



4Q /FY19|20 Results

June.2020

Eastern company



FY19|20 Revenue & Net profit

UP3%&1.6%

Respectively Over Previous year,

Revenue Compounding Annual
Growth Rate (CAGR)

13.58%

Over the past 5 years

FY 19/20 RESULTS

TOTAL REVENUE
LE 14,465 MN
UP 3.13% VS. FY 19|18

GROSS PROFIT
LE 5,763 MN
UP 10% VS. FY 19|18

EBIT
LE 4,572 MN
UP 1% VS. FY 19|18

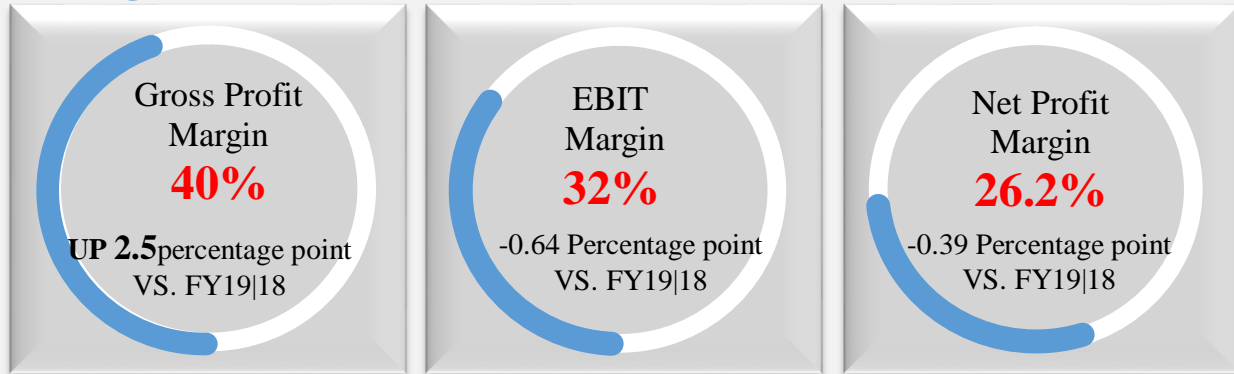
NET PROFIT
LE 3,794 MN
UP 1.6% VS. FY 19|18

Highlights for 4Q/FY19|20

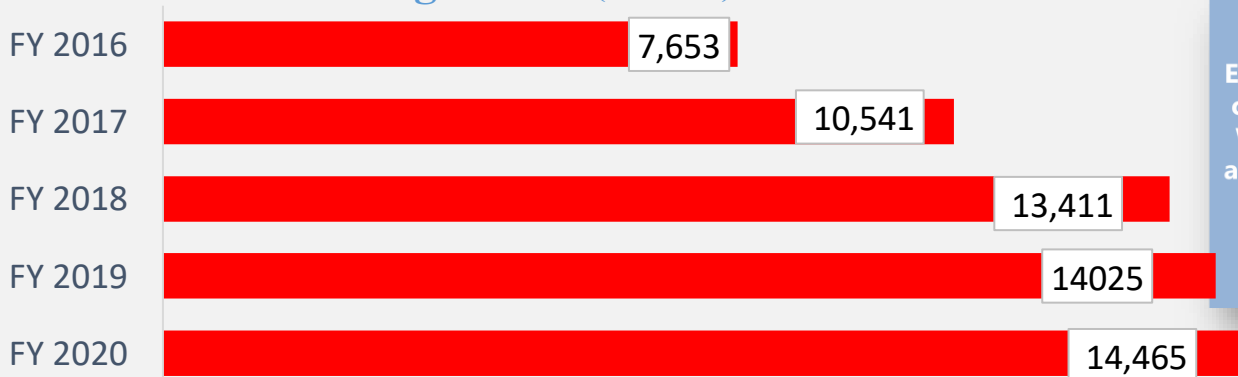
Eastern reports revenues of **EGP 14,465 Million** in FY19|20, **up 3 % (Y-O-Y)**, with the company delivering improved profitability as **net profit recorded 3,794 Million expanded 1.6% (Y-o-Y)** for the period.

On a quarterly basis, Eastern reported **-10.6 % YOY top-line decrease & -20.7% bottom-line decrease (Y-o-Y)**.

