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Edita Food Industries S.A.E.

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Cairo, 10 November 2020

Edita Food Industries Reports 3Q2020 Earnings

Edita's revenues surpassed the EGP 1 billion mark in 3Q2020 as the gradual lifting of restrictive measures related to Covid-19 supported a 34.5% quarter-on-quarter recovery in volumes; Net profit for the quarter recorded EGP 107.5 million, with a net profit margin of 10.2%

Highlights of 3Q2020

Summary Income Statement (EGP mn)

EGP mn	3Q2020	3Q2019	Change	9M2020
Revenue	1,059.0	1,088.4	-2.7%	2,791.8
Gross Profit	362.6	385.1	-5.9%	941.4
% Margin	34.2%	35.4%		33.7%
EBITDA	201.2	188.3	6.9%	425.3
% Margin	19.0%	17.3%		15.2%
Net Profit	107.5	106.6	0.8%	175.0
% Margin	10.2%	9.8%		6.3%

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 third quarter ended 30

September 2020, recording revenues of EGP 1,059.0 million, up a solid 37.8% q-o-q on the back of recovering volumes; and down just 2.7% versus 3Q2019. Net profit recorded EGP 107.5 million in 3Q2020, with a net profit margin of 10.2% for the quarter.

On a year-to-date basis, Edita recorded revenues of EGP 2,791.8 million, down 4.8% y-o-y, with net profit coming in at EGP 175.0 million for 9M2020 versus EGP 252.6 million in 9M2019.

Volumes sold in 3Q2020 witnessed a robust 34.5% q-o-q expansion, with the recovery supported by the gradual lifting of the government's restrictive measures related to Covid-19 and the subsequent increase in traffic, along with increased opportunity for "on-the-go" snack food consumption. On a year-on-year basis, total packs sold recorded 649.4 million in 3Q2020, down 11.7% versus 3Q2019. However, improvements in pricing driven by the company's ongoing portfolio optimisation efforts helped to mitigate the decline in volumes for the quarter as average price per pack increased to EGP 1.63 in 3Q2020, up 10.2% y-o-y in line with the company's strategy to shift consumers towards higher price points.

In 9M2020, Edita sold 1,768.3 million packs, an 11.0% y-o-y decline, while average price per pack stood at EGP 1.58, up 6.9% y-o-y.

In 3Q2020, Edita recorded a gross profit of EGP 362.6 million down 5.9% y-o-y, with a gross profit margin of 34.2% versus 35.4% in 3Q2019, and up from 31.7% in 2Q2020. Gross profit contracted marginally versus last year, as the year-on-year fall in volumes was partially offset by a 1.0% decline in total cost of goods sold (COGS) to EGP 696.4 million on the back of Edita's ability to capitalise on lower commodity prices to lock in favourable raw material quotes. On a year-to-date basis, gross profit came in at EGP 941.4 million, with a gross profit margin of 33.7% compared to 34.8% in 9M2019.

Total SG&A recorded EGP 208.9 million in 3Q2020, down 4.8% y-o-y. Edita's advertising and marketing (A&M) expenses during the quarter declined 38.2% y-o-y as the company continues to focus on containing operating costs during this challenging period. On the other hand, Edita's selling and distribution (S&D) expenses increased 18.1% y-o-y in 3Q2020, on the back of significant investments undertaken at the beginning of the year to enhance the company's distribution capabilities. Additionally, Edita booked an EGP 24 million export subsidy during the quarter, further supporting EBITDA which expanded to EGP 201.2 million in 3Q2020, up 6.9% y-o-y. EBITDA margin reached 19.0% in 3Q2020 up from 17.3% in the same quarter of last year. In 9M2020, Edita's EBITDA recorded EGP 425.3 million with an EBITDA margin of 15.2% versus 16.4% in 9M2019.

Net profit remained broadly flat at EGP 107.5 million in 3Q2020 versus EGP 106.6 million in 3Q2019. Subsequently, net profit margin stood at 10.2% in 3Q2020 versus 9.8% in 3Q2019. On a year-to-date basis, net profit came in at EGP 175.0 million, with a net profit margin of 6.3% versus 8.6% in 9M2019.

