

# 3Q 2015 INVESTOR PRESENTATION



النساجون الشرقيون  
Oriental Weavers



# Table of Contents

	Slide no.
Company in brief	3-7
Growth drivers	8-12
Sales mix	13-14
International clients	15-17
Expansion plan	19-21
Financial performance	22-26
Cost breakdown	27-30
Share fact sheet	31

## Company in brief



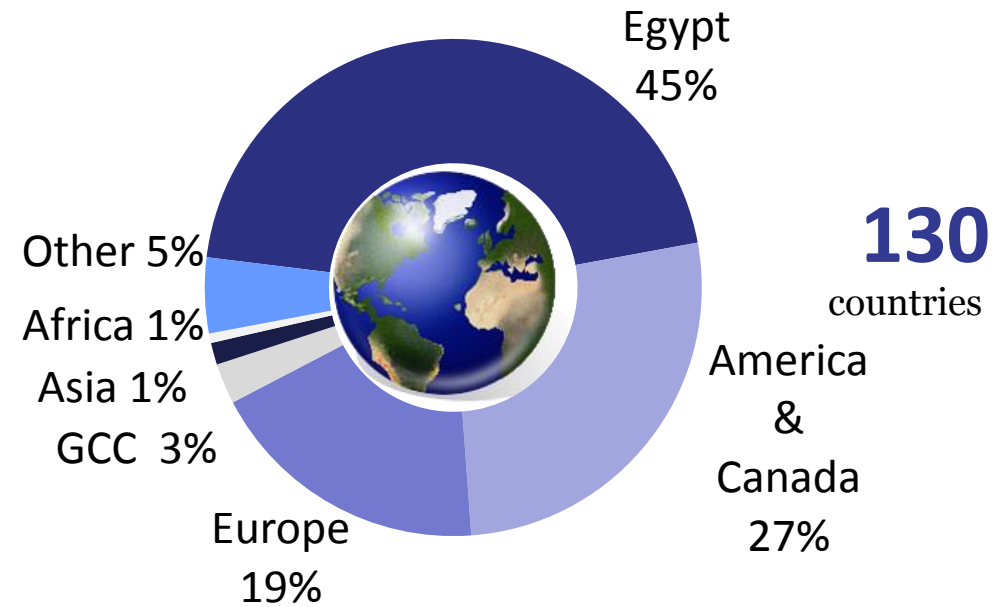
**10**

Manufacturing  
facilities in Egypt  
(90%),  
China and the US.



**113**

mn sqm sold in 2014;  
90% utilization rates



**+230**

Showrooms and wholesale  
outlets in Egypt

## Latest updates



**13**

Manufacturing new looms added



**8**

New Showrooms opened in Egypt in 2015



**Targeting**

New markets & new clients

## 9M 2015 KPI

Revenues	+4%
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EBITDA	-3%
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Net profit	-5%
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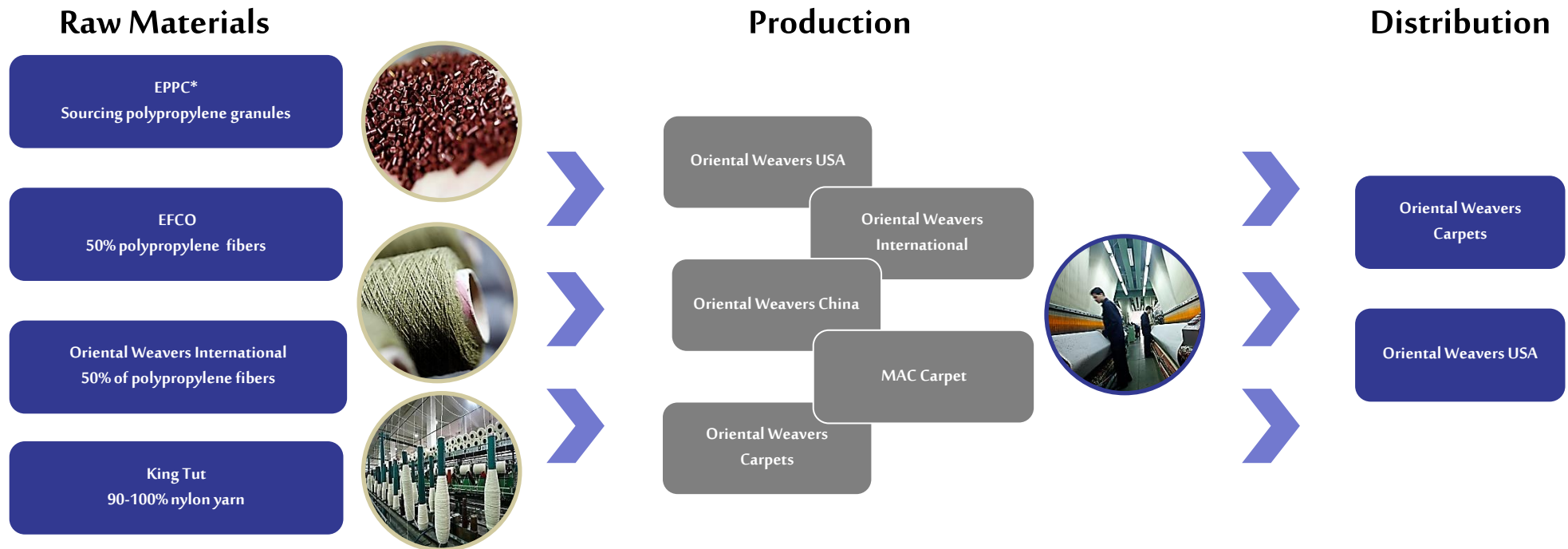


## A vertically integrated model – a pillar for global competitiveness

Controlling supply chain enables greater cost control and production flexibility.

From sourcing polypropylene granules, converting them into fibers, spinning and dyeing yarn, to weaving, distributing and delivering the end product.

Our domestic retail outlets, our dedicated distribution arm, OW USA (Sphinx), and our worldwide warehousing facilities in the US, Germany , and Canada support our local and international leadership.



\* The founder of OW established EPPC in 2006. It is not a part of OW.

## Group's key milestones

**1979-1981**

Oriental Weavers  
Carpets  
&  
MAC

were established

**1987/1988**

- Egyptian Fibers Company (EFCO)

- First showroom in the USA

**1991/1992**

- Sphinx, the US distribution arm

- OW largest showroom in Atlanta

**1993-1998**

- Manufacturing facility in the US

- OWI, the export oriented subsidiary

**2001-2006**

- OW China
- Patent rights for 100% acrylic rugs, which emulates the look and feel of silk

**2011-2012**

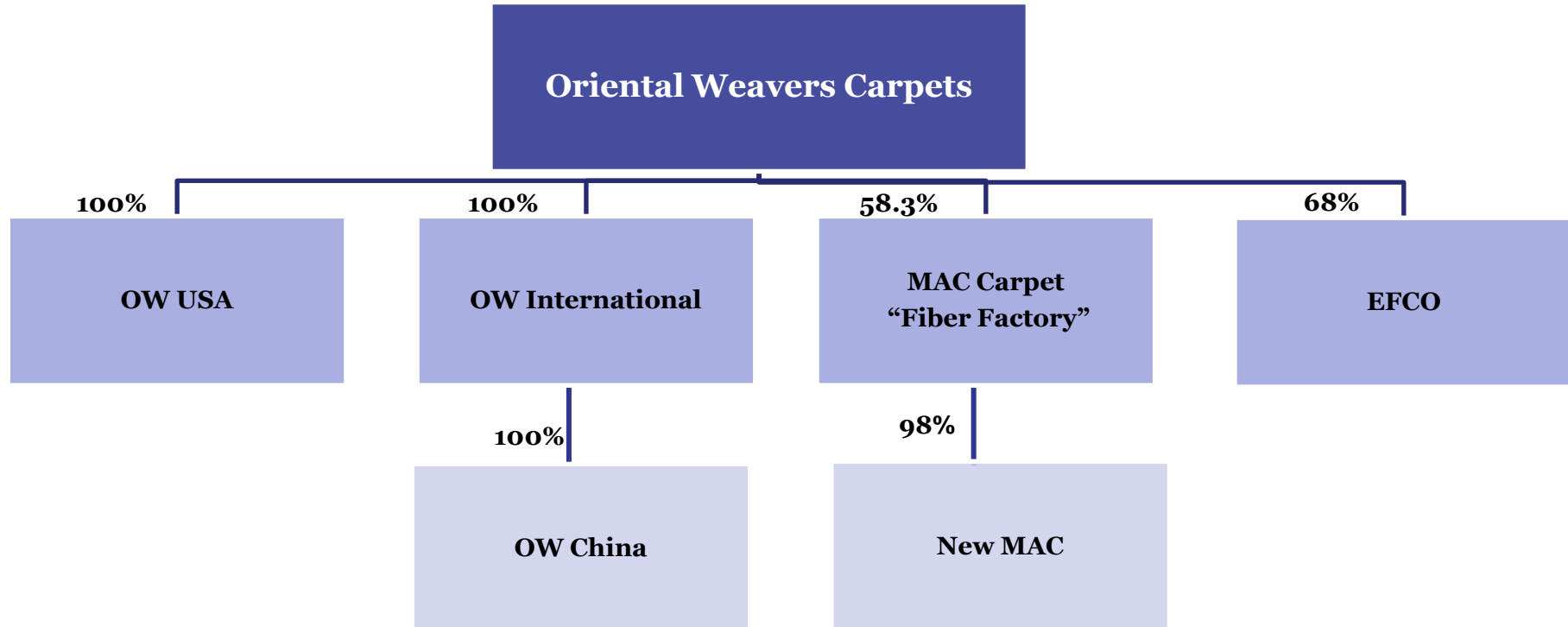
- King Tut yarn plant
- OW Hospitality in London
- A new showroom in New York City

