

Strauss Group's Reports First Quarter 2024 Results

The group's revenues totaled c2.6 billion shekels, the operating profit was c204 million shekels, and the net profit was c159 million shekels.

President and CEO of the Group, Shai Babad: "We continue to implement the group's strategic plan, focusing on core activities and investing in the development of strategic growth engines that will drive the group forward in the coming years; as well as ongoing organizational efficiency and addressing the rise in raw material prices".

Results	Q1 2024	Q1 2023
Sales	NIS 2,589M	NIS 2,554M
% change	+1.4%	
Operating profit	NIS 204M	NIS 208M
% change	-2.4%	
% of sales	7.8%	8.1%
Net profit	NIS 159M	NIS 134M
% change	+18.7%	

This morning, Strauss Group released its financial reports for the first quarter of 2024, showing an increase in revenue, which totaled approximately 2.6 billion shekels, a rise of about 1.4% compared to the same quarter last year. The operating profit for the quarter amounted to approximately 204 million shekels, representing about 7.8% of total sales. The operating profit was impacted, among other things, by the significant rise in raw material prices, which led to a decrease of about 2.4% in operating profit compared to the same quarter last year. The net profit for the group in the quarter was approximately 159 million shekels, compared to a net profit of approximately 134 million shekels in the same quarter last year. During the first quarter, and as part of implementing the group's strategy, the group completed the sale of the coffee company in Serbia for a sum of 38.8 million euros. Simultaneously, the group's confectionery operations continue to recover with growth and an increase in market share. Additionally, in recent months, the credit rating agency 'Maalot S&P' announced an update to Strauss Group's outlook from negative to stable and reaffirmed the 'iIAA+' rating assigned to the group.

First Quarter Summary by Business Segment:

Strauss Israel - Increase in Revenue and Operating Profit; Market Share Growth

Strauss Israel concluded the first quarter with revenues of 1,309 million shekels, a growth rate of about 1.7% compared to the corresponding quarter last year. The operating profit of Strauss Israel was 151 million shekels, an increase of about 2.3% from the previous year. Strauss Israel's operating profit margin was 11.6%. Following the announced reorganization and as part of the company's strategy, Strauss Israel now also includes coffee operations in Israel, which were previously part of the coffee segment. The sales in the Health and Wellness segment for the quarter were 731 million shekels, a decline of about 1.6%, with an operating profit of 74 million shekels, a decrease of about 12.2% from

the same quarter last year. This decline reflects a reclassification of the energy snacks category, which, as part of the changes, was reclassified from the Health & Wellness segment to the Fun & Indulgence segment under the Snacks and Sweets category. Excluding this reclassification, the Health & Wellness segment grew 0.7%.

Sales in the Fun & Indulgence segment for the quarter were 361 million shekels, an increase of about 18.1%, with an operating profit of 42 million shekels, an increase of about 70.9% from the corresponding quarter. The confectionery category market share reached 26.6% in the quarter, a slight increase from the previous quarter. The Israel Coffee segment ended the quarter with net sales of 217 million shekels, a decrease of 8.7% from the corresponding quarter, and an operating profit of 35 million shekels, a decrease of about 8.7%.

Strauss Coffee International – Increase in Revenue and Market Share Growth in Brazil

Strauss Coffee International concluded the quarter with revenues of 954 million shekels, an increase of about 0.3% from the corresponding quarter last year. The international coffee operations ended the quarter with an operating profit of 38 million shekels, a decrease of about 36.3% from the corresponding quarter, among others, due to a significant rise in raw material prices. The operating profit margin from coffee international sales was 4.0%.

The coffee operations in Brazil concluded the quarter with sales of 645 million shekels, an increase of about 3.8%, and an operating profit of 13 million shekels, a decrease of about 56.3% from the corresponding quarter. Coffee operations in Russia and Ukraine concluded the quarter with sales of 129 million shekels, coffee operations in Romania with sales of 45 million shekels and coffee operations in Poland with sales of 103 million shekels. The average market share of Três Corações (value) in the roast and ground (R&G) coffee sector in 2024 reached about 33.1% compared to about 33.7% in the same period last year.

Strauss Water – Improvement in Top line

Strauss Water concluded the quarter with revenues of 193 million shekels, an increase of about 3% from the corresponding quarter, and an operating profit of 24 million shekels, an increase of about 10.2% from the corresponding quarter last year. The operating profit margin was 12.3%. The water operations in China concluded with good results and revenues of 216 million shekels for the quarter (in 100% terms), a growth of about 12.9% from the corresponding quarter last year, and a net profit of 27 million shekels, up 10.1% from the corresponding quarter last year.

