

Agthia Group PJSC

Current Price
AED 4.06

Target Price
Under Review

2Q25 Net Profit lower than our estimate

- Agthia Group's revenue rose 5.9% YOY to AED 1,140 Mn in 2Q25, primarily driven by growth in Snacking and Water & Food segment, partially offset by a decline in revenue of the Protein & Frozen segment and Agri-Business segment.
- Direct cost grew 12.5% YOY, higher than the revenue growth to AED 841 Mn in 2Q25.
- Thus, gross profit fell 9.0% YOY to AED 299 Mn in 2Q25. The gross profit margin declined 431 bps YOY to 26.2% in 2Q25.
- EBITDA declined from AED 150 Mn in 2Q24 to AED 43 Mn in 2Q25, driven by margin pressure in Dates and the Protein & Frozen segment. EBITDA margin fell from 13.9% in 2Q24 to 3.8% in 2Q25.
- Operating profit fell from AED 104 Mn in 2Q24 compared to a loss of AED 13 Mn in 2Q25.
- Agthia recorded a net loss of AED 41 Mn in 2Q25 compared to net profit of AED 56 Mn in 2Q24, impacted by catch-up bad debt provisions recorded in Water & Food of AED 37.7 Mn and Snacking segments of AED 9.4 Mn against legacy receivables, as well as the exit from a non-strategic JV "Timarat" of AED 4.4Mn.

Earnings Call Summary

- Agthia advanced its digital agenda, improving its Al Ain Water Home and Office Services app, leading to a 65% year-on-year reduction of complaints and 4% year-on-year improvement in the conversion rate.
- Agthia expanded its Turkish coffee range and introduced new snack formats in the Snacking segment. Similarly, the company launched new chicken products along with re-launching Meatland Luncheon range with a new packaging design in the Protein and Frozen segment.
- Phase 2 of the Protein and Frozen segment facility in KSA is expected to start operations in 2026 to improve margin absorption.
- Revamped packaging across the Water and Food segment for efficient utilization of shelf space.
- Board recommended to distribute a cash dividend of 10.31 fils per share for 1H25, subject to shareholder approval.
- Agthia's Egypt margins stood under pressure due to high input costs and limited ability to pass on pricing due to weak consumer power.
- The Company has largely completed legacy cleanups in water, food, and dates, addressing overdue receivables and slow-moving inventory by 1H25. Focus now shifts to stronger governance, credit discipline, and commercial controls to prevent recurrence.
- Agthia is using smart pricing and a tiered brand portfolio, including premium (Atyab) and value options (Meatland) to manage margins and cater to diverse consumer needs.
- The Company improved packaging that enhances shelf visibility and plans an upcoming media campaign to boost volumes in 2H25, along with changes to sales and incentive plans.
- The dates business revenue fell 18% in 1Q25 due to an oversupply driven by expanded procurement from Saudi and North Africa, without adequate market knowledge and commercial infrastructure for sales. This led to inventory write-offs and exposure to clients with liquidity issues. Agthia identified operational gaps like supply-demand planning and credit governance and is now fixing them with a turnaround plan. Most of the excess stock has been utilized with limited financial risk remaining.

Agthia - P&L

| (AED mn) | 2Q24 | 1Q25 | 2Q25 | 2Q25F | Var. | YOY Ch | QOQ Ch |
|------------------------------------|------------|------------|------------|------------|---------------|---------------|---------------|
| Revenue | 1,077 | 1,284 | 1,140 | 1,131 | 0.8% | 5.9% | -11.2% |
| Cost of sale | -748 | -922 | -841 | -826 | 1.8% | 12.5% | -8.8% |
| Gross profit | 329 | 362 | 299 | 305 | -1.9% | -9.0% | -17.3% |
| Operating expenses | -225 | -232 | -313 | -202 | 54.9% | 39.3% | 34.6% |
| EBITDA | 150 | 186 | 43 | 159 | -73.2% | -71.6% | -77.1% |
| Operating profit | 104 | 129 | -13 | 103 | NM | NM | NM |
| Profit before tax and zakat | 73 | 107 | -38 | 76 | NM | NM | NM |
| Income tax & zakat (exp) / credit | -11 | -21 | 1 | -14 | NM | NM | NM |
| Profit of the year | 62 | 86 | -37 | 61 | NM | NM | NM |
| Non-controlling interest | -7 | -5 | 4 | -4 | NM | NM | NM |
| Net Profit | 56 | 82 | -41 | 57 | NM | NM | NM |

FABS estimate & Co Data

Research Rating Methodology:

| Rating | Upside/Downside potential |
|------------|---------------------------|
| BUY | Higher than +15% |
| ACCUMULATE | Between +10% to +15% |
| HOLD | Lower than +10% to -5% |
| REDUCE | Between -5% to -15% |
| SELL | Lower than -15% |

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