

Cairo Poultry Company Reports 1Q24 Results; Another Record Top and Bottom Lines

Key Results Highlights of 1Q24



28 February 2024 | Cairo | Cairo Poultry Company (POUL.CA on the Egyptian Exchange) announced its first quarter results for 2024, revealing a significant 23% increase in revenues, reaching an impressive EGP 3,433 mn compared to the previous year. This substantial growth was driven by increased prices across all CPC products, highlighting the company's resilience in the face of supply and demand challenges caused by foreign currency shortages.

Due to rising costs of raw materials, 1Q24 EBITDA saw a slight decline of 3.8%, reaching EGP782 mn with a 23% margin compared to the same period last year. Net profit increased marginally from 1Q23, recording EGP 555 mn and matching the previous year's record high. This achievement is a significant milestone for CPC, with a net profit margin of 16%, down from 19% in the same period last year. CPC's strong financial performance highlights its potential for sustainable profitability.

Sectoral Performance

Feed Division:

In 1Q24, the Feed Division navigated a challenging environment with an overall 4% decline in feed volumes Y-o-Y, driven by suppressed demand for poultry feed due to lower rearing activities, thus dropping 12%. Despite that, cattle feed volume seen a huge improvement of 21%, while aqua feed volumes slowed down by 23% on the back of seasonality. Similarly, feed volumes dropped 25% over 4Q23 driven also by the drop pf poultry and aqua feed sales.

Throughout 1Q24, average prices climbed 14%, on the back of increasing local commodity prices. Our adept management successfully mitigated rising costs, leading to a stabilizing EBITDA margin at 17%, similar to the same period last year.

Poultry Division:

Due to challenges in rearing activities on the back of elevated raw materials prices, during 1Q24, parent chick volumes experienced a decline of 37% on the back of planned cycles phasing. Yet, broiler chick volumes witnessed a significant increase of 21% over the same period last year. However, live bird sales volumes witnessed a decline of 7% over 1Q23 due to high mortality as Egypt has been severely affected by diseases. And following the same rationale, volumes witnessed the same trends when compared to 4Q23. Parent chicks declined 51%, broiler chicks' volumes increased by 18%, whereas live bird volumes saw a drop of 12%.

Driven by increasing costs, parent chick prices jumped 162%, reaching EGP167/chick. Similarly, prices for broiler chicks and live birds experienced significant jumps of 58% and 24% over 1Q23, reaching EGP29/chick and EGP82/kg, respectively. Such jumps were mostly attributed to lack of supply due to high mortality in the market. Despite these challenges, the sector's EBITDA still recorded a remarkable 23% in 1Q24, down from 30% in 1Q23.

Processing and Further Processing (Koki):

Koki demonstrated resilience throughout 1Q24, with volumes dropping slightly 4% over 1Q23, yet achieving an increase of 4% over 4Q23 despite challenges facing purchasing power and the restaurant business. Notably, the growth in chicken value-added products offset the decline in the other categories.

Given the nature of the business, overall costs increased at a much higher pace than selling prices. Thus despite the 33% increase in average selling prices during 1Q24 over 1Q23, costs increases were not fully passed on to the end consumer. Consequently, the EBITDA margin for 1Q24 recorded 3%, compared to 12% recorded in 1Q23. Despite this, Koki remains well-positioned for future growth and adaptation to market dynamics.

Financial Performance

In 1Q24, Cairo Poultry Company (CPC) recorded a significant 23% increase in revenues, reaching EGP3,433 mn compared to the same period in 2023. This growth was primarily fueled by higher selling prices across all CPC products, driven by the persistent foreign currency shortage until the EGP was devalued in March 2024.

Despite a 31% increase in COGS to EGP2,457 mn, CPC achieved a commendable gross profit margin (GPM) of 28%, 4.5 percentage points down from the 33% recorded in 1Q23. Yet, compared to 4Q23, gross profit increased 20%, with a 3.3 percentage points higher in GPM.

Although SG&A expenses increased by 26% over 1Q23, reaching EGP149 mn, they still accounted for only 4.3% of revenues same as 1Q23, demonstrating CPC's efficient cost management strategies.

In 1Q24, Cairo Poultry Company's (CPC) EBITDA experienced a slight dip of 3.8% to EGP782 mn, with a 23% margin, 6.4 percentage points lower than 1Q23. However, compared to 4Q23, EBITDA soared by an impressive 92%, with a 10 percentage point margin improvement, showcasing a strong rebound.

