



النساجون الشرقيون
Oriental Weavers

ORIENTAL WEAVERS

Investor presentation 2018



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Oriental Weavers in Numbers

No. 1

World Largest
producer by volumes

8

Manufacturing
companies

130

Export countries

85%

Market share in Egypt

c. 80%

Utilization rate

64%

Export contribution in
1Q2018



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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	32%	26%	21%	1%	17%		3%
Tax rate	22.5%	Exempted	25%	17%	22.5%	Exempted	22.5%
Capacity mn sqm (Dec 2017)	23	44	NA	3.4	46		19



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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 242 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

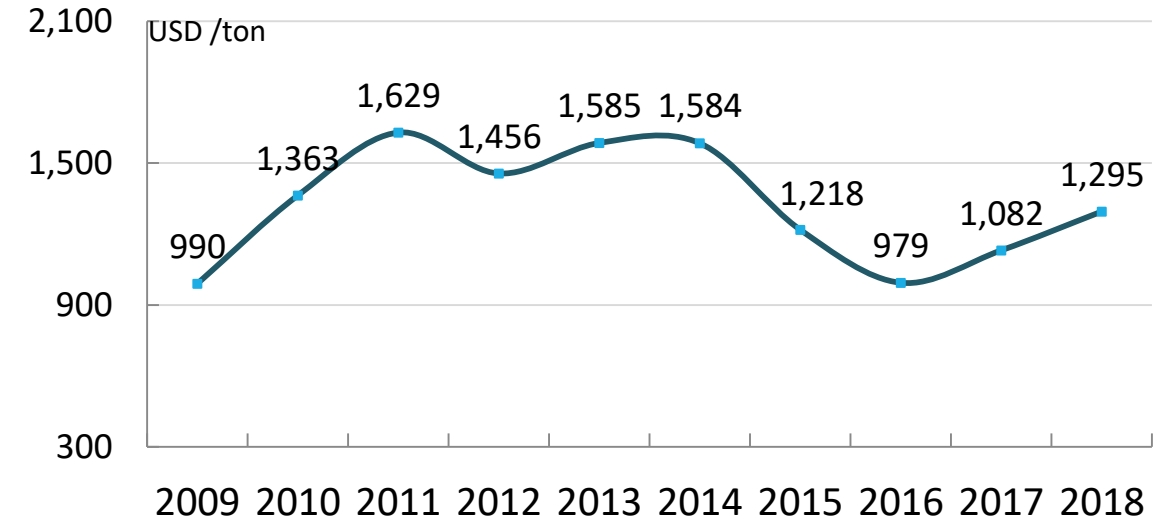
Retail & Distribution



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Policy towards higher PP Prices

- An initial step all new product developments have the new pp prices priced in – should be reflected more in the second half of 2018.
- International markets are in a wait and see mode.
- Focusing on new high margin products



□ Local market:

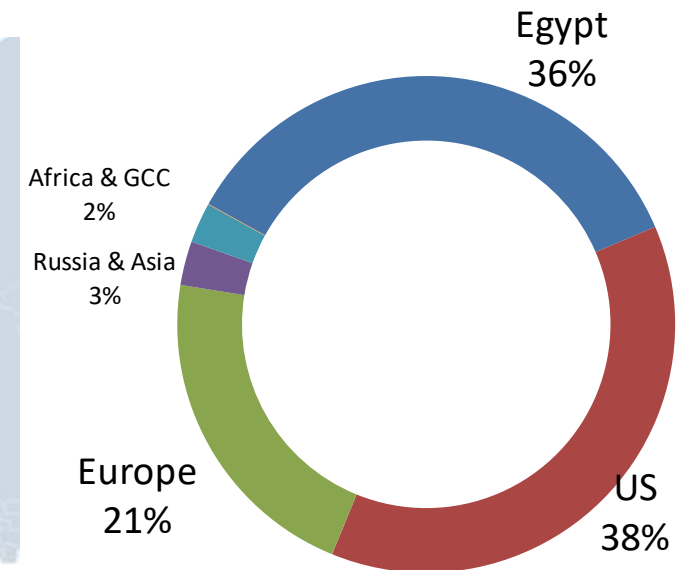
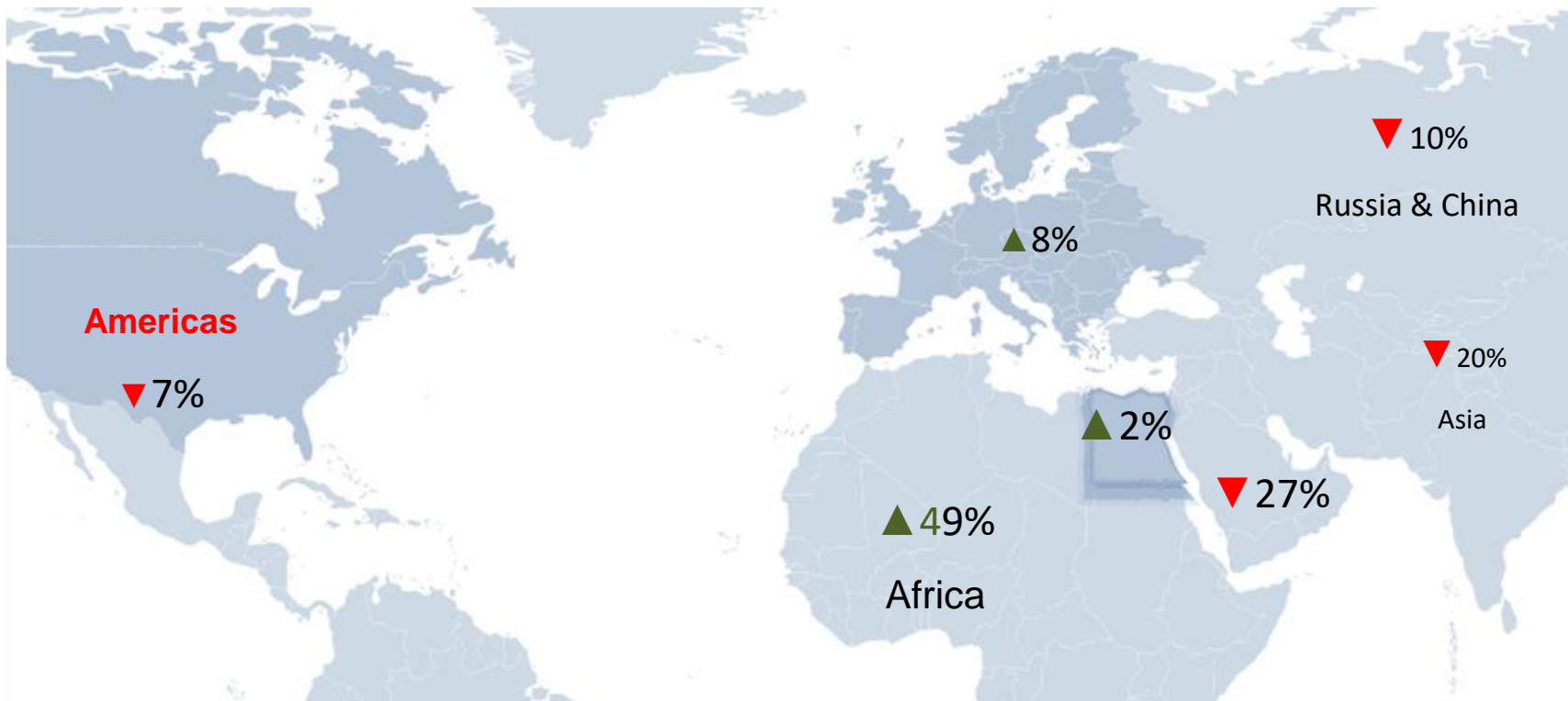
Price adjustment on wholesale level



