



النساجون الشرقيون  
Oriental Weavers



**Forty Years**

**Weaving the Threads of Innovation**

**20** **Q**  
2019

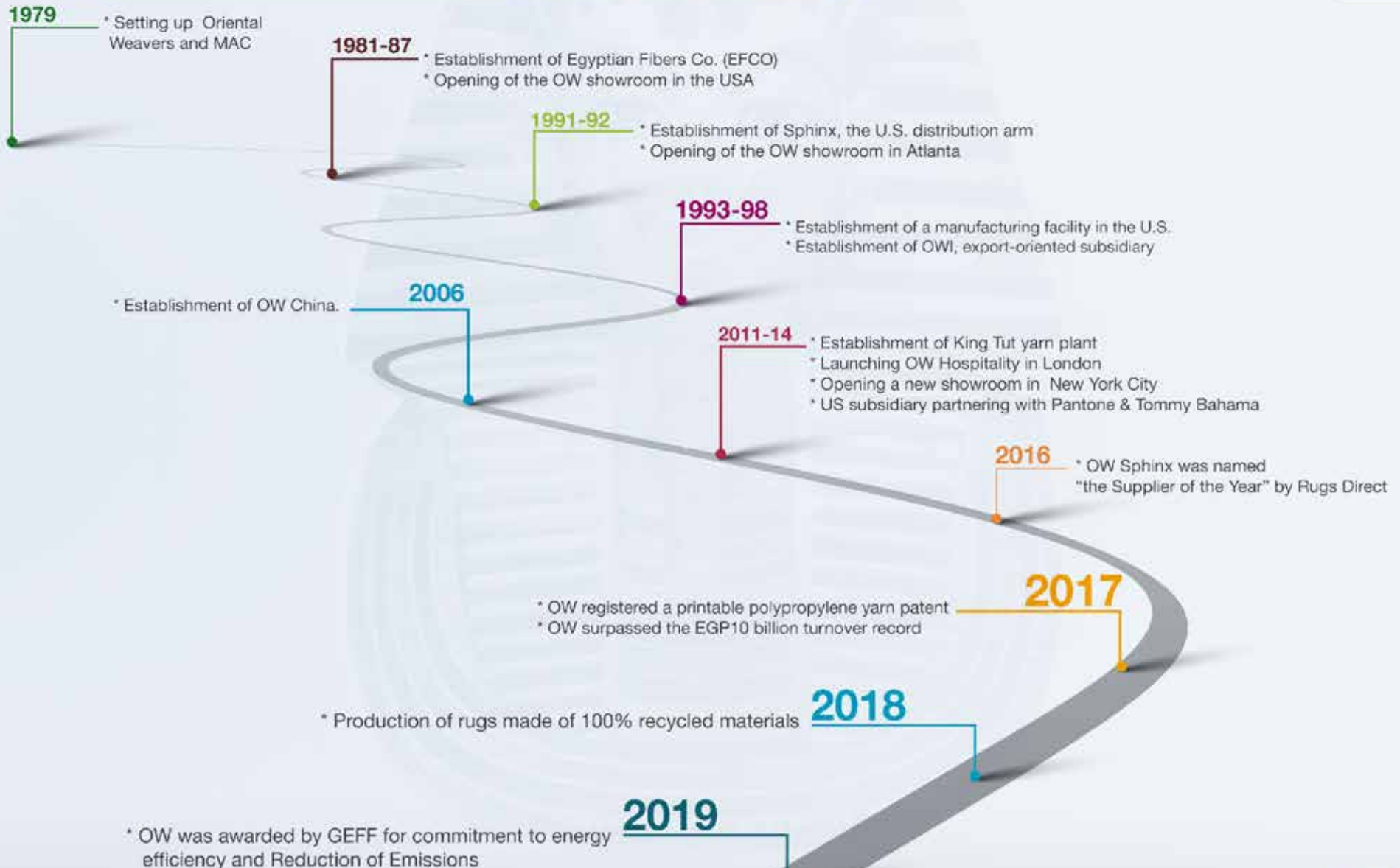
**Earnings Presentation**



Oriental Weavers International Facility

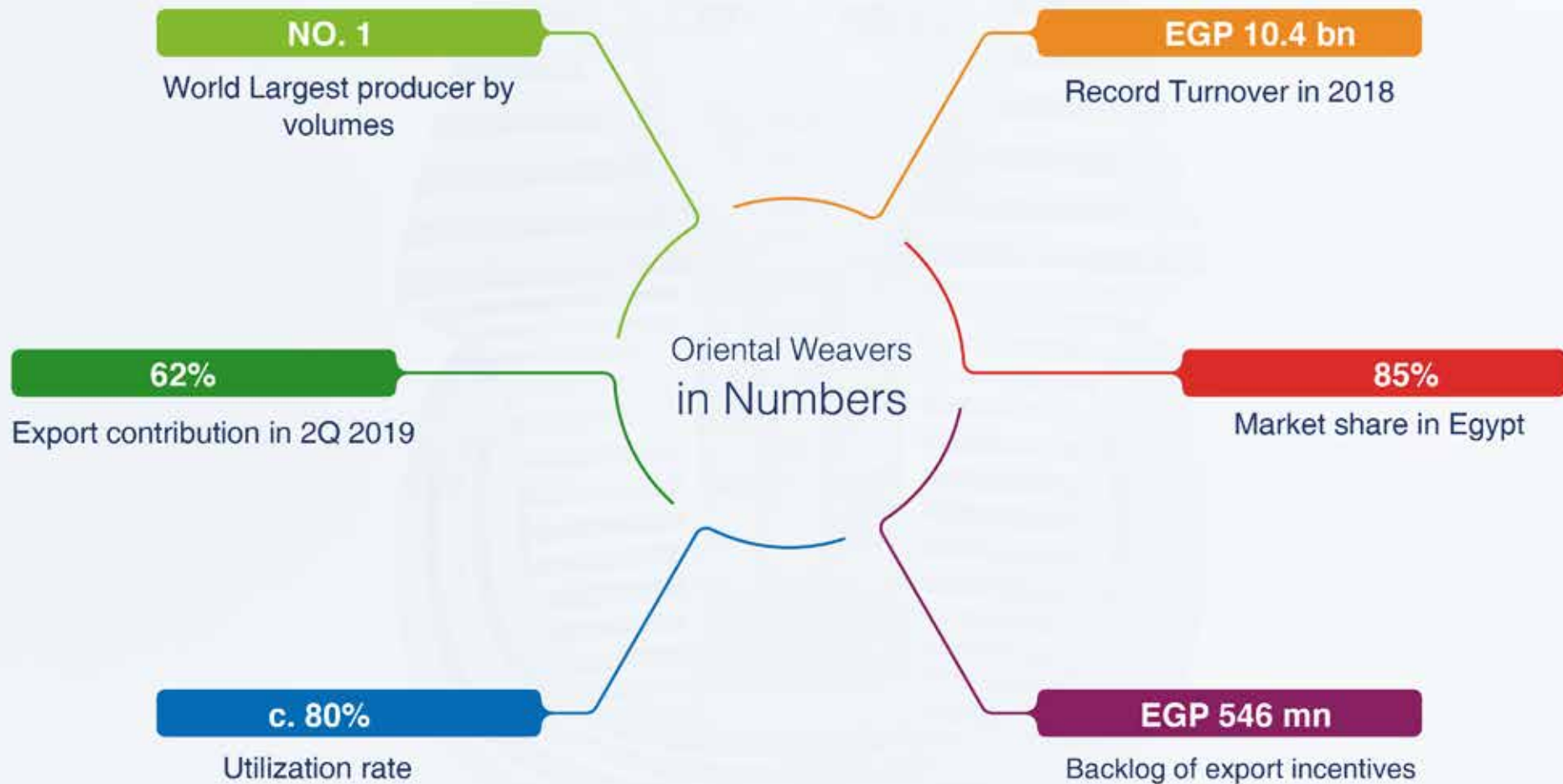


# Group's key Milestones





# Oriental Weavers in Numbers





# 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	32%	23%	23%	1%	17%		4%
Tax rate	22.5%	Exempted	25%	17%	22.5%	Exempted	22.5%
Capacity mn sqm (Dec 2018)	21	44	NA	3.4	46		19

\*Capacities vary by grade



## 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:** Carpets are woven at one of our facilities in Egypt, China or the US. 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 251 retail & wholesale outlets. Internationally, rugs are distributed worldwide through our list of prominent agents. In the US, rugs are distributed through OW USA.



