



Q1 2024 Results

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# Management Discussion & Analysis Report

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15 May 2024

## Strong and profitable growth across all business segments

- Group net revenue +22.6% YoY with strong growth across all four segments (+12.4% YoY excluding one-off commodity trading sales)
- Group EBITDA +23.4% YoY; margin at 16.0% (+10bps)
- Group net profit growth +32.0% YoY; margin at 8.8% (+63bps)
- Full-year guidance maintained: 10%-12% revenue growth, EBITDA margin +40-60bps, net profit margin +30-50bps

Agthia Group PJSC (ADX: AGTHIA) today announces its results for the three months ending 31 March 2024.

## Financial highlights

### Revenue

Group net revenue increased 22.6% year-on-year (12.4% excluding AED 120 million one-off trading sales in Agri-Business) to AED 1.45 billion (17.5% growth from volume and 5.1% from pricing), supported by a continued shift of our product portfolio towards higher growth segments in key target markets. In Q1 2024, EGP devaluation impact on revenues was AED -42.5 million, excluding that reported growth would have been 26.2%.

**Figure 1: Reported revenue by segment – three months ending 31 March 2024**

Revenue (AED MN)	Q1 2024	Q1 2023	% change YoY
Snacking	447.1	379.9	+17.7%
Protein & Frozen	292.9	252.7	+15.9%
Water & Food	260.7	251.9	+3.5%
Agri-Business	448.6	297.8	+50.6%
<b>Total Group</b>	<b>1,449.3</b>	<b>1,182.4</b>	<b>+22.6%</b>

**Figure 2: Revenue growth, adjusted for one-off trading sales in Agri-business – three months ending 31 March 2024**

This shows revenue growth for the first quarter 2024, adjusted for one-off trading sales in Agri-Business (AED 120 million).

Revenue growth	Agri-Business	Total Group
Adjusted for one-off trading sales	+10.5%	+12.4%

- **Snacking:** Strong revenue growth across our Snacking portfolio (+17.7% year-on-year), mainly led by coffee and dates' notable performance during the quarter.

Abu Auf continued to deliver strong growth in core markets, gaining both volume and value share in the local market in premium-brand coffee in Egypt, resulting in an 84.0% increase in Q1 2024 local currency revenue (57.0% increase in AED terms). Abu Auf growth in Q1 2024 was bolstered by strong activation plan during Ramadan and ongoing organic expansion of its retail chain. During Q1 2024, Abu Auf opened 27 new stores.

Al Foah continued its strong dates innovation across mid and high value ranges as well as expansion in date varieties, and strong value growth across retail channels in the UAE and internationally (e.g. India, South Africa, and Bangladesh).

- **Water & Food:** Water & Food segment delivered 3.5% revenue growth in Q1 2024. UAE water revenue rose by 5.9% year-on-year, with Al Ain bottled water retaining its market leadership position. This growth was fueled by premiumization and innovation, including a significant growth of glass bottled water sales. Additionally, continuous improvements in customer service within our Home and Office Delivery (HOD) business led to a strong growth of 8.6% during Q1 2024.

International business revenue increased 8.3% year-on-year, with notable performance from Kuwait (+21.0%) and Oman (+14.2%).

Excluding the adverse impact from our lower margin food trading business, the aggregate segment revenue growth would have been 6.4% for Q1 2024.

- **Protein & Frozen:** Strong revenue growth of 15.9% year-on-year in reported currency, the first time the segment has reported positive revenue growth since Q3 2022.

In Egypt, robust pricing and favorable mix across domestic channels, notwithstanding the challenging macroeconomic environment, reflected strong brand equity and effective tiering. This, combined with a double-digit growth in revenue from domestic and export frozen vegetables, resulted in strong local currency revenue growth of 43.9% year-on-year.

In Jordan, we have seen increased competition and some consumer downtrading pressure that had an adverse impact on our business during Q1 2024. Export operations also reported lower volume growth across Saudi QSR channels, reflecting the ongoing impact of increased localization of production. The completion of our new Protein facility in Jeddah in Q2 2024, however, will provide localized production capacity at comparatively favorable economics and establish Agthia as a local protein producer in the Saudi market.

- **Agri-Business:** Revenue growth of 50.6% year-on-year was mainly driven by AED 120 million net one-off commodity trading sales. Excluding this one-off, Agri-Business revenue increased by 10.5% year-on-year, mainly due to increased volume. Strong sales growth in Feed (+10.3% year-on-year) was driven by effective open market execution and participation in the Abu Dhabi Agriculture and Food Safety Authority's (ADAFSA) compound feed program. Feed sales through our Agrivita app continue to perform well, offering end users added convenience and increasing our economic moat.

