

النساجون الشرقيون
Oriental Weavers

ORIENTAL WEAVERS

Investor presentation



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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
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.

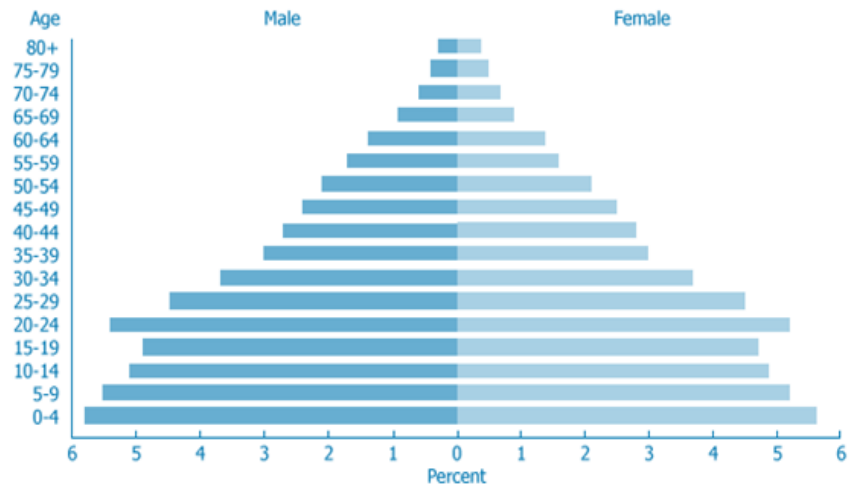


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Demand Triggers in Egypt

- 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.

Sizeable youth bracket



Strong US fundamentals

- Expected steady gradual recovery in the housing market.
- Further growth in new home sales is expected throughout the year, spurred on by employment gains and a rise in household formations.
- As the supply of existing homes remains tight, more consumers will turn to new construction, according to National Association of Home Builders chief economist



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Oriental Weavers in Numbers

38 years

In the global rugs
market

8

Manufacturing
companies

130

Export countries

230

Showrooms in Egypt

117

mn sqm sold in 2016

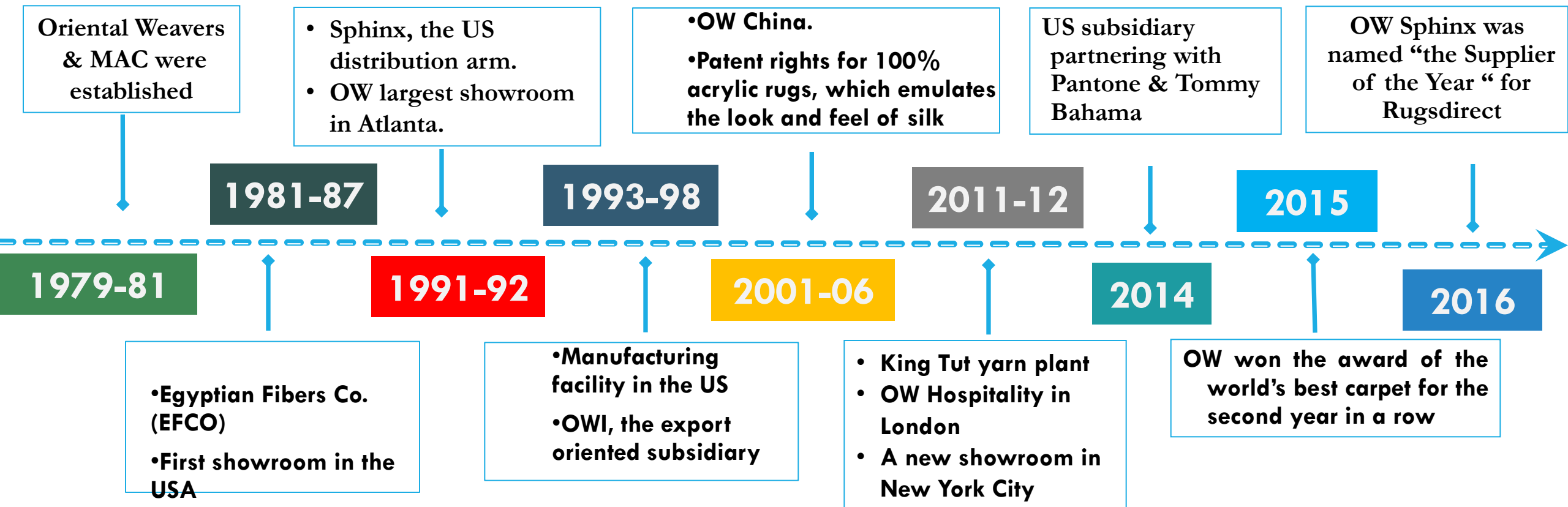
64%

Export contribution in
2Q FY2017



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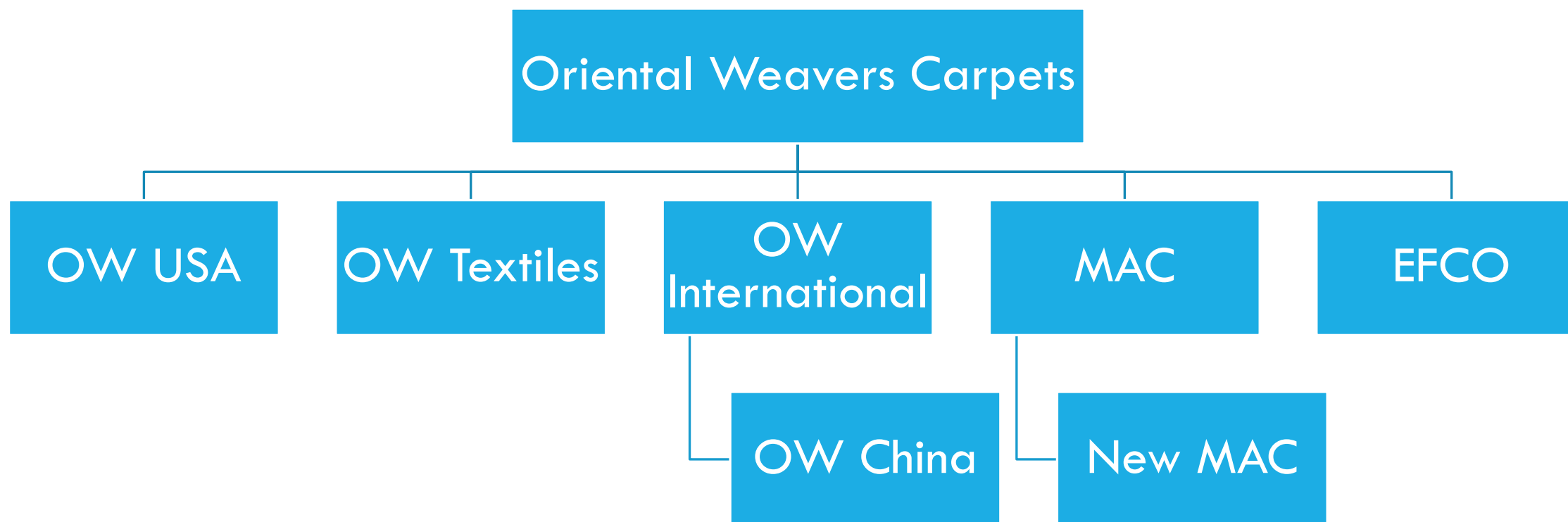
Group's key Milestones





