



النساجون الشرقيون
Oriental Weavers

EARNING
RELEASE
1Q
2020



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Oriental Weavers

Oriental Weavers in Numbers

No. 1

World Largest
producer by volumes

EGP 10.1 bn

Record Turnover in
2019

62%

Export contribution
in Q120

80%

Market share in
Egypt

c. 80%

Utilization rate

EGP 458 mn

Backlog of export
incentives (as of 31st
May 2020)



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Main segments of OW

	Woven				Tufted		Non-woven
Description	Surface yarn is woven simultaneously with the backing. Then a latex compound is added.				The surface yarn is inserted into a polypropylene sheet		Fibers bonded together using chemicals and heat.
Subsidiaries	OWC	OWI & OWT	OWUSA	OW China	MAC	New MAC	EFCO
% of Revenues	34%	24%	22%	0.2%	20%		4%
Tax rate	22.5%	Exempted	25%	17%	22.5%	Exempted	22.5%
Capacity mn sqm (Dec 2019)	21	44	NA	3.4	46		19

*Capacities vary by grade



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A Vertically Integrated Business Model

Oriental Weavers has complete control over the manufacturing process.

- ❑ **Raw material procurement:** The wool is sourced from suppliers in Egypt, New Zealand and the UK; Polypropylene granules are sourced from local and regional suppliers.
- ❑ **Fiber extrusion:** Raw wool and PP granules are converted into fibers and then spun into yarn. OW produces internally 100% of its own polypropylene fibers and 60% of its nylon needs.
- ❑ **Weaving & Tufting:** The carpets are woven at one of our facilities in Egypt, China or the US, depending on the end user. The designs are determined by the customer needs; we offer more than 4 million copyrighted designs to choose from.
- ❑ **Retail & Distribution:** Locally, the rugs are sold through our 255 retail & wholesale outlets. Internationally, rugs are distributed worldwide through our list of prominent agents. In the US, rugs are distributed through OW USA.

Fiber extrusion

Weaving & Tufting

Retail & Distribution

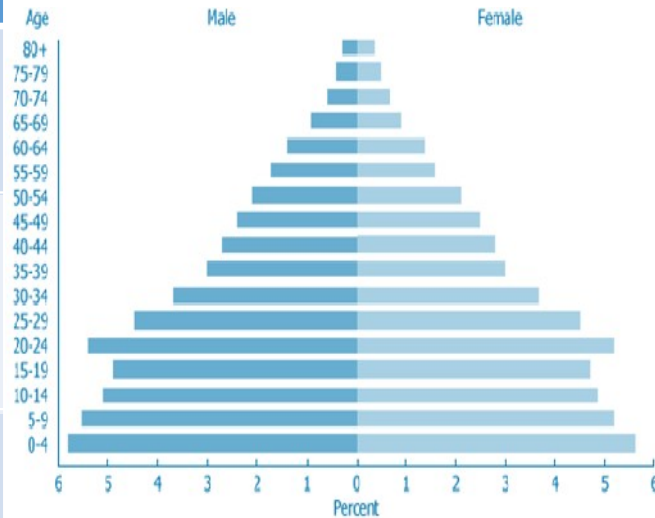


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Demand Drivers in Egypt

Growing economy	
Sizeable youth population	50% of the Egyptian population are near the marriage with around one million marriages taking place annually.
Housing gap	Housing gap is about 3 million units which creates potential for the development of new private and social housing projects.
Egyptian culture habits	Soft floor coverings are considered essential in every house

Sizeable youth bracket



1Q 2020 Revenue summary



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Value (EGP million)

	1Q2020	1Q 2019	% Change
Woven- Egypt based	1,220.0	1,409.5	-13.4%
OW USA	492.2	606.1	-18.8%
OW China	4.2	15.1	-72.2%
Tufted	451.5	437.1	3.3%
Non-w oven Felt	97.5	94.5	3.2%
Other	2.9	40.4	-92.9%
Total	2,268	2,603	-12.8%

Volume (mn sqm)

1Q2020	1Q 2019	% Change
12.28	13.21	-7.0%
4.01	3.66	9.6%
0.06	0.17	-66.5%
8.41	7.97	5.4%
4.36	4.31	1.0%
29.1	29.3	-0.7%

