



the sweet side of life

RNS Number : 2624H

Edita Food Industries S.A.E.

30 July 2019

Cairo, 30 July 2019

Edita Food Industries Reports 2Q2019 Earnings

Edita delivers 9.3% y-o-y revenue growth to EGP 862.8 million in 2Q2019, driven by an improved product mix; gross profit margin expanded 5.2 percentage points to 33.5% y-o-y while net profits increased 26.3% y-o-y to EGP 31.7 million

http://www.rns-pdf.londonstockexchange.com/rns/2624H_1-2019-7-30.pdf

http://www.rns-pdf.londonstockexchange.com/rns/2624H_2-2019-7-30.pdf

Highlights of 2Q2019

Summary Income Statement (EGP mn)

| EGP mn | 2Q2019 | 2Q2018 | Change | 1H2019 |
|--------------|--------|--------|--------|--------|
| Revenue | 862.8 | 789.2 | 9.3% | 1845.0 |
| Gross Profit | 289.2 | 223.1 | 29.6% | 636.4 |
| % Margin | 33.5% | 28.3% | | 34.5% |
| EBITDA | 97.5 | 96.2 | 1.3% | 293.5 |
| % Margin | 11.3% | 12.2% | | 15.9% |
| Net Profit | 31.7 | 25.1 | 26.3% | 146.0 |
| % Margin | 3.7% | 3.2% | | 7.9% |

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 second quarter ended 30

June 2019, reporting a 9.3% y-o-y top-line expansion to EGP 862.8 million. Net profit in 2Q2019 came in at EGP 31.7 million, a 26.3% y-o-y increase.

On a year-to-date basis, revenue increased 10.1% y-o-y to EGP 1,845.0 million in 1H2019, with net profit expanding 69.9% y-o-y to EGP 146.0 million for the period.

Total packs sold in 2Q2019 increased 5.3% y-o-y to 580.3 million, while average price per pack increased 3.8% to EGP 1.49. On a year-to-date basis, volumes increased 5.8% y-o-y to 1,250.8 million packs in 1H2019, while average price per pack was up 4.0% y-o-y to EGP 1.48 for the first six months of the year. It is worth noting that the improvement in volumes came despite the second quarter of 2019 coinciding with the month of Ramadan, a typically slow season for the snack food market.

Improved product mix across Edita's portfolio and cost control efforts continued to drive improvements in profitability. Edita's gross profit margin expanded 5.2 percentage points to 33.5% in 2Q2019 and 4.5 percentage points in 1H2019 to 34.5% compared to the corresponding periods last year. Meanwhile, increased marketing spend as part of Edita's sponsorship for the Total African Cup of Nations (AFCON) saw EBITDA margin inch down less than one percentage point in 2Q2019 to 11.3% compared to the same quarter last year, however, on a year-to-date basis EBITDA margin was up 1.6 percentage points to 15.9% in 1H2019.

On a segment basis, the company's rusks and wafer segments continued to record the fastest revenue growth, expanding 42.3% y-o-y and 39.2% y-o-y, respectively in 2Q2019. At both segments, growth was largely volume driven with total rusks packs sold increasing 29.8% y-o-y in 2Q2019, while total wafer packs sold were up 35.8% y-o-y for the same period. Average price per pack increased year-on-year across both segments as Edita continued pushing its higher priced SKUs at both segments, which in turn also strengthened the company's profitability. Strong top-line growth across the two segments saw their share of total revenues for 2Q2019 increase significantly, with rusks' share expanding to 9.7% compared to 7.4% in the same quarter of last year. Meanwhile Edita's wafers segment made up 8.8% of total 2Q2019 revenues versus 6.9% in the same period of the previous year.

