Earnings Call Insight | 3Q26

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

Agthia Group PJSC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.17	AED 5.10	+61%	BUY

3Q26 Net Profit higher than our estimate

- Agthia Group's revenue increased 14.4% YOY to AED 1,300 Mn in 3Q26, primarily driven by strong performance in the Water & Food, Protein & Frozen and Agri-Business segments, partially offset by weaker performance in the Snacking segment.
- Cost of sales increased 20.3% YOY to AED 936 Mn in 3Q26.
- Gross profit increased 1.6% YOY to AED 363 Mn in 3Q26, while the gross margin contracted by 353 bps YOY to 27.9% in 3Q26.
- Total EBITDA increased from AED 89 Mn in 3Q25 to AED 123 Mn in 3Q26, mainly driven by the Snacking segment, partially offset by lower Agri-Business EBITDA. EBITDA margin improved by 167 bps YOY to 9.5% in 3Q26.
- Operating profit increased from AED 28 Mn in 3Q25 to AED 64 Mn in 3Q26, with the operating profit margin improving by 246 bps YOY to 4.9% in 3Q26.
- Agthia reported a net profit attributable to shareholders of AED 27 Mn in 3Q26, compared with AED 1 Mn in 3Q25, primarily driven by higher revenue, other income and finance income, coupled with lower G&A expenses, partially offset by higher cost of sales, selling and distribution expenses, R&D expenses, finance costs, income tax expense, a higher share of loss from associates and a higher share of profit attributable to non-controlling shareholders.
- Agthia distributed an interim cash dividend of 11.792 fils per share (AED 98.0 Mn) for 1H26.

Earnings Call Summary

- Al Ain retained its leading position in UAE bottled water, gaining 0.8 pp of value market share to reach 31.2%, while the integration of Riviere expanded the Home and Office Services customer base to c. 400,000 delivery points.
- Water & Food revenue grew 36.7% YOY in 3Q26, supported by AED 104.7 Mn of one-off food security sales, while underlying segment EBITDA declined 28.4% YOY, as higher PET, freight and distribution costs, together with regional logistics route disruptions, more than offset revenue growth. Excluding the transfer of municipality store operations to a third-party operator, food portfolio revenue increased 29.0% YOY.
- Agri-Business revenue grew 10.5% YOY in 3Q26, driven by 18.3% YOY growth in feed sales, while flour sales rose 1.5% YOY. EBITDA declined 39.3% YOY, with the EBITDA margin contracting 807 bps YOY, as pre-conflict inventory was consumed and replaced at higher costs, including elevated inbound distribution costs from rerouting grain shipments to Fujairah port and transporting them by road to Abu Dhabi.
- The Company highlighted the scale of the logistics challenge, noting that a 40,000-tonne grain vessel requires c. 2,000 trucks. With c. 20 vessels unable to pass through the Strait of Hormuz since the onset of the regional disruption, the Company managed c. 40,000–50,000 truck movements. Despite these pressures, Agri-Business gained significant market share in feed.
- Snacking revenue declined 14.7% YOY in 3Q26, as strong growth at Abu Auf was offset by lower sales at Al Foah and BMB, reflecting the ongoing resets and disruption to export logistics routes. Segment EBITDA improved to AED 23.8 Mn from a loss of AED 30.2 Mn in 3Q25, supported by the absence of prior-year impairments, progress on the Al Foah reset and strong performance at Abu Auf, while BMB remained under pressure as lower export sales weighed on fixed-cost absorption.
- Abu Auf's revenue grew 21.7% YOY, and the brand expanded the network to 468 stores (net addition of 69 stores YTD). Abu Auf's ground coffee value share rose to 12.5%, reaching parity with the long-standing local market leader for the first time and overtaking that leader in August 2026.

