



Domty Reports a 27.2% Y-o-Y Growth in Revenues to EGP 471.4 million, Net profit is affected by the devaluation of the pound

— Highlights of 1Q 2017 —

Revenues
EGP 471.4 mn, up 27.2% y-o-y

Gross Profit
EGP 87.3 mn, down 10% y-o-y

Gross Profit Margin
18.5%

Operating Profit
EGP 4.4 mn, down 90.2% y-o-y

Net Income
EGP - 6 mn, down 125% y-o-y

Net Profit Margin
-1.3%

Cairo, 22 May 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 consolidated results for the period ending 31 March 2017, The company reported revenues of EGP 471.4 million in 1Q2017, representing a 27.2% growth year-on-year, The gross profit margin for 1Q2017 was 18.5% compared to 26.2% in the same period in 2016 but it has improved when compared with 4Q2016 which has a gross margin of 13.3%.

Domty reported a net loss of EGP 6 million compared with a profit of EGP 24.1 million in the same period of 2016.

Commenting on the quarter's performance, Domty Vice Chairman Mr. Mohamed El Damaty said: "The company is still dealing with the negative impact of the liberalization of the exchange rate and there has been an improvement in the gross profit margin in the first quarter of this year compared to the fourth quarter of 2016 as a result of raising the selling prices of our products, the company raised the selling prices of the white cheese sold in carton pack and the selling prices of the white cheese sold in plastic tubs by 14% and 37% respectively in 1Q2017 when compared to 4Q2016, also by comparing the selling prices of 1Q2017 to 1Q 2016 we will find that the company raised the selling prices of the white cheese sold in carton pack and the selling prices of the white cheese sold in plastic tubs by 60% and 84% respectively.

Prices of juices in the first quarter of 2017 compared to 4Q2016 and 1Q2016 increased by 23% and 36% respectively, he added. The pricing policy for the company's main stream products was changed, Instead of selling at the same price point of the competitors, **Domty Plus**, the company's main product, is now 3 to 5% higher in price than the nearest competitor. The company decided to reduce its dependence on our cheese fighter brands (**Gebnty and Damo**) due to the fierce competition from small players, the company succeeded in increasing its market share during the first quarter of this year by 3 % according to **RetailZoom** report.



The same cheese pricing strategy applies to our **juice/nectar** brand despite the fierce competition, taking into consideration that the sales revenues were affected negatively by reducing the supply to the government sector due to the high debt number that reached 33% of the total accounts receivable.

The following table shows the increase in the average prices of the company's products during the first quarter of 2017 compared to the previous five quarters:

Products	4Q2015	1Q2016	2Q2016	3Q2016	4Q2016	1Q2017
Average Pricing: EGP per kilo						
Cheese /Carton Pack	10.93	10.84	11.02	12.47	15.87	17.33
Price index	Base	0.99	1.01	1.14	1.45	1.59
Cheese /Plastic Tub	16.47	16	16.86	18.27	23.78	29.81
Price index	Base	0.97	1.02	1.11	1.44	1.81
Mozzarella Cheese	38.85	38.13	38.89	39.65	51.21	55.14
Price index	Base	0.98	1	1.02	1.32	1.42
Juice	5.43	5.38	4.96	5.77	6.07	7.34
Price index	Base	0.99	0.91	1.06	1.12	1.35

Revenues of cheese products reached EGP 420 million during the first quarter of 2017, compared to EGP 321.1 million during the same period of 2016 at a growth rate of 31%. Revenues of the juice reached EGP 51.4 million, compared to EGP 49.5 million during the same period last year at a growth rate of 4%.

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 384 million in 1Q17, up 40% y-o-y and with a COGS/Sales ratio of 81.5% versus 73.8% in the same period last year. 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 116 million during 1Q2017.

Gross profit for the three month period declined by 10% y-o-y in 1Q17 to EGP 87.3 million, with a gross profit margin of 18.5%.

SG&A expenses reached EGP 85.9 million in 1Q17, up 54.5% y-o-y representing 18.2% of total revenues compared to 15% during the same period of last year on account of increased marketing and advertising spending (up by EGP 19.4 million) as well as increase in depreciation (up by EGP 1.9 million mainly distribution vehicles) and by higher wages and salaries (up by EGP 4.6 million) mainly due to adding new direct distribution networks

EBITDA for 1Q2017 was EGP 19.2 million, equivalent to an EBITDA margin of 4.1%, compared to EGP 54.5 million in 1Q2016 with a 14.7% margin.

Domty recorded interest income of EGP 4.7 million in 1Q17 compared to EGP zero million in 1Q16. The sharp increase comes on the back of interest gained on cash balances related to the company's recent capital increase.



Domty posted a net loss of EGP 6 million in 1Q17, down 125% y-o-y.

