

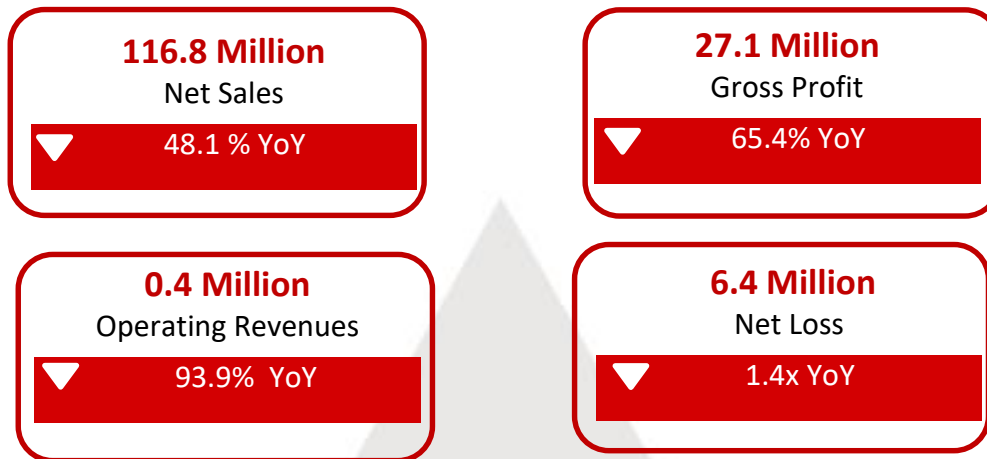
# **Al Arafa for Investment and Consultancies**

## **Earnings Release | FY 2020 Results**

### **6<sup>th</sup> June 2021**

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 full financial year 2020/2021.

### Full Year Financial Highlights 2020/2021 | USD (000)'s



### Q4 Financial Highlights 2020/2021 | USD (000)'s



- Arafa Holding recorded **Consolidated Net Sales** of USD 116.8 million during the financial year 2020, compared to USD 224.9 million during the financial year 2019.
- Sales were negatively affected during the financial year 2020 with the continuous spread of Covid-19 pandemic in the first quarter of the year, followed by pandemic second wave outbreak in November of the same year, which brought about the complete halt of Arafa Holding industrial sector exports activity for several months – that is represented by sales of Swiss Garments Company, Egypt Tailoring Company,

Cristall Company for Making Shirts, Swiss Cotton Garments Company –,and bankruptcy announcement by some of the group’s most prominent clients such as Brooks Brothers and Menswear House who filed for chapter 11 bankruptcy U.S. law earlier.

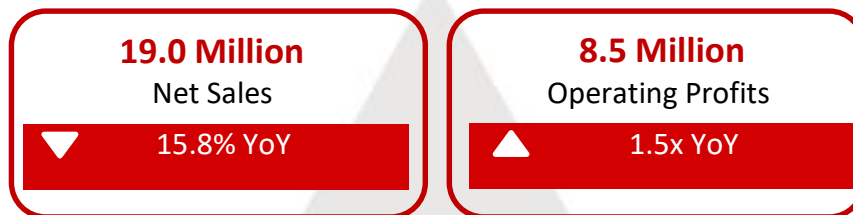
- Furthermore, consolidated sales were negatively affected by retracting retail segment sales in Egypt and UK as a result of imposing precautionary measures of partial lockdown and complete closure of commercial malls and stores for several months, which left a negative effect on local retail sales of Concrete for Ready Made Garments and Euromed for Trading and Marketing. In addition, Baird Group was negatively affected as its sales decreased by 65.5% compared to the previous year 2019 as a result of the vast pandemic outbreak and imposition of lockdown and closure of unnecessary commercial shops several times during the year, followed by outbreak of the second wave during fourth quarter of 2020, besides prohibiting any gatherings or celebrations and closure of workplaces which had inevitable negative impact on the major department chains and led to bankruptcy declarations of sum of them in the UK, such as Debenhams, Baird Group’s Strategic Partner, whom announced its bankruptcy and the complete closure of all stores across the UK during the final quarter of 2020, and layoff of thousands of employees. The aforementioned were the inevitable consequences of the failure of the ‘administration’ process, which sought to restructure the company’s debts. Meanwhile, Arcadia Group, the British retail company owning ‘Top Shop’, ‘Top Man’, ‘Miss Selfridge’, ‘Burton’, ‘Dorothy Perkins’ and ‘Evans’ in the United Kingdom, announced its bankruptcy in the last quarter of 2020.
- Arafa Holding recorded **consolidated Net Loss after tax** of USD 6.4 million with a loss margin of 5.5% during the financial year 2020/2021, compared to a net consolidated profit after tax of USD 15.2 million and a profit margin of 6.8% in the comparable year of 2019/2020.
- It’s worth mentioning that Arafa Holding spared no effort to manage the crisis intensively since the Covid-19 outbreak and the halt of any exporting activity- through a comprehensive cost rationalization plan aiming at providing steady cash flows for the group and recovering back normal sales, especially after end of the pandemic and

