

Al Arafa for Investment and Consultancies

Earnings Release | FY 2021 Results

16th May 2022

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 financial year 2021/2022.

Q4 Financial Highlights 2021/2022 | USD

Q4 Business Results (in Millions)			
	2021	2020	2019
Sales	63.9	30.9	65.1
Net Income/(Loss)	5.3	(7,9)	4.4

FY Financial Highlights 2021/2022 | USD

FY Business Results (in Millions)			
	2021	2020	2019
Sales	183.9	116.8	224.9
Net Income/(Loss)	(5.3) *	(6.4)	15.2

*Net loss of FY 2021 included losses of USD 4.4 million due to applying the Egyptian accounting standards no.47 and 49

- Arafa Holding recorded **Consolidated Net Sales** of USD 63.9 million during Q4 2021 compared to USD 65.1 million in Q4 2019, which reflects the group’s recovery of a large portion of its pre-pandemic sales volumes despite the outbreak of the Omicron variant during Q4 2021 that pushed many countries to re-impose partial lockdown to control the variant’s spread which led to less exporting orders in the fear of imposing a full lockdown. The retail markets were affected by the Omicron too, the world’s had witnessed dwindling sales during the Christmas season for the second year in a row affecting Baird Group’s sales during Q4 2021.
- Arafa Holding recorded **Consolidated Net Sales** of USD 183.9 million during 2021 compared to USD 224.9 million during 2019. The group had seen a turnover hike of its local retail arm represented by Concrete and Euromed sales during FY 2021 by 21.9% compared to FY 2019, as a result of the exerted efforts in products development and

investment in the e-commerce platform to attract more customers, also an increase in sales of the casual wear manufacturing arm backed by the US market sales. Whereas the formal wear manufacturing arm and the UK retail arm sales were negatively affected due to markets instability and forcing lockdown many times during the year to prevent the virus spread, besides the global supply chain bottleneck coming to action which in turn caused the delay of shipment of raw materials, which lead to the lockage of many goods and commodities in markets causing inflation to exacerbate drastically and deterioration of the purchasing power of many clients.

- The group recorded **Consolidated Net Profits After tax** of USD 5.3 million in Q4 2021 marking an uptick of 21.4% compared to Net Profit after tax of USD 4.4 million in Q4 2019. Thanks to the exerted efforts and sound management during the Covid crisis, the group's results improved gradually and accomplished net profits starting from Q3 2021 after re-opening the markets by H2 2021 and earning the benefits of restructuring the retail and manufacturing sectors, along with upping investments in the e-commerce platform, rationalizing industrial expenses, and selling non-profitable assets.
- It is worth mentioning that the group net loss during H1 2021 reached USD 12.9 million and since then the group managed to turn the losses into profits after re-opening of markets, recording USD 2.3 million during Q3 2021. Accordingly, the group has managed to decrease the losses of USD 10.6 million incurred during 9M 2021 by 50% to record **Net Loss after tax** of USD 5.3 million in FY 2021 which included losses of USD 4.4 million, which represents the impact of differences arising from the application of accounting standards 47 and 49 on the consolidated financial statements. Compared to Net Profit after tax of USD 15.2 million in FY 2019. Mainly due to incurring lots of fixed costs during H1 2021 as a result of the weakened export orders with the continuation of precautionary measures of the pandemic.
- It is expected that group results of FY 2022/2023 to be challenging after the outbreak of the Russian-Ukraine war in February 2022 and its backlash on energy, commodities, and food grains prices that forced the inflation to increase drastically on a global scale, which is expected to pull back the purchasing power of consumers in the target markets of the group, especially the EU markets, in the midst of an incomplete post-pandemic recovery and a global supply chain bottleneck. In the same time, the Central Bank of Egypt enacted

a mandate to cease working with documentary collections and only use L/Cs in importing operations except for raw materials and production inputs, and activating the pre-registered orders framework, putting more pressure on the group's production operations.

Financial Highlights of Subsidiaries

Retail Segment

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

Q4 Business Results (in Millions)			
	2021	2020	2019
Sales	8.5	6.2	6.7
Operating profits	1.7	4.3	0.97

FY Business Results (in Millions)			
	2021	2020	2019
Sales	24.6	19.0	22.6
Operating profits	4.6	8.5*	3.3

*operating profits of 2020 included nonrecurring capital gains due to sale of idle assets.