FY19|20 Margins



EC Revenues Progression (Million)

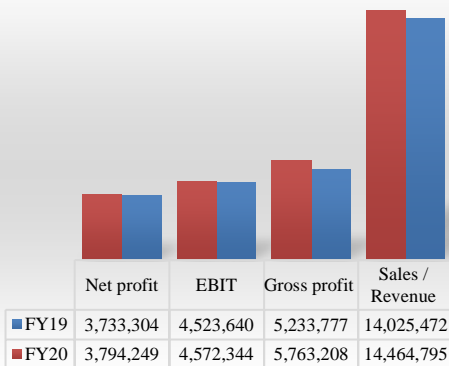


High-quality earnings
EC has An adequate level of return on investment
Witch are derived from activates that a company will likely be able to sustain in the future .

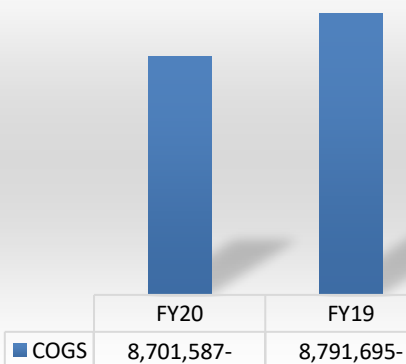
EAST.CA
On the Egyotion Exchange

Results in a Nutshell

indicators progression



COGS



- Eastern company.(EAST.CA on the Egyptian Exchange),sole manufacturing of cigarettes in Egypt announced its results for the FY ended 30 JUNE 2020, Eastern reported a +10% (y-o-y) expansion in gross profit to EGP 5,763 million on the FY19|20, The improved profitability was supported by both the company's cost control efforts and stable cost of direct materials.
- On a full year basis, cost of goods sold (COGS) for the FY19|20 decreased by 1% (Y-O-Y)-while revenue increased by 3% indicates economy of scale ,due to The decrease in the cost of tobacco by 203 million pounds as a result of a decrease in the production volumes by about 504 million cigarettes and a decrease in the average price of a kilo of row tobacco from 60.94 in 2018/2019 to 58.68 in 2019/2020 with a decrease of 2.26 pounds per kilo as the amount of tobacco used for the year 2019/2020 is 49.158 thousand tons .
- Revenue growth FY19|20 was up +3 % to EGP14,465 million, came on the back of improved sales cigarettes-local sales value to EGP 11,603 million up 2.5%(Y-o-Y) , higher local sales increase in ex- factory price / pack ,driven by indirect price increases via cutting retailers' margins (from EGP 0.25 To EGP 0.10)for some of the brands, as of 1August 2019 ,along with an improvement in Sales Mix (discontinued production of low-margin Cleopatra King Cig produce in Alexandria Factory , replacing it with the higher margin Cleopatra Queen) , higher volumes in Moassel tobacco-local 8.5% (Y-o-Y) compared to the comparable periods FY 18|19. Higher volumes and better prices support sales growth +3% Meanwhile toll manufacturing also increased by EGP168 .4 Million +7.2% y-o-y to EGP 2,508 MN driven by increase in(Marlboro),(L&M)volumes .
- EBIT for the FY19|20, expanded 1% y-o-y to EGP 4,572.3 million, with EBIT margin 31.6%, decreased -0,64 percentage point y-o-y despite higher SG&A and other expenses outlays for the period.
- On a full year basis Eastern recorded a net profit of EGP 3,794 million, with a +1.63% y-o-y rise supported by improved gross profit margins. Eastern recorded Net profit margin 26.2% for the FY19|20.

