

Al Arafah for Investment and Consultancies S.A.E

Earning Release | 9M 2023 Results
Monday 18th of September 2023

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 9 months of the financial year 2023/2024

Results summary of Arafa Holding consolidated financials during 9M 2023/2024 | in USD

9M Business Results (in Millions)		
	2023	2022
Sales	155.6	165.9
Operating Profits/(Loss)	13.2	16.3
Net Income/(Loss)	(3.4)	9.7
Q3 Business Results (in Millions)		
	2023	2022
Sales	47.6	55.1
Operating Profits	3.7	7.1
Net Income/(Loss)	(1.9)	5.0

- Arafa Holding recorded **Consolidated Net Sales** of USD 155.6 million during **9M 2023** recording a decline compared to **Consolidated Net Sales** of USD 165.5 million during **9M 2022**. It also recorded in **Q3 2023 Consolidated Net Sales** of USD 47.6 million compared to **Consolidated Net Sales** of USD 55.1 million during **Q3 2022**. Sales were impacted during the period due to the decline in sales of the Baird Group. In response, the company's management is currently undergoing a comprehensive restructuring process with support of a group of financial consultants and seasoned professionals in the United Kingdom aimed at minimizing losses to restore profitability. Moreover, group's sales were impacted by the depreciation of the Egyptian pound against the US dollar at an average rate of 61.6% compared to the same period of the previous year. The decline in the value of the Egyptian pound against the US dollar impacted the local companies' sales when translating the financial statement into US dollar, which is

represented in both *Concrete for ready-made garments S.A.E* and *Cristall for making shirts S.A.E*(The shirts factory) despite their growth in sales on the local currency. It is worth mentioning that the industrial arm backed by sales of the *Suits factory in 10th of Ramadan city*, experienced a significant increase in sales during the period. This aligns with the group's vision of attracting a larger and more diverse customer base in terms of profitability, sustainability, and geographical distribution to ensure smooth sales and boost export rates. Thus, the customer base expanded and became more diverse to include Massimo Dutti, Boggi Milano, Armani, and Holy Fashion Group from the European market, in addition to Brooks Brothers and Peerless from the American market, and Ramsy and KIP from the Turkish market.

- The group recorded **Consolidated Operating Profits** of USD 13.2 million during **9M 2023** compared to **Consolidated Operating Profits** during **9M 2022** of USD 16.3 million attributed to lower sales during period. Also in **Q3 2023** it recorded **Consolidated Operating Profits** of USD 3.7 million compared to **Consolidated Operating Profits** of USD 7.1 million during **Q3 2022**.
- During 9M 2023 the Group recorded **Consolidated Net Loss After Tax** of USD 3.4 million, compared to **Consolidated Net Profit After Tax** of USD 9.7 million during **9M 2022**. Profitability was affected with higher finance costs during the period, on the back of hike in the interest rates which increased 4 times in a row to record an increase of 800 bp during the period compared to 9M 2022. It also recorded during **Q3 2023** **Consolidated Net Loss After Tax** of USD 1.9 million compared **Consolidated Net Profit After Tax** of USD 5.0 million.
- **It is worth to mention that the Extraordinary general assembly meeting of the company that was held on 22-11-2023 has approved the demerger of Arafa for Investment and Consultancies S.A.E into two companies a demerging company (Arafa For investment and Consultancies S.A.E) and its name will change to be Concrete Fashion Group For Commercial and Industrial investments S.A.E, and a new demerged company called G-Tex for Commercial and Industrial Investments S.A.E . Currently the company is finalizing the legal procedures to successively execute the demerger.**

**Results summary of Arafa Holding Consolidated financials during 9M 2023/2024 | in USD
after excluding Baird Group results**

9M Business Results (in Millions)

	2023	2022
Sales	103.2	91.3
Operating profits/(Loss)	23.9	13.7
Net Income/(Loss)	10.2	7.7

Q3 Business Results (in Millions)

	2023	2022
Sales	35.6	32.8
Operating Profits	7.7	5.8
Net Income/(Loss)	3.0	4.0

- Arafa Holding recorded **Consolidated Net Sales after excluding Baird Group's results** of USD 103.2 million during **9M 2023** with growth of 12.9% supported with higher sales from suit business and concrete sales (on local currency), compared to **Consolidated Net Sales after excluding Baird Group's results** of USD 91.3 million during **9M 2022**. It also recorded in **Q3 2023** **Consolidated Net Sales after excluding Baird Group's results** of USD 35.6 million with a growth of 8.5% compared to **Consolidated Net Sales after excluding Baird Group's results** of USD 32.8 million in **Q3 2022**.
- The group recorded **Consolidated Operating Profits after excluding Baird Group results** of USD 23.9 million during **9M 2023** recording a growth of 74.8%, compared to **Consolidated Operating Profits after excluding Baird Group's results** of USD 13.7 million during **9M 2022**, reflecting the increase in export sales and the decrease in operational costs and general and administrative expenses. The group also recorded **Consolidated Operating Profits after excluding Baird Group results** of USD 7.7

Million during **Q3 2023** compared to **Consolidated Operating profits after excluding Baird Group results** of USD 5.8 Million in **Q3 2022**.

