



the sweet side of life

RNS Number: 54311E

Edita Food Industries S.A.E.

22 April 2024

Edita Food Industries Reports FY2023 Earnings

Edita reports record-breaking results despite the challenging business environment, with revenue up 58.1% y-o-y to EGP 12.1 billion in FY2023; profitability remained strong with Edita's bottom-line reaching EGP 1.5 billion in FY2023 and net profit margin stable at 12.4%

Highlights of FY2023

Summary Income Statement (EGP mn)

EGP mn	4Q2023	4Q2022	Change
Revenue	3,372.0	2,523.4	33.6%
Gross Profit	1,098.0	850.9	29.0%
% Margin	32.6%	33.7%	
EBITDA	582.7	478.2	21.9%
% Margin	17.3%	18.9%	
Net Profit	324.2	329.3	-1.5%
% Margin	9.6%	13.0%	

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 year ended 31 December 2023. The company recorded revenue of EGP 12,126.0 million, showing a robust 58.1% y-o-y increase driven by a strong performance across all segments primarily due to improved pricing across the portfolio. Moreover, volume recovery was also a key attribute for operational le

Gross profit grew 50.5% y-o-y to EGP 3,925.3 million in FY2023, accompanied by an associated margin of 32.4%. EBITDA grew 58.5% y-o-y to reach EGP 2,365.7 million during the period, maintaining a stable margin of 19.5% despite inflationary pressures. Meanwhile, net profit increased by 57.0% y-o-y, generating EGP 1,506.6 million in FY2023, with a stable net profit margin of 12.4% compared to FY2022.

On a quarterly basis, Edita recorded revenues of EGP 3,372.0 million in 4Q2023, up 33.6% from 4Q2022. Over the same period, net profit registered EGP 324.2 million, down 1.5% y-o-y compared to a high base in 4Q2022 and with an associated margin of 9.6%.

In the face of the current operating environment and inflationary pressures, Ed-ita's enduring success and sustained growth are a testament to the dynamism and resilience of its business model, its ability to take proactive measures and adapt to market conditions while promoting operational efficiency, and its un-wavering commitment to innovation. Throughout the year, Edita consistently introduced new products and SKUs, implemented both direct and indirect price increases, and strategically entered new market segments, effectively appealing to a large consumer base across the diverse snack food market. Edita demonstrated revenue growth across all segments, driven by a combination of price increases and higher volumes. The average price per pack increased by 12.9% y-o-y, reaching EGP 3.04, while the average price per ton saw a substantial 49.5% y-o-y increase. Despite these price adjustments, the number of packs sold continued to rise, increasing by 12.9% compared to FY2022, with a total of 3,993 million packs sold by the end of the year. On a quarterly basis, the average price per pack increased by 44.0% y-o-y, reaching EGP 3.34. Total packs sold in 4Q2023 quarter amounted to 1,010 million, reflecting a slight 7.2% y-o-y decrease due to lower sale volumes at the cake segment during 4Q2023.

In FY2023, gross profit for Edita reached an impressive EGP 3,925.3 million, a remarkable y-o-y increase of 50.5% and maintaining a strong associated gross profit margin of 32.4%. This notable growth in gross profit and the steady margins were achieved despite a significant 68.2% y-o-y increase in the cost of sales, totaling EGP 6,979.5 million in FY2023. Higher costs were driven by inflationary pressures and a series of devaluations to the Egyptian pound. Despite these challenges, Edita's strong revenues played a crucial role in absorbing the increases of direct material costs. Manufacturing overheads (MOH) also declined as a percentage of sales to 8.7% in FY2023 compared to the 10.1% recorded in the previous year as a result of efficient cost cutting initiatives and operating leverage. In 4Q2023, Edita recorded a gross profit of EGP 1,098.0 million, marking a substantial 29.0% y-o-y increase while maintaining an associated margin of 32.6%.

Total SG&A increased to EGP 1,788.8 million in FY2023, up by 42.6% y-o-y. This increase was primarily driven by a 63.4% increase in general and administrative expenses, a 34.1% y-o-y increase in advertising and marketing expenses, and a 28.9% increase in selling and distribution expenses. Despite these escalations, SG&A as a percentage of sales decreased to 14.8%, compared to 16.4% last year. On a quarterly basis, total SG&A amounted to EGP 567.9 million in 4Q2023, up 44.5% y-o-y.

EBITDA for the year stood at EGP 2,365.7 million in FY2023, reflecting a notable 58.5% y-o-y increase, while EBITDA margin remained stable at 19.5% compared to last year's figure. The consistent strength in EBITDA performance was attributed to solid revenues and improved operational efficiencies. In 4Q2023, EBITDA recorded EGP 582.7 million, up 21.9% y-o-y with a 17.3% margin.

