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Edita Food Industries S.A.E.

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Cairo, 05 November 2023

Edita Food Industries Reports 3Q2023 Earnings

Edita delivers an-all time quarterly high revenue of EGP 3.1 billion, with profitability mirroring line performance and recording a 48.5% y-o-y increase in net profit to EGP 424.9 million, showing resilience in the face of a challenging operating environment

Highlights of 3Q2023

Summary Income Statement (EGP mn)

EGP mn	3Q2023	3Q2022	Change
Revenue	3,116.2	2,015.6	54.6%
Gross Profit	1,034.1	681.5	51.7%
% Margin	33.2%	33.8%	
EBITDA	671.8	439.6	52.8%
% Margin	21.6%	21.8%	
Net Profit	424.9	286.1	48.5%
% Margin	13.6%	14.2%	

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 30 September 2023, recording revenues of EGP 3,116.2 million, up 54.6% y-o-y primarily driven by improved pricing and strong performance across all segments. Edita's EBITDA profitability pre-vailed against the challenging operating environment, with gross profit rising 51.7% y-o-y to EGP 1,034.1 million and gross profit margin remaining stable at 33.2%. This positive trend continued down the income statement, with EBITDA increasing 52.8% y-o-y to reach EGP 671.8 million, and net profit expanding by 48.5% y-o-y to register EGP 424.9 million, with an associated margin of 13.6%.

On a nine-month basis, Edita recorded revenues of EGP 8,754.0 million in 9M2023, up 70.1% compared to the first nine months of 2022 supported by strong and consistent growth across the past three quarters. Over the same period, net profit grew 87.6% to reach EGP 1,182.4 million, with an expanded margin of 13.5% compared to 12.2% in 9M2022, continuing an increasing trend in net profit margin quarter-on-quarter.

Edita's flexible and dynamic business model and its ability to adjust pricing strategies, while introducing new products that cater to consumers' demand, has allowed the company to navigate economic headwinds and maintain its growth trajectory. This was highlighted in Edita's impressive double-digit sales growth across all six of its segments for the quarter. Growth was driven by a combination of direct and indirect price increases that have migrated consumers to higher average price points, while maintaining volumes of growth and market share. In 3Q2023, Edita implemented a 45.7% y-o-y increase in average price per pack to reach EGP 3.15 per pack. The average price per ton was 56.4% higher than in the same quarter last year. Despite the price increase, total packs sold reached 1.1 million up by a 6.1% y-o-y increase. This was accompanied with stable amounts of tons sold, with bakery being the main driver of volume growth in 3Q2023. On a nine-month basis, the average price per pack increased 39.6% y-o-y to EGP 2.93 and total packs sold came in at 2,983 million, up an impressive 21.8% compared to 9M2022.

In 3Q2023, gross profit reached EGP 1,034.1 million, marking a substantial 51.7% y-o-y increase with an exceptional improvement in gross profit and margins at the cake segment. Strong gross profit growth and stable margins came despite a 60.9% y-o-y increase in cost of sales to EGP 1,770.3 million in 3Q2023. Higher costs were driven by severe inflationary pressures on Edita's direct materials. However, Edita successfully absorbed higher direct material costs with improved pricing and higher operational efficiencies, with manufacturing overheads (MOH) as a percentage of sales having declined to 8.8% in 3Q2023 versus the 9.9% recorded last year. In 9M2023, Edita recorded gross profit of EGP 2,827.2 million, a strong 60.9% y-o-y growth with an associated margin of 32.3%.

Total SG&A increased to EGP 411.5 million in 3Q2023, up 42.7% y-o-y due to a 58.7% y-o-y increase in general and administrative expenses, a 34.1% y-o-y increase in selling and distribution expenses, and a 30.8% y-o-y increase in advertising and marketing expenses. Nevertheless, SG&A as a percentage of sales was down to 13.2% compared to 14.3% in the same quarter last year. On a year-to-date basis, total SG&A recorded EGP 1,220.9 million, accounting for 13.9% of sales against 16.7% recorded over the same period last year.

EBITDA for the quarter stood at EGP 671.8 million, up 52.8% y-o-y with a stable EBITDA margin of 21.6%. Edita continued to maintain its EBITDA profitability despite elevated costs supported by SG&A efficiency and high operating leverage. On a nine-month basis, EBITDA went up by 75.8% y-o-y to reach EGP 1,783.0 million, with an expanded EBITDA margin of 20.4% compared to 18.2% back of a series of strong quarter-on-quarter performances.

