



النساجون الشرقيون  
Oriental Weavers

## Earning Release 4Q 2019

**C**AIRO, February 23<sup>rd</sup>, 2020 — Oriental Weavers Carpet Company [ORWE EY; ORWE.CA], one of the world's largest machine-made rug and carpet manufacturers, reported its financial results today, for FY 2019, ending December 31<sup>th</sup>.

A message from our Founder, Mr Mohamed Farid Khamis, to shareholders:

“Oriental Weavers continues to thrive as our sustainable growth model of diversified operations and efficient capital management kept us steadily on course, with rewarding dividend yields to be offered to our shareholders. 2019 was a challenging year, but we managed to achieve an increase in our gross profit margin to 10.63% in 2019, compared to 9.4% in 2018. We continue to face challenges from the global backdrop, but we head into 2020 cautiously optimistic, targeting product differentiation while continuing to identify new markets. I would like to take this opportunity to thank the Egyptian Government for signing two protocols related to our export rebate program with the first valued at EGP 322 million, and the second (for MAC and New Mac) worth EGP 229 million. As we look forward to a rewarding 2020, I must offer my sincerest thanks to the group members and staff for your undying commitment and perseverance.”

### 4Q 2019 vs 4Q 2018

<b>Gross profit</b> (EGP million)	<b>EBITDA Margin</b>	<b>Net Income</b> (EGP million)
295 +37%	11.3% +218 bps	258 +126%
<b>Export Contribution</b>	<b>Proposed DPS</b>	<b>Backlog of Export Rebates</b>
64%	EGP1.5	EGP 579 million



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## Revenue Performance Overview

The group reported an 8.68% increase in 4Q 2019 q-o-q revenues totaling EGP 2,551 million compared to EGP 2,347 million in 3Q 2019. This was the result of a 14% q-o-q increase in export revenues in EGP terms (16% in USD), and a 1.1% q-o-q growth in local sales compared to 3Q 2019. Revenues, on y-o-y basis, dropped by 9.05% in 4Q 2019 when compared to 4Q 2018, recording EGP 2,551 million compared to EGP 2,805 million in 4Q 2018.

Accordingly, our 2019 full year revenues declined by 2.6% y-o-y, reaching EGP 10,134 million, compared to EGP 10,405 million in 2018 as a result of a decline in exports revenues by 6.4% in EGP terms (+5% in USD). Local sales increased by 4.4% in 2019 when compared to 2018.

## Revenue Contribution by Market in 4Q 2019

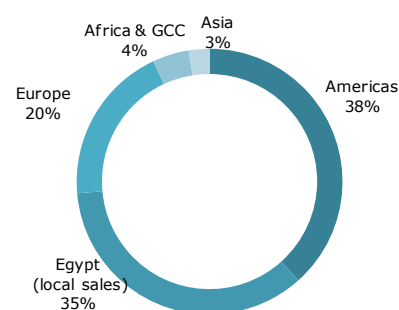


Table 1: Net Sales (Volume and Value) in 4Q 2019 vs. 4Q 2018

	Value (EGP million)		
	4Q2019	4Q 2018	% Change
Woven- Egypt based	1,430.1	1,586.5	-9.9%
OW USA	504.7	567.1	-11.0%
OW China	15.4	21.5	-28.6%
Tufted	466.4	488.8	-4.6%
Non-woven Felt	113.7	92.4	23.1%
Other	20.2	48.5	-58.4%
<b>Total</b>	<b>2,551</b>	<b>2,805</b>	<b>-9.1%</b>

	Volume (mn sqm)		
	4Q2019	4Q 2018	% Change
Woven- Egypt based	13.76	14.55	-5.4%
OW USA	3.43	3.17	8.2%
OW China	0.20	0.18	12.9%
Tufted	8.31	8.63	-3.8%
Non-woven Felt	4.92	4.20	17.0%
Other			
<b>Total</b>	<b>30.6</b>	<b>30.7</b>	<b>-0.4%</b>

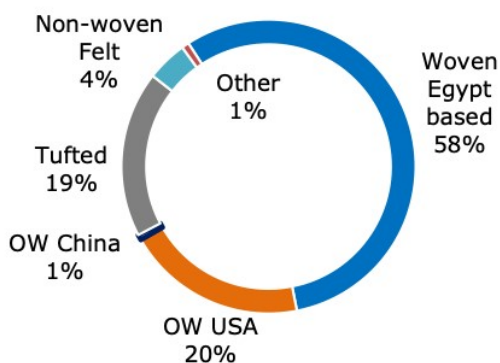
Table 2: Net Volume and Value in 2019 vs. 2018

