

Strauss Group announces 10% revenue growth in Q2 2021

Following the lifting of restrictions and living alongside COVID-19, the Group reports impressive growth in all businesses across all countries of operations, with revenues of NIS 2.13 billion in the second quarter of 2021

This morning, Strauss Group published its financial statements for the second quarter and first half of 2021. The financial statements indicate that innovation, coupled with the lifting of restrictions and the resumption of business activities alongside the pandemic in the past quarter, have contributed to growth in the company's revenues, which increased by around 10.0% in the quarter and amounted to approximately NIS 2.13 billion. Sales growth is evident in all operating segments, particularly Strauss Coffee, Strauss Israel and Strauss Water, while Sabra in the US also recorded revenue growth in local currency.

Strauss President & CEO **Giora Bardea** says: "We are wrapping up a solid quarter and half year with significant sales growth, reflected across all regions in which the Group is active, and stability in most of our market shares. The lifting of restrictions and the gradual return to life alongside COVID-19 have enabled the Group to resume regular operations in segments where business was considerably slowed in the corresponding periods last year. That said, looking ahead it seems likely that some of the limitations will be reinstated in the third and fourth quarters due to the global spread of the delta variant, and we will simply have to learn to live and work alongside COVID.

This understanding – that business activities in the foreseeable future will continue alongside the coronavirus, with the resulting uncertainty served as a catalyst for continued pursuit of our expansion as we build growth drivers for the future. We will continue to enter new business fields: In Israel, we recently announced our entry into ready-to-heat frozen meals and the signing of a partnership agreement with the tofu manufacturer, Wyler Farms, as part of the Group's expansion in the plant-based protein category. In the context of this move, which we announced several months ago, the company has decided on the establishment of a new manufacturing plant for Alpro products in Israel.

Business has also been robust in China. Sales are growing, and we continue to lead in the online sales channels. The Chinese joint venture's new manufacturing plant is now operational and will soon be operating at full capacity. In Israel, at the end of the quarter Strauss Water launched its new, advanced water bars, Edge and Edge Plus, and sales are excellent.

The coffee company is growing in all geographies: Brazil, Israel and Eastern Europe, and the capsule category is a strong growth driver in Israel and Brazil.

Other businesses that are driving the Group forward are the Growth and Innovation Arm and FoodTech. Just recently, we announced an impressive funding round by the cultivated meat manufacturer, Aleph Farms, which raised \$105 million, and the gain will be recorded in the third quarter as a result. I am certain that in the foreseeable future, we will be witnessing more successes by other companies that are growing in the FoodTech accelerator in Ashdod."

The company's gross profit in the second quarter was approximately NIS 795 million, a 6.9% growth compared to the corresponding period last year, and the gross margin was 37.3% compared to 38.4% last year. The drop in the gross margin is largely the result of the increase in raw material prices and international shipping costs. Operating profit in the quarter was approximately NIS 212 million – a 10.0% margin compared to 11.5% in the corresponding period.

The drop in the operating profit margin is mainly due to the drop in the gross margin as well as nonrecurring events, which include a one-time government grant in China that was received in the corresponding period last year and low marketing and G&A expenses due to COVID-19 in the corresponding period among others. Strauss Israel's operating margin improved in the quarter. Net profit in the second quarter was approximately NIS 126 million, reflecting a decrease of 6.3%, and in the first half – NIS 322 million, an increase of 8.7%.

Strauss Israel's business grew by an impressive 7.7% in the second quarter with revenues of approximately NIS 917 million, largely the result of growth in sales of dairy and dairy alternative products as well as a recovery in salty and sweet snack sales for consumption away-from-home and at social gatherings. At the end of the second quarter, Strauss Israel's business held a 12.4% share of the domestic food and beverage market, compared to 12.1% last year. The company's operating profit in the quarter was NIS 108 million, reflecting an increase of 10.1%.

