

# Oriental Weavers Carpets



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Oriental Weavers

## Investor Presentation

# Global Macro Fundamentals

## Egyptian Market

- Sustained economic growth  
GDP is expected to record a growth ranging from 4 -5% annually up to 2021 as per the IMF.
- Healthy demographics  
The demand for floor coverings is 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.

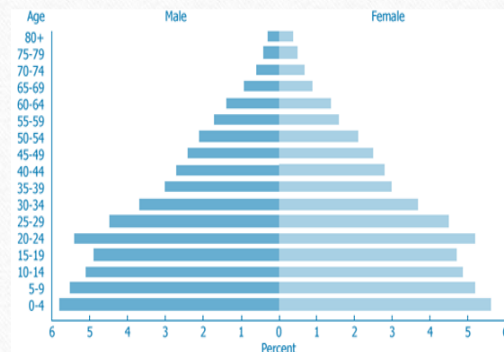
## International Markets

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

# 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

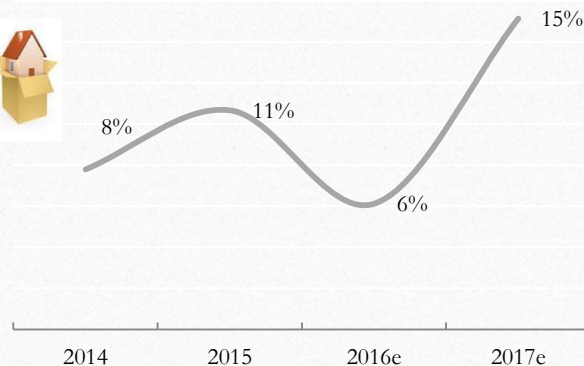




# Strong US fundamentals

- 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.

## Annual Growth in Total Housing Starts



[www.housingeconomics.com](http://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**

