



النساجون الشرقيون  
Oriental Weavers

# Earnings Release 2Q 2021

**C** AIRO, August 19, 2021 — Oriental Weavers Carpet Company [ORWE EY; ORWE.CA], one of the world's largest machine-made rug and carpet manufacturers, reported its financial results for 2Q21 today, ending June 30.

## 2Q 2021 vs 2Q 2020

<b>Sales</b> (EGP million)	<b>EBITDA</b> (EGP million)	<b>Net Income</b> (EGP million)
2,852 ▲ 57.5%	510 ▲ 158%	299 ▲ 461%
<b>Export Contribution</b>	<b>EBITDA Margin</b>	<b>Gross Profit Margin</b>
69%	17.9% ▲ 695 bps	17.58%

## 2Q 2021 Overview

OW second quarter results were significantly stronger than anticipated with sales building on the momentum from 1Q21. As a result of enhancing productivity and restructuring costs, OW Gross Profit Margin reached an all-time high of 17.6%. OW successfully mitigated the increase in freight and raw materials costs, notably polypropylene, by increasing prices across most of OW's product range. OW's sales backlog remains at a record high, ensuring production well into 2Q22. During the period, OW manufacturing operations ran at capacity to respond to accelerated sales. In reaction to this demand, OW was selective in production, steering available capacity towards high-margin products, which elevated the overall company output.



## Revenue Performance Overview

The group recorded a 38% increase in revenue for a total of EGP 5,615 million in 1H21 as compared to EGP 4,079 million in 1H20. Export revenues, 69% of total revenues, increased 50% in 1H21, while local sales increased by 17% when compared to 1H20.

For the second quarter, revenue was EGP 2,852 million, equating to a 57% increase. Local sales increased 31% during the quarter, while export revenues increased by 73% y-o-y.

### Revenue Contribution by Market in 2Q 2021

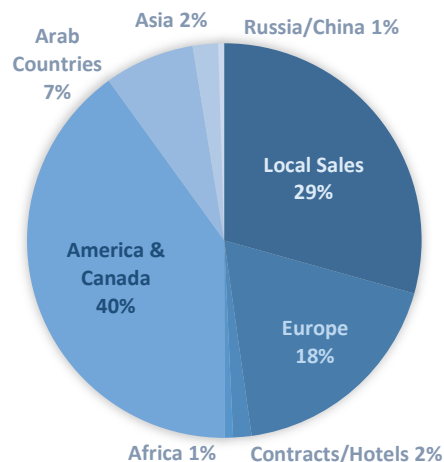


Table 1: Net Sales (Volume and Value) in 2Q 2021 vs. 2Q 2020

	Value (EGP million)		
	2Q 2021	2Q 2020	% Change
Woven- Egypt based	1,635.3	976.8	67.4%
OW USA	564.9	403.4	40.0%
OW China	7.9	2.6	204.7%
Tufted	497.0	342.2	45.3%
Non-woven Felt	132.7	75.6	75.6%
Other	14.1	10.2	38.6%
<b>Total</b>	<b>2,852</b>	<b>1,811</b>	<b>57.50%</b>

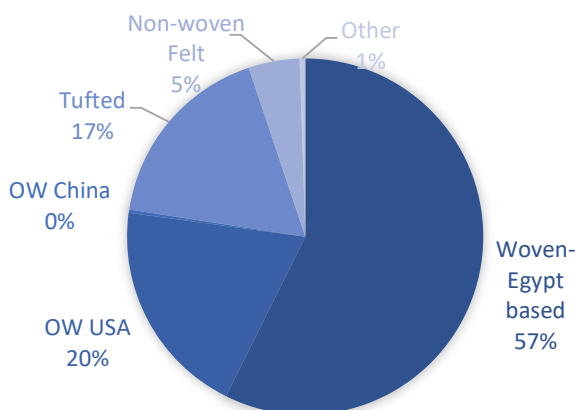
	Volume (mn sqm)		
	2Q 2021	2Q 2020	% Change
Woven- Egypt based	15.56	9.76	59.5%
OW USA	4.54	2.78	63.3%
OW China	0.09	0.01	671.8%
Tufted	10.22	6.99	46.2%
Non-woven Felt	4.70	3.32	41.6%
Other			
<b>Total</b>	<b>35.1</b>	<b>22.9</b>	<b>53.6%</b>