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The Group's structure





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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%	25%	21%	1%	17%		4%
Tax rate	22.5%	Exempted	34%	17%	22.5%	Exempted	22.5%
Capacity mn sqm	23	43	NA	3.4	56		18.5



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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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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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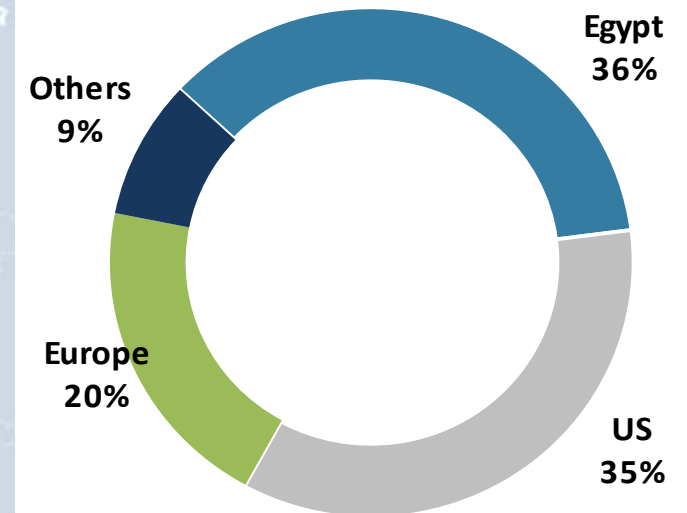
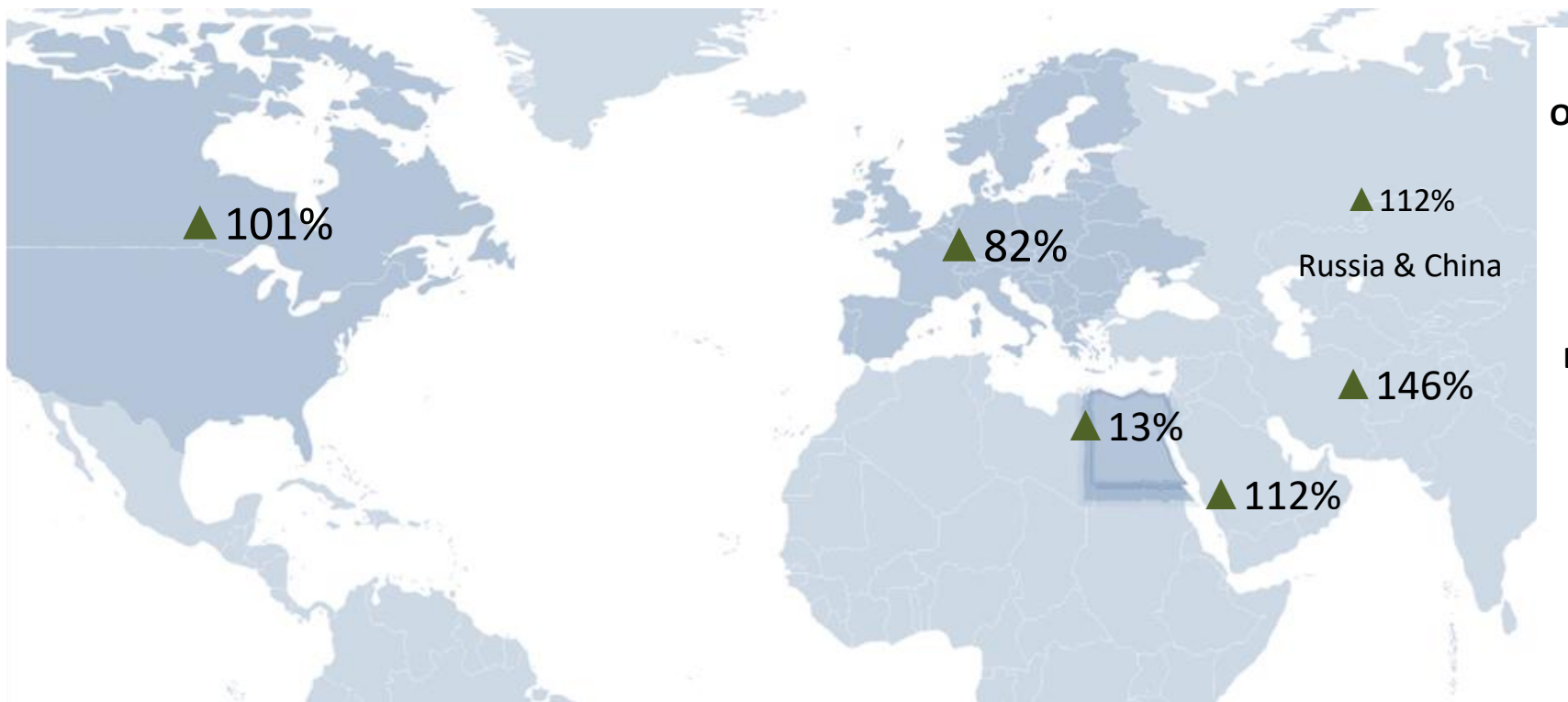
Local Market Development in 2Q2017

Percentage Change 2Q 2017 vs 2Q 2016	Volume	Value	Avg. Price	Contribution to Local Revenues	
				2Q 2017	2Q 2016
Woven	▼15%	▲46%	▲71%	83%	65%
Tufted	▲14%	▲22%	▲8%	11%	10%
Non-woven felt	▼1%	▲46%	▲47%	4%	3%
Others (imported rugs & yarn sales)		▼92%		2%	22%
Total	▼8%	▲13%		100%	100%

Percentage Change 1H 2017 vs 1H 2016	Volume	Value
Woven	▼16%	▲53%
Tufted	▲10%	▲42%
Non-woven felt	▲1%	▲48%
Others (imported rugs & yarn sales)		▼95%
Total	▼8%	▲21%

Export Market development

Revenue contribution & performance by region in 2Q 2017





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Export Market Development in 2Q2017

Percentage Change 2Q 2017 vs 2Q 2016	Volume	Value	Avg. Price	Contribution to Export Revenues	
				2Q2017	2Q2016
Woven	▼ 4%	▲ 102%	▲ 106%	76%	73%
Tufted	▲ 1%	▲ 79%	▲ 78%	16%	24%
Non-woven felt	▲ 15%	▲ 90%	▲ 65%	4%	3%
Others	-	-	-	4%	0%
Total	▼ 0.5%	▲ 98%		100%	100%

