



Al Arafa for Investments and Consultancies

Earnings Release | 9M 2015 Results

12th December, 2015

Al Arafa for Investments & Consultancies ("Arafa Holding" or "AIVC" or the "Company") released its financial results for 9M of the year ending October 31st, 2015.

Arafa Holding reported Consolidated Net Profit after Tax of USD 6.5 million with a net margin of 3.3% for the first nine months of the reporting period of 2015 compared to USD 7.2 million and a net margin of 3.7% over the same reporting period last year 2014.

Manufacturing segment's operating margin was negatively affected by the appreciation of the Egyptian pound versus the revenues' basket of currencies (British Pound & Euro), which led to a significant increase in the operating costs of the manufacturing activities of the Group and generally jeopardizing the competitiveness of the Egyptian production and exports at times where several serious measures have been taken by the typical competing countries such as China, Turkey & the Far East to devalue their currencies and support their exports.

On another note; the growth in earnings of the Retail Segment in both Egypt (Concrete for Ready Made Garments) and the United Kingdom (Baird Group), in addition to the earnings of the Textiles segment (Goldentex Group) had contributed positively to group's consolidated earnings despite the devaluation of their local currencies against the US dollar.

Financial Highlights for 9M 2015 Results

Consolidated Results USD '000	9M 2015	9M 2014
Net Revenues	199 748	196 737
EBITDA	15 206	16 372
<i>EBITDA margin%</i>	<i>7.6%</i>	<i>8.3%</i>
Operating Profit (EBIT)	9 915	10 815
<i>EBIT margin%</i>	<i>5.0%</i>	<i>5.5%</i>
Net Profit After Tax	6 508	7 185
<i>NPM %</i>	<i>3.3%</i>	<i>3.7%</i>
Net Profit After Minority	5 081	5 619
<i>NPM %</i>	<i>2.5%</i>	<i>2.9%</i>

- ▲ Arafa Holding reported **Consolidated Net Revenues** of USD 199.7 million during 9M 2015 compared to USD 196.7 million during same period last year despite the appreciation of the US dollar versus revenues' basket of currencies.
- ▲ **Operating Profits (EBIT)** amounted USD 9.9 million with a profit margin of 5.0% during 9M 2015 compared to USD 10.8 million with a margin of 5.5% during same period last year pressured by the increase in group's operating costs on the back of the appreciation of the Egyptian pound versus both the British pound and the Euro.
- ▲ **Net Profit after Tax** reached USD 6.5 million with a net profit margin of 3.3% compared to USD 7.2 million with a margin of 3.7%. It is worth to mention that group's financial expenses dropped by 16.0% during the 9M 2015 compared to same period last year.
- ▲ On a Standalone basis, Arafa Holding reported a net loss of USD 260k for 9M 2015 compared to a net loss of USD 158K.

Breakdown by Activity

Luxury Segment

Luxury Segment recorded **Net Revenues** of USD 62.0 million during 9M 2015 compared to USD 64.5 million during same period last year.

Revenues of *Egyptian Fashion Garments Company S.A.E* got hit by the 17.7% depreciation of the Euro versus the US dollar during the period marking 8.3% drop in company's revenues, since the European market is considered one of the company's major strategic exports destination.

Concrete for Ready Made Garments S.A.E (Concrete) witnessed an increase of 7.3% in revenues on local currency, yet the effect of the increase was diluted as a result of the financial statements translation where the Egyptian pound depreciated against the US dollar.

Segments' **Operating profits** (EBIT) reached USD 5.4 million with a profit margin of 8.7% compared to USD 5.2 million with a margin of 8.1% during same period last year supported by a drop in Selling, General & Administrative expenses of *Concrete* by 7.8%.

Net profit after Tax reported USD 2.6 million with a net margin of 4.2% compared to USD 2.5 million with a margin of 3.9% during same period last year.

