

# 1Q 2022 Earnings Release

Cairo 29th May 2022



## Oriental Weavers Carpet Releases 1Q 2022 Earnings Results

Oriental Weavers Carpet Company [ORWE EY; ORWE.CA], reported 1Q 2022 results showing double digit revenues growth reaching 18.15% y-o-y, with GP margins reaching 10.93% and adjusted EBITDA Margin of 16.4%.

### Key Highlights of 1Q 2022

<p>EGP 3,265 mn in Revenues ▲ 18.15% y-o-y</p> <p>▲ 21% local Revenues ▲ 17% Export Revenues</p>	<p>EGP 357 mn in Gross Profit ▼ 25.81% y-o-y 10.93% GP margin</p> <p>EGP 536 mn* Adjusted EBITDA ▲ 3% y-o-y 16.4% margin</p>	<p>EGP 165 mn Rebates Collected ▲ 1506%</p> <p>EGP 236 mn in Attributable Net Income ▼ 21.17% y-o-y</p>
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### 1Q 2022 Financial Highlights

- **Strong Revenues growth** increased by an impressive 18.15% y-o-y (+8.61% q-o-q) in 1Q2021 reaching EGP 3,265 million. Export revenue, 66% of total revenues, increased by 16.5% y-o-y (+7.5% q-o-q). While local sales increased by 21.48% y-o-y (+10.90% q-o-q).
- **Gross Profit** recorded EGP 357 million, a decline of 25.81% y-o-y (-16.32% q-o-q) with an associated margin of 10.93% versus 17.40% in 1Q 2021. Contraction in Gross Profit margin was due to an increase in COGS by 27.41% in 1Q 2022 compared to 1Q 2021, which is a result of an increase in raw material cost.
- Performance was driven by management decision to implement two rounds of **price increase** in the local market, one in March (+5%) and the second round was on 1<sup>st</sup> of April (+12%) which will impact Q2 2022. In the export Market one round of price increase was implemented increasing prices by 3%.
- **Net Attributable Profit** declined by 21.17% y-o-y (+4.23% q-o-q) to EGP 236 million compared to EGP 299 million in 1Q 2021.

### Operational Highlights:

- OW carried over the momentum from 2021 into the first quarter of the new year to deliver strong top-line results, with **export revenues** increasing by 16.52% y-o-y (+7.48% q-o-q) in 1Q 2022 reaching EGP 2,162 million, with volumes declining 3.44% y-o-y (-1.92% q-o-q). In dollar terms, export revenues increased 13.26% y-o-y.
- **Local revenues** reported a significant 21.48% y-o-y (+10.90% q-o-q) increase in 1Q 2022 to EGP 1,102 million, compared to EGP 907 million in 1Q 2021, while volumes increased by 4.59% y-o-y (+7.59% q-o-q).
- **Export rebates** collected for the quarter were EGP 165.12 million.

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- OW opened 5 **new showrooms** across different governorates in Egypt in 1Q 2022, bringing the total number of showrooms on a group level to 259 showrooms.
- March 6<sup>th</sup> 2022 was the inauguration of **Oriental Weavers' first Solar Power Plant**, located in OW Alexandria showroom, which demonstrates the company's sustainability efforts. The plant capacity is 259 kw, which will reduce OW's CO2 emissions by 400 tons annually.