Edita's core cake and croissant segments saw their revenue grow 3.1% y-o-y and 7.6% y-o-y, respectively in 2Q2019. Total cake packs sold were up 3.3% y-o-y in 2Q2019, while at the croissant segment a 10.8% y-o-y increase in average selling price per pack offset a 2.9% y-o-y contraction in total packs sold for the quarter. Edita's cake segment continued to contribute the largest share of total sales at 45.0%, while the croissant segment made up 32.1% of total sales. Finally, the candy segment reported a 3.2% contraction in sales for the second quarter of the year as an 11.4% y-o-y decrease in average selling prices offset the segment's 9.2% y-o-y rise in volumes sold in 2Q2019.

On a year-to-date basis, all of Edita's segments recorded sales growth in 1H2019, with the rusks and wafers segments recording the strongest increase of 46.7% and 41.1%, respectively. Meanwhile, Edita's cakes, croissant and candy segment saw sales increase 3.9%, 5.4% and 2.3% y-o-y, respectively in 1H2019.

On a regional front, Edita's gross exports increased to EGP 64.5 million in 2Q2019, and making up 7.4% of Edita's total gross sales for the quarter. In the first six months of the year, gross exports reported a solid 17.3% y-o-y growth to EGP 150.2 million, making up 8.1% of Edita's total gross sales compared to 7.5% in 1H2018.

Costs of goods sold (COGS) recorded EGP 573.7 million in 2Q2019, up only 1.3 % y-o-y owing to Edita's cost control efforts. Cost of direct materials was down 1.2% y-o-y to EGP 431.3 million in 2Q2019, with cost of direct materials as a percentage of total sales falling to 50.0% for the period from 55.3% recorded in the same quarter a year ago. On a year-to-date basis, COGS increased just 3.1% y-o-y to EGP 1,208.6 million in 1H2019.

Edita's gross profit was up 29.6% y-o-y to EGP 289.2 million in 2Q2019, with GPM expanding 5.2 percentage points to 33.5% from 28.3% in 2Q2018. In the first six months of 2019, Edita's gross profit increased 26.5% y-o-y to EGP 636.4 million, with the company's GPM coming in at 34.5%, a 4.5 percentage point increase from the 30.0% recorded in 1H2018.

Edita selling, general and administrative (SG&A) expenses were up 37.3% y-o-y to EGP 216.9 million in 2Q2019, mainly on the back of a 94.6% y-o-y rise in advertising and marketing expenses related to the company's 2019 AFCON sponsorship. Edita's SG&A/Sales ratio increased to 25.1% in 2Q2019 from 20.0% in 2Q2018. On a year-to-date basis, SG&A increased 20.8% y-o-y to EGP 390.0 million, with the SG&A to sales ratio expanding to 21.1% in 1H2019 from 19.3% in the same period a year ago.

Rising SG&A expenses weighed down on Edita's EBITDA growth for the quarter, which expanded 1.3% y-o-y to EGP 97.5 million in 2Q2019. Edita's EBITDA margin contracted to 11.3% in 2Q2019 from 12.2% recorded in

the same period of last year. In the first half of the year, EBITDA was up a strong 22.4% y-o-y growth to EGP 293.5 million in 1H2019 with EBITDA margin expanding to 15.9% compared to 14.3% in 1H2018.

Net profit expanded 26.3% y-o-y in the second quarter of 2019 coming in at EGP 31.7 million, up from the EGP 25.1 million recorded during the same three months a year ago. Net profit margin expanded to 3.7% in 2Q2019 versus 3.2% in 2Q2018. On a year-to-date basis, net profit reported a robust 69.9% y-o-y growth to EGP 146.0 million in 1H2019, with net profit margin expanding to 7.9% for the period from 5.1% recorded in 1H2018.

Operational Developments

Among the key operational developments year-to-date was 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. This was later followed with the installation of a new wafer line in 2Q2019 which has already began producing Edita's latest product under its Freska range, Freska Pops. The new additions fall under Edita's long-term expansion plans, where management continues to assess new propositions in other segments as it seeks to optimally utilize the space afforded by the its E08 facility which has the capacity to house additional lines.

