

1H23 Earnings Release

Cairo, Egypt | 8 August 2023



Juhayna Food Industries Reports 1H23 Earnings

Juhayna records an impressive 74% y-o-y increase in net profit to reach 556mn, and a 39% y-o-y increase in net revenue to 7.2bn in 1H23.

2Q23 Highlights

3,730mn Net Revenue ▲35% YoY	910mn, 24.4% Gross Profit, margin ▲18% YoY, ▼ -3.6pps	405mn, 10.9% EBITDA, margin ▲ 22% YoY, ▼ -1.1pps
217mn, 5.8% Net Profit, margin ▲24% YoY, ▼ -0.5pps	1,060mn 30/6/2023 Net Debt ▲ 57% YoY	582mn, 15.6% SG&A, % of Sales ▲11% YoY, ▼ -3.4pps YoY

1H23 Highlights

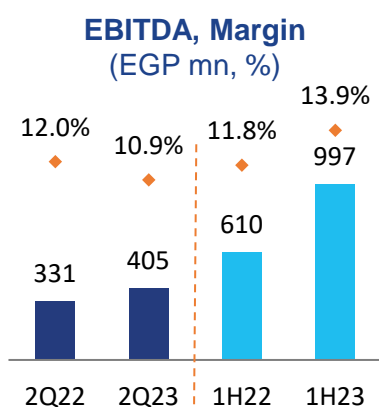
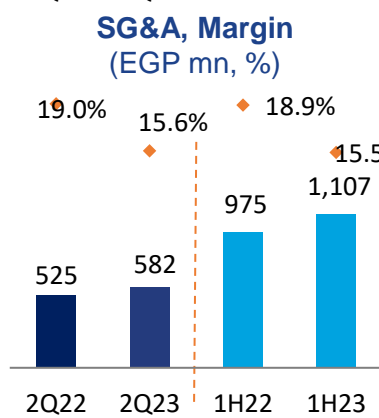
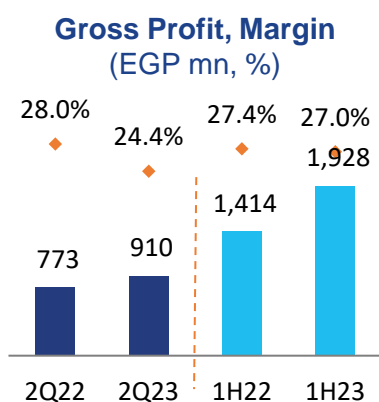
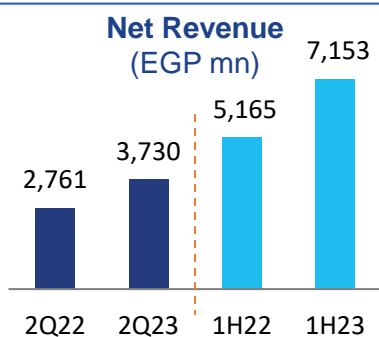
7,153mn Net Revenue ▲39% YoY	1,928mn, 27.0% Gross Profit, margin ▲36% YoY, ▼ -0.4pps	997mn, 13.9% EBITDA, margin ▲ 64% YoY, ▲ 2.1pps
556mn, 7.8% Net Profit, margin ▲74% YoY, ▲ 1.6pps	1,060mn 30/6/2023 Net Debt ▲ 57% YoY	1,107mn, 15.5% SG&A, % of Sales ▲14% YoY, ▼ -3.4pps YoY

Revenue By Segment

EGP mn	2Q23	2Q22	% Change	1H23	1H22	% Change
Dairy	1,828	1,284	42%	3,599	2,582	39%
Fermented	866	873	-1%	1,714	1,458	18%
Juice	607	462	31%	1,088	844	29%
Concentrates & Agri	352	82	327%	602	147	311%
3rd Party Distribution	78	60	30%	151	134	13%
Total	3,730	2,761	35%	7,153	5,165	39%

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(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 2Q23. The company achieved net revenues of EGP 3.7bn, reflecting a growth rate of 35%. This growth was driven by improved demand during May and June, and an increase in pricing, with more than 60% rise observed throughout 2022, in addition to two waves in January and July of 2023, totaling c.15%.

