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Edita Food Industries Reports 2Q2023 Earnings

Edita delivers stellar results in the second quarter of 2023 with net profit growing by nearly two-fold y-o-y to record EGP 382.1 million and a top-line growth of 81.7% y-o-y to EGP 2,858.1 million.

Highlights of 2Q2023

Summary Income Statement (EGP mn)

EGP mn	2Q2023	2Q2022	Change	1H2023	1H2022	Change
Revenue	2,858.1	1,573.2	81.7%	5,637.8	3,132.1	80.0%
Gross Profit	913.5	518.7	76.1%	1,793.2	1,075.3	66.8%
% Margin	32.0%	33.0%		31.8%	34.3%	
EBITDA	583.6	281.1	107.6%	1,111.2	574.5	93.4%
% Margin	20.4%	17.9%		19.7%	18.3%	
Net Profit	382.1	196.0	95.0%	757.5	344.1	120.1%
% Margin	13.4%	12.5%		13.4%	11.0%	

The discussion and analysis in this report are based on the IFRS statements. For comparison of the results to Egyptian Accounting Standards, please refer to the section "Egyptian Accounting Standards Reconciliation to IFRS."

Results in a Nutshell

Edita Food Industries S.A.E. (EFID.CA on the Egyptian Exchange & EFID.L on the London Stock Exchange), a leader in the Egyptian packaged snack food market, announced today its results for the quarter ended 30 June 2023, recording revenue of EGP 2,858.1 million, up 81.7% y-o-y. Top-line growth trickled down to the gross profit level, which grew by 76.1% y-o-y to EGP 913.5 million in 2Q2023, maintaining a relatively stable gross profit margin of 32.0%. Moving further down the income statement, improved operating leverage saw significant EBITDA and bottom-line margin expansion over the period. As such, net profit nearly doubled y-o-y to record EGP 382.1 million, with an associated net profit margin of 13.4% compared to 12.5% in the same quarter last year.

On a six-month basis, Edita recorded revenues of EGP 5,637.8 million in 1H2023, up 80.0% compared to the first half of the previous year. Robust top-line growth filtered down to the bottom-line, which grew 120.1% y-o-y to EGP 757.5 million in 1H2023, yielding an enhanced net profit margin of 13.4% versus 11.0% reported in 1H2022.

Edita saw solid growth across all six of its segments in the second quarter of the year as the company continued to leverage its dynamic business model and diverse product portfolio to overcome inflationary pressures. Its ability to pass on higher commodity prices and raw material inflation was evident in the company's strong performance across the quarter, which was supported by the implementation of an expanded price range to cater to diverse income groups through the introduction of new variations and products, the optimization of its existing product portfolio and the implementation of direct price hikes. These measures saw the average price per pack reach EGP 2.98 in 2Q2023, up 41.3% y-o-y, with the average price per ton coming in 52.4% higher than in the same quarter last year. Despite the migration to higher price points, the company secured another quarter of strong demand for its products. On the volumes front, Edita benefited from a 28.6% y-o-y increase in total packs sold to 959 million, with cake, bakery, and wafers driving the company's volume growth in 2Q2023. On a half-year basis, the average price per pack increased 36.8% y-o-y to EGP 2.83 and total packs sold came in at 1,994 million, up 31.5% compared to 1H2022.

The figures displayed are based on unaudited results drawn from management accounts and finance department numbers (IFRS).

Gross profit stood at EGP 913.5 million in 2Q2023, representing a notable increase of 76.1% y-o-y, and yielding a minor decline in gross profit margin to 32.0% compared to 33.0% booked last year. This was on the back of higher cost of sales, which grew 94.6% y-o-y to EGP 1,649.0 million in 2Q2023. However, the impact of elevated costs on direct materials was softened by the implementation of repricing strategies, higher utilization rates, and manufacturing overheads (MOH) efficiencies. MOH declined to 8.7% as a percentage of sales in 2Q2023 compared to 11.1% in 2Q2022 due to economies of scale. In 1H2023, Edita recorded gross profit of 1,793.2 million, increasing 66.8% y-o-y with a gross profit margin contraction of 31.8% versus 34.3% in 1H2022.

