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Edita Food Industries Reports FY2019 Earnings

Edita closes the year recording a 19.3% y-o-y rise in net profits to EGP 362.3 million in FY2019 with NPM of 9%, driven by continuous product mix enhancement and improved gross profitability; revenues for the year grew 6.6% y-o-y to EGP 4,025.3 million.

Highlights of FY2019

Summary Income Statement (EGP mn)

EGP mn	4Q2019	4Q2018	Change	FY2019
Revenue	1,091.9	1,084.1	0.7%	4,025.3
Gross Profit	400.8	388.2	3.2%	1,422.3
% Margin	36.7%	35.8%		35.3%
EBITDA	224.1	222.6	0.7%	705.9
% Margin	20.5%	20.5%		17.5%

Net Profit	109.7	128.3	-14.5%	362.3
% Margin	10.0%	11.8%		9.0%

The discussion and analysis in this report are based on the IFRS statements. For comparison of the results to Egyptian Accounting Standards, please refer to the section "Egyptian Accounting Standards Reconciliation to IFRS."

Results in a Nutshell

Edita Food Industries S.A.E. (EFID.CA on the Egyptian Exchange & EFID.L on the London Stock Exchange), a leader in the Egyptian packaged snack food market, announced today its results for the year ended 31 December 2019, reporting a 6.6% y-o-y rise in revenues to EGP 4,025.3 million. Net profit was up a solid 19.3% y-o-y to EGP 362.3 million in FY2019. On a quarterly basis revenues came in at EGP 1,091.9 million in 4Q2019, in line with last year's figure and with a net profit coming of EGP 109.7 million.

Top-line growth for the year was supported by a 4.7% y-o-y increase in total packs sold which reached 2,736.2 million in FY2019. All of Edita's segments recorded higher volumes for the year, with the rusks and wafers segments delivering strong double-digit growth in number of packs sold. Average price per pack also improved in FY2019 to close the year at EGP 1.47, up 1.8% y-o-y. On a quarterly basis, volumes sold increased 2.6% y-o-y to 750.2 million in 4Q2019.

Edita's total cost of goods sold (COGS) was up 1.5% y-o-y in FY2019 to EGP 2,603.0 million, while cost of direct materials saw a 1.4% y-o-y decline on the back of an appreciation of the EGP against the USD as well as the company's continued cost controls and optimization efforts. Accordingly, Edita delivered strong gross profit growth of 17.4% y-o-y to EGP 1,422.3 million, and a 3.3 percentage points expansion in gross profit margin (GPM) to 35.3% for FY2019. On a quarterly basis, Edita's gross profit was up 3.2% y-o-y to EGP 400.8 million in 4Q2019, with a gross profit margin of 36.7% compared to 35.8% in the same quarter a year ago.

Edita recorded an EBITDA of EGP 705.9 million in FY2019, up 9.6% y-o-y, with an EBITDA margin of 17.5%, despite a 26.3% y-o-y increase in SG&A spending for the year. In 4Q2019, EBITDA was EGP 224.1 million with an EBITDA margin of 20.5%.

Net profit increased 19.3% y-o-y to EGP 362.3 million in FY2019, with the company's net profit margin (NPM) recording 9.0% compared to 8.0% in FY2018. Net profit growth was supported by an improvement in the company's gross profit margins for the year combined with lower interest expenses and improved cost of funding. Net profit for the quarter recorded EGP 109.7 million in 4Q2019 versus a net profit of EGP 128.3 million in the same quarter last year, with a net profit margin for the quarter of 10.0%.

On the exports front, Edita recorded gross export sales of EGP 343.5 million in FY2019, up 8.7% y-o-y and contributing 8.5% to total revenues. On a quarterly basis, gross exports sales increased 16.2% y-o-y to EGP 104.4 million in 4Q2019, with the channel's contribution to revenue standing at 9.5% compared to 8.2% in the same period of 2018.

