



# **Al Arafa for Investment and Consultancies**

## **Earnings Release | FY 2017 Results**

April, 2018

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 2017/2018.

**Arafa Holding reported a remarkable increase in Operating profits during FY 2017/2018 recording USD 18.2 million compared to USD 8.1 million during FY 2016/2017, thanks to higher profit margins and lower operational costs of Group's industrial segment. This is in addition to flattening of SGA expenses that were inflated the previous year with non-recurring SGA expenses from the retail segment in both Egypt and UK.**

**Arafa Holding reported Net profit After Tax of USD 7.0 million during FY 2017 compared to USD 7.8 million during the comparative year, despite the depreciation of the EGP against USD with an average of 47.6% during FY 2017. It's worth mentioning that Net profits for last year included non-recurring FX gain that came up from the floatation of the Egyptian pound during Q4 2016.**

**Arafa Holding maintained level of Consolidated Net Revenues during FY 2017/2018 at USD 240 million, despite sales of companies operating in the Egyptian market were negatively affected after financial statements translation. Adding to that the contraction of Egyptian retail markets during the year and continuous slowdown in the UK market since Brexit Voting.**

#### **Financial Highlights for 2017/2018 Results**

<b>Consolidated Results   USD '000</b>	<b>FY 2017</b>	<b>FY 2016</b>
Net Revenues	239 937	240 878
EBITDA	23 891	14 809
<i>EBITDA margin%</i>	<i>10.0%</i>	<i>6.1%</i>
Operating Profits (EBIT)	18 169	8 135
<i>EBIT margin%</i>	<i>7.6%</i>	<i>3.4%</i>
Net Profit After Tax	7 037	7 803
<i>Net Profit Margin %</i>	<i>2.9%</i>	<i>3.2%</i>

- A** Arafa Holding reported **Consolidated Net Revenues** of USD 239.9 million during FY 2017 compared to USD 240.9 million during last year. Group maintained same level of revenues despite sales of companies operating in the Egyptian market were negatively affected after financial statement translation due to depreciation of the EGP against USD with an average of 47.6% during the year. Adding to that the contraction of Egyptian retail markets and the consequent deterioration of consumers' purchasing power. Sales have also been affected by

the continuous slowdown in the UK market since Brexit voting pushing large retail chains operating in the UK market to change their selling policies.

- ▲ Arafa Holding recorded **Operating profits** of USD 18.2 million in FY 2017, with profit margin of 6.7% compared to USD 8.1 million and profit margin of 4.3% during FY 2016, thanks to higher profit margins and lower operational costs from group's industrial segment. This is in addition to flattening of SGA expenses that were inflated the previous year with non-recurring SGA expenses from the retail segment in both Egypt and UK.
- ▲ **Consolidated Net Profit after Tax** reported USD 7.0 million during FY 2017 compared to USD 7.8 million during last year, despite the depreciation of the EGP against USD with an average of 47.6% during the year. It's worth mentioning that Net profits for previous year included non-recurring FX gain that came up from the floatation of the Egyptian pound during Q4 2016.

**Breakdown by Business Segment:**

**Luxury Segment**

<b>Luxury   USD '000</b>	<b>FY 2017</b>	<b>FY 2016</b>
Net Revenues	58 643	71 479
Operating Profits	4 178	2 786
<i>Operating Profit Margin%</i>	<i>7.1%</i>	<i>3.9%</i>

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

Net sales came in at USD 19.7 million during FY 2017 compared to USD 29.3 million during the year of comparison. Sales were negatively affected after financial statements translation with the depreciation of the EGP against USD by an average of 47.6% during the year, despite the uptick in sales by 28.3% on the local currency (Egyptian Pound). It is worth mentioning that Concrete maintained the same level of Volumes sold last year in spite of the witnessed contraction in local retail markets following the floatation of EGP and the consequent decline in customers' purchasing power.