Net profit recorded an increase of 57.0% y-o-y to EGP 1,506.6 million in FY2023 with an associated profit margin of 12.4%. On a quarterly basis, net profit recorded EGP 324.2 million in 4Q2023, down 1.5% y-o-y and with a net profit margin of 9.6% compared to 4Q2022. The decline in quarterly profitability reflects FX gains recorded in 4Q2022 following the Egyptian Pound's devaluation in October of that year versus FX loss booked in 4Q2023. Additionally, Edita's bottom-line was further weighed by a 34.3% increase in interest expenses to EGP 145.5 million during the period.

Edita recorded gross export sales of EGP 1.1 billion, up by 107.3% y-o-y and contributing 9.3% to total revenue versus 7.1% in the previous year. In USD terms, export sales booked USD 36.1 million in FY2023, up 33.8% y-o-y. In 4Q2023, the company recorded export sales of EGP 336.7 million vs EGP 227.1 million booked last year, marking a 47.1% y-o-y increase.

On the regional front, Edita Morocco recorded EGP 326.2 million in revenues in FY2023, up by a notable 85.0% y-o-y. The company continues to expand its portfolio in Morocco with plans to add a new MAD 3 price point and enter the layered cake segment in the first quarter of 2024.

Operational Developments

Recently, the company entered the previously untapped frozen food segment in Egypt through the acquisition of 'Molto Foods' in May 2023. Following the acquisition, the company promptly elevated the acquired assets to meet industry standards and commenced operations under its subsidiary, Edita Frozen Food Industries. In October 2023, the company launched its first brand, Molto Forni, bringing the convenience of fresh, authentic, and at-home consumption to consumers in line with its strategy to grow revenue streams and capture new demand.

The product release included mini frozen croissant and puff pastry products, with four savory fillings, and available in two sizes: 6 pcs and 12 pcs.

Parallel to venturing into the frozen segment, Edita also expanded its core product portfolio by introducing a variety of differentiation products across all segments. In the cake segment, Edita unveiled a new addition in January 2024 to its brand, TODO - the TODO Cupcake, available in different flavors and fillings: Chocolate Cupcake filled with either Chocolate or Salted Caramel, a Vanilla Cupcake filled with Chocolate, and a Red Velvet Cupcake filled with Cream Cheese. This new addition introduced a new price point of EGP 10, aligning with the company's pricing strategy to transition consumers to higher price points and offer enhanced value propositions to its customers. In October 2023, the company also launched HOHOs Extreme, featuring extra cream-filled, larger-sized variation of its typical HOHO's cake, retailing at EGP 5. Earlier in June, Edita introduced the Mix retailing at EGP 7.

In the bakery segment, Edita introduced a direct price increase on its Molto XXL, migrating consumers from EGP 5 to EGP 12 in December. In addition to this, Edita unveiled a new product in November 2023, the Molto Yums, a filled pie available in three flavors: Chocolate Hazelnut, Apple Cinnamon, and Custard, all offered at a new price point of EGP 12. This launch is a testament to the original flavors within its Molto brand, a testament to the Research and Innovation (R&I) department's continuous efforts. At the beginning of 2023, Edita introduced Molto Magnum Mix in three flavors - Chocolate and Cream, Salted Caramel and Cream, and Strawberry Cheesecake and Cream, available in single serve croissants and mini croissants, both priced at EGP 10 per pack. The company also launched Molto XXL Plus, a new variation of the popular Molto XXL, featuring additional flavor filling and retailing at EGP 12 in the same month.

In the wafer segment, Edita rolled out a White Chocolate Coated Rolled Wafer filled with Cocoa & Hazelnut Cream retailing at EGP 5, in early January 2024. Preceding this in mid-December 2023, Edita made a significant stride by launching its first-ever product under the Freska brand - a wafer filled with Cocoa Cream, priced at EGP 5 per pack. This initiative underscores the company's commitment to innovation and meeting evolving market demands, particularly the increasing preference for plant-based alternatives and healthier trends.

In the rusks segment, Edita kicked off 2024 by introducing three limited-edition Bake Rolz offerings under its rusks segment: Cheese, Extra Spicy Kebab, and Flaming Hot Pizza, priced at EGP 7 per pack. In June 2023, the company also launched a new SKU retailing at EGP 10, migrating consumers to higher price points.

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In the candy segment, Edita expanded its Mimix line by introducing a new candy family in January 2024, Caramelo, that features a delightful toffee flavor, retailing at EGP 5. This move reflects the company's focus on growing both key and emerging segments.

