

## Agthia Group PJSC

Strong revenue growth led by one-off trading sales supported profitability

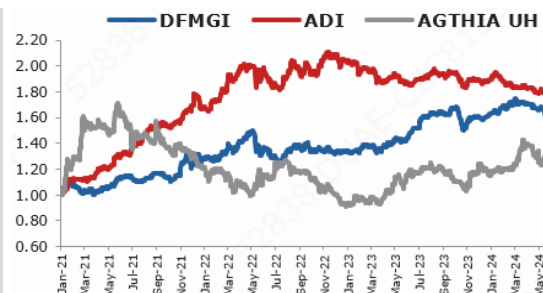
**Current Price**  
AED 5.77

**Target Price**  
AED 6.12

**Upside/Downside (%)**  
**+6.1%**

**Rating**  
**HOLD**

- Excluding one-off commodity trading sales in the Agri-business segment, the Company's net revenue grew 12.4% YOY in 1Q24
- AGTHIA targets revenue to grow by 10-12% and EBITDA margins to expand by 40-60 bps in 2024.
- Abu Auf significantly expanded its retail footprint by opening 27 new stores in 1Q24.
- AGTHIA's total EBITDA grew 23.7% YOY to AED 233 Mn in 1Q24, while excluding EGP devaluation, EBITDA grew 28.8% in 1Q24
- Total gross debt declined from AED 1.6 Bn in 4Q23 to AED 1.5 Bn in 1Q24. Net debt to EBITDA ratio remained flat at 1.3x in 1Q24 compared to 4Q23.



### 1Q24 Net Profit higher than our estimate

Agthia Group's (AGTHIA/the Company) net profit rose 33.4% YOY to AED 116 Mn in 1Q24, higher than our estimate of AED 93 Mn. The growth in the net profit is mainly attributable to a strong rise in revenue driven by a shift in the product portfolio across all the segments partially offset by an increase in S&D and G&A expenses and higher cost of sales.

### P&L Highlights

AGTHIA's revenue grew 22.6% YOY to AED 1,449 Mn in 1Q24, mainly due to healthy growth in volume and pricing in 1Q24. However, excluding the one-off commodity trading sales in the Agri-business segment the Company's net revenue grew 12.4% YOY in 1Q24. Revenue from the Protein and Frozen segment rose 15.9% YOY to AED 293 Mn in 1Q24 mainly due to robust pricing across domestic channels. The Company's Protein and Frozen segment reported positive growth for the first time since 3Q22. Snacking business revenue rose 17.7% YOY to AED 447 Mn in 1Q24 driven by product innovation across premium-brand coffee in Egypt in mid and high-value ranges, expansion of date varieties, and significant growth across retail channels in both the UAE and international markets. Water and food business revenue grew 3.5% YOY to AED 261 Mn in 1Q24 primarily attributable to premiumization and innovation across growth in the glass bottled water sales. Excluding the impact from the local margin food business, the revenue growth would have been 6.4% YOY in 1Q24. Agri-business revenue grew strongly 50.6% YOY to AED 449 Mn in 1Q24 mainly due to net one-off commodity trading sales of AED 120 Mn in 1Q24. However, excluding the impact of one-off the revenue would have grown 10.5% YOY in 1Q24 driven by strong volume growth. The Company's direct cost grew 22.2% YOY to AED 1,033 Mn in 1Q24. Thus, AGTHIA's gross profit rose 23.4% YOY to AED 417 Mn in 1Q24. Gross profit margin expanded 20 bps YOY to

### Stock Information

Market Cap (AED, mm)	4,795.77
Paid Up Capital (mm)	831.16
52 Week High	5.93
52 Week Low	4.10
3M Avg. daily value (AED)	3,213,076

### 1Q24 Result Review (AED, mm)

Total Assets	6,410
Total Liabilities	3,261
Total Equity	3,149
EBITDA	233
Net Profit	116

### Financial Ratios

Dividend Yield (12m)	3.05
Dividend Pay-out (%)	50.04
Price-Earnings Ratio(x)	15.77
Price-to-Book Ratio (x)	1.58
Book Value (AED)	3.66
Return-on Equity (%)	10.07

### Stock Performance

5 Days	1.23%
1 Months	10.33%
3 Months	12.61%
6 Months	16.51%
1 Year	19.50%
Month to Date (MTD%)	2.49%
Quarter to Date (QTD%)	2.69%
Year to Date (YTD%)	24.15%

