

Strauss Group delivers NIS 5.2 billion in revenues in first half of 2023 with 10% organic growth¹ as margin erosion persists, and NIS 219 million in net profit²

Alongside business growth in Israel, Brazil, China and Europe, Strauss Group has contended with continuing profit erosion and elevated raw material prices; CEO Shai Babad: “We continue to pursue the implementation of our strategic plans and consumer-centric innovation, while implementing productivity improvement processes”

This morning, Strauss Group published its financial statements for the second quarter of 2023, summing up the first half-year with 10.1% organic growth and NIS 5,179 million in revenues, largely thanks to continuing growth in the company's business in Israel, China, the United States and Brazil. Revenues in the second quarter were NIS 2,625 million, reflecting 12.4% organic growth.

Gross profit in the half-year was NIS 1,676 million, 32.4% of sales, and operating profit was NIS 379 million, 7.3% of sales, reflecting a persistent downward trend in profit margins due to ongoing input inflation and rising raw material prices. Net income attributable to shareholders in the six-month period was NIS 219 million. In the second quarter, the Group's gross profit was NIS 839 million, 31.9% of sales, and operating profit was NIS 171 million, 6.5% of sales.

Shai Babad, Strauss Group CEO: “Strauss delivered a half-year of sustained growth across all businesses in all regions, as margins continue to erode as a result of elevated raw material prices and inflation. We continue to pursue the implementation of our strategic plans, the launch of new products and consumer-centric innovation, while implementing internal productivity improvement processes to increase our margins, and optimizing our portfolio.”

Strauss Israel delivered revenues of NIS 2,020 million in the first half, reflecting 15.6% growth compared to the corresponding period last year. Strauss Israel's operating profit was NIS 186 million.

The company's market share³ in Israel grew to 11.9% compared to 11.5% last year, but it has still not regained pre-recall levels (12.3%).

Health & Wellness sales were NIS 1,497 million, up 11.7%, and operating profit was NIS 162 million.

The Fun & Indulgence segment's revenues in the half-year were NIS 523 million, reflecting an increase of 28.6%, and operating profit was NIS 24 million. The confectionery business continued to recover with a market share of 23.6%⁴ in the second quarter and 24.4% in July, compared to 28%-29% before the 2022 recall.

¹ Organic, excluding foreign currency effects

² The 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.

³ Storenext reports measuring consumption in the barcoded FMCG market

⁴ According to the StoreNext report published on July 3, 2023. StoreNext measures consumption in the barcoded FMCG market.

Strauss Coffee delivered another half-year of growth with revenues of NIS 2,506 million, reflecting 12.6% growth over the corresponding period. The coffee company's operating profit was NIS 190 million, down 18.6% compared to the same period last year. In Israel, coffee revenues were NIS 407 million, up 3% compared to the first half of 2022, and operating profit was NIS 53 million, reflecting a decline of 22.4% compared to last year.

In Brazil, the coffee company Três Corações delivered revenue growth with sales of NIS 1,404 million, (for 50% ownership) up 11.1%. Operating profit was NIS 96 million, down 45% compared to the corresponding half-year in 2022, due to the moderation of coffee selling prices in Brazil. Três Corações's average value market share in roast & ground (R&G) coffee in the first half of 2023 was 33.8%, compared to 32.7% last year.

Revenues in the coffee business in Russia and Ukraine were NIS 336 million, up 18.5%; Poland – NIS 169 million, up 25.2%; Romania – NIS 111 million, up 29.2%; and Serbia – NIS 79 million, up 25.4%.

The International Dips & Spreads segment continued to rally as market shares in the US improved and revenues continued to recover and grow. Sales in the first half were NIS 260 million (for 50% ownership), up 35%, and the operating loss was NIS 10 million. Sabra's sales amounted to NIS 221 million, (for 50% ownership) up 46.3%, and the operating loss was NIS 6 million. In July, Sabra's market share in North America rose to 40.8%.⁵