El-Damaty expressed his concerns about the effect of high inflation rates on the purchasing power of consumers, going forward he confirms that the company's policy to recover from the gross margins decline is through gradually further increase of the selling price (already done in April and May) plus focusing on using raw milk in cheese production to improve profitability and reduce dependence on the dollar. The company expects to reach the required percentage ratio of raw materials to sales by the end of the second quarter and will start to make the fixed expenses commensurate with the size of the new demand and the sales associated with it also the company has decided to stop granting credit facilities of more than two weeks period for any customer having a low credit rating and it has appointed storekeepers and accountants at the agents to control the volume of credit granted to the market by the agents, all of these factors resulted in resistance which reduced the sales figures by more than the normal rates in the short term, today the management of the company sees that these procedures are commensurate with the current market conditions and we stand now on a solid ground more than ever consequently it increased the ability of the company now to transfer the burden of increased costs to the consumer after the change of policies above.

The company now is looking at its medium to long term business plans, and we are very optimistic about what is coming EL Damaty added.



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

I. Segment Analysis

Revenues by Segment	1Q16	1Q17	% change
Carton Pack			
Revenues (EGP mn)	256.3	344.7	34.5%
% of Total Revenues	69%	73%	
Gross Profit (EGP mn)	67	56	-16.4%
Gross Profit Margin	26.14%	16.25%	
Plastic Tub			
Revenues (EGP mn)	37	43.72	18.2%
% of Total Revenues	10%	9%	
Gross Profit (EGP mn)	11.4	9.9	-13.20%
Gross Profit Margin	30.81%	22.64%	
Mozzarella			
Revenues (EGP mn)	23.5	26.4	12.3%
% of Total Revenues	6%	6%	
Gross Profit (EGP mn)	9.6	7.9	-17.7%
Gross Profit Margin	40.85%	29.92%	
Spreadable			
Revenues (EGP mn)	3.1	4.6	48.4%
% of Total Revenues	1%	1%	
Gross Profit (EGP mn)	0.85	0.88	3.5%
Gross Profit Margin	27.42%	19.13%	
By-Product			
Revenues (EGP mn)	1.2	0.53	-55.8%
% of Total Revenues	0.3%	0.1%	
Gross Profit (EGP mn)	0.084	0.001	-98.80%
Gross Profit Margin	7%	0.19%	
Total Cheese Segment			
Revenues (EGP mn)	321.1	419.95	30.8%
% of Total Revenues	87%	89%	
Gross Profit (EGP mn)	88.93	74.68	-16.00%
Gross Profit Margin	27.7%	17.78%	
Juice Segment			
Revenues (EGP mn)	49.5	51.4	3.8%
% of Total Revenues	13%	11%	
Gross Profit (EGP mn)	8.10	12.70	56.80%
Gross Profit Margin	16.36%	24.71%	



II. Consolidated Income Statement

(EGP mn)	1Q 16	1Q 17	% Change
Net Sales	370.5	471.3	27.2%
Cost of Sales	(273.5)	(384)	40.4%
Gross Profit	97	87.3	(10)%
<i>Gross Profit Margin</i>	<i>26.18%</i>	<i>18.5%</i>	<i>-7.68 pts</i>
Sales & Marketing Expenses	(48.3)	(76.8)	59%
General & Administrative Expenses	(7.2)	(9.1)	26%
Total SG&A	(55.5)	(85.9)	54.7%
Other Income	3.9	2.9	(25.6)%
Provisions (including reversals)	(0.1527)	(0.00225)	(98.5)%
Operating Profits	45.3	4.3	(90.5)%
<i>Operating Profit Margin</i>	<i>12.22%</i>	<i>0.91%</i>	<i>-11.31 pts</i>
Interest Income	-	4.7	100%
Finance cost	(13)	(14)	7.6%
Net Profit Before Tax	32.2	(4.9)	(115)%
Income Tax	(8)	(1)	(87.5)%
Net Profit (Loss)	24.1	(6)	(125)%
<i>Net Profit Margin</i>	<i>6.5%</i>	<i>(1.27)%</i>	<i>-7.7 pts</i>
EBITDA	54.5	19.2	(64.8)%
<i>EBITDA Margin</i>	<i>14.71%</i>	<i>4.07%</i>	<i>-10.64pts</i>

**III. Consolidated Balance Sheet**

(EGP mn)	FY16	1Q 17
Cash & Equivalents	288.3	271.9
Inventory	274	301.6
Receivables	371.2	431.5
Prepayments & Other Receivables	171.5	198.7
Total Current Assets	1105	1203.8
PP&E (Net)	353.5	346
Projects Under Construction	175	246.4
Total Non-Current Assets	528.5	592.4
Total Assests	1633.5	1796.3
Short-Term Debt	798.6	970.8
CPLTD	12	11
Machine Installments – CP	50	66.7
Payables	97.3	84.8
Provisions	12.6	9.4
Accruals & Other Payables	40.8	42.1
Income Tax Payable	6.1	6.7
Total Current Liabilities	1017.4	1191.5
LT Debt	14.9	12.1
Machine Installments – LT	76.8	74.1
Sales Tax on Machines & Equipment	4.5	4.1
LT Notes Payable	0.3	0.1
Deferred tax liabilities	21	21.4
Total Non-Current Liabilities	117.5	111.8
Total Equity	498.6	493
Total Equity & Liabilities	1633.5	1796.3



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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