



Domty Reports 36.4% Y-o-Y Growth in Revenues to EGP 453.1 mn during 3Q16; Bottom-line weighed down by FX challenges

Highlights of 3Q16

Revenues
EGP 453.1 mn, up 36.4% y-o-y

Gross Profit
EGP 87.9 mn, down 3.9% y-o-y

Gross Profit Margin
19.4%

Operating Profit
EGP 21.3 mn, down 56.4% y-o-y

Net Income
EGP 10.0 mn, down 71.7% y-o-y

Net Profit Margin
2.2%

Highlights of 9M16

Revenues
EGP 1,239.7 mn, up 18.6% y-o-y

Gross Profit
EGP 274.0 mn, up 1.4% y-o-y

Gross Profit Margin
22.1%

Operating Profit
EGP 100.5 mn, down 35.6% y-o-y

Net Income
EGP 54.9 mn, down 43.7% y-o-y

Net Profit Margin
4.4%

Cairo, 15 November 2016

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 consolidated results for the quarter ending 30 September 2016, reporting a 36.4% year-on-year growth in revenues to EGP 453.1 million. Net profit after tax (NPAT) came in at EGP 10.0 million, down 71.7% year-on-year compared to 3Q15, with a net profit margin of 2.2%. On a nine-month basis, net profit stood at EGP 54.9 million in 9M16 on revenues of EGP 1,239.7 million, up 18.6% y-o-y. Despite the increase in sales during both the three and nine month periods in 2016, profitability was weighed down by the weakening of Egyptian pound and the lack of foreign currency supply through official channels.



Commenting on the quarter's performance, Domty Vice Chairman and Deputy Managing Director Mr. Mohamed Omar El Damaty said: "A severe shortage in foreign currency availability followed by an almost complete halt in FX supply through official channels weighed heavily on our profitability during the third quarter, especially as we opted not to fully pass on price increases to consumers. Instead, our strategy during the quarter was to defend our leading market position in our primary white cheese segment, the result of which was a 30% year-on-year growth in the segment despite fierce competition in the market and an unprecedented increase in marketing spend across the industry. Overall, our top-line grew by over 36% year-on-year, reversing the somewhat flat performance during the previous quarter and bringing us closer to achieving our target of 20% growth in revenues for FY2016. On a year-to-date bases, revenues are up 18.6% year-on-year, even as our export volumes decline owing to economic and political challenges affecting our neighboring markets."

During 3Q16, Domty was able to pass on limited price increase as shown in the table below:

Product	2Q16	3Q16	% change
<i>Average Pricing: EGP per kilo</i>			
Cheese: Carton Pack	11.02	12.47	13.2%
Cheese: Plastic Tub	16.86	18.27	8.4%
Mozzarella	38.89	39.65	2.0%
Juice	4.96	5.77	16.3%

Revenues from all of Domty's cheese products totaled EGP 393.8 million in 3Q16, up 46.8% y-o-y compared to the EGP 268.3 million recorded in 3Q15. Meanwhile, juice segment revenues came in at EGP 59.3 million during the third quarter of 2016, down 7.3% y-o-y compared to the same period last year. Management notes that its plans to add new capacities at the juice segment during the quarter were delayed on account of FX shortages. However, the new plant was commissioned in October 2016 with new juice offerings already being introduced to the market that will enhance the company's competitive position. On a nine-month basis, cheese revenues posted EGP 1,064.8 million in 9M16, up 22.9% y-o-y. Revenues from the juice segment came in at EGP 174.9 million in 9M16, down 2.2% compared to the EGP 178.9 million posted in the same period last year.

At the cost of goods sold level, Domty faced inflationary pressures owing to the prevailing macroeconomic environment particularly with regards to the weakening of the Egyptian pound. Overall, COGS recorded EGP 365.1 million in 3Q16, up 51.7% y-o-y and with a COGS/Sales ratio of 80.1% versus 72.5% in the same period last year. On a year-to-date bases, COGS posted EGP 965.7 million in 9M16 with a COGS/Sales ratio of 77.9% versus 74.2% in 9M15. Netting out the effect of Domty's savings on direct materials purchases from the incurred costs related to Egyptian pound's weakening, saw the company's COGS inflated by EGP 75.7 million during 3Q16 and EGP 77 million in 9M16.

Gross profit for the three month period declined by 3.8% y-o-y in 3Q16 to EGP 88 million, with a gross profit margin of 19.4%. Meanwhile, gross profit in 9M16 recorded EGP 274 million, up 1.4% y-o-y, with a gross profit margin of 22.1% versus 25.8% in the same period last year.



