

**Al Arafa for Investment and Consultancies
S.A.E**

**Earnings Release | H1 2022
Consolidated Results**

Monday 12th September 2022

Al Arafa for Investment & Consultancies S.A.E (“Arafa Holding” or “AIVC” or the “Company”), the leading company in retail Garments & Textile manufacturing, released its consolidated results for the 1st half of the financial year 2022/2023

Results summary of Arafa Holding consolidated financials during H1 2022/2023 | in USD

Q2 Business Results (in Millions)		
	2022	2021
Sales	53.3	38.3
Operating Income/(Loss)	6.0	(2.0)
Net Income/(Loss)	0.9	(3.0)
H1 Business Results (in Millions)		
	2022	2021
Sales	110.8	67.0
Operating Income/(Loss)	9.2	(10.6)
Net Income/(Loss)	(4.5)	(12.9)

- Arafa Holding recorded **Consolidated Net Sales** of USD 53.3 million during **Q2 2022** marking a 39.3% sales growth, compared to USD 38.3 million during the comparable period. This was concluded after the group’s effort to boost export sales and target clients with the most stable orders, in order to ensure stable sales pipeline after a period of crisis.
- The Egyptian exports have been in growth phase especially after the Covid crisis settled, the exports of readymade garments rebounded to record USD 325.3 million during **Q2** of the fiscal **year 2021/2022** soaring by 47.3% to USD 220.8 million during Q2 of the fiscal year 2020/2021 – according to the CBE data – after the garments retail markets globally went active again, which in turn was followed by a rising demand on the manufacturers in the emerging markets, including Egypt. The Covid-19 pandemic also led to a shrink in number of players in the manufacturing field and the exit of some of the competing companies in the global export markets, providing a growth opportunity for the business

of Arafa Holding Group's factories with a noticeable increase in export orders, at a time when the group's factories are operating at the maximum production capacity and aim to increase production lines to accommodate the increase in demand. Furthermore, the consolidated net sales were backed by the increased sales of the group's retail arm within both the Egyptian and the UK markets.

- Arafa Holding recorded **Consolidated Net Sales** of USD 110.8 million in **H1 2022** growing by 65.2% compared to USD 67.0 million in H1 2021. The growth was brought by the collective increase in the subsidiaries' net sales, as the retail arm represented by *Concrete* and *Euromed* in Egypt and *Baird Group* in UK recorded topline growth of 46.2% in **H1 2022** Compared to H1 2021. While sales of the industrial arm doubled by 1.1x compared to H1 2021, represented by the sales of the *Suit making factories in 10th of Ramadan, and Trousers and shirts factories in Beni Suef*. Furthermore, the group industrial arm subsidiaries tend to gradually increase the production lines to accommodate to increased demand volumes, in parallel with a horizontal expansion of the retail arm subsidiaries, whether in Egypt or the UK, by opening new stores to widen their customer base.
- The group recorded a remarkable growth in operating income during **Q2 2022** that recorded **operating income** of USD 5.9 million in **Q2 2022** compared to operating loss of USD 2.0 million in Q2 2021. Also, **H1 2022** recorded **operating income** of USD 9.2 million compared to operating loss of USD 10.6 million during H1 2021. The rise in operating income came on the back of increasing sales for both of the manufacturing and retail sectors during the period, accompanied by the re-opening of the global markets, and the completion of the restructuring process across group companies.
- The group recorded **Net Profit after-tax** during **Q2 2022** of USD 933.5K compared to net loss after-tax of USD 5.4 million during **Q1 2022** and net loss after-tax of USD 2.9 million in **Q2 2021**.
- Also, the group recorded **net loss after-tax** of USD 4.5 million during **H1 2022**, cutting down the losses reported in **Q1 2022** of USD 5.4 million and the losses of H1 2021 of USD 12.9 million. Despite the growth of sales and operating profits during the period, the bottom line declined due to non-operating and non-recurring losses resulting from translation of accounts recorded in local currency of USD 11.3 million as a result of the

depreciation of the Egyptian pound against US dollar since 21st of March 2022 with an average 19.5%.