	Value (EGP million)		
	1H 2021	1H 2020	% Change
Woven- Egypt based	3,190.1	2,196.8	45.2%
OW USA	1,083.3	895.6	21.0%
OW China	13.9	6.8	105.7%
Tufted	1,059.0	793.7	33.4%
Non-woven Felt	239.0	173.1	38.1%
Other	30.0	13.1	129.9%
<b>Total</b>	<b>5,615.3</b>	<b>4,078.9</b>	<b>37.7%</b>

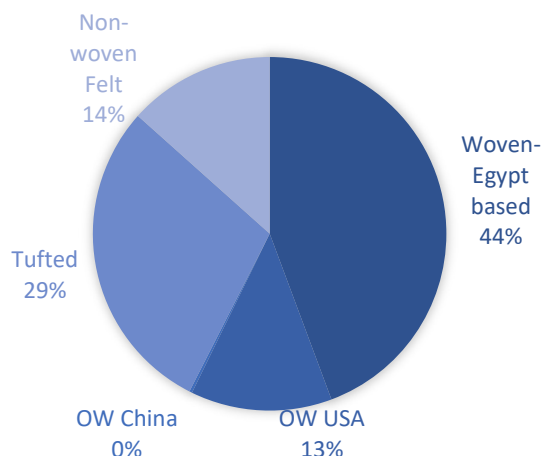
	Volume (mn sqm)		
	1H 2021	1H 2020	% Change
Woven- Egypt based	31.05	22.03	40.9%
OW USA	8.66	6.79	27.5%
OW China	0.15	0.07	126.8%
Tufted	21.55	15.40	39.9%
Non-woven Felt	9.42	7.68	22.7%
Other	0.00	0.00	
<b>Total</b>	<b>70.8</b>	<b>52.0</b>	<b>36.3%</b>



Revenue Breakdown 2Q 2021 (in value)



Revenue breakdown 2Q 2021 (in volume):



## Segment Reporting

### Local Sales

OW local sales value reported a 31% increase in 2Q21 to EGP 870 million, compared to EGP 664 million in the same quarter of 2020. While volumes increased by 21% on y-o-y basis, this, together with the 1Q21 growth, brought OW local sales up 17% in 1H21.

OW showrooms were stocked with higher quality products relative to 1Q21 which influenced the elevation of sales in 2Q21. OW management continues to see pronounced demand in the local market after the negative impact of the COVID-19 pandemic on sales. In the woven segment, **Grade A** products continue to see the biggest increase, recording 46% y-o-y increase in 2Q21 as consumers demand is skewed towards higher end products. Sales in the **Tufted Segment** continues to surge having recorded a 72% y-o-y increase in sales in 2Q21, representing a 54% increase in volume, which was mainly caused by introducing new products to the market. **Wholesale Sales** witnessed the biggest increase achieving 52% y-o-y in 2Q21, mainly due to the low base comparison, as wholesalers were very cautious to order during the pandemic.

Revenues from the **local hospitality segment** remained resilient with revenues increasing by 16% in 2Q21 on a y-o-y basis, and 5% in 1H21 y-o-y. In Q2 OW managed several projects in hotels including Al Masa Alamein Hotel, The Hilton, The Nile Ritz Carlton, and The Four Seasons - San Stefano, among others, in addition to several universities and schools. There are several additional projects in the pipeline located in the new administration capital and in the Al-Alamein area.



OW's primary strategy in the local market is to focus on expanding our presence in the E-commerce segment, through our website "Carpets Online" as management believes that consumers will choose E-commerce over brick-and-mortar stores in the foreseeable future. OW is aiming to upgrade the display system that is currently being used by improving the customer experience in OW showrooms. The long-term target is to digitalize the showroom and deliver an upgraded experience to the local customer.