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Export Market development

Revenue contribution & performance by region in 1Q2018



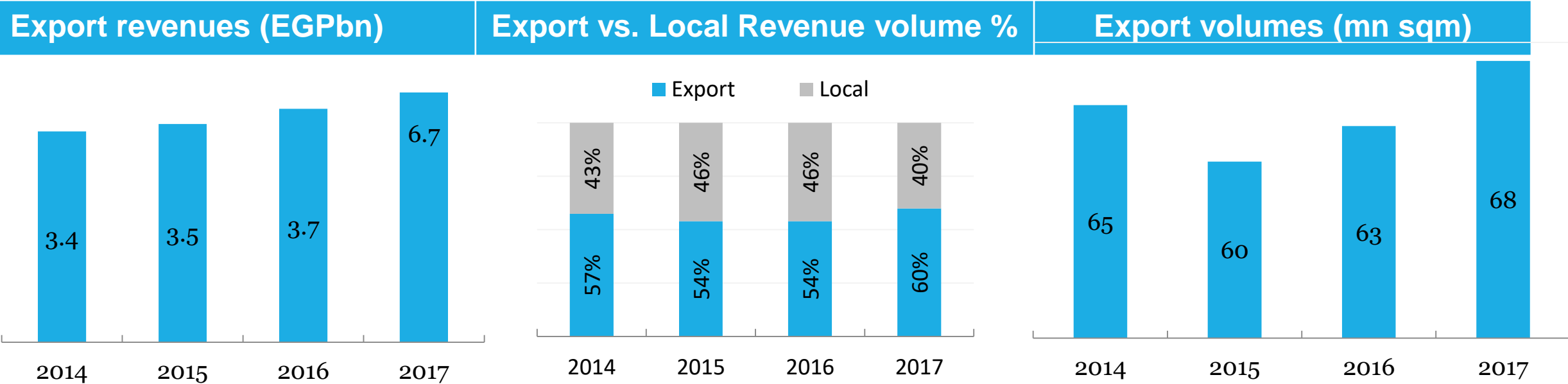
Longstanding relationship with major customers





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Export performance overview





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Export Market Development in 1Q2018