Operational Developments

During 2019, Edita worked to optimize its portfolio through the introduction of new innovative propositions that best catered to its consumer's evolving preferences, in line with the company's wider strategy to solidify its leadership position. Key operational developments during the year included the installation of two new production lines, including a new candy line extension in the first quarter and the subsequent launch of Edita's juice-filled confectionary brand BonBon in April. This was followed by the installation of a new wafer line in 2Q2019 which began producing Freska Pops and hit the shelves in May. During the summer, Edita also launched the new Molto Mini Friendship Pack, first as a special edition for the 2019 AFCON tournament and later as a permanent addition to its product range. In October, the company launched a second candy range under the Mimix line branded Breeze. Edita closed the year off with the launch of its new Todo Max product, further enhancing the company's value propositions in the cake market. The new layered cake product, which became available in December of 2019, comes in four different flavours and is currently sold for EGP 2 per pack.

On the regional front, the company's efforts focused on the build out of its on-the-ground presence in Morocco. In the first half of the year, Edita secured a long-term lease agreement for a 13,000 sqm plot of land with a nine-year extendable tenor on which to build its new facility. In October, the company signed an agreement with the Moroccan government to receive a MAD 15 million grant as part of a home-grown incentive program to spur foreign direct investment, boost economic development and ultimately transform the kingdom into an export hub. With the long-term lease secured and all designs and technical studies for equipment installation completed, construction of the company's manufacturing plant officially kicked-off in the final quarter of 2019 with operations set to commence during 2020.

On the financing front, Edita secured a seven-year, medium-term facility in July from the International Finance Corporation (IFC) amounting to USD 20 million and an option to extend by a further USD 10 million through a second tranche. The medium-term facility, will be used to finance the group's capital expenditure plan as well as growth opportunities in Egypt.

Over the past twelve months, Edita's strategy focused heavily on investing in its branding through strong marketing and advertising campaigns. Edita secured two sponsorship agreements related to the 2019 Total African Cup of Nations hosted by Egypt, with Molto becoming the tournament's national supporter and the company's Freska range becoming the national team's official sponsor during the championship. In parallel, the company's "Everyone's a Winner" campaign supported figures at both the bakery and wafers segments, raising customer awareness of new product launches.

Strategy Insight

Edita's strategy in 2020 will focus on driving sustainable revenue growth and utilizing its strong foundations for expansion to create long-term value. A key focus will continue to be the company's portfolio optimization strategy as it seeks to consistently stimulate demand across its existing segments. In doing so, Edita will leverage its innovative abilities to introduce new offerings such as the recently launched Molto Sandwich and Molto Magnum in the bakery segment. Meanwhile, the company will also explore new revenue streams from new segments in the snack food market, capitalizing on its brand equity and strong marketing campaigns with efficient go-to market plans.

The strength of Edita's distribution network will continue to be a key strategic pillar. The company plans on further enhancing its distribution capabilities to help extend its reach and increase its penetration and market share.

On the regional front, Edita's greenfield investment in Morocco is on track with construction progressing on schedule. The new facility, which is set to begin operations in 2020, is the first milestone in Edita's efforts to deliver on its regional expansion strategy.

Overview of Segment Performance

On a segment basis, top-line growth for the year was largely supported by Edita's bakery, rusks and wafers segments. The bakery segment reported a 10.1% y-o-y rise in revenues on the back of both higher volumes and average price per pack, and contributed to 50% of the company's total revenue growth in FY2019. The rusks segment reported a 25.9% y-o-y rise in revenues, contributing to 33% of total top-line growth, while the wafers segment recorded a 21.8% y-o-y rise in revenues and contributed to 24% of total revenue growth in the year. The company's cake segment reported stable revenues for the year at EGP 1,772.3 million, while the candy segment recorded revenues of EGP 155.1 million in FY2019.

In the fourth quarter of the year, bakery reported an 8.5% y-o-y rise in revenues, rusks reported a 4.3% y-o-y increase, while the company's wafers segment saw its revenues rise 2.8% compared to the final quarter of last year.

