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Edita Food Industries Reports 1Q2018 Earnings

Revenues record a strong 37.9% y-o-y increase to EGP 886 million driven by volume recovery across all segments and reflecting Edita's success in building an optimized portfolio to stimulate demand and support profitability; net profit for the period came in 51% higher year-on-year.

Highlights of 1Q2018

Summary Income Statement (EGP mn)

EGP mn	1Q2018	1Q2017	Change
Revenue	886.1	642.4	37.9%
Gross Profit	280.1	219.8	27.4%
% Margin	31.6%	34.2%	
EBITDA	143.6	94.5	52.0%
% Margin	16.2%	14.7%	
Net Profit	60.9	40.4	50.8%

Mini Molto Hazelnut in March 2018, with the number of pieces per pack increasing from 4 to 5 and the price per pack increasing from EGP 2 to EGP 3.

Strategy Insight

Edita will continue to implement its strategy of volume acceleration in 2018, utilizing its continuously optimized product portfolio through new innovative and differentiated product launches alongside the introduction of more competitive products across the price spectrum to achieve optimum price-point segmentation. In parallel, the company will continue to focus on extracting higher value and supporting its margins post the inflationary and devaluation-related shocks.

On the regional expansion front, the quarter just ended saw Edita sign a shareholder agreement with Morocco's Dislog Group to form a new joint venture under the name of Edita Food Industries Morocco. The JV falls in-line with Edita's strategy to expand into fast-growing markets with large consumer bases and significant growth potential.

Overall, Edita's long-term strategy remains intact where in addition to product innovation and regional expansion, the company is actively exploring new revenue streams where it can leverage the strength of its distribution network and capitalize on its strong brand equity to maintain its market leadership position.

Overview of Segment Performance

Revenue growth during the first quarter of 2018 was primarily driven by the croissant segment, which recorded the fastest sales growth during the period at 83.4% y-o-y - reflecting the strong recovery in volumes - and contributed 50.2% to consolidated revenue growth in absolute terms. Meanwhile, the cake segment maintained its lead as the largest weight in total revenues in 1Q2018 at 49.2%, and recorded year-on-year growth of 24.2% y-o-y while contribution to consolidated revenue growth stood at 34.8% in absolute terms. Edita's smaller segments also made marked contributions to revenue growth in 1Q2018, namely the wafer segment which recorded the second-fastest y-o-y growth at 76.8% and contributed 12.2% to consolidated revenue growth in absolute terms.

Edita's revenue growth in 1Q2018 was primarily volume driven with total packs sold recording a solid 46.3% y-o-y increase to 630.8 million, while average price per pack inched down 5.7% y-o-y to EGP 1.40. On a quarter-on-quarter basis, average price per pack was up 1.2% in 1Q2018 while total packs sold fell 8.6% q-o-q with the first quarter of the year typically being a low season for the snack food market.

Average Factory Prices

EGP mn	1Q2018	1Q2017	Change
Cakes	1.24	1.35	-8.5%
Croissant	1.52	1.66	-8.1%
Rusks	1.66	1.70	-2.3%
Wafers	1.70	1.57	8.5%
Candy	2.09	2.08	0.2%
Average Edita	1.40	1.49	-5.7%

Segment Revenues and Volumes Sold

	1Q2018			1Q2017		
	Net Sales (EGP mn)	Packs (millions)	Tons (000s)	Net Sales (EGP mn)	Packs (millions)	Tons (000s)

Cakes	436	353	10.8	351	260	8.7
Croissant	269	176	7.5	146	88	4.1
Rusks	70	42	1.7	66	39	1.3
Wafers	68	40	1.2	39	25	0.7
Candy	40	19	0.9	40	19	0.9
Total	886	631	22.1	642	431	15.6

At the gross profit level, the croissant segment was also the primary contributor to consolidated growth at 54.0% in absolute terms, with the segment's GPM recording q-o-q gains to 27.0% in 1Q2018 versus 25.5% in 4Q2017. Edita posted a consolidated gross profit of EGP 280.1 million and a GPM of 31.6% during the period (4Q2017: 31.4%).