	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%
<b>Total</b>	<b>10,133.6</b>	<b>10,404.7</b>	<b>-2.6%</b>

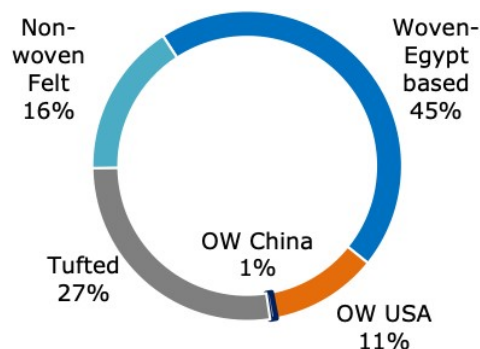
	Volume (mn sqm)		
	2019	2018	% Change
Woven- Egypt based	53.3	55.9	-4.6%
OW USA	13.5	11.4	18.8%
OW China	0.8	0.9	-16.2%
Tufted	31.6	30.9	2.2%
Non-woven Felt	17.2	14.4	19.2%
Other	0.0	0.0	
<b>Total</b>	<b>116.4</b>	<b>113.6</b>	<b>2.5%</b>



Revenue Breakdown in 4Q 2019



Sales Volumes Breakdown (sqm) in 4Q 2019



## Segment Reporting

### Local Sales

Our local net sales reported a growth of 4.8% in 4Q 2019 reaching EGP 930 million, compared to EGP 888 million in the same quarter of 2018. Sales were tilted towards grade A and B woven carpets, which increased 22% and 24% respectively. Volumes sold, however, decreased by a mild 1.1% in 4Q 2019 compared to 4Q 2018. When compared to 3Q 2019, we witnessed an increase of 3.1% in volume – a result of a “buy one get one free” promotion that was introduced in November 2019 which created significant traffic in the showrooms.

Our retail outlet sales (58% of total local sales) grew by 7% y-o-y in 2019, while wholesale revenues increased by 1%. Our showroom expansion strategy remains on schedule with twelve new showrooms added during 2019 in diversified areas like Aswan, Port Said and Domyat, to name a few, in an attempt to reach a wide range of customers in the local market. This drove our total number of showrooms to 255 as of December 2019. For 2020, two branches opened in February, and we are targeting a total of twenty new showrooms for 2020.

Our local hospitality segment successfully completed several installations in 2019, projects include Dusit Lakeview, Vox cinemas, Galala Resort - Ain el Sokhna, several projects in El Alamein, and in the new capital area. Heading into 2020 there are several projects in the pipeline, principally in the New Administration Capital, along with several prominent hotels and universities.

Management’s strategy will be to focus on innovation and differentiating our products from the Turkish products. Feedback from wholesalers has led us to believe that they are