### Revenue Contribution by Market 1Q 2022 Vs 1Q 2021

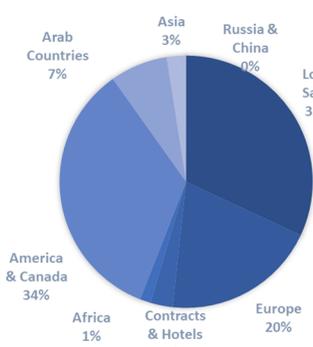


Figure 1: Revenue contribution 1Q 2022

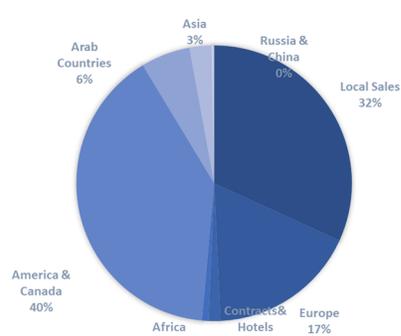


Figure 2: Revenue contribution 1Q 2021

**Table 1: Net Sales (Volume and Value) in 1Q 2022 vs. 1Q 2021**

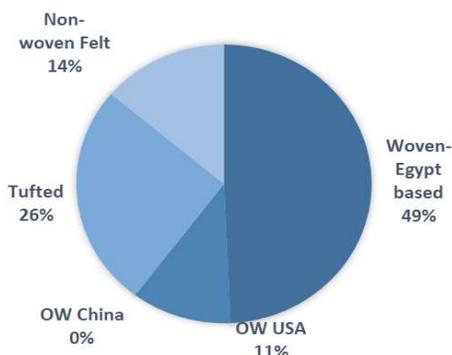
	Value (EGP million)			Volume (mn sqm)		
	1Q 2022	1Q 2021	% Change	1Q 2022	1Q 2021	% Change
Woven- Egypt based	2,061.4	1,554.8	32.6%	17.47	15.49	12.8%
OW USA	521.6	518.4	0.6%	3.88	4.12	-5.8%
OW China	1.2	6.0	-80.9%	0.01	0.06	-86.5%
Tufted	523.4	562.0	-6.9%	9.09	11.33	-19.7%
Non-woven Felt	135.7	106.3	27.7%	4.91	4.72	4.1%
Other	21.7	15.9	36.5%			
<b>Total</b>	<b>3,265</b>	<b>2,763</b>	<b>18.15%</b>	<b>35.4</b>	<b>35.7</b>	<b>-1.0%</b>

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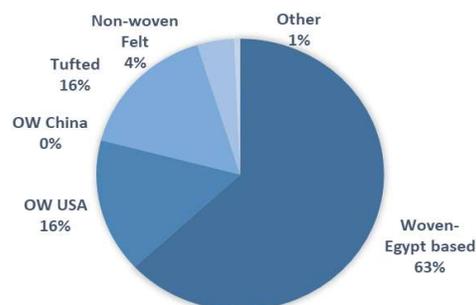
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Sales Volume Breakdown (sqm) 1Q 2022



Revenue Breakdown 1Q 2022



## Segment Reporting

### Local Sales (34% of Revenues)

OW local revenues reported a 21.48% increase in 1Q 2022 to EGP 1,102 million, compared to EGP 907 million in 1Q 2021, while volumes increased by 4.59% on y-o-y basis (+7.59% q-o-q).

In 1Q, **woven products** recorded an incredible 19.16% increase in value with flat volumes. This was mainly due to significant demand in Grade B products, which includes the new collection. This increase was partially due to consumers making an early purchasing decision, in anticipation of price increases in the local market in general. The **tufted products** witnessed an impressive recovery in sales, due to diversifying the distribution channels including big local retailers. Sales increased by 33.47% y-o-y (+21.97% q-o-q), mainly coming from increased sales in “the pieces segment” by 48.53% y-o-y. While volumes in the tufted segment increased 30.13% y-o-y in 1Q 2022. The **non-woven segment** was likewise an outperformer, as sales increased by 25.35% y-o-y while volume declined by 2.27% y-o-y.

**Showroom sales** (59% of local sales) increased by an impressive 32% y-o-y (+ 108% q-o-q) in 1Q 2022, while **wholesale** revenues reported a 3% y-o-y increase (+ 113% q-o-q). The increase in the showroom percentage was due to management decision to focus on showrooms as a distribution channel. Heading into 2Q 2022, the focus will be shifted towards wholesale as a distribution channel, to fill the gap caused by the import restrictive environment.