“*Eastern company
Delivered robust results
One of the few entities
Impacted minimally by
The covid-19*”

Highlights of Eastern co.'s 4Q/FY19|20 results follow along with analysis of the company's performance

Full Year 19|20 Financial Highlights

- EC recorded a net profit of LE 3,794 million in FY19|20, a y-o-y increase of 1.63% versus FY18|19.
- EC total revenue achieved a + 3 % y-o-y expansion to LE 14,465 million in FY19|20.
- The local cigarettes segment achieved total revenue of LE 11,603 million in FY19|20, a +2.5% y-o-y.
- Gross profit recorded LE 5.763.2million in FY19|20, increase +10% y-o-y. GPM stood at 40 % for the year.
- EBIT for the year was up 1 % y-o-y in FY19|20 to LE 4,572.3 million, yielding an EBIT margin of 31.6 % compared to 32.3 % in FY18|19.
- The toll manufacturing segment reported a revenue in FY19|20 of LE 2,508.3 million. , increasing by 7.2% y-o-y

Fourth Quarter 2020 Financial Highlights

- EC achieved a net profit of LE 663.5 million in 4Q20, decrease by -20.76 % y-o-y
- EC Total Revenues LE 3,097 million in 4Q20, decreasing by -10.65 % y-o-y & decreasing -15.78 % q-o-q.
- Gross profit recorded LE 1,139.5 million in 4Q20, decrease -5.8 % y-o-y and -22.72 % q-o-q. GPM stood at 36.8 % for the quarter.
- EC reported a -38.3 % q-o-q and -29.33% y-o-y EBIT to record LE 717.6 million, with an EBIT margin of 23.2% for the quarter.
- The toll manufacturing segment reported a revenue in 4Q20 of LE 587 million. , increasing by 0.7 % y-o-y.

The 4Q production volume of the company has decreased temporarily since the Corona virus pandemic between 10 and 15% due to the company following all the precautionary measures imposed by the state from sterilization, disinfection and diverging operations, and we may go to closing the factory if there is a case infected with the Corona virus and isolate those in contact with that case

The Q-o-Q performance was pressured by several factors:

Closure of cafes and restaurants, Night curfews affecting demand and Seasonality.

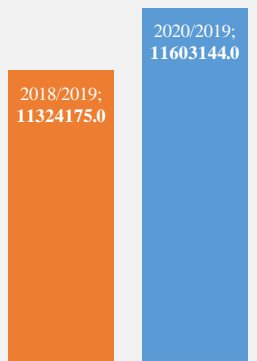
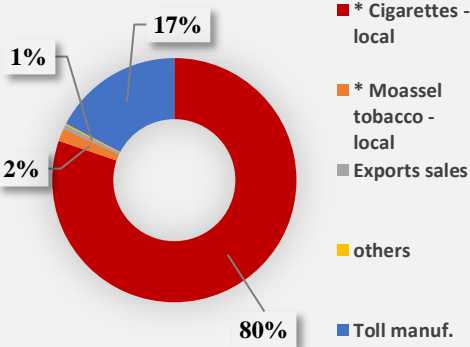
Analysis of income statement items during the period from 1/7/2019 to 30/06/2020

- **Other revenues** decreased by about 89 million pounds, as a result of decreased allocations that were no longer intended, by 24 million pounds, a decrease in other revenues and leases by about 32 million pounds, and a decrease in the profits of selling waste and capital gains by 33 million pounds.
- Decrease in investment revenues by 11 million pounds
- The decrease in the packaging cost materials by 80 million pounds due to the decrease in production quantities.
- An increase in **net financing** by about 102 million pounds, as a result of decrease in credit interest by 2 million pounds, a decrease in currency differential losses by 80 million pounds, and a decrease in local interest by 24 million pounds.
- Increasing **Selling & marketing expenses** by about 39 million pounds, due to Wage increase of 34 million pounds, increasing the marketing expenses of joint production and the permitted discount by about 7 million pounds, Decrease in other expenses by about 2 million pounds.
- Increasing **general and administrative expenses** by about 45 million pounds, due to increase in wages of 15 million pounds, increasing miscellaneous service expenses by 28 million pounds, increasing in fuel & spare parts by about 2 million pounds.
- Increase of **other expenses** by about 308 million pounds, due to Increase allocations by 310 million pounds, Increase in extraordinary losses by about 20 million pounds.

