

Al Arafa for Investment and Consultancies S.A.E

Earning Release | FY 2022

Sunday 30th of April 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 financial year 2022/2023

Results summary of Arafa Holding Consolidated financials during FY 2022/2023 | in USD

FY Business Results (in Millions)		
	2022	2021
Sales	230.8	183.9
Operating Profits	21.4	0.73
Net Income/(Loss)	11.7	5.3
Q4 Business Results (in Millions)		
	2022	2021
Sales	64.9	63.9
Operating Profits	5.0	8.7
Net Income/(Loss)	5.3	2.1

- Arafa Holding recorded **Consolidated Net Sales** of USD 230.8 million during **FY 2022** marking a 25.5% growth, compared to USD 183.9 million during 2021. It also recorded **Consolidated Net Sales** of USD 64.9 million during **Q4 2022** compared to USD 63.9 million in Q4 2021. During the year 2022, Arafa Holding succeeded in superseding pre covid sales levels despite the severe challenges facing the global economy since the outbreak of the Russian-Ukrainian war which caused damage to the markets, especially the European market, which is one of the group's key strategic markets. As this resulted in backlash on energy, food grains, and commodities prices that forced the inflation to increase drastically on a global scale, and pull back the purchasing power of consumers, especially on luxurious goods. Egypt also witnessed during 2022 a bunch of economic events, which significantly affected the purchasing power of customers in the local retail markets, starting with the decisions of the Central Bank of Egypt that imposed restrictions on the importation process, adding to that the devaluation of the Egyptian pound against the US dollar, which decreased by 92.1% during the year as well as the subsequent rise in inflation rates in Egypt as it reached unprecedented levels, exceeding 40.0%

- The sales of the retail arm, represented in the sales of *Concrete for Ready-made Garments S.A.E, the UK subsidiary Baird Group and Euromed For Trading and Marketing S.A.E*, recorded YOY sales increase of 8.5% compared to FY 2021, this is despite the decline in sales of retail companies operating in Egypt (Concrete and Euromed) when translating the financial statements into USD as a result of the devaluation of the Egyptian pound against the US dollar. Moreover, the sales of the industrial arm represented by the sales of Swiss Garment Company S.A.E, Egypt Tailoring Company S.A.E, Swiss Cotton Garments Company S.A.E, and Cristall For Making Shirts S.A.E increased on YOY, recording a growth of 31.8% compared to FY 2021, as companies operating in the industrial arm succeeded in attracting new customers from the European market such as Boggi Milano, Joop, Ramzy and KIP in order to achieve the group's vision to attract large number of customers in terms of profitability, sustainability and geographical diversification. This is in addition to restoring work at the maximum production capacity and working on increasing production lines to accommodate the increased demand post the Corona crisis, especially after the exit of some exporters from the competition due to their inability to reconcile their conditions.
- The group recorded growth on the **consolidated Operating profits** during **FY 2022** to record USD 21.4 million, with a profit margin of 9.3%. Compared to **consolidated Operating profits** of USD 730.1K with a profit margin of 0.4% during FY 2021. The increase in operating profits came as a result of higher sales in addition to the reduction in cost and administrative expenses. This is, in addition to higher efficiency and improvement on products quality reflected in higher profit margins. Moreover, Concrete has implemented a successful strategy to reduce discounts and adjust pricing in accordance with the consumer's ability on the back of the continuation of import restrictions and dramatic increase in inflation rate. The group also recorded **operating profits** of USD 5.0 million during **Q4 2022**, compared to operating profits of USD 8.7 million in Q4 2021. Q4 2022 results included non-recurring losses as a result of applying the new accounting standards during 2022 for the group's companies.
- The Group recorded **consolidated Net profit after tax** of USD 11.7 million with profit margin of 5.1% in **FY 2022**, compared to **consolidated Net loss after tax** of USD 5.3 million with loss margin of 2.9% during the comparison year in 2021 backed up by an increase in both sales and operating profits during the period. It also recorded **consolidated**

Net profit after tax of USD 2.1 million during **Q4 2022**, compared to **consolidated Net profit after tax** of USD 5.3 million during Q4 2021.

