

3Q
2020



Third Quarter Results Mar.2020

EASTERN COMPANY

MAY 28



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COVID-19

- Our priority is the health and well-being of our employees while maintaining our seamless operations to continue serving our customers and consumers.
- We have a business continuity plan (BCP) that is closely overseen by a Steering Committee, of our leaders from relevant functions, to ensure that all adequate measures are being taken in alignment with The World Health Organization (WHO), as well as local government and health authorities. The committee is following up on the situation relentlessly, to promptly react to the rapidly evolving situation.
- This document will highlight the guidelines that EC will be strictly following during this critical time to guide the behaviors of our employees inside and outside our premises.

Work Environment

- Sanitization of all premises(Headquarters- Factories)
- Assurance of proper ventilation during sanitization and deep cleaning
- Assurance of more frequent cleaning of all premises during the day.
- Surfaces (e.g. desks and tables) and objects (e.g. telephones, keyboards, doorknobs) will be wiped with disinfectant regularly
- Installation and distribution of hand sanitizers at all premises' entrances and across all different locations (warehouses, offices, etc.)
- Sanitization of all transportation buses (upon arrival and before departure)
- Placing alcohol dispensers in all our fleet vehicles (Trucks and trailers) to secure the complete sanitization of vehicles and employees
- The immediate closure of mosques / praying areas to avoid gatherings

Internal Communication Signage's

Messages will be placed around the office space as constant reminder of how to act at work and they will encourage:

- More frequent hand washing followed by alcohol-based hand sanitizer
- Avoidance of handshake and physical greeting/ contact
- Keeping your distance from people (at least of 1 meter)

Meetings

- Any events Physical face-to-face meetings will be replaced by videoconferencing

Events

- or conferences (either internal or external) during March , April & May .are being cancelled and/or postponed, until further review and notice

Travel

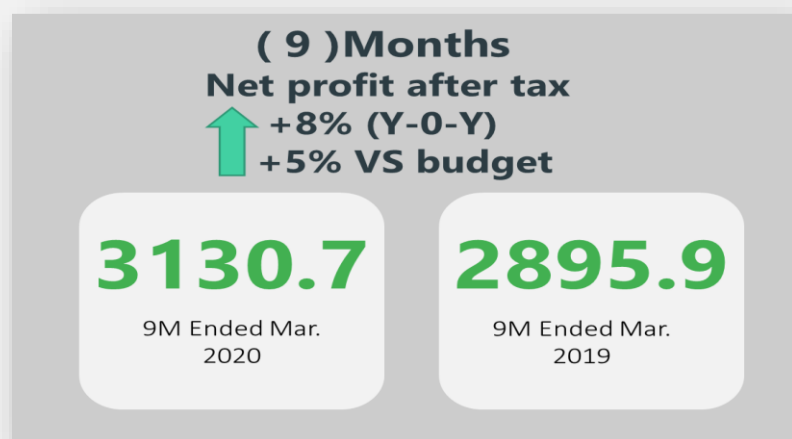
- Immediate cancellation of all travel until further notice.

We are monitoring the situation closely and updating our operating procedures daily.
Let us stay together during this difficult time and keep the communication open.



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3Q 2020 RESULTS

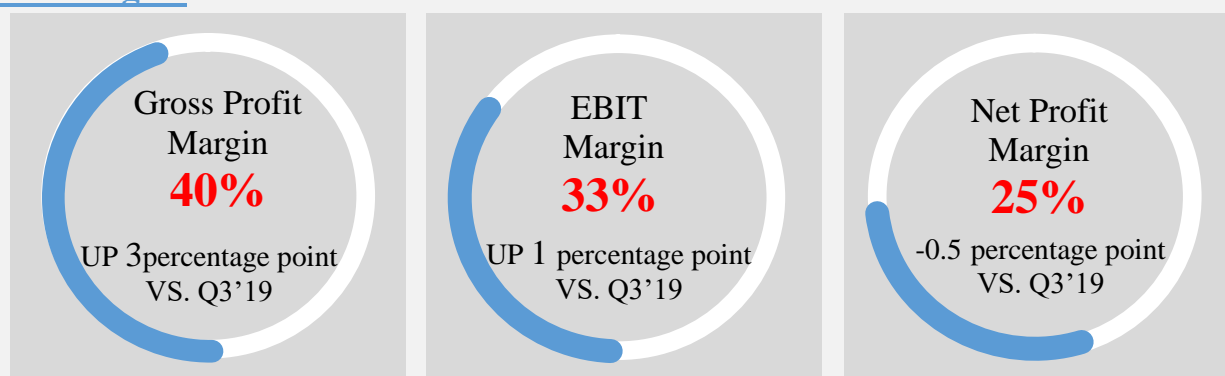


TOTAL REVENUE LE 3677 MN UP 8% versus Q3 '19 -3.3% versus budget	GROSS PROFIT LE 1474 MN UP 17% versus Q3 '19 UP 1 % versus budget
EBIT LE 1227 MN UP 12% versus Q3 '19 -1 % versus budget	NET PROFIT LE 914 MN UP 5% versus Q3 '19 -7.3 % versus budget

