



Edita Food Industries Reports 4Q2016 Earnings

Edita turns a solid quarter with top-line growing 27.1% in 4Q2016; full-year revenues rise 12.5% and operating margins remaining healthy despite unprecedented cost inflation, supported by the company's price point migration strategy

Cairo, 28 February 2017

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 December 2016, reporting strong revenue growth of 27.1% year-on-year to EGP 821.7 million in 4Q2016. On a full-year basis, revenues climbed 12.5% y-o-y to EGP 2,503.0 million in FY2016.

Edita delivered strong double-digit revenue growth as management addressed unprecedented changes in the macroeconomic backdrop by rapidly and successfully rolling-out its price point migration strategy starting September 2015. The strategy allowed the company to stay ahead of macroeconomic challenges throughout the year and supported margins amid unprecedented inflationary pressures.

Commenting on the quarter's performance, **Edita Chairman and Managing Director Eng. Hani Berzi** said: "There is no question that 2016 was a year without precedent — we faced a sharp devaluation of the pound, a new value-added tax regime and high energy prices as a result of the partial lifting of energy subsidies. Yet despite these challenges, we had a very strong year delivering double-digit top-line growth and maintaining profitability in the face of severe inflationary pressures on our cost base. Our strong performance is most directly attributable to the accelerated rollout of the pricing strategy that we began implementing in late 2015."

Edita's repricing strategy was initially indirect in nature, including the selective upsizing or downsizing of products as well as the launch of new products at higher price points. Starting 4Q2016, the strategy was accelerated with more aggressive direct price increases through which Edita raised prices in October 2016 of its Molto brand SKUs by c. 25-50% per pack followed by a 50% increase for most of its TODO range. In December 2016, management pushed similar price increases across the portfolio, including a second round for the croissants. Average selling price across all segments rose 28.3% y-o-y in FY2016 and 30.2% y-o-y in 4Q2016.

At the cost of goods (COGS) level, Edita incurred an 18.2% y-o-y increase in FY2016 driven by inflationary pressures following the economic reforms implemented over the course of the year. The float of the Egyptian pound had a direct impact on Edita's cost structure in 4Q2016, with COGS rising 42.9% y-o-y to EGP 532.9 million. Despite the sharp increase in costs, Edita's gross profit grew 3.6% y-o-y to EGP 898.3 million in FY2016 and posted a 5.6% y-o-y rise in 4Q2016 to EGP 289 million.



Selling, General & Administrative (SG&A) expenses as a percentage of sales were effectively unchanged at 18.1% (EGP 452.6 million) on a full-year basis compared to 18.2% (EGP 405.5 million) in FY2015. This helped support Edita's EBITDA margin at 20.8% in FY2016 or EGP 521.8 million (FY2015: EGP 521.9 million, 23.5% margin). Edita's 4Q2016 EBITDA came in at EGP 179.9 million recording a margin of 21.9%.

Edita recorded FX losses of EGP 298.5 million in FY2016, of which EGP 241.0 million were a consequence of the Egyptian pound's float and the consequent revaluation of the company's foreign-currency-denominated liabilities. These losses saw Net Profit for the year contract to EGP 47.4 with a margin of 1.9%. With the bulk of the company's FX losses being booked in 4Q2016 (EGP 227.0 million), Edita's bottom-line for the quarter came at a loss of EGP 72.1 million versus a profit of EGP 137.0 million in the same period last year.

On the operational front, Edita's CAPEX and investments in capacity expansion remain on track, with the newly commissioned candy line now fully operational. Additionally, Edita finalized contracts for its new wafer and cake lines set to begin production in 2H2017. Moreover, construction of the new E08 factory remains on track.

Edita is also successfully pushing forward with its regional expansion strategy and has already started capitalizing on the recently signed agreement with the Kingdom of Saudi Arabia's Khalifa A. Algozaibi Cold Stores to distribute Edita's HTT brands throughout KSA. Export sales to KSA in 4Q2016 grew more than five-fold compared to the same period last year. Overall, Edita's export revenues grew 66.4% y-o-y in 4Q2016 and contributed 8.8% of total sales (4Q2015: 6.4%).

"Heading in 2017 our key strategic priority is to leverage our exceptional in-house R&D capabilities alongside the new technical know-how acquired to continuously roll out new and innovative products on production capacities that were freed up post our price increases. Edita will also continue shifting its distribution focus to directly serving retailers, a strategy that will afford us increased market control and better visibility on market trends. Retailers have also proven to be more accepting of new price points than are wholesalers. Finally, our strategy this year may also include direct expansion both in Egypt and in new markets as we seek to capitalize on Edita's distribution rights and to position the company as a multi-country player with a strong stream of export revenue. In this exceptionally exciting time for our business, I remain confident in our ability to continue creating new shareholder value," Berzi 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 FY2016, 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.

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