

# 4Q 2023 Earnings Release

Cairo 28<sup>th</sup> February 2024



## Oriental Weavers Reports Record High Quarter Results

ORWE reports outstanding FY23 results, achieving all-time high revenues with a remarkable 33% y-o-y increase. GP margin reached 14.4%, while net attributable income surged by 106%. In 4Q 2023, revenues reached a quarter record high of EGP 4,785 million, marking a 27% y-o-y increase, with impressive GP margins of 15.2% and an EBITDA Margin of 15.9%. Net attributable income in 4Q amounted to EGP 444 million, reflecting a notable 40% y-o-y growth.

### Key Highlights of FY 2023

EGP 17,659 m

in Revenues

▲ 33% y-o-y

EGP 2,550 m

in Gross Profit

▲ 103% y-o-y  
14.4% GP margin

EGP 2,729 m

EBITDA (ex-Rebates)

▲ 85% y-o-y  
15.5% margin

EGP 1,740 m

in Net attributable

Income  
▲ 106% y-o-y

### Key Highlights of 4Q 2023

EGP 4,785 m

in Revenues

▲ 27% y-o-y

EGP 728 m

in Gross Profit

▲ 177% y-o-y  
15.2% GP margin

EGP 758 m

EBITDA (Ex-Rebates)

▲ 85% y-o-y  
15.9% margin

EGP 444 m

in Net attributable Income

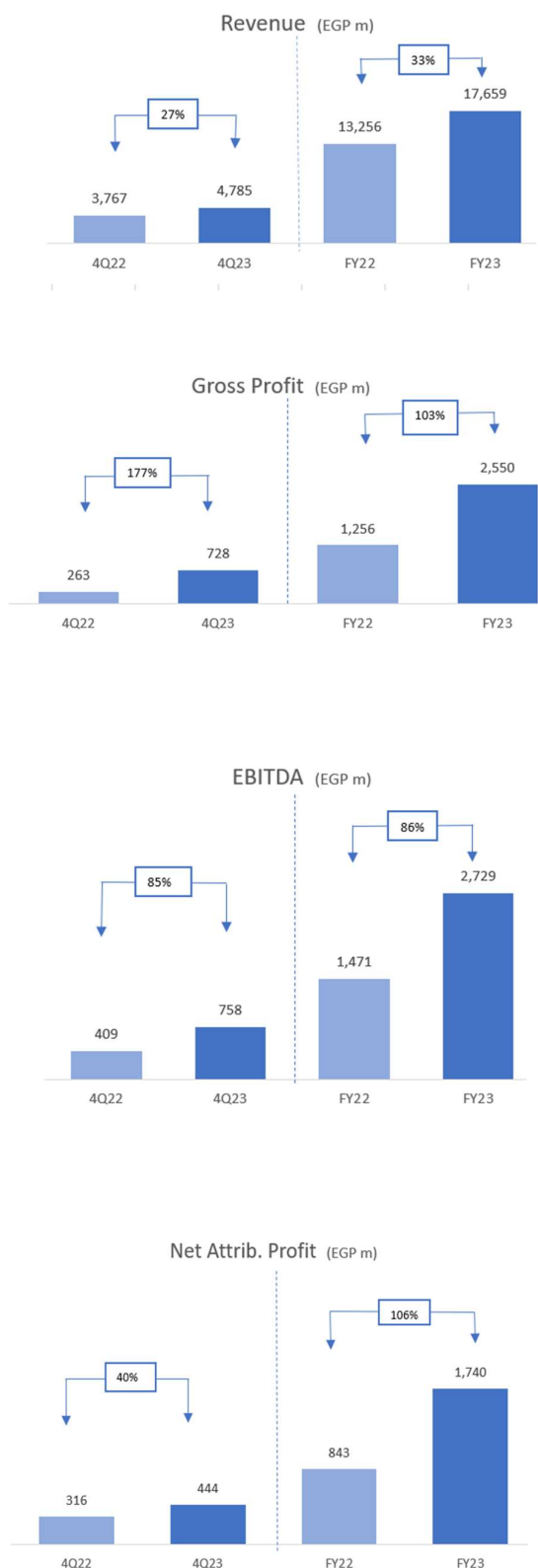
▲ 40% y-o-y

### 4Q 2023 Highlights

- Revenue growth** by 27% y-o-y (7% q-o-q) in 4Q23 reaching EGP 4,785 million. International sales, 59% of total revenues, increased by 28% y-o-y (-4% q-o-q). While Egypt revenues increased by 26% y-o-y (+27% q-o-q). The growth in top line predominately came from higher average selling prices and local currency devaluation impact.
- Gross Profit** recorded EGP 728 million, an increase of 177% y-o-y (+9% q-o-q) generating gross profit margin of 15.2% versus 7.0% in 4Q22. This marks the highest Gross Profit Margin achieved throughout the year. The improvement in Gross Profit Margin can be attributed to a rise in average selling prices, which outpaced the increase in raw material costs in EGP terms. COGS to Sales ratio stood at 85% in 4Q23, compared to 93% in the same period of the previous year, supported by decline in Polypropylene and freight prices.
- EBITDA (ex-Rebates)** recorded EGP 758 million in 4Q23, representing an increase of 85% y-o-y, EBITDA margin expanded to 15.9%, up from 10.9% in 4Q22. This improvement was driven by enhanced gross profitability, coupled with a reduction in the SG&A/Sales ratio, which reached 3.96% in 4Q23, compared to 4.29% in 4Q22, influenced by the higher proportion of EGP component in the SG&A figure.
- Net Income** surged by 41% reaching EGP 509 million compared to EGP 360 million in 4Q22. While attributable income recorded EGP 444 million in 4Q23 an increase of 40% from EGP 316 million.

### Summary Income Statement (EGP m)

EGPm	4Q2023	4Q2022	Change	FY2023	FY2022	Change
