



النساجون الشرقيون
Oriental Weavers

ORIENTAL WEAVERS

Investor presentation 2018



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Oriental Weavers

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

61%

Export contribution in
2Q2018



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	35%	25%	20%	1%	16%		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 244 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

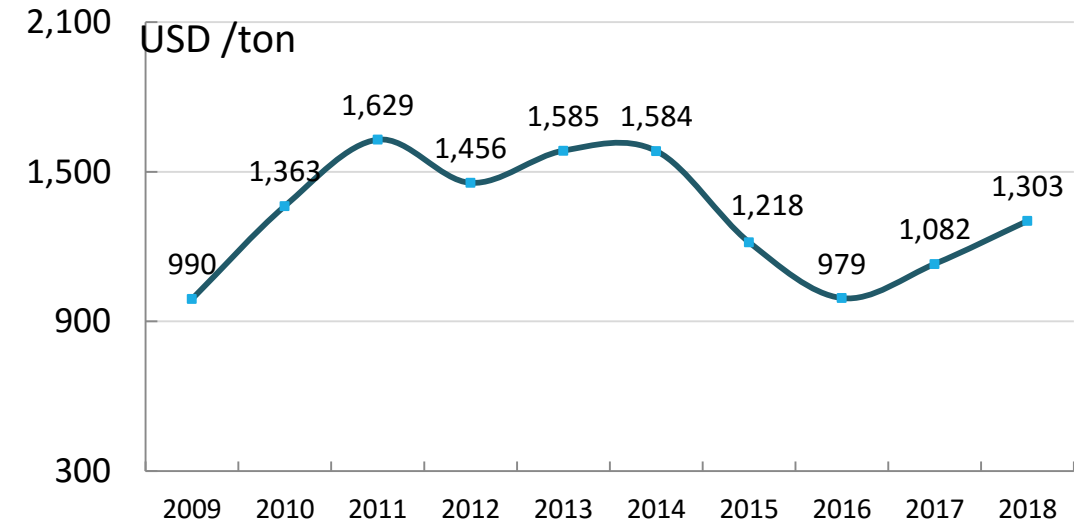
Retail & Distribution



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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:

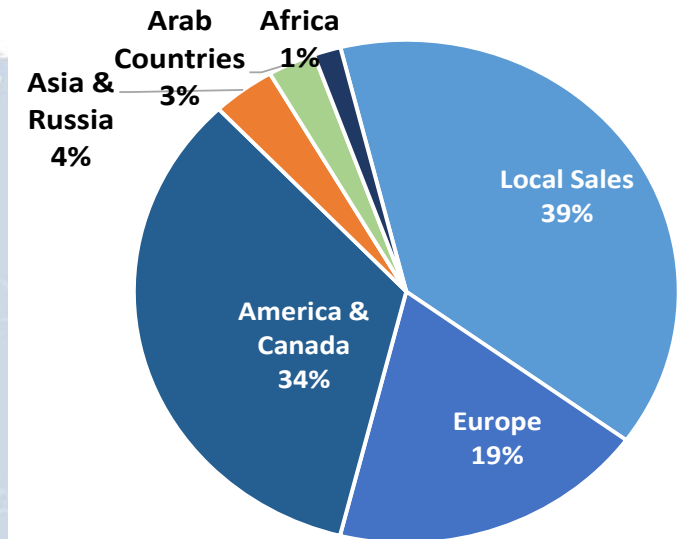
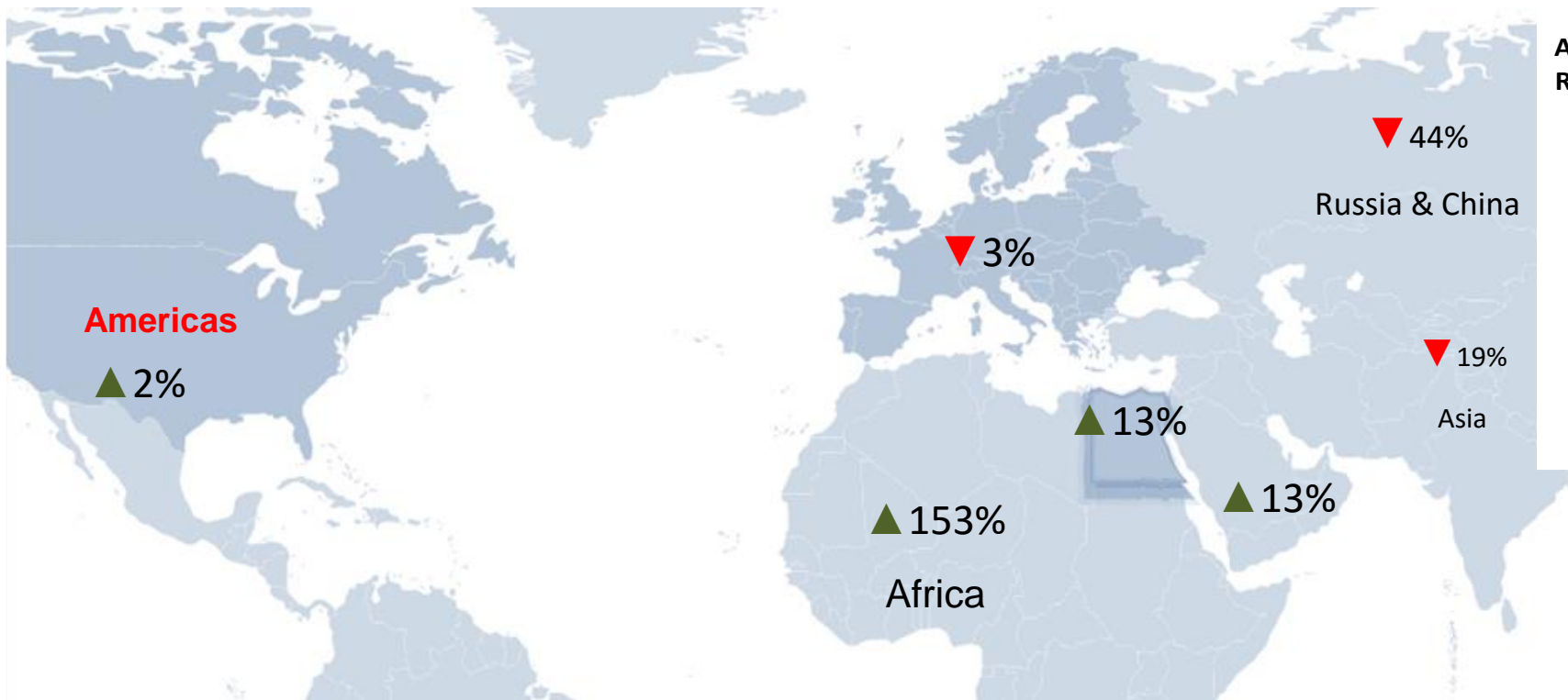
Price adjustment on wholesale level