## EBITDA (Earnings before interest, tax, depreciation, and amortization)

Strong revenue growth across segments combined with our continued focus on profit protection in Egypt and group-wide efficiency generation led to a 23.4% EBITDA growth year-on-year to AED 232.6 million. Meanwhile, Group EBITDA margin increased by 10bps year-on-year to 16.0%. In Q1 2024, the impact of EGP devaluation on EBITDA amounted to AED 10.2 million. Excluding this impact, EBITDA growth would have been 28.8%, with an EBITDA Margin of 16.3% (an increase of 33bps year-on-year).

**Figure 3: Reported EBITDA and margin by segment – three months ending 31 March 2024**

EBITDA (AED MN)	Q1 2024	Q1 2023 (restated) <sup>1</sup>	% change YoY
<b>Snacking</b>			
- EBITDA	109.5	76.7	+42.7%
- EBITDA margin	24.5%	20.2%	+430bps
<b>Protein &amp; Frozen</b>			
- EBITDA	33.7	30.7	+9.9%
- EBITDA margin	11.5%	12.1%	-63bps

<sup>1</sup> Restatement of Q1 2023 segment numbers: Comparable period reported segment EBITDA figures have been restated for head office cross-charge in accordance with the new transfer pricing policy effective Q1 2024 to comply with the UAE's new corporate tax law. The objective is to ensure LFL comparability of reported segment performance. The restatement solely pertains to the allocation methodology and does not impact the total financial performance of the Group.

<b>Water &amp; Food</b>			
- EBITDA	43.0	36.2	+18.8%
- EBITDA margin	16.5%	14.4%	+213bps
<b>Agri-Business</b>			
- EBITDA	58.9	37.7	+56.3%
- EBITDA margin	13.1%	12.6%	+48bps
<b>Total Group</b>			
- EBITDA	<b>232.6</b>	<b>188.5</b>	<b>+23.4%</b>
- EBITDA margin	<b>16.0%</b>	<b>15.9%</b>	<b>+10bps</b>

- **Snacking:** EBITDA growth of 42.7% ahead of revenue reflected strong pricing, favorable mix effects in both domestic and international date markets, as well as strong profitability expansion in Abu Auf, which was supported by strong innovations, premiumization, and strategic buying initiatives, leading to Snacking EBITDA margin expansion by 430 bps year-on-year.

**Protein & Frozen:** EBITDA grew 9.9% year-on-year, despite input cost volatility in Egypt and external challenges affecting Jordan. While currency headwinds continue to overshadow the strong underlying performance in Protein (reported EBITDA margin declined by 63bps year-on-year), we maintained our focus on productivity enhancement and disciplined management of costs throughout the quarter (excluding the impact of EGP devaluation EBITDA margin was broadly flat year-on-year) and have identified a number of incremental efficiency drivers which will help us to offset negative impact of EGP devaluation.

- **Water & Food:** A combination of a favorable mix towards high-margin premium products further cost efficiencies across the board, and a more benign commodity environment resulted in EBITDA growth of 18.8% year-on-year and EBITDA margin expansion of 213bps. Notable performances came from UAE bottled water (EBITDA +28.3% year-on-year).
- **Agri-Business:** EBITDA growth of 56.3% year-on-year outpaced revenue growth, driven by a favorable shift in product mix, improved commodity market conditions, higher facility utilization rates, and enhanced cost efficiencies.

**Group net profit:** Q1 2024 Group net profit increased 32.0% year-on-year to AED 127.6 million, with net profit margin standing at 8.8%, reflecting a 63bps expansion, notwithstanding FX headwinds and the introduction of income tax in the UAE.

**Strong balance sheet:** Our balance sheet remains robust with cash and equivalents of AED 0.5 billion and liquidity of AED 2.4 billion. Our net debt to EBITDA ratio of 1.3x (net debt of AED 1.0 billion) was flat compared to December 2023. Our debt is dollar and AED-denominated, and we continue to achieve favorable borrowing terms leveraging our strong balance sheet and network of leading banks.

**Full-year guidance maintained:** Considering both the ongoing momentum across our business and the continuing impact of currency headwinds in our Egyptian operations, we anticipate full-year 2024 revenue growth between 10% and 12%, with a 40-60bps increase in EBITDA margin and a 30-50bps increase in Group net profit margin respectively.

## Expanding in-house capabilities and leveraging efficiencies to future proof our growth

We continue to make strong progress in expanding our capabilities and driving efficiencies.

- **Strengthening our Leadership Team:** Agthia has further strengthened its leadership team through the following external appointments as the Group seeks further growth and expansion over the coming period:

- **Rafik Lawendy** was appointed as Chief Growth Officer, bringing strong marketing, strategic and operational experience across a range of consumer-facing businesses, having spent over 20 years of marketing and general management expertise in the food and beverage sector split between the Middle East region, and global and US-focused roles.
- **Hala Hobeiche Katounas** was appointed as Senior Vice President of M&A, bring over 20 years of investment experience in the Middle East, North Africa, Europe, and Asia, encompassing private equity, real estate, and venture capital.
- **Leveraging our Egyptian platform:** Egypt is a strategically important market for Agthia, not only because it is structurally well positioned to support the future consumption of Protein, Snacking, and Coffee products, but increasingly as a manufacturing hub for key regional and international export markets, leveraging low-cost capacity in our well-invested facilities and favorable trade agreements.

