First Look Note | 2Q26

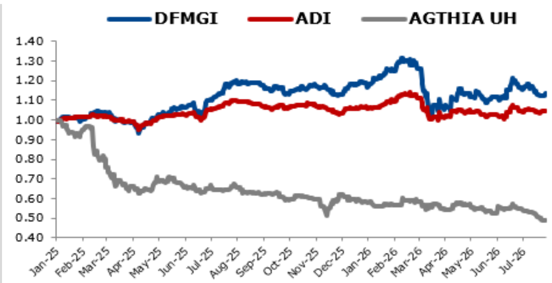
UAE Equity Research | Sector: Consumer Staples | Market: ADX

Agthia Group PJSC

Strong 2Q26 earnings, but underlying growth remains muted

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.33	AED 5.10	+53%	BUY

- Reported revenue included AED 142.3 Mn of one-off food security sales, while underlying revenue remained broadly stable excluding these one-off sales.
- KSA protein facility continued to ramp up, with protein sales in KSA growing 55.7% YOY.
- Net debt-to-EBITDA improved to 1.8x in 2Q26 from 2.8x in 1Q26.
- Innovation contributed AED 109.8 Mn to growth in 1H26, supported by new product launches across functional beverages, protein products, snacking, and speciality flour.
- The Board recommended an interim cash dividend of 11.792 fils per share for 1H26, representing a 14.4% YOY increase.



Stock Information	
Market Cap (AED, mn)	2,684.63
Paid Up Capital (mn)	831.16
52 Week High	4.12
52 Week Low	3.17
3M Avg. daily value (AED)	1,776,249

2Q26 Result Review (AED, Mn)	
Total Assets	6,473
Total Liabilities	3,671
Total Equity	2,802
EBITDA	117
Net Profit	19

Financial Ratios	
Dividend Yield (12m)	6.84
Dividend Pay-out (%)	100.21
Price-Earnings Ratio(x)	17.17
Price-to-Book Ratio (x)	1.02
Book Value (AED)	3.17
Return-on Equity (%)	5.91

Stock Performance	
5 Days	-3.29%
1 Months	-6.65%
3 Months	-9.78%
6 Months	-16.10%
1 Year	-21.22%
Month to Date (MTD%)	0.94%
Quarter to Date (QTD%)	-8.24%
Year to Date (YTD%)	-14.55%

2Q26 Net Profit lower than our estimate

Agthia Group's (AGTHIA/the Company) reported a net profit of AED 19 Mn in 2Q26, compared with a net loss of AED 41 Mn in 2Q25, lower than our estimate of AED 58 Mn. The increase in profit was primarily driven by higher revenue, finance income and lower G&A expenses, partially offset by higher cost of sales, selling and distribution expenses, other expenses, finance costs, income tax expense, and a higher share of profit attributable to non-controlling shareholders.

