



# RIYADH CABLES GROUP

## Earnings Presentation FY22



**Borjan Sehovac**  
*Chief Executive Officer*



**Baha Essa**  
*Chief Financial Officer*



**Mouaaz Alyounes**  
*Chief Strategy Officer*

# Disclaimer

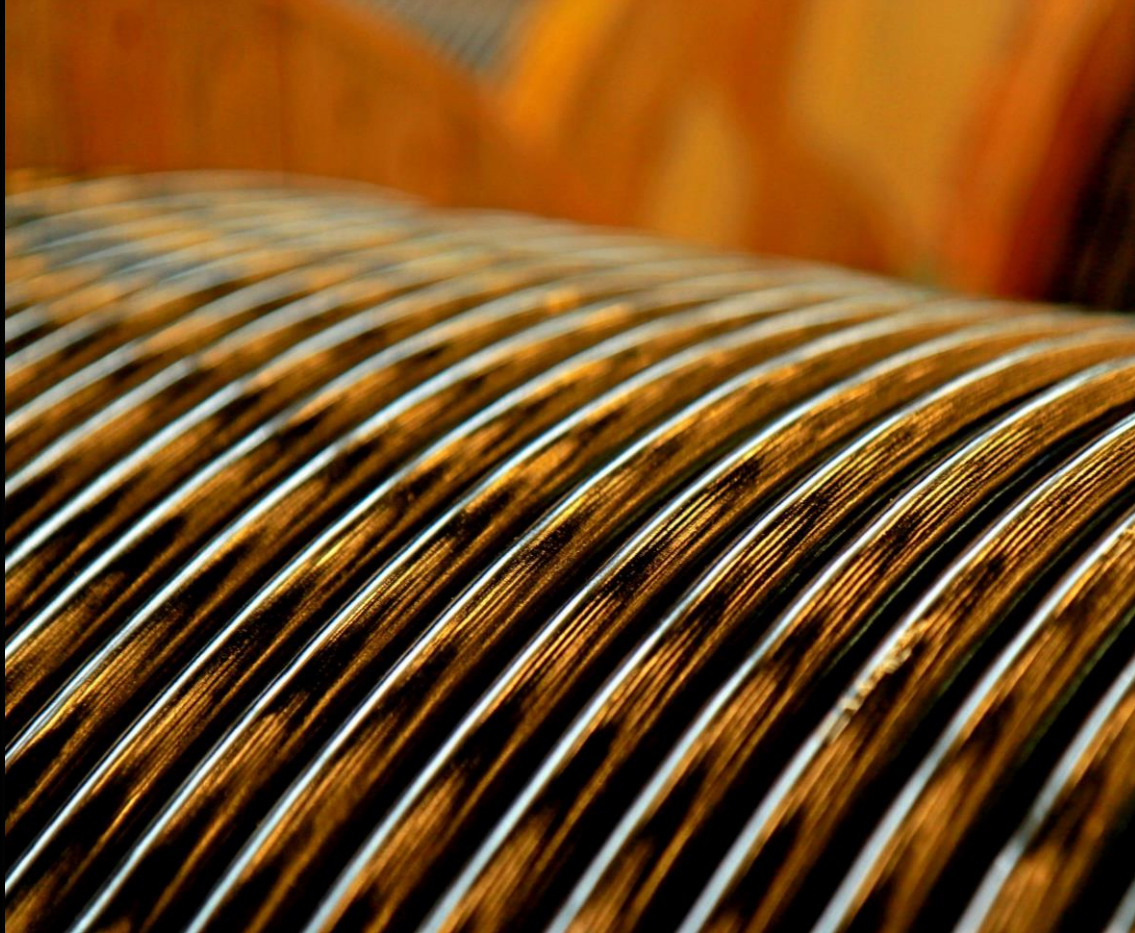


This presentation has been prepared by Riyadh Cables Group Company ("RCG") to give a fair view about the company and its operational and financial performance. It reflects management's expectations and strategy relating to future events which may be subject to unknown factors and unforeseen circumstances.

Parts of this presentation may constitute "forward-looking statements" as expressed by management. These forward-looking statements reflect RCG's current strategic directions, plans, expectations, assumptions, and beliefs about events that may happen in the future, and are subject to risks, uncertainties and other factors. Many of aforementioned "forward-looking statements" are not under RCG's control. There are factors that could cause actual results to differ materially from the what was expressed or implied in the forward-looking statements. RCG undertakes no obligation to revise any forward-looking statement to reflect changes to its expectations or any change in circumstances, events, strategy or plans. Accordingly, viewers of this documents are urged to consider all forward-looking statements contained in this presentation with due care and caution and seek independent advice when evaluating investment decisions relating to RCG and its securities. No representation or warranty, express or implied, is made or given by or on behalf of RCG or any of its respective members, directors, officers or employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in or discussed at this presentation.

This presentation does not constitute an offer or invitation to purchase any shares or other securities relating to RCG, and neither it nor any part of it, shall form the basis of, or be relied upon in in connection with, any contact or commitment whatsoever.