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Export Market development

Revenue contribution & performance by region in 2Q2018



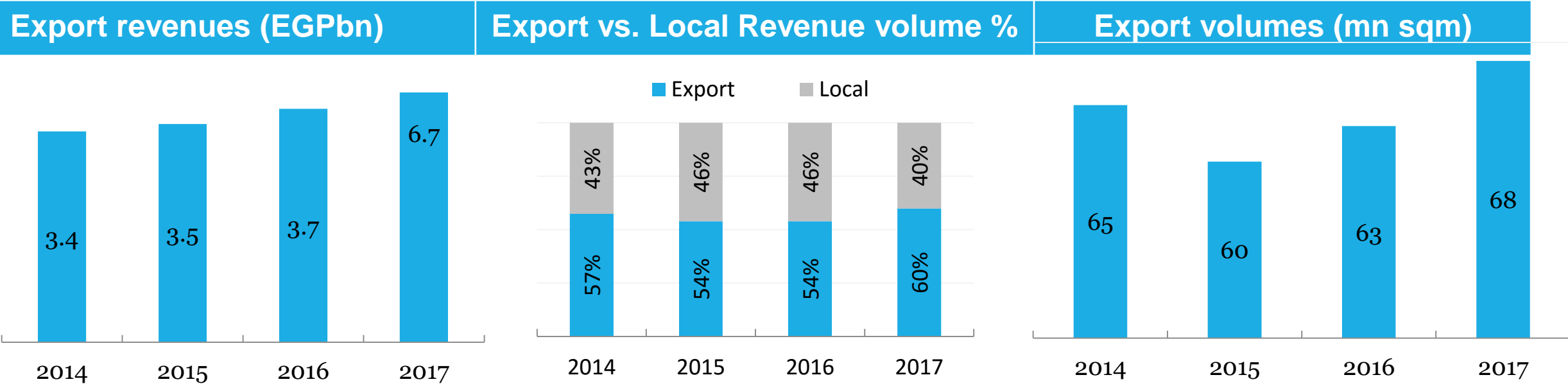
Longstanding relationship with major customers





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Export performance overview





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Export Market Development in 2Q2018

Percentage Δ	Volume	Value	Average Price 2Q 2018	Contribution to Export Revenues	
				2Q 2108	2Q 2017
Woven	▲ 11%	▲ 8%	▼ 3%	80%	74%
Tufted	▼ 12%	▼ 19%	▼ 8%	18%	22%
Non-woven Felt	▼ 37%	▼ 44%	▼ 10%	2%	4%
Total	▼ 2%	▼ 0.2%	▲ 2%	100%	100%

