Agthia Q1 '21 Results Call Transcript

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Corporate Participants

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Hatem Alaa: I'll hand over the call to Sahar Srour, the company's investor relations manager. Sahar please go ahead.

Sahar Srour: Thank you, Hatem. Good afternoon, ladies and gentlemen. Thank you for joining us today in Agthia Group's earnings conference call for Q1 2021, hosted by Alan Smith, Group CEO, and Ammar Al Ghoul, Group CFO.

As usual, Alan will first talk about the performance highlights during the period after which Ammar will cover the financial results. We will then continue with a Q&A session. For your reference, the relevant presentation is available in the Investors section of the company's website at www.agthia.com. Please note that this call may contain forward-looking statements, which should be considered in conjunction with the disclaimer included in the presentation. Over to you, Alan.

Alan Smith: Thanks Sahar and Good afternoon everybody.

As we step into 2021 adapting to the new norms shaped by the traces of an unprecedented year, our focus is firmly set on driving our transformational journey across the business. On the M&A front, we consolidated two companies during Q1 with the Al Foah dates business in UAE and Al Faysal Bakery in Kuwait. We also announced two new acquisitions positioning Agthia at the forefront of the fast-growing processed protein industry. Both Nabil Foods in Jordan and Ismailia Investments (Atyab) in Egypt are leading frozen processed chicken and beef producers in their respective countries. Given our proactive M&A strategy, we have also established a Transformation office, led by Fabio Cattaneo, to ensure we are the driving change whilst warranting the smooth integration of the new businesses. Fabio brings in 20 years of relevant experience from General Electric and private equity businesses and we are confident that his addition together with our outstanding leadership team will help us deliver on our recently announced 2025 strategy, which is underscored by the 3 key pillars of growth, efficiency, and capability.

On sustainability initiatives, we published our first standalone Sustainability Report for 2020 to showcase our commitment to monitoring and reporting our environmental, social and governance performance. Further emphasizing on our commitment to a more circular economy, we utilized our partnership with Veolia, a global leader in optimized resource management, to launch the Recapp project in November 2020. In just 3 months, the application garnered more than 1,000 users and has helped collect more than 2 tons of recyclables. Additionally, demonstrating our dedication to bringing pioneering products, Al Ain plant-based bottle won the "Most Impactful Sustainable Product" award at the Gulfood Innovation Awards 2021.

On 8 April 2021, the Company held its Annual General Meeting where the shareholders approved a 16.5fils dividends per share for the year 2020 implying a 10 percent y-o-y increase. The board also recommended a semi-annual dividend distribution policy for year 2021 onwards. The policy which reinforces our robust financial position and balance sheet strength is in line with our focus on providing attractive and sustainable shareholder returns via sharing profits with investors at an earlier stage.

On the financial side, Group revenues grew by 17 percent y-o-y reaching AED 665.5 million in the first quarter of 2021, largely driven by the consolidation of Al Foah and Al Faysal Bakery businesses.

Group net profits for the period prevailed at AED 49.6 million, recording 86 percent y-o-y growth. The jump versus last year was supported by the consolidation of Al Foah and Al Faysal Bakery, both adding more than AED 28 million to the bottom-line more than offsetting higher grain costs and extra advisory fees borne to support our M&A strategy.

Our resilient operations continue to underpin our robust liquidity position as we continue focusing on working capital overhaul for a strong cash flow generation. In terms of capital expenditure, as the bulk pertains to maintenance CAPEX, overall spending was lower versus last year on available capacity.

As for our overall sales performance, we share some insights on how the group performed by product category, geography and sales channel throughout the period.

Strong demand continued across each of 1) the 5-gallon Home & Office Distribution (HOD) business on expanded market share, 2) International bottled water in KSA and Kuwait on as we focused on expanding our footprint and progressed in the turnaround of our Saudi operations despite prolonged movement restrictions and 3) Food categories given at-home consumption & surging e-commerce orders along with the addition of each of Al Foah and Al Faysal within the Food category. This has more than offset lower volumes from the bottled water category in UAE versus same period last year in which sales were skewed by pre-COVID 19 demand from the food service channel in Jan-Feb 2020 and retail and consumer stocking in March. Lower flour and beverages sales in the UAE reflect the absence of (i) one-time World Food Program (WFP) flour order recorded last year (amounting to AED 39mn) and (ii) CapriSun sales post expiry of the licensing agreement (amounting to AED 8.5mn).