At the gross profit level, all of Edita's segment reported gross profit growth with expanding margins for the year. The cakes segment recorded the highest GPM for the year at 40.6% (+460 bps), followed by bakery at 32.9% (+340 bps), rusks at 29.6%, wafers at 28.7%, and candy at 25.3%. Meanwhile, Edita's rusks segment reported the fastest year-on-year gross profit growth rate at 31.9% followed by the wafers segment up 26.8% y-o-y, the bakery segment at 22.6%, the cakes segment at 12.6%, and the candy segment at 6.2%.

Average Factory Prices

EGP mn	4Q2019	4Q2018	Change	FY2019	FY2018
Cakes	1.19	1.24	-4.5%	1.21	1.21
Croissant	1.74	1.75	-0.7%	1.78	1.78
Rusks	1.76	1.73	1.6%	1.78	1.78
Wafers	1.55	1.67	-7.4%	1.65	1.65
Candy	2.06	1.83	12.8%	1.91	1.91
Average Edita	1.46	1.48	-1.8%	1.47	1.47

Segment Revenues and Volumes Sold

	4Q2019				4Q2018
	Net Sales (EGP mn)	Packs (millions)	Tons (000s)	Net Sales (EGP mn)	
Cakes	455	383	10.7	481	481
Croissant	396	228	10.1	365	365
Rusks	111	63	2.4	106	106
Wafers	88	57	1.6	86	86
Candy	41	20	1.9	43	43
Total*	1,092	750	26.7	1,084	1,084

*Includes contributions from Edita's imports segment

FY2019

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	Net Sales (EGP mn)	Packs (millions)	Tons (000s)	Net Sales (EGP mn)
Cakes	1,772	1,462	41.2	1,777
Croissant	1,361	767	34.5	1,236
Rusks	394	222	8.6	313
Wafers	337	204	5.9	277
Candy	155	81	4.4	160
Total*	4,025	2,736	94.6	3,776

*Includes contributions from Edita's imports segment

Balance Sheet

Edita's total CAPEX for the year stood at EGP 277.8 million, including additions and maintenance work across several of the company's factories and equipment.

The company's total loans and borrowings as of 31 December 2019 came in at EGP 911.7 million, up from EGP 725.7 million as of 31 December 2018. On the other hand, net debt as at year-end 2019 fell to EGP 209.9 million compared to EGP 372.0 million as of 31 December 2018. Total shareholders' equity stood at EGP 1.6 billion as of 31 December 2019.

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 FY2019, EGP 29.9 million in FX gains were deducted from the EBITDA as well as EGP 7.3 million related to gains on the sale of fixed assets. Moreover, a profit share deduction of EGP 44.7 million was made as well as a EGP 10.5 million addition related to IFRS 16, bringing total EAS to IFRS adjustments on EBITDA to EGP 71.5 million.

A reconciliation between Edita's financial statements in EAS with the IFRS-based financial statements for FY2019 is provided in the table below.

in EGP mn*	1H2019 EAS	Adjustment	1H2019 IFRS
Net Sales	4,025.3	-	4,025.3
COGS (excluding MOH)	2,102.8	-	2,102.8
MOH	481.0	19.2	500.2
Total COGS	2,583.8	-	2,603.0
Gross Profit	1,441.5	(19.2)	1,422.3
<i>Gross Profit Margin</i>	35.8%	-	35.3%
Selling & Distribution Exp.	337.7	0.9	338.6
Advertising & Marketing Exp.	220.4	-	220.4
General & Admin. Exp.	256.5	14.1	270.7

Other Operational Exp.	47.3	-	56.0
Profit from Operations	579.6	(42.9)	536.6
<i>Profit from Operations Margin</i>	<i>14.4%</i>	-	<i>13.3%</i>
Lease Finance Interest	0.2	4.2	4.4
Profit Before Income Tax	540.1	(47.2)	492.9
Income Tax Expense	13.4%	-	12.2%
Net Profit After Tax	409.5	(47.2)	362.3
<i>Net Profit After Tax Margin</i>	<i>10.2%</i>	-	<i>9.0%</i>
EBITDA	777.3	71.5	705.9
<i>EBITDA Margin</i>	<i>19.3%</i>	-	<i>17.5%</i>

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

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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 FY2019, the Company derived 91.5% of its revenue from Egypt and 8.5% from regional export markets. Learn more at 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

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