cope with the major changes that has happened in the retail markets due to the suspension of activities for several months. This is in addition to, restructuring the group factories that have been affected immensely with crisis to increase the group's competitive ability.

### Financial Highlights for Subsidiaries

#### Retail Segment

#### Concrete for Ready Made Garments S.A.E | USD

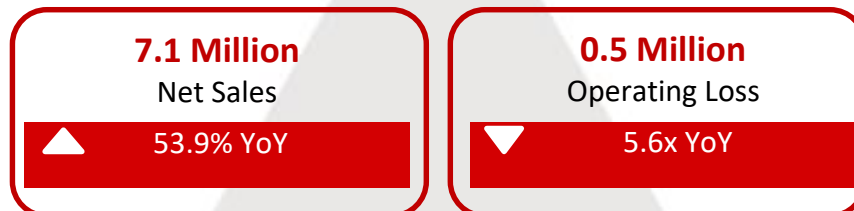


- Concrete for Ready Made Garments S.A.E, the owner of retail chain for luxury men and kids wear in the Egyptian market, recorded **Net Sales** of USD 19 million during FY 2020, with a 15.8% YoY decrease compared to USD 22.6 million in the previous year. The significant decrease is primarily attributable to the impact of Covid-19 regulations such as closure of several shopping malls and reducing working hours in stores in addition to consumer fears of engaging in shopping activities at commercial malls and retail stores to avoid contacting the virus. Also the challenging economic situation affecting purchasing power, had a strong contribution to the sales decline due to prioritization of spending on primary needs only.
- It's expected that during 2021 Concrete restore back its lost sales as a result of exerted efforts over last years in product development and increasing investment in casual and kids wear, and the electronic shopping platform. Besides the expansion in accessories and leather products categories as the world is currently witnessing a great transformation in the retail markets, and shifting more to casual wear and e-commerce activities.
- The company recorded **Operating profits** of USD 8.5 million in 2020 compared to USD 3.3 million in 2019, despite the significant decrease in sales during the year, this is

attributable to the successful implementation of a comprehensive plan to reduce operating and administrative expenses such as stores rent, salaries and wages since the Covid pandemic outbreak, which reflected its positive outcomes on the operating results of third and fourth quarters in 2020. Also Concrete's management successfully maintained steady cash liquidity despite sales contraction and incurring lots of fixed costs during lockdown due sale of unutilized fixed assets during the year.

### Retail Segment

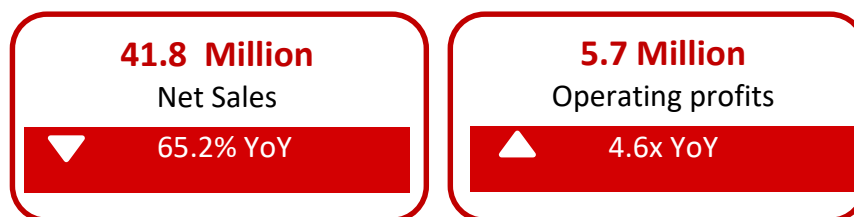
#### Euromed for Trading and Marketing | USD



- Euromed for Trading and Marketing S.A.E recorded **Net Sales** of USD 7.1 million during 2020 marking an increase of 53.9 % compared to USD 4.6 million in the comparable year 2019. The company succeeded in increasing sales volume by 44.2% during 2020, despite the pandemic outbreak during the year and the imposition of partial curfew for months. In addition to the exerted efforts of Euromed's tenders arm to deliver tender sales on time in the midst of confronting covid-19 spread with precautionary measures.
- The company recorded **Operating loss** in 2020 amounted to USD 542.8k, in comparison to operating income of USD 118.2k in the comparable year 2019. It is mainly due to offering large discounts on selling items to maintain needed liquidity amid the covid crisis for the company.