Revenue	4,785	3,767	▲ 27%	17,659	13,256	▲ 33%
Gross Profit	728	263	▲ 177%	2,550	1,256	▲ 103%
% Margin	15.2%	7.0%		14.4%	9.5%	
EBITDA	758	409	▲ 85%	2,729	1,471	▲ 85%
% Margin	15.9%	10.9%		15.5%	11.1%	
Net Income	509	360	▲ 41%	1,892	944	▲ 101%
% Margin	10.6%	9.6%		10.7%	7.1%	



## Results in a Nutshell

ORWE, the world's leading carpet producer by volume, has reported its 4Q23 results today, recording revenues of EGP 4,785 million, up 27% y-o-y. This revenue growth translated into impressive gross profit figures, which surged by 177% y-o-y to EGP 728 million in 4Q23, accompanied by margin enhancement to 15.2%, representing the highest margin achieved throughout the year. On a full year basis, ORWE recorded revenues of EGP 17,659 million, up 33%. While gross profit reached EGP 2,550 million compared to EGP 1,256 million, a growth of 103% with associated margins reaching 14.4% in FY23

ORWE achieved robust growth in both the international and Egyptian market, capitalizing on its adaptable business model, diverse portfolio, and strong brand equity. In our international markets, the **average selling price (ASP)** increased by 11%, influenced by the impact of currency devaluation on international revenues. On the domestic front, ASP increased by 29%, driven primarily by implemented price increases. This surge was further bolstered by the expansion of OW showrooms, amplifying the company's reach in the market.

**Volume** increased by 7% y-o-y in 4Q23, primarily propelled by a remarkable 15% increase in international sales volume. However, local volumes experienced a slight decline of 2% during the same period.

Total **SG&A expenses** for the fourth quarter of 2023 amounted to EGP 190 million, reflecting a 17% y-o-y increase. However, the SG&A expenses as a percentage of total sales decreased to 3.9% from 4.3% in 4Q22. This reduction is primarily attributed to EGP-denominated expenses, in contrast to the 59% USD-based revenues.

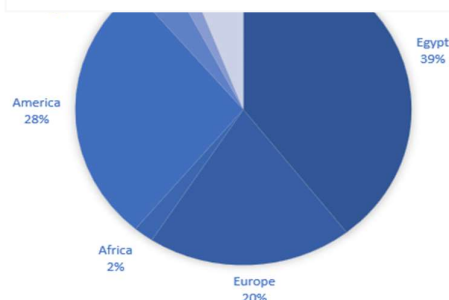
**Net interest income** reached EGP 6.7 million in 4Q23, from an EGP 23.4 million Net interest expense in 4Q22. Interest income recorded EGP 135 million in 4Q23, up 87% versus 4Q22, surpassing the increase in net interest expense. This positive shift is a result of cash management and improvement in the working capital.

**Income tax** recorded in 4Q23 were EGP 33 million compared to EGP 75 million in the same quarter of last year. The effective tax rate declined to 6.1%. As the tax rate is a function of earnings contributions from taxable subsidiaries verses non-taxable free zone subsidiaries.

