



Obour Land For Food Industries

Investor Presentation

March 2020

Table of Contents



- I. Overview of the Market
- II. Obour Land Strategy & Expansion Plans
- III. FY2019 Financial Performance

Disclaimer



This presentation and any materials distributed in connection with this presentation are not directed or intended for distribution to or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the law or regulation of that jurisdiction or which would require any registration or licensing within such jurisdiction. Persons who come into possession of any document or other information referred to herein should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

This presentation includes forward-looking statements that reflect management's current views with respect to future events and financial and operational performance. These statements contain the words "anticipate", "believe", "intend", "estimate", "expect", "may", "plan", "should", "could", "aim", "target", "might" and words of similar meaning. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. They speak only as at the date of this presentation, and actual results or performance may differ materially from those expressed or implied from the forward-looking statements. In addition, the forward looking statements are not intended to give any assurances as to future results and statements regarding past trends should not be taken as a representation that they will continue in the future. The Company, the Banks and their respective advisers each expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations or any change in the events, conditions or circumstances on which any such statement is based, unless otherwise required by law. The Company does not undertake to review, confirm or release publicly or otherwise to investors or any other person any revisions to any forward-looking statements to reflect events occurring or circumstances arising after the date of this presentation.

This presentation contains non-EAS measures (such as EBITDA). These measures have limitations as analytical tools and should not be consideration in isolation or as substitutes for analysis of the Company's results as reported under EAS.

This presentation, and any matter or dispute (whether contractual or non-contractual) arising out of it, shall be governed and construed in accordance with Egyptian law and the Courts of Cairo shall have exclusive jurisdiction in relation to any such matter or dispute.

By attending this presentation and/or receiving this presentation document, you are agreeing to the terms and conditions set forth above.

I. Overview of the Market

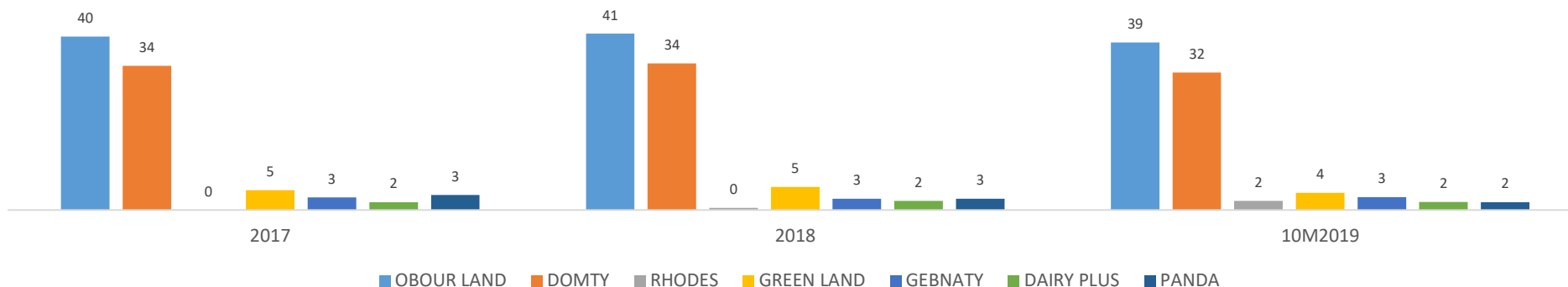
Carton Pack White Cheese Market



Carton pack white cheese market has been historically growing exponentially in the past two decades since the introduction of Tetra Pak packages in the beginning of the 1990s, competing with plastic tubs & loose white cheese. The white cheese market started to shift towards carton pack to reach currently around 80% of the total white cheese market. This shift helped to boost growth rates to hit double digit numbers in sales volumes, however, the shift started to slow down as well as growth rates. In our view, the normalized growth rate of the market going forward will be around 2-4% annually.

The competition in the carton pack white cheese market has been increasing as several new players lately have entered the field putting more pressure on an already lagging market. There are more than 40 different brands of carton packs in the market with very substantial product differentiation in terms of quality of the cheese but with very little or no differentiation in shape and design. The Obour Land brand has grown to become the leading white cheese brand in the local market commanding 42% market share as per the company's estimates.

