

1Q FY20|21 Results Sep.2020

Eastern company



Nov,2020

Revenues 1Q 20|21

(Y-O-Y)%6.5

(Q-O-Q)%28

Net Profit 1Q 20|21

(Y-O-Y)%10

(Q-O-Q)%75

1Q FY 20/21 RESULTS

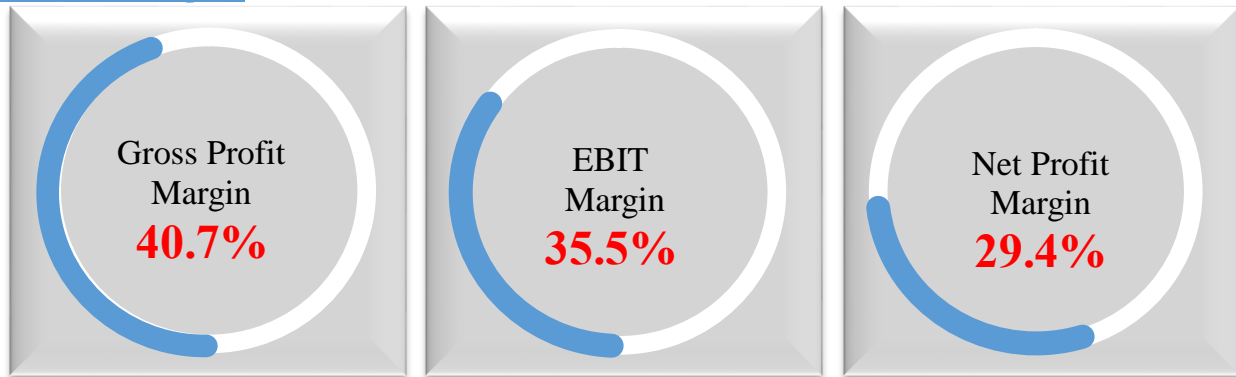
TOTAL REVENUE LE 3,954 MN UP 6.5% VS. 1Q FY 19 20 UP 28% (Q-o-Q)	GROSS PROFIT LE 1,611 MN UP 8% VS. 1Q FY 19 20 UP 41% (Q-o-Q)
EBIT LE 1,402 MN UP 9% VS. 1Q FY 19 20 UP 95% (Q-o-Q)	NET PROFIT LE 1,163 MN UP 10% VS. 1Q FY 19 20 UP 75% (Q-o-Q)

Highlights for 1Q FY20|21

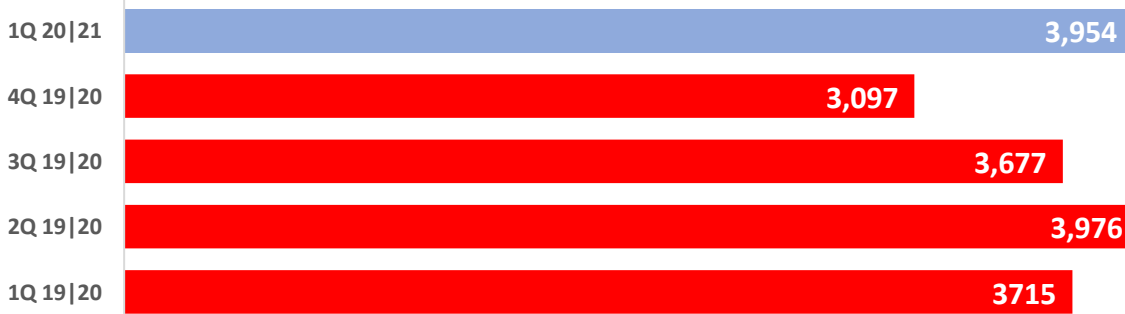
Eastern reports revenues of **EGP 3,954 Million** in 1 Q FY20|21, up 6.5% (Y-O-Y), with the company delivering improved profitability as **net profit recorded 1,163 Million** expanded 10% (Y-o-Y) comparing the same quarter previous year.

On a quarterly basis, Eastern reported +28% top-line increase & +75% bottom-line increase (Q-o-Q).