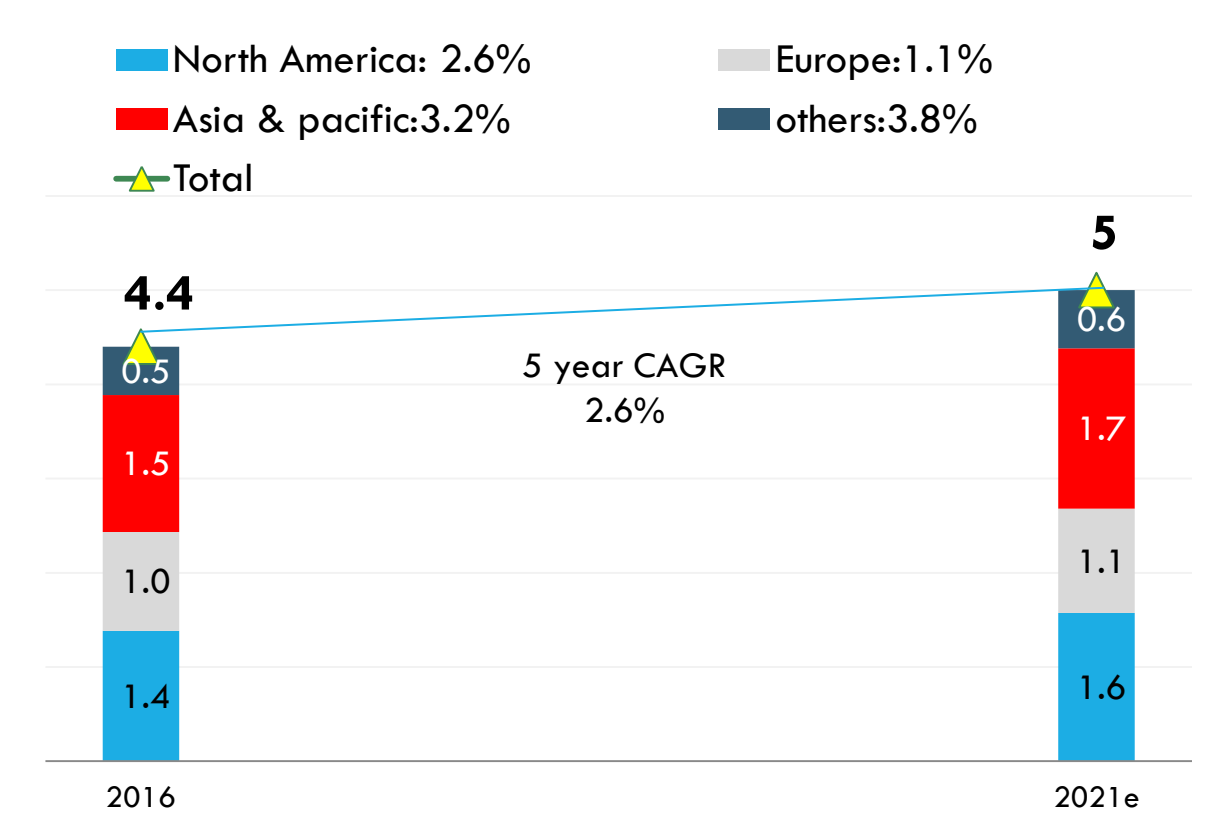
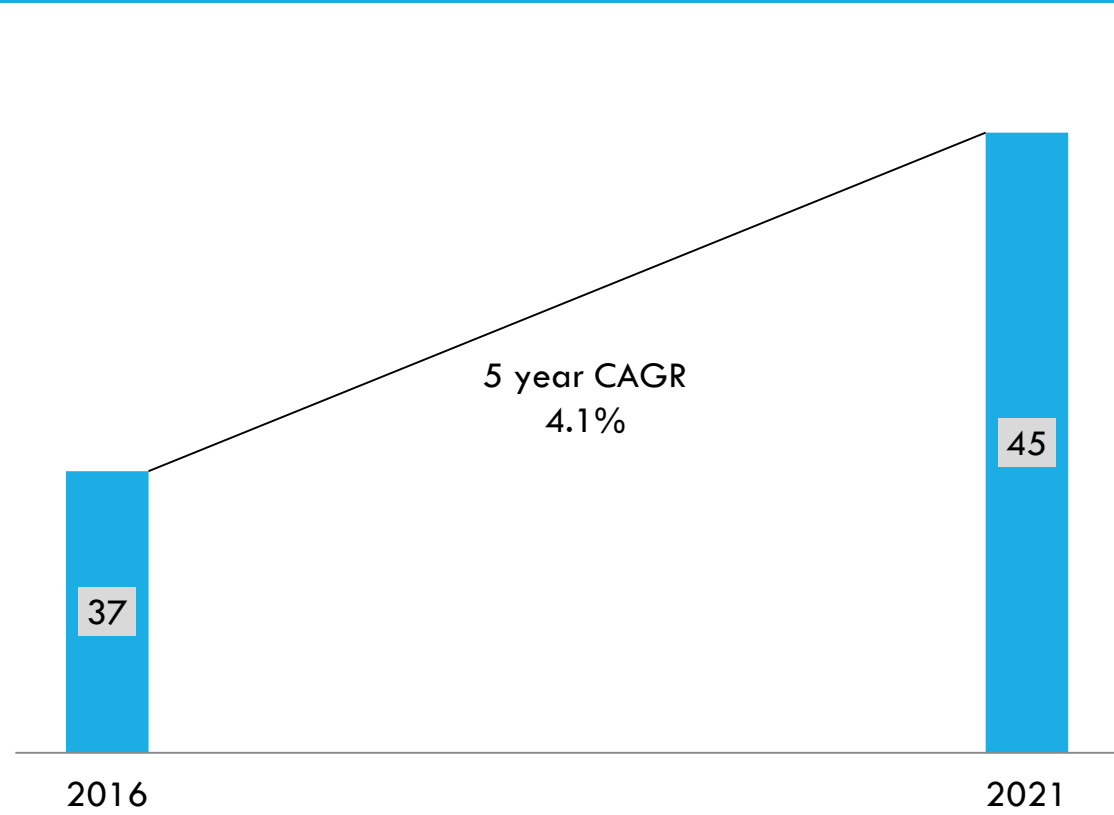
Percentage Δ	Volume	Value	Average Price	Contribution to Export Revenues	
				1Q 2018	1Q2017
Woven	▲ 4%	0%	▼ 3%	78%	76%
Tufted	▼ 9%	▼ 5%	▲ 4%	20%	21%
Non-woven Felt	▼ 32%	▼ 42%	▼ 15%	2%	3%
Total	▼ 4%	▼ 2%	▲ 2%	100%	100%



Industry overview | Global carpets & rugs market

Global Carpets & rugs market by value (USD bn)

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



Source: Freedonia group

Source: Freedonia group, Company estimates

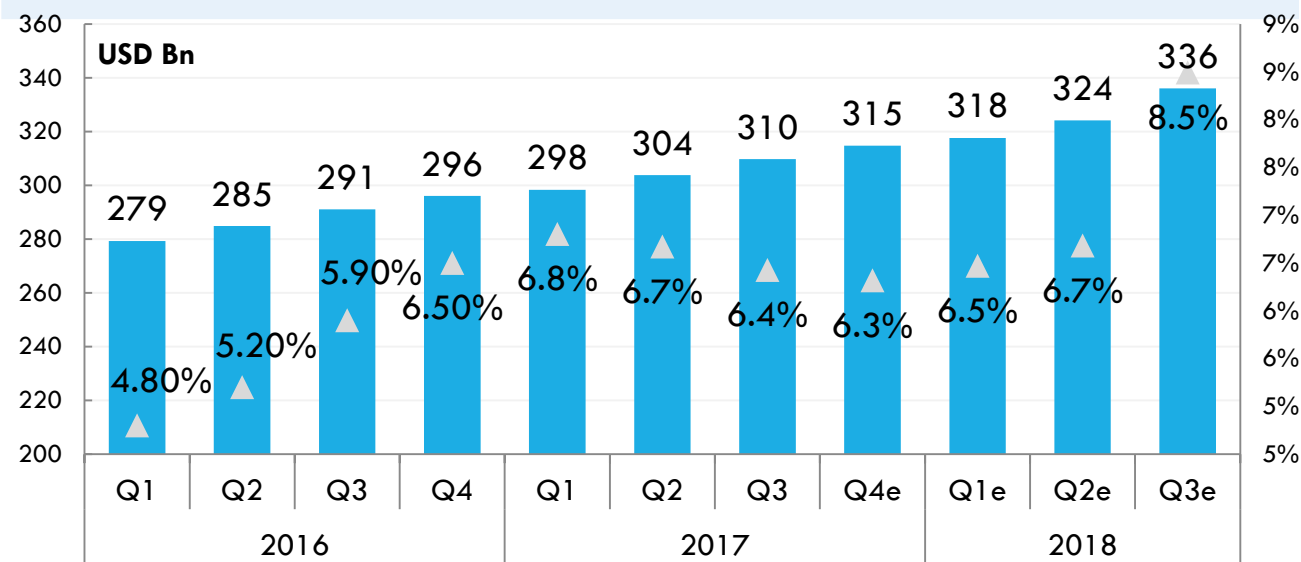


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Global Macro Fundamentals

US Market	Europe	Asia & Africa
Expected continuous growth in new home sales driven by employment gains and a rise in household formations.	European economy is set to follow a moderate growth path.	Strong potential in African beside East Asian markets.
	Residential renovation and maintenance grow steadily by about 1.5% per year.	Developing consumer trends driving growth in these regions.

