



# **Al Arafa for Investment and Consultancies**

**Earnings Release | H1 2020 Results**

**15 September 2020**

**Al Arafa for Investment & Consultancies ("Arafa Holding" or "AIVC" or the "Company"), the leading Company in Retail and Garments & Textile manufacturing, released its results for the 1<sup>st</sup> six Months of the financial year 2020/2021.**

**Arafa Holding recorded Net Sales of USD 57.2 million during H1 2020 compared to USD 104.3 million during H1 2019. Total sales have been negatively affected during Q2 2020 due to the slowdown of export and the retail segment and the closure of manufacturing facilities in accordance with precautionary measures and government imposed restrictions pertaining to COVID 19.**

**Arafa Holding recorded USD -10.7 million Net Loss after Tax during H1 2020 compared to USD 7.8 million during H1 2019. It is worth mentioning that the group recorded USD 1.3 million in losses in the first six months of the fiscal year 2020 in the local retail, and industrial segment, despite the suspension of manufacturing facilities, the closure of commercial malls, and the reduction of operating hours in stores in accordance with the government imposed curfew to combat the spread of COVID19. Moreover, the results of the aforementioned fiscal period were highly affected by Baird group losses, which were similarly a result of imposed lockdown restrictions leading to closures, and suspension of retail activities across the United Kingdom.**

**Meanwhile, sales were also affected as Debenhams – Baird group strategic partner-announced during May 2019 going into administration as bankruptcy prevention procedure, with aim to restructure creditors' assets.**

**Above mentioned events resulted in Baird Group taking several measures for risk reduction and protecting business operations through further investing in e-commerce and outlet business. Furthermore, the company has submitted an optional request; Corporate Voluntary Agreement (CVA), to reach an agreement with all business partners and major common stakeholders regarding future endeavors and settling past dues for completing the restructuring process. The CVA decision was fortified last week, and it is expected that the results will be reflected in the company's financial results during the third quarter of the fiscal year 2020.**

**Financial Highlights for H1 2020 Results**

<b>Consolidated Results   USD '000</b>	<b>H1 2020</b>	<b>H1 2019</b>
Net Revenues	57 159	104 308
Net profit after tax	(10 687)	7 758
<i>Net profit margin %</i>	<i>(18.6%)</i>	<i>7.4%</i>

## **Financial Highlights for Subsidiaries**

### **Retail Segment**

#### **The Retail segment in Egypt includes Concrete for Ready Made Garments S.A.E, Euromed for trading and marketing S.A.E, and Baird Group in UK**

The Retail segment was negatively affected by the global spread of Coronavirus (COVID-19), and the complete lockdown imposed as a precautionary measure starting March 2020. The UK imposed a complete shutdown abiding with the curfew, which resulted in resorting to online shopping. As a result of the impact of the pandemic on the economy and retail industry in particular, several stores remain closed due to the lack of demand. Similarly, the Egyptian government imposed a curfew, resulting in the closure of shopping centers, and a reduction of retail store operating hours, facing similar consequences.

#### ***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 7.6 million during H1 2020 compared to USD 10.7 million during H1 2019. This is a result of a decrease in total sales by approximately 60% during the second quarter of 2020, due to the COVID19 impact.

Concrete recorded profits of USD 3.9 million during H1 2020 compared to USD 2.2 million during H1 2019, despite the sharp decrease of sales during Q2 2020 as a result of non-recurring profits from the sale of fixed assets during Q1 2020.

#### ***Euromed for Trading and Marketing (Euromed)***

Euromed for Trading & Marketing S.A.E, the owner of "Brandshub.co" stores in the local market, recorded net sales of USD 4.9 million during H1 2020 compared to USD 2.4 million during the comparative period despite the impact of COVID19 on the retail industry. This result was supported by the company's fulfillment of an order from one of the most important tenders during the second quarter; for which, delivery was expected to start during the first quarter.

Euromed recorded operating profits of USD 85.6k compared to USD (242.5k) during the comparative period, supported by the increase in total sales of tenders during Q2 2020.

