



9M2019 EARNINGS RELEASE

Obour Land continues to deliver strong performance with a 9% top-line growth in 9M19 and bottom line recording 33% YoY increase

Key Highlights

All figures are in EGP unless stated otherwise	3Q 19	3Q 18	y-o-y Change	9M 19	9M 18	y-o-y Change
Net Revenues	733.0mn	635.3mn	15%	1,920.5mn	1,764.9mn	9%
Volume Sold	30k tons	27k tons	11%	79k tons	77k tons	2.6%
Average price/kg	-	-	-	23.5	22.2	6%
Gross Profit	183.3mn	128.7mn	42%	430.5mn	406.7mn	6%
Gross Profit Margin	25.0%	20.3%	4.7pp	22.4%	23%	-0.6pp
EBITDA	157.3mn	102.5mn	53%	328.5mn	282.5mn	16%
EBITDA Margin	21.5%	16.1%	5.5pp	17.1%	16.0%	1pp
Net Profit	113.3mn	65.6mn	73%	240.6mn	180.3mn	33%
Net Profit Margin	15.5%	10.3%	4.2pp	12.5%	10.2%	2.3pp

Cairo, Egypt | November 3, 2019 - Obour Land for Food Industries S.A.E. (OLFI) announced its audited 9M19 results. The Company's net sales for the period recorded EGP 1,920.5mn, posting a growth of 9% compared to 9M18, out of which EGP 1,823.9mn generated from white cheese sales and EGP 96.6mn from the Juice & Milk segment.

The 3rd quarter witnessed an outstanding performance with the sales volumes increased by 11% y-o-y while the bottom line surging 73%. This was mainly driven by the increase in white cheese sales volumes in addition to an average 6% increase in white cheese prices and an 8% increase in Milk prices. Moreover, the management was successful in managing SG&A expenses which helped to boost EBITDA & net profit margins.

- The Company recorded gross profit of EGP 430.5mn during 9M19, posting a y-o-y growth of 6%, translating into a gross profit margin of 22.4%, compared to 23% in 9M18. The company successfully improved the gross margin as planned to gradually return back to its targeted levels set by the management.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) recorded a 16% y-o-y increase, to reach EGP 328.5mn in 9M19, yielding an EBITDA margin of 17.1%. It is worth noting that in 3Q19 the company's EBITDA margin recorded a startling 21.5%.
- Obour Land achieved a net profit of EGP 240.6mn during 9M19, a 33% growth compared 9M18, translating into a net profit margin of 12.5% for 9M19, an increase of 230bps y-o-y. It is important to note that excluding the one-off revenues (FX gains and gains from selling assets), the net profit from operations increased 16% y-o-y.



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Mr.Ashraf Hamed Sherif, Vice Chairman Comments:

I am delighted to share with you our results for the 3rd quarter of 2019 ended September 30, 2019, a very strong quarter for the Company in terms of Revenues, volumes of sales and margins, driven by our strategic focus on sustainable growth and providing top quality products.

We witnessed a strong quarter in terms of volumes of sales in the cheese segment, growing by 11% to record 30k tons of white cheese in 3Q19 compared to 27k tons in 3Q18 which compensated the 1% decline in white cheese volumes in 1H19. Overall, the sales volumes of white cheese increased 2.6% to record 79k tons in 9M19 compared to 77k tons in 9M18 despite the growing competition.

In terms of financial performance, our Revenues grew by 9% YoY to record EGP 1,920.5mn in 9M19, Gross Profit and EBITDA reached EGP 430.5 million and EGP 328.5 million respectively with Gross Profit margin slightly decreasing to 22.4% while EBITDA margin increasing to 17.1%. The bottom line profits surged 33% to record EGP 240.6 million, translating into a Net Profit Margin of 12.5% for 9M19, an increase of 230bps YoY. The increase in the profitability margins was due to several reasons including the decrease in SG&A expenses by 18% YoY which was a result of a 64% decrease in marketing expenses, non-recurring revenues from FX gains and sale of assets in addition to the increase in the average price of white cheese and milk products 6% and 8% respectively.

It is worth mentioning that the improved margins due to non-recurring revenues and cost efficiency reflects the ability of the management to control its non-direct costs which helps us to capitalize on opportunities in the market like a decreasing US dollar exchange rate or decreasing interest rates. This also shows the flexibility of the management in managing the company's SG&A expenses while achieving growth in sales volumes.

The Milk and Juice segment has generated EGP 99.6mn gross revenues in 9M19 compared to 75.3mn in 9M18 marking a 32% increase. Additionally, the company succeeded to improve the gross profit margin of Milk and Juice to reach 22% in 9M19 compared to 16% in 1H19 and 19% in 9M18. Although the growth rates are lower than expected or than it's potential, we are confident that by giving it enough time we will create demand in the market based on satisfied and loyal customers. Obour Land aims to acquire a decent market share based on customer preferences rather than discounted prices therefore the company does not engage in price wars or offers big discounts as a way to penetrate new markets. The management believes that this strategy maybe slower but it will lead to having a more stable and long-term market share that will be loyal to the brand similar to the company's white cheese success story and by using the same applied sales policies.

We believe that to preserve our position as the market leader in the white cheese market and to enhance it even further, the company must always develop its existing products and to create new innovative products. We are already in the process of replacing old production lines with the newest technology from Tetra Pak to introduce for the first time a new package with a new design.

Our commitment to excellence and aspirations to offer the highest-possible quality of products, which are both affordable and safe, remains our key prime focus and our relentless driver for our expansionary attitude.



About Obour Land for Food Industries S.A.E. (OLFI)

Obour Land for Food Industries S.A.E., a leading white cheese manufacturer in Egypt, is a joint stock company established in 1997. Obour Land manufactures, markets and distributes a wide variety of carton packed and plastic tub white cheese products and has a robust distribution platform, with a direct and indirect outreach that covers all of Egypt. The Company's white cheese product offerings spans Feta, Istanbuly, Double Cream, Olive, Khazeen, Talaga and Baramely, all marketed under the well-known brand name "Obour Land".

As of September 2019, Obour Land operated a total of 16 production lines, including 15 Carton Pack production lines and one plastic tubs production line, with a total annual production capacity of c.194.1 thousand tons per annum in addition to 4 milk & juice production lines with a total capacity of 114mn liters. Obour Land is the number one white cheese producer & seller in Egypt boasting the largest market share by total sales volume. The Company is listed on the Egyptian Stock Exchange, and is traded under the symbol "OLFI.CA".

For more information, please visit: www.obourland.com

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