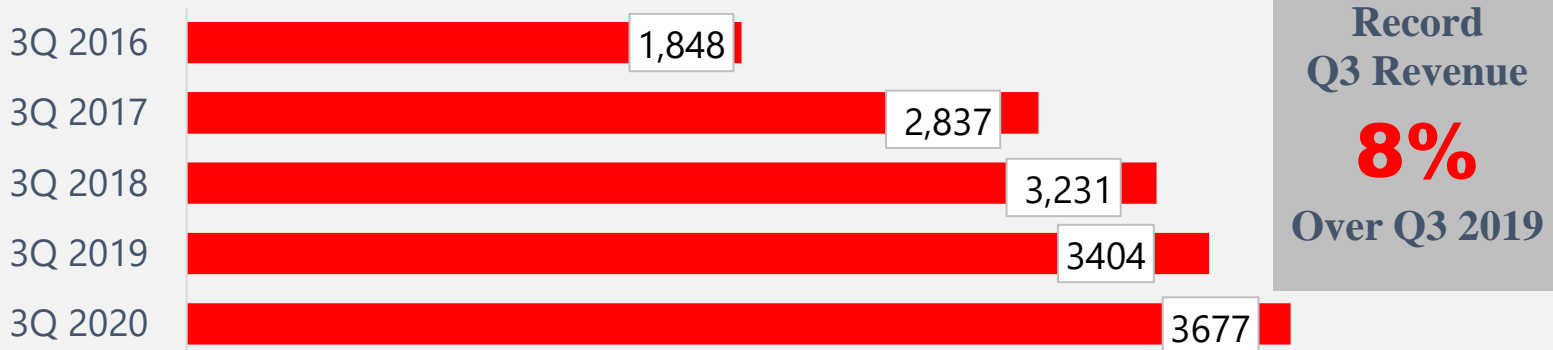
Highlights for 3Q2020

Eastern reports revenues of **EGP 3,677 million** in 3Q19|20, **up 8%** Q-o-Q, with the company delivering improved profitability as **net profit expanded 5%** Q-o-Q for the period. On 9 Month basis, Eastern reported **8% y-o-y top-line increase** with the same percentage increase in **bottom-line**.

3Q 2020 Margins



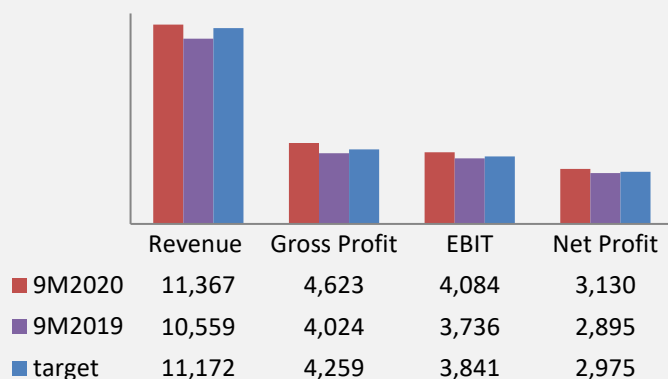
EC reports third quarter revenues



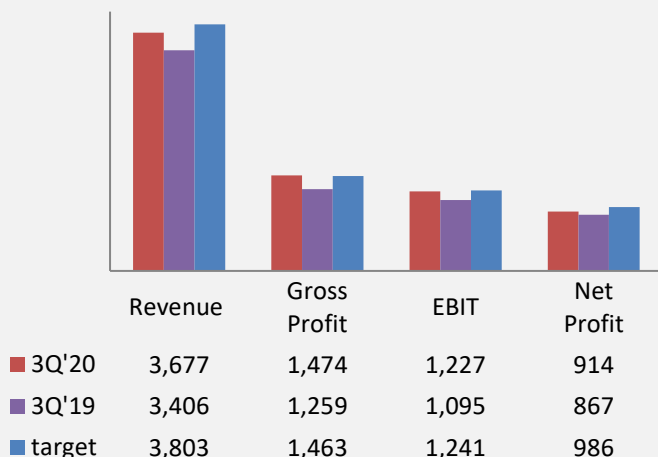


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Snapshot of Results(9M)Mar.20



