

Al Arafa for Investment and Consultancies S.A.E

Earning Release | Q1 2023 Results
Sunday 25th of June 2023

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 1st quarter of the financial year 2023/2024

Results summary of Arafa Holding Consolidated financials during Q1 2023/2024 | in USD

Q1 Business Results (in Millions)

	2023	2022
Sales	53.7	57.5
Operating Profits	4.5	3.2
Net Income/(Loss)	0.1	5.4

- Arafa Holding recorded **Consolidated Net Sales** of USD 53.7 million during **Q1 2023** compared to **Consolidated Net Sales** of USD 57.5 Million during **Q1 2022**. Consolidated Net Sales of the group has been affected by the devaluation of the Egyptian Pound against US Dollar by an average rate of 81.9% compared to the previous period, as the depreciation of the Egyptian pound led to a decrease in the sales of companies whose financials are issued in EGP when translating the financial statements into US Dollar , despite the uptick in their sales on the local currency represented in financials of Concrete for ready-made garments S.A.E and Cristall for making shirts S.A.E (Shirts Factory). Q1 2023 results have been also negatively affected by Baird Group on the back of multiple economic and political conditions experienced in the United Kingdom during 2022. Hence, Baird Group's management has decided to take some measures to restructure the company.
- The group recorded **consolidated Operating profits** of USD 4.5 million during **Q1 2023** with an operating profit margin of 8.4% compared to **consolidated Operating profits** of USD 3.2 million during **Q1 2022** with an operating profit margin of 5.6%, recording growth of 40.1% supported by the lower percentage of operating costs to sales for the industrial arm on the back of the devaluation of the Egyptian pound against the US dollar. In addition to the enhancement in the Concrete’s profit margin, thanks to less discounts during the period.

- The Group recorded **consolidated Net loss after tax** of USD 102.3 K during **Q1 2023**, to reduce the **consolidated Net loss after tax** of USD 5.4 million recorded during **Q1 2022**.

Results summary of Arafa Holding Consolidated financials during Q1 2023/2024 | in USD after excluding Baird Group results

Q1 Business Results (in Millions)		
	2023	2022
Sales	33.3	32.2
Operating Profits	7.6	3.0
Net Income/(Loss)	3.8	5.7

- Arafa Holding recorded **Consolidated Net Sales** after excluding Baird Group's results of USD 33.3 million during **Q1 2023** compared to **Consolidated Net Sales** after excluding Baird Group's results of USD 33.2 Million during **Q1 2022**. The Group achieved positive results during Q1 2023 after excluding the results of the Baird Group, where the retail arm represented by Concrete for ready-made garments S.A.E have shown resilience in facing the economic challenges experienced lately. Despite the growth of Concrete's sales on the local currency by 47.9%, sales were negatively affected after translating the financial statements into US dollars due to the depreciation of the Egyptian pound against the US dollar during the period. However, the slight decline in sales has demonstrated concrete's efforts in facing the challenges starting from the devaluation of the EGP of the exchange rate in addition to the restrictions imposed on importing raw materials and production supplies. Yet the company has shown flexibility in changing its purchasing policy and relying more on the Egyptian products to cut its costs and overcome the importation obstacle, which was reflected positively on the sales of the company. Adding to that the industrial arm sales represented by the Suits factory in 10th of Ramadan, the Trousers Factory and the Shirts factory in Beni Suef recorded growth by 10.4% YOY despite the shirt's factory sales were affected after translating it into US dollar with devaluation effect. Its worth mentioning that companies operating in the

industrial arm have succeeded in attracting new clients in terms of profitability and sustainability such as Boggi Milano, Joop, Ramsy, KIP. In addition to increasing production capacity to accommodate for the increased demand, in addition to constantly working on attracting new strategic customers and increase export sales to maintain sales growth.