Edita's top-line performance was mirrored in its bottom-line, which rose by 48.5% y-o-y to EGP 424.9 million in 3Q2023, with an associated profit margin of 13.6%. Year-to-date, net profit came in at EGP 1,182.4 million, increasing by a notable 87.6% y-o-y to reach an expanded net profit margin of 13.5% against 12.2% recorded in 9M2022.

Edita recorded gross export sales of EGP 312.0 million, up by a significant 141.0% y-o-y and contributing 10% to total revenues during the quarter compared to 7% in 3Q2022. In USD terms, export sales booked USD 10.1 million, up 48.0%. YTD, exports booked USD 25.2 million, up 48.5%.

On the regional front, Edita's facility in Morocco recorded EGP 36.0 million in revenues, remaining stable compared to last year. On a nine-month basis, revenues reached EGP 259.6 million, up 191.7% y-o-y.

Operational Developments

Edita constantly seeks opportunities to diversify revenue streams, broaden product portfolio, and penetrate new segments. Most recently, the company acquired popular frozen food player 'Fancy Foods' in May 2023, marking Edita's venture into the adjacent frozen snack segment. The business acquisition gave Edita full possession of assets - including two production lines, machinery, and land property, which the company quickly brought up to its high operating and quality standards and commenced operations. In October 2023, the new subsidiary, Edita Frozen Food Industries, was launched. Whereafter, Edita launched its initial product line "Molto Formosa" offering a range of frozen baked products designed and marketed specifically for "consumption at home". This comes in line

Edita's growth strategy to diversify revenue streams and capitalize on operational synergies.

Over the past nine months, the company has introduced a wide range of differentiated products across its segment that ensure continued value creation for its consumers and shareholders alike. In October, Edita launched its latest bakery product, Molto a filled pie offering available in three flavors: Chocolate Hazelnut, Apple Cinnamon, and Custard, priced at EGP 12. Earlier in the month, the company also launched the Molto Forni line. The line introduced frozen croissant and puff pastry products including plain frozen croissant variants (6 pcs and 12 pcs) retailing at EGP 28 and EGP 50, and puff pastry products available in two sizes (6 pcs and 12 pcs) ranging from EGP 33 to EGP 70 with three savory filling flavors: white cheese, white cheese & olives, and Ricotta cheese. In June, Edita migrated consumers to higher price points across its cake and rusks segments, introducing new SKUs retailing at EGP 7 for HOHOs Mix and HOHOs Extreme and EGP 10 for rusks, respectively. This falls right under Edita's responsive pricing strategies that have been necessary in overcoming inflationary pressure. Earlier in April, the company introduced Oniro Coated Biscuits, a chocolate and vanilla biscuit filled with chocolate hazelnut cream and coated with chocolate, priced at EGP 5 per pack. The launch of this product aligned with Edita's strategy to solidify biscuit revenue, as well as grow the company's presence across this segment. In the start of 2023, Edita also launched Molto Magnum Mix in three flavors: chocolate and cream, salted caramel and cream, and strawberry cheesecake and cream. This product was available in two sizes - single serve croissants and mini croissants - retailing at EGP 10 per pack. Edita also introduced Molto XXL Plus in the same month, a new variation of the popular Molto XXL with additional flavor filling, and retailing at EGP 7.

Edita has sought financing to facilitate the development and expansion of its operations within the snack food industry. In February 2023, the company secured a USD 45 million loan from the International Finance Corporation (IFC) with an eight-year term and a two-year grace period. Edita will utilize this loan in supporting its ambitious growth plans, which include both diversifying revenue streams and expanding its geographical footprint across regional markets. Moreover, the loan will be used in refinancing EGP 100 million of the company's existing debt. Earlier in September 2023, Edita had also signed two new-medium-term loan agreements with the National Bank of Kuwait (NBK), both with a maturity of 7 years. The initial loan was allocated to finance 50% of the Edita Foods acquisition, totalling EGP 190 million. The second loan of EGP 200 million was injected into the company's new snack food division, Edita Frozen Food Industries.

