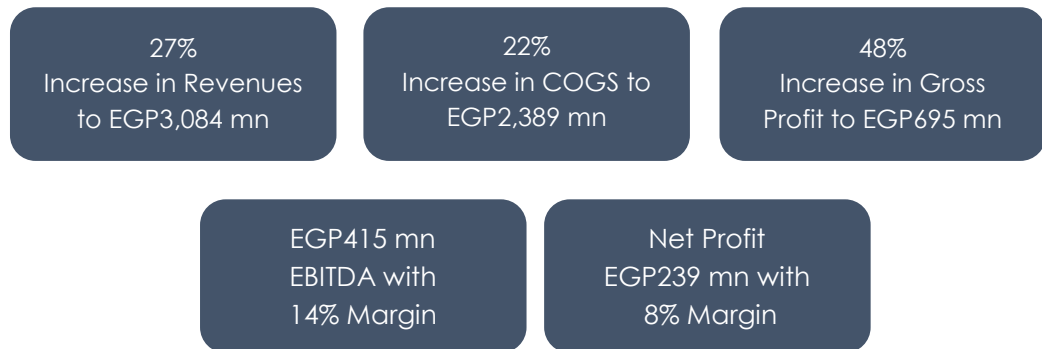


# Cairo Poultry Company Reports 1H22 Results; Outperformance Despite Volatility

## Key Results Highlights of 1H22



**7 August 2022 | Cairo | Cairo Poultry Company (POUL.CA on the Egyptian Exchange)**, reported its results for 1H22. Revenues for the period jumped 27% over the same period last year reaching EGP3,084 mn. Such increase came on the back of rising global commodity prices which affected the prices across all CPC lines of business. Besides, revenues were also impacted by higher processing volumes.

EBITDA more than doubled in 1H22 to record EGP415 mn at a margin of 14% compared to EGP202 mn at a margin of 8.3% in the same period last year. Similarly, net profit hiked 198% over 1H21 to reach EGP239 mn at a NPM of 7.8%, compared to EGP80 mn at a NPM of 3.3%. Such hike was mainly achieved as a result of increasing selling prices, while applying effective hedging techniques to maintain control over costs.

## Sectoral Performance

### Feed Division:

Overall feed volumes marginally declined 1% in 1H22 compared to 1H21, as CPC was able to maintain its market share in the tough conditions facing the sector. Compared to 1Q22 and 2Q21, volumes dropped 9% on average, as demand for feed is coming under pressure as farmers are reluctant to grow due to soaring commodity prices which are not compensated in the selling prices of the end products. 1H22 prices jumped 30% over the same period last year, on the back of high commodity prices in addition to EGP devaluation. CPC was able to pass on such cost increase to the end consumers as we are currently focusing on margin oriented strategy, besides working internally on managing costs through efficient commodity hedging strategies as well as introducing cost efficient feed formulas and recipes. Accordingly, EBITDA margin recorded 9% in 1H22 compared to 5% during 1H21.

### Poultry Division:

During 1H22, parent chicks' prices increased 5% to reach EGP66/ chick, whereas on the back of rising costs of inputs, prices of broiler chicks' and live bird jumped 32% & 30% to reach EGP9/ chick and EGP32/kg respectively compared to the same period last year.

On the other hand, volumes generally witnessed a decline due to phasing and rearing cycles. During 1H22, broiler chicks' volumes declined 4% over 1H21, yet for 2Q22, it increased 14% over 2Q21 and 16% over 1Q22.

For live birds, 1H22 volumes seen a 9% decline compared to 1H21. Similarly, 2Q22 volumes dropped 10% over the same period last year and 5% over 1Q22. Despite the general drop in volumes, the sector EBITDA margin recorded 10% during 1H22 compared to 6% in 1H21 as the sector benefited of raw materials stocks purchased earlier at lower prices.

### Processing and Further Processing (Koki):

With implementing a focused marketing plan and the introduction of new products, Koki continued its strong performance as 1H22 overall volumes jumped 19% with all product categories witnessing growth. On Q-o-Q basis, 2Q22 volumes hiked 19% compared to 2Q21, yet witnessed a slight 3% decline over 1Q22.

In the meantime, Koki was able to increase the overall average prices by 18% over 1H21 in spite of the pressures facing consumption and squeezed purchasing power. Such growth came on the back of a more profitable sales mix driven mainly by 19% volume growth in value added chicken products. Accordingly, 1H22, EBITDA margin recorded 12%, compared to the 9% recorded in 1H21.

## Financial Performance

1H22 revenues hiked 27% over 1H21 to record EGP3,084 mn, such jump came on the back of higher selling prices across all business lines in the light of increasing global commodity prices and lower availability of grains domestically. Meanwhile, COGS witnessed an increase of 22% over the same period last year to record EGP2,389 mn. CPC successfully managed to pass on most of the increase in costs to the end consumers, while maintaining control over COGS.

As a result, gross profit soared 48% to record EGP698 mn achieving a GPM of 23%, compared to 19% recorded in 1H21. With regards to 2Q22, gross profit increased 93% and 41% over 2Q21 and 1Q22 respectively to reach EGP407 mn at a GPM of 25%.

SG&A expenses increased 14% over 1H21 to reach EGP179 mn, yet contained at 5.8% of revenues down from 6.5% in 1H22. Such increase came mostly on the back of higher distribution and transportation expenses as a result of the significant growth in value added products sales volumes.

1H22 EBITDA more than doubled over 1H21 to reach EGP415 mn achieving a margin of 14%, 510 BPS higher than the one recorded in 1H21. On quarterly basis, EBITDA stood at EGP305 mn in 2Q22, up 3.4X over 2Q21 and 2.8X over 1Q22. EBITDA margin recorded 19% compared to 7.2% and 7.6% during 2Q21 and 1Q22 respectively.

