



Al Arafa for Investment and Consultancies

Earnings Release | FY 2018 Results

21 April, 2019

Al Arafa for Investment & Consultancies ("Arafa Holding" or "AIVC" or the "Company"), the leading Company in Retail, Garments & Textile manufacturing released its financial results for the FY 2018/2019.

Arafa Holding recorded Consolidated Net Revenues during FY 2018/2019 of USD 236.6 million compared to USD 239.9 million during the comparative year. Local retail sales increased during the year despite the general shrinking of the retail markets in Egypt. Retail sales in the UK declined during the year, especially in Q4 2018 as UK retailers endured the worst Christmas season sales since 2008 due to uncertainty in the UK market since Brexit voting and higher customers' dependence on online-shopping. Largest retail chains are struggling to stay in the UK market as House of Fraser announced falling into administration in Q3 2018. Debenhams has announced a restructuring plan for the company and change in its ownership structure after being taken over by its lenders and converting it from a public company listed on stock exchange to a closed company. The group's industrial segment witnessed uplift in sales during FY2018 in addition to attracting new clients from the US market despite the challenges that faced the segment during the year due to the Turkish crisis and the slowdown in the UK market.

Arafa Holding reported Net profit After Tax of USD 3.1 million during FY 2018 compared to USD 7.0 million during the comparative year. Results included non-recurring losses of Baird Group (receivables losses) as a result of House of Fraser falling into administration. Net Profits were also affected by increase in operating costs and SG&A expenses during the year for the industrial segment as a result of shifting to new export markets post the Turkish crisis and entry of new clients from US market.

Financial Highlights for 2018/2019 Results

Consolidated Results USD '000	FY 2018	FY 2017
Net Revenues	236 554	239 937
Net Profit After Tax	3 085	7 037
<i>Net Profit Margin %</i>	<i>1.3%</i>	<i>2.9%</i>

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Breakdown by Business Segment:

Luxury Segment

Luxury USD '000	FY 2018	FY 2017
Net Revenues	63 590	58 643
Operating Profits	5 006	4 178
<i>Operating Profit Margin%</i>	<i>7.9%</i>	<i>7.1%</i>

Concrete for Ready Made Garments S.A.E (Concrete)

Concrete for Ready Made Garments S.A.E - the owner of CONCRETE trademark – recorded net sales of USD 21.1 million during FY 2018 compared to USD 19.7 million during the year of comparison with an increase of 7.1% despite the decline in quantities sold during FY 2018 due to the continued contraction of retail markets in Egypt. Concrete is investing hard in the innovative products to keep pace with modern life style such as the Traveler Suit, in addition to expanding in accessories and shoes.

The Company's operating profits stood at USD 3.3 million compared to USD 2.2 million during the comparative year despite the marketing spendings of the "Iconic Man" campaign that continued during FY 2018. This is attributed to Concrete management efforts during the year to reduce marketing expenses associated with the campaign through focusing more on social media due to its direct and positive impact on customers.

Euromed for Trading and Marketing (Euromed)

Euromed for Trading & Marketing S.A.E, the owner of "Brandshub.co" in the local market, recorded sales of USD 5.1 million during FY 2018 compared to USD 3.9 million during the comparative year with an increase of 30.5%.

The company recorded an operating loss of USD (84.2)k compared to USD 8.4k during the year of comparison, as a result of launching "Brandshub.co" in the Egyptian market and opening its stores during Q3 and Q4 of 2018. The company is in the ramp up phase to build a strong network of stores to enable the company to grow. The Company has announced the launching of "BrandsHub.Co" chain of stores during Q3 2018 which includes different sections for men's clothing, children's wear, accessories and shoes. It is worth mentioning that Euromed for Trading & Marketing S.AE has launched a specialized online platform for ready-made garments, shoes and accessories during FY 2018. The company is seeking larger market share in the value chain segment in the Egyptian market through anchoring its chain of stores "BrandsHub.Co" to the well know shopping malls in Cairo and some governorates.

Egypt Tailoring Company S.A.E (ETC)

Egypt Tailoring Company S.A.E maintained its sales level at USD 40.0 million during FY 2018, supported by export sales to the US and Spanish market.

The company recorded an operating profit of USD 1.8 million compared to USD 2.0 million during the year of comparison as a result of the increase in SG&A expenses during FY 2018 accompanying the opening of the massive US market. Q4 2018 witnessed a significant increase in sales of 10.7% and a significant increase in operating profit by 31.2%, in addition to attracting new clients from the world's top fashion houses in US market such as Brooks Brothers, Peerless and Men's Wearhouse.