Total SG&A for 2Q2023 stood at EGP 417.5 million, up 48.9% y-o-y, with SG&A as a percentage of total sales down to 14.6% compared to 17.8% in the second quarter of last year on the back of operational leverage, which came despite of a 76.0% y-o-y increase in general and administrative expenses, a 37.8% y-o-y increase in advertising and marketing expenses, and 31.0% y-o-y increase in selling and distribution expenses. This was the result of solid revenue growth reducing the impact of higher operating expenses for the period. On a year-to-date basis, total SG&A recorded EGP 809.4 million, accounting for 14.4% of sales against 18.3% recorded over the same period, last year.

In 2Q2023, EBITDA grew more than a two-fold to EGP 583.6 million, with an improved EBITDA margin of 20.4% compared to 17.9% in 2Q2022 as Edita continued to reap the benefits of growing efficiencies and higher operating leverage. On a six-month basis, EBITDA rose by 93.4% y-o-y to reach EGP 1,111.2 million, with an associated EBITDA margin of 19.7% versus 18.3% in 1H2022.

Edita's impressive operational performance resulted in a strong increase in its bottom-line, which rose by 95.0% y-o-y to EGP 382.1 million in 2Q2023, yielding a net profit margin expansion of 13.4% compared to 12.5% in 2Q2022. Year-to-date, net profit came in at EGP 757.5 million, increasing by 120.1% y-o-y with a net profit margin of 13.4% against 11.0% recorded in 1H2022.

Edita recorded gross export sales of EGP 226.0 million, up by a remarkable 122.6% y-o-y and contributing 8.0% to total revenues during the quarter compared to 6.5% in 2Q2022. In USD terms, export sales booked USD 7.3 million, up 32.7% y-o-y. Year-to-date, export sales came in at USD 15.3 million, up 48.8% y-o-y.

On the regional front, Edita Morocco has been in operation for a year and half as of 2Q2023. In this quarter alone, it brought in EGP 74.1 million in revenue and sold 807 million packs. On a half-year basis, revenues reached EGP 223.6 million, up 329.6% y-o-y, with 2.4 billion packs sold.

Operational Developments

In the first half of the year, Edita introduced innovative and differentiated products tailored to meet consumer demand, while also addressing the challenges posed by global inflationary pressures. In January, Edita launched Molto Magnum Mix in three flavours: chocolate and cream, salted caramel and cream as well as strawberry cheesecake and cream. The product was offered in two sizes, single serve croissant and mini croissants, both retailing at EGP 10 per pack. The same month saw Edita launch Molto XXL Plus, a new variation of the popular Molto XXL with additional filling, retailing at EGP 7. Later, in April, the company rolled out Oniro Coated Lava, a chocolate and vanilla biscuit filled with chocolate hazelnut cream and coated with chocolate. Retailing at EGP 5 per pack, this latest addition is in line with Edita's portfolio diversification strategy, enabling the company to capture a larger market across key segments of the snack food market. At the cake segment, a new EGP 7 price point was introduced for HOHO's Mix in June, while at the rusks segment, an EGP 10 price point was introduced, in line with Edita's price point migration strategy and further ensuring that the company's product portfolio and mix are optimized to provide the best value proposition. At the wafers segment, Edita continues to downsize its offering in order to secure enhanced profit margins.

Edita is committed to reinforcing its position as a leader in the market by actively seeking out opportunities to diversify its revenue streams and expand its presence in consumer households. In May 2023, the company entered the underserved frozen bakery segment in Egypt through a complete acquisition of Fancy Foods, which has been recently rebranded to Edita Frozen Bakery.

Through innovation and efficient supply chain management, the venture creates synergies with Edita's existing business model by enhancing its R&D expertise while being able to capitalize on Edita's extensive distribution network and market-leading portfolio. Together, these synergies will enhance value-creation for its customers and shareholders alike. The agreement grants Edita full possession of assets, including two production lines, machinery, land, property, and a distribution arm, in addition to acquiring technical expertise and recipes for various frozen bakery SKUs. By integrating its knowledge and extensive distribution network, Edita aims to meet the rising demand for affordable, ready-to-bake pastry products.

