

Agthia Group PJSC

Profitability impacted due to one-time impact from the repositioning of the dates business

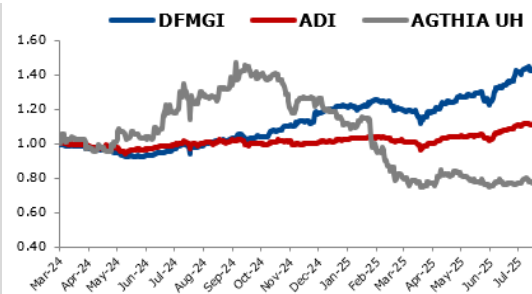
Current Price
AED 4.10

Target Price
AED 6.30

Upside/Downside (%)
+54%

Rating
BUY

- Profitability impacted due to one-time impact from the repositioning of the dates business.
- expanded its product offerings and revamped packaging to improve shelf visibility and space efficiency.
- Completed legacy cleanups in its water, food, and dates business, addressing overdue receivables and slow-moving inventory by 1H25.
- Phase 2 of the Protein and Frozen segment facility in KSA is expected to start operations in 2026.
- The board recommended a cash dividend of 10.31 fils per share for 1H25, subject to shareholder approval.



Stock Information

Market Cap (AED, mn)	3,407.74
Paid Up Capital (mn)	831.16
52 Week High	8.19
52 Week Low	3.83
3M Avg. daily value (AED)	3,924,117

2Q25 Net Loss lower than our estimate of Net Profit

Agthia Group's (AGTHIA/the Company) recorded net loss of AED 41 Mn in 2Q25, compared to our profit estimate of AED 57 Mn. The decline in profitability is mainly attributable to one-time impact arising from the repositioning of the dates business, along with weakness in the Protein & Frozen segment and higher cocoa and coffee input cost.

P&L Highlights

AGTHIA's revenue rose 5.9% YOY to AED 1,140 Mn in 2Q25 primarily due growth in Snacking and Water & Food segment, partially offset by a decline in revenue of the Protein & Frozen segment and Agri-Business segment. Revenue from the Protein and Frozen segment fell marginally 0.2% YOY to AED 241 Mn in 2Q25, primarily due to pressure in Egypt and lower exports due to ongoing developments in distribution and price positioning. Snacking business revenue rose 5.0% YOY to AED 285 Mn in 2Q25, mainly due to the solid performance of Abu Auf with healthy demand and strong brand presence, partially offset by the adoption of lower selling prices across Al Foah's to manage higher inventory levels amid an oversupply situation. Water and Food business revenue grew 19.8% YOY to AED 317 Mn in 2Q25, due to an increase in both organic and non-organic water revenue, excellent customer service across the Home and Office Services business, along with solid performance across international markets and the introduction of new brands in the food and beverages portfolio. Agri-business revenue moderated 0.6% YOY to AED 297 Mn in 2Q25, primarily due to lower average selling prices, partially offset by an improvement in sales volumes. The Company's direct cost rose 12.5% YOY to AED 841 Mn in 2Q25. Thus, gross profit declined 9.0% YOY to AED 299 Mn in 2Q25 owing to a rise in input cost in Egypt, higher cost related to KSA's Protein & Frozen segment facility and BMB and Abu Auf.

2Q25 Result Review (AED, mn)

Total Assets	6,028
Total Liabilities	3,206
Total Equity	2,822
EBITDA	43
Net Profit	-41

Financial Ratios

Dividend Yield (12m)	5.13
Dividend Pay-out (%)	60.01
Price-Earnings Ratio(x)	21.17
Price-to-Book Ratio (x)	1.28
Book Value (AED)	3.21
Return-on Equity (%)	5.86

Stock Performance

5 Days	-1.91%
1 Months	-1.68%
3 Months	-10.68%
6 Months	-23.51%
1 Year	-40.15%
Month to Date (MTD%)	-3.98%
Quarter to Date (QTD%)	-5.96%
Year to Date (YTD%)	-36.92%