OW's **Net attributable Income** recorded EGP 444 million in 4Q23, representing a notable increase of 40% y-o-y, compared to 4Q22. This increase is attributed to higher gross profitability and improved operational efficiency measures implemented during the period.

## Revenue Contribution by region 4Q23

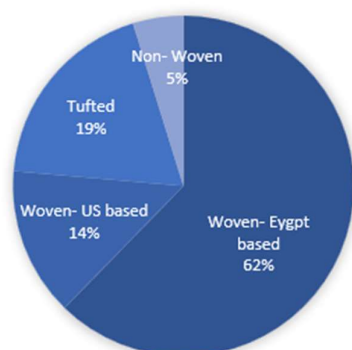
### Revenue Breakdown by Product 4Q23



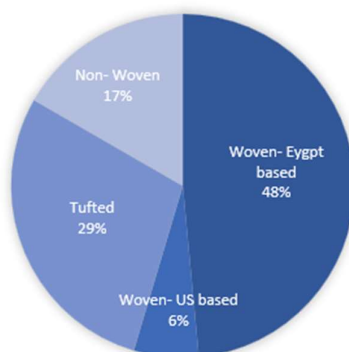
## I. International Markets

ORWE exports its products up to 130 countries worldwide. In the fourth quarter of 2023, international sales reached EGP 2,811 million, reflecting a 28% y-o-y increase, (-4% q-o-q). This growth was driven by 1) a 15% y-o-y uptick in volume, 2) complemented by local currency devaluation and 3) a significant rise in sales within the tufted segment, attributed to strategic management changes. Disruption in the red sea region had a slight impact on 4Q results, as a result of global maritime delay in vessels. The OW export team successfully secured 12 new active clients in the fourth quarter of 2023, notably expanding their presence in key markets such as France, Germany, and Brazil

## 4Q23 Revenue Growth by Region



## Revenue Breakdown by Volume 4Q23



In 4Q23, **America** experienced a 16% y-o-y increase in revenues, capitalizing from EGP devaluation. We are currently observing a modest recovery in the appetite of US retailers, which is evident in our sales figures, as they are actively rebuilding their inventory levels. In 4Q23, **European sales** grew by 58% y-o-y, driven by local currency devaluation compared to 4Q22. Furthermore, the notable increase in sales was primarily attributed to the German market, specifically targeting major wholesalers and online retailers. In the **GCC region**, sales decreased by 3%, primarily as a result of overstocking in the Saudi market and the reintroduction of Turkish carpets to the market. Conversely, the **African region** has sustained its positive growth trend, experiencing robust demand, notably from Libya, Kenya, and Tanzania. Sales in this region surged by 70% y-o-y in the fourth quarter of 2023.

“MAC”, the tufted segment demonstrated outstanding performance this quarter across all regions, driven by management changes and substantial price increases. Volumes surged by 57%, while the segment's value soared by an impressive 111%.

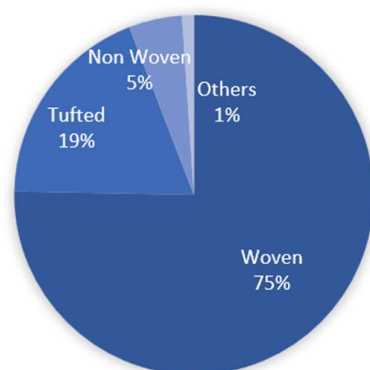
## OW USA

The U.S.-based subsidiary of OW reported a 12% y-o-y increase in sales when measured in local currency. Meanwhile, the decline in sales volume occurred at a more moderate rate, decreasing by only 0.5% y-o-y.

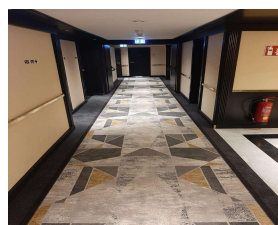
Egypt Revenue Breakdown by Distribution Channel 4Q23



Egypt Revenue Breakdown by Product 4Q23



Hilton Park Lane UK



Hilton Vienna Plaza



## II. Egypt:

In 4Q23, Egypt's revenues surged by 26% to EGP 1,973 million, a notable increase from EGP 1,564 million in the same quarter of the previous year, (+27% q-o-q). This growth was predominantly propelled by an upswing in average selling prices within the local market. Concurrently, local sales volumes declined by 2%. During the fourth quarter, Egypt's sales increased in terms of value, owing to outstanding performances across all segments. Notably, woven products saw an impressive 25% y-o-y increase in revenues, fueled by local price adjustments. Moreover, the Tufted products category experienced a substantial 20% y-o-y sales boost. Meanwhile, the non-woven segment recorded an astonishing 55% y-o-y surge.

