

Al Arafa for Investment and Consultancies

Earnings Release | Q1 2022 Results

Wednesday 6th July 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 1st quarter of the financial year 2022/2023

Q1 Financial Highlights 2022/2023 | USD

Q1 Business Results (in Millions)		
	2022	2021
Sales	57.5	28.8
Operating Profit/(Loss)	3.2	(8.6)
Net Income/(Loss)	(5.4)	(9.9)

- Arafa Holding recorded **Consolidated Net Sales** of USD 57.5 million during Q1 2022 doubling the sales volume, compared to USD 28.8 million during the same period in the previous year. This came after global markets re-opened post the semi-lapse of the Covid-19 pandemic, easing the restrictions on gatherings, and holding all kinds of events back offline, which stimulated consumers behavior to buy more formal wear again a instead of lounge and casual wear which were frequently purchased back then. The sales growth was brought by the collective increase in all of the subsidiaries’ net sales, where the local retail arm represented by *Concrete* and *Euromed* in Egypt and *Baird Group* in UK recorded topline growth of 66.5% on an annual basis. While sales of the industrial arm increased by 2.3 times, represented by the sales of the *Suit making factories in 10th of Ramadan* , and *Trousers and shirts factories in Beni Suef*. 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, this provided an opportunity for the growth of the business of the Al-Arafa Group’s factories with a noticeable increase in export orders, at a time when the group’s factories were operating at their maximum production capacity and aimed at increasing production lines to accommodate the increase in demand.

- The group recorded **Consolidated operating profits** of USD 3.2 million in Q1 2022 compared to operating loss of USD 8.6 million in Q1 2021. Driven by the increase in export orders from different clients of the group and the opening of all markets and the return of social activities and events in addition to the completion of restructuring operations in the group companies, while the comparative period was affected by the renewal of precautionary measures in most countries of the European market and the United Kingdom
- The group recorded **Consolidated Net loss after tax** of USD 5.4 million in Q1 2022 compared to Net loss after tax of USD 9.9 million in Q1 2021. As a result of non-recurring and non-operating losses resulting from translation of accounts recorded in local currency of USD 9.5 million as a result of the depreciation of the Egyptian pound against the US dollar at the end of March 2022 with an average of 18%.
- The management of the group has developed an action plan to meet the challenges that the global economy is going through from the Russian-Ukrainian war and the bias that is caused to the markets, especially the European market, which is one of the group's key strategic markets. As this resulted a 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 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

Q1 Business Results (in Millions)		
	2022	2021
Sales	5.4	5.0
Operating profits	0.558	0.580

- 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 5.4 million during Q1 2022 growing with 8.2% compared to sales of USD 5.0 million in Q1 2021. The company's ongoing development of men's products is taking concrete to a totally different level as the company recently introduced to the market a high quality Italian-designed sunglasses at an affordable price in support of the management's vision of turning Concrete into a comprehensive "total look" store for men and kids wear. This is in addition to the geographical expansion in the international markets, where it has opened stores for the company inside Debenhams in the Kingdom of Saudi Arabia and Kuwait and the presence in some of the Baird Group stores in the United Kingdom, also in the near future, the company is aiming to establish new markets in Europe and the GCC countries.

Moreover, Q1 2022 witnessed a remarkable growth in kids wear clothing, as a reflection of the efforts made since the end of last year to develop the kids wear products, especially through the marketing of the Imaginarium Little Concrete for summer collection.

- The company recorded **Operating profits** of USD 557.9K in Q1 2022 compared to operating profits USD 580.1K in Q1 2021. Despite an increase in sales and COGS margin, operating profits on an annual basis decreased, due to an increase in the margin of selling and general expenses. This was resulting from the application of the Egyptian accounting standard no. 49, which led to an increase in the general and administration expenses by approximately USD 199.0 K.

