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GB Auto Reports 3Q16 Results

Leading automotive industry player reports strong growth figures in volumes and revenues for the third quarter of 2016.

10 November 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 third quarter of 2016, reporting solid progress on volumes and revenues across most of its business lines.

For the third quarter of 2016, GB Auto’s revenues reached LE 4,321.4 million, showing a substantial increase of 36.3% y-o-y. Net income from ongoing operations stood at LE 39.4 million, with a net profit margin (from continuing operations) of 0.9%. Meanwhile, on a nine-month basis, net profit from continuing operations increased by 19.9% y-o-y in 9M16.

“Overall, the third quarter of 2016 was a good one for GB Auto, as we continued to reap the benefits of our carefully calculated and well-executed strategy,” said GB Auto Chief Executive Officer, Raouf Ghabbour. “While the macroeconomic landscape remained challenging, especially with the Egyptian pound’s continued devaluation impacting our FX costs, consumer demand remained strong despite inflationary pressures and GB Auto was still able to grow its market share and top-line during the three-month period and year-to-date.”

The challenging business and operating environment in Egypt and across the region saw markets contract, with some players drastically reducing their volumes as they struggled to cope with limitations in foreign currency supplies, bank facilities, and inventory. During the quarter, GB Auto was able to capture the under-served demand and consequently grow its market share, thanks to Management’s decision to continue replenishing the company’s stocks of in-demand models and products. The company’s focus on after-sales also proved fruitful, as demand in the segment increased despite inflationary pressures.

In the Passenger Cars division in Egypt, GB Auto recorded a 52.0% increase in sales revenues and a 13.2% y-o-y increase in sales volumes, with sales reaching LE 2,464.3 million during the third quarter of 2016. On a nine-month basis, and despite a 1.2% decrease in volumes, GB Auto was able to grow its Passenger Car revenues by 30.2% y-o-y to LE 5,925.4, largely due to price increases the company had been implementing to gradually migrate some of the effects of the increased cost due to a weakening currency onto the consumer.

On the regional level, the company continued to take measured steps in dealing with geopolitical and economic difficulties. In Iraq, GB Auto dramatically reduced overheads, finance charges, and old stocks in order to safeguard its positioning in the Passenger Cars market to capitalize on new opportunities. While Passenger Car volumes and revenues were down on a three- and nine-month basis, after-sales recorded impressive increases in top-line and margins. Algeria, where the regulatory climate has been somewhat delicate, followed a similar pattern to Iraq, with revenues from after-sales activities coming in at LE 2.6 million, 119.7% higher y-o-y. While GB Auto’s outlook on its regional markets maintains some degree of optimism, Management will continue to operate with discretion until conditions begin to improve.

Meanwhile, revenues from the Motorcycles and Three-Wheelers division in GB Auto's home market, which target consumers within a low-income bracket, decreased by 2.2% y-o-y to LE 499.5 million. This came mainly as a result of higher prices dampening sales volumes, with motorcycles receiving a particularly hard blow that saw volumes for this product decrease by 44.7% y-o-y. In Iraq on the other hand, GB Auto has taken significant strides, growing its revenues from the division by nearly 3x to LE 7.2 million in 3Q16, propelled by higher sales volumes from three-wheelers.

On the Commercial Vehicles & Construction Equipment front, sales revenues for 3Q16 were up by 10.2% y-o-y to LE 283.4 million due to higher sales volumes, which rose by 9.7% y-o-y, particularly in the construction equipment and heavy truck segments. The country's renewed drive for investments in construction and infrastructure development is expected to further boost the division's performance going forward, especially given GB Auto's elevated market share and positioning as the preferential supplier of buses, trucks, and construction vehicles.

The Tires line of business was the third quarter's star-performer, with revenues rising significantly above 3Q15 levels to reach LE 101.2 million as the company was able to continue meeting the existing healthy market demand by resupplying its stocks, unlike the comparable period last year where shortage and stock rinsing measures affected performance. GB Auto continued to add brand representations to its portfolio during 3Q16, including its own in-house factory-produced brand, Primo, which has so far delivered promising sales figures, leading the company to plan on doubling its capacity from 4Q onwards.

GB Auto's Financing Businesses delivered a strong quarter, with total revenues from the line of business rising by 48.1% y-o-y in 3Q16 to LE 428.1 million and 62.0% in 9M16 to LE 1,218.1 million. GB Lease's healthy portfolio saw it rank second in market share, as per EFSA, while Tasaheel, GB Auto's most recent addition, continued to grow exponentially.

"We join the vast majority of the Egyptian business community in welcoming the Central Bank of Egypt's move earlier this month to allow the free float of the Egyptian pound. We also believe that the phase-out over time of fuel subsidies will drive sales of our smaller-engine models, where we have a robust lineup of models catering to a wide cross-section of consumers," said Ghabbour. "It would be premature to offer short-term guidance, but our experience throughout the currency crisis (including our strong pricing power throughout that period) leaves us optimistic that the issue has long been less 'pricing' than it has been 'availability' of foreign exchange. We are accordingly very optimistic regarding the medium- and long-term outlook for the economy and for our industry."

