

Centralisation proposal for furniture entities

September 2020



EASA SALEH AL GURG GROUP



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Objective



Objective

A shared service concept for Interiors, C&M, OFIS and AGL covering:

-  Supply Chain management (procurement, warehouse & logistics)
 -  Finance & Accounts
 -  Admin (where possible)
-

Potential benefits of shared service concept

-  Leaner manpower requirement
-  Part of ESAG's Digital & Automation Strategy
-  Potential cost savings opportunities from cost structure of AED 8.8m
-  Improvement in process efficiency through implementation of best practices, governance and controls

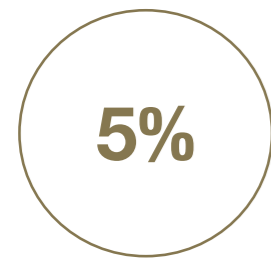
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Target Savings for Overall Project

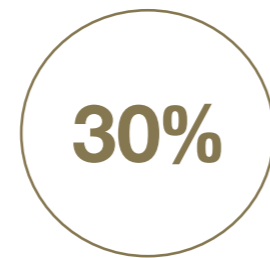


Cost Saving Potential

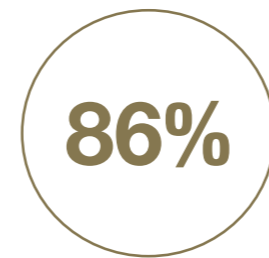
Potential cost savings of AED 4 million represents:



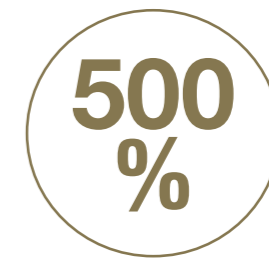
2020 profit budget for
ESAG Group entities



2020 profit budget of
ESAG Furniture entities



August 2020 profit forecast
of ESAG Furniture entities



June 2020
profit
forecast of
ESAG
Furniture
entities

Overall
Impact



Group Net Profit achievement for FY 2020 can be **potentially increased by 7%**

Consolidated	Interiors/East & West	Chattels & More	OFIS	AGL	Total
Annual Cost (AS IS)					
Back Office (Finance & Supply Chain)	1,145,870	784,891	835,967	97,600	2,864,328
Warehouse & Logistics	3,017,786	1,741,308	1,014,202	80,880	5,908,176
Fleet & Drivers	512,481	986,230	655,217	-	2,153,928
Total	4,730,137	3,512,429	2,505,386	178,480	10,926,423
Annual Cost (TO BE)					
Back Office (Finance & Supply Chain)	687,239	368,898	439,028	56,860	1,552,024
Warehouse & Logistics	1,639,481	1,116,229	749,883	80,800	3,586,437
Fleet & Drivers	409,985	788,984	524,174	-	1,723,142
Total	2,736,704	2,274,111	1,713,084	137,740	6,861,639
Savings					
Back Office (Finance & Supply Chain)	458,631	415,993	396,939	40,740	1,312,304
Percentage of Back Office Cost	40%	53%	47%	42%	46%
Warehouse & Logistics	1,432,305	625,079	264,319	-	2,321,703
Percentage of Warehouse & Logistics	47%	36%	26%	-	39%
Fleet & Drivers	102,496	197,246	131,046	-	430,786
Percentage of Fleet & Drivers	20%	20%	20%	-	4%
Total Annual Savings	1,993,433	1,238,318	792,302	40,740	4,064,793
Percentage of Current Cost	42%	35%	32%	23%	37%
4 Year Average Net Profit/Loss	7,813,250	(2,228,500)	(3,611,500)	321,750	-
Percentage of 4 Year Avg. Net Profit	26%	-56%	-22%	13%	-