Percentage Change vs. 1H 2017 vs 1H 2016	Volume	Value
Woven	▼ 4%	▲ 105%
Tufted	▲ 11%	▲ 120%
Non-woven felt	▲ 25%	▲ 110%
Total	▲ 3%	▲ 109%



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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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American & Canadian Premier Partners



T.J. maxx®



ETHAN ALLEN®



STANTON
BED BATH & BEYOND®



HOMESENSE®

Zellers



KOHL'S
expect great things®

OW's long standing position in the US

- Extended partnership agreement with Tommy Bahama.
- 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





Export Market Development

A. New orders in the US Market	B. New Orders in the European Market
<ul style="list-style-type: none">-Home Depot in 2017-Mohawk-QVC-Growing online business	<ul style="list-style-type: none">-IKEA.-French retailers such as<ul style="list-style-type: none">-St. Mclau,-Gifi,-Amazon France-Italy retailers such as Natotci and OBI
C. African Market	D. GCC Market
<ul style="list-style-type: none">-OW is targeting to double its market share in Kenya and Tanzania to 60-70%.	<ul style="list-style-type: none">- Growing exposure in Qatar, Dubai and KSA



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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.





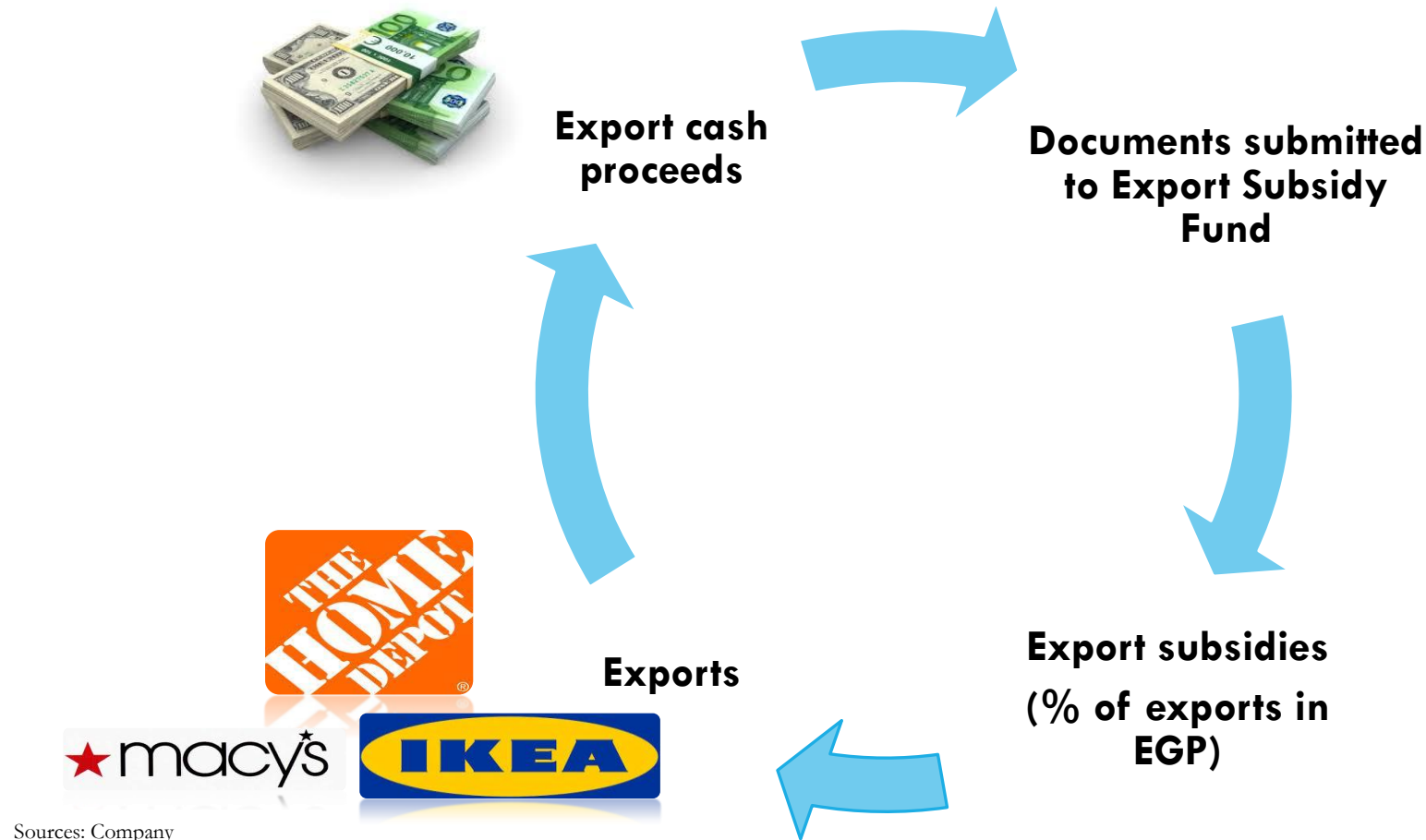
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OW Hospitality: Recently delivered Projects

In Egypt: 103% growth in 1H FY2017

- ☐ El-Masah Hotel, New Administrative Capital
- ☐ New Capital Airport , New Administrative Capital
- ☐ Conference center, New Administrative Capital
- ☐ Al-Sahaba Mosque, Sharm El Sheikh,
- ☐ The Military Judgment House, New Cairo,
- ☐ Cairo Marriott Hotel,
- ☐ M.S. Mayfair in Luxor

Export Incentive Program:



EGP160 mn delayed
disbursement till May
31st 2017

OW recorded
EGP60 mn as of 1H
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)		Weighted average 50%/50%	Free Zone area (FZ)		Weighted average 50%/50%	Average rate based on 70% of exports from FZ
	Local materials	Imported materials		Local materials	Imported materials		
Old	10%	6%	8%	9%	5.0%	7.0%	7.3%
New*	12%	6%	9%	9%	4.5%	6.8%	7.4%



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OW's policy towards EGP floatation

- ❑ Revising local selling prices

- ❑ Increasing focus on export exposure (64% as of 2Q 2017)
 - to secure foreign currency,
 - ensure better profitability, and
 - increase our receipts from export subsidies.



