

# Strauss Group Financial Results

Q1 2024 Earnings Presentation | May 27<sup>th</sup>, 2024





# Disclaimer

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# GAAP to Non-GAAP Reconciliations



In addition to reporting financial results in accordance with generally accepted accounting principles (GAAP), the Company provides non-GAAP operating results which include the results of jointly controlled entities as if they were proportionately consolidated. Strauss Group has a number of jointly controlled companies: the Três Corações joint venture (3C) – Brazil (a company jointly held by Strauss Group (50%) and by the São Miguel Group (50%) in Brazil), Sabra Dipping Company (a 50%/50% JV with PepsiCo in the U.S. and Canada), Strauss Frito-Lay Ltd. (a 50%/50% JV with PepsiCo Frito-Lay in Israel) and PepsiCo Strauss Fresh Dips & Spreads International (a 50%/50% JV with PepsiCo outside the U.S. and Canada).

In addition, non-GAAP figures exclude any share-based payments, mark to market of commodity hedging transactions as at end-of-period, other expenses or income and taxes referring to these adjustments.

Company Management believes that these measures provide investors with transparency by helping to illustrate the underlying financial and business trends relating to the Company's results of operations and financial position and comparability between current and prior periods. Management uses these measures to establish and monitor budgets and operational goals and to evaluate the performance of the Company. Please see the GAAP to non-GAAP reconciliation tables in the Company's MD&A Report for a full reconciliation of the Company's GAAP to non-GAAP results.







# Shai Babad

Group CEO







# OUR BRANDS' IMPCAT ON OUR COMMUNITITES DURING THE WAR



Soda production line at Tami4 back to operations



Thousands of donations to soldiers and evacuated families



Honoring 11 bereaved families with their loved ones on chocolate bars



Special coffee from cafes impacted by the war





# OUR Q1 PERFORMANCE

## Net Sales

**2,589m**

Net Sales

**-0.7%**

Organic Growth

**1.4%**

Sales vs 23'

## Gross profit

**874m**

Gross

**33.7%**

Gross Margin

**4.3%**

Gross vs 23'

## EBIT

**204m**

EBIT

**7.8%**

EBIT Margin

**-2.4%**

EBIT vs 23'

## Net profit

**159m**

Net Profit

**6.2%**

Net Margin

**18.7%**

Net vs 23'







# Q1 PERFORMANCE BY BUSINESSES

Sales  
vs 2023



**1,309m**  
1,287m

EBIT  
vs 2023

**151m**  
148m

% EBIT

**11.6%**



**954m**  
951m

**38m**  
60m

**4.0%**



**193m**  
188m

**24m**  
21m

**12.3%**



**2,589m**  
2,554m

**204m**  
208m

**7.8%**







# Strauss Israel – Confectionery recovery



51%  
Of Total  
Group Sales



75%  
Of Total  
Group EBIT



## Highlights

- New category structure implemented during Q1 as per the Strauss “One” reorg
- F&I strong performance
- Sales in Israel negatively impacted by high-holiday timing
- Market share increased to 12.2%
- Price increase implemented in January, average raise of 1.7%

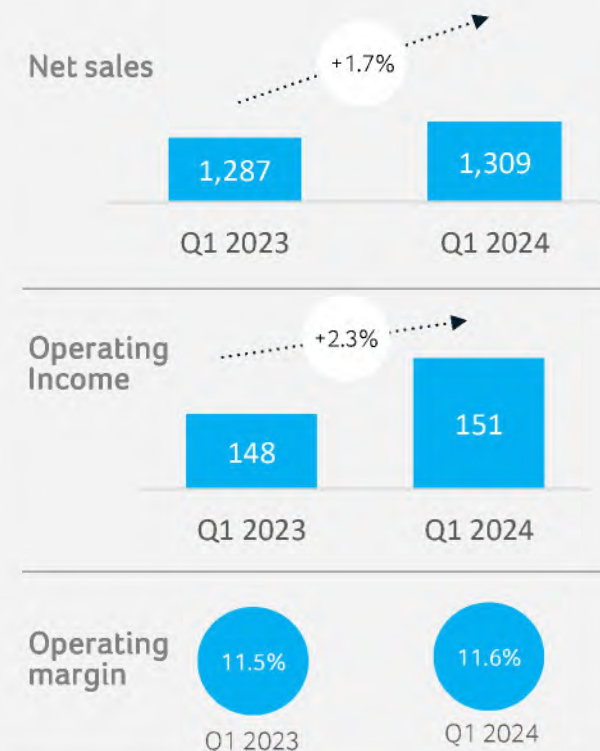
## Performance by division

Values in NIS millions

	Health & Wellness	Fun & Indulgence	Coffee Israel
<b>Sales</b> vs 2023	731m 743m	361m 306m	217m 238m
<b>EBIT</b> vs 2023	74m 85m	42m 24m	35m 39m
<b>%EBIT</b>	10.2%	11.5%	16.3%

## Financial performance

Values in NIS millions







# Coffee International – Mixed results – Strong performance in CEE and weak in Brazil

**37%**  
Of Total  
Group Sales

**19%**  
Of Total  
Group EBIT



## Highlights

- Poland posted a strong set of quarterly results with revenues up 14.8% in local currency
- A weaker performance for the other CEE countries
- Weak results in Brazil as sales and EBIT decline



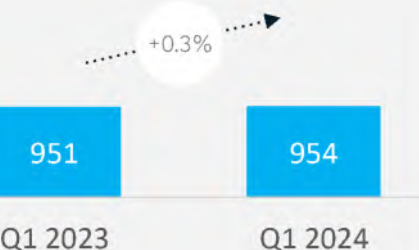
## Global Coffee



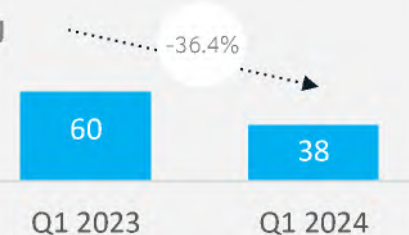
## Financial performance

Values in NIS millions

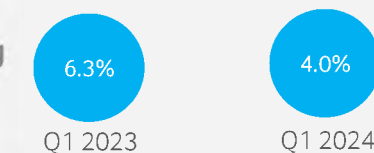
### Net sales



### Operating Income



### Operating margin







# Strauss water – Continued growth and profit momentum



7%  
Of Total  
Group Sales



12%  
Of Total  
Group EBIT



## Highlights

### China

- Stellar sales growth of 13%
- Net margin at 10.1%

### Israel \*\*

- Sales rise 3% on higher installed base
- EBIT up 10.1%
- EBIT margins up to 12.3% from 11.5%



## Performance by division

Values in NIS millions



**Sales**  
VS  
2023

**193M**  
188M

**216M\***  
191M

**EBIT/Net\*\*\***  
VS  
2023

**24m**  
21m

**26m\***  
24m

**% EBIT**

**12.3%**

**12.2%\***

## Financial performance

Values in NIS millions

**Net sales**

188

Q1 2023

193

Q1 2024

+3.0%

**Operating  
Income**

21

Q1 2023

24

Q1 2024

+10.2%

**Operating  
margin**

11.5%

Q1 2023

12.3%

Q1 2024

\* HSW 100% Of total shares

\*\* Israel including UK and ROW; Israel EBIT includes net income from HSW proportion

\*\*\* EBIT for Strauss Water; Net for HSW





WHERE WE WANT TO GO

## UPDATED STRATEGY – DOUBLE DOWN ON THE CORE

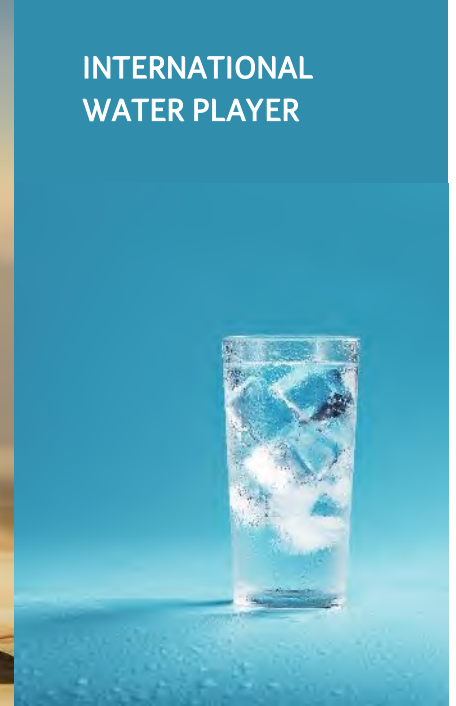
**STRONGER  
HOME BASE**



**BRAZIL COFFEE  
& BEYOND**



**INTERNATIONAL  
WATER PLAYER**



**FUTURE READY & RESILIENT**



# HOW WE PLAN TO GET THERE



## RENEW THE CORE

- Optimize **core categories & brands** in **Israel** with a focus on **snacking**
- Optimize and maintain **R&G leadership** in **Brazil**
- Optimize and increase **portfolio offering** of **water** solutions

## EXPAND & BUILD

- Build **plant-based** solutions & **Innovation** around the core in **Israel**
- Expand **Non-R&G** and **beyond coffee** in **Brazil** through M&As and organic growth
- Grow **China** and enter **new geographies** in Water

## TRANSFORM

- Embark on a journey of **Performance transformation**
- Maintain values while adopting a **high-performance culture**
- Optimize **portfolio** to focus on the core





# Ariel Chetrit

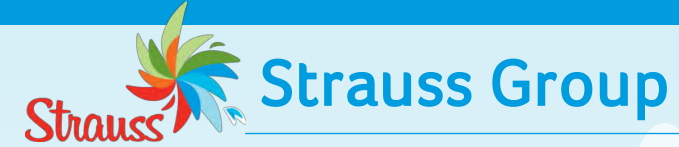
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Group CFO





# Q1 Highlights – Strauss Group



- Group Net sales grew 1.4% (-0.7% organic excluding FX effect). Growth is mainly attributed to the F&I segment in Israel following confectionery strong results, as well as an increase in market share and the solid performance of Strauss Water, offset by weakness in Coffee mainly in Brazil, Israel and Russia.
- The NIS continued to weaken against major currencies during the quarter mainly the BRL (56M) and the PLN (10M), offset by a negative impact of the RUB (-22) million, with total net contribution of NIS52 million to Net sales.
- Input inflation this quarter was mostly in Cocoa +143%, green coffee with Robusta at an all time high +59%.
- During the quarter credit rating company S&P upgraded its outlook for Strauss to Stable from Negative and reiterated the company's credit rating of AAIL+





# Q1 Highlights



## Strauss Israel

- Strauss Israel net sales increased by 1.7% driven by the Confectionery turnaround and was offset by a decline in Coffee Israel; Growth was driven by a price increase of 3.4%
- H&W segment was down 1.6% due to the reclassification of the Energy category, excluding this change, H&W was up 0.7%. H&W performance during the quarter was driven by the Dairy and the Food segments with market share growth as well as pricing. Sales of the Energy category totaled NIS16 million during Q1.
- H&W EBIT margin was 10.2% down from 11.4% in Q1'23 mainly due to higher marketing expenses and continued input inflation
- F&I Sales were up 18.1% as sales normalize to pre-recall level; F&I EBIT was up c71% to NIS42 million following the continued recovery of Confectionery
- Coffee Israel was down c9% due to volume decrease on the back of higher pricing and due to the war effect
- Strauss Israel grew in market share in the first quarter to 12.2% vs 11.9% in Q1'23
- An average price increase of 1.7% for the company's products in Israel was announced during January; In May the company raised prices of its dairy products





# Q1 Highlights



## Coffee International

- International Coffee sales were down 4.5% in local currency during the first quarter led by Brazil and Russia due to lower volumes following price hikes
- Sales in Brazil were down by 4.3% in local currency to BRL880 million mainly due to lower volumes; Top line was aided by tailwind FX effects of NIS56 million, as a result of the strengthening of the BRL against the NIS
- R&G market share in Brazil declined to 33.1% from 33.7% last year
- Brazil EBIT declined 58.6% to BRL18.2 million as a result of the decline in sales and higher expenses
- Poland had a strong quarter with sales up 14.8% on higher volumes and pricing; In Russia sales were down 9.6% following a strong quarter in the corresponding quarter last year
- In February 2024, Serbia Coffee was sold to Atlantic Grupa for EUR38.8 million





# Q1 Highlights



## Strauss Water

- Sales grew 3% in the first quarter mainly due to higher installed base
- Haier Strauss Water (HSW) sales grew 13% in local currency to reach ¥421m (100% share), mainly due to better mix; Market share continued to improve during the quarter
- Higher profit up 10.2% and higher profitability of 12.3% (up from 11.5%) over last year was mainly due to improved profits of HSW





# Financial Highlights | Reported Non GAAP



## Q1 2024

Q1'24 Sales: NIS 2,589mm  
Sales growth: 1.4%, Organic Sales growth: -0.7%

Q1'24 Gross margin: 33.7% (90 bps up vs. Q1'23)

EBIT and EBIT margins:  
NIS 204mm (down -2.4%); 7.8% (-30 bps down vs. Q1'23)

Net income and Net margins:  
NIS 159mm (up 18.7%); 6.2% (90 bps up vs. Q1'23)





