

GB Auto Reports 1Q16 Results

Leading auto industry player reports impressive margin and market share expansion in the first quarter of 2016 and inks key technical agreements with Bajaj

10 May 2016 — (Cairo, Egypt) GB Auto (AUTO.CA on the Egyptian Exchange), a leading automotive assembler and distributor in the Middle East and North Africa, announced today its consolidated results for the first quarter of 2016, reporting impressive growth in both margins and market share, which had reached a high of 39.3% in March 2016.

The company reported a top line of LE 2,924.6 million for the three-month period, 8.6% lower y-o-y. Net income for the quarter came in 45.1% lower than the year before at LE 28.6 million, down from LE 52.1 million in the same period last year.

Net profit margin came in at 1.0% at the end of 1Q16. Factoring out unrealized FX losses, net income would stand at LE 89.7 million, which translates into a net profit margin of 3.1% in 1Q16.

“2016 brings many of the same difficulties that faced the Egyptian economy and the automotive industry in the year before - mainly a shortage in foreign currency coupled with the continuous devaluation of the Egyptian Pound against the US Dollar,” said GB Auto Chief Executive Officer, Raouf Ghabbour. “In January, we were still facing difficulties sourcing foreign currency, a problem that was particularly accentuated during 2H15, which resulted in a substantial drop in our inventory levels towards the end of the year and the start of this new one. As that problem began to subside in February, we then saw the pound devalue further in March, leading us to introduce price increases to help sustain the health of our margins.”

Revenues from GB Auto’s Passenger Cars division witnessed a 12.4% y-o-y dip to LE 1,692.0 million in 1Q16 from LE 1,930.9 million in the comparable period last year, which can be attributed to a 30% decrease in total sales volumes. This came on the back of a decline in sales volumes in Iraq, where ongoing political and economic problems have affected demand for passenger cars.

In Egypt, market demand for automotive products continued to show resilience in the face of changing prices, while a challenging regulatory environment in Algeria affected inventory, and in turn, sales volumes and profitability levels. The gross losses achieved by the Passenger Cars line of business were partially offset, however, by a strong performance in the After-Sales division as well as the company’s cost-cutting strategy, which saw GB Auto relocate its Iraqi team to Cairo to cut down on fixed expenses until conditions improve.

The Motorcycles & Three-Wheelers line of business reported a 6.5% y-o-y drop in total sales revenues, which reached LE 457.0 million on the back of lower inventory levels at the start of the quarter, which saw sales volumes decline by 12% y-o-y.

The Commercial Vehicles and Construction Equipment’s overall sales declined to LE 279.8 million, but Management expects performance to improve in the coming months due to a robust pipeline that has GB Auto, among other things, gearing up to deliver around 260 buses to the Cairo and Alexandria Transport Authorities by 3Q16.

The Tires division rebounded strongly this quarter, as conditions that had hampered its growth in previous months subsided. Sales revenues were up 32.9% to LE 109.6 million from LE 82.4 million 1Q15, while gross profit grew more than twofold to LE 22.0 million. Gross profit margin also increased by 9 percentage points to 20.1%.

Meanwhile, our Financing Business continued to post stellar results, booking total revenues of LE 348.3 million, a 50.0% growth y-o-y. Overall gross profit increased by 53.8% to LE 78.7 million from LE 51.2 million in 1Q15.

“The currents we face today are strong, but GB Auto’s superior management skills and unparalleled experience navigating rough waters are allowing us to weather the storm,” said Ghabbour. “Across our footprint, we have adopted measures and strategies that allow us to cope with these ever-fluctuating conditions.

“As the most experienced and established player in the market, we have a unique pricing power that will, at least in the short-term, help support the Group in delivering healthy

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margins,” he continued. “Our long-term vision for growth also remains intact, and we are preparing to invest in two manufacturing projects, which should aid us in our goal of becoming a major exporter that can generate substantial revenues in foreign currency.”