Description	Interiors/East & West	Chattels & More	OFIS	AGL	Total
Finance & Accounts [Annual Cost (AS IS)]					
Employee Cost	813,086	549,329	735,246	57,600	2,155,261
Supply Chain [Annual Cost (AS IS)]					
Employee Cost	332,784	235,562	100,721	40,000	709,067
Warehouse - Employee and Rent [Annual Cost (AS IS)]					
Warehouse Space Area	42,480	29,217	19,628	2,550	93,875
Warehouse Space Area (percentage proportion)	45	31	21	3	-
Warehouse Rent - AED (A)	1,274,460	876,480	588,720	80,880	2,820,540
Warehouse Employee Count	34	34	12	-	80
Warehouse Employee Cost (B)	1,797,326	864,828	425,482	-	3,087,636
Total Cost : A+B	3,071,786	1,741,308	1,014,202	80,880	5,908,176
Total Cost : AS IS	4,217,656	2,526,199	1,850,169	178,480	8,772,504

Note : Fleet and Driver AS – IS analysis and potential saving opportunity is excluded, which is further explained on slides 6 & 7

Fleet & Drivers Summary

Fuel & Driver Cost - FY2019	OFIS	Interiors	C&M	Total	Vehicles	OFIS	Interiors	C&M	Total
Fuel	94,961	223,630	146,468	465,058	Number of Vehicles	6	13	10	29
Salik	20,853	13,875	20,222	54,950	Number of Drivers	5	9	7	21
Parking	21,287	673	1,572	23,531	Running Cost per Vehicle	31,520	30,076	32,792	31,311
Registration	5,633	19,805	20,532	45,970	Depreciation Cost per Vehicle	16,689	8,794	2,983	8,424
Insurance	13,245	24,721	17,690	55,656	Total Running Cost per Vehicle	48,209	38,870	35,774	39,735
Vehicle Tracking Subscription	3,300	8,580	6,600	18,480	Driver Cost per Head	44,645	53,436	42,496	47,696
Vehicle Repair & Maintenance	29,842	99,703	114,832	244,377	Total Fleet + Driver Cost per Vehicle per Head	92,854	92,306	78,270	87,431
Vehicle Running Cost	189,121	390,986	327,916	908,023					
Depreciation	100,135	114,320	29,829	244,284					
Fleet Cost	289,256	505,306	357,745	1,152,307					
Drivers Cost	223,225	480,924	297,472	1,001,621					
Total Cost : AS IS	512,481	986,230	655,217	2,153,928					

Savings - Fleet & Drivers

Savings	OFIS	Interiors	C&M	Total
Percentage Saving Potential	20%	20%	20%	-
Total Vehicle Running Cost	57,851	101,061	71,549	230,461
Total Driver Cost	44,645	96,185	59,494	200,234
Total Savings	102,496	197,246	131,043	430,786

A photograph of four hands in business suits, arranged in a circle with fingers pointing towards the center. The image is dimly lit and serves as a background for the text.

3

Supply Chain

Supply Chain Function

Back Office/Order Execution only



Category	Employees	Cost/annum (AED)
Procurement Executives	4	0.42 million
Logistics Executives	2	0.25 million
Total Cost	6	0.67 million

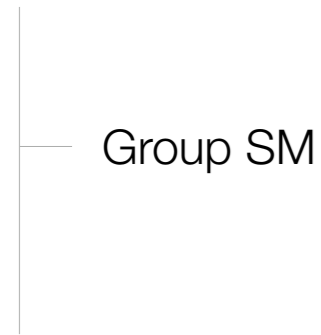


Sourcing requirements are defined and approved by each entity GM and Division Head, hence decision making will continue to stay with the entity management.

Centralised Supply Chain Function

Back Office/Order Execution only

Group CFO



Furniture Group
(Interiors/E&W, C&M,
OFIS, AGL)

Procurement Function
Procurement Manager

Logistics Function
Logistics Executive (2)

Employees (AS IS)

Category	Employees	Cost/annum (AED)
Procurement Executives	4	0.45 million
Logistics Executives	2	0.25 million
Total Cost	6	0.70 million

Employees (TO BE)

Category	Employees	Cost/annum (AED)
Procurement Managers	1	0.17 million
Logistics Executives	2	0.19 million
Total Cost	3	0.36 million



The supply chain team members will be equipped with skills to manage both sub functions (procurement & logistics), however their focus area would be the sub function they have been assigned.