**2014**

US subsidiary partnering with Pantone & Tommy Bahama

**Milestones to Success**

## Group's structure







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## Growth Drivers





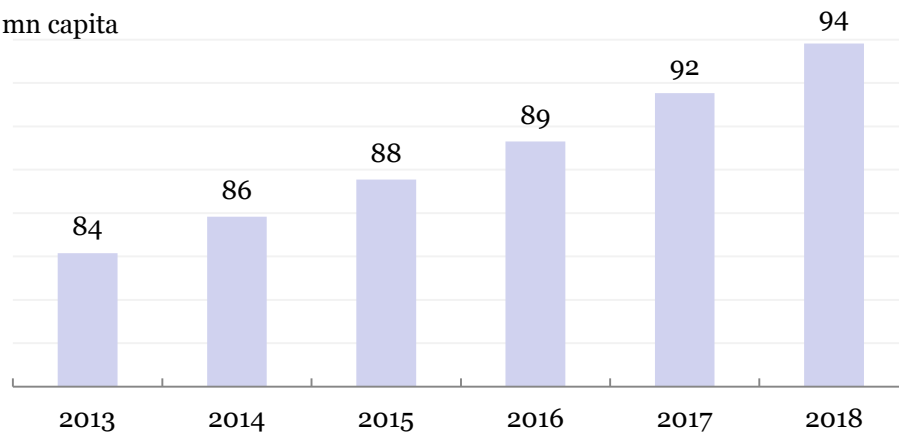
## Egyptian market: Huge potential for growth

- Capturing a strong market share in the local market
- Sells directly through a network of 175 showrooms and 64 wholesalers all over Egypt.
- 80k sqm of retail and wholesale selling area.
- A plan to expand small retail concept in 2015 targeting mid to low income segments in Egypt

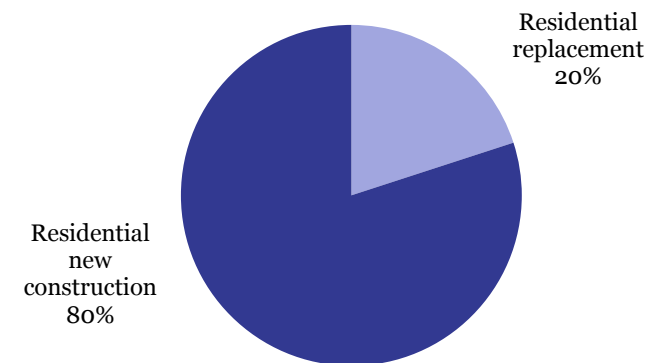


### Sizeable population with annual marriages of 900,000.

mn capita



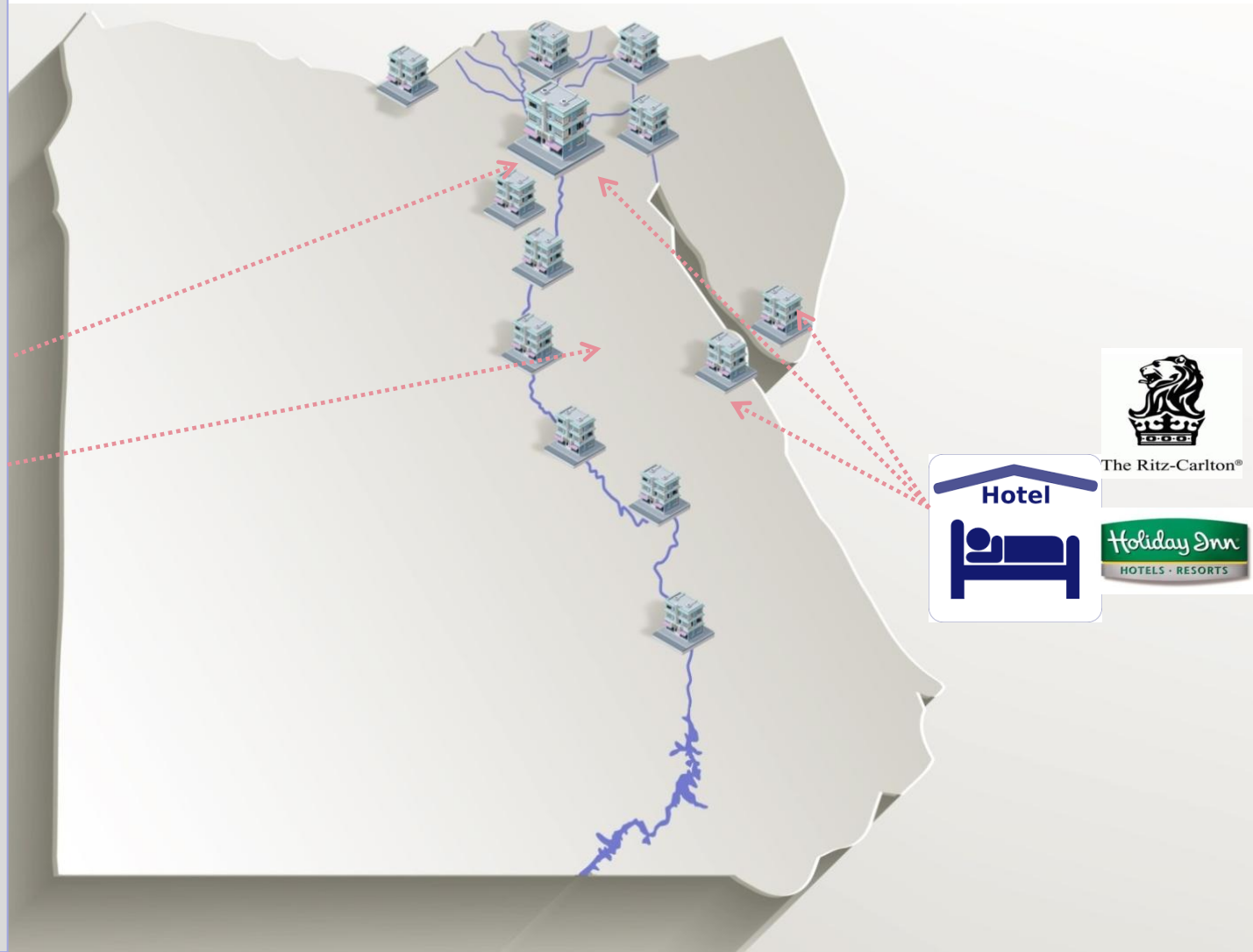
### Market by demand type



Source: OW

### Real estate Development map in Egypt targeting Middle & low income segments

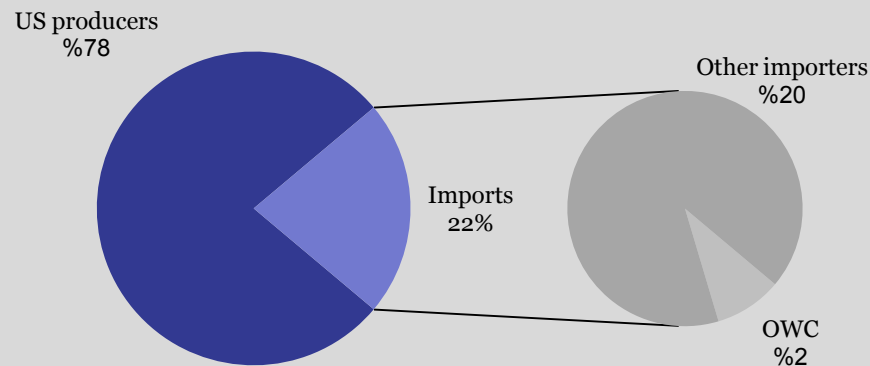
- Dar Misr project offering 80k units over two phases in New Cairo, 6<sup>th</sup> of October, 10<sup>th</sup> of Ramadan City, and Southern Egypt.
- Bayt Al Watan project offering pieces of land targeting Egyptians abroad.
- The New Urban Communities Authority has started its 2015/16 infrastructure plans for 27,177 feddans (c.114 million sqm), of which 24,987 feddans will be residential and commercial.