# In Today's Meeting



01

Welcome Remarks

02

Company Overview

03

FY22 Performance Highlights

04

Financial Review

05

Business Strategy & Market Update

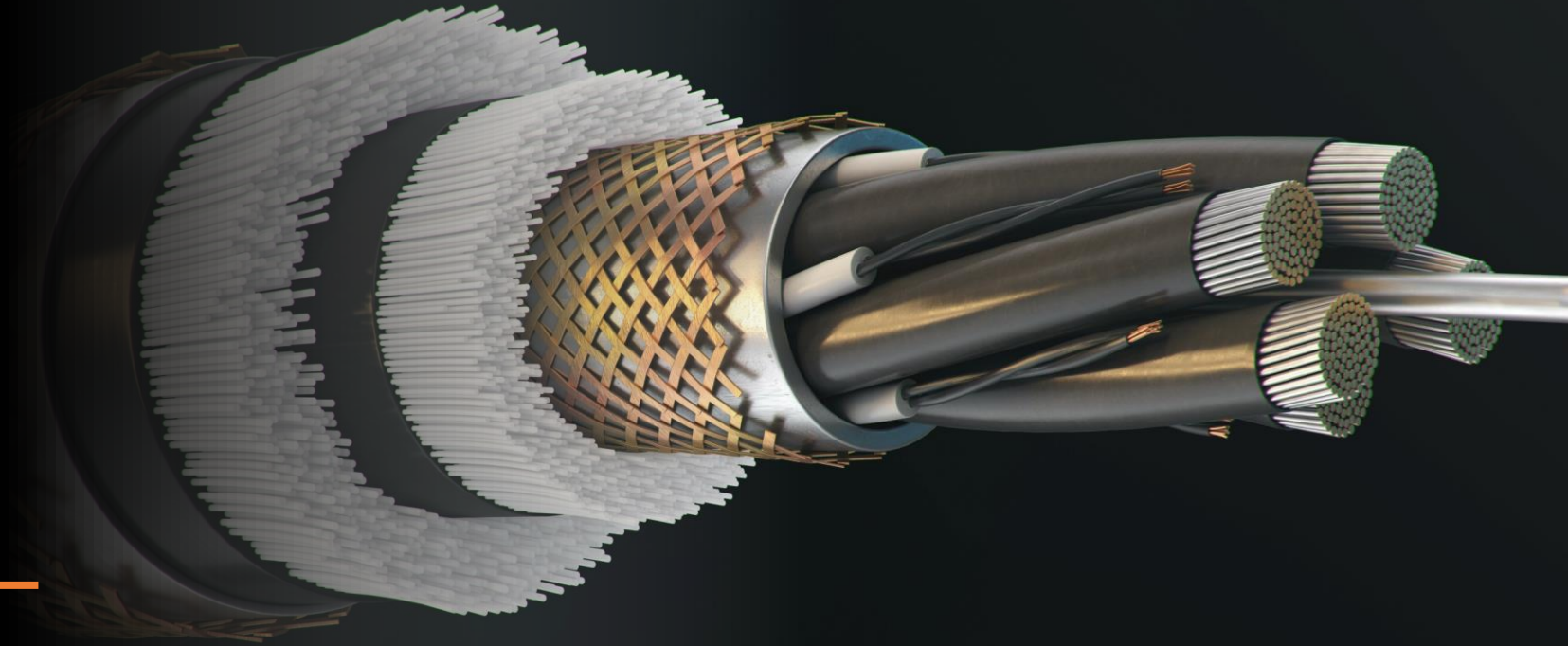
06

The Way Forward



# Company Overview

---



# Cables are the backbone of the economy, touching every segment

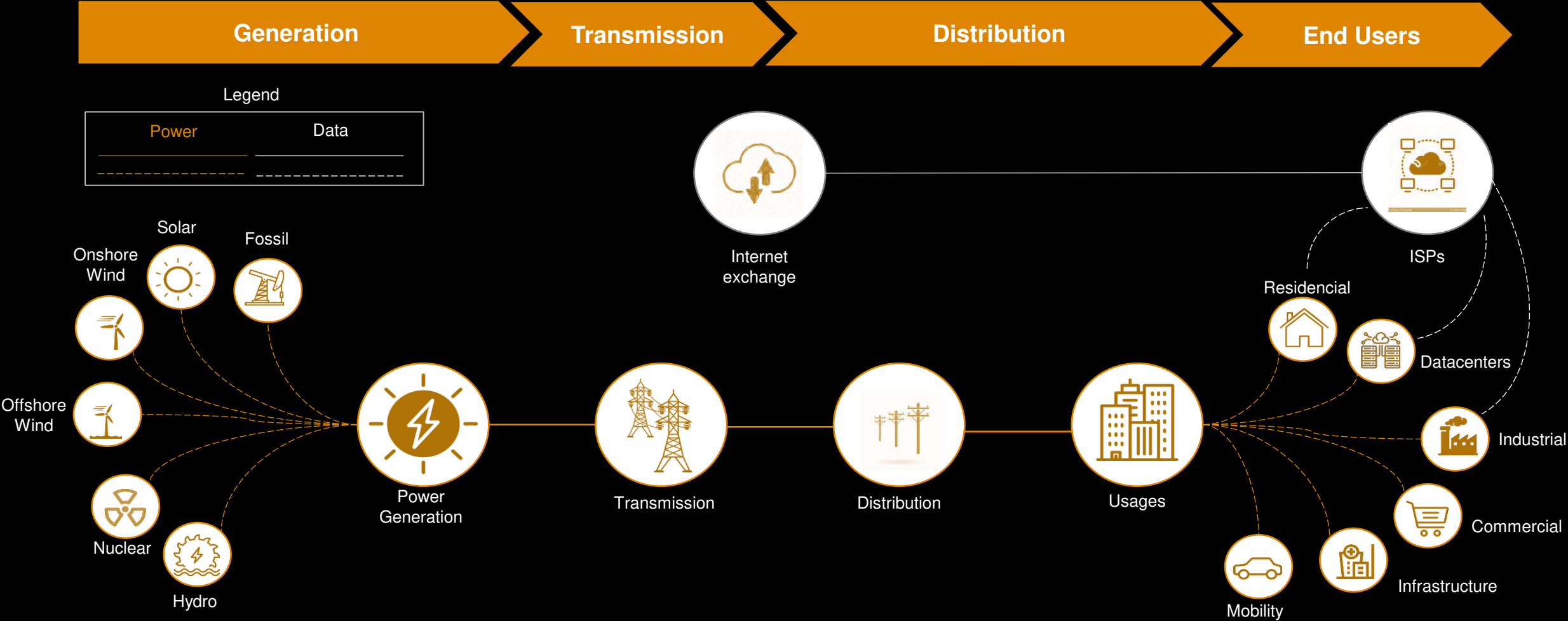
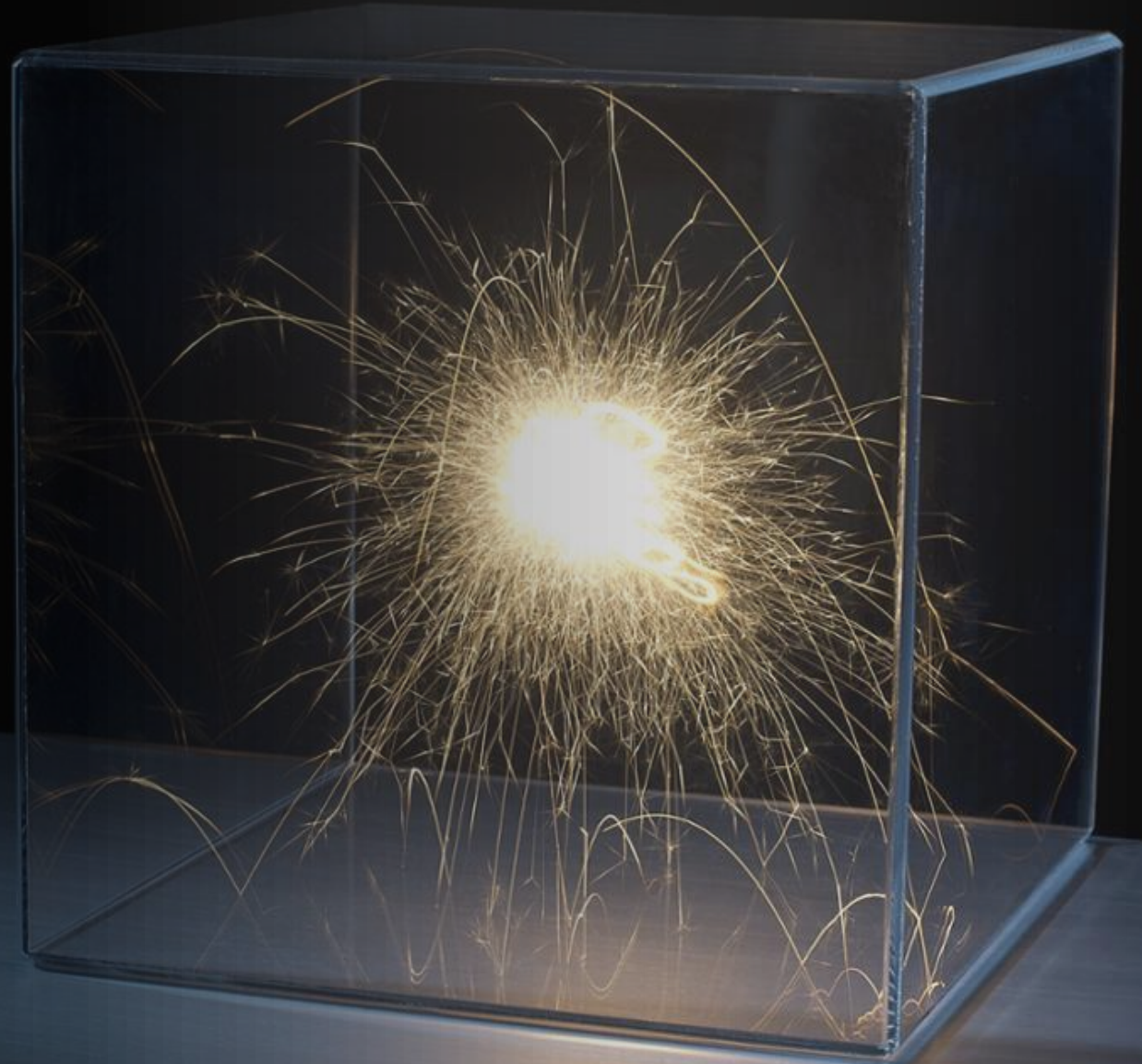


Illustration not exhaustive



# Q4 / FY22 Performance Highlights

---



# FY22 Financial and Operational Performance Snapshot

Percentage changes refer to YoY change

**SARm 6,852**

Revenue  
+ 40.3%

**Kt 190**

Sales Volume  
+ 37.1%

**% 90%**

Avg. Utilization Rate  
+ 34.3 PP\*

**SAR 3,406**

Gross Profit Per Ton  
+ 5.9%

**SARm 522**

EBITDA  
+ 41.6%

**SARm 352**

Net Profit  
+ 46.6%

**SARm 45**

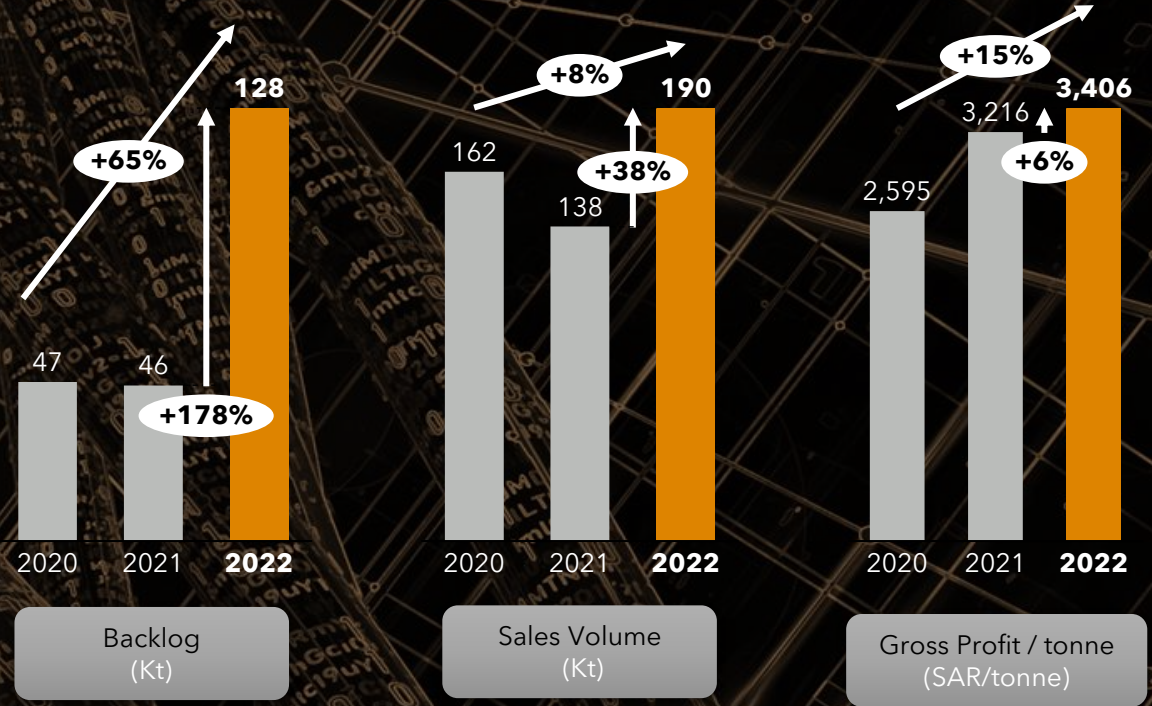
CAPEX (spent)  
-37.2%

**SARm 222**

FCF  
+ 262.8%

**X 0.6**

Net D/E  
+ 0.1 X



\*PP: Percentage Point

Tonne/t = 1000 KG



# Key Performance Drivers



## Sales Volume

37.1% increase in sales volume backed by a healthy backlog and growing demand.



## Revenue

Strong demand-driven revenue increased by 40.3% as RCG takes a larger market share.



## Gross Profit per tonne

Steady, with an increase of 5.9% as a result of better mix, pricing and cost efficiencies.