In 3Q2020, Edita recorded gross export sales of EGP 86.3 million, down 2.9% y-o-y. However, gross export's contribution to total revenues during the quarter remained unchanged versus last year at 8.1%. In 9M2020, gross export sales stood at EGP 183.3 million, down 23.3% y-o-y due to increased restrictions on international trade and constituting 6.5% of total sales compared to 8.1% in 9M2019.

Operational Developments

Covid-19 Response Protocol and Impact

During the third quarter, the impact of the Covid-19 pandemic across all of the company's business functions lessened significantly as the government began the gradual lifting of restrictive measures initially introduced to curb the spread of the virus. Following the lifting of the nationwide curfew on 27 June 2020, Edita was able to return to normal working shifts at the company's industrial operations and at its sales and distribution functions. Moreover, as consumers are gradually returning to their normal daily routines, the company recorded a robust rise in demand for its products. With public universities and schools having re-opened in the second half of October, the company expects to witness a further normalisation in traffic with the start of the new academic year.

In line with the Egyptian government's guidelines, Edita remains extremely vigilant and continues to implement strict protocols along the three primary verticals of Health and Safety, Social Distancing and Business Continuity. A full breakdown of measures is available on the company's website here ([link](#)).

New Product Launches and Investments

Throughout the first nine months of 2020, Edita launched several new products and penetrated a new market segment to solidify its leading position in the snack food industry. The company strengthened and diversified its product

offering across its existing segments, rolling out multiple new higher-value propositions which have increasingly optimised its portfolio. At its cake segment, Edita launched several new SKUs earlier in the year, including its new coffee-flavoured HOHOs and multiple new upsized variations of current SKUs. At the bakery segment, during 1Q2020, Edita launched its new Molto Sandwich retailing at EGP 4 per pack, and its Molto Magnum retailing at EGP 5 per pack. At the wafer segment, in April Edita launched 'Freska Sticks' for EGP 2 per pack, and complemented the launch with a dedicated campaign in September 2020 as the company works to strengthen its position in this fast-growing market. At the candy segment, Edita relaunched its Frulla line, retailing at EGP 3 per pack. Finally, in May 2020, Edita kicked off the soft launch of its first offering in the biscuits segment under Oniro, the company's newest and 10th brand. Oniro's official launch started in late October of this year.

On the sales and distribution front, Edita continued investing to enhance its distribution capabilities during the third quarter of 2020. The company inaugurated two additional distribution centers in 3Q2020, bringing the total to 25 centers. In parallel, during the nine-month period ended 30 September 2020, the company has added more than 200 new distribution vehicles, bringing the total to 846. Edita continues to reap the fruits of its investments as its retail channel's contribution to total gross sales reached 38.2% in 3Q2020 up from 31.9% in 3Q2019.

On the financing front, in September 2020 the company secured a medium-term loan for a total amount of EGP 105 million with a seven-year maturity and an 8% interest rate. The loan, which was issued as part of the Central Bank of Egypt's (CBE) initiative to support businesses during the ongoing pandemic, will be used to finance the purchase and installation of a new wafer production line. In June 2020, Edita Morocco had secured a MAD 80 million facility to finance the construction of the company's Moroccan production facility, while in March, Edita secured an EGP 155 million medium-term loan to finance the expansion of its distribution network, and an EGP 96 million medium-term loan to finance the Group's capital expenditures in Egypt.

Strategy Insight

Edita's long-term strategy outlined at the start of 2020 remains unchanged, with the company's focus set on driving sustainable revenue growth by penetrating new segments and further diversifying its revenue streams. In the near term, Edita will work to build brand equity and capture a growing share in the newly penetrated biscuits market through the launch of new products, a wide-range of marketing campaigns, and making full use of its enhanced distribution platform. In parallel, the company will continue launching new, higher-value propositions across its other segments, as it works to shift consumers increasingly towards higher price-points. Edita will also continue to invest in its distribution capabilities in line with its expansion and penetration targets.

On the regional front, construction work at Edita's first overseas production facility in Morocco is progressing according to schedule with operations set to begin early next year. The new facility is the first milestone in Edita's regional expansion strategy and sets the foundations for further growth across the region.

