



Edita Food Industries Reports 2Q2017 Earnings

Edita continues to deliver double-digit top-line growth at 11.2% in 2Q2017 despite the challenging economic environment and the seasonality in demand; bottom-line weighed down by cost inflation and higher finance cost

Cairo, 26 July 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 30 June 2017, reporting revenues of EGP 611.6 million, up 11.2% y-o-y despite the impact of seasonality as the month of Ramadan coincided with the quarter. Meanwhile, inflationary pressures on the company's cost base along with higher interest expenses weighed down on Edita's bottom-line profitability for the quarter, closing 2Q2017 at a loss of EGP 1.7 million. On a year-to-date basis, Edita posted a net profit of EGP 38.7 million in 1H2017 on revenues of EGP 1,254.1 million, with top-line growing a solid 17.4% y-o-y.

Edita's continued ability to deliver double-digit revenue growth, despite operating in an exceptionally challenging environment and during the trough of industry seasonality, is a direct consequence of management's early roll-out of its repricing and portfolio optimization strategy starting late 2015.

Commenting on the quarter's performance, **Edita Chairman and Managing Director Eng. Hani Berzi** said: "Our performance during the second quarter of the year was a demonstration of our business's continued resilience in the face of an exceptionally challenging operating environment. Edita managed to drive solid top-line growth even as businesses and consumers alike grappled with record high inflation following the government's reform program. Our defensive performance in the face of these aftershocks is largely thanks to the early roll-out of a responsive repricing strategy. And while the quarter just ended coincided with the trough of industry seasonality during the month of Ramadan, demand for our products remained strong as we continue to leverage our R&D capabilities and strong brand equity among consumers."

Total sales grew in value during 2Q2017 despite a decline in volumes, which came in accordance with management's expectation following the increase in prices. This underscores continued demand for Edita's products following the introduction of the repricing strategy, which allowed management to better position the company for long-term growth and to support margins.

Edita accordingly continued to capture market share across its segments as per the latest data for April 2017, with cakes inching up to 57.2% (April 2016: 56.9%), rusks at 47.8% (April 2016: 37.0%), wafers capturing 9.2% (April 2016: 7.8%) and candy maintaining its lead at 17.6% (April 2016: 11.2%). The croissant segment's market share stood at 60.4% as of April 2017, down from 71.6% in the same period last year, but stable compared to February 2017.

At the cost of goods sold level, Edita reported a 22.1% y-o-y increase during 2Q2017 to EGP 425.0 million, driven primarily by inflation, which remained at a record-high throughout much of the quarter. With the



Egyptian pound significantly weakened following the November 2016 float, Edita booked higher costs for both imported materials and from domestic inputs with a foreign currency component. Edita continues to push forward increased operational efficiencies as a necessity in today's inflationary macro environment and the straightforward path to control costs and protect profitability. The company's efforts on that end are focused on mitigating the rising cost of imported materials while also maintaining a tight rein on overheads.

Gross profit came in at EGP 186.6 million in 2Q2017, with gross profit margin (GPM) standing at 30.5% versus 36.7% in the same period last year. On a year-to-date basis, gross profit remained stable at EGP 406.4 million in 1H2017 (1H2016: EGP 407.8 million), yielding a GPM of 32.4%.

Edita's selling, general and administrative (SG&A) expenses grew to EGP 162.9 million in 2Q2017, in line with the company's strategy of supporting its new product launches. This was particularly evident in the company's advertising and marketing (A&M) spend during the quarter which stood at EGP 55.7 million, up 51.6% y-o-y compared to 2Q2016 level of EGP 36.8 million. It is worth noting that the majority of Edita's budget allocation for A&M spend for the full year of 2017 was earmarked for the first half of the year, with advertising as a percentage of sales poised to normalize during the second half of 2017.

EBITDA declined to EGP 43.0 million in 2Q2017, affected by higher cost of sales and SG&A. On a six-month basis, EBITDA stood at EGP 137.4 million in 1H2017, and with an EBITDA margin of 11.0%.

Edita recorded a bottom-line loss of EGP 1.7 million in 2Q2017, on the back of higher interest expense during the period driven by the Central Bank of Egypt's (CBE) decision to raise interest rates by 300 basis points (bps) in November 2016. Year-to-date, the company posted a net profit of EGP 38.7 million in 1H2017.

"After having successfully implemented our repricing and portfolio optimization strategy over the past two years, our goal for the coming period is to restore volumes and utilization rates, defend and grow market share, and enhance profitability. In doing so, we will call on the same flexible business model that has allowed us to deliver strong results despite the challenging conditions of the past quarters," Berzi added.

"We are working to restore volumes and utilization rates in a two-pronged approach that will see us push forward with the roll-out of new innovative products to stimulate demand and extract higher value from these key segments, while also continuing to cater to the mass market and defend market share by offering products across the price spectrum to achieve optimum price-point segmentation," he 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 2Q2017, the Company derived c.94% of its revenue from Egypt and c.6% from regional export markets. Learn more at ir.edita.com.eg.

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