GB Auto remains on track with its motorcycles and three-wheeler manufacturing strategy, which should see production commence by the end of 1Q18.

Highlights of GB Auto's 3Q16 results, along with management's analysis of the company's performance and complete financials are available for download on ir.ghabbourauto.com.

Financial Statements

Income Statement

(LE million)	Three Months Ended			Nine Months Ended		
	3Q15	3Q16	% Change	9M15	9M16	% Change
Egypt Passenger Cars Revenues	1,621.2	2,464.3	52.0%	4,550.9	5,925.4	30.2%
Egypt Motorcycles & Three-Wheelers Revenues	511.0	499.5	-2.2%	1,438.6	1,369.5	-4.8%
Egypt Commercial Vehicles & Construction Equipment Revenues	257.1	283.4	10.2%	961.2	814.2	-15.3%
Egypt Tires Revenues	42.8	101.2	-	143.4	314.9	-
Financing Businesses Revenues	289.1	428.1	48.1%	751.7	1,218.1	62.0%
Egypt After-Sales Revenues	143.0	204.0	42.7%	415.4	553.8	33.3%
Regional Revenues	286.1	280.0	-2.1%	1,268.0	850.5	-32.9%
Others Revenues	19.5	60.8	-	46.2	128.5	-
Total Sales Revenues	3,169.8	4,321.4	36.3%	9,575.4	11,174.9	16.7%
Gross Profit						
Egypt Passenger Cars Gross Profits	159.1	214.5	34.8%	477.2	656.4	37.6%
Egypt Motorcycles & Three-Wheelers Gross Profits	83.8	66.2	-21.0%	239.2	203.4	-15.0%
Egypt Commercial Vehicles & Construction Equipment Gross Profits	36.9	54.4	47.2%	121.4	130.0	7.1%
Egypt Tires Gross Profits	1.0	19.5	-	12.9	64.6	-
Financing Businesses Gross Profits	58.7	109.1	85.7%	165.9	278.6	68.0%
Egypt After-Sales Gross Profits	42.1	66.2	57.1%	120.9	173.6	43.5%
Regional Gross Profits	9.8	3.7	-62.6%	46.0	25.3	-45.0%
Others Gross Profits	2.1	11.5	-	1.6	22.8	-
Total Gross Profit	393.6	545.0	38.5%	1,185.1	1,554.7	31.2%
Gross Profit Margin	12.4%	12.6%	0.2	12.4%	13.9%	1.5
Selling and Marketing	(128.4)	(156.4)	21.9%	(373.1)	(453.2)	21.5%
Administration Expenses	(98.2)	(96.1)	-2.1%	(274.0)	(259.5)	-5.3%
Other Income (Expenses)	9.3	(0.4)	-	24.4	17.8	-27.0%
Operating Profit	176.3	292.1	65.7%	562.4	859.7	52.9%
Operating Profit Margin (%)	5.6%	6.8%	1.2	5.9%	7.7%	1.8
Net Provisions and Non-Operating	(16.9)	12.2	-	(29.7)	(19.2)	-35.6%
FV of Investment Property	87.3	-	-	87.3	-	-
EBIT	246.8	304.4	23.3%	620.0	840.6	35.6%
EBIT Margin (%)	7.8%	7.0%	-0.7	6.5%	7.5%	1.0
Foreign Exchange Gains (Losses)	(40.0)	(80.8)	-	(115.2)	(147.9)	28.3%
Net Finance Cost	(79.4)	(164.0)	-	(254.0)	(426.2)	67.8%
Earnings Before Tax	127.4	59.6	-53.2%	250.8	266.6	6.3%
Income Taxes	12.7	(12.6)	-	(41.2)	(81.7)	98.4%
Net Profit Before Minority Interest	140.1	47.0	-66.4%	209.7	184.9	-11.8%
Minority Interest	(37.5)	(7.6)	-79.7%	(4.7)	7.5	-
Net Income	102.6	39.4	-61.6%	205.0	192.4	-6.2%
Net Profit Margin (%)	3.2%	0.9%	(2.3)	2.1%	1.7%	(0.4)
Net Income from Continuing Operations	58.1	39.4	-32.2%	160.4	192.4	19.9%
Net Profit Margin from Continuing Operations (%)	1.8%	0.9%	(0.9)	1.7%	1.7%	-



Head Office

Cairo-Alex Desert Road, Km 28
Industrial Zone
Abu Rawash, Giza, Egypt

Investor Relations

Menatalla Sadek, CFA
Chief Investment Officer

Andre Valavanis
Financial Analyst

Sarah Maged
Financial Analyst

Direct: +202 3910 0485
Tel: +202 3539 1201
Fax: +202 3539 0139
e-mail: ir@ghabbour.com

ir.ghabbourauto.com

Shareholder Information

Reuters Code: AUTO.CA
Bloomberg Code: AUTO.EY

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.