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Operator: Good morning, good afternoon ladies and gentlemen. Thank you for joining our Second Quarter 2017 Results Presentation conference call. From GB Auto we have Dr. Raouf Ghabbour, CEO and Mr. Mostafa El Mahdi, CFO presenting second quarter 2017 results. I will hand over to Dr. Ghabbour for his presentation. Then we will have a Q&A session. Dr. Ghabbour?

Dr. Raouf Ghabbour: Thank you, thank you very much. Good afternoon ladies and gentlemen and thank you for joining our first quarter results call. With me here today is Mostafa El Mahdi, our Chief Financial Officer. I'll speak today about the change in our reporting structure before we move on to our performance in Q2 and our expectation for the second half. As you doubtless noted in our earnings release we are now referring to GB Auto as a leading automotive company in the Middle East of North Africa and non-bank financial services provider in Egypt.

This is not by accident. It is the result of long discussions about what we have become as a company since we launched our diversification live a few years post-IPO. That change in thinking is reflected in the structure of our disclosure. As we now report separate results for our core automotive businesses and our high margin financing business. These two businesses are very different in terms of financing and capital structures. For example significant debt on the automotive side of the equation is more likely to signal a market slowdown whereas rising capital efficient debt on the financing businesses side of the equation is a sign of robust growth in asset portfolio side.

By breaking down the financials in the same way as we view the business operationally we are giving you more clarity on how we operate. And we are making it easier for shareholders and

analysts to forecast topline growth, cash flow generation and relevant net financial debt. In doing so we believe it will be easier to accurately value the group as a whole and uncover hidden value. One thing we do not intend with this degradation is to signal that a spinoff is imminent. This is first and foremost an exercise in transparency. Mostafa and I would be very happy to address any questions you may have during the Q&A period. So please speak up. Then if you would have anything you would like to discuss.

Now turning to our performance in the second quarter it's clear from our new reporting structure that GB Capital accounted for the lion's share of our topline growth in a challenging market for automotive space. This came as 500 basis points worth of interest rate hikes year on year. So our financing costs more than doubled coupled with the high inflation environment that saw growth in our SG&A outpaced growth in our topline the result was a loss for the quarter. I see our bottom line improving as the year progresses. We do hope that the Central Bank of Egypt reduces the interest rates. They suggested as much when they noted that their most recent 200 basis point hike in July was a temporary measure. And whatever happens there we are seeing signs of continued improvement in the market that leave us optimistic about revenue growth and declining inventory.

We are very actively working on the reduction of inventory. A substantial portion of our (right) in SG&A came as a result of one, the sale and lease back between GB Auto and third parties, two the increase of the regional expenses due to the Egyptian ((inaudible)) effect, three the increase in the utility prices utility prices, four as well as the expansion of our financing businesses and five asset evaluation that increased depreciation costs. Using every tool at our disposal allowed us to cut net debt at our auto and auto related businesses to the tune of 600 million Egyptian Pound between the first and the second quarters. This trend will continue through the yearend with automotive business set to have a debt level back at historical ((inaudible)).

In parallel I am being ruthless in my commitments to cutting corporation - for operating cost. We are rationalizing head count across core functions. We are adopting a more targeted approach to our marketing expenses. And we are exploring long-term means of cutting cost through measures including energy efficiency. In short I'm confident that the second half will see continued improvement in our topline and that our bottom line will recover as volumes pick up as interest rates decline and as our inventory levels normalize.

As they do ladies and gentlemen I am very confident in the prospect of all of our businesses. We have the right strategy. We have the right businesses on both the automotive side and the financing business side. I see momentum building toward a good recovery in 2018 and exceptional opportunities in 2019 and beyond.

With that ladies and gentlemen I will conclude my remarks and turn the call over to Mostafa who will recap our financial performance. Then we'll open the call for your questions. I hope we can have a lively discussion not just of our results in a very challenging quarter but also our outlook for the year and our plans continue to build and grow the business. Mostafa please?