Sabra and Obela – Market Share Increase in the US and Continued Growth Trend

The International Dips and Spreads segment continued its gradual recovery with an improvement in market share in the US and continued revenue growth. Sabra sales for the quarter totaled 110 million shekels (in 50% terms), a growth of about 4.8% from the corresponding quarter last year, and an operating profit of 6 million shekels. The operating profit margin from total sales was 5.0%. Obela sales totaled 20 million shekels, with an operating profit of 1 million shekels.

Non GAAP Figures ⁽¹⁾

First Quarter			
	2024	2023	Change
Total Group Sales (NIS mm)	2,589	2,554	1.4%
Organic Sales Growth excluding FX	-0.7%	7.9%	
Gross Profit (NIS mm)	874	837	4.3%
Gross Margins (%)	33.7%	32.8%	+90 bps
EBITDA (NIS mm)	318	310	2.6%
EBITDA Margins (%)	12.3%	12.1%	+20 bps
EBIT (NIS mm)	204	208	-2.4%
EBIT Margins (%)	7.8%	8.1%	-30 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	159	134	18.7%
Net Income Margin Attributable to the Company's Shareholders (%)	6.2%	5.3%	+90 bps
EPS (NIS)	1.37	1.15	18.6%
Operating Cash Flow (NIS mm)	(115)	(226)	50.9%
Capex (NIS mm) ⁽²⁾	(163)	(74)	120.3%
Net debt (NIS mm)	2,789	2,787	0.1%
Net debt / annual EBITDA	2.3x	3.1x	(0.8x)

(1) The data in this document are based on the company's non-GAAP figures, which include the proportionate consolidation of jointly controlled businesses 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 income and expenses, net, and the tax effect of excluding those items, unless stated otherwise.

(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 ⁽¹⁾

	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. 2023
Sales and EBIT by Operating Segments and Activities								
Strauss Israel:								
Health & Wellness	731	-1.6%	-1.6%	74	(11)	-12.2%	10.2%	-120 bps
Fun & Indulgence Snacks and sweets ⁽²⁾	361	18.1%	18.1%	42	18	70.9%	11.5%	+360 bps
Fun & Indulgence Coffee Israel	217	-8.7%	-8.7%	35	(4)	-8.7%	16.3%	NM
Total Strauss Israel	1,309	1.7%	1.7%	151	3	2.3%	11.6%	+10 bps
International Coffee ⁽²⁾	954	0.3%	9.8%	38	(22)	-36.3%	4.0%	-230 bps
Strauss Water	193	3.0%	2.8%	24	3	10.2%	12.3%	+80 bps
Other ⁽²⁾⁽³⁾	133	3.0%	3.0%	(9)	12	-51.9%	-6.8%	-4510 bps
Total Group	2,589	1.4%	-0.7%	204	(4)	-2.4%	7.8%	-30 bps

(1) The data in this document are based on the company's non-GAAP figures, which include the proportionate consolidation of jointly controlled businesses 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 income and expenses, net, and the tax effect of excluding those items, unless stated otherwise.

(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

	2024	2023	Change
Sales	1,726	1,713	0.8%
Cost of sales excluding impact of commodity hedges	1,090	1,106	-1.4%
Adjustments for commodity hedges	71	-53	
Cost of sales	1,161	1,053	10.3%
Gross profit	565	660	-14.5%
% of sales	32.7%	38.6%	
Selling and marketing expenses	353	330	7.0%
General and administrative expenses	129	121	6.8%
Total expenses	482	451	6.9%
Share of profit of equity-accounted investees	36	45	-19.6%
Share of profit (loss) of equity-accounted incubator investees	(2)	(8)	-70.1%
Operating profit before other expenses	117	246	-52.7%
% of sales	6.8%	14.4%	
Other income (expenses), net	-50	70	
Operating profit after other expenses	67	316	-78.7%
Financing expenses, net	(17)	(11)	62.9%
Income before taxes on income	50	305	-83.6%
Taxes on income	21	(59)	-134.7%
Effective tax rate	-41.4%	19.5%	
Income for the period	71	246	-71.3%
Attributable to the Company's shareholders	51	231	-77.9%
Attributable to non-controlling interests	20	15	34.1%