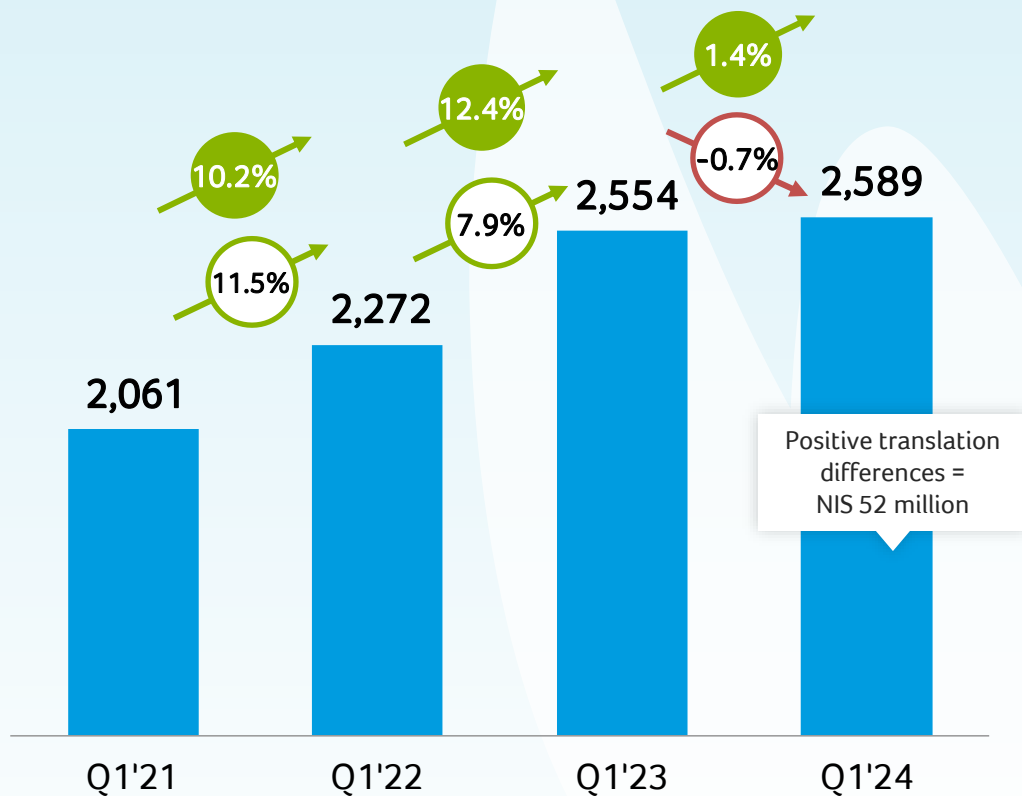
# Q1 2024

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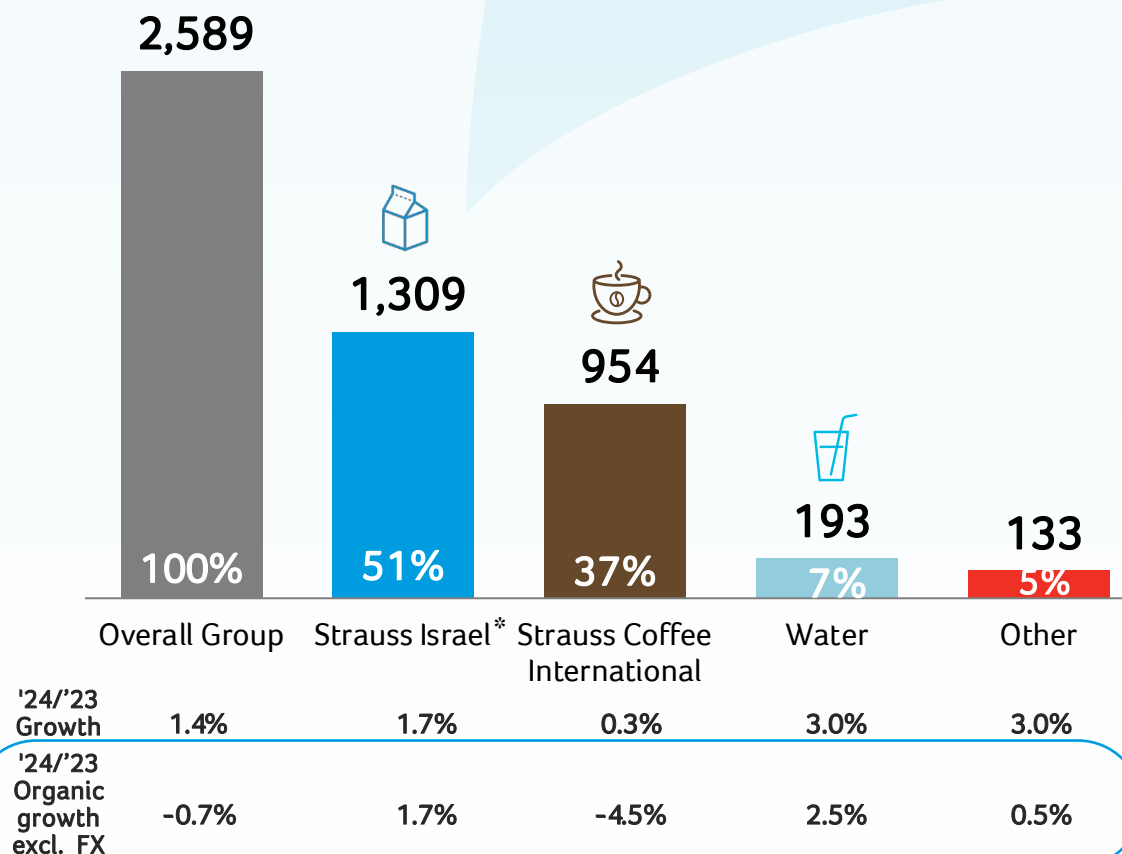
## Q1 2024 Sales



= Organic Sales Growth excl. FX

## Q1 2024 Sales by Segments

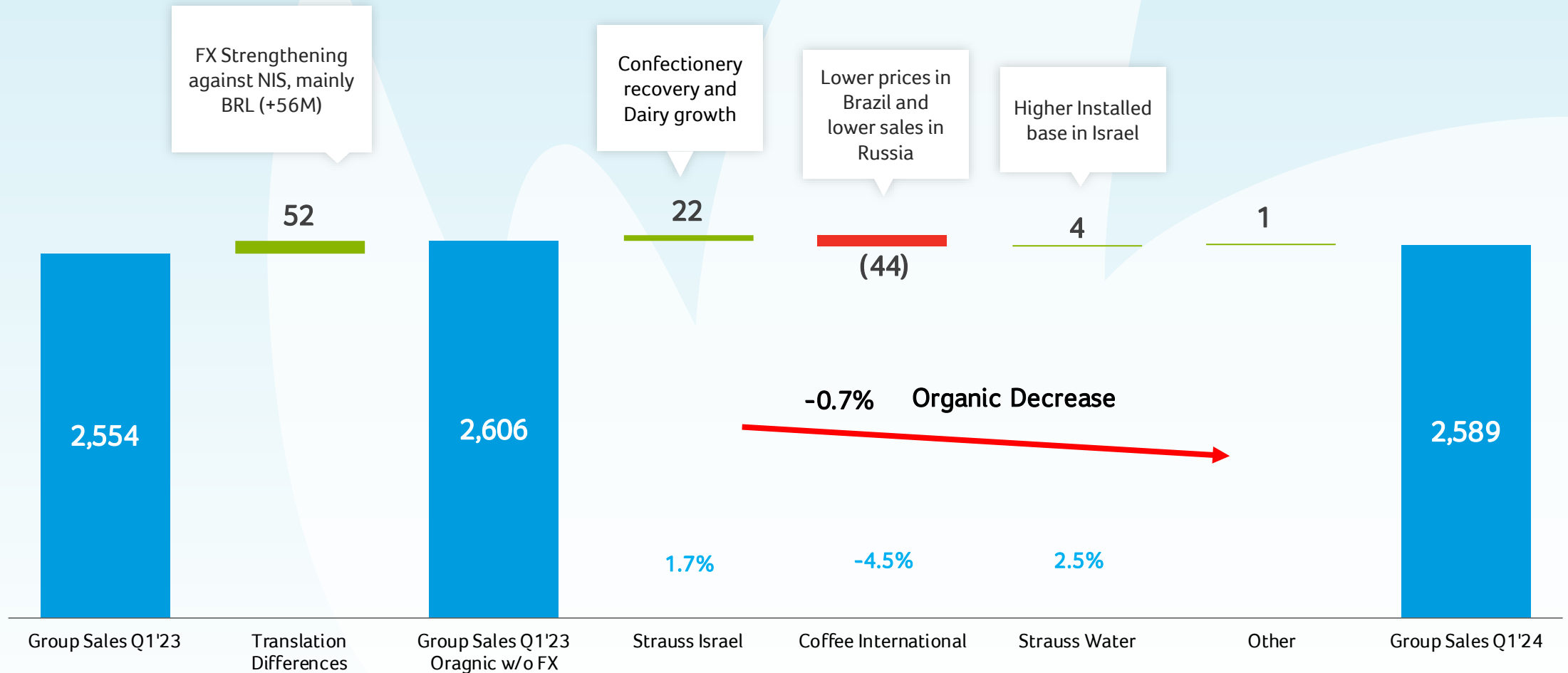
% sales contribution





# Q1 Sales Bridge

NIS mm; Non-GAAP; Q1'23 to Q1' 24



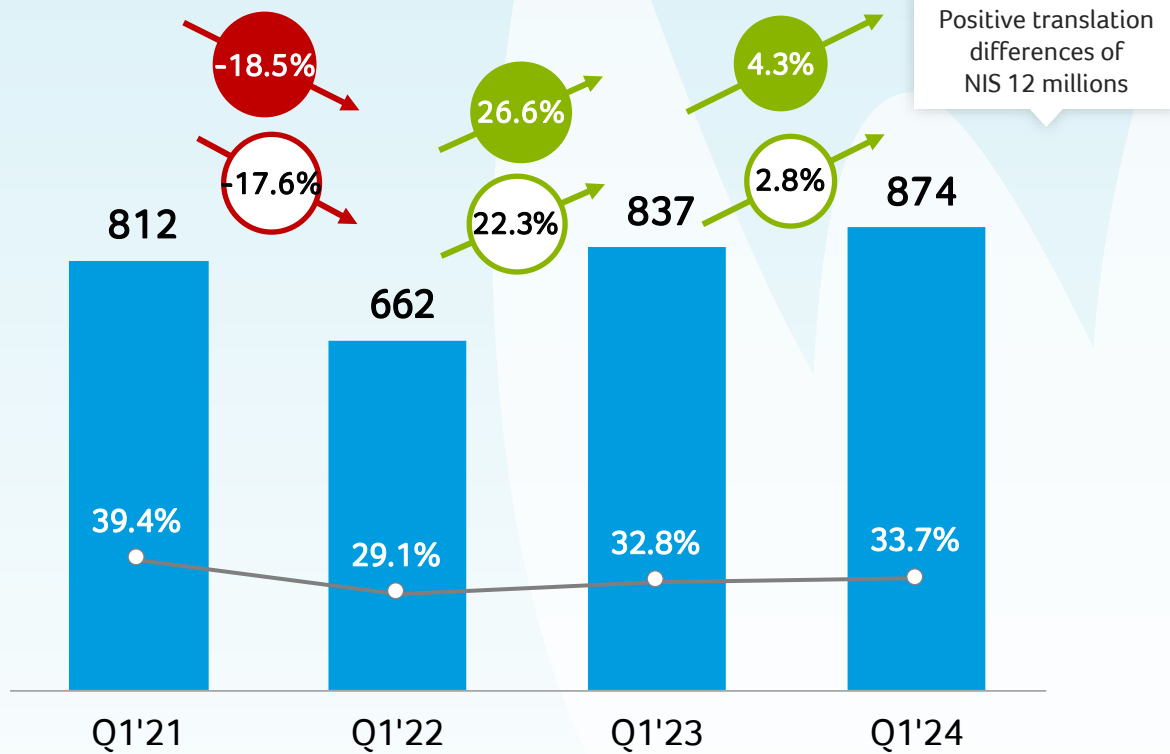


# Gross Profit

NIS mm; Non-GAAP



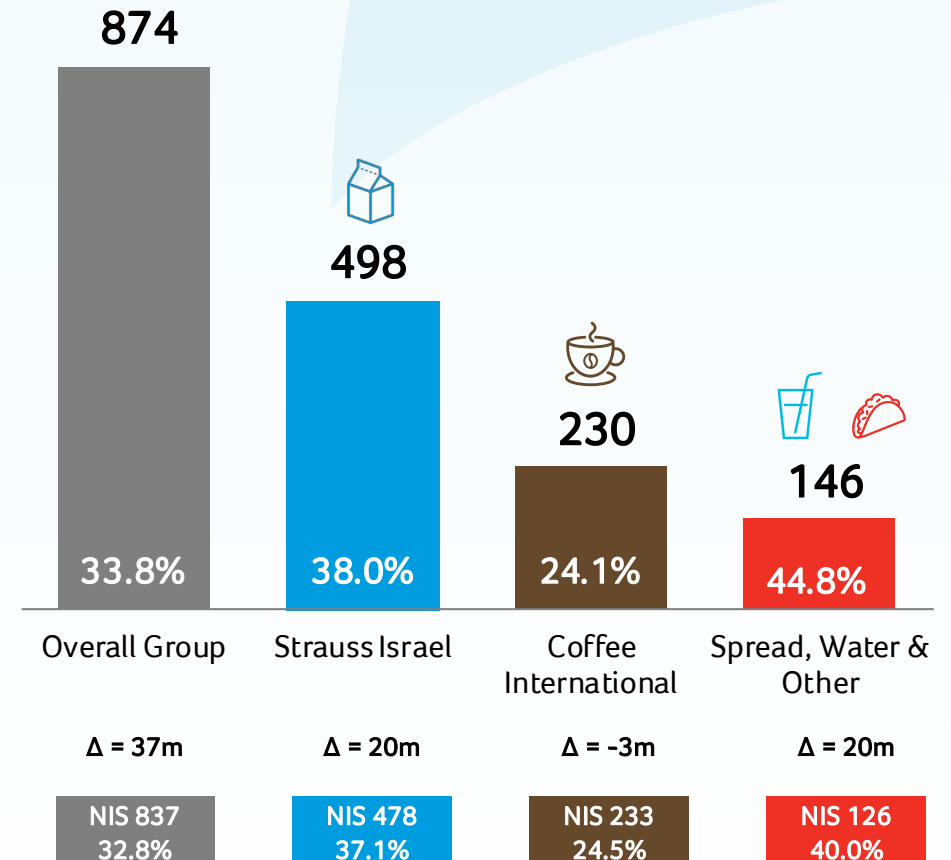
## Q1 2024 Gross Profit and Gross Margins