As we are lapping a strong Q1 last year, all channels were impacted when compared to pre-COVID demand. On the other hand, our active response to the changing retail trends of increased consumer dependence on e-commerce channels and home deliveries was evident by the jump in e-commerce sales.

Let's now look at the results of our 3 segmental divisions, starting with water and beverage segment, where sales came in at AED 192 million.

In the UAE, our 5-gallon business grew by 4 percent y-o-y on favourable sales mix and expanded market share. The bottled water category on the other hand recorded a decline in volume versus last year, as we were lapping a strong pre-COVID Q1 in 2020 in which sales were skewed by pre-COVID 19 demand from the food service channel in Jan-Feb 2020 and retail and consumer stocking in March.

KSA and Kuwaiti operations respectively registered 8 and 10 percent y-o-y growth in top-line as we successfully expanded our footprint in both whilst progressed in turning around our Saudi business.

As for the beverages, lower sales reflect our mutual agreement with Capri-Sun partners to end the licensing relationship to avoid any potential setbacks from the excise tax implementation.

Before turning into other segments, let's take a closer look at the market dynamics of the retail channel alone. The 2 graphs in the next slide depict the volume and value shares of major players for the last 12 months ending February 2021 versus 2020. Agthia's portfolio—Al Ain Water, Al Bayan, and Alpin— continues preserving a leading market position with respective volume and value shares at 28.8 and 25.8 percent. Our flagship brand, Al Ain water persists its number one ranking in the UAE despite an aggressive competitive landscape wherein the overall market size of bottled water in the UAE declined by 12.4 percent in MAT Feb 2021 versus last year.

Turning now to the food segment which falls under the consumer business. Sales reached AED 238 million post consolidated each of Al Foah and Al Faysal under the Food category which continues to shape its portfolio as an inevitably positive and growing contributor to our P&L in line with our 2025 strategy.

The addition of Al Foah dates to our portfolio contributed AED 137 million to our top-line during the 3-months period, despite seasonality and headwinds created by an oversupply of dates in KSA.

Trading items sales was flat versus Q1 2020 despite consumer stockpiling in March last year.

In tomato paste / frozen vegetables, revenues from UAE and Egypt grew by 10% versus last year as we expand to the catering channel and increase market share in the UAE.

Our Bakery business is now 7 percent of the Food category as we included Al Faysal Bakery in Kuwait post consolidation in Q1.

In terms of profitability, the overall food segment margins continue enhancing on elevated volumes, efficient supply chain and addition of margin accretive businesses.

Finishing with the Agri businesses which includes Flour and Animal Feed.

Flour segment lagged last year which was driven by a AED 39 million order to the World Food Program.

On the other hand, Animal Feed revenues were relatively flat versus last year as we were able to marginally pass on the commodity price increase to customers in the open market.

I now pass the line over to Ammar for the financial review. Thank you.

Ammar Al Ghoul: Good afternoon everyone.

In the first quarter of 2021, Group revenues grew by 17 percent y-o-y reaching AED 665.5 million, including Al Foah and Al Faysal Bakery. With the addition of Al Foah and Al Faysal Bakery under the consumer business division (CBD), net revenue contribution by CBD jumped to 65 percent leaving the agri-business division generating the remaining 35 percent of the Group's revenue.

Consumer-business revenues reached AED 430.5 million out of which the Water & Beverage segment posted sales of AED 192 million and Food segment the remaining AED 238.5 million. The rally in each of the Food segment post the inclusion of Al Foah and Al Faysal Bakery largely offset the slip in Bottled Water sales in UAE and beverages.

Agri-business revenues recorded AED 235 million, lagging last year sales which was driven by a one-time World Food Program (WFP) order as elaborated by Alan.

Moving on to the next slide where we show Group gross profit margins.

Current quarter gross margin came in at 30.7% versus 29.9% in Q1 2020 despite unfavourable sales mix with higher contribution from the Food segment (55% of total consumer sales vs 27% in Q1 2020).

We managed to enhance our gross margins versus last year on operational efficiencies. We highlight the continuous team's efforts in improving the Water & Beverage category margin by 106bps despite lower sales versus pre-COVID Q1 2020.

The food category witnessed a significant uplift in margins, up 10.3% y-o-y post the consolidation of margin accretive Al Foah and Al Faysal businesses.

