



أغذية
agthia

For The Better • من أجل الأفضل



Q1 2023 Results

Management Discussion & Analysis Report

9 May 2023

Strong and profitable growth across the quarter

- Reported Group net revenue +12.3% YoY after absorbing EGP devaluation impact of AED 112m; excluding FX impact, revenue growth would have been +22.9% YoY
- Like-for-like (LFL) revenue including Abu Auf in the prior year +4.5% YoY
- Group EBITDA margin +89bps YoY with strong margin expansion in Snacking and Water and good cost discipline
- Group net profit¹ margin -44bps YoY post higher interest costs YoY (-168bps drag) and EGP devaluation (-97bps)
- Full-year guidance maintained: 10%-12% revenue growth, EBITDA margin +40-60bps, net profit¹ margin +30-50bps

Agthia Group PJSC (AGTHIA:UH) today announces its first quarter results for the three months ending 31 March 2023.

Financial highlights

Revenue

Group net revenue increased 12.3% year-on-year to AED 1.18 billion, with 6% from pricing and 6% volume growth[#], as increasing diversification across our business, by brand and geography, enabled us to optimize product and channel mix through the quarter. Group revenue growth, excluding the adverse AED 112m impact from currency devaluation in Egypt, was 22.9% year-on-year.

Like-for-like (LFL) revenue growth, including Abu Auf in the prior comparable period, was +4.5% year-on-year in AED terms or + 20.3% year-on-year excluding the impact of EGP devaluation, with double-digit growth from Agri and Snacking, 24% growth from Protein excluding currency impact, and mid single-digit growth from Water & Food.

Revenue (AED MN)	Q1 2023	Q1 2022	% change YoY
Protein & Frozen			
- Total revenue	252.7	295.5	-14.5%
- LFL revenue	252.7	295.5	-14.5%
Snacking			
- Total revenue	379.9	253.3	49.9%
- LFL revenue*	379.9	331.7	14.5%
Water & Food			
- Total revenue	251.9	237.9	5.9%
- LFL revenue	251.9	237.9	5.9%
Total Consumer Business			
- Total revenue	884.5	786.7	12.4%
- LFL revenue*	884.5	865.1	2.2%
Agri-Business			
- Total revenue	297.9	266.4	11.8%
- LFL revenue	297.9	266.4	11.8%
Total Group			
- Total revenue	1,182.4	1,053.1	12.3%
- LFL revenue*	1,182.4	1,131.5	4.5%

¹ Group net profit including minority interests; * Like-for-like (LFL) revenue includes Abu Auf (acquired in Q4 2022) in the prior comparable period; # including Abu Auf

- **Protein and Frozen:** Decline in reported revenue year-on-year across the Protein segment was driven by continued devaluation of the Egyptian pound, with 24% growth year-on-year excluding currency impact.

In Egypt, robust pricing and favourable mix across domestic channels, notwithstanding the challenging macro-economic environment, reflected strong brand equity and effective tiering and, combined with double-digit growth in revenue from domestic and export frozen vegetables, resulted in strong local currency revenue growth of 46% year-on-year.

Across our Jordanian operations, good volume growth in Retail exports was offset by lower Food Service exports (increase in import duty on processed goods into Saudi) and a more promotional environment in domestic Retail, Catering and QSR channels.

- **Snacking:** Total revenue growth of 50% (16% growth from pricing and 34% volume growth including Abu Auf) reflected a strong performance from our dates business, with a premiumization shift in international markets (international retail volume up ~30% year-on-year underpinned by strong in-market execution for Ramadan and rollout of new Date Crown launches and value-added ranges) supporting continued growth in India, Indonesia, Malaysia, and Brazil. New gifting ranges and product and packaging innovation (e.g chocolate dates, snack packs, date pouches) underpinned further market share gains in UAE Retail.

In Abu Auf, local currency revenue growth of 64% year-on-year reflected strong pricing and share gain in domestic coffee, and sequential sales momentum through the quarter from BMB was the result of channel optimisation in Saudi Arabia and new orders into the US.

- **Water & Food:** Revenue growth of 5.9%, notwithstanding some adverse volume phasing in UAE bottled water and our 5-gallon Home and Office Delivery from the shift in timing of Ramadan year on year, reflected positive growth across all domestic and international channels excluding Dairy, and a notable performance from Saudi Arabia (26% revenue growth), Turkey (+82%), and Kuwait (+19%). Excluding our Dairy operations, revenue growth across the segment was 7.1% year-on-year.
- **Agribusiness:** Double-digit revenue growth reflected good volume and value growth in Flour (+19% growth), supported by strong in market execution and improved product quality, and strong pricing in Feed despite a competitive market backdrop. Positive volume growth in the open market for Feed was offset by lower volumes across commercial farms from strong open market pricing.