= Organic Gross Profit Growth excl. FX

## Q1 2024 Gross Profit by Segments

NIS mm; Non-GAAP; % Margin



Q1 2023 GP & GM

NIS 837  
32.8%

NIS 478  
37.1%


NIS 233  
24.5%

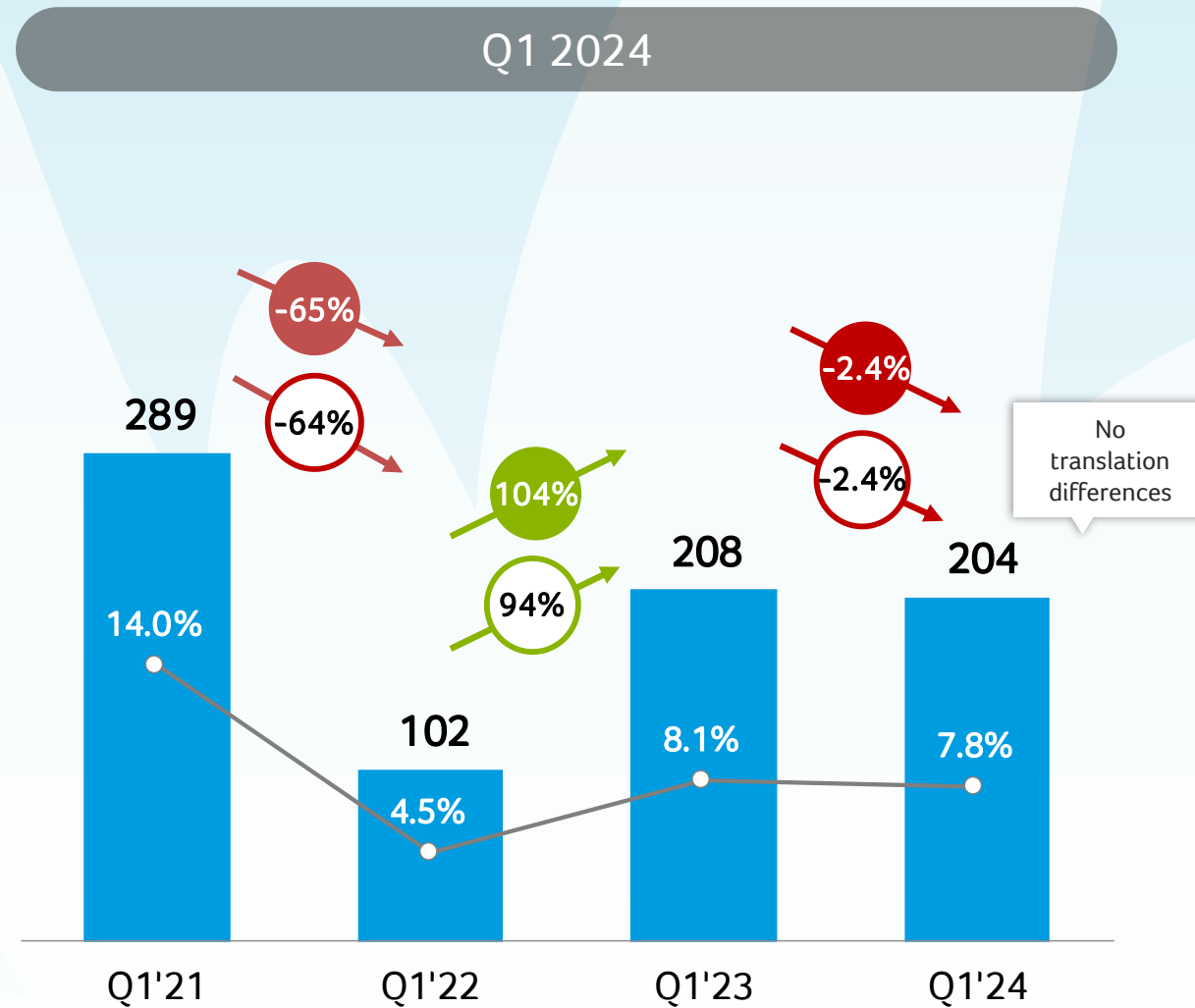
NIS 126  
40.0%



# EBIT and EBIT Margins | NIS mm; Non-GAAP



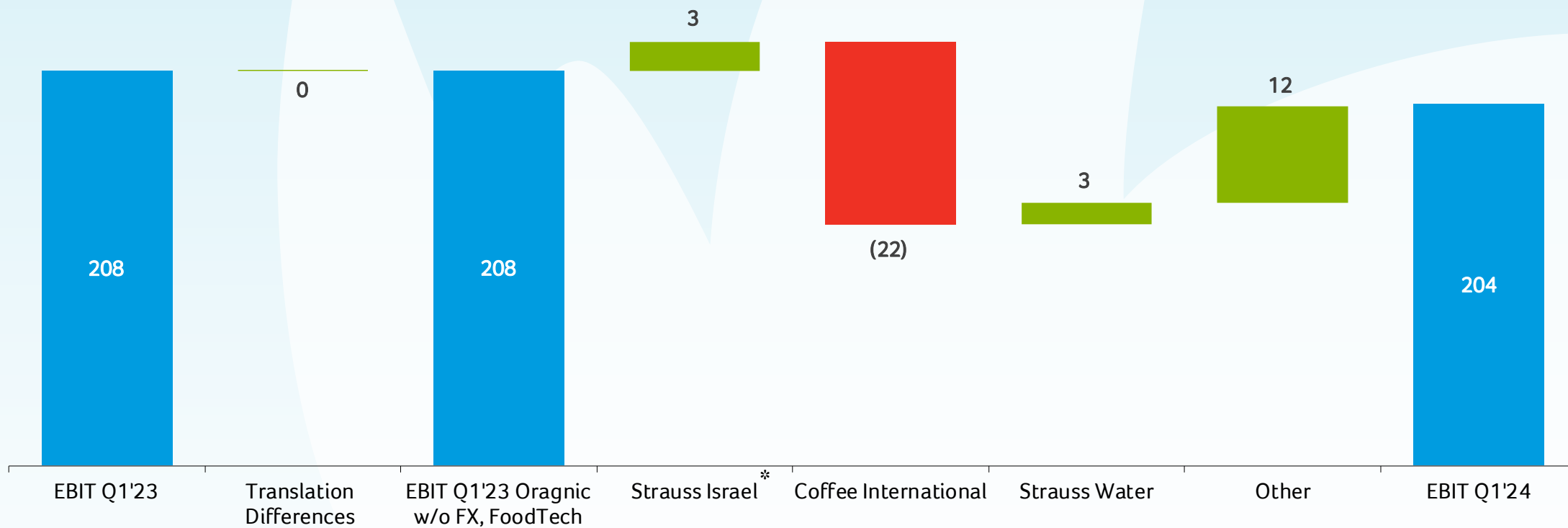
 = Organic EBIT Growth excl. FX





# Q1 EBIT Bridge

NIS mm; Non-GAAP; Q1'23 to Q1'24

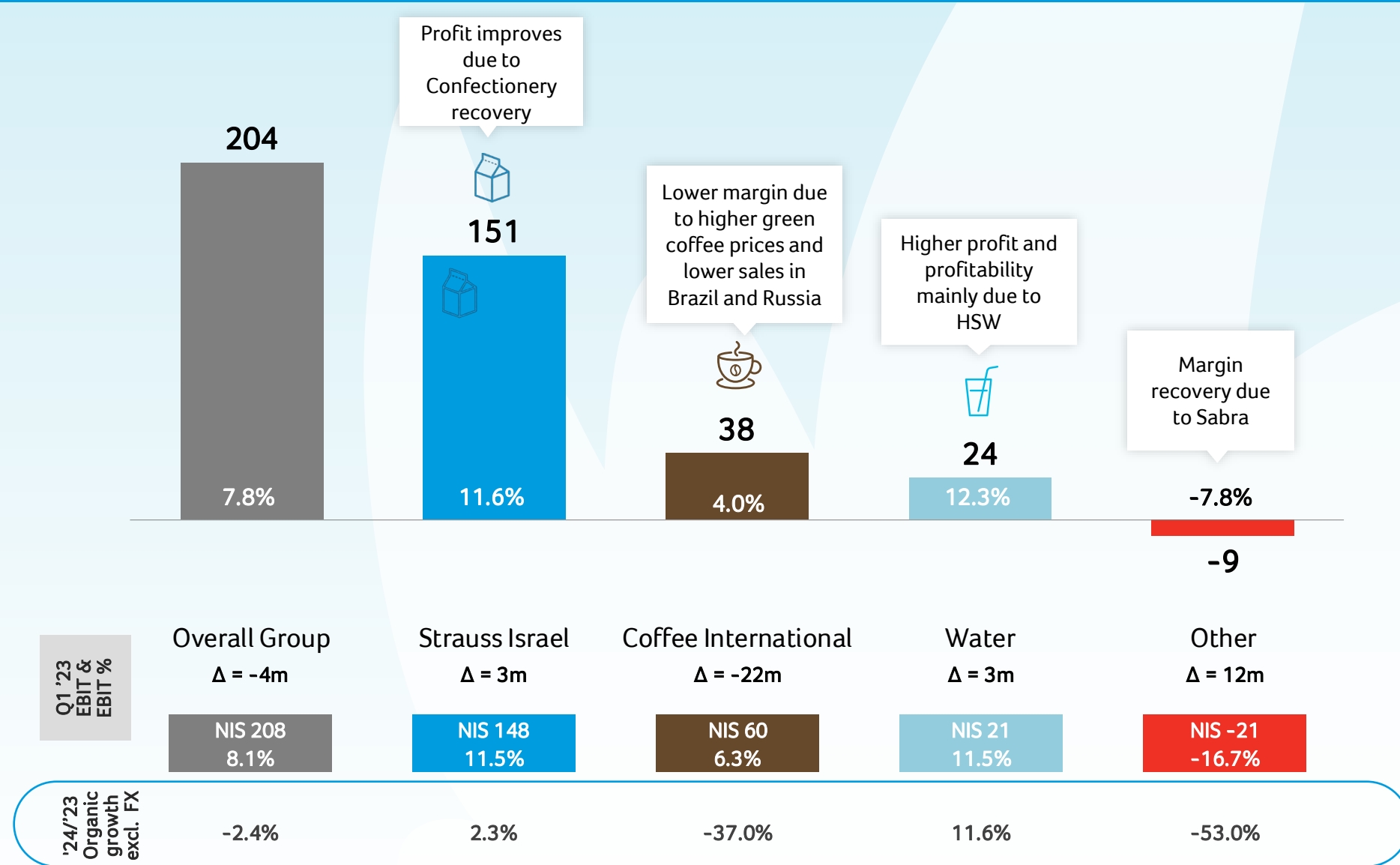


\* Strauss Israel includes all results of Coffee Israel including HQ costs allocations



# Q1 2024 EBIT and EBIT Margins

NIS mm; Non-GAAP; % Margin



Notes:

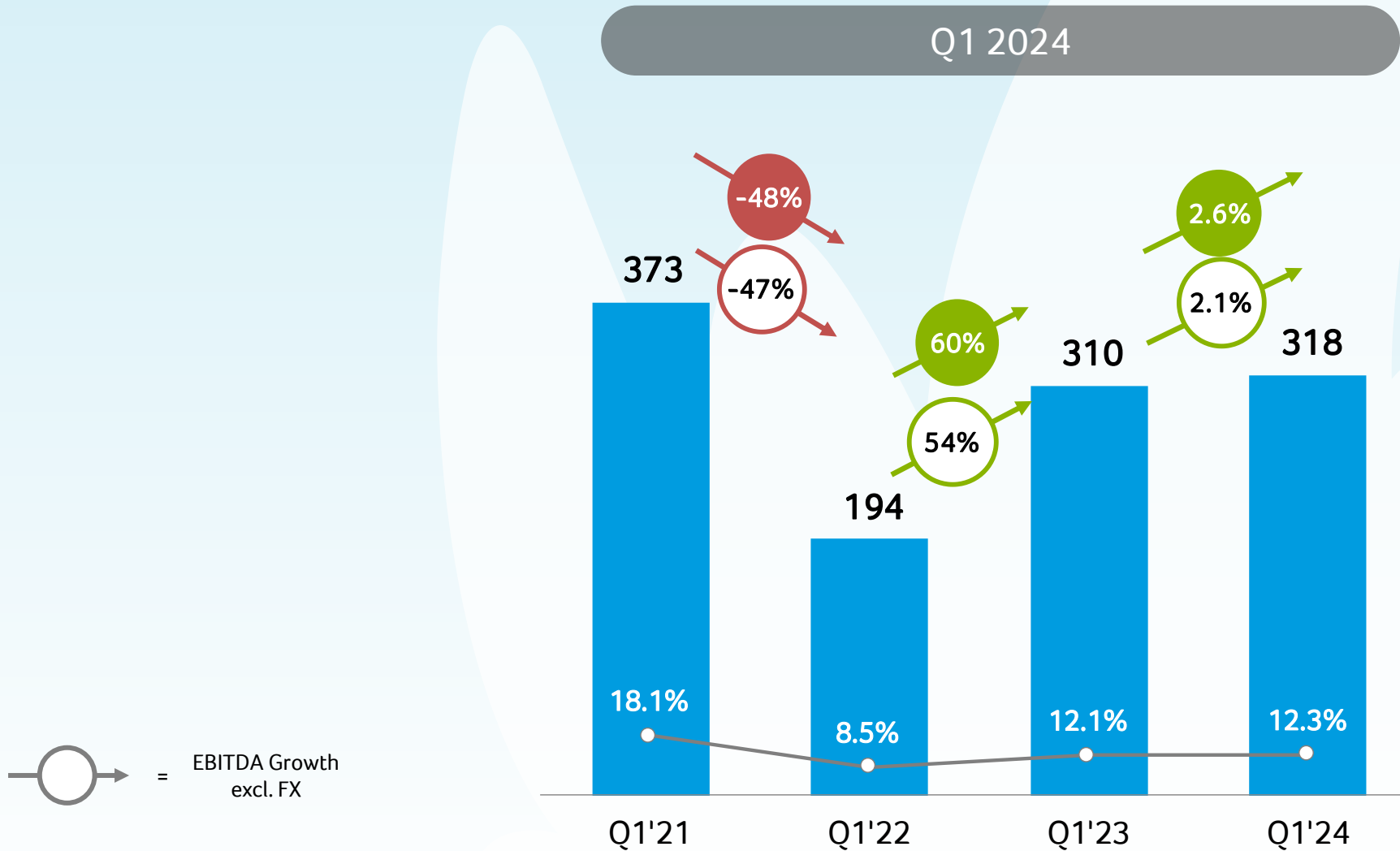
(1) Três Corações joint venture (Brazil): a company jointly held by the Group (50%) and by the São Miguel Group (50%) (3C)

