

Al Arafa for Investment and Consultancies S.A.E

**Earning Release | 9M 2022
Consolidated Results**

Sunday 15th January 2022

Al Arafa for Investment & Consultancies S.A.E (“Arafa Holding” or “AIVC” or the “Company”), the leading company in Retail Garments & Textile manufacturing, released its consolidated results for the 9 month of the financial year 2022/2023

Results summary of Arafa Holding consolidated financials during 9M 2022/2023 | in USD

9M Business Results (in Millions)		
	2022	2021
Sales	165.9	119.9
Operating Income/(Loss)	16.3	8.0
Net Income/(Loss)	9.6	10.6

Q3 Business Results (in Millions)		
	2022	2021
Sales	55.1	52.9
Operating Income/(Loss)	7.1	2.7
Net Income/(Loss)	5.0	2.3

- Arafa Holding recorded **Consolidated Net Sales** of USD 165.9 million during **9M 2022** marking a 38.3% sales growth, compared to USD 119.9 million during the comparable period. It also recorded **Consolidated Net Sales** of USD 55.1 million during **Q3 2022** compared to 52.9 million in Q3 2021. Sales kept growing during Q3 2022 supported by export sales and the increase in production capacity in order to adapt with export orders of industrial arm represented in higher sales of Swiss Garment Company S.A.E, Swiss Cotton Garments Company S.A.E, and Cristall For Making Shirts S.A.E, reflecting the group's vision since the Corona pandemic in attracting new portfolio of clients in terms of profitability and sustainability, especially from the European and US markets. This is despite the critical economic conditions that the whole world is going through, beginning with the Corona pandemic and the subsequent crisis of supply chains, passing through Russian-Ukrainian war and the subsequent rise in commodity and energy prices. This is in addition to the depreciation in the value of the Egyptian pound and the British pound against the US dollar by 34.9% and 15.5% compared to the comparative period. Adding to

that the precautionary measures taken by the Central Bank of Egypt on import operations, causing a major challenge to the group's subsidiaries in obtaining their raw material requirements, in order to keep pace with the production process and deliveries for clients in export markets. Moreover, Concrete for Ready-made Garments S.A.E group's local retail arm, sales has increased during Q3 2022. While the sales of Baird group was affected during the period by the state of instability prevailing in the British market as a result of the successive political and economic events that occurred during Q3 2022, accompanied by the death of Queen Elizabeth, passing through the depreciation of the British pound against the US dollar and the resignation of the Prime Minister after 45 days of taking over, along with inflation of prices and the consequent decline in the purchasing power of consumers, which in turn affected the sales of Baird group

- The group recorded growth in **operating profits** during **9M 2022** to record USD 16.3 million compared to operating losses of USD 8.0 million during the comparative period. The group recorded **operating profits** during **Q3 2022** of USD 7.1 million compared to USD 2.7 million during Q3 2021 growing 1.6x, supported by the increase in sales which came as a reflection of targeting the most profitable and sustainable customers. This is in addition to the decline in industrial expenses as a result of the depreciation of Egyptian pound against the US dollar, coinciding with the retail arm implementation of a strategy to reduce the discount rate on sales as a culmination of the efforts made to develop products and diversify them to suit different customers age groups.
- The Group recorded **Consolidated Net profit after tax** of USD 9.7 million in **9M 2022**, compared to Consolidated Net loss after tax of USD 10.6 million in 9M 2021. It also recorded in **Q3 2022** consolidated **Net profit after tax** of USD 4.9 million, compared to Consolidated Net profit of USD 2.3 million in Q3 2021. Backed up by an increase in both sales and operating profits during the period.