### ***Baird Group***

The UK subsidiary Baird Group recorded net sales of USD 18.1 million during the first six months of 2020 compared to USD 58.2 million in the comparative period in 2019. The decreased sales are once again, a result of the consequences of COVID19, predominantly being the imposed lockdown restrictions leading to closures, and the suspension of retail activities across the kingdom. Moreover, the bankruptcy prevention announcement made by a Baird Group strategic partner; Debenhams, to restructure creditors' assets during last May

Above mentioned events encouraged Baird Group management on taking several measures for risk reduction and protecting business operations through further investing in e-commerce and outlet business. Furthermore, the company has submitted an optional request; Corporate Voluntary Agreement (CVA), to reach an agreement with all business partners and major common stakeholders regarding future endeavors and settling past dues for completing the restructuring process. The CVA decision was fortified last week, and it is expected that the results will be reflected in the company's financial results during the third quarter of the fiscal year 2020

Finally, Baird Group recorded operating losses of USD 8.6 million during the first six months in 2020 compared to an operating profit of 363.3k during the comparative period; as a result of the impact of COVID19 on the retail industry and economy as a whole. Whilst stores were closed due to the lockdown, and retail sales were halted, the company continued to incur fixed operating expenses.

### **Industrial Segment**

**The industrial segment includes: Swiss Garments Company S.A.E, Egypt Tailoring Company S.A.E, Swiss Cotton Garments Company S.A.E, and Cristall for making shirts S.A.E.**

The Industrial Segment was negatively affected by the global and continuous spread of COVID-19, resulting in worldwide lockdowns, leading to facility closures. Albeit, manufacturing facilities continued to incur the fixed operating expenses such as salaries amongst others. The negative impact of the Coronavirus was clearly reflected in the second quarter 2020, particularly after bankruptcy declarations were made by major clients such as Brooks Brothers, and Men's Wearhouse. The later announced their inability to fulfill their financial obligations, and filed for chapter 11 according to US law in addition to Bagir and Debenhams. Also, Zara announced earlier the closure of more than 1200 stores worldwide.

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

Swiss Garments Company S.A.E recorded Net sales of USD 29.9 million during H1 2020 compared to USD 48.2 million during the comparative period, due to the lockdown of the company's factory & the halt in exports due to COVID19 restrictions. SGC reported operating losses of USD 1.8 million during H1 2020 compared to operating profits of USD 1.3 million during the comparative period, due to the closure of factories in Q2, and the continuous incurring of fixed expenses.

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

Egypt Tailoring Company S.A.E recorded net sales of USD 14.3 million during H1 2020 compared to USD 21.3 million during H1 2019 following the suspension of the company's exports during Q2 2020, due to the imposed curfews and the associated consequences, such as the complete closure of manufacturing facilities. The company reported operating losses of USD 1.4 million compared to an operating losses of USD 769.2k during the comparative period, affected by the factory lockdown and the company incurring fixed G&A expenses.

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

Swiss Cotton Garments Company S.A.E recorded net sales of USD 7.0 million during H1 2020 compared to USD 7.9 million during the comparative period. The company reported operating profits of USD 159.3k during H1 2020 compared to operating Profits of USD 520.3k during the comparative period. It is important to note that the company's business results were not significantly affected by the corona pandemic due to the company's exports of casual clothing to the US market during Q2 2020.

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

Cristall for Making Shirts S.A.E recorded net sales of USD 1.9 million during H1 2020 compared to USD 2.5 million during the comparative period due the suspension of operations during Q2 2020. The company reported operating losses of USD 265.7k during H1 2020 compared to operating Profits of USD 74.4K during the comparative period affected by to the company lockdown during Q2 2020, and continuous fixed G&A expenses.

### **About Al Arafa for Investment & Consultancies**

Al Arafa for Investment and Consultancies, known as 'Arafa Holding', is a key player in the fashion retail industry, backed by a vast industrial platform. The holding company is listed on the Egyptian Stock Exchange and controls approximately 15% of the UK formal menswear market share through its subsidiary "Baird Group", which manages 235 stores in the UK.

Moreover, Arafa Holding owns the homegrown brand, Concrete, in Egypt; which is considered the largest retailer for luxurious menswear & kids wear in the country. The company's retail operations are vertically integrated with a state of the art industrial platform, which is considered the largest in the Middle East & Africa.

### **Investor Relations:**

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