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 it has a diverse product portfolio that offers a variety of price points to meet the needs of different consumers. Its lower-priced products are in high demand as consumers look to save money. Juhayna is also confident that its brand loyalty will help it to retain customers even in a challenging economic environment.

Juhayna experienced a decline in volumes compared to 1Q22. This decline was mainly observed in the Dairy & Juice segments, with yogurt experiencing a small decline (as it was supported by Ramadan seasonality). The decline was attributed to several factors, including the high base of 1Q22, where wholesalers were aggressively overstocking, and the negative impact of inflation on consumer purchasing power.

Despite the volume decline, Juhayna Food Industries managed to defend its high market shares. This was due to several factors, including its strong brand loyalty, its diverse product portfolio, and its focus on lower-priced products. Additionally, the volume decline for Dairy & Juice reversed starting May, as volumes recovered to show a single-digit y-o-y increase. This suggests that the consumer market is beginning to rebound.

COGS increased by 39% and 42%, reaching 5.2bn in 1H23, and 2.8bn in 2Q23. This increase is attributed to increasing prices of raw materials, specifically of raw milk and packaging materials. Causing a contraction in gross profit margin by 0.4 pps and 3.6 pps to reach 27% in 1H23, and 24.4% in 2Q23, despite the positive contribution from the concentrates segment.

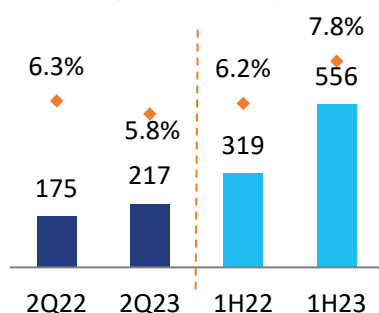
SG&A margin decreased by 3.4% year-on-year, reaching 15.6%. This reduction is attributed to the company's continuous cost optimization efforts, savings on marketing spend and improved distribution efficiency. Additionally, the high net revenue growth also contributed to the decline in the SG&A margin. Juhayna remains focused on keeping expenses tight and capitalizing on cost-saving opportunities.

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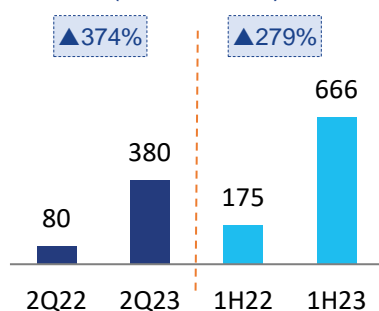
Net Profit, Margin (EGP mn, %)



Positive gross profit margin gains and savings on SG&A resulted in a growth of 64% and 22% in EBITDA for 1H23 and 2Q23, reaching 997mn and 403mn, with a margin of 13.9% and 10.9%, respectively.

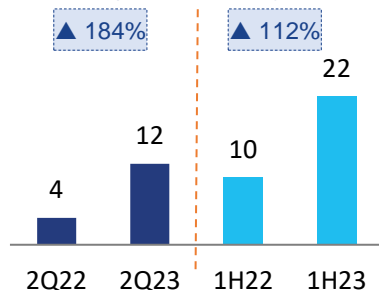
In terms of net profit, Juhayna achieved EGP 556mn in 1H23, increasing by 74% y-o-y, and EGP 217mn in 2Q23, representing an increase of 22% y-o-y. This growth occurred despite increased finance costs and a net FX loss of EGP 35mn (in 1H23) due to dollar-based payables rerating caused by EGP devaluation 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.

Export Sales, Growth (EGP mn, %)



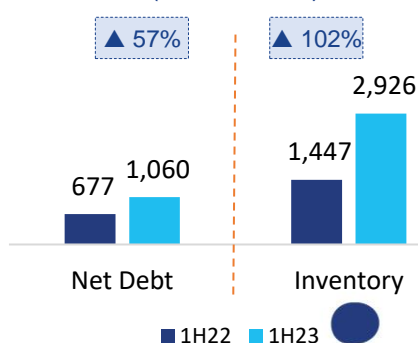
The company experienced a notable surge in export sales (Concentrates, Dairy and Juice), achieving a remarkable growth rate of 279%, reaching EGP 666mn in 1H23. In 2Q23 export sales grew by 374% y-o-y to reach 380mn. Export sales accounted for 10% of the company's total revenues for the quarter, and 9% in 1H23, compared to 3% in 2Q22, and 3% in 1H22. When calculated in US dollars, annual growth rate booked is at 112% for 1H23, and 184% for 2Q23. The growth in exports was primarily driven by concentrates exports, which, in addition to our long-standing relationships with global and local suppliers, played a vital role in mitigating the challenges related to FX availability. Juhayna is actively seeking additional opportunities to further expand its export segment.