Financial Highlights of Subsidiaries

Retail Segment

Concrete for Ready Made Garments S.A.E. | USD

9M Business Results (in Millions)		
	2022	2021
Sales	17.6	16.1
Operating profits	4.1	2.9

Q3 Business Results (in Millions)		
	2022	2021
Sales	5.8	5.5
Operating Income/(Loss)	1.3	0.8

- Concrete for Ready Made Garments S.A.E, the owner of Concrete chain for luxury men and kids wear in the Egyptian Market, recorded **Net Sales** of USD 17.6 million during **9M 2022** with a growth rate of 9.0% compared to **Net Sales** of USD 16.1 million in 9M 2021. It also recorded **Net Sales** in **Q3 2022** of USD 5.8 million compared to USD 5.5 million in Q3 2021. Noting that the company's sales recorded an increase of 25.4% on the local currency, but the depreciation of the Egyptian pound against the US dollar affected the increase in sales when translating sales into US dollars. Moreover, Concrete company have shown a lot of solidarity in light of the successive events that the world is going through since the Corona pandemic, passing through the supply chain crisis and the Central Bank of Egypt enacted a mandate to cease working with documentary collections and only use L/Cs in importing operations except for raw materials and production inputs, in addition to the devaluation of the Egyptian pound against US dollars. The company succeeded in managing the operations in a flexible manner, which was reflected in the growth of sales and the diversity of products. The company is working hard to continue developing products to become more modernized to target a new base of

customers from different age groups, in addition to expanding in the Arab Gulf countries and Europe.

- The company recorded **Operating profits** of USD 4.1 million in **9M 2022** with 41.7% growth compared to **9M 2021** which recorded USD 2.9 million. It also recorded **Operating profits** in **Q3 2022** of USD 1.3 million compared to USD 801.7 K for the comparative period. This supported by the increase in sales and the decrease in the operating expense as a reflection of the company's strategy to reduce the discount rate on sales, in addition to the re-pricing of some products to adopt to market changes.

Retail Segment

Euromed for Trading & Marketing S.A.E. | USD

9M Business Results (in Millions)		
	2022	2021
Sales	2.8	2.9
Operating profits/(Loss)	0.1	1.6

Q3 Business Results (in Millions)		
	2022	2021
Sales	0.4	1.0
Operating Income/(Loss)	0.02	0.31

- Euromed for Trading & Marketing S.A.E – the group's commercial arm in tenders and middle markets – recorded during **9M 2022 Net Sales** of USD 2.8 million compared to 9M 2021 which recorded USD 2.9 million. Despite the increase in sales of the company during the period by 11.9% on the local currency, the depreciation of the Egyptian pound against the US dollar during the period affected the company's sales when translating sales into US dollars. It also recorded **Net Sales** in **Q3 2022** of USD 420.9K compared to USD 1.0 million in Q3 2021, noting that the company's business results

during Q3 2022 was affected by the delay in the delivery dates in one of the tenders, which was expected to be delivered during the third quarter as a result of the instability in import operations of raw materials.

- The Company recorded operating losses in **9M 2022** of USD 108.4K to reduce the operating losses of 9M 2021 that recorded USD 1.6 million, reducing the losses of 2021 as a result of shutting down the loss making stores While **Q3 2022** recorded **operating losses** of USD 16.5K compared to operating losses of USD 300.0K for the comparative period.

Retail Segment

Baird Group | USD

9M Business Results (in Millions)		
	2022	2021
Sales	74.6	60.9
Operating Income/(Loss)	2.7	3.4

Q3 Business Results (in Millions)		
	2022	2021
Sales	22.3	28.0
Operating Profit/(Loss)	1.4	2.4

- Baird Group recorded **Net Sales** of USD 74.6 million in **9M 2022** growing 22.4% compared to USD 60.9 million in **9M 2021**. Also, **Q3 2022** recorded USD 22.3 million with a decline of 20.3% compared to USD 28.0 million in **Q3 2021**. The United Kingdom is currently facing economic slowdown and a state of political instability which in turn affected the UK retail markets, among; the Ukrainian-Russian war that resulted in a depreciation of the British pound against the US dollar. In addition to a significant increase in energy prices, goods and services, which prompted the Bank of England to raise the interest rate 8 times in a row since the beginning of the year to control inflation. As a result of those events, consumers have shifted their expenditures from luxuries products to essential commodities which decreased the purchasing power for

luxury products. In addition to the pursuit of political events in a short period of time, following the death of Queen Elizabeth, who held power for 70 years, and the resignation of the Prime Minister after assuming the position for only 45 days, which led to the spread of uncertainty in the United Kingdom.

