

# 1Q23 Earnings Release

Cairo, Egypt | 30 May 2023



## Juhayna Food Industries Reports 1Q23 Earnings

*Juhayna records an impressive 135% y-o-y increase in net profit to reach 339mn, and a 42% y-o-y increase in net revenue to 3.4bn in 1Q23.*

### 1Q23 Highlights

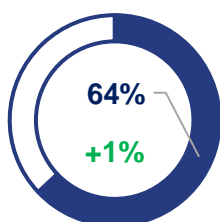
<b>3,423mn</b> Net Revenue ▲42% YoY	<b>1,017mn, 29.7%</b> Gross Profit, margin ▲59% YoY, ▲ 3pps	<b>594mn, 17.4%</b> EBITDA, margin ▲ 113% YoY, ▲ 5.7pps
<b>339mn, 9.9%</b> Net Profit, margin ▲135% YoY, ▲ 3.9pps	<b>777mn</b> 31/3/2023 Net Debt ▲ 138% YoY	<b>526mn, 15.4%</b> SG&A, % of Sales ▲17% YoY, ▼ -3.4pps YoY

### Revenue By Segment

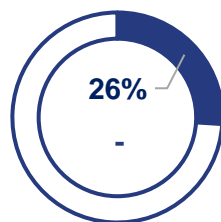
EGP mn	1Q23	1Q22	% Change
Dairy	1,771	1,299	36%
Fermented	848	585	45%
Juice	481	382	26%
Concentrates & Agri	251	64	290%
3rd Party Distribution	72	74	-3%
<b>Total</b>	<b>3,423</b>	<b>2,403</b>	<b>42%</b>

### 1Q23 Volume Market Shares

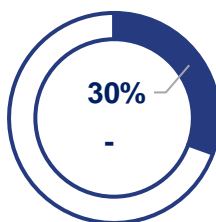
#### Plain Milk



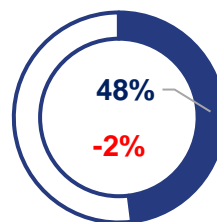
#### Juice



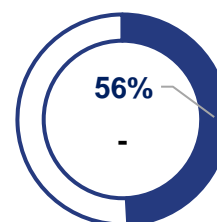
#### Spoonable Yogurt



#### Drinkable Yogurt



#### Flavored Milk



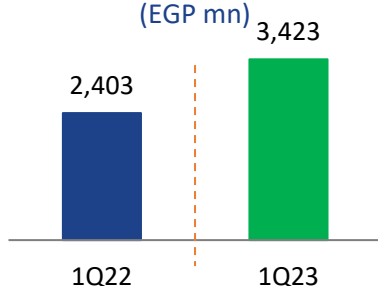
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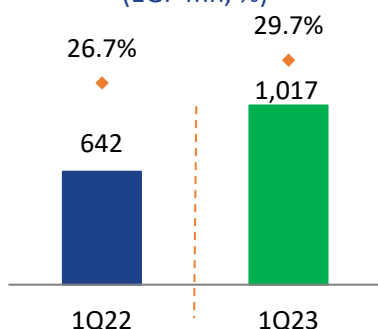
## Net Revenue

(EGP mn)



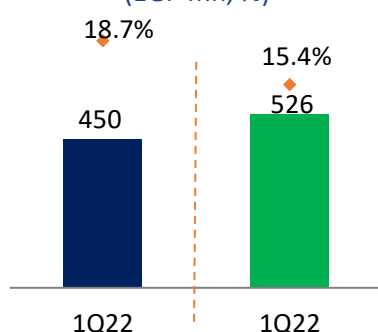
## Gross Profit, Margin

(EGP mn, %)