## Positive triggers for OW

1

The US Tit for Tat tariffs on imports from China should open more room for growth.

2

Pending export subsidy collection (EGP 546 million).



# Global Macro Fundamentals

## US Market

- US economy continues to move forward, albeit at a slower rate in the second half of 2019.
- Expected slower growth in new home sales.
- Slower growth in renovation and remodeling activities

### Homeowners improvements & repairs (USDbn)



## Europe

- Slower path of growth in Europe

## Asia & Africa

- Strong potential in African and East Asian markets.

- Developing consumer trends driving growth in these regions.

- Growing Urbanization





# Industry overview | Global carpets & rugs market

**Global Carpets & rugs market by value (USD bn)**



Source: Freedonia group

**Global Carpets & rugs market by bn sqm (5 yr CAGR)**

- North America: 2.6%
- Europe: 1.1%
- Asia & pacific: 3.2%
- others: 3.8%



Source: Freedonia group, Company estimates



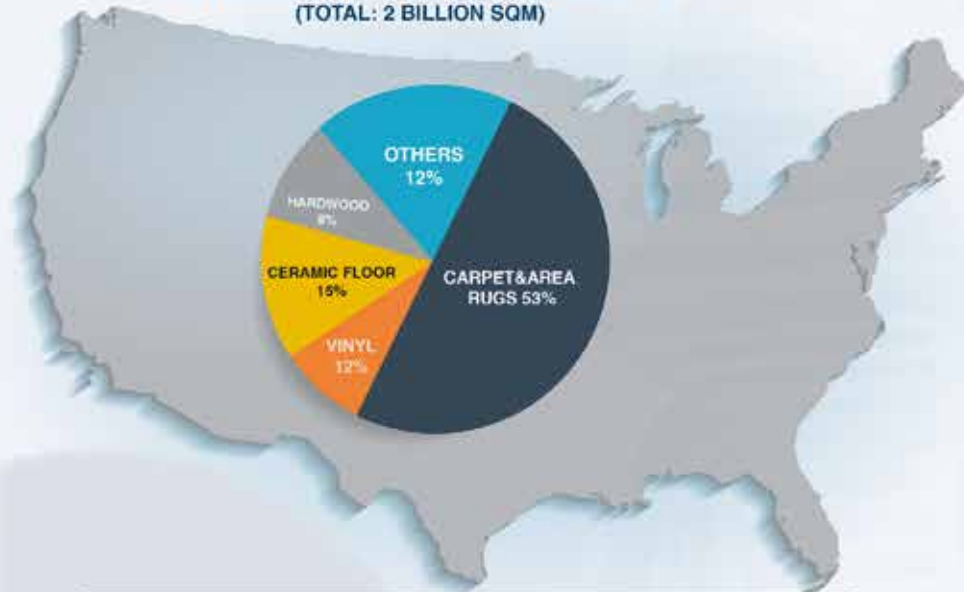
# U.S. Carpet Market In 2017



## Carpet Market

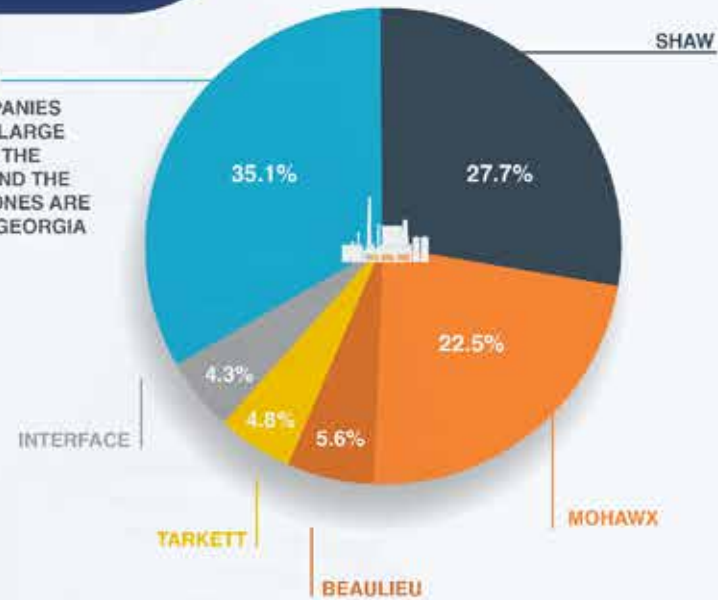
THE UNITED STATES IS THE SINGLE LARGEST MARKET FOR CARPETS

US FLOOR COVERING MARKET SALES VOLUME  
(TOTAL: 2 BILLION SQM)



### OTHERS

FEW COMPANIES CONTROL LARGE SHARE OF THE MARKET AND THE BIGGEST ONES ARE BASED IN GEORGIA



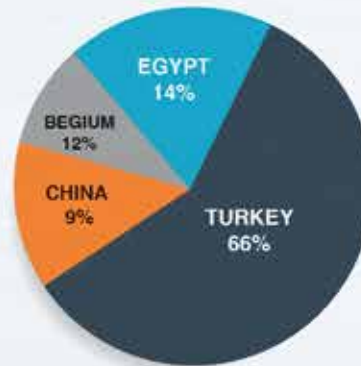
**11.7** BILLION SQUARE FEET OF CARPETS & RUGS

**3%** ANNUALLY IS PROJECTED GROWTH OF THE U.S. CARPET & RUG MARKET

### CARPET & RUGS DEMAND BY MARKET



US rug imports in 2017  
