



النساجون الشرقيون
Oriental Weavers

ORIENTAL WEAVERS

Investor presentation 2018



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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. 80%

Utilization rate

68%

Export contribution in
4Q2017



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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	29%	32%	19%	2%	16%		2%
Tax rate	22.5%	Exempted	34%	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 238 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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2018 Export outlook: ~10%

US & Canada market: 6-8%

New promotions received from:

- Lowes of \$4mn
- Big Lots of \$2mn
- 40% growth in online orders of Home City and Nuloom
- High chances to get promotions from Costco & Menards

Canada: USD 500k order from new online partner

Europe: 8-10%

France: Partnering with major distributor in France to stock and distribute in France, Germany, Spain for USD 10 million in second half of 2018-2019.

- Spain: Zara Home,
- Italy: Natuzzi
- Two new confirmed promotions in Poland for \$500k.
- Partnering with new customers in Turkey, Russia, Poland, Ukraine, the UK, Romania & Slovakia.

IKEA: 7%

- USD 4 mn in addition to expansion with Scandinavian retailers like rosta and Jysk

2018 Export outlook: ~10%

Latin America

- **Sodimac**
- **Bio Trade which supplies Home Depot & Walmart**

Africa

Wider expansion in South Africa, Congo, Benin, Ghana, Togo

Asia & Japan

- 20 % growth in Japan.
- Nitori: introducing 6 new ranges (\$750k)
- Partnering with major retailers, wholesalers, and dept stores.
- New wholesalers in South Korea
- New retailers in Indonesia, and Singapore



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Policy towards EGP floatation & high EGP i/r

- ❑ Revised local selling prices

- ❑ Increasing focus on export exposure (68% as of 4Q 2017)
 - to secure foreign currency,
 - ensure better profitability, and

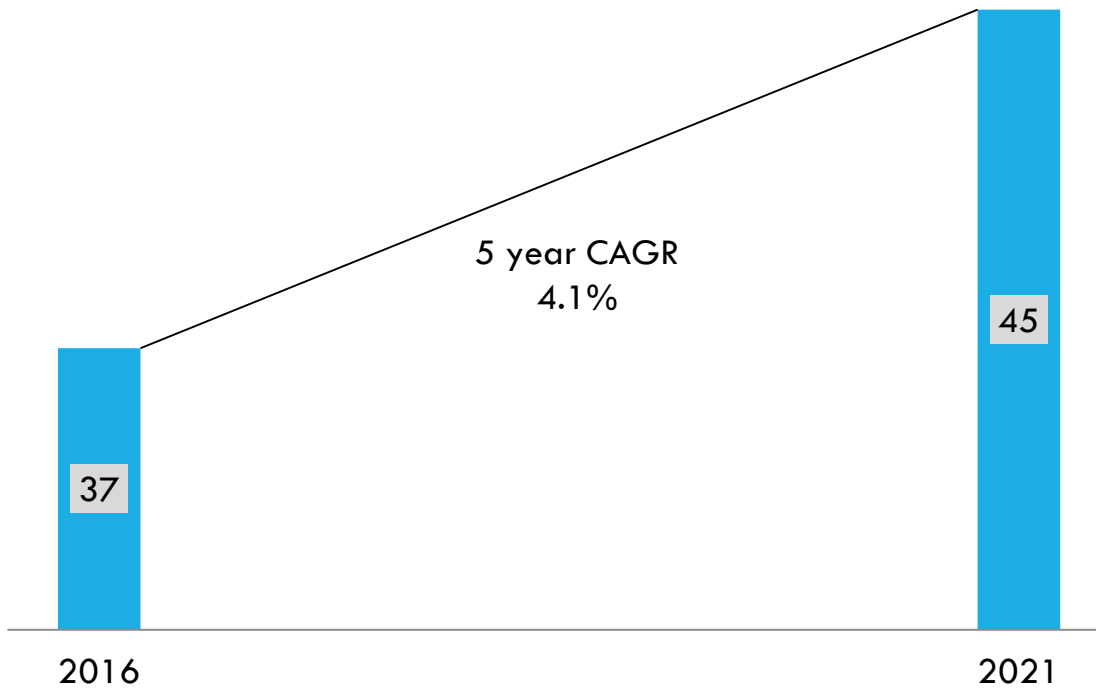
- ❑ Settlement all EGP debt facilities to avoid the high finance charges.
 - OW signed forward contracts till September 2018 to sell the excess dollar proceeds ,and
 - Expected FX gains from these contracts around EGP 11 millions.



