

# **Strauss Group Posts a 6.5% sales growth<sup>1</sup> for FY 2022 and Revenues of NIS 9.5 billion**

## **Net profit declines 73% to NIS 174 million**

The company delivered revenue growth in most businesses in Israel and Internationally  
Suspension of manufacturing operations at the confectionery division and at Sabra negatively impacted growth and led to profit and margin erosion

**The Confectionery Division, which resumed manufacturing in late 2022, has reached a 24%<sup>2</sup> market share, close to pre-recall levels**

This morning, Strauss Group announced its financial results for the full year 2022 with revenue growth countered by profit and margin erosion. The company's results demonstrate growth in most categories, including the coffee business in Brazil and Eastern Europe, the water business in Israel and China, and most of Strauss's business categories in Israel.

Revenues were impacted by the recall in the confectionery division and the partial suspension of production in Sabra for several months in 2022. Sabra's dips and spreads manufacturing site in Virginia and the confectionery plant in Nof Hagalil resumed production during 2022 and have regained market share since. In March 2023, the confectionery division's market share reached an average of 24%<sup>2</sup>, which is close to market share prior to the recall, while Sabra's share of US hummus market was 31.2% at the end of 2022 and was up to 37.6% in recent weeks, compared to 61.6% before the shutdown<sup>3</sup>.

The Group's revenue in 2022 grew 6.5% to NIS 9.5 billion (organic, excluding foreign currency effects). Gross profit was down 12.3% and amounted to NIS 2.8 billion, with the gross margin falling to 29.8% compared to 36.9% in 2021. Gross profit and margin erosion was largely due to the recall in the confectionery division, the adjustment plan in the Sabra plant and the rising prices of green coffee, raw milk, packaging materials and energy. This led to erosion of the Company's operating profit, which dropped 61.4% compared to 2021 to NIS 379 million, and to a decline of 72.9% in net profit, which dropped to NIS 174 million.

**Ofra Strauss, Chairperson of Strauss Group:** "2022 was a year in which we dealt with internal and external challenges, whilst investing in the group's infrastructure as a foundation for our future resilience. During the past year, our commitment and values were a compass that guided our path. It was crystal clear to us that we are a company that places the health and safety of our consumers and people above anything else.

"A company that handles the challenges of the present and builds the future with a long-term vision. The strategy that we launched at the beginning of 2022 included adjustments that the company is required to make and capabilities that it is required to build over the next ten years. This includes investing in production sites infrastructures and in new technologies, nurturing the skills of the company's employees and making organizational changes as per our strategy.

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

<sup>2</sup> Source: StoreNext, based on a report published in March 2023

<sup>3</sup> Source: IRI

“This is an opportunity to thank Giora Bardea who recently retired from the role of CEO of the group after 5 years, for his leadership, the ongoing management and for preparing the group for the future; and I would like to wish Shai all the best in these future endeavors.

“In the past few months, we made changes in the Group’s management. We are investing in innovation, upgrading our production sites and continuously adapting ourselves to fulfill emerging expectations, while maintaining our commitment to improve our positive impact on people and on the environment.”

**Shai Babad, Strauss Group CEO:** “Strauss delivered growth that is the result of the strong performance by the international coffee business, Strauss Water, the food division, the dairies and salty snacks in Israel. Sabra in the US and the confectionery division in Israel have resumed production and are consistently growing their market shares.

“In Q4 2022, and even more so as we entered 2023, the Group continued to implement its strategy, with three managerial focus areas: Recover, Transform, Perform.

“In November 2022, we signed an update to the partnership agreement in Brazil and its extension for another 20 years. In December 2022, we approved an investment for the construction of another plant for the production of water bars in China. In January 2023, we announced the expansion of the water business in the UK through a partnership with the global water treatment company, Culligan International, and in February, 2023, we terminated Obela’s business in Europe.”

“At the end of 2022, Strauss Group parted ways with Giora Bardea, who stepped down from his post after five years as CEO and almost 30 years at Strauss Group. This is an opportunity for me to thank him personally for the way he introduced me to the position, and for his personal and professional support during my first months as CEO.”

**Strauss Israel** ended 2022 with NIS 3.5 billion in sales, down 8.9%. The Company delivered sales growth in all divisions, especially in dairies, food, and salty snacks, which offset the drop in sales by the confectionery division.

