



**Forty Years**

**Weaving the Threads of Innovation**



النساجون الشرقيون  
**Oriental Weavers**

**Earnings Presentation | 3Q2019**



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# Oriental Weavers in Numbers

**No. 1**

World Largest  
producer by volumes

**EGP 10.4 bn**

Record Turnover in  
2018

**61%**

Export contribution  
in 3Q2019

**85%**

Market share in  
Egypt

**c. 80%**

Utilization rate

**EGP 585 mn**

Backlog of export  
incentives



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# Main segments of OW

	Woven				Tufted		Non-woven
<b>Description</b>	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.
<b>Subsidiaries</b>	OWC	OWI & OWT	OWUSA	OW China	MAC	New MAC	EFCO
<b>% of Revenues</b>	32%	23%	23%	1%	17%		4%
<b>Tax rate</b>	22.5%	Exempted	25%	17%	22.5%	Exempted	22.5%
<b>Capacity mn sqm (Dec 2018)</b>	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 251 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

# Positive triggers for OW

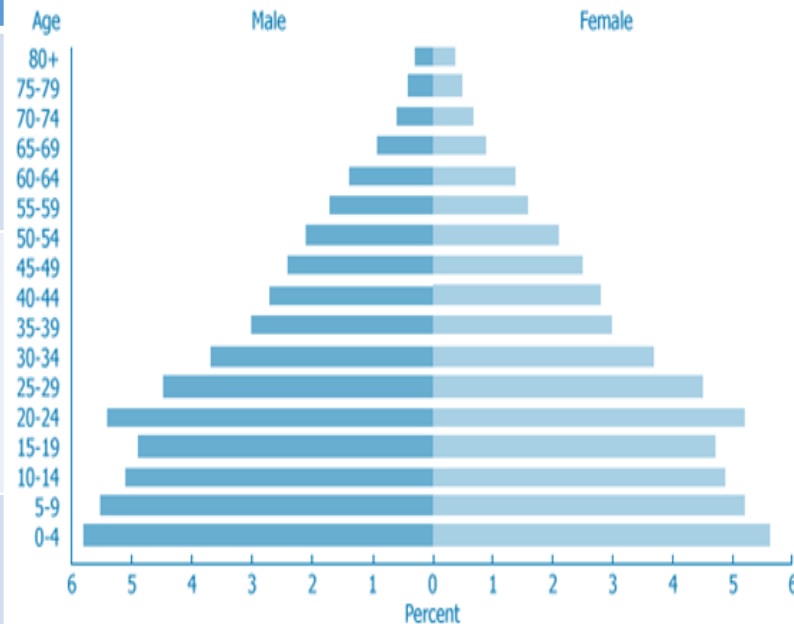
1. The US Tit for Tat tariffs on imports from China should open more room for growth.
2. Pending export subsidy collection (EGP 585 million).



# Demand Drivers in Egypt

Growing economy	GDP is expected to grow by 5.9% annually up to 2024 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

Sizeable youth bracket





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# 3Q 2019 Revenue summary

	Value (EGP million)				Volume (sqm)		
	3Q 2019	3Q 2018	% Change		3Q 2019	3Q 2018	% Change
Woven- Egypt based	1,351	1,439	-6%		12.3	13.5	-9%
OW USA	436	535	-18%		2.8	2.6	5%
OW China	15	13	13%		0.2	0.2	1%
Tufted	436	472	-8%		7.9	7.8	1%
Non-woven Felt	87	64	37%		3.7	2.9	31%
Other	21.4	44.2	-52%				
Total	2,347	2,567	-9%		26.8	27.0	0%





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# 9M 2019 Revenue summary

	Value (EGP million)			Volume (sqm)		
	9M 2019	9M 2018	% Change	9M2019	9M 2018	% Change
Woven- Egypt based	4,255	4,391	-3%	40	41	-4%
OW USA	1,631	1,567	4%	10.1	8.2	23%
OW China	51	59	-13%	0.6	0.7	-23%
Tufted	1,292	1,290	0%	23	22	5%
Non-woven Felt	275	207	33%	12	10	20%
Other	78	86	-8%	0	0	
Total	7,583	7,600	0%	86	83	4%

