

## Concrete Fashion Group Reports Q1 2024 Results

The Group kicked off the new financial year on a solid note, reporting consolidated net sales of USD 34.2 million and improving profitability across the board supported by a Group-wide optimization strategy. CFG's focus heading into the remainder of FY 2024 remains unchanged as it looks to further cement its leadership in the local retail and RMG export markets while penetrating new, high-potential geographies.

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Concrete Fashion Group for Commercial and Industrial Investments S.A.E (“Concrete Fashion Group” or “CFG” or the “Group”), Egypt’s leading luxury apparel manufacturer, retailer, and exporter, announced today its audited financial statements and operational results for the first quarter ended 30 April 2024 (Q1 2024). During the first three months of the new financial year, the Group reported consolidated<sup>1</sup> net sales of USD 34.2 million, down from the USD 37.1 million recorded in the corresponding period of last year. Further down the income statement, the Group reported notable improvements in profitability. More specifically, consolidated EBITDA came in 9.2% above last year’s figure at USD 10.0 million, yielding a margin of 29.3% versus 24.7% in Q1 2023. Similarly, net profit for the quarter jumped an impressive 65.3% y-o-y to USD 5.5 million with an associated margin of 16.1% versus 9.0% in the first three months of FY 2023.

Summary Income Statement (USD mn)	Q1 2023	Q1 2024	Change
<b>Net Sales</b>	<b>37.1</b>	<b>34.2</b>	<b>-8.0%</b>
Cost of Goods Sold	(24.8)	(19.8)	-19.9%
<b>EBITDA<sup>2</sup></b>	<b>9.2</b>	<b>10.0</b>	<b>9.2%</b>
EBITDA Margin (%)	24.7%	29.3%	4.6 pts.
<b>Operating Profit</b>	<b>7.6</b>	<b>8.7</b>	<b>14.1%</b>
Operating Profit Margin (%)	20.5%	25.4%	4.9 pts.
<b>Net Profit</b>	<b>3.3</b>	<b>5.5</b>	<b>65.3%</b>
Net Profit Margin (%)	9.0%	16.1%	7.1 pts.
Key Operational Figures (mn pieces sold)	Q1 2023	Q1 2024	Change
Retail	211.4	357.3	69.1%
Manufacturing	1,450.7	1,167.3	-19.5%

Segmental Performance Q1 2024 (USD mn)	Manufacturing Segment	Retail Segment	Holding	Total Combined	Intercompany	Total Consolidated
<b>Net Sales</b>	<b>26.7</b>	<b>6.9</b>	<b>1.8</b>	<b>35.4</b>	<b>1.3</b>	<b>34.2</b>
Cost of Goods Sold	(18.8)	(2.6)	0.0	(21.4)	(1.5)	(19.8)
<b>Operating Profit</b>	<b>4.8</b>	<b>1.9</b>	<b>0.8</b>	<b>7.5</b>	<b>(1.1)</b>	<b>8.7</b>
<b>Net Profit</b>	<b>2.7</b>	<b>0.9</b>	<b>0.8</b>	<b>4.3</b>	<b>(1.2)</b>	<b>5.5</b>

“As I reflect back on the first three months of the new financial year, I am very happy to note the robust set of operational and financial figures achieved by the Group and the important steps forward taken on our longer-term growth and value creation strategy,” said **Dr. Alaa Arafa, Group Vice Chairman and Chief Executive Officer**. “This past quarter was characterized by significant macroeconomic developments in our home market of Egypt which, despite some potential short-term challenges, will undoubtedly have long-term positive impacts on the Group and the wider Egyptian population. The recent float of the Egyptian pound (EGP) is already showing positive results with remittances, foreign investments, and appetite for the Egyptian story steadily picking back up. In parallel, inflation is

<sup>1</sup> Consolidated net sales excludes intercompany transactions for all periods.

<sup>2</sup> EBITDA is calculated as operating profit for the period plus depreciation and amortization.

beginning to slow providing some initial relief to Egyptian consumers and businesses. In line with expectations, Egypt's newly found cost competitiveness is increasingly attracting foreign interest, with international players looking to relocate their supply chains to the country. We aim to seize these future market opportunities, maintaining our market leadership by consistently prioritizing our customers and partners, and striving to meet their continuously evolving desires and expectations."