Carton Pack Value Market Share by Brand based on Nielsen Retail Audit (%)¹



¹ As of 10M2019 sales value in the Nielsen Retail Audit

Milk & Juice Markets

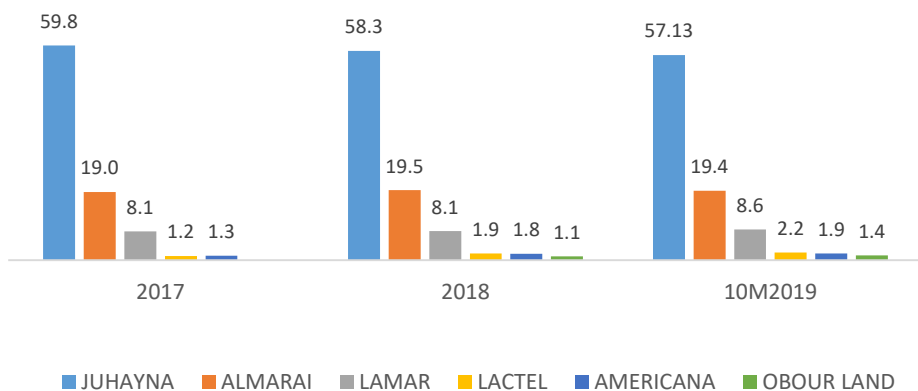


Milk

Similar to the white cheese story, loose milk is dominating around 50% of the total milk market while packaged milk amounts to the other half. We believe there is a high growth potential as we anticipate a shift in taste and preference in the local market towards the packaged milk due to several reasons like for example the increasing awareness of the public that the packaged milk is more safe and hygiene than loose milk. However, the shift will be at a much slower rate than the shift in the white cheese as the price of packaged milk is higher than the loose milk unlike the price of packaged white cheese where the carton pack is cheaper than the loose cheese which helped to boost the shift.

The milk market is dominated by a single player “Juhayna” which acquires around 58% market share in 2018 with 2 brands “Juhayna” & “Bekhero”. The second biggest player in the market is “Al Marai” with a 19.5% market share in 2018. Obour Land’s Milk brand has reached 1.4% market share after 2 years of operation.

Packaged Milk Market Share by Brand based on Nielsen Retail Audit (%)¹



¹ As of 10M2019 sales value in the Nielsen Retail Audit

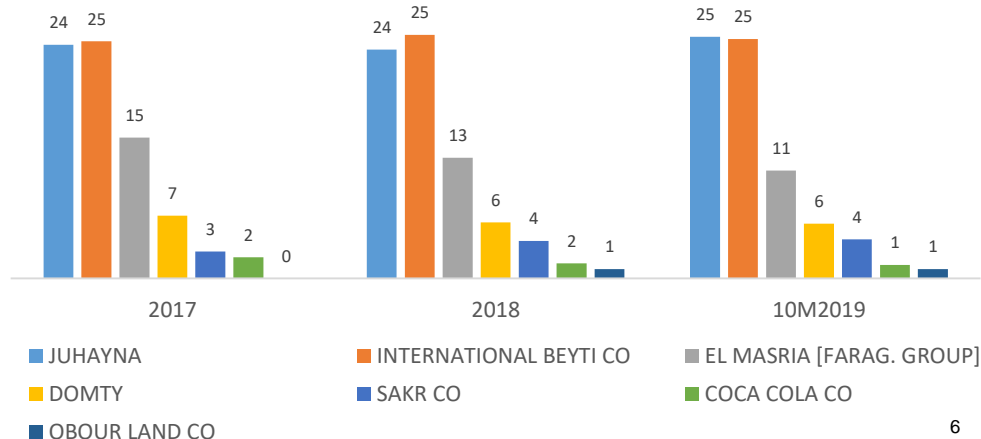
Juice

The Juice market is a very fragmented market and the competition is fierce. There are over 50 juice manufacturers produce a wide range of different juice products with high differences in qualities and prices. Usually the competition engage in price wars to increase their market shares along with improving quality. The packaged juice market is divided into 3 categories Drink (10-24% juice concentrates), Nectar (25-49%) & Natural Juice (50-100%) with their market shares as of 10M2019 are 60%, 34% & 6% respectively.

Juhayna and International Beyti Co. (Al Marai) acquire the highest market shares of the total Juice market around 24-25% for each. Obour Land’s juice product managed to acquire around 1% of the market after 2 years of operations.

Obour Land’s management considers the Juice segment as a complementary product to the Milk segment. Same production lines that produce Milk can also be used to produce Juice.

Juice Market Share by Manufacturer based on Nielsen Retail Audit (%)



II. Obour Land Strategy & Expansion Plans

Obour Land's management is focusing on preserving the company's leading place as the largest white cheese producer in Egypt and to keep the gap between Obour Land and other competitors. The management believes that diversifying the company's product portfolio and expanding in new markets should not be on the expense of the company's main segment "White cheese".

Obour Land plans to keep upgrading its white cheese products furthermore by investing in innovation and development. In December 2019, Obour Land in association with Tetra Pak announced commencing the commercial production of the 3 new Tetra Pak® A3 speed production lines introducing the new white cheese package with a unique design which will differentiate Obour land's brand from all other brands and make them more appealing to consumers in the market. The new production lines produce more packs per hour, three times faster than the old production lines, accordingly reducing industrial expenses and the running costs of operating the new lines. Moreover, the new production lines will reduce energy and water consumption making it more environmentally friendly.



