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RNS Number: 3399G

Edita Food Industries S.A.E.

14 November 2022

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Cairo, 15 November 2022

## Edita Food Industries Reports 3Q/9M2022 Earnings

*Edita maintains growth momentum as it delivers record-breaking results with revenue crossing the EGP 2.0 billion mark and profit increasing 2.5x year-on-year to reach EGP 286.1 million in 3Q2022 with a net profit margin of 14.2%. Regionally, export sales grew 40.3% y-o-y and a second production line was installed in Morocco to launch Twinkies.*

### Highlights of 3Q2022

#### Summary Income Statement (EGP mn)

EGP mn	3Q2022	3Q2021	Change	9M2022
Revenue	2,015.6	1,394.7	44.5%	5,711.1
Gross Profit	681.5	412.9	65.1%	1,904.8
% Margin	33.8%	29.6%		33.4%
EBITDA	439.6	210.3	109.0%	1,260.0
% Margin	21.8%	15.1%		22.1%
Net Profit	286.1	112.9	153.4%	845.0
% Margin	14.2%	8.1%		14.8%

*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 2022, recording revenue of EGP 2,015.6 million, a 44.5% y-o-y increase. During the third quarter, profitability continued to improve substantially as reflected on gross profit and net profit results. Edita saw a 65.1% y-o-y gross profit expansion to EGP 681.5 million while net profit reached EGP 286.1 million in 3Q2022, up an impressive 153.4% y-o-y with a net profit margin of 14.2% compared to 8.1% in the third quarter last year.

On a nine-month basis, the company recorded revenue of EGP 5,147.7 million in 9M2022, up a strong 38.7% from the EGP 3,714.1 million reported in 9M2021. Strong top-line growth filtered down to the company's bottom-line which expanded an impressive 127.2% y-o-y in 9M2022 to EGP 630.2 million with an associated margin of 12.2% for the period versus the 7.5% reported in 9M2021.

Edita was successful in reaching new results records as it continued to expand its top-line despite an increasingly challenging operating environment. Revenue during the quarter was driven by both higher prices and volume growth. In 3Q2022, average price per pack reached EGP 2.16, up 20.8% y-o-y, and average price per ton increased 42.5% y-o-y, driven by direct and indirect price increases to mitigate the pressure on profitability margins. On the volumes front, Edita recorded a 19.7% y-o-y increase in total packs sold to 932.8 million, with cakes being the main contributor to volume growth. In 9M2022, average price per pack increased 18.5% y-o-y to EGP 2.10 and total packs sold reached 2,448.6 million, up 17.2% y-o-y compared to 9M2021.

Cost of sales booked EGP 1,100.0 million in 3Q2022, up 39.1% y-o-y, on the back of an increase in direct material components. In 3Q2022, packaging material costs increased by 33% y-o-y, fats and oil by 30% y-o-y, sugar by 42% y-o-y, flour by 52% y-o-y, eggs by 44% y-o-y. On a year-to-date basis, cost of sales was up 37.3% y-o-y to reach EGP 2,752.3 million. Similarly, in 9M2022, packaging material costs increased by 45% y-o-y, fats and oil by 40% y-o-y, sugar by 36% y-o-y, flour by 34% y-o-y, eggs by 38% y-o-y and cocoa by 38% y-o-y. Together these ingredients account for 88% of total direct materials.

Gross profit expanded on a year-on-year basis driven by price increases and MOH efficiencies. In 3Q2022, gross profit reached EGP 681.5 million, up 65.1% y-o-y, with a gross profit margin of 33.8% versus the 29.6% recorded last year. Manufacturing overheads (MOH) declined to 9.9% as a percentage of sales in 3Q2022 compared to 11.2% in 3Q2021 on the back of economies of scale and further efficiencies. Consequently, gross profitability improved despite a 39.1% y-o-y increase in direct material costs. On a year-to-date basis, gross profit recorded EGP 1,756.8 million, up 52.4% compared to 9M2021. Meanwhile, gross profit margin improved to 34.1% in 9M2022 compared to 31.0% last year.

Total SG&A for 3Q2022 stood at EGP 288.5 million, a 20.7% y-o-y increase; however, SG&A as a percentage of sales significantly declined to 14.3% compared to 17.1% in the third quarter of last year. This was due to a decline in selling and distribution expenses and advertising and marketing expenses as a percentage of sales and higher operating leverage. In 9M2022, total SG&A recorded EGP 861.7 million which accounted for 16.7% as a percentage of sales versus 19.4% in 9M2021.