In 2022, Strauss Israel continued to launch new products to a variety of communities, including new Danone Pro products, Pro beverages, expansion of the Alpro offering of drinks in the plant-based world, Danone Multi for the Third Age, and other product variation launches throughout the year in the various divisions.

**Strauss Coffee’s** business in Israel grew 6.9% in 2022 to NIS 778 million, thanks to increased sales to the retail market and AFH channel. However, operating profit and the operating margin eroded, mainly due to the increase in green coffee prices as well as higher energy and packaging material costs.

Sales by the coffee company in Brazil grew in 2022 to NIS 2.66 billion (50% ownership), an increase of 43.7% in local currency, largely the result of higher sales prices as well as the weakening of the shekel against the Brazilian real. The coffee business in Eastern Europe also delivered double-digit growth in local currency in all countries where the company is active: Russia-Ukraine, Poland, Romania and Serbia.

**Sabra** concluded 2022 with sales of NIS 328 million (50% ownership), a decline of 46.9% in local currency due to the shutdown of the plant in Virginia from April until resuming production in August. Obela ended the year with NIS 87 million in revenue (50% ownership), up 7.3% in local currency.

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.

**Strauss Water** delivered another strong year with 6.7% organic sales growth, with sales rising to NIS 785 million thanks to growth in the customer base and in sales of new appliances. In 2022, sales in China<sup>4</sup> rose 7.8%, mainly due to growth in the number of points of sale, despite lockdowns during part of the year due to renewed COVID-19 outbreaks. In December, HSW's board of directors decided to build a second manufacturing site in China.

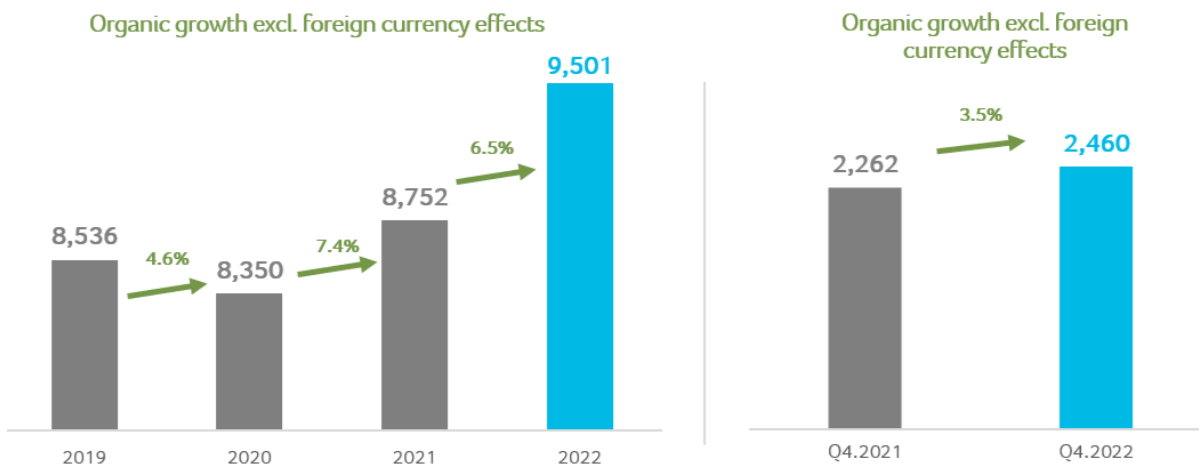
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<sup>4</sup> Reported separately

