

Agthia Group PJSC

No one-off impact compared to 1Q24, EGP devaluation and higher finance expense impacted profitability

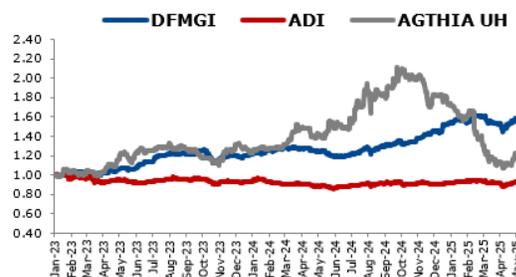
Current Price
AED 4.45

Target Price
AED 7.50

Upside/Downside (%)
+69%

Rating
BUY

- AGTHIA's revenue fell 11.4% YOY to AED 1,284 Mn in 1Q25 primarily due to a higher revenue base in 1Q24 driven by one-off wheat trading activity, along with the devaluation of Egyptian Pound.
- Agthia's working capital as a percentage of revenue rose 17.1% in 1Q25 from 7.3% in 4Q24.
- AGTHIA acquired an additional 10% stake in Abu Auf, increasing its ownership stake to 80%.
- E-commerce sales now account for over 5.6% of total revenue.
- The company distributed a dividend of 10.72 fils per share for 2H24, resulting in a final dividend of 21.03 fils per share for 2024.



Stock Information

Market Cap (AED, mn)	3,698.64
Paid Up Capital (mn)	831.16
52 Week High	8.19
52 Week Low	3.83
3M Avg. daily value (AED)	3,804,169

1Q25 Result Review (AED, mn)

Total Assets	6,266
Total Liabilities	3,316
Total Equity	2,797
EBITDA	186
Net Profit	82

Financial Ratios

Dividend Yield (12m)	4.73
Dividend Pay-out (%)	60.01
Price-Earnings Ratio(x)	14.34
Price-to-Book Ratio (x)	1.32
Book Value (AED)	3.37
Return-on Equity (%)	9.03

Stock Performance

5 Days	-3.05%
1 Months	7.23%
3 Months	-14.59%
6 Months	-30.90%
1 Year	-23.93%
Month to Date (MTD%)	-1.55%
Quarter to Date (QTD%)	3.49%
Year to Date (YTD%)	-31.54%

1Q25 Net Profit in line with our estimate

Agthia Group's (AGTHIA/the Company) net profit fell 29.6% YOY to AED 82 Mn in 1Q25, in line with our estimate of AED 84 Mn. The decline in the net profit is due to a decrease in revenue attributable to a one-off in 1Q24 and lower sales in the dates business, lower other income, and a rise in net finance cost, partially offset by a reduction in cost of sales, lower selling & distribution expenses, and NCI.

P&L Highlights

AGTHIA's revenue fell 11.4% YOY to AED 1,284 Mn in 1Q25 primarily due to the absence of one-off wheat trading activity worth AED 120 Mn recorded in 1Q24, significant devaluation of the Egyptian Pound, and operational challenges in the dates business within the Snacking segment. Revenue from the Protein and Frozen segment fell 15.7% YOY to AED 247 Mn in 1Q25, primarily due to EGP devaluation, weaker purchasing power, and lower export sales in Jordan. Although local sales in Jordan improved, the gains were insufficient to counter export shortfalls. Snacking business revenue declined 8.2% YOY to AED 410 Mn in 1Q25, mainly due to sharp drop in revenue from Al Foah due to oversupply of international dates varieties from the 2024 harvest, which required inventory liquidation at reduced prices partially offset by revenue growth of 8.4% YOY in BMB, due to increasing exports to the US along with growth in Abu Auf segments. Water and Food business revenue grew 10.6% YOY to AED 288 Mn in 1Q25, due to growth in UAE bottled water sales and Home & Office Services (HOS) across the UAE, Turkey and KSA coupled with new B2B high-profile contracts such as Marriott Group in UAE. Agri-business revenue fell by 24.6% YOY to AED 338 Mn in 1Q25, primarily due to the absence of the wheat trading activity that inflated 1Q24 revenue. The Company's direct cost declined 10.7% YOY to AED 922 Mn in 1Q25. Thus, gross profit declined 13.2% YOY to AED 362 Mn in 1Q25.