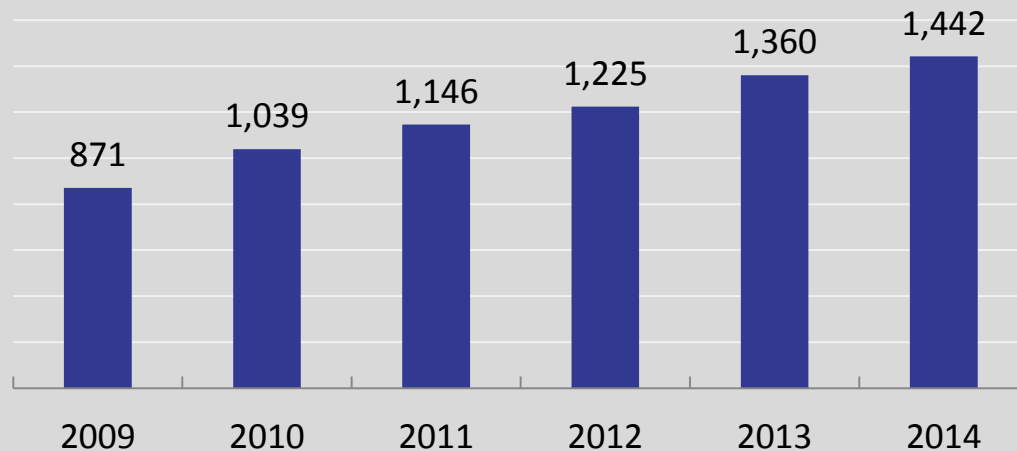
## Oriental Weavers' long standing position in the US

### Where does OW stand in the US market?

#### By market players



#### OW exports to the US (EGPmn)



- OW entered the US market in 1988 and established the US manufacturing facility in 1994.
- Sells to big boxes and home furnishing stores.
- Secured partnership agreements with Tommy Bahama, Pantone and Roger Thomas.
- America's most magnificent rug award in Atlanta Floor covering exhibition.
- Opened corporate showrooms in 2012 in Fifth Avenue, New York and Las Vegas

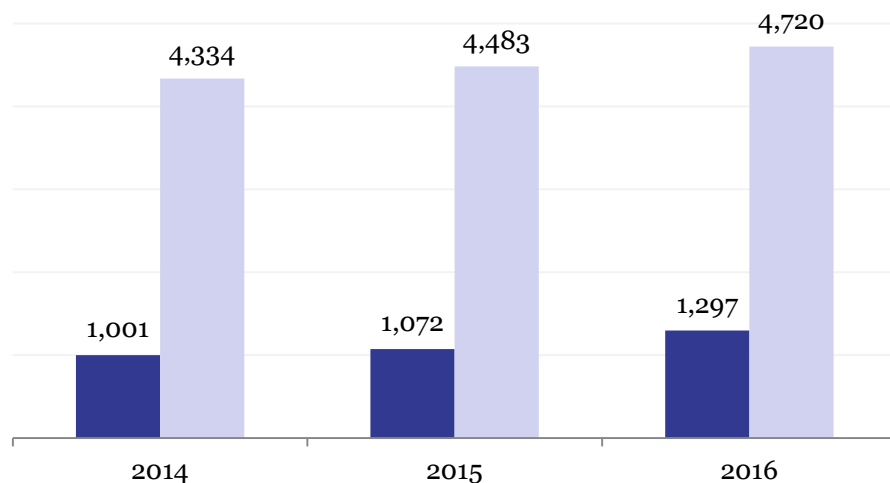


## Growth potential in the US market

- Growing online business with Dot-com retail being the fastest growing channel for rugs today in the US with the most in demand price points at about USD199-299 for an approximate 5x8 rugs.
- Online business is carried out through companies like Target, Kohl's and overstock in addition to Amazon, and Wayfair. And more focused sites such as [Rugsdirect.com](http://Rugsdirect.com) and [rugsusa.com](http://rugsusa.com)

### Housing activity (000)

■ Total Housing Starts ■ Existing Single-Family Home Sales

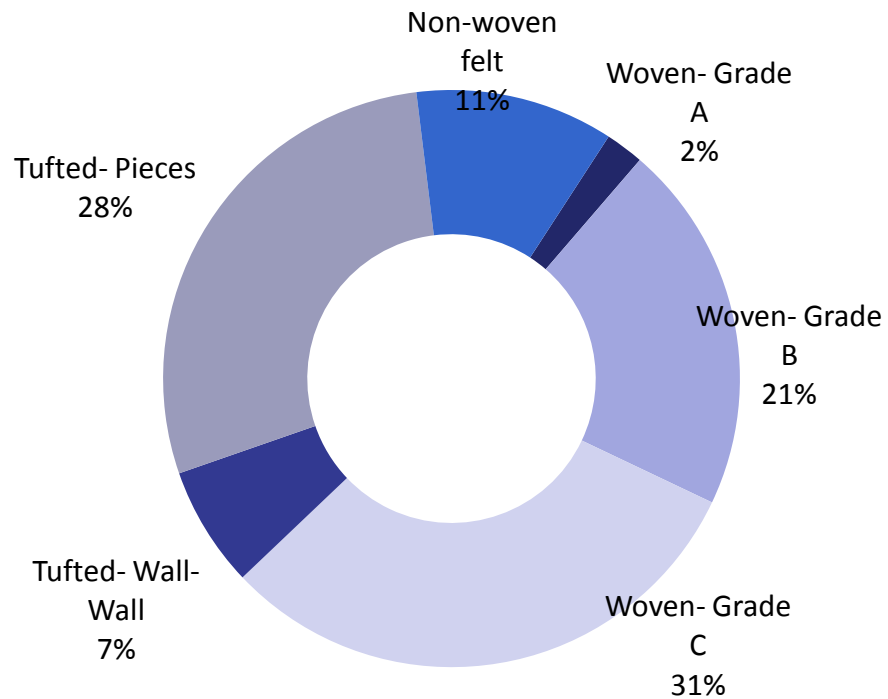


A rug in our new Pasha line was selected as "Best of Vegas" market

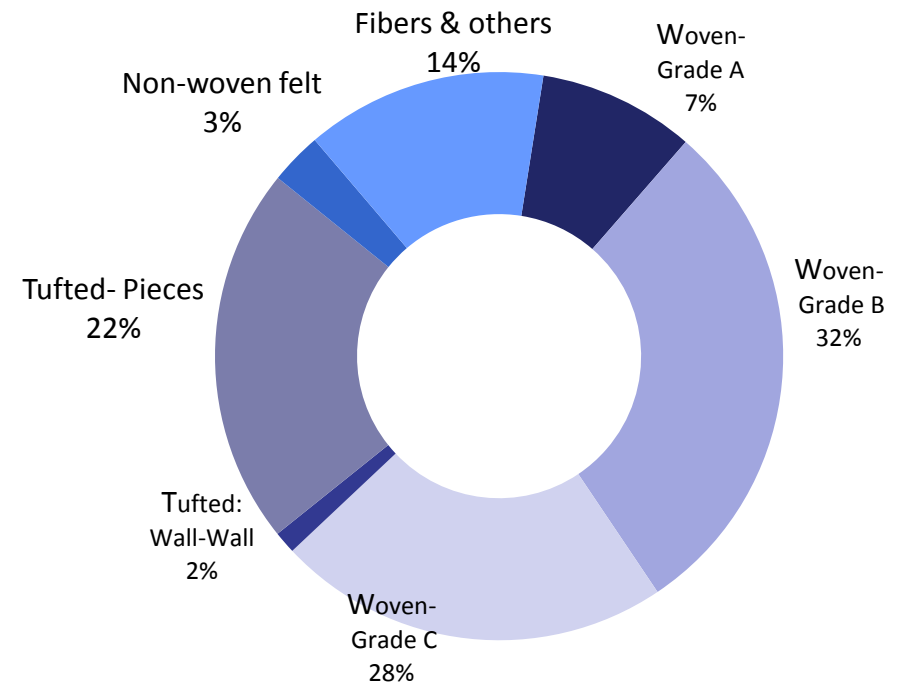


## Diversified product mix

3Q 2015 Revenue Mix (by volume)