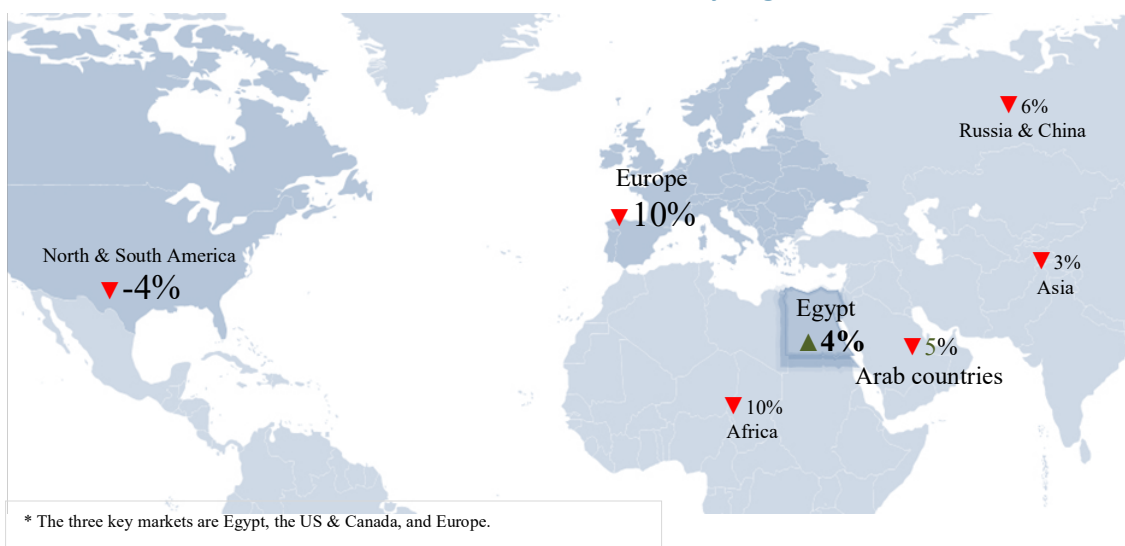


currently seeking products that will single them out from the competition as the overabundance of Turkish imports has flooded the markets with retailers selling essentially the same designs and products. Vendors value our products, and the diversification that OW offers, making them more competitive in an increasingly competitive local market. In addition, we have introduced new products, designs, and innovations, such as “carpet tiles” and “artificial grass,” in order to better serve our clients.

### Export and Overseas Operations

Export revenues reported a 14% q-o-q increase in 4Q 2019, reaching EGP 1,620 million compared to EGP 1,426 million in 3Q 2019. Volumes increased by 20% q-o-q in the export market, tilted towards Grade C products in the woven segment. While in USD terms, exports increased by 16% in 4Q 2019 compared to 3Q 2019. In 2019 export revenues declined 6% in EGP terms while its up 5% in USD terms; caused by an appreciation in the EGP by 11%.

### 2019 Revenue Performance by Region



Management’s Strategy for 2020 for the export market is to identify new opportunities and markets. We seek to compete through product differentiation and product development, so that when we approach new clients they will not have reference products. This strategy will aid us in opening new markets.



The current trend with “big box” retailers is geared towards online shopping and decreasing display areas in shops, which has caused management to also focus on online shopping, in addition, to focusing on “Club channels.” These types of retailers, like Costco and Sam’s Club, require a significant volume of stock on-hand, representing substantial opportunities.

In 2019, products supplied to a key European customer did not meet popular demand. Currently, we are working on product developments and new ranges that will replace previous products that will improve sales by 2Q 2020

With regard to new markets, we are currently in discussions with four export insurance companies which will enable us to enter into new markets. In the past we faced difficulties to obtain financing facilities in markets like Africa and East Europe as these markets were credit based. The new markets are in Ethiopia, Angola, Morocco, Malaysia, Indonesia, and Russia.

Focusing on the Middle East as we see potential for growth there. Saudi Arabia, specifically, witnessed a 20% increase in revenues in January 2020, compared to January 2019. We expect to see impressive numbers in 1Q 2020 from Saudi Arabia sales, given that their high season is near Ramadan.

In an attempt to address the competition, OW’s strategy has become more flexible in terms of MOQ (Minimum Order Quantity). We shifted to decreasing our MOQ in order to be able to compete with Turkish suppliers. This has attracted more clients and was received positively at the DOMOTEX trade fair.

Management has developed a QCQA (quality control, quality assurance) department to systematically deal with claims and ensure products meet or exceed our quality standards. This will enhance efficiency within the company, reduce claims, and, thereby increase our customer retention rates.

Oriental Weavers must also highlight the strong growth achieved this year in the hospitality segment of the export market, which grew 23% y-o-y in 2019.

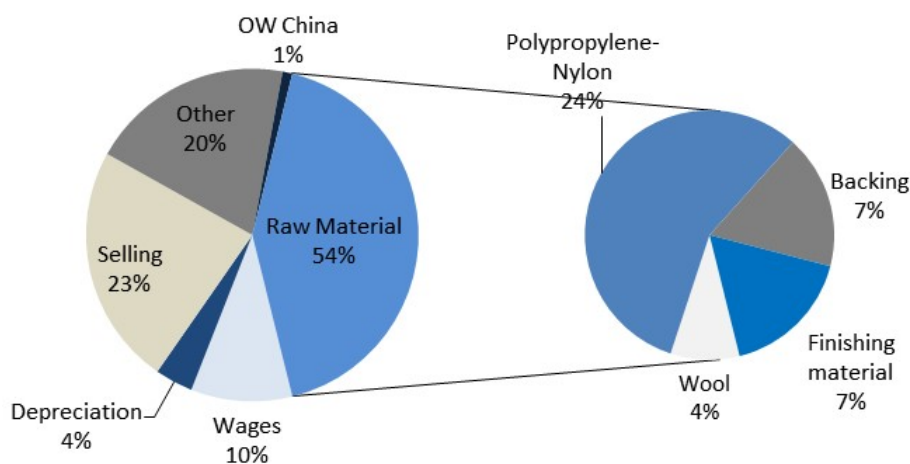
New product development with Lowe’s, Costco, and Home Depot are in the pipeline, which should positively impact the first half results. Currently, we are increasing our market shares within the home furnishing stores as our products are known for their quality and value for money.



