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Edita Food Industries S.A.E.

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Cairo, 15 August 2022

Edita Food Industries Reports 2Q2022/1H2022 Earnings

Edita more than doubled its profit year-on-year to record EGP 196.0 million in 2Q2022 with a vastly improved margin of 12.5%. Keeping the momentum going from 1Q2022, the company overcame a challenging operational environment to deliver record-breaking results with over EGP 1.5 billion in revenues.

Highlights of 2Q2022

Summary Income Statement (EGP mn)

EGP mn	2Q2022	2Q2021	Change	1H2022
Revenue	1,573.2	1,150.8	36.7%	3,132.0
Gross Profit	518.7	340.4	52.4%	1,075.0
% Margin	33.0%	29.6%		34.3%
EBITDA	281.1	163.1	72.4%	574.0
% Margin	17.9%	14.2%		18.3%
Net Profit	196.0	82.9	136.5%	344.0
% Margin	12.5%	7.2%		11.0%

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 second quarter ended 30 June 2022, recording revenues of EGP 1,573.2 million, a 36.7% y-o-y increase. During the second quarter, profitability improved substantially as reflected on gross profit and net profit results. Edita saw a 52.4% y-o-y gross profit expansion to EGP 518.7 million while net profit recorded EGP 196.0 million in 2Q2022, up an impressive 136.5% y-o-y with a net profit margin of 12.5% compared to 7.2% in the same quarter of last year.

On a six-month basis, Edita recorded revenues of EGP 3,132.1 million in 1H2022, up a strong 35.2% compared to the first half of last year. Strong top-line growth filtered down to the company's bottom-line which expanded an impressive 109.1% y-o-y in 1H2022 to EGP 344.1 million with an associated margin of 11.0% for the period versus the 7.1% reported in 1H2021.

Having responsively repriced its product portfolio in 4Q2021 and 1Q2022, the company was able to successfully push sales and deliver strong results despite the prevalent inflationary environment driven by rising commodity prices and exacerbated by the weakening of the Egyptian pound. In 2Q2022, average price per pack reached EGP 2.11, up 17.9% y-o-y, on the back of direct and indirect price increases to ease the pressure on profitability margins. In terms of volumes, Edita recorded a 15.9% y-o-y increase in total packs sold to 746.2 million, with the cakes driving volume growth during the quarter and outweighing volume decreases in bakery and wafers. In 1H2022, average price per pack increased 16.8% y-o-y to EGP 2.07 and total packs sold reached 1.3 billion, up 15.8% compared to 1H2021.

Gross profit reached EGP 518.7 million in 2Q2022, up 52.4% y-o-y, yielding a gross profit margin of 33.0% versus 28.5% recorded last year. The company delivered an improved gross profit margin despite a 34.4% y-o-y increase in direct materials. Manufacturing overheads (MOH) declined to 11.1% as a percentage of sales in 2Q2022 compared to 12.8% in 2Q2021 on the economies of scale and further efficiencies. On a year-to-date basis, gross profit recorded EGP 1.1 billion, up by 45.4% compared to 1H2021. Meanwhile, gross profit margin recovered to reach 34.3% in 1H2022 compared to 31.9% last year.

Total SG&A for 2Q2022 stood at EGP 280.4 million, a 23.9% y-o-y increase; however, SG&A as a percentage of sales decreased to 17.8% compared to 19.7% in the second quarter of last year. This was primarily due to a decline in selling and distribution expenses as a percentage of sales and higher operating leverage. In 1H2022, total SG&A recorded EGP 573.2 million which accounted for 18.3% as a percentage of sales versus 20.8% in 1H2021.

EBITDA for the quarter recorded EGP 281.1 million, up 72.4% y-o-y, with an EBITDA margin of 17.9% compared to 15.6% in 2Q2021. Improved EBITDA was supported by SG&A efficiency and a high operating leverage. On a six-month basis, EBITDA reached EGP 574.5 million, up by 67.7% y-o-y in 1H2022 to reach EGP 574.5 million, yielding an EBITDA margin of 18.3% for the period.