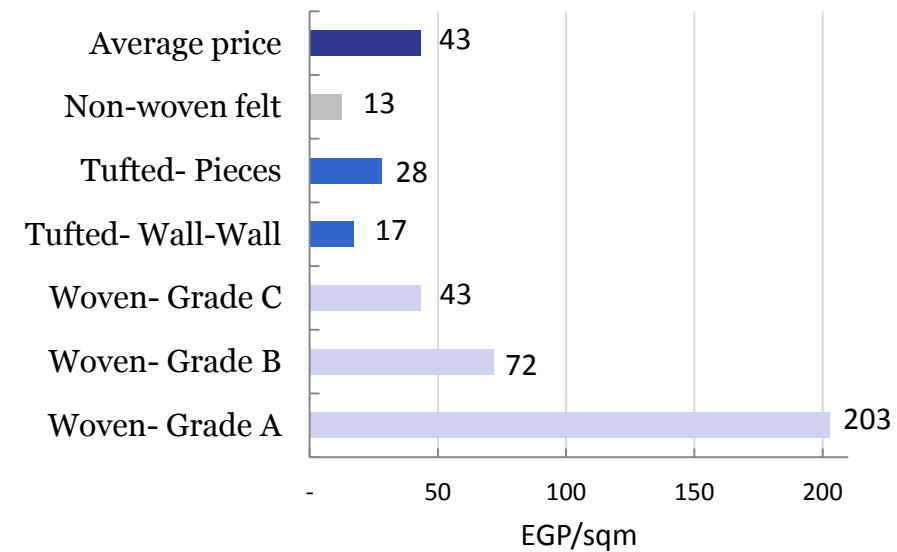
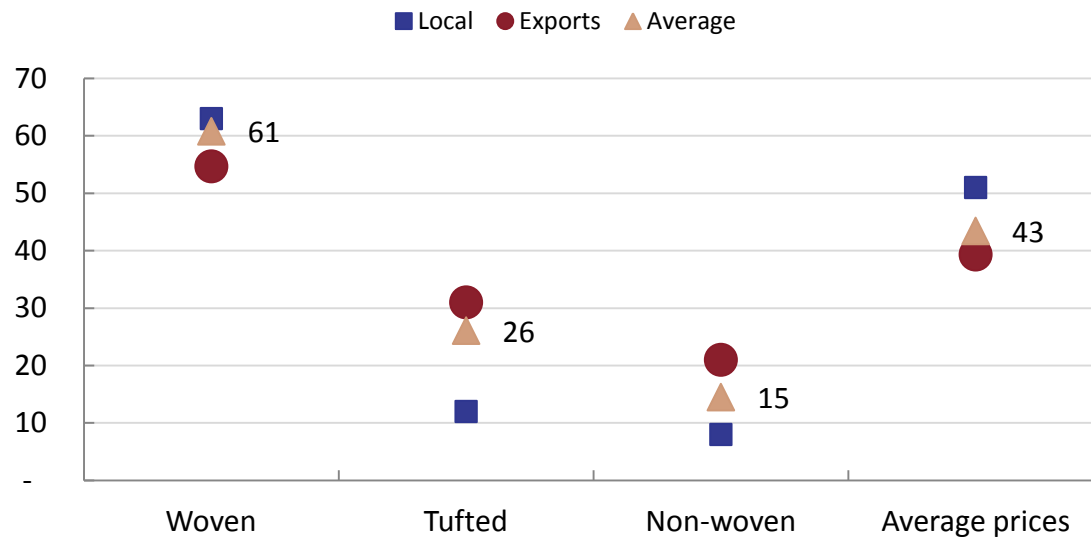


3Q 2015 Revenue Mix (by value)



## Product mix sells @ various price points

### 3Q2015 average selling prices (EGP/sqm)







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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.



## American & Canadian premier partners: retail segment

Oriental Weavers covered 35% of Canadian rug imports in 2014



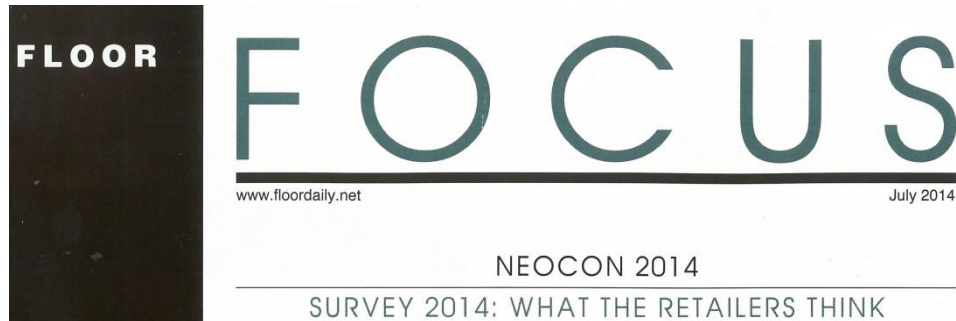
## Premier Partners: Commercial Segment

OW Hospitality, the London-based hospitality carpeting arm of Oriental Weavers Group — which manufactures broadloom carpets for luxury hotels worldwide — is the preferred supplier for Four Seasons and several other major players in the hospitality sector.





# OW ranked first in terms of service and design in 2014 & 2015 in Floor Focus Retailer Survey



## ■ FAVORITE AREA RUG MANUFACTURER

### SERVICE

*Oriental Weavers took the top spot after five years of Shaw Living (now out of business) on top. Nourison moved up to third, Mohawk held onto the fourth spot, and Surya made the top five list for the first time.*

1. ORIENTAL WEAVERS
2. SHAW LIVING
3. NOURISON
4. MOHAWK/KARASTAN
5. SURYA

*Also mentioned: Dixie, Dalyn, Kane, Stanton, Loloi, Dynamic, Feizy, Tayse, United Weavers, Radici, Jaipur, Capel, Milliken, Couristan*

### QUALITY

*This year, Mohawk took the top spot in Quality, barely outpointing Nourison, which moved up from fifth. Oriental Weavers slipped a couple of spots, and Dalyn made the top five list for the first time.*

1. MOHAWK/KARASTAN
2. NOURISON
3. SHAW LIVING
4. ORIENTAL WEAVERS
5. DALYN

*Also mentioned: Surya, Jaipur, Milliken, Kane, Dixie, Loloi, Stanton, Dynamic, Bashian, Kalaty, Feizy, Radici, Capel, Couristan*

### DESIGN

*Oriental Weavers won this category for the second year in a row. Nourison moved up from fourth to second, Mohawk made it back on the list, ousting Dixie, and Surya moved up from fifth to fourth.*

1. ORIENTAL WEAVERS
2. NOURISON
3. SHAW LIVING
4. SURYA
5. MOHAWK/KARASTAN

*Also mentioned: Dalyn, Kane, Dixie, Loloi, Milliken, Kas, Feizy, Kalaty, Stanton, Orian, Dynamic, Jaipur, Mayberry, Couristan*





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## Expansion plan



## Expansion plan in the short and medium terms

### Woven segment

#### 2014-2015

- 11 looms were added in the last 15 months.
- In addition to two new Gobelin looms added given the order backlogs.
- This will allow the company to meet sizeable orders at shorter lead times

#### 2018-2020 (Pending local and global demand conditions)

- Plan to add c.30% of additional woven capacity by 2020 through an additional total of 20 looms
- Plan to establish a new yarn plant to ensure production self sufficiency with total investment cost of EGP470 with an annual capacity of 55k tons.