Cakes

The cake segment constituted the largest share to Edita's revenues in 1Q2018 at 49.2%, with sales growth recording 24.2% y-o-y to EGP 436.0 million during the period. Segment growth was volume-driven as total packs sold recorded 353.0 million in 1Q2018, up 35.8% y-o-y, while average price per pack was down 8.5% y-o-y to EGP 1.24. On a quarter-on-quarter basis, average price per pack inched up 1.8% q-o-q, with volumes witnessing seasonal pressure and recorded an 8.3% q-o-q decline.

Gross profit from the cake segment recorded EGP 155.7 million in 1Q2018, up 21.5% y-o-y and yielding a gross profit margin of 35.7% versus 36.5% in 1Q2017 and 35.4% in 4Q2017. The cake segment also constituted the largest share of consolidated gross profit in 1Q2018 at 55.6% and contributed 45.8% to gross profit growth in absolute terms.

Croissant

The croissant segment recorded the fastest growth in volumes in 1Q2018 and was the primary contributor to consolidated revenue and gross profit growth during the period. The segment posted sales of EGP 268.7 million in 1Q2018, up 83.4% y-o-y and with a weight of c.30.3% of Edita's total revenues. Segment growth was volume-driven with total packs sold increasing twofold to 176.2 million in 1Q2018, while average price per pack posted an 8.1% y-o-y decline to EGP 1.52, however, average price per pack recorded a 1.2% q-o-q increase in 1Q2018.

The croissant segment's gross profitability showed a marked improvement with gross profit recording EGP 72.5 million in 1Q2018, up a significant 81.4% y-o-y. Gross profit margin recorded 27.0% in 1Q2018 versus 27.3% in the same period last year and up from 25.5% in 4Q2017. The croissant segment constituted 25.9% of consolidated gross profit and was the primary contributor to growth at 54.0% in absolute terms in 1Q2018.

Rusk

Revenues from the rusks segment recorded EGP 70.1 million in 1Q2018, up 6.1% y-o-y and contributing 7.9% to total revenues for the period. Revenue growth during the quarter was also volume-driven as the segment sold a total of 42.3 million packs in 1Q2018, up 8.6% y-o-y, while average price per pack inched down 2.3% y-o-y to EGP 1.66.

At the gross profit level, the rusks segment recorded a GPM of 27.6% in 1Q2018 down from 30.8% in the same period last year and 31.4% in 4Q2017. The segment's gross profit came in at EGP 19.4 million in 1Q2018, down 4.9% y-o-y.

Wafers

The wafers segment recorded the second-fastest growth in revenues following the croissants during the quarter at 76.8% y-o-y to EGP 68.2 million in 1Q2018. The segment's weight in total revenues stood at 7.7% in 1Q2018, up from 6.0% in the same period last and 6.2% in 4Q2017. The wafer recorded both volume and price growth during the period, with total volumes up a strong 62.9% y-o-y to 40.1 million packs, while average price per pack recorded an 8.5% y-o-y increase to EGP 1.70 in 1Q2018. Consequently, wafers' contribution to consolidated revenue growth was the third

highest at 12.2% in absolute terms.

The segment's gross profit growth recorded 34.3% y-o-y to EGP 21.0 million. Meanwhile, GPM stood at 30.8% in 1Q2018 compared to 40.6% in 1Q2017 and 32.3% in 4Q2017. Overall the segment contributed 7.5% to Edita's gross profit in 1Q2018, up from 7.1% in 1Q2017 and 6.4% in 4Q2017, while its contribution to gross profit growth stood at 8.9% in absolute terms.

Candy

Revenues from the candy segment remained flat y-o-y at EGP 40.1 million in 1Q2018, with contribution to total revenues at 4.5% versus 6.2% in 1Q2017 and 4.3% in the previous quarter. The segment sold a total of 19.2 million pack in 1Q2018 compared to 19.3 million in the same period last year. Meanwhile, average price per pack remained stable at EGP 2.09 in 1Q2018 versus 2.08 in 1Q2017.

Gross profit from the candy segment recorded EGP 10.4 million in 1Q2018, down 34.2% y-o-y and delivering a GPM of 25.8% versus 39.2% in 1Q2017 and 30.9% in 4Q2017, with margin contraction coming on the back of higher material costs.

