

Oriental Weavers Carpets



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Oriental Weavers

1Q2016 Investor Presentation

Global Macro Fundamentals

Egyptian Market

- Sustained economic growth
GDP is expected to record a growth ranging from 4.5-5% annually up to 2020.
- Healthy demographics
The demand for floor coverings are increasing as almost 50% of the Egyptian population are near the marriage with around 800,000 marriages taking place annually.
- Housing gap
The market gap for housing is about 3 million units which creates potential for the development of new private and social housing projects.

International Markets

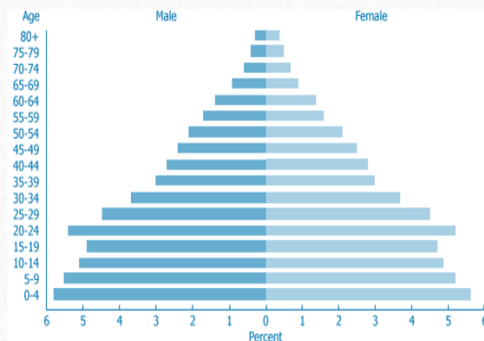
- US fundamentals are strong.
- Strong potential in African beside East Asian markets.
- European markets start to recover.

OW Demand Triggers in Egypt

- Strong growth in the real estate market driven by economic growth, increasing interest in gated-urban communities and increasing government social housing.
- Sizeable youth population with 50% below the age of 25.
- Increasing stringent procedures on imports of rugs starting March 2016.
- Challenging environment for rug importers on limited supply of foreign currency.



Sizeable youth bracket

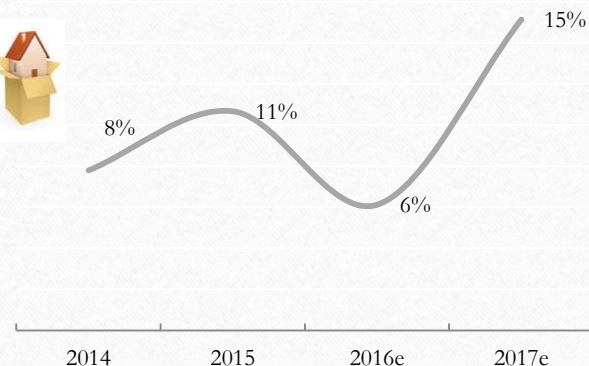


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Strong US fundamentals

- Housing starts and sales of new single family home sales are expected to see strong growth in the coming period.
- A home improvement survey conducted in April 2016 suggested that at least half of US homeowners are planning remodeling works in 2016, with new flooring being the second most common project reported.

