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## Third Quarter 2022 Results Management Discussion & Analysis Report

8 November 2022

## Strong double-digit profit growth in a peak cost environment

- Q3 Group revenue +20% YoY with strong growth across key Protein and Snacking segments
- Q3 Group gross profit +14.6% YoY with gross margin broadly in line with H1'22
- Q3 Group EBITDA +23% YoY reflecting strong cost discipline and productivity gains
- Q3 Group net profit<sup>1</sup> +14% YoY, notwithstanding a higher interest rate environment versus the comparable period
- Q3 Group free cash flow +12% YoY; H1'22 dividend per share of 8.25 fils approved in the quarter

Agthia Group PJSC (AGTHIA:UH) today announces its third quarter results for the three months ending 30 September 2022.

### Financial highlights

Q3 revenue growth reflected robust pricing (price and volume growth of 12% and 8% respectively) and was underpinned by strong demand in Protein and Snacking and market leadership in UAE bottled water. Year-to-date revenue growth was +39.5% YoY, with 13% from pricing and 27% from volume.

Revenues (AED MN)	FY 2021	% YoY	Q3 2022	% YoY	9M 2022	%YoY
<b>Protein &amp; Frozen</b>	655.5	433.2%	308.1	38.6%	878.5	135.7%
<b>Snacking</b>	540.1	3579.0%	182.5	68.7%	599.3	79.4%
<b>Water &amp; Food</b>	940.6	-4.8%	237.7	0.7%	712.5	-0.3%
<b>Total Consumer Business</b>	<b>2,136.3</b>	<b>89.7%</b>	<b>728.3</b>	<b>28.6%</b>	<b>2,190.4</b>	<b>54.1%</b>
<b>Agri-Business</b>	<b>931.3</b>	<b>-0.4%</b>	<b>225.2</b>	<b>-1.5%</b>	<b>758.8</b>	<b>9.6%</b>
<b>Total Group</b>	<b>3,067.6</b>	<b>48.8%</b>	<b>953.5</b>	<b>19.9%</b>	<b>2,949.2</b>	<b>39.5%</b>

- **Consumer business** (CBD) revenue contribution increased year-on-year from 71% to 76% of group total, in line with our strategy to diversify into high growth consumer goods categories.
  - **Protein & Frozen:** Q3 revenue growth (+39%) reflected good portfolio and channel management, with 11% from pricing and an additional month contribution from Atyab compared to the prior year. On a constant currency basis, adjusting for the recent devaluation in the Egyptian pound, Q3 sales growth was 56% YoY with volume growth of 28%.
  - **Snacking:** Revenue growth of 69% YoY was underpinned by high-teens volume growth in our dates business as well as expansion of the retail footprint. BMB, consolidated from the start of 2022, generated revenue of AED 55.3m.
  - **Water & Food:** Flat revenue growth YoY reflected lower aggregate demand across the UAE as post-pandemic outbound travel accelerated over the summer months, and a more subdued performance in our Community Support Division (CSD) channel. A planned focus on innovation and premiumization helped underpin our market leading position<sup>2</sup> in UAE bottled water across retail, with good growth in both Food Service and our 5-gallon home delivery subscription base. High single digit growth in international markets was encouraging, with the benefits of our recent restructuring in KSA expected to materialize in 2023.

<sup>1</sup> Group net profit attributable to shareholder (excluding minorities)

<sup>2</sup> 27.9% value share across the retail channel in the UAE based on AC Nielsen retail audit for bottled water excluding mineral water – MAT August 2022 submission

- Revenue from our **Agribusiness** was marginally down in Q3 YoY reflecting lower demand during the summer months, albeit up 9.6% YoY on a year-to-date basis. Proactive management of mix in the quarter supported stronger profitability YoY, offsetting significant inflationary pressures across key commodities, with gross profit growth year-to-date more than twice that of revenue.

Q3 Group gross profit increased 14.6% YoY to AED 268.1m. Gross margin of 28.1% was broadly in line with H1'22, despite peak raw material pricing in the quarter, testament to group-wide initiatives on product and channel mix, sourcing, and production. On a year-to-date basis, growth in gross profit kept pace with revenue growth, up 35.1% YoY to AED 843.3m, with margin -93bps despite the challenging cost environment.