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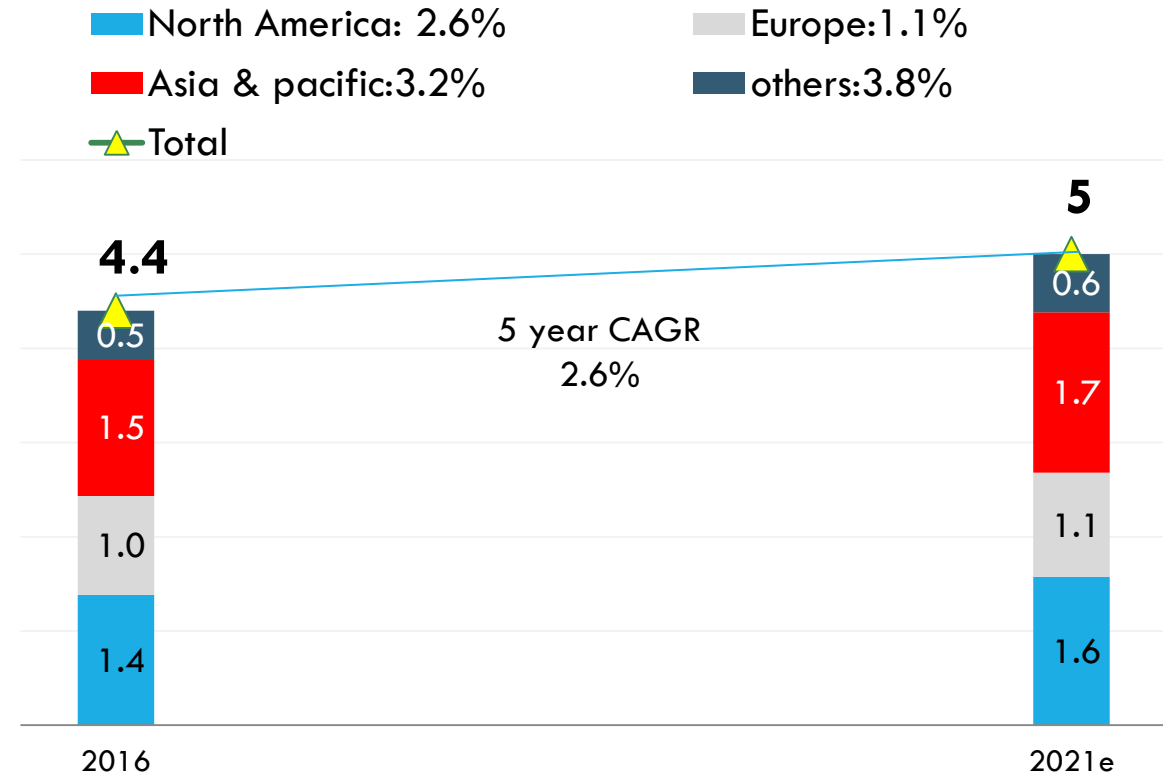
Industry overview | Global carpets & rugs market

Global Carpets & rugs market by value (USD bn)



Source: Freedonia group

Global Carpets & rugs market by bn sqm (5 yr CAGR)



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.

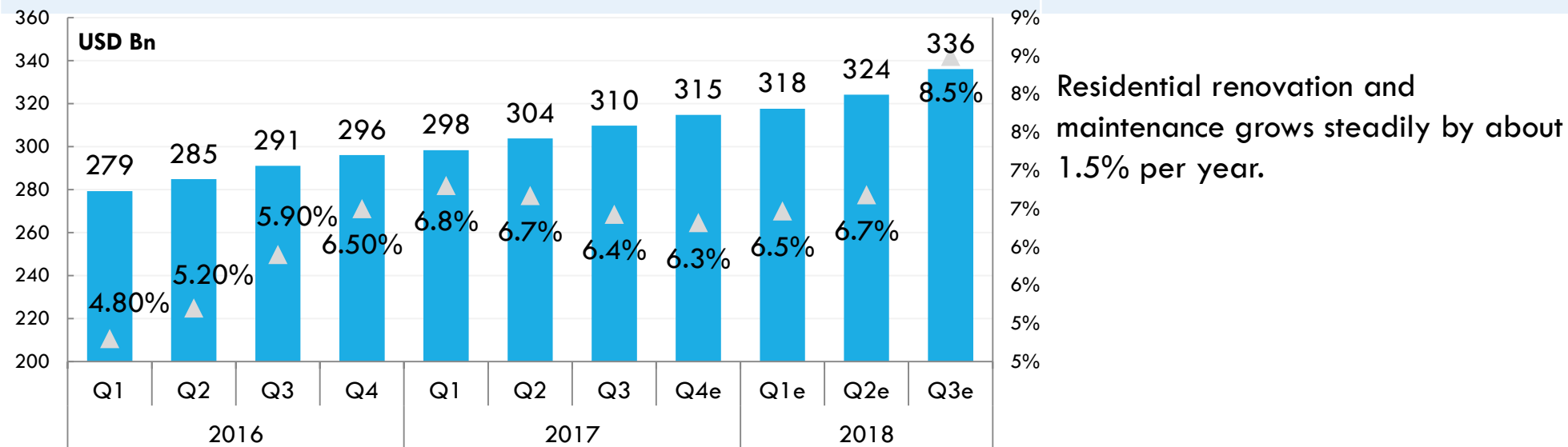
Asia & Africa

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)



Growing Urbanization

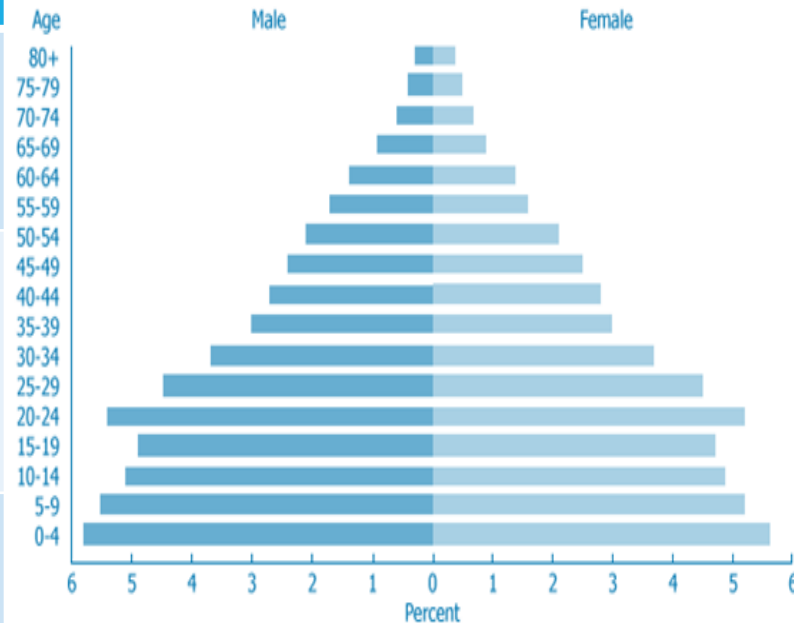


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Demand Triggers in Egypt

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.
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