Snapshot of Results 3Q19



Snap shot of results 3Q19|20

- Eastern Co reported a 3Q 19/20 (ending Mar 20) net profit after tax EGP914 MN, up 5% Q-o-Q.
- Revenue was up 8 % to EGP 3.67 BN (Q-o-Q), Eastern overall revenue growth for the quarter was largely supported by strong results recorded by its Cigarettes local & JV segment.
- Eastern local cigarettes segment recorded a 10% Q-o-Q increase in revenue during 3Q2020 du to increase in volumes by 1 BN Cig. +7 % (Q-0-Q),
- Toll-manufactory segment recorded +5% (Q-o-Q) due to increase in productions by 1.5BN Cig.
- The main reason of Q3 negative budget variance is that EC began seeing the effects of the Coronavirus pandemic during the second half of March and the company took all the necessary precautionary measures and have been planning for different scenarios to ensure the safety of our working environment and to guarantee our procurement, manufacturing and sales operations remain intact.

► **Revenue:** EGP 3,677 MN (+8%Y-o-Y, +8% Q-o-Q).

► **Gross profit:** EGP1477 MN (+15%Y-o-Y+17% Q-o-Q).

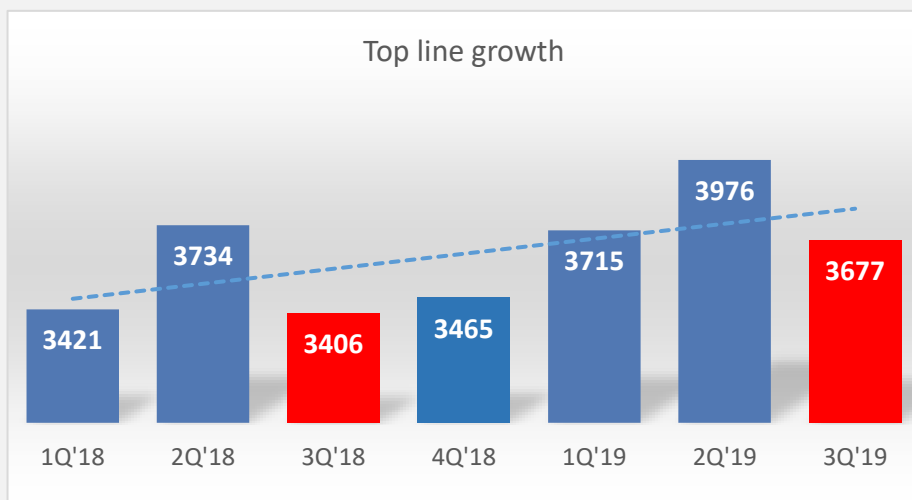
► **Net-Income:** EGP 914 MN (+8%Y-o-Y, 5% Q-o-Q).

Summary income Statement (EGP MN)

EGP MN	3Q'19 20	3Q'18 19	budget	Change Q-0-Q	VS budget	9M2020	9M2019	budget	Change Y-o-Y	VS budget
Revenue	3,677	3,406	3,803	8.0%	-3.3%	11,367	10,559	11,172	7.65%	1.7%
Gross Profit	1,474	1,259	1,463	17.1%	1%	4,623	4,024	4,259	14.89%	9%
%Margin	40%	37%	-	3%	-	41%	38%	-	2.6%	-
EBIT	1,227	1,095	1,241	12.60%	-1%	4,084	3,736	3,841	9.31%	6%
%Margin	34%	32.1%	-	1%	-	36%	35%	-	0.55%	-
Net Profit	914	867	986	5.4%	-7.3%	3,130	2,895	2,975	8.1%	5%
%Margin	25%	25.5%	-	-0.6%	-	28%	27%	-	0.12%	-

