Building an Empire, One Snack at a Time

Edita Food Industries' Story of Consistent Growth

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Executive Summary

Established in 1996, Edita Food Industries has since grown to become a leader in the Egyptian and regional snack food markets. Over the years, Edita has cemented its reputation for quality and innovation both in Egypt and abroad, consistently introducing new product propositions to best match consumers' evolving tastes while fostering a dedicated, professional company culture.

Edita is a data-driven pioneer in the snack foods industry, having been the first company to introduce packaged croissants to the market. Today, Edita's portfolio includes around 144 SKUs across six segments: cakes, bakery, wafers, rusks, candy and biscuits. The company's product roster encompasses household names in the MENA region such as Molto, TODO, Bake Rolz, Bake Stix, Mimix, HOHOs, Twinkies, Tiger Tail, Freska and Oniro. Edita currently operates six ISO-certified, state-of-the-art facilities, with 35 production lines and exports its products to more than 17 regional markets. Edita's proven strong product-market fit both for Egypt and the MENA region at large is supported by rigorously collated data, and the company continues to explore market expansion across the continent.

Edita's impact is felt by larger multinational companies who are incentivised to keep pace; ranking among the top 100 Egyptian wholesalers, Edita currently has 25 distribution centres, a sales force of 1,444 professionals and a fleet of around 800 vehicles. As an intensively, and intentionally, data-driven company (with its HR, marketing and product development all premised on findings gleaned from its meticulously collected data), Edita has become one of Egypt's most well-loved brands in addition to achieving remarkable market success. A company that began as a family venture, Edita has risen to become competitive against multinational brands and has spearheaded a cutting-edge approach to operations – Edita has consistently proven that it truly is a company of the future. Rather than following the herd, Edita stands out for its innovative and future-oriented approach to business.

Edita produces more than 3 billion pouches per annum, approximately. Reflecting Edita's innovative nature and core values, the company prides itself on having a strong R&D team that strives to ensure an ongoing flow of innovative products in the pipeline set to appeal to the various tastes of consumers in the market. Edita's HR, marketing and product development are all based on data which the company keeps on all internal affairs; Edita's ambition and dedication make the company a shining addition to the African Hidden Champion's (AHC) roster.

Chapter 1 – An Overview of Edita Food Industries

Edita Food Industries has grown to become a leader in the Egyptian and regional snack food markets. The brand prioritises spreading joy among its customers, purporting to put its heart and soul into its brand creation and product distribution. The company cites trust, responsibility, innovation and teamwork as its core tenets and key success factors. These values have helped make Edita a pioneering and a leading Fast-Moving Consumer Goods (FMCG) company. FMCGs have a high inventory turnover, as opposed to specialty items which yield lower sales and encounter higher carrying fees. Many larger hypermarkets, big box stores, warehouse clubs and similar retailers only stock FMCGs, while small convenience stores also tend to stock FMCG – limited shelf space is often filled with items that have a higher turnover rate. Food affordability is one of the biggest drivers of the snack economy, with rising prices of staple foods fast becoming a challenge for the Egyptian government to handle.

Over the years, Edita has cemented its reputation for quality and innovation, consistently introducing new product propositions to best match consumers' evolving tastes. Edita was the first company to introduce packaged croissants to the market in 1997, just a year after the brand's inception in 1996. Today, Edita's portfolio includes around 144 SKUs across six segments, namely cakes, bakery, wafers, rusks, candy and biscuits. The company's product roster encompasses household names such as Molto, TODO, Bake Rolz, Bake Stix, Mimix, HOHOs, Twinkies, Tiger Tail, Freska and Oniro. Edita produces more 3 billion pouches per annum, through 32 production lines in five state-of-the-art factories. Reflecting Edita's innovative nature and core values, the company prides itself with a strong R&D team that strives to ensure an ongoing flow of innovative products in the pipeline set to appeal to the various tastes of consumers in the market.

Edita launched the first baked wheat snacks to the market Bake Rolz and Stix which are considered the first healthy snacking alternatives in Egypt. Edita also owns Todo, Hohos, Twinkies and Tiger Tail. Edita serves a wide range of consumers through their multi-brand strategy; the macro snack market has experienced a significant boom in Egypt over the last decade, offering better quality and bigger sizes.

Edita's recent expansion into Morocco is an example of the company's ability to spot opportunities led through joint ventures and speaks to their ability to understand that in order to explore new growth prospects, a company must display some appetite for risk. Edita owns 77% of Dislog, one of the key players in distribution in Morocco (owning around 20%) with the possibility to be turned into an export hub. Morocco's are comparable to Egypt, and has a big population with high rate of youth. In the first 6 months of operations we captured 4% market share which is a success story

All decision-making around changes in operations follow a "quality-first" principle; anything changed on the floor must maintain or augment quality standards. The balance between pioneering risk-taking and reliable quality is one of Edita's distinguishing features.

Products and Productivity and Growth

Exploring international opportunities led Edita to a partnership with Moroccan-based snack manufacturer, Dislog. This partnership galvanised Edita to undertake the company's sixth production plant. Edita has embraced technology in all aspects of business, from managing human resources to ensuring that employees' well-being is considered.

In 2020, Edita entered the sweet biscuit market, which was valued, at that stage, at EGP 4.5 billion. The joint venture agreement with Dislog was the impetus the company needed to enter an entirely new market with some windfall. In support of this joint venture agreement, the Moroccan government awarded the enterprise MAD 15 million in grant funding, which enabled them to secure a long-term lease agreement for a 13 000 sq. plot of land on which to build the production facility in Morocco. Morocco's encouragement of foreign direct investment, and Edita's partnership with key players in distribution in Morocco make the country an attractive export hub. Additionally, Morocco's demographics are extremely similar to Egypt's, with both countries boasting a high youth rate. In the first six months of Edita's operations in Morocco, the company captured an impressive 4% market share. Fast forwarding to 2022, Edita today owns 77% of Dislog, which is now a direct subsidiary of Edita.

Edita more than doubled its profit year-on-year to record EGP 196.0 million in 2Q2022, with a vastly improved margin of 12.5%. Building off of its momentum from 1Q2022, the company overcame a challenging operating environment to deliver record-breaking results with over EGP 1.5 billion in revenues.