- Concrete for Ready Made Garments, the owner of Concrete chain for luxury men and kids wear in the Egyptian Market, recorded **Net Sales** of USD 8.5 million during Q4 2021 growing 26.2% over Q4 2019 sales of USD 6.7 million backed by the increase of sold units compared to Q4 2019. It also recorded **Net Sales** of USD 24.6 million during 2021 soaring by 9% to USD 22.6 million in 2019. Concrete has been working relentlessly in product development of men wear by adding new and modern products keeping pace with the latest trends in fashion globally to widen its customers base especially from youth, such as the travel suit, products made of water-repellent fabrics, leather products, and accessories. Along with expanding sales of online platform and mobile application, considering the world's rising interest in e-commerce which revealed amid the pandemic. In addition to upping investment in kids wear as the company has launched recently "Imaginarium Little

Concrete” concrete along with launching the new summer kids wear collection, which is the first kids’ collection to be designed by the Italian designer who designs luxury men wear.

- The company recorded **Operating Profits** of USD 1.7 million in Q4 2021 compared to USD 966.3K in Q4 2019 backed by higher sales. Also, the company witnesses boost in FY 2021 operating profits recording USD 4.6 million, up warding 37.9% compared to USD 3.3 million in 2019 and compared to USD 8.5 million in FY 2020 since FY 2020 operating profits included capital gain (non-recurring) of selling idle assets to provide liquidity for the company during Covid pandemic. Also, the operating profits of 2021 included applying the new Egyptian accounting standard no. (49) of leasing agreements, that in turn led to recognizing approx. of USD 2.2 million as an additional expense of the right of use assets depreciation arising from the stores lease agreements during the year.

Retail Segment

Euromed for Trading & Marketing S.A.E. | USD

Q4 Business Results (in Millions)			
	2021	2020	2019
Sales	5.6	1.4	1.1
Operating profits/(Loss)	1.1	(0.19)	0.54
FY Business Results (in Millions)			
	2021	2020	2019
Sales	8.5	7.1	4.6
Operating profits/(Loss)	(0.48)	(0.54)	0.12

- Euromed for Trading & Marketing S.A.E – the group’s commercial arm in tenders and middle markets – recorded **Net Sales** of USD 5.6 million during Q4 2021 compared to USD 1.1 million in Q4 2019 due to the delivering a large order of uniform procurement

agreements (tender sales) to prominent entities in Egypt. It also recorded **Net Sales** of USD 8.5 million in 2021 compared to USD 4.6 million in the 2019 backed by tender sales.

- The Company recorded **Operating Profits** of USD 1.1 million in Q4 2021 compared to USD 537.5K in Q4 2021 backed by higher sales. Euromed recorded **Operating Losses** of USD 476.5K during 2021 compared to operating profits of USD 118.2K during 2019, since the company incurred non-recurring losses circa USD 800.1K of the closure of the Brandshub chain in the Egyptian Market.

Retail Segment

Baird Group | USD

Q4 Business Results (in Millions)			
	2021	2020	2019
Sales	26.8	11.4	33.7
Operating profit/(Loss)	0.52	(1.7)	0.31

FY Business Results (in Millions)			
	2021	2020	2019
Sales	87.7	41.8	119.9
Operating profit/(Loss)	(2.9)	5.7*	1.0

*Operating profits of 2020 included non-recurring gains attributed to the CVA process.

- Baird Group recorded **Net Sales** of USD 26.8 million in Q4 2021 compared to USD 33.7 million in Q4 2019. Despite Baird's gradual results improvement since re-opening the markets in April 2021 and vaccinating the adults in the United Kingdom in conjunction with finalizing the company's restructuring to keep pace with the UK market post-pandemic conditions, particularly after the exit and bankruptcy of many well-known chains from the UK market such as Debenhams, Omicron's outbreak during Q4 2021 had a negative effect on the sales of Christmas season of the company. Baird Group recorded **Net Sales** of USD 87.7 million in 2021 compared to USD 119.9 million in 2019.

- Baird Group recorded **Operating Profits** of USD 520.4K in Q4 2021 in comparison with USD 312.3K in Q4 2019, indicating the success of the management's strategic restructuring plan through cost reduction and exiting non-profitable shops with focusing more on the e-commerce market. The company recorded **Operating Losses** of USD 2.9 million in 2021 compared to operating profits of USD 1.0 million in 2019, as the company incurred operating losses of USD 5.5 million during Q1 2021 due to the continued lockdown and closure of markets back then to contain the virus. In addition to incurring losses amounting to USD 637.4K, which represents the impact on the differences arising from the application of the Egyptian Accounting Standard No. (49) in comparison with operating profits of USD 5.7 million during 2020 which included non-recurring gains attributed to the Company Voluntary Arrangement (CVA) by which the company reached an agreement with all its stakeholders to manage its risks and protect the business.

