



النساجون الشرقيون
Oriental Weavers

Oriental Weavers | Investor presentation



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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. 82%

Utilization rate

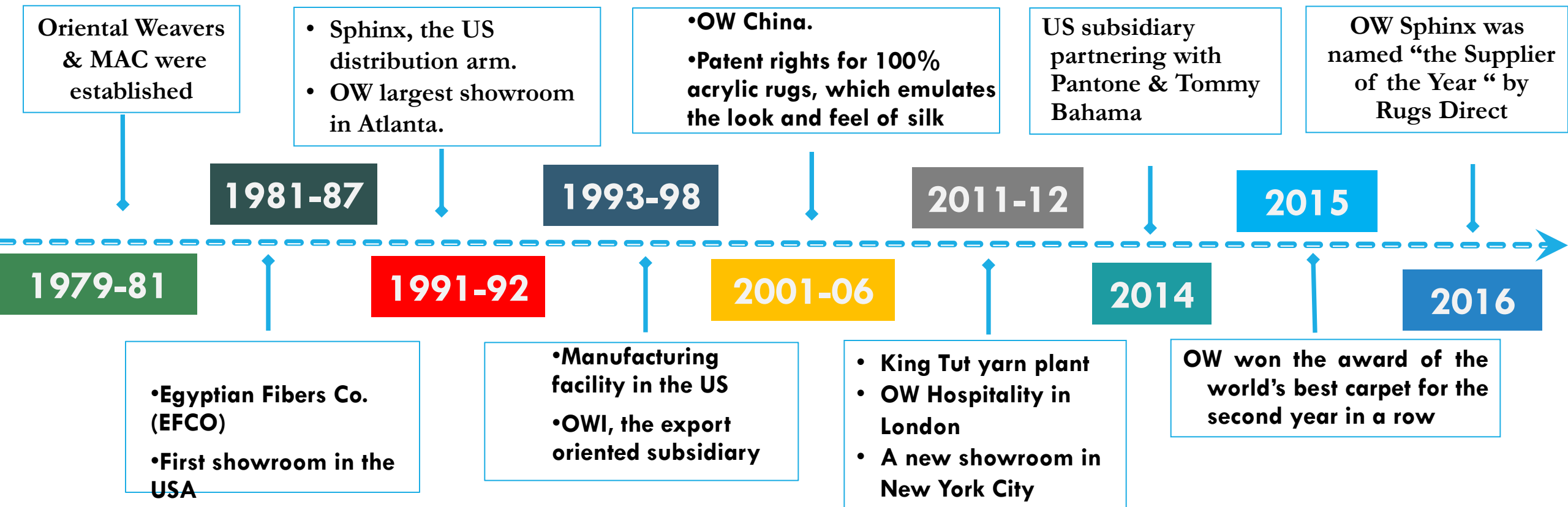
67%

Export contribution in
3Q FY2017



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Group's key Milestones





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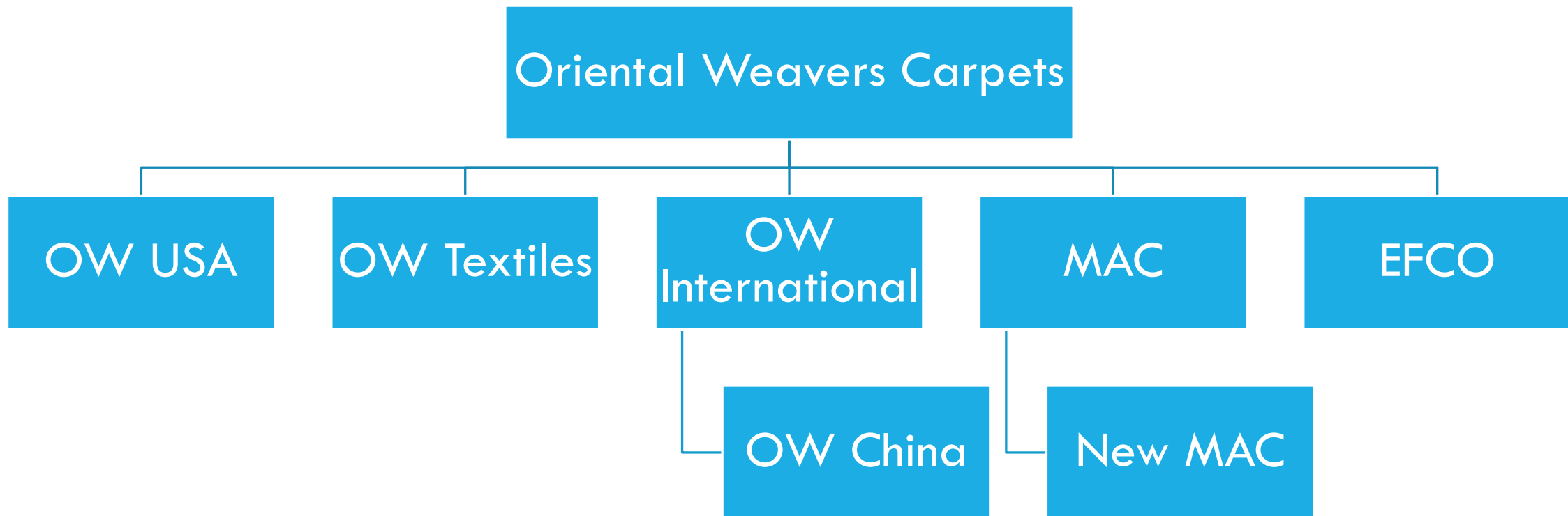
Main segments of OW

	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 (Oct,2017)	25.2	44	NA	3.4	48		18.5



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The Group's structure





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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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Policy towards EGP floatation & high EGP i/r

- ❑ Revised local selling prices

- ❑ Increasing focus on export exposure (67% as of 3Q 2017)
 - to secure foreign currency,
 - ensure better profitability, and

- ❑ With 4% local currency debt as of September 30 2017, OW is working on gradually settling its EGP debt facilities to avoid the high finance charges.
 - OW signed forward contracts starting March 2017 to sell the excess dollar proceeds ,and
 - the resulting FX gains from these contracts should offset the high finance charges on the EGP debt facilities.