From Major Countries: USD 661 MILLION



Retail area rugs and carpets Market Size (USD bn)





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# European Carpet Market In 2016

## CARPET DEMAND BY SECTOR

55%

RESIDENTIAL BUILDING



39%

NON-RESIDENTIAL BUILDING



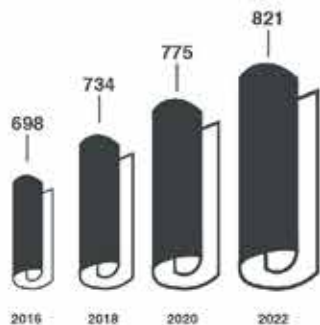
6%

OTHERS



## PROJECTED GROWTH OF THE EU CARPET MARKET

MILLION SQUARE METERS



ANNUALLY  
**2.7%**

Source: 2017 by Zero Waste France and Changing Markets

DEMAND  
**698**  
MILLION METERS\*



EUROPE IS THE WORLD'S SECOND LARGEST MARKET FOR CARPETS



# Demand Drivers in Egypt

Growing economy	GDP is expected to grow by 5-6% annually up to 2020 as per the IMF.
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



# 2Q 2019 Revenue Summary

## Value (EGP million)

	2Q 2019	2Q 2018	% Change
Woven- Egypt based	1,494	1,488	0%
OW USA	589	511	15%
OW China	21	30	-29%
Tufted	419	391	7%
Non-woven Felt	94	71	33%
Other	16.6	35.6	-53%
<b>Total</b>	<b>2,634</b>	<b>2,526</b>	<b>4%</b>

## Volume (sqm)

	2Q 2019	2Q 2018	% Change
Woven- Egypt based	14.0	13.9	1%
OW USA	3.7	2.7	35%
OW China	0.2	0.4	-43%
Tufted	7.5	7.1	5%
Non-woven Felt	4.2	3.4	25%
Other			
<b>Total</b>	<b>29.6</b>	<b>27.5</b>	<b>8%</b>



# 1H 2019 Revenue Summary

## Value (EGP million)

	1H 2019	1H 2018	% Change
Woven-Egypt based	2,904	2,952	-2%
OW USA	1,195	1,032	16%
OW China	36	46	-21%
Tufted	856	818	5%
Non-woven Felt	188	144	31%
Other	57	41	38%
<b>Total</b>	<b>5,236</b>	<b>5,033</b>	<b>4%</b>