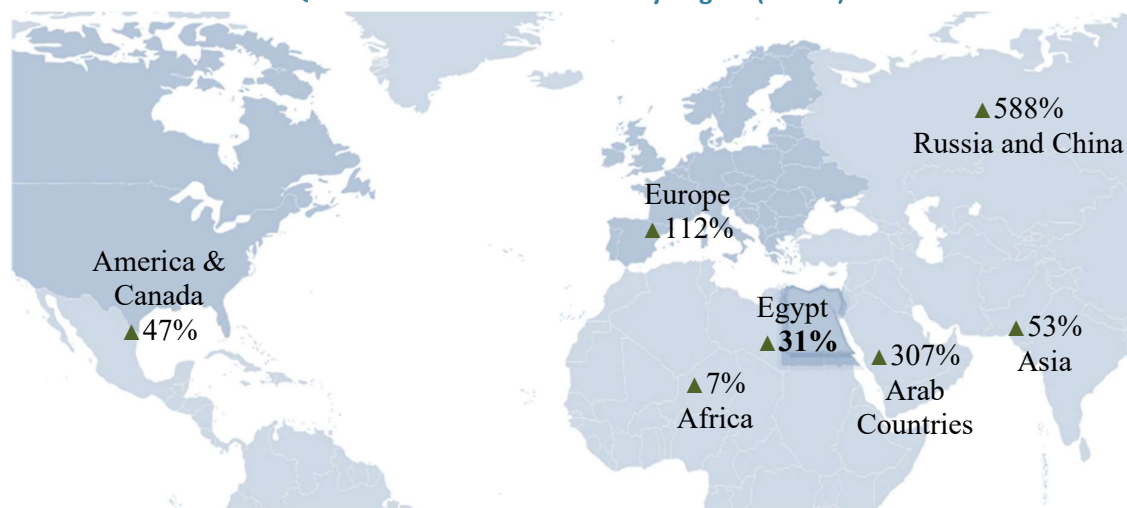
Table 2: Percentage Change in Local Sales

Percentage Δ	2Q Volume	2Q Value	Average Price	Contribution to Local Revenues		1H Volume	1H Value
				2Q 2021	2Q 2020		
Woven	▲ 11%	▲ 25%	▲ 13%	81%	84%	▲ 3%	▲ 13%
Tufted	▲ 54%	▲ 72%	▲ 11%	11%	9%	▲ 48%	▲ 45%
Non-Woven Felt	▲ 30%	▲ 62%	▲ 25%	7%	6%	▲ 18%	▲ 24%
Other (Yarn Sales)		▼ 4%		1%	1%		
<b>Total</b>	<b>▲ 21%</b>	<b>▲ 31%</b>	<b>▲ 9%</b>	<b>100%</b>	<b>100%</b>	<b>▲ 12%</b>	<b>▲ 17%</b>

### Export and Overseas Operations

Export revenues increased by an impressive 73% y-o-y in 2Q21 reaching EGP 1,982 million. The resulting 50% y-o-y increase in 1H21 sales was due to the incredible increase in global demand, and OW's online presence.

2Q 2021 Revenue Performance by Region (in EGP)



\* The three key markets areas are Egypt, the USA and Canada, and Europe.



As evident from the map above, OW sales witnessed a global recovery, with management expecting this strong demand to continue through 2Q22. All of OW markets remain strong, with robust housing sales and remodeling investments across the world. OW long-term contracts with clients continue to build upon their respective solid sales base, in addition to new clients secured in Brazil, Africa, East Europe, UK, Australia, and Japan.

In the woven segment, OW increased prices in grade B and C by 4% and 10%, respectively, in 2Q21 compared to 2Q20. In regards to decreasing Grade A prices, this was a result of lower demand and sales in the hospitality segment due to the slowdown in hotel renovations worldwide. In addition, products sold in the Arab region were priced competitively, as OW was securing its market share in the region, which influenced the overall price. **On a q-o-q basis however, prices increased by 4% in the woven segment.**