Formal Segment

Formal USD '000	FY 2018	FY 2017
Net Revenues	220 009	222 350
Operating Profit	3 846	9 581
<i>Operating Profit Margin%</i>	<i>1.7%</i>	<i>4.3%</i>

Baird Group

The UK subsidiary Baird Group recorded net sales of USD 136.8 million during FY 2018 compared to USD 145.5 million in the previous year. The company's sales were affected, particularly in Q4 2018, due to uncertainty since Brexit voting and increase in customers' dependence on e-shopping. Retail sales in the UK market endured the worst Christmas season since 2008.

Net profits of the UK subsidiary Baird group were affected by the continuous slowdown in the UK market and the consequent decline in the status of largest retail chains in the UK market, where House of Fraser fell into administration during Q3 2018 and Baird Group incurred its receivables losses, Also Debenhams has announced a restructuring plan for the company and change in its ownership structure after the company has been taken over by its lenders and is being converted from a public company with its shares listed on the stock exchange to a closed company .Baird Group recorded operating losses of USD (2.1) million during FY 2018 compared to operating profit of USD 2.8 million during the year of comparison. It is worth to mention that Baird Group has taken measures to capitalize on the changes taking place in the UK market through a project that aims to increase the profitability and gain a larger market share after the exit of many competitors from the UK market, This project includes: the exit from the loss making stores with Debenhams, reduce the tenants of the profit making stores, Discuss the improvement of contractual terms with customers and strategic partners such as Debenhams, cut employment, reduce inventory, invest more in the e-shopping, and open negotiations with the new owners of House of Fraser to develop a promising future business plan. Arafa Holding is delighted to have a team in Baird group that works diligently and efficiently managing the crisis in light of the fast moving events and instability in the United Kingdom.

Swiss Garments Company S.A.E (SGC)

Net sales stood at USD 94.4 million compared to USD 87.6 million during the year of comparison despite decrease in sales to clients from UK market due to wide spread uncertainty in market.

SGC recorded operating profits of USD 3.7 during FY 2018 compared to USD 4.4 million due to increase in operating costs during the year.

It is worth mentioning that SGC – considered one of the top Readymade garments exporters to Europe as per report issued by the Ready Made Export Council- achieved an increase in export sales during Q4 2018 with an increase of 38.8%. The company recorded an operating profit of USD 1.8 million during Q4 2018 Compared to an operating loss of USD (388)k thousand during Q4 2017 due to decrease in both operating costs and SG&A expenses during Q4 2018.

Golden Tex for Wool S.A.E (Goldentex)

Net sales posted USD 13.0 million during FY 2018 compared to USD 12.6 million during the year of comparison. Despite the drop in export sales to the Turkish market (considered one of the main export destination to Goldentex) due to deterioration in the value of the Turkish Lira during the third quarter of this year, as the currency fell by more than 50% of its value against the US dollar during the first 9M of FY 2018. Leading to precautionary measures taken in Turkey which adversely affected the Company's clients from the Turkish market in terms of inability to meet their financial or operational obligations.

Goldentex operating profits recorded USD 1.2 million during FY 2018 compared to USD 1.3 million in the previous year.

Casual Segment

Casual USD '000	FY 2018	FY 2017
Net Revenues	19 294	15 216
Operating Profit	(568)	1 224
<i>Operating Profit Margin%</i>	<i>(2.9)%</i>	<i>8.0%</i>

Swiss Cotton Garments Company S.A.E (SCGC)

Net sales recorded USD 14.7 million in FY 2018 versus USD 14.3 million in FY 2017 despite the negative effect of Turkish crisis on Q4 2018 sales and the consequent inability of customers from the Turkish market to meet their operational or financial obligations. The company's management has made a lot of efforts to regain its export position in the US market and has succeeded in attracting again its customers from the US market such as Macy's.

SCGC recorded operating losses of USD (1.3) million compared to operating profit of USD 825K, due to higher operating costs during the year as a result of the Turkish crisis and the consequent changes in the exports markets.

Cristall for Making Shirts S.A.E (Cristall)

Cristall doubled its net sales during the year to reach USD 4.6 million during FY 2018 compared to USD 949K in the comparative year. It is worth mentioning that Cristall manufactures the luxury shirt for the top European fashion houses such as Gherardi, Mango and Massimo Dutti as well as other customers from the UK market.

The company achieved a remarkable growth in operating profit of USD 453K compared to USD 112K in FY 2017 due to increased sales and lower operating costs.

About Al Arafa for Investment & Consultancies

Al Arafa for Investment and Consultancies (“Arafa Holding”) is a leading player in retail industry backed by a huge industrial platform, listed on Egyptian Stock Exchange and holds approximately 15% market share of the UK formal menswear market through its subsidiary “Baird Group” that manages 235 stores in the 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. In addition to some other strategic investments with leading international fashion players.

Investor Relations:

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