



the sweet side of life

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Edita Food Industries S.A.E.

23 May 2024

## Edita Food Industries Reports 1Q2024 Earnings

*Edita starts the new year strongly, approaching the EGP 4 billion mark in revenues with an impressive 41.3% year-on-year growth*

### Highlights of 1Q2024

#### Summary Income Statement (EGP mn)

EGP mn	1Q2024
Revenue	3,927.5
Gross Profit	1,201.6
% Margin	30.6%
EBITDA	673.1
% Margin	17.1%
Net Profit	436.4
% Margin	11.1%

#### 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 31 March 2024. The company reported significant revenue growth, reaching EGP 3,927.5 million and marking a substantial 41.3% y-o-y increase. This growth was driven by a strong performance across all segments, largely attributed to improved pricing strategies and volume resilience across the portfolio. Gross profit grew by 36.6% y-o-y to hit EGP 1,201.6 million in 1Q2024, recording a solid margin of 30.6% despite an ongoing increase in raw material prices. EBITDA showed notable growth, rising by 27.6% y-o-y to EGP 673.1 million, with

of 17.1% versus 19.0% last year. Additionally, the bottom-line results reported a growth of 16.2% y-o-y, generating EGP 436.4 million in the first quarter of 2024, accompanied by a net profit margin of 11.1% versus 13.5% last year.

Edita's business model has demonstrated resilience in navigating inflationary pressures, with its commitment to innovation and operational efficiency playing a pivotal role in overcoming challenges. In the first quarter of 2024, revenue experienced growth, driven by strategic pricing strategies and increased sales volumes. While the company's core segment made the largest contribution to growth, smaller segments such as wafers and candy have also shown strong growth contribution, especially compared to their performance in previous quarters. The average price per pack rose by 30.1% y-o-y, reaching EGP 3.50. Despite the increase in the number of packs sold increased by 8.6% y-o-y in 1Q2024 with a total of 1.1 billion packs sold, driven primarily by volume growth in the company's smaller, nascent segments. This bears testament to Edita's ability to effectively balance pricing strategies while maintaining strong sales performance, thus sustaining its growth trajectory in the competitive market.

Edita's gross profit expanded by 36.6% y-o-y, reaching EGP 1,201.6 million in 1Q2024. Meanwhile, gross profit margin declined to 30.6% versus 31.6% in the first quarter of 2023, attributed to the rise in the cost of goods sold (COGS), which increased by 44.1% y-o-y to EGP 2,333.4 million during the period. The significant increase in COGS, however, was offset by robust sales and economies of scale. Consequently, manufacturing overheads (MOH) remained stable compared to 1Q2023, constituting 10.1% of revenues in 1Q2024.

Total SG&A expenses rose to EGP 574.8 million in 1Q2024, up by 46.7% y-o-y, mainly due to a 54.9% increase in sales and distribution expenses, a 44.1% y-o-y increase in advertising and marketing expenses, as well as a 41.7% increase in general and administrative expenses. As a result, the SG&A to sales ratio slightly increased to 14.6%, up from 14.1% previously, due to the company's ongoing expansion efforts. In 1Q2024 alone, Edita added 150 vehicles and expanded its sales force by 230 people.

EBITDA recorded EGP 673.1 million in 1Q2024, representing an increase of 27.6% y-o-y increase, while the EBITDA margin declined to 17.1% versus 19.0% in this quarter, last year.

Net profit generated EGP 436.4 million, up 16.2% y-o-y with an associated profit margin of 11.1% versus 13.5% in 1Q2023.

During the period, gross export sales grew 12.7% y-o-y to record EGP 268 million, contributing 6.8% of gross sales. In 1Q2024, export sales amounted to USD 7.1 million in 1Q2024.

On the regional front, Edita Morocco recorded EGP 80.7 million in the first quarter of 2024.

## Operational Developments

Edita continued to adapt and optimize its portfolio in response to the challenges posed by inflationary pressures and currency devaluations by focusing on diversifying its product range and size, while expanding its price spectrum. This strategy has been instrumental in maintaining profitability and has further built upon the groundwork laid in 2023 of diversifying the portfolio to overcome the challenging environment.

In May 2023, in line with its strategy, the company ventured into Egypt's untapped frozen food segment by acquiring 'Fancy'. This investment comprised a complete acquisition of assets, including two full production lines, additional machinery, land, and a distribution arm. After the acquisition, it swiftly upgraded the acquired assets to meet its quality standards and commenced operations under its subsidiary, Edita Frozen Food Industries with the launch of Molto Forni.