Total Housing starts



www.housingeconomics.com



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Oriental Weavers in Numbers

37 years

In the global rugs
market

10

Manufacturing
facilities

130

Export countries

230

Showrooms in
Egypt

111

Million sqm of
capacity

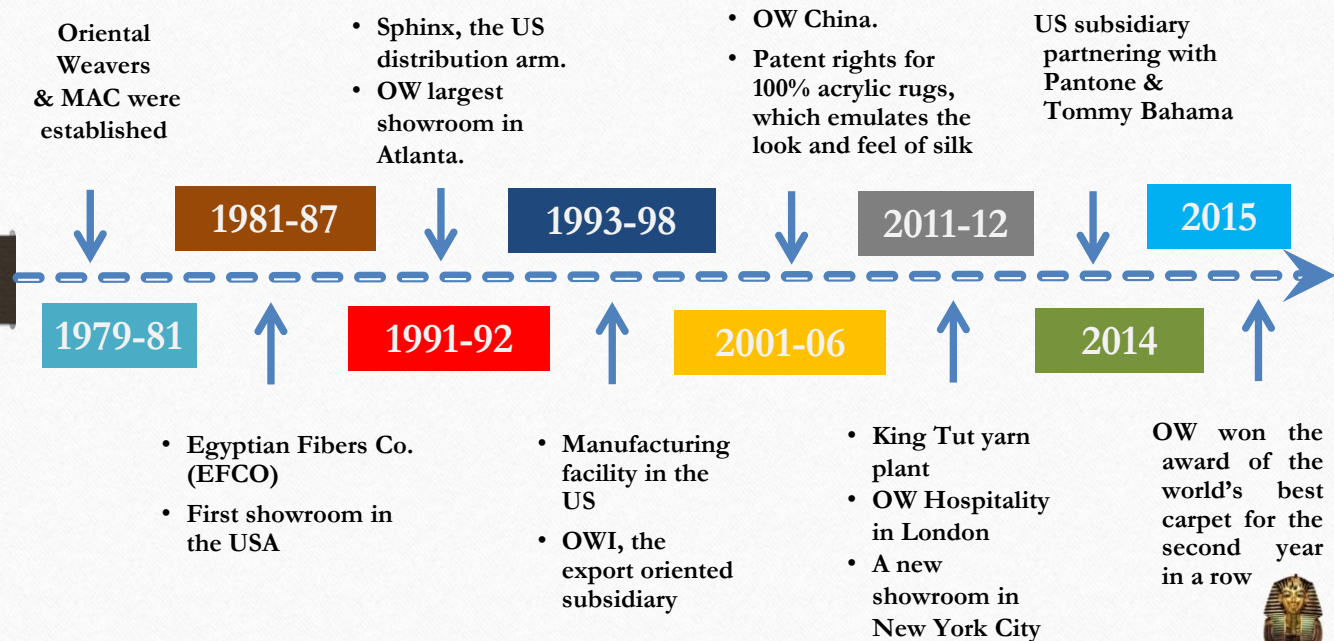
55%

Export
contribution



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Group's key Milestones



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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 +230 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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Sizeable Export base and partial local raw material Procurement Ensure Dollar Self Sufficiency

OW has been immune to the dollar shortage in Egypt thanks to the over 50% export contribution.

Current efforts to shift some of the dollar based debt facilities to Euro to continue ensuring the naturally-hedged business model.

OW's solid dollar position enables the company to source funding at attractive costs.

Export Incentive Program



Export cash
proceeds

Documents
submitted to
Export
Subsidy Fund



Exports



Export
subsidies
(% of exports
in EGP)



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Sources: Company

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	OWUSA	OW China	MAC	New MAC	EFCO
% of Revenues	32%	33%	14%	1%	17%		3%
Tax rate	22.5%	Exempted	34%	17%	22.5%	Exempted	22.5%
Capacity mn sqm	23	37	NA	3.4	56		18.5



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International Premier Partners

Relationships count – Oriental Weavers' enduring relationships with the world's best retailers, clients, resorts and other lifestyle centers ensure continued market leadership.



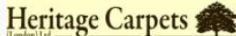
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heine



L'UNIVERSO DEL RISPARMIO



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American & Canadian Premier Partners: Retail Segment



TJ-maxx®



ETHAN ALLEN®

STANTON
BED BATH & BEYOND®



Zellers



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OW's long standing position in the US

- Secured partnership agreements with Tommy Bahama and Pantone.
- America's most magnificent rug award in Atlanta Floor covering exhibition.
- Opened corporate showrooms in 2012 in Fifth Avenue, New York and Las Vegas
- Growing online business with Target, Kohl's, Amazon, and Wayfair in addition to more focused sites such as Rugsdirect.com and rugsusa.com



OW: A large player in the Egyptian market

- Capturing a strong market share in the local market.
- Sells directly through a network of 230 showrooms.
- 80k sqm of retail and wholesale selling area.



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Premier Partners: Hospitality Segment

OW Hospitality, the London-based hospitality carpeting arm, is the preferred supplier for the Four Seasons and several other major hotel chains.

We continue to see solid and continuous growth in the US and the KSA.



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OW Hospitality: Recently Completed Projects

List of projects in the pipeline:

In the US

- ☐ Ritz Chicago
- ☐ Four seasons Dallas
- ☐ Disney Cruise
- ☐ Fairmont Empress
- ☐ Caesars main Casino

In the UAE

- ☐ The Atlantis
- ☐ Fountainview Towers 1,2,3 and 4
- ☐ Damac Paramount Towers
- ☐ The Westin

JW Marriott Grosvenor House, London



Marriott Richmond, Virginia



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Recent and Future Expansions

	2015	2016	2017-20
Woven	13 looms added increasing production capacity by 6%	4 new goblin looms 2 new looms	Plan to add 20% of additional woven capacity by 2020 through an additional total of 15 looms (pending market conditions).
Tufted	MAC penetrated the artificial turf segment following the addition of two new machines	Plan to add new yarn machinery to ensure production self sufficiency.	
Non-woven	Two new machines added	Two new machines to be added	
Total	EGP116 mn	EGP95 mn	

Merger of Rosetex with OW Textiles

- ☐ Oriental Weavers Textiles will become one of the subsidiaries of Oriental Weavers Carpets.
- ☐ The merger should add 2-3% additional attributable net earnings with no expected additions to top line revenues given the intercompany transactions between Oriental Weavers Textiles and the subsidiaries of Oriental Weavers Carpets.
- ☐ Increasing consolidated assets by EGP354 mn, while consolidated liabilities should increase by EGP142 mn.
- ☐ Oriental Weavers Textiles should provide enough land area eligible for any future expansions.