Mostafa El Mahdi: Thank you Dr. Raouf. Ladies and gentlemen before I begin I would like to reemphasize that our new reporting structure has been put in place for the purpose of improved transparency for analysts, stakeholders and prospective investors. Our core automotive - GB Auto related and our financing business GB Capital contrasts sharply in terms of growth, financing and capital structure. Our new disclosure structures separating the two has been put in place to provide more clarity on topline growth, cash flow and debt movements. To that end GB Auto group's consolidated revenue increased by 6.3% year on year during the second quarter of 2017 to reach 4.2 billion pounds.

On a year to date basis revenues grow 4.2% in the first half of the years 2017 to 7.1 billion pounds. Growth in consolidated revenues was equally driven by GB Auto and auto related and

GB Capital during the second quarter while overall growth during the first half of the year was mainly driven by GB Capital which recorded a 49.7% year on year increase in topline and offset an overall year on year decline of 1.7% for GB Auto and auto related.

GB Auto and auto related segments results were impacted by the slow year on year performance of the Egyptian passenger car segment following the aftershock of the Egyptian pounds flotation in November 2016. However the passenger car segment is starting to show clear signs of recovery with segment revenues climbing 43% quarter on quarter in second quarter 2017 compared to a 57.7% quarter on quarter decline in the first quarter of 2017.

However volume recovery measures such as price promotions and dealers compensation packages come at the expense of our gross margin which declined to 11.3% versus 14.4% during the same period last year. Consolidated SG&A expense reached 317.5 million Egyptian pounds representing 8% of consolidated revenue compared to 243 million pounds representing 6% of the consolidated revenue during the same period last year. The growth in our SG&A expense year on year was mainly caused by a higher expenses related to GB Capital expansion, the Egyptian Pound consolidation effect on cost insulation and the addition working capital need as well as asset evaluation and its revolving increase in the depreciation expenses.

Our net margins during the quarters were also affected by the (parts) loss of 23.8 million pounds and increase of finance cost of 352.6 million pounds driven by a higher interest rate. Due to the challenging operating environment over the past few months the group fell short of generated positive cash flow due to the slowdown in (phase) volume which resulted in a short decline in cash flows from ((inaudible)). Management is actively working on balancing this by reducing all their frequency and pushing of (accelerated) fee.

Our inventory level was down by 1.5 billion Egyptian pounds to reach 5.3 billion Egyptian pounds at the end of Q2 '17 compared to Q1 '17. Our trade (payable) balance was down by 300.5, 305

million Egyptian pounds to reach 1.9 billion Egyptian pounds at the end of Q2 '17 compared to Q1 '17. The group's net debt stood at 8.8 billion Egyptian pounds representing a decrease of opportunity 660 million pounds compared to Q1 '17 at the end of second quarter '17. Total consolidated debt decreased to 10.1 billion pounds which increased - include 3.5 billion pounds of financing business debt as we continue to expand our financing business operations.

We expect to return to normalcy in the next couple of quarters which will see our cash flow situation improve. Additionally following our new disclosure structure improvement in GB Auto and auto related will be more evidence while GB Capital performance will be better highlighted. That concludes my presentation for today. Ladies and gentlemen we can now open the floor for your question. Operator?

Operator: Thank you. If you'd like to ask a question please signal by pressing Star 1 on your telephone keypad. If you're using a speakerphone please make sure your mute function is turned off to allow a signal to reach our equipment. Again press Star 1 to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal. And we'll take our first question from Hadeel Elmasry with Arab African. Please go ahead.

Hadeel Elmasry: Hi everyone and thanks for holding the call. I just had two questions. First is that your operations post the second quarter that you're more ((inaudible)) than the discounts or special prices and how are volumes doing? And also second would be on the automotive directive. There was something today in the news that it would be discussed again in November. If you can give us more clarity on what is going on right now? Is there ((inaudible)) in the – just an update on that, thank you?

Dr. Raouf Ghabbour: Let me just make sure of the first question. You're talking about discounts you are giving to the market and campaigns and how is this translated into volumes? Is this the question?

Hadeel Elmasry: Exactly, post of the second quarter, are you still continuing in the same strategy or have you stopped? How are volumes still recovering? How are things looking in July and maybe the first two weeks of August if you can give some clarity on that?