**Average pricing** during the quarter increased 16% y-o-y in the local segment, which was primarily due to selling an elevated product mix, as the new collection is appealing to the consumer which was at a higher price point. In addition to prices increase implemented in March by 5%.

OW opened 5 **new showrooms** across different governorates in Egypt in 1Q 2022. Bringing the total number of showrooms on a group level to 259 showrooms. Management strategy is to increase the number of showrooms across Egypt for the coming 3 years, in order to

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maintain OW's leading market share. In addition to expanding OW's online platform through "[Carpets Online](#)" and growing its social media presence.

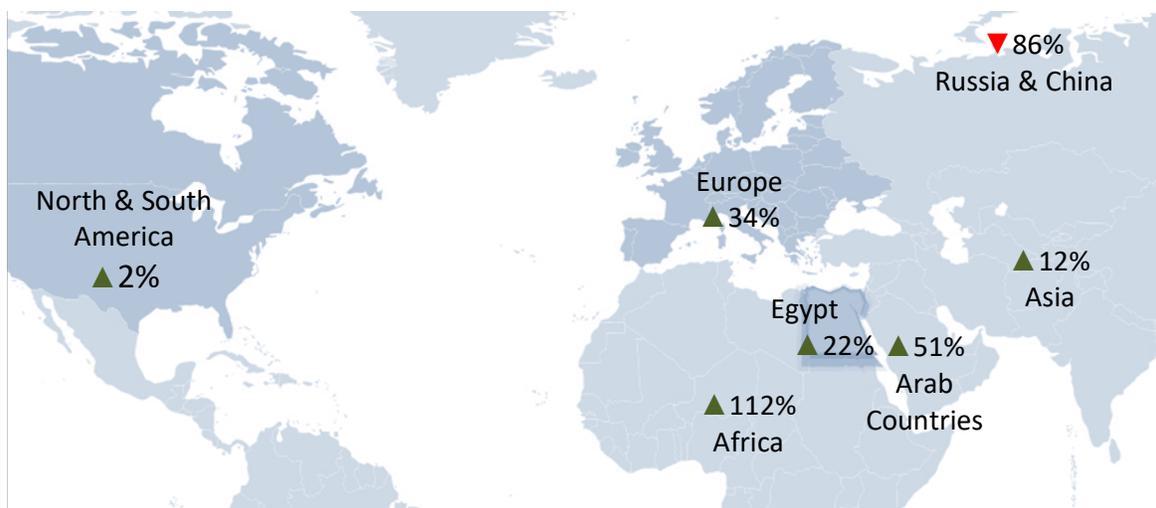
**Table 3: Percentage Change in Local Sales (Volume and Value)**

Percentage Change	Volume	Value	Average Price	Contribution to Local Revenues	
				1Q 2022	1Q 2021
Woven	▲ 0.2%	▲ 19.2%	▲ 19%	79%	81%
Tufted	▲ 30.1%	▲ 33.5%	▲ 3%	14%	12%
Non-woven	▼ 2.27%	▲ 25.3%	▲ 28%	5%	5%
Other		▲ 32.7%		2%	2%
<b>Total</b>	▲ 4.59%	▲ 21.5%		<b>100%</b>	<b>100%</b>

### Export & Overseas Operations (66% of revenues)

Export sales remained strong continuing on 2021 momentum. This translated into export revenues increasing by 16.52% y-o-y (+7.48% q-o-q) in 1Q 2022 reaching EGP 2,163 million, with volumes declining by 3.44%. Certain regions outperformed others namely Europe, Africa and the Arab Region.

### 1Q 2022 Revenue Performance by Region



\* The three key markets are Egypt, the US & Canada, and Europe.

