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Interim 2024 Results

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# Management Discussion & Analysis Report

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6 August 2024

## H1 2024: Strong Revenue Growth with Significant Profitability Expansion, On Track to Meet Full Year Guidance; Interim Dividends Increased by 25%

- H1 2024 Group net revenue +14.7% YoY with strong growth across all four segments (+9.3% YoY excluding one-off commodity trading sales in Q1)
- H1 2024 Group EBITDA +19.9% YoY; margin at 15.1% (+65bps)
- H1 2024 Group net profit +31.8% YoY; margin at 7.5% (+98bps)
- Maintain full-year guidance: 10%-12% revenue growth, EBITDA margin +40-60bps, net profit margin +30-50bps
- Increase in interim cash dividends by 25% to 10.31 fils per share (subject to AGM approval)

Agthia Group PJSC (ADX: AGTHIA) today announces its interim results for the six months ending 30 June 2024.

### Financial highlights

#### Revenue

Group net revenue grew 14.7% year-on-year to AED 2.5 billion during H1 2024 (11.2% growth from volume and 3.5% from pricing). Excluding AED 120 million one-off wheat trading sales in Agri-Business recorded in Q1 2024, the year-on-year net revenue growth was 9.3%. This was primarily driven by a continued shift of our product portfolio towards higher growth segments in key target markets, along with innovations. Notably, 45% of Agthia's growth in the first half of 2024 came from innovations alone (excluding one-off in Q1 2024). The Group delivered a 5.7% year-on-year revenue growth during the traditionally slower Q2, primarily driven by double-digit revenue increases in the Snacking segment.

**Figure 1: Reported revenue by segment – six months ending 30 June 2024**

Revenue (AED MN)	H1 2024	H1 2023	% change YoY
Snacking	718.4	601.2	+19.5%
Protein & Frozen	534.4	498.4	+7.2%
Water & Food	525.3	505.2	+4.0%
Agri-Business	747.9	596.6	+25.4%
<b>Total Group</b>	<b>2,525.9</b>	<b>2,201.3</b>	<b>+14.7%</b>

**Figure 2: Revenue growth, adjusted for one-off trading sales in Agri-business – six months ending 30 June 2024**

The table below shows revenue growth for the first half of 2024, adjusted for one-off trading sales in Agri-Business in Q1 2024 (AED 120 million).

Revenue growth	Agri-Business	Total Group
Adjusted for one-off trading sales	+5.2%	+9.3%

Our Egyptian businesses combined delivered a solid 20.3% year-on-year revenue growth in AED terms during H1 2024, after absorbing an AED 144.5 million negative impact from EGP devaluation. Excluding EGP devaluation, Agthia Group's total revenue growth would have stood at 21.3% year-on-year (+15.7% in Q2 2024).

- **Snacking:** Revenue increased 19.5% year-on-year during H1 2024 (+22.6% in the traditionally slower Q2), mainly led by strong performance in coffee and dates, with over 6% of the increase attributed to newly launched products. Excluding the FX impact, the segment's revenue growth was 29.6% year-on-year (+40.6% in Q2 2024).

Abu Auf continued to deliver strong growth, gaining both volume and value share in the local market of premium-brand coffee in Egypt, resulting in a 40.1% year-on-year increase in revenue (+19.2% in Q2 2024). Abu Auf growth in H1 2024 was bolstered by new product launches and ongoing organic expansion of its retail chain, opening 44 new stores, including mobile kiosks, along Egypt's North Coast.

Al Foah persisted in its robust innovation in dates within the mid to high-value segments, diversified its varieties of dates, and achieved significant value growth across retail outlets both within the UAE and globally in markets such as India, Bangladesh, and Morocco.

- **Protein & Frozen:** Revenue grew 7.2% year-on-year in reported currency during H1 2024, despite the pressure from the EGP devaluation. Excluding the FX impact, the segment's revenue growth was 24.1% year-on-year (+23.6% in Q2 2024).

In Egypt, robust pricing and a favorable mix across domestic channels, notwithstanding the challenging macroeconomic environment, reflected strong brand equity and effective tiering. This, combined with double-digit growth in revenue from domestic and export frozen vegetables, resulted in strong local currency revenue growth of 42.6% year-on-year in H1 2024 (+9.5% year-on-year in AED terms).

In Q2 2024, Agthia opened a new protein manufacturing plant in Jeddah. This facility offers local production with better economic advantages and positions Agthia as a domestic protein supplier in Saudi Arabia. With a AED 90 million investment, the facility boasts an annualized average production capacity exceeding 7,000 tons and houses two production lines capable of producing over 50 stock-keeping units.