(2) Water EBIT includes net profits from HSW



# EBITDA and EBITDA margins

NIS mm; Non-GAAP



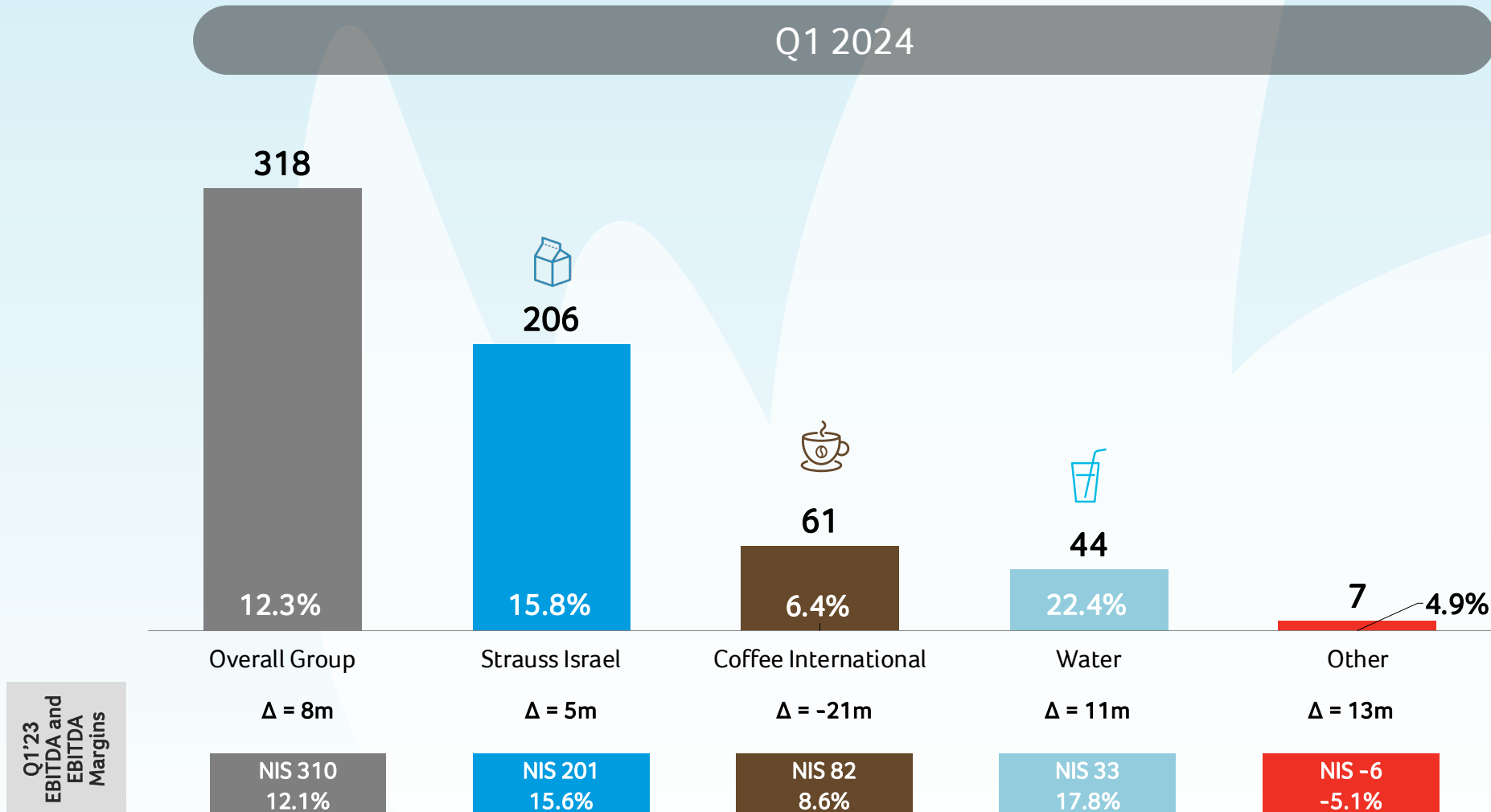


# EBITDA and EBITDA margins

NIS mm; Non-GAAP



Q1 2024



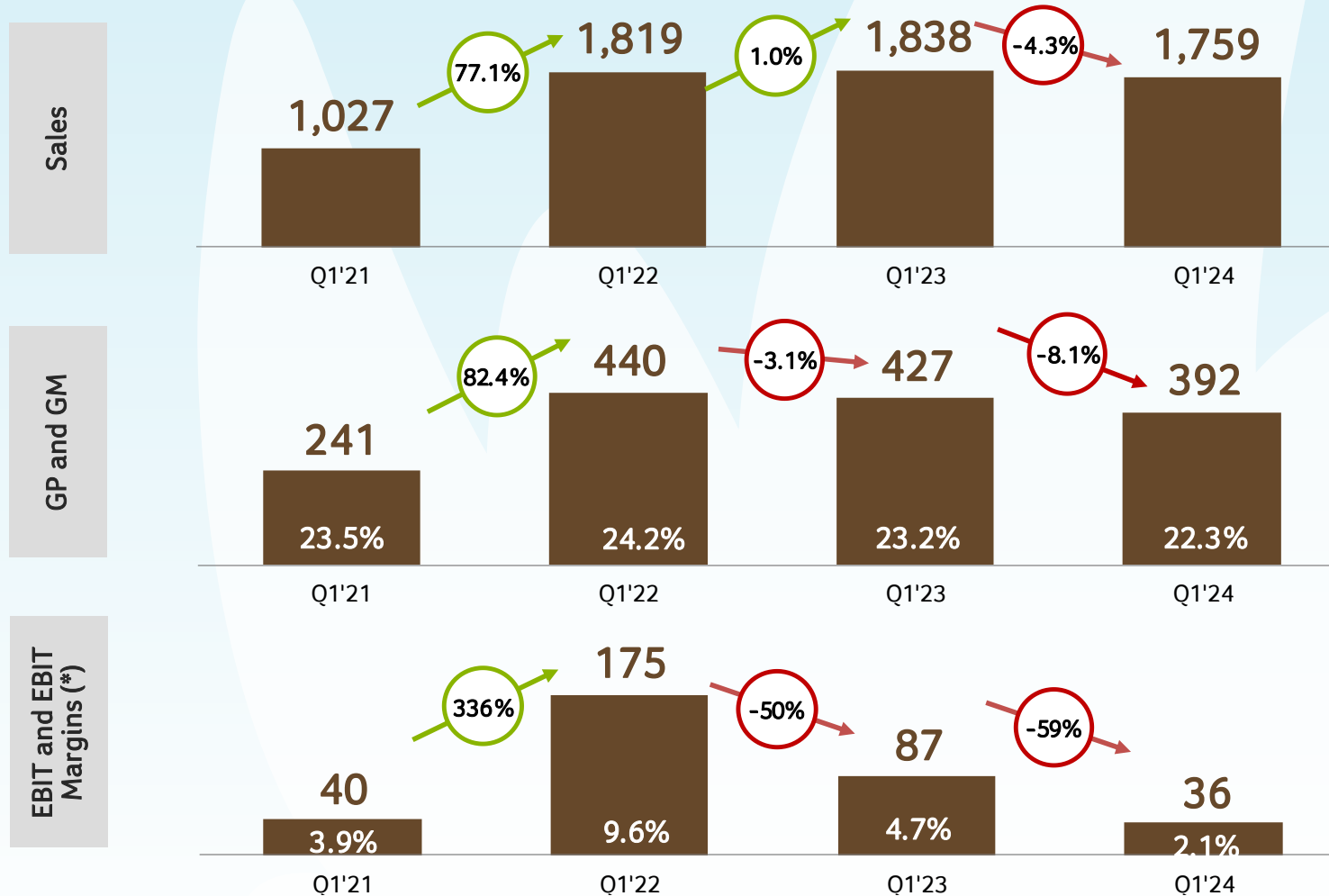




# Três Corações Alimentos S.A. (Três Corações J.V.)



Q1 Snapshot | BRL mm for 100% ownership and including inter-company sales



Note: Três Corações joint venture (Brazil): a company jointly held by the Group (50%) and by the São Miguel Group (50%) (3C).

Source: Três Corações Alimentos S.A. Consolidated Interim Financial Statements as of March 31<sup>st</sup>, 2024.

(\*) EBIT before Other Expenses/ Income.





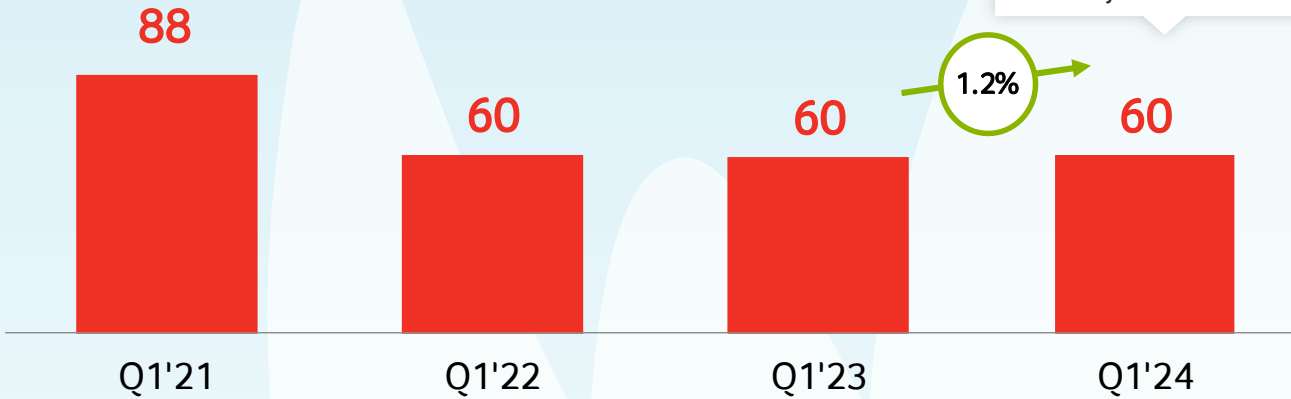
# Sabra Q1 Snapshot

\$ mm; Non-GAAP; for 100% share

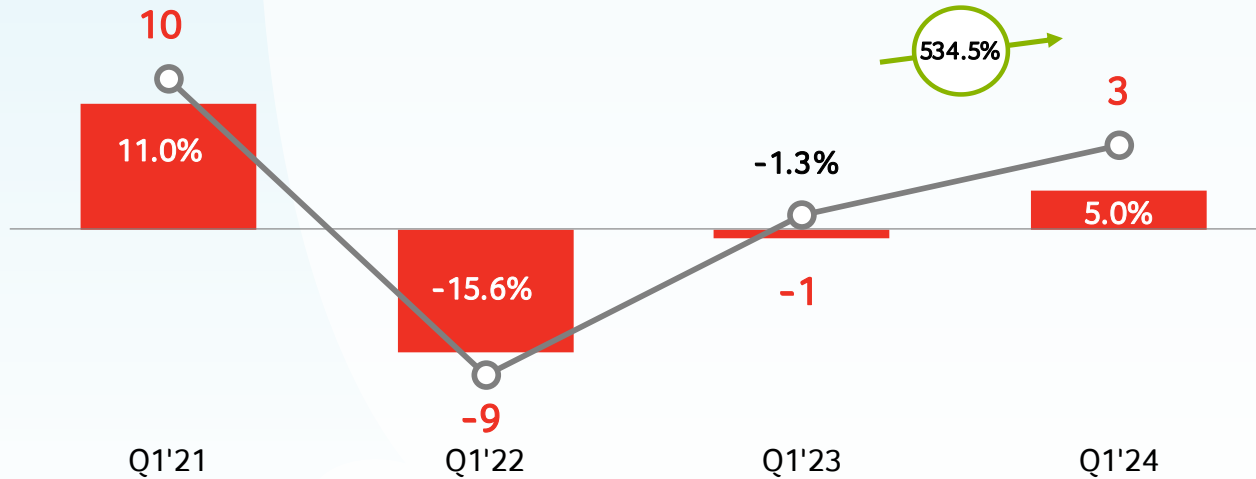


Slightly improved sales due to recovery from last year plant adjustments

Sales



EBIT and EBIT Margins



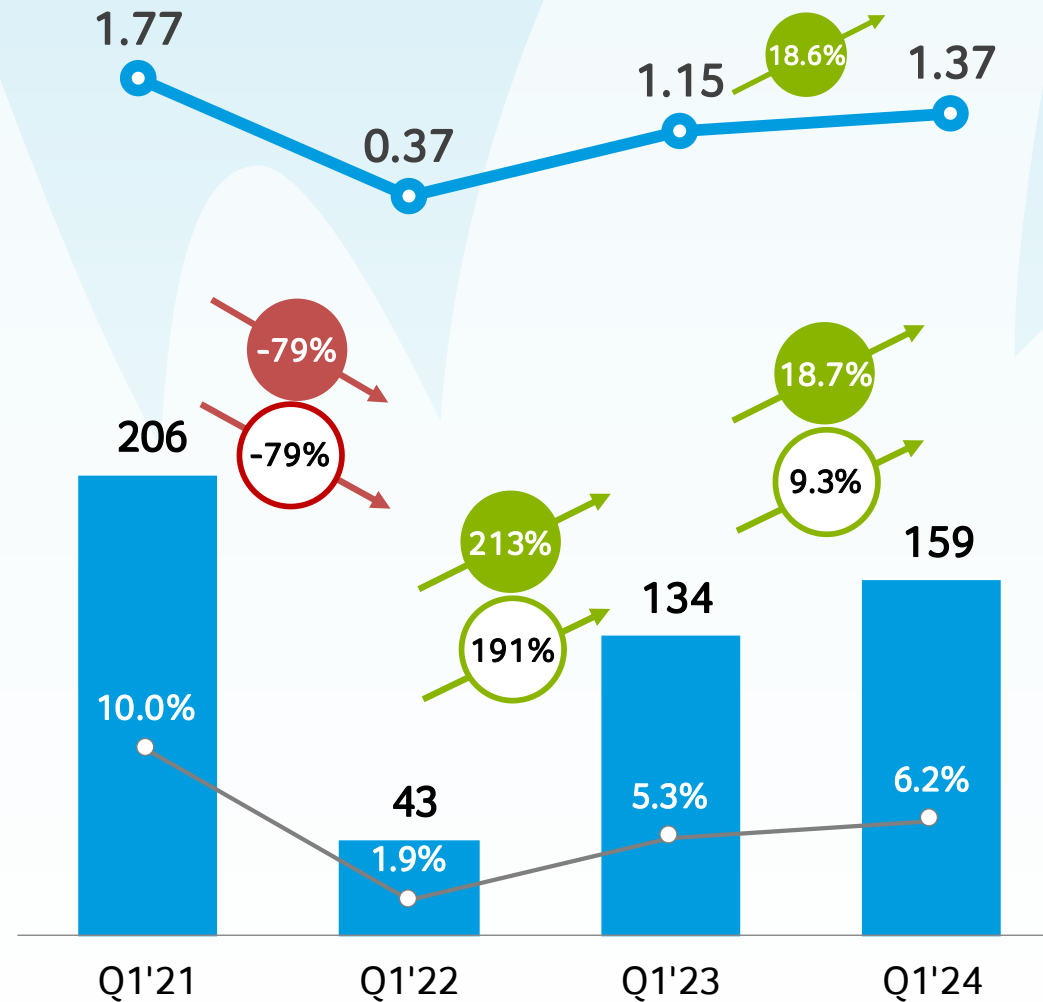



# Net Income

NIS mm; Non-GAAP (attributed to the Company's shareholders)



