



النساجون الشرقيون  
Oriental Weavers

3Q 2018 Earnings Presentation



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Oriental Weavers

# Oriental Weavers in Numbers

**No. 1**

World Largest  
producer by volumes

**EGP 10 bn**

Record Turnover in  
2017

**65%**

Export contribution in  
2Q2018

**85%**

Market share in Egypt

**c. 80%**

Utilization rate

**EGP 420 mn**

Backlog of export  
incentives



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# 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 & OWT	OWUSA	OW China	MAC	New MAC	EFCO
<b>% of Revenues</b>	33%	26%	20%	1%	17%		3%
<b>Tax rate</b>	22.5%	Exempted	25%	17%	22.5%	Exempted	22.5%
<b>Capacity mn sqm (Dec 2017)</b>	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 245 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

# Positive triggers for OW

1. The US Tit for Tat tariffs on imports from China should open more room for growth.
2. Turkey's exporters must convert 80 percent of their foreign exchange revenue into lira within 180 days of receiving payment. The measure went into effect from Sept 4 and will last six months. This will cause more pressure on exporters.
3. Pending export subsidy collection (EGP 420 million).
4. Reviving demand in the local market.
5. A 5% increase in local selling prices starting September.

# 3Q2018 Revenue summary

	Value (EGP million)		
	3Q 2018	3Q 2017	% Change
Woven- Egypt based	1,439	1,499	-4%
OW USA	535	438	22%
OW China	13	49	-72%
Tufted	472	511	-8%
Non-woven Felt	64	97	-35%
Other	44	16	179%
<b>Total</b>	<b>2,567</b>	<b>2,610</b>	<b>-2%</b>

	Volume (sqm)		
	3Q 2018	3Q 2017	% Change
	13.5	14.0	-3%
	2.6	2.5	4%
	0.2	0.3	-42%
	7.8	8.6	-10%
	2.9	3.7	-23%
	<b>26.9</b>	<b>29.2</b>	<b>-8%</b>

# 9M 2018 Revenue summary

	Value (EGP million)		
	9M 2018	9M 2017	% Change
Woven- Egypt based	4,391	4,257	3%
OW USA	1,567	1,455	8%
OW China	59	120	-51%
Tufted	1,290	1,396	-8%
Non-woven Felt	207	276	-25%
Other	86	44	95%
<b>Total</b>	<b>7,600</b>	<b>7,548</b>	<b>1%</b>