Balance Sheet

Edita's total assets stood at EGP 2.7 billion as at 31 March 2018, with property, plant and equipment (PP&E) including projects under construction constituting the lion's share at EGP 2.1 billion. Edita's total CAPEX expenditures in the first quarter stood at EGP 6.6 million.

As of 31 March 2018, cash & cash equivalents including treasury bills stood at EGP 253.8 million or 9.4% of total assets versus 8.0% at 31 December 2017. Trade receivables recorded EGP 21.8 million at the close of the quarter, reflecting the company's continued cash sales policy (97% of sales continue to be conducted on a cash basis). Edita's trade and other payables as at 31 March 2018 stood at EGP 437.1 million compared to EGP 400.4 million at 31 December 2017. Additionally, inventory days on hand stood at 37.9 days as of March 2018 versus 84.6 days in the same period last year, reflecting a normalized working capital cycle.

Total loans and borrowings stood at EGP 887.1 million at 31 March 2018 compared to EGP 923.1 million as at 31 December 2017. Net debt stood at EGP 633.3 million at the close of the quarter compared to EGP 706.5 million at year-end 2017. Total shareholders' equity stood at EGP 1.21 billion as at 31 March 2018.

Egyptian Accounting Standards Reconciliation to IFRS

Edita's EAS and IFRS financial statements differ in the treatment of employees' profit share, which is expensed under the IFRS, while the EAS accounts for them as a distribution and are thus not included on the income statement. Also, EAS and IFRS differ in the calculation of EBITDA. In 1Q2018, EGP 1.7 million in FX losses were added to the EBITDA while EGP 0.6 million related to gains on the sale of fixed assets were deducted. Moreover, a profit share deduction of EGP 8.6 million was made, bringing total EAS to IFRS adjustments on EBITDA to EGP 7.5 million.

A reconciliation between Edita's financial statements in EAS with the IFRS-based financial statements for 1Q2018 is provided in the following table:

in EGP mn	1Q2018 EAS	Adjustment	1Q2018 IFRS
Net Sales	886.1	-	886.1
COGS (excluding M.O.H)*	510.6	-	510.6
M.O.H	93.9	1.6	95.4
Total COGS	604.4	1.6	606.0
Gross Profit	281.6	(1.6)	280.1
<i>Gross Profit Margin</i>	<i>31.8%</i>		<i>31.6%</i>

Selling & Distribution Exp.*	60.3	4.2	64.5
Advertising & Marketing Exp.*	38.7	-	38.7
General & Admin. Exp.*	59.1	2.8	61.9
Other Operational Exp.	10.5	-	10.5
Profit from Operations	113.0	(8.6)	104.5
<i>Profit from Operations Margin</i>	<i>12.8%</i>		<i>11.8%</i>
Profit Before Income Tax	89.4	(8.6)	80.8
Income Tax Expense	19.9	-	19.9
Net Profit After Tax	69.4	(8.6)	60.9
<i>Net Profit After Tax Margin</i>	<i>7.8%</i>		<i>6.9%</i>
EBITDA	151.1	(7.5)	143.6
<i>EBITDA Margin</i>	<i>17.0%</i>		<i>16.2%</i>

*Figures are based on management accounts for better disclosure on expenses breakdown

Market Developments

Egypt's snack food market exhibited strong growth in the first two months of year according to the latest data available, with the segments where Edita operates recording a solid 30.4% y-o-y increase to EGP 1.4 billion as at February 2018. Strong market performance comes despite the challenging environment and the effect of double-digit inflation on consumers' purchasing power.

Edita's core cake segment recorded EGP 454.5 million as at February 2018, up 6.8% y-o-y, with the company holding a market leadership position with a 54.3% market share thanks to its continuous rollout of new innovations and differentiated products.

The croissant segment recorded similar growth levels at 5.4% y-o-y to EGP 219.1 million as at February 2018. Edita's position in this core segment continues to strengthen with the company recapturing market share to stand at 63.2% versus 62.8% in the same period last year and up from 60.9% at the close of 2017.

Rusks continued to record fast growth closing the first two months of the year 80.8% higher compared to February 2017 at EGP 154.5 million. Constituting 7.2% of the salty snack market, this fast growing and underserved segment is quick to absorb expanded capacities with Edita's market share standing at 41.5% at the close of the two month period.

