



Strauss Group wraps up Q1 2021 with stable revenues and an increase in profit and profit margins

The international food corporation recorded NIS 2.06 billion in revenue, reflecting an organic decrease¹ of 0.4%; impressive growth in Strauss Water's revenues; a profit of NIS 30 million from investees in the Group's FoodTech incubator following funding rounds by three companies

This morning, Strauss Group published its GAAP and non-GAAP financial statements for the first quarter of 2021. Similar to the results for FY 2020, the results for the current quarter were largely impacted by the COVID-19 pandemic, which transformed the patterns of our lives, the economy and consumption everywhere in the world. Like other international food corporations, the first quarter of 2020 was marked by increased consumption of food products as large parts of the world were subjected to lockdowns. By contrast, the first quarter of 2021 was marked by great variance – in some countries where the Group operates the impact of the pandemic had already declined, whereas in other regions, such as Europe and America, we continue to witness its effects on economic activity and consumption.

Despite the record sales in the first quarter last year, which were the result of a sharp temporary increase in March sales following the outbreak of coronavirus, Strauss Group's revenues in Q1 2021 remained stable and amounted to approximately NIS 2.06 billion, reflecting an organic decrease (excluding foreign currency effects) of around 0.4% compared to the first quarter last year. The stability in sales was, on the one hand, the result of growth in Strauss Water's revenues in Israel and in China and stable revenues in Strauss Israel and Strauss Coffee in local currency, and a decline in sales at Sabra in the US, largely as a result of the impacts of COVID-19.

Organic EBIT rose 11.8% and amounted to approximately NIS 289 million – 14.0% of revenues. The Company has concluded the first quarter with a net profit of approximately NIS 206 million to its shareholders, reflecting an organic increase of around 25.6% compared to the corresponding quarter in 2020 – 10.0% of revenues.

Excluding foreign currency effects and the profits of the investees in the Group's incubator, organic growth in operating profit and net profit attributable to shareholders was 0.5% and 7.8%, respectively.

In the quarter, three of the companies in the Group's FoodTech incubator, The Kitchen, completed funding rounds at an aggregate amount of approximately NIS 40 million. As a result of these rounds, in the current quarter the Company recognized gains on the decrease in holding rate and on loss of control, at a total of NIS 30 million. One of the companies, Flying SpArk, completed an IPO on the Tel Aviv Stock Exchange in the quarter. On March 31, 2021, the total value of the Company's investments in the incubator investees on the financial statements was approximately NIS 44 million (according to the equity method). The fair value of these investments is around NIS 149 million.

In the first and second quarters, the prices of raw materials, spare parts and packaging materials used in manufacturing the Group's products rose. Among others, the prices of green coffee (on global exchanges and in Brazil in particular) increased, as did the prices of sugar, raw milk (the "target price"), energy, plastic packaging, metals and others. Furthermore, sea freight costs rose sharply in this period, impacting all world trade.

In addition to the above, as a result of worldwide crises in the international transportation of goods, many companies are dealing with availability and production challenges. The company has defined the maintenance of business continuity and the regular functioning of its supply chain as a primary goal. The company is also monitoring the effects of the

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¹ Excluding the impact of M&A and the effect of foreign currency translation differences.

increase in the prices of the different inputs on its business and reviewing plans and courses of action, including product development and improvement, working capital management, operational and logistic efficiency enhancement, commodity price hedging policy, expansion and diversification of suppliers and raw materials, pricing policy, etc.

Strauss Group President & CEO, **Giora Bardea**, referred to the results this morning. “All things considered, we have wrapped up a satisfying quarter. This is the fifth sequential quarter in which our results are affected by the COVID-19 pandemic and its impacts on sales channels, products and consumer behavior. The first quarter of 2020, when the pandemic began, and the month of March in particular, was marked by exceptional sales by all food companies. Now, however, there is a disparity: in the first quarter this year some geographical regions, first and foremost Israel and China, already showed signs of the end of the pandemic, in regions such as North America and Europe a gradual emergence is evident, and in regions like South America the pandemic is still raging and affecting society and the economy.

“In this quarter too, we see that our broad global dispersion, category diversification and business flexibility, product development and innovation have enabled us to maintain stable revenues, and even improve our profit and profit margins. As part of this innovation concept, in Israel we recently launched new, advanced IOT water bars of the Edge series; FoodTech startups in The Kitchen incubator raised tens of millions of shekels in the quarter; and in early May, the water company’s manufacturing facility in China became operational, and we expect it to contribute to growth in the Group’s business going forward.