In Jordan, overall category and general market headwinds adversely affected the business. Despite this, Nabil delivered a 2.2% year-on-year revenue growth in Q2 2024, primarily driven by volume, thanks to constant innovation and the introduction of new products. Pending the recent startup of the new protein facility in KSA, Agthia has focused on growing export sales into other regional markets, resulting in a 34.6% year-on-year increase in H1 2024 Nabil export sales excluding Saudi Arabia.

- **Water & Food:** The Water & Food segment delivered 4.0% year-on-year revenue growth in H1 2024. Total UAE water revenue rose by 8.3% year-on-year, with Al Ain bottled water retaining its market leadership position. In the UAE, we have increased glass bottle water capacity, which will enable us to triple our production of glass bottled water in the mid-term. Additionally, continuous improvements in customer service within our Home and Office Delivery (HOD) business led to a strong growth of 9.9% year-on-year during H1 2024 (+11.0% in Q2 2024).

In H1 2024, international business revenue increased 3.5% year-on-year, with strong performance from Oman (+10.6%) and Kuwait (+7.6%).

Excluding the adverse impact from our lower margin food trading and dairy businesses, aggregate segment revenue growth would have been 6.7% year-on-year for H1 2024 (+7.0% in Q2 2024).

- **Agri-Business:** Revenue grew by 25.4% year-on-year during H1 2024 (+5.2% excluding one-off wheat trading in Q1 2024). This growth was driven by strong performance in our Animal Feed division, which delivered 9.6% revenue growth during the period.

Strong sales growth in Feed was driven by effective sales execution and performance 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 further enhancing our competitive advantage.

In the Flour business, Agthia continuously strives to increase market share across the UAE, specifically in the retail channel. Driving productivity and efficiency is also an important facet of Agthia's operations, and during H1 2024 we unlocked additional capacity by reducing unplanned downtime and improving the overall equipment effectiveness of the flour mills.

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

Agthia delivered strong revenue growth across all segments, with our continued focus on profit protection in Egypt and group-wide efficiency generation leading to a 19.9% year-on-year EBITDA growth to AED 382.4 million during H1 2024.

Meanwhile, Group EBITDA margin increased by 65bps year-on-year to 15.1% (Q2 EBITDA margin +113bps year-on-year) with accretion across all four segments.

In H1 2024, the negative impact of EGP devaluation on EBITDA amounted to AED 30.6 million. Excluding this impact, EBITDA growth would have been 29.5%, with EBITDA margin standing at 15.5% (an increase of 98bps year-on-year).

**Figure 3: Reported EBITDA and margin by segment – six months ending 30 June 2024**

EBITDA (AED MN)	H1 2024	H1 2023 (restated) <sup>1</sup>	% change YoY
<b>Snacking</b>			
- EBITDA	147.0	103.1	+42.5%
- EBITDA margin	20.5%	17.2%	+330 bps
<b>Protein &amp; Frozen</b>			
- EBITDA	69.3	57.5	+20.5%
- EBITDA margin	13.0%	11.5%	+143 bps
<b>Water &amp; Food</b>			
- EBITDA	80.6	67.7	+19.0%
- EBITDA margin	15.3%	13.4%	+193 bps
<b>Agri-Business</b>			
- EBITDA	108.3	80.0	+35.3%
- EBITDA margin	14.5%	13.4%	+106 bps
<b>Total Group</b>			
- EBITDA	<b>382.4</b>	<b>318.8</b>	<b>19.9%</b>
- EBITDA margin	<b>15.1%</b>	<b>14.5%</b>	<b>65 bps</b>

- **Snacking:** EBITDA growth of 42.5% year-on-year ahead of revenue reflected strong pricing and favorable mix effects. This growth was supported by innovations, premiumization, and strategic buying initiatives, leading to Snacking EBITDA margin expansion of 330bps year-on-year.
- **Protein & Frozen:** EBITDA grew by 20.5% year-on-year, significantly outpacing revenue growth, despite input cost volatility in Egypt and external challenges affecting Jordan. While currency headwinds continue to adversely impact the Protein segment's performance in Egypt, Agthia focused on productivity enhancement and disciplined cost management throughout the period. Thanks to these initiatives the segment profitability has expanded by 143bps in H1 2024.
- **Water & Food:** A combination of a favorable mix towards high-margin premium products and effective cost management, including strict control of overheads, streamlined routes to market, direct cost efficiencies, and overall procurement improvements, resulted in EBITDA growth of 19.0% year-on-year and EBITDA margin expansion of 193bps. Notable performances came from UAE bottled water (EBITDA +56.9% year-on-year).

<sup>1</sup> Restatement of H1 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.

- **Agri-Business:** EBITDA growth of 35.3% year-on-year outpaced revenue growth, driven by a favorable shift in product mix, higher facility utilization rates, and enhanced cost efficiencies.