1Q FY20|21 Margins



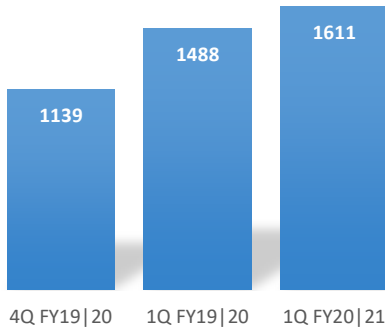
EC Revenues Progression (Million)



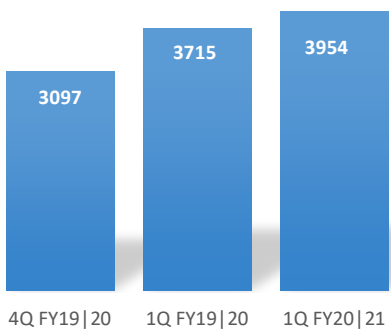
High-quality earnings
EC has An adequate level of return on investment
Witch are derived from activates that a company will likely be able to sustain in the future .

EAST.CA
On the EGYOTION Exchange

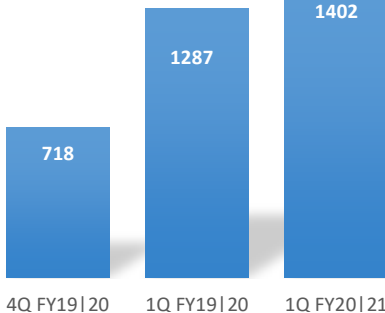
Gross profit (MN)



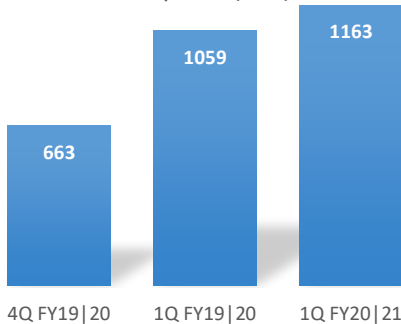
Revenues (MN)



EBIT (MN)



Net profit (MN)



Results in a Nutshell

- Eastern Company (EAST.CA, listed on the Egyptian Stock Exchange (EGX), the only cigarette manufacturer in Egypt, reported results for the first quarter ending on September 30, 2020, Eastern announced an **expansion in gross profit by +8%** (on an annual basis) **and +41% (on a quarterly basis)**. To record **EGP 1,611 million** in the first quarter of the fiscal year 20/21, **with gross profit margin 41%** as improved profitability was supported by the company's efforts to control costs, stable cost of direct materials and increase revenues.
- **Revenue growth in the first quarter, which witnessed an increase of + 6.5** compared to the first quarter of the previous year, to reach **3,954 million** Egyptian pounds, on the back of an improvement in local cigarette sales to 3,240 million Egyptian pounds, an increase of 7% (year-on-year) due to the increase in the volume of domestic sales by 413.8 million cigarettes compared to the first quarter of the previous year, to reach 16,257.8 million cigarettes, representing an increase of 2.6%, and the increase in local sales in the factory price, driven by indirect price increases by reducing retailers' margins (from 0.25 EGP to 0.10 EGP) For some brands, as of August 1, 2019, along with improvement in sales mix (production discontinued Low margin Cleopatra King Cig at Alexandria plant, replaced by Cleopatra's queen , increase of +44% in domestic cigars volumes (year over year) compared to the previous same period. The higher sales volumes support the growth of total revenues, and at the same time the manufacturing fees increased by 26 million EGP + 4.5% year-on-year to reach 605 million EGP compared to 579 million EGP for the first quarter of the previous year, **and on a quarterly basis, total revenues increased by 28%**.
- **EBIT Earnings before interest and taxes increased in the first quarter by 9%** on an annual basis to **reach 1,402 million EGP**, with a EBIT margin of 35.5%, and increased compared to 717.6 in the previous fourth quarter by **+95.4% on a quarterly basis**
- Eastern Company recorded **net profit of 1,163.4 million Egyptian pounds**, with an **increase of 10% year-on-year** compared to the first quarter of the previous year, supported by improved gross margins, as the Eastern Company recorded a net **profit margin of 29.4%** in the first quarter 20/21. Net profit of the first quarter 20/21 increased by 500 million pounds compared to the pervious fourth quarter, to record a **quarterly increase in net profit of 75%**.