Net interest expense witnessed a significant decline of 41% to reach EGP11 mn. Such drop came on the back of management ability to utilize efficient leveraging strategies and the use of cash.

During 1H22, net profit reached EGP239 mn, 3X what was achieved in 1H21, meanwhile, NPM stood at 7.8% compared to 3.3%. Similarly, for 2Q22, net profit increased 6.8X over 2Q21, attaining a NPM of 11.4% compared to 2.2%. And compared to 1Q22, net profit increased 2.5X.

CPC still maintains a strong balance position despite the tough liquidity challenges facing the market. Cash conversion cycle stood at 54 days in 1H22 higher than the 34 days recorded in 1H21 due to increased purchase of raw materials in anticipation of futures and commodity increases. This resulted in higher inventory levels to ensure smooth operations amidst the disruptions in the commodity and shipping businesses.

## Outlook

Despite all market challenges, CPC performance still remains robust as the company is successfully adapting its selling strategy among all lines of business to shield against the continuously increasing costs to be able to maintain healthy margins. As the volatility and uncertainty in global commodity prices is expected to continue towards the second half of the year, CPC will rely on its agile structure to sustain the solid performance. Demand is expected to sustain during the summer and towards the end of 3Q22, but due to normal cyclicity, it should start to slowdown during the last quarter of the year. However due to

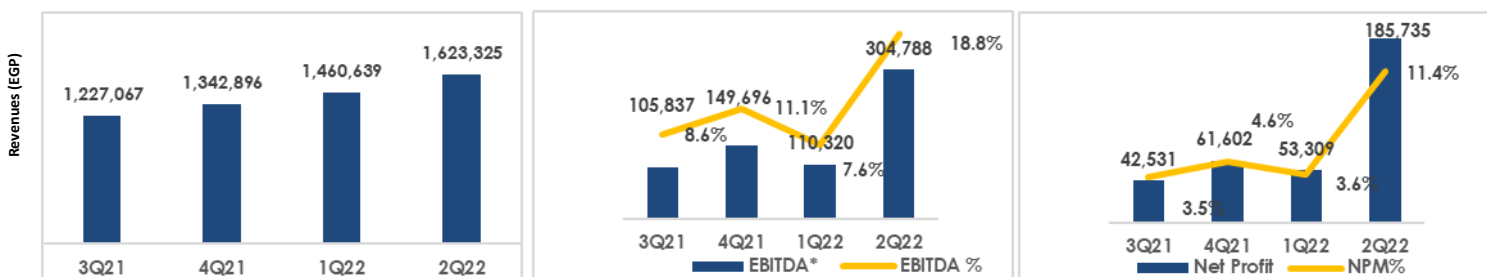
volatility and disruptions in the supply chain, we expect prices to remain at favorable levels, supporting strong 2H22 results.

## Financials

Income Statement	1H22	1H21	YoY	2Q22	2Q21	QoQ
<b>Revenues</b>	<b>3,083,964</b>	<b>2,425,945</b>	<b>27.1%</b>	<b>1,623,325</b>	<b>1,264,588</b>	<b>28.4%</b>
COGS	-2,388,535	-1,957,086	22.0%	-1,216,419	-1,053,851	15.4%
<b>Gross Profit</b>	<b>695,429</b>	<b>468,859</b>	<b>48.3%</b>	<b>406,906</b>	<b>210,737</b>	<b>93.1%</b>
GPM	22.5%	19.3%	3.2%	25.1%	16.7%	8.4%
G&A	-86,715	-77,430	12.0%	-42,806	-35,170	21.7%
S&D	-92,722	-79,443	16.7%	-42,493	-37,384	13.7%
Other Operating Income	76,760	43,849	75.1%	49,447	22,838	116.5%
<b>EBITDA*</b>	<b>415,108</b>	<b>201,921</b>	<b>105.6%</b>	<b>304,788</b>	<b>90,823</b>	<b>235.6%</b>
EBITDA M	13.5%	8.3%	5.1%	18.8%	7.2%	11.6%
Depreciation	-230,676	-204,484	12.8%	-117,882	-99,732	18.2%
<b>Operating Profit</b>	<b>362,076</b>	<b>151,351</b>	<b>139.2%</b>	<b>253,172</b>	<b>61,289</b>	<b>313.1%</b>
OPM	11.7%	6.2%	5.5%	15.6%	4.8%	10.7%
Interest Expense	-10,957	-18,408	-40.5%	-8,454	-9,581	-11.8%
Investment Income	0	1,113	-	0	1,113	-
FX Gain/ Loss	0	687	-	0	687	-
Other Income/ Expense	-27,341	-21,660	26.2%	-113	-14,485	-99.2%
<b>PBT</b>	<b>323,778</b>	<b>113,083</b>	<b>186.3%</b>	<b>244,605</b>	<b>39,023</b>	<b>526.8%</b>
PBTM	10.5%	4.7%	5.8%	15.1%	3.1%	12.0%
Deferred tax	0	0	0.0%	0	0	0.0%
Income Tax	-84,734	-32,886	157.7%	-58,870	-11,545	409.9%
<b>Net Profit After Taxes</b>	<b>239,044</b>	<b>80,197</b>	<b>198.1%</b>	<b>185,735</b>	<b>27,478</b>	<b>575.9%</b>
NPM	7.8%	3.3%	4.4%	11.4%	2.2%	9.3%

\*Adjusted EBITDA

## Financial KPIs (000 EGP)





## About Cairo Poultry Company

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### Shareholder Information

Reuters: POUL.CA

Bloomberg: POUL.EY

**Number of Outstanding Shares:**  
**479,001,600**

**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 Koki Gold, 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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