



**Company:** GB Auto  
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**Operator:** Good morning, and good afternoon ladies and gentlemen. Thank you for joining us fourth quarter full year 2017 results presentation. From GB Auto, we have Dr. Raouf Ghabbour, CEO, and Mr. Mostafa El Mahdi, CFO presenting fourth quarter 2017 results. I will hand over to Dr. Ghabbour for his presentation, then we will have a Q&A session. Dr. Ghabbour.

**Raouf Ghabbour:** Thank you very much. Good afternoon ladies and gentlemen and thank you for joining our fourth quarter results call. With me here today is Mostafa El Mahdi, our Chief Financial Officer. We have concluded another good quarter on the road to recovery in our auto and auto-related business. I'm confident that the worst of the turbulence is now behind us our strategy of significantly reducing our inventory to match market demand and liquidating loss-making model has worked well with the inventory in our 3 billion pounds growth level over the last five quarters.

Q4 '17 was yet another consecutive quarter in which we reduced automotive net debt, which now stands at 3.8 billion pounds. Going forward, we plan to focus on slowly regaining our market share to our historical rate of 33%. At the same time, streamlining operation has continued to bear fruit, with the gross profit steadily improving well on its way to recovery at the net income level. While we anticipate growth in automotive status in the next quarter to be relatively new to the generality and expected supply shortages. We are confident that our complementary automotive business with key profitability rise, and we are optimistic that passenger car market volumes are expected to improve to 120,000 units.



Together with our proven ability to react with flexibility to market dynamic and our cost cutting and diversification efforts, this would ensure our continued progress in labelling improved performance from quarter to quarter. In the meantime, while we are confident that positive sentiment is finding its way back to the automotive market. We are anxiously awaiting the Egyptian government to pass the highly anticipated automotive directive which will greatly improve Egypt's investment psyche.

GB Capital has continued to do well quarter on quarter in a market that is looking for attractive and innovative financing options. We see credit quality remaining very strong, and GB Capital has continued to maintain a healthy loan portfolio quality. Non-performing loans where at one point 9%, and NPL covering – coverage ratio at 129.6%. High coverage ratio reflects the companies through the risk policies and provision taken against its growing portfolio.

With that ladies and gentlemen, I'll provide you with a quick business-by-business overview. On the passenger car front in Egypt, both revenues and gross profit increased for the segment on a quarter on quarter basis, with the division showing clear signs of recovery as customers regain purchasing power, and high margin cars replaced low margin ones. Moving to motorcycle and three wheelers, it's clear to us that the market for three wheelers is back to its historical level, with strong demand for this revenue-generating product. We begun manufacturing two-wheeler chassis at the end of the year, which we anticipate will boost the volume in 2018.

For the commercial vehicles and construction equipment division, we have increased both revenues and gross profit compared to last quarter. We believe the segment is poised for growth this year with the truck and bus segments gaining traction due to the increased private sector business and rise in tourism activity. After sale continues to be one of our best performing segments, with numbers climbing both year on year, and on a quarterly basis. The segment is doing so well, that we are pushing ahead with plans to extend our workshop network, looking to



open centres in Minya, Aswan, Tanta, Mersa Matruh, and Damietta within the next two years.

We are also working on constructing a truck and bus workshop in Abu Rawash.

We are delivering on plans to extend our high margin tyre business to capitalize on the success of the segment. We have begun commercializing Pirelli and Firestone [?] truck tyres and are underway for the first quarter of this year to distribute Turkish made tuk-tuk tyres. We are proud of the outstanding performance of GB Capital which continues to capture more market share across five subsidiaries and has generated returns on equity of more than 30% in 2017, while maintaining a strong grip in Egypt.

I'd like to give you some guidance for our first quarter of 2018 revenues by line of business. For passenger cars, we expect revenue to be in the range of 1.5 billion pounds. For two and three wheelers, we expect revenues in the range of 700 million pounds. We expect revenues for the entire division in the range of 180 million pounds. Commercial vehicle and construction equipment division should see revenues in the range of 300 million pounds. For our regional operations, we expect revenues in the range of 750 million pounds.

Revenues for after sale division are expected to be in the range of 250 million pounds. GB Capital should see revenue in the range of 750 million pounds. For auto and auto related, we expect a blend of gross profit margin of 12% for GB Capital after intercompany elimination. We expect their gross profit margin above the 25 percent level. With that ladies and gentlemen, I'll conclude my remarks, and turn the call over to Mostafa, who will give us run-down of our financial performance. Afterwards, we will open the call to your questions. Mostafa, please.

Mostafa El Mahdi: Thank you Dr. Raouf. Good afternoon ladies and gentlemen. I am very pleased to say that auto and auto related segments results have delivered another quarter improvement in revenues which demonstrate that we are now in the recovering market. In addition, the segments



results have also delivered a third quarterly improvement in gross profit, and that's including our regional operations. This demonstrates how across different business we are making progress in Egypt. Customers needs increased and their purchasing power. We have seen auto and auto related net debt fall to 3.8 billion pounds at the end of this year. GB Auto was successful in recapturing market share, once again maintaining our market leadership for the passenger cars market, with a market share of 51.1% for the full year. And drive maintained at number one market leadership position with 21.9% market share for the year.

Revenues from Egypt passenger cars recorded a 10% quarter on quarter increase in fourth quarter 2017 to 2.5 billion Egyptian pounds, despite slightly lower in the volumes. The company sold a total of 51,516 units by the end of this year. GB Capital delivered a solid performance delivering 1 billion pounds in revenues in fourth quarter '17, up 25.5% quarter on quarter, and 3.4 billion Egyptian pounds in full year 2017, up 36.7% year on year. GB Capital saw its net portfolio assets go to 5.8 billion Egyptian pounds, while annualized ROE to that 54.2% and annualized ROE, 21.2%. GB Capital loans received portfolio recorded a rise, 51% growth in full year '17 with healthy and solid portfolio. GB Capitals provision level score in line with loan portfolio growth, as a matter of growth and risk management.

GB Capital companies leverage compared to regulatory caps, which is in light of the nature of the business would allow the company to borrow up to eight times shareholders equity for [inaudible]. Standard total leverage for GB Capital stood at 4.5 times at 31<sup>st</sup> of December 2017 versus 3.55 times as per regulator definition. GB Auto group recorded a consolidated revenue of 5.5 billion pounds in fourth quarter 2017, gaining 53.4% year on year, and managed to end the year with top line of 17.7 billion Egyptian pounds, and 15.5% increase over the last year. Gross profits for the group increased 3.4% compared to third quarter '17, delivering the third consecutive increase in a row. That concludes my presentation for today ladies and gentlemen. We can now open the floor for your question. Thank you. Operator.



Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. Well pause for just a moment to allow everyone an opportunity to signal for questions. Again, that is star one to ask a question. At this time, there are no phone questions.

Raouf Ghabbour: That makes my life easy. Shall we give them one more minute, if anyone has a question?

Operator: Okay, that is star one to ask a question. Once again, that is star one to ask a question.

Raouf Ghabbour: Okay

Operator: It appears we have no questions at this time.

Raouf Ghabbour: Thank you. Thank you, ladies and gentlemen, for joining the call, and I hope to give you in May good results for Q1. Thank you.

Operator: That concludes today's presentation. Thank you for your participation. You may now disconnect.