In the biscuit segment, Edita introduced Oniro Cookies in November 2023, offering two new variations of its traditional Vanilla and Chocolate Cookies filled with Hazelnut Cream, priced at EGP 5. Earlier in April, Edita also launched Oniro Coat, a Chocolate and Vanilla biscuit filled with Chocolate Hazelnut Cream and coated with Chocolate, priced at EGP 5 per pack. This product launch aimed to strengthen the company's position in the biscuit market.

On the digitalization front, Edita's subsidiary, Edita Trade and Distribution, partnered with Fawry, the leading provider of e-payment services in Egypt, to facilitate cashless collections across Edita's points of sale. The partnership will enable the company to deploy Fawry's fintech solutions, transforming its trade cash management processes, streamlining cashless collections by Edita's sales representatives, optimizing financial transactions, and driving Edita's overall operational efficiency.

Throughout the year, Edita secured three loans: one from the International Finance Corporation (IFC) with an amount of USD 45 million, and two medium-term loans with the National Bank of Kuwait (NBK), amounting to EGP 190 million and EGP 200 million, respectively. These loans were instrumental in facilitating the development and expansion of Edita's operations within the snack food industry, including the acquisition of Fancy Food and the establishment of a new subsidiary, Edita Frozen Food Industries.

At the beginning of the year, the company also unveiled a new branding and logo that better reflects its rapid growth and focus on product diversity and regional expansion. The rebranding stood as a cornerstone to the company's vision, valuing growing aspirations, reflecting the company's commitment to spreading joy and consistently delivering the highest level of quality to meet the evolving tastes of its consumers. -

Overview of Segment Performance

In FY2023, Edita's consolidated revenue reached EGP 12.1 billion, marking a robust y-o-y growth of 58.1%, fuelled by strong performance across all segments. The cake segment was the strongest growth driver for the year, recording EGP 6,032.5 million, up 59.2% y-o-y on the back of a 45.4% y-o-y rise in the average price per pack and a 9.5% y-o-y increase in the number of packs sold. Growth was also driven by a solid performance at the bakery segment, which recorded a 61.1% y-o-y increase in revenues to EGP 4,066.6 million in FY2023. Bakery growth was driven by a 20.8% y-o-y increase in the average price per pack and a 20.8% rise in packs sold. Meanwhile the wafer segment crossed the billion-pound mark in revenues, recording sales of EGP 1,079.0 million in FY2023, up 45.2% y-o-y driven by a 20.8% rise in the average price per pack and a 17.1% increase in packs sold compared to the previous year. At the rusks segment, revenues recorded a 36.4% y-o-y growth to EGP 545.0 million in FY2023, reflecting a 42.6% y-o-y increase in the average price per pack, which helped offset a slight 4.3% y-o-y decrease in the number of packs sold. During the year, Edita's smaller candy and biscuits segments also showed strong growth in revenues. In the candy segment, revenues grew 74.8% y-o-y to reach EGP 307.7 million, primarily driven by volumes increasing 72.8% y-o-y and a marginal 2.0% y-o-y increase in the average price per pack. As for biscuits, the segment's revenue more than doubled at 105.7% y-o-y to EGP 80.1 million in FY2023, on the back of a 45.3% y-o-y increase in the number of packs sold and a 41.6% increase in the average price per pack. In its new frozen segment, Edita brought in EGP 14.9 million in FY2023 following the launch of its inaugural line under the Molto Forni brand in October 2023.

On a quarterly basis, cake revenue registered a 22.4% y-o-y growth to EGP 1,568.3 million in 4Q2023, attributed to a substantial 45.7% y-o-y price increase which offset a 16% y-o-y reduction in packs sold. In the bakery segment, revenues came in at EGP 1,204.6 million in 4Q2023 reflecting a significant 42.4% y-o-y increase. This growth was primarily driven by a 35.2% y-o-y average price increase and a 5.2% y-o-y volume growth in packs. At the wafer segment, revenues reached EGP 296.5 million in 4Q2023, marking a notable 37.7% y-o-y increase due to a 23.0% price increase and an 11.9% y-o-y increase in packs sold. Rusks revenue rose by 31.7% y-o-y to EGP 162.7 million in 4Q2023, on the back of a 45.6% y-o-y increase in price, which outweighed a slight 9.5% y-o-y reduction in volume. In 4Q2023, candy revenue more than doubled, reaching EGP 103.5 million and positively impacted by a remarkable 105.7% y-o-y growth in packs sold and a 9.7% y-o-y increase in average price per pack. During the period, the biscuit segment showed an impressive 224.3% y-o-y increase to EGP 22.0 million, supported by a substantial 95.3% y-o-y increase in packs sold and a 66.1% y-o-y increase in price.