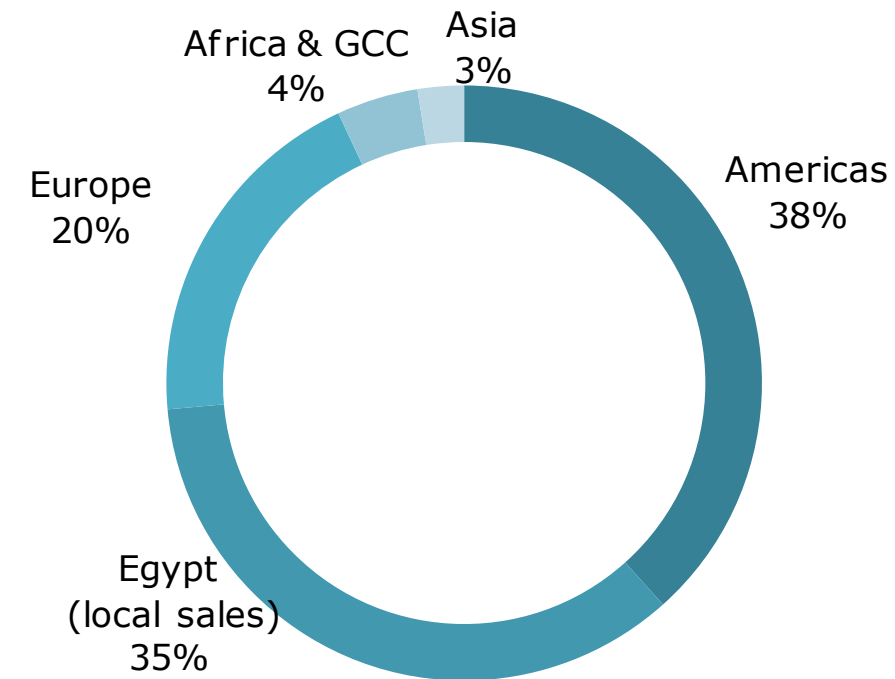
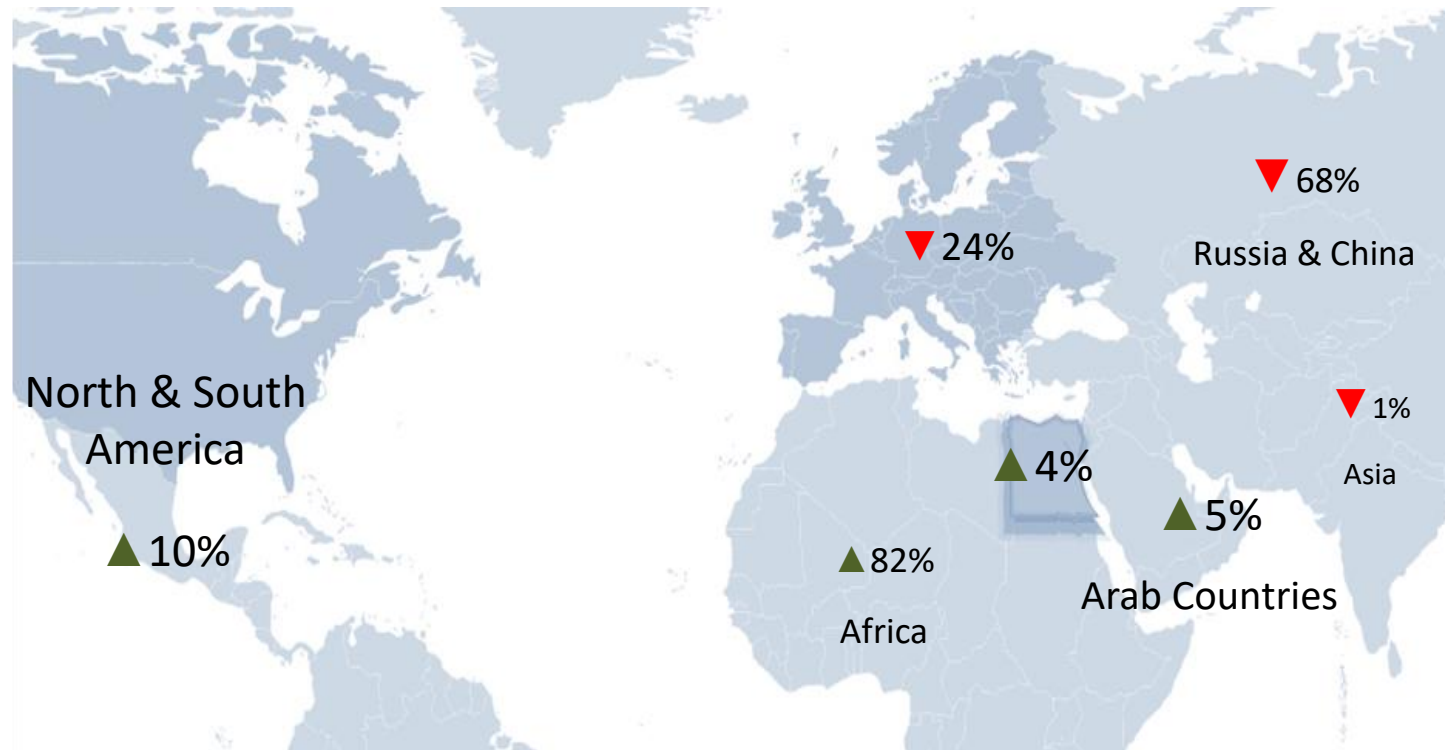
	Volume (sqm)		
	9M 2018	9M 2017	% Change
	41	40	4%
	8	8	5%
	1	1	-28%
	22	25	-11%
	10	12	-12%
	0	0	
	<b>83</b>	<b>85</b>	<b>-3%</b>



