

Al Arafa for Investment and Consultancies

Earnings Release | H1 2019 Results

20 October 2019

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 1st six months of the FY 2019/2020.

Arafa Holding recorded Net Sales of USD 104.3 million during H1 2019 compared to USD 118.0 million during H1 2018. Despite the increase in exports of manufacturing sector during the period especially to the US market and the increase in sales of Concrete for Ready Made Garments Company S.A.E, but continuous uncertainty in the UK market since Brexit voting, GBP & Euro Depreciation against USD with average 6.6% and 6.8% respectively, reflected negatively on consolidated net sales of the company during the period after translation of financial statements to USD.

Arafa Holding recorded Net profit after Tax of USD 7.8 million with net profit margin of 7.4% during H1 2019 compared to USD 3.3 million with net profit margin of 2.8% during the same period of H1 2018 supported by lower costs of retail sector and lower SGA to sales for the manufacturing sector. Net profits for the period includes non-recurring profits resulted from FX differences.

Financial Highlights for H1 2019 Results

Consolidated Results USD '000	H1 2019	H1 2018
Net Revenues	104 308	117 960
Net profit after tax	7 758	3 261
<i>Net profit margin %</i>	<i>7.4%</i>	<i>2.8%</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 10.7 million during H1 2019 compared to USD 10.2 million during the same period of comparison with an increase of 4.5%. Concrete's management is investing hard to attract new customers through innovative products to keep pace with modern life style such as the Traveler Suit, accessories and shoes in addition to launching an online shopping website that is expected to go live during Q4 2019. This is in addition to management strategy for continuous expansion in new shopping malls and different governorates.

Concrete operating profits increased to USD 2.2 million during H1 2019 compared to USD 1.3 million during the same period of comparison. This is attributed to Concrete management efforts during H1 2019 to reduce SG&A expenses due to change in discounts strategy and focusing more on social media marketing 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" stores in the local market, recorded sales of USD 2.4 million during H1 2019 compared to USD 3.1 million during the same period of comparison due to the delay in uniform tenders that have been postponed to Q4 2019. During Q2 2019, the company has recovered the sales volume supported by new opening of stores during Q4 2018 and H1 2019.

The company recorded an operating loss of USD (242.5)k during H1 2019 compared to USD 144.4k during the same period of comparison, as a result of opening "Brandshub.co" new stores in the Egyptian market and investing in the online shopping platform to achieve larger customer base.

Baird Group

The UK subsidiary Baird Group recorded net sales of USD 58.2 million during H1 2019 compared to USD 71.2 million during the same period of comparison. The company's sales were affected due to uncertainty since Brexit voting and translation of financial statements to USD due to depreciation of GBP against USD with average 6.6% during the period. Also, the sales were affected since 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 profits of USD 363.2 K during H1 2019 compared to operating loss of USD (672.4) K during the period of comparison.

It is worth mentioning that Iconic British brand Ben Sherman operating "exclusively by Baird Group" announced during H1 2019 an exciting agreement that will see it appointed as an official supporter to Team GB for the Tokyo 2020 Olympic Games. Ben Sherman will create exclusive looks to be worn by the British athletes during the official Opening Ceremony, as well as additional lifestyle apparel for retail. Fans will be able to purchase an exclusive capsule collection that will be available at Ben Sherman standalone stores and on bensherman.co.uk online shopping.

Swiss Garments Company S.A.E (SGC)

Swiss Garments Company S.A.E recorded Net sales of USD 48.2 million during H1 2019 compared to USD 40.2 million during the same period of comparison with an increase of 19.8% despite depreciation of GBP & Euro against USD with average 6.6% & 6.8% respectively, supported by sales from US market. Also, the company is investing hard to open new European markets on the back of wide spread uncertainty in UK market.

SGC recorded operating profits of USD 1.3 million during H1 2019 compared to USD 1.2 million during the same period of comparison with an increase of 5.3% due to decrease in SGA expenses to sales during the period.

Egypt Tailoring Company S.A.E (ETC)

Egypt Tailoring Company S.A.E recorded net sales at USD 21.3 million during H1 2019 compared to USD 16.6 million during the same period of comparison. The second quarter witnessed remarkable growth in sales volume with an increase of 35.8% supported by export sales to the US market.

The company recorded an operating loss of USD (769.2)K compared to USD 687.2K during the period of comparison as a result of the increase in operating costs during H1 2019 accompanied by investment and expansion in the company to attract new clients from the world's top fashion houses in US market.

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

Swiss Cotton Garments Company S.A.E recorded Net sales of USD 7.9 million during H1 2019 compared to USD 8.9 million during the same period of comparison due to the negative effect of Turkish crisis on sales and the consequent inability of customers from the Turkish market to meet their operational or financial obligations.

The company recorded operating profits of USD 520.3K during H1 2019 compared to operating profit of USD 431.5K during the same period of comparison with an increase of 20.6% due to lower general and administrative expenses during the period.

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

Cristall for Making Shirts S.A.E recorded net sales of USD 2.5 million during H1 2019 compared to USD 1.8 million during the same period of comparison with an increase of 37.3% supported by export sales to US and Spanish markets. The second quarter witnessed remarkable growth in sales volume to reach USD 1.7 million compared to USD 0.9 million during the same period.

The company recorded an operating profit of USD 74.4K during H1 2019 compared to USD 125.8K during the same period of comparison due to increased operating costs during the period.

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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