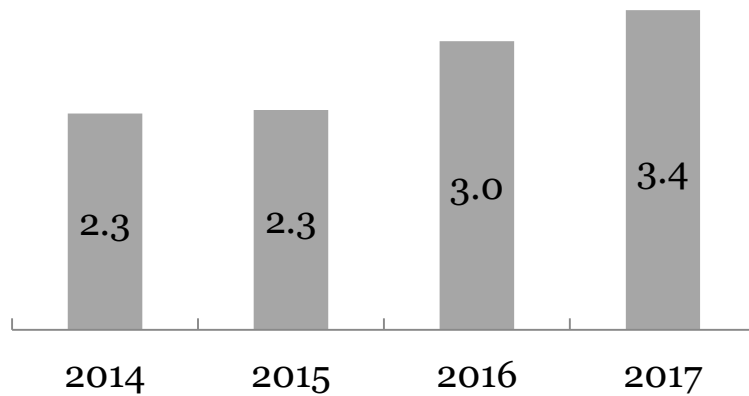




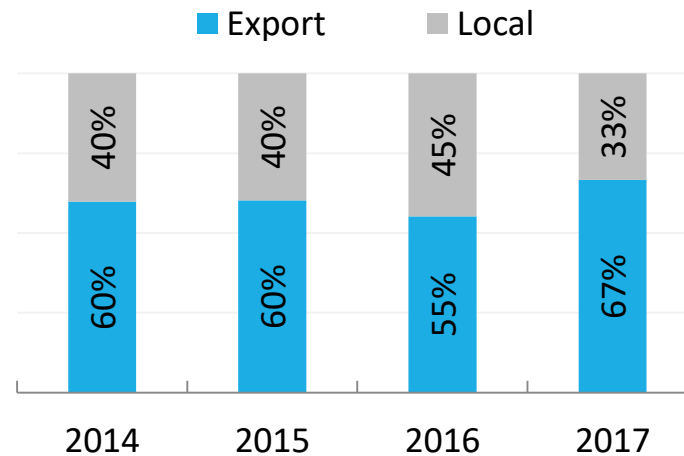
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Local market overview

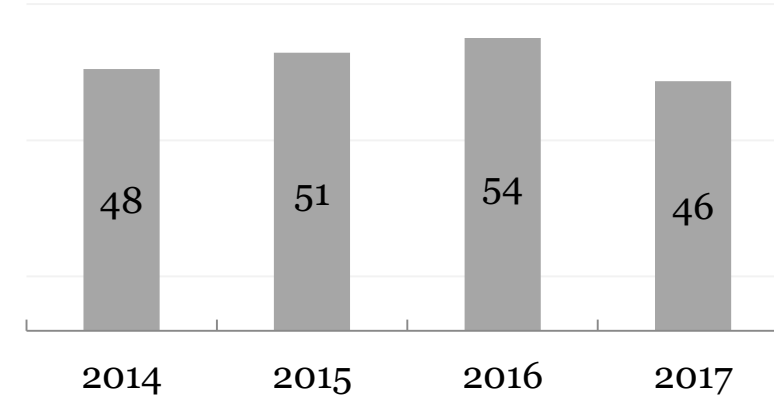
Growing local revenues (EGPbn)



Export vs. Local revenues%



Local sales volumes (mn sqm)



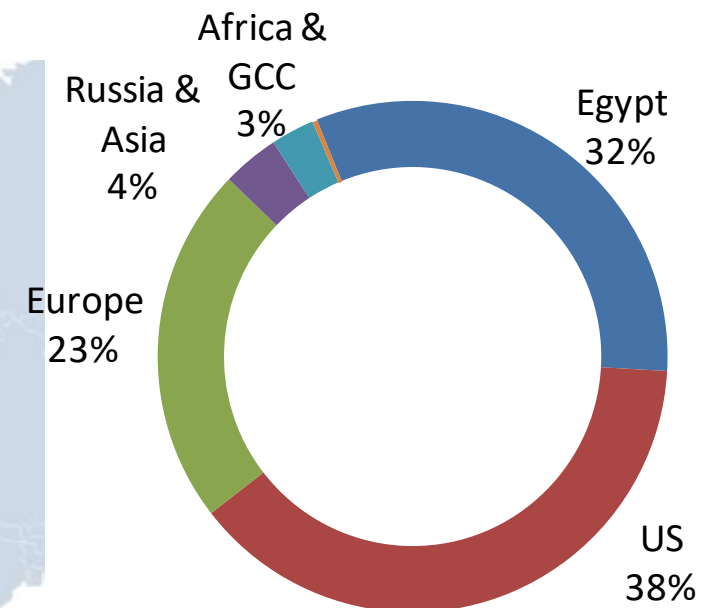
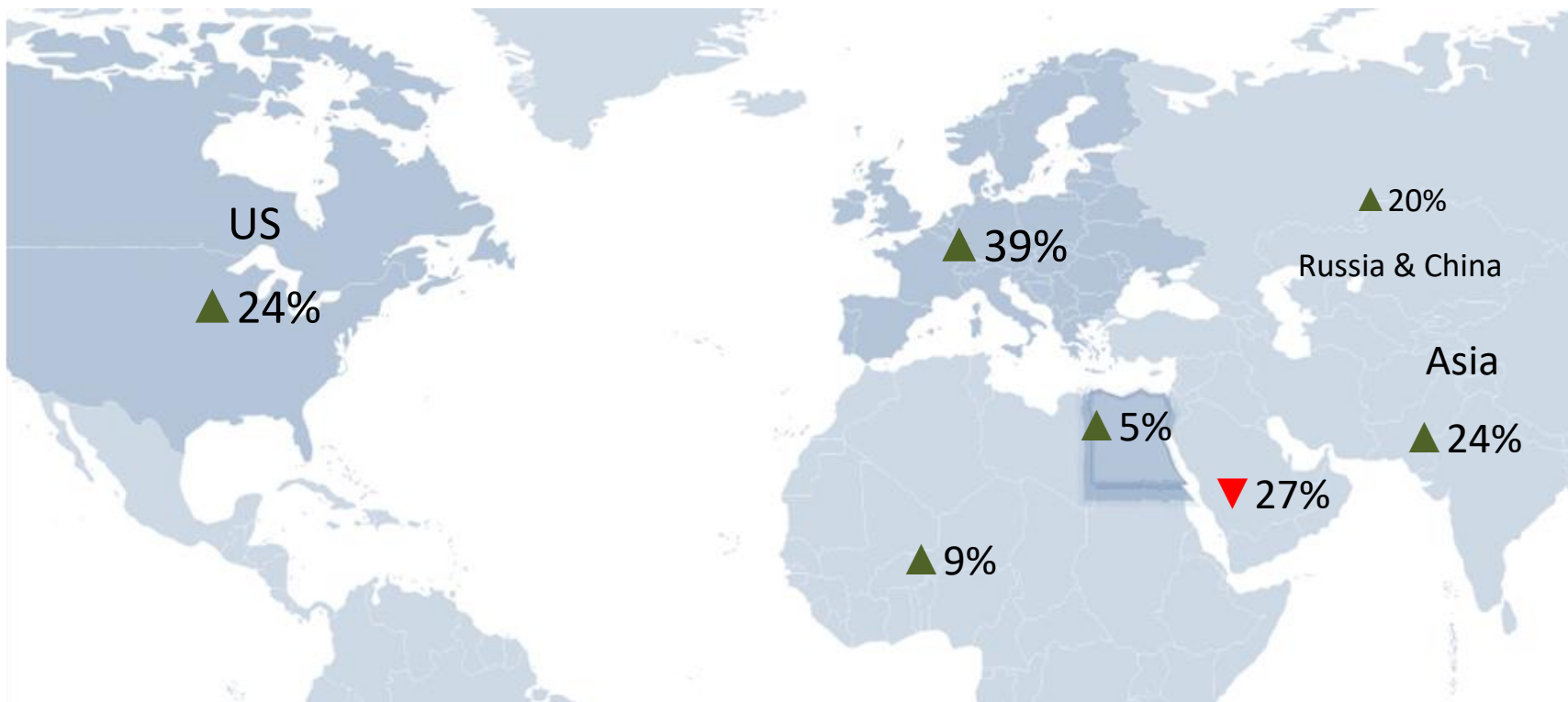
Local Market Development in 2017