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Recent and Future Expansions

	2015	2016	2017
Woven	13 looms added increasing production capacity by 6%	4 new goblin looms 9 new looms 2 yarn production lines	6-8 looms to be added (pending market conditions).
Tufted	MAC penetrated the artificial turf segment following the addition of two new machines		2017: Digital Printing Machine
Non-woven	Two new machines added	Two new machines added	2-3 machines added

2Q2017 KPIs vs. 2Q2016 REPORTED

Sales
(EGP mn)

2,389

▲54%

EBITDA
(EGP mn)

388

▲55%

Net Income
(EGP mn)

204

▲28%

Export Contribution

64%

EBITDA Margin

16.2%

▲12 bps

Net Margin

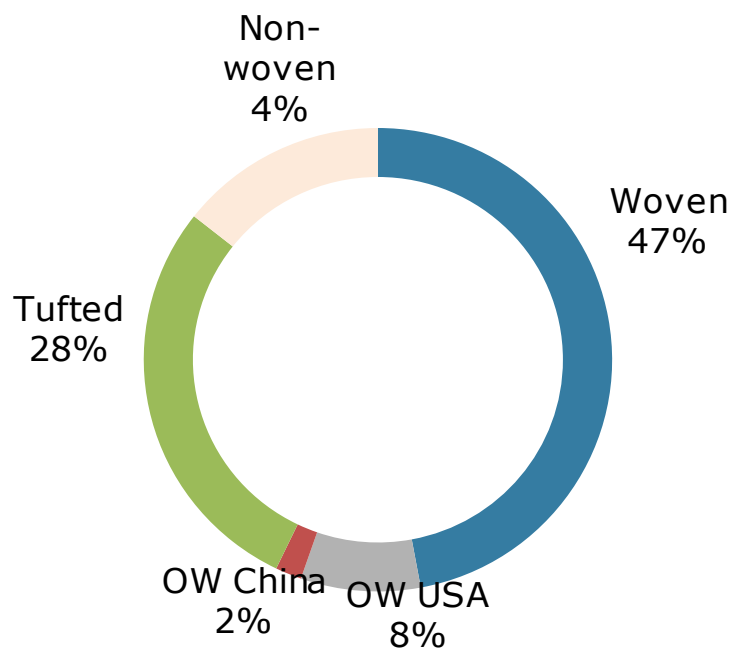
8.5%

▼174 bps



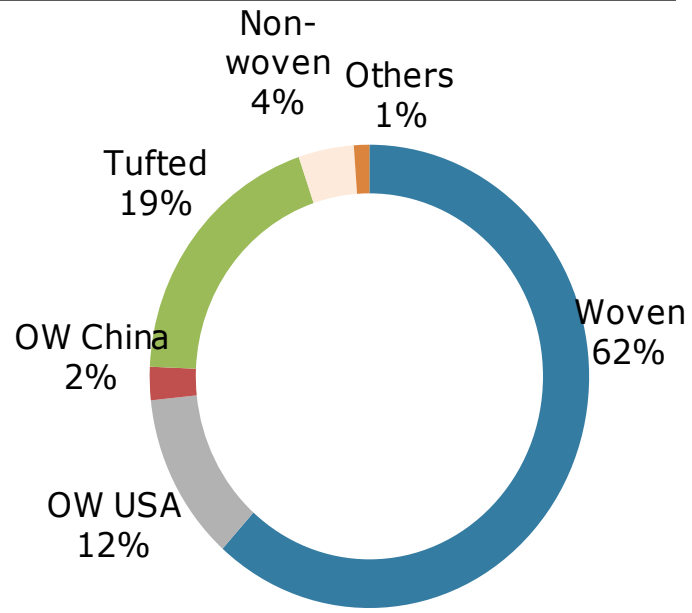
Diversified Product Mix

2Q 2017 Revenue Mix (by volume)



Woven-Grade A	<div></div>	EGP319/sqm
Woven-Grade B	<div></div>	EGP138/sqm
Woven-Grade C	<div></div>	EGP71/sqm

2Q 2017 Revenue Mix (by value)



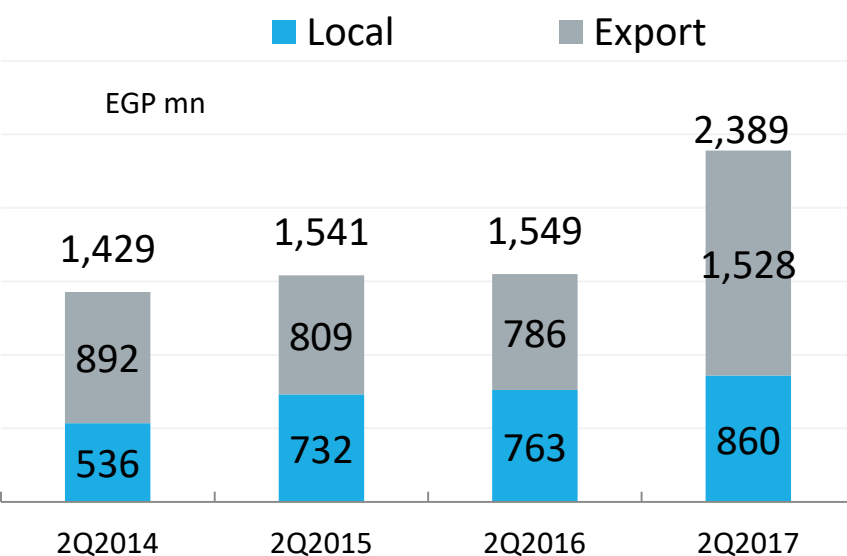
Tufted wall-to-wall	<div></div>	EGP48/sqm
Tufted pieces	<div></div>	EGP51/sqm
Non-woven (EFCO)	<div></div>	EGP22/sqm



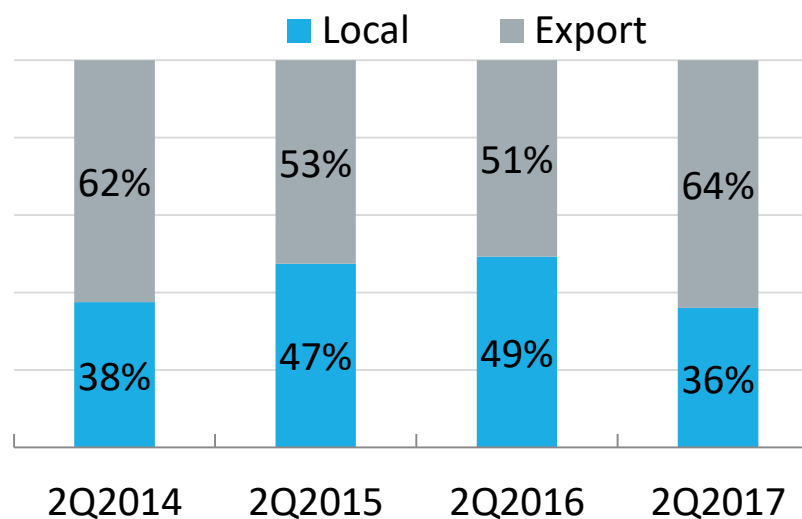
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2Q 2017 Financial summary