Edita's consolidated gross profit grew 50.5% y-o-y to EGP 3,925.3 million on the back of robust growth across all segments. Despite a challenging operating environment, the company maintained profitability by implementing effective pricing strategies, improving operational efficiency, thereby mitigating the impact of increased direct material prices, and keeping manufacturing overhead (MOH) low compared to revenues.

On a segment basis, the cakes segment recorded a 64.4% y-o-y growth in gross profit to EGP 2,122.4 million in FY2023, expanding gross profit margin (GPM) of 35.2% compared to 34.1% in FY2022. This growth was attributed to indirect price increases applied across its product portfolio in the segment. Meanwhile, the bakery segment recorded a 33.6% y-o-y increase in gross profit to EGP 1,211.0 million in FY2023, with a contracted GPM of 29.8% compared to 35.9% in the previous year due to rising production costs. The wafer segment recorded a gross profit of EGP 350.2 million, up 40.4% y-o-y with a relatively stable GPM of 32.5% for the year. At the rusks segment, gross profit grew by 30.2% to reach EGP 153.3 million in FY2023, accompanied by a slightly lower GPM of 28.1% compared to 29.5% in FY2022. At the candy segment, gross profit substantially increased by 105.7% y-o-y to EGP 86.6 million, with an expanded GPM of 28.1% compared to 20.8% in the previous year with the strong growth in volumes improving operating leverage at the segment. Finally, the biscuit segment generated EGP 14.6 million in gross profit in FY2023, more than doubling at 127.3% y-o-y and booking an expansion in GPM to 18.3% compared to 16.5% in FY2022.

On a quarterly basis, gross profit from the cakes segment registered a 28.9% y-o-y growth in 4Q2023, reaching EGP 572.4 million, accompanied by an expanded gross profit margin of 36.5% versus 34.6% in 4Q2022. Over the same period, the bakery segment recorded a 19.5% y-o-y increase in gross profit to EGP 346.4 million, with a contracted gross profit margin of 28.8% versus 34.2% recorded in the same quarter last year. The wafer segment reported a gross profit of EGP 100.4 million, marking a solid 40.4% y-o-y growth in 4Q2023 while maintaining a relatively stable gross profit margin of 33.9% for the quarter compared to 33.9% in 4Q2022.

the rusks segment, gross profit grew by 28.5% y-o-y to reach EGP 46.3 million in 4Q2023, with a slightly lower GPM of 28.4% compared to 29.2% in 4Q2022. The strong revenue performance in the candy segment was reflected in gross profit, which achieved an impressive 227.4% y-o-y growth to EGP 32.3 million, with an expanded GPM of 31.2%, compared to 20.0% in this quarter of the previous year. As for the biscuit segment, gross profit was EGP 4.6 million in 4Q2023, a significant improvement from a 1.2 million loss in 4Q2022, marking an expansion in GPM to 20.8%, compared to -5.6% in 4Q2022.

Revenue and Gross Profitability by Segment

	4Q2023	4Q2022	Change	FY2023
EGP mn				
Cakes				
Revenue	1,568.3	1,281.3	22.4%	6,000.0
Gross Profit	572.4	443.9	28.9%	2,110.0
<i>Gross Profit Margin</i>	36.5%	34.6%	1.9pts	35.0%
Bakery				
Revenue	1,204.6	847.1	42.2%	4,000.0
Gross Profit	346.4	289.9	19.5%	1,200.0
<i>Gross Profit Margin</i>	28.8%	34.2%	-5.4pts	29.5%
Wafers				
Revenue	296.5	215.4	37.7%	1,000.0
Gross Profit	100.4	71.6	40.3%	300.0
Gross Profit Margin	33.9%	33.2%	0.7pts	32.0%
Rusks				
Revenue	162.7	123.5	31.7%	500.0
Gross Profit	46.3	36.0	28.5%	100.0
Gross Profit Margin	28.4%	29.2%	-0.8pts	28.0%

Candy

Revenue	103.5	49.3	110.1%	3
Gross Profit	32.3	9.9	227.4%	
Gross Profit Margin	31.2%	20.0%	11.2pts	28

Biscuits

Revenue	22.0	6.8	224.3%	
Gross Profit	4.6	(0.4)	-1310.4%	
Gross Profit Margin	20.8%	-5.6%	26.4pts	18

