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Edita Food Industries Reports 3Q2024 Earnings

Edita continues strong price-driven growth in Q3, with revenues up 25.5% year-on-year to EGP 3.9 billion and improved quarter-on-quarter gross margin

Highlights of 3Q2024

Summary Income Statement (EGP mn)

EGP mn	3Q2024	3Q2023	Change
Revenue	3,912	3,116	25.5%
Gross Profit	1,220	1,034	18.0%
% Margin	31.2%	33.2%	
EBITDA	621	672	-7.6%
% Margin	15.9%	21.6%	
Net Profit	357	425	-15.9%
% Margin	9.1%	13.6%	

The discussion and analysis in this report are based on the IFRS statements.

Results in a Nutshell

Edita Food Industries S.A.E. (EFID.CA on the Egyptian Exchange & EFID.L on the London Stock Exchange), a leading Egyptian packaged snack food market, announced today its results for the quarter ended 30 September 2024. Consolidated revenues reached EGP 3.9 billion, reflecting a year-on-year increase of 25.5%, driven by continuous repricing efforts to overcome an inflationary environment. Gross profit rose by 18.0% y-o-y, amounting to EGP 1.2 billion, with a gross profit margin of 31.2%.

Further down the income statement, EBITDA recorded EGP 620.7 million, representing a 7.6% decline compared to the same period last year, with an associated margin of 15.9%. Net profit for the quarter came in at EGP 357.3 million, down 15.9% y-o-y with a margin of 9.1%. On a nine-month basis, revenues grew 36.0% y-o-y to EGP 11.9 billion, while net profit recorded EGP 1.1 billion with an associated margin of 9.3%.

In the third quarter of 2024, revenue grew by 25.5% y-o-y in 3Q2024, with the average price per pack rising by 50.0% to EGP 1.50. Moreover, the average price per ton increased by 43.4% compared to 3Q2023. During this period, the total number of packs sold decreased by 16.3% y-o-y, amounting to 828 million packs, primarily driven by lower volumes in the cake and bakery segments. Smaller segments, including wafers and candy, saw volume growth of over 10%, while rusks volumes increased by 14%, and biscuits volumes more than doubled during the period. Delving into the 9M2024 results, the average price per pack across Edita's portfolio rose by 36.2% y-o-y to EGP 4.00, while the average price per ton increased by 37.0%. Volumes remained stable during the period with 2,977 million packs sold.

Edita's gross profit grew by 18.0% y-o-y, reaching EGP 1,220.6 million in 3Q2024, with a margin of 31.2% versus 33.2% in 3Q2023. COGS rose by 27.1% year-on-year to EGP 2,250.4 million, driven by higher raw material prices and increased production costs, including manufacturing overhead (MOH) costs amid inflationary pressures. As a result, MOH as a percentage of sales inched up to 10.8% compared to 8.8% last year, reflecting higher operational costs. On a nine-month basis, gross profit rose by 27.1% y-o-y to EGP 3.5 billion, with a margin of 30.2% versus 32.3% in 9M2023, largely due to similar cost pressures.

Total SG&A expenses grew to EGP 646.2 million in 3Q2024, up 57.0% y-o-y, as a result of Edita's ongoing expansion of its distribution network to enhance market presence across diverse areas. This increase pushed the SG&A-to-revenue ratio to 5.4% compared to 13.2% in 3Q2023. Year-to-date, SG&A expenses grew by 50.8% to EGP 1.8 billion, accounting for 15.5% of total revenues, up from 13.9% in 9M2023.

EBITDA for 3Q2024 came in at EGP 620.7 million, marking a 7.6% y-o-y decline, with an associated margin of 15.9%. For the nine-month period, EBITDA increased by 7.2% y-o-y to EGP 1.9 billion, with a margin of 16.1% in 9M2023.