Table 3: Percentage Change in Export Sales

Percentage Δ	Volume	Value	Average Price (EGP)	Contribution to Export Revenues		1H Volume	1H Value
				2Q 2021	2Q 2020		
Woven	▲ 98%	▲ 83%	▼ 8%	76%	72%	▲ 64%	▲ 13%
Tufted	▲ 45%	▲ 40%	▼ 3%	20%	25%	▲ 39%	▲ 31%
Non-woven Felt	▲ 61%	▲ 88%	▲ 17%	4%	3%	▲ 29%	▲ 52%
<b>Total</b>	<b>▲ 73%</b>	<b>▲ 73%</b>		<b>100%</b>	<b>100%</b>	<b>▲ 50%</b>	<b>▲ 50%</b>

OW **U.S.-based subsidiary OW USA** recorded a 40% y-o-y revenue growth in 2Q21, on 63% higher volumes sold, supported by strong demand from online businesses and big retailers.

Export revenues of the **Tufted Segments** grew by 40% in 2Q21 y-o-y in sales and 45% y-o-y in volume, this was due to secured orders, from OW's North American customers and winning new placements and programs with Walmart and Home Depot.

Shipments to our **key European customer** experienced a significant hike in sales, as new product ranges have been agreed upon, in addition to "free range" products which provide better margins. Overall, European sales increased by 112% y-o-y in 2Q21 and 79% y-o-y in 1H21. Management expects this trend to continue in 2H21, given that we are heading into a high season that will last till Christmas.

The **Arab region** witnessed better than expected boom in sales, mainly due to OW presence in Saudi Arabian market, with sales increasing 307% y-o-y in 2Q21, and 264% y-o-y in 1H21. OW is witnessing demand in the region that is surpassing capacity, which validates management foresight to increase capacity. Going forward OW will focus on expanding its presence in Dubai, Jordan, Kuwait, and Algeria.



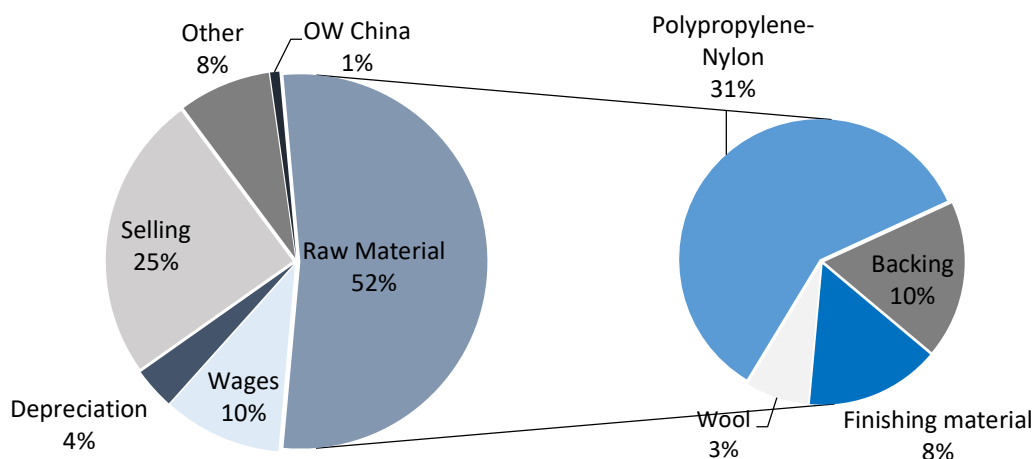
### Operating margin reflect lower raw material costs

In 2Q21, there was a 158% y-o-y increase in EBITDA to EGP 510 million, with EBITDA margin improving by 695 bps y-o-y to 17.9%, against 11% in 2Q20. This was a result of higher volume and productivity, improved price/mix. OW recorded Gross Profit Margin of 17.58% in 2Q21 compared to 10.58% in 2Q20. This was due to:

- Unprecedented utilization rates due to the high demand;
- Directing OW capacity to higher margin products;
- Lower travel and exhibition expenses;
- Certain raw material costs, namely, Nylon, Master Batch, polyester, and Latex, decreased.

These factors contributed to mitigating the impact of increased polypropylene prices.

### 2Q 2021 COGS Breakdown



COGS/revenue declined to 82% in 2Q21 compared to 91% in 2Q20.