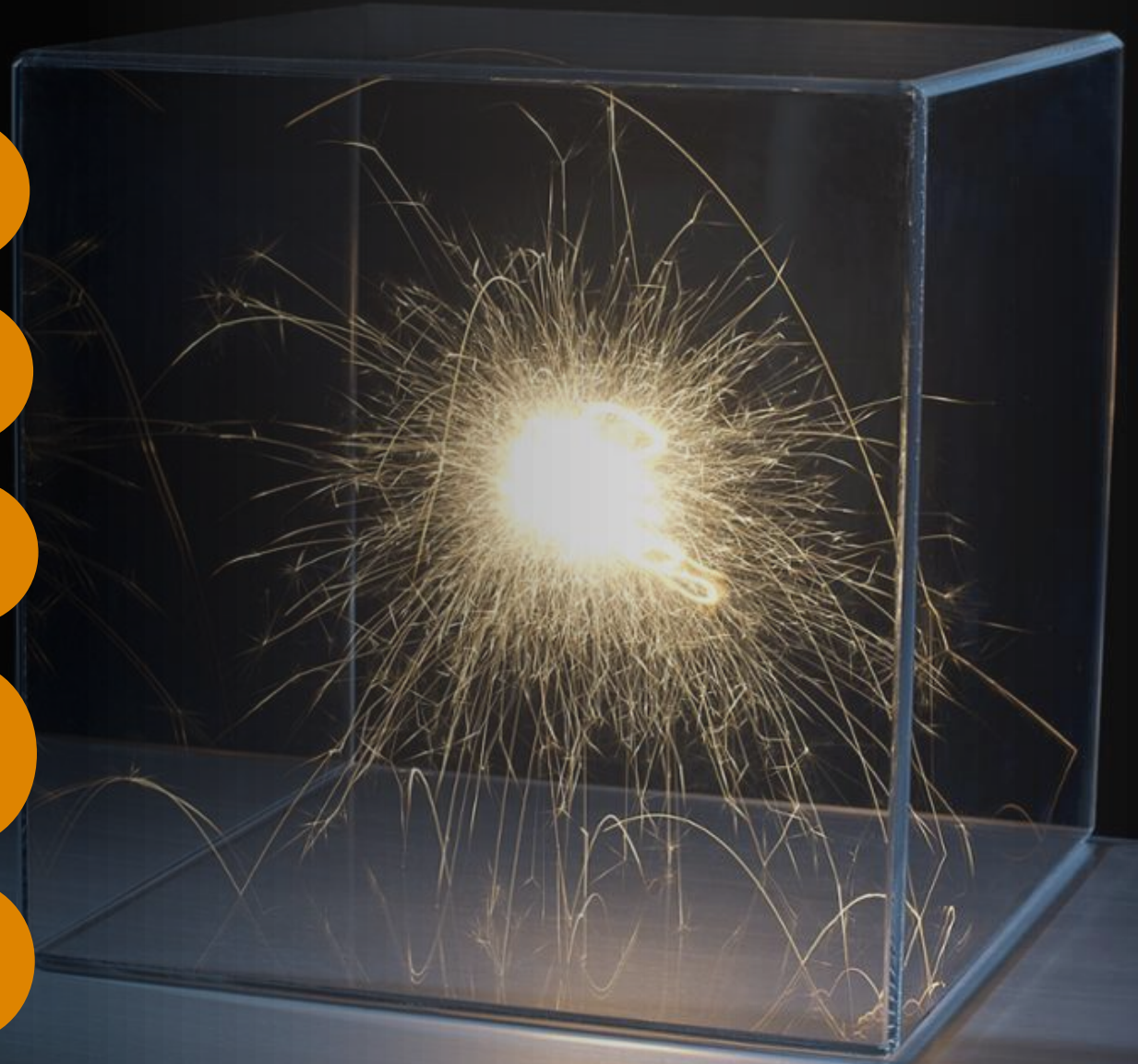
## Net Profit

Increased sharply by 47% backed by stronger operating income driven by higher volumes and firm control on SG&A.



## Free Cash Flow

Recovered to record SAR 222.0 million backed by more efficient working capital management.





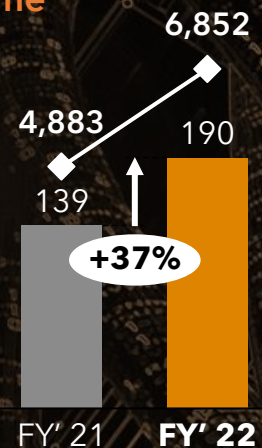
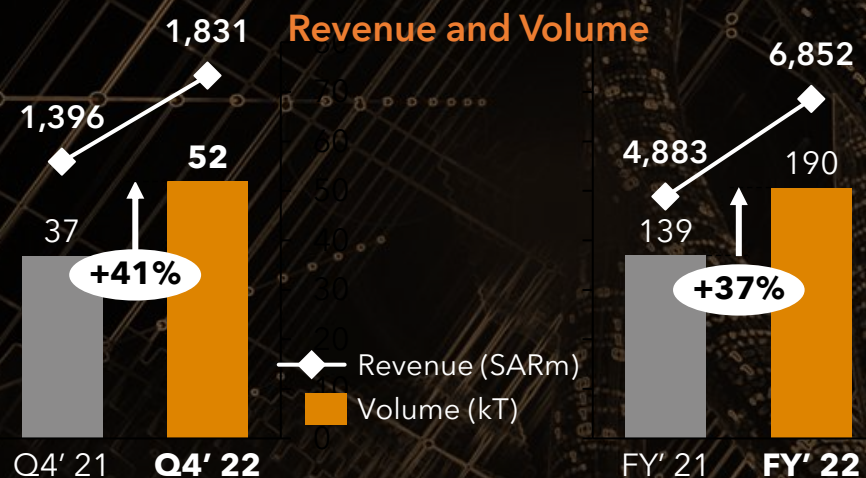


# Financial Review

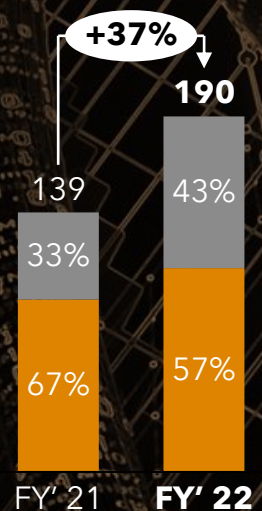
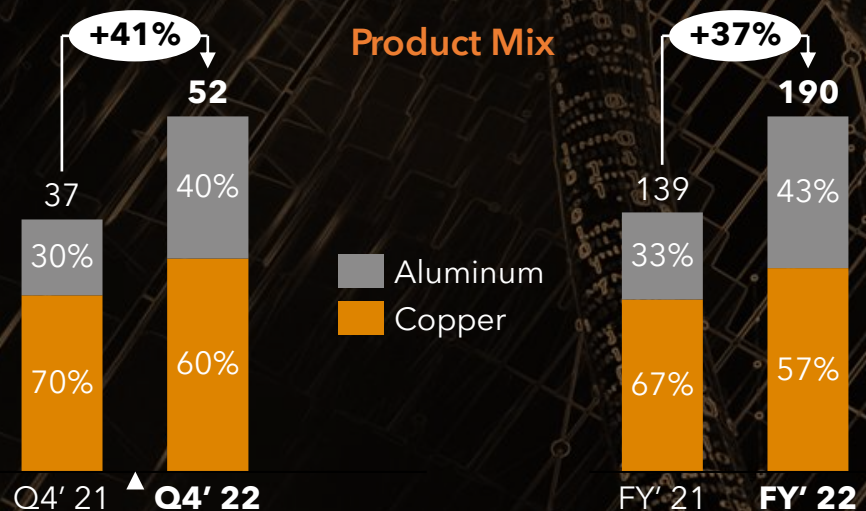
---



# Q4 & FY22 Financial and Operational Performance



- Sales revenues and volumes increased in parallel on strong local and regional demand.
- The introduction of Extra High Voltage (EHV) products boosted market share acquisition.
- RCG is the supplier of choice by Vision 2030 realization contractors due to quality and timeliness of delivery.
- RCG acquires a larger stake of Medium Voltage (MV) and High Voltage (HV) project contracts in Iraq and Kuwait



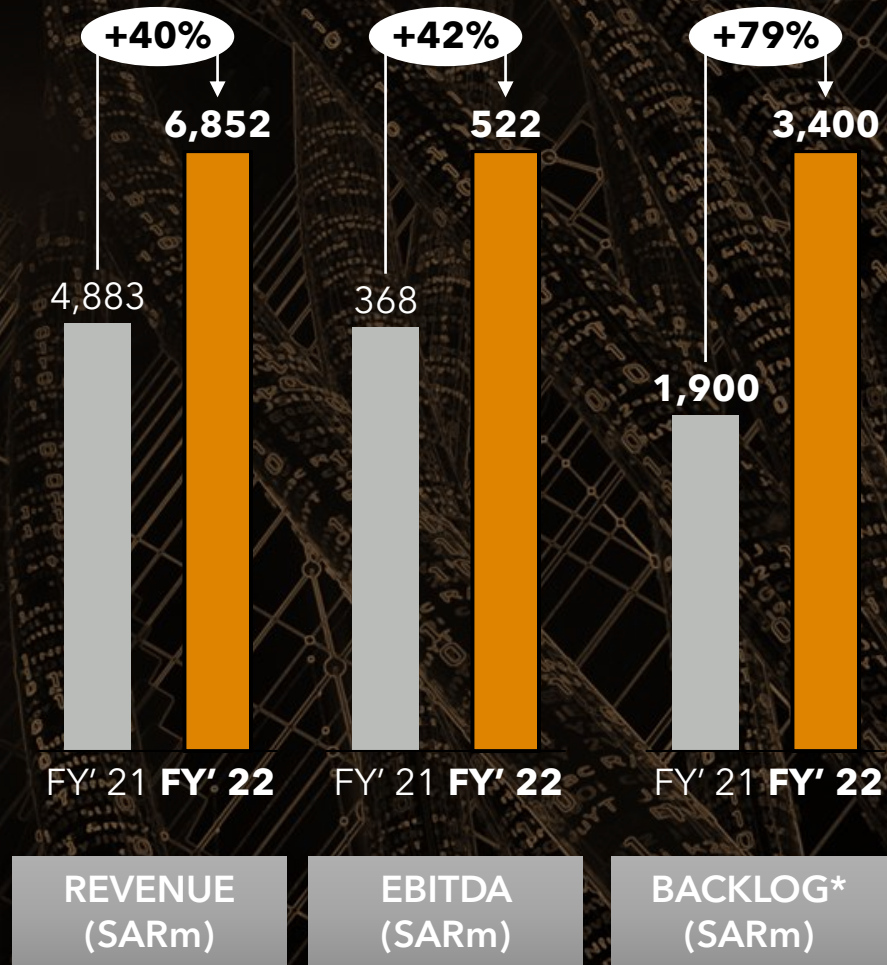
- The share of Aluminum products increased on a QoQ and YoY basis due to heavier demand on Overhead Lines (OHL) products and larger share of local strategic tenders.