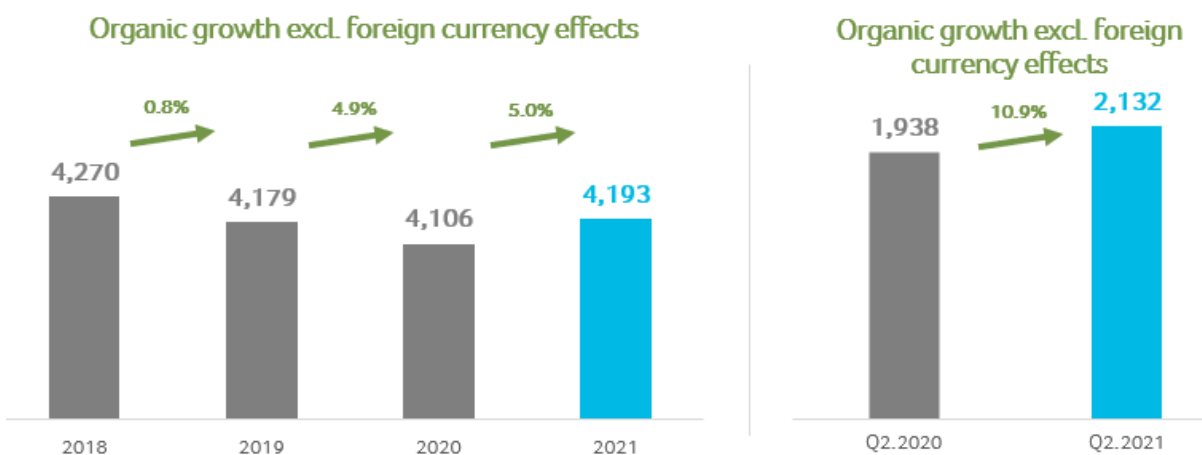
In the second quarter, **Strauss Coffee's** sales totaled NIS 848 million – 13.0% growth compared to the corresponding period last year, thanks to sales growth in Israel, mainly as a result of the reopening of the Elite Café chain's business and sales to the institutional market, and also in countries such as Serbia, Romania, Russia and Ukraine following growth in quantities sold and an increase in sales prices. In the quarter, the company recorded NIS 77 million in operating profit – an operating margin of 9.2% compared to 9.7% last year due to the drop in the gross margin following the increase in green coffee prices.

Strauss Water enjoyed an especially strong quarter, with sales rising by a sharp 16.4% to NIS 186 million. Sales growth was the result of growth in the customer base as well as an increase in the number of new water bars in Israel. Toward the end of the quarter, the company launched its new, advanced water bars in the tami4edge series (Edge and Edge Plus), which were met with great success. Additionally, in China, Haier Strauss Water (HSW) recorded 22.4% sales growth in local currency, and HSW's new manufacturing facility in the country is operational. Operating profit in the quarter amounted to approximately NIS 22 million compared to NIS 30 million in the corresponding period, when a one-time NIS 11 million government grant for the construction of the manufacturing plant was received. Excluding the one-time grant, Strauss Water recorded an increase in its operating profit and operating margin.

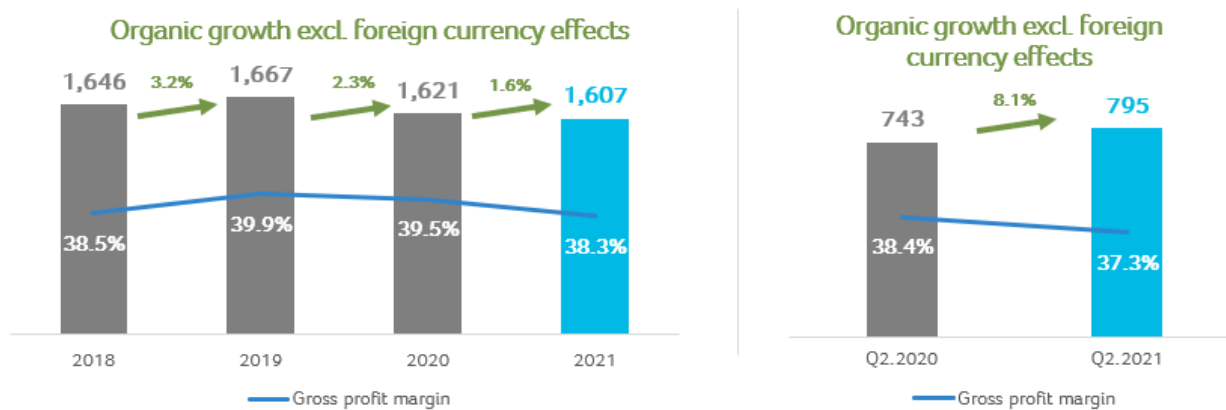
In the second quarter, **Sabra and Obela's** revenues were approximately NIS 321 million and NIS 42 million (reflecting 100% ownership), respectively, compared to NIS 319 million and NIS 36 million (100%) in the corresponding period last year, respectively. In the first half, Sabra's share of the dips and spreads market in the US was 61.2% - Number 1 in the market – compared to 62.5% last year.