- The group management is deploying an action plan to meet the challenges that the global economy is going through with the ongoing Russian-Ukrainian war, which negatively affecting the markets, especially the European market, which is one of the group's key strategic markets. The aforementioned resulted in a backlash on energy, commodities, and food grains prices, that forced the inflation to increase drastically on a global scale up to date. The central banks globally followed the US Federal Reserve by raising interest rates, including the European Central Bank and Bank of England, which might pull back the purchasing power of consumers universally.

Financial Highlights of Subsidiaries

Retail Segment

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

Q2 Business Results (in Millions)		
	2022	2021
Sales	6.4	5.6
Operating profits	2.2	1.5

H1 Business Results (in Millions)		
	2022	2021
Sales	11.8	10.6
Operating Income/(Loss)	2.8	2.1

- 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 6.4 million during **Q2 2022** growing with 13.6% compared to sales of USD 5.6 million in Q2 2021. It also recorded **Net Sales** in **H1 2022** of USD 11.8 million with an increase of 11.1% compared to USD 10.6 million in H1 2021. It is worth to mention that the company's sales recorded an increase of 23.9% on the local currency, but the depreciation of the Egyptian pound against the US dollar, at an average rate of 19.5% during the period, affected the increase in sales when translating sales into US dollars. Moreover, Concrete is moving forward to achieve its vision by continuing to work on developing new products and expanding horizontally by opening new stores in the most prominent commercial malls inside and outside Egypt. For instance, the company has recently opened a new store in "Madinaty" – a prominent large scale residential compound that includes commercial area and shopping mall at east Cairo , and recently became a hub for international and local brands- in addition to the efforts made to create further branches in other marketplaces in the GCC and the expansion in UK market.

- The company recorded **Operating profits** of USD 2.2 million in **Q2 2022** with 49.4% growth compared to Q2 2021 which recorded USD 1.5 million with an increase of 3x over **Q1 2022**. It also recorded **Operating profits** in **H1 2022** of USD 2.8 million compared to USD 2.1 million for the comparative period. The increase in profits is supported by the growth in sales, in addition to the decrease in the margin of costs and general and administrative expenses of the company during the period in addition to the hard work done by the company over last period to reduce discounts on sales in gradual way and to adjust pricing to cope with the current market variables. Also, operating profit included an increase in expenses as a result of applying the new accounting standards, which amounted to USD 345.5K in 2022, compared to USD 165.9K in 2021.

Retail Segment

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

Q2 Business Results (in Millions)

	2022	2021
Sales	0.9	0.6
Operating profits/(Loss)	0.04	(1.0)

H1 Business Results (in Millions)

	2022	2021
Sales	2.4	1.9
Operating Income/(Loss)	(0.09)	(1.3)

- Euromed for Trading & Marketing S.A.E – the group’s commercial arm in tenders and middle markets – recorded **Net Sales** of USD 916.4K during **Q2 2022** compared to Q2 2021 that recorded USD 630.8K, It also recorded **Net Sales** in **H1 2022** of USD 2.4

million achieving growth with 26.4% compared to USD 1.9 million in H1 2021. This is mostly sustained by wholesale and uniform sales to prominent entities and companies in Egypt. Noting that the company's sales recorded soaring with 41.1% on the local currency, but the depreciation of the Egyptian pound against the US dollar, at an average rate of 19.5% during the period, affected the increase in sales when translating sales into US dollars.

- The Company performance improved in **Q2 2022** to record **Operating Profit** of USD 39.6K compared to operating losses recorded USD 1.0 million in Q2 2021. This is in light of the decrease in general and administrative expenses in comparison with Q2 2021 due to exiting stores of BrandsHub Co. chain. **H1 2022** recorded **Operating losses** of USD 91.8K compared to operating losses of USD 1.3 million in H1 2021, including accounting losses of approximately USD 93.0K as a result of applying the new accounting standards, compared to USD 403.3K for the comparative period.