The wafer segment stood at EGP 443.7 million in February 2018, recording a strong 42.2% y-o-y increase with Edita controlling 10.6% of the market versus 9.4% in the same period last year. Meanwhile, the candy segment was the fastest growing segment during the period closing at EGP 165.2 million or 132.0% higher y-o-y. Edita currently holds a leading position in the market with an 11.3% market share as at February 2018.

Selected Segments of the Snack Food Market in Egypt

Segment	Feb 2018 (EGP mn)	Feb 2017 (EGP mn)	% Change
Cake	454.5	425.4	6.8%
Croissant	219.1	207.9	5.4%
Salty Snacks	2,146.5	1,401.4	53.2%
<i>Rusks*</i>	154.5	85.5	80.8%
Wafer	443.7	312.0	42.2%
Candy	165.2	71.2	132.0%

Supply Chain

Edita's supply chain department continues to focus on boosting operational efficiency while minimizing costs, leveraging its solid reputation and good relations with its supplier base to obtain favourable prices for its raw materials.

In 1Q2018, the cost of imported direct materials recorded 31% of total direct materials' cost, up from 21% in the same quarter last year. Edita's raw materials continued to form the largest constituent of the total direct materials bill at 71%, while packaging materials remained at 29%.

Industrial Operations

1Q2018 saw Industrial Operations continue to implement operational efficiency programs as well as support new launches and product developments. Following the completion of E08 with two lines currently operational, maintenance and upgrade works for current facilities is now a key priority for 2018. Edita is also delivering on its strategy of product innovation and the continued roll-out of new offerings. In the cakes segment, Edita launched its first muffin product TODO Mini Muffin, in both vanilla and chocolate, while in the wafers segment Edita successfully launched new Freska Vanilla products. In the croissant segment, Edita increased the number of pieces in its Mini Molto Hazelnut from 4 to 5 and increased its price from EGP 2 per pack to EGP 3 per pack.

*Production capacity refers to theoretical capacity at the the time of purchasing the line. Actual capacity may differ according to changes in average weight per pack.

Human Resources

In 1Q2018, Edita's total headcount was 5,728 employees compared to 5,444 in the same period last year. As the primary driver of its success, Edita continues to invest in its employees. Edita also underwent a Participatory Gender Audit report in cooperation with the United Nations Global Compact Initiative in Edita's capacity as a signatory member. The company also kicked off a new CSR program, Build Pioneers, to encourage community development through educating mothers and children in Egyptian villages.

Edita's dedication to its employees is clearly reflected in their job-satisfaction rates, with average turnover across both blue and white collar employees at only 1% in 1Q2018.

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About Edita Food Industries

Edita, founded in 1996 and headquartered in Egypt, is a leader in the growing Egyptian packaged snack food market. The Company manufactures, markets and distributes a range of branded baked snack products including packaged cakes, croissants, rusks (baked wheat), and wafers as well as selected confectionary/candy products. The Company's local brand portfolio includes household names such as Todo, Molto, Bake Rolz, Bake Stix, Freska and MiMix. The Company also has the exclusive ownership of the international HTT brands Twinkies, Hoho's and Tiger Tail in Egypt, Libya, Jordan, Palestine, Morocco, Algeria, Tunisia, Syria, Lebanon, Iraq, Bahrain, Oman, the UAE, Kuwait, Qatar and Saudi Arabia; and is party to a technical assistance and know-how agreement to manufacture 11 additional HTT brands across its territories. The Company holds strong number-one market positions in its core cake and croissant segments as well as in candy, a number-two market position in rusks and a growing market position in the wafers segment. In 1Q2018, the Company derived c.93% of its revenue from Egypt and c.7% from regional export markets. [Learn more at ir.edita.com.eg](http://ir.edita.com.eg)

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Forward-looking statements reflect the current views of the Company's management ("Management") on future events, which are based on the assumptions of the Management and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause the Company's actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements.

The Company's business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to differ materially from those expressed or implied by the forward-looking statements contained in this prospectus. The information, opinions and forward-looking statements contained in this communication speak only as at its date and are subject to change without notice. The Company does not undertake any obligation to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this communication.

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