Edita Food Industries Reports 1Q2016 Earnings

Operating margins sustained on the back of price point migration strategy; bottom line weighed-down by FX losses owing to devaluation of the Egyptian pound.

Cairo, 12 May 2016

Edita Food Industries S.A.E. (EFID.CA on the Egyptian Exchange and EFIDq.L on the London Stock Exchange), a leader in the Egyptian packaged snack food market with dominating market shares in its core cake and croissant segments, announced today its results for the first quarter of 2016, reporting revenues of EGP 518.1 million, down 2.0% y-o-y compared to EGP 528.9 million in 1Q2015. Contributors to revenue continued to be weighed towards the cake and croissant segments at 50.5% and 33.0%, respectively, compared to 58.4% and 28.3% in the same period last year. Net profit after tax and minority interest came in at EGP 32.7 million in 1Q2016, a 45.1% y-o-y decline on the back of FX losses of EGP 44.5 million during the quarter

The decline in revenues came primarily on the back of lower capacity utilization in Edita's cake segment (at 64% in 1Q2016 compared to 98% in 1Q2015) following the company's delisting of the Twinkies SKU and the introduction of the higher-priced Twinkies Extra in September 2015. The decrease is in line with the company's price-point migration strategy, a consequence of which is an overall short-term decline in volumes in return for higher margins enhanced profitability over the long-term and. This is clearly evident in the cake segment's performance, where despite a 15.3% decline in revenues y-o-y, gross profit margin stood at 43.4% in 1Q2016 compared to 38.7% in the same period last year.

Commenting on the quarter's performance, **Edita Chairman and Managing Director Eng. Hani Berzi** said: "The year ahead of us will see our on-the-ground efforts become increasingly reflected on our financial performance, with continued margin expansion and enhanced profitability. Being the dominant market player in our core segments, Edita is taking the lead in the inevitable realignment of market prices to better reflect the prevailing inflationary environment, with the increase being led by our cakes segment, where the average price point increased by 29% in 1Q2016 to EGP 0.68 compared to EGP 0.53 in 1Q2015.

Added **Berzi:** "The first quarter of the year also saw us take our first steps toward the introduction of 11 new products at higher price points. These are products for which we acquired last year the production know-how and technical assistance from Hostess Brands LLC. The TODO Bomb launched at the end of March 2016 is the first step on this road map and is in line with our strategy of providing the market with higher-value offers while protecting margins and delivering profitable growth."

Edita's gross profit in 1Q2016 inched up 1.5% over 1Q2015 to EGP 205.7 million, gross profit margin (GPM) improving to 39.7% compared to 38.3% the year before. Notably: based on the recommendation of Edita's auditor to adopt the IAS 19 accounting treatment for employee profit shares, stipulating that amounts are to be accrued quarterly as opposed to being booked entirely during the first quarter, Edita has recorded EGP 6.5 million in employees profit sharing in 1Q2016 based on the company's best estimate that total distributions in FY2016 will amount to EGP 26 million. This compares to EGP 22 million for FY2015 that were booked entirely during the first quarter of the year. Employees profit share is typically divided between the manufacturing overheads component of cost of sales; selling and distribution expenses; and general and administrative expenses. The change in accounting treatment has accordingly had a direct effect on operating margins down the income statement.

At the EBITDA level, the company posted a 9.1% increase from EGP 105.2 million in 1Q2015 to EGP 114.8 million in 1Q2016. EBITDA margin came in at 22.2% compared to 19.9% last year, despite the aggressive marketing campaign to support the roll-out of new products as well as an overall decrease in top-line revenues.

Edita's net profit after tax and minority interest came in at EGP 32.7 million in 1Q2016, compared to EGP 59.5 million in the same period last year. The decline in bottom-line owes to FX losses of EGP 44.5 million during the quarter as a result of the 13.5% devaluation of the Egyptian pound, which consequently led the company to revalue its foreign currency-denominated liabilities.

Edita continues to maintain close to 100% brand awareness in its core markets, namely the croissant and cake segments, while awareness of its wafer products currently stands at 81%. Meanwhile, the candy segment is also becoming a key contributor to Edita's revenues, with the expansion of the Mimix brand across Egypt setting the stage for the new candy line in Beni Suef, with operations expected to commence during the second half of 2016.

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About Edita Food Industries S.A.E.

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, croissants, rusks (baked wheat), and wafers 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* and *MiMix*. The Company also has the exclusive ownership of the international HTT 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 HTT brands across its territories. The Company holds strong number-one market positions in its core cake and croissant segments, a number-two market position in rusks, and growing market positions in the wafers and candy segments. In 1Q2016, the Company derived c.93% of its revenue from Egypt and c.7% from over 14 regional export markets. Learn more at ir.edita.com.eg.

Contacts

Ms. Menna Shams El Din
Investor Relations & Business Development Manager
T: +202 3851-6464 | M: +2010 0 154 2428 | menna.shamseldin@edita.com.eg

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