Overview of Segment Performance

During the third quarter, growth at Edita's bakery, wafers and candy segments helped support consolidated top-line in 3Q2020. The bakery segment was the standout performer in 3Q2020, recording revenues of EGP 451.8 million and making the largest contribution to consolidated revenue for the quarter at 42.7%. The bakery segment's revenue expanded 10.0% y-o-y mainly driven by a 16.9% y-o-y increase in average price per pack, which offset a 5.8% y-o-y contraction in packs sold. The robust rise in average price per pack was supported by the new product launches at the bakery segment, mainly the new Molto Magnum and Molto Sandwich product ranges. The wafers segment reported a 5.3% y-o-y rise in revenues for 3Q2020 on the back of a 27.8% y-o-y increase in volumes sold, which offset a 17.6% y-o-y drop in average selling price. Edita's candy segment saw revenues rise 6.6% y-o-y in 3Q2020, as a 10.8% y-o-y increase in average price per pack offset a 3.8% y-o-y decline in packs sold. At the cakes segment, revenues fell 10.6% y-o-y for the quarter as a 17.0% y-o-y contraction in volumes offset a 7.8% y-o-y increase in average price per pack. Finally, revenues from the rusks segment declined 34.1% y-o-y, largely due to lower volumes during the period.

On the gross profit level, the bakery segment was the best performing segment in 3Q2020, reporting gross profits of EGP 156.0 million, up 11.5% y-o-y, and with a gross profit margin (GPM) of 34.5% in 3Q2020 versus 34.1% last year. The company's rusks segment reported a gross profit of EGP 18.5 million with a GPM of 29.8% for 3Q2020, up from 28.1% in 3Q2019. At the candy segment, gross profit expanded 12.1% y-o-y to EGP 7.5 million in 3Q2020 with a GPM of 20.4% versus 19.4% in 3Q2019. Meanwhile, the cake segment recorded gross profits of EGP 164.3 million in 3Q2020 versus EGP 193.4 million in 3Q2019, with an associated margin of 38.9% for 3Q2020 versus 40.9% last year. Finally, at the wafers segment gross profit recorded EGP 15.9 million in 3Q2020, down from EGP 18.4 million in 3Q2019, and with a GPM of 19.8% versus last year's 24.2%.

Revenue and Gross Profitability by Segment

EGP mn	3Q2020	3Q2019	Change	9M2020
Cakes				
Revenue	422.6	472.6	-10.6%	1,214.6
Gross Profit	164.3	193.4	-15.0%	471.3
<i>Gross Profit Margin</i>	38.9%	40.9%	-2.0pts	38.8%
Bakery				
Revenue	451.8	410.5	10.0%	1,015.8
Gross Profit	156.0	139.9	11.5%	331.3
<i>Gross Profit Margin</i>	34.5%	34.1%	0.4pts	32.6%
Rusk				
Revenue	62.1	94.3	-34.1%	207.6
Gross Profit	18.5	26.5	-30.2%	58.0
<i>Gross Profit Margin</i>	29.8%	28.1%	1.7pts	27.9%
Wafers				
Revenue	80.2	76.2	5.3%	225.1
Gross Profit	15.9	18.4	-13.7%	52.1
<i>Gross Profit Margin</i>	19.8%	24.2%	-4.4pts	23.1%
Candy				
Revenue	36.8	34.5	6.6%	117.5
Gross Profit	7.5	6.7	12.1%	27.8
<i>Gross Profit Margin</i>	20.4%	19.4%	1.0pts	23.7%
Biscuits				

Revenue	4.1	-	-	7.7
Gross Profit	(0.5)	-	-	(1.0)
<i>Gross Profit Margin</i>	-	-	-	-

Total Revenues*	1,059.0	1088.4	-2.7%	2,791.8
Total Gross Profit*	362.6	385.1	-5.9%	941.4
Total GPM	34.2%	35.4%	-1.1pts	33.7%

**Includes contributions from Edita's imports segment*

Segment Volumes and Prices

	3Q2020	3Q2019	Change	9M2020
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Cakes

Packs (mn)	323	389	-17.0%	945
Tons (000s)	10.7	11.0	-2.2%	29.4
Av. Factory Price (EGP)	1.31	1.21	7.8%	1.28

Bakery

Packs (mn)	217	231	-5.8%	500
Tons (000s)	11.7	10.5	12.2%	25.8
Av. Factory Price (EGP)	2.08	1.78	16.9%	2.03