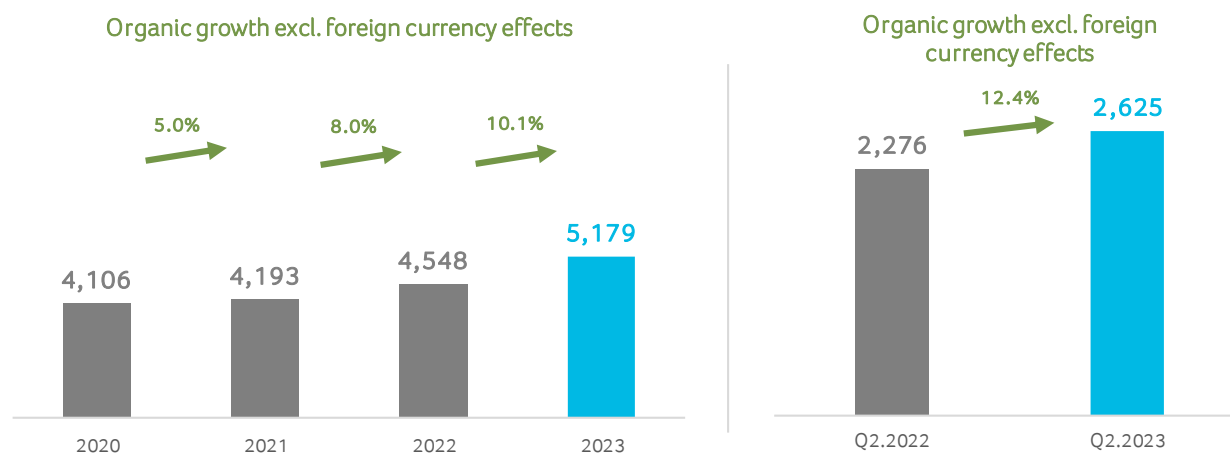
Strauss Water continued to grow in the first half with revenues of NIS 392 million, up 2.5% compared to last year. Operating profit in the period was NIS 45 million, down 6.1%. In the half-year, the water business in China delivered revenues of NIS 395 million (for 100% ownership), 12.5% growth and NIS 48 million in net profit (100% ownership).

The Kitchen FoodTech Hub: Since its establishment, the FoodTech incubator has invested in 25 companies. As of June 30, 2023, the total value of investments in the portfolio startups, which are presented in the financial statements according to the equity method, was NIS 116 million (on June 30, 2022: NIS 150 million). The fair value of these investments on the same date was NIS 613 million (June 30, 2022: NIS 559 million).

