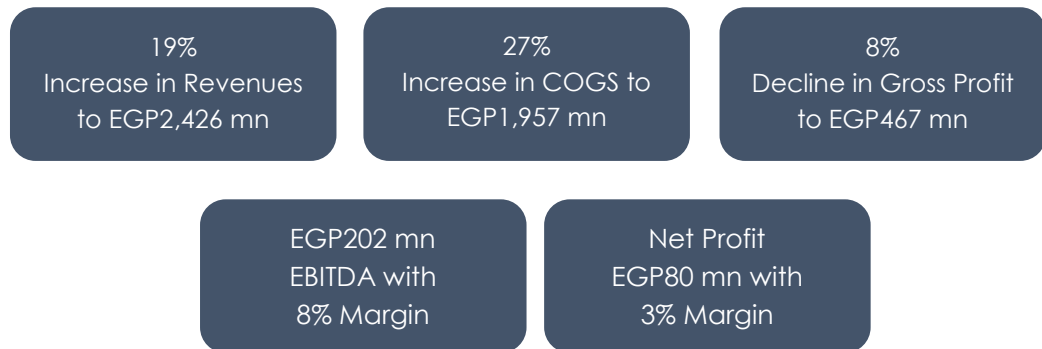


Cairo Poultry Company Reports 1H21 Results; Impacted by Higher Raw Materials Prices

Key Results Highlights of 1H21



August 15th 2021 | Cairo | Cairo Poultry Company (POUL.CA on the Egyptian Exchange), reported its results for 1H21. Revenues for the period jumped 19% over the same period last year reaching EGP2,426 mn. Such improvement was driven mostly by higher feed & processing prices in addition to broiler chicks and live bird volumes. Yet, such increase was offset by the increase in prices of inputs resulting in a decline in gross profit by 8% to reach EGP469mn.

EBITDA declined 22% over 1H20 to record EGP202 mn at a margin of 8% in 1H21 compared to 13% recorded during the same period last year. Net profit declined slightly by 2% in 1H20 to reach EGP80 mn with a NPM of 3%, compared to EGP78 mn at a NPM of 4% recorded in 1H20.

Results were mostly impacted by the increase in raw materials prices due to the hike in global demand for commodities, meanwhile the market is still fragile to accept price increases that would totally offset the increase in costs, thus squeezing the margins.

Sectoral Performance

Feed Division:

Feed volumes dropped 13% in 1H21 compared to 1H20. Such drop is mostly attributed to the slowdown in demand across the 3 feed sectors. The greatest drop was in cattle feed by 27%, while poultry feed volumes declined by 7%. Compared to 2Q20, volumes similarly declined 15%, mainly impacted by the drop in cattle feed. With regards to prices, 1H21 average prices jumped 31% over the same period last year, driven by the increase in global commodities prices which directly affected the prices of raw materials. And due to the softness in the market, such increase in costs was partially passed on to the selling prices. Accordingly, EBITDA margin recorded 5% in 1H21 compared to 9% during 1H20.

Poultry Division:

On the back of lower rearing activities and market disruptions throughout 2020, parent chicks' prices jumped 38% during 1H21 to reach its normal levels at EGP63/ chick coming from a low base of EGP46/ chick during 1H20. On the other hand, broiler chicks' prices dropped 33% over 1H20 reaching EGP6.7/ chick on the back of lower demand as farmers are refraining from growing poultry due to the hike in price of inputs, in addition to the abundancy of chicks. Whereas, live bird prices stabilized at EGP25/k.g during 1H21, similar to the same period last year.

During 1H21, broiler chicks' and live bird volumes jumped 89% and 68% respectively over 1H20. Such increase in broiler chicks is attributed to parents chicks' performance in terms of the number of ODO produced per hatched hen (ODO/HH) as well as the favorable rearing conditions. Yet, for the live birds, the increase came on the back of the continuation of CPCs' direction to shift the sales strategy towards directing more volumes to the external market instead of selling to the processing unit. Similarly, said volume showed an increase of 64% & 73% respectively during 2Q21 over 2Q20. Accordingly, EBITDA margin recorded 6% during 1H21 compared to 12% in 1H20.

Processing and Further Processing (Koki):

Koki continued to focus its selling strategy on the most profitable products, while targeting higher price points. Thus, 1H21, overall volumes dropped 16% compared to the same period last year driven mostly by the drop in processing volumes of 57%, yet further processed volumes increased 5%. On Q-o-Q basis, 2Q21 volumes stood at the same level as 2Q20 and 1Q21. With regards to prices, Koki was able to increase the overall average prices by 15% over the same period last year through changing the sales mix, In addition to benefiting from the low prices of live birds. Accordingly, 1H21, EBITDA margin recorded 9%, up from the 5% recorded in 1H20.



Financial Performance

On the back of a mix of higher feed & processing prices in addition to broiler chicks and live bird volumes, 1H21 revenues jumped 19% over 1H20, yet COGS witnessed a significant increase of 27% over the same period last year, resulting in a decline in gross profit by 8%, recording a GPM of 19% compared to 5.5% during the same period last year. Such drop is attributed to soaring prices of global commodities resulting in increasing the prices of inputs. With the continuation of such trend of price increases in 2Q21, gross profit for 2Q21 declined 24% over 2Q20 recording a GPM of 17% vs. 28% during 2Q20.