USDEGP

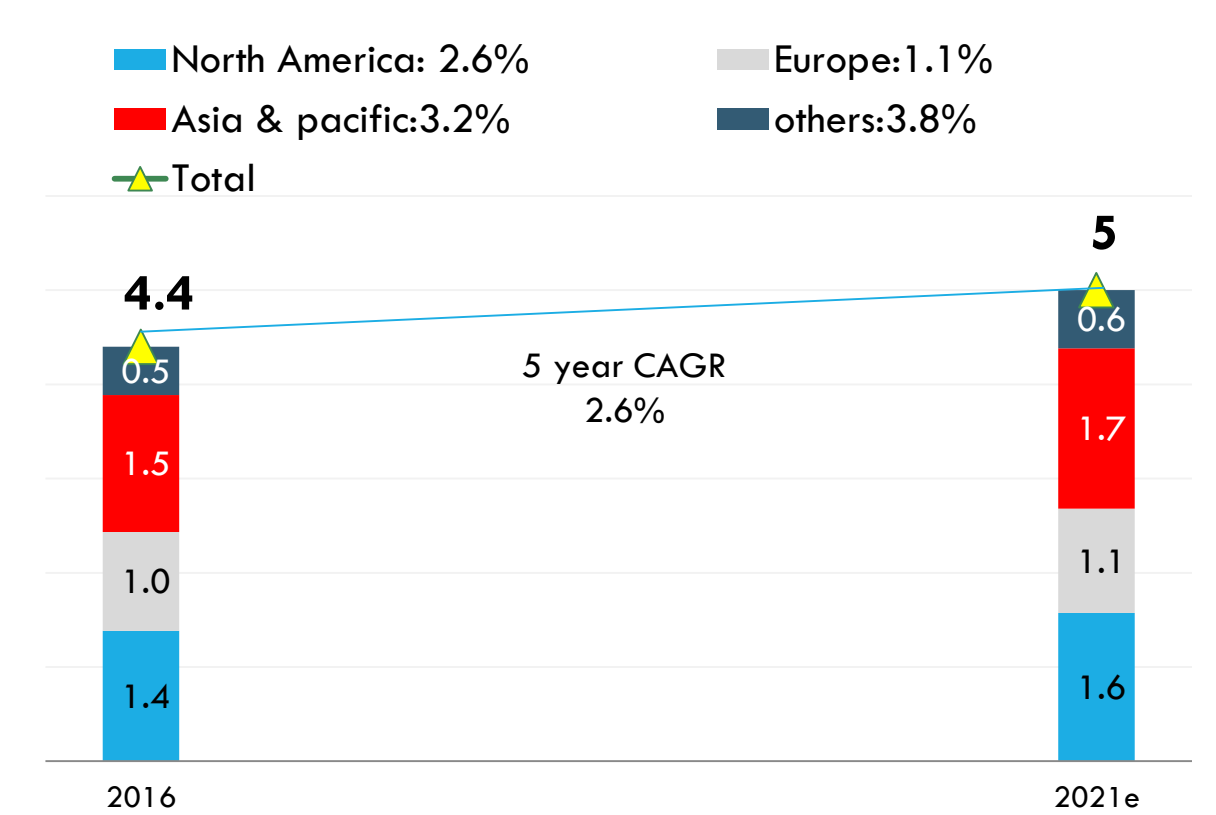
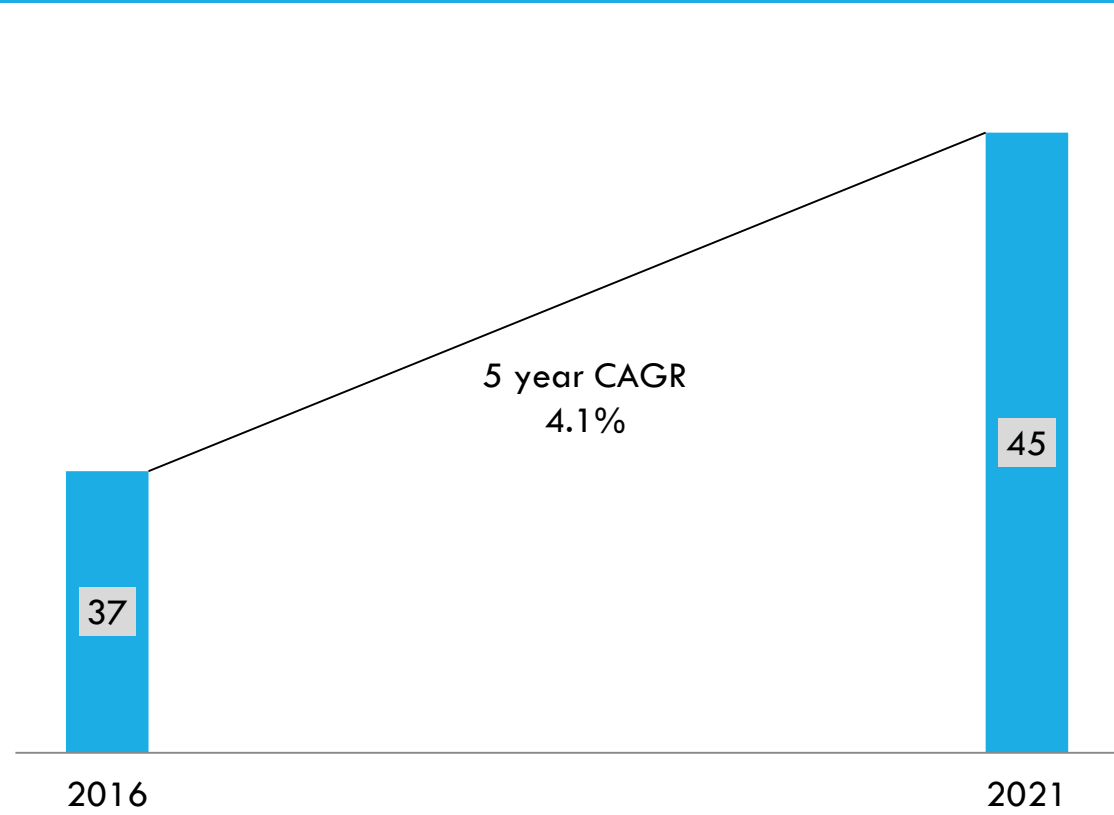
17.88 ▼ 1%



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

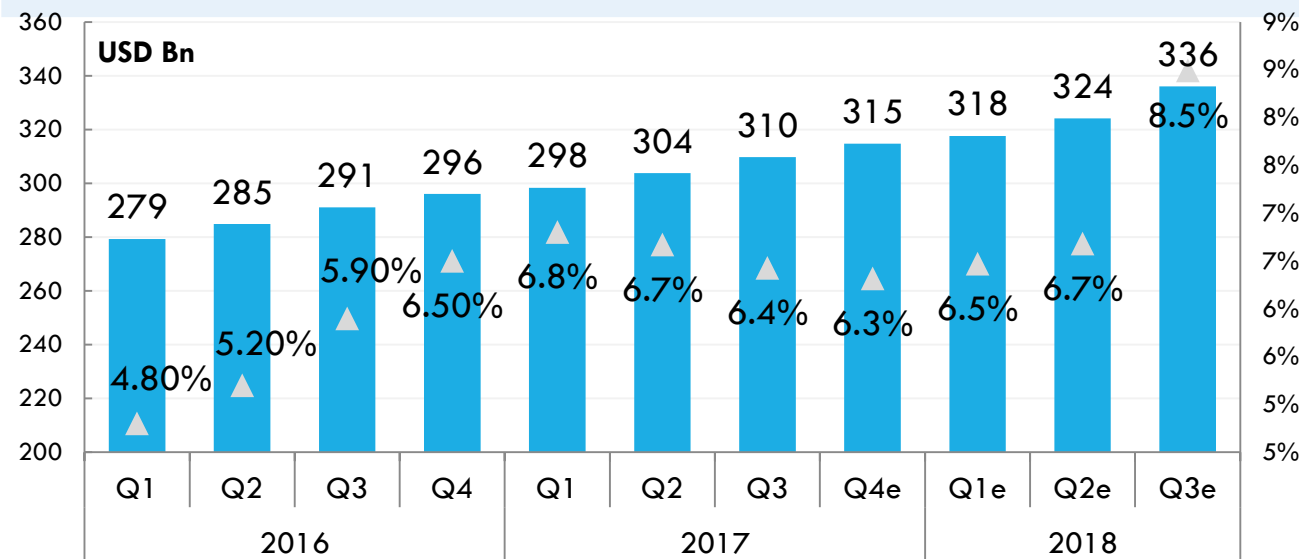


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Global Macro Fundamentals

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)