Agri-business gross margins remained flat despite higher commodity prices.

On the other hand, quarter on quarter gross margin was down from 32.7% in Q4 2020 on higher grain costs impacting our Q1 2021 margins.

Next let's talk about Net profits.

Group net profit prevailed at AED 49.6 million for the period, recording 86 percent y-o-y growth supported by the inclusion of Al Foah & Al Faysal Bakery.

On a standalone basis after excluding the acquisitions and associated advisory costs in 2021 and the WFP related profits and bad debt provision in 2020, profitability will come in line versus last year despite higher grain costs.

On the following slide, we are showing top-line waterfall reconciliation between Q1 last year and this year.

On a standalone basis, revenues stand at AED 512 million wherein the AED 39 million related to last year's WFP Flour order alongside lower bottled water and beverage sales in the UAE were marginally countered by robust growth momentum across our International operations, Food segments and 5-gallon water business. Nevertheless, the consolidation of Al Foah and Al Faysal in Q1 resulted in the inorganic growth, taking our net revenues to AED 666 million.

Moving on to profits.

Higher grain costs and lower UAE bottled water were countered by higher agri-pricing and improved efficiencies across our value chain. This resulted in relatively flat net profit on a standalone basis.

After accounting for Al Foah & Al Faysal acquisitions and associated costs, Agthia's consolidated net profit prevailed at AED 50 million.

With this we conclude today's prepared remarks. The floor is now open for Q&A. Thank you.

Hatem Alaa: Our first question comes from Nishit Lethotia from SICO. Nishit, please go ahead.

Nishit Lekhotia: Yes, thank you so much for the call. My question is mainly on the acquisitions contribution, this quarter. If I look at the bottom line of 28Million that looks quite strong compared to what was actually shared in the recent strategy presentation where it was mentioned that the pro forma net income would have increased by 52Million from Al Foah and 10Million from Al Faysal Bakery. So 52Million contribution would have happened last year and they've already seen 28Million coming in first quarter, even on the revenue side, it looks very strong, so in this contribution, especially at the bottom line level from Al Foah for 1Q, or this is our run rate that we should expect in the coming quarters, or there is any seasonality aspects that you can highlight. Thank you.

Ammar Al Ghoul: Thank you for the question.
Actually, there was no one-offs at all and this is not run rate. It was basically the 3rd option you gave it's seasonality from revenue perspective and from profitability perspective. Al Foah being in the date industry, they have two seasons season 1 is in Q1 of the fiscal year, at least this year and most probably the year after as well. Given, Ramadan timing and the Gregorian calendar year and the Q4 as well. So you will see the increase in revenue and profitability in Q1. This will be normalize in Q2 and Q3. And will hopefully be up again in Q4. So this is basically the reason some more concentration of profitability came in Q1 from Al Foah. While Alfaysal profitability is even to an extent evenly distributed across the year.

Nishit Lekhotia: Thank you so much.

Hatem Alaa: Thank you, If you want to ask a question you can either type in the Q&A chat or click on the raise hand button. We have a question from Yawar Saeed. Your mic is open.

Yawar Saeed: Hello Hi, thank you for the call. My question is related to acquisition of Nabil and Ismalia. Can you give us a rough idea about when will they be will be concluded and possible consolidation of them? And you in your strategy, you've also mentioned about further acquisitions and you also included extended and target geography, so any further acquisitions which you are targeting, thank you

Ammar Al Ghoul: I'll take the 1st part on the consolidation. We technically started managing Nabil from the beginning of Q2. So hopefully this statutory consolidation will be effective April 1 onward. As far as Atyab in Egypt is concerned, we're still waiting for some legal formalities to be completed. I can't give a commitment because I don't know when exactly the legal formalities will finish, but we're working hard to finish as soon as possible. And we're hoping that towards the beginning of Q3 we will be able to consolidate for statutory purposes. However, despite some delays and the consolidation of Ismalia awaiting finalization of legalities there is no any dividends distribution agreement in place. So whatever results of operations from the day we sign acquisition agreement will ultimately flow into the statement of shareholders equity and we'll come in Agthia's shareholders. However, the same won't be routed through the P&L until we start their statutory reconciliation.

