



الشركة الشرقية إيسترن كومباني
EASTERN COMPANY S.A.E

Eastern Company

A market leading business in an attractive market

EFG-Hermes Conference

The 9th Annual London Conference

Company overview

Eastern Company was incorporated in Egypt by a decree issued by Sultan Ahmed Fouad in 1920 and is today the leading manufacturer and distributor of cigarettes in Egypt

Almost 100 years later, Eastern is committed to maintain its leading role in the sector through ensuring customer satisfaction and taking responsibility to introduce advanced technologies to tobacco products putting in mind healthy, social and economic aspects



MERIS awarded Eastern national investment grade rating AA

Shareholders

50.5% government

6% Employees

43.5% free float with leading foreign institutional investors including:



Executive Summary

- 1) Egypt: A growing attractive tobacco market**
- 2) Eastern: The dominant player with 72% own brand market share**
- 3) Manufacturer of all 85 bn cigarettes (including international brands)**
- 4) Transitioning from legacy SOE to a s 159 company (post government stake sell down).**
- 5) EC is the most important contributor to government revenue**
- 6) Strategic focus**

Egypt: A growing attractive tobacco market

Large, growing, small illicit and excise already high



Egypt is the 16th largest tobacco consuming country in the world

Prevalence amongst men: c.50%

Growing prevalence, growing volumes (1% pa 10 year average)



Eastern Tobacco is the sole manufacture of cigarettes in Egypt

All 85 billion cigarette sticks smoked annually in Egypt are manufactured by Eastern



Tobacco cultivation is illegal in Egypt due to concerns around water and food safety (illegal since 1800's)

Eastern and international companies all import tobacco leaf



In the aftermath of the 2011 revolution, the illicit market spiked to 30% share but this has come down significantly since to around 3-4%



Excise makes up 70% – 80% of the retail sales price of cigarettes, but cigarettes remain affordable to the average smoker when compared to other markets in the region

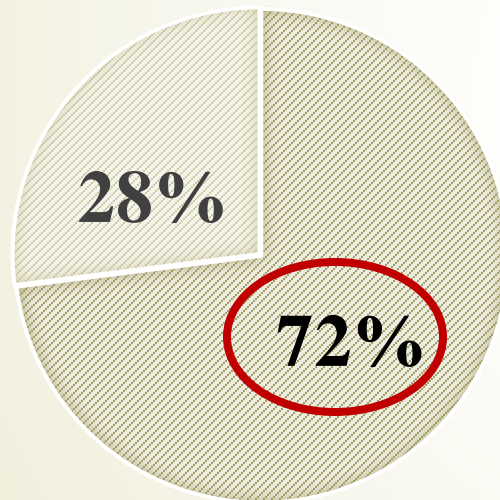
Eastern: The dominant player in this market

72% own brand market share by cigarette volumes (FY19)

28% under attractive toll manufacturing agreements

SHARE OF CIGARETTE VOLUMES FY19

■ Eastern Tobacco ■ International Tobacco companies



International tobacco companies in Egypt had a combined volumes market share of 28% in FY19. The following 4 companies are present in Egypt:



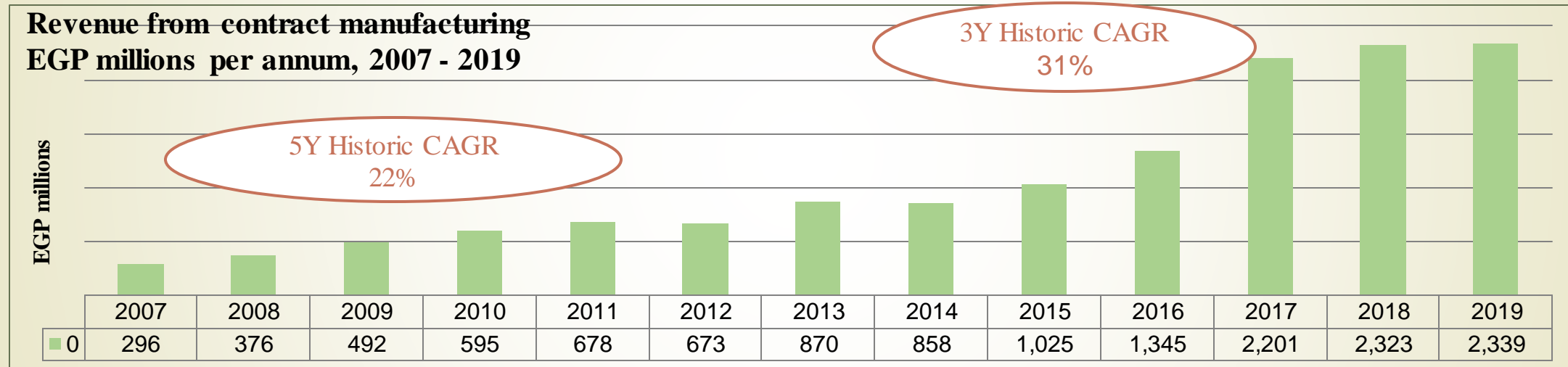
- These companies provide Eastern with tobacco leaf and packaging material
- Eastern manufactures the cigarettes
- The international companies do their own distribution and sales



