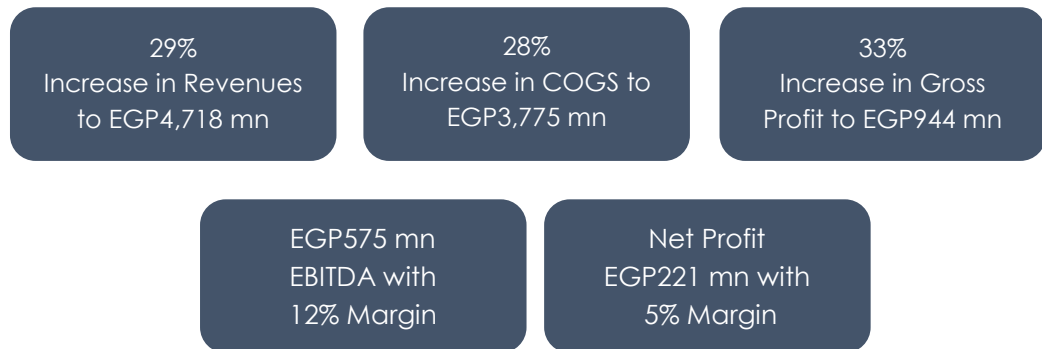


Cairo Poultry Company Reports 9M22 Results; Resilient Margins Supported by Higher Prices

Key Results Highlights of 9M22



9 November 2022 | Cairo | Cairo Poultry Company (POUL.CA on the Egyptian Exchange), reported its results for 9M22. Revenues for the period increased 29% over the same period last year reaching EGP4,718 mn. The increase came on the back of rising local commodity prices which affected the selling prices across all CPC products since the beginning of the year. Besides, higher broiler chicks and processing volumes contributed to the increase in revenues.

9M22 EBITDA surged 87% to reach EGP575 mn at a margin of 12.2% compared to EGP308 mn at a margin of 8.3% during the same period last year. Similarly, net profit increased 80% over 9M21 to reach EGP221 mn at a NPM of 4.7%, compared to EGP123 mn at a NPM of 3.4%.

Sectoral Performance

Feed Division:

Overall feed volumes marginally declined 2% in 9M22 compared to 9M21, as CPC was able to maintain its market share through the challenging conditions facing the sector. 3Q22 volumes remained higher than the previous 2 quarters, yet it declined slightly 3% over 3Q21. Such drop came on the back of suppressed demand from lower rearing activities as local feed prices has reached unprecedented levels. Average 9M22 prices jumped 38% over the same period last year, due to the shortage in raw materials availability, thus increasing costs. CPC managed to partially pass on the cost increase to the end consumers through focusing on a dynamic sales strategy. Accordingly, EBITDA margin recorded 12% in 9M22 compared to 6% during 9M21.

Poultry Division:

With the rising prices of raw materials, farmers are being reluctant to breed, thus demand for chicks has been under pressure during 3Q22. 9M22 parent chicks' volumes witnessed a decline of 25%. Yet, for the same period, broiler chicks and live bird volumes shown strong resilience and stood at the same level as 9M21. During 3Q22, broiler chick volumes declined 8%, due to phasing, while live bird volumes witnessed a 7% increase.

In light of the increasing costs, parent chicks' prices increased partially 7% to reach EGP68/ chick during 9M22, slightly absorbing part of the rising costs. Similarly, prices of broiler chicks' and live bird jumped 17% & 27% to reach EGP8/ chick and EGP31/kg. respectively, over the same period last year. Prices have been stable through 3Q22 compared to the previous quarter. As a result, and in spite of tough conditions facing the market, the sector EBITDA margin stood at 4% during 9M22 compared to 5% in 9M21.

Processing and Further Processing (Koki):

With the launch of an online shopping platform and the introduction of new products, Koki continued its strong performance as 9M22 overall volumes jumped 18% with growth coming from the processed as well as the value added products. On Q-o-Q basis, 3Q22 volumes saw a 14% increase over 3Q21, and 4% increase over 2Q22. With regards to prices, Koki was able to increase the overall average prices by 18% over the same period last year despite the squeeze in purchasing power. and rising living costs. Average prices during 3Q22 stood at the same levels as the previous quarter. Accordingly, 9M22, EBITDA margin recorded 11%, compared to the 9% recorded in 9M21.