The gross profit margin declined 57 bps YOY to 28.2% in 1Q25. Total EBITDA fell from AED 233 Mn in 1Q24 to AED 186 Mn in 1Q25 owing to decreased revenue and other income. EBITDA margin declined from 16.0% in 1Q24 to 14.5% in 1Q25. Snacking segment EBITDA declined from AED 109 Mn in 1Q24 to AED 53 Mn in 1Q25, primarily due to the inventory depletion through sales at discounted rates in the Dates business, along with input cost pressures on Abu Auf, especially in coffee. Protein & Frozen segment EBITDA declined 52.8% YOY to AED 16 Mn in 1Q25, driven by cost pressures from raw materials and the lower production volumes in the KSA plant, which were insufficient to absorb the fixed cost. Consequently, Water & Food Segment EBITDA rose 17.6% YOY to AED 51 Mn in 1Q25, due to improved cost efficiencies. Agri-business EBITDA significantly grew 16.1% YOY to AED 68 Mn in 1Q25 despite a decline in revenue, mainly attributable to efficient cost management and favorable commodity cycle. Furthermore, the finance income fell from AED 4 Mn in 1Q24 to AED 3 Mn in 1Q25, whereas the finance cost increased from AED 16 Mn in 1Q24 to AED 27 Mn in 1Q25. Additionally, tax and zakat expenses rose 3.6% YOY to AED 21 Mn in 1Q25. Share of profit attributable to non-controlling interest holders fell from AED 12 Mn in 1Q24 to AED 5 Mn in 1Q25.

Balance Sheet Highlights

AGTHIA's gross debt remained flat at AED 1.5 Bn in 1Q25 compared to the previous quarter. Agthia's working capital as a percentage of revenue rose 17.1% in 1Q25 from 7.3% in 4Q24. Net Debt-to-EBITDA ratio of 2.4x in 1Q25, compared to 1.3x in 1Q24, due to lower utilization of supply Chain financing and cash outflow related to the acquisition of minority stakes.

Target Price and Rating

We maintain our BUY rating on Agthia Group with a revised target price of AED 7.50, supported by the company's resilient core performance and strategic growth initiatives. The Company's underlying performance remains strong, with revenue growing 5.2% YOY, excluding the impact of EGP devaluation and wheat trading activities in 1Q24. Agthia's focus on innovation, digital transformation, and disciplined cost management led to a robust performance across its core segments. The innovation pipeline contributed over AED 45 Mn in revenue during 1Q25, while two new SKUs in the cold cuts category further expanded its product offering. Digitally, the company made notable progress with revamped apps, AI-powered chatbots, and enhanced direct-to-consumer platforms, driving improved customer engagement and conversion rates, particularly during Ramadan. E-commerce sales now account for over 5.6% of total revenue, reflecting early success in this channel. Strategic acquisitions are strengthening Agthia's market position, notably the purchase of Riviere, which expands its HOS water delivery footprint, and an increased stake in Abu Auf from 70% to 80%, deepening its presence in the high-growth snacking segment. Additionally, Agthia is advancing Phase II of its protein production facility in Saudi Arabia, which is expected to be completed by early 2026 significantly enhancing the Company's regional manufacturing capacity. The Group also recorded AED 22.6 Mn in export revenue from Egypt, led by strong performance from Abu Auf, which opened nine new stores in 1Q25. While challenges persist in certain segments like dates and protein, the company remains well-positioned for sustainable long-term growth, supported by strong fundamentals, continued innovation, and strategic regional expansion. 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	81.69	16.24	15.05	14.23	13.36	19.97
PB	1.96	1.35	1.32	1.28	1.32	1.33
EV/EBITDA	20.87	10.74	9.17	7.14	7.27	10.94
DPS	0.165	0.165	0.165	0.176	0.210	0.225
Dividend yield	3.7%	3.7%	3.7%	3.9%	4.7%	5.0%