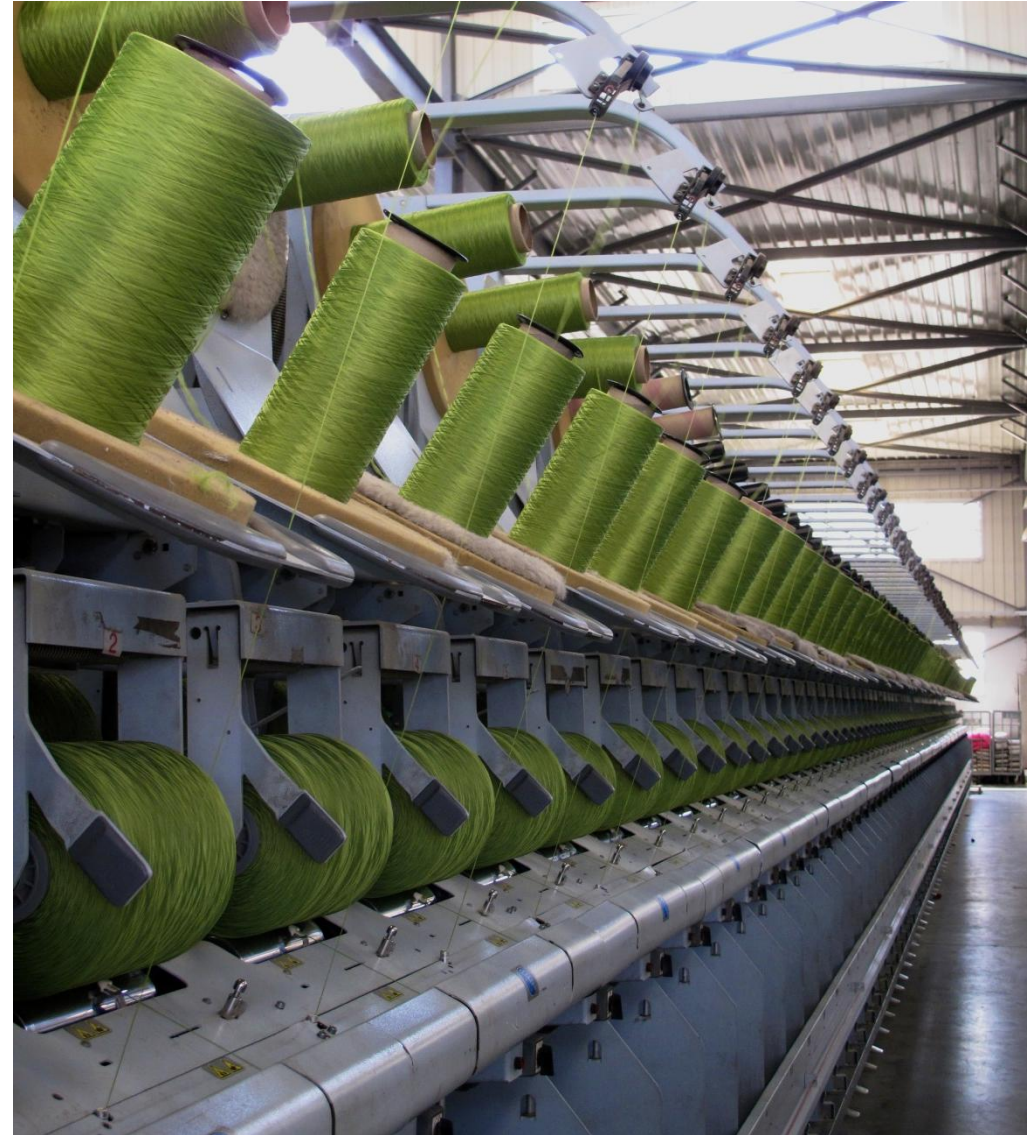




## Recent Expansions: Inauguration of the fiber plant

### King Tut:

- Increasing control of the supply chain, in 2013 the Group launched a new yarn production facility (King Tut) with an annual capacity of 150 tons daily.
- The new factory produces polypropylene, acrylic and nylon yarn, in which the latter is the primary raw material used by MAC tufted carpets.
- Oriental Weavers is targeting to export excess capacities.
- Total Capex spent was EGP435mn.





OW launched an exclusive partnership agreement with Pantone, most well known in the world of interior designs. OW has 2014 Pantone color of the year rug ready to ship.

## Financial and Operational Performance

## Consistent Growth in a Cyclical Industry

### The Group showed a CAGR of 10% between 2007 and 2014

2014 (Adjusted)

Total Sales Growth:\*

5% year-on-year in 2014 to EGP 5,811 million

Export Sales Growth:

3% year-on-year in 2014 to EGP 3,502 million

Local Sales Growth:

8% year-on-year in 2014 to EGP 2,309 million

2014 (reported)

Total Sales Growth:

3% year-on-year to EGP 5,521 million

Export Sales Growth:

6% growth year-on-year to EGP3,383million

Local Sales Growth:

7% year-on-year to EGP2,285 million

\* On adjusted basis including sales of the merged Modern EFCO

#### Flexible

Oriental Weavers provides products at all price points and can quickly respond to market trends. Our technology allows unparalleled flexibility — each machine can produce any number of product types and we produce what the market demands with very short lead time.

#### Market Driven

We only manufacture on confirmed orders — Oriental Weavers' costs are naturally hedged in challenging economic climates.

#### New Products & New Markets

Oriental Weavers' broad international footprint allows it to shift its focus to markets that are growing. Furthermore, with 33 full-time designers living in Egypt, the UK, China and the US, Oriental Weavers produces, on average, a unique, new product every two weeks.

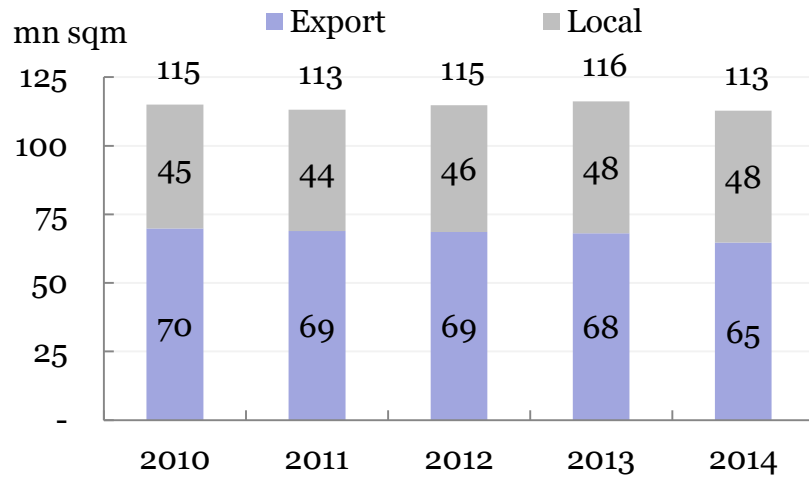
#### Scale

Our scale and efficiency advantages support our position as a cost-efficient competitive producer.

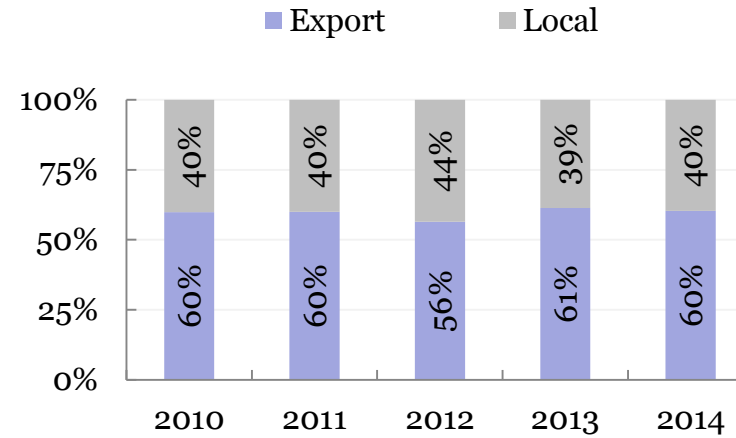


## Financial Summary

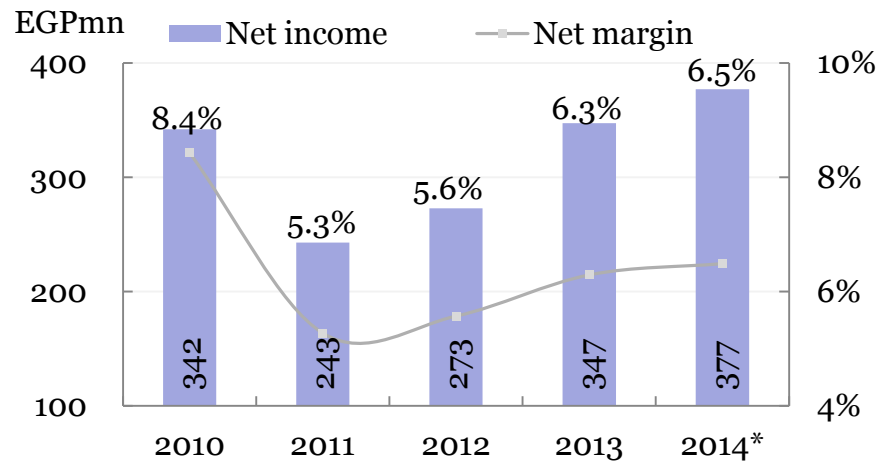
### Sales Volumes (mn sqm)



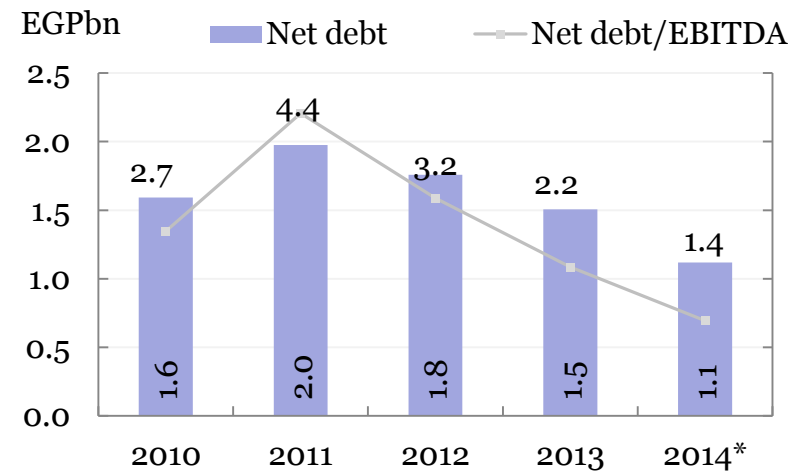
### Export vs. Local Revenue Contribution