Meanwhile in Morocco, Edita officially incorporated Edita Morocco and registered its Freska brand as it capitalizes on its JV with the Dislog Group. In parallel, the company took steps towards establishing its first overseas manufacturing facility in Morocco, including signing a long-term lease agreement for a 13,000 sqm plot of land with a nine-year extendable tenor and with construction expected to kick-off during the course of 2019.

In line with the company's investment and growth ambitions for the coming period, Edita successfully secured a loan 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. Edita plans to use the seven-year, medium-term facility to finance the group's capital expenditure plan as well as growth opportunities in Egypt and across Edita's growing regional footprint.

Strategy Insight

As Edita enters the second half of 2019, the company will continue to work towards delivering profitable growth through its multi-pronged strategy focused on optimizing its portfolio as well as cost minimization and efficiencies. Additionally, Edita will continue to pursue long-term growth and value creation initiatives such as capacity expansions and penetrating new market segments, leveraging its strong innovative abilities, technical know-how, brand equity and its nation-wide distribution network. On the regional front, Edita will continue growing its export footprint and will leverage its planned manufacturing capacity in Morocco to better serve regional markets with large consumer bases and growth potential.

Overview of Segment Performance

The company's rusks and wafer segments continued to record the fastest growth in sales, expanding 42.3% y-o-y and 39.2% y-o-y respectively in 2Q2019. Edita's core cake and croissant segments saw their revenue grow 3.1% y-o-y and 7.6% y-o-y, respectively, while the company's candy segment reported a 3.2% contraction in sales for the second quarter of the year. On a year-to-date basis, the rusks and wafer segments remained in the number one and two spots for revenue growth, expanding 46.7% y-o-y and 41.1% y-o-y respectively, followed by the croissant segment, up 5.4% y-o-y, and the cake segment, up 3.9% y-o-y.

In terms of contribution to 2Q2019 total revenue growth, the rusks segment contributed 33.8% followed by wafers at 29.0%, croissant at 26.6% and cakes at 16.0%. On a year-to-date basis, rusks and wafers were also the strongest contributors to revenue growth at 35.5% and 29.7%, respectively in 1H2019. Meanwhile the cakes contributed 18.6% to 1H2019 growth and the croissant made a 16.8% contribution.

Total packs sold for the quarter increased to 580.3 million in 2Q2019, a 5.3% y-o-y expansion on the back of volume growth at the company's cake, rusks and wafers segments. Average price per pack expanded 3.8% y-o-y for the quarter to EGP 1.49. On a year-to-date basis, volumes sold were up 5.8% y-o-y to 1,250.8 million packs in 1H2019, while the average selling price per pack increased 4.0% y-o-y to EGP 1.48.

At the gross profit level, all of Edita's segments with the exception of the candy segment reported growth and an expansion in margins during the second quarter of the year. Overall gross profit increased 29.6% y-o-y, with Edita's GPM expanding 5.2 percentage points to 33.5% in 2Q2019. Edita's cake segment led the pack, growing 52.9% y-o-y and with GPM expanding 8.7 percentage points to 39.4%. The croissant segment reported a 28.6% y-o-y growth in gross profits, with a 2.7 percentage point increase in GPM to 29.9%.

In the first six months of the year, Edita reported gross profit growth of 26.5% y-o-y, with GPM expanding 4.5 percentage points to 34.5% for 1H2019. All of Edita's segments reported gross profit growth in the first half of 2019.