Alan Smith: Thanks. On the other question, I think best way to answer that is to say, look, you know, we've been pretty active at the last time and we've made for acquisitions within a quite fast pace. Obviously, everything we said in the strategy presentation that it's not just about buying companies, it's about integrating them and I think we look at our key strong results. I think we started pretty strong with both of the 2 acquisitions that have been consolidated from last testament to me to the team, and the way that the integration process is working. So we're pretty happy with that. We have communicated that we have a strategy to continue our pursuit of opportunities, but we've also said, look the pace of the next acquisitions will come with the right opportunity exists which fits our investment criteria as our head of M&A continues to work on developing that pipeline and having discussions to see if there's anything tangible that we can add to the business. The processes ongoing and we'll talk to you when we have something concrete to talk about.

Hatem Alaa: As a reminder to ask a question, you can either click on the raise hand button on the right hand side of your screens or type in Q&A chat. A question from the line of Fatema Aldoseri, your mic is open.

Fatema Aldoseri: Thanks for the call. A question regarding Al Foah, and Al Faysal if you can just give us the performance of these 2 businesses and basically how did they perform compared to quarter 1 last year? both revenues and bottom line. That's the 1st question and the 2nd is regarding PET prices. The water business is still struggling in the UAE, especially with the lack of tourism. So with pressure on demand. Are you also seeing pressure from PET prices even as demand recovers we're not going to see margins compared to historical highs

Ammar Al Ghoul: Starting with Al Foah, performance in Q1 2021 versus Q1 2020 is relatively good despite the fact that there is a natural decrease in demand and natural increase in supply. The decrease in demand is driven by slowing of the religious activities and impact on gathering and social activities during Ramadan the period before and after Ramadan. So we only saw at least during and before. Yet due to efficiencies created by the management and as part of the post-acquisition integration plan, we managed to relatively be very close to 2020 performance. Al Faysal on the other hand they performed very well as compared to last year, slightly above Q1 2020, part of which is driven from the operations and part from restructuring some of the debt on the balance sheet of Al Faysal. So before the acquisition they had a number of financing facilities at significantly higher rates which we worked on immediately by changing the terms and reducing the cost and that supported some of the operational downturns due to the restrictions enforced in Kuwait during Q1. So all in all both companies performed relatively very well and I can confidently say at least up to our expectation.

Alan Smith: I'll take the 2 question on water, firstly demand as we said, you know, if you look at the MAT Numbers and this is measured for retail channel only while we're selling in food service, home office delivery and also E-commerce and our municipality channels, but in terms of measured channels you will see from the earlier in the presentation that the category declined around 12 percent over the last 12 months. Now, you have to take into account that obviously Q1 last year was the last quarter before COVID and then March was also enhanced by some excessive buying, should we say from both retail and consumer level so Q1 last year was a bit of an unusual quarter in that regard. I think, as we look forward for the rest of the year, obviously we're now going to be lapping Q2, which was a relatively low of water because of the fall out of COVID and lockdowns. On top of this, if you recall from previous presentations food service channel declined around 40% last year in 2020. We are seeing quarter on quarter improvement, and in our food service business good performance in Q1. Still nowhere near the 2020 performance but we're certainly heading in the right direction. So we hope to see continued improvement. The retail has become a lot tighter as you can imagine, you know, the competitive space with the category declining and competitors fighting for volume, pricing in retail channels has become more challenging. but home delivery it continues to do well, E commerce continues to do well, whether it's through retail or whether it's through the stand-alone retailers such as Amazon. So we are cautiously optimistic for the rest of the quarter. Obviously, you know we expect to see the economy approve going forward with the vaccine rollout.

On the input costs as you mentioned and obviously with the price escalating over the last few months. We have seen an increase in PET price. But we have a very strong procurement group who look at commodity prices, look at trends, look at historical patterns and make coverage decisions in terms of how far to cover up, what kind of price. So that's very much to the forefront of our thinking. I think PET did spike last month it started to soften a little bit but we're also working on productivity initiatives to try and make sure that whatever happens with the price and the ongoing impact on costs that we are able to try and offset that. So that's a little bit on how we see the cost side of things. The team is doing a lot of work in the background on the productivity initiatives, as I've said, and yeah that's how we see the water business in the UAE for the rest of the year.

Fatema Aldoseri: Thanks just a few follow up questions if you don't mind. So, in terms of PET how much do you hold an inventory? Then going back to all the acquisitions that you've made in the previous presentation and not this presentation the one regarding all the acquisitions. You gave an idea of the contribution of each business line and each business line. Does that take into account a normalized working environment? No COVID impact?

