Edita Food Industries Reports 1Q2017 Earnings

Edita delivers solid top-line growth with revenues climbing 24.0% y-o-y in 1Q2017; bottom-line likewise turns a 23.5% y-o-y growth with operating margins remaining healthy and consumers continuing to adapt to new price points

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Edita Food Industries S.A.E. (EFID.CA on the Egyptian Exchange & EFIDq.L on the London Stock Exchange), a leader in the Egyptian packaged snack food market, announced today its results for the quarter ending 31 March 2017, reporting revenues of EGP 642.4 million, up a solid 24.0% y-o-y, and filtering down to a net profit of EGP 40.4 million, up 23.5% y-o-y.

Strong revenue growth in the first quarter of the year came thanks to Edita's repricing and portfolio optimization strategy, which the company rolled out starting September 2015 and accelerated in 4Q2016 to address a rapidly changing macroeconomic environment. The strategy allowed Edita to continue driving top-line growth and support its margins throughout a period characterized by unprecedented inflationary pressures driven by the Egyptian government's structural reforms, including the introduction of a value-added tax, the float of the Egyptian pound in November 2016 and the partial lifting of energy subsidies.

Commenting on the quarter's performance, **Edita Chairman and Managing Director Eng. Hani Berzi** said: "With a full quarter now behind us following the November 2016 float of the Egyptian pound, we have better visibility on how the market is adapting to the impact of the ongoing macroeconomic program. Consumers continue to adapt to our pricing strategy month-on-month as underscored by a healthy 24% y-o-y growth in 1Q2017 revenues to EGP 642 million. Meanwhile, the quarter just ended saw us introduce a number of new innovative products as part of our efforts to relieve downward pressure on volumes and strengthen our market share leadership."

Management notes that production capacity freed by lower volumes on existing SKUs allowed the company to rapidly introduce new innovative propositions, with 1Q2017 witnessing the launch of several new products across all segments, in line with the company's long-term growth strategy.

Meanwhile, Edita's gross profit improved 6.9% y-o-y to close the quarter at EGP 219.8 million, with gross profit margin (GPM) supported at a healthy 34.2% despite the prevailing challenges. Management supported profitability with a mix of both price increases and through cost-control initiatives as well as localizing some of its imported raw material. Additionally, Edita was successful in maintaining manufacturing overheads at c.12% of sales, partially offsetting a 39.7% y-o-y increase in cost of direct materials driven by the float of the Egyptian pound in November 2016. Overall, the sharp inflationary pressure saw cost of goods sold (COGS) increase 35.3% y-o-y to EGP 422.6 million in 1Q2017.

In line with the company's immediate strategy of supporting its new product launches and stimulating both consumer and wholesale demand to preserve its market leadership, Edita's Selling, General & Administrative (SG&A) spend as a percentage of sales increased to 22.7% during the quarter compared to 20.7% in 1Q2016, booking a total of EGP 145.7 million in 1Q2017. Management notes that a high marketing spend in the first half is a seasonal effect and is more pronounced this year by the need to support new product launches and price increases.

Edita incurred finance costs totaling EGP 22.8 million in 1Q2017, up 115.1% y-o-y on the back of further utilization of its facilities as well as sharply higher interest rates that accompanied the devaluation of the Egyptian Pound. Nevertheless, Edita's bottom-line grew 23.5% y-o-y in 1Q2017 recording a Net Profit (NPAT) of EGP 40.4 million.

"Our goal for the balance of the year is to restore volumes and continue to support our margins on better utilization rates. Going forward, we are particularly focused on leveraging our in-house R&D capabilities, technical know-how and strong brand equity among consumers to continue rolling-out innovative products across the price spectrum and capture a larger share of the market." Berzi added.

"While 2017 is clearly a transition year, we take comfort in the resilience of consumer demand across our product portfolio and believe we are very well positioned to gain further market share and extract higher value from our target segments. We are also mindful that this transition period and the forces driving it will present a number of unique opportunities to grow our exports and to expand at home and abroad," he concluded.

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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 Q12017, 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 Director
T: +202 3851-6464 | M: +2010 0 154 2428 | menna.shamseldin@edita.com.eg

Ms. Yasmine Ghobrial
Senior Investor Relations Specialist
T: +202 3851-6464 | M: +2012 2 756 3935 | yasmine.ghobrial@edita.com.eg

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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.

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