During the quarter, the Group's retail segment was the standout performer, reporting strong financial and operational growth across both its business units, Concrete and Euromed. Looking at the segment's results in more detail, combined retail net sales for the three-month period expanded an impressive 50.8% y-o-y on the back of a 69.1% y-o-y increase in total pieces sold. It is worth highlighting that in EGP terms, growth was even more pronounced as net sales expanded 72.4% versus Q1 2023.

"Volume growth at the retail segment continues to reflect our ongoing efforts to expand our physical and online customer touchpoints, launch strategic marketing and brand awareness campaigns, and improve our offering with the introduction of new lines, new charts, and a superior customer experience. So far in 2024 we have successfully inaugurated a new Concrete branch in Gouna as well as a new seasonal booth in Egypt's North Coast, taking the total number of branches to 57, and continued ramping up operations at the four new Concrete branches rolled out in FY 2023," [commented Dr. Arafa](#). "Meanwhile, we are also working hard to establish our online presence which we view as a main driver of future growth in Egypt, as well as a central pillar of our international expansion strategy. In fact, in June 2024 we successfully launched online stores in the UAE, Saudi Arabia, Kuwait, and Qatar as a key first step before opening up physical retail stores in these countries starting in 2025. In parallel, we are also gearing up for the launch of our first Concrete collection to be presented in our new D3 showroom in Dubai, which we are looking to inaugurate before the end of the year."

Meanwhile, the manufacturing segment recorded lower combined net sales partially reflecting the impact of the ongoing traffic disruptions in the Red Sea. As always, the Group is continuing to closely monitor the situation, temporarily pivoting its focus towards clients serviced through Mediterranean routes to limit disruptions on export volumes as much as possible. Despite lower net sales, the segment's gross profit margin improved to 29.6% in Q1 2024 from 28.4% in the same period last year, while the segment's net profit margin came in at 10.0% compared to 7.7% in Q1 2023. Improving gross and net margins at the segment come on the back of enhanced cost efficiencies across the Group's manufacturing operations. It is also worth highlighting that during the quarter the Group recorded USD 1.2 million in expected credit loss provisions at the manufacturing segment. This represented a significant year-on-year increase which reflected a change to accounting standards, and which weighed on operating profitability for the three-month period. The Group is continuing to attract world-class brands, with its client portfolio currently encompassing leading American and European brands ranging from Brooks Brothers, Macy's, Ralph Lauren, and Calvin Klein to Boggi, Ted Baker, Tommy Hilfiger, Massimo Dutti, Armani, JOOP!, and Ramsy.

Overall, consolidated net sales declined 8.0% y-o-y as strong growth at the retail segments was more than offset by the expected decline in manufacturing net sales. On the other hand, the Group-wide cost control and optimization efforts continued to bear fruit with profitability improving across the board. More specifically, EBITDA for the quarter stood at USD 10.0 million, up 9.2% y-o-y, and yielding a margin of 29.3% versus 24.7% last year. Similarly, the Group reported operating profit year-on-year growth of 14.1% to reach USD 8.7 million in Q1 2024, with an associated margin of 25.4% versus 20.5% in the corresponding three months of last year. Finally, strong operating profitability and declining net finance costs supported CFG's bottom-line which recorded USD 5.5 million, an increase of 65.3% versus last year and with a margin of 16.1% compared to 9.0% in Q1 2023.

"Looking ahead, we enter the summer months optimistic about what lies ahead for the Group. On the retail side, we are particularly excited to make the most of our seasonal booths located in Egypt's North Coast area to capture new growth opportunities, while steadily ramping up our larger locations across the country and our digital operations. On the back of the success that these seasonal booths have had in previous years, this summer we further expanded our network with the launch of a new location in the North Coast compound of Seashell," [added Dr. Arafa](#).



“Meanwhile, on the manufacturing front we are eager to capitalize on Egypt’s increasing attractiveness and the rapid growth of the country’s ready-made garments (RMG) export industry. We are confident that our established reputation, long-lasting relationships with top fashion houses, and world-class facilities will enable us to capture a growing share of this large and expanding market allowing us to attract foreign currency into the country and create thousands of job opportunities in the local economy. All in all, we are looking forward to building on this momentum to generate sustainable value for our clients, customers and the wider Egyptian economy one clothing piece at a time,” **concluded Dr. Arafa.**

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