The company's strategy in penetrating a new market is to achieve the utmost customer satisfaction by providing a product with the highest quality levels consistently. Obour Land aims to acquire a decent market share based on customer preferences rather than discounted prices therefore the company does not engage in price wars or offers big discounts as a way to penetrate a new market. The management believes that this strategy will lead to having a more stable and long-term market share which will be loyal to the brand similar to the company's White Cheese success story and by using same applied sales policies.

Obour Land's sales policies such as cash payment policies for retails and wholesalers as well as other policies implemented in the white cheese segment are factors that can slow the growth of Obour Land's market share in Milk & Juice. Wholesalers will not be tempted to purchase the new products in the beginning with the same policies applied in the white cheese, where Obour Land is the market leader. However, the management believes that by reaching out to small & large grocery shops directly by the company's retail distribution vehicles and based on the product's premium quality, demand will be created in the market and wholesalers will eventually purchase the new products while adhering to the company's policies.

Furthermore, the company is planning to launch "flavored milk" product in a 200mg Tetra Pak packaging to diversify the milk's product portfolio to support Obour Land's brand in the milk market as well as targeting a younger age group. The commercial production is expected in the 2nd quarter of 2020.



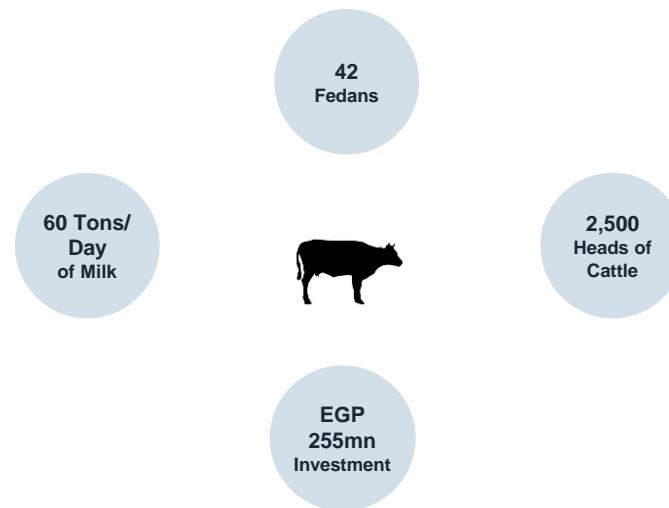
Processed Cheese



The company started the production of Processed Cheese in March 2018 and had plans also to introduce a Mozzarella Cheese product. However, after monitoring and testing both markets the management decided to cancel the Mozzarella project and sell the production line to have more room in the factory to develop the Processed Cheese products and to explore new ideas and innovations to expand the market furthermore by introducing an innovative new product. Currently, Obour Land is producing 17 SKUs of processed cheese in glass jars.



- In mid 2017, Obour Land has decided to venture into dairy farming on the back of the multiple synergies to be gained from vertical integration that will compensate for the shortage and high costs of raw milk that represents a major feed component in UHT milk production. The farm is expected to supply around 30-50% of the company's requirements of raw milk.
- In September 2017, the company has acquired a land plot that extends over 42 fedans that is planned to inhabit 2,500 head of cattle of Holstein breed that will be imported from Germany and expected to produce 60 tons/day of raw milk.
- The project is pending acquiring all necessary governmental approvals before starting the infra-structure.
- The project is financed through 50% equity and 50% debt from EBRD bank amounting to USD 7mn.



III. Financial Results FY2019

Key Investment Highlights



- 1 High Quality Product Mix
- 2 Supply Chain and Sales Network
- 3 Financial Performance
- 4 Revenues & COGS Build-Up
- 5 Financial Statements

1 High Quality Product Mix



Product Portfolio Synopsis



Brand	Obour Land							
Product Family	250gm Carton Pack	500gm Carton Pack	125gm Carton Pack	1 Kg Carton Pack	80gm Carton Pack	Plastic Tub	1 Liter Milk & Juice	250ml Juice
Launch Date	2007	2007	2011	2017	2015	1999	2018	2018
SKUs	4	7	4	4	1	24	3	12
Production Capacity (TPA)	72,000	54,000	23,625	36,000	4,320	4,130	42,000	36,000
2019 Utilization Rate	79%	50%	67%	4%	30%	56%	16%	10%
2019 Contribution to Sales	54%	25%	16%	1.4%	1.3%	2.4%	3%	1.3%