Edita experienced a highly successful and eventful half-year, highlighted by the unveiling of its new branding and logo. The revamped brand identity mirrors the company's remarkable growth and dynamic business approach, with a strong emphasis on product diversity and regional expansion. The new logo has been seamlessly incorporated into the company's products and marketing materials, symbolizing the core values of diversity, growth, teamwork, and the wealth of its portfolio.

Edita's longstanding relationships with global and local suppliers have supported the company against supply chain disruptions and inflationary pressures. To maintain its solid performance, and ensure long term growth and profitability, Edita implemented a series of initiatives, including widening the price spectrum across its portfolio, product reconfiguration, price adjustments through direct and indirect price increases and migrating consumers to higher price points.

Overview of Segment Performance

Edita's consolidated top-line grew 81.7% y-o-y to record EGP 2.9 billion in 2Q2023, driven by solid revenue growth across its six segments. Strategic price increases were bolstered by stellar volume growth across the company's three highest contributing segments, including cake, bakery, and wafers in addition to its smaller segment, biscuits, over the period. The main contributor to consolidated revenue growth was the cakes segment, which recorded revenues of EGP 1,452.6 million in 2Q2023, up an impressive 84.0% y-o-y, with growth driven by a 51.3% y-o-y increase in the average price per pack, coupled with a 21.6% increase in packs sold. During this quarter, Edita also introduced indirect pricing strategies in the cake segment, aimed at upscaling cake revenue for the remainder of the year. At the bakery segment, revenues grew by 84.2% y-o-y to record EGP 934.6 million in 2Q2023, primarily driven by a 40.3% y-o-y increase in packs sold and a 31.3% y-o-y increase in the average price per pack, reflecting a solid recovery in volumes following a series of direct price hikes. Revenues at the wafers segment grew 79.9% y-o-y to reach EGP 258.7 million in 2Q2023 supported by a 57.8% rise in sales volume and a 14.1% increase in average price per pack compared to the second quarter of the previous year. Meanwhile, revenues at the rusks segment expanded 31.1% y-o-y to EGP 112.0 million, fuelled by a 45.4% y-o-y increase in average price per pack, which offset a 9.8% y-o-y decrease in packs sold. Candy revenue rose 75.7% y-o-y to EGP 67.0 million, attributable to a notable 103.5% increase in sales volumes, which outweighed the 13.6% y-o-y drop in average price per pack. Finally, revenue at the biscuits segment grew 254.4% y-o-y to EGP 33.2 million catapulted by a 154.3% y-o-y increase in packs sold and a 39.4% increase in average price per pack.

In 2Q2023, consolidated gross profit went up 76.1% y-o-y to EGP 913.5 million, driven by strong gross profit growth across all segments. Capitalizing on its adaptive business model allowed Edita to combat direct material price surges and continue to improve profitability. Furthermore, the company benefitted from pricing initiatives, MOH efficiencies, and economies of scale.

At a gross profit of EGP 490.3 million, the cakes segment registered a year-on-year gross profit growth of 99.3% in 2Q2023, reflecting an enhanced GPM of 33.8% compared to 31.2% in 2Q2022. At the bakery segment, gross profit grew 52.9% y-o-y to EGP 290.2 million in 2Q2023, representing a GPM decline to 31.1% versus 37.4% in the same quarter last year. Gross profit at the wafers segment expanded 55.5% y-o-y to EGP 79.1 million with a corresponding GPM contraction to 30.6%, down from 35.4% recorded in 2Q2022. The rusks segment recorded a gross profit of EGP 31.9 million in 2Q2023, up 41.2% y-o-y, with a GPM expansion to 28.5% versus 26.4% in 2Q2022. Meanwhile, gross profit in the candy segment came in at EGP 18.2 million, up 126.3% y-o-y. The GPM for the segment

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demonstrated solid growth year-on-year to come in at 27.1% compared to 21.1% in 2Q2022. Finally, gross profit at the biscuits segment surged 342.2% y-o-y, rising from a low initial base to EGP 6.7 million, yielding a GPM of 20.3%, up from 16.3% in 2Q2022.