2019 Revenue summary



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Value (EGP million)

	2019	2018	% Change
Woven- Egypt based	5,684.6	5,977.2	-4.9%
OW USA	2,136.1	2,133.9	0.1%
OW China	66.8	80.9	-17.4%
Tufted	1,758.4	1,778.9	-1.2%
Non-woven Felt	389.1	299.6	29.9%
Other	98.6	134.2	-26.5%
Total	10,133.6	10,404.7	-2.6%

Volume (mn sqm)

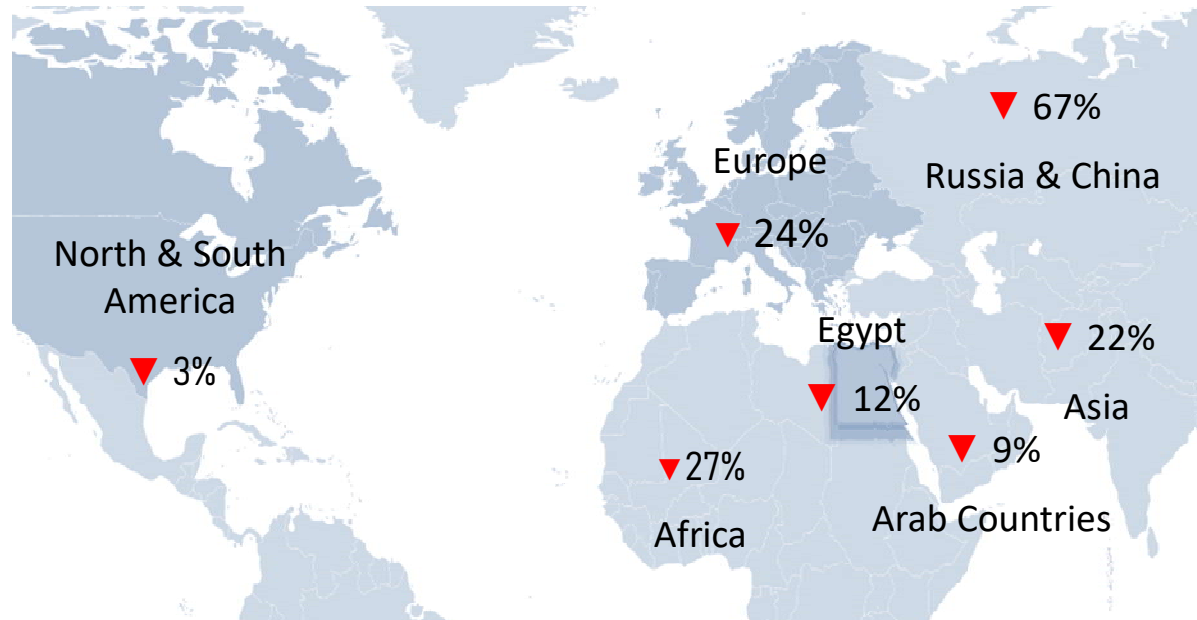
	2019	2018	% Change
	53.3	55.9	-4.6%
	13.5	11.4	18.8%
	0.8	0.9	-16.2%
	31.6	30.9	2.2%
	17.2	14.4	19.2%
	0.0	0.0	
	116.4	113.6	2.5%



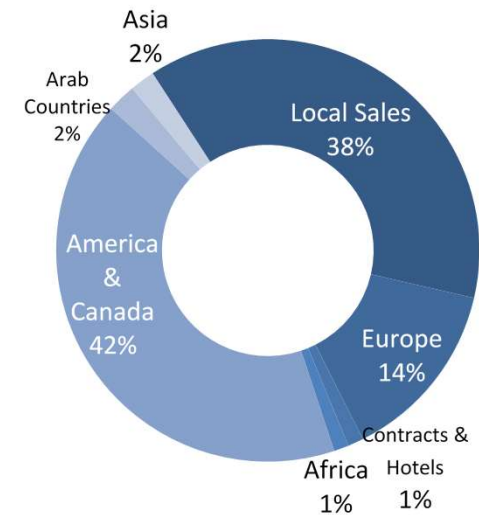
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Export Market development