28.7% in 1Q24. Selling and distribution expenses rose 22.1% YOY to AED 163 Mn in 1Q24, while G&A expenses also rose 28.8% YOY to AED 111 Mn in 1Q24. Other income grew from AED 12 Mn in 1Q23 to AED 19 Mn in 1Q24. As a result, total operating profit grew 25.1% YOY to AED 159 Mn in 1Q24. AGTHIA's total EBITDA grew 23.7% YOY to AED 233 Mn in 1Q24, while the EBITDA margin rose 15 bps YOY to 16.0% in 1Q24. Snacking segment EBITDA grew 42.7% YOY to AED 110 Mn in 1Q24 due to favorable price and mix effects observed in both domestic and international markets along with robust growth from Abu Auf's supported by increasing innovations, premiumization, and strategic buying initiatives across the segment. Protein and frozen business EBITDA rose 9.9% YOY to AED 34 Mn in 1Q24 despite cost volatility in Egypt and external challenges impacting operations in Jordan. Water and food business EBITDA grew 18.8% YOY to AED 43 Mn in 1Q24 mainly driven by cost optimization and a favorable shift in the product mix towards high-margin premium products. Agriculture business EBITDA rose strongly 56.3% YOY to AED 59 Mn in 1Q24 driven by revenue growth, a shift in the product mix, favorable commodity market conditions, higher facility utilization rates, and improved cost-effectiveness. Furthermore, the Company's finance income declined 56.4% YOY to AED 4 Mn in 1Q24. While finance cost also declined 47.8% YOY to AED 16 Mn in 1Q24. Additionally, income tax and zakat expenses grew significantly from AED 11 Mn in 1Q23 to AED 20 Mn in 1Q24 attributed to the introduction of UAE corporate tax. Share of profit attributable to non-controlling interest holders grew from AED 10 Mn in 1Q23 to AED 12 Mn in 1Q24.

### **Balance Sheet Highlights**

AGTHIA's total gross debt declined from AED 1.6 Bn in 4Q23 to AED 1.5 Bn in 1Q24. The Company's net debt to EBITDA ratio remained flat at 1.3x in 1Q24 compared to 4Q23. Net cash generated from operating activities declined from AED 211 Mn in 1Q23 to AED 130 Mn in 1Q24. Cash and cash equivalents stood at AED 483 Mn in 1Q24.

### **Target Price and Rating**

We revised our rating to HOLD on AGTHIA with a revised target price of AED 6.12. The Company's stock price grew 5.5% since our last rating (March 2024). AGTHIA recorded a strong double-digit growth in revenue and EBITDA in 1Q24, driven by 17.5% growth in volume and 5.1% growth in pricing. Excluding EGP devaluation, the Company's net revenue grew 26.2% YOY in 1Q24 and EBITDA grew 28.8% with a 33 bps YOY growth in EBITDA margin to 16.3% in 1Q24. The Company further expects the revenue to grow by 10-12% in 2024. Moreover, the Company expects the EBITDA margin to grow 40-60 bps in 2024. AGTHIA is prioritizing product innovation in all its segments. The Company focuses on introducing a new date crown of organic date range, launching the Abu Auf Ramadan gifting range of 11 SKUs, and introducing several new Al Ain-brand food products in UAE. AGTHIA also strengthened its export resources, with new food service volumes in regional and international markets boosting Egypt's export revenue to AED 24.4 Mn in 1Q24. Moreover, Abu Auf expanded its product range by launching multiple new products and extending product lines, aiming to reinforce its position in Egypt and increase exports to the UAE. Abu Auf significantly expanded its retail footprint by opening 27 new stores and launched a number of new innovative SKUs in 1Q24. The expansion in the retail chain is anticipated to support Abu Auf's growth going forward. In addition, AGTHIA launched two new specialty Flour products in Agri-Business and the new Agrivita Dairy Premix for UAE farmers' growing needs for improved animal nutrition. AGTHIA also maintained a healthy balance sheet with strong cash balance and low leverage which will help to support its inorganic growth going forward. Thus, based on our analysis, we assign a HOLD rating on the stock.

**Agthia - Relative valuation**

(at CMP)	2019	2020	2021	2022	2023	2024F
PE	25.3	100.4	20.2	18.5	17.5	14.5
PB	1.8	1.8	1.7	1.6	1.6	1.5
EV/EBITDA	12.8	19.4	12.6	10.6	8.2	7.9
Dividend yield	2.6%	2.9%	2.9%	2.9%	3.2%	3.5%