### A. Owned Retail Business:

Showroom sales, accounting for 53% of Egypt's total sales, demonstrated an impressive 23% y-o-y increase. This surge was attributed to a combination of price adjustments, the effectiveness of OW's marketing campaigns, and the implementation of an extensive showroom strategy. In addition to the broadened showroom network, OW successfully inaugurated two new showrooms during 4Q23, which brings a total of 10 new showrooms during FY23, strategically located in selected and underpenetrated areas, with the aim of further expanding our customer outreach.

### B. Wholesale Business

Meanwhile, wholesale revenues, accounting for 42% of Egypt sales in the fourth quarter of 2023, registered an impressive 27% y-o-y growth. This surge was bolstered by heightened wholesale demand as they anticipated further price increases.

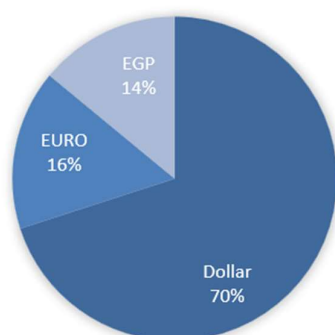
### C. E-commerce in Egypt

While E-commerce is still in its infancy stage, but it is experiencing growth. In 4Q23, E-commerce sales reached LE 4.9 million, marking an impressive 36% increase from LE 3.6 million in the same period last year. As for FY23 sales reached EGP 13.8 million compared to EGP7.7 million in FY22, a 79% increase. Furthermore, the number of available SKUs doubled, reflecting a growing variety of OW products. Our OW team has been actively expanding our presence on various platforms, including Amazon, Homzmart, and Noon, in addition to our own Oriental Weavers' platform. We are continuously enhancing our online website to ensure a superior and seamless user experience for our customers.

## III. Hospitality Segment:

Oriental Weavers hospitality segment caters to several prominent global names, in addition to its local presence. In the local segment, sales are up around 71% y-o-y 4Q23, as OW installed several projects, including Hotels, Mosques, Universities. In the international segment, sales increased by 20% y-o-y in 4Q23. One of the standout projects is the Wasl Tower in Dubai, renowned as the tallest sustainable tower globally. The team is currently actively involved in this project, along with several other prestigious ventures including multiple Hilton projects in the UK and Switzerland.

### Debt Breakdown



### Balance Sheet:

The company's total debt as of 31 December 2023 stood at EGP 4,677 million, down from EGP 5,277 million as at year-end 2022. OW's cash balance stood at EGP 4,556 million as of 31 December 2023 versus EGP 3,233 million at year-end 2022. The Company recorded a net debt of EGP 121 million as of 31 December 2023 compared to a net debt of EGP 2,044 million as at 31 December 2022. OW booked inventories of EGP 6,927 million as of 31 December 2023, up from EGP 6,031 million as of 31 December 2022. Meanwhile, trade and notes receivable stood at EGP 3,163 million as of 31 December 2023, up from EGP 2,428 million as at 31 December 2022.

### Recent Developments:

#### Product Development:

ORWE remains dedicated to its path of progress and enhancement, evident through its continual efforts. A notable example lies in OW's expansion of its themed rug line for the local market, encompassing designs for occasions such as Christmas and New Year. Moreover, the woven team has been diligently refining its handmade look design, resulting in significant success and growing demand.

#### Green Corner:

OW signed an agreement with Amarenco Solarize, the leading provider of solar energy solutions in Egypt, to operate one of its factories in the Tenth of Ramadan area using solar energy. This project is a significant step in Oriental Weavers' sustainability journey, which is aligned with Egypt's Vision 2030 and the company's commitment to reducing its carbon emissions. The solar power station, with a capacity of 1.3 MWp, will provide 80% of one factory's energy needs, resulting in a reduction of carbon emissions by 2,300 tons annually.