### COGS in Focus:

In 4Q 2019, there was a 37% y-o-y increase in gross profit (including depreciation expenses) to EGP 295 million, with the gross margin reaching 11.56% compared to 7.67% in 4Q 2018. This was a result of the decline of COGS by 12.9% in 4Q 2019 compared to 4Q 2018.

### 4Q 2019 COGS Breakdown



EBITDA for 4Q 2019 came in at EGP 289 million – a 13% increase compared to EGP 257 million in 4Q 2018 – while the EBITDA margin increased by 218 bps to 11.3% compared to 9.15% in 4Q 2018.

The company recorded an overall net interest income of EGP 13 million in 4Q 2019, compared to a net interest income of EGP 8.3 million in 4Q 2018. OW recorded a 55% increase in interest income as a result of the efficient utilization of our cash balance.

OW recorded the following additional revenues in 2019:

- i. EGP 218 million from our export rebate collection. The remaining backlog of EGP 579 million, as of January 2020, is not recognized on our balance sheet;
- ii. EGP 85 million reversal in GAFI Fees.



Consequently, Oriental Weavers recorded a net profit of EGP 856 million which is a 55% increase compared to EGP 550 million in 2018. On a quarterly basis, net profit jumped 127% from EGP 114 million in 4Q 2018 to EGP 259 million in 4Q 2019.

### **Latest Corporate Developments**

The Board of Directors (BoD) proposes a DPS of EGP 1.5, pending AGM approval which will be held on the 29th of March 2020.

### **2020 CapEx Plan:**

For woven production, Oriental Weavers plans to add three weaving looms, targeting mid- to high-quality products for the local and export markets, one dying machine, and a wrapping machine. For our tufted production, MAC plans to add two artificial grass machines to meet demand, in addition to two rolling and backing machines. Total CapEx for 2020 is planned to be within the range of \$8-10 million.

### **China Facility:**

Even though China represents just 1% of revenues, as of 2019, due to the coronavirus, the facility has been shut down since the beginning of February. Our Egyptian workers located there have been brought back to Egypt for safety reasons. The duration of the shutdown is unknown at this time, but management is keeping a close eye on the situation

### **Export rebates:**

OW has received a total of EGP 218 million in export rebates in 2019, with the current backlog standing at EGP 579 million as of 31<sup>st</sup> Jan 2020. OW has signed two protocols, the first concerning OWC and two of its subsidiaries OWI and OWT with a total value of EGP 322 million to settle the backlog of export incentives until 30<sup>th</sup> June 2019. The value will be paid in five installments, in the third quarter over the next five years. OWC already received the first installment of EGP 64.4 million in December 2019. The second protocol concerning MAC and New MAC, with a total value of EGP 229 million, will be received in installments over the next five years, in the third quarter of each year as well.



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### New Export Incentive Program:

The Ministry of Trade and Industry is preparing a new export incentive program to replace the current program, with export incentives to be based on 40% of the value to be paid in cash and 60% of the value to offset payments to the government (taxes, social insurance payments).

### INVESTOR RELATIONS CONTACTS

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#### STOCK SYMBOL ORWE.CA

#### CAPITAL

Issued and Paid-in Capital: 443.4 million EGP

Number of Shares: 443.4 million shares

Par Value: 1 EGP per share

#### SHAREHOLDER STRUCTURE

56.6% Khamis Family

37.6% Institutions

5.8% Retail





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## Income Statement (EGP million)