FABS Estimates & Co Data

**Agthia - P&L**

AED mm	1Q23	4Q23	1Q24	1Q24F	VAR	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	1,182	1,290	1,449	1,269	14.2%	22.6%	12.3%	4,561	5,038	10.4%
Cost of sale	-845	-892	-1,033	-888	16.3%	22.2%	15.7%	-3,200	-3,522	10.1%
<b>Gross profit</b>	<b>337</b>	<b>398</b>	<b>417</b>	<b>381</b>	<b>9.3%</b>	<b>23.4%</b>	<b>4.7%</b>	<b>1,361</b>	<b>1,516</b>	<b>11.4%</b>
S&D expense	-134	-152	-163	-152	7.3%	22.1%	7.4%	-577	-655	13.4%
G&A expense	-86	-89	-111	-89	25.3%	28.8%	25.4%	-352	-403	14.5%
Research & development costs	-2	-2	-2	-2	-23.0%	-14.6%	2.1%	-8	-11	37.3%
Other (expenses) / income	12	20	19	15	25.3%	56.8%	-4.3%	48	50	5.7%
<b>EBITDA</b>	<b>188</b>	<b>237</b>	<b>233</b>	<b>238</b>	<b>-2.2%</b>	<b>23.7%</b>	<b>-1.9%</b>	<b>702</b>	<b>800</b>	<b>13.9%</b>
<b>Operating profit</b>	<b>127</b>	<b>175</b>	<b>159</b>	<b>153</b>	<b>4.0%</b>	<b>25.1%</b>	<b>-9.2%</b>	<b>471</b>	<b>497</b>	<b>5.5%</b>
Finance income	10	5	4	6	-30.2%	-56.4%	-12.3%	26	25	-2.5%
Finance expense	-31	-27	-16	-22	-23.7%	-47.8%	-39.5%	-113	-89	-21.1%
Share of loss from invt	2	-1	0	0	NM	NM	NM	3	0	NM
<b>Profit before tax and zakat</b>	<b>107</b>	<b>148</b>	<b>148</b>	<b>138</b>	<b>7.1%</b>	<b>37.4%</b>	<b>-0.4%</b>	<b>382</b>	<b>433</b>	<b>13.3%</b>
Income tax and zakat	-11	-54	-20	-33	-39.7%	86.8%	-63.1%	-83	-86	4.5%
<b>Profit of the year</b>	<b>97</b>	<b>94</b>	<b>128</b>	<b>105</b>	<b>21.9%</b>	<b>32.0%</b>	<b>35.7%</b>	<b>300</b>	<b>347</b>	<b>15.7%</b>
Non-controlling interest	-10	-11	-12	-12	1.9%	19.0%	7.1%	-39	-31	-19.1%
<b>Net Profit</b>	<b>87</b>	<b>83</b>	<b>116</b>	<b>93</b>	<b>24.4%</b>	<b>33.4%</b>	<b>39.5%</b>	<b>261</b>	<b>315</b>	<b>20.8%</b>

FABS estimate & Co Data

**Agthia - Margins**

	1Q23	4Q23	1Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Gross profit	28.5%	30.8%	28.7%	20	-210	29.8%	30.1%	25
Operating Profit	10.8%	13.6%	11.0%	22	-260	10.3%	9.9%	-46
EBITDA	15.9%	18.4%	16.0%	15	-233	15.4%	15.9%	48
Net profit	7.3%	6.4%	8.0%	65	156	5.7%	6.3%	54

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.

Valuation Method	Target	Weight	Weighted Value
DCF Method	5.90	70.0%	4.13
Relative Valuation (RV)	6.63	30.0%	1.99
<b>Weighted Average Valuation (AED)</b>			<b>6.12</b>
Current market price (AED)			5.77
Upside/Downside (%)			+6.1%

### 1) DCF Method:

Agthia is valued using free cash flow to firm. We have discounted the cash flow using the weighted average cost of capital of 8.3%. It is arrived after using cost of equity of 9.2% and after-tax cost of debt of 5.2% with debt-to-equity ratio of 30.6%. Cost of equity is calculated by using 10-year government bond yield of 5.3%, beta of 1.0 and equity risk premium of 3.9%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over 10-year US risk free rate. Cost of debt of 5.2% is calculated after adjusting a tax rate of 21.6%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	1,325
Terminal value (AED, Mn)	4,926
<b>FV to Common shareholders (AED, Mn)</b>	<b>4,908</b>
No. of share (Mn)	831
Current Market Price (AED)	5.77
<b>Fair Value per share (AED)</b>	<b>5.90</b>

### DCF Method

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
NOPAT	437	506	552	584	620
D&A	303	302	302	301	302
Change in working capital	-182	-193	-385	-209	-237
(-) Capex	-227	-244	-239	-238	-247
<b>Free Cash Flow to Firm (FCFF)</b>	<b>185</b>	<b>370</b>	<b>229</b>	<b>439</b>	<b>437</b>
Discounting Factor	0.96	0.88	0.82	0.75	0.70
<b>Discounted FCFF</b>	<b>177</b>	<b>327</b>	<b>187</b>	<b>330</b>	<b>304</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 multiple. It is valued at 2024 EV/EBITDA multiple of 8.6x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
Saudia Dairy & Foodstuff Co	3,099	16.4	15.1	22.2	20.6
Juhayna Food Industries SAE	334	5.3	3.9	9.9	7.3
Suntory Beverage & Food Ltd	11,290	7.1	6.5	19.4	17.5
Bunge Ltd	14,744	6.8	6.9	12.5	10.6
Tate & Lyle PLC	3,477	8.6	7.9	15.8	14.4
Almarai	15,039	12.5	11.3	23.1	20.6
Savola Group	6,308	10.1	10.4	25.9	20.3
Kewpie Corporation	2,797	7.9	7.5	23.0	20.2
Anjoy Foods Group	3,432	8.6	7.3	16.9	14.1
<b>Average</b>		<b>9.3x</b>	<b>8.5x</b>	<b>18.7x</b>	<b>16.2x</b>
<b>Median</b>		<b>8.6x</b>	<b>7.5x</b>	<b>19.4x</b>	<b>17.5x</b>
<b>Max</b>		<b>10.1x</b>	<b>10.4x</b>	<b>23.0x</b>	<b>20.3x</b>
<b>Min</b>		<b>7.1x</b>	<b>6.9x</b>	<b>15.8x</b>	<b>14.1x</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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