FABS Estimates & Co Data

Agthia – P&L

(AED Mn)	1Q24	4Q24	1Q25	1Q25F	Var	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	1,449	1,307	1,284	1,272	0.9%	-11.4%	-1.8%	4,915	5,215	6.1%
Cost of sale	-1,033	-921	-922	-902	2.2%	-10.7%	0.2%	-3,448	-3,649	5.8%
Gross profit	417	386	362	370	-2.3%	-13.2%	-6.4%	1,466	1,566	6.8%
Selling and distribution expense	-163	-148	-147	-140	5.1%	-9.9%	-0.3%	-612	-652	6.5%
G&A expense	-111	-166	-92	-104	-12.0%	-17.6%	-44.6%	-449	-448	-0.2%
Research and development costs	-2	-2	-2	-3	-29.3%	2.2%	-13.3%	-8	-10	36.9%
Other (expenses) / income	19	16	8	10	-17.5%	-56.0%	-47.7%	47	42	-10.8%
EBITDA	233	141	186	189	-1.9%	-20.2%	31.3%	679	720	6.1%
Operating profit	159	87	129	133	-3.0%	-18.7%	48.5%	444	497	11.9%
Finance income	4	9	3	4	-30.3%	-32.8%	-65.7%	17	17	-1.2%
Finance expense	-16	-10	-27	-32	-14.0%	65.7%	NM	-81	-98	20.2%
Share of loss from inv in a JV	0	2	2	0	NM	NM	NM	4	0	NM
Profit before tax and zakat	148	87	107	106	0.8%	-27.6%	23.0%	384	416	8.4%
Income tax & zakat exp/benf	-20	-15	-21	-16	30.0%	3.6%	41.2%	-62	-62	0.9%
Profit of the year	128	72	86	90	-4.4%	-32.5%	19.3%	322	354	9.9%
Non-controlling interest	-12	-6	-5	-6	-27.9%	-61.3%	-21.2%	-31	-27	-13.2%
Net Profit	116	66	82	84	-2.6%	-29.6%	22.8%	291	327	12.3%

FABS estimate & Co Data

Agthia - Margins

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross profit	28.7%	29.6%	28.2%	-57	-138	29.8%	30.0%	20
Operating Profit	11.0%	6.7%	10.1%	-90	341	9.0%	9.5%	49
EBITDA	16.0%	10.8%	14.5%	-158	365	13.8%	13.8%	0
Net profit	8.0%	5.1%	6.4%	-164	127	5.9%	6.3%	35

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	8.64	70.0%	6.05
Relative Valuation (RV)			
EV/EBITDA	3.74	15.0%	0.56
PE	5.97	15.0%	0.90
Weighted Average Valuation (AED)			7.50
Current market price (AED)			4.45
Upside/Downside (%)			+69%

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 8.1%. 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 48.9%. 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)	2,115
Terminal value (AED, Mn)	6,941
FV to Common shareholders (AED, Mn)	7,183
No. of share (Mn)	831
Current Market Price (AED)	4.45
Fair Value per share (AED)	8.64

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	422	516	548	577	611
D&A	223	229	236	242	249
Change in working capital	-38	-30	-23	-21	-22
(-) Capex	-198	-210	-223	-233	-243
Free Cash Flow to Firm (FCFF)	409	506	538	566	595
Discounting Factor	0.95	0.88	0.81	0.75	0.70
Discounted FCFF	390	446	438	426	415

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 6.9x and 15.2x, respectively in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Juhayna Food Industries SAE	534	5.1	4.3	7.9	6.5
Suntory Beverage & Food Ltd	10,064	6.2	5.7	15.6	14.1
Bunge Ltd	10,755	7.5	6.8	10.3	9.2
Tate & Lyle PLC	3,420	6.8	5.4	11.9	11.5
Almarai	14,024	11.6	10.7	21.1	18.5
Savola Group	2,216	5.4	5.2	18.6	11.3
Kewpie Corporation	3,093	7.7	7.2	15.2	17.4
Anjoy Foods Group	3,220	6.9	6.0	14.4	12.6
Saudi Dairy & Foodstuff Co	2,525	13.1	12.2	19.0	17.0
Average		7.8x	7.0x	14.9x	13.1x
Median		6.9x	6.0x	15.2x	12.6x
Max		7.7x	7.2x	18.6x	17.0x
Min		6.2x	5.4x	11.9x	11.3x

Source: FAB Securities