Revenue and Gross Profitability by Segment

EGP mn	2Q2023	2Q2022	Change	1H2023	1H2022	Change
Cakes						
Revenue	1,452.6	789.4	84.0%	2,964.8	1,493.5	98.5%
Gross Profit	490.3	246.1	99.3%	978.9	510.6	91.7%
Gross Profit Margin	33.8%	31.2%	2.6pts	33.0%	34.2%	-1.2pts
Bakery						
Revenue	934.6	507.3	84.2%	1,702.0	967.6	75.9%
Gross Profit	290.2	189.8	52.9%	531.6	352.0	51.0%
Gross Profit Margin	31.1%	37.4%	-6.4pts	31.2%	36.4%	-5.1pts
Wafers						
Revenue	258.7	143.8	79.9%	548.0	386.8	41.7%
Gross Profit	79.1	50.9	55.5%	177.7	135.7	31.0%
Gross Profit Margin	30.6%	35.4%	-4.8pts	32.4%	35.1%	-2.6pts
Rusks						
Revenue	112.0	85.4	31.1%	251.5	178.3	41.1%
Gross Profit	31.9	22.6	41.2%	70.5	53.6	31.6%
Gross Profit Margin	28.5%	26.4%	2.1pts	28.0%	30.1%	-2.0pts
Candy						
Revenue	67.0	38.1	75.7%	128.6	82.4	56.2%
Gross Profit	18.2	8.0	126.3%	31.0	17.5	77.5%
Gross Profit Margin	27.1%	21.1%	6.1pts	24.1%	21.2%	2.9pts
Biscuits						
Revenue	33.2	9.4	254.4%	42.7	23.6	81.3%
Gross Profit	6.7	1.5	342.2%	6.3	6.1	3.2%
Gross Profit Margin	20.3%	16.3%	4.0pts	14.6%	25.7%	-11.1pts
Total Revenues*	2,858.1	1,573.2	81.7%	5,637.8	3,132.1	80.0%
Total Gross Profit*	913.5	518.7	76.1%	1,793.2	1,075.4	66.8%
Total GPM	32.0%	33.0%	-1.0pts	31.8%	34.3%	-2.5pts

*Includes contributions from Edita's imports segment

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Segment Volumes and Prices

EGP	2Q2023	2Q2022	Change	1H2023	1H2022	Change
Cakes						
Packs (mn)	594	488	21.6%	1,265	921	37.2%
Tons (OOOs)	16.8	14.3	17.5%	36.2	28.0	29.1%
Av. Price (EGP)	2.45	1.62	51.3%	2.34	1.62	44.7%
Bakery						
Packs (mn)	208	149	40.3%	392	298	31.6%
Tons (OOOs)	10.9	8.7	24.7%	21.0	17.9	17.5%
Av. Price (EGP)	4.48	3.41	31.3%	4.34	3.25	33.6%
Wafers						
Packs (mn)	102	65	57.8%	222	197	12.7%
Tons (OOOs)	2.0	1.5	33.3%	4.7	4.5	2.9%
Av. Price (EGP)	2.54	2.23	14.1%	2.47	1.97	25.7%
Rusks						
Packs (mn)	30	34	-9.8%	74	75	-1.9%
Tons (OOOs)	1.1	1.4	-22.5%	2.7	3.0	-11.3%
Av. Price (EGP)	3.71	2.55	45.4%	3.41	2.37	43.8%
Candy						
Packs (mn)	15	7	103.5%	28	15	85.8%
Tons (OOOs)	0.8	0.7	15.8%	1.7	1.5	11.5%
Av. Price (EGP)	4.56	5.28	-13.6%	4.57	5.44	-16.0%
Biscuits						
Packs (mn)	10	4	154.3%	14	10	42.5%
Tons (OOOs)	0.4	0.2	123.2%	0.5	0.4	29.7%
Av. Price (EGP)	3.30	2.37	39.4%	3.06	2.41	27.3%
Total Packs* (mn)	959	746	28.6%	1,994	1,516	31.5%
Total Tons* (OOOs)	31.9	26.8	19.2%	66.7	55.3	20.5%
Av. Price/Pack (EGP)	2.98	2.11	41.3%	2.83	2.07	36.8%