Product Portfolio

Carton Pack¹

Plastic Tub²

Vegetable Fat

Natural Fat

Milk & Juice³

Processed Cheese

Source: Company

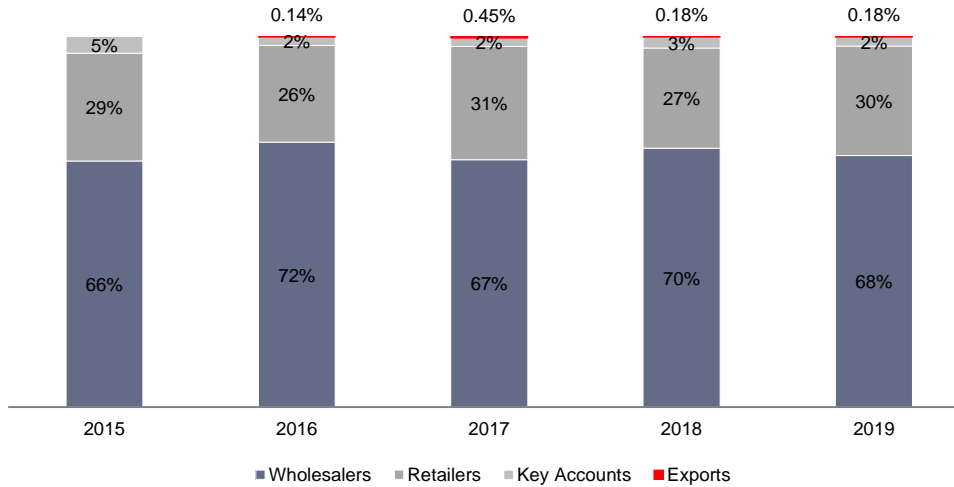
¹Other Carton Pack SKUs include 1 Kg Istanbulbully, 1 Kg Olive, 1 Kg Chili, 500gm Feta slim, 500gm Olive slim, 500gm Chili slim, 500gm Istanbulbully slim, 250gm Chili slim, 125gmChili slim

²Other plastic tubs SKUs include 400gm Istanbulbully, 400gm Feta, 400gm Khazeen, 400gm Talaga, 400gm Istanbulbully Full Cream, 400gm Double Cream, 400gm Barameely, 1.5kg Feta Pepper, 11kg Feta and 12kg Low Salt

³Other Milk & Juice SKUs include 250ml Juice (Mango, Guava, Apple, Pineapple, Orange) 1litre Juice(Cocktail, Guava, Apple, Pineapple, Orange) and 500ml Milk



Sales Breakdown by Channel



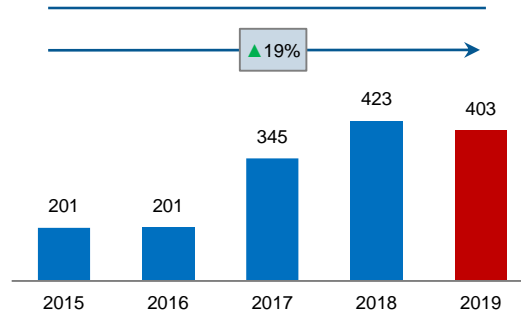
Robust Distribution Platform



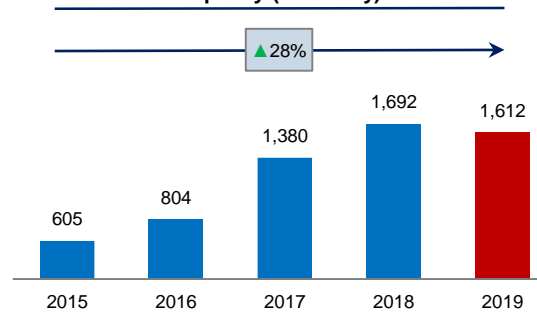
● Distribution Centers and Distribution Wholesalers
● Indirect Distribution Wholesalers

- Obour Land's distribution network is helping the company to control its products prices while applying its sales policies and reducing SG&A expenses.
- The company is planning to increase its exports by focusing more on exporting Juice.
- The Company grew its fleet 28% CAGR in 2015-2019, however, the number of fleet decreased in 2019 to reach 403 vehicles as the company sold some of their old vehicles to replace with new vehicles to reduce running costs.