Financial Highlights of Subsidiaries

Retail Segment

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

FY Business Results (in Millions)		
	2022	2021
Sales	23.9	24.6
Operating profits	5.9	4.6

Q4 Business Results (in Millions)		
	2022	2021
Sales	6.3	8.5
Operating Profits	1.8	1.7

- Concrete for Ready Made Garments S.A.E, the owner of Concrete chain for luxury men and kids wears in the Egyptian Market, recorded **Net Sales** of USD 23.9 million during **FY 2022** compared to **Net Sales** of USD 24.6 million during **FY 2021**. It also recorded **Net Sales** of USD 6.3 million during **Q4 2022** compared to USD 8.5 million during **Q4 2021**. The company's sales recorded an increase of 19.4% on the local currency during FY 2022 however, the depreciation of the Egyptian pound against the US dollar by 92.1% during the year affected the company's sales after translating the financial statements from the Egyptian pound to the US dollar. Concrete showed positive on both sales and profits during the year, in addition to the resilience of its financial position and cash flows despite the economical fluctuations taking place in Egypt since the beginning of 2022. Starting with imposing restrictions on imports process as well as the devaluation of the Egyptian pound against the USD by 92.1% and the consequent increase in inflation rates on all commodities and products, which led to the decline in the purchasing power of many customers due to decrease in disposable income, especially for luxurious goods such as clothing. This was a

reflection of the successful strategy adopted by the company since the beginning of the importation crisis, as the company showed flexibility in changing the purchasing policy of the raw materials and relying more on the Egyptian product, which appeared intensively on the company's sales during the second half of 2022, with the launch of the winter collection 2022/2023 at the time in which several retail chains operating in Egypt were suffering from the import crisis. Moreover, the company is always working on developing its products and designing fashion wear up to the latest trends, to attract a wide range of clients from different age groups. Also, it is worth noting that the company is currently working on opening international markets through expanding into GCC countries and Eastern Europe through partnerships with well-established entities with retail expertise, in alignment with the company's strategy to expand geographically and well-position Concrete brand in the international markets, in addition to increasing exports to provide foreign currency for the company.

- The company recorded **Operating profits** of USD 5.9 million with a profit margin of 24.6% in **FY 2022** Compared to **Operating profits** of USD 4.6 million, with a profit margin of 18.7% during FY 2021. Despite the growth of operating profits on the local currency by 56.4%, the depreciation of the Egyptian pound against the US dollar led to a decrease in the value of operating profits when translating the financial statements into US dollars. The growth in operating profits was supported by increase in sales and lower operating costs, and reflects the company's efforts to develop as well as re-pricing the products in line with the Egyptian consumer's purchasing power in addition to reducing the discounts on sales. It also recorded **Operating profits** in **Q4 2022** of USD 1.8 million compared to USD 1.7 million for the comparative period.

Retail Segment

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

FY Business Results (in Millions)		
	2022	2021
Sales	4.3	8.5
Operating profits/(Loss)	0.03	0.48

Q4 Business Results (in Millions)		
	2022	2021
Sales	1.5	5.6
Operating Profits/(Loss)	0.07	1.1

- Euromed for Trading & Marketing S.A.E – the group’s trading arm in tenders and middle markets – recorded **Net Sales** of USD 4.3 million during **FY 2022** compared to **Net sales** of USD 8.5 million in FY 2021. It also recorded **Net Sales** of USD 1.5 million in **Q4 2022** compared to USD 5.6 million in comparable period. Sales were negatively affected with the delay in delivering one of the strategic tenders for the uniform business, which was intended to be delivered during 2022 and is expected to be delivered during H1 2023
- The Company recorded **operating losses** during **FY 2022** of USD 30.8K to reduce the operating losses recorded **during FY 2021** of USD 476.5K. While **Q4 2022** recorded **operating Profits** of USD 77.6K compared to operating profits of USD 1.1 million during the comparison period, attributed to the decrease in sales.