An African Hidden Champion

This case study showcases Edita's journey to becoming the top producer of sweet and savoury snacks in Egypt and outlines both the market drivers and the size of the market by looking at the ancillaries that have created economic opportunities for the brand. Edita's inclusion as an African Hidden Champion is due in part to the company's sustainable balance between export and local sales; Edita reported revenue of EGP 5.3 billion in FY 2021. Edita operates in the manufacturing sector, which is an employment driver and an important sector. As this case highlights, Edita has proven a strong product-market fit for Egypt and the MENA region in addition to continually exploring market expansion across the continent and beyond.

In drafting this study, AFG held interviews with key figures in management and C-Suite roles within Edita. In-person interviews were conducted with the CEO, VPs of Marketing, Sales, Human Resources and Industrial Operations. Detailed desktop research was also undertaken.

Chapter 2 – An Overview of the Economic Landscape of Egypt

Egypt is Africa's third most populous state and boasts one of the continent's fastest-growing youth populations. The North African country is also a haven for fast-moving consumer goods (FMCG) and retailers. As elsewhere in the developing and developed world, Egypt was hit badly by the Covid-19 pandemic. Russia's invasion of Ukraine has also wreaked havoc on the Egyptian economy due to the huge jump in prices for vital commodity imports. Whether Egypt can renew its significant pre-pandemic growth trajectory and impressive levels of foreign direct investment (FDI) – the highest in Africa in 2020 – remains an open question.

The country is also one of Africa's most densely populated, with an excess of 100 people per square km[1]. Over 57% of the population resides in the country's urban areas, with most of the rest living in dense riverine governorates along the Nile River.[2] As with most of Africa, the youth population is a rapidly growing demographic, with around one-third of the total population count under the age of 15 and three-fifths under 30 years of age. Egypt's population is growing at a steady rate of 2.3% per annum, adding some two million new consumers annually. Egypt currently operates on a diverse economic system involving centralized economic planning and reforms through state regulation and control, coupled with a freemarket economy[3]. From a sectoral point of view, the main economic drivers have been gas, tourism, wholesale and retail trade, real estate and construction.

The oil and gas industries are the two of the most dynamic industries in Egypt, with vast amounts of FDI and local investment going into developing the country's petrochemical sector, making the country a significant market player in global energy. Egypt relies heavily on imports for some of its agri-food categories. The most substantial imports include wheat, crude petroleum, manufactured vehicles, refined petroleum and broadcasting equipment. Wheat, sorghum, and soy are key inputs for the food sector. Wheat is especially crucial for the snack-food business. Despite governmental reforms following the global food crisis in 2007/2008 to diversify the sources of cereal imports, the bulk of their cereal imports still come from Russia and Ukraine. According to the USDA[4], Egypt imports 12.0-13 million metric tonnes annually of the world's total production of 204.838 million metric tonnes (as of March 2022) of wheat.[5] Russia, Ukraine and France were the top three suppliers from which Egypt imported, with the country having spent $1.6 billion, $690 million and $176 million in 2021 respectively.[6] Russia's invasion of Ukraine is expected to drastically change these figures.

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Fluctuating Monetary Policies and the Impacts of Overreliance

In 2016, the Egyptian Central Bank decided to float the exchange rate to reduce budget deficits and public debt, reduce the volume of imports, increase exports and importantly, encourage both foreign and domestic investment. This, conversely, led to a series of challenges for local industries, including a scarcity of foreign currency and significantly higher cost of raw materials for businesses in the food manufacturing space. In 2022, the government's decision to further devalue the currency by 13.7% and raise rates applied further pressure on the food sector. As a direct response to the Ukraine-Russian crisis, the Egyptian Central Bank raised the deposit rate by 100 basis points, bringing it to an uncomfortable 9.25%. In addition, the lending rate was also adjusted by 100 basis points to 10.25%.

Since the beginning of the Russian invasion in February 2022, the prices of wheat and substitutes like maize, soybeans, sorghum, etc. have been experiencing record highs. This has severely impacted the purchasing power of consumers as they bear the brunt of higher food prices. With the Egyptian Pound seeing further devaluation, crucial imports being affected by conflict, and lending money becoming more expensive, it is extremely likely that businesses like Edita and other players in the food industry will be severely impacted. Currently, the company can ideate and roll out a new product in less than half a year, sourcing their market intelligence from Nielsen Reports and then demarcating potential gaps, testing these through further research and finally developing products and launching them in the market.

The Snack Revolution

Food affordability is one of the biggest drivers of the snack economy, with rising prices of staple foods fast becoming a challenge for the Egyptian government to handle. Globally, the demand for snack food is set to reach $732 billion by 2026[7]. This spike in the 'snack revolution' is driven by rapidly changing lifestyles and urbanization, coupled with hectic schedules, busy lifestyles and the need to supplant larger and traditional mealtimes with small, convenient, lower-cost nutritional options. These lifestyle changes have resulted in an increased appetite for ready-to-eat food items that can be consumed without any time-intensive preparation. Market demand is also increasing for indulgence categories within Sub-Saharan Africa, and a wide range of products are expected to see a sharp increase in demand over the next few years.

Similarly, market demand is influenced by increased disposable incomes and the introduction of innovative products. The general retail food sector is worth an approximate $17.5 billion in Egypt. The pre-packaged food sector, in which Edita operates, reached a significant $12 billion in 2019 and is estimated to grow by 3% to $12.4 billion by 2023. Data from USDA has shown that from the total sector's worth, baked goods accounted for 14.72%, savoury snacks at 6.57%, sweet biscuits, snack bars and fruit snacks accounted for 5.97% and confectionery accounted for 5.67%, which cumulatively accounted for 32.9% (approximately $3.5 billion) of the total packaged food sub-sector.

Consumers with greater purchasing power drive the imported snack demand whilst the lower-middle-income consumers substitute with domestically manufactured alternatives. In Egypt, rapid and continuous urbanization is giving more households access to mass-grocery retail chains, resulting in a shift from unpackaged, artisanal snacks, to more processed and packaged ones. By 2025, Egypt's urban population is expected to reach 43.4% of the total population; this means that the urban population will grow by 4.8 million consumers in just five years.

