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Edita Food Industries Reports 1Q2023 Earnings

Edita starts off the year with a strong set of results with revenue reaching EGP 2.8 billion, up 78.3% y-o-y, and net profit increasing 2.5x year-on-year to EGP 375.4 million with a net profit margin of 13.5%.

Highlights of 1Q2023

Summary Income Statement (EGP mn)

EGP mn	1Q2023	1Q2022	1Q2023
Revenue	2,779.7	1,559.0	2,779.7
Gross Profit	879.7	556.6	879.7
% Margin	31.6%	35.7%	31.6%
EBITDA	527.6	293.4	527.6
% Margin	19.0%	18.8%	19.0%
Net Profit	375.4	148.1	375.4
% Margin	13.5%	9.5%	13.5%

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 31 March 2023, recording revenue of EGP 2,779.7 million, a 78.3% y-o-y increase. Profitability continued to improve despite a challenging operating environment as reflected on gross profit and net profit results. Edita saw a 58.0% y-o-y gross profit expansion at EGP 879.7 million while net profit recorded EGP 375.4 million in 1Q2023, up an impressive 153.5% y-o-y with an improved net profit margin of 13.5% compared to 9.5% in the same quarter last year.

Edita's business model has proven its resilience in navigating economic headwinds, as the company carried over the growth momentum from 2022 into the new year. The company's agility and quick response to shifting market dynamics led to an exemplary performance in the first quarter of 2023. Through a series of strategies and initiatives, Edita's revenue was driven by both higher prices and volume growth. In 1Q2023, the average price per pack reached EGP 2.69, up 40.8% y-o-y, and average price per ton increased 63.9% y-o-y, driven by direct and indirect price increases to alleviate the pressure on profitability margins. Capitalizing on its leading market position and brand equity, the company maintained strong demand for its products despite the migration to higher price-points. On the volumes front, Edita saw a 34.4% y-o-y increase in total packs sold to 1,034.5 million, with cake and bakery being the primary contributors to volume growth in 1Q2023.

In 1Q2023, gross profit reached EGP 879.7 million, up a significant 58.0% y-o-y, driven by price increases and manufacturing overheads (MOH) efficiencies. Gross profit margin was squeezed recording 31.6% in 1Q2023 versus the 35.7% booked last year as the devaluation affected the company's cost base. In 1Q2023, cost of sales reached EGP 1,619.0 million, doubling year-on-year, due to significant increases in the cost of direct material components. MOH declined to 9.0% as a percentage of sales in 1Q2023 compared to 10.6% in 1Q2022 on the back of economies of scale and further efficiencies.

Total SG&A for 1Q2023 stood at EGP 391.9 million, up 33.9% y-o-y; however, SG&A as a percentage of total sales declined to 14.1% compared to 18.8% in the first quarter of last year due to operational leverage.

EBITDA for the quarter recorded EGP 527.6 million, up 79.8% y-o-y, with a stable EBITDA margin of 19.0% compared to 18.8% in 1Q2022. Improved EBITDA was supported by SG&A efficiency and a high operating leverage.

In 1Q2023, net profit grew an impressive 153.5% y-o-y to EGP 375.4 million with an improved net profit margin of 13.5% compared to 9.5% in 1Q2022, supported by strong performance down the income statement. Edita also benefitted from a EGP 47.1 million FX gain due to the revaluation of its USD cash position during the quarter.

Edita recorded gross export sales of EGP 238.0 million, up by a strong 204.0% y-o-y and contributing 9.0% to total revenues during the quarter compared to 5.0% in 1Q2022. In USD terms, export sales booked USD 7.9 million, up 66.2% y-o-y.

On the regional front, Edita Morocco recorded EGP 149.5 million in revenue and sold 48.4 million packs in the first quarter of 2023. As of the end of 1Q2023, Edita Morocco captured a 11.4% market share and is set to grow further this year as it capitalizes on the addition of its new Twinkies production line and expanded capacity.

Operational Developments

Introducing innovative and differentiated products that cater to the evolving tastes of consumers will continue to be a focal point for the company this year. In the first weeks of 2023, Edita launched Molto Magnum Mix in three flavours: chocolate and cream, salted caramel and cream as well as strawberry cheesecake and cream. The product was offered in two sizes, single serve croissant and mini croissants, both retailing at EGP 10 per pack. Furthermore, Edita rolled out Molto XXL Plus, a new variation of the popular Molto XXL with additional filling. In April, the company launched Oniro Coated Lava, a chocolate and vanilla biscuit filled with chocolate hazelnut cream and coated with chocolate. The product is retailing at EGP 5 per pack and is in line with the company's strategy to continue diversifying its product portfolio.