Total EBITDA fell from AED 150 Mn in 2Q24 to AED 43 Mn in 2Q25 owing to the margin pressure across the dates business (Al Foah, where challenges related to the 2024 crop) and the Protein & Frozen segments. EBITDA margin declined from 13.9% in 2Q24 to 3.8% in 2Q25. Snacking segment EBITDA turned negative to AED 46 Mn in 2Q25 from positive AED 38 Mn in 2Q24, primarily due to a one-time impact on the dates business driven by the sales at discounted rates, along with input cost pressures on Abu Auf, especially in coffee and margin contraction in BMB due to higher cocoa prices. Protein & Frozen segment EBITDA declined 35.6% YOY to AED 23 Mn in 2Q25 driven by higher input costs in Egypt, and ongoing ramp up costs in our KSA facility. Consequently, Water & Food Segment EBITDA fell 53.3% YOY to AED 18 Mn in 2Q25, due to one-off provisions relating to legacy receivables of AED37.7. Agri-business EBITDA improved 6.1% YOY to AED 53 Mn in 2Q25 despite a decline in revenue, mainly attributable to gross margin improvement in flour. Furthermore, the finance income fell from AED 4 Mn in 2Q24 to AED 2 Mn in 2Q25, whereas the finance cost declined 24.6% YOY to AED 27 Mn in 2Q25. Additionally, Agthia witnessed a tax and zakat reversal of AED 1 Mn in 2Q25 compared to an expense of AED 11 Mn in 2Q24.

Balance Sheet Highlights

AGTHIA's gross debt remained flat at AED 1.8 Bn in 2Q25 compared to the previous quarter. Working capital as a percentage of revenue fell from 17.1% in 1Q25 to 13.8% in 2Q25. Net Debt-to-EBITDA ratio increased to 3.0x in 2Q25, up from 2.4x in 1Q25, due to cash outflow on the back of Riviere acquisition and minority stake in Abu Auf.

Target Price and Rating

We maintain our BUY rating on Agthia with a revised target price of AED 6.30. The Company's profitability is impacted in 2Q25 due to the one-time impact arising from the repositioning of the dates business. The Company identified operational gaps like supply-demand planning and credit governance, and is now fixing them with a turnaround plan. Agthia advanced its digital strategy by enhancing the Al Ain Water Home and Services app, resulting in a 65% drop in complaints and a 4% rise in conversions. It expanded its product offerings across segments, including new Turkish coffee variants, innovative snack formats, and a refreshed Meatland Luncheon range. Abu Auf opened 25 new stores in 1H25 and expanded its coffee portfolio with the launch of Turkish coffee. Snacking business also launched new iced coffee range, portable Munch box, canned juices, and instant coffee. Similarly, Atyab and Chicketita rolled out new products in Egypt, whereas Nabil launched new products to serve Iraqi market. Agthia witnessed 26.5% growth in its e-commerce revenue in 1H25, representing 6.0% of total revenue. The Company revamped packaging to improve shelf visibility and space efficiency, with plans for a media campaign and revised sales incentives to drive volume growth in 2H25. On the other hand, Agthia largely completed legacy cleanups in its water, food, and dates business, addressing overdue receivables and slow-moving inventory by 1H25, now shifting its focus to stronger governance, credit discipline, and commercial controls to prevent these situations. Meanwhile, Agthia is using smart pricing and a tiered brand portfolio, including premium (Atyab) and value options (Meatland and Chicketita), to improve margins and cater to diverse consumer needs. Additionally, Phase 2 of the Protein and Frozen segment facility in KSA is expected to start operations in 2026, which will further improve margins. The board recommended a cash dividend of 10.31 fils per share for 1H25, subject to shareholder approval. Thus, considering all these factors, we maintain our BUY rating on the stock.

Agthia - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	74.93	14.90	13.81	13.06	12.26	30.83
PB	1.79	1.23	1.21	1.17	1.21	1.22
EV/EBITDA	19.04	10.06	8.64	6.69	6.82	12.41
EPS	0.055	0.275	0.297	0.314	0.335	0.204
BVPS	2.284	3.321	3.385	3.501	3.377	3.366
DPS	0.165	0.165	0.165	0.176	0.210	0.218
Dividend yield	4.0%	4.0%	4.0%	4.3%	5.1%	5.3%