Percentage Change 4Q 2017 vs 4Q 2016	Volume	Value	Avg. Price	Contribution to Local Revenues	
				4Q 2017	4Q 2016
Woven	▼ 25%	▲ 5%	▲ 40%	80%	80%
Tufted	▼ 53%	▼ 4%	▲ 103%	12%	14%
Non-woven felt	0%	▲ 34%	▲ 35%	6%	5%
Others (imported rugs & yarn sales)		▲ 15%		1%	1%
Total	▼ 25%	▲ 5%			

Percentage Change 2017 vs 2016	Volume	Value
Woven	▼ 20%	▲ 33%
Tufted	▼ 12%	▲ 21%
Non-woven felt	▲ 2%	▲ 45%
Others (imported rugs & yarn sales)		▼ 90%
Total	▼ 15%	▲ 14%

Export Market development

Revenue contribution & performance by region in 4Q 2017



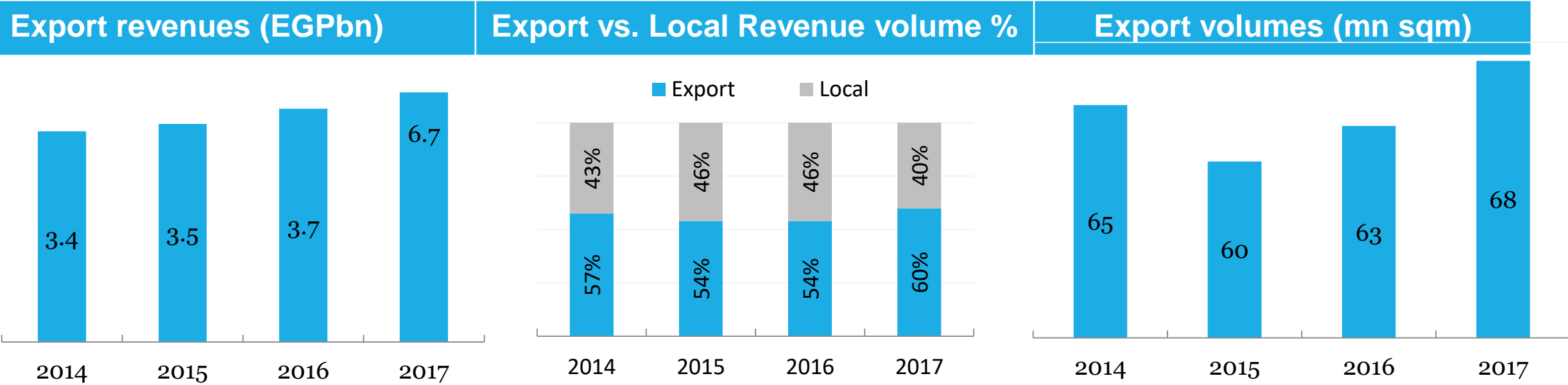
Longstanding relationship with major customers





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Export performance overview





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Export Market Development in 2017

Percentage Change 4Q 2017 vs 4Q 2016	Volume	Value	Avg. Price	Contribution to Export Revenues	
				4Q2017	4Q2016
Woven	▲ 14%	▲ 32%	▲ 16%	79.3	76.3%
Tufted	▼ 13%	▲ 6%	▲ 21%	17.4%	20.8%
Non-woven felt	▼ 10%	▼ 23%	▼ 14%	1.7%	2.9%
Others	-	-	-	1.6%	0%
Total	▲ 3%	▲ 27%		100%	100%
USDEGP		17.75	▲ 20%		