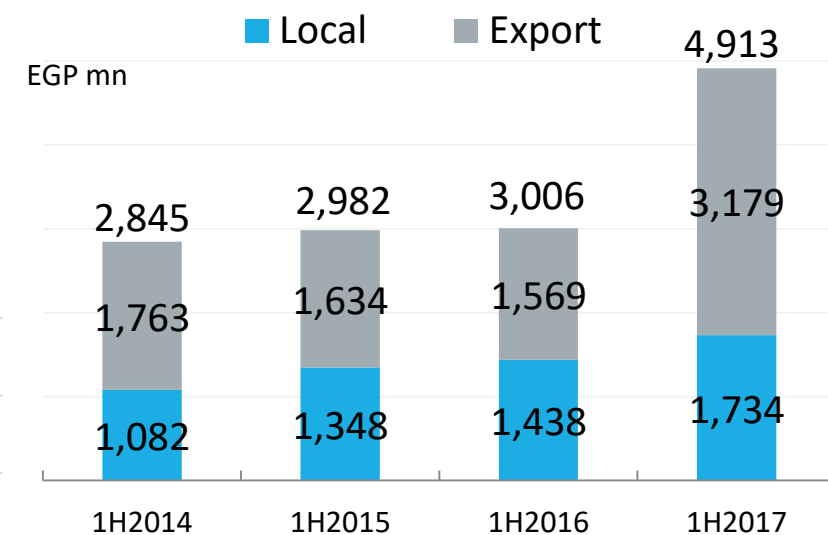
2Q Revenue Performance (EGP mn)



Revenue Contribution (%)

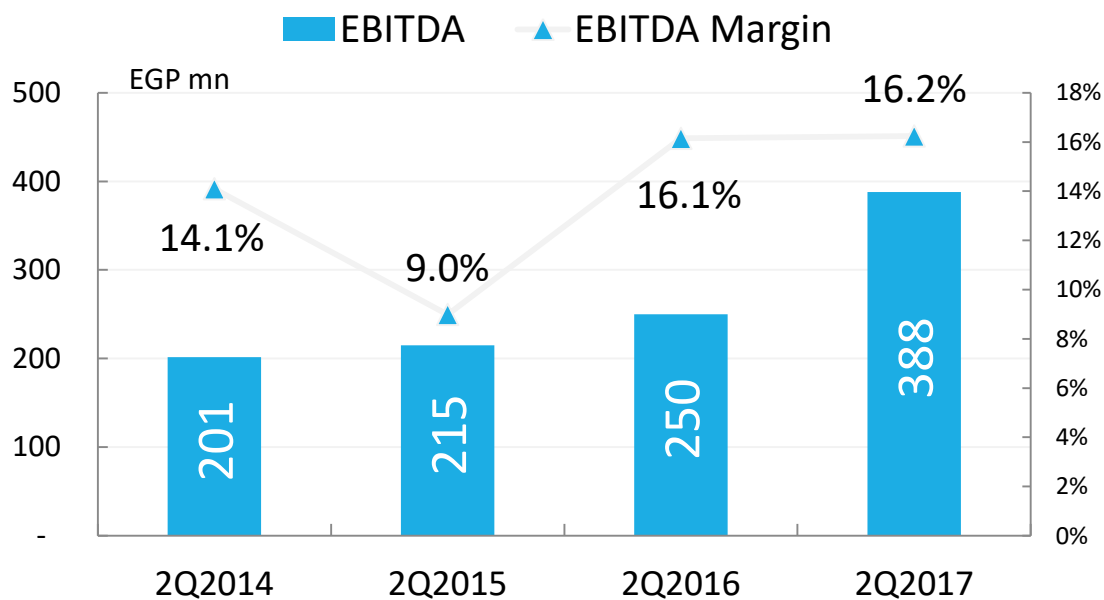


1H Revenue Performance (EGP mn)