## Q1 Net Income, Net Margin and EPS

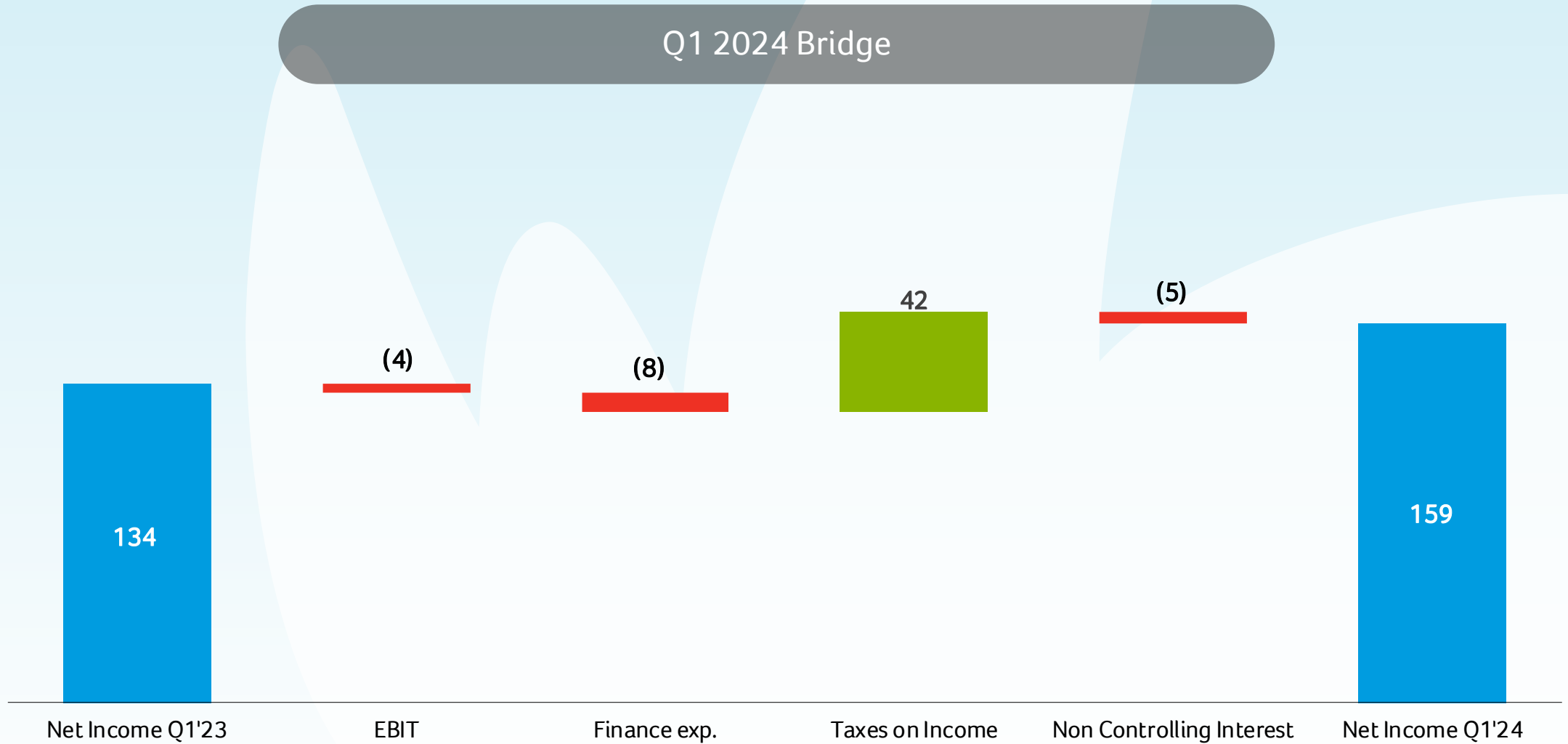


 = Organic Net Income Growth excl. FX



# Net Income

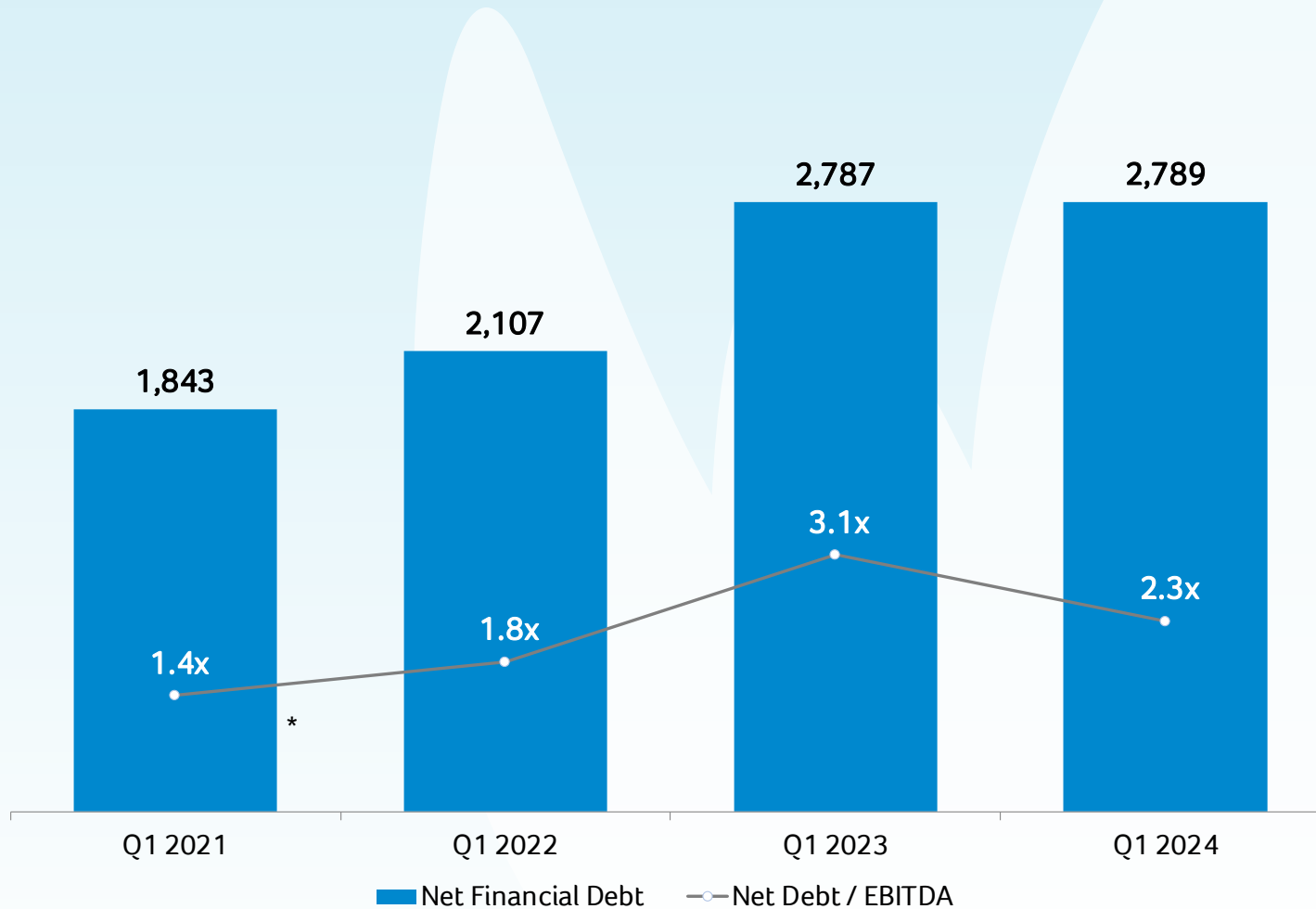
NIS mm; Non-GAAP (attributed to the Company's shareholders)





# Net Debt and Net Debt / EBITDA (LTM)

Non-GAAP EBITDA, net debt includes partnerships; NIS mm





# Q1 GAAP and Non-GAAP

Financial Highlights, NIS mm



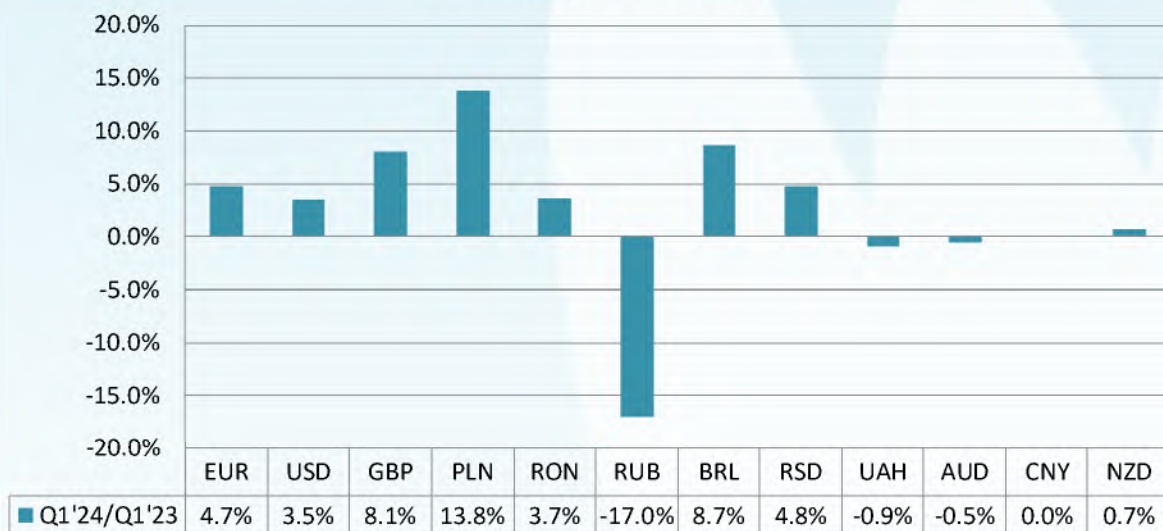
	GAAP			Adjusted Non-GAAP		
	Q1 2024	Q1 2023	% Chg.	Q1 2024	Q1 2023	% Chg.
<b>Sales</b>	1,726	1,713	0.8%	2,589	2,554	1.4%
<b>Gross Profit</b>	565	660	(14.5%)	874	837	4.3%
<i>GP Margin</i>	32.7%	38.6%		33.7%	32.8%	
<b>Operating Profit</b>	117	246	(52.7%)	204	208	(2.4%)
<i>EBIT Margin</i>	6.8%	14.4%		7.8%	8.1%	
<b>Net Profit (to SH)</b>	51	231	77.9%	159	134	18.7%
<i>NP Margin</i>	3.0%	13.5%		6.2%	5.3%	
<b>Operating Cash Flow</b>	25	(55)		(115)	(226)	
<b>Capex <sup>(1)</sup></b>	(137)	(106)		(167)	(125)	
<b>Net debt</b>	2,326	2,358		2,789	2,787	
<b>Change in WC (CF)</b>	(93)	(266)		(282)	(489)	





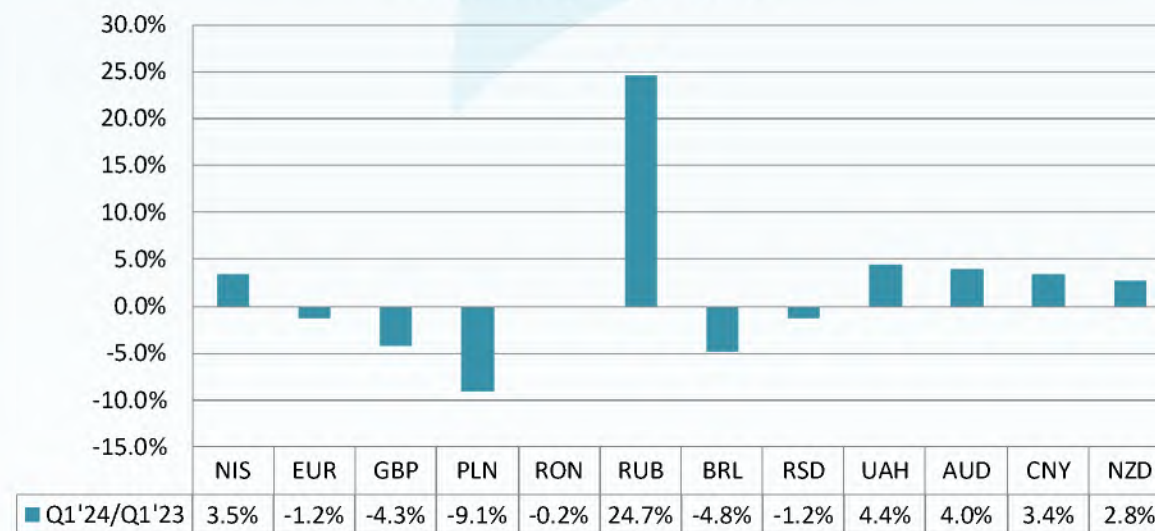
## Local Currencies vs. the NIS

Change in average exchange rate (1 local currency = x NIS)



## Local Currencies vs. the USD

Change in average exchange rate (1 local currency = x USD)







# Strauss Israel

Q1 2024 NIS mm

## Non-GAAP Financial Highlights



### Strauss Israel (Non GAAP)

Q1 2024 Q1 2023 % Chg.

#### Revenue:

H&W	731	743	(1.6%)
F&I	361	306	18.1%
Coffee Israel	217	238	(8.7%)
<b>Total Revenue</b>	<b>1,309</b>	<b>1,287</b>	<b>1.7%</b>

#### Total Gross Profit

	<b>498</b>	<b>478</b>	<b>4.2%</b>
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<i>Gross Margins</i>	<i>38.0%</i>	<i>37.1%</i>	<i>0.9%</i>
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#### EBIT:

H&W	74	85	(12.2%)
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<i>Margins</i>	<i>10.2%</i>	<i>11.4%</i>	<i>(1.2%)</i>
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F&I	42	24	70.9%
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<i>Margins</i>	<i>11.5%</i>	<i>7.9%</i>	<i>3.6%</i>
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Coffee Israel	35	39	(8.7%)
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<i>Margins</i>	<i>16.3%</i>	<i>16.3%</i>	<i>(0.0%)</i>
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<b>Total EBIT</b>	<b>151</b>	<b>148</b>	<b>2.3%</b>
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<i>Margins</i>	<i>11.6%</i>	<i>11.5%</i>	<i>0.1%</i>
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#### EBITDA:

H&W	99	109	(8.6%)
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<i>Margins</i>	<i>13.6%</i>	<i>14.6%</i>	<i>(1.0%)</i>
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F&I	61	42	44.4%
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<i>Margins</i>	<i>16.8%</i>	<i>13.8%</i>	<i>3.1%</i>
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Coffee Israel	46	50	(7.5%)
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<i>Margins</i>	<i>21.3%</i>	<i>21.0%</i>	<i>0.3%</i>
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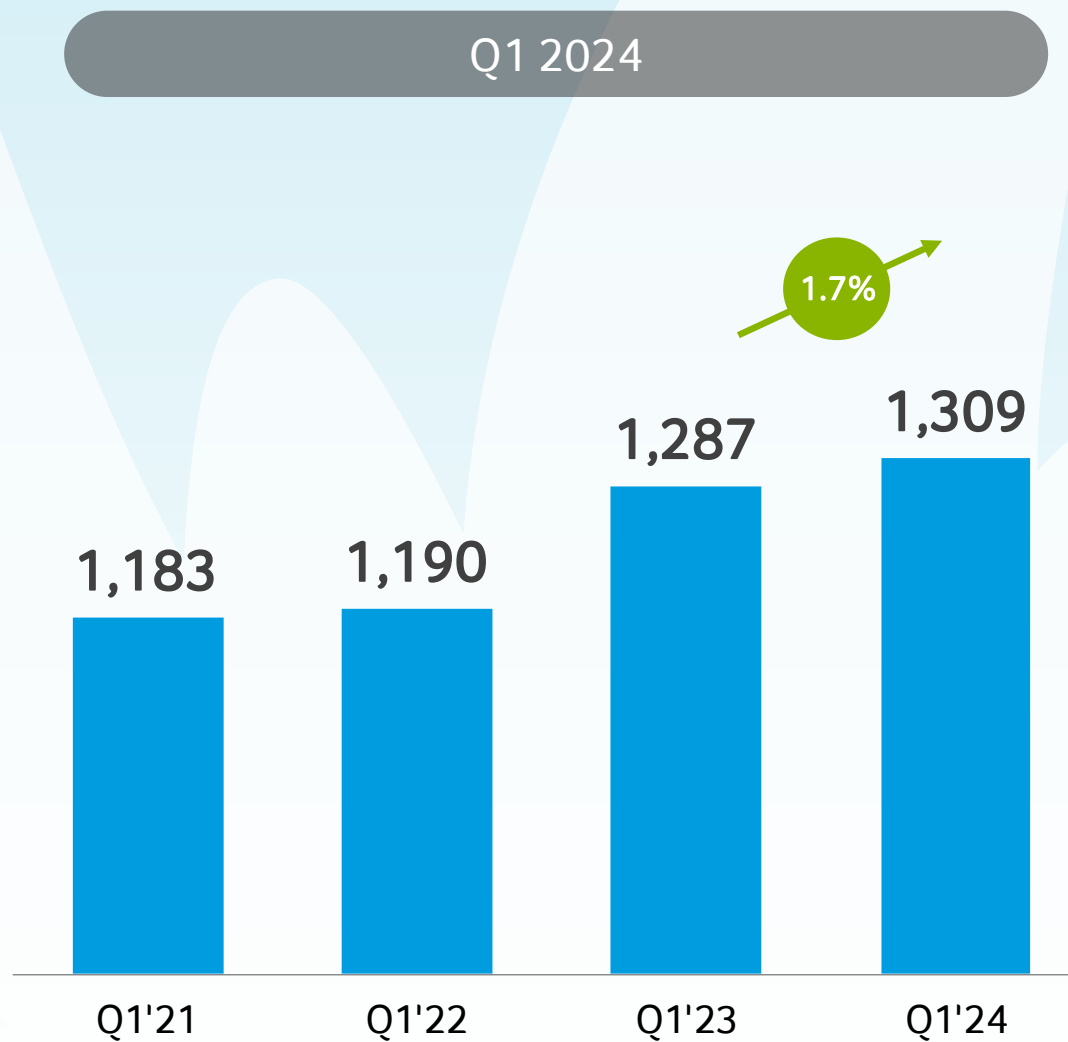
<b>Total EBITDA</b>	<b>206</b>	<b>201</b>	<b>2.8%</b>
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<i>Margins</i>	<i>16.3%</i>	<i>16.3%</i>	<i>(0.0%)</i>
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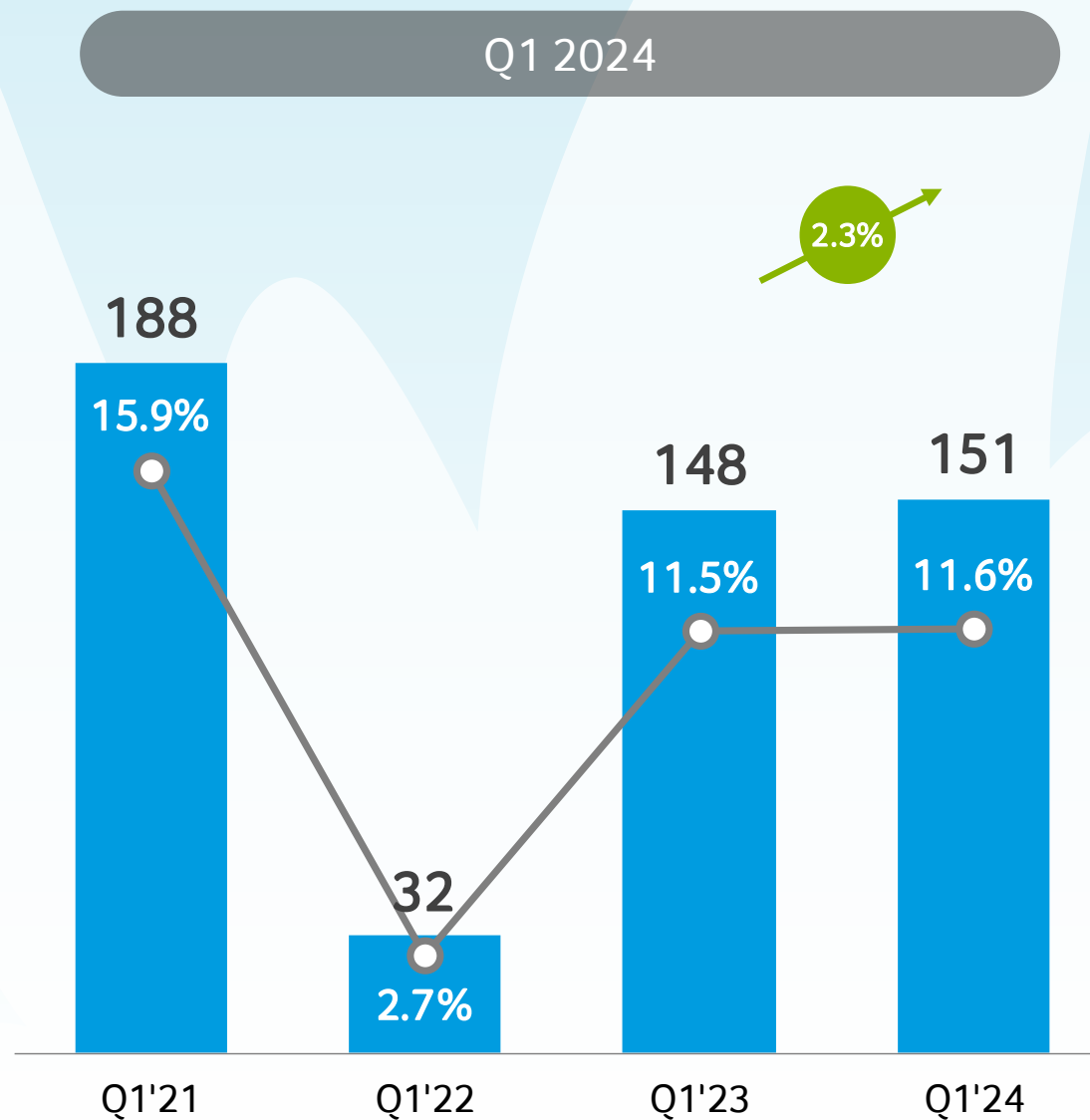
(1) Energy snacks were reclassified in Q1 24 to F&I, previously part of H&W