Table 4: Percentage Change in Export Sales (Volume and Value)

Percentage Change	Volume	Value	Average Price	Contribution to Export Revenues	
				1Q 2022	1Q 2021
Woven	▲13%	▲27%	▲13%	79%	73%
Tufted	▼29%	▼17%	▲18%	17%	24%
Non-woven Felt	▲12%	▲30%	▲15%	4%	3%
<b>Total</b>	▼3%	▲17%	▲15%	<b>100%</b>	<b>100%</b>

European Sales increased 34% y-o-y in 1Q 2022, this was supported by shipments to OW's **key European customer**, which experienced a hike in sales of 60% y-o-y in 1Q 2022 (50% in dollar terms), as new product ranges have been agreed upon, in addition to "free range" products which provide better margins.

The **Arab region** continues to be one of the strongest performing markets, primarily from OW's increasing presence in Saudi Arabia market, with sales increasing 51% y-o-y in 1Q 2022. Arab markets contribution to total revenues reached 7% in 1Q 2022 compared to 3% in 2020 and 6% in 2021. OW export team are also witnessing significant demand from **Africa**, namely Morocco and Libya, with sales increasing 112% y-o-y in 1Q 2022.

The **US region** recorded an increase in Sales by 2% y-o-y in 1Q 2022. This is mainly due to macro-economic factors affecting the region, consequently affecting the purchasing power of the consumer. But unlike past cycles, U.S. housing inventory is historically low, more single-family homes are under construction and the U.S. home deficit will require years to align supply with demand. Remodeling should remain strong with rising home equity and buyers of existing homes still completing long-term projects that they initiated over the past few years. Commercial new construction and remodeling continue to strengthen as business conditions improve and projects that were delayed due to the pandemic are initiated.

Export revenues of the **Tufted Segments** dropped by 17% y-o-y in 1Q 2022 and 29% y-o-y in volume, this drop was owing to the fact that the US region constitutes around 50% of the tufted export segment revenues. As US is facing a slowdown across all aspects, consequently it impacted sales. Due to the company's agility, management took the decision to focus on the local market and direct capacity to cater the local consumer, causing an increase in the local segment by 36% y-o-y in 1Q 2022.

OW remains committed to solidifying and expanding existing client base through marketing campaigns, the development of new products, and ongoing dedication to produce products of notable quality and value. The export team managed to secure 12 new clients through 1Q 2022. OW is known for its quality of service compared to competitors, with a virtual

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showroom, E-catalog and no language barriers, these dynamics enable OW to secure long-term clients.

### OW USA

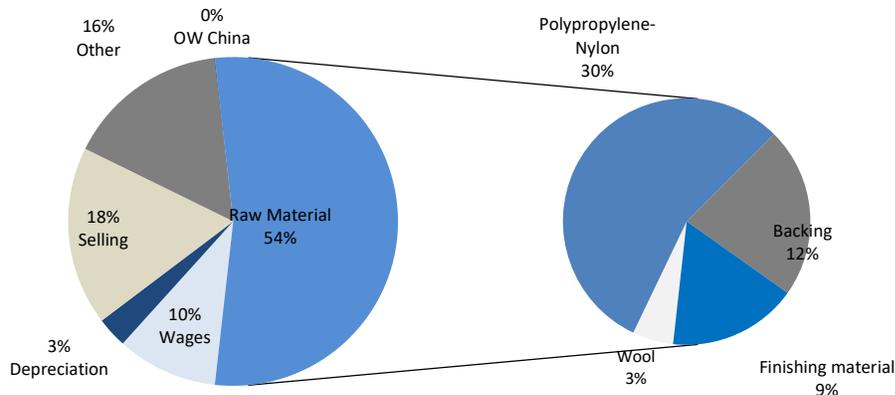
OW **U.S.-based subsidiary** recorded sales increase by 0.61% y-o-y in 1Q 2022 in local currency. While in dollar, sales dropped 6.8% y-o-y in 1Q 2022. This was due to several aspects, first, delay in shipments of containers coming from our Egypt based facility, that will be rolled into 2Q sales. Secondly, decline in online sales in the US market, as US consumers are impacted by the general economic downfall.

