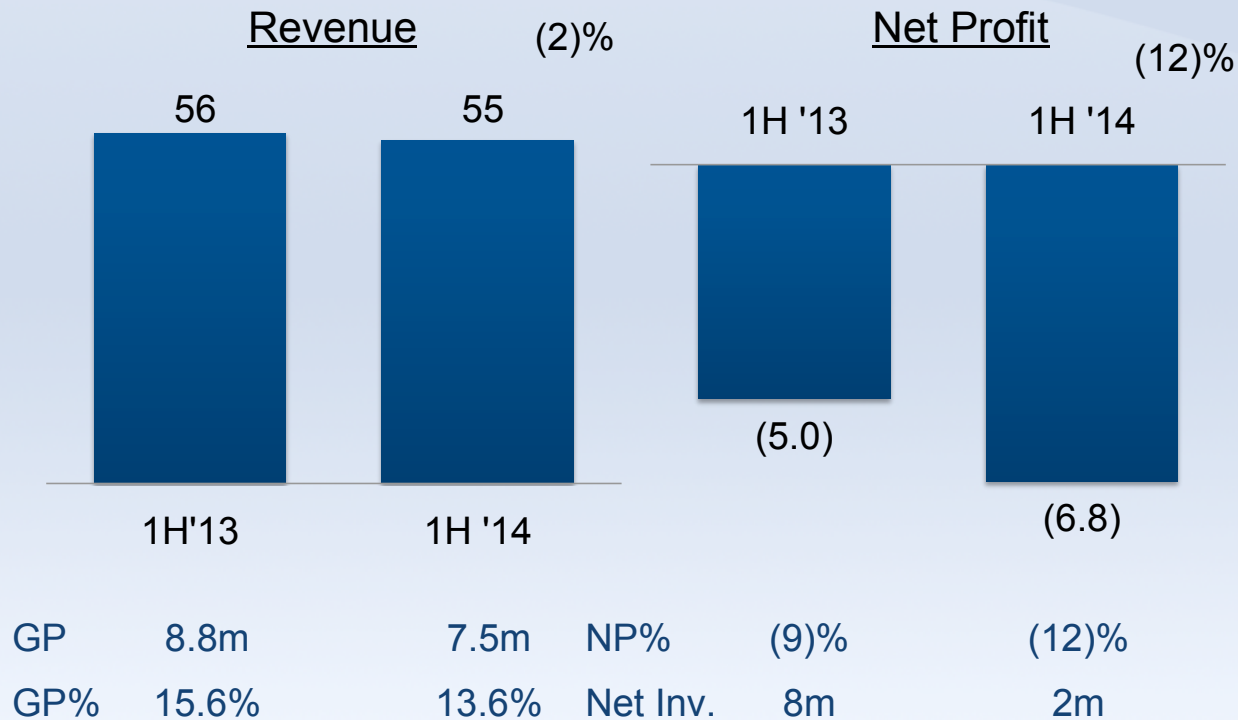


GP	19.3m	18.6m	NP%	39%	37%
GP%	98%	102%	Net Inv.	42m	50m

- Revenues impacted changes to UK visa requirements for Qatar citizens
- New Visa processing centre opened in Doha serving UK and Australia; strong improvement in non-Qatari applicants to support future growth
- Strong double-digit growth in travel volumes offsetting ongoing pressure on corporate travel service fees
- Double digit growth from FlyDubai agency; new routes to India added in 2014