These remarkable market gaps provide an entry point for businesses to take advantage of the growing consumer demand. Nestle, for example, announced in 2020 that it would be investing EGP 514 million towards the creation of new production lines and aggressive expansion within Egypt.

Market Opportunity

Africa has a large market that benefits the FMCG sector. Fast-moving consumer goods (FMCG), also sometimes referred to as consumer-packaged goods

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(CPG), are products that are highly in-demand, sold rapidly and are affordable. These items are considered "fast-moving" as they swiftly leave the shelves of a store or supermarket as consumers use and repurchase them regularly. FMCGs include packaged foods, toiletries, beverages, stationery, over-the-counter medicines, cleaning and laundry products, plastic goods, personal care products and less expensive consumer electronics, like mobile phones and headphones. Some fast-moving consumer goods are perishable including meat, dairy products, baked goods, fruits and vegetables. FMCG sales tend to be affected by discounts offered by specific stores, as well as by holidays and other seasonal periods. The multi-million-dollar FMCG industry is generally considered creative and innovative; companies are frequently interested in supplying consumer products that are affordable and readily available. As a result, FMCG products are often used and purchased daily.

With the middle-income segment growing at 5% year after year, the continent's market potential remains impressive and lucrative. According to the World Bank, the population in Africa is also forecast to double to about 2.2 billion potential customers by 2050. The FMCG sector stands to benefit immensely from this growth; projected annual sales for 2024 in snacks for Ghana, South Africa and Kenya alone are estimated at 3.8%, 4.7% and 5.5% respectively, according to the International Agricultural Trade Report. Snack food consumption in 2019 was valued at $1.8 billion in South Africa, $1.1 billion in Nigeria, $205 million in Ghana and $165 million in Kenya.[8] Among the most popular categories are potato chips, cookies, and plain biscuits. However, consumers are increasingly concerned about their health and this trend extends toward snack choices. From the consumer perspective, FMCGs require low engagement or energy; in other words, selecting a product requires little to no effort. Prices are low, goods tend to have a short shelf life and consumption occurs rapidly leading to frequent purchases. Marketers find the appeal of FMCGs in the high volumes of product they are able to produce, the low contribution margins, extensive distribution and high inventory turnover.

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Chapter 3 – The Evolution of Edita Food Industries

Edita began its operation with the construction of the E-06 Plant in 6th of October City outside of Cairo in 1996. A year later in 1997, Edita introduced Molto chocolate-filled croissants in Egypt. By 2003, Edita had purchased and upgraded the Hostess factory (E-10) on the 10th of Ramadan City and entered the snack cakes market manufacturing under an international license. Edita went on to subsequently achieve world-class safety certifications including HACCP, ISO 22000, ISO 9001, ISO 18001 for its factories and products.

In 2008, Edita began investing in a comprehensive ERP and is the first business in MENA to have adopted the SAP Salesforce tool. This system has driven targeted efficiencies into the business as it saves time and increases the efficacy of the sales force. Sales staff are provided with Motorola devices that perform tasks like route-planning, defining daily sales targets, and communicating new product info, as well as allowing for easy communication with the VP of Sales through video and chat.

In 2009, Edita introduced Dynamics Great Plains ERP (an ERP system integrating all business processes and providing business intelligence), allowing the company to further advance its growth and development. The following year, Edita rolled out a new brand: TODO. In 2011, Edita entered the candy market with the MiMix brand, building a production facility (E-15) in the city of Beni Suef dedicated to candy products. By this point, Edita had crossed the EGP 1 billion mark and started rebranding itself as a company, with the introduction of a new logo.

In 2012, Edita launched the wafer brand Freska, building a production plant in Polaris Industrial Park (E-07) in 6th October City to meet increased consumer demand. The company also added a new headquarters and logistics hub in Sheikh Zayed City in 2013 and introduced an ERP system upgrade: SAP. Edita was listed on the Egyptian stock exchange in 2015, garnering the company renown and enhancing its corporate profile, as well as improving its access to growth capital. Edita acquired the HTT brands Hohos, Twinkies and Tiger Tail in Egypt, Libya, Jordan and Palestine as well as land in 6th of October City's Polaris Al-Zamil district, close to its E07 plant, to build a new factory (E08).

Edita procured more land allocated for the production a premix formula in August 2016 and began construction on the first phase of the new E08 factory the same month. Edita also added new varieties to the TODO brand, signing an agreement with KSA's Khalifa A. Algosaibi Cold Stores for the distribution of its HTT Brands, releasing a new candy line in Q42016. In 2018, Edita embarked on the process of entering the Moroccan market, signing a shareholder's agreement with Dislog: a top FMGC distributor in Morocco. Finally, Edita introduced new varieties of products in their TODO and Freska lines, as well as rolling out a rebranding campaign for Molto.

Edita received a MAD 15 million grant from the Moroccan government in 2019 to support the operations of its joint venture with Dislog, further securing a long-term lease agreement for a 13,000 sqm plot of land to build the new Moroccan facility and began construction of the factory. Edita was one of the Total Africa Cup of Nations 2019 Tournament sponsors and the Egyptian national football team in 2019. Finally, the company introduced new candy varieties to their MiMix brand as well as to the Freska brand and launched a new product under the ToDo cake brand.

Edita was quick to realise that the acquisition of the U.S.-based Hostess brand would be a good move to introduce well-loved American snacks like Twinkies, Ding Dongs and Hohos to the Edita stable of products. Edita has exclusive ownership of the international HTT brands Twinkies, Hoho's, and Tiget Tail in Egypt, Libya, Jordan, Palestine, Morocco, Algeria, Tunisia, Syria, Lebanon, Iraq, Bahrain, Oman, the UAE, Kuwait, Qatar and Saudi Arabia and is party to a technical assistance and know-how agreement to manufacture 11 additional HTT brands across its territories.