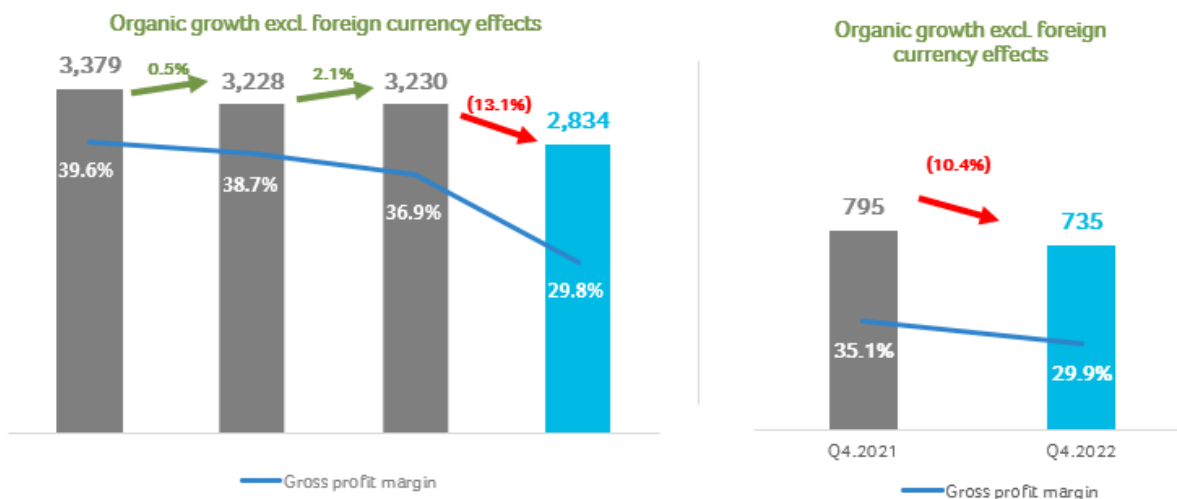
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Following are key financial data in a quarterly and multi-year comparison, according to the Management (Non-GAAP) Reports:

### Net Sales

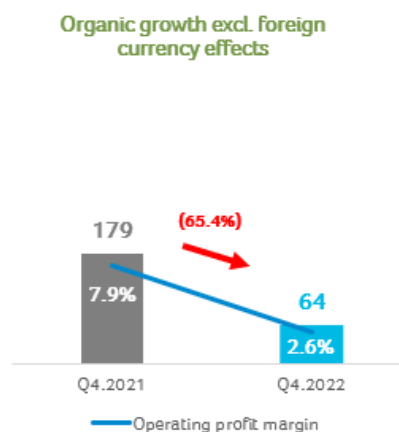
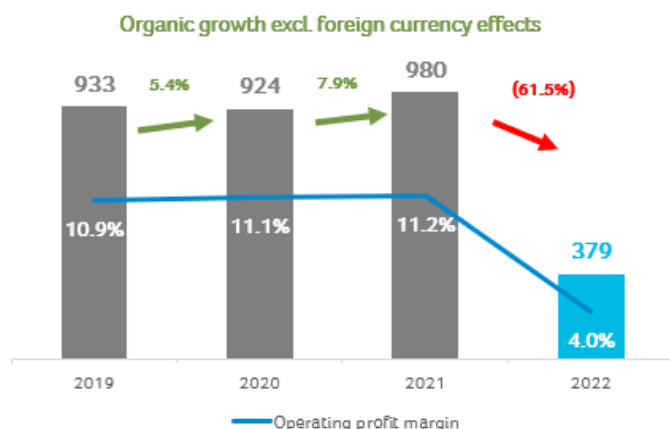


### Gross Profit and Gross Margin

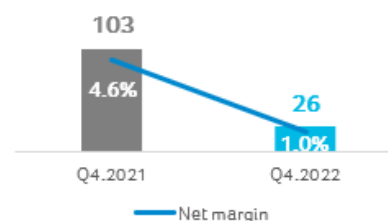
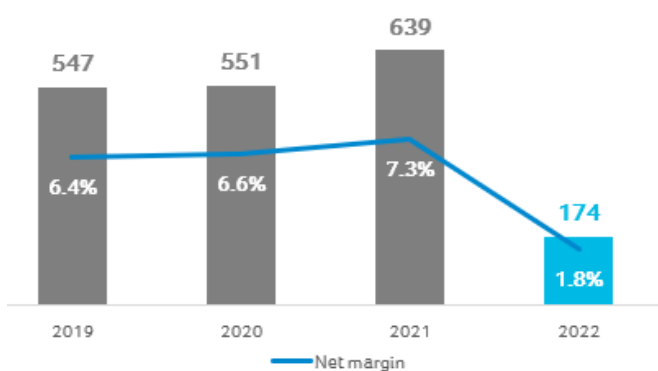


Financial data were rounded to NIS millions.