**Retail Segment**

**Baird Group | USD**



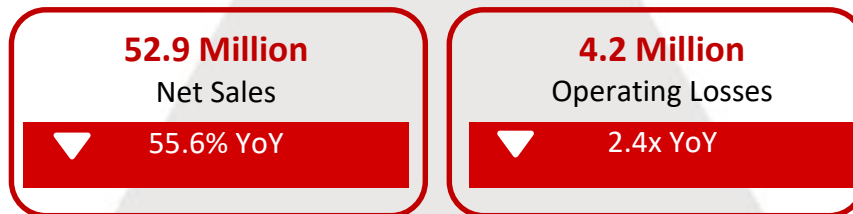
- Baird group recorded **Net sales** amounting to USD 41.8 million during 2020, marking a decrease of 65.2% in comparison to USD 119.9 million in the comparable year 2019. The sharp decline is attributable to the outbreak of COVID19 and the resulting consequences impacting the retail sector in the United Kingdom for several months due to weakening purchasing powers and complete closures of commercial centers and retail stores. The grave consequences of the outbreak resulted in multiple retail chains announcing bankruptcy, such as but not limited to; Arcadia group that owns brands Top Shop, Top Man, Miss Selfridge, Dorothy Perkins, Burton and Evans and Debenhams - Baird Group strategic partner- who announced its inability to fulfil its obligations, resorted to closing its stores, and laying off thousands of employees; this occurred after the failure of the 'administration' process last May.
- It is worth to mention that despite the effect of adverse conditions of the UK retail market on Baird Group, the group's management had a vision since the underperformance of Debenhams two years ago set a plan to manage the crisis, which helped in minimizing the group losses of Debenhams bankruptcy. The plan included also exiting Debenhams loss making stores and investing more in online, this is in addition to renegotiating favorable terms for stores rental expenses
- The company recorded **Operating Profits** of USD 5.7 million during 2020 compared to operating profits of USD 1 million during 2019, despite the notable decrease in sales during the year. The high operating profits were a result of the non-recurring income attributed to implementation of strategy that aimed to restructure the group resources during the Covid-19 pandemic, and exiting from Debenhams loss making stores. And successful Implementing of Corporate Voluntary Agreement' (CVA) process by which Baird Group reached an agreement with all its business partners and

stakeholders to set a plan of managing risks and protecting the business. The CVA process resulted in restructuring creditors dues voluntarily, after the approval of creditors majority – more than 75% – to complete the process, most importantly of them were the HMRC (the UK tax authority), banks, suppliers and workers. The process was supervised by an independent financial advisor, KPMG in the UK.

- It is worth to mention that among the gains that Baird group has earned from CVA was cutting down the debt burdens, maintaining a good relationship with the creditors, and restructuring commercial stores through exiting from the loss-making ones and renegotiating better terms for the remaining others, in addition to cutting down redundant labor cost since the UK government incurred these costs, which led to reducing a big part of the operating costs compared to 2019.

### Industrial Segment

#### Swiss Garments Company S.A.E | USD

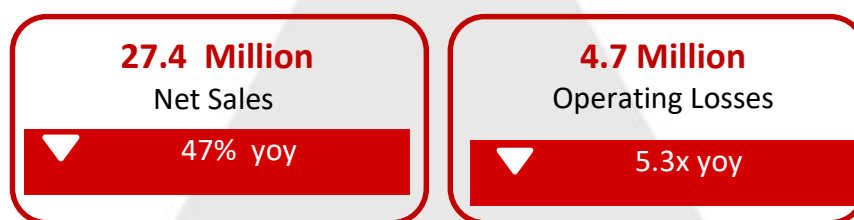


- Swiss Garments Company recorded **Net sales** of USD 52.9 million during the financial year 2020 with a decrease of 55.6% compared to USD 119.4 million in 2019 affected by the complete halt of the company’s export sales arising from the Covid-19 pandemic due to the continued imposition of restrictions and precautionary measures by many countries to prevent the spread of the virus since march 2020 and once again after the outbreak of the second wave in last November. This is in addition to lack of appetite on formal wear due to the imposition of restrictions on movement and working from home in most countries of the world which leading to deterioration of financial position of many clients such as Menswear, Brooks brothers, Bagir that resorted to bankruptcy laws to be protected from creditors while others were forced on closing many stores such as Zara.