### Net Income (EGPmn)



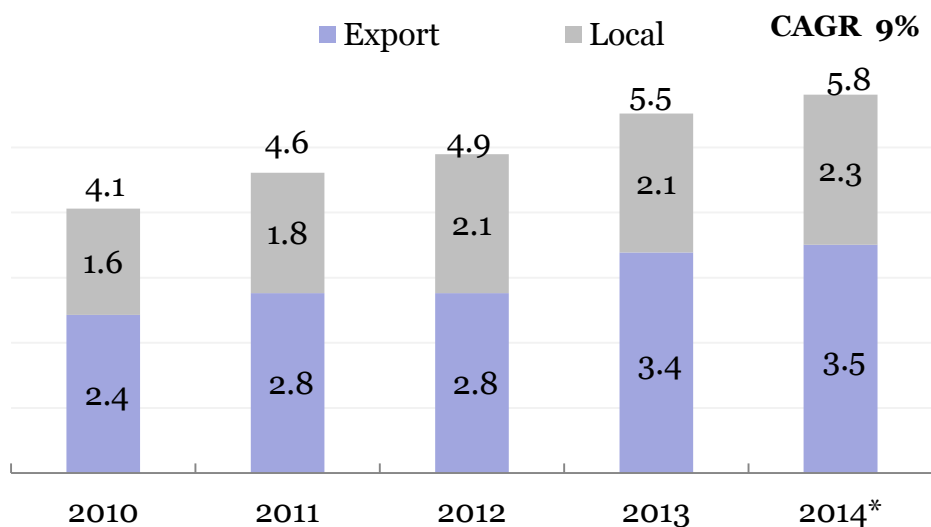
### Net Debt (EGPbn)



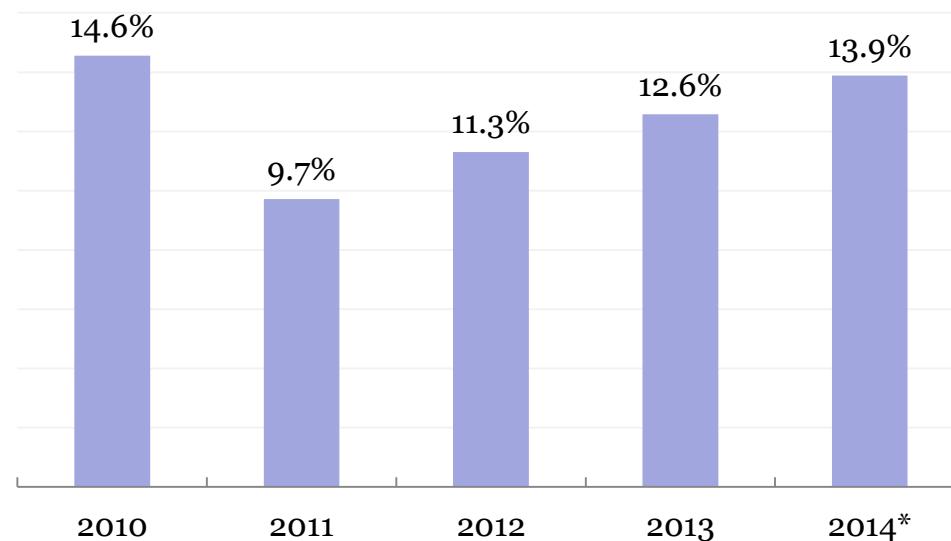
\* On adjusted basis including sales of the merged Modern EFCO

## Financial overview

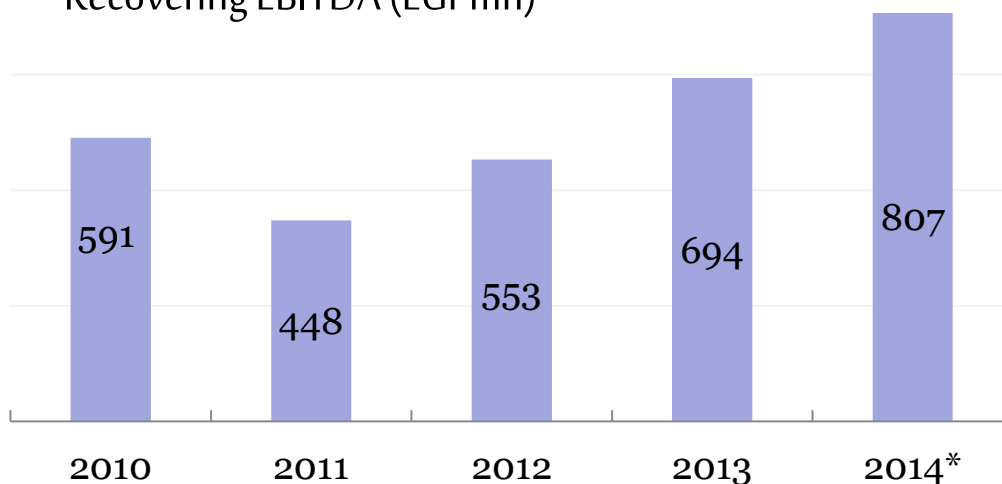
### Growing revenue base (EGPbn)



### Recovering EBITDA margin



### Recovering EBITDA (EGPmn)



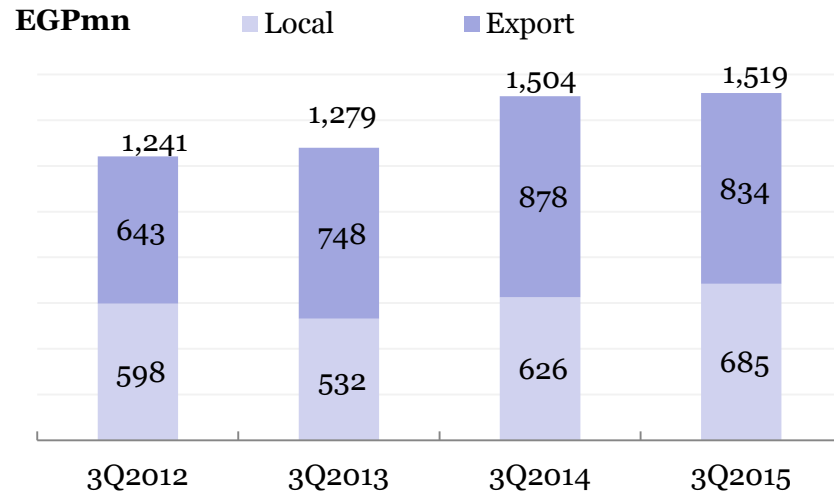
### Balance Sheet (EGPmn)

December 31, 2014			
Cash	591	Short term debt	1,323
Current Assets	3,266	Current liabilities	2,639
Fixed Assets	2,726	LT liabilities	307
Others	634.7	Equity	3,680
<b>Total Assets</b>	<b>6,627</b>	<b>Total Liabilities &amp; Owners' equity</b>	<b>6,627</b>

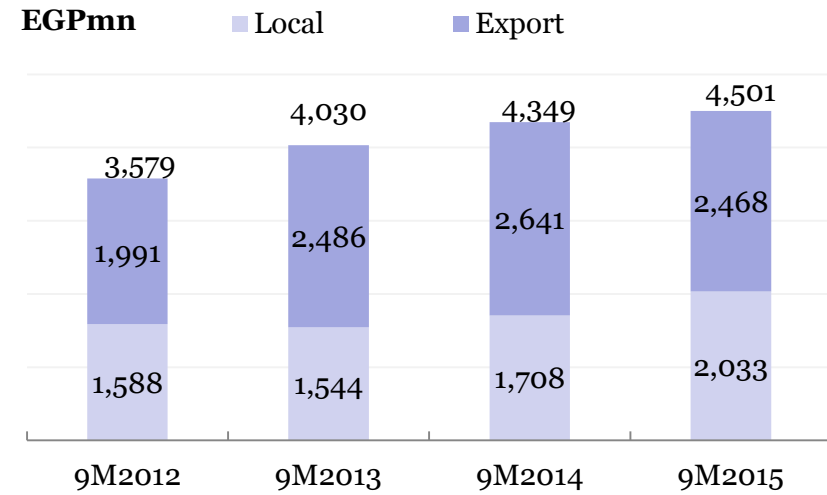
\* On adjusted basis including sales of the merged Modern EFCO

