



## **Strauss Group delivers NIS 2.5 billion in revenues in Q1 2023 with 7.9% organic growth<sup>1</sup> as profit erosion continues; operating profit totaled NIS 208 million**

While business in Israel, Brazil, China and Europe grew, Strauss Group continues to tackle ongoing profit erosion, largely the result of significantly elevated raw material prices

This morning, Strauss Group published its financial statements for the first quarter of 2023, in which the Group delivered 12.4% revenue growth (7.9% growth excluding foreign currency effects). The Group's revenues were NIS 2.554 billion, and revenue growth is the result of ongoing growth in the international coffee business and growth in the business in Israel.

The Group's gross profit was NIS 837 million, reflecting a profit margin of 32.8%, and operating profit was NIS 208 million, 8.1% operating profit margin. Profit margins continue to erode due to rising inflation and higher raw material prices. Net income attributable to shareholders was NIS 134 million.

**Shai Babad, Strauss Group CEO:** "Strauss experienced growth across most of its businesses, with an improvement in market shares and revenue growth. However, the need to cope with rising raw material costs and inflation led to a significant decline in the Group's margins overall, most notably in Israel, while the price increases by the Group offered only partial compensation. We are making progress in implementing our strategic plans and driving further growth, strengthening and expanding our partnerships, optimizing our portfolio, and are focused on significant plans designed to improve productivity."

Segments:

**Strauss Israel** delivered revenues of NIS 1.049 billion in the quarter, reflecting 7.6% growth compared to the corresponding period last year. Strauss Israel's profit for the quarter eroded due to input inflation and the weakening of the Shekel. Operating profit was NIS 109 million.

The Company's market shares in Israel in the dairy, fresh foods and Yad Mordechai categories rose in the first quarter of the year. Sales of the Health & Wellness segment were NIS 743 million, up 11.1%, and operating profit was NIS 85 million. The Company continues to develop the production site for the plant-based dairy alternative manufacturing facility in Achihud.

The confectionery business continued to recover, and its market share reached 21.6%<sup>2</sup> in the first quarter of 2023 compared to 28.7% in the first quarter of 2022. The Fun & Indulgence segment's revenues were NIS 306 million, with operating profit amounting to NIS 24 million.

**Strauss Coffee** delivered another quarter of growth, with revenues of NIS 1.189 billion and 10.0% organic growth across all countries of operations. In Israel, coffee revenues totaled NIS 238 million, up 10.6% compared to the corresponding period, and operating profit was NIS 39 million. In Brazil, 11.1%

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<sup>1</sup> Organic, excluding foreign currency effects

<sup>2</sup> According to the StoreNext report published on May 8, 2023, measuring only the barcoded products.

Data in this document are based on the company's non-GAAP figures, which include the proportionate consolidation of jointly controlled entities and do not include share-based payment, mark-to-market at end-of-period of open positions in the Group in respect of financial derivatives used to hedge commodity prices and all adjustments necessary to delay recognition of gains and losses arising from commodity derivatives until the date when the inventory is sold to outside parties, other net income and expenses, and the tax effect of excluding those items, unless stated otherwise.



sales growth was achieved (0.9% organic growth), with sales rising to NIS 621 million. The coffee company **Três Corações**'s market share grew, and the company currently accounts for 33.6% of the roast & ground coffee market in Brazil, compared to 32.4% in the first quarter of 2022. The businesses in Europe also delivered sales growth.

**Sabra** maintained the course of gradual recovery following the implementation of the adjustment plan at the plant in Virginia. The company, whose business was largely shut down last year, has resumed full-capacity production, and reached a market share of 38.8%<sup>3</sup> (as of the publication date of the report) of the US hummus market. Sabra's sales in the first quarter were NIS 106 million (for 50% ownership) – an organic decline of 1.3% compared to last year, and the operating loss was NIS 1 million (50% ownership).

**Strauss Water** continued to grow in the first quarter with revenues of NIS 188 million, up 2.9% compared to last year, largely the result of ongoing growth in the customer base. The water business in China also grew organically, by 8.7%.

**The Kitchen FoodTech Hub:** The number of portfolio companies in the incubator is presently 24. As of March 31, 2023, the total value of investments in the portfolio startups, which are presented in the financial statements according to the equity method, was NIS 120 million. The fair value of these investments on the same date was NIS 582 million, compared to NIS 412 million on March 31, 2022.