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

Net Sales – First Half and Second Quarter

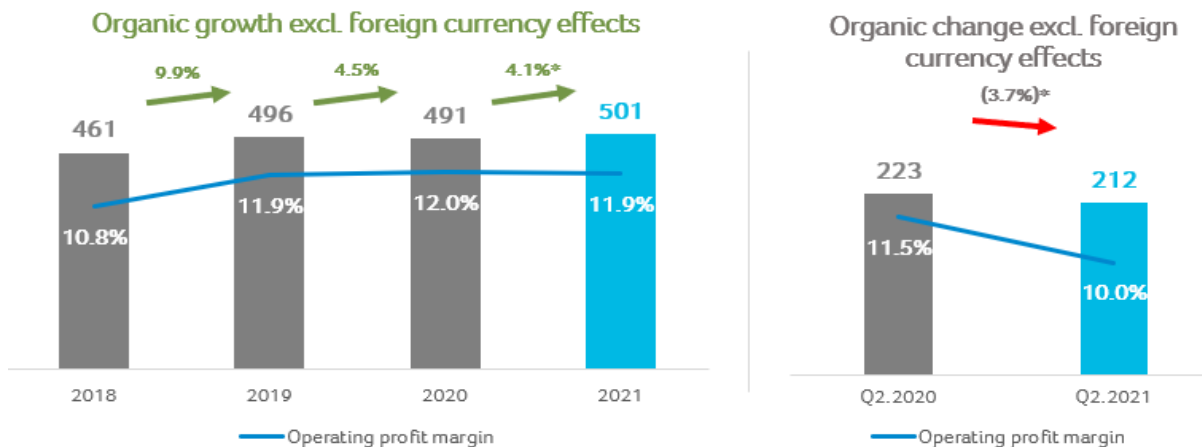


Gross Profit and Gross Profit Margin – First Half and Second Quarter



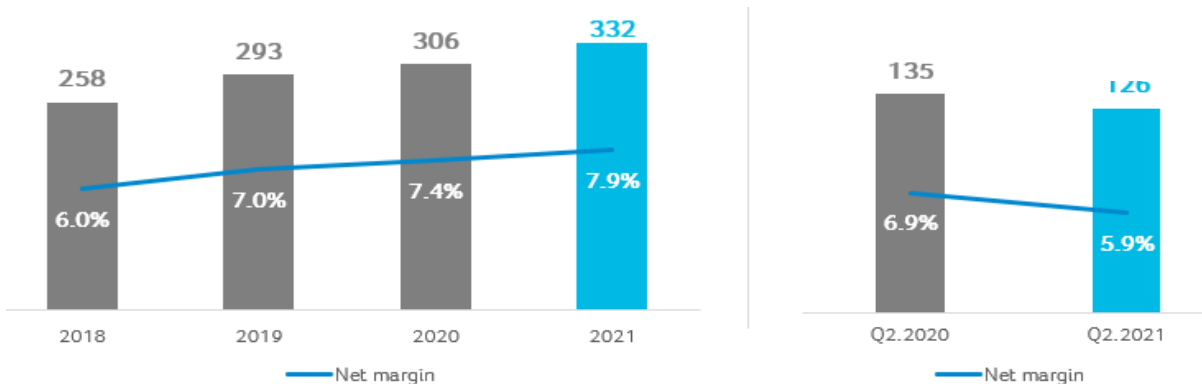
Financial data were rounded to NIS millions.