Manufacturer of all 85 bn cigarettes smoked

Contract manufacturing with international players growing at 22% CAGR

- ▶ Phillip Morris has been in Egypt since 1975 and Eastern has been their manufacturing partner since 1985
- ▶ Eastern's relationship with British American Tobacco started in 2001
- ▶ Japan Tobacco and Imperial Tobacco both entered the market in 2014

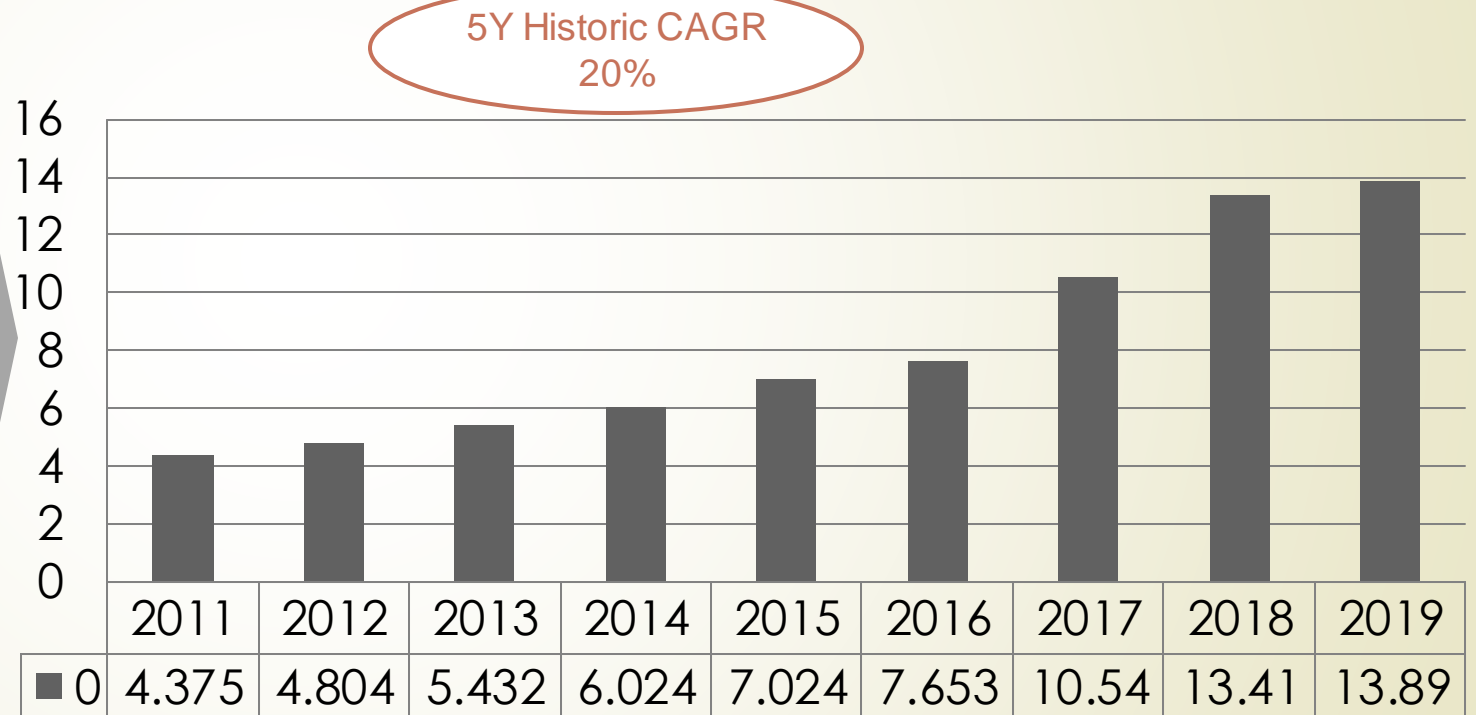


Eastern earns US\$ for these contracts at a rate of US\$5.80 – US\$6.20 per 1000 cigarettes
This provides a natural hedge against currency weakness with 60 – 70% of COGS being imported
17% of Eastern's 2019 revenue was contributed by contract manufacturing