P&L Highlights

AGTHIA's revenue increased 11.9% YOY to AED 1,275 Mn in 2Q26, primarily driven by strong performance in the Water & Food, Protein & Frozen, and Agri-Business segments, partially offset by weaker performance in the Snacking segment. Revenue from the Protein & Frozen segment increased 22.0% YOY to AED 294 Mn in 2Q26, driven by strong performance at Nabil, improvement in Atyab, and the ramp-up of the KSA protein facility. Revenue from the Water & Food segment increased 38.9% YOY to AED 440 Mn in 2Q26, supported by AED 142.3 Mn of one-off sales under the UAE food security program. Excluding these one-off sales, the segment's revenue declined 6.0% YOY in 2Q26. Snacking segment revenue declined 25.9% YOY to AED 211 Mn in 2Q26, as the ongoing transformation of Al Foah and BMB continued to weigh on performance, although Abu Auf recorded strong revenue growth of 23.7% YOY in 2Q26, supported by robust consumer demand and its strong market position in Egypt. Agri-Business revenue increased 11.0% YOY to AED 330 Mn in 2Q26, supported by strong feed sales, partially offset by lower flour demand from HoReCa customers. The Company's cost of sales increased 6.7% YOY to AED 897 Mn in 2Q26. Thus, gross profit increased 26.4% YOY to AED 378 Mn in 2Q26, with the gross profit margin expanded by 341 bps YOY to 29.7% in 2Q26. Total EBITDA increased from AED 43 Mn in 2Q25 to AED 117 Mn in 2Q26, with the EBITDA margin improving by 542 bps YOY to 9.2% in 2Q26. Snacking segment EBITDA improved significantly to a loss of AED 17 Mn in 2Q26 from a loss of AED 46 Mn in 2Q25, reflecting improved profitability at Al Foah following the business reset, partially offset by margin pressure at BMB and Abu Auf. Protein & Frozen EBITDA declined 25.0% YOY to AED 17 Mn in 2Q26, primarily due to lower profitability at Atyab and the Frozen Vegetables & Tomato Paste business partially offset by a growth in Nabil and the KSA facility. Water & Food segment EBITDA increased from AED 18 Mn in 2Q25 to AED 68 Mn in 2Q26, primarily due to higher sales, including one-off food security sales, and the absence of the one-off provision for legacy receivables recorded in 2Q25. Additionally, Agri-Business EBITDA increased 2.4% YOY to AED 54 Mn in 2Q26. Selling and distribution expenses increased 23.8% YOY to AED 196 Mn in 2Q26, while G&A expenses decreased 22.3% YOY to AED 121 Mn in 2Q26. R&D costs increased 1.2% YOY to AED 2 Mn in 2Q26. The Company recorded other expenses of AED 1 Mn in 2Q26, compared with other income of AED 4 Mn in 2Q25. Consequently, operating profit improved from a loss of AED 13 Mn in 2Q25 to a profit of AED 58 Mn in 2Q26, with the operating profit margin improving by 573 bps YOY to 4.5% in 2Q26. Furthermore, finance income increased from AED 2 Mn in 2Q25 to AED 6 Mn in 2Q26, while finance expenses increased 3.2% YOY to AED 28 Mn in 2Q26. Additionally, Agthia recorded income tax and zakat charges of AED 12 Mn in 2Q26, compared with an income tax credit of AED 1 Mn in 2Q25. The Company's share of profit attributable to non-controlling interest holders increased 27.0% YOY to AED 5 Mn in 2Q26.

Balance Sheet Highlights

AGTHIA’s gross debt increased from AED 1.8 Bn in 1Q26 to AED 1.9 Bn in 2Q26. Net debt decreased from AED 1.3 Bn in 1Q26 to AED 1.0 Bn in 2Q26. Net Debt-to-EBITDA ratio improved to 1.8x in 2Q26 from 2.8x in 1Q26. The Company's cash and bank balances increased to AED 870 Mn in 2Q26 from AED 462 Mn in 1Q26. Free cash flow stood at AED 521 Mn in 1H26, compared with negative AED 139 Mn in 1H25.

Target Price and Rating

We maintain our BUY rating on Agthia with a revised target price of AED 5.10. Agthia delivered a solid operational performance in 2Q26, with reported revenue increasing 11.9% YOY to AED 1.3 Bn, primarily supported by AED 142.3 Mn of one-off sales under the UAE food security program. Excluding these one-off sales, underlying revenue remained broadly stable, demonstrating the resilience of the Company's core business despite a challenging operating environment. The Water & Food segment was the largest contributor to growth, with revenue increasing 38.9% YOY in 2Q26. Although the segment recorded a decline excluding food security-related sales, Al Ain Water continued to strengthen its leadership position in the UAE bottled water market, gaining 2.0 percentage points of value market share YTD May 2026 compared with YTD May 2025, while the Home & Office Services business, including Riviere, continued to deliver healthy double-digit growth. The Protein & Frozen segment recorded robust revenue growth of 22.0% YOY, driven by strong momentum at Nabil, continued improvement at Atyab, and the ramp-up of the KSA protein facility, which supported a 55.7% increase in Saudi protein sales. Management highlighted that the KSA facility is now operating at nearly full capacity, with recent customer wins driven by regional supply chain disruptions expected to provide a positive long-term benefit, although near-term profitability continues to be impacted by higher beef costs, transformation-related expenses, and KSA ramp-up costs. The Company also significantly strengthened its financial position, generating AED 521 Mn in free cash flow during 1H26, improving its cash conversion cycle from 56 days in 1H25 to 29 days in 1H26, and increasing cash and cash equivalents to AED 870 Mn in 2Q26. Management also noted that the recently launched supply chain financing programme across more than 100 suppliers is expected to further support structural improvements in cash flow generation. Innovation remained a key growth pillar, contributing AED 109.8 Mn to growth during 1H26 through new product launches across functional beverages, protein products, snacking, and specialty flour. The Company also entered the functional beverages category with the launch of FUELL, positioned as the UAE's first date-sweetened energy drink. The Company also continued to accelerate its digital transformation, with e-commerce revenue increasing 15.6% YOY in 1H26 to account for 7.3% of underlying revenue. Despite operational challenges arising from regional geopolitical developments, particularly across logistics and supply chains, Agthia maintained uninterrupted operations with no material disruption to customer supply or commercial relationships. Management highlighted that proactive procurement, inventory management, and routing decisions, together with healthy inventory levels, supported business continuity. The Company further mitigated logistics disruptions by utilizing alternative shipping routes through the Fujairah and Khor Fakkan ports. However, elevated fuel prices, higher freight and insurance costs, and broader distribution-related pressures are expected to continue weighing on the cost base, although the impact is likely to vary across segments. Given the continued uncertainty, management refrained from providing formal guidance and will continue to monitor developments closely. Additionally, the Board recommended an interim cash dividend of 11.792 fils per share for 1H26, representing a 14.4% YOY increase and reflecting the Company's stronger cash generation, healthier balance sheet, and continued commitment to enhancing shareholder returns. Thus, based on these factors, we continued to maintain a BUY rating on this stock.