- The Company cautioned that 4Q is the high season for the dates business, where exports are critical, and that continued logistics disruption could create a business impact beyond cost inflation.
- Protein & Frozen revenue increased 25.1% YOY in 3Q26, driven by Nabil (+25.3%), FV&TP (+14.0%) and Atyab (+13.8%), while Phase II of the KSA facility lifted KSA protein sales by 282.7% YOY. However, EBITDA declined 0.9% YOY, with the EBITDA margin contracting 180 bps YOY to 6.8% due to higher beef costs and transformation-related expenses at Atyab. The Saudi facility also passed a McDonald's audit with zero findings.
- The food security programme contributed AED 104.7 Mn of revenue and AED 14.7 Mn of EBITDA in 3Q26. The Company continues to classify these sales as one-off, as their timing, scale and continuation depend on government requirements. The increase in receivables was largely linked to these government orders, with the Company expressing no concern over collection.
- Agthia Group noted that pricing in the UAE operates within a monitored environment, limiting the ability to pass on higher costs. The Company is therefore relying on productivity, procurement, mix, portfolio actions and disciplined commercial execution to mitigate cost inflation.
- Free cash flow improved by c. AED 230 Mn YOY to AED 212 Mn in 9M26. This was driven by higher EBITDA, the non-recurrence of the prior-year supply chain financing outflow and lower net capex, partially offset by higher receivables and tax payments. The cash conversion cycle improved by 14 days to 46 days.
- Net Debt-to-EBITDA stood at 2.4x as of 3Q26, compared with 2.9x at end-2025 but higher than 1.8x in 2Q26, which the Company attributed to timing-related effects in the prior quarter. Borrowing capacity increased to c. AED 1 Bn from AED 0.5 Bn in December 2025, while interest coverage improved to 7.2x from 4.9x.
- The Company acknowledged increased goodwill impairment risk due to the geopolitical situation and movements in long-term rates. Goodwill of AED 1.9 Bn and c. AED 0.5 Bn of other intangible assets will be assessed in the year-end review, supported by an independent third-party valuation.
- Innovation contributed AED 165.8 Mn to 9M26 revenue growth, while e-commerce sales grew 18.1% YOY in 3Q26 to represent 7.6% of underlying revenue. Al Ain Water entered the functional beverage category with FUELL, the UAE's first date-sweetened energy drink.
- Revenue remains diversified across four business segments, each accounting for 23–27% of underlying sales, while the UAE contributes 54% of underlying sales.
- The Company did not provide forward-looking guidance, but expects margin pressure to persist, noting that cost pressures are intensifying and are not expected to be fully offset. Even if the conflict is resolved, the normalisation of Agri-Business costs is expected to take at least five months due to long procurement lead times.

Agthia - P&L

(AED Mn)	**3Q25**	**2Q26**	**3Q26**	**3Q26F**	**Var.**	**YOY Ch**	**QOQ Ch**
Revenue	1,136	1,275	1,300	1,220	6.5%	14.4%	1.9%
Cost of sale	-778	-897	-936	-852	9.9%	20.3%	4.4%
Gross profit	**358**	**378**	**363**	**369**	**-1.5%**	**1.6%**	**-4.0%**
Operating expenses	**-329**	**-320**	**-299**	**-328**	**-8.9%**	**-9.2%**	**-6.6%**
EBITDA	**89**	**117**	**123**	**126**	**-2.6%**	**38.9%**	**5.0%**
Operating profit	**28**	**58**	**64**	**41**	**NM**	**NM**	**10.6%**
Profit before tax and zakat	**5**	**37**	**42**	**19**	**NM**	NM	**15.5%**
Income tax & zakat (exp) / credit	-1	-12	-9	-3	NM	NM	-24.8%
Profit for the year	**4**	**25**	**33**	**16**	**NM**	NM	**35.4%**
Non-controlling interest	-3	-5	-6	-1	NM	NM	14.1%
Net Profit	**1**	**19**	**27**	**15**	**NM**	**NM**	**40.9%**

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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