Transitioning from legacy SOE

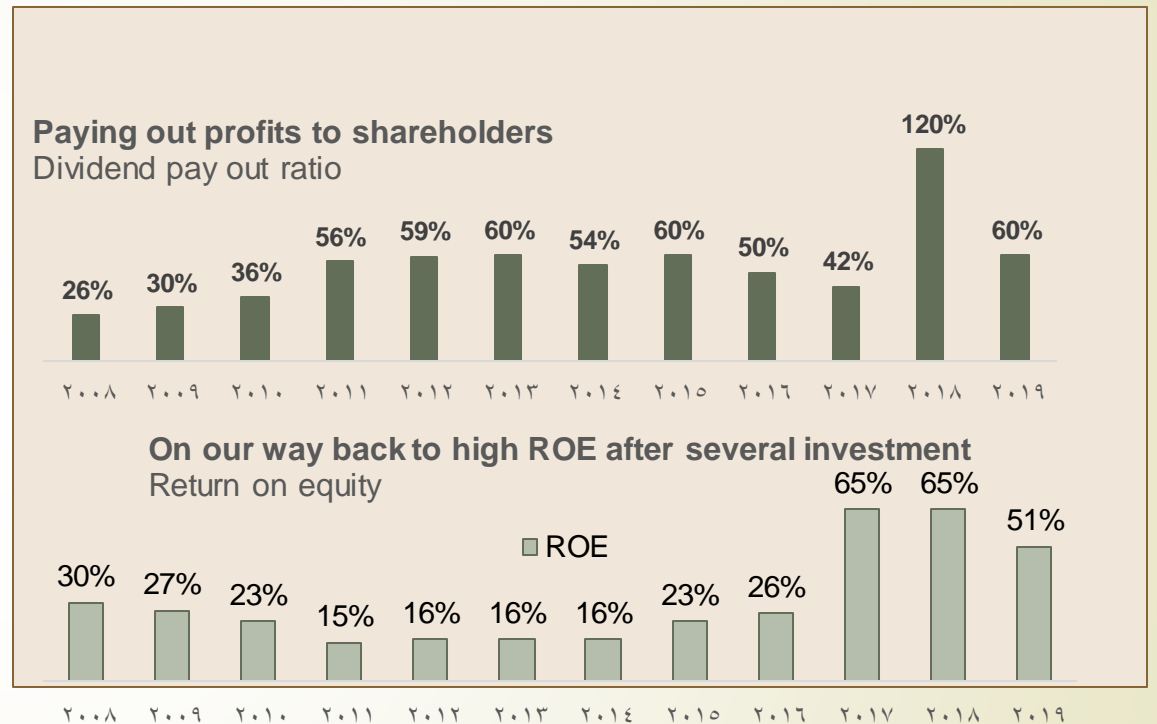
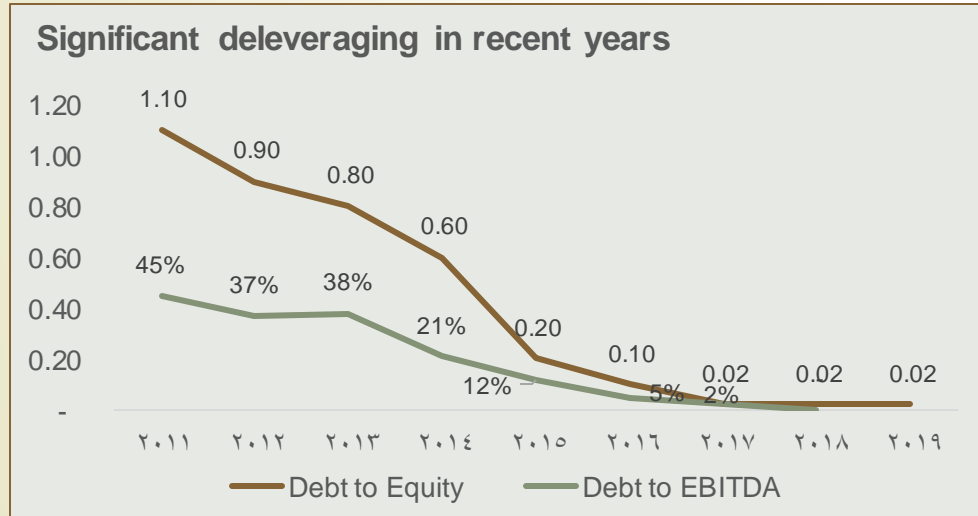
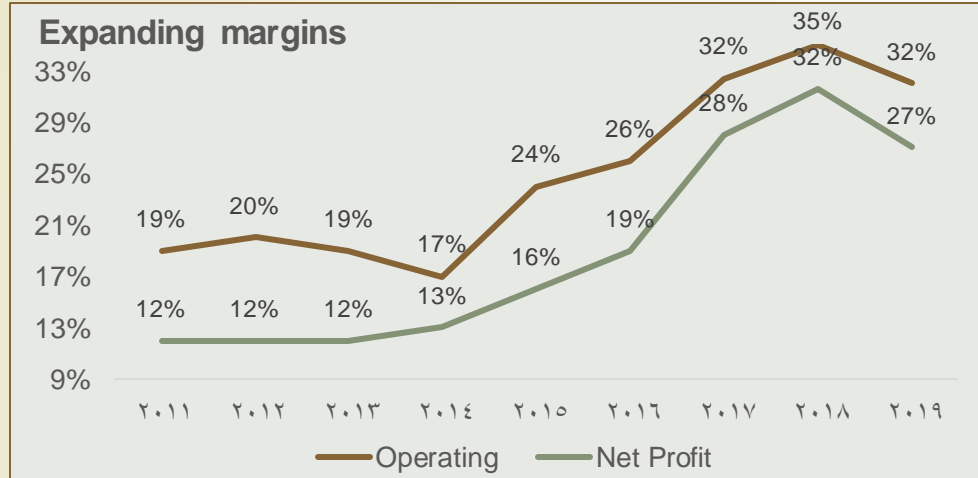
Improved revenue growth despite significant excise tax increases