- The group recorded **consolidated Operating profits** after excluding Baird Group results of USD 7.6 million during **Q1 2023** with an operating profit margin of 22.8% recording a growth of 1.6x compared to **consolidated Operating profits** after excluding Baird Group's results of USD 3.0 million during **Q1 2022** with an operating profit margin of 9.0%.
- The Group recorded **consolidated Net profit after tax** after excluding Baird Group results of USD 3.8 million during **Q1 2023**, compared to **consolidated Net loss after tax** after excluding Baird Group's results of USD 5.7 million recorded during **Q1 2022**.

Financial Highlights of Subsidiaries

Retail Segment

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

Q1 Business Results (in Millions)

	2023	2022
Sales	4.2	5.4
Operating profits	0.5	0.6

- Concrete for Ready Made Garments S.A.E, the luxury homegrown brand in the Egyptian Market, recorded **Net Sales** of USD 4.2 million during **Q1 2023** compared to **Net Sales** of USD 5.4 million during **Q1 2022**. The company's sales recorded an increase of 47.9% on the local currency yet, the depreciation of the Egyptian pound against the US dollar during the period affected the company's sales after translating the financial statements from the Egyptian pound to the US dollar. Despite the challenges witnessed in the local retail segment starting with the movement of exchange rate causing deterioration in the

purchasing power of many customers, coinciding with setting restriction on importation, which imposed a major challenge for the company in providing production requirements, but the flexibility of the company in changing the purchasing policy and relying more on the high quality local products instead, contributed to the growth of sales and the positive results achieved. Moreover, Concrete is moving forward towards achieving its vision as a leading company in the retail sector in the region through constantly working on developing its products and designing fashion wear up to the latest trends. The company is also working to increase brand awareness through promotional and marketing campaigns on social media platforms and participating in major events that takes place in Egypt and the Arab world. In addition to enhancing the customers' shopping experience in line with the latest international shopping trends, both online and in-store shopping. The company seeks to expand horizontally by opening new markets in the GCC and Eastern Europe.

- The company recorded **Operating profits** of USD 487.0 K in **Q1 2023** compared to **Operating profits** of USD 557.9 K, during **Q1 2022**. Operating profits recorded a growth of 66.1% on the local currency, supported by sales growth and lower operating costs.

Retail Segment

Baird Group | USD

Q1 Business Results (in Millions)

	2023	2022
Sales	20.4	24.2
Operating profits/(Loss)	3.1	0.2

- Baird Group recorded **Net Sales** of USD 20.4 million in **Q1 2023** to record a decline of 15.8% compared to **Net sales** of USD 24.2million in **Q1 2022**. This decline came as a result on the back of multiple economic and political conditions that the United Kingdom witnessed during 2022. In addition to the contraction of UK retail markets and the decline in purchasing power and shifting their purchasing from luxury goods to necessary goods. Along with the increase in promotional activity from some competitors who became active once more post Covid crisis, creating more competition

accompanied by a decline in the purchasing power of customers. The management of the Baird Group responded quickly and took some measures to restructure the company such as: implementing cost control plan, reviewing purchasing policies to enhance profit margin, developing the products to suit the British market taste.

- Baird Group recorded **operating losses** of USD 3.1 million in **Q1 2023** compared to **operating profits** of USD 242.8 K in **Q1 2022**. This decline came as a result of the decline in sales during the period, in addition to the company incurring operating costs, in addition to offering high discounts to stimulate sales.

Industrial Segment

The Suit Factories in 10th of Ramadan city, represented by Swiss Garments Company S.A.E & Egypt Tailoring Company S.A.E Results| USD.

Q1 Business Results (in Millions)

	2023	2022
Sales	23.5	20.5
Operating profits	5.1	4.0

- The Suit Factories in 10th of Ramadan city represented by both *Swiss Garments Company S.A.E and Egypt Tailoring Company S.A.E* recorded **Net Sales** of USD 23.5 million during **Q1 2023** compared to USD 20.5 million during **Q1 2022**. The increase in sales was derived from the company's effort in sustaining and developing its products, with maintaining an eye on exports, recording export growth of 19.0% compared to the same period of the previous year.