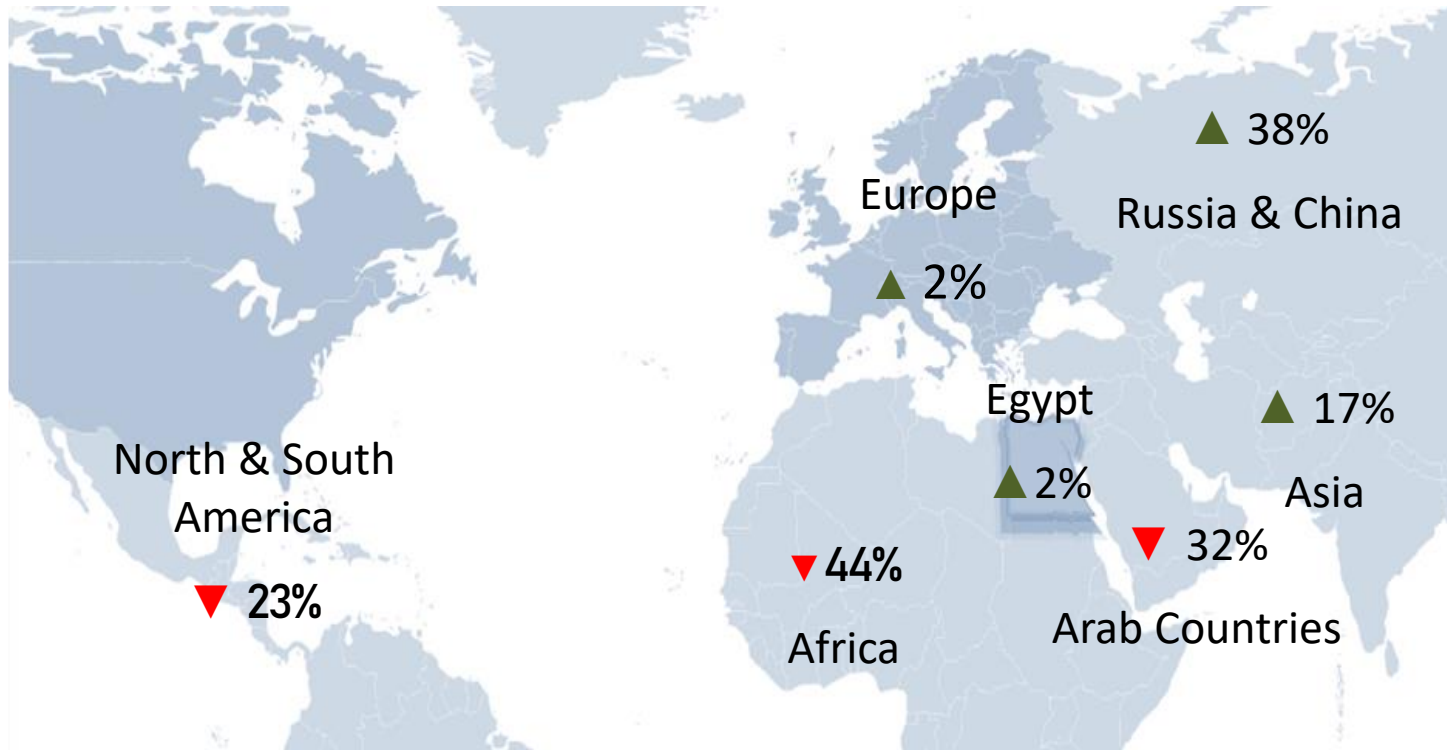




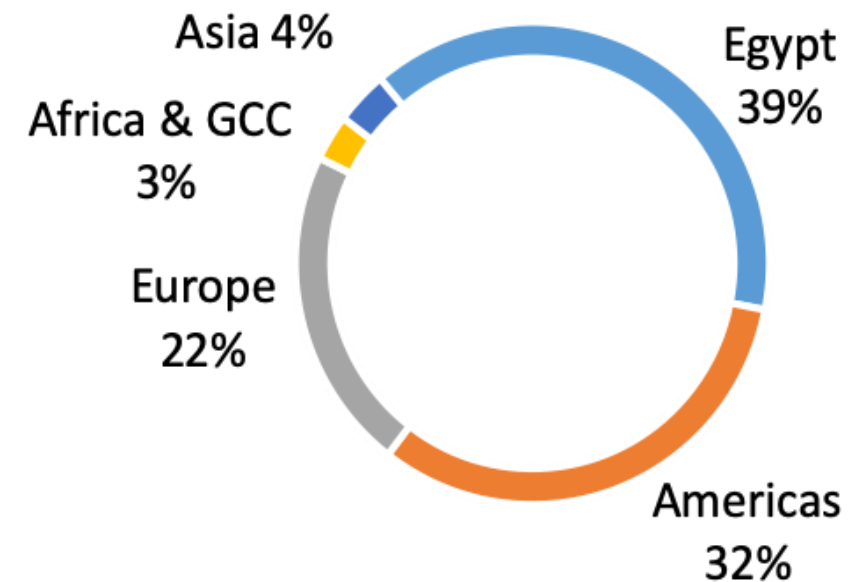
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# Export Market development

## Performance by region in 3Q 2019



## Revenue Breakdown by region in 3Q 2019





# Export Market Development in 9M 2019

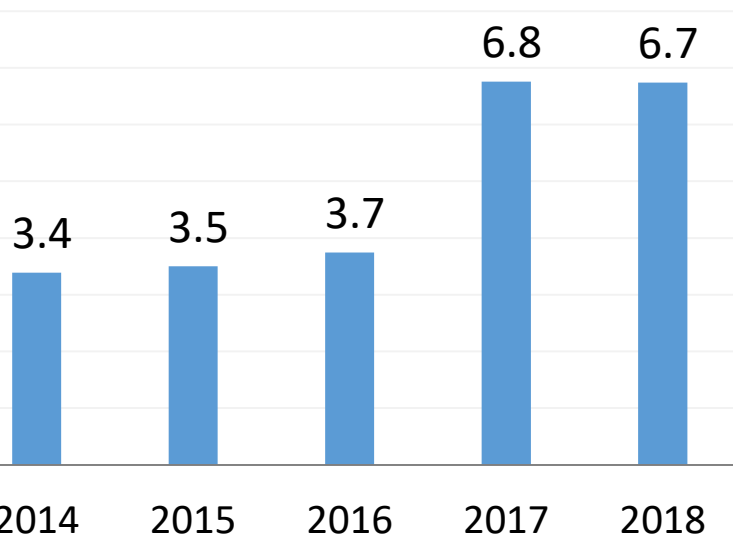
Percentage Δ	3Q 2019 Volume	3Q2019 Value	Average Price in EGP	Contribution to Export Revenues		9M 2019 Volume	9M 2019 Value
				3Q 2019	3Q 2018		
Woven	▼ 9%	▼ 17%	▼ 9%	73%	75%	▼ 2%	▼ 5%
Tufted	▲ 4%	▼ 10%	▼ 14%	24%	23%	▲ 11%	0%
Non-woven Felt	▲ 61%	▲ 42%	▼ 12%	3%	2%	▲ 73%	▲ 51%
Total	0%	▼ 14%	▼ 14%	100%	100%	▲ 7%	▼ 3%
USDEGP		▼ 8%					▼ 4%