Average Factory Prices

| EGP mn | 2Q2019 | 2Q2018 | Change | 1H2019 |
|----------------------|-------------|-------------|-------------|-------------|
| Cakes | 1.22 | 1.22 | -0.2% | 1.22 |
| Croissant | 1.81 | 1.63 | 10.8% | 1.80 |
| Rusks | 1.82 | 1.66 | 9.6% | 1.79 |
| Wafers | 1.72 | 1.68 | 2.5% | 1.67 |
| Candy | 1.96 | 2.21 | -11.4% | 1.83 |
| Average Edita | 1.49 | 1.43 | 3.8% | 1.48 |

Segment Revenues and Volumes Sold

| | 2Q2019 | | | |
|--------------|--------------------|------------------|-------------|--------------------|
| | Net Sales (EGP mn) | Packs (millions) | Tons (000s) | Net Sales (EGP mn) |
| Cakes | 388 | 319 | 9.0 | 377 |
| Croissant | 277 | 153 | 7.0 | 257 |
| Rusks | 84 | 46 | 1.8 | 59 |
| Wafers | 76 | 44 | 1.3 | 54 |
| Candy | 37 | 19 | 0.8 | 38 |
| Imports | 2 | 0 | - | 4 |
| Total | 863 | 580 | 19.9 | 789 |

| | 1H2019 | | | |
|-------|--------------------|------------------|-------------|--------------------|
| | Net Sales (EGP mn) | Packs (millions) | Tons (000s) | Net Sales (EGP mn) |
| Cakes | 844 | 690 | 19.6 | 813 |

| | | | | |
|--------------|--------------|--------------|-------------|--------------|
| Croissant | 554 | 308 | 14.0 | 526 |
| Rusks | 189 | 106 | 4.1 | 129 |
| Wafers | 173 | 104 | 2.9 | 123 |
| Candy | 80 | 44 | 1.8 | 78 |
| Imports | 4 | 0 | - | 7 |
| Total | 1,845 | 1,251 | 42.3 | 1,675 |

Cakes

Edita's cake segment continued to contribute the largest share to total revenues, reporting sales of EGP 388.5 million in 2Q2019, up 3.1% y-o-y, and making up 45.0% of total sales in the second quarter of 2019. Total packs sold for the quarter increased 3.3% y-o-y to 318.5 million, while average price per pack remained stable at EGP 1.22. On a year-to-date basis, the company's cake segment reported a 3.9% y-o-y increase in total sales to EGP 844.3 million. The expansion was as a result of an increase in total packs sold by 4.3% y-o-y amounting to 689.7 million, while average price per pack stood at EGP 1.22 in 1H2019 versus EGP 1.23 in the same period last year.

As of April 2019 (the latest data available), Edita maintained its marketing leading position in the cake segment with a 46.9% share of total sales.

Gross profit from the cakes segment was up 32.2% y-o-y to EGP 153.0 million in 2Q2019, with the segment contributing to 52.9% to total gross profit for Edita. GPM expanded 8.7 percentage points to 39.4% in the second quarter of the year. On a six-month basis, gross profit was up 23.8% y-o-y to EGP 335.9 million, with GPM expanding to 39.8% in 1H2019 from 33.4% recorded in 1H2018. Strong gross profitability at Edita's cakes segment is generally driven by the higher-margin nature of the cakes product portfolio, which is a result of the company's multiple rounds of indirect price increases combined with an improved product mix.

Croissant

At Edita's croissant segment, sales for the second quarter of the year were up 7.6% y-o-y to EGP 276.8 million. Growth in sales at the croissant segment was price driven as a 10.8% y-o-y increase in average selling price to EGP 1.81 per pack more than offset a 2.9% y-o-y contraction in total packs sold for the quarter which fell to 153.0 million packs. Edita's croissant segment contributed to 32.1% of growth in total sales in the second quarter of 2019. In the first half of the year, the croissant segment reported a 5.4% y-o-y rise in sales to EGP 554.5 million, on the back of a 14.2% y-o-y rise in average price per pack which increased to EGP 1.8 in 1H2019 from EGP 1.58 in the same six months of last year. The increase in price per pack was driven by Edita's price increases such as the upsizing of the segment's Mini Molto Hazelnut to EGP 3 per pack and Molto XL to EGP 2 per pack. The increase in selling prices more than offset an 7.7% y-o-y contraction in volumes which fell to 308.0 million packs in 1H2019.