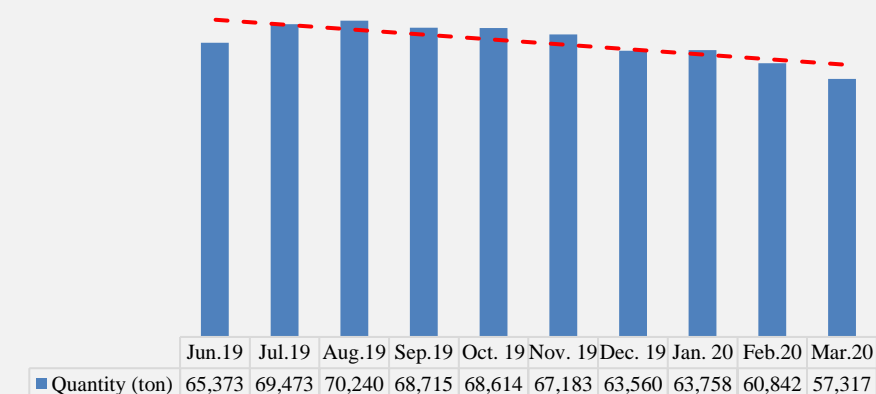
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Strategy



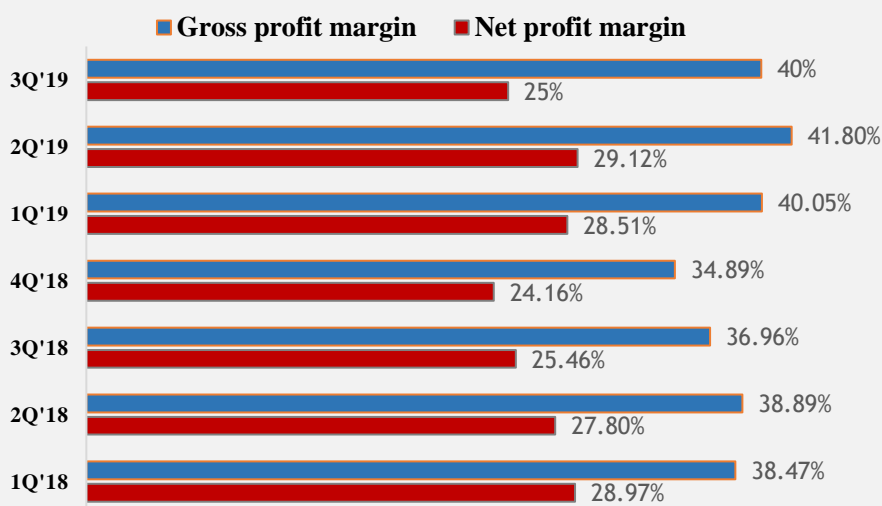
- **High-quality of earnings & sustainable growth**

(EC) has an adequate level of return on investment which are derived from activities that a company will likely be able to sustain in the future. Eastern implemented carefully calculated changes in strategy to keep its topline growth steady, which helped sustain 3Q sales and volume growth.



- **Maintaining Efficient Inventory**

New policies and procedures were implemented to further assist EC in moderating inventory levels without disrupting operations. Decreasing inventory levels allows the company to have stronger control over costs and facilitates the movement of in-demand goods. Looking ahead, (EC) will continue moderating its inventory smartly and will further develop its operational procedures accordingly.



- **Improving Margins**

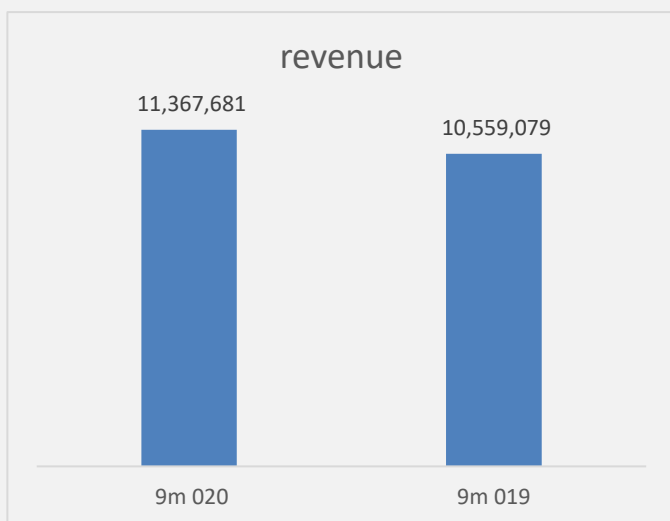
Operational sustainability largely improved on the back of strategic cuts that remained in effect in 3Q, and continued to positively affect margins, driven by indirect price increases via cutting retailers' margins (from EGP 0.25 To EGP 0.15) for some of the brands, as of 1 August 2019, along with an improvement in Sales Mix (discontinued production of low-margin Cleopatra King Cig produce in Alexandria Factory, replacing it with the higher margin Cleopatra Queen), rightsizing its workforce, and introducing new products and services, EC managed to further streamline its operations and increase overall efficiency.