Overview of Segment Performance

In 3Q2023, Edita's consolidated top-line reached EGP 3.1 billion, marking a 54.6% year-on-year growth, driven by strong performance across all six segments. Top-line growth was primarily driven by the cake and bakery segment, which showed a solid performance during the quarter. The cakes segment generated revenues of EGP 1,499.4 million, representing a notable 47.8% y-o-y revenue growth on the back of a 52.9% y-o-y rise in the average price per pack, which offset a 3.3% decrease in number of packs sold. Revenues at the bakery segment grew 63.4% y-o-y to reach EGP 1,160.1 million in 3Q2023. This was dual-driven by a 32.4% y-o-y increase in the average price per pack and a 30.0% increase in sale volumes, reflecting another quarter of strong volume recovery in the bakery segment. Moreover, the wafer segment witnessed a 66.7% y-o-y increase in revenue, reaching EGP 234.4 million in 3Q2023 due to a 30.0% increase in packs sold and a 20.0% rise in average price per pack compared to the same quarter last year. Meanwhile, the rusks segment recorded a 34.0% y-o-y revenue growth, totaling EGP 130.8 million, driven by a 38.4% y-o-y increase in the average price per pack, which offset a 3.2% y-o-y decrease in the number of packs sold. Candy revenues also demonstrated strong growth in 3Q2023, climbing 70.3% y-o-y to EGP 75.6 million on the back of a substantial 30.0% y-o-y increase in number of packs sold and a 25.8% y-o-y increase in the average price per pack. Lastly, the confectionery segment witnessed a 79.0% y-o-y revenue increase reaching EGP 15.4 million, attributable to a 57.6% y-o-y increase in the average price per pack and a 13.6% increase in number of packs sold.

Edita's consolidated gross profit grew 51.7% y-o-y to EGP 1,034.1 million on the back of solid growth across all segments. The company's dynamic and agile business model effectively absorbed the increased costs of direct materials while maintaining profitability through effective pricing strategies, leveraging operational efficiency, and optimizing manufacturing overhead (MOH).

On a segment basis, the cakes segment recorded a 69.6% y-o-y growth in gross profit, reaching EGP 571.1 million in 3Q2023, yielding an enhanced gross profit margin of 38.1% compared to 33.2% in 3Q2022. This was on the back of indirect price increases that were implied across the product portfolio during the quarter. Meanwhile, the bakery segment recorded a 25.9% y-o-y increase in gross profit to EGP 333.0 million in 3Q2023. However, the GPM for this segment declined to 28.7% from 37.2% in the same quarter of the previous year due to the inflationary pressures on the cost base. The wafers segment delivered significant growth with a 25.9% y-o-y expansion in gross profit to EGP 72.1 million in 3Q2023, with an associated enhancement in GPM to 30.8% from 27.9% recorded in 3Q2022 due to MOH efficiencies. Gross profit in the rusks segment reached EGP 36.4 million in 3Q2023, representing a 29.9% y-o-y growth with a slightly lower GPM of 27.9% compared to 28.7% in 3Q2022. As for the candy segment, gross profit surged 150.9% y-o-y to EGP 23.3 million, with an expanded GPM of 30.8% compared to 20.9% in 3Q2022 due to MOH efficiencies.

and operating leverage. The biscuits segment continues to deliver significant strides at the gross profit level, up by a 406.4% y-o-y to EGP 3.8 million in 3Q2023, and a marked expansion in GPM to 24.7% versus 8.7% in 3Q2022.

Revenue and Gross Profitability by Segment

	3Q2023	3Q2022	Change	9M2023
EGP mn				
Cakes				
Revenue	1,499.4	1,014.2	47.8%	4,440.0
Gross Profit	571.1	336.8	69.6%	1,550.0
<i>Gross Profit Margin</i>	38.1%	33.2%	4.9pts	34.7%
Bakery				
Revenue	1,160.1	710.0	63.4%	2,800.0
Gross Profit	333.0	264.5	25.9%	800.0
<i>Gross Profit Margin</i>	28.7%	37.2%	-8.5pts	30.0%
Wafers				
Revenue	234.4	140.7	66.7%	700.0
Gross Profit	72.1	42.3	70.7%	200.0
Gross Profit Margin	30.8%	30.0%	0.8pts	31.4%
Rusks				
Revenue	130.8	97.7	34.0%	300.0
Gross Profit	36.4	28.0	29.9%	100.0
Gross Profit Margin	27.9%	28.7%	-0.8pts	28.3%
Candy				
Revenue	75.6	44.4	70.3%	200.0
Gross Profit	23.3	9.3	150.9%	50.0

Gross Profit Margin	30.8%	20.9%	9.9pts	26
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Biscuits

Revenue	15.4	8.6	79.0%	
Gross Profit	3.8	0.8	406.4%	
Gross Profit Margin	24.7%	8.7%	16.0pts	17