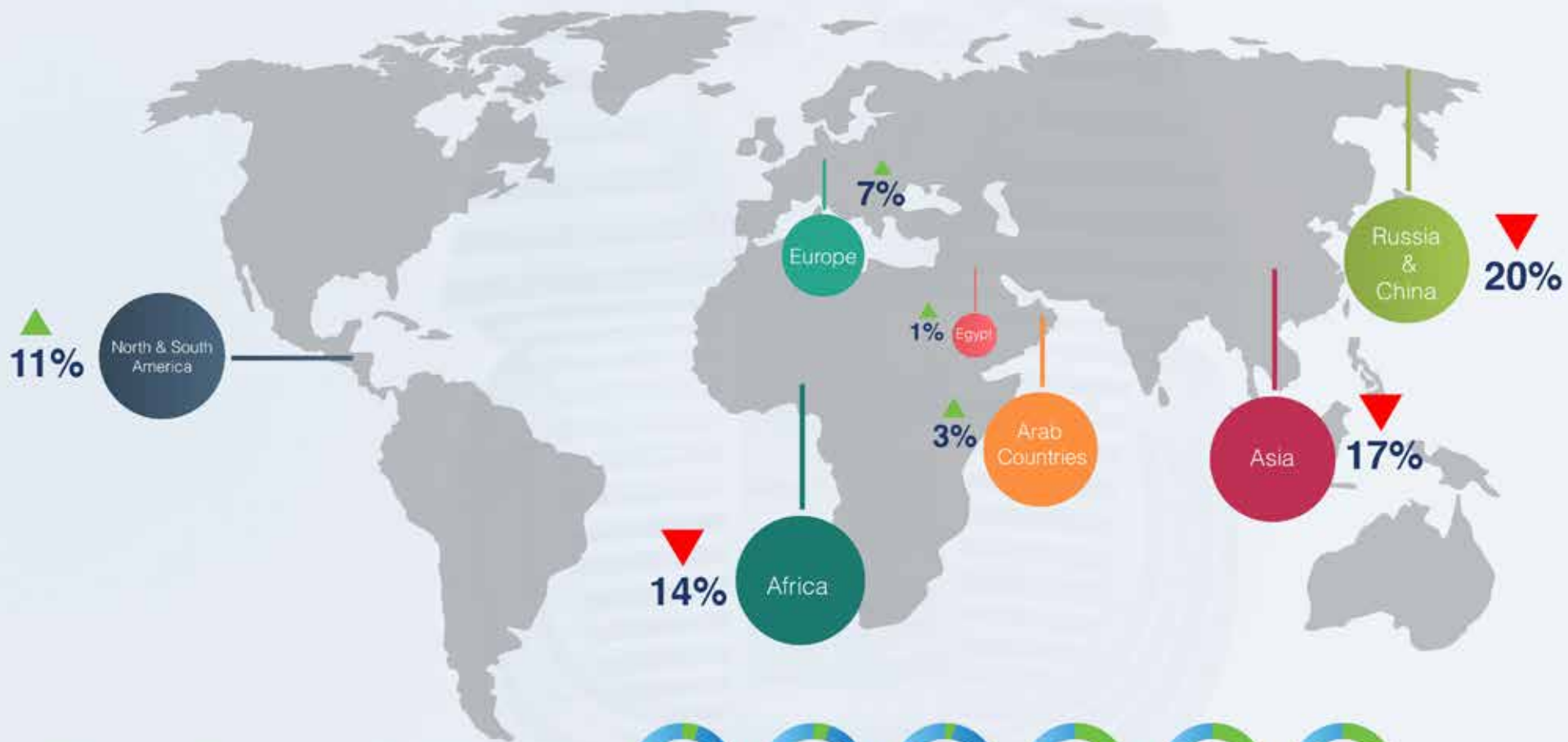
## Volume (sqm)

	1H 2019	1H 2018	% Change
Woven-Egypt based	27	28	-2%
OW USA	7.4	5.6	31%
OW China	0.4	0.5	-32%
Tufted	15	15	6%
Non-woven Felt	9	7	16%
Other	0	0	
<b>Total</b>	<b>59</b>	<b>56</b>	<b>6%</b>