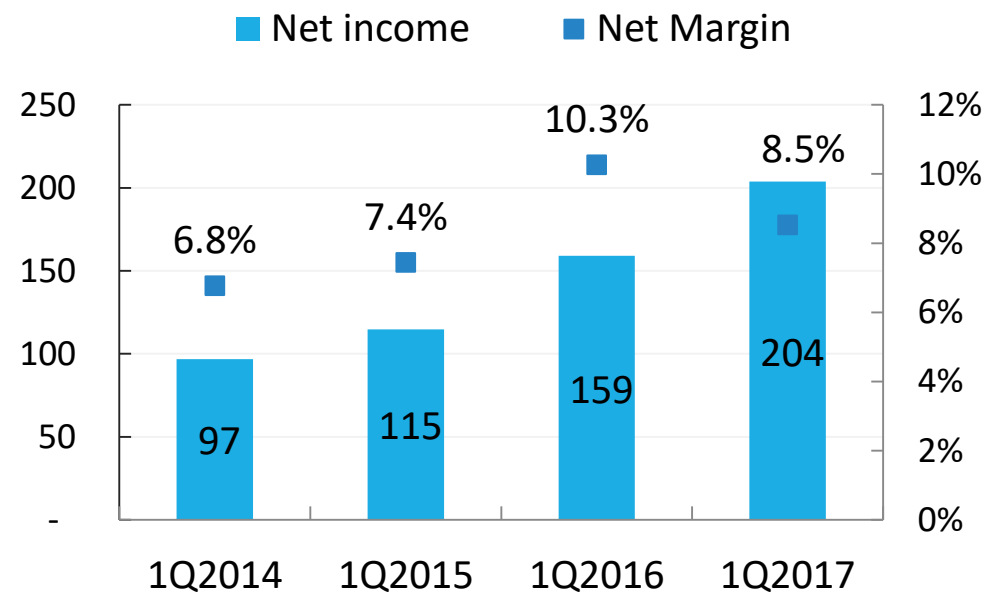


2Q 2017 Financial summary

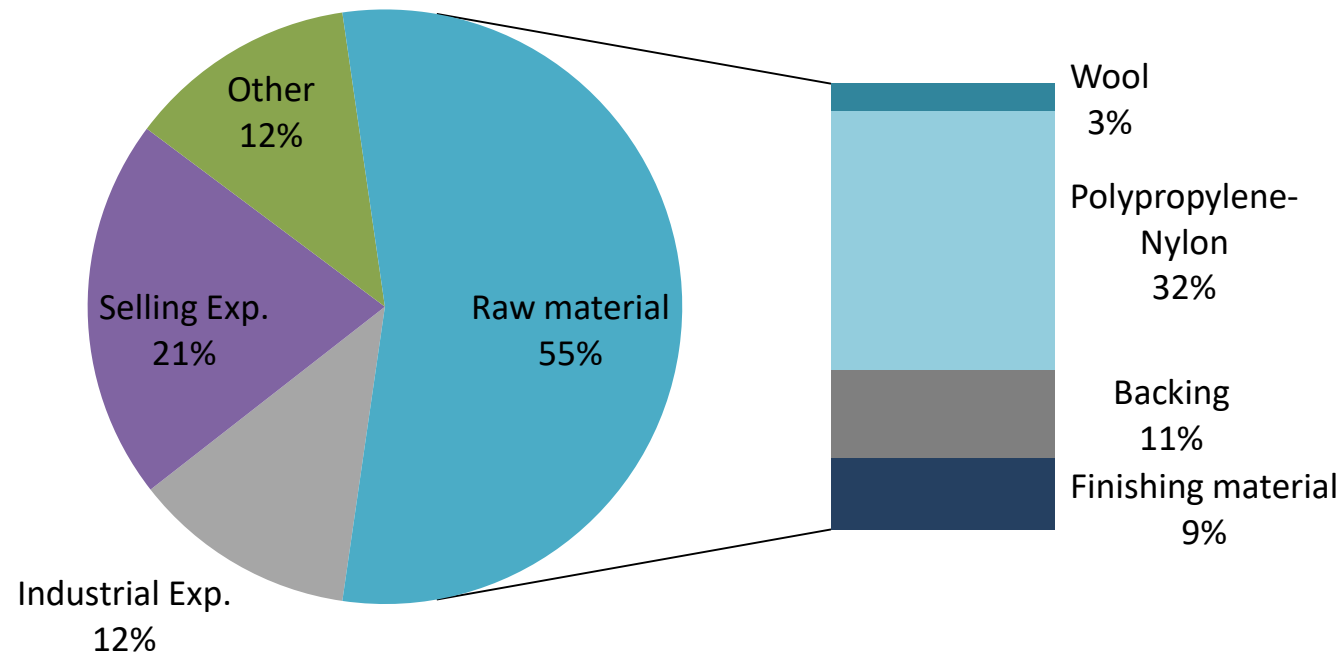
2Q EBITDA Performance (EGP mn)



2Q Net Income (EGP mn)



2Q 2017 Cost Breakdown



- Almost 63% of costs are dollar based.

Source: Company



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Annual Financial and Operational Performance

FY 2016 financial Summary

Net sales
(EGP bn)

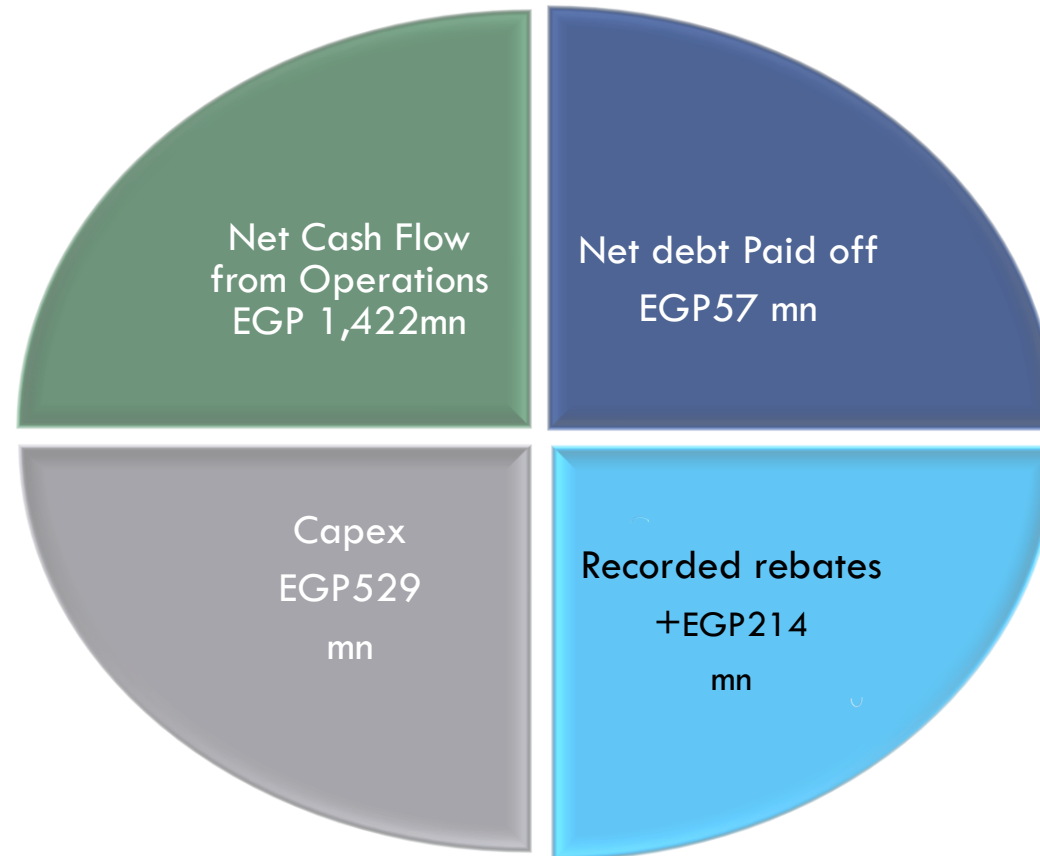
6.8

+15% growth y-o-y

Net Profit
(EGP mn)

484

+36% y-o-y



EBITDA
(EGP mn)