Edita obtained the necessary license to produce the additional confectionery, with this acquisition leading to the purchase and upgrade of the existing Hostess plant. From the inception of the brand to its current place in the Egyptian market, Edita has experienced consistent, measured growth. Market share in their best-selling category, cakes, is around 49%, and the second largest category, bakery, has come in at around 60%. After Egypt, Iraq, Jordan and Palestine are the largest export markets that together contributed to 80% of Edita's export revenues in 2021. Ranking among the top 100 Egyptian wholesalers, Edita currently has 25 distribution centres, a sales force of 1,444 professionals, and a fleet of more than 800 vehicles.

The growing popularity of Edita's Molto Magnum line has led the company to capitalise on the product's success, launching the rollout of a new Molto Magnum Mini and introducing a range of new flavours including chocolate, hazelnut cream and strawberry cheesecake. Edita also introduced the new Freska Block, a wafer bar with a double chocolate layer coating and three flavour options.

Simultaneously, HOHOs Extreme, an upsized variation on Edita's traditional HOHOs Cream was unveiled. The Twinkies brand's similar success also resulted in a packaging design makeover. Despite the wide demographic Edita serves through its multi-brand strategy, the company retails at prices that appeal to all: from EGP 1 to the most expensive price point, EGP 11. While certain snacks generally fare better among consumers facing economic hardship, others stand in as alternatives to full meals. Edita is currently working on retaining the newly acquired interest from the higher income market by offering better quality and bigger sizes.

In 2021, coinciding with a partnership campaign with telecoms provider Orange to celebrate the 25th anniversary of the Molto brand, Edita obtained the necessary approval from the Egyptian National Food Safety Authority (NFSA) to label all Molto products as 'free of hydrogenated fats.' This labelling approval falls in line with the company's sustainability compliance framework, as it aims to focus on consumer wellbeing by improving the choice of raw materials and ingredients.

Edita's Beginnings

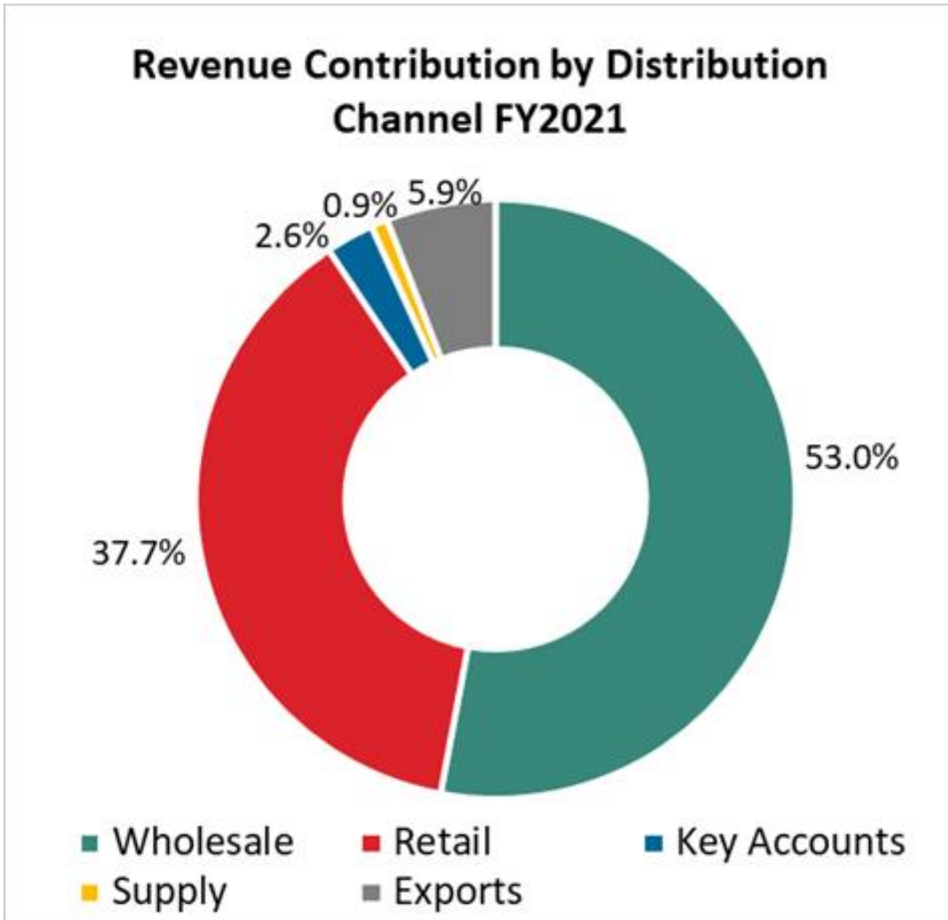
Edita was created by Hani Berzi, a businessman holding BSc in Computer and Control Engineering, with a seasoned entrepreneurial background in his family's snack business. Berzi has a cumulative 36 years of experience in the food and beverage industry, having started his career in 1986 when he joined Tasty Foods Egypt, his family's snack food business. After a sale of a part of its shares to PepsiCo, Berzi subsequently attained the position of Sales and Marketing Vice President at Tasty Foods Egypt from 1990 to 1992.

Since 2006, Berzi has served as Chairman and Managing Director of Edita Foods, after having served as the company's Director since the company's inception in 1996. On the national front, Berzi has served as the Chairman of the Food Export Council of Egypt. He is a member of the Chamber of Food Industries and the Egyptian Centre for Economic Studies, Chairman of the Egyptian-Greek Business Council (Egyptian side), Chairman of the Food Export Council, and Board Member of the Export Development Fund. He previously served as a member of the board for several companies in the food and beverage sector, including Technopak, RotoPak and Egypt Sack. The very first product introduced to the Egyptian market was one of which the CEO was firmly convinced was needed in the market – packaged croissants. And so, the Molto chocolate-filled croissant was the first taste the

Egyptian market had of what was to become a snack revolution by Edita. Subsequently, a range of packaged food from rusks to snack cakes was introduced to the market.