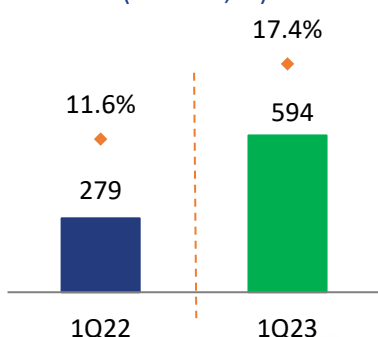
## SG&A, Margin

(EGP mn, %)



## EBITDA, Margin

(EGP mn, %)



(Cairo, Egypt) — Juhayna Food Industries (JUFO.CA on the Egyptian Exchange, “Company”), a leader in the Egyptian packaged dairy, yogurt and juice markets, announced its audited consolidated results for 1Q23. The company achieved net revenues of EGP 3.4 billion, reflecting a growth rate of 42%. This growth was driven by an increase in pricing, with a 60% rise observed throughout 2022.

The high inflationary environment in Egypt is negatively affecting consumer purchasing power. This is causing consumers to cut down on consumption and trade down to lower-priced products. Juhayna is well-positioned for this trend, as we have a diverse product portfolio that offers a variety of price points to meet the needs of different consumers. In particular, our lower-priced products are in high demand as consumers look to save money. We are also confident that our brand loyalty will help us to retain customers even in a challenging economic environment.

The company experienced a decline in volumes compared to 1Q22 (the highest base of 2022, where wholesalers were aggressively overstocking), this decline was mainly observed in the juice and milk segments, with yogurt experiencing a small decline, as the segment was supported by Ramadan seasonality. Notably, Juhayna managed to defend its high market shares despite the volume decline.

COGS increased by 37%, reaching 2.4bn in 1Q23. This increase is attributed to increasing prices of raw materials, specifically of raw milk and packaging materials. Despite this, the gross profit margin showed a positive trend, increasing by 3 pps to reach 29.7%. This improvement was driven by increased local sales and exports, with the concentrates segment notably contributing to profitability due to high gross profit margins from export sales. Moreover, the use of low-priced raw materials purchased at a lower exchange rate had a positive effect on margins, but its effect is expected to decrease as the year progresses. Furthermore, fixed costs decreased as a percentage of sales.

SG&A margin decreased by 3.4% year-on-year, reaching 15.4%. This reduction can be attributed to the company's continuous cost optimization efforts, savings on marketing spend and improved distribution efficiency. Additionally, the high net revenue growth also contributed to the decline in the SG&A margin. Juhayna remains focused on keeping expenses tight and capitalizing on cost-saving opportunities.

Positive gross profit margin gains and savings on SG&A expenses resulted in a growth of 113% in EBITDA for 1Q23, reaching 594mn, with a margin of 17.4%, recording an improvement of 5.7% ppts y-o-y.

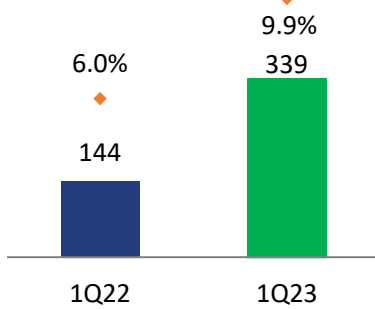
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## Net Profit, Margin

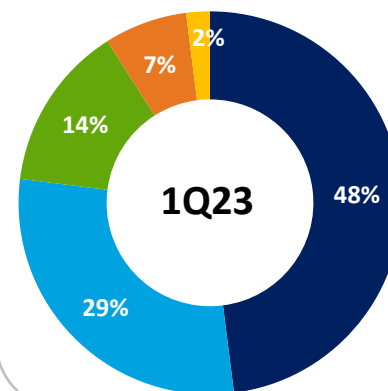
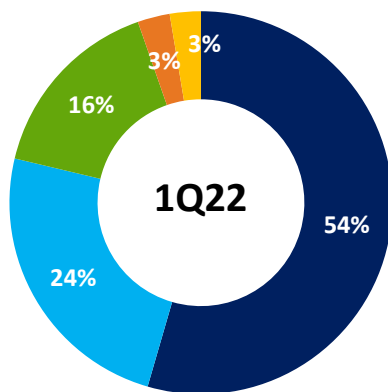
(EGP mn, %)



