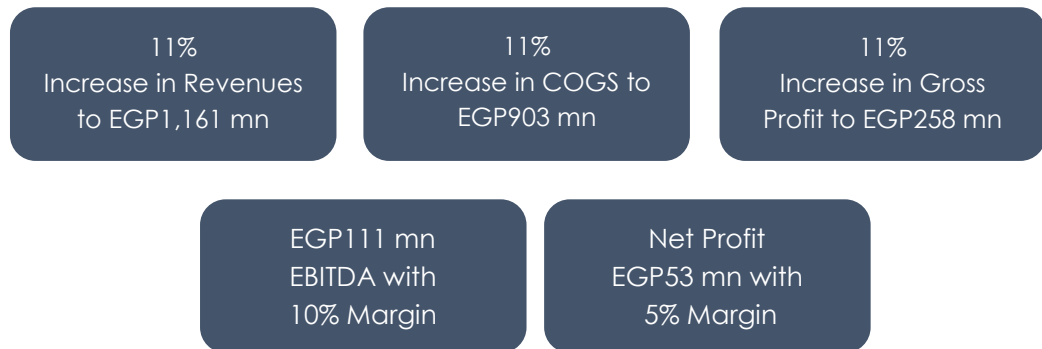


Cairo Poultry Company Reports 1Q21 Results; Impacted by Higher Prices & Volumes

Key Results Highlights of 1Q21



June 2021 | Cairo | Cairo Poultry Company (POUL.CA on the Egyptian Exchange), reported its results for 1Q21. Revenues for the period jumped 11% over the same period last year reaching EGP1,161 mn. Such improvement was driven mostly by higher feed prices due to the rise of global demand on commodities, and also due to the increase in the processing products prices. Revenues were also impacted by higher broiler chicks and live bird volumes.

EBITDA improved 2% over 1Q20 to record EGP111 mn at a margin of 9.6% in 1Q21 close to the 10.4% recorded in the same period last year. Net profit increased almost 4 times over 1Q20 to reach EGP53 mn with a NPM of 4.5%, compared to EGP13 mn at a NPM of 1.3 %. Such increase is mostly attributed to the one-off c. EGP33 mn spent during 1Q20 among the company's restructuring and manpower cost optimization plan. Still, if disregarded the one-off expense during 1Q20, CPC would still have achieved a 14% growth during 1Q21 over the 1Q20 net profit (c. EGP46 mn).

Sectoral Performance

Feed Division:

Feed volumes dropped 10% in 1Q21 compared to 1Q20. Such drop is mostly attributed to the decline in cattle and aqua feed volumes. Poultry feed volumes declined slightly by 3%. Also compared to 4Q20, volumes dropped 12%, driven by only the drop in aqua feed volumes due to seasonality of the business. However, 1Q21 prices jumped 28% over the same period last year, on the back of commodities which directly affected the prices of raw materials. Though, the increase in costs was not passed on fully to the selling prices. Accordingly, EBITDA margin recorded 3% in 1Q21 compared to 8% during 1Q20.

Poultry Division:

On the back of lower rearing activities throughout the year and the relatively high mortality rates in the market, parent chicks' prices jumped 42% during 1Q21 to reach EGP62/ chick compared to EGP43/ chick in 1Q20. On the other hand, broiler chicks' prices dropped 20% over 1Q20 reaching EGP7.1/ chick on the back of lower demand as farmers are refraining from growing poultry due to the hike in global feed prices and the uncertainty in the market. Live bird prices declined 7% during 1Q21 to record EGP23/k.g, in 1Q21.

With regards to volumes, broiler chicks' volumes almost doubled compared to 1Q20 due to parents chicks' performance in terms of the number of ODO produced per hatched hen (ODO/HH). With regards to live birds, 1Q21 volumes seen a 63% growth over 1Q20 on the back of lower mortality, higher weight per bird, and a shift in the sales strategy towards directing more volumes to the external market instead of selling to the processing unit. Similarly, broiler chicks' and live bird volumes increased 15% and 4% over 4Q20 respectively. Accordingly, EBITDA margin recorded 9% during 1Q21 compared to 10% in 1Q20.

Processing and Further Processing (Koki):

In response to changing market conditions, Koki started to implement different selling strategies through focusing on the most profitable sales channels. 1Q21, overall volumes dropped 24%, mainly driven by the drop in processing volumes of 58%, yet further processed volumes stood at the same level as 1Q20. On Q-o-Q basis, 1Q21 volumes declined 10% compared to 4Q20. With regards to prices, Koki was able to increase the overall average prices by 11% over the same period last year as 2021, Kokis' portfolio included more premium products at higher price points, In addition to changes in the sales mix. Besides, Koki benefited significantly from the low prices of live birds, thus improving operating margins. Accordingly, 1Q21, EBITDA margin recorded 8%, double the 4% recorded in 1Q20.

Financial Performance

1Q21 revenues increased 11% over 1Q20 to record EGP1,161 mn, such improvement came on the back of higher feed prices as well as higher volumes of broiler chicks and live birds. Similarly COGS increased 11% over the same period last year to record EGP903 mn, the increase was driven by the strong pick up in raw materials prices in response to the strong rebound in demand for commodities. However, CPC was able to effectively manage the costs to maintain the GPM at 22% similar to what was recorded in 1Q20, as gross profit increased by 11% to record EGP258 mn. Also compared to 4Q20, gross profit achieved a substantial 38% growth and 510 basis points in GPM.