CPC achieved a notable turnaround in net interest, recording an income of EGP12 mn, compared to a net interest expense of EGP31 mn in 1Q23. This positive shift was driven by the management decision to reduce debt exposure and best utilize cash balances in light of the significantly high interest rates accompanied the EGP devaluation decision during the first quarter of the year. Additionally, CPC reported a substantial FX gain of EGP6 mn, a stark contrast to the loss of EGP61 mn in 1Q23.

Net profit remained at a record high, increasing marginally over 1Q23. The net profit margin (NPM) stood at a robust 16%, only 3.7 percentage points lower than 1Q23, yet showing a significant improvement of 15.2 percentage points compared to 4Q23.

CPC continues to demonstrate financial strength with a solid balance sheet, despite market liquidity challenges. The cash conversion cycle for 1Q24 significantly decreased to 39 days from 61 days in 1Q23, primarily due to efficient inventory management. This proactive working capital management underscores CPC's financial resilience and strategic acumen, amid market uncertainties.

Outlook

Despite challenging market conditions and constrained consumer spending power, CPC continues to demonstrate robust performance. The company's fully integrated operations provide a buffer against market fluctuations, allowing it to capitalize on opportunities and optimize profits.

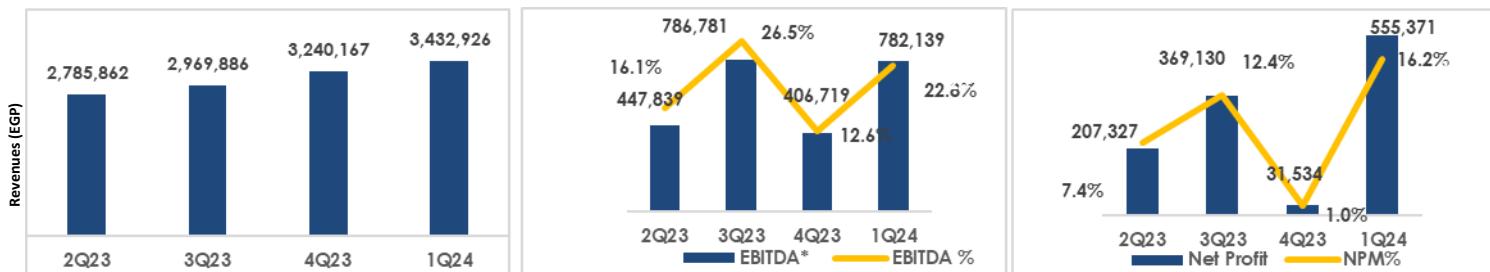
In the upcoming period, we anticipate prices of chicks and live birds will fluctuate due to instability in chick supply, caused by disruptions in rearing activities resulting from widespread diseases, and high mortality rates in the market that occurred during the winter season.

Financials

Income Statement	1Q24	1Q23	YoY	4Q23	QoQ
Revenues	3,432,926	2,787,003	23.2%	3,240,167	5.9%
COGS	-2,457,388	-1,869,456	31.4%	-2,426,481	1.3%
Gross Profit	975,538	917,547	6.3%	813,686	19.9%
GPM	28.4%	32.9%	-4.5%	25.1%	3.3%
G&A	-73,589	-55,632	32.3%	-136,424	-46.1%
S&D	-75,199	-62,701	19.9%	-88,016	-14.6%
Other Operating Income	117,260	46,951	149.7%	70,270	66.9%
EBITDA*	782,139	813,067	-3.8%	406,719	92.3%
EBITDA M	22.8%	29.2%	-6.4%	12.6%	10.2%
Depreciation	-175,075	-28,968	504.4%	-196,973	-11.1%
Operating Profit	768,935	817,197	-5.9%	462,543	66.2%
OPM	22.4%	29.3%	-6.9%	-2.6%	25%
Interest Expense	11,744	-30,773	-138.2%	-2,300	-610.6%
Investment Income	-	-	-	-	-
FX Gain/ Loss	6,471	-60,534	-110.7%	-238,384	-102.7%
Other Income/ Expense	-45,212	-452	9902.7%	-129,602	-65.1%
PBT	741,938	725,438	2.3%	92,257	704.2%
PBTM	21.6%	26.0%	-4.4%	2.8%	18.8%
Deferred tax	-10,170	0	-	-25,916	-60.8%
Income Tax	-176,397	-170,088	3.7%	-34,807	406.8%
Net Profit After Taxes	555,371	555,350	0.0%	31,534	1661.2%
NPM	16.2%	19.9%	-3.7%	1.0%	15.2%

*Adjusted EBITDA

Financial KPIs (000 EGP)



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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 and value added 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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Reuters: POUL.CA

Bloomberg: POUL.EY

Number of Outstanding Shares:

479,001,600

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