Homeowners improvements & repairs (USD bn)



Growing Urbanization

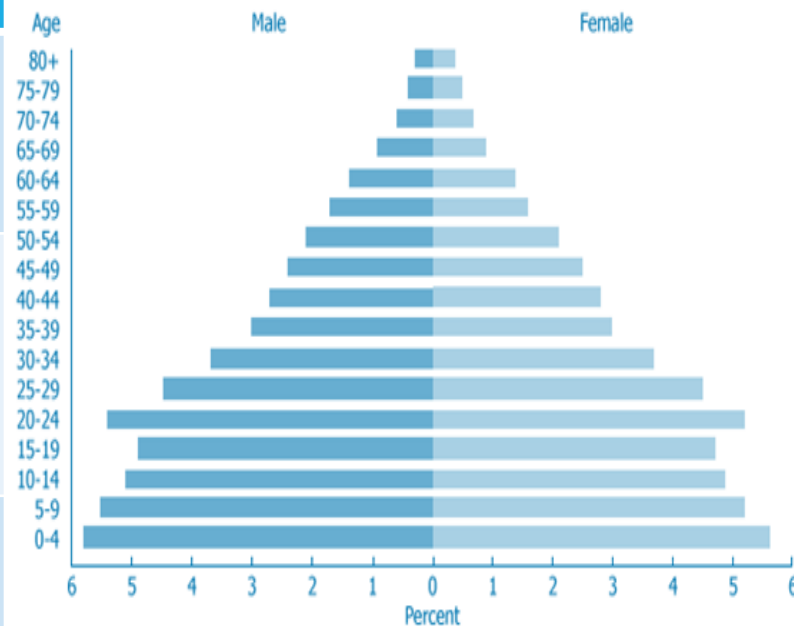


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Demand Triggers in Egypt

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.
Protection of local industries	Increasing stringent procedures on imports of rugs starting March 2016.
Egyptian culture habits	Soft floor coverings are considered essential in every house

Sizeable youth bracket

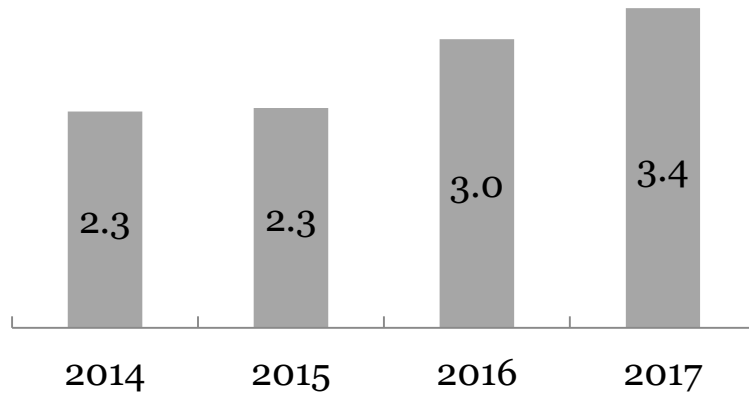




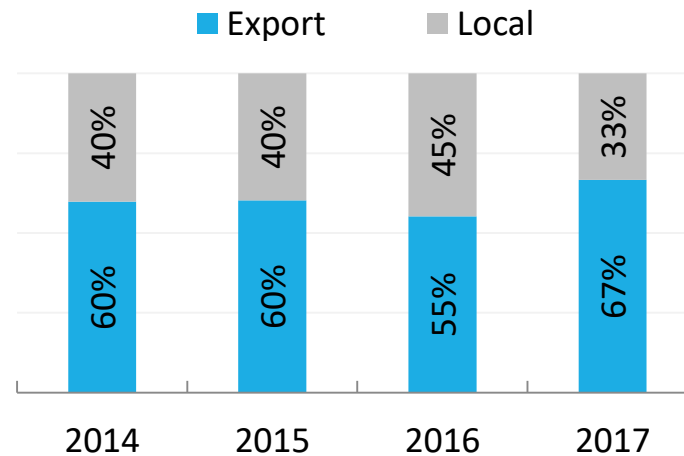
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Local market overview

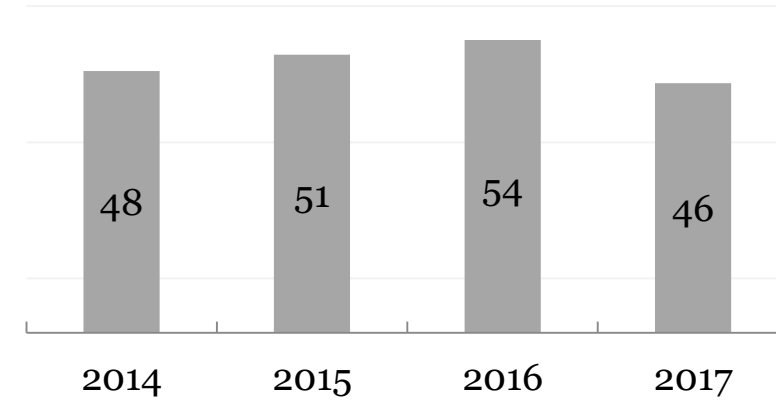
Growing local revenues (EGPbn)



Export vs. Local revenues%



Local sales volumes (mn sqm)