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# Export Market development

## Revenue contribution & performance by region in 9M2018





# Export Market Development in 3Q

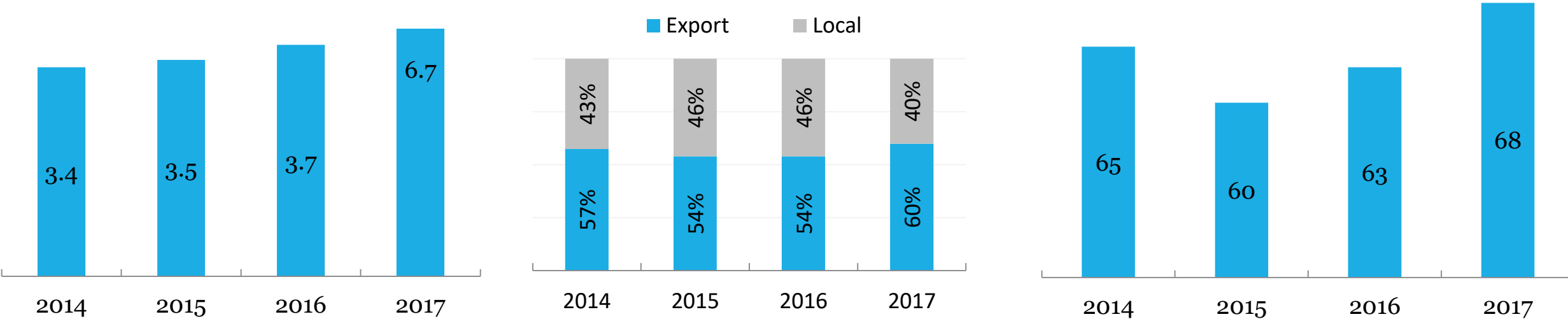
Percentage Δ	Volume	Value	Average Price	Contribution to Export Revenues	
				3Q 2018	3Q2017
Woven	▼ 6%	▼ 1	▲ 6%	75%	72%
Tufted	▼ 6%	▼ 9%	▼ 4%	23%	24%
Non-woven Felt	▼ 32%	▼ 51%	▼ 28%	2%	4%
<b>Total</b>	<b>▼ 8%</b>	<b>▼ 5%</b>	<b>▲ 5%</b>	<b>100%</b>	<b>100%</b>



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# Export performance overview

Export revenues (EGPbn)      Export vs. Local Revenue volume %      Export volumes (mn sqm)



# Longstanding relationship with major customers

**American & Canadian premier partners**

- Kohl's
- STANTON
- COSTCO WHOLESALE
- Zellers
- HEALTHS BEYOND
- TARGET
- MENARDS
- SODIMAC
- ETHAN ALLEN
- CEHACO
- LOWE'S
- THE HOME DEPOT
- TJ-MAXX
- Walmart
- HOM-SENSE

**International premier partners**

- Carrefour
- RENO DEPOT
- REMA 1000
- RNDI GROUP
- ALDI
- heine
- Costa Group
- Masters
- イートン
- CRISTAL
- Saida
- OBI
- B&Q
- HORNBAUGH
- coop
- next
- LANDBOND
- SHOPRITE
- Heritage Carpet
- Harvey Norman
- MAISON MARTIN MARGIELA
- RIPLEY
- MASSMART
- SAINT MACLOU
- LEROY MERLIN
- KOMORI
- NOMI
- MAISONS DU MONDE
- castorama

**Other major customers**

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**Other major customers**

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# International Hospitality segment recorded 27% y-o-y growth in 9M 2018:

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.
- ❑ We installed carpets at a number of projects in the UAE including Fountain View Towers 1, 2, and 3, Phase 2 of the Atlantis Hotel, and the Novotel Hotel, in addition to installations in Shaza Hotel Al-Madinah, Mövenpick Anwar Al Madinah, KSA, and the Hilton Hotel in Muscat.



# Local Market Development in 3Q

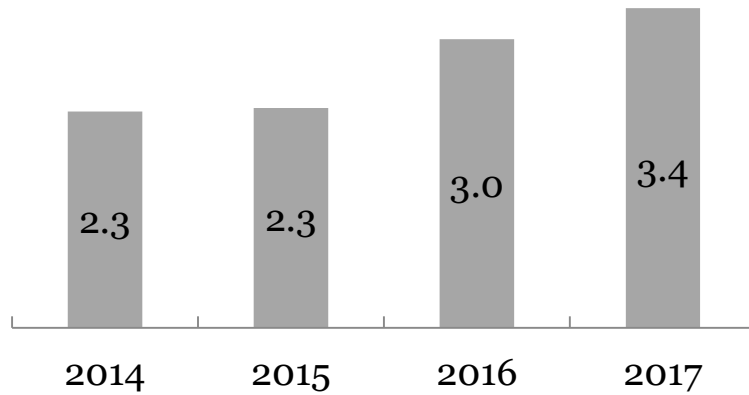
Percentage Δ	Volume	Value	Average Price	Contribution to Local Revenues	
				3Q 2018	3Q 2017
Woven	▲ 2%	▲ 2%	0%	82%	84%
Tufted	▼ 24%	0%	▲ 31%	10%	10%
Non-woven Felt	▼ 17%	▼ 6%	▲ 13%	4%	4%
Others (yarn sales)		▲ 174%		4%	2%
<b>Total</b>	▼ 7%	▲ 4%		<b>100%</b>	<b>100%</b>