Performance by region in Q12020



Revenue Contribution by Market in 1Q 2020





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Export Market Development in 1Q 2020

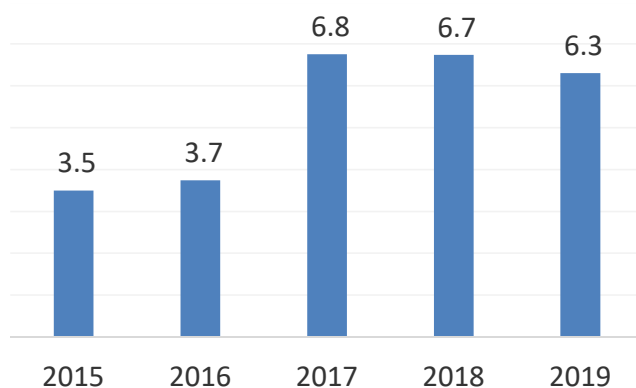
Percentage Δ	1Q 2020 Volume (y-o-y)	1Q2020 Value (y-o-y)	Average Price in EGP	Contribution to Export Revenues	
				1Q 2020	1Q 2019
Woven	▲ 2%	▼ 19%	▼ 21%	71%	77%
Tufted	▲ 15%	▲ 13%	▼ 2%	26%	20%
Non-woven Felt	▼ 9%	▼ 6%	▲ 3%	3%	3%
Total (in EGP)	▲ 5%	▼ 12%	▼ 17%	100%	100%
In USD		▼ 5%			



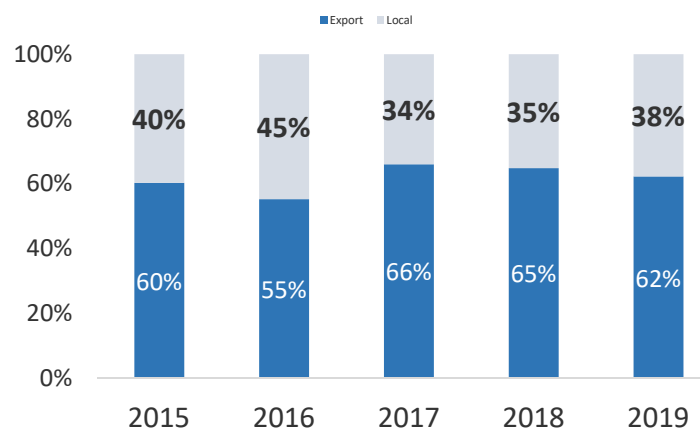
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Export performance overview

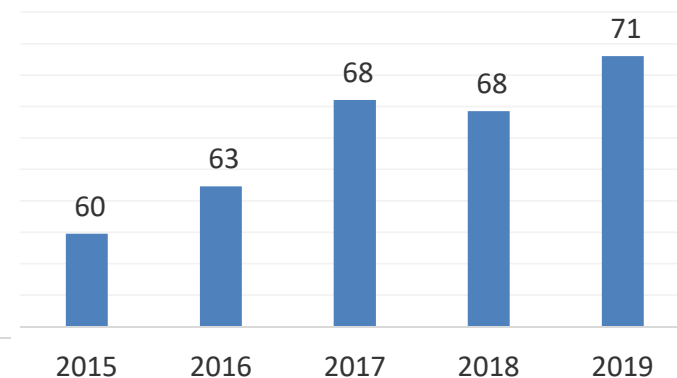
Export revenues (EGPbn)



Export vs. Local Revenue volume %



Export volumes (mn sqm)



Local Market Development in 1Q 2020

Percentage Δ	1Q Volume (y-o-y)	1Q Value (y-o-y)	Average Price	Contribution to Local Revenues	
				1Q 2020	1Q 2019
Woven	▼ 12%	▼ 10%	▲ 2%	84%	81%
Tufted	▼ 28%	▼ 24%	▲ 5%	10%	12%
Non-woven Felt	▲ 11%	▲ 14%	▲ 3%	6%	4%
Other (yarn sales)		▼ 92%		0%	3%
Total	▼ 10%	▼ 13%	▼ 1%	100%	100%