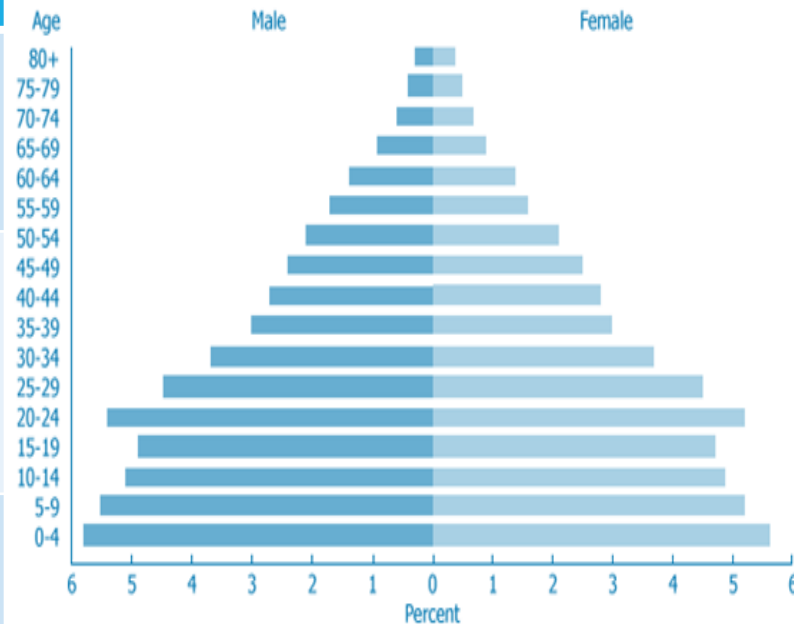
Source: Joint center for housing studies

Growing Urbanization

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.
Egyptian culture habits	Soft floor coverings are considered essential in every house

Sizeable youth bracket

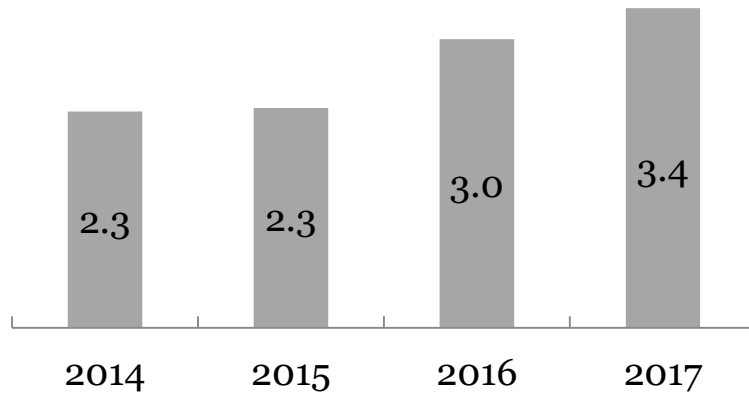




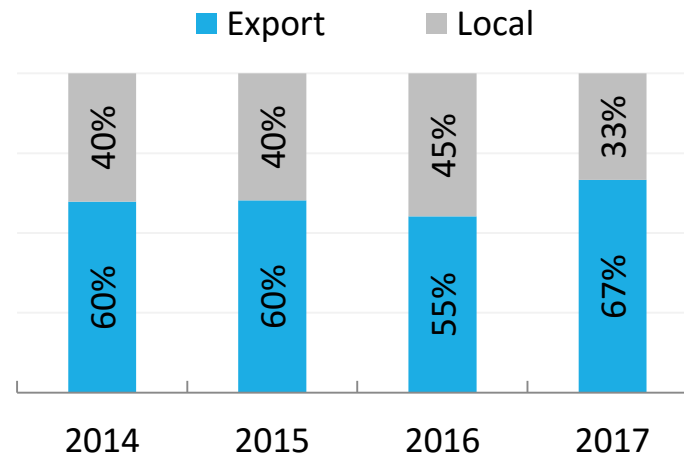
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Local market overview

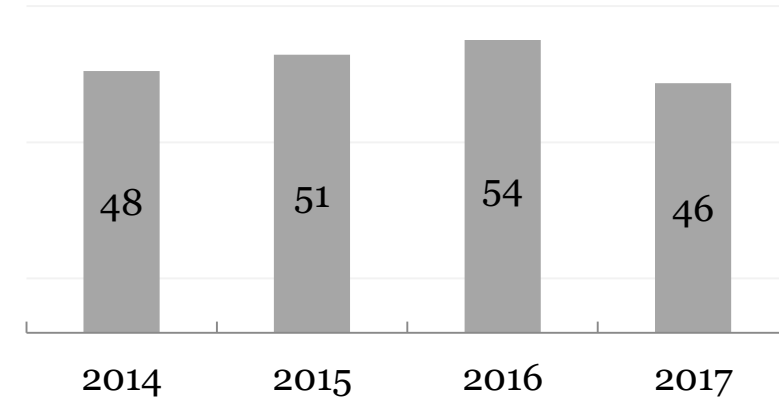
Growing local revenues (EGPbn)



Export vs. Local revenues%



Local sales volumes (mn sqm)