Supply Chain

Back Office Shared Services Expected Savings

Back Office Shared Services	Interiors/East & West	Chattels & More	OFIS	AGL	Total
Annual Cost (AS IS)					
Employee Cost	332,784	235,562	100,721	40,000	709,067
Annual Cost (TO BE)					
Non Principal (OPEX + CAPEX) PO Count (2019)	3,035	883	289	260	4,467
Percentage Charge Out (Based on Annual PO Count)	68%	20%	20%	6%	-
Employee Cost	248,098	72,181	23,625	21,254	365,158
Estimated Annual Savings (AED)	84,686	163,381	77,096	18,746	343,909
Annual Savings - Percentage of Current Employee Cost	25%	69%	77%	47%	49%

A large warehouse interior with high industrial shelving units filled with cardboard boxes. The shelving units are made of dark metal and have multiple levels. The boxes are stacked neatly on each level. The lighting is dim, creating a professional and organized atmosphere.

4

Warehouse & Logistics

Warehouse Organisation Structure - As Is

Entity GM	Interiors/E&W (25)	Warehouse Manager (1)	Warehouse Assistant (2)	Store Keeper (5)	Loaders/Helpers (16)	Forklift Driver (1)
Entity GM	C&M (27)	Warehouse Manager (1)	Store Keeper (3)	Loaders/Helpers (23)		
Entity GM	OFIS (7)	Warehouse Manager (1)	Store Keeper (2)	Loaders/Helpers (3)	Forklift Driver (1)	
Entity GM	AGL	Warehouse requirements are managed by BMD				

Category	Employees	Cost/annum (AED)
Warehouse Managers	3	0.83 million
Warehouse Assistant	2	0.23 million
Store Keepers	10	0.58 million
Loaders/Helpers	42	1.36 million
Forklift Operators	2	72,000
Total Cost	59	3.1 million

Warehouse Organisation Structure - To Be



Category	Employees	Cost/annum (AED)
Warehouse Managers	1	0.54 million
Warehouse Assistant	1	0.12 million
Store Keepers	3	0.20 million
Loaders/Helpers	27	0.90 million
Forklift Operators	3	0.10 million
Fleet Coordinator	1	72,000
Total Cost	36	1.9 million



Total Expected Savings
AED 1.15 million per annum

Warehouse Manpower Breakdown - As Is

	Category	Interiors/E&W	Chattels & More	OFIS	AGL	Total
Warehouse Manager	Count	1	1	1	0	3
	Cost/annum (AED)	540,885	123,600	169,395	0	833,880
Warehouse Assistant	Count	2	0	0	0	2
	Cost/annum (AED)	234,748	0	0	0	234,748
Store Keeper	Count	5	3	2	0	10
	Cost/annum (AED)	317,905	134,028	132,452	0	584,385
Forklift Drivers	Count	1	0	1	0	2
	Cost/annum (AED)	35,356	0	36,461	0	71,817
Loaders/Helpers	Count	16	23	3	0	42
	Cost/annum (AED)	668,432	607,200	87,174	0	1,362,806
Total	Count	25	27	7	0	59
	Cost/annum (AED)	1,797,326	864,828	425,482	0	3,087,636



Significant differences in employee cost structure, with relatively the same head count

Warehouse Space Structure

As Is

Warehouse Space Structure			Units	Square Feet	Cost/annum (AED)
Warehouse Space Structure	Interiors/ E&W (4+1 warehouses)				
	OFIS (2 warehouses)	INTERIORS	4+1	42,480	0.12 million
	C&M (3 warehouses)	OFIS	2	19,628	0.6 million
	AGL (1 warehouse)	C&M	3	29,217	0.9 million
		AGL	1	2,550	80,000
		TOTAL	11	93,875	2.82 million

To Be

Warehouse Space Structure			Units	Square Feet	Cost/annum (AED)
Warehouse Space Structure	Interiors, OFIS, C&M and AGL				
	Cluster of warehouses in a Complex or a Single Warehouse (66,000 square feet)		TBD	66,000	1.65 million

Total Expected Savings
AED 1.17 million per annum



Note: The To Be proposed space of 66,000 sq. feet is based on a initial assessment with an objective to achieve 30% in space reduction. This could be achieved based on an efficient shelving / racking plan / lay out and by gaining vertical space in each of the proposed warehouse units as compared to the entities current warehouses.