EBITDA for the quarter stood at EGP 439.6 million, up 109.0% y-o-y, with an EBITDA margin of 21.8% compared to 19.7% in 3Q2021. Improved EBITDA was supported by SG&A efficiency and a high operating leverage. On a nine-month basis, EBITDA grew 83.5% y-o-y in 9M2022 to reach EGP 1,014.1 million, yielding an EBITDA margin of 19.7% for the period versus 17.5% in 9M2021.

Net profit for the quarter grew an impressive 153.4% y-o-y to EGP 286.1 million with a greatly improved net profit margin of 14.2% versus 8.1% for 3Q2021, driven by strong performance down the income statement. On a year-to-date basis, net profit grew 127.2% y-o-y to reach EGP 630.2 million with an associated net profit margin of 12.2% compared to 7.5% in 9M2022.

In 3Q2022, gross export sales recorded EGP 129.0 million, up 27.1% q-o-q and 40.3% y-o-y, contributing 6.5% to total revenue during the quarter.

On the regional front, Edita Morocco recorded EGP 36.9 million in revenue in its third full quarter of operations, bringing its total revenue in 9M2022 to EGP 89.0 million. In 9M2022, total packs sold in Morocco reached 47 million. In October 2022, the company began operating a new cake production line, which produces Twinkies products for the first time in Morocco. The facility represents 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 nine months of 2022, Edita introduced several differentiated products that cater to consumer evolving tastes. In the company launched its latest wafer product, Freska Choco Sticks, a rolled wafer with chocolate coating and chocolate filling, retailing at EGP 3.0 per pack under the Freska brand. This was later followed in February by the launch of Oniro LAV biscuit segment, a filled biscuit with cocoa hazelnut cream offered in vanilla and chocolate flavours and retailing at a cost of EGP 3.0 per pack. In February, the baked filled sandwich was rebranded and reintroduced as Molto Fino. The product is offered in eight flavours, which expands the company's portfolio in the savoury subsegment of Egypt's bakery market. Both products were supported by dedicated marketing and advertisement campaigns featuring top-class celebrities and were very successful in driving demand for the new products. In October, the company launched a new cake product, HOHOs Mix, a chocolate cake filled with vanilla and cocoa cream, retailing at EGP 5.0 per pack.

In order to mitigate the impacts of global inflationary pressures and persistently rising commodity prices as well as to maintain profitability, Edita implemented two rounds of direct price increases and product reconfigurations. The first took place in 4Q2021, where bakery products previously priced at EGP 2.0 per pack were repriced at EGP 3.0 per pack and those priced at EGP 3.0 per pack were 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 biscuits segments. Bakery products previously priced at EGP 4.0 per pack were repriced at EGP 5.0 per pack, while those priced at EGP 5.0 per pack were repriced at EGP 7.0 per pack. Meanwhile, wafer bar products under the Freska label priced at EGP 3.0 per pack were repriced up to EGP 4.0 per pack, been upsized and a smaller variation retailing at EGP 2.0 per pack was introduced in October 2022. In 2Q2022, at the rusks segment, consumers migrated to the EGP 3.0 price point and products priced at EGP 2.0 per pack were delisted. Additionally, indirect price increases were introduced at the cakes segment through product downsizing.

The current state of the global business environment poses many operational challenges, which are in part mitigated by Edita's long-standing relationships with global and local suppliers and have allowed the company to maintain a highly favourable supply chain in the market. The teams are closely monitoring prices and stock levels in order to optimize supply chain management.

## Overview of Segment Performance

On a segment basis, Edita's consolidated top-line grew 44.5% y-o-y with revenue at the six segments benefitting from higher prices and volume. The main contributor to consolidated revenue growth was the cakes segment, which recorded a revenue of EGP 1,000 million in 3Q2022, up 66.1% versus 3Q2021. Growth in the cakes segment was supported by an increase of 43.9% y-o-y in packs sold coupled with a 15.4% y-o-y increase in the average price per pack. At the bakery segment, revenue grew by 35.5% from EGP 515.0 million in 3Q2021 to EGP 710.0 million in 3Q2022 on the back of a 38.7% y-o-y increase in the average price per pack, which outweighed the 23.9% decline in volumes sold. Bakery volumes are making a strong recovery back to normal levels increasing 43.0% q-o-q following a 23.9% decline due to the migration to higher price points. Meanwhile, the wafers segment saw a marginal revenue decrease of 0.9% as the 23.9% y-o-y drop in volumes outweighed the 30.2% y-o-y increase in average price per pack. Revenue from the rusks segment recorded EGP 97.7 million during the quarter, up 28.4% y-o-y, as average price per pack increased 50.8% y-o-y offsetting a 22.3% o-y drop in packs sold. Revenue in the candy segment expanded 13.1% y-o-y to EGP 44.4 million in 3Q2022, driven by a 66.1% y-o-y increase in the average price per pack. Finally, the biscuits segment saw its top-line expand by 296.1% y-o-y recording EGP 2.5 million during the quarter as volumes grew 223.9% y-o-y and average price per pack increased 22.3% y-o-y.

