

# 3Q 2024 Earnings Release

Cairo 17<sup>th</sup> November 2024



النساجون الشرقيون  
ORIENTAL WEAVERS

## 3Q24 Record Quarter Supported by Volume Growth in International Markets

### Key Highlights of 3Q 2024



### Key Highlights of 9M 2024



\*Adjusted figures exclude OW America (OWA) inventory write down of EGP 271 million and China divestment in 2023

### 3Q 2024 Highlights

**Revenue** increased by 44% y-o-y (+12% q-o-q) reaching EGP 6,422 million. International sales, 69% of our 3Q revenues, grew by 53% y-o-y (+21% q-o-q), driven by volume improvement mainly in Europe and devaluation effect. While Egypt revenues increased by 27% y-o-y (-5% q-o-q), as a result of higher average selling prices offsetting softer volumes.

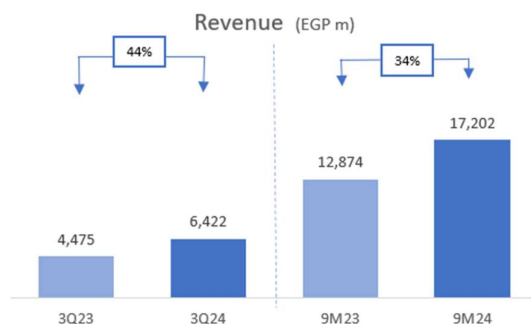
**COGS** increased by 45% y-o-y (+10% q-o-q) reaching EGP 5,518 million. This increase was primarily driven by a higher exchange rate, which impacted dollar dominated raw material costs and manufacturing expenses.

**Gross Profit** increased by 36% y-o-y (+28% q-o-q), reaching EGP 904 million, generating GP margin of 14.1% versus 14.9% in 3Q23. This margin contraction reflects a faster increase in COGS relative to revenue growth.

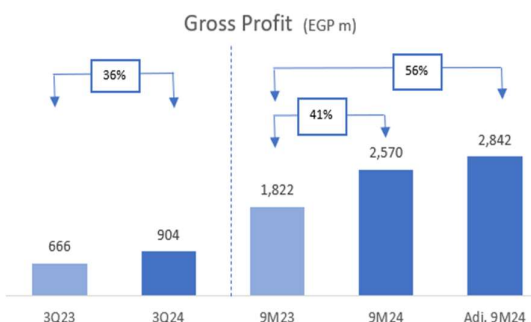
**EBITDA (ex-Rebates)** increased by 44% y-o-y (+23% q-o-q), reaching EGP 1,000 million. The EBITDA margin reaching 15.6% compared to 15.5% in 3Q23.

**Net income** rose by 8% y-o-y to EGP 701 million (-23% q-o-q), with attributable net income increasing by 3% y-o-y to EGP 615 million. Comparisons vs y-o-y affected by EGP 323 million subsidy collection in 3Q23, while q-o-q comparison reflects subsidy EGP 525 million collected in 2Q24.

