



## Domty turned profitable in the second quarter of 2017 despite the company's reforms

### —Highlights of 2Q17— Unaudited

**Revenues**

EGP 487 mn

**Gross Profit**

EGP 95 mn

**Gross Profit Margin**

19.59%

**Operating Profit**

EGP 39 mn

**Net Income**

EGP 12 mn

**Net Profit Margin**

2.47%

\* EGP 3 million of profits were not included, they represent a difference in price from one of the governmental institutions, and we preferred to wait for the external auditor approval on their letter.

#### UNAUDITED HIGHLIGHTS OF THE CONSOLIDATED INCOME STATEMENT:

	<b>2Q 2017</b>	<b>1Q 2017</b>	<b>4Q 2016</b>	<b>3Q 2016</b>
<i>Gross Profit Margin</i>	19.59%	18.52%	13.29%	19.42%
<i>EBIT %</i>	7.95%	0.93%	-4.35%	4.70%
<i>Profit Margin before taxes</i>	3.12%	-1.05%	-8.38%	3.00%
<i>Net Profit Margin</i>	2.47%	-1.27%	-6.33%	2.21%
<i>EBITDA margin</i>	10.36%	4.08%	-0.88%	7.35%

**Cairo, 17 July 2017**

Arabian Food Industries Company Domty S.A.E. (DOMT.CA on the Egyptian Exchange), Egypt's largest cheese manufacturer by market share, announced today its unaudited consolidated results for the second quarter of 2017.



**Commenting on the quarter's performance, Domty Vice Chairman Mr. Mohamed Omar El Damaty said:** "We have decided to announce the unaudited income statement figures for the second quarter of 2017 in order to comfort our investors about the company performance. The company was able to turn profitable in the second quarter of the fiscal year despite the reform in the company's sales policy to facilitate the process of raising the prices of the company's products which included a near complete cessation of sales of the carton pack cheese (the main product of the company) in the first three weeks of April 2017 in order to break the market resistance to the new prices, Especially that the company had approved a price increase in February 2017 which was not implemented after the decline of the dollar exchange rate against the pound in that month, so traders imagined that the company is not serious in raising prices, June 2017 had a negative impact on the volume of sales as Holy Ramadan, is not a considered a strong sales season for the company, apart from a long holiday at the end of the month, In the second quarter, the company also reduced the sales of the two brands (**Gebnety & Damo**), where we saw that competition with small companies in this sector will be expensive in light of the low fixed costs of these small companies.

On the other hand, the focus on our brand (**DOMTY PLUS**) was increased. This product was priced higher than the price of the company's biggest competitors by 2% to 3%. The product succeeded in finding acceptance for both the consumer and the merchant and we will depend heavily on it in the coming period.

Concerning the market share, the company succeeded in maintaining its market share despite these reforms, because most of the decline in sales was mainly in the commercial brands (**Gebnety & Damo**), which are mostly sales to hotels and the government.

The company was also able to control the agents completely, where our accountants and store keepers were appointed at the agents, which led to the easiness of raising the selling prices in the last period where the existence of an old stock at the agents warehouses at low costs represented a barrier to raise the prices of the company products, The complete exit from the agents is a matter of decision that will be taken by management in the appropriate time.

As for the juice sector, the strong competition is still a negative factor that slows the profitability of this sector , but the company still maintains its market share and we are developing profitability more slowly because the size of the company in the juice market does not allow it to lead the pricing

Regarding Domty policy of granting credit to customers, the company decided not to grant credit to any new customer for a period of more than two weeks and the company was able to insure the debts of agents as we mentioned above, also Domty relied on new wholesalers with better payment terms, while the downside is the prolonged credit period granted to government institutions and some big super market chains, but those entities are certainly guaranteed.

As for the new investments, the company is committed to the decision of the Board of Directors to postpone the introduction of any new products to the fourth quarter of 2017, we are monitoring the market of bakery snacks and hard cheese on a monthly basis through market studies and through getting the figures of other companies and we do not see it is in the interest of the company to start introducing new products now while sales volume is dropping as a result of the decline in the purchasing power of consumers, these projects are strategic for the growth of our company in the future.



Some companies are rushing to introduce new products to inflate sales to absorb the overheads. We do not believe in this principle and will not do that to get temporary improvement in the financial results that will cost the company opportunities to grow in promising markets in the future.

Overall, we can confirm our success in skipping the bottleneck, our ability to turn positive with all those reforms and with the increase in bank interest in May 2017 is satisfactory to us taking into account the delay of our move after flotation and that we did not have an inventory at a low dollar cost.

The third quarter of 2017 represents an important measure of sales volume in the absence of significant events affecting the volume of sales. Accordingly, the expenses will be restructured according to the sales volume in the third quarter. The company has not yet taken any steps to reduce the size of the company's administrative structure, we have a plan for this but will not be implemented before the end of the third quarter and in the event of improvement of the situation we will not resort to this plan, the SG&A expenses are our top priorities, We have been bearing separate sales expenses for the juice sector for three years waiting to introduce the cheese sandwich, In case of delay, we will have to move.

We know that the competition in the cheese market is particularly strong in the absence of any overhead expenses of the main competitor, so the challenge is to maintain the basic administrative structure of the company like most companies in the food sector and at the same time compete with companies that do not have this structure.

The real problem is the lack of clarity of the general vision, raising bank interest twice with the raising of energy prices and the subsequent increase in the prices of some production inputs forced us to raise the price again at the beginning of the third quarter, the new price increases needed is not much compared to what actually happened and it will be in certain SKUs at varying rates, we hope that the pound will appreciate as well as a reverse in the interest rate, this will help the company significantly.

We cannot give accurate future figures in the current circumstances, but what we promise is a positive development in our performance we have been in the Egyptian market for more than 27 years, this sector faced hard times, but with consumer getting used to the high prices and as the income increases gradually, they will return back to their normal consumption.

Finally, concerning the foreign investment, the company will issue another press release after the next board meeting to describe the steps to be taken in this matter.

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About Arabian Food Industries Company Domty S.A.E.

Domty, founded in 1988 and headquartered in Egypt, is a leader in the growing Egyptian cheese and juice market. The Company manufactures, markets and distributes a range of branded white and processed cheeses and juice products, with a family of nearly 200 SKUs under a brand portfolio including Domty, Damo, Gebnety and Bravo. Domty is a household name and the number-one cheese producer in the nation by market share. The Company sells to tens of thousands of retail and business customers as well as to more than 35 export destinations. Learn more about Domty by visiting [ir.domty.org](http://ir.domty.org)



ARABIAN FOOD INDUSTRIES COMPANY DOMTY S.A.E

PRESS RELEASE

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