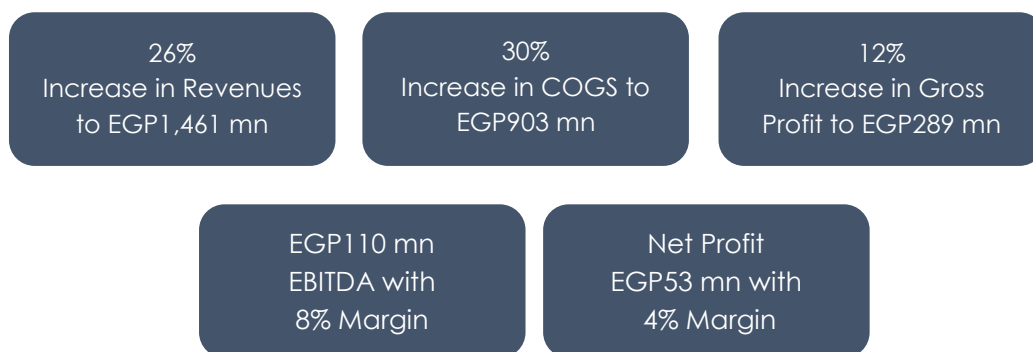


Cairo Poultry Company Reports 1Q22 Results; Impacted by Higher Global Commodity Prices

Key Results Highlights of 1Q22



23 May 2022 | Cairo | Cairo Poultry Company (POUL.CA on the Egyptian Exchange), reported its results for 1Q22. Revenues for the period jumped 26% over the same period last year reaching EGP1,461 mn. Such hike came on the back of soaring global commodity prices which in turn affected the prices of feed and poultry in general. In addition, topline was also impacted by higher feed and processing volumes.

EBITDA declined slightly by 0.7% over 1Q21 to record EGP110 mn at a margin of 7.6% in 1Q22 compared to 9.6% recorded in the same period last year. Net profit increased 1.1% over 1Q21 to reach EGP53.3 mn at a NPM of 3.6%, compared to EGP52.7 mn at a NPM of 4.5%. Such increase was achieved despite building up provisions to tackle possible liquidity problems faced by customers in light of the challenging economic conditions and cash tightening in the market.

Sectoral Performance

Feed Division:

Feed volumes increased 9% in 1Q22 compared to 1Q21, mostly on the back of the recovery in cattle feed volumes as it increased by 28%. Still poultry and aqua feed volumes witnessed an increase 3% and 8% respectively. Compared to 4Q20, volumes dropped 5%, driven by only the drop in aqua feed volumes due to seasonality of the business, yet poultry and cattle feed volumes increased 3% and 55% respectively. 1Q22 prices jumped 19% over the same period last year, on the back of high commodity prices in the shadow of the global tensions which directly affected the prices of raw materials. Such increases were partially passed on to the consumers. Accordingly, EBITDA margin recorded 5% in 1Q22 compared to 3% during 1Q21.

Poultry Division:

On the back of market volatility, parent chicks' prices increased 5% during 1Q22 to reach EGP65/ chick, whereas prices of broiler chicks' and live bird jumped 39% & 28% to reach EGP10/ chick and EGP29/kg. respectively during 1Q22 compared to the same period last year.

On the other hand, volumes generally witnessed a decline due to phasing and rearing cycles. During 1Q22, broiler chicks' volumes declined 19% over 1Q21, yet compared to 4Q21, the drop came in to 6%. For live birds, 1Q22 volumes seen an 8% and 5% decline compared to 1Q21 and 4Q21 respectively. As a result, the sector EBITDA margin recorded 4% during 1Q22 compared to 10% in 1Q21.

Processing and Further Processing (Koki):

Koki continued its strong performance after implementing the new sales strategy in FY21 through focusing on the most profitable sales channels. 1Q22, overall volumes jumped 20%, mainly driven by 25% increase in further processing volumes, whereas processed volumes increased slightly by 2%. On Q-o-Q basis, 1Q22 volumes hiked 33% compared to 4Q21. With regards to prices, Koki was able to increase the overall average prices by 16% over the same period last year. Despite the challenges facing the consumption and rising costs, Koki succeeded in passing on partially the increasing costs to the end consumer. Accordingly, 1Q22, EBITDA margin recorded 10%, compared to the 8% recorded in 1Q21.

Financial Performance

1Q22 revenues jumped significantly by 26% over 1Q21 to record EGP1,461 mn, such hike came on the back of higher feed and further processing volumes as well as higher prices across all sectors in light of soaring global commodity prices. Similarly, COGS witnessed an increase of 30% over the same period last year to record EGP903 mn. CPC was able to partially pass on the increase in costs to the end consumers, accordingly, gross profit increased by 12% to record EGP289 mn achieving a GPM of 20%, compared to 22% recorded in 1Q21. Also compared to 4Q21, gross profit achieved a slight improvement of 0.8% yet, witnessed a drop of 1.9% in GPM.