Financial and Operational Performance

1Q2016 financial Summary

Net sales
(EGP bn)

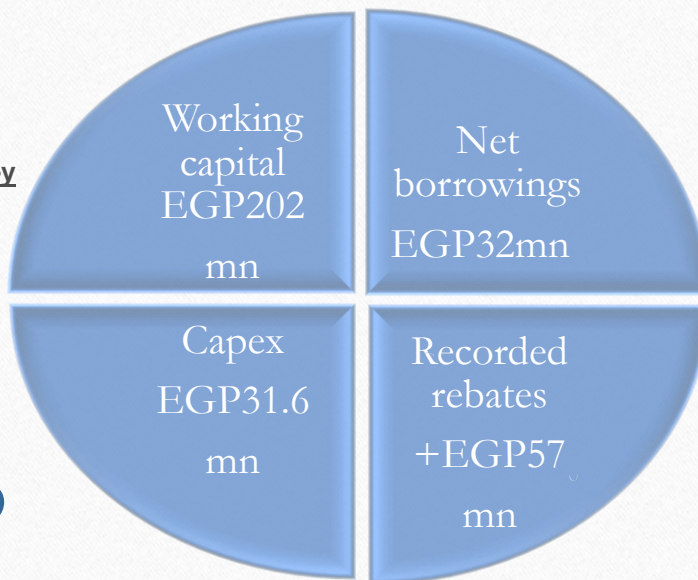
1.46

+1% growth y-o-y

Net Profit
(EGP mn)

103.3

-29% y-o-y



EBITDA
(EGP mn)

230

Flat y-o-y performance

EBITDA Margin

15.7%

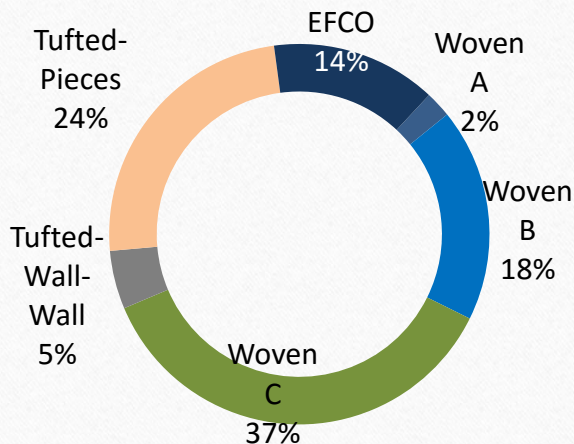
-12 bps y-o-y



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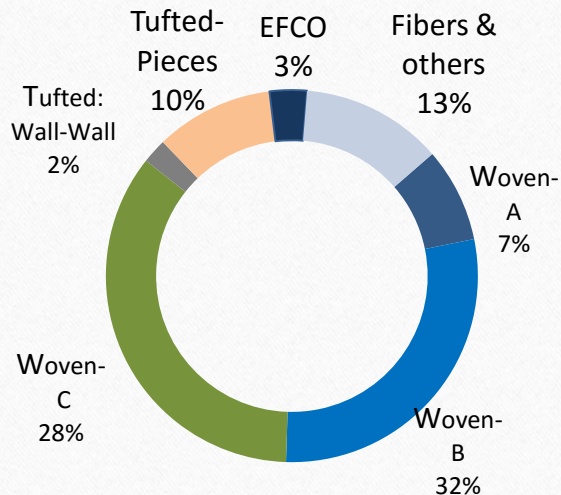
Diversified Product Mix

1Q 2016 Revenue Mix (by volume)



Woven-Grade A		EGP211/sqm
Woven-Grade B		EGP91/sqm
Woven-Grade C		EGP55/sqm

1Q 2016 Revenue Mix (by value)