Local Market Development in 1Q2018

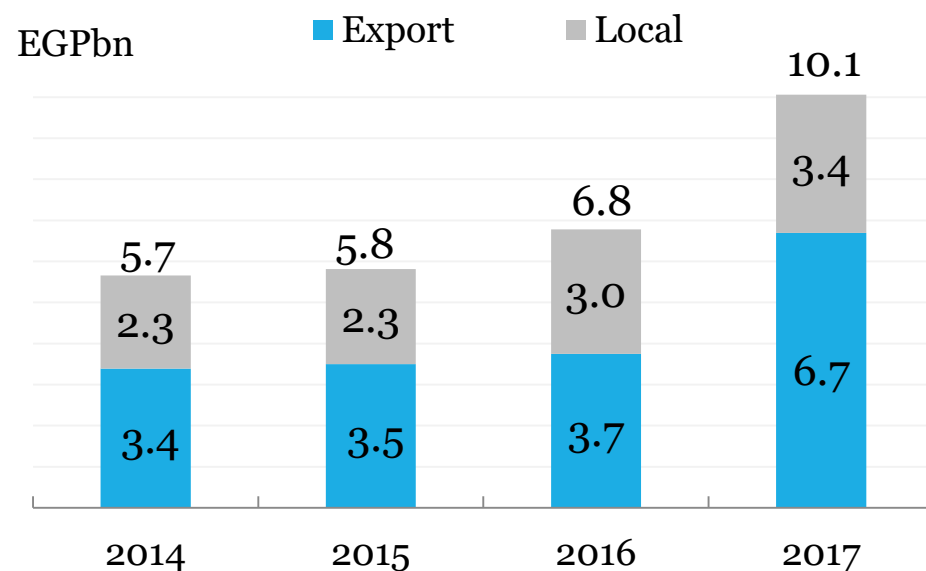
Percentage Δ	Volume	Value	Average Price	Contribution to Local Revenues	
				1Q 2018	1Q 2017
Woven	▲ 3%	▲ 1%	▼ 2%	83%	84%
Tufted	▼ 30%	▲ 3%	▲ 47%	12%	12%
Non-woven Felt	▲ 16%	▲ 16%	-	4%	3%
Others (imported & yarn sales)		▼ 56%		1%	1%
Total	▼ 1%	▲ 2%		100%	100%



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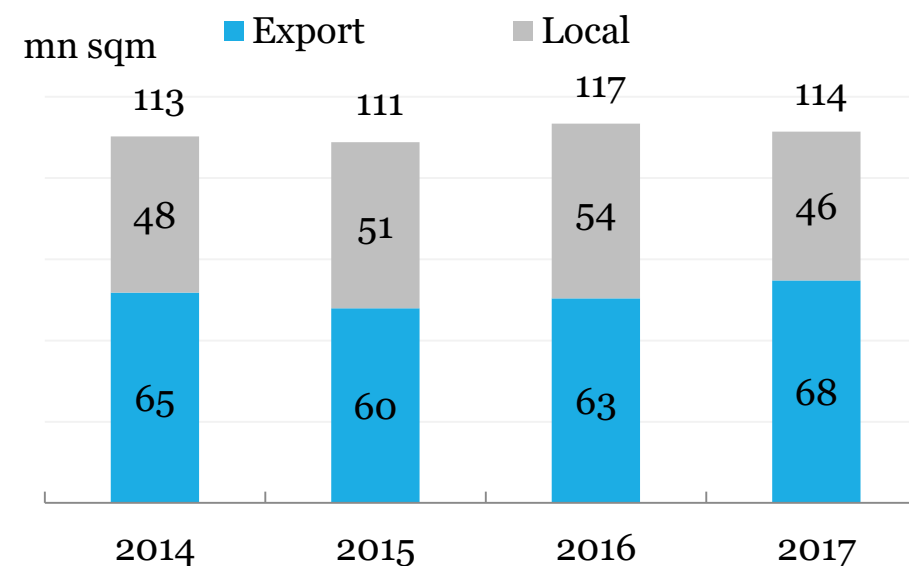
Revenue progress

Revenues (EGPbn)



3-year CAGR 21%

Sales volumes (mn sqm)





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1Q2018 Revenue summary

Value (EGP mn)

	1Q 2018	1Q 2017	% Change
Woven- Egypt based	1,464	1,407	4%
OW USA	521	562	-7%
OW China	16	21	-22%
Tufted	428	441	-3%
Non-woven Felt	73	90	-19%
Other	6	3	80%
Total	2,507	2,524	-1%

Volume (sqm)

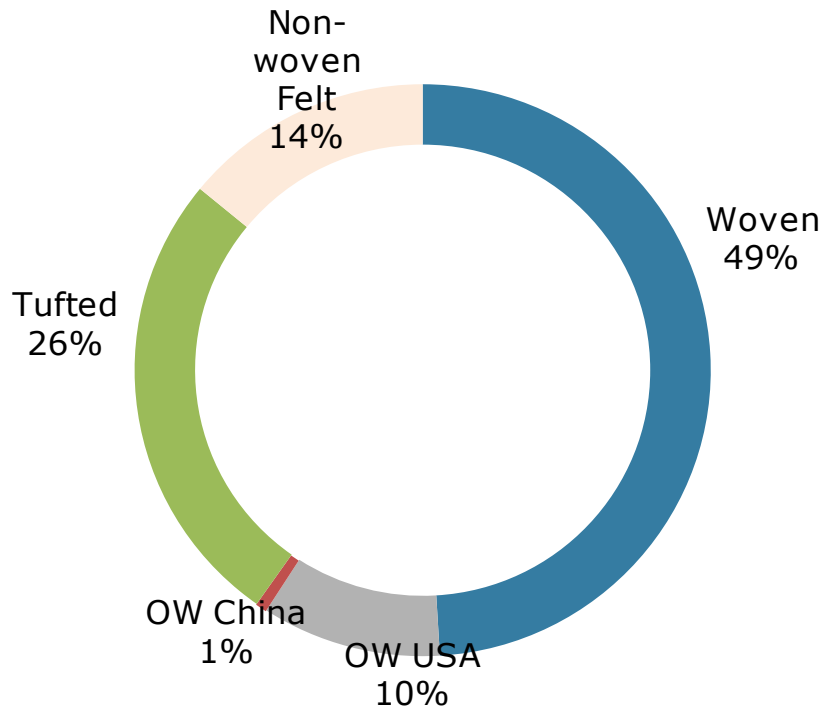
1Q 2018	1Q 2017	% Change
13.9	13.1	6%
2.9	3.1	-6%
0.2	0.2	-9%
7.4	8.7	-15%
4.0	4.0	-1%
28.3	29.1	-3%



