# Earnings Call Insight | 2Q26

UAE Equity Research    Sector: Consumer Staples    Market: ADX

## Agthia Group PJSC

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

### 2Q26 Net Profit lower than our estimate

- Agthia Group'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.
- Cost of sales increased 6.7% YOY to AED 897 Mn in 2Q26.
- Gross profit increased 26.4% YOY to AED 378 Mn in 2Q26, with the gross margin expanded by 341 bps YOY to 29.7% in 2Q26.
- Total EBITDA increased sharply from AED 43 Mn in 2Q25 to AED 117 Mn in 2Q26, supported by a strong recovery in the Water & Food segment and improved performance in Agri-Business. EBITDA margin improved by 542 bps YOY to 9.2% in 2Q26.
- 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 2Q25.
- Agthia reported a net profit of AED 19 Mn in 2Q26, compared with a net loss of AED 41 Mn in 2Q25, primarily driven by higher revenue and finance income, as well as 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.
- The Board recommended an interim cash dividend of 11.792 fils per share for 1H26, representing a 14.4% YOY increase, supported by stronger cash generation and an improved balance sheet.

### Earnings Call Summary

- Al Ain bottled water gained 2.0 pp of value market share YTD May 2026 compared to YTD May 2025.
- Agri-Business revenue grew 11.0% YOY to AED 330 Mn in 2Q26, driven by 23.3% YOY growth in feed sales, while flour revenue declined 3.1% YOY due to lower HoReCa demand. EBITDA increased 2.4% YOY, while the EBITDA margin contracted 136 bps YOY in 2Q26 due to competitive intensity and higher distribution costs.
- Snacking revenue declined 25.9% YOY to AED 211 Mn in 2Q26, driven by three factors identified by management: the deliberate reduction in international date sourcing lowering 2025 crop season volumes, the absence of prior-year old-crop depletion sales (which had been sold at a loss), and logistics disruption hitting Al Foah and BMB export sales.
- Snacking reduced its EBITDA loss to AED 17 Mn in 2Q26 from AED 46 Mn in 2Q25, with the EBITDA margin improving 821 bps YOY in 2Q26 following the Al Foah reset. Abu Auf's revenue grew 23.7% YOY, and the brand expanded to 438 permanent stores (net addition of 40 stores YTD). Management attributed c. 10 pp of growth to new store openings and c. 15 pp to innovation.
- Protein & Frozen revenue increased 22.0% YOY to AED 294 Mn in 2Q26, driven by Nabil (+32.5%), Frozen Vegetables & Tomato paste (+18.0%), and Atyab (+8.1%). However, EBITDA declined 25.0% YOY, with the EBITDA margin contracting 359 bps YOY to 5.7% in 2Q26 due to higher beef costs, transformation-related expenses, and KSA ramp-up costs.
- Management stated that the KSA facility is operating at nearly full capacity, with the acceleration partly attributable to the regional conflict, as several customers experiencing supply disruptions switched to Agthia after inspecting the facility. Management views this as a positive spillover and expects to retain.
- Management declined to quantify a normalised protein segment margin target, noting KSA remains a small part of the segment while confirming a long-term ambition to significantly increase segment margins.

- Innovation contributed AED 109.8 Mn to 1H26 revenue, representing 4.6% of underlying sales and growing c. 30% YOY, digital channels generated AED 176 Mn, with e-commerce revenue up 15.6% in 1H26.
- Al Ain Water entered the functional beverages category with FUELL, positioned as the UAE's first date-sweetened energy drink. The product was launched exclusively on Noon Minutes through the Company's newly formed e-commerce team. Management reported encouraging early traction but did not disclose sales figures.
- The Egyptian platform generated c. AED 52 Mn of export revenue, while the Group continued to streamline support functions and overhead through its head office optimization programme.
- Net working capital as a percentage of sales declined to its lowest level in many years, driven by improved receivables collection, lower inventory levels, and higher trade payables. As a result, the cash conversion cycle improved to 29 days in 1H26 from 56 days in 1H25.
- The Company stated that the Company launched a new supply chain financing programme across more than 100 suppliers a few weeks before the earnings call, which it views as evidence of ongoing structural improvement in cash flow generation.
- Management confirmed that there had been no material disruption to customer supply or commercial relationships, with continuity maintained through procurement management, healthy inventory cover, routing adaptation with network partners, and close monitoring of freight and insurance costs.
- The Company stated that Fujairah and Khor Fakkan ports were used as alternative routes to mitigate the intermittent closure of the Strait of Hormuz.
- Management highlighted that revenue is now diversified across four business segments, with no single segment accounting for more than 30% of underlying sales. While the UAE remains the largest market, the Group also generates a significant share of revenue from the GCC, the wider Arab region, and international markets.

**Agthia - P&L**

| **(AED Mn)** | **2Q25** | **1Q26** | **2Q26** | **2Q26F** | **Var** | **YOY Ch** | **QOQ Ch** |
|---|---|---|---|---|---|---|---|
| Revenue | 1,140 | 1,327 | 1,275 | 1,257 | 1.5% | 11.9% | -3.9% |
| Cost of sale | -841 | -908 | -897 | -877 | 2.3% | 6.7% | -1.2% |
| **Gross profit** | **299** | **419** | **378** | **380** | **-0.4%** | **26.4%** | **-9.7%** |
| Operating expenses | -313 | -285 | -320 | -281 | 13.8% | 2.4% | 12.5% |
| **EBITDA** | **43** | **193** | **117** | **106** | **10.7%** | **NM** | **NM** |
| **Operating profit** | **-13** | **134** | **58** | **99** | **-41.2%** | **NM** | **NM** |
| **Profit before tax and zakat** | **-38** | **113** | **37** | **75** | **-51.4%** | **NM** | **NM** |
| Income tax & zakat (exp) / credit | 1 | -16 | -12 | -11 | 7.0% | NM | NM |
| **Profit for the year** | **-37** | **97** | **25** | **64** | **-61.7%** | **NM** | **NM** |
| Non-controlling interest | -4 | -5 | -5 | -6 | -12.3% | 27.0% | 11.0% |
| **Net Profit** | **-41** | **92** | **19** | **58** | **-66.5%** | **NM** | **NM** |

*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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