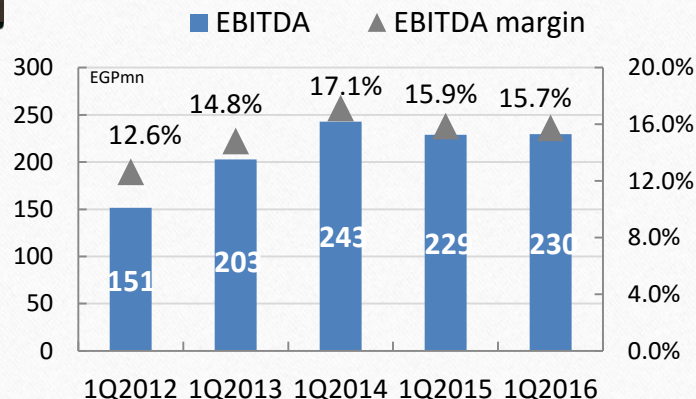
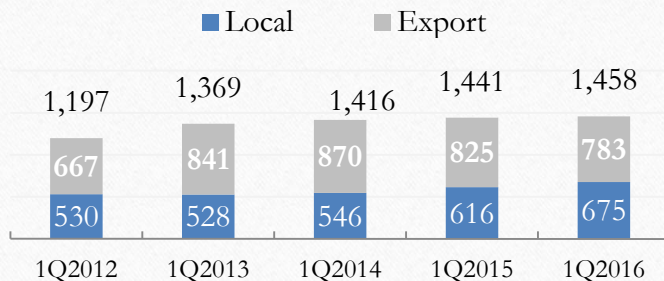


Tufted wall-to-wall		EGP25/sqm
Tufted pieces		EGP24/sqm
Non-woven		EGP13/sqm

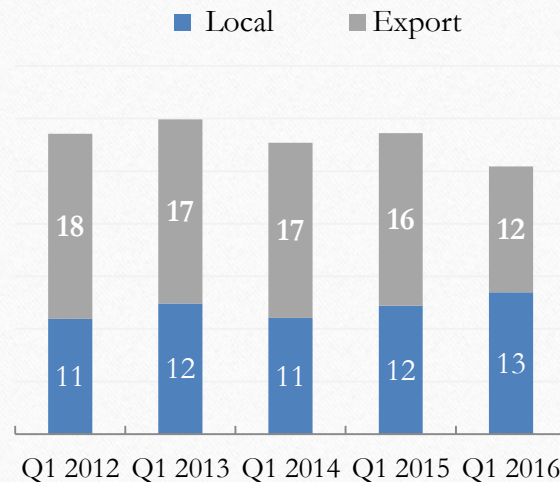


1Q 2016 Financial summary

Revenue performance (EGPmn)

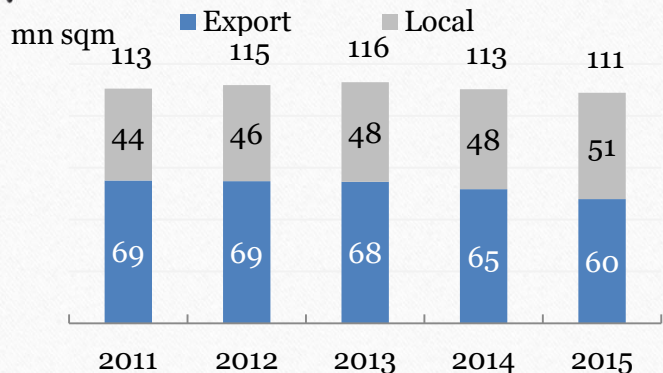
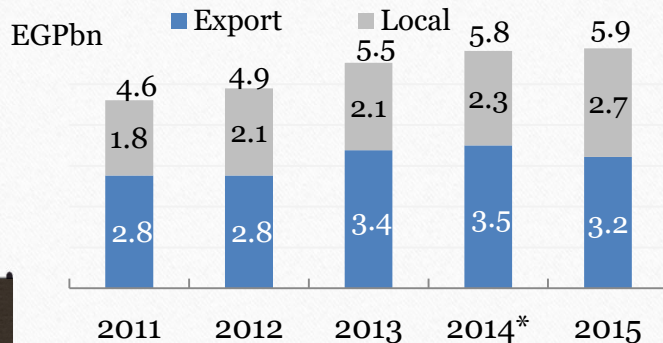


1Q revenue performance (Sqm)