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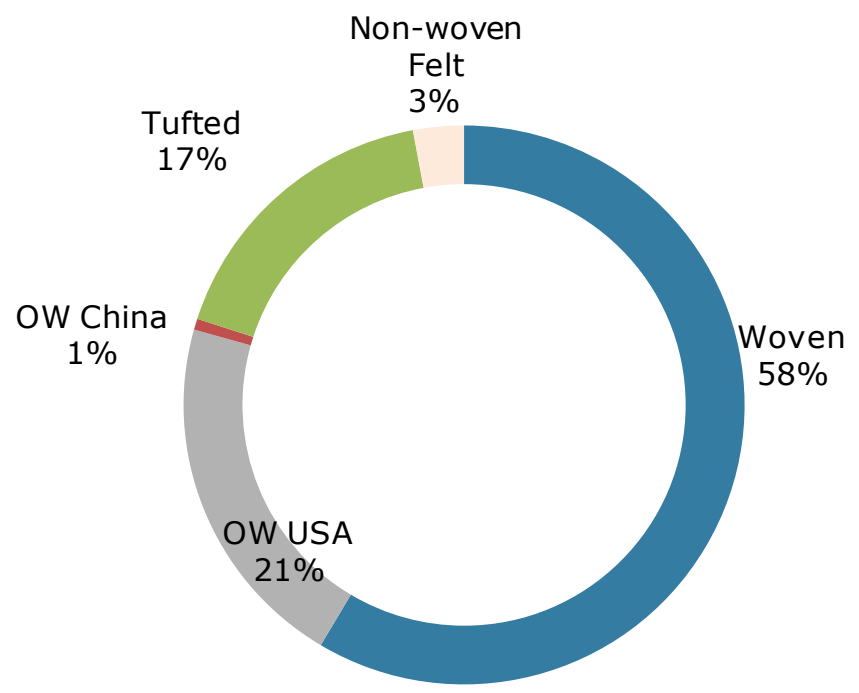
Diversified Product Mix

1Q 2018 Revenue Mix (by volume)



- Woven-Grade A EGP300/sqm
- Woven-Grade B EGP128/sqm
- Woven-Grade C EGP68/sqm

1Q 2018 Revenue Mix (by value)



- Tufted wall-to-wall EGP46/sqm
- Tufted pieces EGP61/sqm
- Non-woven (EFCO) EGP18/sqm



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OW Hospitality: Recently delivered Projects in Egypt

- ❑ Mosques related to the Egyptian Endowments Authority
- ❑ Galalah coastal resort in Suez Governorate
- ❑ Semiramis Intercontinental, Cairo
- ❑ The Vox Cinemas in Alexandria,
- ❑ The Azhar Grand Mosque in Cairo.

Currently the company has started production for the axminister carpets for the new capital's 10,000 sqm mosque, which is to be the largest mosque in Africa.



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Policy towards EGP floatation & high EGP i/r

- ❑ Revised local selling prices

- ❑ Increasing focus on export exposure (64% as of 1 Q 2018)
 - to secure foreign currency,
 - ensure better profitability, and

- ❑ Settlement all EGP debt facilities in 2017 to avoid the high finance charges.
 - OW signed forward contracts till December 2018 to sell the excess dollar proceeds ,and
 - Expected FX gains from these contracts around EGP 13 millions.



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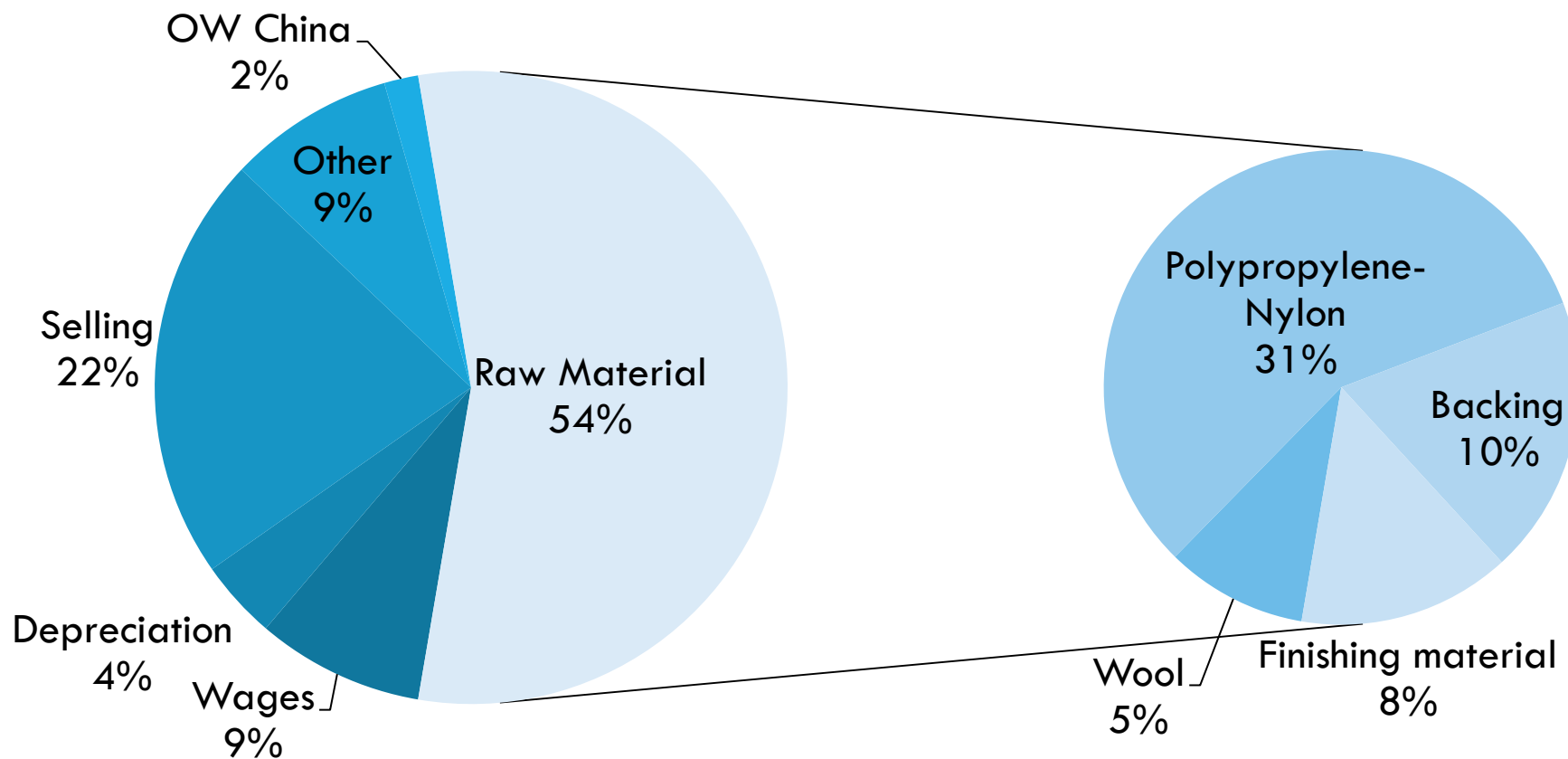
Recent and Future Expansions

	2015	2016	2017	2018
Woven	13 looms added increasing production capacity by 6%	4 new goblin looms 9 new looms 2 yarn production lines	<input type="checkbox"/> Establishing a new factory <input type="checkbox"/> 10 new looms pending local and international demand <input type="checkbox"/> One Heatset yarn machines	<input type="checkbox"/> 6-8 new looms pending local and international demand <input type="checkbox"/> Four yarn machines
Tufted	MAC penetrated the artificial turf segment following the addition of two new machines		One digital printing Two yarn machines	Two yarn machines & other equipment
Non- woven	Two new machines added	Two new machines added	Finishing and coloring machines	Two new machines



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1Q 2018 Cost Breakdown



■ Almost 63% of costs are dollar based.