- It is worth mentioning that company has taken an initiative since the beginning of 2021 to restructure all its departments on the back of covid19 crisis to restore its competitive advantage in exports and to establish new clients' base especially after the bankruptcy announcement of former clients.
- The company achieved **operating losses** of USD 4.2 million during financial year 2020 compared to operating profits USD 3 million during 2019 due to the significant decline in sales and closure of the factory completely for several months, in addition to incurring huge general and administrative expenses during the closure period without production

### Industrial Segment

#### Egypt Tailoring Company S.A.E | USD

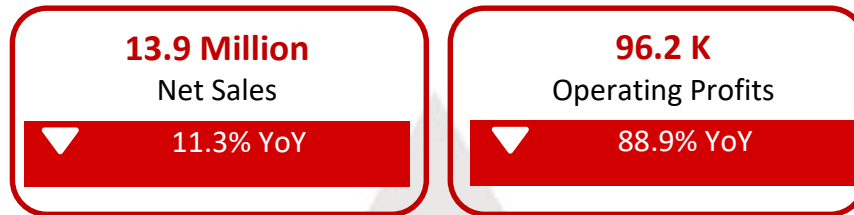


- Egypt Tailoring Company recorded **Net Sales** of USD 27.4 million during the financial year 2020 with a decrease of 47.0% compared to USD 51.8 million in 2019 affected by the sharp decline in export sales – 58% decrease from the previous year – especially for clients Massimo Dutti, Menswear house, Peerless this is in addition to cancelled orders from some clients due to the closure of global markets and the imposing lockdown for several months to prevent the spread of the virus.
- It is expected that the company will recover its sales volume during the financial year 2021, especially that many countries started to relieve daily workflow restrictions as of the second quarter of 2021 accompanied with the availability of vaccines for the corona virus, which expected to reflect positively on the retail markets and company's export sales.
- The company recorded **Operating Losses** of USD 4.7 million for the year 2020 compared to operating profits of USD 1.1 million for the year 2019 due to the decrease in sales and the huge costs incurred during the closure of factories operations.



**Industrial Segment**

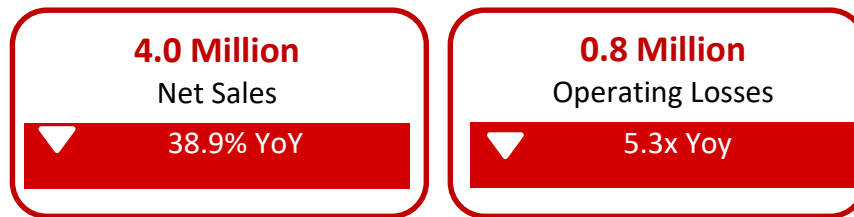
**Swiss Cotton Garments Company | USD**



- The Swiss Cotton Garments company S.A.E recorded **Net Sales** of USD 13.9 million during the financial year 2020 with a decrease of 11.3% compared to USD 15.7 million in 2019 affected by the sharp decline in export sales, especially for the client MACY'S, due to the closure of global markets and imposition of lockdown to prevent the spread of the virus.
- The company achieved **Operating Profits** of USD 96.2k for the year 2020 compared to USD 864.9K for 2019 due to the decrease in sales, as a result of the complete halt of many global markets due to the spread of corona virus and incurring a lot of administrative expenses without production.
- It is worth mentioning that Swiss Cotton Garments Company is considered one of the group's least affected companies by the pandemic since the company operates on exporting casual clothes which sales were not affected by the pandemic, especially for the client Walmart that continued running its business across the year without closing.

### Industrial Segment

#### **Cristall for Making Shirts S.A.E | USD**



- Cristall for Making Shirts Company recorded during the financial year 2020 **Net Sales** of USD 4.0 million with a decrease of 38.9% compared to USD 6.5 million in 2019, affected by the decrease in sales resulting from Covid-19 pandemic, especially in the US market and the UK markets.
- The company recorded **Operating Losses** of USD 836.7K during the year 2020 compared to operating profits amounted to USD 196.2K during the previous year 2019 due to decrease in sales as a result of the closure of many global markets on the back of the pandemic which led to shrinking the company's operating profits during the year with incurring fixed administrative 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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