“Basic Points for the first quarter ending 30/9/2020

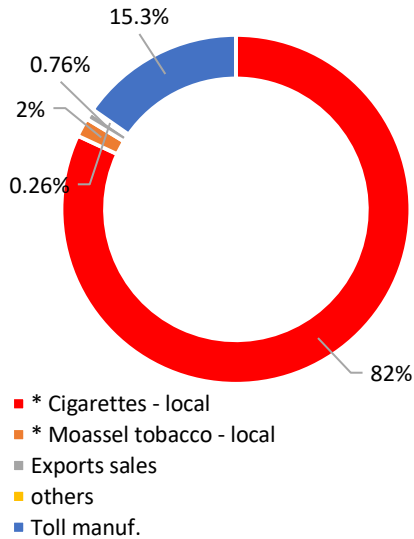
↗ Eastern company achieves strong results in the first quarter, as things get back on track ”

- Eastern Company recorded a net profit of 1163.4 million pounds in the first quarter ending on 30/9/2020, an increase of 10% compared to the first quarter of the previous fiscal year, and an increase of 75% (on a quarterly basis).
- total revenues achieved an expansion of 6.5% on an annual basis compared to the first quarter of the previous year, to reach 3954.4 million Egyptian pounds, with a quarterly increase of 28%.
- Local cigarette segment has achieved total revenues 3239.8 Million pounds in the first quarter, up by + 7% year over year & +33% (Q0Q)
- Gross profit recorded 1611 million pounds in the first quarter ending on 30/9/2020, with an increase of + 8% on an annual basis and an increase of 41.4% on a quarterly basis, and gross profit margin reached 40.7% for this quarter.
- Profits before interest and taxes for the first quarter increased by 9% on an annual basis compared to the same quarter of the previous year, to reach 1,402.2 million pounds, and an increase of 95.4% on a quarterly basis, achieving a profit margin before interest and taxes of 35.5% for this quarter.
- Toll manufacturing segment recorded revenues in the first quarter of the fiscal year 20/21, worth 605 million Egyptian pounds, an increase of 4.5% compared to the first quarter of the previous year.

Table (1) Development of key Financials

	1Q FY20 21	Change	1Q FY19 20	Quarterly change	4Q FY19 20	Y-o-Y	Q-o-Q
Sales / Revenue	3 954 393	239 719	3 714 674	857 279	3 097 114	6,5%	27,7%
Cost of good sold	(2 343 394)	(116 541)	(2 226 853)	(385 743)	(1 957 651)	5,2%	19,7%
Gross profit	1 610 999	123 178	1 487 821	471 536	1 139 463	8,3%	41,4%
Gross profit margin	40,7%		40,1%		36,8%		
other revenue	9 532	1 105	8 427	(4 436)	13 968	13,1%	31,8%-
sales and distribution expenses	(165 751)	(15 373)	(150 378)	1 449	(167 200)	10,2%	0,9%-
General & administrative expenses	(52 520)	(1 982)	(50 538)	8 751	(61 271)	3,9%	14,3%-
Other expenses	(46)	8 211	(8 257)	207 270	(207 316)	-99,4%	100,0%-
EBIT	1 402 214	115 139	1 287 075	684 570	717 644	8,9%	95,4%
EBIT margin	35,5%		34,6%		23,2%		
Net cost financing income	100 366	31 445	68 921	(61 246)	161 612	45,6%	37,9%-
Other financial investments income	181	(3 110)	3 291	0	181	-94,5%	0,0%
Profit before tax	1 502 761	143 474	1 359 287	623 324	879 437	10,6%	70,9%
Income tax and deferred tax expenses	(339 369)	(39 083)	(300 286)	(123 413)	(215 956)	13,0%	57,1%
Profit from continued operations	1 163 392	104 391	1 059 001	499 911	663 481	9,9%	75,3%
Net profit	1 163 392	104 391	1 059 001	499 911	663 481	9,9%	75,3%
Net profit margin	29,4%		28,5%		21,4%		

Breakdown of Revenue & sales Volume of the 1Q/ FY120|21



Higher volumes support sales growth +6.5 %(Y0Y)& 28%(Q0Q)

Revenue and sales volumes during the period (back to the norm)

- It should be noted that the company, since the beginning of July 2020 and until date, reached its normal rates as before Covid-19 in terms of the volume of production and sales, and the company operates at full production capacity, and this is with all responsibilities towards the company's employees in maintaining workforce health and continuing to take all precautionary measures, As the company's production volume had temporarily decreased since the spread of the Coronavirus pandemic between 10 and 15% due to the company followed all the precautionary measures imposed by the state in terms of sterilization, disinfection and dispersal, and close the factory if there is a case infected with the Coronavirus and isolate those in contact with that case.
- On the segment basis, as some segments contributed to the revenue growth for this quarter, a large extent by the local cigarette segment (82% of total revenue), and the toll manufacturing fee (15% of total revenue), as the local cigarette recorded an increase +7% on an annual basis in revenue to reach 3239.8 million Egyptian pounds in the first quarter ending on 30/9/2020, increase the volume of production in this quarter by 2.6% compared to the first quarter of the previous year, to reach 16257 million cigarettes, thus recording an increase of 414 million cigarettes compared to 15844 million cigarettes in the corresponding quarter of the previous year, And compared to the fourth quarter ending on 6/30/2020, sales volumes in the local cigarette segment recorded a quarterly increase of 27%, which was reflected in an increase in the sales value of this sector by 33% on a quarterly basis. In general, the volume of sales in the remaining sectors increased on a quarterly basis (as shown in Table 2), which contributed to an increase in sales and revenues by 28% and 6.5% (on a quarterly and annual basis respectively).
- In the same period, manufacturing fees (15% of total revenues) increased by 26 million Egyptian pounds + 4.5% on an annual basis, to record 605 million pounds in the first quarter, compared to 579 million in the same quarter of the previous year 19 | 20.