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Results in a Nutshell

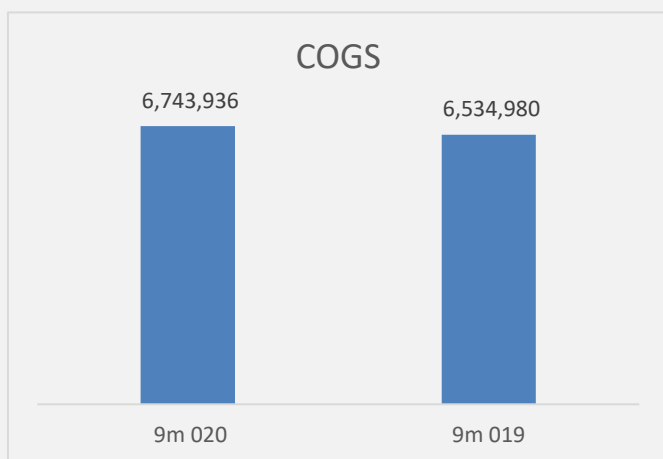
1- Revenues

Income statement during the period from 1/7/2019 to 31/3/20 recorded revenues of 11367.6 million pounds compared to 10559 million pounds in the same period of the previous year, with an increase of 808.6 million pounds, +8%Y0Y ,Toll manufacturing revenue increased by 171 million pounds as a result of an increase in the volumes of production from foreign cigarettes by about 1.5 billion cigarettes , And also indirect price increases via cutting retailers 'margins for some of the brands led to an increase in revenues of about 332 million pounds. Also the increase in the volumes of local sales of cigarettes affected the increase in revenues by 252 million pounds.



2- COGS

Income statements during the period from 1/7/2019 to 31/3/20 recorded a cost of revenue of 6744 million pounds compared to 6535 million pounds in the same period of the previous year, an increase of 209 million pounds, + 3%, although on 9m basis the COGS related to revenue decreased from 62% to 59%.



+3% (Y-o-Y) due to: -

- An increase in Row Martials of 86MN, increase in wages & salaries by 141 MN, and decrease in other exp. by 22 MN.

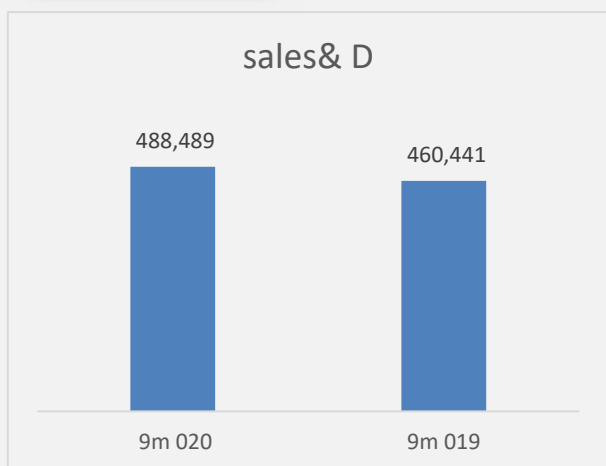
3- Gross profit

The gross profit for the period about 4623.7million pounds compared to 4024 million pounds, recorded an increase of 599.7 million pounds +15%. This increase is due to the increase in revenues at a rate greater than the increase in the cost of obtaining revenue.



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sales& D



4- Selling and distribution expenses

Income statement for the nine-month period ending mar.2020 recorded selling and distribution expenses about 488 million pounds compared to 460.4 million pounds, an increase of 27.6 million pounds, +6 %. This increase is annually due to increased wages 17.3 million pounds

5- General and administrative expenses

The 9M period recorded an increase of 29%, as general and administrative expenses reached 174.5 million compared to 135 million for the same period, The main reasons for the increase are as follows:

- Wage increases by 11.6million.
- Symbiotic contributions increases by 27 million.

G&A EXP.

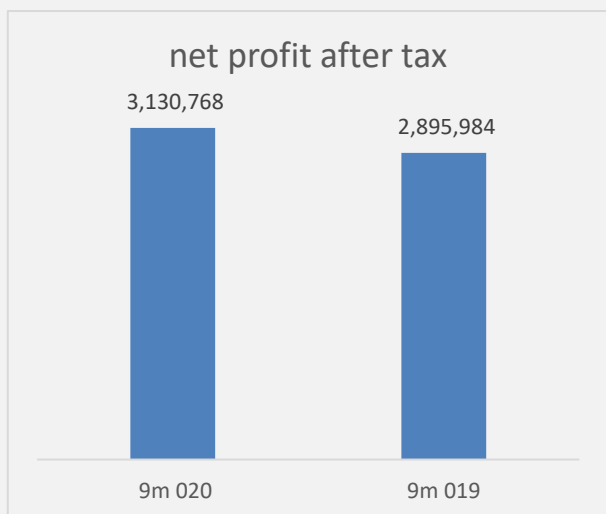


6- Other exp.