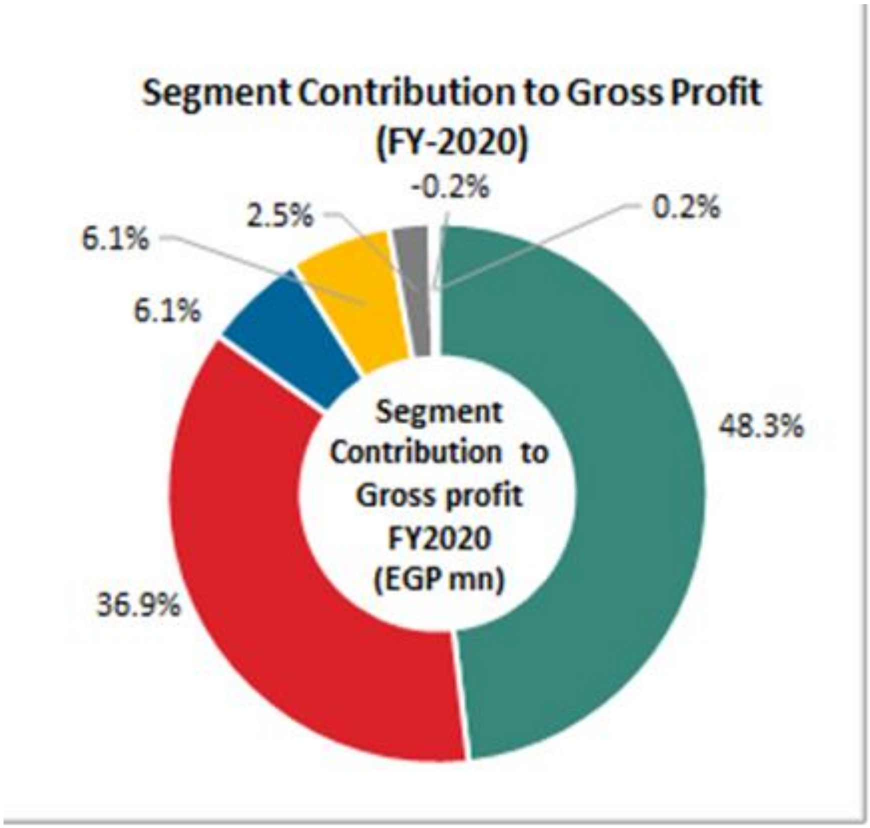
Berzi has repeatedly shared his belief that Africa is the future, and that Edita must become a regional powerhouse over the next decade. A believer in long-term thinking and topline growth over checking the price of his stock daily, Berzi holds high ambitions for Edita and its ability to continually diversify its products. With the opening of the Moroccan plant, Berzi asserts that Edita is gaining confidence to expand into new markets.

Revenue contribution per distribution channel can be broken down as follows:

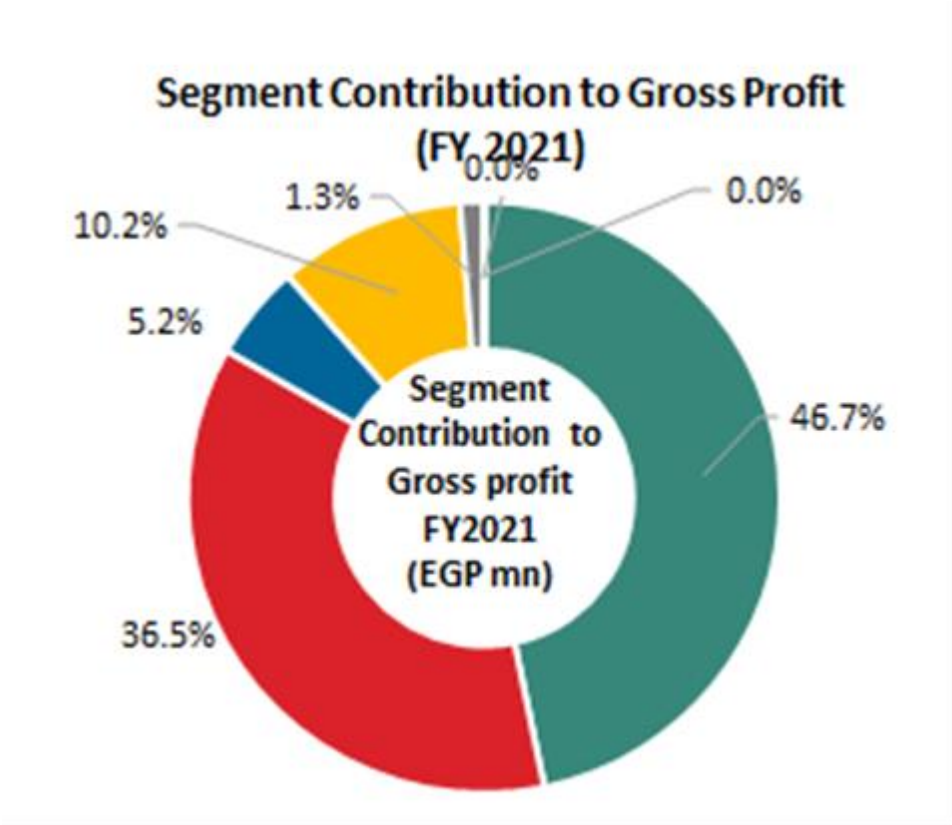


In FY 2021, Edita derived 94.1% of its income from Egypt and 5.9% from regional exports. According to the company's 2021 Annual Report, the cake segment is one of Edita's core offerings, representing the largest share of gross profit for 2021 at 46.7%. Edita continues to hold the number one position in terms of market share in what is among the more mature and highly valued segments in Egypt's snack food industry.

Edita's revenue contribution per product category can be broken down as follows:



	Cakes	EGP 670.4
	Bakery	EGP 512.8
	Rusks	EGP 85.2
	Wafers	EGP 85.2
	Candy	EGP 34.8
	Biscuits	EGP -2.7
	Imports	EGP 2.4



	Cakes	EGP 781.1
	Bakery	EGP 611.4
	Rusks	EGP 87.1
	Wafers	EGP 170.5
	Candy	EGP 21.8
	Biscuits	EGP 0.8
	Imports	EGP 0.8

Cultivating a Culture of Success Through Intelligent Management Systems

CEO Hani Berzi's strategy has historically focused on growing Edita's human resources to full capacity. According to VP of Human Resources and Administration, Maged Tadros, Berzi provided his top-level employees with free rein and total autonomy to make HR a full part of Edita's business strategy, allowing Tadros the freedom to operate independently. A breakaway from conventional management styles has seen Edita create a program called 'In Touch,' a culture-promoting platform that empowers blue-collar employees to voice their ideas and concerns while simultaneously providing management with a finger on the pulse on what is happening on the ground.