1,116

+39% y-o-y performance

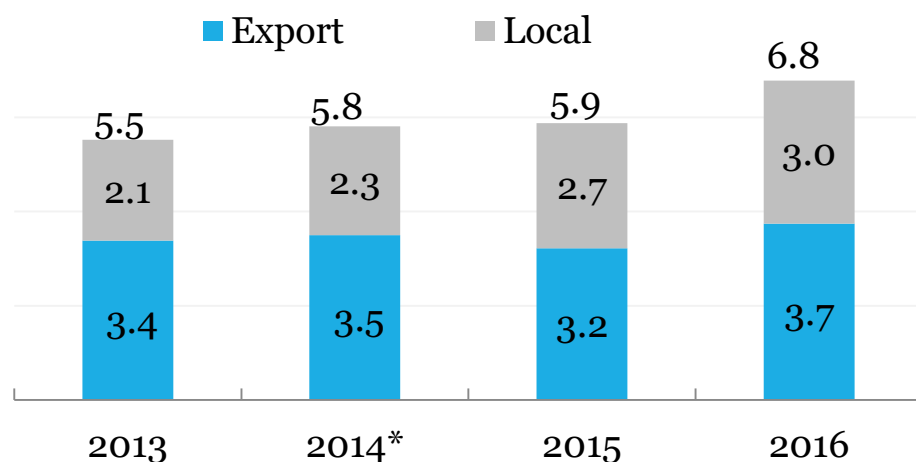
EBITDA Margin

16.5%

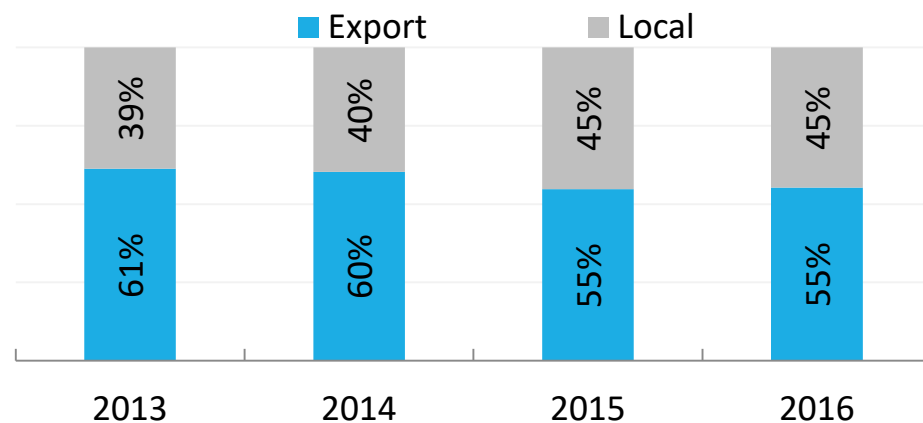
+243 bps y-o-y

Annual Financial Overview

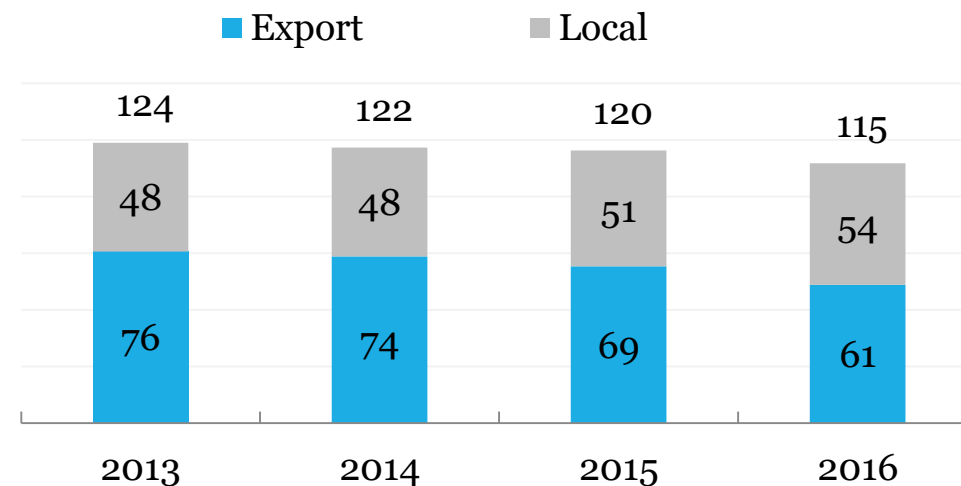
Growing revenue base (EGPbn)



Export vs. Local Revenue Contribution



Sales Volumes (mn sqm)



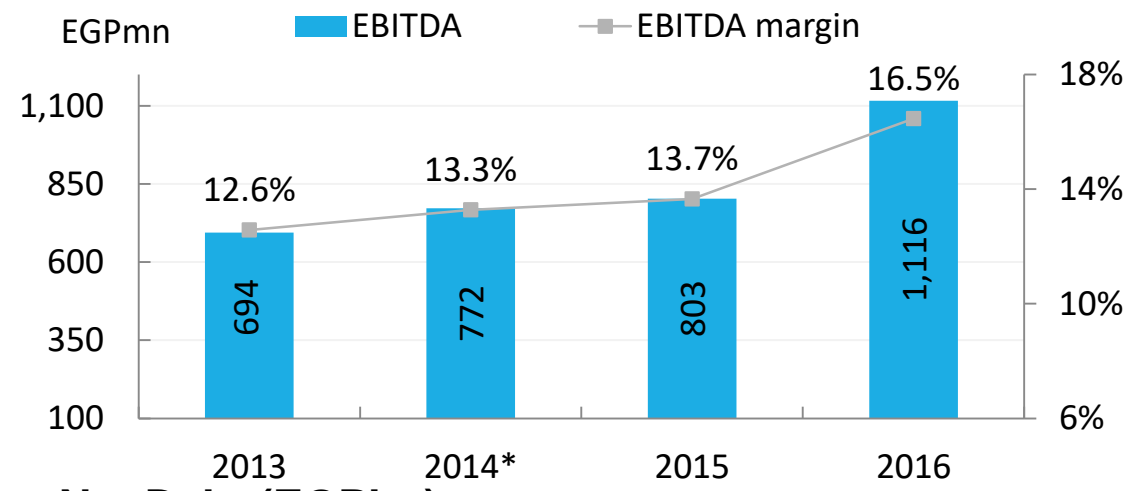
• On adjusted basis including sales of the merged Modern EFCO