Concrete recorded operating profits of USD 2.2 million versus USD 3.5 million during the comparative year. It is worth mentioning that operating profits increased by 20.8% on the local currency during FY 2017, despite the increase in SGA expenses associated with the launched marketing campaign during Q2 2017.

***Egypt Tailoring Company S.A.E (ETC)***

Net sales stood at USD 40.1 million during FY 2017 compared to USD 43.3 million during last year due to the continuous slowdown in many European retail markets. Q4 2017 witnessed robust sales up 20.5% supported by an increase in export sales to the Spanish market during the period.

The company witnessed an uplift in its operating profits during the year to reach USD 2.0 million compared to USD 417K during the previous year, driven by lower operating costs during FY 2017.

**Formal Segment**

<b>Formal   USD '000</b>	<b>FY 2017</b>	<b>FY 2016</b>
Net Revenues	222 350	220 326
Operating Profit	9 581	9 153
<i>Operating Profit Margin%</i>	<i>4.3%</i>	<i>4.2%</i>

***Baird Group***

The UK subsidiary Baird Group recorded net sales of USD 145.5 million during FY 2017 compared to USD 135.8 million in the previous year, up 7.1% over the USD and 10.0 % over the local currency (British Pound), despite the continuous slowdown in the UK market since Brexit voting which was reflected on the financial results of many retail chains operating in the UK market. It is worth mentioning that the UK subsidiary Baird group controls approximately 15% market share of formal menswear market in UK through a portfolio of prestigious brands operating in UK, including Ben Sherman, Jeff Banks, Gibson London, and Racing Green. This in addition to the remarkable growth in the online business which reached almost 17% of turnover during FY2017 with continuous support from Baird's management team to improve and grow the online business platform in order to keep up with the global move towards e-commerce.

Baird Group achieved positive results during Q4 2017 with an increase in sales of 34.0% compared to the same period last year. The company recorded operating profits of USD 2.8 million during FY 2017 compared to USD 2.9 million during the comparative year.

***Swiss Garments Company S.A.E (SGC)***

Net sales stood at USD 87.6 million compared to USD 95.7 million during the year of comparison. Sales were negatively affected by the economic slowdown in the UK market- since UK is considered one of the company's strategic markets - pushing world class retail chains to change their selling policies.

SGC recorded higher operating profits during FY 2017, supported by the significant decrease in operating costs during the year to reach USD 4.4 million compared to USD 3.2 million during the previous year.

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

Net sales posted USD 12.6 million during FY 2017 compared to USD 18.8 million during the year of comparison, despite the increase in sales on the local currency (Egyptian Pound) by 28.2%. Sales were negatively affected after the translation of the financial statements by the depreciation of the EGP against USD with an average of 47.6% during FY 2017.

Goldentex operating profits recorded USD 1.3 million during FY 2017 compared to USD 1.4 million in the previous year - even though operating profits increased more than one time on the local currency- due to the depreciation of the EGP against the USD during period.

### **Casual Segment**

<b>Casual   USD '000</b>	<b>FY 2017</b>	<b>FY 2016</b>
Net Revenues	15 216	13 330
Operating Profit	1 224	103
<i>Operating Profit Margin%</i>	<i>8.0%</i>	<i>0.8%</i>

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

Net sales recorded USD 14.3 million in FY 2017 with an increase of 7.0% YOY versus USD 13.3 million in FY 2016. The growth came on the back of the efforts exerted by the management team to open new export markets such as the Turkish market and maintain exports to the US market which is considered one of the company's strategic export destinations.

SCGC recorded operating profits of USD 825K compared to losses of USD 177K, supported by lower operating costs during FY 2017.

### **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 such as Ermenegildo Zegna.

#### **Investor Relations:**

Al Arafa for Investment & Consultancies (Arafa Holding - AIVC)

Address: Nasr City Public Free Zone – 15st. near North Area

Tel: +202 267 140 44

Email: [ir@arafaholding.com](mailto:ir@arafaholding.com)

Website: [www.arafaholding.com](http://www.arafaholding.com)