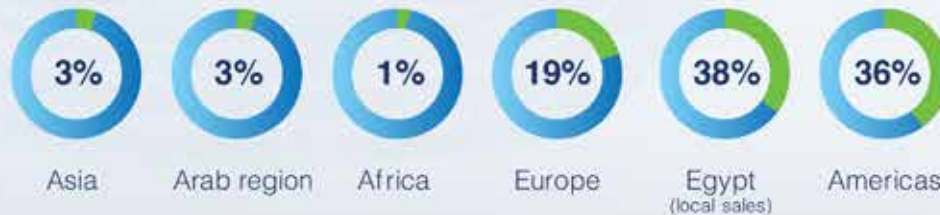


# Export Market development

## Performance by region in 2Q 2019



Revenue Breakdown by region in 2Q 2019





# Export Market Development in 1H 2019

Percentage ▲	Volume	Value	Average Price in EGP	Contribution to Export Revenues		1H Volume	1H Value
				2Q 2019	2Q 2018		
Woven	▲ 9%	▲ 4%	▼ 4%	78%	80%	▲ 2%	▼ 1%
Tufted	▲ 18%	▲ 12%	▼ 5%	19%	18%	▲ 15%	▲ 6%
Non-woven Felt	▲ 43%	▲ 44%	▲ 1%	3%	2%	▲ 79%	▲ 55%
<b>Total</b>	<b>▲ 14%</b>	<b>▲ 7%</b>	<b>▼ 6%</b>	<b>100%</b>	<b>100%</b>	<b>▲ 11%</b>	<b>▲ 3%</b>





# Export performance overview

Export revenues (EGPbn)



Export vs. Local Revenue volume %

● Export ● Local



Export volumes (mn sqm)





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# Longstanding relationship with major customers

American & Canadian premier partners

International premier partners



## International Hospitality segment recorded

### OW completed a number of projects including:

- OW completed a number of projects in the US including Renaissance Montgomery, Inn at Spanish Bay- Pebble Beach, Hotel Roanoke Conference Center, The Abbey Resort, and also Fairmont Royal York, Canada.
- In Egypt, we worked on the refurbishment of a number of hotels including the main ball-rooms of Cairo Sheraton Hotel, Kempinski Royal Maxim Palace, and JW Marriott, in addition to a number of mosques in Cairo.

### Installations were also completed in the UAE including:

- **Paramount Towers A, B, and D,**
- **Phase 2 of the Atlantis Hotel, and**
- **Hilton & Metropolitan Al-Habtoor**

In Saudi Arabia – Midan Hotel; in Bahrain - Swiss Bell Hotel; and in Democratic Republic of Congo –Serena Goma.



# Local Market Development in 1H 2019

Percentage ▲	Volume	Value	Average Price	Contribution to Export Revenues		1H Volume	1H Value
				2Q 2019	2Q 2018		
Woven	▲ 2%	▲ 3%	▲ 1%	83%	82%	▲ 4%	▲ 5%
Tufted	▼ 26%	▲ 6%	▲ 27%	11%	11%	▼ 16%	▲ 1%
Non-woven Felt	▲ 19%	▲ 25%	▲ 5%	5%	4%	▼ 6%	▲ 13%
Other (yarn sales)		▼ 63%		1%	3%		▲ 31%
<b>Total</b>	▲ 0.4%	▲ 1%	▲ 2%	100%	100%	▼ 2%	▲ 6%