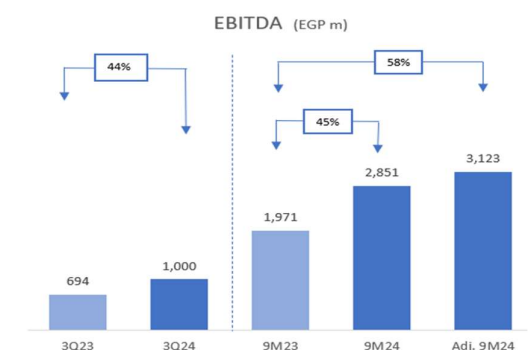
## Results in a Nutshell



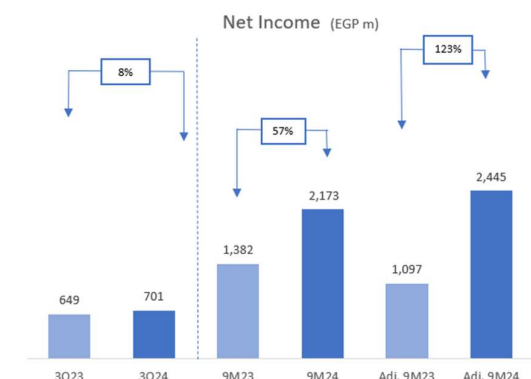
ORWE, the world’s leading manufacturer of woven carpet, recorded revenues of EGP 6,422 million, up 44% y-o-y. While COGS increased by 45%, resulting in a gross profit of EGP 904 million with a gross profit margin of 14.1%. On a 9M basis, ORWE revenues reached EGP 17,202 million, up 34% y-o-y. Gross profit for the period climbed to EGP 2,570 million, yielding a margin of 14.9%, compared to EGP 1,822 million in the prior year, reflecting a 41% y-o-y increase. Adjusted for the inventory write-down at OW America, adjusted gross profit rose to EGP 2,842 million, a 56% growth y-o-y, with an adjusted gross profit margin of 16.5% for 9M24.



Our **international revenues** (69% of total revenues) recorded solid performance of 5% y-o-y increase in volumes and a 53% y-o-y rise in revenues impacted by devaluation. On **Egypt** market (31% of total revenues), the ASP increased by 32%, primarily driven by sequential price adjustments. However, volumes slightly declined across all channels by -3% y-o-y. Reflecting softness in the overall consumer demand in addition to consumers trading down to other carpet substitutes. In response, we are focused on end of year promotions and consumer financing Programs.



Total **SG&A expenses** for the third quarter of 2024 amounted to EGP 226 million, reflecting a 20% y-o-y increase, largely influenced by inflationary pressure. Despite this rise, SG&A expenses as a percentage of total revenues decreased to 3.5%, down from 4.2% in 3Q23, continuing the positive trend seen in 2Q24. This decline as a percentage of total revenues is a result of local currency-denominated nature of these costs, against a growing top line.

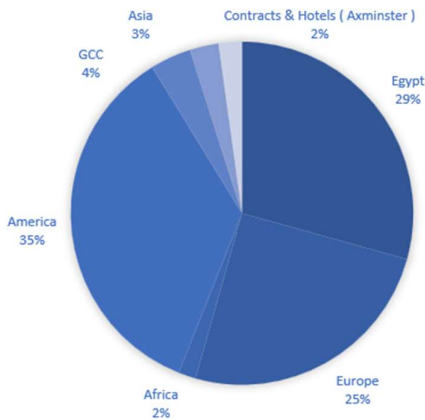


**Net interest income** reached EGP 86 million in 3Q24, reversing from a net interest expense of EGP 41 million in 3Q23. Interest income for 3Q24 totaled EGP 226 million.

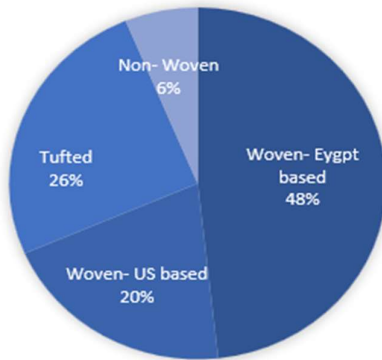
**Income tax** reached EGP 72 million, up from EGP 63 million in the same quarter last year, with the effective tax rate slightly increasing to 9.3% from 8.9% (14.9% in 2Q24). This rise in the tax rate reflects the varying contributions from taxable subsidiaries versus non-taxable free zone subsidiaries.

OW’s **Net income** reached EGP 701 million increasing by 8% y-o-y in 3Q24. While **attributable net income** reached EGP 615 million in 3Q24, marking a 3% y-o-y increase. Notably, the comparable period in 3Q23 included additional revenues from export rebates totaling EGP 323 million, making the y-o-y improvement particularly significant in light of this one-time benefit in the prior year.