Dr. Raouf Ghabbour: Yes.

Male: Yes.

Dr. Raouf Ghabbour: Okay regarding your – thank you for the questions. Regarding the first one we clearly see the market is recovering. I wouldn't say it is getting back to the previous level before the flotation but there is very clear signals that the market is recovering and we are re-capturing our gross market share in the first quarter. The gross market share we – the market share we lost in the first quarter. I would say that we are currently at anywhere between 60% – about 60% of our volumes before this rotation which to my opinion was a huge impact of this rotation shows a very resilient market which is coming back quite sooner than we expected.

That's about the passenger cars. In terms of two and three wheelers no, I can say that the market volumes are really came back to where they were before the flotation which is ((inaudible)) I think. I would say that the commercial bankers are for most they're forming at the same pace as the passenger car. So overall yes we see we are continuing our promotion. We – and we have to do so because we cannot bear the – a very high level of inventory during such a period of very high interest rates.

But that should answer your question first question. The second question I'm not the government. I read exactly like you what was written today. I really cannot comment. What I know is that the draft well – or the (low) was supposed to be discussed in the Parliament but there were far higher priorities flows to be discussed like the DAT low, like the salary increased flows and so many other very important flows. So unfortunately though the automotive directive could not be

discussed before the Parliament recess. So I know for a fact that it has to be discussed as soon as they will go back which should be during October or November. But I really do not have more information than what you have.

Hadeel Elmasry: Okay. Thank you.

Dr. Raouf Ghabbour: Thank you.

Operator: And once again if you'd like to ask a question please signal by pressing Star 1 on your telephone keypad. We'll move to our next question from Amine Wafy Renaissance Capital. Please go ahead.

Amine Wafy: Hi everyone and thank you for this opportunity. Just a couple questions. First one would be on regarding what you just mentioned doctor on volume and prices. So what kind of margin are we looking at for the second half of the year if we were to assume that we would still have those kind of promotion and discounts as a sales action? And second question would be regarding the inventory level are we considered in the view that it will still going down as it was to pre-flotation level and what would happen after? I mean because you're selling cars now so you're focusing on the cash generation and on decreasing the inventory level.

But then you will also need to build up again the inventory level as the market is recovering. So what's your strategy on that? Will it be a smooth continuation of operation or what can we expect on that front? Thank you.

Mostafa El Mahdi: Okay.

Dr. Raouf Ghabbour: Okay. Regarding the margins more or less you should expect the same level of margins in Q3 and Q4 for passenger cars. Having said that we are expecting to add to Q3 and

Q4 some reasonable level of fresh inventory which will – which probably will show at some level of improvement in GB.

So I didn't have for example Tucson. I'm starting to sell Tucson from – I started from last month with a reasonable margin. So probably a margin level will – you will see some improvement in the margin. Plus I expect maybe so we don't expect that the Egyptian Pound weighted ((inaudible)) versus your dollar which will probably show some level of improvement in the margin. So that covers the margin side.

As for the inventory reduction actually we have a plan to liquidate the excess inventory we have before yearend. With the market performance we may be a little bit ahead of our target. We may be a little bit ahead of our target. But let's say that from - by the end of this year I see our level of inventory going back to the reasonable level for the business which means that if you take into the account the value of the Egyptian pound so you may have double the level of the amount of inventory by the end of this year compared to the end of 2014 or '15 which takes into account the first things that we are doing.

So we – it doesn't mean that we will be out of business. We are hoping that as I mentioned the example of ((inaudible)) we are starting also to import (Alantra) cars, we are importing (Fachetti)'s, we are importing (Rackshetti)'s. We are not stopping the business. We are just reducing the level of inventory from very high levels which was mainly due to two factors. The first factor was the flotation where the market was absorbing from our side 5000 cars a month and all of the sudden it went down to as low as 210 cars in February. So our...

Amine Wafy: Yes.

Dr. Raouf Ghabbour: ...inventory level despite - because of the collapse in the market demand. And the second factor we were piling up inventory of certain (EKG) model which is the Verna because...