SG&A expenses increased 6% over 1Q20, representing 7.3% of revenues compared to 7.6% in 1Q21, such increased came mostly on the back of distribution expenses. 1Q21 EBITDA improved 2% over 1Q20 to reach EGP111 mn achieving a margin of 9.6%, close to the 10.4% recorded in 1Q20. EBITDA margin stood at 9.6%, slightly lower than the 10.4% recorded in 1Q20.

Interest expense witnessed a decline of 57% to reach EGP9 mn. Such drop came on the back of lower interest rates in line with rate reductions implemented by the CBE throughout 2020.

The company did not record Investment income/ loss or foreign currency gain/loss for the period, similar to 1Q20.

During 1Q21, net profit recorded EGP53 mn, jumping almost 4x what was achieved during the same period last year. Such improvement was ultimately due to the one-off restructuring costs spent by the company during 1Q20 amounting to EGP33. Accordingly, NPM stood at 4.5% compared to 1.3% during 1Q20. Similarly, net profit witnessed a significant improvement compared to the net loss of EGP8 mn recorded in 4Q20.

CPC still maintains a strong balance position despite the tough liquidity challenges facing the market. Cash conversion cycle stood at 32 days in 1Q21 compared to the 40 days recorded in 1Q20. The company was able to minimize inventory levels while extending the payments to suppliers.

Outlook

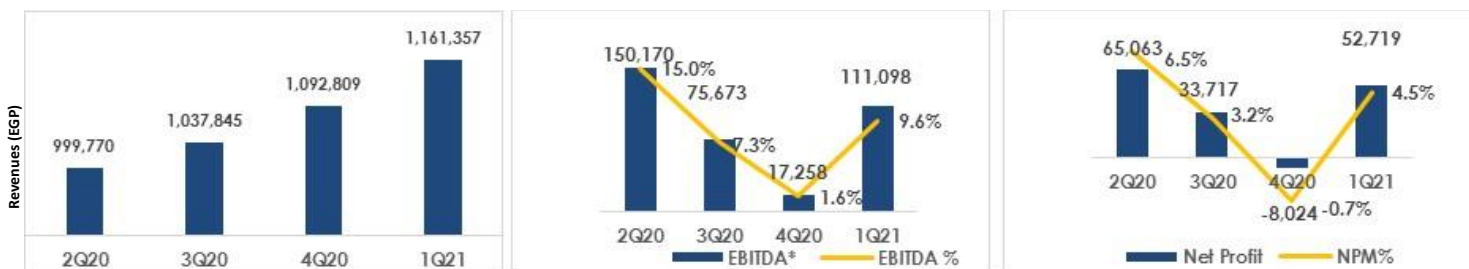
The spike in global commodity prices since the last quarter of 2020 has created an uncertainty in the market especially among poultry farmers as the business is becoming risky due to the instability of poultry prices while costs are increasing. Thus we expect 2021 to be a volatile year with regards to prices contingent on any disruptions in supply of raw materials or chicks. On the other hand, with regards to the processing business, we expect some stability in the market supported by the recovery in the economy and the steady improvement in purchasing power.

Financials

Income Statement	1Q21	1Q20	YoY	4Q20	QoQ
Revenues	1,161,357	1,047,740	10.8%	1,092,809	6.3%
COGS	-903,235	-816,029	10.7%	-905,947	-0.3%
Gross Profit	258,122	231,711	11.4%	186,862	38.1%
GPM	22.2%	22.1%	0.1%	17.1%	5.1%
G&A	-42,260	-40,845	3.5%	-48,039	-12.0%
S&D	-42,059	-38,553	9.1%	-47,370	-11.2%
Other Operating Income	21,011	31,657	-33.6%	5,962	252.4%
EBITDA*	111,098	108,953	2.0%	17,258	543.7%
EBITDA M	9.6%	10.4%	-0.8%	1.6%	8.0%
Depreciation	-104,752	-104,532	0.2%	-103,313	1.4%
Operating Profit	90,062	79,438	13.4%	-5,898	-
OPM	7.8%	7.6%	0.2%	-0.5%	8.3%
Interest Expense	-8,827	-20,465	-56.9%	-20,471	-56.9%
Investment Income	0	174	-	-	-
FX Gain/ Loss	0	0	-	9,283	-100%
Other Income/ Expense	-7,175	-33,187	-78.4%	9,087	-179%
PBT	74,060	25,960	185.3%	-7,999	-
PBTM	6.4%	2.5%	3.9%	-0.7%	7.1%
Deferred tax	0	19	-100%	-5,561	-100%
Income Tax	-21,341	-12,739	67.5%	5,536	-485.5%
Net Profit After Taxes	52,719	13,240	298.2%	-8,024	-757%
NPM	4.5%	1.3%	3.3%	-0.7%	5.3%

*Adjusted EBITDA

Financial KPIs (000 EGP)





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479,001,600

About Cairo Poultry Company

Cairo Poultry Company (CPC) is the region's leading vertically integrated poultry company with a business model based on expert control of the supply chain and operations covering all steps of the production cycle, including grandparents, parents, hatcheries, broilers, processing, value added and starch and glucose products. Thanks to star brands like Koki and Americana Meats, we are Egypt's key player in the market for retail and value-added food sales in Egypt, offering a wide variety of chilled, frozen, and value-added products to individual and institutional clients alike.

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