Local Market Development in 2Q 2018

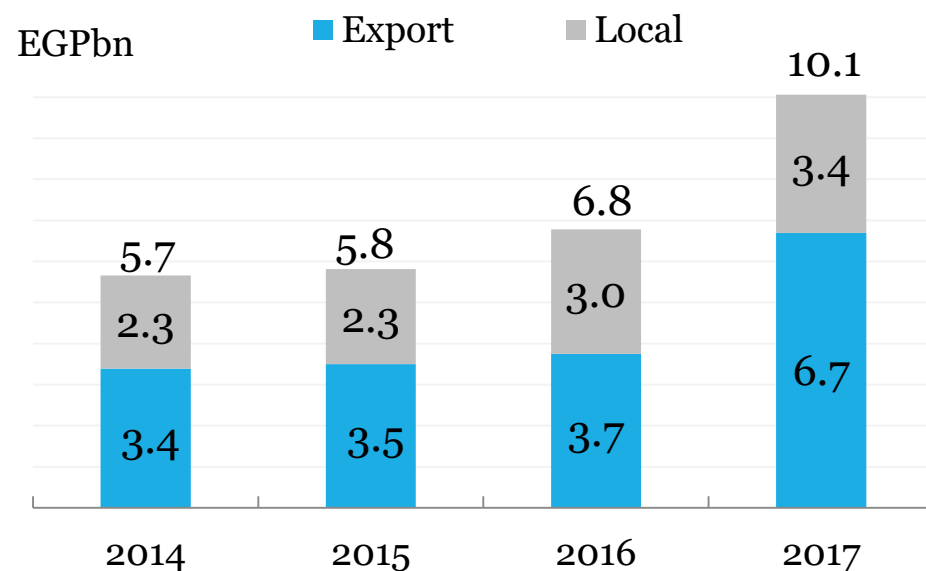
Percentage Δ	Volume	Value	Average Price 2Q 2018	Contribution to Export Revenues	
				2Q 2108	2Q 2017
Woven	▲ 10%	▲ 12%	▼ 3%	82%	83%
Tufted	▲ 8%	▲ 12%	▼ 8%	11%	11%
Non-woven Felt	▲ 1%	▲ 11%	▼ 10%	4%	4%
Others		▲ 121%		3%	2%
Total	▲ 8%	▲ 13%	▲ 4%	100%	100%



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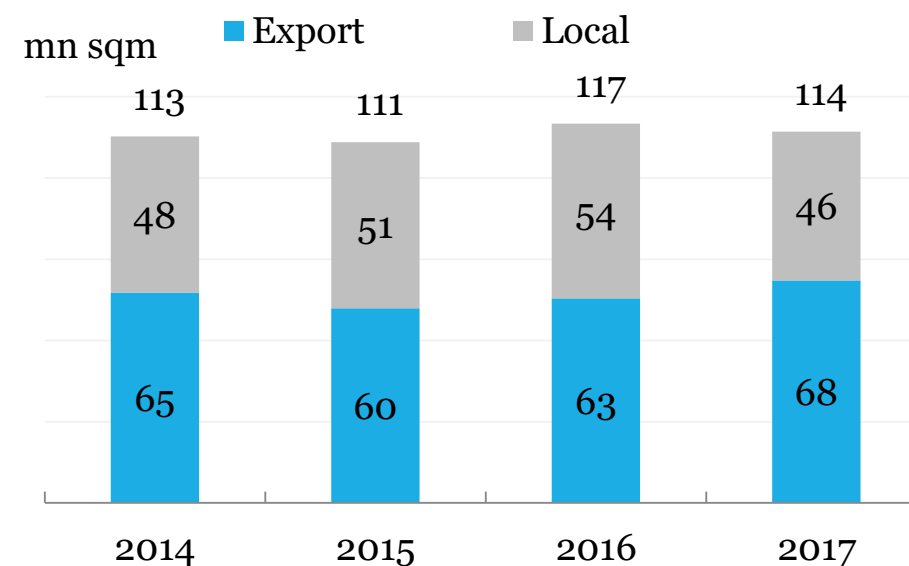
Revenue progress

Revenues (EGPbn)



3-year CAGR 21%

Sales volumes (mn sqm)





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2Q2018/1H 2018 Revenue summary

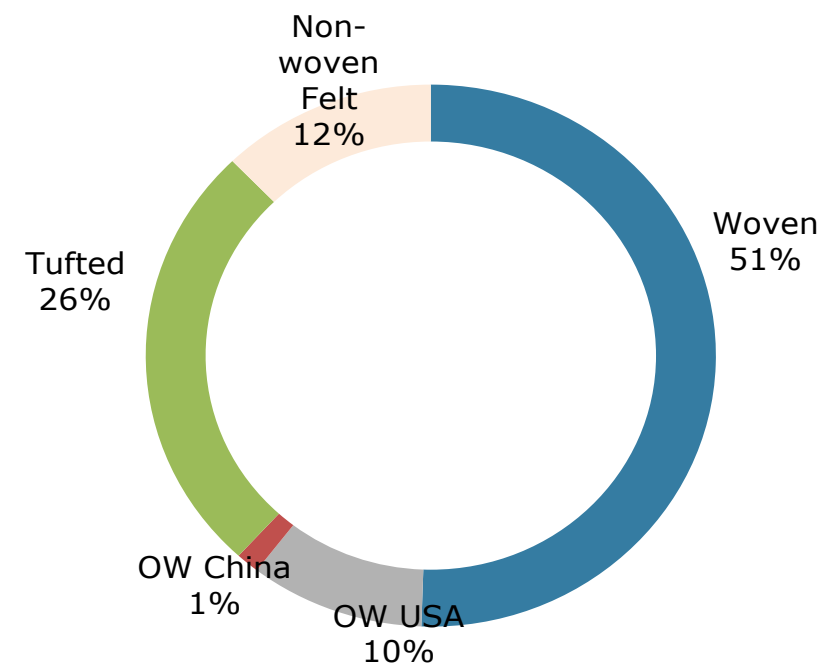
	Value (EGP mn)				Volume (sqm)		
	2Q 2018	2Q 2017	% Change		2Q 2018	2Q 2017	% Change
Woven- Egypt based	1,488	1,351	10%		13.9	12.7	10%
OW USA	511	454	13%		2.7	2.2	22%
OW China	30	51	-41%		0.4	0.5	-26%
Tufted	391	444	-12%		7.1	7.6	-7%
Non-woven Felt	71	89	-21%		3.4	3.9	-13%
Other	36	25	43%				
Total	2,526	2,414	5%		27.5	26.9	2%

	Value (EGP mn)				Volume (sqm)		
	1H 2018	1H 2017	% Change		1H 2018	1H 2017	% Change
Woven- Egypt based	2,952	2,758	7%		28	26	8%
OW USA	1,032	1,016	2%		6	5	6%
OW China	46	71	-36%		1	1	-21%
Tufted	818	885	-8%		15	16	-11%
Non-woven Felt	144	179	-20%		7	8	-7%
Other	41	28	48%		0	0	
Total	5,033	4,938	2%		56	56	0%