# Backlog, profitability, and capacity utilization

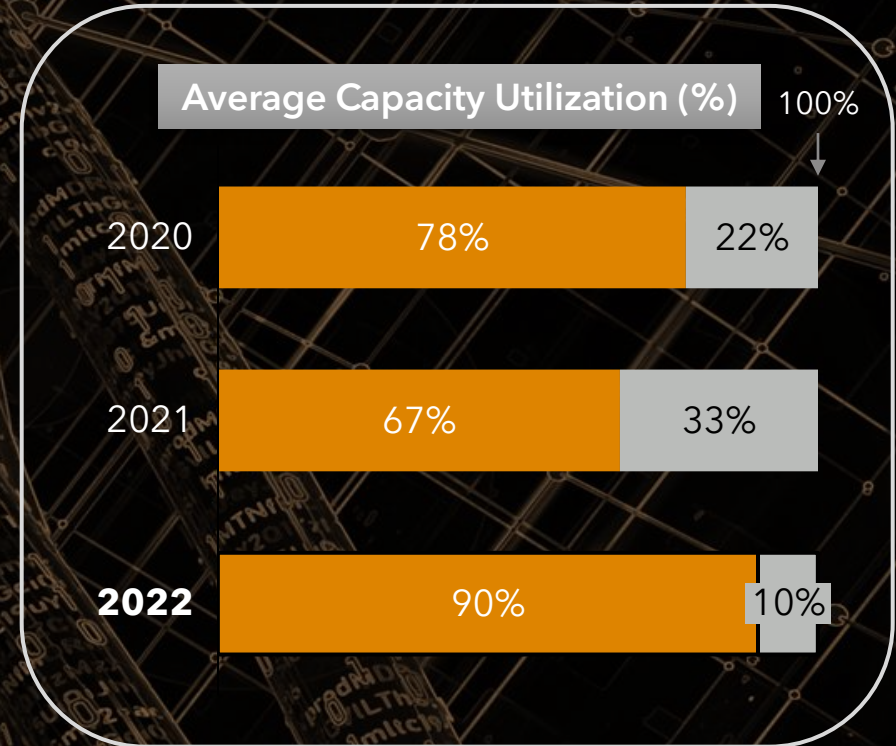
**SAR 3.6 billion**

**Confirmed orders backlog YTD**

- High rate of order confirmation over deliveries in 2022
- Clients continue to place orders as more demands ramps up



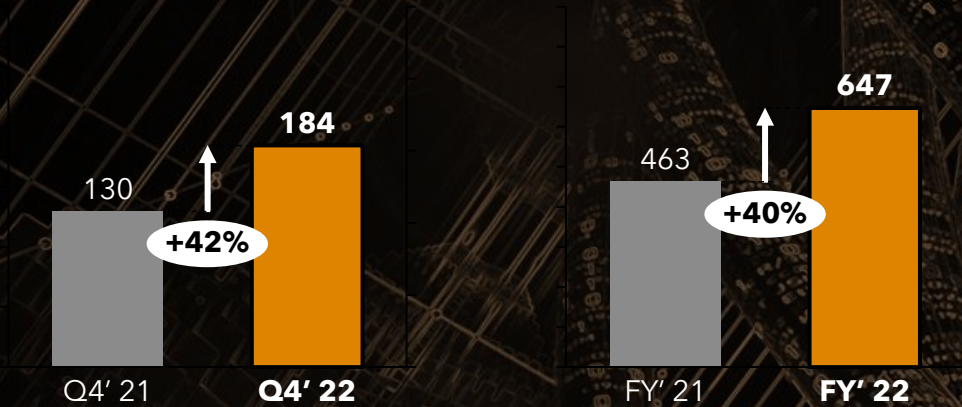
*Strong backlog in 2022 versus 2021 pushing utilization rate to 90%*



\*Confirmed orders

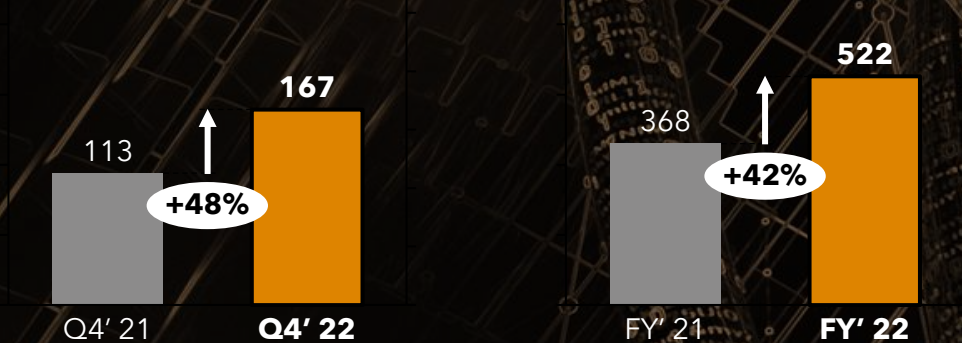
# Gross profit and EBITDA show healthy improvement on higher sales and successful variable / fixed cost management

## Gross Profit



- Quarterly and annual gross profit increased as a result of higher sales volumes, realized efficiencies, and improved mix.
- RCG adopts a vigilant order selection methodology to maximize profitability and streamline order fulfillment and delivery time.

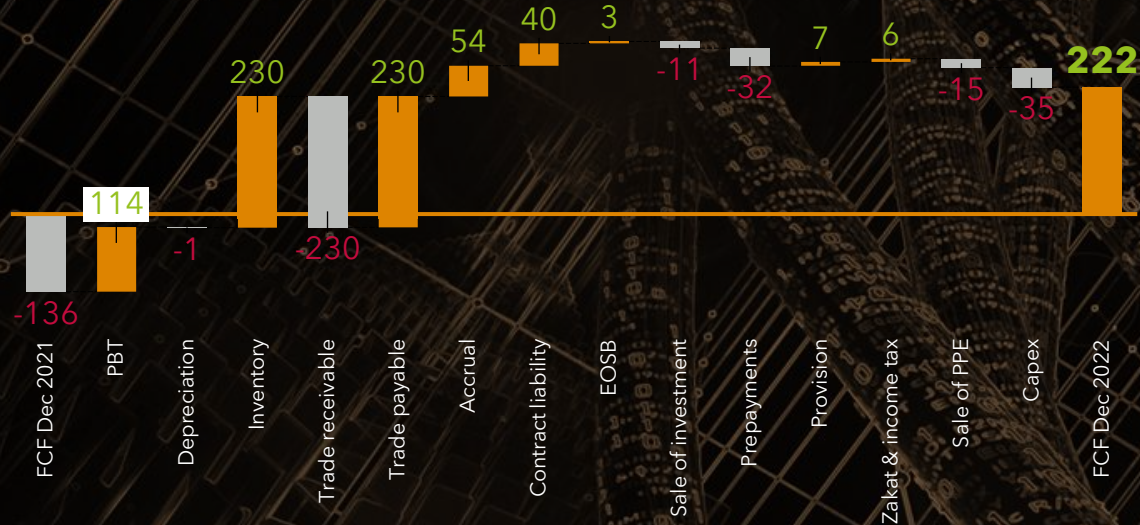
## EBITDA



- EBITDA improvement was attributed to stronger sales revenues and efficient cost control.

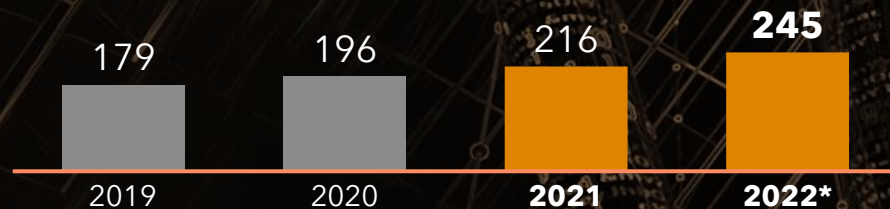
# Strong free cash flow generation and consistent dividend payment

## Free Cash Flow



Prudent working capital management backs strong free cash flow generation, fueling RCG's ability to sustain attractive dividend payouts.

## Dividends Paid (SARm)

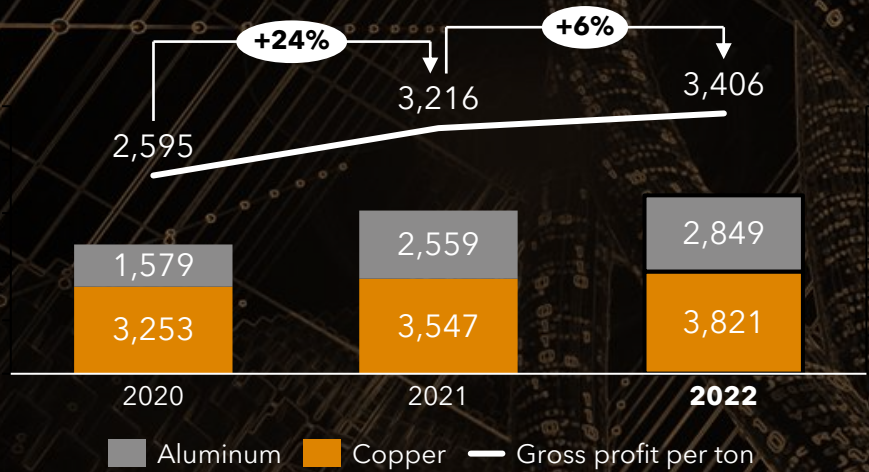


- 2022 proposed dividend payout seen commensurate with previous years
- RCG endeavors to pay consistent dividend to shareholders while fueling its growth strategy at optimal financing cost
- On 12 March 2023, the Board of Directors proposed a cash dividend distribution of SAR 225m, representing SAR 1.50 per share subject to the approval of the General Assembly.

