

## Agthia Group PJSC

One off inventory write off impacted bottom-line

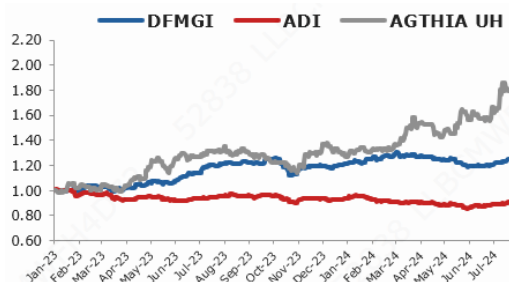
**Current Price**  
AED 4.76

**Target Price**  
AED 8.00

**Upside/Downside (%)**  
+68%

**Rating**  
BUY

- AGTHIA'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.
- Agthia's working capital as a percentage of revenue fell by 160 bps to 7.3% in FY2024, primarily due to working capital optimization attributable to inventory management and favorable credit terms.
- AGTHIA acquired an additional 10% stake in Abu Auf, increasing its ownership stake to 80%.



### 4Q24 Net Profit lower than our estimate

Agthia Group's (AGTHIA/the Company) net profit fell 26.4% YOY to AED 61 Mn in 4Q24, lower than our estimate of AED 119 Mn. The decline in the net profit is due to an increase in direct cost and G&A expenses owing to the impairment loss related to receivables in the dates business. The impact was partially offset by growth in revenue and lower finance expense.

### P&L Highlights

AGTHIA'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. Revenue from the Protein and Frozen segment fell 10.0% YOY to AED 234 Mn in 4Q24 mainly due to a devaluation of Egyptian currency. Snacking business revenue rose 15.9% YOY to AED 495 Mn in 4Q24. Water and Food business revenue grew 12.2% YOY to AED 278 Mn in 4Q24. Agri-business revenue fell by 15.5% YOY to AED 300 Mn in 4Q24. The Company's direct cost grew faster than revenue by 3.2% YOY to AED 921 Mn in 4Q24. Thus, gross profit declined 2.9% YOY to AED 386 Mn in 4Q24. The gross profit margin declined 129 bps YOY to 29.6% in 4Q24. Total EBITDA fell 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. Snacking segment EBITDA declined from AED 103 Mn in 4Q23 to AED 7 Mn in 4Q24 owing to the inventory write offs and receivable impairments related to the dates business. Protein & Frozen segment EBITDA declined 24.2% YOY to AED 22 Mn, whereas Water & Food Segment EBITDA rose 27.9% YOY to AED 46 Mn in 4Q24. Agri-business EBITDA significantly grew 20.9% YOY to AED 56 Mn in 4Q24. Furthermore, the finance income rose from AED 5 Mn in 4Q23 to AED 9 Mn in 4Q24.

### Stock Information

Market Cap (AED, mn)	3,964.61
Paid Up Capital (mn)	831.16
52 Week High	8.19
52 Week Low	4.74
3M Avg. daily value (AED)	4,036,033

### 4Q24 Result Review (AED, mn)

Total Assets	6,604
Total Liabilities	3,610
Total Equity	2,993
EBITDA	141
Net Profit	61

### Financial Ratios

Dividend Yield (12m)	4.21
Dividend Pay-out (%)	60.01
Price-Earnings Ratio(x)	13.57
Price-to-Book Ratio (x)	1.40
Book Value (AED)	3.40
Return-on Equity (%)	10.16

### Stock Performance

5 Days	-10.51%
1 Months	-24.29%
3 Months	-31.17%
6 Months	-30.87%
1 Year	-4.60%
Month to Date (MTD%)	-3.05%
Quarter to Date (QTD%)	-26.62%
Year to Date (YTD%)	-26.62%

The finance cost declined from AED 27 Mn in 4Q23 to AED 10 Mn in 4Q24. Additionally, income tax and zakat expenses stood at AED 15 Mn in 4Q24, compared to AED 54 Mn in 4Q23. Share of profit attributable to non-controlling interest holders fell from AED 11 Mn in 4Q23 to AED 6 Mn in 4Q24.