**Group net profit:** Group net profit increased 31.8% year-on-year to AED 190.0 million during H1 2024, with net profit margin standing at 7.5%, reflecting a 98bps 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 0.4 billion and liquidity of AED 1.8 billion. Our net debt to EBITDA ratio of 1.6x (net debt of AED 1.2 billion) was slightly up compared to December 2023. Our debt is USD and AED-denominated, and we continue to achieve favorable borrowing terms leveraging our strong balance sheet and network of leading banks.

**Proposed cash dividends:** In line with the Group's semi-annual dividend policy, Agthia's board of directors has recommended the distribution of AED 85.7 million as an interim cash dividend (equivalent to 10.31 fils per share). This represents a 25% year-on-year increase. The dividend payment is subject to shareholder approval at our next AGM.

**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.

**Leveraging our Egyptian platform:** We continued to execute our strategy of transforming Egypt into export hub. In H1 2024, export revenue from Egypt reached AED 50.7 million (+53.6% growth year-on-year). Since its acquisition, Abu Auf rapidly expanded its retail footprint, opening 44 new stores, including mobile kiosks, along Egypt's North Coast during H1 2024.

- **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 partners. Notably, 45% of Agthia's growth in the first half of 2024 came from innovations alone (excluding one-off in Q1 2024). Here are some of our innovation highlights since the beginning of the year:
  - **Snacking:** Abu Auf launched instant coffee jars and espresso beans to diversify our coffee portfolio and expanded its snacking portfolio with savory flavored popcorn, crackers, coated peanuts, protein bars, and nut bars. Date Crown launched an organic date range.
  - **Protein & Frozen:** Launched new Nabil brand premium products in Jordan, including high-quality beef and chicken burgers as well as a new range of varieties within the frozen potato category in the UAE.
  - **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 H1 2024, we have reduced our Group CO2 emissions by 7.6% year-on-year. We have also begun various trials to study the potential inclusion of electric trucks and other vehicles, where feasible, to further reduce CO2 emissions across a broader spectrum of our operations.

In Q2 2024, we commissioned the ALPIN Turkey Solar Energy Plant which consists of 1,088 solar panels with a total capacity of 850.45 kW per hour. This initiative aims to further increase the use of renewable energy as part of the Group's total energy mix.

**Accelerating our digital roadmap:** This quarter we continue delivering on our 5-year digital transformation journey with a focus 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 Q2 2024, we restructured our Digital & Technology leadership team with the arrival of external experienced professionals combined with internal talents.

We launched the new Al Ain water home delivery application with new payment options and an improvement in the end-to-end customer experience. We also started rollout activities of a new point of sale across over 200 Abu Auf stores in Egypt and continued the rollout of our Sales Force Automation across our Egyptian operations.

The adoption of new technologies to support our employee safety remains a top priority for Agthia. Recently, we launched AI Image Recognition to prevent accidents at our facilities. Additionally, we implemented a mobile time and attendance solution using geo-location monitoring, which helps prevent employees on-the-go from being involved in accidents due to overwork hours.

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

“Agthia continues to deliver strong performance, solidifying our growth momentum in the first half of the year. Our unwavering commitment to strengthening our business and achieving our long-term goals remains clear. This quarter's results underscore our resilience and strategic focus on driving sustainable value across our diverse portfolio. Going forward, we are well-positioned to seize opportunities in the MENA region and beyond, leveraging our strengths in innovation, digitalization, and operational excellence.”

**Alan Smith, Group Chief Executive Officer of Agthia Group, commented:**

“Agthia delivered solid top and bottom-line results in the first half of the year, reaffirming our ability to navigate effectively challenging and dynamic operating environments. Our teams maintained their focus and agility in the execution of our long-term growth strategy, and we continue our efforts to drive sustainable long-term growth by investing in our brands, capturing synergies and driving efficiency gains. In early July, we officially launched our state-of-the-art protein facility in Jeddah, solidifying our position and establishing one of the key growth drivers for Agthia in the largest market in the GCC. The results of the first half of the year build a strong foundation for Agthia, and we reiterate our full-year guidance. We are also pleased to confirm our first interim dividend payment, intending to return approximately AED 85.7 million to shareholders in September 2024.”

– End of announcement –



Khalifa Sultan Al Suwaidi  
Chairman  
6 August 2024

## Conference Call Details

The Consolidated Financial Statements for six months ended 30<sup>th</sup> June 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 7<sup>th</sup> August 2024. The presentation accompanying the call will be available on Agthia Group's website under the Investors section from 4:00pm on 7<sup>th</sup> August 2024: <https://www.agthia.com/investors/results-call-materials/>

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