Consolidated gross profit rose 65.1% y-o-y in 3Q2022 to reach EGP 681.5 million with year-on-year gross profit growth of 65.1% across all segments despite the persistence of inflationary pressures and supply chain disruptions. Edita managed raw material cost increases through refined pricing and portfolio optimization while MOH increases were mitigated through efficiencies and operating leverage.

The cakes segment recorded a year-on-year gross profit growth of 67.3% in 3Q2022 with a gross profit of EGP 336.8 million and a GPM of 33.2% compared to 33.0% in 3Q2021. Edita did not impose any direct price increases in the segment and is maintaining profitability through product downsizing and product mix improvements. Meanwhile, the bakery segment saw its gross profit increase 76.9% y-o-y to reach EGP 264.5 million in 3Q2022, with a strong GPM recovery of 37.2% against the 28.5% recorded in 3Q2021. These results were supported by direct price increases, which reflected positively on margins. Similarly, the biscuits segment recorded a year-on-year gross profit growth of 19.2% in 3Q2022 with a gross profit of EGP 42.3 million and a GPM of 30.0% compared to 25.0% last year, due to the introduction of direct price increases. At the rusks segment gross profit expanded 38.7% y-o-y to reach EGP 28.0 million for the quarter, with a GPM of 28.7% versus 26.6% in 3Q2021. Meanwhile, the candy segment posted a year-on-year gross profit growth of 45.7% in 3Q2022, with a GPM of 20.9% compared to 16.2% in 3Q2021. Finally, Edita's biscuits segment recorded a gross profit of EGP 0.8 million with a GPM of 8.7% during the quarter compared to a loss recorded last year.

**Revenue and Gross Profitability by Segment**

	3Q2022	3Q2021	Change	9M2022
EGP mn				
<b>Cakes</b>				
Revenue	1,014.2	610.7	66.1%	2,507.7
Gross Profit	336.8	201.3	67.3%	847.3
<i>Gross Profit Margin</i>	33.2%	33.0%	0.2pts	33.8%
<b>Bakery</b>				
Revenue	710.0	524.1	35.5%	1,677.6
Gross Profit	264.5	149.5	76.9%	616.5
<i>Gross Profit Margin</i>	37.2%	28.5%	8.7pts	36.7%
<b>Wafers</b>				
Revenue	140.7	142.0	-0.9%	527.5
Gross Profit	42.3	35.4	19.2%	178.0
<i>Gross Profit Margin</i>	30.0%	25.0%	5.1pts	33.7%
<b>Rusks</b>				
Revenue	97.7	76.0	28.4%	275.9
Gross Profit	28.0	20.2	38.7%	81.7
<i>Gross Profit Margin</i>	28.7%	26.6%	2.1pts	29.6%
<b>Candy</b>				
Revenue	44.4	39.3	13.1%	126.8
Gross Profit	9.3	6.4	45.7%	26.8
<i>Gross Profit Margin</i>	20.9%	16.2%	4.7pts	21.1%

## Biscuits

Revenue	8.6	2.2	296.1%	32.2
Gross Profit	0.8	(0.2)	-	6.8
Gross Profit Margin	8.7%	-7.5%	16.2pts	21.2%
<b>Total Revenues*</b>	<b>2,015.6</b>	<b>1,394.7</b>	<b>44.5%</b>	<b>5,147.7</b>
<b>Total Gross Profit*</b>	<b>681.5</b>	<b>412.9</b>	<b>65.1%</b>	<b>1,756.8</b>
<b>Total GPM</b>	<b>33.8%</b>	<b>29.6%</b>	<b>4.2pts</b>	<b>34.1%</b>

\*Includes contributions from Edita's imports segment

## Segment Volumes and Prices

	3Q2022	3Q2021	Change	9M2022
EGP mn				

## Cakes

Packs (mn)	610	424	43.9%	1,532
Tons (000s)	17.1	15.3	11.8%	45.1
Av. Price (EGP)	1.66	1.44	15.4%	1.64

## Bakery

Packs (mn)	212	217	-2.3%	510
Tons (000s)	12.3	12.7	-3.4%	30.1
Av. Price (EGP)	3.34	2.41	38.7%	3.29