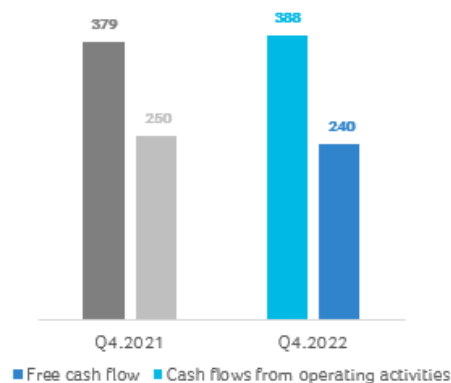
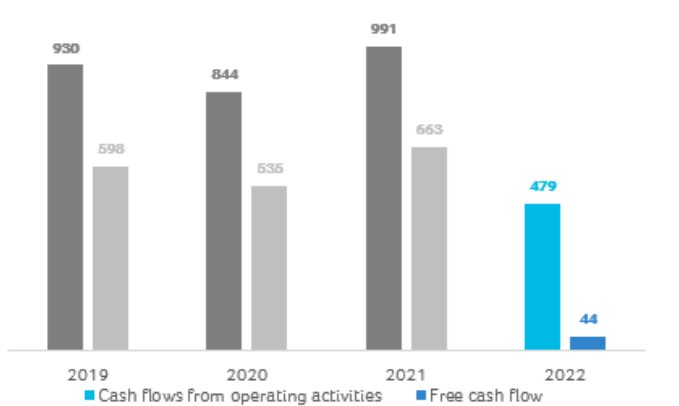
## Operating Profit and Operating Margin



## Net Profit and Net Margin



## Cash Flows from Operating Activities and Free Cash Flow



Financial data were rounded to NIS millions.

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

Four Quarter			
	2022	2021	Change
Total Group Sales (NIS mm)	2,460	2,262	8.7%
Organic Sales Growth excluding FX	3.5%	12.6%	
Gross Profit (NIS mm)	735	795	-7.6%
Gross Margins (%)	29.9%	35.1%	-520 bps
EBITDA (NIS mm)	168	271	-37.9%
EBITDA Margins (%)	6.8%	12.0%	-520 bps
EBIT (NIS mm)	64	179	-64.6%
EBIT Margins (%)	2.6%	7.9%	-530 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	26	103	-76.1%
Net Income Margin (Attributable to the Company's Shareholders) (%)	1.0%	4.6%	-360 bps
EPS (NIS)	0.21	0.89	-76.1%
Operating Cash Flow (NIS mm)	388	379	2.4%
Capex (NIS mm) <sup>(2)</sup>	148	129	14.7%
Net debt (NIS mm)	2,322	1,696	36.9%
Net debt / annual EBITDA	3.0x	1.3x	1.7x

(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 <sup>(1)</sup>

	Four 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. 2021
<b>Sales and EBIT by Operating Segments and Activities</b>								
<b>Strauss Israel:</b>								
Health & Wellness	715	5.2%	5.2%	68	-12	-14.7%	9.6%	-220 bps
Fun & Indulgence <sup>(2)</sup>	162	-44.2%	-44.2%	-53	-74	-357.2%	-33.1%	-4030 bps
<b>Total Strauss Israel</b>	<b>877</b>	<b>-9.6%</b>	<b>-9.6%</b>	<b>15</b>	<b>-86</b>	<b>-85.3%</b>	<b>1.7%</b>	<b>-870 bps</b>
<b>Strauss Coffee:</b>								
Israel Coffee	183	0.2%	0.2%	6	-29	-83.4%	3.2%	-1610 bps
International Coffee <sup>(2)</sup>	1,087	42.2%	25.8%	76	31	74.9%	7.1%	+140 bps
<b>Total Strauss Coffee</b>	<b>1,270</b>	<b>34.1%</b>	<b>21.3%</b>	<b>82</b>	<b>2</b>	<b>3.8%</b>	<b>6.5%</b>	<b>-190 bps</b>
<b>International Dips &amp; Spreads:</b>								
Sabra (50%) <sup>(2)</sup>	94	-30.0%	-50.3%	-25	-18	-278.9%	-27.4%	+320 bps
Obela (50%) <sup>(2)</sup>	25	9.9%	10.1%	-1	0	+36.9%	NM	NM
<b>Total International Dips &amp; Spreads</b>	<b>119</b>	<b>-24.2%</b>	<b>-30.5%</b>	<b>-26</b>	<b>-18</b>	<b>266.0%</b>	<b>-22.3%</b>	<b>-1770 bps</b>
<b>Strauss Water</b>	<b>193</b>	<b>3.1%</b>	<b>3.2%</b>	<b>23</b>	<b>1</b>	<b>5.9%</b>	<b>12.0%</b>	<b>+30 bps</b>
<b>Other <sup>(2)(3)</sup></b>	<b>1</b>	<b>NM</b>	<b>NM</b>	<b>-30</b>	<b>-14</b>	<b>88.2%</b>	<b>NM</b>	<b>NM</b>
<b>Total Group</b>	<b>2,460</b>	<b>8.7%</b>	<b>3.5%</b>	<b>64</b>	<b>-115</b>	<b>-64.6%</b>	<b>2.6%</b>	<b>-530 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.