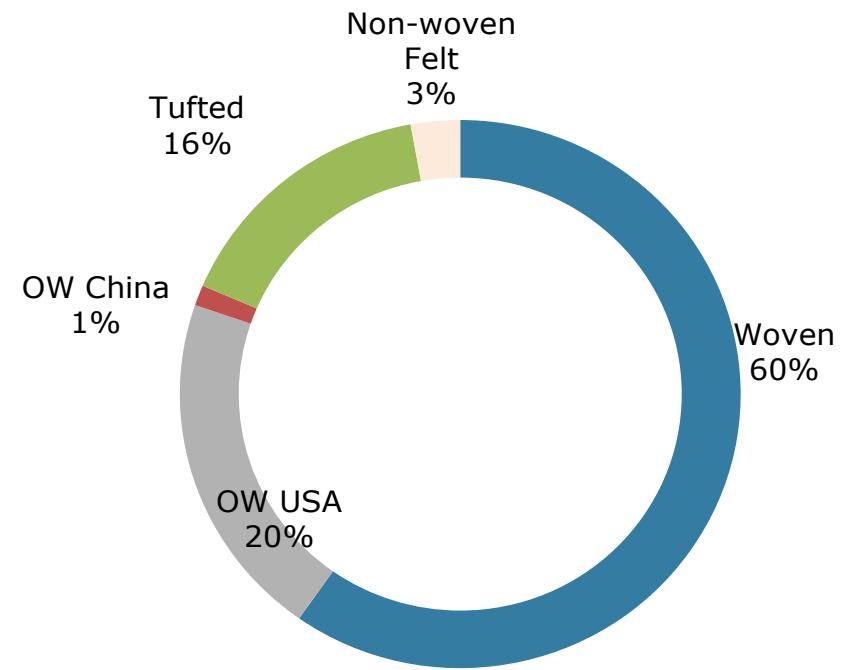
Diversified Product Mix

2Q 2018 Revenue Mix (by volume)



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

2Q 2018 Revenue Mix (by value)



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



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Hospitality segment recorded 6% y-o-y growth:

Among the projects that were installed in 2Q 2018 were

- ❑ Vida Al-Alamein Hotel at Marrasi North Coast,
- ❑ Sharm El Sheikh Conference Center,
- ❑ A number of hotels in Sahl Hashesh, Marsa Alam, and Giza.
- ❑ Currently the company has started production for the axminster carpets for the new capital's 10,000 sqm mosque, which is to be the largest mosque in Africa.



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International Hospitality segment recorded

39% y-o-y growth in 2Q2018:

We installed the carpets at a number of projects worldwide, including:

- ❑ the Ritz Carlton-Charlotte, Hyatt Mission Bay, and Westin Houston Galleria in the US.
- ❑ Also, we finished the installations of a number of projects in Dubai including Paramount Towers A, B & D, the Address Montgomerie, Phase 2 of the Atlantis, and Novotel Hotel.



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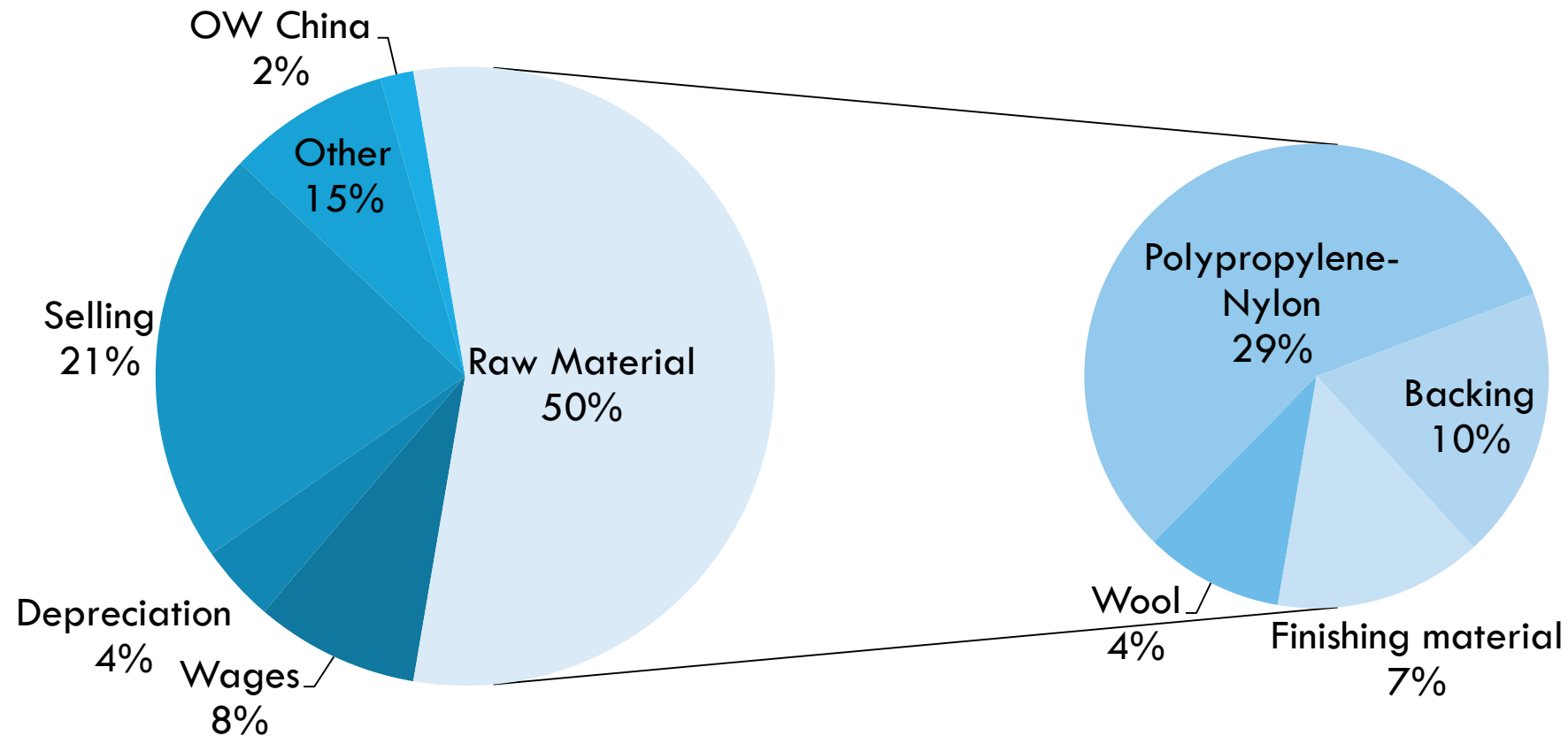
Recent and Future Expansions

	2015	2016	2017	2018e
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"/> 8-10 new looms pending local and international demand <input type="checkbox"/> Six 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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2Q 2018 Cost Breakdown



■ Almost 63% of costs are dollar based.