## Financial overview

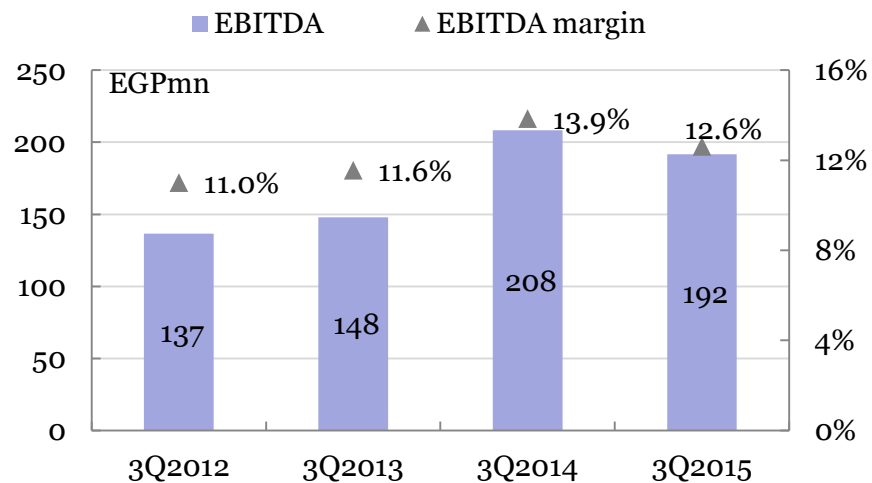
### Third quarter revenue performance



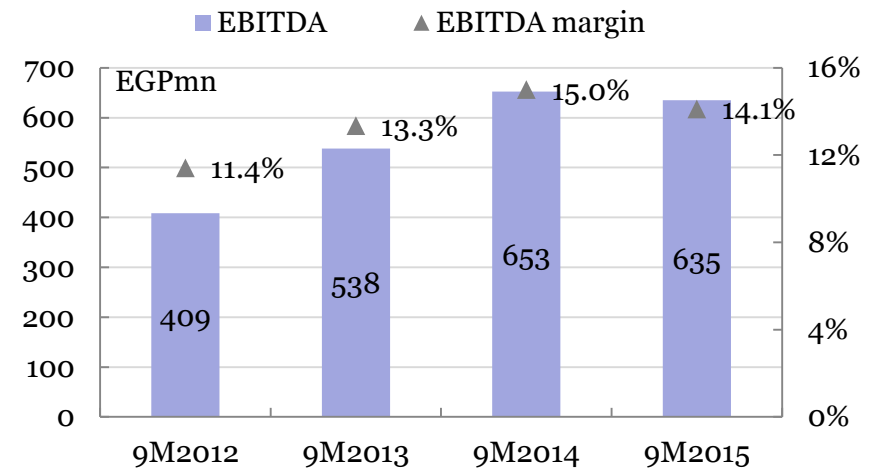
### 9Months revenue performance



### Third quarter EBITDA performance



### 9Months EBITDA performance



## Cost Structure: Polypropylene

Polypropylene is the main raw material for Oriental Weavers with its prices trending down .

Cost efficiency is on management's top priority. Accordingly, sourcing of polypropylene granules is carefully executed after receiving monthly price quotations from the different suppliers, taking into account other cost factors associated with importing the granules.

Thus sourcing from EPPC — a local supplier helps in achieving the following:

- Reducing stocking period from 4 months to only 1-2 months
- Lowering transportation expenses
- Lowering finance charges
- Guaranteeing supply

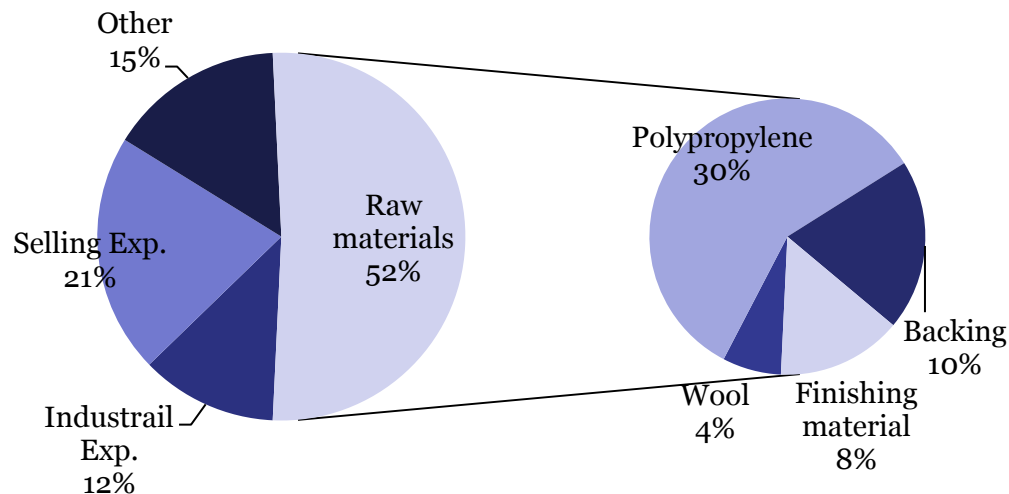
The model offers significant competitive strength in the global carpet and rugs industry.

Polypropylene — used in synthetic and blended rugs and carpets — is an oil derivative and is particularly significant cost variable, representing around 31% of total costs incurred in 1H2015

Polypropylene prices are driven in large part by:

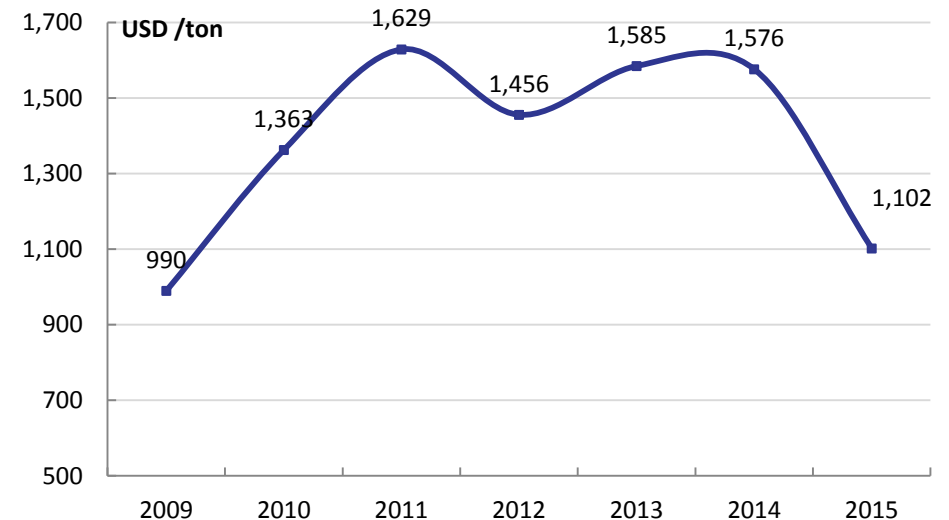
- Petroleum prices
- Market demand for polypropylene

9M 2015 COGS breakdown



Sources: Company

PP prices (in \$/ Metric Tons)