Percentage Change vs. 2017 vs 2016	Volume	Value
Woven	▲ 6%	▲ 78%
Tufted	▲ 13%	▲ 92%
Non-woven felt	▲ 13%	▲ 68%
Others		▲ 19%
Total	▲ 9%	▲ 80%
	17.88	▲ 74%



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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

- Chile | 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

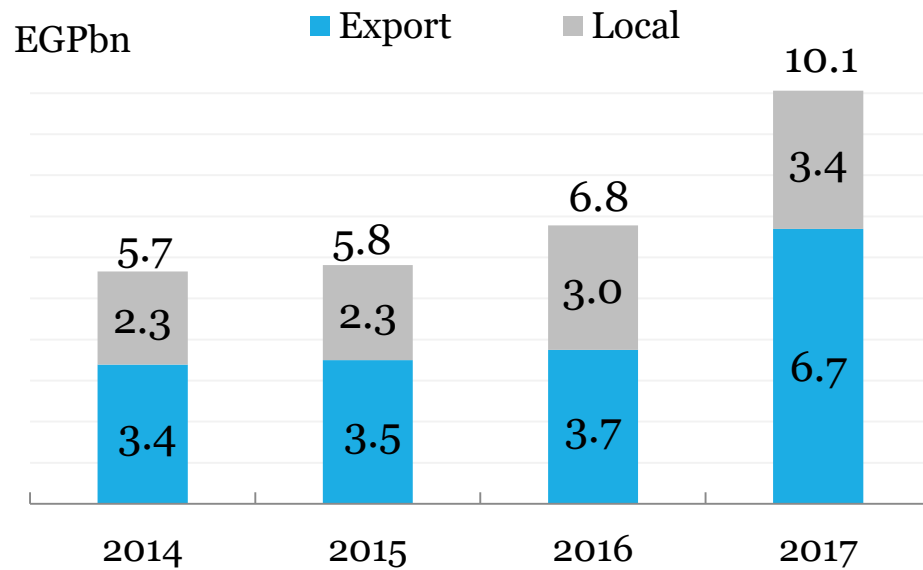
- Japan | Nitori,
- New Zealand| Bunnings
- India | Big Bazar
- Approaching customers in Bangladesh, Siri lanka, Vietnam & Pakistan



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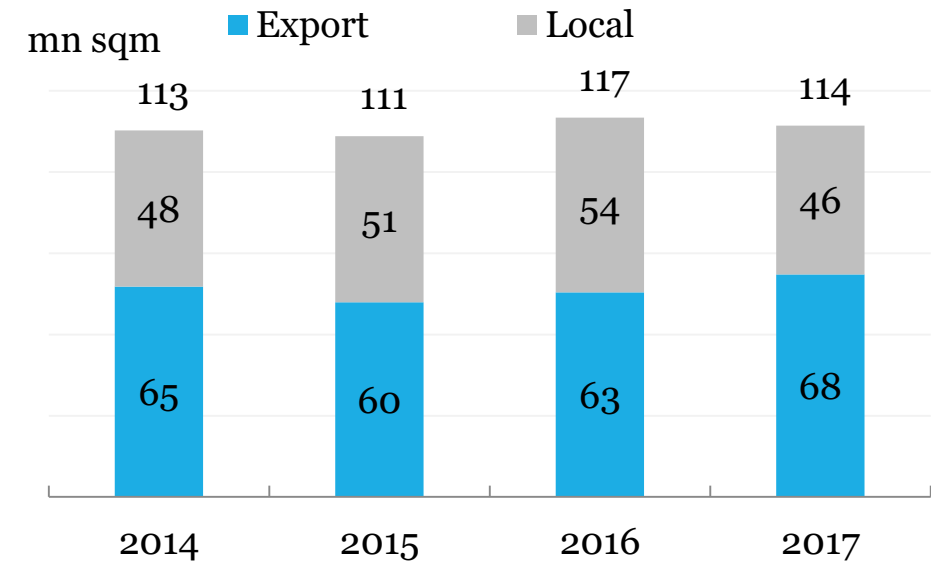
Revenue progress

Revenues (EGPbn)



3-year CAGR 21%

Sales volumes (mn sqm)





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2017 Revenue summary

Value (EGP millions)

	2017	2016	% Change
Woven- Egypt based	5,834	3,788	54%
OW USA	1,958	1,142	71%
OW China	164	91	79%
Tufted	1,776	1,042	70%
Non-woven Felt	357	228	57%
Other	86	488	-82%
Total	10,174	6,779	50%

Volume (sqm)

	2017	2016	% Change
	55	60	-8%
	11	10	6%
	1	2	-27%
	32	30	5%
	16	15	5%
	0	0	-
	114	117	-2%



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4Q2017 revenue summary

Value (EGP millions)

	4Q2017	4Q2016	% Change
Woven- Egypt based	1,577	1,286	23%
OW USA	503	417	21%
OW China	43	35	24%
Tufted	421	407	3%
Non-woven Felt	81	78	4%
Other	42	11	283%
Total	2,667	2,233	19%

Volume (sqm)