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<sup>3</sup> Source: IRI

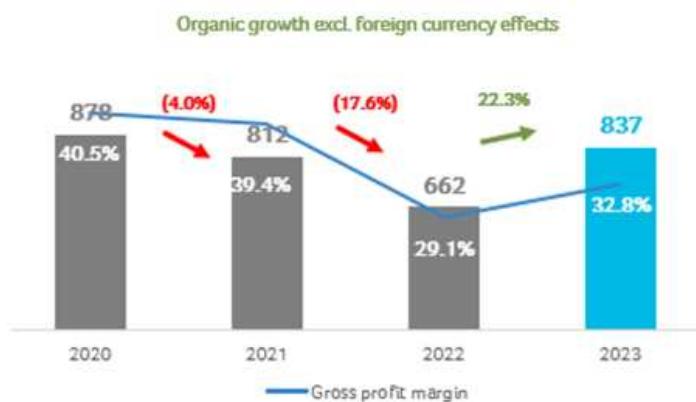
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Following are key financial data in a quarterly and multi-year comparison, according to the management (non-GAAP) reports:

### Net Sales



### Gross Profit and Gross Margin

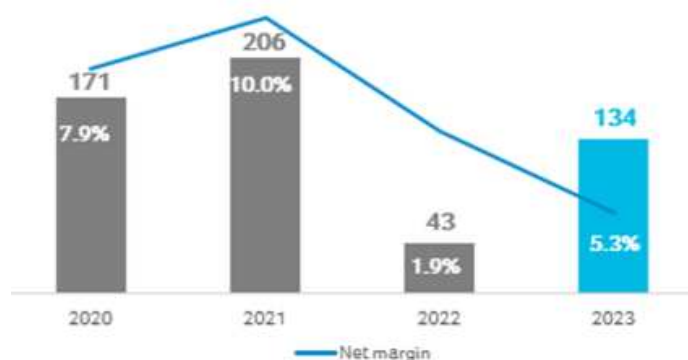


Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

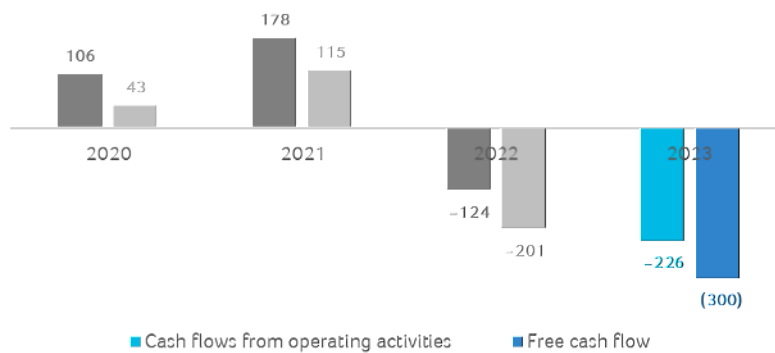
## Operating Profit and Operating Margin



## Net Profit and Net Margin



## Operating Cash Flow and Free Cash Flow



## Non GAAP Figures <sup>(1)</sup>

First Quarter			
	2023	2022	Change
Total Group Sales (NIS mm)	2,554	2,272	12.4%
Organic Sales Growth excluding FX	7.9%	11.5%	
Gross Profit (NIS mm)	837	662	26.6%
Gross Margins (%)	32.8%	29.1%	+370 bps
EBITDA (NIS mm)	310	194	60.1%
EBITDA Margins (%)	12.1%	8.5%	+360 bps
EBIT (NIS mm)	208	102	104.2%
EBIT Margins (%)	8.1%	4.5%	+360 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	134	43	213.4%
Net Income Margin Attributable to the Company's Shareholders (%)	5.3%	1.9%	+340 bps
EPS (NIS)	1.15	0.37	213.2%
Operating Cash Flow (NIS mm)	-226	-124	81.6%
Capex (NIS mm) <sup>(2)</sup>	74	77	-3.9%
Net debt (NIS mm)	2,787	2,107	32.3%
Net debt / annual EBITDA	3.1x	1.8x	1.3x

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(2) Investments include the acquisition of fixed assets, investment in intangible assets and proceeds from the sale of fixed assets.