\* SAR 225m proposed by the Board of Directors on 12 MAR 2023. SAR 245m includes SAR 20m interim dividend paid during 2022.

# Hedging and pricing mechanisms neutralize commodity price fluctuations, granting stability to gross profit per tonne

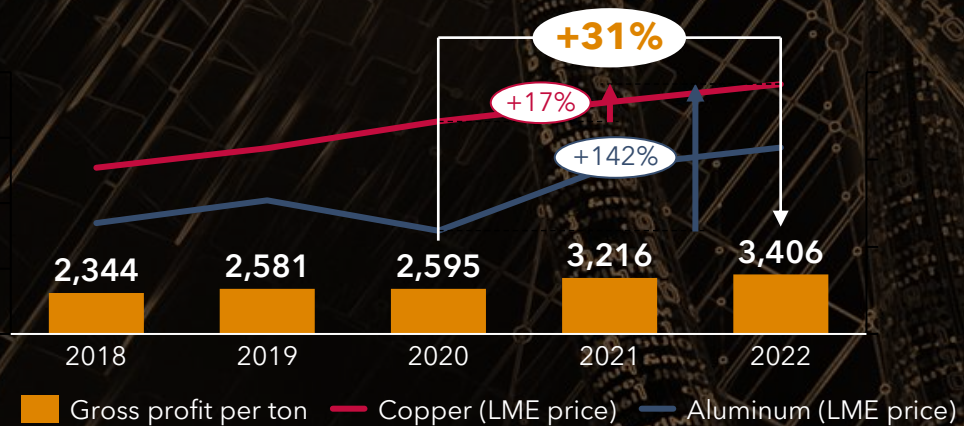
Gross Profit per ton (SAR/tonne)



Main drivers:

- Improved pricing policy on higher demand
- Higher demand on High Voltage (HV) products
- Higher demand on Aluminum-based products

Steady profitability despite volatile commodity prices



Commodity price fluctuations have no impact on profitability due to:

- Unique hedging mechanism
- Vigilant order selection
- Strong markup strategy



# Business Strategy & Market Update

---



# RCG Strategy: Drive Growth and Performance



## Deepen And Expand Geographical Footprint

Leadership in each target market

1. Strengthen leadership in KSA
2. Increase sales across rest of GCC
3. Become a leader in the Iraq
4. Increase exports to other markets with the global shortage in cables



## Products And Services Innovation

Complete cables solutions

1. "Cable solutions provider"
2. Wide range of existing products and services such as "turn-key"
3. In-house technical capability means several new products under launch and development



## Cost Leadership

Focus on cost and efficiency

1. Strong focus on manufacturing cost and overheads
2. Efficiencies through procurement, product design, managing wastage and manufacturing process variability
3. Overheads and working capital management



## Organisation

People and processes

1. Governance structures to support growth in a sustainable manner
2. Performance management infrastructure
3. ERP integration
4. Refreshing talent
5. Succession planning



## Environment, Social And Governance Focus

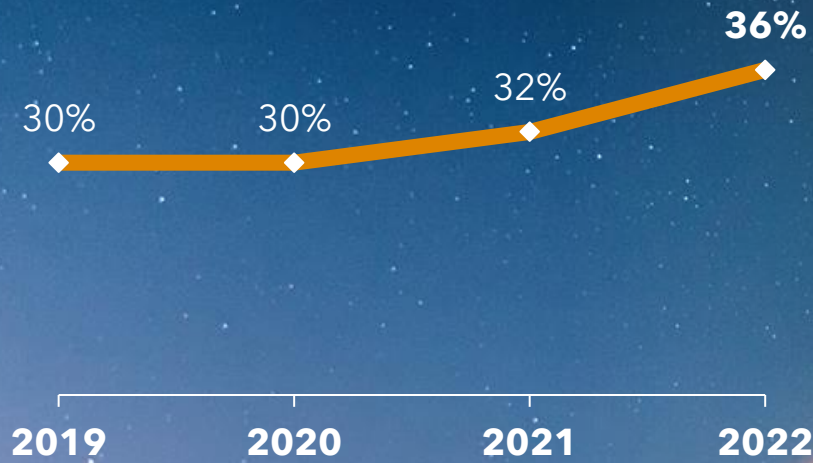
Responsible corporate culture

1. Reduce carbon foot print
2. Recycling of materials used in cable manufacturing
3. Reduce pollutants (such as lead)



# Clear market leader in the region and amongst the largest global players

## KSA Market Share



## RCGC Sector Leadership

1

Almost 2X capacity as closest regional competitor

2

Comprehensive product range

3

Technical leadership

4

Localisation advantage (high score from local content)

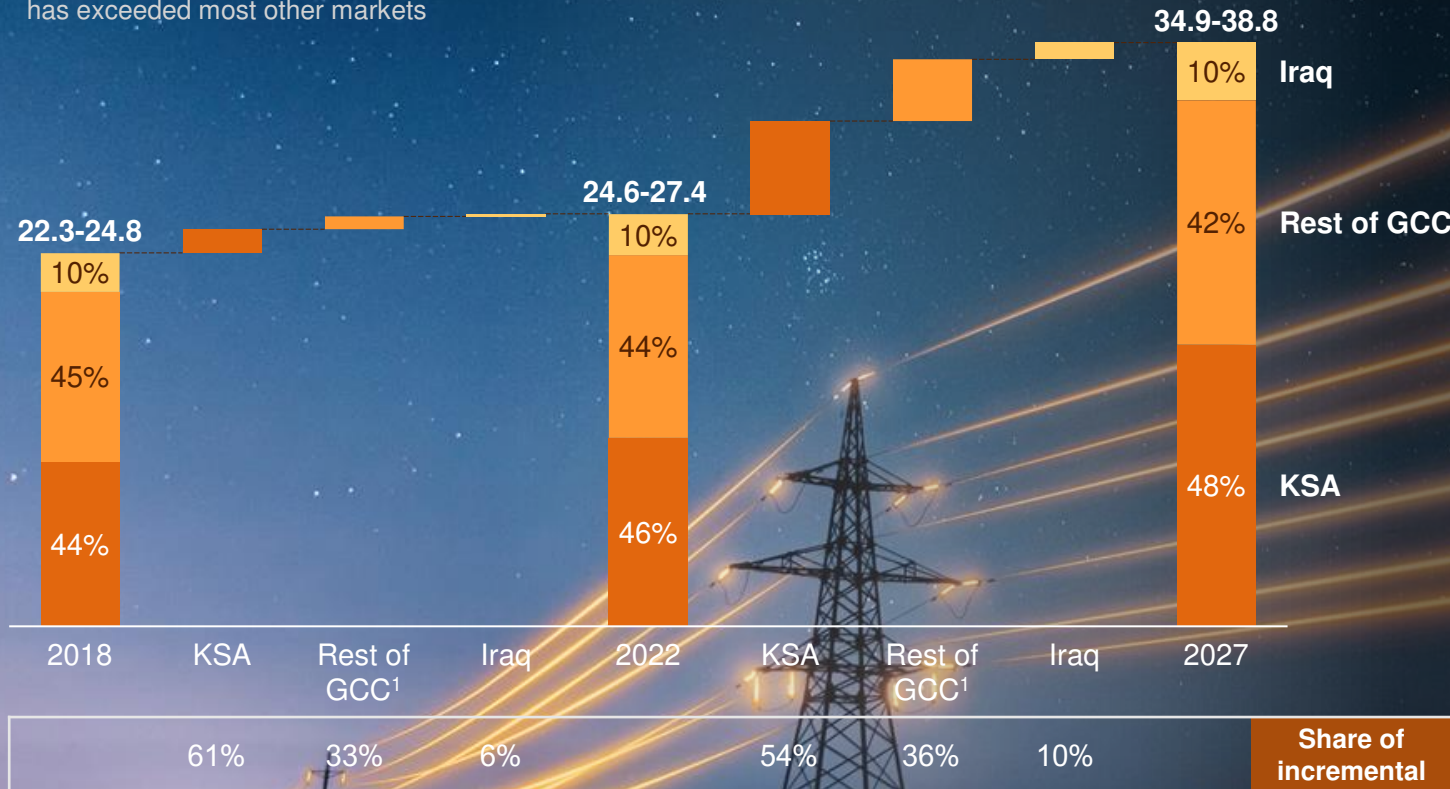
5

Strong financial position

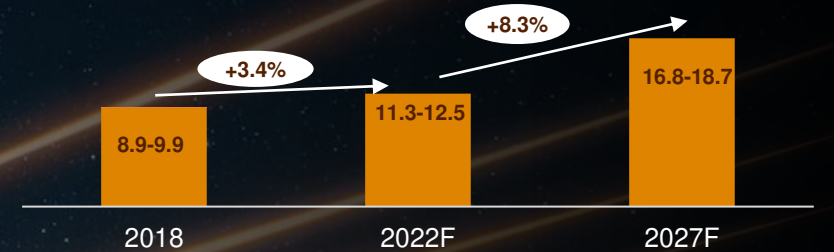
# Overall Demand in Target Markets Displays Attractive Growth Lead by KSA

## Wires and power cables market size in KSA, rest of GCC<sup>1</sup> and Iraq 2018 - 2027F (in SAR Billion)

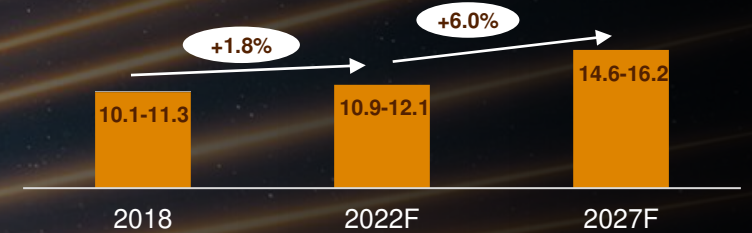
MENA region historic and forecast demand growth has exceeded most other markets