While the initial offerings included puff pastry and croissants, Edita has remained steadfast in rapidly expanding its product portfolio within this segment, where new additions such as pizzas and sweet pies have been quickly introduced in 1Q2024. Since this segment offers a different type of product, all frozen items are priced at higher points, ranging from EGP 30 to EGP 225.

To support the distribution of its many new releases, the company is consistently expanding its distribution channels both locally and globally. Currently, it boasts 1,078 fleets, up from 920 last quarter, and operates 26 distribution centers, including a new specialized center for frozen products. Through these efforts, Edita facilitates the launch of its new products and ensures sufficient capacity for future growth, ultimately maximizing market penetration and enhancing brand loyalty.

Moreover, the company has recently finalized a long-term loan agreement with Banque Misr, securing EGP 990 million over a 5-year tenure. This financing will facilitate the expansion of more production lines within Egypt. A portion of the loan has already been allocated to the installation of a new bakery line, set to enhance production capabilities significantly. Currently under installation, the new line is to be housed at Edita's existing E08 facility and is expected to become operational in the third quarter of 2024.

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On the digitalization front, Edita's subsidiary, Edita Trade and Distribution, partnered with Fawry, the leading provider of e-services in Egypt, to enable cashless transactions at Edita's points of sale. This partnership will see the implementation of fintech solutions, which aim to revolutionize Edita's cash management processes, facilitate cashless collections by representatives, enhance financial transactions, and ultimately improve Edita's operational efficiency.

### Overview of Segment Performance

In 1Q2024, Edita's total revenue amounted to EGP 3.9 billion, representing a 41.3% y-o-y increase driven by revenue growth across all segments. The cake segment was the primary contributor to growth during the quarter, achieving revenues of EGP 2,012.5 million, up 33.1% y-o-y. This growth was fueled by a 29.4% y-o-y rise in the average price per pack and a 2.8% y-o-y increase in the number of packs sold. In the bakery segment, revenues grew by 37.8% y-o-y to reach EGP 1,057.7 million in 1Q2024, driven by a 30.6% y-o-y increase in the average price per pack and a 5.5% increase in the number of packs sold. During the same period, the wafers segment generated revenues of EGP 492.9 million, marking a remarkable 70.3% y-o-y increase, fueled by a substantial 44.6% rise in packs sold and a 17.8% increase in the average price per pack compared to 1Q2023. In the rusks segment, revenues grew 18.5% y-o-y to EGP 165.4 million in 1Q2024, attributed to a 52.8% y-o-y increase in the average price per pack, which outweighed a 22.4% y-o-y decrease in the number of packs sold. The candy segment demonstrated strong performance during the quarter, with revenue increasing by 121.8% y-o-y to EGP 136.7 million. This growth was supported by a notable 69.5% y-o-y increase in the number of packs sold and a 30.8% y-o-y rise in the average price per pack. For biscuits, revenue at the segment hit EGP 39.4 million, representing a three-fold increase, driven by a 157.2% y-o-y rise in the number of packs sold and a 61.2% increase in the average price per pack. In the new frozen segment, Edita generated EGP 22.9 million in revenue in the first quarter of 2024, following the introduction of its inaugural line under the Molto Forni brand in October 2023.

Edita's consolidated gross profit grew by 36.6% y-o-y to EGP 1,201.6 million, with year-on-year gross profit growth recorded in all segments except for rusks and the new frozen segment. Strong revenue growth, coupled with operational efficiency, effectively mitigated the impact of increased direct material costs.

Breaking down the segments, the cakes segment recorded a robust 45.8% y-o-y growth in gross profit to EGP 712.3 million in 1Q2024, with an expanded gross profit margin(GPM) of 35.4% compared to 32.3% in 1Q2023. Meanwhile, the bakery segment recorded a marginal increase in gross profit to EGP 243.8 million in 1Q2024, with a contracted GPM of 23.0% compared to 22.1% in 1Q2023. The wafers segment grew a solid 62.0% y-o-y to record a gross profit of EGP 159.7 million, with a GPM of 32.4% compared to 34.1% in 1Q2023. At the rusks segment, gross profit dropped slightly by 1.8% y-o-y to EGP 37.9 million in 1Q2024, with a GPM of 22.9% compared to 27.7% in 1Q2023. Gross profit in the candy segment more than tripled y-o-y to EGP 40.0 million, with an expanded GPM of 29.3% compared to 20.9% in the corresponding period last year. Moreover, the biscuits segment turned from a loss of EGP 0.5 million in 1Q2023 to generate EGP 9.1 million in gross profit in 1Q2024, with an improved GPM of 23.1% compared to -5.0% in 1Q2023.