*Includes contributions from Edita's imports segment

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Balance Sheet

The company's total loans and borrowings as at 30 June 2023 stood at EGP 1,996.9 million, up from EGP 1,496.9 million as at year-end 2022. Total bank overdrafts recorded EGP 963.0 million as at 30 June 2023, up from EGP 501.7 million at year-end 2022. Edita's Cash balance stood at EGP 1,337.6 million as at 30 June 2023 versus EGP 1,389.0 million at year-end 2022. Edita The Company recorded a net debt of EGP 659.3 million as at 30 June 2023 compared to EGP 107.8 million in net debt as at 31 December 2022.

Edita booked inventories of EGP 1,386.5 million as at 30 June 2023, up from EGP 981.5 million as at 31 December 2022. Meanwhile, trade and notes receivable stood at EGP 134.1 million as at 30 June 2023, down from EGP 141.9 million as at 31 December 2022.

Total CAPEX for the six-month period ended 30 June 2023 came in at EGP 163.9 million, with an almost equal contribution between expansionary additions, maintenance additions, and motor vehicle expenses.

Egyptian Accounting Standards Reconciliation to IFRS

Edita's EAS and IFRS financial statements differ in the treatment of employees' profit share, which is expensed under the IFRS, while the EAS accounts for them as a distribution and are thus not included on the income statement. Also, EAS and IFRS differ in the calculation of EBITDA. In 1H2023, EGP 42.9 million in FX gain and EGP 1.5 million related to gains on the sale of fixed assets were deducted from EBITDA. Moreover, a profit share deduction of EGP 52.8 million was made, bringing total EAS to IFRS adjustments on EBITDA to EGP 1,111.2 million. A reconciliation between Edita's financial statements in EAS with the IFRS-based financial statements for 1H2023 is provided in the table below.

in EGP mn*	2Q2023 EAS	Adjustment	2Q2023 IFRS
Net Sales	5,637.8		5,637.8
COGS (excluding MOH)	3,268.0		3,268.0
MOH	475.0	(24.1)	499.0
Total	3,820.6		3,844.6
Gross Profit	1,817.2	24.1	1,793.2
Selling & Distribution Exp.	254.4	(16.0)	270.4
Advertising & Marketing Exp.	200.5		200.5
General & Admin. Exp.	325.7	(12.7)	338.4
Other Operational Exp.	49.2	(27.8)	48.3
Profit from Operations	987.4	51.9	935.5
Profit from Operations Margin	17.5%		16.6%
Lease Finance Interest	7.1	(0.4)	7.4
Profit Before Income Tax	1,079.4		1,027.2
Income Tax Expense	250.5		250.5
Net Profit After Tax	809.8	52.3	757.5
Net Profit After Tax Margin	14.4%		13.4%
EBITDA	1,208.5	97.3	1,111.2
EBITDA Margin	21.4%		19.7%

*Figures are based on management accounts for better disclosure on expenses breakdown

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About Edita Food Industries

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

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including packaged cakes, bakery, rusks (baked wheat), wafers and biscuits 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, Oniro and MiMix. The Company also has the exclusive ownership of the international Hostess brands Twinkies, HOHOs 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 Hostess brands across its territories. The Company holds strong number-one market positions in its core cake and bakery segments as well as in rusks, a leading market position in candy and a growing market position in the wafers segment. In 2Q2023, the Company derived 92.0% of its revenue from Egypt and 8.0% from regional export markets. Learn more at ir.edita.com.eg

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Forward Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as "according to estimates", "aims", "anticipates", "assumes", "believes", "could", "estimates", "expects", "forecasts", "intends", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "should", "to the knowledge of", "will", "would" or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding business and management, future growth or profitability and general economic and regulatory conditions and other matters affecting the Company.

Forward-looking statements reflect the current views of the Company's management ("Management") on future events, which are based on the assumptions of the Management and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause the Company's actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements.

The Company's business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to differ materially from those expressed or implied by the forward-looking statements contained in this prospectus. The information, opinions and forward-looking statements contained in this communication speak only as at its date and are subject to change without notice. The Company does not undertake any obligation to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this communication.