

The international food and beverage group's sales rise 6.9%¹ in Q3 2021

Strauss Group announces a strong quarter with NIS 2.3 billion in revenue

Strauss Group has maintained its growth momentum as Strauss Israel, Strauss Water and Strauss Coffee deliver solid revenue growth. The Group recorded NIS 52 million in profit from its FoodTech business.

Net profit attributable to shareholders in the third quarter was NIS 204 million

This morning, the international food and beverage company Strauss Group published its financial statements for the third quarter of 2021. The financial statements demonstrate that the Group has continued the growth momentum as in the past quarters, with revenues for the quarter amounting to NIS 2.3 billion, an increase of 6.9% compared to the corresponding period last year. Sales growth is evident in most of the company's operations: Strauss's activity in Israel, Strauss Water's business, and the worldwide operations of Strauss Coffee. Sales of the dips and spreads company Sabra in the US in the quarter were stable.

Strauss Group President & CEO, **Giora Bardea**: "Strauss is making strides in its growth journey while coping with the ongoing effects of the COVID-19 pandemic on world economy. Among other things, these effects are expressed in global increases in commodity prices, worldwide shipping and handling costs and industrial energy prices. Group management is working to preserve resilience and stability, while making investments to ensure that the company is well-aligned and will maintain its growth momentum in the future. This is reflected in the growth delivered by the Group in its core businesses, along with initial returns on its strategic investment in innovation and in the FoodTech industry, which had a positive effect on the Group's profit in the quarter. ESG remains a core focus in our business and the Group is constantly improving its ESG scores. Together, these components will secure the Group's continuing resilience and growth in the future".

Despite the rise in revenues, the company reported stability in gross profit, which amounted to NIS 828 million, and a slight drop in operating profit (before inclusion of the profits of the FoodTech incubator), which amounted to NIS 248 million. Erosion of the gross and operating margins is largely the result of the increase in raw material prices, notably green coffee and milk, as well as rising global manufacturing and shipping costs as part of the fallout as the world emerges from the pandemic. Strauss reported a 20% increase in operating profit, which rose to NIS 300 million, and a 28.1% increase in net profit, which was NIS 204 million. This increase is due to a gain of NIS 52 million recorded by the company in its FoodTech business, which is largely the result of the impressive funding round closed by cultured meat developer, Aleph Farms. Furthermore, the incubator was recently joined by a new startup active in the manufacture of cultured fish products.

Strauss Israel continued to grow its business and market share and ended the quarter with a 2.4% sales growth, bringing sales to NIS 976 million. In the third quarter, the food industry in Israel recorded a drop

¹ Organic growth excluding foreign currency effects.

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.

of 3.6%, meaning that Strauss increased its market share by 0.4 percentage points to 12.3% according to StoreNext. During the quarter, the company launched the ready-to-heat frozen meals category (under the “Delicious” brand), the oat-based “Not Milk” drink, delivering innovation in the plant-based milk category, and the XXTRA Flamin’ Hot Doritos and Cheetos snack food series. The company improved its operating margin due to sales growth and operating cost savings. Sales growth largely originated in the dairy and dairy alternative product category as well as the salty snack category. The salads category remained stable, whereas confectionery sales dropped compared to the corresponding period last year, among other things due to the timing of the Jewish high holidays, which this year fell entirely in September.