Fleet



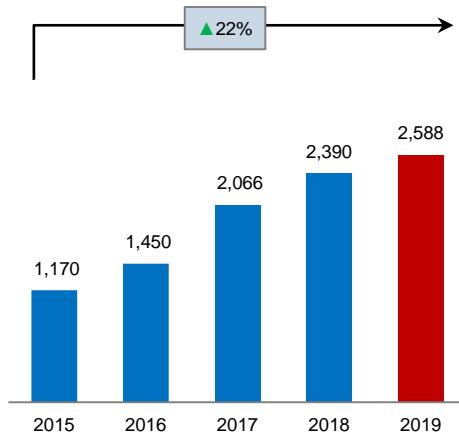
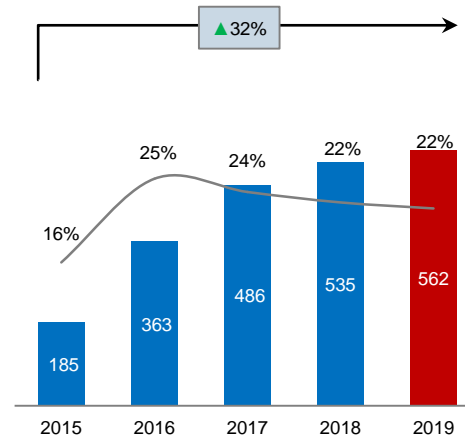
Maximum Handling Capacity (Tons/Day)



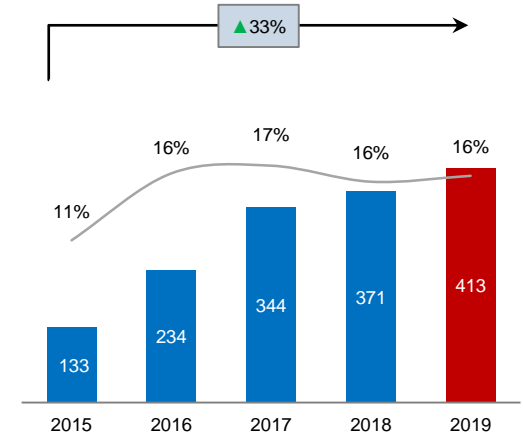
Source: Company

■ % 2015-2019 CAGR

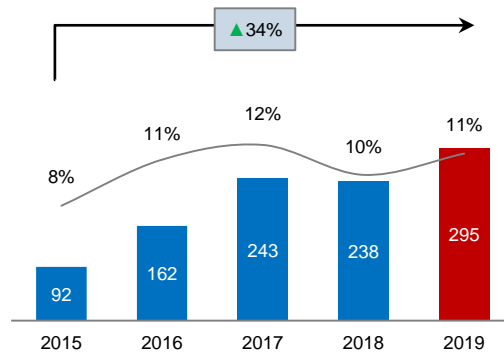
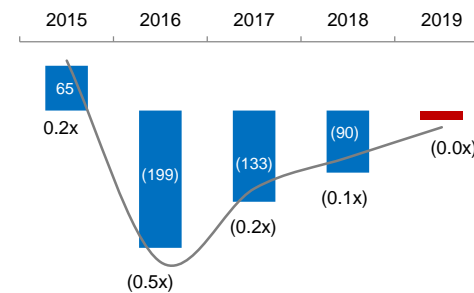
- In 2019, Obourland achieved an 8% increase in revenues backed by a 2% increase in sales volumes and a 6% increase in cheese prices. The increase in volumes came despite tough market conditions due to lower consumption rates and new players entering the market.
- The company managed to maintain its gross margin in its targeted levels at 22% despite the price hikes in most of the raw materials which was partially compensated by the decrease in USD/EGP exchange rate.
- The company's net profit surged by 24% in 2019 translating into a net profit margin of 11% compared to 10% in 2018, boosted by non-recurring revenues from fx gains and gains on sale of assets.

Net Revenues¹ (EGP mn)Gross Profit², Margin (EGP mn, %)

EBITDA, Margin (EGP mn, %)

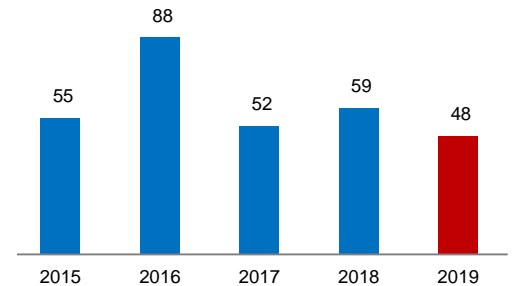


Net Income, Margin (EGP mn, %)

Net Cash³ (Net Debt)

Cash Conversion Cycle (Days)