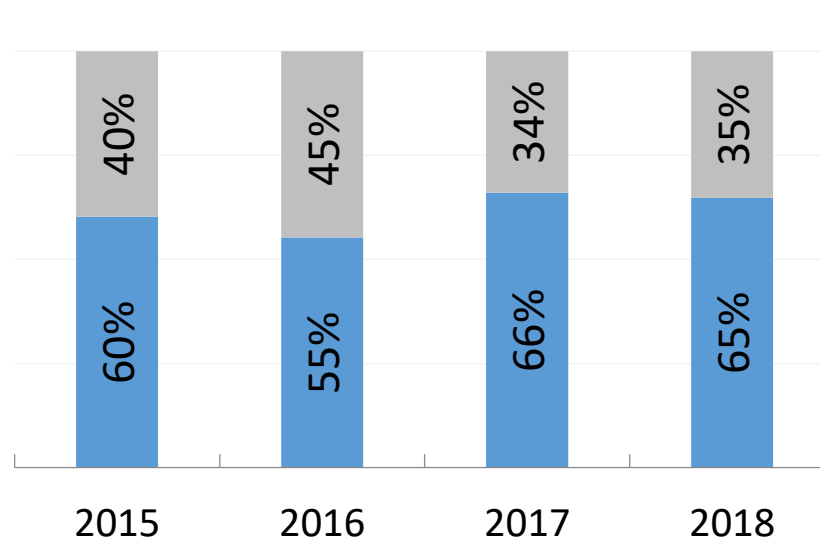
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# Export performance overview

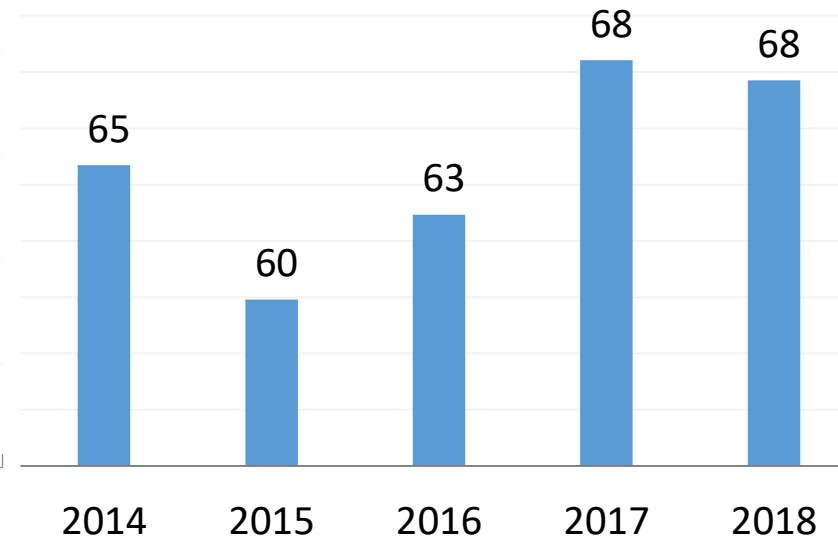
## Export revenues (EGPbn)



## Export vs. Local Revenue volume %



## Export volumes (mn sqm)





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# Local Market Development in 9M 2019

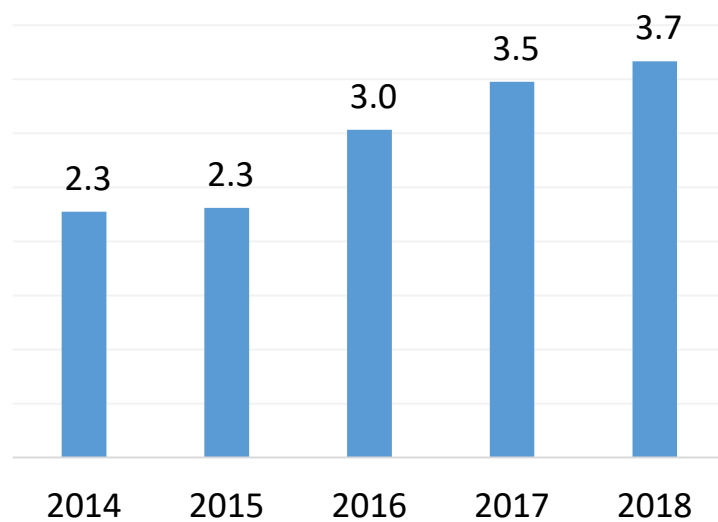
Percentage Δ	3Q 2019 Volume	3Q2019 Value	Average Price in EGP	Contribution to Local Revenues		9M 2019 Volume	9M 2019 Value
				3Q 2019	3Q 2018		
Woven	▼ 4%	▲ 4%	▲ 8%	83%	82%	▲ 1%	▲ 5%
Tufted	▼ 11%	▲ 2%	▲ 15%	10%	10%	▼ 15%	▲ 2%
Non-woven Felt	▲ 15%	▲ 33%	▲ 16%	5%	4%	▼ 1%	▲ 19%
Others (yarn sales)		▼ 60%		2%	5%		▼ 19%
Total	▼ 1%	▲ 2%		100%	100%	▼ 2%	▲ 4%