In terms of net profit, Juhayna achieved EGP 339mn in 1Q23, representing a substantial increase and an improved margin of 9.9% compared to 6.0% in 1Q22. This growth occurred despite increased finance costs and a net FX loss of EGP 28mn due to dollar-based payables rerating caused by EGP devaluation and FX shortages. Juhayna's vertical integration, its strategic relationships with its suppliers, local and global partners, in addition to the company's cost reduction strategy all contributed to this growth.

## Revenue Breakdown by Segment

- Dairy
- Fermented
- Juice
- Concentrates & Agri
- 3<sup>rd</sup> Party Distribution



The company experienced a notable surge in export sales (Concentrates, Milk and Juice), achieving an annual growth rate of 200%, reaching EGP 286mn in 1Q23. Export sales accounted for 8.3% of the company's total revenues for the quarter, compared to 4% in 1Q22. When calculated in US dollars, yearly growth rate booked is at 60%. The growth in exports was primarily driven by concentrates exports, which played a vital role in mitigating the challenges related to FX availability, in addition to our long-standing relationships with global and local suppliers. Juhayna is actively seeking additional opportunities to further expand its exports segment.

Net debt increased from EGP 326mn Egyptian pounds in 1Q22 to EGP 777mn at the end of 1Q23, representing a 138% increase. This increase was primarily driven by the working capital cycle, particularly the increase in the value and quantity of inventory during 1Q23 to EGP 2.4bn, which represents a 37% y-o-y increase. This increase was a result of the company stocking up on key raw materials to avoid supply shortages or production halts, a situation successfully managed throughout 2022. Additionally, the higher value of raw materials, driven by commodity price increases, devaluation of the Egyptian pound, and general inflation, contributed to the high growth in inventory levels.

Juhayna allocated EGP 93mn towards CAPEX in 1Q23, primarily focusing on manufacturing and distribution activities, which is a part of a planned 2023 CAPEX of EGP 450mn.

Our consistent and continuous success has been made possible by our strong frameworks and robust governance practices developed in previous years, as well as the dedicated efforts of our trustworthy and experienced management team and employees. Their commitment and hard work have propelled us forward and enabled us to reach new horizons of achievement.

## Mr. Seif Thabet appointed as Juhayna CEO

***“It is our utmost pleasure that Mr. Thabet has joined us as CEO and Deputy Chairman of the Board of Directors, considering his successful tenure at Juhayna between 2016-2020 as the Group’s CEO. Mr. Thabet’s exceptional qualifications and experience in the Food and Beverage industry qualifies him to continue the outstanding achievements of the company’s exceptional team in realizing its strategic goals and expansion plans.”***

***Chairman of the Board of Directors,  
Ahmed Al-Wakil***



Mr. Thabet began his journey with Juhayna in 2004, assuming various managerial positions, including Sales and Marketing Manager and Project Management Head. He also worked with the German Dairy Company (Müller), which played a role in his appointment as the Head of the El Dawleya company, which represents Juhayna's first production facility for natural juices. Additionally, Mr. Thabet served as the Deputy Head of the Dairy Sector at the Chamber of Food Industries, and he has previously worked as the Treasurer of the Export Council for Food Industries.