Edita continued to hold the largest market share in the croissant segment at 60.6% as of April 2019.

Gross profit at the company's croissant segment increased to EGP 82.8 million in the second quarter of 2019, an 18.4% y-o-y rise and contributing 28.6% to total gross profit. GPM for the segment expanded to 29.9% in 2Q2019 from the 27.2% reported in the same quarter of last year. On a year-to-date basis, gross profit was up 20.1% y-o-y to EGP 171.1 million, with GPM expanding 3.8 percentage points to 30.9% in 1H2019. Improved profitability continues to be largely driven by product reconfigurations and price increases.

Rusks

The rusk segment reported the fastest growth rate, with sales posting an impressive 42.3% y-o-y to EGP 83.6 million in 2Q2019 and contributing 9.7% of total sales versus 7.4% in 2Q2018. The increase in revenues for the segment was largely volume driven as the number of packs sold for the quarter increased by 29.8% y-o-y to 46.0 million. Average price per pack also increased, rising to EGP 1.82 in the second quarter of 2019 from the EGP 1.66 recorded in the same quarter last year. On a six-month basis, revenue for the segment was up 46.7% y-o-y to EGP 189.1 million in 1H2019, primarily driven by a 35.8% y-o-y increase in volumes sold for the period and an 8.0% rise in average price per pack which continued to benefit from the recent introduction of a new Bake Rolz SKU in 4Q2018 priced at EGP 3 per pack.

Edita maintained its position as the number two player in the rusks market capturing 44.6% of total sales as at April 2019.

At the gross profit level, Edita's rusk segment reported the second fastest growth rate for the quarter, expanding 47.7% y-o-y to EGP 21.3 million and making up 7.4% of total gross profit compared to 6.5% in 2Q2018. GPM for the segment increased marginally to 25.4% in 2Q2019 from 24.5% in 2Q2018. On a year-to-date basis, gross profits were up 56.7% y-o-y to EGP 52.9 million, with GPM expanding 1.8 percentage points to 28.0% in 1H2019.

Wafers

The company's wafer segment reported the second fastest growth rate for the quarter, with sales increasing 39.2% y-o-y to EGP 75.7 million in 2Q2019 and constituting an 8.8% share of total revenues compared to 6.9% in 2Q2018. The impressive increase in sales was largely volume-driven as packs sold for the quarter increased 35.8% y-o-y to 44.0 million. Average price per pack also increased in the second quarter of the year, rising to EGP 1.72 from EGP 1.68 in 2Q2018. In the first half of the year, sales at Edita's wafer segment reported a 41.3% y-o-y increase to EGP 173.0 million, on the back of a 43% y-o-y rise in packs sold, which more than offset a 1.3% y-o-y decrease in average price per pack for 1H2019.

Edita's market share in the wafer segment recorded 10.0% as of April 2019.

Gross profit at Edita's wafer segment reported the fastest growth rate in 2Q2019, expanding by an impressive 75.4% y-o-y to EGP 22.3 million, making up a 7.7% share in total gross profit for the quarter. Subsequently, GPM expanded 6.1 percentage points to 29.4% in 2Q2019. The continued improvements in the segment's gross profitability are largely driven by rising volumes and improved operating leverage. In the first six months of the year, gross profits jumped 61.2% y-o-y to EGP 54.4 million, with GPM expanding 3.9 percentage points to 31.4% in 1H2019.

Candy

The candy segment reported a 3.2% y-o-y contraction in sales for the second quarter of the year, with revenue falling to EGP 36.8 million. On a year-to-date basis, sales were up 2.3% y-o-y to EGP 80.0 million as a result of a better product mix.

Edita remained a market leader in the candy segment, capturing 9.5% of total market sales as of April 2019.