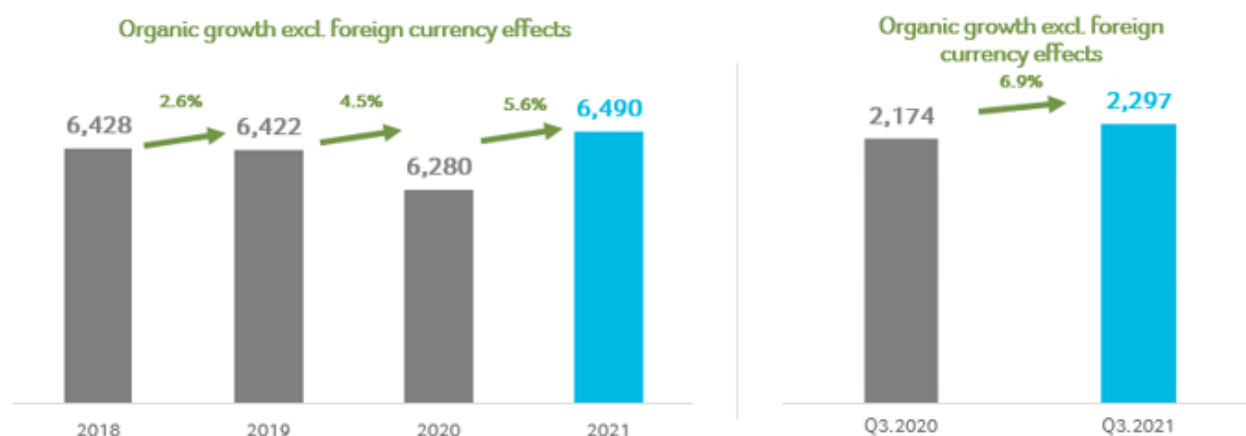
In the third quarter, Strauss Coffee’s business was marked by rising world green coffee prices, which increased at higher rates compared to the corresponding period, among other things due to freak frost that damaged coffee plantations in various Brazilian states. Following the increase in the cost of green coffee, retail coffee prices were revised in Brazil (Três Corações (JV)). The company in Brazil also delivered growth in quantities sold, and in total, reported a 37.1% sales growth in local currency. However, the joint venture’s gross and operating margins eroded. In Israel, the coffee business experienced a slight drop of 1.7% in sales due to the timing of the holidays in September. During the quarter, the coffee company launched its new aluminum capsules as well as the new Turkish Coffee “Tastes of the Market” limited edition offering – Galilee and Jerusalem – containing exotic blends of spices and herbs. The coffee business in Eastern Europe was marked by stability, with a slight drop in sales in Russia and Ukraine. In the third quarter and in the months of October and November, prices were raised in Ukraine, Romania, Serbia and Poland.

Strauss Water continued to grow with sales rising by 4.9% to approximately NIS 192 million. The company, which in the past quarter launched its new tami4edge water bar, has reported growth in both the number of customers and in the number of new appliances sold. The water business in China (Haier Strauss Water (HSW)), where the fight against COVID-19 continues, grew 8.9% in the third quarter.

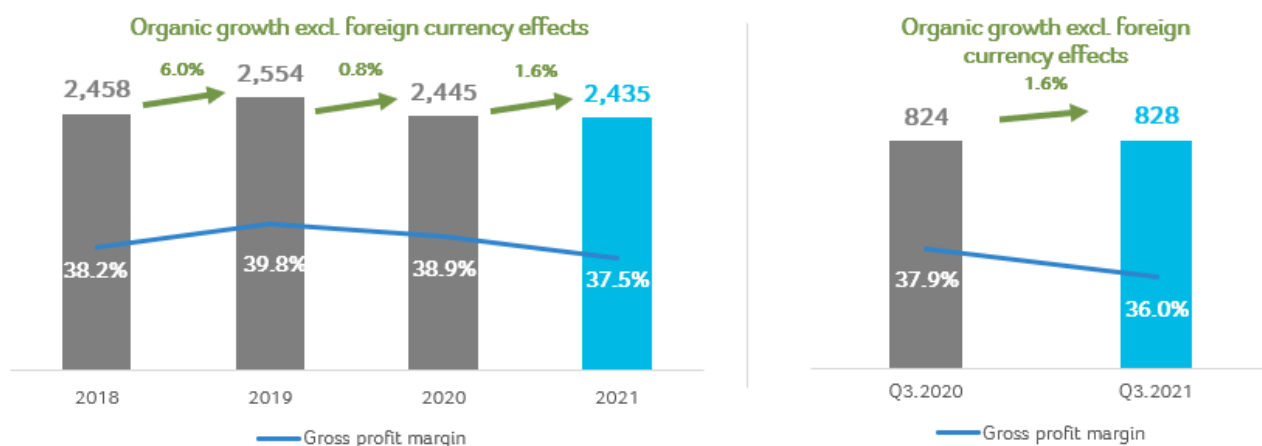
Sabra, which has experienced challenges posed by the effects of the pandemic, reported a slight recovery in sales and moderate growth of 1.3% in the third quarter in local currency, with sales increasing to USD 97 million along with market share growth compared to the corresponding period last year. However, the company reported that its operating profit declined by 26% as a result of rising raw material prices, manufacturing and shipping costs.