SG&A expenses increased 12% over 1Q21 to reach EGP94 mn, yet contained at 6.4% of revenues down from 7.3% in 1Q22, such increase came mostly on the back of higher distribution and transportation expenses. 1Q22 EBITDA dropped slightly by 70 BPS over 1Q21 to reach EGP111 mn achieving a margin of 7.6%, 200 BPS lower than the one recorded in 1Q21. Compared to 4Q21, EBITDA dropped 26% and EBITDA margin declined by 3.6%.

Interest expense witnessed a decline of 72% to reach EGP3 mn. Such drop came on the back of management ability to utilize efficient leveraging strategies.

The company did not record Investment income/ loss or foreign currency gain/loss for the period, similar to 1Q21.

During 1Q22, net profit witnessed a slight increase of 1.1% to reach EGP53.3 mn, close to the EGP52.7 achieved during the same period last year. Such improvement came despite the jump in other expenses amounting to almost EGP20 mn accounting for higher provisions to accommodate potential liquidity problems facing customers. Accordingly, NPM stood at 3.6% compared to 4.5% during 1Q21. Yet, compared to 4Q21, net profit witnessed a decline of 14% and NPM dropped slightly by 0.9%.

CPC still maintains a strong balance position despite the tough liquidity challenges facing the market. Cash conversion cycle stood at 36 days in 1Q22 similar to the same period last year. The company succeeded in maintaining sufficient inventory levels while extending the payments to suppliers.

Outlook

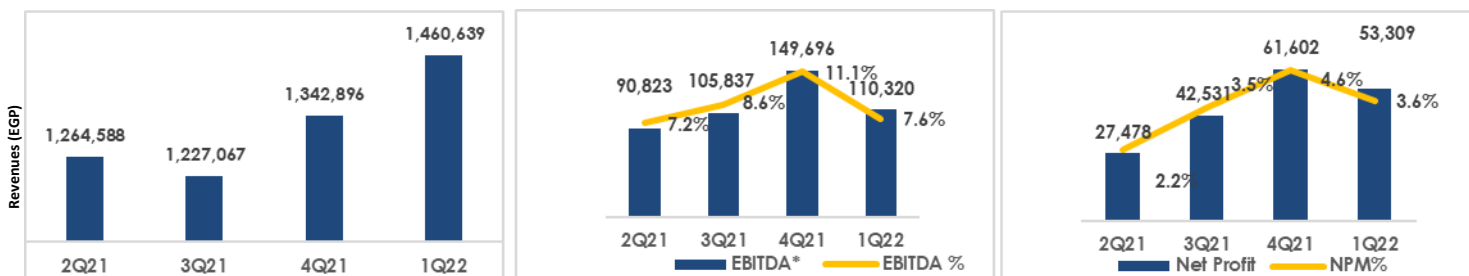
Despite all market challenges, CPC performance still remains robust as the company is successfully adapting its selling prices to accommodate for the continuously increasing costs to be able to maintain decent margins. As the spike in global commodity prices is expected to continue towards 1H22, we expect margins to sustain on the back of the relatively high demand during 2Q22 due to seasonality. Throughout the second half of the year, we expect volatility in prices due to high uncertainty in the market. Yet, demand is expected to improve during summer period and then witness the normal slowdown during the last quarter of the year.

Financials

Income Statement	1Q22	1Q21	YoY	4Q21	QoQ
Revenues	1,460,639	1,161,357	25.8%	1,342,896	8.8%
COGS	-1,172,116	-903,235	29.8%	-1,052,082	11.4%
Gross Profit	288,523	258,122	11.8%	290,814	-0.8%
GPM	19.8%	22.2%	-2.5%	21.7%	-1.9%
G&A	-43,909	-42,260	3.9%	-42,709	2.8%
S&D	-50,229	-42,059	19.4%	-50,901	-1.3%
Other Operating Income	27,313	21,011	30.0%	31,157	-12.3%
EBITDA*	110,320	111,098	-0.7%	149,696	-26.3%
EBITDA M	7.6%	9.6%	-2.0%	11.1%	-3.6%
Depreciation	-112,794	-104,752	7.7%	-106,895	5.5%
Operating Profit	108,904	90,062	20.9%	121,466	-10.3%
OPM	7.5%	7.8%	-0.3%	9.0%	-1.6%
Interest Expense	-2,503	-8,827	-71.6%	-8,709	-71.3%
Investment Income	0	0	0.0%	0	0.0%
FX Gain/ Loss	0	0	0.0%	1,366	-100.0%
Other Income/ Expense	-27,228	-7,175	279.5%	-33,820	-19.5%
PBT	79,173	74,060	6.9%	80,303	-1.4%
PBTM	5.4%	6.4%	-1.0%	6.0%	-0.6%
Deferred tax	0	0	0.0%	-3,062	-100.0%
Income Tax	-25,864	-21,341	21.2%	-15,639	65.4%
Net Profit After Taxes	53,309	52,719	1.1%	61,602	-13.5%
NPM	3.6%	4.5%	-0.9%	4.6%	-0.9%

*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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