mn sqm sold in  
2015

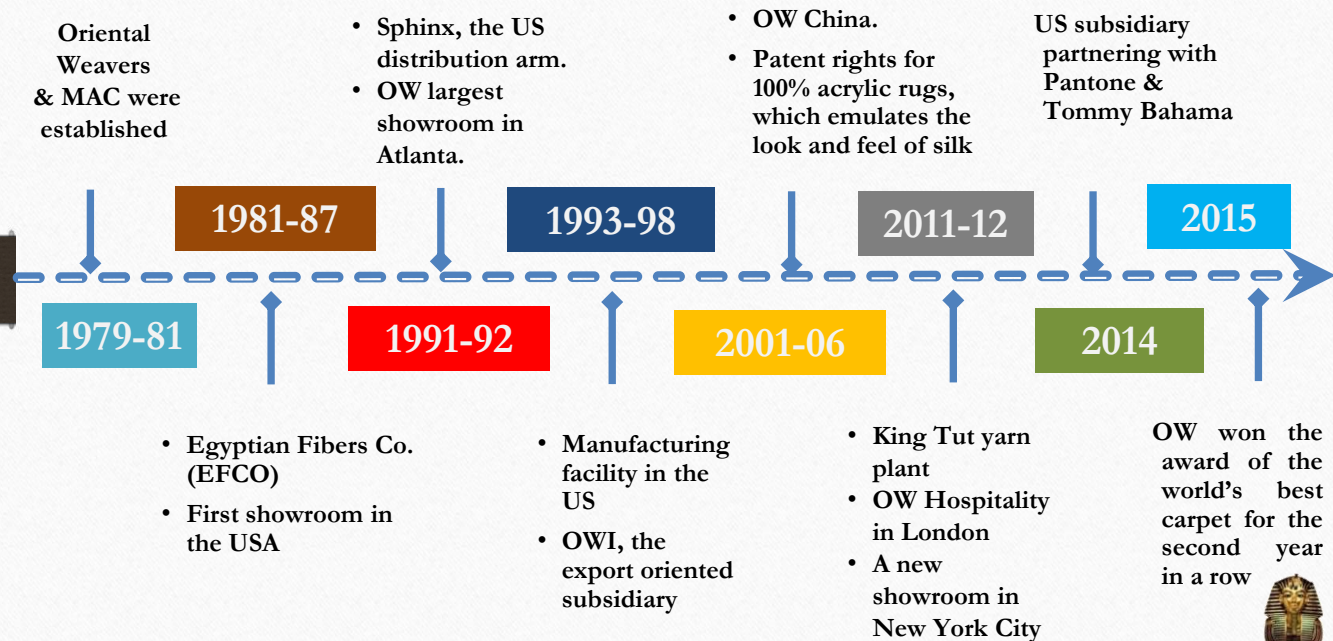
**52%**

Export  
contribution in  
1H2016



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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 Ensures Dollar Self Sufficiency

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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.



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# Export Incentive Program:



**Export cash  
proceeds**

**Documents  
submitted to  
Export  
Subsidy Fund**

EGP4 bn  
allocated to  
FY16/17 budget



**Exports**

**Export  
subsidies  
(% of exports  
in EGP)**

OW collected  
EGP137 mn as of  
July 2016.

Sources: Company

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

\* OW is finalizing the procedures to merge Oriental Weavers Textiles into the Group

# 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.





# American & Canadian Premier Partners



TJ-maxx®



STANTON  
BED BATH & BEYOND



Zellers



ETHAN ALLEN



# 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.



The Ritz-Carlton®



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# OW Hospitality: Recently Completed Projects

## In Egypt: 140% growth in 1H2016

- ❑ 7 of Egypt's large mosques
- ❑ A total of 17 hotels in Cairo, Alexandria &
- ❑ Sharm El Sheikh
- ❑ Buildings of different ministries and Banks

## 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	2017-22
<b>Woven</b>	13 looms added increasing production capacity by 6%	4 new goblin looms 2 new looms	Plan to add 25% of additional capacity by 2022, with around USD65-70 mn capex to be spent in total. 6 looms to be added annually (pending market conditions).
<b>Tufted</b>	MAC penetrated the artificial turf segment following the addition of two new machines	Plan to add new yarn machinery to ensure production self sufficiency.	
<b>Non-woven</b>	Two new machines added	Two new machines to be added	
<b>Total</b>	<b>EGP116 mn</b>	<b>EGP95 mn</b>	



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# Merger of Rosetex with OW Textiles

- ☐ OW is finalizing the necessary producers to merge Rostex with Oriental Weavers Textiles (OWT). Hence, OWT 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