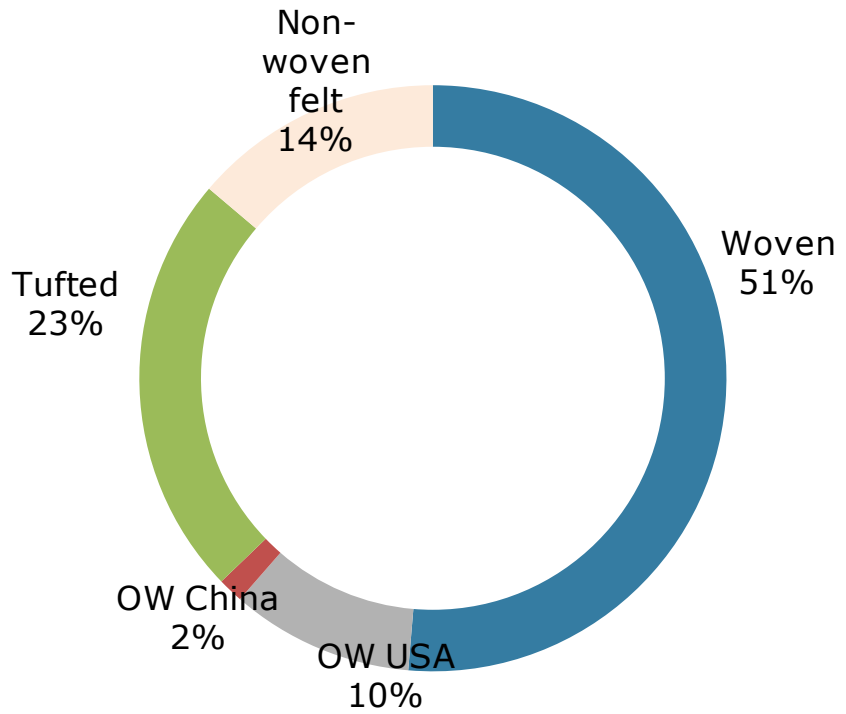
	4Q2017	4Q2016	% Change
	15	16	-6%
	2.9	2.5	20%
	0.4	0.6	-27%
	7	9	-26%
	4	4	-3%
	29	32	-10%



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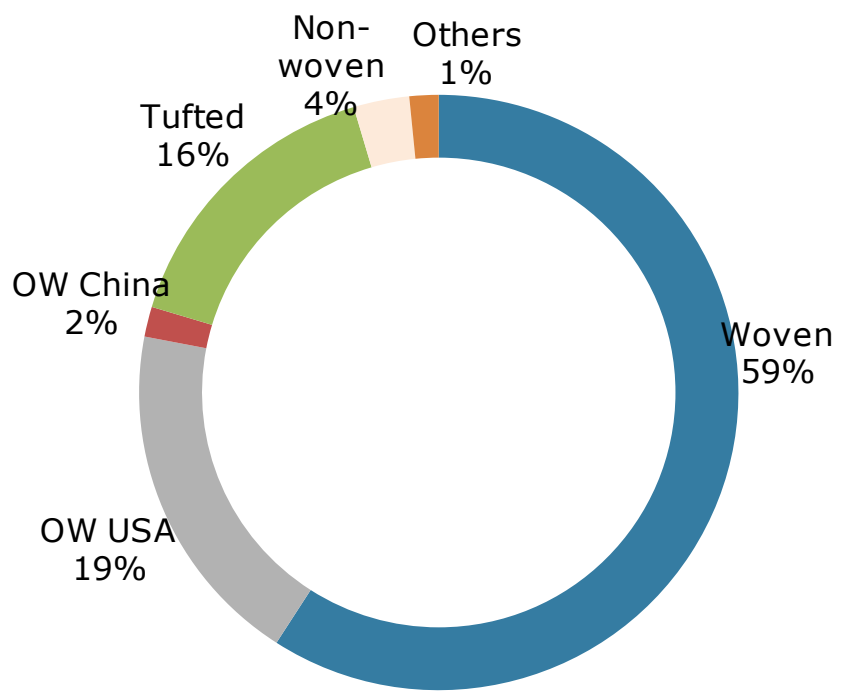
Diversified Product Mix

4Q 2017 Revenue Mix (by volume)



- Woven-Grade A EGP316/sqm
- Woven-Grade B EGP124/sqm
- Woven-Grade C EGP70/sqm

4Q 2017 Revenue Mix (by value)



- Tufted wall-to-wall EGP74/sqm
- Tufted pieces EGP58/sqm
- Non-woven (EFCO) EGP20/sqm



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OW Hospitality: Recently delivered Projects in Egypt