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

	Year		
	2022	2021	Change
Total Group Sales (NIS mm)	9,501	8,752	8.6%
Organic Sales Growth excluding FX	6.5%	7.4%	
Gross Profit (NIS mm)	2,834	3,230	-12.3%
Gross Margins (%)	29.8%	36.9%	-710 bps
EBITDA (NIS mm)	774	1,329	-41.8%
EBITDA Margins (%)	8.1%	15.2%	-710 bps
EBIT (NIS mm)	379	980	-61.4%
EBIT Margins (%)	4.0%	11.2%	-720 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	174	639	-72.9%
Net Income Margin Attributable to the Company's Shareholders (%)	1.8%	7.3%	-550 bps
EPS (NIS)	1.49	5.50	-73.0%
Operating Cash Flow (NIS mm)	479	991	-51.6%
Capex (NIS mm) <sup>(2)</sup>	435	328	32.6%
Net debt (NIS mm)	2,322	1,696	36.9%
Net debt / annual EBITDA	3.0x	1.3x	1.7x

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

	Year							
	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. 2021
<b>Sales and EBIT by Operating Segments and Activities</b>								
<b>Strauss Israel:</b>								
Health & Wellness	2,784	3.6%	3.6%	280	-61	-17.6%	10.1%	-260 bps
Fun & Indulgence <sup>(2)</sup>	712	-38.0%	-38.0%	-302	-412	-374.0%	-42.5%	-5210 bps
<b>Total Strauss Israel</b>	<b>3,496</b>	<b>-8.9%</b>	<b>-8.9%</b>	<b>-22</b>	<b>-473</b>	<b>-104.9%</b>	<b>-0.6%</b>	<b>-1230 bps</b>
<b>Strauss Coffee:</b>								
Coffee Israel	778	6.9%	6.9%	97	-58	-37.3%	12.5%	-880 bps
International Coffee <sup>(2)</sup>	4,026	45.3%	37.9%	363	166	84.8%	9.0%	+190 bps
<b>Total Strauss Coffee</b>	<b>4,804</b>	<b>37.3%</b>	<b>31.7%</b>	<b>460</b>	<b>108</b>	<b>30.9%</b>	<b>9.6%</b>	<b>-50 bps</b>
<b>International Dips &amp; Spreads:</b>								
Sabra (50%) <sup>(2)</sup>	328	-45.0%	-46.9%	-104	-139	-402.3%	-31.6%	-3030 bps
Obela (50%) <sup>(2)</sup>	87	2.1%	7.3%	-7	-1	27.9%	NM	NM
<b>Total International Dips &amp; Spreads</b>	<b>415</b>	<b>-39.0%</b>	<b>-40.7%</b>	<b>-111</b>	<b>-140</b>	<b>-478.2%</b>	<b>-26.9%</b>	<b>-3120 bps</b>
<b>Strauss Water</b>	<b>785</b>	<b>6.7%</b>	<b>7.0%</b>	<b>97</b>	<b>5</b>	<b>6.0%</b>	<b>12.4%</b>	<b>-10 bps</b>
<b>Other <sup>(2)(3)</sup></b>	<b>1</b>	<b>NM</b>	<b>NM</b>	<b>-45</b>	<b>-101</b>	<b>-179.8%</b>	<b>NM</b>	<b>NM</b>
<b>Total Group</b>	<b>9,501</b>	<b>8.6%</b>	<b>6.5%</b>	<b>379</b>	<b>-601</b>	<b>-61.4%</b>	<b>4.0%</b>	<b>-720 bps</b>