	4Q 2019			FY 2019		
	2019	2018	Change	2019	2018	Change
<b>Net Sales</b>	2,551	2,805	-9.07%	10,134	10,405	-2.61%
<b>Less:</b>						
<b>COGS</b>	2,256	2,590	-12.9%	9,057	9,431	-3.97%
<b>Gross Profit</b>	295	215	37%	1,077	973	10.6%
<i>Gross Profit Margin*</i>	<b>11.56%</b>	<b>7.7%</b>	<b>389bps</b>	<b>10.63%</b>	<b>9.4%</b>	<b>127bps</b>
<b>Less:</b>						
Selling and Distribution Expenses	36	23	60%	125	104	20%
General and Administrative Expenses	96	73	32%	339	306	11%
<b>Sum</b>	<b>133</b>	<b>95</b>	<b>39%</b>	<b>465</b>	<b>411</b>	<b>13.1%</b>
<b>Net Income from Operation Activities</b>	<b>162</b>	<b>120</b>	<b>36%</b>	<b>612</b>	<b>562</b>	<b>8.8%</b>
<b>Operation Activities Margin</b>	<b>6.36%</b>	<b>4.3%</b>	<b>210bps</b>	<b>6.04%</b>	<b>5.4%</b>	<b>63bps</b>
<b>Add / Less:</b>						
Provisions and Impairment	-13.05	-60.7	NA	-121	-102	18%
Reversed Provisions	0	2.5	NA	0	2.5	NA
Investment Income	0	7.2	NA	8	15	NA
Interest Income	13	8.3	50%	59.7	98	-39%
Treasury Income	12	34.7	-66%	54.07	44	22%
Other Revenues	107	58.9	81%	316	148	114%
Capital Gain	10	12.1	16%	15.13	2	884%
Financing Expenses	-28.56	-32.3	-12%	-128	-115	12%
Foreign Exchange Differences	23	11.9	NA	146.11	11	NA
<b>Sum</b>	<b>122.75</b>	<b>43</b>	<b>NA</b>	<b>350</b>	<b>103</b>	<b>239%</b>
<b>Net Profit for the Period before Income Tax</b>	<b>285</b>	<b>162</b>	<b>76%</b>	<b>962</b>	<b>666</b>	<b>45%</b>
<b>EBT Margin</b>	<b>11.2%</b>	<b>5.8%</b>	<b>539bps</b>	<b>9.5%</b>	<b>6.4%</b>	<b>310bps</b>
<b>Add / Less:</b>						
Current Income Tax	-25.1	-37	(32%)	-103	-105	-1%
Deferred Tax	-2.26	-12	-81%	-3.7	-11	-66%
<b>Income Tax for the Period</b>	<b>(27.37)</b>	<b>(48)</b>	<b>-44%</b>	<b>(107)</b>	<b>(115)</b>	<b>-7%</b>
<b>Net Profit for the Period</b>	<b>258</b>	<b>114</b>	<b>126%</b>	<b>855</b>	<b>550</b>	<b>55%</b>
<b>Net Profit Margin</b>	<b>10.10%</b>	<b>4%</b>	<b>605bps</b>	<b>8.44%</b>	<b>5.29%</b>	<b>315bps</b>
<b>Attributable to:</b>						
Equity Holders of the Parent	239	104	131%	775	504	54%
Minority Interest	18	10	83%	80.31	46	73%
<b>Earnings Per Share (EPS)</b>	<b>0.50</b>	<b>0.23</b>	<b>131%</b>	<b>1.75</b>	<b>1.14</b>	<b>54%</b>