The company recorded a **net interest** expense of EGP 5.2 million in 2Q21 compared to a net interest income of EGP 15 million in 2Q20. On June 30, 2021, our **debt balance** of EGP 3.1bn was denominated into 56% in USD, 12% in Euro, and 44% in EGP.

### Other Revenues:

In 2Q21 OW recorded other revenues of EGP 16 million compared to EGP 102 million recorded in 2Q20. The significant figure recorded in 2Q20 was due to export rebate collections from the government initiative signed early 2020. OW collected EGP 12 million in export rebates in 2Q21. In 2Q21 OW signed a government initiative to receive export rebates until June 2021, though exact details have not yet been announced.



Accordingly, **OW pre-tax earnings increased by 283% in 2Q21 to EGP 398 million. Consequently, Oriental Weavers witnessed a 461% increase in its attributed earnings in 2Q21, reaching EGP 299 million compared to 2Q20 earnings of EGP 53 million.**

## OW Featured

OW was featured in MENA Carpets News, “Oriental Weavers is a very dynamic company whether in terms of production, development, sales, or other related activities. The company has aggressive plans to expand its capacity for production of yarn and rugs extensively with main goal of improving service level offered to customers and enhancing the concept of ‘economies of scale’ more efficiently to keep developing and offering the best quality rugs with the highest possible value.”

<https://kohantextilejournal.com/wp-content/uploads/2021/07/Mena-Carpet-News-July-2021.pdf>

## Anti-Dumping News

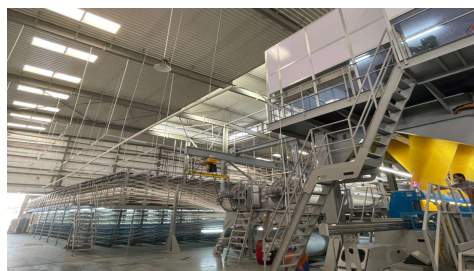
On 23rd of June 2021, the ministry of trade announced the application of anti-dumping fees on imported machine-made rugs made in Turkey, with the fees to be applied ranging from 21.17 - 33.27% - bear in mind that as of June 2021, 94% of imported rugs originated from Turkey. OW management is pleased with this news, and grateful for the support of local industries by the government. This will reflect positively on the local segment sales in terms of volumes and price flexibility.

## Expansions of Egypt-based Facilities

Management has decided to undergo an expansion plan with expected CAPEX for 2021 in the range of \$26 million. For the woven segment, nine new looms, with seven having already arrived, all directed to the local market demand. A state-of-the-art extrusion machine will also be added which will elevate efficiency and production to our vertically integrated system. On the tufted side, MAC installed an additional printing machine, and for non-woven segment, a new digital machine. This will address the impressive demand OW is witnessing and which management anticipate will continue.



\*New raw material warehouse for OW textiles



\*OW Textile new Loom, started production in 2Q



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## STOCK SYMBOL

**ORWE.CA**

## CAPITAL

Issued and Paid-in Capital: EGP 665 million  
Number of Shares: 665 million shares  
Par Value: 1 EGP per share