Operating Profit and Operating Profit Margin – First Half and Second Quarter

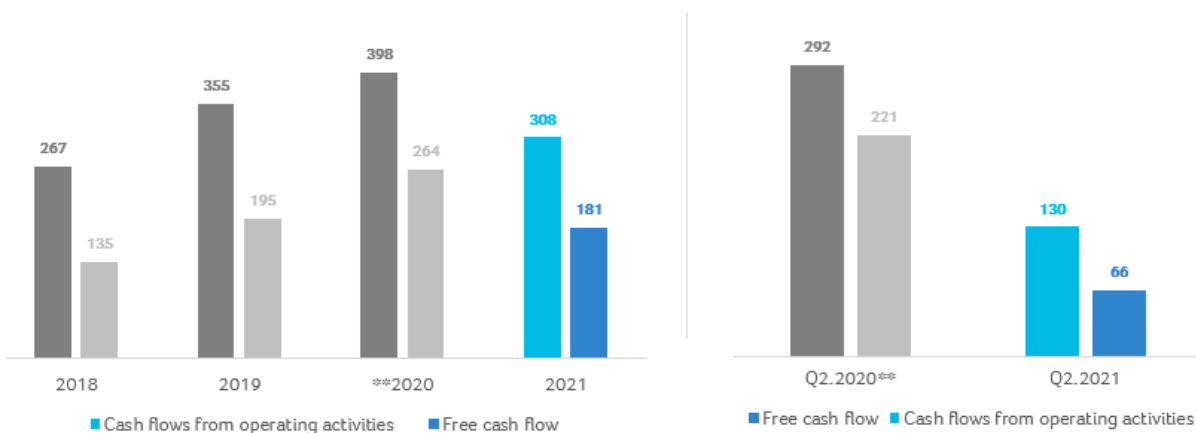


* Approximately 6.5% and 1.2% organic growth excluding foreign currency effects in the first half and second quarter of 2021, respectively, excluding the one-time government grant received in China in the second quarter of 2020.

Net Profit and Profit Margin – First Half and Second Quarter



Cash Flows from Operating Activities and Free Cash Flow – First Half and Second Quarter



** Restated

Financial data were rounded to NIS millions.

Non GAAP Figures ⁽¹⁾

Second Quarter			
	2021	2020	Change
Total Group Sales (NIS mm)	2,132	1,938	10.0%
Organic Sales Growth excluding FX	10.9%	1.5%	
Gross Profit (NIS mm)	795	743	6.9%
Gross Margins (%)	37.3%	38.4%	-110 bps
EBITDA (NIS mm)	296	309	-4.2%
EBITDA Margins (%)	13.9%	15.9%	-200 bps
EBIT (NIS mm)	212	223	-5.0%
EBIT Margins (%)	10.0%	11.5%	-150 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	126	135	-6.3%
Net Income Margin (Attributable to the Company's Shareholders) (%)	5.9%	6.9%	-100 bps
EPS (NIS)	1.08	1.16	-6.5%
Operating Cash Flow (NIS mm)	130	292*	-55.6%
Capex (NIS mm) ⁽²⁾	72	73	-1.5%
Net debt (NIS mm)	2,156	2,053	5.0%
Net debt / annual EBITDA	1.7x	1.6x	0.1x

* 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 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⁾

Second 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	664	7.3%	7.3%	88	5	5.5%	13.2%	-20 bps
Fun & Indulgence ⁽²⁾	253	8.8%	8.8%	20	5	35.8%	8.0%	+160 bps
Total Strauss Israel	917	7.7%	7.7%	108	10	10.1%	11.7%	+20 bps
Strauss Coffee:								
Israel Coffee	163	22.8%	22.8%	26	1	7.0%	16.8%	-240 bps
International Coffee ⁽²⁾	685	10.9%	12.0%	51	3	7.4%	7.4%	-30 bps
Total Strauss Coffee	848	13.0%	13.9%	77	4	7.1%	9.2%	-50 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	160	0.6%	8.2%	13	-7	-39.4%	7.8%	-510 bps
Obela (50%) ⁽²⁾	21	16.3%	8.6%	-2	-1	-12.0%	NM	NM
Total International Dips & Spreads	181	2.2%	8.2%	11	-8	-44.8%	5.7%	-480 bps
Strauss Water	186	16.4%	16.2%	22	-8	-26.4%	12.1%	-700 bps
Other ⁽²⁾	0	NM	NM	-6	-9	-263.0%	NM	NM
Total Group	2,132	10.0%	10.9%	212	-11	-5.0%	10.0%	-150 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			
	2021	2020	Change
Total Group Sales (NIS mm)	4,193	4,106	2.1%
Organic Sales Growth excluding FX	5.0%	4.9%	
Gross Profit (NIS mm)	1,607	1,621	-0.9%
Gross Margins (%)	38.3%	39.5%	-120 bps
EBITDA (NIS mm)	669	663	0.9%
EBITDA Margins (%)	16.0%	16.1%	-10 bps
EBIT (NIS mm)	501	491	1.9%
EBIT Margins (%)	11.9%	12.0%	-10 bps
Net Income Attributable to the Company's Shareholders (NIS mm)	332	306	8.7%
Net Income Margin (Attributable to the Company's Shareholders) (%)	7.9%	7.4%	+50 bps
EPS (NIS)	2.86	2.64	8.4%
Operating Cash Flow (NIS mm)	308	398*	-22.6%
Capex (NIS mm) ⁽²⁾	137	134	2.2%
Net debt (NIS mm)	2,156	2,053	5.0%
Net debt / annual EBITDA	1.7x	1.6x	0.1x

* Restated.