“Israeli society has recently experienced events involving incitement and violence that have ripped the delicate fabric of co-existence between Jews and Arabs in the country. We profoundly believe in the business sector’s role, responsibility and impact on the communities in which we operate, not only in Israel but everywhere we do business. Strauss has for many years championed a diversity and inclusion discourse and actions and employs people of all population segments, religions and beliefs. Strauss will continue to be a company that is a symbol of partnership, cultural diversity and the advancement of a shared language and way of life. We have a commitment and aspirations to create a company where there is no segregation or differentiation between people on the grounds of religion, nationality, race or gender.”

Strauss Israel grew its market share in the quarter, which rose to around 12.5% of the food and beverage market in Israel, reflecting 0.3% market share growth. In the first quarter this year the company recorded approximately NIS 974 million in revenues, a decline of around 0.9% compared to the corresponding period last year, which was marked by a sharp rise in sales due to the COVID-19 outbreak. Most of the growth was observed in dairy products and dairy alternatives, including yogurts, milk and milk beverages, and since we began to distribute Alpro products. The products of the confectionery division recorded a decline in sales in the quarter, largely as a result of a decrease in impulse product purchases away from home. The company’s operating profit grew by about 3.8% to NIS 129 million, around 13.2% of sales.

Strauss Coffee’s business was marked by great variance in the quarter, with each country demonstrating unique features. For example, the coffee company in Israel experienced a decline of 10.9%, which was largely the result of the closure of the Elite Café points of sale in the first quarter. The coffee business in Brazil, operated through the Três Corações joint venture, delivered 10.0% organic growth in local currency mainly as a result of price increases while retaining market share, but was negatively affected by exchange differences. Russia and Ukraine experienced sales growth in local currency following price increases. Romania recorded stability, while Poland experienced a temporary decline in sales as a result of negotiations with a customer, to which sales were resumed in April.

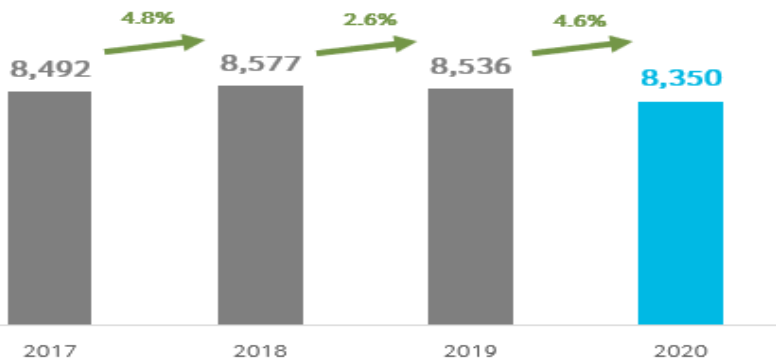
In **Sabra**, the largest dips and spreads company in the US with a market share of 61.4%, the prior quarter trend persisted. The Company was mainly harmed in its sales to the AFH market, which includes restaurants and airports, and in combo packs intended for on-the-go consumption. The company concluded the current quarter with sales of approximately NIS 287 million (reflecting 100% ownership), a decline of 19.2% compared to the corresponding period in 2020. Obela wrapped up the first quarter of the year with NIS 44 million in sales, an increase of 9.8%.

Strauss Water has maintained the positive momentum experienced in 2020 in Israel and China in the first quarter of 2021 as well. During the quarter, the company recorded revenues of approximately NIS 170 million, reflecting impressive growth of 18.2%, as a result of growth in the installed base as well as the number of appliances sold. HSW’s business in China yielded revenues of approximately NIS 154 million in the current quarter, reflecting a sharp rise of 44.1%, due to the low sales in the first quarter last year following the outbreak of COVID-19.