Net profit for the quarter grew an impressive 136.5% y-o-y to EGP 196.0 million, with an improved net profit margin of 12.5% versus 7.2% for 2Q2021, supported by strong performance down the income statement. Edita Morocco was consolidated starting from 1Q2022 resulting in EGP 30.9 million in gains from associates for the quarter. Moreover, a gain on the sale of fixed assets of EGP 10 million was realized in 2Q2022. On a year-to-date basis, net profit grew by 109.1% y-o-y to record EGP 344.1 million with an associated net profit margin of 11.0% compared to 7.1% in 1H2021.

In 2Q2022, gross export sales recorded EGP 101.5 million, up 75.1% y-o-y and contributing 6.5% to total revenues during the quarter compared to 5.0% in 2Q2021.

On the regional front, Edita Morocco has completed its second full quarter of operations. In 2Q2022, Edita Morocco recorded EGP 31.6 million in revenues, bringing the total amount in the first half of the year to EGP 51.6 million. In 2Q2022, total packs sold in Morocco reached 16 million. The facility marks a key milestone in Edita's regional expansion strategy and enables the company to strengthen its presence in the attractive Moroccan market.

Operational Developments

In the first half of 2022, Edita introduced several differentiated products that cater to consumer evolving tastes. In January, the company launched its latest wafer product, Freska Choco Sticks, a rolled wafer with chocolate coating and chocolate hazelnut filling, retailing at EGP 3.0 per pack under the Freska brand. This was later followed in February by the launch of Oniro LAVA at the premium segment, a filled biscuit with cocoa hazelnut cream offered in vanilla and chocolate flavours and retailing at a competitive EGP 3.0 per pack. In February, the rebranding of its Molto Sandwich line of baked snacks was announced. Reintroduced as Molto Fini, the filled sandwich product is offered in eight flavours, which expands the company's portfolio in the savoury subsegment of Egyptian bakery market. Both product launches were supported by dedicated marketing and advertisement campaigns featuring top-class celebrities and were very successful in driving demand for the new products.

In order to mitigate the impacts of global inflationary pressures and persistently rising commodity prices as well as to improve profitability, Edita implemented two rounds of direct price increases and product reconfigurations. The first took place in 4Q2021 and saw bakery products previously priced at EGP 2.0 per pack repriced at EGP 3.0 per pack and those priced at EGP 3.0 per pack repriced up to EGP 4.0 per pack. The second round of direct price increases was put into effect in 1Q2022 and applied to the bakery and wafer segments. Bakery products previously priced at EGP 4.0 per pack were repriced at EGP 5.0 per pack, while those priced at EGP 3.0 per pack were repriced at EGP 7.0 per pack. Meanwhile, wafer bar products under the Freska label priced at EGP 2.0 per pack were repriced at EGP 3.0 per pack. In 2Q2022, at the rusks segment consumers migrated to the EGP 3.0 price point and products previously priced at EGP 2.0 per pack were delisted. Additionally, indirect price increases were introduced at the cakes segment through product downsizing.

Overview of Segment Performance

On a segment basis, Edita's impressive consolidated 36.7% y-o-y top-line growth during the quarter was supported by higher revenues across all six segments primarily driven by higher prices. The company's cakes segment continued to account for the largest contribution to consolidated revenue growth, recording revenues of EGP 789.4 million in 2Q2022, up 65.2% versus 2Q2021. Revenue in the cakes segment was supported by an increase of 46.8% y-o-y in packs sold coupled with a 12.5% y-o-y increase in the average price per pack. At the bakery segment, revenue grew by 14.8% y-o-y in 2Q2022 to EGP 507.3 million on the back of a 44.5% increase in the average price per pack, which mitigated the 20.5% y-o-y decline in volumes sold. Revenue from the wafers segment recorded EGP 143.8 million during the quarter, up 11.0% y-o-y, as average price per pack increased 24.8% y-o-y offsetting a 13.3% y-o-y drop in packs sold. Meanwhile, the rusks segment continued to perform well in the second quarter of the year, recording a 33.7% y-o-y increase in revenues to EGP 85.4 million in 2Q2022. The results were driven by a 35.0% y-o-y increase in average price per pack as volumes dropped a marginal 1.0% y-o-y. Revenue in the candy segment expanded 10.4% y-o-y in 2Q2022. Finally, the biscuits segment saw its top-line expand substantially by 224.1% y-o-y recording EGP 9.4 million during the quarter as volumes increased 170.9% y-o-y and average price per pack increased 19.6% y-o-y.