- All the above mentioned reasons were negatively reflected on Baird Group sales during the period. The management of the Baird group is currently working on implementing a strategy to attract new customer base despite the slowdown, and change in consumer spending behavior, through implementing new selling policies and investing more in e-commerce platform.
- Baird Group recorded **operating profits** of USD 2.7 million in **9M 2022** compared to operating losses of USD 3.4 million in 9M 2021. Also, **Q3 2022** recorded operating profits of USD 1.4 million with a decline of 42.1% compared to USD 2.4 million in Q3 2021. The decline came as a result of the decrease in sales during period.

Industrial Segment

The Suit Factories in 10th of Ramadan that is represented by Swiss Garments Company S.A.E & Egypt Tailoring Company S.A.E Results | USD

- The Suit Factories in 10th of Ramadan represented by both Swiss Garment Company S.A.E and Egypt Tailoring Company S.A.E sales have increased during **9M 2022**, as a result of the doubling of export sales from the company's customers from the European and US markets, along with the successful completion of reducing the manufacture to local market to accommodate the increase in export orders, due to the higher profit margin of export sales than local sales. The Suit Factories also succeeded in adding new customers from the European markets such as Gurman from the Turkish market and Holy Group from the German market.
- This increase in export sales was reflected in the growth of the **operating profits** of the suit factories during **9M 2022**. In addition to the decrease of industrial expenses supported by the depreciation of Egyptian Pound against US dollar during the period.

Swiss Garments Company S.A.E | USD

9M Business Results (in Millions)		
	2022	2021
Sales	67.3	44.8
Operating profit/(Loss)	7.1	1.3

Q3 Business Results (in Millions)		
	2022	2021
Sales	7.9	22.6
Operating Income/(Loss)	0.4	0.3

- Swiss Garments Company S.A.E recorded **Net Sales** of USD 67.3 million during **9M 2022** with a growth of 50.3% compared to USD 44.8 million during 9M 2021. It also recorded Net Sales of USD 7.9 million during **Q3 2022** compared to USD 22.6 million during Q3 2021.
- Swiss Garments Company S.A.E recorded **Operating Profits** of USD 7.1 million **during 9M 2022** compared to 9M 2021 that recorded Operating Losses of USD 1.3 million. It also recorded operating profit of USD 355.9 k during **Q3 2022** compared to USD 293.8 K during Q3 2021

Industrial Segment

Egypt Tailoring Company S.A.E | USD

9M Business Results (in Millions)		
	2022	2021
Sales	42.8	27.3
Operating profit/(Loss)	3.8	0.3

Q3 Business Results (in Millions)		
	2022	2021
Sales	6.4	14.9
Operating Income/(Loss)	0.3	0.8

- Egypt Tailoring Company S.A.E recorded **Net sales** of USD 42.8 million during **9M 2022** compared to USD 27.3 million during 9M 2021. It also recorded Net Sales of USD 6.4 million during **Q3 2022** compared to USD 14.9 million during Q3 2021.
- Egypt Tailoring Company S.A.E recorded **Operating profits** of USD 3.8 million during **9M 2022** compared to Operating Losses of USD 250.9 K during 9M 2021, it also recorded **Operating Losses** of USD 261.2 K during **Q3 2022** compared to USD 748.5 K during Q3 2021.