Among GB Auto’s key operational highlights this quarter was finalizing framework agreements with India’s Bajaj to expand part manufacturing and assembly operations in Egypt for the Boxer 150 and Auto-Rickshaw models. The company is also in the process of negotiating with technology partners to launch a tire-manufacturing facility, which will help GB meet local and regional demand for automotive products.

Building on the success of existing ones, GB Auto is in the process of rolling out a number of new servicing facilities, with the first set to open its doors in Cairo’s Mohandessin district in May.

Highlights of GB Auto’s 1Q16 results follow, along with management’s analysis of the company’s performance. Complete financials are available for download on ir.ghabbourauto.com.

Financial Statements

Income Statement

	Three Months Ended		
(LE million)	1Q15	1Q16	% Change
Passenger Cars Revenues	1,930.9	1,692.0	-12.4%
Motorcycles & Three-Wheelers Revenues	488.6	457.0	-6.5%
Commercial Vehicles & Construction Equipment Revenues	453.5	279.8	-38.3%
Tires Revenues	82.4	109.6	32.9%
Financing Businesses Revenues	232.2	348.3	50.0%
Other Revenues	12.6	37.9	-
Total Sales Revenues	3,200.3	2,924.6	-8.6%
Total Gross Profit	402.5	442.4	9.9%
<i>Gross Profit Margin</i>	12.6%	15.1%	2.6
Selling and Marketing	-113.4	-144.7	27.6%
Administration Expenses	-76.5	-72.6	-5.1%
Other Operating Income (Expenses)	7.6	11.3	49.2%
Operating Profit	220.2	236.5	7.4%
<i>Operating Profit Margin (%)</i>	6.9%	8.1%	1.2
Net Provisions and Non-Operating	-4.6	-11.4	-
EBIT	215.6	225.1	4.4%
<i>EBIT Margin (%)</i>	6.7%	7.7%	1.0
Foreign Exchange Gains (Losses)	-57.8	-61.1	5.8%
Net Finance Cost	-89.4	-121.5	35.9%
Earnings Before Tax	68.4	42.5	-37.9%
Income Taxes	-21.2	-28.3	33.7%
Net Profit Before Minority Interest	47.1	14.1	-70.0%
Minority Interest	4.9	14.5	-
Net Income	52.1	28.6	-45.1%
<i>Net Profit Margin (%)</i>	1.6%	1.0%	-0.6



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Shareholder Information

Reuters Code: AUTO.CA
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Shares Outstanding:
1,094,009,733

About GB Auto S.A.E.

GB Auto S.A.E. (AUTO.CA on the Egyptian Exchange) is a leading automotive producer and distributor in the Middle East and North Africa. Across five primary lines of business — Passenger Cars, Motorcycles & Three-Wheelers, Commercial Vehicles & Construction Equipment, Tires and Financing — the company's main business activities include assembly, manufacturing, sales and distribution, financing and after-sales services. GB Auto's portfolio of brands includes Hyundai, Mazda, Geely Emgrand, Chery, Bajaj, Marcopolo, Iveco, Volvo Truck & Bus, Volvo Construction Equipment, Mitsubishi Fuso, YTO, Karry, SDLG, Aksa, Lassa, Yokohama, Goodyear, Westlake, Triangle, Grandstone, Diamond Back, Diamond Coin, Jumbo, Monroe and Gazpromneft. GB Auto has operations in Egypt, Iraq, Libya and Algeria, and is actively pursuing opportunities in new geographies within its core footprint. The company is headquartered in Giza, Greater Cairo Area, Egypt. www.ghabbourauto.com

Forward-Looking Statements

This document may contain certain "forward-looking statements" relating to the Company's business. These may be identified in part through the use of forward-looking terminology such as "will," "planned," "expectations" and "forecast" as well as similar explanations or qualifiers and by discussions of strategy, plans or intentions. These statements may include descriptions of investments planned or currently under consideration or development by the Company and the anticipated impact of these investments. Any such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance, decisions or achievements of the Company to be materially different from any future results that may be expressed or implied by such forward-looking statements.