Retail Segment

Baird Group | USD

Q2 Business Results (in Millions)

	2022	2021
Sales	28.0	20.5
Operating Income/(Loss)	1.0	(0.3)

H1 Business Results (in Millions)

	2022	2021
Sales	52.3	32.9
Operating Profit/(Loss)	1.3	(5.8)

- Baird Group recorded **Net Sales** of USD 28.0 million in **Q2 2022** growing 36.6% compared to USD 20.5 million in Q2 2021 marking clear improvement for both wholesale and retail group sales. Also, **H1 2022** recorded USD 52.3 million growing 58.6% compared to USD 32.9 in H1 2021. The sale growth resulted from the current

management strategy to switch from the Concessions business model to the High Street Stores business model, and introducing new stores especially with the rebound of the retail activities. This was concluded after the collapse of the concessions business and the bankruptcy of its major players due to their deterioration financially such as Debenhams and House of Fraser during the COVID pandemic.

The strategy also includes brand awareness of the Suit Direct e-commerce platform by developing its website and utilizing the latest techniques of marketing such as Omni-Channel marketing, which connects the customers' online shopping experience and in-store shopping together. In addition to initiating a marketing campaign of Suit Direct in the UK that promotes for the latest trends in formal menswear after the Covid crisis, by promoting for diverse collections of men suits that fit to all age groups and different occasions. It also includes training and development programs for the sales people on sales and interaction with customers.

- Baird Group recorded **operating profits** of USD 1.0 million in **Q2 2022** compared to operating losses of USD 288.0 K in Q2 2021 and enhancing by 3.3x compared to operating profits of USD 242.7 million in **Q1 2022**. Also, **H1 2022** recorded operating profits of USD 1.0 million compared to operating losses of USD 5.8 million in H1 2021. The improvement came on the back of sales growth and lower SG&A expenses margin post the group restructuring process.
- It is worth mentioning that the upside group performance came on the verge of critical events that the EU countries and the UK are going through. Since the outbreak of the Russian-Ukrainian war inflation has been on the rise across the EU zone, forcing Bank of England to raise interest rates for 6 consecutive times since beginning of the year to reach 1.75%. This caused a huge increase in prices of energy, commodities, goods and services, which might pull back the purchasing power of consumers during **H2 2022** in the UK and shifting disposable income to main household needs of food and energy on the account of luxury goods sales growth, including the readymade garments.

Industrial Segment

The Suit Factories in 10th of Ramadan | USD

Q2 Business Results (in Millions)		
	2022	2021
Sales	16.9	7.8
Operating profit/(Loss)	1.9	(0.7)

H1 Business Results (in Millions)		
	2022	2021
Sales	36.4	12.4
Operating Income/(Loss)	4.1	(1.0)

- The Suit Factories in 10th of Ramadan recorded **Net Sales** of USD 16.9 million during **Q2 2022** with a significant growth of 1.2x compared to Q2 2021, which recorded net sales of USD 7.8 million. It also recorded **Net Sales** of USD 36.4 million during **H1 2022** growing with 1.9x compared to USD 12.4 million in H1 2021. This is a result from the significant increase in export orders from the suit factories' clients from the European and American markets, especially Brooks Brothers, Massimo Dutti, and Peerless clients. This is following the reopening of the global markets after COVID crisis, with a decline in the business activity and the exit of some competing manufactures in the global export markets, which provided an opportunity of the business growth of the suit factories, and aiming at increasing production lines to accommodate the growth in export orders.
- The Suit Factories in 10th of Ramadan recorded **operating profits** of USD 1.9 million in **Q2 2022** with an improvement of 3.7x compared to Q2 2021 which recorded operating profits of USD 693.1k. It also recorded **operating profits** of USD 4.1 million during **H1 2022** compared to USD 999.4K million in H1 2021. Supported by an increase in export sales with the completion of restructuring of industrial operations, which resulted in a cut down in costs and administrative expenses in

the company compared to the comparable period, accompanied by the decrease in the value of the Egyptian pound against the US dollar by 19.5% during the period, since the industrial costs and general and administrative expenses are in Egyptian pounds.