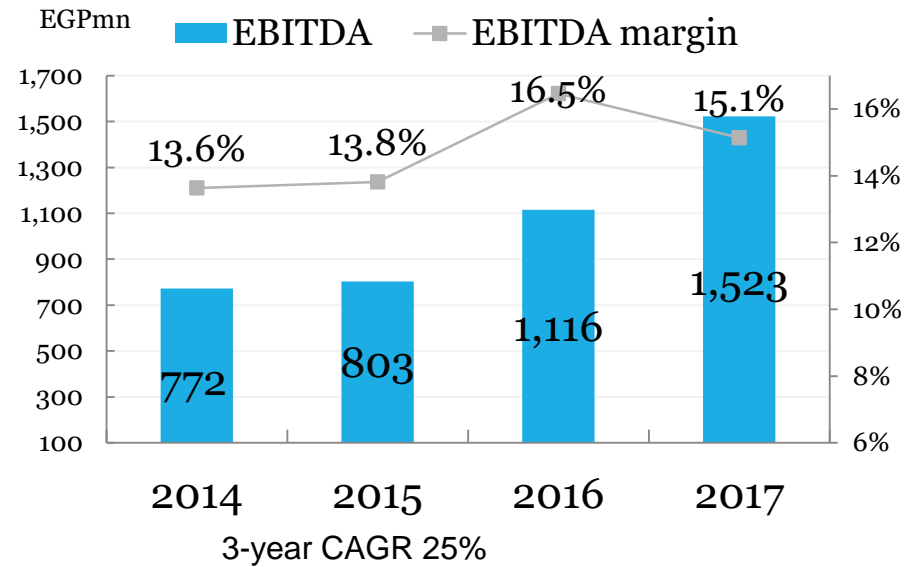
Source: Company



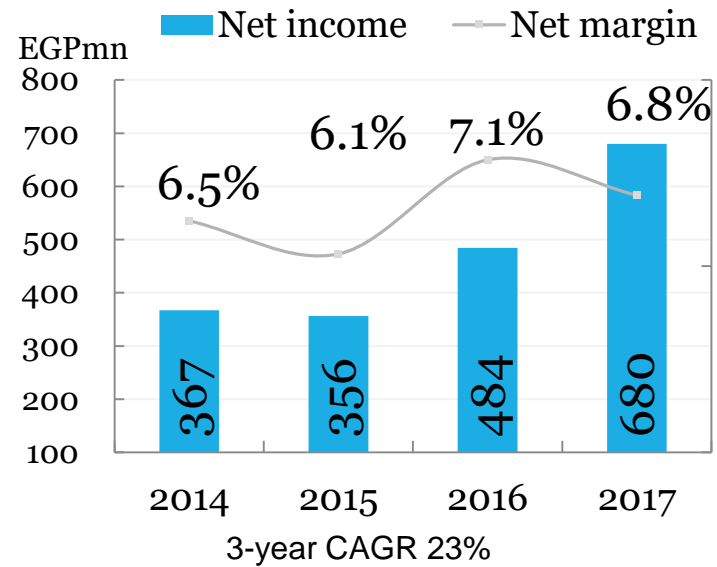
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Financial Summary

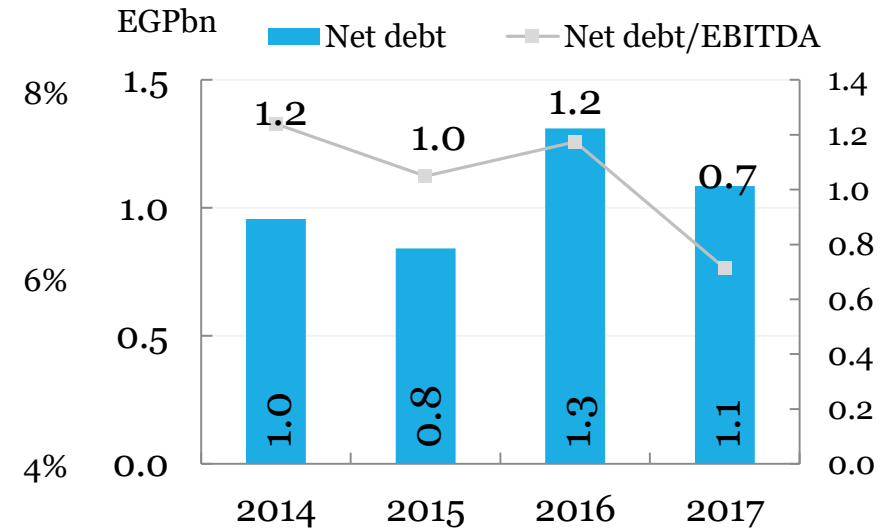
EBITDA Performance (EGPbn)



Net Income Performance



Net Debt (EGPbn)