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Cairo 28<sup>th</sup> February 2024

### Income Statement (EGP million)

	4Q 2023	4Q 2022	Change	FY2023	FY2022	Change
<b>Net Sales</b>	4,785	3,767	27%	17,659	13,256	33%
<b>Less:</b>						
<b>COGS</b>	4,057	3,505	16%	15,109	12,000	26%
<b>Gross Profit</b>	728	263	177%	2,550	1,256	103%
<b>Gross Profit Margin*</b>	<b>15.2%</b>	<b>7%</b>		<b>14.4%</b>	<b>9.5%</b>	
<b>Less:</b>						
Selling & Distribution Expenses	64	49	30%	209	172	21%
General & Administrative Expenses	126	113	12%	513	437	17%
<b>Sum</b>	<b>190</b>	<b>162</b>		<b>722</b>	<b>609</b>	
<b>Net Income from Operation Activities</b>	<b>538</b>	<b>101</b>	<b>433%</b>	<b>1,828</b>	<b>647</b>	<b>182%</b>
<b>Operation Activities Margin</b>	<b>11.2%</b>	<b>2.7%</b>		<b>10.3%</b>	<b>4.9%</b>	
<b>Add / Less:</b>						
Provisions & Impairment	-54.3	-86.7		-98.5	-118.4	
Provision of ECL	5.7	-17.6		-68.3	-49	
Investment Income	51.5	2		51.7	28.4	
Interest Income	28.5	16		101.7	47.9	
Treasury Income	91.9	56.4		240.9	150.6	
Other Revenues	-0.5	436		329	800	
Capital Gain	9	10.2		24.4	12.4	
Financing Expenses	-128.8	-95.9		-459.4	-304	
Foreign Exchange Differences	-14.9	13.9		-166.2	72.6	
Reverse Impairment of Assets held for Sale	1.36			252.4		
Gain from asset held for Sale				34.8		
Returns on financial assets at cost	15.01			15.01		
<b>Sum</b>	<b>4.62</b>	<b>335</b>	<b>-99%</b>	<b>257.6</b>	<b>495.4</b>	<b>-48%</b>
<b>Net Profit for the Period before Income Tax</b>	<b>542.8</b>	<b>435.9</b>	<b>24.5%</b>	<b>2,085</b>	<b>1,142.7</b>	<b>82%</b>
<b>EBT Margin</b>	<b>11.34%</b>	<b>11.57%</b>		<b>11.81%</b>	<b>8.62%</b>	
<b>Add / Less:</b>						
Current Income Tax	-68.3	-73.3	-7%	-234.4	-200.1	17%
Deferred Tax	35.05	-2.1		40.8	1.6	
<b>Income Tax for the Period</b>	<b>-33.3</b>	<b>-75.5</b>	<b>-56%</b>	<b>-193.6</b>	<b>-198.5</b>	<b>-2%</b>
<b>Net Profit for the Period</b>	<b>509.5</b>	<b>360.4</b>	<b>41%</b>	<b>1,892</b>	<b>944</b>	<b>100%</b>
<b>Net Profit Margin</b>	<b>10.6%</b>	<b>9.6%</b>		<b>10.7%</b>	<b>7.1%</b>	
<b>Equity Holders of the Parent</b>	<b>444</b>	<b>316</b>	<b>40%</b>	<b>1,740</b>	<b>843</b>	<b>106%</b>
<b>Minority Interest</b>	<b>65.8</b>	<b>44.2</b>	<b>48%</b>	<b>151.8</b>	<b>101.3</b>	<b>50%</b>

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### Balance Sheet (EGP million)

	Dec-2023	FY 2022
<u>Long Term Assets</u>		
Fixed Assets (Net)	6,374	5,584
Projects in Progress	269	355
Investments – at Fair Value	649	645
Right of use assets	455	371
<b>Total Long-Term Assets</b>	<b>7,748</b>	<b>6,955</b>
<u>Current Assets</u>		
Inventory	6,927	6,031
Trades & Notes Receivable	3,613	2,428
Debtors & Other Debit Accounts	715	482
Treasury Bills	2,127	1,813
Financial Assets	629	
Cash on Hand & at Banks	1,800	1,420
Assets available for sale		46
<b>Total Current Assets</b>	<b>15,360</b>	<b>12,220</b>
<u>Current Liabilities</u>		
Provisions	226	157
Banks - Credit Accounts	4,191	4,610
Long Term Liabilities - Current Portion	240	275
Lease Contracts Liabilities- Current Portion	115	111
Suppliers & Notes Payable	2,162	1,016
Dividends Payable	57	31
Creditors & Other Credit Accounts	975	672
Tax Payable	179	171
Liabilities associated with non-current assets held for sale		24
<b>Total Current Liabilities</b>	<b>8,143</b>	<b>7,045</b>
<b>Working Capital</b>	<b>7,218</b>	<b>5,174</b>
<b>Total Investment</b>	<b>14,965</b>	<b>12,130</b>
<u>Shareholder's Equity</u>		
Issued & Paid Capital	665	665
Reserves	1,795	1,871
Retained Earnings	705	453
Net Profit for the Period	1,740	843
Exchange Differences Arising on Translation of Foreign Currency	7,905	6,258
<b>Total Equity Attributable to Equity Holders of the Parent</b>	<b>12,809</b>	<b>10,091</b>
<b>Non-controlling Interest</b>	<b>1,362</b>	<b>1,164</b>
<b>Total Equity</b>	<b>14,171</b>	<b>11,255</b>
<u>Long - Term Liabilities</u>		
Long Term Loans	246	392
Deferred Taxes Liabilities	149	303
Lease contract obligations	399	156
<b>Total Long-Term Liabilities</b>	<b>794</b>	<b>850</b>
<b>Total Shareholder's Equity &amp; Long-Term Liabilities</b>	<b>14,965</b>	<b>12,105</b>



