

# 2Q 2024 Earnings Release

Cairo 14<sup>th</sup> August 2024



النساجون الشرقيون  
ORIENTAL WEAVERS

## 2Q24 Another Record Quarter with Strong Operating Performance

### Key Highlights of 2Q 2024



Margins softened by one-off OWA inventory write down

### Key Highlights of 1H 2024



### 2Q 2024 Highlights

**Revenue** in 2Q24 increased by 35% y-o-y (+14% q-o-q) reaching EGP 5,741 million. International sales, accounting for 64% of total revenues, grew by 28% y-o-y (+26% q-o-q). While Egypt revenues increased by 49% y-o-y (-2% q-o-q). Top-line growth was driven by the impact of local currency devaluation on international sales, higher average selling prices and volumes in Egypt and Management's focus on profitable segments.

**COGS** in 2Q24 increased by 38% y-o-y (+24% q-o-q) reaching EGP 5,037 million. The increase includes a one-time inventory write-down of EGP 271 million for aged inventory in OW America (OWA), as part of new management strategy for inventory control.

**Adjusted COGS** in 2Q24 increased by 30% y-o-y reaching EGP 4,766 million.

**Gross Profit** increased by 18.6% y-o-y, reaching EGP 704 million, generating GP margin of 12.3% versus 14.0% in 2Q23.

**Adjusted GP** increased by 64% y-o-y, reaching EGP 976 million, with an associated margin of 17.0%. The improvement in GP Margin can be attributed to a rise in average selling prices, which outpaced the increase in raw material costs in EGP terms. The adjusted COGS-to-Sales ratio improved to 83% in 2Q24 from 86% in the same period last year, driven by enhanced production efficiency initiatives and operating at high utilization rates.

**EBITDA (ex-Rebates)** increased by 24% y-o-y, reaching EGP 816 million, with an EBITDA margin of 14.2%.

**Adjusted EBITDA** increased by 65% y-o-y, reaching EGP 1,088 million, adjusted EBITDA margin expanded to 18.9%, up from 15.5% in 2Q23. This improvement was driven by enhanced gross profitability.

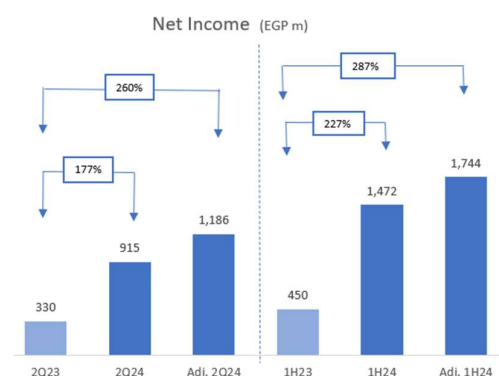
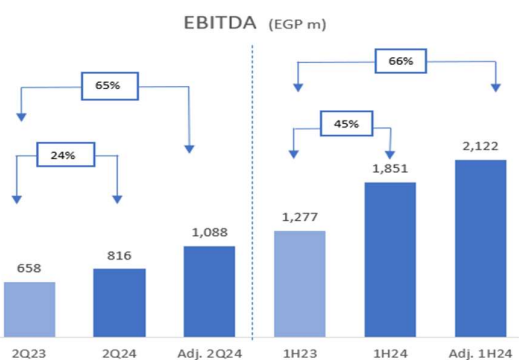
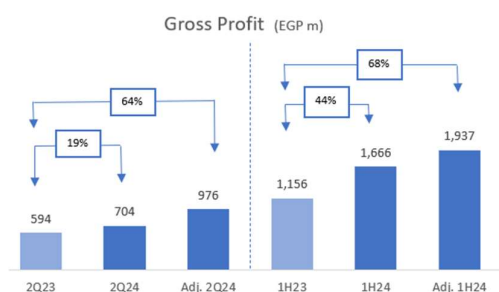
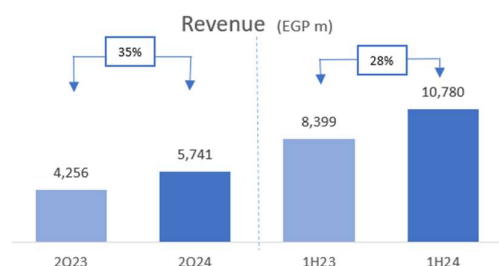
**Export rebates** EGP 524 million in 2Q24

**Net Income** increased by 177% y-o-y, recorded EGP 915 million, while attributable net income increased by 183% y-o-y, reaching EGP 821 million.