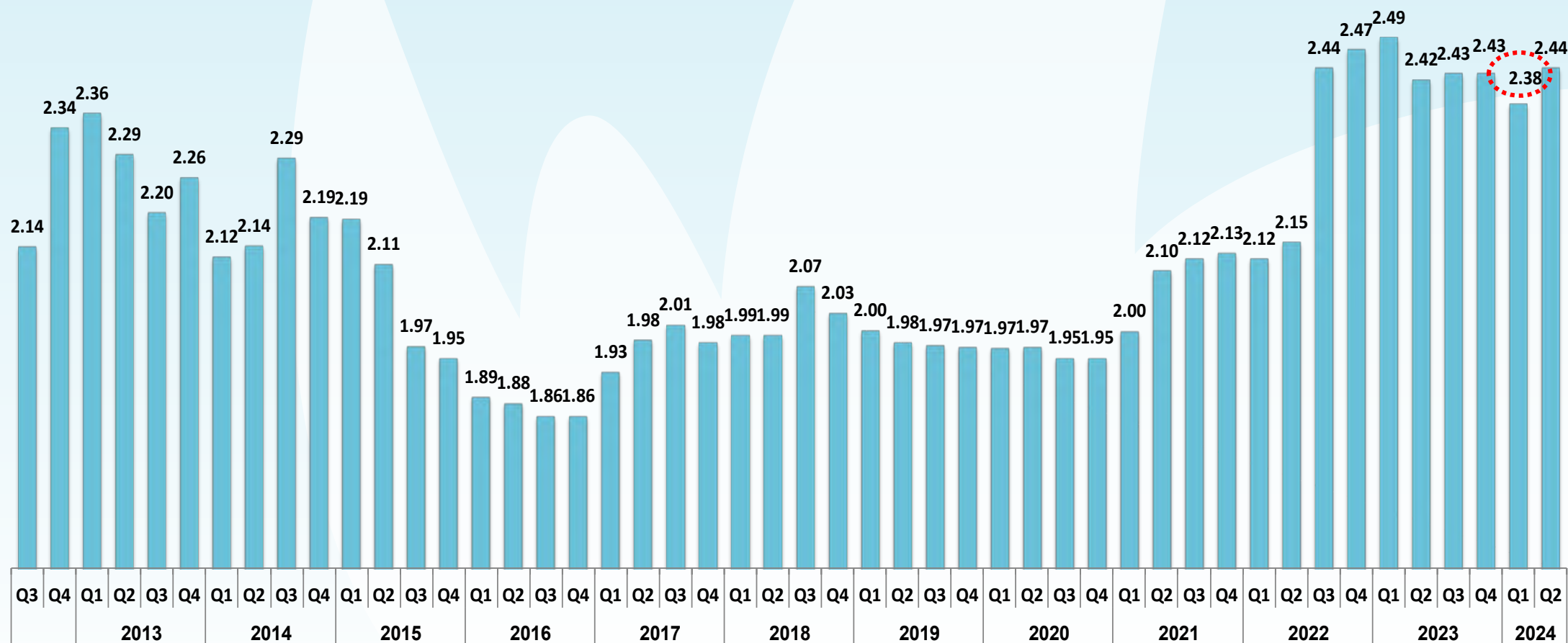






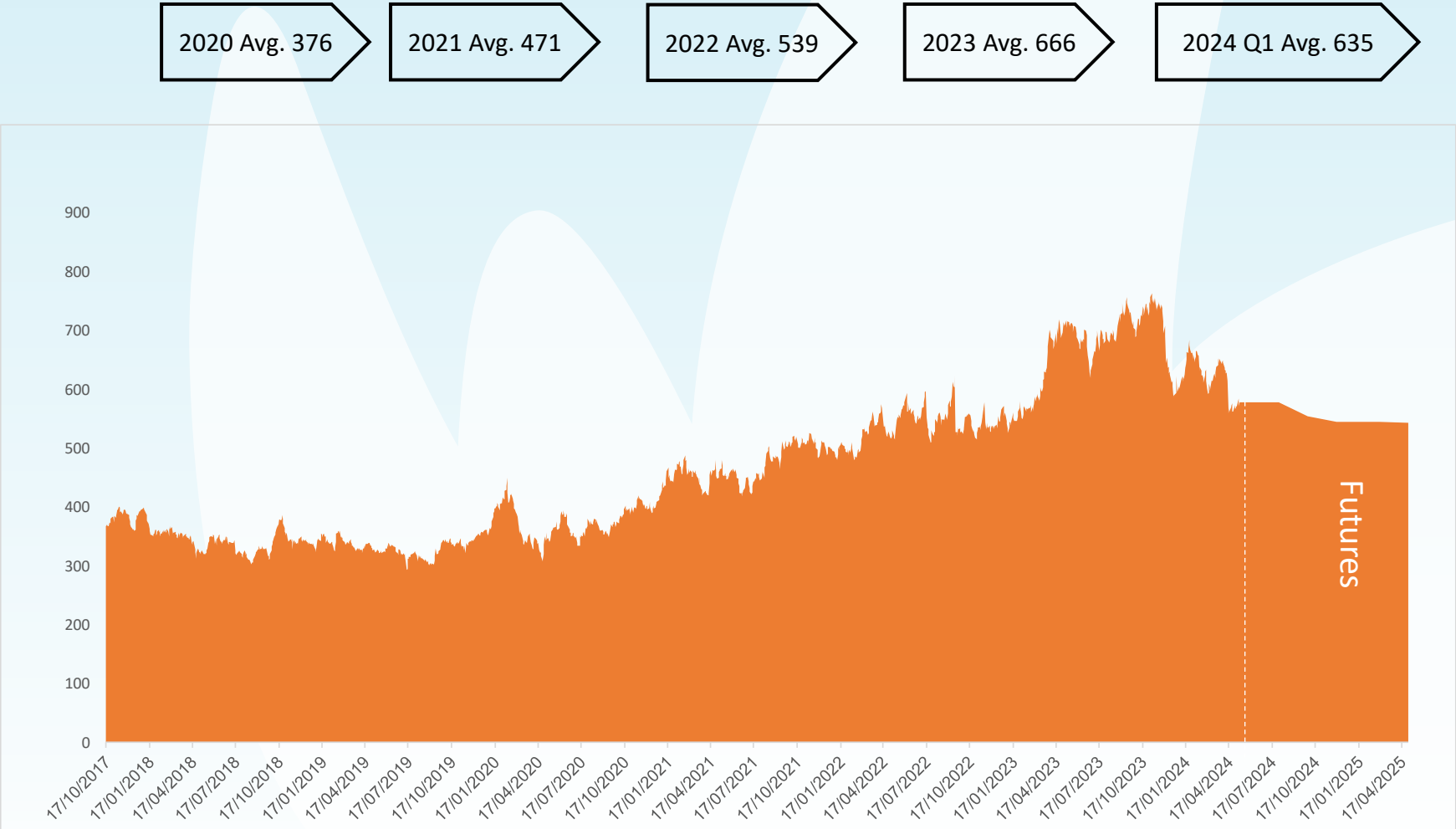


# Target Milk Prices | 2012-2024 (ILS per Liter)



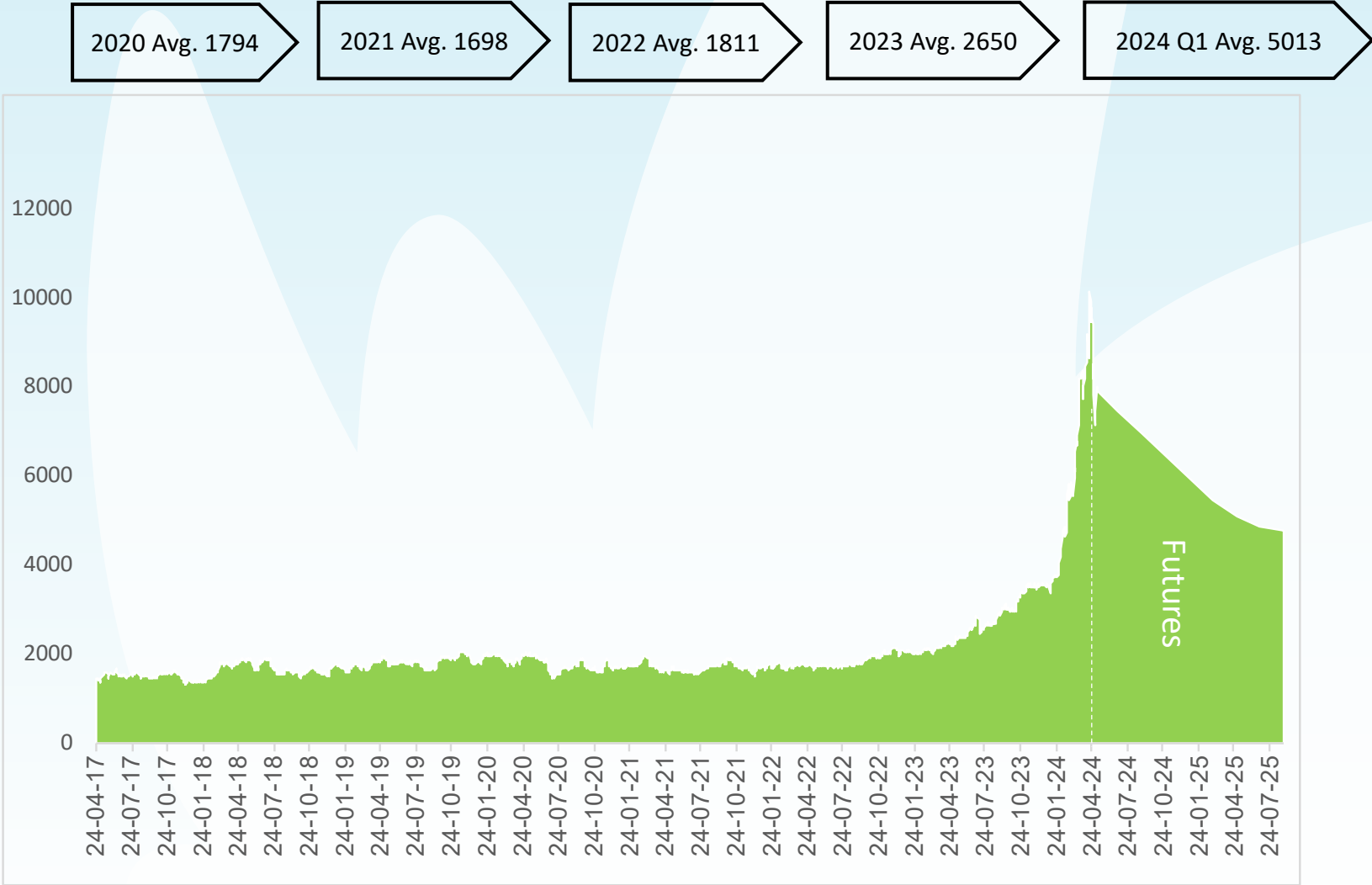


# London Sugar Historical & Futures Prices | 2017-2024 (\$\T)





# London Cocoa Historical & Futures Prices | 2017-2024 (GBP\T)







# Strauss Coffee Intl.

## Q1 2024 NIS mm

## Non-GAAP Financial Highlights



Strauss Coffee International (Non GAAP)			
	Q1 2024	Q1 2023	% Chg.
<b>Total Revenue</b>	<b>954</b>	<b>951</b>	<b>0.3%</b>
<b>Total Gross Profit</b>	<b>230</b>	<b>233</b>	<b>(1.4%)</b>
<i>Gross Margins</i>	<i>24.1%</i>	<i>24.5%</i>	<i>(0.4%)</i>
<b>EBIT:</b>			
<b>Total EBIT</b>	<b>38</b>	<b>60</b>	<b>(36.3%)</b>
<i>Margins</i>	<i>4.0%</i>	<i>6.3%</i>	<i>(2.3%)</i>
<b>EBITDA:</b>			
<b>Total EBITDA</b>	<b>61</b>	<b>82</b>	<b>(25.1%)</b>
<i>Margins</i>	<i>6.4%</i>	<i>11.1%</i>	<i>(4.7%)</i>



Note: (1) Três Corações joint venture (Brazil): a company jointly held by the Group (50%) and by the São Miguel Group (50%) (3C)

Source: Três Corações Alimentos S.A. Consolidated Interim Financial Statements as of March 31<sup>st</sup>, 2024