# Engineering

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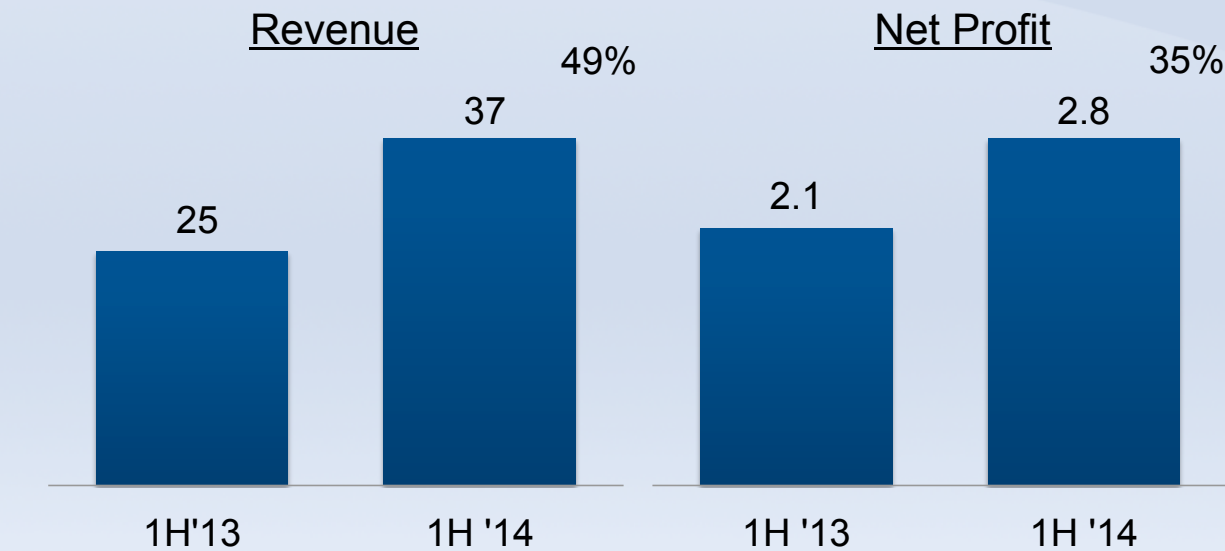


- Losses in 2013 and 2014 due to new Ras Laffan facility inaugurated in 1H'13
- Challenging market and pricing due to overcapacity
- New management team in place and increased business development resourcing to improve sales prospecting
- Fostering on new partnerships and alliances to develop new revenue streams to fill increased capacity



# Geotechnical Services

QAR m



- Strong growth and growing sales pipeline driven by Qatar project activity
- Launched Joint Venture in Land Surveys
- Contract wins for ground investigation with Doha Metro and Oman Rail
- Contract awards YTD exceed 2013 revenue