### Revenue and Gross Profitability by Segment

	1Q2024	1Q2023
EGP mn		
<b>Cakes</b>		
Revenue	2,012.5	1,512.0
Gross Profit	712.3	493.0

<i>Gross Profit Margin</i>	35.4%
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### **Bakery**

Revenue	1,057.7
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Gross Profit	243.8
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<i>Gross Profit Margin</i>	23.0%
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### **Wafers**

Revenue	492.9
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Gross Profit	159.7
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Gross Profit Margin	32.4%
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### **Rusks**

Revenue	165.4
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Gross Profit	37.9
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Gross Profit Margin	22.9%
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### **Candy**

Revenue	136.7
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Gross Profit	40.0
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Gross Profit Margin	29.3%
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### **Biscuits**

Revenue	39.4
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Gross Profit	9.1
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Gross Profit Margin	23.2%
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### **Frozen**

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Revenue	22.9
Gross Profit	-1.3
Gross Profit Margin	-5.7%
<b>Total Revenues*</b>	<b>3,927.5</b>
<b>Total Gross Profit*</b>	<b>1,201.6</b>
<b>Total GPM</b>	<b>30.6%</b>

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

### Segment Volumes and Prices

	1Q2024	1Q2023
EGP		
<b>Cakes</b>		
Packs (mn)	690	690
Tons (000s)	19.6	19.6
Av. Price (EGP)	2.92	2.92
<b>Bakery</b>		
Packs (mn)	194	194
Tons (000s)	11.1	11.1
Av. Price (EGP)	5.47	5.47
<b>Wafers</b>		
Packs (mn)	173	173
Tons (000s)	3.7	3.7
Av. Price (EGP)	2.85	2.85

### Rusks

Packs (mn)	34
Tons (000s)	1.4
Av. Price (EGP)	4.89

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### Candy

Packs (mn)	23
Tons (000s)	1.1
Av. Price (EGP)	6.01

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### Biscuits

Packs (mn)	10
Tons (000s)	0.3
Av. Price (EGP)	3.94

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### Frozen

Packs (mn)	1
Tons (000s)	0.2
Av. Price (EGP)	38.54

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<b>Total Packs* (mn)</b>	<b>1,123</b>
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<b>Total Tons* (000s)</b>	<b>37.4</b>
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<b>Av. Price/Pack (EGP)</b>	<b>3.50</b>
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*\*Includes contributions from Edita's imports segment*

## Balance Sheet

The company's total loans and borrowings as at 31 March 2024 stood at EGP 2,694.0 million, up from EGP 2,030.5 million as at 31 December 2023. Total bank overdrafts recorded EGP 866.7 million as at 31 March 2024 versus EGP 596.7 million recorded as at the end of 2023. Cash balance stood at EGP 1,573.8 million as at 31 March 2024, up from EGP 1,356.3 million at year-end 2023. The Company recorded a net debt of EGP 1,120.3 million as at 31 March 2024 compared to EGP 674.2 million in net debt as at 31 December 2023.

Edita booked inventories of EGP 2,013.2 million as at 31 March 2024, up from EGP 1,867.0 million as at year-end 2023. Merchandise, trade and notes receivable stood at EGP 236.0 million as at 31 March 2024, up from EGP 159.6 million as at 31 December 2023.

Total CAPEX for the period ended 31 March 2024 came in at EGP 362.1 million, with approximately equal contributions between expansionary additions, machinery, and motor vehicle expenses, and a smaller contribution from total maintenance costs.

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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 confectionery/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 1Q2024, the Company derived 93.2% of its revenue from Egypt and 6.8% from regional export markets. Learn more at [ir.edita.com.eg](http://ir.edita.com.eg).

### **Forward-Looking Statements**

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as "according to estimates", "anticipates", "assumes", "believes", "could", "estimates", "expects", "forecasts", "intends", "is of the opinion", "may", "potential", "predicts", "projects", "should", "to the knowledge of", "will", "would" or, in each case their negatives or other expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding business and management, future growth or profitability, and general economic and regulatory conditions and other matters affecting the Company.

Forward-looking statements reflect the current views of the Company's management ("Management") on future events, which are based on the assumptions of the Management and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause the Company's actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements.

The Company's business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, or prediction to differ materially from those expressed or implied by the forward-looking statements contained in this prospectus. Information, opinions and forward-looking statements contained in this communication speak only as at its date and are subject to change without notice. The Company does not undertake any obligation to review, update, confirm or to release public information or revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this communication.

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