



Edita Food Industries Reports 2Q2016 Earnings

Edita continues to report healthy growth and margin levels despite the challenging macroeconomic conditions and inflationary pressures on its cost base; Price-point migration strategy gained decisive traction in 2Q.

Cairo, 09 August 2016

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 with dominating market shares in its core cake and croissant segments, announced today its results for the second quarter of 2016, reporting revenues of EGP 550.2 million, up 6.9% y-o-y compared to EGP 514.8 million in the same period last year. For the six-month period ending June 2016, revenues came in at EGP 1,068.3 million, up 2.4% year-on-year. Contributors to revenue continued to be weighed towards the cake and croissant segments at 50.3% and 33.4%, respectively, compared to 57.9% and 29.0% in the same period last year.

Edita showed strong growth in the croissant, rusks, and candy segments despite the seasonality witnessed during the month of Ramadan where demand for packaged snack foods is somewhat subdued. Edita's croissant and rusks segments posted solid revenue growth in 2Q2016 of 21.5% and 100.5%, respectively, buoyed by new capacities added in 2015 and the launch of the strudel line in March 2016. The candy segment also posted impressive sales growth of 18.7% y-o-y, while seasonal demand patterns for chocolate-coated wafers saw Edita's Freska sales (the company's flagship wafer product) decline by 14.3% y-o-y in 2Q2016.

Top line growth, however, was somewhat muted by the ongoing recovery in cake sales as the market adjusts to a new pricing structure on the higher-margin SKUs introduced to the segment in 4Q2015.

Commenting on the quarter's performance, **Edita Chairman and Managing Director Eng. Hani Berzi** said: "We are very pleased with this quarter's results, which reflect the success of our strategy to manage the external environment and macro challenges that most Egyptian corporations are facing. Revenues returned to growth both year-on-year and quarter-on-quarter thanks to strong sales performances in the croissant, rusks, and candy segments. Critically, the ongoing recovery in cake sales is gaining momentum as consumers adjust to higher-priced, higher-margin products, making clear that our price-point migration strategy is turning the corner. This will allow us to protect margins and deliver quality earnings growth as we go forward. We read the market, we timed the price-point migration exceptionally well, and we're pushing ahead with our market leadership intact."

Strong management of cost structure helped protect gross margins, which eased fractionally despite significant inflationary pressure, closing the quarter at 36.7% (2Q2015: 37.6%). Relative stability in gross margins comes despite the ongoing shortage of foreign currency in Egypt and the March 2016 devaluation of the Egyptian Pound, the result of which has been rising direct materials costs. Coupled with the company's successful price-point migration strategy, GPM for 1H2016 was maintained at 38.2% compared to 38.0% in 1H2015.

Also impacting GPM is the booking of employee profit share expenses quarterly on an accrual basis based on its auditor's recommendation to adopt IAS 19 (announced in our 1Q2016 earnings). Edita has thus recorded



EGP 6.5 million in employee profit share costs in 1Q2016 and EGP 6.5 million in 2Q2016, based on the company's best estimate that total distributions in FY2016 will amount to EGP 26.0 million divided over the four quarters. In comparison, FY2015 saw EGP 22.0 million booked entirely during the first quarter of the year.

EBITDA for the second quarter eased 17.8% y-o-y to EGP 96.3 million, while the EBITDA margin declined to 17.5% against 22.8% a year ago. This reflects significant increases in sales and marketing spending to support the successful roll-out of new products at higher price points — a move now being followed by others in the market. On a six-month basis, the decline in EBITDA was comparatively muted at 5.1% to EGP 211.1 million. EBITDA margin for 1H2016 stood at 19.8% against 21.3% in 1H2015.

Management notes that the company booked total provisions of EGP 4.7 million of which EGP 3.0 million relate to FX provisions to cover potential FX losses during the quarter. Management intends to continue booking FX provisions of EGP 3.0 million on a monthly basis until year end. Meanwhile finance costs increased from EGP 9.5 million in 2Q2015 to EGP 14.4 million in 2Q2016.

Edita's Net Profit after Tax and Minority Interest closed 2Q2016 at EGP 41.6 million, down 37.9% y-o-y and with a net margin of 7.6% compared 13.0% in 2Q2015. Meanwhile, on a q-o-q basis, bottom-line increased 27.2% with NPM improving 1.3 percentage points from 6.3%. Overall, the company's bottom-line for 1H2016 came in at EGP 74.3 million, down from EGP 126.4 million last year.

"The success of our price-point migration strategy in the quarter underscores the fundamental strengths of our organization: We know our market. We're not afraid to make gutsy calls," added Berzi. "Our R&D and marketing operations are second to none. And our distribution network truly national in scope. This is how we are now laying the groundwork for future growth through expansion of production capacity and new product launches. Work on our E08 factory is on time and on budget and the first phase will have as many as five to six new lines with a contract for a new wafer line already finalized. We're very excited about our Keystone project, which, in addition to supporting new product launches — and, possibly, new segments — as we move into 2017, it will also safeguard our recipes and our product-know how."

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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 2Q2016, the Company derived c.94% of its revenue from Egypt and c.6% from over 14 regional export markets. Learn more at ir.edita.com.eg.



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