Industrial Segment

The Trousers Factory in Beni Suef | USD

Q2 Business Results (in Millions)		
	2022	2021
Sales	8.1	3.3
Operating profits	1.1	(0.03)

H1 Business Results (in Millions)		
	2022	2021
Sales	15.2	7.8
Operating Income/(Loss)	1.9	0.5

- The Trousers Factory in Beni Suef City recorded **Net Sales** of USD 8.1 million in **Q2 2022** growing by 1.5x compared to USD 3.3 million in Q2 2021. It also recorded **Net Sales** of USD 15.2 million during **H1 2022** with enhancement of 96.2% compared to USD 7.8 million in H1 2021. This is backed up by the growth of export sales, especially to the US market, where the trousers factory is mainly relying on the most profitable products and clients' orders like Macy's and Peerless. In addition to the factory's gradual tendency to produce more formal trousers due to its higher profit margin compared to the casual trousers.

- The factory recorded **operating profits** of USD 1.1 million in **Q2 2022** compared Q2 2021_which recorded operating losses of USD 28.8K. It also recorded in **H1 2022** **operating profit** of USD 1.9 million compared to operating profit USD 478.9K million in H1 2021. This is supported by the growth of export sales and the decrease in industrial costs and general and administrative expenses during the period.

Industrial Segment

The Shirt Factory in Beni Suef | USD

Q1 Business Results (in Millions)		
	2022	2021
Sales	1.8	1.5
Operating profit/(Loss)	0.3	0.07

H1 Business Results (in Millions)		
	2022	2021
Sales	4.5	2.8
Operating Income/(Loss)	0.7	0.1

- The Shirt Factory in Beni Suef recorded **Net Sales** of USD 1.8 million in **Q2 2022** Compared to net sales of USD 1.5 million during Q2 2021. It also recorded **Net Sales** of USD 4.5 million during **H1 2022** with a strong growth of 60.6% compared to USD 2.8 million in H1 2021. Even though the company's sales increased by 79.2% in local currency, but the growth in sales was impacted by the devaluation of the US dollars against the Egyptian pound's by an average of 19.5% during the period when translating sales into US dollars.

- The factory recorded **operating profits** of USD 296.4K in **Q2 2022** compared to Q2 2021 which recorded operating profits of USD 72.4K. It also recorded in **H1 2022** **operating profit** of USD 712.6K compared to USD 112.4K million in H1 2021. Supported by an increase in sales and a decline in the expenses.



Al Arafa for Investment & Consultancies (“Arafa Holding” or “AIVC” or the “Company”), the leading company in retail and garments & textile manufacturing, released its standalone results for the first half of the fiscal year 2022/2023

Results summary of Arafa Holding standalone financials during H1 2022/2023 | in USD

- Arafa Holding recorded **Standalone Revenues** – which represents technical support service revenue in addition to any gain or loss of investments – of USD 43.9 K during Q2 2022 compared to USD 47.7 K during Q2 2021. Also, H1 2022 recorded **Standalone Revenues** of USD 91.1 K compared to USD 118.0 K during H1 2021

Arafa Holding recorded **Standalone Net Loss** during Q2 2022 of USD 3.0 million compared to standalone net profit USD 319.3 K during the comparable period. Also, H1 2022 recorded **Standalone Net Loss** of USD 13.8 million compared to standalone net profit of USD 911.6 during H1 2021. The bottom line declined due to non-operating and non-recurring losses resulting from translation of accounts recorded in local currency of USD 11.3 million as a result of the depreciation of the Egyptian pound against US dollar since 21st of March 2022 with an average 19.5%.

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 substantial number of 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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