Consolidated gross profit for the second quarter of the year rose 52.4% y-o-y to reach EGP 518.7 million with year-on-year gross profit growth recorded across all segments despite the persistence of inflationary pressures on account of global supply chain disruptions and rising commodity prices during the previous quarters.

The cakes segment recorded a year-on-year gross profit growth of 57.2% in 2Q2022 with a gross profit of EGP 246.0 million and a GPM of 31.2% compared to 32.7% in 2Q2021. Edita did not impose any direct price increases in the segment and is supporting its gross profitability through product downsizing. At the bakery segment, gross profit expanded 48.6% y-o-y to reach EGP 189.8 million in 2Q2022, with an impressive GPM recovery of 37.4% against the 28.9% recorded one year previously. These results were supported through direct price increases, which reflected positively on margins. The company's wafers segment recorded a year-on-year gross profit growth of 54.5% in 2Q2022 with a gross profit of EGP 50.9 million and a GPM of 35.4% compared to 25.4% last year on the introduction of direct price increases. At the rusks segment gross profit expanded by 24.6% y-o-y to reach EGP 22.6 million in the quarter, with a GPM of 26.4% versus 28.4% in 2Q2021. Meanwhile, the candy segment posted a year-on-year gross profit growth of 55.7% in 2Q2022, with a GPM of 21.1% compared to 14.9% in 2Q2021. Finally, Edita's biscuits segment recorded a gross profit of EGP 1.5 million with a GPM of 16.3% during the quarter compared to the loss recorded last year.

Revenue and Gross Profitability by Segment

	2Q2022	2Q2021	Change	1H2022
EGP mn				
Cakes				
Revenue	789.4	477.9	65.2%	1,493.5
Gross Profit	246.0	156.5	57.2%	510.6
Gross Profit Margin	31.2%	32.7%	-1.5pts	34.2%
Bakery				
Revenue	507.3	441.8	14.8%	967.6

Gross Profit	189.8	127.7	48.6%	352.0
<i>Gross Profit Margin</i>	37.4%	28.9%	8.5pts	36.4%
Wafers				
Revenue	143.8	129.5	11.0%	386.8
Gross Profit	50.9	32.9	54.5%	135.7
<i>Gross Profit Margin</i>	35.4%	25.4%	10.0pts	35.1%
Rusks				
Revenue	85.4	63.9	33.7%	178.3
Gross Profit	22.6	18.1	24.6%	53.6
<i>Gross Profit Margin</i>	26.4%	28.4%	-2.0pts	30.1%
Candy				
Revenue	38.1	34.5	10.4%	82.4
Gross Profit	8.0	5.2	55.7%	17.5
<i>Gross Profit Margin</i>	21.1%	14.9%	6.2pts	21.2%
Biscuits				
Revenue	9.4	2.9	224.1%	23.6
Gross Profit	1.5	(0.2)	-	6.1
<i>Gross Profit Margin</i>	16.3%	-6.3%	22.6pts	25.7%
Total Revenues*	1,573.2	1,150.8	36.7%	3,132.1
Total Gross Profit*	518.7	340.4	52.4%	1,075.4
Total GPM	33.0%	29.6%	3.4pts	34.3%

