



# **Al Arafa for Investment and Consultancies**

**Earnings Release | H1 2018 Results**

**September 2018**

Al Arafa for Investment & Consultancies ("Arafa Holding" or "AIVC" or the "Company"), the leading Company in Retail, Garments & Textile manufacturing released its financial results for the 1<sup>st</sup> six months of the FY 2018/2019.

**Arafa Holding recorded Net profit after Tax of USD 3.3 million during the first six months of FY 2018/2019 with an increase of 35.7% compared to USD 2.4 million during the same period of FY 2017/2018, supported by the profits of the local retail arm represented by Concrete For Ready Made Garments S.A.E and Euromed For Trading and Marketing S.A.E.**

**Arafa Holding recorded Net Sales of USD 118.0 million during H1 2018 compared to USD 114.4 million during H1 2017 supported by 7.7% increase in retail sales during the period represented by Concrete for Ready-Made Garments S.A.E and Euromed for Trading and Marketing S.A.E in Egypt, and Baird Group in UK. This is in addition to the increase in sales of casual wear segment by 22.6% during the period, represented by Swiss Cotton Garments Company S.A.E and Cristall for Making Shirts Company S.A.E.**

#### **Financial Highlights for H1 2018 Results**

<b>Consolidated Results   USD '000</b>	<b>H1 2018</b>	<b>H1 2017</b>
Net Revenues	117 960	114 378
Net profit after tax	3 261	2 403
<i>Net profit margin %</i>	<i>2.8%</i>	<i>2.1%</i>

- ▲ Arafa Holding recorded **Consolidated Net Revenues** of USD 118.0 million during H1 2018 compared to USD 114.4 million during H1 2017, supported by 7.7% increase in retail sales during the period represented by *Concrete for Ready-Made Garments Company S.A.E and Euromed for Trading and Marketing Company S.A.E in Egypt and Baird Group in UK*. This is in addition to increase in sales of casual wear segment by 22.6% during the period, represented by *Swiss Cotton Garments Company S.A.E and Cristall for Making Shirts Company S.A.E*.

▲ **Consolidated Net profits after Tax** reported USD 3.3 million with a margin of 2.8% during H1 2018 with an increase of 35.7% compared to USD 2.4 million during H1 2017 with a margin of 2.1% supported by higher profits from the local retail arm represented by *Concrete For Ready Made Garments S.A.E* and *Euromed For Trading and Marketing Company*.

**Breakdown by Business Segment:**

**Luxury Segment**

<b>Luxury   USD '000</b>	<b>H1 2018</b>	<b>H1 2017</b>
Net Revenues	28 846	26 313
Operating Profits	2 777	2 049
<i>Operating profit margin%</i>	<i>9.6%</i>	<i>7.8%</i>

The Luxury Segment recorded a growth in **Net Revenues** during H1 2018 by 9.6% to reach USD 28.8 million compared to USD 26.3 million during same period last year. The boost in sales is supported by increase in Sales of *Concrete for Ready Made Garments Company S.A.E* by 10.7% and the significant growth in sales of *Euromed for Trading and Marketing Company S.A.E* by more than 1x during the period, in spite the decrease in sales of *Egypt Tailoring Company S.A.E* during the period. *Euromed for Trading and Marketing Company S.A.E*, owner of Arafa Holding retail value chain “Brands for less” and the group’s wholesale arm, has succeeded in boosting its presence in the local retail market during H1 2018 with significant increase in number of units sold by 91.1% during the period despite the aggressive competition in the middle market segment.

Segment’s **Operating profits** reached USD 2.8 million with operating profit margin of 9.6% compared to USD 2.0 million with operating profit margin of 7.8% during same period last year. This comes on the back of higher sales and lower cost for both operating costs and SG&A expenses during the period. Q2 2018 witnessed a significant decrease in SG&A/sales for the segment supported by decrease in SG&A/sales of *Euromed for Trading and Marketing Company S.A.E* and *Concrete for Ready Made Garments Company S.A.E* that had a significant increase in SG&A expenses during Q1 2018 associated with the launch of the Made to Measure marketing campaign (Su Misura).

### **Formal Segment**

<b>Formal   USD '000</b>	<b>H1 2018</b>	<b>H1 2017</b>
Net Revenues	104 488	107 566
Operating profits	2 937	6 404
<i>Operating profit margin%</i>	<i>2.8%</i>	<i>6.0%</i>

Formal Segment recorded **Net Revenues** of USD 104.5 million during H1 2018 compared to USD 107.6 million for the comparative period. *Baird Group* sales increased by 4.7% during H1 2018. Export sales of *Swiss Garments Company S.A.E* and *Golden Tex Wool Company S.A.E.* to the UK market were negatively affected by the continuous economic slowdown in the UK market pushing retailers to change their selling policies.

Segment's **Operating Profits** reached USD 2.9 million with an operating profit margin of 2.8% compared to USD 6.4 million with an operating profit margin of 6.0% during the comparative period. Operating profits were affected by lower export sales to UK market and increased SG&A expenses of *Baird Group* during the period.

### **Casual Segment**

<b>Casual   USD '000</b>	<b>H1 2018</b>	<b>H1 2017</b>
Net Revenues	10 773	7 322
Operating profits	699	633
<i>Operating profit margin%</i>	<i>6.5%</i>	<i>8.6%</i>

Casual Segment recorded **Net Revenues** of USD 10.8 million during H1 2018 compared to USD 7.3 million during H1 2017. Sales of *Swiss Cotton Garments Company S.A.E - Group's* facility for producing causal pants and shorts- increased by 21.9% in H1 2018 in addition to increase in sales of *Cristall for Making Shirts Company S.A.E - Group's* facility for producing luxury shirts- by 25.6% during the period.

Segment reported **Operating profits** of USD 699k and an Operating profit margin of 6.5% compared to USD 633k and an Operating profit margin of 8.6% during the comparative period. Operating profits margin was affected by higher operating costs and SG&A expenses of the segment during the period.

### **About Al Arafa for Investment & Consultancies**

Al Arafa for Investment and Consultancies (“Arafa Holding”) is a leading player in retail industry backed by a huge industrial platform, listed on Egyptian Stock Exchange and holds approximately 15% market share of the UK formal menswear market through its subsidiary “Baird Group” that manages 235 stores in the UK. Arafa Holding owns the homegrown brand, Concrete, in Egypt, which is considered the largest retailer for luxurious men’s & kids’ wear in the country. The company’s retail operations are vertically integrated with a state of the art industrial platform that is considered the largest in the Middle East & Africa. In addition to some other strategic investments with leading international fashion players such as Ermenegildo Zegna.

### **Investor Relations:**

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