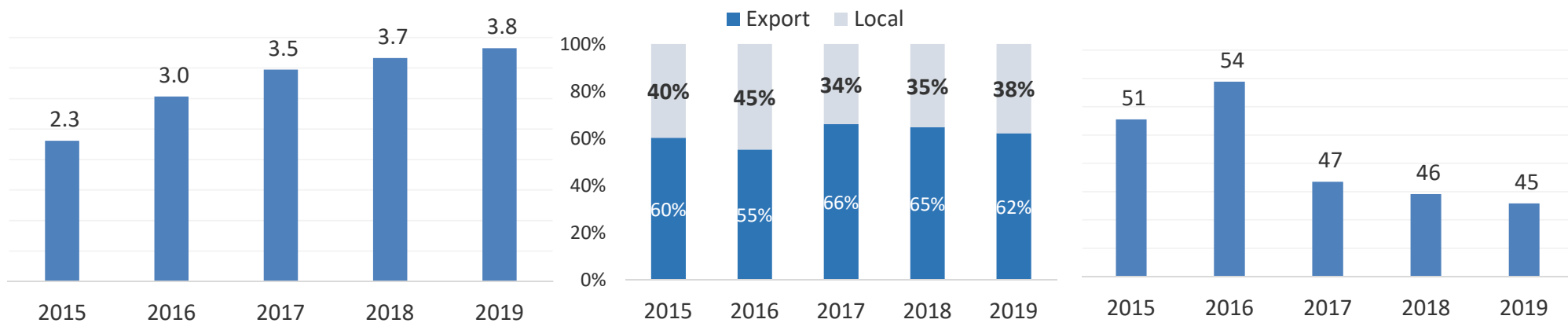
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Local market overview

Growing local revenues (EGPbn)

Export vs. Local revenues%

Local sales volumes (mn sqm)

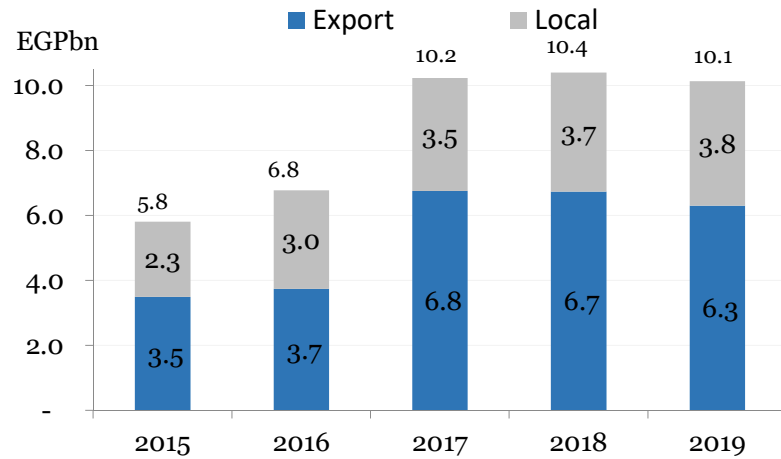


Revenue progress

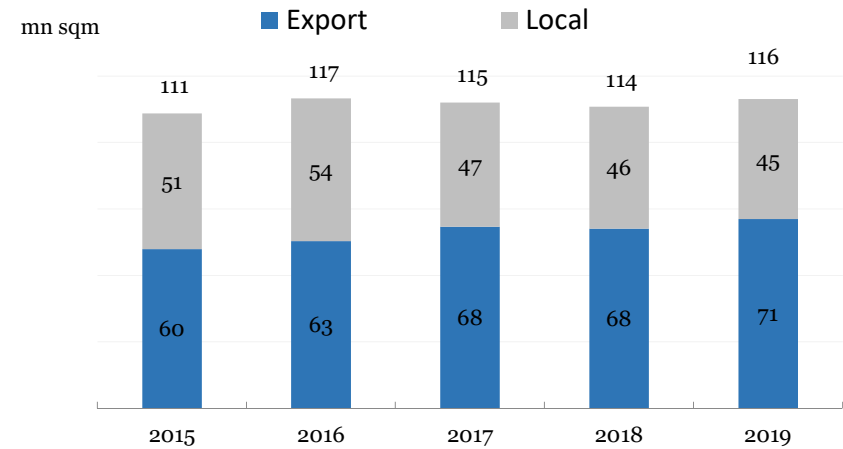


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Revenues (EGPbn)