FABS Estimates & Co Data

Agthia – P&L

(AED mm)	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	1,077	1,284	1,140	1,131	0.8%	5.9%	-11.2%	4,915	5,105	3.9%
Cost of sale	-748	-922	-841	-826	1.8%	12.5%	-8.8%	-3,448	-3,676	6.6%
Gross profit	329	362	299	305	-1.9%	-9.0%	-17.3%	1,466	1,429	-2.6%
Selling & distribution expense	-148	-147	-158	-130	21.6%	6.9%	7.5%	-612	-638	4.3%
G&A expense	-79	-92	-156	-80	94.5%	98.0%	70.2%	-449	-485	8.0%
Research & development costs	-2	-2	-2	-2	27.2%	10.4%	12.0%	-8	-10	34.0%
Other (expenses) / income	4	8	4	10	-63.6%	-10.7%	-56.9%	47	41	-12.7%
EBITDA	150	186	43	159	-72.9%	-71.3%	-76.8%	679	563	-17.0%
Operating profit	104	129	-13	103	NM	NM	NM	444	336	-24.3%
Finance income	4	3	2	2	3.7%	-40.6%	-29.0%	17	17	-1.2%
Finance expense	-36	-27	-27	-30	-7.9%	-24.6%	-0.2%	-81	-116	42.4%
Share of loss from inv in a JV	1	2	0	0	NM	NM	NM	4	4	NM
Profit before tax & zakat	73	107	-38	76	NM	NM	NM	384	241	-37.1%
Income tax & zakat exp/benf	-11	-21	1	-14	NM	NM	NM	-62	-46	-25.8%
Profit of the year	62	86	-37	61	NM	NM	NM	322	196	-39.3%
Non-controlling interest	-7	-5	4	-4	NM	NM	NM	-31	-18	-42.4%
Net Profit	56	82	-41	57	NM	NM	NM	291	178	-38.9%

FABS estimate & Co Data

Agthia - Margins

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross profit	30.6%	28.2%	26.2%	-431	-193	29.8%	28.0%	-185
Operating Profit	9.7%	10.1%	-1.2%	-1087	-1126	9.0%	6.6%	-245
EBITDA	13.9%	14.5%	3.8%	-1014	-1069	13.8%	11.0%	-278
Net profit	5.2%	6.4%	-3.6%	-876	-995	5.9%	3.5%	-244

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
DCF Method	7.80	70.0%	5.46
Relative Valuation (RV)			
EV/EBITDA	2.55	15.0%	0.38
PE	3.07	15.0%	0.46
Weighted Average Valuation (AED)			6.30
Current market price (AED)			4.10
Upside/Downside (%)			+54%

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 8.0%. It is arrived after using the cost of equity of 9.4% and after-tax cost of debt of 5.1% with a debt-to-equity ratio of 54.4%. Cost of equity is calculated by using a 10-year government bond yield of 4.4%, beta of 1.0 and equity risk premium of 4.2%. 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)	1,702
Terminal value (AED, Mn)	6,674
FV to Common shareholders (AED, Mn)	6,481
No. of share (Mn)	831
Current Market Price (AED)	4.10
Fair Value per share (AED)	7.80

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	276	439	481	526	566
D&A	223	229	234	240	247
Change in working capital	-10	-42	-25	-27	-26
(-) Capex	-194	-204	-215	-227	-239
Free Cash Flow to Firm (FCFF)	294	422	475	512	548
Discounting Factor	0.97	0.90	0.83	0.77	0.71
Discounted FCFF	143	379	395	395	391

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 7.1x and 14.4x, respectively in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Juayna Food Industries SAE	572	5.6	5.1	8.7	7.6
Suntory Beverage & Food Ltd	10,003	6.0	5.5	16.0	14.3
Bunge Ltd	16,555	8.3	6.3	10.8	10.3
Tate & Lyle PLC	3,182	7.0	7.3	12.3	11.2
Almarai	12,689	11.1	10.1	19.4	17.8
Savola Group	1,947	5.1	4.8	14.4	11.4
Kewpie Corporation	3,970	10.1	9.2	19.7	22.4
Anjoy Foods Group	3,297	7.1	6.3	13.2	11.6
Saudi Dairy & Foodstuff Co	2,345	13.0	11.9	19.7	16.5
Average		8.2x	7.4x	14.9x	13.7x
Median		7.1x	6.3x	14.4x	11.6x
Max		10.1x	9.2x	19.4x	16.5x
Min		6.0x	5.5x	12.3x	11.2x

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link
 +971-2-6161777

Institutional Desk +971-4-4245765

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