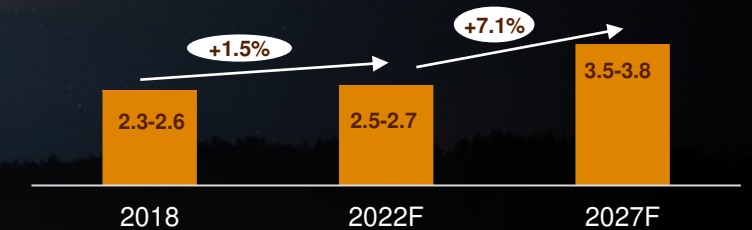
### KSA Demand – SAR billion



### Rest Of GCC – Demand SAR billion



### Iraq – Demand SAR billion



1) GCC countries excluding KSA  
Source: Arthur D. Little analysis

# Strong manufacturing and wide distribution network enables capturing increasing demand



**KSA**   

- Manufacturing of wide range of products
- Selling & distribution offices, wholesale branches

**UAE**   

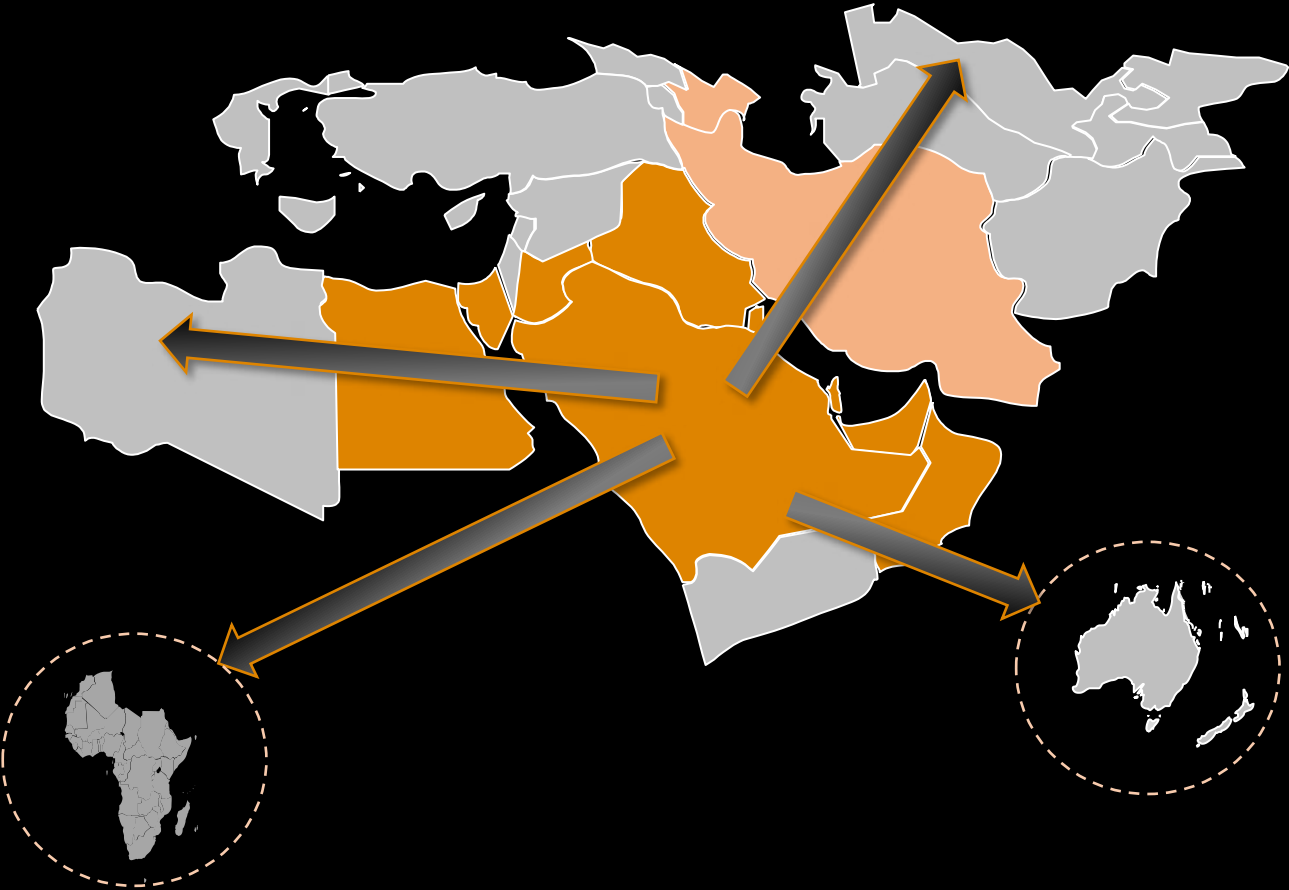
- Manufacturing LV, MV and HV products
- Sales & distribution offices

**IRQ**   

- Manufacturing facility for LV and MV <sup>1</sup>
- Sales & distribution office

**KWT**   

- Joint venture for manufacturing HV <sup>2</sup>
- Sales & distribution offices



**QAT**  

Sales & distribution office

**JOR**  

Sales & distribution office

**BHR**  

Sales & distribution office

**OMN**  

Sales & distribution office

**EGY**  

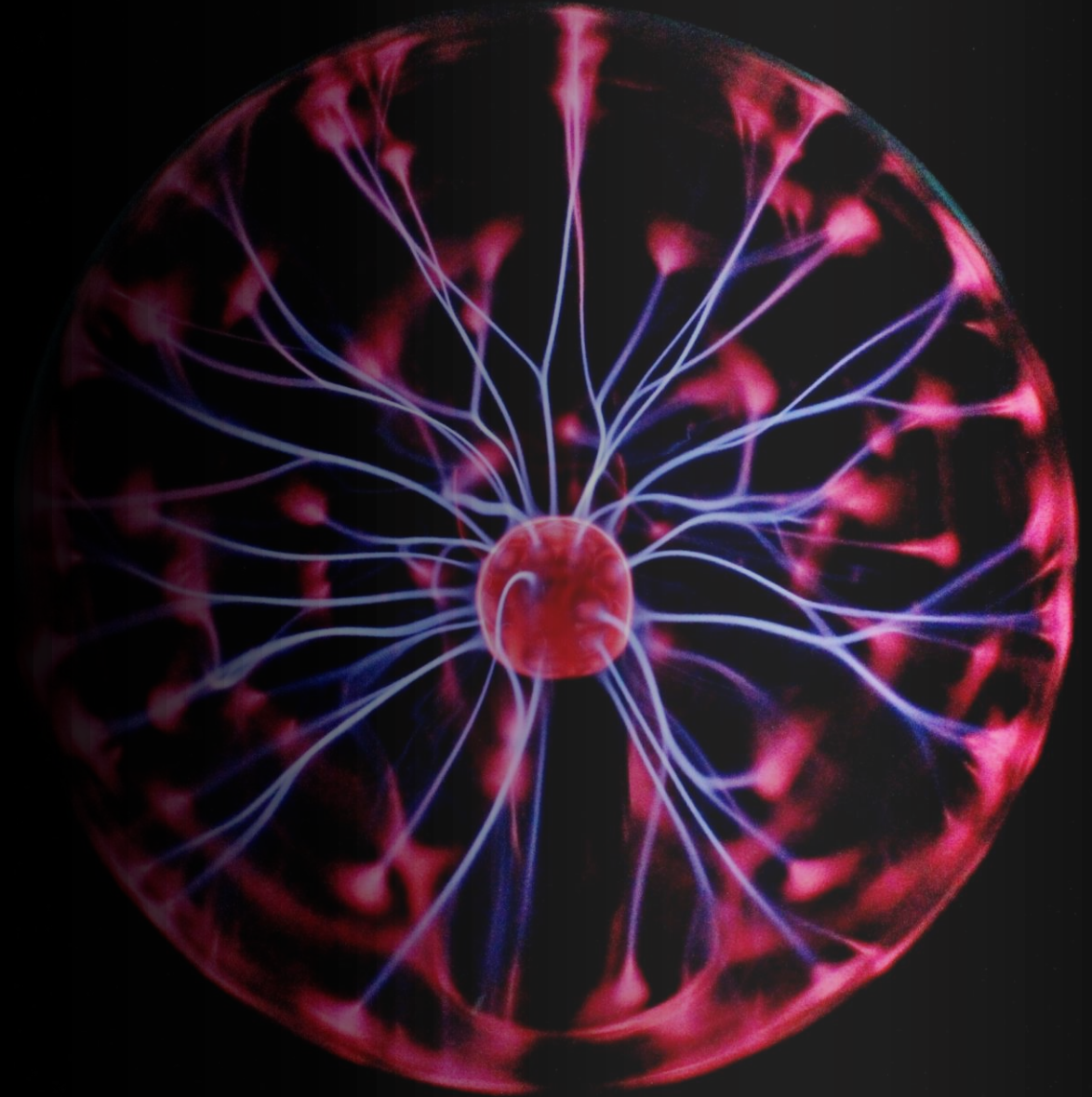
Sales & distribution office

1) Only MV producer in Iraq  
2) Operations from 2024



# The Way Forward

---



# Management Outlook

## 2023 TARGETS & GUIDANCE

|                           |                               |
|---------------------------|-------------------------------|
| SAR 200+ million<br>CAPEX | 15-25% increase<br>Net Profit |
| DIVIDENDS                 |                               |



Backlog



Macro trends



Product portfolio



Capacity

Management outlook reflects expectations that may happen in the future. These expectations are subject to risks, uncertainties and other factors, many of which are not under RCG's control. Actual results may differ materially from the what is expressed or implied in this section. RCG undertakes no obligation to revise any forward-looking statement to reflect changes to its expectations or any change in circumstances, events, strategy or plans.