## Local Market Overview

**Growing Local revenues (EGPbn)**



**Local Sales volume ( mn sqm )**





# Revenue progress

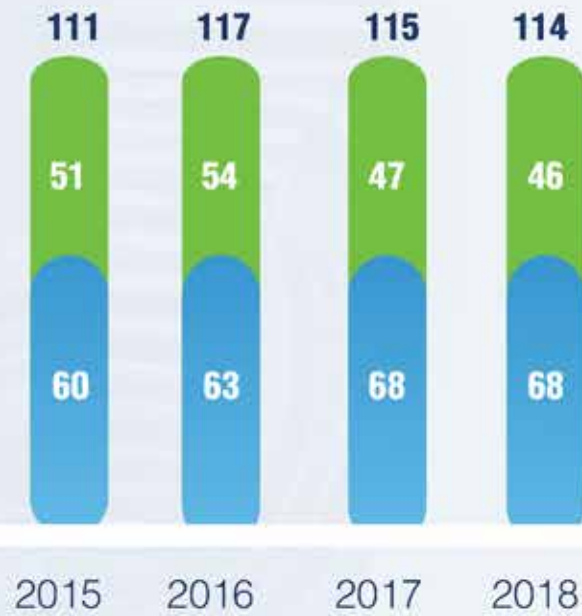
Revenues  
( EGPbn )

● Export ● Local



Sales volumes  
( mn sqm )

● Export ● Local



3 -Year ( **GAGR 21%** )



# Diversified Product Mix

2Q 2019 Revenue Mix (by volume)



- Woven-Grade **A** — EGP290/sqm
- Woven-Grade **B** — EGP130/sqm
- Woven-Grade **C** — EGP70/sqm

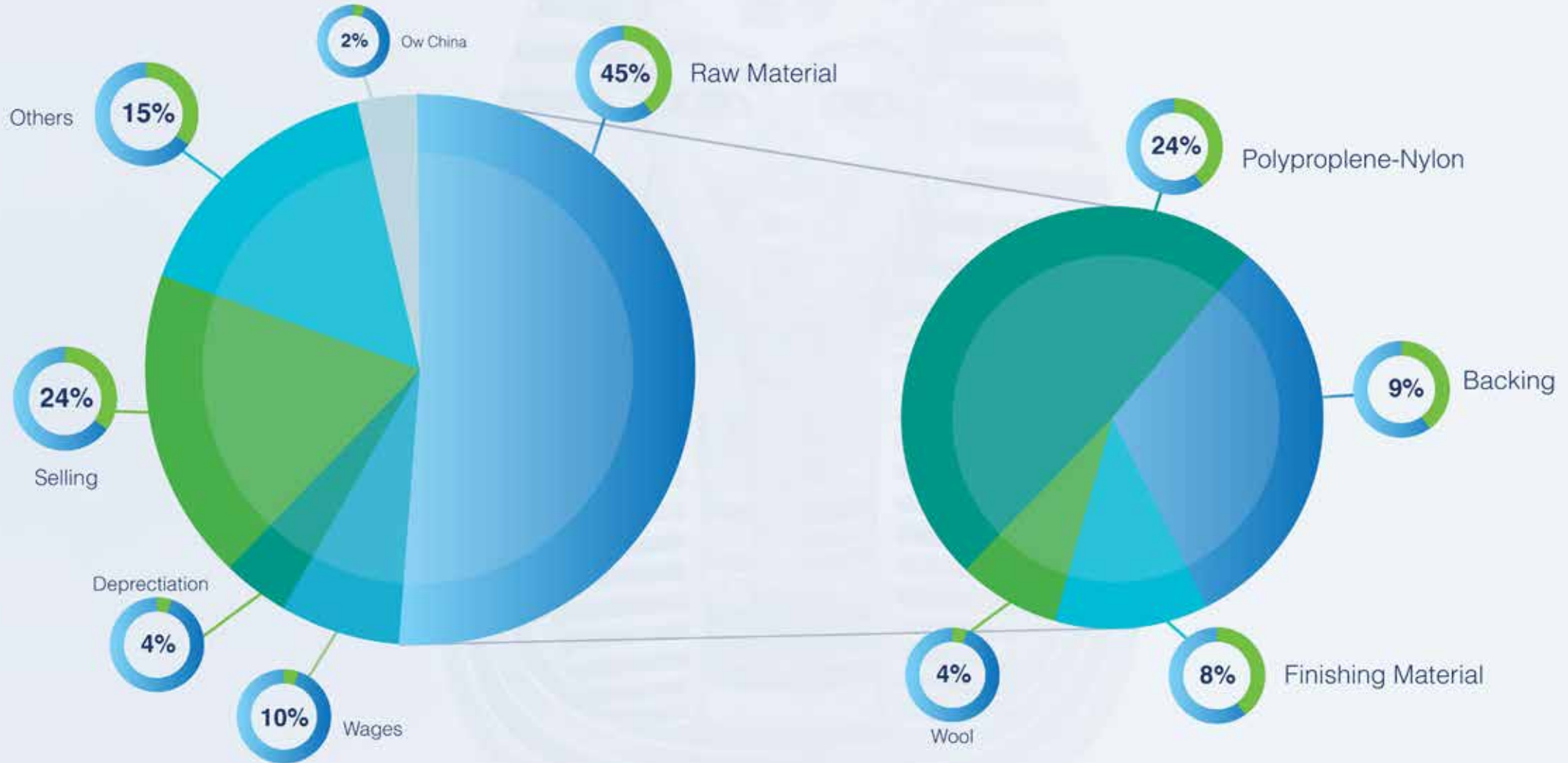
2Q 2019 Revenue Mix (by value)