In March, Edita unveiled its new branding and logo reflecting its accelerated growth and redefined strategy focusing on product diversity and regional expansion. The new logo, which has been rolled across the company's products and marketing material, captures the notion of diversity, growth, teamwork and the richness of the portfolio.

Edita was able to mitigate the effects of global inflationary pressures and supply chain disruptions through its long-standing relationships with global and local suppliers. The company is navigating the challenging operating environment by implementing a series of initiatives including widening the price spectrum across the whole portfolio, product reconfiguration, price adjustments through direct and indirect price increases and migrating consumers to higher price points.

Overview of Segment Performance

On a segment basis, Edita's consolidated top-line grew 78.3% y-o-y, with revenue at five of the six segments benefitting from a combination of higher prices and volumes. The main contributor to consolidated revenue growth was the cakes segment, which recorded a revenue of EGP 1,512.2 million in 1Q2023, up 114.8% y-o-y versus 1Q2022. Growth in the cakes segment was supported by a 54.8% y-o-y increase in packs sold coupled with a 38.7% increase in average price per pack. At the bakery segment, volumes have recovered following multiple rounds of direct price increases over the past year. Consequently, revenue grew by 66.7% y-o-y in 1Q2023 to EGP 767.5 million on the back of a 23.0% y-o-y increase in volume sold and a 35.6% y-o-y increase in the average price per pack. Meanwhile, revenue at the wafers segment grew 19.1% y-o-y to EGP 289.4 million as the average price per pack increased 31.3% y-o-y offsetting a 9.3% y-o-y drop in packs sold. Revenue at the rusks segment expanded 50.2% y-o-y in 1Q2023 to EGP 139.5 million driven by a 43.8% y-o-y increase in average price per pack and 4.5% y-o-y increase in volume sold. Revenue in the candy segment grew 39.3% y-o-y to EGP 61.6 million in 1Q2023, as a 69.7% y-o-y increase in volume sold outweighed the 17.9% y-o-y decrease in average price per pack. Finally, revenue at the biscuits segment fell 33.0% y-o-y EGP 9.5 million in 1Q2023 as volume of packs sold decreased by 33.4% y-o-y and average price per pack remained relatively stable year-on-year.

Consolidated gross profit rose 58.0% y-o-y in 1Q2023 to reach EGP 879.7 million with year-on-year gross profit growth recorded across all segments, with the exception of biscuits. While gross profit margin was squeezed given the inflationary environment and elevated cost base, Edita continued to implement different methodologies to protect its profitability. MOH efficiencies along with pricing strategies and portfolio optimization helped mitigate the effect of rising costs.

The cakes segment recorded a year-on-year gross profit growth of 84.7% in 1Q2023 with a gross profit of EGP 488.6 million and a GPM of 32.3% compared to 37.6% in 1Q2022. At the bakery segment, gross profit grew 48.9% y-o-y to EGP 241.4 million in 1Q2023, with a GPM of 31.5% versus 35.2% in 1Q2022. Meanwhile, the wafers segment saw a year-on-year gross profit expansion of 16.3% in 1Q2023 to EGP 98.6 million with a GPM of 34.1% versus the 34.9% booked in 1Q2022. The rusks segment recorded a gross profit of EGP 38.6 million, up 24.5% y-o-y, with a GPM of 27.7% versus 33.4% in 1Q2022. Gross profit in the candy segment reached EGP 12.9 million, up 36.0% y-o-y, with a GPM of 20.9% compared to 21.4% in 1Q2022. Finally, the biscuits segment's gross profit declined 110.5% y-o-y to negative EGP 0.5 million with a GPM of -5.0% versus 32.0% in 1Q2022.

Revenue and Gross Profitability by Segment

EGP mn	1Q2023	1Q2022	Change
Cakes			
Revenue	1,512.2	704.0	114.8%
Gross Profit	488.6	264.5	84.7%
Gross Profit Margin	32.3%	37.6%	-5.3pts
Bakery			
Revenue	767.5	460.4	66.7%
Gross Profit	241.4	162.2	48.9%

<i>Gross Profit Margin</i>	31.5%	35.2%	-3.8pts
Wafers			
Revenue	289.4	243.1	19.1%
Gross Profit	98.6	84.8	16.3%
<i>Gross Profit Margin</i>	34.1%	34.9%	-0.8pts
Rusks			
Revenue	139.5	92.9	50.2%
Gross Profit	38.6	31.0	24.5%
<i>Gross Profit Margin</i>	27.7%	33.4%	-5.7pts
Candy			
Revenue	61.6	44.3	39.3%
Gross Profit	12.9	9.5	36.0%
<i>Gross Profit Margin</i>	20.9%	21.4%	-0.5pts
Biscuits			
Revenue	9.5	14.2	-33.0%
Gross Profit	(0.5)	4.5	-
<i>Gross Profit Margin</i>	-5.0%	32.0%	-37.0pts
Total Revenues*	2,779.7	1,559.0	78.3%
Total Gross Profit*	879.7	556.6	58.0%
Total GPM	31.6%	35.7%	-4.1pts