Industrial Segment

The Trousers Factory in Beni Suf | USD

Results of Swiss Cotton Garments Company S.A.E

9M Business Results (in Millions)		
	2022	2021
Sales	22.6	12.1
Operating profits	2.8	0.8

Q3 Business Results (in Millions)		
	2022	2021
Sales	7.4	4.3
Operating Income/(Loss)	0.9	0.3

- The Trousers Factory in Beni Suf City recorded **Net Sales** of USD 22.6 million in **9M 2022** growing by 86.9% compared to USD 12.1 million in 9M 2021. It also recorded **Net Sales** of USD 7.4 million during **Q3 2022** with growth reached 70.3% compared to USD 4.3 million in Q3 2021. Supported by the growth of export sales for the formal trousers especially to the US markets' clients like Peerless and Macy's, which are considered among the most strategic customers for the company in terms of the number of orders, profitability and sustainability.
- The factory recorded **operating profits** of USD 2.8 million in **9M 2022** compared to operating profits of USD 763.8 K in 9M 2021. It also recorded in **Q3 2022 operating profits** of USD 920.3 K compared to operating profits of USD 284.9 K in Q3 2021. This is backed by the growth of sales and the decrease in industrial costs during the period along with the devaluation of the Egyptian pound against US Dollar and higher efficiency, which were directly reflected on the company's profitability.

Industrial Segment

The Shirts Factory in Beni Suef | USD

Results of Cristall for Making Shirts company S.A.E

9M Business Results (in Millions)		
	2022	2021
Sales	6.7	4.1
Operating profit/(Loss)	0.9	0.2

Q3 Business Results (in Millions)		
	2022	2021
Sales	2.2	1.4
Operating Income/(Loss)	0.23	0.08

- The Shirts Factory in Beni Suef recorded **Net Sales** of USD 6.7 million in **9M 2022** Compared to net sales of USD 4.1 million during 9M 2021 recording a growth of 62.1%. It also recorded **Net Sales** of USD 2.2 million during **Q3 2022** with a growth of 65.3% compared to USD 1.4 million in Q3 2021. This is promoted from the increase of customer orders from the European and US markets, such as Massimo Dutti, and Brooks Brothers.
- The factory recorded **operating profits** of USD 948.3K in **9M 2022** compared to 9M 2021 which recorded operating profits of USD 199.2K. It also recorded in **Q3 2022** **operating profits** of USD 235.7 K compared to USD 86.7 K in Q3 2021. The increase in operating profits were mainly driven by the growth in sales as a result of the increase in export sales to record 92.2% of the total sales volume, which led to an increase in the profit margin.

Al Arafa for Investment & Consultancies (“Arafa Holding” or “AIVC” or the “Company”), the leading company in retail and garments & textile manufacturing, released its standalone results for the first Nine Month of the fiscal year 2022/2023

Results summary of Arafa Holding standalone financials during 9M 2022/2023 | in USD

- Arafa Holding recorded **Standalone Revenues** – which represents technical support service revenue in addition to any gain or loss of investments – of USD 133.5 K during **9M 2022** compared to USD 1.1 million during 9M 2021. Also, **Q3 2022** recorded **Standalone Revenues** of USD 42.4 K compared to USD 984.9 K during Q3 2021.
- Arafa Holding recorded **Standalone Net Losses** during **9M 2022** of USD 3.6 million compared to standalone Net profit of USD 269.6 K during the comparable period. Also, **Q3 2022** recorded **Standalone Net Losses** of USD 1.1 million compared to standalone net losses of USD 642.0k during Q3 2021.

About Al Arafa for Investment & Consultancies Al Arafa for Investment and Consultancies, known as ‘Arafa Holding’, is a key player in the fashion retail industry, backed by a state of the art industrial platform. The holding company is listed on the Egyptian Stock Exchange and controls approximately 18% of the UK formal menswear market share through its subsidiary “Baird Group”, which manages substantial number of stores besides online platforms in the UK.

Moreover, Arafa Holding owns the homegrown brand, Concrete, in Egypt; which is considered the largest retailer for luxurious menswear & kids wear in the country. The company’s retail operations are vertically integrated with industrial platform, which is considered the largest in the Middle East & Africa.

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