Export Sales, Growth (USD mn, %)



Net debt increased from EGP 677mn Egyptian pounds in 2Q22 to EGP 1,060mn at the end of 2Q23, representing a 57% increase. This increase was primarily driven by the working capital cycle, particularly the increase in the value and quantity of inventory. 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.

Net Debt, Inventory (EGP mn, %)

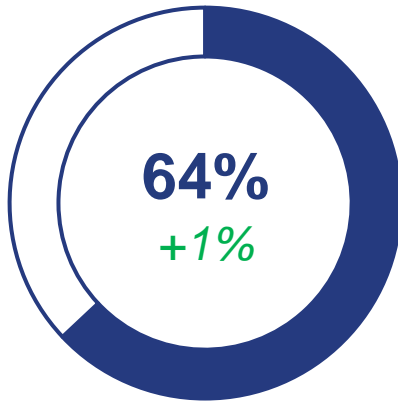


Juhayna allocated EGP 223mn towards CAPEX in 1H23, primarily focusing on manufacturing and distribution activities, which is a part of a planned 2023 CAPEX of EGP 500mn.

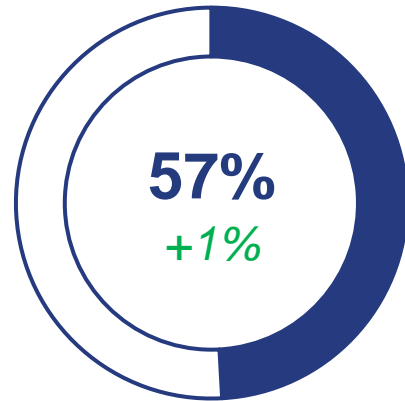
Our strong frameworks and strong governance practices that have been developed over the past years, and the hard work of our experienced management team, have enabled us to achieve great recent success. We are confident that the Egyptian market will continue to recover, and we are proud to have a strong brand and a strong relationship with the Egyptian consumer. We are looking forward to opening foreign markets as part of the company's strategy.

1H23 Volume Market Shares

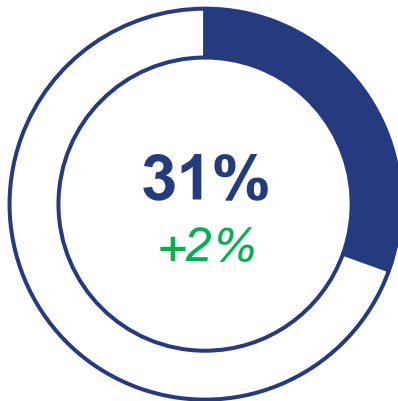
Plain Milk



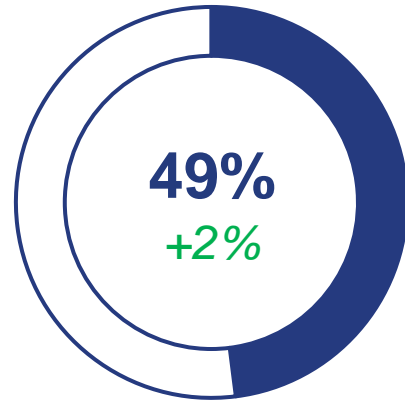
Flavored Milk



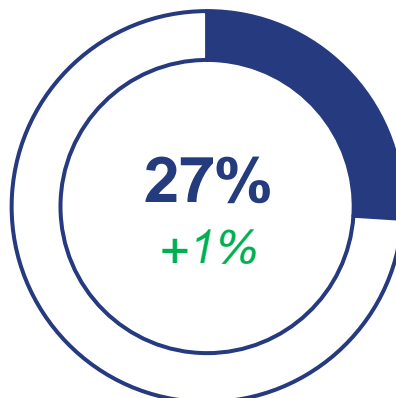
Spoonable Yogurt



Drinkable Yogurt



Juice



Juhayna Food Industries Appoints Khaled Gamal as an Independent Member of the Board of Directors

Juhayna Food Industries is pleased to announce the appointment of **Mr. Khaled Gamal** as an **independent member of the Board of Directors**.