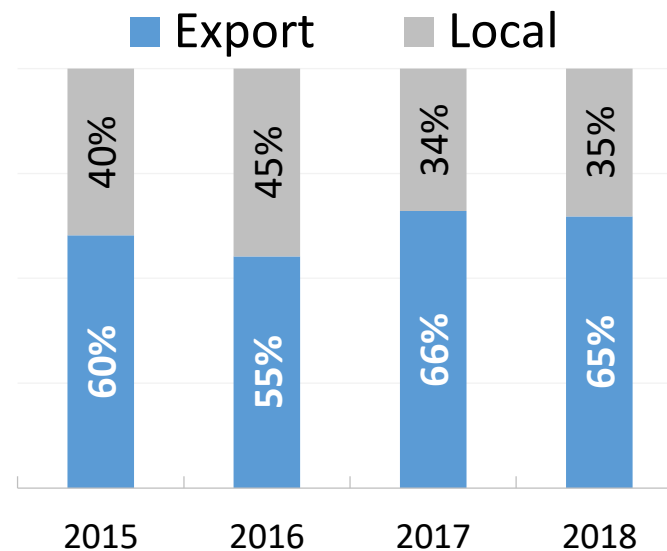
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# Local market overview

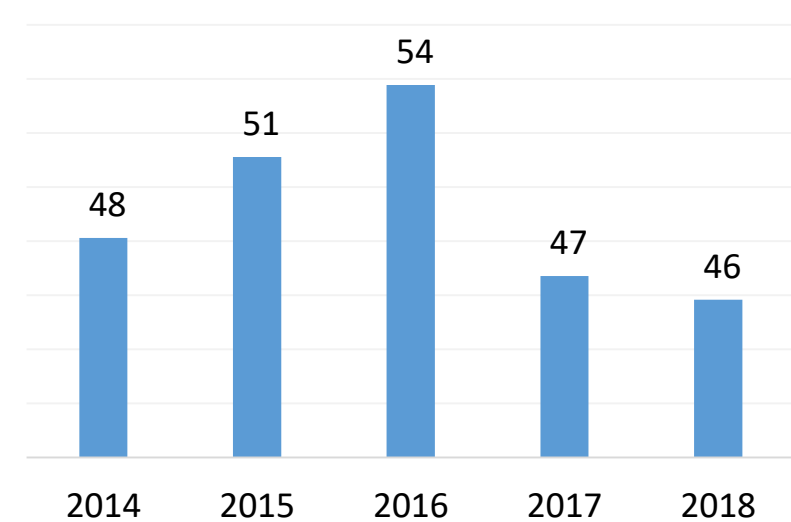
Growing local revenues (EGPbn)



Export vs. Local revenues%



Local sales volumes (mn sqm)

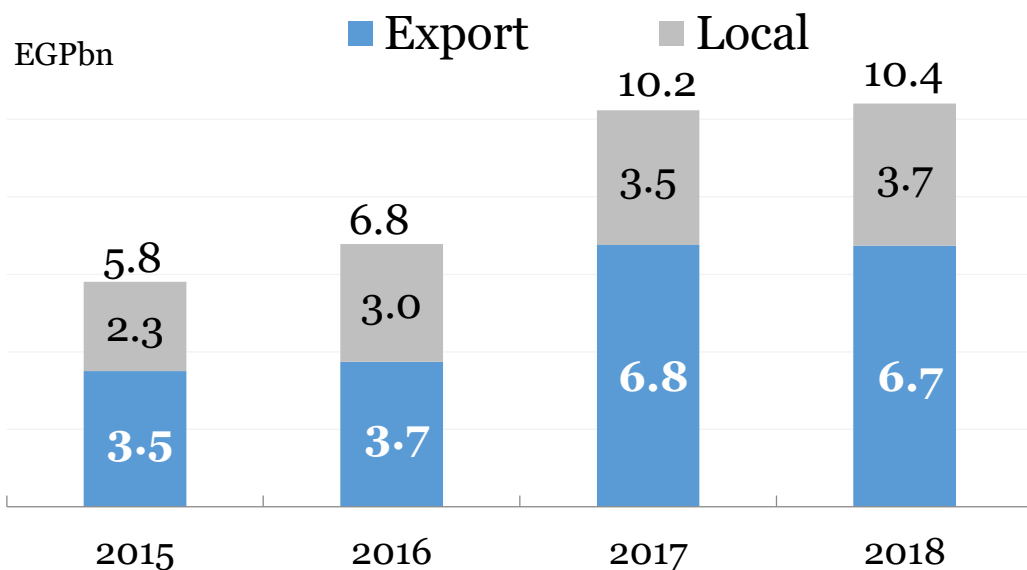




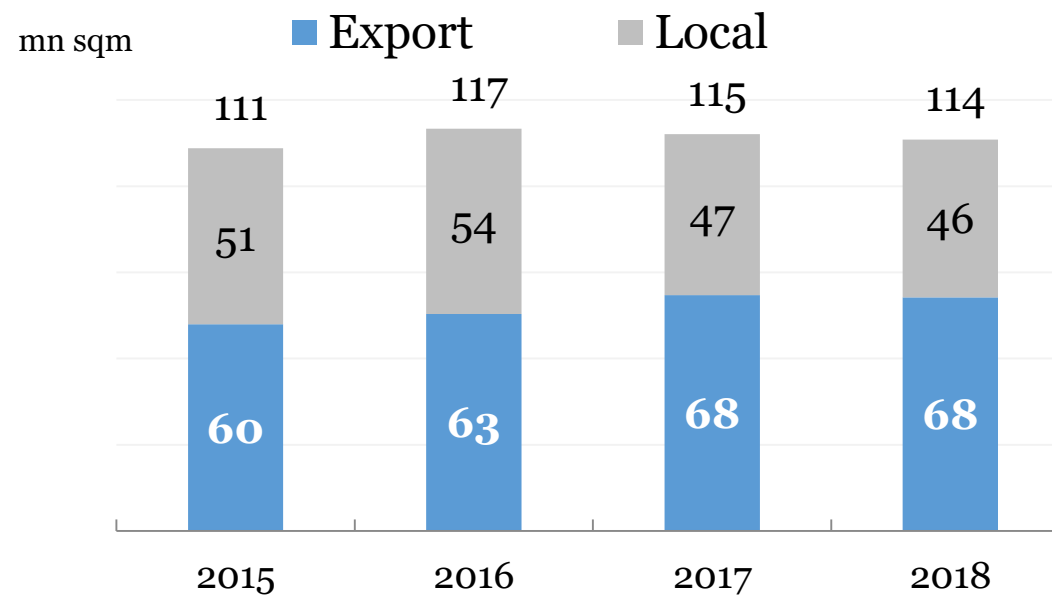
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# Revenue progress

