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Edita Food Industries Reports 1Q2020 Earnings

Edita records a 1.8% y-o-y decline in revenue to EGP 964.1 million on account of slower market activity due to the outbreak of Covid-19; gross profit margin at 34.8%.

Highlights of 1Q2020

Summary Income Statement (EGP mn)

EGP mn

	1Q2020	1Q2019
Revenue	€964.1	982.2
Gross Profit	335.5	347.3
% Margin	34.8%	35.4%
EBITDA	142.3	196.0
% Margin	14.8%	20.0%
Net Profit	64.4	114.3
% Margin	6.7%	11.6%

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 quarter ended 31 March

2020, reporting revenues of 964.1 million, down 1.8% y-o-y. Net profit for the quarter recorded EGP 64.4 million in 1Q2020.

Top-line performance was affected by slower snack food market activity during the first quarter of the year, which was further compounded with the onset of the global Covid-19 pandemic towards the end of the quarter. Edita sold a total of 636.2 million packs in 1Q2020, down by 5.1% y-o-y, however, the company was able to partially offset slower volumes through its strategy to migrate consumers to higher price-points. Edita's average price per pack increased 3.4% y-o-y to EGP 1.52 in 1Q2020, supported by the introduction of new products and value propositions to consumers during the quarter. On a segment basis, the bakery was the top-performing segment, recording growth in both volumes and average price per pack during the quarter.

Edita's gross profit recorded EGP 335.5 million in 1Q2020, with a gross profit margin of 34.8%. Gross profitability remained intact thanks to Edita's efforts in controlling cost of goods sold (COGS), which recorded EGP 628.6 million in 1Q2020, down by 1.0% y-o-y. Edita recorded cost saving in direct materials, which declined 6.1% y-o-y to EGP 460.5 million in 1Q2020, and helped offset higher manufacturing overheads due to increased overtime expenses for factory employees.

EBITDA for the quarter recorded EGP 142.3 million in 1Q2020 with an EBITDA margin of 14.8%. Edita's SG&A expenses recorded a 42% y-o-y increase on account of concentrated marketing activities to support the company's new product launches at its cakes, bakery and candy segments. It is worth noting that Edita's new products introduced since the beginning of the year are delivering a strong performance and increasingly contributing to Edita's top-line.

SG&A was also affected by an increase in selling and distribution expenses on the back of higher operating expenses related to the expansion of Edita's distribution fleet, with the company adding 200 new vehicles during the period. This has positively affected Edita's retail sales channel, which contributed 35.7% to total revenues in 1Q2020 versus 31.8% in the same period last year.

Net profit recorded EGP 64.4 million in 1Q2020, with a net profit margin of 6.7%.

On the exports front, Edita recorded gross export sales of EGP 61.6 million in 1Q2020, down 28.1% y-o-y, pressured by the Covid-19 pandemic and associated difficulties in international trade. Gross exports constituted 6.3% of Edita total revenue for the quarter.

Operational Developments

Early on in the year Edita continued with its push to capitalize on its strong brand equity and launch new products that best cater to consumers' preferences. This was also supported by its marketing road map which began in late 2019 and continued in during the first quarter of 2020. At the bakery segment, Edita launched the Molto Sandwich retailing at EGP 4 per pack and is available in sweet and savoury flavours. This was later followed with the launch of Molto Magnum available in two flavours, chocolate and strawberry cheesecake, and is priced at EGP 5 per pack. These new introductions in the bakery segment further expand Edita's portfolio of higher-value propositions while simultaneously satisfying consumers' demand for larger, hunger-quenching products and providing them with more value-for-money. Following the successful launch of Edita's TODO Max at the cake segment in 4Q2019, the first quarter of year saw Edita introduce an upsized HoHos Cream, a coffee-flavoured HoHos, the Twinkies Zig Zag in 1Q2020, and most recently launched an upsized Twinkies Cream SKU. All four products retail for EGP 2 per pack and work to stimulate demand and offer more value to consumers. At the wafer segment, Edita launched 'Freska Sticks' for EGP 2 per pack, which is part of Edita's strategy to expand its offering in the fast-growing segment and capture a larger market share.