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

EBITDA growth ahead of revenue, up 18.9% year-on-year to AED 188.0m or +31.7% year-on-year excluding the impact of EGP devaluation, was driven by strong growth in Snacking and Water profitability, as well as scale economies across production and distribution and continued cost discipline. Like-for-like EBITDA growth (including Abu Auf in the prior comparable period) was 5.2% year-on-year, or 26.0% excluding currency headwinds.

Group EBITDA margin increased +89bps year-on-year to 15.9%, with margin expansion across Water & Food (+340bps), Snacking (+92bps) and Protein (+39bps) fully offsetting commodity-related margin compression in Agri (-228bps). Like-for-like EBITDA margin increased +10bps year-on-year.

EBITDA (AED MN)	Q1 2023	Q1 2022	% change YoY
Protein & Frozen			
- EBITDA	38.9	44.3	-12.2%
- EBITDA margin	15.4%	15.0%	+39bps
Snacking			
- EBITDA	88.0	56.3	56.2%
- EBITDA margin	23.2%	22.2%	+92bps
Water & Food			
- EBITDA	43.4	32.9	31.9%
- EBITDA margin	17.2%	13.8%	+340bps
Total Consumer Business			
- EBITDA	170.3	133.5	27.6%
- EBITDA margin	19.3%	17.0%	+230bps
Agri-Business			
- EBITDA	46.6	47.8	-2.4%
- EBITDA margin	15.6%	17.9%	-228bps
Total Group			
- EBITDA	188.0	158.1	18.9%
- EBITDA margin	15.9%	15.0%	+89bps

- **Protein & Frozen:** EBITDA margin increased by 39bps on a reported currency basis, notwithstanding ongoing currency headwinds. Strong EBITDA growth year-on-year (+33.2% excluding the impact of EGP devaluation) was despite significant inflation in poultry, meat and vegetable oil prices in both Egypt and Jordan, and a more promotional backdrop in the latter.

While currency headwinds continue to overshadow the strong underlying performance in Protein (reported EBITDA -12.2% year-on-year), we maintained our focus on productivity enhancement and disciplined management of costs throughout the quarter (EBITDA margin on a reported basis across our Egyptian operations increased by 153bps year-on-year post the impact of EGP devaluation) and have identified a number of incremental efficiency drivers across production, formula optimization and waste management to help manage FX volatility.

Furthermore, our plan to leverage low-cost manufacturing capacity in Egypt to service key regional and international export markets is already bearing fruit, with new Food Service volumes across the region and frozen vegetable, vegetarian and plant-based orders into scalable international markets. We have also recently strengthened our export focused resource and anticipate continued volume growth from export markets over the coming months.

- **Snacking:** EBITDA growth ahead of revenue reflected strong pricing, favourable channel mix, and distribution economies in our dates business, as well as strong double-digit EBITDA growth at BMB post production, distribution and channel optimization in Saudi Arabia. LFL EBITDA, including Abu Auf in the prior comparable period, increased 14.2% year-on-year.
- **Water & Food:** Strong EBITDA growth was driven by higher volume growth year-on-year, channel optimization, a more streamlined cost base in the UAE and Saudi as well as SKU rationalization. Notably, all businesses within the Water & Food segment delivered positive Ebitda growth, with the exception of Dairy which suppressed segment growth by 400bps.

- **Agribusiness:** Negative EBITDA growth year-on-year reflected mix, strategic exit of low margin volumes as well as higher raw material costs (AED 27m additional grain cost year-on-year) and more price elasticity compared to the prior year in Flour.

Group net profit² increased 6.5% year-on-year to AED 96.7m, with net profit margin of 8.2%, down 44bps year-on-year. Margin dilution was driven by the increase in interest costs year-on-year (net profit / margin impact of AED -20 million / -168bps) and currency devaluation in Egypt (AED -11 million / -97bps).

Strong balance sheet: Our balance sheet remained robust with cash and equivalents of AED 0.7 billion post AED 257 million of debt prepaid in the quarter. Our liquidity is AED 2.2 billion with a net debt to EBITDA ratio of 1.9x (net debt of AED 1.2 billion) down from 2.3x as at December 2022. Our debt is dollar and AED-denominated, and we continue to achieve favorable borrowing terms from our supportive network of lending 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 2023 revenue growth between 10% and 12%, with a 40-60 bps increase in EBITDA margin and a 30-50bps increase in Group net profit margin respectively. Our next scheduled update will be our H1 FY23 update on 2 August 2023.

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

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

- **Leveraging our Egyptian platform:** Egypt is a strategically important market for Agthia, not only in the favorable, long-term socio-demographics and structural demand for 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.

During the quarter, we strengthened our export focused resource and have already seen encouraging progress through new Food Service volumes across the region as well as vegetarian and plant-based orders into new international markets. Our most recent acquisition, Abu Auf, is now selling Date Crown and BMB ranges through its domestic channels in Egypt, and is currently scoping opportunities to increase export of its premium branded coffee and nut products.