Sales volumes (mn sqm)

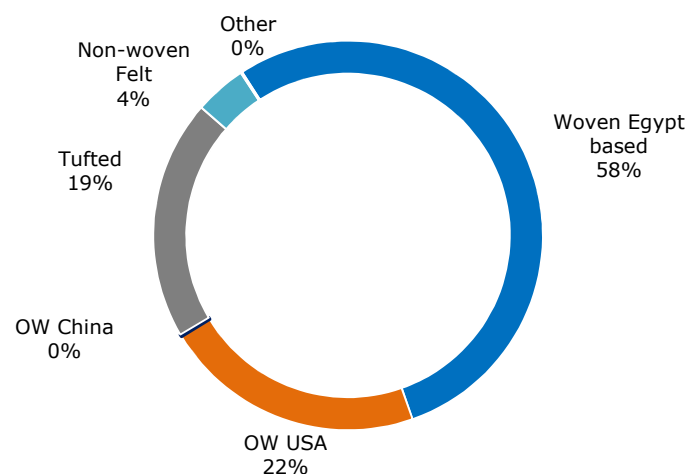




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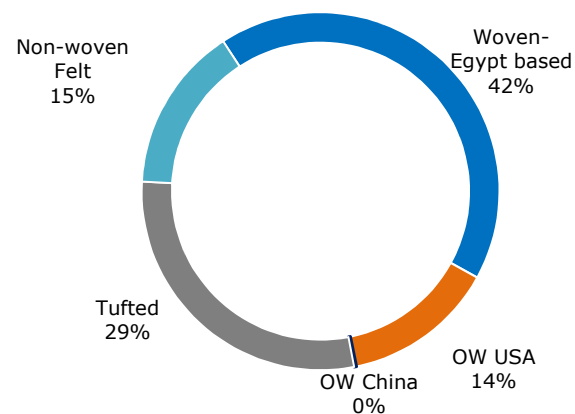
Diversified Product Mix




1Q 2020 Revenue Mix (by value)



Woven-Grade A		EGP236/sqm
Woven-Grade B		EGP119/sqm
Woven-Grade C		EGP67/sqm

1Q 2020 Revenue Mix (by volume)

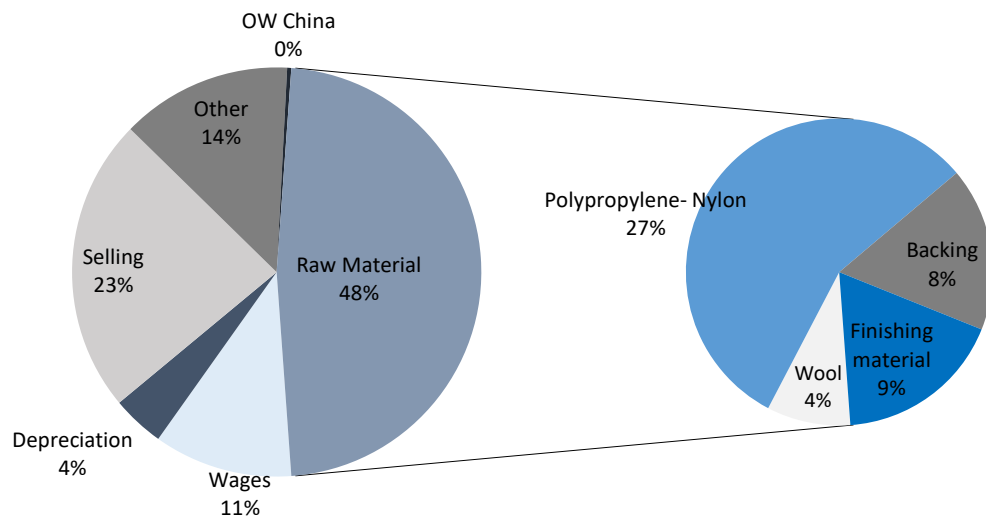


Tufted wall-to-wall		EGP46/sqm
Tufted pieces		EGP55/sqm
Non-woven (EFCO)		EGP22/sqm



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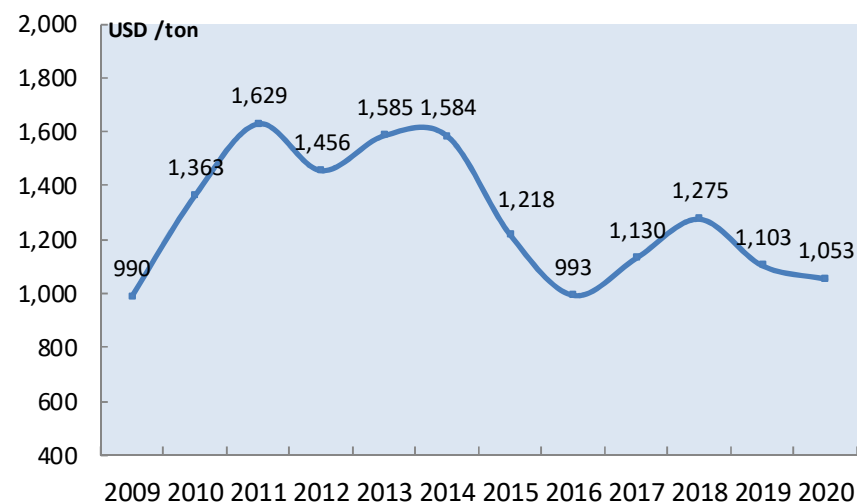
1Q 2019 Cost Breakdown



Source: Company

- Almost 63% of costs are dollar based.

PP Prices (USD/ton)



*As of March 2020

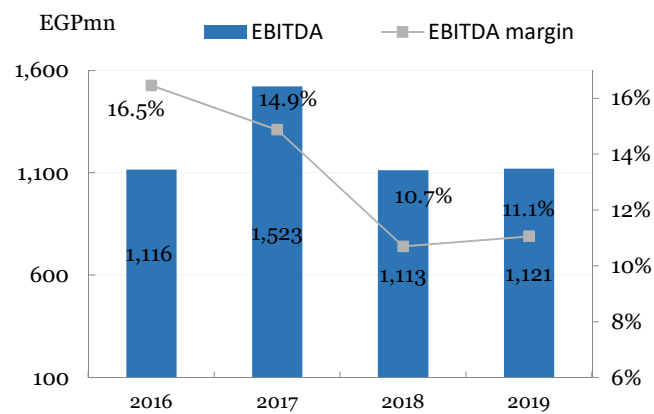


CapEx Spending

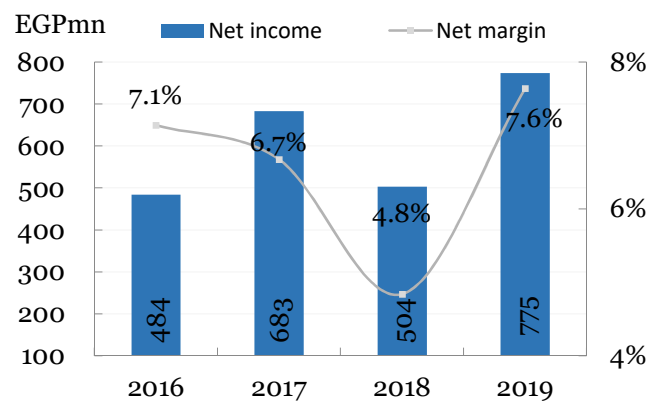
	2016	2017	2018	2019	2020
Woven	4 new goblin looms 9 new looms 2 yarn production lines	❑ Establishing a new factory ❑ 10 new looms ❑ One Heatset yarn machines	❑ 9 new looms ❑ Seven yarn machines	❑ 4 looms ❑ Packing machines ❑ Yarn machine	❑ 3 weaving looms ❑ Dying machine ❑ Wrapping machine
Tufted		One digital printing Two yarn machines	Two yarn machines & other equipment	❑ upgrade chromo jet printers to digital ones, ❑ one printing machine, ❑ three new tuft machines, ❑ Carpet Tiles press cutting machine.	❑ 2 artificial grass machines ❑ 2 rolling and backing machines
Non-woven	Two new machines added	Finishing and coloring machines	Two new machines		