** 2016 volumes include OW USA volumes sold and excludes OW China

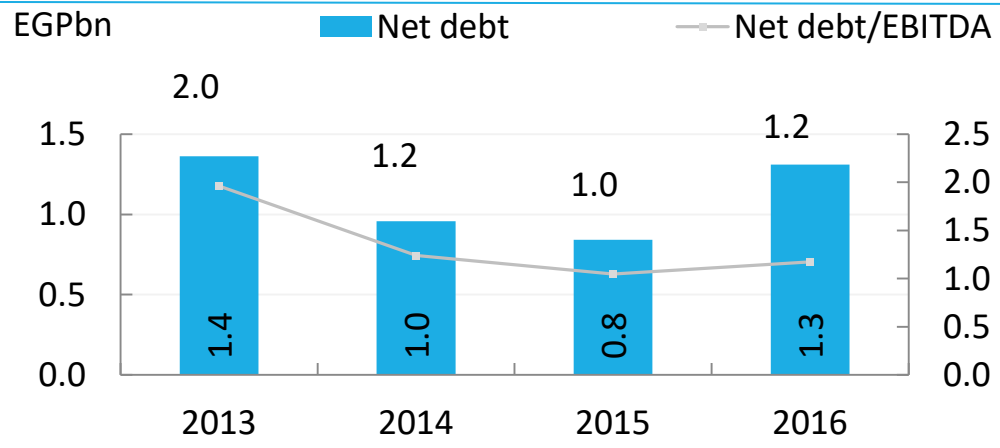


Financial Summary

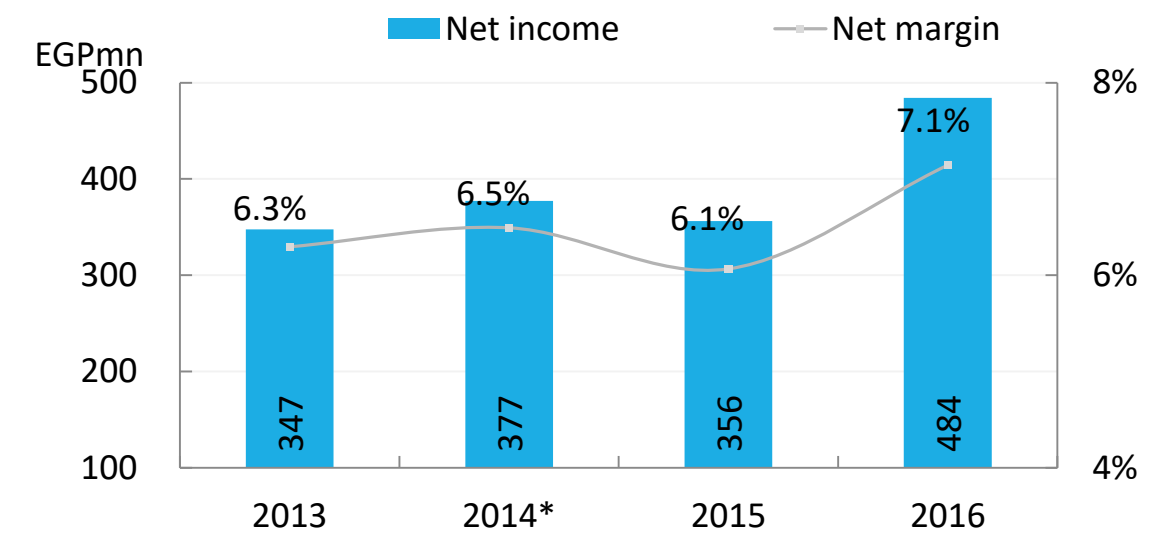
EBITDA Performance



Net Debt (EGPbn)



Net Income Performance



* On adjusted basis including figures of the merged Modern EFCO



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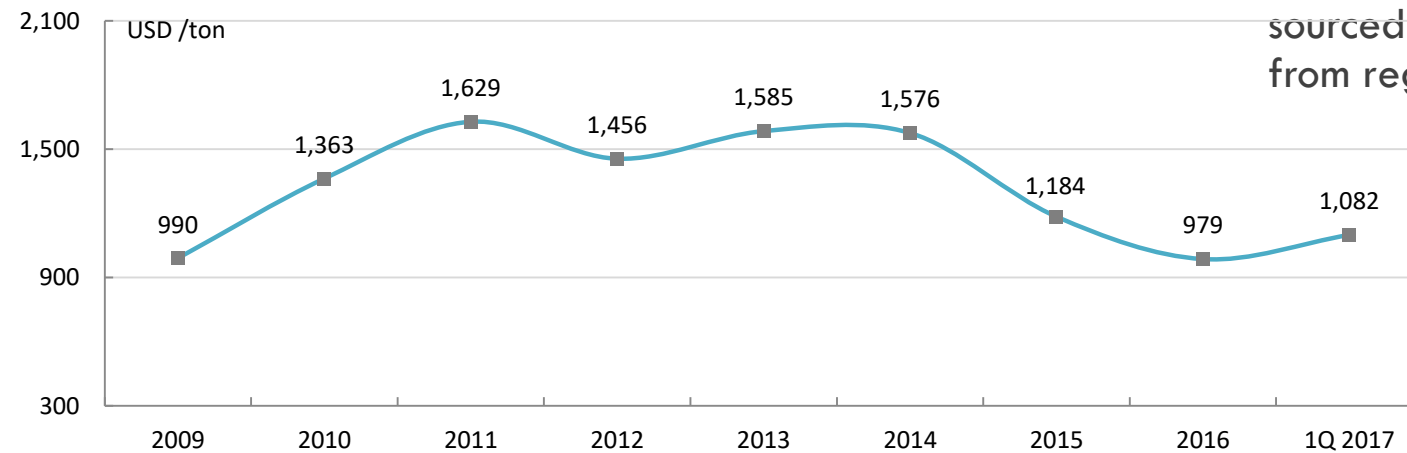
Polypropylene is OW main raw material

Polypropylene — used in synthetic and blended rugs and carpets — is an oil derivative, representing around 28% of costs. Polypropylene prices are driven in large part by:

- i) Oil 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.

PP prices (in \$/ Metric Tons)



Sources: Company

➤ Almost 50% of the polypropylene needs are sourced locally and the remaining needs are imported from regional suppliers.



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%

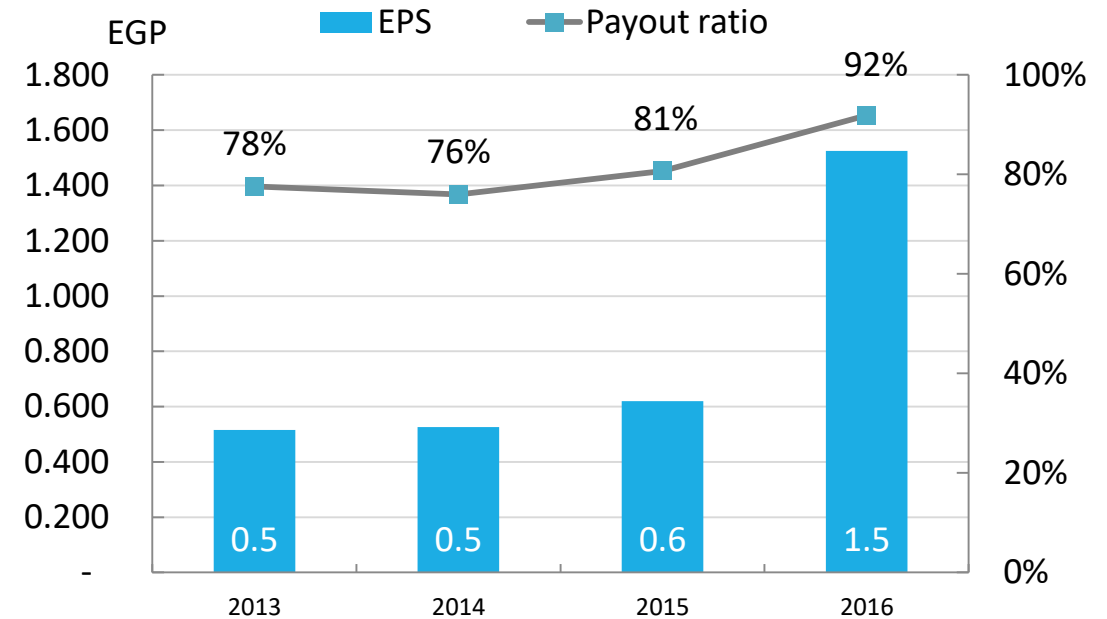
* Energy cost represents less than 4% of the company's total cost



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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 EGP6.2mn.
- Market Cap USD460mn (as of Aug 2017).
- 2016 DPS of EGP1.4.
- Reuters; Bloomberg ORWE.CA; ORWE EY.



Shareholders' structure

Khamis Family	56%
Institutions	39%
Foreign Institutions	27%
Local Institutions	12%
Treasury Shares	1%
Retail	4%

Sources: Company

Disclaimer



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