**Adjusted Net Income** increased by more than 3X reaching EGP 1,186 million, while attributable income increased by 277% y-o-y, recording EGP 1,092 million.

\*Adjusted figures exclude OW America (OWA) inventory write down of EGP 271 million in 2Q24, and China facility divestment in base year.

## Results in a Nutshell



ORWE, the world’s leading manufacturer of woven carpet, has reported its 2Q24 results today, recording revenues of EGP 5,741 million, up 35% y-o-y. While COGS recorded an increase of 38%, including an inventory write-down of EGP 271 million for OWA aged inventory. Excluding this write-down, adjusted COGS rose by 30%, a slower rate compared to the topline growth. This led to an adjusted gross profit of EGP 976 million, marking a 64% y-o-y increase from EGP 594 million in 2Q23, along with an improved margin of 17.0%. On a 1H basis, ORWE recorded revenues of EGP 10,780 million, up 28%. While adjusted gross profit reached EGP 1,937 million compared to EGP 1,156 million, a growth of 68% with associated adjusted margins reaching 18.0% in 1H24. Production KPIs are improving, aligning with cost reduction and waste management initiatives.

ORWE achieved growth in both the International and Egypt market, capitalizing on its adaptable business model, diverse portfolio, and strong brand equity. In our **international markets**, the average selling price (ASP) in EGP terms increased, despite a 16% decline in volumes. This reduction in volume is attributed to several factors: softer global demand, supply-related challenges, focus on profitable segments, specifically in the tufted segment. On the **domestic front**, the ASP surged by 31%, primarily driven by three rounds of strategic price increases, additionally; volumes rose by 14%. This growth can be attributed to our strong market position, consistent supply, and an additional boost from wholesalers overstocking in anticipation of further price inflation.

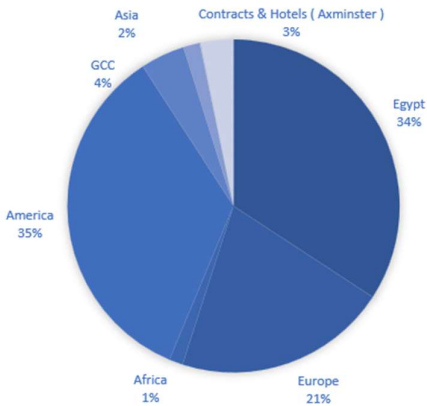
Total **SG&A expenses** for the second quarter of 2024 amounted to EGP 200 million, reflecting a 37% y-o-y increase, largely influenced by inflationary pressure. Despite this rise, SG&A expenses as a percentage of total sales remained stable, edging up slightly to 3.5% from 3.4% in 2Q23.

**Net interest income** reached EGP 64 million in 2Q24, reversing from a net interest expense of EGP 41 million in 2Q23. Interest income for 2Q24 totaled EGP 202 million.

**Income tax** for 2Q24 was EGP 161 million, up from EGP 43 million in the same quarter last year, with the effective tax rate increasing to 14.9% from 11.7%. This rise in the tax rate reflects the varying contributions from taxable subsidiaries versus non-taxable free zone subsidiaries.