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## Income Statement

	1Q23	1Q22
Net sales	3 423 285 226	2 403 433 446
Cost of sales	(2 405 946 442)	(1 761 615 642)
Gross profit	1 017 338 784	641 817 804
Other operating income	47 103 303	30 541 713
Selling and Marketing expenses	( 434 240 637)	( 375 662 265)
General and administrative expenses	(91 555 064)	(74 419 472)
Other expenses	(39 924 472)	(21 893 334)
Results from operating activities	498 721 914	200 384 446
Share in profit of a company under joint control	257 720	233 452
Net finance (expense)	( 74 831 645)	( 13 009 377)
Net profit before income tax	424 147 989	187 608 521
Current income tax	( 93 110 179)	( 43 364 464)
Deferred tax	8 376 562	175 648
Net profit for the period after tax	339 414 372	144 419 705
Distributed as follows		
Parent Company's share in profit	339 217 994	144 380 793
Non-controlling interest	196 378	38 912
	339 414 372	144 419 705
Earning per share for the period (L.E /share )	0.36	0.15

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## Balance Sheet

	1Q23	4Q22
Property, plant and equipment	2 955 922 760	3 007 277 888
Projects under construction	185 014 224	127 380 566
Plant wealth - productive	43 651 965	43 990 377
Plant wealth – not productive	22 097 656	20 328 869
Biological wealth	207 957 473	197 472 085
Investments under joint control (equity)	17 183 813	16 926 093
Right of use assets	43 730 141	47 182 377
Goodwill	97 092 890	97 092 890
Other - long term asset	713 532	715 600
<b>Non-current assets</b>	<b>3 573 364 454</b>	<b>3 558 366 745</b>
Biological assets - Existing Agriculture	18 192 818	20 158 767
Biological assets - Feeding Sector	46 352	117 332
PPE held for sale	1 942 496	1 942 496
Inventories	2 362 206 773	1 725 513 368
Trade and other receivables	1 009 747 867	768 124 141
Due from related party	562 018	559 970
Cash at banks and on hand	382 027 141	294 504 052
<b>Current assets</b>	<b>3 774 725 465</b>	<b>2 810 920 126</b>
<b>Total assets</b>	<b>7 348 089 919</b>	<b>6 369 286 871</b>
Issued and paid up capital	941 405 082	941 405 082
Legal reserve	742 006 982	719 145 789
General reserve - issuance premium	330 920 428	330 920 428
Retained earnings	1 734 723 251	1 418 366 451
<b>Total equity attributable to the shareholders of the parent company</b>	<b>3 749 055 743</b>	<b>3 409 837 750</b>
Non-controlling interest	1 090 526	894 422
<b>Total equity</b>	<b>3 750 146 269</b>	<b>3 410 732 172</b>
Long - term loans	73 226 518	78 951 620
Lease contract liabilities - non current portion	73 844 250	80 440 307
Deferred tax liabilities	296 225 617	304 602 189
Other non current liabilities	111 564	297 878
<b>Non-current liabilities</b>	<b>443 407 949</b>	<b>464 291 994</b>
Provisions	82 736 611	78 789 406
Bank credit facilities	916 475 153	707 922 331
Creditors and other credit balances	1 704 263 855	1 340 285 565
Income tax payable	305 160 968	213 078 927
Lease contract liabilities- current portion	29 782 669	30 742 133
Loans-current portion	116 116 445	123 444 343
<b>Current liabilities</b>	<b>3 154 535 701</b>	<b>2 494 262 705</b>
<b>Total liabilities</b>	<b>3 597 943 650</b>	<b>2 958 554 699</b>
<b>Total equity and total liabilities</b>	<b>7 348 089 919</b>	<b>6 369 286 871</b>