Net profit totaled EGP 357.3 million in 3Q2024, representing a 15.9% y-o-y decline, with a net profit margin of 9.1% for the quarter. Over the first nine months of 2024, net profit reached EGP 1,106.9 million, with a margin of 9.3%.

Gross export sales significantly increased during the quarter, climbing 71.9% y-o-y to reach EGP 533.1 million. This growth strengthened the contribution from export sales, which accounted for 13.8% of total revenues, compared to 10.0% last year. Growth was driven by strong demand in key markets such as Palestine, Libya, Iraq, and Jordan, which together comprised 85% of total exports.

Regionally, Edita Morocco delivered a 239.3% y-o-y growth, reaching EGP 122.3 million in 3Q2024, fueled by strong demand and distribution. For the nine-month period, Edita Morocco's revenues grew by 22.2% y-o-y, totaling EGP 317.2 million.

Operational Developments

Throughout the nine-month period, Edita expanded its portfolio and introduced higher price points across segments, emphasizing strong value propositions. The company migrated consumers to a higher 10 EGP price point, which was implemented in the cake, wafers, and biscuits segments through larger product sizes and new launches. In wafers, Edita launched vegan options and new flavors, while in biscuits, it diversified offerings with white chocolate coatings and spreads, catering to varied consumer preferences. Similarly, the bakery and salty snacks segments entered the 15 EGP price tier with tailored high-value offerings.

The candy segment delivered strong results, driven by the successful launch of innovative products like Fakka sizes, a larger size, and Lollies, showcasing Edita's ability to adapt to market demand. Meanwhile, the frozen baked goods segment sustained growth as Edita strategically refined its portfolio in response to market feedback. Through its Molto Forni brand, the company delivers freshly baked croissants, pizzas, pies, and puff pastries, underscoring its commitment to diversification and convenience.

On the industrial operations front, Edita successfully increased its capacity to better meet market demands. In July 2024, Edita began operating a bakery line, boosting production capacity by c.30%. Later on, in October 2024, the company also began operating a biscuit line, increasing its cake production capacity by c.28%. Additionally, process efficiency improvements led to a 9% increase in production. These developments highlight Edita's commitment to meeting rising consumer demand and further diversifying its product offerings.

Additionally, as part of its diversification strategy and efforts to drive growth in smaller segments, Edita signed its first toll manufacturing agreement with Misr Food Additives (MIFAD) in the biscuit segment this quarter. This partnership will double

production capacity for the Oniro brand, broaden the company's product portfolio, and allow it to capture demand in new categories within the biscuit market.

Overview of Segment Performance

In 3Q2024, Edita's total revenue amounted to EGP 3.9 billion, reflecting a 25.5% y-o-y growth, primarily driven by increases across its segments. Leading this performance, the cake segment generated EGP 1.9 billion in revenue, a 27.6% y-o-y increase. This growth was driven by a 56.1% y-o-y rise in the average price per pack, offsetting an 18.2% y-o-y decline in volumes. The bakery segment reported revenues of EGP 1.3 billion, marking an 11.3% y-o-y increase, with a substantial 54.5% y-o-y increase in price per pack compensating for a 27.9% y-o-y decline in volumes. Wafers segment revenues increased by 50.9% y-o-y to EGP 353.7 million, supported by a 36.7% y-o-y rise in price and a 10.3% y-o-y increase in the number of packs sold. The rusks segment saw a strong performance with revenues growing by 52.0% y-o-y to EGP 198.8 million during 3Q2024, driven by a 33.4% y-o-y increase in price per pack and a 14.0% y-o-y rise in volumes. The candy segment saw a 39.2% y-o-y growth in revenue, reaching EGP 105.2 million, primarily driven by a 26.5% y-o-y rise in price per pack and a 10.1% y-o-y increase in volumes sold. The biscuits segment reported the highest growth rate, with revenue surging by 126.4% y-o-y to EGP 34.9 million, thanks to a 105.5% y-o-y rise in volumes and a 10.1% y-o-y increase in price. The frozen segment generated EGP 14.0 million in revenue during the period.