**Note:** Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.



## Non GAAP Figures <sup>(1)</sup>

	First Quarter							
	Sales (NIS mm)	Sales Growth vs. Last Year	Organic Sales Growth excluding FX	EBIT (NIS mm)	NIS Change in EBIT	% Change in EBIT	EBIT margins	Change in EBIT margins vs. 2020
<b>Sales and EBIT by Operating Segments and Activities</b>								
<b>Strauss Israel:</b>								
Health & Wellness	743	11.1%	11.1%	85	3	3.5%	11.4%	-80 bps
Fun & Indulgence <sup>(2)</sup>	306	0.0%	0.0%	24	121	125.0%	7.9%	+3970 bps
<b>Total Strauss Israel</b>	<b>1,049</b>	<b>7.6%</b>	<b>7.6%</b>	<b>109</b>	<b>124</b>	<b>815.5%</b>	<b>10.4%</b>	<b>+1200 bps</b>
<b>Strauss Coffee:</b>								
Coffee Israel	238	10.6%	10.6%	39	-8	-17.4%	16.3%	-550 bps
International Coffee <sup>(2)</sup>	951	21.8%	9.8%	60	2	2.3%	6.3%	-120 bps
<b>Total Strauss Coffee</b>	<b>1,189</b>	<b>19.4%</b>	<b>10.0%</b>	<b>99</b>	<b>-6</b>	<b>-6.2%</b>	<b>8.3%</b>	<b>-230 bps</b>
<b>International Dips &amp; Spreads:</b>								
Sabra (50%) <sup>(2)</sup>	106	8.6%	-1.3%	-1	14	114.1%	-1.3%	+1420 bps
Obela (50%) <sup>(2)</sup>	21	-0.3%	-5.2%	0	2	118.9%	NM	NM
<b>Total International Dips &amp; Spreads</b>	<b>127</b>	<b>7.0%</b>	<b>-2.4%</b>	<b>-1</b>	<b>16</b>	<b>94.1%</b>	<b>-0.8%</b>	<b>+1350 bps</b>
<b>Strauss Water</b>	<b>188</b>	<b>2.9%</b>	<b>2.8%</b>	<b>21</b>	<b>-4</b>	<b>-14.5%</b>	<b>11.5%</b>	<b>-230 bps</b>
<b>Other <sup>(2)(3)</sup></b>	<b>1</b>	<b>NM</b>	<b>NM</b>	<b>-20</b>	<b>-24</b>	<b>-629.5%</b>	<b>NM</b>	<b>NM</b>
<b>Total Group</b>	<b>2,554</b>	<b>12.4%</b>	<b>7.9%</b>	<b>208</b>	<b>106</b>	<b>104.2%</b>	<b>8.1%</b>	<b>+360 bps</b>

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(2) Fun & Indulgence figures include Strauss's 50% share in the salty snacks business. International Coffee figures include Strauss's 50% share in the Três Corações joint venture (3C) – Brazil – a company jointly held by the Group (50%) and by the local São Miguel Group (50%). International Dips & Spreads figures reflect Strauss's 50% share in Sabra and Obela. Strauss Water EBIT figures include Strauss's share in Haier Strauss Water (HSW) in China (49%).

**Note:** Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands. Total figures for International Dips & Spreads were calculated on the basis of the exact figures for Sabra and Obela in NIS thousands.



Condensed financial accounting (GAAP)			
First Quarter			
	2023	2022	Change
Sales	1,713	1,511	13.4%
Cost of sales excluding impact of commodity hedges	1,106	1,054	4.9%
Adjustments for commodity hedges	-53	-2	
Cost of sales	1,053	1,052	0.0%
<b>Gross profit</b>	<b>660</b>	<b>459</b>	<b>44.1%</b>
% of sales	38.6%	30.4%	
Selling and marketing expenses	330	324	1.8%
General and administrative expenses	121	107	12.9%
<b>Total expenses</b>	<b>451</b>	<b>431</b>	<b>4.6%</b>
Share of profit of equity-accounted investees	45	45	-0.6%
Share of profit (loss) of equity-accounted incubator investees	-8	8	-203.8%
<b>Operating profit before other expenses</b>	<b>246</b>	<b>81</b>	<b>205.0%</b>
% of sales	14.4%	5.4%	
Other income (expenses), net	70	-28	
<b>Operating profit after other expenses</b>	<b>316</b>	<b>53</b>	<b>493.9%</b>
Financing expenses, net	-11	-14	26.2%
<b>Income before taxes on income</b>	<b>305</b>	<b>39</b>	<b>685.8%</b>
Taxes on income	-59	-8	691.0%
Effective tax rate	19.5%	19.4%	
<b>Income for the period</b>	<b>246</b>	<b>31</b>	<b>684.6%</b>
<b>Attributable to the Company's shareholders</b>	<b>231</b>	<b>14</b>	<b>1523.0%</b>
Attributable to non-controlling interests	15	17	-14.1%

## **Conference Call**

Strauss Group will host a Zoom conference call in Hebrew on Tuesday, May 30, 2023 at 11:00 (Israel time) with the participation of company management to review the financial statements of the company for the first quarter of 2023. Following is the information for those wishing to join the online conferences:

Meeting URL:

<https://strauss-group.zoom.us/j/94716506511?pwd=Yk1waXo1czhNMXh1eU14MnRpajZVZz09>

Password: 953409

Strauss Group will also host a Zoom conference call in English on Tuesday, May 30, 2023 at 15:30 (Israel time) with the participation of company management to review the financial statements of the company for the first quarter of 2023.

Meeting URL:

<https://strauss-group.zoom.us/j/99367733406?pwd=eXBqeEo1dVRENERwM0s5VDIYNHgvQT09>

Passcode: 419035

A recording of the calls will subsequently be available on the company's website at:

<http://ir.strauss-group.com/phoenix.zhtml?c=92539&p=irol-conferencecalls>

The financial statements of the company for the first quarter of 2023 and the presentation that will accompany the conferences will be available prior to the conference calls on the following websites:

<http://www.tase.co.il>

<http://www.magna.isa.gov.il>

<http://ir.strauss-group.com/phoenix.zhtml?c=92539&p=irol-irhome>

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