## 1H2016 financial Summary

**Net sales**  
(EGP bn)

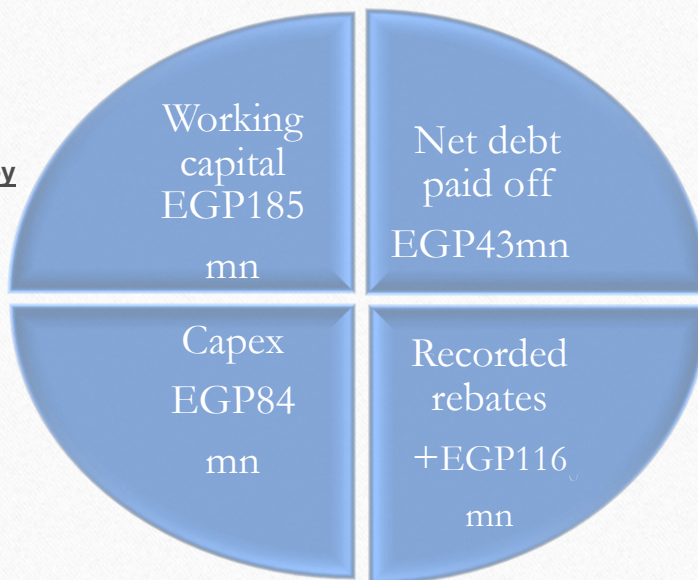
3

+1% growth y-o-y

**Net Profit**  
(EGP mn)

262

+0.5% y-o-y



**EBITDA**  
(EGP mn)

480

+8% y-o-y performance

**EBITDA Margin**

16%

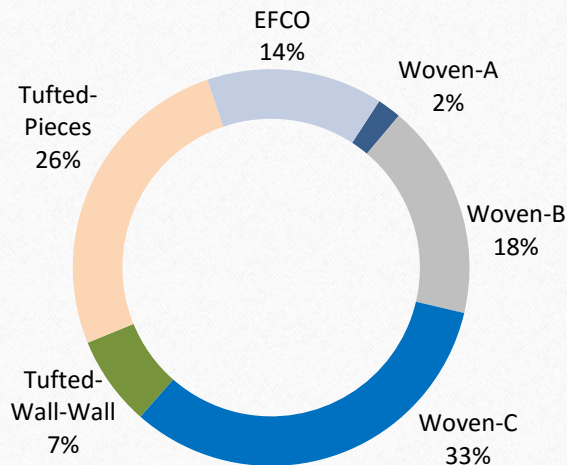
+109 bps y-o-y



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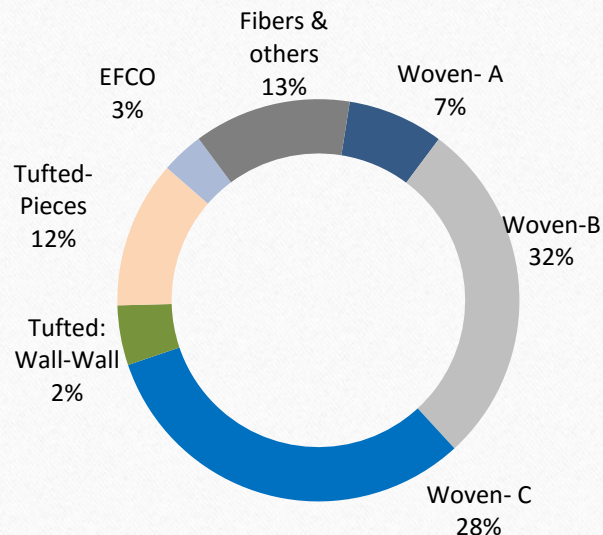
# Diversified Product Mix

## 2Q 2016 Revenue Mix (by volume)



Woven-Grade A		EGP235/sqm
Woven-Grade B		EGP95/sqm
Woven-Grade C		EGP57/sqm

## 2Q 2016 Revenue Mix (by value)



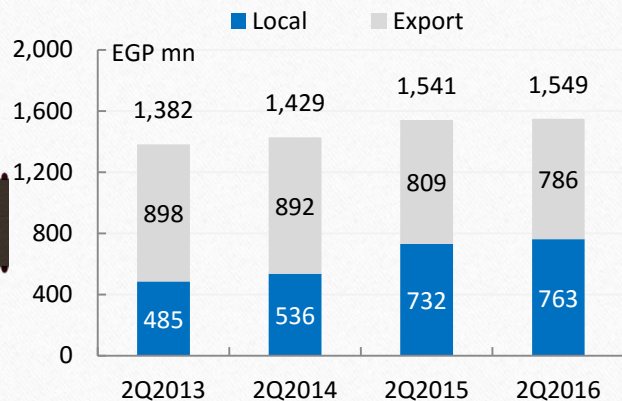
Tufted wall-to-wall		EGP39/sqm
Tufted pieces		EGP27/sqm
Non-woven (EFCO)		EGP14/sqm