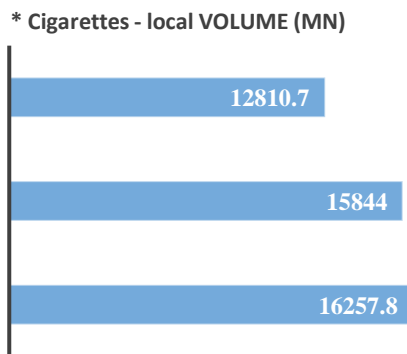


Table (2) Sales Development

Sales Volume & Value													
Item	Unit	Sales Volume						Sales Value					
		2021/2020		2019/2020		2019/2020		2021/2020		2019/2020		2019/2020	
		1Q 20 21	1Q 19 20	4Q 19 20	CHANGE/VOLUME	VOLUME /YOY	VOLUME /QoQ	1Q 20 21	% OF TOTAL REVENUE	4Q 19 20	1Q 19 20	VALUE /YOY	VALUE /QoQ
* Cigarettes - local	Million Cigarettes	16257,8	15844	12810,7	413,8	2,6%	26,9%	3.239.780	82%	2.436.607	3.028.829	7,0%	33,0%
* Moassel tobacco - local	Ton	3053,3	3434,7	2176,7	-381,4	-11,1%	40,3%	69.208	2%	49.836	72.575	-4,6%	38,9%
* Captain - local	Ton	1,8	1,6	1,687	0,2	12,5%	6,7%	410	0,01%	145	354	15,8%	182,8%
* Cigar - local	Thousand Cigar	297,6	206,9	274	90,7	43,8%	8,6%	1.175	0,03%	980	881	33,4%	19,9%
* Tobacco Bristles	Ton	30,2	25,8	22,158	4,4	17,1%	36,3%	8.559	0,22%	2.890	6.651	28,7%	196,2%
* Cigarettes - Export	Million Cigarettes	14,5	25,2	0	-10,7	-42,5%		3.462	0,09%	5.263	5.616	-38,4%	-34,2%
* Moassel tobacco - Export	Ton	445,4	337,3	0	108,1	32,0%		26.649	0,67%	-	20.610	29,3%	
* Tobacco Bristles - Export	Ton	0	0,2	0	-0,2	-100,0%		0	0,000%	-	50		
* Cigar- Export	Million Filter Rods	19,2	0	0	19,2	#DIV/0!		76	0,002%	-	0		
Net Sales - Finished Goods								3.349.319	84,7%	2.511.915	3.135.566	6,8%	33,3%
Manufacturing Fees								605.074	15,3%	587.001	579.108	4,5%	3,1%
Operating Revenues								3.954.393		3.098.916	3.714.674	6,5%	27,6%
Shipped Foreign Cigarettes	Million Cigarettes	5233,4	5532,2										

Table (3) Development of Working capital

EGP(000)	30/09/2020	30/06/2020
Current Working Capital		
Current Asset	17.849.103	14.126.372
Inventories	5.362.713	5.928.230
Trade & notes receivables	270.597	267.098
Debtors and other debit balances	729.824	445.112
Trade payables -advance payments	47.063	47.498
Cash and cash equivalent	11.438.906	7.438.434
-		
Current Liabilities	14.537.580	11.946.237
Provisions	644.939	644.945
Trade and Note payables	443.990	412.616
Creditors & other credit balances	12.673.911	10.357.256
Trade receivables -advance payments	127.104	156.537
Financial lease contract obligations	-	-
Retairment obligation (tradeable porti	40.358	50.887
Income tax payable	607.278	323.996
=		
Net Working Capital	3.311.523	2.180.135
Current Ratio	1,2	1,2

Investors Contact

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