Gross profit at Edita's candy segment contracted 6.2% y-o-y to EGP 8.2 million. GPM fell 0.6 percentage points to 22.2% for the quarter. However, on a year-to-date basis, gross profit at the candy segment expanded 4.4% y-o-y to EGP 19.9 million. GPM for the period was also up, increasing by half a percentage point to 24.9% for 1H2019.

Balance Sheet

Edita's total assets stood at EGP 3.1 billion as at 30 June 2019, with property, plant and equipment (PP&E) including projects under construction constituting the lion's share at EGP 1.9 billion. Edita's total CAPEX outlays year-to-date as of 30 June 2019 stood at EGP 104.6 million, including additions at the E08 and E15 factories as well as maintenance CAPEX.

As of 30 June 2019, Edita maintained cash & cash equivalents including treasury bills balances of EGP 503.9 million or 16.3% of total assets compared to 12.5% as of 31 December 2018. Trade receivables stood at EGP 32.1 million as of 30 June 2019, reflecting the company's continued cash sales policy (97% of sales continue to be conducted on a cash basis). Meanwhile, trade and other payables at the end of the second quarter of 2019 stood at EGP 434.6 million compared to EGP 438.9 million as of 31 December 2018.

Edita's total loans and borrowings stood at EGP 958.4 million as of 30 June 2019, up from EGP 725.7 million as of 31 December 2018. Net debt increased to record EGP 455.2 million as at 30 June 2019 compared to EGP 372.0 million as of 31 December 2018. Total shareholders' equity stood at EGP 1.4 billion as of 30 June 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 1H2019, EGP 17.3 million in FX gains were deducted from the EBITDA as well as EGP 1.1 million related to gains on the sale of fixed assets. Furthermore, a profit share deduction of EGP 21.6 million was made as well as a EGP 4.7 million addition related to IFRS 16, bringing total EAS to IFRS adjustments on EBITDA to EGP 35.3 million.

A reconciliation between Edita's financial statements in EAS with the IFRS-based financial statements for 1H2019 is provided in the table below.

| in EGP mn* | 1H2019 EAS | Adjustment | 1H2019 IFRS |
|--------------------------------------|----------------|---------------|----------------|
| Net Sales | 1,845.0 | - | 1,845.0 |
| COGS (excluding MOH) | 693.4 | - | 684.8 |
| MOH | 228.3 | (8.6) | 236.9 |
| Total COGS | 921.7 | - | 921.7 |
| Gross Profit | 645.0 | (8.6) | 636.4 |
| <i>Gross Profit Margin</i> | <i>35.0%</i> | | <i>34.5%</i> |
| Selling & Distribution Exp. | 149.0 | (0.9) | 149.9 |
| Advertising & Marketing Exp. | 107.3 | - | 107.3 |
| General & Admin. Exp. | 125.4 | (7.4) | 132.8 |
| Other Operational Exp. | 23.1 | - | 24.6 |
| Profit from Operations | 240.2 | (18.3) | 221.8 |
| <i>Profit from Operations Margin</i> | <i>13.0%</i> | | <i>12.0%</i> |
| Lease Finance Interest | - | (3.5) | 3.5 |
| Profit Before Income Tax | 220.3 | (21.9) | 198.5 |
| Income Tax Expense | 52.5 | - | 52.5 |
| Net Profit After Tax | 167.8 | (21.9) | 146.0 |
| <i>Net Profit After Tax Margin</i> | <i>9.1%</i> | | <i>7.9%</i> |
| EBITDA | 328.8 | (35.3) | 293.5 |
| <i>EBITDA Margin</i> | <i>17.8%</i> | | <i>15.9%</i> |

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

Market Developments

Egypt's snack food market continued to report solid growth according to the latest available data for the period to April 2019 published by Nielsen Retail Audits. Segments where Edita operates witnessed an 18.8% y-o-y expansion in sales to EGP 8,407.9 million in the first four months of 2019.