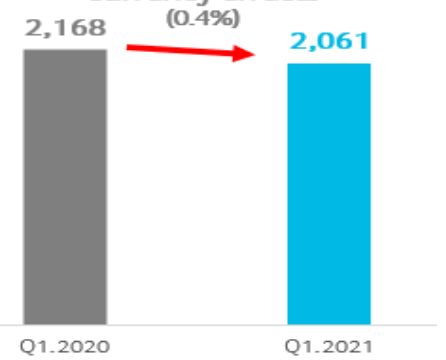
Following are key financial data, in a quarterly and multiyear comparison, based on the non-GAAP reports:

Net Sales

Organic growth excl. foreign currency effects

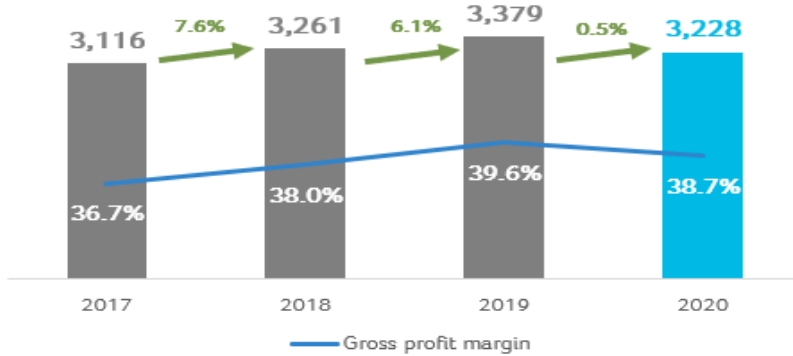


Organic change excl. foreign currency effects

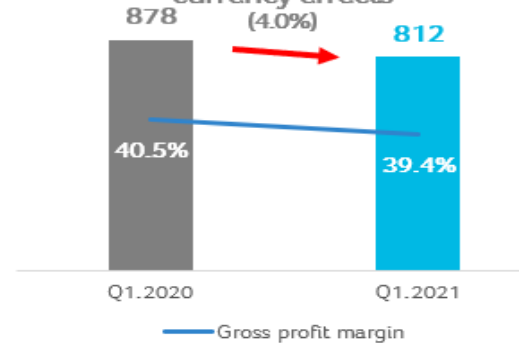


Gross Profit and Gross Profit Margin

Organic growth excl. foreign currency effects

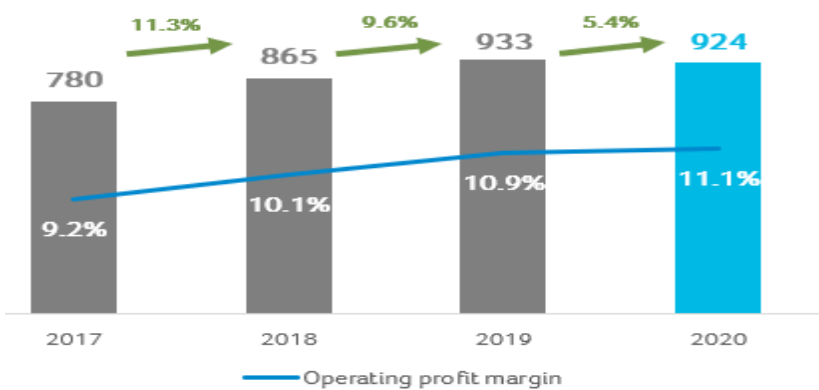


Organic change excl. foreign currency effects

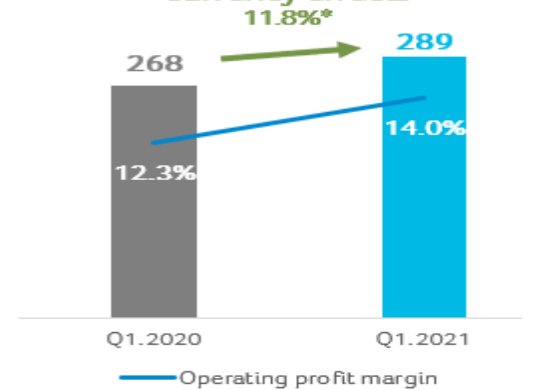


Operating Profit and Operating Profit Margin