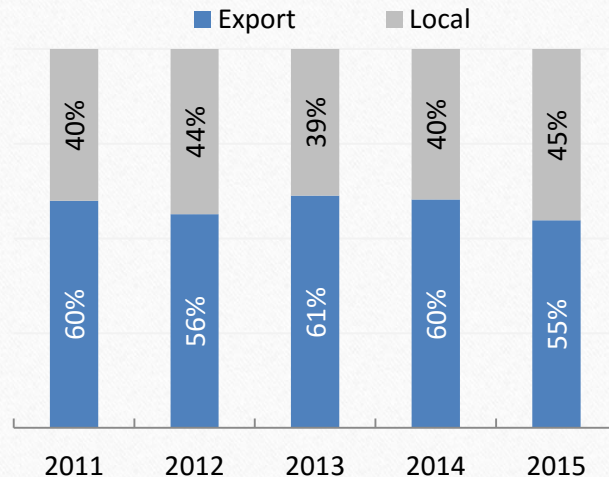


Financial Overview

Growing revenue base (EGPbn)

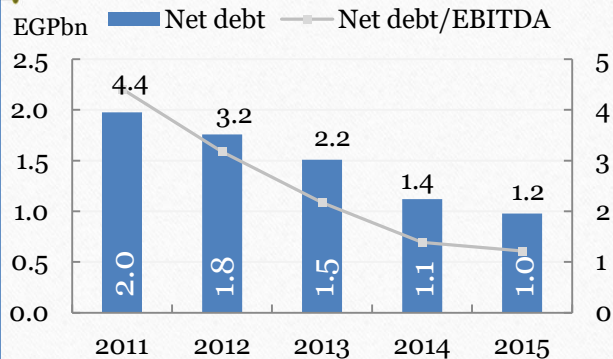
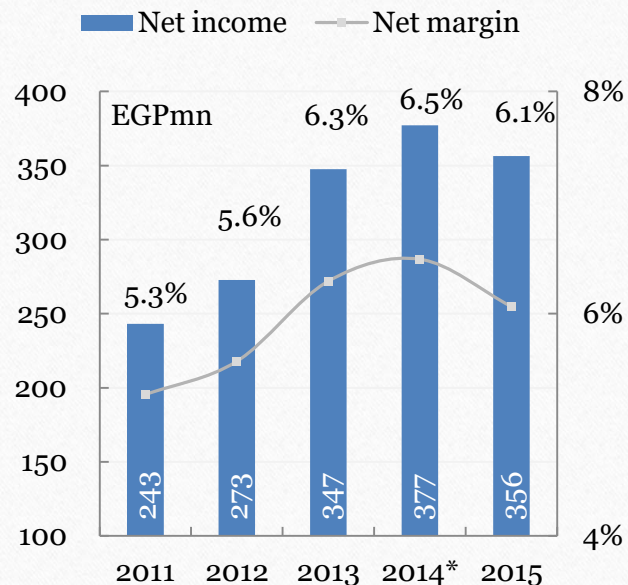
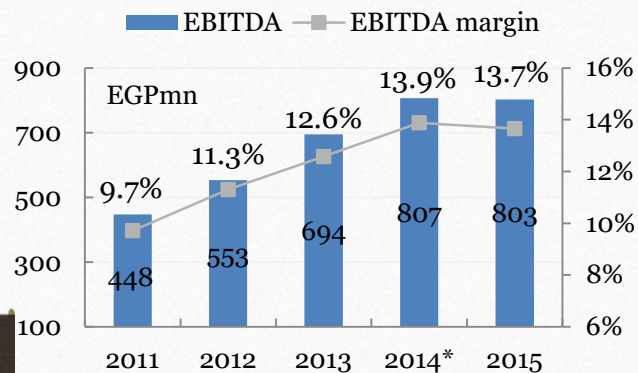


Export vs. Local Revenue Contribution



* On adjusted basis including sales of the merged Modern EFCO

Financial Summary

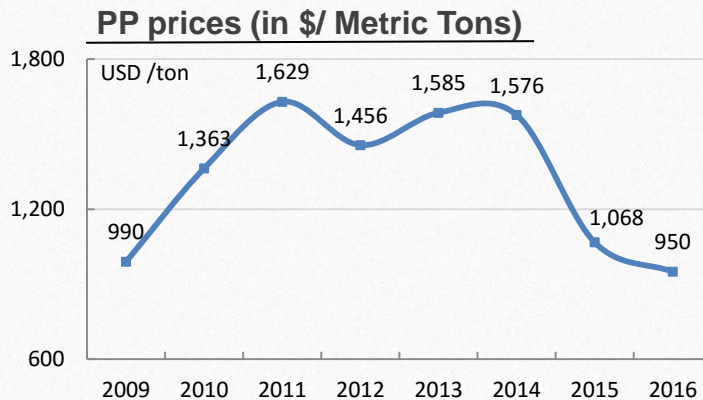


Cost Structure: Polypropylene is OW main raw material

Polypropylene — used in synthetic and blended rugs and carpets — is an oil derivative, representing around 26% of costs. Polypropylene prices are driven in large part by:

i) Petroleum prices ii) Market demand for polypropylene

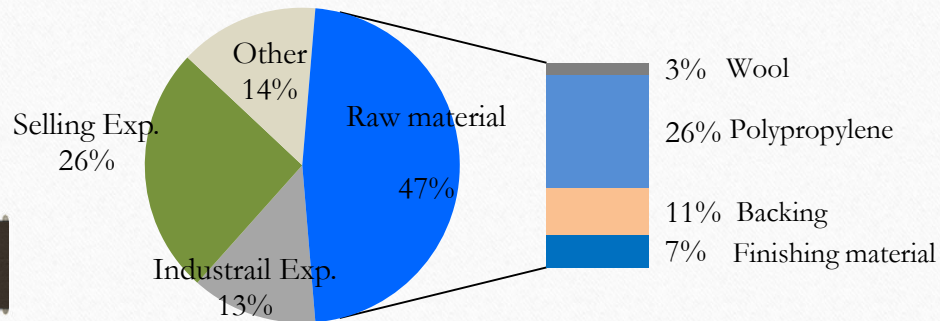
- Polypropylene granules is carefully sourced after receiving monthly price quotations from different suppliers, taking into account other cost factors associated with importing the granules.
- Almost 50% of the polypropylene needs are sourced locally and the remaining needs are imported from regional suppliers.



Sources: Company

Cost Structure: Polypropylene is OW main raw material

1Q2016 COGS breakdown



Sources: Company

- Almost 65-70% of costs are dollar based.
- Wages (9% of COGS) are subject to an annual increase from 8-10%



Impact of Energy Subsidy Reform on Costs

Energy cost	Old prices	New prices	% increase	OW costs (EGP000) and		% Δ
				%		
	US\$/mmbtu			2014	2015	
Natural gas	2.25	5	122%	23,485 0.45%	34,727 0.70%	47.9%
	EGP/KW					
Electricity	0.28	0.435	55%	104,382 1.6%	128,318 2.6%	22.9%
	EGP Diesel/Litres					
Transportation costs	110	180	64%	5,709 0.1%	6,826 0.1%	19.6%
Total energy costs				133,576	169,871	27.2%
% of costs				2.7%	3.3%	
Total costs				5,027,724	5,208,796	

Sources: Company



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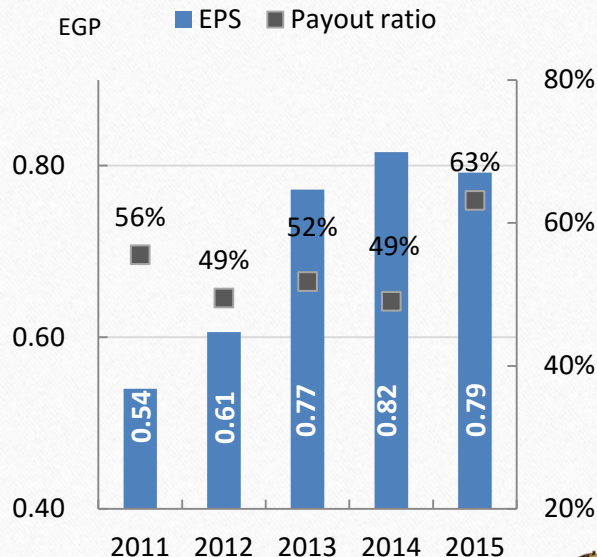
Share Data

- 450 mn shares at par value of 1 EGP per share.
- Listed on EGX September 1997.
- 6 Month average daily value USD0.5mn.
- Market Cap USD285mn (as of Jul, 2016).
- Distributed DPS of EGP0.5 in May 2016.
- Issued and Paid-in Capital 450 MN EGP.
- Reuters; Bloomberg ORWE.CA; ORWE EY.

SHAREHOLDER STRUCTURE

Khamis Family & Related Entities	57%
Institutions	39.5%
Retail	3.5%

Sources: Company



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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