Edita's core cake segment recorded a robust 14.8% y-o-y increase in total sales to EGP 1,064.7 million as at April 2019. Over the period, Edita maintained its leading position in the market, controlling 46.9% share during the period down from 53.1% in the same period of 2018.

Meanwhile, the croissant segment reported a 21.4% y-o-y rise in total market sales for the first four months of the year, recording EGP 560.7 million as at April 2019. Edita's market share in the croissant segment was 60.6% during the period versus 62.3% in April 2018.

The rusks market continued growing steadily in the four-month period to April 2019, with sales expanding 36.3% y-o-y to EGP 414.7 million, and with rusks now making up 8.0% of the total salty snacks market segment, up from 6.9% in the same period a year ago. Edita's market share expanded to 44.6% in the four months to April 2019, up from the 41.3% market share recorded in the same period of last year.

In the wafer market segment, total sales increased 19.0% y-o-y to record EGP 1,091.5 million as of April 2019. Edita's share of the market stood at 10.0% as at April 2019, marginally down from the 10.4% recorded in the same four months of last year.

The candy segment recorded the fastest growth rate in total market sales, with a 39.5% y-o-y increase to EGP 507.2 million as of April 2019. Edita maintained its market leading position in the segment with a market share of 9.5% during the period.

Selected Segments of the Snack Food Market in Egypt

| Segment | YTD April 2019 (EGP mn) | YTD April 2018 (EGP mn) | % Change |
|---------------------|----------------------------|----------------------------|--------------|
| Cake | 1,064.7 | 927.5 | 14.8% |
| Croissant | 560.7 | 461.8 | 21.4% |
| Salty Snacks | 5,183.8 | 4,408.7 | 17.6% |
| <i>Rusks*</i> | 414.7 | 304.2 | 36.3% |
| Wafer | 1,091.5 | 916.9 | 19.0% |
| Candy | 507.2 | 363.6 | 39.5% |
| Total Market | 8,407.9 | 7,382.7 | 18.8% |

* Rusk market was 8.0% of total salty snacks in April 2019

Source: AC Nielsen Retail Audits

Marketing

During the quarter, Edita's marketing efforts were focused on the company's sponsorships related to the AFCON 2019 championship with two key initiatives, namely Molto's agreement to become the total AFCON 2019 national supporter as well as Freska's agreement to sponsor the Egyptian national football team during the championship. Both agreements were supported by effective marketing and branding campaigns that leveraged on the titles and the championship. Edita conducted a consumer promotion campaign "Everyone's a Winner" where with any Mini Molto or cheese flavoured SKU purchase consumers would receive a code to text and win a variety of prizes. The same campaign was conducted for Freska's new product launches including Freska Pops, the rolled cocoa wafers filled with cocoa and hazelnut cream that further diversify Edita's wafer offerings as the company seeks to capture a larger share of this fast-growing market. The aforementioned activities were also supported by a special AFCON packaging, TV commercials, outdoor advertising and stadium activations, helping boost volumes for targeted SKUs.

Meanwhile, the marketing department also maintained its focus on continuously optimizing the company's product portfolio, targeting specific segments to expand Edita's consumer base and help drive volume growth and profitability.

Among the key initiatives was in the candy segment, where one of MiMiX's main objectives in 2019 is to create a differentiation across its different categories; hard candy, toffee, jelly & lollipop. This was achieved by introducing new sub-brands (BonBon, Dolce, Frulla, Jellix, Lollies and Sticks) to the market accompanied by complete packaging revamp for the entire range, aimed at creating a distinct identity across portfolio categories to reach better consumer identification of the different SKUs.

At the cakes segment, the company continued to support its brands by increasing visibility and improving the brands' image with premium packaging. Among the key efforts was the launch of 10 branded Twinkies kiosks in 10 different locations in Egypt, as well as on-the-ground activations to drive consumption and sales of the Twinkies range.