Revenues (EGPbn)



Sales volumes (mn sqm)

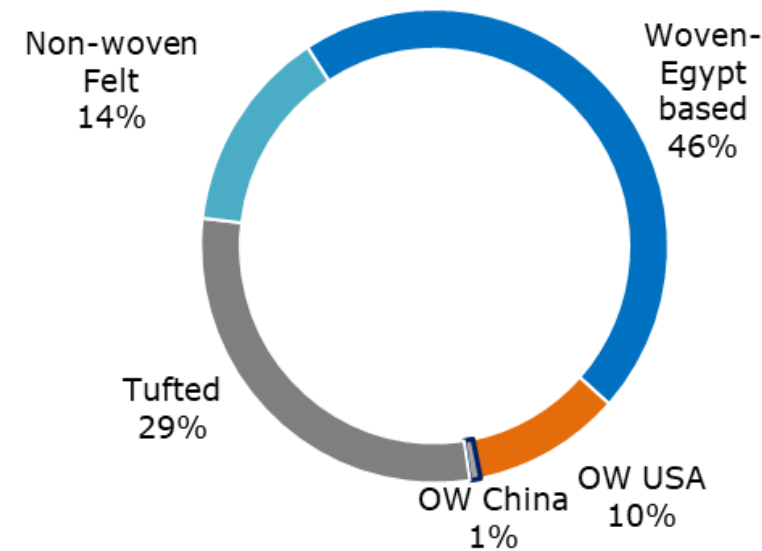




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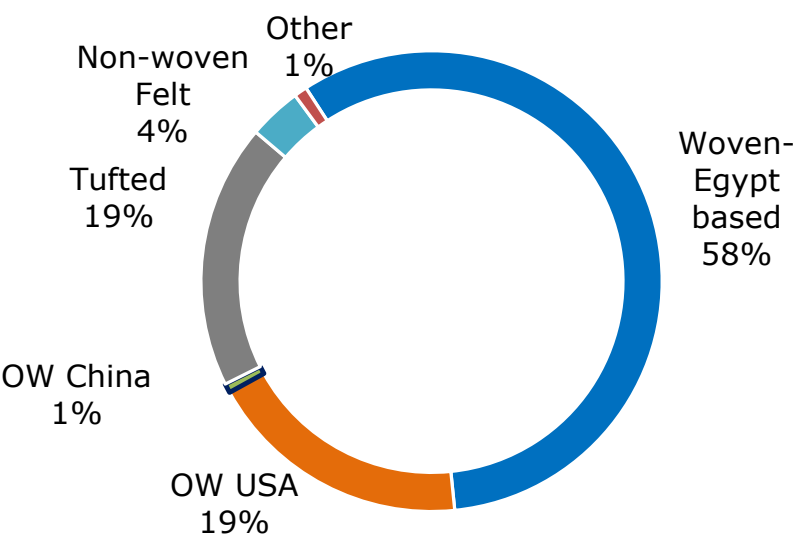
# Diversified Product Mix

3Q 2019 Revenue Mix (by volume)



Woven-Grade A	EGP282/sqm
Woven-Grade B	EGP132/sqm
Woven-Grade C	EGP69/sqm

3Q 2019 Revenue Mix (by value)



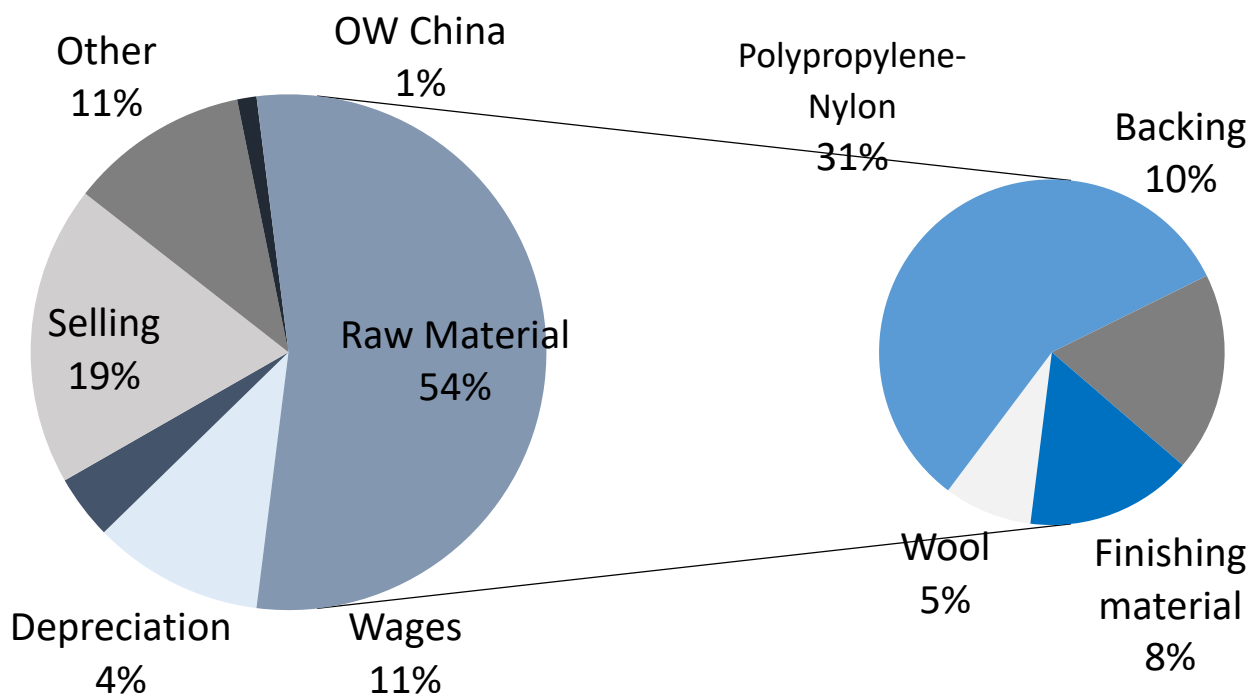
Tufted wall-to-wall	EGP49/sqm
Tufted pieces	EGP57/sqm
Non-woven (EFCO)	EGP22/sqm