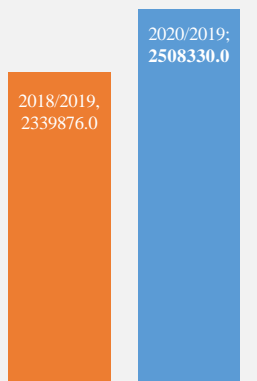
Table (1) Development of key Financials

Income statement EGP (000)	4Q19	3Q 20	4Q20	Q-o-Q	Y-o-Y	FY19	FY20	Y-o-Y
						1/7 -30/6/019	1/7 -30/6/020	
Sales / Revenue	3,466,393	3,677,479	3,097,114	-15.78%	-10.65%	14,025,472	14,464,795	3.13%
Cost of good sold	2,256,715	-2,203,101	1,957,651	-11.14%	-13.25%	8,791,695	8,701,587	-1.02%
Gross profit	1,209,678	1,474,378	1,139,463	-22.72%	-5.80%	5,233,777	5,763,208	10.12%
<i>Gross profit margin</i>	34.9%	40.1%	36.8%	-3.30	1.89	37.3%	39.8%	2.53%
other revenue	55,329	19,436	13,968	-28.13%	-74.75%	149,638	60,770	-59.39%
sales and distribution expenses	-156,699	-169,205	167,200	-1.18%	6.70%	617,140	655,689	6.25%
General & administrative expenses	-55,513	-60,477	61,271	1.31%	10.37%	190,592	235,759	23.70%
Other expenses	-37,262	-100,677	207,316	105.92%	456.37%	52,043	360,186	592.09%
EBIT	1,015,533	1,163,455	717,644	-38.32%	-29.33%	4,523,640	4,572,344	1.08%
<i>EBIT margin</i>	29.3%	31.6%	23.2%	-8.47	-6.13	32.3%	31.6%	-0.64%
financing income	66,281	59,132	161,612	173.31%	143.83%	274,276	376,108	37.13%
financing expenses			-			-	-	
Net cost financing income	66,281	59,132	161,612	173.31%	143.83%	274,276	376,108	37.13%
Other financial investments income	4,024	725	181			16,255	5,187	
Profit before tax	1,085,838	1,223,312	879,437	-28.11%	-19.01%	4,814,171	4,953,639	2.90%
Income tax and deferred tax expenses	-248,518	-309,118	215,956			1,080,867	1,159,390	
Profit from continued operations	837,320	914,194	663,481	-27.42%	-20.76%	3,733,304	3,794,249	1.63%
<i>Net profit margin</i>	24.2%	24.9%	21.4%	-3.44	-2.73	26.6%	26.2%	-0.39
Net profit	837,320	914,194	663,481			3,733,304	3,794,249	

* Segment contribution to total revenue



Sales value (000) local cig.



Manufacturing Fees (000)

The Breakdown of Revenue & sales Volume of the 4Q/ FY19|20

Higher volumes and better prices support sales growth +3%

- On a segment basis, as segment contribution to revenue growth for the quarter was largely supported by the local cigarettes segment (80% of total revenue), as well as the moassel tobacco segment (2% of total revenue), and toll manufacturing segments (17% of total revenue). On full year basis local cigarettes segment recorded a 2.5 % y-o-y rise in revenues to up to EGP 11,603 million in FY19|20, despite local cig. Volume decreased by -1.8 % (Y-o-Y) about -1,095 MN cig. but the increase in value came on the back of, higher local sales increase in ex- factory price / pack, driven by indirect price increases via cutting retailers' margins (from EGP 0.25 To EGP 0.10) for some of the brands, as of 1 August 2019, along with an improvement in Sales Mix (discontinued production of low-margin Cleopatra King Cig produce in Alexandria Factory, replacing it with the higher margin Cleopatra Queen).
- Higher volumes in Moassel tobacco- local 8.5% (Y-o-Y) compared to the comparable periods FY 18|19. has lead to increase in revenue by 8% (Y-o-Y) to record EGP 246.7 MN.
- Meanwhile toll manufacturing also increased by EGP 168.4 Million +7.2% y-o-y to record in FY 19|20 EGP 2,508 MN driven by increase in (Marlboro), (L&M) volumes.
- 4Q witnessed a shift in the consumer segment of foreign cigarettes at rates ranging between 25 and 30% to the use of domestic cigarettes due to low incomes due to the Corona virus pandemic.
- The closure of cafes due to the application of precautionary measures to confront the pandemic of the spread of the Corona virus has caused the segment used for MOLASES to use local cigarettes, which put pressure on the demand for it in the market.
- The production volume of the company has decreased temporarily since the Corona virus pandemic between 10 and 15% due to the company following all the precautionary measures imposed by the state from sterilization, disinfection and diverging operations, and we may go to closing the factory if there is a case infected with the Corona virus and isolate those in contact with that case.