### OW Hospitality (3% of Revenues)

Oriental Weavers hospitality segment caters to several global prominent names, in addition to its local presence. In the local segment sales are up around 99% y-o-y in 1Q 2022, as OW installed several projects including Hotels, Mosques, Universities and New Administrative Capital related projects. In the export segment, sales increased 123% y-o-y in 1Q 2022, as we are witnessing a recovery in the hospitality segment compared to the pandemic era.

### Cost of Goods Sold

OW's COGS increased by 27.41% y-o-y to EGP 2,908 million in 1Q 2022, rising at a higher pace than the group's top line figure, as a result of surging raw material costs during the year. Despite multiple price increases implemented by management, OW lagged rapidly increasing raw material cost. Polypropylene prices increased by 35% y-o-y, Polyester prices increased by 61% y-o-y, Latex prices increased by 55% y-o-y, and Nylon increased by 79%. This resulted in, gross profit for 1Q 2022 decrease by 25.81% y-o-y (-16.32% q-o-q), with associated margins of 10.93% versus 17.40% in 1Q 2021.



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Raw material costs, which include wool, Polypropylene, backing and finishing materials, reached EGP 1.5 million in 1Q 2022, compared to EGP 1.2 million 1Q 2020, which is a 31% y-o-y increase.

### Interest Income / Expense

OW recorded net interest expense of EGP 7.1 million in 1Q 2022, compared to net interest income of EGP 13.9 million in 1Q 2021. Driven by an increase in total net debt to finance capacity expansion.

### Other Revenues

OW recorded other revenues of EGP 165 million in 1Q 2022, which are export rebates received as incentives from the Egyptian government to support exporters.

### Foreign Exchange

OW recorded a foreign exchange loss of EGP 65 million in 1Q 2022 compared to foreign exchange loss of EGP 3 million in 1Q 2021. The figure reflects FX losses on the back of the Egyptian pound devaluation on the 21<sup>st</sup> of March 2022.

### Taxation

Income tax recorded in 1Q 2022 were EGP 51 million compared to EGP 37 million in the same quarter of last year. The effective tax rate stood at 16.1% in the quarter versus 9.6% in 1Q 2021. The tax rate is a function of earnings contributions from taxable subsidiaries versus non-taxable free zone subsidiaries, such as Oriental Weavers International and Oriental Weavers Textiles. The higher effective tax rate is attributed to dividends recognized in 1Q in free zone companies, noting that the effective tax rate will normalize throughout the year.

### Net Profit

OW's attributable net profit was EGP 236 million in 1Q 2022, a decline of 21.17% y-o-y. This drop is attributed to lower gross profit, due to higher raw material cost. Net profit margin stood at 7.97% in 1Q 2022, compared to 12.42% in 1Q 2021.

### Debt

On March 31<sup>st</sup>, 2022, OW debt breakdown was 60% USD, 10% Euro and 30% EGP, compared to 53.1% USD, 9.4% Euro and 37.5% EGP on December 31<sup>st</sup>, 2021.

### Cash

Cash and Treasury bills recorded EGP 3.4 billion in 1Q 2022 compared to EGP 2.5 billion on December 31<sup>st</sup>, primarily due to the foreign currency composition. Cash breakdown is as follows 18% Euro, 56% EGP and 25% in dollars.

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### Dividends

In view of the strong cash-generative nature of our business, OW's dividend policy is to return to shareholders the maximum amount of excess cash after taking careful account of the cash needed to support operations and expansions. As such, OW distributed LE 1 per Share to shareholders till 18<sup>th</sup> of April 2022 which translates into a divided yield of 11.8%.

### Expansion Plan

Oriental Weavers is currently building a new production facility namely "Nefertari Facility" that will include 22 looms and a carpet finishing area. Total investment cost for the facility will be \$50 million. This project will be implemented through 3 stages, first stage will include installing 8 looms, second stage will include 8 looms, and the final stage includes installing 6 looms.