Tadros has explained that he and his team were given the liberty to create systems that measured, maintained and predicted the performance and satisfaction of Editas' staff. This capability would unlikely have been provided to him at any of the large, foreign multinationals he had previously worked at. Edita's unique agility, especially given the company's size, has been an integral part of what has pushed the company ahead of its competitors. Under this cutting-edge philosophy of employee satisfaction, Edita introduced a comprehensive IT system for HR management (referred to as Human Resources within Edita), a part of the broader company ERP (called SAP SuccessFactors). This system allows Tadros to effectively run a tight performance management plan across the entire organisation where each staff member has an annual performance agreement that outlines expectations as well as triggers regular reviews.

In addition, Tadros created a competency matrix that profiles each staff member according to defined competencies that are used across the company through the IT system. Using this system, management can anticipate the exit of specific people within the company for any role that becomes vacant before hiring externally. This allows the company to shift staff around as their competencies and skill sets improve, thus further developing them professionally and allowing Edita to enjoy a better than usual staff retention rate. The company also has an anonymous system for reporting grievances called 'I Voice.' This system allows any employee to report unethical behaviour. All complaints go through the legal department and are swiftly dealt with, together with the support of the respective line managers, depending on the type of issue. Edita updated its HR competencies to stay aligned with internal and external flux in the business environment. Customer centricity, business acumen and striving for excellence are identified as core competencies whilst coaching and people development, ownership, diversity, and inclusion are considered the company's leadership competencies.

Edita has demonstrated its committed to a pioneering vision of human development, referencing the human resources department as the driving force behind the company's growth. Edita offers frequent women-only retreats, talent shows and company excursions to allow staff to unwind and bond without limitations. They invest in their staff by offering rigorous training and development programs, both virtually and in person. The company has seen the results of these programs in the effectiveness of the systems they run within the company.

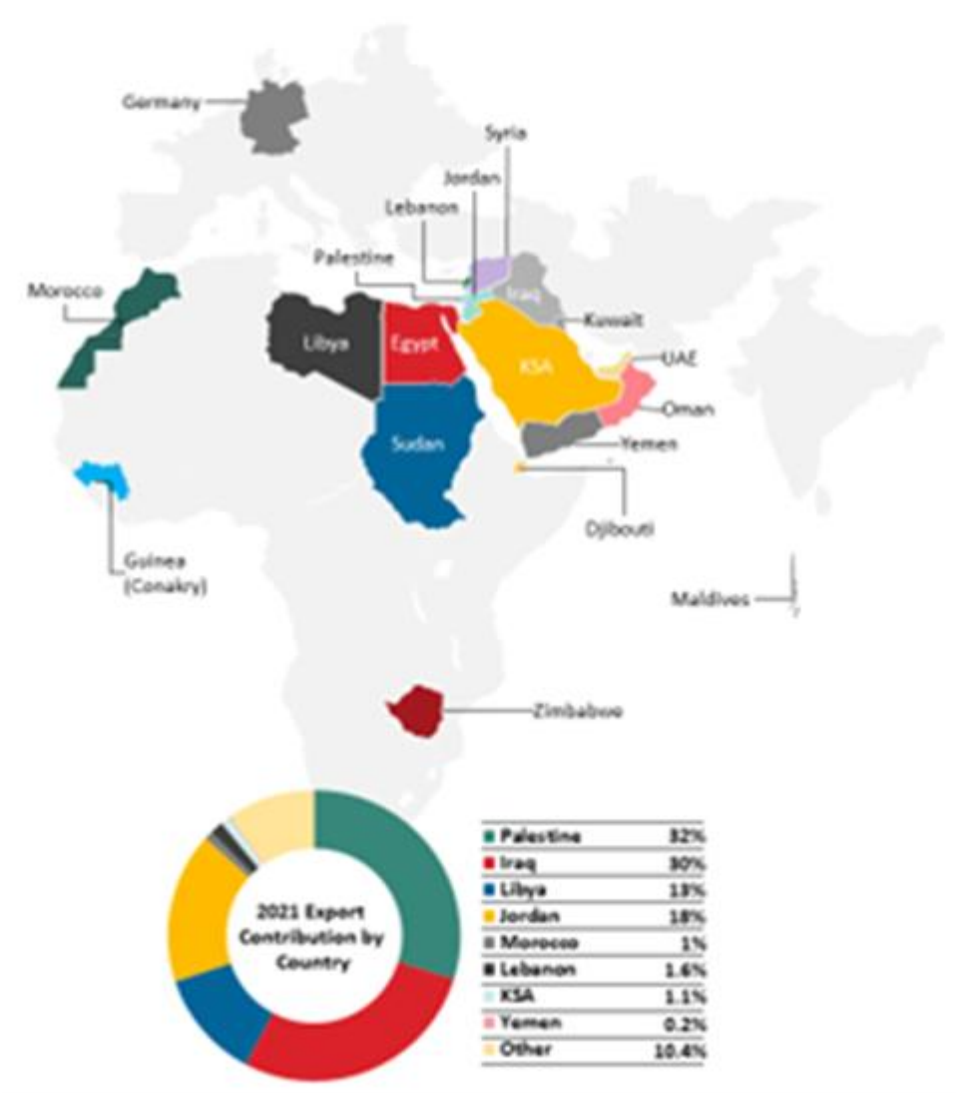
Strategy Pillars

Edita's success is anchored by a steadfast commitment to four Strategy Pillars: Innovation and differentiation; regional expansion; diversifying revenue streams; and leveraging its human resources department.

Innovation and Differentiation: In keeping with the company's progressive style and ability to quickly respond to evolving customer needs, Edita continues to expand and diversify its portfolio through the addition of multiple new and upsized SKUs which enables the company to deliver on its portfolio optimisation strategy. The company can ideate and roll out a new product in less than six months; using Nielsen Reports and market insights, Edita constantly reviews potential opportunity gaps and fills them once they are identified.