CCC increased in 2016 on the back of a pile up in raw materials inventory



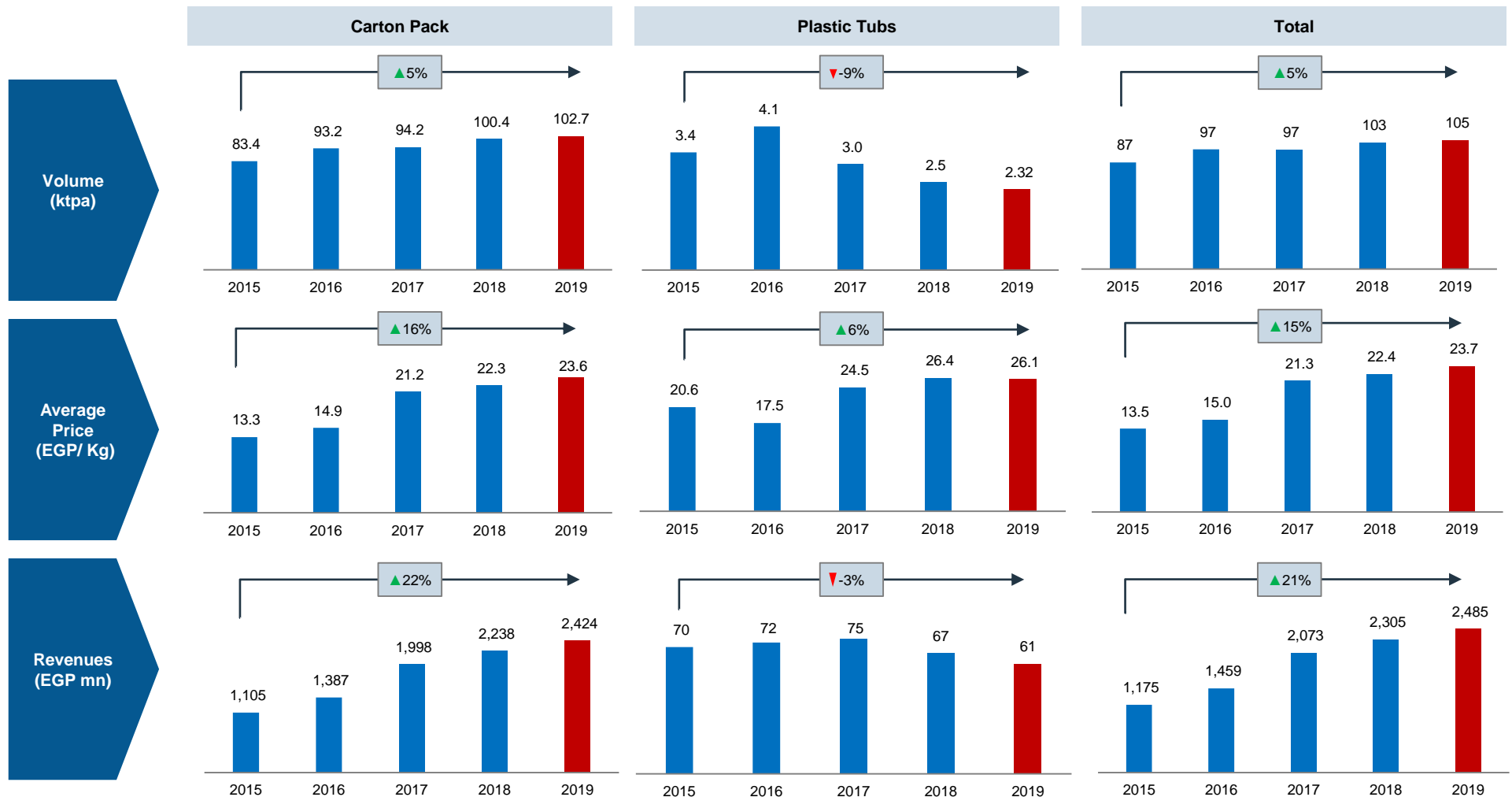
% 2015-2019 CAGR

¹ Net revenues are net of discounts

² Gross profit excludes depreciation expense included in the cost of sales

³ Debt obligations include credit facilities, liabilities for the purchase of machinery and dividends payable