- **Investing in innovation:** Innovation is the lifeblood of Agthia and plays a vital role in our strategic vision of being a leading food and beverage company in the MENAP region and beyond by 2025. Our dedicated Central Innovation Team support Agthia's commitment to doing things for the better, from innovative products that meet the evolving needs of consumers to process innovation that underpins our commitment to the planet.

As part of our strong innovation pipeline, we launched the first locally-produced 100% rPet water bottle in April. In Snacking, market share gain in UAE Retail was underpinned by innovative new gifting ranges and value-add product and packaging formats in our dates business (chocolate dates, snack packs and date pouches), and Abu Auf continues to diversify its snacking portfolio to meet the strong demand for healthy snacks.

- **Progressed our sustainability agenda:** We made continued progress across the four pillars of our sustainability agenda, reducing our water usage ratio and GHG scope 2 emissions by 2.6% and 4.3% respectively, and electricity consumption by 1.3%. Following recent legislative change, we have also committed to launching rPET products, with a contractual offtake commitment with Veolia for a planned PET recycling plant in the UAE.
- **Progressed our digital roadmap:** Our 5-year digital roadmap is intended to transform Agthia from a product-led to data-led, consumer centric organization, and we continued to make good progress in the quarter through 1) new Digital & Technology hires and creation of a SAP and Oracle Centers of Excellence enabling us to harmonize business processes, data and adoption of industry best practices while streamlining our technical landscape; 2) a new loyalty program in Water Home Delivery and renewed focus on delivering a best-in-class customer experience digitally; 3) a new Partnership with Microsoft to bring a state-of-the-art CRM and Contact Centre.

² Group net profit including minority interests

Khalifa Sultan Al Suwaidi, Chairman of Agthia Group, commented: “Agthia’s continuing momentum in the first quarter of this year, notwithstanding a challenging external environment, is testament to its progressive leadership and seamless execution of its strategy to become a leading food and beverage company in the MENAP region and beyond. I am confident that Agthia will continue to create value for all stakeholders in both the near and longer-term as it continues its journey”.

Alan Smith, Group Chief Executive Officer, commented: “Strong and profitable growth in our first quarter across both legacy and acquired businesses, despite continuing inflationary and FX headwinds, is a result of the tireless efforts and agility of all our colleagues across the Group. I am very proud of the progress we are making and, on behalf of Agthia’s leadership team, would like to express my sincere thanks for their continued support and dedication. We continue to remain focused and agile in our execution, and I remain confident in the long-term growth trajectory of our business”.

-End of announcement -



Khalifa Sultan Al Suwaidi
Chairman
09 May 2023

Conference Call details

The Consolidated Financial Statements for the Three Months ended 31st March 2023 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 May 10th 2023. 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/>

Investor Relations Enquiries

Agthia Group PJSC:

Roger Tejwani, Director of Investor Relations
+971 56 400 4596

Sahar Srour, Senior Investor Relations Manager
+971 56 680 4872

Agthia Group PJSC and its management may make certain statements that constitute “forward-looking statements” with respect to the financial condition, results of operations and business of the Group. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as “anticipates,” “targets,” “expects,” “hopes,” “estimates,” “intends,” “plans,” “goals,” “believes,” “continues” and other similar expressions or future or conditional verbs such as “will,” “may,” “might,” “should,” “would” and “could.” Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Agthia Group PJSC to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Examples of such statements include, but are not limited to, comments with respect to: 1. outlook for the markets for products; 2. expectations regarding future product pricing; 3. outlook for operations; 4. expectations regarding production capacity and volumes; 5. objectives; 6. strategies to achieve those objectives; 7. expected financial results; 8. sensitivity to changes in product prices; 9. sensitivity to key input prices; 10. sensitivity to changes in foreign exchange rates; 11. expectations regarding income tax rates; 12. expectations regarding compliance with environmental regulations; 13. expectations regarding contingent liabilities and guarantees; 14. expectations regarding the amount, timing and benefits of capital investments. Although Agthia Group PJSC believes it has a reasonable basis for making these forward-looking statements, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to: 1. assumptions in connection with the economic and financial conditions in the UAE, Middle East, and globally; 2. effects of competition and product pricing pressures; 3. effects of variations in the price and availability of manufacturing inputs; 4. various events which could disrupt operations, including natural events and ongoing relations with employees; 5. impact of changes to or non-compliance with environmental regulations; 6. impact of any product liability claims in excess of insurance coverage; 7. impact of future outcome of certain tax exposures; 8. effects of currency exposures and exchange rate fluctuations. The above list of important factors affecting forward-looking information is not exhaustive. Additional factors are noted elsewhere and reference should be made to the other risks discussed in filings with UAE securities regulatory authorities. Except as required by applicable law, Agthia Group PJSC does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on behalf of the Company, whether as a result of new information, future events or otherwise, or to publicly update or revise the above list of factors affecting this information.