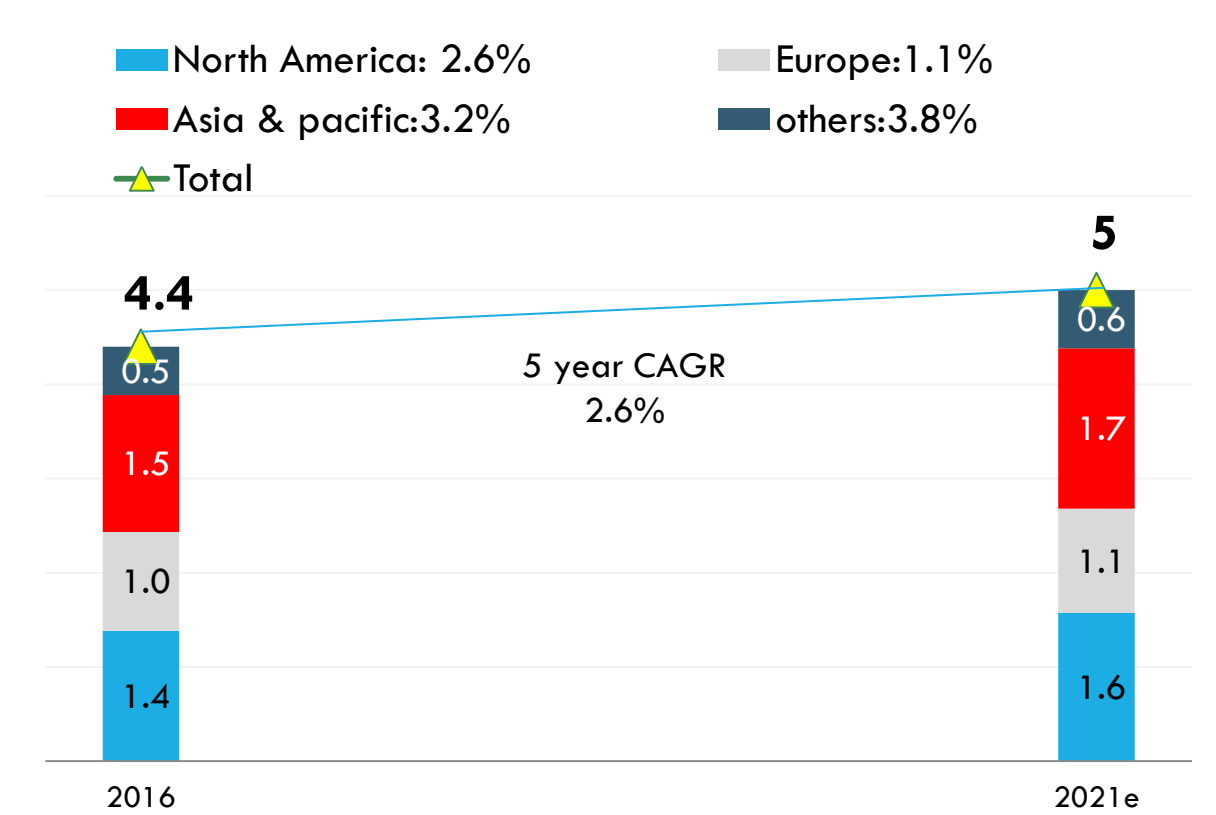
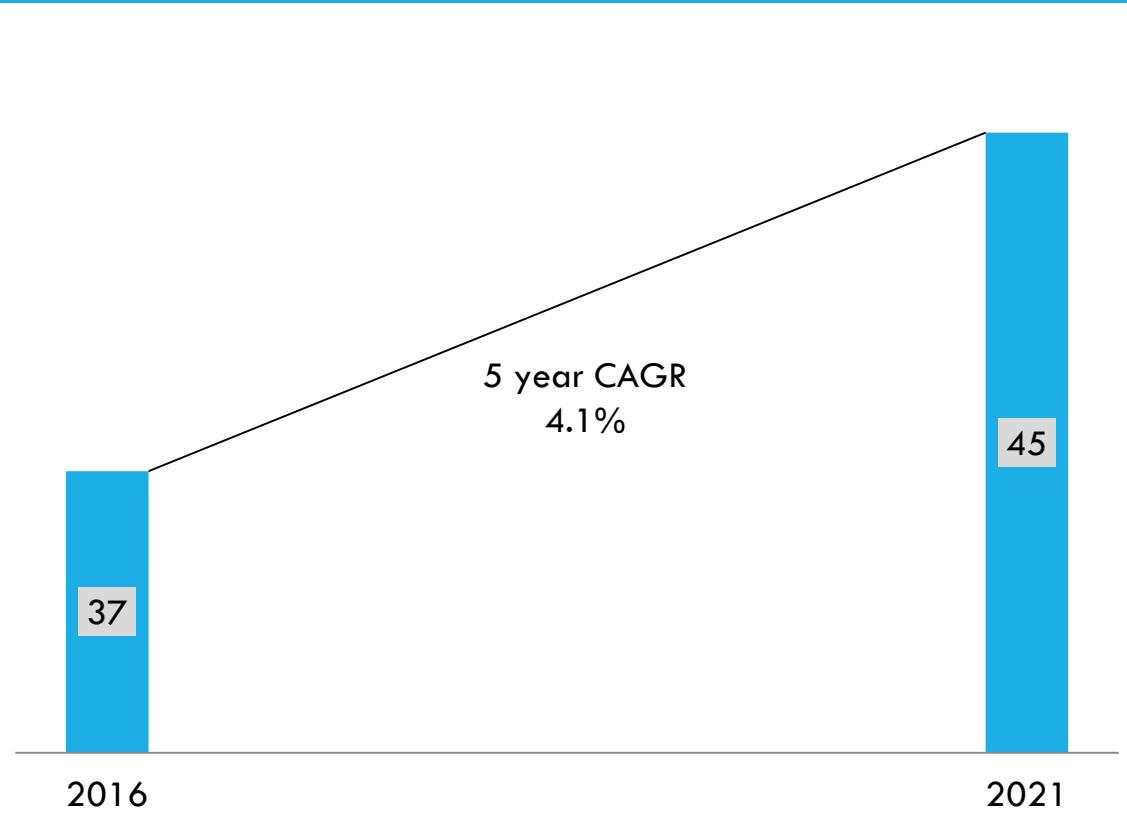


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Industry overview | Global carpets & rugs market

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

Expected continuous growth in new home sales driven by employment gains and a rise in household formations.

Europe

European economy is set to follow a moderate growth path.

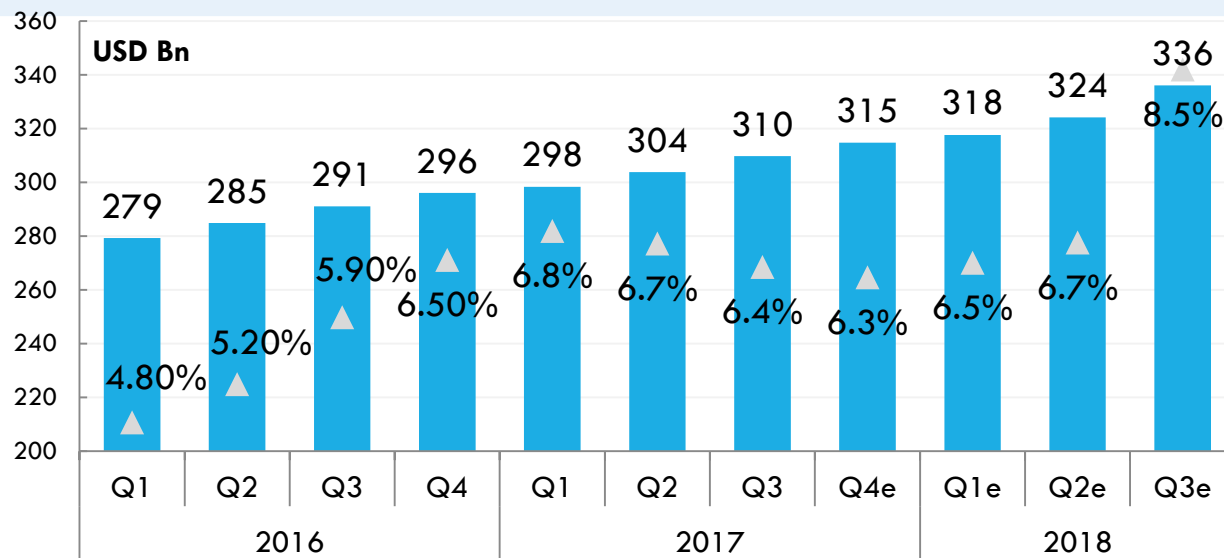
Asia & Africa

Strong potential in African beside East Asian markets.

New residential construction expanded by 8.8% in 2016, and is expected to grow by +6.8% in 2017e. (Euroconstuct, 2017)

Developing consumer trends driving growth in these regions.

Homeowners improvements & repairs (USD bn)



Residential renovation and maintenance grows steadily by about 1.5% per year.

Growing Urbanization

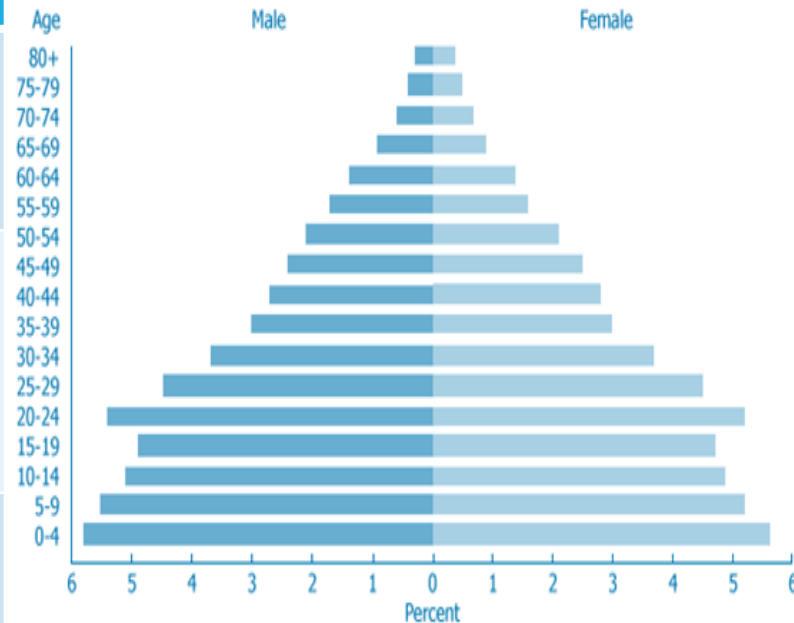


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Demand Triggers in Egypt

Growing economy	GDP is expected to grow by 4 -5% annually up to 2021 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