Following are key financial data for the first nine months and third quarter of 2021, according to the Management (Non-GAAP) Reports:

Net Sales – First Nine Months and Third Quarter

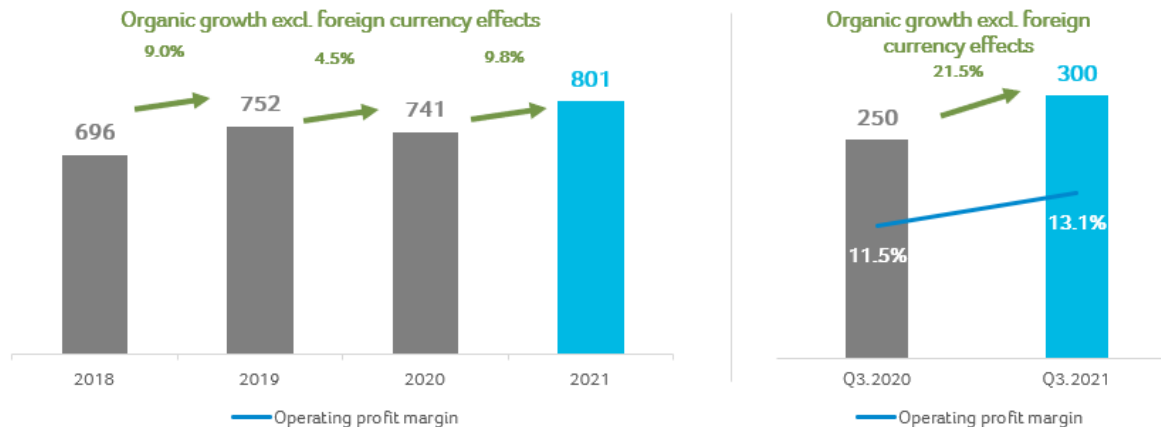


Gross Profit and Gross Profit Margin – First Nine Months and Third Quarter

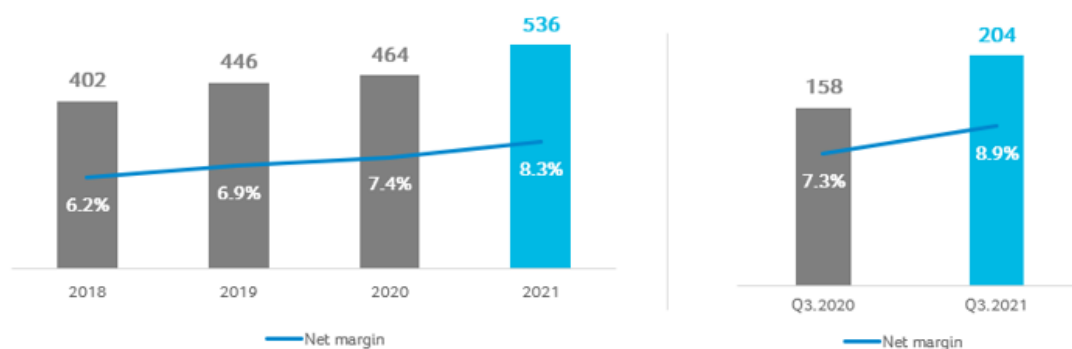


Financial data were rounded to NIS millions.

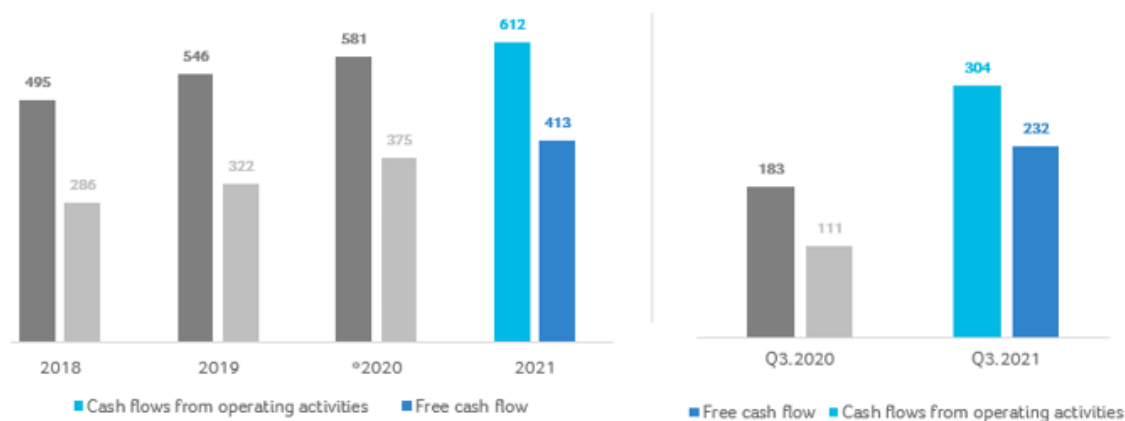
Operating Profit and Operating Profit Margin – First Nine Months and Third Quarter



Profit and Profit Margin – First Nine Months and Third Quarter



Operating Activities and Free Cash Flow – First Nine Months and Third Quarter



Financial data were rounded to NIS millions.

