



## GB Auto adopts additional measures to ensure financial strength amid COVID-19 crisis

6 April, 2020

In addition to recent measures adopted to protect its customers and employees from the growing threat of the global COVID-19 pandemic, GB Auto announced today that it has set on an immediate course of action meant to secure the business' financial strength during the current crisis, as well as leave it well-positioned for the eventual economic rebound.

This comes as current market conditions impact company operations across the board:

**During the last week of March at Auto & Auto Related, both local and regional sales were affected by the slowdown**, with vehicle sales in Egypt witnessing a drop as a result of the temporary suspension of licensing and registration procedures. Trading and after-sales services also felt the slowdown in demand as consumers moved to cut back on non-essential expenses. On the regional front, Iraqi PC operations were hit by the ongoing nationwide lockdown and curfew, as well as restrictions on air travel while 2&3 Wheelers business showed a high level of resilience.

Regarding **GB Capital**: after recent regulations from the Financial Regulatory Authority (FRA) and Central Bank of Egypt (CBE) allowing debtors an extension of up to six months on loan repayments to banks and other financial institutions. Activities were affected as follows:

- **GB Lease**: Regarding our leasing operations, approximately 31% of our customers have asked for extensions on their dues, however, the company will be managing its repayments to the banks through extension of dues without any additional costs. This is expected to reflect positively on the cash flow statement and have no impact on the income statement. Portfolio growth is expected to continue with the demand increasing from the private sector, however we will be taking a cautious approach while booking to minimize the risk and keep the portfolio's health at the current level.
- **Drive**: Approximately 25% of consumers are asking for extension, it is worth noting that this extension of 6-months will enhance the company's profitability. Additionally, collections remain on track while applications and bookings are still coming in, especially that consumers are allowed to receive their cars as long as they are being financed through an FRA regulated financial institution. Such an exception is giving an edge to Drive compared to the rest of the market.
- **Mashroey and Tasaheel**: Our two micro financing businesses have not been affected with the current situation, both companies have witnessed a minimal amount of request for extensions with collections remaining at the same level. New bookings are still healthy and portfolio is on growth trajectory.



In an effort to deliver sustainable cash flow generation, GB Auto is leveraging its full range of financial and operational capabilities amid these challenging market conditions. This includes a focus on maintaining safe and reliable operations, as well as actively working to reduce spent capital and operating expenses. The Group has already taken several steps in that direction which will be reflected on our financials starting 2Q20:

- **Working Capital:** Increase working capital focus to ensure it is as lean as possible, while maintaining an inventory volume that is both appropriate to the current times and for demand recovery.
- **Capex freeze:** Management has decided to freeze all A&AR capex plans for the remainder of 2020, freeing only the minimum required maintenance capex.
- **Operational costs:** The Company has embarked on an aggressive cost cutting program with full implementation in April.

“This immediate response from GB Auto is once again proof that we can react to challenges and have always managed to emerge both stronger and wiser, which is why I have complete faith that this temporary phase is nothing more than a hurdle along the way.” said Group Chairman and CEO Dr. Raouf Ghabbour.

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### **About GB Auto S.A.E.**

GB Auto S.A.E. (AUTO.CA on the Egyptian Exchange) is a leading automotive company in the Middle East and non-bank financial services provider in Egypt. Across six primary lines of business — Passenger Cars, Motorcycles & Three-Wheelers, Commercial Vehicles & Construction Equipment, Tires, After-Sales, and Iraqi operations — 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, Chery, Bajaj, Marcopolo, Iveco, Volvo Truck & Bus, Volvo Construction Equipment, Mitsubishi Fuso, YTO, Karry, SDLG, Sinotruk, Aksa, Lassa, Yokohama, Pirelli, Westlake, Double Coin, Doublestar, Verde, Techking, and Gazpromneft. GB Auto has operations in Egypt and Iraq. The Company's NBFS' segment branded GB Capital offers leasing, consumer finance, microfinance, fleet quasi-operational leasing, factoring, securitization and Mortgage finance under the following brands - GB Lease, Mashroey, Drive, Tasaheel, Haram, GB Capital for Securitization and Bedaya. The company is headquartered in Giza, Greater Cairo Area, Egypt.

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