Amine Wafy: Yes.

Dr. Raouf Ghabbour: ...Hyundai Motor was stopping the production of those kits. By the end of this year we will be in a normal level. I will not have another flotation.

Amine Wafy: We hope so.

Dr. Raouf Ghabbour: And in the meantime I don't – I do not have any reason to overstock any model because whatever I need I get from my supplier. Yes.

Amine Wafy: Okay, very clear. Thank you so much. And one more question is there any update on the two and three (relo) plants?

Dr. Raouf Ghabbour: Let me tell you...

(Crosstalk)

Dr. Raouf Ghabbour: Let me tell you we are still – yes I mean we have got an approval from the Suez Canal Authority. But until now...

Amine Wafy: Okay.

Dr. Raouf Ghabbour:we did not receive the contact for this. And. I'm very sad to be saying this but that's a fact.

Amine Wafy: Sorry, I couldn't hear the last part. Would you please repeat?

Dr. Raouf Ghabbour: We got the approval from Suez Canal Authority...

Amine Wafy: Yes.

Dr. Raouf Ghabbour: ...about allocating for 250,000 square meter for the factory. We have reached an agreement about the rental fee per square meter. And above this...

Amine Wafy: Okay.

Dr. Raouf Ghabbour: ...commission. But so far we didn't get the draft of the conference.

Amine Wafy: Okay.

Dr. Raouf Ghabbour: And I'm not pushing in this environment because I'm not that eager to start investing another 700 million, 800 million during that period of time. I would feel much more comfortable next year.

Amine Wafy: Okay. So okay. Can we say that we see 2017 as the year of the bottom of the earnings cycle?

Dr. Raouf Ghabbour: The what?

Amine Wafy: The bottom of the earning cycle. The earning cycle is...

Dr. Raouf Ghabbour: Yes.

Amine Wafy: ...bottoming up...

Dr. Raouf Ghabbour: Yes.

Amine Wafy: ...and we would expect to see some growth in earnings...

Dr. Raouf Ghabbour: Yes.

Amine Wafy:in 2018?

Dr. Raouf Ghabbour: Yes, yes. I - okay I – in 2017 this to me is the liquidation year for all – and unfortunately we started the year with a huge inventory level. At that time when interest rates were very high the buying price of this inventory was properly positioned to the market demand before the floatation. It was wrongly price positioned versus the market demand of after the floatation. Whatever we start ordering fresh now we are really discussing the prices and getting good prices from – good support from our suppliers. So definitely I foresee that 2017 is the end of as it's a difficult year but this is the end of it.

Amine Wafy: Yes, yes okay. And my last question sorry, but my last question would be would you be able to share more color on the good performance we've seen on the regional activities and especially the Iraqi markets?

Dr. Raouf Ghabbour: Okay, in Iraqi market performance I'm very happy about because...

Amine Wafy: Is that something we can see continuing rolling forward...

Dr. Raouf Ghabbour: Yes.

Amine Wafy: ...in the next quarters?

Dr. Raouf Ghabbour: What's happening in the Iraqi market is that ISIS is out of the (table). Some kind of security and political stability is taking shape now, 1/3 of the territory of Iraq we were unable to keep it full which was occupied by ISI, so we didn't have a presence. We see dealers coming back from this part of Iraq back to business. We've actually had some delayed collections which we are - from that part of Iraq which we are receiving now the collection. So - and overall we have to keep it to reduce the level of inventory from the beginning of the year to the middle of the year to half what it was. And I see the performance continuing in July and August in a very improved – at a very improved level.

So again in Iraq I believe that we will see a very improved future especially that this morning I got the news that the Iraqi Parliament is discussing a new agency law which would necessitate that nobody can import cars into the territory of Iraq except registered distributor of global players. So this means that upon issuance of this law parallel imports from (Lavand), Syria, Jordan and Lebanon as well as CPP including Saudi Arabia will stop which will enhance our volumes as well as our margin tremendously. So I think Iraq is going to be a hit once again after three years of suffering.