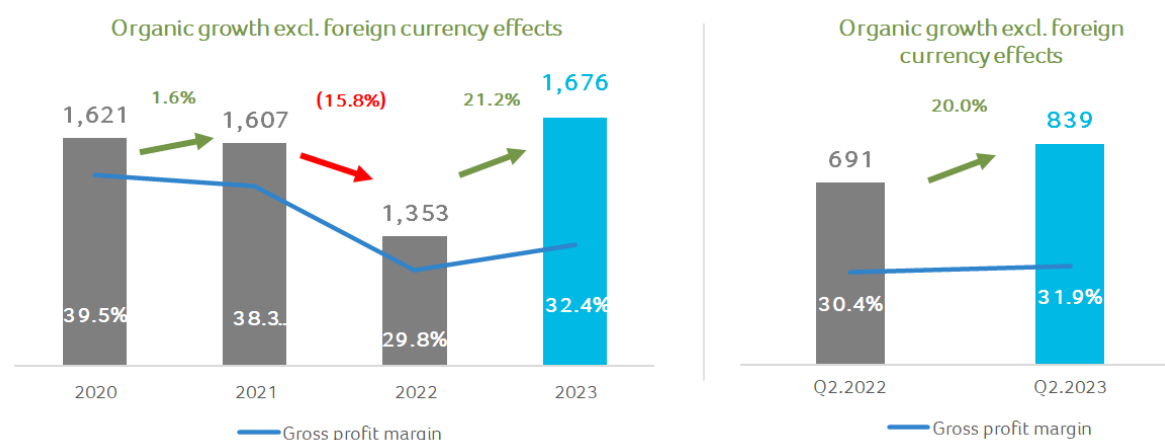
⁵ Circana POS, MULO-C through 18.06.23

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

Net Sales

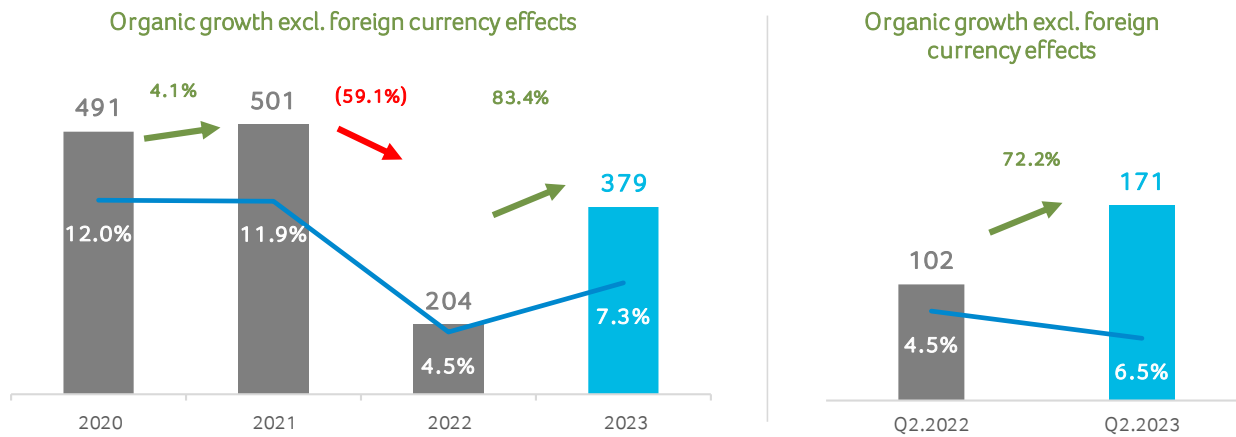


Gross Profit and Gross Margin

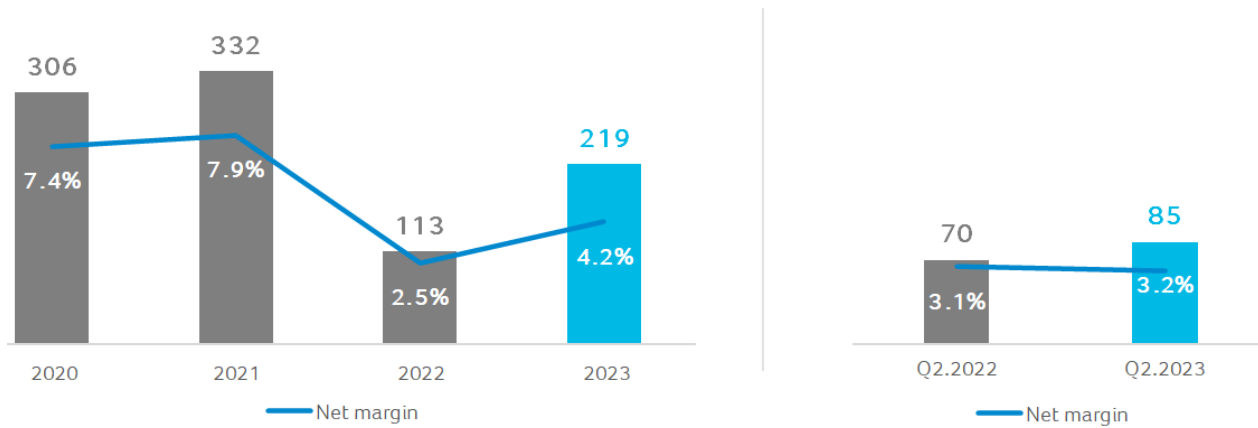


Financial data were rounded to NIS millions. Percentages changes were calculated based on the exact figures in NIS thousands.