This is in addition to the company's efforts to raise its production to accommodate customers' orders from US and European markets, on top of the list: Brooks Brothers, Massimo Dutti, Peerless and Armani. In addition to adding new clients to the company's portfolio such as Boggi Milano from the Italian market, Joop and Holy Fashion Group from the Germany and Ramsy and KIP from the Turkish market. It is worth noting that the company is always working to attract new

customers from the European and American markets, where the suit business' factories have capabilities that qualifies them to be a leader in the export of ready-made garments in the region, such as the availability of trained labor, the distinguished geographical location of Egypt close the global markets, in addition to the low operating costs due to the movement of the exchange rate against USD. Accordingly, the management works hard to attract the largest number of clients to increase exports.

- The Suit Factories in 10th of Ramadan city recorded **Operating Profits** of USD 5.1 million with growth of 26.1% during **Q1 2023** compared to **Q1 2022** that recorded **Operating Profits** of USD 4.0 million. Driven by the increase in sales, the focus on attracting the most sustainable customers in terms of profitability and the number of orders, in addition to the reduction in industrial costs and administrative and general expenses due to the movement of the exchange rate of the Egyptian pound against the US Dollar.

Industrial Segment

The Trousers Factory in Beni Suef | USD

Results of Swiss Cotton Garments Company S.A.E

Q1 Business Results (in Millions)

	2023	2022
Sales	7.8	7.1
Operating profits	1.7	0.8

- The Trousers Factory in Beni Suef City recorded **Net Sales** of USD 7.8 million in **Q1 2023** growing by 9.2% compared to USD 7.1 million in **Q1 2022**. Inspired by the company's efforts to maintain high levels of quality, which led to an increase in export orders, in addition to an increase in the production of formal trousers due to the increase in its profitability margin over casual pants. Moreover, the company seeks to maintain sales growth through adding new clients to its portfolio along with the company's existing customers from the US market.

- The factory recorded **Operating profits** of USD 1.7 million during **Q1 2023** with a growth of 1.3x compared to **Operating profits** of USD 763.1K during **Q1 2022**. Supported by the increase in sales and the decrease in operating costs and general and administrative expenses during the period.

Industrial Segment

The Shirts Factory in Beni Suef | USD

Results of Cristall for Making Shirts company S.A.E

Q1 Business Results (in Millions)		
	2023	2022
Sales	2.2	2.7
Operating profit/(Loss)	0.6	0.4

- The Shirts Factory in Beni Suef recorded **Net Sales** of USD 2.2 million during **Q1 2023**, compared to **Net Sales** of USD 2.7 million during **Q1 2022**, Noting that the company's sales recorded an increase of 54.7% on the local currency however, the depreciation of the Egyptian pound against the US dollar during the period affected the company's sales after translating the financial statements. It's worth mentioning that the factory works intensively to raise the quality of production, along with attracting new clients to achieve high rates of profitability and sustainable orders.
- The factory recorded **Operating profits** of USD 570.8 K in **Q1 2023** with growth of USD 37.1% compared to **Q1 2022** which recorded **Operating profits** of USD 416.3 K. The increase in operating profits during the period was supported by export sales which was reflected in the increase of value of export incentives, this is in addition to the decrease in operating costs and administrative and general expenses during the period.

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 1st quarter of the fiscal year 2023/2024

Results summary of Arafa Holding standalone financials during 1st quarter of fiscal year 2023/2024 | in USD

- Arafa Holding recorded **Standalone Revenues** – which represent technical support service revenue in addition to any gain or loss of investments – of USD 39.0 K during **Q1 2023** compared to **standalone revenues** of USD 47.2 K during **Q1 2022**.
- Arafa Holding recorded **Standalone Net Losses** during **Q1 2023** of USD 1.3 million compared to **standalone Net profit** of USD 10.9 million during **Q1 2022**.

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 18% of the UK formal menswear market share through its subsidiary “Baird Group”, which manages substantial number of stores along with an online platform in the UK. Moreover, Arafa Holding owns the luxurious homegrown brand, Concrete, which is considered the largest retailer in the country. The company’s retail operations are vertically integrated with the industrial platform, which is considered the largest in the Middle East & Africa.

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