- The Group recorded **Consolidated Net profit after tax after excluding Baird Group results** of USD 10.2 million during **9M 2023** recording a growth of 32.9%, compared to **Consolidated Net Profit after tax after excluding Baird Group's results** of USD 7.7 million recorded during **9M 2022**. The group also recorded **Consolidated Net profit after tax after excluding Baird Group results** of USD 3.0 million during **Q3 2023** Compared to **consolidated Net profit after tax** after excluding Baird Group results during **Q3 2022** profit of USD 4.0 million.

Financial Highlights of Subsidiaries

Industrial Segment

The Suit Factories in 10th of Ramadan city

9M Business Results (in Millions)

	2023	2022
Sales	71.7	63.5
Operating profits/(Loss)	16.2	6.4

Q3 Business Results (in Millions)

	2023	2022
Sales	25.1	25.8
Operating profits/(Loss)	5.8	1.1

- The Suit Factories in 10th of Ramadan city represented by both *Swiss Garments Company S.A.E* and *Egypt Tailoring Company S.A.E* achieved **Consolidated Net Sales** during **9M 2023** of USD 71.1 million recording a growth of 12.9% compared to USD 63.5 million during **9M 2022**. The growth in sales was facilitated by proactive initiatives implemented by the management earlier, aimed at enhancing product quality and attracting new customers. Thus, the customer base expanded and became more diverse, to include brands from the European market such as Massimo Dutti, Boggi Milano, Armani, and Holy Fashion Group, in addition to Brooks Brothers and Peerless from the American market, and Ramsy and KIP from the Turkish market. It also recorded **Consolidated Net Sales** during **Q3 2023** of USD 25.1 million compared to **Consolidated Net Sales** of USD 25.8 million during **Q3 2022**.
- The factories also recorded during **9M 2023** **Operating Profits** of USD 16.2 million compared to the same period of the previous year which recorded **Operating Profits** of USD 6.4 million with a growth rate of 1.5x. Also, the **Operating Profits** multiplied more than once during **Q3 2023** to record of USD 5.8 million, compared to operating profits of 1.1 million during **Q3 2022**. Reflecting the decrease in industrial costs and administrative and general expenses during the period.

Industrial Segment

The Trousers Factory in Beni Suef | USD

Results of Swiss Cotton Garments Company S.A.E

9M Business Results (in Millions)		
	2023	2022
Sales	18.2	22.6
Operating profits/(Loss)	3.4	2.8

Q3 Business Results (in Millions)		
	2023	2022
Sales	4.7	7.4
Operating profits/(Loss)	0.2	0.9

- The Trousers Factory in Beni Suef City represented by *Swiss Cotton Garments Company S.A.E* recorded **Net Sales** of USD 18.2 million during **9M 2023** compared to USD 22.6 million in **9M2022**. The company sustained its export sales throughout the period, yet the inclusion of non-recurring sales resulting from toll manufacturing during the past year has affected the total sales during 9M 2023. It is worth to mention that the company consistently endeavors to enhance product quality, aiming to attract a customer base characterized by both high profitability and sustainability. While **Q3 2023** recorded **Net sales** of USD 4.7 million compared to USD 7.4 million in **Q3 2022**.
- During **9M 2023** the factory recorded **Operating Profits** of USD 3.4 million compared to the same period of the previous year that recorded **Operating Profits** of USD 2.8 million with a growth of 21.5%. This is supported by the decrease in the operating costs. Also, **Q3 2023** recorded **Operating Profits** of USD 280.1K compared to Q3 last year which recorded **Operating Profits** of USD 920.3K, due to losses resulting from the application of the Accounting Standard No. 47.

Industrial Segment

The Shirts Factory in Beni Suef | USD

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

9M Business Results (in Millions)

	2023	2022
Sales	6.3	6.7
Operating profits/(Loss)	1.2	0.9

Q3 Business Results (in Millions)

	2023	2022
Sales	1.9	2.2
Operating profits/(Loss)	0.3	0.2

- The Shirts Factory in Beni Suef represented by *Cristall for Making Shirts company S.A.E* recorded **Net Sales** of USD 6.3 million during **9M 2023**, compared to **Net Sales** of USD 6.7 million during **9M 2022**. The company recorded sales growth of 59.7% during 9M 2023 on the local currency yet, the decline in the value of the Egyptian pound against the US dollar during the period by an average rate of 61.6% impacted the company's sales when translating the financial statement into US dollar. The company's management is working hard to enhance product quality and expand production capacity, to be able to meet customer orders and attract new customers to have wider customers base during next year. Moreover, **Q3 2023** recorded **Net Sales** of USD 1.9 million compared to **Net Sales** of USD 2.2 million during **Q3 2022**.