# Key Focus Areas

## Geographical

- Maintain market leadership in KSA
- Grow market share in the region
- More geographical emphasis on high potential countries (Kuwait)

## Operational

- Increase production capacity of high turnover products
- Invest in R&D to develop products matching market trends and demand dynamics
- Develop the ability to produce imported products locally
- Align RCG with Industry 4.0 and apply further efficiency enhancement measures

## Financial

- Strong FCF generation ability
- Long-term supply agreements secure a steady cash flow and enhance receivables
- Strong management of payables commensurate with NWC needs
- Loan diversification to match the significant increase in CAPEX requirements

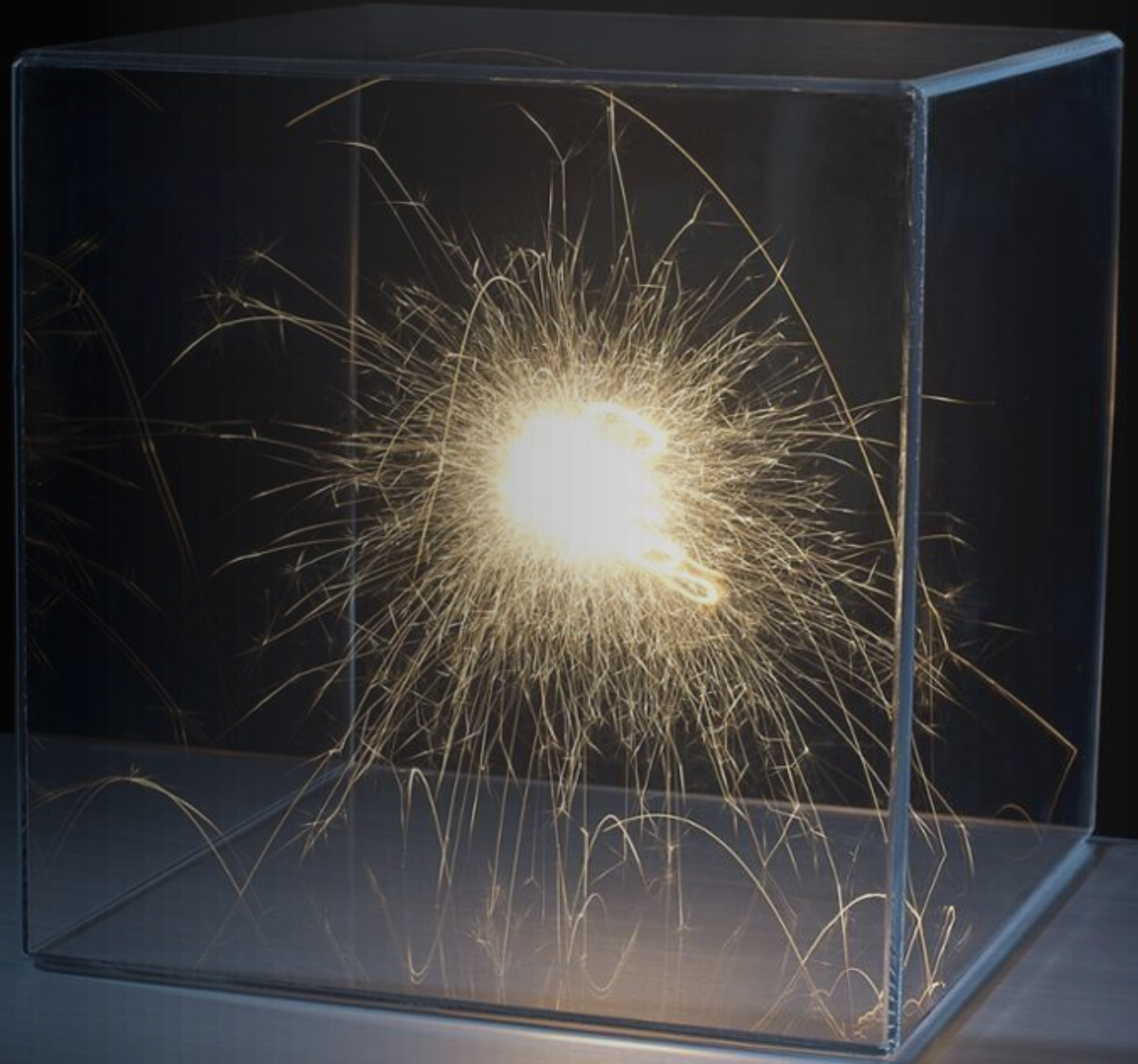
## Environmental

- CO2 / Carbon footprint reduction
- Plans to implement energy-preservation technologies
- Enhancing circular economy is at core
- Strong focus on talent development and localization through training and development programs



# Q & A

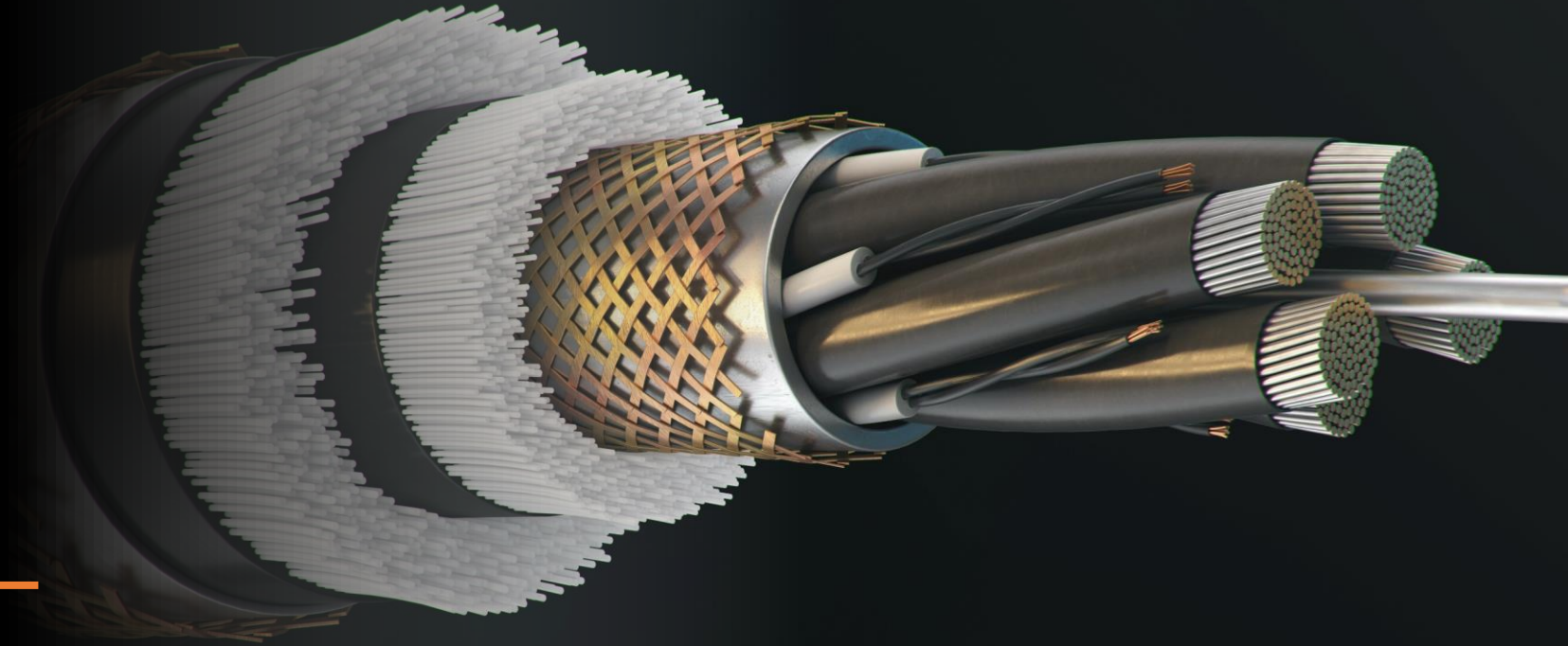
---





# Appendix

---





# Summarized income statement - quarterly (SARm)

3-months ending 31 December 2022



|                                 | Q4' 21         | Q4' 22         | Var.         | Var. %     |
|---------------------------------|----------------|----------------|--------------|------------|
| <b>Revenue*</b>                 | <b>1,396.2</b> | <b>1,830.7</b> | <b>434.6</b> | <b>31%</b> |
| Direct costs*                   | -1,266.6       | -1,646.3       | -379.7       | 30%        |
| <b>Gross profit</b>             | <b>129.6</b>   | <b>184.4</b>   | <b>54.9</b>  | <b>42%</b> |
| Operating expenses              | -28.6          | -40.0          | -11.4        | 40%        |
| <b>Operating profit</b>         | <b>101.0</b>   | <b>144.4</b>   | <b>43.5</b>  | <b>43%</b> |
| Investment income               | -0             | 0.0            | 0.0          |            |
| Finance charges                 | -8.5           | -28.1          | -19.6        | 229%       |
| Other income / expenses & Zakat | -7.5           | -10.0          | -2.5         | 33%        |
| <b>Group net income</b>         | <b>84.9</b>    | <b>106.3</b>   | <b>21.4</b>  | <b>25%</b> |
| Minority interest               | 0.3            | -0.4           | -0.7         | -266%      |
| <b>Net income - reported</b>    | <b>85.1</b>    | <b>105.9</b>   | <b>20.8</b>  | <b>24%</b> |

# Summarized income statement - interim (SARm)

12-months ending 31 December 2022



|                                 | FY' 21         | FY' 22         | Var.           | Var. %     |
|---------------------------------|----------------|----------------|----------------|------------|
| <b>Revenue*</b>                 | <b>4,883.4</b> | <b>6,852.3</b> | <b>1,968.9</b> | <b>40%</b> |
| Direct costs*                   | -4,420.4       | -6,205.2       | -1,784.8       | 40%        |
| <b>Gross profit</b>             | <b>463.1</b>   | <b>647.1</b>   | <b>184.0</b>   | <b>40%</b> |
| Operating Expenses              | -159.9         | -189.4         | -29.4          | 18%        |
| <b>Operating profit</b>         | <b>303.2</b>   | <b>457.7</b>   | <b>154.6</b>   | <b>51%</b> |
| Investment income               |                |                | 0.0            |            |
| Finance charges                 | -31.8          | -72.8          | -41.0          | 129%       |
| Other income / expenses & Zakat | -31.5          | -32.6          | -1.1           | 3%         |
| <b>Group net income</b>         | <b>239.8</b>   | <b>352.3</b>   | <b>112.5</b>   | <b>47%</b> |
| Minority interest               | 0.2            | -0.5           | -0.6           | -378%      |
| <b>Net income - reported</b>    | <b>240.0</b>   | <b>351.9</b>   | <b>111.9</b>   | <b>47%</b> |