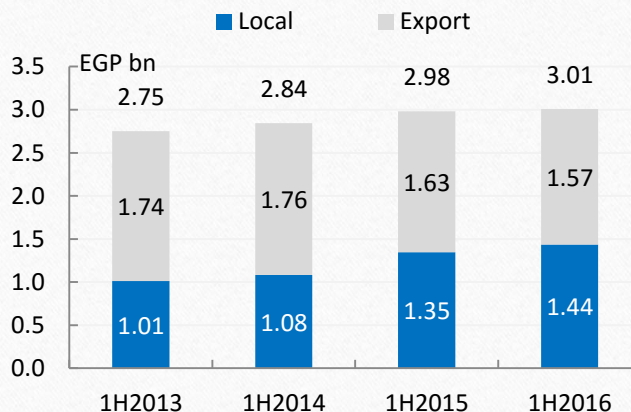


# 2Q 2016 Financial summary

## 2Q Revenue Performance (EGPmn)

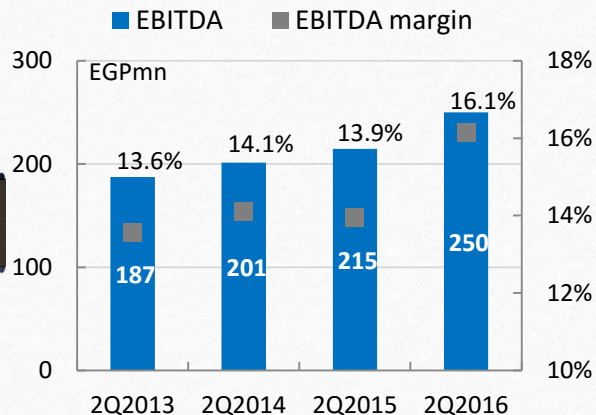


## 1H Revenue Performance (EGPbn)

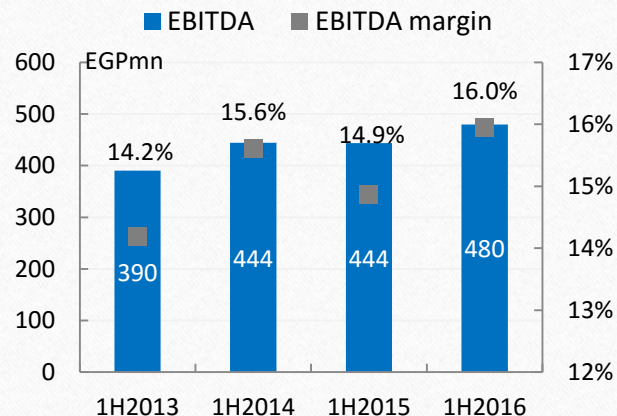


# 2Q 2016 Financial summary

## 2Q EBITDA Performance (EGPmn)



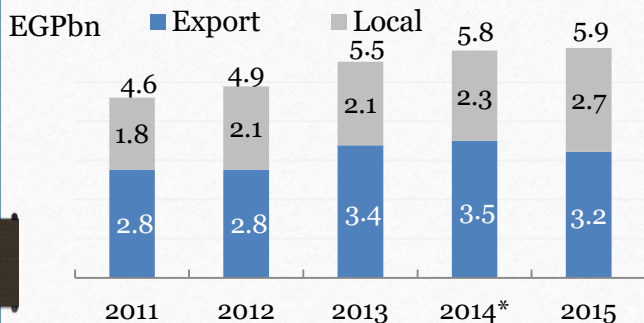
## 1H EBITDA Performance (EGPmn)



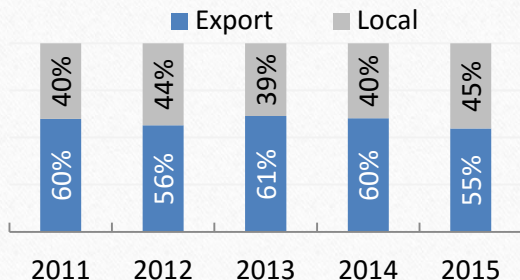
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# Annual Financial Overview