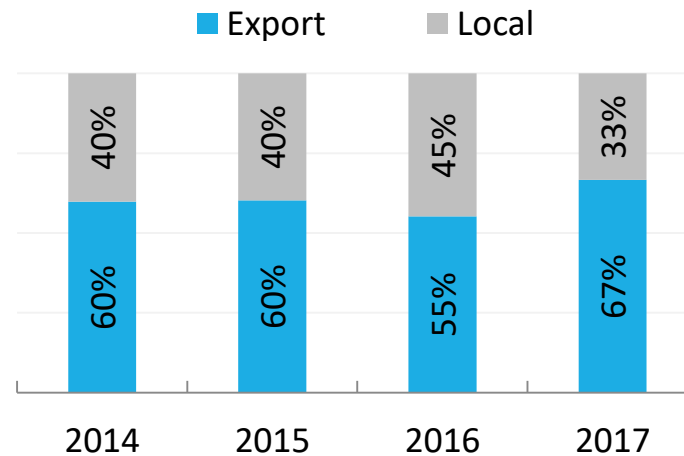
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# Local market overview

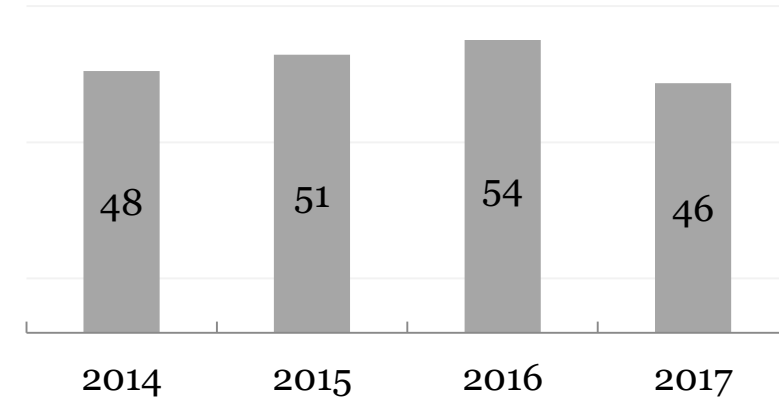
Growing local revenues (EGPbn)



Export vs. Local revenues%



Local sales volumes (mn sqm)