Retail Segment

Baird Group | USD

FY Business Results (in Millions)

	2022	2021
Sales	102.9	87.7
Operating profits/(Loss)	0.91	2.2

Q4 Business Results (in Millions)

	2022	2021
Sales	28.4	26.8
Operating Profit/(Loss)	1.7	1.2

- Baird Group recorded **Net Sales** of USD 102.9 million in **FY 2022** recording growth of 17.4% compared to **Net sales** of USD 87.7 million in **FY 2021**. Also, **Q4 2022** recorded **Net Sales** of USD 28.4 million with a growth of 6.0% compared to USD 26.8 million in **Q4 2021**. Sales recovered during the Q4 supported by Christmas and Black Friday sales, despite the significant economic slowdown in the UK retail markets, since the outbreak of the Russian-Ukrainian war, which led to the decline in the value of the sterling pound against the US dollar and a significant increase in the prices of energy, commodities and services, prompting the Bank of England to raise interest rate several times in a row since the beginning of the year to reduce inflation. As a consequence, the customers shifted their purchasing from luxury goods to necessary goods. This is in addition to the pursuit of political events following the death of Queen Elizabeth and the changes that occurred in the position of Prime Minister during a short period of time. All these events led to the spread of uncertainty in the United Kingdom and greatly affected the purchasing power of customers. Baird Group is expecting better sales during 2023, supported by the opening of a number of Suit Direct standalone shops, which were opened recently, in addition to the constant work on developing the online shopping website to attract the e-commerce customer base.

- Baird Group recorded **operating profits** of USD 919.9K with a profit margin of 0.9% in **FY 2022** compared to **operating losses** of USD 2.2 million in FY 2021 with a loss margin of 2.5%. Supported by the growth in sales and the implementation of tight policies to reduce operational costs and administrative and marketing expenses during the year. **Q4 2022** recorded **operating losses** of USD 1.7 million compared to **operating profits** of USD 1.6 million in Q4 2021 caused by higher discounts during the Christmas and black Friday season to stimulate sales as a result of the continued decline in purchasing power in the UK market. Adding to that the company incurred operating expenses related to Suit direct new stores, which were opened recently, and it is expected to contribute to sales during 2023.

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

- The Suit Factories in 10th of Ramadan city represented by both *Swiss Garment Company S.A.E and Egypt Tailoring Company S.A.E* showed growth in **Sales** supported by the remarkable increase in export sales by 1.4 times compared to FY 2021, as the company succeeded in increasing the production capacity to accommodate customers' orders from US and European markets, on top of the list : Brooks Brothers, Massimo Dutti, Peerless and Armani. It is worth mentioning that the suit factories succeeded in attracting new clients such as Boggi Milano from the Italian market, Joop and Holy Fashion Group from the Germany and Ramzy and KIP from the Turkish market to increase the geographical expansion in the company's export markets.
- The **operating profits** of the suit factories during the year 2022 witnessed a remarkable improvement, driven by an increase in sales and a decrease in industrial costs, supported by the depreciation of the Egyptian pound against the US dollar by 92.1 % during the year.

Swiss Garments Company S.A.E | USD

FY Business Results (in Millions)		
	2022	2021
Sales	90.5	67.9
Operating profit/(Loss)	11.7	0.91

Q4 Business Results (in Millions)		
	2022	2021
Sales	23.2	23.1
Operating profits/(Loss)	4.6	0.43

- Swiss Garments Company S.A.E recorded **Net Sales** of USD 90.5 million during **FY 2022** with growth of 33.3% compared to USD 67.9 million during FY 2021. It also recorded **Net Sales** of USD 23.2 million during **Q4 2022** compared to USD 23.1 million during Q4 2021.
- Swiss Garments Company S.A.E recorded **Operating Profits** of USD 11.7 million with profit margin of 12.9% during **FY 2022** compared to **FY 2021** that recorded **Operating Losses** of USD 910.1K with loss margin 1.3%. It also recorded **Operating profits** of USD 4.6 million during **Q4 2022** compared to USD 427.8K during Q4 2021.

Industrial Segment

Egypt Tailoring Company S.A.E | USD.

FY Business Results (in Millions)		
	2022	2021
Sales	45.8	41.6
Operating profit/(Loss)	4.1	0.72

Q4 Business Results (in Millions)		
	2022	2021
Sales	2.9	14.3
Operating profit/(Loss)	0.35	0.97

- Egypt Tailoring Company S.A.E recorded **Net sales** of USD 45.8 million during **FY 2022** with a growth of 10% compared to **FY 2021** which recorded USD 41.6 million. It also recorded **Net Sales** of USD 2.9 million during **Q4 2022** compared to **Net Sales** of USD 14.3 million during **Q4 2021**.
- Egypt Tailoring Company S.A.E recorded **Operating profits** of USD 4.1 million with profit margin of 9.0% during **FY 2022** compared to **Operating Profits** of USD 723.5K with profit margin of 1.7% during **FY 2021**. It also recorded **Operating Profits** of USD 346.0K during **Q4 2022** compared to **Operating profits** of USD 974.3K during **Q4 2021**.