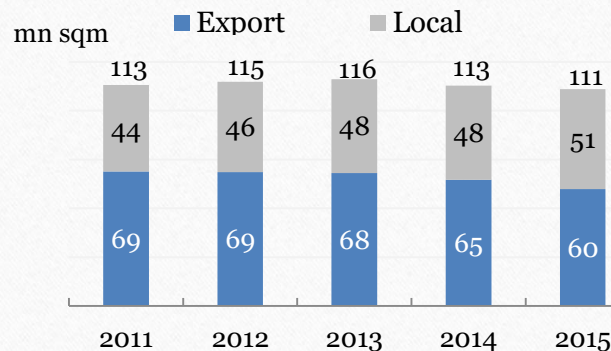
## Growing revenue base (EGPbn)



## Export vs. Local Revenue Contribution



## Sales Volumes (mn sqm)

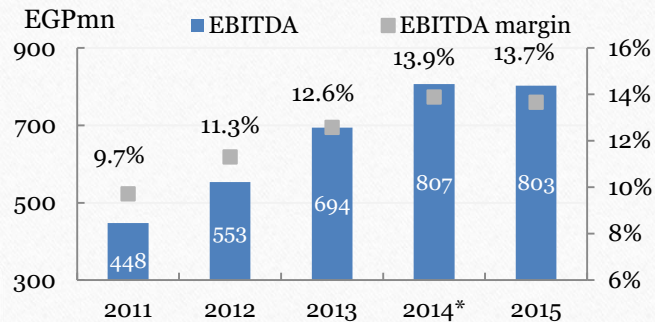


\* On adjusted basis including sales of the merged Modern EFCO

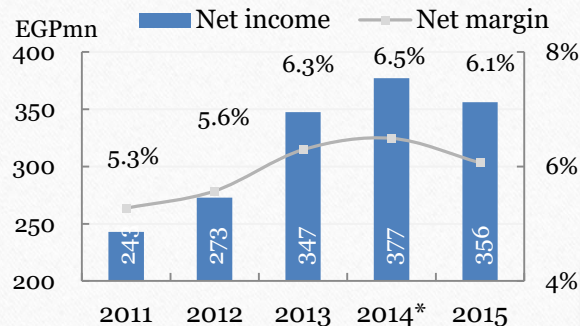


# Financial Summary

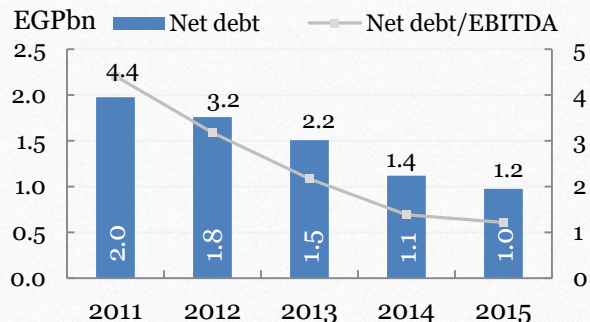
## EBITDA Performance



## Net Income Performance



## Net Debt (EGPbn)



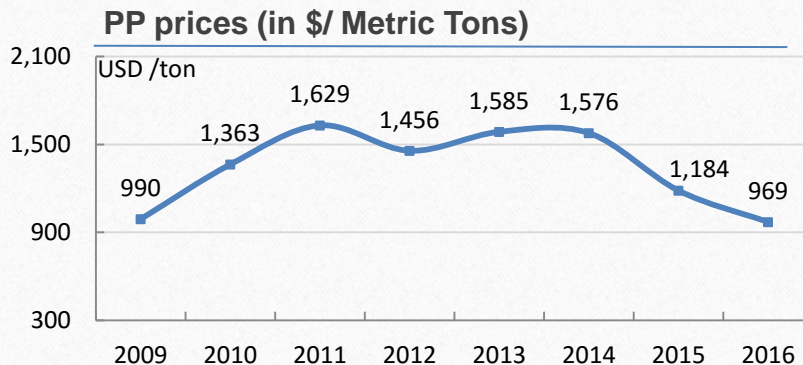
\* On adjusted basis including sales of the merged Modern EFCO