## Statement of Cash Flows (EGP million)

	FY 2023	FY 2022
<b>Cash flows from Operating Activities:</b>		
Net Profit for the Period before Income Tax	2,086	1,143
<b>Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities</b>		
Fixed Assets Depreciation	786	719
Depreciation of right of use assets	115	104
Provisions other than Deprecation	98	118
Provision for Expected Credit Loss (IFRS 9)	68	49
Interest Income	-102	-48
Reverse provisions	-252	
Gain from Liquidation of available for sale assets	-35	
Financing Expenses	459	304
Treasury bills return	-241	-151
Investment Income	-52	-28
Capital Gain	-24	-12
<b>Operating Profits before Changes in Working Capital</b>	<b>2,907</b>	<b>2,199</b>
<b>Change in Working Capital</b>		
(Increase) in Inventory	163	-227
Decrease (Increase) in Trades & Notes Receivable and other Debit Accounts	-292	653
Decrease (Increase) in Suppliers & Notes Payable and other Credit Accounts	878	-1,035
<b>Cash Flows Provided by Operating Activities</b>	<b>3,656</b>	<b>1,589</b>
Interest Income	102	48
Paid Financing Expenses	-459	-304
Income Tax Expense	-164	-101
<b>Cash Flows Provided by Operating Activities</b>	<b>3,134</b>	<b>1,232</b>
<b>Cash Flows from Investing Activities</b>		
Payments for Purchase of Fixed Assets and Projects in Progress	-453	-744
Proceeds from Investments	52	28
Proceeds from Sale of fixed assets	39	21
Payment for purchase of treasury bills	-1,845	-1,204
Payment for financial assets	-635	
Proceeds from selling assets available for sale	306	
Proceeds from Sale of Treasury Bills	1,607	1,611
<b>Net Cash Flows (used in) Investing Activities</b>	<b>-929</b>	<b>-287</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds (Payment) from Banks - Credit Accounts	-1,169	751
Dividends Paid	-686	-958
Translation Differences of Financial Statements	-31	20
Paid for Lease obligations	-115	-159
(Payment) Proceeds in Long Term Liabilities	-277	67
<b>Net Cash Flows (used in) Provided by Financing Activities</b>	<b>-2,279</b>	<b>-279</b>
<b>Net Change in Cash &amp; Cash Equivalents During the Period</b>	<b>-74</b>	<b>666</b>
Cash & cash equivalents at beginning of the period	2,195	1,369
Translation Differences Related to Cash & Cash Equivalents	152	160
<b>Cash &amp; Cash Equivalents at End of the Period</b>	<b>2,273</b>	<b>2,195</b>



### ABOUT ORIENTAL WEAVERS CARPET COMPANY

Oriental Weavers is a global player in machine-woven rugs and carpets; the company is renowned for superior product design and quality, as well as technological innovation. Today, the company is one of the largest producers of machine-made woven rugs in the world. It is management's vision to build a state-of-the-art, internationally competitive carpet and home textile company, characterized by a sharp focus on its customers and driven by marketing- and export-oriented strategies. ([www.orientalweavers.com](http://www.orientalweavers.com))

### FORWARD-LOOKING STATEMENTS

Certain information contained in this document consists of forward-looking statements reflecting the current view of the Company with respect to future events, and is therefore 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 as well as 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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