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**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)			
Four Quarter			
	2022	2021	Change
Sales	1,565	1,561	0.3%
Cost of sales excluding impact of commodity hedges	1,053	956	10.2%
Adjustments for commodity hedges	29	11	
Cost of sales	1,082	967	11.8%
<b>Gross profit</b>	<b>483</b>	<b>594</b>	<b>-18.6%</b>
% of sales	30.9%	38.0%	
Selling and marketing expenses	347	363	-4.4%
General and administrative expenses	111	107	3.7%
<b>Total expenses</b>	<b>458</b>	<b>470</b>	<b>-2.6%</b>
Share of profit of equity-accounted investees	-5	42	-113.9%
Share of profit (loss) of equity-accounted incubator investees	-15	-4	232.4%
<b>Operating profit before other expenses</b>	<b>5</b>	<b>162</b>	<b>-97.0%</b>
% of sales	0.3%	10.4%	
Other expenses, net	-20	-5	
<b>Operating profit after other expenses</b>	<b>-15</b>	<b>157</b>	<b>-110.1%</b>
Financing expenses, net	-16	-33	-51.9%
<b>Income before taxes on income</b>	<b>-31</b>	<b>124</b>	<b>-125.9%</b>
Taxes on income	10	-22	-145.1%
Effective tax rate	30.6%	17.6%	
<b>Income for the period</b>	<b>-21</b>	<b>102</b>	<b>-121.8%</b>
<b>Attributable to the Company's shareholders</b>	<b>-32</b>	<b>87</b>	<b>-137.1%</b>
Attributable to non-controlling interests	11	15	-30.0%

Condensed financial accounting (GAAP)			
Year			
	2022	2021	Change
Sales	6,105	6,074	0.5%
Cost of sales excluding impact of commodity hedges	4,104	3,642	12.7%
Adjustments for commodity hedges	25	10	
Cost of sales	4,129	3,652	13.1%
<b>Gross profit</b>	<b>1,976</b>	<b>2,422</b>	<b>-18.4%</b>
% of sales	32.4%	39.9%	
Selling and marketing expenses	1,359	1,344	1.1%
General and administrative expenses	425	420	1.2%
<b>Total expenses</b>	<b>1,784</b>	<b>1,764</b>	<b>1.1%</b>
Share of profit of equity-accounted investees	80	192	-58.8%
Share of profit (loss) of equity-accounted incubator investees	-26	71	-136.9%
<b>Operating profit before other expenses</b>	<b>246</b>	<b>921</b>	<b>-73.3%</b>
% of sales	4.0%	15.2%	
Other expenses, net	-54	-5	
<b>Operating profit after other expenses</b>	<b>192</b>	<b>916</b>	<b>-79.1%</b>
Financing expenses, net	-41	-80	-48.5%
<b>Income before taxes on income</b>	<b>151</b>	<b>836</b>	<b>-82.0%</b>
Taxes on income	-34	-156	-78.1%
Effective tax rate	22.7%	18.6%	
<b>Income for the period</b>	<b>117</b>	<b>680</b>	<b>-82.9%</b>
<b>Attributable to the Company's shareholders</b>	<b>64</b>	<b>609</b>	<b>-89.6%</b>
Attributable to non-controlling interests	53	71	-25.9%

## **Conference Call**

Strauss Group will host a Zoom conference call in Hebrew on Thursday, March 23, 2023 at 14:00 (Israel time) with the participation of company management to review the financial statements of the company for the fourth quarter and full year of 2022. Following is information for those wishing to join the conference:

Meeting URL: <https://go-live-il.zoom.us/j/82891659796?pwd=djlaYzVUOThzVHBuNzFpNjRYSEdMdz09>

Strauss Group will also host a Zoom conference call in English on Thursday, March 23, 2023 at 16:30 (Israel time) with the participation of company management to review the financial statements of the company for the fourth quarter and full year of 2022.

Meeting URL: <https://strauss-group.zoom.us/j/97423028214?pwd=bnpySVlmtT1UzV1N6ckdINDlKU1REQT09>

Password: 080156

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 fourth quarter and full year 2021 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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