Industrial Segment

Egypt Tailoring Company S.A.E | USD

Q4 Business Results (in Millions)

	2021	2020	2019
Sales	14.3	7.9	16.1
Operating profit/(Loss)	0.97	(1.9)	1.2

FY Business Results (in Millions)

	2021	2020	2019
Sales	41.6	27.4	51.8
Operating Income/(Loss)	0.72	(4.7)	1.1

- Egypt Tailoring Company S.A.E recorded **Net Sales** of USD 14.3 million in Q4 2021 compared to USD 16.1 million in Q4 2019. Despite the gradual improvement of company

results since re-opening the markets and recovering lots of export orders before the pandemic outbreak, but the export sales weakened through Q4 2021 due to the spread of the Omicron wave which resulted in less orders by the company's clients in the fear of imposing full lockdown once again. The company recorded **Net Sales** of USD 41.6 million in 2021 compared with USD 51.8 million in 2019.

- Egypt Tailoring Company recorded **operating profits** of USD 974.4K in Q4 2021 compared to USD 1.2 million in Q4 2019. It also recorded **operating profits** of USD 723.5K in 2021 compared to USD 1.1 million in 2019 as the company incurred operating losses during Q1 and Q2 2021 due to the weakened export activity consequently after closure of the US and EU markets at that time, which resulted in burdening the company with more fixed costs.

Industrial Segment

Swiss Garments Company S.A.E | USD

Q4 Business Results (in Millions)			
	2021	2020	2019
Sales	23.1	8.7	36.4
Operating profit/(Loss)	0.43	(2.3)	0.75

FY Business Results (in Millions)			
	2021	2020	2019
Sales	67.9	52.9	119.4
Operating profit/(Loss)	(0.91)	(4.2)	2.9

- Swiss Garments Company S.A.E recorded **Net sales** of USD 23.1 million in Q4 2021 compared to USD 36.4 million in Q4 2019. It recorded **Net Sales** of 67.9 million during 2021 compared to USD 119.4 million in 2019. The company suffered weakened export orders in Q1 and Q2 2021 as a result of the complete lockdown at that time, but the sales volume surged gradually after ending the lockdown measures by the end of H1 2021 and restoring export orders gradually by Q3 and Q4 2021.

- Q4 2021 recorded **operating profits** of USD 427.8K compared to USD 750.3K in Q4 2019. Whereas it recorded **operating losses** of 910.1K during 2021 compared to operating profits of USD 2.9 million in 2019, as a result of weakened export orders during H1 2021 especially the first quarter that was negatively affected by the closure of the group's strategic markets to contain the virus, in addition that operating losses of 2021 included credit loss of USD 2.1 million with respect to the applying the Egyptian accounting standards no. 47.

Industrial Segment

Swiss Cotton Garments Company | USD

Q4 Business Results (in Millions)

	2021	2020	2019
Sales	5.9	4.7	5.3
Operating profits	0.82	0.38	0.77

FY Business Results (in Millions)

	2021	2020	2019
Sales	18.0	13.9	15.7
Operating profits	1.6	0.1	0.86

- Swiss Cotton Garments Company S.A.E – the manufacturing arm of the group casual wear – recorded **Net Sales** of USD 5.9 million in Q4 2021 compared to USD 5.3 million in Q4 2019. The company recorded **Net Sales** of USD 18,0 million in 2021 compared to USD 15.7 million in 2019 supported by sales of the clients Macy's and Peerless in the US market.
- The company recorded **Operating profits** of USD 824.3k in Q4 2021 compared to operating profits of USD 766.5K during Q4 2019. The company recorded Operating Profits of USD 1.6 million during 2021 compared to USD 864.9K in 2019 on the back of higher sales and management efforts to reduce industrial and administrative costs.

Industrial Segment

Cristall for Making Shirts S.A.E| USD

Q4 Business Results (in Millions)			
	2021	2020	2019
Sales	1.4	0.96	2.2
Operating profit/(Loss)	0.15	(0.54)	0.07

FY Business Results (in Millions)			
	2021	2020	2019
Sales	5.6	4.0	6.6
Operating profit/(Loss)	0.35	(0.84)	0.2

- Cristall for Making Shirts Company S.A.E recorded **Net Sales** of 1.4 million in Q4 2021 Compared to sales of USD 2.2 million during the Q4 of 2019 affected by the outbreak of the Omicron variant during Q4 of 2021. As a result, clients feared the re-execution of a complete lockdown which led to a reduction in export orders. During 2021, the company recorded net sales of USD 5.6 million, compared to USD 6.6 million in 2019.
- The company recorded **Operating profits** of USD 150.1K in Q4 2021 compared to operating profit of USD 74.5K during Q4 2019. The company recorded Operating Profits of 349.4K during 2021 compared to USD 196.2K in 2019 as a result of reducing administrative expenses and industrial costs during the year. In addition to applying the Egyptian accounting Standard No. 47, which led to reporting approximately USD 81.1K of reversal credit losses.

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 state of the art 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 50 stores besides online platforms 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 industrial platform, which is considered the largest in the Middle East & Africa.

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