Agthia - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	11.92	11.05	10.44	9.22	31.88	15.47
PB	0.99	0.97	0.94	0.97	1.04	1.08
EV/EBITDA	8.56	7.47	5.70	5.76	9.11	6.95
BVPS	3.321	3.385	3.501	3.377	3.163	3.026
EPS	0.275	0.297	0.314	0.356	0.103	0.212
DPS	0.165	0.165	0.176	0.210	0.221	0.244
Dividend yield	5.1%	5.1%	5.4%	6.4%	6.8%	7.5%

FABS Estimates & Co Data

Agthia – P&L

(AED Mn)	**2Q25**	**1Q26**	**2Q26**	**2Q26F**	**Var**	**YOY Ch**	**QOQ Ch**	**2025**	**2026F**	**Change**
Revenue	1,140	1,327	1,275	1,257	1.5%	11.9%	-3.9%	4,846	5,148	6.2%
Cost of sale	-841	-908	-897	-877	2.3%	6.7%	-1.2%	-3,437	-3,554	3.4%
Gross profit	**299**	**419**	**378**	**380**	**-0.4%**	**26.4%**	**-9.7%**	**1,408**	**1,594**	**13.2%**
Selling & distribution expense	-158	-180	-196	-189	3.9%	23.8%	9.0%	-670	-782	16.8%
G&A expense	-156	-113	-121	-101	20.7%	-22.3%	7.0%	-518	-499	-3.7%
Research & development costs	-2	-2	-2	-2	-9.9%	1.2%	0.5%	-8	-9	17.2%
Other (expenses) / income	4	10	-1	10	NM	NM	NM	15	18	NM
EBITDA	**43**	**193**	**117**	**106**	**10.7%**	**NM**	**NM**	**463**	**580**	**25.1%**
Operating profit	**-13**	**134**	**58**	**99**	**-41.2%**	**NM**	**NM**	**227**	**321**	**NM**
Finance income	2	4	6	3	NM	NM	48.4%	12	21	79.8%
Finance expense	-27	-26	-28	-27	2.8%	3.2%	9.9%	-107	-109	2.0%
Share of loss from inv in a JV	0	0	0	1	-74.5%	-24.9%	NM	2	2	-29.5%
Profit before tax & zakat	**-38**	**113**	**37**	**75**	**-51.4%**	**NM**	-67.7%	**135**	**235**	**NM**
Income tax & zakat exp/benf	1	-16	-12	-11	7.0%	NM	-26.3%	-34	-35	3.9%
Profit of the year	**-37**	**97**	**25**	**64**	**-61.7%**	**NM**	**-74.7%**	**101**	**200**	**NM**
Non-controlling interest	-4	-5	-5	-6	-12.3%	27.0%	11.0%	-15	-15	NM
Net Profit	**-41**	**92**	**19**	**58**	**-66.5%**	**NM**	**-78.9%**	**86**	**185**	**NM**

FABS estimate & Co Data

Agthia - Margins

	2Q25	**1Q26**	**2Q26**	**YOY Ch**	**QOQ Ch**	**2025**	**2026F**	**Change**
Gross profit	26.2%	31.6%	29.7%	341	-193	29.1%	31.0%	190
Operating Profit	-1.2%	10.1%	4.5%	573	-557	4.7%	6.2%	155
EBITDA	3.8%	14.6%	9.2%	542	-538	9.6%	11.3%	170
Net profit	-3.6%	7.0%	1.5%	512	-543	1.8%	3.6%	182

FABS estimate & Co Data

Key Developments:

- **06 May 2026:** Agthia Group launched the Agthia Academy, a capability-building platform developed with Bühler, to equip Emirati talent with food manufacturing expertise, strengthen the UAE's food security agenda, and support workforce development through industry and academic partnerships.