White Cheese Gross Revenue Build-Up

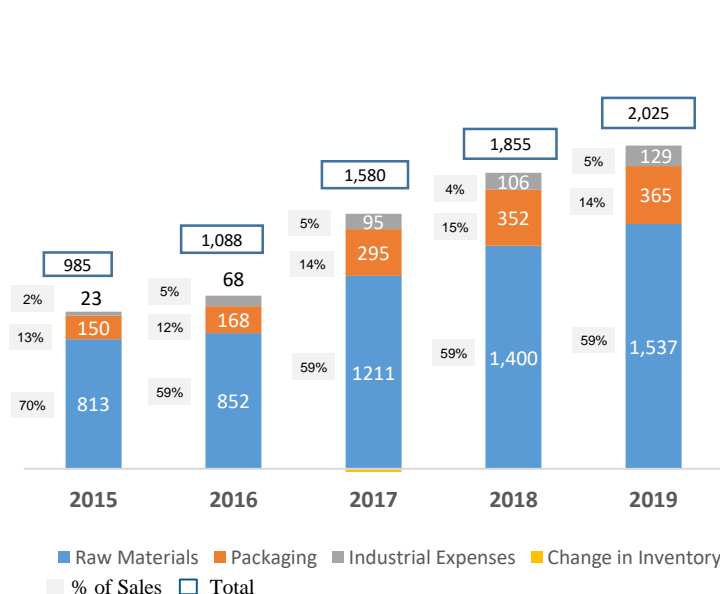


COGS Build-up

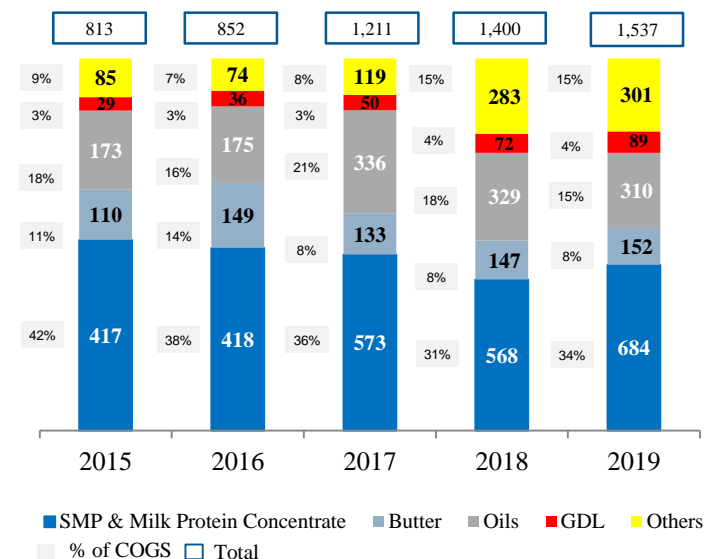


COGS Breakdown (EGP mn)

Cost of Sales Breakdown (EGP mn)¹

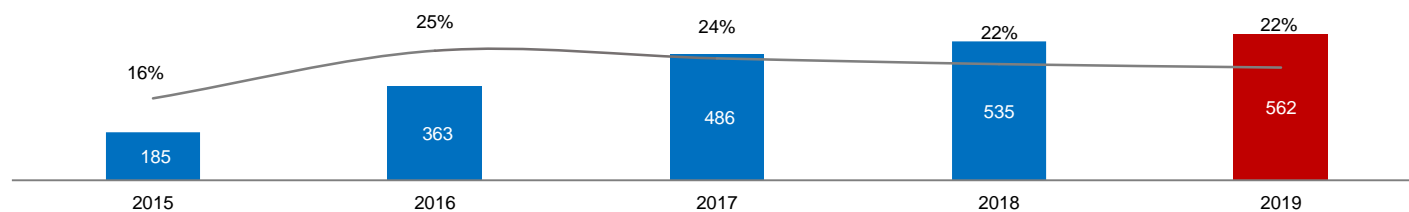


Raw Materials Breakdown (EGP mn)



- Raw materials costs represent the biggest portion of COGS, contributing ~59% to sales in 2019 with SMP & Milk Protein Concentrate contributing ~34% of COGS.
- “Others” raw materials increased significantly starting from 2018 due to the introduction of the company's new products Milk & Juice. Others include raw milk, juice concentrates, sugar & other raw materials.

Gross Profit², Margin (EGP mn, %) ²



Source: Company financials

¹ Cost of sales excludes depreciation expense

² Gross profit excludes depreciation expense included in the cost of sales

<i>EGP</i>	2015	2016	2017	2018	2019
Revenues	1,169,837,613	1,450,122,574	2,066,074,976	2,390,168,867	2,587,659,102
Cost of sales ¹	-985,062,271	-1,087,501,189	-1,579,642,506	-1,854,824,403	-2,025,193,054
Gross Profit	184,775,342	362,621,385	486,432,470	535,344,464	562,466,048
<i>Gross Profit Margin</i>	16%	25%	24%	22%	22%
Selling and marketing expense ¹	-46,645,944	-117,932,531	-122,045,740	-139,215,662	-127,775,567
General and administrative expense ¹	-4,674,091	-10,847,153	-20,079,451	-24,755,707	-21,872,226
EBITDA	133,455,307	233,841,701	344,307,279	371,373,095	412,818,255
<i>EBITDA Margin</i>	11%	16%	17%	16%	16%
<i>Depreciation</i>	-10,044,891	-13,301,946	-18,445,255	-38,764,501	-46,399,211
EBIT	123,410,416	220,539,755	325,862,024	332,608,594	366,419,044
<i>EBIT Margin</i>	11%	15%	16%	14%	14%
Other income (loss)	2,522,059	2,109,459	579,535	786,767	-3,377,790
Provision for expected claims ²	-5,730,770	-2,356,796			
(Loss) gain from disposal of fixed assets	-51,050	287,206		192,311	9,588,194
Foreign exchange difference	913,605	-4,922,292	5,110,467	-830,775	25,806,999
Net Interest Expense	-1,004,538	-5,973,933	-17,715,849	-24,982,349	-16,058,542
EBT	120,059,722	209,683,399	313,836,177	307,774,548	382,377,905
Income tax	-28,208,203	-47,695,427	-70,639,403	-69,767,685	-87,088,264
Net Profit	91,851,519	161,987,972	243,196,774	238,006,863	295,289,641
<i>Net Profit Margin</i>	8%	11%	12%	10%	11%