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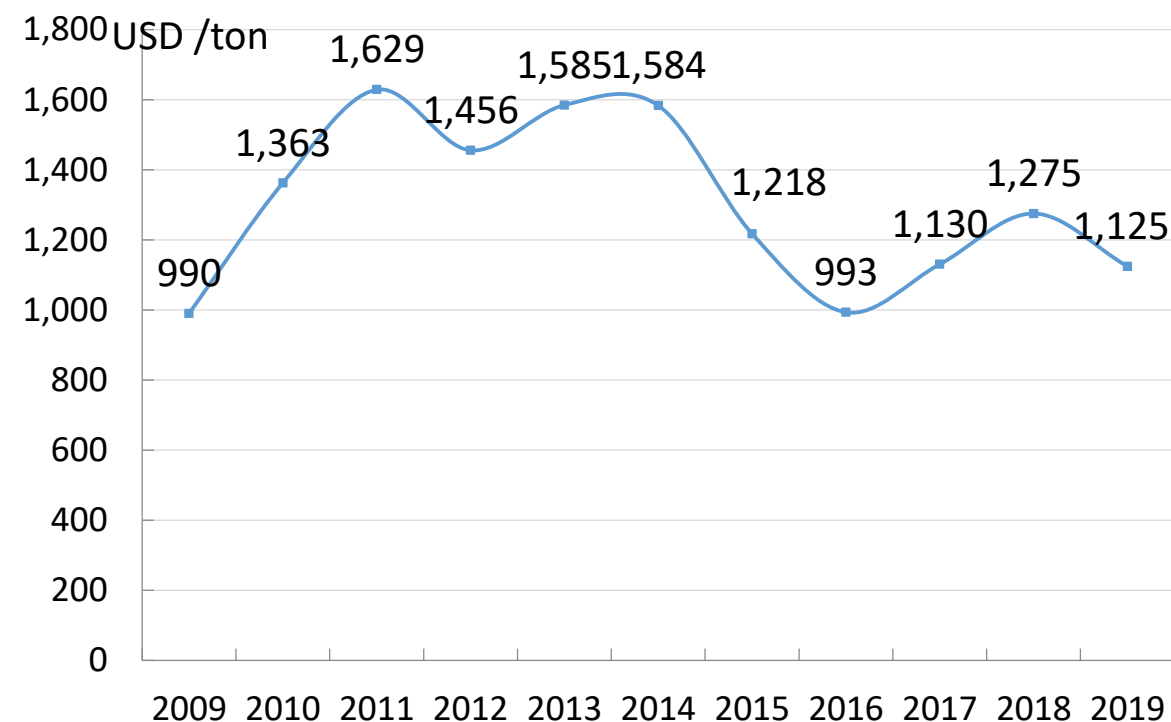
## 3Q 2019 Cost Breakdown



Source: Company

- Almost 63% of costs are dollar based.

## PP Prices (USD/ton)





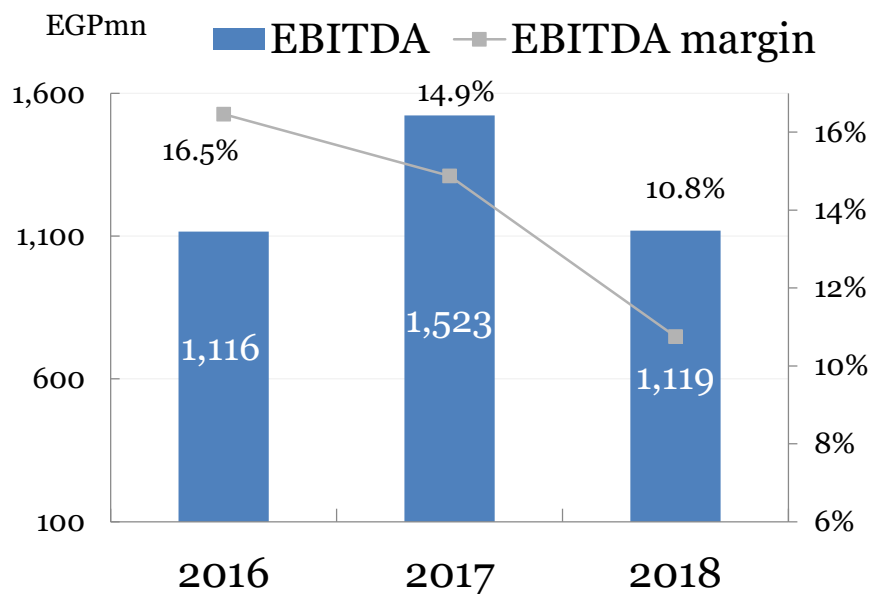
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# Recent Expansions