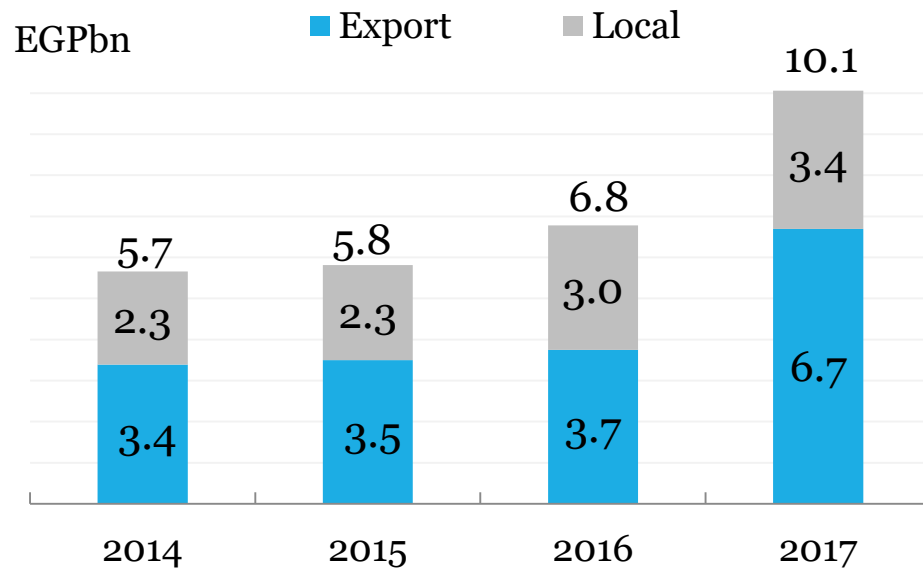




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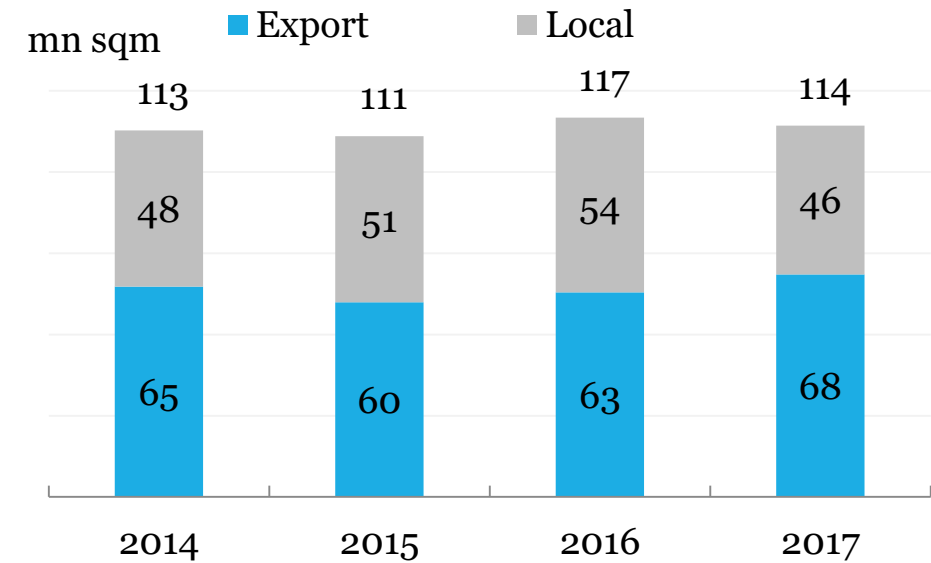
# Revenue progress

## Revenues (EGPbn)



3-year CAGR 21%

## Sales volumes (mn sqm)

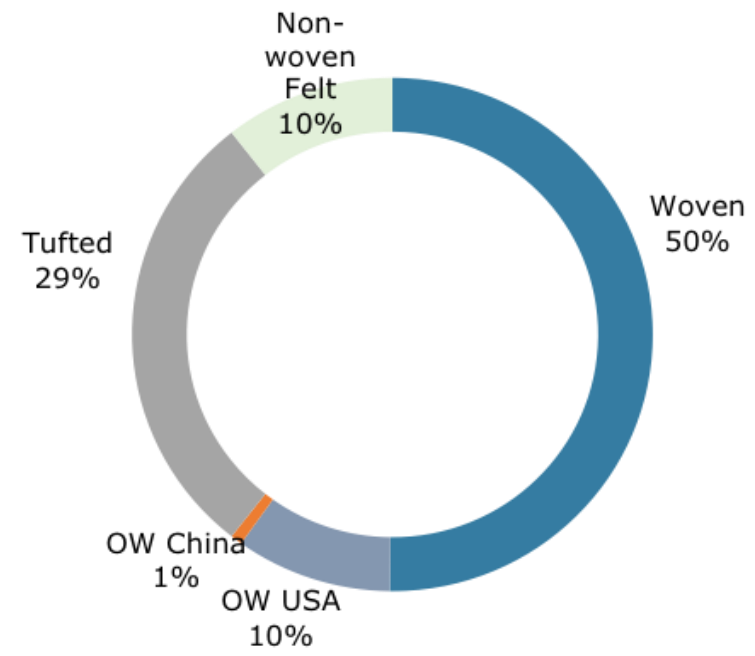




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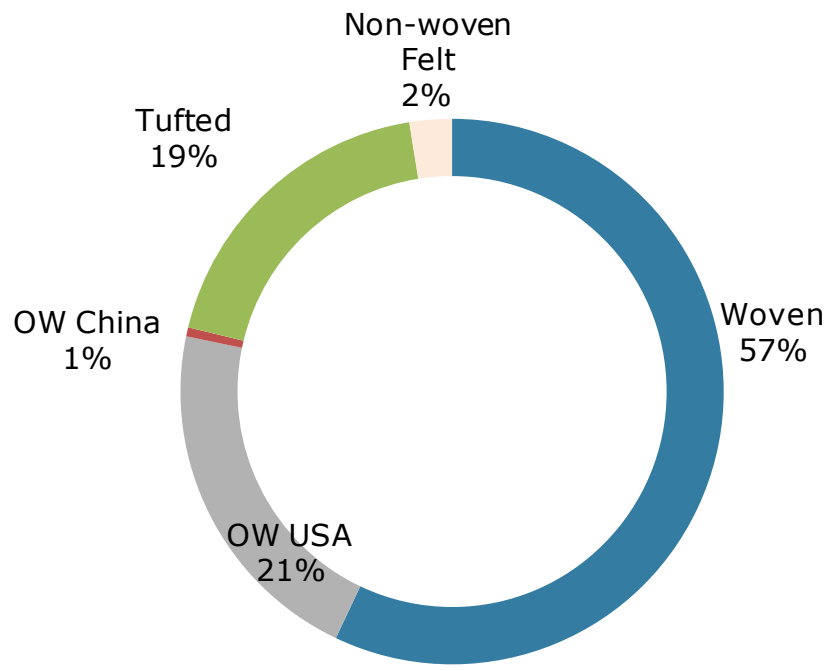
# Diversified Product Mix