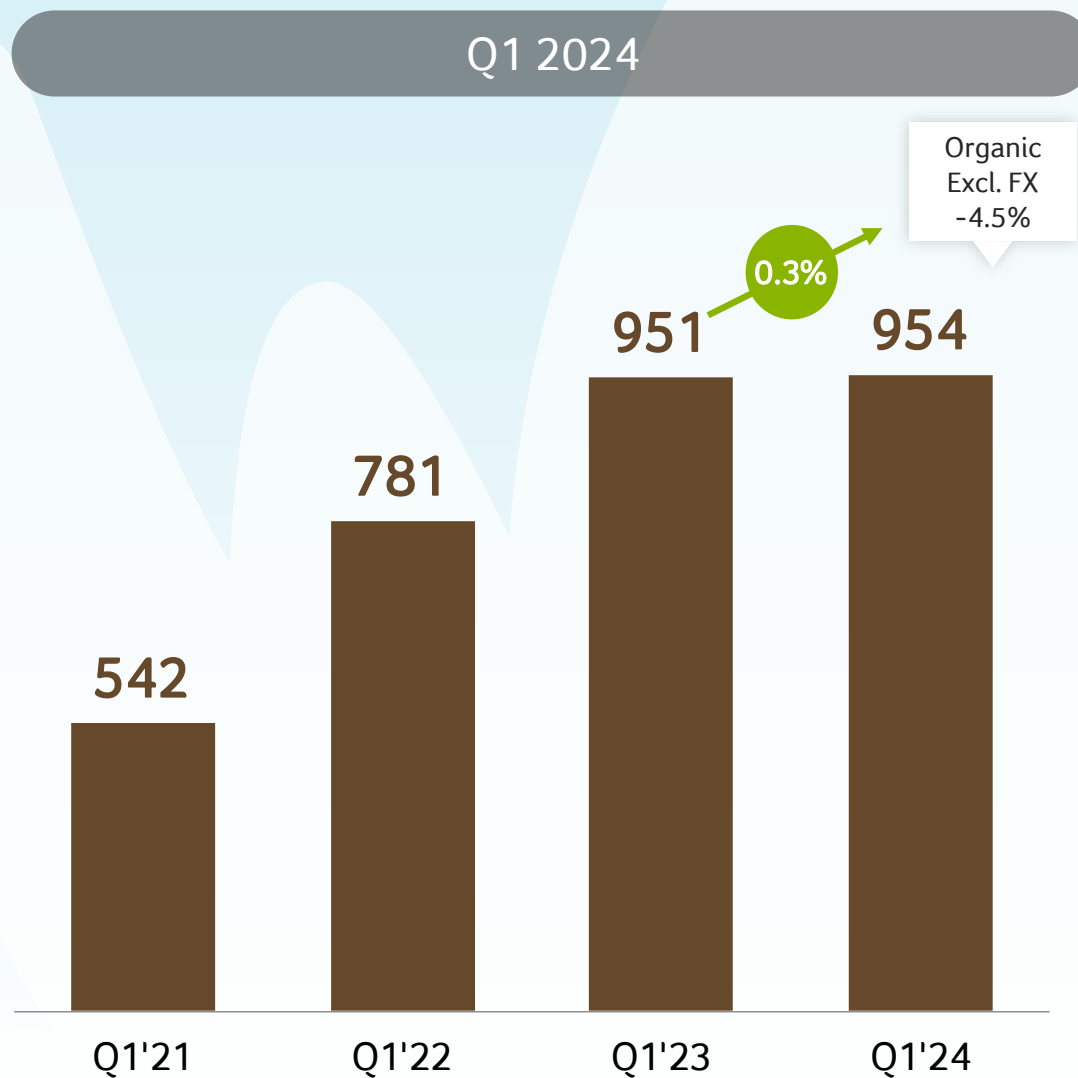


Coffee International Sales				
	Q1 2024	Q1 2023	% Change	
			NIS	Local Currency
Três Corações Joint Venture (Brazil) (1)	645	621	3.8%	(4.7%)
Russia & Ukraine	129	165	(21.7%)	(9.6%)
Poland	103	79	29.8%	14.8%
Romania	45	51	(12.3%)	(15.4%)
Serbia	21	35	(40.6%)	(43.1%)
Other	11	--		
<b>Total International</b>	<b>954</b>	<b>951</b>	<b>0.3%</b>	<b>(4.5%)</b>

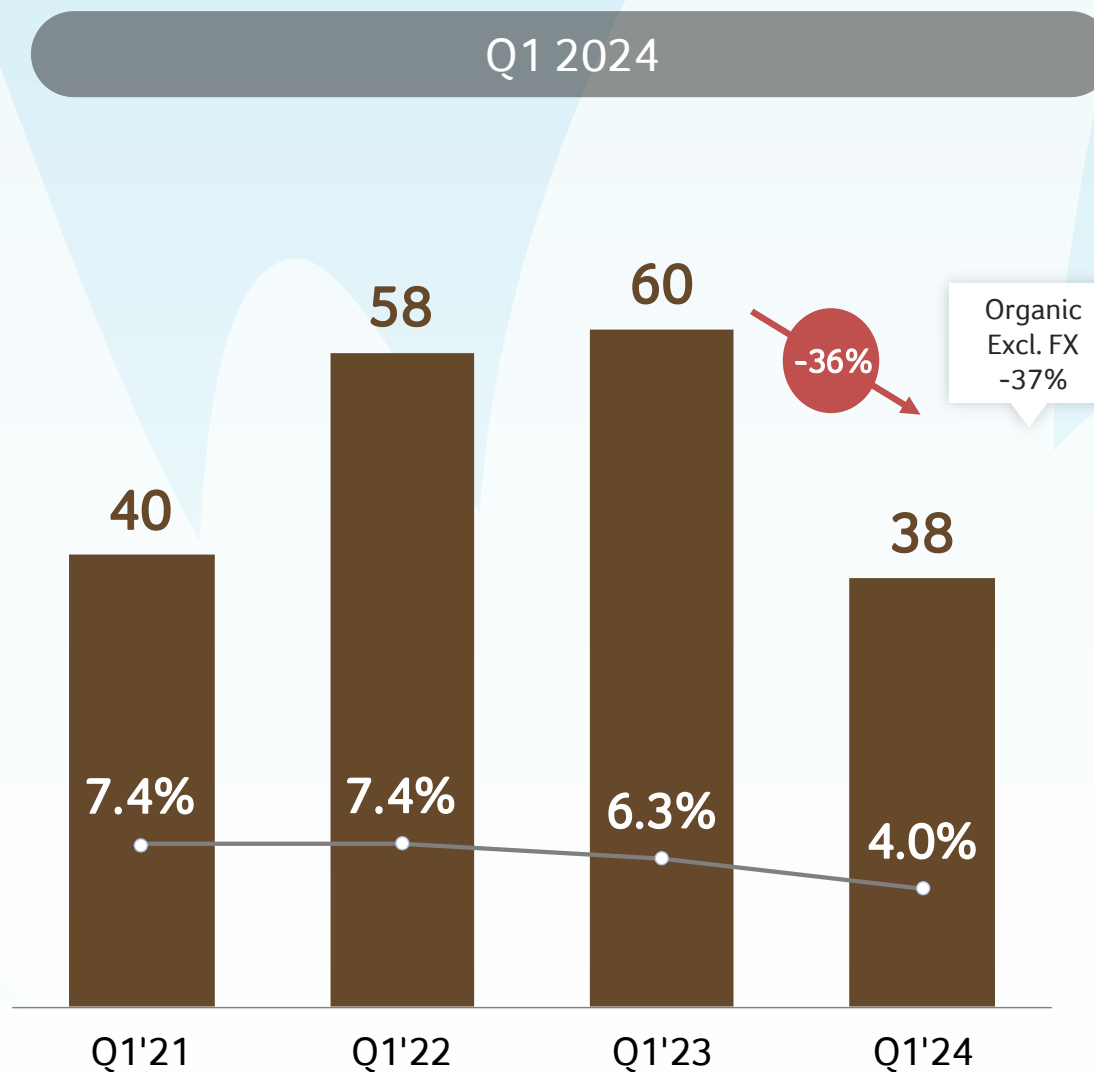
Note: (1) Três Corações joint venture (Brazil): a company jointly held by the Group (50%) and by the São Miguel Group (50%) (3C).

Source: Três Corações Alimentos S.A. Consolidated Interim Financial Statements as of March 31<sup>st</sup>, 2024



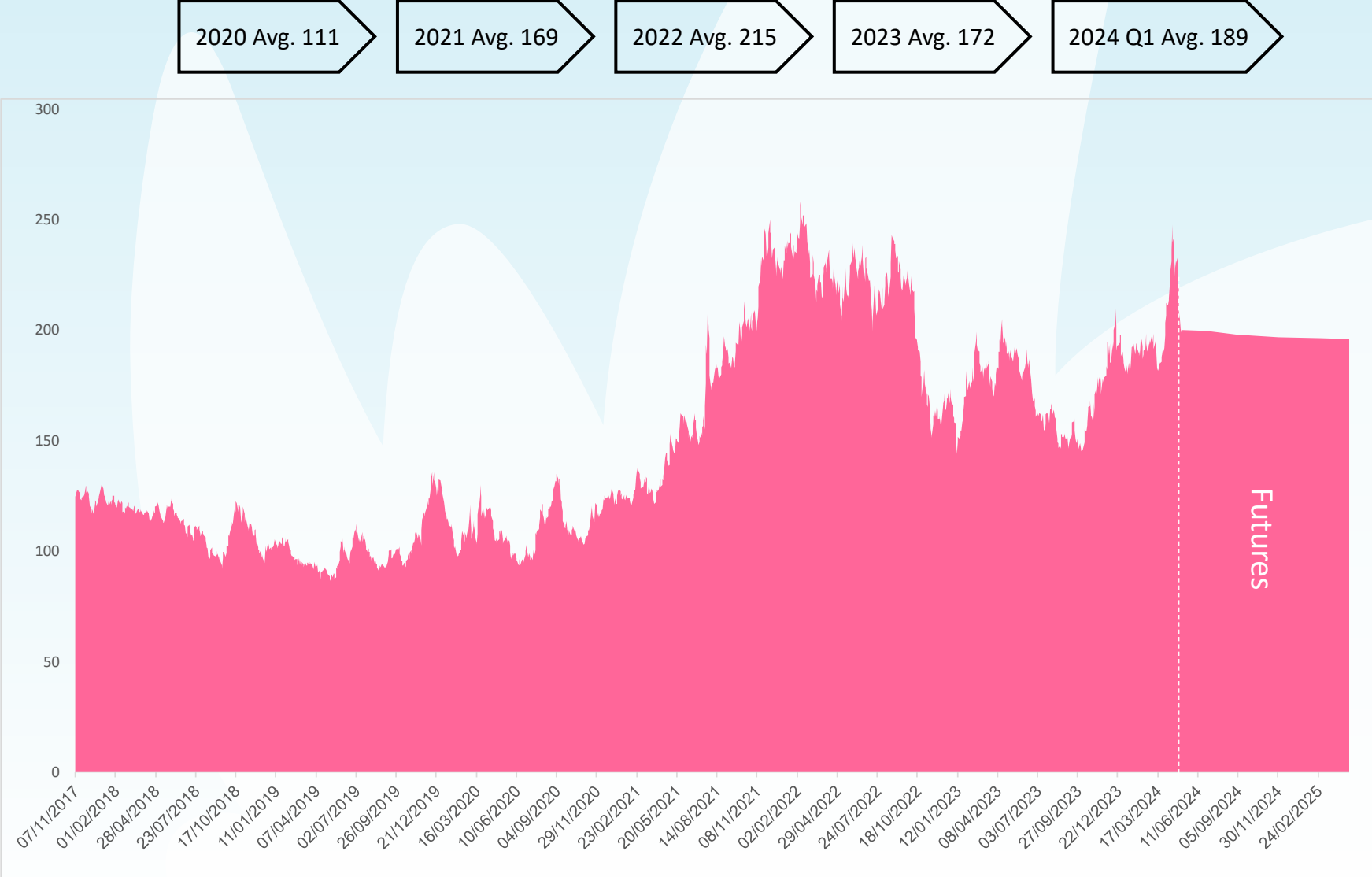






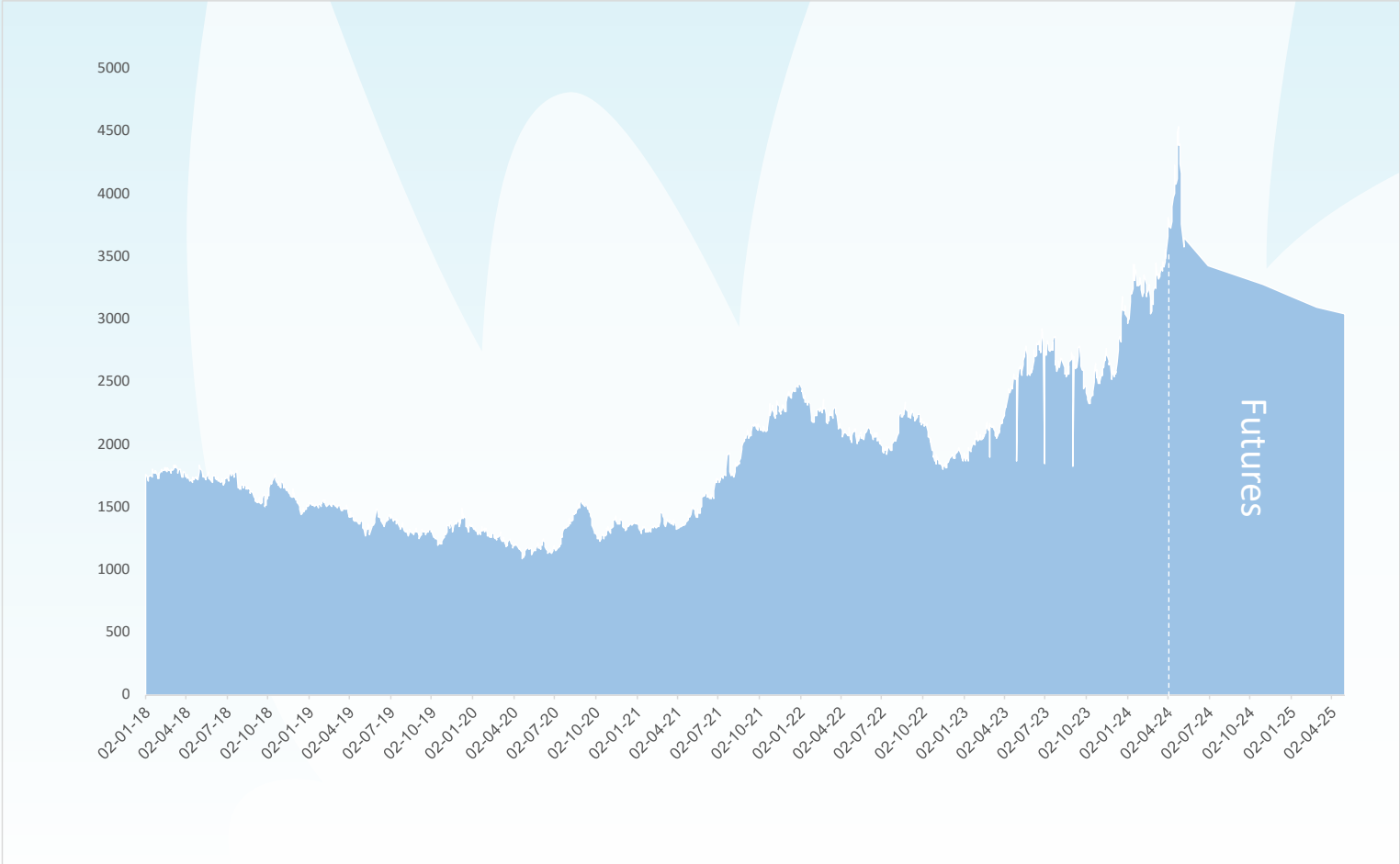
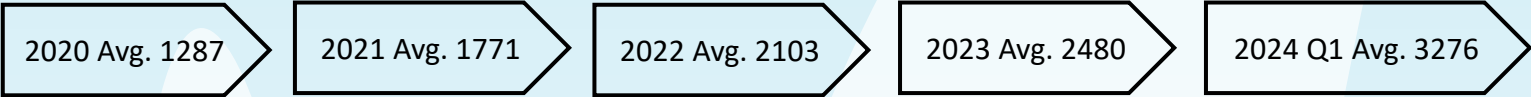