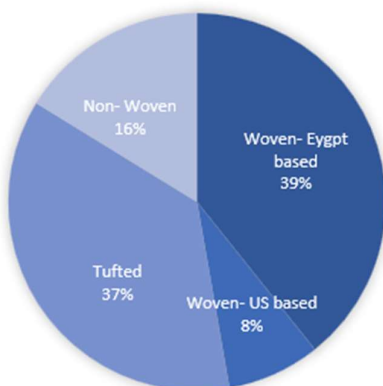
Revenue Contribution by region 3Q24



International Revenue Breakdown by Product 3Q24



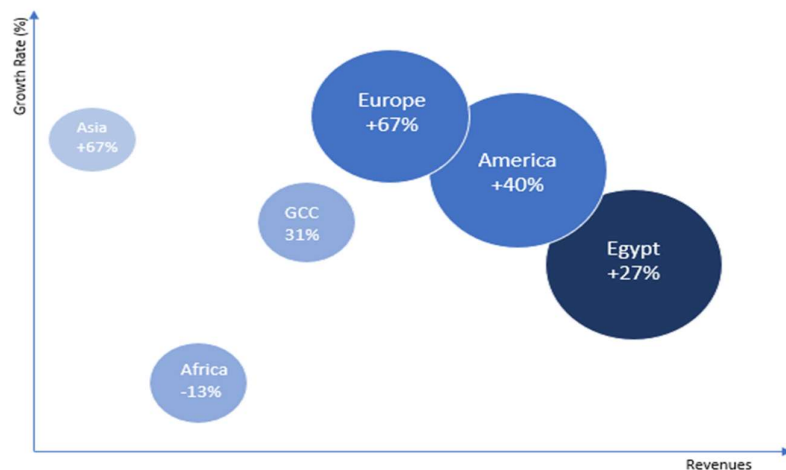
International Revenue Breakdown by Volume 3Q24



I. International Markets

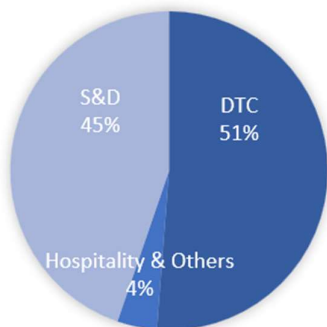
ORWE exports its products to countries across the globe. In the third quarter of 2024, international sales reached EGP 4,465 million, marking a 53% y-o-y increase, (+21% q-o-q). During the quarter, our sales initiatives delivered volume gains in many product categories (+5% y-o-y), offset by pricing pressures in dollar terms. As central banks reduce interest rates we expect recovery in the housing market, which should stimulate demand for floor coverings.

3Q24 Revenue Growth by Region

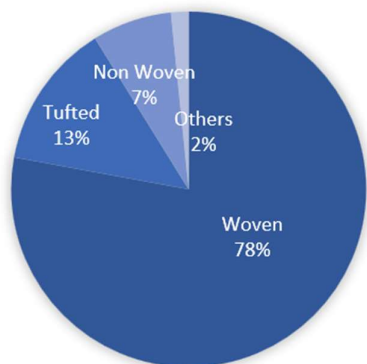


In 3Q24, OW's core markets—America, Europe, and GCC—showed growth. Revenues in **America** rose by 40% y-o-y. Although volumes are still flat verse last year, due to the challenging market conditions, we are witnessing improvement in volumes verse 2Q24. **European** sales grew by 67% y-o-y, driven by targeted sales efforts across all segments. In terms of volume, we witnessed a 23% y-o-y increase driven by the migration in the promotional programs from 2Q24 to 3Q24, while stabilizing our key accounts volume performance. Still market conditions remain challenging, yet long term demand is positive given Europe significant pent-up remodeling demand with aging housing and persisting shortage of single- and multi-family housing. Germany and the UK remain priority markets within Europe, presenting significant growth potential. Meanwhile, sales in the **GCC** region increased by 31% y-o-y, with the highest price point across our international portfolio, on the account of lower volumes. This aligns with our regional strategy, which emphasizes expanding profitable volume by focusing on e-commerce and furniture stores.