- **05 November 2025:** Agthia initiated enforcement proceedings against a commercial counterparty for failing to meet 2025 Dates delivery obligations, seeking AED 142 Mn in recovery. The Company has recognized a AED 50 Mn provision and an additional AED 58 Mn in 3Q25. The relationship has been suspended, alternative sourcing activated, and remaining exposure will be reviewed under Agthia’s provisioning policy.

- **06 May 2025:** Agthia confirmed completion of all administrative steps for acquiring 100% of Riviere Mineral Water Desalination & Filling Factory LLC. The full share capital has been transferred to its subsidiary, Al Ain Food & Beverages PJSC, following the earlier disclosure on 28 March 2025.

- **06 May 2025:** Agthia completed the 100% acquisition of Riviere, significantly expanding its water business, tripling its household customer base, and adding major operational scale. The deal is immediately earnings accretive and is expected to lift Water & Food segment revenues by ~6.5%, while Riviere continues operating under its existing brand.

- **20 February 2025:** Agthia increased its stake in Abu Auf to 80%, strengthening its position in high-growth healthy snacks and coffee.

Valuation:

We use Discounted Free Cash flow (DCF) and Relative Valuation (RV) to value Agthia. We have assigned 70% weight to DCF, and 30% to RV method. In the relative valuation, we have used both PE and EV/EBITDA to value the Company.

Valuation Method	Target	Weight	Weighted Value
DCF Method	5.62	70.0%	3.94
Relative Valuation (RV)			
EV/EBITDA	4.29	15.0%	0.64
PE	3.47	15.0%	0.52
Weighted Average Valuation (AED)			**5.10**
Current market price (AED)			3.33
Upside/Downside (%)			+53%

1) DCF Method:

Agthia is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 7.6%. It arrived after using the cost of equity of 10.0% and after-tax cost of debt of 4.2% with a debt-to-equity ratio of 68.9%. Cost of equity is calculated by using a 10-year government bond yield of 4.5%, beta of 1.0 and equity risk premium of 4.7%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over a 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	1,355
Terminal value (AED, Mn)	4,617
FV to Common shareholders (AED, Mn)	**4,674**
No. of shares (Mn)	831
Current Market Price (AED)	3.33
Fair Value per share (AED)	**5.62**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	274	391	421	441	462
D&A	226	232	237	243	248
Change in working capital	-173	-33	-27	-24	-125
(-) Capex	-196	-207	-216	-223	-231
Free Cash Flow to Firm (FCFF)	**132**	**384**	**415**	**437**	**355**
Discounting Factor	0.97	0.90	0.84	0.78	0.72
Discounted FCFF	**64**	**346**	**348**	**340**	**257**

Source: FAB Securities

2) Relative Valuation:

We have used local as well as international peers to value Agthia, and it is valued using the EV/EBITDA and PE multiple. It is valued at a 2026 EV/EBITDA and PE multiple of 8.9x and 15.6x, respectively, in line with peers.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
Juhayna Food Industries SAE	790	8.9	7.4	16.4	12.8
Suntory Beverage & Food Ltd	8,822	5.6	5.4	15.4	14.6
Bunge Ltd	20,505	9.7	8.7	11.3	9.6
Tate & Lyle PLC	3,309	8.6	7.9	15.2	13.0
Almarai	12,781	11.2	10.3	19.1	17.1
Savola Group	2,114	5.5	5.2	11.6	10.6
Kewpie Corporation	4,020	10.2	9.5	23.5	21.2
Anjoy Foods Group	4,092	4.1	3.7	15.6	13.8
Saudi Dairy & Foodstuff Co	1,754	12.2	11.0	17.9	16.0
Average		**8.5x**	**7.7x**	**16.2x**	**14.3x**
Median		**8.9x**	**7.9x**	**15.6x**	**13.8x**
Max		**10.2x**	**9.5x**	**17.9x**	**16.0x**
Min		**5.6x**	**5.4x**	**15.2x**	**12.8x**

Source: FAB Securities

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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