Regional Expansion: Replicating repeat successes through the rollout of multiple products to a willing market, Edita aims to strengthen its position in the export market with laser-like focus. Edita presently targets fast-growing markets, markets whose growth is amplified by increasing consumer potential and stable macro-economic environments. Edita's entrance into the Moroccan market in 2018 was a successful example of this aim. When production at Edita's facility in Morocco began in 2021, it was a testimony to the strength of Edita's regional expansion strategy, underscoring the company's journey from exporter to regional manufacturer.

Edita's Regional Footprint



In addition to its regional expansion, Edita has been able to successfully streamline operations by taking direct ownership of the various stages of production processes, rather than relying on external contractors or suppliers. This provides the company the freedom to explore organic and inorganic opportunities within new markets. Edita runs a fully internalized direct distribution model through ownership of its own fleet of 847 trucks. By leveraging on its supply chain department, Edita works intuitively to ensure an efficient flow of operations, from the procurement of raw materials to manufacturing, logistics, warehousing and quality control.

Diversifying Revenue Streams: The Edita product portfolio currently consists of over 100 SKUs across six segments: cakes, bakery, wafers, rusks, candy and biscuits. Edita's entire operation has an annual production capacity of more than 130k tons, as of FY 2021. A broad distribution network has seen Edita serve over 72K clients between wholesale, retail, key accounts, and direct supply through its 25 distribution centres and 1,444 sales professionals.

Edita's net debt-to-equity ratio was 0.49x in FY 2021, and in 2020, its net debt-to-equity ratio was calculated at 0.41x, demonstrating that Edita is significantly under-leveraged. This low leverage is by design, as the company strategy is to accumulate cash on hand until the right acquisition target in Africa is identified. During the worst moments of the pandemic, Edita still managed to do well, partially benefiting from the lower interest rates offered by the government, but mainly as a result of the company's pre-existing robust core. Cost inflation in 2021 was 17%, but Edita still closed with a profit as well as a 30% revenue growth.

Leveraging Human Resources department: Ongoing and active investment in people development, coupled with implementation of measurement, management and prediction systems ensure that Edita's human resources department is always an important driver of the functional successes of the business.

Mitigating Challenges

Global inflationary pressures and persistent rising commodity prices have significantly impacted Edita, forcing the company to pursue several (successful) initiatives to mitigate these challenges. Edita introduced indirect price increases across their core product range to alleviate the pressures of profitability margins. Increased price points were set to help the company improve profitability in the face of global logistical disruptions and long-standing relationships with global and local suppliers have allowed the company to maintain a highly favourable supply position.

The acquisition of a new bakery production line is expected to become operational by the end of 2Q2022, set to increase bakery capacity by 20%. In keeping with local and international financial compliance, Edita recently completed the refurbishment of an upgraded electronic invoicing system. Additionally, in March 2021, the company secured a medium-term loan of EGP 90 million to finance its capital expenditure plans in Egypt.

In September 2021, the company secured an additional EGP 150 million medium-term loan from the Central Bank of Egypt (CBE) to finance a Molto production line. These loans were a part of the CBE's initiative program to support Egyptian businesses with low-interest loans to allow the company to recover post-pandemic.

Headwinds Faced by Edita

In concert with Edita's success in mitigating the risks related to COVID-19, the company was also able to deliver on its longer-term growth strategies. Chief among these was its diversification into the biscuits market with the launch of our new Oniro brand. Valued at more than EGP 5 billion as of year-end 2019, the biscuit segment offered Edita important long-term growth and diversification opportunities. On the ground, Edita continues to strengthen its distribution muscle, growing its platform by over 30% with the addition of 200 new vehicles and the inauguration of an additional three distribution centres. This addition extends the company's reach across the nation and helps to grow the contribution of the higher-margin retail sales channel which in 2020 contributed to nearly 38% of total gross sales compared to just over 32% in the previous year.

Edita has consistently demonstrated its ability to navigate challenging environments supported by a flexible business model, proactive growth strategies and continued investment. The company's new facility boasts state-of-the-art technology in line with Egyptian operations, is a landmark achievement for Edita and allowing the company to deliver on its regional expansion strategy by further strengthening the company's presence in Morocco and laying the groundwork for future growth across the region. Edita has an on-the-ground presence through its Freska exports, which the company began exporting back in 2018 immediately following its entrance into the Moroccan market.

The ongoing challenges of currency devaluations and unexpected currency fluctuations were gravely deepened by the conflict between Russia and Ukraine. The invasion devastated the world's supply chain, with the disruption to wheat supplies and fertiliser compounded by skyrocketing oil prices have impacted every industry. But none is as alarming as the impact on the food manufacturing sector. Amid domestic fiscal instability and global upheaval, Edita has faced the challenge of driving lean manufacturing on the side of operations. The average headcount per production line is 30 people, which the company considers to be quite high. Roughly 90% of the company's raw inputs are imported. 60% are from direct imports through their supply chain, and a significant number of inputs are sourced from local Egyptian trade companies so in essence, these are imported too - very little is locally made.

Gender diversity also remains a challenge in terms of meeting staff quotas; this has been difficult to mitigate due to gender dynamics in Egyptian culture. Edita also grapples with how it can remain competitive vis-a-vis employee compensation. Foreign multinationals can always poach valuable skilled staff with much higher salaries. Competition in the snack space is quite fierce; Edita faces competition from multinational companies with extensive continental footprints. Two of the preeminent companies are Nestlé and PepsiCo, who themselves also face competition from Turkish manufacturers and Italian imports. Stalwart competition, from a product and manufacturer point of view, include Al Ahmady Chocolate and Food Industries, Goldenpack Group, Balconi, Excelo, Bimo, Merendina, Corona and Genova. Finally, freight and shipping costs present major challenges. As a simulation, Edita piloted an export to Guinea. The shipment took longer than eight weeks to arrive. For products with a short shelf life, these sorts of logistical delays are tantamount to financial suicide.