Gross Profit (AED MN)	FY 2021	% YoY	Q3 2022	% YoY	9M 2022	% YoY
<b>Protein &amp; Frozen</b>	177.5	650.2%	77.6	25.8%	226.3	127.0%
<b>Snacking</b>	178.7	nm	57.6	68.0%	184.3	87.5%
<b>Water &amp; Food</b>	376.1	-5.4%	88.3	-6.4%	266.4	-8.0%
<b>Total Consumer Business</b>	<b>732.4</b>	<b>74.3%</b>	<b>223.4</b>	<b>17.5%</b>	<b>677.0</b>	<b>38.8%</b>
<b>Agri-Business</b>	<b>234.6</b>	<b>1.5%</b>	<b>47.2</b>	<b>2.8%</b>	<b>174.1</b>	<b>20.9%</b>
<b>Central costs</b>	<b>(10.3)</b>	<b>-3.4%</b>	<b>(2.5)</b>	<b>15.3%</b>	<b>(7.8)</b>	<b>1.2%</b>
<b>Total Group</b>	<b>956.7</b>	<b>49.3%</b>	<b>268.1</b>	<b>14.6%</b>	<b>843.3</b>	<b>35.1%</b>

- **Protein & Frozen:** 26% growth in absolute gross profit to AED 78m driven by volume growth and pricing, while margin contracted 257bps as we balanced higher input costs versus market share.
  - **Snacking:** 68% growth in absolute gross profit to AED 58m with margin maintained in line with the prior year.
  - **Water & Food:** Gross margin decline of 280bps driven by YoY softness in Q3 volumes due to the holiday season, and peak input costs on PET and fuel.
  - **Agribusiness:** Gross margin improvement of 88bps YoY driven primarily by an improved mix.
- Group EBITDA up 23% YoY to AED 127.5m, with EBITDA margin +37bps to 13.4% reflecting productivity gains and good cost control (SG&A expense as a proportion of revenue -205bps YoY).
  - Group net profit<sup>3</sup> of AED 40.5m, up 14% YoY, despite an increase in interest and amortization charges and higher minority interest versus the prior comparable period. Net profit outturn included management's review of income tax provisions relating to our Egyptian operations.
  - Strong profitability and proactive management of working capital (8 days improvement in cash conversion cycle) underpinned good profit to cash conversion with Group free cash flow of AED 199m, up 12% YoY.
  - Strong balance sheet with Cash & Equivalents of AED 1.2bn and liquidity of AED 1.9bn; Net debt to EBITDA of 1.3x.

## Strategic highlights

We made good progress through the quarter in expanding our capabilities and driving efficiencies.

<sup>3</sup> Group net profit attributable to shareholder (excluding minorities)

## Expanding capabilities

- Our acquisition of a majority stake in healthy snacks and coffee company, Auf Group, remains on track and will enhance our footprint in the attractive Egyptian snacking market and broaden our branded consumer product portfolio. Ahead of final regulatory approvals, during the quarter we undertook a detailed assessment of the short and medium-term growth, operational and cost synergies across all Agthia Business Units.
- Finalized our 5-year digital roadmap. Devised in conjunction with Bain & Company, this roadmap is intended to transform Agthia from a product-led to data-led consumer centric organization through 1) creating a digital ecosystem to deliver breakthrough customer experiences and insights across all channels, thereby driving brand equity 2) leveraging data as a strategic asset to increase digital revenue streams, new channels to market and grow customer lifetime value and 3) implementing digital tools to optimize operational and process synergies across the Group.
- Progressed our sustainability-focused partnership with RECAP, with 356 tons of recyclables collected so far this year, and a five-fold increase in PLA volumes compared to the prior year. Our 5-year sustainability plan will be finalized in the coming weeks.

## Driving efficiencies

- Accelerated the growth trajectory of our Al Foah dates business through our international sourcing and contract farming program, which enables us to improve date variety and extend sourcing beyond the UAE.
- Agreed a strategic long-term lease covering the assets and operations of our Frozen Bakery business with the Middle East operations of La Lorraine, a Belgian-based Bakery Group with over 80 years of milling and bakery experience.

## Khalifa Sultan Al Suwaidi, Chairman of Agthia Group, commented:

“Agthia’s strong performance this quarter demonstrates both its resilience and continued progress in integrating acquired companies, leveraging synergies, and maintaining a profitable core. In conjunction with its clear strategic priorities, proven execution, and strong Executive Team, I am confident that Agthia will continue to deliver value for all stakeholders in both the near and longer-term as it transforms into a leading Food & Beverage company in the MENAP region and beyond”.

## Alan Smith, Group Chief Executive Officer, commented:

“Despite a period characterized by significant and evolving external challenges, our strong performance during Q3 is testament to the tireless efforts and agility of all our colleagues across the Group. Our strategy to acquire, integrate and grow attractive businesses in value-add categories continues to bear fruit. We will continue to make the right investments to deliver quality and profitable growth, supported by the financial resources that our robust balance sheet and strong liquidity provide, and I remain excited by the growth opportunity ahead as we continue our journey to becoming a leading regional Food and Beverage company”.

-End of announcement -



Khalifa Sultan Al Suwaidi

Chairman

08 November 2022

## Conference Call details

The Consolidated Interim Financial Statements for the Nine Months ended 30th September 2022 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 5:00pm UAE time on November 9<sup>th</sup> 2022. The presentation accompanying the call will be available on Agthia Group's website under the Investors section: <https://www.agthia.com/investors/results-call-materials/>

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