Alan Smith: So let me answer the 2nd question. First, So as we talk about our ambition, our ambition is to move our portfolio in a normalized environment to our branded consumer business to be at least 75% of total revenue. So that's our objective. And we you know in the previous presentation we said Look, if we have to do a pro forma exercise on our business over the previous 12 months, then we'd already be kind of in the 72% range. But yeah we also articulated that we want to continue to grow. So it's fair to say that we'd expect to invest in consumer brand of goods. So we'd expect that percentage to be one of the 75% moving forward. In terms of our coverage position let's say we have a commodities procurement group very specialized in this space. We have a committee on a multi basis that reviews our coverage positions and makes recommendations on whether to go shorter or to go longer in terms of what we're seeing in the market, the demand supply situation and what we should do. On the grains It is a little bit more difficult because obviously the volumes that we're buying are significant. so we have to be conscious of the actual storage quantities that we're able to do we don't by futures per se. we just buy a physical stocks and that's something that we're kind of constantly revisiting to see if we can get more efficient in that space. On PET we make tactical purchases. I'll be very open. We make tactical purchases depending on the price and our coverage target will depend on what the procurement team recommends. So in the middle of last year, the pricing was very competitive versus long term trends. So we took a longer coverage position. I'm not going to say exactly how far we took, but we did cover quite well for 2021.

Fatema Aldoseri: Thanks and if you don't mind going I just have 2 more questions. One regarding KSA and improvements in KSA, is that because the ease of lockdowns compared to the same quarter last year. And the 2nd, given that you're managing Al Foah you're managing Al Faysal and you start to manage Nabil starting from April. Going into these businesses and taking your hands-on approach. What do you see anything anymore work that needs to be done or less work compared to like, when it was before starting. So, for example, within Al Faysal you've mentioned that you restructured their debt. So, I'm just wondering, did you see anymore any more positive things to be done? or more difficulties?

Alan Smith: First, let me start with your first question because I think that's an important one. I think, as we look at the acquisitions our attitude towards these businesses or approach towards these businesses, you know, we set out our investment criteria. None of the 4 businesses we're buying need immediate management intervention in terms of commercial leadership. So what I mean by that is that these are good businesses that are doing well, the role of Agthia as we take over these businesses is to maintain that momentum. So we want the commercial leadership to remain intact for at least a period of 6 to 12 months so you know where we will focus on commercial businesses. How do we make 1 plus 1 equal 3 or 4 or whatever? The opportunity is, but we certainly don't want to make 1 plus 1 equal 1. And I think we've demonstrated so far in Q1 that we're able to do that. What we are looking at though from a strategy perspective is some of the more centralized opportunity. So how do we take our expertise in supply chain, in R&D. how do we look at their specifications? How do we unlock potential productivity and cost in that regard? Ammar mentioned the restructuring of finance in Al Faysal, on his team looking at the facility is looking at everything to do with finance or auditing fees. All of these kinds of things to say look where are opportunities to save money. So the way I would describe it is the responsibility of the commercial teams to carry on business as usual. And then we look for incremental revenue synergies on top and then everything else technically in the system. How do we optimize? So, that's the piece on the integrations. And by the way you know one of the reasons for establishing the transformation and integration office is to recognize that all of the functions will do their fees. But the transformation office will make sure that the dots to all of the bits in the business are held together. So we don't move too fast that we don't move too slow. And actually in Al Faysal during Q1, we realized that all of the functions were taken got the management time if they apply for business and we said, hang on a minute guys these guys got a business to grow. So we backed off and focus solely on the priority areas and that's why they were able to deliver good numbers.

Just reflecting again on KSA. KSA is actually from a country/category perspective, there's a couple of phenomenon going on KSA at the moment. So restrictions were much tighter in KSA and that has continued to impact all channels. And what we've seen, so our strengthened performance is really off the back of Q1 last year given we had some issues with Bad debt we really tightened our credit policy in KSA. We moved more to cash sales. We did risk our business and as a result of that, we slowed it down quite dramatically. So the category in KSA has actually declined the price per liter has come under pressure as, you know, the biggest suppliers in KSA for volume. But the good thing for Agthia in KSA is our market share is relatively low. We're still only nationally between 2.5 and 3% market share. And we said in our strategy that we see both in Saudi Arabia, in Kuwait and Oman opportunities to expand our share. Now obviously we got to get our cost structures right because price continues to be on the crash, but we believe we have the opportunities to do that.