Having served for 20 years in EFG-Hermes, the largest investment bank in Egypt and one of the largest financial groups in the GCC, Mr. Gamal was a member of the Executive Committee of EFG-Hermes. He then served as CEO of EFG-Hermes in Saudi and the GCC for over 5 years. Mr. Gamal then founded Zilla Capital, a full-fledged investment services firm, where he is serving as the founding partner and managing director. His vast experience in financial advisory, investments as well as his reach and network in the region will help the Company expand in Egypt and beyond.



Mr. Seif Thabet, Juhayna's Vice Chairman of the Board of Directors, expressed his pleasure with Mr. Gamal's appointment, stating that his technical and executive experience will be instrumental in supporting the Company's long-term strategic growth plans.

Income Statement

	1H23	1H22	2Q23	2Q23
Net sales	7 153 366 258	5 164 567 216	3 730 081 032	2 761 133 770
Cost of sales	(5 225 522 968)	(3 750 110 709)	(2 819 576 526)	(1 988 495 067)
Gross profit	1 927 843 290	1 414 456 507	910 504 506	772 638 703
Other operating income	71 714 793	59 731 238	24 611 490	29 189 525
Selling and Marketing expenses	(935 174 175)	(821 545 075)	(500 933 538)	(445 882 810)
General and administrative expenses	(172 134 690)	(153 290 864)	(80 579 626)	(78 871 392)
Other expenses	(65 937 519)	(59 974 355)	(26 013 047)	(38 081 021)
Results from operating activities	826 311 699	439 377 451	327 589 785	238 993 005
Share in profit of a company under joint control	331 456	487 923	73 736	254 471
Net finance (expense)	(128 399 171)	(24 569 883)	(53 567 526)	(11 560 506)
Net profit for the period before income tax	698 243 984	415 295 491	274 095 995	227 686 970
Current income tax	(148 625 368)	(98 732 401)	(55 515 189)	(55 367 937)
Deferred tax	6 811 674	2 386 301	(1 564 888)	2 210 653
Net profit for the period after tax	556 430 290	318 949 391	217 015 918	174 529 686
Distributed as follows				
Parent Company share in profit	556 120 109	318 848 694	216 902 115	174 467 901
Non-controlling interest	310 181	100 697	113 803	61 785
	556 430 290	318 949 391	217 015 918	174 529 686
Earning per share for the period (L.E /share)	0.59	0.34	0.23	0.19

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Balance Sheet

	1H23	FY22
Assets		
Non-current assets		
Property, plant and equipment	2 936 275 799	3 007 277 888
Projects under construction	260 844 080	127 380 566
Plant wealth - productive	43 313 553	43 990 377
Plant wealth – not productive	25 300 130	20 328 869
Biological wealth	214 920 954	197 472 085
Investments under joint control (equity)	17 257 550	16 926 093
Right of use assets	46 760 390	47 182 377
Goodwill	97 092 890	97 092 890
Other - long term asset	711 464	715 600
Non-current assets	3 642 476 810	3 558 366 745
Current assets		
Biological assets - Existing Agriculture	15 368 379	20 158 767
Biological assets - Feeding Sector	269 979	117 332
PPE held for sale	1 942 497	1 942 496
Inventories	2 925 984 114	1 725 513 368
Trade and other receivables	954 136 302	768 124 141
Due from related party	1 250 309	559 970
Cash at banks and on hand	328 058 716	294 504 052
Current assets	4 227 010 296	2 810 920 126
Total assets	7 869 487 106	6 369 286 871
Equity		
Issued and paid up capital	941 405 082	941 405 082
Legal reserve	742 112 963	719 145 789
General reserve - issuance premium	330 920 428	330 920 428
Retained earnings	1 769 086 188	1 418 366 451
Total equity attributable to the shareholders of the parent company	3 783 524 661	3 409 837 750
Non-controlling interest	1 213 990	894 422
Total equity	3 784 738 651	3 410 732 172
Non-current liabilities		
Long - term loans	64 770 041	78 951 620
Lease contract liabilities - non current portion	71 693 915	80 440 307
Deferred tax liabilities	297 790 515	304 602 189
Other non current liabilities	111 564	297 878
Non-current liabilities	434 366 035	464 291 994
Current liabilities		
Provisions	84 209 864	78 789 406
Bank credit facilities	1 145 240 317	707 922 331
Creditors and other credit balances	2 093 944 213	1 340 285 565
Income tax payable	167 420 683	213 078 927
Lease contract liabilities- current portion	30 461 548	30 742 133
Loans-current portion	129 105 795	123 444 343
Current liabilities	3 650 382 420	2 494 262 705
Total liabilities	4 084 748 455	2 958 554 699
Total equity and total liabilities	7 869 487 106	6 369 286 871