SG&A expenses reached EGP 76.1 million in 3Q16, up 59.5% y-o-y on account of increased marketing and advertising spend (up by EGP 11.5 million) as well as higher wages and salaries (up by EGP 11.8 million). On a nine months basis, the company incurred SG&A expenses of EGP 191.8 million in 9M16, up 53.1% y-o-y owing to several factors, namely higher marketing and advertising spend by EGP 20.2 million; salaries and wages increase of EGP 28.3 million; increased administrative depreciation by EGP 4 million and; increased distribution costs by EGP 3.2 million owing to the company's strategy of reducing its dependence on third-party selling agents. Overall, SG&A as a percentage of sales recorded 16.8% in 3Q16 (3Q15: 14.4%) and 15.5% in 9M16 (9M15:12.0%).

EBITDA for 9M16 was EGP 131.1 million, equivalent to an EBITDA margin of 10.6%, compared to EGP 179.1 million in the same period last year with a 17.1% margin.

Domty recorded interest income of EGP 6.1 million in 3Q16 (9M16: 11.9 million) compared to EGP 0.104 million in 3Q15 (9M15: 0.263 million). The sharp increase comes on the back of interest gained on cash balances related to the company's recent capital increase. Meanwhile, taxes paid during the period recorded EGP 18.6 million in 9M16, down 30% compared to 9M15 figure of EGP 26.6 million primarily owing to a lower net profit before tax as well as a reduced effective income tax rate.

Domty posted a bottom-line of EGP 54.9 million in 9M16 (3Q16: EGP 10.0 million), down 43.7% y-o-y and with a net profit margin of 4.4% versus 9.3% in 9M15.

In conclusion, El Damaty said: "We view the recent float of the Egyptian pound as a step in the right direction — one that will reflect positively on our business in the medium and long term. We remain confident in the fundamentals of our market, with consumer demand strong enough to absorb over time the anticipated inflationary pressure and with room for increased production capacity and new product offerings. We have already increased our prices by some 30% starting 4Q16 to better reflect the reality of a flexible exchange rate, with further increases being largely dependent on how the FX market will adapt over the coming period. Meanwhile, we are pushing ahead with our expansion into the baked goods market while at the same exploring opportunities in the yellow cheese segment."

Segment breakdowns along with summary financial statements follow. Complete financial statements can be downloaded at ir.domty.org



I. Segment Analysis

Revenues by Segment	3Q15	3Q16	% change	9M15	9M16	%change
Carton Pack						
Total Volumes Sold (k tons)	19.2	25.7	33.7%	62.4	74.8	19.9%
Revenues (EGP mn)	204.2	320.5	57.0%	677.0	856.8	26.6%
% of Total Revenues	61.4%	70.7%		64.7%	69.1%	
Gross Profit (EGP mn)	53.4	59.6	11.7%	170.2	184.8	8.6%
Gross Profit Margin	26.2%	18.6%		25.1%	21.6%	
Plastic Tub						
Total Volumes Sold (k tons)	2.2	2.4	7.0%	6.8	7.3	7.4%
Revenues (EGP mn)	38.2	43.8	14.9%	112.1	124.0	10.6%
% of Total Revenues	11.5%	9.7%		10.7%	10.0%	
Gross Profit (EGP mn)	13.7	12.1	(11.5%)	35.4	35.2	(0.8%)
Gross Profit Margin	35.9%	27.7%		31.6%	28.3%	
Mozzarella						
Total Volumes Sold (k tons)	0.6	0.7	17.8%	1.6	1.9	19.4%
Revenues (EGP mn)	22.7	26.9	18.7%	62.9	74.4	18.4%
% of Total Revenues	6.8%	5.9%		6.0%	6.0%	
Gross Profit (EGP mn)	9.4	9.4	0.5%	22.9	29.6	29.2%
Gross Profit Margin	41.3%	34.9%		36.5%	39.8%	
Spreadable						
Total Volumes Sold (k tons)	0.1	0.1	(32.7%)	0.3	0.2	(30.3%)
Revenues (EGP mn)	2.6	2.0	(23.0%)	9.6	7.0	(26.3%)
% of Total Revenues	0.8%	0.4%		0.9%	0.6%	
Gross Profit (EGP mn)	0.8	0.3	(55.0%)	2.7	1.6	(41.7%)
Gross Profit Margin	29.6%	17.3%		27.9%	22.0%	
By-Product						
Total Volumes Sold (k tons)	0.2	0.2	43.6%	0.8	0.7	(12.4%)
Revenues (EGP mn)	0.7	0.6	(10.9%)	5.1	2.5	(51.4%)
% of Total Revenues	0.2%	0.1%		0.5%	0.2%	
Gross Profit (EGP mn)	0.1	0.02	(76.8%)	0.8	0.2	(79.6%)
Gross Profit Margin	14.5%	3.8%		15.0%	6.3%	
Total Cheese Segment						
Total Volumes Sold (k tons)	22.3	29.1	30.4%	71.9	84.9	18.1%
Revenues (EGP mn)	268.2	393.8	46.8%	866.7	1,064.8	22.9%
% of Total Revenues	80.7%	86.9%		82.9%	85.9%	
Gross Profit (EGP mn)	77.3	81.5	5.4%	231.9	251.3	8.3%
Gross Profit Margin	28.8%	20.7%		26.8%	23.6%	
Juice Segment						
Total Volumes Sold (k tons)	12.6	10.4	(17.5%)	34.7	33.0	(4.9%)
Revenues (EGP mn)	64.0	59.3	(7.4%)	178.9	174.9	(2.3%)
% of Total Revenues	19.3%	13.1%		17.1%	14.1%	
Gross Profit (EGP mn)	14.2	6.43	(54.7%)	38.2	22.7	(40.5%)
Gross Profit Margin	19.0%	12.3%		20.9%	14.1%	