- Tufted wall-to-wall — EGP48sqm
- Tufted pieces — EGP58/sqm
- Non-woven (EFCO) — EGP22/sqm



# 2Q 2019 Cost Breakdown



Source: Company

■ Almost 63% of costs are dollar based.





# 2Q 2019 Cost Breakdown

## PP Prices ( USD/ton )





# Recent Expansions

	2015	2016	2017	2018	2019
Woven	13 looms added increasing production capacity by 6%	<ul style="list-style-type: none"> <li>• 4 new goblin looms</li> <li>• 9 new looms</li> <li>• 2 yarn production lines</li> </ul>	<ul style="list-style-type: none"> <li>• Establishing a new factory</li> <li>• 10 new looms</li> <li>• One Heatset yarn machine</li> </ul>	<ul style="list-style-type: none"> <li>• 9 new looms</li> <li>• 7 yarn machines</li> </ul>	<ul style="list-style-type: none"> <li>• 4 looms</li> <li>• Packaging Machines</li> <li>• A Yarn machine</li> </ul>
Tufted	MAC penetrated the artificial turf segment following the addition of two new machines		<ul style="list-style-type: none"> <li>• One digital printing</li> <li>• Two yarn machines</li> </ul>	<ul style="list-style-type: none"> <li>• Two yarn machines &amp; other equipment</li> </ul>	<ul style="list-style-type: none"> <li>• upgrade chromo jet printers to digital ones,</li> <li>• one printing machine</li> <li>• two new tuft machines</li> <li>• carpets Tiles press</li> <li>• cutting machine.</li> </ul>
Non-woven	Two new machines added	Two new machines added	Finishing and coloring machines	Two new machines	



# Financial Summary

## EBITDA Performance (EGPmn)

- EBITDA
- EBITDA margin



## Net Income Performance

- Net income
- Net margin



## Net Debt (EGPmn)

- Net debt (EGP billion)
- Net debt/EBITDA





## Impact of Energy Subsidy Reform on Costs

Energy cost	Jun-14	Jul-17	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:

- EGP 546 mn delayed disbursement till July 2019
- OW collected EGP 93 mn in 1H 2019





# Export Incentive Program

## The Government to launch a new Export Incentive Program soon

1

Currently, the Ministry of Trade & Industry is preparing a new export incentive program for implementation retroactively on July 1st, 2019, replacing the current program.

2

The Egyptian Prime Minister meets separately the export councils to discuss proposals and different non-cash alternatives in addition to mechanism through which the backlog will be disbursed.



## Share Data

- 443.4 mn shares at par value of EGP 1 per share.
- Issued and Paid-in Capital EGP 443.4 mn.
- Listed in EGX since September 1997.
- 3 Month average daily value EGP8.3mn.
- Market Cap USD 292 mn (as of Aug 8, 2019).
- 2018 DPS of EGP1.5.
- Reuters; Bloomberg ORWE.CA; ORWE EY.



### Shareholders' structure

Khamis Family	56.6%
Institutions	37%
• Foreign Institutions	23.6%
• Local Institutions	13.4%
Retail	6.5%



## Disclaimer

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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