3Q 2018 Revenue Mix (by volume)



Woven-Grade A	<div></div>	EGP300/sqm
Woven-Grade B	<div></div>	EGP128/sqm
Woven-Grade C	<div></div>	EGP68/sqm

3Q 2018 Revenue Mix (by value)



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





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# Hospitality segment recorded 17% y-o-y growth:

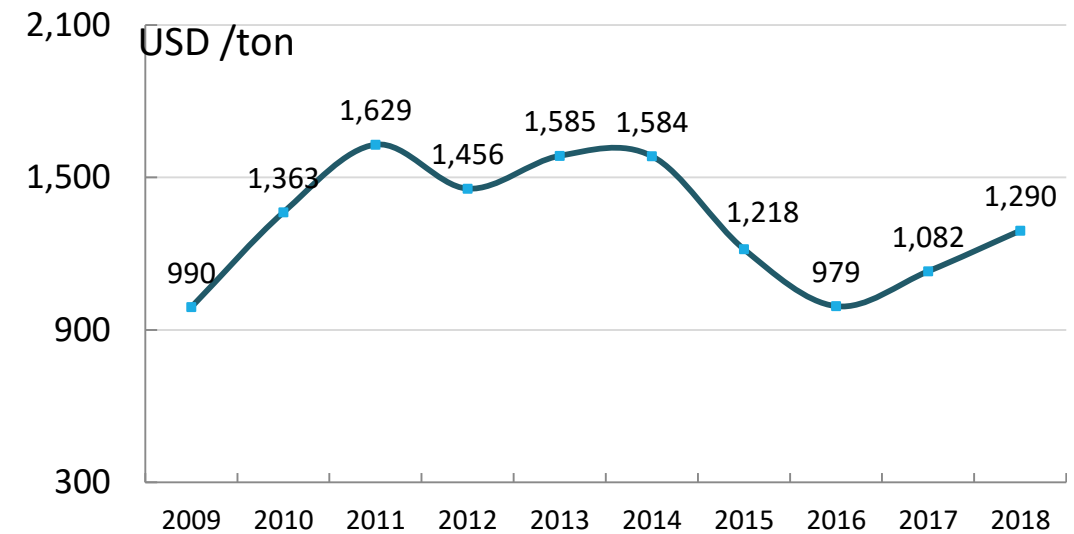
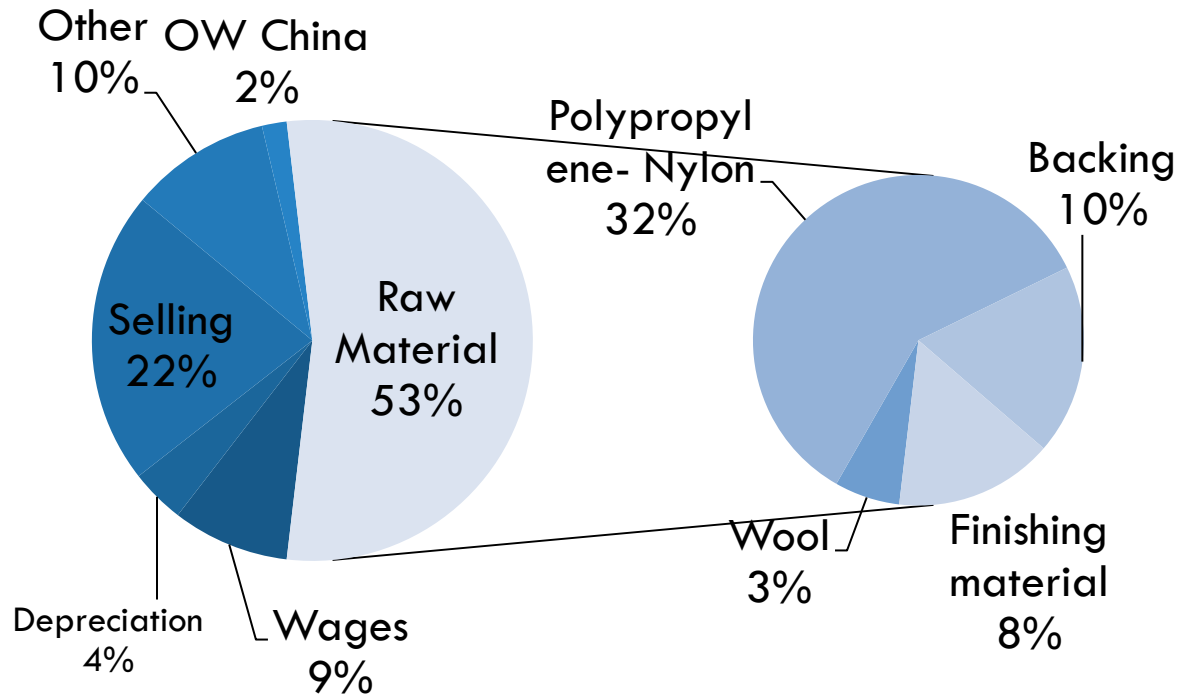
Among the projects that were installed in 3Q 2018 were