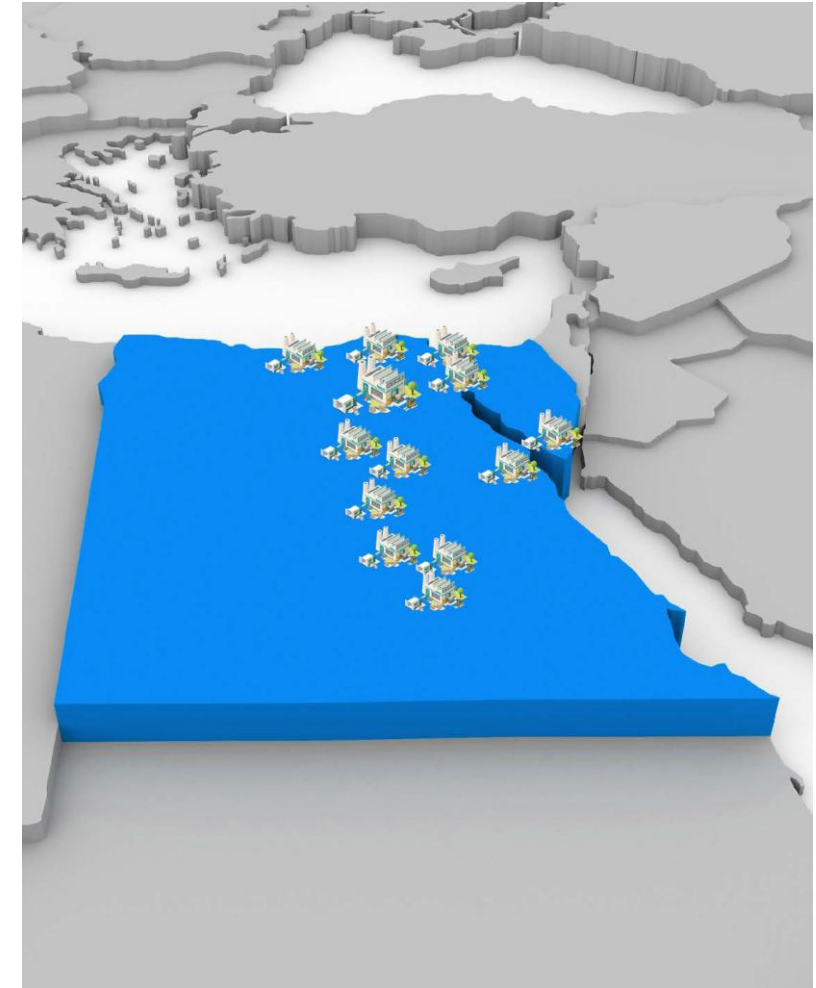




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OW: A large player in the Egyptian market

- 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.
- Adding between 6-8 showrooms annually.

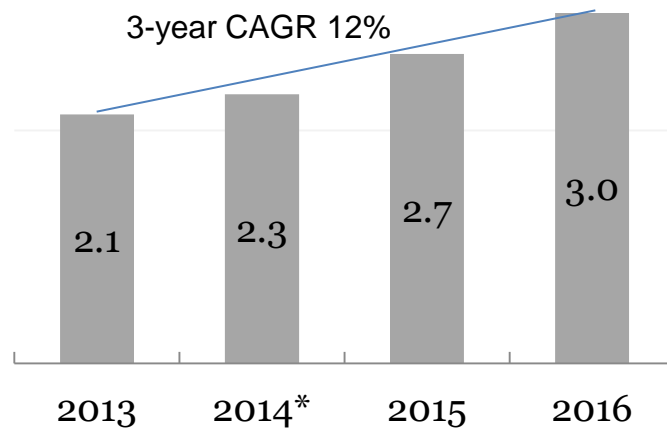




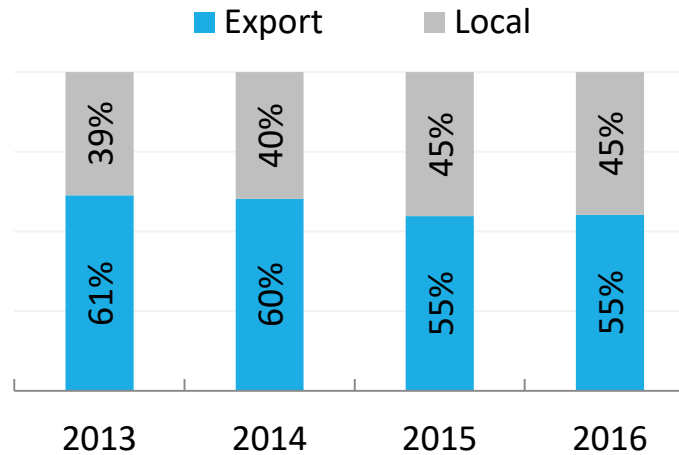
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Local market overview

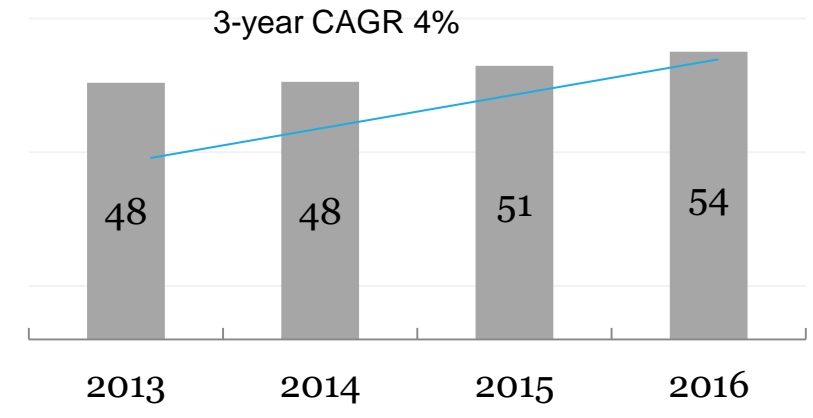
Growing local revenues (EGPbn)



Export vs. Local Revenue %



Local sales volumes (mn sqm)



- On adjusted basis including sales of the merged Modern EFCO

Local Market Development in 9M 2017

Percentage Change 3Q 2017 vs 3Q 2016	Volume	Value	Avg. Price	Contribution to Local Revenues	
				3Q 2017	3Q 2016
Woven	▼ 25%	▲ 31%	▲ 73%	84%	71%
Tufted	▲ 1%	▲ 18%	▲ 16%	10%	9%
Non-woven felt	▲ 8%	▲ 55%	▲ 44%	4%	3%
Others (imported rugs & yarn sales)		▼ 89%		2%	18%
Total	▼ 16%	▲ 9%		100%	100%