\* Reported figures include depreciation expenses

\*\* In December 31, 2018 26m was reclassified from COGS to SG&A



## Balance Sheet (EGP million)

	FY 2019	FY 2018
<b><u>Long Term Assets</u></b>		
Fixed Assets (Net)	4,474	4,961
Projects in Progress	205	247
Investments - Available for Sale	118	129
Goodwill	160	202
<b>Total Long-Term Assets</b>	<b>4,957</b>	<b>5,540</b>
<b><u>Current Assets</u></b>		
Inventory	3,342	3,681
Trades and Notes Receivable	1,592	1,942
Debtors and Other Debit Accounts	288	330
Treasury Bills	845	764
Cash on Hand & at Banks	454	624
<b>Total Current Assets</b>	<b>6,520</b>	<b>7,341</b>
<b><u>Current Liabilities</u></b>		
Provisions	62	79
Banks - Credit Accounts	1,887	2,164
Long Term Liabilities - Current Portion	110	123
Suppliers and Notes Payable	833	1,219
Dividends Payable	8	19
Creditors and Other Credit Accounts	566	516
Deferred Tax Liability	88	89
<b>Total Current Liabilities</b>	<b>3,553</b>	<b>4,210</b>
<b>Working Capital</b>	<b>2,967</b>	<b>3,132</b>
<b>Total Investment</b>	<b>7,924</b>	<b>8,671</b>
<b>Financed as Follows:</b>		
<b><u>Shareholder's Equity</u></b>		
Issued and Paid Capital	443	443
Reserves	1,665	1,627
Retained Earnings	210	514
Net Profit for the Period	775	504
Exchange Differences Arising on Translation of Foreign Currency	3,635	4,225
Treasury Stocks	0	0
<b>Total Equity Attributable to Equity Holders of the Parent</b>	<b>6,728</b>	<b>7,313</b>
<b>Non-controlling Interest</b>	<b>824</b>	<b>846</b>
<b>Total Equity</b>	<b>7,552</b>	<b>8,159</b>
<b><u>Long - Term Liabilities</u></b>		
Long Term Loans	230	376
Housing and Development Bank Loan	0.06	0.2
Deferred Taxes Liabilities	141	136
<b>Total Long-Term Liabilities</b>	<b>372</b>	<b>512</b>
<b>Total Shareholder's Equity &amp; Long-Term Liabilities</b>	<b>7,924</b>	<b>8,672</b>



## Statement of Cash Flows (EGP million)

	4Q 2019	4Q 2018
<b><u>Cash flows from Operating Activities:</u></b>		
Net Profit for the Period before Income Tax	962	666
<b><u>Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities</u></b>		
Fixed Assets Depreciation	509	551
Provisions other than Deprecations	121	102
Reversed Provisions	0	(3)
Interest Income	(60)	(98)
Financing Expenses	128	115
Investment Income	(8)	(0)
Gain from Liquidation of available for sale investments	0	(14)
Capital Gain	(15)	(2)
Operating Profits before Changes in Working Capital	<b>1,637</b>	<b>1,316</b>
<b><u>Change in Working Capital</u></b>		
(Increase) in Inventory	84	(207)
Decrease (Increase) in Trades & Notes Receivable and other Debit Accounts	24	29
Decrease (Increase) in Suppliers & Notes Payable and other Credit Accounts	(185)	246
<b>Cash Flows Provided by Operating Activities</b>	<b>1,560</b>	<b>1,384</b>
Interest Income	60	98
Paid Financing Expenses	(128)	(115)
Income Tax Expense	(69)	(128)
<b>Cash Flows Provided by Operating Activities</b>	<b>1,422</b>	<b>1,240</b>
<b><u>Cash Flows from Investing Activities</u></b>		
Payments for Purchase of Fixed Assets and Projects in Progress	(368)	(726)
Payment for Acquisition of Available for Sale Investment	8	0
Proceeds/Payments from Sale/Purchase of Treasury Bills	(44)	(66)
Proceeds from Sale of fixed assets	18	42
<b>Net Cash Flows (used in) Investing Activities</b>	<b>(387)</b>	<b>(749)</b>
<b><u>Cash Flows from Financing Activities:</u></b>		
Proceeds (Payment) from Banks - Credit Accounts	(132)	281
Dividends Paid	(856)	(845)
Translation Differences of Financial Statements	(5)	3
Increase in paid-in capital of subsidiary	0	107
(Payment) Proceeds in Long Term Liabilities	(118)	101
<b>Net Cash Flows (used in) Provided by Financing Activities</b>	<b>(1,111)</b>	<b>(352)</b>
<b>Net Change in Cash and Cash Equivalents During the Period</b>	<b>(75)</b>	<b>139</b>
Cash and cash equivalents at beginning of the period	1,322	1,181
Translation Differences Related to Cash & Cash Equivalents	(51)	2
<b>Cash and Cash Equivalents at End of the Period</b>	<b>1,196</b>	<b>1,322</b>



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#### ABOUT ORIENTAL WEAVERS CARPET COMPANY

Oriental Weavers is a global player in machine-woven rugs and carpets; the company is renowned for superior product design and quality, as well as technological innovation. Today, the company is one of the largest producers of machine-made woven rugs in the world. It is management's vision to build a state-of-the-art, internationally competitive carpet and home textile company, characterized by a sharp focus on its customers and driven by marketing- and export-oriented strategies. ([www.orientalweavers.com](http://www.orientalweavers.com))

#### FORWARD-LOOKING STATEMENTS

Certain information contained in this document consists of forward-looking statements reflecting the current view of the Company with respect to future events, and is therefore 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 as well as 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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