Frozen

Revenue	14.4	-	-	
Gross Profit	(4.3)	-	-	(1
Gross Profit Margin	-29.7%	-	-	-86

Total Revenues*	3,372.0	2,523.4	33.6%	12,1
Total Gross Profit*	1,098.0	850.9	29.0%	3,9
Total GPM	32.6%	33.7%	-1.1pts	32

*Includes contributions from Edita's imports segment

Segment Volumes and Prices

	4Q2023	4Q2022	Change	FY2
EGP				

Cakes

Packs (mn)	583	694	-16.0%	2
Tons (000s)	16.2	19.7	-17.6%	

Av. Price (EGP)	2.69	1.85	45.7%
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Bakery

Packs (mn)	256	244	5.2%
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Tons (000s)	13.4	14.1	-5.1%
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Av. Price (EGP)	4.70	3.48	35.2%
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Wafers

Packs (mn)	107	96	11.9%
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Tons (000s)	2.3	2.1	7.2%
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Av. Price (EGP)	2.76	2.24	23.0%
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Rusks

Packs (mn)	37	41	-9.5%
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Tons (000s)	1.6	1.7	-9.5%
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Av. Price (EGP)	4.35	2.99	45.6%
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Candy

Packs (mn)	19	10	91.5%
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Tons (000s)	1.1	0.8	41.2%
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Av. Price (EGP)	5.37	4.90	9.7%
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Biscuits

Packs (mn)	5	3	95.3%
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Tons (000s)	0.2	0.1	55.2%
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Av. Price (EGP)	4.05	2.44	66.1%
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Frozen

Packs (mn)	0.4	-	-	3
Tons (000s)	0.1	-	-	1
Av. Price (EGP)	34.37	-	-	3
Total Packs* (mn)	1,010	1,088	-7.2%	3
Total Tons* (000s)	34.8	38.5	-9.7%	1
Av. Price/Pack (EGP)	3.34	2.32	44.0%	

*Includes contributions from Edita's imports segment

Balance Sheet

The company's total loans and borrowings as at 31 December 2023 stood at EGP 2,030.5 million, up from EGP 1,496.9 million at 31 December 2022, due to Edita's signing of two loans from NBK in the third quarter of 2023. Total bank overdrafts recorded at 596.7 million at the end of 2023 versus EGP 501.7 million recorded at the end of 2022. Cash balance stood at EGP 1,356.3 million at 31 December 2023, down from EGP 1,389.0 million at year-end 2022. Edita recorded a net debt of EGP 674.2 million as at 31 December 2023 compared to EGP 107.8 million in net debt as at 31 December 2022.

Edita booked inventories of EGP 1,867.0 million as at 31 December 2023, up from EGP 981.5 million as at year-end 2022. Meanwhile, trade and notes receivable stood at EGP 160.0 million as at 31 December 2023, up from EGP 141.9 million as at 31 December 2022.

Total CAPEX for the full-year period ended 31 December 2023 amounted to EGP 596.0 million, with machinery accounting for the majority of the expenditure, followed by maintenance costs, IT expenses, and production facility 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 FY2023, EGP 44.1 million in FX gain and EGP 4.8 million related to gains on the sale of fixed assets were deducted from EBITDA. Moreover, a profit share deduction of EGP 108.7 million was made, bringing total EAS adjustments on EBITDA to EGP 157.4 million. A reconciliation between Edita's financial statements in EAS with the IFRS financial statements for FY2023 is provided in the table below.

in EGP mn*	FY2023 EAS	Adjustment	FY2023 IFRS
Net Sales	12,126.0		12,126.0
COGS (excluding MOH)	6,979.5		6,979.5
MOH	999.9	(49.5)	1,049.4
Total	8,153.1		8,202.5
Gross Profit	3,974.7	49.4	3,925.3
Selling & Distribution Exp.	569.1	(33.0)	602.1
Advertising & Marketing Exp.	458.0		458.0
General & Admin. Exp.	702.6	(26.2)	728.8
Other Operational Exp.	116.1	1.5	114.6

Profit from Operations	2,128.9	107.0	2,021.9
Profit from Operations Margin	17.6%		16.7%
Lease Finance Interest	16.1		16.2
Profit Before Income Tax	2,157.6		2,050.6
Income Tax Expense	544.0		544.0
Net Profit After Tax	1,613.5	106.9	1,506.6
EBITDA	2,523.1	157.4	2,365.7
EBITDA Margin	20.8%		19.5%

*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 positions 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 wafers segment. In FY2023, the Company derived 90.7% of its revenue from Egypt and 9.3% from regional export markets. Learn more at ir.edita.com.eg.

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Forward-Looking Statements

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