Retail Segment

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

Q1 Business Results (in Millions)		
	2022	2021
Sales	1.5	1.3
Operating profits/(Loss)	(0.131)	(0.265)

- Euromed for Trading & Marketing S.A.E – the group’s commercial arm in tenders and middle markets – recorded **Net Sales** of USD 1.5 million during Q1 2022 compared to Q1 2021 that recorded USD 1.3 million, which is mainly supported by wholesale and uniform sales to prominent entities and companies in Egypt.
- The Company recorded **Operating losses** of USD 131.1K in Q1 2022 compared to USD 264.6K in Q1 2021. Despite an increase in sales and a decrease in operating costs, selling, general and administrative expenses throughout the period , due to the exit of Brandshub Co. stores, but the loss for the period was a result of applying of The Egyptian accounting standard no.47 which led to the recognition of accounting losses of approximately USD 180.4K

Retail Segment

Baird Group | USD

Q1 Business Results (in Millions)		
	2022	2021
Sales	24.2	12.4
Operating profit/(Loss)	0.243	(5.5)

- Baird Group recorded **Net Sales** of USD 24.2 million in Q1 2022 almost doubled compared to USD 12.4 million in Q1 2021 with a marked improvement in sales for both wholesale and retail arms of the group. The company is currently working to expand the Suit Direct brand chain by introducing additional stores after the retail

markets have recovered from the Covid crisis and to attract new client base as one of the leading brands in the formal clothing market in the United Kingdom, especially after the exit of major leading retail chains in the United Kingdom due to their bankruptcy during the Covid crisis, such as Debenhams and House Of Fraser.

- Baird Group recorded **Operating Profits** of USD 242.7K in Q1 2022 supported from sales increase due to the reopening of markets and the completion of the company's restructuring operations, Compared to operating losses of USD 5.5 million in Q1 2021, due to the continued lockdown and market closures during Q1 2022, which negatively impacted operating results. This is worth to mention that Baird Group achieved operating profit during the first quarter of the year over the past years since the Brexit referendum that occurred in 2016.

Industrial Segment

The Suit Factories in 10th of Ramadan | USD

Q1 Business Results (in Millions)		
	2022	2021
Sales	19.6	4.6
Operating profit/(Loss)	2.2	(0.31)

- The Suit Factories in 10th of Ramadan recorded **Net Sales** of USD 19.6 million in Q1 2022 compared to USD 4.6 million in Q1 2021. Attributed to reopening of markets and easing gathering restrictions, return of social activities which encouraged customers to buy formal wear again instead of loungewear and casual clothes. The Corona 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, that provided the opportunity for the growth of the business of the Al-Arafa Group's factories with a significant increase in export orders from the Suit Factories' clients from the European and American markets, led by Brooks Brothers, Massimo Dutti and Peerless clients.

- Egypt Tailoring Company recorded **operating profits** of USD 2.2 million in Q1 2022 compared to operating loss of USD 306.3K in Q1 2021. This was result of completing the restructuring and focusing on more sustainable customers in terms of profitability and number of orders, In addition to applying the Accounting Standard No. 47, which led to the recognition of USD 116.7K as reversal of accounting losses.

Industrial Segment

The Trousers Factory in Beni Suef | USD

Q1 Business Results (in Millions)		
	2022	2021
Sales	7.1	4.5
Operating profits	0.763	0.508

- The Trousers Factory in Beni Suef City recorded **Net Sales** of USD 7.1 million in Q1 2022 compared to USD 4.5 million in Q1 2021 with growing number of export orders as the markets started to stabilize after the pandemic, as well as the Trousers Factory is targeting the profitable customers and those with sustainable orders like Macy's and Peerless while enhancing the system of the factory quality control.
- The Trousers Factory recorded **Operating profits** of USD 763.1K in Q1 2022 compared to operating profits of USD 507.6K during Q1 2021. Supported by a noticeable growth in sales.

Industrial Segment

The Shirt Factory in Beni Suef | USD

Q1 Business Results (in Millions)		
	2022	2021
Sales	2.7	1.3
Operating profit/(Loss)	0.416	0.040

- The Shirt Factory in Beni Suef recorded **Net Sales** of 2.7 million in Q1 2022 Compared to sales of USD 1.3 million during Q1 2021 with a significant growth of 1.4 times on the back of Export sales increased to record 92% of total sales with strong growth in clients orders, while export sales recorded 69% of total sales during the Q1 2021.
- The Factory’s operating profits doubled during Q1 2022 more than once to record USD 416.2K, compared to USD 40.0K during the same period of the previous year. This came as a reflection of the strong growth in export sales, which led to an increase in export incentive and a decrease in the percentage of industrial costs to sales during the period.

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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