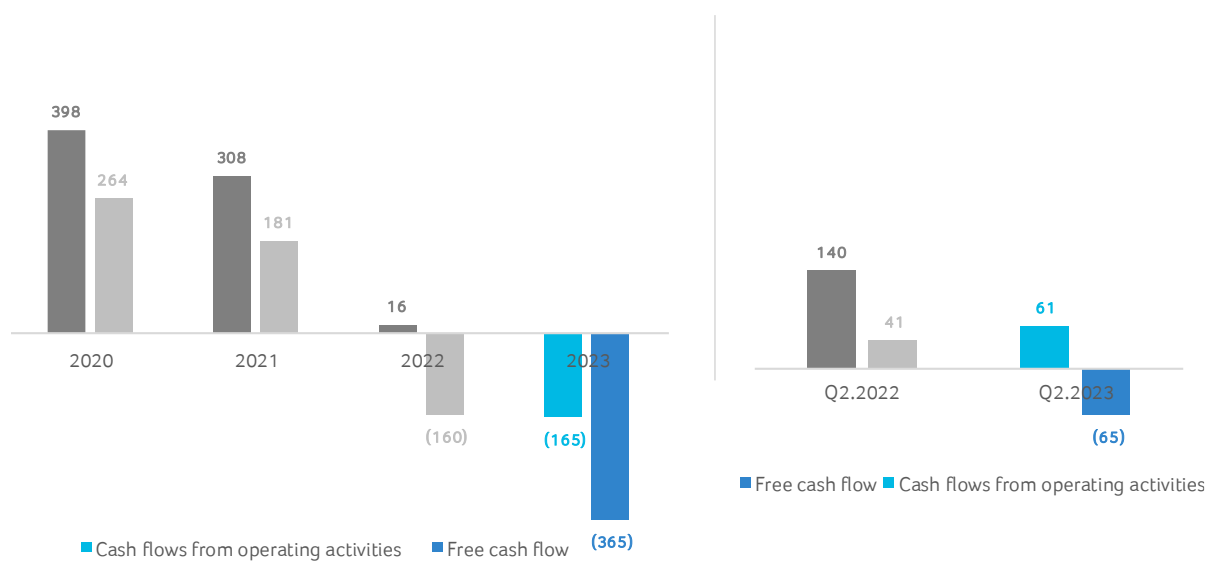
Operating Profit and Operating Margin



Net Profit and Net Margin



Operating Cash Flow and Free Cash Flow



Non GAAP Figures ⁽¹⁾

	Second Quarter		
	2023	2022	Change
Total Group Sales (NIS mm)	2,625	2,276	15.3%
Organic Sales Growth excluding FX	12.4%	4.6%	
Gross Profit (NIS mm)	839	691	21.2%
Gross Margins (%)	31.9%	30.4%	+150 bps
EBITDA (NIS mm)	275	201	36.6%
EBITDA Margins (%)	10.5%	8.9%	+160 bps
EBIT (NIS mm)	171	102	65.2%
EBIT Margins (%)	6.5%	4.5%	+200 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	85	70	21.3%
Net Income Margin (Attributable to the Company's Shareholders) (%)	3.2%	3.1%	+10 bps
EPS (NIS)	0.72	0.60	21.2%
Operating Cash Flow (NIS mm)	61	140	-56.4%
Capex (NIS mm) ⁽²⁾	127	99	28.3%
Net debt (NIS mm)	2,977	2,455	21.3%
Net debt / annual EBITDA	3.0x	3.0x	0.0x

(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⁾

	Second Quarter							
	Organic Sales			Sales Growth			Change in EBIT	
	Sales (NIS mm)	Growth vs. Last Year	excluding FX	EBIT (NIS mm)	NIS Change in EBIT	% Change in EBIT	EBIT margins	margins vs. 2022
Sales and EBIT by Operating Segments and Activities								
Strauss Israel:								
Health & Wellness	754	12.3%	12.3%	77	13	19.9%	10.2%	+60 bps
Fun & Indulgence ⁽²⁾	217	115.1%	115.1%	0	75	-99.2%	-0.3%	+7410 bps
Total Strauss Israel	971	25.7%	25.7%	77	88	-809.2%	7.9%	+930 bps
Strauss Coffee:								
Israel Coffee	169	-6.1%	-6.1%	14	-6	-33.5%	8.2%	-340 bps
International Coffee ⁽²⁾	1,148	9.3%	4.2%	77	-30	-27.7%	6.7%	-350 bps
Total Strauss Coffee	1,317	7.1%	2.7%	91	-36	-28.7%	6.9%	-350 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	116	113.7%	96.0%	-5	23	81.8%	-4.4%	+4760 bps
Obela (50%) ⁽²⁾	17	-11.9%	-16.8%	-4	-1	-22.3%	NM	NM
Total International Dips & Spreads	133	80.1%	66.9%	-9	22	71.3%	-6.8%	+3570 bps
Strauss Water	204	2.1%	1.8%	24	1	3.0%	11.8%	+10 bps
Other ⁽²⁾⁽³⁾	0	NM	NM	-12	-6	-94.9%	NM	NM
Total Group	2,625	15.3%	12.4%	171	69	65.2%	6.5%	+200 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.

Non GAAP Figures ⁽¹⁾

First Half			
	2023	2022	Change
Total Group Sales (NIS mm)	5,179	4,548	13.9%
Organic Sales Growth excluding FX	10.1%	8.0%	
Gross Profit (NIS mm)	1,676	1,353	23.8%
Gross Margins (%)	32.4%	29.8%	+260 bps
EBITDA (NIS mm)	585	395	48.1%
EBITDA Margins (%)	11.3%	8.7%	+260 bps
EBIT (NIS mm)	379	204	84.6%
EBIT Margins (%)	7.3%	4.5%	+280 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	219	113	94.5%
Net Income Margin Attributable to the Company's Shareholders (%)	4.2%	2.5%	+170 bps
EPS (NIS)	1.88	0.97	94.2%
Operating Cash Flow (NIS mm)	-165	16	-1102.2%
Capex (NIS mm) ⁽²⁾	201	176	14.2%
Net debt (NIS mm)	2,977	2,455	21.3%
Net debt / annual EBITDA	3.0x	3.0x	0.0x

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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.

