

Agthia Group PJSC

Current Price
AED 4.76

Target Price
AED 8.00

Upside/Downside (%)
+68%

Rating
BUY

4Q24 Net Profit lower than our estimate

- Agthia Group's revenue rose marginally by 1.3% YOY to AED 1,307 Mn in 4Q24 primarily driven by growth in Snacking and Water & Food segment, partially offset by a decline in revenue of the Protein & Frozen segment as well as Agri-Business segment.
- Direct cost grew higher than revenue by 3.2% YOY to AED 921 Mn in 4Q24.
- Thus, gross profit fell 2.9% YOY to AED 386 Mn in 4Q24. The gross profit margin declined 129 bps YOY to 29.6% in 4Q24.
- EBITDA declined from AED 224 Mn in 4Q23 to AED 141 Mn in 4Q24 owing to the increase in operating expenses. EBITDA margin declined from 17.4% in 4Q23 to 10.8% in 4Q24.
- Operating profit fell from AED 169 Mn in 4Q23 to AED 82 Mn in 4Q24.
- Net profit attributable to shareholders fell 26.4% YOY AED 61 Mn in 4Q24.
- The board of directors proposed a DPS of 10.72 fils per share for 2H24.

Earnings Call Summary

- Egypt continues to be a major growth pillar, achieving a 50% growth in exports. Moreover, successful export growth strategy from Egypt contributed significantly to the overall revenue performance.
- The company remains committed to long-term profitable growth by focusing on tight financial controls, margin improvement, and efficiency.
- Working capital as a percentage of sales reduced by 160 bps to 7.3% in FY2024, primarily due to working capital optimization attributable to inventory management and favorable credit terms.
- The cash conversion cycle improved from 68 days to 45 days due to supplier financing.
- The protein business faced pressure from Egyptian pound devaluation but showed moderate profitability improvement.
- Agribusiness revenue grew by 8.6% YOY to AED 1,332 Mn in FY2024 driven by volume growth owing to capacity optimization and growth in market share in both flour and animal feed sectors.
- The company faced challenges in its dates business, especially in 4Q24, impacting margins and sales. There were issues with inventory due to the perishable nature of dates, leading to write-offs.
- The challenge lies in the profitability of international sales in the dates business, as Agthia underestimated some aspects of purchase prices and price realization, leading to margin pressures. The margin pressures will continue until 1H26.
- Agthia aims to address the oversupply issue in the 1H25 by selling the excess inventory. This will allow them to start fresh by the time the new date season begins in July 2025.
- Agthia overestimated growth in the dates business, which resulted in pressure on inventory and margins. The company had made commitments to suppliers without fully understanding the supply chain and market dynamics, leading to some challenges in selling the product.
- The company made provisions of AED 53 Mn for inventory due to the challenges faced in the dates business.
- The board of directors proposed a dividend per share of 21.03 fils amounting to AED 175 Mn for FY2024.
- The new protein facility in Saudi Arabia began operations in mid-2024, but its ramp-up took longer than expected. Some of the production is being transferred from Jordan to Saudi Arabia, which is part of the ramp-up plan. The second line of the facility is expected to be operational in 2H26.
- There was a slowdown in the Quick Service Restaurant (QSR) volumes last year due to geopolitical factors, but Agthia anticipates recovery as the year moves forward, especially from 2Q25 onwards.

- Factors such as population stability in Saudi Arabia, the recovery of the Egyptian currency, and improved market fundamentals will support growth in the protein business in 2H25.
- Agthia made strategic investments, such as in the Strawberry IQF (Individually Quick Frozen) line in Egypt, which started operations in January 2025. This facility enhances their ability to export products to Europe, Asia, and the GCC.
- Agthia successfully expanded margins in its Egyptian operations, including the protein business despite pressure on the top line.
- Agthia is optimistic about the performance of its core business in the UAE, as the Company expects the UAE economy to remain strong, which should support their performance.

Agthia - P&L

(AED mn)	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch
Revenue	1,290	1,082	1,307	1,454	-10.1%	1.3%	20.8%
Cost of sale	-892	-747	-921	-1,022	-9.9%	3.2%	23.2%
Gross profit	398	334	386	432	-10.6%	-2.9%	15.6%
Selling and distribution expense	-152	-148	-153	-169	-9.3%	0.5%	3.6%
G&A expense	-90	-93	-166	-101	63.9%	83.2%	77.3%
Research and development costs	-2	-2	-2	-2	1.4%	20.5%	6.0%
Other (expenses) / income	16	8	16	10	64.1%	2.4%	NM
EBITDA	224	155	141	222	-36.3%	-36.9%	-8.8%
Operating profit	169	99	82	170	-52.0%	-51.7%	-17.2%
finance income	5	1	9	6	54.7%	72.0%	NM
finance expense	-27	-18	-10	-25	-57.6%	-61.4%	-42.7%
Share of loss from inv in a JV	1	0	2	0	NM	91.8%	NM
Profit before tax and zakat	148	81	82	151	-46.1%	-44.9%	0.1%
Income tax and zakat exp/cred	-54	-17	-15	-16	-8.3%	-72.9%	-11.5%
Profit of the year	94	65	67	133	-49.7%	-28.8%	3.0%
Non-controlling interest	-11	-6	-6	-14	-58.8%	-47.4%	NM
Net Profit	83	59	61	119	-48.7%	-26.4%	4.2%

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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