* Restated.

Non GAAP Figures ⁽¹⁾

Third Quarter			
	2021	2020	Change
Total Group Sales (NIS mm)	2,297	2,174	5.7%
Organic Sales Growth excluding FX	6.9%	3.9%	
Gross Profit (NIS mm)	828	824	0.4%
Gross Margins (%)	36.0%	37.9%	-190 bps
EBITDA (NIS mm)	389	339	14.5%
EBITDA Margins (%)	16.9%	15.6%	+130 bps
EBIT (NIS mm)	300	250	20.0%
EBIT Margins (%)	13.1%	11.5%	+160 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	204	158	28.1%
Net Income Margin (Attributable to the Company's Shareholders) (%)	8.9%	7.3%	+160 bps
EPS (NIS)	1.75	1.37	27.9%
Operating Cash Flow (NIS mm)	304	183*	66.0%
Capex (NIS mm) ⁽²⁾	72	73	-1.4%
Net debt (NIS mm)	1,926	1,993	-3.4%
Net debt / annual EBITDA	1.4x	1.6x	(0.2x)

* Restated.

(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⁾

Third 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	705	4.3%	4.3%	97	11	11.6%	13.6%	+90 bps
Fun & Indulgence ⁽²⁾	271	-2.5%	-2.5%	16	-4	-15.4%	6.3%	-90 bps
Total Strauss Israel	976	2.4%	2.4%	113	7	6.5%	11.6%	+50 bps
Strauss Coffee:								
Israel Coffee	173	-1.7%	-1.7%	35	-5	-13.3%	19.8%	-270 bps
International Coffee ⁽²⁾	780	15.4%	18.1%	61	-2	-1.8%	8.0%	-140 bps
Total Strauss Coffee	953	11.9%	13.9%	96	-7	-6.5%	10.1%	-200 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	156	-4.3%	1.3%	13	-5	-29.9%	8.5%	-300 bps
Obela (50%) ⁽²⁾	20	-10.7%	-8.3%	-	1	89.9%	NM	NM
Total International Dips & Spreads	176	-4.9%	0.1%	13	-4	-23.8%	7.4%	-180 bps
Strauss Water ⁽²⁾	192	4.9%	4.8%	26	1	1.5%	13.2%	-50 bps
Other	-	NM	NM	52	53	7,332.0%	NM	NM
Total Group	2,297	5.7%	6.9%	300	50	20.0%	13.1%	+160 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.

Non GAAP Figures ⁽¹⁾

First Nine Months			
	2021	2020	Change
Total Group Sales (NIS mm)	6,490	6,280	3.3%
Organic Sales Growth excluding FX	5.6%	4.5%	
Gross Profit (NIS mm)	2,435	2,445	-0.4%
Gross Margins (%)	37.5%	38.9%	-140 bps
EBITDA (NIS mm)	1,058	1,002	5.5%
EBITDA Margins (%)	16.3%	16.0%	+30 bps
EBIT (NIS mm)	801	741	8.0%
EBIT Margins (%)	12.3%	11.8%	+50 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	536	464	15.4%
Net Income Margin (Attributable to the Company's Shareholders) (%)	8.3%	7.4%	+90 bps
EPS (NIS)	4.61	4.01	15.1%
Operating Cash Flow (NIS mm)	612	581*	5.3%
Capex (NIS mm) ⁽²⁾	199	206	-3.4%
Net debt (NIS mm)	1,926	1,993	-3.4%
Net debt / annual EBITDA	1.4x	1.6x	(0.2x)

* Restated.