Total Revenues*	3,116.2	2,015.6	54.6%	8.7
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Total Gross Profit*	1,034.8	681.5	51.7%	2.8
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Total GPM	33.2%	33.8%	-0.6pts	32
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**Includes contributions from Edita's imports segment*

	3Q2023	3Q2022	Change	9M2
EGP				

Cakes

Packs (mn)	590	610	-3.3%	1
Tons (000s)	15.2	17.1	-10.9%	
Av. Price (EGP)	2.54	1.66	52.9%	

Bakery

Packs (mn)	262	212	23.4%	
Tons (000s)	13.6	12.3	10.9%	
Av. Price (EGP)	4.43	3.34	32.4%	

Wafers

Packs (mn)	86	62	38.8%	
Tons (000s)	1.8	1.5	19.3%	

Av. Price (EGP)	2.73	2.27	20.0%
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Rusks

Packs (mn)	33	35	-3.2%
Tons (000s)	1.3	1.5	-13.1%
Av. Price (EGP)	3.91	2.83	38.4%

Candy

Packs (mn)	14	10	35.3%
Tons (000s)	0.8	0.7	9.7%
Av. Price (EGP)	5.44	4.32	25.8%

Biscuits

Packs (mn)	4	4	13.6%
Tons (000s)	0.1	0.1	-3.7%
Av. Price (EGP)	3.86	2.45	57.6%

Total Packs* (mn)	989	933	6.1%
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Total Tons* (000s)	32.9	33.3	-1.1%
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Av. Price/Pack (EGP)	3.15	2.16	45.7%
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**Includes contributions from Edita's imports segment*

Balance Sheet

The company's total loans and borrowings as at 30 September 2023 stood at EGP 1,846.7 million, up from EGP 1,496.9 million as at 31 December 2022, due to Edita's re-cent signing of two loans from NBK. Total bank overdrafts recorded EGP 696.0 million as at 30 September 2023 versus EGP 501.7 million recorded at the end of 2022. Cash balance stood at EGP 1,431.7 million as at 30 September 2023, up from EGP 1,389.0 million at year-end 2022. Edita recorded a net debt of EGP 415.0 million as at 30 September 2023 compared to EGP 107.8 million in net debt as at 31 December 2022.

Edita booked inventories of EGP 1,615.4 million as at 30 September 2023, up from EGP 981.5 million as at year-end 2022. Meanwhile, trade and notes receivable stood at EGP 157.3 million as at 30 September 2023, up from EGP 141.9 million as at 31 December 2022.

December 2022.

Total CAPEX for the nine-month period ended 30 September 2023 came in at EGP 270.2 million, with an almost equal contri- bution between expansionary additions and motor vehicle expenses, and a smaller contribution from total maintenance costs.

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 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 9M2023, EGP 46.5 million in FX gain and EGP 1.8 million related to gains on the sale of fixed assets were deducted from EBITDA. Moreover, a profit share deduction of EGP 88.3 million was made, bringing total EAS adjustments on EBITDA to EGP 1,783.0 million. A recon-ciliation between Edita's financial statements in EAS with the IFRS financial statements for 9M2023 is provided in the table below.

in EGP mn*	3Q2023 EAS	Adjustment	3Q2023 IFRS
Net Sales	8,754.0		8,754.0
COGS (excluding MOH)	5,038.3		5,038.3
MOH	734.0	(39.9)	773.9
Total	5,886.9		5,926.7
Gross Profit	2,867.1	39.9	2,827.2
Selling & Distribution Exp.	399.3	(27.3)	426.6
Advertising & Marketing Exp.	283.1		283.1
General & Admin. Exp.	490.1	(21.1)	511.2
Other Operational Exp.	79.1	1.4	77.7
Profit from Operations	1,615.5	86.9	1,528.6
Profit from Operations Margin	18.5%		17.5%
Lease Finance Interest	12.1	(0.5)	12.7
Profit Before Income Tax	1,668.4		1,581.0
Income Tax Expense	398.5		398.5
Net Profit After Tax	1,269.9	87.4	1,182.4
EBITDA	1,919.6	136.6	1,783.0
EBITDA Margin	21.9%		20.4%

*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 names such as TODO, Molto, Bake Rolz, Bake Stix, Freska, Oniro and MiMix. The Company also has the exclusive ownership of the international Hostess 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 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 wafer segment. In 3Q2023, the Company derived 90.0% of its revenue from Egypt and 10.0% from regional export markets. Learn more at ir.edita.com.eg.

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