OW’s **Net income** reached EGP 915 million, and adjusted NI reached EGP 1,186 million in 2Q24. While **attributable net income** reached EGP 821 million in 2Q24, marking a 183% increase. The adjusted attributable net income is EGP 1,092 million, which includes EGP 525 million in export rebates, recording an increase of 277%

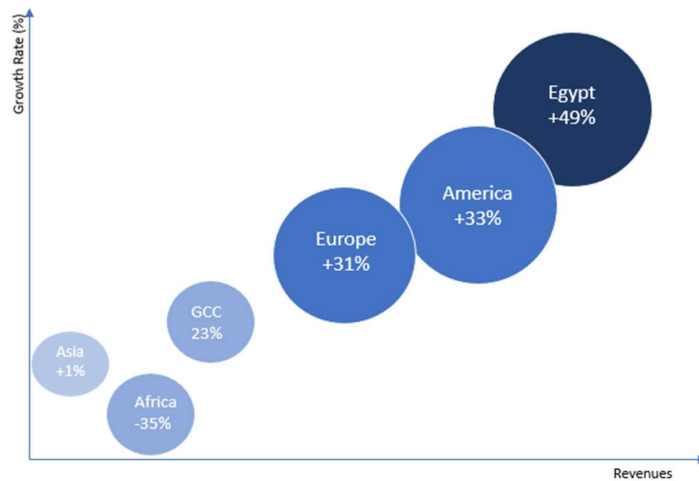
Revenue Contribution by region 2Q24



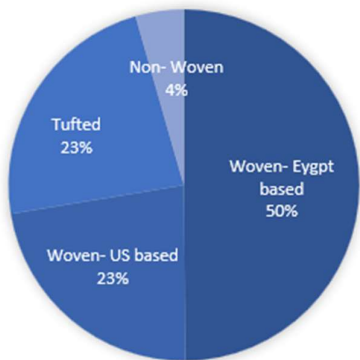
I. International Markets

ORWE exports its products to countries across the globe. In the second quarter of 2024, international sales reached EGP 3,681 million, marking a 28% y-o-y increase, (+26% q-o-q). However, volumes saw a 16% y-o-y decline, driven by softer global demand, supply-related challenges, strategic adjustments in our tufted product portfolio. The global residential remodeling market is currently under pressure, as consumers delay large discretionary purchases in response to ongoing inflation and higher interest rates.

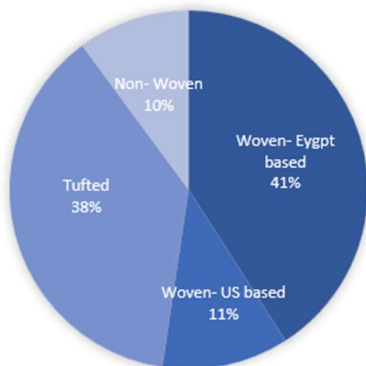
2Q24 Revenue Growth by Region



International Revenue Breakdown by Product 2Q24

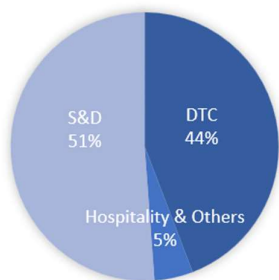


International Revenue Breakdown by Volume 2Q24

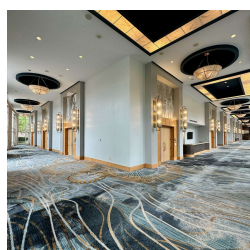
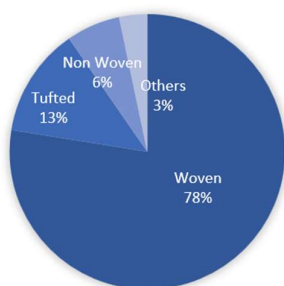


In 2Q24, OW's core markets—America, Europe, and GCC—showed growth. Revenues in **America** rose by 33% y-o-y, benefiting from the EGP devaluation. **European** sales grew by 31% y-o-y, driven by local currency devaluation compared to 2Q23, with the international team successfully securing new clients in Germany and the UK. Meanwhile, sales in the **GCC** region increased by 23%, reflecting a positive upward trend.

Egypt Revenue Breakdown by Distribution Channel 2Q24

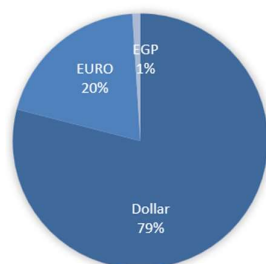


Egypt Revenue Breakdown by Product 2Q24



Hyatt Regency UK

Debt Breakdown



II. Egypt:

In 2Q24, Egypt's revenues increased by 49% to EGP 2,059 million (-2% q-o-q). This growth was primarily driven by higher average selling prices in the local market. Additionally, local sales volumes rose by 14%. The strong performance was evident across all segments, including woven, tufted, and non-woven products. Notably, woven products saw a 45% y-o-y increase in revenues, fueled by three strategic price increases. Moreover, the Tufted products category experienced a substantial 59% y-o-y sales boost. Meanwhile, the non-woven segment doubled in sales value.