In 3Q2024, Edita's consolidated gross profit rose to EGP 1.2 billion, marking an 18.0% y-o-y increase, driven by robust volume growth and achieving a gross profit margin (GPM) of 31.2%.

On a segment basis, the cakes' gross profit increased by 15.3% y-o-y to EGP 658.7 million, with a GPM of 34.4%, higher than the 29.5% in 2Q2024. The bakery segment also demonstrated growth, with gross profit rising by 17.6% y-o-y to EGP 391.7 million, with a GPM of 30.3%, an improvement over the 28.7% recorded in 3Q2023 and above 29.6% in 2Q2024. Wafers also grew, with gross profit rising 38.3% y-o-y to EGP 99.8 million, while its GPM recorded 28.2% during the period. The rusks segment booked a 52.0% y-o-y increase in gross profit to EGP 47.2 million, along with a GPM of 23.8%, marginally higher than the 22.4% in 2Q2024. The candy segment showed impressive growth, with gross profit increasing 25.4% y-o-y to EGP 29.2 million and a GPM of 27.7%. The biscuits segment, gross profit recorded EGP 2.4 million, reflecting a 37.5% y-o-y decline, with a GPM of 6.8% in 3Q2024.

Revenue and Gross Profitability by Segment

	3Q2024	3Q2023	Change	9M2024
EGP mn				
Cakes				
Revenue	1,913.9	1,499.4	27.6%	6,072.1
Gross Profit	658.7	571.1	15.3%	2,003.2
<i>Gross Profit Margin</i>	34.4%	38.1%	-3.7pts	33.0%
Bakery				
Revenue	1,291.5	1,160.1	11.3%	3,480.9
Gross Profit	391.7	333.0	17.6%	970.7
<i>Gross Profit Margin</i>	30.3%	28.7%	1.6pts	27.9%

Wafers

Revenue	353.7	234.4	50.9%	1,297.0
Gross Profit	99.8	72.1	38.3%	391.4
Gross Profit Margin	28.2%	30.8%	-2.6pts	30.2%

Rusks

Revenue	198.8	130.8	52.0%	525.2
Gross Profit	47.2	36.4	29.6%	121.3
Gross Profit Margin	23.8%	27.9%	-4.1pts	23.1%

Candy

Revenue	105.2	75.6	39.2%	355.9
Gross Profit	29.2	23.3	25.4%	102.7
Gross Profit Margin	27.7%	30.8%	-3.1pts	28.9%

Biscuits

Revenue	34.9	15.4	126.4%	112.6
Gross Profit	2.4	3.8	-37.5%	16.0
Gross Profit Margin	6.8%	24.7%	-17.9pts	14.2%

Frozen

Revenue	14.0	0.4	N/A	57.5
Gross Profit	(8.3)	(5.7)	45.9%	(11.7)
Gross Profit Margin	-59.6%	-	-	-20.4%

Total Revenues*	3,912.0	3,116.2	25.5%	11,901.2
Total Gross Profit*	1,220.6	1,034.1	18.0%	3,593.4
Total GPM	31.2%	33.2%	-2.0pts	30.2%

**Includes contributions from Edita's imports segment*

Segment Volumes and Prices

	3Q2024	3Q2023	Change	9M2024
EGP				
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Cakes				
Packs (mn)	482	590	-18.2%	1,820
Tons (000s)	14.0	15.2	-7.8%	51.0
Av. Price (EGP)	3.97	2.54	56.1%	3.30
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Bakery				
Packs (mn)	189	262	-27.9%	550
Tons (000s)	10.3	13.6	-24.2%	30.0
Av. Price (EGP)	6.84	4.43	54.5%	6.20
<hr/>				
Wafers				
Packs (mn)	95	86	10.3%	410
Tons (000s)	2.1	1.8	14.8%	8.0
Av. Price (EGP)	3.73	2.73	36.7%	3.10
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Rusks				
Packs (mn)	38	33	14.0%	100
Tons (000s)	1.5	1.3	14.7%	4.0
Av. Price (EGP)	5.22	3.91	33.4%	5.10
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Candy				
Packs (mn)	15	14	10.1%	50