Industrial Segment
The Trousers Factory in Beni Suef | USD

Results of Swiss Cotton Garments Company S.A.E

FY Business Results (in Millions)		
	2022	2021
Sales	30.9	18.0
Operating profits	4.3	1.6

Q4 Business Results (in Millions)		
	2022	2021
Sales	8.2	6.0
Operating Profits/(Loss)	1.5	0.82

- The Trousers Factory in Beni Suef City recorded **Net Sales** of USD 30.9 million in **FY 2022** growing by 71.2% compared to USD 18.0 million in **FY 2021**. It also recorded **Net Sales** of USD 8.2 million during **Q4 2022** compared to USD 6.0 million in **Q4 2021**. It is worth mentioning the efforts that has been exerted by the company's management for more than a year that was reflected on achieving positive results during FY 2022 at both sales and operating profits and supported by the continued growth of orders from the company's strategic customers from the US market: Macy's and Peerless.
- The factory recorded **Operating profits** of USD 4.3 million during **FY 2022** with a profit margin of 14.0% compared to **Operating profits** of USD 1.6 million with profit margin of 8.8% in **FY 2021**. This was supported by the increase in sales, especially from the formal pants, which provide higher profit margins compared to the casual pants, coinciding with the decrease in industrial costs due to the depreciation of the Egyptian pound against the US dollar during the year, in addition to the efforts made by the company's management to raise the quality of production, which reflected positively on the company's profitability. **Q4 2022** recorded **operating profits** of USD 1.5 million in **Q4 2022** compared to **Operating profits** of USD 824.3K in **Q4 2021**.

Industrial Segment

The Shirts Factory in Beni Suef | USD

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

FY Business Results (in Millions)		
	2022	2021
Sales	8.3	5.6
Operating profit/(Loss)	1.7	0.35

Q4 Business Results (in Millions)		
	2022	2021
Sales	1.6	1.4
Operating profits/(Loss)	0.72	0.15

- The Shirts Factory in Beni Suef recorded **Net Sales** of USD 8.3 million during **FY 2022**, compared to **Net Sales** of USD 5.6 million during **FY 2021**, due to the growth of exports' sales to record 87.7% of total sales, supported by the increase in orders from most sustainable and profitable customer's such as Brooks brothers and Massimo Dutti. **Q4 2022** also recorded **Net sales** of USD 1.6 million, with a growth of 12.2%, compared to **Operating profits** of USD 1.4 million. The company's sales were affected on translating the financial statements into US dollars, due to the devaluation of the Egyptian pound against the US dollar by 92.1 % during the year, since the company recorded growth on sales by 84.0% on the local currency during FY 2022.
- The factory recorded **Operating profits** of USD 1.7 million with profit margin of 20.1% in **FY 2022** compared to FY 2021 which recorded **Operating profits** of USD 349.4K with profit margin of 6.3%. It also recorded **Operating profits** of USD 718.7K during Q4 2022 compared to operating profits of USD 150.1 K in Q4 2021. The increase in operating profits during the year was supported by sales growth driven by export sales and the reduction of industrial costs during the year.

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 fiscal year 2022/2023

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

- Arafa Holding recorded **Standalone Revenues** – which represent technical support service revenue in addition to any gain or loss of investments – of USD 168.3 K during **FY 2022** compared to **revenues** of USD 3.5 million during **FY 2021**. Also, **Q4 2022** recorded **Standalone Revenues** of USD 34.8 K compared to revenue of USD 2.4 million during **Q4 2021**.
- Arafa Holding recorded **Standalone Net Losses** during **FY 2022** of USD 4.2 million compared to **standalone Net profit** of USD 545.1 K during **FY 2021**. Also, **Q4 2022** recorded **Standalone Net Losses** of USD 530.4 K compared to **standalone net revenue** of USD 275.5 k during **Q4 2021**.

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 homegrown brand, Concrete, which is considered the largest retailer for luxurious menswear & kids wear 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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