A. Direct to Consumer Segment (DTC):

DTC sales, accounting for 44% of Egypt's total sales, demonstrated a 25% y-o-y increase. This surge was attributed to a combination of price increases, enhancing our product offering, executing promotions and marketing campaigns.

B. Sales & Distribution Segment (S&D)

Meanwhile, S&D revenues, accounting for 51% of Egypt sales in the second quarter of 2024, registered an impressive 80% 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 represents a minor percentage of the company's topline, it is experiencing growth through sales on the OW online portal and other digital platforms. In 2Q24, e-commerce sales reached LE 3.9 million, marking a 41% increase from LE 2.7 million in the same period last year.

III. Hospitality Segment:

Oriental Weavers hospitality segment caters to several prominent global names, in addition to its local presence. In Egypt, sales are up around 49% y-o-y 2Q24, as OW installed several projects, including Hotels, Mosques, Universities. In the international segment, sales increased by 73% y-o-y in 2Q24. Driven largely by ongoing projects in the USA and UK. These projects include collaborations with prominent hotel chains such as Hilton, Marriott, and Mövenpick.

Balance Sheet:

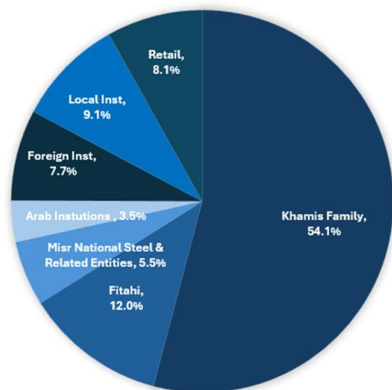
The Company recorded a net debt of EGP 1,327 million as of 30 June 2024 compared to a net debt of EGP 121 million as of 31 December 2023, primarily due to local currency devaluation. OW booked inventories of EGP 9,972million as of 30 June 2024, up from EGP 6,927 million as of 31 December 2023, impacted by the EGP devaluation. Meanwhile, trade and notes receivable increased to EGP 4,478 million as of 30 June 2024, from EGP 3,163 million as of 31 December 2023. This resulted in OW recording FCFE of EGP 1.9bn.

### Summary Income Statement (EGP m)

EGPm	2Q2024	2Q2023	Change	1H2024	1H2023	Change
Revenue	5,741	4,256	▲ 35%	10,780	8,399	▲ 28%
Gross Profit	704	594	▲ 19%	1,666	1,156	▲ 44%
% Margin	12.3%	14.0%		15.5%	13.8%	
EBITDA	816	658	▲ 24%		1,277	▲ 45%
% Margin	14.2%	15.5%		17.2%	15.2%	
Net Income	915	330	▲ 177%	1,472	733	▲ 100%
% NI Margin	15.9%	7.7%		13.7%	8.7%	
Net Attb. Income	821	290	▲ 183%	1,248	700	▲ 78%
Adjusted Gross Profit	976	594	▲ 64%	1,937	1,156	▲ 68%
Adjusted % Margin	17.0%	14.0%		18.0%	13.8%	
Adjusted EBITDA	1,088	658	▲ 65%	2,122	1,277	▲ 66%
Adjusted % Margin	18.9%	15.5%		19.7%	15.2%	
Adjusted Net Income	1,186	330	▲ 177%	1,744	450	▲ 287%
Adjusted % NI Margin	20.7%	7.7%		16.2%	8.7%	
Adjusted Net Attb. Income	1,092	290	▲ 277%	1,520	700	▲ 117%

\*\*Adjusted figures excludes OW America (OWA) inventory write down of EGP 271 million in 2Q24 and China facility divestment in 1H23 figures

### Shareholder Structure:



### 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.