Financial Summary

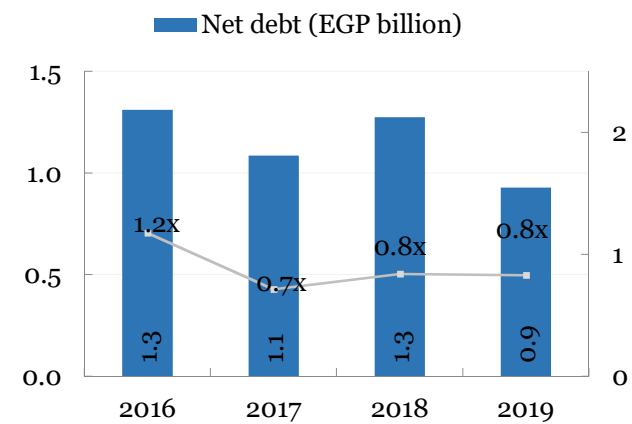
EBITDA Performance (EGPbn)



Net Income Performance



Net Debt (EGPbn)





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Impact of Energy Subsidy Reform on Costs

Energy cost	Jun-14	Jul-15	Jul-16	Jul-17	Jul-18	Jul-19	% Change
Natural gas (US\$/mmbtu)	2.25	5	5	5	5	5	-
Electricity (EGP/KW)	0.28	0.435	0.53	0.69	0.99	1.1	11%
Transportation costs (EGP Diesel/Liter)	1.1	1.80	2.35	3.65	5.5	6.75	23%

* Energy cost represents less than 4% of the company's total cost

Export Incentive Program:



EGP458 mn delayed disbursement till May 2020

OW collected EGP 151 mn till May 2020



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Export Rebate Updates 2019/2020:

- OW received a total of EGP **218 million** in export rebates in 2019, with the **current backlog standing at EGP 458 million** as of 31st May 2020.

OWI & OWT

- **In December 2019:** OW signed a settlement agreement with the Ministry of Finance and Ministry of Trade & Industry to settle the backlog of export incentives until June 30, 2019, worth EGP 322 million. The value will be paid in five installments, in the third quarter over the next five years. By virtue of this agreement, Oriental Weavers and two of its subsidiaries are required to inject CAPEX during the five-year period starting 2019 until 2023, in order to be eligible for the receipt of the settlement

MAC & New MAC

- **In February 2020:** Signed a settlement agreement concerning MAC and New MAC, with a total value of EGP 229 million, which will be received in installments over the next five years, in the third quarter of each year as well. Similar to the previous settlement in which a CapEx injection will be required.

Government Recent announcement:

- The government recently announced setting EGP7bn in 20/21 budget for the export incentive program
- The government also announced the payment of 30% of the export companies backlog

Share Data

- 665.1 mn shares at par value of EGP 1 per share.
- Issued and Paid-in Capital EGP 665.1 mn.
- Listed in EGX since September 1997.
- 3 Month average daily value EGP8.3mn.
- Market Cap USD 292 mn (as of Aug 8, 2019).
- 2019 DPS of EGP0.65
- Reuters; Bloomberg ORWE.CA; ORWE EY.



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Shareholders' structure

Khamis Family	56.5%
Institutions	37%
Foreign Institutions	23.6%
Local Institutions	13.4%
Retail	6.5%

Sources: Company

Disclaimer



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Certain information contained in this document consists of forward-looking statements reflecting the current view 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 or achievements of the Company to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including worldwide economic trends, the economic and political climate of Egypt and the Middle East and changes in business strategy and various other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in such forward-looking statements. Recipients of this document are cautioned not to place any reliance on these forward-looking statements. The Company undertakes no obligation to republish revised forward-looking statements to reflect changed events or circumstances.

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