# Cost Structure: Polypropylene is OW main raw material

Polypropylene — used in synthetic and blended rugs and carpets — is an oil derivative, representing around 27% of costs. Polypropylene prices are driven in large part by:

i) Petroleum prices ii) Market demand for polypropylene

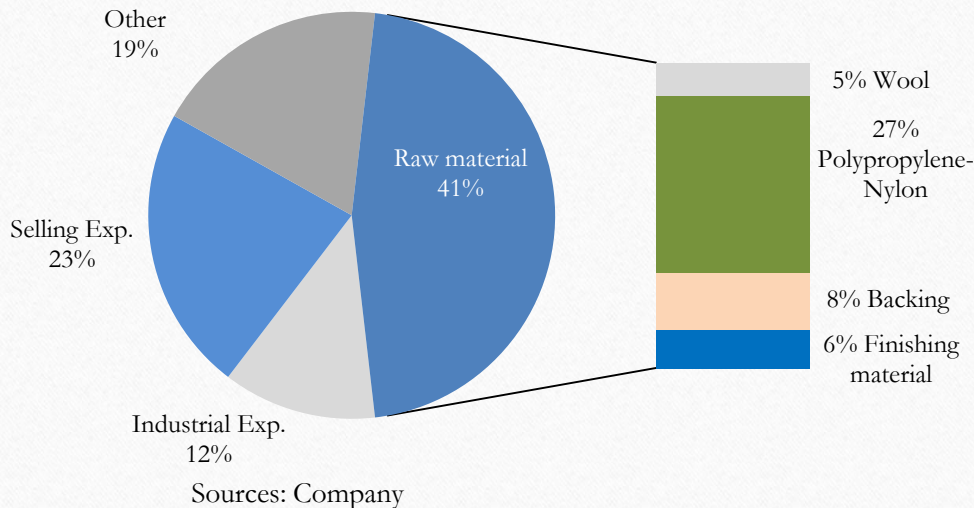
- Polypropylene granules are carefully sourced after receiving monthly price quotations from different suppliers, taking into account other cost factors associated with importing the granules.
- Almost 50% of the polypropylene needs are sourced locally and the remaining needs are imported from regional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



Sources: Company

# Cost Structure: Polypropylene is OW main raw material

## 2Q2016 COGS breakdown



- Almost 60-65% of costs are dollar based.
- Wages (9% of COGS) are subject to an annual increase from 8-10%



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# 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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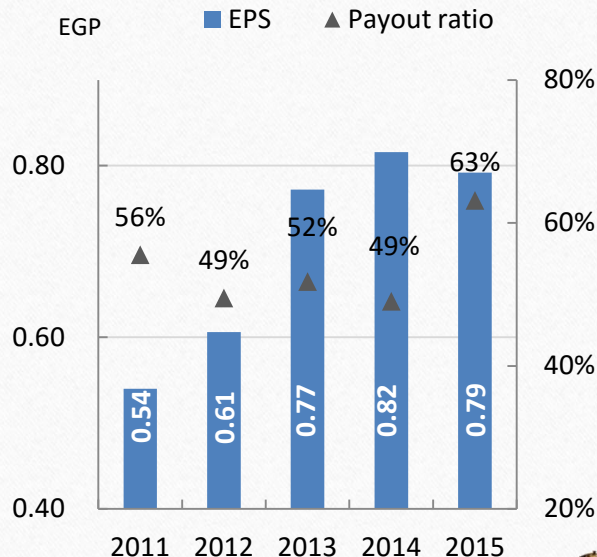
## Share Data

- 450 mn shares at par value of EGP 1 per share.
- Issued and Paid-in Capital EGP 450 mn.
- Listed in EGX since September 1997.
- 6 Month average daily value USD0.5mn.
- Market Cap USD357mn (as of Aug, 2016).
- Distributed DPS of EGP0.5 in May 2016.
- Reuters; Bloomberg ORWE.CA; ORWE EY.

## SHAREHOLDER STRUCTURE

Khamis Family & Related Entities	57%
Institutions	38.5%
Retail	4.5%

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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