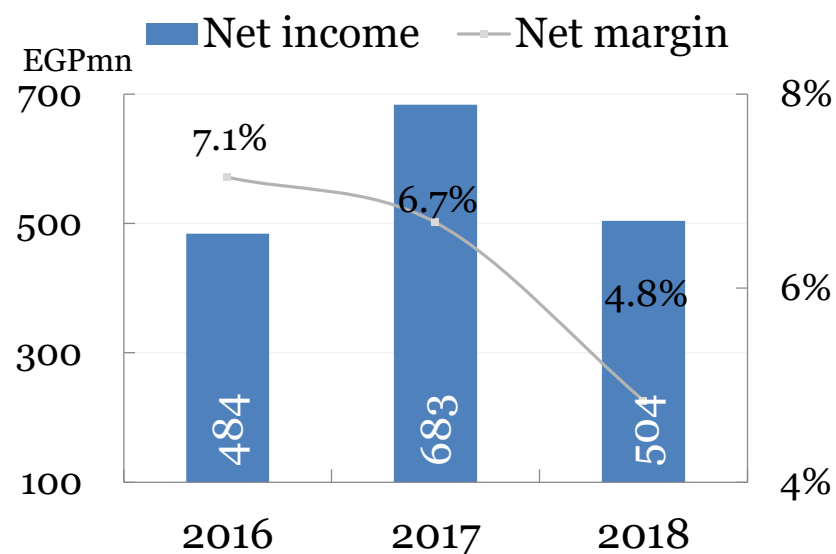
	2015	2016	2017	2018	2019
<b>Woven</b>	13 looms added increasing production capacity by 6%	<input type="checkbox"/> 4 new goblin looms <input type="checkbox"/> 9 new looms <input type="checkbox"/> 2 yarn production lines	<input type="checkbox"/> Establishing a new factory <input type="checkbox"/> 10 new looms <input type="checkbox"/> One Heatset yarn machines	<input type="checkbox"/> 9 new looms <input type="checkbox"/> Seven yarn machines	<input type="checkbox"/> 7 looms <input type="checkbox"/> Packing machines <input type="checkbox"/> Yarn machine
<b>Tufted</b>	MAC penetrated the artificial turf segment following the addition of two new machines		One digital printing Two yarn machines	Two yarn machines & other equipment	<input type="checkbox"/> upgraded chromo jet printer to digital ones, <input type="checkbox"/> one printing machine, <input type="checkbox"/> three new tuft machines, <input type="checkbox"/> Carpet Tiles press cutting machine.
<b>Non- woven</b>	Two new machines added	Two new machines added	Finishing and coloring machines	Two new machines	

# Financial Summary

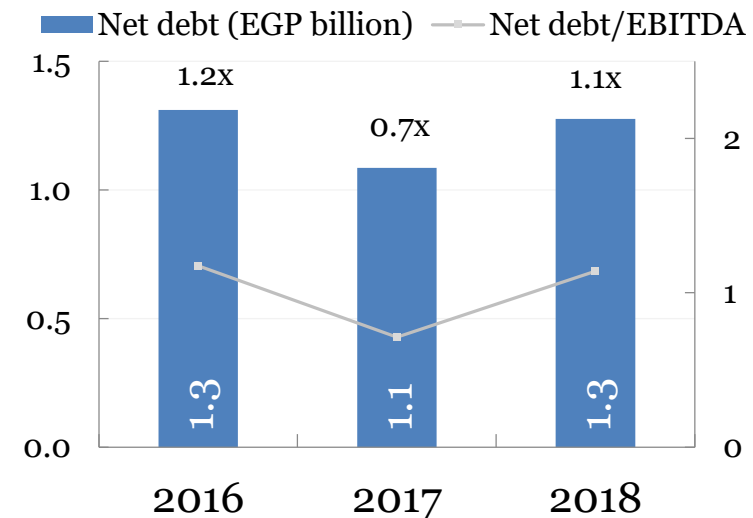
## EBITDA Performance (EGPbn)