(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 Nine Months								
	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	2,008	5.1%	5.1%	261	26	10.5%	12.9%	+60 bps
Fun & Indulgence ⁽²⁾	859	-2.0%	-2.0%	89	-4	-3.6%	10.4%	-20 bps
Total Strauss Israel	2,867	2.9%	2.9%	350	22	6.5%	12.2%	+40 bps
Strauss Coffee:								
Israel Coffee	545	0.3%	0.3%	120	-6	-4.7%	22.0%	-110 bps
International Coffee ⁽²⁾	2,007	5.5%	11.9%	152	-5	-2.7%	7.6%	-70 bps
Total Strauss Coffee	2,552	4.4%	9.2%	272	-11	-3.7%	10.7%	-90 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	460	-8.0%	-1.7%	42	-17	-29.6%	9.0%	-280 bps
Obela (50%) ⁽²⁾	63	4.3%	0.7%	-5	-	8.2%	NM	NM
Total International Dips & Spreads	523	-6.7%	-1.4%	37	-17	-31.7%	7.0%	-260 bps
Strauss Water ⁽²⁾	548	12.6%	12.3%	70	0	-1.1%	12.7%	-180 bps
Other	-	NM	NM	72	66	1046.2%	NM	NM
Total Group	6,490	3.3%	5.6%	801	60	8.0%	12.3%	+50 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)			
Third Quarter			
	2021	2020	Change
Sales	1,546	1,541	0.3%
Cost of sales excluding impact of commodity hedges	933	932	0.2%
Adjustments for commodity hedges	10	-19	
Cost of sales	943	913	3.3%
Gross profit	603	628	-3.9%
% of sales	39.0%	40.7%	
Selling and marketing expenses	332	336	-1.2%
General and administrative expenses	106	97	8.9%
Total expenses	438	433	1.0%
Share of profit of equity-accounted investees	62	*66	-7.6%
Share of profit (loss) of equity-accounted incubator investees	52	*-2	2,127.2%
Operating profit before other expenses	279	259	7.7%
% of sales	18.1%	16.8%	
Other expenses, net	-3	-	
Operating profit after other expenses	276	259	6.8%
Financing expenses, net	-25	-25	0.2%
Income before taxes on income	251	234	7.5%
Taxes on income	-42	-48	-12.0%
Effective tax rate	16.8%	20.5%	
Income for the period	209	186	12.5%
Attributable to the Company's shareholders	189	168	12.6%
Attributable to non-controlling interests	20	18	11.8%

Condensed financial accounting (GAAP)			
First Nine Months			
	2021	2020	Change
Sales	4,513	4,419	2.1%
Cost of sales excluding impact of commodity hedges	2,686	2,623	2.4%
Adjustments for commodity hedges	-1	-1	
Cost of sales	2,685	2,622	2.4%
Gross profit	1,828	1,797	1.8%
% of sales	40.5%	40.7%	
Selling and marketing expenses	981	972	1.0%
General and administrative expenses	313	301	3.9%
Total expenses	1,294	1,273	1.7%
Share of profit of equity-accounted investees	150	*189	-20.9%
Share of profit (loss) of equity-accounted incubator investees	75	*-7	1,208.4%
Operating profit before other expenses	759	706	7.5%
% of sales	16.8%	16.0%	
Other expenses, net	-	-	
Operating profit after other expenses	759	706	7.6%
Financing expenses, net	-47	-82	-43.0%
Income before taxes on income	712	624	14.2%
Taxes on income	-134	-121	10.8%
Effective tax rate	18.8%	19.4%	
Income for the period	578	503	15.0%
Attributable to the Company's shareholders	522	450	16.2%
Attributable to non-controlling interests	56	53	5.1%

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

* Reclassified

Conference Call

Strauss Group will host a Zoom conference call in Hebrew on Tuesday, November 16, 2021 at 14:00 (Israel time) with the participation of company management to review the financial statements of the company for the third quarter of 2021. Following is information for those wishing to join the conference:

Meeting URL: <https://straussgroup.zoom.us/j/98971616758?pwd=TFNIK2JwZHF5azg3M2ZPRDA0R3Uxdz09>

Meeting ID: 989 7161 6758

Password: 444140

Strauss Group will also host a Zoom conference call in English on Tuesday, November 16, 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 third quarter of 2021.

Meeting URL: <https://straussgroup.zoom.us/j/98896664839?pwd=eVhFRkZqb040cXZjNU9nSmhWOU92Zz09>

Meeting ID: 988 9666 4839

Password: 588327

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 third 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/>

For further information, please contact:

Daniella Finn
Director of Investor Relations
Strauss Group Ltd.
972-54-577-2195
972-3-675-2545
Daniella.Finn@Strauss-Group.com

Osnat Golan
VP Communications, Corporate Brand & Sustainability
Strauss Group Ltd.
972-52-828-8111
972-3-675-2281
Osnat.Golan@Strauss-Group.com

Or

Shlomi Sheffer
External Communications Director
Strauss Group Ltd.
972-50-620-8000
972-3-675-6713
Shlomi.Sheffer@Strauss-Group.com