## SHAREHOLDER STRUCTURE

**59.13%** Khamis Family  
**27.12%** Foreign Institutions  
**7.16%** Local Institutions  
**6.6%** Retail





## Income Statement (EGP million)

	2Q 2021			1H 2021		
	2021	2020	Change	2021	2020	Change
<b>Net Sales</b>	2,852	1,811	57%	5,615	4,079	38%
<b>Less:</b>						
<b>COGS</b>	2,351	1,650	42%	4,633	3,636	27.41%
<b>Gross Profit</b>	<b>501</b>	<b>161</b>	<b>212%</b>	<b>982</b>	<b>443</b>	<b>122%</b>
<i>Gross Profit Margin*</i>	<b>17.58%</b>	<b>8.87%</b>	<b>871 bps</b>	<b>17.49%</b>	<b>10.85%</b>	<b>664 bps</b>
<b>Less:</b>						
Selling & Distribution Expenses	35	28	24%	73	62	17%
General & Administrative Expenses	88	74	19%	176	169	4%
<b>Sum</b>	<b>123</b>	<b>102</b>	<b>21%</b>	<b>249</b>	<b>231</b>	<b>8%</b>
<b>Net Income from Operation Activities</b>	<b>378</b>	<b>58</b>	<b>547%</b>	<b>734</b>	<b>211</b>	<b>247%</b>
<b>Operation Activities Margin</b>	<b>13%</b>	<b>3%</b>	<b>1003 bps</b>	<b>13.06%</b>	<b>5%</b>	<b>789 bps</b>
<b>Add / Less:</b>						
Provisions & Impairment	(3.9)	(52)	-93%	(7)	(82)	-92%
Investment Income	7	0	0%	8.5	0	NA
Interest Income	5	10	-49%	8.19	15	-46%
Treasury Income	39	23	72%	98	53	84%
Other Revenues	16	102	-84%	26	156	-83%
Capital Gain	7	0.9	608	11	1	719
Financing Expenses	(49)	(18)	177%	(97)	(41)	136%
Foreign Exchange Differences	(0.5)	(19)	-97%	(4)	8	-146%
<b>Sum</b>	<b>20</b>	<b>46</b>	<b>-55%</b>	<b>44</b>	<b>112</b>	<b>-60%</b>
<b>Net Profit for the Period before Income Tax</b>	<b>398</b>	<b>104</b>	<b>283%</b>	<b>778</b>	<b>323</b>	<b>141%</b>
<b>EBT Margin</b>	<b>14%</b>	<b>5.8%</b>	<b>822bps</b>	<b>13.85%</b>	<b>8%</b>	<b>594bps</b>
<b>Add / Less:</b>						
Current Income Tax	(73)	(37)	98%	(111)	(58)	93%
Deferred Tax	1.3	1.4	-6%	2.4	1	105%
<b>Income Tax for the Period</b>	<b>(72)</b>	<b>(36)</b>	<b>102%</b>	<b>(108)</b>	<b>-56</b>	<b>92%</b>
<b>Net Profit for the Period</b>	<b>326</b>	<b>68</b>	<b>377%</b>	<b>670</b>	<b>266</b>	<b>151%</b>
<b>Net Profit Margin</b>	<b>11.44%</b>	<b>4%</b>	<b>766 bps</b>	<b>12%</b>	<b>7%</b>	<b>539 bps</b>
<b>Attributable to:</b>						
Equity Holders of the Parent	299	53	461%	599	227	164%
Minority Interest	27	15	79%	70.5	39	80%

\* Reported figures include depreciation expenses



## Balance Sheet (EGP million)

	1H 2021	FY 2020
<b>Long-Term Assets</b>		
Fixed Assets (Net)	3,997	4,216
Projects in Progress	293	141
Beneficial interest in assets	331	
Investments - Available for Sale	336	118
Goodwill	0	0
<b>Total Long-Term Assets</b>	<b>3,959</b>	<b>4,473</b>
<b>Current Assets</b>		
Inventory	3,698	3,195
Trades and Notes Receivable	1,911	1,723
Debtors and Other Debit Accounts	337	346
Treasury Bills	1,373	2,022
Cash on Hand and at Banks	906	903
<b>Total Current Assets</b>	<b>8,227</b>	<b>8,190</b>
<b>Current Liabilities</b>		
Provisions	75	90
Banks - Credit Accounts	2,929	2,466
Long Term Liabilities - Current Portion	85	99
Due within one year of rental contract obligations	81	
Suppliers and Notes Payable	950	847
Dividends Payable	51	10
Creditors and Other Credit Accounts	671	741
Deferred Tax Liability	73	128
<b>Total Current Liabilities</b>	<b>4,916</b>	<b>4,382</b>
<b>Working Capital</b>	<b>3,311</b>	<b>3,808</b>
<b>Total Investment</b>	<b>8,270</b>	<b>8,282</b>
<b>Financed as Follows:</b>		
<b>Shareholder's Equity</b>		
Issued and Paid Capital	665	665
Reserves	1,626	1,487
Retained Earnings	399	348
Net Profit for the Period	599	937
Exchange Differences Arising on Translation of Foreign Currency	3,531	3,545
<b>Total Equity Attributable to Equity Holders of the Parent</b>	<b>6,821</b>	<b>6,983</b>
<b>Non-controlling Interest</b>	<b>887</b>	<b>947</b>
<b>Total Equity</b>	<b>7,708</b>	<b>7,930</b>
<b>Long - Term Liabilities</b>		
Long Term Loans	153	206
Housing and Development Bank Loan	0	0
Lease contract obligations	265	
Deferred Taxes Liabilities	142	144
<b>Total Long-Term Liabilities</b>	<b>561</b>	<b>351</b>
<b>Total Shareholder's Equity and Long-Term Liabilities</b>	<b>8,270</b>	<b>8,282</b>