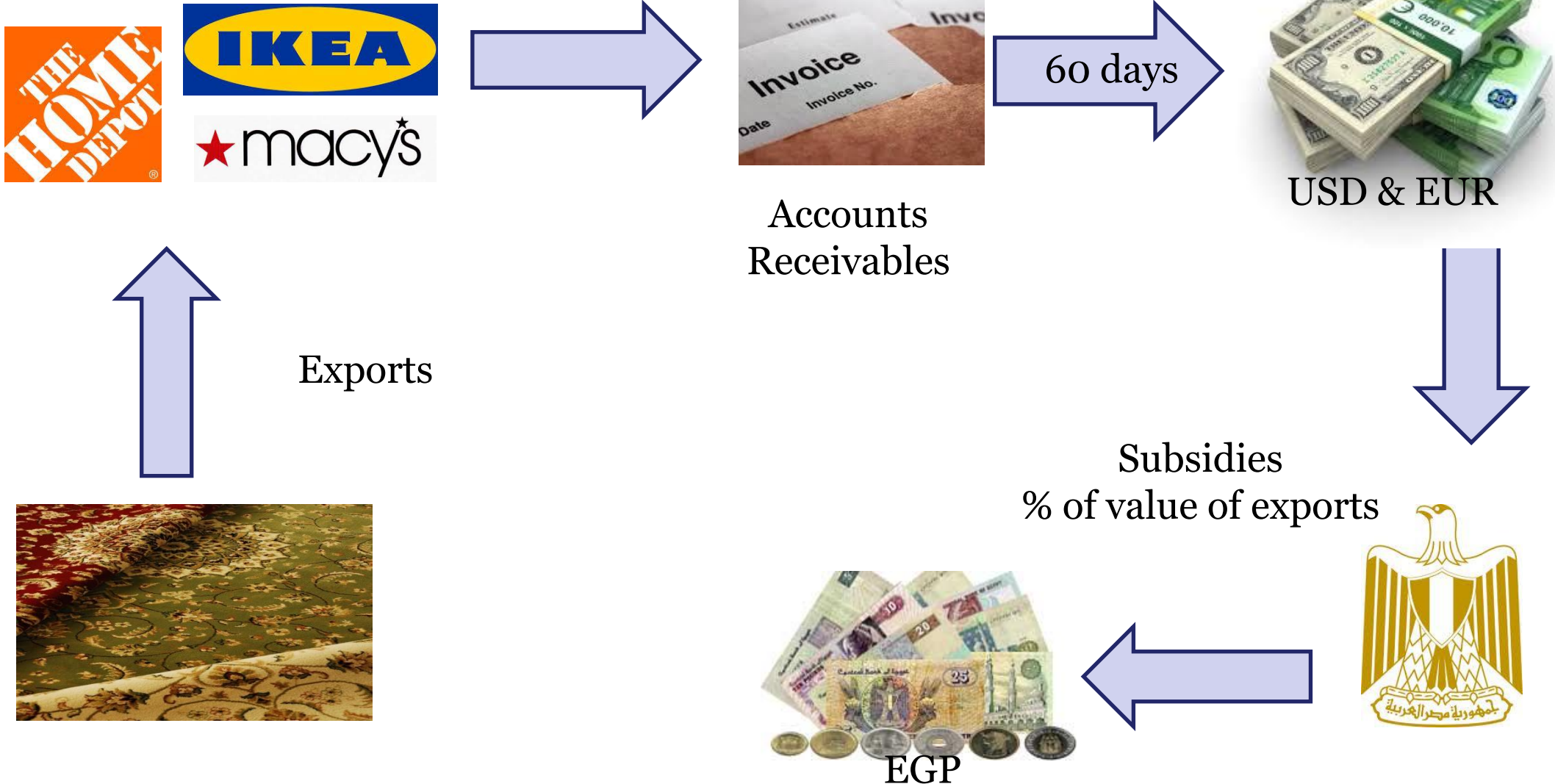


## Recent increase in energy cost

Energy cost	Old prices	New prices	% increase	OW costs (EGP000) and %		% Δ
	US\$/mmbtu			before increase	after increase	
Natural gas	2.25	5	122%	17,342	38,538	122.2%
				0.45%	0.78%	
	EGP/KW					
Electricity	0.28	0.42	50%	77,852	116,778	50%
				1.6%	2.4%	
	EGP Diesel/litres					
Transportation costs	1.10	1.80	64%	55,000	72,000	30.9%
				1.1%	1.4%	
<b>Total energy costs</b>				150,194	227,316	<b>51.3%</b>
% of costs				3.0%	4.5%	
<b>Total costs In 2013</b>				<b>4,953,549</b>	<b>5,030,671</b>	<b>1.6%</b>

Sources: Company

## Export incentive program



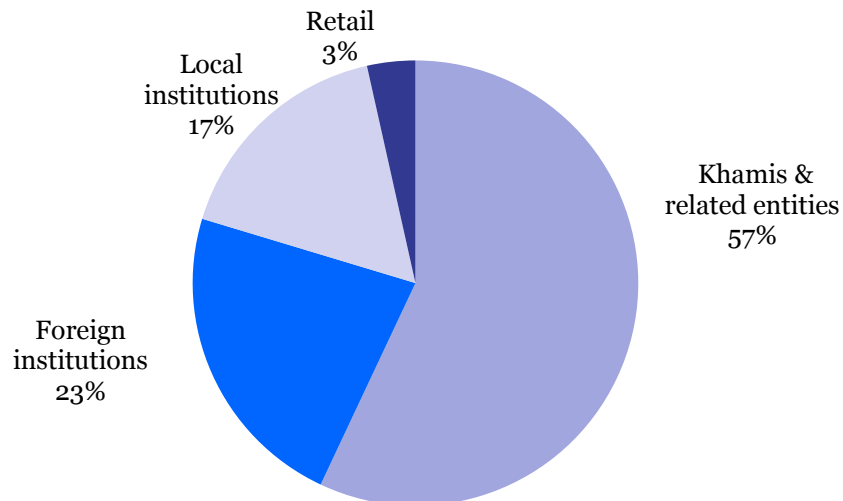
Sources: Company

## Share Fact Sheet

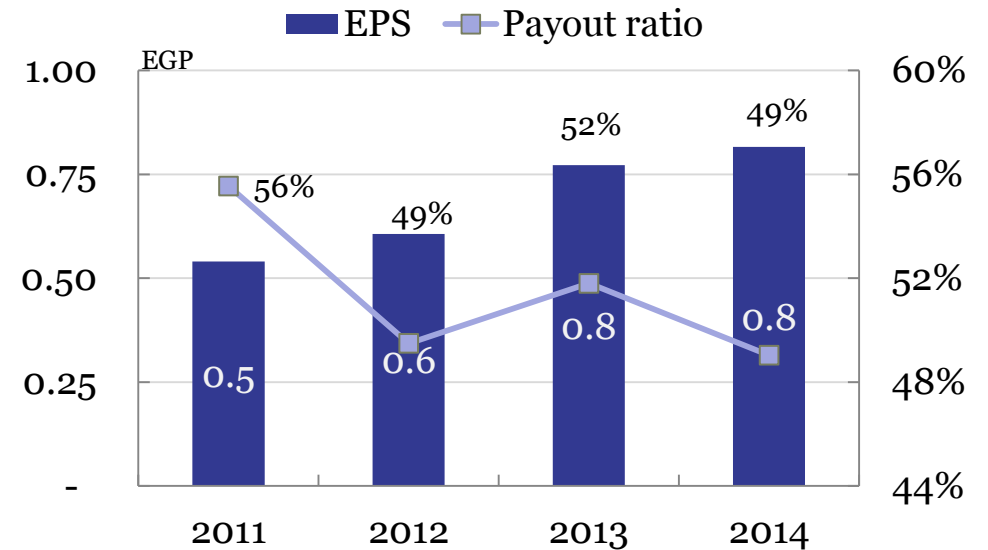
### Stock Data

450 mn shares at par value of 1 EGP per share  
 Listed on EGX September 1997  
 6 Month average daily value USD0.5mn  
 52 week- high / low EGP 15.4 / 7.48  
 Market Cap USD600mn (as of Aug 17, 2015)  
 Distributed DPS of EGP0.4 in May 2015  
 Issued and Paid up Capital 450 MN EGP  
 Reuters; Bloomberg ORWE.CA; ORWE EY

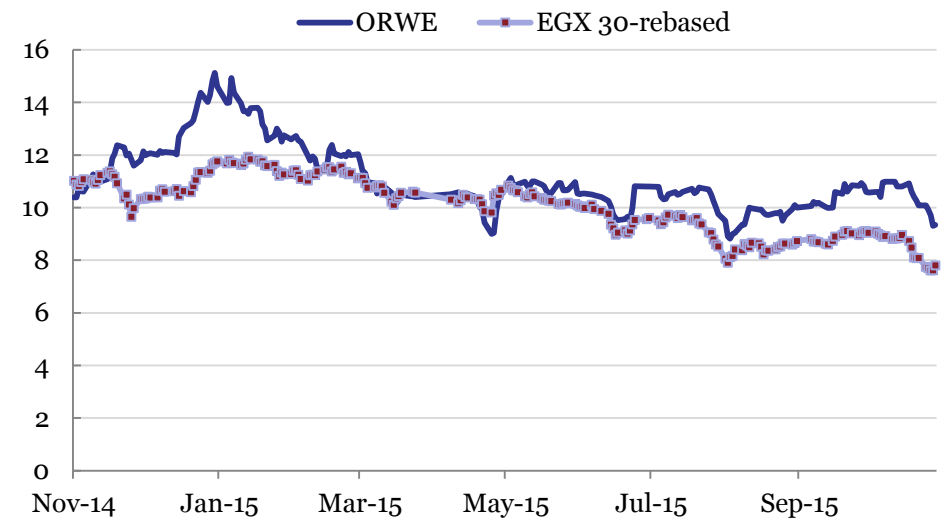
### Shareholders' structure



### Earnings Per Share & payout ratio



### Share performance



## Appendix: Manufacturing process of woven grade A

### 1 Raw Materials



Raw materials for our Woven Grade A products consist of 100% wool, or 80% wool and 20% polypropylene. The wool is sourced from suppliers in Egypt, New Zealand Libya and UK; the PP is sourced locally or imported from GCC. These are woven into yarn at our facilities in Egypt, US and China and sent to the looms.

### 2 Weaving



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.

### 4 End User



The carpet is then sent to the customer, either an Oriental Weavers retail outlet or showroom—such as the one pictured above—or to one of our customers for retail at their establishments.

Uncompromising vertical integration and constant innovation are pillars of Oriental Weavers' global competitiveness.

Once the carpet has been woven, it is moved to a warehousing facility to await shipping to one of our main distribution points. These are on three continents—Africa, Asia, North America.

### 3 Distribution





## Disclaimer

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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