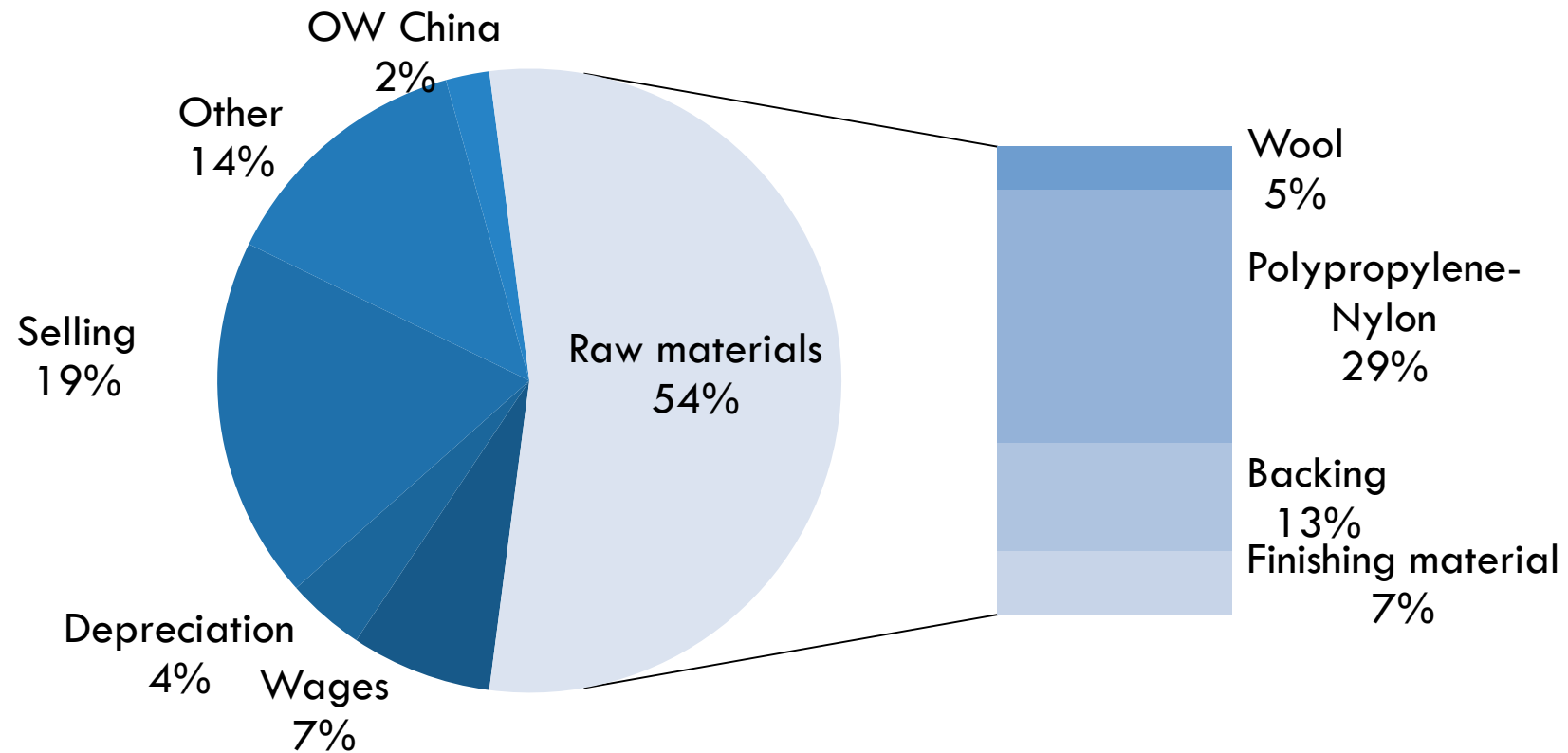
- ❑ mosques related to the Egyptian Endowments Authority
- ❑ Al-Masah Hotel at the new administration capital,
- ❑ New Shuwaifat Hotel in New Cairo,
- ❑ the Vox Cinemas in Alexandria,
- ❑ the conference center in Cairo,
- ❑ The Azhar Grand Mosque in Cairo.



Recent and Future Expansions

	2015	2016	2017	2018
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"/> Four 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
Non- woven	Two new machines added	Two new machines added	Finishing and coloring machines	Two new machines

4Q 2017 Cost Breakdown



■ Almost 63% of costs are dollar based.

Source: Company



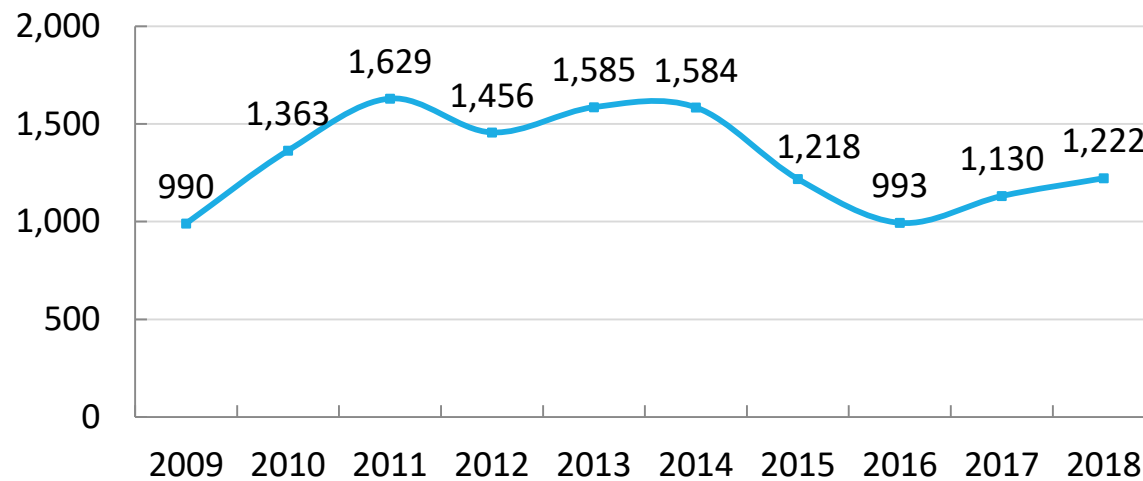
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Polypropylene is OW main raw material

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.

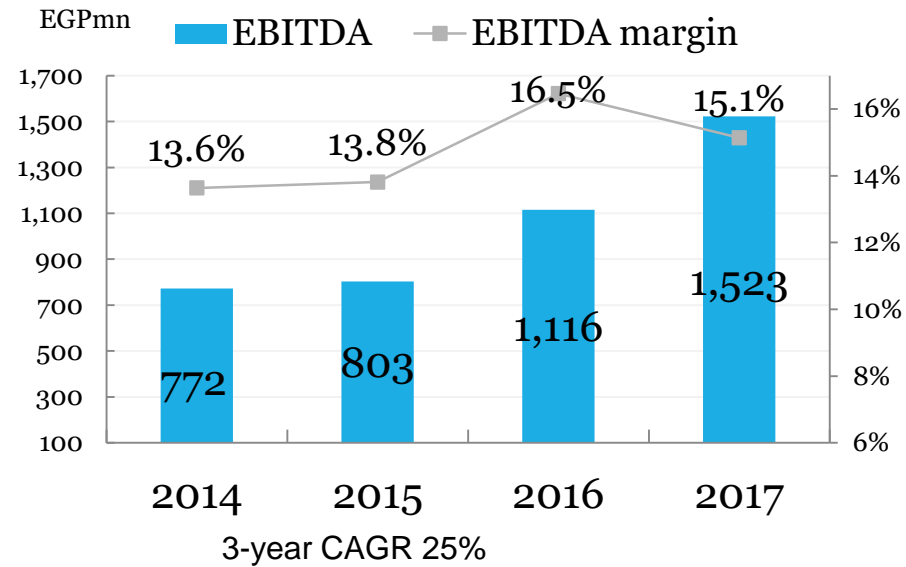
➤ Almost 90% of the polypropylene needs are sourced locally and the remaining needs are imported from regional suppliers.