It is worth noting that the Net Profit after tax for *Concrete* surged by 39.4% during the period in addition to the significant improvement in the Net Profit after Tax of *Egyptian Fashion Garments S.A.E*, increasing from USD 134k recorded in 9M 2014 to USD 448K in 9M 2015 backed by a 29.6% drop in the financial expenses of the segment.

Luxury USD '000	9M 2015	9M 2014
Net Revenues	61 987	64 549
Operating Profits (EBIT)	5 406	5 233
<i>EBIT margin%</i>	<i>8.7%</i>	<i>8.1%</i>
Net Profit After Tax	2 605	2 512
<i>NPM%</i>	<i>4.2%</i>	<i>3.9%</i>

Formal Segment

Formal Segment recorded **Revenues** of USD 174.1 million in 9M 2015 compared to USD 178.9 million during same period last year.

Revenues of the Textiles Segment (*Goldentex S.A.E and White Head S.A.E*) grew by 58.7%. *The British subsidiary, Baird Group* has achieved an increase of 8.2% in revenues on the local currency during 9M 2015 compared to same period last year. On the contrary, *Swiss Garments Company S.A.E*, formal wear segment manufacturing arm recorded a drop in revenues by 11.7% during 9M 2015.

Segments' **Operating Profits** (EBIT) amounted to USD 6.9 million with a profit margin of 3.9% during 9M 2015 compared to USD 6.5 million with a margin of 3.6% during 9M 2014 supported by the upsurge in *Baird Group's* operating profits. Also Textiles segment's operating profits have been multiplied during the period as a result of the significant growth in revenues and the resulted dilution of operating costs.

Net Profit after Tax reached USD 4.6 million with a net margin of 2.7% compared to a net Profit of USD 4.2 million and a net margin of 2.3%. It is worth mentioning that the Textiles activities contributed to the significant reduction in the segment's financial costs during the period. Also, *Baird Group's* net profit after tax increased by 60.1% during 9M 2015 compared to 9M 2014, as a result of the successful efforts to increase sales and market share which have significantly diluted the selling, general & administrative expenses.

Formal USD '000	9M 2015	9M 2014
Net Revenues	174 139	178 886
Operating profits (EBIT)	6 866	6 511
<i>EBIT margin%</i>	<i>3.9%</i>	<i>3.6%</i>
Net Profit After Tax	4 623	4 182
<i>NPM%</i>	<i>2.7%</i>	<i>2.3%</i>

Casual Segment

The Casual Segment recorded Revenues of USD 18.0 million in 9M 2015 compared to USD 17.0 million in 9M 2014.

The segment reported a net loss of USD 142K in 9M 2015 compared to net profit of USD 470K in 9M 2014.

Swiss Cotton Garments Company S.A.E achieved positive results in Q2 2015 and Q3 2015 hence, narrowing the losses reported in Q1 2015.

Casual USD '000	9M 2015	9M 2014
Net Revenues	17 984	16 909
Operating profits (EBIT)	220	417
<i>EBIT margin%</i>	<i>1.2%</i>	<i>2.5%</i>
Net Profit After Tax	(142)	470
<i>NPM%</i>	<i>(0.8%)</i>	<i>2.8%</i>

About Al Arafa for Investments & Consultancies

- Al Arafa for Investments and Consultancies (“Arafa Holding”) is a leading player in the Fashion industry, listed on Egyptian Stock Exchange and holds approximately 14% market share of the UK formal men’s wear market through its subsidiary “Baird Group” that manages 235 stores in UK.
- Arafa Holding owns the homegrown brand, Concrete, in Egypt, which is considered the largest retailer for luxurious men’s & kids’ wear in the Country. The company’s retail operations are vertically integrated with a state of the art industrial platform that is considered the largest in the Middle East & Africa. Moreover, the company owns a significant stake in the prestigious Italian brand PAL ZILERI, in addition to some other strategic investments with leading international fashion players such as Ermenegildo Zegna.

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