



Al Arafa for Investment and Consultancies

Earnings Release | FY 2019 Results

21 May 2020

Al Arafa for Investment & Consultancies ("Arafa Holding" or "AIVC" or the "Company"), the leading Company in Retail, Garments & Textile manufacturing released its results for the FY 2019/2020

Arafa Holding recorded consolidated Net Sales during FY 2019/2020 of USD 225.0 million compared to USD 236.6 million during FY 2018/2019 due to lower retail sales from Baird Group where the UK retail market witnessed one of the worst Christmas seasons since decades due to the decline in purchasing power for some customers or rationalization of spending for others, due to the continuous uncertainty spread in the United Kingdom since Brexit voting. Q4 2019 witnessed a significant increase in consolidated sales to record USD 65.1 million with an increase of 4.4% compared to USD 62.4 million during the same period of comparison on the back of higher export sales for the manufacturing segment especially to the US market and the increase in local retail sales represented in sales of Concrete & Brandshub.co.

Arafa Holding recorded Net profit after Tax of USD 15.2 million with net profit margin of 6.8% during FY 2019 compared to USD 3.1 million with net profit margin of 1.3% during the comparative year including profits resulting from translating accounts in foreign currencies. It is worth to mention the great efforts exerted by Arafa Holding team for protecting export sales' proceeds from fluctuations of USD against other currencies such as GBP, Euro & EGP on translating the financial statements. At such, profits resulting from translation differences are considered operating profits attributed to higher export sales. However, these profits are recorded as FX gain from translating foreign currency accounts for reporting the financial statements in accordance with the Egyptian Accounting Standards

It should be noted that business has been significantly affected by the continuous spread of Coronavirus (COVID-19) around the world and the consequent imposition of complete lock-down in different European and American markets as precautionary measures to contain the spread of the virus. These measures had negative impact on global retail business as retail stores were shut down for long period of time leading to the suspension of export business to most of group's customers with uncertainty of export sales in the coming period. At such, operations at Group industrial platform got on hold for period of time. Also, the local retail arm in Egypt and United Kingdom were negatively affected by the imposition of lock-down, which led to complete closure of our stores in the UK, and partial closure with reducing working hours for our stores in Egypt. Accordingly, Arafa Holding anticipates that financial results of FY 2020 will be significantly negatively affected with COVID-19 along with the uncertainty for business plan during FY 2020 and the following year.

Financial Highlights for 2019/2020 Results

Consolidated Results USD '000	FY 2019	FY 2018
Net Revenues	224,997	236,554
Net profit after tax	15,205	3,085
<i>Net profit margin %</i>	<i>6.8%</i>	<i>1.3%</i>

Financial Highlights for Subsidiaries:

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 22.6 million during FY 2019 with an increase of 7.2% compared to USD 21.1 million during the comparative year. Q4 2019 witnessed a significant increase in sales recording USD 6.7 million compared to USD 5.8 million during the same period of comparison with an increase 16.5%. Concrete’s management is exerting great efforts to enlarge its customer’s base through investing hard in the innovative products to keep pace with modern life style, and expanding the collection of leather products & accessories. This is in addition to developing the kids’ wear segment through offering diversified products, investing in marketing and allocating standalone shops for kids’ wear.

Concrete maintained the same level of operating profits during FY 2019 of USD 3.3 million in comparison with last year, despite operating profits were negatively affected by the openings of the new stores during 2019.

Euromed for Trading and Marketing (Euromed)

Euromed for Trading & Marketing S.A.E, the owner of “Brandshub.co” stores in the local market, recorded sales of USD 4.6 million during FY 2019 compared to USD 5.1 million during the comparative year. Q4 2019 witnessed a significant increase in sales volume to record USD 1.1 million compared to USD 758K with an increase of 41.4% reflecting management efforts in completing network of brandshub.co new stores during the year. This is in addition to efforts done by company’s wholesale division in attracting new prestigious clients of most well-known companies operating in Egypt for supplying their corporate uniforms. Moreover, the company has invested and developed its online shopping platform to keep pace with the global trends of online shopping to reach a larger customer base.