GP	9.5m	13.0m	NP%	8.3%	7.5%
GP%	38%	35%	Net Inv.	23.9m	32.7m

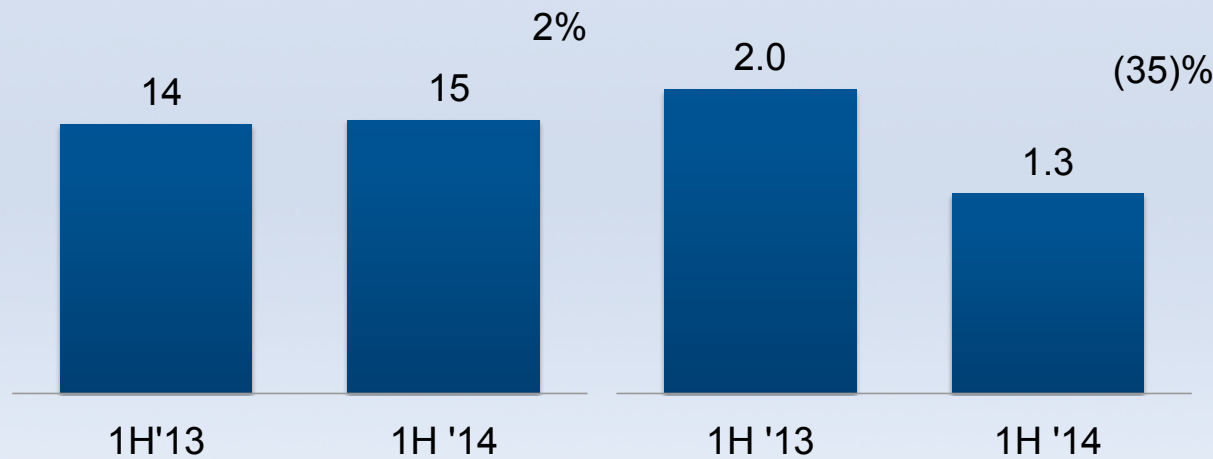
# Logistics



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## Revenue

## Net Profit

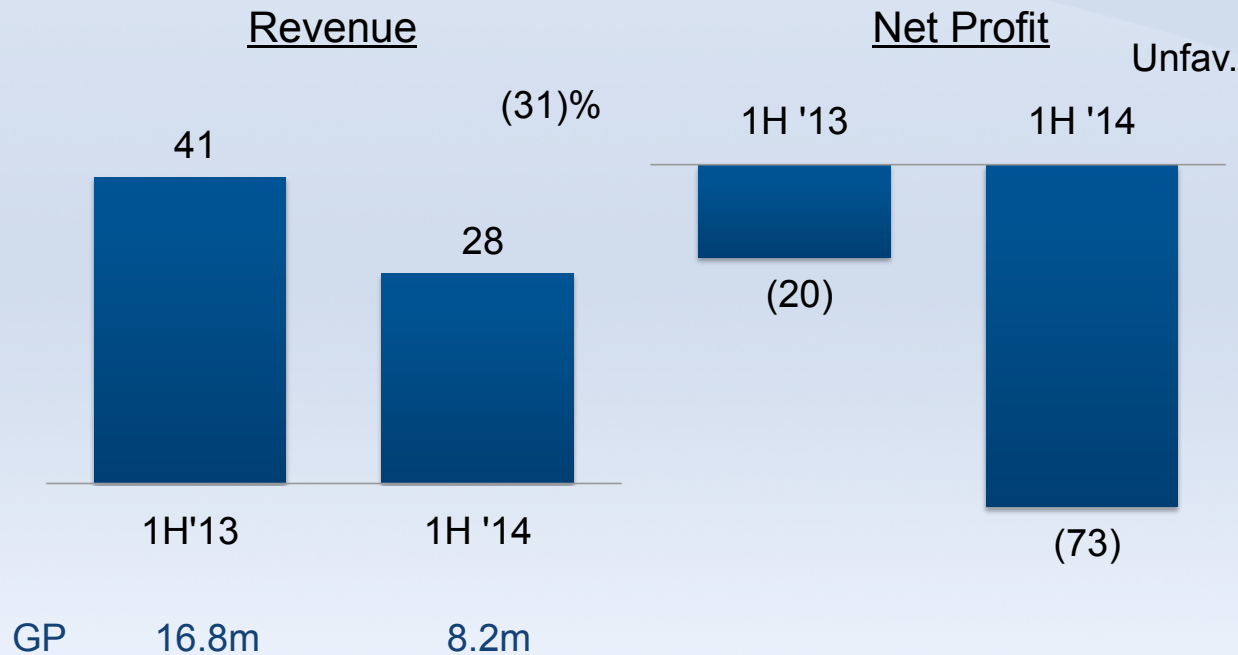


- Performance impacted by loss of Qatar Logistics warehouse at Salwa Industrial Zone
- Focus primarily on internal Mannai business until new warehouse facility completed

GP	4.1m	3.8m	NP%	14.1%	9.1%
GP%	28.5%	26.4%	Net Inv.	5.9m	7.2m

# Others

QAR m



- Reduced revenue due to impact of warehouse fire on Home Appliance and Electronics Division
- One-off expenses and provisions of 37m booked during Q2 to proactively address short-term issues and strengthen balance sheet; software assets (10m); losses from fire (9m), loss on long-term service contract (8m) and other impairments (10)m