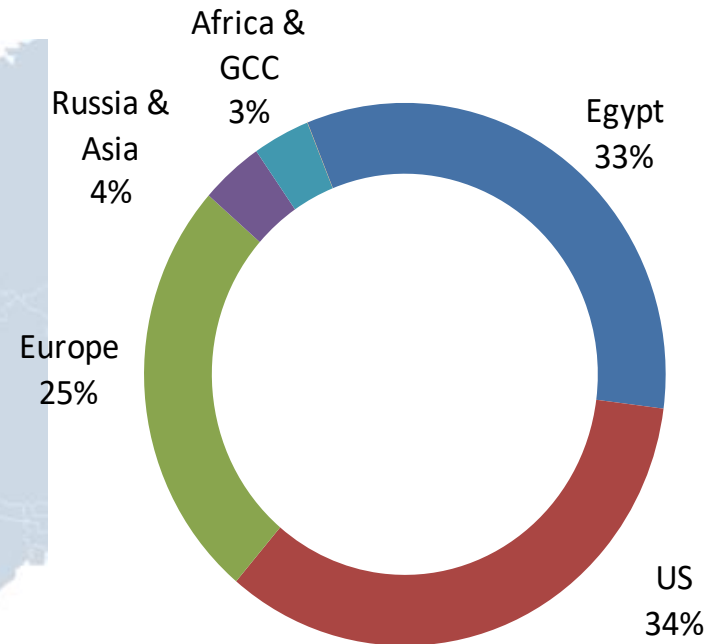
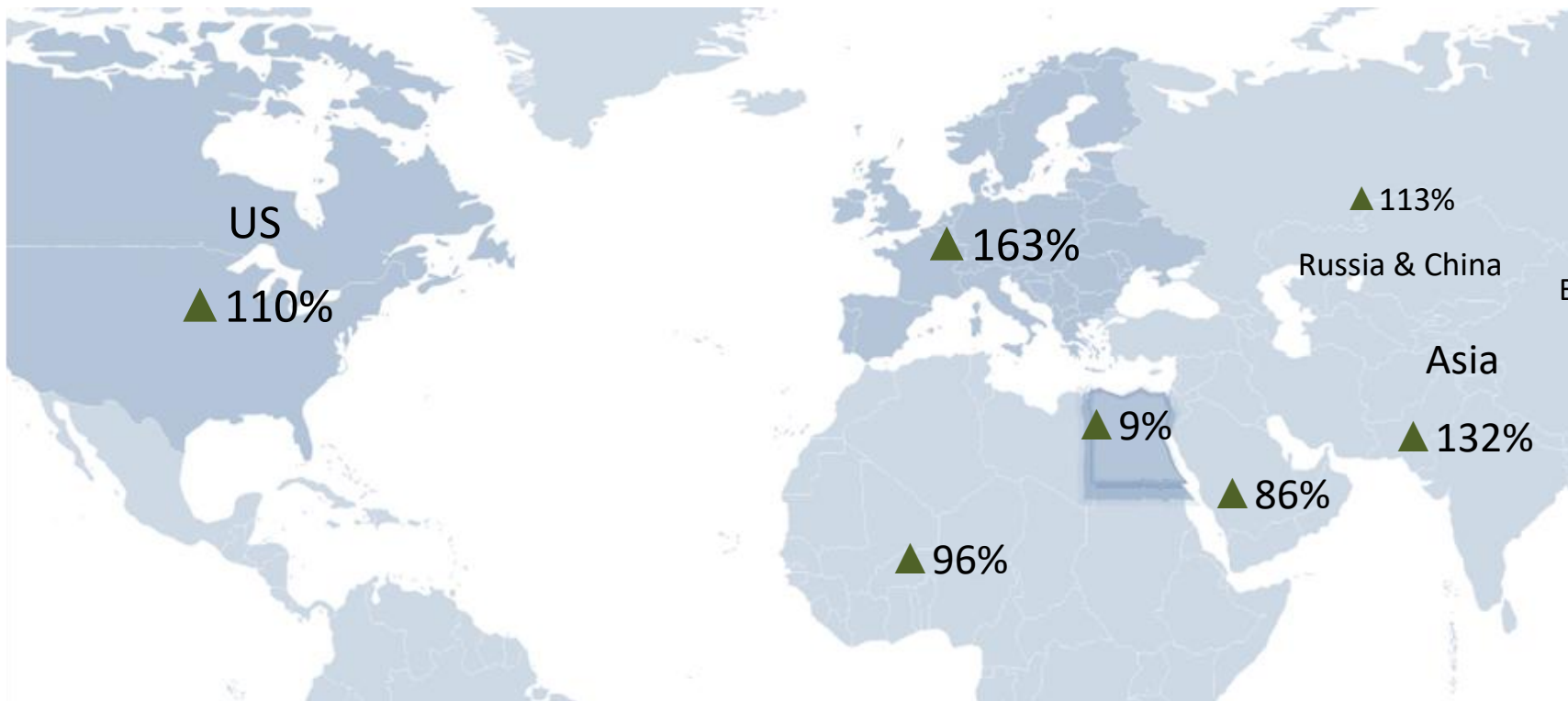
Percentage Change 9M 2017 vs 9M 2016	Volume	Value
Woven	▼ 19%	▲ 45%
Tufted	▲ 7%	▲ 34%
Non-woven felt	▲ 3%	▲ 50%
Others (imported rugs & yarn sales)		▼ 93%
Total	▼ 11%	▲ 17%



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Export Market development

Revenue contribution & performance by region in 3Q 2017



Longstanding relationship with major customers





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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

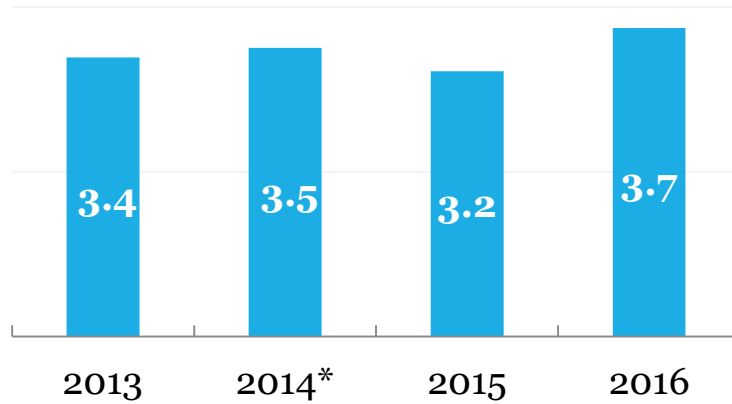




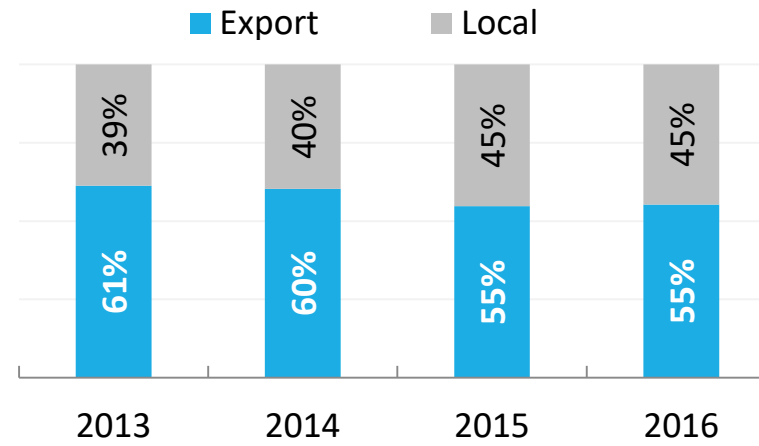
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Export performance overview

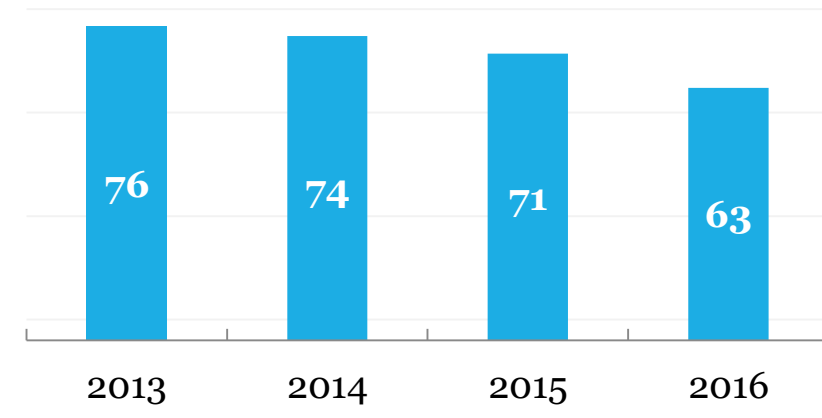
Export revenues (EGPbn)



Export vs. Local Revenue %



Export volumes (mn sqm)



*On adjusted basis including sales of the merged Modern EFCO



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Export Market Development



A. New orders in the US Market

- Home Depot, Menards, Lowe's
- Walmart, Big Lots
- Tuesday mornings
- Dotcom retailers, Home city

B. Latin America

- Chili | Sodimac & Replay
- Mexico | Home Depot, Lowe's, Leroy Merlin
- Brazil | Maioricasa

E. Africa

- South Africa | Global Flooring, Golden Star, Multifloor,
- Approaching customers in Zambia, Mauritius, Rowanda

C. Europe & Scandinavian

- Jysk (1500 stores), Rusta (70 stores)
- Ikea
- France | St Maclau, BUT, Le Claire, Gifi, Dealing with agents that sell online (cafom) to facilitate exposure, NK sales
- Italy | OBI, Sofabed, Leroy Merlin

D. Asia & Australia

- Japan | Nitori,
- New Zealand | Bunnings
- India | Big Bazar
- Approaching customers in Bangladesh, Siri lanka, Vietnam & Pakistan



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Export Market Development in 9M2017