**Includes contributions from Edita's imports segment*

Segment Volumes and Prices

	2Q2022	2Q2021	Change	1H2022
EGP mn				
Cakes				
Packs (mn)	488	333	46.8%	92
Tons (000s)	14.3	12.7	12.4%	28
Av. Price (EGP)	1.62	1.44	12.5%	1.6
Bakery				
Packs (mn)	149	187	-20.5%	29
Tons (000s)	8.7	11.0	-20.4%	17
Av. Price (EGP)	3.41	2.36	44.5%	3.2
Wafers				
Packs (mn)	65	73	-11.0%	19
Tons (000s)	1.5	2.1	-26.9%	4
Av. Price (EGP)	2.23	1.78	24.8%	1.9
Rusks				
Packs (mn)	34	34	-1.0%	7
Tons (000s)	1.4	1.4	3.6%	3
Av. Price (EGP)	2.55	1.89	35.0%	2.3
Candy				
Packs (mn)	7	16	-55.0%	1
Tons (000s)	0.7	0.8	-12.3%	1
Av. Price (EGP)	5.28	2.15	145.6%	5.4

Biscuits

Packs (mn)	4	1.5	170.9%	1
Tons (000s)	0.2	0.0	329.7%	0
Av. Price (EGP)	2.37	1.98	19.6%	2.4
Total Packs* (mn)	746	644	15.9%	1,51
Total Tons* (000s)	26.8	27.9	-4.1%	55
Av. Price/Pack (EGP)	2.11	1.79	17.9%	2.0

*Includes contributions from Edita's imports segment

Balance Sheet

The company's total loans and borrowings as at 30 June 2022 stood at EGP 1,390.9 million, up from EGP 1,195.2 million at year-end 2021. Total bank overdrafts recorded EGP 430.4 million as at 30 June 2022 versus EGP 400.7 million at year-end 2021. Total trade receivables balance stood at EGP 1.1 billion as at 30 June 2022 versus EGP 1.0 billion at year-end 2021. Edita recorded EGP 339.2 million in trade payables as at 30 June 2022 compared to EGP 189.3 million in net debt at year-end 2021.

Total CAPEX for the period ending 30 June 2022 was EGP 98.6 million including IT, expansion, maintenance and motor vehicle expenses.

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 but 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 2Q2022, EGP 2.7 million in FX gain and EGP 7.5 million related to gains on the sale of fixed assets were deducted from EBITDA. Moreover, a profit share deduction of EGP 32.6 million was made, bringing total EAS to IFRS adjustment on EBITDA to EGP 37.4 million. A reconciliation between Edita's financial statements in EAS with the IFRS-based financial statements for 1H2022 is provided in the table below.

in EGP mn*	1H2022 EAS	Adjustment	1H2022 IFRS
Net Sales	3,132.1		3,132.1
COGS (excluding MOH)	1,652.3		1,652.3
MOH	326.9	(13.8)	340.8
Total	1,979.2	(13.8)	1,993.1
Gross Profit	1,089.2	13.8	1,075.4
<i>Gross Profit Margin</i>	<i>34.8%</i>		<i>34.3%</i>
Selling & Distribution Exp.	205.0	(10.8)	215.8
Advertising & Marketing Exp.	168.0		168.0
General & Admin. Exp.	181.5	(7.9)	189.4
Other Operational Exp.	40.8	1.4	39.4
Profit from Operations	492.8	31.2	461.6
<i>Profit from Operations Margin</i>	<i>15.7%</i>		<i>14.7%</i>
Lease Finance Interest	4.4	(0.5)	4.9
Profit Before Income Tax	489.2	30.9	458.3
Income Tax Expense	114.3	0.1	114.2

Net Profit After Tax	374.9	30.8	344.1
<i>Net Profit After Tax Margin</i>	<i>12.0%</i>		<i>11.0%</i>
EBITDA	612.0	37.4	574.5
<i>EBITDA Margin</i>	<i>19.5%</i>		<i>18.3%</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 wafers and biscuits as well as selected confectionary/candy products). The Company's local brand portfolio includes household brands such as Todo, Molto, Bake Rolz, Bake Stix, Freska, Oniro and MiMix. The Company also has the exclusive ownership of several international Hostess brands Twinkies, Hoho's and Tiger Tail in Egypt, Libya, Jordan, Palestine, Morocco, Algeria, Tunisia, 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 Hostess brands across its territories. The Company holds strong number-one market position in its core cake and bakery segments as well as in rusks, a leading market position in candy and a growing market position in the confectionery segment. In 2Q2022, 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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