



Al Arafa for Investment and Consultancies

Earnings Release | H1 2016 Results

September 2016

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 1st half of the Fiscal Year ending 31st of January 2017.

Arafa Holding recorded Consolidated Net Profit after Tax of USD 3.5 million for the first half of FY 2016 compared to USD 3.4 million for the same period last year. Such results are coming despite of the witnessed slowdown in European retail markets and drop of revenues for world largest retail chains as a result of the spread political instability and terrorism incidents that took place in Europe leading to a general slowdown in the economy. Also Revenues from UK and Egypt Retail operations were negatively affected by the depreciation of the British Pound following the Brexit voting, and the depreciation of Egyptian Pound for the currency crunch facing the Egyptian Economy.

Financial Highlights for H1 2016 Results

Consolidated Results USD '000	H1 2016	H1 2015
Net Revenues	122 589	136 066
Net Profit After Tax	3 549	3 446
<i>NPM %</i>	<i>2.9%</i>	<i>2.5%</i>
Net Profit After Minority	2 891	2 498
<i>NPM %</i>	<i>2.4%</i>	<i>1.8%</i>

▲ Arafa Holding reported **Consolidated Net Revenues** of USD 122.6 million during H1 2016 compared to USD 136.1 million during H1 2015. Export Sales of Industrial segment were negatively affected with the witnessed slowdown in European retail markets and the drop in revenues of world largest retail chains as a result of the spread political instability, terrorism incidents that took place in Europe leading to a general slowdown in the economy and also the significant depreciation in value of British Pound following the Brexit voting. Moreover, Local retail sales were also affected with financial statements translation due to depreciation of EGP against USD by 11.4% during H1 2016.

▲ **Consolidated Net Profit after Tax** recorded USD 3.5 million during H1 2016 with compared to USD 3.4 million on the back of the reduction in both Industrial Segment's operating costs and Group's financial expenses during the reporting period.

Breakdown by Business Segment:

Luxury Segment

Luxury USD '000	H1 2016	H1 2015
Net Revenues	38 224	41 624
Operating Profits (EBIT)	3 279	3 920
<i>EBIT margin%</i>	<i>8.6%</i>	<i>9.4%</i>

Luxury Segment recorded **Net Revenues** of USD 38.2 million during H1 2016 compared to USD 41.6 million during same period last year. Revenues were negatively affected by financial statements translation due to the depreciation of EGP against USD by 11.4% during the period diluting the uptick in *Egypt Tailoring Company S.A.E (ETC)* and Concrete for Ready Made Garments S.A.E local retail sales.

Segment's **Operating profits** (EBIT) reached USD 3.3 million with EBIT margin of 8.6% compared to USD 3.9 million with a margin of 9.4% during same period last year, Operating profits got reduced with Concrete's non-recurring costs related to the transformation plan set by Bain&Co and world-class fashion consultants for the Brand & Stores revamping.

Formal Segment

Formal USD '000	H1 2016	H1 2015
Net Revenues	113 203	117 046
Operating profits (EBIT)	2 815	4 403
<i>EBIT margin%</i>	<i>2.5%</i>	<i>3.8%</i>

Formal Segment recorded **Net Revenues** of USD 113.2 million during H1 2016 compared to USD 117.0 million for the comparative period. *Sales of British subsidiary, Baird Group* increased by 14.7% on local currency (British Pound) and 5.7% on USD after financial statements translation due to the depreciation of British Pound against USD during the period by 7.9%. Also Sales of *Swiss Garments Company S.A.E* and *Goldentex for Wool S.A.E* were both negatively affected with the witnessed slowdown in European retail markets. .

Segment's **Operating Profits** (EBIT) recorded USD 2.8 million with EBIT margin of 2.5% compared to USD 4.4 million with a margin of 3.8% during the comparative period. Baird Group incurred non-recurring costs during Q1 2016 related to the integration of the operations of Ben Sherman within Baird Group leading to an increase in segment's SG&A expenses during H1 2016.

Casual Segment

Casual USD '000	H1 2016	H1 2015
Net Revenues	7 592	11 815
Operating profits (EBIT)	(72)	(61)
<i>EBIT margin%</i>	<i>(1.0%)</i>	<i>(0.5%)</i>

The Casual Segment recorded **Net Revenues** of USD 7.6 million during H1 2016 compared to USD 11.8 million during H1 2015. The decline in sales is attributed to lower sales of *Swiss Cotton Garments Company S.A.E* to US market, it is worth mentioning that the company is working on penetrating new markets in Europe & Asia.

About Al Arafa for Investment & Consultancies

Al Arafa for Investment and Consultancies ("Arafa Holding") is a leading player in the fashion industry, 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:

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