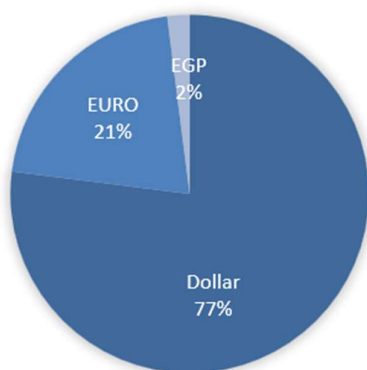
Egypt Revenue Breakdown by Distribution Channel 3Q24



Egypt Revenue Breakdown by Product 2Q24



Debt Breakdown



## II. Egypt:

Egypt's revenues increased by 27% to EGP 1,961 million (-5% q-o-q). This growth was primarily driven by higher average selling prices in the local market. While volumes slightly declined across all channels by -3% y-o-y. While end of year seasonal promotions and consumer financing Programs, should support figures going forward. Performance in Egypt's tufted segment was particularly strong, with volumes up by 23%, making it the best-performing segment for the quarter. Conversely, the woven segment underperformed relative to other categories.

### A. Direct to Consumer Segment (DTC):

DTC sales, accounting for 51% of Egypt's total sales, demonstrated a 26% 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 47% of Egypt sales in the third quarter of 2024, registered a 25% y-o-y growth.

### 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 3Q24, e-commerce sales reached LE 5.0 million, marking a 58% increase from LE 3.2 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 47% y-o-y 3Q24, as OW installed several projects, including Rixos El Alamein, Nile Ritz Carlton and several cruises. In the international segment, sales increased by 58% y-o-y in 3Q24. Driven largely by ongoing projects in the USA and UK. These projects include Cliveden House Hotels, London and Palm House Hotel, Florida.

## Balance Sheet:

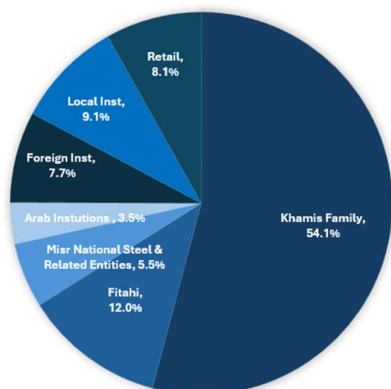
The Company recorded a net debt of EGP 745 million as of 30 Sep 2024 compared to a net debt of EGP 121 million as of 31 December 2023, primarily due to local currency devaluation. OW booked inventories of EGP 10,789 million as of 30 Sep 2024, up from EGP 6,927 million as of 31 December 2023, impacted by the EGP devaluation. Meanwhile, trade and notes receivable increased to EGP 4,472 million as of 30 Sep 2024, from EGP 3,163 million as of 31 December 2023. Our CCC stands at 175 days as of Sep 2024, showing a normalization trend after the initial devaluation impact. Additionally, our FCFE of EGP 1.6bn.

## Summary Income Statement (EGP m)

EGPm	3Q2024	3Q2023	Change	9M2024	9M2023	Change
Revenue	6,422	4,475	▲ 44%	17,202	12,874	▲ 34%
Gross Profit	904	666	▲ 36%	2,570	1,822	▲ 41%
% Margin	14.1%	14.9%		14.9%	14.2%	
EBITDA	1,000	694	▲ 44%	2,851	1,971	▲ 45%
% Margin	15.6%	15.5%		16.6%	15.3%	
Net Income	701	649	▲ 8%	2,173	1,382	▲ 57%
% NI Margin	10.9%	14.5%		12.6%	10.7%	
Net Attb. Income	615	596	▲ 3%	1,863	1,297	▲ 44%
Adjusted Gross Profit				2,842	1,822	▲ 56%
Adjusted % Margin				16.5%	14.2%	
Adjusted EBITDA				3,123	1,971	▲ 58%
Adjusted % Margin				18.2%	15.3%	
Adjusted Net Income				2,445	1,097	▲ 123%
Adjusted % NI Margin				14.2%	8.5%	
Adjusted Net Attb. Income				2,135	1,011	▲ 111%

\*\*Adjusted figures excludes OW America (OWA) inventory write down of EGP 271 million in 2Q24 and China facility divestment in 9M23 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.