### **Balance Sheet Highlights**

AGTHIA's total gross debt remained at similar levels as 3Q24 at AED 1.5 Bn in 4Q24. The Company's net debt to EBITDA ratio rose to 1.5x in 4Q24 compared to 1.3x in 4Q23. Agthia's working capital as a percentage of revenue fell by 160 bps to 7.3% in FY2024, primarily due to working capital optimization attributable to inventory management and favorable credit terms. Agthia's cash conversion cycle also improved from 68 days in FY2023 to 45 days in FY2024 due to supplier financing. The company's free cash flow decreased from AED 849 Mn in FY2023 to AED 496 Mn in FY2024 due to lower cash generated from operating activities.

### **Target Price and Rating**

We maintain our BUY rating on AGTHIA with a target price of AED 8.00. AGTHIA recorded a 7.7% YOY growth in revenue in FY2024 driven by annual growth of 9.6% in the volume partially offset by 1.8% decline in pricing. Moreover, excluding EGP devaluation impact, revenue grew 16.7% YOY in FY2024. 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. 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. 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. Moreover, 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 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. As a result, the Company's topline is poised to benefit from the capacity expansion and favorable macroeconomic factors. AGTHIA's margin witnessed pressure owing to the operational challenges in the dates business. The Company aims to address the dates 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. It remains committed to long-term profitable growth by focusing on tight financial controls, margin improvement, and efficiency. The Company exited from non performing UAE Dairy business leading to a negative asset write off of AED 10 Mn in 4Q24. Abu Auf opened 59 new stores during FY2024. AGTHIA acquired an additional 10% stake in Abu Auf, increasing its ownership stake to 80%. The board of directors proposed a DPS of 10.72 fils per share for 2H24. Thus, considering all these factors, we assign a BUY rating on the stock.

**Agthia - Relative valuation**

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	89.92	17.88	16.57	15.67	14.71	20.69
PB	2.15	1.48	1.45	1.41	1.46	1.47
EV/EBITDA	23.09	11.57	9.82	7.68	7.82	10.63
Dividend yield	3.4%	3.4%	3.4%	3.6%	4.3%	4.3%

*FABS Estimates & Co Data*
**Agthia - P&L**

(AED mn)	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
Revenue	1,290	1,082	1,307	1,454	-10.1%	1.3%	20.8%	4,561	4,915	7.7%
Cost of sale	-892	-747	-921	-1,022	-9.9%	3.2%	23.2%	-3,200	-3,448	7.8%
<b>Gross profit</b>	<b>398</b>	<b>334</b>	<b>386</b>	<b>432</b>	<b>-10.6%</b>	<b>-2.9%</b>	<b>15.6%</b>	<b>1,361</b>	<b>1,466</b>	<b>7.7%</b>
Selling and distribution expense	-152	-148	-153	-169	-9.3%	0.5%	3.6%	-577	-612	6.0%
G&A expense	-90	-93	-166	-101	63.9%	83.2%	77.3%	-354	-449	27.0%
Research and development costs	-2	-2	-2	-2	1.4%	20.5%	6.0%	-8.07	-8	-5.6%
Other (expenses) / income	16	8	16	10	64.1%	2.4%	NM	43	47	7.8%
<b>EBITDA</b>	<b>224</b>	<b>155</b>	<b>141</b>	<b>222</b>	<b>-36.3%</b>	<b>-36.9%</b>	<b>-8.8%</b>	<b>689</b>	<b>679</b>	<b>-1.5%</b>
<b>Operating profit</b>	<b>169</b>	<b>99</b>	<b>82</b>	<b>170</b>	<b>-52.0%</b>	<b>-51.7%</b>	<b>-17.2%</b>	<b>465</b>	<b>444</b>	<b>-4.5%</b>
finance income	5	1	9	6	54.7%	72.0%	NM	26	17	-33.6%
finance expense	-27	-18	-10	-25	-57.6%	-61.4%	-42.7%	-113	-81	-28.0%
Share of loss from inv in a JV	1	0	2	0	NM	91.8%	NM	4	4	-12.8%
<b>Profit before tax and zakat</b>	<b>148</b>	<b>81</b>	<b>82</b>	<b>151</b>	<b>-46.1%</b>	<b>-44.9%</b>	<b>0.1%</b>	<b>382</b>	<b>384</b>	<b>0.4%</b>
Income tax & zakat exp/cred	-54	-17	-15	-16	-8.3%	-72.9%	-11.5%	-83	-62	-25.1%
<b>Profit of the year</b>	<b>94</b>	<b>65</b>	<b>67</b>	<b>133</b>	<b>-49.7%</b>	<b>-28.8%</b>	<b>3.0%</b>	<b>300</b>	<b>322</b>	<b>7.4%</b>
Non-controlling interest	-11	-6	-6	-14	-58.8%	-47.4%	NM	-39	-31	-20.8%
<b>Net Profit</b>	<b>83</b>	<b>59</b>	<b>61</b>	<b>119</b>	<b>-48.7%</b>	<b>-26.4%</b>	<b>4.2%</b>	<b>261</b>	<b>291</b>	<b>11.6%</b>