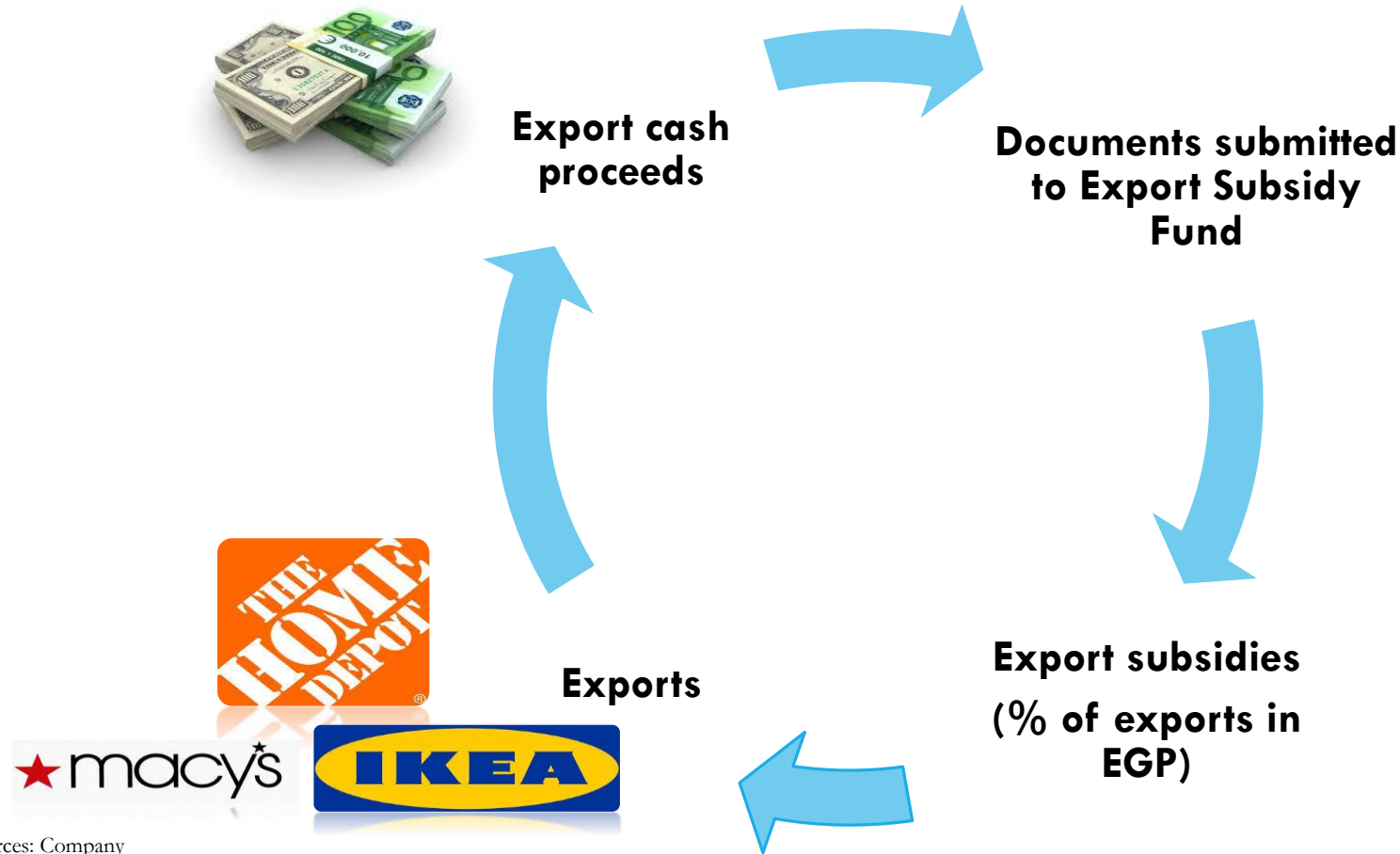


Impact of Energy Subsidy Reform on Costs

Energy cost	Jun-14	Jul-15	Jul-16	Jul-17	Jul-18	% Change
Natural gas (US\$/mmbtu)	2.25	5	5	5	5	-
Electricity (EGP/KW)	0.28	0.435	0.53	0.69	0.99	43%
Transportation costs (EGP Diesel/Liter)	1.1	1.80	2.35	3.65	5.5	55%

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

Export Incentive Program:



Sources: Company

EGP414 mn delayed disbursement till August 2018

OW collected EGP60 mn in 1H 2018.



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.

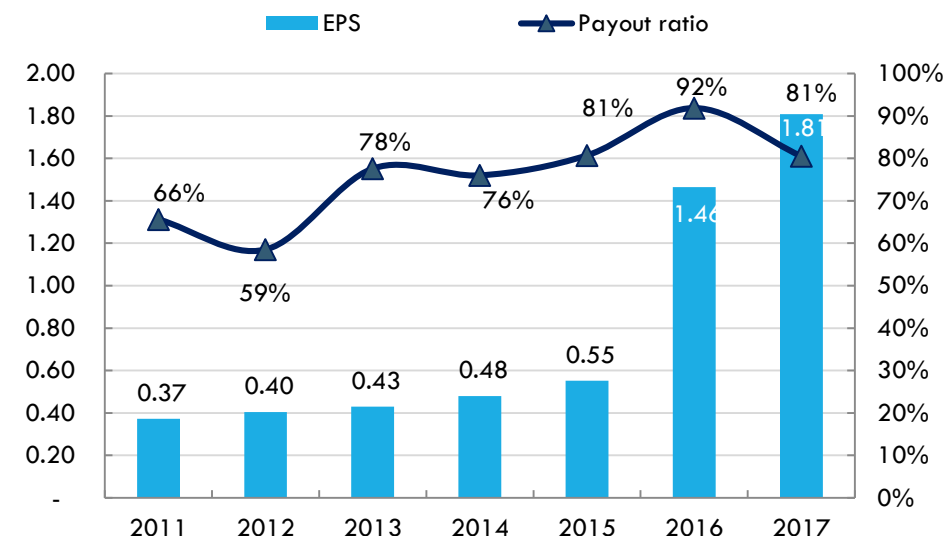
Program	Non-free Zone area (NFZ)		100% imported material	Free Zone area (FZ)		100% imported material	Average rate based on 70% of exports from FZ
	Local materials	Imported materials		Local materials	Imported materials		
Old	10%	6%	6%	9%	5.0%	5.0%	5.3%
New*	12%	6%	6%	9%	4.5%	4.5%	5.0%



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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 280 mn (as of Aug 19, 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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