The company recorded operating Profits of USD 118K during FY 2019 compared to USD (84k) during the comparative year, resulted from the increase in the SG&A expenses during FY 2019 associated with the opening of new stores - which were opened in prime locations in commercial malls in Cairo and governorates – including higher stores rent to reflect new stores, marketing expenses for new stores and increased marketing expenses related to company’s online shopping platform.

Baird Group

The UK subsidiary Baird Group recorded net sales of USD 120.0 million during FY 2019 compared to USD 136.8 million during the comparative year on the back of continuous economic slowdown, the contraction in UK retail markets and the depreciation of GBP against USD with an average of 3.7% during 2019. Q4 2019 – quarter that includes Christmas and Black Friday season- witnessed a significant drop in sales as the UK retail market witnessed one of the worst Christmas seasons since decades due to the decline in purchasing power for some customers or rationalization of spending for others, due to the instability and uncertainty witnessed in the United Kingdom since Brexit voting. Also sales were negatively affected since Debenhams – one of Baird group’s strategic partners- announced the restructuring plan for the company and change in its ownership 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 reported operating profits of USD 1.0 million during FY 2019 compared to operating losses of USD (2.1) million during the comparative year. It is worth to mention that company’s management succeeded in implementing a comprehensive restructuring plan during the year, includes the exit from the loss making stores, reducing employment and investing in the online shopping website.

Swiss Garments Company S.A.E (SGC)

Swiss Garments Company S.A.E recorded Net sales of USD 119.4 million during FY 2019 compared to USD 94.4 million during the comparative year with an increase of 26.5%. Q4 2019 witnessed a significant growth in sales to record USD 36.4 million compared to USD 28.7 million during the same period of comparison with an increase of 26.8% supported by management efforts in attracting new clients including Peerless, Lanier & Bonini and opening new European markets to achieve diversified portfolio of clients and markets.

SGC reported operating profits of USD 3.0 million during FY 2019 compared to USD 3.7 million during the comparative year due to the increase in operating costs during the period caused by the increase in value of the EGP against the USD by an average of 10.7% during 2019.

Egypt Tailoring Company S.A.E (ETC)

Egypt Tailoring Company S.A.E recorded net sales of USD 51.8 million during FY 2019 compared to USD 40.0 million during the comparative year. Q4 2019 witnessed a significant growth in sales to record USD 16.1 million compared to USD 12.6 million in Q4 2018 with an increase of 28.1% due to company's efforts in increasing export sales with an increase of 43.1% during the year especially to the US and Spanish markets.

The company reported operating profits of USD 1.1 million compared to USD 1.7 million during the comparative year as a result of the increase in operating costs on the back of the increase in value of EGP against USD by an average 10.7% during the year. This is in addition to the increase in energy prices by 15% compared to 2018. Q4 2019 witnessed a significant growth in operating profits to report USD 1.2 million compared to USD 812K during the same period of comparison supported by higher sales and lower SG&A/Sales during the period.

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

Swiss Cotton Garments Company S.A.E recorded net sales of USD 15.7 million during FY 2019 compared to USD 14.7 million during the comparative year supported by an increase in export sales to Macy's & peerless from the US market. Q4 2019 witnessed a significant growth in sales by 60.9% compared with the same period of comparison.

The company reported operating profits of USD 865K during FY2019 compared to operating loss of USD (1.3) million during the comparative year supported by higher sales and lower operating costs and less general administration expenses on the back of management efforts in implementing a comprehensive restructuring plan.

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

Cristall for Making Shirts S.A.E recorded net sales of USD 6.6 million during FY 2019 compared to USD 4.6 million during the comparative year supported by export sales to Brooks Brothers in US market and Massimo Dutti in Spanish market. Q4 2019 witnessed an increase in sales to record USD 2.2 million compared to USD 1.5 million during the same period of comparison with an increase of 46.2%.

The company reported operating profits of USD 196K during FY 2019 compared to USD 453K during FY 2018 due to higher operating costs during 2019.

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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