- ❑ Marriott Cairo Hotel,
- ❑ The Four Seasons Nile Plaza, and the
- ❑ Intercontinental Citystars. Vida Al-Alamein Hotel at Marrasi North Coast,
- ❑ 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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# 3Q 2018 Cost Breakdown



Source: Company

- Almost 63% of costs are dollar based.



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# Recent and Future Expansions

	2015	2016	2017	2018e
<b>Woven</b>	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"/> 9 new looms <input type="checkbox"/> Seven yarn machines
<b>Tufted</b>	MAC penetrated the artificial turf segment following the addition of two new machines		One digital printing Two yarn machines	Two yarn machines & other equipment
<b>Non- woven</b>	Two new machines added	Two new machines added	Finishing and coloring machines	Two new machines

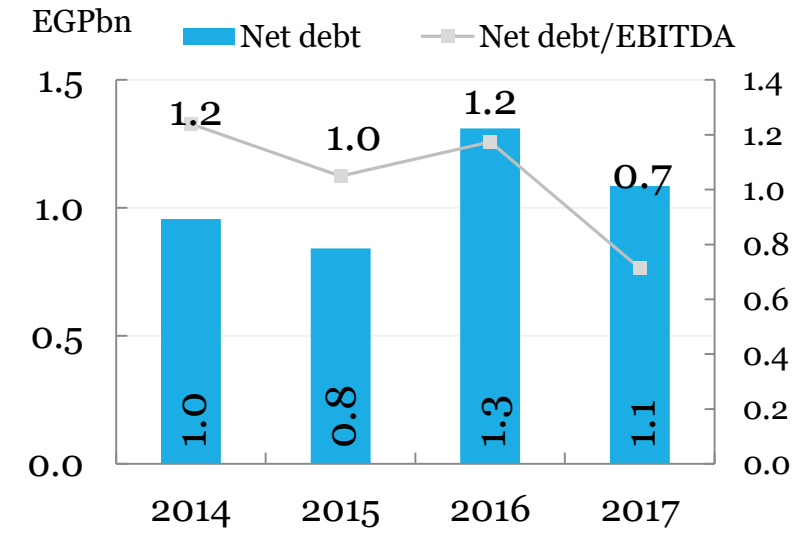
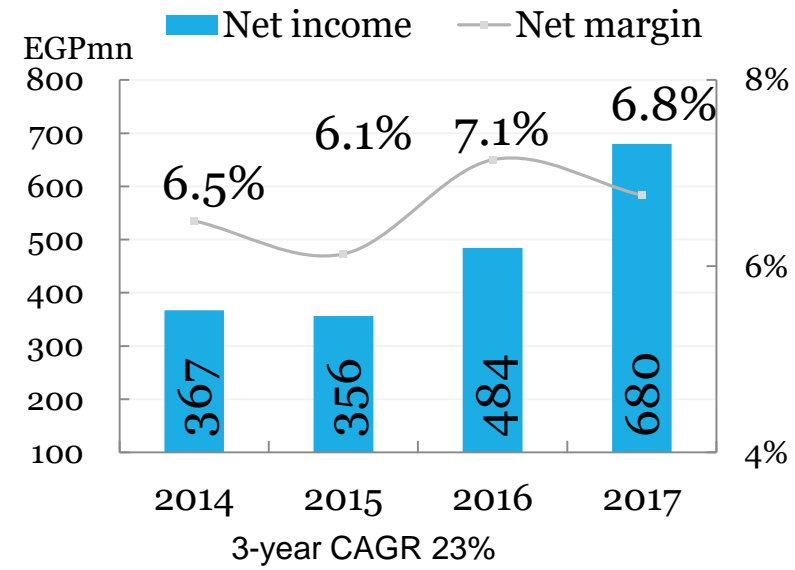
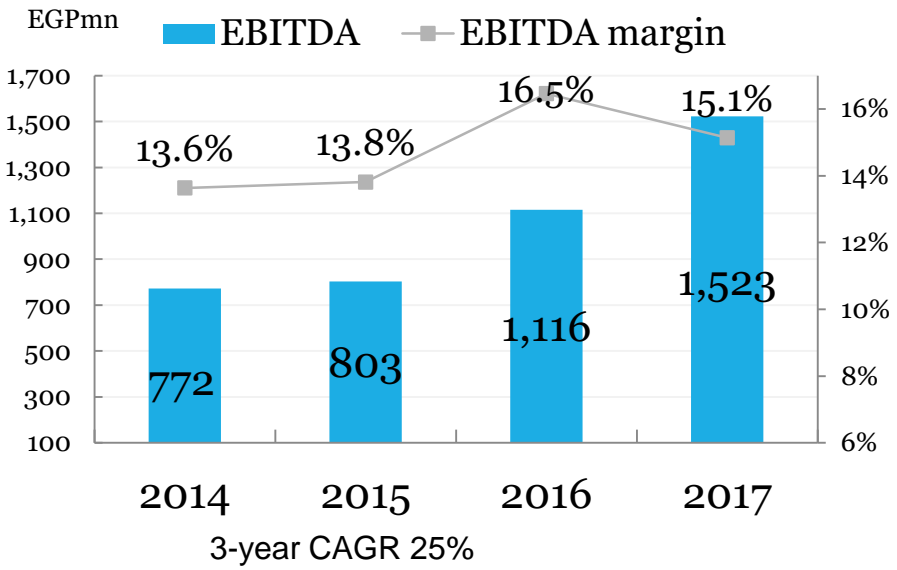


