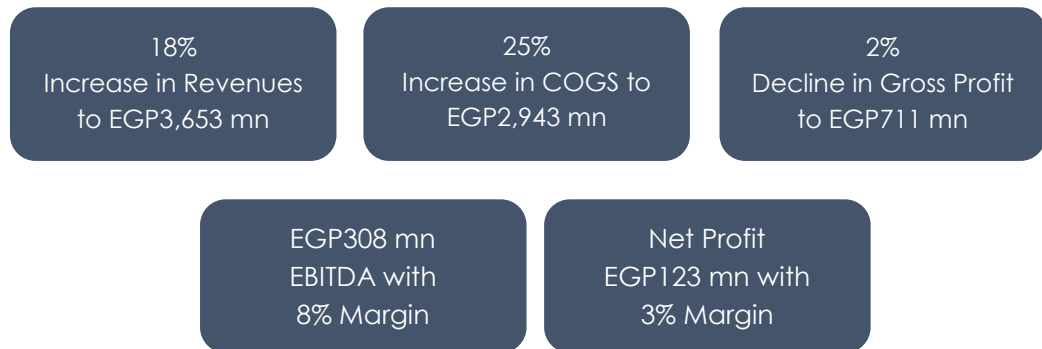


## Cairo Poultry Company Reports 9M21 Results; Higher Revenues on a Mix of Better Prices & Volumes

### Key Results Highlights of 9M21



**November 2<sup>nd</sup> 2021 | Cairo | Cairo Poultry Company (POUL.CA on the Egyptian Exchange)**, reported its results for 9M21. Revenues for the period hiked 18% over the same period last year reaching EGP3,653mn. Such increase came on the back of higher feed & processing prices in addition to broiler chicks and live bird volumes. However, the increase in prices was subdued with the rise in costs of inputs resulting in a slight decline in gross profit by 2% to reach EGP711 mn.

EBITDA declined 8% over 9M20 to record EGP308 mn at a margin of 8% in 9M21 compared to 11% recorded during the same period last year. Yet, net profit increased 10% in 9M21 to reach EGP123 mn with a NPM of 3.4%, compared to EGP112 mn at a NPM of 3.6% recorded in 9M20.

Results continued to be impacted by the rise in global commodity prices which saw their peak in May 2021, such conditions are still accompanied by soft demand obstructing any price increases that would offset the increase in costs.

## Sectoral Performance

### Feed Division:

Feed volumes dropped 16% in 9M21 compared to 9M20. Such drop is mostly attributed to the slowdown in demand across the 3 feed sectors as rising commodity prices are discouraging farmers to grow. The greatest drop was in cattle feed by 30%, while poultry feed volumes declined by 12%. For 3Q21, volumes declined by 20% over 3Q20, yet increased 4% over 2Q21. With regards to prices, 9M21 average prices jumped 32% 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 lower demand in the market, the increase in costs was only partially passed on to the selling prices. Accordingly, EBITDA margin recorded 6% in 9M21 compared to 8% during 9M20.

### Poultry Division:

On the back of lower supply in the market due to less rearing activities, parent chicks' prices jumped 30% during 9M21 to stabilize at EGP63/ chick coming from a low base of EGP48/ chick during 9M20. On the other hand, broiler chicks' prices dropped 22% over 9M20 reaching EGP6.7/ chick on the back of lower demand as farmers are still refraining from growing poultry due to the hike in price of inputs, while prices of the end product are still not reflecting the increasing costs. Whereas, live bird prices stabilized at EGP24/k.g during 9M21, compared to EGP23/k.g during 9M20.

During 9M21, broiler chicks' and live bird volumes jumped 59% and 51% respectively over 9M20. The increase in broiler chicks is mainly attributed to higher efficiency in the performance of parents chicks' (ODO/HH) as well as the favorable rearing conditions, resulting in lower mortality rates, in addition to phasing of production cycles. With regards to live birds, such jump came on the back of CPCs' shift in the sales strategy towards directing more volumes to the external market instead of selling to the processing unit. On 3Q basis, such volumes increased 12% & 23% respectively 3Q20. Accordingly, EBITDA margin recorded 5% during 9M21 compared to 8% in 9M20.

### Processing and Further Processing (Koki):

As Koki continued to focus its selling strategy on higher profitable products by targeting higher price points, overall volumes dropped 13% compared to the same period last year. Such drop was driven mostly by 57% decline in frozen chicken sales, yet with 12% increase in further processed volumes. On Q-o-Q basis, 3Q21 volumes declined 7% compared to 3Q20, yet increased 9% over 2Q21. With the mentioned shift in strategy, Koki was able to increase the overall average prices by 17% over the same period last year. In addition to the price increases, Koki also benefited from the low prices of live birds which enabled the sector to record an EBITDA margin of 7%, up from the 5% recorded in 9M20.



## Financial Performance

Revenues for 9M21 hiked 18% over the same period last year as a result of higher feed & processing prices coupled with an increase in broiler chicks and live bird volumes. Yet COGS witnessed a significant increase of 25% over the same period last year, resulting in a slight 2 % decline recording a GPM of 19% compared to 23% during the same period last year. Such decline in margin is mainly attributed to the rise in prices of global commodities resulting in increasing the prices of inputs. Yet, for 3Q21, GPM stood at 8.6% compared to 7.3% and 7.2% in 3Q20 and 2Q21 respectively.

SG&A expenses increased 13% over 9M20 due to higher sales, distribution and general expenses, yet representing 6.7% of total revenue down from 7% recorded in 9M20. Other operating income dropped 7% during the same period. As a result, 9M21 EBITDA declined 8% compared to 9M20 to reach EGP308 mn achieving a margin of 8% down from 11% recorded in 9M20. Yet for 3Q21, EBITDA jumped 40% over 3Q20 recording a margin of 9% compared to 7%.