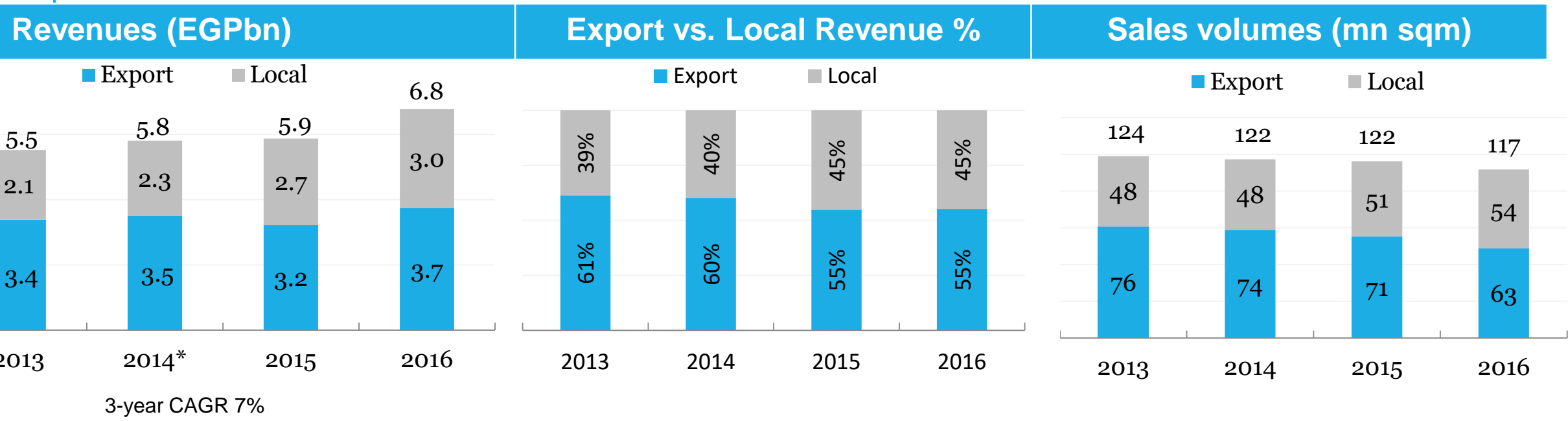
Percentage Change 3Q 3017 vs 3Q 3016	Volume	Value	Avg. Price	Contribution to Export Revenues	
				3Q3017	3Q3016
Woven	▲ 18%	▲ 107%	▲ 75%	73%	76%
Tufted	▲ 53%	▲ 229%	▲ 115%	23%	16%
Non-woven felt	▲ 12%	▲ 127%	▲ 103%	4%	4%
Others	-	-	-	0%	4%
Total	▲ 28%	▲ 117%		100%	100%

Percentage Change vs. 9M 2017 vs 9M 2016	Volume	Value
Woven	▲ 3%	▲ 105%
Tufted	▲ 23%	▲ 152%
Non-woven felt	▲ 20%	▲ 116%
Others		▼ 64%
Total	▲ 11%	▲ 112%



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Revenue progress



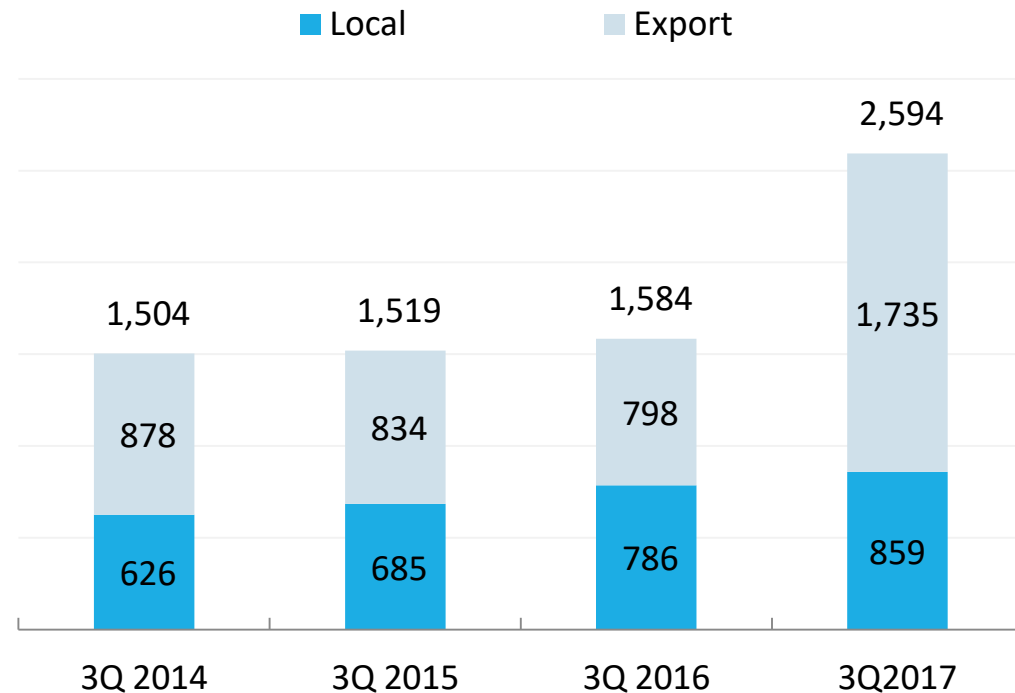
*On adjusted basis including sales of the merged Modern EFCO
** 2016 volumes include OW USA volumes sold and excludes OW China



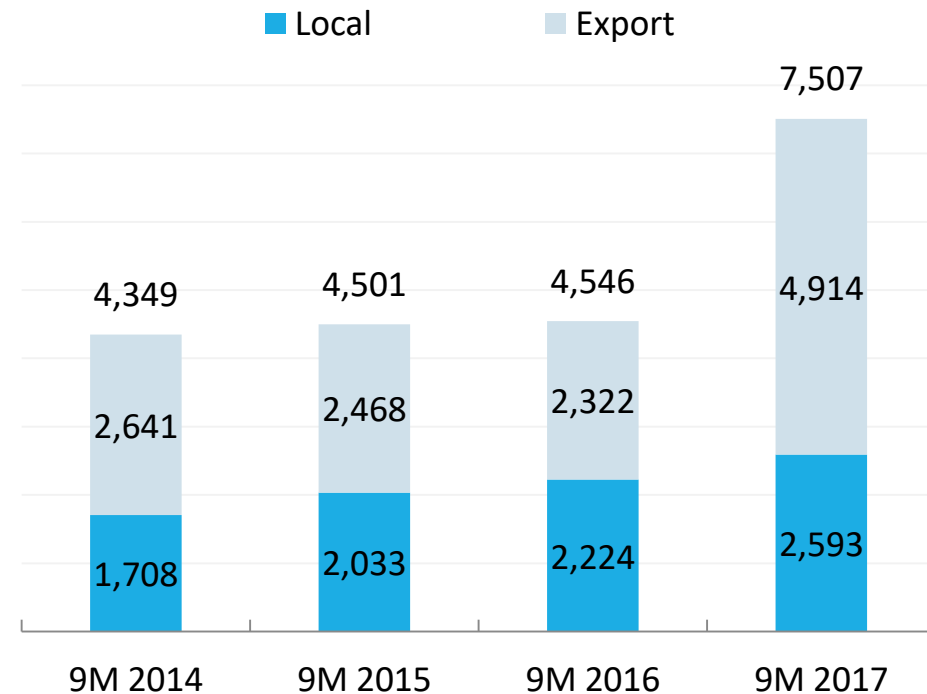
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9M 2017 Financial summary

Quarterly Revenue Performance (EGPmn)



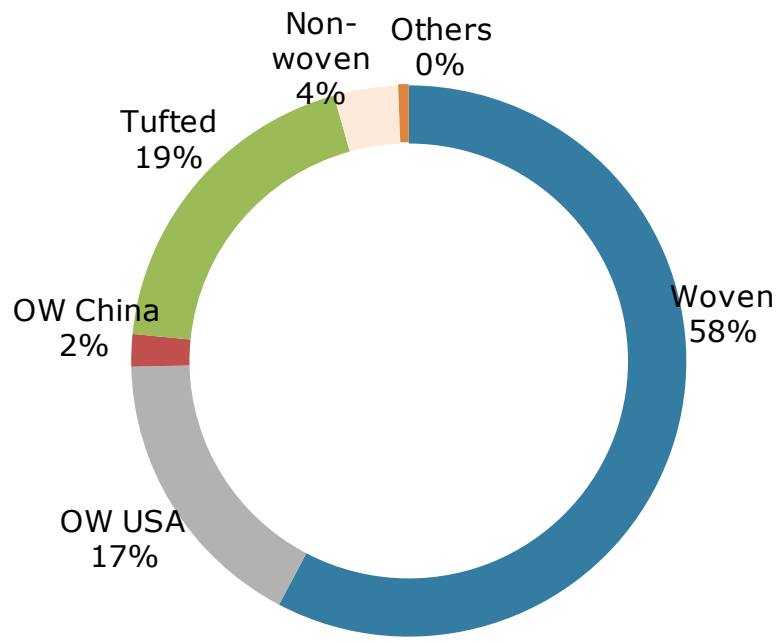
9M Revenue Performance (EGPmn)





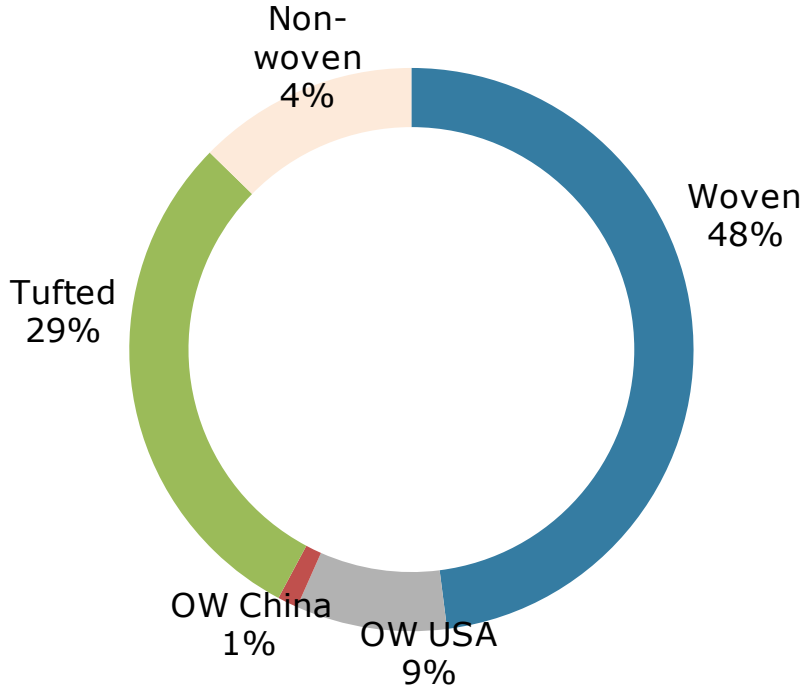
Diversified Product Mix

3Q 2017 Revenue Mix (by volume)



- Woven-Grade A EGP325/sqm
- Woven-Grade B EGP133/sqm
- Woven-Grade C EGP69/sqm

3Q 2017 Revenue Mix (by value)



- Tufted wall-to-wall EGP53/sqm
- Tufted pieces EGP52/sqm
- Non-woven (EFCO) EGP26/sqm



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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

- ❑ 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

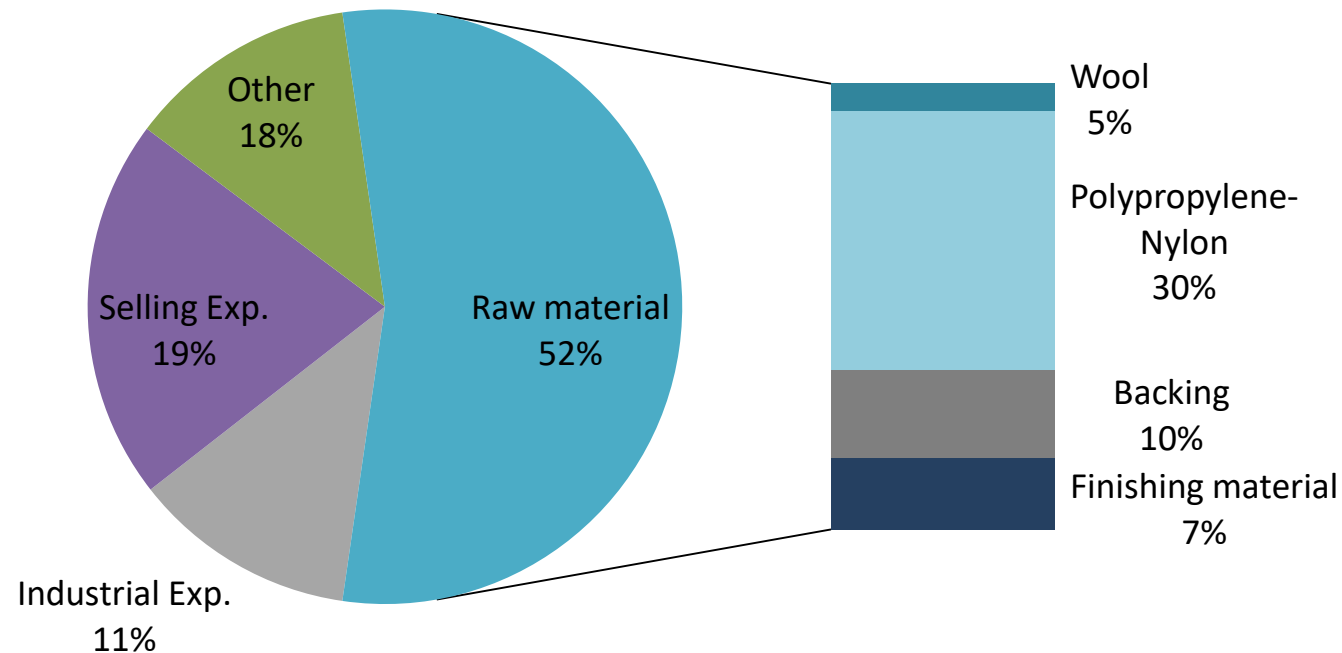


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Recent and Future Expansions

	2015	2016	2017
Woven	13 looms added increasing production capacity by 6%	4 new goblin looms 9 new looms 2 yarn production lines	8 looms were added till November 2 looms should be received before yearend
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 to be added

3Q 2017 Cost Breakdown



- Almost 63% of costs are dollar based.

Source: Company



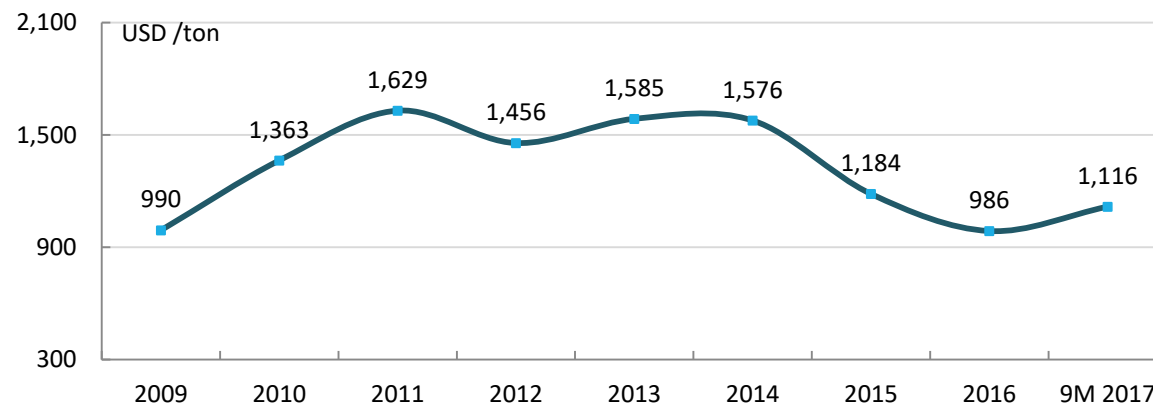
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Polypropylene is OW main raw material

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

PP prices (in \$/ Metric Tons)



Sources: Company

➤ 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.



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Annual Financial and Operational Performance

FY 2016 financial Summary

Net sales
(EGP bn)

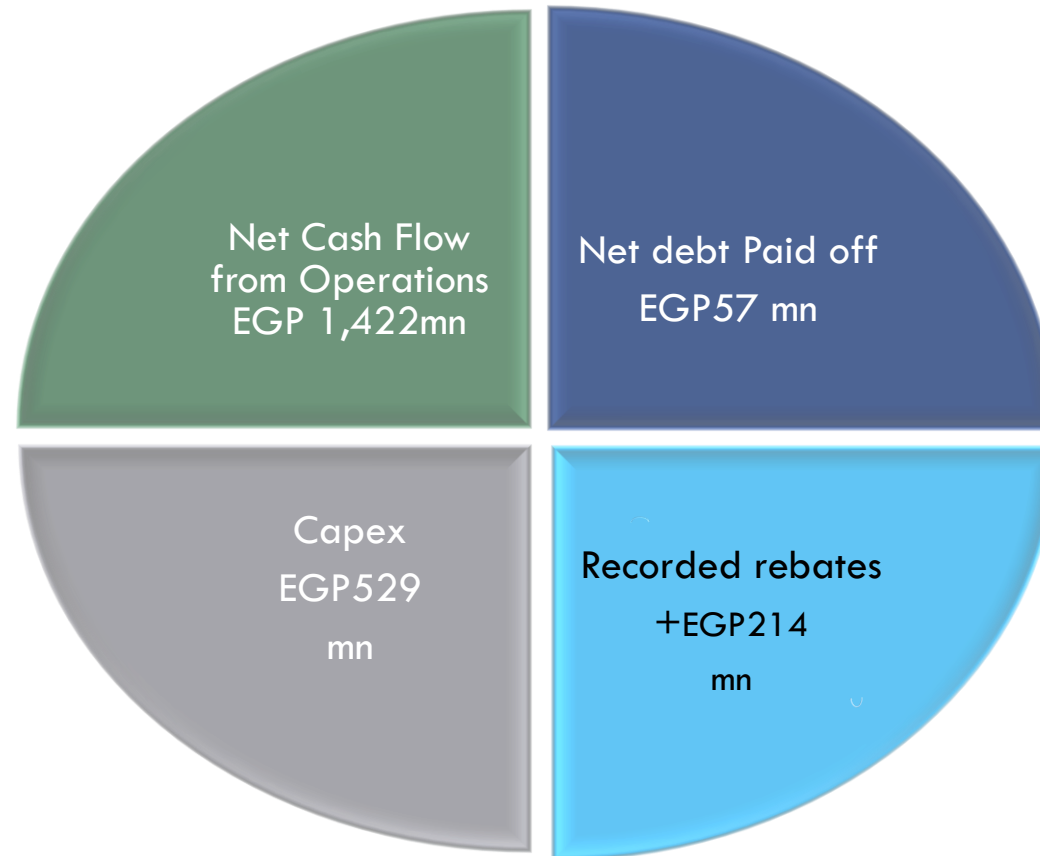
6.8

+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%

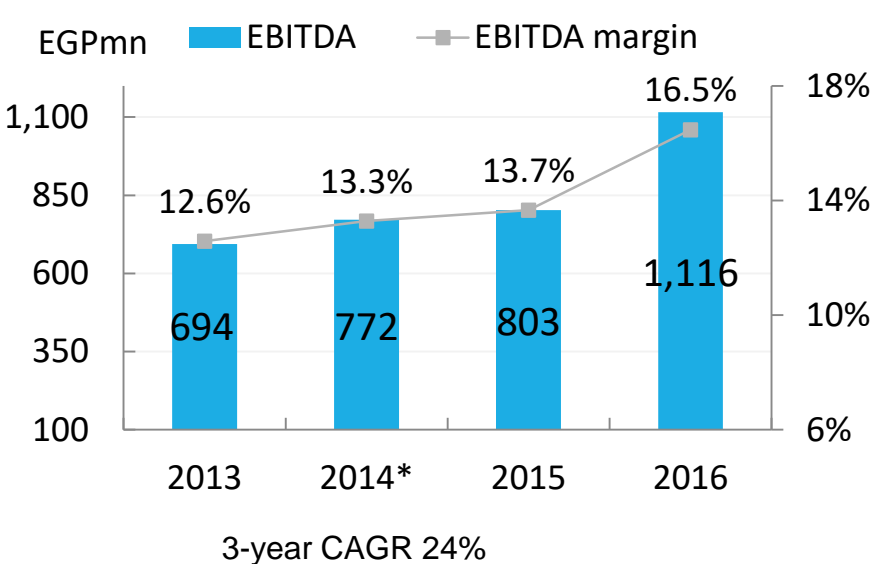
+243 bps y-o-y



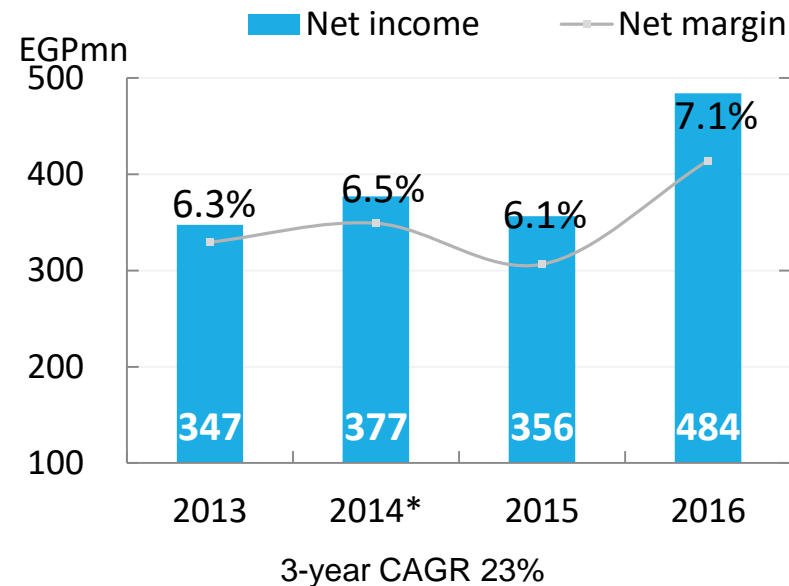
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Financial Summary

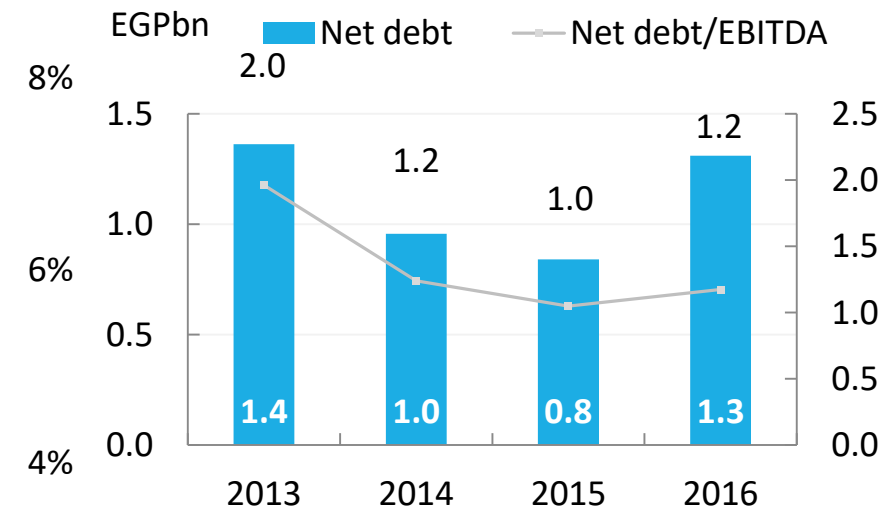
EBITDA Performance (EGPbn)



Net Income Performance



Net Debt (EGPbn)



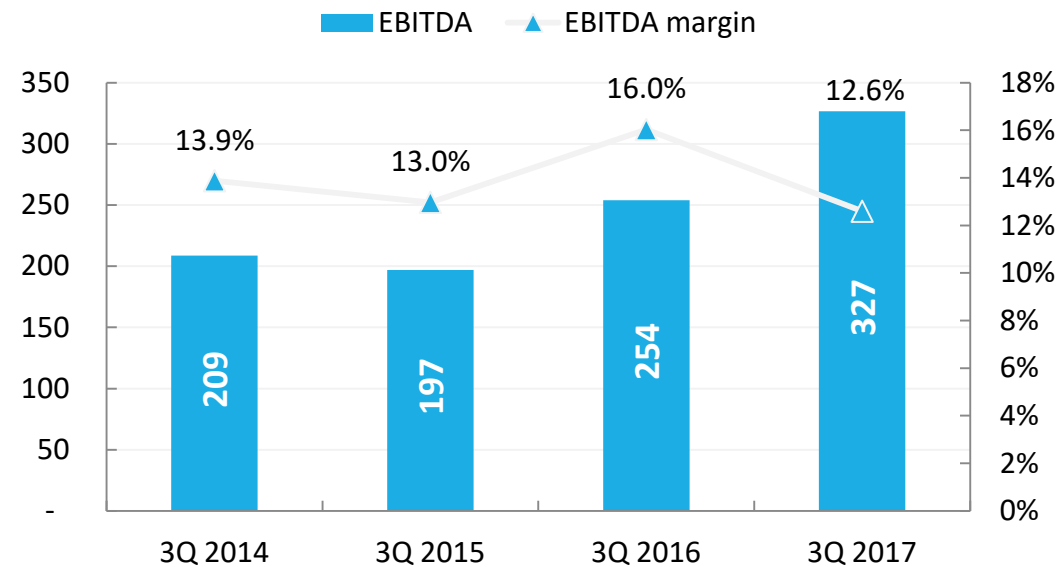
* On adjusted basis including figures of the merged Modern EFCO



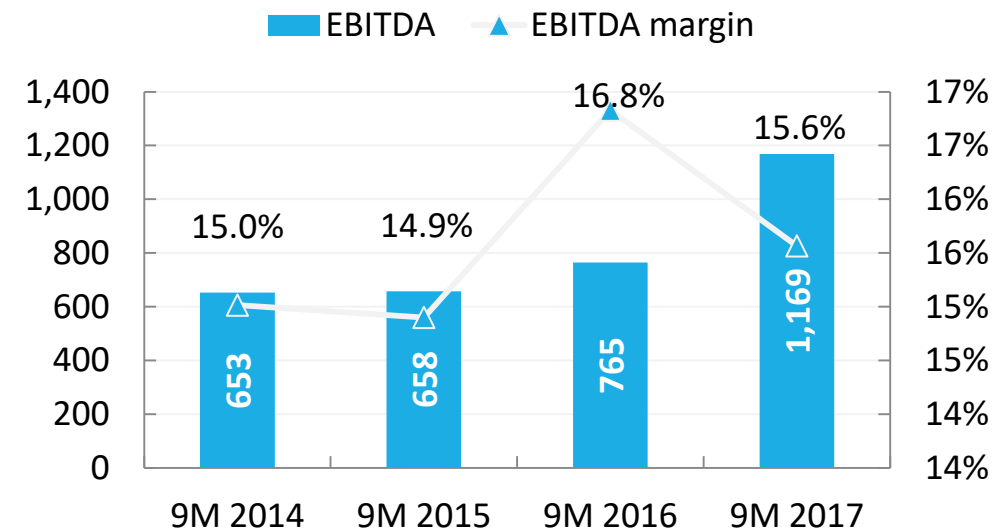
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9M 2017 Financial summary

Quarterly EBITDA Performance (EGPmn)



9M EBITDA Performance (EGPmn)

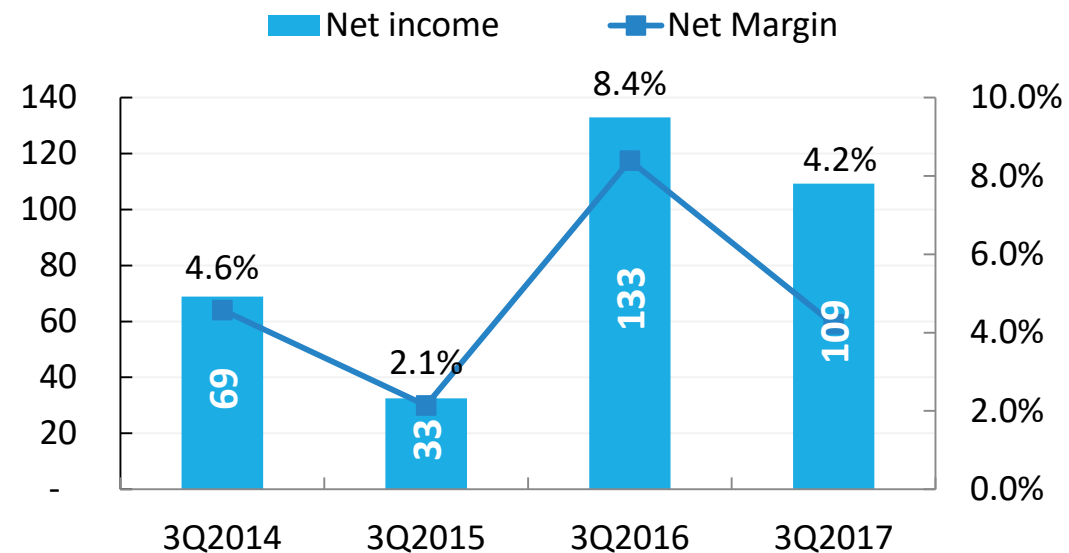




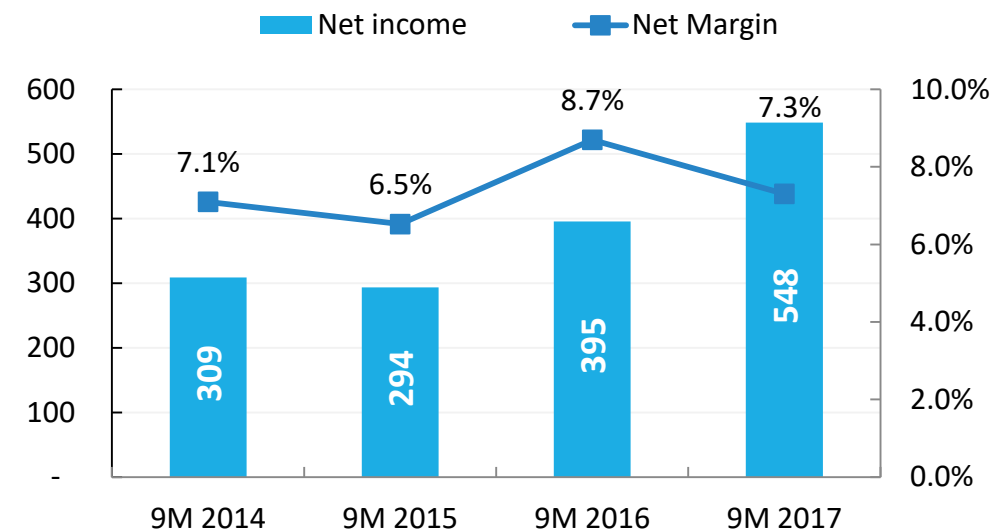
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9M 2017 Financial summary

Quarterly Net income Performance (EGPmn)



9M Net income Performance (EGPmn)





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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:



EGP200 mn delayed disbursement till October 2017

OW recorded EGP78mn as of 9M 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.

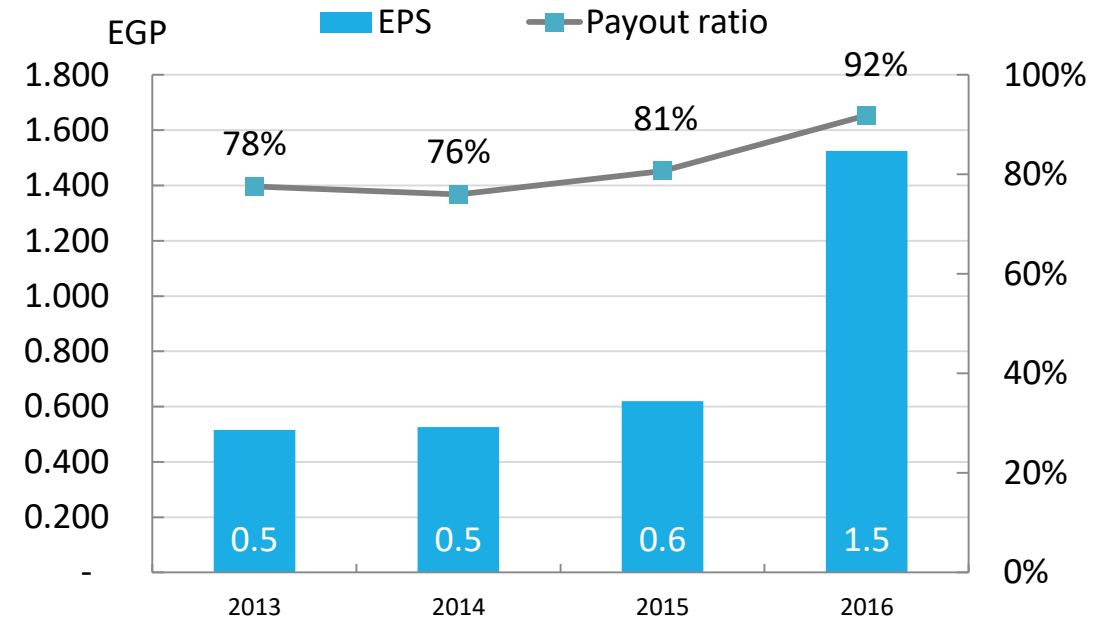
Program	Non-free Zone area (NFZ)		Weighted average 50%/50%	Free Zone area (FZ)		Weighted average 50%/50%	Average rate based on 70% of exports from FZ
	Local materials	Imported materials		Local materials	Imported materials		
Old	10%	6%	8%	9%	5.0%	7.0%	7.3%
New*	12%	6%	9%	9%	4.5%	6.8%	7.4%



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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 USD 430 mn (as of Nov 25, 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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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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