Edita secured a new medium-term loan facility amounting to EGP 96 million with a seven-year tenor to finance the company's future capital expenditures. Additionally, Edita's subsidiary Digma S.A.E, which oversees the company's distribution operation, signed a medium term loan for EGP 155 million with a five-year tenor to finance Edita's investments in strengthening and expanding its distribution network.

Covid-19 Response Protocol and Impact

As the Covid-19 pandemic continues to evolve by the day, the Egyptian government has introduced several key measures to control the spread of Covid-19, including a nation-wide night time curfew, a ban on mass gatherings, and the closure of all schools and universities. From the very start, Edita has placed the wellbeing and safety of its people and its community as a top priority. Edita has established a risk committee to implement and monitor the company's guidelines for safety and business continuity along three primary verticals of Health and Safety, Social Distancing and Business Continuity. The company's initiatives have thus far included a strengthening of

its health and safety measures and putting in place contingency and business continuity plans for industrial production and supply chain management. Edita adjusted industrial shift hours to account for government-imposed curfews and ensure continuity of operations, and is continuously monitoring market conditions to maintain safety stocks. Edita is also diversifying its raw material suppliers to ensure business continuity across its operations. A full breakdown of measures is available on the company's website here ([link](#)).

Edita Foundation for Social Development

In March 2020, Edita consolidated all of its long-standing corporate social responsibility (CSR) initiatives in Egypt under one umbrella with the establishment of the Edita Foundation for Social Development (EFSD). The EFSD will work to contribute to social development and sustainability in Egypt, with a particular focus on education and healthcare. The EFSD's first initiative was to donate EGP 2 million to the Misr El Kheer foundation in support of the Breathe Campaign. The funds will be utilized to purchase critically needed mechanical ventilators and personal protective equipment for the nation's hospital system in response to the Covid-19 outbreak.

Strategy Insight

Edita's long-term strategy in 2020 remains intact and will focus on driving sustainable revenue growth and utilizing its strong foundations for expansion. The company will continue to stimulate demand by leveraging its innovative abilities to introduce new offerings, while simultaneously migrating consumers to higher price-points. Meanwhile, the company is also pushing for expansion in new segments in the snack food market, and has already invested in and is installing its new biscuits line. This goes hand in hand with its investment in strengthening its brand equity with strong marketing campaigns and efficient go-to market plans. Finally, the company has invested in expanding its distribution capabilities to help extend its reach and increase its penetration.

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, the bakery segment was the top-performing during the quarter, recording an 8.8% y-o-y increase in sales in 1Q2020. Growth at the bakery was driven by a 1.3% y-o-y increase in volumes along with a 7.4% y-o-y increase in average price per pack. Meanwhile, the candy segment also recorded a 6.3% y-o-y growth in 1Q2020, driven primarily by an 18.4% y-o-y increase in average price per pack, which helped offset a 10.2% y-o-y decline in total packs sold during the quarter. On the other hand, Edita's cake segment recorded a 2.0% y-o-y decline in total 1Q2020 sales on account of a 4.4% decrease in packs sold, while average price per pack increased by 2.6% on the back of new product launches. Lower cake volumes were due to slower export volumes in March with the onset of the Covid-19 pandemic and consequent difficulties in international trade. Finally, the rusk and wafer segments' revenues declined 15.5% and 17.6% y-o-y, respectively, driven by lower production volumes.

On the gross profit level, all segments maintained stable margins, with cakes recording 40%, bakery 31.1%, rusks 29.4%, wafers 29.1% and candy 29.3% during 1Q2020. Stable gross profitability came despite an increase in labour costs as well as lower volumes, which was offset by Edita's ability to decrease direct materials costs.

