



## Edita Food Industries Reports Strong Growth in Revenues and Stable Net Profit<sup>1</sup> as it Releases 2Q2015 Earnings

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*Egypt's leading producer of packaged snack foods continued to lay the groundwork for future growth in a quarter that saw the ramp-up of production on new lines during low season. In parallel, the company reported lower-than-expected production volumes on the back of work stoppages related to upgrades and a municipal water-system-maintenance shutdown that impacted a key plant.*

Cairo, 13 August 2015

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 number-one market shares in its core cake and croissant segments, announced today its results for the second quarter of 2015, reporting revenues of EGP 514.8 million, a 13.1% increase over 2Q2014. Net profit after tax was flat year-on-year in the quarter at EGP 67 million as the company commissioned new lines, incurred one-off ramp-up costs for those new lines, rolled-out its first corporate-level “Edita” marketing campaign and expensed net IPO costs.

This year, second quarter overlapped not just the annual school-year examination period, but also the month of Ramadan; both are customarily slow seasons for FMCG companies in general and for snack-food producers in particular. Moreover, wholesalers directed expenditures in the latter weeks of the quarter to cigarette and cooking oil SKUs in anticipation of price rises at the start of 3Q2015, leaving comparatively less liquidity for snack foods.

Against that backdrop, the largest contributors to revenues were cakes (57.4%) and croissants (29.8%), with combined sales of c. EGP 448 million.

Commenting on the quarter’s performance and the outlook for the year, **Edita Chairman and Managing Director Eng. Hani Berzi** said: “The second quarter of 2015 was a landmark for Edita: We continued to build a platform for future growth and concluded our highly successful IPO at the same time as we delivered solid top-line growth as the traditional slow season of Ramadan overlapped with a larger portion of 2Q. We continued to deliver improvements in both production mix and average factory prices — and look forward to realizing later this year the first fruits of initiatives that we anticipate will deliver sustainable growth.”

All product categories posted double-digit revenue growth during 2Q2015 in percentage terms, with sales of the core croissant and cake segments each growing 10.4% in revenue terms. The comparatively small candy segment, Edita’s newest product segment, grew 60.1%, followed by wafers at 42.7% and rusks at 16.9%. Management continues to target higher production volumes through both enhancements in production planning as well as capacity expansions.

Also a contributor to revenue growth was the overall increase in average selling price per SKU. As a result of Edita’s continued re-engineering of its portfolio mix, the launch of larger sized SKUs, and the delisting of the smaller SKUs, the average selling price per SKU for the portfolio as a whole increased 2.8% in the first half of 2015 compared with the same period last year to EGP 0.63 per SKU.

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<sup>1</sup> Based on IFRS audited financial statements



Edita's ratio of cost of goods sold to sales climbed fractionally by 0.5 ppt in 2Q2015 to 62.4%, reflecting in part an increase in manufacturing overheads and trial production costs associated with new lines that are not yet making contributions to sales. Also making an impact in the three months ending 30 June: new energy prices introduced in 2H2014 as well as costs associated with travel and training for the departments involved in acquiring know-how for the introduction of new products acquired from Hostess. Direct materials costs have been stable year-to-date, with Edita benefitting from having locked-in favorable pricing on direct production inputs including cocoa and packaging, the cost of which has risen in-market since the beginning of the year. In parallel, the Supply Chain Department has been able to secure through 1Q2016 supplies of commodities that have fallen in value this year, including milk powder.

Gross profit margin accordingly inched down 0.4 ppt to 37.6% on a second-quarter basis, but was up 0.6 ppt in the first half thanks to better utilization year-on-year and the launch of higher margin SKUs.

Management continued throughout the second quarter to support a calculated ramp-up in expenditures to support growth, with selling and distribution costs rising 1 ppt to 7.8% of revenues in 2Q2015 as Edita worked to both deepen retail channels while expanding geographical coverage. This strategy contributed to a net gain of distribution clients, with Edita directly serving a total of 5,246 wholesalers and 57,982 retailers at the end of the quarter. As part of the drive to widen the company's distribution footprint, management will inaugurate in 3Q2015 three new distribution centers, bringing the company's total at that time to 21. Meanwhile, advertising and marketing expenses remained within industry norms despite new spending on Edita's first corporate campaign, while an uptick in general and administrative expenses reflects one-time costs associated with the company's public offering and listing as well as periodic wage and salary increases.

In conclusion, **Berzi** said: "This is a platform year for Edita: new contracts, new products and our investment growing production capacity will help us deliver sustainable growth. Key in this respect will be the signing of two contracts with Hostess Brands LLC. One agreement gives us ownership of our core HTT brands in 12 additional countries across the MENA region, while another gives us the know-how and technical assistance to produce a further 11 Hostess brands across the expanded region. Moreover, not all products are cake-based.

"The roll-out of these new Hostess Brands products will be supported by an agreement we finalized in May to acquire 55,000 square meters of land in Sixth of October's Polaris Al-Zamil district. Located in close proximity to our existing E07 plant, the land will be home to E08, a new facility that will allow us to expand our capacity to produce existing products while simultaneously introducing the new Hostess Brands products. At the same time, we have added 32,000 tons of new production capacity in 1H2015 in addition to the existing 2014 capacity of 101,100 tons/annum. The latest addition was a croissant line that came into service in April and that is still in the ramp-up phase.

"Earlier this month, we launched a new and more premium variant to our croissant segment, Molto Mix, a double-filled croissant with two fillings, bringing our total number of SKUs to 71. Our new Bake Rolz and Strudel lines are also scheduled for commissioning by December 2015 and 1Q2016, respectively. New brands, new products and new capacity to flexibly respond to market demand for our core products sees us increasingly confident not just in our ability to capitalize not just on improving consumer sentiment in Egypt, but also to capture prospects in high-potential export territories."

—Ends—



## 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 1Q2015, the Company derived c.94% of its revenue from Egypt and c.6% from over 13 regional export markets. Learn more at [ir.edita.com.eg](http://ir.edita.com.eg).

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