### INVESTOR RELATIONS CONTACTS

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### Forward-Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as "according to estimates", "aims", "anticipates", "assumes", "believes", "could", "estimates", "expects", "forecasts", "intends", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "should", "to the knowledge of", "will", "would" or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding business and management, future growth or profitability and general economic and regulatory conditions and other matters affecting the Company.

Forward-looking statements reflect the current views of the Company's management ("Management") on future events, which are based on the assumptions of the Management and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause the Company's actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements.

The Company's business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to differ materially from those expressed or implied by the forward-looking statements contained in this prospectus. The information, opinions and forward-looking statements contained in this communication speak only as at its date and are subject to change without notice. The Company does not undertake any obligation to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this communication.

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## Income Statement (EGP million)

	Three Months Ended March 31 2021		
	2022	2021	Change
<b>Net Sales</b>	3,265	2,763	18.15%
<b>Less:</b>			
<b>COGS</b>	2,908	2,282	27.41%
<b>Gross Profit</b>	<b>357</b>	<b>481</b>	<b>-25.81%</b>
<i>Gross Profit Margin*</i>	<b>10.93%</b>	<b>17.4%</b>	<b>-648bps</b>
<b>Less:</b>			
Selling and Distribution Expenses	41	38	10%
General and Administrative Expenses	110	88	26%
<b>Sum</b>	<b>152</b>	<b>125</b>	<b>21%</b>
<b>Net Income from Operation Activities</b>	<b>205</b>	<b>355</b>	<b>-42%</b>
<b>Operation Activities Margin</b>	<b>6.28%</b>	<b>12.86%</b>	<b>659bps</b>
<b>Add / Less:</b>			
ECL	12.88	-	
Provisions and impairment	-	-2.6	
Investment Income	-	1.51	
Interest Income	7	3.17	122%
Treasury Income	45	58.5	-22%
Other Revenues	165	10.28	1506%
Capital Gain	-0.99	4	-124%
Financing Expenses	-59	-48	24%
Foreign Exchange gain (loss)	-65	-3.15	1964%
<b>Sum</b>	<b>105</b>	<b>24</b>	<b>337%</b>
<b>Net Profit for the Period before Income Tax</b>	<b>310</b>	<b>379</b>	<b>-18%</b>
<b>EBT Margin</b>	<b>9.5%</b>	<b>13.7%</b>	<b>-424bps</b>
<b>Add / Less:</b>			
Current Income Tax	-51	-37	37%
Deferred Tax	1	1	42%
<b>Income Tax for the Period</b>	<b>-49</b>	<b>-36</b>	<b>37%</b>
<b>Net Profit for the Period</b>	<b>260</b>	<b>343</b>	<b>-24%</b>
<b>Net Profit Margin</b>	<b>8%</b>	<b>12%</b>	<b>-445bps</b>
<b>Attributable to:</b>			
<b>Equity Holders of the Parent</b>	236	300	-21%
<b>Non-controlling interest</b>	24	43	-45%

\* Reported figures include depreciation expenses

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### Balance Sheet (EGP million)