The 9M period recorded an increase as the other expenses item reached 152.9 million compared to 14.8 million pounds for the same period, to record an increase of 138 million pounds. The main reasons for the increase are as follows:

130 million increase of provisions and 11 million impairment of (jd Edwards.)

net profit after tax



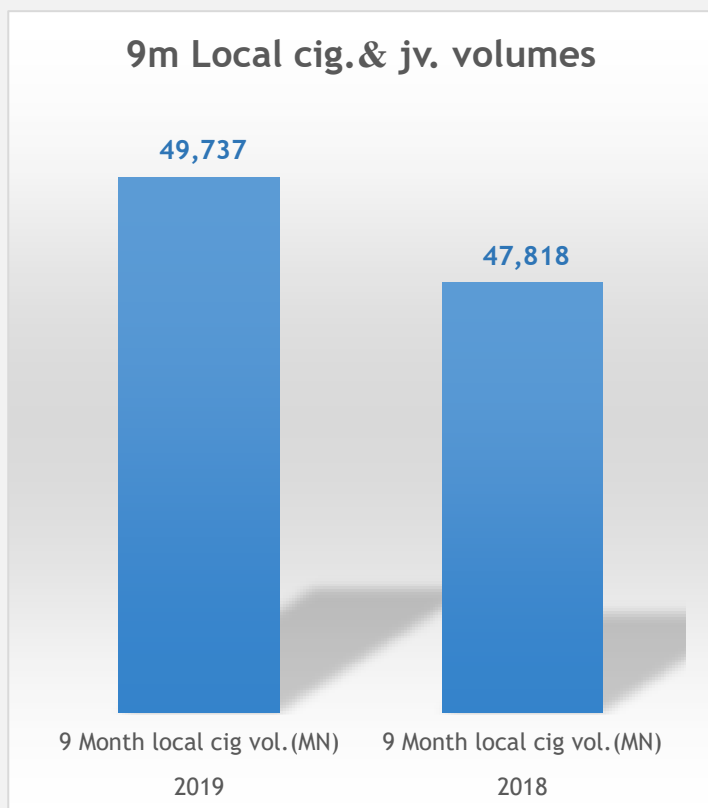
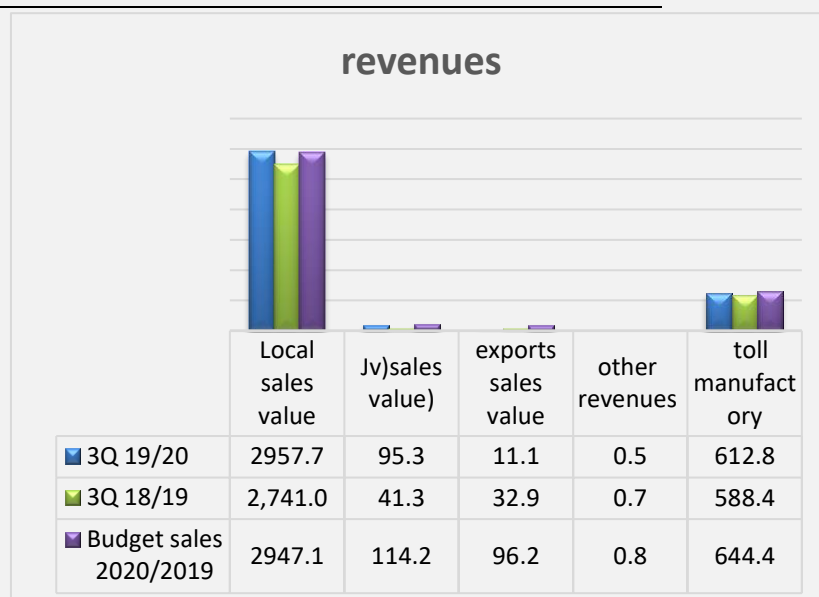
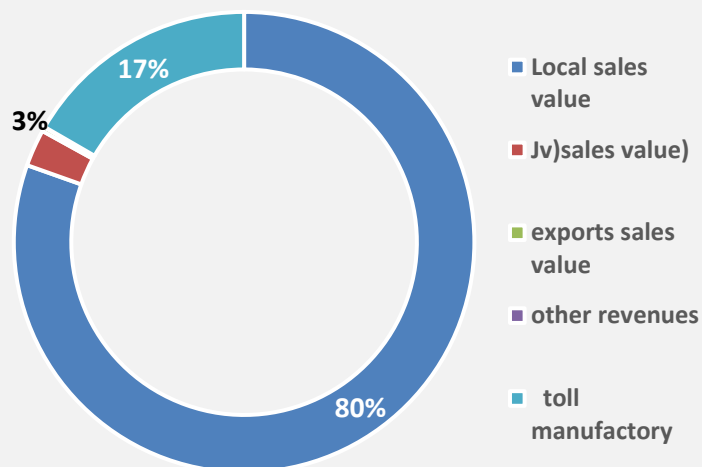
7- Net profit after tax for the period