We continued to strengthen our export focused resource during the first quarter, with new Food Service volumes in both regional and international markets underpinning growth in export revenue from Egypt reaching AED 24.4 million in Q1 2024. Since its acquisition, Abu Auf rapidly expanded its retail footprint, and has opened 27 new stores in Q1 2024, as well as launched a number of new innovative SKUs.

- **Investing in innovation:** Innovation plays a vital role in achieving our objective of becoming a leading food and beverage company in the MENA region. At the center of our innovation initiatives is a dedicated Central Innovation Team, which coordinates innovation initiatives between business units, R&D and external innovation. During Q1 2024, Agthia generated AED 47.8 million in revenue from innovation alone. Here are some of our innovation highlights during the quarter:
  - **Snacking:** Launched new Date Crown organic date range, Abu Auf instant coffee jars, as well as Abu Auf Ramadan gifting range consisting of 11 premium SKUs, in addition to chocolate-coated nuts and other product and packaging innovations (snack packs, date pouches).
  - **Protein & Frozen:** Launched new range of chicken strip products under the Nabil brand for both local and export markets to meet growing consumer demand for this category, in addition to several new Al Ain-brand food products in the UAE such as chicken nuggets and new pizza and pasta sauce varieties.
  - **Agri-Business:** Launched two new specialty Flour products to meet specific client needs, as well as new Agrivita Dairy Premix in response to UAE farmers' growing needs for improved animal nutrition.
- **Progressing on our sustainability agenda:** We continue to make progress across our sustainability agenda. Notably, during the reported quarter, we have reduced our Group CO2 emissions by 7% year-on-year. In addition, approximately 96% of Group packaging is now fully recyclable or reusable. In Q1 2024, our board approved our new ESG policy, defining four strategic pillars: Environmental Integrity, Scaling Health and Wellness, Fostering Positive Potential, and Shared Accountability.
- **Accelerating our digital roadmap:** Our 5-year digital transformation journey is at full speed. We are focusing on improving the customer experience and our commercial foundations, making Agthia a data-driven organization, connected with its customers, all while ensuring secure and reliable digital and technology operations.

During Q1 2024, we initiated a number of technology-based initiatives aiming to improve the health and safety of our employees by rolling out a safety AI image recognition solution to predict, alert, and report on potential safety occurrences at our manufacturing plants before they happen, as well as modernizing time attendance via mobile solutions. We have also expanded our Digital Experience and Data Analytics team and started various AI/Machine Learning cases.

Our Agrivita application for farmers started the journey to become a farmer's marketplace where farmers would be able to find not only animal feed, but also other relevant crop farming and animal husbandry products. Our first marketplace partnership is with Sherwood, one of the leading direct distributors of organic pesticides and high-quality pest management solutions and equipment.

We have also started incorporating the use of Microsoft Copilot across the organization, providing employees with additional tools to become more agile, efficient, and productive.

**Khalifa Sultan Al Suwaidi, Chairman of Agthia Group, commented:** "Agthia's remarkable performance in the first quarter reinforces our growth story, and underscores the unwavering dedication of our leadership to deliver sustainable growth across all business lines. As we pursue our strategic vision of establishing Agthia as a premier food and beverage company in the MENA region and beyond, we remain committed to delivering profitable growth through investments in capabilities and innovation. With this momentum, I am confident about our continued progress in the forthcoming quarters."

**Alan Smith, Group Chief Executive Officer of Agthia Group, commented:** "Building upon the exceptional results achieved last year, Agthia continues to soar into the new quarter with resolute strength. Our revenue growth continues to outpace guidance, reflecting the successful execution of our business strategies. Furthermore, our enhanced profitability serves as a testament to our unwavering focus on operational efficiency, even amidst persistent global economic challenges. These outcomes underscore the resilience and dedication of our team, instilling confidence that Agthia is strongly positioned to maintain its trajectory of sustained growth and value creation for shareholders."

– End of announcement –



Khalifa Sultan Al Suwaidi  
Chairman  
15 May 2024

## Conference Call Details

The Consolidated Financial Statements for three months ended 31<sup>st</sup> March 2024 will be available through the following link on Agthia Website: <https://www.agthia.com/investors/quarterly-results/>.

A conference call for analysts and investors will be held at 4:00pm UAE time on May 20<sup>th</sup> 2024. The presentation accompanying the call will be available on Agthia Group's website under the Investors section from 4:00pm on May 20<sup>th</sup> 2024: <https://www.agthia.com/investors/results-call-materials/>

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