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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. 2020
Sales and EBIT by Operating Segments and Activities								
Strauss Israel:								
Health & Wellness	1,303	5.5%	5.5%	164	15	10.0%	12.6%	+50 bps
Fun & Indulgence ⁽²⁾	588	-1.7%	-1.7%	73	0	-0.3%	12.3%	+10 bps
Total Strauss Israel	1,891	3.1%	3.1%	237	15	6.6%	12.5%	+40 bps
Strauss Coffee:								
Israel Coffee	372	1.2%	1.2%	85	-1	-0.8%	23.0%	-40 bps
International Coffee ⁽²⁾	1,227	0.1%	8.3%	91	-3	-3.3%	7.4%	-30 bps
Total Strauss Coffee	1,599	0.3%	6.5%	176	-4	-2.2%	11.0%	-30 bps
International Dips & Spreads:								
Sabra (50%) ⁽²⁾	304	-9.9%	-3.2%	29	-12	-29.5%	9.3%	-260 bps
Obela (50%) ⁽²⁾	43	12.9%	5.7%	-5	-1	-33.2%	NM	NM
Total International Dips & Spreads	347	-7.5%	-2.2%	24	-13	-35.3%	6.8%	-300 bps
Strauss Water	356	17.3%	17.2%	44	-1	-2.6%	12.4%	-260 bps
Other ⁽²⁾	0	NM	NM	20	13	179.4%	NM	NM
Total Group	4,193	2.1%	5.0%	501	10	1.9%	11.9%	-10 bps

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Condensed financial accounting (GAAP)			
Second Quarter			
	2021	2020	Change
Sales	1,458	1,333	9.4%
Cost of sales excluding impact of commodity hedges	875	795	10.0%
Adjustments for commodity hedges	-12	4	
Cost of sales	863	799	7.9%
Gross profit	595	534	11.6%
% of sales	40.8%	40.0%	
Selling and marketing expenses	328	300	9.8%
General and administrative expenses	103	96	8.0%
Total expenses	431	396	9.4%
Share of profit of equity-accounted investees	43	70	-37.4%
Operating profit before other expenses	207	208	-0.6%
% of sales	14.2%	15.6%	
Other expenses, net	-1	1	
Operating profit after other expenses	206	209	-1.3%
Financing expenses, net	-25	-47	-45.7%
Income before taxes on income	181	162	11.6%
Taxes on income	-33	-16	105.9%
Effective tax rate	18.1%	9.8%	
Income for the period	148	146	1.3%
Attributable to the Company's shareholders	130	126	3.0%
Attributable to non-controlling interests	18	20	-9.7%

Condensed financial accounting (GAAP)			
First Half			
	2021	2020	Change
Sales	2,967	2,878	3.1%
Cost of sales excluding impact of commodity hedges	1,753	1,691	3.6%
Adjustments for commodity hedges	-11	18	
Cost of sales	1,742	1,709	1.9%
Gross profit	1,225	1,169	4.8%
% of sales	41.3%	40.6%	
Selling and marketing expenses	649	636	2.2%
General and administrative expenses	207	204	1.6%
Total expenses	856	840	2.0%
Share of profit of equity-accounted investees	111	118	-5.8%
Operating profit before other expenses	480	447	7.3%
% of sales	16.2%	15.5%	
Other expenses, net	3	0	
Operating profit after other expenses	483	447	8.0%
Financing expenses, net	-22	-57	-61.6%
Income before taxes on income	461	390	18.2%
Taxes on income	-92	-73	25.7%
Effective tax rate	19.9%	18.8%	
Income for the period	369	317	16.5%
Attributable to the Company's shareholders	333	282	18.4%
Attributable to non-controlling interests	36	35	1.6%

Conference Call

Strauss Group will host a Zoom conference call in Hebrew on Tuesday, August 17, 2021 at 14:00 (Israel time) with the participation of company management to review the financial statements of the company for the second quarter of 2021. Following is information for those wishing to join the conference:

Meeting URL: <https://strauss-group.zoom.us/j/91445848863?pwd=enBEUGVFMFA5OFZvdDkzbHQrOVh3Zz09>
Meeting ID: 914 4584 8863
Password: 950051

Strauss Group will also host a Zoom conference call in English on Tuesday, August 17, 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 second quarter of 2021.

Meeting URL: <https://strauss-group.zoom.us/j/91539596392?pwd=Rk9aSGhSaDVkVG5kTlcxeTZscy9aUT09>
Meeting ID: 915 3959 6392
Password: 844866

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 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