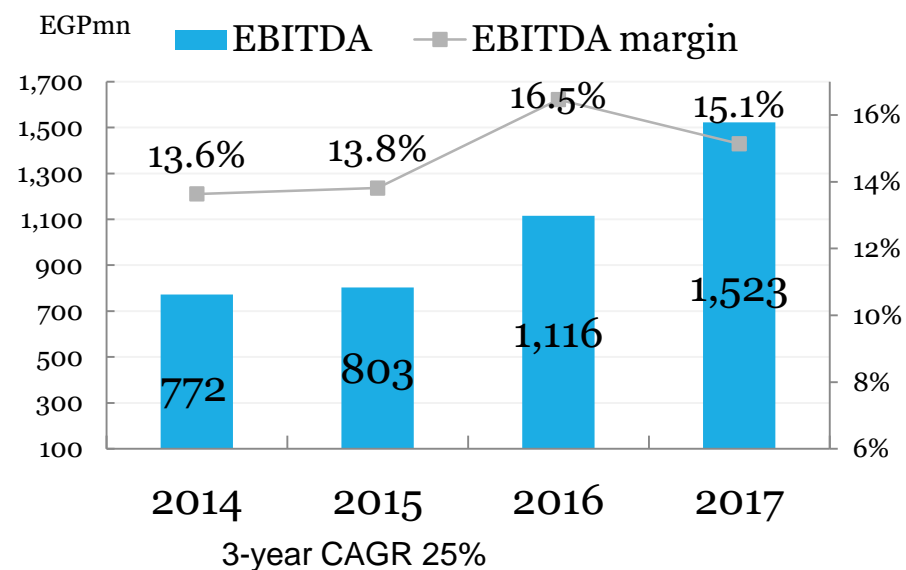
Source: Company



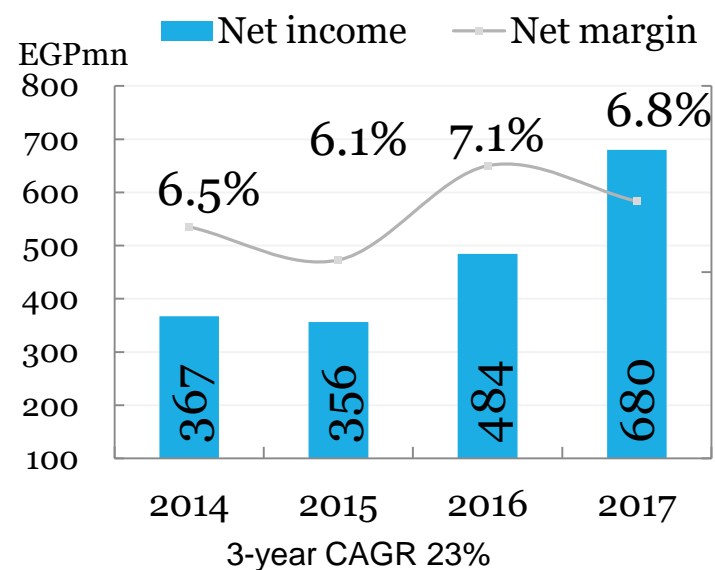
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Financial Summary

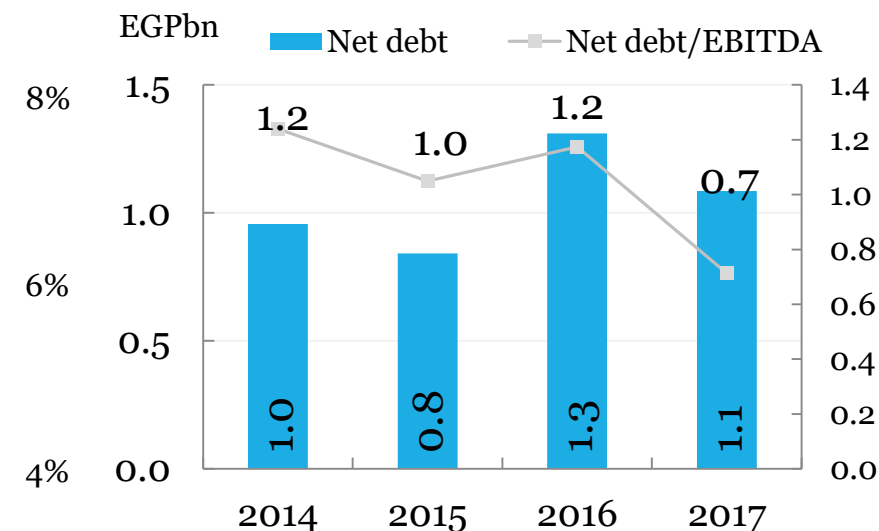
EBITDA Performance (EGPbn)



Net Income Performance



Net Debt (EGPbn)