## Statement of Cash Flows (EGP million)

	1H	
	2021	2020
<b>Cash flows from Operating Activities:</b>		
Net Profit for the Period before Income Tax	777	322
<b>Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities</b>		
Fixed Assets Depreciation	265	274
Depreciation of usufruct assets	57	
Provisions other than Deprecation	7	81
Interest Income	(8)	(15)
Financing Expenses	97	41
Investment Income	9	0
Capital gain	(11)	(1)
<b>Operating Profits before Changes in Working Capital</b>	<b>1,176</b>	<b>703</b>
<b>Change in Working Capital</b>		
(Increase) in Inventory	(510)	(204)
Decrease (Increase) in Trades and Notes Receivable and other Debit Accounts	(237)	(18)
Decrease (Increase) in Suppliers and Notes Payable and other Credit Accounts	7	43
<b>Cash Flows Provided by Operating Activities</b>	<b>436</b>	<b>523</b>
Interest Income	8	15
Paid Financing Expenses	(97)	(41)
Paid Income Tax Expense	(111)	(64)
<b>Net Cash Flows Provided by Operating Activities</b>	<b>236</b>	<b>433</b>
<b>Cash Flows from Investing Activities</b>		
Payments for Purchase of Fixed Assets and Projects in Progress	(223)	(82)
Buying investments available for Sale	(123)	
Proceeds from Investments available for sale	8	
Proceeds from the Sale of Fixed Assets	27	2
Proceeds from Treasury Bills	176	8
<b>Net Cash Flows (used in) Investing Activities</b>	<b>(134)</b>	<b>(72)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds (Payment) from Banks - Credit Accounts	467	283
Dividends Paid	(928)	(138)
Paid for Lease obligations	(43)	
Translation Differences of Financial Statements	2	(36)
Increase in paid-in capital of subsidiary	-	-
(Payment) Proceeds in Long Term Liabilities	(67)	(2)
<b>Net Cash Flows (used in) Provided by Financing Activities</b>	<b>(568)</b>	<b>(107)</b>
<b>Net Change in Cash and Cash Equivalents During the Period</b>	<b>(466)</b>	<b>468</b>
Cash and cash equivalents at beginning of the period	1,469	1,195
Translation Differences Related to Cash and Cash Equivalents	(2)	1
<b>Cash and Cash Equivalents at End of the Period</b>	<b>1,000</b>	<b>1,665</b>



#### **ABOUT ORIENTAL WEAVERS CARPET COMPANY**

Oriental Weavers is a global player in machine-woven rugs and carpets; the company is renowned for superior product design and quality, as well as technological innovation. Today, the company is one of the largest producers of machine-made woven rugs in the world. It is management's vision to build a state-of-the-art, internationally competitive carpet and home textile company, characterized by a sharp focus on its customers and driven by marketing- and export-oriented strategies. ([www.orientalweavers.com](http://www.orientalweavers.com))

#### **FORWARD-LOOKING STATEMENTS**

Certain information contained in this document consists of forward-looking statements reflecting the current view of the Company with respect to future events, and is therefore subject to certain risks, uncertainties, and assumptions. Many factors could cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including worldwide economic trends, the economic and political climate of Egypt and the Middle East, and changes in business strategy as well as various other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in such forward-looking statements. Recipients of this document are cautioned not to place any reliance on these forward-looking statements. The Company undertakes no obligation to republish revised forward-looking statements to reflect changed events or circumstances.

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