Revenue and Gross Profitability by Segment

EGP mn	1Q2020	1Q2019
Cakes		
Revenue	446.8	455.9
Gross Profit	178.6	182.9
<i>Gross Profit Margin</i>	40.0%	40.1%

Bakery

Revenue	302.1	277.7
Gross Profit	93.9	88.3
<i>Gross Profit Margin</i>	<i>31.1%</i>	<i>31.8%</i>

Rusk

Revenue	89.1	105.5
Gross Profit	26.2	31.6
<i>Gross Profit Margin</i>	<i>29.4%</i>	<i>30.0%</i>

Wafers

Revenue	80.3	97.3
Gross Profit	23.4	32.1
<i>Gross Profit Margin</i>	<i>29.1%</i>	<i>33.0%</i>

Candy

Revenue	45.8	43.1
Gross Profit	13.4	11.7
<i>Gross Profit Margin</i>	<i>29.3%</i>	<i>27.2%</i>

Total Revenues*	964.1	982.2
Total Gross Profit*	335.5	347.3
Total GPM	34.8%	35.4%

**Includes contributions from Edita's imports segment*

Segment Volumes and Prices

1Q2020

1Q2019

Cakes

Packs (mn)	355	371
Tons (000s)	10.6	10.6
Av. Factory Price (EGP)	1.26	1.23

Bakery

Packs (mn)	157	155
Tons (000s)	7.6	6.9
Av. Factory Price (EGP)	1.92	1.79

Rusk

Packs (mn)	50	60
Tons (000s)	1.9	2.3
Av. Factory Price (EGP)	1.77	1.77

Wafers

Packs (mn)	52	60
Tons (000s)	1.4	1.7
Av. Factory Price (EGP)	1.55	1.63

Candy

Packs (mn)	22	25
Tons (000s)	1.0	0.9
Av. Factory Price (EGP)	2.04	1.72

Total Packs* (mn)	636	670
Total Tons* (000s)	22.6	22.4
Av. Edita Price (EGP)	1.52	1.46

**Includes contributions from Edita's imports segment*

Balance Sheet

Edita's total CAPEX for the quarter stood at EGP 185.8 million in 1Q2020, including investment in a new line, enhancements on existing lines, the Morocco expansion, IT expenditures and investments to grow Edita's distribution fleet.

The company's total loans and borrowings recorded EGP 884.1 million as of 31 March 2020, down from EGP 911.7 million as of 31 December 2019. Net debt recorded EGP 285.1 million as of 31 March 2020, up from EGP 209.9 million at year-end 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 1Q2020, EGP 6.9 million in FX gains were deducted from the EBITDA as well as EGP 0.07 million related to gains on the sale of fixed assets. Moreover, a profit share deduction of EGP 12.9 million was made as well as a EGP 3.1 million deduction related to IFRS 16, bringing total EAS to IFRS adjustments on EBITDA to EGP 23 million.

A reconciliation between Edita's financial statements in EAS with the IFRS-based financial statements for 1Q2020 is provided in the table below.

in EGP mn*	1Q2020 EAS	Adjustment	1Q2020 IFRS
Net Sales	964.1		964.1
COGS (excluding MOH)	488.0		488.0
MOH	136.0	4.7	140.6
Total	623.9		628.6
Gross Profit	340.1	(4.7)	335.5
<i>Gross Profit Margin</i>	35.3%		34.8%
Selling & Distribution Exp.	89.7	3.9	93.6
Advertising & Marketing Exp.	72.5		72.5
General & Admin. Exp.	71.7	7.4	79.2
Other Operational Exp.	17.3		18.4
Profit from Operations	88.8	(17.1)	71.7
<i>Profit from Operations Margin</i>	9.2%		7.4%
Lease Finance Interest	2.2	1.6	3.8
Profit Before Income Tax	108.1	(18.7)	89.5
Income Tax Expense	25.1		25.1
Net Profit After Tax	83.1	(18.7)	64.4
<i>Net Profit After Tax Margin</i>	8.6%		6.7%
EBITDA	165.3	(23.0)	142.3
<i>EBITDA Margin</i>	17.1%		14.8%

*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 1Q2020, the Company derived 93.7% of its revenue from Egypt and 6.3% 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 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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