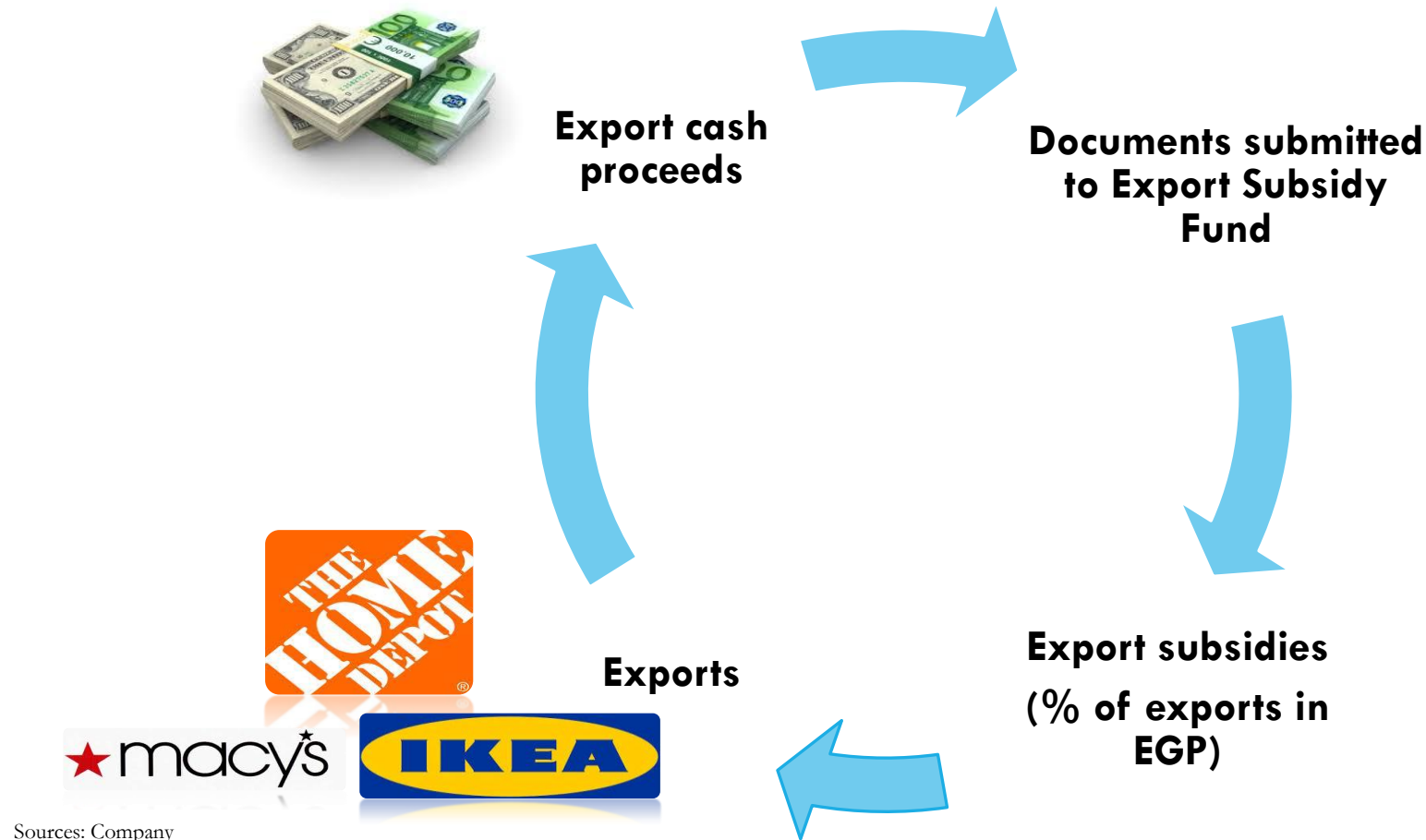


Impact of Energy Subsidy Reform on Costs

Energy cost	Jun-14	Jul-15	Jul-16	Jul-17	% Change
Natural gas (US\$/mmbtu)	2.25	5	5	5	-
Electricity (EGP/KW)	0.28	0.435	0.53	0.77	48%
Transportation costs (EGP Diesel/Liter)	1.1	1.80	2.35	3.65	55%

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

Export Incentive Program:



EGP360 mn delayed disbursement till April 2018

OW collected EGP91 mn in 2017.



Export Incentive Program

- The program includes only very minor changes to incentive rates, but does offer exporters extra incentives in growing USD exports from 10%–25%, exporting to Africa and opening new markets (such as Russia, China, Latin America, CIS).
- These amendments should be implemented retroactively on export shipments starting July 1, 2016.

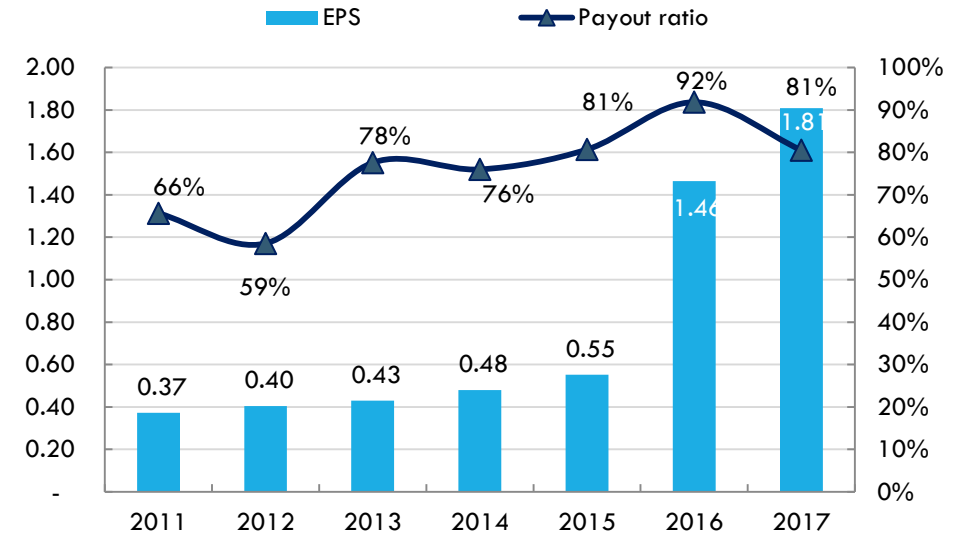
Program	Non-free Zone area (NFZ)		100% imported material	Free Zone area (FZ)		100% imported material	Average rate based on 70% of exports from FZ
	Local materials	Imported materials		Local materials	Imported materials		
Old	10%	6%	6%	9%	5.0%	5.0%	5.3%
New*	12%	6%	6%	9%	4.5%	4.5%	5.0%



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Share Data

- 450 mn shares at par value of EGP 1 per share.
- Issued and Paid-in Capital EGP 450 mn.
- Listed in EGX since September 1997.
- 3 Month average daily value EGP8.3mn.
- Market Cap USD 368 mn (as of May 21, 2018).
- 2017 DPS of EGP1.5.
- Reuters; Bloomberg ORWE.CA; ORWE EY.



Shareholders' structure

Khamis Family	56%
Institutions	38%
Foreign Institutions	27%
Local Institutions	11%
Treasury Shares	1%
Retail	5%

Sources: Company

Disclaimer



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