Fatema Aldoseri: you have mentioned that the oversupply in Saudi Arabia has impact and has personally impacted your results. Is that regarding the local market, or the export market? So are the Saudi producers supplying the same Asian markets that's it for Al Foah supplies?

Alan Smith: Yes, this is the answer. So, historically, Saudi predominantly consumes most of its dates within Saudi. Now, as a consequence they do export obviously some but given the religious season, Umrah and Haj. typically, you know over the years that consume the best proportion of the date production within the country. Now obviously last year was subdued. This is subdued, so there was an excess supply in the system, which is meant as a consequence an oversupply versus demand or stopping prices to some degree. So that's really the background and it is more of their dates being available for export versus internal consumption.

Fatema Aldoseri: But then, is it easy to switch from one supplier to another, I think we had to talk earlier about the different types of dates and specifications. So I'm just wondering in the future if Saudi does invest in its dates farms, how will Al Foah basically compete with that market?

Alan Smith: I think what we mean, if you look at globally, the date market, the date consumptions growing around 6%. So it's quite healthy category in that regard. Obviously, if more capacity comes on stream, there will always be a demand to supply relationship. I think the way we're looking at the business and You know, there was 1 particular type of date that's common across the UAE and Saudi that really did come on depression because it was export into something like 20-25, different varieties of dates. I'm still learning to be perfectly honest, and each of those different varieties of dates command different pricing. Now as a date processing company, one of our strategies is to diversify our source dates as well to get into different types and also to look at value add and to look at dates as an ingredient. So we have a fairly progressive strategic plan, dates as ingredients also will allow us to grow to new countries/customer base to an extent and that's what the Agthia teams now working on. When I look at the Q1 results we're very happy with how that business units performed. I think underlying that, I think both Ammar and I have seen the very proactive work the team have already done in terms of diversifying the business and delivering only the business plan strategy that we're that we laid out as we acquire this business. So, very positive outlook from our perspective. I think supply will continue to increase not just from Saudi Arabia or UAE, but globally, but on the other side demand we expect to continue to increase. As the world gets back to normal, and hopefully the religious season in Saudi and across GCC normalizes then, obviously we would expect to see pricing rebounding quite strong.

Fatema Aldoseri: Hopefully. And in terms of the pricing, and again, we've talked about it in the past and moving from Asian markets, and it'd be more of a European Western markets to increase the price and the sales prices of these dates. First of all, have you approached clients in Europe for these dates? And second, do we have to source your dates from other farms to achieve a higher sales price?

Alan Smith: So, as I said, part of our strategy is, we're not kind of limited on where we can source our dates from. So we currently process around 100,000 tons of dates. We're the largest date processing company in the world. So, you know, the good thing. And I've visited 2 facilities here in the UAE we have significant room to expand that production. So we will continue to have UAE dates as the heart of the business, but we're also looking at alternative sources. And, yes, are we approaching customers in Europe and the US, that's work in progress. I mentioned the team has already made some good steps and in that space, particularly in Europe so far, but it's a work in progress. So, one of the good things about the dates businesses, as we get out of the peak season of Q4 and Q1, driven by the harvest and obviously the religious season, we then have some space in Q2 to do more of the kind of strategic customer development / business development work. So that's the moment that the team we're getting into now and the initial science from what we're saying, is encouraging.

Hatem Alaa: There is a question from Akbar Khan your line is open.

Akbar Khan: Thanks for the call. just a question about growth in the future, and just to get a handle on the opportunities that you're looking at. Is it possible for you to try and quantify or give us some indication of the number of potential future targets you are considering at the moment? And how do you regulate that process of targets coming to you and having the time and energy to go through and do the due diligence to figure out whether you want to go forward or not?