*FABS estimate & Co Data*
**Agthia - Margins**

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Gross profit	30.8%	30.9%	29.6%	-129	-135	29.8%	29.8%	0
Operating Profit	13.1%	9.1%	6.3%	-687	-288	10.2%	9.0%	-116
EBITDA	17.4%	14.3%	10.8%	-656	-351	15.1%	13.8%	-130
Net profit	6.4%	5.4%	4.7%	-176	-75	5.7%	5.9%	20

*FABS estimate & Co Data*

## 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
<b>DCF Method</b>	9.45	70.0%	6.62
<b>Relative Valuation (RV)</b>			
EV/EBITDA	3.87	15.0%	0.58
PE	5.35	15.0%	0.80
<b>Weighted Average Valuation (AED)</b>			<b>8.00</b>
Current market price (AED)			4.76
Upside/Downside (%)			+68%

### 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 8.2%. It is arrived after using the cost of equity of 9.3% and after-tax cost of debt of 5.6% with a debt-to-equity ratio of 41.3%. Cost of equity is calculated by using a 10-year government bond yield of 4.3%, beta of 1.0 and equity risk premium of 4.3%. 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)	2,090
Terminal value (AED, Mn)	7,174
<b>FV to Common shareholders (AED, Mn)</b>	<b>9,264</b>
No. of share (Mn)	831
Current Market Price (AED)	4.76
<b>Fair Value per share (AED)</b>	<b>9.45</b>

### DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2028E
NOPAT	432	506	537	569	602
D&A	223	229	236	242	249
Change in working capital	-37	-30	-23	-21	-22
(-) Capex	-198	-210	-222	-233	-243
<b>Free Cash Flow to Firm (FCFF)</b>	<b>420</b>	<b>496</b>	<b>528</b>	<b>558</b>	<b>586</b>
Discounting Factor	0.94	0.86	0.80	0.74	0.74
<b>Discounted FCFF</b>	<b>393</b>	<b>429</b>	<b>422</b>	<b>412</b>	<b>433</b>

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 2025 EV/EBITDA and PE multiple of 6.3x and 13.2x, respectively in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Juhayna Food Industries SAE	665	6.1	5.3	9.5	7.9
Suntory Beverage & Food Ltd	9,995	5.7	5.0	15.2	14.2
Bunge Ltd	9,813	6.3	5.8	9.3	8.2
Tate & Lyle PLC	3,012	8.8	6.7	10.8	12.7
Almarai	15,100	12.1	10.8	21.5	19.0
Savola Group	2,838	5.0	4.3	10.6	15.6
Kewpie Corporation	2,624	6.2	5.7	13.2	15.5
Anjoy Foods Group	3,246	6.5	5.6	13.8	12.4
Saudi Dairy & Foodstuff Co	2,645	13.2	12.1	19.2	17.6
<b>Average</b>		<b>7.8x</b>	<b>6.8x</b>	<b>13.7x</b>	<b>13.7x</b>
<b>Median</b>		<b>6.3x</b>	<b>5.7x</b>	<b>13.2x</b>	<b>14.2x</b>
<b>Max</b>		<b>8.8x</b>	<b>6.7x</b>	<b>15.2x</b>	<b>15.6x</b>
<b>Min</b>		<b>6.1x</b>	<b>5.3x</b>	<b>10.6x</b>	<b>12.4x</b>

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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