The net profit for the 9m period ended Mar.2020 recorded 3130.7 million pounds compared to 2896 million pounds in the comparison period, an increase +8 %, to record an increase of 234.7 million pounds



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Revenue Breakdown by Segment 3Q20



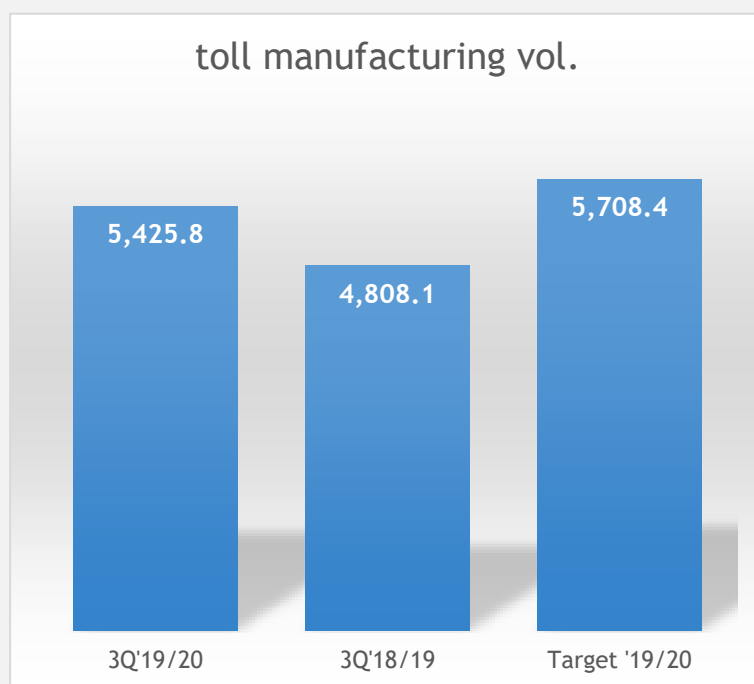
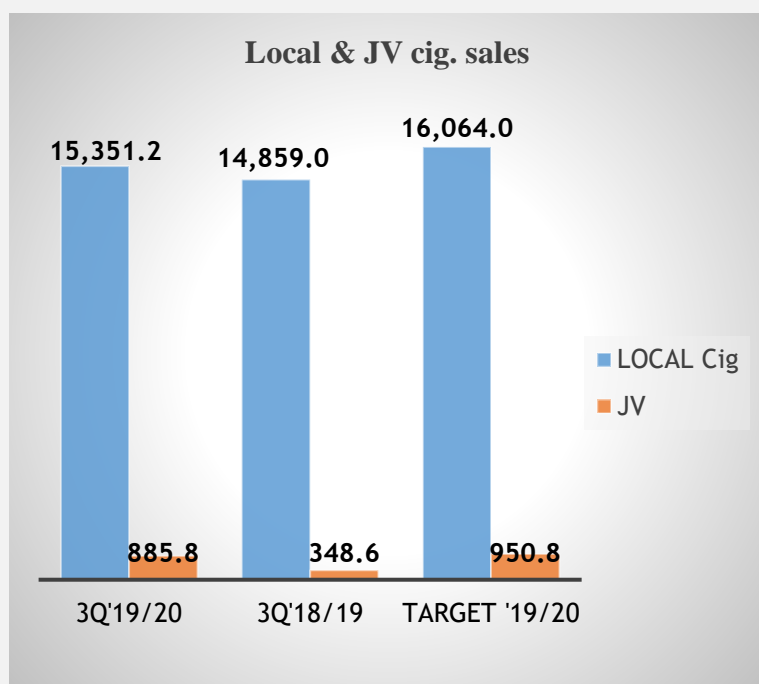
- On a segment basis, as segment contribution to revenue, revenue growth for the quarter was largely supported by the local cigarettes segment as well as the JV segment and toll manufacturing segments. Local cigarettes & JV segment recorded a 10% Q-o-Q rise in revenues in 3Q2019 on the back of a 7% Q-o-Q rise in volume up to 16,236 MN cig.
- In 9M2020, local cig volume were up 4% y-o-y. To 49,737 MN cig.
- In general the net sales recorded a 8.6% rise in revenue in 3Q2019, and toll manufacturing segment (weighted 17%) recorded a 5% Q-o-Q rise in revenue to record 612.8 MN in 3Q'19 VS 588.4 MN for the same comparable period