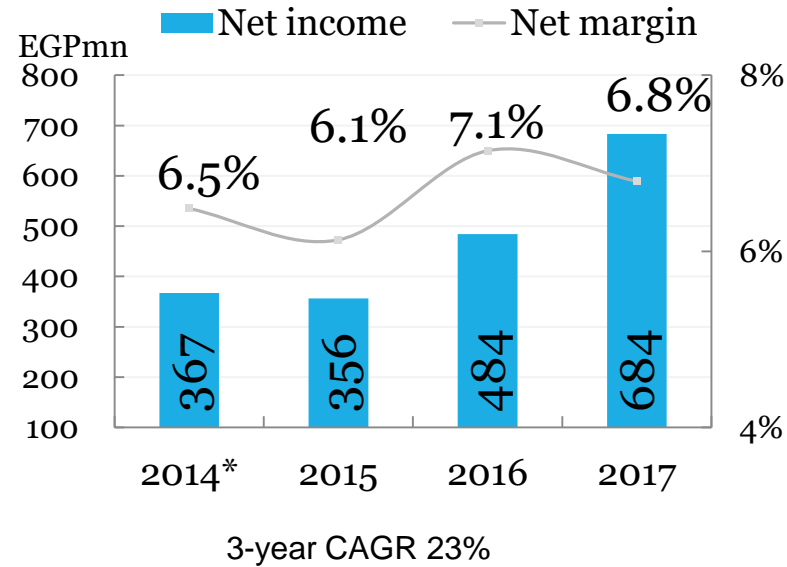
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Financial Summary

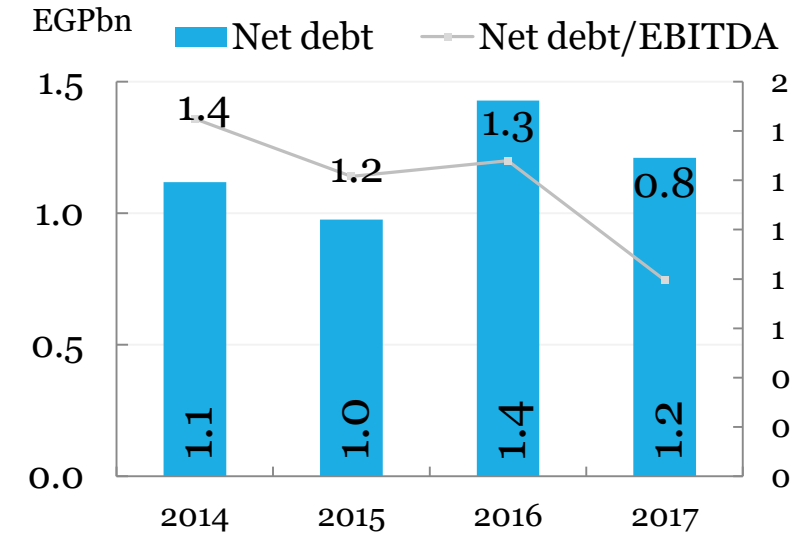
EBITDA Performance (EGPbn)



Net Income Performance



Net Debt (EGPbn)





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4Q 2017 Financial summary

Sales (EGP million) 2,667 ▲19%	EBITDA (EGP million) 354 ▲1%	Net income (EGP million) 135 ▲52%
Export Contribution 68%	EBITDA Margin 13.3% ▼244 bps	Proposed DPS EGP 1.4 Yielding ~9%



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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:



EGP278 mn delayed
disbursement till
October 2017

OW collected
EGP91 mn in 2017.



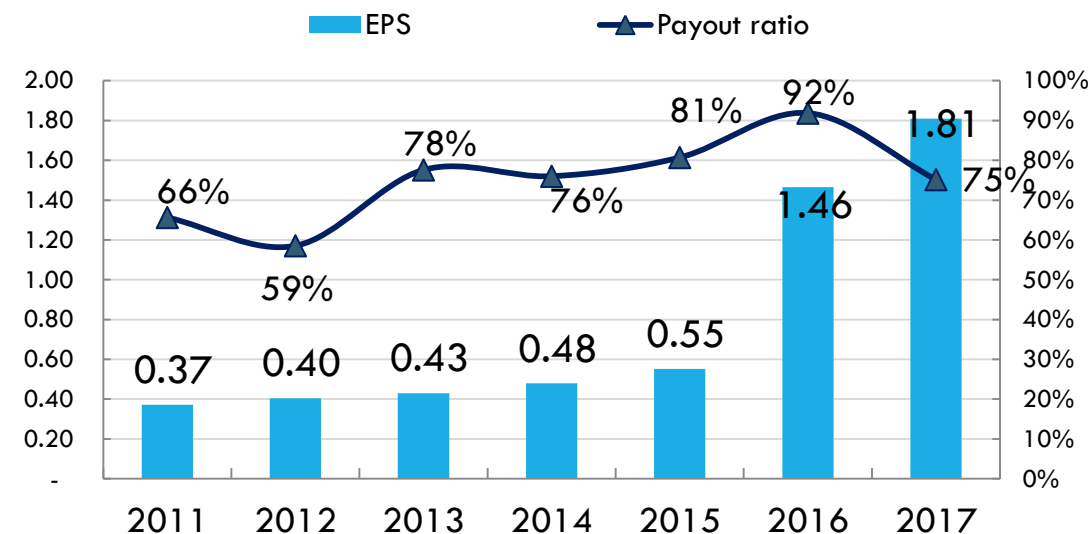
Export Incentive Program

- 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)		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%

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 408 mn (as of March 1, 2018).
- 2017 Proposed 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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