- The factory recorded **Operating Profits** of USD 1.2 million in **9M 2023** compared to **9M 2022** which recorded **Operating Profits** of USD 948.4K with an increase of 28.8%, reflecting the decrease in operational costs, and administrative and general expenses. Also, during **Q3 2023** the factory recorded **Operating Profits** of USD 272.7K compared to **Q3 2022** which recorded **Operating Profits** of USD 235.7K, with a growth of 15.7%.

Retail Segment

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

9M Business Results (in Millions)		
	2023	2022
Sales	15.7	17.6
Operating profits/(Loss)	4.4	4.1

Q3 Business Results (in Millions)		
	2023	2022
Sales	6.2	5.8
Operating profits/(Loss)	1.9	1.3

- Concrete for Ready Made Garments S.A.E, the luxury homegrown brand in the Egyptian Market, recorded **Net Sales** of USD 15.7 million during **9M 2023** compared to **Net Sales** of USD 17.6 million during **9M 2022**. Knowing that the company's sales recorded an increase of 53.0% on the local currency yet, the depreciation of the Egyptian pound against the US dollar by an average 61.6% during the period affected the company's sales after translating the financial statements from the Egyptian pound to the US dollar. Despite the presence of many dynamic variables affecting the markets, starting with the importation crises, the increase of the raw material prices, following with the increase of the inflation rates across all goods and products which stimulated a decrease in the purchasing power.

However, the company showed solidity and flexibility in dealing with these variables, which was reflected in the growth of sales on the local currency during the period. Supported by changing purchasing policies and emphasizing reliance on local products, which contributed to improving financial performance and reducing import expenses. The outcomes reflect the success attained through the company's strategy of delivering contemporary and fashionable products catering to diverse consumer categories. In addition to the company's current efforts to open new markets in line with a vision of geographical expansion and increasing the exports to provide foreign currency for the company. The company is also dedicated to heightening brand awareness through active participation and sponsoring major events and festivals in Egypt and the Arab world. Also, it is worth noting that **Q3 2023** recorded **Net sales** of USD 6.2 million compared to USD 5.8 million in **Q3 2022** with an increase rate of 6.8%.

- The company recorded **Operating Profits** of USD 4.4 million in **9M 2023** compared to **Operating Profits** of USD 4.1 million, in **9M 2022**. It is worth mentioning that the company has recorded a growth of 85.0% in operating profits on the local currency. Furthermore, **Q3 2023** recorded **Operating Profits** of USD 1.9 million compared to **Q3 2022** which recorded **Operating Profits** of USD 1.3 million with an increase of 48.8%, supported by the noticeable decrease in operational costs and administrative and general expenses.

Retail Segment
Baird Group | USD

9M Business Results (in Millions)		
	2023	2022
Sales	52.2	74.6
Operating Income/(Loss)	(10.8)	2.7

Q3 Business Results (in Millions)		
	2023	2022
Sales	12.0	22.3
Operating profits/(Loss)	(4.0)	1.4

- Baird Group recorded during **9M 2023** Net Sales of USD 52.2 million compared to USD 74.6 million in **9M 2022**. While **Q3 2023** recorded Net sales of USD 12.0 million compared to USD 22.3 million in **Q3 2022**. It is to note that the management team is currently collaborating with a group of consultants and seasoned professionals in the United Kingdom, to restructure the company aimed at minimizing losses and restoring profitability by downsizing and exiting unprofitable stores, and developing the e-commerce platforms, in addition to modernizing the products and thorough reassessment of raw material purchasing policies to enhance profit margins.
- Baird Group recorded Operating Losses of USD 10.8 million in **9M 2023** compared to Operating Profits of USD 2.7 million in **9M 2022**. Also, during **Q3 2023** it recorded Operating Losses of USD 4.0 million compared to **Q3 2022** which recorded Operating Profits of USD 1.4 million.

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 9 month of the fiscal year 2023/2024

Results summary of Arafa Holding standalone financials during nine months of fiscal year 2023/2024 | in USD

- Arafa Holding recorded **Standalone Revenues** – which represent technical support service revenue in addition to any gain or loss of investments – of USD 115.6 K during **9M 2023** compared to **standalone revenues** of USD 133.5 during **9M 2022**. While **Q3 2023** recorded **Standalone Revenues** of USD 38.3 K compared to USD 42.4 K in **Q3 2022**.
- Arafa Holding recorded **Standalone Net Losses** during **9M 2023** of USD 5.0 million compared to **Standalone Net Losses** of USD 3.6 million during **9M 2022**. While **Q3 2023** recorded **Standalone Revenues** of USD 1.4 million compared to USD 1.4 million in **Q3 2022**.

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 it owns the Baird Group, which manages substantial number of stores along with an online platform in the UK.
- Arafa Holding owns the luxurious homegrown brand, Concrete, which is considered the largest retailer in the country. The company’s retail operations are vertically integrated with the industrial platform, which is considered the largest in the Middle East & Africa.

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