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Segment contribution to revenue

	VOLUME			VALUE				
	3Q19 20	3Q18 19	% Q-0-Q	3Q19 20	weight of total revenue	3Q18 19	weight of total revenue	% Q-o-Q
Cigarettes local MN. cig	16236	15207.1	6.77%	2992514	81.4%	2722007	80.0%	10%
mussel tobacco (ton)	2122.4	2426.4	-12.53%	46886	1%	53786	2%	-13%
captain - local - ton	1.7	1.33	28.11%	391	0.0%	299	0.0%	31%
cigar local - thousand cigar	225.9	232.9	-3.01%	877	0.0%	964	0.0%	-9%
tobacco bristles - ton	25.6	23.1	10.65%	6703	0.2%	5958	0.2%	13%
Cigarettes export MN. Cig	1	0.6	66.67%	239	0.0%	146	0.0%	64%
mussel tobacco (export)-ton	180	513	-65.01%	10820	0.3%	32758	1.0%	-67%
* Cigar- Export MN	12.8	-	-	67	0.0%	-	-	-
Net sales (finished goods)				3058430	83%	2815918	83%	8.6%
Toll manufacturing	5425.8	4808.1	12.85%	618982	17%	588343	17%	5.2%
total revenue				3677412	100%	3404261	100%	8.0%





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Sales Volume & Value					
Item	Unit	Sales Volume		Sales Value	
		2020/2019	2018/2019	2020/2019	2018/2019
		From 1/7/2019 to 31/3/2020	From 1/7/2018 to 31/3/2019	From 1/7/2019 to 31/3/2020	From 1/7/2018 to 31/3/2019
* Cigarettes - local	Million Cigarettes	49666.6	47770	9154983	8524772
* Moassel tobacco - local	Ton	9139.6	8114.9	196898	179200
* Captain - local	Ton	5.021	5.193	1130	1120
* Cigar - local	Thousand Cigar	690	825.7	2741	3003
* Tobacco Bristles	Ton	75.549	58.496	19556	15069
* Cigarettes - Export	Million Cigarettes	706	48.9	16390	11216
* Moassel tobacco - Expo	Ton	806.9	1044.6	48403	68128
* Tobacco Bristles - Expo	Ton	0.2	0	50	0
* Cigar- Export	Million Filter Rods	12.8	0	67	0
Net Sales - Finished Goods				9440218	8802508
Manufacturing Fees				1927463	1756571
Operating Revenues				11367681	10559079
Shipped Foreign Cigarettes	Million Cigarettes	16777.6	15098.8		



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• Balance Sheet

- Long-term investment item

Decreased in the financial position for nine months, due to the redemption of the 100 million Suez Canal certificates.

- Inventory

The inventory value decreased by 18%, with a difference about 1405 million, as a result of a decrease in the stock of raw tobacco and packaging materials, according to the company's policy for optimal use of working capital.

- Debt and receivables

The debtors and debit balances item increase, with amount about 191.5 million, is due to several items, the most important of which is the increase in the debit balance with the Tax Authority (value added).

- Retained earnings

Decreased by 50 million as a result of reimbursement of burden for the previous financial year, such as medical expenses.

- Trade and Note payables

This item reduced by 1227 million pounds as a result of the payment to vendors & raw tobacco suppliers.

Current Working Capital	EGP(000)
Current Asset	14,934,253
Inventories	6,551,092
Trade & notes receivables	287,571
Debtors and other debit balances	702,979
Trade payables -advance payments	80,902
Cash and cash equivalent	7,311,709
	-
Current Liabilities	9,572,581
Provisions	512,995
Trade and Note payables	230,190
Creditors & other credit balances	8,291,335
Trade receivables -advance payments	104,627
Financial lease contract obligations	24,696
Income tax payable	408,738
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Working Capital	5,361,672
Current Ratio	1.6

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