Chapter 4 – Leveraging R&D and Innovative Tech for Rapid Response

Edita's data-driven research and development process plays a crucial role in keeping Edita at the forefront of the highly competitive snack food industry. The company's unwavering dedication to research and innovation makes the company stand out within in the snack industry. - fastidious research and experimentation have often propelled the company from product conceptualization to product launch in as little as six months.

Idea: Marketing gives the R & D department a concept brief.

Research: R & D conducts a feasibility study alongside the engineering team. Here, regulatory compliance is ascertained, supply chain studied, and ease of procurement and prices are established.

Develop: Prototypes are tested through lab line trials. Testing continues until approval is given. Here, the product is tested for shelf life and sensorial value. It is also at this point that a decision on packaging is made.

Testing: After developmental testing, line trials begin, and the products' sensorial evaluation will be concluded. Any line modification or adjustment is considered; packaging suitability and machine compatibility will be decided, and a shipping test will be undertaken. Artwork is finalized.

Analysis: Conclusions on market evaluations are made concerning the product. Any final COGs or adjustments are undertaken if necessary and procurement for ingredients (based on sales forecasting and lead times) takes place.

Introduction: A task force is deployed for team alignment and preparation for the launch date. A 'know-how' draft is issued to all relevant parties. The first production is run by the R & D lead and then gradually handed over to the production and quality control teams. A post-launch evaluation is then undertaken by the sensory team.

Following the successful completion of these processes, Edita can service gaps spotted in the market using market intelligence as a tool. In 2019, Edita's research and development department adapted its product portfolio to comply with global food regulations and in doing so, Edita's ability to manufacture healthy and nutritional snacks that comply with international standards was amplified. To buttress this milestone, in 2021, Edita received the NFSA approval to label all its baked product as 'free of hydrogenated fats.' The rest of the portfolio is slated to follow as the well-being of the consumer is one of Edita's core sustainability compliance framework. Despite a challenging business environment in 2020, the R & D department pressed on with its portfolio expansion effort. This helped Edita not only fend off rising competition, but also increased its market share across all five of its more established product categories.

Embracing Technology

Through the employment of various digital interventions, Edita has streamlined processes, made reporting more efficient and given its employees a platform of expression. The implementation of the SAP SalesForce tool allows employees to provide deeper product insights that would otherwise go unnoticed or unremarked on. By setting targets for each salesperson, the SAP

SalesForce serves as a measurement tool for performance. Edita’s SAP SuccessFactors system allows the company to run a personalized performance management plan across the entire organisation. The Human Resources department also oversees the implementation of a system that not only measures performance and triggers reviews but also operates on a competency matrix that profiles each staff member according to their defined competencies. This system allows Edita to find specifically skilled people within the organisation for any new vacant role. This internal hiring and promotion process is a drawcard for new employees while promoting employee retention.

Data-Driven Innovation

Nearly all Edita’s management processes are data-driven, with the VP of Industrial Operations providing the company with detailed reporting about each plant's daily and weekly operations. Edita is currently in the process of implementing a paperless operation as well as lifting devices. Edita became aware of the unsustainable costs of paper printing. As a response, a paperless operations initiative is currently being deployed on a line-by-line basis. The company also introduced handheld devices that are used in lieu of paper. By June 2022, the implementation of this initiative will be completely linked to Edita’s SAP operating system. As a consequence of staff taking repeated sick leave days due to back pain, Edita introduced a new automated lifting device that staff can use to handle the heavy lifting.

Chapter 5 – Looking Ahead: Broadening Horizons

One of Edita's primary strategic priorities is to pivot from a focus on recovery and resilience to expansion. In keeping with its long-term strategic goals, the company aims to deliver sustained and diversified growth. Edita's immediate priority is to drive volume growth across segments while optimising its product portfolio to diversify its revenue streams. As such, Edita will actively expand its production capacity to drive growth and continually roll out new, higher-value product propositions, all the while shifting customers increasingly towards higher price points.

In addition, a keener focus will be placed on optimising the Moroccan facility to expand regional distribution. To mitigate the impacts of ever-rising raw material costs, Edita is focused on maintaining a tight rein on overheads and SG&A expenses. This outlook has already allowed the company to protect profitability despite a challenging global macro environment. Edita has also launched a new ESG strategy that groups their sustainability efforts under five pillars: lowering energy consumption, stakeholder safety, consumer wellbeing, digital transformation and strong governance. Specifically, Edita has established a dedicated four-year Environmental and Social Action Plan (ESAP) to improve all ESG-related practices, from increasing employee protection to arranging resource conservation and emission reduction plans, while maintaining smooth and uninterrupted operations at its facilities.

Expansion

Edita aims to roll out its distribution to countries with a strong domestic demand in the coming years. A growing continental appetite for snacks of all kinds is conducive to a successful expansion into Sub-Saharan Africa. The forecasted biscuits and cracker market size within the continent of Africa is estimated to reach $21.87 billion by the end of 2025, increasing at a CAGR of 10.05% annually between 2020 and 2024. Globally, the snack segment is set to reach $732.6 billion by 2026;[9] within a very short timeframe, the market value will almost double.

Edita will be able to establish its footprint at an early stage in these new markets, thereby driving customer spending behaviour. With the trend in consumer behaviour shifting towards healthier snack options, Edita's rapid prototyping and development capacity can offer a wider and more exciting range of products that prioritise healthier options. With Internet penetration ever increasing, online retail platforms become increasingly popular, offering additional streams of revenue. The confluence of the shifting marketplace, Edita's singular ambition and innovative vision and the company's repeated ability to surmount challenges with creative solutions bode extremely well for the company in the years to come – not just in Egypt, but across the globe.

Discussion Points:

- What kinds of economic opportunities will a growing youth population present?

[9] [ ]

- How will EPR (Extended Producer Responsibility) affect businesses like Edita?
- With the growing market for healthy snacks, how will Edita gain ground against its competitors?
- How will Edita ‘conflict-proof’ themselves in the future? Given the fact that there is no foreseeable end to the Russia-Ukraine conflict, how will Edita mitigate the lack of wheat importation from the world’s two largest exporters of wheat?
- What measures could Edita put in place to prevent their staff from being poached?
- What can Edita do to protect their cash stocks should the government choose to float the currency or raise the rates again?