# Condensed balance sheet (SARm)

12-months ending 31 December 2022



|                                        | Dec-21         | Dec-22         |
|----------------------------------------|----------------|----------------|
| Fixed Assets                           | 1,222.0        | 1,187.7        |
| Investments                            | 49.9           | 90.2           |
| Other Long Term Assets                 | 10.8           | 13.2           |
| Current Assets                         | 2,669.9        | 3,332.8        |
| <b>Total Assets</b>                    | <b>3,952.7</b> | <b>4,623.9</b> |
| Borrowings                             | 1,324.2        | 1,468.0        |
| Long Term Liabilities                  | 116.5          | 122.7          |
| Current Liabilities (excl. borrowings) | 476.0          | 912.6          |
| <b>Total Liabilities</b>               | <b>1,916.6</b> | <b>2,503.3</b> |
| Equity                                 | 2,036.1        | 2,120.5        |
| <b>Total Equity &amp; Liabilities</b>  | <b>3,952.7</b> | <b>4,623.9</b> |

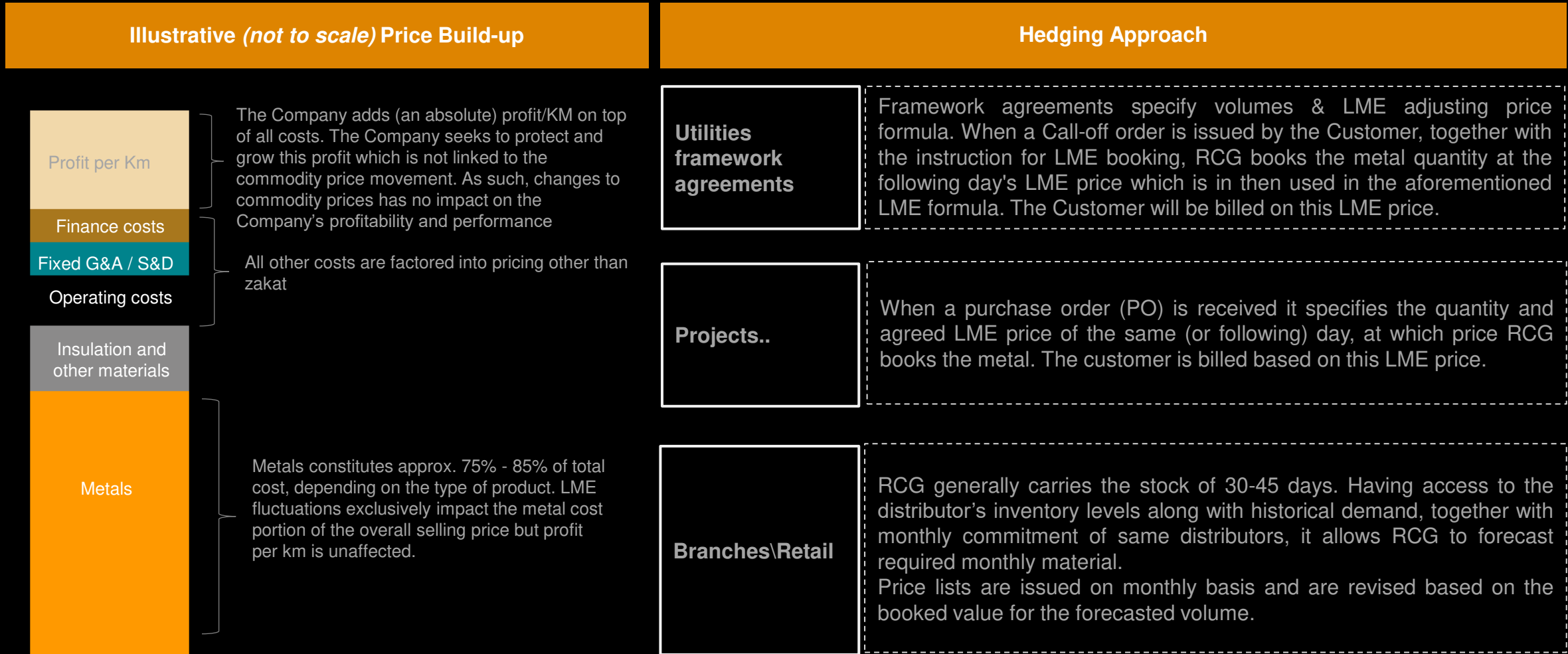
# Condensed cash flow statement (SARm)

12-months ending 31 December 2022



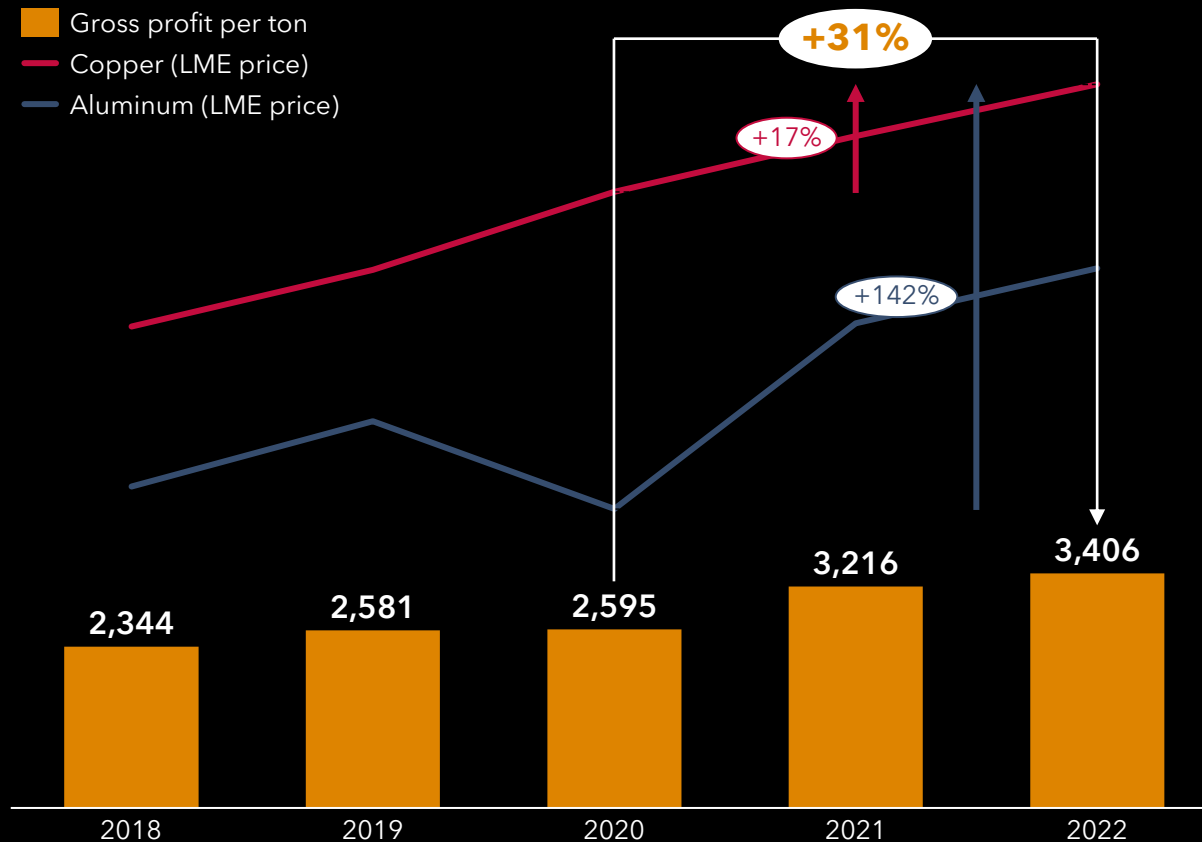
|                                                    | Dec-21        | Dec-22       |
|----------------------------------------------------|---------------|--------------|
| Operating cash flow before working capital         | 345.1         | 481.8        |
| Net working capital movement                       | -629.3        | -276.6       |
| Cash generated from operating activities           | -284.2        | 205.2        |
| Finance charges, Zakat & income tax, EOSB          | -16.1         | -20.4        |
| <b>Net cash flow from operating activities</b>     | <b>-300.3</b> | <b>184.8</b> |
| Investment in short term deposits                  |               |              |
| Net Proceeds from Sale of Investment               | 20.2          | 13.9         |
| <b>Net cash used in Other Investing activities</b> | <b>-58.7</b>  | <b>-51.1</b> |
| <b>Net cash used in financing activities</b>       | <b>405.1</b>  | <b>-93.9</b> |
| Net decrease in cash and bank balances             | 66.3          | 56.8         |
| Cash at the beginning of the period                | 50.4          | 50.4         |
| <b>Cash at the end of the period</b>               | <b>116.7</b>  | <b>107.1</b> |

# Our product pricing and hedging approach protects margins



# Profit protection approach

## Profits Have Remained Steady Despite Volatile Commodity Prices



## Profit Protection Approach

**Steady Improvements in Net Income**

- Despite volatile commodity price movements over the past 3 years, RCG's Net Income has continued to post steady improvements
- Between 2019 to 2022TD, LME Copper prices have ranged between SAR 20K-38K per ton and currently hover near SAR 29K per ton level
- Similarly, LME Aluminum prices have also ranged between SAR 5K-13K per ton and as at 14 October 2022 stood at ~9K per ton

**Cost plus formula shields revenues**

- Despite high volatility in metal prices, RCG's Net Income is expected to grow from SAR 197Mn in 2019 to SAR 340Mn in 2022
- ASP of Copper linked products has consistently increased from SAR 30,500/ton in 2019 to 47,000/ton in 2022F
- Aluminum ASP also improved gradually from SAR 14,700/ton to 22,900/ton in 2022F

**Ability to pass on prices to consumers**

- The company has the ability to pass on increases in key raw materials i.e. Copper and Aluminum which is evident from consistent increases in Average Selling Prices (ASPs) of Copper and Aluminum products



---

Riyadh Cables Group