# Arabica Historical & Futures Prices | 2017-2024 (C\Lbs.)



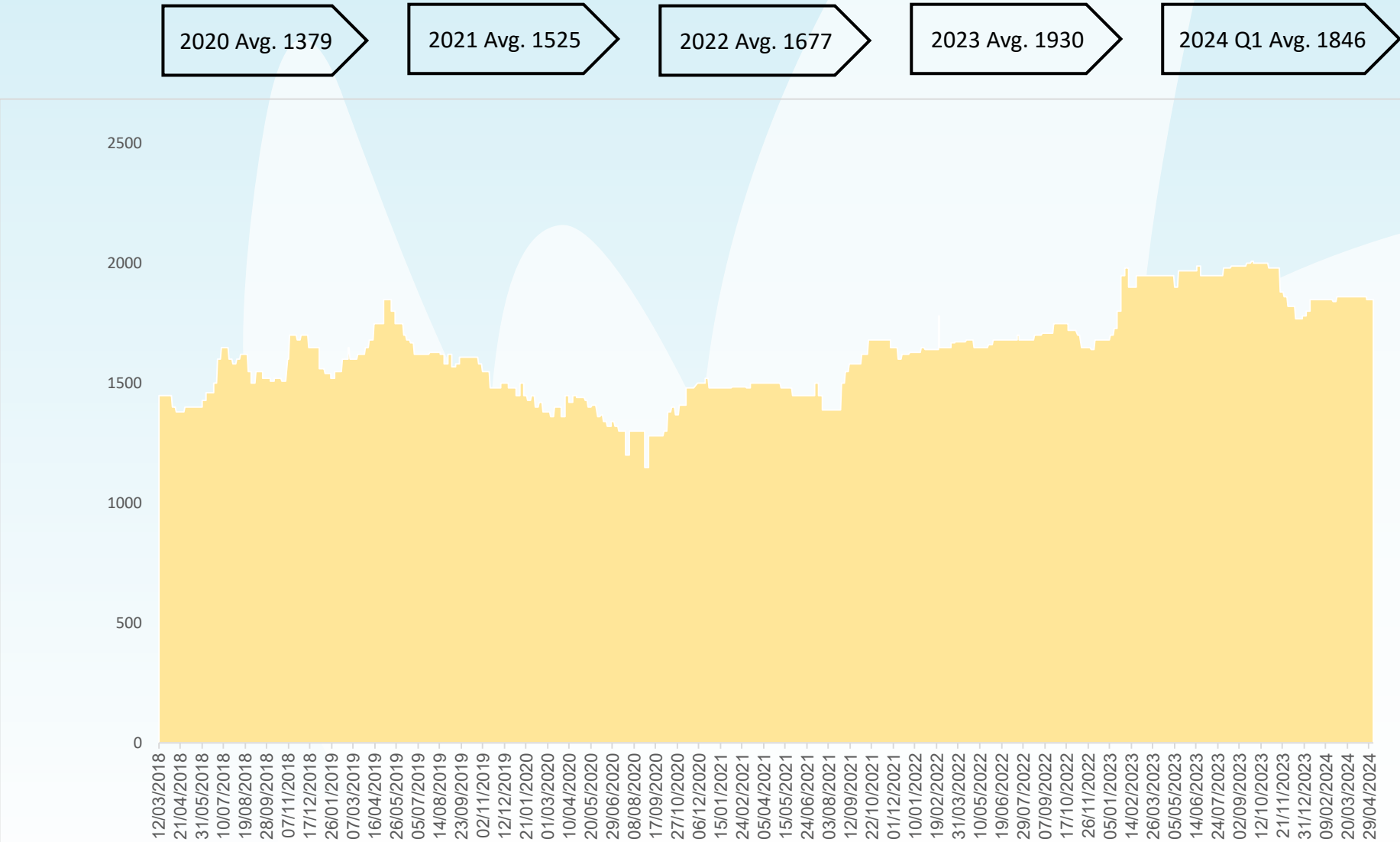


# Robusta Historical & Futures Prices | 2017-2024 (\$\T)



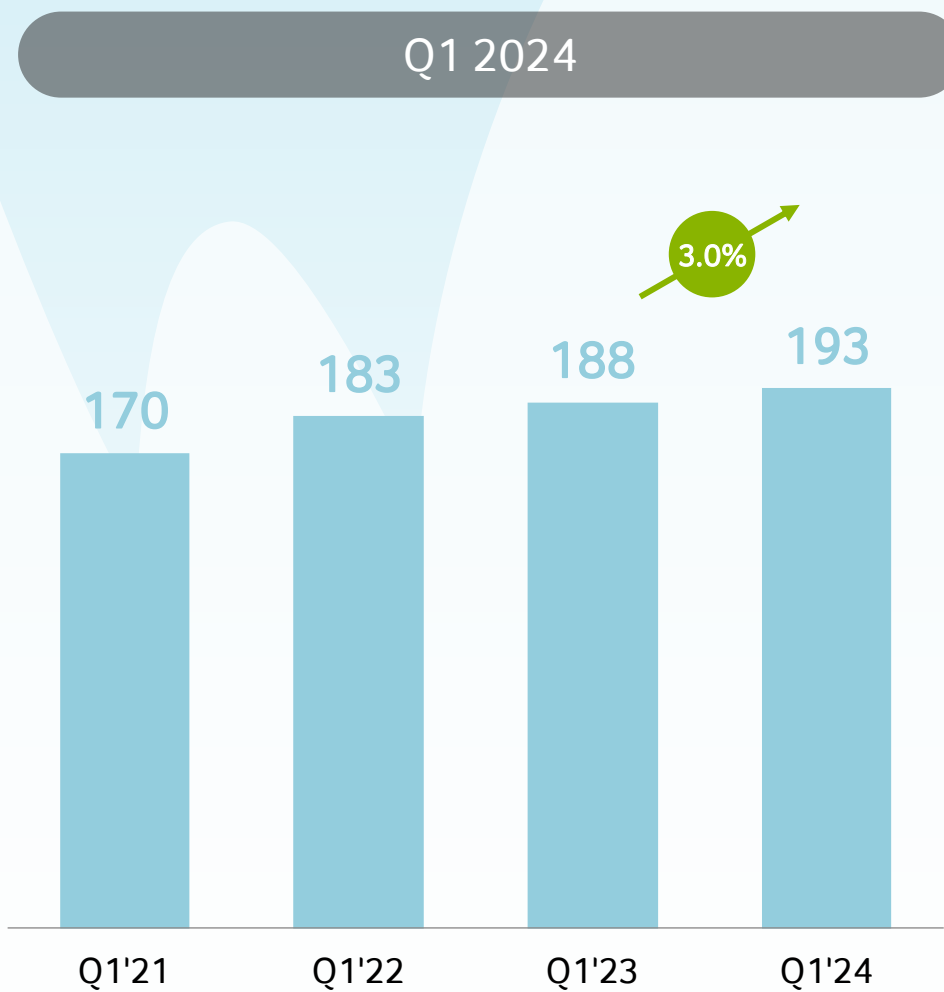


# Sesame Humera Historical Prices | 2017-2024 (\$\T)

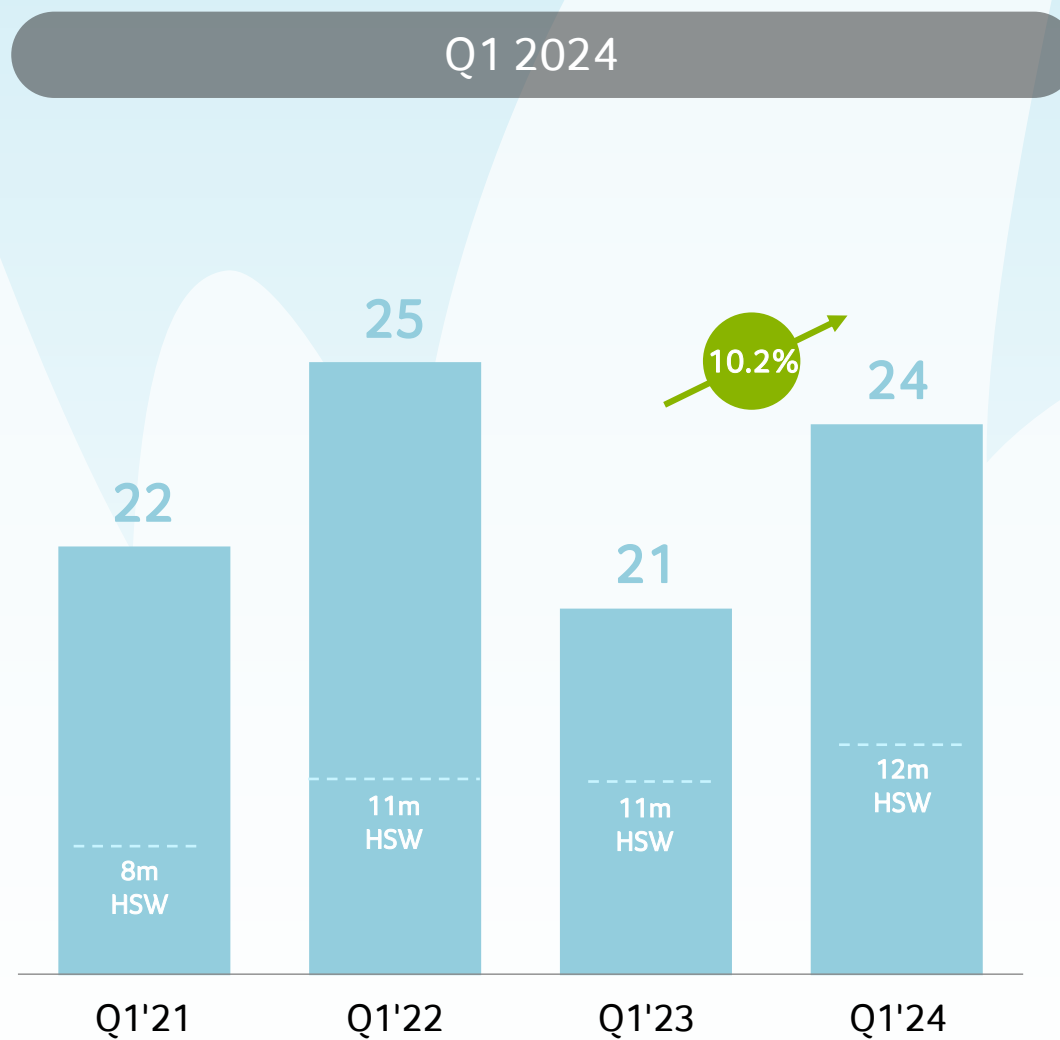


Future







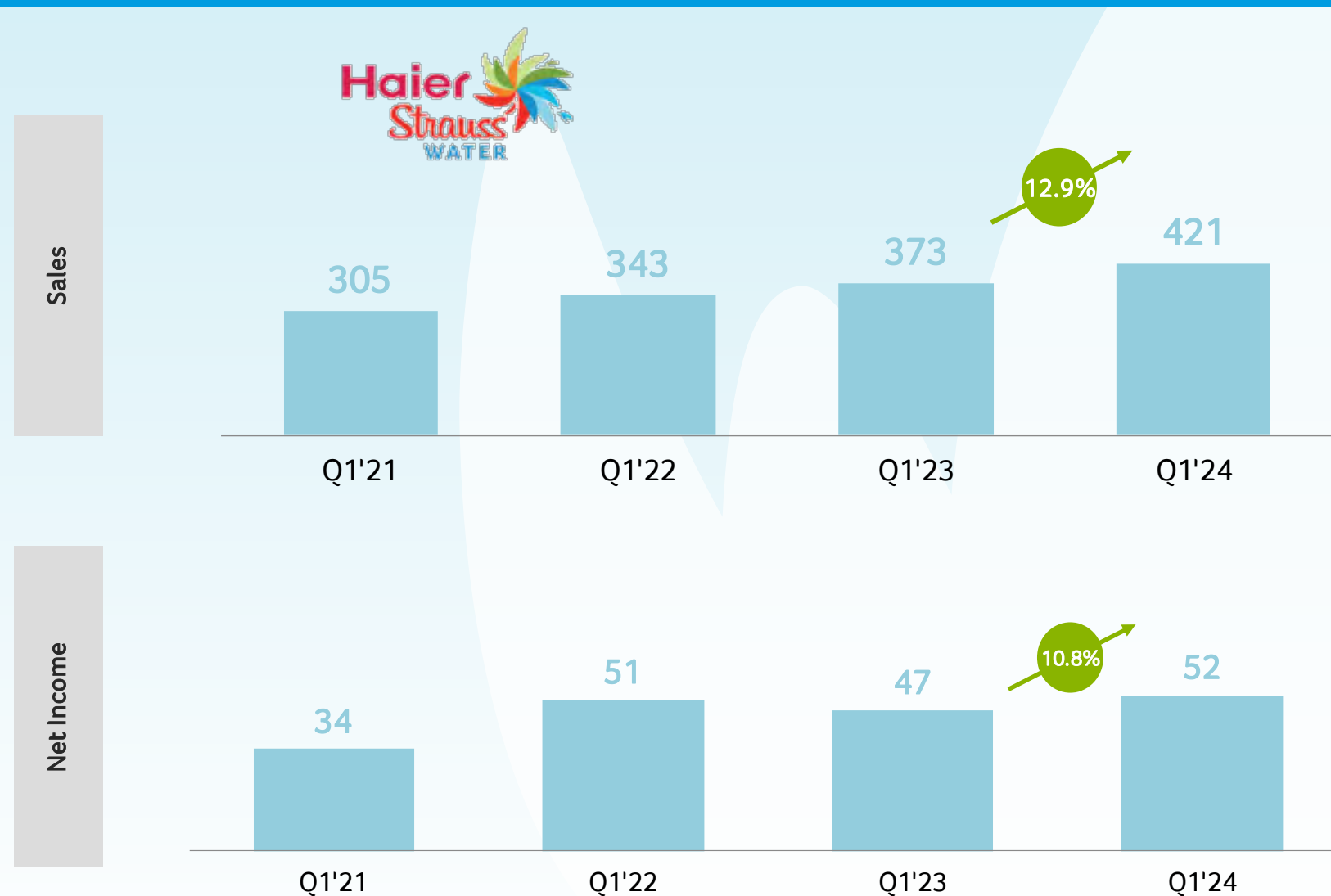






# Haier Strauss Water Q1 Snapshot

¥mm; Non-GAAP; for 100% share



Note: (1) Haier Strauss Water (HSW) is a company jointly held by Haier (51%) and Strauss Group (49%)





# Thank You

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