## Normalisation of key lines for significant items

	<u>1H'14</u>	<u>1H'13</u>	<u>VLV%</u>
Gross Profit	541.3	550.0	(2)%
Loss on unhedged Gold		40.1	
Inventory Provisions	<u>110.0</u>		
Norm. Gross Profit	651.3	590.1	10%
Other Income	308.8	86.3	258%
Gain on sale of properties	(19.6)		
Recoveries of receivables	<u>(273.2)</u>	<u>(69.4)</u>	
Norm. Other Income	16.0	16.9	(5)%
Share of Profit from Assoc. & JVs	6.3	59.1	(89)%
Impairment to Axiom Intangible	<u>28.7</u>		
Norm. Share of Profit	35.0	59.1	(41)%
General & Administrative Expenses	236.9	188.1	26%
Expenses related to Damas acquisition	(3.4)		
Adj. for Significant Items	<u>(37.0)</u>		
Norm. G&A expenses	196.5	188.1	4%
Minority Interest	0.0	45.7	(100)%
Adj. for Significant Items	<u>0.0</u>	<u>(10.0)</u>	
	0.0	34.7	(100)%
Net profit	315.1	193.9	62%
Adj. for Significant Items	<u>(113.7)</u>	<u>(19.3)</u>	
Norm. Net Profit	201.4	174.6	15%

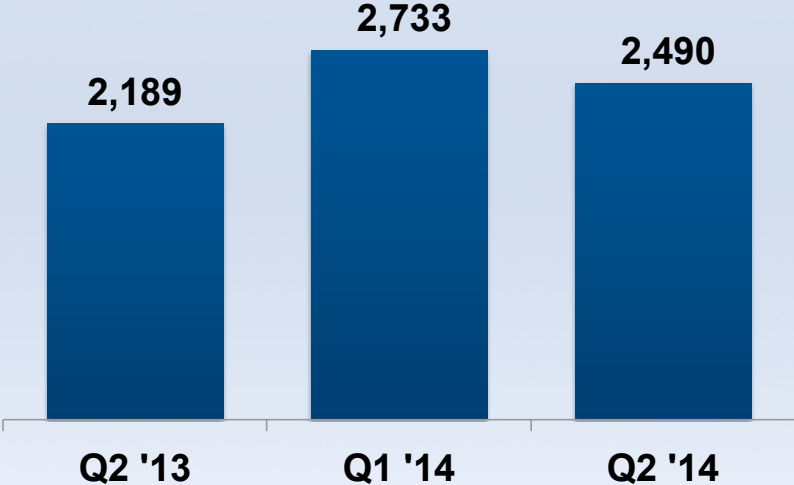
- Exceptional recoveries from Damas related to acquisition of minorities boost Other Income
- Steps taken to strengthen balance sheet and mitigate short-term risks; including strengthening inventory provisions and impairment of acquisition-related intangibles increase G&A expense
- Underlying core profits up 15%, offsetting axiom headwinds



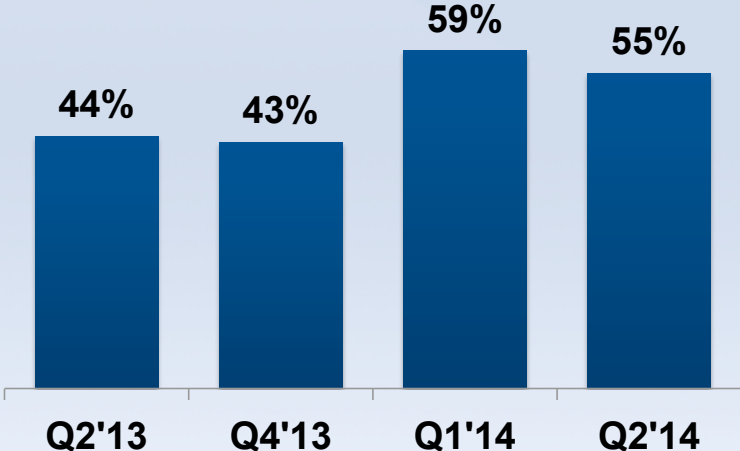
# Reduced Net Debt following increase for the acquisition of the Damas minorities

QAR m

## Net Debt



## Net Debt to Total Capital



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