Financial Performance

9M22 revenues increased 29% over 9M21 to record EGP4,718 mn, such hike came on the back of higher selling prices across all CPC products along with higher volumes of broiler chicks and processing. On the back of increasing local commodity prices, COGS increased 28% over the same period last year to record EGP3,775 mn. However, CPC succeeded in achieving a strong GPM of 20%, compared to 19% recorded in 9M21. With the local commodity shortage problem peaking during 3Q22, the company still achieved a healthy GPM of 15%, yet lower than the 19.7% recorded in 3Q21.

SG&A expenses increased 11% over 9M21 to reach EGP272 mn, yet maintained at 5.8% of revenues down from 6.7% in 9M21, such increase came mostly on the back of higher distribution and transportation expenses associated with higher processing business volumes. For 3Q22, SG&A increased 5% over 3Q21, representing 5.7% of revenues down from 7.2% attained in 3Q21.

EBITDA climbed 87% during 9M22 over 9M21 to reach EGP575 mn achieving a margin of 12.2%, 3.8% higher than the one recorded in 9M21. On quarterly basis, EBITDA stood at EGP160 mn, up 51% over 3Q21. EBITDA margin recorded 9.8% in 3Q22 compared to 8.6% recorded in 3Q21.

Net interest expense witnessed a significant decline of 21% to reach EGP21 mn. Such drop came on the back of management ability to utilize efficient leveraging strategies and the use of cash despite of increasing interest rates.

During 9M22, net profit jumped 80% over the same period last year reaching EGP221 mn. NPM stood at 4.7% in 9M22, 1.3% higher than the one recorded in 9M21. 3Q22 achieved a net loss of EGP18 mn compared to a net profit of EGP43 mn during 3Q21. Such drop came on the back of dividends tax from subsidiaries allocated in 3Q22. Yet, CPC still achieved a growth in profit before tax of 132% and 30% respectively during 9M22 and 3Q22 over their comparable periods in 2021.

CPC still upholds a strong balance position despite the tough liquidity challenges facing the market. Cash conversion cycle stood at 67 days in 9M22 higher than the 47 days recorded in 9M21. Such increase came on the back of higher inventory levels to secure operations during the disruptions in the local market as a result of the FX availability status.

Outlook

Despite the tough market conditions, CPC performance still intact as the company is carefully adapting its selling strategy to accommodate for the uncertainty and volatility in the market. We continue to monitor the changing market dynamics and operate accordingly. With the current disruptions in the rearing market due to the shortage of raw materials, we expect prices of chicks and live bird to increase in the coming period, in light of the slowdown in rearing activities which in progress would create a shortage in the supply of chicks, thus live birds.

Financials

Income Statement	9M22	9M21	YoY	3Q22	3Q21	QoQ
Revenues	4,718,125	3,653,012	29.2%	1,634,161	1,227,067	33.2%
COGS	-3,774,489	-2,942,557	28.3%	-1,385,954	-985,471	40.6%
Gross Profit	943,636	710,455	32.8%	248,207	241,596	2.7%
GPM	20.0%	19.4%	0.6%	15.2%	19.7%	-4.5%
G&A	-131,487	-120,922	8.7%	-44,772	-43,492	2.9%
S&D	-140,940	-124,375	13.3%	-48,218	-44,932	7.3%
Other Operating Income	105,415	67,271	56.7%	28,655	23,422	22.3%
EBITDA*	574,900	307,758	86.8%	159,792	105,837	51.0%
EBITDA M	12.2%	8.4%	3.8%	9.8%	8.6%	1.2%
Depreciation	-348,757	-307,829	13.3%	-118,081	-103,345	14.3%
Operating Profit	427,867	224,600	90.5%	65,791	73,249	-10.2%
OPM	9.1%	6.1%	2.9%	4.0%	6.0%	-1.9%
Interest Expense	-21,375	-27,069	-21.0%	-10,418	-8,661	20.3%
Investment Income	0	0	-	0	-1,113	-100.0%
FX Gain/ Loss	0	0	-	0	-687	-100.0%
Other Income/ Expense	-5,134	-24,616	-79.1%	22,207	-2,956	-851.3%
PBT	401,358	172,915	132.1%	77,580	59,832	29.7%
PBTM	8.5%	4.7%	3.8%	4.7%	4.9%	-0.1%
Deferred tax	0	5,606	-	0	5,606	-100.0%
Income Tax	-180,402	-55,793	223.3%	-95,668	-22,907	317.6%
Net Profit After Taxes	220,956	122,728	80.0%	-18,088	42,531	-142.5%
NPM	4.7%	3.4%	1.3%	-1.1%	3.5%	-4.6%

*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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