## Net Income Performance



## Net Debt (EGPbn)





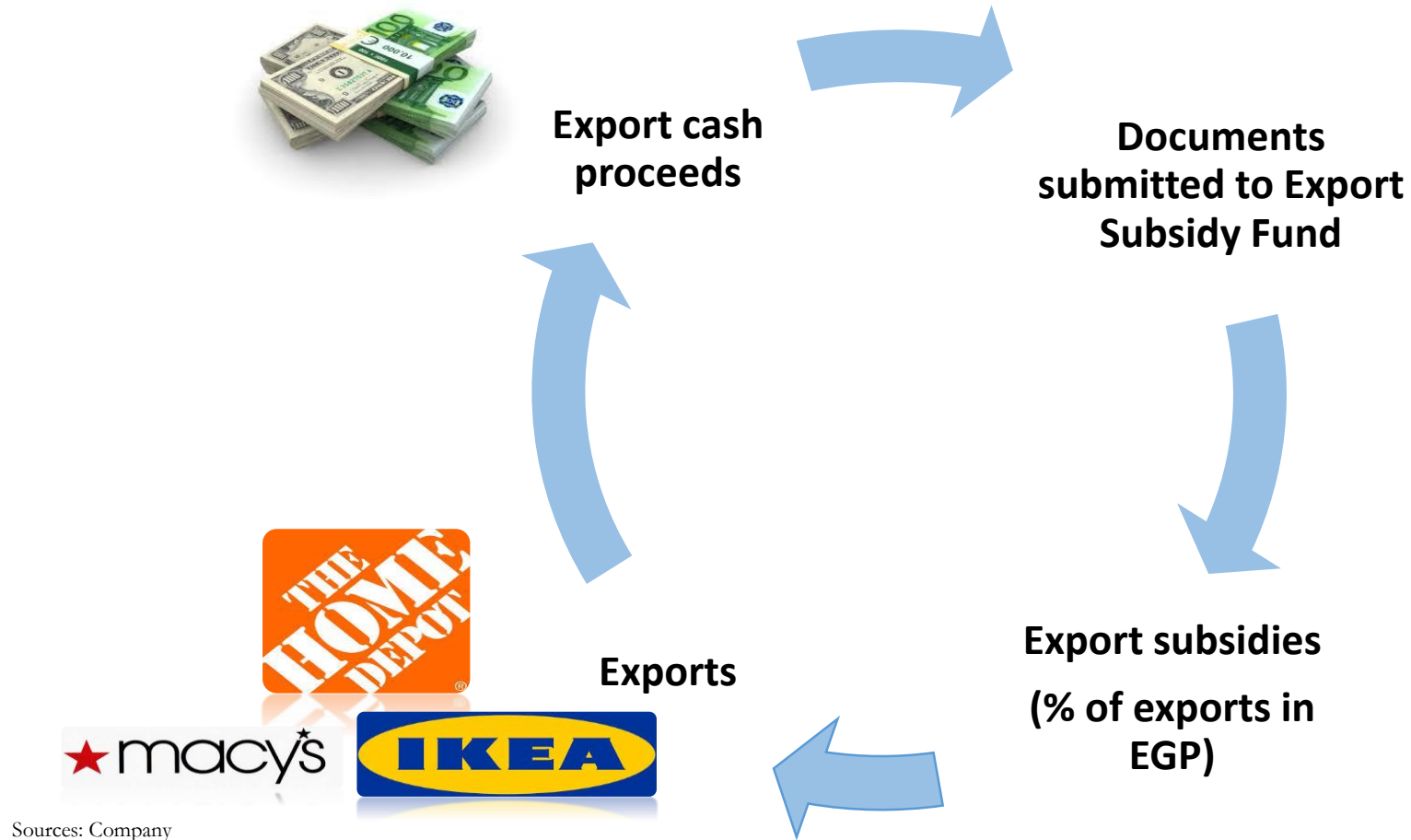
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## Impact of Energy Subsidy Reform on Costs

Energy cost	Jun-14	Jul-15	Jul-16	Jul-17	Jul-18	Jul-19	% Change
<b>Natural gas (US\$/mmbtu)</b>	2.25	5	5	5	5	5	-
<b>Electricity (EGP/KW)</b>	0.28	0.435	0.53	0.69	0.99	1.1	11%
<b>Transportation costs (EGP Diesel/Liter)</b>	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:



Sources: Company

EGP585 mn delayed  
disbursement till  
October 2019

OW collected EGP  
139 mn in 10M 2019



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

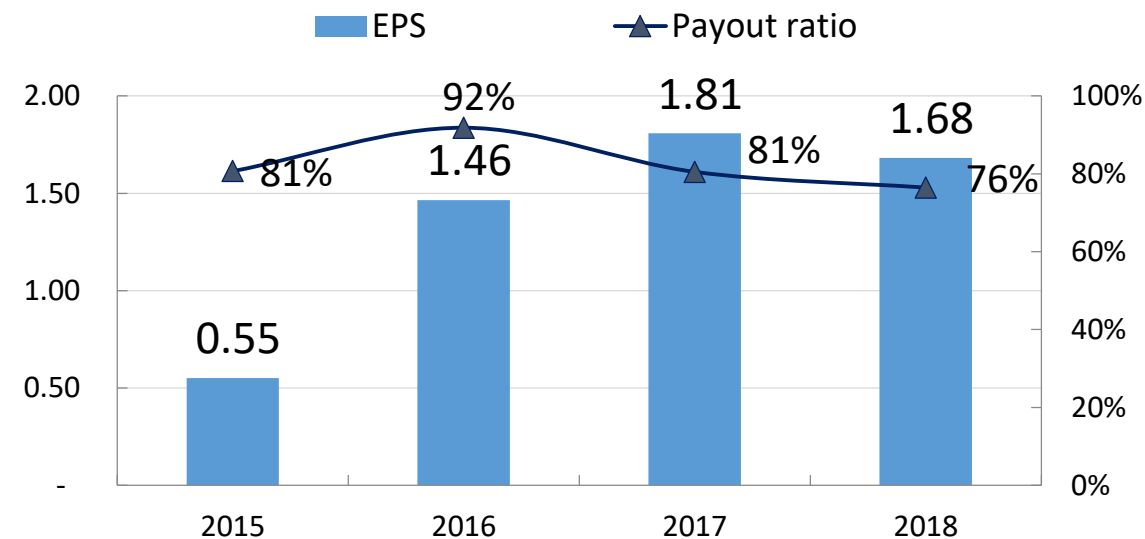
- Currently, the Ministry of Trade & Industry is preparing a new export incentive program for implementation retroactively on July 1<sup>st</sup>, 2019, replacing the current program.
- The Egyptian Prime Minister meets separately the export councils to discuss proposals and different non-cash alternatives in addition to mechanism through which the backlog will be disbursed.



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# 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.
- 52 average daily turnover EGP6.3mn.
- Market Cap USD 290 mn (as of Nov 11, 2019).
- 2018 DPS of EGP1.5.
- Reuters; Bloomberg ORWE.CA; ORWE EY.



## Shareholders' structure

Khamis Family	56.5%
Institutions	37.9%
Foreign Institutions	24.8%
Local Institutions	13.1%
Retail	5.4%

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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