Organic growth excl. foreign currency effects

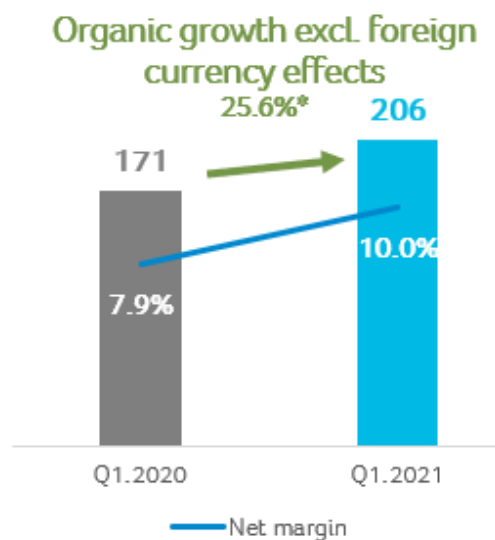
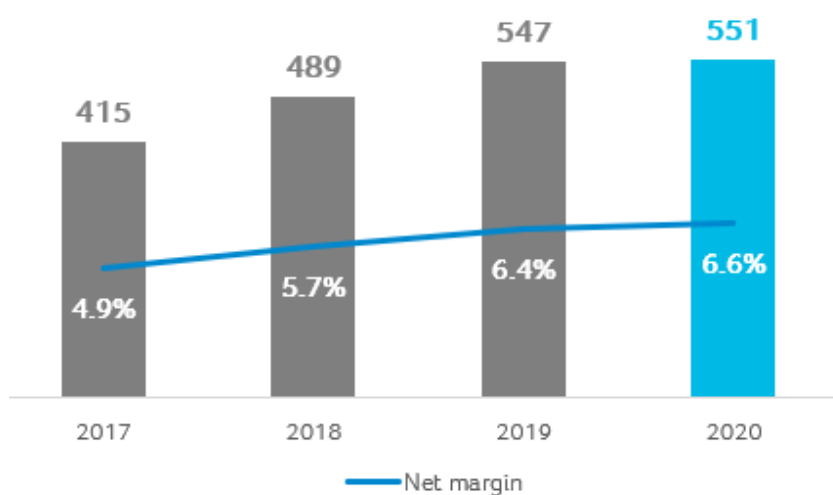


Organic growth excl. foreign currency effects



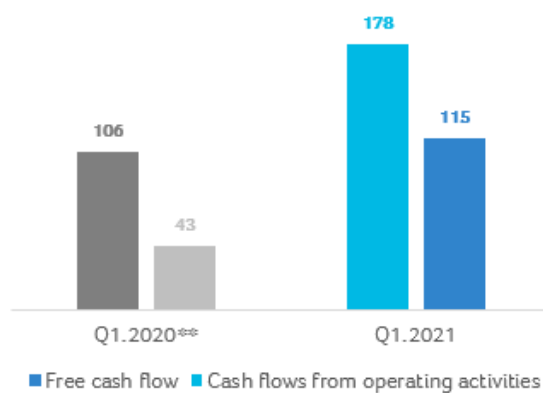
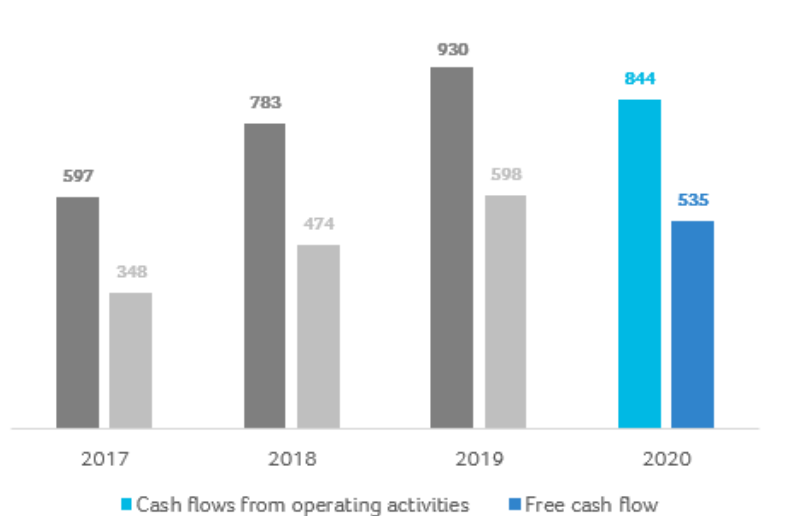
* Approximately 0.5% organic growth excluding foreign currency effects and the impact of the profits of the Group incubator investees.

Net Profit and Profit Margin



* Approximately 7.8% organic growth excluding foreign currency effects and the impact of the profits of the Group incubator investees.