II. Consolidated Income Statement

(EGP mn)	3Q15	3Q16	% Change	9M15	9M16	%Change
Net Sales	332.3	453.1	36.4%	1,045.6	1,239.7	18.6%
Cost of Sales	(240.8)	(365.1)	51.6%	(775.5)	(965.7)	24.5%
Gross Profit	91.5	87.9	(3.9%)	270.1	273.9	1.4%
<i>Gross Profit Margin</i>	<i>27.5%</i>	<i>19.4%</i>	<i>(8.1 pts)</i>	<i>25.8%</i>	<i>22.1%</i>	<i>(3.7 pts)</i>
Sales & Marketing Expenses	(42.4)	(67.5)	59.2%	(110.6)	(168.1)	52.0%
General & Administrative Expenses	(5.3)	(8.6)	62.3%	(14.7)	(23.7)	61.2%
Total SG&A	(47.7)	(76.1)	59.5%	(125.3)	(191.8)	53.1%
Other Income (Expenses)	5.2	9.4	80.8%	11.6	18.4	58.6%
Provisions (including reversals)	(0.154)	(0.004)	(74.0%)	(0.355)	(0.161)	(54.6%)
Operating Profits	48.8	21.3	(56.4%)	156.1	100.5	(35.6%)
<i>Operating Profit Margin</i>	<i>14.7%</i>	<i>4.7%</i>	<i>(10 pts)</i>	<i>14.9%</i>	<i>8.1%</i>	<i>(6.8 pts)</i>
Interest Income	0.104	6.1	High	0.263	11.9	High
Interest Expense	(12.3)	(13.8)	12.2%	(32.4)	(38.9)	20.1%
Net Profit Before Tax	36.6	13.6	(62.8%)	124.0	73.5	(40.7%)
Income Tax	(1.2)	(3.6)	200.0%	(26.6)	(18.6)	(30.1%)
Net Profit	35.3	10.0	(71.7%)	97.4	54.9	(43.6%)
<i>Net Profit Margin</i>	<i>10.6%</i>	<i>2.2%</i>	<i>(8.4 pts)</i>	<i>9.3%</i>	<i>4.4%</i>	<i>(4.9 pts)</i>



III. Consolidated Balance Sheet

(EGP mn)	30 September 2016	31 December 2015
Cash & Equivalents	313.6	28.1
Inventory	209.5	164.9
Receivables	356.3	243.4
Prepayments & Other Receivables	231.2	90.0
Total Current Assets	1,110.6	526.3
PP&E (Net)	260.2	188.5
Projects Under Construction	87.0	20.2
Total Non-Current Assets	347.2	208.7
Total Assets	1,457.8	735.0
Short-Term Debt	613.7	316.1
CPLTD	11.5	11.5
Machine Installments - CP	35.6	22.6
Payables	135.1	78.8
Dividends Payable	-	-
Provisions	12.6	12.0
Accruals & Other Payables	39.4	29.3
Income Tax Payable	16.2	38.0
Total Current Liabilities	864.1	508.4
LT Debt	18.2	26.8
Machine Installments - LT	45.4	17.6
Sales Tax on Machines & Equipment	4.6	5.5
LT Notes Payable	0.31	0.38
Deferred tax liabilities	20.3	18.0
Total Non-Current Liabilities	88.8	68.3
Total Equity	504.8	158.4
Total Equity & Liabilities	1,457.8	735.0



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 Domty.org.

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