Interest expense for the period dropped significantly by 44% to record EGP27 mn compared to EGP49 mn during the same period last year. Such drop came on the back of lower interest rates implemented by the CBE throughout FY20.

The company recorded no investment income during 9M21 compared to EGP13mn in 9M20 coming from the sale of CPCs' 27% stake in the Egyptian Company for Starch & Glucose (ESGC).

9M21 net profit recorded EGP123 mn witnessing a 10% increase over 9M20. Similarly, 3Q21 net profit recorded EGP43 mn, achieving a growth of 26% and 55% over 3Q20 and 2Q21 respectively. NPM stood at 3.4% compared to 3.6% during 9M20. Whereas 3Q21 NPM recorded 3.5%, compared to 3.2% recorded in 3Q20 and 2.2% in 2Q21.

On the balance sheet level, cash conversion cycle was maintained at a healthy level of 47 days lower than the 52 days recorded in 9M20 as the company is efficiently managing the inventory levels as well as balancing payables and receivables.

## Outlook

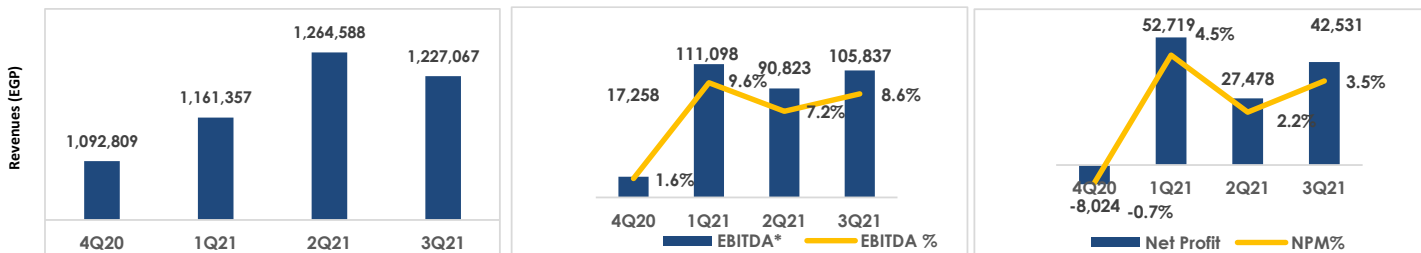
As a consequence of the slowdown in rearing activities throughout 2021, CPC expects a shortage in the supply of live birds and chicks during the last quarter of the year. Accordingly, prices should be on the path to correction and normalize at higher levels than the prices recorded during 9M21. On the other hand, with commodity prices cooling-off from their peaks in May 2021, we expect margins to improve in the poultry business during 4Q21. For, the processing business, we still expect improvement in volumes and margins on the back of slight recovery in the economy and the retail business activity.

## Financials

Income Statement	9M21	9M20	YoY	3Q21	3Q20	QoQ
<b>Revenues</b>	<b>3,653,012</b>	<b>3,085,355</b>	<b>18.4%</b>	<b>1,227,067</b>	<b>1,037,845</b>	<b>18.2%</b>
COGS	-2,942,557	-2,362,170	24.6%	-985,471	-822,938	19.8%
<b>Gross Profit</b>	<b>710,455</b>	<b>723,185</b>	<b>-1.8%</b>	<b>241,596</b>	<b>214,907</b>	<b>12.4%</b>
GPM	19.4%	23.4%	-4.0%	19.7%	20.7%	-1.0%
G&A	-120,922	-105,142	15.0%	-43,492	-35,854	21.3%
S&D	-124,375	-111,096	12.0%	-44,932	-35,485	26.6%
Other Operating Income	67,271	72,152	-6.8%	23,422	24,380	-3.9%
<b>EBITDA*</b>	<b>307,758</b>	<b>334,797</b>	<b>-8.1%</b>	<b>105,837</b>	<b>75,673</b>	<b>39.9%</b>
EBITDA M	8.4%	10.9%	-2.4%	8.6%	7.3%	1.3%
Depreciation	-307,829	-302,464	1.8%	-103,345	-102,011	1.3%
<b>Operating Profit</b>	<b>224,600</b>	<b>276,635</b>	<b>-18.8%</b>	<b>73,249</b>	<b>65,937</b>	<b>11.1%</b>
OPM	6.1%	9.0%	-2.8%	6.0%	6.4%	-0.4%
Interest Expense	-27,069	-48,556	-44.3%	-8,661	-10,107	-14.3%
Investment Income	0	12,474	-	-1,113	0	-
FX Gain/ Loss	0	-1,278	-	-687	-3,405	-79.8%
Other Income/ Exp.	-24,616	-76,153	-67.7%	-2,956	-10,060	-70.6%
<b>PBT</b>	<b>172,915</b>	<b>163,122</b>	<b>6.0%</b>	<b>59,832</b>	<b>42,365</b>	<b>41.2%</b>
PBTM	4.7%	5.3%	-0.6%	4.9%	4.1%	0.8%
Deferred tax	5,606	1,668	236.1%	5,606	525	967.8%
Income Tax	-55,793	-52,770	5.7%	-22,907	-9,173	149.7%
<b>Net Profit After Taxes</b>	<b>122,728</b>	<b>112,020</b>	<b>9.6%</b>	<b>42,531</b>	<b>33,717</b>	<b>26.1%</b>
NPM	3.4%	3.6%	-0.3%	3.5%	3.2%	0.2%

\*Adjusted EBITDA

## Financial KPIs (000 EGP)





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Bloomberg: POUL.EY

**Number of Outstanding Shares:**  
**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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### Cautioning and Forward Looking Statements

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