Alan Smith: Thanks for the question I'll answer and then I'm sure Ammar have some views. So, we established the dedicated M&A team. That was the first thing we did so we brought in Mujtaba Hussain to just focus on the M&A side of things. So he has a team of 3 who are focused on the pipeline so basically the level of expertise we have in the business is pretty good. So they're doing a lot of that kind of Pre, due diligence work in terms of assessing the business opportunity, making sure that we look at comparables in the market and seeing whether, you know that the acquisition is accretive and kind of hits our key criteria. If we then think that there is a deal to be done. Obviously we engage in a comprehensive due diligence. And you saw that Ammar covered that in the financials that around 7 Million, incremental cost in Q1 related to M&A partially to the, to the transactions we already kind of engaging. In terms of how many, we just have a pipeline at the moment that we're working through. I won't say how many that is or what it is. It's a form, so you look at ideas, you have conversations also discussions develop you then start to see if there's common ground, whether it's strategically fits. We've been clear in terms of the kind of geographical footprint we're interested in, and in the categories that we're interested in. And now we have 4 new businesses coming in, and obviously that kind of increases our scope for potential future synergies as well. So, it's an ongoing process. You know, all I would say is that we're committed to carry on looking for opportunities and hopefully closing some deals, but it really depends on the criteria can be met. Ammar, do you like to comment a little bit in terms of what our capabilities are in terms of the firepower to support this?

Ammar Alghoul: As you rightly mentioned Alan, the team, whether it was the previously existing team, or the newly enriched team by Mujtaba who is leading the M&A function right now. Mujtaba and this team are fully dedicated for M&A they do nothing more than M&A. In addition to that the other functions support them, so the financial due diligence arrangements review, maybe up until the engagement letter, and to an extent follow up as well as the responsibility of the M&A team, but right after that the finance team will step and so the Treasury will make sure that the target is being extensively reviewed as part of the due diligence, the tax team from functionality will do the same, the commercial and operation.

We'll look at the receivables to make sure that post acquisition 1 day after the acquisition they will become responsible for the receivers. And the working capital and so on. So, a great support is being given by Agthia functions to the M&A team the post acquisition, we're also utilizing the talent we're acquiring alongside with the acquired assets of at least 4 companies. I gave an example in previous interaction with investors that one of the acquisitions we made, as a matter of fact, they do have best practices and managing their receivables even better than the way we do it in Agthia. So we started immediately with the technology transfer. So we are implementing their procedures, so, yes, it is complicated and I can say hectic process, but I believe we are we're equipped for the next stage.

Akbar Khan: Thank you, you know, it's very exciting and there's a lot of growth opportunities. I guess one of the concerns is that, you bite off more than you can chew, or you end up trying to integrate too many companies, and too many new opportunity, exciting opportunities at the same time. And that obviously ends up with a bottle neck at the management level and isn't exactly what you wanted. So is that something that you're concerned about, or worried about?

Alan Smith: I think that's why we said, look we need to develop a playbook for integrating businesses and each business will be different. You know Al Foah integration is at home here in the UAE. So, obviously our ability to visit the site to spend time with the team to understand the business become so much easier and, you know, as we go further a field that has a different workload. But what we want to do is, integration playbook, as we call it, which is being developed by our integration and transformation lead in conjunction with the functions is really to make sure we have the capability on each transaction. So we know the checklist of things we want to do. The other important part which I touched on a little earlier is we don't want to mess around with the commercial leadership team. I and Ammar and a number of others of leadership team, through previous experience whether in local companies or multinational companies, have been through the process of M&A; we've seen good M&A, we have seen bad M&A. We have seen M&A where the buying company has tried to change too fast or to integrate too fast and it has actually destroyed value rather than creating value. So that's why we want to keep the commercial team separately. We want that. And that's why we're focused on good businesses rather than distressed assets. So, we allow the natural progression to come and then where we can actually impact the cost and revenue synergies, we kind of overlay that on top. So, yes, we were conscious that we shouldn't bite off more than we should. We've also through our transformation team, agreed how we can turn off and on capacity. And what we mean by that is who can potentially partner with us to provide additional management resource during the integration phase if we feel that we're running out of capacity. So, when we're thinking about it, but we recognize that's a question of concerns us as well. But at the moment, I think we feel that we're doing the right things to be able to integrate these businesses effectively.

Hatem Alaa: Thank you. There are no more questions, so I'll hand it over to management for concluding remarks

Alan Smith: Thank you for your continued interest in the business. Obviously we've had pretty solid start this year, you've seen the financial measures roll all strong. And we remain cautiously optimistic. I think it's the word that we keep using the future is a bit unpredictable at the moment. But I think that we've started to do the right things in the business. We're being consistent with the strategy. And we just like to thank you for your ongoing interest in the company.

Sahar Srour: Thank you all for attending. Please do not hesitate to contact me for any follow up questions.