SG&A expenses increased 8% over 1H20 due to higher distribution and general expenses, representing 6.5% of total revenue down from 7.1% recorded in 1H20. Also other operating income declined 8% during the same period. Accordingly, 1H21 EBITDA dropped 22% compared to 1H20 to reach EGP202 mn achieving a margin of 8% down from 13% recorded in 1H20. Similarly, 2Q21 EBITDA declined 40% over 2Q20 recording a margin of 7% compared to 15% during the same period last year.

Interest expense for the period stood at EGP18mn 52% lower than the same period last year. Such drop came on the back of lower interest rates implemented by the CBE throughout FY20.

The company recorded minimal investment income of EGP1 mn during 1H21 compared to EGP13mn in 1H20 coming from the sale of CPCs' 27% stake in the Egyptian Company for Starch & Glucose (ESGC).

1H21 net profit recorded EGP80 mn witnessing a 2% improvement over 1H20. However, 2Q21 net profit recorded EGP28 mn, witnessing a drop of 58% over 2Q20. NPM stood at 3.3% compared to 3.8% during 1H20. Yet during 2Q20 NPM recorded 2.2%, realizing a drop of 430 bps over 2Q20.

On the balance sheet level, cash conversion cycle was maintained at a healthy level of 34 days almost similar to the 36 days recorded in 1H20 as the company is efficiently managing the inventory levels as well as balancing payables and receivables.

Outlook

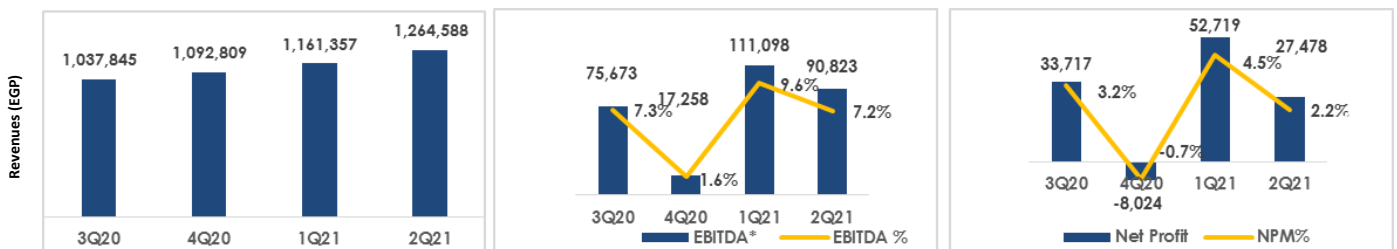
The surge in global commodity prices continued to pressure the operations as the prices of live birds and chicks are still not able to offset the increase of prices of inputs. With such uncertainty in the market, farmers are still discouraged to operate since they are stuck between high costs and low prices of end product. Thus, demand for feed and chicks is still depressed. We expect the remainder of 2021 to be volatile in terms of chicks and live bird prices. Yet, the processing business is experiencing some stability on the back of slight recovery in the economy and the retail business activity.

Financials

Income Statement	1H21	1H20	YoY	2Q21	2Q20	QoQ
Revenues	2,425,945	2,047,510	18.5%	1,264,588	999,770	26.5%
COGS	-1,957,086	-1,539,232	27.1%	-1,053,851	-723,203	45.7%
Gross Profit	468,859	508,278	-7.8%	210,737	276,567	-23.8%
GPM	19.3%	24.8%	-5.5%	16.7%	27.7%	-11.0%
G&A	-77,430	-69,288	11.8%	-35,170	-28,443	23.7%
S&D	-79,443	-75,611	5.1%	-37,384	-37,058	0.9%
Other Operating Income	43,849	47,772	-8.2%	22,838	16,115	41.7%
EBITDA*	201,921	259,123	-22.1%	90,823	150,170	-39.5%
EBITDA M	8.3%	12.7%	-4.3%	7.2%	15.0%	-7.8%
Depreciation	-204,484	-200,453	2.0%	-99,732	-95,921	4.0%
Operating Profit	151,351	210,698	-28.2%	61,289	131,260	-53.3%
OPM	6.2%	10.3%	-4.1%	4.8%	13.1%	-8.3%
Interest Expense	-18,408	-38,449	-52.1%	-9,581	-17,984	-46.7%
Investment Income	1,113	12,474	-91.1%	1,113	12,300	-91.0%
FX Gain/ Loss	687	2,127	-67.7%	687	2,127	-67.7%
Other Income/ Exp.	-21,660	-66,093	-67.2%	-14,485	-32,906	-56.0%
PBT	113,083	120,757	-6.4%	39,023	94,797	-58.8%
PBTM	4.7%	5.9%	-1.2%	3.1%	9.5%	-6.4%
Deferred tax	0	1,143	-	0	1,124	
Income Tax	-32,886	-43,597	-24.6%	-11,545	-30,858	-62.6%
Net Profit After Taxes	80,197	78,303	2.4%	27,478	65,063	-57.8%
NPM	3.3%	3.8%	-0.5%	2.2%	6.5%	-4.3%

*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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