	1Q 2022	FY 2021
<b>Long-Term Assets</b>		
Fixed Assets (Net)	4384	4123
Projects in Progress	437	252
Investments - Available for Sale	389	337
Beneficial interest in assets	348	331
<b>Total Long-Term Assets</b>	<b>5,558</b>	<b>5,043</b>
<b>Current Assets</b>		
Inventory	4893	4215
Trades and Notes Receivable	2329	1965
Debtors and Other Debit Accounts	495	421
Treasury Bills	1050	1539
Cash on Hand and at Banks	2375	984
<b>Total Current Assets</b>	<b>11,143</b>	<b>9,123</b>
<b>Current Liabilities</b>		
Provisions	97	101
Banks - Credit Accounts	3967	3029
Long Term Liabilities - Current Portion	151	122
Suppliers and Notes Payable	1407	1105
Dividends Payable	970	16
Due within one year of rental contract obligations	98	87
Creditors and Other Credit Accounts	656	585
Deferred Tax Liability	112	125
<b>Total Current Liabilities</b>	<b>7,457</b>	<b>5,171</b>
<b>Working Capital</b>	<b>3,686</b>	<b>3,953</b>
<b>Total Investment</b>	<b>9,243</b>	<b>8,996</b>
<b>Financed as Follows:</b>		
<b>Shareholder's Equity</b>		
Issued and Paid Capital	665	665
Reserves	1707	1627
Retained Earnings	547	398
Net Profit for the Period	236	1085
Exchange Differences Arising on Translation of Foreign Currency	4377	3541
<b>Total Equity Attributable to Equity Holders of the Parent</b>	<b>7,532</b>	<b>7,316</b>
<b>Non-controlling Interest</b>	<b>939</b>	<b>941</b>
<b>Total Equity</b>	<b>8,472</b>	<b>8,257</b>
<b>Long - Term Liabilities</b>		
Long-Term Loans	330	305
Lease contract obligations	280	269
Deferred Taxes Liabilities	162	165
<b>Total Long-Term Liabilities</b>	<b>772</b>	<b>739</b>
<b>Total Shareholder's Equity and Long-Term Liabilities</b>	<b>9,243</b>	<b>8,996</b>

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### Statement of Cash Flows (EGP million)

	Three Months Ended March 31	
	2022	2021
<b>Cash flows from Operating Activities:</b>		
Net Profit for the Period before Income Tax	<b>310</b>	<b>379</b>
<b>Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities</b>		
Fixed Assets Depreciation	143	134
Provisions other than Depreciations	-	3
Interest Income	-7	-3
Depreciation of usufruct assets	23	21
Financing Expenses	59	48
Investment Income	-	-2
Capital gain	1	-4
<b>Operating Profits before Changes in Working Capital</b>	<b>516</b>	<b>576</b>
<b>Change in Working Capital</b>		
(Increase) in Inventory	-231	-77
Decrease (Increase) in Trades and Notes Receivable and other Debit Accounts	-119	-114
Decrease (Increase) in Suppliers and Notes Payable and other Credit Accounts	86	-50
<b>Cash Flows Provided by Operating Activities</b>	<b>252</b>	<b>335</b>
Interest Income	7	3
Paid Financing Expenses	-59	-48
Paid income Tax Expense	-10	-2
<b>Net Cash Flows Provided by Operating Activities</b>	<b>189</b>	<b>288</b>
<b>Cash Flows from Investing Activities</b>		
Payments for Purchase of Fixed Assets and Projects in Progress	-165	-80
Buying investments available for Sale	-	-123
Proceeds from Investments available for sale	-	2
Proceeds from the Sale of Fixed Assets	3	17
Proceeds from Sale of Treasury Bills	656	-73
<b>Net Cash Flows (used in) Investing Activities</b>	<b>494</b>	<b>-257</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds (Payment) from Banks - Credit Accounts	704	299
Dividends Paid	-19	-2
Translation Differences of Financial Statements	40	1
Paid for Lease obligations	-54	-12
Increase in paid-in capital of subsidiary	-	-
(Payment) Proceeds in Long Term Liabilities	55	-52
<b>Net Cash Flows (used in) Provided by Financing Activities</b>	<b>726</b>	<b>234</b>
<b>Net Change in Cash and Cash Equivalents During the Period</b>	<b>1,410</b>	<b>266</b>
Cash and cash equivalents at beginning of the period	<b>1,369</b>	1470
Translation Differences Related to Cash and Cash Equivalents	<b>107</b>	-2
<b>Cash and Cash Equivalents at End of the Period</b>	<b>2,886</b>	<b>1734</b>