Tons (000s)	0.5	0.8	-33.3%	2.0
Av. Price (EGP)	6.88	5.44	26.5%	6.6
Biscuits				
Packs (mn)	8	4	105.5%	2.0
Tons (000s)	0.2	0.1	82.5%	0.1
Av. Price (EGP)	4.25	3.86	10.1%	4.0
Frozen				
Packs (mn)	0.3	-	-	1.0
Tons (000s)	0.1	-	-	0.1
Av. Price (EGP)	52.84	-	-	45.8
Total Packs* (mn)	828	989	-16.3%	2,97
Total Tons* (000s)	28.8	32.9	-12.5%	98.8
Av. Price/Pack (EGP)	4.72	3.15	50.0%	4.0

*Includes contributions from Edita's imports segment

Balance Sheet

The company's total loans and borrowings as at 30 September 2024 stood at EGP 3,116.7 million, up from EGP 2,030.5 million as at 31 December 2023. Total bank overdrafts recorded EGP 839.1 million as at 30 September 2024 versus EGP 596.7 million recorded at the end of 2023. Cash balance stood at EGP 1,365.9 million as at 30 September 2024, up from EGP 1,356.3 million at year-end 2023. Edita recorded a net debt of EGP 1,750.9 million as at 30 September 2024 compared to EGP 674.2 million in net debt as at 31 December 2023.

Edita booked inventories of EGP 2,935.6 million as at 30 September 2024, up from EGP 1,867.0 million as at year-end 2023. Meanwhile, trade and notes receivable stood at EGP 188.9 million as at 30 September 2024, up from EGP 159.6 million as at 31 December 2023.

Total CAPEX for the period ending 30 September 2024 amounted to EGP 1,019.5 million, primarily driven by expansion-related investments in the cake and bakery productions lines, followed by expenses for motor vehicles.

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, while the EAS accounts for them as a distribution and are thus not included on the income statement. Also, EAS and IFRS differ in the treatment of

calculation of EBITDA. In 9M2024, EGP 30.7 million in FX gains and a profit share deduction of EGP 116.6 million were subtracted from EBITDA, bringing total EAS to IFRS adjustments on EBITDA to EGP 196.1 million. A reconciliation between Edita's financial statements in EAS with the IFRS-based financial statements for 9M2024 is provided in the table below.

in EGP mn*	9M2024 EAS	Adjustments	9M2024 IFRS
Net Sales	11,901.2		11,901.2
COGS (excluding MOH)	7,067.5		7,067.5
MOH	1,054.7	(57.8)	1,112.5
Total	8,249.7		8,307.8
Gross Profit	3,651.5	58.1	3,593.41
Selling & Distribution Exp.	596.9	(30.2)	627.1
Advertising & Marketing Exp.	436.7		436.7
General & Admin. Exp.	748.8	(28.6)	777.4
Other Operations Cost	116.1	0.9	115.1
Profit from Operations	1,753.1	116.0	1,637.1
<i>Profit from Operations Margin</i>	14.7%		13.8%
Other Income/Expense	54.3		54.3
Profit before Income Tax	1,661.7	146.9	1,514.8
Income Tax Expense	407.9		407.9
Net Profit after Tax	1,253.9	147.0	1,106.9
EBITDA	2,108.2	196.1	1,912.1
<i>EBITDA Margin</i>	17.7%		16.1%

*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 3Q2024, the Company derived 86.2% of its revenue from Egypt and 13.8% from regional export markets. Learn more at ir.edita.com.eg.

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Forward-Looking Statements

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