Balance Sheet



EGP	2015	2016	2017	2018	2019
Fixed Assets	182,527,661	190,384,367	418,181,377	461,803,762	667,419,033
Projects Under Construction	34,865,836	197,456,530	68,266,998	65,172,326	32,784,363
Intangible Assets	-	-	1,533,896	18,164,597	2,217,190
Deferred Tax Assets	-	5,306,928			
Total Non-Current Assets	217,393,497	393,147,825	487,982,271	545,140,685	702,420,586
Current Assets	299,690,864	471,318,464	515,090,640	570,713,554	601,703,738
Inventories	131,297,821	275,975,253	292,474,799	384,989,032	435,848,417
Accounts & Notes Receivable	13,067,057	10,283,482	68,209,366	24,097,642	36,010,279
Prepayments & Other Debit Balances	29,725,286	63,770,226	58,643,282	32,755,983	21,981,931
Cash on Hand & at Banks	125,600,700	121,289,503	95,763,193	128,870,897	107,863,111
Total Current Assets	299,690,864	471,318,464	515,090,640	570,713,554	601,703,738
Total Assets	517,084,361	864,466,289	1,003,072,911	1,115,854,239	1,304,124,324
Current Liabilities	213,084,455	369,932,512	361,891,916	216,108,661	238,086,147
Provision for Expected Claims	17,826,168	20,067,194	15,913,492	12,355,300	9,586,371
Credit Facilities	31,384,204	174,783,853	102,118,438	8,188,082	8,083,664
Accounts & Notes Payable	17,981,042	65,183,997	132,654,021	75,108,670	84,206,423
Loan From Shareholders ¹	95,000,000	-	-	-	-
Long Term Liabilities - Current Portion ²	18,451,657	32,780,966	35,810,250	28,270,460	-
Long Term Debt - Current Portion					25,053,933
Income Tax Payable	20,564,632	40,874,893	46,121,577	48,350,391	44,561,107
Dividends Payable	-	-	-	-	-
Accrued Expenses & Other Credit Balances	11,876,752	36,241,609	29,274,138	43,835,758	66,594,649
Total Current Liabilities	213,084,455	369,932,512	361,891,916	216,108,661	238,086,147
Non-Current Liabilities	233,907,352	483,661,965	469,871,596	429,906,112	447,736,556
Long Term Liabilities - Non-Current Portion ²	10,474,359	113,147,603	90,396,727	56,499,433	-
Long Term Debt				125,816,600	87,688,767
Deferred Tax Liabilities	10,348,538	-	15,923,408	31,373,180	60,982,962
Notes Payable (Leasing)	-	581,850	1,659,545	108,238	60,978,680
Total Non Current Liabilities	20,822,897	113,729,453	107,979,680	213,797,451	209,650,409
Total Liabilities	233,907,352	483,661,965	469,871,596	429,906,112	447,736,556
Equity	283,177,009	380,804,324	533,201,315	685,948,127	856,387,768
Paid up Capital	200,000,000	200,000,000	200,000,000	400,000,000	400,000,000
Amounts Paid in Respect to Capital Increase	-	-	-	-	-
Legal Reserves	3,068,074	7,660,650	15,760,049	27,922,900	39,733,992
Retained Earnings	80,108,935	173,143,674	317,342,471	256,426,457	412,643,293
Minority Interest			98,795	1,598,770	4,010,483
Total Equity	283,177,009	380,804,324	533,201,315	685,948,127	856,387,768
Total Equity & Liabilities	517,084,361	864,466,289	1,003,072,911	1,115,854,239	1,304,124,324

Source: Company Financial Statements

¹ The loan from shareholders was used to acquire two plots of land adjacent to the Company's headquarters in Obour City, as well as purchase and pile up inventory at low price points

² Long term liability is related to packaging machinery acquired from Tetra Pak and is discounted at an annual rate of 4%