Cash Flows from Operating Activities and Free Cash Flow



** Restated.

Non GAAP Figures (1)

First Quarter			
	2021	2020	Change
Total Group Sales (NIS mm)	2,061	2,168	-4.9%
Organic Sales Growth excluding FX			-0.4%
Gross Profit (NIS mm)	812	878	-7.5%
Gross Margins (%)	39.4%	40.5%	-110 bps
EBITDA (NIS mm)	373	354	5.3%
EBITDA Margins (%)	18.1%	16.3%	+180 bps
EBIT (NIS mm)	289	268	7.6%
EBIT Margins (%)	14.0%	12.3%	+170 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	206	171	20.5%
Net Income Margin (Attributable to the Company's Shareholders) (%)	10.0%	7.9%	+210 bps
EPS (NIS)	1.77	1.47	20.2%
Operating Cash Flow (NIS mm)	178	106*	68.1%
Capex (NIS mm) (2)	63	63	0.1%
Net debt (NIS mm)	1,843	2,017	-8.5%
Net debt / annual EBITDA	1.4x	1.6x	(0.2x)

* Restated.

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(2) Investments include the acquisition of fixed assets and investment in intangible 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. 2020
Sales and EBIT by Operating Segments and Activities								
Strauss Israel:								
Health & Wellness	639	3.6%	3.6%	76	10	15.6%	12.0%	+130 bps
Fun & Indulgence (2)	335	-8.4%	-8.4%	53	-5	-9.6%	15.6%	-20 bps
Total Strauss Israel	974	-0.9%	-0.9%	129	5	3.8%	13.2%	+60 bps
Strauss Coffee:								
Israel Coffee	209	-10.9%	-10.9%	59	-2	-4.1%	27.8%	+200 bps
International Coffee (2)	542	-11.0%	4.0%	40	-6	-14.2%	7.4%	-30 bps
Total Strauss Coffee	751	-11.0%	-0.7%	99	-8	-8.5%	13.1%	+40 bps
International Dips & Spreads:								
Sabra (50%) (2)	144	-19.2%	-13.4%	16	-4	-19.0%	11.0%	--
Obela (50%) (2)	22	9.8%	3.1%	-3	-1	-61.4%	NM	NM
Total International Dips & Spreads	166	-16.2%	-11.5%	13	-5	-25.6%	8.1%	-100 bps
Strauss Water	170	18.2%	18.2%	22	7	46.7%	12.8%	+250 bps
Other (2)(3)	0	NM	NM	26	22	673.5%	NM	NM
Total Group	2,061	-4.9%	-0.4%	289	21	7.6%	14.0%	+170 bps

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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

	2021	2020	Change
Sales	1,509	1,545	-2.3%
Cost of sales excluding impact of commodity hedges	878	896	-2.0%
Adjustments for commodity hedges	1	14	
Cost of sales	879	910	-3.4%
Gross profit	630	635	-0.8%
% of sales	41.7%	41.1%	
Selling and marketing expenses	321	336	-4.6%
General and administrative expenses	104	108	-4.1%
Total expenses	425	444	-4.5%
Share of profit of equity-accounted investees	68	48	40.0%
Operating profit before other expenses	273	239	14.2%
% of sales	18.1%	15.4%	
Other income (expenses), net	4	-1	
Operating profit after other expenses	277	238	16.2%
Financing expenses, net	3	-10	-133.7%
Income before taxes on income	280	228	22.9%
Taxes on income	-59	-57	3.5%
Effective tax rate	21.1%	25.1%	
Income for the period	221	171	29.5%
Attributable to the Company's shareholders	203	156	30.7%
Attributable to non-controlling interests	18	15	16.4%

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

Conference Call

Strauss Group will host a Zoom conference call in Hebrew on Tuesday, May 25, 2021 at 14:00 (Israel time) with the participation of company management to review the financial statements of the company for the first quarter of 2021. Following is information for those wishing to join the conference:

Meeting URL: <https://strauss-group.zoom.us/j/94124216403?pwd=MDArcE9aNitqeHBJSVBBeDFqaERJZz09>

Meeting ID: 941 2421 6403

Password: 804055

Strauss Group will also host a Zoom conference call in English on Tuesday, May 25, 2021 at 15:30 (Israel time) (13:30 UK, 08:30 EST) with the participation of company management to review the financial statements of the company for the first quarter of 2021.

Meeting URL: <https://strauss-group.zoom.us/j/94631263402?pwd=YjEwU3QyZmdDK3JHckJtQWtVZ1kzQT09>

Meeting ID: 946 3126 3402

Password: 361024

A recording of the calls will subsequently be available on the company's website at:
<https://ir.strauss-group.com/company-presentations/conference-call-recordings/>

The financial statements of the company for the first quarter of 2021 and the presentation that will accompany the conferences will be available prior to the conference calls on the following websites:
<https://ir.strauss-group.com/company-presentations/quarterly-presentations/>
<https://ir.strauss-group.com/earning-releases/>

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