Non GAAP Figures ⁽¹⁾

	First Half							
	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. 2022
Sales and EBIT by Operating Segments and Activities								
Strauss Israel:								
Health & Wellness	1,497	11.7%	11.7%	162	16	10.7%	10.8%	-10 bps
Fun & Indulgence ⁽²⁾	523	28.6%	28.6%	24	196	113.7%	4.5%	+4690 bps
Total Strauss Israel	2,020	15.6%	15.6%	186	212	812.9%	9.2%	+1070 bps
Strauss Coffee:								
Coffee Israel	407	3.0%	3.0%	53	-14	-22.4%	12.9%	-430 bps
International Coffee ⁽²⁾	2,099	14.6%	6.7%	137	-28	-17.1%	6.5%	-250 bps
Total Strauss Coffee	2,506	12.6%	6.1%	190	-42	-18.6%	7.6%	-290 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	221	46.3%	32.7%	-6	37	124.4%	-2.9%	+2570 bps
Obela (50%) ⁽²⁾	39	-5.8%	-10.8%	-4	1	30.6%	NM	NM
Total International Dips & Spreads	260	35.1%	24.1%	-10	38	79.3%	-3.9%	+2130 bps
Strauss Water	392	2.5%	2.3%	45	-3	-6.1%	11.6%	-110 bps
Other ⁽²⁾⁽³⁾	1	NM	NM	-32	-30	-1405.6%	NM	NM
Total Group	5,179	13.9%	10.1%	379	175	84.6%	7.3%	+280 bps

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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)			
First Half			
	2023	2022	Change
Sales	3,344	2,932	14.1%
Cost of sales excluding impact of commodity hedges	2,154	1,975	9.0%
Adjustments for commodity hedges	-57	-4	
Cost of sales	2,097	1,971	6.4%
Gross profit	1,247	961	29.8%
% of sales	37.3%	32.8%	
Selling and marketing expenses	676	664	1.8%
General and administrative expenses	241	213	13.0%
Total expenses	917	877	4.6%
Share of profit of equity-accounted investees	92	72	27.5%
Share of profit (loss) of equity-accounted incubator investees	-17	1	-1824.5%
Operating profit before other expenses	405	157	158.2%
% of sales	12.1%	5.4%	
Other expenses, net	61	-31	
Operating profit after other expenses	466	126	271.1%
Financing expenses, net	-30	6	578.0%
Income before taxes on income	436	132	231.3%
Taxes on income	-104	-32	231.2%
Effective tax rate	23.9%	23.9%	
Income for the period	332	100	231.3%
Attributable to the Company's shareholders	304	69	339.8%
Attributable to non-controlling interests	28	31	-8.9%

Condensed financial accounting (GAAP)			
Second Quarter			
	2023	2022	Change
Sales	1,631	1,421	14.8%
Cost of sales excluding impact of commodity hedges	1,048	921	13.8%
Adjustments for commodity hedges	-4	-2	
Cost of sales	1,044	919	13.6%
Gross profit	587	502	16.8%
% of sales	36.0%	35.3%	
Selling and marketing expenses	346	340	1.9%
General and administrative expenses	120	106	13.1%
Total expenses	466	446	4.5%
Share of profit of equity-accounted investees	47	27	75.3%
Share of profit (loss) of equity-accounted incubator investees	-9	-7	23.5%
Operating profit before other expenses	159	76	108.6%
% of sales	9.7%	5.4%	
Other expenses, net	-9	-3	
Operating profit after other expenses	150	73	106.8%
Financing expenses, net	-19	20	-192.2%
Income before taxes on income	131	93	40.6%
Taxes on income	-45	-24	86.5%
Effective tax rate	34.3%	25.9%	
Income for the period	86	69	24.6%
Attributable to the Company's shareholders	73	55	31.6%
Attributable to non-controlling interests	13	14	-2.6%

Conference Call

Strauss Group will host a Zoom conference call in Hebrew on Tuesday, August 15, 2023 at 14:30 (Israel time) with the participation of company management to review the financial statements of the company for the second quarter of 2023. Following is the information for those wishing to join the online conference:

Meeting URL:

<https://strauss-group.zoom.us/j/95947058607?pwd=S2Q3b2trYXFJemV5UHR6b21SRGs0Zz09>

Passcode: 681841

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

Meeting URL:

<https://strauss-group.zoom.us/j/98151546175?pwd=T2sxYm1LSi9lVDZDMGhPbjZpaFk0QT09>

Passcode: 862154

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 second 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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