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Cash Flow

	1H23	1H22
Cash flows from operating activities		
Net profit for the period before income tax and minority interest share in profits	698 243 984	415 295 491
Adjustments for:		
PPE depreciation	143 825 270	155 839 199
Capital loss (gain)		(23 902 851)
Amortization of asset right of use (lands)	4 136	4 136
Increase of herd plant wealth	(17 448 869)	
Amortization of animal wealth	16 093 496	15 313 344
Amortization of plant wealth (productive)	676 824	403 277
Capitalize during the drying period	(48 751 923)	(26 166 559)
Changes in investments under joint control (equity)	(331 457)	(487 923)
Impairment of other debit balances		(1 607 431)
Amortization of right of use	6 850 930	7 010 309
Right of use interest	1 995 132	3 044 270
Impairment of inventory no longer required		
Provision for claims formed	10 711 684	18 463 748
Herd birth	(5 362 000)	(7 570 700)
Herd capitalization		-
Loss from selling and death of animal wealth	9 347 846	1 456 267
Foreign currencies exchange differences	35 690 082	(7 088 122)
Credit interests	(7 994 166)	(12 871 093)
Finance interests & expenses	98 708 123	41 484 828
Impairment of Fixed assets & projects under construction	(799 309)	(117 781)
	941 459 781	578 502 409
Changes in:		
Inventories	(1 200 470 746)	(567 634 807)
Biological assets- Exiting Agriculture	4 790 388	(3 486 451)
Changes in held for sale		505 064
Trade and other receivables	(186 012 163)	(102 570 220)
Due from related parties	(690 339)	(383 657)
Creditors & other credit balances	770 954 387	295 692 643
Dividends paid to employee	(41 212 761)	(37 184 580)
Income tax paid	(194 283 612)	(182 182 829)
Sales tax on capital goods -paid	(186 314)	-
Provisions claim for used	(5 291 030)	(2 727 682)
Net cash flows from operating activities	89 057 591	(21 470 110)
Cash flows from investing activities		
Acquisition of PPE & projects under construction	(206 839 959)	(86 485 529)
Proceeds from sale of PPE	1 352 573	30 739 778
Proceeds from plant wealth unproductive	(4 971 261)	(6 099 449)
Payments to invest in vital assets	9 349 559	16 801 014
Proceeds from the compensation of calves death	1 874 153	1 784 647
Net cash flows (used in) investing activities	(199 234 935)	(43 259 539)
Cash flows from financing activities		
Proceeds from/ (payments for) overdraft & credit facility	437 317 986	432 067 118
(Payments for) financial lease contract liabilities	(17 451 051)	(15 439 315)
(Payments for) bank loans	(8 520 127)	(137 722 128)
Collected credit interests	7 994 166	12 871 093
Finance interests & expenses paid	(98 708 123)	(41 484 828)
Dividends paid to shareholders	(141 210 761)	(188 281 016)
Net cash flows from (used in) financing activities	179 422 090	62 010 924
Change in cash & cash equivalents during the period	69 244 746	(2 718 725)
The effect of foreign exchange difference	(35 690 082)	7 088 122
Cash & cash equivalents at 1 January	294 504 052	453 015 330
Cash & cash equivalents at 30 June	328 058 716	457 384 727

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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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