*Includes contributions from Edita's imports segment

Segment Volumes and Prices	1Q2023	1Q2022	Change
EGP			
Cakes			
Packs (mn)	671	433	54.8%
Tons (000s)	19.4	13.8	41.1%
Av. Price (EGP)	2.26	1.63	38.7%
Bakery			
Packs (mn)	183	149	23.0%
Tons (000s)	10.0	9.1	10.6%
Av. Price (EGP)	4.18	3.09	35.6%

Wafers			
Packs (mn)	120	132	-9.3%
Tons (000s)	2.6	3.0	-12.5%
Av. Price (EGP)	2.42	1.84	31.3%
Rusks			
Packs (mn)	44	42	4.5%
Tons (000s)	1.6	1.6	-1.6%
Av. Price (EGP)	3.20	2.23	43.8%
Candy			
Packs (mn)	13	8	69.7%
Tons (000s)	0.9	0.8	7.8%
Av. Price (EGP)	4.59	5.59	-17.9%
Biscuits			
Packs (mn)	4	6	-33.4%
Tons (000s)	0.2	0.2	-33.6%
Av. Price (EGP)	2.45	2.43	0.6%
Total Packs* (mn)	1,035	770	34.4%
Total Tons* (000s)	34.8	28.6	21.8%
Av. Price/Pack (EGP)	2.69	1.91	40.8%

*Includes contributions from Edita's imports segment

Balance Sheet

The company's total loans and borrowings as at 31 March 2023 stood at EGP 1,451.9 million, down from EGP 1,496.9 million as at year-end 2022. Total bank overdrafts recorded EGP 349.9 million as at 31 March 2023 down from EGP 501.7 million at year-end 2022. Cash balance stood at EGP 1.6 billion as at 31 March 2023 versus EGP 1.4 billion at year-end 2022. Edita recorded a net cash balance of EGP 108.1 million as at 31 March 2023 compared to EGP 107.8 million in net debt at year-end 2022.

Edita's reported inventories of EGP 1,314.2 million as at 31 March 2023, up from EGP 981.5 million as at 31 December 2022. Meanwhile, trade receivables stood at EGP 196.8 million as at 31 March 2023, up from EGP 141.9 million as at 31 December 2022.

Total CAPEX for the quarter ended 31 March 2023 was EGP 80.6 million including maintenance and expansion 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, 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 calculation of EBITDA. In 1Q2023, EGP 47.1 million in FX gain and EGP 0.3 million related to gains on the sale of fixed assets were deducted from EBITDA. Moreover, a profit share deduction of EGP 24.9 million was made, bringing total EAS to IFRS adjustments on EBITDA to EGP 72.3 million. A reconciliation between Edita's financial statements in EAS with the IFRS-based financial statements for 1Q2023 is provided in the table below.

in EGP mn*	1Q2023 EAS	Adjustment	1Q2023 IFRS
Net Sales	2,779.7		2,779.7
COGS (excluding MOH)	1,619.0		1,619.0
MOH	239.8	(11.3)	251.1
Total	1,858.8	(11.3)	1,870.2
Gross Profit	891.0	11.3	879.7
<i>Gross Profit Margin</i>	<i>32.1%</i>		<i>31.6%</i>
Selling & Distribution Exp.	122.1	(7.6)	129.6

Advertising & Marketing Exp.	100.7		100.7
General & Admin. Exp.	155.5	(6.0)	161.5
Other Operational Exp.	24.9	0.7	24.2
Profit from Operations	487.8	24.3	463.5
<i>Profit from Operations Margin</i>	<i>17.5%</i>		<i>16.7%</i>
Lease Finance Interest	3.9	(0.3)	4.1
Profit Before Income Tax	527.2	24.5	502.7
Income Tax Expense	127.3		127.3
Net Profit After Tax	399.9	24.5	375.4
<i>Net Profit After Tax Margin</i>	<i>14.4%</i>		<i>13.5%</i>
EBITDA	599.9	72.3	527.6
<i>EBITDA Margin</i>	<i>21.6%</i>		<i>19.0%</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 wheat), 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, HOHOs 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 1Q2023, the Company derived 91.0% of its revenue from Egypt and 9.0% from regional export markets. Learn more at i.edita.com.eg

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