## Wafers

Packs (mn)	62	81	-23.9%	258
Tons (000s)	1.5	2.3	-34.4%	6.0
Av. Price (EGP)	2.27	1.75	30.2%	2.04

## Rusks

Packs (mn)	35	41	-14.8%	110
Tons (000s)	1.5	1.6	-4.1%	4.6
Av. Price (EGP)	2.83	1.87	50.8%	2.51

## Candy

Packs (mn)	10	15	-32.2%	25
Tons (000s)	0.7	0.9	-18.2%	2.2
Av. Price (EGP)	4.32	2.59	66.8%	4.99

## Biscuits

Packs (mn)	4	1	223.9%	13
Tons (000s)	0.1	0.0	304.5%	0.5
Av. Price (EGP)	2.45	2.00	22.3%	2.42

<b>Total Packs* (mn)</b>	<b>933</b>	<b>779</b>	<b>19.7%</b>	<b>2,449</b>
<b>Total Tons* (000s)</b>	<b>33.3</b>	<b>32.8</b>	<b>1.4%</b>	<b>88.6</b>
<b>Av. Price/Pack (EGP)</b>	<b>2.16</b>	<b>1.79</b>	<b>20.8%</b>	<b>2.10</b>

*\*Includes contributions from Edita's imports segment*

## Balance Sheet

The company's total loans and borrowings as at 30 September 2022 stood at EGP 1,349.0 million, up from EGP 1,195.2 million at year-end 2021. Total bank overdrafts recorded EGP 373.1 million as at 30 September 2022 down from EGP 400.7 million at year-end 2021. Cash balance stood at EGP 1.3 billion as at 30 September 2022 versus EGP 1.0 billion at year-end 2021. Edita recorded EGP 71.1 million in net debt as at 30 September 2022 compared to EGP 189.3 million in net debt at year-end 2021.

Edita's reported inventories of EGP 825.9 million as at 30 September 2022, up from EGP 526.5 million as at 31 December 2021. Meanwhile, trade receivables stood at EGP 62.9 million as at 30 September 2022, up from EGP 30.2 million as at 31 December 2021.

Total CAPEX for the period ending 30 September 2022 was EGP 300.8 million including IT, expansion, maintenance and 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 accounts 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 9M2022, EGP 1.2 million in FX gain and EGP 7.8 million related to gains on the sale of fixed assets were deducted from EBITDA. Moreover, a profit share deduction of EGP 45.6 million was made, bringing total EAS to IFRS adjusted EBITDA.

on EBITDA to EGP 54.6 million. A reconciliation between Edita's financial statements in EAS with the IFRS-based statements for 9M2022 is provided in the table below.

in EGP mn*	9M2022 EAS	Adjustment	9M2022 IFRS
<b>Net Sales</b>	<b>5,147.7</b>		<b>5,147.7</b>
COGS (excluding MOH)	2,752.3		2,752.3
MOH	517.9	(21.7)	539.6
Total	3,270.2	(21.7)	3,291.9
<b>Gross Profit</b>	<b>1,778.5</b>	<b>21.7</b>	<b>1,756.8</b>
<i>Gross Profit Margin</i>	<i>34.5%</i>		<i>34.1%</i>
Selling & Distribution Exp.	315.5	(16.8)	332.3
Advertising & Marketing Exp.	231.1		231.1
General & Admin. Exp.	291.1	(7.2)	298.3
Other Operational Exp.	62.9	1.8	61.1
<b>Profit from Operations</b>	<b>877.8</b>	<b>43.8</b>	<b>834.0</b>
<i>Profit from Operations Margin</i>	<i>17.1%</i>		<i>16.2%</i>
Lease Finance Interest	7.3	(0.7)	8.0
Profit Before Income Tax	<b>876.9</b>	<b>43.7</b>	<b>833.2</b>
Income Tax Expense	203.1	0.1	203.0
<b>Net Profit After Tax</b>	<b>673.8</b>	<b>43.6</b>	<b>630.2</b>
<i>Net Profit After Tax Margin</i>	<i>13.1%</i>		<i>12.2%</i>
<b>EBITDA</b>	<b>1,068.7</b>	<b>54.6</b>	<b>1,014.1</b>
<i>EBITDA Margin</i>	<i>20.8%</i>		<i>19.7%</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 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 3Q2022, the Company derived 93.5% of its revenue from Egypt and 6.5% from regional export markets. Learn more at [ir.edita.com.eg](http://ir.edita.com.eg)

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### Forward Looking Statements

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