Sales Volume & Value

Item	Unit	Sales Volume				Sales Value			
		2020/2019	2018/2019	CHANGE/VOLUME	VOLUME /YOY	2020/2019	% OF TOTAL REVENUE	2018/2019	VALOUE /YOY
		From 1/7/2019 to 30/6/2020	From 1/7/2018 to 30/6/2019			From 1/7/2019 to 30/6/2020		From 1/7/2018 to 30/6/2019	
* Cigarettes - local	Million Cigarettes	61278.1	62373.3	-1,095.2	-1.8%	11,603,144	80%	11,324,175	2.5%
* Moassel tobacco - local	Ton	11316.4	10431.6	884.8	8.5%	246,734	2%	228,542	8.0%
* Captain - local	Ton	6.708	6.398	0.3	4.8%	1,275	0.01%	1,176	8.4%
* Cigar - local	Thousand Cigar	964	1014	-50.0	-4.9%	1,761	0.01%	1,915	-8.0%
* Tobacco Bristles	Ton	97.708	78.411	19.3	24.6%	22,447	0.16%	17,579	27.7%
* Cigarettes - Export	Million Cigarettes	70.6	63.5	7.1	11.2%	16,390	0.11%	14,473	13.2%
* Moassel tobacco - Export	Ton	1088.1	1530.9	-442.8	-28.9%	64,597	0.45%	97,736	-33.9%
* Tobacco Bristles - Export	Ton	0.2	0	0.2	#DIV/0!	50	0.000%	0	
* Cigar- Export	Million Filter Rods	13	0	13.0	#DIV/0!	67	0.000%	0	
Net Sales - Finished Goods						11,956,465	82.7%	11,685,596	2.3%
Manufacturing Fees						2,508,330	17.3%	2,339,876	7.2%
Operating Revenues						14,464,795		14,025,472	3.1%
Shipped Foreign Cigarettes	Million Cigarettes	22.2	21.2						

• Working Capital & Ratios

- Inventory

The inventory value decreased by 25.5%, with a difference about -2028 million, as a result of a decrease in the stock of raw tobacco and packaging materials, according to the company's policy for optimal use of working capital.

- Creditors & other credit balances

This item decreased by 35%, with amount 3,630 million, is due to Decrease in the item of dividend payables by about 2.5 billion pounds, and a decrease in credit accounts for government agencies by 1 billion pounds.

- Trade and Note payables

This item reduced by 1044 million pounds as a result of the payment to vendors & raw tobacco suppliers.

Table (3) Development of Working capital

EGP(000)	4Q20	3Q20	2Q19	1Q19	4Q19
Current Working Capital	30/06/2020				30/6/019
Current Asset	14.126.372	14.934.253	15.431.383	15.962.440	14.934.503
Inventories	5.928.230	6.551.092	7.328.701	7.780.633	7.956.653
Trade & notes receivables	267.098	287.571	289.112	151.762	381.975
Debtors and other debit balances	445.112	702.979	687.508	561.131	511.395
Trade payables -advance payments	47.498	80.902	111.938	-	-
financial investments (treasury bills)			24.493	148.292	55.475
Cash and cash equivalent	7.438.434	7.311.709	6.989.631	7.320.622	6.029.005
-					
Current Liabilities	8.417.266	9.572.581	11.002.122	12.776.141	12.844.083
Provisions	644.945	512.995	422.162	392.270	393.137
Trade and Note payables	412.616	230.190	409.544	894.275	1.457.488
Creditors & other credit balances	6.828.285	8.291.335	9.397.582	10.667.078	10.458.668
Trade receivables -advance payments	156.537	104.627	88.046	67.519	56.351
Financial lease contract obligations	-	24.696	48.588	71.732	93.585
Retirement obligation (tradeable porti	50.887		-	-	-
Income tax payable	323.996	408.738	636.200	683.267	384.854
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Working Capital	5.709.106	5.361.672	4.429.261	3.186.299	2.090.420
Current Ratio	1,7	1,6	1,4	1,2	1,2
ROE	40%	34%	25%	13%	
ROA	18%	15%	10%	5%	