# Financial Summary

EBITDA Performance (EGPbn)

Net Income Performance

Net Debt (EGPbn)





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## 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:



EGP420 mn delayed disbursement till Sep 2018

OW collected EGP89 mn in 9M 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.

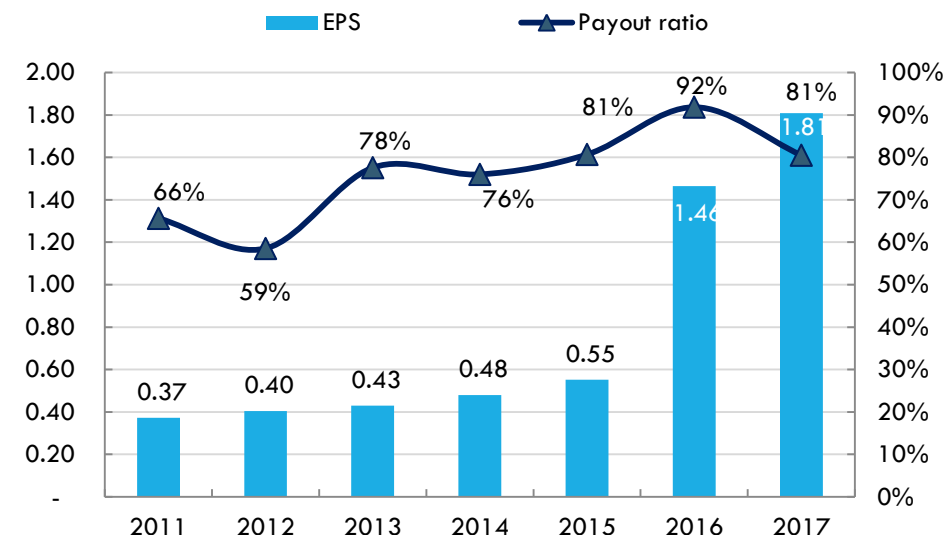
Program	Non-free Zone area (NFZ)		100% imported material	Free Zone area (FZ)		100% imported material	Average rate based on 70% of exports from FZ
	Local materials	Imported materials		Local materials	Imported materials		
Old	10%	6%	6%	9%	5.0%	5.0%	5.3%
New*	12%	6%	6%	9%	4.5%	4.5%	5.0%



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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 227 mn (as of Oct 31, 2018).
- 2017 DPS of EGP1.5.
- Reuters; Bloomberg ORWE.CA; ORWE EY.



## Shareholders' structure

Khamis Family	55.7%
Institutions	36.7%
Foreign Institutions	25.6%
Local Institutions	11.1%
Treasury Shares	1.5%
Retail	6.1%

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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