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## Cash Flow

	1Q23	1Q22
<b>Cash flows from operating activities</b>		
Net profit for the period before income tax and minority interest share in profits	424 147 989	187 608 521
Adjustments for:		
PPE depreciation	72 533 814	77 924 776
Capital loss (gain)		(13 024 047)
Amortization of asset right of use (lands)	2 068	2 068
Amortization of animal wealth	7 924 782	7 674 099
Amortization of plant wealth (productive)	338 412	201 640
Capitalize during the drying period	16 300	-
Changes in investments under joint control (equity)	( 257 720)	( 233 452)
Impairment of other debit balances		341 784
Amortization of right of use	3 452 236	3 535 491
Right of use interest	979 969	1 561 620
Impairment of inventory no longer required		( 70 806)
Provision for claims formed	9 167 975	5 003 514
Herd birth	( 4 963 800)	(4 219 000)
Herd capitalization	( 22 698 884)	(15 950 769)
Loss from selling and death of animal wealth	6 556 115	392 166
Foreign currencies exchange differences	27 500 005	3 425 010
Credit interests	( 3 573 141)	(3 775 743)
Finance interests & expenses	49 924 812	18 648 510
	<b>571 050 932</b>	<b>269 045 382</b>
Changes in:		
Inventories	( 636 693 405)	(149 558 921)
Biological assets- Exiting Agriculture	1 965 949	(9 336 469)
Changes in held for sale		104 958
Trade and other receivables	( 241 623 726)	(151 554 504)
Due from related parties	( 2 048)	( 17 056)
Creditors & other credit balances	364 043 722	236 404 504
Income tax paid	( 1 028 138)	(5 000 000)
Sales tax on capital goods -paid	( 186 314)	161 922
Provisions claims used	( 5 220 770)	(1 918 522)
<b>Net cash flows from operating activities</b>	<b>52 306 202</b>	<b>188 331 294</b>
<b>Cash flows from investing activities</b>		
Acquisition of PPE & projects under construction	( 79 704 936)	(35 765 373)
Proceeds from sale of PPE	892 592	15 162 808
Proceeds from plant wealth unproductive	( 1 768 787)	(2 172 144)
Payments to invest in vital assets	1 869 532	9 986 972
Proceeds from the compensation of calves' death	815 830	637 115
<b>Net cash flows (used in) investing activities</b>	<b>(77 895 769)</b>	<b>(12 150 622)</b>
<b>Cash flows from financing activities</b>		
Proceeds from/ (payments for) overdraft & credit facility	208 552 822	(15 539 088)
(Payments for) financial lease contract liabilities	( 8 535 490)	(8 450 232)
(Payments for) Bank loans	( 13 053 000)	(40 486 063)
Collected credit interests	3 573 141	3 775 743
Finance interests & expenses paid	(49 924 812)	(18 648 510)
Dividends paid to shareholders	-	(188 281 016)
<b>Net cash flows (used in) financing activities</b>	<b>140 612 661</b>	<b>(267 629 166)</b>
<b>Change in cash &amp; cash equivalents during the period</b>	<b>115 023 094</b>	<b>(91 448 494)</b>
The effect of foreign exchange difference	(27 500 005)	(3 425 010)
<b>Cash &amp; cash equivalents on 1 January</b>	<b>294 504 052</b>	<b>453 015 330</b>
<b>Cash &amp; cash equivalents on 31 March</b>	<b>382 027 141</b>	<b>358 141 826</b>

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## About Juhayna Food Industries

Juhayna Food Industries is a leading Egypt-based manufacturer specialized in the production, processing and packaging of dairy, juice, yogurt and cooking products.

Since its founding in 1983, it has secured a frontrunner position in Egypt and has expanded its presence, through exports, to international markets, a feat made possible through its firm commitment to delivering a wide range of high-quality, healthy, and safe products that have become trusted household names.

Today, with four fully operational facilities, a vast network of distribution centers serving more than 136,000 retail outlets nationwide, and a 500-feddan, fully-owned dairy farm covering a sizeable portion of the company's raw milk needs, Juhayna continues to raise the benchmark for premium quality Egyptian manufactured products.

## Forward Looking Statements

Statements contained in this Business Review that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of Juhayna Food Industries. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. Certain information contained herein constitutes "targets" or "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "seek," "should," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Actual events or results or the actual performance of Juhayna Food Industries may differ materially from those reflected or contemplated in such targets or forward-looking statements. The performance of Juhayna Food Industries is subject to risks and uncertainties

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