

## 1Q2020 EARNINGS RELEASE

Obour Land continues to deliver strong performance with a 1% top-line growth in 1Q20 and bottom line recording 28% YoY increase

### Key Highlights

All figures are in EGP unless stated otherwise	1Q 20	1Q 19	Y-o-Y Change
Net Revenues	582.8mn	575.8mn	1%
Volume Sold (White Cheese)	23.4k tons	24k tons	-2%
Average price/kg (White Cheese)	23.7	22.7	4%
Gross Profit	150.2mn	118.7mn	27%
Gross Profit Margin	25.8%	20.6%	5.2pp
EBITDA	101.1mn	70.5mn	43%
EBITDA Margin	17.4%	12.2%	5.2pp
Net Profit	68.1mn	53.0mn	28%
Net Profit Margin	11.7%	9.2%	2.5pp

Cairo, Egypt | April 16, 2020 - Obour Land for Food Industries S.A.E. (OLFI) announced its audited 1Q20 results. The Company's net sales for the period recorded EGP 582.8mn, posting a growth of 1% compared to 1Q19, out of which EGP 551.3mn generated from white cheese sales and EGP 31.5mn from the Milk & Juice segment.

- The Company recorded gross profit of EGP 150.2mn during 1Q20, posting a y-o-y growth of 27%, translating into an impressive gross profit margin of 25.8%, compared to 20.6% in 1Q19.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) surged 43% y-o-y, to reach EGP 101.1mn in 1Q20, yielding an EBITDA margin of 17.4% marking a 520bps increase compared to 1Q19.
- Obour Land achieved a net profit of EGP 68.1mn during 1Q20, a 28% growth compared to 1Q19, translating into a net profit margin of 11.7% for 1Q20, an increase of 250bps y-o-y. The significant increase in profit margins was mainly due to a decrease in the industrial and running costs as result of the installation of the three new Tetra Pak® A3 speed production lines in addition to the discount received on the new shape packages.

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Mr.Ashraf Hamed Sherif, Vice Chairman Comments:

I am delighted to share with you our results for the 1<sup>st</sup> quarter of the year ended March 31, 2020, as Obour Land has proven once again the company's resilience in an unprecedented market conditions. Although sales volumes of white cheese declined 2% in 1Q20, the company succeeded to boost its profit margins significantly as a result of the three new Tetra Pak® A3 speed production lines which started operations in December 2019 in addition to the discount received from Tetra Pak on the new packaging. We expect the margins to continue to improve during the course of the year especially at the third quarter, after all the new relatively cheap raw materials shipments arrive into our inventory.

It is worth mentioning that the sales volumes in the 1<sup>st</sup> quarter could have been much better than what was already achieved as the demand surged unexpectedly during the month of March due to the COVID-19 global pandemic and we couldn't keep up with the sales. Normally, the 1<sup>st</sup> quarter is the lowest season in the year and we plan any upgrades or replacements during this quarter. The three new Tetra Pak® A3 speed filling production lines started operations in the new factory in December 2019 while the processing machine was planned to be moved from the old factory to the new one during 1Q20. Therefore, we couldn't increase our utilization rate to reach full capacity and meet the demand during the 1<sup>st</sup> quarter. However, all the maintenance works will be completed during April and we will increase our production to reach almost full capacity during the 2<sup>nd</sup> quarter as we believe that the surge in demand will continue throughout the year.

In terms of financial performance, our Revenues grew by 1.2% YoY to record EGP 582.8mn in 1Q20, Gross Profit and EBITDA reached EGP 150.2 million and EGP 101.1 million respectively with Gross Profit margin and EBITDA margin surging to 25.8% and 17.4% respectively. The bottom line profits increased 28% to record EGP 68.1 million, translating into a Net Profit Margin of 11.7% for 1Q20, an increase of 250bps YoY.

The Milk and Juice segment combined had a flat growth rate generating EGP 33.3mn gross revenues in 1Q20 & 1Q19. However, the milk product witnessed a significant growth in sales volumes started in February and March and we expect that to continue. On the other hand, the juice product has declined in sales volumes and revenues due to the current conditions on top of the fact that it's an already a low season for the juice market. The company succeeded to improve the gross profit margin of Milk and Juice to reach 26% in 1Q20 compared to 20% in 1Q19. As for the Milk product, Obour Land has a plan to support the company's brand in the milk market by introducing a "flavored milk" product in a 200mg Tetra Pak packaging to diversify the milk's product portfolio and to target a younger age group. Furthermore, the company started to invest more in the market by offering incentives and offers to the shops and traders to boost the sales and capitalize on the rise in demand on milk. As for the Juice product, the company is planning to reduce the prices during the 2<sup>nd</sup> quarter to increase its competitiveness between other brands.

The glass jar processed cheese has also witnessed a surge in sales volumes as well as revenues, however, the glass jar market is too small to make a significant impact on the company's total revenues. The real impact that the management expects from the processed cheese will come into effect after the introduction of our new innovative product that will transform this segment to a whole new level.

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.



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### 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, milk & juice 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".

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](http://www.obourland.com)

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