Amine Wafy: Okay. Okay, very clear. Thank you so much ((inaudible)) Ghabbour.

Dr. Raouf Ghabbour: Thank you.

Mostafa El Mahdi: Thank you.

Operator: And once again as a reminder to ask a question please signal by pressing Star 1 on your telephone keypad. We'll take our next question from Hady Medhat with Pharos Holding. Please go ahead.

Hady Medhat: Hello. Thank you, but my questions have already been answered. Appreciate it.

Dr. Raouf Ghabbour: Thank you.

Operator: And once again that is Star 1 to ask a question. It appears there's no further questions at this time.

Mostafa El Mahdi: I would be eager to answer to any questions regarding the finance businesses. Does anyone have any question?

Operator: Just as a reminder Star 1 to ask any questions. And we do have another question. We'll take our next question from Amine Wafy with Renaissance Capital. Please go ahead.

Amine Wafy: Regarding the financing business what's the company's focus and the company strategy especially in light of what happened with the central bank and the increase in interest rates? What impact are you seeing on your revenue line for the financing business after this increase and what to expect going in the next quarters? Any views on that would be very appreciative.

Mostafa El Mahdi: Okay, let me tell you about – I'll segment the answer because they are different businesses with different terms and conditions.

Amine Wafy: Yes.

Mostafa El Mahdi: In ((inaudible)) business which is we have two companies there, (Mashoy) and (Santarise). The interest we had on the loans offered from the company are very generous. So at 200 basis points doesn't really make a difference. Plus we actually started from I think three months ago applying or ((inaudible)) the interest increase to our customers. And they are still making very good money.

The – I mean our borrowers are making very good money. In GB Lease the leasing company the nature of the contract between the company and its customers allows the company to apply a valuable interest rate. So automatically upon any rate hike from the Central Bank of Egypt the company applies that rate increase to the current portfolio. The only issue we have here is in price which is the consumer finance company.

In the consumer finance company unfortunately the rate is fixed. So whenever there is a rate hike the - this actually erodes the profitability the company was compensating from the current portfolio or right, you know that - here our strategy is to build as big portfolio as possible during the period of high interest rates because we know that the interest rate increase is a temporary measure.

So versus to lost profit we incurred due to the rate increase we will be incurring extra profit upon rate interest rate reduction under additional portfolio we are building now. So the way I see it as a chairman of a company it's a temporary loss which will be translated into a bigger profit going forward by the time the interest rate will fall. To answer the second part of your question how do we see the business during that period of very high interest rates actually business the demand is huge.

And let me again explain how. In the microfinance customers their margin in that segment of the market is very high. And we are the only window they have for getting finance. Whether the margins, whether the interest rate is applied increases by 2% or 5% doesn't mean anything to them. And they are performing, they are retaining, they have no problem. They just need the facility. And they need – they insist to have a brilliant track record because they want to grow with us.

In the financial leasing companies are short of cash. And the banks cycles for approving credit is extremely long. And businesses do not wait. So we are at the end of day even if I charged the –

my client 1% or 2% above lending prices of the bank they actually want it – they accept it just because of the availability and the quickness of that...

(Crosstalk)

Mostafa El Mahdi: We see growth, huge growth in GB. And we see huge growth in right price consumers that their individual income has evaporated because the strategy varies, fewer builds, ((inaudible)) builds, schools, tuition fees, medical, pharmaceuticals and so forth, everything has increased. And they ((inaudible)) with their car. So the demand of consumer – for consumer finance is huge. Having said that our rate or our approval rate went dramatically down. But still we – the business is growing. So I used to have an approval rate of almost 60%. Now my approval rate is below 40% which...

Amine Wafy: Sorry, but what do you mean by approval rate?

Mostafa El Mahdi: So each 100 application I receive two years ago I was approving almost 60.

Amine Wafy: Okay, okay.

Mostafa El Mahdi: ...credit 60 where credit was today 39 our credit was 60. So that shows you that the people are getting tighter. We also are making our credit approval tighter because we are making it more -because we don't want to lose our money or risk our money.

Amine Wafy: Of course.