Through existing quality policy, EC strives to make its products unique, competitive and highly profitable, and to gain customer satisfaction in all domestic and foreign markets.



Margins/Dividends and returns:

Decrease in Net profit Margin in 2018/2019 down 11.9% YOY on the back of lower interest income on a lower cash position post the EGP 3 BN on off cash dividends paid in June 2018 and the losses of currency difference in addition to absence of Price increase



EC is the most important contributor to government revenues

Extract from Eastern Budget, available on our website

Items	Unit	Actual 2017/2018	Actual 2018/2019	Approved plan 2019/2020
Sales tax & student health insurance	EGP BN	33.607	39.706	41.152
Customs fees	EGP Million	362	348	404
Income tax	EGP BN	1.275	1.080	1.119
Real estate tax and others	EGP Million	19.421	20.939	30.510
Payable net profit to state treasury revenue	EGP BN	1.237	1.136	1.546
Sales tax on foreign Cig brands	EGP BN	19.854	22.988	23.685
Total Revenue	EGP BN	56.357	65.280	67.939

Strategic focus areas

- To remain the #1 Tobacco Company in our Area.
- Transition from legacy SOE (post government stake sell down) the Company would come under the law of 159 of the year 1981 , Stronger board of directors
- Increased operating flexibility
- Optimise utilisation of asset base
- Improve productivity and efficiency
- No Capex dedicated to non-core, non-tobacco projects

The main products at Eastern CO

- Cleopatra Soft Pack (K.S-Queen-Golden) contributes around 60%of total Eastern's sales.
 - Cleopatra K.S Hard Pack contributes around 35%.
 - Cleopatra Super contributes around 4%.
 - The other brands (Mondial-Golden West..) contributes around 1%
- *The Majority of the Eastern's Cigarettes Brands are relatively lower segment , whereas Cleopatra Black label and Golden West are in the middle segment.
- **Eastern exists also in the middle segment through the cigarettes brands produced in partnership with International tobacco companies /shared production contracts as Viceroy Cigarettes –Pall Mall with BAT / LD Cigarettes with JTI/ Target Cigarettes-West Cigarettes with Mansour International Distribution.

***Toll Manufacturing agreement:

Eastern has the sole licensed cigarettes producer in Egypt , the production is done through manufacturing contracts wherein Eastern charges a fee for the production of Cigarettes while International tobacco Companies provide Eastern with raw material required ,Toll manufacturing segment is considered the most profitable to Eastern as the company only incurs the labour cost, The manufacturing agreement with PMI is considered the most important and largest i value terms as PMI has the largest market share after Eastern .



Tobacco Moassel SALLOUM



Tobacco Moassel



Cigars



**No Matter
Where You Are
We Can Deliver
Your Order to
Your Place.**



Our Cigar Is Totally 100% Percent Hand Made



The Quality is our main Target

Thank you!

Investors can find the following information on our website:

[Annual Financial Reports \(2015 – 2019\)](#)

[Quarterly Financial Results \(2013 – 2019\)](#)

[Our Board of Directors](#)

[Social Responsibility initiatives](#)

[Corporate Governance information](#)

[Our 2018/19 annual budget](#)

Furthermore, our company is covered by the following brokerage firms:

