



من أجل الأفضل • For The Better



H1 2023 Results

## Management Discussion & Analysis Report

2 August 2023

### A Strong First Half: On Track to Meet Full Year Guidance

- Group net revenue +10.3% YoY; Like-for-like (LFL) revenue +3.1% YoY including Abu Auf in the prior year
- Group EBITDA margin +98bps YoY supported by margin expansion in Snacking, Protein and Water & Food
- Group net profit<sup>1</sup> margin -23bps YoY post AED 34m of additional interest costs versus the prior year
- Maintain full-year guidance: 10%-12% revenue growth, EBITDA margin +40-60bps, net profit<sup>1</sup> margin +30-50bps

Agthia Group PJSC (AGTHIA:UH) today announces its interim results for the six months ending 30 June 2023.

### Financial highlights

#### Revenue

Group net revenue increased 10.3% year-on-year to AED 2.2 billion (with 3.6% growth from pricing and 6.7% from volume<sup>#</sup>), as greater diversification across the business underpinned product and channel optimization throughout the half. LFL revenue, including Abu Auf in the prior comparable period, increased 3.1% year-on-year.

Adjusting for the adverse impact on revenue of currency devaluation in Egypt (AED -197m), Group net revenue increased +20.2% year-on-year, with LFL revenue + 12.3% year-on-year on an adjusted basis.

Revenue (AED MN)	H1 2023	H1 2022	% change YoY
<b>Protein &amp; Frozen</b>			
- Total revenue	498.4	573.2	-13.0% <sup>#</sup>
- LFL revenue	498.4	573.2	-13.0% <sup>#</sup>
<b>Snacking</b>			
- Total revenue	601.2	414.0	+45.2%
- LFL revenue*	601.2	553.5	+8.6%
<b>Water &amp; Food</b>			
- Total revenue	505.2	474.8	+6.4%
- LFL revenue	505.2	474.8	+6.4%
<b>Total Consumer Business</b>			
- Total revenue	<b>1,604.7</b>	<b>1,462.0</b>	<b>+9.8%</b>
- LFL revenue*	<b>1,604.7</b>	<b>1,601.5</b>	<b>+0.2%</b>
<b>Agri-Business</b>			
- Total revenue	596.6	533.6	+11.8%
- LFL revenue	596.6	533.6	+11.8%
<b>Total Group</b>			
- Total revenue	<b>2,201.3</b>	<b>1,995.6</b>	<b>+10.3%</b>
- LFL revenue*	<b>2,201.3</b>	<b>2,135.1</b>	<b>+3.1%</b>

<sup>#</sup> After absorbing AED 197 million of FX devaluation; Excluding devaluation, revenue and LFL revenue growth would have been 21.3% year-on-year

<sup>1</sup> Group net profit including minority interests; Full year 2023 guidance assumes no further acquisitions, a USD / EGP exchange rate of 30.7, and 3-month Libor rate of 4.96% \*Like-for-like (LFL) revenue includes Abu Auf (acquired in Q4 2022) in the prior comparable period; <sup>#</sup>including Abu Auf

High single-digit revenue growth was achieved in Q2, notwithstanding the continuing currency headwind, some demand phasing from the earlier Ramadan and Eid holidays compared to the prior year, and a traditionally softer quarter for date products and gifting.

- **Protein and Frozen:** While reported revenue across our Protein & Frozen segment declined 13.0% in H1'23 year-on-year, this was predominantly a function of the continuing currency headwind in Egypt, with revenue growth of 21.3% (19.8% in Q2) across the segment excluding FX impact.

In Egypt, robust pricing and favorable mix in Protein, underpinned by strong brand equity and clear brand hierarchy, as well as a strong performance from frozen vegetables, generated local currency revenue growth of 42.5% (39.5% in Q2).

In Jordan, strong growth in Retail exports (notably in Iraq, Qatar, Kuwait, and Oman) was mitigated by lower Food Service volume into Saudi as higher duty and a more competitive local landscape increased demand elasticity. The planned construction of our new Protein facility in Saudi continued at pace and, once onstream during Q1 2024, will offer localized production capacity at comparatively favorable economics.

Across the domestic market, a more promotional landscape in Retail and Catering channels offset good volume growth in Food Service, with the implementation of a tiered branding strategy in the Summer expected to support a step up in volume growth during the second half.

- **Snacking:** The 45.2% increase in revenue year-on-year (+37.6% in the traditionally slower Q2) was led by good volume and value growth in dates, with product and packaging innovation (for example chocolate-enrobed dates) resulting in volume growth across UAE Retail far outpacing the underlying category, particularly across mid and high value ranges, and Date Crown achieving mid-high double-digit share across key grocery multiples.

Across key international date markets, for example India, Indonesia, Malaysia, and Brazil, a premiumization shift in demand, combined with growth in date varieties and innovative packaging formats, continues to drive a mix shift from bulk to retail (Date Crown international retail volume and revenue +16% and 32% respectively year-on-year) and strong demand for value-add ranges.

The recent installation of new chopping, powder and paste lines, as well as capacity expansion in chocolate dates, is expected to support continued growth in the UAE and internationally during the second half and beyond.

Revenue contribution from BMB and Abu Auf collectively was AED 269m, with the former benefitting from channel optimization in Saudi, and strong volume and value gain in premium-brand coffee supporting a 68.9% increase in local currency revenue at Abu Auf, with plans to open new stores in Saudi creating an additional avenue of future growth.

- **Water and Food:** Revenue growth of 6.4%, equitably balanced across both quarters, included a notable performance across international channels (+25.2% year-on-year with, inter alia, Turkey +54.9%, Saudi +26.4%, and Kuwait +25.8%).

In the UAE, revenue from bottled water was marginally down year-on-year driven by the phasing of Eid holidays compared to the prior year, with all other domestic channels (ex-Dairy) in growth. Excluding the adverse impact from Dairy, aggregate segment revenue growth would have been 7.5%.

- **Agribusiness:** Similar to our Water and Food segment, Agri's H1 revenue growth of 11.8% year-on-year was evenly split across both quarters, and characterized by good in-market execution, strong volume growth and improved product quality in Flour, and robust pricing in the open market for Feed.

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

Strong growth in Snacking and Water profitability, combined with a laser focus on profit protection in Egypt, and further group-wide efficiency generation underpinned EBITDA growth ahead of revenue, up 18.3% year-on-year to AED 318.8m, or +30.6% excluding the currency headwind in Egypt.

Like-for-like EBITDA growth, including Abu Auf in the prior comparable period, was +2.4% year-on-year, or +13.1% excluding the currency headwind.

Group EBITDA margin increased +98bps year-on-year to 14.5% (Q2 EBITDA margin +97bps year-on-year), with accretion across Snacking, Protein & Frozen, and Water & Food, fully offsetting commodity-related margin compression in Agri. Like-for-like EBITDA margin was flat year-on-year.

EBITDA (AED MN)	H1 2023	H1 2022	% change YoY
<b>Protein &amp; Frozen</b>			
- EBITDA	73.8	84.3	-12.4%
- EBITDA margin	14.8%	14.7%	+11bps
<b>Snacking</b>			
- EBITDA	125.6	68.6	+83.3%
- EBITDA margin	20.9%	16.6%	+434bps
<b>Water &amp; Food</b>			
- EBITDA	83.2	73.1	+13.8%
- EBITDA margin	16.5%	15.4%	+107bps
<b>Total Consumer Business</b>			
- EBITDA	<b>282.7</b>	<b>225.9</b>	<b>+25.1%</b>
- EBITDA margin	<b>17.6%</b>	<b>15.4%</b>	<b>+216bps</b>
<b>Agri-Business</b>			
- EBITDA	97.9	92.5	+5.8%
- EBITDA margin	16.4%	17.3%	-93bps
<b>Total Group</b>			
- EBITDA	<b>318.8</b>	<b>269.4</b>	<b>18.3%</b>
- EBITDA margin	<b>14.5%</b>	<b>13.5%</b>	<b>+98bps</b>

- **Protein and Frozen:** Excluding the currency headwind in Egypt, EBITDA in our Protein & Frozen segment grew 26.9% over the prior year, despite significant input cost inflation in Egypt and a promotional and competitive landscape across Retail and Catering channels in Jordan, which offset improving input costs in this market.

Reported EBITDA margin increased +11bps year-on-year, notwithstanding the FX headwind and dilutive mix in Jordan, supported by channel optimization, productivity enhancements and disciplined cost management in Egypt (EBITDA margin in Egypt was notably +218bps year-on-year and +253bps year-on-year in Q2), all of which we plan to accelerate during the second half and beyond.

We also recently strengthened our export focused resource in Egypt and anticipate continued growth in export volumes over the coming months.

- **Snacking:** EBITDA growth of 83.3% (margin +434bps) reflected strong pricing, favorable channel mix, and manufacturing economies in our dates business, which more than offset higher input costs as we expand sourcing beyond the UAE, as well as double-digit EBITDA growth at BMB post recent production, distribution, and channel

optimization in Saudi. LFL EBITDA, including Abu Auf in the prior comparable period, increased 19.8% year-on-year, with LFL EBITDA margin of 20.9%.

- **Water and Food:** A combination of volume growth, channel and SKU optimization, as well as cost efficiencies in the UAE and Saudi resulted in EBITDA growth of 13.8% year-on-year, more than twice that of revenue, with a notable outturn from Saudi (>100%).
- **Agribusiness:** Mid-single digit EBITDA growth year-on-year, below that of revenue, reflected the impact of elevated raw material costs versus the prior year (AED 23m incremental grain cost) and some lower margin volumes in both Flour and Feed. While the EBITDA margin for the first half overall was -93bps year-on-year, strategic sourcing during the second quarter resulted in year-on-year margin growth of +43bps in Q2.

**Group net profit<sup>2</sup>** increased 6.6% year-on-year to AED 144.1m, with the reduction in net profit margin (-23bps to 6.5%) predominantly reflecting the increase in interest rates versus the prior year (impact on net profit AED -34m) and ongoing currency headwind (impact on net profit AED -19.7m). We repaid an additional AED 63m of debt during the second quarter (cumulative AED 579m repaid year to date), reducing the year-on-year margin compression relative to Q1 (-44bps year-on-year).

**Strong balance sheet:** Our balance sheet remains robust with cash and equivalents of AED 0.6 billion and liquidity of AED 2.0 billion. Our net debt to EBITDA ratio of 1.9x (net debt of AED 1.2 billion) was 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 unchanged:** Based on trading year to date, we continue to 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 Q3 FY23 update on 07 November 2023.

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

We continue to make good progress 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 cost-efficient manufacturing hub for key export markets across the GCC and North Africa, leveraging capacity in our well-invested facilities and supportive trade agreements.

During the half, Agthia strengthened its export focused resource and has already seen encouraging progress, with export revenue +18.2% year-on-year in AED terms, helped by new Food Service volumes in regional markets such as Jordan, Kuwait, and Bahrain, as well as vegetarian and plant-based orders into new international markets. Abu Auf is now selling Al Foah Date Crown and BMB ranges through its domestic channels in Egypt, sourcing Egyptian dates for Al Foah, and is scoping opportunities to increase export of its premium branded coffee, nuts, and healthy snacks.

- **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 MENA region and beyond by 2025. Our dedicated Central Innovation Team supports Agthia's commitment to doing things for the better, from new products that meet the evolving needs of consumers to process innovation that underpins our commitment to the planet.

As part of its growing innovation pipeline, Agthia launched the first locally produced 100% rPet water bottle in April, and a new functional water, "Al Ain Plus" in May, fortified with Zinc & Magnesium to meet the growing demand for healthier products and lifestyles. In our snacking portfolio, rollout of new gifting and value-added ranges in dates (for example, chocolate enrobed dates), as well as product and packaging innovation (snack packs, date pouches) have supported strong growth across the category, with BMB recently launching a new travel retail range, initially in Dubai International airport.

<sup>2</sup> Group net profit including minority interests

Agthia was also awarded the "Quality Standards Award" by the Ministry of Industry and Advanced Technology at the "Make It In The Emirates" Forum, in recognition of its commitment to setting a new benchmark for the industry and providing consumers with consistently secure and reliable food products.

- **Launch of "Agthia Ventures":** Post the period end, we launched "Agthia Ventures", a Corporate Venture Capital ("CVC") Fund designed to expand Agthia's innovation capabilities as it continues to drive profitable growth in both new and existing markets.

Funded by Agthia and its parent company ADQ, an Abu Dhabi-based investment and holding company, the fund will be managed together with Touchdown Ventures, a global leader in establishing and operating bespoke CVC programs for blue-chip corporates, with over 100 completed venture investments to date. The fund will leverage Touchdown's extensive network of startups, venture capital relationships, incubators, and accelerators to identify attractive early-stage, seed, and growth investment opportunities.

Investments will focus on opportunities in branded products and emerging food and value chain technologies globally - for example in snacks and beverages, novel ingredients and proteins, innovative packaging solutions, etc. Target investment interests include premium and "Better for You" snacks and beverages, functional water and hydration, alternative proteins, sustainability solutions in farming and packaging, e-commerce solutions for the food and beverage industry, and other capability enhancements relevant to Agthia's value chain.

- **Progressed our sustainability agenda:** We continue to make progress across the four pillars of our sustainability agenda and, during the half, reduced our water usage ratio and GHG scope 2 emissions by 2.5% and 2.0% respectively, and electricity consumption by 2.1%.
- **Accelerating our digital roadmap:** We progressed at pace during the half on our 5-year digital transformation roadmap, creating the foundations to transform Agthia into a consumer data-driven organization. We are proud to be one of the first UAE companies to launch Microsoft co-pilot (ChatGpt engine) in our Water Home Delivery Contact Center, improving our services to and interactions with customers. We also finalized a memorandum of understanding and cooperation with Microsoft, which enables us to accelerate our B2B route-to-market digitization, improve operations in retail stores, modernize our internal ways of working, and increase employee engagement and productivity. We are growing our Digital & Technology team with new hires and are now harmonizing business processes across our operations in Saudi, Kuwait, and Oman, leveraging SAP and Oracle systems.

**Khalifa Sultan Al Suwaidi, Chairman of Agthia Group, commented:** "Agthia's results for the first six months of the year further demonstrate management's ability to successfully consolidate value-accretive businesses and leverage synergies while maintaining a profitable core, across all economic cycles. I am confident that Agthia will continue to create value for all stakeholders as it progresses its strategy to become a leading food and beverage company in the MENA region and beyond."

**Alan Smith, Group Chief Executive Officer, commented:** "There is much to be proud of over the past six months, from innovative product launches into new, scalable markets and strengthening Agthia's Board and Leadership Team, to launching a bespoke venture capital fund that will futureproof our research and development capabilities and offer additional avenues for profitable growth. The efficiencies we continue to generate across our portfolio are enabling us to accelerate investment in capacity, sustainability, and digital excellence, while maintaining a robust balance sheet. An economic backdrop characterized by inflationary headwinds and currency volatility has required us to remain disciplined and agile in our execution, and I am grateful for the continued support and dedication of all our colleagues across the Group in achieving this strong first half performance".



-End of announcement -

Khalifa Sultan Al Suwaidi  
Chairman  
02 August 2023

## Conference Call details

The Consolidated Financial Statements for the Six Months ended 30th June 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 4:00pm UAE time on August 3<sup>rd</sup> 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

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