Mostafa El Mahdi: But the end result is the total volume of business is growing.

Amine Wafy: But what's the strategy behind that to catch this immense growth that you – because I look at (Ajita)'s this huge country, this huge economy so diverse. And I guess that the SMEs the small and medium enterprise which are the biggest recipient of such products they are all spread over the country right even if we have big center of concentration of people. What - can you just give me a few numbers maybe to help me understand the strategy on the ground how many agencies do you have on the ground or how - do you see this increasing? What's your driver of catching this growth and how do you plan on making it the empire that it's supposed to become?

Mostafa El Mahdi: You're talking about how many companies are offering the same?

Amine Wafy: How many agents do you have on the ground for instance for the microfinance business or what's the...

Mostafa El Mahdi: Okay. In microfinance currently we have 200 branches...

Amine Wafy: Okay.

Mostafa El Mahdi: ...which are handling. So it's probably covering majority of Egypt. I think that we still have to add another 100 branches. So at maturity (Mashuri) and (Sasahil) will be 300 branches offering...

Amine Wafy: By when?

Mostafa El Mahdi: I – it takes me...

Amine Wafy: Do you have...

Mostafa El Mahdi: ...about eight, seven to eight branches a man so I believe within end of 2018 we should be completed.

Amine Wafy: Okay.

Mostafa El Mahdi: Regarding drives, drive is handling the business through our dealer network and our own branches and the dealer networks of our competition. So they have a marketing division which is in contact with almost all the car dealers of Egypt or majority, big majority of the car dealers of Egypt. So the dealers are referring when the - a customer comes if he's cash they just sell to him. If it requires finance we are on their top priority. So they refer the dealers to us. We do not have that many branches in drive because - we just have three branches for drives but we rely mostly on the dealer network of either our own branches, our own dealer network and the dealer network of the competition.

In the GBD it's more like a medium enterprise. So it's a headquarter. And they have their marketing team which is visiting the corporate and all across the country. And actually GB Lease today is by far the biggest financial leasing company. It's number one with a big differentiation in market share between it and the second ranking. So today any customer in Egypt thinking about financial leasing contract will definitely knock the door of GB because it's number one. Yes.

Amine Wafy: Okay. So just to sum it up or to conclude on this point so today as first half '17 earnings GB Capital is about 20% of total revenue. What's your target? What do you have in mind on the two to three years horizon? What share do you think you will be able to bring that share?

Mostafa El Mahdi: ((Inaudible)) when - I firmly believe automotive business will grow much bigger because automotive business has been the biggest victim with the recent economic...

Amine Wafy: Of course yes.

Mostafa El Mahdi: ...in Egypt. So if we're talking about total market which went down to 90 or 100,000 cars this year I see this market tripling within the next three, four, five years. So definitely GB Auto size is growing plus the fact that we are growing as well all other businesses. You – I just want you to watch, keep watching the growth issues of tire business, after (steel) business...

Amine Wafy: Yes.

Mostafa El Mahdi: ...lubricant business. It's impressive. So I would say automotive or industrial business is going – is expected to grow much bigger than what it is today.

Amine Wafy: Yes.

Mostafa El Mahdi: But having said that if you ask me my personal vision for GB Auto five years down the road definitely finance business would overtake industrial will be...

Amine Wafy: Okay.

Mostafa El Mahdi: ...much bigger because you can confidently look at 50% growth, you know, near which industrial business whatever it does yes it's coming from a very low level today but it will have its limits ((inaudible)).

Amine Wafy: Okay, thank you very much for this information sector, really appreciate it.

Mostafa El Mahdi: Any further questions?

Operator: Once again that is – and that is Star 1 one to ask a question. And there are no further questions over the phone at this time.

Dr. Raouf Ghabbour: Okay, ladies and gentlemen thank you very much for being our guests in today's call. And I'm really hopeful I'll be able to deliver much clearer signal for inventory and debt level reduction in the Q3 conference call. Thank you very much. Thank you very much operator.

Operator: And this concludes today's call. Thank you for your participation. You may now disconnect.

Dr. Raouf Ghabbour: Thank you.