Rusk

Packs (mn)	34	53	-36.8%	115
Tons (000s)	1.3	2.1	-34.2%	4.5
Av. Factory Price (EGP)	1.84	1.76	4.2%	1.80

Wafers

Packs (mn)	56	44	27.8%	147
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Tons (000s)	1.4	1.3	9.4%	4.0
Av. Factory Price (EGP)	1.43	1.74	-17.6%	1.53
Candy				
Packs (mn)	17	18	-3.8%	56
Tons (000s)	0.8	0.7	8.7%	2.6
Av. Factory Price (EGP)	2.19	1.98	10.8%	2.11
Biscuits				
Packs (mn)	2	-	-	4
Tons (000s)	0.06	-	-	0.1
Av. Factory Price (EGP)	1.91	-	-	1.85
Total Packs* (mn)	649	735	-11.7%	1,768
Total Tons* (000s)	26.1	25.5	2.3%	66.4
Av. Edita Price (EGP)	1.63	1.48	10.2%	1.58

*Includes contributions from Edita's imports segment

Balance Sheet

Edita's total CAPEX for the nine-month period ended 30 September 2020 was EGP 297.8 million, including investment in a new biscuits line and two new wafer lines, enhancements on existing lines, the Morocco expansion, IT expenditures and investments to grow Edita's distribution fleet.

The company's total loans and borrowings stood at EGP 1,102.5 million as of 30 September 2020, up from EGP 911.7 million as of year-end 2019. The increase comes as the company looks to benefit from the low interest rate environment and secure new EGP-denominated loans to finance its investments. Edita is taking part in the CBE's scheme to support businesses by facilitating access to low interest rate short-term loans. This has seen the company's total bank overdrafts reach to EGP 207.0 million as of 30 September 2020 versus EGP 120.1 million at 31 December 2019. Net debt recorded EGP 457.7 million as of 30 September 2020, up from EGP 209.9 million at year-end 2019.

Edita's efforts to guarantee adequate levels of supplies as part of its business continuity strategy, saw total inventory reach EGP 317.5 million as of 30 September 2020, up from EGP 295.4 million as of 31 December 2019.

Trade receivables recorded EGP 40.4 million as at 30 September 2020 compared to EGP 53.0 million as at year-end 2019, reflecting the company's cash policy for over 95% of its sales.

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 9M2020, both EGP 3.6 million in FX gains and EGP 3.8

million related to gains on the sale of fixed assets were deducted from EBITDA. Moreover, a profit share deduction of EGP 35.9 million was made, bringing total EAS to IFRS adjustments on EBITDA to EGP 43.2 million. A reconciliation between Edita's financial statements in EAS with the IFRS-based financial statements for 9M2020 is provided in the table below.

in EGP mn*	9M2020 EAS	Adjustment	9M2020 IFRS
Net Sales	2,791.8		2,791.8
COGS (excluding MOH)	1,353.9		1,353.9
MOH	405.6	11.1	416.7
Total	1,839.2		1,850.4
Gross Profit	952.5	(11.1)	941.4
<i>Gross Profit Margin</i>	<i>34.1%</i>		<i>33.7%</i>
Selling & Distribution Exp.	270.2	9.3	279.5
Advertising & Marketing Exp.	146.6		146.6
General & Admin. Exp.	206.6	15.4	222.1
Other Operational Exp.	63.7	2.0	65.7
Profit from Operations	265.4	(37.9)	227.5
<i>Profit from Operations Margin</i>	<i>9.5%</i>		<i>8.2%</i>
Lease Finance Interest	6.6	1.7	8.2
Profit Before Income Tax	282.6	(39.5)	243.0
Income Tax Expense	68.1		68.1
Net Profit After Tax	214.5	(39.5)	175.0
<i>Net Profit After Tax Margin</i>	<i>7.7%</i>		<i>6.3%</i>
EBITDA	468.6	(43.2)	425.3
<i>EBITDA Margin</i>	<i>16.8%</i>		<i>15.2%</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, bakery, rusks (baked wheat), wafers and biscuits 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, Oniro 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 bakery segments as well as in candy, a number-two market position in rusks and a growing market position in the wafers segment. In 9M2020, the Company derived 93.5% of its revenue from Egypt and 6.5% from regional export markets. Learn more at ir.edita.com.eg

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