Expected Savings Summary

Warehouse Manpower + Rent per Entity (based on rough estimates)

Warehouse (employee & rent)	Interiors/East & West	Chattels & More	OFIS	AGL (cost sharing)	Total
AS IS					
Warehouse Space Area	42,480	29,217	19,628	2,550	93,875
Warehouse Space Area - Percentage Proportion	45%	31%	21%	3%	-
Warehouse Rent (AED) - (A)	1,274,460	876,480	588,720	80,880	2,820,540
Warehouse Employee Count Ratio	58%	28%	14%	0%	-
Warehouse Employee Count	25	27	7	-	59
Warehouse Employee Cost (AED) – (B)	1,797,326	864,828	425,482	-	3,087,636
Total Cost - A + B	3,071,786	1,741,308	1,014,202	80,880	5,908,176
TO BE - Warehouse Space Area - 66,000 square feet					
Warehouse Rent Break Up - (A)	746,652	513,534	344,993	44,820	1,650,000
Warehouse Employee Count	16	11	8	1	36
Warehouse Employee cost – (B)	892,828	602,694	404,890	36,060	1,936,473
Total Cost - A + B	1,639,481	1,116,229	749,883	80,880	3,586,473
Annual Savings – Estimated (AED)	1,432,305	625,079	264,319	-	2,321,703
Annual Savings – Percentage of Current Warehouse Cost	47%	36%	26%	0%	39%

A person in a dark suit and striped tie is shown from the chest down, holding a silver pen in their right hand and a white document in their left hand. The background is blurred, suggesting an office setting. The overall image has a dark, muted color palette.

5

**Finance &
Accounts**

Centralised Accounts Function

Organisation Structure - AS IS



Employees (AS IS)

Category	Employees	Cost/annum (AED)
Finance Managers	3	0.9 million
Senior Accountants	5	0.8 million
Accountants	5	0.4 million
Total Cost	13	2.1 million

Centralised Accounts Function

Organisation Structure - TO BE



Employees (AS IS)

Category	Employees	Cost/annum (AED)
Finance Managers	3	0.9 million
Senior Accountants	5	0.8 million
Accountants	5	0.4 million
Total Cost	13	2.1 million

Employees (TO BE)

Category	Employees	Cost/annum (AED)
Finance Managers	1	0.34 million
Senior Accountants	3	0.45 million
Accountants	5	0.40 million
Total Cost	9	1.2 million



Total Expected Saving
**AED 0.96 million
per annum**

Expected Savings

Finance & Account Function per Entity (based on rough estimates)

Finance & Accounts	Interiors/East & West	Chattels & More	OFIS	AGL (cost sharing)	Total
Annual Cost (AS IS)					
Employee Cost	813,086	549,329	735,246	57,600	2,155,261
Annual Cost (TO BE)					
Charge out Percentage (estimated - based on size and nature)	37%	25%	35%	3%	-
Employee Cost	439,140	296,717	415,403	35,606	1,186,866
Estimated Annual Savings (AED)	373,946	252,613	319,843	21,994	968,395
Annual Savings - Percentage of Current Employee Cost	46%	46%	44%	38%	45%

A graphic featuring two hands shaking in a firm grip, set against a dark, semi-transparent background of a city skyline at night. The buildings are illuminated with lights, and the overall scene is framed by a white, torn-paper-like border. The text '6 Road Map & Next Steps' is overlaid on the left side of the image.

6

Road Map & Next Steps

Road Map

Back Office Function

Phase	Topic	Responsible	Aug	Sept	Oct	Nov	Dec
Kick Off	Rough assessment of the potential savings	CF	←→				
Establish Working Group	Establish working group and team for the Project	CF		←→			
Assessment	Understanding and documentation of AS-IS Core Process per entity	CF/HCD		←→			
Assessment	Analysis and discussion of Current Process and Areas of improvement and efficiency	CF		←→			
Implementation	Documentation of TO BE process for each department	CF			←→		
Implementation	Integration of IT systems, Finances (Budgets), HCD process and space management with Real Estate for TO-BE Org Structure and processes	CF/HCD/AGRE				←→	

Go Live : Q1 of 2021



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