Development of Average Consumer Price by Product Segment

| | 2Q2019 | 2Q2018 | Change (%) |
|-----------|--------|--------|------------|
| Cake | 1.58 | 1.58 | - |
| Croissant | 2.29 | 1.99 | 15.1% |
| Rusks | 2.29 | 2.12 | 8.0% |
| Wafer | 2.15 | 2.16 | -0.5% |

| | | | |
|-------|-------------|-------------|-------------|
| Candy | 3.74 | 4.20 | -11.0% |
| Total | 1.93 | 1.84 | 4.9% |

Sales & Distribution*

Edita's sales and distribution strategy leverages the strength and reach of the company's distribution channels to optimize its sales and price mix through better price-point segmentation according to geographic distribution and income levels.

Edita's gross sales through wholesale channels came in at EGP 477.8 million in the second quarter of 2019, up 9.1% y-o-y. The company's wholesale channels made up 55.1% of total gross sales in 2Q2019, remaining stable compared to the same quarter a year ago. Sales from retail channels came in at EGP 285.8 million, up 11.4% y-o-y and contributing 33.0% of total sales versus 32.3% in 2Q2018. Gross sales from key accounts (modern trade) came in relatively flat at EGP 26.1 million and contributed to 3.0% of total gross sales versus 3.2% in 2Q2018. Sales from direct supply increased 20.4% y-o-y to EGP 12.8 million during quarter, but continued to make up the smallest share of total gross sales at 1.5% versus 1.3% in 2Q2018.

Export sales increased marginally to EGP 64.5 million in the second quarter of 2019, making up 7.4% of Edita's total gross sales. Edita continues to actively work to expand its regional footprint as key pillar of its forward-looking strategy.

* Figures are based on gross sales

Supply Chain

Edita's supply chain department continues to work towards improving operational efficiency and minimizing costs by leveraging its solid reputation, good relations with its supplier base, and its strong bargaining power to extract favourable raw materials prices.

In the second quarter of the year, Edita's raw materials continued to make up the lion share of total direct materials cost at 66%, with the balance being cost of packaging materials.

Furthermore, Edita's cost base continued to benefit from the recent appreciation of the Egyptian pound, with cost of imported material making up 27% of the company's total direct materials bill compared to the 31% share held during the same quarter of last year.

Industrial Operations

During the second quarter of the year, Edita's Industrial Operations (IO) department continued to make progress on the installed a new packaging machine dedicated to Edita's new hard filled candy line. The newly added packaging unit resulted in increased capacity of 1,900 tons and is located at the company's E15 facility. In parallel, the department launched the new wafer line, Freska Pops, by making the necessary enhancements to existing packaging machines, with the annual capacity of around 680 tons.

The IO department also plays a key role in the adherence and implementation of Edita's health, safety and environment policies and initiative. During the second quarter of 2019, Edita has been certified by ISO 14001:2015, Environment Management System, and has been renewed the certification by OHSAS 18001:2007 for the coming year. Throughout the quarter, the department oversaw the successful start of operations of the company's newly installed wastewater treatment plant at its E06 facility, installed working at height lifeline systems at the company's E06, E10, and ECI facilities.

Human Resources

As of the second quarter of 2019, Edita's total work force stood at 5,866 employees, down from the 5,986 employees in the same quarter a year ago, with the company maintaining efficient levels in-line with utilization rates.

In May 2019, Edita uploaded its second Communication on Progress on the Global Compact Network site. In the document, Edita highlighted its 2018 efforts and initiatives under the UNGC's 10 principle pertaining to human and labor rights, anticorruption, and environment.

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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 2Q2019, the Company derived 92.6% of its revenue from Egypt and 7.4% from regional export markets. Learn more at ir.edita.com.eg

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Forward Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as "according to estimates", "aims", "anticipates", "assumes", "believes", "could", "estimates", "expects", "forecasts", "intends", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "should", "to the knowledge of", "will", "would" or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding business and management, future growth or profitability and general economic and regulatory conditions and other matters affecting the Company.

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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